Fixed Income
Credit Commentary

26 Aug 2026

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

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- *Asia IG space was 2-4bps wider this morning. The new KYUSEL 36 tightened 4bps from RO at T+115, while the new NECORP 31 tightened 5bps from RO at T+75. We saw better selling flows in long-end TMT BABA/KUAISH/BABA, as well as profit taking in Indian banks and were 2-4bps wider.*

- ***WESCHI:*** *Domestic weakness partially offset by offshore growth in 1H26. WESCHIs were unchanged this morning. See below.*

- ***GRNCH:*** *Greentown China 1H26 revenue down 26% yoy to RMB39.5bn; profit attributable to owners down 61% yoy to RMB81.7mn. GRNCH'28/29 was unchanged this morning.*

❖ **Trading desk comments 交易台市场观点**

Yesterday, we saw two-way flows in Asian IG space. New HPHTSP'31 was 5bps wider from RO of T+78. KOBCOP'31 and SUMITR'29/31 were 1-2bps wider. JERA'31 was stable at RO of T+90. In China TMT space, BABA/MEITUA/JD'28-35 tightened 5-7bps. HK bank T2s were under better buying flows, NANYAN'34/BNKEA'34/DAHSIN'33 were pushed 5-6bps tighter. In KR space, spread of HYUSEC'29/NHSECS'29 /DAESEC'31 narrowed 6-8bps. In SEA, ICICI'31 and HDFCB'31 were also 6-8bps tighter.

In higher-yielding space, European AT1 space was unchanged to 0.3pt lower. In China/HK space, HONGQI/FOSUNI were unchanged. WESCHIs edged up another 0.1-0.2pt post 1H26 results. See comments below. NWDEVL/FAEACO Perps were unchanged to 0.5pt lower. BTSDF'28 was unchanged post 1H26 results. In LGFV, recent issued AHTRHK'29/SIDEVE'29/TZCONS'29 were unchanged to 0.1pt higher. In CNH space, we saw buying flows from RMs on high-quality LGFVs. Recent issued LCTIGP'29/JXWHAG'29 were firm. For CNH TMT, MEITUA/TENCNT moved -0.1 to 0.1pt while BABA rallied c0.5pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CITLTD 4 3/4 02/04/36	**97.3**	**3.8**	VNKRLE 3.975 11/09/27	**56.3**	**-0.4**
VLLPM 7 1/4 07/20/27	**77.8**	**1.3**	VNKRLE 3 1/2 11/12/29	**51.7**	**-0.3**
RIOLN 5 7/8 03/14/65	**98.1**	**1.0**	GLPSP 7.865 PERP	**60.7**	**-0.3**
HKINTL 5 1/4 01/11/53	**100.9**	**1.0**	NWDEVL 4.8 PERP	**58**	**-0.2**
CCAMCL 5 02/08/48	**89.3**	**1.0**	GLPCHI 7 3/4 04/30/29	**89.8**	**-0.2**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.32%), Dow (+0.30%) and Nasdaq (+0.66%) rallied higher on Tuesday. UST yield moved lower. 2/5/10/30 year yield was at 4.17%/4.35%/4.64%/5.17%.

❖ Desk Analyst Comments 分析员市场观点

➢ WESCHI: Domestic weakness partially offset by offshore growth in 1H26

Table 1: Bond profile of WESCHIs

Security name	ISIN	Amt o/s (USD mn)	Ask px	YTW	Issue rating (M/S/F)
WESCHI 9.9 12/04/28	XS3219577148	400	92.5	13.9%	-/B/B
WESCHI 10.5 11/11/29	XS3277000900	290*	89.9	14.5%	-/B/B

**Weschi repurchased USD10mn.*
Source: Bloomberg, CMBI FICC Research.

We like WESCHIs in view of their appealing risk-return profiles, the company's good execution of overseas expansion strategy, considerably relieved refinancing risk following the "friendly" LMEs in Dec'25 and Feb'26 and subsequently early redemption of WESCHI 4.95 07/08/26 in full on 6 Mar'26. We see potential near-term upside catalysts from the execution of asset disposals to Conch Cement, which should strengthen West China Cement (Weschi)'s liquidity position and support the bond performance.

In 1H26, Weschi reported a weaker result, with revenue down 16.5% yoy to RMB4.5bn and EBITDA declined 17.8% to RMB1.5bn, mainly due to lower domestic cement volumes, ASPs and utilization rates. China revenue fell 51.2% yoy to RMB1.5bn and at a segment loss, while overseas revenue increased 29.0% yoy to RMB3.0bn, supported by higher sales volumes in Uganda, the DRC and Uzbekistan. Gross profit declined 9.5% yoy to RMB1.4bn, though the GP margin improved to 31.0% from 28.6% on a more favourable geographic mix. Overseas markets contributed 92% of gross profit in 1H26 (1H25: 58%), leaving China at only 8% (1H25: 42%), reflected its increasing dependence on its overseas markets. EBITDA margin was broadly stable at c34%.

Liquidity improved modestly in 1H26. Cash increased to RMB1.3bn as of Jun'26 from RMB766mn as of Dec'25, supported by operating cash flow of RMB702mn in 1H26. Management reduced FY26 capex guidance to RMB1.0-1.5bn, from prior guidance of cRMB2bn and RMB2.9bn in FY25, which should support free cash flow generation. We anticipate Weschi could partially fund its capex through external funding in the near-term. Despite net debt was broadly stable at RMB10.8bn, net leverage increased to 4.0x from 3.6x from lower EBITDA. Cash/ST debt remained weak at 0.3x.

We see Weschi's near-term refinancing pressure was mitigated following the redemption of WESCHI 26 and issuance of the WESCHI'28 and WESCHI'29. However, the refinancing was completed at higher costs, which was reflected in a 16.7% yoy increase in finance costs in 1H26. We view Weschi's ability to reduce leverage will be more dependent on overseas cash generation and repatriation, as well as capex discipline. Looking ahead, management indicated it is strategically repositioning away from China following the segment's first loss in 30 years amid structurally weak demand. It also expected the African business to deliver 20-30% growth in profit and capacity over the next three to five years. This strategic shift should support earnings and profitability, however, it also raises concerns over execution and cash repatriation.

That said, we take some comfort from the USD40mn of cash upstreamed from overseas in 1H26, part of which was used to repurchase USD10mn of WESCHI'29 given the market price was lower than that of WESCHI'28, as per Weschi. Management expected a further USD100mn of upstreaming in 2H26. Furthermore, Weschi is also pursuing asset monetization and is reportedly in discussions with Conch Cement, its 29% shareholder, on a potential disposal that could generate cRMB1bn in proceeds. Overall, we view Weschi's near-term refinancing pressure has been mitigated by the USD bond refinancing, but its credit profile remains increasingly dependent on overseas execution, cash repatriation and disciplined capital allocation.

Table 2: Weschi's 1H26 financial highlights

RMB mn	1H25	1H26	Change
Revenue	5,418	4,527	-16.5%
Gross profit	1,552	1,404	-9.5%
EBITDA	1,847	1,518	-17.8%
Net profit	895	557	-37.8%
Operating cash flow	665	702	5.6%
GP margin	28.6%	31.0%	2.4 ppts
EBITDA margin	34.1%	33.5%	-0.6 ppts

RMB mn	Dec'25	Jun'26	Change
Cash	766	1,344	75.4%
ST debt	4,880	4,381	-10.2%
LT debt	6,646	7,809	17.5%
Total debt	11,526	12,190	5.8%
Net debt	10,760	10,846	0.8%
Total debt/LTM EBITDA	3.8x	4.5x	-
Net debt/LTM EBITDA	3.6x	4.0x	-
Cash/ST debt	0.2x	0.3x	-

Source: Bloomberg, CMBI FICC Research.

- **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Kyushu Electric	500	10yr	5.816%	T+115	A3/-/-
NEC Corporation	500	5yr	5.129%	T+75	-/A-/-

➢ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	IPT/IPG	Issue Rating (M/S/F)
No Offshore Asia USD New Issues Pipeline Today					

➢ News and market color

- Regarding onshore primary issuances, there were 133 credit bonds issued yesterday with an amount of RMB116bn. As for month-to-date, 1,765 credit bonds were issued with a total amount of RMB1,728bn raised, representing a 12.2% yoy increase

- **[BTSDF]** H&H 1H26 revenue rose 23.9% yoy to RMB8.7bn; Adjusted EBITDA ro 71.9% yoy to RMB1.9bn

- **[CHJMAO]** China Jinmao 1H26 revenue down 14.7% yoy to RMB21.4bn; pretax profit down 35.7% yoy to RMB1.5bn

- **[CNMDHL]** China Modern Dairy revenue up 8.6% yoy to RMB6.6bn; cash EBITDA up 8.3% yoy to RMB1.6bn

- **[FWDGHD]** FWD Group 1H26 insurance revenue up 6.3% yoy to USD1.58bn; pretax profit up 137.6% yoy to USD259mn

- **[SJMHOL]** SJM Holdings 1H26 revenue down 20.8% yoy to HKD11.6bn; adjusted EBITDA up 3.3% yoy to HKD1.7bn

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