CMB INTERNATIONAL 招銀国际

Fixed Income
Credit Commentary

16 Sep 2026

CMBI Credit Commentary

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

- *Asia IG was firmer this morning as rates stabilized. The new MITEST '31 tightened 5bps from RO at T+70bps, while the new SONYLF '56 gained 0.3pt from RO at par. Chinese TMTs BABA/TENCNT/KUAISH/MEITUA were 2-3bps tighter. We saw selling in long-end JP FRNs while JP insurance subs stabilized. The new CNH SFHOLD '29/'31 down 0.1-0.2pt from RO at par. Please see our comments in daily yesterday.*

- ***CATLIF**: After-tax profit reached TWD58.4bn in 8M26. Maintain buy on FUBON '35 and NSINTW '41. Taiwan lifers were unchanged this morning. See below.*

- ***China Economy:** Uneven recovery awaiting fiscal support. CMBI expects RRR and LPR cuts remain possible in 4Q26; retain 4.6% as full-year GDP growth base case, and quarterly GDP growth forecasts of 4.5%/4.6% for 3Q/4Q 2026, respectively. See comments from CMBI economic research below.*

❖ Trading desk comments 交易台市场观点

Yesterday, the 10yr UST yield briefly moved above 5% and reached its highest level since 2007. In Asia IG, the new HYNMTR supply was limited to 3yr and 5yr fixed-rate tranches. Regional participation was subdued, with minimal flipping or top-up activity, and the bonds tightened a modest 2-3bps from ROs. Older HYNMTR '30s/'31s FRNs traded firmer in the absence of a new FRN tranche. The new KOCRGF '31 FRN also tightened 2bps from RO. Conversely, other front-end KR credits softened 1-3bps amid ongoing supply pressure, spanning financials such as KORSFC/KDB, as well as corporates including SKONKR/LOTCOR/KOREAN. In 10yr risk, flows were mixed and two-way. BABA/TENCNT held unchanged. KUAISH widened 1bp. TW lifers generally held up well. KYUSEL '36 widened 2bps. In FRNs, HSBC '32s traded mixed and two-way, alongside better buying interest in Japanese banks including MUFG/SUMIBK/MIZUHO. Meanwhile, we saw targeted selling across front-end T2s SHCMBK/BBLTB/DAHSIN/BNKEA which widened 1-4bps.

In higher-yielding space, European and Japanese AT1s declined by a further 0.1-0.5pt, while insurance subs fell 0.4-0.8pt. Despite flows remaining broadly skewed toward selling, we began to see a modest recovery in AT1 demand, with PBs buying across the curve and institutional accounts selectively adding front-end risk. Japanese insurance subs, which had lagged the broader sell-off, remained under heavy pressure, as bids stayed defensive in most cases. SOFTBK curve rebounded 0.1-0.2pt. Selling also spread to previously resilient Greater China credits, including property names GRNCH/CPDEV, HK perps HYSAN/MTRC and USD IG LGFVs which were unchanged to 1.5pt lower. NWDEVL Perps dropped 0.4-1.3pts, while

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VNKRLE '27/'29 declined 1.1pts. AMs were primarily selling to recycle cash. Higher-yielding LGFVs across both USD and CNH remained relatively resilient against the broader sell-off, supported by continued RM buying.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
VLLPM 9 3/8 07/29/29	**67.1**	**2.1**
VLLPM 7 1/4 07/20/27	**86.4**	**0.4**
HBSLFT 5.1 02/19/28	**100.1**	**0.3**
TSINGH 6 1/2 01/31/28	**93.5**	**0.3**
GARUDA 6 1/2 12/28/31	**85.0**	**0.3**

Top Underperformers	Price	Change
NWDEVL 4.8 PERP	**53.0**	**-1.3**
NWDEVL 6 1/4 PERP	**60.8**	**-1.2**
VNKRLE 3.975 11/09/27	**53.5**	**-1.1**
NWDEVL 4 1/8 PERP	**83.2**	**-1.1**
VNKRLE 3 1/2 11/12/29	**49.3**	**-1.1**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.45%), Dow (-0.63%) and Nasdaq (-0.78%) were lower on Tuesday. UST yield rallied higher yesterday. 2/5/10/30 year UST yield was at 4.67%/4.83%/5.00%/5.36%.

❖ Desk Analyst Comments 分析员市场观点

➢ CATLIF: After-tax profit reached TWD58.4bn in 8M26

Cathay Life reported after-tax net profit of TWD6.7bn in Aug'26, increased 26% yoy, supported by steady CSM release, recurring income and a recovery in financial asset valuations. For 8M26, after-tax net profit reached TWD58.4bn, more than doubled from TWD28.4bn in 8M25. Adjusting for FVOCI equity disposal gains, adj. net profit reached cTWD160bn in 8M26, implying adj. net profit of cTWD20bn in Aug'26, indicated that underlying profitability remained solid. In addition, Cathay Life continued to build its FX buffer, with FX volatility reserves increased by TWD4.2bn during Aug'26 to a record-high at TWD140bn as of Aug'26. The equity-to-asset ratio exceeded 12% in Aug'26, from above 11% in Jul'26, comfortably above the regulatory minimum requirement of 3%.

We continue to view Cathay Life's credit profile as supported by solid earnings capacity and a strengthened capital position. Its growing CSM balance should underpin medium-term earnings visibility, while the higher FX volatility reserve improves resilience against currency movement. That said, earnings quality remains partly sensitive to market conditions, particularly equity performance and valuation gains. FX pressure was more contained in 8M26 with the TWD depreciated c1% against the USD, compared with c7% appreciation in 8M25. Overall, we view solid capital buffers and steady CSM release continue to support its credit profile, though earnings volatility could re-emerge if equity markets weaken, or TWD sharp appreciation resume.

Out of the 4 Taiwan lifers, we pair up CATLIF and FUBON for fair and relative value assessments, in view of their credit profiles and scale of operations. We continue to prefer FUBON 5.45 12/10/35 with a yield pick-up of 10-20bps against CATLIFs. We also pair up NSINTW and SHIKON, and we prefer NSINTW 5 ⅞ 03/17/41 most at current valuation in view of its more balanced risk-return profile, as well as lower cash price and better trading liquidity.

Table 1: Bond profile of selected TW lifers

Security name	ISIN	Amt o/s (USD mn)	Ask px	Z-spread (bps)	YTW	Mod dur	First call date	Payment rank	Issue rating (M/S/F)
CATLIF 5.95 07/05/34	XS2852920342	600	100.7	125	5.9%	6.1	N/A	Subordinated	-/BBB+/BBB+
CATLIF 5.3 09/05/39	XS2885079702	320	96.2	133	5.9%	6.4	09/05/2034	Subordinated	-/BBB+/BBB+
CATLIF 5 1/2 04/29/41	XS3255390463	500	94.0	173	6.3%	7.1	04/29/2036	Subordinated	-/BBB+/BBB+
FUBON 5.45 12/10/35	XS3151416727	650	95.1	155	6.2%	7.0	09/10/2035	Subordinated	-/BBB+/BBB+
FUBON 5.87 07/27/41	XS3384667146	350	96.1	180	6.4%	7.3	07/27/2036	Subordinated	-/BBB+/BBB+
NSINTW 5.45 09/11/34	XS2888260564	700	93.4	194	6.5%	6.3	N/A	Subordinated	-/BBB+/BBB
NSINTW 5 ⅞ 03/17/41	XS3046322593	653	94.2	212	6.7%	6.8	12/17/2035	Subordinated	-/BBB+/BBB
SHIKON 6.95 06/26/35	XS3096123883	400	101.1	219	6.8%	6.4	N/A	Subordinated	-/BBB/-

Source: Bloomberg.

➢ China Economy: Prices recover while demand lags

China’s economy remained uneven in August, with stronger production and exports masking persistent weakness in domestic demand. Industrial output growth accelerated and beat market expectations, while retail sales, fixed asset investment and credit demand extended the decline. A deteriorating property sector continues to constrain household wealth and developer cash flow, despite tentative stabilization in top-tier cities and existing home sales. Under the circumstances, we expect incremental policy support in 4Q26 to focus on faster deployment of existing fiscal resources, policy-bank financing and targeted housing measures, while RRR and LPR cuts remain possible. With limited prospects for substantial additional support to household incomes, these measures are more likely to stabilize investment than generate a sustained consumption acceleration, in our view. We therefore retain 4.6% as our full-year GDP growth base case, and quarterly GDP growth forecasts of 4.5% and 4.6% for 3Q and 4Q 2026, respectively. For equity market, the implication is continued earnings divergence, as globally competitive exporters and AI-related equipment suppliers with visible orders, pricing power and cash generation, complemented by sustainable dividend payers may outperform, while domestic cyclicals may struggle.

New housing sales continued to slump, with developer cash flow still under pressure. The property market showed two notable divergences: existing-home sales outperformed new-home sales, while tier-1 cities remained more resilient than tier-2&3 cities. New property sales by floor area fell 12.1% YTD in 8M26 from -11.8% in 7M26, with residential sales down 13.0%. Developer funding further contracted 21.0% YTD, including declines of 14.8% in deposits and advance payments and 22.4% in mortgage receipts. In the first half of Sep, new home sales further dropped 16.2% YoY from 10% in Aug, as tier-2&3 cities slumped 24% and 42.1% while tier-1 cities rebounded by 25.2%. Second-hand housing sales in 11 selective cities, on the other hand, picked up 13.2% YoY in the first half of Sep compared to 7.4% in Aug. Price performance was more differentiated: new and existing home prices in tier-1 cities each rose 0.1% MoM in August, while existing-home prices in tier-2 and tier-3 cities both fell 0.3%. The divergence suggests that housing demand is concentrated in existing homes and core cities, which leaves the national recovery subdued and uneven. The ongoing downturn should continue to weigh on durables consumption, while keeping credible delivery of unfinished homes and reducing excess inventory high on the policy agenda in 2H26.

Retail sales weakened further as durable-goods demand remained depressed. Retail sales growth slowed to 0.4% YoY in August from 0.6% in July, below market expectations at 0.7% while bringing YTD growth to 1.1%. Auto sales fell 18.5%, versus 17.0% in July, while furniture sales remained weak at -7.9%. Appliances improved to 2.3% from -1.9%, and telecom equipment accelerated to 27.3% from 20.4% as higher electronics prices contributed to the latter's nominal strength. Discretionary spending remained fragile as jewellery sales fell 17.5%, while catering growth eased to 1.1% from 1.4%. Clothing and cosmetics sales also moderated. Services offered some support, with service retail sales rising 4.9% YTD, compared with 1.0% for goods. The pattern is consistent with payback from earlier trade-in subsidies alongside weak household confidence. Further subsidies may support individual categories, but sustained consumption growth requires stronger income expectations and less pressure on household balance sheets. We see limited prospects for additional policy support in this area in 2H26.

FAI further contracted, making fiscal execution the key near-term test. FAI fell 7.2% YTD in 8M26, versus -6.7% in 7M26, in-line with market expectations. The estimated single-month decline narrowed to 10.6% from 12.8%, but investment remained deeply depressed. Property investment narrowed its contraction to -25.4% YoY in Aug from -27.5%, while manufacturing investment further fell 6.1%. Chemical products, non-ferrous metals, metal products and auto further declined while computer & electronics continued to accelerate. Infrastructure investment saw another decline at -14.7% YoY in Aug, as local fiscal conditions remained major constraints. Local government land sales revenue dropped 30.8% in 7M26. We should see a gradual recovery in infrastructure investment, as the RMB800bn policy-financing program offers an autumn catalyst, with China Development Bank making its first disbursements in early September. The program's effectiveness will depend on funds reaching viable projects and generating actual construction. We expect a selective improvement in investment, while weak private-sector appetite and local fiscal constraints limit the strength of the recovery.

Industrial output recovered, led by exports and advanced manufacturing. Industrial value-added growth rose to 5.2% YoY in August from 4.5% in July, above market expectations at 4.7%, with manufacturing accelerating to 6.1% from 5.5%. Mining's contraction narrowed to -1.4% from -4.2%, while utilities growth edged down to 4.9% from 5.0%. High-tech manufacturing expanded 16.7%, while computer, telecom & electronic equipment, integrated-circuit and industrial-robot output rose 17.2%, 20.6% and 34.6%, respectively. Export delivery value increased 11.1%, up from 10.4%, reinforcing external demand's support for production. However, construction-related activity remained weak, with cement and crude-steel output falling 11.7% and 3.7%. Service-output growth also eased to 4.1% from 4.3%. The production recovery therefore remains concentrated. Strong technology output can sustain aggregate growth, but softer services and construction suggest that its benefits have yet to spread broadly through domestic employment, income and spending.

Credit momentum weakened further in August, with public financing cushioning continued household deleveraging. New total social financing (TSF) reached RMB1.66trn, down 35% YoY, while outstanding TSF growth slowed to 7.2% from 7.4% in July. New bank lending amounted to just RMB60bn, down nearly 90% YoY versus RMB590bn a year earlier, with household loans contracting RMB203bn across both short- and longer-term borrowings. Government bonds accounted for approximately 61% of new TSF despite lower net issuance YoY, highlighting the importance of public-sector support. Corporate financing was more resilient than the headline loan figures suggested, as stronger bond issuance largely offset the decline in medium- and long-term corporate lending. Financing substitution therefore explains part of the loan slowdown, while persistent household deleveraging provides clearer evidence of weak domestic demand and property-related balance-sheet pressure. In our view, faster fiscal deployment and the RMB800bn policy-financing program could help stabilize credit growth later this year, but stronger headline TSF would not itself establish a recovery in private borrowing. Government issuance can lift financing aggregates before funds translate into spending. The decisive test is whether policy support generates sustained project activity and renewed household borrowing.

China's growth is becoming more dependent on industrial competitiveness and public-sector support, with limited transmission to household demand. Technology investment and resilient exports continue to support output, but the property decline and household deleveraging constrain the spending recovery. This divergence allows headline GDP to remain relatively resilient while domestically exposed businesses face weak demand and limited pricing power. Rising upstream prices could further widen earnings differences by lifting producers' revenues while squeezing downstream margins. Under the circumstances, we expect incremental policy support to focus on faster deployment of existing fiscal resources, including spending of government-bond proceeds and implementation of the RMB800bn policy-financing program, alongside continued consumption-loan interest subsidies. The announced RMB300bn recapitalisation of central financial institutions should strengthen financing capacity, although its impact on activity will depend on borrowers' willingness to invest and spend. Targeted housing measures and additional liquidity provision, potentially including RRR and LPR cuts, remain possible in 4Q26. With limited prospects for substantial additional support to household incomes, these measures are more likely to stabilize investment than generate a sustained consumption acceleration. We therefore retain 4.6% as our full-year GDP growth base case, and quarterly GDP growth of 4.5% and 4.6% for 3Q and 4Q 2026, respectively. For investors, the implication is continued earnings divergence, as globally competitive exporters and AI-related equipment suppliers with visible orders, pricing power and cash generation, complemented by sustainable dividend payers may outperform, while domestic cyclicals may struggle. A broader market recovery would require fiscal spending to translate into stronger private investment, household income and corporate cash flow.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Mitsubishi Estate Company	300	5yr	5.52%	T+70	A2/A/-
Newcastle Coal Infrastructure Grou	500	10yr	6.47%	T+160	-/BBB+/BBB
Sony Life Insurance	700	30NC10	7.125%	7.125%	-/A-/-

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

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

- **News and market color**

- Regarding onshore primary issuances, there were 152 credit bonds issued yesterday with an amount of RMB195bn. As for month-to-date, 983 credit bonds were issued with a total amount of RMB1,010bn raised, representing a 37.8% yoy increase

- Macau may see up to 120,000 visitors daily on average during a three-day Chinese-mainland festive period in late Sep'26. That would be a 20% rise on a current daily average, which stood at nearly 100,000 arrivals.

- **[FTLNHD/FUTLAN]** Media reported that Seazen guides 4-7% coupon range for planned RMB400mn onshore bonds

- **[MEITUA]** China requires Meituan and Trip.com to cut competition risk

- **[NSINTW]** Nan Shan Life Insurance Aug'26 revenue at TWD35.3bn

- **[SFHOLD]** SF Holding priced 3yr/5yr CNH bonds, RMB5bn for each tranche, at 1.75%/1.85%, respectively, tightened from IPT at 2.3%/2.4%

- **[SYNNVX]** Media reported Syngenta submitted an application for IPO in Hong Kong to raise up to USD5bn

- **[TCOM]** Trip.com 1H26 net revenue up 11.2% yoy to RMB31.9bn; adj. EBITDA up 2.9% yoy to RMB9.4bn

- **[VNKRLE]** Vanke Real Estate (Hong Kong) to extend loan maturities by three years; repay loans from GLPH sale

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