

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2025

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "The Asset Asian G3 Bond Benchmark Review 2025". Thank you for your support!

- *This morning, Asian IGs were unchanged to 4bps tighter. GLPSP Perps were up another 0.5-0.8pt after moving 3.0-3.4pts lower over the last week. Hanwha Life Insurance announced mandate of 30NC5 T2, HLINSU 32s were unchanged.*
- **MEDCIJ:** *Switch to MEDCIJ 8.625 05/19/30 for better risk-adjusted return profile. See below.*
- **FRESHK:** *USD24mn of FRESHK 2 1/2 07/08/25 (CB) was converted into equity. Including USD10mn being put in Aug'23, the o/s amount of the CB reduced to USD266mn. At a parity of c120, the remaining CB will likely be converted into equity before maturity on 8 Jul'25. We maintain buy on FRESHKs. FRESHK 25-28s were 0.1pt lower to 0.2pt higher this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, Asia IG space had a constructive session. In KR, LGNSO/HYNMTR/HYUELE 27-33s were 1-5bps tighter amid two way flows. In Chinese IGs, the new CNH CHGRID 2 30/CHGRID 2.25 35 were unchanged to 0.1pt lower on primary indigestion. TENCNT/BABA/LENOVO 27-35s were unchanged to 2bps tighter. In financials, CCAMCL/CFAMCI 27-30s were 1-10bps tighter on AM deployment interests. BOCAVI/FRESHK 26-33s were unchanged to 2bps tighter. BBLTB 33-40s were better offered by AMs and closed 1-3bps wider. ASBBNK/ANZ 30-36s were 2-3bps tighter. In insurance hybrids, NIPLIF/MYLIFE 55s were down 0.2-0.3pt. EU AT1s were also better offered by AMs. The recent new HSBC 7.05 Perp/RY 6.75 2085 were unchanged to 0.1pt lower. In HK, NWDEVL Perps moved 0.2-1.1pts higher, NWDEVL 27-31s moved -0.6 to +0.8pt. NWDEVL Perps and 27-31s closed 4.5-24.3pts lower and 4.3-7.6pts lower, respectively post the announcement of coupon deferral. See our comments on talks of NWD's USD3bn equity funding plan on 6 Jun '25. FAEACO Perp declined 1.5pts, closed 17.5pts lower WoW. LIHHK/PCPDC 26s dropped 1.8-2.5pts, closed 2.8-3.4pts lower WoW. HYSAN 7.2/4.85 Perps rebounded 0.3pt, closed 0.6-2.9pts lower WoW. In Chinese properties, LNGFOR 27-32s declined another 0.3-0.8pt, closed 2.2-3.3pts lower WoW. VNKRL 27-29s were up 0.4pt, closed 2.4-2.5pts lower WoW. GRNCH 25s/28s were under better buying from RMs/PBs, closed unchanged to 0.1pt higher. Outside properties,

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳靄瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

WESCHI 26s lowered 1.0pt. HONGQI 28s rose 0.1pt. In SE Asia, VLLPM 27-29s declined another 0.9-2.6pts, closed 7.9-8.0pts lower WoW. GLPSP Perps were up 0.3-0.5pt, but closed 3.0-3.4pts lower WoW. ADGREG 42s were up 1.5pts. ADSEZ/ADANEM 27-41s were up 0.1-0.4pt.

The higher yielding LGFVs continued to compress in yields on deployment buying. There were two way interests on CNH names such as BXCAIJ 7 28s/ZIBOPR 5.8 28s/QINLID 6.9 28s and USD names such as ZBTECH 6.95 27s. CPDEV 26s were up 0.3pt. In SOE perps, HUANEN/COFCHK Perp were 0.1pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ADGREG 6.7 03/12/42	91.3	1.5	VLLPM 7 1/4 07/20/27	79.1	-2.6
NWDEVL 6.15 PERP	34.4	1.1	LIHHK 4.8 06/18/26	85.9	-2.5
NWDEVL 5 7/8 06/16/27	64.8	0.8	PCPDC 5 1/8 06/18/26	92.7	-1.8
NWDEVL 8 5/8 02/08/28	60.5	0.7	ROADKG 5 1/8 01/26/30	32.3	-1.6
NWDEVL 5 1/4 PERP	24.7	0.5	YANTZE 3.2 10/16/49	71.1	-1.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.03%), Dow (+1.05%) and Nasdaq (+1.2%) were higher last Friday. US May'25 nonfarm payrolls was +139k, lower than +147k in April but higher than the market expectation of +126k. US May'25 unemployment rate was 4.2%, on a par with the market expectation. UST yield was higher last Friday, 2/5/10/30 yield at 4.04%/4.13%/4.51%/4.97%.

❖ Desk Analyst Comments 分析员市场观点

➤ MEDCIJ: Switch to MEDCIJ 8.625 05/19/30 for better risk-adjusted return profile

Table 1: Bond profile of MEDCIJ

Security Name	ISIN	Amt o/s (USD mn)	Ask Px	YTM	Issue rating (M/S/F)
MEDCIJ 7 ¾ 05/14/26	US58405FAA30	91.7	101.9	5.3%	B1/BB-/BB-
MEDCIJ 6 ¾ 01/30/27	US58406LAA98	124.3	100.4	5.8%	B1/BB-/BB-
MEDCIJ 6.95 11/12/28	US58406RAA68	299.4	99.2	7.2%	B1/BB-/BB-
MEDCIJ 8.96 04/27/29	US58407HAA77	500.0	103.9	7.5%	B1/BB-/BB-
MEDCIJ 8.625 05/19/30	US58406VAA70	400.0	101.3	8.3%	B1/BB-/BB-

Source: Bloomberg.

Medco Energi (Medco) accepted totaled USD462.5mn in the tender offers, i.e. USD150.595mn of MEDCIJ 7.375 05/14/26 and USD310.934mn of MEDCIJ 6.375 01/30/27, partly financed by the new issue of USD400mn MEDCIJ 8.625 05/19/30. Medco's near-term refinancing pressure is notably relieved and the maturity profile is lengthened after the tender offers. YTD, Medco had bought back USD bonds totaled USD519mn (incl. tender offers), implying repurchases totaled USD56.5mn in the open market but not yet cancelled. Medco disclosed that it had bought back totaled USD37mn bonds in early May'25. Therefore, It had repurchased another USD19.5mn bonds in the market during May'25. We expect Medco to conduct more early redemptions or calls given its sufficient liquidity and good access to onshore and offshore funding channels. We maintain buy on MEDCIJs. Among MEDCIJs, we switch to MEDCIJ 8.625 05/19/30 from MEDCIJ 6.95 11/12/28 for better risk-adjusted return profile and better trading liquidity. At 101.3, MEDCIJ 8.625 05/19/30 is trading at YTM of 8.3%.

In 1Q25, Medco reported 0.7% yoy increase in revenue to USD560mn. Lifting of both oil and gas dropped in 1Q25 compared to 1Q24 under softening demand. The average realized price of oil dropped to USD72/boe in 1Q25 from USD79/boe in 1Q24, while the average realized price of gas was slightly higher at USD7.1/mmbtu in 1Q25 compared to USD7.0/mmbtu in 1Q24. The gross profit dropped by 1.4% yoy in 1Q25 due to higher production and lifting costs. 1Q25 EBITDA increased 1.3% yoy to USD330mn with lower SG&A expenses. We expect the revenue growth of Medco in FY25 to be slower than 7% yoy increase in FY24, in view of moderating oil price YTD. The average Brent crude oil price is USD71/bbl YTD, down from USD88/bbl over the same period last year.

Medco maintains the operational guidance in FY25 largely the same as that in FY24. The oil and gas production will remain at 145-150mboepd and cash cost of below USD10/boe. 1Q25 production at 143 mboepd and cash cost at USD8.4/boe are largely in line with the target. Medco guides power sales at 4,500Gwh in FY25, and 1Q25 power sales of 871Gwh achieved 19% of the FY25 target.

As of Mar'25, its cash on hand increased to USD876mn from USD697mn as of Dec'24, driven by operating cash inflow of USD211mn. During 1Q25, Medco spent USD89mn in capex, representing 21% of its FY25 capex budget of USD430mn. We expect Medco's operating cash flow and cash in hand to be sufficient to cover the upcoming budgeted capex of USD341mn in 2Q-4Q25 and ST debt of USD514mn. As of Mar'25, the total debt increased slightly to USD3.7bn from USD3.6bn. The net debt/LTM EBITDA fell to 2.2x at Mar'25 from 2.3x at Dec'24, mainly attributable to higher cash balances. We view the credit profile of Medco remains solid at its current credit ratings.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issue Priced Today					

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

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

➤ **News and market color**

- Regarding onshore primary issuances, there were 104 credit bonds issued last Friday with an amount of RMB85bn. As for Month-to-date, 333 credit bonds were issued with a total amount of RMB323bn raised, representing a 24% yoy decrease
- China to slow down rollout of self-driving technologies by carmakers while they review safety and liability issues
- **[GEELY]** Geely holds off building new plants as global industry faces overcapacity issues
- **[HYDOO]** Guangdong-Hong Kong Greater Bay Area Holdings Limited (Youngo) to redeem in full its outstanding USD439.1mn notes of HYDOO 4.5 04/28/29 on 10 Jun'25, at a redemption price equal to 55% of the outstanding principal amount
- **[IDASAL]** MIND ID subsidiary's nickel mining operations suspended amid environmental concerns

- **[LIHHK]** Lifestyle International Holdings' annual report discloses covenant breaches tied to two secured loans totaling HKD13.7bn (cUSD1.7bn) and waivers from lenders
- **[LINREI]** Link REIT considers listing non-China and Hong Kong assets in Singapore
- **[NSANY]** Moody's downgraded Nissan Motor by one notch to Ba2 from Ba1 with negative outlook, due to a deterioration in Nissan's credit profile, particularly in automotive free cash flow (FCF) and EBIT margin
- **[NWDEVL]** New World Development delays coupon payments of USD500mn on NWDEVL 6.15 Perp and USD1bn on NWDEVL 5 1/4 Perp
- **[PKX]** Posco Holdings' battery business to build KRW436bn (cUSD321mn) graphite plant to cut China reliance
- **[SOFTBK]** SoftBank legal fight with Credit Suisse over Greensill losses started in London court on 5 Jun'25; SoftBank Group bought back 2.8mn shares for JPY 21bn (cUSD146mn) in May'25
- **[TATAIN]** Tata Steel says UK steel exports may be excluded from tariff-free access to the US
- **[TOPTB]** Thai Oil spills crude oil at the company's refinery in Sriracha, Chonburi province
- **[VNKRL]** China Vanke to receive up to RMB3bn (cUSD417mn) loan from Shenzhen Metro Group

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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