CMBI Credit Commentary

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

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- *Asia IG spreads were unchanged this morning. JP names were weak and dropped c0.25pt. Korean FRNs were also weak, while fixed-rate bonds were chased. AT1s were under better selling. Dim Sum CB/AIA were under better selling.*

- ***RAKUTN:** Another record 3Q for revenue and EBITDA. Maintain buy on RAKUTN 8.125 Perp, which was unchanged this morning. See below.*

- ***NWDEVL:** New World Development proposed HKD24.9bn rights issue as part of comprehensive capital structure reset; plans to settle accumulated deferred distributions on perps after it completes the proposed recapitalization plan. NWDEVLs were 0.5-5.1pts higher last Friday and were unchanged this morning.*

❖ **Trading desk comments 交易台市场观点**

Sentiment was firm in Asian IG last Friday. Korean IGs were traded under active two-way flows, and corps and utilities tightened 1-3bps. Chinese TMT BABA/TENCNT/JD/MEITUA were 1-2bps tighter. Bank T2s and FRN were active. DAHSIN/NANYAN/BNKEA were unchanged to 2bps wider. TW lifer T2s were unchanged to 2bps wider. FRESHKs tightened 1-3bps. EU AT1s turned weak on better selling. The recent new HSBC/INTNED Perps down c0.5pt, and other active names were 0.2-0.5pt lower. SSLINS '56 also dropped 0.5pt.

In the higher-yielding space, NWDEVLs rallied 0.5-5.1pts post HKD24.9bn right issue announcement. Chinese developers remained weak. CHJMAO /GRNCH/FUTLAN were unchanged to 0.3pt lower. WESCHI '28 dropped 1.2pts. FOSUNI/BTSDF were down 0.1pt. LGFV spaces were light. We saw some buyers on Guangdong and Shandong names. In Macau gaming, SJMHOLs up 0.5-1.0pt while other gaming operators down 0.1-0.5pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
NWDEVL 4.8 PERP	**52.2**	**5.1**
NWDEVL 6 1/4 PERP	**62.3**	**5.1**
NWDEVL 12.179 PERP	**96.4**	**3.7**
NWDEVL 4 1/8 PERP	**81.8**	**3.6**
NWDEVL 4 1/2 05/19/30	**82.6**	**3.5**

Top Underperformers	Price	Change
TAQAUH 4 3/8 10/09/31	**96.1**	**-3.3**
EDLLS 11 1/8 08/11/31	**97.9**	**-2.6**
WESCHI 9.9 12/04/28	**88.5**	**-1.2**
GENTMK 7 5/8 PERP	**85.1**	**-1.2**
SICHUI 7 05/08/28	**99.8**	**-1.1**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.40%), Dow (+0.10%) and Nasdaq (-0.91%) were mixed on last Friday. US Oct'26 PPI was +0.3% mom, lower than the market expectation of +0.4%. UST yield was higher last Friday. 2/5/10/30 year UST yield was at 4.88%/4.98%/5.15%/5.47%.

❖ Desk Analyst Comments 分析员市场观点

➢ RAKUTN: Another record 3Q for revenue and EBITDA

Table 1: Bond profile of RAKUTNs

Security Name	ISIN	Amt o/s (USD mn)	Ask Px	YTM/YTC	First call date	Coupon reset	Step-up (bps)	Issue rating (M/S/F)
RAKUTN 11.25 02/15/27	USJ64264AG96	1,800	101.4	5.8%	-	-	-	-/BB/-
RAKUTN 9.75 04/15/29	USJ64264AK09	2,000	106.9	6.7%	-	-	-	-/BB/-
RAKUTN 8.125 Perp	USJ64264AM64	550	100.9	7.8%	15 Dec'29	5yUST+4.000%	25	-/B/-
RAKUTN 6.25 Perp	USJ6S87BAX69	1,000	93.6	8.1%	22 Apr'31	5yUST+4.956%	25	-/B/-

Source: Bloomberg.

We maintain buy on RAKUTN 8.125 Perp, in view of attractive yield pick-up and carry within the RAKUTN curve. The perp is trading at a YTC of 7.8% at 100.9, offering c110bps pick-up over RAKUTN 29 with 8 months longer in "tenor". We continue to see a good likelihood of Rakuten calling the perp at the first call date, supported by improving operating performance, diversified funding access, and a consistent call track record. We are neutral on RAKUTN 6.25 Perp, with a preference for shorter tenor given our expectation of higher rate volatility.

In 3Q26, revenue rose 10.9% yoy to JPY697.1bn and EBITDA rose 4.0% yoy to JPY123.5bn, both were record highs for a third quarter. EBITDA margin narrowed to 17.7% from 18.9% in 3Q25 on higher sales promotion spending. For 9M26, revenue rose 12.2% yoy to JPY2.0tn and EBITDA rose 15.2% yoy to JPY347.6bn. The FinTech segment drove growth through a larger customer base and higher transaction value, while the Mobile segment contributed through more subscriptions and store network expansion. EBITDA margin widened modestly to 17.3% from 16.9% in 9M25 on cost efficiency. Net loss narrowed to JPY22.1bn from JPY113.4bn.

Operating cash flow turned positive at JPY224.1bn in 9M26, mainly on increased lending in the securities business. Capex rose 49.1% yoy to JPY234.2bn. Mobile capex was JPY105.7bn, or c53% of the JPY200bn segment capex FY26 budget. Net debt fell to JPY4.5bn as of Sep'26 from JPY305.7bn as of Jun'26, as higher net cash flow funded debt repayment. Management maintained its target to cut non-FinTech net interest-bearing debt/EBITDA to 5.0x or below by Dec'27. The ratio was 7.7x as of Sep'26, up from 6.2x as of Jun'26

on valuation losses. We believe the target requires continued EBITDA expansion, disciplined capex and smooth access to funding markets. Meanwhile, we take comfort from Rakuten's continued access to diversified funding channels and proactive liability management. Rakuten has fully funded the redemption of its USD1.8bn RAKUTN 11.25 02/15/27 due in Feb'27, using proceeds from a JPY bond issued in Oct'26. It also plans to issue a new perps to fund the redemption of its JPY-denominated bonds due in 2027 and a JPY-denominated perp first callable in Apr'27.

Separately, Rakuten has launched a consent solicitation on its USD2bn RAKUTN 9.75 04/15/29. The proposal would remove the covenants restricting asset sales, dividend distributions and payments. It would also remove the related provision that suspends these covenants if the bonds receive an IG rating. The consent fee is USD0.5-1.0, scaled by participation. The deadline is 20 Nov'26 5pm EST, and approval requires valid consents from holders of a majority in aggregate principal amount. We view the consent as giving Rakuten more room for asset disposals as it deleverages, while the impact on the RAKUTN '29s to be limited given Rakuten's improving cash flow and funding access.

Table 2: Rakuten's 3Q26 and 9M26 financial highlights

JPY bn	3Q25	3Q26	Change	9M25	9M26	Change
Revenue	628.6	697.1	10.9%	1,787.6	2,006.1	12.2%
-Internet services	349.6	347.3	-0.7%	979.6	1,003.0	2.4%
-FinTech	250.5	306.0	22.1%	706.8	876.7	24.0%
-Mobile	118.7	140.4	18.3%	341.5	393.0	15.1%
Operating income	8.0	39.5	396.3%	1.3	89.9	6580.8%
Reported EBITDA	118.7	123.5	4.0%	301.8	347.6	15.2%
EBITDA margIn	18.9%	17.7%	-1.2%	16.9%	17.3%	0.4%
Net loss	(11.5)	(47.5)	313.8%	(113.4)	(22.1)	-80.5%
Operating cash flow	52.7	525.8	897.4%	(81.2)	224.1	-375.9%
Capex	43.3	89.4	106.5%	157.0	234.2	49.1%

JPY bn	Jun'26	Sep'26	Change
Cash and ST investments	4,490.5	4,260.3	-5%
Total debt	4,796.2	4,264.8	-11%
Net debt	305.7	4.5	-99%

Source: Company filing, CMBI FICC Research.

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

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

➢ 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 80 credit bonds issued last Friday with an amount of RMB60bn. As for month-to-date, 689 credit bonds were issued with a total amount of RMB799bn raised, representing a 13.4% yoy decrease

- **[BTSDF]** H&H International utilized refinancing facilities and USD304.1mn drawn after conditions precedent satisfied

- **[HYUELE]** SK Hynix plans to spend KRW1.4tn over five years to support small domestic suppliers

- **[SJMHOL]** Fitch downgraded SJM Holdings by one notch to B from B+, reflected SJM's higher leverage, due to weaker-than-expected operating performance, and a deleveraging trajectory that is no longer consistent with its previous rating level; outlook negative

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