

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

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- *This morning, sentiment was cautious in general amid two-way flows. MTRC Perps were 0.25-0.3pts higher. IG space initially widened 5-10bps then followed by 1-3bps tighter. TH banks T2s were unchanged to 3bps wider. FRNs widened 1-2bps.*
- **FRESHK:** *Stable asset quality amid revenue decline. Maintain buy on FRESHK. FRESHKs widened 10-15bps this morning. See below.*
- **Macao gaming:** *GGR growth accelerated in 7M25. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, sentiment softened before the release of the July Non-farm Payrolls (NFP) data. The new UBS 6.6 Perp and UBS 7 Perp were down 0.1-0.5pts, following a tight primary pricing. Yankee notes and Japanese AT1s also dropped by 0.25-0.5pt, as selling gradually picked up amid the resumption of primary supply. In Greater China high-beta credits, we saw perps retracing by c0.1pt led by MTRC. In China IG, TENCNT 29 widened 3bps while TENCNT 30-35 tightened 1bp, MEITUA was 4bps tighter to 2bps wider, and XIAOMI/WB 3.375 30/BABA 30-35 were 2bps tighter to 1bp wider. TH banks sub curve widened 2-4bps, TW lifers widened 1-3bps, and Korea Corp HYNMTR/LGENSO and FIs NHSECS/SHINFN/TYANLI were 1-2bps wider. On the other hand, HYUELE 26-28s were 2-8bps tighter. See our comment on SK Hynix on [1 Aug'25](#). In FRN space, EU banks were 1-2bps tighter amid PB buying, and Japan banks were 1-2bps tighter on MIZUHO/SUMIBK 31.

LGFV space remained largely afloat as RM was deploying cash at tighter levels, driving AAA-CNH papers to high-4% and high-yielding USD issues towards 7%.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CNOOC 7 1/2 07/30/39	131.2	2.0	GWFOOD 3.258 10/29/30	83.9	-2.3
SINOCH 6.3 11/12/40	113.2	2.0	VEDLN 9.85 04/24/33	99.5	-1.1
TEMASE 5 3/8 11/23/39	109.0	1.7	VEDLN 9.475 07/24/30	98.2	-0.8
CNOOC 6.4 05/15/37	117.2	1.6	INDYIJ 8 3/4 05/07/29	96.3	-0.7
RILIN 6 1/4 10/19/40	108.6	1.6	VEDLN 11 1/4 12/03/31	103.8	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.60%), Dow (-1.23%) and Nasdaq (-2.24%) were lower on last Friday. US Jul'25 S&P Global Manufacturing PMI was 49.8, lower than the market expectation of 49.5. US Jul'25 ISM Manufacturing PMI/Prices was 48.0/64.8, lower than the market expectation of 49.5/69.9, respectively. UST yield was lower on last Friday, 2/5/10/30 yield at 3.69%/3.77%/4.23%/4.81%.

❖ Desk Analyst Comments 分析员市场观点

➤ FRESHK: Stable asset quality amid revenue decline

Far East Horizon (FEH) reported largely stable asset quality yet lower profitability in 1H25. We expect FEH's operating performance and asset quality to remain stable in view of its diversified leasing asset base. We also expect its liquidity profile to remain adequate given its smooth access to low-cost onshore funding. In our view, FRESHKs offer more attractive risk-return profiles than its peers such as BOCAVI 26-28s (YTM of 4.4-4.6%). We maintain buy on FRESHKs.

Table 1: Bond profile of FEH

Security name	ISIN	Amt o/s (USDmn)	Px	Z-spread (bps)	YTM	Issue rating (M/S/F)
FRESHK 4.25 10/26/26	XS2393797530	300	99.1	129	5.0%	-/BBB-/-
FRESHK 6.625 04/16/27	XS2800583606	500	102.0	176	5.4%	-/BBB-/-
FRESHK 5.875 03/05/28	XS2886144232	550	100.4	226	5.7%	-/BBB-/-
FRESHK 6 10/01/28	XS3025777221	500	100.5	237	5.8%	-/BBB-/-

Source: Bloomberg.

FEH's revenue declined 4% yoy to RMB17.3bn in 1H25. Income from industrial operations were lower, due to weaker demand from contract builder clients. This was partly offset by higher income from advisory services and stable financial leasing businesses. The net interest margin rose by 4bps to 4.51% in 1H25 compared to 1H24. Pre-provision operating profit fell 7% yoy under higher administrative expenses in 1H25. Asset impairment losses were lower in 1H25, attributable to more prudent risk management policies. The reversals of assets after write-off more than offset the increased assets provisions. As a result, PBT remained stable at RMB4.0bn in both 1H25 and 1H24. The ROAA declined by 9bps to 1.21%, while ROAE increased by 17bps to 8.66%.

FEH continued to incur net operating cash outflow in both 1H25 and 1H24. The operating cash outflow in 1H25 rose by 80% due to higher receivables as of Jun'25 and lower payables. Meanwhile, FEH's capex dropped by 70% yoy to RMB1bn in 1H25. Recalled that FEH generated net operating cash inflows in the second half over the past few years, primarily due to increased collections of receivables during the second half of the year. We expect FEH to generate sufficient operating cash flow to cover its capex throughout 2025.

FEH's net debts increased slightly by 1% to RMB248.0bn as of Jun'25 from Dec'24, primarily due to a lower cash balance. We take comfort from FEH's continued access to low-cost onshore funding. YTD, FEH issued totalled RMB13bn onshore bonds at a weighted average coupon rate of 2.4%, down from 2.8% in 2024. FEH also redeemed USD300mn FRESHK 3.375 02/18/25 in Feb'25, and issued USD500mn FRESHK 6 10/01/28 in Apr'25.

Asset quality of FEH was largely stable as of Jun'25. We expect FEH's asset quality to remain stable through 2025 in view of its prudent policies to contain non-performing assets and reduce exposure to LGFVs. As of Jun'25, the NPL ratio declined by 2bps to 1.05% from Dec'24, while the provision coverage ratio remained stable at c227%. As per FEH, it has enhanced its pre-approval vetting; focused on core industries and clients; optimized its risk management structure (including strengthened monitoring of asset safety), accelerated disposal and write-offs; and implemented a 100% write-off policy for year-end NPA in inclusive finance. FEH's exposure in urban public utilities, i.e. LGFVs, had declined, to 31% of net interest-earning assets as of Jun'25 (down from 34% as of Dec'24 and 40% at Dec'23), despite LGFV remains FEH's largest exposure by industry. In addition, the assets at risk to equity of the company and its main financial leasing business entities remained well below the regulatory cap of 8.0x.

Table 2: Financial highlights of FEH

RMBmn	1H24	1H25	Change
Revenue	18,036	17,336	-4%
-Financial services	10,700	10,657	-
-Advisory services	162	433	167%
-Industrial operation	7,244	6,329	-13%
-Tax and surcharges	(70)	(83)	19%
Pre-provision operating profit	4,652	4,310	-7%
Asset impairment losses	525	123	-77%
Profit before tax	4,008	4,012	-
Operating cash flow	(1,011)	(1,824)	-80%
Capex	3,370	1,012	-70%
Net interest margin	4.47%	4.51%	+4bps
Cost to income ratio	43.57%	50.70%	+713bps
ROAA	1.30%	1.21%	-9bps
ROAE	8.49%	8.66%	+17bps
	Dec'24	Jun'25	Change
Cash on hand	19,787	18,294	-8%
ST debts	145,843	154,683	6%
LT debts	120,070	111,617	-7%
Total debts	265,913	266,300	-
Net debts	246,126	248,006	1%
Gearing ratio	84.05%	83.65%	-40bps
Special mention loan ratio	5.58%	5.52%	-6bps
Non-performing loan ratio	1.07%	1.05%	-2bps
Provision coverage	227.8%	227.3%	-50bps

Assets at risk to equity ratio			
-Company level	6.11x	6.12x	
-International Far Eastern Financial Leasing	4.08x	3.92x	-
-Far Eastern Horizon (Tianjin) Financial Leasing	3.43x	4.10x	-
-Far Eastern Horizon Financial Leasing	1.61x	4.00x	-
-Far East Horizon Financial Leasing (Guangdong)	4.69x	4.39x	
-Far East Horizon Inclusive Financial Leasing	2.95x	2.79x	-

Source: Company filing, CMBI FICC Research.

➤ Macau gaming: GGR growth accelerated in 7M25

Table 1: Macau monthly GGR

	MOP mn	2023	2024	2025	Cumulative GGR 2025	Cumulative GGR 2025 growth rate	% of 2019 GGR
Jan	11,580	19,337	18,254	18,254	18,254	-5.6%	73.2%
Feb	10,324	18,486	19,744	19,744	37,998	0.5%	75.5%
Mar	12,738	19,503	19,659	19,659	57,657	0.6%	75.7%
Apr	14,722	18,545	18,858	18,858	76,515	0.8%	76.7%
May	15,565	20,188	21,193	21,193	97,708	1.7%	77.7%
Jun	15,207	17,694	21,064	21,064	118,772	4.4%	79.4%
Jul	16,662	18,595	22,125	22,125	140,897	6.5%	81.0%

Source: Macau DSEC.

In Jul'25, the gross gaming revenue (GGR) in Macau rose 19% yoy to MOP22.1bn (cUSD2,74bn), maintaining roughly the same yoy growth rate as in Jun'25. Cumulatively, the GGR in 7M25 increased 6.5% yoy to MOP140.9bn, accelerating from the 4.4% yoy increase in 6M25. The 7M25 GGR is equivalent to c61.8% of Macau government's revised GGR estimate of MOP228bn (vs MOP226.8bn in 2024) which, in our view, is highly achievable given sustainable increase in tourist arrivals (up 14.9% yoy in 1H25). The 7M25 GGR is equivalent to 81% of the level of pre-COVID in 2019.

Table 2: MGM China revenue and adj. EBITDA

HKD mn	1H25	1H24	yoy change	1Q25	1Q24	yoy change	2Q25	2Q24	yoy change
Revenue	16,621.0	16,218.0	2.5%	7,953.7	8,258.3	-3.7%	8,667.3	7,959.7	8.9%
Adj. EBITDA	4,879.2	4,948.0	-1.4%	2,367.8	2,504.7	-5.5%	2,511.4	2,443.3	2.8%

Source: CMBI FICC Research.

The accelerated GGR growth in Macao gaming sector starting from 2Q25 was in line with the stronger 2Q25 results of MGM China. On 31 Jul'25, MGM China released high level figures and operating stats in 1H25; As shown in Table 2, MGM China's operating results showed a notable improvement in 2Q25 from 1Q25. As Melco Resorts & Entertainment plans to revamp the Countdown Hotel in Macau and reopen it in 3Q26, and MGM China to renovate Cotai casino resort and complete it in 1Q26, these initiatives will sustain the growth of gaming and non-gaming revenue next year.

Within the Macau gaming sector, our top picks are MPELs and STCITYs/STDCTY. We also consider SJMHOLs and MGMCHIs good carry plays. Meanwhile, we consider WYNMACs yield pick-up plays, trading at 34-76bps over bonds of its US parent. We are neutral on SANLTDs on valuation.

Table 3: Macau gaming USD bond profile

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	5.3-6.3	0.1-3.4	99.3-104.3
MPEL	5.4-7.1	0.7-3.8	95.6-103.0
SANLTD	4.7-5.3	0.1-5.2	89.5-101.3
SJMHOL	5.6-6.0	0.5-2.3	97.4-99.5
STCITY/STDCTY	6.4-7.0	0.5-3.1	93.9-100.8
WYNMAC	5.5-6.1	0.1-3.8	96.4-100.0

Source: Bloomberg.

➤ 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	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Regarding onshore primary issuances, there were 47 credit bonds issued on last Friday with an amount of RMB114bn. As for Month-to-date, 47 credit bonds were issued with a total amount of RMB114bn raised, representing a 14.7% yoy increase
- **[BABA/JD/MEITUA]** Alibaba, Meituan, JD agree to end aggressive pricing tactics for delivery businesses
- **[FAEACO]** Star Entertainment asset swap pact deal with JV partners FEC and CTFE terminated
- **[FTHDGR]** Fantasia reaches RSA with bondholder AHG to reflect new terms of proposed restructuring
- **[FOSUNI]** Fosun Tourism signs EUR800mn (cUSD914mn) syndicated loan agreement with seven banks
- **[INDYIJ]** Indika Energy 1H25 revenue falls 20% yoy to USD956.8mn
- **[LIFUNG]** Li & Fung accepted USD50mn in principal amount of LIFUNG 5.25 Perp in the tender offers, USD600mn will remains outstanding
- **[MEDCIJ]** Medco Energi Internasional 1H25 revenue falls 2.3% yoy to USD1.1bn
- **[MGMCHI]** MGM China renovates Cotai casino resort in Macau to create 60 new suites
- **[MPEL]** Melco eyes revamping Countdown Hotel in Macau to boost non-gaming receipts
- **[UPLLIN]** UPL Limited 1QFY26 EBITDA rises 14% yoy to INR13.0bn (cUSD148.8mn)

- **[VEDLN]** Vedanta Ltd is looking to reduce its financing costs by 1 pct pt to 8.5% by end of FY26

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