

## CMBI Credit Commentary

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

- *This morning, the new MIZUHO 30-47s and the new SUMIBK 32-47s were unchanged to 2bps wider from ROs. Chinese IG were unchanged to 1bp wider. We saw front-end buyers for AT1s and two-way flows for LGFVs. GLPSP 7.865 Perp edged 0.3pt higher, while GLPSP 4.6 Perp lost 0.6pt. LASUDE 26 gained 0.2pt. NDPAPE 14 Perp was 0.4pt lower.*
- **CWAHK:** *Weaker FY26 performance due to slower installation, maintenance, and construction activities. Maintain buy on CWAHK 5.875 10/22/30, which rose 0.1pt this morning. See below.*
- **SUNOTG:** *Sunny Optical priced 5yr senior unsecured Dim Sum bond at 2.15%, tightened from IPT at 2.65%. The issue size is RMB2.7bn on an order book of over RMB7.5bn. See our comment on the new issue in our daily [yesterday](#). The new SUNOTG 2.15 07/07/31 rose 0.1pt this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, JP financial IG credits widened 2-3bps ahead of the new MIZUHO and SMFG USD issues. JP insurance subs and European AT1s closed largely unchanged amid light two-way flows, mainly in the front end of the curve among AMs and PBs. The KR IG space was largely unchanged in spreads amid better selling in front-end HYNMTRs. Chinese TMT BABA/KUAISH, AMCs, 10yr HK sovereign and HKE/HKTGHD widened 2-5bps amid better selling. ZHOSHK 28 was 0.1pt lower.

As for higher-yielding papers, NWDEVLs continued to lead the space and rose up to 3.5pts. There were chatters NWD will launch a right issue, but the company still has not responded to this matter. CWAHK 30 was unchanged. China Water Affairs FY26 EBITDA dropped 10.4% yoy to HKD4.2bn (cUSD539.4mn). See comments below. On the other hand, FTLNHD 29/NDPAPE 14 Perp lost 0.6pt. Nine Dragons Paper received USD74.3mn of the principal amount of NDPAPE 14 Perp validly tendered in the tender offer, representing c18.6% of the outstanding principal amount. WESCHI 28-29 were down 0.3-0.5pt. VNKRL 27-29 were 0.2-0.4pt weaker. In SE Asia, GLPSPs/GLPCHI lost 0.4-0.6pt. VEDLN 28-33s traded 0.2pt lower to 0.1pt higher. Vedanta Resources looks to borrow up to USD1bn bridge-to-bond loan from bank. In LGFV space, we saw two-way skewed to moderately better buying across the space. RMs were especially buying higher-yielding CNH LGFVs.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 12.179 PERP	93.2	3.5	GARUDA 6 1/2 12/28/31	86.9	-0.6
NWDEVL 6 1/4 PERP	63.9	3.4	GLPSP 4.6 PERP	53.2	-0.6
NWDEVL 10.131 PERP	96.6	3.2	ADSEZ 5 08/02/41	88.1	-0.6
NWDEVL 4 1/8 PERP	81.6	3.0	FTLNHD 11.8 03/09/29	95.8	-0.6
NWDEVL 4.8 PERP	61.3	2.6	NDPAPE 14 PERP	104.8	-0.6

## ❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.18%), Dow (+0.59%) and Nasdaq (+2.07%) were higher on Monday. 2/5 year UST yield were higher on Monday. 2/5/10/30 year yield was at 4.10%/4.14%/4.38%/4.86%.

## ❖ Desk Analyst Comments 分析员市场观点

## ➤ CWAHK: Weaker FY26 performance due to slower installation, maintenance, and construction activities

Table 1: CWAHK and Chinese HY peers

Security name	Amt o/s (USDmn)	Ask px	YTM	Mod dur	Issue rating (M/S/F)
BTSDF 9 1/8 07/24/28	300	105.3	6.3%	1.8	Ba3/BB/-
CWAHK 5.875 10/22/30	300	95.7	7.0%	3.7	Ba1/BB+/-
FOSUNI 8 ½ 05/19/28	500	102.9	6.8%	1.7	-/BB/-
FOSUNI 6.8 09/09/29	400	99.2	7.1%	2.8	-/BB/-
HONGQI 7.05 01/10/28	330	102.4	5.4%	1.4	-/BB+
HONGQI 6.925 11/29/28	270	103.5	5.4%	2.2	-/BB-/BB+

Source: Bloomberg.

Yesterday, China Water Affairs Group (CWAHK) reported its FY26 results. Its operating performance weakened compared to FY25, primarily due to slower installation, maintenance, and construction activities amid the continued softness in China's real estate market. That said, we take comfort in CWAHK's stable funding access across both onshore and offshore markets. We maintain buy on CWAHK 5.875 10/22/30, in view of its utility-type business profile and diversifying funding access. At 95.7, CWAHK 30 is trading at YTM of 7.0%. We view that CWAHK 30 offers more attractive risk-return profile than those of other BB-rated Chinese HYs such as BTSDF, FOSUNIs and HONGQIs.

In FY26, CWAHK's revenue declined 11.9% yoy to HKD10.3bn, reflecting weaker activity in installation, maintenance and construction. Gross profit fell 19.2% yoy to HKD3.6bn, with gross margin narrowed to 34.4% from 37.8% in FY25. EBITDA decreased 9.7% yoy to HKD4.2bn, while EBITDA margin remained broadly stable at c40%. Finance cost down 15.7% yoy to HKD714mn in FY26, and we expect CWAHK continued benefit from lower-cost onshore funding in the near term.

As of Mar'26, CWAHK had cash and cash equivalent of HKD4.2bn, increased from HKD4.0bn as of Sep'25. Total debt increased 6.9% yoy to HKD26.6bn, while net debt rose 7.3% yoy to HKD22.4bn, over the same period. Total debt/EBITDA rose to 6.3x from 5.9x as per our calculation, driven by lower EBITDA and higher debt levels. Cash to short-term debts down to 0.6x from 0.9x as of Sep'25.

We view CWAHK's funding access as well supported across both onshore and offshore markets. Besides, we believe CWAHK's near-term refinancing pressure has eased notably following the redemption of CWAHK 26, in view of the next major maturity is RMB500mn onshore MTN due in Aug'27. Recalled that CWAHK tapped USD150mn CWAHK 30 in Apr'26 to fund the tender offer for its USD350mn CWAHK 26 maturing in May'26. CWAHK also issued RMB500mn onshore MTN in Jan'26 at a 3.2% coupon, and Dim Sum bond issue of RMB1bn in Jan'25.

**Table 2: CWAHK's FY26 financials**

Yr ended 31 Mar, HKD mn	FY25	FY26	Change
Revenue	11,656	10,336	-11.3%
-City water supply business	7,498	6,865	-8.4%
-Pipeline direct drinking water supply business	657	508	-22.6%
-Environmental protection business	1,524	1,505	-1.2%
-Main contractor construction	664	505	-23.9%
-Property development and investment	361	53	-85.2%
-Others	952	899	-5.5%
COGS	-7,251	-6,777	-6.5%
Gross profit	4,405	3,558	-19.2%
EBITDA	4,650	4,200	-9.7%
Finance costs	-847	-714	-15.8%
Profit before tax	2,750	2,317	-15.7%
Gross margin	37.8%	34.4%	-3.4 pct pt
EBITDA margin	39.9%	40.6%	0.7 pct pt
	<b>Sep'25</b>	<b>Mar'26</b>	<b>Change</b>
Cash and cash equivalent	4,042	4,238	4.8%
Short-term debt	8,093	7,834	-3.2%
Long-term debt	16,817	18,796	11.8%
Total debt	24,910	26,630	6.9%
Net debt	20,868	22,392	7.3%
Total Debt/EBITDA	5.9x	6.3x	-
Net Debt/EBITDA	4.9x	5.3x	-
Cash /ST debt	0.9x	0.6x	-

Source: Company fillings

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Mizuho Financial Group	1650/	4NC3/	4.782%/	T+68/	A1/A-/-
	700/	4NC3/	SOFR+85/	SOFR+85/	
	1250/	6NC5/	4.965%/	T+83/	
	1000/	6NC5/	SOFR+108/	SOFR+108/	
	1000/	11NC10/	5.337%/	T+97/	
Shenwan Hongyuan International	1000	21NC20	5.824%	T+97	-/BBB/-
	500	3yr	SOFR+47	SOFR+47	

	1000/ 500/ 500/ 750/ 500	6NC5/ 6NC5 8NC7/ 11NC10/ 21NC20	4.934%/ SOFR+105/ 5.138%/ 5.296%/ 5.754%	T+80/ SOFR+105/ T+90/ T+93/ T+90	A1/A-/A-
Sumitomo Mitsui Financial Group					

➤ **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 67 credit bonds issued yesterday with an amount of RMB41bn. As for month-to-date, 2,384 credit bonds were issued with a total amount of RMB2,332bn raised, representing a 17.6% yoy increase
- Indonesia's government will increase funds infusion into state-owned banks to support economic acceleration
- **[CHIOLI]** S&P revised the outlook of China Overseas Land & Investment to negative from stable following similar action on parent China State Construction Engineering Corp; A- rating affirmed
- **[GLTMO]** Moody's upgraded Golomt Bank by one notch to B1 from B2 on improvement in asset quality, capitalization, liquidity metrics; outlook stable
- **[GRNCH]** Greentown China onshore unit plans to raise RMB9bn via onshore bonds
- **[HYUELE]** SK Hynix plans to invest KRW1,100tn (cUSD713bn) to build new semiconductor clusters
- **[JD]** JD.com ventures into robot repair business in Europe amid rising sales
- **[NDPAPE]** Nine Dragons Paper received USD74.3mn of the principal amount of NDPAPE 14 Perp validly tendered in the tender offer, representing c18.6% of the outstanding principal amount. Final tender deadline is 3 Jul'26
- **[NWDEVL]** Joint owners New World Development and Ares Management slashed prices at a commercial complex at 83 Wing Hong Street in Cheung Sha Wan, Hong Kong, as much as 57% from their 2024 debut through a mix of discounts and incentives to offload units
- **[SHFLIN]** Shinhan Financial Group confirmed review of Lotte Non-Life Insurance acquisition
- **[SNBAB]** Saudi National Bank to fully redeem its USD1.25bn SNBAB 3.5 Perp on the first call date on 26 Jul'26

- **[TDBM]** Moody's upgraded Trade and Development Bank of Mongolia by one notch to B1 from B2 on consistent improvements asset quality and liquidity metrics, recovery of corporate NPLs supports asset quality improvements; outlook stable
- **[VEDLN]** Vedanta Resources set USD1.2bn as the maximum purchase amount for the tender offer inclusive of consideration, interests, consent fees, offer will expire on 14 Jul'26; looking to borrow up to USD1bn through a bridge-to-bond loan from bank
- **[WYNMAC]** Moody's revised the outlook on three Wynn group entities, Wynn Macau Ltd, Wynn Resorts Finance LLC, and Wynn Las Vegas LLC, to stable from positive, reflects the Wynn group has not reduced leverage to well below the 6.0x threshold, as previously expected, due to heavy development spending and shareholder returns

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