CMBI Credit Commentary

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

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- *Asia IG space was stable with light flows this morning. Chinese TMTs widened 1-3bps with two-way flows. LGFVs and long-end CNH IG bonds were under better selling flows. BCDHGR/CPDEV rebounded 0.1-0.3pt.*

- ***SMCGL**: 9M26 earnings improves, leverage rise with the capex and investment ramp-up. Maintain buy on SMCGL 8.375 Perp, which was unchanged this morning. See below.*

- ***TENCNT:** Tencent's 3Q26 operating profit declined 7% yoy to RMB59.1bn; turns into net debt position of RMB13.7bn as of Sep'26 from a net cash position of RMB58.2bn as of Jun'26. TENCNTs widened 2-3bps post 3Q26 results.*

❖ **Trading desk comments 交易台市场观点**

Asian IG spread was mixed by sector yesterday. Chinese TMT were unchanged to 2bps tighter. TENCNT/JD were firm post 3Q26 results. Bank T2 and TW lifer T2 were unchanged with light flows. Front-end FRNs SUMIBK/HYNMTR/MUFG were under active two-way flows. Korean corps HYUELE/SKONKR were under better buying and tightened 1-3bps. European AT1s slightly rebounded 0.1-0.3pt and recent new issue HSBC/INTNED Perps were c0.2pt higher.

In the higher-yielding space, NWDEVLs moved -0.8 to +0.5pt and Perps were weaker than others. Chinese developers rebounded, CHJMAO /CPDEV /GRNCH/FUTLAN rose 0.1-0.8pt. Industrial names BTSDF/WESCHI down c0.2pt. CNH ZHHFGR rebounded 0.5-2pts. LGFVs remained weak with limited buyers, high-quality Guangdong and Shandong names performed better. SOFTBKs moved 0.1-0.3pt higher. Macau gaming names further dropped 0.1-0.5pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
EDLLS 11 1/8 08/11/31	**98.4**	**1.6**
SOFTBK 9 3/4 04/01/34	**96.7**	**1.0**
CPDEV 7.15 03/21/28	**91.7**	**0.9**
CPDEV 6.8 04/07/29	**87.8**	**0.8**
SOFTBK 9 1/4 04/01/32	**96.9**	**0.8**

Top Underperformers	Price	Change
TSTSME 11 3/8 02/05/31	**97.2**	**-4.2**
DALWAN 12 1/2 04/29/29	**93.7**	**-1.3**
DBKAZ 2.95 05/06/31	**88.5**	**-0.9**
MPEL 7 5/8 04/17/32	**97.6**	**-0.8**
MPEL 6 1/2 09/24/33	**90.1**	**-0.8**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.23%), Dow (-1.11%) and Nasdaq (+0.42%) were mixed yesterday. 5/10/30 year UST yield was lower yesterday. 2/5/10/30 year UST yield was at 4.80%/4.89%/5.07%/5.41%.

❖ Desk Analyst Comments 分析员市场观点

➢ SMCGL: 9M26 earnings improves, leverage rise with the capex and investment ramp-up

Table 1: Bond profiles of SMCGLs

Security name	ISIN	Ask px	Yield to next reset	Amt o/s (USD mn)	First call date	Coupon reset date	Coupon reset (incl. step-up)
SMCGL 5.45 Perp	XS2346954873	99.1	25.4%	259	12/09/2026	12/09/2026	5yUST+7.155%
SMCGL 8.75 Perp	XS2883979705	99.4	7.7%	900	06/12/2029	09/12/2029	5yUST+7.732%
SMCGL 8.125 Perp	XS2943809900	97.7	9.0%	600	12/02/2029	03/02/2030	5yUST+6.404%
SMCGL 8.95 Perp	XS3121131125	99.2	9.3%	515	04/24/2030	07/24/2030	5yUST+7.445%
SMCGL 8.375 Perp	XS3242497538	96.7	9.4%	300	10/20/2030	01/20/2031	5yUST+7.123%
SMCGL 8.875 Perp	XS3401031656	98.5	9.3%	430	03/17/2031	06/17/2031	5yUST+7.102%

Source: Bloomberg.

San Miguel Global Power (SMCGL)'s 9M26 earnings improved on rising contributions from its renewable portfolio and BESS facilities. We maintain buy on the SMCGL 8.375 Perp for its higher yield and lower cash price. We view the credit profile as underpinned by an improving operating profile, diversified funding access and proactive liability management. These strengths help offset net debt/LTM EBITDA of 6.7x as of Sep'26, which we expect to stay elevated during the capex ramp-up. We also maintain our buy on the PCORPM 7.35 Perp, issued by SMCGL affiliate Petron Corp. We view both Philippine perps as low-beta, good carry plays.

In 9M26, revenue rose 25% yoy to PHP149.1bn in 9M26, primarily driven by Mariveles, Masinloc and San Roque hydroelectric plants, whose PSAs commenced in 2H25, and from the five BESS facilities that began operations in 2025. Lower revenue from several plants, following deconsolidation and PSA cessations, partly offset the increase. Revenue grew much faster than cost of power sold, which reflects improved PSA terms and the higher margin contribution from BESS. Gross profit rose 49% yoy to PHP60.7bn, and gross margin widened to 40.7% from 34.4% in 9M25.

EBITDA was broadly flat at cPHP68bn, and EBITDA margin narrowed to 45.7% from 57.2%. The 9M25 base included a one-off PHP21.9bn valuation gain from the Chromite transaction, and its absence offset the higher gross profit in 9M26 Excluding this gain, EBITDA would have risen 48% yoy, as per our calculation, in line with the gross profit improvement. Operating cash flow rose 88% to PHP50.0bn, supported by lower receivables and inventories. Capex increased materially to PHP41.1bn, mainly for Masinloc Units 4 and 5, and for solar, hydro and BESS facilities. We expect SMCGL to fund its expansion through operating cash flow and debt,

particularly as the BESS build-out continues. Higher capex and working capital needs will weigh on near-term free cash flow. Over the medium term, we expect these investments to support EBITDA growth, diversify the business mix and reduce reliance on thermal generation.

Net debt rose 14.1% to PHP541.8bn as of Sep'26, from PHP474.7bn as of Jun'26. Cash declined and gross debt increased. Net debt/LTM EBITDA rose to 6.7x from 6.2x, as debt-funded investment ran ahead of earnings contribution. Leverage is high and is likely to stay elevated until the new capacity contributes a full year of EBITDA. We see the near-term trajectory as dependent on the pace of capex and new assets ramp up. Liquidity remains adequate. Cash/ST debt was 1.6x, down from 2.9x as of Jun'26. We take comfort from SMCGL's access to onshore and offshore funding markets and its active liability management. Since Jul'25, it has run exchange and tender offers for its USD perps and has refinanced through onshore bond issuance. It has also called its perps at their first reset date since Nov'19, reflects its refinancing discipline. Early this month, SMCGL announced it will redeem the SMCGL 5.45 Perp on its first call date in Dec'26, consistent with its call record.

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

PHP mn	9M25	9M26	Change	3Q25	3Q26	Change
Revenue	118,795	149,077	25%	38,648	47,221	22%
- Power generation	*85,160*	*107,088*	*26%*	*25,272*	*34,270*	*36%*
- Retail and other power-related services	*32,692*	*41,160*	*26%*	*13,180*	*12,680*	*-4%*
- Others	*943*	*829*	*-12%*	*196*	*272*	*39%*
Gross profit	40,818	60,706	49%	14,714	14,094	-4%
EBITDA	67,948	68,131	0%	16,323	21,085	29%
Net profit	42,399	42,620	1%	7,826	10,469	34%
Operating cash flow	26,573	50,018	88%	(511)	29,629	-
Capex	17,507	41,096	135%	13,787	14,864	8%
Free cash flow	9,066	8,922	-2%	(14,298)	14,766	-
Gross profit margin	34.4%	40.7%	6.4 pct pts	38.1%	29.8%	-8.2 pct pts
EBITDA margin	57.2%	45.7%	-11.5 pct pts	42.2%	44.7%	2.4 pct pts
PHP mn	**Jun'26**	**Sep'26**	**Change**			
Cash and ST investment	181,091	154,741	-14.6%			
Total debt (incl. capital securities)	655,810	696,527	6.2%			
Net debt	474,719	541,786	14.1%			
Total debt/ LTM EBITDA	8.6x	8.6x	-			
Net debt/ LTM EBITDA	6.2x	6.7x	-			
Cash/ST debt	2.9x	1.6x	-			

Source: Company filling, CMBI FICC Research.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Minsheng Banking Corp	100	3yr	SOFR+45	SOFR+45	-/-/BBB

➢ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	IPT/IPG	Issue Rating (M/S/F)
ANZ	USD	-	2yr	T+65	Aa2/AA-/AA-
	USD	-	2yr	SOFR Equiv	Aa2/AA-/AA-
	USD	-	5yr	T+85	Aa2/AA-/AA-
	USD	-	5yr	SOFR Equiv	Aa2/AA-/AA-

➢ News and market color

- Regarding onshore primary issuances, there were 64 credit bonds issued yesterday with an amount of RMB48bn. As for month-to-date, 907 credit bonds were issued with a total amount of RMB949bn raised, representing a 26.6% yoy decrease

- **[BTSDF]** Moody's upgraded H&H by one notch to Ba2 from Ba3 on stronger-than-expected financial performance; outlook changed to stable from positive

- **[LASUDE]** Two ordinary resolutions will be proposed at the 2026 AGM to grant to the Directors a general and unconditional mandate to allot, issue and deal with additional Shares representing up to 20% of the total number of issued shares

- **[MEDCIJ]** Medco Energi said the net proceeds from the new MEDCIJ 8 ⅞ 01/17/32 of USD300mn will be used to tender for, refinance or repay the existing indebtedness (including the MEDCIJ 6.95 11/12/28) and replace committed but currently undrawn facilities

- **[VNKRLE]** Moody's Ratings withdrew China Vanke's ratings due to insufficient information

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