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CMB INTERNATIONAL

Fixed Income
Credit Commentary

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CMBI Credit Commentary

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

- *Light flows this morning. New CNH XZETDZ'29 rose 0.1pt and CHDXCH'31 was unchanged. In secondary, front-end IGs were under small better buying. We saw better selling flows on bank AT1s. LGFV space remained firm.*

- ***Macau gaming:** Aug'26 GGR recovery from the World Cup was slower than expected. See below.*

- ***CNMDHL:** S&P revised the outlook of China Modern Dairy (CMD) to positive from stable reflects the outlook on its parent Mengniu and the agency's expectation that CMD will remain Mengniu's highly strategic subsidiary. The rating and outlook on CMD will therefore move in tandem with those on Mengniu; BBB rating affirmed. Maintain buy on CNMDHL 4 ⅞ 07/10/30, which dropped 0.25pt this morning.*

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❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG spread performance was mixed ahead of key inflation data. While some all-in yield buyers emerged as the 2yr/10yr UST yields hovered around 4.44%/4.85%, respectively, activity was limited overall, with most accounts remaining on the sidelines. In China TMTs, trading was range-bound within +/- 2bps across BABA/TENCNT/MEITUA. The 5yr tenor also traded mixed across TENCNT/HAOHUA/XIAOMI. In HK T2s, the BNKEA curve remained firm, while there was light selling in NANYAN/SHCMBK that was well absorbed. TW lifers were broadly unchanged, FUBON 35 outperformed and tightened 2bps. In SE Asia, while the new RBKIN '31 traded 3bps tighter from RO, the recent new Indian issues faced better selling and widened 2-4bps. OCBCSP/BBLTB subs were also heavy, with selling concentrated in the 2-5yr tenor. In JP, FRNs were stable, corporate belly paper was better offered across SNE/TERUMO. In KR, the new KORSFC '29s did not perform as strongly as KOSOPW. After opening 7bps tighter, the bonds gradually flipped heavily and traded only 2bps tighter from RO before finding support around the +54 area. In contrast, KOSOPW/KOMIPW remained relatively firm at the same tenor amid limited supply. Meanwhile, PBs continued to top up 3-5yr FRNs, including HYNMTR/LGENSO/SHINCA, at largely unchanged levels. AU 10yr T2s also broadly under better selling.

In higher-yielding space, weak risk sentiment persisted across USD paper against a bear-steepening rates backdrop. JP and European insurance subs and AT1s declined by a further 0.3pt with flows skewed toward heavy selling in the belly and long end. The new KAMPOS '56s bucked the trend and gained 0.3pt. Asia high-beta perps also leaked 0.3pt, led by selling in SMCGL/TOPTB/CASHLD. Elsewhere, CNH space was broadly stable amid mixed cross-border RM flows. LGFVs had another mixed session. USD LGFVs were better offered by AMs across the curve amid the rates backdrop.

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In CNH LGFVs, the recent rally in higher-yielding names lost some momentum as the market continued to digest QHCTJS supply through switches out of seasoned issues. Meanwhile, onshore AAA-guaranteed CNH paper yielding from the mid-3% to 4%+ area became the focus of better buying, supported by RV considerations versus recent ZZYSDM/TSHOLD issues in the mid-3% range and top-tier onshore AAA-guaranteed paper around the 3% area. Names with guarantees from Henan Zhongyu/Chengdu Tianfu/Chengdu-Chongqing/Chongqing Sanxia were among those seeing stronger interest.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
VLLPM 7 1/4 07/20/27	**85.4**	**0.9**
WESCHI 9.9 12/04/28	**93.0**	**0.3**
GARUDA 6 1/2 12/28/31	**86.4**	**0.3**
GDCOMM 2.358 01/25/27	**99.0**	**0.3**
NCCIVG 6 1/2 05/29/28	**100.5**	**0.2**

Top Underperformers	Price	Change
KORELE 7.95 04/01/2096	**130.9**	**-1.5**
SINOCH 6.3 11/12/40	**105.4**	**-1.4**
CNOOC 7 1/2 07/30/39	**120.9**	**-1.3**
CNPCCH 5.95 04/28/41	**104.7**	**-1.2**
GLENLN 6 11/15/41	**97.6**	**-1.2**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.58%), Dow (-0.60%) and Nasdaq (-0.65%) were weak on Thursday. US Aug'26 PPI was +5.4% yoy, higher than the expectation of +5.3%. The latest US initial jobless claim was +206k, higher than the expectation of +205k. UST yield rallied higher yesterday. UST yield was at 4.56%/4.75%/4.95%/5.37%.

❖ Desk Analyst Comments 分析员市场观点

➢ Macau gaming: Aug'26 GGR recovery from the World Cup was slower than expected

Table 1: Macau monthly GGR

MOP mn	2024	2025	2026	Cumulative GGR 2026	Cumulative GGR 2026 growth rate	% of 2019 GGR
Jan	19,337	18,254	22,633	22,633	24.0%	90.7%
Feb	18,486	19,744	20,627	43,261	13.9%	86.0%
Mar	19,503	19,659	22,612	65,873	14.3%	86.5%
Apr	18,545	18,858	19,894	85,767	12.1%	86.0%
May	20,188	21,193	22,611	108,378	10.9%	86.2%
Jun	17,694	21,064	18,522	126,900	6.8%	84.9%
Jul	18,595	22,125	20,260	147,160	4.4%	84.6%
Aug	19,754	22,156	21,891	169,053	3.7%	85.3%
Sep	17,253	18,289	-	-	-	-
Oct	20,787	24,086	-	-	-	-
Nov	18,438	21,088	-	-	-	-
Dec	18,202	20,888	-	-	-	-

Source: Macau DSEC.

In Aug'26, Macau's gross gaming revenue (GGR) fell 1.2% yoy to MOP21.9bn, marking the third consecutive month of yoy decrease. While non-gaming events, including more concerts, supported the GGR to rebound 8.1% mom from Jul'26, the post FIFA World Cup normalization was weaker than expected. This likely reflected softer spend per visitor and shorter stays during Aug'26.

Cumulatively, GGR rose 3.7% yoy to MOP169.1bn in 8M26, moderating from the 4.4% yoy growth in 7M26, as the World Cup effect diluted the earlier pace of recovery. 8M26 GGR was 85.3% of pre-COVID level in 2019, and accounted for c72% of the Macau government's 2026 full-year GGR forecast of MOP236bn, broadly consistent with the 8M25 run-rate. We continue to view the 2026 target as achievable, despite the weaker summer, in view of the continued recovery in tourist arrivals from Mainland China and the broader region, and continued ramp-up of non-gaming attractions under the new concession framework. That said, the growth is likely depend on sustained mass market demand than an acceleration in VIP activity, recovery in overnight visitation and spend per visitor.

Despite our expectation of more USD bonds supply in view of the scheduled maturities and undemanding funding costs, we still like Macau gaming bonds as lower-beta and good carry plays with improving credit stories. Our top picks in the sector are MPELs, STCITYs, and SJMHOL 31, given the more appealing risk-return profiles of these bonds. We also consider WYNMAC'27 and '29 yield pick-up plays, trading at premium of c50bps over bonds of its US parent. We are neutral on MGMCHIs, SANLTDs, and SJMHOL 28 on valuation.

Table 2: Our Macau gaming USD bond picks

Security name	ISIN	Amt o/s (USD mn)	Ask Px	YTM	Mod dur
MPEL 5 3/8 12/04/29	USG5975LAE68	1,150	97.2	6.3%	2.9
MPEL 7 5/8 04/17/32	USG5975LAK29	750	102.2	7.1%	2.3
MPEL 6 1/2 09/24/33	USG5975LAL02	500	96.9	7.1%	5.4
SJMHOL 6 ½ 01/15/31	XS3267117995	540	95.5	7.7%	3.7
STCITY 6 1/2 01/15/28	USG85381AF13	335	100.1	6.4%	0.1
STCITY 5 01/15/29	USG85381AG95	1,100	96.2	6.8%	2.2
WYNMAC 5 1/2 10/01/27	USG98149AD29	750	99.9	5.6%	1.0
WYNMAC 5 1/8 12/15/29	USG98149AE02	1,000	97.6	5.9%	2.9

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	IPT/IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

- **News and market color**

  - Regarding onshore primary issuances, there were 100 credit bonds issued yesterday with an amount of RMB98bn. As for month-to-date, 673 credit bonds were issued with a total amount of RMB676bn raised, representing a 42.9% yoy increase

- **[CHMEDA]** S&P revised the outlook of China Mengniu to positive from stable on improving business prospect; BBB+ rating affirmed

- **[XIAOMI]** Media reported that India fraud investigation agency seeks nod for deeper probe into Xiaomi local unit

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