CMBI Credit Commentary

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

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- *Asian IG space was quiet this morning. Long-end Chinese TMT were under better selling and widened 3-5bps. Front-end China AMC were also weak and widened 2-3bps. BCDHGR/CPDEV lost 0.3-0.6pt. CNH ZHHFGR 6 Perp rebounded 0.5pt.*

- ***XIAOMI:** Weaker yoy operating results in 3Q26 while liquidity profile remained robust. Maintain buy on XIAOMI'30/31. XIAOMIs were marked 2-4bps wider this morning. See below.*

- ***BABA:** The US added an Alibaba subsidiary and Megaspeed to its blacklist after the Nvidia scandal; media reported that Alibaba mulls about issuance of USD and CNH bonds in 2027. BABAs were unchanged to 5bps wider this morning.*

❖ **Trading desk comments 交易台市场观点**

Asian IG space was stable yesterday. Bank T2s and Chinese AMC papers were active with two-way flows. BNKEA/NANYAN/DAHSIN were unchanged to 1bp wider. TW lifer T2s widened 1-2bps. Chinese TMT BABA/TENCNT/MEITUA/JD were unchanged to 2bps wider. CNH BABA/MEITUA/TENCNT dropped 0.1-0.3pt. EU AT1s were weak and broadly dropped 0.1-0.5pt. The recent new issues HSBC 7.625 Perp and INTNED 7.75 Perp dropped 0.1pt and 0.4pt, respectively.

The higher-yielding space remained weak with limited buying interests. Macau gaming names further dropped 0.1-0.5pt. Chinese property developers stabilized. CHJMAO/GRNCH/FUTLAN were unchanged to 0.2pt lower. CPDEV and CNH ZHHFGR rose 0.5-1.5pts. BCDHGR '29 lost 2.8pts. LGFVs were muted and flows skewed to better selling. Outside China, GENTMK Perps 2.2-2.4pts. RAKUTN Perps were 2.3-2.4pts lower. Media reported Rakuten shelved offering of up to JPY151bn (cUSD950mn) bond sale. GLPSPs were 0.5-1.0pt lower. SOFTBKs were unchanged to 0.2pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
CITLTD 4 3/4 02/04/36	**92.9**	**0.8**
JIMOTM 6.9 05/19/27	**97.3**	**0.6**
COSL 2 1/2 06/24/30	**91.2**	**0.2**
NAB 2.648 01/14/41	**66.2**	**0.2**
ADANEM 3.867 07/22/31	**89.4**	**0.2**

Top Underperformers	Price	Change
BCDHGR 6.3 04/20/29	**85.5**	**-2.8**
GENTMK 8.3 PERP	**76.3**	**-2.4**
RAKUTN 6 1/4 PERP	**89.8**	**-2.4**
RAKUTN 8 1/8 PERP	**97.6**	**-2.3**
GENTMK 7 5/8 PERP	**77.0**	**-2.2**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.50%), Dow (+0.85%) and Nasdaq (-1.48%) were mixed yesterday. US Nov'26 CB Consumer Confidence was 103.3, higher than the market expectation of 92.4. 5/10 year UST yield was higher yesterday. 2/5/10/30 year UST yield was at 4.63%/4.69%/4.91%/5.30%.

❖ Desk Analyst Comments 分析员市场观点

➢ XIAOMI: Weaker yoy operating results in 3Q26 while liquidity profile remained robust

In 3Q26, Xiaomi's revenue decreased 5.2% yoy to RMB107.2bn from RMB113.1bn in 3Q25. Its adj. net profit halved to RMB4.9bn from RMB11.3bn. Gross margin declined 2.8 pcts yoy to 20.2% from 22.9% in 3Q25. The weaker operating performance was mainly due to increasing costs of key components and intensifying competition of smartphone business. However, the company's gross margin improved on qoq basis from 19.8% in 2Q26, reflecting the increase in smartphone ASP.

By segment, smartphone revenue slightly dropped 0.8% yoy to RMB45.6bn in 3Q26. The shipments of smartphone decreased to 30.7mn units from 43.3mn units in 3Q25, attributable to weaker global demand. On the other hand, ASP of smartphone reached record high of RMB1,486, representing a 39.8% yoy increase. We saw Xiaomi's premiumization strategy and product mix adjustment mitigated the impacts of slowing industry demand. Xiaomi smartphone's market share improved in three consecutive quarters to 12.1%. IoT and lifestyle products revenue decreased 1.4% yoy to RMB27.2bn and gross margin compressed to 21.7% from 23.9% in 3Q25, due to higher components cost.

NEV, AI and other new initiatives business revenue decreased 17.7% yoy to RMB23.9bn. NEV deliveries dropped 7.2% yoy to 101.0k units, outperformed Chinese Mainland's passenger vehicle retail volume of 24% yoy decline. Xiaomi continued to expand its NEV mix that it launched SUV models in Sep'26, the new model sales ramp-up should support the revenue growth from 4Q26, in our view. In Sep'26, Xiaomi announced that Xiaomi Auto will entry European market in 2027, we view the global expansion will help to offset the drag from weaker Chinese market.

Xiaomi's liquidity profile remained robust. As of Sep'26, Xiaomi had net cash (unrestricted cash and short-term investments less total debt) of RMB64.1bn, down 22.3% from Jun'26. The net cash decrease was mainly due to higher operating cash outflows from higher inventories of RMB25.4bn during the quarter. Xiaomi's cash/ST debt ratio was also down to 2.2x from 3.8x. Capex decreased 33.5% yoy to RMB3.6bn, of which RMB2.3bn was allocated to the NEV and AI segment. We expect NEV capex to stabilize as the business has entered a more mature stage. We believe its net cash position is sufficient to fund R&D and capex for new businesses, including NEV and AI.

For the Chinese TMT credits, we prefer BBB over A given the formers' more balanced risk-return profiles. We also prefer bonds with tenors of 3-to 5-year given our expectation of high UST volatility, especially in the long-end of the curve. Hence, We maintain buy on XIAOMI'30 and XIAOMI'31. At 93.7 and 89.4, XIAOMI'30 and '31 provided yield of 5.4% and 5.9%. We also like MEITUA 3.05 10/28/30 and MEITUA 4 1/2 05/05/31 in the space.

Table 1: Xiaomi's key financials

RMB mn	3Q25	3Q26	Change	9M25	9M26	Change
Revenue	113,121	107,240	-5.2%	340,370	315,303	-7.4%
-Smartphone × AIoT	*84,111*	*83,356*	*-0.9%*	*271,517*	*246,659*	*-9.2%*
-NEV, AI and other new initiatives	*29,010*	*23,884*	*-17.7%*	*68,853*	*68,644*	*-0.3%*
Gross profit	25,936	21,615	-16.7%	77,443	65,034	-16.0%
Operating profit	15,110	6,572	-56.5%	41,672	22,755	-45.4%
Adj. net profit	11,311	4,884	-56.8%	32,817	17,175	-47.7%
Operating cash flow	5,474	(23,034)	-	33,528	(20,984)	-
Capex	5,381	3,580	-33.5%	12,981	10,480	-19.3%
Gross margin	22.9%	20.2%	-2.8 pct pts			
-Smartphone × AIoT	*22.1%*	*20.4%*	*-1.6 pct pts*			
-Smart EV, AI and other new initiatives	*25.5%*	*19.2%*	*-6.3 pct pts*			

RMB mn	Jun'26	Sep'26	Change
Cash and bank balances	37,252	38,443	3.2%
Short-term bank deposits and investment	84,471	71,106	-15.8%
Unrestricted cash and ST investment	121,724	109,549	-10.0%
ST debt	9,706	17,547	80.8%
LT debt	29,570	27,907	-5.6%
Total debt	39,277	45,454	15.7%
Net cash	82,447	64,096	-22.3%
Cash/ST debts	3.8x	2.2x	-

Source: Company filling, 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 Priced Today					

➢ News and market color

- Regarding onshore primary issuances, there were 129 credit bonds issued yesterday with an amount of RMB196bn. As for month-to-date, 1,285 credit bonds were issued with a total amount of RMB1,367bn raised, representing a 26.4% yoy decrease

- **[MGMCHI]** MGM China Holdings announces special dividend for HKD0.722 per share

- **[MPEL/STCITY]** S&P revised the outlook of Melco Resorts and Studio City outlook to negative from stable on weakening demand; BB- rating affirmed on Melco Resorts and B+ rating affirmed on Studio City

- **[RAKUTN]** Media reported Rakuten shelved offering of up to JPY151bn (cUSD950mn) bond sale

- **[WESCHI]** Media reported West China Cement expects PRC asset-sale agreement with Conch Cement by yearend

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