

CMBI Credit Commentary

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

- *This morning, the new CNH GUAMET 2.15 28 was 0.3pt lower. The new HOKKEL 30 tightened 1bp, while the other IG new issues OCBCSP 4.55 35s/BOCAVI 31/JERA 4.544 30 were unchanged. JP long-end insurance bonds were 0.3pt higher. HYSAN 7.2 Perp rose 0.75pt.*
- **CNMDHL:** *A yield pick-up play over CHMEDA. CNMDHL 26-30 were 1bps wider this morning. See below.*
- **MEITUA:** *Competition heats up and margin squeeze to continue in 3Q25. MEITUA 28-30s were 7-11bps wider post result announcement. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new HOKKEL 30 tightened 3-4bps from T+83 at issuance. The other IG new issues OCBCSP 4.55 35s/BOCAVI 31/JERA 4.544 30 widened 1-2bps, while the new MITSCO 4.398 30 was unchanged. MEITUAs were still impacted by the drastic EBITDA decline in 1H25 and widened 3-5bps. See below for comments on Meituan's 1H25 results. The other Chinese TMT names BABAs/XIAOMIs/TENCNTs/WBs were unchanged to 2bps wider. CNMDHLs widened 1-4bps. See our analysis on MEITUA and CNMDHL below. BTSDF was 0.4pt higher. See our comment [yesterday](#). LIFUNG 5 ¼ PERP rose 1.4pts post the announcement that its 1H25 EBITDA rose 5% yoy to USD75mn. NWDEVL 28-31s and NWDEVL PERPs were 0.1-0.3pt higher. NWD has sold the podium shopping centre at 83 Wing Hong Street in Hong Kong Cheung Sha Wan for HKD120mn (cUSD15mn). ZHOSHKs widened 1bp. The company posted weaker 1H25 results but credit and liquidity profiles remain solid. In Chinese properties, VNKRL 27-29s lowered 0.4-0.5pt. KR corps LGENSOS/HYUELEs widened 1-2bps. Japanese insurance hybrids and Yankee AT1s were largely unchanged in a de-facto widening of credit spreads against firmer UST yield, amid different political and FX headlines. In SEA, GLPSP PERPs and GLPSP 28 jumped 2.7-7.4pts, after the headline that a subsidiary of the Abu Dhabi Investment Authority will invest up to USD1.5bn in GLP to support its next stage of growth. GARUDA 6 ½ 12/28/31 was 1.5pts higher. Thai Oil started cash tender offer for four notes (TOPTB 43s/48/50) as part of the company's ongoing capital management strategy. TOPTB 43s/48/50 tightened 2-6bps. In LGFVs, there were more high-yielding primary supplies across CNH and USD papers, like LCTIGP 7.4 09/02/28 yesterday, but the space was still unable to digest. QZSOAT 4.82 01/13/28 lowered 0.3pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPSP 4.6 PERP	61.1	7.4	FAEACO 12.814 PERP	44.3	-1.1
GLPSP 4 1/2 PERP	64.3	7.2	LASUDE 5 07/28/26	51.3	-0.9
GLPSP 9 3/4 05/20/28	101.9	2.7	DALWAN 11 02/13/26	95.2	-0.5
GARUDA 6 1/2 12/28/31	82.0	1.5	TSINGH 6 12/10/20	64.9	-0.4
LIFUNG 5 1/4 PERP	55.1	1.4	QZSOAT 4.82 01/13/28	99.8	-0.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.32%), Dow (+0.16%) and Nasdaq (+0.53%) were higher on Thursday. US 2Q25 GDP was +3.3% qoq, higher than the market expectation of +3.0%. The latest initial jobless claims was +229k, lower than the market expectation of +231k. 2yr UST yield was higher while 10/30yr UST yield was lower on Thursday. 2/5/10/30 yield was at 3.62%/3.69%/4.22%/4.88%.

❖ Desk Analyst Comments 分析员市场观点

➤ CNMDHL: A yield pick-up play over CHMEDA

CNMDHL 4 7/8 07/10/30 trading 61bps over CHMEDA 2 1/2 06/17/30

At T+116, CNMDHL 4 7/8 07/10/30 is trading at YTM of 4.9% and 61bps over CHMEDA 2 1/2 06/17/30. CNMDHL 4 7/8 07/10/30 has lagged the recent rally in the 5-year Asia USD bucket by 20-30bps. While ZHOSHKs offer even better risk return profile in Chinese IG space, we consider CNMDHL 4 7/8 07/10/30 a yield pick-up play over CHMEDA 2 1/2 06/17/30 in view of the close relationship between China Modern Dairy (CMD) with China Mengniu Dairy (Mengniu), and the better trading liquidity of CHMEDA 2 1/2 06/17/30. We also believe that the slightly weaker 1H25 results have been priced in the lagging performance of CHMEDA 2 1/2 06/17/30.

Table 1: Bond profiles of CNMDHL and CHMEDA

Security name	O/S (USD mn)	Maturity	Coupon	Offer price	T spread (bps)	YTM (%)
CNMDHL 2 1/8 07/14/26	448.3	7/14/2026	2.125%	97.8	109	4.70%
CNMDHL 4 7/8 07/10/30	350.0	7/10/2030	4.875%	100.1	116	4.90%
CHMEDA 2 1/2 06/17/30	300.0	6/17/2030	2.5%	92.3	55	4.29%

Source: Bloomberg

Click [here](#) for the full report.

➤ MEITUA: Competition heats up and margin squeeze to continue in 3Q25

We continue to view MEITUAs as domestic consumption plays, which should demonstrate relative defensiveness against the impact of trade war. The credit story of Meituan remains solid with net cash position of RMB120.0bn, despite the sharply weakened operating performance. We would not be surprised to see some near-term pressure on MEITUAs but consider further volatility will present better entry opportunities. We maintain buy on MEITUA 3.05 10/28/30 and MEITUA 0 04/27/28 (CB).

Meituan profitability deteriorated sharply yoy in 2Q25, primarily due to the intensified competition in the mainland China food delivery market. Looking ahead, Meituan expects substantial losses in its core local

commerce segment in 3Q25. This reflects its ongoing and elevated investments in incentives, subsidies, and marketing to defend its leading market position amid escalation of industry competition. Alibaba, with its RMB50bn, 12-month subsidy program for Taobao Flash Sale platform and Ele.me food delivery services, and JD, with RMB10bn in targeted merchant support, have both ramped up investment to gain market share.

In the near term, we expect aggressive subsidy campaigns from Alibaba and JD to weigh on Meituan's profitability, particularly Meituan faces rising costs and compressed margins due to the intensifying industry competition. We anticipate the pressure on Meituan's profitability to persist until the sector's subsidy competition becomes more rational, that could be driven by regulatory intervention to curb excessive subsidies. In our view, these subsidy campaigns are driving user and order volume growths, they are also eroding profitability across the entire sector. Despite near-term headwinds, we view Meituan's overall credit profile remains robust, and its strong net cash position should help cushion the impact on its earnings as the price war continues in 2H25.

In Jun'25, Meituan's net cash position further increased to RMB120.0bn, supported by operating cash inflow, albeit lower, during 2Q25 and lower total debts. Over the past 5 years, Meituan's net cash position has averaged RMB68.2bn.

Table 1: Meituan's o/s USD bonds

Security name	Amt o/s (USDmn)	Ask px	YTM/YTP	Z-spread (bps)	First put date	Put px
MEITUA 0 04/27/28	1,500	98.1	4.9%	-	04/27/26	101.28
MEITUA 2.125 10/28/25	750	99.6	4.7%	48	-	-
MEITUA 4.5 04/02/28	1,200	100.2	4.4%	105	-	-
MEITUA 4.625 10/02/29	1,300	100.5	4.5%	116	-	-
MEITUA 3.05 10/28/30	1,250	93.3	4.5%	115	-	-

Source: Bloomberg

In 2Q25, core local commerce revenue increased by 7.7% yoy. Competition in the mainland China food delivery market intensified during the quarter, particularly in on-demand delivery, where industry-wide subsidies reached record highs. JD entered into the food delivery market in Feb'25 and then launched a RMB10bn subsidy program to gain market shares. During 618 shopping festival in 2Q25, JD announced RMB1,000 in daily shopping subsidies per consumer for purchase of a list of products. Meanwhile, Alibaba joined the competition by launching "free milk tea" campaign on Taobao Flash Sale platform in Jun'25. In response, Meituan focused on defending its market leadership by increasing courier incentives, as well as boosting marketing and promotion spending. As a result, profitability declined significantly in 2Q25. The profit margin for the core local commerce segment was 5.7% in 2Q25, compared to 25.1% in 2Q24.

On the other hand, revenue from new initiative rose 22.8% yoy in 2Q25, driven by growth in the grocery retails and overseas businesses. In Jun'25, Meituan launched a strategic transformation for Meituan Select, exiting regions with sustained losses while continuing to explore its next-day delivery and self-pickup model, as well as new community retail formats, in core regions. Keeta also reported robust growth in 2Q25. By Jul'25, its footprint had expanded to 20 cities in Saudi Arabia, in addition to its first presence in Hong Kong. Keeta was further launched in Qatar in Aug'25.

Meituan's gross profit margin decreased 8.1pct pt to 33.1% in 2Q25, primarily due to higher courier incentive and increased costs for overseas operations, partly offset by improved operating efficiency in the grocery retail businesses. The adj. EBITDA fell 81.5% yoy to RMB2.8bn, while the adj. EBITDA margin declined 15.2 pct pt to 3.0% from 18.2% in 2Q24. This deterioration was mainly attributable to a 51.8% yoy increase in selling and marketing expenses, reflecting intensified competition. R&D expenses also rose 17.2% yoy for the investment in AI.

Starting from Jul'25, Meituan expanded occupational injury insurance coverage to all couriers and plans to expand the pension benefits nationwide to cover 1mn couriers by end of Dec'25. It also provided additional benefits, including a RMB1.6bn summer subsidy fund and expanded critical illness coverage. These initiatives are expected to increase recurring costs and pressure profit margins going forward, in our view.

Table 2: 2Q25 financial performance

RMB mn	2Q24	2Q25	Change
Revenue	82,251	91,840	11.7%
-Core local commerce	60,682	65,347	7.7%
-New initiatives	21,569	26,493	22.8%
Gross profit	33,890	30,414	-10.3%
Adj. EBITDA	14,997	2,782	-81.5%
Net profit	11,352	365	-96.8%
Operating cash flow	19,057	4,773	-75.0%
Gross margin	41.2%	33.1%	-8.1pct pt
Adj. EBITDA margin	18.2%	3.0%	-15.2 pct pt
Net profit margin	13.8%	0.4%	-13.4 pct pt

Source: Company filling, CMBI FICC Research.

Table 3: Jun'25 financial position

RMB mn	Dec'24	Jun'25	Change
Unrestricted cash and cash equivalent	70,834	101,656	43.5%
Short-term treasury investments	97,409	69,361	-28.8%
Unrestricted Cash and ST investment	168,243	171,018	1.6%
ST debts	19,191	19,159	-0.2%
LT debts	42,319	31,819	-24.8%
Total debts	61,510	50,977	-17.1%
Net cash	106,734	120,040	12.5%
Cash/ST debts	3.7x	5.3x	-

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

➤ **News and market color**

- Regarding onshore primary issuances, there were 91 credit bonds issued yesterday with an amount of RMB65bn. As for month-to-date, 2,140 credit bonds were issued with a total amount of RMB1,805bn raised, representing a 8% yoy decrease

- **[ACENPM]** ACEN decided to inject a total of USD76mn into subsidiaries and a solar project; to spend PHP34.5bn (cUSD602.6mn) to develop Quezon wind park
- **[GLPSP]** GLP secures up to USD1.5bn investment from ADIA to accelerate growth
- **[LIFUNG]** Li & Fung 1H25 EBITDA rises 4% yoy to USD75mn
- **[MONMIN]** Mongolian Mining 1H25 adjusted EBITDA falls 65.2% yoy to USD94.1mn
- **[ORIX]** Orix to issue unsecured five-year bonds for JPY20bn (cUSD135mn)
- **[SHUION]** Shui On Land 1H25 profit before tax down 95.4% yoy to RMB13mn (cUSD1.8mn)
- **[SJMHL]** SJM Holdings 1H25 adjusted EBITDA drops 5% yoy to HKD1.7bn (cUSD212mn); to buy part of Hotel Lisboa for HKD529m (cUSD68mn)
- **[SKM]** SK Telecom was slapped with a KRW134.8bn (cUSD97mn) penalty following a personal data breach disclosed in April
- **[VKNRLE]** Fitch downgraded China Vanke and Vanke Hong Kong downgraded to CCC- from CCC+, reflects further weakening in liquidity; timely support from Shenzhen Metro is essential
- **[YUZHOU]** Yuzhou Group offshore debt revamp to become effective on 29 Aug'25

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