

CMBI Credit Commentary

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

- *New SMCGL Perp rose 0.1pt this morning. Asian IG space widened 2-5bps with active selling flows post rates retracement. AACTEC/BABA/XIAOMI were better sold. ChemChina and front-end HRINTHs were two-way traded. EU AT1 rebounded.*
- **PCORPM:** *Weaker 9M24 results but maintain buy on PCORPM 5.95 Perp. See below comments.*
- **VNKRLE:** *China Vanke denied covenant amendments on two offshore loans totaled HKD15.7bn. VNKRLEs dropped 0.5 to 1.75pts lower this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST curve bull flattened and the yields tightened 11-15bps following Trump's nomination of Scott Bessent as US Treasury Secretary. In India, ADSEZ/ADTIN/ADANEM/ADINCO 26-41s dropped another 2.3-6.4pts after the fall of 4.8-7.4pts over the last week. ADGREG/AREN RJ 39-42s lowered another 4.5-5.4pts post the plunge of 8.7-10.7pts last week. Fitch placed ADTIN/ADANEM on rating watch negative. VEDLN 26-29s closed unchanged following it resumed its new issue plan. In Philippines, SMCGL priced the NC5.25 Perp with a total issuance size of USD500mn (incl. USD273.9mn from the exchange) at par to yield 8.125%. In Chinese IGs, the recent new BABA 30s/35s/54s widened 2-5bps. HAOHUA/MEITUA/WB/XIAOMI/ TENCNT/TME 28-31s widened 2-3bps. In financials, AIA 34-54s were 2-5bps wider. On the other hand, ICBCIL/FRESHK/ BCHINA/ICBCAS 25-28s were unchanged to 3bps tighter. Meanwhile, BCLMHK/WSTP/SHNHAN Float 25-29s and DAESEC/DFHOLD 26-29s were 1-2bps tighter. EU AT1s were firm on the back of the UST rates tightening. NWG 7.3/SCOGEN 8.125/BACR 9.625/HSBC 6.95 Perps were 0.2-0.4pt higher on RM reloading risks. In insurance hybrids, ZURNVX '55/NIPLIF '54/MYLIFE '54 were up 0.1-0.4pt on PB buying. In HK, NWDEVL Perps/27-30s declined 0.9-1.5pts, while NANFUN/HYSAN FFL Perps were up 0.2-0.5pt under decent buying interests. Chinese properties were mixed. DALWAN 24-26s rose 1.4-3.7pts. See our comments on 25 Nov '24 regarding the consent solicitation. State-owned CHIOLIs/CHJMAOs remained sought after and closed unchanged to 0.8pt higher. However, VNKRLE 25-29s were down 0.8-1.0pt following the media report that Vanke is seeking approval to amend covenants despite the company's denial. LNGFOR 27-32s and SHUION 26s were 1.1-1.9pts lower. In Indonesia, MDLNIJ 27s declined another 0.8pt. Media reported MDLNIJs' bondholder group oppose the terms of revised LME.

In LGFV, ZHTWIV priced a CNH400mn 3-yr bond at par to yield 5.2%. HZCONI/HBCITY/HNJSDV/QZTRIN announced new issue mandates of USD bonds. The flows in the high-single-digit yielding LGFVs were mixed two-way among RMs, whilst the double-digit yielding LGFVs continued to

Glenn Ko, CFA 高志和
 (852) 3657 6235
 glennko@cmbi.com.hk

Cyrena Ng, CPA 吳倩瑩
 (852) 3900 0801
 cyrenang@cmbi.com.hk

Jerry Wang 王世超
 (852) 3761 8919
 jerrywang@cmbi.com.hk

reprice wider. SHGUOH '26/GZGETH '27 were up 0.1-0.3pt, LIANYU '25/NJYZSO '27 were 0.2pt lower. HUASST '27/KMRLGP '25 were down 0.1pt. The CNH HEURBA '27/CHTOCO '26 were also 0.1pt lower. In SOE perps, CHSCOI 3.4 Perp was up 0.1pt, CHPWCN 4.25 Perp was down 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
DALWAN 11 02/13/26	80.4	3.7	ADSEZ 5 08/02/41	70.5	-6.4
DALWAN 11 01/20/25	90.4	2.5	ADGREG 6.7 03/12/42	79.2	-5.4
CITLTD 5.07 04/18/48	92.9	1.8	ADSEZ 3.828 02/02/32	73.7	-5.1
CITLTD 4.85 04/25/46	91.1	1.8	ADANEM 3.867 07/22/31	73.9	-4.9
EXIMCH 4 11/28/47	88.1	1.8	ADTIN 4 1/4 05/21/36	75.7	-4.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.30%), Dow (+0.99%) and Nasdaq (+0.27%) remained firm on Monday. UST yields retreated yesterday, 2/5/10/30 yield reached 4.21%/4.17%/4.27%/4.45%.

❖ Desk Analyst Comments 分析员市场观点

➤ PCORPM: Weaker 9M24 results but maintain buy on PCORPM 5.95 Perp

We expect Petron to call the perp on the first call date in Apr'26, in view of 250bps of coupon step-up and Petron's track record of calling its perps on the first call dates. The coupon of PCORPM 5.95 Perp will be reset and step-up by 250bps to c11.9% (i.e. reset to 5yrUST+7.574%) after the first call date. Recalled that Petron called PCORPM 4.6 Perp and PCORPM 7.5 Perp on their first call dates in Jul'23 and Jun'18, respectively. PCORPM 5.95 Perp is Petron's only outstanding USD issue. Given Petron's good access to funding channels, especially onshore preference share issues and loans, we believe that Petron is capable of to refinance PCORPM 5.95 Perp, its only offshore issue, with lower cost alternatives. At 99.7, PCORPM 5.95 Perp is trading at a YTC of 6.2%. We consider PCORPM 5.95 Perp a low beta and good carry play. Hence, we maintain buy on PCORPM 5.95 Perp.

In 9M24, Petron's revenue increased 12% to PHP658bn, driven by 11.5% yoy increase in sales volume to 104.4mn barrels. Its total sales volume from the Philippine operations and Singapore trading arm increased 16% to 67.8mn barrels, while sales volume from the Malaysian operation rose 4% to 36.6 mn barrels. The increase in retail sales was supported by effective marketing programs in its service station network in the Philippines and Malaysia.

Moreover, Petron entered into an exclusive supply agreement with the largest bus company in the Philippines, Yanson Group, in Aug'24 to support diesel to 3,600 bus currently in operation for 2H24, following Petron was awarded an exclusive supply contract for Yanson Group's lube oil requirements for a period of 3 years starting from 2023. These should help to support the sales volume of Petron in 4Q24 along with the growing momentum on retail sales.

However, the average refining margin declined by c30% yoy, reflecting the weak demand for petroleum products, new capacity coming on stream and depreciation in PHP against USD, while the average benchmark Dubai crude price was the same at USD82/barrel in 9M24 and 9M23. As a result, the gross profit and EBITDA were 10% and 4% lower yoy respectively. We take some comfort that the pressure on refining margin will be tempered by some refiners' reduction of refinery runs.

Petron's cash balances increased to PHP47bn as of Sep'24 from PHP27.5bn as of Dec'23. The lower operating cash flow and higher capex were more than offset by the issuance of Series 4D and 4E preferred shares onshore totaled PHP17bn in Sep'24. The issues will be used to redeem Series 3A preferred shares in Dec'24 and refinance debts. As of Sep'24, the net leverage of Petron was lower. Its net debt/LTM EBITDA (perp was accounted as debt) was 5.8x while the cash to short term debt remained low at 0.3x. We take comfort on Petron's good access to bank borrowings for refinancing of short-term dues. In Oct'24, Petron drew USD141mn from a USD500mn term loan obtained in Jul'24 to repay debts. The new loan will be amortized in 7 equal semi-annual installments starting from Jul'26 and will be matured in Oct'29 at SOFR+170bps.

Table 1: Financial highlights of Petron

PHPmn	9M23	9M24	Change
Revenue	587,283	657,933	12.0%
-Petroleum	585,112	655,620	12.1%
-Leasing	862	869	0.8%
-Marketing	833	895	7.4%
-Others	476	549	15.3%
Gross profit	38,370	34,391	-10.4%
EBITDA	34,578	33,120	-4.2%
Net profit	9,508	7,109	-25.2%
Operating cash flow	22,712	17,064	-24.9%
Capex	4,686	6,981	49.0%
Gross profit margin	6.5%	5.2%	-130bps
EBITDA margin	5.9%	5.0%	-90bps
Net profit margin	1.6%	1.1%	-50bps
	Dec'23	Sep'24	Change
Cash	27,519	46,998	70.8%
Total debt	293,212	295,090	0.6%
Net debt	265,693	248,092	-6.6%
Total debt/LTM EBITDA	6.7x	7.0x	-
Net debt/LTM EBITDA	6.1x	5.8x	-
Cash to ST debt	0.2x	0.3x	-

Note: Debt incl. USD Perp.

Source: Company filling, CMBI Research.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
San Miguel Global Power	500	PNC5.25	8.125%	8.125%	-/-/-
Vedanta Resources	300/500	3.5NC1.5/7NC3	10.25%/11.25%	10.25%/11.25%	-/B-/B-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Huaibei City Construction	USD	-	3yr	6.7%	-/-/-
Huzhou City Investment Development	USD	-	3yr	-	-/-/BBB
Quzhou Qutong Transportation	USD	-	3yr	5.2%	-/-/-
Zhejiang Qiantang River Investment	USD	-	3yr	6.25%	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 111 credit bonds issued yesterday with an amount of RMB123bn. As for month-to-date, 1,646 credit bonds were issued with a total amount of RMB1,520bn raised, representing a 2.9% yoy increase
- **[ADANIG]** TotalEnergies to halt new investments in ventures with Adani Green Energy Limited
- **[ADTIN/ADANEM]** Fitch placed Adani Energy Solution and Adani Electricity Mumbai's BBB- ratings on rating watch negative
- **[BTSDP]** S&P affirmed H&H BB ratings and revised rating outlook to negative from stable
- **[SUNOTG]** Sunny Optical appointed Wang Wenjie as CEO after Sun Yang resigned
- **[TPHL]** Times China's winding-up petition hearing adjourned to 27 Jan'25
- **[VNRLE]** China Vanke denied the news that the company seeks approval from lenders to modify terms of two offshore loans totaled HKD15.7bn
- **[YZCOAL]** Yankuang Energy Group raised RMB1.5bn via onshore MTN

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.