

CMBI Credit Commentary

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

- *The new KHFC 5.125 '30 and KHFC Float '30 tightened 5bps and 2bps from ROs, respectively this morning. HKAAs widened 1-2bps. DAIL/SUMILF Perps down 0.2pt. LGFVs were firm.*
- **VEDLN:** *Expect to early redeem VEDLN 13.875 12/09/28 in full next month. We maintain buy on VEDLN 10.25 06/03/28, VEDLNs were largely unchanged this morning. See below.*
- **China Economy:** *Exports surged amid possible tariff hikes. CMBI expects the export growth to decelerate from 5.9% in 2024 to 3.3% in 2025 while import growth to rise from 1.1% in 2024 to 2.2% in 2025; the USD/RMB rate to reach 7.5 at end-2025 from 7.35 at end-2024. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, KHFC priced fixed-rated and floating-rated bonds (both of 5-yr) at CT5+63 and SOFR+90, respectively. HYUELEs/HYNMTRs/LGENSOs/POHANGs widened 1-3bps on some PB/RM selling. The recent new HKAA 30s/BOCAVI 28s/SPSP 29s tightened 1-3bps. In Chinese IGs, TENCNT/MEITUA/HAOHUA 28-31s were 1-2bps tighter. In financials, NANYAN 34s were 2bps tighter, while the front end of BNKEAs widened 1-4bps. OCBCSPs/TOPTBs were unchanged to 3bps wider under better selling from RMs. In AT1s, the recent new STANLN 7.625/BBVASM 7.75 Perp fell 0.5-0.7pt. The longer-dated-to-call papers such as BNP 7.375/SOCGEN 8.5/SANTAN 9.625 Perps were 0.3-0.6pt lower post stronger-than-expected NFP data. In JP, the NC10 insurance hybrids such as DAIL 6.2 Perp/FUKOKU 6.8 Perp/SUMILF 5.875 Perp/MYLIFE 54s/NIPLIF 54s were down 0.2-0.5pt. In HK, BTSDF 26s closed 2.2pts higher following the announcement of new 3.5NC1.5 USD bond and the concurrent tender offer for BTSDF '26 at 109.8. See our comments on [13 Jan '25](#). LIHHK 25s closed unchanged. Lifestyle repurchased USD16mn in principal amount of LIHHK 4.5 25s, the o/s amount will reduce to USD245.5mn after cancellation. REGH/LIFUNG Perps were 0.4-0.8pt higher, while the recent new CHINLP 5.45 Perp retreated 0.2pt to 100.2. Chinese properties remained weak. VNKRL 25-29s plunged another 3.0-4.6pts after the fall of 6.8-9.6pts over the last week. LNGFOR 27-32s dropped another 1.7-2.9pts after the decline of 3.7-4.2pts over the last week. FTLNHD 25-26s decreased 2.1-2.4pts. CHJMAO 26-29s declined another 0.4-0.9pt. Outside properties, EHICAR 26-27s were 0.4-0.7pt higher. In India, VEDLN 26-31s closed 0.2-0.4pt lower following the proposed new issues of 5.5NC2.5 and 8.25NC3 USD bonds and positive rating actions. See comments below. ADSEZ 31s/ADINCO 31s/ADGREG 42s were 0.3-0.6pt lower. Elsewhere, GLPSP 4.5 Perp decreased 0.8pt.

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The tone on LGFVs remained constructive, thanks to deployment buying flows from both offshore and cross-border Chinese RMs. GZINFU/SIDEVE/HNYUZI 26s were up 0.1-0.2pt. There were two-way interests on the CNH names such as XYDXIV 28s/JJCIHG 27s/NTHGCL 27s. In SOE perps, CHPWCN 4.25/COFCHK 3.1 Perps were up 0.1pt, SPICPT 3.45/HUANEN 3.08 Perp were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
BTSDF 13 1/2 06/26/26	109.4	2.2	VNKRLE 3.15 05/12/25	72.6	-4.6
LIFUNG 5 1/4 Perp	49.3	0.8	VNKRLE 3 1/2 11/12/29	36.2	-3.2
EHICAR 7 09/21/26	69.7	0.7	VNKRLE 3.975 11/09/27	38.8	-3.0
REGH 6 1/2 Perp	48.9	0.4	LNGFOR 3.95 09/16/29	68.7	-2.9
EHICAR 12 09/26/27	67.4	0.4	LNGFOR 3.85 01/13/32	63.7	-2.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.16%), Dow (+0.86%) and Nasdaq (-0.38%) were mixed on Monday. Markets are pricing in about 27bps of cuts from Fed this year, with a 52.9% chance for a Jun cut. UST yield were higher on Monday, 2/5/10/30 yield reached 4.40%/4.61%/4.79%/4.97%.

❖ Desk Analyst Comments 分析员市场观点

➤ VEDLN: Expect to early redeem VEDLN 13.875 12/09/28 in full next month

Vedanta Resources (VRL) distributed a conditional redemption notice to redeem VEDLN 13.875 12/09/28 of USD460mn on or about 18 Feb'25 at par. At the same time, VRL announced the tender offer for VEDLN 13.875 12/09/28 and VEDLN 9.25 04/23/26. See Table 1. VRL expects to fully redeem VEDLN 13.875 12/09/28 via the tender offer and the conditional call. Meanwhile, the tender cap of VEDLN 9.25 04/23/26 is the net proceeds from new bonds issuance less redemption amount of VEDLN 13.875 12/09/28. Acceptance priority for VEDLN 9.25 04/23/26 will be given to holders who tendered at or before the early tender deadline. The conditional call and tenders offers are to be funded by the concurrent new 5.5NC2.5 and 8.25NC3 USD bonds issuance.

If VRL early redeems both VEDLN 13.875 12/09/28 and VEDLN 9.25 04/23/26 in full, the next USD bonds maturity will be VEDLN 10.25 06/03/28 of USD300mn and the near-term refinancing pressure of VRL is substantially reduced. Yesterday, Moody's upgraded VRL by one notch to B1 from B2; while S&P put VRL's rating on CreditWatch Positive and will upgrade VRL's rating by one notch to B+ from B once the refinancing of VEDLN 9.25 04/23/26 is certain. We maintain buy on VEDLN 10.25 06/03/28. At 102.7, VEDLN 10.25 06/03/28 is trading at YTM of 9.3%.

Table 1: Summary of the tender offers

Security name	VEDLN 13.875 12/09/28	VEDLN 9.25 04/23/26
O/s amt (USDmn)	459.5	600
Early tender px	100	100.5
Tender px	99	100
Tender cap	Any and all	Net proceeds from new bonds issuance less redemption amount of VEDLN 13.875 12/09/28
Early tender deadline	27 Jan'25	
Expiration time	11 Feb'25	

Source: Bloomberg, Company filling.

Table 2: VRL's o/s USD bonds

Security name	ISIN	Amt o/s (USD mn)	Px	YTM (%)	Guarantor	Issue rating (M/S/F)
Tender offers:						
VEDLN 13.875 12/09/28	US92241TAM45	460	100.3	13.8	Twin Star, Welter Trading	B2/B-/-
VEDLN 9.25 04/23/26	US92243XAA90	600	100.8	8.5	VRL	B2/B-/-
Other o/s bonds:						
VEDLN 10.25 06/03/28	US92243XAJ00	300	102.7	9.3	VRL, Twin Star, Welter Trading	-/B-/B-
VEDLN 10.875 09/17/29	US92243XAH44	1,200	104.7	9.6	VRL, Twin Star, Welter Trading	-/B-/-
VEDLN 11.25 12/03/31	US92243XAK72	500	106.5	9.9	VRL, Twin Star, Welter Trading	/B-/B-

Source: Bloomberg, Company filling.

➤ China Economy: Exports surged amid possible tariff hikes

Merchandise exports in Dec considerably picked up driven by exports to the US ahead possible tariff hikes, while exports to Global South also notably strengthened. Exports of products improved broadly but electronic products moderated noticeably. The fading momentum of tech and transportation products may weigh on export growth in 2025. Imports rebounded as copper-related products surged, thanks to the AI-related demand. Domestic demand remained weaker than overseas demand as export volume registered two-digit strong growth while import volume slightly declined in 2H24. Considering net exports may have contributed nearly 25% of GDP growth in 2024, we expect the next wave of policy stimulus will be triggered by export deterioration possibly in 2H25, when Trump may announce the tariff hikes after the US inflation trends lower. Looking forward, we expect the export growth to decelerate from 5.9% in 2024 to 3.3% in 2025 while import growth may mildly rise from 1.1% in 2024 to 2.2% in 2025. We expect the USD/RMB rate to reach 7.5 at end-2025 from 7.35 at end-2024.

Headline extended its rally as exports to the US accelerated ahead of possible tariff hikes. Exports rebounded to 10.7% (all on a YoY basis unless specified) in Dec after moderating to 6.7% in Nov, above market expectation of 7.1%. Exports to the US escalated from 8% to 15.6% driven by continued front-loading, boosting the headline growth by 2.2%. Exports to other major trading partners, including ASEAN and the EU, also grew from 14.9% and 7.2% to 18.9% and 8.8%. Exports to Latin America, Africa and Russia continued the rapid growth both in Dec and 4Q24 while exports to Japan, India and Australia slowed down. Exports to ASEAN and Latin America may encounter challenges in 2025 if Trump targets Chinese goods' re-routing into the US. However, lowering inflation is a higher priority for Trump than addressing the trade imbalance at least in the short term. Tariffs on broad trade partners may push up inflation. US imports of goods are equivalent to 10% of GDP, and a 10% tariff on all goods imports might increase the PCE inflation by 0.5ppt, taking into account the pass-through effects from tariffs to exchange rates as well as from import prices to consumer prices. Therefore, the Trump administration may target major trading partners with tariffs when inflation falls to much lower levels.

Exports of products improved broadly in Dec while tech-products moderated. Textile yam, steel products, motor vehicles, auto parts and general equipment saw the biggest surge in Dec, while tech products including integrated circuits, cellphones and computers moderated notably. Looking back at 2024, tech and transportation products were the major driver of export growth, accounting for over 40% of the headline export growth, with integrated circuits, personal PCs, ships & vehicles contributing 0.78ppt, 0.57ppt, 0.69ppt and 0.51ppt respectively. We expect exports to face more headwinds in 2025 from a bottom-up approach, as momentum of tech and transportation products has started to fade since 4Q24. Growing restrictions on technology and "China+1" production strategy would weigh on tech products. Demand for ships may decline

due to excessive maritime shipping capacity while vehicle exports may continue to slow down amid a high base and tariff hikes. We expect export growth to moderate from 5.9% in 2024 to 3.3% in 2025.

Imports rebounded as copper-related products notably surged. China's imports of goods recovered to 1% in Dec after dipping 3.9% in Nov, beating market expectations of -1%. Import volume of copper ore and copper products notably surged 21.7% and 1.7% with their import price up 9.9% and 15.2%, thanks to the AI-related demands including electronics and power grids. For energy products, import volume of coal increased 10.7% while crude oil and natural gas dropped, with their import price all dipping 10% in Dec. Import volume of iron ore and rubber saw over 10% growth while the decline in imports of grain and soybean significantly widened. Import volume of finished goods also saw notable growth, with airplanes, machine tools and integrated circuits rising 50%, 34.5% and 13%.

Possible deterioration of exports and confidence after Trump shock may trigger the next policy easing wave. The incentive of the Sep 24 policy easing was mostly domestic, due to the slumping property and stock markets, worsening local fiscal conditions and increasing pressure to achieve GDP target as exports remained robust and net exports contributed nearly 25% of 2024 GDP growth. We expect the next round of major policy easing might be prompted in 2H25 as China's economy may face slowdown pressure again due to possible tariff hikes from the US and marginal declines of the current stimulus effect. We expect Trump might start to impose tariffs in 2H25, as the inflation environment may be more favourable by then, and the tariff hikes would take time through administrative processes. Looking forward, we expect China's export growth to decelerate from 5.9% in 2024 to 3.3% in 2025 while import growth may mildly rise from 1.1% to 2.2%. We expect the USD/RMB rate to reach 7.5 at end-2025 from 7.35 at end-2024.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Commonwealth Bank of Australia	1,500	5yr	4.971%	SOFR MS+69	Aa2/AA-/AA-
Korea Housing Finance Corp	500/300	5yr/5yr	5.125%/SOFR+90	T+63/SOFR+90	Aa1/AA-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Hyundai Capital Services	USD	-	3yr	T+105	A3/A-/A-
Industrial and Commercial Bank of China, Macau Branch	USD	-	3yr	SOFR+105	-/A/-
Tata Capital	USD	-	3.5yr	T+125	-/BBB-/-
Yankuang Group	USD	-	3yr	5.3%	-/BB+

➤ News and market color

- Regarding onshore primary issuances, there were 109 credit bonds issued last Friday with an amount of RMB103bn. As for month-to-date, 895 credit bonds were issued with a total amount of RMB651bn raised, representing a 18.5% yoy increase

- **[COGARD]** Media reported Country Garden may convert its existing shareholder's loan of USD1.1bn to share of Country Garden Holdings and the entity operating the Country Garden Forest City project in Malaysia
- **[LIHHK]** Lifestyle International further repurchased USD16mn of LIHHK 4.5 06/26/25, outstanding principal amount reduced to USD245.5mn
- **[STANLN]** Standard Chartered Plc will exercise the call option to fully redeem STANLN 2.819 01/30/26 of USD2bn on 30 Jan'25
- **[VEDLN]** Moody's upgraded Vedanta Resources to B1 from B2; S&P placed Vedanta Resources on CreditWatch Positive, the rating will be upgraded to B+ once the refinancing of VEDLN 9.25 04/23/26 is certain

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