

CMBI Credit Commentary

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

- *Asia IG BABA/TENCNT 27-35s widened 5-10bps this morning. CFAMCI 30s/BCLMHK Float 27-30s were 3-8bps wider. SUMILF Perp and MYLIFE/NIPLIF 54-55s were down 1.0-1.3pts.*
- *BTSDF: IMF recovered in China during 1Q25. Maintain buy on BTSDF 9.125 07/24/28. BTSDF 9.125 07/24/28 down 1.8pts this morning. See below.*
- *China Economy: Deflation pressure rises amid the US tariff shock. CMBI lowers the forecast for China's CPI and PPI growth rates in 2025 from 0.6% and -0.3% to 0.2% and -0.8% respectively. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易平台市场观点

Yesterday, the credit spread of Asia IGs were 5-15bps tighter and the flows were balanced two way following Trump's 90-day tariff pause on most trading partners. HKAA/MTRC/PETMK 30-55s tightened 7-14bps. HYUELE 33s/LGENSO 35s closed 15-30bps tighter. HYNMTR/LGENSO Float 27-30s, however, were under better selling and closed unchanged to 2bps wider. In Chinese IGs, BABA/LENOVO/XIAOMI 30-35s closed 3-6bps tighter. MEITUA 28-30s were 3-10bps tighter amid two way flows. See our comments on Meituan on [10 Apr '25](#). The long end of HAOHUA/SINOPE 43-50s were 1.2-1.6pts lower (unchanged to 3bps wider in spreads). EU AT1s had a recovery session. BNP/BACR/HSBC Perps rebounded 1.3-2.3pts. In JP, insurance hybrids such as MYLIFE/NIPLIF 51-55s and SUMILF/FUKOKU Perp closed 0.8-1.8pts higher with short covering and risk reloading buying from RMs, versus selling from AMs/Prop desks. SUMIBK 6.6/MUFG 8.2 Perps were up 1.5-3.5pts. RAKUTN 8.125 Perp/27-29s bounced 1.3-2.5pts, closed 4.0-6.0pts lower WTD. In Chinese properties, LNGFOR 27-32s/VNKRLE 27-29s/FTLNHD 25-26s rebounded 1.6-2.8pts, closed 1.4-3.2pts lower WTD. Outside properties, WESCHI 26s were up 0.9pt, closed 6.4pts lower WTD. In India and Indonesia, ADGREGs/ARENJs/ ADSEZs/ADNEMs rebounded 2.4-4.9pts, but still closed 1.3-3.9pts lower WTD. VEDLN 28-33s were also 0.7-3.1pts higher, closed 4.6-11.7pts lower WTD. MEDCIJ 26-29s were up 0.8-1.6pts, closed 3.0-3.9pts lower WTD.

In LGFVs, CNSHAN priced a 3yr bond of USD500mn at par to yield 4.6% (IPT at 5.2% area). We continued to see RMs trying to capture cheap and loose bonds. There were two way interests on CNH Shandong names such as BIBIDI 27s/ZOUCAO 27s/ZCHLIM 26s. In SOE perps, CHPWCN Perp was up 0.1pt, SPICPD/SPICPT Perps were down 0.1pt.

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

Cyrena Ng, CPA 吳蔭瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ADGREG 6.7 03/12/42	84.5	4.9	HAOHUA 3.7 09/22/50	69.9	-1.6
SUMIBK 6.6 PERP	94.1	3.5	HAOHUA 4 3/4 06/19/49	82.3	-1.6
ADANEM 3.949 02/12/30	84.3	3.4	DBJJP 3.363 04/25/44	75.4	-1.4
ADTIN 4 1/4 05/21/36	79.7	3.1	SINOPE 5 3/8 10/17/43	100.2	-1.4
RAKUTN 6 1/4 PERP	78.6	3.1	CHGDNU 4.8 09/11/48	88.1	-1.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-3.46%), Dow (-2.50%) and Nasdaq (-4.31%) were lower on Thursday. US Mar'25 CPI was +2.4% yoy, lower than the market expectation of 2.5%. The latest initial jobless claims was +223k, same as the market expectation. The EU announced a 90-day pause on retaliatory tariffs against the US after Trump U-turn. UST yield bull steepened on Thursday, 2/5/10/30 yield at 3.84%/4.04%/4.40%/4.86%.

❖ Desk Analyst Comments 分析员市场观点

We maintain buy on BTSDF 9.125 07/24/28, in view of Health & Happiness (H&H)'s good access to various funding channels as well as the lengthened maturity profile. We believe that H&H is on track to deliver positive revenue growth in FYE25 in view of the IMF recovery in China. At 95.1, BTSDF 9.125 07/24/28 is trading at YTM of 10.9%, and offering yield pick-up of 106bps over FOSUNI 8.5 05/19/28 (-/BB-/, YTM of 9.9%), and 374bps over GWFOOD 3.258 10/29/30 (-/BB, YTM of 7.2%) with 2.2 years shorter in maturity.

H&H 1Q25 revenue rose 10.4% yoy to RMB3.2bn, mainly attributable to the recovery of IMF businesses in China. BNC revenue rose by 25.3% yoy in 1Q25 to RMB1.1bn. The full roll-out of the new GB products was well received by the market. As per H&H, c2/3 of the revenue growth in 1Q25 IMF growth in the China was attributable to the volume effect, c1/3 of the growth was from price effect as discounts were offered to customers in 1Q24 to deplete the old GB products. H&H continues to acquire new customers via e-commerce and baby specialty store channels and grow market shares in the super-premium segment in China. Nationwide Baby Festival campaign in 1Q25 also helped drive the revenue growth. The market share of H&H in China was 15.6% in 2M25, increased from 13.7% in FY24. Its Stage 1 and Stage 2 IMFs market shares reached 5.3% and 5.4%, respectively in 2M25. H&H is on track to deliver positive revenue growth in IMF in FYE25.

PNC revenue showed 8.2% yoy growth in 1Q25 to RMB501mn, driven by recovery in China and continued growth in North America. H&H is moving to the higher-margin pet food and supplements in PNC segment, as well as moving to large nationwide chain stores and e-commerce from independent store which are more profitable. Solid Gold pet food maintains its leading position in the mainland China's online premium cat dry food category, while Zesty Paws remains as one of the most recognized pet supplement brands in the U.S. H&H is working on to replicate the turnaround in China to the North America.

ANC revenue showed stable growth at 2.0% yoy in 1Q25 to RMB1.5bn, driven by strong growth in demand for beauty, multi-vitamins and detox products, as well as continued growth in Swisse Plus+ and Little Swisse range in China. Swisse maintained its No. 1 position in the China online VHMS market.

We view that the impact of trade war on H&H should be contained. The Solid Gold pet food export to China accounted for c2% of H&H's total revenue in FY24, and the Solid Gold pet food and Swisse VHMS products export to US from Asia and ANZ accounted for c0.6% of H&H total revenue in FY24. In response to the trade war, H&H speeds up the localization of supplies for respective markets, as well as promoting the sales via online store which is subject to VAT in China but not trade tariff currently.

Moreover, H&H expects no impact on the FYE25 financials in relation to the tax audit on Biostime Healthy Australia Pty (BHA). Australian Tax Office (ATO) issued official notices requesting tax and penalty totaled cUSD246mn. BHA intends to object to the ATO's assessment and prepared to initiate further legal proceedings.

H&H had cash of RMB1.4bn as of Mar'25, down from RMB1.6bn as of Dec'24. The decrease was mainly due to the early full redemption of BTSDF 13.5 06/26/26 of USD300mn above par (USD24.7mn at 109.54 under make-whole, and USD275.3mn at 109.8 under tender offer), and partly offset by issuance of BTSDF 9.125 07/24/28 of USD300mn in Jan'25. On the other hand, H&H has hedged the forex exposure resulting from the term loan of USD540mn and a portion of BTSDF 9.125 07/24/28 of USD300mn. It intends to hedge a higher portion of the USD bonds to better manage the forex risk. We acknowledge H&H's diversified funding channels with good access to bond and loan markets. H&H has no major maturity over the next 2.5 years.

➤ **China Economy: Deflation pressure rises amid the US tariff shock**

China's Mar CPI further contracted MoM dragged by food and energy prices. Core CPI growth remained subdued due to weak consumer demand and excess supply capacity. The downturn of PPI deepened, weighed by falling energy prices and weak domestic construction demand. Trump's aggressive tariffs may add deflationary pressure to China by reducing overseas demand, undermining confidence and increasing excess capacity. China needs to further loosen monetary policy and launch additional fiscal stimulus to boost housing market and consumer demand. The PBOC may cut RRR and LPRs in 2Q25 by 50bps and 20bps respectively, and the Ministry of Finance may increase the magnitude of fiscal stimulus especially for targeting consumption in 2H25. We lower the forecast for China's CPI and PPI growth rates in 2025 from 0.6% and -0.3% to 0.2% and -0.8% respectively.

CPI further contracted dragged by food and energy prices. China's CPI YoY growth rebounded from -0.7% in Feb due to CNY mismatch to -0.1% in Mar, in line with market expectation. In sequential terms, CPI further dipped to -0.4% in Mar from -0.2% in Feb. Food price further retreated from early-year peak, dropping 1.4% MoM in Mar, as pork and vegetable prices declined 4.4% and 5.1% MoM. Pork price may narrowed its MoM decline in Apr as indicated by the wholesale price, but it should remain muted as inventories of breeding sows and live hogs stay elevated. Vehicle fuel price dropped notably in Mar to -3.5% MoM from 1.3% in Feb, following the decline of global crude oil price in Jan. CPI MoM may rebound moderately in Apr as high-frequency data show prices of agricultural products and vegetables rebounded moderately, while wholesale price of pork and gasoline narrowed their declines.

Core CPI mildly recovered. Core inflation rebounded to 0.5% YoY in Mar from its 4-year low of -0.1% in Feb. Its MoM growth also recovered to 0% in Mar from -0.2% in Feb. Service price remained subdued at -0.4% MoM in Mar, as prices of travel and home service dropped 3.5% and 0.3% while rental and education service saw mild rebound of 0.1%. Deflation pressure extended in durable goods as telecom equipment and vehicles prices dipped 0.2% and 0.4% MoM in Mar, due to the enhancing trade-in subsidy. Home equipment, footwear and clothing continued to outperform at 2.8%, 0.7% and 0.7% MoM in Mar. Overall, the domestic demand remained weak as both prices of goods and service showed weaker seasonality.

The downturn of PPI deepened, weighed by falling energy prices. The YoY contraction of PPI expanded from -2.2% in Feb to -2.5% in Mar, weaker than market expectations at -2.2%. The MoM growth dropped to -0.4% in Mar from -0.1% in Feb. For mining industries, PPI of energy including coal and oil & gas mining further dropped to -14.9% and -8.5% YoY in Mar from -12.5% and -3.3% YoY in Feb. Ferrous metals remained suppressed at -10% in Mar, reflecting weak domestic construction demand while non-ferrous metals was robust at 9.4% thanks to their application in high-tech manufacturing. Deflation pressure remained in final consumer goods as it dropped 0.4% MoM in Mar, indicating the lethargic demand, particularly in the durable goods that dropped 1% MoM. We expect PPI to face further downward pressure as global tariff uncertainties may weaken energy and metal prices, and intensify over-supplying problem in China due to weaker external demand.

The trade tensions may reinforce deflationary pressure while accelerating the pace of policy easing.

The current trade tensions may exert further deflation pressure in China, through intensifying the over-capacity on the supply side and weighing on consumer confidence, household income and corporate profits on the demand side. The pace of domestic policy support may expedite to offset the external shock. China may further cut RRR and LPRs earlier than expected in 2Q25 by 50bps and 20bps respectively to boost confidence and demand. In addition, China may launch additional fiscal stimulus especially for targeting consumption in 2H25, but the specific timing is uncertain as the policymakers may view the fiscal and consumption stimulus plan as a bargaining chip in negotiations with the US, which means the policy plan may not be implemented unless the two sides reach a preliminary consensus.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Coastal Emerald Limited/ Shandong Hi-Speed Group Co	500	3yr	4.6%	4.6%	A3/-/A-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Liangshan Development (Holdings) Group	USD	-	3yr	6.5%	Unrated

➤ **News and market color**

- Regarding onshore primary issuances, there were 146 credit bonds issued yesterday with an amount of RMB136bn. As for month-to-date, 535 credit bonds were issued with a total amount of RMB533bn raised, representing a 10.4% yoy increase
- **[ADGREG]** BlackRock subscribes to USD750mn Adani Group private bond issue
- **[BTSDf]** Health & Happiness 1Q25 revenue rises 10% yoy to RMB3.2bn (cUSD432mn)
- **[CCAMCL]** Fitch changed the outlook of China Cinda to stable from negative, affirmed A- rating
- **[CHILOV]** Fitch affirmed China Life's A rating despite sovereign downgrade as it is not subject to China's country ceiling of A rating
- **[COGARD]** Country Garden and AHG holding 29.9% of the principal amount of the existing bonds agrees to restructure USD14.1bn debt via schemes of arrangement
- **[CTIH]** Fitch downgraded China Taiping by one notch to A- from A following sovereign downgrade
- **[GRNCH]** Moody's revised the outlook of Greentown China to stable from negative, affirmed B1 rating
- **[NSANY]** Nissan teams up with AI startup Wayve on autonomous driving technology

- **[NWDEVL]** NWD offers 8bps early-bird fee for banks commitments by 25 Apr'25 for HKD63.4bn refinancing facility, aims to finalize the proposed debt refinancing by end of Jun'25
- **[SMCGL]** San Miguel Global Power to redeem SMCGL 5.95 Perp of USD113.282mn on 12 May'25
- **[XIAOMI]** Moody's revised the outlook of Xiaomi to positive from stable, affirmed Baa2 rating

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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