招銀国際 CMB INTERNATIONAL

14 Oct 2025

CMBI Credit Commentary

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

- *This morning, there were two-way flows on LGFV names. In Asia IG space, HAOHUAs recovered 3-5bps and HYUELEs recovered 5bps. NOMURA and Australian long-end Ts2 widened 2-3bps.*

- ***CWAHK:** FV of the new CWAHK 30 at 6%. We saw buyers on CWAHK 26 amid the new issue, which was 0.1pt higher this morning. See below.*

- ***China Economy:** Export resilience strengthens China's position in trade war. CMBI revises the forecast for the export growth for 2025 from 3% to 4.5%; maintain the forecast for the 2025 import growth at 1.5%. USD/RMB rates may appreciate from the current 7.13 to 7.1 by year end and 7.05 by end of 2026. See the comments from CMBI economic research below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space widened 3-7bps across the board as US-China tension escalated. We saw better selling on TW lifers FUBON 35/SHIKON 35, China TMTs BABA/MEITUA, Japanese banks fixed bonds and FRNs, and Southeast Asian names SIASP/OCBCSP 35/TOPTB/CBKIN/HDFCB. FAEACO 12.814 Perp was 0.1pt lower. See our comments on FAEACO yesterday. NWDEVLs/LIFUNGs/FOSUNI 26-29s leaked 0.2-0.7pt. CWAHK 4.85 05/18/26 was 0.1pt lower. See comments below on CWAHK's proposed 5NC3 blue bonds. In Chinese properties, VNKRLE 27-29s were down by 0.4-0.6pt following the chairman's resignation. We see limited impact as the new chairman is also a member of senior management in SZ Metro. FTLNHD 26/FUTLAN 28 were 0.2-0.4pt lower. On the other hand, we saw better buying on some other SOE property names amid COGO's early redemption plan of USD512mn COGO 2.45 02/09/26. COGO 26/GRNLGR 28-31s were 0.1-0.3pt higher. In Southeast Asia, VLLPM 27-29s edged up 0.5-1.2pts. VEDLN 28-33s/GLPSPs were down by 0.2-1.2pts. SMCGL Perps were 0.1-0.2pt lower. Long-end Yankee AT1s were weaker in the morning with AMs selling, but recovered a touch higher into the London session as dip-buying demand emerged from RMs and prop desks.

In LGFV space, activities picked up in light of the return of new CNH issues ZHHFGR 28/JDZHSI 28/ZBTECH 28. The space had an overall stable session amid moderate two-way flows among RMs and tactical investors.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
REGH 6 1/2 PERP	**25.6**	**1.2**	GENMMK 3.882 04/19/31	**90.5**	**-1.8**
VLLPM 7 1/4 07/20/27	**61.5**	**1.2**	CCAMCL 4 3/4 12/04/37	**94.2**	**-1.2**
ARAMCO 2 1/4 11/24/30	**90.8**	**0.9**	GLPSP 4.6 PERP	**65.8**	**-1.2**
CFAMCI 5 1/2 04/27/47	**98.6**	**0.7**	HCELEC 4.65 12/29/26	**68.0**	**-0.9**
ARAMCO 4 1/4 04/16/39	**91.2**	**0.7**	CHIOLI 6 3/8 10/29/43	**107.3**	**-0.9**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.56%), Dow (+1.29%) and Nasdaq (+2.21%) were higher on Monday. US bond market was closed on Monday for Columbus Day. UST yield was unchanged on Monday. 2/5/10/30 yield was at 3.52%/3.65%/4.05%/4.63%.

❖ Desk Analyst Comments 分析员市场观点

➢ CWAHK: FV of the new CWAHK 30 at 6%

China Water Affairs (CWAHK) proposes to issue 5NC3 USD senior blue bond (Ba1/BB+/-). We view the FV of the new CWAHK 30 at 6% in view of the valuations of its CWAHK 26 and its peers HONGQIs, as well as adjusted for rating and tenor differential. See Table 1. The issuance size should be capped at its remaining offshore-issuance quota of USD200mn.

Table 1: CWAHK and its peers

Security name	ISIN	Maturity	Amt o/s (USD mn)	Px	YTW	Issue rating (M/S/F)
CWAHK 4.85 05/18/26	XS2320779213	05/18/2026	350	99.3	6.0%	Ba1/BB+/-
HONGQI 7.05 01/10/28	XS2968971676	01/10/2028	330	103.3	5.5%	-/-/BB+
HONGQI 6.925 11/29/28	XS3084116055	11/29/2028	270	103.6	5.6%	-/BB-/BB+

Source: Bloomberg.

The net proceeds will be used to repay offshore debt including CWAHK 4.85 05/18/26 (callable at 101.213 on or after 18 May'25) , and to finance eligible green projects, particularly water supply projects, in accordance with the Green & Blue Finance Framework. The new CWAHK 30 will have a CoC put at 101, exercisable within 30 days after a change of control that results in a ratings decline.

CWAHK is a holding company that conducts the significant majority of its operations through PRC subsidiaries. Its equity interests in those PRC subsidiaries are held through certain subsidiary guarantors that do not have material operations and through certain other non-guarantor subsidiaries. The new CWAHK 30 will be guaranteed by certain non-PRC-incorporated subsidiary guarantors that do not have material operations.

CWAHK is one of the largest water supply companies in China with 1.5bn ton water sold to 8.2mn customer accounts in FY25 (ended Mar). It focuses on water supply (mainly city water supply) and sewage treatment which accounted for c70% and c13% of its revenue in FY25, respectively. CWAHK generates stable cash flow from exclusive concession rights to operate its water supply business in 58 districts, counties, and county-level cities including Beijing, Chongqing, Guangdong, Heilongjiang, Jiangsu, Tianjin, etc. CWAHK serves residential, industrial, and other end users, with potential coverage of over 30mn people in China.

CWAHK generated HKD11.7bn of revenue and HKD3.4bn of operating cash flow, and we estimate free cash flow of HKD40mn. As of Mar'25, total debt was HKD25.6bn. Its operating performance in FY25 weakened with revenue and EBIT down c9%, reflecting the slower installation, maintenance and construction works. Consequently, coverage ratios weakened. In FY25, its EBITDA/int and net debt/EBITDA ratios were 3.1x and 4.3x, compared with 3.6x and 3.9x In FY24, respectively. We take some comfort that the risk of collection is largely manageable. CWAHK collects tariff on a monthly basis and tariff accounts for less than 1% of residents' disposable income on average.

CWAHK is listed in Hong Kong (0855.HK). The chairman and founder, Mr. Duan Chuan Liang, owns 27.4%; ORIX Corp and affiliates hold 27.2%; and Great Wall Life Insurance holds 6.0%.

- **China Economy: Export resilience strengthens China's position in trade war**

China's export growth beat expectations as exports to Africa, Latin America and the EU picked up. Exports of integrated circuits and ships remained robust, while personal consumption goods including vehicles, tech products, garments and property-related goods remained subdued. Imports rebounded across the board, especially in processing trade. China's tightening control on rare earth export is a countermeasure to the US's escalation of semiconductor export restrictions. The White House has intensified export curbs and sanctions against China over the past two months, likely aiming to gain bargaining leverage in a potential Trump-Xi meeting during the APEC summit at the end of October. Trade tensions may initially intensify over the next two weeks before potentially easing following the possible Trump-Xi encounter. As China's export has been more resilient than expected, we revise our forecast for the export growth for 2025 from 3% to 4.5%. We maintain our forecast for the 2025 import growth at 1.5%. USD/RMB rates may appreciate from the current 7.13 to 7.1 by year end and 7.05 by end of 2026.

Exports rebounded as exports to Africa, Latin America and the EU picked up. Exports bounced up to 8.3% (all on a YoY basis unless specified) in Sep from 4.4% in Aug, beating market expectation of 5.7%. Exports to the US remained in deep contraction at -27% in Sep compared to -33.1% in Aug. Conversely, shipments to Africa notably accelerated to 56.4% in Sep from 25.9%, notably picking up since the tariff war. Exports to ASEAN moderated to 15.6% in Sep from 22.5%, while the EU and Latin America accelerated to 14.2% and 15.2% from 10.4% and -2.3%. Since the tariff shocks, the exports to ASEAN and Africa surged from 7.8% and 10.8% in 1Q25 to 18.2% and 41.4% respectively in 3Q25. The increase of shipments has made up for over 120% of the export losses to the US since Apr, pointing to potential rerouting of exports in reaction to tariffs. Exports to Korea, India and the UK rebounded, while Russia, Japan and Canada declined. Trade surplus narrowed to US$91bn in Sep from US$102.3bn.

Circuits and ships remained robust while personal consumption goods moderated. The two major drivers in exports, tech products and transport equipment, saw increasing divergence since the tariff shocks. Integrated circuits and ships extended their rally in Sep, rising 32.7% and 42.7% respectively, while personal consumption goods including vehicles, computers and cell phones eased to 10.9%, -0.3% and -1.9%. Low value-added exports including textile yam, travel goods & bags, garment and toys saw the biggest hit from tariff and declined further, as well as the housing-related products including lamps & lighting products and home appliances. Rare earth exports notably rebounded to 97.1% in Sep from 34.7%, even though China has imposed additional export controls.

Imports rebounded across the board. China's imports of goods increased to 7.4% in Sep from 1.3% in Aug, beating the market expectations of 1.4%. Imports from the US steadied at -16%. Import value of processing trade accelerated to 22% in Sep from 11.2%. For energy products, import volume of crude oil rose by 3.9% in Sep, while coal and natural gas dropped 3.3% and 7.9%. For raw materials, volume of iron ore surged 11.7% in Sep from 3.8%, while copper ore moderated to 6% from 7.4%. Steel products, plastics and machine tools rebounded in imports volume, possibly indicating the recovering industrial activities in China. Import volume of crops notably picked up as grains and soybeans rose to 12% and 13.2% in Sep, as soybean imports volume from the US rebounded from -11.5% in Aug to 12.3% in Sep. Imports volume of beauty cosmetics remained robust in 2025 after 3 years of contraction, with 10.7% growth in Sep although its import prices dropped notably, reflecting the tepid recovery of consumer demand.

Sino-US trade tensions may initially intensify before easing after the possible Trump-Xi meeting. China's tightening control on rare earth export is a countermeasure to the US's escalation of semiconductor export restrictions. The White House has intensified export curbs and sanctions against China over the past two months, likely aiming to gain bargaining leverage in a potential Trump-Xi meeting during the APEC summit at the end of October. President Trump has threatened 100% tariff on all Chinese goods, yet the effective date-deliberately set for 1 Nov, just one day after a potential Xi-Trump meeting which appears to be strategically timed. We reckon the recent export controls on key sectors as well as Trump's tariff threat were tactical moves aimed at strengthening bargaining leverage ahead of the meeting, which we still expect to take place during the APEC summit. As China's export has been more resilient than expected, we revise our forecast for the 2025 export growth from 3% to 4.5%. We maintain the forecast for the 2025 import growth at 1.5%. USD/RMB rates may appreciate from the current 7.13 to 7.1 by year end and 7.05 by end of 2026.

Click here for the full report.

- **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	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bank of China Limited, Macau Branch	USD	-	3yr	SOFR+105	A1/A/A
Jinan Hi-tech International	USD	-	3yr	4.8%	-/-/BBB
KEB Hana Bank	USD	-	3yr/ 5yr	SOFR+95/ T5+80	Aa3/A+/-

- **News and market color**

- Regarding onshore primary issuances, there were 118 credit bonds issued yesterday with an amount of RMB138bn. As for month-to-date, 191 credit bonds were issued with a total amount of RMB212bn raised, representing a 19.7% yoy increase

- Indonesia to shorten permit process for geothermal projects to three months

- **[COGARD]** Country Garden top shareholder agrees to USD1.14bn debt-to-equity swap; will hold scheme meetings on 5 Nov'25 for creditors to vote on its offshore restructuring plan

- **[FRIDPT]** Freeport Indonesia halts Gresik smelter as mine landslide affects supply

- **[GEZHOU]** China Energy Overseas to redeem GEZHOU 4.15 Perp of USD200mn on the first call date on 25 Nov'25

- **[LGELEC]** LG Electronics expects 3Q25 operating profit to drop 8.4% yoy amid higher tariffs

- **[LLOYDS]** Lloyds expects to take additional charge of GBP800mn over existing provision of GBP1.15bn

- **[POHANG]** KSA requests POSCO to withdraw HMM acquisition review

- **[SMCGL]** San Miguel Power Holdings wins case against state-run PSALM in 10-year power dispute

- **[SOFTBK]** SoftBank, Microsoft in talks to invest up to USD2bn in UK-based AI startup Wayve

- **[VNKRLE]** China Vanke forms commercial service JV with RECO Vetiver Private, engages in real estate brokerage, non-residential real estate leasing, conference and exhibition services, marketing planning, and catering management

- **[ZHONAN]** Moody's affirms ZhongAn's Baa1 ratings, changes outlook to positive from stable

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