

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2025

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "The Asset Asian G3 Bond Benchmark Review 2025". Thank you for your support!

- *The sentiment in KR IG space was strong this morning. DAESEC/CITNAT 26-30s were 2-8bps tighter. PKX/LGENSO 27-35s tightened 1-4bps. FRESHK 25-28s tightened 10-20bps. LGFVs were firm.*
- ***MPLE/SJMHOL:** Cessation satellite casinos operations by 31 Dec'25. See below.*
- ***China economy:** Deflation pressure calls for additional fiscal stimulus; Exports cooled amid evolving tariff policy. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, in KR, DAESEC/HYNMTR/HYUELE/LGENSO/PKX 27-35s were 1-4bps tighter. In Chinese IGs, BABA/MEITUA/HAOHUA 27-35s were unchanged to 2bps tighter. The long end of SINOPE/CHGRID 43-51s were 0.5-0.7pt lower (unchanged to 4bps wider). In financials, CCAMCL/ORIEAS/GRWALL 26-31s were 1-5bps tighter. BBLTB 34s/40s tightened 5-7bps. In AU/JP, SMBCAC/SUMI/NAB/ANZ 26-33s were unchanged to 3bps tighter. ASAMLI 6.9/FUKOKU 6.8 Perps were down 0.2pt. EU AT1s were under better buying from RMs/PBs. UBS Perps moved 0.2pt lower to 0.4pt higher. Swiss government proposed a stricter capital requirements on UBS last Friday following its takeover of Credit Suisse. In HK, NANYAN 34s tightened 3bps. NWDEVL Perps rebounded 2.3-3.1pts, NWDEVL 27-31s rebounded 0.6-2.4pts. HYSAN 7.2 Perp was up 0.3pt on PB buying. LIHHK 26s dropped 2.3pts after moving 3.4pts lower over the last week. Media reported Lifestyle had yet to obtain the unanimous consent from banks for a waiver of its breach on interest-coverage ratio covenant linked to two unsecured loans totaling HKD13.7bn. In Chinese properties, VNKRLE 27-29s moved 1.7-1.8pts higher. LNGFOR 27-32s were up 0.4-0.8pt. CHIOLI 26-43s were up 0.1-0.3pt. FTLNHD 25s were up 0.3pt following media report Seazen is considering raising up to USD300mn via a 2.5yr bond offering. Outside properties, WESCHI/EHICAR 26-27s were down 0.3-0.4pt. In SE Asia, VLLPM 27-29s dropped 2.1-2.2pts.

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

Cyrena Ng, CPA 吴倩莹
 (852) 3900 0801
 cyrenang@cmbi.com.hk

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

In LGFVs, the flows remained better buying in higher yielding names. There were two way interests on CNH names such as JDZUDG 6.5 28s/BNHAST 6.9 28s/GRNZIT 7.9 27s and USD names such as ANQYIX 6.9 28s/CDTFDG 7 27s. In SOE perps, AVILC/HUANEN Perp were up 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 6 1/4 PERP	24.5	3.1	LIHHK 4.8 06/18/26	83.6	-2.3
NWDEVL 4 1/8 PERP	25.6	2.9	VLLPM 7 1/4 07/20/27	76.9	-2.2
NWDEVL 5 1/4 PERP	27.4	2.7	VLLPM 9 3/8 07/29/29	70.7	-2.1
NWDEVL 6.15 PERP	37.0	2.6	CHGRID 4 3/8 05/22/43	91.0	-0.7
NWDEVL 4 1/2 05/19/30	48.4	2.4	CHGRID 4.85 05/07/44	96.6	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.09%), Dow (-0.00%) and Nasdaq (+0.31%) were mixed on Monday. Media reported US-China trade talks were set to extend to a second day in London, both sides look to de-escalate tensions over shipments of technology and rare earth elements. UST yield was lower on Monday, 2/5/10/30 yield at 4.01%/4.09%/4.49%/4.95%.

❖ Desk Analyst Comments 分析员市场观点

➤ MPEL/SJMHOL: Cessation of satellite casinos operations by 31 Dec'25

Melco Resorts (MPEL) will discontinue the operations of Grand Dragon Casino and three Mocha Clubs, i.e. Mocha Hotel Royal, Mocha Kuong Fat and Mocha Grand Dragon Hotel, before 31 Dec'25. Gaming tables and electronic gaming machines will be reallocated to other MPEL's casinos or gaming areas in Macau. For other three Mocha Clubs, i.e. Mocha Inner Harbour, Mocha Hotel Sintra and Mocha Golden Dragon, MPEL will seek for approvals from the government for them to continue operations after 31 Dec'25. We believe discontinuing Mocha Clubs' impact on MPEL's credit profile will be contained due to their limited profit contributions. In 1Q25, Mocha and other properties contributed 2% of MPEL's adjusted property EBITDA.

Meanwhile, SJM intends to acquire two casinos, Casino L'Arc Macau and Casino Ponte 16, and discontinue the gaming operations of seven satellite casinos upon the expiry of the services agreement on 31 Dec'25, i.e. Casino Casa Real, Casino Emperor Palace, Casino Fortuna, Casino Grandview, Casino Kam Pek Paradise, Casino Landmark, and Casino Legend Palace. While the negotiation towards the potential acquisitions of the two casinos are still ongoing, we understand that all the gaming tables and slot machines at the satellite casinos will be allocated to the casinos owned by SJM. Currently, SJM directly owns and operates four casinos, Casino Lisboa, Casino Grand Lisboa, Casino Grand Lisboa Palace and Casino Oceanus at Jai Alai.

SJM has GGR market share of 13.5% in 1Q25, comprises of satellite casinos of 5.1% and SJM's self-promoted casinos of 8.4%. In 1Q25, satellite casinos contributed c8% of adjusted EBITDA of SJM, our first take on the net-net impact on SJM's profit from the cessation of seven of satellite casinos should be minimal in view of acquisition of two satellite casinos, reallocation of gaming tables to self-owned casinos and full absorption of

staff costs since 1Q25. We believe that the acquisition costs of casino properties to be contained with manageable impact on its credit profile.

The moves by MPEL and SJM follow the end of transition period on 31 Dec'25 where satellite casinos must be directly owned by the casino operators on a management agreement structure with no profit-sharing arrangement in order to continue to operate beyond 2025. Overall, the moves will have limited impact on operators' credit profiles. Within the Macau gaming sector, our top picks are MPELs and STCITYs/STDCTY. We also consider SJMHOLs good carry play. Meanwhile, we consider MGMCHIs and WYNMAC'27 yield pick-up plays, trading at 43-106bps and 72bps pick-up over bonds of their US parents, respectively. We are neutral on SANLTDs on valuation.

Table 1: Macau gaming USD bond profile

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	4.8-6.6	0.1-3.4	98.4-102.5
MPEL	5.5-7.6	0.1-5.2	92.6-100.0
SANLTD	4.4-5.7	0.1-5.4	87.4-100.0
SJMHOL	5.5-6.5	0.6-2.4	96.1-99.4
STCITY/STDCTY	4.7-7.9	0.1-3.1	91.1-100.4
WYNMAC	4.7-6.7	0.6-3.8	94.1-99.8

Source: Bloomberg.

➤ China economy: Deflation pressure calls for additional fiscal stimulus

May CPI remained negative for the 4th consecutive month, indicating the mounting deflation pressure following the tariff shock. While energy prices were the primary drag, broader price levels remained subdued across categories. Durable goods prices dipped amid weakening demand and intensifying price competition, while service prices moderated after the national holidays. PPI further deteriorated due to sliding energy prices and soft domestic construction activities. The tariff shock has weakened both domestic and external demand, exerting further deflation pressure while the ramped-up supply-side production offers little offset. China economy may face further headwinds in 2H25 given the intensifying deflation, softening property sector and payback effect from the trade-in scheme. China may launch additional fiscal expansion and consumption stimulus after reaching a trade deal with the US as the deal would refer to a rebalance of China economy towards more consumption and less production. We estimate CPI and PPI may rise from 0.2% and -2.2% in 2024 to 0.3% and -2% in 2025.

CPI stayed negative for the 4th consecutive month amid falling food and energy prices. China's CPI YoY stayed flat at -0.1% in May, slightly above market expectation at -0.17%. In sequential terms, CPI dipped to -0.2% in May from 0.1% in Apr. Vehicle fuel price was the major drag, dropping 3.7% MoM as global crude oil price remained subdued in May. We expect the vehicle fuel price to edge up in June as the NDRC has raised gas price in early June. Food price dropped 0.2% MoM in May as vegetable price dipped 5.9% due to abundant seasonal supply. Pork price also narrowed its decline from -1.6% MoM to -0.7%, but it may start to dip again as wholesale price further declined. High-frequency data indicated continued declines in vegetable price by 1.5% MoM, while pork retail price edged down. We expect the CPI to recover mildly in June to 0% due to rebounding energy prices.

Core CPI softened due to muted durable goods price. Core inflation edged up to 0.6% YoY in May from 0.5%, while its MoM growth dropped to 0% from 0.2%. Durable goods including telecom equipment, vehicles and home appliances dropped 0.7%, 0.4% and 1.1% respectively, amid weakening demand and intensifying price competition. It is worth noting that the discounts from the trade-in scheme are excluded from CPI calculations. Service price eased to 0% MoM in May from 0.3%, as tourism price dropped to 0.8% from 3.1%.

Other services remained subdued, with no price change recorded in categories such as education, express and telecommunications services.

PPI further slumped due to sliding global energy prices. YoY contraction of PPI further dipped to -3.3% in May from -2.7% in Apr, missing the market expectation at -3.2%. The MoM growth remained flat at -0.4% for the third consecutive month, indicating worsening deflation in manufacturing sector. PPI of mining industries weakened to -2.5% MoM. Energy-related commodities including crude oil & gas and coal saw the notable MoM decline of -5.6% and -3%. Ferrous metals also dropped 1% MoM since the domestic construction activities remained soft. Final consumption goods moderately rebounded from -0.2% MoM to 0% in May, as durable goods notably surged to 0.1% from -0.7%. We expect the subdued PPI should persist due to the drag from trade war and fierce price competition among manufacturers, which should further weigh on overall corporate earnings.

The deflation pressure calls for additional fiscal stimulus. The tariff shock has weakened both domestic and external demand, exerting further deflation pressure while the ramped-up supply-side production offers little offset. China economy may face further headwinds in 2H25 given the intensifying deflation, softening property sector and payback effect from the trade-in scheme. Policy stance might remain stable and moderate during the China-US trade deal negotiations. China may launch additional fiscal expansion and consumption stimulus after reaching a deal with the US as the deal would refer to a rebalance of China economy towards more consumption and less production. In 2H25, we expect a further 10 bps LPR cut, along with a possibly moderate increase in the broad fiscal deficit. Policy may also strengthen transfer payments to low- and middle-income households, the social security system, and multi-child families to more effectively boost household consumption.

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

➤ **China economy: Exports cooled amid evolving tariff policy**

China's exports fell short of expectations, as exports to the US further slumped despite the tariff truce in early May. Transportation equipment surged; while property-related goods and personal tech products declined. Imports further slowed down as domestic demand softened, particularly in intermediate goods including steel & copper products and plastics. Even though bookings and ocean freight rates from China to the US skyrocketed, which point to a notable short-term rebound in Chinese exports, we still expect the export growth to weaken notably in the second half of 2025. The continued contraction in inventory and import components of both the US manufacturing and services PMIs suggested that front-loading demand may lose steam in the coming months. As a result, export moderation could emerge as a key headwind to China's economic momentum in the second half of 2025 due to the payback effect from export front-loading. Looking forward, we expect China's export growth to decelerate from 5.9% in 2024 to 1% in 2025, while import growth may mildly slow down from 1.1% to 0.5%. USD/RMB rates might fluctuate within 7.20-7.25 before a moderate decline to 7.12-7.17 if a trade deal is reached.

Exports to the US further deteriorated despite the tariff truce. Exports further slowed down to 4.8% (all on a YoY basis unless specified) in May from 8.1% in Apr, missing market expectation of 6.2%. Exports to the US further slumped 34.5% in May despite the tariffs truce in early May. We expect the rebound of exports to the US will be more notable in June since the production process and restoring of cargo vessel capacity should take several weeks. Shipments to ASEAN and Latin America moderated to 14.8% and 2.3% from 20.8% and 17.3%, reflecting re-routed exports have moderated. Exports to Russia saw a remarkable decline to -10.8% in May from -2.7%, while exports to the EU, Africa, UK, Canada and Australia rebounded as exporters shifted to other developed countries. Trade surplus expanded to US\$103.2bn in May, the second largest in history.

Transportation equipment surged while property-related goods declined. Ship and motor vehicles accelerated to 43.7% and 13.7% in May from 36.1% and 4.4%. Integrated circuits further picked up to 33.4%

in May from 20.2% in Apr, while cellphone and personal computer moderated to -23.2% and -3.8%. Low value-added exports including textile yam, travel bags, garment and toy remained subdued, while housing-related products including home appliance, furniture and lamps & lighting products further declined to -8.9%, -9.7% and -7.5% in May.

Imports further deteriorated as demand for intermediate goods softened. China's imports of goods dipped to -3.4% in May from -0.2% in Apr, below the market expectations of -0.3%. Imports from the US further dropped to -18.1% in May from -13.8%. For energy products, import volume of crude oil edged down 0.8% in May, while coal and natural gas further dropped 17.8% and 10.8%. Import volume of raw materials including iron ore and copper ore moderated. Intermediate goods including steel products, copper products and plastics notably declined 24.8%, 16.3% and 7.5% in May, while rubber slowed down to 26.5% from 32.7%. Integrated circuits, the largest import category, saw import volumes rise by 9.8% in May. Import volume of crops notably rebounded as grain and soybean rebounded by 4.5% and 36.2% after a significant fall in Apr.

Exports to soften in 2H25. Despite the surge in bookings and ocean freight rates from China to the US, which point to a notable short-term rebound in Chinese exports, we still expect the export growth to weaken notably in the second half of 2025. The continued contraction in inventory and import components of both the US manufacturing and services PMIs suggests that front-loading demand may lose steam in the coming months, particularly after the expiration of the 90-day grace period. As a result, export moderation could emerge as a key headwind to China's economic momentum in the second half of 2025 due to the payback effect from export front-loading. Looking forward, we expect China's export growth to decelerate from 5.9% in 2024 to 1% in 2025, while import growth may mildly slow down from 1.1% to 0.5%. USD/RMB rates might fluctuate within 7.20-7.25 before a moderate decline to 7.12-7.17 if a trade deal is reached.

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	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Fujian Jinshang Holding Group	USD	-	3yr	6.0%	Unrated

➤ **News and market color**

- Regarding onshore primary issuances, there were 80 credit bonds issued yesterday with an amount of RMB72bn. As for month-to-date, 410 credit bonds were issued with a total amount of RMB395bn raised, representing a 13.9% yoy decrease

- China car sales climbed 13.9% yoy in May'25, a fourth straight monthly rise, amid growing concerns about a price war
- **[FUTLAN/FTLNHD]** Seazen Group plans to raise USD250mn to USD300mn via bond issue for refinancing
- **[GARUDA]** Garuda Indonesia to seek shareholders' approval to initiate restructuring
- **[MPEL]** Melco to close Macau satellite casino before the end of the year
- **[NWDEVL]** NWD bondholders urged to join PJT-led group to block loan refinancing from proceeding in current form
- **[SJMHL]** SJM Holdings to buy two Macau satellite casinos, discontinue seven others by year-end
- **[TOPTB]** Thai Oil repurchased and cancelled USD38.287mn TOPTB 4.875 01/23/43, USD30.5mn TOPTB 5.375 11/20/48, and USD46.5mn TOPTB 3.5 10/17/49, totaled USD115.287mn. Thai Oil resolves crude oil spill incident on Sriracha coast
- **[TTMTIN]** Tata Motors plans to invest up to USD4bn in its passenger vehicles and electric vehicles businesses in next five years
- **[UETMF]** S&P changed Universal Entertainment's outlook to negative from stable as turnaround remains elusive, and affirmed B rating
- **[UPLLIN]** UPL unit Advanta Brazil announces strategic asset sale for USD125mn

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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