

CMBI Credit Commentary

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

- *This morning, recent new DBSSP Float 28-30s were unchanged to 2bps wider. BABA 27-35s were better bid and closed 1-2bps tighter. CKINF/CKPH Perps rebounded and closed unchanged to 1.1pts higher. LASUDE 26s rose another 0.3pt.*
- **WB:** FY24 revenue remained flat yoy. Maintain buy on WB 3.375 07/08/30. WB 3.375 07/08/30 was 2bps wider post FY24 results announcement and was unchanged this morning. See below.
- **China Economy:** On track for a moderate recovery. CMBI expects China's GDP growth to decelerate from 5.1% in 9M25 to 4.5% in 4Q25 with full-year growth at 4.9%. China may maintain accommodative policy as the PBOC may cut RRR by 50bps soon in 2Q25 and LPRs by 20bps in 2H25. See below for comments from CMBI economic research.

❖ Trading desk comments 交易平台市场观点

Yesterday, in HK, CKINF/CKPH Perps dropped 2.0-3.3pts. NWDEVL 27-31s/Perps were 0.3-1.6pts lower. PCPDC 26s decreased 0.6pt. LASUDE 26s, on the other hand, closed 0.3pt higher. In financials, NIPLIF/MYLIFE 54s were down 0.1pt. EU AT1s were mixed. BNP Perps were 0.1-0.2pt lower, BACR/HSBC Perps were 0.1-0.2pt higher. In Chinese TMTs, TENCNT/BABA/MEITUA 27-31s were 1bp tighter. WB 30s widened 1bp. See our comments on WB's FY24 results below. The long end of SINOPCs/CNPCCHs were 0.5-1.0pt higher. Chinese properties were mixed. FTLNHD 25s/DALWAN 26s/SHUION 26s/CHJMAO 29s were up 0.5-0.6pt. However, VNKRL 27-29s declined another 0.3-0.4pt. Outside properties, HONGQI 25-28s were unchanged to 0.1pt higher. WESCHI '26 dropped 0.4pt despite its positive profit alert. In India, GRNKEN announced new issue mandate of a 3.5-yr USD bond of up to USD1bn. GRNKEN 25-28s were unchanged to 0.1pt higher.

In LGFVs, the new CPDEV 7.15 '28 rose another 0.2pt, CPDEV 4.65 '26 retreated 0.3pt. The flows in LGFVs were mixed as profit taking interests picked up from tactical investors following the big compression in the past month. ZHHFGR 25s remained sought after by Chinese RMs and closed 0.1pt higher. SHGUOH/SIDEVE/WUXIND 26s were 0.2pt lower. In SOE perps, CHSCOI/CHPWCN Perps were 0.1pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SINOPC 4 1/4 04/24/43	90.2	1.0	CKINF 4.2 PERP	72.0	-3.3
JAPTOB 3.3 09/14/51	67.2	0.8	CKPH 3 1/2 PERP	60.8	-2.8
CHJMAO 4 1/4 07/23/29	88.9	0.6	CKINF 4.85 PERP	82.5	-2.7
CNPCCH 5.95 04/28/41	110.1	0.6	CKINF 4 PERP	69.5	-2.3
TENCNT 4.525 04/11/49	86.2	0.6	CKPH 3.8 PERP	65.4	-2.0

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.64%), Dow (+0.85%) and Nasdaq (+0.31%) were higher on Monday. US Feb'25 retail sales was +0.2% mom, lower than the market expectation of +0.6% mom. UST yield bear flattened on Monday, 2/5/10/30 yield at 4.06%/4.11%/4.31%/4.60%.

❖ Desk Analyst Comments 分析员市场观点

➤ **WB: FY24 revenue remained flat compared to FY23. Maintain buy on WB 3.375 07/08/30**

Weibo (WB)'s FY24 revenue was largely flat yoy. The advertising and marketing revenue was lower in FY24. Internet of Services, 3C products and automobile were the largest contributors for the growth, yet the increases were offset by downward trends in cosmetics and personal care sectors. These reflected the government trade-in subsidy on 3C products and automobile sectors, while the declines in other sectors revealed broader weak consumption sentiment. In our view, the advertising and marketing revenue could recover in FY25 under the backdrop of more government stimulus to boost consumption coming on stream in 2025. On the other hand, the value-added services revenue increased 13.4% yoy, driven by the growth of membership services and game-related revenues. Net profit dropped by 13% yoy to USD310mn, due to investment related impairment and lower interest and other income during 2024.

WB's cash and short-term investment totaled USD2.4bn as of Dec'24, decreased 27% from the level as of Dec'23. Its net cash position dropped by 13% to USD490mn. The decline in net cash balance mainly due to lower operating cash flow and higher capex on AI to enhance recommendation system as well as on vertical and video content ecosystem. While WB will keep investing in these areas in FY25 to solidify its market position, we expect that WB will continue to fund its capex via operating cash flow. Meanwhile, WB approved USD200mn dividend for FY24 (FY23: USD200mn) to be paid in May'25. We view that WB's liquidity position remains abundant in view of free cash flow generated as well as net cash position over the past few years.

We have buy recommendation on WB 3.375 07/08/30 in view of WB's net cash position, albeit lower, as well as its solid credit profile. Additionally, the refinancing pressure of the coming 1-2 years is low. WB will have WB 3.375 07/08/30 of USD750mn maturing in Jul'30, and a CB of USD330mn puttable in Dec'27. At 92.0, WB 3.375 07/08/30 is trading at YTM of 5.1% and Z-spread of 129bps.

In Chinese TMT space, we also have buy recommendations on MEITUA 0 04/27/27, MEITUA 2.125 10/28/25, XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31, as we believe WB, MEITUA and XIAOMI are proxy plays on domestic consumption as well as less sensitive to incremental sanction measures from the US. For investors with lower risk appetite, we recommend buy on TENCNT 3.595 01/19/28 and TENCNT 3.975 04/11/29 for shorter tenor given our preference for shorter-tenor plays and their lower cash prices among the shorter tenor TENCNT bonds.

Table 1: WB's financial highlights

USD mn	FY23	FY24	Change
Net revenue	1,760	1,755	-0.3%
-Advertising and marketing revenues	1,534	1,499	-2.3%
- Non-Ali advertisers	1,422	1,382	-2.8%
- Alibaba as an advertiser	112	117	4.6%
-Value-added services revenues	226	256	13.4%
Adjusted EBITDA	631	606	-3.9%
Profit for the year	357	310	-13.3%
Operating cash flow	673	640	-4.9%
Capital expenditure	37	62	67.2%
Adjusted EBITDA margin	35.8%	34.5%	-1.3 pct pt
Net profit margin	20.3%	17.7%	-2.6 pct pt
Monthly active users (MAUs, mn)	598	590	(8)
Average daily active users (DAUs, mn)	257	260	3
DAU/MAU	43%	44%	1 pct pt
	Dec'23	Dec'24	Change
Cash and short-term investment	3,226	2,350	-27.1%
ST debts	810	-	-
LT debts	1,853	1,861	0.4%
Total debts	2,663	1,861	-30.1%
Net cash (Cash + ST inv - total debt)	563	490	-13.0%
Cash/ST debts	4.0x	-	-

Source: Company filling, CMBI Research.

➤ China Economy: On track for a moderate recovery

China's economy continues its path of recovery as 2M25 activity data came in mostly better than market expectation. Retail sales edged up thanks to the expansion of trade-in scheme eligibility. Industrial output mildly moderated while fixed asset investments notably accelerated driven by robust infrastructure and manufacturing investments. The contraction in sales narrowed moderately while housing start further slumped. The ongoing policy support on household consumption, equity market and housing market should support continuous recovery in 2025. However, the economy may face increasing pressure heading into 4Q25, as the effects from policy stimulus gradually diminish and headwinds from trade tensions intensify. We expect China's GDP growth to decelerate from 5.1% in 9M25 to 4.5% in 4Q25 with full-year growth at 4.9%. China may maintain accommodative policy as the PBOC may cut RRR by 50bps soon in 2Q25 and LPRs by 20bps in 2H25.

Housing supply and demand rebalance goes on as demand improves while supply continues to slump.

Gross floor area (GFA) sold for commercial housing narrowed its YoY decline to 5.1% in 2M25 from 12.9% in 12M24, while GFA started further dropped 29.6% in 2M25 after decreasing 23% in 12M24. Housing demand recovery was also uneven as second-hand housing sales performed better than new housing sales and higher-tier cities performed better than lower-tier cities. The recovery rate of second-hand housing sales compared to 2018-2019 in 11 selective cities remained strong at over 130% year to date, compared to 141% in Dec. However, the recovery rate of new housing sales in 30 major cities dropped to 34.5% in 2M25 from 68.2% in Dec. As oversupply condition remained in most cities, housing price was weak. Looking forward, the continuous property stimulus and monetary policy loosening should support a moderate recovery in housing sales in 2025. Tier-1 cities may see a tentative stabilisation of housing price this year as they have better supply and demand fundamentals.

Retail sales rebounds thanks to rising trade-in subsidy. Retail sales growth edged up to 4% in 2M25 compared to 3.7% in Dec, slightly above market consensus at 3.8%. Durables qualified for trade-in scheme remained the major driver as home appliance and furniture respectively rose by 10.9% and 11.7% in 2M25 compared to 39.3% and 8.8% in Dec. The newly qualified telecom equip under the scheme saw its growth from 14% in Dec to 26.2% in 2M25. Auto sales, however, dropped 4.4% in 2M25 after rising 0.5% in Dec as the intensifying price war dragged the sales value growth. Staples like food and daily used good remained robust. Discretionary items including clothing, cosmetics and gold, silver & jewellery also saw moderate rebound. Looking forward, retail sales may rise from 3.5% in 2024 to 4.7% in 2025 thanks to the expanding trade-in schemes and improving housing sales especially in higher-tier cities.

FAI picked up due to robust manufacturing and infrastructure investments. Total FAI growth accelerated to 4.1% in 2M25 from 2.2% in Dec, above market expectations at 3.2%. By sector, property development investments remained in deep contraction at -9.8% in 2M25, as the rebalance of housing supply and demand continued. Property developers were still reluctant to purchase new lands for development amid the squeeze of cash flow and the weakness of property prices. Infrastructure FAI notably picked up 10% in 2M25 after rising 7.4% in Dec as the latest fiscal expansion granted local governments with greater financial leverage to support economic growth. Manufacturing FAI growth edged up to 9% in 2M25 from 8.4% in Dec, driven by sectors including auto, other transport equip, general equip and non-ferrous metal. Looking forward, FAI growth may mildly accelerate from 3.2% in 2024 to 3.7% in 2025 thanks to the narrower declines of property development investments. Manufacturing and infrastructure investment growth is likely to fall from 9.2% and 9.2% in 2024 to 8.5% and 8.7% in 2025.

Industrial output moderated. VAIO growth inched down to 5.9% in 2M25 from 6.2% in Dec, still above market consensus of 5.3%. Other transport equip, electrical equip and metal product remained robust at 20.8%, 12% and 11.5% in 2M25 from 10.6%, 9.2% and 7.9% in Dec. Production in computers, telecom & electronic equipment, chemical products and general equipment also moderately picked up; while medicine, non-metal mineral products and ferrous metal slowed down. Growth of service output index edged down to 5.6% in 2M25 from 6.5% in Dec. Looking forward, industrial output may decelerate as headwinds from trade intensify and demand overdraft due to trade-in subsidy.

Economy remains on track for a moderate recovery. The vigorous growth in consumption, fixed asset investments, industrial production as well as the trade surplus in 2M25 pointed to sturdy 1Q GDP growth. The tailwinds from trade-in subsidy and new housing market in tier-1 cities should sustain the continuous recovery in the second and third quarters. However, the economy may face pressure on slowdown heading into 4Q25, as the effects from policy stimulus gradually diminish and headwinds from trade tensions intensify. We expect China's GDP growth to decelerate from 5.1% in 9M25 to 4.5% in 4Q25 with full-year growth at 4.9%. China may maintain accommodative policy as the PBOC may cut RRR by 50bps soon in 2Q25 and LPRs by 20bps in 2H25.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bank Mandiri	800	3yr	4.9%	T+113	Baa2/BBB/-
Binjiang Guotou	81	3yr	6.5%	6.5%	Unrated
Jiyuan City Jikang Technology Co	100	3yr	6.8%	6.8%	Unrated
Lanxi Transportation Construction Investment Group	100	3yr	5.7%	5.7%	Unrated

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Asian Development Bank	USD	-	10yr	SOFR MS+60	Aaa/AAA/AAA
Bangkok Bank	USD	-	15NC10	T+215	Baa3/-/-
Henan Airport Investment Group	USD	-	3yr	5.7%	Baa1/-/-
PT Bank Tabungan Negara (Persero)	USD	-	5yr	6.55%	Ba3/-/-
Qingdao Military-Civilian Integration Development Group	USD	-	3yr	6.4%	Unrated

➤ News and market color

- Regarding onshore primary issuances, there were 90 credit bonds issued yesterday with an amount of RMB73bn. As for month-to-date, 1,016 credit bonds were issued with a total amount of RMB805bn raised, representing a 29.8% yoy decrease
- [ABMMIJ]** Fitch withdrew ABM Investama's B+ rating for commercial reasons
- [CIKLIS]** Moody's upgraded Cikarang Listrindo to Baa3 from Ba1 with stable outlook following its USD350mn bond issuance
- [GLPCHI]** GLP China files application for RMB3bn bond offering
- [GTJA]** S&P affirmed Guotai Junan Securities' BBB+ rating on merger completion with stable outlook
- [HONGQI]** China Hongqiao to issue HONGQI 1.5 03/26/30 (CB) of USD300mn; to repurchase 20.5mn shares at HKD14.6 per share
- [IHFLIN/MUTHIN/SHFLIN]** S&P upgraded Sammaan Capital to B+ from B, Muthoot Finance to BB+ from BB, and Shriram Finance to BB+ from BB on improving regulatory environment, outlooks are stable
- [INDYIJ]** Moody's changed the outlook of Indika Energy to negative from stable on expectations that Indika's credit metrics will deteriorate over the next 12 months due to debt-funded capital spending and weaker earnings amid lower coal prices, Ba3 rating affirmed
- [SMCPM]** San Miguel Corp FY24 EBITDA climbs 10% yoy to PHP225.9bn (cUSD3.9bn)
- [SMPM]** SM Investments Corp updates USD3bn EMTN programme to allow for tapping of offshore bond market

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