

CMBI Credit Commentary

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

- *BNKEA T2s were 3-4bps wider this morning, while the rest of Asian IG space was largely unchanged. NOMURA 7 Perp edged 0.3pt higher. VLLPM 29/CHIYBK 32 rose 0.9-1.0pt. EHICAR 26/NUFAU 30/SOFTBK 31 were 0.8-1.0pt lower.*
- ***FRESHK:** Initiate buy on the new FRESHK 5.25 01/13/29 and maintain buy on FRESHK 26-28s. FRESHKs were unchanged this morning. See below.*
- ***China Economy:** In mild reflation. CMBI expects CPI and PPI to reflate from 0.1% and -2.6% in 2025 to 0.7% and -0.5% in 2026.*

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❖ Trading desk comments 交易台市场观点

Last Friday, the new KHFC Float 29 and KHFC 3.875 31 were largely unchanged from RO at SOFR+49 and CT5+36, respectively. The new TOPTB 6.1 Perp was up by 0.2-0.4pt during the day from RO at 99.967, as tactical participants were selling while PBs buying. The new SJMHOL 31 was 0.4pt lower from RO at par. See our comments on TOPTB and SJMHOL on [8 Jan'25](#). The new SOCGEN 7.125 Perp hovered around RO at par for most of the day, before edging 0.1pt higher at Asia close. The existing SOCGEN 8.5 Perp was up by 0.8pt. The rest of Yankee AT1s were largely unchanged amid decent two-way flows where retail/PB clients bought from institutional sellers. We saw better buying on the recent new issues CLFCAP/EBIUH/FABUH 31s, which closed 2-5bps tighter. The MEITUA curve was under pressure and leaked 2-3bps wider, and the rest of TMT bonds were 1-2bps tighter. LIHHK 26 dropped 0.8pt. VDNWDL 9 Perp was down by 0.7pt. NWDEVL Perps were 0.1-0.5pt higher, while NWDEVL 27-31s were 0.1pt lower to 0.6pt higher. The NWD-Far East Consortium JV obtained an 8-month loan extension to Jul'26, backed by Pavilia Forest project in Kai Tak. In Chinese properties, VNKRLE 27-29 dropped 1.9-2.2pts. LNGFOR 27-32 were 0.2pt lower to 0.5pt higher. In SE Asia space, BBLTB curve tightened by 1-3bps amid PB topping. VEDLN 28-33s were unchanged to 0.2pt lower. SMCGL Perps were 0.1pt lower to 0.1pt higher. GLPSP Perps edged 0.2-0.3pt higher. LGFVs remained sought after by RMs and retail clients across the credit curve, especially for higher-yielding names, as their yields further tightened by 10-15bps.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
TOPTB 5 3/8 11/20/48	97.8	0.8	VNKRLE 3.975 11/09/27	15.3	-2.2
SOCGEN 8 1/2 PERP	111.3	0.8	VNKRLE 3 1/2 11/12/29	15.3	-1.9
LOGPH 8.7 PERP	5.4	0.8	VLLPM 9 3/8 07/29/29	59.0	-1.2
GRNLGR 6 3/4 06/25/28	12.0	0.8	LIHHK 4.8 06/18/26	96.0	-0.8
IIFPTN 1 1/2 01/27/26	97.2	0.7	VDNWDL 9 PERP	97.5	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.65%), Dow (+0.48%) and Nasdaq (+0.81%) were higher on last Friday. US Dec'25 nonfarm payroll was +50k, lower than the market expectation of +66k. US Dec'25 unemployment rate was 4.4%, lower than the market expectation of 4.5%. 2/5 year UST yield was higher on last Friday while 10/30 year yield was lower. 2/5/10/30 year yield was at 3.54%/3.75%/4.18%/4.82%.

❖ Desk Analyst Comments 分析员市场观点

➤ FRESHK: Initiate buy on the new FRESHK 5.25 01/13/29 and maintain buy on FRESHK 26-28s

Last week, Far East Horizon (FEH) issued 3yr USD bond (S&P: BBB-). The issue size is USD400mn on an order book of over USD2.5bn. The net proceeds of the new FRESHK 5.25 01/13/29 will be used for working capital and general corporate purposes, and maybe on-lent to subsidiaries by way of intercompany loan subject to relevant PRC regulatory approval. At 100.1, the new FRESHK 5.25 01/13/29 is trading at Z+182bps/YTM of 5.2%.

We initiate buy on the new FRESHK 5.25 01/13/29, and maintain buy on FRESHK 26-28s. In our view, FRESHKs offer more attractive risk-return profiles than other leasing peers such as BOCAVI 26-29s (YTM of 4.0-4.2%). The new FRESHK 5.25 01/13/29 also provides yield pick-up of c70bps over the new BOCAVI 4.375 01/12/33 issued last week with 4 year shorter in tenor. We like FEH's more diversified operations compared with those of other Chinese commercial leasing peers. We expect FEH's operating performance and asset quality to remain stable in view of its diversified leasing asset base. We also expect its liquidity profile to remain adequate given its smooth access to low-cost onshore funding. In 2025, FEH raised bonds in HKD, JPY, RMB and HKD totaling cUSD3.2bn.

Table 1: Bond profiles of FRESHK

Security name	ISIN	Amt o/s (USD mn)	Ask px	Z-spread (bps)	YTM	Mod dur	Issue rating (M/S/F)
FRESHK 4.25 10/26/26	XS2393797530	300	99.7	107	4.6%	0.8	-/BBB-/-
FRESHK 6.625 04/16/27	XS2800583606	500	102.3	131	4.7%	1.2	-/BBB-/-
FRESHK 5.875 03/05/28	XS2886144232	550	101.5	173	5.1%	2.0	-/BBB-/-
FRESHK 6 10/01/28	XS3025777221	500	102.2	173	5.1%	2.4	-/BBB-/-
FRESHK 5.25 01/13/29	XS3249057400	400	100.1	182	5.2%	2.7	-/BBB-/-

Source: Bloomberg.

➤ China Economy: In mild deflation

China's deflationary pressure continued to ease in end-2025. CPI edged up driven by food and gold jewellery prices. Consumer goods rebounded as holiday approaches while service price remained flat. Contraction of PPI notably narrowed driven by non-ferrous-related price, while downstream sectors remained subdued. We

expect mild price reflation in the short term, driven by anti-involution campaign and global commodities rally, which should improve corporate profitability and support capital market performance. However, the sustainability of price reflation over the medium and long term remains uncertain. Price gains have been concentrated in the upstream sectors, while end-demand remains weak. Chinese policymakers may require more time to reach consensus on prioritising economic rebalancing and to steer policy support away from local governments and enterprises towards households and consumers. We expect the CPI and PPI to reflate from 0.1% and -2.6% in 2025 to 0.7% and -0.5% in 2026.

Food price drove the rebound of CPI. China's CPI edged up to 0.8% YoY in Dec from 0.7% in Nov, in line with market expectation. In sequential terms, CPI recovered to 0.2% in Dec from -0.1% in Nov. Food price remained the major driver as its YoY growth rose to 1.1% in Dec, boosting headline CPI by 0.2pp. Vegetable price YoY growth climbed to 18.2%, while its MoM pace slowed from 0.5% in Nov to 0.3% in Dec. Pork price saw another drop at -1.7% MoM in Dec, as live hog inventory remained abundant. Vehicle fuel price dropped 1.1% MoM in Dec as global crude oil price remained subdued. We expect the CPI to drop to 0.1% YoY in Dec due to higher base last year, while high frequency data showed vegetable and vehicle fuel prices continued to drop.

Core CPI remained elevated. Core inflation stayed flat at 1.2% YoY in Dec, while its MoM rose 0.2%. Durable goods saw notable price reflation as Chinese New Year is approaching. Home equipment, telecom equipment and vehicles rose 1.4%, 3% and 0.1% MoM respectively in Dec. According to NBS, gold jewellery further rose to 68.5% YoY in Dec from 58.4%, contributing at least 0.5pp to core inflation. Service price remained flat at 0% MoM in Dec, with its YoY growth moderated to 0.6% in Dec from 0.7%. Education, telecom and express services stayed unchanged while home and tourism service expanded by 0.1% MoM. Medical service has been reflatting since Apr, expanding 0.2% MoM in Dec reflecting the impact of medical service price reforms.

PPI sustained its recovery momentum. The YoY contraction of PPI edged up to -1.9% in Dec from -2.2% in Nov, beating market expectations at -2%. The MoM growth increased for the third month at 0.3% driven by upper stream sectors including mining and raw materials, rising 0.8% and 0.6% respectively. Extraction of coal and non-ferrous metals rose 1.3% and 3.7% in Dec, while the mining of crude oil and gas declined 1.3%. NBS officials pointed out that deflation in major anti-involution sectors continued to improve, including lithium batteries, cement and NEVs. Downstream sectors remained subdued, as PPI of consumer goods stayed flat at 0% MoM in Dec. Household necessities and clothing rose by 0.5% and 0.2%, while durable goods dropped 0.2%. Automobile and computer & electronics dropped 0.2% and 0.1% MoM.

We expect mild price reflation driven by anti-involution campaign and global commodities rally. Despite recent recovery, CPI and PPI both softened in 2025 to 0.1% and -2.6% from 0.2% and -2.2% in 2024. We expect the CPI and PPI to reflate to 0.7% and -0.5% in 2026 thanks to the anti-involution campaign and global commodities rally. In the near term, a rebound in price level should improve corporate profitability and support the performance in the capital market. However, the sustainability of price reflation over the medium and long term remains uncertain. At present, price gains have been concentrated in the upstream sectors, while end-demand remains weak. Chinese policymakers may require more time to reach consensus on prioritizing economic rebalancing, and to steer policy support away from local governments and enterprises towards households and consumers. Without strong fiscal support to consumers and aggressive overcapacity reduction, the deflationary pressure may last longer than expected.

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

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
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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)
CSI MTN/ CITIC Securities	USD	-	5yr	SOFR+115	-/BBB+/-
POSCO	USD	-	5yr/ 10yr	T+115/ T+130	Baa1/A-/-
Republic of Indonesia	USD	-	5yr/ 10yr	4.7%/ 5.3%/-	Baa2/BBB/BBB
SK Battery America	USD	-	3yr	T+100	Aa3/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 98 credit bonds issued last Friday with an amount of RMB56bn. As for month-to-date, 454 credit bonds were issued with a total amount of RMB355bn raised, representing a 25.4% yoy decrease
- [VEDLN]** NCLT clears Talwandi Sabo Power demerger under Vedanta Ltd scheme
- [VNKRLE]** Media reported China Vanke currently developing debt restructuring plan at request of authorities

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