

CMBI Credit Commentary

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

- *The new SUMITR 30-35s tightened 4-5bps this morning. BABA/TENCNT 28-31s were unchanged to 2bps tighter. The new HYSAN 7.2 Perp rose another 0.1pt. KCGZIG 28 was unchanged.*
- **Adani complex:** *Change recommendations to neutral from sell. ADSEZ 41 was down 0.4pts this morning and the rest of the bonds of Adani complex was unchanged to +0.1pts. See below.*
- **China policy:** *Policy signals from the NPC meeting. CMBI expects additional RRR cuts by 50bps and LPR cuts by 20bps in 2H25. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, LGENSO 34s tightened 2bps, while LGNESO 26-28s widened 1-2bps. DAESEC 28s tightened 1bp, DAESEC 26-27s widened 1bp. POHANG/HYNMTR/KIAMTR 27-31s were better sold and widened 1-2bps. Chinese IGs were under better selling. BABA/TENCNT/MEITUA/LENOVO 30-35s were unchanged to 2bps wider. The long end of TENCNT/BABA/JD 48-61s were 1.5-2.1pts lower. In financials, the new SWHYSE Float 28s tightened 2bps, while the recent new BCLMHK 28s/30s widened 1-2bps. In insurance hybrids, the new MYLIFE 6.1 55s rose 0.9pt from RO at par amid PB buying vs primary profit taking. MYLIFE 54s/NIPLIF 54s/SUMILF Perp were 0.1-0.4pt lower. In AT1s, UBS 7.75/LLOYDS 8 Perps were down 0.2-0.3pt, while STANLN 7.625/HSBC 6.95 Perps were 0.1-0.2pt higher on PB buying support. In HK corps, the new HYSAN 7.2 Perp surged to 100.8. HYSAN 4.85/4.1 Perps were up 0.1-0.2pt. NWDEVL Perps/27-31s and NWSZF 28-29s were unchanged to 0.5pt higher. CKINF/NANFUN Perps remained sought after and closed 0.2pt higher. PCPDC 26s rose 1.3pts. In Chinese properties, VNKRL 25-29s were 0.3-0.9pt higher. SHUION 26s/FTLNHD 25-26s were up 0.3-0.7pt. LNGFOR 27-32s were also 0.2-0.5pt higher despite S&P's one notch downgrade to BB. In Macau gaming, SJMHOL 26s were up 0.1pt. See our comments on 5 Mar '25. In India, ADTIN 36s/ADGREG 42s were up 0.2pt.

In LGFVs, the new KCGZIG 5.4 '28 was 0.2pt higher from RO at par amid two-way flows. Both USD and CNH LGFVs remained well bid thanks to deployment demands from Chinese RMs. CPDEV 25s/SCUXI 26s/SDECDI 26s were up 0.1-0.2pt. There were two way flows on CNH papers such as LZJHFH 28s/HZWXED 28s. In SOE perps, SPICPT/HUANEN Perps were up 0.1pt.

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❖ Last Trading Day's Top Movers

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Top Performers	Price	Change	Top Underperformers	Price	Change
PCPDC 5 1/8 06/18/26	92.6	1.3	BABA 5 5/8 11/26/54	100.8	-2.1
VNKRLE 3.975 11/09/27	72.9	0.9	JD 4 1/8 01/14/50	81.8	-2.0
VNKRLE 3 1/2 11/12/29	62.5	0.8	TENCNT 3.94 04/22/61	75.1	-1.8
SHUION 5 1/2 06/29/26	94.3	0.7	BABA 4.4 12/06/57	82.8	-1.7
NWDEVL 6.15 Perp	70.0	0.5	TENCNT 4.525 04/11/49	86.9	-1.7

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❖ Marco News Recap 宏观新闻回顾

Macro –S&P (+1.12%), Dow (+1.14%) and Nasdaq (+1.46%) were higher on Wednesday. US Feb'25 ISM non-manufacturing PMI was 53.5, higher than the market expectation of 52.5. Trump has granted an exemption on auto tariffs on Mexico and Canada for one month. UST yield was higher on Wednesday, 2/5/10/30 yield at 3.99%/4.08%/4.28%/4.57%.

❖ Desk Analyst Comments 分析员市场观点

➤ Adani complex: Change recommendations to neutral from sell

Over the past few weeks, we see more signs that the impact of securities fraud and bribery charges by US SEC on Adani Group will likely be smaller than our original expectation in view of Adani Green's refinancing progress. We note the Foreign Corrupt Practices Act (FCPA) enforcement pause but this, in our view, does not necessarily mean that the charges on Gautam Adani and his nephew Sagar Adani would be dropped. Indeed, we view Adani Group's potential resumption of investment in the US more positively. As we discussed in our comments on [21 Nov'24](#), a key moving part of the charge will be how determined is the US regulator to pursue the charge with the new administration coming onboard soon. Hence, we change our sell recommendations on Adani complex to neutral. We continue to view valuations of the bonds of Adani complex unappealing. Bonds of Adani complex are only 0.3-3.3pts lower than the levels prior to the US indictment announcement after the recent rebound.

On 3 Mar'25, Adani Green announced that it had refinanced USD1.06bn maiden construction facility due Mar'25 with a 19-year amortizing facility. The loan was taken in 2021 to develop India's largest solar-wind hybrid renewable cluster in Rajasthan. The successful refinancing by Adani Green partly alleviates our concern over its funding accessibility due allegations of securities fraud and bribery charges.

Meanwhile, Adani Group is planning to resume plans to fund projects in the US, including nuclear power and utilities and east coast port. These will create 15k jobs to the US, as per media report. Recalled that Adani Group first pledged to invest USD10bn in the US after Trump was elected last year, yet these investments were put on hold amid the securities fraud and bribery charges by the US SEC on Gautam Adani, the chairman of Adani Group, and his nephew Sagar Adani, Executive Director of Adani Green.

In mid Feb'25, the US SEC has sought Indian authorities' assistance in its probe of Gautam and Sagar Adani. This largely in line with our view on the charges on Gautam and Sagar Adani are still in place despite the Foreign Corrupt Practices Act (FCPA) enforcement pause as we discussed on [12 Feb'25](#). Nonetheless, we view the resumption of USD10bn investment plan positively. This, coupled with 15k job creation, may better-position Adani Group at the negotiation table in resolving the allegations of securities fraud and bribery charges under the current US administration.

Table 1: Bond profile of Adani complex

Security name	ISIN	Amt o/s (USD mn)	Ask Px	YTM	Issue rating (M/S/F)
ADANEM 3.949 02/12/30	US00654GAA13	880	86.9	7.1%	Baa3/BBB-/BBB-
ADANEM 3.867 07/22/31	US00654GAB95	300	83.3	7.2%	Baa3/-/BBB-
ADGREG 6.7 03/12/42	US00654AAC09	408	92.7	7.5%	Ba1/-/BBB-
ADSEZ 4 07/30/27	US00652MAD48	500	94.4	6.5%	Baa3/BBB-/BBB-
ADSEZ 4.2 08/04/27	US00652MAG78	750	94.7	6.6%	Baa3/BBB-/BBB-
ADSEZ 4 3/8 07/03/29	US00652MAE21	750	91.3	6.7%	Baa3/BBB-/BBB-
ADSEZ 3.1 02/02/31	US00652MAH51	500	82.4	6.8%	Baa3/BBB-/BBB-
ADSEZ 3.828 02/02/32	US00652MAK80	300	84.0	6.8%	Baa3/BBB-/BBB-
ADSEZ 5 08/02/41	US00652MAJ18	450	81.6	6.9%	Baa3/BBB-/BBB-
ADTIN 4 08/03/26	US00652XAA63	500	96.6	6.5%	Baa3/-/BBB-
ADTIN 4 1/4 05/21/36	US00652XAB47	363	84.4	6.2%	Baa3/-/BBB-
ARENRJ 4 5/8 10/15/39	US00654CAA09	308	82.0	6.6%	Ba1/BB+/BBB-

Source: Bloomberg.

➤ China policy: Policy signals from the NPC meeting

China maintains the 5% GDP growth target with more proactive fiscal policy and moderately easing monetary policy, which is well anticipated by the market. In face of deflation risk and the Trump 2.0 shock, China will focus on boosting domestic consumption, stabilising the property market and stimulating technology innovation. China will extend the trade-in program in durables, strengthen the social safety net and provide childcare subsidies to boost consumption. The cabinet will push local governments to intensify efforts in urban village renovation, land buyback and property project acquisition to accelerate the rebalancing of housing supply and demand. It will also leverage all policies to facilitate the extensive application of large-scale AI models, intelligent terminals, smart equipment and self-made aircrafts and chips. Macro policies may remain stable in 1H25 as economic activity improves and the worst of the Trump 2.0 shock is yet to come. However, policymakers may be under pressure to ease policy further in 2H25 especially in the last quarter as the stimulus effects of domestic policies could diminish and the negative impact of Trump's tariffs could further release. We expect additional RRR cuts by 50bps and LPR cuts by 20bps in 2H25.

Clearer anti-deflation goal. China has changed the CPI growth target from not more than 3% in the past several years to 2% in 2025. By adopting a clearer and internationally consistent inflation target, the cabinet has signalled a stronger determination to combat the deflation pressure. Premier Li Qiang promised to better balance supply and demand through a combination of policies and reform measures so that the general price level will stay within an appropriate range. He also said that comprehensive steps will be taken to address rat race competition. Deflation has weakened business earnings, slowed household consumption, increased debt burdens and raised investor concerns about Japanification. It has also exacerbated China's tensions with the US and Europe. The policymakers seem to be more conscious of the harms of deflation. Investors should keep a close eye on the progress of anti-deflationary policies as they have a bearing on both China's economic prospect and the Chinese stock performance especially in consumer goods and services.

Stronger policy support to stabilise the property market. The premier has vowed to effectively prevent debt defaults by real estate companies, which should be positive for market sentiment. The cabinet will push local governments to control the supply of new land for real estate projects and increase efforts to redevelop urban villages, buy back land and acquire housing inventory. Local governments are encouraged to use more special bond funds and the re-lending facility for government-subsidized housing to support those projects or

transactions. Those policies could facilitate the rebalancing of housing supply and demand and stabilise housing prices.

Special initiatives to boost consumption. Policies related to consumption boost are in line with expectations as there is no surprise to the market. First, the trade-in program in autos, home appliances and electronics will continue with the planned subsidies totalling RMB300bn from ultra-long special treasury bonds. Second, the cabinet will leverage all relevant policies to promote full and higher-quality employment and strengthen the social safety net. The government will provide childcare subsidies to boost birth rates. Third, policies on duty-free shops will be refined to expand inbound consumption and reduce outbound consumption.

Tech innovation remains important. China will establish a mechanism to increase funding for industries of the future and foster industries such as bio-manufacturing, quantum technology, embodied AI and 6G technology. The country will support the extensive application of large-scale AI models and vigorously develop new-generation intelligent terminals and smart manufacturing equipment, including intelligent connected new-energy vehicles, AI-enabled phones and computers and intelligent robots. The NDRC report mentioned a plan to foster RISC-V as an open-source architecture to design chips. The central planner agency also said that efforts will be made to facilitate breakthroughs in emerging sectors such as virtual reality, audio-visual electronics, smart home technology, advanced computing, electronic-photonics convergence and new types of energy storage while further raising the production capacity of airliner C919 and accelerating the expansion of C909 in overseas markets.

Macro policies will remain accommodative with short-term fine-tuning. China will adopt more proactive fiscal policy and moderately easing monetary policy in 2025. The broad fiscal deficit is expected to rise from 8.1% of GDP in 2024 to 9.8% of GDP in 2025. Specifically, the general fiscal deficit, special Treasury bond quota and special LG bond quota might respectively increase from 3%, 0.7% and 2.9% of GDP in 2024 to 4%, 1.3% and 3.1% of GDP in 2025, while local government debt swap quota remains at RMB2trn or 1.4% of GDP in 2025, compared to 1.5% of GDP in 2024. The general fiscal deficit will be mainly used to fill the gap between general revenues and expenditures especially for local governments. Special Treasury bond will support the trade-in program in autos, home appliances, electronics and business equipment, key infrastructure & security projects as well as capital injection to the six largest state-owned banks. Special LG bond will be mainly used to finance local infrastructure projects, repay matured hidden debt, buy back land and purchase insolvent property projects. For the monetary policy, we anticipate stable liquidity and credit supply in 1H25 and additional RRR cuts by 50bps and LPR cuts by 20bps in 2H25. USD/RMB might moderately rise to 7.40 at end-2025 as Trump may escalate the trade war against China.

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

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Cikarang Listrindo	350	10yr	5.65%	5.65%	Baa3/BBB-/-
Zhejiang Changxing Financial Holdings	57.5	3yr	5.3%	5.3%	Unrated

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Commonwealth Bank of Australia	USD	-			Aa2/AA-/AA-
GF Securities	USD	-	3yr	SOFR+115	-/BBB/-

Zhangzhou Longhai State-owned Assets Investment and Operation Co	USD	-	3yr	7.6%	Unrated
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➤ News and market color

- Regarding onshore primary issuances, there were 87 credit bonds issued yesterday with an amount of RMB64bn. As for Month-to-date, 264 credit bonds were issued with a total amount of RMB237bn raised, representing a 4.9% yoy decrease
- **[BTSDF]** Health & Happiness expects FY24 adjusted EBITDA to fall 10-15% amid lower revenue
- **[COGARD]** Country Garden misses self-imposed deadline for offshore debt restructuring
- **[LNGFOR]** S&P downgraded Longfor to BB from BB+ on weakening property sales, outlook negative
- **[HYSAN]** Hysan likely to issue at least USD25mn junior perps to maintain IG rating on new HYSAN 7.2 Perp
- **[VKNRLE]** S&P placed Vanke's B- rating on CreditWatch Developing on management changes and evolving liquidity situation

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