

## CMBI Credit Commentary

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

- *The new MIZUHO Float 31s/SUMIBK Float 30s tightened 2bps this morning. HKAA 28-30s also tightened 1-2bps. NWDEVL 27-31s were up 0.5-0.7pt. MYLIFE 54s/FUKOKU Perp were 0.1-0.2pt lower. CSIPRO 25 was unchanged post the CFO change.*
- **CQNANA/YYSCIH:** *Tender offers for their USD bonds due 2025. CQNANA 25-26s were -0.1 to +0.1pt this morning while YYSCIH 25 was unchanged. See below.*
- **China Economy:** *In a mild deflation. CMBI expects China's CPI and PPI to recover from 0.2% and -2.2% in 2024 to 0.6% and -0.3% in 2025. The timing of China's rate cut may be brought forward from the second half to the first half of the year. See below for comments from CMBI economic research.*

#### ❖ Trading desk comments 交易台市场观点

Last Friday, the new issue KORELE 28s tightened 8bps from RO. The new MIZUHO Float 31s tightened 4bps from RO, while MIZUHO 5.098 31s/MIZUHO 5.422 36s widened 2-4bps from ROs. In KR, HYUELE 27-31s/HYUCAP 28s tightened 2-5bps. KRKPSC 27s/29s tightened 5-10bps on AM buying. POHANG/LGENSO 27-29s, however, were under small selling and closed unchanged to 2bps wider. In Chinese IGs, BABA/TENCNT 30-31s were 1bp tighter. LENOVO/WB 30s were 3-5bps tighter. The long end of CNPCCs/BABAs were 0.5-0.8pt lower in light of higher rates. In financials, the new CNH FRESHK 4.25 28s closed 0.8pt lower from RO at par. FRESHK 25s/26s were under better selling and closed unchanged to 2bps wider (0.1pt lower). Chinese AMCs were mixed. CFAMCI 29s/30s were under better buying and closed 0.1pt higher (7-9bps tighter), while CFAMCI 25s/26s/Perp were better sold and closed unchanged to 0.1pt lower. In JP insurance hybrids, MYLIFE 54s/NIPLIF 53s/ASAMLI Perps were unchanged to 0.2pt lower. EU AT1s were mixed. UBS 7/HSBC 6 Perps were 0.1pt lower. INTNED 7.25/SOCGEN 8.5 Perps were 0.1-0.4pt higher. In HK and Chinese properties, HYSAN 4.85 Perp and HYSAN 4.1 Perp (callable on 12 Mar'25 and 3 Jun'25, respectively) were 1.5-2.5pts higher on HF buying. NANFUN 5 Perp rose 1.2pts. NWDEVL 27-31s/Perps were up another 0.7-1.2pts and closed 3.5-5.0pts higher WoW. VNKRL 25-29s were rose 1.4-1.6pts. FTLNHD/FUTLAN 25-26s were 0.6-1.0pt higher. LNGFOR 27-32s were up 0.3-0.5pt. In India, ADSEZ 27-31s/ADANEM 30-31s/ADGREG 42s/ARENRJ 39s were 0.4-1.2pts higher following Adani Port's stronger 9MFY25 results. VEDLN 28-31s were 0.2pt higher.

LGFVs were firm. The new YYCCIG 30s was 0.1pt higher from RO at par on back of institutional buying flows. The new deployment demands post-CNY stayed robust, driving a sharp yield compression of 2%-3% in high-teens yielding names such as ZOUCAO 6.8 27s/QICHEN 7 27s (from Shandong).

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Over the weekend, CQNANA and YYSIIH launched tender offer, see comments below. In SOE perps, CHPWCN/SPICPD Perps were up 0.1pt.

#### ❖ Last Trading Day's Top Movers

| Top Performers        | Price | Change | Top Underperformers   | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| HYSAN 4.85 Perp       | 68.4  | 2.5    | CNPCCH 5.95 04/28/41  | 108.3 | -0.8   |
| HYSAN 4.1 Perp        | 97.0  | 1.5    | BABA 5 5/8 11/26/54   | 98.3  | -0.8   |
| NWDEVL 5 7/8 06/16/27 | 58.8  | 1.2    | TAISEM 3 1/4 10/25/51 | 73.1  | -0.8   |
| NANFUN 5 Perp         | 66.9  | 1.2    | TAISEM 3 1/8 10/25/41 | 77.6  | -0.7   |
| ADGREG 6.7 03/12/42   | 90.2  | 1.2    | CNOOC 4 1/4 05/09/43  | 90.1  | -0.7   |

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.76%), Dow (-0.28%) and Nasdaq (-1.20%) were weak on Monday. Trump will pause new tariffs on Mexico for one month and engage in further negotiations. Proposed tariffs on Canadian imports also postponed for at least 30 days. Long-term UST yield retreated on Monday, 2/5/10/30 yield at 4.26%/4.35%/4.54%/4.77%.

#### ❖ Desk Analyst Comments 分析员市场观点

##### ➤ CQNANA/YYSIIH: Tender offers for their USD bonds due 2025

Chongqing Nan'an Urban Construction & Development (CQNANA) launched a tender offer for its CQNANA 4.98 05/06/25 at 100. The maximum acceptance amount of USD120mn represents c57% of its outstanding amount of USD212.3mn. The tender offer will be funded with its internal liquidity, including receivables recovered from the local government and other third parties after 30 Jun'24. Recalled that CQNANA completed a tender offer on the same bond at 90 in Dec'24, the outstanding amount was reduced by USD87.7mn from original issued amount of USD300mn.

On the other hand, Yuyao Economic Development Zone Construction Investment and Development (YYSIIH) launched a tender offer for its only outstanding USD bond, YYSIIH 3.9 04/07/25, at 100 for the whole outstanding amount of USD100mn. The tender offer will be funded with its cash on hand.

The early redemptions of these LGFVs a few months ahead of maturity will help lower their interest costs in anticipation of RMB depreciation. The early redemptions, in our view, reflect their improving liquidity and financial flexibility given the supportive measures for resolving debts of local governments. We expect more Chinese issuers to redeem their offshore bonds without new offshore USD issuance in view of lower-cost funding alternatives with less forex exposure. For instance, CQNANA privately placed totaled RMB4,500mn (cUSD616mn) onshore at 2.50-2.85% coupon as well as issued CNH1,750mn Dim Sum bonds at 4.99% coupon in 2024.

**Table 1: Summary of the tender offers**

| Security name                  | CQNANA 4.98 05/06/25 | YYSIIH 3.9 04/07/25 |
|--------------------------------|----------------------|---------------------|
| Maximum acceptance amt (USDmn) | 120                  | 100                 |
| Amt o/s (USDmn)                | 212.292              | 100                 |
| Purchase price                 | 100                  | 100                 |
| Ask px                         | 99.9                 | 100.0               |
| YTM (%)                        | 5.06                 | 3.85                |
| Event                          | Date                 |                     |

|                            |                        |                        |
|----------------------------|------------------------|------------------------|
| Commencement               | 7 Feb'25               | 7 Feb'25               |
| Expiration                 | 18 Feb'25              | 17 Feb'25              |
| Announcement of the result | On or around 21 Feb'25 | On or around 18 Feb'25 |
| Settlement date            | On or around 28 Feb'25 | On or around 20 Feb'25 |

Source: Bloomberg, Company fillings.

### ➤ China Economy: In a mild reflation

Jan CPI rebounded thanks to the Chinese New Year (CNY) holiday effect and robust service consumption. Food prices modestly increased while core CPI growth sustained its recovery thanks to the surging airfare, tourism and movie ticket prices during the CNY holiday. PPI further dropped MoM dragged by coal and ferrous metals prices as domestic property construction and global manufacturing activity remained weak. We expect China's CPI and PPI to recover from 0.2% and -2.2% in 2024 to 0.6% and -0.3% in 2025. Trump's policy may add downside pressure on China's PPI. However, China may see a mild reflation in 2025 as the continued improvement in housing and durables sales in the recent two quarters indicates a probable broad recovery in consumer demand in the next several months. In response to the Trump tariff, China might launch some countermeasures. The timing of China's rate cut may be brought forward from the second half to the first half of the year.

**CPI rebounded during the CNY but showed weaker seasonality.** China's CPI YoY growth rebounded to 0.5% in Jan from 0.1% in Dec, in line with market expectation. In sequential terms, CPI bounced up to 0.7% in Jan from 0% in Dec, weaker than previous CNY seasonality at 1%. Food price rose to 1.3% MoM in Jan after dropping 0.6% in Dec, but weaker than previous CNY seasonality at 2.5% during 2022-2024. Pork prices moderately rose 1% MoM in Jan, but it may remain muted as inventories of breeding sows and live hogs stay elevated. Grain and vegetable CPI saw -0.1% and 5.9% growth in Jan compared to 0% to -2.4% in Dec. High-frequency data showed the prices of agricultural products and vegetables continued to rebound in early Feb while pork wholesale price stabilized. Vehicle fuel price rebounded by 2.5% MoM in Jan from -0.3% in Dec following the hikes of crude oil price in early Jan, but we expect the growth to moderate amid the dipping crude oil price.

**Core CPI continued to rally thanks to the improvement of service consumption.** Core inflation rose 0.6% YoY in Jan from 0.4% in Dec, with its MoM growth further expanding 0.5% from 0.2%, slightly better than previous seasonality. Service price continued to exhibit a notable reflation, rising 0.9% MoM from 0.1%, thanks to the robust consumption in travel, entertainment and recreational activities during the CNY holiday. The prices of air tickets, car rentals, travel and movie & performance tickets increased by 27.8%, 16.0%, 11.6% and 9.6% respectively, possibly reflecting the shifting consumption pattern of younger generations during the holiday, with less house-to-house visiting but increased spending on outings. Home equipment price rose by 0.4% MoM in Jan as the trade-in discounts weakened while vehicle price stayed unchanged. Telecom equipment dropped 0.4% MoM as sellers cut their prices to meet the price range of the trade-in scheme. Discretionary goods including footwear and clothing dipped by 0.3% and 0.4% in Dec respectively.

**PPI continued to decline as domestic property construction and global manufacturing activity remained weak.** YoY contraction of PPI stayed flat at -2.3% in Jan, weaker than market expectations at -2.1%. The MoM growth dipped to -0.2% in Jan compared to -0.1% in Dec. For mining industries, PPI including ferrous metals and coal mining further dipped to -10.7% and -10.1% YoY, while oil & gas rebounded from -6.2% to -1.3%. For final goods, computers & electronics, textile, and medicine dropped by 0.3%, 0.4% and 0.4% while auto showed the first positive MoM growth of 0.5% in 6 months. We expect the decline of PPI to moderately narrow thanks to the base effect and pickup in construction activities. Yet, the drag from a potential trade war persists.

**China might see a mild reflation in 2025.** Deflation pressure remains but may moderately alleviate in 2025, in our view. Housing and durables sales have continued to improve in the recent two quarters, probably followed by a recovery in consumer demand in the next several months. The Trump tariff might add downside pressure

on China's PPI, but China may launch countermeasures. The timing of China's rate cut may be brought forward from the second half to the first half of the year, with the policy rate potentially being lowered by an additional 0.1–0.2 percentage points compared to a no-tariff scenario. Looking ahead to 2025, we might see a mild reflation as CPI may rise from 0.2% in 2024 to 0.6% in 2025, thanks to the recovery in housing sales, durables consumption and service activity. PPI might recover to -0.3% in 2025 from -2.2% in 2024.

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) |
|--|----------|---------------|-------|---------|----------------------|
| Pingxiang City Construction Investment Group | USD      | -             | 3yr   | 7.5%    | Unrated              |

➤ **News and market color**

- Regarding onshore primary issuances, there were 8 credit bonds issued last Friday with an amount of RMB3bn. As for month-to-date, 14 credit bonds were issued with a total amount of RMB11bn raised, representing a 97.2% yoy decrease
- Trump said he will announce on Monday that the US will impose 25% tariffs on all steel and aluminum imports, and reciprocal tariffs later in the week
- Indonesia proposed regulations requiring natural resource exporters to hold all proceeds onshore for at least one year
- **[CCNIFH]** Central China Securities repurchased USD3.6mn of CCNIFH 4 03/22/25, the outstanding amount reduced to USD84.4mn
- **[CSIPRO]** CSI Properties appointed Wong Ho Yee, Janet as new CFO following resignation of Chow Hou Man. We believe that the CFO change is not related to the GAW investments. We are not concerned on the CFO change given the new CFO was originally the deputy of Chow who will remain as an executive direction after resigning from the post of CFO
- **[GRNKEN]** Greenko's project company privately placed INR10bn (cUSD114mn) 3-year 13% senior secured bonds with JP Morgan
- **[HPDLF]** Hopson secures USD100mn 1-year new private loan from Temasek unit to refinance the facility funded the acquisition of two floors and four parking lots at The Center in Hong Kong in 2023
- **[VNKRLE]** China Vanke, New China Life Insurance formed RMB1.6bn (cUSD220mn) housing rental equity investment JV

- **[WESCHI]** Fitch withdrew West China Cement's B- rating as the issuer stopped participating in the rating process

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