CMB INTERNATIONAL 招銀国际

Fixed Income
Credit Commentary

21 Oct 2025

CMBI Credit Commentary

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

- *Asia IG space tightened 1-3bps overall this morning. Japanese insurance bonds were 0.1pt higher. We also saw buyers for ACAFP/MTRC/PTTGC Perps. NWDEVL 4.5 05/19/30 rose 1.5pts, while EHICAR 26 was down by 0.9pt.*

- ***GSCCOR:*** *FV of the new GSCCOR 30s to be T+85bps vs IPT at T+115bps. See below.*

- ***China Economy:*** *Short-term pains, long-term gains. CMBI expects the PBOC to further cut LPRs by 10 bps and RRR by 50 bps in Nov-Dec'25; the MoF may expand fiscal support to households to stimulate consumption and housing sales. CMBI forecasts that GDP may slow down to 4.6% in 4Q25 with full-year GDP growth at 5%. See comments from CMBI economic research below.*

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❖ Trading desk comments 交易台市场观点

Yesterday, BNP AT1s dropped up to 0.7pt in the long end, and lowered 0.1-0.3pt in the front end. As per the US court verdict, BNP Paribas is liable to human rights abuses in Sudan. While damages of only USD20.75mn were awarded to 3 plaintiffs, the market is concerned that the ruling may expose BNP to more similar litigations. The spillover to other French banks like ACAFP/SOCGEN was nonetheless limited despite some knee-jerk selling in ACAFP 7.125 Perp. The rest of Yankee AT1s and insurance hybrids, as well as their Japanese counterparts were largely stable amid better-buying out of Asia from AMs and PBs. China/Korea/Japan/AU IG benchmarks were 1-2bps tighter amid two-way flows on front-end FRNs LGENSO/KOROIL/ BCLMHK/WSTP. TW lifers space was 2-5bps tighter with better buying on SHIKON 35/FUBON 35. We saw a mixed session in Greater China higher-beta credits. There was better buying on FOSUNI 27-29, which closed 0.1-0.2pt higher. EHICAR 7 09/21/26 was 1pt higher. The NWDEVL complex edged up another 0.2-0.7pt. On the other hand, the new CWAHK 5 ⅞ 10/22/30 closed 0.2pt lower amid better selling from RMs. SHUION 5.5 06/29/26 was down by 0.1pt. See our comment on SHUION yesterday. In Chinese properties, YUZHOU 27 was 1pt higher. LNGFOR 27-32s increased by 0.2-0.5pt. However, COGARD 26-31s/VNKRLE 27-29s were 0.3-0.6pt lower. Moody's downgraded China Vanke's rating to Caa2 from Caa1, and the rating of Vanke's MTNs to Caa3 from Caa2. We view that the downgrade to have limited impact on Vanke and belated, as Vanke had largely passed through the maturity wall in 1H25, thanks to the shareholder's loan from SZ Metro, and the next Vanke USD bonds will mature in Nov'27. In Southeast Asia, the PETMK curve was 3-5bps tighter on the long end with buying from Chinese accounts. VLLPM 27-29s rose 1.8-3.1pts. VEDLN 28-33s recovered 0.4-0.9pt. GARUDA 31s were 0.6-1.3pts lower.

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LGFVs were a touch firmer amid better-buying flows. RMs were buying USD IG names, while asset managers and some tactical investors were buying higher-yielding issues across CNH and USD issues.

- **Last Trading Day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
VLLPM 7 1/4 07/20/27	**64.8**	**3.1**	GARUDA 6 1/2 12/29/31	**85.9**	**-1.3**
VLLPM 9 3/8 07/29/29	**56.0**	**1.8**	BNP 7 3/8 PERP	**104.0**	**-0.7**
EHICAR 7 09/21/26	**80.8**	**1.0**	FABUH Float 07/22/29	**101.1**	**-0.6**
YUZHOU 7 06/30/27	**12.7**	**1.0**	COGARD 5 5/8 12/15/26	**10.0**	**-0.6**
VEDLN 9.85 04/24/33	**100.4**	**0.9**	GARUDA 6 1/2 12/28/31	**90.3**	**-0.6**

- **Marco News Recap 宏观新闻回顾**

Macro – S&P (+1.07%), Dow (+1.12%) and Nasdaq (+1.37%) were higher on Monday. UST yield was lower on Monday. 2/5/10/30 yield was at 3.46%/3.58%/4.00%/4.58%.

- **Desk Analyst Comments 分析员市场观点**

- **GSCCOR: FV of the new GSCCOR 30s to be T+85bps vs IPT at T+115bps**

GS Caltex proposes to issue 5-year 144A/Reg S USD senior unsecured bonds (Baa1/BBB+/-). We view the FV of the new GSCCOR 30s to be T+85bps vs IPT at T+115bps, in view of GSCCOR 28s is trading at T+65bps and adjusted for 2 years longer in tenor. GS Caltex plans to use to proceed to pre-fund debt maturity in 2026.

GS Caltex is one of Korea's largest integrated refining and petrochemical companies, with a refining capacity of 800,000 bpd. It refines, processes, and markets petroleum products, petrochemicals, base oils, and lubricants worldwide. GS Caltex is a 50:50 joint venture between GS Energy and Chevron. In 1H25, GS Caltex reported revenue of KRW21.8tn, an operating loss of KRW141.4bn mainly due to drop in oil prices. 1H25 EBITDA was KRW351.0bn. Meanwhile, it recorded a net operating cash inflow of KRW428.9bn and capex of KRW410.1bn in 1H25, resulting in free cash inflow of KRW18.8bn. We take some comfort on S&P's expectation on the stabilizing of crude prices from 3Q25, while limited additions to global refining capacity should support a modest recovery in refining margins.

As of Jun'25, GS Caltex held cash and cash equivalents of KRW1.2tn and had net debt of KRW3.7tn. As per our calculation, net debt to LTM EBITDA rose to 4.7x in Jun'25 from 2.5x in Dec'24, driven by lower LTM EBITDA and partially offset by lower gross debt. We view GS Caltex's offshore bond maturity profile as manageable, it has two outstanding USD bonds, each USD300mn, maturing in Jan'26 and Aug'28.

Table 1: Bond profile of GS Caltex

Security name	ISIN	Amt o/s (USD mn)	Px	T-spread (bps)	Z-spread (bps)	YTW	Mod dur	Issue rating (M/S/F)
GSCCOR 4 ½ 01/05/26	USY29011DD52	300	100.0	73	19	4.2%	0.2	Baa1/BBB+/-
GSCCOR 5 ⅜ 08/07/28	USY29011DG83	300	103.3	65	90	4.1%	2.6	Baa1/BBB+/-

Source: Bloomberg.

- **China Economy: Short-term pains, long-term gains**

China's economy notably slowed down in 3Q25 despite a lower base last year. Retail sales growth fell to a recent low, with durable goods spending moderating as trade-in support faded. Fixed asset investment saw the first negative YTD growth in five years, as strict local hidden debt discipline and the anti-involution measures weighed on infrastructure and manufacturing investment. The property market slid further in early Oct in both volume and price, prompting potential policy easing in 4Q25. While anti-involution measures may temporarily weigh on growth, they promote long-term economic rebalancing and ease deflationary pressures. The reforms are constructive for the equity market, as they would boost corporate earnings prospects and market concentration among leading firms. Given that most targeted sectors are capital-intensive, with limited impact on employment, the Chinese policymakers appear more willing to tolerate short-term pains in pursuit of longer-term structural gains. The economic slowdown will increase the possibility of additional monetary loosening and fiscal stimulus ahead, in our view. We expect the PBOC to further cut LPRs by 10 bps and RRR by 50 bps in November-December. The MoF may expand fiscal support to households to stimulate consumption and housing sales. We forecast that GDP may slow down to 4.6% in 4Q25 with full-year GDP growth at 5%.

3Q GDP growth notably moderated but came in line with market expectation. China's GDP growth in YoY terms (all on a YoY basis unless otherwise specified) moderated to 4.8% in 3Q25 from 5.2% in 2Q25 despite a much lower base last year, while YTD GDP growth edged down to 5.2%. GDP deflator narrowed to -1% in 3Q25 from -1.2% in 2Q25, as anti-involution campaign drove moderate price reflation in upstream sectors. We expect the GDP growth to slow down to 4.6% in 4Q25 with full-year GDP at 5%, as consumption, fixed asset investment and exports further decline.

Property sector slumped in Oct due to higher base. The contraction of gross floor area (GFA) sold for commodity buildings expanded to -5.5% in 9M25 from -4.7% in 8M25 according to NBS. Contraction of residential housing starts stayed unchanged at -18.3% in 9M25 at 333 million sq,m,, back to the level in 2003-04, which should support a supply-demand rebalancing in 2026-27. For new housing sales in Oct according to market data, the recovery rate compared to 2018-2019 edged up to 40.5% from 40.4% in Sep, stabilizing since July. However, YoY sales in 30 major cities notably declined by 22.9% in Oct from 8.8% in Aug, with tier-1, 2 &3 cities dropping 32%, 10% and 28% respectively. Second-hand housing sales also notably contracted, as the YoY growth of 11 selective cities dropped to -29% in Oct from 15% in Aug. New and second-hand housing prices saw faster declines as demand further softened, dipping 0.3% and 1% MoM in Sep. The weakening property market may further weigh on durables consumption and developers' cash flow, prompting major policy easing in 4Q25, in our view.

Retail sales growth dropped to a new low as trade-in boost faded. Retail sales growth hit an 11-month low at 3% in Sep from 3.4%, slightly below market consensus at 3.1%. The impact of trade-in subsidies has largely run its course, as retail sales of home appliances, culture & office products and furniture slowed down to 3.3%, 6.2% and 16.2% in Sep from 14.3%, 14.2% and 18.6% in Aug, while telecom equipment rebounded to 16.2%. Autos edged up to 1.6% in Sep from 0.8% in Aug, while the volume of retail sales notably dropped to -10% in early Oct from 8.5% in Sep due to a higher base last year. Gold, silver & jewellery moderated from 16.8% to 9.7% as rising gold price weighed on demand. Retail sales may further slowed down in the remainder of the year due to a higher base and the drag from demand pull-forward. Looking forward, retail sales may moderate to 2.8% in 4Q25 from YTD 4.5% in 9M25, bringing full-year growth to around 4.1%.

FAI growth YTD turned negative for the first time in five years. Total FAI growth dropped to YTD -0.5% in 9M25 from 0.5% in 8M25, missing market expectations at 0%, marking the first negative YTD growth since 2020. The YoY growth further contracted to -6.8% in Sep from -6.3% in Aug with broad-based softening. Infrastructure investment dipped 8% in Sep from -6.4%, as the moderating government bond issuance in 2H relative to 2024 constrained fiscal support, with notable moderation in road transport, public facility and social welfare. The government's anti-involution campaign has weighed on manufacturing investment, which dropped 1.9%. Property investment contracted to -21.2% in Sep from -19.4%, as housing market remained in over-supply. Looking forward, FAI growth may remain subdued in 4Q25 with full-year growth at -0.5% in 2025 compared to 3.2% in 2024. Manufacturing and infrastructure investment growth is likely to fall from 9.2% and 9.2% in 2024 to 4.2% and 4% in 2025.

Industrial output rebounded. VAIO growth picked up to 6.5% in Sep from 5.2%, beating market consensus at 5.2%. Mining edged up to 6.4% in Sep from 5.1% while public utility dropped to 0.6% from 2.4%. VAIO of manufacturing accelerated to 7.3% from 5.7% as delivery value for exports rebounded from -0.4% to 3.8%. Chemical products, medicine, rubber & plastic products, general equipment and autos saw notable rebounds while ferrous metals, other transport equipment and electrical equipment slowed down. Growth of service output index remained constant at 5.6% in Sep with robust growth of IT and business services. Looking forward, industrial output may decelerate due to the headwinds from exports, demand overdraft from trade-in subsidies and pressures from the anti-involution policy, in our view.

Anti-involution measures may weigh on growth in short term but remain positive for equities. While anti-involution measures may temporarily weigh on growth, they are structurally positive for China's economy over the long term, helping to rebalance China's supply-demand structure and ease deflationary pressures. In addition, these reforms would enhance corporate earnings prospects and expand market share for leading firms, benefiting the stock market overall. As most of the targeted sectors are capital-intensive, where the reforms may have limited impact on employment, policymakers have shown greater tolerance for short-term disruptions and stronger willingness to advance the policy agenda. The economic slowdown will increase the possibility of additional monetary loosening and fiscal stimulus ahead. We expect a policy easing window in 4Q25, driven by weakening consumption and a sluggish property market, alongside the prospect of multiple rate cuts by the Fed. We expect that the PBOC may further cut LPRs by 10 bps and RRR by 50 bps and the MoF may expand fiscal support to households to stimulate consumption and housing sales.

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- **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	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Energy Overseas Investment	USD	Up to 100mn/ Up to 100mn	3yr/ PerpNC5	4.3%/ 4.75%	-/-/BBB+/ -/-/BBB-
GS Caltex Corporation	USD	-	5yr	T+115	Baa1/BBB+/-

- **News and market color**

- Regarding onshore primary issuances, there were 102 credit bonds issued yesterday with an amount of RMB83bn. As for month-to-date, 758 credit bonds were issued with a total amount of RMB741bn raised, representing a 30% yoy increase

- China average new home prices drop 2.2% yoy in Sep'25

- Taiwan's Financial Supervisory Commission asks the life insurance association to propose reforms to the accounting treatment of foreign exchange risks, aiming to make financial statements better reflect business performance

- Danantara is still reviewing the feasibility of government-backed projects worth over USD38bn

- **[BCLMHK]** BOCOM Leasing 3-year RMB1bn Yulan bond priced at 2.02%, tightened from IPT at 2.5%
- **[BNP]** BNP Paribas denied that it's under pressure to settle the human rights abuses case in Sudan, and it has the unwavering intention to appeal the ruling which ignores important evidence the bank was not permitted to introduce
- **[DBMMN/GLMTMO]** Moody's upgraded seven Mongolian banks including Development Bank of Mongolia and Golomt Bank by one notch to B1 from B2 following sovereign upgrade, outlooks stable
- **[FAEACO]** Media reported three holders of Far East Consortium have received the 18 Oct'25 distribution on the FAEACO 12.814 Perp
- **[FOSUNI]** KKR and Quadrantis Capital to acquire 13.07% stakes in Peak Re, Fosun International will continue to hold 86.71% upon completion
- **[SOFTBK]** SoftBank will hold investor calls in Asia and Europe today to market its USD/EUR Reg S subordinated bonds
- **[VNKRLE]** Moody's downgraded Vanke by one notch to Caa2 from Caa1, maintained negative outlook

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