

## CMBI Credit Commentary

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

- *New RESONA'28 tightened 10bps, CHINLP Perp rose 0.5pt this morning. China AMCs, HKAAAs were active with two-way flows. Developers stabilized, CHJMAO/NWDEVL/VNKRLE moved -0.4 to +0.2pt.*
- **CHINLP:** CHINLP 5.45 Perp is a good carry-play in CLP complex. CHINLP 5.25 Perp rose 0.5pt this morning. See below comments.
- **China Economy** - Deflation spiral continued. 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. See below for comment from CMBI economic research.

#### ❖ Trading desk comments 交易台市场观点

Yesterday, the new HKAA 35s tightened 15bps from RO (CT10+55), while the new HKAA 28s/30s closed unchanged around ROs amid balanced two-way flows. The recent new BOCAVI 4.75 28s/EIBKOR 4.875 30s widened 1-2bps. HYUCAP announced new issue mandate of 3-yr USD bonds. HYNMTRs/HYUELEs were unchanged to 2bps wider on some PB selling. Chinese IGs were better sold. HAOHUA/BABA/TENCNT/XIAOMI 28-31s were 1-3bps wider. See our comments on China's consumption plays on [9 Jan '25](#). In financials, Chinese AMCs were mixed. ORIEAS 27s tightened 2bps, while CCAMCL 29-30s/CFAMCI 26s were 1-3bps wider on small selling. In EU AT1s, the recent new STANLN/BBVASM Perps retreated 0.2-0.3pt after the gain of 0.2-0.6pt on Wed. The short-dated-to-call papers such as BACR 6.125/HSBC 6.5 Perps were 0.1-0.3pt lower. In JP, DAIL 6.2 Perp rose 0.4pt to 100.6 despite profit taking. NIPLIF/MY LIFE 54s rebounded 0.2-0.3pts after the decline of 0.3pt on Wed. In HK, CHINLP priced a USD500mn NC5.25 Perp at par to yield 5.452%, and the new CHINLP 5.45 Perp rose 0.5pt from RO at par. See below comments. NWDEVL Perps/27-31s retreated 0.7-1.4pts and closed 2.2-3.0pts lower WTD. In Chinese properties, VNKRLE 25-29s declined another 1.0-1.4pts and closed 6.0-8.5pts lower WTD. CHJMAO 29s fell 2.1pts on VNKRLE's spillover, while CHJMAO 25-26s were unchanged to 0.3pt lower. LNGFOR 27-32s dropped another 1.2-2.0pts and closed 3.4-3.9pts lower WTD. FTLNHD/FUTLAN 25-26s were down 0.8-1.2pts. In India, UPLLIN Perp rose 2.4pts, UPLLIN 28-30s were 0.3pt higher.

In LGFVs, the recent new HNRail/YWSOAO 28s were down 0.1pt amid mixed flows. JNUCGC 26s were down 0.2pt, GDCOMM 27s/SIDEVE 26s were up 0.2-0.3pt. There were two-way interests on CNH LGFVs such as HYINVG/GXDVIN 27s. In SOE perps, SPICPD 4.95/HUADIA 3.375 Perps were 0.1pt lower.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
UPLLIN 5 1/4 PERP	93.6	2.4	CHJMAO 4 1/4 07/23/29	82.8	-2.1
TSIVMG 1.6 12/17/39	35.1	0.7	LNGFOR 4 1/2 01/16/28	78.5	-2.0
GARUDA 6 1/2 12/28/31	64.2	0.5	LNGFOR 3.95 09/16/29	71.9	-1.5
DAIL 6.2 PERP	100.6	0.5	LNGFOR 3 3/8 04/13/27	80.6	-1.5
CSSSHI 3 02/13/30	90.1	0.4	NWDEVL 4 1/2 05/19/30	58.9	-1.4

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – US stock market suspended on Thursday. UST yield edged higher yesterday, 2/5/10/30 yield reached 4.27%/4.46%/4.68%/4.92%.

## ❖ Desk Analyst Comments 分析员市场观点

## ➤ CHINLP: CHINLP 5.45 Perp is a good carry-play in CLP complex

CLP issued USD500mn CHINLP 5.45 Perp (Moody's/S&P: A3/A-). The coupon of the new CHINLP 5.45 Perp will be reset and step up to 5yUST+initial spread+25bps if it is not called on the first call date in Apr'30. The new CHINLP 5.45 Perp will have 50% equity credit in the calculation by Moody's and S&P. The proceeds from the new issuance is to redeem CHINLP 3.55 Perp of USD500mn before its coupon reset date on 6 Feb'25.

We view the new CHINLP 5.45 Perp is a good carry-play within the CLP complex. CHINLP 5.45 Perp moved +0.5pts this morning. At 100.5, CHINLP 5.45 Perp is trading at YTC of 5.33%, 25bps higher than CHINLP 2.125 06/30/30 with c2-month shorter in "maturity". Despite the low coupon step-up of 25bps in Apr'30, we take some comfort on CLP's track record of calling its perps before the first coupon reset date, i.e. CHINLP 4.5 Perp was called in Nov'19, and CLP will redeem CHINLP 3.55 Perp before the first coupon reset date in Feb'25.

That said, we prefer perps with high coupon step-up that we believe the incentive to call is higher. In Asian corporate perps space, we prefer SMC complex with 300-500bps coupon step-up, i.e. PCORPM 5.95 Perp, SMCGL 5.7 Perp, SMCGL 5.45 Perp, SMCGL 8.125 Perp and SMCPL 5.5 Perp. We also view FAEACO 12.764 Perp is a good short-dated carry play after the coupon step-up in Oct'24. Please refer to our [Asia Credit Outlook 2025](#) for more detailed discussion.

## ➤ China Economy - Deflation spiral continued

China's Dec CPI further declined, approaching the contraction territory amid soft food and energy prices. Core CPI growth sustained its recovery thanks to the surging home service and tourism price heading into Chinese New Year (CNY). PPI dipped again in Dec on a sequential basis, while its YoY decline narrowed. Downstream sectors remained subdued dragged by soft durable goods price, especially autos. The falling 10Y Treasury yield reflected the extremely weak market expectations for future economic growth and inflation, despite the government's pivot to more aggressive stimulus measures. In light of this, the current stimulus seems insufficient to pull China out of its deflationary spiral. In the short term, the "wait and see" stage should continue and the scope for further policy easing appears to be nearing its limit. We expect the next significant policy push is likely to be the countermeasure against tariffs imposed by Trump, possibly with stronger direct support to households and consumers. 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.

**CPI edged down due to weak food and energy prices.** China's CPI YoY growth dipped to 0.1% in Dec from 0.2% in Nov, in line with market expectation. CPI in 2024 remained flat as 2023 at 0.24%, marking another year of persistent deflationary pressure. In sequential terms, CPI stayed unchanged. Vehicle fuel price dropped by 0.3% after 0% MoM in Nov. Food price declined by 0.6% MoM in Dec after dropping 2.7%. Pork prices may remain muted as inventories of breeding sows and live hogs stayed elevated. Vegetable and meat prices should see MoM rebound in Jan as CNY is approaching but their growth might be weaker than previous seasonality. High-frequency data showed the price of agricultural products and vegetables mildly rebounded in early Jan while pork wholesale price continued to decline modestly in MoM, which was very rare during the CNY month. We expect energy price to rebound amid the hikes of gasoline price.

**Core CPI registered its first positive MoM growth since Aug 2024.** Core inflation extended its rally since the historic low in Sep 2024, rising 0.4% YoY in Dec compared to 0.3% in Nov. MoM growth rose 0.2% in Dec after dropping 0.1%. Service price saw a mild reflation, rising 0.1% MoM from -0.3%, as home service and tourism price notably surged 0.5% and 0.1% ahead of CNY month. Other services remained soft. Durable goods prices moderately rebounded as telecom equipment increased markedly by 3% MoM in Dec. Home equipment price also rose by 0.4% MoM in Dec as the trade-in discounts weakened while vehicles price stayed unchanged. Discretionary goods including clothing and footwear increased by 0.2% and 0.1% in Dec respectively.

**PPI narrowed its contraction.** YoY contraction of PPI recovered to -2.3% in Dec from -2.5% in Nov, in line with market expectations. The MoM growth dropped to -0.1% compared to 0.1% growth in Nov. For mining industries, PPI of energies including oil & gas and non-ferrous metals improved from -12.5% and 9.7% to -6.2% and 10%, while ferrous metals and coal mining further dipped to -9.5% and -8%. For final goods, auto further dropped 0.5% MoM in Dec with its YoY decline dipping to -3.8%, the lowest point in history. PPI of downstream sectors dropped -1.4% YoY in Dec, dragged by soft durable goods price. We expect the decline of PPI to moderately narrow thanks to the lower base last year and pickup in construction activities, but remained depressed in the near term, due to still-weak domestic demand and soft global commodities price.

**Current stimulus is insufficient to pull China out of its deflationary spiral.** Since mid-Sep, the 10Y treasury yield has fallen by more than 40bps, reflecting extremely weak market expectations for future economic growth and inflation, despite the government's pivot to more aggressive stimulus measures. In the short term, the "wait and see" stage continued and the scope for further policy easing appears to be nearing its limit, while we expect the next significant policy push is likely to be the countermeasure against tariffs imposed by Trump, possibly with stronger direct support to household and consumers. Looking into 2025, we might see a mild reflation in the short term as CPI may rise from 0.2% in 2024 to 0.6% in 2025, thanks to property and durables consumption recovery in 1H25 following the stimulus. However, as domestic demand recovery softens and trade conflict starts to slow exports, CPI growth might fall in 2H25 and drop to 0.4% in 2026.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
CLP Power HK Finance	500	PNC5.25	5.45%	5.45%	A3/A-/-
Resona Bank Ltd	300	3yr	4.983%	T+67	A2/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
AmBank M Bhd	USD	-	3/5yr	-	A3/BBB+/-
Hyundai Capital Services	USD	-	3yr	-	-/-
Tata Capital Ltd	USD	-	3.5yr	-	-/BBB-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 130 credit bonds issued yesterday with an amount of RMB105bn. As for month-to-date, 672 credit bonds were issued with a total amount of RMB481bn raised, representing a 57.2% yoy increase
- **[CCAMCL]** China Cinda established USD2.73bn real-estate industry relief fund to support project delivery
- **[COGARD]** Country Garden unveils key terms of restructuring proposal; reaches understanding with co-ordination committee of seven banks
- **[GRNKEN]** Greenko's Axis Wind Farms places USD114mn-equivalent INR bonds with Allianz Global, DSP and Trust Investment Advisors to refinance USD bonds
- **[GTJA]** Guotai Junan Securities' proposed merger with Haitong Securities cleared by Shanghai bourse
- **[KNMIDI]** Kunming Industrial Development & Investment removed from dishonest debtor list by court
- **[LENOVO]** Lenovo 2024 PC shipments rise 4.7% to 62mn units
- **[SUNAC]** China Cinda HK AM filed Hong Kong winding-up petition of Sunac
- **[VNRKLE]** Media reported that China Vanke said it will endeavor to redeem public debts due in 2025

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