

CMBI Credit Commentary

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

- *This morning, the KORSFC '29 tightened 4bps RO at T+47. The new KAMPOS '56s/OLYMPU '31s/RBKIN '31 were broadly unchanged from ROs. Asia IG was quiet amid light flows, watch for US PPI tonight and CPI tomorrow. Asia Perps were under better selling. LGFVs remained well supported. The new CNH HTHT '31 rose 0.3pt with some profit taking.*
- **VEDLN:** Tapped USD400mn across '32s, '34s, and '37s to fund the early redemption of '30s and '33s. Maintain buy on VEDLN 9 1/8 10/15/32. VEDLNs were broadly unchanged following the tap announcement. See below.
- **China Economy:** Prices recover while demand lags. CMBI expects the China CPI and PPI to reflate from 0.1% and -2.6% in 2025 to 0.9% and 2.5% in 2026.. See comments from CMBI economic research below.

❖ Trading desk comments 交易台市场观点

Yesterday, the new KOSOPW '29 outperformed, tightened 11bps from RO at T+50, supported by broad deployment demand and small issue size resulting in under-allocation. The bond was traded broadly in line with scarce Korean utilities such as KOMIPW '29. Other KR front-end names NHSECS/HYUSEC/SAMAER/KOREAN tightened 1-3bps, while belly paper came under selling pressure. HYNMTR/POINTL were unchanged to 2bps wider. In JP, the new MUFG's five-tranche print were broadly unchanged from ROs. The new MUFG '32 FRN, however, repriced the broader JP FRN space 2-4bps wider. In SE Asia, the new KBANK '36 tightened 2bps from RO at T+173bps. See our comments on KBANK yesterday. The new MAYMK '29/'31 were unchanged to 2bps wider from ROs. In AU, the new CBAAU '29/'31s/'37s held around RO. China TMTs remained heavy, with long-end BABA/TENCNT widened 2-4bps.

In higher-yielding space, Japanese and European AT1s and insurance subs were around 0.1pt weaker, with flows generally skewed toward selling across the curve, particularly in the belly. Long-end paper, however, appeared to find modest support from short-covering demand. In contrast to the USD space, CNH remained firmer, with 10yr paper edging around 0.3-0.4pt higher as RM/AM buying re-emerged. Elsewhere, LGFVs had a broadly stable session, although the market found it somewhat challenging to digest the CNH1.27bn new QHCTJS '29 issue. We saw switch-out selling at the long end of the credit curve in QHCTJS/QICHEN/BNHAST. However, quality Shandong names such as LAIWUI/PDCTEV/LECCIG remained stable at low-to-mid-5% yields, supported by RM demand. Higher-quality, onshore AAA-guaranteed paper yielding inside 4% also remained sought after by RMs. USD LGFVs continued to face challenging liquidity against the uncertain rates outlook. Bonds yielding inside 6%, now offering only c150bps of spread, generally

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struggled to find buyers regardless of rating. In contrast, higher-yielding paper remained broadly better bid.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VLLPM 7 1/4 07/20/27	84.4	2.6	ARAMCO 5 7/8 07/17/64	88.3	-0.8
VLLPM 9 3/8 07/29/29	64.5	2.5	IDASAL 5.8 05/15/50	90.5	-0.8
CFAMCI 4.95 11/07/47	88.4	0.4	NWDEVL 4.8 PERP	56.1	-0.7
ACPM 4.85 PERP	72.0	0.3	MTRC 5 1/4 04/01/55	94.4	-0.7
GEZHOU 4 1/4 PERP	98.5	0.3	ARAMCO 4 5/8 09/17/35	93.3	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.48%), Dow (-0.77%) and Nasdaq (-0.64%) were weak on Wednesday. UST yield was higher yesterday. UST yield was at 4.43%/4.61%/4.83%/5.28%.

❖ Desk Analyst Comments 分析员市场观点

➤ VEDLN: Tapped USD400mn across '32s, '34s, and '37s to fund the early redemption of '30s and '33s

Table 1: VRL's o/s USD bonds

Security name	ISIN	Amt o/s (USD mn)	Ask px	YTM	Mod dur	Issue rating (M/S/F)
VEDLN 9.475 07/24/30	USG9T27HAL88	322.68	100.2	-1.6%	0.1	Ba3/BB-/
VEDLN 7 07/13/32	XS3427418432	625	100.1	7.0%	4.2	Ba3/-/BB
VEDLN 9 1/8 10/15/32	USG9T27HAN45	313.93	100.3	9.1%	0.0	Ba3/-/BB
VEDLN 9.85 04/24/33	USG9T27HAK06	90.57	100.7	9.7%	2.7	Ba3/BB-/
VEDLN 7 3/8 07/13/34	XS3427418606	750	100.1	7.4%	5.3	Ba3/BB/BB
VEDLN 7 3/4 07/13/37	XS3427418788	775	100.7	7.7%	6.6	Ba3/BB/BB

Source: Bloomberg.

Yesterday, Vedanta Resources (VRL) completed a USD400mn tap issuance comprising USD125mn of VEDLN 7 07/13/32, USD50mn of VEDLN 7 3/8 07/13/34, and USD225mn of VEDLN 7 3/4 07/13/37. The '32s and '34s were issued at par, while the '37s were issued at 100.5 to yield 7.673%. Net proceeds will be used to fund the early redemption, at par, of up to the full outstanding amounts of VEDLN 9.475 07/24/30 and VEDLN 9.85 04/24/33 on 17 Sep'26.

We view the transaction as credit positive. It further reduces the outstanding amount of VRL's higher coupon legacy bonds and extends the maturity profile. The refinancing should also lower cash interest expense, as the '30s and '33s carry coupons of 9.475% and 9.85%, respectively, compared to coupons of 7.0%-7.75% of the tapped bonds which is also below VRL's average funding cost of 9.28% in FY26. Through new bond issuance, tender offers, the full redemption of the '28s, '29s and '31s, and partial redemption of the '33s during Jul-Aug'26, VRL has progressively reduced near term refinancing pressure, lengthened the maturity profile and lowered the average funding cost. In addition, the amortizing structures of the new '32s, '34s and '37s should support a more orderly deleveraging path by spreading repayment obligations over time.

We maintain buy on VEDLN 9 1/8 10/15/32 for its more balanced risk-return profile. At 100.3, VEDLN 9 1/8 10/15/32 is trading at YTM of 9.1%. VEDLN 9 1/8 10/15/32 and VEDLN 9.85 04/24/33 are the highest coupon

bond in VEDLN curve and above the c7.4% average rate of the bonds issued in Jul'26. We believe management is incentivized to reduce the outstanding amounts of these higher cost debts, and likely to prioritize VEDLN 9.85 04/24/33 given the higher coupon and VRL's existing partial redemption of the bond.

➤ **China Economy: Prices recover while demand lags**

CPI rebounded in August, largely driven by gasoline and gold jewellery prices, which together accounted for around 60% of the monthly increase. PPI inflation accelerated, supported primarily by renewed energy inflation, with tentative signs of price transmission to downstream sectors. Overall, supply constraints are helping restore pricing power in selected commodity and technology industries, while subdued domestic demand continues to weigh on household-facing and construction-related sectors. The policy focus in 2H26 has shifted towards stabilising investment, supported by the deployment of the RMB800bn policy-financing programme and investment in the "six major infrastructure networks". These measures should help arrest the investment slowdown, but a durable consumption recovery still requires stronger household incomes. We expect monetary policy to maintain ample liquidity, although a policy rate cut may not come until 4Q26. Looking forward, we expect the CPI and PPI to reflate from 0.1% and -2.6% in 2025 to 0.9% and 2.5% in 2026.

CPI recovered in line with market expectations, largely on energy and gold jewellery. CPI rose to 0.8% YoY from 0.5% in Jul, matching market consensus, while sequential inflation turned positive at 0.4% MoM from -0.1%. Gasoline notably rose 6.6% MoM in Aug; this, together with gold jewellery at 7.6%, accounted for approximately 0.25ppt/60% of the monthly increase of CPI at 0.4%. Food prices rose 0.4% MoM, below the 2013-22 August average of 1.5%, despite weather-related vegetable inflation of 5.5% and a 1.3% MoM increase in pork prices. We have seen some promising rebounds in pork prices, both wholesale and retail, as breeding sows have dropped to the lowest point in 6 years. As headline was primarily pushed by the gasoline and gold jewellery prices, the headline rebound thus offers limited evidence of stronger household demand.

Core CPI improved modestly, while the recovery remained uneven. Core inflation edged up to 1.0% YoY from 0.9%, with prices rising 0.1% MoM. Gold jewellery surged 7.6% MoM. Communication equipment rose 2.1%, mainly reflecting higher electronic component costs amid the global AI boom. Meanwhile, durable goods prices remained tepid as vehicle and home appliance prices fell 0.2% and 0.1% MoM. Footwear and clothing dropped 0.3% and 0.1% respectively. Rents were flat and remained down 0.6% YoY, reflecting weak overall employment conditions. Services inflation rose to 0.1% MoM, as home, telecom and medical services saw 0.1% growth, while tourism prices slipped 0.1% MoM after July's seasonal surge. Core CPI indicated the reflation is largely driven by supply constraints, rather than demand-led, limiting the ability to support a sustained recovery in corporate margins, household incomes and consumption.

PPI beat expectations, with only tentative downstream improvement. PPI rose to 3.8% YoY from 3.5%, above consensus of 3.6%, and rebounded 0.4% MoM after July's 0.7% decline. The momentum was mostly driven by upstream sectors: oil and gas extraction prices increased 6.1% MoM, fuel processing 3.5%, coal mining 2.8% and non-ferrous smelting 0.8%. By contrast, ferrous smelting and non-metallic mineral products fell 0.9% and 0.2%, respectively. Consumer-goods PPI rose 0.2% MoM in Aug, the largest increase in 3 years, with 0.6% rise in durable goods, reflecting some transmission towards downstream sectors finally. Nevertheless, producer purchase prices rose 5.8% YoY against factory-gate inflation of 3.8%, signalling incomplete cost pass-through and increasing pressure on margins, especially for downstream firms facing weak demand and intense competition.

Uneven reflation favors selective earnings exposure and continued monetary accommodation. Corporate earnings continue to recover driven by the rising PPI, as Jan-Jul industrial profits rose 17.6%, with electronics profits more than doubling, while auto profits fell 20.4%. This supports selective exposure to

commodity producers and technology suppliers with demonstrable pricing power, while arguing for caution on consumer manufacturers facing higher costs and continued discounting. The major policy pivot in 2H26 has shifted towards stabilizing investment vowed by policy makers, supported by the RMB800bn policy-financing program now being deployed and the “six major infrastructure networks” plans. But a durable consumption recovery still requires stronger household incomes. We expect monetary policy to remain accommodative in liquidity, although the rate cut may not occur until 4Q. For bonds, commodity shocks and fiscal deployment can trigger near-term uptick of 10Y treasury yields, but subdued domestic demand could keep yields on a downward path towards 1.7% by year-end, based on our estimates. Equity performance is likely to remain differentiated, reflecting uneven pricing power and earnings growth. Raw materials, AI hardware suppliers, and leading companies with overseas exposure should continue to outperform, while domestic demand-related sectors including autos, discretionary consumption and real estate may lag amid subdued domestic demand and margin pressure.

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

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Japan Post Insurance	1000	30NC10	6.5%	6.5%	A3/A-/-
Korea Securities Finance Corporation	300	3yr	4.875%	T+47	Aa2/-/-
Olympus Corp	500	5yr	5.526%	T+92	Baa1/BBB+/-
RBL Bank Limited	350	5yr	5.791%	T+120	Baa2/-/-
Vedanta Resources (tap)	125	6yr	7.0%	100	Ba3/BB-/BB
	50	8yr	7.375%	100	Ba3/BB-/BB
	225	11yr	7.75%	100.5	Ba3/BB-/BB

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	IPT/IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Regarding onshore primary issuances, there were 80 credit bonds issued yesterday with an amount of RMB76bn. As for month-to-date, 574 credit bonds were issued with a total amount of RMB578bn raised, representing a 46.7% yoy increase
- Media reported that China NEV sales down 10% yoy in Aug'26 in eighth consecutive monthly drop
- **[ADEIN]** Media reported that Adani Group plans USD2.5bn borrowing to refinance acquisition debt; Adani Enterprises plans to sell 5.54% stake of airport arm to raise USD1bn
- **[BTSDf]** Moody's changed the outlook of Health & Happiness to positive from stable on faster-than-expected deleveraging; Ba3 rating affirmed

- **[COGARD]** Media reported Chinese regulators have refused to accept registrations for several mandatory convertible bonds, including Country Garden's proposed USD13bn offshore issuance
- **[MEDCIJ]** Medco Energi 1H26 revenue up 19.2% yoy to USD668.3mn and EBITDA up 5.7% yoy to USD351.1mn
- **[SOFTBK]** SoftBank to repay early USD25.9bn of bridge loans on 15 Sep'26

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