CMBI Credit Commentary

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

- *We saw better selling on 2-5yr Korean corps this morning. FZSZJJ 27/LNGFOR 28-29 rose 0.8-1.3pts. VNKRLE 27-29/FTLNHD 27/LASUDE 26 were 0.7-1.3pts lower.*
- ***Chinese AMCs:** Prefer CFAMCI for better risk-adjusted return profile despite conviction level is lower. See below.*
- ***China Economy:** Deflationary pressures set to ease but impulse remained weak. CMBI expects deflationary pressures to ease in 2026, but the momentum should remain weak; CPI and PPI to reflate from 0% and -2.7% in 2025 to 0.7% and -0.5% in 2026. See below for comments from CMBI economic research.*

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❖ Trading desk comments 交易台市场观点

Yesterday, we saw heavy selling on front-end, less than three years Asian IG credits ahead of the FOMC meeting. There were two-way interests on Middle Eastern credits like FABUH belly papers from banks and private banks, alongside modest buying in ARAMCO 10-year bonds. They were 1-4bps tighter. The FRN space was active with block-size trading in Chinese financials and Korean corporates, primarily among banks and AMs. In Korea, Chinese asset managers were selling DAESEC; global private banks traded two-way on the HYUELE curve, with better selling on 2026s and better buying interests in 2029–33s. Chinese IG benchmarks overall traded up to 2bps tighter. We saw solid buying along the MEITUA curve while light selling on HAOHUA. There were two-way flows on FRESHK curve between onshore and offshore AMs. LASUDE 26 surged 5.8pts after the announcement of the sale of 50% stakes in the CCB Tower for net proceeds of HKD2.4bn to JD.com. See our comments yesterday. FAEACO 12.814 Perp gained 1.0pt, after the company announced the sales of a 50% stake in Ritz Carlton hotel in Perth for cUSD66.4mn. DALWAN 11 02/13/26 rose another 0.5pt. See our comments on DALWAN on 9 Dec'25. VEDLN 28-33s edged 0.1-0.3pt firmer. EHICAR 27 was up by 0.2pt while EHICAR 26 was down by 0.7pt. The NWDEVL complex was 0.7pt lower to 0.1pt higher. In Chinese properties, VNKRLE 27-29 rose 2.0-2.1pts. LNGFOR 27-32 gained 0.3-1.3pts. FTLNHD 26-27/FUTLAN 28 were 1.0-1.2pts higher. There were also tactical buying interests in short-dated CHJMAO/CPDEV from Chinese accounts. In SE Asia, GARUDA 31s rose 5.1pts. GLPSPs were up by 0.2-1.2pts. VLLPM 27-29 gained 0.2pt. ACPM 4.85 Perp was 0.7pt lower. MEDCIJ 26-30s were unchanged to 0.1pt lower. In LGFV space, RMs/AMs continued to buy onshore-AAA guaranteed USD issues. KNMIDI 8 1/2 08/20/26 increased by 1.4pts.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LASUDE 5 07/28/26	**76.7**	**5.8**	AGILE 5 1/2 05/17/26	**5.6**	**-0.9**
GARUDA 6 1/2 12/29/31	**90.5**	**5.1**	EHICAR 7 09/21/26	**79.0**	**-0.7**
VNKRLE 3.975 11/09/27	**23.8**	**2.1**	ACPM 4.85 PERP	**80.7**	**-0.7**
VNKRLE 3 1/2 11/12/29	**23.0**	**2.0**	NWDEVL 4.8 PERP	**47.8**	**-0.7**
KNMIDI 8 1/2 08/20/26	**99.5**	**1.4**	NWDEVL 6 1/4 PERP	**48.1**	**-0.7**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.67%), Dow (+1.05%) and Nasdaq (+0.33%) were higher on Wednesday. US Fed announced the third federal funds rate cut for the year by 25bps to a range of 3.5% to 3.75%. UST yield was lower on Wednesday. 2/5/10/30 year yield was at 3.54%/3.72%/4.13%/4.78%.

❖ Desk Analyst Comments 分析员市场观点

➢ Chinese AMCs: Prefer CFAMCI for better risk-adjusted return profile despite the lower conviction

The spread compression of Chinese AMC bonds continued, driven by continuous government support. While the conviction levels are lower, CFAMCIs continue to be our top picks for their better risk-adjusted return profiles. Within the CFAMCI curve, we like CFAMCI 3.875 11/13/29, CFAMCI 3.375 02/24/30 and CFAMCI 3.625 09/30/30 for their lower cash prices at YTM of 4.6%, and provides a yield pick-up of c10-20bps over its AMC peers.

Outside CFAMCI, we like CCAMCL 4.4 Perp of which, we believe that the certainty of call on the first call date is also high. We are neutral on GRWALL 7.15 Perp on valuation. At 104.3, GRWALL 7.15 Perp is trading at YTC of 4.2% with the first call date in Jul'27.

Table 1: Our Chinese AMC picks

Security name	ISIN	Amt o/s (USD mn)	Ask px	YTC/YTM	Mod dur	First call date	Coupon reset
CCAMCL 4.4 Perp	XS2397254579	1,700.0	99.8	4.6%	0.9	3 Nov'26	5yr UST+3.232%
CFAMCI 3.875 11/13/29	XS2076078786	199.5	97.4	4.6%	3.6	-	
CFAMCI 3.375 02/24/30	XS2122990810	270.5	95.3	4.6%	3.8	-	
CFAMCI 3.625 09/30/30	XS2235973869	139.0	95.5	4.7%	4.3	-	

Source: Bloomberg.

Table 2: YTM/YTC of Chinese AMCs bonds and perps

	Ask YTM/YTC	Mod Dur	Ask px
CCAMCL	4.2-5.4%	0.1-12.8	93.7-104.2
CFAMCI	4.1-5.8%	0.5-12.9	92.7-100.4
GRWALL	4.2-4.4%	0.9-4.3	91.3-104.1
ORIEAS	4.3-4.5%	0.9-4.5	92.4-104.1

Source: Bloomberg.

Consolidation of the three AMCs under CIC shows government support to continue

As we have been arguing, we view the AMC sector a very strategically important constituent in maintaining the stability of the Chinese financial system. All big 4 Chinese AMCs are still be firmly in the grip of MOF. Hence, we take a top-down, instead of bottom-up, view on the sector.

We view the consolidation of big three Chinese AMC, Cinda, Great Wall, and Orient, to Central Huijin Investment (Central Huijin) showed the Chinese government's support for the sector. The Ministry of Finance (MoF) completed the transfer of its equity holdings in three Chinese AMC to Central Huijin in Apr'25. As a wholly-owned subsidiary of the China Investment Corporation (CIC), which is in turn wholly owned by the MoF, Central Huijin now acts as the controlling shareholder of these three AMCs.

While the holding structure has changed, the MoF remains the ultimate beneficial owner. We view this as a strategic realignment to improve the financials, capitalization, as well as operating performance of these three AMCs on a more commercial basis under a dedicated state capital manager. The transfer of ownership also follows the trajectory of China CITIC Financial AMC (CFAMCI), where CITIC Group replaced the MoF as the controlling shareholder in Nov'22 to drive operational synergy.

Great Wall was recapitalized following the equity transfer. Its original registered capital of RMB51bn was first reduced to RMB10bn to adsorb the massive accumulated loss. Then Central Huijing injected RMB36.8bn into Great Wall, bringing the new registered capital to RMB46.8bn. The changes in registered capital were completed with approval from NFRA in Jun'25.

Moreover, CICC (also under the Central Huijin) announced plans in Nov'25 to acquire Cinda Securities and Dongxing Securities (a subsidiary of Orient). We view these divestments as a signal of Chinese government's determination to strip non-core financial licenses from the AMCs, and support the AMC to focus on distressed asset management. The divestment should also reduce the reducing the AMC operational structure complexity, in our view.

Higher-quality equity investment continued to support CFAMCI's performance

CFAMCI reported a robust improvement in financial performance for 1H25, with revenue rose 21.1% yoy to RMB40.2bn and net profit grew 19.7% yoy to RMB5.5bn. The strong performance was primarily driven by a significant RMB21.2bn gain from its investments in Assos and JVs, reflecting its strategic pivot towards acquiring higher-quality equity stakes since 2024. This strategy has expanded its investment portfolio in Assos and JVs at RMB260.2bn as of Jun'25 from RMB216.3bn as of Dec'24. We view these investments to providing stable, recurring earnings and cash flows to CFAMCI, further bolstered by its close ties with its parent CITIC Group.

In 1H25, ROAA and ROAE stood at 1.1% and 21.1% respectively. These are broadly stable compared to 1H24 and show an improvement from 0.8% and 18.4% in FY24, respectively. Moreover, CFAMCI maintained sufficient capital buffer, capital adequacy ratio was 16.0% as of Jun'25 that comfortably above the 12.5% regulatory minimum requirement. Similarly, its leverage ratio of 8.6x remained well below the regulatory ceiling of 16.7x.

Besides, CFAMCI's funding strategy highlights its strong access to domestic liquidity. CFAMCI has not tapped the offshore USD bond market since 2020, while actively early redeemed bonds in 2024 and redeemed maturing bonds in 2025 with onshore resources. This showed its ability to leverage lower-cost onshore funding channels to refinance offshore debt efficiently. As of Jun'25, CFAMCI's bank borrowings increased to RMB752.3bn from RMB665.3bn as of Dec'23, while total bonds outstanding decreased to RMB152.9bn from RMB179.4bn over the same period. Furthermore, c99% of its outstanding bank borrowings were on unsecured basis as of Jun'25, demonstrated its strong financial flexibility.

Non-call risk on perps remains low for Chinese AMCs

We like the AMC perps in view of the high certainty of call, as well as their yield pick-up over the senior bonds. CCAMCL 4.4 Perp is trading at YTC of 4.6% at 99.8. All the perps issued by the AMCs were called on their respective first call dates. The most recent call was performed by CFAMCI in Sep'25 for CFAMCI 4.25 Perp.

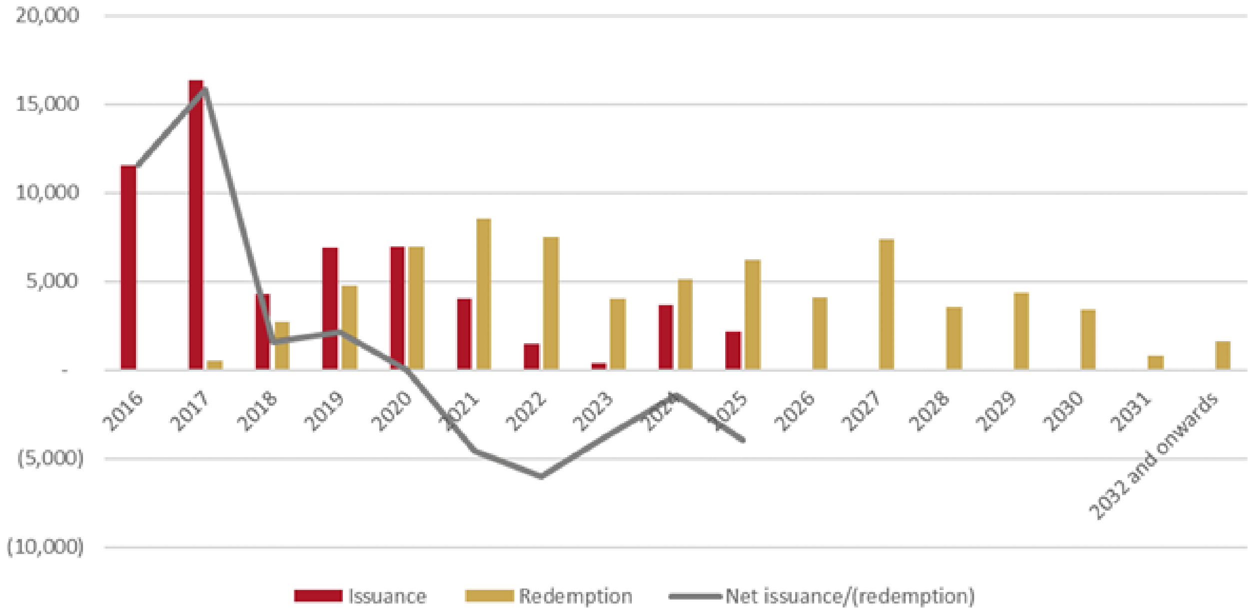
We believe the likelihood for the two outstanding perps being called on the first call dates remains high including CCAMCL 4.4 Perp, the only perp without high coupon step-up in case of non-call. The coupon of CCAMCL 4.4 Perp will be reset to a c7% based on current UST which is expensive from Cinda' perspective given its access to lower cost funding alternatives.

Offshore net redemption trend will likely continue in 2026

The sector has experienced net redemption trend offshore since 2021. In 2025, the offshore net redemption was USD4.0bn where both Cinda and Great Wall experienced net redemption; CFAMCI redeemed three bonds totaled USD2.5bn at maturity and CFAMCI 4.25 Perp of USD250mn without tapping offshore markets; while only Orient showed net issuance of USD350mn.

In 2026, USD4.1bn bonds and perps will be up for redemptions. Given AMCs' good access to low-cost onshore funding, we believe that AMCs continue to fund a considerable part of these via onshore funding channels including bond market and bank borrowing. Among the four AMCs, only Orient issued onshore bonds during 2025 which totaled RMB13bn at weighted average coupon rate at 1.9%, which were lower than the offshore bond it issued at 4.3%, i.e. ORIEAS 4.3 12/04/28, in Dec'25. In our view, the net redemption trend will likely continue in 2026.

Chart 1: Chinese AMCs offshore USD bonds maturities



Note: The first call date of the perp is treated as "maturity" in the chart.
Source: Bloomberg, CMBI Research.

➢ **China Economy: Deflationary pressures set to ease but impulse remained weak**

China continues to experience mild reflation, primarily driven by food prices and lower base effect. Core CPI remained unchanged as the surge in gold prices, alongside a rebound in discretionary items such as footwear and apparel, constituted the primary drivers, while durable goods including vehicles, telecom equipment and home appliances remained subdued. PPI edged down on a higher base last year, though its MoM reading registered a second consecutive gain for the first time since 2023. Seasonal factors lifted prices in heat-related industries such as coal processing and heat production, while rebounds in international non-ferrous metals prices pushed up costs in associated sectors. We expect deflationary pressures to ease in 2026, but the momentum should remain weak. We believe the surging gold prices have masked the underlying fragility of the 2025 reflation trend, while muted durable-goods prices and consumer demand cast doubt on the sustainability of a supply-pull reflation. We expect the CPI and PPI to reflate from 0% and -2.7% in 2025 to 0.7% and -0.5% in 2026.

Food price drove the rebounding CPI. China's CPI YoY rebounded to 0.7% in Nov from 0.2% in Oct, in line with market expectation, marking its strongest reading since early 2024. Nonetheless, CPI dipped to -0.1% in Nov from 0.2% in Oct in sequential terms. Food price was the key driver, climbing 0.5% MoM in Nov, with YoY momentum turning positive to 0.2% from -2.9%. Vegetable price notably rebounded by 7.2% MoM, boosting headline CPI by 0.17 ppt, while pork price saw another drop at -2.2% in Nov. Vehicle fuel price dropped 2.2% MoM due to falling crude oil price. We expect the CPI to recover to 0.8% YoY in Dec due to lower base last year and reflating food price especially vegetables, while high frequency data indicated the prices of pork and vehicle fuel remained subdued.

Core CPI stayed elevated. Core inflation stayed flat at 1.2% YoY in Nov, but dropped 0.1% MoM. Price of durable goods remained subdued, as home equipment, telecom equipment and vehicles dropped 1%, 0.8% and 0.1% MoM respectively. Discretionary goods including clothing and footwear have been particularly strong recently, rising 0.8% and 0.5% MoM in Nov. According to the NBS, gold jewellery remarkably rose to 58.4% YoY in Nov from 50.3%, contributing at least 0.4pp to core inflation. Service price dropped to -0.4% MoM in Nov, as tourism price sharply declined by 5.7%. Other services were lethargic as education and rent dropped 0.1% and 0.2% MoM while express, telecom and home service remained flat. Medical service has been reflating since Apr, expanding 0.3% MoM in Nov, reflecting the impact of medical service price reforms.

PPI growth edged down YoY but continued to expand MoM. YoY contraction of PPI edged down to -2.2% in Nov from -2.1% due to higher base last year, missing the market expectation at -2%. The MoM growth increased for a second month, rising 0.1%. PPI of mining industries was the major driver, rebounding 1.7% MoM in Nov, driven by the 4.1% and 2.6% growth of extraction of coal and non-ferrous metals, while the mining of crude oil and gas declined 2.4%. PPI of raw material sectors dropped 0.2% while processing sectors rose 0.1%. Price of paper manufacturing and non-ferrous metals processing rebounded by 1.4% and 2.1%. NBS officials pointed out that YoY price contraction has continued to narrow in major anti-involution sectors, including photovoltaic equipment, lithium batteries and NEVs. Downstream sectors remained subdued, as PPI of consumer goods stayed flat at 0% MoM. Non-durable goods rebounded, while durable goods further dropped 0.2% in Nov as auto declined by 0.1%.

Deflation pressures are set to ease, but the reflation momentum remains weak. We expect the CPI and PPI to reflate from 0% and -2.7% in 2025 to 0.7% and -0.5% in 2026. CPI will be driven by rebounding food price, narrowing decline of energy price and moderately recovering services price, while PPI will be driven by easing monetary cycle in the US and China, fiscal expansion in the EU and Japan, and continuous anti-involution efforts from China. However, the rise in gold prices may have masked the underlying fragility of the reflation trend in CPI, as CPI excluding the impact of gold price may have been close to negative. The subdued prices of durable goods also reflected soft consumer demand, casting doubt on the durability of a supply-pull reflation.

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	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➢ News and market color

- Regarding onshore primary issuances, there were 122 credit bonds issued yesterday with an amount of RMB136bn. As for month-to-date, 758 credit bonds were issued with a total amount of RMB745bn raised, representing a 13.2% yoy increase

- Indonesia plans to tighten foreign-exchange retention norms for natural resources exporters in 2026 in a bid to boost domestic forex supply

- **[ADGREG]** Adani Green key shareholder TotalEnergies sells about 1.7% stake for about USD302mn

- **[BIOLIN]** S&P placed Biocon Biologics on CreditWatch Positive on accelerated debt reduction

- **[INCLEN/INGPHL/RNW/RPVIN]** ReNew Energy Global is looking to raise more than USD500mn via USD bonds to refinance debt

- **[JD]** JD.com's industrial supply chain business Jingdong Industrials raised HKD3bn (cUSD385.5mn) from HK IPO

- **[NSANY]** Nissan to launch more hybrids, boost production to reverse US slide

- **[NUFAU]** S&P downgraded Nufarm by one notch to B+ from BB- due to weak cash flow and high debt levels, outlook stable

- **[PDD]** European offices of PDD Holdings-owned Temu raided amid EU subsidy probe

- **[SJMHOL]** Macau's final satellite casino, Casino Landmark, will cease operations at 23:59 on 30 Dec'25

- **[WESCHI]** Moody's upgraded West China Cement by one notch to B3 from Caa1 on substantial reduction in WCC's refinancing risk linked to its 2026 USD bond post transaction, outlook positive

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