

CMBI Credit Commentary

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

- *We saw better buying on JP long-end insurance subs and better selling on Yankee bonds this morning, but their prices remained stable. SOFTBK 61-65 edged 0.7pt higher. VNKRL 27-29 recovered 0.3-0.4pt. GLPCHI 29/SMCGL 8.375 Perp lost 0.6pt.*
- **ZHOSHK:** *A surprise but not too alarming profit warning. ZHOSHK 28 down 2.7pts yesterday and unchanged this morning. See below.*
- **China Economy:** *Off to a good start. CMBI expects a 50bp cut in RRR and a 10bp cut in LPR by the end of 2Q26; full-year GDP growth rate may decline from 5% in 2025 to 4.6% in 2026. See comments from CMBI economic research below.*

❖ Trading desk comments 交易台市场观点

Yesterday, ZHOSHK 28 dropped by 2.7pts amid the profit-warning headline. There was one-way selling from onshore and offshore AM accounts, though desks noted some bottom-fishing bids from onshore AMs. See our comments below. WESCHI 28-29 were down by 0.2-0.4pt. See our comments [yesterday](#). In HK, the NWDEV/VDNWDL complex lost 0.1-0.7pt. Hong Kong's Town Planning Board rejected NWD's K11 Artus hotel conversion to flats. FAEACO 12.814 Perp/LIFUNGS were 0.2-0.6pt lower. LASUDE 26 was another 0.1pt lower. See our comments [last Friday](#). On the other hand, HYSANs were unchanged to 0.4pt higher. In Chinese properties, VNKRL 27' and 29' lost 1.8-1.9pts. LNGFOR 27-32/FUTLAN 28/FTLNHD 27-29 leaked 0.2-0.7pt. Seazen's CEO Lv Xiaoping resigned yesterday (16 Mar'26), we view the resignation to have immaterial impact on Seazen given Wang family's 63% ownership and the family's heavy involvement in the daily operations of the company. In KR space, the POHANG curve widened 4-6bps. S&P downgraded Posco's ratings by one notch to BBB+ from A- and affirmed the stable outlook, because of Posco's high capex and subdued operating conditions. NHSECS/HANFGI and HYNMTR widened 3-5bps. In JP space, spreads marked 2-5bps wider across both fixed and floating tranches. Japanese and Yankee AT1s and insurance subs were 0.3pt lower amid continuous yet not too aggressive selling on duration from AMs, prop desks and PBs. In SE Asian space, VLLPM 27 edged 1.4pts higher. ACPM 4.85 Perp/GARUDA 31 lost 0.9-1.1pts. Ayala Corp's FY25 decreased by 9.3% to PHP162.6bn (cUSD2.7bn). GLPSP Perps were 0.2-0.9pt weaker. In the Middle East, long-end KSA/ARAMCO lost up to 0.5pt amid better-selling from PBs and HFs. We saw additional selling on bank front-end papers and FRNs (FABUH/DIBUH). LGFV bonds remained immune from macro volatilities as flows continued to be two-way skewed to better buying in higher-yielding papers.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CNOOC 5 3/4 01/26/41	108.7	1.7	ZHOSHK 5.98 01/30/28	96.9	-2.7
VLLPM 7 1/4 07/20/27	53.8	1.4	VNKRLE 3 1/2 11/12/29	40.8	-1.9
BABA 2.7 02/09/41	74.5	0.9	VNKRLE 3.975 11/09/27	43.8	-1.8
CNOOC 7 1/2 07/30/39	129.6	0.9	GARUDA 6 1/2 12/28/31	85.8	-1.1
WDSAU 5.7 09/12/54	93.4	0.8	ACPM 4.85 PERP	81.2	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.01%), Dow (+0.83%) and Nasdaq (+1.22%) were higher on Monday. UST yield was lower on Monday. 2/5/10/30 year yield was at 3.68%/3.80%/4.23%/4.86%.

❖ Desk Analyst Comments 分析员市场观点

➤ ZHOSHK: A surprise but not too alarming profit warning

We were surprised by Zhongsheng's profit warning on loss attributable to shareholders of no more than RMB2bn. According to Jardine Matheson's FY25 results announced on 11 Mar'25, its share of Zhongsheng's profit is USD53mn, down 17% yoy. This should be translated into a profit attributable to shareholders at Zhongsheng of cRMB1.8bn based on Jardine Matheson's 21% ownership of Zhongsheng. We note the further deterioration of new and used car sales, as well as the no more than 50% decrease in commission from automobile financing. Nonetheless, we estimate that its aggregate profit and absorption ratio should still be cRMB10bn and c100% in FY25, respectively. Indeed, its profit/loss attributable to shareholders would be positive should the non-cash impairment of goodwill and intangible assets of no more than RMB2.5bn be excluded. We take additional comfort that its near-term refinancing risk and leverage is low. ZHOSHK 5.98 01/30/28, Zhongsheng's only o/s USD bond, was down 2.7pts yesterday and unchanged this morning. At 97.3, ZHOSHK 5.98 01/30/28 is trading at YTM of 7.6%. We believe that the bond offers attractive risk-return profile within Chinese IG space even Zhongsheng's mid-BBB rating could be under pressure with the weaker FY25 results. Hence, we maintain buy on ZHOSHK 28.

We do not consider the profit warning is too alarming. Based on the few figures from Jardine Matheson's FY25 results, we believe that Zhongsheng's FYE25 net assets (even after adjusted for expected loss attributable to shareholders) should be higher than those of FYE25 and current financial liabilities in FYE25 should be lower than those of FYE24 despite lower cash balance. As per Zhongsheng, its new automobile sales volume increased slightly yoy from new energy brand, while gross profit from after-sales service showed steady growth. Its operating cash flows also increased.

We are not too concerned on Zhongsheng's near-term liquidity profile. Over the past few years, Zhongsheng has been disciplined in expansion and has been consistently generating positive FCF for net debt reduction. It has been proactively managing its liabilities in advance. Since May'25, Zhongsheng repaid the remaining o/s amount of its CB due May'25 and early-redeemed the remaining ZHOSHK 3 01/13/26, totaling cUSD630mn. These reflect the company's confidence on its liquidity profile. The next major maturity will be the RMB1bn Panda bond of RMB1bn due Aug'27. The company's near-term refinancing risk is low. Furthermore, its leverage remains relatively low with a net gearing of 29% as of Jun'25. We shall provide more updates after Zhongsheng's announcement of FY25 results on 26 Mar'26.

Table 1: Summary of Zhongsheng's o/s bond

Ticker	ISIN	Issue amt (mn)	Amt o/s (mn)	Coupon	Maturity	Offer px	Z-spread (bps)	YTM (%)
ZHOSHK 5.98 01/30/28	XS2867272630	600.0	600.0	5.98%	1/30/2028	97.3	403	7.6

Source: Bloomberg.

➤ China Economy: Off to a good start

China's economy started 2026 on a firmer footing, with stronger retail sales, FAI and industrial output on the back of CNY-related consumption, newly allocated fiscal funding and surging exports. On the other hand, property market continued to slump in both sales and price, and durable goods like auto saw sharp contraction. The sustainability remained in doubt, as exports strength may fade after the early-year surge, the property slump remains a major drag, and durable goods could soften due to demand overdraft. Rising energy prices may ease deflation by lifting upstream and input costs, but this is more cost-push than demand-driven and could squeeze downstream margins and household purchasing power. Overall, the rebound is likely to be supportive but not yet self-sustaining, leaving room for further policy easing later in the year. The slumping property sector is likely to remain a core focus of the easing package, likely combining monetary and fiscal measures, including further LPR cuts and interest payment subsidies. Direct inventory purchases by the CG remain under discussion among policymakers but are unlikely to materialize before 2H26. Looking forward, we expect a 50bp cut in RRR and a 10bp cut in LPR by the end of 2Q26. We expect full-year GDP growth rate may decline from 5% in 2025 to 4.6% in 2026.

Property sector further slumped in both sales and price. The contraction of gross floor area (GFA) sold for commercial building contracted 13.5% YTD in 2M26 compared to -8.7% YTD in Dec 2025 according to NBS, while the residential sales further dropped to -15.9% YTD from -9.2% YTD. The new housing sales in first half of Mar continued to dip 12.8% YoY according to market data, while the recovery ratio of 30 major cities compared to 2018-2019 fell to 43.6%. Second-hand housing sales of 11 selective cities moderately rebounded during the Chinese New Year as its recovery ratio rose to 136% in Jan-Feb from 104% in Dec and its YoY decline narrowed to -4.4% from -27.4%. However, the sales softened again in early Mar as the YoY contraction expanded to -15.7% and recovery ratio fell back to below 100%. New and second-hand housing prices continued to decline in Jan across city tiers, while new-housing in tier-1 cities remained flat in Feb, possibly due to CNY seasonality. Listing price of second-hand properties continued to drop in Mar, pointing to further softening of real estate market. The weakening property market may further weigh on durable consumption and developers' cash flow pressure, prompting major policy easing in 1H26.

Retail sales recovered boosted by CNY-related consumption. Retail sales growth rebounded from 2.2% in Dec 2025 to 4.8% YTD in 2M26, beating market consensus at 2.4%. CNY-related consumption remained strong, as catering, food, alcohol & tobacco product, clothing, gold, silver & jewellery surged to 4.8%, 10.2%, 6%, 19.1%, 10.4% and 13% in 2M26 from 2.2%, 3.9%, 1.7%, -2.9%, 0.6% and 5.9%. Home appliances, furniture and telecom equipment notably rebounded to 3.3%, 8.8% and 17.8% in 2M26 from -18.7%, -2.2% and 20.9% in Dec, as new round of trade-in subsidy funds have been allocated. Auto, on the other hand, further dropped 7.3% in 2M26 from -5% in Dec, due to the phasing out of purchase tax subsidy. Data from CPCA showed bigger drop in volume in Jan-Feb at -18.9% from -14% in Dec. Looking forward, we expect consumption growth to be flat in 2026 with a slowdown in retail sales of goods consumption growth yet a pick-up in service consumption. Retail sales may slow from 3.7% in 2025 to 3.4% in 2026 due to demand pull-forward.

FAI notably rebounded YTD. The growth of FAI notably surged to 1.8% in 2M26, compared to -16% YoY in Dec and -3.8% in 2025, beating market expectations at -2.7%. Property investment narrowed its contraction from -36.5% in Dec and -17.2% in 2025 to -11.1% in 2M26. The housing market remained over-supply while

the advance payment and mortgage loans in funding source both declined by 22% and 42% in 2M26. Infrastructure investment rebounded to 9.8% in 2M26 from -16% in Dec and -1.5% in 2025, as newly allocated fiscal funding drove the surge in investment of public utility, water conservancy & public facility, and transportation. Manufacturing investment recovered to 3.1% in 2M26 from -10.6% in Dec and 0.6% in 2026. Looking forward, FAI growth may recover from -3.8% in 2025 to 2.5% in 2026 as policymakers vowed to stabilize investment with RMB800bn additional funding in new policy financing tools through policy banks to stabilize investment in 2026. FAI in property, infrastructure and manufacturing may rebound from -17%, -1.5% and 0.6% in 2025 to -8%, 2% and 3.5% in 2026, especially in AI-related investment including infrastructure of data center, energy and power, as well as the manufacturing of semiconductor, AI hardware and networking equipment.

Industrial output edged up. VAIO growth picked up to 6.3% in 2M26 from 5.2% in Dec and 5.9% in 2025, beating market consensus at 5.2%. Both mining and public utility edged up to 6.3% and 4.7% in 2M26 from 5.4% and 0.8% in Dec. VAIO of manufacturing accelerated to 6.5% from 5.7%, as delivery value for exports rebounded to 6.3% in 2M26 from 3.2% in Dec. Food, rubber & plastic products, metal products, transport equipment excluding auto and electrical equipment notably picked up while chemical products, auto and non-ferrous metal smelting & pressing slowed down. Growth of service output index edged up to 5.2% in 2M26 from 5% in Dec with robust growth of IT, software developing, transportation and dining & lodging. Looking forward, industrial output may decelerate due to the headwinds from exports, demand overdraft from trade-in subsidy and pressures from the anti-involution policy.

Off to a good start but sustainability remained in question. The economy started 2026 with better-than-expected momentum, but the recovery is still not self-sustaining. Exports strength may fade after the early-year surge, the property slump remains a major drag, and durable goods could soften due to demand overdraft. Rising energy prices may temporarily ease deflation by lifting upstream and input costs, but this is more cost-push than demand-driven and could squeeze downstream margins and household purchasing power. Overall, the rebound is likely to be supportive but not yet self-sustaining, leaving room for further policy easing later in the year. Support for the struggling property sector is expected to form a core part of the easing package as property sector continued to slump, likely combining monetary and fiscal measures, including further LPR cuts and interest payment subsidies. Direct inventory purchases by the CG remain under discussion among policymakers but are unlikely to materialize before 2H26. Looking forward, we expect a 50bp cut in RRR and a 10bp cut in LPR by the end of 2Q26. We expect full-year GDP growth rate may decline from 5% in 2025 to 4.6% in 2026.

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

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
ANZ	2250	5yr	SOFR MS+53	SOFR MS+53	Aaa/-/AAA

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Power Construction Corporation of China	USD	-	3yr	T+60	-/-/BBB+

➤ **News and market color**

- Regarding onshore primary issuances, there were 115 credit bonds issued yesterday with an amount of RMB73bn. As for month-to-date, 1,065 credit bonds were issued with a total amount of RMB849bn raised, representing a 15.9% yoy increase
- Media reported APRA plans to ease capital settings for major lenders to support business, property and infrastructure lending
- **[BABA]** Alibaba Group is overhauling operations to sharpen its focus on its sprawling AI businesses
- **[BNKEA]** Bank of East Asia completed the early redemption of senior non-preferred BNKEA 6.75 03/15/27 in full on 16 Mar'26
- **[CWAHK]** Media reported China Water Affairs plans to issue 3yr/5yr USD bond of up to USD500mn
- **[FOSUNI]** Media reported Fosun obtained USD400m commitments for loan to refinance USD500mn-equivalent facility due Apr'26
- **[FTLNHD/FUTLAN]** Seazen CEO Lv Xiaoping resigned
- **[INCLN/INGPHL/RPVIN]** ReNew Energy Global secured USD95mn equity investment from LeapFrog-led Consortium to expand its commercial and industrial platform
- **[LGELEC]** LG Electronics plans to spend cUSD2.7bn in 2026 to improve quality, replace aging facilities, and develop new models
- **[PCORPM]** Petron FY25 EBITDA rose 22% yoy to PHP52.4bn (cUSD874.7mn)
- **[PKX]** S&P downgraded POSCO Holdings by one notch to BBB+ from A-, outlook stable
- **[SKONKR]** SK On is in discussions with US data center and energy developers to provide batteries for energy storage systems (ESS) as part of a strategy shift
- **[SMCGL]** San Miguel Global Power FY25 EBITDA increased 27% yoy to PHP70.5bn (cUSD1.2bn)
- **[VEDLN]** Vedanta Ltd raised INR25.7bn (cUSD278mn) via 3-year NCD

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