

CMBI Credit Commentary

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

- *The new KORAIL 4.375 28 tightened 3bps to CT2+57 from RO (CT2+60/CT3+63) this morning. STANLN/HSBC Float 31s tightened 1-2bps. CBAAU/WSTP T2s tightened 2-3bps. RAKUTN 27-29s/8.125 Perp were up 0.1-0.2pt.*
- *CDBALF: FV of the new CDBALF 30 to be T+75 vs IPT of T+115. CDBALF/CDBLFD 26-27s were unchanged to 4bps wider this morning. See below.*
- **China Economy:** *Resilient data means no strong stimulus in near term. CMBI expects strong policy stimulus might be delayed to 4Q25 as the sense of urgency has diminished and measures to boost consumption and reduce overcapacity could serve as key bargaining chips for China in China-US negotiations. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST 10yr and 30yr closed 3bps wider subsequent to Moody's downgrade on the US rating to Aa1 from Aaa last Friday. Asia IGs were stable in credit spreads amid mixed flows. On IG primary, CDBALF announced the mandate to issue fixed-rate bond and floating rate bonds (both of 5yr). See comments on FV below. KORAIL 4.375 28 priced a new 3yr bond at +63 (IPT at +90). The recent new HSBC Float 31s tightened 1bp while STANLN Float 31s closed unchanged. In Chinese IGs, HAOHUA 28-30s widened 1-2bps, The long end of SINOPE/TENCNT 41-60s were 0.3-0.6pt higher (unchanged to 3bps tighter). In financials, KDB/KHFC/BCLMHK Float 27-30s widened 1-3bps. TYANLI/BBLTB/KRKPSC 29-36s 4bps wider. CATLIF/NSINTW 34s closed unchanged to 1bp wider. See our comments on [19 May '25](#). FRESHK/BNKEA/DAHSIN 26-31s and CBAAU/WSTP 27-30s closed 1-4bps tighter. In AT1s, HSBC 6.95/INTEND 7.25 Perp were 0.2-0.3pt lower. In insurance hybrids, NIPLIF 55s/KYOBOL 52s were down 0.2pt. In HK, NWDEVL Perps dropped another 1.0-6.2pts after moving down 1.8-7.5pts over the last week. NWDEVL 27-31s declined 0.7-1.3pts after moving 0.8-2.5pts lower over the last week. In Chinese properties, DALWAN 26s rose 0.6pt. However, VNKRLE 27-29s and LNGFOR 27-32s lowered 0.5-0.7pt. FTLNHD 25-26s were unchanged to 0.3pt lower. Elsewhere, RAKUTN 27-29s/8.125 Perp were down 0.1-0.4pt. See our comments on [19 May '25](#). VEDLN 28-33s were 0.2-0.7pt lower. ADTINs/ARENrJs/ADGREGs were down 0.3-0.8pt. MEDCIJ 26-30s declined 0.2-0.6pt. VLLPM 27-29s were down 0.1-0.6pt.

In LGFVs, CPDEV 25-26s were down 0.1-0.2pt. There were two way interests on USD names such as PUTSTA 7.4 27s/SICHUI 7 28s and on CNH names such as BNHAST 6.9 28s/HBGDS 7.5 26s. In SOE perps, AVIILC 6.125 Perp was up 0.3pt. SPICPT 3.45 Perp was 0.1pt higher.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SINOPE 4 1/4 04/12/47	86.8	0.6	NWDEVL 6.15 PERP	63.3	-6.2
DALWAN 11 01/12/26	97.4	0.6	NWDEVL 4 1/8 PERP	29.7	-2.8
SINOPE 4.6 09/12/48	91.1	0.5	NWDEVL 5 1/4 PERP	40.4	-2.1
SINOPE 3.35 05/13/50	73.5	0.5	NWDEVL 6 1/4 PERP	27.4	-1.9
CNPCCH 5.95 04/28/41	106.4	0.5	INDON 4.45 04/15/70	76.7	-1.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.09%), Dow (+0.32%) and Nasdaq (+0.02%) were higher on Monday. The market sentiment was weakened by the downgrade by Moody's on the US to Aa1. Long-term UST yield was higher Monday, 2/5/10/30 yield at 3.97%/4.07%/4.46%/4.92%.

❖ Desk Analyst Comments 分析员市场观点

➤ CDBALF: FV of the new CDBALF 30 to be T+75 vs IPT of T+115

CDB Aviation (A2/A/A) proposes to issue 5yr senior bond (A2/-/A). We consider the FV of new CDBALF 30 to be T+75 vs. IPT of T+115, in view of its own senior bond CDBALF 3.5 10/24/27 (A2/-/A, T+73bps/YTM of 4.71%), also compared to its peer BOCAVI 3.5 09/18/27 (-/A-/A-, T+69/YTM of 4.75%) and BOCAVI 5.25 01/14/30 (-/A-/A-, T+72/YTM of 4.77%).

The new bond will be issued by CDBL Funding I (issuer), guaranteed by its parent CDB Aviation. China Development Bank Financial Leasing (CDB Leasing, A1/A/A) provides keepwell and asset purchase deed. CDB Leasing is a 64.4% owned-subsiary of China Development Bank (CDB, A1/A/A+) which is 100% owned by the Chinese government. CoC put allows bondholders to require the issuer to redeem all of the bonds at 101 of the principal amount. CoC is defined as (i) CDB ceases to directly or indirectly control CDB Leasing, (ii) CDB Leasing ceases to directly or indirectly control CDB Aviation, (iii) the issuer ceases to be directly or indirectly wholly-owned subsidiary of CDB Aviation, or (iv) the issuer ceases to be a directly or indirectly wholly-owned subsidiary of CDB Leasing. Proceeds of the new bond will be used for working capital and other general corporate purposes.

We understand that the keepwell and asset purchase deed are to commit CDB Leasing to ensure the issuer and CDB Aviation to obtain sufficient funds before the due date of payment obligations, and to remain solvent and a going concern at all time. However, these are not guarantee of the payment obligations and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the CDB Leasing. Performance by CDB Leasing of its obligations under the keepwell and asset purchase deed is subject to the approvals of the Chinese authorities. If CDB Leasing fails to obtain the required consents or approvals after using its reasonable efforts, CDB Leasing may be relieved of its obligations under the keepwell and asset purchase deed.

When a triggering event occurs, CDB Leasing has an obligation to acquire the aircraft and/or other assets held by CDB Aviation, and/or the subsidiary of CDB Aviation, and/or the subsidiary of CDB Leasing as designed by CDB Aviation in order to assist the issuer and CDB Aviation under their respective obligations. A triggering event is defined as EoD, or CDB Leasing fails to provide the trustee with a liquidity notice on or prior to the liquidity notice date.

CDB Aviation is a full-service aircraft leasing platform headquartered in Ireland with global presence, offering new and used aircraft leases, as well as sales and leasebacks and financing. As of Dec'24, CDB Aviation had 521 owned and committed aircraft with segment assets totaled RMB120bn. The weighted average age of its aircraft of 5.4-year was higher than that of its peer BOCAVI of 5-year; while the average remaining lease term of 7.3-year was lower than that of BOCAVI of 7.9-year. Besides, CDB Aviation's 85 airline customers span across 41 jurisdictions. In terms of revenue contribution, CDB Aviation generated 24% of its revenue from America, 26% from EMEA, 29% from PRC and 21% from the rest of APAC. Furthermore, we view there is strong parental support from CDB to CDB Leasing. NFRA requires CDB to provide liquidity support to CDB Leasing in the event of the CDB Leasing's payment difficulties and promptly replenish capital if operational losses erode its capital base.

➤ **China Economy: Resilient data means no strong stimulus in near term**

Economic activity broadly moderated in Apr but remained robust amid the tariff shocks. Retail sales slowed but maintained resilient growth supported by durable goods under the trade-in scheme. Industrial output and fixed asset investment growth rates moderately softened and yet stood above the 2024 level. The de-escalation of China-US trade war restored market sentiment but also tempered the pace of policy easing. We revise our projection of China's GDP in 2Q25 to 4.8% from 4.5%, with the 2H25 and full-year growth at 4.7% and 4.9%. China economy may face further headwinds in 3Q25 due to the softening property market, payback effect of export frontloading and the fading impact of trade-in program. Strong policy stimulus might be delayed to 4Q25 as the sense of urgency has diminished and measures to boost consumption and reduce overcapacity could serve as key bargaining chips for China in China-US negotiations.

Property market is likely to weaken due to the confidence shock. The gross floor area (GFA) sold for commodity housing dropped 2.8% in 4M25 after declining 3% in 3M25. Housing starts remained muted at -23.8% in 4M25. New housing sales in 30 major cities dropped 3.3% in the first half of May after decreasing 11.7% in Apr. Second-hand housing sales as a leading indicator weakened as the recovery rate compared to 2019 in 11 selective cities dropped to 77.5% in the first half of May from 100.8% in Apr, with YoY growth dipping to -5.6% from 14.2%. Second-hand housing prices declined across all city tiers in Apr. The property market is likely to weaken due to the confidence shock from tariffs and the diminishing marginal effect of easing measures.

Retail sales slowed down but remained resilient. Retail sales growth moderated to 5.1% in Apr from 5.9% in 4M25, missing market consensus at 5.5%. Retail sales growth exceeding 5% remains a sign of resilience, as durables qualified for trade-in scheme served as the primary support. Home appliances, cultural & office products, furniture and telecom equip respectively rose by 23.9%, 24.4%, 20.2% and 25.4% in Apr from 19.3%, 21.7%, 18.1% and 26.9% in Mar. However, auto sales remained subdued at -0.5% in Apr vs -0.8% in Mar, as auto was the first category covered by the trade-in program in Apr 2024, suggesting a similar trend could emerge in other trade-in categories. Staples like food and daily used goods remained robust, while discretionary items including clothing and alcohol and tobacco products moderated. Gold, silver & jewellery sales notably surged 10.4% in Apr amid rising gold prices and robust demand. Looking forward, retail sales may see a moderate slowdown in 2H25 due to the confidence shock from tariffs and higher comparison base from the trade-in program.

FAI edged down amid a widening decline in property investment. Total FAI growth dropped to 4% in 4M25 from 4.2% in 3M25, slightly below market expectations at 4.26%. By sector, property development investment further contracted to -11.3% in Apr from -10% in Mar, as deleveraging among property developers continued. Infrastructure FAI dipped from 12.6% in Mar to 9.6%, despite robust government bond issuance in Apr. Manufacturing FAI edged down to 8.2% in Apr from 9.2% in Mar as most industries faced over-capacity pressure. Sectors including auto, general equipment, non-ferrous metals and metal products remained resilient with above 10% growth rate, while other transport equipment notably slowed down from 37.9% to 29.6%. Looking forward, FAI growth might mildly accelerate from 3.2% in 2024 to 3.5% in 2025 thanks to the narrower

declines of property development investment. Manufacturing and infrastructure investment growth rates are likely to fall from 9.2% and 9.2% in 2024 to 8.5% and 8.2% in 2025.

Industrial output moderated. VAIO growth moderated to 6.1% in Apr from 7.7% in Mar, above market consensus of 5.2%. The slowdown was broad-based, as auto, other transport equipment and electronic equipment edged down but remained robust at 9.2%, 17.6% and 10.8% in Apr. Mining and public utility industries also slowed down from 9.3% and 3.5% in Mar to 5.7% and 2.1% in Apr. Growth of service output index moderated to 6% in Apr from 6.3% in Mar. Looking forward, industrial output may decelerate with headwinds from trade and demand overdraft due to trade-in subsidies.

The de-escalation of trade war boosted market sentiment but tempered the pace of policy easing. With 90-day suspension of reciprocal tariffs, China may continue to see robust exports and manufacturing activity, supported by export rerouting and front-loading. We raise our projection of China's GDP in 2Q25 to 4.8% from 4.5%, with the 2H25 and full-year growth at 4.7% and 4.9%. However, China may face further headwinds in 3Q25 due to the softening property market, payback effect of export frontloading and fading impact of trade-in program. Policy stimulus might be delayed to 2H25 as the sense of urgency has diminished and measures to boost consumption and reduce overcapacity could serve as key bargaining chips for China in China-US negotiations. China might launch additional fiscal stimulus measures especially those targeting consumption, including expanding consumer trade-in schemes, providing child-birth subsidies, and strengthening social benefit net in 4Q25.

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

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Korea Railroad	400	3yr	4.375%	T+63	Aa3/-/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
CDB Aviation	USD	-	5yr/	SOFR+130/	A2/-/A
Huai'an Traffic Holding	USD	-	3yr	5.3%	Unrated
Korea Land & Housing Corp	USD	-	2yr	T+90	Aa2/-/AA-

➤ News and market color

- Regarding onshore primary issuances, there were 47 credit bonds issued yesterday with an amount of RMB85bn. As for month-to-date, 576 credit bonds were issued with a total amount of RMB753bn raised, representing a 43.5% yoy increase
- China lower 1yr/5yr LPR by 10bps to 3.0%/3.5% from 3.1%/3.6%, respectively
- Property investment in China dropped 10.3% yoy to RMB2.8tn (cUSD384.6bn) in 4M25. Average new home prices across 70 major cities in China dropped 4% yoy in Apr'25 as trade tensions with the US risk exacerbating a property slump

- **[COGARD]** Country Garden unit disciplined by bourses for failing to release 1H24 report on time
- **[COGREN]** Moody's changes Continuum Green Energy's RG2 outlook to negative from stable, affirmed Ba2 rating
- **[FWDGHD]** FWD Group refiles listing application with HKEX after two failed attempts
- **[MEDCIJ]** Medco Energi received USD150.595mn of MEDCIJ 7.375 05/14/26 and USD310.934mn of MEDCIJ 6.375 01/30/27 validly tendered as of early tender deadline
- **[PERTIJ]** Indonesia conducts a corruption investigation involving Pertamina and contacts various Singaporean oil traders for questioning
- **[QBEAU]** QBE Insurance buys back and cancels USD400mn QBEAU 5.25 Perp in full
- **[SKM]** SK Telecom data breach affects 27m user information records
- **[SMCPM]** First Pacific arm ready to resume talks on tollways merger with San Miguel

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or

employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.