CMBI Credit Commentary

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

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- *Asia IG spreads were 2-4bps wider this morning. Korean front-end FRNs were relatively more active. AT1s remained weak and dropped 0.1-0.3pt. Higher-quality LGFVs were under better buying from onshore clients. GRNCH '29/CPDEV '28-29 down 1.6-2.1pts. INDYIJ '29 down 1.4pts.*

- ***CATLIF/NSINTW:** Capital buffers offset AI-linked equity volatility in Oct'26. TW lifers were unchanged this morning. See below.*

- ***China Economy:** Broader slowdown in economy. CMBI's base case remains modest easing, including 1Q27 RRR and LPR cuts alongside earlier fiscal spending and tweaks to consumption and housing programmes; maintains 4.6% GDP forecast for 4Q26 and full-year 2026, projecting a slowdown to 4.3% in 2027. See comments from CMBI economic research below.*

❖ **Trading desk comments 交易台市场观点**

Asian IG spread was overall unchanged on Monday as last Friday's softer-than-expected PPI print tempered bets on an aggressive December hike. We saw better selling in front-end China AMCs such as CCAMCL /ORIEAS/GRWALL 27-29s, alongside AMs offloading Japan lifers (DAIL/ NIPLIF/FUKOKU/MYLIFE/SUMILF roughly 0.125 to 0.25 pts lower. European AT1s also traded about 0.25 pts softer, though private banks and Chinese AMs stepped in to buy the recent INTNED and HSBC new issues. Chinese TMT BABA/MEITUA/TENCNT were unchanged to 2bps wider.

In the higher-yielding space, NWDEVL Perps rebounded another 1.0-6.4pts. Chinese developers remained weak. CHJMAO/GRNCH/FUTLAN dropped 0.5-3pts. CPDEV/BCDHGR were c2.5pts lower with better selling flows. In HY industrial, WESCHI '28 rose 0.3pt and BTSDF'28 up 0.1pt. LGFVs were subdued, we saw few dip-buying clients on high-quality names while the space was overall quiet. SOFTBKs moved -1 to +0.5pt. Macau gaming names were weak and down 0.1-0.5pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
NWDEVL 10.131 PERP	**105.8**	**6.4**
NWDEVL 12.179 PERP	**102.8**	**6.4**
NWDEVL 6 1/4 PERP	**64.3**	**2.0**
NWDEVL 4 1/8 PERP	**83.4**	**1.6**
NWDEVL 4.8 PERP	**53.6**	**1.4**

Top Underperformers	Price	Change
LNGFOR 4 1/2 01/16/28	**88.6**	**-3.0**
CPDEV 6.8 04/07/29	**89.6**	**-2.6**
CPDEV 7.15 03/21/28	**93.0**	**-2.5**
LNGFOR 3.85 01/13/32	**67.3**	**-2.4**
TAQAUH 4 3/8 10/09/31	**93.8**	**-2.3**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.92%), Dow (-1.41%) and Nasdaq (-2.49%) were weaker on Monday. UST yield was lower yesterday. 2/5/10/30 year UST yield was at 4.83%/4.93%/5.12%/5.46%.

❖ Desk Analyst Comments 分析员市场观点

➢ CATLIF/NSINTW: Capital buffers offset AI-linked equity volatility in Oct'26

Cathay Life reported after-tax net profit of TWD4.4bn in Oct'26, down 70.3% yoy. For 10M26, after-tax net profit rose 31.1% yoy to TWD64.5bn. Oct'26 earnings came under pressure from equity-market concerns over financing risk and capex among AI-related companies. Steady CSM release and recurring investment income partly offset the decline. Including FVOCI equity disposal gains of cTWD120bn in 10M26, the combined contribution to retained earnings exceeded TWD190bn, a new record high. FX volatility reserves exceeded TWD144bn as of Oct'26, which adds a buffer against currency swings. The equity-to-asset ratio exceeded 12.5%, well above the 3% threshold, which supports balance-sheet resilience.

Nan Shan Life recorded a net loss of TWD3.9bn in Oct'26, compared to a profit of TWD4.8bn in Oct'25. For 10M26, net income rose 54.3% yoy to TWD39.3bn. As with Cathay Life, we believe the Oct'26 weakness stems from equity-market volatility, partly offset by steady CSM release and recurring income.

We view Taiwan lifers' earnings quality as partly sensitive to market conditions, particularly equity performance and valuation gains. A sharp equity sell-off can turn a monthly profit into a loss. That said, the earning volatility was absorbed by their solid capital buffers. Among the four Taiwan lifers, we view CATLIF and FUBON as RV peers, in view of their credit profiles and scale of operations. We continue to prefer FUBON 5.45 12/10/35 with a yield pick-up of 10-20bps against CATLIFs. We also pair NSINTW and SHIKON, with NSINTW 5⅞ 03/17/41 remained our preferred pick, reflecting its more balanced risk-return profile.

Table 1: Bond profile of selected TW lifers

Security name	ISIN	Amt o/s (USD mn)	Ask px	Z-spread (bps)	YTW	Mod dur	First call date	Payment rank	Issue rating (M/S/F)
CATLIF 5.95 07/05/34	XS2852920342	600	98.7	147	6.2%	5.9	N/A	Subordinated	-/BBB+/BBB+
CATLIF 5.3 09/05/39	XS2885079702	320	93.6	166	6.4%	6.2	09/05/2034	Subordinated	-/BBB+/BBB+
CATLIF 5 1/2 04/29/41	XS3255390463	500	91.7	198	6.7%	7.1	04/29/2036	Subordinated	-/BBB+/BBB+
FUBON 5.45 12/10/35	XS3151416727	650	94.1	160	6.3%	6.8	09/10/2035	Subordinated	-/BBB+/BBB+
FUBON 5.87 07/27/41	XS3384667146	350	94.0	198	6.7%	7.1	07/27/2036	Subordinated	-/BBB+/BBB+
NSINTW 5.45 09/11/34	XS2888260564	700	92.4	202	6.7%	6.1	N/A	Subordinated	-/BBB+/BBB
NSINTW 5 ⅞ 03/17/41	XS3046322593	653	92.2	234	7.1%	6.8	12/17/2035	Subordinated	-/BBB+/BBB
NSINTW 6.85 03/25/42	XS3502507943	333	98.0	238	7.1%	7.1	12/25/2036	Subordinated	-/BBB+/BBB
SHIKON 6.95 06/26/35	XS3096123883	400	100.0	224	7.0%	6.2	N/A	Subordinated	-/BBB/-

Source: Bloomberg.

➢ China Economy: Broader slowdown in economy

China's slowdown is broadening beyond property, as weak household consumption and fixed asset investment expose the limited spillovers from resilient technology production and exports. Holiday timing and quarter-end payback may amplify October's weakness, but subdued household balance sheet and corporate investment returns remain persistent constraints on domestic demand, as we have seen another month of negative loan flow to household and corporates. With 3Q26 GDP up 4.6%, the 4.5–5.0% annual growth target remains achievable, giving policymakers room to focus year-end support on liquidity and faster execution of existing measures. While December's policy meetings and recent Qiushi commentary point to potential 2027 household and consumption support, our base case remains modest easing, including 1Q27 RRR and LPR cuts alongside earlier fiscal spending and tweaks to consumption and housing programmes. Although these steps will lower financing costs, a durable recovery requires stronger household incomes and business cash flow, with more aggressive stimulus likely only if exports weaken alongside persistent domestic softness. We maintain our 4.6% GDP forecast for 4Q26 and full-year 2026, projecting a slowdown to 4.3% in 2027.

Stronger resale activities yet to stabilise new-home development. New-property sales by floor area from NBS further fell 13.7% YTD in 10M26 compared to 13.2% in 9M26. Existing-home transactions in 11 major cities nevertheless rose 16.7% YoY in October, contrasting with a 21.2% widening decline in new-property transactions across 30 cities. Tier-1 existing-home prices rose 0.2% MoM, while prices in tier-2 and tier-3 cities each fell 0.3%. The resale recovery indicates that housing demand has not disappeared, but its direct contribution to developers' funding and new construction is limited. Developer funding contracted 21.9% in 10M26, while deposits and advance payments fell 15.5%, and mortgage receipts declined 22.1%. With new starts and completions down 24.4% and 26.6% YTD, the construction pipeline continues to shrink. We expect targeted completion funding and inventory reduction to remain policy priorities, while a broad recovery in property investment still requires stronger new-home sales and more reliable developer cash flow.

Calendar and price effects amplified an already weak consumption trend. Retail sales growth slowed to 0.4% YoY in Oct from 1.1%, coming in under market expectation at 1.1%, with seasonally adjusted sales rising just 0.02% MoM. Growth slowed in 12 of 15 tracked goods categories, but some holiday spending shifted into September, while jewellery sales fell 28.7% amid price correction and a high comparison base. Auto sales remained deeply negative at −21.4%, subtracting approximately 1.9ppt from headline growth by our calculation. Sales excluding autos also slowed to 2.5% from 3.9%. Telecom-equipment sales growth dropped to 6.5% from 31.1% despite rising electronics prices, suggesting that higher component prices may benefit suppliers while discouraging consumer upgrades. Services retail sales remained stronger at 4.9% YTD, although catering's October slowdown to 0.7%. Smaller base a year earlier should help headline growth in Nov and Dec, but the

underlying household demand should remain soft as consumer confidence edged down due to weak household wealth effect and employment condition.

Investment weakness extended beyond property. FAI contracted 8.1% YTD, widening from 7.2%, below market expectations at 6.9%, while its YoY growth further dropped to -16.1% from -7.2%. Property, manufacturing and infrastructure investment further dropped 33.4%, 9.3% and 17.6% YoY in Oct from 26.2%, 0.9% and 10.5%. Computer and electronics investment grew 9.9%, but auto investment fell 7.9%, road investment declined 10.9% and water-conservancy investment fell 16.7%. Private investment contracted excluding property further dropped to -7.8% in 10M26 from -6.7%, pointing to weak expected demand and returns across wider range of businesses. The RMB800bn policy-financing programme was fully deployed by 28 October, providing project capital that can support subsequent lending and construction. Therefore, it is too early to judge its full effect in October. We expect project execution to improve in the remaining months of the year, but financing availability alone will not generate a broad private investment recovery as corporates sales prospects and cash collection remain uncertain.

Industrial output slowed despite cushion from technology products. Industrial output growth slowed to 4.8% YoY in Oct from 5.5%, below market expectations at 5.3%. Manufacturing, public utility and mining eased to 5.4%, 4.4% and 0.7% from 6.0%, 5.6% and 1.3% YoY. High-tech manufacturing nevertheless expanded 17.6%, and computer, communication and electronics value added accelerated to 19.4% from 16.4%. Integrated-circuit and industrial-robot output rose 21.9% and 26.0%, driving nominal export-delivery growth strengthened to 18.6% from 17.0%. But manufacturing remains highly differentiated, as auto manufacturing value-added growth slowed to 0.9% from 6.7%. Non-metal mineral product, ferrous metal and non-ferrous metal smelting & pressing remained soft. Service-output growth eased to 4.6% from 4.8%.

Government financing lifted TSF while household deleveraging deepened. New TSF reached RMB1.14trn in Oct, up approximately 40% YoY, with outstanding growth edging up to 7.2% from 7.1%. Government-bond financing of RMB1.18trn exceeded total new TSF, leaving other financing channels slightly negative on net. New RMB loans contracted RMB100bn, as both household and corporate loans saw negative flows. Household loans nevertheless fell RMB430bn, including RMB270bn and RMB156bn in short and longer-term borrowing, signalling continued weakness in consumption and housing demand. Corporate medium- and long-term lending improved to RMB160bn from RMB30bn a year earlier, although a RMB312bn decline in bill financing accounted for much of the corporate-loan weakness. M1 growth, on the other hand, rebounded from 3.2% to 4.4% in Oct, showing tentative signs of improving economic activities. Backloaded government issuance should support TSF through year-end, and we expect modest RRR and LPR cuts in 1Q27 due to the credit weakness.

The slowdown raises the case for modest easing in early 2027. With GDP up 4.6% in 3Q26, the 4.5–5.0% annual growth target remains achievable, while strong exports and recently deployed financing give policymakers time to assess existing measures. We expect year-end support to centre on faster execution on current measures and liquidity provision. December's policy meetings could signal stronger demand support for 2027, as we have seen some early discussions of stronger social protection and household income support to boost consumption in recent "Qiushi" commentary. However, our base case is still a modest easing and incremental adjustment, including RRR and LPR cuts in 1Q27 and earlier fiscal spending and adjustments to existing consumption and housing programmes. These measures should reduce financing and debt-servicing costs, but a durable recovery also requires stronger household incomes and better business cash flow. A stronger response would become more likely if export support faded alongside persistent domestic weakness. We retain our 4.6% forecasts for both 4Q26 and 2026, while expecting GDP to further slow down to 4.3% in 2027.

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- **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	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 77 credit bonds issued yesterday with an amount of RMB40bn. As for month-to-date, 763 credit bonds were issued with a total amount of RMB831bn raised, representing a 16.3% yoy decrease

- Media reported Indonesia president demands 70% state share of mining benefits

- **[HTHT]** H World Group 3Q26 revenue up 11.3% yoy to RMB7.75bn and EBITDA up 17.3% yoy to RMB2.9bn

- **[NWDEVL]** Media reported that NWD plans to settle accumulated deferred distribution on perps after recapitalization plan is completed

- **[SJMHOL]** Media reported SJM said banks responding positively to loan refinancing plan; agreement on key terms expected in 4Q26

- **[SOFTBK]** SoftBank leads USD500mn funding round for Agile Robots

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