18 Aug 2025

CMBI Credit Commentary

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

- *In Asia IG space, we saw demand for long-end papers and floaters this morning. There were selling in STANLNs amid USD9.6bn unlawful transactions allegations. CTFSHK 29 was 0.8pt higher. GLPSP Perps were down 0.2-0.6pt.*

- ***HONGQI:*** *1H25 profit surged on higher sales volume and selling prices. HONGQIs were unchanged this morning. See below.*

- ***China Economy:*** *Weak data might be good news. CMBI expects a further 10 bps LPR cut and 50 bps RRR cut and expanding fiscal support to households and consumers. See below for comments from CMBI economic research.*

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❖ Trading desk comments 交易台市场观点

Last Friday, we saw deployment demands on adding risk especially the long end of duration post US PPI. We saw strong demand on China/HK benchmarks of especially the ultra/long-end to belly papers with AM/PB checking offers. China IG BABA/TENCNT tightened 5-10bps on long-end papers; belly of BABA/TENCNT/HAOHUA/MEITUA/WB tightened 2-5bps while front-end was unchanged. Tencent 1H25 revenue rose 14% yoy to RMB364.5bn (cUSD50.8bn). Weibo 1H25 net revenue up 1.2% yoy to USD722.5mn. In HK, HYSAN 4.85 Perp was 1.3pts higher. Hysan's 1H25 revenue increased 2.2% yoy to HKD1.7bn (cUSD220.4mn). NWDEVL27-31s/Perps were 0.3-1.3pts higher. On the other hand, CTFSHK 4 ¼ 06/27/29 was down 1.5pts. In financials, BBLTBs were 5bps tighter. Front end/belly Yankee AT1 remained sought after from AMs on the back of inflows and urge to replenish risks. TW lifers CATLIF/NSINTW/SHIKON were 3-5bps tighter. We saw small selling flows in long-end JP insurers while the PB demand remains solid. Financial FRNs were 1bp lower to 2bps higher on 2-3yr tenor, and were 2bps lower to 3bps higher on 4-6yr tenor. TEMASE 31-70s were 0.1-0.9pt lower, while the new TEMASE 3 ¾ 08/20/27 and the new TEMASE Float 08/20/27 were unchanged. In Chinese properties, YLLGSP was unchanged after announcing a stabilizing 1H25 results. ROADKG 28-30s rebounded 0.9-1.5pts. ROADKG 28-30s were 0.6-4.9pts lower while ROADKG Perps were unchanged at Fri close. In Chinese HYs, GWFOOD 30 was 1.3pts higher, BTSDF 28/WESCHI 26 were 0.5pt higher. In SEA, PETMKs were 5bps tighter. INRCIN 31-50s were 0.1-0.8pt lower.

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The flows in LGFVs skewed to small better selling amid profit taking on off recent and seasoned issues. We saw moderate selling flows in CNH non-LGFV from non-Chinese accounts amid reallocation back to USD assets, as offshore and cross-border Chinese investors were picking up the front end papers.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change
GARUDA 6 1/2 12/28/31	**80.7**	**1.7**
ROADKG 6.7 03/30/28	**19.1**	**1.5**
HYSAN 4.85 PERP	**70.4**	**1.3**
NWDEVL 5 7/8 06/16/27	**78.6**	**1.3**
GWFOOD 3.258 10/29/30	**88.2**	**1.3**

Top Underperformers	Price	Change
CTFSHK 4 1/4 06/27/29	**89.1**	**-1.5**
YANTZE 3.2 10/16/49	**73.8**	**-0.9**
TEMASE 2 3/8 08/02/41	**71.8**	**-0.9**
INRCIN 3.95 02/13/50	**76.9**	**-0.8**
TEMASE 2 1/2 10/06/70	**55.7**	**-0.8**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.29%), Dow (+0.08%) and Nasdaq (-0.40%) were mixed on last Friday. US Jul'25 retail sales was +0.5% mom, lower than the market expectation of 0.6%. UST yield was higher on last Friday, 2/5/10/30 yield at 3.75%/3.85%/4.33%/4.92%.

❖ Desk Analyst Comments 分析员市场观点

➢ HONGQI: 1H25 profit surged on higher sales volume and selling prices

China Hongqiao (HONGQI) reported 35.4% yoy increase in 1H25 net profit to RMB13.6bn, in line with the positive profit alert in Jun'25. In 1H25, HONQGI's revenue was 10.1% yoy higher to RMB81.0bn driven by higher sales volume, as well as higher selling prices of aluminum alloy products and alumina products. GP increased by 16.9% yoy to RMB20.8bn and the GP margin improved to 25.7% from 24.2% in 1H24. EBIT rose by 21.0% to RMB18.1bn, supported by higher revenue and improved operational efficiencies.

As of Jun'25, HONGQI had cash and cash equivalent of RMB48.7bn, increased by 8.9% from the level in Dec'24 of RMB44.8bn, which was driven by operating cash inflow of RMB22.3bn during 1H25. Net debts was 16.8% lower to RMB24.3bn from RMB29.2bn in Dec'24, due to higher cash balances and slightly lower in total debts. The leverage ratios improved as a result, the total debt/LTM EBITDA and net debt/LTM EBITDA down to 1.6x and 0.5x in Jun'25, respectively, from 1.7x and 0.7x in Dec'24.

HONGQI has good access to various onshore and offshore funding channels. YTD, HONGQI has raised totaled RMB12.1bn via onshore bonds at a weighted average funding cost of 2.5% and USD900mn (USD bonds and CB) offshore. HONGQI did not announce an interim dividend for 1H25, yet it intends to repurchase shares in the open market with a proposed total amount not less than HKD3bn. The share repurchase, in our view, is intended to reduce the dilution from the likely conversion of HONGQI 5.25 01/25/26 (CB) into equity, given the parity of 401. While we remain comfortable with HONGQI's overall credit profile, we maintain neutral on HONGQIs on valuation.

➢ China Economy: Weak data might be good news

China's economy showed broad-based moderation in July, with slumping property sales and the fading boost from the trade-in scheme dragging on consumption, while weakening exports delivery value and the anti-involution campaign are set to weigh on manufacturing output and investment. New and second-hand housing sales further contracted, with weakness most pronounced in first-tier cities. Retail sales and industrial output both softened. FAI saw its first YoY decline since Nov 2021, dragged down by contracting property development, manufacturing and infrastructure investment. The economic slowdown increases the possibility of additional demand stimulus in 4Q25. We expect a further 10 bps LPR cut and 50 bps RRR cut and expanding fiscal support to households and consumers.

Property sector remained its deep contraction. The decline of gross floor area (GFA) sold for commercial building dropped to -4% in 7M25 from -3.5% in June according to NBS, while residence GFA further dropped to -4.1% in July to 432 million m2 in 7M25 from -3.7%. Contraction of residential housing start narrowed to -18.3% in 7M25 at 259 million m2, back to the level in 2003-04. For new housing sales according to market data in first half of Aug, YoY sales in 30 major cities rebounded to -11.9% compared to -20.6% in July. Tier-1 cities further softened to -31.4%, the biggest drop since Sep 2024, while tier-2 and 3 cities showed narrowed declines. The sales recovery rate edged down to 35.9% in first half of Aug from 36.8% compared to 2018 and 19, close to the historic bottom at 37.1% in Sep 2024. Second-hand housing sales also mildly recovered, as YoY growth of 11 selective cities bounced up to -2.2% in first half of Aug from -8.8% in July. New and second-hand housing prices dipped further across all city tiers in July due to the weakening demand. The softening property market pointed to moderating consumer demand in 2H25, as we might see notable slowdown in housing-related durable goods sales.

Retail sales further softened with trade-in scheme running out of steam. Retail sales growth moderated to 3.7% in July from 4.8% in June, missing market consensus of 4.9%. Durables under the trade-in scheme recorded a marked slowdown, led by autos, which fell to -1.5% in July from 4.6% in June — the first monthly contraction since August 2024. Home appliance, cultural & office products and furniture eased to 28.7%, 13.8% and 20.6% in July from 32.4%, 24.4% and 28.7%. By contrast, telecom equipment remained firm, edging up from 13.9% to 14.9%, supported by its later inclusion in the scheme in early 2025. Catering service remained subdued at 1.1% in July, while rumours suggested possible loosening on stringent wining and dining ban for government employees. We have seen a notable slowdown in the second half of the year as the strong recovery driven by the expansion of trade-in schemes appears to have pulled forward future demand. Looking forward, retail sales may moderate to 3.8% in 2H25 from 5% in 1H25, bringing full-year growth to around 4.5%.

FAI saw the first monthly contraction since 4Q21. Total FAI growth dropped to 1.6% in 7M25 from 2.8% in 6M25, notably missing market expectations of 2.7%, while its monthly YoY dropped to -5.2% in July from 0.5%, the first contraction since Nov 2021. The moderation was broad-based as a more moderate fiscal expansion in 2H relative to 2024 and the government's anti-involution competition campaign weighed on infrastructure and manufacturing investment. Manufacturing FAI dropped to -0.3% in July from 5.1%. Sectors including chemical products, non-ferrous metals smelting & pressing, general & special equip, auto and computer & electronics saw notable moderation. Infrastructure FAI also declined to -1.9% in July from 5.3%. Property development investment further contracted to -17.2% in July from -12.9%, as housing market remained over-supply. Looking forward, FAI growth might mildly moderate from 3.2% in 2024 to 2% in 2025 due to contracting property development investment and moderating manufacturing and infrastructure investment. Manufacturing and infrastructure investment growth is likely to fall from 9.2% and 9.2% in 2024 to 6.8% and 7.5% in 2025.

Industrial output moderated. VAIO growth eased to 5.7% in July form 6.8%, slightly below market consensus of 5.8%. Mining moderated to 5% in July from 6.1% while public utility picked up to 3.3% from 1.8%. VAIO of manufacturing dropped to 6.2% from 7.4% as some enterprises scaled back production. Textile, rubber & plastic product, non-ferrous metal smelting & pressing, metal product and auto notably slowed down, while ferrous metal, general purpose equipment, other transport equipment picked up. Industrial export delivery value notably moderated, even as export value of goods per customs data rebounded—reflecting the deployment of inventory to fulfill orders and muted expectations for future demand. Growth of service output index edged down to 5.8% in July from 6%. Looking forward, industrial output may continue to decelerate due to the headwinds from exports, demand overdraft from trade-in subsidy and pressure from the anti-involution policy.

The weakening economic activities increase the possibility for additional demand-side stimulus. Easing property sales and the fading boost from the trade-in scheme indicate moderating consumption, while weakening exports and the anti-involution campaign are set to weigh on manufacturing output and investment. Beyond supply-side structural reform, China should also adopt demand-side stimulus. Otherwise, the double pressure of margin erosion and output cuts will place further strain on firms. China might ramp up policy support in 4Q25, as we expect a further 10 bps LPR cut and 50 bps RRR cut and direct fiscal support to households and consumers.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Oriental Capital Company Limited	394	3yr	5.2%	5.2%	Unrated
Sichuan Kaizhou Development	100	3yr	6.5%	6.5%	Unrated

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
DBS Bank	USD	-	3yr	SOFR MS+55	Aa1/AA-/AA-
Zhangzhou Yuanshan Development	USD	-	3yr	7.5%	Unrated

➢ **News and market color**

- Regarding onshore primary issuances, there were 107 credit bonds issued last Friday with an amount of RMB126bn. As for month-to-date, 1,115 credit bonds were issued with a total amount of RMB1,015bn raised, representing a 0.5% yoy increase

- China average new home prices drop 2.8% yoy/0.3% mom in Jul'25, the mom change was the fastest monthly drop in nine months; China property investment drops 12% yoy in 7M25

- Indonesia plans to increase direct energy subsidies by 14.5% to IDR210.1tn (cUSD13bn) in 2026

- **[FOSUNI]** Fosun unit to buy minority stake in Chinese miner Luoyang Fengrui Fluorine for RMB300mn (cUSD41.8mn) to boost profitability

- **[LNGFOR]** Longfor expects 1H25 profit to drop 45% yoy to RMB4.8bn (cUSD817.4mn) amid property slump

- **[ROADKG]** Moody's downgraded Road King to Ca, outlook remains negative

- **[SINOPE]** Sinopec discovers major shale gas reserves in southwestern region of China

- **[SOFTBK]** Softbank and other investors in talks to buy USD6bn in OpenAI stock

- **[TYANLI]** Tongyang Life Insurance seen facing KRW142.5bn (cUSD103mn) penalty for customer data breach

- **[VEDLN]** Vedanta Ltd receives warning from SEBI over unapproved scheme modification

- **[WESCHI]** West China Cement completes sale of cement products manufacturing subsidiaries

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