

## CMBI Credit Commentary

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

#### The Asset Asian G3 Bond Benchmark Review 2025

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "The Asset Asian G3 Bond Benchmark Review 2025". Thank you for your support!

- *The new NACF Float 29/NACF 4.375 30 tightened 2bps this morning. NHSECS 28-30s and HYNMTR/HYUELE 27-31s tightened 1-4bps. The new CNH SWIPRO 28-35s were up 0.5-2.5pts from ROs at par.*
- *Taiwan Lifers: Prefer SHIKON for the most attractive risk-adjusted return. See below.*
- *China Economy: Solid growth lowers policy easing likelihood. CMBI expects expect a further 10bps LPR cut and 50bps RRR cut. We see the need to ramp up direct fiscal support to households and the property sector, as lifting purchase restrictions and trade-in scheme seem hardly sufficient now. See below for comments from CMBI economic research.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, SWIPRO priced 3yr, 5yr and 10yr CNH bonds at par to yield 2.6%, 2.85% and 3.45%, respectively. The new NSANY 32-35s were up 0.1-0.2pt. The new NACF Float 29 tightened 4bps from RO (SOFR+68) and NACF 4.375 30 tightened 3bps from RO (T+50) amid mixed flows. LGENSO 27-35s tightened 2-7bps. HYNMTR Float 30s tightened 2bps. In Chinese IGs, the long end of SINOPE/CNOOC 37-43s were 0.3-0.7pt lower (unchanged to 2bps wider in spreads). In financials, STANLN/CSILTD Float 28-31s were unchanged to 2bps tighter amid mixed flows. In insurance, SHIKON 35s/NSINTW 34s were 1-3bps tighter despite small selling from some Chinese accounts. See our comments below on Taiwan lifers. Meanwhile in JP, MYLIFE/NIPLIF 51-54s and FUKOKU Perp were down 0.1-0.2pt. In AT1s, HSBC 6.95/INTNED 7.25 Perps were down 0.1-0.2pt. HSBC 6/SOCGEN 6.75 Perps were up 0.1-0.3pt. In HK, NANYAN/BNKEA 32-34s were 2-5bps tighter. REGH Perp was up 1.3pts. LASUDE 26 was up 1.1pts. NWDEVL Perp/27-31s were down 0.1-0.3pt. In Chinese properties, VNKRLE 27-29s were unchanged to 0.1pt higher. See our comments on Vanke's 1H25 profit warning on 15 Jul '25. Outside properties, EHICAR 26-27s declined 0.5-0.6pt. WESCHI 26 was up 0.6pt. FOSUNI 25-28s were unchanged amid media report that Fosun Group sells office space at Shanghai HQ. The news was denied by Fosun. In SE Asia, VEDLN 28-33s were up 0.2-0.3pt. VLLPM 27-29s lowered 0.3pt.

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In LGFVs, WFURCD priced a 3yr USD bond at par to yield 6.5%. There were buying interests on CNH names such as ZOUCAO 6.9 28s/CDTFDG 7.3 27s and USD names such as TAIANH 6.9 28s/JMUDIV 6.9 27s.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
REGH 6 1/2 PERP	22.6	1.3	GRNLGR 6.9 02/12/29	25.1	-1.9
LASUDE 5 07/28/26	51.7	1.1	GRNLGR 7 1/8 04/22/29	25.1	-1.9
WESCHI 4.95 07/08/26	87.5	0.6	GARUDA 6 1/2 12/28/31	76.2	-0.7
TSIVMG 1.6 12/17/39	45.7	0.5	TAISEM 4 1/2 04/22/52	87.1	-0.7
VEDLN 9.85 04/24/33	99.0	0.4	SINOPE 4.6 09/12/48	91.1	-0.7

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.40%), Dow (-0.98%) and Nasdaq (+0.18%) were mixed on Tuesday. Nvidia plans to resume H20 AI chip sales to China. Trump says Indonesia goods to face 19%tariff under new deal. The US Jun'25 Core CPI mom was 0.2%, lower than the market expectation of 0.3%. The US Jun'25 CPI mom was 0.3%, same as the market expectation. UST yield was higher on Tuesday, 2/5/10/30 yield at 3.95%/4.05%/4.50%/5.01%.

#### ❖ Desk Analyst Comments 分析员市场观点

##### ➤ Taiwan Lifers: Prefer SHIKON for the most attractive risk-adjusted return

The USD bonds of Taiwan lifers widened 40-70bps since early-mid Apr on the concerns of TWD appreciation and new supply. This indeed offers better entry opportunities. Since mid-Jun, the USD bonds of Taiwan lifers tightened 30-40bps as the market turned less cautious after revisiting the hedging policies of Taiwan lifers. SHIKON 6.95 06/26/35 tightened c40bps from the wide since issuance and is now a touch tighter than our initial FV estimation. See our comments on 17 Jun'25 on Shin Kong Life.

Notwithstanding the recent outperformance, we continue to see Taiwan lifers offering better RV than that of her regional peers. Indeed, we believe these three lifers are facing largely the same macro risk (See Table 2). The composition of the investment portfolio of these three lifers were similar as of Dec'24, in which 70-75% of their investment portfolios exposed to forex risk. Out of these investments, 60-65% of their FX assets are hedged with hedging instruments such as currency swap and non-deliverable forwards. YTD, TWD appreciated against USD by c11%. Nonetheless, we take comfort with their equity cushions against the regulatory requirements, along with moderating TWD appreciation against USD during past two months after the cliff in early May'25.

Hence, we consider SHIKON 6.95 06/26/35 as our top pick, followed by NSINTW and CATLIF. At 101.3, SHIKON 6.95 06/26/35 is trading at YTM of 6.8%, offering yield pick-up of 54bps and 115bps over NSINTW 5.45 09/11/34 and CATLIF 5.95 07/05/34, respectively. We continue to prefer NSINTW over CATLIF in view of the yield pick-up and lower cash price despite CATLIF's better credit profile. See our comments on 19 May'25. As discussed before, we expect more Asian lifers to issue capital papers to replenish capital in the course full adoption of IFRS 4, 9, and 17. We see more debut names in the segment and new issue premium from debut issuers.

**Table 1: Taiwan lifer's bond profiles**

Security name	ISIN	Amt o/s (USD mn)	Px	Z-spread (bps)	YTM/YTC	First call date	Mod dur	Issue rating (M/S/F)
SHIKON 6.95 06/26/35	XS3096123883	400	101.3	285	6.8%	N/A	7.1	-/BBB/-
NSINTW 5.45 09/11/34	XS2888260564	700	94.9	231	6.2%	N/A	6.9	-/BBB+/BBB

CATLIF 5.95 07/05/34	XS2852920342	600	102.6	170	5.6%	N/A	6.9	-/BBB+/BBB+
CATLIF 5.3 09/05/39	XS2885079702	320	97.6	176	5.6%	5 Sep'34	7.0	-/BBB+/BBB+

Source: Bloomberg.

**Table 2: Taiwan lifers' financial highlights**

FY24	CATLIF	NSINTW	SHIKON
RBC ratio (>200%)	359%	299%	221%
Equity-to-asset ratio (>3%)	9.0%	6.6%	5.2%
ROE	9.5%	12.1%	5.9%
ROA	0.7%	0.8%	0.3%
13-M persistency ratio	97.9%	97.3%	96.7%
25-M persistency ratio	95.3%	94.7%	93.7%
<b>Investment portfolio</b>			
Cash and cash equivalent	2%	2%	2%
Domestic	16%	17%	18%
-equity	7%	12%	6%
-bond	8%	5%	12%
International	67%	69%	69%
-equity	5%	4%	1%
-bond	62%	65%	68%
Others	15%	12%	11%
Total investment	100%	100%	100%
FX assets in the total investment portfolio	70%	75%	71%
% of FX assets hedged	65%	60%	63%

Source: Company filling, CMBI FICC Research.

### ➤ China Economy: Solid growth lowers policy easing likelihood

China's 2Q GDP remained robust thanks to exports front-loading, fiscal expansion and the trade-in scheme. However, the economy showed signs of moderation in June, as property sales, retail sales and fixed-asset investment notably softened. New and second-hand housing sales dropped to contraction in early July, as its recovery rate compared to 2019 dropped back to the level in Sep 2024. Retail sales in June moderated due to the fading policy effect and strict alcohol ban on government officials, while FAI lost steam across major sectors. However, the industrial output remained robust thanks to the exports surge in June following the tariff truce. China economy is likely to experience further headwinds in 2H25, as softening property sales, diminishing policy effect of the trade-in scheme and strict alcohol ban on government employees weigh on consumption, and payback from previous exports front-loading to suppress manufacturing output and investment. With the trade deal with the US being reached potentially in 4Q25, China might focus on economy rebalancing with stronger fiscal expansion, additional consumption stimulus and faster overcapacity reduction. In 4Q25, we expect a further 10bps LPR cut and 50bps RRR cut. We see the need to ramp up direct fiscal support to households and the property sector, as lifting purchase restrictions and trade-in scheme seem hardly sufficient now.

**2Q GDP growth inline with market expectation but deflation pressure worsened.** China's GDP growth in YoY terms (all on a YoY basis unless otherwise specified) moderated to 5.2% in 2Q25 from 5.4% in 1Q25. Meanwhile, the seasonally-adjusted QoQ growth of GDP moderated from 1.2% in 1Q25 to 1.1% in 2Q25. GDP

deflator dipped to -1.2% in 2Q25 compared to -0.8% in 4Q24, indicating the ongoing deflation pressure has intensified amid tariff shocks and supply-side price war.

**Property sales further sank.** The decline of gross floor area (GFA) sold for commodity buildings dropped to -3.5% in 6M25 from -2.9% in May according to NBS, while residence GFA further dropped to -3.7% from -2.6%. Contraction of housing starts narrowed to -20% in 6M25 to 303 million sq.m., back to the level in 2004-05, which should curb future supply in 2-3 years and expedite the structural rebalancing of China's property market. For new housing sales, according to market data, YoY sales in 30 major cities notably dropped 30.7% in the first half of July compared to -10.3% in May, as housing sales slumped across different tiers of cities. The sales recovery rate of tier-1 cities compared to 2018&19 has dropped to 57.8% in the first half of July, close to the 58.6% in Sep 2024, prompting the likelihood of further policy easing. Second-hand housing sales also softened, as YoY growth of 11 selective cities dropped 8.8% in the first half of July from -5.7% in June. New and second-hand housing prices dipped further across all city tiers in July, as the softening demand from tariff shocks and fading policy effect weigh on both price and sales volume.

**Retail sales moderated due to the fading policy effect and strict alcohol ban.** Retail sales growth slowed down to 4.8% in June from 6.4% in May, below market consensus at 5.6%. Most of the durables qualified for the trade-in scheme moderated, as home appliances, cultural & office products and telecom equipment eased to 32.4%, 24.4% and 13.9% in June from 53%, 30.5% and 33%. However, auto and furniture sales rose to 4.6% and 28.7 from 1.1% and 25.6%. Staples like food and beverage notably dropped to 8.7% and -4.4% in June compared to 14.6% and 0.1% in May. Catering service and alcohol & tobacco products also markedly eased to 0.9% and -0.7% in June from 5.9% and -0.7%, reflecting the recent stringent alcohol ban on government employees. Looking forward, retail sales may rise from 3.5% in 2024 to 4.7% in 2025. After the strong recovery in 1H25 driven by the expanding trade-in schemes, we may see a notable slowdown in the second half of the year, as the robust 1H25 came at the expense of future demand.

**FAI continued to moderate across major sectors.** Total FAI growth dropped to 2.8% in 6M25 from 3.7% in 5M25, below market expectations at 3.7%, while its monthly YoY dropped to 0.5% in June from 2.9%, one of the lowest growth rates in the past 4 years. The moderation was broad-based. Property development investment further contracted to -12.9% in June from -12% in May, as the housing market remained in over-supply. Manufacturing FAI edged down to 5.1% in June from 7.8%, as shocks from the trade war and narrowing profit margins continued to weight on corporate Capex. Sectors including textile, non-ferrous metals smelting & pressing, medicine, general equipment, electrical equipment and computer & electronics saw notable moderation. Infrastructure FAI notably slowed down to 5.3% in June from 9.2%, despite the robust government bond issuance. Looking forward, FAI growth might mildly moderate from 3.2% in 2024 to 2.3% in 2025 as property development investment remained in deep contraction. Manufacturing and infrastructure investment growth is likely to fall from 9.2% and 9.2% in 2024 to 6.5% and 7.0% in 2025, on our estimates.

**Industrial output beat market expectation amid robust manufacturing output.** VAIO growth accelerated to 6.8% in June from 5.8% in May, notably above market consensus at 5.5%. Mining edged up to 6.1% in June from 5.7% while public utility edged down to 1.8% in May from 2.2%. VAIO of manufacturing rebounded thanks to the robust exports in June, as textile, chemical products, rubber & plastic products, and general and special-purpose equipment picked up, while other transport equipment, and ferrous metal smelting & pressing moderated. Growth of service output index edged down to 6% in June from 6.2% in May. Looking forward, industrial output may decelerate due to the headwinds from exports and demand overdraft from trade-in subsidies.

**The softening demand signals broader economic weakening in 2H25.** China economy is likely to experience further headwinds in 2H25, as softening property sales, diminishing policy effect of the trade-in scheme and strict alcohol ban on government employees weigh on consumption, and softening exports suppress manufacturing output and investment. With the trade deal with the US being reached potentially in 4Q25, China might focus on economy rebalancing with stronger fiscal expansion, additional consumption

stimulus and faster overcapacity reduction. In 4Q25, we expect a further 10bps LPR cut and 50bps RRR cut. We see the need to ramp up direct fiscal support to households and property sector, as lifting purchase restrictions and the trade-in scheme seems insufficient now.

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

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Weifang Urban Construction and Development Investment	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)
Kioxia Holdings	USD	2200	5NC2/	6.375%/	-/BB+/BB+
Korea Hydro & Nuclear	USD	-	5yr	SOFR+115	Aa2/-/-
Republic of Indonesia	USD	-	5yr/ 10yr	4.85%/ 5.5%	Baa2/BBB/BBB

➤ **News and market color**

- Regarding onshore primary issuances, there were 135 credit bonds issued yesterday with an amount of RMB90bn. As for month-to-date, 977 credit bonds were issued with a total amount of RMB1,005bn raised, representing a 2.8% yoy increase
- China calls for new real estate model as prolonged slump weighs on GDP growth
- Indonesia sovereign wealth fund Danantara eyes USD8bn annual dividend from SOEs
- Indonesia Minister of Energy and Mineral Resources (ESDM) Bahlil Lahadalia revealed that the export duty on gold and coal will be made flexible, the plan is planned to take effect starting 2026
- **[ADSEZ]** Adan Port announced tender offers for up to USD125mn of ADSEZ 4.2 08/04/27, USD200mn of ADSEZ 4 07/30/27 and USD125mn of ADSEZ 4.375 07/03/29, early tender consideration at 97.0, 97.0, and 94.75, respectively, for bonds tendered before 29 Jul'25
- **[BHP]** BHP signed memorandums of understanding with CATL and BYD unit on battery-powered solutions in mining operations
- **[FIRPAC]** First Pacific JV tapped to build USD1.5bn expressway project in Vietnam
- **[GEELY]** Geely Automobile increases cash offer for full control of Zeekr to up to USD2.4bn

- **[MITSCO/NIPSTL]** Nippon Steel and Mitsui to assist Peabody in acquisition of Anglo's Queensland mines
- **[NSANY]** Nissan to transfer Oppama plant production to Kyushu facility in Fukuoka Prefecture
- **[SUMIBK/YESIN]** Media reported SMFG looks to buy another 5% stake in Yes Bank for USD1.1bn

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