

## 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

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- *This morning, LGNSO 27-35s widened 2-3bps. ZHOSHK 28 tightened another 1bp. BBLTB 34-40s tightened 2-5bps. The new CNH CB 30/35/55 were 0.1-0.3pt lower from ROs at par. Vanke obtained another loans from SZ Metro. VNKRL 27-29s were 0.3-0.4pt lower this morning. See below.*
- **YLLGSP:** *Further buy back of YLLGSP 5 1/8 05/20/26. We change our recommendation to neutral from buy in view of less attractive valuations relative to its peers such as GRNCH and VNKRL. See below.*
- **China Policy:** *Economic rebalancing as the priority. CMBI expects the policy implementation window may not open until 4Q25 when durable goods retail sales will sharply slow down due to higher yoy bases and lower policy stimulus effects; may have stronger motivation to rebalance economic after a potential trade deal with the US. See below for comments from CMBI economic research.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, in KR, LGNSO 26-35s were 6-12bps tighter following media report that LG Energy signed a USD4.3bn contract to supply lithium iron phosphate (LFP) batteries to Tesla. In Chinese IGs, the long end of CNOOC/JD 39-50s were 0.4-0.7pt lower (1-3bps wider). ZHOSHK 28 tightened another 8bps amid AM clients chasing. In financials, MIZUHO/SUMIBK Float 30-31s were 1bp tighter. NTT Float 30/NTT 35/NOMURA 35 were unchanged to 1bp wider. CCAMCL/ORIEAS 30s widened 1-2bps on some profit taking. In insurance, NSINTW 34 widened 1bp, SHIKON 35 widened 3bps. MYLIFE/NIPLIF 55s and FUKOKU/SUMILF Perps were up 0.1-0.2pt. AT1s remained sought after by AMs/PBs. UBS 6.85/BNP 7.375/HBC 6.5/STANLN 7.625 Perps were up 0.1-0.4pt. In HK, the new LIFUNG 29 was up 1.0pt from RO at 98.89. LASUDE/LIHHK 26 were up 0.8-0.9pt. NWDEVL 27-31s/Perps were unchanged to 0.6pt higher. MTRC Perps were up 0.1-0.2pt on Chinese AM buying. In Chinese properties, Yanlord announced it has further repurchased USD46.65mn in principal amount of its sole o/s USD bond YLLGSP 5 1/8 05/20/26. See comments below. VNKRL 27-29s were down 0.1pt. Last night, SZ Metro granted Vanke another 3yr loan of RMB869mn at 2.34% (LPR-66bps), and SZ Metro has granted seven loans totaled RMB21.97bn since Feb '25. See comments below. ROADKG 29s were 0.1-0.5pt lower.

Outside properties, EHICAR 26/27 were up 0.4-1.2pts, closed 1.7-2.8pts higher WTD. In SE Asia, ADSEZ 27-31s were up 0.1-0.2pt following the early tender offer results. The other Adani complex bonds were 0.1pt lower to 0.2pt higher. See our comments on [30 Jul '25](#). VLLPM 29 lowered 0.8pt.

In CNH space, the new CNH CCAMCL 2.35 29/CCAMCL 2.43 30 were 0.2-0.6pts lower from ROs at par. Meanwhile, the new CNH TEMASE 30/35/55 and CHMEDA 30/35 were under better selling and closed 0.1-0.6pt lower. In CNH LGFVs, KCGZIG priced 3yr CNH1.4bn bond at par to yield 2.65% (IPT at 3.3% area). There were two way interests on CNH names LUOYNG 7 26s/QHCTJS 7 28s and USD new issues BINHCO 4.95 28s/DAZAKI 7 28s. In SOE perps, SPICPD Perp was up 0.1pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GWFOOD 3.258 10/29/30	86.3	2.5	JMUDIV 6.9 05/30/27	97.1	-1.3
EHICAR 7 09/21/26	71.1	1.2	MTRC 5 1/4 04/01/55	98.8	-1.0
LIFUNG 8 3/8 02/05/29	99.9	1.0	TSIVMG 1.55 12/17/29	70.5	-1.0
LASUDE 5 07/28/26	54.9	0.9	VLLPM 9 3/8 07/29/29	65.8	-0.8
LIHHK 4.8 06/18/26	88.6	0.8	JD 4 1/8 01/14/50	79.8	-0.7

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.12%), Dow (-0.38%) and Nasdaq (+0.15%) were mixed on Wednesday. US Fed kept the benchmark interest rate unchanged. US Jul'25 ADP Nonfarm employment was +104k, higher than the market expectation of +77k. US 2Q25 GDP was +3.0% qoq, higher than the market expectation of +2.5%. Trump said he would impose a tariff of at least 25% on India, though later added that the two sides were still in negotiations. UST yield was higher on Wednesday, 2/5/10/30 yield at 3.94%/3.96%/4.38%/4.89%.

#### ❖ Desk Analyst Comments 分析员市场观点



##### ➤ VNKRL: Another loans from SZ Metro

Vanke obtained secured loans of no more than RMB869mn from SZ Metro. The final maturity of these loans will be on 2 Jul'28, and funding cost is 1-yr LPR-0.66%, i.e. 2.34% at the current LPR level. The funding cost of 2.34% is the same as those of other loans provided by SZ Metro. The loans will be secured by assets (IPs, fixed asset and unlisted shares) valued at RMB1.3bn, implying an average LTV of c67%. Cumulatively, SZ Metro has provided Vanke with loans totaled RMB22.7bn, out of these, c59% was on an unsecured basis. Offered at 81.4 and 73.3, VNKRL 3.975 11/09/27 and VNKRL 3 1/2 11/12/29 are trading at YTM of 13.8% and 11.6%, respectively. Despite VNKRLs rose 25-30pts YTD, we consider the valuation of VNKRLs undemanding with further upside potential given SZ Metro's strong support and Vanke's more manageable offshore debt maturities. We also believe that the current valuations of VNKRLs have already priced in Vanke's recent [profit warning on its 1H25 results](#). Hence, we maintain buy on VNKRLs.

**Table 1: Bond profiles of VNKRL**

Security name	o/s amt (USD mn)	Maturity	Coupon	Offer price	YTM
VNKRL 3.975 11/09/27	1,000	11/9/2027	3.975%	81.4	13.8%
VNKRL 3 1/2 11/12/29	300	11/12/2029	3.500%	73.3	11.6%

##### ➤ YLLGSP: Further buy back of YLLGSP 5 1/8 05/20/26

Yanlord announced it has further repurchased USD46.65mn in principal amount of its sole o/s USD bond YLLGSP 5 1/8 05/20/26, reducing the o/s amt of the bond to USD379.66mn. Recalled that Yanlord has announced the repurchases of USD32.99mn in Apr'25, and USD40.7mn in early Jul'25. At 99.9, YLLGSP 5 1/8 05/20/26 is trading at YTM of 5.2%. While we continue to view Yanlord as one of the survivors in the sector and like the credit story of Yanlord, we change our recommendation on the bond to neutral from buy in view of the unappealing valuation.

Despite weaker FY24 results, Yanlord continued to generate positive free cash flow, supporting notable net debt reductions over the past few years. Additionally, Yanlord has a good financial flexibility offered by its IPs and manageable debt maturity profile. According to the CRIC statistics, Yanlord recorded contracted sales of RMB8.9bn in 1H25, representing yoy decrease of 21% from 1H24.

**Table 1: Our Chinese properties recommendations**

Bonds	Maturity	Ask px	YTM
CHJMAOs	Apr'26-Jul'29	90.3-100.3	5.2-9.4%
DALWAns	Jan'26-Feb'26	96.6-98.5	14.5-18.0%
FUTLAN/FTLNHDs	Oct'25-Jun'28	93.6-99.3	8.2-13.8%
GRNCH 8.45 02/24/28	2/24/2028	102.7	7.3%
LNGFORs	Apr'27-Jan'32	74.2-92.0	8.6-9.3%
VNKRLEs	Nov'27-Nov'29	73.4-81.7	11.6-13.7%

Source: Bloomberg.

### ➤ China Policy: Economic rebalancing as the priority

The Politburo meeting yesterday signals a shift of China's macro policy towards economic rebalancing with a dual focus on boosting household consumption and addressing rat-race supply competition. Although the meeting did not provide many specific policy details, the logic and direction of the policy are already clear. Whether China can escape deflation will be a key indicator for assessing the effectiveness of economic rebalancing. We expect China to boost consumption through measures such as extending subsidies for durable goods, promoting service consumption, strengthening social security, increasing transfer payments, and expanding consumer credit supply. To reduce supply-side competition, China may eliminate local protectionism, address excess capacity, and standardise local investment incentives. The deflationary outlook for some industries may gradually improve. However, the policy implementation window may not open until 4Q25 when durable goods retail sales will sharply slow down due to higher year-on-year bases and lower policy stimulus effects and China may have stronger motivation to advance economic rebalancing after a potential trade deal with the US. Both renminbi exchange rates and Chinese stocks may gain further upward momentum in 4Q25, in our view.

**Macro policy shift towards economic rebalancing.** China's weak household consumption and excess capacity are creating deflationary pressures, damaging corporate profits and confidence, suppressing asset prices, lowering interest rates, threatening banking stability and causing trade tensions. The Politburo has vowed to boost domestic consumption and address rat-race competition, which is a strong signal for economic rebalancing. The policy direction for China's economic rebalancing is to stimulate domestic consumption, reduce manufacturing capacity, expand fiscal stimulus, support a strong RMB, increase imports and reduce exports.

**How to boost domestic consumption.** First is the trade-in subsidies for autos, home appliances, mobile phones and other durables. Building on the successful experience in 4Q24, China has expanded the trade-in program to a budget of RMB300bn in 2025, with potential upward adjustments in 4Q25. Second is to support service consumption growth. The Politburo said prioritizing integrated development of culture, sports, tourism and commerce. For example, sports events and festivals will be linked to tourism packages to boost local

economies. Third is social security enhancement to boost consumer confidence. The MoF will provide Chinese households childcare subsidies with RMB3,600 per child under 3 years old, costing about RMB100bn annually. The government is also planning to provide free preschool education and the annual fiscal spending is estimated to reach RMB400bn. We expect these two policies could boost household consumption by 0.6% and nominal GDP by 0.25%. Additionally, the government plans to expand social security for part-time workers and gig economy participants and enhance tiered welfare systems for low-income groups, potentially through increased transfer payments. Fourth is fiscal interest subsidies for service business loans and consumer loans. To promote the growth of service sector and consumer spending, the government will provide discounted-interest loans to service enterprises and consumers. This aims to lower financing costs and unlock pent-up demand. Fifth is agricultural reflation in a gradual manner. It will benefit farmers by lifting their disposable income and consumption and alleviate deflationary pressure by boosting food prices.

**How to address rat race competition.** First is to build a national unified market by dismantling local protectionism, harmonizing market rules and improving logistics connectivity. Second is to control capacity expansion in targeted sectors like steel, cement, non-ferrous metals through environmental and technological standards. Third is to restrict local governments' competition in investment promotion through tax cuts, land price discounts or various subsidies to attract businesses.

**Fiscal and monetary policy outlook.** We expect fiscal policy and monetary policy to remain accommodative and stable in 3Q25 as the economic growth in 1H25 was higher than the 5% target. Fiscal policy will accelerate existing budget execution, emphasizing efficiency over additional stimulus. Monetary policy will remain accommodative with easing liquidity condition. In 4Q25, China might expand its fiscal stimulus and loosen monetary policy with additional RRR and LPR cuts for two reasons. First, GDP growth might drop to below 5% as exports are likely to soften and durables consumption growth is expected to sharply slow down due to higher comparison base and lower policy stimulus effect. Second, China is likely to make stronger commitment to economic rebalancing after a possible trade deal with the US.

**Implications for the market.** 3Q25 might see a weakening of fundamentals and increased deflation pressure with no additional easing policies. Bond yields and RMB exchange rates may mildly decline with fluctuations in Chinese stocks. 4Q25 may witness renewed momentum in bond yields, RMB exchange rates and Chinese stocks thanks to possible additional fiscal expansion and consumption stimulus. Economic rebalancing policies are generally favourable for leading companies in consumer staples, raw materials, industry, financials and agriculture.

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

➤ **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	Pricing	Issue Rating (M/S/F)
Chengdu & Europe Industrial Zone Operation and Management	USD	-	3yr	7.3%	Unrated

➤ **News and market color**

- Regarding onshore primary issuances, there were 66 credit bonds issued yesterday with an amount of RMB38bn. As for month-to-date, 2,033 credit bonds were issued with a total amount of RMB2,110bn raised, representing a 12.8% yoy increase
- China promises to crack down on excessive competition hurting key industries
- Hong Kong seeks to ease capital controls to woo property buyers from mainland China
- **[AACTEC]** Moody's revised the outlook of AAC Technologies to positive from stable, attributed to improvements in profitability and ongoing diversification in product offerings and customer base; affirmed Baa3 rating
- **[HSBC]** HSBC's subsidiary Hang Seng Bank's NPL reached 6.69% as of Jun'25, from 6.12% as of Dec'24
- **[JD]** JD.com launches cash offer to buy German retailer Ceconomy for USD2.6bn
- **[LGINOT]** LG Innotek to invest up to USD50mn in US-based Aeva
- **[MEITUA]** Prosus sold shares valued at USD250mn in the past two weeks and may continue reducing its less than 5% stake in Meituan, after Meituan announced plans to start expanding in some of Prosus' territories such as Brazil
- **[NSANY]** Nissan Motor Jan-Jun'25 global production falls 10.8% yoy to 1.44mn units; 1Q26 revenue falls 9.7% yoy to JPY2.7tn (cUSD18.2bn)
- **[SJMHO]** SJM's satellite casino, Grandview Casino in Taipa, ceased operations on 30 Jul'25 prior to the end of the transition period in Dec'24. Of the ten satellite casinos still in operations, two are in the negotiation process of being acquired by the gaming operator while the remaining eight will cease operations by Dec'24
- **[SKENMV/SKINNV/SKONKR]** SK On to be merged with unit SK Enmove for stable cash flow
- **[TPHL]** Times China fulfills all scheme conditions, scheme effective date occurs on 30 Jul'25. The RED will take effect upon satisfaction or waiver of all the restructuring conditions by the longstop date on 30 Sep'25
- **[VNKRLE]** China Vanke to receive up to RMB869mn (cUSD121mn) 3-year loan from Shenzhen Metro Group at 2.34% and pledge RMB1.3bn assets as collateral

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