

CMBI Credit Commentary

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

- The new PETMK/MTRC 30-55s tightened 1-3bps this morning. BABA/HAOHUA/XIAOMI 27-35s were unchanged to 2bps tighter following S&P's one notch upgrade on Xiaomi. VNKRL 27-29s declined 0.9-1.1pts. MYLIFE 55s/NIPLIF 54s were up 0.1pt.
- **ZHOSHK:** Weaker FY24 results but signs of stabilizing in 2H24. Buy on ZHOSHKs, prefer ZHOSHK 5.98 01/30/28. ZHOSHKs were unchanged this morning. See below.
- **China Economy:** PMI shows continued recovery momentum. CMBI expects the PBOC may cut RRR soon in 2Q25 by 50bps and then cut policy rates by 20bps in 2H25. See below for comments from CMBI economic research.

❖ Trading desk comments 交易台市场观点

Yesterday, SG was off and investors sidelined ahead of Trump's 20% universal tariff updates on 2 Apr '25. The new PETMK/MTRC 30-55s widened 3-5bps. The recent new issues AVIILC Float 30s widened 3bps following AVIC Industry Finance's proposal of delisting on last Friday night. Indeed, we do not consider the delisting a piece of negative news as this could mean the central SASAC-owned AVIC to privatize and wholly own AVIC Industry Finance. In Chinese IGs, BABA/HAOHUA 27-35s were 2-10bps wider. MEITUA 28-30s widened 2-4bps despite Moody's one notch upgrade to Baa1. In financials, BBLTB 40s closed 5bps wider despite some PB buying. CFAMCIs were unchanged to 0.2pt lower. See our comments on [31 Mar '25](#). In EU AT1s and insurance hybrids, BNP/BACR Perps were unchanged to 0.3pt lower despite some PB buying. MYLIFE 55s/NIPLIF54s were down 0.1pt. In HK, REGH Perp dropped 2.6pts following the announcement to defer distribution payment. NANFUN/HYSAN Perps declined 0.6-1.0pts. In Chinese properties, VNKRL 27-29s dropped 1.6-1.9pts. FTLNHD 25-26s and LNGFOR 32s declined 0.9-1.0pt. On the other hand, CHIOLI 29-43s were up 0.2-0.6pt. GRNCH 25-28s were unchanged following FY24 results. Greentown China said it [would](#) consider new USD bond issuance during earnings call. Outside properties, EHICAR 27s declined 0.5pt. In India and Indonesia, ADGREGs/ADSEZs/ADTINs were down 0.2-0.9pt. MEDCIJ 29s declined 0.3pt. The long end of INRCINs/RILINs/PLNIJs were 0.9-1.3pts higher in light of lower rates.

In LGFVs, CPDEV 25-26s were under better selling and closed 0.1pt lower. There were two way interests on CNH papers such as SHAHEI 27s/CHTOCO 26s. The flows on higher yielding papers were skewed to better buying. In SOE perps, COFCHK/CHPWCN Perps were down 0.1pt. 27s/CHTOCO 26s. The flows were skewed to better buying in high-yielding papers. In SOE perps, COFCHK/CHPWCN Perps were down 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
INRCIN 3.95 02/13/50	78.6	1.6	REGH 6 1/2 PERP	44.2	-2.6
RILIN 4 7/8 02/10/45	89.4	1.5	VNKRLE 3 1/2 11/12/29	60.1	-1.9
RILIN 3 5/8 01/12/52	69.9	1.1	VNKRLE 3.975 11/09/27	70.0	-1.6
PLNIJ 4 7/8 07/17/49	80.6	1.0	HYSAN 4.85 PERP	68.6	-1.0
PLNIJ 4 06/30/50	69.6	0.9	LNGFOR 3.85 01/13/32	71.1	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.55%), Dow (+1.00%) and Nasdaq (-0.14%) were mixed on Monday. Trump said tariffs would essentially cover all countries, stoking worries a global trade war could lead to a recession. UST yield retreated on Monday, 2/5/10/30 yield at 3.89%/3.96%/4.23%/4.59%.

❖ Desk Analyst Comments 分析员市场观点

➤ ZHOSHK: Weaker FY24 results but signs of stabilizing in 2H24

Buy on ZHOSHKs, prefer ZHOSHK 5.98 01/30/28

Zhongsheng (rated Baa2/BBB/BBB by Moody's/S&P/Fitch) reported weaker FY24 results due mainly to negative gross margin of new car sales. The results should not be a surprise given the weak 1H24 results. Indeed, we note the negative gross margin of new car sales narrowed in 2H24. Additionally, the impact of weak new car sales was partly mitigated by the growing contributions from used car sales, as well as accessories and after-sales services which contributed an average of c90% of Zhongsheng's aggregate profit over the past 5 years. Furthermore, the funding exercises since Jul'24 have considerably shored up its liquidity and relieved its refinancing pressure over the coming 1-2 years. We consider ZHOSHKs good shorter-dated carry plays and maintain buy on ZHOSHKs. Out of the outstanding ZHOSHKs, we prefer ZHOSHK 5.98 01/30/28 for better trading liquidity.

Table 1: Summary of Zhongsheng's o/s bonds

Ticker	ISIN	Ccy	Size (mn)	O/S (mn)	Coupon	Maturity	Offer px	Z-spread	YTM
ZHOSHK 0 05/21/25 CB	XS2171663227	HKD	4,560.0	3,124.0	0.0%	5/21/2025	116.7	83.8	4.8%
ZHOSHK 3 01/13/26	XS2278364075	USD	450.0	157.8	3.0%	1/13/2026	97.9	165.3	5.7%
ZHOSHK 5.98 01/30/28	XS2867272630	USD	600.0	600.0	6.0%	1/30/2028	99.7	244.4	6.1%

Source: Bloomberg.

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

➤ China Economy: PMI shows continued recovery momentum

Manufacturing PMI in Mar maintained its recovery momentum as both new orders and production robustly expanded. However, the deflation pressure lingered as both raw material purchase and ex-factory price indexes further contracted. Corporates were reluctant to expand capex and inventory investment, as both inventory of raw materials and finished goods were subdued. Service PMI edged up with improving demand while construction PMI further expanded, although both were weak compared to historical seasonal patterns. Thanks to the improving housing market, strong durables sales as well as the broadening trade surplus, GDP in 1Q25 may have reached 5.2% on our estimates. However, China could face intensifying external headwinds in April and May, as Trump's reciprocal tariffs and extreme pressure tactics could dampen global trade activity,

business investment and market confidence. China may consider additional stimulus policies to boost domestic consumption in June or July. The PBOC may cut RRR soon in 2Q25 by 50bps and then cut policy rates by 20bps in 2H25.

Manufacturing PMI recovered as both new orders and production robustly expanded. Manufacturing PMI edged up to 50.5% in Mar from 50.2% in Feb, almost in line with market expectation of 50.4%. Demand continued its recovery trend since last Sep, with new order index rising to 51.8% in Mar, the peak in 12 months, from 51.1%, while production index edged up to 52.6% from 52.5%. However, deflation pressure lingered as raw material purchase price dropped to contraction and ex-factory price index contracted further. Corporates remained hesitant on sustainability of demand improvement, as both inventory of raw materials and finished goods further contracted. Breaking down by sector, other transportation equipment, computer and electronic equipment saw high growth in both new orders and production, while wood processing & furniture, and oil & coal contracted. Small & medium enterprises notably rebounded to 49.6% and 49.9%, while large enterprises moderated to 51.2%.

Non-manufacturing PMI climbed up. Service PMI inched up to 50.3% in Mar from 50, with new order index rebounding from 45.9% to 47.1%, contracting at a slower pace. Price index of final sale and employment index both further contracted, indicating weakening domestic demand and deteriorating labor market conditions. Breaking down by sector, activities in water & air transportation, postal services, telecom, broadcasting & TV, and the monetary market services remained in high prosperity; while dining, public utility and entertainment & sports contracted. Construction PMI climbed up to 53.4% in Mar following work resumption after CNY, although the indexes of new orders, sales price and employment broadly deteriorated.

External headwinds may intensify in Q2, calling for additional policy stimulus. We expect the GDP to reach 5.2% in 1Q25 due to the continuing recovery in housing demand, strong durables sales, as well as the broadening trade surplus. The recent breakthrough in AI technology and shifting policy focus on demand side should support near-term business sentiment and consumer confidence. However, China could face intensifying external headwinds heading into Q2, as Trump's reciprocal tariffs and extreme pressure tactics might dampen global trade activity, business investment and market confidence. China may consider additional policy stimulus on household consumption in June or July. The central government could support local authorities to provide birth grants to young couples and additional subsidies to the social insurance system. The PBOC may cut RRR soon in 2Q25 by 50bps and then cut policy rates by 20-30bps in 2H25.

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

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Zhengzhou Jianzhong Construction and Development (Group)	41.8	3yr	7.2%	7.2%	Unrated

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Hongkong International (Qingdao) Company	USD	-	3yr	5.9%	-/-/BBB+
Huzhou Wuxing State-Owned Capital	USD	-	3yr	6.3%	Unrated

➤ **News and market color**

- Regarding onshore primary issuances, there were 35 credit bonds issued yesterday with an amount of RMB23bn. As for month-to-date, 2,167 credit bonds were issued with a total amount of RMB1,799bn raised, representing a 9.6% yoy decrease
- **[CHIOLI]** China Overseas Land FY24 operating profit drops 34.1% yoy to RMB26.7bn (cUSD3.7bn)
- **[FTHDGR]** Fantasia extends closing date of offshore debt revamp to 30 Apr'25
- **[JD]** JD.com industrial tech unit, JD Industrials, to raise up to USD1bn from revived Hong Kong IPO
- **[MEDCIJ]** Medco Energi FY24 revenue rises 6.7% yoy to USD2.4bn
- **[MEITUA]** Moody's upgraded Meituan to Baa1 with stable outlook
- **[MOLAND]** Modern Land (China) unable to publish FY24 results by 31 Mar'25; share trading remains suspended
- **[SKYFAM]** Skyfame Realty extends longstop date of proposed restructuring to 31 Mar'26
- **[VNKRLE]** China Vanke FY24 revenue down 26.3% to RMB343.2bn (cUSD47.2bn); proposed to offer new H shares representing up to 20% of its existing H shares
- **[XIAOMI]** S&P upgraded Xiaomi to BBB on strong consumer electronics performance and good EV momentum; outlook stable

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