

CMBI Credit Commentary

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

- *This morning, we saw better buying on front-end Japanese IG names. There were two-way flows in the LGFV space with better buying on higher-grade LGFVs, while better selling on higher-yielding LGFVs. VLLPM 9 3/8 07/29/29 gained 2.3pts. VNKRLE 29 were 0.6pt higher. EHICAR 26 was down by 1pt.*
- **HANSEN/HSBC:** *Negative impact to CET1 ratio resulting from privatization of Hang Seng Bank to be temporary. We should monitor if privatization of Hang Seng Bank one of the steps towards spinning off HSBC's Asia Pacific operations. There were two-way flows on HSBC front-end AT1s this morning, and the other HSBC bonds were largely stable. See below.*
- **BABA:** *Alibaba announced that it has completed its exchange offer for BABA 4.875 05/26/30, BABA 5.25 05/26/35 and BABA 5.625 11/26/54. BABAs and China TMT benchmarks were unchanged this morning.*

❖ **Trading desk comments 交易台市场观点**

Yesterday was another quiet day as mainland China was still out on holiday. AMs were rebalancing positions for cash across the spaces. Spreads were largely unchanged in Asia IG space. There was cash-parking demand on front-end FRNs of Australian banks/Korean corps and financials. In Japan space, we saw better buying from PBs on MARUB/MITCO/MITHCC/MIZUHO/MUFG/NTT. In TW lifers space, PBs bought CATLIF 5.95 07/05/34 and NSINTW 5.45 09/11/34, while the rest of the space was quiet. FAEACO 12.814 Perp continued its growth momentum and rose another 6pts. LASUDE 5 07/28/26 gained 2.7pts. Lai Sun Development completed an HKD3.46bn (cUSD444.6mn) loan refinancing. MTRC Perps was 0.1pt higher. NWDEVLs were 0.5pt lower to 0.2pt higher. In Chinese properties, GRNLGR 28-31s lowered 0.2-0.6pt. VNKRLE 27-29s were 0.1pt lower to 0.1pt higher. In Australia, FMGAU 4 3/8 04/01/31 increased by 1.2pts. In Southeast Asia, GARUDA 31s rose 4.5pts on back of the news that Garuda will receive USD1.4bn cash injection from Danantara. GLPSP was 0.1pt lower to 0.1pt higher. Media report that GLP has received interests from Middle East institutions for a strategic investment, and the size of fund raise is expected to be cUSD1bn. VLLPM 27-29s dropped 1-3.2pts. IHFLIN 27-28s were 0.6-0.7pt lower. VEDLN 28-33s were down by 0.1-0.4pt. See our comment [yesterday](#) on the recommendation of VEDLN 9.475 07/24/30. French AT1s bounced back by up to 0.3pt as the market continued to digest the development of political headlines.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蒨瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Yujing Zhang 张钰婧
(852) 3900 0830
zhangyujing@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FAEACO 12.814 PERP	62.4	5.7	VLLPM 7 1/4 07/20/27	59.7	-3.2
GARUDA 6 1/2 12/28/31	92.3	4.5	VLLPM 9 3/8 07/29/29	48.5	-1.0
LASUDE 5 07/28/26	67.9	2.7	IHFILIN 8.95 08/28/28	105.2	-0.7
FMGAU 4 3/8 04/01/31	96.7	1.2	IHFILIN 9.7 07/03/27	104.5	-0.6
TENCNT 3.68 04/22/41	86.1	1.0	CFAMCI 5 1/2 04/27/47	97.4	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.58%), Dow (-0.00%) and Nasdaq (+1.12%) were mixed on Wednesday. 2/5 years UST yield was higher on Wednesday, yet 10/30 years UST yield was lower. 2/5/10/30 yield was at 3.58%/3.72%/4.13%/4.72%.

❖ Desk Analyst Comments 分析员市场观点

➤ HSBC: Negative impact to CET1 ratio resulting from privatization of Hang Seng Bank to be temporary

This morning, HSBC announced the privatization of its 63.4% owned Hang Seng Bank at HKD155 per share, representing c30% premium of over the last close of Hang Seng Bank. The total consideration is cUSD13.6bn and will be funded with HSBC's internal resources. The privatization plan is a surprise to us despite we saw active M&A activities in European banking sector. There are many speculations on the rationale of privatization including the concerns on Hang Seng Bank's exposure to CRE. We would argue against the "bail-out" arguments, taking cues from the 30% premium HSBC will pay for the privatization after shares of Hang Seng Bank were up 24.5% YTD. Indeed, HSBC has been putting HK as one of its strategic priorities. As per the press release for the privatization plan, HSBC will retain the brand of Hang Seng Bank. Over the years, there have been lots of market talks on spinning off HSBC's Asia Pacific operations. We should monitor if privatization of Hang Seng Bank one of the steps towards that direction.

In terms of the immediate impact to HSBC, the privatization will lead HSBC's CET1 ratio to drop 125bps from 14.6% as of Jun'25 on a pro-forma basis. Nonetheless, we believe that the negative impact to its capital ratio to be temporary. As per HSBC, it expects its CET1 ratio to restore to the target range of 14.0-14.5% through organic capital generation. It will also suspend share buyback for the coming 3 quarters. We maintain neutral on HSBCs on valuation. Amongst major European banks, we prefer BACRs and INTNEDs for better risk return profile.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Development Bank of Kazakhstan	500	5yr	4.85%	4.85%	Baa1/-/BBB
Dubai Aerospace Enterprise	650	5yr	T+90	T+90	Baa2/-/BBB
Mamoura	750	10yr	4.625%	T+55	-/AA/AA
Republic of Indonesia	600/ 1250	5.5yr/ 10.5yr	4.3%/ 4.9%	99.758/ 99.594	Baa2/BBB/BBB

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Onshore primary issuances suspend during the National Day Holiday
- Chinese consumer spending slowed during the recently concluded eight-day Golden Week holiday
- **[ADANI]** Adani Group seeks INR300bn (cUSD3.4bn) to fund Navi Mumbai airport's second terminal
- **[BABA]** Alibaba announced that it has completed its exchange offer for BABA 4.875 05/26/30, BABA 5.25 05/26/35 and BABA 5.625 11/26/54
- **[GARUDA]** Garuda will receive USD1.4bn cash injection from Danantara, and convert USD405mn loan into shares
- **[INCLEN/RNW]** ReNew Energy Global agrees to sell solar projects of 300MW to Sembcorp at USD200mn valuation
- **[JD]** JD.com agreed to sell two local on-demand delivery businesses Dajiang Network Technology (Shanghai) and Dasheng (HK) Investment to JD Logistics for USD270mn
- **[LENOVO]** Lenovo 3Q25 PC shipments rose 17.3% yoy to 19.4mn units
- **[NSANY]** Nissan Motor is in talks with US-based Ford Motor and Stellantis to supply EVs based on its best-selling Rogue crossover
- **[PDD]** PDD-owned discount e-commerce site Temu is being investigated by German competition authorities over pricing practices with its sellers
- **[SOFTBK]** SoftBank-owned British chip designer Graphcore to invest USD 1bn in India; agrees to buy ABB's robotics division for enterprise value of USD5.4bn
- **[VEDLN]** India's NCLT defers Vedanta demerger hearing to 29 Oct'25

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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