

CMBI Credit Commentary

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

- *Asian IG space was unchanged to 2bps tighter. Developers edged higher, NWDEVLs further rose 0.1-0.3pt, DALWANs and VNRKLEs were unchanged to 0.2pt higher.*
- **Chinese Leasing:** *Lower conviction but strong technical remains, supported lower onshore funding costs and net redemption. See comments below.*
- **China Economy:** *2025 China Economic Outlook - Sailing against all odds. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, BABAs/TENCNTs were 1-2bps tighter. MEITUAs tightened 2bps. See our comments on [10 Dec '24](#). In financials, FRESHK 26-27s closed 2-3bps tighter. See our comments below on [Chinese](#) leasing sector. HRINTH 25-27s, however, closed unchanged to 2bps wider. NANYAN/BNKEA/DAHSIN T2s tightened 1-2bps. BCLMHK/CMINLE/CSILTD Float 25-27s and EIBKOR/WSTP/MUFG Float 26-29s were unchanged to 2bps tighter. EU AT1s were firm on RM adding risks despite some PB selling. SOCGEN 8.5/HSBC 6.95 Perps were up 0.1pt. MQGAU 6.125/WSTP 5 Perps were 0.2-0.3pt higher. In JP, NIPLIF 51-54s closed unchanged to 0.1pt lower. Media reported Nippon Life is in talks to buy Bermuda-based insurer Resolution Life in a deal would be worth around USD8.2bn. In HK and Chinese properties, NWDEVLs bounced another 1.0-2.0pts after the rebound of 1.0-2.6pts on Mon. ROADKGs, FTLNHDs/FUTLANs, LNGFORs were 0.4-1.3pts higher after the gain of 0.6-1.2pts on Mon. VNRKLEs were up another 0.4-0.6pt after the increase of 1.2-2.1pts on Mon. CHJMAOs were up 0.1-0.4pt. Outside properties, WESCHI/EHICAR 26s were 0.4-0.5pt higher. FOSUNI 26-27s were up 0.2-0.3pt. Media reported Fosun Tourism proposed HKD7.8/share buy-back to shareholders, and its share-listing will be withdrawn. In India, COGREN 27s/CGRNEG 33s rose 0.3-0.4pt following Continuum Green Energy filed an IPO draft prospectus to raise up to INR36.5bn (cUSD430mn). VEDLN 29-31s were up another 0.6-0.9pt and closed 1.5-3.0pts higher MTD.

In LGFVs, WUXIND/BCDHGR 26s were 0.2-0.3pt higher. SECGRP 25s were up 0.1pt following Moody's revised Shanghai Electric Holdings' rating outlook to positive. The high-yielding LGFVs such as CNH SHAHEI 27s/HBGGDS 26s were sought after by RMs. In SOE perps, CHPWCN 4.25/HUANEN 3.08 Perps were up 0.1-0.2pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 4 1/8 PERP	53.6	2.0	CHGRID 4 3/8 05/22/43	95.0	-0.7
NWDEVL 4.8 PERP	40.9	1.9	CNOOC 3.3 09/30/49	77.1	-0.5
ROADKG 5.9 09/05/28	47.5	1.3	RILIN 3 5/8 01/12/52	73.2	-0.5
ROADKG 5 1/8 01/26/30	40.7	1.3	BABA 4.4 12/06/57	83.6	-0.5
NWDEVL 5 1/4 PERP	69.2	1.3	RILIN 4 7/8 02/10/45	92.7	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.30%), Dow (-0.35%) and Nasdaq (-0.25%) were weak on Tuesday. UST yield edged higher yesterday, 2/5/10/30 yield reached 4.15%/4.09%/4.22%/4.41%.

❖ Desk Analyst Comments 分析员市场观点

➤ Chinese Leasing: Lower conviction but continue to benefit from lower onshore funding costs

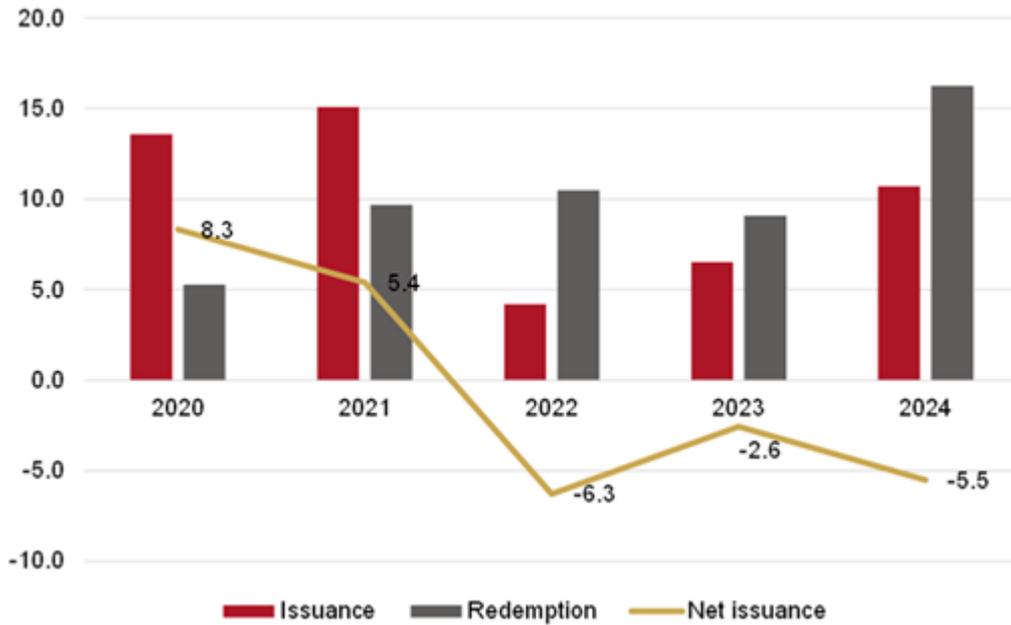
We see a lower conviction level in Chinese leasing space. That said, the technical of the sector remains strong given issuers' good access to lower-cost onshore funding channels and net redemptions since 2022. In view of high schedule maturities over the coming 3 years, we believe that the net supply, if not net redemption, will remain small. Hence, we are more selective but still like bonds of financial leasing companies offering better yield pick-up over bonds of their bank parents and peers. Our picks in the subset of financial leasing companies are **BCLMHK Float 07/14/25**, **BCLMHK Float 06/26/27** and **BCLMHK Float 08/23/27** given their better trading liquidity and more decent yield than peers. Meanwhile, we changed our recommendation on CDB Leasing's senior bonds CDBALF'27 and CDBLFD'26/27 to neutral from buy on valuation after price increase since Jul'24. For the subset of commercial leasing companies, our picks remain **FRESHKs** in view of Far East Horizon's diversified operations, stable profitability and good access to funding channels.

Table 1: Our Chinese leasing picks

Bond	ISIN	Amt o/s (USDmn)	Px	Z-spread (bps)	YTM (%)	Issue rating (M/S/F)
BCLMHK Float 07/14/25	XS2176772205	450	100.7	-	5.4	A3/-/A
BCLMHK Float 06/26/27	XS2849213058	650	100.0	-	5.3	A3/-/A
BCLMHK Float 08/23/27	XS2886030811	400	100.1	-	5.3	A3/-/A
FRESHK 3.375 02/18/25	XS2109200050	300	99.6	103	5.6	-/BBB-/
FRESHK 4.25 10/26/26	XS2393797530	300	97.2	188	5.8	-/BBB-/
FRESHK 6.625 04/16/27	XS2800583606	500	101.3	209	6.0	-/BBB-/
FRESHK 5.875 03/05/28	XS2886144232	550	99.5	221	6.1	-/BBB-/

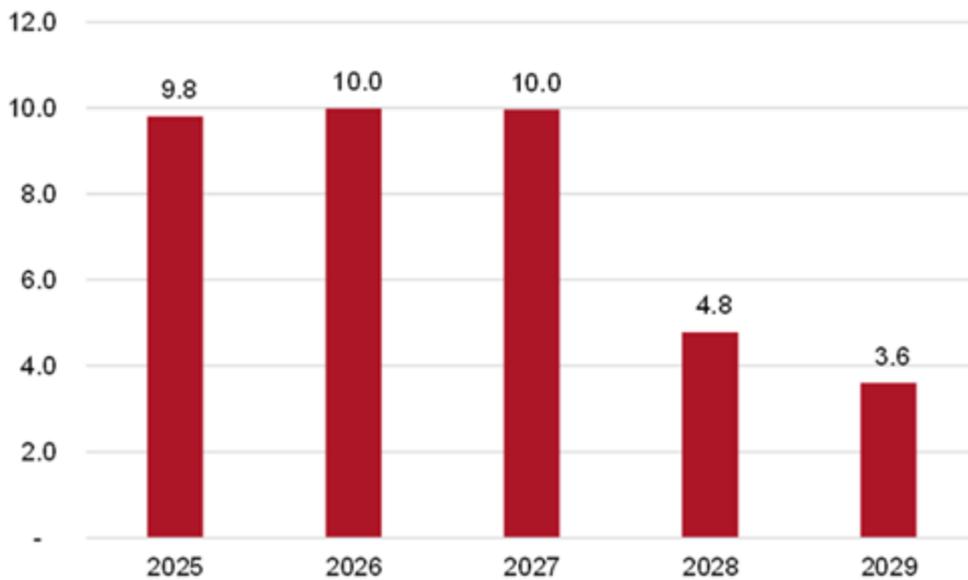
Source: Bloomberg.

Chart 1: Chinese leasing USD bonds issuance and redemption (USD bn)



Source: Bloomberg.

Chart 2: Chinese leasing USD bonds maturity profile (USD bn)



Source: Bloomberg.

Financial Leasing: Parental support to remain strong

We expect that financial leasing companies with outstanding USD bond issuances will continue to receive strong support from their parent banks in view of the cross default or acceleration clauses, with USD25-50mn threshold, of their USD bonds. Currently, all Chinese financial leasing companies with outstanding USD bonds are consolidating entities of their bank parents and their default or acceleration of payments will trigger the cross default of acceleration of payments of their respective parents. We expect the support such as credit lines from parents to be forthcoming in view of the strong financial positions of parents, cross default and acceleration clauses and majority shareholdings.

Maintain buy on active BCLMHK floaters....

Within this subset, we maintain buy on BCLMHK floaters which have better trading liquidity, i.e. BCLMHK Float 07/14/25, BCLMHK Float 06/26/27 and BCLMHK Float 08/23/27, as lower beta plays. The active floaters was traded at YTM of 5.3%-5.4% and offer yield pick-up of 16-39bps over BOCOM's senior bonds with similar tenor. Besides, BOCOM Leasing's operating performance remained solid. In 1H24, its revenue and net profit increased 6.9%/7.2% yoy to RMB15.1bn/RMB2.1bn, respectively. As of Sep'24, BOCOM Leasing's Tier-1 capital adequacy ratio and capital adequacy ratio rose to 11.44%/12.37% from 11.40%/12.25% in 2Q24 and were higher than the requirements of 8.5%/10.5%.

.... and changed recommendation on CDBALF'27 and CDBLFD'26/27 to neutral from buy

Meanwhile, we changed our buy recommendations on CDBALF'27 and CDBLFD'26/27 to neutral on valuation after their 1.5-2pts increase since Jul'24 when CDB Leasing announced its parent CDB exploring the sale of its 64.4% stakes in CDB Leasing. Recalled that the bondholders of three senior bonds could put their bonds at 101 under COC clause if CDB no longer holds a major shareholding in CDB Leasing. [See our comments on 4 Jul'24](#). Nonetheless, we do not expect the sale of CDB leasing stakes to be closed in the near term, taking cues from the 3-year renewal of connected transactions framework agreements related to deposit, financing and service between CDB Leasing and CDB for another in Dec'24.

News measures to enhance the risk management of financial leasing companies

In Sep'24, China NFRA published the new "Measures for the Administration of Financial Leasing Companies" with effective from Nov'24 to tighten the risk management of financial leasing companies. The new version had replaced the old one implemented in 2014. The new measures increased financial leasing company's minimum registered capital requirement to RMB1bn from RMB100mn and the minimum shareholding from main shareholder to 51% from 30%.

Besides, the additional requirements under the new measures include minimum leverage ratio of 6%, maximum total assets/net assets of 10x, minimum coverage ratio of 100% and minimum leasing receivable provision rate of 2.5%. We consider Chinese financial leasing companies benefited from the new measures for stronger shareholder supports, the more detailed regulatory requirements also help financial leasing companies to refine their risk management frameworks.

Table 2: Cross default clauses to shareholders

Ticker	Shareholder	Shareholding	Shareholder's cross default	Cross default with shareholder	Cross default threshold (USD mn)
BCLMHK	Bank of Communication	100%	Y	the Issuer or any of its subsidiaries	25
CCBL	China Construction Bank	100%	Y	the Bank or any of its subsidiaries	25
CDBALF	China Development Bank	64.4%	Y	the Bank or any of its subsidiaries	50
CMINLE	China Merchants Bank	100%	Y	the Bank, any relevant branch or any of the Bank's subsidiaries	25
MSFLCZ	Minsheng Bank	55.0%	Y	the Bank or any of its subsidiaries	25
ICBCIL	ICBC	100%	Y	the Issuer or any of the Bank's subsidiaries	30

Source: Company fillings, CMBI Research.

Commercial leasing: Maintain buy on FRESHKs

Compared with other Chinese commercial leasing peers, Far East Horizon (FEH) has more diversified operations and better profitability. FRESHKs offer more attractive risk-return profiles than those of peers such as BOCAVIs, CHNAARs and PINIFL.

More diversified operations and better profitability

FEH's revenue and profit have steadily increased since FY19 despite the pandemic. We expect FEH's operating performance and asset quality to remain stable in view of its diversified leasing asset base. We also expect its

liquidity profile to remain adequate given its smooth access to low-cost onshore funding. Compared with BOCAVI and CHNAAR which focus on aircraft leasing, FEH had demonstrated a more stable profitability trend over the past few years, given its exposure to more cyclical sectors such as construction, aviation and shipping is lower.

Table 3: Comparison of major commercial leasing players

	Company	Total revenue (RMB mn)	Total asset (RMB mn)	ROA	ROE	NPL ratio	Net debt/ EBITDA	Total debt /total asset
FY22	BOCAVI	16,841	161,118	0.09%	0.38%	N/A	13.5x	68.6%
	CHNAAR	3,299	51,536	0.14%	1.59%	N/A	11.9x	81.5%
	FRESHK	36,586	346,995	1.93%	14.13%	1.05%	14.9x	84.9%
	PINIFL	19,603	258,499	1.38%	8.34%	1.17%	10.6x	55.1%
FY23	BOCAVI	14,959	174,988	3.30%	13.95%	N/A	11.3x	68.4%
	CHNAAR	3,911	55,720	0.05%	0.63%	N/A	10.3x	84.4%
	FRESHK	37,960	351,483	1.98%	12.99%	1.04%	16.1x	84.4%
	PINIFL	19,164	240,024	1.10%	6.39%	1.22%	10.3x	52.6%
1H24	BOCAVI	7,675	175,829	3.80%	15.58%	N/A	10.7x	66.9%
	CHNAAR	2,070	59,606	0.43%	6.13%	N/A	9.8x	85.6%
	FRESHK	18,036	361,642	1.30%	8.49%	1.04%	18.6x	83.7%
	PINIFL	9,810	265,922	1.51%	9.30%	N/A	N/A	74.2%

Source: Company fillings, CMBI Research.

Access to different funding channels despite reliance on short-term funding

FEH returned to the offshore USD bonds market in 2024 by issuing two USD bonds, FRESHK 6.625 04/16/27 and FRESHK 5.875 03/05/28, totaled USD1.1bn, and redeemed FRESHK 2.625 03/03/24 of USD500mn. Meanwhile, FEH also redeemed and cancelled USD249.1mn of FRESHK 0 06/15/26 (CB) in Jun'24 pursuant to the exercise of put option by bondholders.

FEH, as other leasing peers do, relies on short-term funding and around half of FEH's total debts are due within a year since FY19. Its weighted average tenor of onshore bonds shortened to 1.4 years in 2024 from 2.3 years in 2019 due to increasing issuance of super-short commercial papers (SCP), of which the funding cost is lower. We believe that these changes reflected the fact that FEH turned to a shorter tenor market to manage the higher funding costs.

We expect FEH to refinance its short-term debts in various funding channels, and to lower its average financing cost by raising short-term financing. We take comfort from FEH's continued access to low-cost onshore funding. YTD, the weighted average coupon rate of its onshore bonds issued in 2024 is 2.84%, down from 4.03% in 2023.

Table 4: Weighted average cost and tenor of FEH's onshore bond issuance

	MTN	Corporate bond	Commercial paper	Super-short commercial paper	Weighted average tenor (years)	Weighted average cost
2020	3.35%	3.47%	-	1.85%	2.3	4.63%
2021	4.09%	3.65%	-	3.14%	1.4	4.41%
2022	3.76%	3.63%	-	2.39%	1.9	4.06%
2023	4.97%	4.51%	4.35%	3.39%	1.1	4.03%
2024	3.34%	3.12%	-	2.44%	1.4	2.84%

Source: Wind, CMBI Research.

➤ China Economy: 2025 China Economic Outlook - Sailing against all odds.

China has shifted its top priority to boosting growth and is likely to keep its 2025 growth target at 5% to show its commitment to growth. Policymakers will focus on stabilizing the housing and stock markets, boosting consumption and promoting technological innovation. Macro policies are likely to be highly accommodative with higher broad fiscal deficit ratio, easing liquidity condition and stabilizing credit growth. China's economy will continue to recover with a more active stock market, less housing decline, continued consumption rebounding and moderate earnings improvement. However, the sustainability of the recovery may face a Trump shock, putting China's economic resilience and policy commitment to test.

China economy faces challenges like the Trump 2.0 shock, property slump, deflation risk and structural problems. Trump's 30% tariffs on China and 10% tariffs on others may cause China's constant-price GDP to lose 0.7%. China's property market needs more time to rebalance supply & demand as its weakness remains a drag on the economy. Deflation risk continues to cast a shadow on economy as it dampens consumption, adds debt burden and weakens earnings prospects. China also faces structural problems like an aging population, urban-rural dichotomy, and weakened market incentives.

The policy has been shifted to strong easing to support growth. Fiscal policy will be more expansionary while the tone of monetary policy has shifted from prudent to moderately easing for the first time since the global financial crisis in 2009. Policies will focus on stabilising the housing & stock markets, boosting consumption, and promoting technological innovation. The progress of policy easing will depend on economic dynamics and the timing of the Trump shock.

Fiscal policy will be more expansionary. General fiscal deficit, local government (LG) special bond quota, and special T-bond quota may respectively rise from 3.1%, 3% and 0.8% of GDP in 2024 to 3.7%, 3.2% and 1.5% of GDP in 2025. Incremental funds will be used to relieve local fiscal distress, inject capital to large banks, stabilize the housing market, improve livelihoods of the poor and renew the equipment & durables 'trade-in' subsidy program. The Trump shock may prompt China to focus on boosting consumption, but we think large-scale fiscal transfers to households are unlikely.

Monetary policy will be more accommodative. Liquidity may be materially abundant with RRR, money market rate and LPR cuts by 100bps, 30bps & 20bps respectively in 2025. Government and household demand for credit may improve, yet corporate borrowings could remain weak. Outstanding social financing and loans may pick up 8% and 8.1% at end-2025 after rising 7.8% and 8% at end-2024. US\$/RMB might rise from 7.30 at end-2024 to 7.50 at end-2025 with Trump's 30% and 10% tariffs on China and others in 2H25. US\$/CNY might reach 7.80 at end-2025 under the scenario of 60% and 20% tariffs on China and other countries.

China economy may continue to improve with GDP growth at 5.1% in 1H25 as the policy stimulus will boost domestic demand and exporters will front-load shipments in anticipation of higher tariffs. As the policy stimulus effect might diminish and trade conflicts may come, however, we expect GDP growth to slow to 4.3%-4.7% in 2H25. GDP growth might fall from 4.9% in 2024 to 4.7% in 2025 and 4% in 2026, with the contribution of net exports down from 1.2ppt to 0.6ppt and -0.4ppt. The contributions of consumption and fixed investment should rise.

Deflation pressure might decline in 2025 yet rise again in 2026. CPI growth may rise from 0.3% in 2024 to 0.6% in 2025 and fall to 0.4% in 2026; PPI might continue to fall, with the decline narrowing from 2.1% in 2024 to 0.3% in 2025 and widening to 0.7% in 2026; and the GDP deflator may drop 0.7% in 2024 and rise 0.2% in 2025 before zero growth in 2026.

Exports of goods might rise 4.5% in 1H25 as overseas interest rate cuts will boost capex and durables demand and tariff expectations will cause front-loading of trade shipments. However, export growth may fall to 2.2% in 2H25 as trade conflicts hit trade. For the full year, we expect exports and imports of goods to grow 3.3% and 2.2% in 2025 after rising 5.2% and 1.8% in 2024. Their growth rates might further decelerate to 0.2% and 0.4% in 2026.

The property contraction is likely to moderate. Housing demand might see a short-term recovery thanks to continued policy stimulus and rebounding urban migrant population after economic reopening. However, most cities still face a state of oversupply and need more time and efforts to rebalance supply and demand. Property sales in terms of gross floor area and property development investment may drop 7% and 9.3% in 2025 after decreasing 14% and 10.4% in 2024. Market performance should vary by region, as tier-1 cities are likely to take the lead in possible stabilization. In the medium to long term, however, increments of both urban population and per capita living space could decline, putting additional downside pressure on incremental housing demand.

Household consumption might moderately recover. We estimate the growth rates of retail sales and nominal service GDP to respectively rise from 3.7% and 4.6% in 2024 to 4.7% and 5.5% in 2025. Durables consumption may outperform thanks to the housing sales recovery and 'trade in' subsidies.

Fixed asset investment growth may reach 3.4% in 2024 and 3.7% in 2025 thanks to narrower declines of property development investment. The drag of property development investment on GDP growth is likely to decline from 2.3ppt to 2.1ppt. Manufacturing and infrastructure investment growth is likely to fall from 9.3% and 9.2% in 2024 to 8.5% and 8.7% in 2025.

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➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Anhui Xihu Investment Holdings	121	3yr	7.5%	7.5%	-/-/-

➤ 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

- Regarding onshore primary issuances, there were 141 credit bonds issued yesterday with an amount of RMB124bn. As for month-to-date, 681 credit bonds were issued with a total amount of RMB649bn raised, representing a 59% yoy increase
- **[ADSEZ]** Adani Ports SEZ withdraws USD553mn loan request from DFC for Sri Lanka port project
- **[CRHZCH]** China Resources Land completed redemption of all outstanding USD1.05bn CRHZCH 3.75 PERP
- **[FOSUNI]** Fosun International's unit Fosun Tourism Group proposed HKD7.8/share buy-back; share listing to be withdrawn
- **[GRNLGR]** Greenland Holding Group announces USD8bn guaranteed MTN programme
- **[LMRTSP]** Lippo Malls Indonesia Retail Trust trustee elected not to pay distribution on SGD120mn perps

- [NWDEVL] Media reported that New World Development sold industrial building 'Artisan Lab' in Hong Kong for HKD620mn

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