

CMBI Credit Commentary

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

- *This morning, the new BCHINA '29 FRN was 12bps wider from RO at SOFR+38bps. The new KOREAN '31 was 4bps tighter from RO at T+65bps. Asia IG spread was overall unchanged amid selling flows. CKINF 4.2 Perp rose 2.8pts. GLPSP 4.6Perp/CHIYBK 8 Perp rose 0.3-0.5pt. On the other hand, GENTMK 8.3 Perp was 0.6pt lower. SOFTBKs were 0.4pt lower to 0.4pt higher.*
- **BBLTB:** Strong capitalization cushions earnings pressure in 9M26. BBLTBs were unchanged this morning. See below.
- **China Economy:** 2026 growth target within reach; a harder test in 2027. CMBI maintains 2026 GDP growth forecast at 4.6%, with growth moderating from 4.7% in 1H26 to around 4.6% in 2H26. See comments from CMBI economic research below.

❖ Trading desk comments 交易平台市场观点

Asia IG traded softer yesterday, with selling across China TMT, Taiwan lifers, Japanese bank FRNs, Japanese corporates and Thai banks driving spreads 2-5bps wider. Buying interest remained selective, focused on short-dated higher-yielding names such as FRESHK, as well as Hong Kong bank T2s. Korean credit remained under pressure, widening 2-4bps, led by financials subs (TYANLI and bank T2s), low-beta names trading around the +60bp area, and exporters (HYNMTR/HYUELE/LGENSO). KRW strength added to concerns around exporters against an already risk-off backdrop. Utilities names KEPCO- and KOROIL-linked bonds bucked the broader weakness, recovering to close 1bp tighter as local accounts stepped in with block-sized buying on the dip.

In higher-yielding space, European bank AT1 remained weak and dropped 0.1-0.3pt. SOFTBK curves retreated 0.5-1.9pts under selling flows from AM. In Greater China, LGFV space was overall stable with active two way flows. Chinese property developers GRNCH/LNGFOR decreased 0.1-0.3pt. NWDEV/LVDNWDL were unchanged to 0.5pt lower. Chinese HY names BTSDF/HONGQI/WESCHI down 0.1-0.2pt. CNH TMTs were also weak, BABA/MEITUA/TENCNT were unchanged to 0.4pt lower.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CKPH 3 1/2 PERP	54.8	0.9	SOFTBK 8 1/4 10/29/65	90.0	-1.9
RIOLN 5 7/8 03/14/65	94.7	0.8	SOFTBK 7 5/8 04/29/61	90.3	-1.7
TACHEM 5.8 07/05/64	91.8	0.7	SOFTBK 7 1/2 07/10/35	90.0	-1.6
GLENLN 5.893 04/04/54	92.6	0.7	JAPSP 7.95 05/12/31	94.7	-1.5
GLENLN 6.141 04/01/55	95.7	0.7	PACLTD 7.45 09/29/31	94.2	-1.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.28%), Dow (+1.02%) and Nasdaq (-0.02%) were mixed on Tuesday. UST yield was lower yesterday. 2/5/10/30 year UST yield was at 4.79%/4.94%/5.12%/5.42%.

❖ Desk Analyst Comments 分析员市场观点

➤ BBLTB: Strong capitalization cushions earnings pressure in 9M26

Bangkok Bank (BBLTB)'s 9M26 results reflected continued earnings pressure from Thailand's lower-rate environment. In 9M26, NII declined 10.2% yoy to THB84.8bn as NIM narrowed 34bps to 2.47%, reflecting the cumulative impact of policy rate cuts since Feb'25. Non-interest income fell 14.6% yoy to THB37.0bn, mainly on lower investment gains. Despite a 4.6% yoy reduction in opex, the cost-to-income ratio deteriorated to 48.2% from 44.7% on a lower income base. ECL declined 13.9% yoy to THB25.4bn, partly mitigated the earnings decline. Net profit fell 21.6% yoy to THB30.0bn. ROAE and ROAA fell to 6.91% and 0.86% in 9M26, respectively, from 8.99% and 1.12% in 9M25.

Asset quality metrics improved modestly from Jun'26, with NPL coverage ratio strengthened to 322.1% as of Sep'26 from 306.3%. NPL ratio declined to 3.2% from 3.3% over the same period, reflected both a lower gross NPL balance and loan book growth. Loan grew 3.2% YTD, driven by large corporates and international lending, slightly above the initial full-year growth target of 2-3% yoy. Capitalization remained robust, its CET1/Tier 1 ratio rose to 17.1% as of Sep'26 from 16.9% as of Jun'26, while total CAR increased to 21.5% from 21.4%, comfortably above regulatory minimums. We continue to view the risk of a non-viability event as low over the medium term.

We remain cautious on Thai SME and retail borrowers amid weak domestic demand and elevated household debts. BBLTB's international franchise provides diversification away from domestic conditions. We expect the BOT to maintain its policy rate at 1.0% though year-end, in view of the unchanged GDP forecast and inflation expectation. Overall, we view BBLTB's solid capital adequacy should cushion the near-term earnings weakness and asset quality volatility, and remain supportive to its credit profile together with its diversified franchise. We maintain buy on BBLTB 3.466 09/23/36 (first call in Sep'31) and BBLTB 6.056 03/25/40 (first call in Mar'35). BBLTB has track records of first-call redemptions, and we expect BBLTB to continue to call its subordinated bonds on the first call dates, taking cues from its sufficient capital buffer and track records for early redemptions.

➤ China Economy: 2026 growth target within reach; a harder test in 2027

China's economy showed tentative signs of stabilization as real GDP growth recovered to 4.5% YoY in 3Q26 from 4.3% in 2Q26. September's modest pickup in consumption and narrowing investment contraction suggest that domestic activity is beginning to stabilize, supported by continued export strength and likely faster

deployment of existing fiscal resources. However, the foundation for a broader recovery remains fragile in our view. Property activity continued to deteriorate, with the selective recovery in first-tier new-home sales yet to translate into a broad improvement in developers' cash flow. Meanwhile, households' high propensity to save reflects persistent caution in private confidence, which should continue to weigh on consumption and housing demand. Higher upstream prices have yet to translate into broad pricing power, leaving downstream firms exposed to rising costs and limiting the benefits of reflation. With GDP up 4.6% YoY in the first three quarters, growth of about 4.3% in 4Q26 would be sufficient to reach the annual target's 4.5% lower bound, reducing the urgency for broad additional stimulus within the year. We believe the harder test lies in 2027, when export growth may normalize while the transition in property financing and weak household confidence continue to constrain domestic demand. Sustaining growth will require policy support to strengthen household and developer cash flow alongside continued investment in strategic technologies. We maintain our 2026 GDP growth forecast at 4.6%, with growth moderating from 4.7% in 1H26 to around 4.6% in 2H26.

Growth stabilized, but the quality of reflation remained uneven. Real GDP growth rose to 4.5% YoY in 3Q26, higher than market expectation at 4.4%, while sequential growth improved to 1.2% QoQ from 0.9%. Average monthly industrial growth increased to 5.1% from 4.6% in 2Q, while services production was broadly unchanged at 4.4% and retail sales improved to 0.7% from 0.2%. Nominal GDP growth edged up to 6.0%, with the GDP deflator positive at 1.4%. This improves the aggregate revenue environment, but September PPI inflation of 5.0% and industrial input-price inflation of 6.9%, against CPI inflation of 0.9%, suggest that cost pressure is rising faster than pricing power over final demand. Upstream producers may benefit while downstream firms face margin pressure. More durable reflation requires stronger household demand and broader income growth to absorb higher prices.

Property market showed selective stabilization while financing and construction weakened. Gross floor area sold fell 13.2% YTD by September, versus -12.1% in August, while property investment fell 26.2%. New starts declined 24.9% YTD and developer funding fell 21.6%, confirming continued pressure on future construction, with rebounds in tier-1 cities alone yet to generate a broad recovery in developer cash flow. Price signals were less negative, as tier-1 existing-home prices rose 0.2% MoM, and nine of the 70 surveyed cities recorded gains, up from three in August. However, nationwide existing-home prices still fell 0.3%. As per market data from Wind, the recovery rate of new-home transactions tracking 30 cities compared to the corresponding 2018-2019 average dropped to 32% in Oct from 35.2% in Sep. Tier-1 cities moderated to 6.4% YoY in Oct from 10.7% while tier-2 and -3 cities further declined to 34.3% and 26.6% in Oct. Second-hand home sales saw better recovery, surging 25.3% YoY in 12 major cities. Separately, the transition toward completed new-home sales should reduce delivery risk but requires developers to finance more construction before collecting buyers' payments. With domestic loans to developers down 33.1% YTD, inadequate replacement financing could depress new starts further even as prices stabilize. This creates a risk that the construction and local-fiscal drags could persist into 2027. Support needs to combine project completion and viable inventory purchases with financing adapted to the new sales model.

Consumption improved, but holiday timing and prices flattered the rebound. Retail sales rose 1.1% YoY in September from 0.4% in August, better than market expectations at 0.7%. Some improvement extended across staple and discretionary categories, but the earlier Mid-Autumn Festival shifted holiday demand into September from October last year, making it more useful to assess the two months together. Nominal price effects also mattered, as petroleum-related sales declines narrowed to -0.8% from -7.0%, while telecom equipment sales rose 31.1%, supported by higher electronics prices. These gains do not establish a broad recovery in purchase volumes. Autos remained the largest weakness, falling 21.2%, while appliances grew only 1.9% and furniture declined 3.0%, consistent with the demand payback after earlier subsidies and continuing housing weakness. Services remained more resilient, with service retail sales up 5.0% YTD. Nevertheless, national real per-capita income grew 4.4% in the first three quarters, versus only 2.7% growth in consumption

expenditure. The implied urban savings rate reached 39.2%, compared with 38.3% a year earlier and 36.2% in the same period of 2019. Households therefore continue to hold back spending despite income growth. Employment security, social protection and housing confidence remain central to a durable recovery.

Investment stabilized at a depressed level, led by manufacturing. Urban FAI fell 7.2% YTD in September, better than market expectations at -7.5% and unchanged from August. But the estimated monthly contraction narrowed to -7.2% from -10.6%, following a 12.8% decline in July. Manufacturing investment led the recovery, with its estimated monthly decline narrowing to -0.9% from -6.1%. Infrastructure investment also improved to an estimated monthly decline of -10.5% from -14.7%, although it remained deeply negative. Falling land-sale revenues and debt obligations still constrain local matching funds, while October's RMB550bn release of unused debt quota provides partial relief whose investment impact depends on disbursement and project readiness. Property investment deteriorated further, showing that the improvement was not uniform. Electronics investment accelerated to 9.6% YTD from 8.1% in August, whereas auto and special-equipment investment remained down 6.3% and 8.9%. Private investment fell 10.4% YTD, versus a 3.2% decline for state-controlled entities, indicating that stronger public execution has yet to restore private-sector risk appetite. We expect further stabilization as existing funds reach projects, but the breadth of the recovery will depend on local fiscal capacity, expected returns and clearer policy signals around production capacity.

Industrial strength persisted, although the technology impulse moderated. Industrial output rose 5.5% YoY in September from 5.2% in August, inline with market expectations, while export delivery value accelerated to 17.0% from 11.1% and goods exports increased 36.3% in US-dollar terms. However, manufacturing growth edged down to 6.0% from 6.1%, with mining's rebound helping lift the headline. Within technology, integrated-circuit output growth slowed to 18.4% from 20.6%, and industrial-robot growth eased to 18.9% from 34.6%. Smartphone and microcomputer output continued to contract, by 26.6% and 17.0%, showing substantial divergence within electronics. At the same time, some traditional sectors improved, as cement's decline narrowed to -5.3% from -11.7%, and crude steel returned to slight growth of 0.1%. Better construction conditions and project execution may have helped. We would not call a technology-cycle peak on these readings, particularly when electronics investment is accelerating. The more important risk is the trade risk and tech products ban. A slowdown could weaken several sources of growth simultaneously, increasing the need for a stronger domestic-demand offset in 2027.

Policy should support the 2026 outcome while the case for rebalancing strengthens in 2027. With the annual GDP growth target within reach, we expect policymakers to prioritize execution of existing budgets, bond proceeds and targeted measures. October's RMB550bn allocation of unused LG debt quota adds financing capacity to local governments, but the net demand impulse depends on how much reaches new activity after existing fiscal obligations are met. Releasing funds for ready projects can support growth more quickly than announcing projects with long preparation periods. We therefore expect modest further improvement in 4Q, aided by easier year-earlier comparisons, while allowing for volatility around quarter-end spending and holiday timing. Broad monetary easing is less urgent near term, although it should remain available if activity disappoints. The balance may change in 2027 if external growth normalizes before household and property demand recover. Further supply-side support alone would then struggle to sustain growth, strengthening the case for household-income support, social protection, local-fiscal repair and financing for the transition to completed-home sales. We will watch the year-end Politburo meeting and Central Economic Work Conference for changes in spending priorities. We retain 4.6% growth for 2026, with upside toward 4.7% if September's stabilization persists. We believe a stronger 2027 outlook requires convincing progress in household spending, property cash flow and fiscal execution.

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

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bank of China Johannesburg Branch	250	3yr	SOFR+38	SOFR+38	A1/-/A
Chongqing Wansheng Industrial Park Development and Construction	82.15	3yr	5.3%	5.3%	Unrated
Korean Air Lines	300	5yr	5.5%	T+65	Aa2/-/-
PLS Group	700	6NC2.5	8.0%	8.0%	Ba3/BB-/BB

➤ Offshore Asia New Issues (Pipeline)

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

➤ News and market color

- Regarding onshore primary issuances, there were 137 credit bonds issued yesterday with an amount of RMB162bn. As for month-to-date, 937 credit bonds were issued with a total amount of RMB1,046bn raised, representing a 42.5% yoy increase
- [NWDEVL/VDNWDL]** NWD issued USD189.127mn VDNWDL 7.375 12/05/32 in exchange for all early accepted bonds totaled USD199.081mn; expects to issue additional USD0.19mn VDNWDL 7.375 12/05/32 in exchange for USD0.2mn NWDEVL 5.875 06/16/27 accepted as of expiration date

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