

CMBI Credit Commentary

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

- *AT1s were down 0.1pt this morning amid selling flows. We saw better selling on MEITUA, but the spread was unchanged. VNKRL 27-29 rose another 1.5-1.7pts. LNGFOR 28 edged 0.4pt higher. YPCORP 29 was 0.6pt lower.*
- **NWDEVL/VDNWDL:** *Investors approached on possible investment in NWD. NWDEVLs/VDNWDLs rose 0.7-7.3pts yesterday and were 0.2pt lower to 0.1pt higher this morning. See below.*
- **China Policy:** *Signals for economic rebalancing CMBI expects China's economic rebalancing and global liquidity easing should support stocks, commodities, and EM currencies through 1H26. This momentum may face challenges in 2H26 if resurgent US inflation sparks liquidity fears and a stronger greenback. See comments from CMBI economic research below.*

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❖ Trading desk comments 交易台市场观点

In Chinese IG space yesterday, there were balanced two-way flows on MEITUA and KUAISH, with slightly better selling on the 10yr issues, but the bonds closed unchanged. In contrast, ZHOSHK benefited from Chinese AM buying and tightened 1bp. ORIEAS/CCAMCL papers with shorter than 5yr tenor tightened 1-3bps. In HK, FRESHK curve tightened 3-5bps, especially with global real-money buying FRESHK 28-29. BNKEA T2s traded mixed two-way: better-selling flows on BNKEA 27s were offset by stronger buying interest in BNKEA 32-34. The NWDEVL/VDNWDL complex surged 0.7-7.3pts on back of market rumors that Blackstone is in advanced discussions to become NWD's single biggest shareholder. See comments below. LASUDE 26 rose 0.9pt. FAEACO 12.814 Perp was 0.5pt higher. EHICAR 26 dropped by 1.4pts. In Chinese properties, VNKRL 27-29 rose another 1.5-1.8pts. Vanke will make partial payment for its 21Wanke02 bonds on 30 Jan'26. SHUION 29/DALWAN 28 gained 0.4pt. DALWAN priced USD360mn new DALWAN 12.75 02/05/28 at 99.572 to yield 13%. See our comments [yesterday](#). LNGFOR 27-32/FUTLAN 28/FTLNHD 26-27 also rose 0.3-1.2pts. In KR space, HYUELE 29s tightened 4bps amid light flows. AU and JP fixed-rate IG credits squeezed 1-2bps tighter but with reduced trading momentum. JP bank FRNs tightened another 1-2bps. JP insurance subs remained better offered in the 10yr callable bucket by PBs. We saw decent two-way flows in Yankee AT1s across Asia and London. In SE Asian space, BBLTB T2s tightened 2-3bps. GLPSP Perps rose 1.1-1.3pts. VEDLN 28-33s were unchanged to 0.4pt higher. INDYIJ 29 lost 0.4pt. MEDCIJ 26-30s were unchanged to 0.2pt lower. In Middle Eastern space, long-end KSAs remained under pressure and lost 0.1-0.3pt. SNBAB 6.15 Perp was 0.1pt lower. SECO 36 traded balanced two way and tightened 1bp. ARAMCO attracted better buying across the curve but closed largely unchanged.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 5 1/4 PERP	76.7	7.3	EHICAR 7 09/21/26	74.4	-1.4
NWDEVL 4 1/8 PERP	68.2	6.2	ACPM 3.9 PERP	65.8	-0.5
NWDEVL 10.131 PERP	76.9	4.2	INDYIJ 8 3/4 05/07/29	100.1	-0.4
NWDEVL 6 1/4 PERP	61.8	4.2	ARAMCO 3 1/2 11/24/70	61.6	-0.4
NWDEVL 4 1/8 07/18/29	83.6	2.8	ACPM 4.85 PERP	81.4	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.13%), Dow (+0.11%) and Nasdaq (-0.72%) were mixed on Thursday. US latest initial jobless claims was +209k, higher than the market expectation of +206k. UST yield was lower on Thursday. 2/5/10/30 year yield was at 3.53%/3.80%/4.24%/4.85%.

❖ Desk Analyst Comments 分析员市场观点

➤ NWDEVL/VDNWDL: Investors approached on possible investment in NWD

Media reported Blackstone is in advanced discussions to become NWD's single largest shareholder. As per NWD's clarification, it confirmed that its controlling shareholder, Chow Tai Fook Enterprises (CTFE), has been approached by several potential investors regarding possible investments in NWD, but no agreement has been reached. Currently, Cheng's family owns c45% of NWD.

Separately, Cheng's family has been reshuffling its group entities over the past few weeks. Cheng's family transferred c54% of Chow Tai Fook Jewellery Group (1929.HK, CTF Jewellery) into Beyond Luck Limited under CTFE, with CTFE now holds c35% of CTF Jewellery. In addition, Cheng's family trusts increased their stakes in CTFE's parent, Chow Tai Fook (Holding) (CTFH), by 9.49% to 90.52%. CTFE is now positioned as the parent company of Cheng's family core businesses, including NWD, CTF Jewellery and CTF Services (0659.HK). Furthermore, CTFE agreed to sell 100% of Australian utility Alinta Energy to Singapore's Sembcorp Industries for AUD6.5bn (cUSD4.3bn). The deal is subject to regulatory approval and is expected to be completed in the 1H26.

We maintain buy on VDNWDL 9 Perp, in view of the higher certainty of coupon payments. We saw a number of corporate actions across the Cheng family's businesses in 2025, and we should not be surprised to see more LME for NWDEVLs, especially focusing on the old perps. We also expect more corporate actions including equity investments to come though the size, timetable and forms of investments remain highly uncertain.

➤ China Policy: Signals for economic rebalancing

In response to economic imbalance with overcapacity, deflation, confidence erosion and trade tensions, China's policymakers have signalled a strategic pivot recently, making "boosting domestic demand" the top economic priority for 2026. Demand-side policies will focus on stabilizing the property market by lowering mortgage rates and purchasing unsold property and stimulating consumption by increasing fiscal subsidies and strengthening the social safety net. On the supply side, a new round of structural reform aims to address overcapacity through reduced supply, stricter regulations on energy saving and environment, and encouraged M&A to boost industry concentration and profitability for leading firms. To mitigate trade tensions, China will employ a four-pronged approach: adjusting VAT rebates, allowing Outward Direct Investment (ODI), supporting strong RMB, and further opening domestic market. The rebalancing process, despite a potential GDP growth target reduction to 4.5%-5% in 2026, is structurally positive in our view. Investors should focus on globally competitive industry leaders, as these efforts are expected to improve their market shares and earnings prospects. China's

economic rebalancing and global liquidity easing should support stocks, commodities, and EM currencies through 1H26. This momentum may face challenges in 2H26 if resurgent US inflation sparks liquidity fears and a stronger greenback.

Economic imbalance state and challenges. China's economic imbalance is primarily characterized by a low consumption ratio, a high investment ratio, a massive trade surplus, and persistent deflationary pressure. Data indicates that Chinese household consumption as a percentage of GDP is significantly lower than the global average, fundamentally driven by an extremely high household savings rate. This high propensity to save, combined with local governments' long-standing pursuit of high GDP growth, has supported a disproportionately high level of fixed asset investment as a percentage of GDP. The continuous expansion of fixed asset investment has accumulated supply capacity that far exceeds domestic consumer demand. This mismatch between supply and demand not only leads to deflationary pressure but also compels enterprises to seek overseas markets, thereby generating a massive current account surplus. More critically, this imbalanced model has exacerbated debt accumulation: once investment surpasses the point of diminishing marginal returns, the efficiency of capital drops sharply. China must spend increasingly on investment to achieve the same unit of GDP growth, which has directly led to a massive buildup of corporate and local government debt. Furthermore, the overcapacity resulting from excessive investment has triggered cut-throat competition or involution across broad industries, severely eroding corporate profitability and business confidence. The reliance on exports to absorb this overcapacity has, in turn, fuelled trade tensions with major trading partners.

Policy signals for economic rebalancing. From late 2025 to early 2026, China's top leadership has sent strong, concentrated signals of a strategic shift towards "demand-side management." The Central Economic Work Conference held in December 2025 explicitly designated "boosting domestic demand" as the top economic priority for 2026, with a commitment to "build a strong domestic market". The conference outlined five "New Musts", positioning the expansion of domestic demand as the core driver for unlocking the economy's full potential, and pledged to adopt a proactive fiscal stance and a moderately loose monetary policy. In January 2026, President Xi Jinping further stressed in a speech to provincial leaders that consumption must become the main engine of economic growth. He clarified specific policy pathways, including increasing urban and rural residents' income through multiple channels, strengthening the social safety net to reduce precautionary savings, and vigorously developing service consumption. Subsequently, at the Davos Forum, Vice Premier He Lifeng publicly stated that China would not deliberately pursue a trade surplus and was willing to transform from the "world's factory" into the "world's market," sharing its development dividends by expanding imports globally. These statements signify a clear strategic pivot from the traditional investment-driven model to a consumption-driven one.

Possible demand-side policies. On the demand side, China is expected to launch a combination of stimulus policies targeting both the property market and consumer spending. To stabilize the property market, the central bank is likely to implement Loan Prime Rate (LPR) cuts by approximately 20 basis points, while the Ministry of Finance (MoF) may provide direct subsidies for new mortgage interest payments. These two measures are expected to lower the effective mortgage financing rate for homebuyers from the current 3.1% to around 2.4%. Furthermore, the MoF and policy banks may enhance cooperation to support local governments to purchase unsold property projects and idle land, transferring them into social housing supply. In the realm of consumption, the policy focus is shifting from simple durable goods subsidies to deeper investment in social development and stronger support to broad service consumption. In addition to extending the "trade-in" subsidy program for home appliances and automobiles, the government has introduced national subsidies for the disabled elderly and multi-child families. Future policy space includes higher tax credits for mortgage interest payments, subsidies for newly registered married couples and parents' spending on childcare services and kindergarten education and stronger support to the unemployed and low-income households. This transition from "investing in physical assets" to "investing in people" aims to alleviate residents' concerns about future expenses by strengthening the social safety net, which is a crucial step toward achieving economic rebalancing. Based on our forecast, total package of new demand-side stimulus may amount to RMB1.55trn or 1.1% of GDP in 2026.

Possible supply-side policies. In response to overcapacity, the Chinese leadership has repeatedly called for the comprehensive rectification of irrational competition. This is widely seen as a prelude to a new round of supply-side structural reform, aimed at combating disorderly price wars. For industries with high overcapacity risks, such as steel, photovoltaics, and new energy vehicles, the central government requires strengthening industry self-discipline, reducing total supply through market-based and law-based means, and promoting staggered production to balance supply and demand. The release of the "Ten Major Cases" by the State Administration for Market Regulation (SAMR) in early 2026 signals a comprehensive escalation of regulatory intensity. Enforcement agencies have adopted a "zero-tolerance" stance, focusing on combating malicious competition achieved through quality reduction and intellectual property infringement. Concurrently, policymakers are encouraging mergers and acquisitions (M&A) within industries, aiming to increase industry concentration, thereby enhancing leading companies' pricing power and profitability prospects. While this "de-capacity and quality-improvement" strategy may temporarily curb economic growth, it is structurally beneficial for dominate corporates in the long run.

Policy pathways to alleviate trade imbalance. To address the increasingly challenging international trade environment, China is adopting a four-pronged approach to alleviate its trade imbalance. Firstly, it comes with mechanized adjustment, which includes lowering VAT tax rebates for certain export products and reaching price commitment or export quota mechanisms with trading partners. For instance, China will gradually cancel the VAT rebate for exports of photovoltaic products and batteries within next 12 months. China and the EU have agreed on a price commitment framework for EV exports, setting a minimum price threshold to replace high anti-subsidy tariffs. Similarly, China and Canada have reached an export quota agreement, allowing an initial 49,000 Chinese electric vehicles to be imported annually at a lower tariff rate of 6.1%, with the quota planned to increase to 70,000 vehicles per year within five years. Secondly, China is allowing firms to make outward direct investment (ODI), effectively "rerouting" the trade surplus by shifting some production capacity overseas. The Ministry of Commerce has emphasized that China values not only the "economy within China" but also the "economic contribution of Chinese enterprises overseas." Thirdly, supporting a relatively strong RMB exchange rate to discourage exports and encourage imports. Given the significant price advantage of Chinese products, a moderate appreciation of the RMB is expected to have limited negative impacts on exports. Finally, China has pledged to further open its market, seeking more free trade deals with lower import tariffs and non-tariff barriers to expand the scale of imports.

Implications for the market. The convergence of China's economic rebalancing and global liquidity easing is poised to bolster risky assets—including equities, commodities, and emerging market currencies—throughout 1H26. To facilitate economic rebalancing and enhance data integrity, China may moderate its 2026 GDP growth target to a 4.5%-5% range, down from 5% in 2025. This adjustment should not be interpreted as a bearish signal for equity markets. On the contrary, "anti-involution" measures and capacity reduction initiatives, while temporarily weighing on fixed investment and industrial output, serve as a tailwind for industry leaders. These reforms are expected to consolidate market share, stabilize producer prices, and enhance earnings visibility for top-tier firms. While the global rally is expected to persist in 1H26 supported by stable US inflation as declining rental inflation may offset rising commodity prices, the outlook for 2H26 is more cautious, in our view. As the downward trend in US rental inflation bottoms out and commodity inflation continues to rise, a potential inflationary rebound could trigger a pivot toward liquidity tightening and a stronger US dollar. Such a shift would likely exert downward pressure on risky assets, particularly those with stretched valuations.

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

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Dalian Wanda	360	2yr	12.75%	13.0%	Unrated
First Abu Dhabi Bank PJS	750	5yr	SOFR+75	SOFR+75	Aa3/-/-

Muthoot Finance	600	4.5yr	5.75%	5.75%	Ba1/BB+/-
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➤ **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 101 credit bonds issued yesterday with an amount of RMB82bn. As for month-to-date, 1,920 credit bonds were issued with a total amount of RMB1,652bn raised, representing a 13.5% yoy increase
- [ADGREG/ADSEZ]** Adani Group plans to raise up to cUSD1.5bn in JPY-denominated bonds and loans across three companies, namely Adani Green Energy, Adani Ports and Special Economic Zone, and Adani Energy Solutions
- [COGO]** China Overseas Grand Oceans proposes to issue 3yr dim sum bond (-/-/BBB) with IPT at 3.75%
- [VNKRLE]** China Vanke to make partial payment for 21Wanke02 onshore bonds on 30 Jan'26 of a fixed redemption arrangement of up to RMB100k for each holder who have voted in favour of certain proposals at the first bondholders' meeting in 2026 and 40% of the principal of the bonds (excluding the principal that has been redeemed through fixed redemption arrangements) with put option exercised together with accrued interest
- [WESCHI]** Media reported the consideration for West China Cement's its proposed acquisition of South Africa-based cement producer AfriSam Holdings is USD150mn
- [YUEXIU]** Yuexiu Property proposes to issue 3yr dim sum bond (unrated) with IPT at 3.85%

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