CMBI Credit Commentary

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

- *MEITUA/KUAISH recovered to 3-5bps tighter this morning. We saw better selling on FRESHKs, particularly on FRESHK 28. FAEACO 12.814 Perp gained 1.6pts higher. EHICAR 26 dropped 2.3pts. ACPM 4.85 Perp/HYSAN 4.85 Perp were 0.6-0.8pt lower.*

- ***VNKRLE:*** *Media report on SZ government's rescue plan for Vanke. VNKRLE 27' and 29' edged 0.1-0.2pt higher after moving 8.0-8.8pts higher yesterday. See comments below.*

- ***China Economy****: China's deflationary pressure continued to ease in early 2026. CPI slowed to 0.2% yoy in Jan, primarily due to a high base effect and volatile food pricing. See comments from CMBI economic research below.*

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

Cyrena Ng, CPA 吴蒨莹
(852) 3900 0801
cyrenang@cmbi.com.hk

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

❖ Trading desk comments 交易台市场观点

Yesterday, the new CHIFEN 7.4 02/13/29 lowered by up to 1.0pt from RO at par amid light flows. The Chinese AMC space was firm overall, with better buying flows across the board from onshore and regional accounts. In contrast, HK bank T2s BNKEA/NANYAN widened 5-6bps on profit-taking flows. Chinese TMTs KUAISH/MEITUA widened 2-5bps amid selling pressure. Moody's affirmed Meituan's Baa1 ratings and revised outlook to negative from stable, reflecting the rising uncertainty on the recovery of Meituan's food delivery business due to intense competition. Higher-beta names FRESHK 26-29s/ZHOSHK 28 closed 7-13bps wider amid incremental selling flows from Chinese real-money accounts. EHICAR 27 dropped another 2.1pts, and EHICAR 26 closed 0.3pt lower. On the other hand, Chinese/HK properties performed strong overall. VNKRLE 27' and 29' surged 8.0-8.8pts on the media reports that the SZ government is preparing an estimated RMB80bn (cUSD11.6bn) rescue plan for Vanke. See comments below. LNGFOR 27-32s/FUTLAN 28/FTLNHD 26-27 edged 0.1-0.4pt higher. Seazen Group raised HKD472.3mn (cUSD60.4mn) through a private share placement to help repay FTLNHD 4.5 05/02/26. LASUDE 26 rose 1.5pts. The NWDEVL/VDNWDL complex gained 0.2-0.9pt. FAEACO 12.814 Perp closed 0.8pt higher. In SE Asian space, PTTGC 31-52s widened 1-5bps, PTTGC Perps leaked 0.1-0.2pt. See our comments yesterday. VLLPM 27-29 were down another 1.0-1.8pts. SMCGL Perps were 0.1pt higher. In KR space, POHANG/SKBTAM/HYNMTR/LGENSO stabilized compared with the previous sell-off session and drifted only 1bp wider in quiet two-way trading. In JP space, we saw selling flows on 10yr bank papers from PBs and Chinese AM accounts. Japanese insurance subs edged 0.1pt firmer, whilst Yankee AT1s leaked 0.1-0.3pt amid better selling flows from AMs. In the Middle East, BSFRs were 0.1pt lower to 0.1pt higher amid active two-way flows. Long-end KSAs traded up to 0.4pt higher on back of real-money and hedge fund accounts lifting.

CMBI Fixed Income
fis@cmbi.com.hk

In LGFV space, we continued to see deployment demand from institutions, lifting offers on the margin and driving yields tighter. Non-LGFV CNH papers remained afloat thanks to demand from cross boarder accounts.

❖ **Last Trading Day's Top Movers**

Top Performers	Price	Change
VNKRLE 3.975 11/09/27	**43.4**	**8.8**
VNKRLE 3 1/2 11/12/29	**41.5**	**8.0**
TTMTIN 4.35 06/09/26	**99.4**	**1.9**
LASUDE 5 07/28/26	**78.4**	**1.5**
NWDEVL 10.131 PERP	**80.9**	**0.9**

Top Underperformers	Price	Change
EHICAR 12 09/26/27	**53.3**	**-2.1**
VLLPM 7 1/4 07/20/27	**51.9**	**-1.8**
NICAU 9 09/30/30	**103.4**	**-1.2**
HAOHUA 5 1/2 03/14/48	**99.9**	**-1.0**
VLLPM 9 3/8 07/29/29	**41.5**	**-1.0**

❖ **Marco News Recap 宏观新闻回顾**

Macro – S&P (-0.00%), Dow (-0.13%) and Nasdaq (-0.16%) were lower on Wednesday. The US Jan'26 Nonfarm Payrolls were +130k, higher than the market expectation of +66k. The US Jan'26 Unemployment Rate was 4.3%, lower than the forecast of 4.4%. The US Average Hourly Earnings in Jan'26 was +0.4% mom, a touch higher than the forecast of +0.3%. The US Crude Oil Inventories was +8.53mn, higher than the market expectation of -0.2mn. UST yield was higher on Wednesday. 2/5/10/30 year yield was at 3.52%/3.75%/4.18%/4.82%.

❖ **Desk Analyst Comments 分析员市场观点**

➢ **VNKRLE: Vanke Bonds Surge on Shenzhen Rescue Plan**

VNKRLE 27' and 29' jumped 8.0-8.8pts yesterday and edged 0.1-0.2pt higher this morning on the media reports on SZ government's rescue plan. As per media reports, the size of rescue plan is RMB80bn, including a share placement of RMB20bn. Whether the size of equity injection is sufficient is under discussions. Furthermore, the new share issue for a loss-making company is also subject to a special regulatory approval. The reported rescue plan is in line with our belief that the central government do not want another high profile default in the property sector as this will undermine the efforts to stabilize property market and stimulate domestic consumption over the past 18 months. We also believe that the SZ government, through SZ Metro, has been incentivized to continue to support the refinancing and maturity extension of Vanke instead of a holistic debt restructuring with principal haircut, after providing shareholder's loans totaling cRMB33bn.

In late Jan'26, Vanke secured consents (40% upfront payment and 60% maturity extension for 1 year) on 2 onshore bonds with original o/s amount totaling RMB5.7bn. It also secured consents to defer the investors' put (40% upfront payment and remaining extended for 1 year) on an onshore bond with original o/s amount of RMB1.1bn. On 27 Jan'26, SZ Metro announced that it would provide a 3-year loan of up to RMB2.4bn (cUSD339mn) to Vanke at 1yr LPR -66bps, or 2.34%, to repay the principal and interest of its public bonds. This is the first shareholder's loan from SZ Metro since it announced the loan cap of RMB22bn in Nov'25. As per our estimates, the total shareholder's loans from SZ Metro should exceed the loan cap already even if we take out the secured shareholder's loan of RMB9.4bn. In view of the progress in maturity extension, Fitch upgraded China Vanke to CC from RD upon completion of the distressed debt exchange and affirmed Vanke HK's CC rating on 9 Feb'26.

In our opinion, Vanke can turn to alternative funding channels such as long-term operating loans or CBICL-guaranteed bonds secured by IPs, funding channels successfully utilized by Seazen over the past 2 years. As of Jun'25, the book value of Vanke's IPs was cRMB152bn. We understand that the book value of pledged IPs were cRMB80bn (vs. cRMB74bn as of Dec'24). Hence, c48% of IPs should remain unencumbered. Assuming a LTV of 50%, Vanke can secure additional financing of cRMB36bn from its unencumbered IPs. This should provide Vanke financial flexibility to deal with public bond maturities. Currently, the total o/s onshore and offshore bonds of Vanke is cRMB27bn, including onshore bonds totaling RMB18bn and offshore bonds totaling USD1.3bn.

We have hold recommendations on VNKRLEs. The total outstanding amount of Vanke's USD bonds is USD1.3bn, and the next offshore maturity will be VNKRLE 3.975 11/09/27 (o/s USD1bn) in Nov'27. Assuming Vanke will pay 40% upon maturity and defer the remaining 60% for 1 and 3 years, we estimate the NPVs for VNKRLEs to be low-60 to high-70 and high-50 to low-70, respectively. We shall continue to monitor the progress of refinancing, government rescue plan, if any, and treatment to offshore creditors comparing with that of onshore creditors.

- **China Economy: Deflation continued to ease**

China's deflationary pressure continued to ease in early 2026. CPI slowed to 0.2% YoY in Jan, primarily due to a high base effect and volatile food pricing. Core inflation remained robust driven by durable goods, tourism and jewellery prices. PPI beat market expectation again as price relation in upstream sectors passed through, particularly the non-ferrous metals, while PPI of consumer goods remained relatively subdued. We expect mild price reflation to continue in 2026 driven by the anti-involution campaign, AI-related investment and global commodities rally, which should improve corporate profitability and support capital-market performance of materials and cyclical sectors. Price reflation remains largely supply-driven right now. We expect further demand-side policies will address the imbalance, including 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. We expect the CPI and PPI to reflate from 0.1% and -2.6% in 2025 to 0.9% and 0.5% in 2026.

Food price dynamics and base effects were the primary drivers behind the shift in headline CPI. China's CPI YoY moderated to 0.2% in Jan from 0.8% in Dec, coming in slightly below the market expectation of 0.4%. In sequential terms, CPI remained flat at 0.2% MoM. Food prices showed weaker than normal seasonality ahead of the Chinese New Year (CNY) with 0% MoM and -0.7% YoY growth. Pork prices saw 1.2% MoM growth, the first time in 17 months, as live hog inventory edged down. Conversely, fresh vegetable prices saw a drop of -4.8% MoM following a prior seasonal peak. Vehicle fuel prices also declined by 1.2% MoM as global crude oil prices stayed soft. We expect headline CPI to rebound to 1.1% in Feb as food price and vehicle fuel prices pick up during the holiday season.

Core CPI remained robust as durable goods price reflated. Core inflation edged down to 0.8% YoY in Jan from 1.2% in Dec due to base effect, while its MoM expanded to 0.3%. Durable goods saw notable price reflation as the holiday approached, with household appliances and telecom equipment rising 0.7% and 0.9% MoM respectively, while transport vehicle prices edged up 0.3% MoM. Other supplies and services including gold jewellery surged 2.7% MoM in Jan, likely contributing significantly to the core inflation reading as gold prices stayed elevated. Service price growth edged up to 0.2% MoM in Jan, as tourism price and home service rose by 1.8% and 1.7% MoM while education and telecom services remained unchanged. Medical services continued their reflationary trend since April, expanding 0.4% MoM in Jan and reflecting the persistent impact of medical service price reforms, while housing rent saw another drop of 0.1% MoM.

PPI sustained its recovery momentum. The YoY contraction of PPI narrowed to -1.4% in Jan from -1.9% in Dec, beating market expectations of -1.5%. The MoM growth reached 0.4%, the highest in 28 months, driven by the pass-through of reflation. Extraction sector dropped 1.7% MoM in Jan after the rally in 2H25 as coal and crude oil & natural gas mining dropped 3.2% and 2.2% respectively, while non-ferrous metals price remained robust. Raw materials and processing sectors rose 0.7% and 0.5% MoM in Jan as chemical products manufacturing and non-ferrous metal smelting & processing rose 0.6% and 5.2% MoM. AI-related sectors including semiconductors and storage device saw notable price increase, while anti-involution sectors including lithium batteries, cement and photovoltaic equipment continued to see price reflation. However, downstream sectors remained subdued, as PPI of consumer goods stayed near flat at 0.1% in Jan MoM. Household necessities and clothing dropped by 0.1% and 0.3% MoM respectively, while durable goods rebounded 0.3% in Jan.

We expect mild price reflation driven by anti-involution campaign, AI-related investment and global commodities rally. We expect the CPI and PPI to reflate from 0.1% and -2.6% in 2025 to 0.9% and 0.5% in 2026, thanks to the anti-involution campaign, AI-related investment and global commodities rally. The rebound in price level should improve corporate profitability and support capital-market performance especially in the materials and cyclicals sectors, as we have seen the total profit growth of industrial enterprises picked up to 0.6% in 2025 from -3.3% in 2024. However, price reflation remains largely supply-driven, led by international non-ferrous metals prices, gold jewellery and vegetables, while consumer demand and downstream pricing power remained soft. Looking forward, we expect demand-side policies to 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.

Click here for the full report.

➢ Offshore Asia New Issues (Priced)

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

➢ 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 72 credit bonds issued yesterday with an amount of RMB50bn. As for month-to-date, 858 credit bonds were issued with a total amount of RMB690bn raised, representing a 615.7% yoy increase

- Sales of New Energy Vehicles (NEVs) in China slumped 18.9% yoy in Jan'26 as Beijing scales back incentives

- **[FIRPAC]** First Pacific's Meralco will spend USD4.65bn on network upgrades and service expansion

- **[FOSUNI]** Fosun-owned insurer weighs Lisbon listing at more than USD3.6bn valuation

- **[FTLNHD/FUTLAN]** Seazen Group raised HKD472.3mn (cUSD60.4mn) through a private share placement to help repay FTLNHD 4.5 05/02/26

- **[MEDCIJ/PETMK]** Medco Energi Internasional's arm has been awarded the operatorship of Cendramas offshore field in Malaysia by Petronas

- **[MEITUA]** Moody's affirmed Meituan's Baa1 ratings and revised outlook to negative from stable due to the rising uncertainty on the recovery of Meituan's food delivery business amid intense competition

- **[PCORPM]** Petron Malaysian unit flags a potential financial hit due to tropical storm Senyar

- **[PETMK]** Petronas launched a bidding round for nine exploration blocks across Malaysia

- **[SAMIND]** Samsung Heavy won a USD321mn deal to build two containerships for an undisclosed African buyer

- **[SHFLIN]** AIIB will provide up to USD250mn on-lending facility to Shriram Finance

- **[STOAU]** Santos flagged a USD137mn impairment loss in 2025

- **[WESCHI]** West China Cement settled tender offer for WESCHI 4.95 07/08/26, USD51.976mn remains outstanding

Fixed Income Department
Tel: 852 3657 6235/ 852 3900 0801
fis@cmbi.com.hk

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