

CMBI Credit Commentary

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

- *The new MITHCC 28 tightened 3bps from RO (CT3+82) this morning. MEITUA 29-30s tightened 2bps. New GESP Perp down 0.6pt from RO at par. LGFVs were skewed to better buying.*
- **MEDCIJ:** *Medco is likely to early redeem MEDCIJ 6.375 01/30/27 in full. Maintain buy on MEDCIJ 28 and 29. See below.*
- **China Economy:** *Uneven recovery in credit growth. CMBI expects the outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易平台市场观点

Yesterday, GESP priced the USD500mn NC7 Perp at par to yield 5.398%. The new KHFC 5.125 '30 and KHFC Float '30 tightened 4bps and 2bps from the ROs, respectively. The recent new HKAA 30s/35s widened 1-2bps, BOCAVI 28s widened 1bp. MUFG/SUMIBK 31-36s were 1-2bps wider. In Chinese IGs, HAOHUA 29-30s were 1-2bps wider, while its 28s tightened 2bps. BABA/TENCNT/MEITUA/LENOVO 28-31s tightened 1-4bps. In financials, CCAMCL 28-30s were unchanged to 2bps tighter. Bank T2s were mixed. DAHSIN 33s tightened 5bps. BNKEA 28s were 1bp tighter, on the other hand, BNKEA 32-34s widened 1-2bps. In AT1s, the recent new BBVASM 7.75/STANLN 7.625 Perps down 0.2pt. UBS 7.75/BNP 7.375 Perps were 0.1-0.3pt lower. In insurance hybrids, NIPLIF 54s/MYLIFE 54s/SUMILF Perp were down another 0.1-0.3pt after the decline of 0.2-0.5pt on Mon. Chinese properties were mixed. LNGFOR 27-32s rebounded 0.7-1.1pts, closed 1.0-1.8pts lower WTD. VNKRL 25-29s were down another 0.2pt, closed 4.2-6.7pts lower WTD. In HK, NWDEVL Perps/27-31s were 0.3-1.1pts lower. Outside properties, LIFUNG 5.25 Perp retreated 1.3pts after the gain of 0.8pt on Mon. EHICAR 26s were up another 0.4pt, closed 1.1pts higher WTD. In India, VEDLN priced USD550mn 5.5NC2.5 and USD550mn 8.25NC3 bonds at 100 and 99.916 to yield 9.475% and 9.85%, respectively. The old VEDLN 26-31s closed unchanged to 0.3pt higher. See our comments on [14 Jan'25](#). Adani complex bonds were up 0.2-0.5pt. Elsewhere, GLPSP 4.6 Perp decreased 0.5pt.

In LGFVs, the flows remained active driven by RM deployment buying. YGCZCH priced a USD250mn 3-yr bond at par to yield 4.95%. There were two-way interests on the CNH names such as LYGIIH 27s/WHHTTZ 25s/WHWDLH 25s. In SOE perps, HUANEN Perp was up 0.1pt, SPICPD Perp was down 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LNGFOR 3.95 09/16/29	69.8	1.1	LIFUNG 5 1/4 Perp	48.0	-1.3
LNGFOR 3.85 01/13/32	64.8	1.1	NWDEVL 6.15 Perp	59.1	-1.1
LNGFOR 4 1/2 01/16/28	76.6	0.8	NWDEVL 4 1/8 07/18/29	59.4	-0.8
LNGFOR 3 3/8 04/13/27	79.4	0.7	NWDEVL 4 1/2 05/19/30	58.7	-0.7
ADTIN 4 08/03/26	94.5	0.5	NWDEVL 8 5/8 02/08/28	69.6	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.11%), Dow (+0.52%) and Nasdaq (-0.23%) were mixed on Tuesday. US Dec'24 PPI was +0.2% yoy, lower than the expectation of +0.4% yoy. Investors awaited CPI on Wednesday. UST yield retreated on Tuesday, 2/5/10/30 yield reached 4.37%/4.59%/4.78%/4.98%.

❖ Desk Analyst Comments 分析员市场观点

➤ **MEDCIJ: Medco is likely to early redeem MEDCIJ 6.375 01/30/27 in full. Maintain buy on MEDCIJ 28 and 29**

Medco Energi (Medco) agreed to provide USD435.3mn loan to its subsidiary Medco Bell on 13 Jan'25 to repay its debts. Medco Bell is the issuer of MEDCIJ 6.375 01/30/27 with an outstanding amount of USD435.3mn. Recalled that Medco issued IDR2.5tn bonds in Dec'24 to refinance IDR2tn bonds maturing in 2025, and cUSD7.5mn will be used to repurchase the MEDCIJ 6.375 01/30/27. MEDCIJ 6.375 01/30/27 is callable any time on or after 30 Jan'25 at 101.594 with a minimum notice of 30 days. As per our calculation, the intercompany loan of USD435.3mn along with the cUSD7mn from the onshore bonds issuance are sufficient to cover the full redemption of MEDCIJ 6.375 01/30/27 at the call price of 101.594.

While the next maturing USD bond of Medco is MEDCIJ 7.375 05/14/26 of USD242mn in May'26, MEDCIJ 7.375 05/14/26 is callable any time on or after 14 May'24 at 103.688 and, on or after 15 May'25 at 101.844. The call prices of MEDCIJ 7.375 05/14/26 are higher than those of MEDCIJ 6.375 01/30/27.

Medco has been actively managing its maturity profile with its good access to onshore funds. In 2024, Medco repurchased USD bonds totaled USD337mn through tender offers and market repurchases. We maintain buy on MEDCIJs, and prefer MEDCIJ 28 and 29 for better risk-return profiles within the curve.

Table 1: Medco's o/s USD bonds

Security name	ISIN	Amt o/s (USD mn)	Px	YTM (%)	Issue rating (M/S/F)
MEDCIJ 7.375 05/14/26	US58405FAA30	242	101.7	6.0	B1/BB-/BB-
MEDCIJ 6.375 01/30/27	US58406LAA98	435	100.0	6.4	B1/BB-/BB-
MEDCIJ 6.95 11/12/28	US58406RAA68	299	100.0	7.0	B1/BB-/BB-
MEDCIJ 8.96 04/27/29	US58407HAA77	500	105.3	7.5	B1/BB-/BB-

Source: Bloomberg.

➤ **China Economy: Exports surged amid possible tariff hikes**

Credit growth started to bottom out following the stimulus as social financing, medium & long-term loans to household and M2 growth rebounded, thanks to the acceleration of government bonds financing and pick up in

housing and durable goods sales. However, credit demand in corporate sector remained sluggish, with new loans and bond financing still contracting despite the policy easing. Due to overcapacity and deflation pressure, private business capex was weak. Looking forward, monetary policy might remain accommodative with possible RRR cut by 50bps in 1H25. 2H25 is likely to see additional policy rate cuts by 20-30bps as Trump may launch another trade war and China's current policy stimulus effects may gradually diminish. Outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024.

Social financing and M2 both rebounded. Outstanding social financing growth recovered to 8% YoY (all in YoY terms unless otherwise specified) in Dec from 7.8% in Nov as its flow skyrocketed 47.9% in Dec, better than market expectation. Government bond financing was the major driver, rising 88.9% in Dec to RMB1.76tn after growing 13.7% to RMB1.31tn in Oct. Corporate bond financing turned negative to -RMB15.3bn in Dec, yet better than its year ago level at -RMB274bn. M1 supply continued to recover from -3.7% to -1.4% as the housing and durable goods sales rebounded. M2 bounced up from 7.1% to 7.3%, as government picked up spending.

New RMB loans narrowed its decline as mortgage demand sharply rebounded. Growth of outstanding RMB loans edged down to 7.6% in Dec from 7.7%, while the better-than-market expected flow of RMB loans declined 15.4% to RMB990bn in Dec, following the 46.8% drop to RMB580bn in Nov. Growth of new loans to households has turned positive to 57.6% the first time since Jan 24. Medium- and long-term loans saw a remarkable surge of 105% to RMB300bn in Dec thanks to the booming housing sales while short-term loans remained subdued, dropping 22.5%. New loans to the corporate sector saw limited signs of improvement, dropping 45% in Dec to RMB490bn. Both short-term and medium & long-term borrowing remained subdued dropping 69% and 95% respectively while bill financing notably surged 200% to RMB450bn, signalling cautious business sentiment.

PBOC might further cut rates after the Trump shock and a decline of the latest stimulus effect in 2H25. Credit contraction is gradually bottoming out, as recent policy stimulus has eased financial liquidity condition and expanded government financing. Households also increased their long-term borrowing as housing market improved especially in higher-tier cities. However, credit demand in corporate sectors continued to slow down as the overcapacity and deflation pressure restrained private business capex. Looking forward, the monetary policy might remain accommodative with possible RRR cut by 50bps in 1H25. 2H25 may see additional policy rate cuts by 20-30bps as Trump might launch new trade war after the US inflation trends lower and China's latest policy stimulus effect gradually diminishes. Outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024

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

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hyundai Capital Services	500	3yr	5.25%	T+80	A3/-/A-
Industrial and Commercial Bank of China, Macau Branch	250	3yr	SOFR+55	SOFR+55	-/A/-
Tata Capital	400	3.5yr	5.389%	T+92	-/BBB/-
Vedanta Resources	550/550	5.5NC2.5/8.25NC3	9.475%/9.85%	9.475%/9.85%	B2/B/-
Yankuang Group	250	3yr	4.95%	4.95%	-/BB+

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating
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(M/S/F)

Lintou Overseas/ Linyi Investment Development Group	USD	-	3yr	6.5%	Unrated
Lishui Economic and Technological Development Zone Industrial Development Group Co	USD	-	3yr	5.7%	Unrated

➤ News and market color

- Regarding onshore primary issuances, there were 143 credit bonds issued last Friday with an amount of RMB108bn. As for month-to-date, 1,038 credit bonds were issued with a total amount of RMB758bn raised, representing a 37.9% yoy increase
- **[COGARD]** Country Garden released FY23 and 1H24 financial results
- **[GRNKEN]** Greenko Energy completed early redemptions of GRNKEN 5.5 01/29/25 and GRNKWN 5.95 07/29/26. Separately, media reported Greenko Energy's founder tap private credit funds for up to USD800mn to buy Orix's stake in Greenko Energy. Orix held 20% stake in Greenko Energy as of 30 Sep'24
- **[LMRTSP]** Lippo Mall Indonesia Retail Trust will potentially not be able to meet the minimum interest coverage ratio requirement of 1.5x as required by MAS based on the information currently available according to the Trust Manager
- **[LPKRIJ]** Lippo Karawaci's 29.09%-owned Siloam International Hospital sent a preliminary non-binding letter of intent to acquire First REIT's portfolio of hospital assets in Indonesia
- **[YGCZCH]** Yankuang Energy's planned acquisition of potash producer Highfield Resources for up to USD376mn has been approved by Australia's foreign investment regulator

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