

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2025

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- *The new INDKORs tightened 2-5bps from ROs this morning. The new MTRC 4.875 Perp (NC5.5) closed 0.4pt lower, MTRC 5.625 Perp (NC10.5) closed unchanged from ROs at par, respectively. The new HLINSU 6.3 55 (30NC5) rose 1.2pts from RO at par. DAHSIN 31-33s were unchanged in spreads amid Moody's one notch downgrade to A3.*
- **SHIKON:** *FV of the new SHIKON 35 to be T+230-240 vs. IPT of T+290. CATLIF 34-39s were 0.1pt higher while NSINTW 34 was 0.2pt lower this morning. See below.*
- **China economy:** *Mixed data exhibited unbalanced performance. CMBI expects the GDP growth to slow from 5.4% in 1Q25 to 4.9% in 2Q25 and 4.7% in 2H25. See below for comments from CMBI economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, MTRC priced NC5.5 Perp and NC10.5Perp (both of USD1.5bn) at par to yield 4.875% and 5.625% (IPTs at 5.375% and 6.125%, respectively). HLINSU priced a 30NC5 T2 bond of USD1bn at par to yield YTC of 6.3% (IPT at 6.75%). See our comments on [16 Jun '25](#). INDKOR priced 3yr bond and 5yr bond (both of USD500mn) at SOFR+58 and T+47. Meanwhile in KR, LGENSO 30-35s tightened 2-3bps. HYUELE/PKX 30-35s were also 1-3bps tighter. In Chinese IGs, HAOHUA/MEITUA/LENOVO 27-35s were unchanged to 3bps tighter. The long end of CNOOC/SINOPE 42-52s were 0.8-1.1pts lower (1-5bps wider). In financials, ORIEAS/CCAMCL 29-30s were 1-3bps wider on AM/RM selling. BBLTB 35-40s were 1-3bps tighter on AM/PB buying, while BBLTB 29-34s were unchanged to 1bp wider. ANZ/NAB/WSTP T2s closed unchanged to 1bp wider amid AM selling. In JP insurance hybrids, MYLIFE 55s and DAIL 6.2/SUMILF 5.875 Perps were 0.1pt higher on PB buying. In AT1 space, RY 6.75 85 and HSBC 7.05 Perp were up 0.1pt. In HK, NWDEVL Perps/27-31s declined 0.3-1.2pts after moving 1.0-3.0pts higher over the last week. Cheng-family controlled CTF Jewellery issued convertible bond of HKD8.8bn (cUSD1.1bn) last night at a coupon rate 0.375 and a conversion premium of 26%. LIHHK 25-26s were up 0.3-0.7pt after moving 0.7-3.3pts lower over the last week. CSIPRO 25-28s were 0.1-0.4pt higher despite the announcement of FY24 profit warning on last Friday evening. In Chinese properties, VNKRL 27-29s rose 0.3-0.5pt. In SE Asia, VLLPM 27-29s rebounded 0.8-1.5pt after moving 1.5-1.8pts lower

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over the last week. VEDLN 28-33s were up 0.1-0.6pt. PTTGC/TOPTB 28-52s were 0.1-0.5pt lower following S&P's one notch downgrades to BBB-. In AU corps, STOAU 27-33s were 0.5-1.9pts higher (13-33bps tighter) following Santos' announcement of receiving all-cash take-over bid from an Abu Dhabi Oil Co.-led consortium. The board of Santos intends to recommend in favour of the take-over bid.

LGFVs remained sought after, especially for the higher-yielding Shandong names such as JMUDIV/ZOUCAO/SDGAOC/QDOCID across USD and CNH spaces. There were also strong buying interests from RMs on non-Shandong CNH names such as SUZHID 6.55 28s/HBCITY 6 28s. CPDEV 26-29s were up 0.1-0.2pt. In SOE perps, COFCHK Perp was up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
STOAU 6 7/8 09/19/33	107.5	1.9	NWDEVL 6.15 PERP	35.3	-1.2
STOAU 3.649 04/29/31	92.2	1.8	NWDEVL 4 1/8 PERP	24.6	-1.2
VLLPM 7 1/4 07/20/27	78.7	1.5	CNOOC 4 7/8 04/30/44	94.8	-1.1
ROADKG 6 03/04/29	38.7	1.0	NWDEVL 5 1/4 PERP	26.3	-1.0
VLLPM 9 3/8 07/29/29	72.1	0.8	NWDEVL 4.8 PERP	22.6	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.94%), Dow (+0.75%) and Nasdaq (+1.52%) were higher on Monday. Oil prices retreated after the Israel-Iran attacks left crude production and exports unaffected. UST yield was higher on Monday, 2/5/10/30 yield at 3.97%/4.04%/4.46%/4.96%.

❖ Desk Analyst Comments 分析员市场观点

➤ SHIKON: FV of the new SHIKON 35 to be T+240 vs IPT of T+290

Shin Kong Life (SKL) proposes to issue 10yr USD T2 bond (S&P: BBB). The new SHIKON 35 is SKL's first USD T2 bond issuance and the T2 does not have coupon deferral option. We consider the FV of the new SHIKON 35 to be high 6%, i.e. T+230-240bps. vs. IPT of T+290bps, in view of its peers CATLIF 5.95 07/05/34, CATLIF 5.3 09/05/39 (callable Sep'34) and NSINTW 5.45 09/11/34. These Taiwanese T2 also do not have coupon deferral option. We have also adjusted for SKL's weaker credit profile as well as tenor and new issue premiums. As we discussed in our [Asia Credit Outlook 2025](#), Asian lifer is an emerging segment in the course IFRS 4, 9, and 17. We see more debut names in the segment and new issue premium from debut issuers.

Table 1: Bond profile of SHIKON peers

Security name	ISIN	Amt o/s (USD mn)	Px	T-spread (bps)	Z-spread (bps)	YTM	Mod dur	Issue rating (M/S/F)
CATLIF 07/05/34	5.95 XS2852920342	600	101.8	126	183	5.7%	6.8	-/BBB+/BBB+
CATLIF 5.3 09/05/39	XS2885079702	320	96.5	136	192	5.8%	7.0	-/BBB+/BBB+
NSINTW 09/11/34	5.45 XS2888260564	700	93.0	204	260	6.5%	7.0	-/BBB+/BBB

Source: Bloomberg.

SKL is the 4th largest insurer in Taiwan by total premium with a market share of 7.8% in 2024. We view that the credit profile of SKL is weaker than those of its peers Cathay Life (CATLIF) and NSINTW (Nanshan Life). As of Dec'24, the RBC ratio of SKL was 221%, higher than the regulatory minimum requirement of 200% but lower than that of CATLIF (359%) and NSINTW (299%). SKL's profitability was also lower than that of its peers. In FY24, SKL's ROA was 0.3%, lower than CATLIF's 0.7% and NSINTW's 0.8%. Indeed, SKL incurred losses in FY22 and FY23, mainly due to valuation losses on financial assets and higher hedging costs. SKL incurred loss of TWD11bn in 1Q25 compared to TWD10bn profit in full year 2024. As a result, the equity to asset ratio dropped to 4.45% as of Mar'25, from 5.17% as of Dec'24, still higher than the regulatory requirement of 3%. The TWD7bn capital injection by SKFH in Jun'25 could partly mitigate the impact on its capital adequacy due to the losses in 1Q25. That said, SKL may need further capital injection or capital bond to replenish its capital based on the latest loss making position, in our view. Recalled that SKL raised TWD20.9bn from SKFH and issued capital bonds totaled TWD8.3bn to replenish its capital in 2024.

Currently, SKL flexibly adjusts FX hedging ratio with mid-to-long term target from 60 to 80%. As of Dec'24, 29% of SKL's hedging portfolio was FX policy, 45% was hedging instruments currency swap and non-deliverable forwards, and 24% was USD and other currencies positions. We understand that the hedging portfolio composition of SKL is similar to that of CATLIF and NSINTW. Within the hedging portfolio, SKL's FX policy portion accounted for 29% of the total was similar to that of CATLIF (31%) and NSINTW (c30%). SKL, CATLIF and NSINTW all have 60-65% of its FX risk exposure hedged with hedging instruments.

On the other hand, SKL's parent, Shin Kong Financial Holdings (SKFH), has received regulatory approval to merge with Taishin Financial Holding (Taishin FHC) in Mar'25 to form TS Financial Holdings. The merger will be effective from 24 Jul'25. The consolidation of major subsidiaries including banks, life insurance companies, and securities houses will be completed within two years. The SKL brand will continue to be maintained post-merger. As of Dec'24, SKL accounted for 71% of total assets of SKFH, while Taishin Life accounted for 10% of total assets of Taishin FHC. The combined life insurance businesses will represent 48% of the total assets of the combined group. As per SKL, it expects to maintain as the 4th largest insurer in Taiwan by total premium and total assets post-merger, and to surpass Nanshan Life to rank as the 3rd largest insurer by first year premium.

➤ **China Economy: Mixed data exhibited unbalanced performance**

China economy showed unbalanced growth as retail sales notably came in above market expectations supported by durable goods under the trade-in scheme, while property market lost the recovery momentum and industrial output slowed down broadly. The economy is likely to experience further headwinds as exports weaken and the effect of trade-in scheme for durables diminishes. We expect the GDP growth to slow from 5.4% in 1Q25 to 4.9% in 2Q25 and 4.7% in 2H25. If China could reach a trade deal with the US, it might focus on economy rebalancing with stronger fiscal expansion, additional consumption stimulus and faster overcapacity reduction.

Property sales continued to deteriorate, prompting further policy easing. The decline of gross floor area (GFA) sold for commodity buildings edged down to -2.9% in 5M25 from -2.8% in 4M25 according to NBS, while residence GFA further dropped to -2.6% from -2.1%. Housing starts slumped by -22.8% in 5M25 to 232mn sqm, back to the level in 2004. The steep decline in housing starts is set to curb future supply in 2-3 years, expediting the structural rebalancing of China's property market, in our view. For new housing sales, according to market data, YoY sales in 30 major cities dropped 5.9% in the first half of June compared to 0% in May. Tier-2 cities recovered to -12.6% in the first half of June from -17.6% in May, while tier-1 and -3 cities moderated to 1.9% and -2.4% from 18.2% and 15.9%. Second-hand housing sales continued to weaken, as 11 selective cities saw a YoY drop of 5.2% in the first half of June from 6.8% in May, potentially the first month of negative growth since May 2024, while second-hand housing prices dipped further across all city tiers in May, as softening demand weighed on both price and sales volume. The softening property market has prompted further policy easing, as more tier-2 cities could follow the full removal of property market restrictions in Guangzhou, though

most measures are already in effect. Given the determination from policymakers to “stabilize the property market and prevent further declines”, we believe the property market is likely to see a wave-like rebound in 2H25 under further policy support.

Retail sales rebounded unexpectedly amid tariff truce. Retail sales growth accelerated to 6.4% in May from 5.1% in Apr, notably beating market consensus at 4.9%. Durables qualified for the trade-in scheme continued to serve as the primary support, as home appliances, cultural & office products, furniture and telecom equipment further rose by 53%, 30.5%, 25.6% and 33% respectively in May, from 38.8%, 33.5%, 26.9% and 19.9% in Apr. Auto sales edged up to 1.1% in May from 0.7%, while the sales volume of passenger vehicles rose 14% in May, possibly reflecting the intensifying price competition in final retail. Staples like food, daily used goods and alcohol & tobacco products remained resilient. Gold, silver & jewellery sales notably surged 21.8% in May amid rising gold prices and robust demand. Looking forward, retail sales may rise from 3.5% in 2024 to 4.7% in 2025, with a possible strong recovery in 1H25 driven by the expanding trade-in scheme, but this could come at the expense of future demand, as we may see a notable slowdown in 4Q25.

FAI continued to moderate amid weakening private sector investment. Total FAI growth dropped to 3.7% in 5M25 from 4% in 4M25, below market expectations at 4%. Sectors dominated by private investment, including property development investment, further contracted to -12% in May from -11.3% in Apr, as contraction of housing starts continued. Manufacturing FAI edged down to 7.8% in May from 8.2% in Apr, as shocks from the trade war and slowing exports continued to weight on corporate Capex. Sectors including non-ferrous metals smelting & pressing, medicine, general equipment, electrical equipment and other transportation equipment saw notable moderation. Infrastructure FAI remained resilient at 9.3% in May, thanks to the robust government bond issuance. Looking forward, FAI growth might mildly accelerate from 3.2% in 2024 to 3.7% in 2025 thanks to the narrower declines of property development investment. Manufacturing and infrastructure investment growth is likely to fall from 9.2% and 9.2% in 2024 to 8.5% and 8.7% in 2025.

Industrial output moderated broadly while service output recovered. VAIO growth eased to 5.8% in May from 6.1% in Apr, roughly in line with market consensus of 5.7%. The broad-based slowdown in manufacturing continued, as textile, chemical products, other transport equipment, and electrical equipment moderated, while autos and non-ferrous metal smelting & pressing rebounded. Mining remained flat at 5.7% while public utility edged down to 6.2% in May from 6.6%. Growth of service output index inched up to 6.2% in May from 6% in Apr. Looking forward, industrial output may decelerate as headwinds from trade intensify and demand overdraft kicks in due to trade-in subsidies.

The economy faces further headwinds with possible additional policy support in 2H25. China economy is likely to experience further headwinds in 2H25, as weakening property sales and diminishing effect of the trade-in scheme may weigh on durables consumption and shocks from trade tensions could suppress private sector confidence. We expect the GDP growth to slow from 5.4% in 1Q25 to 4.9% in 2Q25 and 4.7% in 2H25. If China could reach a trade deal with the US, it might focus on economy rebalancing with stronger fiscal expansion, additional consumption stimulus and faster overcapacity reduction. In 2H25, we expect a further 10 bps LPR cut, along with a possibly moderate increase in the broad fiscal deficit.

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

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hanwha Life Insurance	1000	30NC5	6.3%	6.3%	A3/-/A-
Industrial Bank of Korea	500/	3yr/	SOFR+58/	SOFR+58/	Aa2/-/AA-

	500	5yr	4.375%	T+47	
MTR Corporation	1500/	PerpNC5.5	4.875%/	4.875%/	A2/A/-
	1500	PerpNC10.5	5.625%	5.625%	

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
			2yr/	T+125/	
			2yr/	SOFR Equiv/	
			3yr/	T+135/	
Hyundai Capital America	USD	-	3yr/	SOFR Equiv/	A3/A-/A-
			5yr/	T+145/	
			5yr/	SOFR Equiv/	
			7yr	T+160	
Shin Kong Life	USD	-	10yr	T+290	-/BBB/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 104 credit bonds issued yesterday with an amount of RMB109bn. As for month-to-date, 969 credit bonds were issued with a total amount of RMB1,006bn raised, representing a 25.3% yoy increase
- China new home prices fall for 24 straight months
- **[BABA]** Alibaba launches AI models for Apple products amid regulatory uncertainty
- **[DAHSIN]** Moody's downgrades Dah Sing Bank's deposit ratings to A3 from A2; outlook stable
- **[FAEACO]** Media reported Far East Consortium plans for offshore bond issue
- **[FTHDGR]** Fantasia further extends closing of offshore debt revamp to 20 Jun'25
- **[FWDGHD]** FWD secures approval from HKEx for IPO
- **[HATELE/HYUELE/SKGAS/SKM]** SK Telecom, SK Broadband, SK Gas and SK Hynix to build South Korea's largest AI data center for Amazon
- **[NWDEVL]** NWD's parent Chow Tai Fook to sell HKD8.8bn 0.375% CB due 2030, initial conversion price of HKD17.32 per share represents a premium of 26.2% over the last close of HKD13.72, the proceeds

will be used for the development and financing of the gold jewelry business, store upgrades and strategic expansion

- **[PTTGC]** S&P downgraded PTT Global Chemical by one notch to BBB- from BBB on weaker group dynamics; outlook stable
- **[REGH]** Regal Hotels seeks HKD2.95bn loan to refi due-Aug loan backed by HK hotel
- **[SOFTBK]** SoftBank to raise up to USD4.9bn by paring down stake in T-Mobile US
- **[TOPTB]** S&P downgraded Thai Oil by one notch to BBB- from BBB on weaker group dynamics; outlook negative

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