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FSA Fixed Income Daily Commentary

17 March 2025

Fixed Income Commentary

Interest Rates

	Last	Previous	Chg
UST 2 Year	4.018	3.959	0.059
UST 10 Year	4.314	4.270	0.044
UST 30 Year	4.623	4.590	0.033
UK 10 Year	4.666	4.677	-0.011
JGB 10 Year	1.522	1.549	-0.027

	Last	Previous	Chg
Germany 10 Year	2.876	2.855	0.021
Australia 10 Year	4.410	4.421	-0.011
China 10 Year	1.884	1.851	0.033
Shanghai 3 Month	2.004	2.012	-0.008
Shanghai 7 Day Repo	1.940	1.825	0.115

Global Market Performance

Index	Total Return YTD	Total Return 1D	Total Return 1W	Total Return 3M	Total Return 1Y
EM Sovereign Bond	1.82%	0.18%	0.33%	0.91%	4.25%
Euro Corp	-0.52%	-0.08%	-0.45%	-0.96%	4.39%
European Currency HY	5.54%	-0.04%	-0.20%	4.16%	7.45%
Global Corporate	2.45%	-0.06%	-0.48%	1.26%	5.02%
IG EM Corp Plus	2.39%	-0.10%	-0.32%	1.54%	6.34%
US Corp	1.70%	-0.11%	-0.66%	0.72%	5.55%
EM Ext Debt	2.52%	-0.01%	-0.34%	0.85%	7.18%
Global HY	2.12%	0.14%	-0.34%	1.35%	8.51%
US High Yield	1.06%	0.24%	-0.46%	0.48%	8.40%
HY EM Corp Plus	2.37%	0.03%	-0.12%	1.58%	11.47%
Asian USD InvestGrade	2.11%	-0.13%	-0.39%	1.47%	6.10%
Asian USD HY Corp	2.75%	-0.07%	-0.11%	2.54%	12.63%
USD CoCo liq DevMkt AT1	2.10%	0.12%	-0.28%	1.46%	10.48%
Dow Jones	-2.08%	1.66%	-0.96%	-4.94%	8.53%
S&P 500	-3.85%	2.15%	0.47%	-6.51%	10.94%
NASDAQ	-7.92%	2.62%	1.66%	-10.74%	10.88%
WTI Oil Price	-4.16%	1.09%	2.85%	-3.96%	-8.54%
Spot Gold	13.94%	0.20%	3.51%	3.23%	38.41%
Spot Silver	17.08%	0.12%	5.39%	4.65%	35.15%
ICE Sugar	7.51%	-0.31%	4.81%	0.16%	-8.27%

Source: Bloomberg

News & US Treasuries:

- **US treasuries:** US Treasuries sold off on Friday, with the yield curve flattening amid a sell-off in German Bunds and ahead of an expected heavy corporate issuance slate this week. The yield on the 2Y UST rose 5.9 bps to 4.018%, while that on the 10Y UST climbed 4.4 bps to 4.314%. Equities rebounded, with the S&P 500 and Nasdaq up 2.1% and 2.6%, respectively.

- **US Government Shutdown Averted:** The U.S. Senate successfully voted 54-46 on Friday to approve a continuing resolution, thereby preventing a government shutdown and ensuring that federal operations will continue until the end of September. This move was critical as it avoided the potential disruptions to public services, federal employment, and the broader economy that a shutdown would have caused. The resolution provides temporary funding for government agencies, allowing them to operate without interruption while lawmakers work on a more comprehensive budget.

- **ECB Interest Rates:** European Central Bank (ECB) member Holzmann expressed his view that interest rates have already reached neutral levels. As a result, he supports pausing rate cuts next month. This stance is primarily driven by concerns over a resurgence in inflation, which is seen as a greater risk to economic stability. The ECB has been closely monitoring inflation trends and is cautious about making further adjustments that could exacerbate price increases.

- **Germany's Spending Deal:** Friedrich Merz has reached a significant agreement with the Green Party on a substantial spending package. This deal includes an exemption from Germany's debt brake law for defense spending that exceeds 1% of GDP. This exemption will allow for increased investments in defense and infrastructure, marking a significant shift in Germany's fiscal policy. The agreement reflects a broader consensus on the need to enhance defense capabilities and upgrade infrastructure, despite the implications for public finances.

- **Canada's Leadership Change:** Mark Carney was officially sworn in as Canada's Prime Minister, bringing an end to Justin Trudeau's decade-long leadership. This transition marks a significant change in Canadian politics. Carney is expected to call a general election soon, with Canadians potentially heading to the polls as early as late April or May. This election will provide an opportunity for Canadians to weigh in on the new leadership and the direction of the country.

- **US-Russia Relations:** Russian President Putin noted some progress in relations with the U.S., attributing this improvement to efforts by former President Trump to restore ties between the two nations. Despite ongoing tensions and challenges, Putin's comments suggest a willingness to engage in diplomatic efforts to improve bilateral relations. However, the path forward remains complex, with numerous geopolitical issues still unresolved.

- **Costa Rica Monetary Policy:** Costa Rica's central bank, BCCR, decided to maintain its policy rate at 4%, reflecting a unanimous and firm stance. The bank continues to express confidence in its current monetary policy stance, indicating that it would require a significant economic shock to reconsider adjusting rates. One of the most likely scenarios that could prompt a reevaluation would be a recession in the U.S., given the potential impact on global trade and economic stability. For now, the BCCR remains cautious but optimistic about the current economic conditions.

- **Korea Regulators:** On March 12, Korea's Financial Services Commission and Financial Supervisory Service announced plans to reform insurance capital regulations. The changes include lowering the Korea Insurance Capital Standards (K-ICS) ratio from 150% to 130-140% and introducing a "core capital K-ICS ratio" to emphasize core capital like common equity and retained earnings. This aims to enhance capital quality by reducing reliance on supplementary capital and high-cost debt issuances. Final proposals are expected in the first half of 2025, with implementation by year-end.

Economic Data:

- **US:** U. of Michigan Sentiment Index fell sharply in the preliminary March reading to 57.9 from 64.7 prior and 63.0 expected. The Current Conditions index slipped to 63.5 from 65.7 prior and 64.4 expected. The Expectations component dropped to 54.2 from 64.0 prior and 63.0 expected. U. of Michigan 1-year inflation expectations rose sharply in the preliminary Mar reading to 4.9% from 4.3% prior and expected. The 5-10 year inflation expectations rose to 3.9% from 3.5% prior and 3.4% expected. Manufacturing sales rose 1.7% MoM in Jan from 0.5% prior and 2.0% expected.

- **China:** China's credit growth expanded in 2M/25, as aggregate social financing rose to CNY 9.9 tn (CNY 9.8 tn e; 2M/24: CNY 8.0 tn). The increase was driven by higher government bond issuances, albeit new yuan loans declined YoY to CNY 6.1 tn (CNY 6.4 tn e; 2M/24: CNY 6.4 tn). Separately, China's foreign direct investment declined 20.4% YoY to CNY 171 bn in 2M/25.

News:

- **Swire Pacific (SWIRE, A3/A-) – [MW]:** Swire Pacific Limited is a prominent Hong Kong-based conglomerate that operates across multiple sectors, including property investment, property development, aviation, beverages, trading and industrial businesses, and healthcare. The company's operations are primarily located in Hong Kong, mainland China, and Southeast Asia, where it conducts business through various subsidiaries, joint ventures, and associates. As one of Hong Kong's largest and oldest employers, Swire Pacific has a workforce of over 40,000 employees. The company's property business is managed by Swire

Properties, an 83%-owned subsidiary that accounted for approximately 74% of the group's total assets as of June 2024. Swire Properties plays a crucial role in the group's overall asset composition. John Swire & Sons Limited, which was established in the early 19th century, serves as the holding company of the Swire Group and holds a 55.3% stake in Swire Pacific as of March 2025. Swire Pacific is listed on the Hong Kong Stock Exchange, with a market capitalization of about HKD85.5 billion as of March 2025. In 2024, Swire Pacific reported a significant decline in net profit, which fell by 85% to HKD4.32 billion, equivalent to US$556 million. This decline was attributed to changes in the fair value of its investment properties and a profit drop in its beverages division. Revenue also decreased by 13.5% to HKD81.97 billion. The underlying profit attributable to shareholders was impacted by a 71% decrease in the fair value of investment properties, which fell to HKD10.47 billion in 2024. The recurring underlying profit was HKD9.3 billion, marking an 11% YoY decline. The Swire Coca-Cola business experienced a notable decline in profit, reporting a recurring profit of HKD1.39 billion in 2024, compared to HKD2.39 billion in 2023. This decrease was largely due to the disposal of Swire Coca-Cola USA in the second half of 2023. Cathay Pacific, a major subsidiary of Swire Pacific, posted a profit of HKD9,888 million in FY24, slightly higher than the HKD9,789 million recorded in 2023. This performance was driven by robust demand for travel and the strong performance of the cargo business. By January 2025, Cathay Pacific had restored 100% of its pre-pandemic passenger flights. In September 2024, the Cathay group completed the buy-back of all warrants issued to the HKSAR Government in 2020 as part of its recapitalization. Additionally, in early January 2025, the Cathay group repurchased about 68% of the guaranteed convertible bonds due in 2026. As of the end of 2024, Cathay Pacific, along with its subsidiaries HK Express and Air Hong Kong, operated a fleet of 236 aircraft. At that time, Cathay Pacific and HK Express offered scheduled passenger services to 88 destinations worldwide, with an additional 154 destinations available through codeshare agreements. Cathay Cargo provided scheduled freighter services to 41 destinations, utilizing belly capacity on passenger flights as well. Cathay Pacific held a 15.09% interest in Air China as of December 2024. At the end of 2024, Swire Pacific's available liquidity was HKD43.1 billion. The company maintained a healthy weighted average cost of debt at 4.0%, with 64% of its gross borrowing on a fixed-rate basis. However, net debt increased to HKD70.6 billion from HKD55.1 billion in the previous year, resulting in a gearing ratio of 22.1%, up from 17.0% in the prior year. **Overall, latest results are weak with a sharp decline in top and bottom lines, and a significant deterioration in profitability and leverage. On the bright side, we think the company will maintain a prudent financial strategy through cautious expansion. We like Swire Pacific's long operational track record and excellent liquidity , and we like the positioning of subsidiary Swire Properties which has a sizable portfolio of quality investment properties that generate robust and stable gross rental income through economic cycles. We remain MW on the name on fair valuations. The key risks in our view is that (1) Financial leverage to increase because of increase in capital spending; (2) Execution risks associated with the company's expansion in China.**

- Swire Properties (SWIPRO, A2/A) – [MW]: Swire Properties, an 83%-owned subsidiary of Swire Pacific, is a leading commercial landlord and operator of retail space in Hong Kong, primarily through its core centers at Pacific Place and Taikoo Place. Its shopping malls host over 2,200 retail outlets, while its offices accommodate a working population exceeding 70,000. As of June 2024, Swire Properties accounted for about 74% of Swire Pacific's total assets. In 2024, Swire Properties reported revenue of HKD14.4 billion, a 2% decrease YoY, with an underlying profit of HKD6.8 billion, down 42% from the previous year. The recurring underlying profit was HKD6.5 billion, an 11% decline mainly due to lower office rental income in Hong Kong. Swire Properties made significant progress with its HKD100 billion investment plan, committing approximately 67% of the funds. Notable projects include the Taikoo Place Redevelopment, increasing its stake in INDIGO Phase Two in Beijing (now Taikoo Place Beijing), and ongoing developments in Xi'an, Sanya, Shanghai, and Guangzhou. Cash ended the year at HKD 5.1 billion . Total debt rose 17% YoY to HKD 48.9 billion. The company's net debt increased to HKD43.8 billion from HKD36.7 billion, with a gearing ratio rising to 15.7% from 12.7%. Going forward, management remains cautious about the Hong Kong office market, expecting it to remain weak due to oversupply until at least 2027. However, they are more optimistic about Mainland China's retail sector, anticipating growth driven by improved domestic demand and mall renovations. In Hong Kong, retail sales are stabilizing, though challenges persist due to a strong HKD and increased Mainland-bound consumption. **Overall, results are weak, which was largely expected, but we remain MW with this issuer on the back of the strong quality of its investment properties in Hong Kong, which consistently generate strong and recurring cash flow through the economic cycles. Risks in our view is Potential further slowdown of China and Hong property market.**

- West China Cement (WESCHI, Caa1) – [MW]: From Lucror - West China Cement Limited, an investment holding company, manufactures and sells cement and cement products in the People's Republic of China. It sells its products under the Yao Bai and Yaobaishuini names. The company's cement products are used in the construction of infrastructure projects, such as highways, railways, bridges, hydroelectric power stations, and water conservancy and water transfer projects, as well as housing and social infrastructure projects. It also engages in financial leasing and transportation businesses. Most of its plants are located in the central and southern parts of Shaanxi province. The company has established its presence in Xinjiang and Guizhou in China, and Mozambique in East Africa through the construction of new facilities and acquisitions. As of year-end 2024, the company was 32% owned by its founder and chairman, Zhang Jimin, and 29% owned by Anhui Conch. West China Cement (WCC) has issued a positive profit alert, with expecting net profit attributable to shareholders to increase 35-45% YoY to CNY 569-611 mn in FY 2024 (FY 2023: CNY 421 mn). The increase was attributed to: [1] the absence of a CNY 256 mn loss in FY 2023 on the de-recognition of a subsidiary, arising from a CNY 266 mn impairment loss on intergroup receivables from Kangding Paomashan; [2] the absence of a CNY 120 mn administrative penalty in FY 2023 for the violation of antitrust provisions in Shaanxi; [3] a lower fair value loss on equity instrument of CNY 0.9 mn (FY 2023: CNY 55.5 mn), related to WCC's holdings of equity securities listed on HKEX. That said, WCC disclosed that total revenue declined 8% YoY to CNY 8.3 bn. This was primarily driven by persistently low cement selling prices, albeit there was no significant deterioration in selling prices during the year. **Overall, we remain cautious on thie issuer due to its persistently high capex and negative FCF generation. Moreover, the company has continued to carry out further debt-funded acquisitions and capex in Africa. WCC's expansion into Africa has been more significant than previously expected, which has fundamentally changed the company's risk profile. We remain UW on the WESCHI 4.95 '26s, which are quoted at 78.5/25%/1.1 years. We anticipate price downside in the near term, due to refinancing uncertainty as the bond maturity draws nearer. WCC is unlikely to generate sufficient OCF for the notes repayment. Moreover, we believe it will be difficult for the company to sell assets in Mainland China to raise cash, as the industry is facing an oversupply. On the bright side, a recovery in WCC's business in China and overseas this year could enable the company to obtain new funds to refinance the bond. In particular, WCC could monetise the equity of its offshore businesses (mainly held under wholly-owned Hong Kong-incorporated entity West International Holding) to raise cash. Alternatively, the equity of the offshore businesses could support the recovery value of the USD notes in a debt restructuring, as West International is a subsidiary guarantor for the USD bonds.**

- **Greece (GREECE, Baa3/BBB-) – [MW]:** On March 14th, Moody's upgraded the Government of Greece's ratings to Baa3 from Ba1. The outlook was changed to stable from positive. According to the rating agency, "the upgrade reflects our view that Greece's sovereign credit profile now has greater resilience to potential future shocks. The public finances have improved more quickly than we had expected. Based on the government's policy stance, institutional improvements that are bearing fruit, and a stable political environment, we expect Greece to continue to run substantial primary surpluses which will steadily decrease its high debt burden. Moreover, the health of the banking sector continues to improve, which limits the risk of a banking sector-related credit event that could have a negative impact on the sovereign's credit profile." According to the rating report, "Over a number of years, the Greek public finances have outperformed our baseline expectations, which increases our confidence that Greek debt will remain on a firm downward path. These improvements are due to both ongoing expenditure restraint and tax revenues that are rising quickly in light of ongoing institutional improvements in tax compliance and collection. In 2024, Greece generated an extra EUR2 billion in tax revenue through its anti-evasion efforts, including a narrowing in the VAT gap. It has done this in part through a large-scale digitalisation strategy that also supports tax compliance. The push to modernize tax administration continues, which supports our expectation that tax revenue growth will remain robust over the medium term. This revenue outperformance is not coming at the expense of a rising tax wedge (the difference between before-tax and after-tax wages), which is important to preserve economic competitiveness. In fact, the labour tax wedge has fallen by around 4.5 percentage points since 2019, and the authorities continue to prioritise modest tax reductions, such as a cut in social security contributions, that allow the population to feel the fruits of anti-evasion efforts. Looking forward, Greece is expected to continue to run large primary surpluses, and we anticipate that they will remain at 2 to 2.5% of GDP over the medium term. This will come about through a combination of expenditure restraint and stable revenue generation. The current state of heightened geopolitical risk in Europe has less of an impact on Greece than it does on other south European countries. Greece has reached or exceeded the NATO 2% of GDP defence spending target for many years and the country does not have a backlog of underinvestment in defence in the same way that we see in other EU (European Union, Aaa stable) countries. In all, Greece's debt-to-GDP ratio has declined by about 50 percentage points since its peak in 2020, and it is down by around 27 percentage points relative to pre-Covid levels. We estimate that it stood at 156.1% of GDP at the end of 2024 and project that it will decline to 148.3% and 140.6% in 2025 and 2026 respectively. The country's debt structure remains favourable, with an average term to maturity of 18.8 years, with all of the debt at fixed rates. At the end of 2024, Greece prepaid EUR7.9 billion of its crisis-era debt (in the Greek Loan Facility, GLF). The Prime Minister announced in late 2024 that the country plans to make a EUR5 billion early repayment of GLF debt once again in 2025. With the 2024 prepayment, Greece will have repaid around 61% of the outstanding loans under the GLF and in the coming years is aiming to prepay the debt that comes due in 2033-41."

- **Romania (ROMANI, Baa3/BBB-) – [UW]:** On March 14th, Moody's changed the outlook on the Government of Romania to negative from stable. Concurrently, Moody's affirmed Romania's Ratings at Baa3. The decision to change the outlook to negative reflects the risk that in the absence of the adoption of additional fiscal consolidation measures, Romania's fiscal strength will significantly weaken in coming years. According to Moody's, " In our baseline scenario, we expect Romania's fiscal deficit will remain elevated at 7.7% of GDP in 2025 and only gradually improve thereafter, driving the government debt burden to 68.5% of GDP by 2028, while also significantly weakening the government's debt affordability metrics. In the absence of significant improvements to the fiscal outlook, this risks leaving Romania's overall credit profile materially weaker than Baa3-rated peers. The affirmation of Romania's Baa3 ratings reflects the economy's moderate size and growth potential and comparatively high wealth levels. At the same time, Romania's credit profile is constrained by a high susceptibility to event risk, driven by its elevated exposure to geopolitical risk due to its proximity to the war in Ukraine." **Overall, the main concern in Romania at this point is its ability to consolidate the fiscal account. Last year's outturn was a deficit of 8.7% of GDP. It needs to lower the deficit to**

7% of GDP this year. The current budget will likely deliver closer to 8% of GDP deficit. It needs to deliver fiscal measures after the presidential election in May to maintain its investment grade rating. Its credit rating outlook has turned negative for this reason (Fitch, S&P, with change in Dec 2024 and January 2025). That is why credit spreads have been increasing since mid-2024 and it's already traded like a non-IG. We moved UW Romania for the EM fund since September or so. That said, it seems that there is a commitment by the government to deliver a package after the presidential election (May 4th). That will likely help avert the credit downgrade for now, but the fiscal outlook will continue to be a concern.

- Ecopetrol (ECOPET, Ba1/BB+) – [MW]: Ecopetrol recently reported a challenging quarter marked by weaker production figures and disappointing results in its midstream operations, despite maintaining stable credit metrics. The company's consolidated hydrocarbon production averaged 730,000 barrels of oil equivalent per day (kboepd) in the fourth quarter of 2024. This represented a decline of 3% from the previous quarter and 4% YoY. Notably, gas production experienced more significant drops, with decreases of 4% quarter-over-quarter and 6% YoY, compared to oil, which fell by 3% in both periods. The midstream segment faced challenges as well, with an EBITDA of $613 million, marking a 9% decrease from the previous quarter and a 2% decline from the same period last year. The EBITDA margin for this segment fell to 64%, down from 73% in the third quarter of 2024 and 69% in the fourth quarter of 2023. Consolidated revenue for the quarter was $8.0 billion, reflecting a 5% decrease from the previous quarter and a 7% decline YoY. EBITDA came in at $2.7 billion, down 20% from the previous quarter and 9% YoY, with an EBITDA margin of 34%, compared to 40% in the third quarter of 2024 and 35% in the fourth quarter of 2023. For the full year, EBITDA was $13 billion, down from $14 billion in 2023, with the EBITDA margin contracting by 150 basis points to 41%. In terms of cash flow dynamics, Ecopetrol generated $40 million in free cash flow during the quarter, a reduction from previous periods due to lower EBITDA and working capital consumption. The company utilized its cash generation and cash on hand to pay modest dividends of $145 million. Gross debt declined to $27 billion due to debt payments and foreign exchange effects, while net debt fell by $289 million to $24 billion. Despite these financial dynamics, Ecopetrol's gross and net leverage remained unchanged at 2.0x and 1.8x, respectively. The company's dollar-bonded debt maturities at the holding company have been cleared until 2029, providing some financial comfort. Ecopetrol maintained a strong reserve replacement ratio of over 100%, specifically 104%, with a reserve life of 7.6 years. The company is actively pursuing mergers and acquisitions to enhance its long-term production capabilities, potentially accessing international capital markets to fund these transactions. Management is focused on strategic opportunities, including gas strategies and partnerships in the U.S., while monitoring potential policy changes that could impact exploration activities. For 2025, Ecopetrol expects production to remain stable at 740-750 kboed, consistent with 2024 levels. Looking at M&A, while Ecopetrol has not recently issued new bonds, it may consider tapping international capital markets to fund future acquisitions. This strategy could involve issuing bonds to support M&A activities, which could put short-term pressure on the company's financials. However, the company has pledged to maintain its gross leverage below 2.5x, providing some reassurance. **Overall, production was disappointing, but the full year average still exceeded guidance. While there are short-term challenges, Ecopetrol's strategic focus and financial management position it for long-term growth and stability. Leverage deteriorated slightly while liquidity remains adequate. Ecopetrol's bond yields remain attractive, offering investors an 8% return, though the possibility of future bond supply to fund M&A could impact investor sentiment. We see better value in 2032-2036 papers.**

- Daimler Truck (DTRGR, A3/A-) – [MW]: Daimler Truck AG (Daimler Truck, DTAG) is the world's largest manufacturer of commercial vehicles by revenues, with a diverse portfolio of medium and heavy duty trucks and buses. On March 14th, Daimler Truck reported its fourth-quarter 2024 results, showcasing a strong revenue performance that exceeded expectations. The company generated EUR 14.35 billion in revenue, surpassing the consensus estimate of EUR 13.78 billion. This was largely driven by the Industrial segment, which contributed EUR 13.46 billion, beating the forecast of EUR 12.97 billion. Additionally, the Financial segment performed well, with revenue of EUR 893 million, outpacing the consensus of EUR 844 million. For the full year 2024, the Industrial business sold approximately 460,000 units, and Daimler Truck projects sales of 470,000 units for 2025, with a midpoint estimate. This modest increase in unit sales is expected to translate into a YoY increase in Industrial revenue to EUR 53 billion from EUR 50.74 billion in 2024. Despite these positive revenue trends, margins were softer across the board. Consolidated adjusted EBIT was in line with consensus at EUR 1.10 billion, reflecting a 7.7% margin compared to an expected 8.0%. The Industrial adjusted EBIT margin was 8.0% in the fourth quarter, down from 10.6% in the same period of 2023. Meanwhile, the Financial segment margin decreased to 3.5% from 6.7% in the fourth quarter of 2023. Cash of EUR 9.5 billion and EUR 5 billion syndicated credit facility are sufficient to cover St debt of EUR 10.3 billion. Daimler Truck anticipates a 10% YoY increase in consolidated adjusted EBIT for 2025, slightly above consensus expectations. The company has initiated a cost-saving program in Europe, aiming to cut over EUR 1 billion in recurring costs for Mercedes-Benz Trucks. **Overall, Daimler Truck's fourth-quarter results were mixed, with solid revenue and in-line adjusted EBIT but soft consolidated free cash flow. The company provided robust guidance for 2025 revenue and adjusted EBIT but expects a significant decline in industrial free cash flow. The outlook does not account for potential impacts from additional tariffs, though Daimler Truck is prepared for regulatory changes that could affect the heavy-duty truck upgrade cycle. The company highlighted that its guidance and 2025 performance would not depend on changes to EPA regulations, as it has compliant engines available if required, but does not have EPA-related investments on the balance sheet if not needed. We move from UW to MW on DTRGR papers on the back of a**

30-40bps spread widening since December 2024. Risks to the rating include commercial truck production cyclicality, supply chain disruptions, capital markets access, and increased return of capital to shareholders. Despite these challenges, Daimler Truck's strategic focus and financial management position it for long-term stability and growth in the competitive automotive industry.

- **Swiss Life (SLHNVX, - /A- / -) [MW]:** Swiss Life's FY24 adjusted profit from operations reached CHF1.8bn, up 19% yoy, with an RoE of 16.6%. Gross written premiums grew 2% yoy, while fee income increased 4%. By division, Switzerland's profits rose 2% yoy, France saw a 64% increase, Germany remained flat, the International business grew 18%, and Asset Management profits surged 64%. The Swiss Solvency ratio stood at ~200%, down from 212% in FY23 but above the strategic ambition range of 140–190%. Guidance: The company reaffirmed its 2027 targets, aiming for fee results of CHF1bn+, RoE of 17–19%, and CHF3.6–3.8bn in cash to holding for 2025–27. **Overall, we think the result is inline. Swiss Life AG will remain a market leader in Switzerland, backed by its prominent brand image and relationships with domestic market participants. We like its credit profile for its strong brand name, strong capitalization and well diversified business. SLHNVX senior papers trade at fair valuations, while we see value in its subordinated 4.241% 44s.**

- **BMW (BMW, A2 / A / -) [MW]:** Revenue declined 8.4% yoy to EUR 142.38 bn, while EBT fell 35.8% to EUR 10.97 bn, reducing the EBT margin from 11% to 7.7%. EPS dropped 34.2% to EUR 11.62. The automotive segment's EBIT decreased 39.2% to EUR 7.89 bn, with the margin contracting to 6.3% from 9.8%. The motorcycles segment saw a 23.6% drop in EBIT to EUR 198 mn, while the financial services segment reported a 14.3% decline in EBT to EUR 2.54 bn. The free cash flow in the automotive segment was EUR 4.9 bn. Worldwide sales reaching 2.45 mn vehicles, including 426,594 BEVs, accounting for 17.4% of total sales. Despite the downturn, BMW expanded its financial services business, with new contracts rising 9.8% to 1.69 mn and the total volume of new customer contracts increasing 12.5% to EUR 64.52 bn. The proposed dividend per common share fell from EUR 6.00 to EUR 4.30, raising the payout ratio to 36.7% from 33.7%. Guidance: For 2025, BMW expects a slight increase in deliveries across automotive and motorcycle segments, an EBIT margin of 5-7% in automotive and 5.5-7.5% in motorcycles, and a return on capital employed of 9-13% and 13-17% respectively. Free cash flow is expected to exceed EUR 5 bn, while the long-term EBIT margin target for the automotive segment remains at 8-10%. **BMW Group achieved its adjusted guidance across all parameters in FY 2024. Q4 showed sequential improvement after Q3 was affected by delivery stops due to the Integrated Braking System. R&D and capital expenditure peaked in 2024 and will decrease in 2025. We remain MW as valuations look fair compared to peers.**

- **DP World (DPWDU, Baa2 / - / BBB+) [MW]:** In 4Q24, consolidated volumes reached 13.6mn TEUs, marking a 7.4% YoY increase, while gross volumes grew 9.5% YoY on an LFL basis to 11.1mn TEUs. Revenue growth was offset by a margin decline due to a 414bps YoY drop in the logistics segment. Despite an increase in lease and concession liabilities, net leverage improved slightly to 4.2x (down 0.1x), supported by a cash balance of $4.6bn. Free cash flow stood at approximately $1bn, while total capex reached $1.3bn, with around 70% dedicated to maintenance. DP World has proposed a $500mn dividend for FY24. The company plans to refinance its $1.5bn hybrid bond with a conventional bond, choosing to call and replace the existing instrument. Guidance: For FY25, DP World aims to expand consolidated capacity to 67.8mn TEUs (+2.4% YoY) by year-end, seeking to improve utilization from the current 86%. Capex is projected to reach up to $2.5bn. Management also emphasized that year-to-date performance in 2025 has shown notable improvement over 2024. **Overall a solid set of results. We remain comfortable with DP World fundamentally, as it is one of the strongest BBB credits in the GCC, committed to managing its balance sheet and maintaining current credit ratings. We see most value in the belly of the curve, i.e. 33s and 37s.**

- **Helios Towers (HLSTWR, B1 / BB- / B+) [MW]:** Helios Towers reported a strong FY 2024, achieving a 10% yoy revenue increase to $792mn and a 14% yoy rise in adjusted EBITDA to $421mn, marking a decade of consecutive growth. ROIC expanded by 1ppt to 13%, while free cash flow improved by $100mn yoy to $19mn. Tenancy additions reached 2,481 (+9%), with growth mainly in Tanzania and Oman, pushing the tenancy ratio up to 2.1x. Net leverage declined 0.4x yoy to 3.98x, supported by bond refinancing that extended maturities with minimal cost impact. S&P upgraded the company's credit rating to BB-. Guidance: FY 2025 guidance includes 2,000-2,500 new tenancies, $460mn-$470mn in adjusted EBITDA, $150mn-$180mn in capex, $40mn-$60mn in free cash flow, and net leverage around 3.5x. The company is progressing towards its 2.2x tenancy ratio target by 2026 while maintaining strong financial performance and an improved balance sheet. **We remain MW on Helios. The company delivered solid results with further improvements in deleveraging and free cash flow generation. However, valuations compared to peers look fair to us.**

- **Eletrobras (ELEBRA, Ba2 / BB / BB-) [MW]:** Eletrobras has reported mixed Q4/24 results, with improved results at generation but weaker numbers at transmission. EBITDA fell 6% YoY, pressured by higher costs from energy purchased for resale, lower transmission revenues and higher costs from adjusted regulatory personnel, materials, services & other (PMSO). FCF was positive BRL 2.1 bn, mainly boosted by working-capital inflows, supporting flat reported net leverage at 1.6x. Recurring regulatory revenues rose 4% YoY to BRL 10.7 bn: This was explained by an increase in generation revenues on the back of 6% volume growth, which was in turn explained by higher sales on free market (ACL) and on short-term markets, as well as the 6.6% average price increase. Recurring regulatory EBITDA declined 6% YoY to BRL 5.1 bn: Despite the top-line growth in generation, the results were impacted by the higher costs from energy purchased for resale, lower transmission revenues and higher costs from adjusted PMSO. FCF came in at BRL 2.1 bn: OCF nearly doubled YoY at BRL 5.5

bn, mainly due to a working-capital inflow of BRL 1.3 bn during the quarter (and an outflow of BRL 1.5 bn in Q4/23), while being slightly impacted by BRL 1.6 bn in interest payments. Capex fell 41% to BRL 3.3 mn, and BRL 132 mn of dividends were paid. For FY 2024, FCF stood at BRL 5.5. bn, with BRL 12.4 bn in OCF, capex of BRL 7.8 bn (+128% YoY), BRL 1.3 bn in dividends, and the receipt of BRL 2.3 bn from divestments.Net leverage flat QoQ at 1.6x: The 3% lower net debt at BRL 37.7 bn mainly compensated for the decrease in EBITDA, leaving net leverage unchanged. Gross debt rose 10% to BRL 75.6 bn, while the cash balance increased 25% to BRL 35.5 bn. Liquidity is sound, with cash and equivalents comfortably covering amortisations for the next three years. **We are MW on Eletrobras. Our assessment reflects the company's: [1] position as the largest utility player in Brazil, accounting for 23% of total installed capacity and 38.5% of transmission lines; [2] improved governance following the privatisation; and [3] turnaround strategy, with initiatives to reduce costs (e.g. voluntary dismissal programme) and a plan to sell non-core assets (SPEs). Our assessment also incorporates risks such as: [1] potential increase in provisions from an already high base; [2] negative developments regarding compulsory loans; [3] risks related to the growth plan, involving large capex, investments in SPEs and potential M&A; and [4] generation capacity that has yet to be contracted.**

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Key Risks of investing in Fixed Income Products

Credit risk

Bonds are subject to the risk of the issuer defaulting on its obligations. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer.

Liquidity risk

Some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity.

Interest rate risk

Bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rate rises.

Foreign Currency risk

Investors may be exposed to foreign currency risks if the fixed income investment is placed in a currency other than the investors' home currency.

Geographical-related risk

The risk to an investment in a specific geographic area. Specifically, it refers to the possibility that a natural disaster to which an area is prone will negatively impact an investment.

Emerging Market Risk

Emerging market economies may react more strongly to changes in economic activity than the economies of developed countries. The markets react in particular to intended and actual changes in monetary policy, government economic and financial policy, and interest or inflation rates.

Guarantor Risk

The involvement of a guarantor may reduce the default risk, as the guarantor guarantees full or partial payment of the redemption price in the event of the issuer's insolvency. Investors bear the risk that guarantors may also not be able to meet their obligations or may become insolvent.

Structural Subordination Risk

The risk that a lender to a company will not have access to the assets of the company's subsidiary until after all of the subsidiary's creditors have been paid and the remaining assets have been distributed up to the company as an equity holder.

High Yield / Unrated bonds

High Yield Bonds (with ratings at or below BB+/Ba1) carry higher risk since they are rated below investment grade, or could be unrated, which implies a higher risk of Issuer default. Further, the risk of rating downgrades is higher for High Yield Bonds in comparison to investment grade bonds. During economic downturns such bonds typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

Callable / Puttable Bonds

Callable Bonds have embedded call options which may be exercised by the Issuer, while Puttable Bonds have embedded put options which may be exercised by the Investor. These events may result in early unscheduled return of principal on bonds. Investor should note that he/she may not able to reinvest the amounts received, into other suitable bonds with returns as favorable as that of the pre-existing bonds.

Additional Risk Disclosures relating to investment in Complex Bonds

Complex bonds are bonds with special features. Examples of Complex bonds include:

Perpetual Bonds

Perpetual Bonds have no maturity date and pay a steady stream of interest rate forever. Thus these types of bonds usually have a particularly high duration and are very susceptible to fluctuations in interest rates as compared to normal bonds. Perpetual Bonds generally have lower liquidity and many different technical features. Investor needs to exercise caution in dealing with Perpetual Bonds.

Convertible Bonds

Convertible Bonds give the bondholder an option to convert the notional of the bonds into common stock at a predetermined strike price. Hence, under certain circumstances, Convertible Bonds may have a risk profile that closely resembles that of common stock. Investors should note that they are subject to investment risks of both common stock and bonds.

Contingent Capital / Convertible Bonds

Contingent Convertible Bonds have a contingent write down or loss absorption or conversion feature that allow the bonds to be written off, fully or partially, or converted to other type of assets on the occurrence of a trigger event. Hence, an Investor holding Contingent Convertible Bonds is exposed to a higher Issuer credit risk in general and may lose the value of their investment substantially as a result of occurrence of the trigger event. It is a complex product, as the circumstances in which the product may be required to bear loss are difficult to predict and ex ante assessments of the quantum of loss will also be highly uncertain.

Extendable Bonds

Extendable Bonds have extendable maturity dates and Investors would not have a definite schedule of principal repayment.

Variable/ Deferred Coupon Bonds

Variable-Rate Bonds have variable and/or deferral of interest payment terms and Investors would face uncertainty over the amount and time of the interest payments to be received.

Subordinated Bonds

Subordinated Bonds have subordinated ranking and in the event of liquidation or insolvency of the Issuer, Investors would only be entitled to be paid after other senior creditors are paid.

Bonds with bail-in features

In the event that the issuer of the debt securities enters into insolvency or other similar proceedings, there is a risk that the holders of the debt securities will receive less than their original investment or will receive nothing. Where the issuer of debt securities is a financial institution within the scope of the European Bank Recovery and Resolution Directive resolution regime, there is a risk that debt securities will be subject to bail-in by resolution authorities. If the collapse of the issuing financial institution poses a threat to financial stability, authorities may (i) cancel or amend the obligations of the issuing financial institution to holders of debt securities (either in whole or in part), or (ii) convert such debt securities into another type of security, including an equity security.

Bonds with multiple credit providers and structures

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