

CMBI Credit Commentary

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

- *The markets were overall stable this morning. We saw two way light flows in LGFV/AT1/SOE perps with limited short coverings. China property sector was relatively active due to recent policies while it was still a good window for offshore AM to unload risks.*
- **China Policy:** *Chinese commercial banks are encouraged to issue guarantee letters to support developers to use up to 30% of the proceeds in their presale escrow accounts to support the project development and debt repayment, according to a joint notice issued by CBIRC, PBOC and MOHURD. Long dated YUEXIU/AGILE up 4-5pts, VNKRL/ LNGFOR were unchanged to +1pt this morning.*
- **COGARD:** *Announced to raise around HKD3.92bn (cUSD500mn) via share placement. COGARs firstly up 10pts then retreated to up 3-4pts by mid-day.*

❖ Trading desk comments 交易台市场观点

Yesterday, we continued to see risk-on sentiment in China IG and Chinese properties, buoyed by the 16 measures on PBOC & CBIRC's support, and the 20 measures on Covid policy relaxation. Financials space generally tightened 3-8bps amid elevated sentiment in broader spaces, with AMC outperforming. In AMCs, GRWALL/HRINTH curves were traded 2-4pts higher, and CCAMCL/ORIEAS curves tightened 40-80bps. T2s/leasing names had balanced yet relatively limited flows, as street was busy short covering while did not see meaningful buying. TMTs also had a broad-based 10-15bps rally with TAISEM/TENCNT under better buying. Market theme was all about the rescue package to support developers including POEs, IG property space opened 3-6pts higher on various accounts chasing but showed some profit taking into lunchtime. The overall flows still consolidated to better buying after a small pop again before close. VNKRLs/LNGFORs jumped 5-8pts on back of RM/HF buying with light dealer inventory. SINOCE 24-26s were up 10-14pts to close at low-30s, and CHJMAO 24-26s were traded 9-10pts higher back to mid-80s. Quality front-end papers continued to grind to par. China HYs had a risk-on Monday post headline that China to let developers access some pre-sale funds. Non-defaulted names outperformed on flows of RM small buying with Chinese/HF taking profits. COGARs soared 15-20pts, and closed +10-15pts higher by EOD despite profit takers emerged. Among the CBIC-back survivors, AGILEs were up 4-12pts and FUTLANs/FTLNHDs rallied another 5-15pts. Elsewhere, CHINSCs/SHUIONs jumped 7-10pts while XINHUZs were up 15-20pts. GZRFRs/PWRLNGs were up 1-2pts while CIFIHGs were 2-3pts higher. Among defaulted names, CAPG/RONXIN/SHIMAO were slightly bid up 0.5-1pt. HK names underperformed, SUNHKC '24/ NWDEVL '27 were down 2-3.5pts. In industrial space, FOSUNIs were traded 0.5-2pts higher across the curve and HONGQI '23/ZOOMLI '22 were under better buying

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flows. In Macau gaming space, STCITYs continued to rebound 12.5pts on the quarantines' marginal easing, MPELs/SJMHOLs/WYNMACs were further up 6-8pts. Non-China HY showed a relatively quiet but constructive tone to start the week post CPI, with attention mostly diverted to China. In Indian HYs, renewables like VEDLNs/GRNLENs/RPVINs were all 0.5-2pts higher. Previous underperformers like ADANIG/MONDFI also bounced another 1.5-3pts.

In the SOE Perp/AT1/LGFV spaces, sentiment remained afloat, thanks to further rally in the property space that drove more short covering in the spaces. In AT1s, ICBCAS 3.2 PERP led low-yielding names ~0.5pts higher in light of short covering despite RM selling into rally, whilst c23 papers CINDBK 7.1 PERP/ BOCHKL 5.9 PERP continued to see carry buyers at low-6%. Market eyed that CHIYBK 5.25 PERP had two-way flows in 98/99 context on deadline day of call announcement, with PB selling into HF covering shorts and Chinese AM picking up cheap offers. Overall, Chinese AT1s were 0.25-1pt higher on the day. SOE Perps were more mixed, with the likes SPICPT 3.45 PERP/CHPWCN 4.3 PERP well bid again due to short covering, but on client front RM were skewed to better selling into bid. And we also saw some buyers for construction names though CHSCOI 4 PERP still traded heavy-ish. Flow wise, we saw RM accounts buying were quite cautious despite having ultra-high cash ratio portfolios, post several rounds of beta selloff. Elsewhere, LGFVs were generally stable but again demand remained largely concentrated in short covering - mainly in low-beta 25s issued this year, where buyers would still need close to double-digit yields to take up long positions. Meanwhile long dated papers remained under selling pressure from global and offshore Chinese AM, but continued to see limited demand beyond short covering. There also emerged some better buying interests on low-cash price papers like GSHIAV/CQLGST, as well as on high-beta names like ZHHFGR/CNSHAN.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHJMAO 4 1/4 07/23/29	65.3	25.3	SUNHKC 5 3/4 11/15/24	93.8	-3.4
XINHUZ 11 06/06/25	76.2	21.1	YYCCIG 3.48 11/24/26	85.4	-3.0
FTLNHD 6.8 08/05/23	70.0	17.5	PUTSTA 4.7 04/23/24	95.6	-2.8
AGILE 6.05 10/13/25	36.5	16.6	VEYONG 3 3/8 05/12/26	79.9	-2.6
FUTLAN 4.45 07/13/25	47.0	16.1	YNCING 5.1 07/21/23	96.0	-2.5

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets overall down yesterday, the S&P (-0.89%), Dow (-0.63%) and Nasdaq (-1.12%) technically fell after a rally in last week. Fed Vice Chair said Monday that the Fed may soon slow the pace of interest rate hike as the back of decreasing inflation data. The U.S. treasury edged higher yesterday, the yield curves shifted up and the 2/5/10/30 yields stayed at 4.40%/4.00%/3.88%/4.07%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Nanjing Yangzi State-owned Investment Group Co., Ltd.	USD300	3yr	5.95%	5.95%	-/-/A-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
China International Capital Corporation (International) Limited	USD	-	3yr	T+150	-/-/BBB+

➤ News and market color

- Regarding onshore primary issuances, there were 60 credit bonds issued yesterday with an amount of RMB66bn. As for Month-to-date, 648 credit bonds were issued with a total amount of RMB809bn raised, representing a 18.4% yoy decrease
- Chinese commercial banks encouraged to issue guarantee letters to support developers' use of part of regulatory proceeds of presale accounts
- Media reported that Macau casino operators intend to invest MOP100bn (cUSD12.4bn) in the gambling hub over the next 10 years
- [BJSTAT]** Beijing State-Owned Assets Management launched up to USD100mn tender offer for its USD700mn BJSTAT 4.125 05/26/25 with a proposed price of 100.1
- [COGARD]** Country Garden announced to raise around HKD3.92bn (cUSD500mn) via share placement
- [FOSUNI]** Media reported that Fosun could seek USD1.5bn in Club Med possible sale
- [FTLNHD]** Seazen Holdings announced to submit application for issuance of MTNs to NAFMII; Media reported the company plans to raise up to RMB1.5bn (cUSD211mn) via CBICL-back bonds with five-year tenor and coupon between 3.3%-4.6%
- [JINJII]** Jinjiang International launched offer to purchase up to EUR100mn of 1% guaranteed bonds due 2024 (o/s EUR500mn)
- [MINMET]** China Minmetals Corp completed redemption of all USD1bn senior perpetual capital securities
- [NAGACL]** NagaCorp accepted USD120mn max amount in NAGACL 7.95 07/06/24 tender offer and the clearing price is 91.5
- [SINOCE]** Fitch affirmed Sino-Ocean's rating at BB and maintained rating watch negative
- [SUNAC]** Media reported that Sunac is preparing for a holistic restructuring of onshore bonds

- **[YIDCHL]** Yida China fails to pay USD5.7mn interest related to due-2025 note consent solicitation before grace period's last day on 14 Nov

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