

CMBI Credit Commentary

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

- *We saw structured flows unwinding this morning, as AT1s shall continue to be re-priced with the higher rates outlook. BOCOM 3.8%/ICBCAS 3.2%/BCHINA 3.6% down 0.25-0.375pt. AT1 valuations remained fairly rich compared to SOE perps that have already been traded down to 4.7%-5.0%.*
- *Media reported that President Xi's support to relax home purchase restrictions in most non-T1 cities. We saw a small wave of street lifting of property bonds, with COGARDs closing 2-3pts higher by mid-day. CIFIHG/GEMDALs also 1-1.5pts higher.*
- **Macro Insights:** *RMB exchange rate cycles: causes, implications & spillovers. See below for comments from our economic research.*

❖ Trading desk comments 交易台市场观点

Yesterday, IGs were generally stable across sectors despite higher UST 2yr yields, amid CPI printed higher than expectation. IG benchmark spreads opened 3-5bps wider, and market took a cautious stance on the day. AT1s valuations were still resilient at the rich levels but naturally turned 0.25pt modestly weaker on the back of rates move. In AMCs, GRWALL/CCAMCL curves tightened ~5bps on the front end. TMTs showed better selling, though TENCNT tightened 2-4bps. IG property was roughly the same, LNGFOR tightened 1-3bps. China HY largely went 0.5-1pt lower, as we kept to see non-property headlines took the center stage. In industrials space, FOSUNIs fell another 5-9pts across the curve despite the Chinese conglomerate denied onshore chatters and planned to sue Bloomberg for the misleading news. FOSUNI 25-27s dropped 6pts to be quoted at high-30s level. Among ex-property HYs, PEAKRN 5.35% Perp fell another 2.5pts on collateral damage. Gaming space broadly turned 1-2pts lower and stayed range-bound as expected. MPELs/WYNMACs retreated 1-2pts, SJMHOLs/STCITYs lowered 0.5-1.5pts, to offset most of the yesterday's gains. Property benchmarks COGARD/CIFIHG curves were down by 0.5-1.5pts. Elsewhere, FUTLANs ended 1.5-4.5pts higher, post CBIC-backed onshore bond new issuance. AGILE 25s closed up 1.5-2.5pts. Non-China HY felt softer against the backdrop of weaker macro markets from US CPI as well. Indian HYs had active two-way flows amid Vedanta's stock rally, though VEDLNs were still traded down 1-1.5pts at the lower levels.

Rates were another 20bps higher O/N after upside surprise on inflation print, prompted broader markets to open weaker. But the LGFV/ SOE perp/ AT1 spaces remained fairly resilient instead, largely thanks to the absolute-yield driven demand from Chinese money. In short, flows were overall mixed two-way, with low-mid-4% stuff better offered whilst support was found for most lines at ~4.7%-5.0%, as investors sought for yield cushion

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more so than ever given the changing macro backdrop towards higher rates. Notably HNYUZI 4.25%'24 remained afloat around high-98/99 or high-4% to 5%. Meanwhile high beta stuff north of 6% continued to attract structured buying flows, except for LZINVE'22 which leaked another ~1.75-2pts without any further news (latest piece being the well-known Lanzhou bus driver payroll one over the weekend). We reckon selling pressure may have mounted on LZINVE since last week, and finally got hit by a low-ball bid today. Elsewhere in LGFV space, CHUDIN'26 down 2.5pts. SOE space was unchanged and well-bid, while Perps did emerge more selling on back of rates move.

➤ **Last trading day's Top Movers**

Top Performers	Price	Change
FUTLAN 6 08/12/24	54.3	4.4
FTLNHD 4 5/8 10/15/25	46.2	3.0
AGILE 5 1/2 04/21/25	41.9	2.4
FUTLAN 4.45 07/13/25	46.2	2.2
AGILE 5 3/4 01/02/25	43.2	2.1

Top Underperformers	Price	Change
FOSUNI 6 3/4 07/02/23	60.3	-8.8
FOSUNI 6.85 07/02/24	50.1	-6.3
FOSUNI 5.95 10/19/25	40.4	-6.2
FOSUNI 5 05/18/26	38.7	-5.9
FOSUNI 5.05 01/27/27	38.4	-5.9

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock markets slightly rallied on Wednesday after prior day's slump. The S&P (+0.34%), Dow (+0.10%) and Nasdaq (+0.74%) technically rebounded and led by tech, energy sectors. The U.S. August core CPI data excluded foods and energy increase 0.4% mom. The biggest four Chinese banks lowered deposit interest rate by 10-15bps for all type deposit. The short term U.S. treasury yields continued ascending while long term yields fell a bit, the 2/5/10/30 yield reaching 3.78%/3.60%/3.41%/3.47%, respectively.

❖ **Desk analyst comments 分析员市场观点**

➤ **Macro Insights – RMB exchange rate cycles: causes, implications & spillovers**

China has a managed floating exchange rate regime with flexibility and management at the same time. Investor appetite, economic & policy divergence and geopolitical factor drive the movement of US\$/RMB rates. Changes of the PBOC's stance on renminbi are often important policy signals. US\$/RMB rates had two cycles in 2014-2021 and rose again in 2022 due to the Sino-US economic and policy asynchrony. Looking forward, US\$/RMB has moderate room to further rise in next 1-2 quarters. However, the trend may change in 2023 if the US sees a recession and China could reopen its economy. We expect US\$/RMB may reach 7.1 at end-2022 and 6.75 at end-2023. Changes of US\$/RMB rates have noticeable spillover effects on global markets especially on other assets with fundamental, liquidity or sentiment linkages.

RMB exchange rate regime. There is no signal of direct interventions using FX reserves. But the volatility of renminbi remains low with sign of careful management through central parity rate, verbal intervention, RRR adjustments for FX deposits and possible window guidance. The PBOC targets more flexibility of renminbi in the long run, but still pays attention to stability in the short run with some fears of floating.

What factors influence US\$/RMB rates. When China's economy grows stronger than the US, investor appetite for renminbi assets would increase and US\$/RMB rates tend to decline. When geopolitical risk related to China rises, US\$/RMB rates may rise. The BOP transactions have a direct impact on US\$/RMB rates by changing supply and demand. Domestic and global economic fundamentals influence the BOP transactions.

US\$/RMB rate forecast. US\$/RMB rates saw a new round of increase this year due to the Russia-Ukraine war, the Fed tightening and China's economic slowdown. US\$/RMB rates have moderate upside room as the US-

Sino interest spreads may further rise in next 1-2 quarters. US\$/RMB rates may see some moderate decline in 2023.

Spillover effects of US\$/RMB rates. There are three cross-market linkages including fundamental, liquidity & sentiment linkages. US\$/RMB rate changes have significant correlations with Chinese stock returns especially in material, industrials, consumer discretionary, financials and air transportation, EM exchange rate and stock returns and commodities sensitive to “China” factor.

Click [here](#) for full report.

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

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

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Shaoxing Shangyu Sate-owned Capital Investment and Operation Co., Ltd.	USD	-	3yr	-	-/-/BBB-
Hongkong Xiangyu Investment Co., Limited	USD	-	-	-	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 76 credit bonds issued yesterday with an amount of RMB65bn. As for Month-to-date, 519 credit bonds were issued with a total amount of RMB554bn raised, representing a 14.7% yoy decrease
- Macau government receives seven bids for new gaming concessions. Besides the original six companies, the new joiner is GMM Limited and links to Malaysian gaming enterprises Genting Group
- [CAPG]** The bondholders of 19Aoyuan02 (o/s RMB1.5bn, 6.6% coupon) approved the proposal to defer partial repayment for interest to 3 Sep'23
- [FOSUNI]** Fosun International paid HKD 49.83mn to repurchase 11mn shares; Fosun said they met Beijing SASAC relating to the ongoing project cooperation with SOE. Media report that Fosun plans to sue Bloomberg for the news that Chinese authorities asked banks to review their exposure to Fosun
- [FTHDGR]** The latest restructuring plan of Fantasia includes swapping 20%-30% of total outstanding principal into equity with remainder paid about 6 years, and Baby Zeng Jie will inject USD10-15mn new money
- [JIAYUA]** Jiayuan secondly extended expiration deadline to 23 Sep for its exchange offer, in which Jiayuan proposed to extend the maturity of its six USD bonds to 25/26 and unified the coupon rate to 6.5%

- **[JINGRU]** Jingrui Holdings plans to sell its Suzhou City commercial buildings for RMB103.6mn
- **[MEDCO]** Medco Energi plans to repay the USD850mn debts that backed its Corridor block in South Sumatra acquisition by the end of 2024
- **[RDHGCL]** Radiance holdings has deposited all necessary funds of USD11.7mn for RDHGCL 7.8 03/20/24 interest payment
- **[RONXIN]** Ronshine added credit enhancement for its 20Rongxin01 and 20Rongxin03 with total o/s amount of RMB2.95bn
- **[YANGOG]** The Hong Kong High Court adjourned Yango Group bond issuing entity's winding-up hearing to 12 Oct'22

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