

CMBI Credit Commentary

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

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- *SOE 24c/25c perps especially those related to infrastructure construction were sought after by Chinese buyers, pushing SOE perps up ~0.5bps this morning. LGFVs were overall quiet while weak names faced better selling. AT1 continued calm after previous active short covering.*
- *US-China tension escalated. Taiwan and Korea names overall widened yesterday while recovered slightly as short covering showed today. Unstable macro may be exacerbated as China takes military exercises in next few days.*
- *Macau terminated the state of immediate prevention on 2'Aug that the restriction to indoor entertainment places were ceased. That said, Macau gaming names fell 3-5pts yesterday afternoon and were down another 2-3 points this morning as the prospect of epidemic policy is still ambiguous. See [our comments on SJM 1H22 results yesterday](#).*

❖ Trading desk comments 交易台市场观点

Yesterday, Chinese IG market spurred risk-off bets as market eyed that House Speaker Nancy Pelosi's arrival in Taiwan raised concerns. Overall IG spreads felt mixed in context. In financials, benchmark spread buoyed on the rates move as UST 10yr yield rebounded 15bps overnight. AT1 was stable. Among AMCs, GRWALL/HRINTH notably tightened 30-60bps. While in TMT sector, BABA/MEITUA went weaker along with the stocks amid tension. Taiwan names downed a bit as the escalating macro, TAISEM still 10-15bps wider on the day generally. Chinese HY space felt weaker amid macro and geopolitical uncertainties. HY property space saw high-beta names came under selling pressure again, COGARD fell another 3-4.5pts. CIFIHG down 2-3pts. Distressed names remained heavy on small better selling, Longer-dated CENCHIs, rose 9pts last week, ending at 29/30 and closed 2pts lower on Tuesday while the par-pull of CENCHI 6.75%'22 due 8 Aug'22 continues. KWGPROs due Sep'22 were largely unchanged at c40s level. Macau reversed the recent trend to sell-off as strict quarantine policy remains an overhang. SANLTD/WYNMAC opened higher but notably ended down to 3.5-6pts lower than the levels of last close across the curves. STCITY down by 3pts.

Some loose bonds in SOE perps came out in the morning and were digested fairly easily. Hence on a net basis the market was still ~10c firmer in this space as mid-4% became the apparent hurdle rate. LGFVs consolidated to overall two-way: offshore slight better selling versus onshore happy to take cheap offers. The recent 25s among new issues,

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ZHAPIE '25/ZHANLO '25/GETDZS '25 seemed to be building for a short squeeze, as short sellers/dealers found it hard to locate any more loose bonds after NBRMs had absorbed almost all papers at the lows. Otherwise names from weaker regions remained better sold and bid-less inside 8%. Sentiment was cautious given the macro overhang, selling/ shorting TAISEM seemed to be the go-to 'Pelosi hedge' trade. Overall, SOE perps showed to be of higher preference over LGFVs after Chinese AM resumed deployment.

➤ **Last trading day's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
PLNIJ 5 1/4 10/24/42	94.0	3.0	FUTLAN 6 08/12/24	39.4	-5.9
PLNIJ 5 1/4 05/15/47	90.3	2.3	FIHUCN 5 02/26/28	93.5	-5.3
PLNIJ 6 1/4 01/25/49	101.1	2.3	MPEL 5 3/8 12/04/29	67.8	-4.9
PLNIJ 6.15 05/21/48	100.2	2.1	COGARD 4 3/4 01/17/23	70.8	-4.5
HONGQI 6 1/4 06/08/24	89.8	2.1	SINOCE 3.8 04/26/25	49.0	-4.1

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market continued downed on Tuesday with weak market sentiment. The S&P (-0.67%), Dow (-1.23%) and Nasdaq (-0.16%) affected by Fed officials' hawkish opinion about future interest rate as the inflation is still serious, 75bps hike is possible in September if no abatement. Chinese central bank's 2H22 conference set the goal that providing credit support for enterprises and focusing on the infrastructure construction fields. U.S. treasury yields turned to wide on the back of U.S-China tension escalated. Yield curves bear flattened with 2/5/10/30 yield reaching 3.06%/2.85%/2.75%/3.00%, respectively.

❖ **Desk analyst comments 分析员市场观点**

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

Issuer/Guarantor	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Suzhou City Construction Investment Group (Holding) Co., Ltd.	USD200	3yr	-	6.00%	-/-/BBB-
Jinan Hi-tech Holding Group Co., Ltd.	USD300	3yr	5.50%	5.50%	-/-/BBB

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Danyang Investment Group Co., Ltd.	USD	-	3yr	6.40%	-/-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 43 credit bonds issued yesterday with an amount of RMB68bn
- The People's Bank of China vowed to maintain a stable loan growth and facilitate financing for the property sector to ensure economic recovery, mainly through bonds and loans, exploring a new development model for the industry, and ensuring sufficient liquidity with the use of monetary tools
- **[JINANC]** Jiangsu Nantong Sanjian Construction delayed the noteholders' meeting scheduled on 3 Aug'22 to 24 Aug'22 regarding its "19Nantongsanjian MTN001" notes as some of noteholders could not complete their internal approval process
- **[KMCMIN]** Kunming Traffic Investment has raised RMB780mn via an offering of two-year corporate bonds at a coupon rate of 5.00% to repay interest-bearing debts
- **[PWRLNG]** Powerlong Real Estate's subsidiary Shanghai Powerlong Industrial Development's bondholders of "20Baolong04" bonds approved two proposals on exemption of the requirement on the procedure for convening the meeting, and on the adjustment of the repayment for the bonds and requesting the issuer to add credit enhancement measures for the bonds as well as exemption of the obligations of the issuer's breach of covenants regarding the bonds
- **[SHSHMA]** Shanghai Shimao Jianshe, a subsidiary of Shimao Property, scheduled the put option exercise for its "19Shimao01" bonds on 5-9 Aug'22
- **[TPHL]** Fitch downgraded the LT Foreign-Currency IDR and senior unsecured rating of Times China to 'C' from 'CCC+', and the Recovery Rating remains at RR4
- **[VNKRLE]** China Vanke proposed to offer up to RMB8bn corporate bonds with 10 years of tenor to repay interest-bearing debts, boost working capital, fund project development and equity investment
- **[YNCING]** Yunnan Construction and Investment proposed to offer RMB1bn 90-day super short-term bills to repay interest-bearing debt
- **[YUEXIU]** Fitch affirmed Yuexiu Property's LT Foreign-Currency IDR at 'BBB-' and the Outlook is Stable
- **[ZHHFGR]** Zhuhai Huafa Properties proposed to offer up to RMB2bn five-year MTN to repay interest-bearing debts

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