

CMBI Credit Commentary

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

We hope you found our commentaries and ideas helpful. We highly appreciate your support to us in Sell-Side Analysts of the polls of [“The Asset Asian G3 Bond Benchmark Review 2022”](#). Thank you for your time. Your support will mean a lot to us.

- *Selling flows in AT1 intensified this morning. Fast money and street dealers have been more aggressively cutting risks/shorting today, more liquid names BCHINA/BOCOM/ICBCAS all down 1-1.25pt. Some short-call 22s like POSABK/CHINAM were also sold around par to spare rooms, and 1y BOCHKL is now at 4.7% yield on the bid.*
- **Chinese properties:** *Recent mortgage suspension headlines further weaken sentiment as well as fundamental in the space. See below.*
- **HUIJHK:** *77.97% of HUIJHK 12.5% 07/13/22 were validly tendered for exchange with maturity extended for 364days. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday Chinese IG market opened weak amid higher short-term rates overnight. However, sentiment slightly stabilized throughout the day. SOE names widened 1-3bps while high beta TMT names like TENCNT/MEITUA widened 5-7bps. Bank AT1 down another 0.25-0.5pt.

In LGFV space, we saw a brief wave of short covering in the morning with several well-sold names eg. SHDOIS/ CNSHAN rebounded by ~0.25pts off the lows. Nevertheless, selling resumed right after lunch as HF and AM offloaded bonds again amid a weakening broader sentiment. Again the selloff was led by names from weaker regions, Henan particularly and as well as Shandong/Guangxi/Shaanxi, and followed by non-core names in >=3y tenor. These names would generally be ~1-1.5pts down as bid liquidity was again extremely thin. Notably, the move also meant that many of these weak-BBB names were being repriced towards 5%/low-5%. Meanwhile, SOE perps remained weak as investors attempted to raise cash from selling them.

China property sector slightly rebounded. COGARD/CIFIHG/YLLGSP up 1-3pts. CENCHI 6.875% 2022 marked 15pts higher driven by retail buying. In industrial space, FOSUNI/HONGQI/WESCHI rebounded 0.5-2.5pts.

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➤ Last trading day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CENCHI 6 7/8 08/08/22	67.5	13.6	HONGSL 9 7/8 08/27/22	23.9	-4.8
FOSUNI 5.05 01/27/27	46.2	3.9	GEMDAL 4.95 08/12/24	67.1	-4.3
DALWAN 6.95 12/05/22	83.9	3.8	CSCHCN 10 3/4 04/11/23	49.9	-3.9
FOSUNI 5 05/18/26	46.4	2.9	CSCHCN 7 1/4 11/20/22	63.4	-3.1
ROADKG 7 7/8 02/01/23	75.3	2.6	FTLNHD 6.8 08/05/23	57.1	-2.9

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market ended mixed on Thursday, as the market reacted to inflation and expectations for Fed rate hikes. The S&P (-0.30%), Nasdaq (+0.03%), and Dow (-0.46%) closed mixed. WTI crude oil price for August delivery dropped 18 cents from early June to a fresh three-month low of \$96.09 per barrel. U.S. gas prices also continued to decline for the longest stretch of declines in more than two years, as recession fears pull global crude markets lower and consumer demand continued to fade. The probability of a 100bps rate hike in next FOMC falls to around 30% from 70%. Treasury yield flattening faded with the 2/5/10/30 yield reaching 3.15/3.06/2.96/3.11% respectively.

❖ Desk analyst comments 分析员市场观点

➤ Chinese properties: Mortgage suspension further weaken sentiment, as well as fundamental

While mortgage suspension only accounts for a small portion of some larger banks' mortgage loan books (e.g. ICBC 0.01%, ABC 0.012% and BOCOM 0.0067%), we are concerned that the mortgage suspension continue to viral if there is no decisive action from central and local governments. The headlines will certainly weaken home buyer confidence and may even make local governments to be more hesitate to relax the escrow account policy and pre-sales requirements. As we pointed out before, the excessive tightening in escrow accounts is one of the key reasons for the sharply deteriorated liquidity of developers since 2H21. There were signs of sale rebounding off the lows in May and Jun'22 as the lock-down relaxed. However, the mortgage suspension headlines will buck this trend. Indeed, the high frequency data in Jul'22 and the channel check of our equity research already suggest sales would likely turn weaker again. One of our focuses will be on whether the Chinese property market is reaching a tipping point of policy changes, or SOEs will speed up acquisition of projects or/and shareholdings of developers.

➤ HUIJHK - Results of Exchange Offer

USD107.6mn (77.97%) of HUIJHK 12.5% 07/13/22 were validly tendered for exchange. Huijing will proceed issue USD107.6mn new notes due Jul'23 and pay a total of USD6.613mn accrued interest in cash on 19 July. The new notes are embedded with call option that company can redeem the notes in whole at par or redeem up to 35% of the notes at 112.5% with proceeds from equity offering.

➤ Offshore Asia New Issues (Priced)

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

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

Issuer/Guarantor	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 70 credit bonds issued yesterday with an amount of RMB70bn. As for Month-to-date, 599 credit bonds were issued with a total amount of RMB658bn raised, representing a 0.5% yoy increase.
- **[CNSHAN]** Shandong Hi-Speed Group proposed to offer RMB2bn 180-day super short-term bills to repay interest-bearing debts
- **[DALWAN]** Wanda Group Overseas, a wholly owned subsidiary of Dalian Wanda Group, repurchased USD30.5mn of its 8.875% guaranteed bonds due 2023
- **[FRESHK]** Far East Horizon proposed to offer RMB1bn 157-day super short-term bills to repay interest-bearing debts
- **[JIAYUA]** Media reported Jiayuan International sold a commercial property in Hong Kong for HKD95mn
- **[LIHHK]** Lifestyle International expected to turn to a loss of HKD450mn for 1H22 due to decrease in retail sales and net loss in investment
- **[MEITUA]** Meituan's independent non-executive director Shen Nan Peng disposed shares of around HKD3.912bn, reducing his total interest in the company from 3.19% to 2.81%

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