

CMBI Credit Commentary

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

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- *China HY space continued its selloff this morning. COGARD curve further down another 5-6pts and CIFIHG curve also marked 4-5pts lower this morning.*
- *In LGFV space we saw some buying in long end high-grade names from regional accounts early in the morning. Nonetheless the broader weakness soon took over and selling gradually emerged especially among names from weaker regions such as Shandong and Henan.*
- **China economy:** *China's credit growth continued to rebound as credit supply was accommodative and credit demand gradually recovered. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday market was generally quiet with Singapore on holiday. Chinese IG spreads slightly tightened with treasury yield jumped higher on Friday night. In Financials, GRWALL curve recovered 0.5-1pt amid short cover/dip buying interest. TMT space continued its weak trend along with equity market.

In LGFV/SOE space, the quietness was largely down to the absence of further selling carried forward from last week for most of the day. Buying interest had been lukewarm for a while as Chinese investors who had the risk appetite to look at 5%+ LGFVs simply turned to AMCs for better RV. Meanwhile, banks and more conservative mandates at NBRM would simply wait for axe offers for quality bonds at low -4% appear than actively shopping around to deploy their money. Nonetheless, into late afternoon we did see another mini round of risk offloading from some offshore Chinese RM, primarily in longer dated 25s/26s BBB papers and digestion was fairly mixed.

Chinese HY space saw further sell off, especially in relatively higher quality names. CIFIHG Perp plunged 16pts to 40 level and the rest of the curve also down 2pts. COGARD down 3-7pts. Other HY names like KWGPRO and CENCHI also down 2-4pts. In industrial space, FOSUNI down 1pt amid weaker market sentiment. Macau gaming operators also down 1-2pts due to 1-week lock-down.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

James Wen 温展俊
(852) 3757 6291
jameswen@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

➤ Last trading day's Top Movers

| Top Performers | Price | Change |
|-----------------------|-------|--------|
| CITLTD 4.85 04/25/46 | 98.6 | 1.3 |
| CITLTD 4.485 09/07/46 | 93.5 | 1.2 |
| CITLTD 4 7/8 02/04/41 | 99.1 | 1.1 |
| CQLGST 4.3 09/26/24 | 93.8 | 1.1 |
| JD 4 1/8 01/14/50 | 77.5 | 1.1 |

| Top Underperformers | Price | Change |
|-----------------------|-------|--------|
| CIFIHG 5 3/8 PERP | 39.4 | -16.2 |
| GRNLGR 6 3/4 06/25/23 | 28.4 | -15.0 |
| COGARD 6 1/2 04/08/24 | 51.1 | -6.9 |
| KWGPRO 5.2 09/21/22 | 19.8 | -6.8 |
| COGARD 7 1/4 04/08/26 | 43.9 | -6.5 |

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market ended lower on Monday, as the market appears to be tilting towards recession, and the Federal Reserve's appetite for higher interest rates against surging inflation. The S&P (-1.15%), Nasdaq (-2.28%), and Dow (-0.52%) ended down. The US Dollar's push to fresh yearly highs comes ahead of the widely anticipated June US CPI report, with DXY marches above 108. Treasury yield bull-flattened with the 2/5/10/30 yield advancing to 3.06/3.05/2.98/3.27% respectively. Curve further inverted with 2s10s spread down to -8bps.

❖ Desk analyst comments 分析员市场观点

➤ China Economy - Credit policy should remain accommodative with some fine-tuning

China's credit growth continued to rebound as credit supply was accommodative and credit demand gradually recovered. New mortgage, consumer loans and long-term corporate loans all improved as housing sales, durable consumption and infrastructure investment rebounded. Looking forward, monetary policy should remain accommodative with some fine-tuning in 2H22. Money market rates may mildly rise, while the possibility of further LPR cuts should be low. M2 and outstanding social financing may further pick up, yet the upside room should noticeably decline.

- **New credit continued to rebound as credit supply was accommodative and credit demand recovered.** Total social financing rose 39.7% YoY in June after increasing 42.9% YoY in May. New renminbi loans to real sector and government bond financing respectively increased 32% and 115.6% in June, compared to the growth of 27.5% and 57.9% in May. The sharp increase of new credit was due to three factors. First, credit supply was accommodative. The PBOC maintained easing liquidity condition and guided banks to expand their credit supply. Second, credit demand recovered as housing and auto sales beat expectations in June amid reopening economies. Third, local governments were guided to accelerate their special bond financing for infrastructure investment to support the growth.
- **New mortgage, consumer credit and long-term corporate loans improved as housing sales, durable consumption and infrastructure investment rebounded.** New medium & long-term loans to households rose from RMB104.7bn in May to RMB416.7bn in June. They dropped by 19.2% YoY in June, compared to the YoY decline of 76.3% YoY in May. New short-term loans to households jumped 22.3% YoY in June, up from the increase of 1.9% in May. New medium to long-term loans to corporate rose 73.3% in June after dropping 15% in May, as infrastructure investment maintained strong growth and business capex improved.
- **Monetary policy should remain accommodative with some fine-tuning.** As economic growth should remain below potential growth, monetary policy should remain accommodative in 2H22. But the uptrend of consumer inflation and GDP growth may cause some fine-tuning in monetary policy in future. Money market rates may mildly rise and the possibility of further LPR cuts should be low. M2 and outstanding social financing may further pick up, yet the upside room should noticeably decline. Local government bond financing should sharply decline in 2H22 as local governments used most of their quotas in the first half year. Policy banks may expand their loan supply to partially offset the effect on social financing.

Please refer to the [link](#) for full report

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

| Issuer/Guarantor | Size (mn) | Tenor | Coupon | Yield | Issue Rating (M/S/F) |
|--------------------------------|-----------|--------|--------|---------|----------------------|
| Mitsubishi UFJ Financial Group | USD | 3NC2 | 4.788 | T+170 | A1/A-/A- |
| Mitsubishi UFJ Financial Group | USD | 6NC5 | 5.017 | T+195 | A1/A-/A- |
| Mitsubishi UFJ Financial Group | USD | 11NC10 | 5.133 | T+212.5 | A1/A-/A- |

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

| Issuer/Guarantor | Currency | Size (mn) | Tenor | IPG | Issue Rating (M/S/F) |
|-------------------------------------|----------|-----------|-------|-------|----------------------|
| Mitsubishi UFJ Financial Group | USD | - | 3NC2 | T+190 | A1/A-/A- |
| China Development Bank HK Branch | CNH | - | 5yr | 3.4% | -/A+/- |
| China Development Bank HK Branch | HKD | - | 2yr | 3.4% | -/A+/- |
| Fujian Zhanglong Group (Green Bond) | USD | - | - | - | -/-/BBB- |

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 57 credit bonds issued yesterday with an amount of RMB63bn. As for Month-to-date, 411 credit bonds were issued with a total amount of RMB464bn raised, representing a 4.6% yoy increase.
- [AGILE]** Agile Group announced it has deposited sufficient funds into designated bank account for full redemption of RMB1.5bn domestic bonds due on 13 July
- [AVILC]** AVIC International Leasing has raised RMB600mn via an offering of five-year corporate bonds at a coupon rate of 3.13% and proposed to offer RMB900mn three-year MTNs to repay debts
- [CIFIHG]** CIFI Holdings signed an agreement for the sale of a property in Shanghai for RMB187mn
- [DAFAPG]** DaFa Properties announced the dismissal of the winding-up petitions against the company and its subsidiary Yinyi Holdings
- [EVERRE]** Media reported China Evergrande unit's proposal on extension for "20hengda01" bonds has been opposed by a main holder which has close ties to Shenzhen-listed Zhongtian Financial
- [MONMIN]** Mongolian Mining Corp repurchases USD22.12mn of perpetual securities from open market for USD 7.742mn
- [RONXIN]** Moody's has downgraded Ronshine China's corporate family rating (CFR) to Ca from Caa1, and the company's senior unsecured ratings to C from Caa2

- **[SANLTD]** Sands China announced its controlling shareholder Las Vegas Sands has extended an USD1bn subordinated unsecured term loan due in Jul'2028. The company will have the option to either pay cash interest at 5% or PIK interest at 6% in the first 2 years while only cash interest at 5% should be paid for the remaining tenor. This demonstrated the ability and willingness of operators' shareholder to provide support, which is also shown in USD500mn liquidity support from Wynn's parent on 14 June. See more details in our publication on [20 June](#)
- **[TPHL]** Fitch downgraded Times China Holdings Limited's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'CCC+', from 'B+', and its senior unsecured rating to 'CCC+', from 'B+', with the Recovery Rating remaining at 'RR4'

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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