

## CMBI Credit Commentary

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

- *Rebound in non-distressed Chinese HY property continued. FTLNHD/FUTLAN outperformed (+5-10pts), CSCHCN/CENCHI (+5pt) while KWGPRO also (+4pts) to high 30s level despite its surprise of delay in audited FY2021 result. New issue MISCMK'25 widened 3-5bp from re-offer, while new CHGRID '25 and '27 largely unchanged at re-offer of T+90.*
- **China policy:** *Cabinet meeting calls for accelerating infrastructure investment. State Council requires special bonds issuance to be used before Sep' 22. This should support infrastructure FAI growth in 2Q-3Q2022, after 8.6%yoy growth in 2M2022. See below.*
- **COGARD:** *Weaker 2021 result and a prudent tone on outlook. But we maintain BUY on COGARs, prefer COGARD 4.5% '23 (CB) as a short-dated pick. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY space continued the strong rebounding trend. We saw strong market buying and short covering interest on the back of potential stimulation policies. CHINSC/KWGPRO rebounded 7-12pts, and FTLNHD/PWRLNG/TPHL rose 5-10pts. COGARD/SUNAC/YUZHOU/GRNLGR saw better buying and up 3-4pts. CIFIHG also traded up 2-3pts and RONXIN/SINOCE up 1-2pts. The Macau gaming sector was skewed to better buying and generally rose 1-3pts.

Chinese IG market was generally traded firmer. In SOE sector, long-end spread of benchmark names tightened 3-5bps. Financial and AT1 space outperformed with HRINTH up 1-2pts, while LGFV sector slightly retraced.

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

**Polly Ng 吴宝玲**  
(852) 3657 6234  
pollyng@cmbi.com.hk

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

**CMBI Fixed Income**  
fis@cmbi.com.hk

## ➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHINSC 7 1/4 04/19/23	74.4	13.2	FOSUNI 5 05/18/26	84.7	-2.3
KWGPRO 7 7/8 09/01/23	51.0	13.1	SUNSHI 10 02/12/23	7.4	-1.8
KWGPRO 6 09/15/22	58.9	12.6	CATIC 3.3 09/23/30	87.9	-1.7
KWGPRO 5.2 09/21/22	58.5	11.8	SHIMAO 3.975 09/16/23	27.5	-1.1
FTLNHD 4 5/8 10/15/25	57.5	11.7	JIAZHO 10 7/8 06/18/22	32.3	-0.8

## ❖ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock market ended lower Wednesday, while oil prices resumed their upward trend amid bets on fresh Russia sanctions on energy exports. The S&P (-0.63%), Dow (-0.19%), Nasdaq (-1.21%) closed lower. Deputy Defense Minister of Russia said Russia's military would “fundamentally cut back activity in the direction of Kyiv and Chernihiv” following peace talks in Istanbul, but reports of attacks on cities in eastern Ukraine continued on Wednesday. UST bond outperformed. Treasury yield shifted downwards, with 1/5/10/30Yr yield reaching 1.64%/2.44%/2.35%/2.48%.

## ❖ Desk analyst comments 分析员市场观点

### ➤ China Policy – Cabinet calls for accelerating infrastructure investment

The state council held a meeting on 29 March, calling for accelerating government special bond issuance and infrastructure investment in 2Q-3Q22. We expect the fixed asset investment in infrastructure sector especially in energy, storage service, water conservancy and social housing may noticeably rebound in 9M22. The cabinet meeting indicates the policymakers are not optimistic about China economy. Infrastructure investment is considered as an important means to stabilize growth. The cabinet meeting may boost investors' preference for those stocks with low valuation and high exposure to infrastructure projects in the short term.

■ **State council warned of rising downside risk for China economy.** The cabinet said China's economy is facing new challenges with rising downward pressure. The pro-growth policy should be released sooner rather than later, while the policy with negative impact on market expectations should be avoided. China should make a policy plan to deal with greater uncertainty.

■ **Cabinet required accelerating issuance of local government special bond to boost infrastructure investment.** The state council required the first batch of the special bond quota at RMB1.46tn must be used before the end of May, while the remaining quota at RMB2.19tn must be used before the end of September.

■ **Infrastructure investment may moderately rebound in 9M22.** The state council said the fundraising from local government special bond will be mainly used in projects in transport, energy, environmental protection, social housing and water conservancy. The fixed asset investment (FAI) in infrastructure sector jumped 8.6% in 2M22 after rising 0.2% in 2021. We expect infrastructure investment may further rebound in 2Q-3Q22. However, the shrinkage of land revenue and strict control over local government contingent debt should restrain the upside room for infrastructure investment in the medium term.

■ **Which sectors have rapid FAI growth?** In 2M22, leasing & business service, gas supply, storage service, water conservancy, information tech service, mining, manufacturing, education and scientific & tech service saw rapid growths at 20% or even higher. Due to the pandemic and property sector stress, tunnel transport,

railway transport, water transport and construction experienced significant declines in FAI in the first two months.

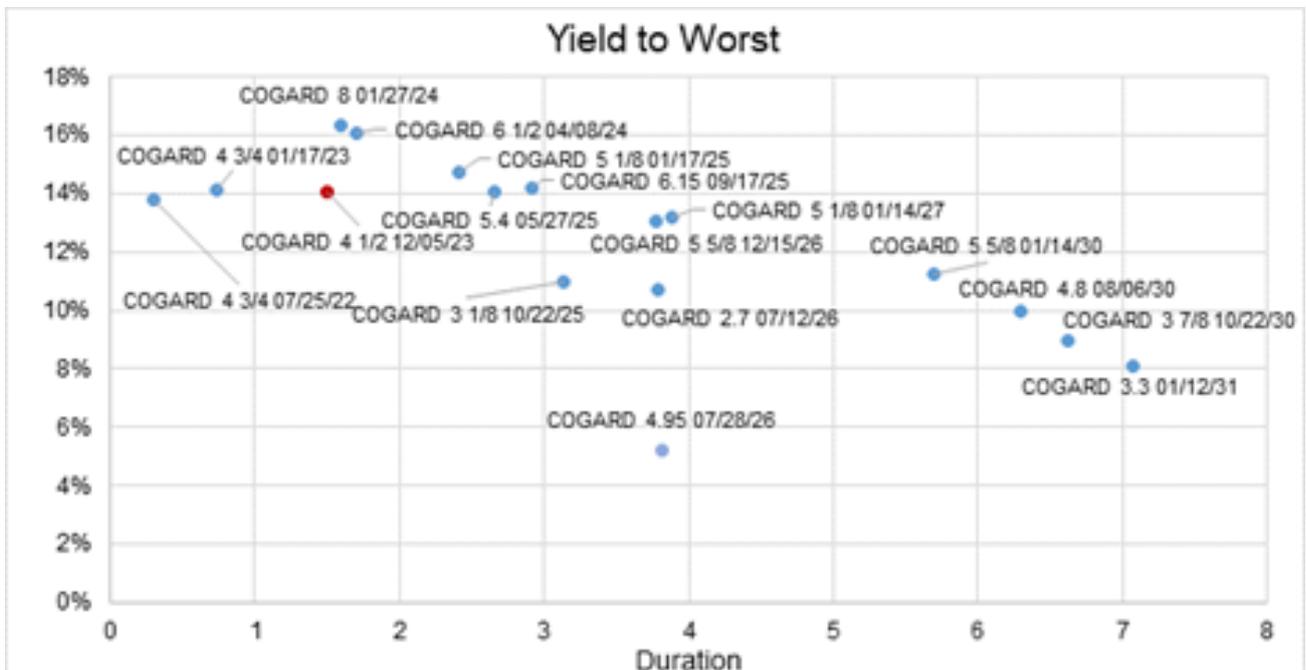
- **Which areas have high fiscal expenditure growth?** In 2M22, fiscal expenditures on science & tech, transportation, energy saving & environmental protection, education and community development respectively rose 15.5%, 14%, 11.9%, 9.1% and 7.6%, compared to the growth of 7.2%, -6.2%, -12.6%, 3.5% and -2.5% in 2021.
- **Implications for the stock market.** The cabinet meeting indicates the policymakers are not optimistic about China economy. Infrastructure investment is considered as an important means to stabilize growth. The cabinet meeting may boost investors' preference for those stocks with low valuation and high exposure to infrastructure projects in the short term.

Please see our full note <https://www.cmbi.com/article/6570.html?lang=en>

➤ **COGARD - Prudently navigating through the storm**

**Maintain BUY on COGARDS, prefer COGARD 4.5%'23 (CB) as a short-dated pick**

COGARDS rebounded 17-40pts from the troughs during the sell-off in mid-Mar'22. That said, COGARDS remain 4-20 lower than the levels at the beginning of the year. While the market may continue the price discovery process, we believe the current valuations of COGARDS offer decent value for longer-term investors, factoring in our belief that COGARD will be a "survivor" of the sector. We prefer the front-end and belly part of the curve, which offers a YTW of mid-to-high teens. For shorter-dated bonds, we prefer COGARD 4.5%'23, the CB which, offered at 88, is trading at a YTM at 14%. We consider the CB a good short-term play with a lower cash price.



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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
MISC	400	3	3.625	3.651	Baa2/BBB+/-
MISC	600	5	3.75	3.813	Baa2/BBB+/-
State Grid International	650	3	3.125	3.245	A1/A+/A+
State Grid International	350	5	3.25	3.353	A1/A+/A+

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Shandong Commercial Group	USD	-	2	3.5%	
SBLC by Bank of Beijing					

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 42 credit bonds issued yesterday with an amount of RMB36bn. As for Month-to-date, 1827 credit bonds were issued with a total amount of RMB1786bn raised, representing a 17.1% yoy decrease.
- **[CIFIHG]** controlling shareholders further increase stake to 55.53%.
- **[CQNANA]** receives Shanghai bourse approval for RMB 2bn bond offering
- **[DEXICN]** repurchased USD 4.6mn of 11.875% senior notes due 2022 in open market
- **[FUTLAN]** proposes share buy-back up to RMB 200mn
- **[VNKRLE]** to buy back RMB 2bn-2.5bn A-stock shares at up to RMB 18.27/share within three months

*CMB International Securities Limited*

*Fixed Income Department*

Tel: 852 3761 8867/ 852 3657 6291

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

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