

## CMBI Credit Commentary

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

- *Notable rebound in CIFIHG/COGARD, up 6-13pt this morning. Other developers DALWAN/ROADKG/PWRLNG /KWGPRO/CHINSC up 1-3pt.*
- **China policy:** *Vice premier Liu He vowed for economic growth stabilization and capital market stability in a Financial Stability and Development Committee meeting yesterday. We see these signs of stabilization as senior government official have the right diagnosis of the current situation despite concrete measures and implementation have yet to be announced.*
- **Switch ideas:** *SWHYSE 2.625%'25 to CICCHK 2.875%'25. See below.*

#### ❖ Trading desk comments 交易平台市场观点

There was a strong rebound yesterday afternoon following Chinese Vice Premier Liu He's vow to stabilize growth and capital market in the Financial Stability and Development Committee. After 4 consecutive days sell-off CIFIHG/COGARD/SUNAC rebounded and up 3-8pts. This was propelled by more short-covering/profit taking order. Single-B CENCHI/PWRLNG down 2-3pts. The industrial space remained weak, with FOSUNI down 2-3pts.

IG market also saw a boost yesterday afternoon. The SOE and financial sector has widened 5-15bps, and AT1/Perps down 0.5-1pt.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
SUNAC 7 1/4 06/14/22	31.7	11.4	LNGFOR 4 1/2 01/16/28	73.9	- 8.0
COGARD 8 01/27/24	58.9	10.9	HONGSL 9 7/8 08/27/22	16.1	- 7.6
SUNAC 7.95 08/08/22	27.5	10.6	FTLNHD 4.8 12/15/24	32.2	- 6.8
SUNAC 8.35 04/19/23	23.2	8.5	DALWAN 6 7/8 07/23/23	65.8	- 5.4
SUNAC 6 1/2 07/09/23	22.6	7.9	HPDLF 6.8 12/28/23	54.3	- 5.2

➤ **Macro News Recap 宏观新闻回顾**

**Macro** – U.S. stock indexes rose sharply, and UST yield generally got higher. Federal Reserve raises interest rates by 25 bps as expected. The S&P (+2.24%), Dow (+1.55%), Nasdaq (+3.77%) closed higher. Treasury yield curve shift upward except 30-year treasury, with 1/5/10/30Yr yield being 1.35%/2.18%/2.19%/2.46%.

➤ **Desk analyst comments 分析员市场观点**

➤ **Chinese Government shows strong commitment to stabilize capital market.**

China's vice premier Liu He vowed for economic growth stabilization and capital market stability in a Financial Stability and Development Committee meeting yesterday. Xinhua media reported the meeting proposed to advocate favorable policy to the market. This included:

- Accommodative and pro-active monetary policy to ensure an appropriate level of credit growth
- Timely and effectively develop a risk resolution framework for property sector, propose supportive measures for the transition of these companies under new development model.
- Regarding Chinese stocks listed overseas, Chinese regulator has maintained good communication with the US regulator. There is positive progress to form concrete cooperation for the US regulator to implement effective scrutiny on Chinese companies listed in the US. The Chinese Government continues to support various enterprises to get overseas listing.
- Regarding critical economic policy-making, various authorities should coordinate to ensure consistent, transparent and stability of policy expectation.
- The government will also promote steady and healthy growth of internet platform economy, to enhance international competitiveness. Rectification of large platform companies will be completed as soon as possible, through standardized, transparent and predictable supervision.
- Chinese regulator will also strengthen communication and cooperation for the stability of Hong Kong's financial market.

Vice premier Liu He is a top economic official in the Chinese government, and such his comments in the Financial Stability and Development Committee demonstrate strong policy commitment to support the market. This should in turn stabilize some selling pressure of Chinese Tech bonds, especially the A-rated credits, in our view. CMBI Equity Research also considers this forms the bottom of equity market. Please see [full notes](#) for equity strategy.

➤ **Switch ideas: SWHYSE 2.625%'25 to CICCHK 2.875%'25**

We recommend investors to switch from SWHYSE 2.625%'25 to CICCHK 2.875%'25 to take advantage of the new issue premium of CICCHK 2.875%'25:-

- Sell SWHYSE 2.625%'25 (Baa2/NR) at bid price 99.2, i.e. T+79.8bp
- Buy CICCHK 2.875%'25 (Baa1/BBB+) at ask price 99.0, i.e.T+113.1bp

The switch offers yield pick-up of 33.3bps, 1 notch up in the credit curve and cash take-out of 0. pt for a 5-day extension in maturity. We believe that 33bps pick-up is more than enough to compensate for the keepwell structure, especially CICCHK is rated 1 notch higher.

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

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

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Hyundai Heavy Industries	USD	-	5	-	Aa2/-/-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 85 credit bonds issued yesterday with an amount of RMB87bn. As for Month-to-date, 984 credit bonds were issued with a total amount of RMB948bn raised, representing a 18.4% yoy decrease.
- China decides not to expand property tax pilot program this year
- **[CHIGRA]** China Credit Rating Co. (Zhongzhaixixin) has terminated credit rating on China Grand Auto
- **[CHMEDA]** Yashili International could receive potential HKD 1.20 per share pre-conditional privatization offer from China Mengniu Dairy

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