Bond Market

The CGB and CDB markets

CGB和CDB市场今日全天呈现波动行情。受昨日下午盘，SOE BANKs在PBoC的指导下卖出长期限债券的影响，今日长期限利率延续昨日尾盘的态势继续回升。今早开盘后，长期限债券收益率一路上行至日内高点。30y CGB的收益率上行的态势猛烈，早盘一度上调近3BP至2.3675%，此后回升的力度逐渐减弱，收益率波动下行。10Y CGB 240011于2.15%点位附近多头和空头的较量明显。在尾盘，多头一度攻破2.15%，10y CGB 240011的收益率直线下行1BP，但随后又再拉回。此外，Special CGB 240001的收益率在尾盘时的波动也较为剧烈。相较于长债，短债的反弹则更弱。

Today, the CGB and CDB markets showed volatility throughout the day. Long-term rates continued to pick up today, continuing the trend seen at the end of yesterday's afternoon session, influenced by the selling of long-term bonds by Local SOE BANKs at the guidance of the PBoC. Long-term bond yields moved up to intraday highs after the open this morning. The yield of 30y CGB 230023 surged upwards, rising as high as almost 3BP to 2.3675% in early trading, after which the rally tapered off and yields fluctuated to the downside. 10Y CGB 240011 was in a fierce battle between longs and shorts around the 2.15% level. Towards the end of the session, the longs broke through 2.15% and the yield of 10y CGB 240011 plunged 1bp, but then been pulled back again. In addition, the yield of Special CGB 240001 also fluctuated more sharply at the end of the afternoon session. Compared to long-term bonds, the rally in short-term yields was weaker compared to long-term yields.

今天市场仍在尝试对PBoC昨日的干预进行定价。受到央行干预导致的10y CGB的抛售影响，目前10y的收益率成为利率曲线上的凸出点。对于PBoC干预的具体方式，市场今天有更多的传闻，如部分农商行被要求不允许在大行抛售长期债券时接盘。我们观察到Local SOE banks的抛售主要集中在某个期限的单只债券上（eg. 10y CGB 240011），这可能导致不同债券的利差被扭曲。据市场估计，昨日Local SOE banks可能抛售了500亿以上的长期债券。但我们对PBoC的干预的合理性仍然感到怀疑，我们认为Local SOE banks在干预下的抛售不可持续，因为抛售会导致其缺乏足够可配置的资产。而根据今天的市场反应，多头对抛售的承接能力比预期要更高。

Today the market is still trying to price in the PBoC's intervention yesterday. The 10y yield is now the bulge in the rate curve due to the sell-off of 10y CGBs influenced by the intervention of PBoC. There are more rumours in the market today about the exact way the PBoC intervened, such as the fact that some rural Banks have been asked not to take long-term bonds when the big banks sell them. We observed that Local SOE banks' sell-offs were mainly concentrated on single bonds in certain maturity (eg. 10y CGB 240011), which may have led to a distortion of spreads across different bonds. According to market estimates, Local SOE banks may have sold more than $50bn of long-term bonds yesterday. However, we remain skeptical about the reasonableness of the PBoC's intervention, and we believe that the sell-off of Local SOE banks under the intervention is unsustainable as the sell-off would result in a lack of sufficient allocable assets for them. And based on today's market reaction, the longs took on the sell-off more than expected.

FX market

今天USDCNY Fixing Rate被设置在7.1318，较上昨日降低了27个pips，这一下降的程度低于我们的预期，鉴于昨天USDCNY大幅下降。今日USDCNY Spot下行的趋势企稳。早盘出现一波小幅的下行，随后USDCNY保持波动向上的态势。As of 16:30 p.m., USDCNY closed at 7.1318, up 84 pips from yesterday. The spread between USDCNY and USDCNH turned negative again.

掉期市场方面，今日除了ON points较昨日变化较大（上升了1.50 pips）以外，其他期限的掉期点变化均较小，排除了计息天数变化的影响后。受到SOFR 1y OIS利率下降的影响，与一周之前相比，掉期曲线大幅走陡，目前短期的掉期点（evenly amortized to single day）已经全面低于长期。

Today the USDCNY Fixing Rate was set at 7.1318, 27 pips lower than last yesterday, this drop was less than we expected given yesterday's sharp decline in the USDCNY. The downward trend in the USDCNY Spot stabilized today. As of 16:30 p.m., USDCNY closed at 7.1318, up 84 pips from yesterday. The spread between USDCNY and USDCNH turned negative again. The spread between USDCNY and USDCNH turned negative again.

In the swap market, except for ON points, which increased by 1.50 pips from yesterday, all other tenors swap points almost unchanged, excluding the effect of the change of accrual periods. The swap curve has steepened considerably compared to a week ago due to the fall in the 1y SOFR OIS rate, with short-term swap points now lower than long term (evenly amortized to single day).

我们对USDCNY Spot继续升值的担忧并不多，尤其是看到今天的Fixing Rate之后。我们认为PBoC倾向于尝试使得Fixing Rate和Spot Rate的偏离程度收窄，而非进一步使得人民币升值。在昨天符合预期的PMI数据发布后，我们已经看到了市场情绪的企稳。我们认为相比做多或做空USDCNY，未来一段时间胜率更高的策略可能是卖出CNY Basket，考虑到DXY未来仍可能受CPI等数据的影响而走弱。

掉期方面，随着CNY大幅贬值的压力减弱，我们预期PBoC可能会减少对1y Swap point的干预——事实也如此，我们在昨日和今日都观察到大行开始Sell-Buy 1y points以回补此前在PBoC指导下卖出的远期美元头寸。在这样的背景下，我们认为押注Xccy Basis的收窄（上升）是很好的策略，但我们同时认为目前市场对6M SOFR OIS rate的定价过低，因此我们推荐pay 6M×1y USDCNY Swap+ pay 6M SOFR OIS的策略。

We don't have many concerns about continued appreciation in the USDCNY Spot, especially after seeing today's Fixing Rate. We think the PBoC is inclined to try to make the deviation between the Fixing Rate and the Spot Rate narrower rather than further appreciating the CNY. We have seen market sentiment stabilize after yesterday's PMI data release which was in line with expectations. We believe that compared to going long or short USDCNY, a more winning strategy in the coming period may be to sell CNY Basket, considering that DXY may still weaken in the future due to CPI and other data. On swaps, as the pressure on CNY to depreciate sharply wanes, we expect that the PBoC may reduce its intervention in the 1y Swap point - and so it has been, as we observed yesterday and today that big local SOE banks have started to sell-buy 1y points to cover the USD forwards positions that they had previously sold under the guidance of the PBoC. Therefore, we think betting on a narrowing (rising) Xccy Basis is a good strategy, but we also think that the market is currently underpricing the 6M SOFR OIS rate, and therefore we recommend a strategy of pay 6M x 1y USDCNY Swap + pay 6M SOFR OIS.