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From February 8 to February 19

Italy's political crisis alleviated; new issuance dropped amid Chinese New Year holidays

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Headline: Italy's political crisis alleviated; ECB was concerned about the negative impacts of the euro strength

Mario Draghi won confidence votes in both Chamber of Deputies and Senate of the Republic, which marked the alleviation of Italy's political crisis. The new government led by Draghi started to perform its duties. On February 15, Japan announced that its GDP shrank by 4.8% last year, in which the quarter-on-quarter growth in Q4 rebounded to 3%. Europe's Q4 GDP, consumer confidence index and the manufacturing PMI beat expectations. On February 18, the ECB emphasized the need of coordinated and ambitious fiscal policy to boost economic recovery, according to the January policy meeting minutes. Meanwhile, the committees were also concerned with the existing overvalue of euro.

Exchange Rate: RMB exchange rate fluctuated slightly

RMB exchange rate continued to fluctuate slightly. As of February 19, the intermediate price of RMB exchange rate closed at 6.4624.

Interest Rate: China Government Bond yields showed mixed trend; US Treasury yield went upward

China Government Bond yields showed mixed trend. As the US Senate passed the USD1.9 trillion relief bill and economic data demonstrated improvement, the market set a rise in inflation. As a result, mid-term and long-term Treasury yields rose continuously. As of February 19, the yield spread between China and US 10-year note was 192bp, tightening by 12bp from last Friday and 34bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: New issuance dropped amid Chinese New Year holidays; China Ping An Overseas was the largest issuer**

From February 8 to February 19, there were 5 new issues with a total issued volume of approximately USD730 million, decreased by 90.2% from the period between February 1 and February 5. China Ping An Insurance Overseas was the largest issuer that raised USD250 million.

Secondary Market: Chinese dollar bond yield diverged in performance; return on real estate climbed the most

As of February 19, the YTD return on Chinese USD corporate bond index increased by 30bp from last Friday to 0.11%. The return on investment-grade bond declined by 2bp to 0.27%, and the return on high-yield bond increased by 103bp to -0.25%. In terms of sector indices, the return on real estate index climbed the most, increasing by 105bp.

Rating Actions: CCXAP assigned first-time long-term credit rating of BB_g+ to SIIG**Panda Bond Market: China Power issued SCP**

On February 8, the 2021 China Power International Development Limited's Short-term Commercial Paper (Series I) was successfully issued in the China Interbank Market. It raised RMB500 million at the coupon rate of 3.20% and tenor of 179days.

Headline: Italy's political crisis alleviated; ECB was concerned about the negative impacts of euro's strength

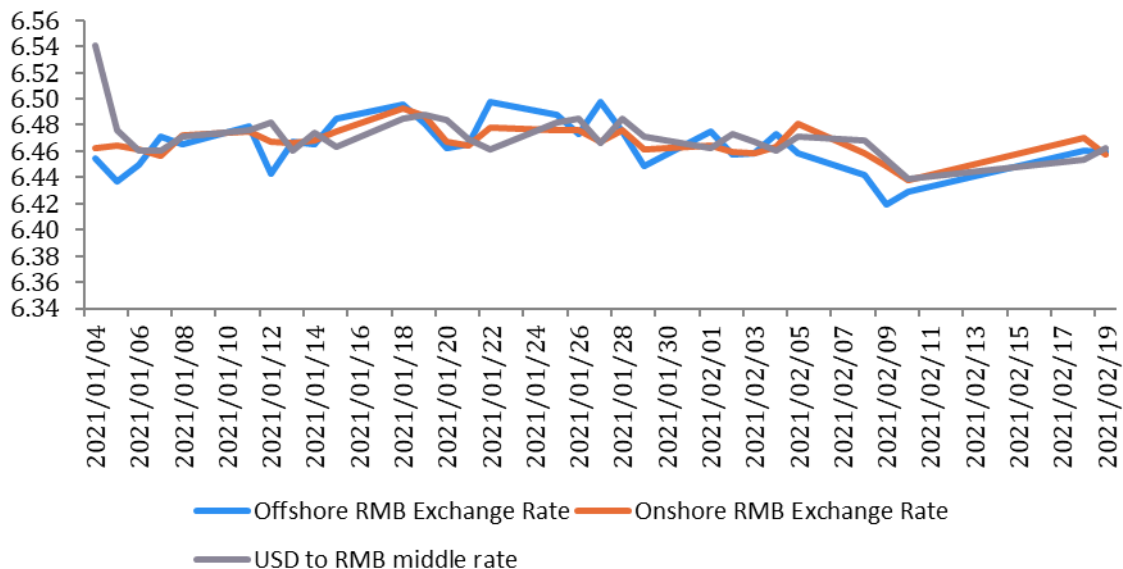
On February 13, the Mario Draghi-led cabinet sworn into office as the new Italian government. On February 17 and 18, Draghi won confidence votes in both Chamber of Deputies and Senate of the Republic respectively, which marked the alleviation of Italy's political crisis. The new government led by Draghi started to perform its duties.

On February 15, Japan announced that its GDP shrank by 4.8% in 2020, in which the quarter-on-quarter growth in Q4 rebounded to 3%. Europe's Q4 GDP, consumer confidence index and the manufacturing PMI beat expectations. In particular, Germany's manufacturing PMI recorded 60.6 in February, significantly better than the predicted value of 56.6 and 57.1 in the previous month. On February 18, the European Central Bank ("ECB") emphasized the need of coordinated and ambitious fiscal policy to boost economic recovery, according to the January policy meeting minutes. The committees agreed unanimously that it was still essential to put forth sufficient monetary policies to stimulate the economy. They believed that the more restrictive and extended lockdowns of the Eurozone were weighing on the short-term growth outlook. They were also concerned with the overvalue of euro as it might have negative implications for the financial conditions and the inflation expectation in the Eurozone.

Exchange Rate: RMB exchange rate fluctuated slightly

RMB exchange rate continued to fluctuate slightly. As of February 19, the intermediate price of RMB exchange rate closed at 6.4624, decreasing by 86bp from 5 February; the onshore RMB exchange rate fell by 235 bp to 6.4575; the offshore RMB exchange rate rose by 4bp to 6.4594.

Figure 1 : RMB exchange rate



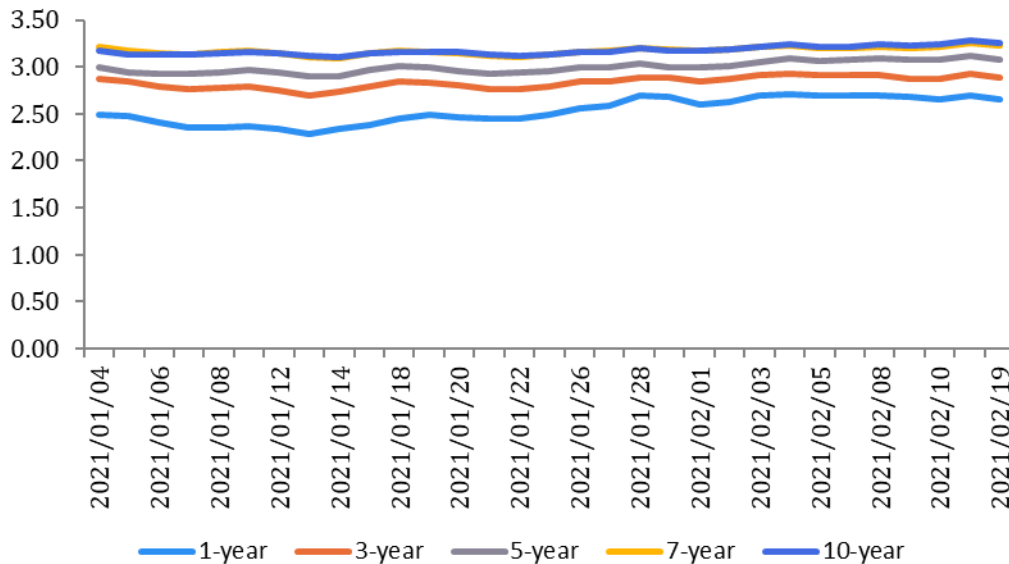
Sources: Wind, CCX research

Interest Rate: China Government Bond yields showed mixed trend

China Government Bond yields showed mixed trend. As of February 19, the 1-year and 3-year

Government Bond yields fluctuated downward from February 5, closing at 2.6512% and 2.8922% respectively. The 5-year, 7-year, and 10-year Government Bond yields increased from February 5, closing at 3.0790%, 3.2269% and 3.2578%, respectively.

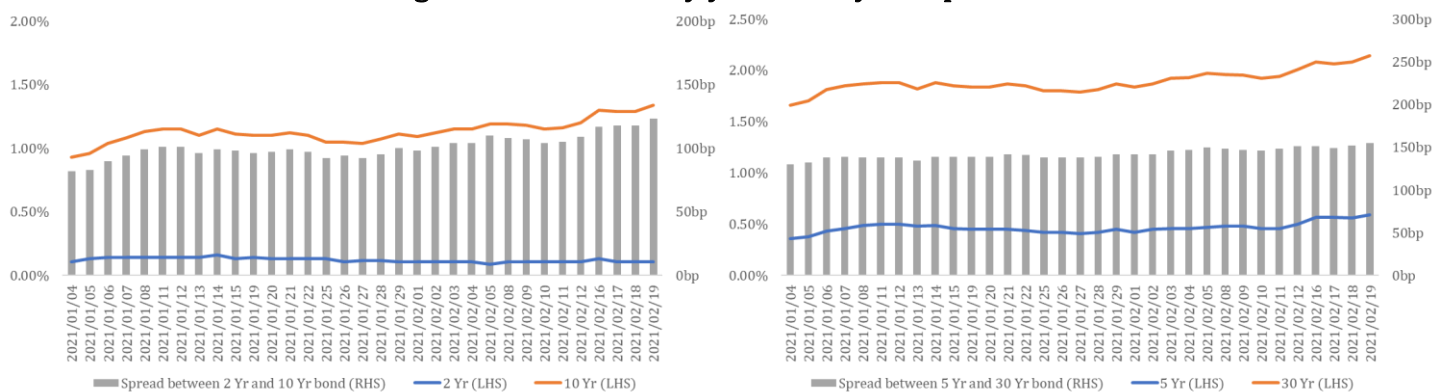
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

As the US Senate passed the USD1.9 trillion relief bill and economic data demonstrated improvement, the market set a rise in inflation and mid-term and long-term Treasury yields rose continuously. As of February 19, the 2-year Treasury yields closed at 0.11%, same as last Friday. The 5-year, 10-year and 30-year Treasury yields closed at 0.59% ,1.34% and 2.14%, increasing by 9bp, 14bp and 13bp over last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 14bp to 123bp, while the spread between the 5-year and 30-year widened by 4bp to 155bp from last Friday.

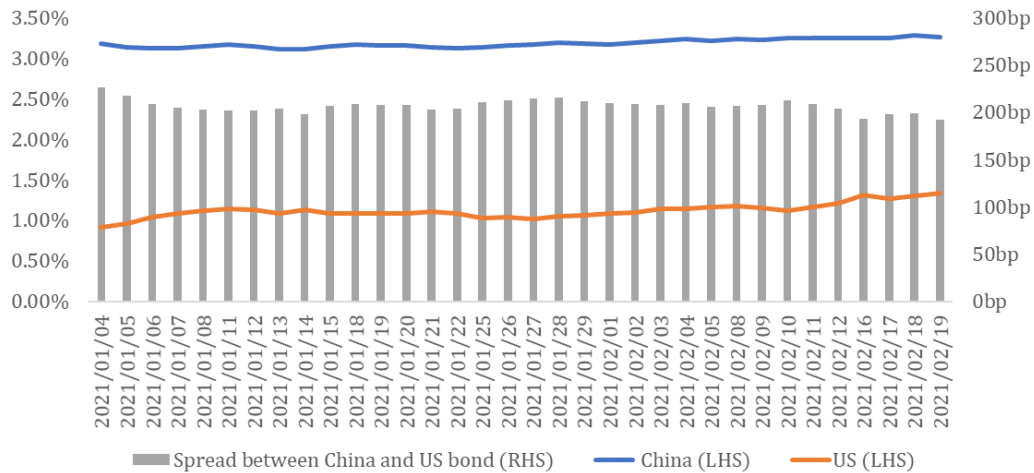
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of February 19, the yield spread between China and US 10-year note was 192bp, tightening by 12bp from last Friday and 34bp from the beginning of the year.

Figure 4 : Yield spread between China and US 10-year note



Sources: Bloomberg, ChinaBond.com.cn, CCX research

Chinese Offshore Bond Market

Primary Market: New issuance dropped amid Chinese New Year holidays; China Ping An Overseas was the largest issuer

New Issuance dropped amid Chinese New Year Holidays. From February 8 to February 19, there were 5 new issues with a total issued volume of USD726 billion. China Ping An Insurance Overseas Holdings Ltd (“China Ping An Overseas”) was the largest issuer that raised USD250 million.

Table 1 : New issuance of Chinese offshore bonds (20210208-20210219)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/2/8	Huatai International Financial Holdings Co Ltd	USD	20	1.23	2021/8/10	181D	Financials	-/BBB/-	-/-/-
2021/2/9	Zhuhai Huafa Industrial Co Ltd	USD	200	3.6	2022/2/18	364D	Real Estate	-/-/-	-/-/-
2021/2/9	Sinic Holdings Group Co Ltd	USD	110	12	2022/11/9	1.75	Real Estate	B2/B/B+	-/-/-
2021/2/9	Taizhou Huaxin Pharmaceutical Investment Co Ltd	USD	146	5	2024/2/22	3	Chengtou	-/-/BB+	-/-/BB+
2021/2/18	China Ping An Insurance Overseas Holdings Ltd	USD	250	2.95	2031/2/25	10	Financials	Baa2/-/-	Baa2/-/-

Sources: Bloomberg, CCX research

On February 10, China Huarong Financial Leasing Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20210208-20210219)

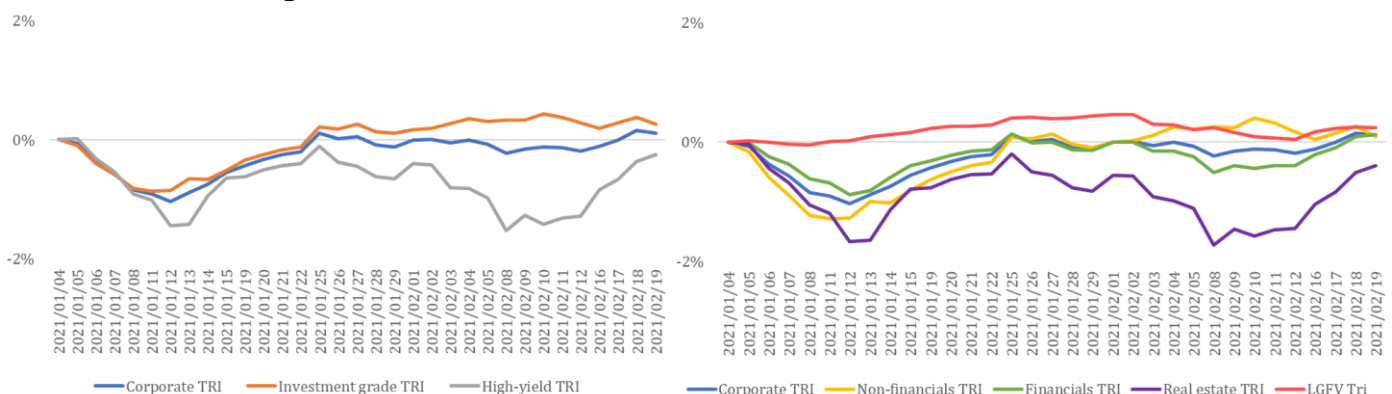
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/2/10	China Huarong Financial Leasing Co Ltd	USD	340 (reoffered 40)	1.9	2022/1/12	363D	Financials	Baa1/BBB+/A-	-/-/A-

Sources: Bloomberg, CCX research

Secondary Market: Chinese dollar bond yield diverged in performance; return on real estate climbed the most

As of February 19, the YTD return¹ on Chinese USD corporate bond index increased by 30bp from last Friday to 0.11%. The return on investment-grade bond declined by 2bp to 0.27%, and the return on high-yield bond increased by 103bp to -0.25%. In terms of sector indices, the return on real estate index climbed the most, increasing by 105bp to -0.40%. Return on non-financial sector fell by 9bp from last Friday to 0.09%; while returns on financials and Chengtuo sectors were 0.12% and 0.24%, increasing by 53bp and 19bp from last week, respectively.

Figure 5 : YTD return on Markit IBoxx Chinese USD bond index

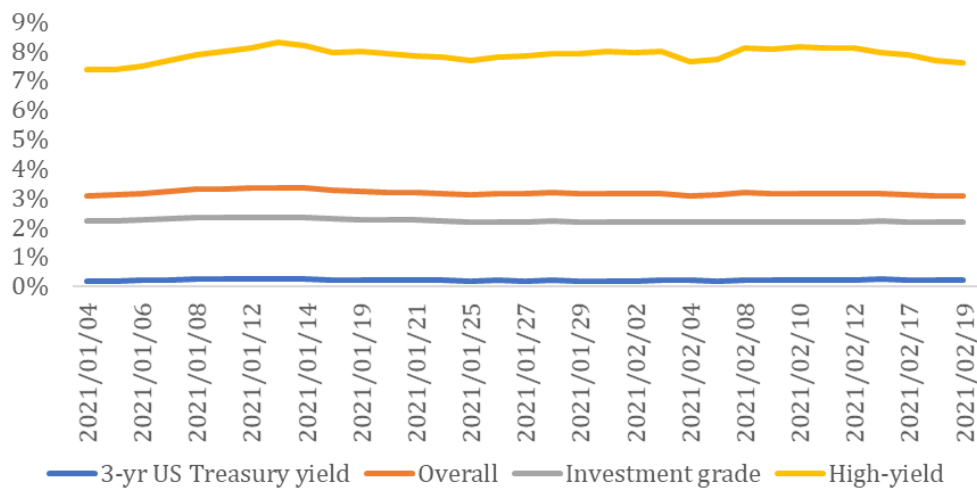


Sources: Bloomberg, CCX research

As of February 19, the yield-to-worst of Chinese dollar bonds decreased by 8bp to 3.06% from last Friday, of which investment grade bond index was 2.18%, same as last Friday. The high-yield bond index decreased by 50bp to 7.58%.

¹ Year-to-date return measures the return since January 4, 2021

Figure 6 : Yield-to-worst of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

Rating Actions: CCXAP assigned first-time long-term credit rating of BB_g+ to SIIG

On February 8, CCXAP assigned Shangrao Innovation Development Industry Investment Group Co., Ltd. (“SIIG”)’s BB_g+ long term credit rating.

Table 3: Credit rating of CCXAP (20210208-20210219)

Date	Entity	Rating	Rating Rationale
2021/2/8	SIIG	BB _g +	The long-term credit rating of SIIG reflects the Company’s (1) good track record of receiving ongoing support; (2) regional monopoly position in infrastructure construction and public utilities of Shangrao Economic and Technological Development Zone (“Shangrao ETDZ”); and (3) important position in industrial investment of Shangrao City. However, the rating is also constrained by the Company’s (1) high concentration in industrial investments and uncertainties over investment returns; and (2) high debt leverage and weak liquidity profile.

From February 8 to February 19, the rating agencies took positive rating actions on 11 Chinese issuers; and negative rating actions on 4 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20210208-20210220)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
	Fosun International Ltd	Consumer Discretionary	Ba3	STABLE	2021/2/8	Ba3	NEG	2020/7/28	Moody's	Stable financial profile
Upgrade	CNOOC Ltd	Energy	A+	STABLE	2021/2/8	A+	Rating Watch Negative	2021/1/26	S&P	Expectation of CNOOC's dominance in China's offshore oil and gas exploration and
	CNOOC Finance Corp Ltd	Financials	A+	STABLE	2021/2/8	A+	Rating Watch Negative	2021/1/26	S&P	

	CNOOC Insurance Ltd	Financials	A+	STABLE	2021/2/8	A+	Rating Watch Negative	2021/1/26	S&P	production industry
	China National Offshore Oil Corp	Energy	A+	STABLE	2021/2/8	A+	Rating Watch Negative	2021/1/26	S&P	
	China Petroleum & Chemical Corp	Energy	A+	STABLE	2021/2/8	A+	Rating Watch Negative	2021/1/26	S&P	Expectation of Sinopec Group 's dominance in China's oil refining and marketing, and chemical segments
	China Petrochemical Corp	Energy	A+	STABLE	2021/2/8	A+	Rating Watch Negative	2021/1/26	S&P	
	Sinopec Century Bright Capital Investment Limited	Energy	A	STABLE	2021/2/8	A	Rating Watch Negative	2021/1/26	S&P	
	Sinopec Insurance Ltd	Financials	A+	STABLE	2021/2/8	A+	Rating Watch Negative	2021/1/26	S&P	
	China Oil and Gas Group Limited	Utilities	Ba2	STABLE	2021/2/10	Ba2	NEG	2020/5/11	Moody's	Expectation for a recovery in oil prices and stable gas sales growth.
	CAR Inc	Consumer Discretionary	Caa1	POS	2021/2/19	Caa1	NEG	2020/11/13	Moody's	Improving funding access and reduce uncertainty after the emergence of a majority shareholder
Downgrade	SF Holding Co Ltd	Industrials	A-	Rating Watch Negative	2021/2/10	A-	STABLE	2020/9/14	Fitch	Heightened debt leverage due to acquisition plan
	Zensun Group Limited	Consumer Discretionary	B2	STABLE	2021/2/10	B1	NEG	2020/2/10	Moody's	Weak sales performance and cash collection
	Red Star Macalline Group Corp Ltd	Real Estate	BB	STABLE	2021/2/11	BB+	NEG	2020/3/24	S&P	Industry slowdown and lingering effects from the COVID-19 outbreak
Domestic Rating:										
Downgrade	China Fortune Land Development Co., Ltd	Real Estate	B	Rating Watch Negative	2021/2/20	A	Rating Watch Negative	2021/2/3	CCXI	High debt repayment risk, tight liquidity and low level of cash

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: China Power issued SCP

On February 8, the 2021 China Power International Development Limited's Short-term Commercial Paper (Series I) was successfully issued in the China Interbank Market. It raised RMB500 million at the coupon rate of 3.20% and tenor of 179days.

As of February 19, there were 4 issuers that issued 5 panda bonds with a total issued amount of RMB4.2 billion and an average coupon rate of 3.67%, with tenor of mostly 3 years or above.

Issuance were mostly in the China Interbank Market.

Table 5 : New issuance of Panda Bond in 2021 (20210101-20210219)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	0.5	3.20	2021/2/8	2021/8/6	0.5	SCP	China Interbank Market	Golden Credit Rating
Yuexiu Transport Infrastructure Limited	1	3.78	2021/1/28	2026/28	5	MTN	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.63	2021/1/25	2026/1/25	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
GLP China Holdings Limited	0.7	3.98	2021/1/25	2024/1/25	3	Corporate Bond	Shanghai Exchange Market	China Chengxin
China Everbright Water Ltd	1	3.75	2021/1/15	2024/1/15	3	MTN	China Interbank Market	Shanghai Brilliance Rating

Sources: Bloomberg, CCX research

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