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From March 1 to March 5

The US and European markets continued to recover;
Chongqing Energy's onshore commercial paper defaulted

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Headline: The US and European markets continued to recover

In the US, the non-farm payroll employment rose by 379,000 in February, higher than market estimates and the previous value in January; the unemployment rate edged down to 6.2%, which was the lowest since March last year. Meanwhile, the USD1.9 trillion American Rescue Plan Act was approved by the Senate and sent to the House of Representatives for a final vote. The Eurozone Services PMI rose sharply in February, and growth in France and Italy far exceeded expectations.

Exchange Rate: RMB exchange rate fell below 6.5

Amid a strong expectation for the US economic recovery and the capital outflow caused by the rebound of US debt yields, the US dollar strengthened and the RMB exchange rate fell below 6.5. As of March 5, the intermediate price of RMB exchange rate closed at 6.4904.

Interest Rate: China Government Bond yields fluctuated; US Treasury yields rose in general

China's government bond yields fluctuated. Short-term government bond yields rose and long-term government bond yields fluctuated downward. The rising commodity prices stimulated inflation expectations in the US, coupled with a better-than-expected unemployment rate, which led to US Treasury yields to rise in general. As of March 5, the yield spread between China and US 10-year note was 168.0bp, narrowing by 19.5bp from last Friday and 58.5bp from the beginning of 2020.

Chinese Offshore Bond Market**Primary Market: New issuance decreased**

From March 1 to March 5, there were 14 new issues with a total issued volume of approximately USD1.85 billion, declined by 63.9% from last week. Among them, there were 8 new issues from financial companies with total issued volume of USD1.18 billion, which accounted for 63.8% of total issued volume.

Secondary Market: Return on Chinese USD bonds dropped, Chengtou bonds fell the most

As of March 5, the YTD return on Chinese USD corporate bond index decreased by 31bp over last week to 0.61%. The return on investment-grade bond fell by 22bp to -0.45%, and the return on high-yield bond decreased by 53bp to -0.99%. In terms of sector indices, Chengtou bond fell the most, decreased by 88bp to -0.58%.

Rating Actions: Negative rating actions were placed on China Fortune Land**Risk Event: Chongqing Energy's onshore commercial paper defaulted****Panda Bond Market: No new issuance this week**

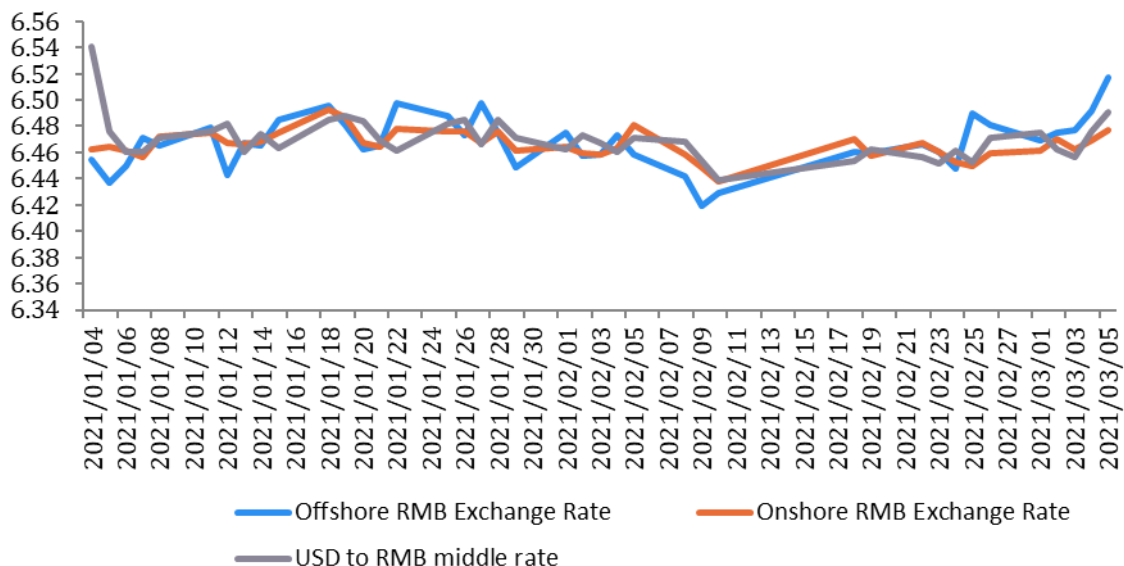
Headline: The US and European markets continued to recover

In the US, the non-farm payroll employment increased by 379,000 in February, according to data released by the Department of Labour on March 5, which was higher than market estimates and the previous value in January, and also represented the largest increase since October last year; the US recorded unemployment rate of 6.2% in February, which was the lowest since March last year. Meanwhile, on March 6, the 1.9 trillion American Rescue Plan Act was approved by the Senate and sent to the House of Representatives for a final vote. In Europe, on March 3, IHS Markit data showed that the Eurozone Services PMI rose sharply in February despite the fact that it was still below the line of prosperity. Among the countries in the Eurozone, recovery in France and Italy were outstanding; however, the Services PMI of Germany declined for the fifth consecutive month, driven by its extension in economic lockdown. In terms of commodities, OPEC issued a decision on March 4 to keep its current production. The extension of production cuts led crude oil prices to rise above the price necessary for Middle Eastern countries to balance its fiscal budget.

Exchange Rate: RMB exchange rate fell below 6.5

Amid a strong expectation for the US economic recovery and capital outflow caused by the rebound of US debt yields, the US dollar strengthened and the RMB exchange rate fell below 6.5. As of March 5, the intermediate price of RMB exchange rate closed at 6.4904, increasing by 191bp from last Friday; the onshore RMB exchange rate closed at 6.4768, increasing by 178bp; the offshore RMB exchange rate closed at 6.5171, increasing by 358bp.

Figure 1 : RMB exchange rate

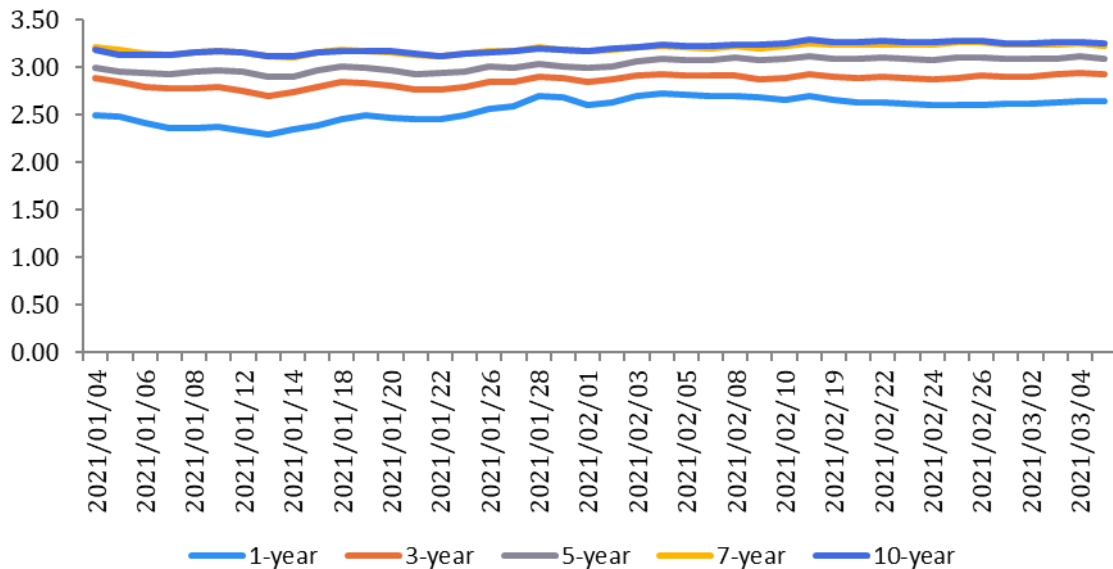


Sources: Wind, CCX research

Interest Rate: China Government Bond yields fluctuated; US Treasury yields rose in general

China's government bond yields fluctuated. Short-term government bond yields rose and long-term government bond yields fluctuated downward. As of March 5, the 1-year and 3-year Government Bond yields increased with fluctuation from last Friday, closing at 2.6390% and 2.9194%; 5-year, 7-year, and 10-year Government Bond yields decreased with fluctuation, closing at 3.0874%, 3.2194% and 3.2457%.

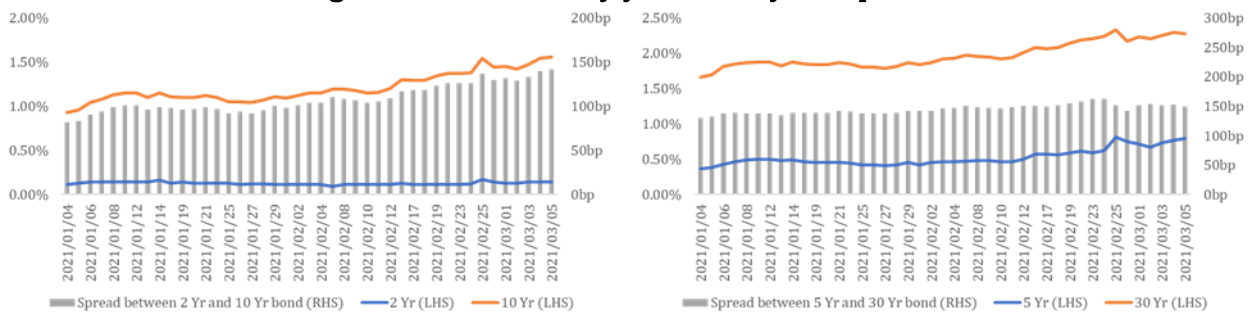
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The rising commodity prices stimulated inflation expectations in the US, coupled with a better-than-expected unemployment rate, which led US Treasury yields to rise in general. As of March 5, the 2-year Treasury yields closed at 0.14%, same as last Friday. The 5-year, 10-year Treasury yields and 30-year Treasury yields closed at 0.79%, 1.56% and 2.28%, increasing by 4bp, 12bp and 11bp over last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 5-year widened by 12bp to 142bp, while the spread between the 5-year and 30-year widened by 7bp to 149bp from last Friday.

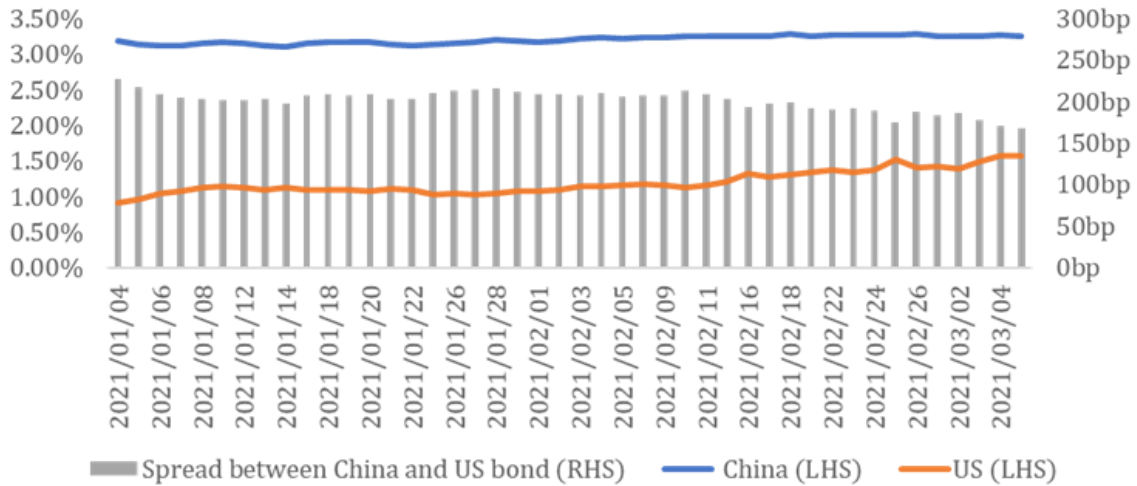
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

In terms of the yield spread between China and US, as of March 5, the yield spread between China and US 10-year note was 168.0bp, narrowing by 19.5bp from last Friday and 58.5bp from the beginning of 2020.

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 decreased

From March 1 to March 5, there were 14 new issues with a total issued volume of approximately USD1.85 billion, declined by 63.9% from last week. Among them, there were 8 new issues from financial companies with total issued volume of USD1.18 billion, which accounted for 63.8% of total issued volume.

Table 1 : New issuance of Chinese offshore bonds (20210301-20210305)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/3/1	Taian City Development and Investment Co Ltd	USD	100	4.5	2022/3/7	364D	Chengtou	-/-	-/-
2021/3/2	China South City Holdings Ltd	USD	175	11.95	2023/2/9	1.92	Real Estate	B2/B/B	-/-/B
2021/3/2	Zhenro Properties Group Ltd	USD	50	5.95	2022/3/6	363D	Real Estate	B1/-/B+	-/-
2021/3/2	Haitong International Securities Group Ltd	HKD	381	0.75	2021/9/9	184D	Financials	Baa2/BBB/-	-/-
2021/3/2	Country Garden Holdings Co Ltd	MYR	100	3.75	2022/3/4	365D	Real Estate	Baa3/BB+/BBB-	-/-
2021/3/3	Minsheng Financial Leasing Co Ltd	USD	300	3.15	2024/3/10	3	Financials	Baa3/BBB/-	Baa3/BBB/-
2021/3/3	CMB International Capital Corp Ltd	USD	5	0.67	2021/9/10	184D	Financials	Baa1/BBB+/-	-/-
2021/3/3	China Construction Bank Corp Ltd	NZD	150	0.97	2024/2/15	2.92	Financials	A1/A/A	-/-/A
2021/3/3	CITIC Securities International Co Ltd	USD	100	0.78	2021/12/10	280D	Financials	-/BBB+/-	-/-
2021/3/4	Haitong International Securities Group Ltd	USD	63	0.63	2021/6/15	92D	Financials	Baa2/BBB/-	-/-
2021/3/4	China Everbright Bank Co Ltd	USD	550	0.929	2024/3/11	3	Financials	Baa2/BBB+/BBB	-/BBB+/BBB

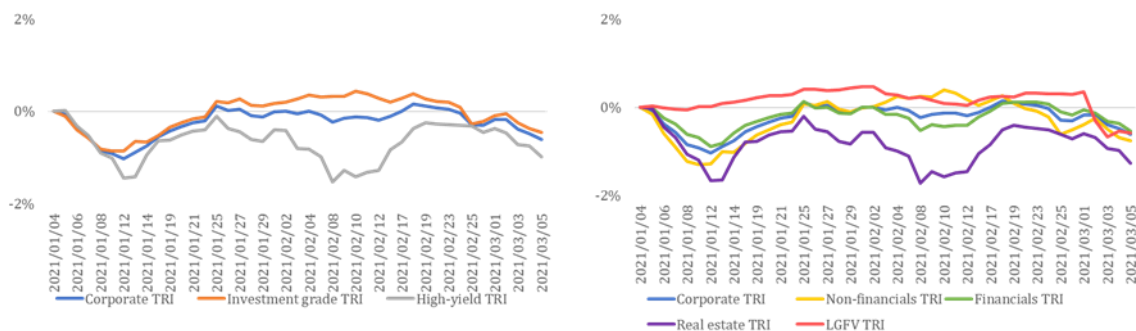
2021/3/5	Ji'an Chengtou Holding Group Ltd	USD	270	4.5	2024/3/12	3	Chengtou	-/-/-	-/-/-
2021/3/5	Fujian Yango Group Co Ltd	USD	50	11.875	2023/5/10	2.16	Real Estate	-/B/-	-/-/-
2021/3/5	CITIC Securities International Co Ltd	USD	5	0	2022/10/12	1.59	Financials	-/BBB+/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds dropped, Chengtou bonds fell the most

Affected by increasing US Treasury yields and the occurrence of individual credit risk events, the return on Chinese USD bonds continued to fall. As of March 5, the YTD return on Chinese USD corporate bond index decreased by 31bp over last week to -0.61%. The return on investment-grade bond fell by 22bp to -0.45%, and the return on high-yield bond decreased by 53bp to -0.99%. In terms of sector indices, the non-financial index decreased by 24bp to -0.75% from last Friday, the rate of return on financials, real estate sectors were -0.53% and -1.27%, decreasing by 36bp and 56bp from last Friday. Chengtou sector fell the most, decreased by 88bp to -0.58%.

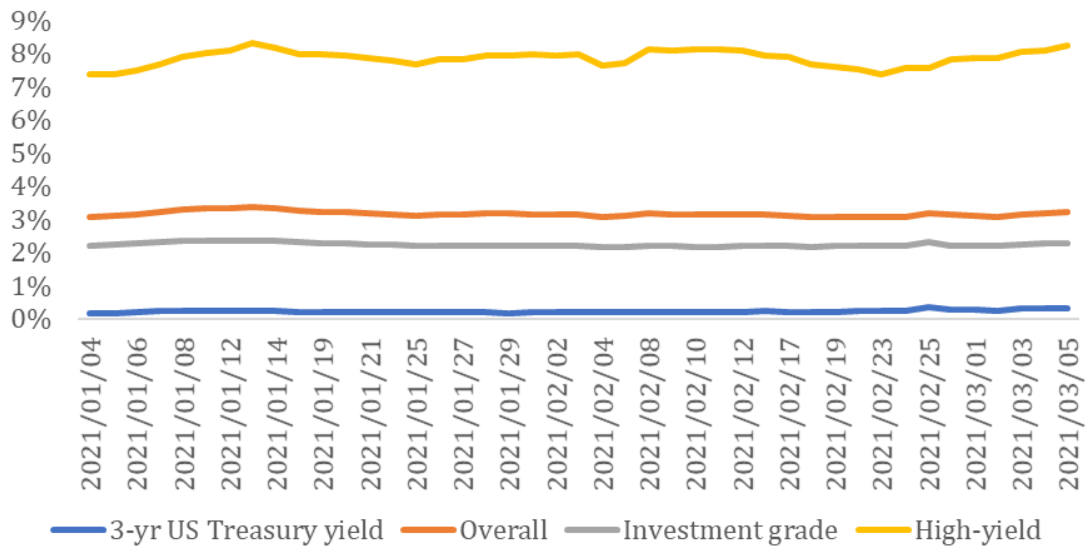
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of March 5, the yield-to-worst of Chinese dollar bonds increased by 9bp to 3.21% from last Friday, of which investment grade bond index and high-yield bond index were 2.27% and 8.25%, increasing by 7bp and 44bp from last Friday.

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



Sources: Bloomberg, CCX research

Rating Actions: Negative rating actions were placed on China Fortune Land

From March 1 to March 5, the rating agencies took rating actions on 4 Chinese issuers. In particular, multi-rating agencies took negative rating actions on China Fortune Land.

Table 2 : Credit rating changes of cross-border bond market (20210301-20210305)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Lenovo Group Limited	Technology	BBB	STABLE	2021/03/01	BBB-	POS	2020/10/14	Fitch	Gains on market share, continued margin upside and higher operating cash generation
	Chengdu Airport Xingcheng Investment Co Ltd	Chengtou	BB+	POS	2021/03/03	BB+	STABLE	2020/06/22	Fitch	Stronger debt metrics and fiscal strengthen of Chengdu Shuangliu District
	Sunshine 100 China Holdings Ltd	Real Estate	CCC-	NEG	2021/03/04	SD	Rating Watch Negative	2021/03/2	S&P	Fully repurchased its convertible bond due 2023 at a discount to par
Downgrade	China Fortune Land Development Co Ltd	Real Estate	RD	-	2021/03/01	CC	NEG	2021/02/3	Fitch	Unpaid USD bonds
	Sunshine 100 China Holdings Ltd	Real Estate	SD	Rating Watch Negative	2021/03/02	CCC-	NEG	2020/09/22	S&P	Faces risk of a conventional default

China Fortune Land Development Co Ltd	Real Estate	Caa3	NEG	2021/03/02	Caa1	NEG	2021/02/2	Moody's	The missed payments are likely to trigger cross default clause and accelerated repayment will disrupt its operations
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Domestic Rating

	China Fortune Land Development Co Ltd	Real Estate	CCC	NEG	2021/03/01	BB	NEG	2021/02/3	Dagong	Deteriorating debt service capacity and increased risk of cross default
Downgrade	China Fortune Land Development Co Ltd	Real Estate	C	STABLE	2021/03/01	B	Rating Watch Negative	2021/02/20	CCXI	Increased unpaid onshore debts and USD debt
	China Fortune Land Development Co Ltd	Real Estate	C	NEG	2021/03/03	B	NEG	2021/02/23	Golden Credit	Increased unpaid onshore debts and USD debt
	China Fortune Land Development Co Ltd	Real Estate	C	NEG	2021/03/04	CCC	NEG	2021/03/1	Dagong	Large scale debt maturity and unpaid USD debt

Sources: Bloomberg, Wind, CCX research

Risk Event: Chongqing Energy's onshore commercial paper defaulted

On March 1, Chongqing Energy Investment Group Co., Ltd ("Chongqing Energy") reported to the Debt Committee that it was unable to repay the bank's acceptance bill of RMB685 million to Ping'an Bank and RMB230 million of credit of credit of Zheshang Bank due on March 1. Currently, Chongqing Energy outstanding offshore bonds of USD500 million, with a coupon rate of 5.625%, which will be due on March18, 2022. The price of its USD bond dropped sharply after the news came out. As of March 5, the bond price closed at USD40.065. On March 9, Chongqing Energy announced that its USD bond (code: 05898) had been suspended from 9 am on the same day, given that the Company was assessing whether the relevant cross-default clauses would be triggered. The Company said they were proactively to find appropriate debt resolution options, with the aim of fulfilling, in a timely manner, its obligations.

Panda Bond Market: No New issuance this week

As of March 5, 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%, tenor of the bonds are all 3 years and above. Issuance were mostly in the China Interbank Market.

Table 3 : New issuance of Panda Bond in 2021 (20210101-20210305)

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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