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From March 8 to March 12

ECB to speed up bond purchases; US 10-year Treasury yield reaches one-year high

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Headline: ECB will speed up bond purchases

On March 11, the ECB announced monetary policy decisions, leaving the deposit rate unchanged at -0.50%. The ECB will continue to conduct net asset purchases under the PEPP with a total envelope of EUR1,850 billion. "The Governing Council expects purchases under the PEPP over the next quarter to be conducted at a significantly higher pace than during the first months of this year. The Governing Council will purchase flexibly according to market conditions," the statement stated.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate fluctuated slightly around 6.5. As of March 12, the intermediate price of RMB exchange rate closed at 6.4845.

Interest Rate: China Government Bond and US Treasury yields rose, US 10-year yield reached one-year high

China Government Bond yields rose, while the trend remained relatively stable. US Treasury yields continued to rise and 10-year yield reached one-year high, as US President Biden signed USD1.9 trillion stimulus bill and February PPI was higher than the market expectation. As of March 12, the yield spread between China and US 10-year note was 163.7bp, tightening by 4.3bp from last Friday and 62.8bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance picked up**

From March 8 to March 12, there were 13 new issues with a total issued volume of approximately USD2.9 billion, grew by 56.3% from last week.

Secondary Market: Return on Chinese USD bonds continued to fall

The return on Chinese USD bonds dropped amid the increase in US Treasury yields. As of March 12, the YTD return on Chinese USD corporate bond index decreased by 17bp from last Friday to -0.78%. The return on investment-grade bond fell by 28bp to -0.73%, and the return on high-yield bond rose by 9bp to -0.90%. In terms of sector indices, the return on non-financial index declined the most, decreasing by 35bp to -1.10% from last Friday.

Rating Actions: Chinese issuers' credit quality diverged**Panda Bond Market: GLP China and ADB issued 2 bonds this week**

On March 8, 2021 GLP China Holdings Limited Corporate Bond (Series II) (for Specialized Investors) was issued in the Shanghai Stock Exchange Market. The bond amounted to RMB1.7 billion, with a tenor of 3 years and a coupon rate of 4.37%. On March 11, 2021 Asian Development Bank (Series 1) (Bond Connect) was issued in the China Interbank Market. ADB raised RMB2 billion via the bond, with a tenor of 5 years and a coupon rate of 3.20%.

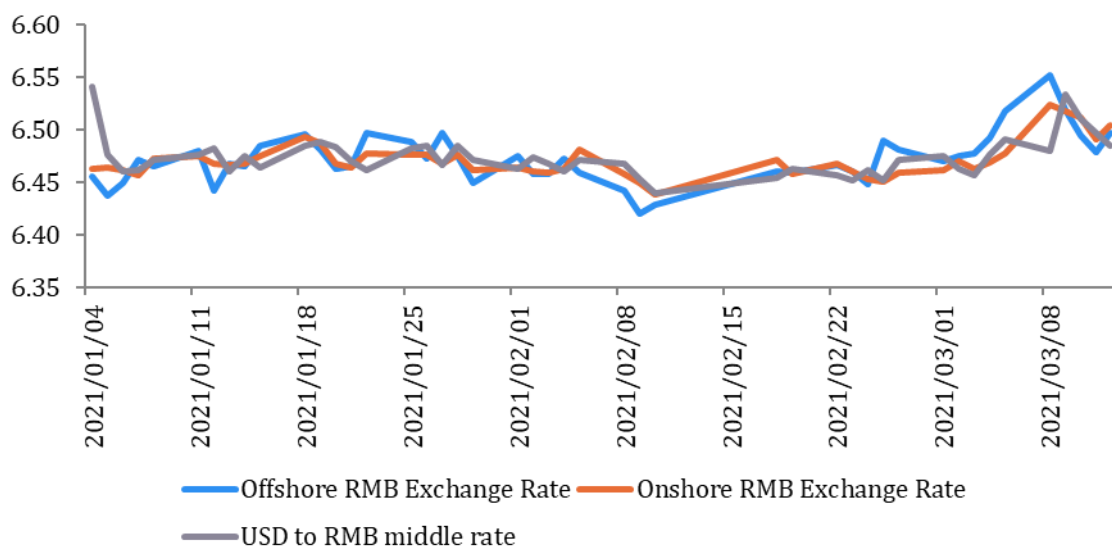
Headline: ECB will speed up bond purchases

On March 11, the European Central Bank (“ECB”) announced monetary policy decisions, leaving the deposit rate unchanged at -0.50%. The ECB will continue to conduct net asset purchases under the pandemic emergency purchase programme (“PEPP”) with a total envelope of EUR1,850 billion until at least the end of March 2022 and, in any case, until it judges that the coronavirus crisis phase is over. “The Governing Council expects purchases under the PEPP over the next quarter to be conducted at a significantly higher pace than during the first months of this year. The Governing Council will purchase flexibly according to market conditions,” the statement stated. In addition, the ECB raised the 2021 economic growth projection for the euro area to 4%, and projected 2022 and 2023 GDP to grow by 4.1% and 2.1% respectively.

Exchange Rate: RMB exchange rate fluctuated slightly

During the week, the RMB exchange rate fluctuated slightly around 6.5. As of March 12, the intermediate price of RMB exchange rate closed at 6.4845, down 59bp from last Friday; the onshore RMB exchange rate closed at 6.5036, up 268bp; the offshore RMB exchange rate closed at 6.4972, down 199bp.

Figure 1 : RMB exchange rate

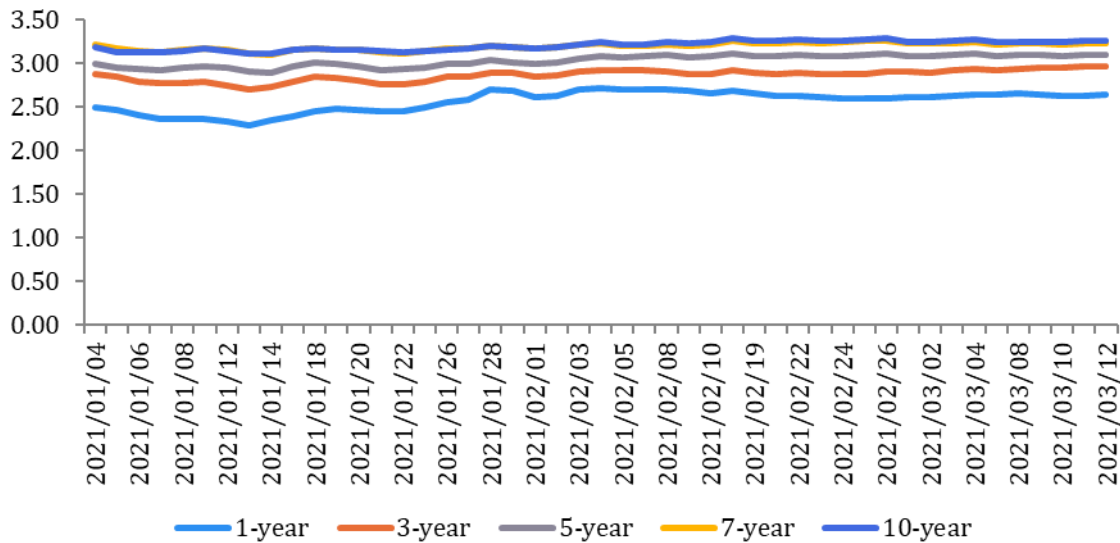


Sources: Wind, CCX research

Interest Rate: China Government Bond and US Treasury yields rose, US 10-year yield reached one-year high

During the week, China Government Bond yields increased. As of March 12, the 1-year, 3-year, 5-year, 7-year, and 10-year Government Bond yields increased from last Friday, closing at 2.6407%, 2.9582%, 3.0999%, 3.2329% and 3.2613%, respectively. The trend of China Government Bond yields remained relatively stable despite the plunge of global bond market.

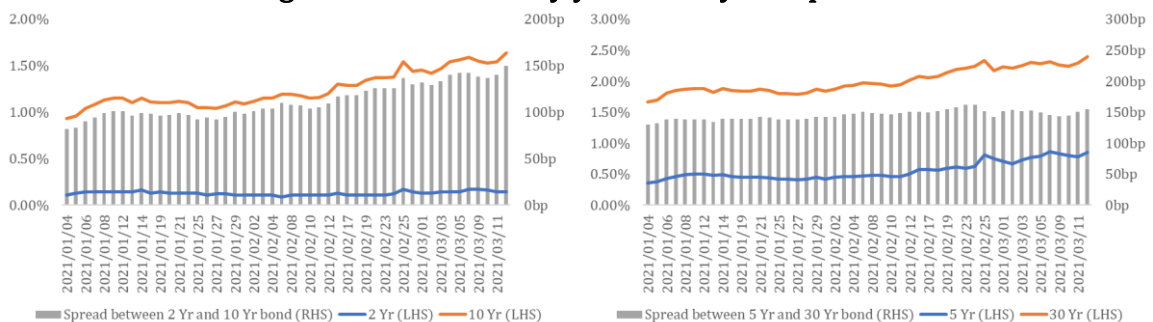
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields continued to rise and 10-year yield reached one-year high, as US President Biden signed USD1.9 trillion stimulus bill and February PPI was higher than the market expectation. As of March 12, the 2-year Treasury yields flatted at 0.14%. The 5-year, 10-year and 30-year Treasury yields closed at 0.85% ,1.64% and 2.40%, increasing by 6bp, 8bp and 12bp from last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 5-year widened by 8bp to 150bp, while the spread between the 5-year and 30-year widened by 6bp to 155bp from last Friday.

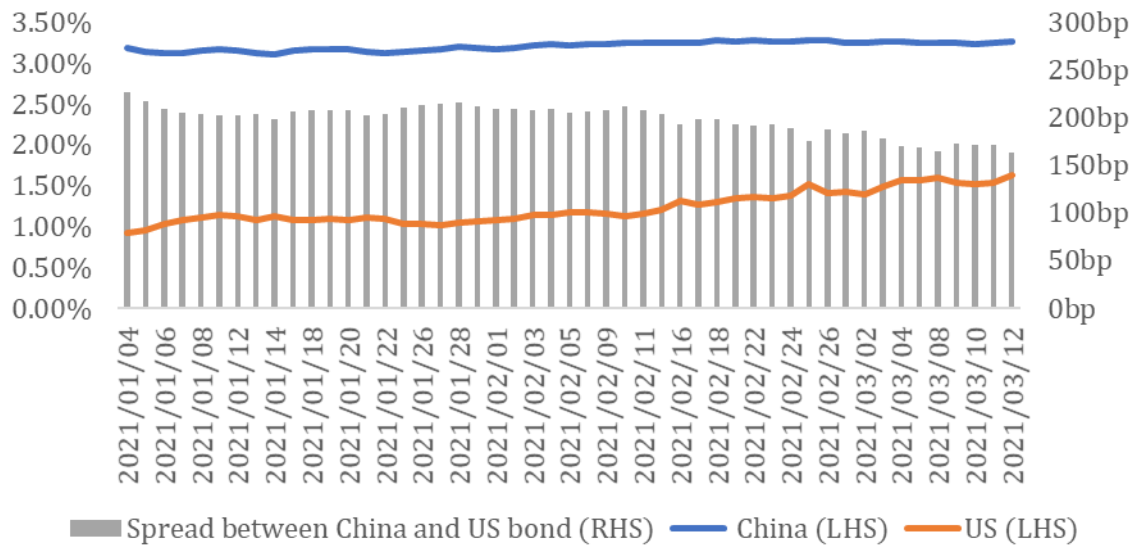
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of March 12, the yield spread between China and US 10-year note was 163.7bp, tightening by 4.3bp from last Friday and 62.8bp 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: Chinese offshore bond new issuance picked up

From March 8 to March 12, there were 13 new issues with a total issued volume of approximately USD2.9 billion, grew by 56.3% from last week.

Table 1 : New issuance of Chinese offshore bonds (20210308-20210312)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/3/8	CNCB Hong Kong Investment Ltd	USD	200	1.48375	2022/3/11	364D	Financials	-/-/-	-/-/-
2021/3/8	Xi'an Aerospace High-Tech Industry Development Group Co Ltd	USD	61	2.7	2024/3/11	3	Chengtou	-/-/-	-/-/-
2021/3/9	China Zheshang Bank Co Ltd/Hong Kong	USD	500	1.1	2024/3/16	3	Banks	Ba1/BBB-/-	-/BBB-/-
2021/3/9	Huatai International Financial Holdings Co Ltd	USD	100	0.35	2022/3/22	364D	Financials	-/BBB-/-	-/-/-
2021/3/9	Shaoxing Shangyu State-owned Capital Investment Operation Co Ltd	USD	300	2.95	2024/3/16	3	Chengtou	-/-/BBB-	-/-/BBB-
2021/3/9	Shaoxing Shangyu State-owned Capital Investment Operation Co Ltd	USD	200	3.55	2026/3/16	5	Chengtou	-/-/BBB-	-/-/BBB-
2021/3/10	BAIC Motor Corp Ltd	USD	350	2	2024/3/16	3	Consumer Discretionary	-/BBB/BBB+	-/BBB/BBB+
2021/3/10	Bank of China Ltd/Hong Kong Rudong County Jinxin	CNY	90	0.000001	2026/3/11	5	Banks	A1/A/A	-/-/-
2021/3/10	Transportation Engineering Construction Investment Co Ltd	USD	50	2.4	2024/3/15	3	Chengtou	-/-/-	-/-/-
2021/3/10	Zhejiang Provincial Seaport Investment & Operation Group Co Ltd	USD	700	1.98	2026/3/17	5	Industrials	A1/-/-	A1/-/-

2021/3/11	Shaanxi Financial Assets Management Co Ltd	USD	200	3.2	2024/3/18	3	Financials	Baa3/-/BBB	Baa3/-/BBB
2021/3/11	Yincheng International Holding Co Ltd	USD	165	11.8	2022/3/16	364D	Real Estate	B2/-/-	-/-/-
2021/3/12	CMB Financial Leasing Co Ltd	USD	50	1.16	2022/9/19	1.5	Financials	A3/BBB+/-	-/-/-

Sources: Bloomberg, CCX research

On March 12, Times China Holdings Ltd announced tap bond offering.

Table 2 : Tap bond offering (20210308-20210312)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/3/12	Times China Holdings Ltd	USD	450 (reoffered 100)	6.2	2026/3/22	5.5	Real Estate	Ba3/BB-/BB-	B1/B+/BB-

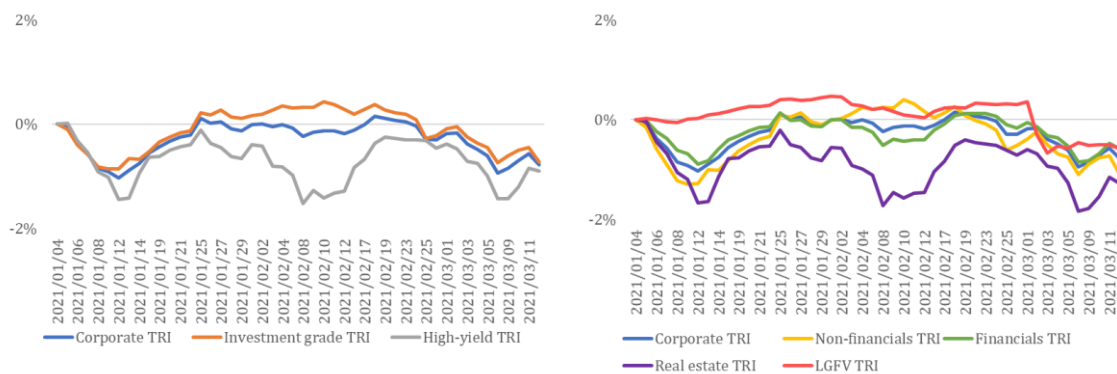
Sources: Bloomberg, CCX research

Recently, Beijing Public Housing Center planned to issue dollar bond.

Secondary Market: Return on Chinese USD bonds continued to fall

The return on Chinese USD bonds dropped amid the increase in US Treasury yields. As of March 12, the YTD return on Chinese USD corporate bond index decreased by 17bp from last Friday to -0.78%. The return on investment-grade bond fell by 28bp to -0.73%, and the return on high-yield bond rose by 9bp to -0.90%. In terms of sector indices, the return on non-financial index declined the most, decreasing by 35bp to -1.10% from last Friday. The return on financials, real estate, and Chengtuo sectors were -0.59%, -1.28% and -0.59%, slightly decreasing by 6bp, 1bp and 1bp from last Friday.

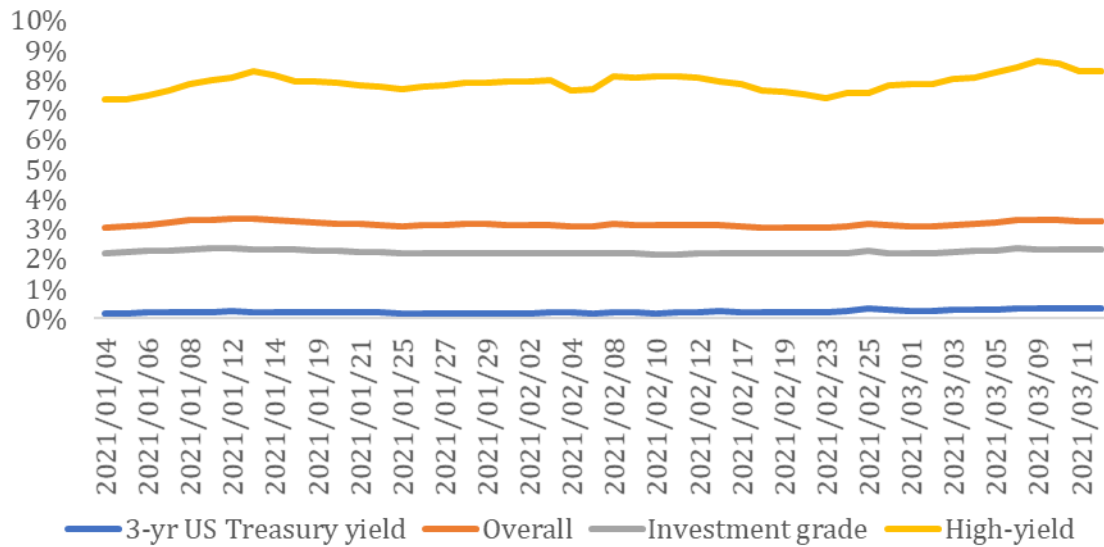
Figure 5 : YTD return on Market IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of March 12, the yield-to-worst of Chinese dollar bonds increased by 6bp to 3.27% from last Friday, of which investment grade bond index and high-yield bond index were 2.33% and 8.27%, increasing by 6bp and 3bp from last Friday.

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



Sources: Bloomberg, CCX research

Rating Actions: Chinese issuers' credit quality diverged

From March 8 to March 12, the rating agencies took positive rating actions on 4 Chinese issuers, and took negative rating action on 1 Chinese issuer.

Table 3 : Credit rating changes of cross-border bond market (20210308-20210312)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Huatai Securities Co Ltd	Financials	Baa1	STABLE	2021/3/8	Baa2	STABLE	2021/1/27	Moody's	Expanded franchise, strong financial performance and improved operating environment
	Orient Securities Co Ltd/China	Financials	Baa2	STABLE	2021/3/8	Baa3	STABLE	2020/12/21	Moody's	More diversified revenue streams, strong liquidity and funding profile and improved operating environment
	State Grid International Development Ltd	Utilities	A1	STABLE	2021/3/10	A2	STABLE	2020/8/27	Moody's	Continued strengthening in its strategic importance

	Redco Properties Group Ltd	Real Estate	B+	STABLE	2021/3/10	B	POS	2020/7/28	Fitch	Expanded attributable contracted sales
Downgrade	Chongqing Energy Investment Group Co Ltd	Materials	RD	-	2021/3/9	BBB	Rating Watch Negative	2021/2/5	Fitch	Overdue debts

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: GLP China and ADB issued 2 bonds this week

On March 8, 2021 GLP China Holdings Limited Corporate Bond (Series II) (for Specialized Investors) was issued in the Shanghai Stock Exchange Market. The bond amounted to RMB1.7 billion, with a tenor of 3 years and a coupon rate of 4.37%. On March 11, 2021 Asian Development Bank (“ADB”) (Series 1) (Bond Connect) was issued in the China Interbank Market. ADB raised RMB2 billion via the bond, with a tenor of 5 years and a coupon rate of 3.20%.

As of March 12, there were 5 issuers that issued 7 panda bonds with a total issued amount of RMB7.9 billion and an average coupon rate of 3.70%. More than 85% of the bonds have a tenor of 3 years and above, and majority of the bonds were issued in the China Interbank Market.

Table 4 : New issuance of Panda Bond in 2021 (20210101-20210312)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Asian Development Bank	2	3.20	2021/3/11	2026/3/11	5	International Institution Bond	China Interbank Market	--
GLP China Holdings Limited	1.7	4.37	2021/3/8	2024/3/8	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
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	Shanghai Brilliance Rating
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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