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From 11 March to 15 March

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19 March 2019

International oil prices hit a new high this year; the amount of new issuances fell slightly**Headline: International oil prices hit a new high this year**

As US crude oil and fuel oil inventories unexpectedly fell, international oil prices have hit a new high this year. As of the close of March 13, the April futures price of light crude oil at New York Mercantile Exchange rose \$1.39, or 2.44%, to \$58.26/barrel.

Exchange Rate: RMB exchange rate fluctuated with a slight downward trend

The RMB exchange rate remained fluctuating with a slight downward trend. During the week, the offshore and spot RMB exchange rate first fell and then rose, revealing a slight drop for the week as a whole. As of March 15, the middle rate rose first and then fell to 6.7167, representing a slight decrease of 35 basis points.

Interest Rate: 1D Shibor spiked, Treasury yields fell

As of March 15, overnight Shibor rose 5,630 basis points during the week, closing at 2.6550. Overnight Libor, 3M Libor and 3M Shibor revealed a steady trend with a slight increase, reaching 2.3904, 2.6253 and 2.7990, respectively. Inflation data fell short of expectations and US Treasury yields fell. US announced that CPI in February rose 1.5% YoY, while core CPI rose 2.1%, both of which were below market expectations. This raised market expectations that the Fed will delay further interest rate rises, together with a weaker dollar, pushing Treasury yields lower. The credit spread of high yield bond reduced significantly with recovering investor sentiment. As of 15 March 2019, the credit spread of investment grade index narrows by 3.2bp to 137bp while the credit spread of high yield index narrows by 26bp to 470bp.

Chinese Offshore Bond Market**Primary Market: Financial institutions remained as key issuers with slightly decrease in new issuances**

The amount of new issuances fell slightly last week. Financial institutions remained as key issuers. There were 14 new bonds issued with total amount of USD 3,835 million during the period from 11 to 15 March 2019.

Secondary market: Returns on investment grade bond and high yield bond boosted

The returns on investment grade bond and high yield bond index boosted given high investor sentiment. As of 13 March 2019, the YTD return on Chinese USD corporate bond index is 3.83%, increasing by 55bp, of which investment grade bond index is 2.60% and high yield bond index is 6.79%, increasing by 27bp and 120bp over last week, respectively.

Panda Bond Market: New Panda bond issued by United Overseas Bank

United Overseas Bank was registered in Singapore in 1935. On March 14, United Overseas Bank issued a 2 billion RMB bond with the maturity of three years and coupon rate at 3.49%, marking the first panda bond issuance by Singaporean issuer. Both the bank and the bond received AAA rating assigned by China Chengxin Credit Rating Co.

Headline: International oil prices hit a new high this year, and the reduction of US crude oil inventories eased the worry of oversupply

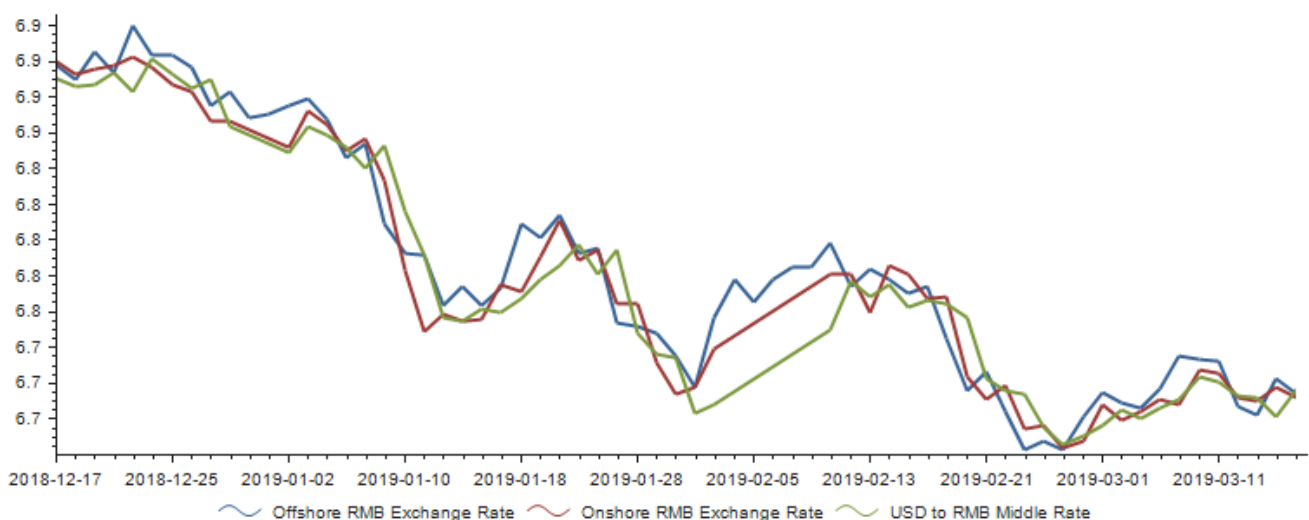
As US crude oil and fuel oil inventories unexpectedly fell, international oil prices have hit a new high this year. As of the close of March 13, the April futures price of light crude oil at New York Mercantile Exchange rose \$1.39, or 2.44%, to \$58.26/barrel. According to a report released by the US Energy Information Administration (EIA) that day, as of March 8, U.S. crude oil inventories did not increase as forecasted, but fell by 3.862 million barrels to 449.1 million barrels. Gasoline inventories fell 4.624 million barrels, the fourth straight week of decline and the biggest decline since October.

Since the major oil-producing countries including OPEC have implemented production reduction plans, and the oil export of Venezuela has been affected by political turmoil and power outage, international oil prices have risen by nearly 30% this year. Previously, the high crude oil output in US put the market in the shadow of oversupply, but the inventory reduction last week eased this worry to some extent. According to Reuters, Saudi Arabia planned to limit crude oil output to less than 10 million barrels per day in April and to control export volume below 7 million barrels per day. The major oil producers headed by OPEC will hold a meeting in Vienna from April 17 to 18 to consider whether to extend the production reduction agreement to the second half of this year. They will also meet again at the end of June to discuss production issues.

Exchange Rate: RMB exchange rate fluctuated with a slight downward trend

This week, the RMB exchange rate remained fluctuating with a slight downward trend. During the week, the offshore and spot RMB exchange rate first fell and then rose, revealing a slight drop for the week as a whole. As of March 15, the offshore RMB exchange rate closed at 6.7136, down 187 basis points, and the spot exchange rate of closed at 6.7117, down 134 basis points. The middle rate rose first and then fell to 6.7167, representing a slight decrease of 35 basis points.

Figure 1 : RMB Exchange Rate

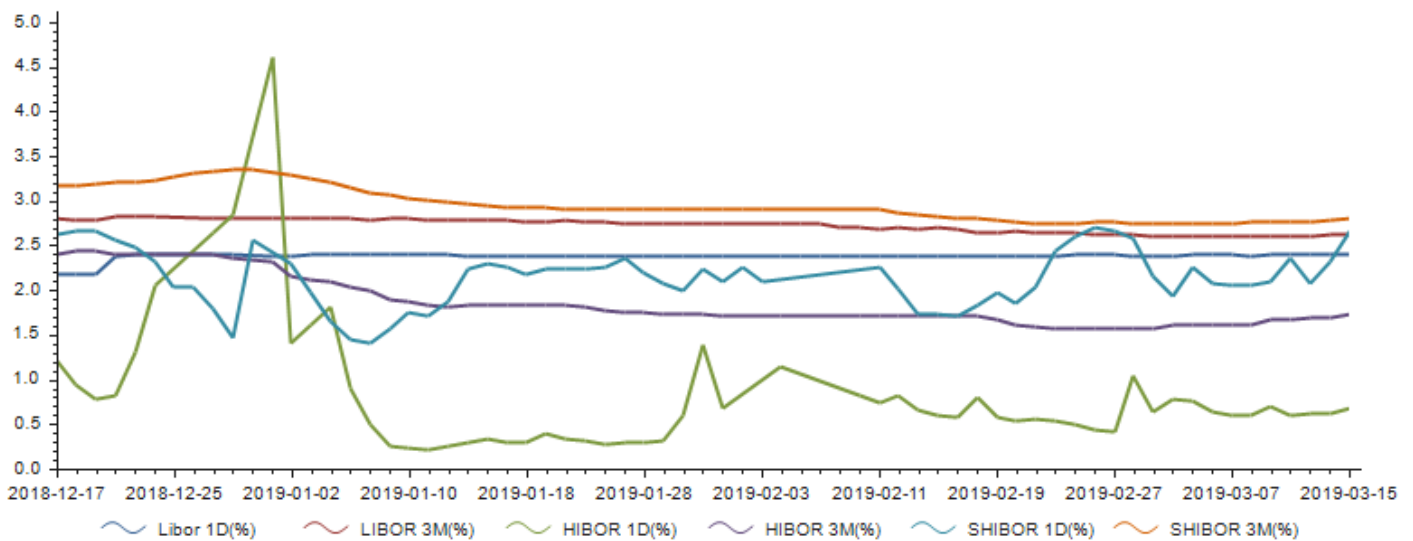


Sources: Eastmoney, CCX research

Interest Rate : 1D Shibor spiked, Treasury yields fell

As of March 15, overnight Shibor rose 5,630 basis points during the week, closing at 2.6550. Overnight Libor, 3M Libor and 3M Shibor revealed a steady trend with a slight increase, reaching 2.3904, 2.6253 and 2.7990, respectively. Hibor declined at first and then rose over the week. Overnight and 3M Hibor closed at 0.6761 and 1.7234, down 192bp and up 516bp, respectively.

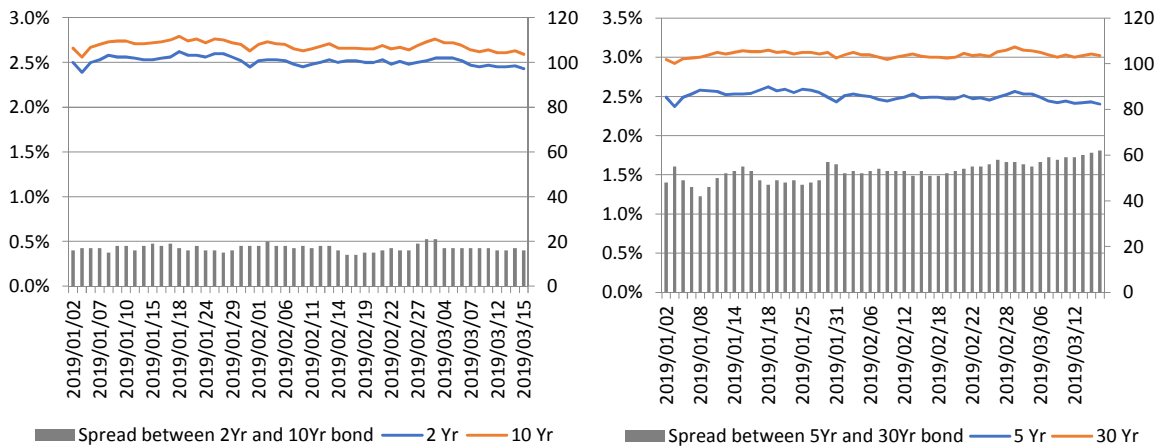
Figure 2 : Market Rate



Sources: Eastmoney, CCX research

Inflation data fell short of expectations and US Treasury yields fell. US announced that CPI in February rose 1.5% YoY, while core CPI rose 2.1%, both of which were below market expectations. This raised market expectations that the Fed will delay further interest rate rises, together with a weaker dollar, pushing Treasury yields lower. As of 15 March 2019, the yields on 2-year, 5-year and 10-year Treasury note traded at 2.43%, 2.40% and 2.59%, decreasing by 2bp, 2bp and 3bp over last week, respectively, while 30-year Treasury note traded at 3.02%, increasing by 2bp over last week. The yield spread between 2-year and 10-year bond decreased 1bp to 16bp while the yield spread between 5-year and 30 year bond increased by 4bp to 62bp.

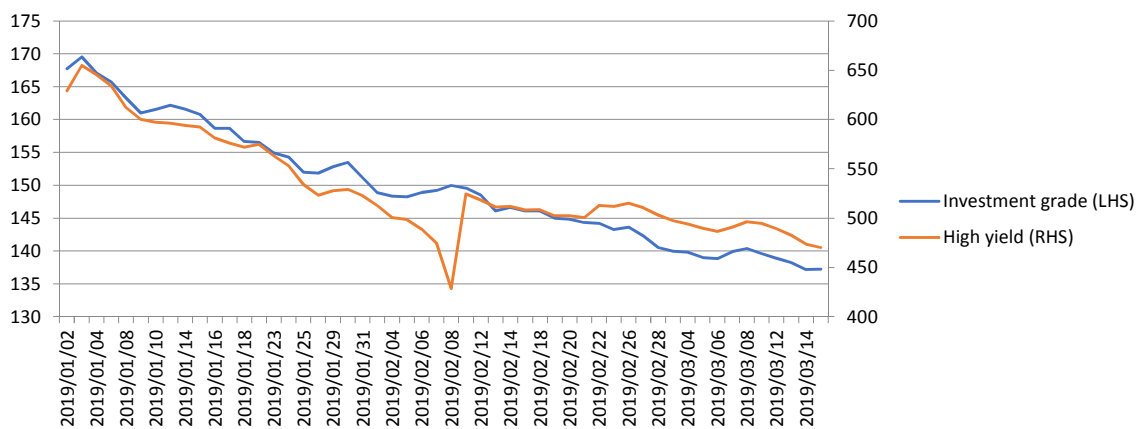
Figure 3 : US Treasury Yield and Yield Spread



Sources: The Federal Reserve, CCX research

The credit spread of Barclays Asia USD high yield bond decreased. As of 15 March 2019, the credit spread of investment grade index narrowed by 3.2bp to 137bp while the credit spread of high yield index narrowed by 26bp to 470bp.

Figure 4 : Credit spread of investment grade bond and high yield bond index



Sources: Bloomberg, CCX research

Chinese Offshore Bond Market

Primary Market: Financial institutions remained as key issuers with slightly decrease in new issuances

The amount of new issuances fell slightly last week. Financial institutions remained as key issuers. There were 14 new bonds issued with total amount of USD 3,835 million during the period from 11 to 15 March 2019.

Table 1 : New issuance of Chinese offshore bonds (201903011-20190315)

Announce Date	Obligor Name	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer rating	Issue rating
2019/3/11	Guotai Junan International Holdings Ltd	HKD	3	2.6	2019/9/18	184D	Financials	Baa2/BBB+/-	-/-/-
2019/3/11	Xiangshui Guanjiang Holding Group Co Ltd	USD	0.3	7.5	2020/3/12	364D	Industrials	-/-/-	-/-/-
2019/3/11	Chongqing Energy Investment Group Co Ltd	USD	5	5.625	2022/3/18	3.	Industrials	-/-/BBB+	-/-/BBB+
2019/3/13	China Orient Asset Management International Holding Ltd	USD	3	4.5	2029/3/20	10	Financials	-/BBB+/A-	-/-/A-
2019/3/13	China Orient Asset Management International Holding Ltd	USD	4	3.875	2024/3/20	5	Financials	-/BBB+/A-	-/-/A-
2019/3/14	Xinjiang Financial Investment Ltd	USD	2	7.5	2022/3/21	3	Financials	-/-/BB+	-/-/BB+e
2019/3/14	Fujian Yango Group Co Ltd	USD	1.5	11.875	2020/9/21	1.5	Real Estate	-/B/B	-/-/Be
2019/3/14	China National Travel Service Group Corp Ltd	USD	5	3.5	2022/3/21	3	Consumer Discretionary	A3/-/-	-/-/-
2019/3/14	Bank of Communications Co Ltd Hong Kong	CNY	25	3.4	2021/3/21	2	Banks	A2/A-/A	A2/-/-
2019/3/14	Bank of Communications Co Ltd Hong Kong	USD	8	3ML+78	2022/3/21	3	Banks	A2/A-/A	A2/-/-
2019/3/14	Bank of Communications Co Ltd Hong Kong	HKD	35	2.85	2024/3/21	5	Banks	A2/A-/A	A2/-/-
2019/3/15	China International Capital Corp Hong Kong Ltd	USD	0.2	3.5	2020/3/20	365D	Financials	-/BBB/BBB+	-/-/-
2019/3/15	Oceanwide Holdings Co Ltd	USD	0.65	12	2021/10/31	2.6	Real Estate	-/CCC+/B-	-/-/B-
2019/3/15	Agricultural Bank of China Ltd Hong Kong	USD	0.14	2.79	2019/9/20	182D	Banks	A1/A/A	-/-/-

Sources: Bloomberg, CCX research

On 12 March 2019, Guorui Properties Limited announced tap bond offering.

Table 2 : Tap bond offering (20190311-20190315)

Announce Date	Obligor Name	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer rating	Issue rating
2019/3/12	Guorui Properties Limited	USD	455 (reoffered 299)	13.5	2022/2/27	3	Real Estate	-/CCC/B	-/-/B

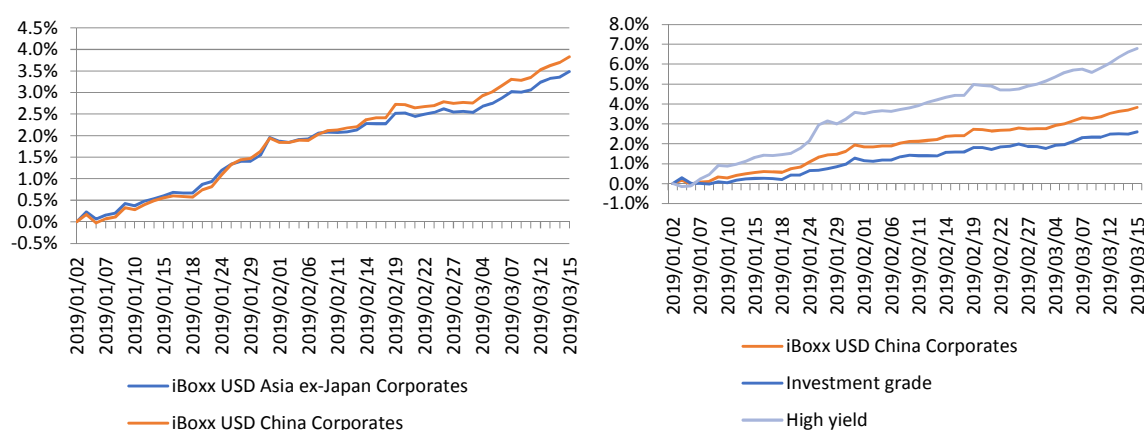
Sources: Bloomberg, CCX research

Recently, Poly Real Estate Group Co. Limitd and Mongolian Mining Corporation are planning for offshore bond issuance.

Secondary market : Returns on investment grade bond and high yield bond boosted

The returns on investment grade bond and high yield bond index boosted given high investor sentiment. As of 13 March 2019, the YTD return on Chinese USD corporate bond index is 3.83%, increasing by 55bp, of which investment grade bond index is 2.60% and high yield bond index is 6.79%, increasing by 27bp and 120bp over last week, respectively.

Figure 5 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

Panda Bond Market : New Panda bond issued by United Overseas Bank

As of Mar 15, the number of panda bonds issued in 2019 was 8, with 6 issuing entities and a total issuance scale of 12.2 billion Yuan. The tenors were mainly concentrated in three years and the average coupon was 3.71%. During the week, a new panda bond was issued by United Overseas Bank.

United Overseas Bank was registered in Singapore in 1935 and renamed in 1965. Over the past 80 years, United Overseas Bank has grown steadily through a series of

strategic acquisitions and has now become one of the leading banks in Asia. It has more than 500 branches and offices covering 19 countries and regions in Asia-Pacific, Western Europe and North America. It provides customers with comprehensive financial products and services including retail banking, wholesale banking and global finance. On March 14, United Overseas Bank issued a 2 billion RMB bond with the maturity of three years and coupon rate at 3.49%, marking the first panda bond issuance by Singaporean issuer. Both the bank and the bond received AAA rating assigned by China Chengxin Credit Rating Co.

Table 3 : New issuance of panda bond in 2019 (20190101-20190315)

Issuer	Issue Amount (in millions RMB)	Coupon Rate (%)	Issue date	Due Date	Duration	Issue Market	Local Rating Agency
United Overseas Bank Ltd	20	3.49	2019/3/14	2022/3/14	3	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance NV	30	4.00	2019/3/8	2022/3/8	3	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	15	3.57	2019/3/4	2022/3/4	3	China Interbank Market	China Chengxin/China Bond Rating
New Development Bank	20	3.00	2019/2/26	2022/2/26	3	China Interbank Market	China Chengxin/Lianhe
New Development Bank	10	3.32	2019/2/26	2024/2/26	5	China Interbank Market	China Chengxin/Lianhe
China Everbright Water Ltd	7	3.89	2019/1/21	2024/1/21	5	Shanghai Stock Exchange	Shanghai Brilliance
Beijing Enterprises Water Group Ltd	10	3.95	2019/1/1	2026/1/11	7	China Interbank Market	Shanghai Brilliance /Dagong
Beijing Enterprises Water Group Ltd	10	4.49	2019/1/1	2029/1/11	10	China Interbank Market	Shanghai Brilliance /Dagong

Sources: Bloomberg, CCX research

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