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From March 18 to 22

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The FOMC statement indicates no interest rate hikes in 2019; return on Chinese dollar bond rallies

Headline: The FOMC statement indicates no interest rate hikes in 2019

On March 21, the Federal Reserve left its benchmark interest unchanged; setting its target interest rate range of 2.25% to 2.5%, implying that there is no interest rate hikes in 2019. The release of the FOMC statement shocked the market as the expectation of at least one rate hike in the year. In addition, the Fed decided to decelerate its progress of balance sheet normalization, and halt the steady decline of its balance sheet at the end of September 2019.

Exchange Rate: RMB exchange rate on the downward track

Influenced by the dovish pivot of FOMC, the RMB exchange rate remained fluctuating with a downward trend, and US Dollar Index fell below 96 after the meeting. On March 21, the offshore RMB exchange rate was once down over 400 basis points. As of March 22, the intermediate exchange rate closed at 6.6944, down 223 basis points compared with last Friday.

Interest Rate: 1D Hibor spiked, a broad fall in the US Treasury yields

As of March 22, overnight Hibor rose 113.75 basis points during the week, reaching 1.8126. Money market liquidity was tightened. Overnight Shibor fluctuated slightly, closing at 2.6200; 3M Shibor revealed a steady trend with a slight increase of 3.8bp, reaching 2.837. US Treasury yields fell after the release of the out-of-expected dovish FOMC statement and weak purchasing managers' index ("PMI") data. Some key yield curves inverted. The spread between the yield of 10-year Treasury and 3-month Treasury was deeper into negative 2 for the first time since 2007.

Chinese Offshore Bond Market**Primary Market:** The amount of newly issue slightly fell; real estate corporations and financial institutions remained as key issuers

The amount of new issuances fell slightly last week. Real estate corporations and financial institutions remained as key issuers, which accounted for 87.7% of the total newly issue amount. There were 13 new bonds issued with a total amount of USD 3,650 million during the period from March 18 to 22.

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 March 22, the YTD return on Chinese USD corporate bond index was 4.52%, increasing by 69bp, of which investment grade bond index was 3.22% and high yield bond index was 7.64%, increasing by 62bp and 85bp over last week, respectively.

Rating action : CCXAP affirms the long-term issuer rating of SHDSAO

On March 22, CCXAP affirms the BBBg rating of SHDSAO, with a stable outlook.

Panda Bond Market: New Panda Bond issued by GLP China Holdings Limited

During the week, a new Panda Bond was issued by GLP China Holdings Limited (formerly known as Iowa China Offshore Holdings (Hong Kong) Limited., hereinafter referred to as "GLP China"). On March 18, GLP China issued a 3.3 billion Yuan corporate bond in the Shenzhen Stock Exchange with the maturity of 9 years and coupon rate at 4.35%. It is the 12th bond issued by GLP China in the Panda Bond market and marks the 4th time when GLP China supports China's Stock Exchanges' policy to boost the Belt and Road Initiative through financial innovation. Both GLP China and the bond received AAA rating assigned by Shanghai Brilliance Credit Rating & Investor Service Co., Ltd.

Headline: The FOMC statement indicates no interest rate hikes in 2019, a new round of quantitative easing may start

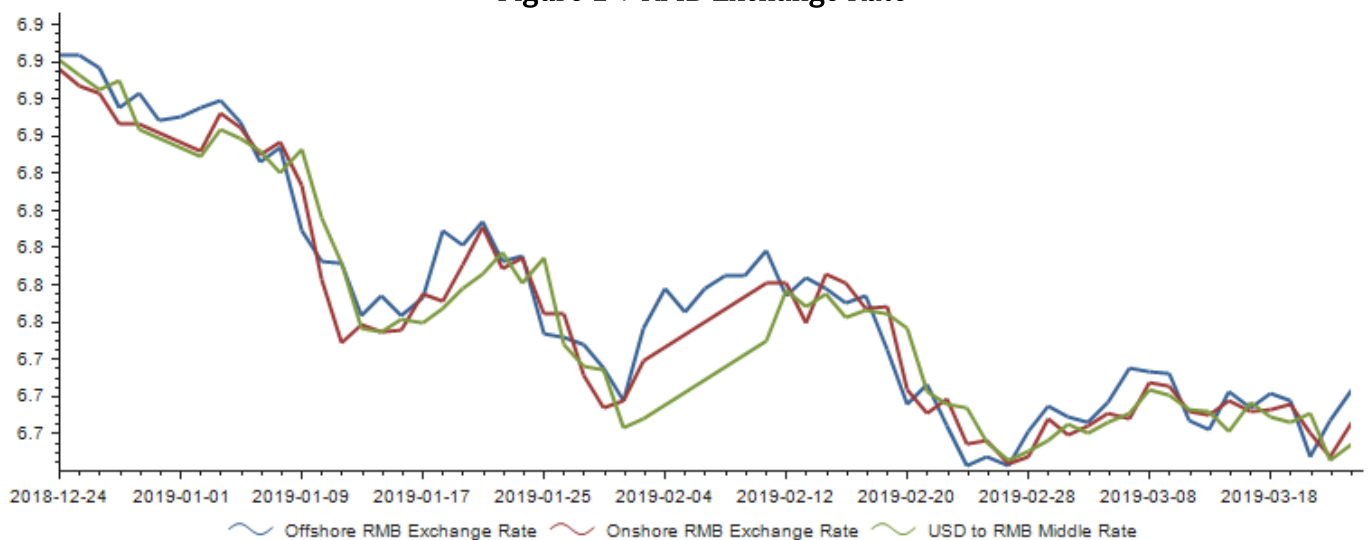
On March 21, the Federal Reserve left its benchmark interest unchanged; setting its target interest rate range at 2.25% to 2.5%, implying that there is no interest rate hikes in 2019. The release of FOMC statement shocked the market as the expectation of at least one rate hike in the year. In addition, the Fed decided to decelerate its progress of balance sheet normalization, by reducing the cap on monthly redemptions from the current level of USD 30 billion to USD 15 billion beginning in May 2019, and halt the steady decline of its balance sheet at the end of September 2019. Nevertheless, the schedule of balance sheet normalization in MBS remained unchanged. The proceeds from matured MBS in October will be reinvested to the treasury securities subject to a maximum amount of USD 20 billion per month; and any principal payments in excess of that maximum will continue to be reinvested in MBS.

Moreover, the major central banks of the largest economies demonstrated a turn of dovish and started to end their restrictive money policy, amid fears over growing pressure on a worldwide economic slowdown. It may imply the end of the cycle of liquidity tightening. If the major central banks begin to implement an expansionary money policy, it may stimulate a new round of asset prices rise globally. This could help relieve the downward pressure of currency in emerging markets.

Exchange Rate: RMB exchange rate on the downward track

Influenced by the dovish pivot by FOMC, the RMB exchange rate remained fluctuating with a downward trend, and US Dollar Index fell below 96 after the meeting. On March 21, the intermediate RMB exchange rate closed at 6.6850, down 251 basis points compared with the previous trading day. The offshore RMB exchange rate was once down over 400 basis points. On March 22, the exchange market saw a small pullback, with the RMB intermediate exchange rate closing at 6.6944, down 223 basis points compared with last Friday.

Figure 1 : RMB Exchange Rate

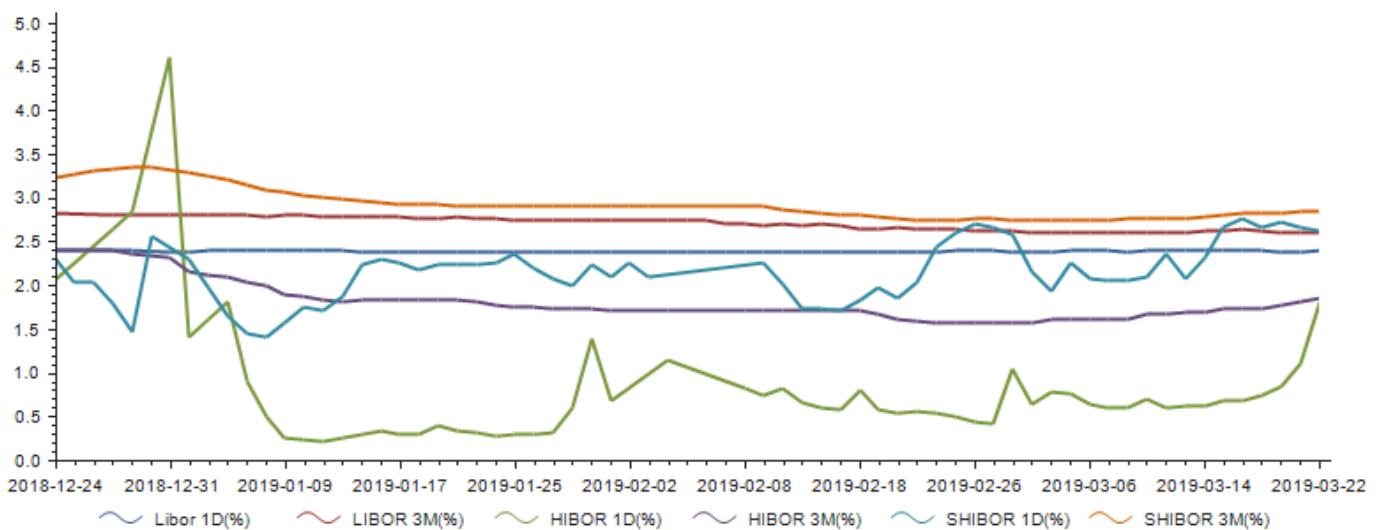


Sources: Eastmoney, CCX research

Interest Rate : 1D Hibor spiked, a broad fall in the US Treasury yields

As of March 22, overnight Hibor rose 113.75 basis points during the week, reaching 1.8126. Money market liquidity was tightened. Overnight Shibor fluctuated slightly, closing at 2.6200; 3M Shibor revealed a steady trend with a slight increase of 3.8bp, reaching 2.837.

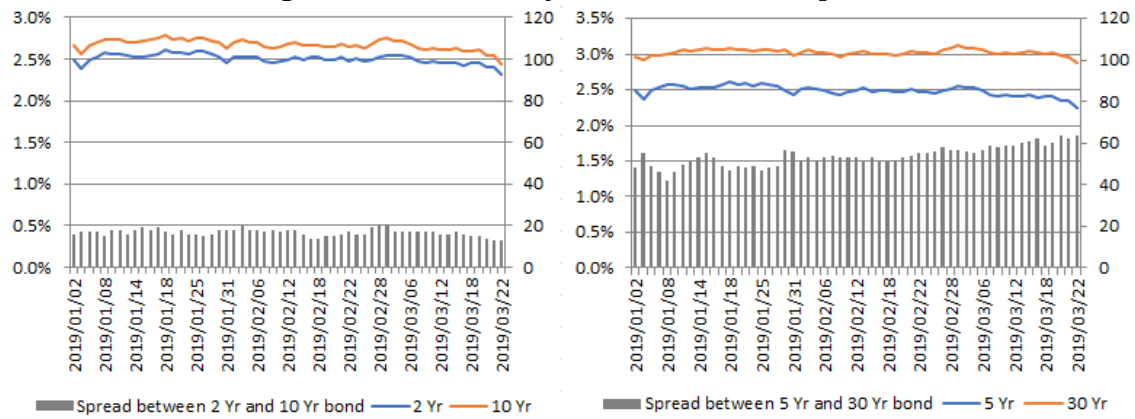
Figure 2 : Market Rate



Sources: Eastmoney, CCX research

US Treasury yields fell after the release of the out-of-expected dovish FOMC statement and weak PMI data. The manufacturing PMI and the Service PMI of the US reported 52.5 and 54.8, which were below the estimation of the market of 53.5 and 54.8 respectively. In addition, the Fed decided to decelerate its progress of balance sheet normalization, by reducing the cap on monthly redemptions from the current level of USD 30 billion to USD 15 billion beginning in May 2019, and halt the steady decline of its balance sheet at the end of September 2019, driving a broad fall in the US Treasury yields. Some key yield curves inverted. The spread between the yield of 10-year Treasury and 3-month Treasury was deeper into negative 2 for the first time since 2007. As of March 22, the yields on 2-year, 5-year, 10-year and 30-year Treasury note traded at 2.31%, 2.24%, 2.44% and 2.88%, decreasing by 12bp, 16bp, 15bp and 14bp over last week, respectively. The yield spread between 2-year and 10-year bond decreased 3bp to 13bp while the yield spread between 5-year and 30-year bond increased slightly by 2bp to 64bp.

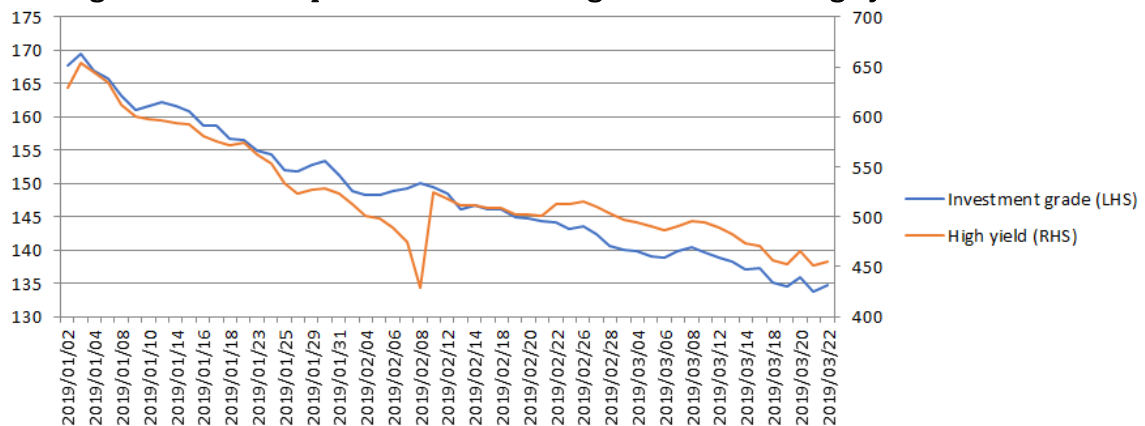
Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

The credit spread of Barclays Asia USD high yield bond decreased. As of March 22, the credit spread of investment grade index narrowed by 2.4bp to 135bp while the credit spread of high yield index narrowed by 15.5bp to 455bp.

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



Sources: Bloomberg, CCX research

Chinese Offshore Bond Market

Primary Market: The amount of newly issue slightly fell; real estate corporations and financial institutions remained as key issuers

The amount of new issuances fell slightly last week. Real estate corporations and financial institutions remained as key issuers, which accounted for 87.7% of total newly issue amount. There were 13 new bonds issued with a total amount of USD 3,650 million during the period from March 18 to 22.

Table 1 : New issuance of Chinese offshore bonds (20190318-20190322)

Announcement date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/3/18	Poly Developments and Holdings Group Co Ltd	USD	450	3.875	2024/3/25	5	Real Estate	Baa2/BBB/BBB+	Baa3/BBB-/BBB+
2019/3/18	China Huarong International Holdings Ltd	USD	280	3ML+168	2020/3/19	364D	Financials	-/BBB+/-	-/-/-
2019/3/19	Minsheng Financial Leasing Co Ltd	USD	150	4.5	2022/3/26	3	Financials	Baa3/-/-	Baa3/-/-
2019/3/19	SCPG Holdings Co Ltd	USD	3,500	4.6	2020/3/25	365D	Real Estate	-/-/-	-/-/-
2019/3/19	New Hope Group Co Ltd	USD	200	5.5	2020/3/26	1	Consumer Staples	-/-/-	-/-/-
2019/3/20	China Ping An Insurance Overseas Holdings Ltd	HKD	300	2.65	2020/3/26	364D	Financials	Baa2/-/-	-/-/-
2019/3/20	China South City Holdings Ltd	USD	2,355	11.875	2021/3/27	2	Real Estate	-/B-/B	-/-/B
2019/3/20	Huayuan Property Co Ltd	USD	255	8.5	2021/9/27	2.5	Real Estate	B1/B+/-	B2/-/-
2019/3/21	China Education Group Holdings Ltd	HKD	200	2	2024/3/28	5	Consumer Discretionary	-/-/-	-/-/-
2019/3/21	CIFI Holdings Group Co Ltd	USD	117	6.55	2024/3/28	5	Real Estate	Ba3/BB/BB	-/BB-/BBe
2019/3/21	Zhongtai Securities Co Ltd	USD	500	5.4	2020/3/24	364D	Financials	-/-/-	-/-/-
2019/3/21	China International Capital Corp Hong Kong Ltd	HKD	450	2.52	2020/3/25	364D	Financials	-/BBB/BBB+	-/-/-
2019/3/22	Industrial & Commercial Bank of China Ltd/Sydney	AUD	280	3M BBSW+100	2022/3/29	3	Banks	A1/A/A	-/A/-

Sources: Bloomberg, CCX research

From March 18 to 22, Yunna Energy Investment Group Co, KWG Group Holdings Limited, Gemdale Corporation, and Chengdu Economic & Technological Development Zone State-Owned Assets Investment & Operating Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20190318-20190322)

Announcement date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/3/18	Yunna Energy Investment Group Co., Ltd	USD	600 (reoffered 400)	6.25	2021/11/29	3	Utilities	-/-/BBB	-/-/BBB
2019/3/20	KWG Group Holdings Limited	USD	700 (reoffered 350)	7.875	2023/9/1	4.5	Real Estate	B1/B+/BB-	-/-/BB-
2019/3/21	Gemdale Corporation	USD	450 (reoffered 300)	6	2022/9/6	3	Real Estate	Ba2/BB/-	Ba3/BB-/-
2019/3/21	Chengdu Economic & Technological Development Zone State-Owned Assets Investment & Operating Co Ltd	USD	500 (reoffered 250)	7.5	2022/2/12	3.5	Financials	Ba2/-/-	Ba2/-/-

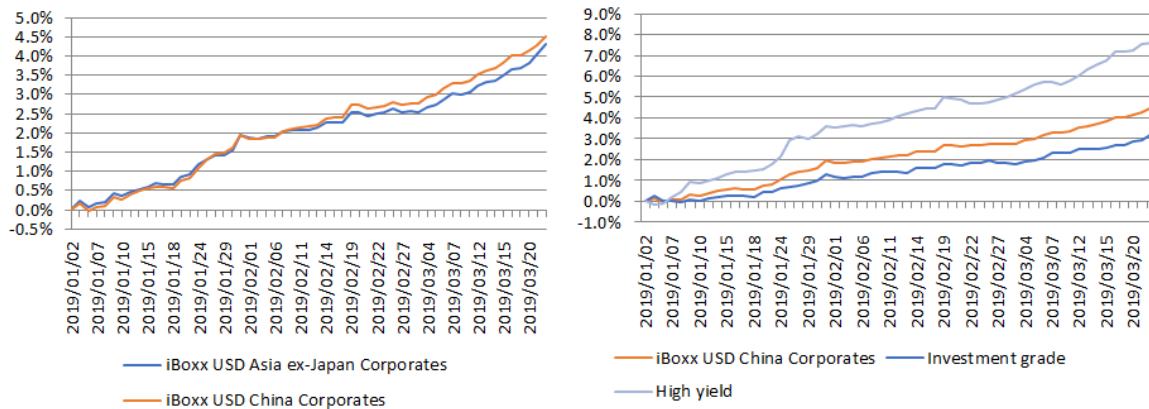
Sources: Bloomberg, CCX research

Recently, Yunnan Metropolitan Construction Investment Group Co Ltd has planned 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 March 22, the YTD return on Chinese USD corporate bond index was 4.52%, increasing by 69bp, of which investment grade bond index was 3.22% and high yield bond index was 7.64%, increasing by 62bp and 85bp over last week, respectively.

Figure 5 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

Rating action : CCXAP affirms the long-term issuer rating of SHDSAO

On March 20, CCXAP affirms the BBBg rating of Shenyang Heping District State-owned Assets Operations Co., Ltd. (“SHDSAO” or the “Company”), with a stable outlook. CCXAP believes that SHDSAO’s rating reflects the Company’s improvement in debt leverage and receiving financial support from the Heping District government.

SHDSAO has a monopoly position in Heping District, Shenyang City. It engages in primary land development (mainly in Changbai Island and Manrong Economic Zone). Its business also covers infrastructure construction, real estate development and operation as well as management of state-owned assets. SHDSAO’s revenue and profitability improved in the first three quarters of 2018; its size of outstanding debts reduced which resulted in a lower debt leverage ratio as of September 30, 2018. In addition, the Company continuously receives supports from Heping District government. It received total financial subsidies of RMB 308.5 million in the first three quarters of 2018. In 2018, the Shenyang Heping District State-owned Assets Supervision and Administration Bureau transferred shares of a maintenance services company to SHDSAO, which help expand the Company’s business scale. We expect that the Company would continuously receive financial support as well as liquidity supports from the local government.

Panda Bond Market : New Panda Bond issued by GLP China Holdings Limited

As of March 22, 2019, 9 Panda Bonds were issued in 2019, with 7 issuing entities and a total issuance scale of 15.5 billion Yuan. The tenors were mainly concentrated in three years and the average coupon was 3.78%. During the week, a new Panda Bond was issued by GLP China Holdings Limited (formerly known as Iowa China Offshore Holdings (Hong Kong) Limited., hereinafter referred to as "GLP China").

GLP China was registered in Hong Kong on October 15, 2013 and officially renamed on May 14, 2018. GLP China enjoys leading position in the industry and is the core revenue and profit source of its parent company – Global Logistic Properties Limited. It covers 39 major large and medium-sized cities in China with a total construction area of 20.5 million square meters, making it China's largest provider of modern logistics facilities.

On March 18, GLP China issued a 3.3 billion Yuan corporate bond in the Shenzhen Stock Exchange with the maturity of 9 years and coupon rate at 4.35%. It marks the 4th time when GLP China supports China's Stock Exchanges' policy to boost the Belt and Road Initiative through financial innovation. Both GLP China and the bond received AAA rating assigned by Shanghai Brilliance Credit Rating & Investor Service Co., Ltd.

Table 3 : New issuance of Panda Bond in 2019 (20190101-20190322)

Issuer	Amount (RMB million)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
GLP China Holdings Limited	33	4.35	2019/3/18	2028/3/18	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
United Overseas Bank Ltd	20	3.49	2019/3/14	2022/3/14	3	Corporate Bond	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance NV	30	4	2019/3/8	2022/3/8	3	MTN	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	15	3.57	2019/3/4	2022/3/4	3	MTN	China Interbank Market	China Chengxin/China Bond Rating
New Development Bank	20	3	2019/2/26	2022/2/26	3	MTN	China Interbank Market	China Chengxin/Lianhe
New Development Bank	10	3.32	2019/2/26	2024/2/26	5	Corporate Bond	China Interbank Market	China Chengxin/Lianhe
China Everbright Water Ltd	7	3.89	2019/1/21	2024/1/21	5	MTN	Shanghai Stock Exchange	Shanghai Brilliance
Beijing Enterprises Water Group Ltd	10	3.95	2019/1/11	2026/1/11	7	Corporate Bond	China Interbank Market	Shanghai Brilliance /Dagong
Beijing Enterprises Water Group Ltd	10	4.49	2019/1/11	2029/1/11	10	MTN	China Interbank Market	Shanghai Brilliance /Dagong

Sources: Bloomberg, CCX research

GLP China is a star issuer in the Panda Bond market. Since July 2016, GLP China has issued 6 MTN and 6 corporate bonds, with a total issuance scale of 19.1 billion Yuan, and an average coupon rate at 4.78%. The bond issued this week marks the 12th time for GLP China.

Table 4 : Historical issuances of Panda Bond by GLP China (20160101-20190322)

Issuer	Amount (RMB million)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
GLP China Holdings Limited	33	4.35	2019/3/18	2028/3/18	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
GLP China Holdings Limited	15	4.64	2018/11/13	2021/11/13	3	MTN	China Interbank Market	China Chengxin/Shanghai Brilliance
GLP China Holdings Limited	12	4.83	2018/10/12	2021/10/12	3	MTN	China Interbank Market	China Chengxin/Shanghai Brilliance
GLP China Holdings Limited	15	5.24	2018/7/20	2021/7/20	3	MTN	China Interbank Market	China Chengxin/Shanghai Brilliance
GLP China Holdings Limited	15	5.09	2018/5/2	2027/5/2	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
GLP China Holdings Limited	12	5.15	2018/4/13	2021/4/13	3	MTN	China Interbank Market	China Chengxin/Shanghai Brilliance
GLP China Holdings Limited	40	5.45	2018/4/9	2027/4/9	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
GLP China Holdings Limited	12	5.29	2018/3/28	2021/3/28	3	MTN	China Interbank Market	China Chengxin/Shanghai Brilliance
GLP China Holdings Limited	12	5.65	2018/2/7	2027/2/7	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
GLP China Holdings Limited	10	4.99	2017/10/16	2022/10/16	5	MTN	China Interbank Market	China Chengxin/Shanghai Brilliance
GLP China Holdings Limited	10	3.12	2016/7/13	2019/7/13	3	Corporate Bond	Shanghai Stock Exchange	Shanghai Brilliance
GLP China Holdings Limited	5	3.58	2016/7/13	2021/7/13	5	Corporate Bond	Shanghai Stock Exchange	Shanghai Brilliance

Sources: Bloomberg, CCX research

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