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MPs voted against May's Brexit plan for third time, as well as all alternative options; 10-year yield hit the lowest since 2017

Headline: MPs voted against May's Brexit plan for third time, as well as all alternative options

On March 27, Members of Parliament ("MPs") have rejected all eight proposals on Brexit alternatives, including second referendum and custom union. Then, on March 29, Theresa May put her EU withdrawal agreement to MPs and the agreement has been voted down for third time. That said no-deal Brexit or extension of Brexit would be more likely to happen. On April 1, MPs held the second round of indicative votes for four alternative Brexit options, namely customs union, common market 2.0, confirmatory vote and parliament supremacy, but none of the options could gain the majority. After the defeat, the British Pound dropped by 0.5% against the US Dollar to trade at 1.3031.

Exchange Rate: RMB exchange rate hiked

The RMB exchange rate hiked and reached a five-week high. As of Mar 29, the intermediate RMB exchange rate closed at 6.6850, up 391 basis points compared with last Friday, reaching a new high since February 20, 2019. Last week, RMB exchange rate remained on the downward track due to the dovish pivot of FOMC. The exchange market saw a small pullback during the week, nevertheless, the pressure for RMB depreciation is relatively low.

Interest Rate: 1D Hibor continuously spiked, 10-year yield hit the lowest since 2017

As of March 29, overnight Hibor rose 86 basis points during the week, reaching 2.6736. Money market liquidity was further tightened. Overnight Shibor kept declining till March 28, closing at 2.0410. On March 29, the market saw a small pullback with the Overnight Shibor setting at 2.4860. US Treasury yields slightly rebounded, following a drop in the beginning of the week. The inversion of the 10-year and 3-month yields depressed the market and the 10-year yield hit the lowest level since 2017. Yet, the yield rebounded later this week given the restart of the Sino-US trade talks. The credit spread of Barclays Asia USD high-yield bond was relatively stable. As of March 29, the credit spread of investment grade index increased by 0.9bp to 136bp while the credit spread of high-yield index increased by 8.8bp to 464bp.

Chinese Offshore Bond Market

Primary Market: New issuance rebounded; real estate corporations remained as key issuers

The amount of newly issued offshore bonds rebounded. Real estate corporations remained as key issuers, which accounted for 64.77% of newly issued amount. There were 16 new bonds with a total amount of USD 6,283 million issued during the period from March 25 to 29.

Secondary market: Returns on investment grade bond and high-yield bond retreated

The returns on investment grade bond and high-yield bond index retreated given a change in market sentiment. As of March 29, the YTD return on Chinese USD corporate bond index was 4.71%, increasing by 19bp, of which investment grade bond index was 3.50% and high-yield bond index was 7.61%, changing by 28bp and -3bp over last week, respectively.

Panda Bond Market: No new issuance in the Panda Bond market this week

As of March 29, the number of Panda Bonds issued in 2019 was 9, with 7 issuers 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%.

Headline: MPs voted against May's Brexit plan for third time, as well as all alternative options

On March 27, Members of Parliament ("MPs") have rejected all eight proposals on Brexit alternatives, including second referendum and custom union. Then, on March 29, Theresa May put her EU withdrawal agreement to MPs and the agreement has been voted down for third time. That said no-deal Brexit or extension of Brexit would be more likely to happen.

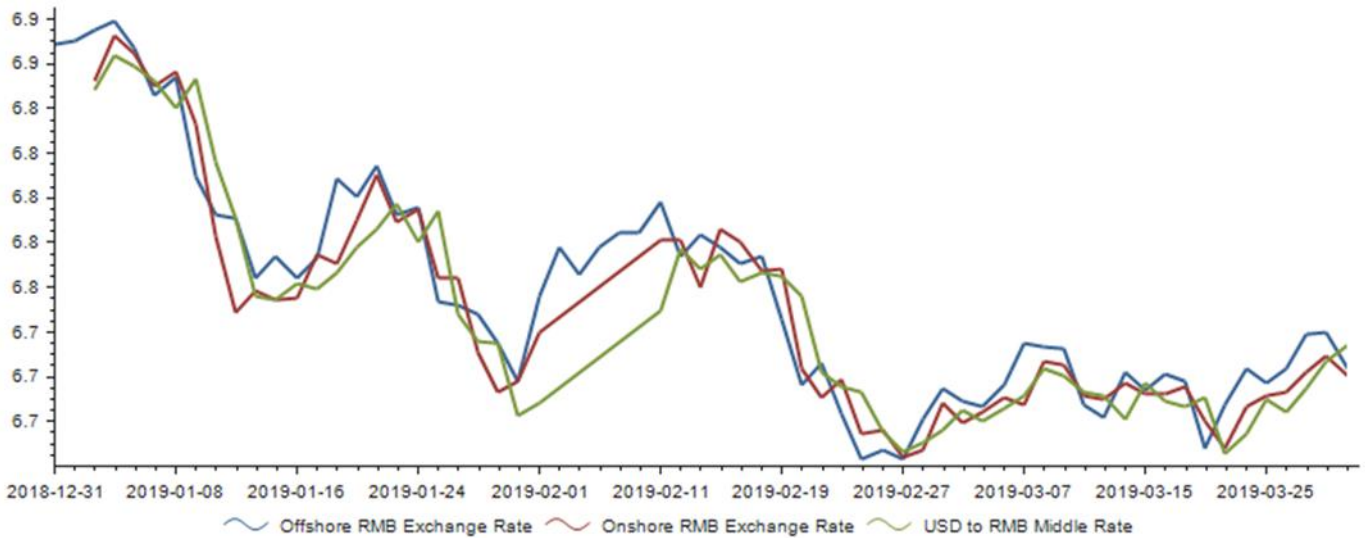
MPs held the second round of indicative votes for four alternative Brexit options on April 1, but none of the options could gain the majority. These four options included: (1) customs union (UK will keep in the same tariff system as the European Union countries and will not be allowed to sign any trade agreements with other countries separately); (2) common market 2.0 (UK will remain a member of the European Free Trade Association (EFTA) and European Economic Area (EEA), and abide by the freedom of movement, namely goods, services, capital and people); (3) confirmatory vote (Parliament will confirm the Brexit deal according to the public vote); and (4) parliament supremacy (If MPs do not approve any deals by April 10, the government will seek a further extension. If the extension is not agreed by April 11, MPs will vote for either no-deal Brexit or revocation of Article 50). The parliament supremacy proposal was defeated by 101 votes (support: 191; oppose: 292), which was the largest defeat among these four options. On April 2, MPs will decide the date to vote for May's fourth Brexit plan.

The British Pound dropped by 0.5% against the US Dollar to trade at 1.3031 after the defeat. Goldman Sachs stated that the Brexit has costed the British economy 600 million pounds per week since 2016, as the uncertainty of Brexit cuts the investment and consumption.

Exchange Rate: RMB exchange rate hiked

During the week, the RMB exchange rate hiked and reached a five-week high. As of March 29, the intermediate RMB exchange rate closed at 6.6850, up 72 basis points compared with the previous trading day and up 391 basis points compared with last Friday, reaching a new high since February 20, 2019. Last week, RMB exchange rate remained on the downward track due to the dovish pivot of FOMC. The exchange market saw a small pullback during the week, nevertheless, the pressure for RMB depreciation is relatively low. Since the beginning of 2019, RMB to USD exchange rate rose over 2%. The turn of monetary policy by the Federal Reserve and investment inflows into China's capital market would help sustain RMB stability and relieve the downward pressure of currency in emerging markets.

Figure 1 : RMB Exchange Rate

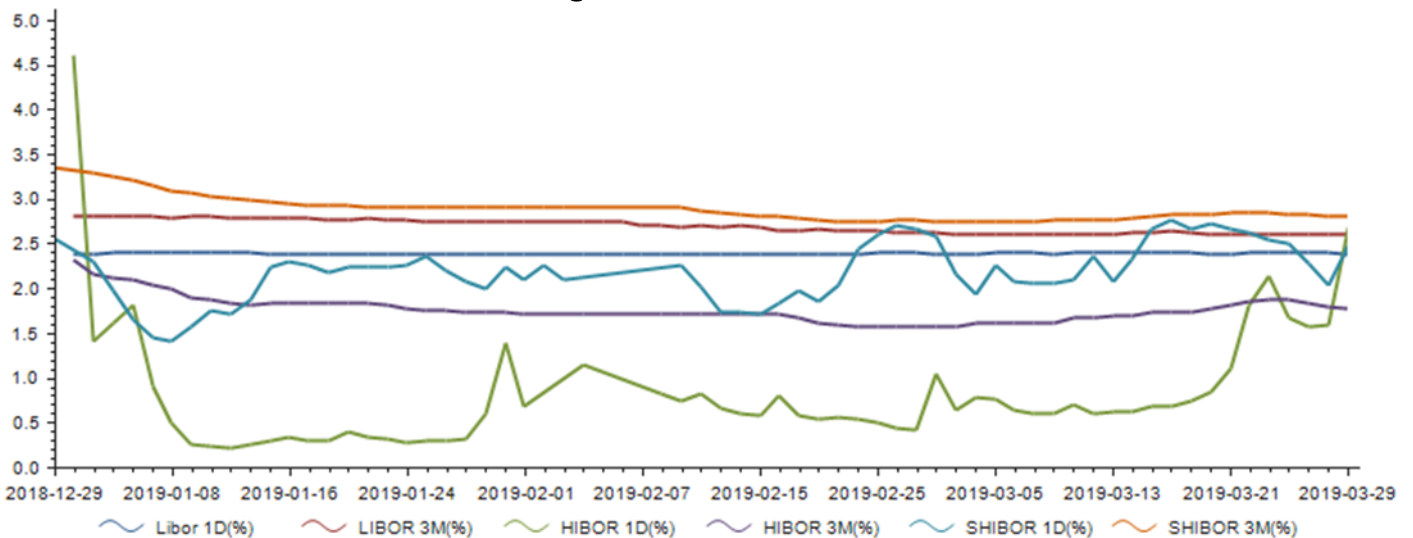


Sources: Eastmoney, CCX research

Interest Rate : 1D Hibor continuously spiked, 10-year yield hit the lowest since 2017

As of March 29, overnight Hibor rose 86 basis points during the week, reaching 2.6736. Money market liquidity was further tightened. Overnight Shibor kept declining till March 28, closing at 2.0410, down 57.9 compared with last Friday. On March 29, the market saw a small pullback with the Overnight Shibor closing at 2.4860. 3M Shibor revealed a steady trend with a slight decrease of 3.6bp, reaching 2.8010.

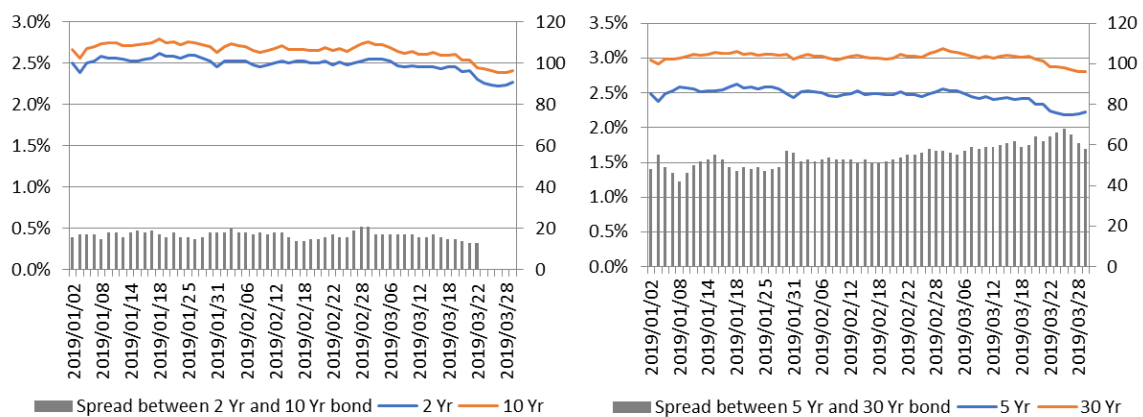
Figure 2 : Market Rate



Sources: Eastmoney, CCX research

US Treasury yields slightly rebounded, following a drop in the beginning of the week. The inversion of the 10-year and 3-month yields could be a signal of recession, causing that investors worried about the potential deceleration of the global economy. As a result, the US Treasury yields dropped while the 10-year yield fell to 2.34%, the lowest level since 2017. The Sino-US trade talks restarted on Thursday, providing a positive signal to the market which pushed up the Treasury yields. As of March 29, the yields on 2-year, 5-year, 10-year and 30-year Treasury note traded at 2.27%, 2.23%, 2.41% and 2.81%, decreasing by 4bp, 1bp, 3bp and 7bp over last week, respectively. The yield spread between 2-year and 10-year bond increased by 1bp to 14bp while the yield spread between 5-year and 30-year bond decreased by 6bp to 58bp.

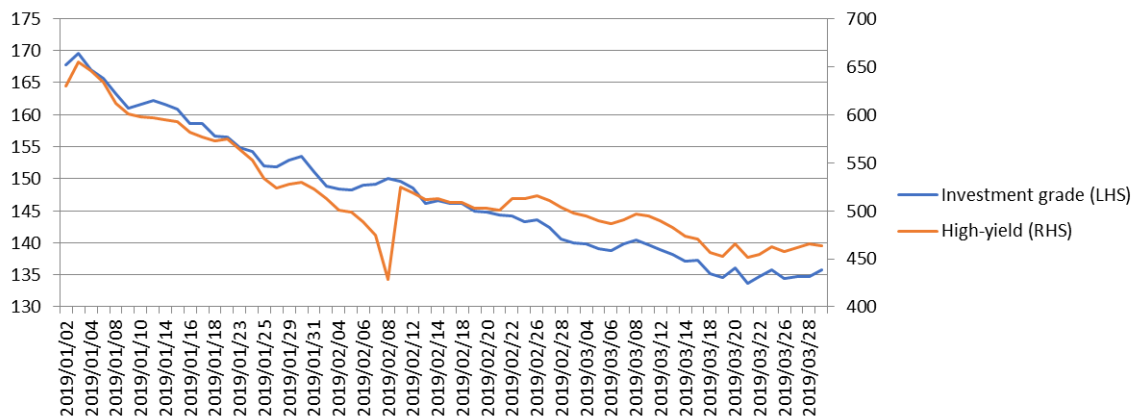
Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

The credit spread of Barclays Asia USD high-yield bond was relatively stable. As of March 29, the credit spread of investment grade index increased by 0.9bp to 136bp while the credit spread of high-yield index increased by 8.8bp to 464bp.

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



Sources: Bloomberg, CCX research

Chinese Offshore Bond Market

Primary Market: New issuance rebounded; real estate corporations remained as key issuers

The amount of newly issued offshore bonds rebounded. Real estate corporations remained as key issuers, which accounted for 64.77% of newly issued amount. There were 16 new bonds with a total amount of USD 6,283 million issued during the period from March 25 to 29.

Table 1 : New issuance of Chinese offshore bonds (20190325-20190329)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/3/26	Beijing Easyhome Investment Holding Group Co Ltd	USD	138	6.5	2022/4/2	3	Materials	-/BB+/-	-/BB+/-
2019/3/26	iQIYI Inc	USD	1,200	2	2025/4/1	6	Communications	-/-/-	-/-/-
2019/3/27	China Fortune Land Development Co Ltd	USD	350	7.125	2022/4/8	3	Real Estate	-/-/BB+	-/-/BB+e
2019/3/27	China Fortune Land Development Co Ltd	USD	650	8.6	2024/4/8	5	Real Estate	-/-/BB+	-/-/BB+e
2019/3/27	China Grand Automotive Services Co Ltd	USD	100	8.625	2022/4/8	3	Consumer Discretionary	B1-/BB-	-/-/BB-e
2019/3/27	Guotai Junan International Holdings Ltd	HKD	43	1.25	2019/6/24	84D	Financials	Baa2/BBB+/-	-/-/-
2019/3/27	Huatai Financial Holdings Hong Kong Ltd	USD	30	3.63	2019/9/29	184D	Financials	-/-/-	-/-/-
2019/3/27	Huatai Financial Holdings Hong Kong Ltd	USD	40	3.93	2019/9/29	184D	Financials	-/-/-	-/-/-
2019/3/27	Meinian Onehealth Healthcare Holdings Co Ltd	USD	200	7.75	2021/4/3	2	Health Care	Ba2-/BB+	Ba2-/BB+e
2019/3/27	Yango Group Co Ltd	USD	250	9.5	2021/4/3	2	Real Estate	B2/B/B	-/-/B-e
2019/3/27	Zhenro Properties Group Ltd	USD	420	8.65	2023/1/21	3.8	Real Estate	B2/B/B	-/B/-
2019/3/28	Country Garden Holdings Co Ltd	USD	550	6.5	2024/4/8	5	Real Estate	Ba1/BB+/BBB-	-/-/BBB-e
2019/3/28	Country Garden Holdings Co Ltd	USD	950	7.25	2026/4/8	7	Real Estate	Ba1/BB+/BBB-	-/-/BBB-e
2019/3/28	Guangzhou Industrial Investment Fund Management Co Ltd	USD	500	4.75	2024/4/3	5	Financials	-/BBB+/A-	-/-/A-e
2019/3/28	Hong Kong JunFa Property Co Ltd	USD	100	13	2021/4/4	2	Real Estate	-/-/B+e	-/-/B+e
2019/3/28	Yunnan Metropolitan Construction Investment Group Co Ltd	USD	800	5.5	2022/4/8	3	Real Estate	-/-/BBB+	-/-/BBB+e

Sources: Bloomberg, CCX research

From March 25 to 29, Chongqing Banan Economic Park and Zunyi Road & Bridge announced tap bond offering.

Table 2 : Tap bond offering (20190325-20190329)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/3/27	Chongqing Banan Economic Park Development & Construction Co Ltd	SGD	170 (reoffered 20)	4.35	2019/4/3	2.8	Real Estate	-/-/-	Baa2/-/-
2019/3/29	Zunyi Road & Bridge Construction Group Ltd	USD	220 (reoffered 100)	8	2022/2/1	3	Industrials	-/-/-	-/-/-

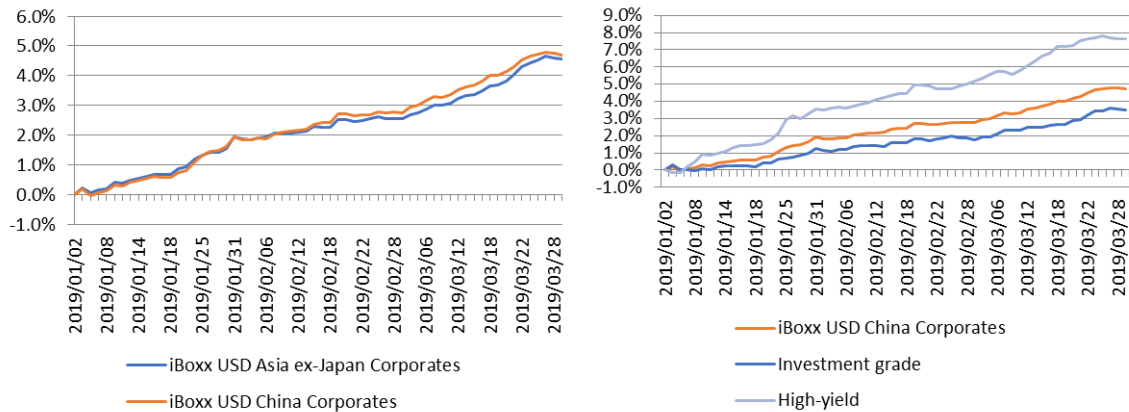
Sources: Bloomberg, CCX research

Recently, Xinjiang Transportation and BOC Aviation have planned for offshore bond issuance.

Secondary market : Returns on investment grade bond and high-yield bond retreated

The returns on investment grade bond and high-yield bond index retreated given a change in market sentiment. As of March 29, the YTD return on Chinese USD corporate bond index was 4.71%, increasing by 19bp, of which investment grade bond index was 3.50% and high-yield bond index was 7.61%, changing by 28bp and -3bp over last week, respectively.

Figure 5 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

Panda Bond Market : No new issuance in the Panda Bond market this week

As of March 29, the number of Panda Bonds issued in 2019 was 9, with 7 issuers 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%.

Table 3 : New issuance of Panda Bond in 2019 (20190101-20190329)

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

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