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The Belt and Road Forum signed bright prospects; US Treasury yields fell

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Headline: The Belt and Road Forum signed bright prospects

China hosted the second Belt and Road Forum for International Cooperation ("BRF") in Beijing from April 25 to 27. The heads of state or government in attendance increased to 38 in the second BRF from 29 in the first BRF. National governments, local authorities and enterprises reached 283 items of practical outcomes in six categories, signing bright prospects for capital market. "We will continue to make good use of the Belt and Road Special Lending Scheme, the Silk Road Fund, and various special investment funds, develop Silk Road theme bonds, and support the Multilateral Cooperation Center for Development Finance in its operation. We welcome the participation of multilateral and national financial institutions in BRI investment and financing and encourage third-market cooperation. With the involvement of multiple stakeholders, we can surely deliver benefits to all" President Xi said at the opening ceremony.

Exchange Rate: RMB exchange rate on the rise

During the week, the RMB exchange rate rose due to strengthened U.S. dollar. As of April 26, the intermediate RMB exchange rate closed at 6.7307, up 264 basis points from last Friday. The U.S. dollar index rose substantially as the first quarter economic data of the United States recovered.

Interest Rate: 1D Shibor fell sharply, US Treasury yields fell

As overnight Shibor fell, money market liquidity was eased. During the week, overnight Shibor rose slightly and then fell sharply, closing at 1.7000 on April 29, down 96.1bp from last Friday. The US Treasury yields fell despite the strong economic data. The US GDP for the first quarter smashed the market expectations. However, investors believed that the GDP growth will not sustain, because the consumer spending and business investment grew at a slower pace.

Chinese Offshore Bond Market

Primary Market: The amount of new issuances fell

The amount of new issuances fell last week. There were 6 new bonds issued with total amount of USD 1,770 million during the period from April 22 to 26. Two tranches of bonds with a total amount of USD 1.0 billion issued by China International Capital Corp Ltd was booked over USD 4.1 billion in total.

Secondary market: Returns on investment grade bond and high-yield bond remained an upward trend

The returns on investment grade bond and high-yield bond index went up given a strong market sentiment. As of April 26, the YTD return on Chinese USD corporate bond index was 4.93%, increasing by 16bp over last week, of which investment grade bond index was 3.68% and high-yield bond index was 7.93%, increasing by 36bp and 11bp over last week, respectively.

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

As of April 26, the number of Panda Bonds issued in 2019 was 10, with 8 issuers, a total issuance scale of 16.5 billion Yuan, and an average coupon of 3.741%. Issued mostly in China's Interbank Market, tenor of these bonds varies, including one SCP, four 3-year bonds, and five medium/long-term bonds.

Headline: The Belt and Road Forum signed bright prospects

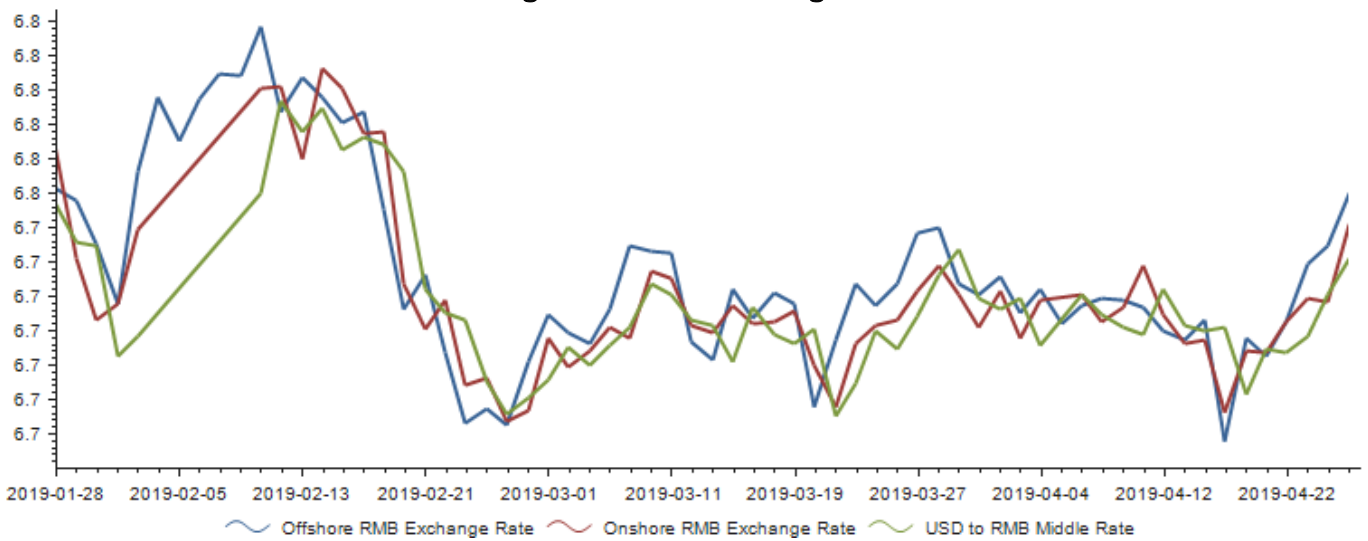
China hosted the second Belt and Road Forum for International Cooperation (“BRF”) in Beijing from April 25 to 27. Compared with the first BRF in 2017, the heads of state or government in attendance increased to 38 from 29 and the participants in the second BRF boosted from 1,500 to 5,000, covering five continents around the globe. United Nations (“UN”) Secretary-General and International Monetary Fund (“IMF”) chief were on the attendee list successively. The number of thematic-forum doubled to 12 this year with new themes of clean silk road, digital silk road, green silk road, innovation, sub-national cooperation and economic and trade cooperation zone promotion. The CEO conference was held for the first time and cooperation agreements worth more than USD 64 billion were signed. National governments, local authorities and enterprises reached 283 items of practical outcomes in six categories, signing bright prospects for capital market.

In the past two years, Chinese financial institutions served as significant financing channels for the infrastructure projects of the “Belt and Road Initiative” (“BRI”) with an estimated investment amount of USD 440 billion, of which Renminbi-denominated overseas investment funds amounted to over RMB 320 billion. The Chinese capital market helped companies raise RMB 500 billion through equity funding. BRI countries and companies have issued more than RMB 65 billion of Panda bonds in the Chinese onshore market. President Xi delivered keynote speech at the opening ceremony of the second BRF, “We will continue to make good use of the Belt and Road Special Lending Scheme, the Silk Road Fund, and various special investment funds, develop Silk Road theme bonds, and support the Multilateral Cooperation Center for Development Finance in its operation. We welcome the participation of multilateral and national financial institutions in BRI investment and financing and encourage third-market cooperation. With the involvement of multiple stakeholders, we can surely deliver benefits to all.”

Exchange Rate: RMB exchange rate on the rise

During the week, the RMB exchange rate rose due to strengthened U.S. dollar. As of April 26, the intermediate RMB exchange rate closed at 6.7307, up 264 basis points from last Friday. The U.S. dollar index rose substantially as the first quarter economic data of the United States recovered. In addition, tensions between the United States and Iran triggered a market sentiment of risk aversion, which also supported strong U.S. dollar. Other major currencies, including GBP, EUR and RMB, all fell as the US dollar index breaking through 98 barrier.

Figure 1 : RMB Exchange Rate

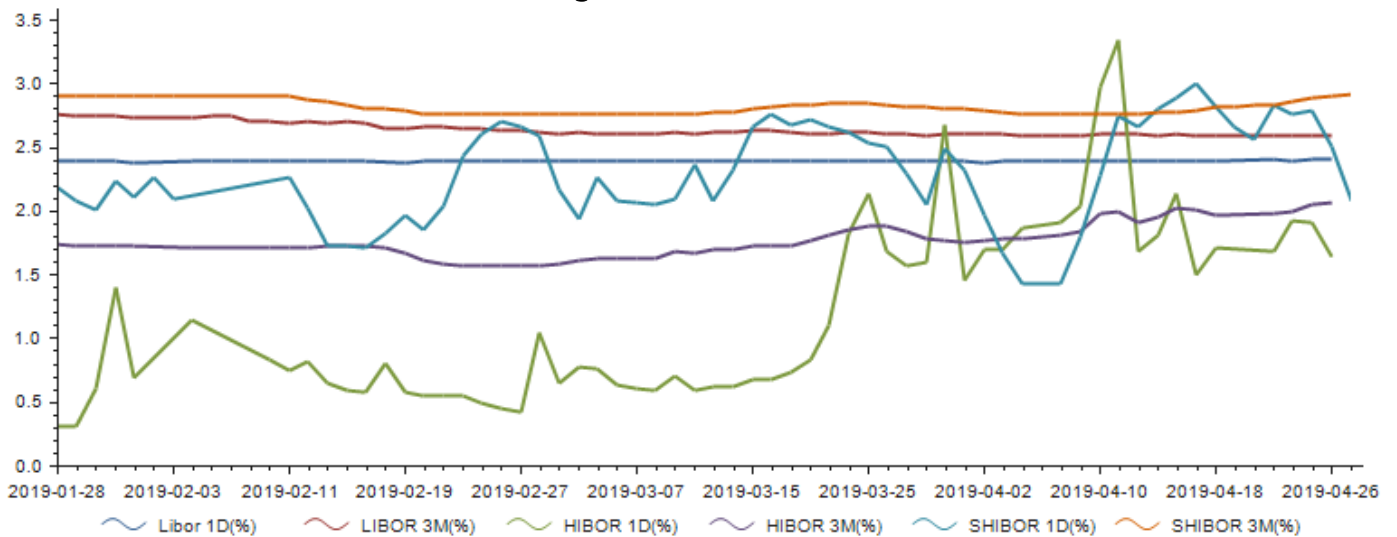


Sources: Eastmoney, CCX research

Interest Rate : 1D Shibor fell sharply, US Treasury yields fell

As overnight Shibor declined, money market liquidity was eased. During the week, overnight Shibor rose slightly and then fell sharply, closing at 1.7000 on April 29, down 96.1bp from last Friday. 3M Shibor revealed a steady trend with a slight increase, closing at 2.2930, up 10.6bp from last Friday. Overnight Hibor remained fluctuating, closing at 1.7279 on April 29.

Figure 2 : Market Rate

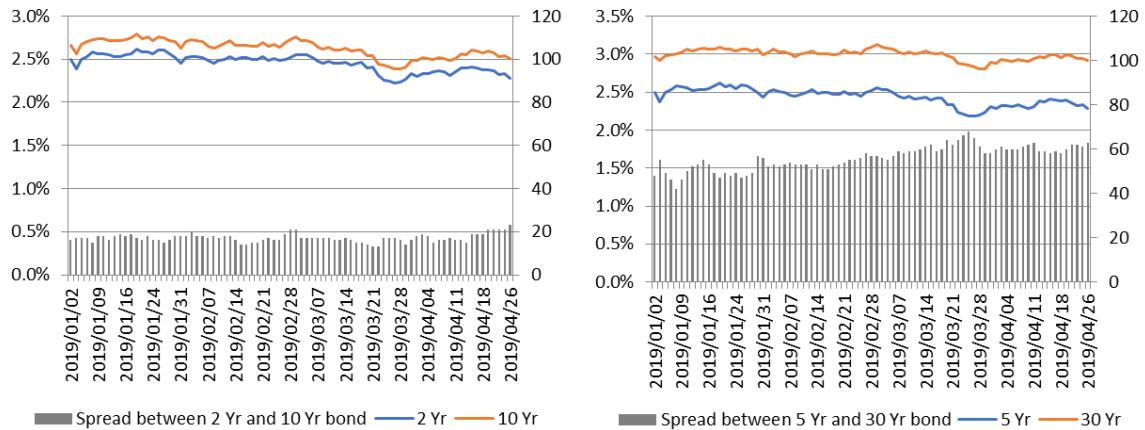


Sources: Eastmoney, CCX research

US Treasury yields fell this week despite the strong economic data. The durable goods orders in March increased by 2.7% on a monthly basis, outperforming the market expectation of 0.8%. In addition, the US real GDP increased at a 3.2% annualized rate for the first quarter, beating the market expectation of 2.3% and the previous quarter growth of 2.2%. Trade, inventories and government spending were the key aspects of the growth. However, investors believed that the GDP growth will not sustain, because the consumer spending and business investment

grew at a slower pace. As a result, the investors expected that the Federal Reserve will cut interest rates. As of April 26, the yields on 2-year, 5-year, 10-year and 30-year Treasury note traded at 2.28%, 2.29%, 2.51% and 2.92%, decreasing by 10bp, 9bp, 6bp and 4bp over last week, respectively. The yield spread between 2-year and 10-year bond widened by 4bp to 23bp and the yield spread between 5-year and 30-year bond widened by 5bp to 63bp.

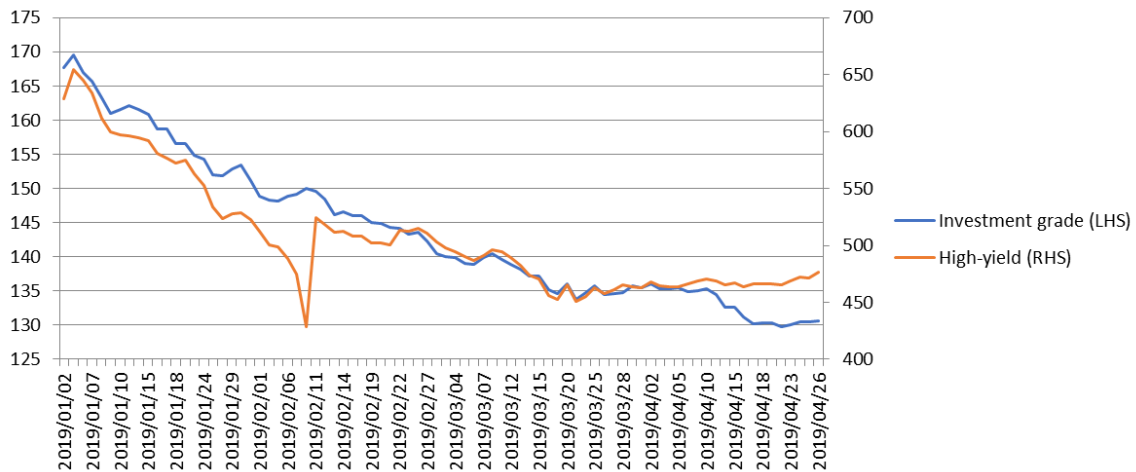
Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

The credit spread of Barclays Asia USD high-yield bond increased. As of April 26, the credit spread of investment grade index rose by 0.2bp to 131bp while the credit spread of high-yield index increased by 9.8bp to 476bp.

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 new issuances fell

The amount of new issuances fell last week. There were 6 new bonds issued with total amount of USD 1,770 million during the period from April 22 to 26. Two tranches of bonds with a total amount of USD 1.0 billion issued by China International Capital Corp Ltd was booked over USD 4.1 billion in total.

Table 1 : New issuance of Chinese offshore bonds (20190422-20190426)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/4/23	Redco Properties Group Ltd	USD	180	9.875	05/02/2021	2	Real Estate	-/B/B	-/B/B
2019/4/24	Huatai International Financial Holdings Co Ltd	USD	10	5.15	05/04/2020	1	Financials	-/-	-/-
2019/4/25	Chengdu Tianfu New Area Investment Group Co Ltd	USD	300	4.65	05/07/2024	5	Industrials	Baa3/-/BBB	-/-/BBB-e
2019/4/25	China International Capital Corp Ltd	USD	300	3.375	05/03/2022	3	Financials	Baa1/BBB/BBB+	-/-/BBB+e
2019/4/25	China International Capital Corp Ltd	USD	700	3ML+117.5	05/03/2022	3	Financials	Baa1/BBB/BBB+	-/-/BBB+e
2019/4/26	Jiangsu Hanrui Investment Holding Co Ltd	USD	280	7.95	04/29/2022	3	Industrials	-/-/B	-/-

Sources: Bloomberg, CCX research

Last week, Xinyuan Real Estate Co Ltd and Yango Group Co Ltd announced tap bond offering, details are as follow:

Table 2 : Tap bond offering (20190422-20190426)

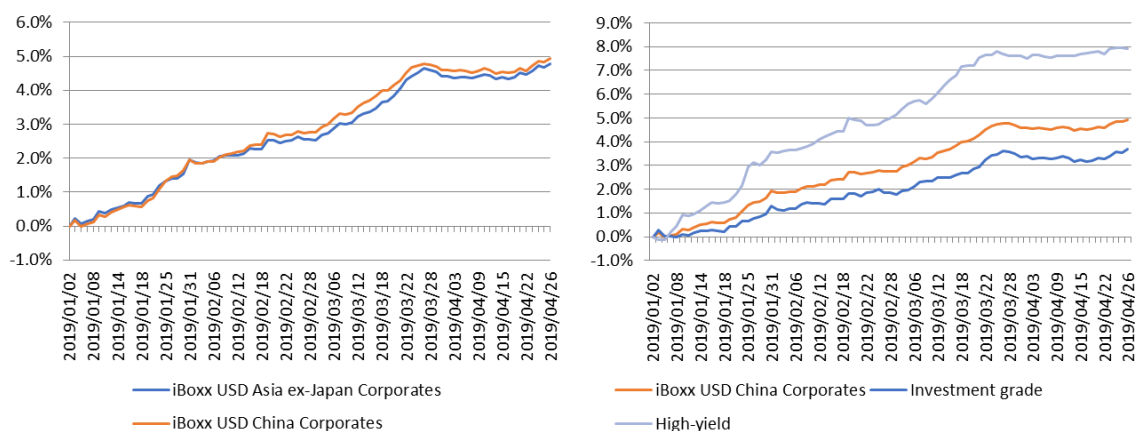
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/4/24	Xinyuan Real Estate Co Ltd	USD	300 (reoffered 100)	14.2	2021/10/15	2.5	Real Estate	-/B-/B	-/B-/B
2019/4/25	Yango Group Co Ltd	USD	400 (reoffered 150)	9.5	2021/4/3	2	Real Estate	B2/B/B	-/-/B-e

Sources: Bloomberg, CCX research

Secondary market : Returns on investment grade bond and high-yield bond remained an upward trend

The returns on investment grade bond and high-yield bond index went up given a strong market sentiment. As of April 26, the YTD return on Chinese USD corporate bond index was 4.93%, increasing by 29bp over last week, of which investment grade bond index was 3.68% and high-yield bond index was 7.93%, increasing by 36bp and 11bp 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 April 26, the number of Panda Bonds issued in 2019 was 10, with 8 issuers, a total issuance scale of 16.5 billion Yuan, and an average coupon of 3.741%. Issued mostly in China's Interbank Market, tenor of these bonds varies, including one SCP, four 3-year bonds, and five medium/long-term bonds.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20190426)

Issuer	Amount (RMB million)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Mengniu Dairy Co. Ltd	10	3.35	2019/4/19	2019/12/30	255D	SCP	China Interbank Market	China Chengxin
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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