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From July 15 to July 19

China unveiled 11 measures for further opening of its financial sectors; new issues of Chinese dollar bond fell

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Headline: China unveiled 11 measures for further opening of its financial sectors

On July 20, the Financial Stability and Development Committee ("FSDC") of China's State Council released the "Relevant Measures Concerning Further Expansion of External Opening of the Financial Sector", unveiling a slew of new measures for further opening of the country's financial sector. The launch of the new measures indicates China's accelerating its step on its finance sectors opening up, and this favors the foreign institutions operating in the country.

Exchange Rate: RMB exchange rate remained stable

During the week, the RMB exchange rate continued the stable trend. As of July 19, the intermediate price of the RMB exchange rate closed at 6.8635, down 27bp from last Friday.

Interest Rate: China Government Bonds yields fluctuated in a narrowed range, US Treasury yields fell

This week, the yields of China Government Bonds moved in different directions, while the fluctuations were within 2bp. US Treasury yields fell, driven by moderate China's GDP readings, weaker US's housing starts data as well as the market estimation of a more aggressive interest rate cut by the Fed in the year. As of July 19, the yield spread between China and US 10-year note was 101.1bp, widening by 7.4bp from last Friday and expanding by 54.8bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: New issue volume dropped, real estate companies were the key issuers**

From July 15 to July 19, there were 15 new issues with a total issued volume of USD 3.8 billion. Real estate companies were the key issuers, with 9 issues and a total issued volume of USD 2.5 billion, which accounted for 65.8% of the newly issued volume.

Secondary Market: Returns on investment grade bonds notably increased

As of July 19, the YTD return on Chinese USD corporate bond index increased by 17b over last week to 7.23%, of which investment grade bond index was 6.30% and high-yield bond index was 9.53%, increasing by 24 bp and by 4 bp respectively over last week.

Credit Event: CMI expected it will fail to repay its USD bond maturing in early August

Rating Action: CXXAP affirms CIFI Holdings long-term credit rating at A_g+, with stable outlook

Panda Bond Market: No new issues this week

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On July 20, the Financial Stability and Development Committee (“FSDC”) of China’s State Council released the “Relevant Measures Concerning Further Expansion of External Opening of the Financial Sector”, unveiling a slew of new measures for further opening of the country’s financial sector.

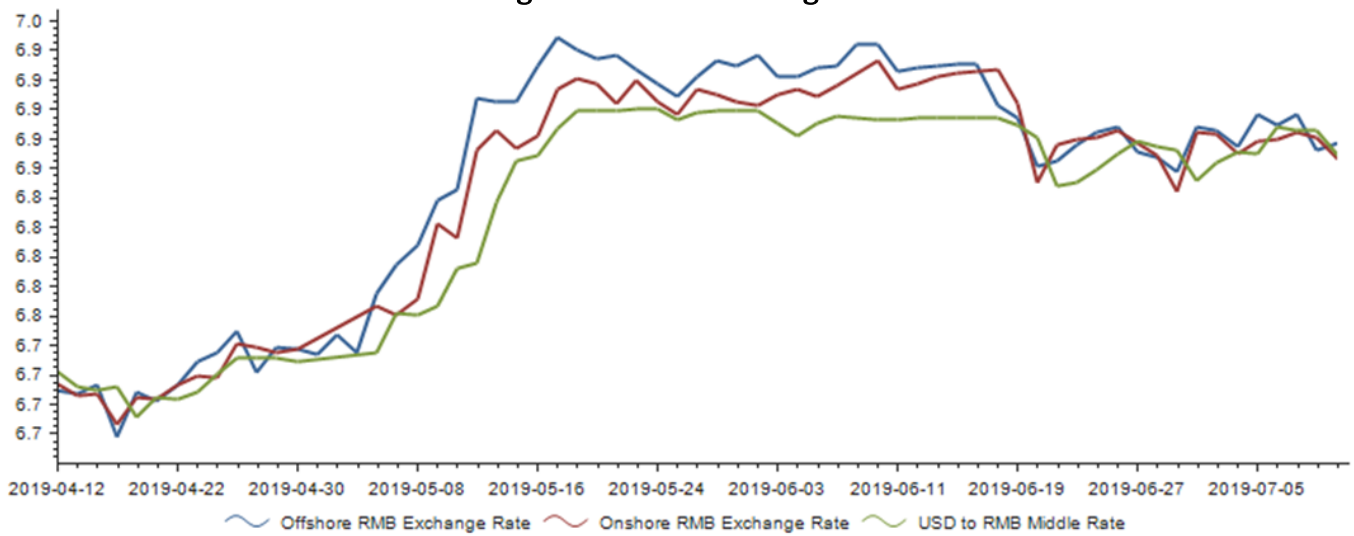
The measures have a structural change of the country’s financial markets by opening up its finance sector to more foreign investment, covering bond, banking, insurance and securities areas. They include (1) allowing foreign-owned rating agencies to evaluate all types of bonds on both interbank bond market and exchange-traded bond markets; (2) allowing foreign-invested institutions to obtain A-category underwriting licenses for the interbank bond market; (3) further facilitating investment in the interbank bond market by offshore institutional investors; (4) encouraging offshore financial institutions to establish or invest in the commercial banks’ subsidiaries in wealth management business; (5) allowing offshore asset management institutions to form controlling wealth management companies; (6) allowing offshore financial institutions to establish or invest in the pension fund management companies; (7) supporting foreign institutions to establish or invest in currency brokerage companies; (8) shortening the transitional period for ownership ceiling on life-insurance companies (from 51% to 100%) from 2021 to 2020; (9) permitting foreign investors to hold more than 25% equity shares of insurance asset management companies; (10) removing the entrance requirement on foreign-invested insurance companies from a minimum operating record of 30 years; (11) removing shareholding limits on foreign ownership of securities, insurance and fund management firms in 2020, one year earlier than originally planned.

The launch of the new measures indicates China’s accelerating its step on its finance sectors opening up, and this favors the foreign institutions operating in the country. Nevertheless, it also means that the Chinese financial institutions will face more competitions and higher regulatory requirements, forcing them to remedy the existing shortcomings and improve creativity and risk management capability.

Exchange Rate: RMB exchange rate remained stable

During the week, the RMB exchange rate continued the stable trend. As of July 19, the intermediate price of the RMB exchange rate closed at 6.8635, down 27bp from last Friday. Both onshore and offshore RMB exchange rate increased slightly, closing at 6.8635 and 6.8833, respectively. Since mid-June, the stability of the RMB exchange rate has been enhanced after a short period of fluctuations. The external impact of China-US trade frictions and the policy stance of the Fed worth further attention.

Figure 1 : RMB Exchange Rate

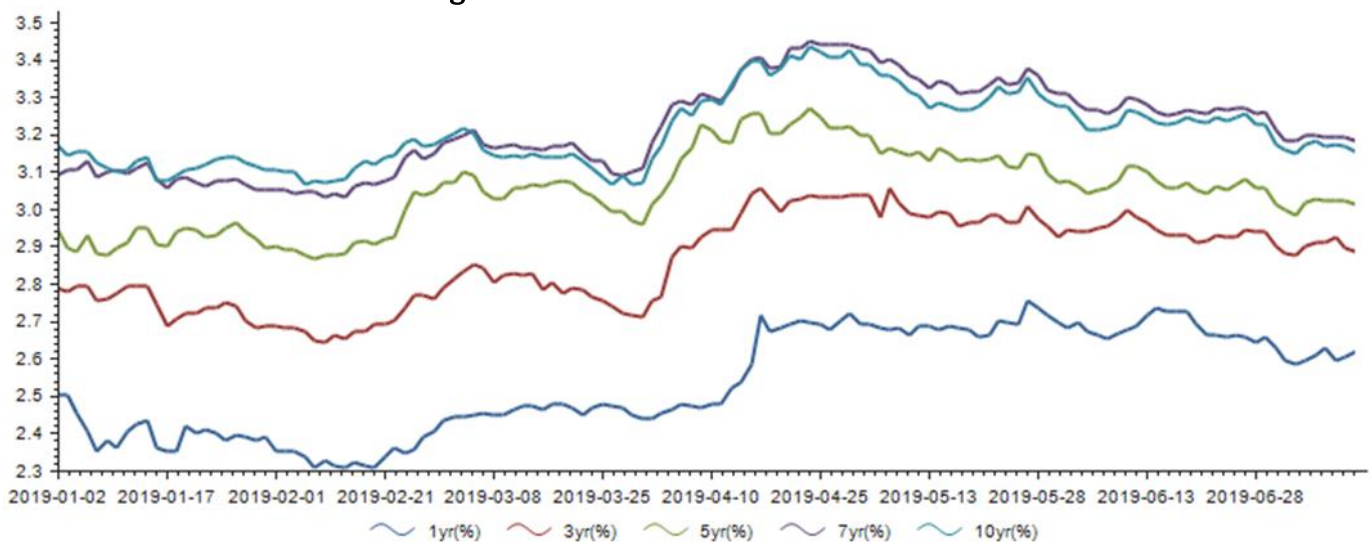


Sources: Eastmoney, CCX research

Interest Rate: China Government Bonds yields fluctuated slightly, US Treasury fell

This week, the yields of China Government Bonds fluctuated within a range of 2bp. The yields of different maturities moved in different directions. As the trend for global monetary easing and market hedging sentiment continues, the yields of China Government Bonds are expected to decline in this year. As of July 19, the yields of 1-year, 3-year, and 10-year China Government Bonds rose slightly from last Friday, closing at 2.6344%, 2.8974% and 1.1559%, respectively; the yields of 5 year and 7-year China Government Bonds declined slightly, closing at 3.0089% and 3.1750%, respectively.

Figure 2 : China Government Bond Yields

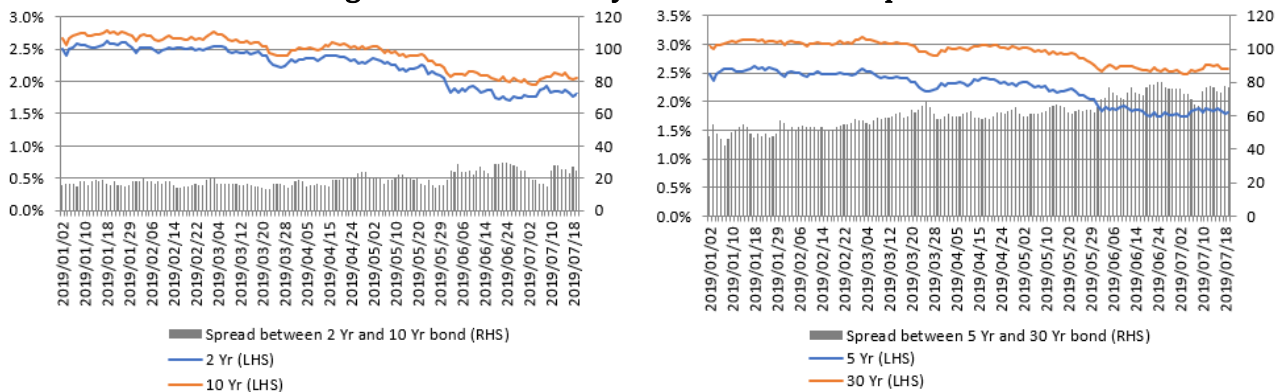


Sources: Eastmoney, CCX research

US Treasury yields fell, driven by moderate China’s GDP readings, weaker US’s housing starts data as well as the market estimation of a more aggressive interest rate cut by the Fed in the year. As of July 19, the yields on 2-year and 5-year Treasury note traded at 1.80%, decreasing

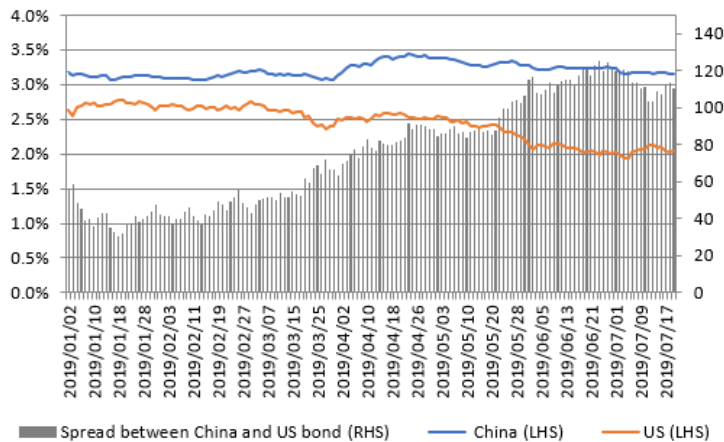
by 4bp and 6bp over last Friday, respectively. The yields on 10-year and 30-year Treasury note traded at 2.05% and 2.57%, decreasing by 7bp over last Friday, respectively. In terms of Treasury spreads, the spread between the 2-year and 10-year Treasury bonds narrowed by 3bp to 25bp from last Friday, and the spread between the 5-year and 30-year Treasury bonds narrowed by 1bp to 77bp from last Friday. As of July 19, the yield spread between China and US 10-year note was 101.1bp, widening by 7.0bp from last Friday and widening by 54.8bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

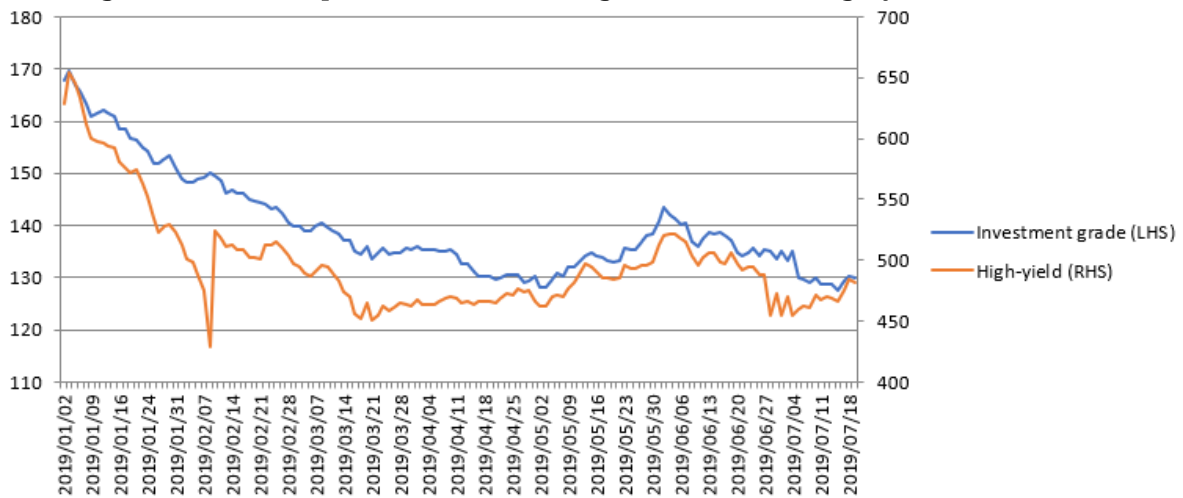
Figure 4 : Spread between China and US 10-year bond



Sources: Bloomberg, ChinaBond.com.cn, CCX research

The credit spread of Barclays Asia USD investment bond and high-yield bond widened slightly. As of July 19, investment-grade bond spreads slightly increased by 1.2bp to 130bp from last week, while high-yield spreads widened by 11.2bp to 481bp from last week.

Figure 5 : Credit spread of investment grade bond and high-yield bond index



Sources: Bloomberg, CCX research

Chinese Offshore Bond Market

Primary Market: New issue volume dropped, real estate companies were the key issuers

From July 15 to July 19, there were 15 new issues with a total issued volume of USD 3.8 billion. Real estate companies were the key issuers, with 9 issues and a total issued volume of USD 2.5 billion, which accounted for 65.8% of the newly issued volume.

Table 1 : New issuance of Chinese offshore bonds (20190715-20190719)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/7/15	China Hongqiao Group Ltd	USD	300	7.125	2022/7/22	3	Materials	B1/B+/BB-	B2/-/BB-
2019/7/15	Fantasia Holdings Group Co Ltd	USD	200	12.25	2022/10/18	3.3	Real Estate	B2/B/-	B3/-/-
2019/7/15	Powerlong Real Estate Holdings Ltd	HKD	1,000	6	2022/1/26	2.5	Real Estate	B1/B+/-	-/-/-
2019/7/16	China Jinmao Holdings Group Ltd	USD	500	4.25	2029/7/23	10	Real Estate	Baa3/BBB- /BBB-	Baa3/-/-
2019/7/16	Kaisa Group Holdings Ltd	USD	300	10.875	2023/7/23	4	Real Estate	B1/B/B	B2/-/B
2019/7/16	CIFI Holdings Group Co Ltd	CNY	1,600	6.7	2022/4/23	2.8	Real Estate	Ba3/BB/BB	-/BB-/BB
2019/7/16	Ronshine China Holdings Ltd	USD	300	8.95	2023/1/22	3.5	Real Estate	B1/B/B+	-/-/B+
2019/7/16	Powerlong Real Estate Holdings Ltd	USD	170	6.95	2023/7/23	4	Real Estate	B1/B+/-	B2/-/-
2019/7/16	Chengdu Wuhou Capital Investment Management Group Co Ltd	USD	150	6.5	2020/7/21	364D	Chengtou	-/-/-	-/-/-
2019/7/17	Dalian Wanda Group Co Ltd	USD	400	7.5	2022/7/24	3	Real Estate	-/-/-	-/-/-
2019/7/17	China International Capital Corp Hong Kong Ltd	USD	15	3ML+82	2020/1/24	184D	Financials	-/BBB/BBB+	-/-/-
2019/7/17	Haitong International Securities Group Ltd	HKD	250	2.7	2020/7/24	364D	Financials	Baa2/BBB/-	-/-/-
2019/7/18	China Oil & Gas Group Ltd	USD	320	5.5	2023/1/25	3.5	Utilities	Ba2/BB/-	Ba2/BB/-
2019/7/18	China Jianyin Investment Limited	USD	500	3.375	2022/7/25	3	Financials	A2/A/A+	-/-/A+e
2019/7/18	Jingrui Holdings Ltd	USD	260	12	2022/7/25	3	Real Estate	B2/B/-	B3/-/-

Sources: Bloomberg, CCX research

From July 15 to July 19, China Grand Automotive Services Group Co Ltd and Beijing Infrastructure Investment Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20190715-20190719)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/7/17	China Grand Automotive Services Group Co Ltd	USD	175 (reoffered 75)	8.625	2022/4/8	3	Consumer Discretionary	B1/-/BB-	-/-/BB-
2019/7/18	Beijing Infrastructure Investment Co Ltd	USD	300 (reoffered 100)	2.8	2022/7/15	3	Chengtou	A1/A+/A+	-/A/-

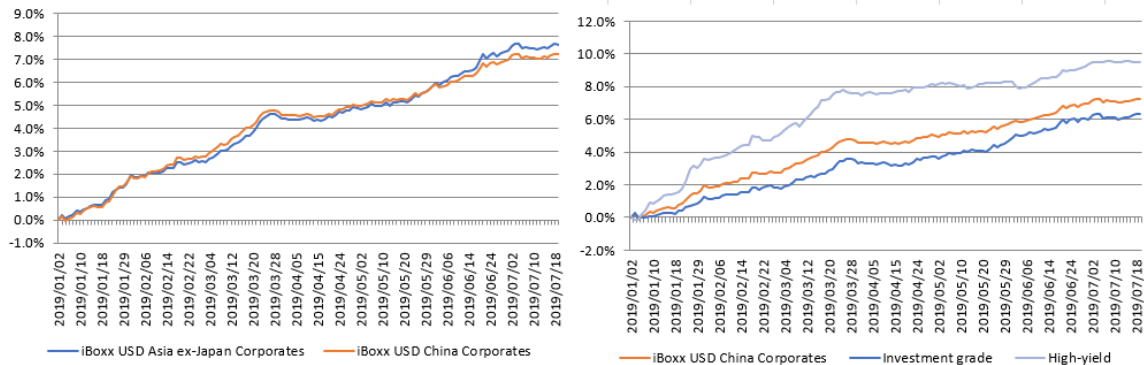
Sources: Bloomberg, CCX research

Recently, Bright Scholar Education Holdings Ltd and Dexin China Holdings Co Ltd planned to issue offshore bonds.

Secondary Market: Returns on investment grade bonds notably increased

As of July 19, the YTD return on Chinese USD corporate bond index increased by 17bp over last week to 7.23%, of which investment grade bond index was 6.30% and high-yield bond index was 9.53%, increasing by 24 bp and by 4 bp respectively over last week.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

For the credit rating changes of cross-border bond market, the rating agencies upgraded the rating/outlook of 2 Chinese entities, downgraded 4 Chinese entities, and placed 1 Chinese entity on watch from July 15 to July 19.

Table 3 : Credit rating changes of cross-border bond market (20190715-20190719)

Entity	Sector	Entity Rating	Latest Rating		Entity Rating	Last Rating		Rating Agency	Reason of Change
			Outlook	Date		Outlook	Date		
International Rating:									
Seazen Holdings Co Ltd & Future Land Development Holdings Ltd	Real Estate	Ba2	Rating Watch Negative	2019/7/15	Ba2	STABLE	2019/4/12	Moody's	Potential negative impact on reputation, operations and funding access following the confirmation of the arrest of the two companies' largest

										shareholder
Zoomlion Heavy Industry Science and Technology Co Ltd	Industrials	B	POS	2019/7/17	B	STABLE	2018/4/27	S&P		Solid sales and margin improvement
Aluminum Corp of China Ltd	Materials	A-	STABLE	2019/7/17	BBB+	STABLE	2019/1/16	Fitch		Strong linkages to its parent, Aluminum Corporation of China, and the China sovereign
Yida China Holdings Ltd	Real Estate	CCC	-	2019/7/18	B-	STABLE	2019/4/17	Fitch		Greater uncertainty over the repayment of offshore notes
Meinian Onehealth Healthcare Holdings Co Ltd	Health Care	BB+	NEG	2019/7/18	BB+	STABLE	2018/8/31	Fitch		Expectation of higher leverage
Noah Holdings Ltd	Financials	BBB-	NEG	2019/7/18	BBB-	STABLE	2017/7/23	S&P		Lower assets under management and associated fee income; heightened litigation risks
Liangshan Development (Holdings) Group Co., Ltd.	Financials	BB	STABLE	2019/7/18	BB+	Rating Watch Negative	2018/9/7	Fitch		Decrease in government's ability to provide support

Sources: Bloomberg, CCX research

Credit Event: CMI expected it will fail to repay its USD bond maturing in early August

On July 19 morning, China Mingsheng Investment Holdings Co. Ltd. (“CMI”) announced that it cannot repay the principal and interest on its USD bond (CMIG 3.8 08/02/2019) maturing on August 2, after considering its liquidity, operation performance and available financial resources. CMI is planning to seek consent from the dollar bond holders to amend certain terms of the bond. The bond was issued by Boom Up Investments Limited, a SPV, and guaranteed by CM International Capital Limited. CMI provided keepwell and EIPU of the issue. CMI is also looking for possible disposals of oversea assets to improve its capital structure and liquidity.

Rating Action: CCXAP affirms CIFI Holdings long-term credit rating at A_g+, with stable outlook

On July 17, CCXAP affirmed the A_g+ long-term credit rating of CIFI Holdings (Group) Co. Ltd. (“CIFI” or the “Company”) with stable outlook.

CIFI is one of the leading property developers in China developing residential and commercial properties in the Yangtze River Delta, Pan Bohai Rim, Central Western Region and South China Region. Given its diversified sale portfolio, the Company’s contracted sales performance is strong with annual sales of RMB 152 billion in 2018, grew by 25% YoY. The Company’s target sales in 2019 increased 25% to RMB 190 billion. It has planned saleable resources of RMB 350 billion over 50 cities. CCXAP believed that the diversified sale portfolio and sufficient saleable resources help it to achieve the sales target, thereby supporting its future growth of revenue. However, the Company’s overall profitability weakened with a moderating ROE from 23.9% in 2017 to 17.0% in 2018. Meanwhile, CIFI’s debt level remained high owing to its rapid business development through external financing. As of the end of 2018, the Company’s adjusted total debt (including perpetual bonds) was RMB 81.7 billion, increased by RMB 30.7 billion YoY. Its adjusted capitalization ratio was 64.2%. The increasing debt level could be partially mitigated

by CIFI's active financial management.

Panda Bond Market: No new issuance this week

As of July 19, there were 13 issuers that issued 20 Panda Bonds in 2019, with a total issuance amount of RMB 29.54 billion, and an average coupon of 3.74%. These bonds were mostly issued in the Interbank Market, with the tenor of 3 years.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20190719)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Bayerische Motoren Werke (BMW) Finance N.V.	1.5	3.30	2019/7/12	2020/7/12	1	PPN	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance N.V.	2	3.98	2019/7/12	2022/7/12	3	PPN	China Interbank Market	China Chengxin
Malayan Banking Berhad	1	3.28	2019/6/21	2020/6/21	1	Financial Bond	China Interbank Market	China Chengxin
Malayan Banking Berhad	1	3.58	2019/6/21	2022/6/21	3	Financial Bond	China Interbank Market	China Chengxin
The Republic of Portugal	2	4.09	2019/6/3	2022/6/3	3	International Institutional Bond	China Interbank Market	Lianhe
Republic of the Philippines	2.5	3.58	2019/5/20	2022/5/20	3	International Institutional Bond	China Interbank Market	Lianhe
Trafigura Private Trading Enterprise Limited	0.54	5.49	2019/5/20	2022/5/20	3	PPN	China Interbank Market	Lianhe
CITIC Pacific Limited	1	3.90	2019/5/20	2022/5/20	3	Corporate Bond	Shanghai Stock Exchange	China Chengxin
Semiconductor Manufacturing International Corp.	1	3.10	2019/4/29	2019/10/26	0.5	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	0.5	3.05	2019/4/29	2019/10/26	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Co. Ltd	1	3.35	2019/4/19	2019/12/30	0.7	SCP	China Interbank Market	China Chengxin
GLP China Holdings Limited	3.3	4.35	2019/3/18	2028/3/18	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
United Overseas Bank Ltd	2	3.49	2019/3/14	2022/3/14	3	Commercial Bank Bond	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance N.V.	3	4.00	2019/3/8	2022/3/8	3	PPN	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	1.5	3.57	2019/3/4	2022/3/4	3	MTN	China Interbank Market	China Chengxin/China Bond Rating
New Development Bank	2	3.00	2019/2/26	2022/2/26	3	International Institutional Bond	China Interbank Market	China Chengxin/Lianhe
New Development Bank	1	3.32	2019/2/26	2024/2/26	5	International Institutional Bond	China Interbank Market	China Chengxin/Lianhe
China Everbright Water Ltd	0.7	3.89	2019/1/21	2024/1/21	5	Corporate Bond	Shanghai Stock Exchange	Shanghai Brilliance
Beijing Enterprises Water Group Ltd	1	3.95	2019/1/11	2026/1/11	7	MTN	China Interbank Market	Shanghai Brilliance / Dagong
Beijing Enterprises Water Group Ltd	1	4.49	2019/1/11	2029/1/11	10	MTN	China Interbank Market	Shanghai Brilliance / Dagong

Sources: Bloomberg, CCX research

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