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From November 4 to November 8

Major breakthrough in RCEP negotiations; new issuance of Chinese offshore bonds increased significantly

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Date: November 15, 2019

Headline: Major breakthrough in RCEP negotiations

On November 4, 2019, the third RCEP Summit was held in Bangkok, Thailand. Participants issued a joint statement after the meeting, saying that, except for India, 15 RCEP Participating Countries have concluded text-based negotiations and essentially all their market access issues; and commenced for signing in 2020. After the formation, the RCEP will become the world's largest free trade zone, that account for about 30% of global GDP and exports.

Exchange Rate: RMB exchange rate fell below 7

During the week, affected by the positive signal of China-US trade negotiations, RMB appreciated substantially, with the exchange rate falling below the threshold of 7.

Interest Rate: China and US Treasury yields rose

Affected by optimistic prospects for China-US trade negotiations, China and US Treasury yields rose. As of November 8, the yield spread between China and US 10-year note was 133.5bp, narrowing by 23.1bp from last Friday and widening by 78.2bp from the beginning of the year. Since December 2018, foreign investors have increased their holdings of Chinese bonds for 11 consecutive months. In October, the increased amount was RMB11.59 billion, a YoY increase of 19.82%.

Chinese Offshore Bond Market**Primary Market: New issuance increased significantly, real estate and Chengtou companies were the key issuers**

From November 4 to November 8, there were 26 new issues with a total issued volume of USD8.9 billion, increasing significantly by 323.6% from last week, of which real estate and Chengtou companies were the key issuers.

Secondary Market: Returns on investment grade bonds declined, and returns on high-yield bonds continued to rise

As of November 8, the YTD return on Chinese USD corporate bond index decreased by 20bp over last week to 8.95%, of which investment grade bond index was 8.16%, decreasing by 46bp over last week, and high-yield bond index was 10.98%, increasing by 33bp over last week.

Panda Bond Market: No new issuance this week

Headline: Major breakthrough in RCEP negotiations

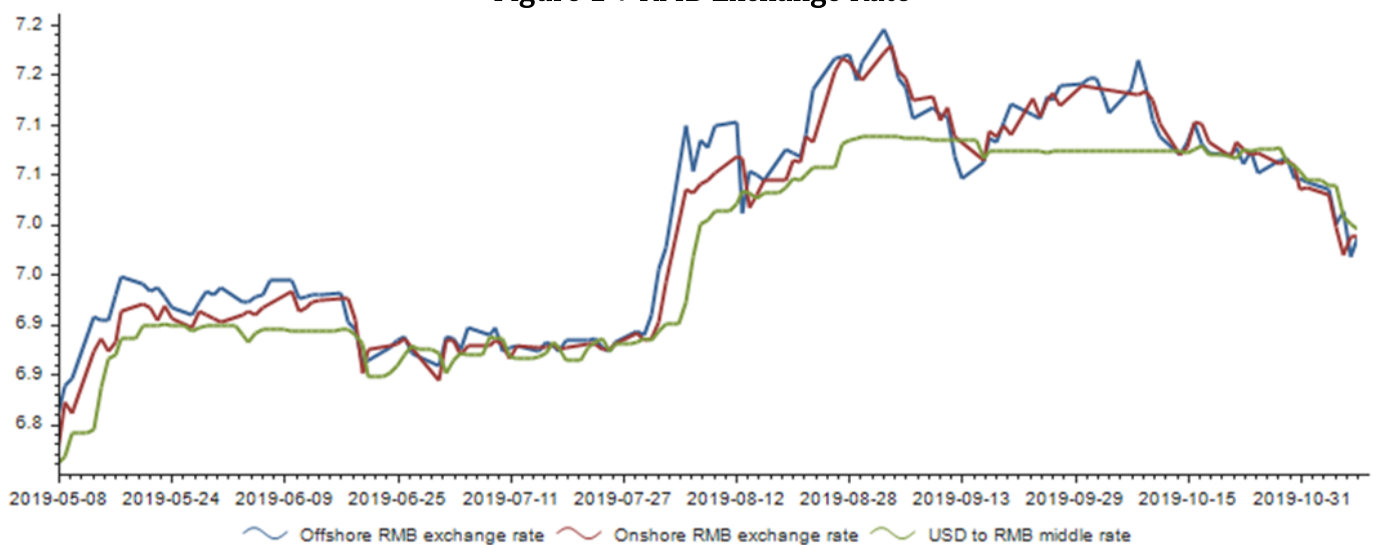
On November 4, 2019, the third Regional Comprehensive Economic Partnership (“RCEP”) Summit was held in Bangkok, Thailand. Participants issued a joint statement after the meeting, saying that except for India, 15 RCEP Participating Countries have concluded text-based negotiations and essentially all their market access issues; and commenced for signing in 2020. This marks a major breakthrough in the construction of a free trade zone with the largest population and the most diversified membership structure in the world after 7-year negotiations. At the same time, however, the joint statement stated that “India has significant outstanding issues, which remain unresolved. All RCEP Participating Countries will work together to resolve these outstanding issues in a mutually satisfactory way”.

The RCEP was initiated by ASEAN in 2012 and jointly participated by six countries (China, Japan, South Korea, India, Australia and New Zealand). In 2018, the total population of the 15 RCEP members was 2.2 billion. They have strong economic roles in the world, which account for about 30% of global GDP, exports, and foreign investment in 2018. Therefore, after the formation, the RCEP will be the world's largest free trade zone.

Exchange Rate: RMB exchange rate fell below 7

Affected by the positive signal of China-US trade negotiations, RMB appreciated against USD substantially, with the exchange rate falling below the threshold of 7. As of November 8, the intermediate price of the RMB exchange rate followed the downward trend of onshore and offshore RMB exchange rate, closing at 6.9945. Both onshore and offshore RMB exchange rate fell, closing at 6.9884 and 6.9887, down 492bp and 530bp from last Friday. On August 5, the RMB exchange rate broke the threshold of 7 for the first time since the exchange rate reform in 2015. Over the next two months, the RMB exchange rate showed an upward trend, peaking at around 7.19. Since October 9, the RMB exchange rate has revealed a downward trend, which would follow a two-way fluctuation path. Recently, the weak US dollar index and signs of easing trade frictions have led to the appreciation of RMB.

Figure 1 : RMB Exchange Rate

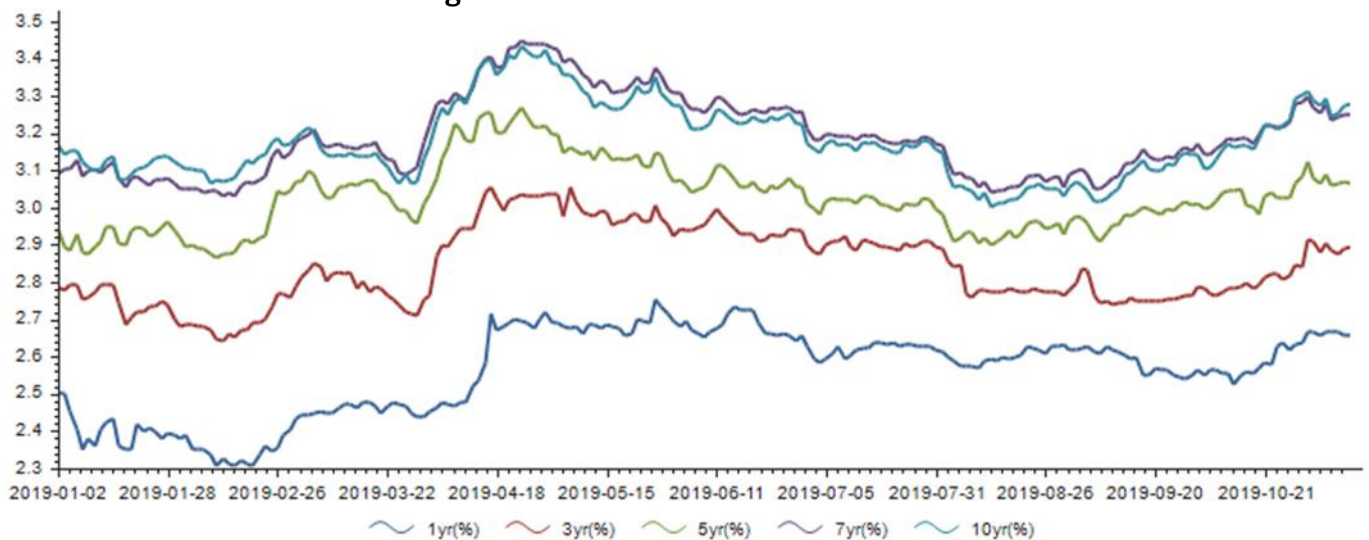


Sources: Eastmoney, CCX research

Interest Rate: China and US Treasury yields rose

During the week, the positive signs of China-US trade negotiations led to the hike of risk asset prices. The yields of China Government Bonds were on the rise. As of November 8, the maturity yields of 1-year, 3-year, 5-year, 7-year and 10-year Government Bonds rose from last Friday, closing at 2.6579%, 2.8959%, 3.0656%, 3.2509% and 3.2765%, respectively. According to the data released by the Central Clearing Company on November 4, as of the end of October, the face value of bonds held by overseas institutions had reached RMB1,806.13 billion, an increase of RMB11.59 billion in the current month, up 19.82% year-on-year (“YoY”). Since December 2018, foreign investors have increased their holdings of Chinese bonds for 11 consecutive months.

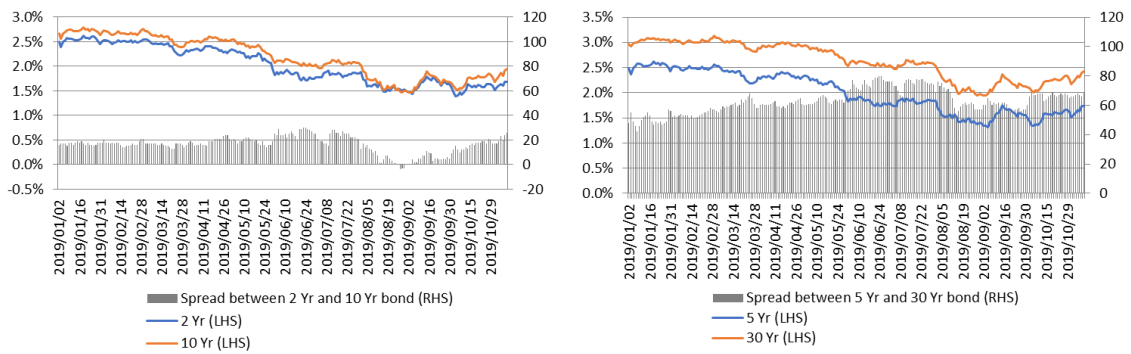
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

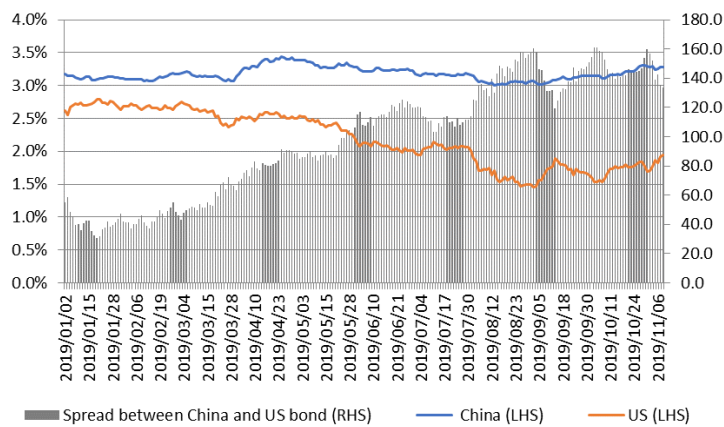
Optimistic prospects for trade negotiations continued to boost risk appetite, and US Treasury yields rose. As of November 8, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 1.68%, 1.74%, 1.94% and 2.43%, increasing by 12bp, 19bp, 21bp and 22bp over last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 9bp to 26bp from last Friday, and the spread between the 5-year and 30-year widened by 3bp to 69bp from last Friday. As of November 8, the yield spread between China and US 10-year note was 133.5bp, narrowing by 23.1bp from last Friday and widening by 78.2bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

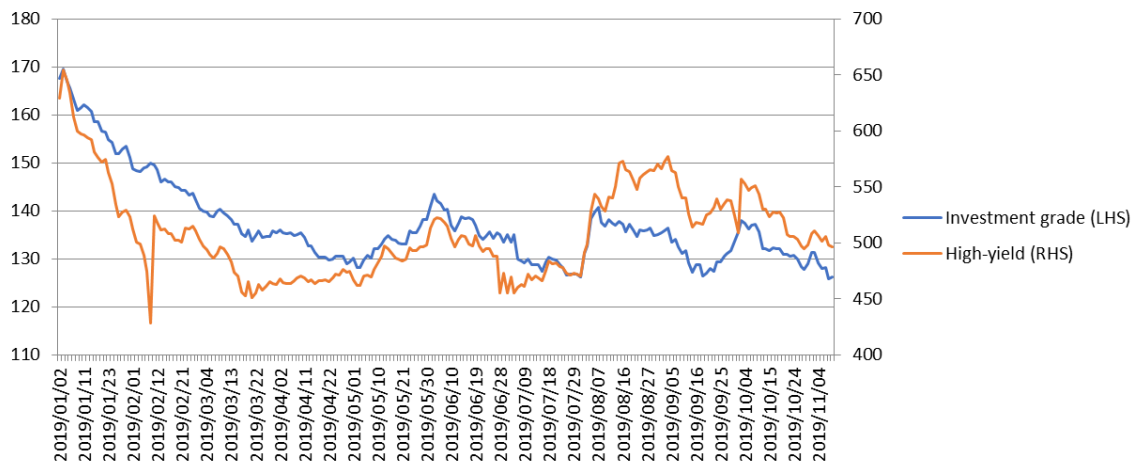
Figure 4 : Spread between China and US 10-year bond



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

The credit spread of Barclays Asia USD investment bond and high-yield bond narrowed. As of November 8, investment-grade bond spreads narrowed by 5.0bp to 126bp from last week, and high-yield spreads narrowed by 14.8bp to 496bp 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 issuance increased significantly, real estate and Chengtou companies were the key issuers

From November 4 to November 8, there were 26 new issues with a total issued volume of USD8.9 billion, increasing significantly by 323.6% from last week, of which real estate and Chengtou companies were the key issuers.

Table 1 : New issuance of Chinese offshore bonds (20191104-20191108)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/4	Shui On Land Ltd	USD	300	5.75	2023/11/12	4	Real Estate	-/-/-	-/-/-
2019/11/4	Qingdao City Construction Investment (Group) Limited	USD	300	3.9	2022/11/11	3	Chengtou	-/BBB-/BBB	-/-/BBB
2019/11/4	China Vanke Co Ltd	USD	300	3.5	2029/11/12	10	Real Estate	Baa1/BBB+/BBB+	Baa2/BBB/-
2019/11/4	China Vanke Co Ltd	USD	423	3.15	2025/5/12	5.5	Real Estate	Baa1/BBB+/BBB+	Baa2/BBB/-
2019/11/4	Yango Group Co Ltd	USD	250	10	2023/2/12	3.25	Real Estate	B2/B/B+	-/-/B
2019/11/4	Powerlong Real Estate Holdings Ltd	USD	300	7.125	2022/11/8	3	Real Estate	B1/B+/-	B2/-/-
2019/11/4	Greentown China Holdings Ltd	USD	600	4.55	2020/11/10	364D	Real Estate	Ba3/BB-/	-/-/-
2019/11/4	China Petrochemical Corp	USD	700	2.5	2024/11/12	5	Energy	A1/A+/-	A1/A+/-
2019/11/4	China Petrochemical Corp	USD	1,000	2.95	2029/11/12	10	Energy	A1/A+/-	A1/A+/-
2019/11/4	China Petrochemical Corp	USD	300	3.44	2049/11/12	30	Energy	A1/A+/-	A1/A+/-
2019/11/4	Kaisa Group Holdings Ltd	USD	300	11.95	2023/11/12	4	Real Estate	B1/B/B	B2/-/B
2019/11/4	China Construction Bank Corp/Singapore	CNY	1,000	3.15	2021/11/12	2	Banks	A1/A/A	-/-/-
2019/11/5	China International Capital Corp Hong Kong Ltd	USD	1.5	2.5	2020/1/8	61D	Financials	Baa1/BBB/BBB+	-/-/-
2019/11/5	Greenland Holding Group Co Ltd	USD	370	5.6	2022/11/13	3	Real Estate	Ba1/BB/BB-	Ba2/-/-
2019/11/6	Haitong International Securities Group Ltd	USD	400	3.125	2025/5/18	5.5	Financials	Baa2/BBB/-	Baa2/BBB/-
2019/11/6	Danyang Investment Group Co Ltd	USD	50	6.5	2022/3/13	2.3	Chengtou	-/-/-	-/-/-
2019/11/6	Zhengzhou Urban Construction Investment Group Co Ltd	USD	300	3.8	2022/11/14	3	Chengtou	-/-/BBB+	-/-/BBB+
2019/11/6	Chengdu Jiaozhi Financial Holding Group Co Ltd	USD	300	3.24	2022/11/14	3	Financials	-/-/BBB+	-/-/BBB+e
2019/11/6	Guangzhou Metro Group Co Ltd	USD	200	2.609	2024/11/14	5	Chengtou	A1/-/A+	-/-/A+e
2019/11/7	Lanzhou Construction Investment Holding Group Co Ltd	USD	300	4.15	2022/11/15	3	Chengtou	Baa3/-/BBB-	-/-/BBB-e
2019/11/7	China Huarong Asset Management Co Ltd	USD	500	3.25	2024/11/13	5	Financials	A3/BBB+/A	Baa1/-/Ae
2019/11/7	China Huarong Asset Management Co Ltd	USD	500	3.875	2029/11/13	10	Financials	A3/BBB+/A	Baa1/-/Ae
2019/11/7	Changsha Pilot Investment Holdings Group Co Ltd	USD	350	3.8	2022/11/14	3	Chengtou	-/BB+/BBB	-/-/BBB
2019/11/7	Beijing Capital Group Co Ltd	USD	500	5.75	-	Perpetual	Real Estate	Baa3/BBB-/BBB	-/-/BB+e
2019/11/7	Nanjing Lishui Economic and Technological Development Group Co Ltd	USD	130	5.5	2022/11/12	3	Chengtou	-/-/-	-/-/-
2019/11/8	Bank of China Ltd/Hong Kong	EUR	29.8	0	2021/11/13	2	Banks	A1/A/A	-/-/-

Sources: Bloomberg, CCX research

From November 4 to November 8, 6 Chinese enterprises announced tap bond offering.

Table 2 : Tap bond offering (20191104-20191108)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/5	Kaisa Group Holdings Ltd	USD	450 (reoffered 150)	10.875	2023/7/23	4	Real Estate	B1/B/B	B2/-/B
2019/11/6	DaFa Properties Group Ltd	USD	300 (reoffered 120)	12.875	2021/7/11	2	Real Estate	B2/B/-	B3/B/-
2019/11/6	China Huarong International Holdings Ltd	USD	372.3 (reoffered 111)	3.336	2020/10/22	364D	Financials	-/BBB+/A-	-/-/-
2019/11/6	CIFI Holdings Group Co Ltd	USD	500 (reoffered 100)	6.45	2024/11/7	5	Real Estate	Ba3/BB/BB	-/BB-/BB
2019/11/7	Redsun Properties Group Ltd	USD	450 (reoffered 150)	9.95	2022/4/11	3	Real Estate	B2/B/B+	B3/-/B+
2019/11/7	Skyfame Realty Holdings Ltd	USD	274 (reoffered 69)	13	2022/7/8	3	Real Estate	-/-/B-	-/-/B-

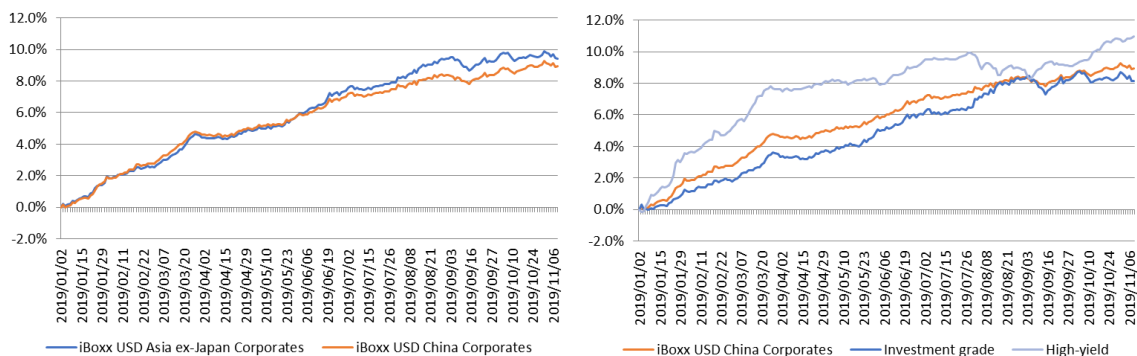
Sources: Bloomberg, CCX research

Recently, Zhongyuan Asset Management Co Ltd, China Aluminum International Engineering Corp Ltd, Geely Automobile Holdings Limited and Henan Zhongyuan Financial Holding Company Limited planned to issue offshore bonds.

Secondary Market: Returns on investment grade bonds declined, and returns on high-yield bonds continued to rise

As of November 8, the YTD return on Chinese USD corporate bond index decreased by 20bp over last week to 8.95%, of which investment grade bond index was 8.16%, decreasing by 46bp over last week, and high-yield bond index was 10.98%, increasing by 33bp over last week.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

In November 6, S&P changed the credit outlook on Xinhua Zhongbao Co Ltd from stable to negative. In November 8, Moody's changed the credit outlook on Bank of Nanjing Co Ltd from positive to stable.

Table 3 : Credit rating changes of cross-border bond market (20191104-20191108)

	Entity	Sector	Latest Rating			Last Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	Xinhu Zhongbao Co Ltd	Real Estate	B	NEG	2019/11/6	B	STABLE	2019/6/3	S&P	Tightening liquidity
	Bank of Nanjing Co Ltd	Bank	Baa3	STABLE	2019/11/8	Baa3	POS	2018/6/26	Moody's	Government's willingness and ability to support will remain broadly unchanged

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issuance this week

As of November 8, there were 17 issuers that issued 31 Panda Bonds in 2019, with a total issuance amount of RMB 48.34 billion and an average coupon of 3.60%. These bonds were mostly issued in the Interbank Market and with tenor mainly on 3 years.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20191108)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
BMW Finance N.V.	2	3.37	2019/10/21	2020/10/21	1	PPN	China Interbank Market	China Chengxin
BMW Finance N.V.	1	3.57	2019/10/21	2021/10/21	2	PPN	China Interbank Market	China Chengxin
China Traditional Chinese Medicine Holdings Co., Ltd.	0.5	2.80	2019/10/14	2020/7/9	0.74	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	2	3.55	2019/10/11	2019/12/25	3	MTN	China Interbank Market	China Chengxin
China Power International Development Limited	0.5	2.80	2019/9/3	2020/5/30	0.74	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	2	3.55	2019/9/5	2022/9/5	3	MTN	China Interbank Market	China Chengxin
China Mengniu Dairy Co. Ltd	1	2.96	2019/8/23	2020/2/19	0.5	SCP	China Interbank Market	China Chengxin
Daimler AG	3	3.84	2019/8/12	2022/8/12	3	PPN	China Interbank Market	China Bond Rating
Daimler AG	2	3.53	2019/8/12	2021/8/12	2	PPN	China Interbank Market	China Bond Rating
Cassa depositi e prestiti S.p.A.	1	4.50	2019/8/1	2022/8/1	3	Financial Bond	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	2	3.10	2019/7/25	2020/4/20	0.76	SCP	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	3.30	2019/7/12	2020/7/12	1	PPN	China Interbank Market	China Chengxin
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
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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