

## 2020 Issue 4

From January 20 to February 14

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## Global economic shock of coronavirus outbreak is limited; New issues of Chinese offshore bond picked up

### **Headline:** Global economic shock of coronavirus outbreak is limited; central banks around the world are paying close attention to impact of the outbreak

Since the first coronavirus case was diagnosed in Wuhan, China in December 2019, the number of new infections kept rising, and infections also spread through and outside China, causing uncertainties on the global economic growth. So far, central banks around the world paid high attention to the economic impact from coronavirus outbreak. Overall, CCXI expects the ongoing epidemic of coronavirus may drag down the global GDP growth by 0.5-0.9 percentage points in the first quarter, and 0.15-0.25 percentage points to fall below 3% in 2020. CCXI believes the cooperation among global governments should be enhanced to prevent widespread outbreak of coronavirus around the world.

### **Exchange Rate:** RMB exchange rate stabilized after plunge

Affected by the coronavirus outbreak, the fluctuation of the RMB exchange rate has intensified. Onshore, offshore RMB exchange rate and the intermediate price of the RMB exchange rate fell below 7. The RMB exchange rate has stabilized in this week.

### **Interest Rate:** China Government Bond yields rebounded; US Treasury yields fluctuated

As market concerns about the coronavirus outbreak eased slightly, China Government Bond yields rebounded. US Treasury yields fluctuated amid the ongoing epidemic of coronavirus and the lower-than-expected retail data of the US. As of February 14, the yield spread between China and US 10-year note was 127.8bp, increasing by 5.9bp from last Friday and widening by 0.7bp from the beginning of the year.

### **Chinese Offshore Bond Market**

#### **Primary Market:** New issues of Chinese offshore bond picked up, real estate corporates were the key issuers

From January 20 to February 14, there were 37 new issues with a total volume of USD14.8 billion, of which real estate corporates were the key issuers which issued USD7.2 billion in total, representing 48.8% of total issues. In particular, from February 10 to 14, there were 20 new issues with a total volume of USD6.9 billion.

#### **Secondary Market:** Return on investment grade bonds and high-yield bonds kept rising

As of February 14, the YTD return on Chinese USD corporate bond index rose by 25bp over last week to 1.40%, of which investment grade bond index was 1.46% and high-yield bond index was 1.25%, increasing by 10bp and 54bp over last week, respectively.

### **Panda Bond Market:** No new issuance since January 18

## Headline: Global economic shock of coronavirus outbreak is limited; central banks around the world are paying close attention to impact of the outbreak

Since the first coronavirus case was diagnosed in Wuhan, China in December 2019, the number of new infections kept rising, and infections also spread through and outside China. As of February 18, 09:00, there were over 70 thousand confirmed infections in China. The virus has also spread across the world, such as Japan, Singapore, Thailand, South Korea, Germany, US and France. On January 31, the outbreak of new coronavirus was declared as a global emergency by the World Health Organization.

Officers of major central banks around the world, including the US, New Zealand, South Korea, Japan and the EU, expressed their concerns about the economic impact from coronavirus outbreak, but they have not taken any actions so far. In February, Thailand, Brazil, Philippines, Russia, Argentina and Mexico cut their interest rates, but declared that the outbreak of coronavirus outbreak was not the key driver for their actions. However, given the potential slowdown of the global economic growth as well as the uncertainties from risk event, it is expected that some countries may accelerate their move on interest rate cut. Overall, CCXI expects the ongoing epidemic of coronavirus may drag down the global GDP growth by 0.5-0.9 percentage points in the first quarter, and 0.15-0.25 percentage points to fall below 3% in 2020. CCXI believes the cooperation among global governments should be enhanced to prevent widespread outbreak of coronavirus around the world.

## Exchange Rate: RMB exchange rate stabilized after plunge

Affected by the coronavirus outbreak, the fluctuation of the RMB exchange rate has intensified. Onshore, offshore RMB exchange rate and the intermediate price of the RMB exchange rate fell below 7. The RMB exchange rate has stabilized in this week. As of February 14, the intermediate price of the RMB exchange rate closed at 6.9841, a slight increase of 75 basis points from last Friday; onshore and offshore RMB exchange rate closed at 6.9795 and 6.9934, respectively, a slight decrease of 65 and 136 basis points from last Friday. Amid rising risk aversion sentiment, the US dollar index rose to a four-month high, staying above 99.

Figure 1 : RMB Exchange Rate

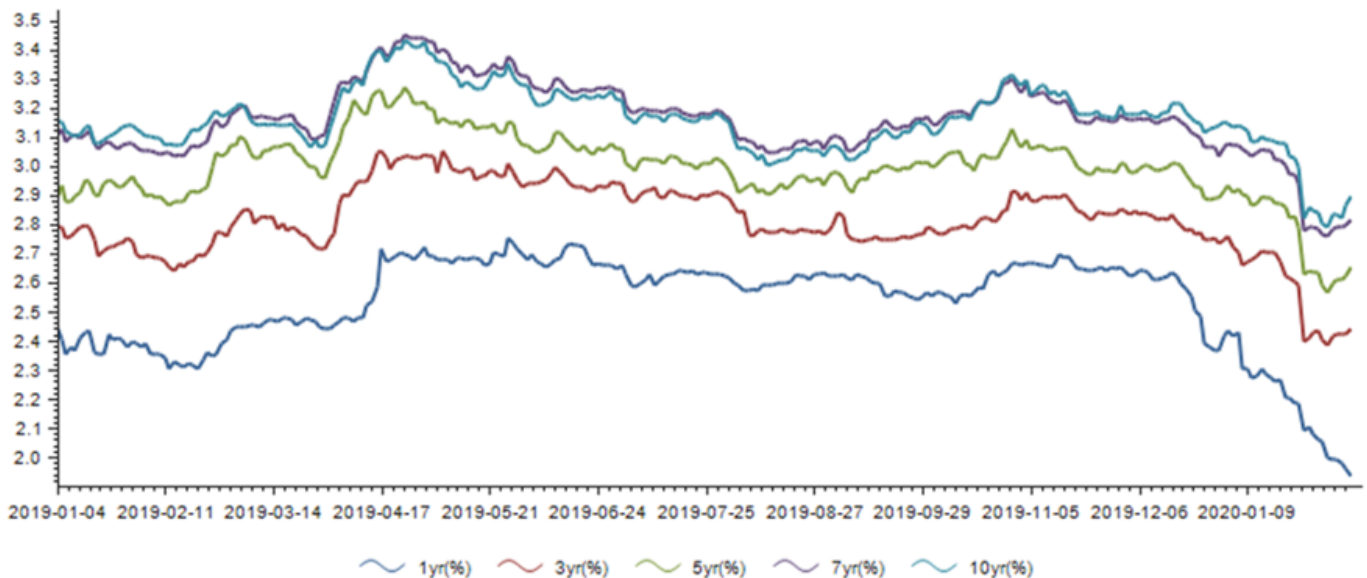


Sources: Eastmoney, CCX research

## Interest Rate: China Government Bond yields rebounded; US Treasury yields fluctuated

Affected by the coronavirus outbreak, the structural easing signal was further strengthened by the People's Bank of China ("PBOC"), and China Government Bond yields fell sharply. As market concerns about the coronavirus outbreak eased slightly in this week, the bond yields rebounded. As of February 14, the 3-year, 5-year, 7-year and 10-year Government Bond yields closed at 2.4389%, 2.6545%, 2.8151% and 2.8928% respectively, slightly rebounding from last Friday; the 1-year Government Bond yield continued to decline, closing at 1.9358%. On February 17, the PBOC launched a one-year medium-term lending facility ("MLF") operation at a rate of 3.15%, down by 10bp from the previous rate.

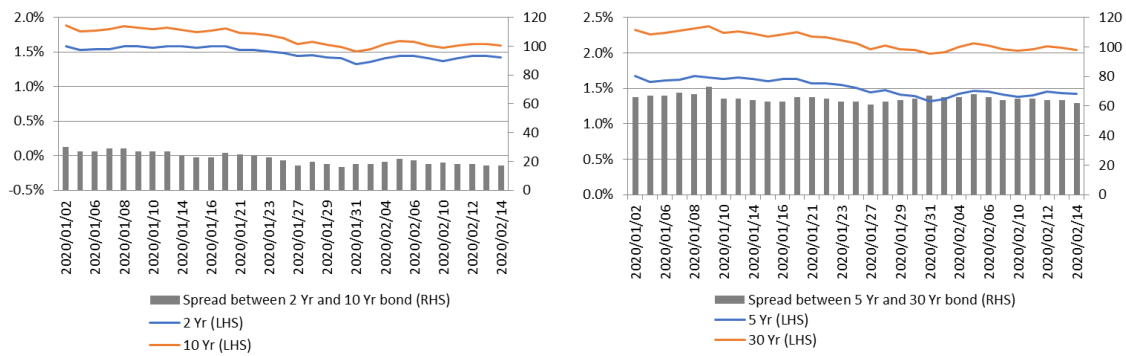
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

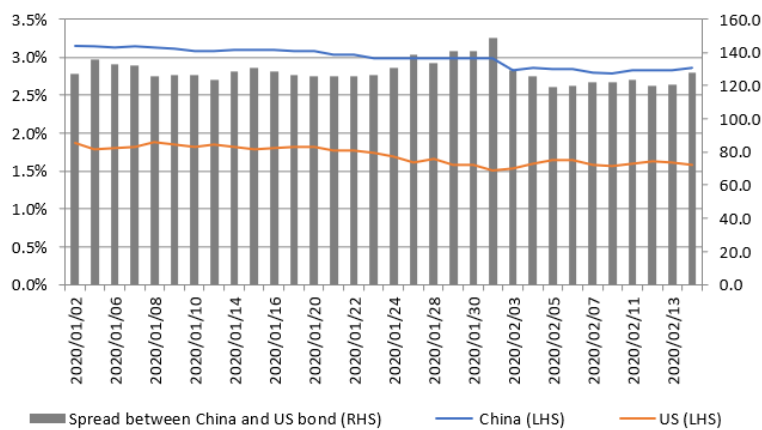
US Treasury yields fluctuated amid the ongoing epidemic of coronavirus and the lower-than-expected retail data of the US. As of February 14, the 2-year, 5-year and 30-year Treasury yields closed at 1.42%, 1.42% and 2.04%, increasing by 1bp, 1bp and decreasing 1bp, respectively, over last Friday. The 10-year Treasury yield remained unchanged from last Friday, closing at 1.59%. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 1bp to 17bp, while the spread between the 5-year and 30-year narrowed by 2bp to 62bp from last Friday. As of February 14, the yield spread between China and US 10-year note was 127.8bp, increasing by 5.9bp from last Friday and widening by 0.7bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

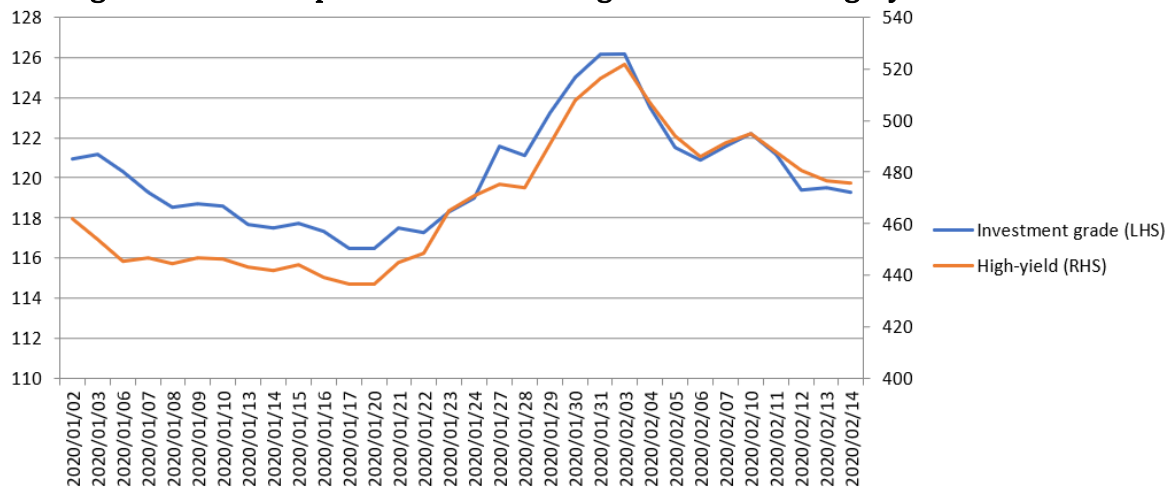
Figure 4 : Spread between China and US 10-year bond



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

Driven by the outbreak of coronavirus, the credit spread of Barclays Asia USD investment bond and high-yield bond increased sharply in late January but dropped in early February. As of February 14, investment-grade bond spreads narrowed by 2.3bp to 119bp from last week, while high-yield spreads narrowed by 15.7bp to 476bp 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 issues of Chinese offshore bond picked up, real estate corporates were the key issuers

From January 20 to February 14, there were 37 new issues with a total volume of USD14.8 billion, of which real estate corporates were the key issuers which issued USD7.2 billion in total, representing 48.8% of total issues. In particular, from February 10 to 14, there were 20 new issues with a total volume of USD6.9 billion.

**Table 1 : New issuance of Chinese offshore bonds (20200120-20200214)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/1/20	CMB International Capital Corp Ltd	USD	5	2.33	2020/2/10	18D	Financials	Baa1/BBB+/-	-/-/-
2020/1/20	DaFa Properties Group Ltd	USD	200	11.5	2021/1/27	364D	Real Estate	B2/B/-	-/-/-
2020/1/20	Dalian Wanda Commercial Management Group Co Ltd	USD	400	6.875	2023/7/23	3.5	Real Estate	Ba1/BB/BB+	Ba3/-/BB+
2020/1/20	Dexin China Holdings Co Ltd	USD	200	11.875	2022/4/23	2.25	Real Estate	B2/B/-	B3/-/-
2020/1/20	RiseSun Real Estate Development Co Ltd	USD	300	8.75	2021/1/28	364D	Real Estate	Ba3/BB-/BB-	-/-/-
2020/1/20	Shinsun Real Estate Group Co Ltd	USD	150	12.5	2022/1/23	2	Real Estate	-/-/-	-/-/-
2020/1/21	Hengda Real Estate Group Company Limited	USD	2,000	11.5	2022/10/24	2.75	Real Estate	B1/B+/B+	B2/B/-
2020/1/21	Hengda Real Estate Group Company Limited	USD	2,000	12	2023/10/24	3.75	Real Estate	B1/B+/B+	B2/B/-
2020/1/21	Huatai International Financial Holdings Co Ltd	USD	3	10	2020/12/21	333D	Financials	-/BBB/-	-/-/-
2020/1/22	Guotai Junan International Holdings Ltd	HKD	300	2.85	2021/1/27	364D	Financials	Baa2/BBB+/-	-/-/-
2020/1/22	Sino Biopharmaceutical Ltd	EUR	750	0	2025/2/17	5	Health Care	-/-/-	-/-/-
2020/1/22	Viva Biotech Holdings	USD	180	2.5	2025/2/11	5	Health Care	-/-/-	-/-/-
2020/2/3	Guotai Junan International Holdings Ltd	HKD	200	2.85	2021/2/4	364D	Financials	Baa2/BBB+/-	-/-/-
2020/2/5	Central China Real Estate Ltd	USD	300	6.875	2021/2/10	364D	Real Estate	Ba3/B+/BB-	-/-/-
2020/2/5	Huatai Securities Co Ltd	USD	400	3ML+95	2023/2/12	3	Financials	Baa2/BBB/-	-/BBB/-
2020/2/6	CSSC Hong Kong Shipping Co Ltd	USD	400	2.5	2025/2/13	5	Financials	-/A-/A	-/-/Ae
2020/2/6	CSSC Hong Kong Shipping Co Ltd	USD	400	3	2030/2/13	10	Financials	-/A-/A	-/-/Ae
2020/2/10	China International Capital Corp Hong Kong Ltd	USD	5	2.2	2020/3/13	29D	Financials	Baa1/BBB/BBB+	-/-/-
2020/2/10	China International Capital Corp Hong Kong Ltd	USD	4	2.47	2020/8/18	182D	Financials	Baa1/BBB/BBB+	-/-/-
2020/2/10	China International Capital Corp Hong Kong Ltd	USD	4	2.53	2021/2/16	364D	Financials	Baa1/BBB/BBB+	-/-/-
2020/2/10	China International Capital Corp Ltd	USD	1,000	3ML+90	2023/2/18	3	Financials	Baa1/BBB/BBB+	Baa1/-/-
2020/2/10	Zhongliang Holdings Group Co Ltd	USD	250	8.75	2021/2/16	364D	Real Estate	B1/B+/B+	-/-/-
2020/2/11	China Ping An Insurance Overseas Holdings Ltd	SGD	330	2.25	2021/2/17	364D	Financials	Baa2/-/-	-/-/-
2020/2/11	Far East Horizon Ltd	USD	300	3.375	2025/2/18	5	Financials	-/BBB-/BBB-	-/BBB-/BBB-e
2020/2/11	Yiwu State-owned Capital Operation Co Ltd	USD	400	4	2025/2/18	5	Chengtou	Baa3/-/BBB	-/-/BBB
2020/2/12	Haitong International Securities Group Ltd	USD	30	3ML+85	2021/2/16	364D	Financials	Baa2/BBB/-	-/-/-

2020/2/12	Hopson Development Holdings Ltd	USD	500	6	2021/2/17	364D	Real Estate	B2/B/B+	-/-
2020/2/12	Huaneng Power International Inc	USD	300	2.25	2025/2/20	5	Utilities	A2/A-/A	-/-Ae
2020/2/12	Huaneng Power International Inc	USD	300	2.625	2030/2/20	10	Utilities	A2/A-/A	-/-Ae
2020/2/12	Tongling Development Investment Group Co Ltd	USD	200	3.98	2023/2/19	3	Chengtou	-/-	-/-
2020/2/12	Yuzhou Properties Co Ltd	USD	400	7.7	2025/2/20	5	Real Estate	Ba3/BB-/BB-	B1-/BB-
2020/2/13	China Communications Construction Co Ltd	USD	1,000	3.425	-	Perpetual	Industrials	A3-/A-	-/-
2020/2/13	China Communications Construction Co Ltd	USD	500	3.65	-	Perpetual	Industrials	A3-/A-	-/-
2020/2/13	Kaisa Group Holdings Ltd	USD	400	6.75	2021/2/18	364D	Real Estate	B1/B/B	-/-
2020/2/13	SF Holding Co Ltd	USD	700	2.875	2030/2/20	10	Industrials	A3/A-/A-	-/-A-e
2020/2/13	Shanghai Electric Group Corp	USD	300	2.3	2025/2/21	5	Industrials	A2/A/A-	-/-
2020/2/14	Fujian Yango Group Co Ltd	USD	110	12.5	2022/2/20	2	Real Estate	-/B/B-	-/-

Sources: Bloomberg, CCX research

From January 20 to February 14, there are 5 Chinese corporates that announced tap bond offering.

**Table 2 : Tap bond offering of Chinese offshore bonds (20200120-20200214)**

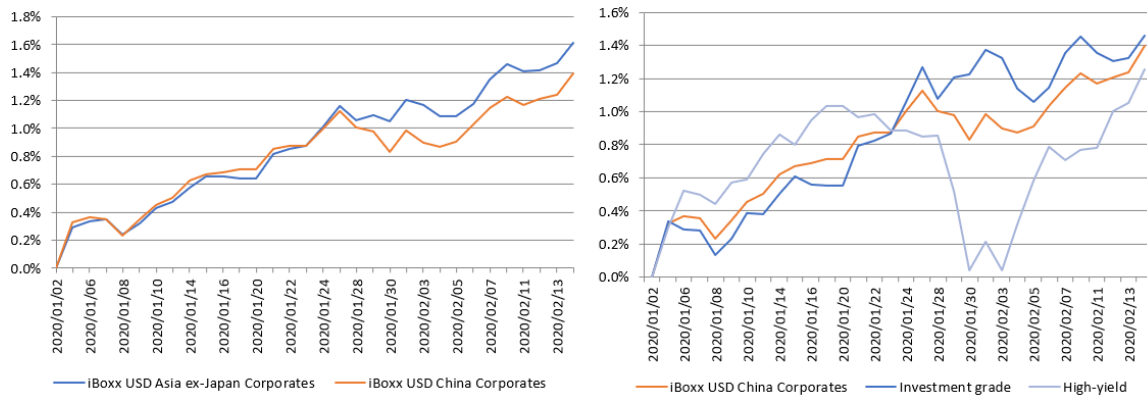
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2020/1/20	Sunshine 100 China Holdings Ltd	USD	323 (reoffered 105)	11.5	2021/7/5	2	Real Estate	- /CCC+/CCC +	-/-
2020/1/21	Helenbergh China Holdings Ltd	USD	550 (reoffered 250)	12.875	2021/10/14	2	Real Estate	B2/-	B3/-
2020/2/11	China ZhengTong Auto Services Holdings Ltd	USD	290 (reoffered 130)	12	2022/1/21	2	Consumer Discretionary	B2/-	B2/-
2020/2/10	Industrial & Commercial Bank of China Ltd/Sydney	AUD	6 (reoffered 3)	1.836	2025/4/23	5.2	Banks	A1/A/A	-/-
2020/2/10	Industrial & Commercial Bank of China Ltd/Sydney	AUD	8 (reoffered 2)	1.836	2025/4/23	5.2	Banks	A1/A/A	-/-
2020/2/11	China ZhengTong Auto Services Holdings Ltd	USD	290 (reoffered 130)	12	2022/1/21	2	Consumer Discretionary	B2/-	B2/-

Sources: Bloomberg, CCX research

## Secondary Market: Return on investment grade bonds and high-yield bonds kept rising

As of February 14, the YTD return on Chinese USD corporate bond index rose by 25bp over last week to 1.40%, of which investment grade bond index was 1.46% and high-yield bond index was 1.25%, increasing by 10bp and 54bp over last week, respectively.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

For the rating actions of cross-border bond market, the rating agencies took positive rating actions on 3 Chinese entities and negative rating actions on 8 Chinese issuers from January 20 to February 14.

Table 3 : Rating actions of cross-border bond market (20200120-20200214)

	Entity	Sector	Entity Rating	Current Rating		Previous Rating			Rating Agency	Reason of Change
				Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade	Qingdao City Construction Investment Group Ltd	Chengtou	BBB	STABLE	2020/1/21	BBB	NEG	2019/10/31	Fitch	Expected to continue receiving government support
	Yango Group Co Ltd	Real Estate	B1	STABLE	2020/1/23	B2	POS	2019/6/11	Moody's	Expected to continue strengthening its financial profile
Downgrade	Guangxi Financial Investment Group Co Ltd	Financials	Ba1	DEVELOPING	2020/1/21	Ba1	STABLE	2019/10/10	Moody's	Uncertainties on its standalone credit profile and government support after restructuring
	GLP China Holdings Ltd	Industrials	BBB	NEG	2020/1/22	BBB	STABLE	2019/1/23	S&P	Ongoing high capital expenditure and delay in asset sales
	Tianqi Lithium Corporation	Materials	B2	NEG	2020/2/5	B1	NEG	2019/12/23	Moody's	Weakened capital structure
	Zensun Enterprises Ltd Zensun Group Ltd	Real Estate	B2 B1	NEG	2020/2/7	B1 B2	STABLE	2019/9/3	Moody's	Potential deterioration in credit metrics over the next 6-12 months
	Shandong Sanxing Group Co Ltd	Consumer Staples	B	Rating Watch Negative	2020/2/14	B+	Rating Watch Negative	2019/11/15	S&P	Diminishing liquidity

Domestic Rating:

Rating Change	Issuer	Industry	Current Rating	Outlook	Issue Date	Current Rating	Outlook	Issue Date	Agency	Notes
Upgrade	Xuzhou Economic Development Zone State-Owned Assets Management Co Ltd	Chengtou	AA+	STABLE	2020/1/22	AA	STABLE	2019/6/13	Dagong Global	Continue receiving government support; strengthened capital profile
Downgrade	Beijing Sound Environmental Engineering Co Ltd	Industrials	AA	Rating Watch Negative	2020/1/22	AA	STABLE	2019/7/25	CCXI	High short-term debt-paying pressure
	Macrolink Holding Co Ltd	Financials	AA+	NEG	2020/1/23	AA+	STABLE	2019/6/26	Dagong Global	High debt-paying and redemption pressure

Sources: Bloomberg, Wind, CCX research

### Panda Bond Market: No new issuance since January 18

As of February 14, there were 3 issuers that issued 3 Panda Bonds in 2020, with a total issuance volume of RMB5.5 billion and an average coupon of 3.12%. These bonds were mostly medium term and were issued in the Interbank Market.

Table 4 : New issuance of Panda Bond in 2020 (20200101-20200214)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Semiconductor Manufacturing International Corporation	15	2.40	2020/1/13	2020/5/28	0.37	SCP	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure Limited	10	3.47	2020/1/10	2023/1/10	3	MTN	China Interbank Market	China Chengxin
Daimler International Finance BV	30	3.50	2020/1/9	2022/1/9	2	PPN	China Interbank Market	--

Sources: Bloomberg, CCX research



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