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From April 6 to April 10

Fed pumped another USD2.3 trillion in loans, US Treasury yields rose

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Headline: Fed pumped another USD2.3 trillion in loans; oil output cuts failed to meet market expectation

On April 9, in order to alleviate the economic impact of the pandemic, the Fed took additional actions to provide up to USD2.3 trillion in loans via establishing new programs and expanding existing programs to inject credit to households and businesses. On April 13, the OPEC+ Alliance announced the largest oil output reduction agreement in history, with a cut of 9.7 million barrels per day. However, as the coronavirus shreds the global crude oil demand by about 20 million barrels a day, the reduction agreement is still lower than market expectation.

Exchange Rate: RMB exchange rate declined

On April 9, the Fed announced new facilities to support USD2.3 trillion in lending. The RMB exchange rate declined as the dollar index weakened. As of April 10, the intermediate price of the RMB exchange rate closed at 7.0354.

Interest Rate: China Government Bond yields declined; US Treasury yields generally rose

Affected by the rate cuts in the reserve requirement ratio and excess reserves deposited by financial institutions, China Government Bond yields declined. On April 9, 10-year Government Bond yield fell below the 2.5% threshold for the first time in 18 years. Influenced by the coronavirus optimism and the Fed's additional stimulus measures, capital flowed into risky assets and lifted US Treasury yields up. As of April 10, the yield spread between China and US 10-year note was 182.1bp, narrowing by 18.1bp from last Friday and widening by 55.0bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance was weak**

From April 6 to April 10, there were 3 new issues with a total issued volume of USD165 million.

Secondary Market: Chinese dollar bonds diverged in the secondary market

Chinese dollar bonds diverged in the secondary market. As of April 10, the YTD return on Chinese USD corporate bond index increased by 47bp from last Friday to -1.66%. The return on financial index and the real estate index rose, while the non-financial index dropped.

Rating Actions: Rating agencies takes a series of negative actions on Chinese corporates amid ongoing epidemic

Panda Bond Market: No new issuance this week

Headline: Fed pumped another USD2.3 trillion in loans; oil output cuts failed to meet market expectation

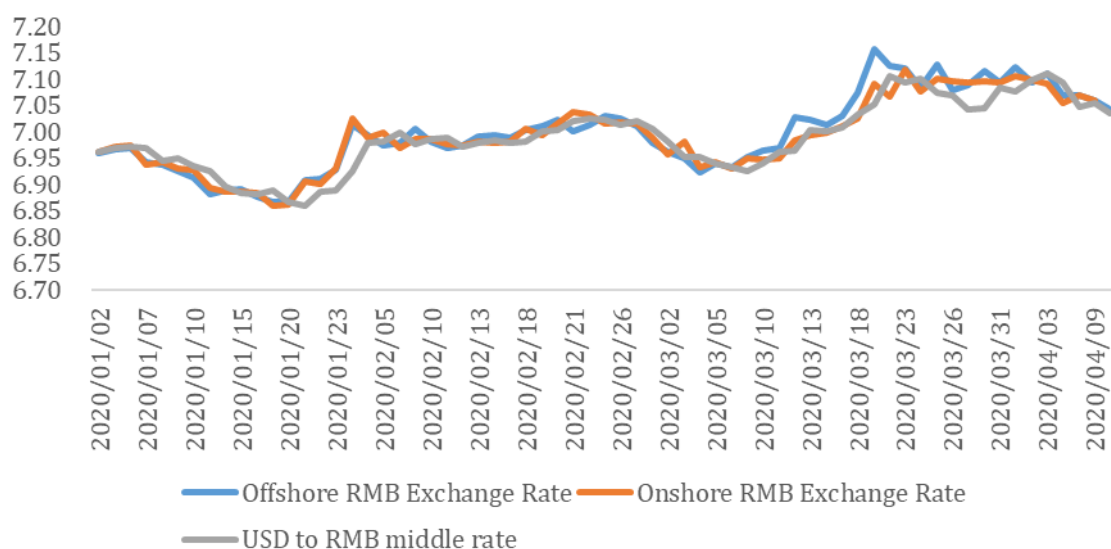
Following by the USD2 trillion fiscal stimulus bill on March 25, the Fed took additional actions to provide up to USD2.3 trillion in loans to alleviate the economic impact of the pandemic on April 9. The USD2 trillion fiscal stimulus is about 10% of the US GDP and accounted for more than half of US budget for 2021, which has far exceeded the USD700 billion stimulus plan during the 2008 financial crisis. The Fed established new programs and expanded existing programs to inject credit to households and businesses, which proved the sufficiency of its monetary policy tools.

On April 13, the OPEC+ Alliance announced the largest oil output reduction agreement in history, with a cut of 9.7 million barrels per day, more than four times as compared to the cut of 2.2 million barrels per day during the 2008 financial crisis. However, as the coronavirus shreds the global crude oil demand by about 20 million barrels per day, the deal is not expected to boost the oil prices given oversupply concerns amid the below-market-expectation output cut and uncertainties in implementation of the deal.

Exchange Rate: RMB exchange rate declined

On April 9, the Fed announced new facilities to support USD2.3 trillion in lending. The dollar index weakened against the news, and the RMB exchange rate declined. As of April 10, the intermediate price of the RMB exchange rate closed at 7.0354, down 750bp from last Friday. Onshore and offshore RMB exchange rate declined 313bp and 684bp, closing at 7.0590 and 7.0434, respectively. The short-term fluctuation of the RMB exchange rate may continue. With further economic stimulus measures, China's economic fundamentals could support the RMB exchange rate. Last Friday, the People's Bank of China announced targeted interest rate cuts, which the interest rate spread between China and the US is expected to narrow. In addition, as the inter-bank RMB liquidity is abundant, the pressure of RMB depreciation has partially relieved.

Figure 1 : RMB exchange rate

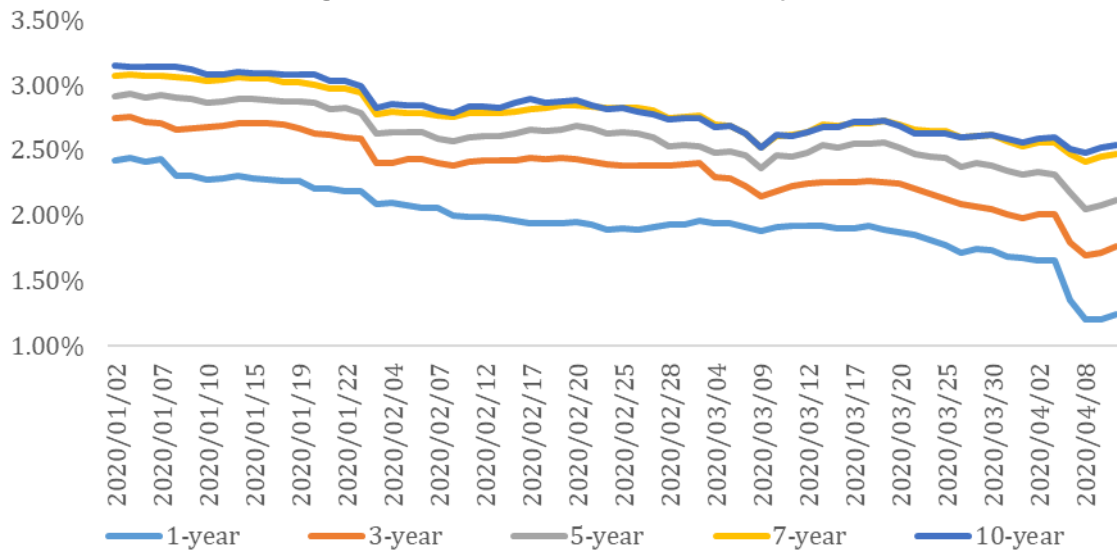


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields declined; US Treasury yields generally rose

This week, affected by the rate cuts in the reserve requirement ratio and excess reserves deposited by financial institutions, China Government Bond yields declined. On April 9, 10-year Government Bond yield fell below the 2.5% threshold for the first time in 18 years. As of April 10, 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields declined from last Friday, closing at 1.2400%, 1.7615%, 2.1150%, 2.4673% and 2.5403% respectively.

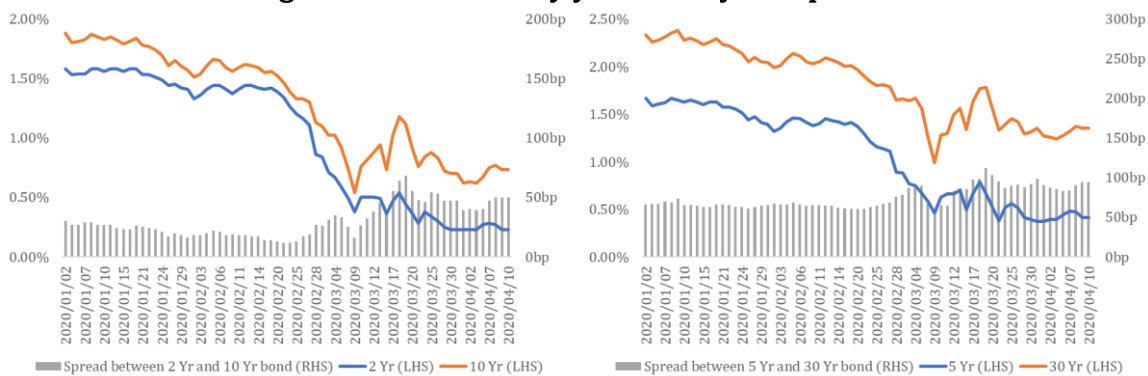
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Influenced by the coronavirus optimism and the Fed's additional stimulus measures, capital flowed into risky assets and lifted US Treasury yields up. As of April 10, 2-year Treasury yields closed at 0.23%, remained flat with last Friday; 5-year, 10-year and 30-year Treasury yields closed at 0.41%, 0.73% and 1.35%, increasing by 2bp, 11bp and 11bp over last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 11bp to 50bp from last Friday, while the spread between the 5-year and 30-year widened by 9bp to 94bp.

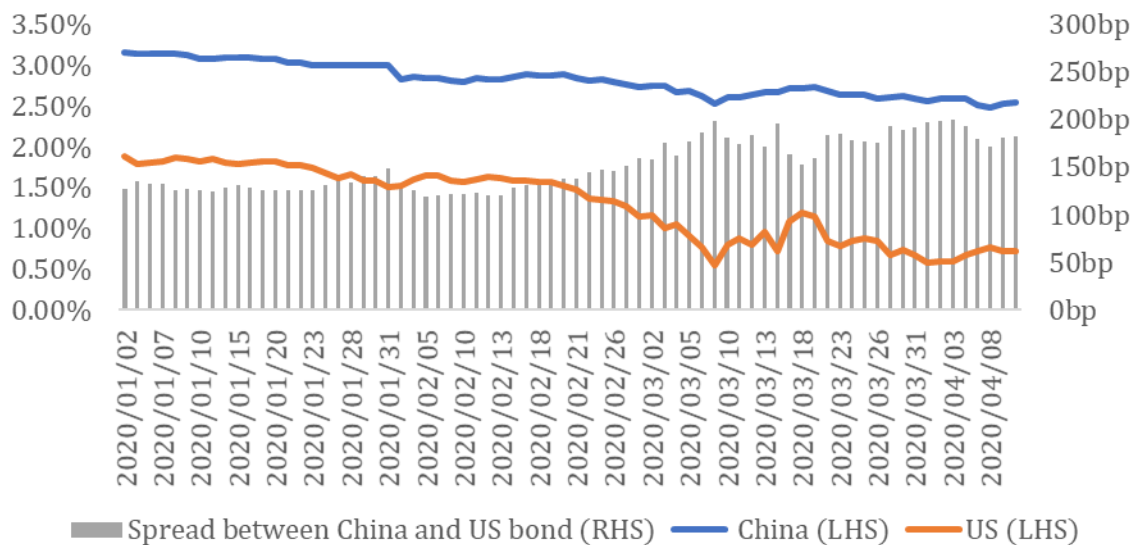
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of April 10, the yield spread between China and US 10-year note was 182.1bp, narrowing by 18.1bp from last Friday and widening by 55.0bp from the beginning of the year.

Figure 4 : Yield spread between China and US 10-year note



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

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance was weak

From April 6 to April 10, there were 3 new issues with a total issued volume of USD165 million.

Table 1 : New issuance of Chinese offshore bonds (20200406-20200410)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/4/7	Haitong International Securities Group Ltd	USD	120	2.83	2020/12/23	252D	Financials	Baa2/BBB/-	-/-/-
2020/4/7	Guotai Junan International Holdings Ltd	HKD	36	2.15	2020/6/30	82D	Financials	Baa2/BBB+/-	-/-/-
2020/4/8	CMB Financial Leasing Co Ltd	USD	40	3ML+60	2021/4/15	363D	Financials	A3/BBB+/-	-/-/-

Sources: Bloomberg, CCX research

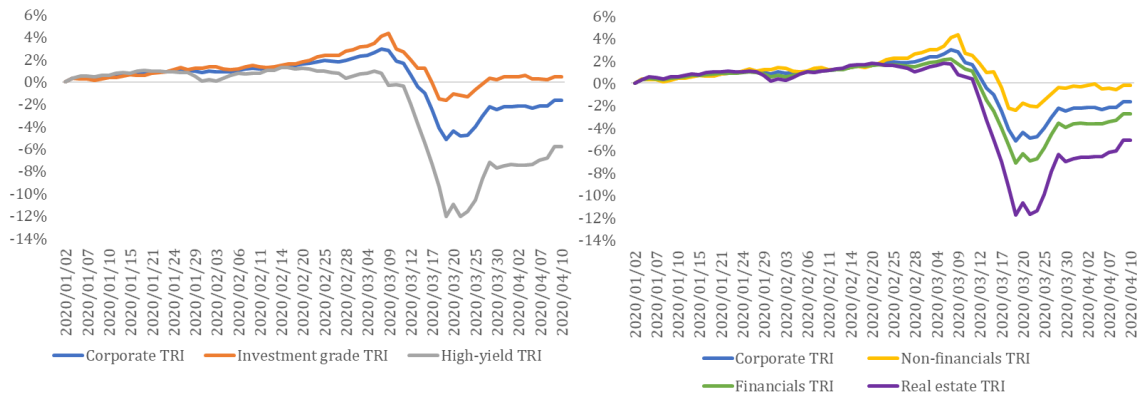
Secondary Market: Chinese dollar bonds diverged in the secondary market

Chinese dollar bonds diverged in the secondary market. As of April 10, the YTD return¹ on Chinese USD corporate bond index increased by 47bp from last Friday to -1.66%, of which investment grade bond index was 0.44% and high-yield bond index was -5.80%, decreasing by 12bp and increasing by 168bp respectively. The main reason for the rebound of high-yield bonds was the Fed's additional stimulus measures. The return on financial index rose by 87bp to -2.73% and the real estate index rose by 150bp to -5.07%, while the non-financial index

¹ Year-to-date return measures the return since January 2, 2020.

dropped by 7bp to -0.17%.

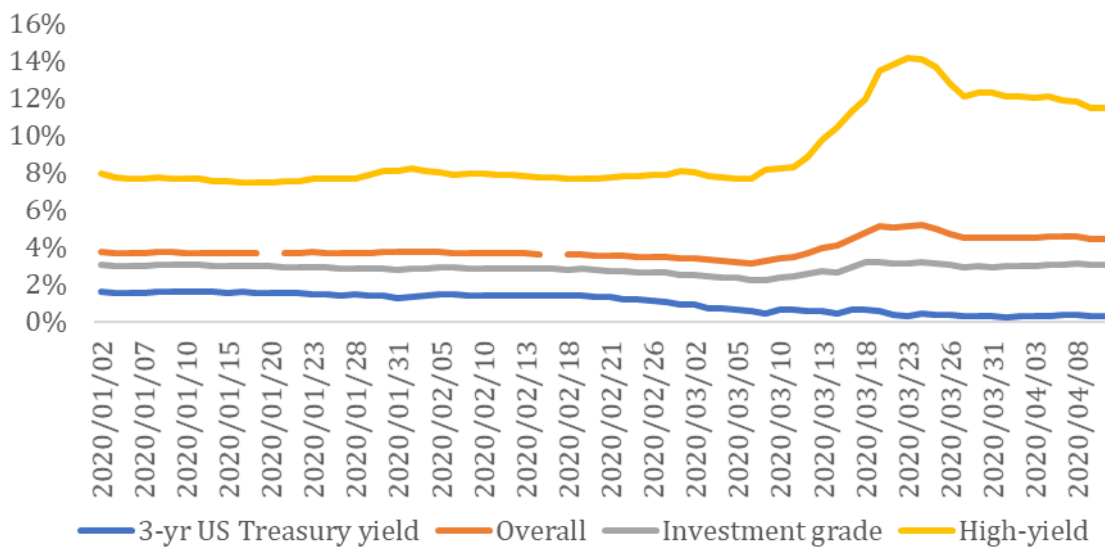
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of April 10, the yield-to-worst of Chinese dollar bonds decreased by 6bp to 4.44% from last Friday, of which investment grade bond index rose by 5bp to 3.03%, while the high-yield bond index declined by 57bp to 11.45%.

Figure 6 : Yield-to-worst of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

Rating Actions: Rating agencies takes a series of negative actions on Chinese corporates amid ongoing epidemic

From April 6 to April 10, the rating agencies took negative rating action on 14 Chinese issuers.

Table 2 : Credit rating changes of cross-border bond market (20200406-20200410)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Rating affirm	China Longyuan Power Group Corp Ltd	Energy	A-	STABLE	2020/4/8	A-	Developing	2018/10/23	S&P	Credit strength will remain within the tolerance level
	Shandong Sanxing Group Co Ltd	Consumer Staples	B	NEG	2020/4/6	B	Rating Watch Negative	2020/2/14	S&P	More plausible refinancing plans
Downgrades	CAR Inc	Consumer Discretionary	B2	Rating Watch Negative	2020/4/6	B1	NEG	2019/2/26	Moody's	Impairment of access to funding and operations given Luckin Coffee's announcement
	Far East Horizon Ltd	Financials	BB+	NEG	2020/4/7	BBB-	STABLE	2019/11/12	Fitch	Potential deterioration of asset quality and profitability
	Sunshine 100 China Holdings Ltd	Real Estate	CCC-	-	2020/4/7	CCC+	-	2019/4/10	Fitch	Refinancing uncertainty
	Red Star Macalline Group Corporation Ltd	Real Estate	BB+	STABLE	2020/4/7	BBB-	STABLE	2019/8/14	Fitch	Potential deterioration of financial profile amid coronavirus outbreak
	CAR Inc	Consumer Discretionary	B-	Rating Watch Negative	2020/4/7	B+	NEG	2020/3/22	S&P	Reduced funding access
	ENN Ecological Holdings Co Ltd	Materials	BB	Evolving	2020/4/7	BB	POS	2019/12/2	Fitch	Acquisition pending approval
	Guangxi Financial Investment Group Co Ltd	Financials	Ba1	Rating Watch Negative	2020/4/8	Ba1	Developing	2020/1/21	Moody's	Impact of the coronavirus outbreak
	Yestar Healthcare Holdings Company	Health Care	B1	NEG	2020/4/8	Ba3	NEG	2019/8/21	Moody's	Weaker liquidity and operating performance
	China Hongqiao Group Limited	Materials	B1	STABLE	2020/4/8	B1	POS	2019/9/24	Moody's	Increasingly challenging market conditions and rising aluminum price volatility
	GCL New Energy Holdings Ltd	Energy	CCC	NEG	2020/4/8	B-	NEG	2019/11/21	S&P	Heightened liquidity risk
Agile Group Holdings Ltd	Real Estate	BB	NEG	2020/4/9	BB	STABLE	2019/9/27	S&P	High capital expenditure and sluggish sales growth	

Yuzhou Properties Company Limited	Real Estate	Ba3	Rating Watch Negative	2020/4/9	Ba3	STABLE	2020/2/12	Moody's	Concerns over its ability to improve its credit metrics
CAR Inc	Consumer Discretionary	Caa1	NEG	2020/4/9	B2	Rating Watch Negative	2020/4/6	Moody's	Impact on misconduct at Luckin Coffee and coronavirus outbreak
China SCE Group Holdings Ltd	Real Estate	B+	NEG	2020/4/9	B+	STABLE	2019/9/20	S&P	Slow revenue growth and margin erosion
CITIC Resources Holdings Limited	Energy	Ba2	NEG	2020/4/9	Ba2	STABLE	2019/10/2	Moody's	Drop in EBITDA and cash flow given low oil and commodity prices

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issuance this week

As of April 10, there were 8 issuers that issued 12 Panda Bonds in 2020, with a total issuance volume of RMB19 billion and an average coupon of 2.91%. These bonds were mostly short-/medium-term and were issued in the interbank market.

Table 3 : New issuance of Panda Bond in 2020 (20200101-20200410)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
New Development Bank	5	2.43	2020/4/3	2023/4/3	3	International Institutional Bond	China Interbank Market	--
Xiaomi Corporation	1	2.78	2020/4/3	2021/4/3	1	PPN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	0.5	2.60	2020/3/19	2020/12/11	0.74	PPN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	0.5	2.60	2020/3/19	2020/12/11	0.74	MTN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	2.65	2020/3/16	2020/12/10	0.74	PPN	China Interbank Market	China Chengxin
China Gas Holdings Ltd.	1	3.38	2020/3/10	2025/3/10	5	MTN	China Interbank Market	Lianhe Ratings
BMW Finance N.V.	2	3.35	2020/3/4	2023/3/4	3	PPN	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	2.90	2020/3/4	2021/3/4	1	PPN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	2.85	2020/2/28	2020/11/24	0.74	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corporation	1.5	2.40	2020/1/13	2020/5/28	0.37	SCP	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.47	2020/1/10	2023/1/10	3	MTN	China Interbank Market	China Chengxin
Daimler International Finance BV	3	3.50	2020/1/9	2022/1/9	2	PPN	China Interbank Market	--

Sources: Bloomberg, CCX research

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