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From June 22 to June 28

US-Europe trade tensions escalated; Chinese offshore bond new issuance plunged

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Headline: Second wave of pandemic began, US-Europe trade tensions escalated

The US has recorded a breaking increase in confirmed cases for three consecutive days since Tuesday. As new cases rebounded, numerous states had to slow their economic reopening plan. On Wednesday, the Office of United States Trade Representative stated that US is considering to impose tariff on USD 3.1 billion goods imported from United Kingdom, Spain, Germany and France. The trade tensions between the US and Europe, which originated from the aircraft subsidy disputes, may further escalate due to the tariff. IMF lowered its global growth estimate for 2020 to -4.9%.

Exchange Rate: Intermediate price of RMB exchange rate declined

The intermediate price of RMB exchange rate declined; while the offshore and onshore rate moved in opposite directions. As of June 24, the intermediate price of RMB exchange rate closed at 7.0555.

Interest Rate: China Government Bond yields diverged; US treasury yields continued to decline

China Government Bond yields fluctuated in different directions. Short-term bond yields rose, while medium to long term bond yields declined. The confirmed cases in the US rebounded sparked fears of a second wave while employment data was worse than expectation, resulting in decline of US treasury yields. As of June 26, the yield spread between China and US 10-year note was 222bp, widening by 3.9bp from last Friday and widening by 94.9bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance plunged, real estate developers were the key issuers**

From June 22 to June 26, there were 10 new issues with a total issued volume of USD 2.431 billion, significantly decreased by 77.6% as compared to last week. Real estate developers were the key issuers this week, which issued 2 new bonds with a total issued volume of USD 0.96 billion, accounting for 39.5% of the total.

Secondary Market: Return on Chinese dollar bonds continued to rise

As of June 26, the YTD return on Chinese USD corporate bond index increased by 25bp from last Friday to 2.65%, of which investment grade bond index was 3.39% and high-yield bond index was 1.27%, increased by 25bp and 24bp, respectively.

Rating Actions: Chinese issuers' credit quality diverged**Panda Bond Market: Veolia issued 2 PPNs**

On June 24, Veolia issued 2020 Private Placement Note (Series I & II) through Bond Connect in the China Interbank Market. Veolia raised RMB0.75 billion via each note, with the same coupon rate of 3.85% and tenor of 3 years. CCXI assigned AAA to the issuer.

Headline: Second wave of pandemic began, US-Europe trade tensions escalated

Second wave of coronavirus hit the US. The US has recorded a breaking increase in confirmed cases for three consecutive days since Tuesday, after experiencing a period of flat growth. As new cases rebounded, numerous states had to slow their economic reopening plans. With the worries of a slow economic recovery given the rebounded confirmed cases, US stocks plunged. As of Friday, US recorded over 2.5 million confirmed infections and more than 125,000 deaths from coronavirus.

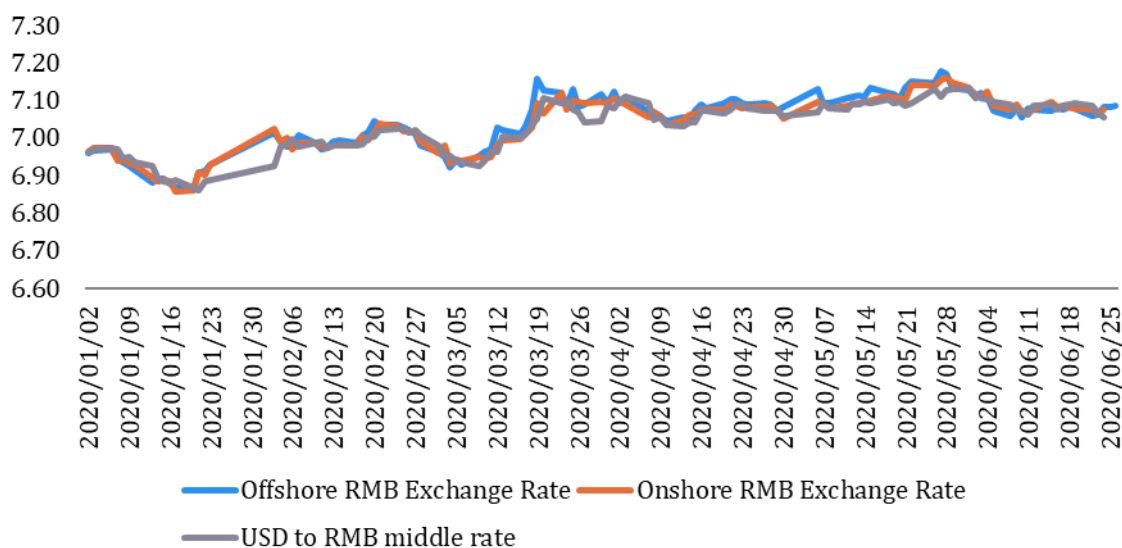
Trade tensions between US and Europe tightened. On Wednesday, the Office of United States Trade Representative stated that the US is considering to impose tariff on USD 3.1 billion goods, including aircrafts, yogurts, olives, beer and gin, imported from United Kingdom, Spain, Germany and France with duties of up to 100%. The trade tensions between the US and Europe, which originated from the aircraft subsidy disputes, may further escalate due to the tariff.

On Wednesday, IMF projected a global economic contraction for 2020 of 4.9%, 1.9 percentage points below that in April. The pandemic causes an unprecedented slide on global economic activities, and the recovery of global economy will be slow. China is the only major economy still expected to achieve a positive growth rate in 2020. For the US, IMF cut its forecast for 2020 to negative 8%, which was negative 5.9% in April.

Exchange Rate: Intermediate price of RMB exchange rate declined

The intermediate price of RMB exchange rate declined; while the offshore and onshore rate moved in opposite directions. As of June 24, the intermediate price of RMB exchange rate closed at 7.0555, down 358bp from last Friday; the onshore RMB exchange rate closed at 7.0744, down 36bp. As of June 26, the offshore RMB exchange rate closed at 7.0872, up 97bp from last Friday. Overall, the depreciation pressure of the RMB exchange rate is gradually released.

Figure 1 : RMB exchange rate

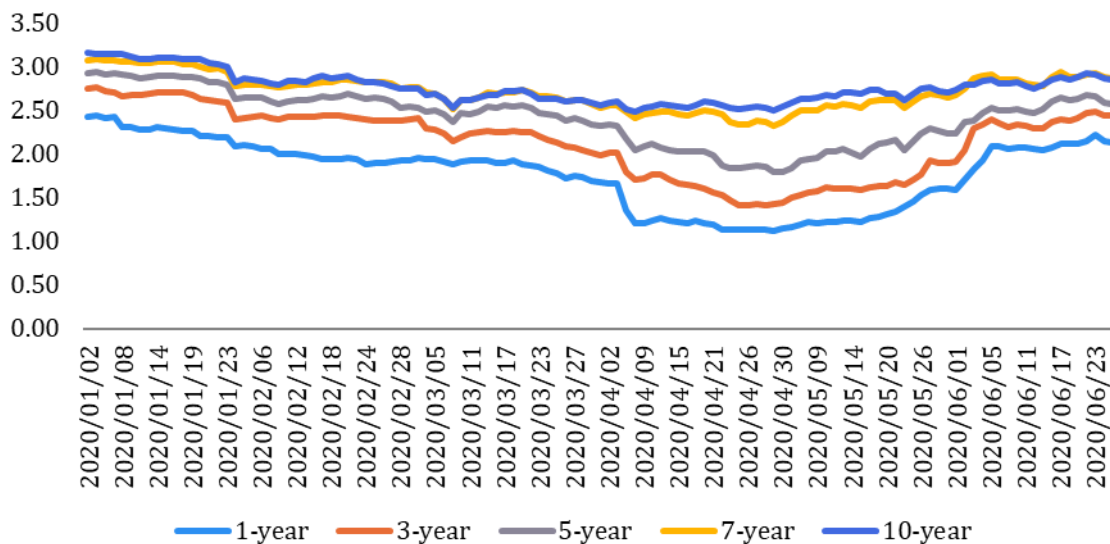


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields diverged; US treasury yields continued to decline

During the week, China Government Bond yields fluctuated in different directions. Short-term bond yields rose, while medium to long term bond yields declined. As of June 28, the 1-year and 3-year Government Bond yield increased from last Friday, closing at 2.1261% and 2.4333%; 5-year, 7-year and 10-year Government Bond yield dropped from last Friday, closing at 2.5723%, 2.8550% and 2.8404%, respectively.

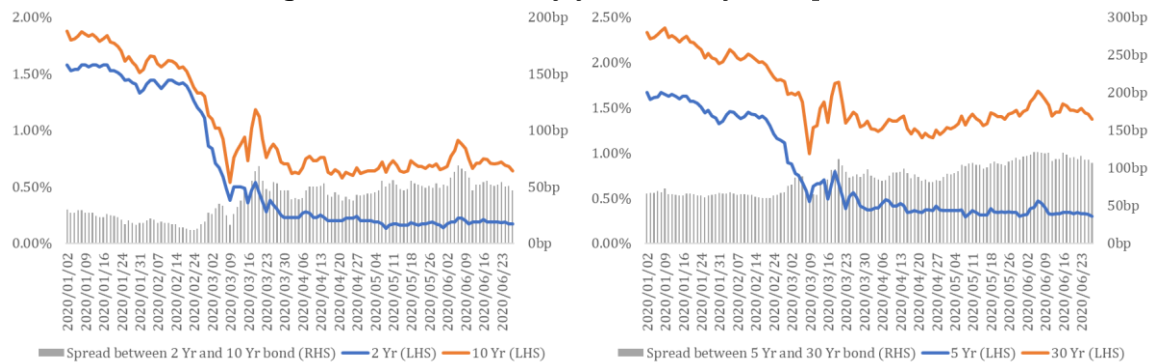
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The confirmed cases in the US rebounded sparked fears of a second wave. At the same time, the weekly initial jobless claims reached 1.48 million people, worse than market expectation, resulting in decline of the US treasury yields. As of June 26, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.17%, 0.30%, 0.64% and 1.37%, decreased by 2bp, 3bp, 6bp and 10bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year was tightened by 4bp to 47bp from last Friday, while the spread between the 5-year and 30-year was tightened by 7bp to 107bp from last Friday.

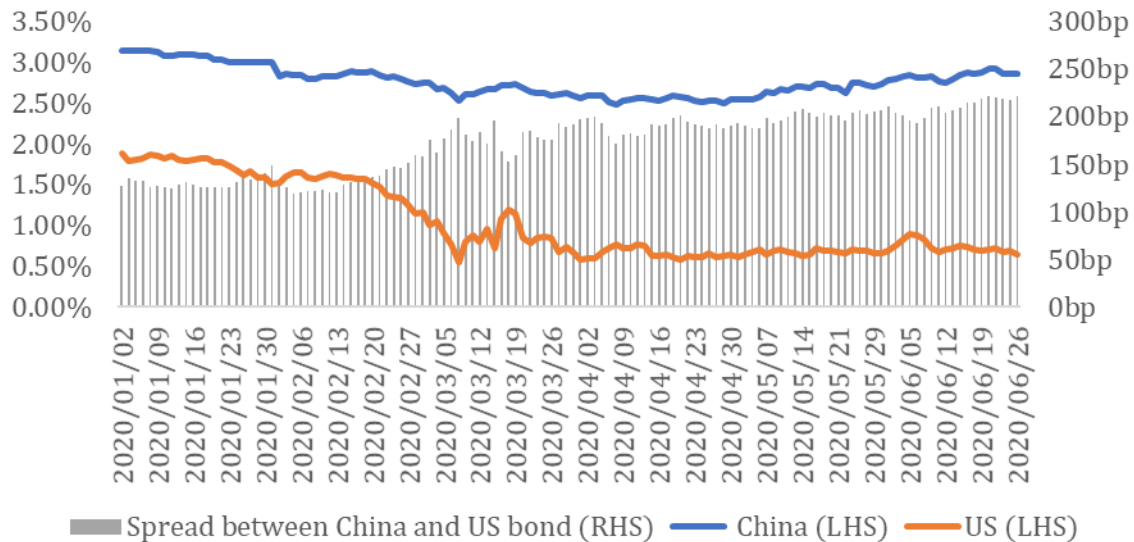
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of June 26, the yield spread between China and US 10-year note was 222bp, widening by 3.9bp from last Friday and widening by 94.9bp 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 plunged, real estate developers were the key issuers

From June 22 to June 26, there were 10 new issues with a total issued volume of USD2.431 billion, significantly decreased by 77.6% as compared to last week. Real estate developers were the key issuers this week, which issued 2 new bonds with a total issued volume of USD0.96 billion, accounting for 39.5% of the total.

Table 1 : New issuance of Chinese offshore bonds (20200622-20200626)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/6/22	Beijing Gas Blue Sky Holdings Ltd	USD	40	6.875	2021/3/21	270D	Utilities	-/-/-	-/-/-
2020/6/22	Fosun International Ltd	USD	600	6.85	2024/7/2	4	Consumer Discretionary	Ba2/BB/-	-/BB/-
2020/6/22	Guiyang Hi-Tech Holding Co Ltd	EUR	23	2.3	2021/6/23	364D	Chengtou	-/-/-	-/-/-
2020/6/23	Agile Group Holdings Ltd	USD	500	5.75	2025/1/2	4.5	Real Estate	Ba2/BB/-	-/BB/-
2020/6/23	Nanchang Linkong Economic Zone Urban Construction Investment Development Co Ltd	USD	67	3	2023/7/2	3	Chengtou	-/-/-	-/-/-
2020/6/23	Sino-Ocean Capital Holding Ltd	USD	300	5.625	2021/6/28	364D	Financials	-/-/-	-/-/-
2020/6/24	China Aoyuan Group Ltd	USD	460	6.35	2024/2/8	3.6	Real Estate	B1/B+/BB-	B2/-/-
2020/6/24	Guotai Junan International Holdings Ltd	HKD	376	2	2021/6/30	363D	Financials	Baa2/BBB+/-	-/-/-
2020/6/24	New Oriental Education & Technology Group Inc	USD	300	2.125	2025/7/2	5	Consumer Discretionary	Baa1/-/-	Baa1/-/-

2020/6/24	Rugao Economic & Trade Development Co	USD	90	3.7	2023/7/2	3	Chengtou	-/-/BB	-/-/-
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1Sources: Bloomberg, CCX research

Ronshine China Holdings Ltd and Sichuan Languang Development Co Ltd announced tap bond offering on June 23 respectively.

Table 2 : Tap bond offering (20200622-20200626)

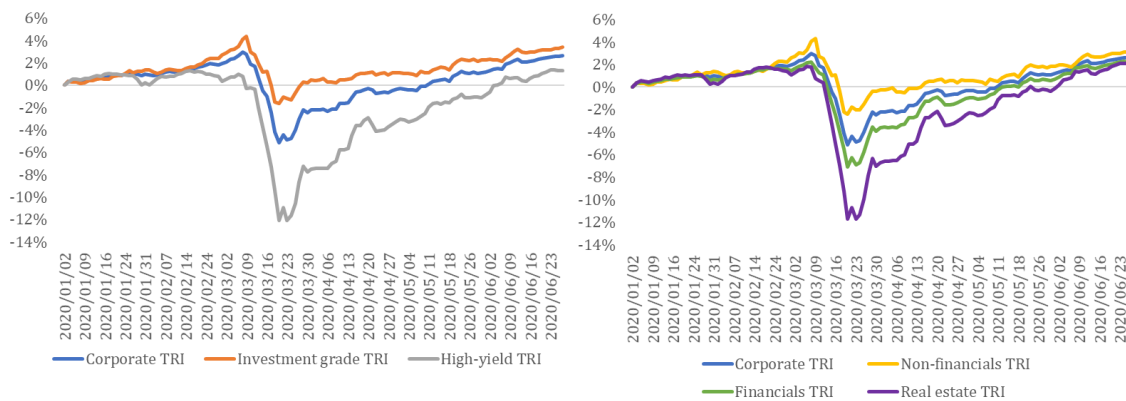
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/6/23	Ronshine China Holdings Ltd	USD	410 (reoffered 160)	7.35	2023/12/15	3.5	Real Estate	B1/B+/BB-/BB _s +(CCXAP)	-/-/BB-/BB _s +(CCXAP)
2020/6/23	Sichuan Languang Development Co Ltd	USD	450 (reoffered 200)	11	2022/6/4	2	Real Estate	B1/B+/-	B2/B/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese dollar bonds continued to rise

As of June 26, the YTD return¹ on Chinese USD corporate bond index increased by 25bp from last Friday to 2.65%, of which investment grade bond index was 3.39% and high-yield bond index was 1.27%, increasing by 25bp and 24bp, respectively. In terms of sector indices, the return on non-financial, financial and real estate indices were 3.23%, 2.23% and 2.05%, increasing by 30bp, 21bp and 27bp from last Friday, respectively.

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

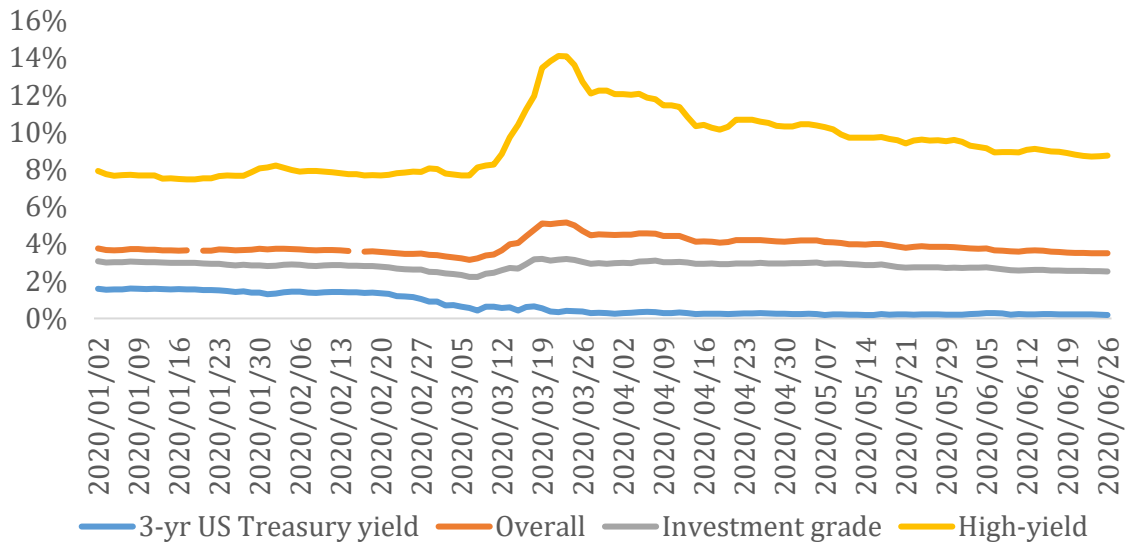


Sources: Bloomberg, CCX research

As of June 26, the yield-to-worst of Chinese dollar bonds decreased by 4bp to 3.50% from last Friday, of which investment grade bond index declined by 4bp to 2.52%, while the high-yield bond index declined by 14bp to 8.75%.

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

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



Sources: Bloomberg, CCX research

Rating Actions: Chinese issuers' credit quality diverged

From June 22 to June 28, rating agencies took positive rating actions on 12 Chinese issuers and took negative rating actions on 8 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20200622-20200628)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Chengdu Airport Xingcheng Investment Group Co Ltd	Chengtou	BB+	STABLE	2020/6/22	BB	STABLE	2019/7/10	Fitch	Stronger government support
	Yuzhou Properties Co Ltd	Real Estate	Ba3	STABLE	2020/6/23	Ba3	Rating Watch Negative	2020/4/9	Moody's	Expectation of improved credit metrics
	Vipshop Holdings Ltd	Consumer Discretionary	BBB+	STABLE	2020/6/24	BBB+	NEG	2019/9/19	Fitch	Improved cash flow generation
	Beijing Capital Development Holding Group Co Ltd	Real Estate	BBB	STABLE	2020/6/24	BBB-	POS	2019/10/16	Fitch	Increasing involvement in policy roles
Downgrade	China Evergrande Group & Evergrande Real Estate Group Ltd & Tianji Holding Ltd	Real Estate	B1	NEG	2020/6/23	B1	STABLE	2019/9/16	Moody's	High level of short-term debt and trust loans, high debt leverage and weakened profit margin
	Hilong Holding Ltd	Energy	Caa3	NEG	2020/6/23	B3	Rating Watch Negative	2020/6/9	Moody's	Senior notes default
	Hilong Holding Ltd	Energy	RD	-	2020/6/23	CC	-	2020/6/9	Fitch	Senior notes default

	Beijing Automotive Group Co Ltd & BAIC Motor Corp Ltd	Consumer Discretionary	BBB	NEG	2020/6/23	BBB+	Rating Watch Negative	2020/4/3	S&P	Elevated leverage
	Tibet Financial Leasing Co Ltd	Financials	B1	Rating Watch Negative	2020/6/26	Ba2	NEG	2019/11/27	Moody's	Liquidity challenges and weak corporate governance
Domestic Rating:										
	Jiangsu Jintan Guofa International Investment Development Co Ltd	Chengtou	AA+	STABLE	2020/6/22	AA	STABLE	2019/6/26	CSCI Pengyuan	Asset injection
	Jiangsu Zhongguancun Science Park Holding Group Co Ltd	Chengtou	AA+	STABLE	2020/6/22	AA	STABLE	2019/6/25	Golden Credit	Jiangsu Zhongguancun Science Park Holding Group Co Ltd
	Weifang Urban Construction & Development Investment Group Co Ltd	Chengtou	AAA	STABLE	2020/6/22	AA+	STABLE	2019/11/26	Golden Credit	-
Upgrade	Yango Group Co Ltd	Real Estate	AA+	POS	2020/6/23	AA+	STABLE	2019/6/13	CCXI	Improved leverage and debt structure
	Zhengzhou Airport Economy Zone Xinggang Investment Group Co Ltd	Chengtou	AAA	STABLE	2020/6/24	AA+	STABLE	2019/6/24	CCXI	Stronger economic growth of the region and diversified businesses
	Suzhou City Construction Investment Group Holding Co Ltd	Chengtou	AA+	STABLE	2020/6/24	AA	STABLE	2019/7/31	Lianhe Ratings	Strengthened capital base
	Chengdu Economic & Technological Development Zone Construction Development Co Ltd	Chengtou	AA+	STABLE	2020/6/28	AA	STABLE	2019/6/19	Dagong	Stronger position in the region
	Yangzhou Urban Construction State-owned Asset Holding Group Co Ltd	Chengtou	AAA	STABLE	2020/6/28	AA+	STABLE	2019/6/25	Dagong	Asset injection
Downgrade	Tongchuang Jiuding Investment Management Group Co Ltd	Financials	AA+	Rating Watch Negative	2020/6/23	AA+	STABLE	2019/6/21	CCXI	Volatile investment performance, sales of core asset and weak refinancing capability

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: Veolia issued 2 PPNs

On June 24, Veolia Environnement S.A. (“Veolia”) issued 2020 Private Placement Note (Series I & II) through Bond Connect in the China Interbank Market. Veolia raised RMB0.75 billion via each note, with the same coupon rate of 3.85% and tenor of 3 years. CCXI assigned AAA to the issuer.

As of June 26, there were 19 issuers that issued 28 Panda Bonds in 2020, with a total issuance amount of RMB40.6 billion and an average coupon of 2.95%. The majority of them were issued in the China Interbank Market. More than half of them were issued at a tenor of 3 years or above.

Table 4 : New issuance of Panda Bond in 2020 (20200101-20200626)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Veolia Environnement S.A.	0.75	3.85	2020/6/24	2023/6/24	3	PPN	China Interbank Market	China Chengxin
Veolia Environnement S.A.	0.75	3.85	2020/6/24	2023/6/24	3	PPN	China Interbank Market	China Chengxin
Asian Infrastructure Investment Bank	3	2.40	2020/6/15	2023/6/15	3	International Institutional Bond	China Interbank Market	--
China Everbright Greentech Limited	1	3.68	2020/6/12	2025/6/12	5	MTN	China Interbank Market	Lianhe Ratings
Sumitomo Mitsui Banking Corporation	1	3.20	2020/6/8	2023/6/8	3	PPN	China Interbank Market	--
Daimler International Finance BV	3	3.25	2020/6/5	2023/6/5	3	PPN	China Interbank Market	--
China Traditional Chinese Medicine Co. Limited	2.2	3.28	2020/6/5	2023/6/5	3	MTN	China Interbank Market	China Chengxin
Capital Environment Holdings Limited	1	3.10	2020/5/29	2025/5/29	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
China Mengniu Dairy Company Limited	0.5	1.61	2020/5/29	2020/11/25	0.49	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	1.5	1.61	2020/5/29	2020/11/25	0.49	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	0.5	2.00	2020/5/29	2021/2/23	0.74	SCP	China Interbank Market	China Chengxin
Beijing Enterprises Water Group Limited	1	4.00	2020/5/13	2025/5/13	5	MTN	China Interbank Market	Shanghai Brilliance Rating
Bank of China Group Investment Limited	1.5	2.70	2020/5/8	2023/5/8	3	MTN	China Interbank Market	China Chengxin
Beijing Enterprises Clean Energy Group Limited	0.9	5.50	2020/4/29	2023/4/29	3	Corporate Bond	Shenzhen Exchange Market	United Ratings
China Mengniu Dairy Co. Ltd	1.5	1.80	2020/4/24	2020/11/20	0.57	SCP	China Interbank Market	--
Semiconductor Manufacturing International Corporation	1.5	1.85	2020/4/16	2022/8/5	0.30	SCP	China Interbank Market	China Chengxin

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 Rating
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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