

2019 Issue 13

From April 8 to 12

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Date: April 16, 2019

New Brexit deadline to October 31; weekly new issuance of Chinese offshore bonds nearly USD 10 billion

Headline: New Brexit deadline to October 31

On April 10, European Union leaders offered Britain an extension to Brexit, allowing the UK to postpone its EU departure date until October 31, with a review of progress in June. Christine Lagarde, the Managing Director of the International Monetary Fund, said that she welcomed the UK is not leaving EU on April 12 without a deal. However, she pointed out that the extension of deadline was not a solution of Brexit, and this still lifted uncertainties for businesses over the next 6 months.

Exchange Rate: RMB exchange rate increased slightly

During the week, the RMB exchange rate revealed a stable trend with a slight increase. As of April 12, the intermediate RMB exchange rate closed at 6.7220, down 165 basis points from last Friday. Amid continuous fluctuations of the USD exchange rate, RMB exchange rate gradually stabilized and will be dependent on the performance of China's economy and international trade relations.

Interest Rate: 1D Shibor spiked, US Treasury yields rallied

Overnight Shibor and Hibor fluctuated substantially. As of April 12, overnight Shibor reached 2.6520 followed the drop last week, up 123.5bp from last Thursday. Overnight Hibor continued its fluctuating trend, reaching a high of 3.3407 on Thursday, and fell sharply to 1.6829 on Friday. US Treasury yields rallied, as the market expected that the Fed would remain a dovish monetary policy in the year, given the release of low-than-expected core inflation from the US and the announcement of the continuity of easing monetary policy from the central bank of Europe ("ECB"). Moreover, the credit spread of Barclays Asia USD high-yield bond was relatively stable.

Chinese Offshore Bond Market

Primary Market: New issuance approached to USD 10 billion; Bank of China is the largest issuer in the week

The amount of newly issued offshore bonds continued to increase. Financial institutions and real estate corporations were the key issuers, which accounted for 81.1% of the newly issued amount. Bank of China issued 8 tranches of bond with multi-currency, a total amount of approximately USD 3.8 billion, representing the largest issuer in the week; China Evergrande issued 3 tranches of bond with a total amount of USD 2 billion. There were 28 new bonds with a total amount of USD 98.6 billion issued during the period from April 8 to 12.

Secondary market: Returns on investment grade bond and high-yield bond decreased

As of April 12, the YTD return on Chinese USD corporate bond index was 4.48%, decreasing by 15bp, of which investment grade bond index was 3.18% and high-yield bond index was 7.63%, decreasing by 12bp and increasing by 3bp over last week, respectively.

Rating action : CCXAP changed the rating outlook of GCL Intelligent Energy to positive

On April 10, CCXAP changed the rating outlook of GCL Intelligent Energy to positive from stable, and affirmed the Company's long-term credit rating at BBg+.

Panda Bond Market: No new issuance in the Panda Bond market this week

As of April 12, the number of Panda Bonds issued in 2019 was 9, with 7 issuers and a total issuance scale of 15.5 billion Yuan. The tenors were mainly concentrated in three years and the average coupon was 3.78%.

Headline: New Brexit deadline to October 31

On April 10, European Union leaders offered Britain an extension to Brexit, allowing the UK to postpone its EU departure date until October 31, with a review of progress in June. Donald Tusk, the European Council President, confirmed in a tweet that the EU27/UK has agreed a flexible extension until October 31, and this meant additional six months for the UK to find the best possible solution.

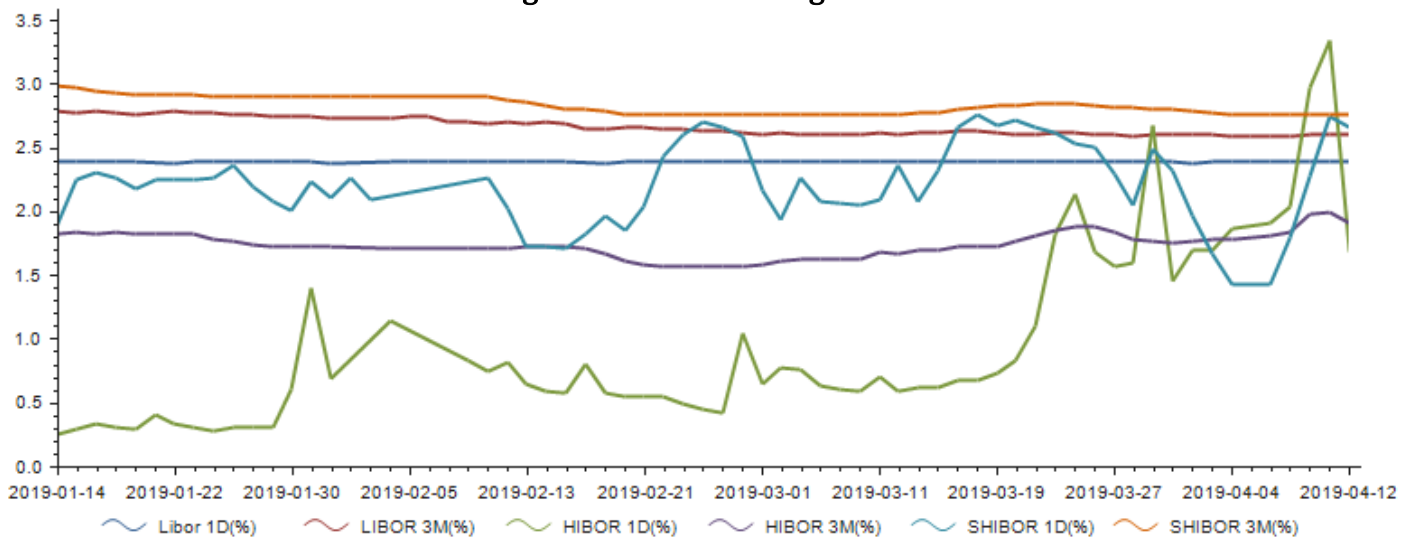
The Brexit was out of its schedule again. How long should the EU extend the Brexit deadline becomes a puzzling question to the EU's leaders. Michel Barnier, the chief negotiator of EU, and Emmanuel Macron, the president of French, were those who advocated a shorter extension, concerning that letting Britain stay too long in the EU would create embarrassing issues, such as, if a longer extension is offered the UK must take part in the elections of the European parliament on May 23, which is the scenario that some EU members are unwilling to see. On the other hand, Donald Tusk, Jean-Claude Juncker, the president of the European Committee, and Angela Merkel, the chancellor of Germany, were those who supported a longer extension for the UK to prevent a no-deal Brexit in the end, which could give harm to the EU's reputation. By extending the Brexit deadline, it could help the EU's leaders to get rid of the time-consuming Brexit negotiations, and save more time for the members to deal with the important matters in their own countries. The final extension offer to the UK represented a compromise of both parties.

Christine Lagarde, the Managing Director of the International Monetary Fund, said that she welcomed the UK was not leaving EU on April 12 without a deal. However, she pointed out that the extension of deadline was not a solution of Brexit, and this still lifted uncertainties for businesses over the next 6 months.

Exchange Rate: RMB exchange rate increased slightly

During the week, the RMB exchange rate revealed a stable trend with a slight increase. As of April 12, the intermediate RMB exchange rate closed at 6.7220, down 165 basis points from last Friday. The U.S. dollar index remained fluctuating, down 0.35% to 97.06 on Monday. Boosted by the economic data released on Thursday, the U.S. dollar index was elevated. Amid continuous fluctuations of the USD exchange rate, RMB exchange rate gradually stabilized and will be more dependent on the performance of China's economy and international trade relations. Attention should be paid to the upcoming economic data for the first quarter of 2019.

Figure 1 : RMB Exchange Rate

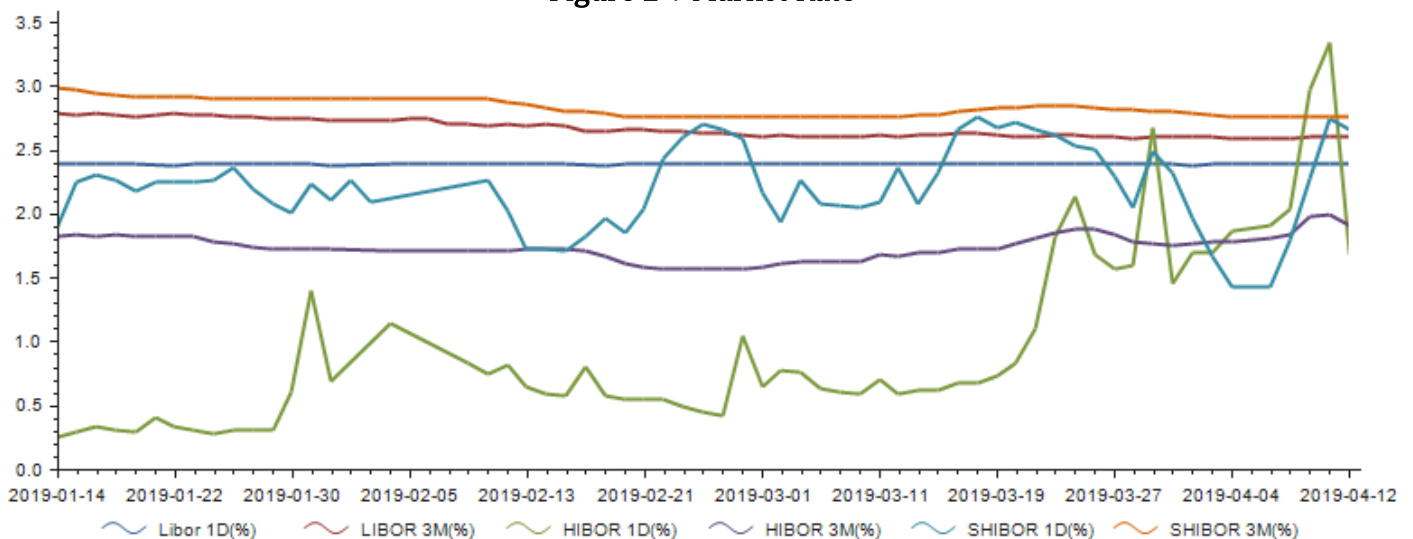


Sources: Eastmoney, CCX research

Interest Rate : 1D Shibor dropped, US Treasury yields rallied

During the week, Overnight Shibor and Hibor fluctuated substantially. As of April 12, overnight Shibor reached 2.6520 followed a drop in the last week, up 123.5bp from last Thursday (April 4). 3M Shibor revealed a steady trend, closing at 2.761. Overnight Hibor continued its fluctuating trend, reaching a high of 3.3407 on Thursday, and fell sharply to 1.6829 on Friday. Since mid-March, short-term interest rates revealed a pattern of high volatility, indicating the capital market has fluctuated considerably.

Figure 2 : Market Rate

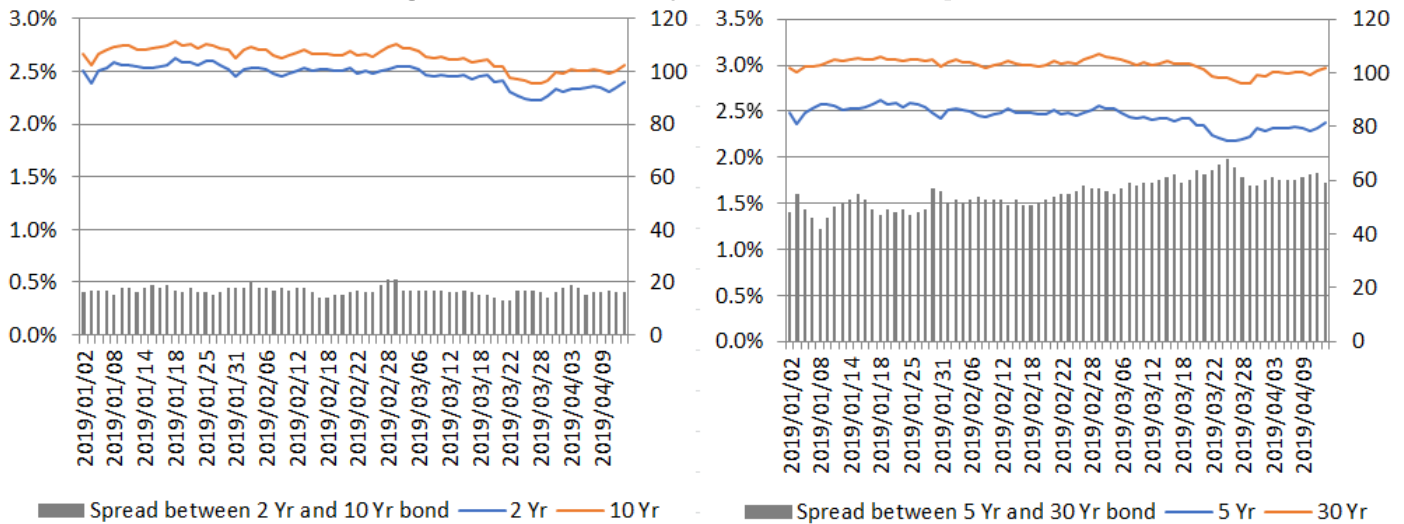


Sources: Eastmoney, CCX research

US Treasury yields rallied, as the market expected that the Fed would remain a dovish monetary policy in the year. This week, the US announced a low-than-expected core inflation

data and the central bank of Europe (“ECB”) affirmed its continuity of easing monetary policy with no interest rate hike in the year, which reinforced expectations that the Fed would hold interest rates steady or cut them once by the end of the year, driving a rally in US Treasury yields. As of April 12, the yields on 2-year, 5-year, 10-year and 30-year Treasury note traded at 2.40%, 2.38%, 2.56% and 2.97%, increasing by 5bp, 7bp, 6bp and 6bp over last week, respectively. The yield spread between 2-year and 10-year bond increased by 1bp to 16bp while the yield spread between 5-year and 30-year bond decreased by 1bp to 59bp.

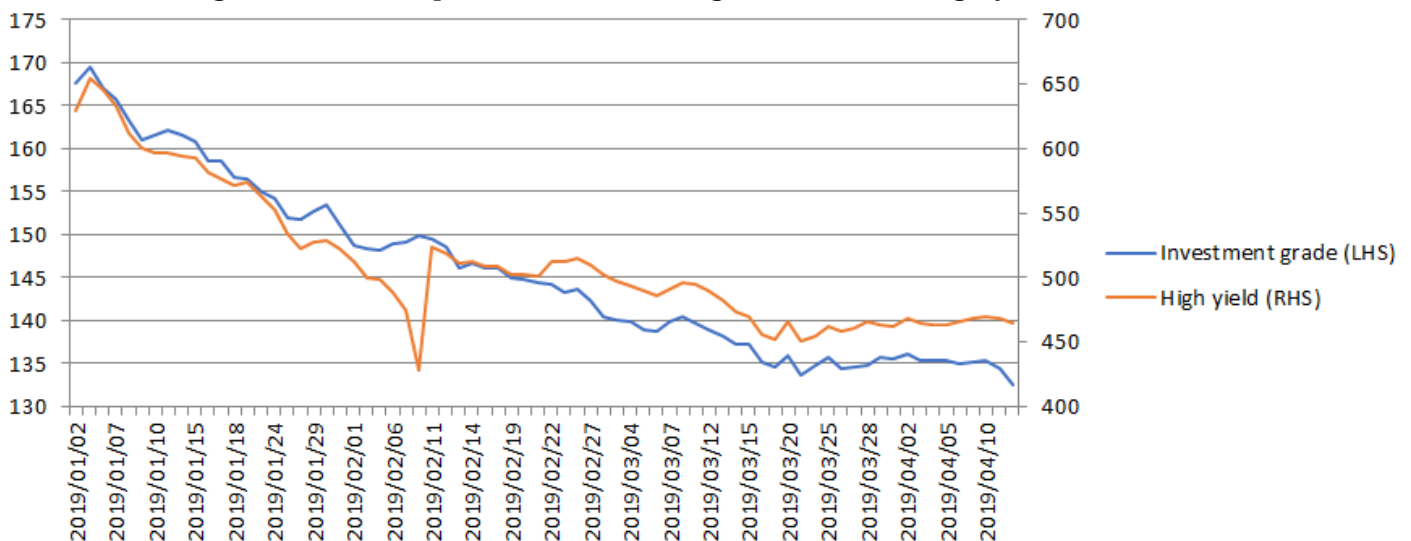
Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

The credit spread of Barclays Asia USD high-yield bond was relatively stable. As of April 12, the credit spread of investment grade index decreased by 2.8bp to 133bp while the credit spread of high-yield index increased by 1.2bp to 465bp.

Figure 4 : Credit spread of investment grade bond and high-yield bond index



Sources: Bloomberg, CCX research

Chinese Offshore Bond Market

Primary Market: Weekly new issuance approached to USD 10 billion; Bank of China was the largest issuer in the week

The amount of newly issued offshore bonds continued to increase. Financial institutions and real estate corporations were key issuers, which accounted for 81.1% of the newly issued amount. Bank of China issued 8 tranches of bond with multi-currency, a total amount of approximately USD 3.8 billion, representing the largest issuer in the week; China Evergrande issued 3 tranches of bond with a total amount of USD 2 billion. There were 28 new bonds with a total amount of USD 98.6 billion issued during the period from April 8 to 12.

Table 1 : New issuance of Chinese offshore bonds (20190408-20190412)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/4/8	China Evergrande Group	USD	1,250	9.5	2022/4/11	3	Real Estate	B1/B+/B+	B2/B/-
2019/4/8	Sunac China Holdings Ltd	USD	750	7.95	2023/10/11	4.5	Real Estate	Ba3/BB-/BB	B1/B+/BB
2019/4/8	Redsun Properties Group Ltd	USD	300	9.95	2022/4/11	3	Real Estate	-/B/B	-/-/B
2019/4/8	China Evergrande Group	USD	300	10.5	2024/4/11	5	Real Estate	B1/B+/B+	B2/B/-
2019/4/8	China Evergrande Group	USD	450	10	2023/4/11	4	Real Estate	B1/B+/B+	B2/B/-
2019/4/9	21 Vianet Group Inc	USD	300	7.875	2021/10/15	2.5	Communications	B1/B+/B+	B1/-/B+e
2019/4/10	Fantasia Holdings Group Co Ltd	USD	200	11.75	2022/4/17	3	Real Estate	B2/B/-	-/-/-
2019/4/10	Bank of China Ltd/Frankfurt	EUR	500	0.25	2022/4/17	3	Banks	A1/A/A	A1/A/Ae
2019/4/10	Wuxi Construction and Development Investment Co Ltd	USD	300	4.5	2022/4/17	3	Industrials	-/BBB/BBB+	-/-/BBB+
2019/4/10	Bank of China Ltd/Hong Kong	USD	300	3.625	2029/4/17	10	Banks	A1/A/A	A1/A/Ae
2019/4/10	Bank of China Ltd/Luxembourg	USD	500	3ML+72	2022/4/17	3	Banks	A1/A/A	A1/A/Ae
2019/4/10	Bank of China Ltd/Hong Kong	USD	550	3.125	2024/4/17	5	Banks	A1/A/A	A1/A/Ae
2019/4/10	Southwest Securities Co Ltd	USD	200	6.9	2021/4/17	2	Financials	-/-/-	-/-/-
2019/4/10	Bank of China Ltd/Hong Kong	HKD	6,000	2.45	2021/4/17	2	Banks	A1/A/A	-/-/Ae
2019/4/10	Bank of China Ltd/Macau	CNY	2,500	3.1	2020/4/17	1	Banks	A1/A/A	A1/A/Ae
2019/4/10	Bank of China Ltd/Macau	CNY	2,000	3.3	2022/4/17	3	Banks	A1/A/A	A1/A/Ae
2019/4/10	Industrial & Commercial Bank of China Ltd/Sydney	AUD	5	2.535	2023/4/17	4	Banks	A1/A/A	-/-/-
2019/4/10	Bank of China Ltd/Sydney	AUD	600	3M BBSW+100	2022/10/17	3.5	Banks	A1/A/A	A1/A/Ae
2019/4/11	Greenland Holding Group Co Ltd	USD	200	6.375	2020/4/15	364D	Real Estate	Ba1/BB/BB-	-/-/-
2019/4/11	State Grid Corp of China	HKD	2,000	2.85	2029/4/17	10	Utilities	A1/A+/A+	-/-/A+
2019/4/11	Peking University Founder Group Corp	USD	300	7.45	2022/10/16	3.5	Technology	-/-/-	-/-/-
2019/4/11	HuaiBei City Construction Investment Holding Group Co Ltd	USD	150	5	2022/4/23	3	Industrials	-/-/-	-/-/-
2019/4/11	State Grid Corp of China	USD	250	3.13	2024/4/22	5	Utilities	A1/A+/A+	-/-/A+
2019/4/11	State Grid Corp of China	HKD	1,675	2.7	2024/4/17	5	Utilities	A1/A+/A+	-/-/-
2019/4/11	Haitong International Securities Group Ltd	HKD	500	2.75	2020/4/16	364D	Financials	Baa2/BBB/-	-/-/-
2019/4/12	Yuyao Shuncai Investment Holding Co Ltd	USD	100	6	2022/4/23	3	Industrials	-/-/-	-/-/-
2019/4/12	Industrial & Commercial Bank of China Ltd	GBP	150	3MBPL+82	2022/4/23	3	Banks	A1/A/A	-/-/-
2019/4/12	Guangzhou Fineland Real Estate Development Co Ltd	USD	300	13.5	2021/4/17	2	Real Estate	B2/-/-	B3/-/-

Sources: Bloomberg, CCX research

On March 8, Yichang High-Tech Investment Development Co Ltd announced tap bond offering, details are as follow:

Table 2 : Tap bond offering (20190408-20190412)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/4/8	Yichang High-Tech Investment Development Co Ltd	USD	200 (reoffered 150)	7.5	2021/12/20	3	Industrials	-/-/BB+	-/-/BB+

Sources: Bloomberg, CCX research

Secondary market : Returns on investment grade bond dropped and high-yield bond returns slightly increased

As of April 12, the YTD return on Chinese USD corporate bond index was 4.48%, decreasing by 15bp, of which investment grade bond index was 3.18% and high-yield bond index was 7.63%, decreasing by 12bp and increasing by 3bp over last week, respectively.

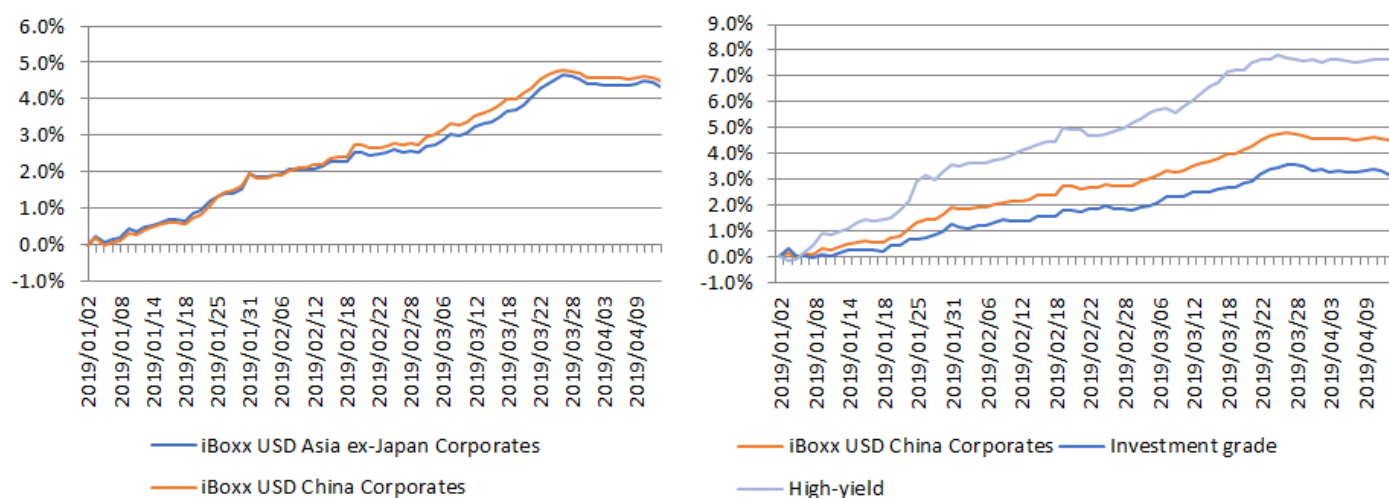
Rating action : CCXAP changed the rating outlook of GCL Intelligent Energy to positive

On April 10, China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) changed the outlook of GCL Intelligent Energy Co., Ltd. (“GCL Intelligent Energy” or the “Company”) to positive from stable, and affirmed the Company’s long-term credit rating at BBg+. The positive rating outlook reflects CCXAP’s expectation that the business profile of the Company will keep improving in the next 12 to 18 months, with expanding operating and revenue scale.

Established in 2009, GCL Intelligent Energy is a regional power and heat producer operating in Jiangsu, Zhejiang, Guangdong and Inner Mongolia. The Company is one of the key power generation platforms of Golden Concord Group Limited.

In the first three quarters of 2018, the Company’s operating scale notably increased, revenue grew steadily and the listing procedure was in the progress. Given that the Company’s major projects started operation, the total installed capacity enlarged to 2,564.6 MV as of 30 September 2018, from 2,103.5 MV as of 30 September 2017. Moreover, the Company’s revenue in the first three quarters expanded to RMB 6.2 billion, increasing by 10.21% YoY. In addition, CCXAP expects the Company’s operating scale to further expand in 2019 because it has 6 clean-energy projects coming into operation from December 2018 to 2019, which can add a total installed capacity of 779.5 MV to its power asset portfolio. On December 18, 2018, Xiake Color Spinning Co. Ltd. (“XCS”) passed its assets restructuring plan with GCL Intelligent Energy in the second shareholders meeting, and the reverse merger transaction was conditionally approved by the China Securities Regulatory Commission (“CSRC”) in March 2019. The listing, if succeeds, will help diversify the Company’s funding base and decrease its debt leverage.

Figure 5 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

Panda Bond Market : No new issuance in the Panda Bond market this week

As of April 12, the number of Panda Bonds issued in 2019 was 9, with 7 issuers and a total issuance scale of 15.5 billion Yuan. The tenors were mainly concentrated in three years and the average coupon was 3.78%.

Table 3 : New issuance of Panda Bond in 2019 (20190101-20190412)

Issuer	Amount (RMB million)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
GLP China Holdings Limited	33	4.35	2019/3/18	2028/3/18	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
United Overseas Bank Ltd	20	3.49	2019/3/14	2022/3/14	3	Corporate Bond	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance NV	30	4	2019/3/8	2022/3/8	3	MTN	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	15	3.57	2019/3/4	2022/3/4	3	MTN	China Interbank Market	China Chengxin/China Bond Rating
New Development Bank	20	3	2019/2/26	2022/2/26	3	MTN	China Interbank Market	China Chengxin/Lianhe
New Development Bank	10	3.32	2019/2/26	2024/2/26	5	Corporate Bond	China Interbank Market	China Chengxin/Lianhe
China Everbright Water Ltd	7	3.89	2019/1/21	2024/1/21	5	MTN	Shanghai Stock Exchange	Shanghai Brilliance
Beijing Enterprises Water Group Ltd	10	3.95	2019/1/11	2026/1/11	7	Corporate Bond	China Interbank Market	Shanghai Brilliance /Dagong
Beijing Enterprises Water Group Ltd	10	4.49	2019/1/11	2029/1/11	10	MTN	China Interbank Market	Shanghai Brilliance /Dagong

Sources: Bloomberg, CCX research

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