

## 2019 Issue 14

From April 15 to 19

## EU proposed tariffs on USD 20 billion of US imports; ICBC issued its first green BRBR bonds

### Authors

#### CCXI Overseas Business Department

Mia Zhu 010-66428877-570

[llzhu@ccxi.com.cn](mailto:llzhu@ccxi.com.cn)

Lina Wang 010-66428877-451

[jlwang@ccxi.com.cn](mailto:jlwang@ccxi.com.cn)

### CCXAP

Jacky Lau 852-28607125

[jacky\\_lau@ccxap.com](mailto:jacky_lau@ccxap.com)

Vincent Tong 852-28607121

[vincent\\_tong@ccxap.com](mailto:vincent_tong@ccxap.com)

### Other

Rong Tian 852-28607119

[rong\\_tian@ccxap.com](mailto:rong_tian@ccxap.com)

Date: April 26, 2019

### Headline: EU proposed tariffs on USD 20 billion of US imports

On April 17, the EU threatened to impose tariffs on USD 20 billion worth of US imports, including aircrafts, chemicals and agricultural products. This tariff list was a countermeasure for the US, as the US initiated the investigation under Section 301 of the Trade Act of 1974 on the EU subsidies for Airbus, and planned to put tariffs on USD 11 billion of EU imports. This suggested that the dispute between the US and EU on provision of subsidies on Boeing and Airbus further evolved. On April 17, Cecilia Malmström, EU trade commissioner, stated that the European companies must be able to compete on fair and equal terms. "We (EU) do not want a tit-for-fat", added by Cecilia.

### Exchange Rate: RMB exchange rate sustained a stable trend

During the week, the RMB exchange rate remained stable with a slight decline. As of April 19, the intermediate RMB exchange rate closed at 6.7043, down 177 basis points from last Friday. On April 18, the State Administration of Foreign Exchange stated that the operation of the foreign exchange market has revealed a steady trend since the beginning of this year. Generally, the supply and demand of the domestic foreign exchange market remained basically balanced.

### Interest Rate: 1D Shibor remained fluctuating, US Treasury yields were relatively stable

Overnight Shibor continued its pattern of high volatility. Money market liquidity has further tightened. During the week, overnight Shibor reached a high of 2.9980 on April 17, followed by a small pullback and closed at 2.6610 on Friday. 3M Shibor revealed a steady trend with a slight increase, closing at 2.8170. US Treasury yields were relatively stable this week, because of the mingled of good and bad news. The strong performance in Q1 lifted investor risk sentiment; on the contrary, the weak global manufacturing data depressed the investors.

### Chinese Offshore Bond Market

#### Primary Market: Real estate issuers had a refinancing strong demand; ICBC issued its first green BRBR bonds

The Chinese real estate developers issued 7 tranches of bond with a total amount of USD 1.8 billion this week, given their strong refinancing demand. ICBC issued its first green bonds focusing on Belt and Road inter-bank regular cooperation ("BRBR"), which were denominated in CNY, USD and EUR, with equivalent amount of USD 2.2 billion. There were 14 new bonds with a total amount of USD 4.3 billion issued during the period from April 15 to 19.

#### Secondary market: Fitch downgraded 4 Tianjin-based Chengtou Companies, CMIG and Kangde Xin exposed to credit events

On April 17, Fitch announced to downgrade the credit rating of 4 Tianjin-based Chengtou companies, following by a downgrade of an internal assessment of the creditworthiness of the Tianjin Municipal Government. On April 18, CMIG's subsidiary announced that the cross-defaults of 2 dollar bonds were triggered, as CMIG, the Keepwell Provider, extended the payment date of its onshore bond. On April 19, Kangde Xin confirmed an event of default of its dollar bond, as it was failed to pay the interest within the 30-day grace period.

#### Panda Bond Market: China Mengniu issued a new bond this week

On April 19, Mengniu Dairy issued its first SCP in 2019 in China's Interbank Market valued at 1 billion RMB, with a tenor of 255 days and a coupon rate of 3.35%. This funding was intended to supplement the working capital of its subsidiaries. China Chengxin International Co., Ltd assigned AAA to the issuer of the bond, Mengniu Dairy. Mengniu Dairy was registered to found in June 2002 at Cayman Island, and became a Hong Kong-listed company in June 2004. Currently, China Oil and Food Import and Export Corporation (COFCO) enjoys the position as its largest shareholder.

## Headline: EU proposed tariffs on USD 20 billion of US imports

On April 17, the European Union (“the EU”) threatened to impose tariffs on USD 20 billion worth of US imports, including aircrafts, chemicals and agricultural products. This tariff list was a countermeasure for the US, as the US initiated the investigation under Section 301 of the Trade Act of 1974 on the EU subsidies for Airbus, and planned to put tariffs on USD 11 billion of EU imports.

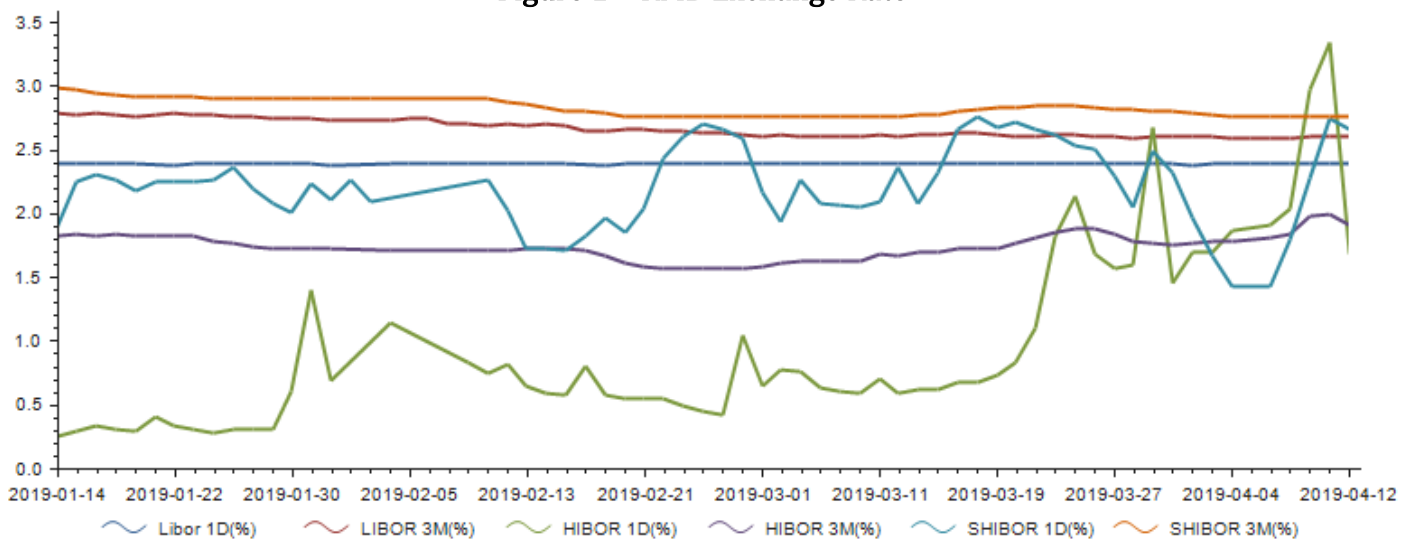
The US and EU have been battling each other since 2004 at World Trade Organization (“WTO”) over the subsidies for Boeing and Airbus. In 2004, the US accused that the EU provided illegal subsidies to Airbus, and then in 2005, the EU complained that the US also provided subsidies to Boeing. Finally, WTO judged that the subsidies provided by the US and EU were both illegal.

The final tariff list will be considered the result of public consultation and the decision of the WTO arbitrator on the appropriate level of countermeasures that the EU can impose on the US. In a statement released on April 17, Cecilia Malmström, EU trade commissioner, stated that the European companies must be able to compete on fair and equal terms. “We (EU) do not want a tit-for-fat”, added by Cecilia.

## Exchange Rate: RMB exchange rate sustained a stable trend

During the week, the RMB exchange rate remained stable with a slight decline. As of April 19, the intermediate RMB exchange rate closed at 6.7043, down 177 basis points from last Friday. On April 18, the State Administration of Foreign Exchange stated that the operation of the foreign exchange market has revealed a steady trend since the beginning of this year. Specifically, the performance of RMB exchange rate stood out among the world's major currencies. The U.S. dollar index rose 1.2% in the first quarter, and the emerging market monetary index rose 0.7%. Concurrently, the RMB exchange rate elevated 1.9% against the dollar. Generally, the supply and demand of the domestic foreign exchange market remained basically balanced.

Figure 1 : RMB Exchange Rate

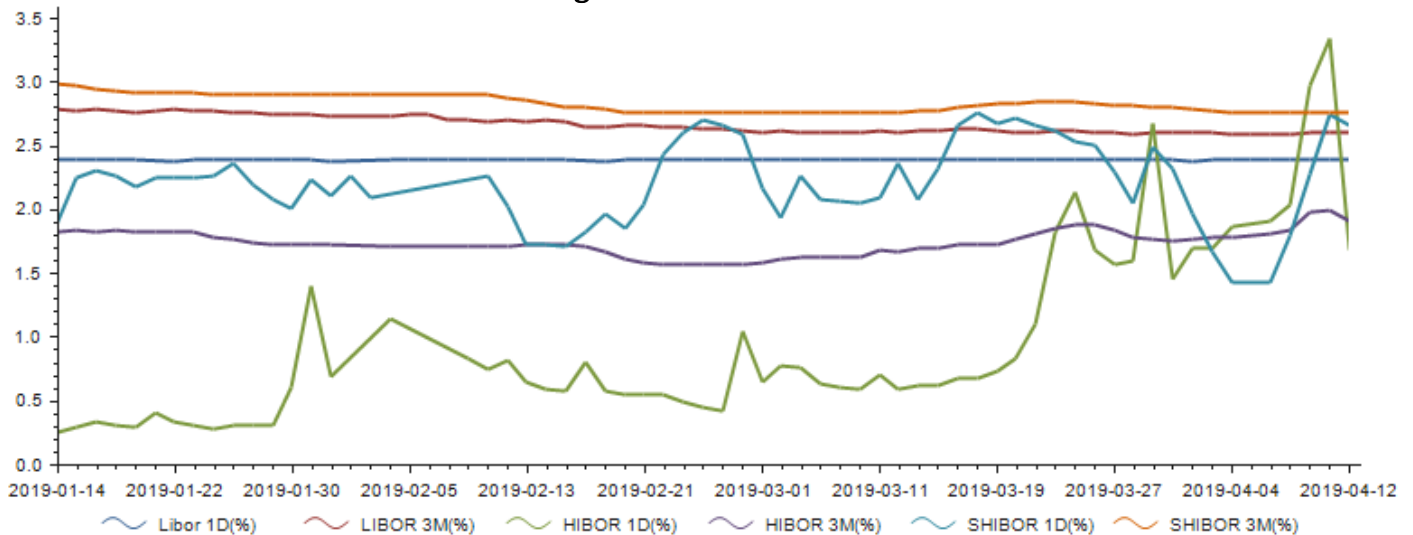


Sources: Eastmoney, CCX research

### Interest Rate : 1D Shibor remained fluctuating, US Treasury yields were relatively stable

Overnight Shibor continued its pattern of high volatility. Money market liquidity has further tightened. During the week, overnight Shibor reached a high of 2.9980 on April 17, followed by a small pullback and closed at 2.6610 on Friday. 3M Shibor revealed a steady trend with a slight increase, closing at 2.8170. Overnight Hibor remained fluctuating, closing at 1.7136 on April 18.

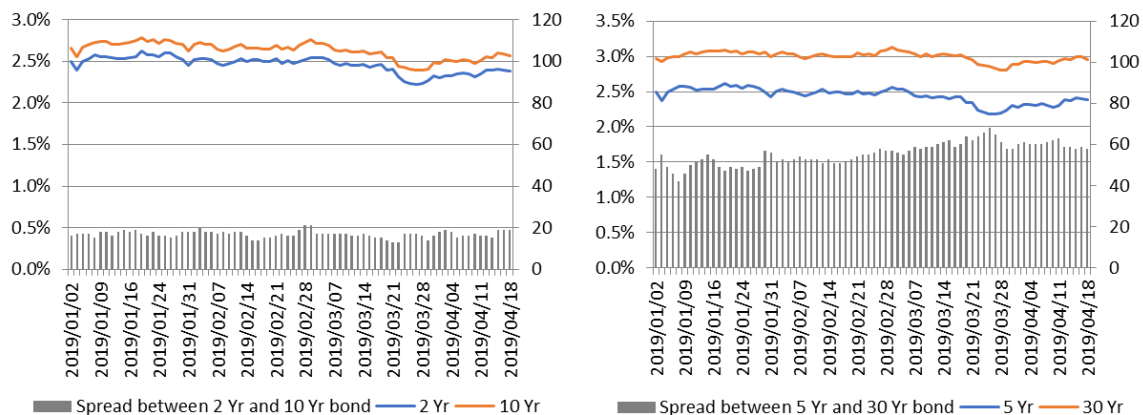
Figure 2 : Market Rate



Sources: Eastmoney, CCX research

US Treasury yields were relatively stable this week. At the beginning of the week, some US corporates, including UnitedHealth Group and Johnson & Johnson, released their first quarter results, which beat the market expectations and lifted investor risk sentiment as well as US Treasury yields. Yet, US Treasury yields slipped later of this week, after weak global manufacturing data. As of April 19, the yields on 2-year, 5-year, 10-year and 30-year Treasury note traded at 2.38%, 2.38%, 2.57% and 2.96%, changing by -2bp, 0bp, 1bp and -1bp over last week, respectively. The yield spread between 2-year and 10-year bond increased by 3bp to 19bp while the yield spread between 5-year and 30-year bond decreased by 1bp to 58bp.

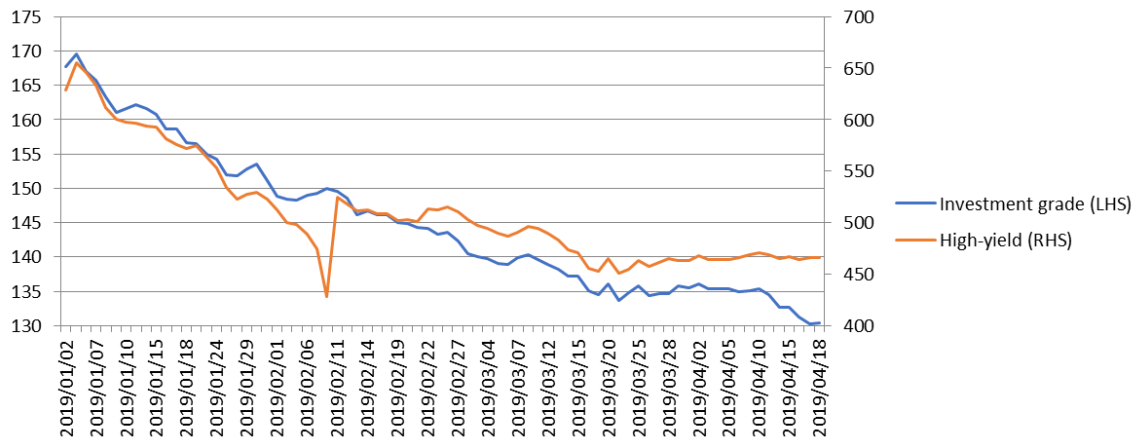
Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

The credit spread of Barclays Asia USD high-yield bond was relatively stable. As of April 19, the credit spread of investment grade index decreased by 2.2bp to 130bp while the credit spread of high-yield index increased by 1.4bp to 466bp.

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



Sources: Bloomberg, CCX research

### Chinese Offshore Bond Market

**Primary Market: Real estate issuers had a strong refinancing demand; ICBC issued USD 2.2 bn green BRBR bonds**

The Chinese real estate developers issued 7 tranches of bond with a total amount of USD 1.8 billion this week, given their strong refinancing demand. ICBC issued its first green bonds focusing on Belt and Road inter-bank regular cooperation (“BRBR”), which were denominated in CNY, USD and EUR, with equivalent amount of USD 2.2 billion. There were 14 new bonds with a total amount of USD 4.3 billion issued during the period from April 15 to 19.

Table 1 : New issuance of Chinese offshore bonds (20190415-20190419)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/4/15	Central China Real Estate Ltd	USD	300	7.25	2023/4/24	4	Real Estate	Ba3/B+/BB-	B1/-/BB-e
2019/4/15	RiseSun Real Estate Development Co Ltd	USD	325	8	2022/4/24	3	Real Estate	Ba3/BB-/-	B1/B+/-
2019/4/16	Huai'an Water Conservancy Holding Group Co Ltd	USD	300	6.2	2022/4/24	3	Real Estate	-/-/-	-/-/-
2019/4/16	Industrial & Commercial Bank of China Ltd/Singapore	CNY	1,000	3.3	2022/4/25	3	Banks	A1/A/A	A1/A/-
2019/4/16	Industrial & Commercial Bank of China Ltd/Singapore	EUR	500	0.25	2022/4/25	3	Banks	A1/A/A	A1/A/-
2019/4/16	Industrial & Commercial Bank of China Ltd/Singapore	USD	900	3ML+72	2022/4/25	3	Banks	A1/A/A	A1/A/-
2019/4/16	Industrial & Commercial Bank of China Ltd/Singapore	USD	600	3ML+83	2024/4/25	5	Banks	A1/A/A	A1/A/-
2019/4/16	Kunming Iron & Steel Holdings Co Ltd	USD	200	7.375	2021/4/23	2	Materials	-/-/BBB *-	-/-/BBBe
2019/4/17	CTI Capital Management Ltd	USD	69	3.7	12/20/2019	247D	Financials	-/-/-	-/-/-
2019/4/17	Modern Land China Co Ltd	USD	300	12.85	2021/10/25	2.5	Real Estate	B2-/B	-/-/B

2019/4/17	Ronshine China Holdings Ltd	USD	200	8.75	2022/10/25	3.5	Real Estate	B1/B/B+	B2/-/B+
2019/4/17	Sichuan Languang Development Co Ltd	USD	330	12	2021/4/25	2	Real Estate	-/B+/-	-/B/-
2019/4/18	China Development Bank Financial Leasing Co Ltd	CNY	270	3.6	2022/4/29	3	Financials	A1/A/A+	-/-/-
2019/4/18	DaFa Properties Group Ltd	USD	41	13.5	2020/4/27	363D	Real Estate	-/-/-	-/-/-

Sources: Bloomberg, CCX research

On April 15, Evergrande additionally issued USD 1 billion bonds, details are as follow:

**Table 2 : Tap bond offering (20190415-20190419)**

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/4/15	China Evergrande Group	USD	1,450 (reoffered 200)	9.5	2022/4/11	3	Real Estate	B1/B+/B+	B2/B/-
2019/4/15	China Evergrande Group	USD	850 (reoffered 400)	10	2023/4/11	4	Real Estate	B1/B+/B+	B2/B/-
2019/4/15	China Evergrande Group	USD	700 (reoffered 400)	10.5	2024/4/11	5	Real Estate	B1/B+/B+	B2/B/-

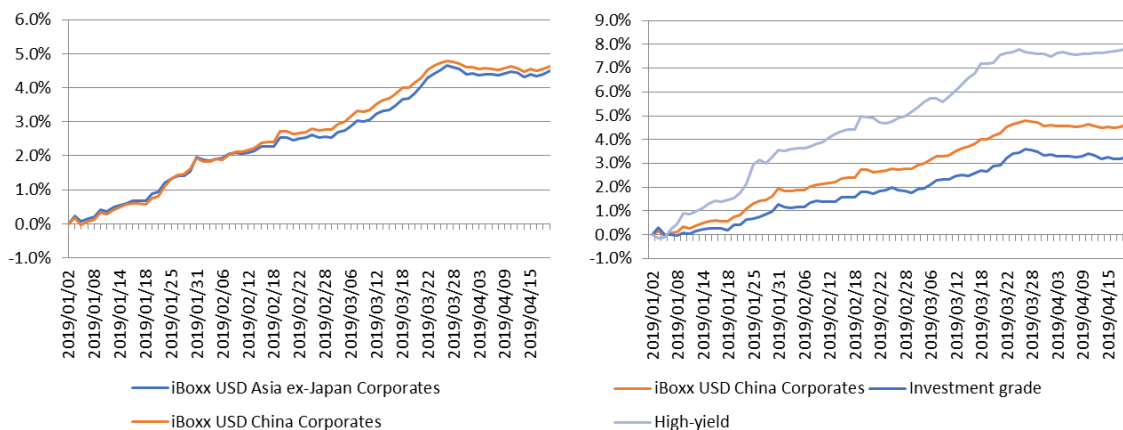
Sources: Bloomberg, CCX research

Recently, Chengdu Tianfu New Area has planned for offshore bond issuance.

### Secondary market : Fitch downgraded 4 Tianjin-based Chengtou Companies, CMIG and Kangde Xin exposed to credit events

The returns on investment grade bond and high-yield bond index went up given a strong market sentiment. As of April 19, the YTD return on Chinese USD corporate bond index was 4.64%, increasing by 16bp, of which investment grade bond index was 3.32% and high-yield bond index was 7.82%, increasing by 14bp and 19bp over last week, respectively.

**Figure 5 : YTD return on Chinese USD bond index**



Sources: Bloomberg, CCX research

On April 17, Fitch announced to downgrade the credit rating of 4 Tianjin-based Chengtou companies, following by a downgrade of an internal assessment of the creditworthiness of the Tianjin Municipal Government. The downgrade of Tianjin Municipal Government was mainly driven by its slowing economic growth, counter-cyclical fiscal measures, i.e. tax cuts, and rising indirect risk from its government-related entities (“GRES”).

**Table 3 : Rating actions taken by Fitch to the Tianjin-based Chengtuo**

Date	Obligor	Original Issuer	New Issuer	Outlook
		Rating	Rating	
2019/4/17	Tianjin Infrastructure Construction & Investment (Group) Co., Ltd	A	A-	Negative
2019/4/17	Tianjin Rail Transit Group Co., Ltd.	A	A-	Negative
2019/4/17	Tianjin Binhai New Area Construction and Investment Group Co., Ltd.	A-	BBB+	Negative
2019/4/17	Tianjin Free Trade Zone Investment Holding Group Co., Ltd.	BBB+	BBB	Negative

Sources: Fitch, CCX research

China Minsheng Investment Group Corp., Ltd. (“CMIG”) and Kangde Xin Composite Material Group Co., Ltd. (“Kangde Xin”) exposed to credit events. On April 18, CMIG’s subsidiary, Boom Up Investments Limtied, announced that CMIG postponed the interest payment of its 2016 Private Placement Notes, Series 2 from April 8 to April 19. As CMIG, the Keepwell Provider, extended the payment date, this triggered cross-defaults of 2 dollar bonds with aggregate amount of USD 800 million due 2019-2020. On April 22, CMIG announced that it was failed to repay the 2018 Super & Short-term Commercial Paper, Series 4 on time. CMIG also stated that it transferred the capital as well as the interest to Shanghai Clearing House in the evening of 22, and expected the repayment will be completed on April 23.

On April 19, Kangde Xin confirmed an event of default on its USD 300 million dollar bond due 2020, as it was failed to pay the interest within the 30-day grace period. Kangde Xin has not yet introduced any funding policies for repayment or plans for debt disposal.

### **Panda Bond Market : China Mengniu issued a new bond this week**

As of April 22, the number of Panda Bonds issued in 2019 was 10, with 8 issuers, a total issuance scale of 16.5 billion Yuan, and an average coupon of 3.741%. Issued mostly in China’s Interbank Market, tenor of these bonds varies, including one SCP, four 3-year bonds, and five medium/long-term bonds. A new bond was issued in the Panda Bond market this week, whose issuer was China Mengniu Dairy Co. Ltd (hereinafter referred to as “Mengniu Dairy”).

Mengniu Dairy was registered to found in June 2002 at Cayman Island, and became a Hong Kong-listed company in June 2004. Currently, China Oil and Food Import and Export Corporation (COFCO) enjoys the position as its largest shareholder. The company manufactures and distributes diversified products, including liquid milk products, ice cream, milk formula and other dairy products. By the end of June 2018, the Group’s annual production capacity reached 9.51 million tons. Mengniu made it on the “Global Dairy Top 10” list published by Rabobank for two consecutive years, and Top 20 for ten consecutive years. It is one of the leading dairy product manufacturers in China.

On April 19, Mengniu Dairy issued its first SCP in 2019 in China’s Interbank Market valued at 1 billion RMB, with a tenor of 255 days (approximately 0.7 year) and a coupon rate of 3.35%. This funding was intended to supplement the working capital of its subsidiaries. China Chengxin International Co., Ltd assigned AAA to the issuer of the bond, Mengniu Dairy.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20190422)

Issuer	Amount (RMB million)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Mengniu Dairy Co. Ltd	10	3.35	2019/4/19	2019/12/30	255D	SCP	China Interbank Market	China Chengxin
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

本文版权归中诚信国际信用评级有限公司、中国诚信(亚太)信用评级有限公司和/或其被许可人所有。本文件包含的所有信息受法律保护, 未经中诚信国际事先书面许可, 任何人不得复制、拷贝、重构、转让、传播、转售或进一步扩散, 或为上述目的存储本文件包含的信息。

本文件中包含的信息由中诚信国际从其认为可靠、准确的渠道获得, 因为可能存在人为或机械错误及其他因素影响, 上述信息以提供时现状为准。特别地, 中诚信国际对于其准确性、及时性、完整性、针对任何商业目的的可行性及合适性不作任何明示或暗示的陈述或担保。在任何情况下, 中诚信国际不对任何人或任何实体就 a) 中诚信国际或其董事、经理、雇员、代理人获取、收集、编辑、分析、翻译、交流、发表、提交上述信息过程中可以控制或不能控制的错误、意外事件或其他情形引起的、或与上述错误、意外事件或其他情形有关的部分或全部损失或损害, 或 b) 即使中诚信国际事先被通知该等损失的可能性, 任何由使用或不能使用上述信息引起的直接或间接损失承担任何责任。

本文件所包含信息组成部分中信用级别、财务报告分析观察(如有)应该而且只能解释为一种意见, 而不能解释为事实陈述或购买、出售、持有任何证券的建议。中诚信国际对上述信用级别、意见或信息的准确性、及时性、完整性、针对任何商业目的的可行性及合适性不作任何明示或暗示的担保。信息中的评级及其他意见只能作为信息使用者投资决策时考虑的一个因素。相应地, 投资者购买、持有、出售证券时应该对每一只证券、每一个发行人、保证人、信用支持人作出自己的研究和评估。



#### 中诚信国际信用评级有限责任公司

地址: 北京市东城区朝阳门内大街  
南竹竿胡同 2 号银河 SOHO6 号楼  
邮编: 100020  
电话: (8610) 66428877  
传真: (8610) 66426100  
网址: <http://www.ccxi.com.cn>

China Chengxin International Credit Rating Co., Ltd  
Address: Building 6, Galaxy SOHO,  
No.2 Nanzhugan hutong, Chaoyangmennei Avenue,  
Dongcheng district, Beijing, 100020  
Tel: (8610) 66428877  
Fax: (8610) 66426100  
Website: <http://www.ccxi.com.cn>



#### 中国诚信(亚太)信用评级有限公司

地址: 香港中环康乐广场 1 号  
怡和大厦 8 楼 805-808 室  
电话: (852) 2860 7111  
传真: (852) 2868 0656  
网址: <http://www.ccxap.com>

China Chengxin (Asia Pacific) Credit Ratings Company Limited  
Address: Suites 805-808, Jardine House, 1 Connaught Place,  
Central, Hong Kong  
Tel: (852) 2860 7111  
Fax: (852) 2868 0656  
Website: <http://www.ccxap.com>