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From September 2 to September 6

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CCXI & CCXAP

Cross-border Bonds Weekly Report

British parliament prevented no-deal Brexit; Chinese offshore bond issuance rose

Headline: British parliament vetoed early election twice and passed a bill to prevent no-deal Brexit

British Prime Minister Johnson recently suffered setbacks in the Brexit plan, and the British Parliament took the initiative in Brexit. British parliament twice vetoed Johnson's proposal for early election on October 15. Meanwhile, on September 6, the House of Lords of the British Parliament passed a bill designed to prevent no-deal Brexit. This legislation prevented Johnson from implementing no-deal Brexit and forced the British government to re-negotiate with the EU. The fear of no-deal Brexit reduced.

Exchange Rate: Onshore and offshore RMB appreciated substantially

During the week, the intermediate price of the RMB exchange rate revealed a steady trend. On September 6, China's central bank announced to cut the reserve requirement ratio for financial institutions by 50bp from September 16 in the latest effort to bolster the economy. Both onshore and offshore RMB appreciated substantially, closing at 7.1243 and 7.1058 as of September 6, respectively.

Interest Rate: China Government Bonds yields declined, US Treasury yields rose

During the week, the yields of China Government Bonds declined as China's central bank announced to cut the reserve requirement ratio for financial institutions. Influenced by higher-than-expected ADP data and resumed trade negotiation between US and China in October, the market risk appetite increased and the US Treasury yields rose. As of September 6, the yield spread between China and US 10-year note was 145.7bp, narrowing by 10.4bp from last Friday and widening by 90.4bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: New issuance rose, and Chengtou enterprises were the key issuers

From September 2 to September 6, there were 14 new issues with a total issued volume of USD 4.3 billion. Chengtou enterprises were the key issuers, who issued 4 dollar bonds with total issued volume of USD 1,050 million.

Secondary Market: Returns on investment grade bonds and high yield bonds dropped

As of September 6, the YTD return on Chinese USD corporate bond index dropped by 15bp over last week to 8.21%, of which investment grade bond index was 8.25%, decreasing by 15bp over last week, and high-yield bond index was 8.51%, decreasing by 36bp over the same period.

Panda Bond Market: China Power issued 2 new bonds this week

This week, China Power issued RMB 0.5 billion SCP with a tenor of 270 days and RMB 2 billion MTN with a tenor of 3 years in China's Interbank market, at a coupon rate of 2.80% and 3.55% respectively. China Chengxin assigned AAA to both the issuer and the MTN.

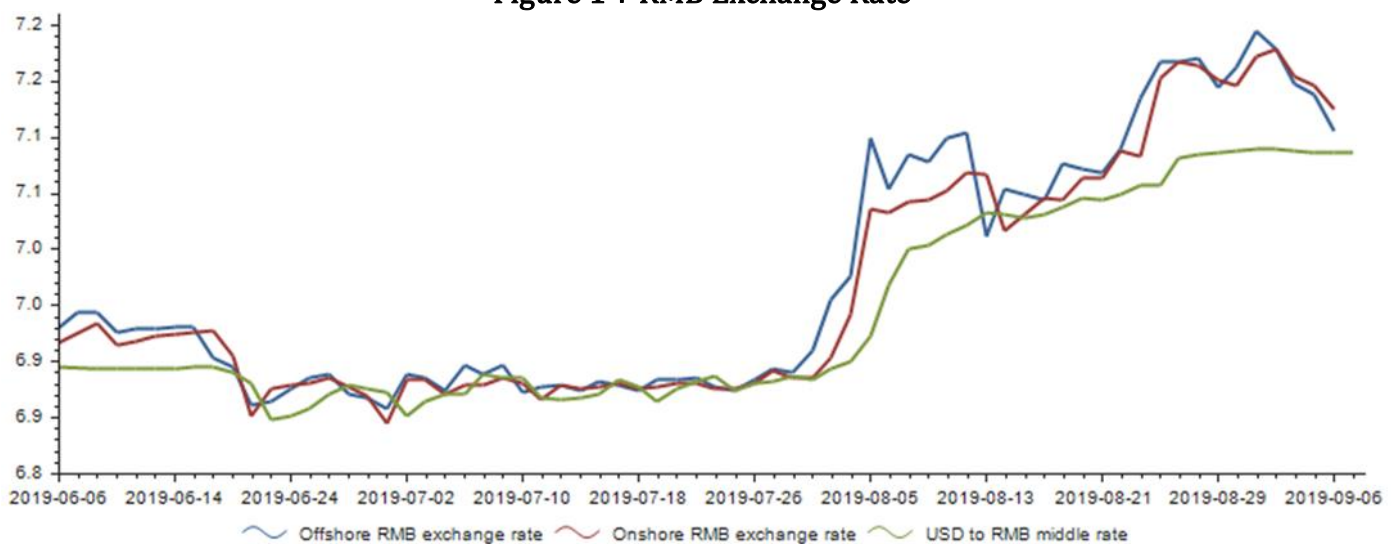
Headline: British parliament vetoed early election twice and passed a bill to prevent no-deal Brexit

British Prime Minister Johnson recently suffered setbacks in the Brexit plan, and the British Parliament took the initiative in Brexit. Johnson's two motions for an early election on October 15 were vetoed by parliament. Johnson needs at least 434 votes to pass the bill, but on September 4, he failed to reach the two-thirds threshold as his first proposed parliament vote was 298 votes in favor, 56 votes against. On September 9, Johnson submitted the bill for the second time, and British MPs voted 293 in favor and 46 against, still failed to pass the proposal. Meanwhile, on September 6, the House of Lords passed a bill designed to prevent Britain from no-deal Brexit on October 31. The bill became law on September 9 with the approval of Queen Elizabeth II. That means Johnson will not be able to implement no-deal Brexit legally, so unless Britain reaches a new deal with the EU by the end of the EU summit on October 19, he will have to seek EU's approval to postpone the Brexit. A spokesman for the British Prime Minister said that Johnson administration would not seek to postpone the Brexit and would make a decision at the EU summit on October 17-18. The legislation forced the British government to re-negotiate with the EU, which reduced fear of no-deal Brexit.

Exchange Rate: Onshore and offshore RMB appreciated substantially

During the week, the intermediate price of the RMB exchange rate revealed a steady trend, while onshore and offshore RMB exchange rate fell substantially. On September 6, China's central bank announced to cut the reserve requirement ratio for financial institutions by 50bp from September 16 in the latest effort to bolster the economy. Both onshore and offshore RMB appreciated substantially on the news. As of September 6, the intermediate price of the RMB exchange rate closed at 7.0855, down 24bp from last Friday. Both onshore and offshore RMB exchange rate fell, closing at 7.1243 and 7.1058, respectively.

Figure 1 : RMB Exchange Rate

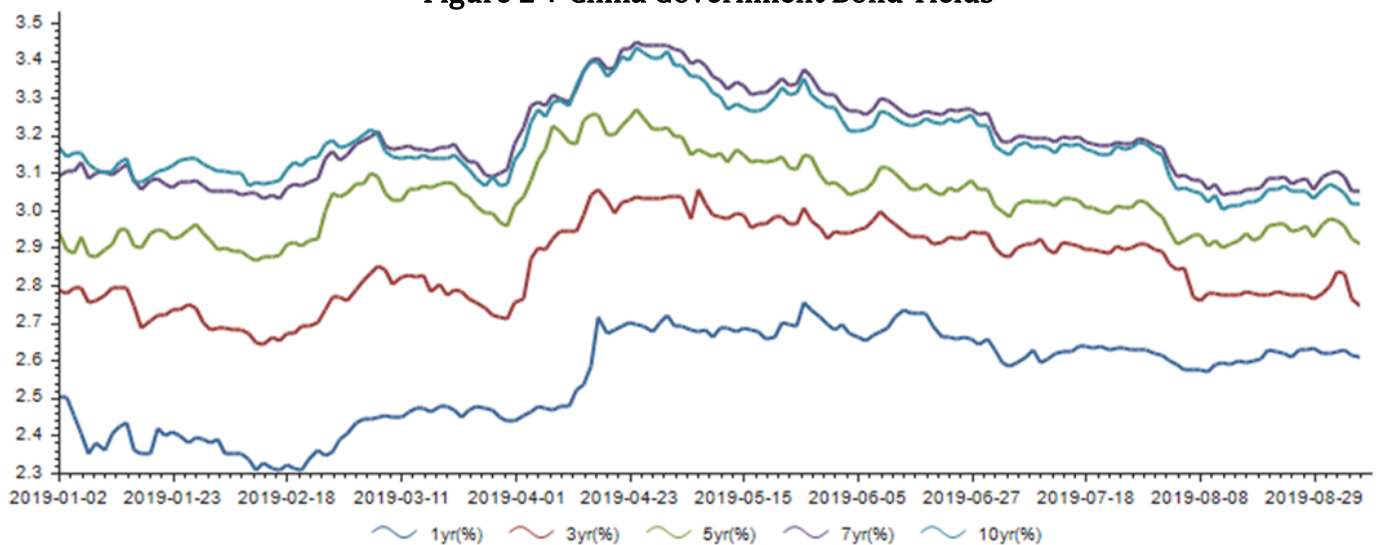


Sources: Eastmoney, CCX research

Interest Rate: China Government Bonds yields declined, US Treasury yields rose

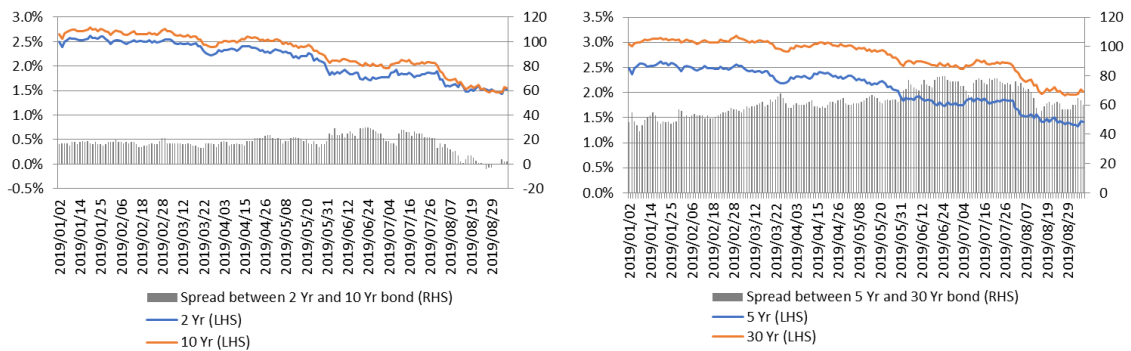
During the week, the yields of China Government Bonds declined as China's central bank announced to cut the reserve requirement ratio for financial institutions. The trend for monetary easing globally and the surge in market hedging sentiment are beneficial to the bond market. Trade policy uncertainties still persist and market disturbance may cause short term fluctuations of the bond yields. On Wednesday, JPMorgan Chase announced it would include Chinese government bonds in its benchmark emerging-market indexes. The inclusion will be phased in over a 10-month period starting February 28, 2020. The inclusion is an important milestone, as China continues to liberalize its capital markets and looks to connect more global investors. As of September 6, the maturity yields of 1-year, 3-year, 5-year, 7-year and 10-year Government Bonds decreased from last Friday, closing at 2.6102%, 2.7440%, 2.9081%, 3.0520% and 3.0173%, respectively.

Figure 2 : China Government Bond Yields



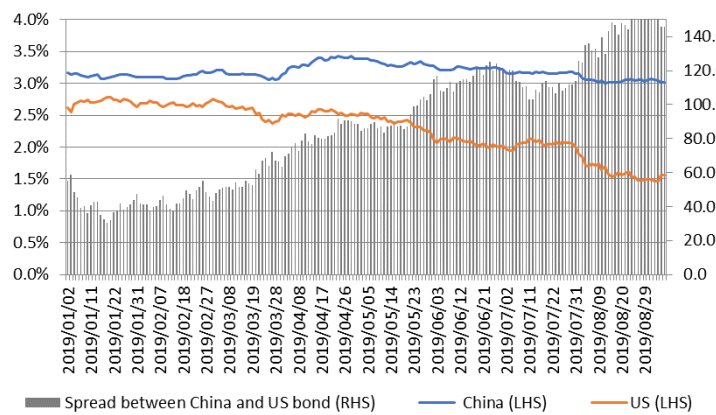
Influenced by higher-than-expected ADP data and resumed trade negotiation between US and China in October, the market risk appetite increased and the US Treasury yields rose. As of September 6, the yields on 2-year, 5-year, 10-year and 30-year Treasury note traded at 1.53%, 1.42%, 1.55% and 2.02%, increasing by 3bp, 3bp, 5bp and 6bp over last Friday. In terms of Treasury spreads, the spread between the 2-year and 10-year Treasury bonds widened by 2bp to 2bp from last Friday, and the spread between the 5-year and 30-year Treasury bonds widened by 3bp to 60bp from last Friday. As of September 6, the yield spread between China and US 10-year note was 145.7bp, narrowing by 10.4bp from last Friday and widening by 90.4bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

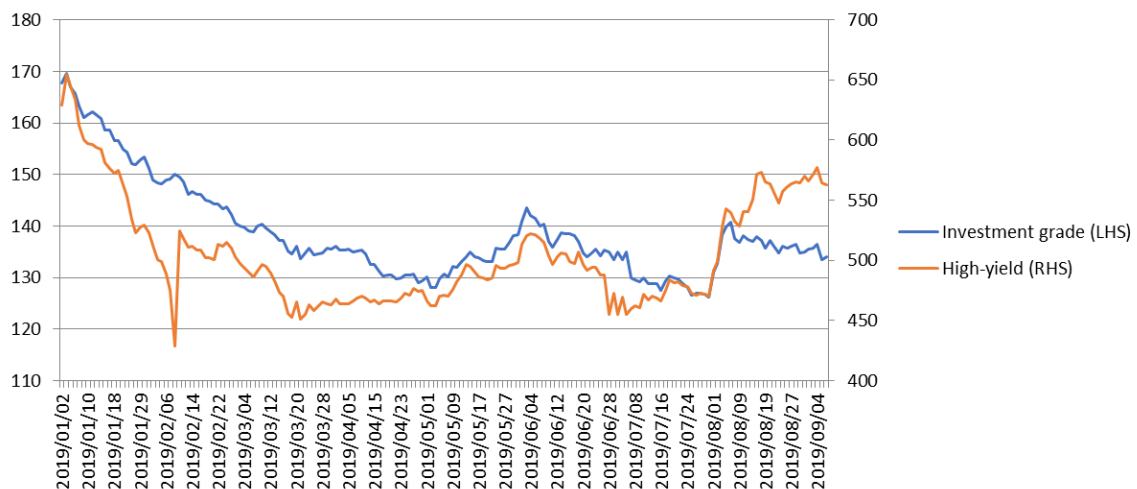
Figure 4 : Spread between China and US 10-year bond



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

The credit spread of Barclays Asia USD investment bond and high-yield bond narrowed. As of September 6, investment-grade bond spreads narrowed by 1.0bp to 134bp from last week, and high-yield spreads narrowed by 7.1bp to 563bp 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 issuance rose, and Chengtou enterprises were the key issuers

From September 2 to September 6, there were 14 new issues with a total issued volume of USD 4.3 billion. Chengtou enterprises were the key issuers, who issued 4 dollar bonds with total issued volume of USD 1,050 million.

Table 1 : New issuance of Chinese offshore bonds (20190902-20190906)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/9/3	BOC Aviation Ltd	USD	500	3	2029/9/11	10	Financials	-/A-/A-	-/A-/A-e
2019/9/3	Haitong International Securities Group Ltd	USD	160	2.88	2020/9/8	364D	Financials	Baa2/BBB/-	-/-/-
2019/9/3	Logan Property Holdings Co Ltd	USD	100	6.9	2024/6/9	4.75	Real Estate	Ba3/BB/BB	-/-/-
2019/9/3	Zhangzhou Jiulongjiang Group Co Ltd	USD	500	5.6	2022/9/10	3	Chengtou	-/-/BB+	-/-/BB+e
2019/9/3	WuXi AppTec Co Ltd	USD	300	0	2024/9/17	5	Health Care	-/-/-	-/-/-
2019/9/4	China Construction Bank New Zealand Ltd	USD	100	3ML+68	2022/8/12	2.9	Banks	A1/A/-	-/A/-
2019/9/4	Shanghai International Port Group Co Ltd	USD	300	2.4	2024/9/11	5	Industrials	A1/A+/-	A1/-/-
2019/9/4	Shanghai International Port Group Co Ltd	USD	500	2.85	2029/9/11	10	Industrials	A1/A+/-	A1/-/-
2019/9/4	Aluminum Corp of China	USD	750	4.1	-	Perpetual	Materials	-/-/A-	-/-/BBB+e
2019/9/5	Huatai International Financial Holdings Co Ltd	USD	16	3.42	2020/9/10	365D	Financials	-/BBB/-	-/-/-
2019/9/5	Changchun Urban Development & Investment Holdings Group Co Ltd	USD	250	3.9	2022/9/12	3	Chengtou	Baa1/-/BBB+	Baa1/-/-
2019/9/5	Jincheng State-Owned Capital Investment Operation Co Ltd	USD	190	6.5	2022/9/12	3	Chengtou	-/-/-	-/-/-
2019/9/5	Industrial & Commercial Bank of China Macau Ltd	USD	500	2.875	2029/9/12	10	Banks	A1/-/A	-/-/A-
2019/9/6	Mianyang Investment Holding Group Co Ltd	EUR	100	5	2020/9/12	1	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From September 2 to September 5, Skyfame Realty Holdings Ltd, CCB Financial Leasing Corp Ltd and Dalian Wanda Group Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20190902-20190906)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/9/2	Skyfame Realty Holdings Ltd	USD	205 (reoffered 100)	13	2022/7/8	3	Real Estate	-/-/B-	-/-/B-
2019/9/4	CCB Financial Leasing Corp Ltd	USD	800 (reoffered 300)	3.5	2024/5/16	5	Financials	A1/A/A	-/A/A
2019/9/5	Dalian Wanda Group Co Ltd	USD	550 (reoffered 150)	7.5	2022/7/24	3	Real Estate	-/-/-	-/-/-

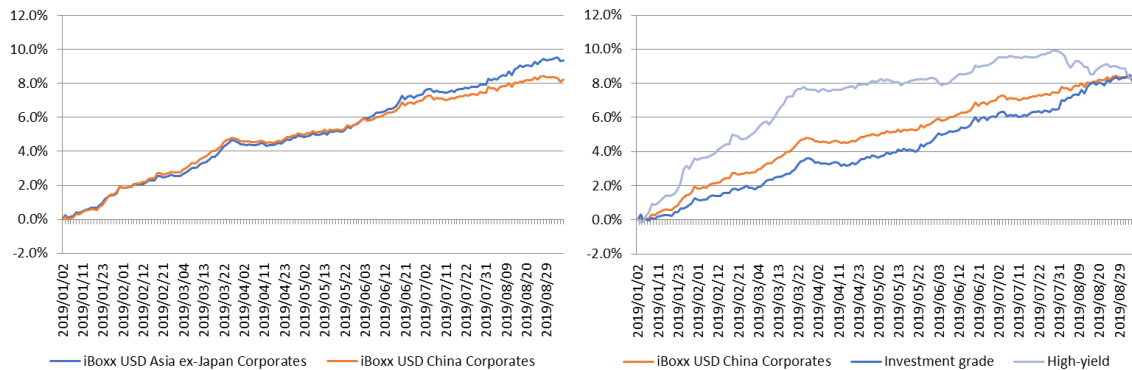
Sources: Bloomberg, CCX research

Recently, Zhongliang Holdings Group Co Ltd, Guangxi Communications Investment Group Co Ltd and Jinjiang International Holdings Co Ltd planned to issue offshore bonds.

Secondary Market: Returns on investment grade bonds and high yield bonds dropped

As of September 6, the YTD return on Chinese USD corporate bond index dropped by 15bp over last week to 8.21%, of which investment grade bond index was 8.25%, decreasing by 15bp over last week, and high-yield bond index was 8.51%, decreasing by 36bp over the same period.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

For the credit rating changes of cross-border bond market, the rating agencies upgraded the rating/outlook of 3 Chinese entities and downgraded 9 Chinese entities from September 2 to September 6. Also, Lianhe removed the domestic rating of Tahoe Group Co Ltd from rating watch list.

Table 3 : Credit rating changes of cross-border bond market (20190902-20190906)

	Entity	Sector	Latest Rating			Last Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Logan Property Holdings Co Ltd	Real Estate	BB	STABLE	2019/9/2	BB-	POS	2019/5/14	S&P	Improved financial profile
			Ba3	POS	2019/9/5	Ba3	STABLE	2019/3/29	Moody's	Improved credit metrics
	China Jinjiang Environment Holding Co Ltd	Industrials	BB-	POS	2019/9/3	BB-	NEG	2019/3/13	S&P	Zhejiang Energy took over as the largest shareholder
	Longfor Group Holdings Ltd	Real Estate	BBB	STABLE	2019/9/5	BBB-	STABLE	2016/10/28	S&P	Increased earnings stability and good financial management
Downgrade	China Water Affairs Group Ltd	Utilities	BB+	NEG	2019/9/2	BB+	Stable	2018/3/5	S&P	Potential increase in Kangda stake
	Chengdu High-Tech Investment Group Co Ltd	Chengtou	Baa3	NEG	2019/9/2	Baa3	STABLE	2018/10/11	Moody's	Higher than expected leverage
	Tianqi Lithium Corporation	Materials	Ba3	NEG	2019/9/4	Ba2	NEG	2019/6/18	Moody's	Weak capital structure and elevated leverage
	China Evergrande Group, Hengda Real Estate Group	Real Estate	B+	Stable	2019/9/3	Stable	POS	2018/9/3	S&P	Weakening liquidity profile, which is contrary to the gradual

Co Ltd, Tianji Holding Ltd										improvement as S&P anticipated
Shandong Yuhuang Chemical Co Ltd	Materials	CCC+	Rating Watch Negative	2019/9/5	B-	NEG	2019/6/14	S&P		Heightened refinancing risk
Zhongrong Xinda Group Co Ltd	Materials	CCC+	Rating Watch Negative	2019/9/5	B	NEG	2018/7/13	S&P		Deteriorating liquidity
Yunnan Provincial Investment Holdings Group Co Ltd	Chengtou	BBB	STABLE	2019/9/6	BBB+	Rating Watch Negative	2019/3/14	Fitch		Review of Yunnan province's creditworthiness

Domestic Rating:

Upgra	Tahoe Group Co Ltd	Real Estate	AA+	STABLE	2019/9/6	AA+	Rating Watch	2019/7/11	Lianhe	Improvement in operation, financials and stability of upper managers
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Sources: Bloomberg, Wind, CCX research

Panda Bond Market: China Power issued 2 new bonds this week

As of September 6, there were 16 issuers that issued 27 Panda Bonds in 2019, with a total issuance amount of RMB 41.04 billion, and an average coupon of 3.67%. These bonds were mostly issued in the Interbank Market, with the tenor of 3 years.

This week, China Power International Development Limited (“China Power”) issued two new bonds in China’s Interbank market: a SCP with a tenor of 270 days and a MTN with a tenor of 3 years. On September 3, 2019 China Power International Development Limited Super & Short-term Commercial Paper (Series 1) was successfully issued, raising RMB 0.5 billion at a coupon rate of 2.80%. On September 5, 2019 China Power International Development Limited Medium-Term Notes (Series 1) was successfully issued. The coupon rate was at 3.55% and the fund raised was RMB 2 billion. China Chengxin assigned AAA to both the issuer and the MTN.

China Power was incorporated in Hong Kong on March 24, 2004 and then listed at the Hong Kong Stock Exchange on October 15. The company's main business are the development, construction, ownership, operation and management of large power plants. By the end of 2018, the company's equity was RMB 17.27 billion. State Power Investment Co., Ltd. holds 56.04% of China Power through one of its wholly-owned subsidiary, making it the controlling shareholder of China Power.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20190906)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	0.5	2.80	2019/9/3	2020/5/30	0.74	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	2	3.55	2019/9/5	2022/9/5	3	MTN	China Interbank Market	China Chengxin
China Mengniu Dairy Co. Ltd	1	2.96	2019/8/23	2020/2/19	0.5	SCP	China Interbank Market	China Chengxin
Daimler AG	3	3.84	2019/8/12	2022/8/12	3	PPN	China Interbank Market	China Bond Rating
Daimler AG	2	3.53	2019/8/12	2021/8/12	2	PPN	China Interbank Market	China Bond Rating
Cassa depositi e prestiti S.p.A.	1	4.50	2019/8/1	2022/8/1	3	Financial Bond	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	2	3.10	2019/7/25	2020/4/20	0.76	SCP	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance N.V.	1.5	3.30	2019/7/12	2020/7/12	1	PPN	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance N.V.	2	3.98	2019/7/12	2022/7/12	3	PPN	China Interbank Market	China Chengxin
Malayan Banking Berhad	1	3.28	2019/6/21	2020/6/21	1	Financial Bond	China Interbank Market	China Chengxin
Malayan Banking Berhad	1	3.58	2019/6/21	2022/6/21	3	Financial Bond	China Interbank Market	China Chengxin
The Republic of Portugal	2	4.09	2019/6/3	2022/6/3	3	International Institutional Bond	China Interbank Market	Lianhe
Republic of the Philippines	2.5	3.58	2019/5/20	2022/5/20	3	International Institutional Bond	China Interbank Market	Lianhe
Trafigura Private Trading Enterprise Limited	0.54	5.49	2019/5/20	2022/5/20	3	PPN	China Interbank Market	Lianhe
CITIC Pacific Limited	1	3.90	2019/5/20	2022/5/20	3	Corporate Bond	Shanghai Stock Exchange	China Chengxin
Semiconductor Manufacturing International Corp.	1	3.10	2019/4/29	2019/10/26	0.5	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	0.5	3.05	2019/4/29	2019/10/26	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Co. Ltd	1	3.35	2019/4/19	2019/12/30	0.7	SCP	China Interbank Market	China Chengxin
GLP China Holdings Limited	3.3	4.35	2019/3/18	2028/3/18	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
United Overseas Bank Ltd	2	3.49	2019/3/14	2022/3/14	3	Commercial Bank Bond	China Interbank Market	China Chengxin
Bayerische Motoren Werke (BMW) Finance N.V.	3	4.00	2019/3/8	2022/3/8	3	PPN	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	1.5	3.57	2019/3/4	2022/3/4	3	MTN	China Interbank Market	China Chengxin/China Bond Rating
New Development Bank	2	3.00	2019/2/26	2022/2/26	3	International Institutional Bond	China Interbank Market	China Chengxin/Lianhe
New Development Bank	1	3.32	2019/2/26	2024/2/26	5	International Institutional Bond	China Interbank Market	China Chengxin/Lianhe
China Everbright Water Ltd	0.7	3.89	2019/1/21	2024/1/21	5	Corporate Bond	Shanghai Stock Exchange	Shanghai Brilliance
Beijing Enterprises Water Group Ltd	1	3.95	2019/1/11	2026/1/11	7	MTN	China Interbank Market	Shanghai Brilliance / Dagong
Beijing Enterprises Water Group Ltd	1	4.49	2019/1/11	2029/1/11	10	MTN	China Interbank Market	Shanghai Brilliance / Dagong

Sources: Bloomberg, CCX research

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