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From September 23 to October 4

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WTO sharply lowered its global trade growth forecast; US Treasury yields dropped significantly

Headline: WTO sharply lowered its global trade growth forecast

WTO expects world merchandise trade volume to rise by 1.2% (the weakest growth since 2009) in 2019 and 2.7% in 2020, far below the 2.6% and 3.0% estimate it issued in April. WTO economists caution that downside risks remain high and that the 2020 projection depends on a return to more normal trade relations.

Exchange Rate: The intermediate price of RMB remained stable

The intermediate price of the RMB exchange rate revealed a steady trend. As of September 30, the intermediate price of the RMB exchange rate closed at 7.0729, basically the same as last Friday (September 20).

Interest Rate: China Government Bonds yields diverged; US Treasury yields dropped significantly

Due to short term market disturbance, the yields of China Government Bonds moved in different directions. The US ISM manufacturing and non-manufacturing PMI in September fell to 10-year and 3-year lows respectively. In addition, non-farm data and wage growth were also lower than expected, triggering market concerns about US recession, and the US Treasury yield s fell significantly. As of October 4, the yield spread between China and US 10-year note was 161.4bp, widening by 23.8bp from September 20 and widening by 106.1bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: The issuance of offshore bonds increased before the National Day holiday**

From September 23 to October 4, there were 19 new issues with a total issued volume of USD 6.8 billion. The issuance of offshore bonds was mainly concentrated before the National Day holiday, with issuance of about USD 6.5 billion, up 25.5% week-on-week. During the National Day holiday, the issuance volume was relatively light. Only Helenbergh China Holdings Ltd issued one offshore bond with an amount of USD 300 million.

Secondary Market: Returns on investment grade bonds and high yield bonds continued to rise

As of October 4, the YTD return on Chinese USD corporate bond index rose by 59bp to 8.83% from September 20, of which investment grade bond index was 8.75% and high-yield bond index was 9.35%, increasing by 83bp and 8bp from September 20, respectively.

Rating Action: CXXAP affirms Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook; also assigns its US dollar-denominated senior unsecured notes final BBB_g+ rating

Panda Bond Market: No new issuance this week

Headline: WTO sharply lowered its global trade growth forecast

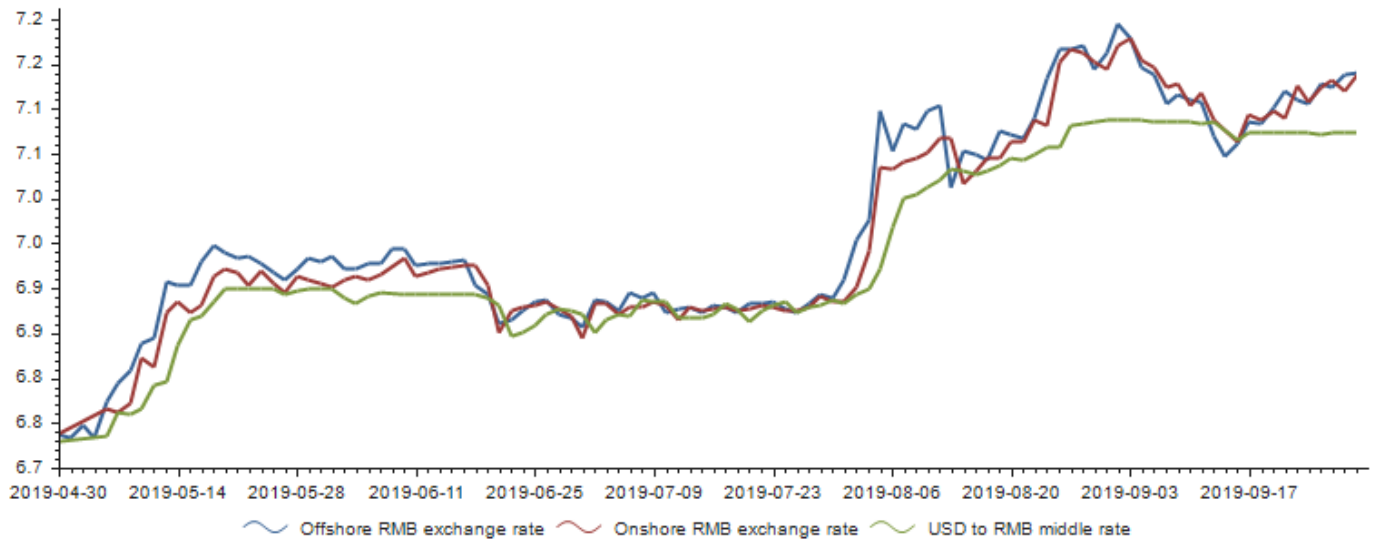
The World Trade Organization (“WTO”) sharply lowered its trade growth forecast and said that global trade growth this year will fall to its lowest level since the Great Recession. The WTO expects world merchandise trade volume to rise by 1.2% in 2019, far below the 2.6% estimate it issued in April and the weakest level since 2009. Also, it lowered the forecast growth in 2020 from 3.0% to 2.7%. WTO economists caution that downside risks remain high and that the 2020 projection depends on a return to more normal trade relations.

The updated trade forecast is based on consensus estimates of world GDP growth of 2.3% at market exchange rates for both 2019 and 2020, down from 2.6% previously. Slowing economic growth is partly due to rising trade tensions but also reflects country-specific cyclical and structural factors, including the shifting monetary policy stance in developed economies and Brexit-related uncertainty in the European Union. Macroeconomic risks are firmly tilted to the downside. The US and China in particular are in a wide-ranging dispute that has led to new tariffs on hundreds of billions of dollars' worth of traded goods. There is little expectation of an imminent resolution to the disagreement, which continues to sap economic growth. The report noted that further rounds of tariffs and retaliation could produce a destructive cycle of recrimination. Shifting monetary and fiscal policies could destabilize volatile financial markets. A sharper slowing of the global economy could produce an even bigger downturn in trade. Finally, a disorderly Brexit could have a significant regional impact, mostly confined to Europe.

Exchange Rate: The intermediate price of RMB remained stable

The intermediate price of the RMB exchange rate revealed a steady trend, while onshore and offshore RMB exchange rate continued to fluctuate with an upward trend. As of September 30, the intermediate price of the RMB exchange rate closed at 7.0729, basically the same as last Friday (September 20). Onshore and offshore RMB exchange rate closed at 7.1381 and 7.1412, rising by 480bp and 202bp as compared to September 20, respectively. On September 26, the People's Bank of China successfully issued RMB 10 billion central bank bills in Hong Kong with a tenor of 6 months. Since last November, the People's Bank of China had 11 issues of central bank bills in Hong Kong, amounting to RMB 130 billion. Establishing a regular mechanism for central bank bill issuance in Hong Kong not only enriches the high-grade RMB products in the Hong Kong market, but also conducive to maintaining the stability of the offshore RMB exchange rate.

Figure 1 : RMB Exchange Rate

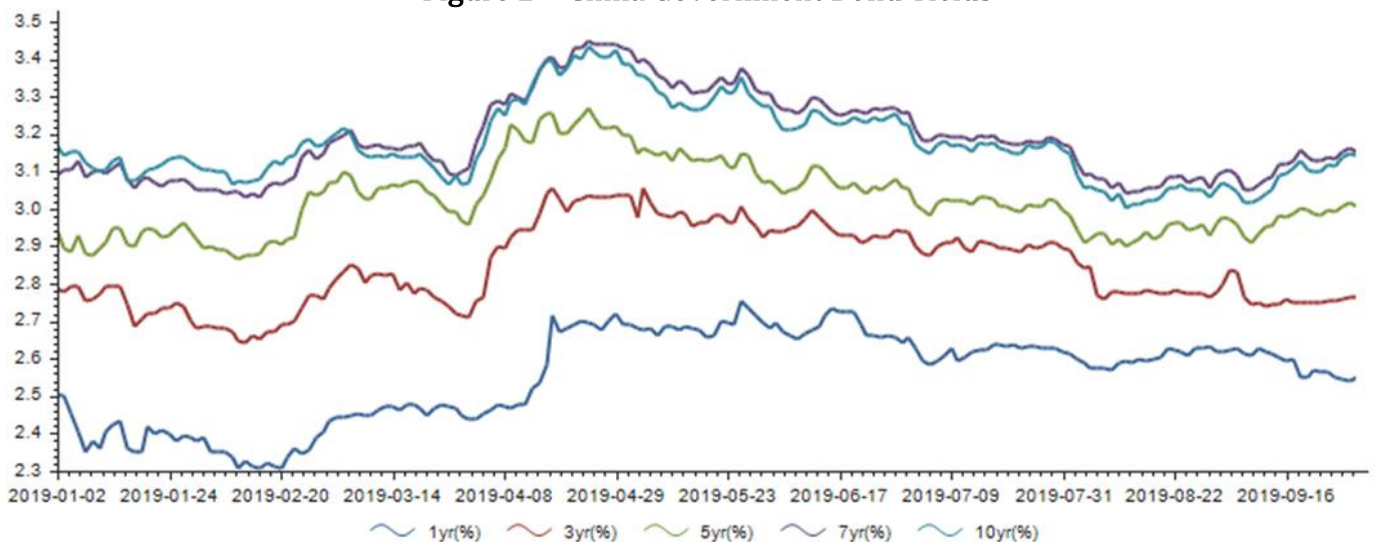


Sources: Eastmoney, CCX research

Interest Rate: China Government Bonds yields diverged; US Treasury yields dropped significantly

Due to short term market disturbance, the yields of China Government Bonds moved in different directions. As of September 30, the maturity yields of 3-year, 5-year, 7-year and 10-year Government Bonds rose from last Friday (September 20), closing at 2.7870%, 3.0123%, 3.1703% and 3.1411%, respectively; the maturity yields of 1-year Government Bonds declined, closing at 2.5628%.

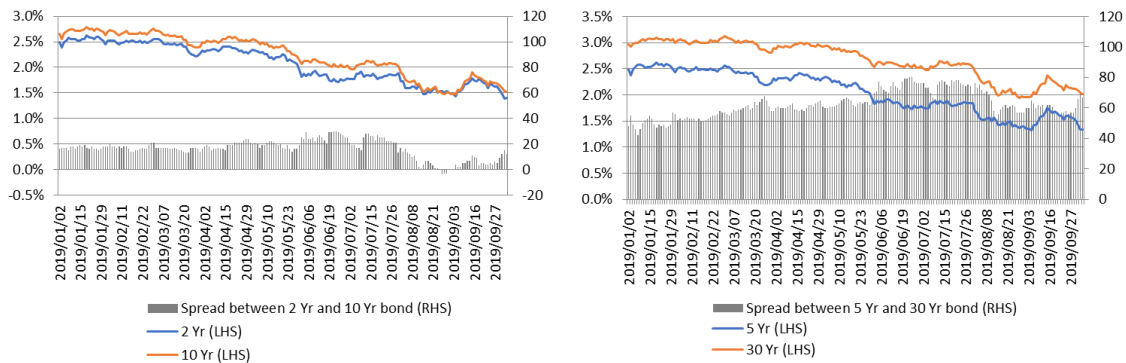
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

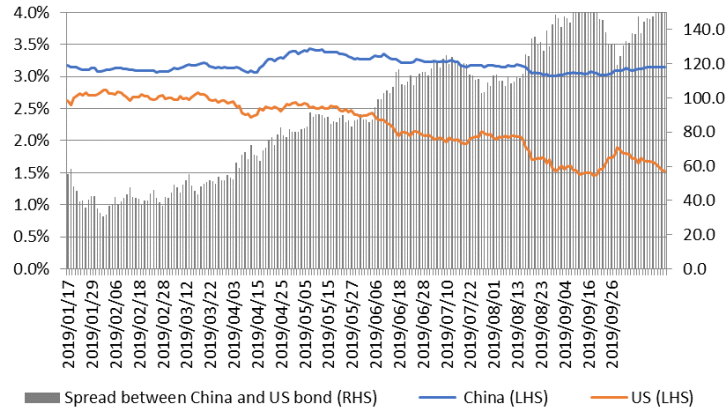
The US ISM manufacturing and non-manufacturing PMI in September fell to 10-year and 3-year lows respectively. In addition, non-farm data and wage growth were also lower than expected, triggering market concerns about US recession, and the US Treasury yields fell significantly. As of October 4, the yields on 2-year, 5-year, 10-year and 30-year Treasury note closed at 1.40%, 1.34%, 1.52% and 2.01%, decreasing by 29bp, 27bp, 22bp and 16bp from September 20. In terms of Treasury spreads, the spread between the 2-year and 10-year Treasury bonds widened by 7bp to 12bp from September 20, and the spread between the 5-year and 30-year Treasury bonds widened by 11bp to 67bp from September 20. As of October 4, the yield spread between China and US 10-year note was 161.4bp, widening by 23.8bp from September 20 and widening by 106.1bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

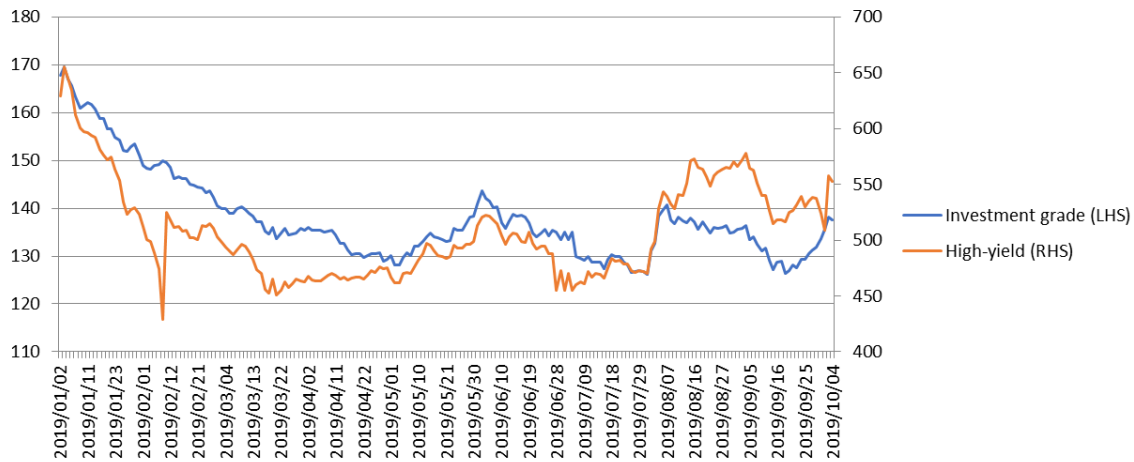
Figure 4 : Spread between China and US 10-year bond



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

The credit spread of Barclays Asia USD investment bond and high-yield bond widened. As of October 4, investment-grade bond spreads widened by 9.4bp to 137bp from September 20, and high-yield spreads widened by 25.9bp to 553bp from September 20.

Figure 5 : Credit spread of investment grade bond and high-yield bond index



Sources: Bloomberg, CCX research

Chinese Offshore Bond Market

Primary Market: The issuance of offshore bonds increased before the National Day holiday

From September 23 to October 4, there were 19 new issues with a total issued volume of USD 6.8 billion. The issuance of offshore bonds was mainly concentrated before the National Day holiday, with issuance of about USD 6.5 billion, up 25.5% week-on-week. During the National Day holiday, the issuance volume was relatively light. Only Helenbergh China Holdings Ltd issued one offshore bond with an amount of USD 300 million.

Table 1 : New issuance of Chinese offshore bonds (20190923-20191004)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/9/23	Zhenro Properties Group Ltd	USD	300	8.7	2022/8/3	2.8	Real Estate	B1/B/B+	B2/-/B+
2019/9/23	Beijing Haiguo Xintai Investment Holding Centre	USD	500	4.3	2022/10/8	3	Financials	-/BBB/-	-/BBB/-
2019/9/24	Lianyungang Port Group Co Ltd	USD	400	4.1	2022/9/27	3	Chengtou	-/BBB/-	-/BBB/-
2019/9/24	China Hongqiao Group Ltd	USD	200	7.375	2023/5/2	3.6	Materials	B1/B+/BB- /BB (Lianhe Global) /BB- (Pengyuan)	B2/-/BB-e /BB (Lianhe Global)
2019/9/24	Zhengzhou Real Estate Group Co Ltd	USD	550	3.95	2022/10/9	3	Real Estate	-/-/BBB+	-/-/BBB+e
2019/9/24	Ever Dragon Investments Group Ltd	USD	102	8	2021/9/27	2	Materials	-/-/-	-/-/-
2019/9/24	Orient Securities Co Ltd	SGD	200	2.9	2022/9/27	3	Financials	Baa3/-/-	Baa3/-/-
2019/9/25	Zensun Group Ltd	USD	220	12.8	2021/10/3	2	Real Estate	-/-/-	B2/-/-
2019/9/25	Qingdao City Construction Investment Group Co Ltd	USD	300	4	2024/10/8	5	Chengtou	-/BBB-/BBB /A- (Lianhe Global)	-/-/BBBe /A- (Lianhe Global)
2019/9/25	Road King Infrastructure Ltd	USD	480	6.7	2024/9/30	5	Real Estate	Ba3/BB/-	Ba3/BB/-
2019/9/25	Guangxi Liuzhou Dongcheng Investment Development Group Co Ltd	USD	300	7	2022/9/30	3	Chengtou	-/-/BB /BBB+g+ (CCXAP)	-/-/BB /BBB+g+ (CCXAP)
2019/9/25	Pinduoduo Inc	USD	1,000	0	2024/10/1	5	Consumer Discretionary	-/-/-	-/-/-
2019/9/25	CNOOC Ltd	USD	500	3.3	2049/9/30	30	Energy	A1/A+/A+	-/A+/-
2019/9/25	CNOOC Ltd	USD	1,000	2.875	2029/9/30	10	Energy	A1/A+/A+	-/A+/-
2019/9/26	Wuyi Mountains Ltd	USD	50	5.5	2020/9/30	1	Financials	-/-/-	-/-/-

2019/9/26	Jinan Hi-tech Holding Group Co Ltd	USD	300	4.5	2022/10/9	3	Chengtou	-/-/-	-/-/-
2019/9/27	Guotai Junan International Holdings Ltd	HKD	38.5	2.25	2019/12/30	83D	Financials	Baa2/BBB+/-	-/-/-
2019/9/27	Beijing Hongkun Weiye Real Estate Development Co Ltd	USD	110	14.75	2022/10/8	3	Real Estate	-/-/B	-/-/Be
2019/10/4	Helenbergh China Holdings Ltd	USD	300	12.875	2021/10/14	2	Real Estate	B2/-/B+	-/-/B+e

Sources: Bloomberg, CCX research

From September 23 to October 4, there were 7 Chinese enterprises announced tap bond offering.

Table 2 : Tap bond offering (20190923-20191004)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2019/9/23	Golden Wheel Tiandi Holdings Co Ltd	USD	400 (reoffered 40)	7	2021/1/18	3	Real Estate	B2/-/B	B2/-/B
2019/9/25	Ever Dragon Investments Group Ltd	USD	150 (reoffered 48)	8	2021/9/27	2	Materials	-/-/-	-/-/-
2019/9/26	China Industrial Securities International Financial Group Ltd	USD	275 (reoffered 75)	5	2020/8/28	364D	Financials	-/-/-	-/-/-
2019/9/26	Central China Real Estate Ltd	USD	400 (reoffered 200)	6.75	2021/11/8	5	Real Estate	Ba3/B+/BB-	B1/B+/B+
2019/9/26	Pacific Century Premium Developments Ltd	USD	700 (reoffered 130)	4.75	2022/3/9	5	Real Estate	-/-/-	-/-/-
2019/9/26	BOC Aviation Ltd	USD	650 (reoffered 150)	3	2029/9/11	10	Financials	-/A-/A-	-/A-/A-
2019/9/27	Zhongliang Holdings Group Co Ltd	USD	400 (reoffered 100)	11.5	2021/9/26	3	Real Estate	B1/B+/B+	B2/-/B+

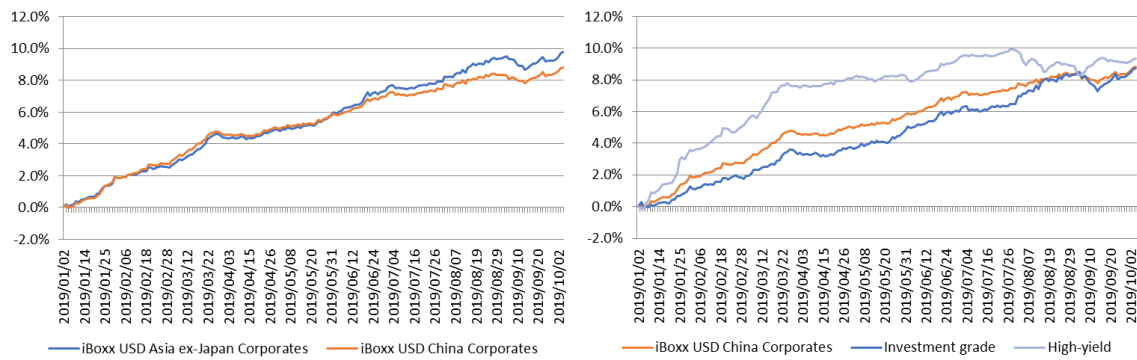
Sources: Bloomberg, CCX research

Recently, ICBC Financial Leasing Co Ltd and Bank of Communications (Sydney Branch) planned to issue offshore bonds.

Secondary Market: Returns on investment grade bonds and high yield bonds continued to rise

As of October 4, the YTD return on Chinese USD corporate bond index rose by 59bp to 8.83% from September 20, of which investment grade bond index was 8.75% and high-yield bond index was 9.35%, increasing by 83bp and 8bp from September 20, respectively.

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 taken positive rating actions on 3 Chinese issuers; and negative rating action on 8 Chinese issuers from September 23 to October 4.

Table 3 : Credit rating changes of cross-border bond market (20190923-20191004)

	Entity	Sector	Latest Rating			Last Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Yunnan Provincial Energy Investment Group Co Ltd	Utilities	BBB	STABLE	2019/9/23	BBB	Rating Watch Negative	2019/4/11	Fitch	Stronger linkage with the government
	Taikang Life Insurance Co Ltd	Financials	A	STABLE	2019/9/30	A	NEG	2018/10/11	Fitch	Sustained profitability
	Taikang Insurance Group Inc	Financials	A-	STABLE	2019/9/30	A-	NEG	2018/10/11	Fitch	Sustained profitability
Downgrade	Wuhan Real Estate Development & Investment Group Co Ltd	Chengtou	BBB-	NEG	2019/9/23	BBB-	STABLE	2018/6/12	S&P	Weakening government credit quality
	China Grand Automotive Services Group Co Ltd	Consumer Discretionary	B1	STABLE	2019/9/23	B1	POS	2018/9/14	Moody's	Leverage will remain around 5.5x-6.0x
	Tianjin Free Trade Zone Investment Holding Group Co Ltd	Chengtou	Baa3	NEG	2019/9/23	Baa3	STABLE	2018/9/12	Moody's	Elevated leverage; substantial rise in other receivables
	Xinhu Zhongbao Co Ltd	Real Estate	B2	NEG	2019/9/25	B2	STABLE	2017/2/17	Moody's	Increased debt refinancing risk; tightening credit conditions in China
	China Southern Power Grid Co Ltd	Utilities	A+	NEG	2019/9/30	A+	STABLE	2017/9/22	S&P	Challenging operating environment
	Shanghai Electric Group Corp, Shanghai Electric Group Co Ltd	Industrials	A-	STABLE	2019/9/30	A	STABLE	2019/8/9	Fitch	Deterioration in its financial profile
	Xinyuan Real Estate Co Ltd	Real Estate	B-	STABLE	2019/10/4	B	STABLE	2018/10/8	Fitch	Leverage will stay above 50%

Sources: Bloomberg, Wind, CCX research

Rating Action: CCXAP affirms Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook; also assigns its US dollar-denominated senior unsecured notes final BBB_g+ rating

In September 24, 2019, China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the long-term credit rating of BBB_g+ to Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd (“GLD” or the “Company”). The rating outlook is stable.

GLD is directly and wholly owned by the Liuzhou SASAC, and is one of the key financing and investment platforms of the Liuzhou municipal government. It is mainly operated in the Liudong New District (the “District”), which is the first new industrial town with industrial output exceeding RMB 100 billion in Guangxi, and plays an important role in Liuzhou City’s industry upgrade and economic development. The Company is the largest SOE in the District. As of end-2018, its total asset and total revenue were RMB 106.5 billion and RMB 6.8 billion respectively. GLD is mainly engaged in primary land development and public facilities construction for the District. The Company also undertakes the role for the District’s state-owned asset management, urban operations and indemnificatory housing constructions. Considering the special role of the District and GLD’s importance, we expect that Liuzhou SASAC would provide support to GLD when needed. However, the Company’s capital pressure remains high, driven by its vital construction duty for the District, and its stand-alone financial profile is relatively weak.

On September 30, CCXAP has assigned GLD's USD 300 million 7% senior unsecured notes due 2022 a final rating of BBB_g+. The notes are directly issued by GLD. The net proceeds will be used for domestic business development, domestic debt refinancing and for general corporate purposes.

Panda Bond Market: No new issuance this week

As of October 4, 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.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20191004)

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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