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From October 14 to October 18

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

Jacky Lau 852-28607125

jacky_lau@ccxap.com

Vincent Tong 852-28607121

vincent_tong@ccxap.com

Other

Rong Tian 852-28607119

rong_tian@ccxap.com

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CCXI & CCXAP

Cross-border Bonds Weekly Report

New Brexit deal paused; China further eased restrictions on foreign financial institutions

Headline: New Brexit deal paused by UK parliament

On October 17, European Commission president Jean-Claude Juncker announced that the UK and EU jointly agreed on a new Brexit deal. However, on October 19, the Letwin amendment was passed in the parliament, forcing a re-schedule on the new Brexit deal's vote to next week. The amendment advocated that the parliament should not approve any Brexit bill until the necessary legislation processes for the withdrawal have been completed, which also forced Boris Johnson to acquire a further Brexit extension (to 31 January 2020) from the EU.

Regulation: Premier of China's State Council Li Keqiang signed a decree further easing restrictions on foreign banks and insurers

On October 15, China's State Council, approved by its premier Li Keqiang, published a decree ("Order No. 720") to amend the Regulation of the PRC on the Administration of Foreign-Funded Insurance Companies (《中华人民共和国外资保险公司管理条例》) and the Regulation of the PRC on the Administration of Foreign-Funded Banks (《中华人民共和国外资银行管理条例》). The decree further eased foreign banks and insurers entering into China's market.

Exchange Rate: Onshore and offshore RMB continued to rebound

During the week, the intermediate price of the RMB exchange rate revealed a steady trend, closing at 7.0790 on October 18. Both onshore and offshore RMB exchange rate fell, closing at 7.0825 and 7.0721 respectively.

Interest Rate: China Government Bond yields rose, US Treasury yields diverged

Recently, the easing China-US trade frictions has led to the recovery of risk asset prices. The China Government Bond yields, except for 5-year yield, generally increased. Amid UK-EU consensus on a new Brexit deal and softer US & China's economic data, US Treasury yields diverged. Mid-term US treasury yields dropped and long-term yields slightly increased. As of October 18, the yield spread between China and US 10-year note was 143.3bp, widening by 0.6bp from last Friday and by 88.0bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: New issuance continued to pick up, banks and financial institutions were the key issuers

From October 14 to October 18, there were 18 new issues with a total issued volume of USD 5.5 billion. Banks and financial institutions were the key issuers.

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

As of October 18, the YTD return on Chinese USD corporate bond index increased by 30bp over last week to 8.77%, of which investment grade bond index was 8.30%, increasing by 23bp over last week, and high-yield bond index was 10.14%, increasing by 44bp over the same period.

Panda Bond Market: China TCM issued a new SCP this week

On October 14, 2019 China Traditional Chinese Medicine Holdings Co., Ltd. ("China TCM") issued RMB 2.8 billion super & short-term commercial paper ("SCP") in the interbank market, with a term of 270 days and coupon rate of 3.19%. China Chengxin International ("CCXI") assigned an issuer rating on China TCM at AAA.

Headline: New Brexit deal paused by UK parliament

On October 17, European Commission president Jean-Claude Juncker announced that the UK and EU jointly agreed on a new Brexit deal. The new deal was submitted by the British government on October 2. It stated that the whole of the UK (including Northern Ireland) will leave the EU customs union while the goods dispatching to the Northern Ireland from the UK have to maintain EU standards.

However, on October 19, the Letwin amendment was passed with a majority in the parliament, forcing a re-schedule on the new Brexit deal's vote to next week. Propelled by the former conservative party's MP Oliver Letwin, the amendment advocated that the parliament should not approve any Brexit bill until the necessary legislation processes for the withdrawal have been completed, which also forced Boris Johnson to acquire a further Brexit extension (to 31 January 2020) from the EU. The pass of the amendment, nevertheless, does not mean the new Brexit deal is dead. If Boris Johnson can ensure that the relevant laws is enacted in time, he can still bring the deal to the parliament before its intended deadline on October 31, 2019. On the same day, tens of thousands of people were marching in London to demand a stop on Brexit. According to some news reports, Sadiq Khan, the mayor of London, was also one of the protestors in the crowds.

Regulation: Premier of China's State Council Li Keqiang signed a decree further easing restrictions on foreign banks and insurers

On October 15, China's State Council, approved by its premier Li Keqiang, published an order ("Order No. 720") to amend the Regulation of the PRC on the Administration of Foreign-Funded Insurance Companies (《中华人民共和国外资保险公司管理条例》) and the Regulation of the PRC on the Administration of Foreign-Funded Banks (《中华人民共和国外资银行管理条例》), effective as of the date of publication.

Key amendments in the Regulation of the PRC on the Administration of Foreign-Funded Insurance Companies ("FFIC") included: (1) removed the requirement that a foreign insurance company shall be engaged in the insurance business for more than 30 years, and establish a representative office in the PRC that operate for more than 2 years, when applying for the establishment of a foreign-funded insurance company; (2) foreign insurance group companies were explicitly permitted to establish FFICs; and (3) foreign financial institutions were allowed to invest in the FFICs.

Key amendments in the Regulation of the PRC on the Administration of Foreign-Funded Banks ("FFB") included: (1) removed the minimum USD 10 billion total asset requirement on each foreign shareholder of a wholly foreign owned bank ("WFOB") or a JV Bank, and removed the minimum USD 20 billion total asset requirement on each foreign shareholder of a foreign bank PRC branch ("FB Branch"); (2) no longer required the sole / major Chinese shareholder of a joint venture bank to be a financial institution; (3) foreign banks were allowed to maintain FB Branches and locally incorporated banks ("FB LIBs", including WFOBs and JV Banks) in China at the same time; (4) expanded the business scope of foreign funded banks, the minimum amount required for FB Branches to accept the fixed term deposit from Chinese citizens was lowered from RMB 1 million to RMB 0.5 million; (5) removed the "waiting period" for FF Banks for conducting the RMB business; and (6) the operating funds requirements for FB Branches were relaxed.

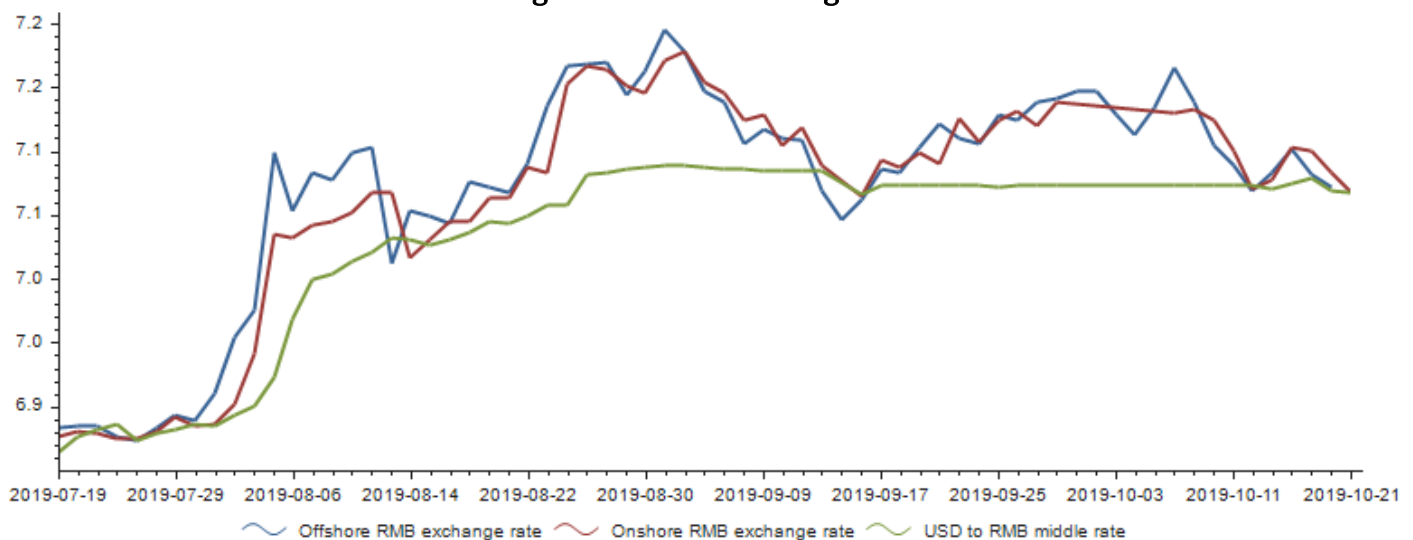
Amid the opening-up of China in financial sector, the degree of monitoring and regulating is

likely to increase. The China Banking and Insurance Regulatory Commission (“CBIRC”) claimed that they would accelerate the progress of amending the implementation of the regulation of PRC on the Administration of Foreign-funded Banks 《外资银行管理条例实施细则》 and the implementation of the regulation of PRC on the Administration of Foreign-Funded Insurance Companies 《中华人民共和国外资保险公司管理条例实施细则》, as well as improve the supplementary regulations and administration system, allowing more foreign financial institutions to participate in China’s financial sector. By doing that, it would help widen the financial services range and enrich product width for China’s financial sector, which also enhance the role of financial sector in serving the real economic entities. On the basis of equality and mutual benefit, China encouraged more foreign-funded financial institutions to participate in its financial sector.

Exchange Rate: Onshore and offshore RMB continued to rebound

During the week, the intermediate price of the RMB exchange rate revealed a steady trend, while both onshore and offshore RMB continued to rebound. As of October 18, the intermediate price of the RMB exchange rate closed at 7.0790, basically the same as last Friday. Both onshore and offshore RMB exchange rate fell, closing at 7.0825 and 7.0721, down 175bp and 160bp from last Friday respectively. The improving China-US trade negotiation is the main reason for the recent rebound of RMB. In addition, the economic data of China in September has improved which would support the economic fundamentals of China. The ongoing policies of China in opening up its financial sector will further strengthen the international status of RMB.

Figure 1 : RMB Exchange Rate

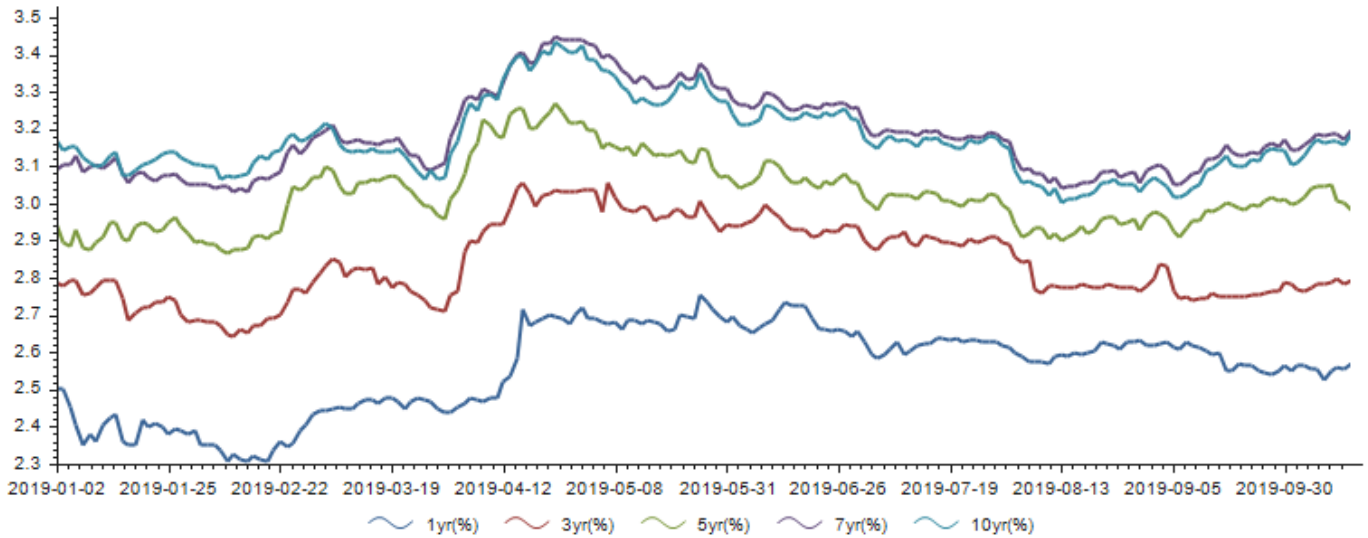


Interest Rate: China Government Bond yields rose, US Treasury yields diverged

Recently, the easing China-US trade frictions has led to the recovery of risk asset prices. The China Government Bond yields, except for 5-year yield, generally increased. As of October 18, the 1-year, 3-year, 7-year and 10-year Government Bond yields rose from last Friday, closing at 2.5678%, 2.7908%, 3.1945% and 3.1870%, respectively; 5-year yield declined, closing at 2.9803%. To further facilitate overseas institutional investors to invest in the interbank bond

market, the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) on Wednesday announced new rules allowing non-transacting transfer of bonds under the same overseas entity QFII/RQFII and direct entry channels, and direct transfer between capital accounts.

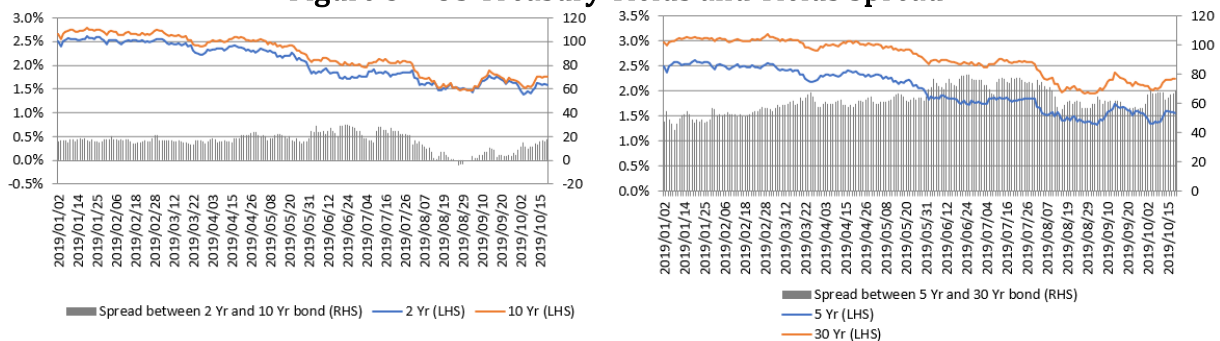
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

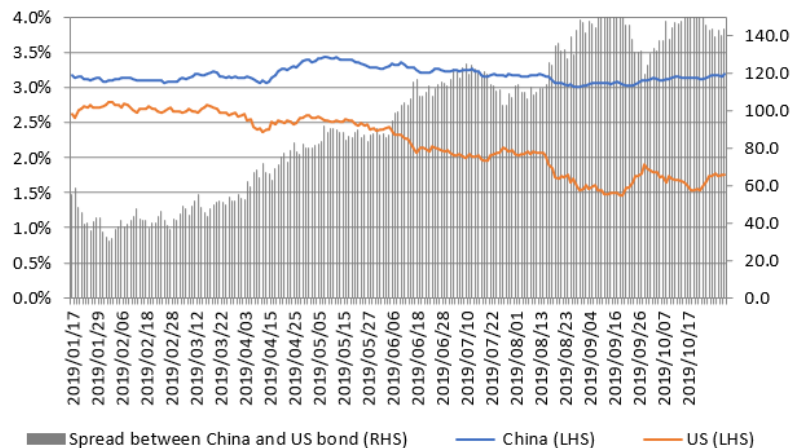
Amid UK-EU consensus on a new Brexit deal and softer US & China's economic data, US Treasury yields diverged. Mid-term US treasury yields dropped and long-term yields slightly increased. As of October 18, the 2-year and 5-year yields closed at 1.58% and 1.56%, decreasing by 5bp and 3bp; 10-year yield remained unchanged at 1.76%; and 30-year yields increased by 3bp to 2.25%. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 5bp to 18bp from last Friday, while the spread between the 5-year and 30-year widened by 6bp to 69bp from last Friday. As of October 18, the yield spread between China and US 10-year note was 143.3bp, widening by 0.6bp from last Friday and by 88.0bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

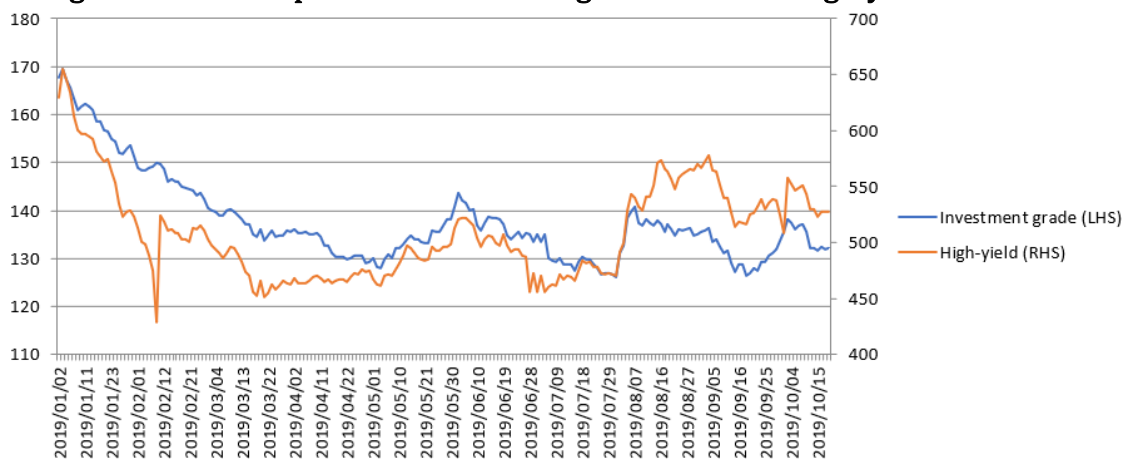
Figure 4 : Spread between China and US 10-year bond



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

The credit spread of Barclays Asia USD investment bond and high-yield bond was stable. As of October 18, investment-grade bond spreads narrowed slightly by 0.1bp to 132bp from last week, and high-yield spreads narrowed by 2.1bp to 528bp 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 continued to pick up, banks and financial institutions were the key issuers

From October 14 to October 18, there were 18 new issues with a total issued volume of USD 5.5 billion. Banks and financial institutions were the key issuers.

Table 1 : New issuance of Chinese offshore bonds (20191014-20191018)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/10/14	Kunming Municipal Urban Construction Investment & Development Co Ltd	USD	300	5.8	2022/10/17	3	Chengtou	Ba1/-/BB+	Ba1/-/BB+
2019/10/15	China Construction Bank Corp/Hong Kong	USD	1,000	3ML+66	2022/10/22	3	Banks	A1/A/A	A1/-/-
2019/10/15	China Construction Bank Corp/Luxembourg	EUR	500	0.05	2022/10/22	3	Banks	A1/A/A	A1/-/-
2019/10/15	Kaisa Group Holdings Ltd	USD	400	11.95	2022/10/22	3	Real Estate	B1/B/B	B2/-/Be
2019/10/16	China National Travel Service Group Corp Ltd	USD	300	3	2029/10/23	10	Consumer Discretionary	A3/A/-	A3/-/-
2019/10/16	China National Travel Service Group Corp Ltd	USD	300	3.35	-	Perpetual	Consumer Discretionary	A3/A/-	A3/-/-
2019/10/17	AVIC International Leasing Co Ltd	USD	200	3.45	-	Perpetual	Financials	Baa1/-/A-	Baa1/-/-
2019/10/17	Bank of China Ltd/Hong Kong	EUR	15	0	2020/10/21	365D	Banks	A1/A/A	-/-/-
2019/10/17	CCB International Holdings Ltd	USD	700	3ML+77	2024/10/24	5	Financials	-/-/-	A1/A/-
2019/10/17	China International Capital Corp Hong Kong Ltd	USD	2	0	2020/1/22	92D	Financials	Baa1/BBB/BBB+	-/-/-
2019/10/17	CITIC Securities Co Ltd	USD	500	2.75	2022/10/24	3	Financials	Baa1/BBB+/-	Baa1/-/-
2019/10/17	CITIC Securities Co Ltd	USD	200	2.875	2024/10/24	5	Financials	Baa1/BBB+/-	Baa1/-/-
2019/10/17	Health & Happiness H&H International Holdings Ltd	USD	300	5.625	2024/10/24	5	Consumer Staples	Ba2/BB+/-	-/BB/-
2019/10/17	Industrial & Commercial Bank of China Ltd/Luxembourg	USD	100	3ML+66	2022/10/23	3	Banks	A1/A/A	-/-/-
2019/10/17	Suqian Economic Development Corp	USD	150	7	2022/10/24	3	Chengtou	-/-/BB-	-/-/-
2019/10/17	Yibin State-owned Assets Management Co Ltd	USD	300	5	2020/10/22	364D	Financials	-/-/-	-/-/-
2019/10/18	Industrial & Commercial Bank of China Ltd/Luxembourg	USD	100	3ML+66	2022/10/25	3	Banks	A1/A/A	-/-/-
2019/10/18	Nanjing Yangzi State-owned Investment Group Co Ltd	USD	50	5	2020/10/23	364D	Chengtou	-/BBB+/A-	-/-/-

Sources: Bloomberg, CCX research

On October 18, Ronshine China Holdings Ltd announced tap bond offering.

Table 2 : Tap bond offering (20191014-20191018)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/10/18	Ronshine China Holdings Ltd	USD	420 (reoffered 120)	8.95	2023/1/22	4	Real Estate	B1/B+/BB-/BB(Pengyuan)	-/-/-

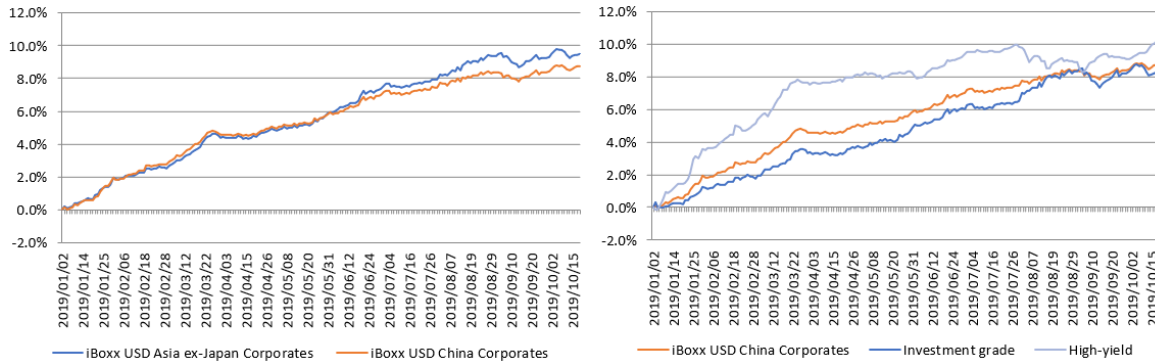
Sources: Bloomberg, CCX research

Recently, Shanghai Huayi Group Co planned to issue offshore bonds.

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

As of October 18, the YTD return on Chinese USD corporate bond index increased by 30bp over last week to 8.77%, of which investment grade bond index was 8.30%, increasing by 23bp over last week, and high-yield bond index was 10.14%, increasing by 44bp 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 took positive rating actions on 4 Chinese issuers; and negative rating action on 2 Chinese issuers from October 14 to October 18.

Table 3 : Credit rating changes of cross-border bond market (20191014-20191018)

	Entity	Sector	Entity Rating	Latest Rating		Last Rating			Rating Agency	Reason of Change
				Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Redsun Properties Group Ltd, Hong Yang Group Co Ltd	Real Estate	B+	STABLE	2019/10/16	B	POS	2018/10/16	Fitch	Expanded contracted-sales scale, higher recurring income
	Beijing Capital Development Holding Group Co Ltd	Real Estate	BBB-	POS	2019/10/16	BBB-	NEG	2018/10/18	Fitch	Increasing involvement in policy roles
	Yingda Taihe Property Insurance Co Ltd	Financials	A	STABLE	2019/10/18	A-	STABLE	2018/11/19	Fitch	Improvement in capital strength and profitability
Downgrade	Meinian Onehealth Healthcare Holdings Co Ltd	Health Care	Ba3	NEG	2019/10/14	Ba2	Rating Watch Negative	2019/7/12	Moody's	Elevating leverage
	Xin Jiang Guang Hui Industry Investment Group Co Ltd	Consumer Discretionary	B	NEG	2019/10/18	B	STABLE	2019/2/1	S&P	Diminishing liquidity buffer

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: China TCM issued a new SCP this week

On October 14, 2019 China Traditional Chinese Medicine Holdings Co., Ltd. (“China TCM”) issued RMB 2.8 billion super & short-term commercial paper (“SCP”) in the interbank market, with a term of 270 days and coupon rate of 3.19%. China Chengxin International (“CCXI”) assigned an issuer rating on China TCM at AAA. As of October 18, there were 17 issuers that issued 29 Panda Bonds in 2019, with a total issuance amount of RMB 45.34 billion and an average coupon of 3.61%. These bonds were mostly issued in the Interbank Market and with tenor mainly on 3 years.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20191018)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Traditional Chinese Medicine Holdings Co., Ltd.	2.8	3.19	2019/10/14	2020/7/9	0.74	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	1.5	2.50	2019/10/11	2019/12/25	0.21	MTN	China Interbank Market	China Chengxin
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 Corp.	International	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	Water	1	3.95	2019/1/11	2026/1/11	7	MTN	China Interbank Market	Shanghai Brilliance / Dagong
Beijing Enterprises Water Group Ltd	Water	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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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) 6642 8877
传真: (8610) 6642 6100
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) 6642 8877
Fax: (8610) 6642 6100
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>