

2019 Issue 43

From November 11 to November 15

US trade conflicts eased; Guirenniao's domestic PPN defaulted

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

Date: November 21, 2019

Headline: US trade conflicts eased

The trade conflicts between the US and its trade partners seemed to be easing recently. China-US negotiation had constructive progress. Beijing lifted a long-term ban on imports of poultry meats from the US. Both sides were working hard on further tariff cuts and discussed deeply for the first-phrase trade agreement on the phone call. In addition, democratic leaders and the Trump's government reached consensus on the revised US-Mexico-Canada trade deal. The proceedings of the deal might be completed before the coming Christmas. Moreover, some EU officials expected Trump to delay his decision on tariff increase in auto imports from the EU for 6 more months.

Exchange Rate: RMB exchange rate rose slightly

During the week, the RMB exchange rate rose slightly after falling below the threshold of 7 last week. The mid-price of the RMB exchange rate revealed a relatively stable trend.

Interest Rate: China Government Bonds and US Treasury yields generally declined

Affected by the easing sentiment in the domestic market, the bond market picked up, and the yields of China Government Bonds generally dropped; and fresh hopes for reaching the phase-one trade deal between China and the US caused a decline in US Treasury yields. As of November 15, the yield spread between China and US 10-year note was 140.5bp, widening by 7bp from last Friday and widening by 85.2bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: New issuance dropped; Nanyang Commercial Bank issued USD700 million T2 subordinated notes**

From November 11 to November 15, new issues dropped to 16 for the week, with a total issued volume of USD3.8 billion. Financial institutions were the key issuers. Nanyang Commercial Bank issued USD700 million T2 subordinated notes, which was the large single issue this week.

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

As of November 15, the YTD return on Chinese USD corporate bond index increased by 27bp over last week to 9.22%, of which investment grade bond index was 8.51%, increasing by 35bp over last week, and high-yield bond index was 11.07%, increasing by 9bp over last week.

Credit Event: Guirenniao's domestic PPN defaulted

Rating Action: CCXAP affirmed Hanjiang Guotou Group Co., Ltd.'s long-term rating at A_g, with stable outlook

Panda Bond Market: Daimler AG newly issued 2 PPNs this week

On November 13, Daimler AG issued 2 PPNs (Series 3&4 of 2019) through China's interbank market. The company raised RMB3 billion in series 3, with a coupon rate at 4.04% and tenor of 3 years; and raised RMB2 billion in series 4, with a coupon rate at 3.68% and tenor of 2 years. In 2019, Daimler AG has raised RMB10 billion in total in the Panda Bond market, with an average interest rate of 3.77%, and tenor mostly at 2 or 3 years. All issues are PPNs in the interbank market.

Headline: US trade conflicts eased

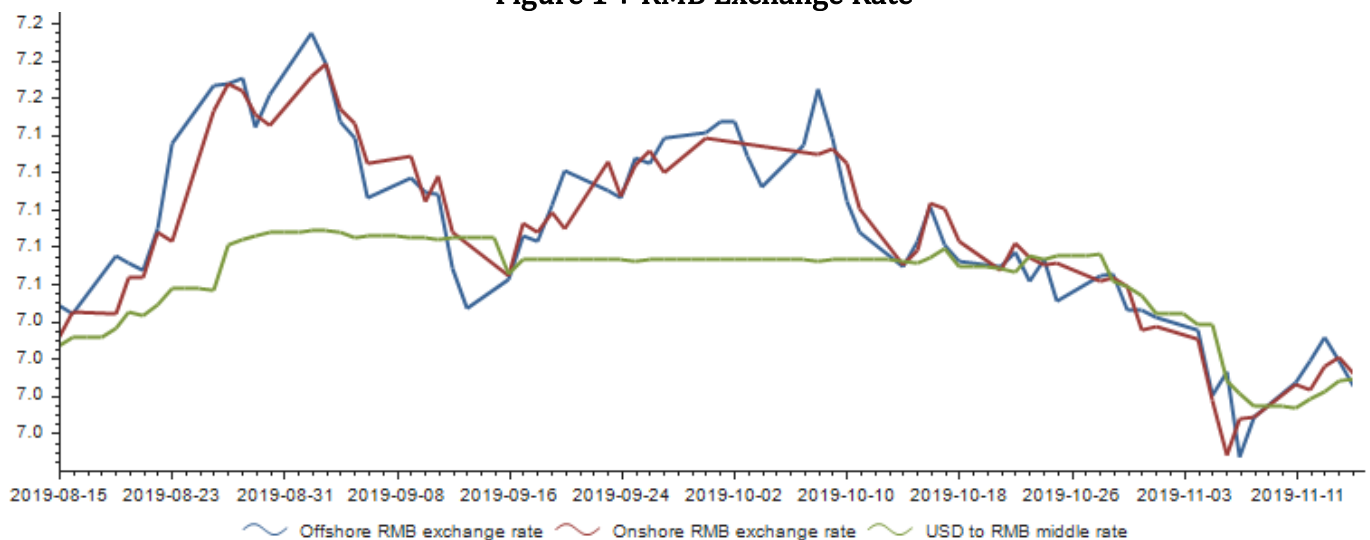
The trade conflicts between the US and its trade partners seemed to be easing recently. China-US negotiation had constructive progress. Beijing lifted a long-term ban on imports of poultry meats from the US. Both sides were working hard on further tariff cuts and discussed deeply for the first-phase trade agreement on the phone call. In addition, democratic leaders and the Trump's government reached consensus on the revised US-Mexico-Canada trade deal. The proceedings of the deal might be completed before the coming Christmas. Moreover, some EU officials expected Trump to delay his decision on tariff increase in auto imports from the EU for 6 more months.

Since mid-October, good news on US-China trade relationship has been coming out. On November 14, China's custom removed the 5-year restriction on US's poultry meats, allowing them back to the Chinese restaurant tables, which may bring about US\$1 billion to US poultry exports. Gao Feng, the spokesman of China's Ministry of Commerce, said that both China and US were discussing the degree of tariff removal. US may make some concessions on tariff increase. On November 16, China's Vice Premier Liu He, US trade representative Robert Lighthizer and Treasury Secretary Steven Mnuchin were on a call. Both sides discussed each other's core issues for the first phase of an initial trade agreement, and agreed to maintain close communication.

Exchange Rate: RMB exchange rate rose slightly

During the week, the RMB exchange rate rose slightly after falling below the threshold of 7 last week. As of November 15, the mid-price of the RMB exchange rate revealed a relatively stable trend, closing at 7.0091, up 146bp from last Friday. Both onshore and offshore RMB exchange rate fell, closing at 7.0121 and 7.0054, down 237bp and 167bp from last Friday. Recently, the RMB exchange rate of RMB fluctuated near 7, which represents increased resilience of the exchange rate. The stabilization of RMB would further enhance the attractiveness of RMB assets.

Figure 1 : RMB Exchange Rate

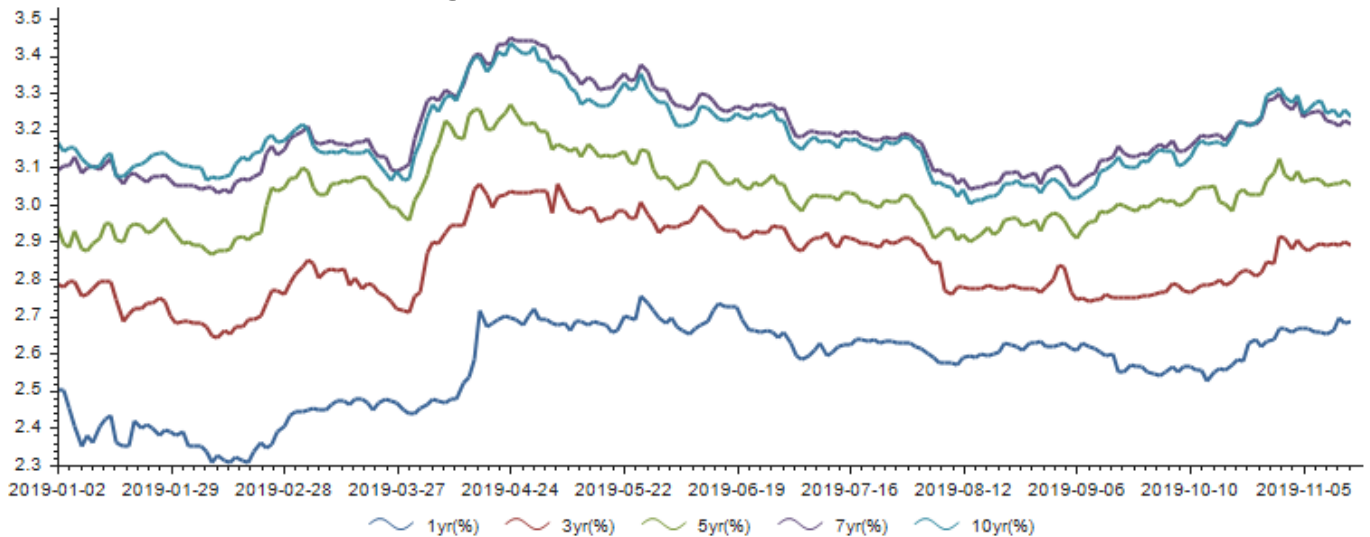


Sources: Eastmoney, CCX research

Interest Rate: China Government Bonds and US Treasury yields generally declined

During the week, affected by the easing sentiment in the domestic market, the bond market picked up. The yields of China Government Bonds generally declined. As of November 15, the maturity yields of 3-year, 5-year, 7-year and 10-year Government Bonds fell from last Friday, closing at 2.8881%, 3.0517%, 3.2141% and 3.2355% respectively; the maturity yields of 1-year China Government Bond rose, closing at 2.6877%.

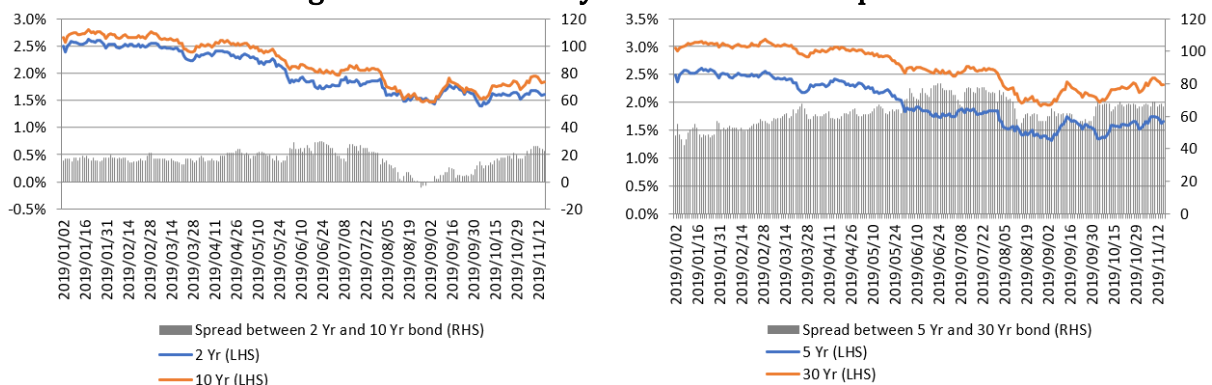
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

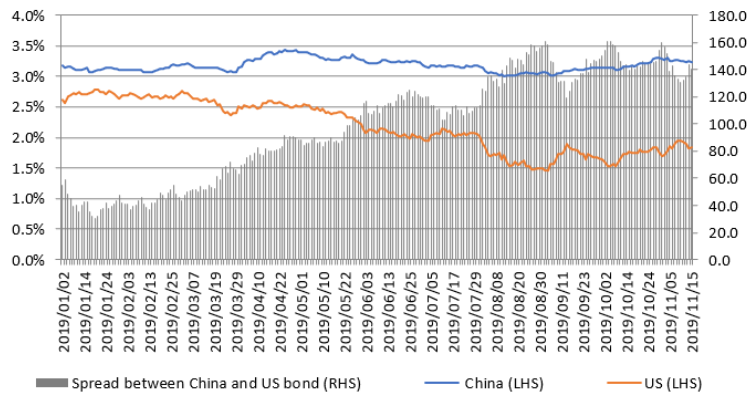
Fresh hopes for reaching the phase one trade deal between China and the US caused a decline in US Treasury yields. As of November 15, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 1.61%, 1.65%, 1.84% and 2.31%, decreasing by 7bp, 9bp, 10bp and 12bp over last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 3bp to 23bp from last Friday, and the spread between the 5-year and 30-year narrowed by 3bp to 66bp from last Friday. As of November 15, the yield spread between China and US 10-year note was 140.5bp, widening by 7bp from last Friday and widening by 85.2bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

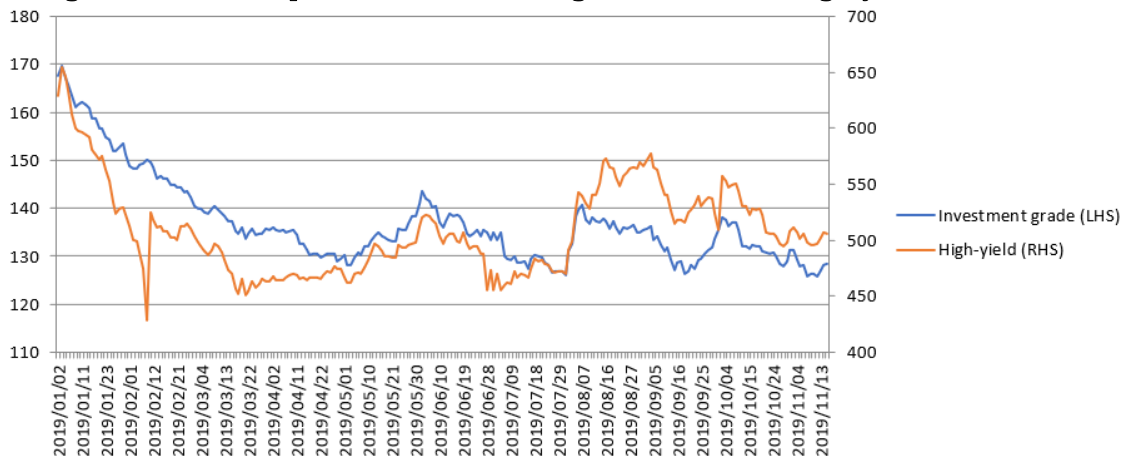
Figure 4 : Spread between China and US 10-year bond



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

The credit spread of Barclays Asia USD investment bond and high-yield bond widened. As of November 15, investment-grade bond spreads widened by 2.1bp to 128bp from last week, and high-yield spreads widened by 10bp to 506bp 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 dropped; Nanyang Commercial Bank issued USD700 million T2 subordinated notes

From November 11 to November 15, new issues dropped to 16 for the week, with a total issued volume of USD3.8 billion. Financial institutions were the key issuers. Nanyang Commercial Bank issued USD700 million T2 subordinated notes, which was the large single issue this week.

Table 1 : New issuance of Chinese offshore bonds (20191111-20191115)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/11	Road King Infrastructure Ltd	USD	300	7.75	-	Perpetual	Real Estate	Ba3/BB/-	Ba3/-/-
2019/11/11	Qingdao West Coast Development Group Co Ltd	USD	300	3.9	2022/11/18	3.0	Chengtou	Baa3-/BBB-	-/-/BBB-
2019/11/11	Zhenro Properties Group Ltd	CNY	700	8	2020/11/16	364D	Real Estate	B1/B/B+	-/-/-
2019/11/12	China Development Bank Financial Leasing Co Ltd	USD	130	2.87	2024/11/19	5.0	Financials	A1/A/A+	-/-/A+
2019/11/12	China International Capital Corp Hong Kong Ltd	USD	3	2.8	2020/2/14	91D	Financials	Baa1/BBB/BBB+	-/-/-
2019/11/13	ICBC Financial Leasing Co Ltd	USD	600	3ML+105	2024/11/20	5.0	Financials	A1/A/A	A2/A/-
2019/11/13	CMB International Capital Corp Ltd	USD	5	2.72	2020/2/20	92D	Financials	Baa1/BBB+/-	-/-/-
2019/11/13	Nanyang Commercial Bank Ltd	USD	700	3.8	2029/11/20	10.0	Banks	A3/-/-	Baa3/-/-
2019/11/14	China Aluminum International Engineering Corp Ltd	USD	350	5	-	Perpetual	Industrials	-/BB+/-	-/-/-
2019/11/14	Shanghai Electric Group Corp	USD	500	2.65	2024/11/21	5.0	Industrials	A2/A/A-	-/-/-
2019/11/14	China International Capital Corp Hong Kong Ltd	USD	100	3ML+135	2020/11/20	365D	Financials	Baa1/BBB/BBB+	-/-/-
2019/11/15	China International Capital Corp Ltd	USD	7	3.13	2020/11/19	365D	Financials	Baa1/BBB/BBB+	-/-/-
2019/11/15	Zhenjiang Cultural Tourism Industry Group Co Ltd	USD	230	7.5	2022/11/22	3.0	Chengtou	-/-/-	-/-/-
2019/11/15	Danyang Investment Group Co Ltd	USD	205	7	2022/11/22	3.0	Chengtou	-/-/-	-/-/-
2019/11/15	Zhongliang Holdings Group Co Ltd	USD	200	9.75	2020/11/24	364D	Real Estate	B1/B+/B+	-/-/-
2019/11/15	China Construction Bank New Zealand Ltd	NZD	85	2.393	2024/11/22	5.0	Banks	A1/A/-	A1/A/-

Sources: Bloomberg, CCX research

From November 11 to November 15, 6 Chinese enterprises announced tap bond offering.

Table 2 : Tap bond offering (20191111-20191115)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/11	Dexin China Holdings Co Ltd	USD	300 (reoffered 100)	12.875	2021/8/6	2	Real Estate	B2/B/-	B3/B/-
2019/11/12	Beijing Hongkun Weiye Real Estate Development Co Ltd	USD	190 (reoffered 40)	14.75	2022/10/8	3	Real Estate	-/-/B	-/-/B
2019/11/13	Fantasia Holdings Group Co Ltd	USD	350 (reoffered 150)	12.25	2022/10/18	3.25	Real Estate	B2/B/B+	B3/-/B+
2019/11/13	Yancheng Oriental Investment & Development Group Co Ltd	USD	400 (reoffered 40)	7	2022/10/17	3	Chengtou	-/-/BB-/BB+ (Lianhe Global)	-/-/BB-/BB+ (Lianhe Global)

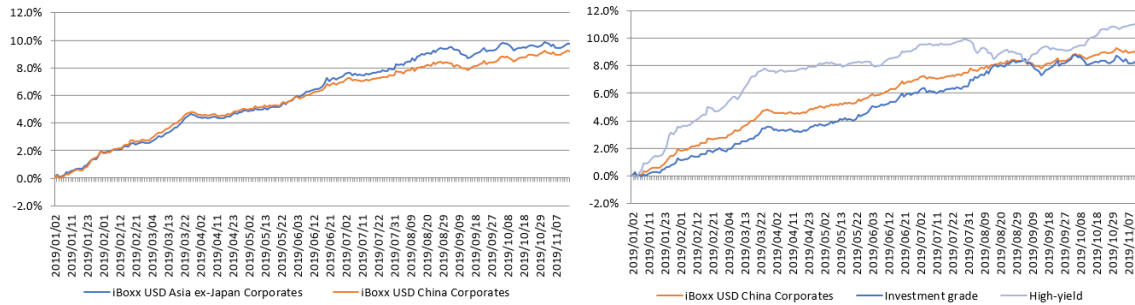
Sources: Bloomberg, CCX research

Recently, AAC Technologies Holdings Inc. planned to issue offshore bonds.

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

As of November 15, the YTD return on Chinese USD corporate bond index increased by 27bp over last week to 9.22%, of which investment grade bond index was 8.51%, increasing by 35bp over last week, and high-yield bond index was 11.07%, increasing by 9bp over last week.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

From November 11 to 15, the rating agencies took negative rating actions on 6 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20191111-20191115)

	Entity	Sector	Entity Rating	Latest Rating		Entity Rating	Last Rating		Rating Agency	Reason of Change
				Outlook	Date		Outlook	Date		
International Rating:										
Downgrade	China Everbright Bank Co Ltd	Banks	Baa2	STABLE	2019/11/12	Baa2	POS	2019/6/17	Moody's	No changes in willingness and strength of support as well as its standalone BCA
	Binhai Investment Co Ltd	Utilities	BB+	STABLE	2019/11/13	BBB-	NEG	2019/4/23	Fitch	A revision of Fitch's rating approach for the company
	Meinian Onehealth Healthcare Holdings Co Ltd	Health Care	BB	STABLE	2019/11/14	BB+	NEG	2019/7/18	Fitch	Elevating leverage
	Shandong Ruyi Technology Group Co Ltd	Consumer Discretionary	CCC+	NEG	2019/11/14	B-	Rating Watch Negative	2019/9/19	S&P	Heightened liquidity risk
	Chongqing Energy Investment Group Co Ltd	Financials	BBB	STABLE	2019/11/15	BBB+	STABLE	2019/1/7	Fitch	Weaker financial implications of default
	Shandong Sanxing Group Co. Ltd.	Consumer Staples	B+	Rating Watch Negative	2019/11/15	B+	STABLE	2019/3/26	S&P	Slow refinancing progress

Sources: Bloomberg, Wind, CCX research

Credit Event: Guirenniao's domestic PPN defaulted

Guirenniao Co.,Ltd. ("Guirenniao") failed to repay the principal and interest of its domestic

PPN (namely “16贵人鸟PPN001”) that matured on November 11. This is the first bond default in history of Guirenniao. The company explained that the reasons of default included 1) its financing channels were severely limited; 2) its solvency continued to deteriorate; and 3) its liquidity was tightening (disposal of relevant assets in short-term to repay its current debt was expected to be difficult). On November 12, Lianhe Rating decided to downgrade Guirenniao’s long-term issuer rating to CC from BBB, with a negative outlook; and downgrade Guirenniao’s corporate bond (namely “14贵人鸟”) to CC from BBB.

Rating Action: CCXAP affirmed Hanjiang Guotou Group Co., Ltd.’s long-term rating at A_g-, with stable outlook

On November 14, CCXAP assigned A_g- to Hanjiang Guotou Group Co., Ltd (“HJGT” or the “Company”) long-term credit rating, with a stable outlook.

Hanjiang Guotou was wholly owned by State-owned Assets Supervision and Administration Commission of Xiangyang Municipal Government (“Xiangyang SASAC”). It is the only prefectural-level investment and operating entity of Xiangyang City. As of the end of March 2019, the Company reported total assets of RMB135.5 billion and net assets of RMB53.1 billion. In 2018, the Company generated a total revenue of RMB8.6 billion and a net profit of RMB3.5 billion.

Xiangyang City is one of the key automobile manufacturing cities in China. It is also the second largest city in Hubei Province, in terms of GRP, ranking only after the provincial capital of Wuhan City. The Company engaged in land consolidation, infrastructure construction, affordable housing development, operation of governmental franchises and provision of public services. It has regional monopoly position in traditional segments including land consolidation, infrastructure construction and affordable housing development; since 2017, supported by the municipal government, HJGT has also expanded its business scope to public sectors and franchise services including water supply, heating services, public transportation and car park operation. However, we are aware of the Company’s high capital expenditure pressure on its large-scale projects pipeline, together with its weakening financial profile. Nevertheless, considering the strategic importance of the Company in Xiangyang City’s development, we expect the Company has high likelihood of receiving strong support from Xiangyang SASAC in times of need.

Panda Bond Market: Daimler AG newly issued 2 PPNs this week

On November 13, Daimler AG issued 2 PPNs (Series 3&4 of 2019) through China’s interbank market. The company raised RMB3 billion in series 3, with a coupon rate at 4.04% and tenor of 3 years; and raised RMB2 billion in series 4, with a coupon rate at 3.68% and tenor of 2 years. In 2019, Daimler AG has raised RMB10 billion in total in the Panda Bond market, with an average interest rate of 3.77%, and tenor mostly at 2 or 3 years. All issues are PPNs in the interbank market.

As of November 15, there were 17 issuers that issued 33 Panda Bonds in 2019, with a total issuance amount of RMB53.34 billion and an average coupon of 3.62%. 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 (20190101-20191115)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Daimler AG	2	3.68	2019/11/13	2021/11/13	2	PPN	China Interbank Market	China Bond Rating
Daimler AG	3	4.04	2019/11/13	2022/11/13	3	PPN	China Interbank Market	China Bond Rating
BMW Finance N.V.	2	3.37	2019/10/21	2020/10/21	1	PPN	China Interbank Market	China Chengxin
BMW Finance N.V.	1	3.57	2019/10/21	2021/10/21	2	PPN	China Interbank Market	China Chengxin
China Traditional Chinese Medicine Holdings Co., Ltd.	0.5	2.80	2019/10/14	2020/7/9	0.74	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	2	3.55	2019/10/11	2019/12/25	3	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
BMW Finance N.V.	1.5	3.30	2019/7/12	2020/7/12	1	PPN	China Interbank Market	China Chengxin
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
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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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>