

2020 Issue 10

From March 23 to March 27

Coronavirus cases soared in US; Chinese dollar bonds rebounded in the secondary market

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Date:

April 3, 2020

Headline: US unemployment rate surged amid COVID-19 outbreak

This week, the US surpassed China for the highest number of confirmed coronavirus cases. As of March 31, US President Donald Trump has approved disaster declarations from 17 states or districts. Despite that the equity market rebounded as underpinned by unprecedented expansionary monetary and fiscal stimulus, the surging US unemployment rate and deteriorating corporation profit and purchasing manager index ("PMI") may indicate real losses in economy. Moreover, the US released a record-high of 3.28 million initial unemployment claims, which was four times higher than the last record.

Exchange Rate: Intermediate price of RMB declined

As the US dollar index fell from the high level, the intermediate price of RMB and the offshore RMB exchange rate declined. As of March 27, the intermediate price of the RMB exchange rate closed at 7.0427.

Interest Rate: China Government Bond yields fell; US Treasury yields pulled back

Weak external demand has led to a stronger monetary easing policy signal in China, dragging down China Government Bond yields. At the beginning of the week, the US announced its unlimited quantitative easing plan to purchase assets "in the amounts needed", driving US Treasury yields up. However, US Treasury yields pulled back following more investors seeking safe assets, as the US surpassed China for the highest number of confirmed coronavirus cases around the world. As of March 27, the yield spread between China and US 10-year note was 192.7bp, widening by 9.0bp from last Friday and 65.5bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance stayed weak**

From March 23 to March 27, there were 5 new issues with a total issued volume of USD878 million, of which, Yida China Holdings Ltd issued USD225 million notes to exchange its outstanding senior notes due 2020.

Secondary Market: Chinese dollar bonds rebounded given valuation recovery

After a sharp sell-off in the Chinese dollar bond market, investors started to reconsider the true market value of the bonds. Return of Chinese dollar bonds rebounded and yields fell. As of March 27, the YTD return on Chinese USD corporate bond index increased by 219bp from last Friday to -2.23%. In terms of sector indices, the return on real estate index recorded the largest rally, rising by 431bp from last Friday to -6.39%.

Rating Actions: Rating agencies takes a series of negative actions on Chinese corporates amid ongoing epidemic outbreak

Risk Event: Yida China completed its exchange offer

Panda Bond Market: No new issuance this week

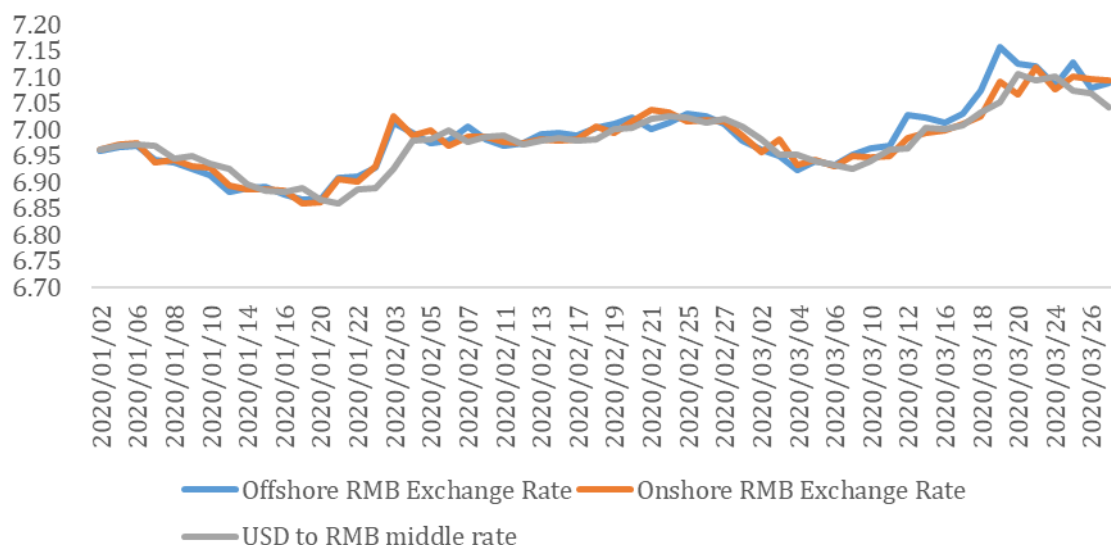
Headline: US unemployment rate surged amid COVID-19 outbreak

This week, the coronavirus continued spreading around the world. Italy became the epicenter of the outbreak in Europe, with a mortality rate of more than 11%, ranking the first in the world; the US surpassed China for the highest number of confirmed coronavirus cases. According to World Health Organization (“WHO”), the numbers of confirmed cases doubled to 693,282 from March 23 to March 30. As of March 30, the US coronavirus cases increased nearly three times to 122,653 and deaths increased over four times to 2,112, as compared to that of 31,573 and 402 on March 23. As of March 31, US President Donald Trump has approved disaster declarations from 17 states or districts, including Washington DC and New York. Despite that the equity market rebounded as underpinned by unprecedented expansionary monetary and fiscal stimulus, the surging US unemployment rate and deteriorating corporation profit and PMI may indicate real losses in economy. Moreover, the US released a record-high of 3.28 million initial unemployment claims, which was four times higher than last record of 69.5 thousand in 1982. James Bullard, the president of the Federal Reserve Bank of St. Louis, projected that the coronavirus economic freeze could send the unemployment rate past 30%. J.P. Morgan predicted that the unemployment of US may rise to 8.5% in mid-2020. Bank of America predicted that the second-quarter GDP growth of the US may drop to 12%; Barclays predicted a drop of 7-10% on GDP growth for the same quarter.

Exchange Rate: Intermediate price of RMB declined

Affected by the global epidemic, foreign exchange market fluctuated sharply. Market liquidity has been eased as the Fed announced unlimited QE. As the US dollar index fell from its high level, the intermediate price of RMB and the offshore RMB exchange rate declined. As of March 27, the intermediate price of RMB exchange rate closed at 7.0427, down 625bp from last Friday, while offshore RMB exchange rate fell 386bp to 7.0876. Onshore RMB exchange rate showed a diverging trend, increasing by 267 from last Friday to 7.0928. Compared with the sharp fluctuation of the US dollar and other currencies, the RMB exchange rate was relatively stable and remained strong against a basket of currencies.

Figure 1 : RMB exchange rate

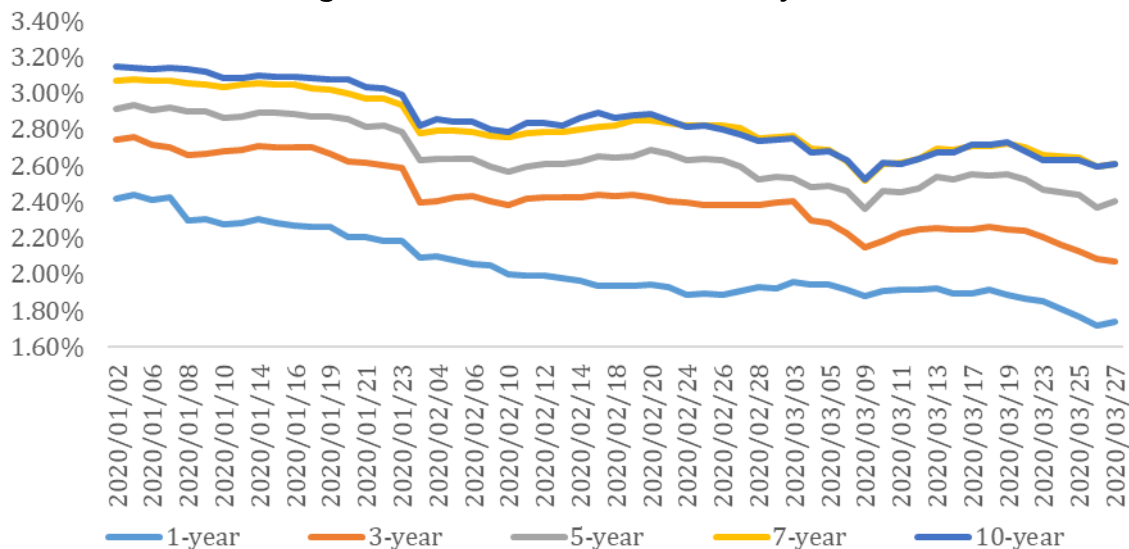


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields fell; US Treasury yields pulled back

Given the global epidemic, the US and Eurozone economies are expected to contract in the second quarter. Although China's economic activities gradually recovered before the end of March, weak external demand has led to a stronger monetary easing policy signal, dragging down China Government Bond yields. As of March 27, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields declined from last Friday, closing at 1.7412%, 2.0713%, 2.4038%, 2.6074% and 2.6090% respectively.

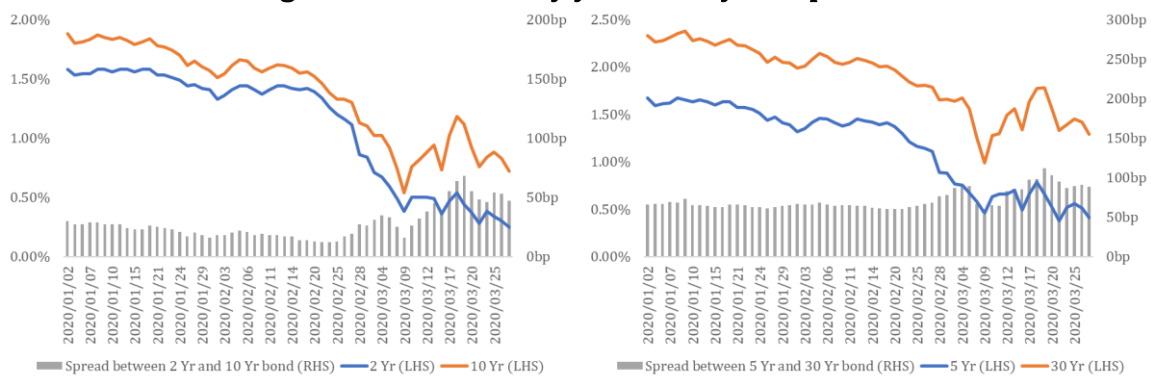
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

At the beginning of the week, the US announced its unlimited quantitative easing plan to purchase assets “in the amounts needed” to support smooth market functioning and effective transmission of monetary policy, driving US Treasury yields up. However, US Treasury yields pulled back following more investors seeking safe assets, as the US surpassed China for the highest number of confirmed coronavirus cases around the world. As of March 27, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.25%, 0.41%, 0.72% and 1.29%, decreasing by 12bp, 11bp, 20bp and 26bp over last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year decreased by 8bp to 47bp from last Friday, while the spread between the 5-year and 30-year decreased by 15bp to 88bp from last Friday.

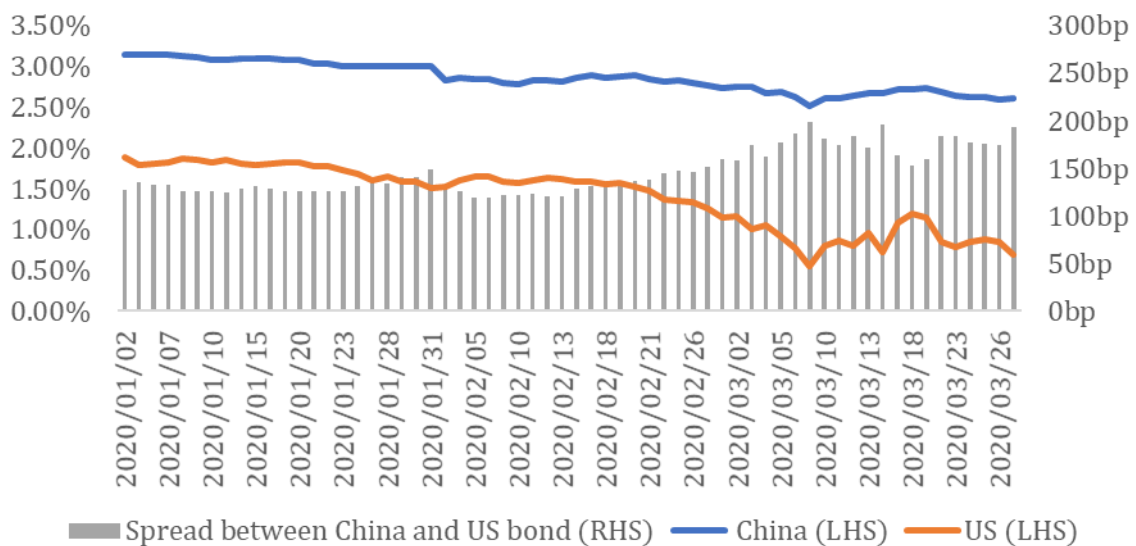
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of March 27, the yield spread between China and US 10-year note was 192.7bp, widening by 9.0bp from last Friday and 65.5bp from the beginning of the year.

Figure 4 : Yield spread between China and US 10-year note



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

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance stayed weak

From March 23 to March 27, there were 5 new issues with a total issued volume of USD878 million, of which, Yida China Holdings Ltd issued USD225 million notes to exchange its outstanding senior notes due 2020.

Table 1 : New issuance of Chinese offshore bonds (20200323-20200327)

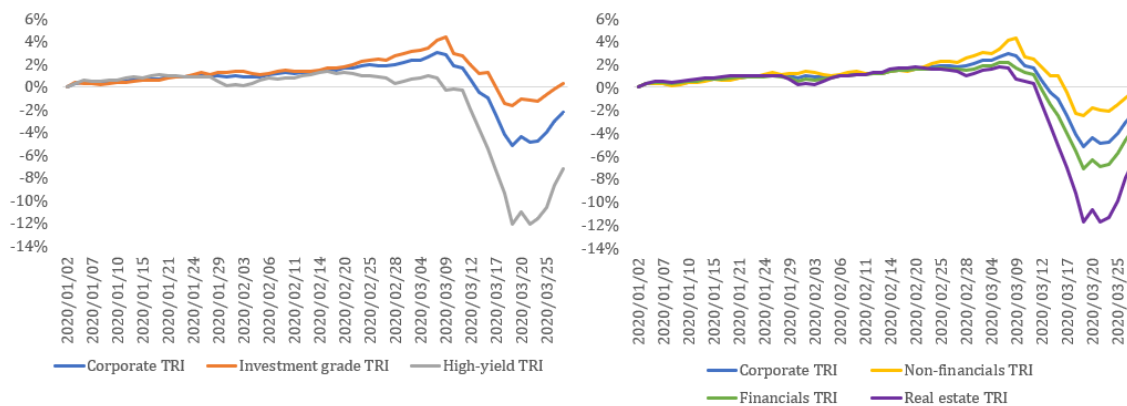
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/3/23	Yida China Holdings Ltd	USD	225	10	2022/3/27	2	Real Estate	Caa2/SD/C	-/-
2020/3/24	Xinhu Zhongbao Co Ltd	USD	200	11	2023/3/27	3	Real Estate	B3/B/B-	-/B/-
2020/3/25	China International Capital Corp Hong Kong Ltd	USD	100	2.7	2020/12/29	272D	Financials	Baa1/BBB/BBB+	-/-
2020/3/25	Taizhou Xinbinjiang Development Co Ltd	USD	219	7	2023/4/2	3	Chengtou	-/-	-/-
2020/3/26	Chenzhou Industry Investment Group Co Ltd	EUR	120	2.5	2023/3/30	3	Chengtou	-/-	-/-

Sources: Bloomberg, CCX research

Secondary Market: Chinese dollar bonds rebounded given valuation recovery

After a sharp sell-off in the Chinese dollar bond market, investors started to reconsider the true market value of the bonds. Return of Chinese dollar bonds rebounded and yields fell. As of March 27, the YTD return¹ on Chinese USD corporate bond index increased by 219bp from last Friday to -2.23%, of which investment grade bond index was 0.30% and high-yield bond index was -7.23%, increasing by 140bp and 376bp respectively. In terms of sector indices, the return on real estate index recorded the largest rally, rising by 431bp from last Friday to -6.39%, while the non-financial and financial indices were -0.40% and -3.54%, increasing by 140bp and 275bp from last Friday, respectively.

Figure 5 : YTD return on Markit IBoxx Chinese USD bond index

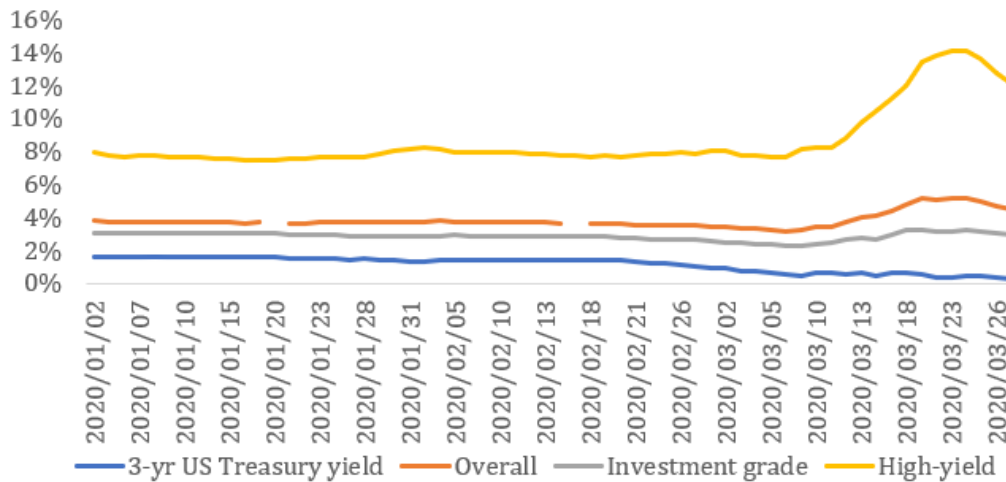


Sources: Bloomberg, CCX research

As of March 27, the yield-to-worst of Chinese dollar bonds decreased by 60bp to 4.47% from last Friday, of which investment grade bond index dropped by 17bp to 2.94%, while the high-yield bond index declined by 173bp to 12.09%.

¹ Year-to-date return measures the return since January 2, 2020.

Figure 6 : Yield-to-worst of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

Rating Actions: Rating agencies takes a series of negative actions on Chinese corporates amid ongoing epidemic outbreak

From March 23 to March 27, the rating agencies took positive rating action on 1 Chinese issuer; and negative rating actions on 29 Chinese issuers.

Table 2 : Credit rating changes of cross-border bond market (20200323-20200327)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									
eHi Car Services Ltd	Consumer Discretionary	B+	NEG	2020/3/23	B+	STABLE	2019/12/10	S&P	Lingering COVID-19 impact
CAR Inc	Consumer Discretionary	B+	NEG	2020/3/23	B+	STABLE	2019/12/10	S&P	Falling profitability given COVID-19 outbreak
Jinjiang International Holding Co Ltd	Consumer Discretionary	BBB	Rating Watch Negative	2020/3/23	BBB	STABLE	2019/9/5	S&P	Occupancy and revenue decline related to COVID-19
Hilong Holding Ltd	Energy	B1	STABLE	2020/3/23	B1	POS	2019/12/5	Moody's	Weakening earning over 2020-21
Shandong Ruyi Technology Group Co Ltd	Consumer Discretionary	Caa3	NEG	2020/3/24	Caa1	NEG	2019/12/11	Moody's	Tightening liquidity position and elevated refinancing risk
Red Star Macalline Group Corp Ltd	Real Estate	BB+	NEG	2020/3/24	BB+	STABLE	2019/4/15	S&P	COVID-19 induced income volatility
Beijing Easyhome Investment Holding Group Co Ltd	Consumer Discretionary	BB+	NEG	2020/3/24	BB+	STABLE	2019/2/25	S&P	Weakening operating conditions

Downgrade

21Vianet Group Inc	Communications	B2	STABLE	2020/3/24	B1	STABLE	2019/12/18	Moody's	Elevated leverage over the next 12-18 months
Yunnan Metropolitan Construction Investment Group Co Ltd	Chengtou	BBB-	NEG	2020/3/25	BBB	STABLE	2019/12/12	Fitch	Decrease in Yunnan government's control over the company
Tianqi Lithium Corp	Materials	Caa1	NEG	2020/3/25	B2	NEG	2020/2/12	Moody's	Very strained capital structure
Tahoe Group Co Ltd	Real Estate	Caa1	NEG	2020/3/25	B3	STABLE	2019/9/13	Moody's	Elevated refinancing risk
GLP China Holdings Ltd	Industrials	BBB	Rating Watch Negative	2020/3/25	BBB	NEG	2020/1/22	S&P	Proposed Li & Fung acquisition
E-House China Enterprise Holdings Ltd	Real Estate	BB-	STABLE	2020/3/25	BB	STABLE	2019/2/15	S&P	Faster debt expansion, slower revenue growth amid COVID-19
Dongfeng Motor Group Co Ltd	Consumer Discretionary	A2	Rating Watch Negative	2020/3/26	A2	STABLE	2019/9/12	Moody's	Credit shock given sensitivity to consumer demand and sentiment, which affected by coronavirus outbreak
Beijing Automotive Group Co Ltd	Consumer Discretionary	Baa2	Rating Watch Negative	2020/3/26	Baa2	NEG	2019/8/7	Moody's	
Geely Automobile Holdings Limited	Consumer Discretionary	Baa3	Rating Watch Negative	2020/3/26	Baa3	STABLE	2019/12/27	Moody's	
Zijin Mining Group Co Ltd	Materials	BBB-	NEG	2020/3/27	BBB-	Rating Watch Negative	2019/12/6	S&P	Elevated leverage in 2020
Yida China Holdings Ltd	Real Estate	SD	-	2020/3/27	CC	NEG	2020/2/26	S&P	Distressed exchange completion
Xin Jiang Guang Hui Industry Investment Group Co Ltd	Consumer Discretionary	B2	NEG	2020/3/27	B2	STABLE	2019/9/13	Moody's	Weaker operating performance and increase in refinancing risk
China ZhengTong Auto Services Holdings Ltd	Consumer Discretionary	B2	NEG	2020/3/27	B2	STABLE	2020/1/7	Moody's	
China Grand Automotive Services Group Co Ltd	Consumer Discretionary	B1	NEG	2020/3/27	B1	STABLE	2019/9/25	Moody's	
Yanfeng Global Automotive Interior Systems Co Ltd	Consumer Discretionary	Baa3	Rating Watch Negative	2020/3/27	Baa3	STABLE	2019/11/13	Moody's	Credit shock given sensitivity to consumer demand and sentiment, which affected by coronavirus outbreak
21Vianet Group Inc	Communications	B+	NEG	2020/3/27	B+	STABLE	2019/8/21	Fitch	Rising leverage and shrinking liquidity buffer
China Jinmao Holdings Group Ltd	Real Estate	BBB-	NEG	2020/3/27	BBB-	STABLE	2017/9/6	S&P	Weaker profitability and higher leverage

Bank of Suzhou Co Ltd	Banks	Ba1	NEG	2020/3/27	Ba1	STABLE	2020/3/18	Moody's
Bank of Ningbo Co Ltd	Banks	Baa2	NEG	2020/3/27	Baa2	STABLE	2020/1/15	Moody's
Bank of Nanjing Co Ltd	Banks	Baa3	NEG	2020/3/27	Baa3	STABLE	2019/11/8	Moody's
Shenzhen Rural Commercial Bank Co Ltd	Banks	Baa3	NEG	2020/3/27	Baa3	STABLE	2019/12/20	Moody's
Guangzhou Rural Commercial Bank Co Ltd	Banks	Baa2	NEG	2020/3/27	Baa2	STABLE	2019/7/17	Moody's
Fubon Bank China Co Ltd	Banks	Baa1	NEG	2020/3/27	Baa1	STABLE	2019/10/11	Moody's

Credit shock due to exposure to the regions and industries highly that affected by coronavirus outbreak

Domestic Rating:

Upgrade	Huai'an Development Holdings Co Ltd	Chengtou	AA+	STABLE	2020/3/27	AA	STABLE	2019/7/29	CCXI	Asset injection from its shareholder
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Sources: Bloomberg, Wind, CCX research

Risk Event: Yida China completed its exchange offer

Recently, Yida China Holdings Ltd (“Yida China” or the “Company”) announced exchange offer to its bond holders relating to the outstanding 6.95% senior notes due 2020. Approximately 82.23% of the holders (based on principle amount) participated in this bond exchange offer. On March 27, the Company announced the finalized terms of exchange offer, including (1) an issue of approximately USD225 million of new notes; (2) approximately USD22.2 million as cash consideration; and (3) approximately USD7.5 million as accrued interest. As of March 27, the Company has outstanding offshore senior notes of approximately USD52.9 million, due April 19, 2020.

Panda Bond Market: No new issuance this week

As of March 20, there were 6 issuers that issued 10 Panda Bonds in 2020, with a total issuance volume of RMB13 billion and an average coupon of 2.97%. These bonds were mostly short-/medium-term and were issued in the Interbank Market.

Table 3 : New issuance of Panda Bond in 2020 (20200101-20200327)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Hengan International Group Company Limited	0.5	2.60	2020/3/19	2020/12/11	0.74	SCP	China Interbank Market	China Chengxin
Hengan International Group Company Limited	0.5	2.60	2020/3/19	2020/12/11	0.74	SCP	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	2.65	2020/3/16	2020/12/10	0.74	SCP	China Interbank Market	China Chengxin
China Gas Holdings Limited	1	3.38	2020/3/10	2025/3/10	5	MTN	China Interbank Market	Lianhe Ratings
BMW Finance N.V.	2	3.35	2020/3/4	2023/3/4	3	PPN	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	2.90	2020/3/4	2021/3/4	1	PPN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	2.85	2020/2/28	2020/11/24	0.74	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corporation	1.5	2.40	2020/1/13	2020/5/28	0.37	SCP	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.47	2020/1/10	2023/1/10	3	MTN	China Interbank Market	China Chengxin
Daimler International Finance BV	3	3.50	2020/1/9	2022/1/9	2	PPN	China Interbank Market	--

Sources: Bloomberg, CCX research

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