

2020 Issue 13

From April 13 to April 17

IMF projected a global contraction of 3% in 2020;
Chinese offshore bond market recovered

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

Vincent Tong 852-28607121

vincent_tong@ccxap.com

Jacky Lau 852-28607125

jacky_lau@ccxap.com

Other

Elle Hu 852-28607123

elle_hu@ccxap.com

Date:

April 24, 2020

Headline: IMF projected a global contraction of 3% in 2020

On April 14, IMF published its World Economic Outlook, interpreting the impacts of the pandemic on the global economy. IMF projects global economy to contract by 3% in 2020, which is the most serious contraction since the Great Depression during 1930s. IMF expects that advanced economies could shrink by 6.1%, while developing economies could shrink by 1.0%. If the pandemic fades in the second half of 2020, advanced economies could grow 4.5% and developing economies could grow 6.6% in 2021. IMF also anticipates a total GDP loss of USD9 trillion over 2020 and 2021 from the pandemic crisis.

Exchange Rate: Intermediate price of RMB rose

This week, with the spread of the coronavirus worldwide and further economic stimulus measures in China, the RMB exchange rate rose. As of April 17, the intermediate price of the RMB exchange rate closed at 7.0718.

Interest Rate: China Government Bond yields steepened; US Treasury yields fell

China Government Bond yields fluctuated, of which short to medium-term yields declined and long-term yields rebounded. US Treasury yields dropped after the US government released disappointed initial jobless claims of 5.25 million and plummeting retails and manufacturing numbers for March. However, yields slightly rebounded in the latter half of the week, due to expectations on Donald Trump's plan to restart US economy and discovery of effective drugs to treat the COVID-19. As of April 17, the yield spread between China and US 10-year note was 191.7bp, widening by 9.6bp from last Friday and widening by 64.6bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance picked up**

From April 13 to April 17, there were 6 new issues with a total issued volume of USD1.8 billion, increased by approximately USD1.7 billion WoW.

Secondary Market: Chinese dollar bond prices recovered

As of April 17, the YTD return on Chinese USD corporate bond index increased by 126bp from last Friday to -0.4%. The financial sector and the real estate sector index surged, and return on non-financial sector turned positive.

Rating Actions: MIE Holdings Corp's issuer rating downgraded to "C" on missed coupon**Panda Bond Market: SMIC issued 1 SCP this week**

On April 16, SMIC raised RMB1.5 billion via its second SCP in 2020 in the interbank market, at a coupon rate of 1.85%, with a tenor of 111days. CCXI assigned AAA to the issuer.

Headline: IMF projected a global contraction of 3% in 2020

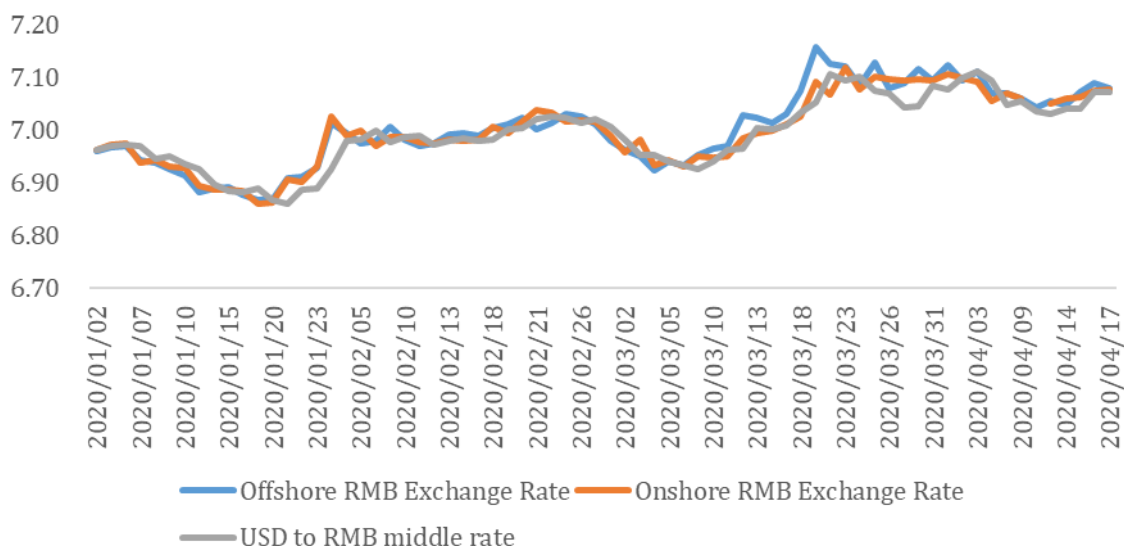
On April 14, International Monetary Fund (“IMF”) published its World Economic Outlook, interpreting the impacts of the pandemic on the global economy. IMF forecasts a global contraction will emerge in 2020 because of (1) the stoppages to economic activity; (2) spillover effects from plummeting demand and supply disruptions; (3) financial stress from the risk-off episode in financial markets and rising financial costs. In addition, the decrease in global demand made a sharp fallout in commodity prices, impacting the public finance and foreign trades of the related exporting countries.

IMF predicts the global economy would contract sharply by 3 percent in 2020 in a baseline scenario -- which assumes that the pandemic fades in the second half of 2020. The new prediction is a sharp cut as comparing with its forecast of 3.3% in January 2020, down 6.3 percentage points. If such a contraction happens, it will be the greatest economic recession since the Great Depression during the 1930s. According to IMF's forecast, if the pandemic fades in the second half of 2020, advanced economies will contract by 6.1% in 2020 and will grow by 4.5% in 2021; developing economies will contract by 1% in 2020 and will grow by 6.6% in 2021. IMF also anticipates a total GDP loss of USD9 trillion over 2020 and 2021 from the pandemic crisis.

Exchange Rate: Intermediate price of RMB rose

This week, with the spread of the coronavirus worldwide and further economic stimulus measures in China, the RMB exchange rate rose. As of April 17, the intermediate price of the RMB exchange rate closed at 7.0718, up 364bp from last Friday. Onshore and offshore RMB exchange rate rose 405bp and 347bp, closing at 7.0764 and 7.0781, respectively. The short-term fluctuation of the RMB exchange rate may continue.

Figure 1 : RMB exchange rate

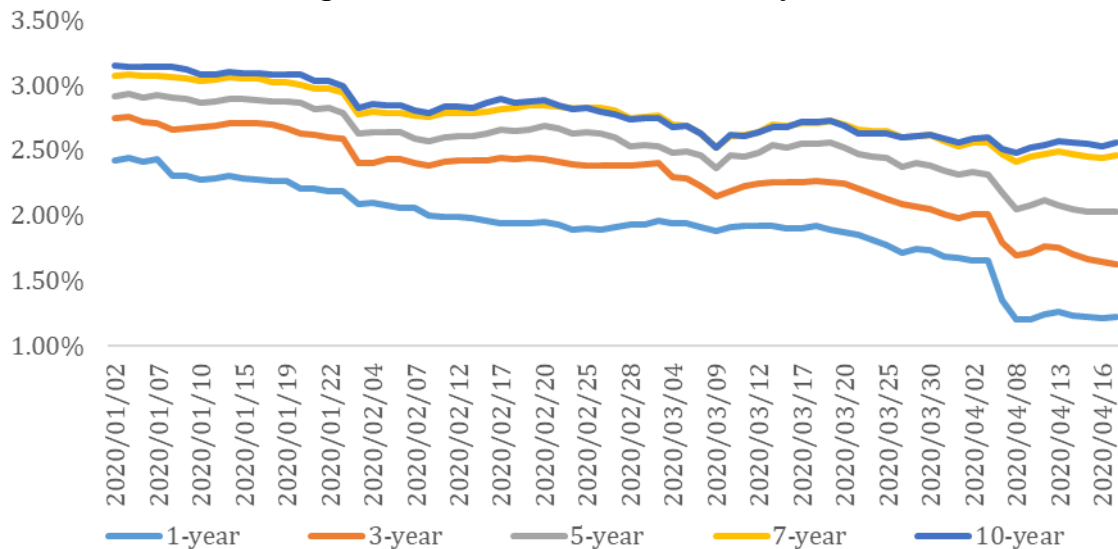


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields steepened; US Treasury yields fell

This week, China Government Bond yields fluctuated, of which short to medium-term yields declined and long-term yields rebounded. As of April 17, the 1-year, 3-year, 5-year, and 7-year Government Bond yield declined from last Friday, closing at 1.2257%, 1.6271%, 2.0293% and 2.4595%, respectively. 10-year Government Bond yield rebounded slightly to 2.5590%.

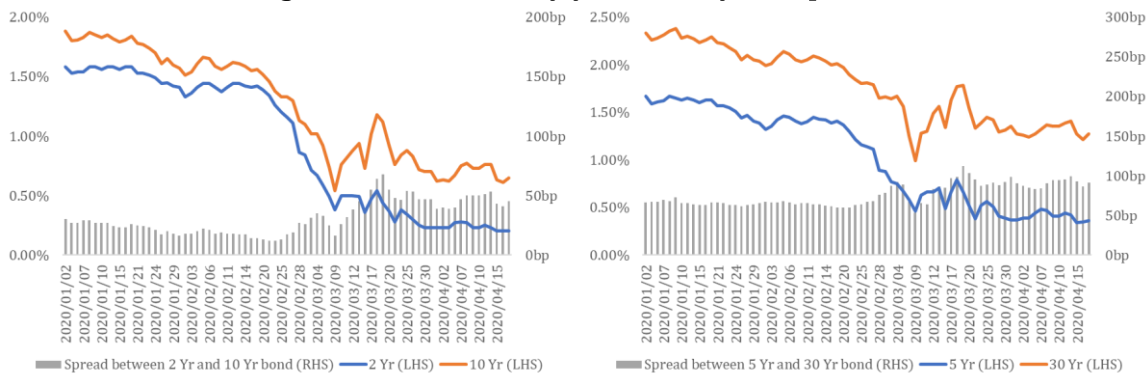
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields dropped after the US government released disappointed initial jobless claims of 5.25 million and plummeting retails and manufacturing numbers for March. However, yields slightly rebounded in the latter half of the week, due to expectations on Donald Trump’s plan to restart US economy and discovery of effective drugs to treat the COVID-19. As of April 17, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.20%, 0.36%, 0.65% and 1.27%, decreasing by 3bp, 5bp, 8bp and 8bp over last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 5bp to 45bp from last Friday, while the spread between the 5-year and 30-year narrowed by 3bp to 91bp.

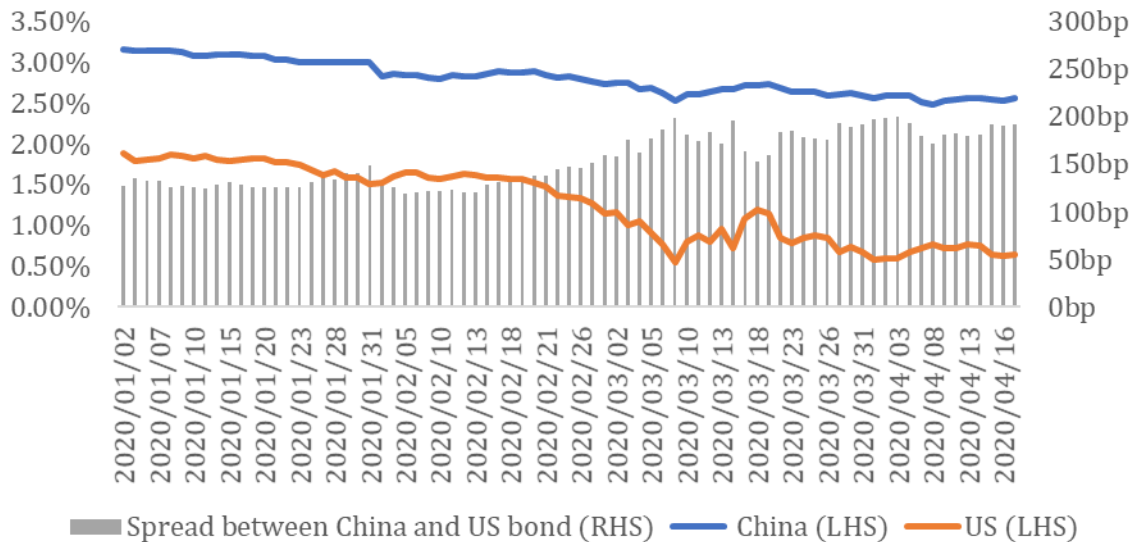
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of April 17, the yield spread between China and US 10-year note was 191.7bp, widening by 9.6bp from last Friday and widening by 64.6bp 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 picked up

From April 13 to April 17, there were 6 new issues with a total issued volume of USD1.823 billion, increasing by USD1.658 billion as compared to last week. China National Travel Service Group Crop Ltd priced two tranches of USD bond (5-year and 10-year) that attracted Asia and Europe investors. These bonds are unconditionally and irrevocably guaranteed by the company.

Table 1 : New issuance of Chinese offshore bonds (20200413-20200417)

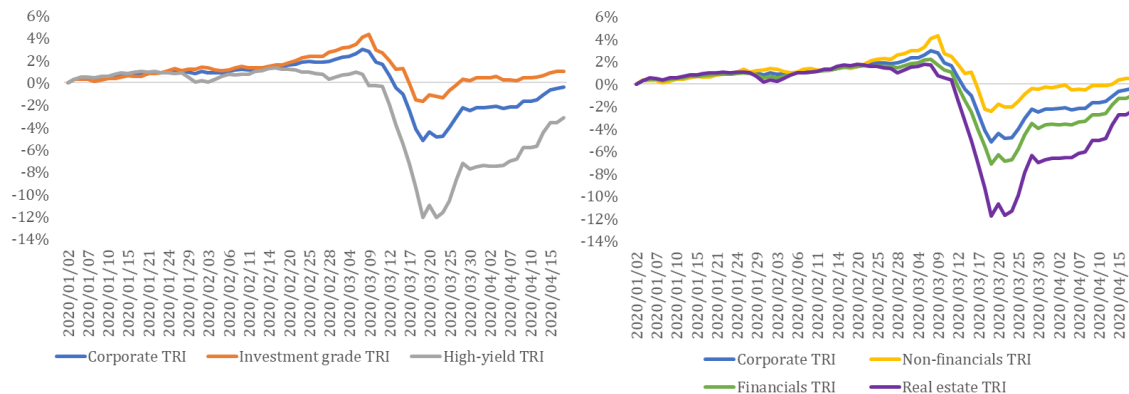
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/4/14	China North Industries Group Corp Ltd	USD	200	2.69	2023/4/21	3	Industrials	-/-/-	-/-/-
2020/4/15	CMB International Capital Corp Ltd	USD	25	2.64	2020/5/22	30D	Financials	Baa1/BBB+/-	-/-/-
2020/4/16	China National Travel Service Group Corp Ltd	USD	300	2.625	2025/4/23	5	Consumer Discretionary	A3/A-/-	A3/-/-
2020/4/16	China National Travel Service Group Corp Ltd	USD	600	3.125	2030/4/23	10	Consumer Discretionary	A3/A-/-	A3/-/-
2020/4/16	Haitong International Securities Group Ltd	HKD	375	2.5	2021/4/21	363D	Financials	Baa2/BBB-/-	-/-/-
2020/4/17	Lenovo Group Ltd	USD	650	5.875	2025/4/24	5	Technology	-/-/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Chinese dollar bond prices recovered

This week, the Chinese dollar bonds performed well in the secondary market amid better liquidity condition. As of April 17, the YTD return¹ on Chinese USD corporate bond index increased by 126bp from last Friday to -0.4%, of which investment grade bond index was 1.01% and high-yield bond index was -3.15%, increasing by 57bp and increasing by 266bp respectively. The financial sector index rose by 170bp to -1.03% and the real estate sector index rose by 265bp to -2.41%. The non-financial sector index turned positive, increasing by 65bp to 0.48%.

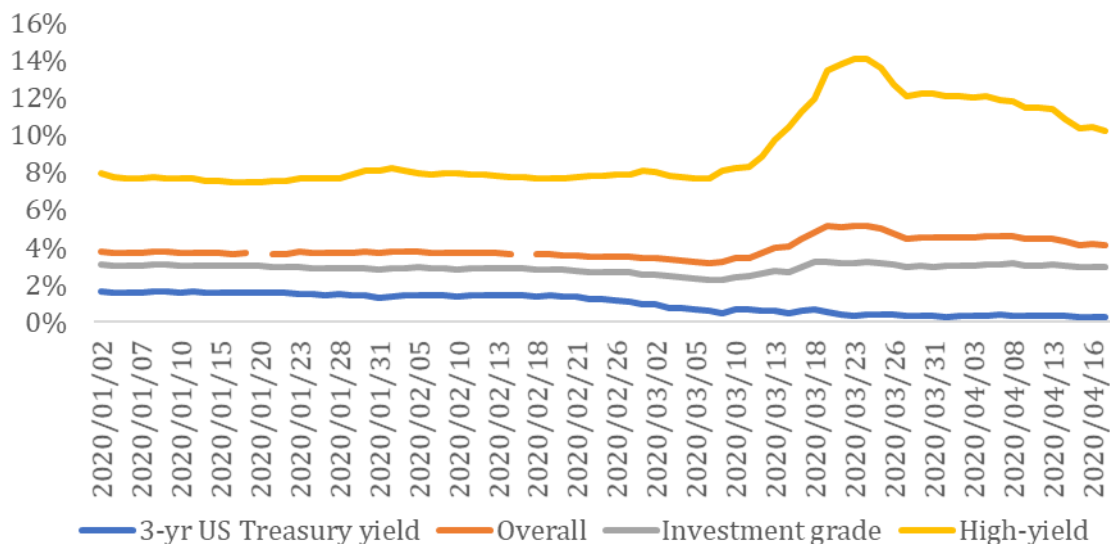
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of April 17, the yield-to-worst of Chinese dollar bonds decreased by 32bp to 4.12% from last Friday, of which investment grade bond index decreased by 8bp to 2.95%, while the high-yield bond index declined by 120bp to 10.25%.

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



Sources: Bloomberg, CCX research

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

Rating Actions: MIE Holdings Corp’s issuer rating downgraded to “C” on missed coupon

From April 13 to April 17, the rating agencies took negative rating action on 6 Chinese issuers. In particular, Fitch downgrades MIE Holdings Corp to “C” on missed coupon. According to the bond covenant, MIE Holdings has a 30-day grace period until 11 May 2020 to satisfy the payment obligations.

Table 2 : Credit rating changes of cross-border bond market (20200413-20200417)

Entity	Sector	Entity Rating	Current Rating		Entity Rating	Previous Rating		Rating Agency	Reason of Change
			Outlook	Date		Outlook	Date		
International Rating:									
MIE Holdings Corp	Energy	C	-	2020/4/14	CC	-	2020/1/13	Fitch	Missed coupon
Sunshine 100 China Holdings Ltd	Real Estate	CCC	Rating Watch Negative	2020/4/16	CCC+	NEG	2019/7/8	S&P	Rising refinancing risk
361 Degrees International Ltd	Consumer Discretionary	B+	STABLE	2020/4/16	BB-	STABLE	2019/12/10	Fitch	Weakened business profile
Yuzhou Properties Co Ltd	Real Estate	B+	NEG	2020/4/17	BB-	NEG	2019/4/29	S&P	Weakening revenue growth
Golden Eagle Retail Group Ltd	Consumer Discretionary	BB	NEG	2020/4/17	BB	STABLE	2019/6/10	Fitch	High impact of the coronavirus outbreak on the retail sector and uncertainty over the timing of recovery
China Communications Construction Co Ltd	Industrials	A3	NEG	2020/4/17	A3	STABLE	2019/11/7	Moody's	Weakened credit metrics of the parent company

Downgrades

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: SMIC issued 1 SCP this week

On April 16, Semiconductor Manufacturing International Corporation (“SMIC”) raised RMB1.5 billion via its second SCP in 2020 in the interbank market, at a coupon rate of 1.85%, with a tenor of 111days. CCXI assigned AAA to the issuer.

As of April 17, there were 8 issuers that issued 13 Panda Bonds in 2020, with a total issuance amount of RMB20.5 billion and an average coupon of 2.83%. These bonds were mostly medium term and were issued in the interbank market.

Table 3 : New issuance of Panda Bond in 2020 (20200101-20200417)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Semiconductor Manufacturing International Corporation	1.5	1.85	2020/4/16	2022/8/5	0.30	SCP	China Interbank Market	China Chengxin
New Development Bank	5	2.43	2020/4/3	2023/4/3	3	International Institutional Bond	China Interbank Market	--
Xiaomi Corporation	1	2.78	2020/4/3	2021/4/3	1	PPN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	0.5	2.60	2020/3/19	2020/12/11	0.74	PPN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	0.5	2.60	2020/3/19	2020/12/11	0.74	MTN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	2.65	2020/3/16	2020/12/10	0.74	PPN	China Interbank Market	China Chengxin
China Gas Holdings Ltd.	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

本文版权归中诚信国际信用评级有限公司、中国诚信(亚太)信用评级有限公司和/或其被许可人所有。本文件包含的所有信息受法律保护,未经中诚信国际事先书面许可,任何人不得复制、拷贝、重构、转让、传播、转售或进一步扩散,或为上述目的存储本文件包含的信息。

本文件中包含的信息由中诚信国际从其认为可靠、准确的渠道获得,因为可能存在人为或机械错误及其他因素影响,上述信息以提供时现状为准。特别地,中诚信国际对于其准确性、及时性、完整性、针对任何商业目的的可行性及合适性不作任何明示或暗示的陈述或担保。在任何情况下,中诚信国际不对任何人或任何实体就 a) 中诚信国际或其董事、经理、雇员、代理人获取、收集、编辑、分析、翻译、交流、发表、提交上述信息过程中可以控制或不能控制的错误、意外事件或其他情形引起的、或与上述错误、意外事件或其他情形有关的部分或全部损失或损害,或 b) 即使中诚信国际事先被通知该等损失的可能性,任何由使用或不能使用上述信息引起的直接或间接损失承担任何责任。

本文件所包含信息组成部分中信用级别、财务报告分析观察(如有)应该而且只能解释为一种意见,而不能解释为事实陈述或购买、出售、持有任何证券的建议。中诚信国际对上述信用级别、意见或信息的准确性、及时性、完整性、针对任何商业目的的可行性及合适性不作任何明示或暗示的担保。信息中的评级及其他意见只能作为信息使用者投资决策时考虑的一个因素。相应地,投资者购买、持有、出售证券时应该对每一只证券、每一个发行人、保证人、信用支持人作出,自己的研究和评估。



中诚信国际信用评级有限责任公司

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>