

2020 Issue 18

From May 18 to May 22

US-China tensions further escalate; Issuance of Chengtou dollar bonds 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

Peter Chong 852-28607120

peter_chong@ccxap.com

Jacky Lau 852-28607125

jacky_lau@ccxap.com

Other

Elle Hu 852-28607123

elle_hu@ccxap.com

Date:

May 29, 2020

Headline: US-China tensions further escalate

The US introduced a series of restrictions against China, which further worsened the tense relationship between the US and China due to the pandemic. On May 15, the US Department of Commerce revised its export administration regulations to further restrict chip supply to Huawei. On May 19, the White House proposed a new China strategy report, "United States Strategic Approach to The People's Republic of China". On May 21, the US Senate passed the "Holding Foreign Companies Accountable Act". On May 22, the US Department of Commerce announced that a total of 33 Chinese technology companies/institutions were black-listed in the US Entity List.

Exchange Rate: Onshore RMB exchange rate broke 7.14

Affected by the strong US dollar index, the RMB exchange rate continued to depreciate, with the onshore RMB exchange rate breaking the threshold of 7.14.

Interest Rate: China Government Bond yields diverged; US Treasury yields fell after rising

China Government Bond yields diverged this week. Short-term bond yields continued to rebound; while medium- to long-term bond yield declined. At the beginning of the week, the yields of the US Treasury rose sharply due to Moderna, Inc.'s claim that its COVID-19 vaccine tests showed positive results and the Fed Chairman Powell's optimistic statement about the US economy. Experts questioned the effectiveness of the COVID-19 vaccines and US-China tensions heated up, which narrowed the premium on US Treasury yields. As of May 22, the yield spread between China and US 10-year note was 195.9bp, narrowing by 8.1bp from last Friday and widening by 68.7bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance rebounded, issuance of Chengtou dollar bonds recovered**

From May 18 to May 22, there were 12 new issues with a total issued volume of USD1,798 million, significantly increasing by 55.8% as compared to last week. Among them, Chengtou enterprises were the largest issuers, with issuance of USD776 million, accounting for about 43% of the total issuance.

Secondary Market: Chinese dollar bonds continued to increase in the secondary market

As of May 22, the YTD return on Chinese USD corporate bond index increased by 58bp from last Friday to 1.09%. In terms of sector indices, the return on non-financial index recorded the largest rally, rising by 71bp from last Friday to 1.83%.

Rating Actions: CCXAP assigns first-time credit rating to Logan Property, Ronshine China and Hefei Xincheng**Panda Bond Market: No new issuance this week**

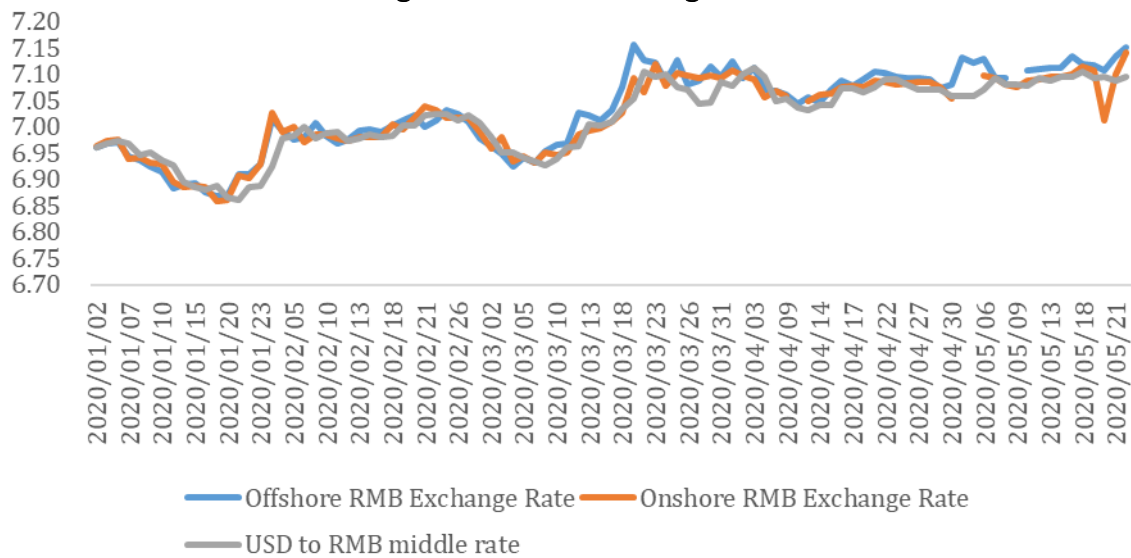
Headline: US-China tensions further escalate

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Exchange Rate: Onshore RMB exchange rate broke 7.14

This week, affected by the strong US dollar index, the RMB exchange rate continued to depreciate, with the onshore RMB exchange rate breaking the threshold of 7.14. As of May 22, the intermediate price of RMB exchange rate closed at 7.0939, basically the same as last Friday; the onshore RMB exchange rate spiked 421bp, to 7.1416; the offshore RMB exchange rate rose 157bp, to 7.1497.

Figure 1 : RMB exchange rate

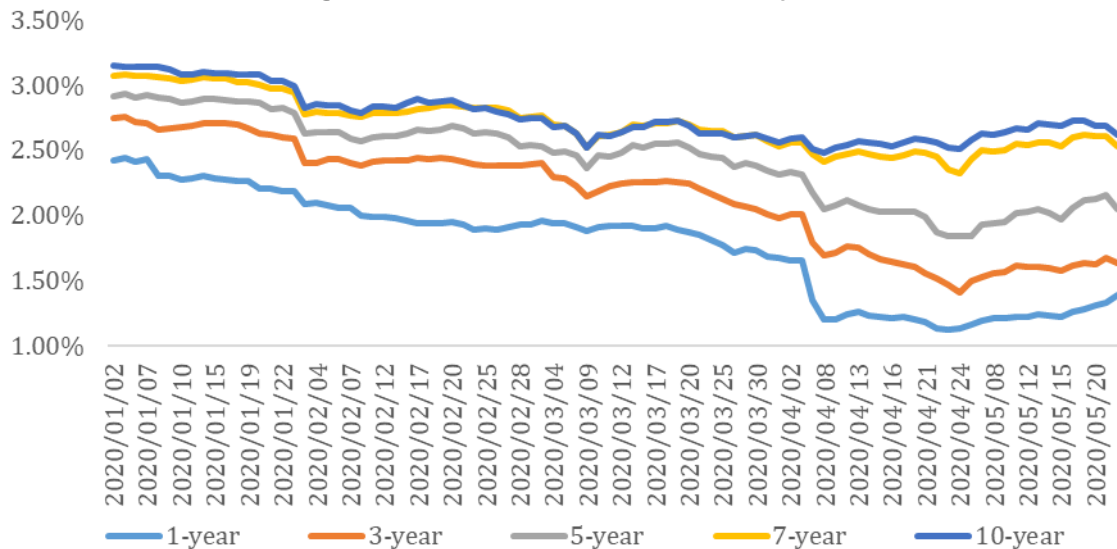


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields diverged; US Treasury yields fell after rising

China Government bond yields diverged this week. Short-term bond yields continued to rebound; while medium- to long-term bond yield declined. As of May 22, 1-year, 3-year and 5-year Government Bond yields fluctuated upward from last Friday, closing at 1.3923%, 1.6368% and 2.0450%, respectively; 7-year and 10-year yields declined from last Friday, closing at 2.5268% and 2.6176%.

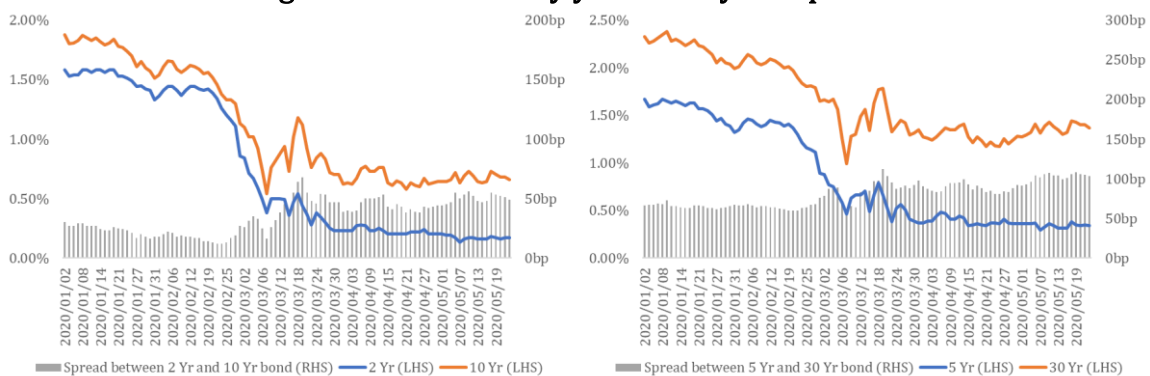
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

At the beginning of the week, the yields of the US Treasury rose sharply due to Moderna, Inc.'s claim that its COVID-19 vaccine tests showed positive results and the Fed Chairman Powell's optimistic statement about the US economy. Experts questioned the effectiveness of the COVID-19 vaccines and US-China tensions heated up, which narrowed the premium on US Treasury yields. As of May 22, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.17%, 0.34%, 0.66% and 1.37%, increasing by 1bp, 3bp, 2bp and 5bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 1bp to 49bp from last Friday, while the spread between the 5-year and 30-year widened by 2bp to 103bp from last Friday.

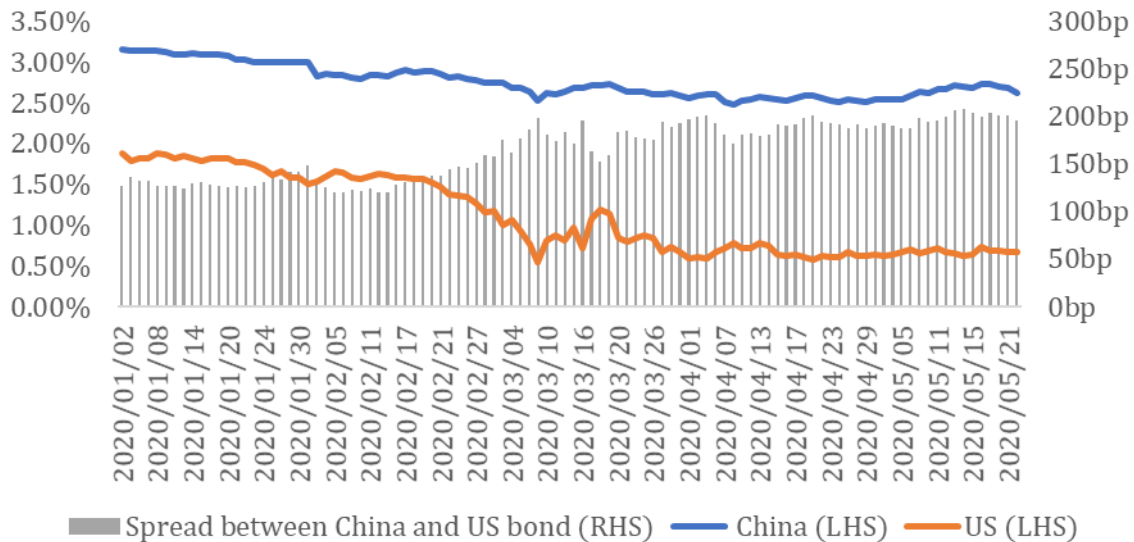
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of May 22, the yield spread between China and US 10-year note was 195.9bp, narrowing by 8.1bp from last Friday and widening by 68.7bp 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 rebounded, issuance of Chengtou dollar bonds recovered

From May 18 to May 22, there were 12 new issues with a total issued volume of USD1,798 million, significantly increasing by 55.8% as compared to last week. Among them, Chengtou enterprises were the largest issuers, with issuance of USD776 million, accounting for about 43% of the total issuance.

Table 1 : New issuance of Chinese offshore bonds (20200518-20200522)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/5/18	China International Capital Corp Hong Kong Ltd	USD	10	2.3	2021/5/21	364D	Financials	Baa1/BBB/BBB+	-/-/-
2020/5/18	Haitong International Securities Group Ltd	HKD	550	2.4	2021/5/25	364D	Financials	Baa2/BBB/-	-/-/-
2020/5/18	Nanjing Jiangbei New Area Industrial Investment Group Co Ltd	USD	300	3.8	2021/5/20	364D	Chengtou	-/-/BBB	-/-/-
2020/5/18	Shaanxi Xixian New Area Airport New City Development & Construction Group Co Ltd	USD	50	6.5	2023/5/25	3	Chengtou	-/-/-	-/-/-
2020/5/19	Country Garden Holdings Co Ltd	USD	544	5.4	2025/5/27	5	Real Estate	Ba1/BB+/BBB-	-/-/BBB-
2020/5/19	Redco Properties Group Ltd	USD	150	13	2023/5/27	3	Real Estate	-/B/B	-/B/-
2020/5/19	Xi'an Aerospace High-Tech Industry Development Co Ltd	USD	200	3.95	2023/5/26	3	Chengtou	-/-/-	-/-/-
2020/5/20	Industrial & Commercial Bank of	USD	100	3ML+60	2023/5/25	3	Banks	A1/A/A	-/-/-

China Ltd/Dubai DIFC										
2020/5/20	Jining High Tech Urban Construction Investment Co Ltd	USD	118	5.5	2023/5/27	3	Chengtou	-/-/-	-/-/-	
2020/5/21	Haitong International Securities Group Ltd	USD	147	2.3	2021/5/27	364D	Financials	Baa2/BBB/-	-/-/-	
2020/5/21	Shouguang City Construction Investment Development Co Ltd	USD	40	3.5	2023/4/28	2.92	Chengtou	-/-/-	-/-/-	
2020/5/22	Tianjin Lingang Investment Holding Co Ltd	USD	68	3.7	2023/5/28	3	Chengtou	-/-/-	-/-/-	

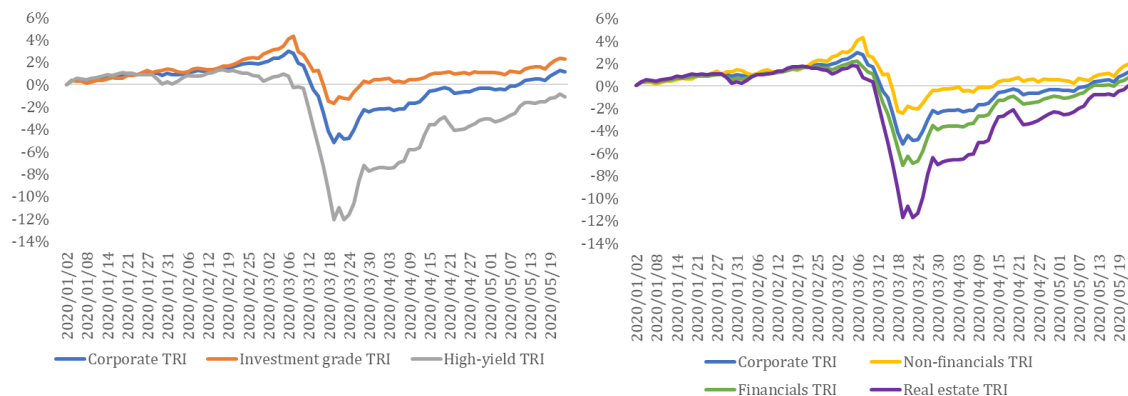
Sources: Bloomberg, CCX research

Recently, Hilong Holding Limited plans to issue dollar bond.

Secondary Market: Chinese dollar bonds continued to increase in the secondary market

As of May 22, the YTD return¹ on Chinese USD corporate bond index increased by 58bp from last Friday to 1.09%, of which investment grade bond index was 2.24% and high-yield bond index was -1.12%, increasing by 66bp and 42bp respectively. In terms of sector indices, the return on non-financial index recorded the largest rally, rising by 71bp from last Friday to 1.83%, while the financial and real estate indices were 0.57% and -0.30%, increasing by 49bp and 41bp from last Friday, respectively.

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

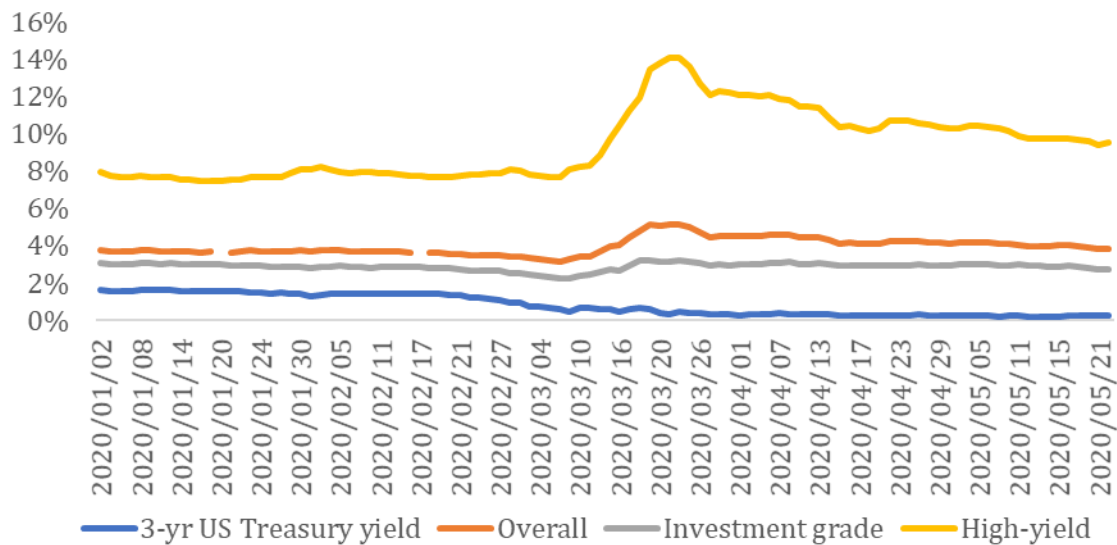


Sources: Bloomberg, CCX research

As of May 22, the yield-to-worst of Chinese dollar bonds decreased by 15bp to 3.85% from last Friday, of which investment grade bond index dropped by 12bp to 2.74%, while the high-yield bond index declined by 15bp to 9.56%.

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: CCXAP assigns first-time credit rating to Logan Property, Ronshine China and Hefei Xincheng

From May 18 to May 22, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) assigns first-time BBB_g- to Logan Property Holdings Company Limited (“Logan Property”), with stable outlook; assigns first-time BB_g+ to Ronshine China Holdings Limited (“Ronshine China”), with stable outlook; assigns first-time BBB_g- to Hefei Xincheng State-owned Asset Management Co Ltd (“Hefei Xincheng”), with stable outlook.

Table 2 : CCXAP’s rating actions (20200518-20200522)

Date	Entity	Long-term Rating	Outlook	Rating Rationale
2020/5/19	Logan Property Holdings Company Limited	BBB _g -	STABLE	The rating of reflects its (1) strong contracted sales growth underpinned by its leading market position in the Greater Bay Area; (2) high-quality land bank with large exposure to the Greater Bay Area, where there is stronger economic fundamentals and more robust housing demand; and (3) sound profitability. However, the outbreak of COVID-19 may pressure its sales execution in 2020, and its debt leverage was modest.
2020/5/21	Ronshine China Holdings Limited	BB _g +	STABLE	The rating reflects the its (1) competitive advantage in the Yangtze River Delta and West Coast of the Straits; (2) strong growth in contracted sales; (3) good quality land bank in high-tier cities; and (4) track record of deleveraging process. However, there were uncertainties in contracted sales amid COVID-19 outbreak, and profitability of Ronshine China was yet to be improved.
2020/5/22	Hefei Xincheng State-owned Asset Management Co Ltd	BBB _g -	STABLE	The rating reflects the its (1) good track record of receiving ongoing support from the local government; (2) monopoly position in infrastructure construction in Hefei Xinzhan High-tech Industrial Development Zone; and (3) low debt leverage and good liquidity profile. However, its industrial investments showed high concentration with uncertainties on the investment returns, and its operating profit was volatile.

From May 18 to May 22, the rating agencies took positive rating action on 4 Chinese issuers; and negative rating actions on 2 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20200518-20200522)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Yango Group Co Ltd	Real Estate	BB	STABLE	2020/5/19	BB-	STABLE	2020/1/8	Lianhe Global	Overall improvement in both financial and operating profiles
	Shenzhen International Holdings Limited	Industrials	BBB	STABLE	2020/5/22	BBB	Rating Watch Negative	2020/2/24	Fitch	Benefit from the stabilization of the macroeconomic environment in the medium term
	Shenzhen Expressway Company Limited	Industrials	BBB	STABLE	2020/5/22	BBB	Rating Watch Negative	2020/2/24	Fitch	Its shareholder's rating has been removed from Rating Watch Negative
Downgrade	Zheneng Environment Co Ltd	Jinjiang Holding Industrials	BB-	STABLE	2020/5/18	BB-	POS	2019/9/3	S&P	Weakened financial leverage
	Hilong Limited	Energy Holding	B	Rating Watch Negative	2020/5/20	B	NEG	2020/4/24	Fitch	Uncertainty about its ability to access its onshore cash to redeem its debt
Domestic Rating:										
Upgrade	Jinke Properties Group Co Ltd	Real Estate	AAA	STABLE	2020/5/18	AA+	NEG	2020/5/23	Dagong Global	Leading position in Chongqing, outstanding brand name, and advantages in business scale
	Jinke Properties Group Co Ltd	Real Estate	AAA	STABLE	2020/5/20	AA+	STABLE	2019/6/12	Lianhe Ratings	Regional competitive advantages, sufficient project reserves, rapid growth in sales

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issuance this week

As of May 22, there were 12 issuers that issued 17 Panda Bonds in 2020, with a total issuance amount of RMB25.4 billion and an average coupon of 2.99%. These bonds were mostly medium term and they were all issued in China Interbank Market, except the one of BECE.

Table 4 : New issuance of Panda Bond in 2020 (20200101-20200522)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Beijing Enterprises Water Group Limited	1	4.00	2020/5/13	2025/5/13	5	MTN	China Interbank Market	Shanghai Brilliance Rating
Bank of China Group Investment Limited	1.5	2.70	2020/5/8	2023/5/8	3	MTN	China Interbank Market	CCXI
Beijing Enterprises Clean Energy Group Limited	0.9	5.50	2020/4/29	2023/4/29	3	Corporate Bond	Shenzhen Exchange Market	United Ratings
China Mengniu Dairy Co. Ltd	1.5	1.80	2020/4/24	2020/11/20	0.57	SCP	China Interbank Market	--
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 Rating
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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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>