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From May25 to May 29

Work resumption is taking place across countries;
Tencent Holdings issued USD6 billion bonds

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Headline: Economic slump continued, work resumption is taking place across countries

This week, economic data indicated Eurozone downturn started to ease along with the lift of lockdown. However, a majority of economies in the Eurozone such as French and Germany are likely to experience contraction in 2020. Meanwhile, the personal consumption expenditure of US, which contributed 70% of GDP, recorded the biggest drop in history in April. Against such a backdrop, countries around the world continued to reopen their economy by stages, and work resumption was taking place.

Exchange Rate: RMB exchange rate was under pressure

This week, affected by the strong US dollar index, the RMB exchange rate continued to depreciate. Political uncertainty is the main reason for the current fluctuation of RMB exchange rate. As of May 29, the RMB exchange rate closed at 7.1316.

Interest Rate: China Government Bond yields rose; US Treasury yields fell after rise

This week, the China Government Bond yields rebounded given market liquidity interference from the sizeable issuance of local government bonds and delayed tax payments. Hopes on quick economic recovery from the reopening of US economy led the US Treasury yields to rise. However, after Donald Trump threatened to remove Hong Kong's special trade status, US Treasury yields dropped. As of May 29, the yield spread between China and US 10-year note was 205.3bp, widening by 9.4bp from last Friday and widening by 78.1bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: New issuance increased, Tencent Holdings issued USD6 billion bonds**

From May 25 to May 29, there were 17 new issues with a total issued volume of USD11.205 billion, significantly increasing by USD9.405 billion as compared to last week. Particularly, Tencent Holdings raised USD6 billion, which was the biggest issuance last week, accounting for about 53.5% of the total issuance.

Secondary Market: Chinese dollar bond returns slightly fluctuated

As of May 29, the YTD return on Chinese USD corporate bond index slightly dropped by 1bp from last Friday to 1.08%. In terms of sector indices, the return on non-financial index increased by 1bp from last Friday to 1.84%, while the financial and real estate indices were 0.54% and -0.38%, decreasing by 2bp and 8bp from last Friday, respectively.

Rating Actions: CCXAP assigned first-time rating to Changxing Communications Investment and assigned rating to Jiangsu Yueda's proposed bonds**Risk Event: Hilong Holding announced exchange offer; Dr. Peng Telecom's USD bond extension plan was accepted by noteholders****Panda Bond Market: China Power, China Mengniu and Capital Environment issued 4 bonds this week**

On May 29, China Power, China Mengniu and Capital Environment issued 4 panda bonds with total volume of RMB3.5 billion.

Headline: Economic slump continued, work resumption is taking place across countries

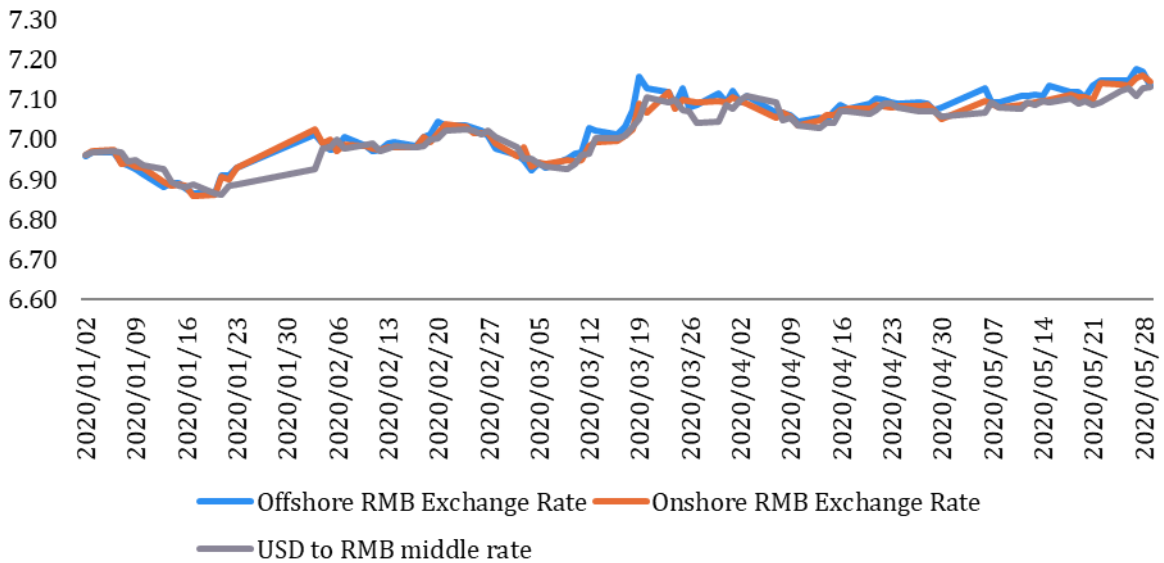
The Eurozone economy remained weak seen in the latest data. On May 28, the Ifo Institute estimated Germany's economy would face a 6.6% contraction in 2020, despite the 4 Business Climate Indexes (namely manufacturing, service, trade and construction) that recorded a pick-up in May; it expected Germany economic would grow 10.2% YoY in 2021. On May 29, the National Institute of Statistics and Economic Studies released French's Q1 GDP for a 5.3% QoQ drop, beat its estimation; it projected that the country's Q2 GDP may record a 20% QoQ contraction. On the same day, the Eurostat dissemination database reported its preliminary annual inflation for Eurozone of 0.1% in May, which decreased for 4 consecutive months and was the lowest since June 2016. The low inflation mainly came from the slumped energy price in May (energy price in Euro dropped 12% YoY). Meanwhile, the US reported the biggest decline in consumption in history since 1959. On May 29, data from the US Department of Commerce showed that the personal consumption expenditure of the US dropped 13.6% MoM in April as affected by stay-at-home orders across different states of the country; the national personal savings rate reached 33% in April, far higher than that of 12.7% in March.

As many countries began to reopen their economies, work resumption was taking place. On May 26, Japan decided to lift its state of emergency. On May 29, the mayor of New York said the city was expected to begin a phased reopening on June 8, and it would allow certain upstate regions to move in to phase two reopening. Moreover, British prime minister Boris Johnson announced that England's reopening plan entered into phase two, gradually allowing schools and non-essential shops to reopen and people in England would be able to meet outdoors in small groups. French also began its phase two of lifting lockdown measures, lifting domestic travel restriction and reopening green zones, parks, cafés, restaurants and schools.

Exchange Rate: RMB exchange rate was under pressure

This week, affected by the strong US dollar index, the RMB exchange rate continued to depreciate. Political uncertainty was the main reason for the current fluctuation of RMB exchange rate, which seriously affected the expectation of the foreign exchange market, causing depreciation pressure to the RMB exchange rate. As of May 29, the intermediate price of RMB exchange rate closed at 7.1316, up 377bp from last Friday; the onshore RMB exchange rate rose 39bp to 7.1416; the offshore RMB exchange rate spiked and then declined, closing at 7.1337, down 155bp from last Friday.

Figure 1 : RMB exchange rate

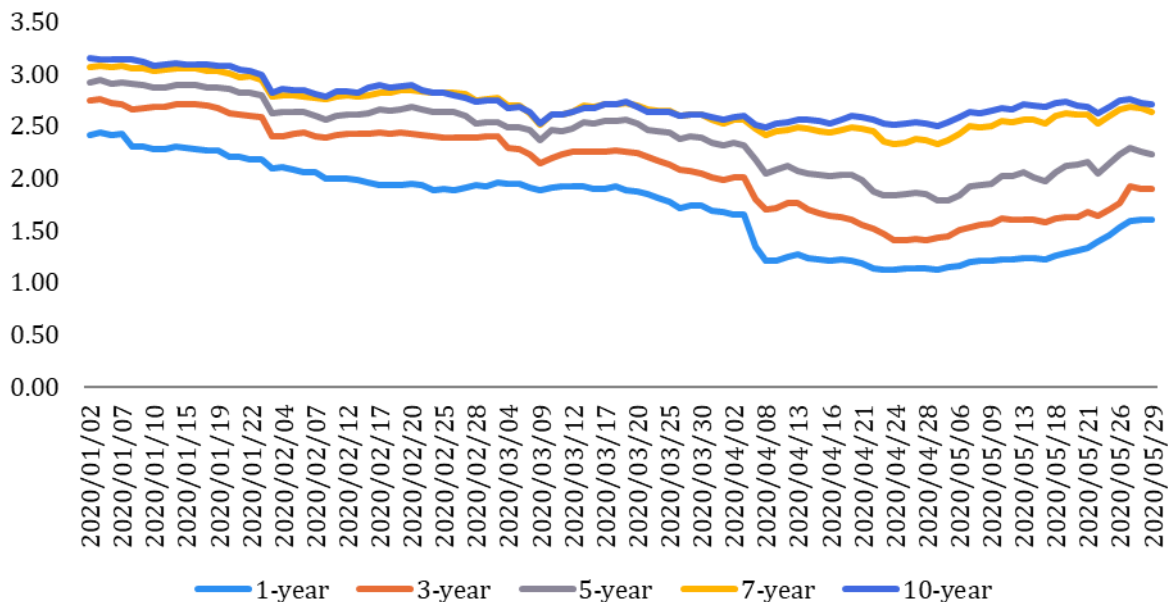


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields rose; US Treasury yields fell after rise

This week, the China Government Bond yields rebounded given market liquidity interference from the sizeable issuance of local government bonds and delayed tax payments. As of May 29, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yield fluctuated upward from last Friday, closing at 1.6010%, 1.8938%, 2.2241%, 2.6371% and 2.7053%.

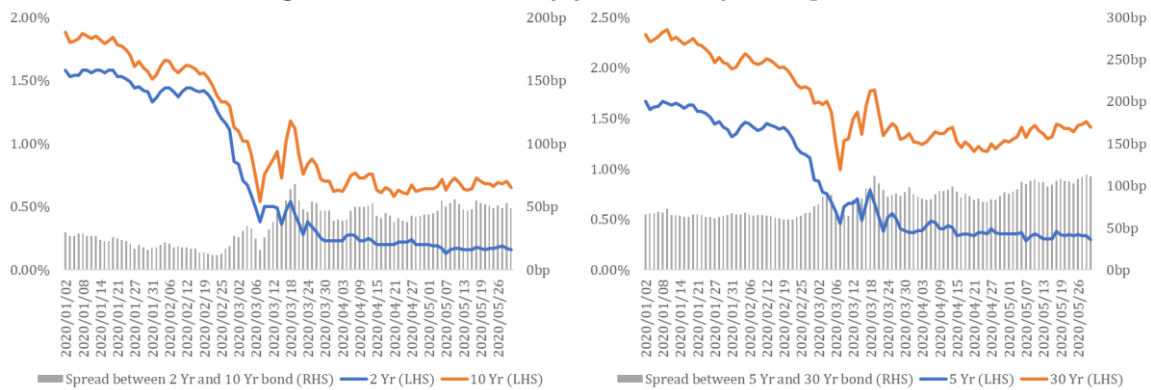
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Hopes on quick economic recovery from the reopening of US economy led the US Treasury yields to rise. However, Donald Trump launched a blistering attack on China and threatened to remove Hong Kong’s special trade status, which made investor worry about the rising tension on China-US relations. US Treasury yields dropped afterward. As of May 29, 2-year, 5-year, and 10-year closed at 0.16%, 0.30% and 0.65%, decreasing by 1bp, 4bp and 1bp from last Friday, respectively; 30-year Treasury yields closed at 1.41%, increasing by 4bp from last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year remained unchanged at 49bp, while the spread between the 5-year and 30-year widened by 8bp to 111bp from last Friday.

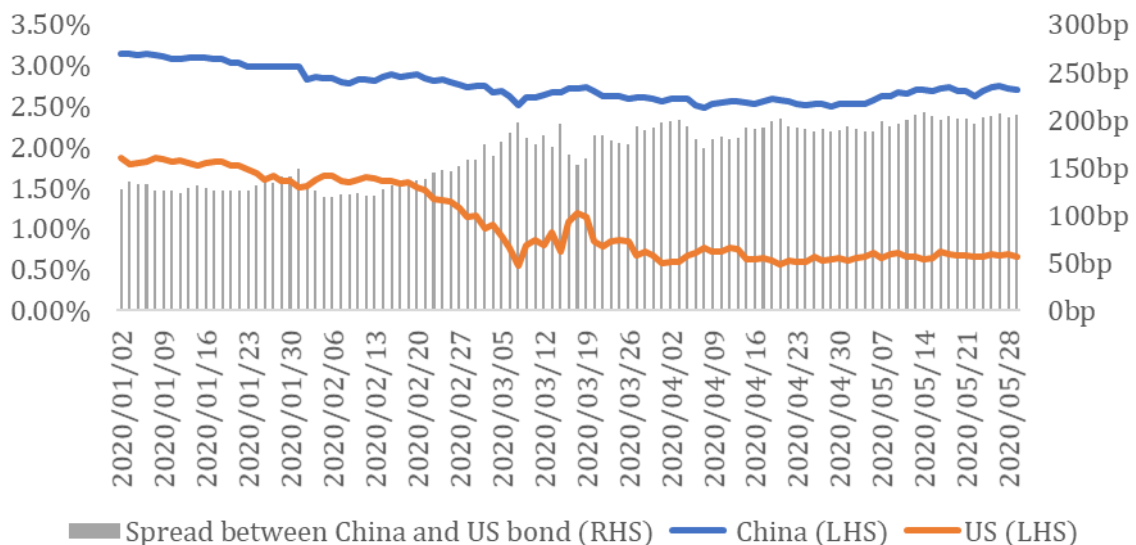
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of May 29, the yield spread between China and US 10-year note was 205.3bp, widening by 9.4bp from last Friday and widening by 78.1bp 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: New issuance increased, Tencent Holdings issued USD6 billion bonds

From May 25 to May 29, there were 17 new issues with a total issued volume of USD11.205 billion, significantly increasing by USD9.405 billion as compared to last week. Particularly, Tencent Holdings Ltd (“Tencent Holdings”) raised USD6 billion, which was the biggest issuance last week, accounting for about 53.5% of the total issuance.

Table 1 : New issuance of Chinese offshore bonds (20200525-20200529)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/5/26	BOC Aviation Ltd	USD	750	2.75	2023/12/2	3.5	Financials	-/A-/A-	-/-/A-
2020/5/26	China Ping An Insurance Overseas Holdings Ltd	USD	600	2.75	2025/6/2	5	Financials	Baa2/-/-	Baa2/-/-
2020/5/27	China Shandong Hi-Speed Financial Group Ltd	USD	800	3.8	2021/6/1	363D	Financials	-/-/BBB+	-/-/BBB+
2020/5/27	CITIC Securities Co Ltd	USD	500	1.75	2023/6/3	3	Financials	Baa1/BBB+/-	Baa1/-/-
2020/5/27	CITIC Securities Co Ltd	USD	500	2	2025/6/3	5	Financials	Baa1/BBB+/-	Baa1/-/-
2020/5/27	Fantasia Holdings Group Co Ltd	USD	300	11.875	2023/6/1	3	Real Estate	B2/B/B+	B3/-/-
2020/5/27	Tencent Holdings Ltd	USD	1,000	1.81	2026/1/26	5.65	Communications	A1/A+/A+	A1/-/A+
2020/5/27	Tencent Holdings Ltd	USD	2,250	2.39	2030/6/3	10	Communications	A1/A+/A+	A1/-/A+
2020/5/27	Tencent Holdings Ltd	USD	2,000	3.24	2050/6/3	30	Communications	A1/A+/A+	A1/-/A+
2020/5/27	Tencent Holdings Ltd	USD	750	3.29	2060/6/3	40	Communications	A1/A+/A+	A1/-/A+
2020/5/28	Avic Capital Co Ltd	USD	400	2.5	2025/6/4	5	Financials	A3/-/A-	A3/-/-
2020/5/28	Jiangsu Yueda Group Co Ltd	USD	100	5.7	2023/6/4	3	Consumer Discretionary	-/-/BBB _g -(CCXAP)	-/-/BBB _g -(CCXAP)
2020/5/29	Bank of Communications Co Ltd/Hong Kong	USD	100	3ML+75	2023/6/5	3	Banks	A2/A-/A	-/-/-
2020/5/29	Bilibili Inc	USD	700	1.25	2027/6/15	7	Technology	-/-/-	-/-/-
2020/5/29	Industrial & Commercial Bank of China Ltd/Sydney	USD	100	3ML+60	2023/6/5	3	Banks	A1/A/A	-/-/-
2020/5/29	Sichuan Languang Development Co Ltd	USD	250	11	2022/6/4	2	Real Estate	B1/B+/-	B2/-/-
2020/5/29	Xiangtan Urban & Rural Development Group Co Ltd	USD	105	4	2023/6/2	3	Industrials	-/-/-	-/-/-

Sources: Bloomberg, CCX research

Taiyuan State-Owned Investment Group Co Ltd and Beijing Hongkun Weiye Real Estate Development Co Ltd announced tap bond offering on 27 May and 28 May, respectively.

Table 2 : Tap bond offering (20200525-20200529)

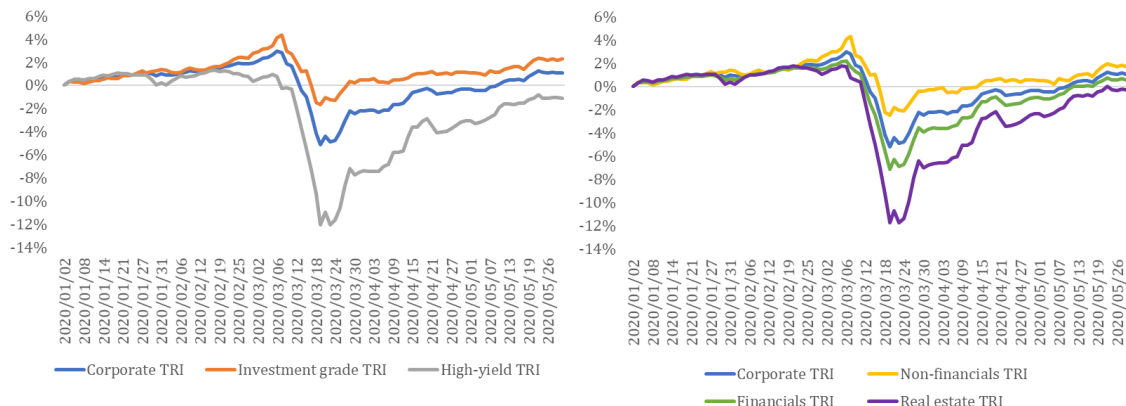
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/5/27	Taiyuan State-Owned Investment Group Co Ltd	USD	200 (reoffered 145)	6.2	2022/7/9	3	Chengtou	-/-/-	-/-/-
2020/5/28	Beijing Hongkun Weiye Real Estate Development Co Ltd	USD	205 (reoffered 55)	14.75	2022/10/8	3	Real Estate	-/-/B	-/-/B

Sources: Bloomberg, CCX research

Secondary Market: Chinese dollar bond returns slightly fluctuated

As of May 29, the YTD return¹ on Chinese USD corporate bond index slightly dropped by 1bp from last Friday to 1.08%, of which investment grade bond index remained unchanged at 2.24% and high-yield bond index dropped by 3bp to -1.15%. In terms of sector indices, the return on non-financial index increased by 1bp from last Friday to 1.84%, while the financial and real estate indices were 0.54% and -0.38%, decreasing by 2bp and 8bp from last Friday, respectively.

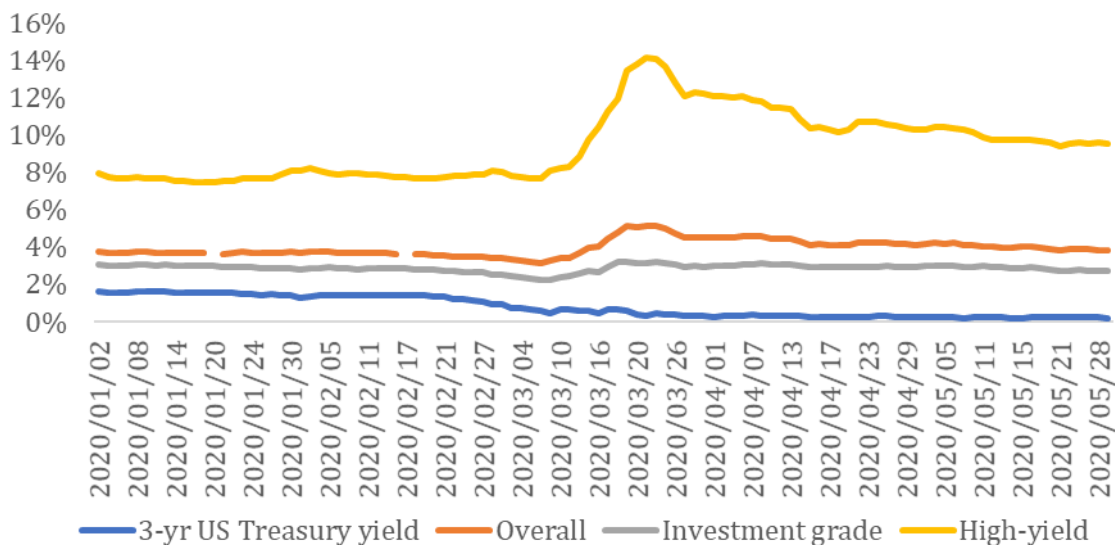
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of May 29, the yield-to-worst of Chinese dollar bonds decreased by 1bp to 3.84% from last Friday, of which investment grade bond index dropped by 3bp to 2.71%, while the high-yield bond index declined by 4bp to 9.52%.

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: CCXAP assigned first-time rating to Changxing Communications Investment and assigned rating to Jiangsu Yueda's proposed bonds

On May 28, CCXAP assigned first-time BBB_g- to Changxing Communications Investment Group Co., Ltd. ("Changxing Communications Investment"), with stable outlook; assigned BBB_g- to the proposed US dollar-denominated senior unsecured bonds to be issued by Jiangsu Yueda Group Co., Ltd ("Jiangsu Yueda").

Table 3 : CCXAP's rating actions (20200525-20200529)

Date	Entity	Issuer/ Issue Rating	Outlook	Rating Rationale
2020/5/28	Changxing Communications Investments	BBB _g -	STABLE	The rating of reflects Changxing Communications Investment's (1) good track record of receiving ongoing support from the Changxing government; (2) important role in transportation infrastructure construction of Changxing County; and (3) good cash collection. However, its rating is also constrained by its (1) high capital expenditure pressure; (2) declining operating profits; and (3) heightened debt leverage and weak liquidity profile.
2020/5/28	Jiangsu Yueda	BBB _g -	STABLE	The rating reflects Jiangsu Yueda's (1) largest state-owned enterprise status in Yancheng City; (2) moderate diversification benefiting from its broad lines of business and quality asset resources; and (3) diversified funding channels. However, the rating is constrained by its (1) business operations that are susceptible to the volatility of fundamental economic changes as well as policy changes of China; (2) modest financial profile with high debt leverage and low debt coverage; and (3) high refinancing pressure. The rating of the proposed bonds is equal to its long-term credit rating as first-time assigned by CCXAP on April 17, 2020. CCXAP believes that bond holders of Jiangsu Yueda are not subject to material structural subordination risk, considering that (1) its diversified business profile (with cash flow generation across its operating subsidiaries) can help mitigate structural subordination risk; and (2) solid shareholder support will flow through directly to the holding company given its important status in Yancheng City, thereby mitigating any differences in expected loss that could result from structural subordination.

Source: CCX research

From May 25 to May 29, the rating agencies took negative rating action on 4 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20200525-20200529)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	R&F Properties HK Co Ltd	Real Estate	B2	NEG	2020/5/25	B1	STABLE	2019/4/4	Moody's	Weak operating cash flow and the sizeable amount of debt maturing over the next 12-18 months
	Guangzhou R&F Properties Co Ltd	Real Estate	B1	NEG	2020/5/25	Ba3	STABLE	2019/9/6	Moody's	
	Zheneng Jinjiang Environment Holding Co Ltd	Industrials	Ba3	Rating Watch Negative	2020/5/29	Ba3	STABLE	2019/12/19	Moody's	Increased liquidity and refinancing risks
Domestic Rating:										
Downgrade	Zhongrong Xinda Group Co Ltd	Materials	BB	NEG	2020/5/29	A	NEG	2020/4/21	Lianhe Ratings	Unable to repay debt obligations

Sources: Bloomberg, Wind, CCX research

Risk Event: Hilong Holding announced exchange offer; Dr. Peng Telecom's USD bond extension plan was accepted by noteholders

On May 20, Hilong Holding Limited (“Hilong Holding”) announced an exchange offer to its USD bond holders. The bond is due on June 22, 2020, with a notable principle of USD165 million. On May 27, Hilong Holding extended the exchange deadline of exchange expiration and early participation to June 3 and further revised the terms and condition of the exchange offer. On June 2, it withdrew the recommendation to distribute a final dividend of HKD2.0 cents per share, having taken into consideration of the operation, financial conditions and short-term capital needs of the group amid the outbreak of coronavirus. The withdrawal of dividend indicated that Hilong Holding's liquidity was tight.

On May 29, Dr. Peng Telecom & Media Group Co., Ltd. (“Dr. Peng Telecom”) announced that the majority of its noteholders have accepted the extension of the maturity date on its USD notes by 18 months to December 1, 2021 from June 1, 2020. The notes' coupon rate increased to 7.55% from 5.05%, and it will continue to be unconditionally and irrevocably guaranteed by Dr. Peng Telecom. Dr. Peng Telecom has outstanding offshore notes of USD338 million in total, according to data from Bloomberg.

Panda Bond Market: China Power, China Mengniu and Capital Environment issued 4 bonds this week

On May 29, China Power International Development Limited (“China Power”), China Mengniu Dairy Company Limited (“China Mengniu”) and Capital Environment Holdings Limited (“Capital Environment”) issued 4 panda bonds.

China Power issued 2020 Super & Short-term Commercial Paper Series I in the China Interbank Market. China Power raised RMB0.5 billion, at a coupon rate of 2.00% with a tenor of 270 days. CCXI assigned AAA to China Power. China Mengniu issued 2020 Super & Short-term Commercial Paper Series II & III with an issuance volume of RMB0.5 billion and RMB1.5 billion in the China Interbank Market, respectively. They had the same coupon rate of 1.61% and the same tenor of 180 days. CCXI assigned AAA to China Mengniu. Capital Environment issued its first Panda Bond, 2020 Corporate Bond Series I, in the Shanghai Exchange Market. Capital Environment raised RMB1 billion, at a coupon rate of 3.10% with a tenor of 5 years. CCXI assigned AA+ to the issuer and AAA to the bond, as it is guaranteed by Beijing Capital Group Company Limited.

As of May 29, there were 14 issuers that issued 21 Panda Bonds in 2020, with a total issuance amount of RMB28.9 billion and an average coupon of 2.81%. These bonds were mostly medium term and the majority of them were issued in China Interbank Market.

Table 5 : New issuance of Panda Bond in 2020 (20200101-20200529)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Capital Environment Holdings Limited	1	3.10	2020/5/29	2025/5/29	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
China Mengniu Dairy Company Limited	0.5	1.61	2020/5/29	2020/11/25	0.49	SCP	China Interbank Market	China Chengxin

China Mengniu Dairy Company Limited	1.5	1.61	2020/5/29	2020/11/25	0.49	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	0.5	2.00	2020/5/29	2021/2/23	0.74	SCP	China Interbank Market	China Chengxin
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	China Chengxin
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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