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From June 1 to June 5

US May nonfarm payrolls beat market expectations;
Chinese real estate dollar bond issuance rebounded

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Headline: US May nonfarm payrolls beat market expectations, boosting the stock market

The US released better-than-expected jobs data on Friday. The nonfarm payrolls increased by 2.51 million and the unemployment rate dropped to 13.3% in May, better than the market expectation of 19%. As a result, the US stock market surged, in particular, Nasdaq Composite once reached its record high. Despite that the US Department of Labor announced the unemployment rate was underestimated and admitted the real number could exceed 16%, the stock market continued to rise.

Exchange Rate: RMB exchange rate declined

This week, the RMB exchange rate declined as the depreciation pressure of RMB partially released with weak dollar and continuous recovery of China's economy. As of June 5, the intermediate price of RMB exchange rate closed at 7.0965.

Interest Rate: China Government Bond yields increased; US Treasury yields surged

China Government bond yields increased alongside a continuous rise in funding cost. Optimism on economy reopening lifted the risk aptitude. In addition, the increase in the ECB's bond purchasing scale and the US nonfarm payrolls were both better than the market expectations, resulting in the jump of US Treasury yields.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance dropped, real estate dollar bond issuance rebounded**

From June 1 to June 5, there were 8 new issues with a total issued volume of USD1,816 million, decreasing by 83.8% as compared to last week. Real estate dollar bonds issuance has rebounded since late-May. There were 4 new issues with a total issued volume of USD1,076 million this week, accounting for 59.3% of total issuance.

Secondary Market: Chinese dollar bonds continued to recover, while investment grade bonds fluctuated slightly

As of June 5, the YTD return on Chinese USD corporate bond index increased by 35bp from last Friday to 1.44%. The investment grade bond index fluctuated slightly, dropping by 13bp to 2.11%; while the high-yield bond index turned positive, rising by 134bp to 0.18%.

Rating Actions: CCXAP assigns first-time BB_g to Jinke Property, with stable outlook**Panda Bond Market: China TCM and Daimler International issued 2 Panda Bonds**

On June 5, China TCM issued 2020 Medium Term Note Series I in China Interbank Market. China TCM raised RMB2.2 billion, at a coupon rate of 3.28% with a tenor of 3 years. CCXI assigned AAA to both the bond and the issuer. Daimler International issued 2020 Private Placement Note Series II (Bond Connect) in China Interbank Market. Daimler International raised RMB3 billion, at a coupon rate of 3.25% with a tenor of 3 years.

Headline: US May nonfarm payrolls beat market expectations, boosting the stock market

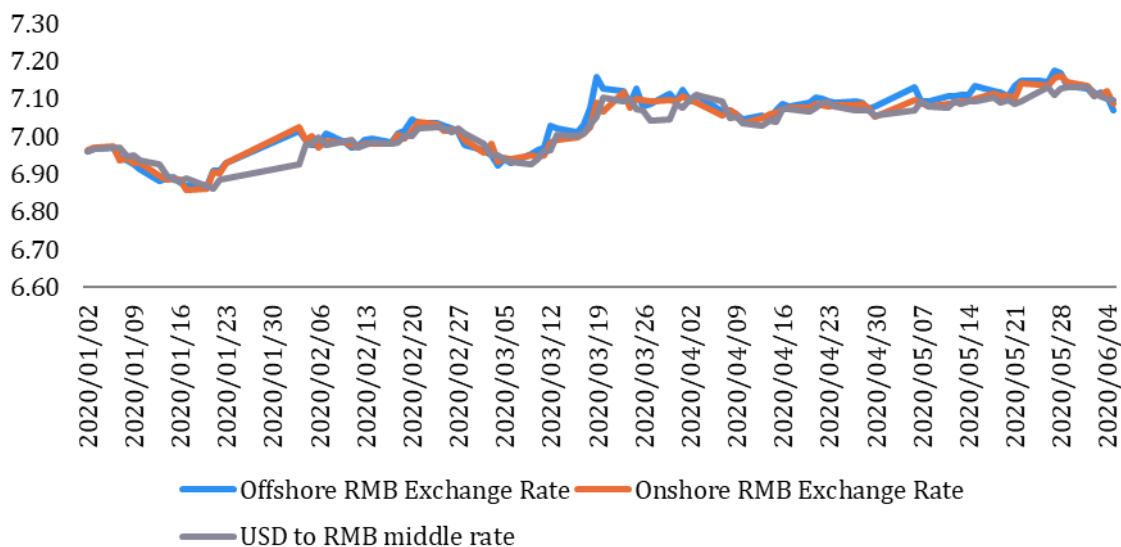
US stocks surged on Friday after the US released better-than-expected jobs data. The nonfarm payrolls increased by 2.51 million and the unemployment rate dropped to 13.3% in May, better than the market expectation of 19%. As of June 5, US stock indices erased the losses since March. In particular, Nasdaq Composite once reached its record high on Friday. The stock continued to rise, despite that the US Department of Labor announced the unemployment rate was underestimated and admitted the real number could exceed 16%.

Some analysts pointed out that the rebound of stock markets was driven by the quantitative easing. The Fed's balance sheet expanded from USD4.22 trillion at the beginning of the year to USD7.21 trillion as of June 3. In addition, the Department of Treasury enlarged the debt issuance, which the scale of US national debt surged to over USD25 trillion. Under the backdrop of weak economy and demands, the quantitative easing policy failed to support the commodity prices, while capital rushed into capital market, resulting a strong rebound of stock market.

Exchange Rate: RMB exchange rate declined

This week, the RMB exchange rate declined as the depreciation pressure of RMB partially released with weak dollar and continuous recovery of China's economy. As of June 5, the intermediate price of RMB exchange rate closed at 7.0965, down 351bp from last Friday; the onshore and offshore RMB exchange rate closed at 7.0866 and 7.0707, decreasing by 589bp and 630bp from last Friday, respectively. The RMB exchange rate is expected to be volatile at around 7.

Figure 1 : RMB exchange rate

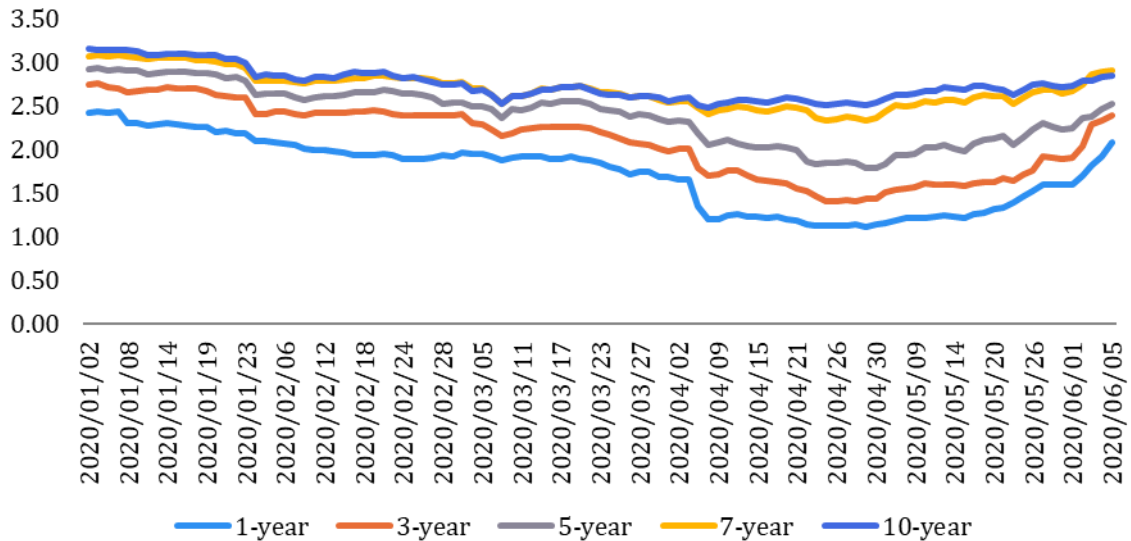


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields increased; US Treasury yields surged

China Government bond yields increased alongside a continuous rise in funding cost. As of June 5, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yield increased from last Friday, closing at 2.0801%, 2.3856%, 2.5258%, 2.9000% and 2.8475%. According to the China Central Depository and Clearing Co Ltd, overseas institutions enlarged their holding of Chinese bonds to a record high. As of 31 May 2020, overseas institutions held RMB2,113 billion Chinese bonds, increasing by RMB112 billion as compared to the end of April.

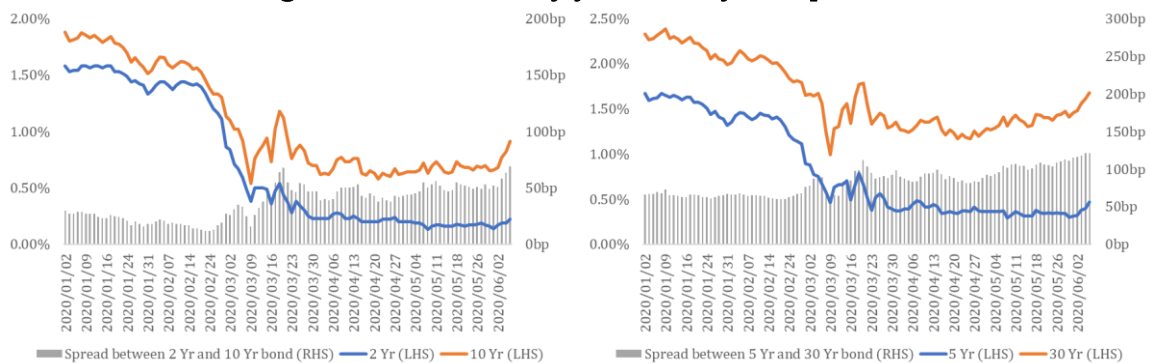
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Optimism on economy reopening lifted the risk aptitude. In addition, the European Central Bank (the “ECB”) boosted its pandemic emergency purchase program by EUR600 billion and the US nonfarm payrolls increased by 2.51 million, which were better than the market expectations, resulting in the jump of US Treasury yields. As of June 5, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.22%, 0.47%, 0.91% and 1.68%, increasing by 6bp, 17bp, 26bp and 27bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 20bp to 69bp from last Friday, while the spread between the 5-year and 30-year widened by 10bp to 121bp from last Friday.

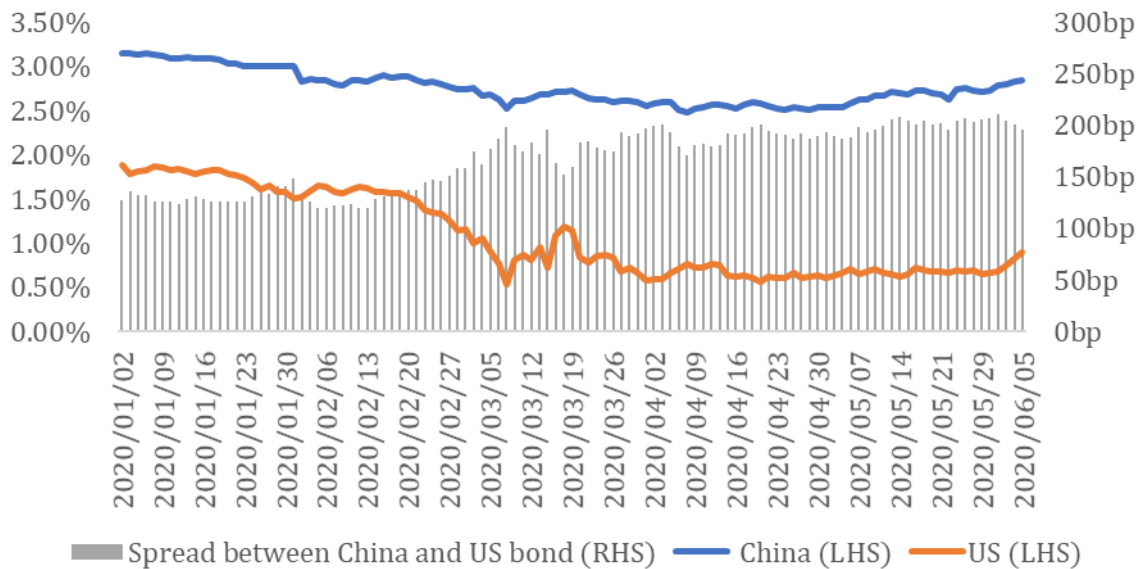
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of June 5, the yield spread between China and US 10-year note was 195.2bp, tightening by 10.0bp from last Friday and widening 68.1bp 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: Chinese offshore bond new issuance dropped, real estate dollar bond issuance rebounded

From June 1 to June 5, there were 8 new issues with a total issued volume of USD1,816 million, decreasing by 83.8% as compared to last week. Real estate dollar bonds issuance has rebounded since late-May. There were 4 new issues with a total issued volume of USD1,076 million this week, accounting for 59.3% of total issuance.

Table 1 : New issuance of Chinese offshore bonds (20200601-20200605)

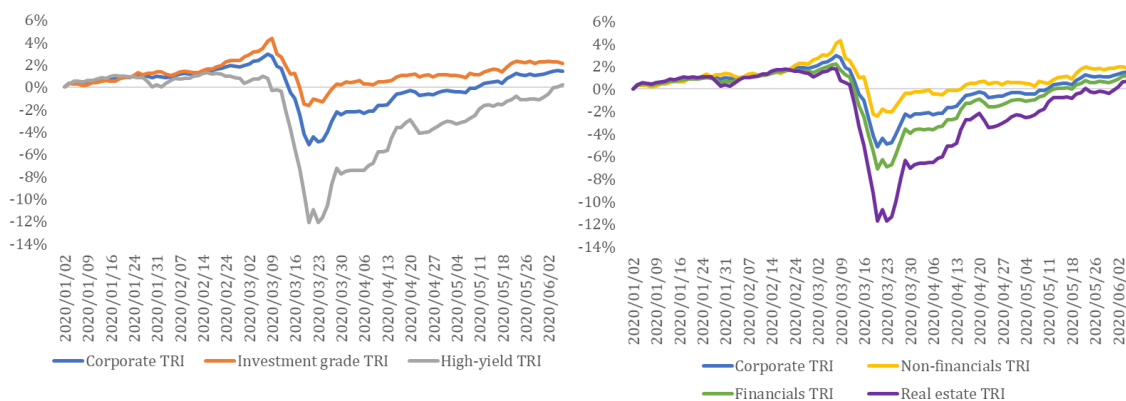
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/6/1	Industrial & Commercial Bank of China Ltd/Sydney	USD	100	3ML+60	2023/6/9	3	Banks	A1/A/A	-/-/-
2020/6/3	Kaisa Group Holdings Ltd	USD	300	7.875	2021/6/9	364D	Real Estate	B1/B/B	-/-/-
2020/6/3	Mingfa Group International Co Ltd	USD	176	22	2020/12/5	183D	Real Estate	-/-/-	-/-/-
2020/6/3	Yinchuan Tonglian Capital Investment Operation Co Ltd	USD	260	4.45	2023/6/10	3	Chengtou	Baa3/-/BBB	-/-/BBBe
2020/6/4	Nan Hai Corp Ltd	USD	350	2.9	2022/6/11	2	Communications	-/-/-	(P)Baa2/-/-
2020/6/4	Seazen Group Ltd	USD	400	6.45	2022/6/11	2	Real Estate	Ba2/BB/BB	Ba3/-/-
2020/6/4	Zhenro Properties Group Ltd	USD	200	8.3	2023/9/15	3.25	Real Estate	B1/B/B+	-/-/ B+
2020/6/5	Guotai Junan International Holdings Ltd	USD	30	1	2021/6/11	364D	Financials	Baa2/BBB+/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Chinese dollar bonds continued to recover, while investment grade bonds fluctuated slightly

Chinese dollar bonds continued to recover in the secondary market, while investment grade bonds fluctuated slightly and high-yield bond index turned positive. As of June 5, the YTD return¹ on Chinese USD corporate bond index increased by 35bp from last Friday to 1.44%, of which investment grade bond index was 2.11% and high-yield bond index was 0.18%, decreasing by 13bp and increasing by 134bp respectively. In terms of sector indices, the return on non-financial index slightly dropped by 8bp to 1.76%, while the financial and real estate indices were 1.20% and 0.79%, increasing by 66bp and 117bp from last Friday, respectively.

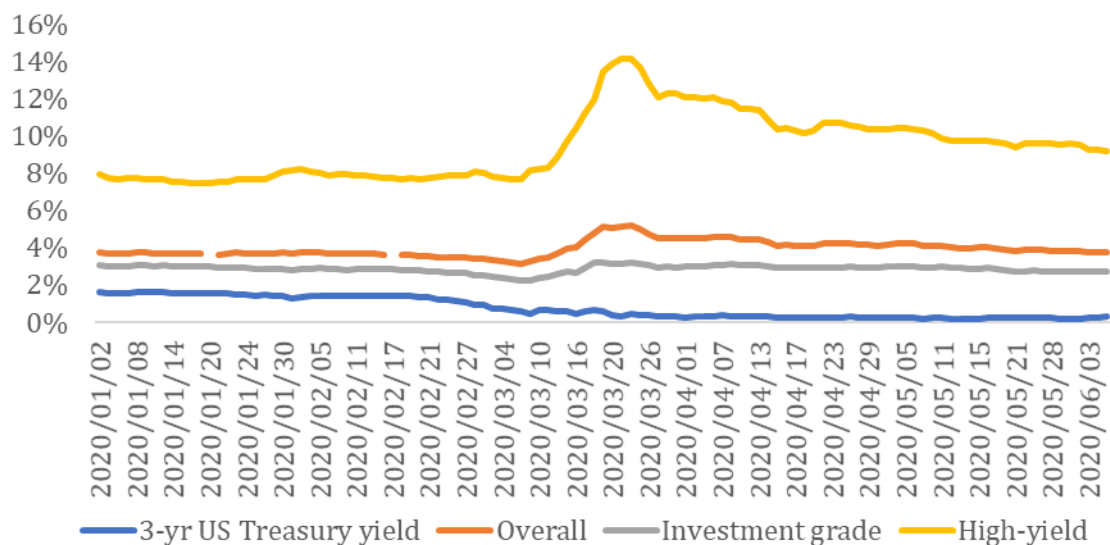
Figure 5 : YTD return on Markt IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of June 5, the yield-to-worst of Chinese dollar bonds decreased by 8bp to 3.76% from last Friday, of which investment grade bond index rose by 3bp to 2.75%, while the high-yield bond index declined by 37bp to 9.15%.

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 assigns first-time BB_g to Jinke Property, with stable outlook

On June 3, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) assigned first-time BB_g to Jinke Property Group Co., Ltd. (“Jinke Property”), with stable outlook.

Table 3 : CCXAP’s rating actions (20200601-20200605)

Date	Entity	Issuer Rating	Outlook	Rating Rationale
2020/6/3	Jinke Property	BB _g	STABLE	The rating of Jinke Property reflects the its (1) established history in Chongqing and fast-growing operating scale; (2) sufficient land bank; and (3) both internal and external liquidity sources from high cash collection rate and expedite onshore funding access. However, the rating is also constrained by (1) uncertainties in property market recovery due to coronavirus disruptions; (2) Jinke Property’s high debt leverage; and (3) rising exposure to lower-tier cities.

Source: CCX research

From June 1 to June 5, the rating agencies took negative rating actions on 3 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20200601-20200605)

Entity	Sector	Entity Rating	Current Rating		Previous Rating			Rating Agency	Reason of Change	
			Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Downgrade	Shanghai Electric Group Corp & Shanghai Electric Group Co Ltd	Industrials	A3	STABLE	2020/6/2	A2	NEG	2019/7/8	Moody's	Elevating leverage
	CDB Aviation Lease Finance Designated Activity Co	Finance	A1	NEG	2020/6/2	A1	STABLE	2019/11/1	Moody's	Coronavirus Risk
	Dr Peng Telecom & Media Group Co Ltd	Communications	Caa3	NEG	2020/6/4	Caa1	NEG	2019/6/4	Moody's	Distressed exchange of its USD notes

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: China TCM and Daimler International issued 2 Panda Bonds

On June 5, China Traditional Chinese Medicine Co. Limited (“China TCM”) issued 2020 Medium Term Note Series I in China Interbank Market. China TCM raised RMB2.2 billion, at a coupon rate of 3.28% with a tenor of 3 years. CCXI assigned AAA to both the bond and the issuer. Daimler International Finance BV (“Daimler International”) issued 2020 Private Placement Note Series II (Bond Connect) in China Interbank Market. Daimler International raised RMB3 billion, at a coupon rate of 3.25% with a tenor of 3 years.

As of June 5, there were 15 issuers that issued 23 Panda Bonds in 2020, with a total issuance amount of RMB34.1 billion and an average coupon of 2.85%. These bonds were mostly medium term and the majority of them were issued in China Interbank Market.

Table 4 : New issuance of Panda Bond in 2020 (20200101-20200605)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Daimler International Finance BV	3	3.25	2020/6/5	2023/6/5	3	PPN	China Interbank Market	--
China Traditional Chinese Medicine Co. Limited	2.2	3.28	2020/6/5	2023/6/5	3	MTN	China Interbank Market	CCXI
Capital Environment Holdings Limited	1	3.10	2020/5/29	2025/5/29	5	Corporate Bond	Shanghai Exchange Market	CCXI
China Mengniu Dairy Company Limited	0.5	1.61	2020/5/29	2020/11/25	0.49	SCP	China Interbank Market	CCXI
China Mengniu Dairy Company Limited	1.5	1.61	2020/5/29	2020/11/25	0.49	SCP	China Interbank Market	CCXI
China Power International Development Limited	0.5	2.00	2020/5/29	2021/2/23	0.74	SCP	China Interbank Market	CCXI
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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