

2020 Issue 28

From July 27 to July 31

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August 7, 2020

CCXI & CCXAP

Cross-border Bonds Weekly Report

US Q2 GDP slumped by a record 32.9%; Chinese offshore bond new issuance rose

Headline: Fed kept interest rates unchanged; US Q2 GDP slumped by a record 32.9%

On Wednesday, the Fed decided to maintain its current interest rate target between 0% and 0.25%. US Q2 GDP shrank by 32.9%, the largest contraction in US history since 1940s. There were signs of recovery after economic reopening in May, which improved employment, private spending and production. However, given the recent resurgence in confirmed cases, the US economic recovery may lag behind other major economies such as the Eurozone.

Exchange Rate: The RMB exchange rate dropped slightly

This week, the RMB exchange rate continued to fluctuate with a downward trend with the recovery of the domestic economy coupled with the declining dollar index. As of July 31, the intermediate price of RMB exchange rate closed at 6.9848.

Interest Rate: China Government bond yields rose; US Treasury yields fell

China government bond yields rose in general given lower expectation for monetary easing policies. US Treasury dropped as US Q2 GDP slumped by 32.9%, which was the sharpest decline since 1940s. As of July 31, the yield spread between China and US 10-year note was 243.8bp, widened by 16.6bp from last Friday and widening by 116.7bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance rose; State Grid was the largest bond issuer

From July 27 to July 31, there were 21 new issues with a total issuance volume of USD8.76 billion, increasing by USD5.51 billion from last week. State Grid was the largest issuer with about USD3.34 billion bond issuance in aggregate, accounting for 38.1% of the total issuance.

Secondary Market: Return on Chinese USD bonds continued to rise

As of July 31, the YTD return on Chinese USD corporate bond index increased by 38bp from last Friday to 4.46%, of which investment grade bond index was 5.26% and high-yield bond index was 2.95%, increasing by 50bp and 11bp respectively.

Rating Actions: CCXAP assigned first-time BB_g to Jilin Railway, with stable outlook

Panda Bond Market: CSCI and GLP China issued a corporate bond this week

On July 29, China State Construction International Holdings Limited ("CSCI") 2020 Corporate Bond (Series 1) (for Professional Investors) was issued in the Shanghai Exchange Market, raising RMB2 billion at a coupon rate of 3.48% with a tenor of 3 years. CCXI and United Ratings assigned AAA to both the bond and the issuer. On July 30, GLP China Holdings Limited ("GLP China") 2020 Corporate Bond (Series 1) (for Professional Investors) was issued in the Shanghai Exchange Market, raising RMB0.2 billion at a coupon rate of 3.88% with a tenor of 3 years. Shanghai Brilliance Rating assigned AAA to both the bond and the issuer.

Headline: Fed kept interest rates unchanged; US Q2 GDP slumped by a record 32.9%

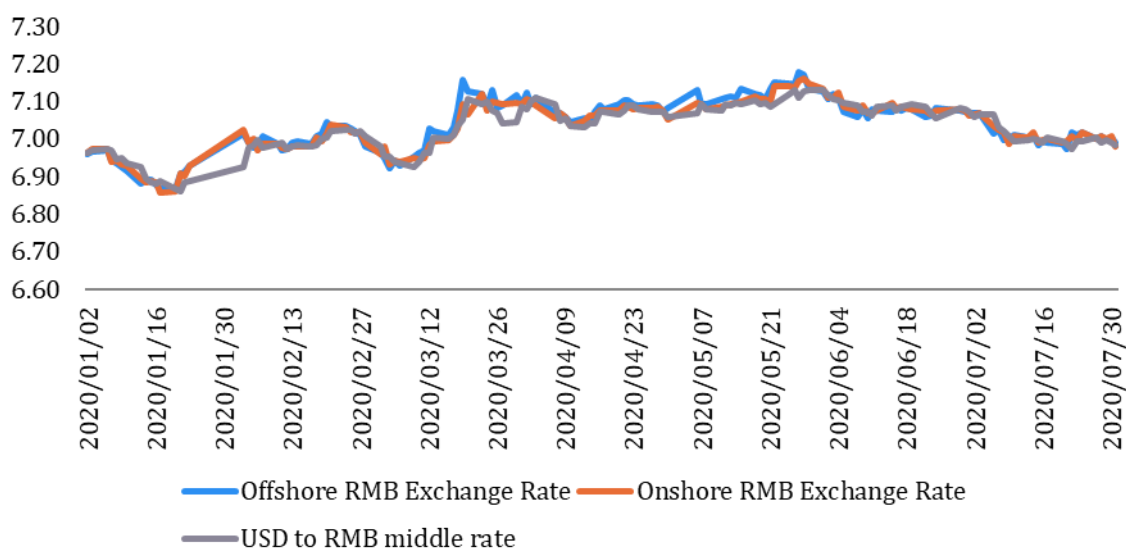
On Wednesday, the Fed decided to maintain its current interest rate target between 0% and 0.25%, which met market expectation. It was the first meeting after the second wave of Covid-19 outbreak in the US. The Fed sustained the current stance as the previous meetings and continued the same monetary policies. It stressed that the recent health crisis would hold and weigh on economic activity, while the preceding measures in response to the coronavirus outbreak were working. The Fed also indicated that future policy adjustments would depend on the course of the ongoing impact of the virus. The Fed's "dovish" stance may show its pessimistic outlook on the US economy.

On 30 July, the Department of Commerce released Q2 GDP data of the US, shrinking by 32.9%. In spite of beating the market expectation of a decline of 34.5%, it has been the largest contraction in US history since 1940s. The slump in real GDP reflected decreases in personal consumption expenditures ("PCE"), exports, private inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending that were partly offset by an increase in federal government spending. There were signs of recovery after economic reopening in May, which improved employment, private spending and production. However, given the recent resurgence in confirmed cases in the US, the US economic recovery may lag behind other major economies such as the Eurozone.

Exchange Rate: The RMB exchange rate dropped slightly

This week, the RMB exchange rate continued to fluctuate with a downward trend with the recovery of the domestic economy coupled with the declining dollar index. As of July 31, the intermediate price of RMB exchange rate closed at 6.9848, down 90bp from last Friday; the onshore RMB exchange rate closed at 6.9794, down 368bp; the offshore RMB exchange rate closed at 6.9903, down 257bp from last Friday.

Figure 1 : RMB exchange rate

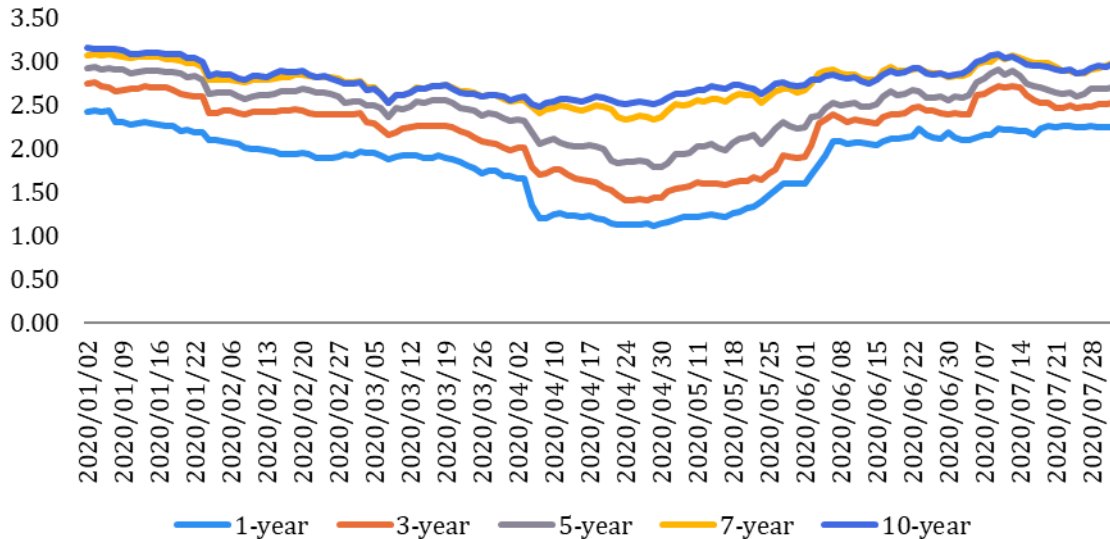


Sources: Eastmoney, CCX research

Interest Rate: China Government bond yields rose; US Treasury yields fell

This week, China Government Bond yields rose in general given lower expectation for monetary easing policies. As of July 31, the 3-year, 5-year, 7-year and 10-year Government Bond yields increased from last Friday, closing at 2.5152%, 2.7022%, 2.9700% and 2.9664%, respectively; the 1-year Government Bond yield declined slightly, closing at 2.2428%.

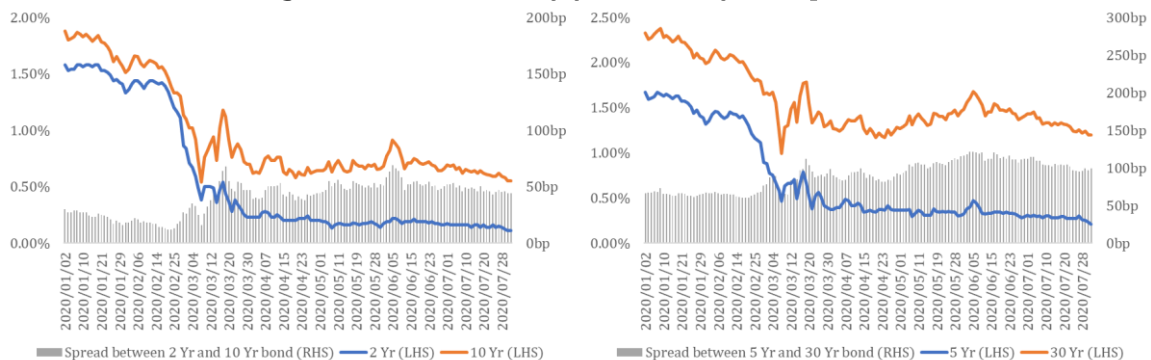
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury dropped as US Q2 GDP slumped by 32.9%, which was the sharpest decline since 1940s. As of July 31, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.11%, 0.21%, 0.55% and 1.20%, decreasing by 3bp, 6bp, 4bp and 3bp as compared to last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 1bp to 44bp from last Friday while the spread between the 5-year and 30-year widened by 3bp to 99bp.

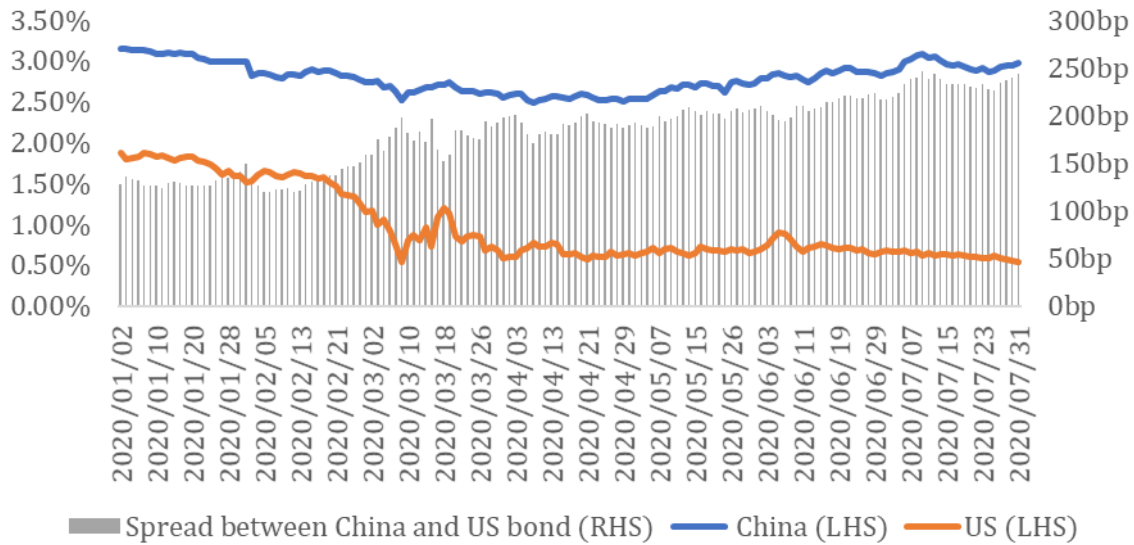
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of July 31, the yield spread between China and US 10-year note was 243.8bp, widened by 16.6bp from last Friday and widening by 116.7bp 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 issuance rose; State Grid was the largest bond issuer

From July 27 to July 31, there were 21 new issues with a total issuance volume of USD8.76 billion, increasing by USD5.51 billion from last week. State Grid Corp of China (“State Grid”) was the largest issuer with about USD3.34 billion bond issuance in aggregate, accounting for 38.1% of the total issuance.

Table 1 : New issuance of Chinese offshore bonds (20200727-20200731)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/7/27	China Everbright Bank Co Ltd	USD	700	3ML+85	2023/8/3	3	Banks	Baa2/-/BBB	-/-/BBB
2020/7/27	Chong Hing Bank Ltd	USD	300	5.5	-	Perpetual	Banks	Baa1/BBB/-	Ba2/-/-
2020/7/27	DaFa Properties Group Ltd	USD	150	12.375	2022/7/30	2	Real Estate	B2/B/-	B3/-/-
2020/7/28	China Construction Bank Corp	USD	500	1	2023/8/4	3	Banks	A1/A/A	-/-/-
2020/7/28	China Construction Bank Corp	USD	700	1.25	2025/8/4	5	Banks	A1/A/A	-/-/-
2020/7/28	Country Garden Holdings Co Ltd	USD	500	4.2	2026/2/6	5.5	Real Estate	Ba1/BB+/BBB-	-/-/BBB-
2020/7/28	Country Garden Holdings Co Ltd	USD	500	4.8	2030/8/6	10	Real Estate	Ba1/BB+/BBB-	-/-/BBB-
2020/7/28	CSC Financial Co Ltd	USD	500	1.75	2025/8/4	5	Financials	Baa1/-/BBB+	Baa1/-/-
2020/7/28	Jiangsu Zhongnan Construction Group Co Ltd	USD	200	9	2021/8/3	364D	Real Estate	B2/B/-	-/-/-
2020/7/28	Shinsun Real Estate Group Co Ltd	USD	200	11	2021/7/30	364D	Real Estate	-/-/-	-/-/-
2020/7/29	Haitong International Securities Group Ltd	USD	65	1.16	2021/2/5	182D	Financials	Baa2/BBB/-	-/-/-
2020/7/29	LVGEM China Real Estate Investment Co Ltd	HKD	176	5.75	2021/8/3	363D	Real Estate	B3/-/B	-/-/-
2020/7/29	Ronshine China Holdings Ltd	USD	200	6.75	2024/8/5	4	Real Estate	B1/B+/BB-/BB _g +	-/-/BB-/BB _g +

								(CCXAP)	(CCXAP)
2020/7/29	State Grid Corp of China	EUR	1,000	0.797	2026/8/5	6	Utilities	A1/A+/A+	-/A+/A+
2020/7/29	State Grid Corp of China	EUR	600	1.303	2032/8/5	12	Utilities	A1/A+/A+	-/A+/A+
2020/7/29	State Grid Corp of China	USD	300	1	2025/8/5	5	Utilities	A1/A+/A+	-/A+/A+
2020/7/29	State Grid Corp of China	USD	1,150	1.625	2030/8/5	10	Utilities	A1/A+/A+	-/A+/A+
2020/7/29	Sunac China Holdings Ltd	USD	500	6.65	2024/8/3	4	Real Estate	Ba3/BB-/BB	B1/B+/BB
2020/7/30	Haitong International Securities Group Ltd	USD	38	1.45	2021/8/9	364D	Financials	Baa2/BBB/-	-/-/-
2020/7/30	Redco Properties Group Ltd	USD	220	11	2022/8/6	2	Real Estate	-/B/B	-/B/-
2020/7/31	China Merchants Holdings Hong Kong Co Ltd	USD	125	2.45	2025/8/7	5	Industrials	-/-/-	-/-/-

Sources: Bloomberg, CCX research

On July 29, CIFI Holdings Group Co Ltd announced a tap bond offering.

Table 2 : Tap bond offering (20200727-20200731)

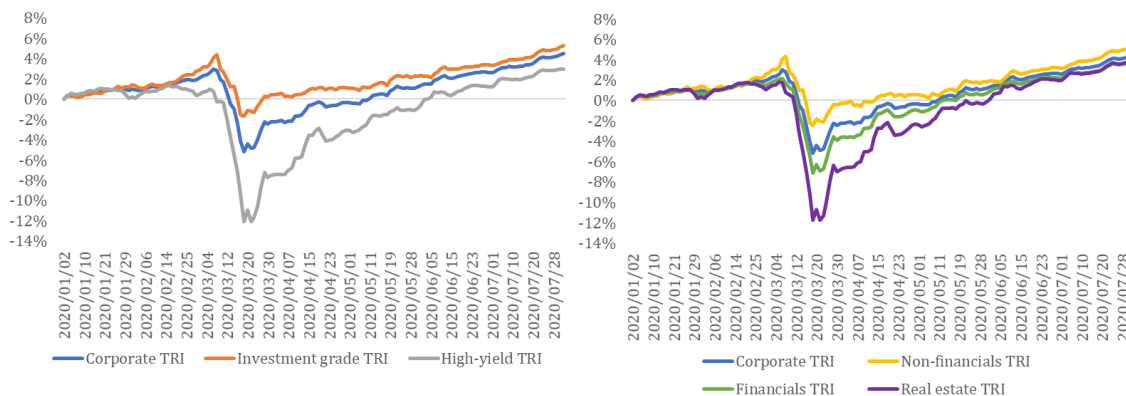
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/7/29	CIFI Holdings Group Co Ltd	USD	500 (reoffered 200)	5.95	2025/10/20	5.25	Real Estate	Ba3/BB/BB	-/BB-/BB

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds continued to rise

As of July 31, the YTD return¹ on Chinese USD corporate bond index increased by 38bp from last Friday to 4.46%, of which investment grade bond index was 5.26% and high-yield bond index was 2.95%, increasing by 50bp and 11bp respectively. In terms of sector indices, the return on non-financial index had the largest increase, rising by 53bp to 5.36%; the returns on financial and real estate index were 3.81% and 3.82%, rising by 27bp and 19bp from last Friday, respectively.

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



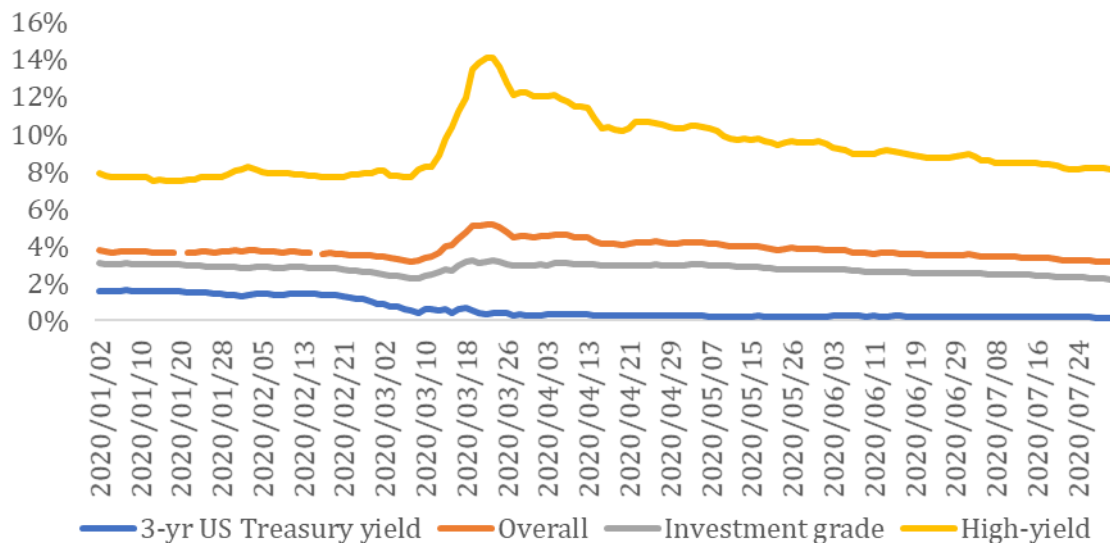
Sources: Bloomberg, CCX research

As of July 31, the yield-to-worst of Chinese dollar bonds decreased by 7bp to 3.13% from last

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

Friday, of which investment grade bond index dropped by 9bp to 2.21%, while the high-yield bond index increased by 1bp to 8.14%.

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



Sources: Bloomberg, CCX research

Rating Actions: CCXAP assigned first-time BB_g to Jilin Railway, with stable outlook

On July 31, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) assigned a first-time long-term credit rating of BB_g to Jilin Railway Investment Development Co., Ltd. (“Jilin Railway”). The rating outlook is stable.

Table 3 : CCXAP’s rating action (20200727-20200731)

Date	Entity	Issuer Rating	Rating Rationale
2020/7/31	Jilin Railway	BB _g	The rating of Jilin Railway reflects (1) solid track record of receiving ongoing support from the Jilin Municipal Government; and (2) regional monopoly in railway infrastructure projects and city operation business. However, the rating is constrained by its (1) prolonged cash collection periods and uncertainties in revenue recognition; (2) high debt leverage and large external guarantees; (3) frequent asset transfers that weaken its corporate governance and reduce business sustainability; and (4) weak liquidity profile.

Source: CCX research

From July 27 to July 31, the rating agencies took positive rating actions on 9 Chinese issuers; and negative rating actions on 5 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20200727-20200731)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									

Upgrade	Zoomlion Heavy Industry Science and Technology Co Ltd	Industrials	B+	POS	2020/7/27	B	POS	2019/7/31	Fitch	Improving company's leverage metrics
	Redco Properties Group Ltd	Real Estate	B	POS	2020/7/28	B	STABLE	2019/9/26	Fitch	Consistent growth in attributable contracted sales
	Zhuzhou City Construction Development Group Co Ltd	Chengtou	Baa3	STABLE	2020/7/30	Ba1	STABLE	2019/9/2	Moody's	
	Zhongyuan Yuzi Investment Holdings Group Co Ltd	Chengtou	A2	STABLE	2020/7/30	A3	STABLE	2019/9/26	Moody's	
	Shuifa Group Co Ltd	Chengtou	Baa1	STABLE	2020/7/30	Baa3	STABLE	2020/3/3	Moody's	
	Jiangxi Provincial Water Conservancy Investment Group Corp	Chengtou	Baa2	STABLE	2020/7/30	Baa3	STABLE	2019/11/27	Moody's	Change in primary methodology
	Hunan Xiangjiang New Area Development Group Co Ltd	Chengtou	Baa2	STABLE	2020/7/30	Baa3	STABLE	2019/8/29	Moody's	
	Chengdu Tianfu New Area Investment Group Co Ltd	Chengtou	Baa2	STABLE	2020/7/30	Baa3	STABLE	2020/1/3	Moody's	
Downgrade	Fosun International Ltd	Consumer Discretionary	Ba3	NEG	2020/7/28	Ba2	Rating Watch Negative	2020/4/23	Moody's	Challenging operating environment amid the coronavirus-led economic downturn
	Zhuji State-owned Assets Management Co Ltd	Chengtou	Ba1	STABLE	2020/7/30	Baa3	NEG	2020/6/29	Moody's	Change in primary methodology
	YanAn Bicon Pharmaceutical Listed Co	Health Care	CCC-	NEG	2020/7/31	CCC+	NEG	2019/1/23	S&P	Heightened refinancing risk
	Union Life Insurance Co Ltd	Financials	Ba1	NEG	2020/7/31	Baa3	Rating Watch Negative	2020/5/7	Moody's	Elevated risky asset exposure, weak capital buffer and increasing refinancing and liquidity risks
Domestic Rating:										
Upgrade	Jinan Hi-tech Holding Group Co Ltd	Chengtou	AAA	STABLE	2020/7/29	AA+	STABLE	2019/7/25	Dagong	Stronger operating environment
Downgrade	Tibet Financial Leasing Co Ltd	Financials	A+	Rating Watch Negative	2020/7/27	AA	NEG	2020/1/14	Lianhe Ratings	Very high liquidity pressure and weakened profitability

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: CSCI and GLP China issued a corporate bond this week

On July 29, China State Construction International Holdings Limited (“CSCI”) 2020 Corporate Bond (Series 1) (for Professional Investors) was issued in the Shanghai Exchange Market, raising RMB2 billion at a coupon rate of 3.48% with a tenor of 3 years. CCXI and United Ratings assigned AAA to both the bond and the issuer.

On July 30, GLP China Holdings Limited (“GLP China”) 2020 Corporate Bond (Series 1) (for Professional Investors) was issued in the Shanghai Exchange Market, raising RMB0.2 billion at a coupon rate of 3.88% with a tenor of 3 years. Shanghai Brilliance Rating assigned AAA to both the bond and the issuer.

As of July 31, there were 21 issuers that issued 33 Panda Bonds in 2020, with a total issuance amount of RMB49.3 billion and an average coupon of 3.03%. The majority of them were issued in the China Interbank Market. More than half of them were issued at a tenor of 3 years or above.

Table 5 : New issuance of Panda Bond in 2020 (20200101-20200731)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
GLP China Holdings Limited	0.2	3.88	2020/7/30	2023/7/23	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China State Construction International Holdings Limited	2	3.48	2020/7/29	2023/7/29	3	Corporate Bond	Shanghai Exchange Market	China Chengxin / United Ratings
GLP China Holdings Limited	2	3.90	2020/7/23	2023/7/23	3	International Institutional Bond	China Interbank Market	Shanghai Brilliance Rating
BMW Finance N.V.	2.5	3.19	2020/7/16	2021/7/16	1	PPN	China Interbank Market	--
New Development Bank	2	3.00	2020/7/7	2025/7/7	5	International Institutional Bond	China Interbank Market	--
Veolia Environnement S.A.	0.75	3.85	2020/6/24	2023/6/24	3	PPN	China Interbank Market	China Chengxin
Veolia Environnement S.A.	0.75	3.85	2020/6/24	2023/6/24	3	PPN	China Interbank Market	China Chengxin
Asian Infrastructure Investment Bank	3	2.40	2020/6/15	2023/6/15	3	International Institutional Bond	China Interbank Market	--
China Everbright Greentech Limited	1	3.68	2020/6/12	2025/6/12	5	MTN	China Interbank Market	Lianhe Ratings
Sumitomo Mitsui Banking Corporation	1	3.20	2020/6/8	2023/6/8	3	PPN	China Interbank Market	--
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	China Chengxin
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 / Lianhe Ratings
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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