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From August 10 to August 14

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Date:

August 21, 2020

US dollar index continued to fall; US Treasury yields rose

Headline: US dollar index continued to fall; gold price declined while oil price kept stable

The US dollar index fell for the 8th consecutive week. As of August 14, the US dollar index closed at 93.10, decreasing by nearly 10% from the highest level of this year, which was the longest weekly decline since June 2010. Affected by increase in US Treasury yields and profit-taking, spot gold price declined by 4.5% this week after recording the largest year-to-date increase in history. Although the IEA lowered 2020 oil demand forecast, the oil prices were expected to drop mildly, supported by the decline in crude oil inventories, the tenacious US stock market and the weak US dollar. In addition, the 30-day volatility of Brent crude oil price dropped to its lowest level in 2020.

Exchange Rate: The RMB exchange rate continued to decline

This week, the RMB exchange rate continued to fluctuate with a downward trend. As of August 14, the intermediate price of RMB exchange rate closed at 6.9405.

Interest Rate: Chinese Government Bond yields declined; US Treasury yields rose

China Government Bond yields generally declined. The Chinese bond market may experience continuous adjustment in short run. US Treasury yields rose this week driven by the better-than-expected inflation data and the decline in the number of initial jobless claims. As of August 14, the yield spread between China and US 10-year note was 222.8bp, tightening by 20.0bp from last Friday and widening by 95.6bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond issuance fell; financial institutions were the key issuers**

From August 10 to August 14, there were 12 new issues with a total issuance volume of USD2.32 billion, decreasing significantly by 51.1% from last week. Financial institutions were the key issuers, with about USD0.75 billion bond issuance in aggregate, accounting for 32.3% of the total issuance.

Secondary Market: Returns on investment grade and high-yield bond diverged

As of August 14, the YTD return on Chinese USD corporate bond index decreased by 13bp from last Friday to 4.57%, of which investment grade bond index was 5.11%, decreasing by 33bp from last Friday, while high-yield bond index was 3.61%, increasing by 28bp from last Friday.

Rating Actions: Chinese issuers' credit quality diverged**Panda Bond Market: Yuexiu Transport issued a MTN**

On August 14, Yuexiu Transport issued 2020 Medium Term Note (Series II) in China's Interbank Market, at a coupon rate of 3.54%, with a tenor of 3 years, raising RMB0.5 billion. CCXI assigned AAA to both the bond and the issuer.

Headline: US dollar index continued to fall; gold price declined while oil price kept stable

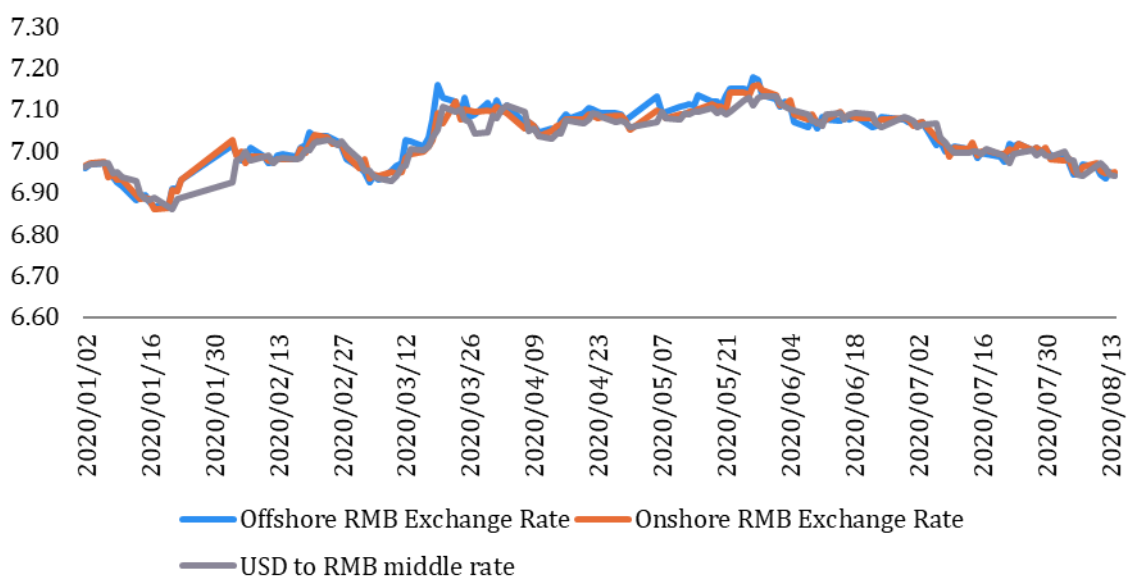
This week, the US dollar index fell for the 8th consecutive week, the longest weekly decline since June 2010. Affected by the pandemic, the global financial market fluctuated violently at the beginning of the year, pushing the US dollar index to a high level of 103 in March. Because of the US's easing monetary policies, mixed economic data and possible delay of economic recovery amid the pandemic, bearish sentiment on US dollar mounted. As of August 14, the US dollar index closed at 93.10, decreasing by nearly 10% from the highest level of this year.

Affected by increase in US Treasury yields and profit-taking, spot gold price declined by 4.5% this week, after hit the record high of USD2,072.5 per ounce with the largest year-to-date increase in past four months. Although the International Energy Agency (the "IEA") lowered 2020 oil demand forecast, the oil prices were expected to drop mildly, supported by the decline in crude oil inventories, the tenacious US stock market and the weak US dollar. In addition, the 30-day volatility of Brent crude oil price dropped to its lowest level in 2020.

Exchange Rate: The RMB exchange rate continued to decline

This week, the RMB exchange rate continued to fluctuate with a downward trend. As of August 14, the intermediate price of RMB exchange rate closed at 6.9405, down 3bp from last Friday; the onshore RMB exchange rate closed at 6.9498, down 100bp; the offshore RMB exchange rate closed at 6.94205, down 253bp.

Figure 1 : RMB exchange rate

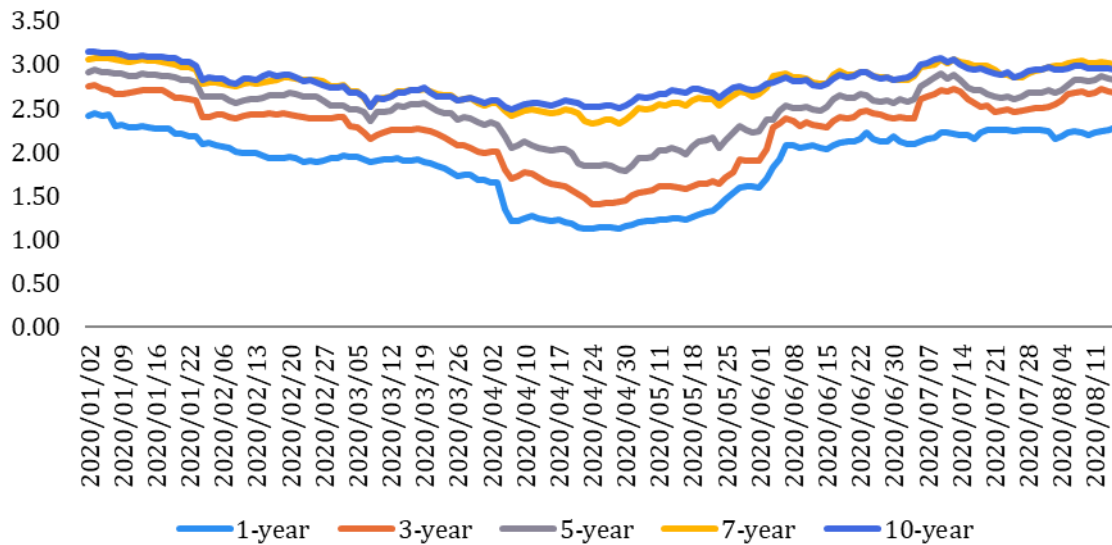


Sources: Eastmoney, CCX research

Interest Rate: Chinese Government Bond yields declined; US Treasury yields fell

This week, China Government Bond yields generally declined. As of August 14, the 3-year, 5-year, 7-year and 10-year Government Bond yields decreased from last Friday, closing at 2.6746%, 2.8209%, 2.9943% and 2.9369%, respectively; the 1-year Government Bond yield increased slightly, closing at 2.2744%. The Chinese bond market may experience continuous adjustment in short run, and it is expected that the yield will continue to fluctuate in August.

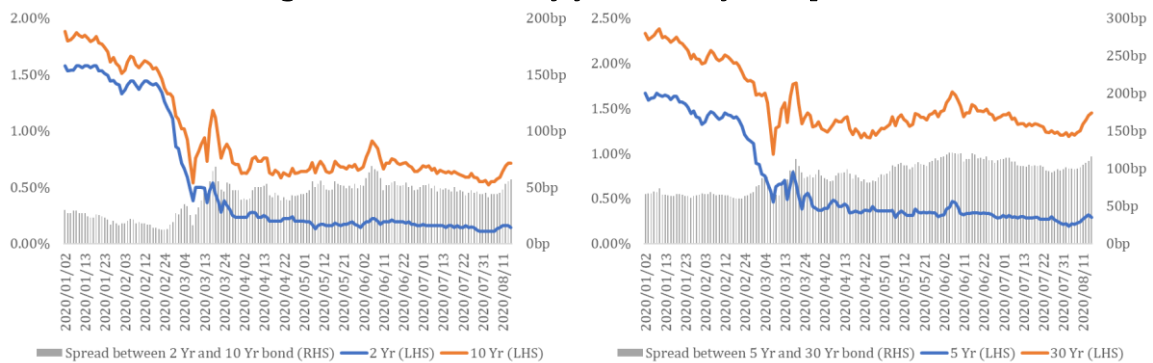
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields rose this week driven by the better-than-expected inflation data and the decline in the number of initial jobless claims. As of August 14, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.14%, 0.29%, 0.71% and 1.45%, increasing by 1bp, 6bp, 14bp and 22bp as compared to last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 13bp to 57bp from last Friday while the spread between the 5-year and 30-year widened by 16bp to 116bp from last Friday.

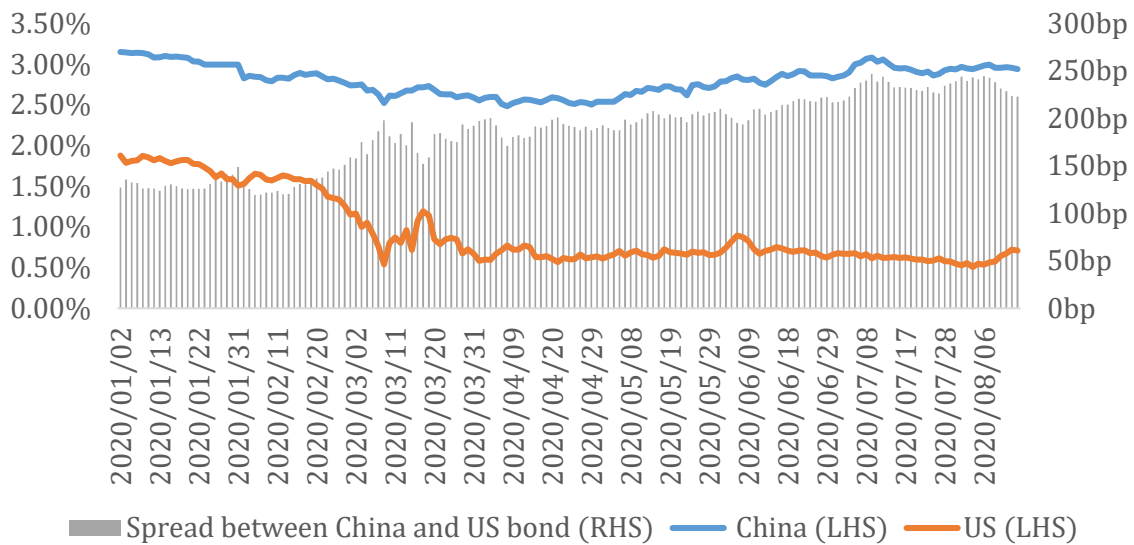
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of August 14, the yield spread between China and US 10-year note was 222.8bp, tightening by 20.0bp from last Friday and widening by 95.6bp 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 issuance fell; financial institutions were the key issuers

From August 10 to August 14, there were 12 new issues with a total issuance volume of USD2.32 billion, decreasing significantly by 51.1% from last week. Financial institutions were the key issuers, with about USD0.75 billion bond issuance in aggregate, accounting for 32.3% of the total issuance.

Table 1 : New issuance of Chinese offshore bonds (20200810-20200814)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/8/10	CMB International Capital Corp Ltd	USD	15	0.8	2020/9/30	44D	Financials	Baa1/BBB+/-	-/-/-
2020/8/11	CMB International Capital Corp Ltd	USD	9	0.7	2021/2/18	184D	Financials	Baa1/BBB+/-	-/-/-
2020/8/11	Hangzhou Qiantang New District Construction Investment Group Co Ltd	USD	300	3.2	2023/8/18	3	Chengtou	-/-/-	-/-/-
2020/8/11	Redco Properties Group Ltd	USD	300	8.5	2021/8/19	364D	Real Estate	-/B/B	-/-/-
2020/8/12	China Great Wall AMC International Holdings Co Ltd	USD	500	2.375	1930/8/18	10	Financials	-/BBB+/A-	-/-/A-
2020/8/12	CIFI Holdings Group Co Ltd	CNY	1,200	5.85	2023/8/19	3	Real Estate	Ba3/BB/BB	-/-BB
2020/8/12	Shandong Guohui Investment Co Ltd	USD	200	4	2023/8/19	3	Financials	Baa2/-/BBB+	-/-/BBB+
2020/8/12	Yunda Holding Co Ltd	USD	500	2.25	2025/8/19	5	Industrials	Baa2/-/-	-/-/-
2020/8/13	China International Capital Corp Hong Kong Ltd	USD	1	0.4	2020/10/20	63D	Financials	Baa1/BBB/BBB+	-/-/-
2020/8/13	Guotai Junan International Holdings Ltd	HKD	200	1.5	2021/8/19	364D	Financials	Baa2/BBB+/-	-/-/-

2020/8/13	Yunnan Provincial Energy Investment Group Co Ltd	USD	150	3.5	2023/8/20	3	Chengtou	-/-/BBB	-/-/-
2020/8/13	Yunnan Provincial Energy Investment Group Co Ltd	USD	150	4.5	-	Perpetual	Chengtou	-/-/BBB	-/-/-

Sources: Bloomberg, CCX research

On August 12, Shuifa Group Co Ltd and Fantasia Holdings Group Co Ltd announced a tap bond offering.

Table 2 : Tap bond offering (20200810-20200814)

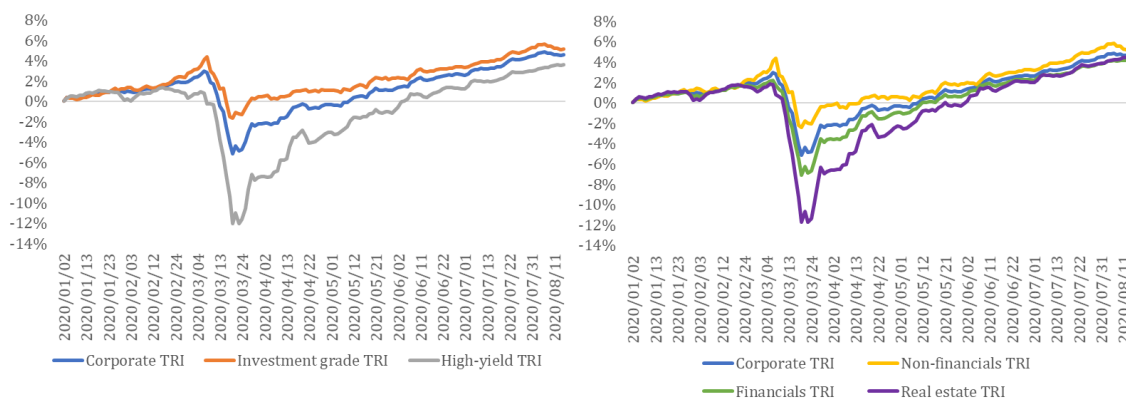
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/8/12	Shuifa Group Co Ltd	USD	400 (reoffered 50)	4.3	2023/5/8	3	Chengtou	Baa3/-/-	-/-/-
2020/8/12	Fantasia Holdings Group Co Ltd	USD	500 (reoffered 200)	7.95	2022/7/5	5	Real Estate	B2/B/B+	B3/B/-

Sources: Bloomberg, CCX research

Secondary Market: Returns on investment grade and high-yield bond diverged

As of August 14, the YTD return¹ on Chinese USD corporate bond index decreased by 13bp from last Friday to 4.57%, of which investment grade bond index was 5.11%, decreasing by 33bp from last Friday, while high-yield bond index was 3.61%, increasing by 28bp from last Friday. In terms of sector indices, the return on non-financial index was 5.06%, decreasing by 49bp; the returns on financial and real estate index were 4.17% and 4.43%, rising by 9bp and 22bp from last Friday, respectively.

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

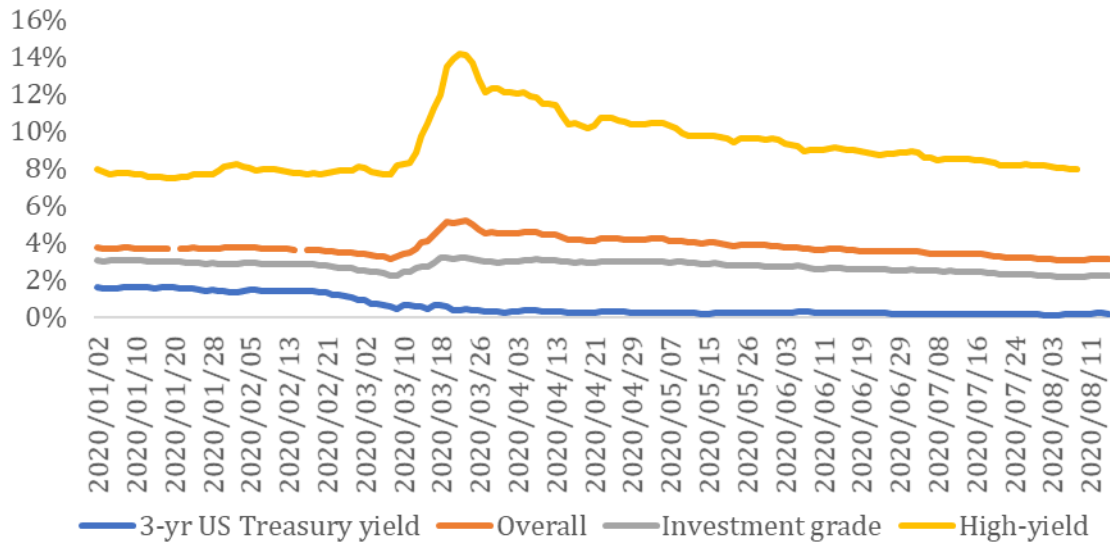


Sources: Bloomberg, CCX research

As of August 14, the yield-to-worst of Chinese dollar bonds increased by 3bp to 3.10% from last Friday, of which investment grade bond index rose by 5bp to 2.20%, while the high-yield bond index dropped by 10bp to 7.84%.

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: Chinese issuers' credit quality diverged

From August 10 to August 14, the rating agencies took positive rating actions on 3 Chinese issuers; and negative rating actions on 4 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20200810-20200814)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Dalian Wanda Commercial Management Group Co Ltd	Real Estate	BB+	STABLE	2020/8/11	BB	POS	2020/8/7	S&P	Completion of rental model transition
	Wanda Commercial Properties Hong Kong Co Ltd	Real Estate	BB	STABLE	2020/8/11	BB-	POS	2020/8/7	S&P	
	China South City Holdings Ltd	Real Estate	B	STABLE	2020/8/12	B-	POS	2019/7/25	S&P	
Downgrade	Fosun International Ltd	Consumer Discretionary	BB	NEG	2020/8/11	BB	STABLE	2020/4/29	S&P	Shortened debt maturity and declining liquidity
	Yestar Healthcare Holdings Co Ltd	Health Care	B3	NEG	2020/8/12	B1	NEG	2020/4/8	Moody's	Increased liquidity risk
	Zijin Mining Group Co Ltd	Materials	Ba1	STABLE	2020/8/13	Baa3	Rating Watch Negative	2020/6/10	Moody's	Expected weakening in its financial profile
	Zhongyuan Asset Management Co Ltd	Financials	Ba1	STABLE	2020/8/14	Baa3	NEG	2020/5/13	Moody's	Alleged misconduct of former chief executive

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: Yuexiu Transport issued a MTN

On August 14, Yuexiu Transport Infrastructure Limited (“Yuexiu Transport”) issued 2020 Medium Term Note (Series II) in China’s Interbank Market, at a coupon rate of 3.54%, with a tenor of 3 years, raising RMB0.5 billion. CCXI assigned AAA to both the bond and the issuer.

As of August 14, there were 22 issuers that issued 35 Panda Bonds in 2020, with a total issuance amount of RMB50.8 billion and an average coupon of 3.06%. The majority of them were issued in the China Interbank Market, and more than 60% of them were issued at a tenor of 3 years or above.

Table 4 : New issuance of Panda Bond in 2020 (20200101-20200814)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Yuexiu Transport Infrastructure Limited	0.5	3.54	2020/8/14	2023/8/14	3	MTN	China Interbank Market	China Chengxin
China Everbright Water Limited	2	3.60	2020/8/5	2023/8/5	3	MTN	China Interbank Market	Shanghai Brilliance Rating
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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