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From August 31 to September 4

Slow economic recovery amid uncertainties; Founder Group rejected claims on keepwell USD bonds

Authors

CCKI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

Jacky Lau 852-28607125

jacky_lau@ccxap.com

Vincent Tong 852-28607121

vincent_tong@ccxap.com

Other

Elle Hu 852-28607123

elle_hu@ccxap.com

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Headline: Major economies showed slow recovery amid uncertainties

The major economies released economic data this week. US manufacturing and services sectors continued to recover and most of the job reports beat market expectations. For Eurozone, France was in contraction, while Italy led the recovery. Also, UK's high PMIs suggested a fast recovery. Japan's August Manufacturing PMI increased for three consecutive months, but remained in contraction zone. Meanwhile, China's economy continued to recover and could lead the recovery of global economies.

Exchange Rate: The RMB exchange rate continued to decline

This week, the RMB exchange rate continued to fluctuate with a downward trend, reversing previous depreciation trend in the past five months. As of September 4, the intermediate price of RMB exchange rate closed at 6.8359.

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

This week, China Government Bond yields rose. US Treasury yields dropped in the beginning of the week, followed by a rebound, given the mixed economic data. As of September 4, the yield spread between China and US 10-year note was 240.5bp, widening by 5.9bp from last Friday and 113.3bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance rebounded, banks were the key issuers**

From August 31 to September 4, there were 14 new issues with a total issuance volume of USD6.1 billion, increasing by 90.7% as compared to last week. Banks were the key issuers, which raised USD4.05 billion via 6 bonds, accounting for 66.4% of the total issuance volume.

Secondary Market: Returns on Chinese USD bonds fluctuated slightly

As of September 4, the YTD return on Chinese USD corporate bond index flattened at 4.86% as compared to last Friday, of which investment grade bond index was rose by 1bp to 5.21% and high-yield bond index flattened at 4.32%.

Rating Actions: Chinese issuers' credit quality diverged

Risk Event: Nantong Sanjian proposed exchange offer; Founder Group rejected claims on USD1.7 billion keepwell bonds

Panda Bond Market: No New Issuance this week

Headline: Major economies showed slow recovery amid uncertainties

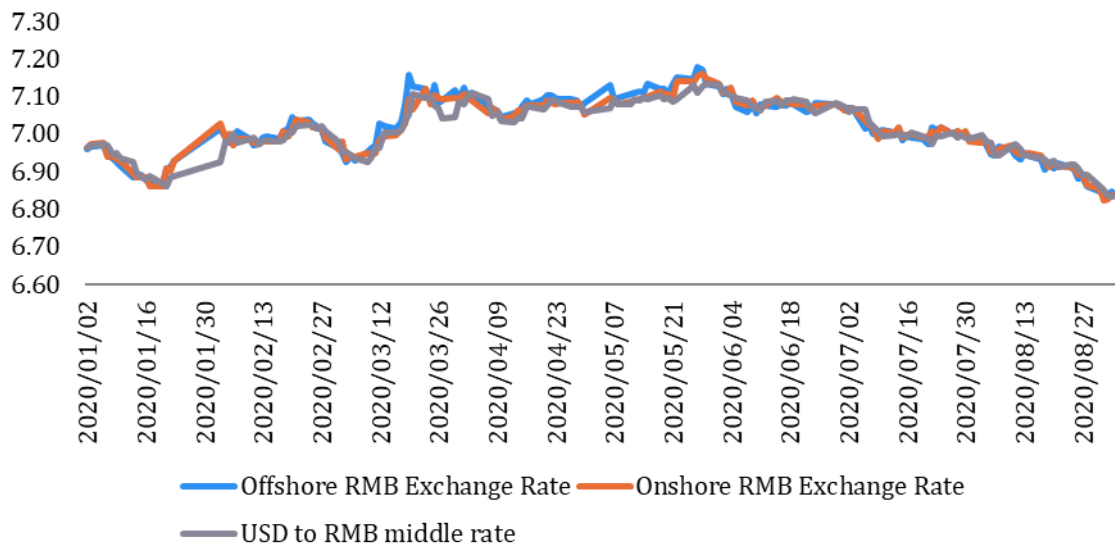
The major economies released economic data this week. US August Markit Manufacturing PMI continued to expand and came in at 53.1. But the reading missed the market expectation of 53.6, suggesting uncertainties of recovery. US August Services PMI recorded the highest level of 55.0 since March 2019, better than the market expectation as well as the previous reading. The growth was driven by financial and business services as well as tech firms, but consumer-facing sectors, such as travel, remained in decline, suggesting an uneven rebound and uncertainties of recovery. Despite ADP report said that the US private sector created 428,000 new jobs in August, which was far below the market expectation, the US labor market continued to recover as most of the job reports beat expectations, including initial jobless claims, continuous jobless claims, nonfarm payrolls, and unemployment rate.

The Eurozone August Manufacturing PMI came in at 51.7, lower than that of 51.8 in July. France August Manufacturing PMI was 49.8, worse than both market expectation and last month's reading. Italian manufacturing activities led the expansion in Eurozone and the August Manufacturing PMI was 53.1. Nonetheless, its services sector fell back into contraction at a worse-than-expected pace. UK August Manufacturing PMI was 55.2 while Services PMI was 58.8. Despite both readings missed expectations, the high PMIs suggested a fast recovery of UK. Japan's August Manufacturing PMI increased for three consecutive months to 47.2, but remained in contraction zone. China August Comprehensive PMI rose by 0.4 to 54.5, while the three key PMIs remained above the threshold of 50 for 6 months, suggesting that China's economy continued to recover and could lead the recovery of global economies.

Exchange Rate: The RMB exchange rate continued to decline

This week, the RMB exchange rate continued to fluctuate with a downward trend due to domestic economic recovery and weakening dollar index, reversing previous depreciation trend in the past five months. As of September 4, the intermediate price of RMB exchange rate closed at 6.8359, down 532bp from last Friday, or down by 4.3% as compared to the end of May. The onshore RMB exchange rate closed at 6.8393, down 258bp from last Friday; the offshore RMB exchange rate closed at 6.8360, down 234bp.

Figure 1 : RMB exchange rate

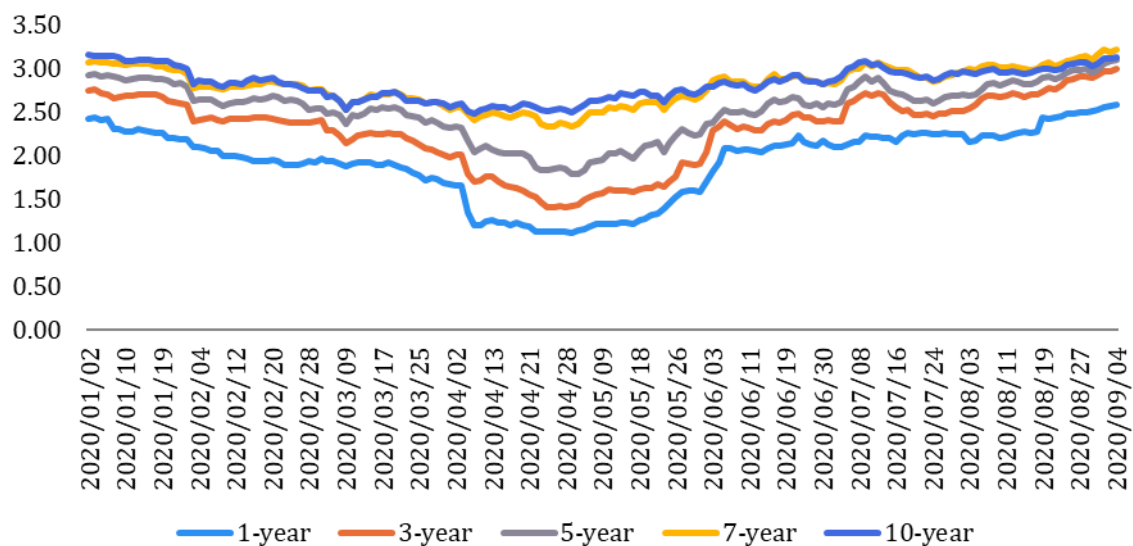


Sources: Eastmoney, CCX research

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

This week, China Government Bond yields rose and may experience continuous adjustment in short run. As of September 4, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields increased from last Friday, closing at 2.5885%, 2.9871%, 3.1008%, 3.2082% and 3.1228%.

Figure 2 : China Government Bond yields

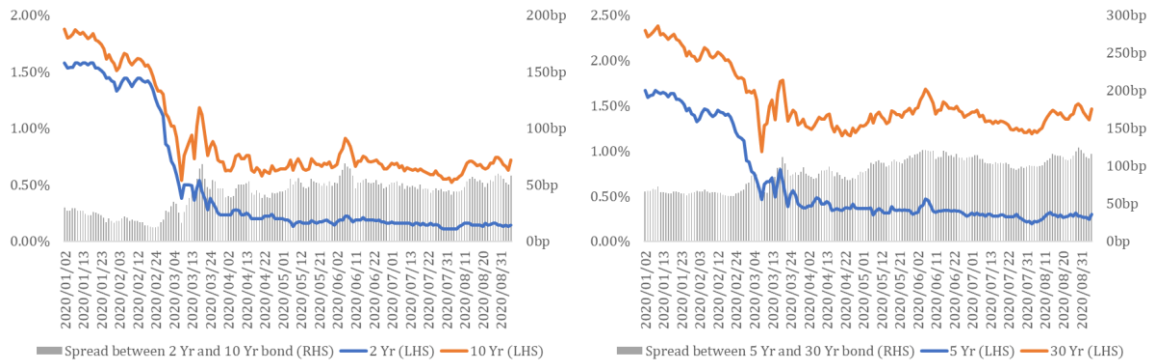


Sources: ChinaBond.com.cn, CCX research

US Treasury yields dropped in the beginning of the week, followed by a rebound, given the mixed economic data. ADP report stated that the private payrolls grew by 428 thousand in August, sharply missing the market expectation of 950 thousand; while August nonfarm payrolls surged by 1,371 thousand, beating the expectation of 1,320 thousand. As of

September 4, 2-year Treasury yield flattened at 0.14%; 5-year yield rose by 2bp from last Friday to 0.30%; 10-year and 30-year Treasury yields closed at 0.72% and 1.46%, decreasing by 2bp and 6bp, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 2bp to 58bp from last Friday, while the spread between the 5-year and 30-year tightened by 8bp to 116bp from last Friday.

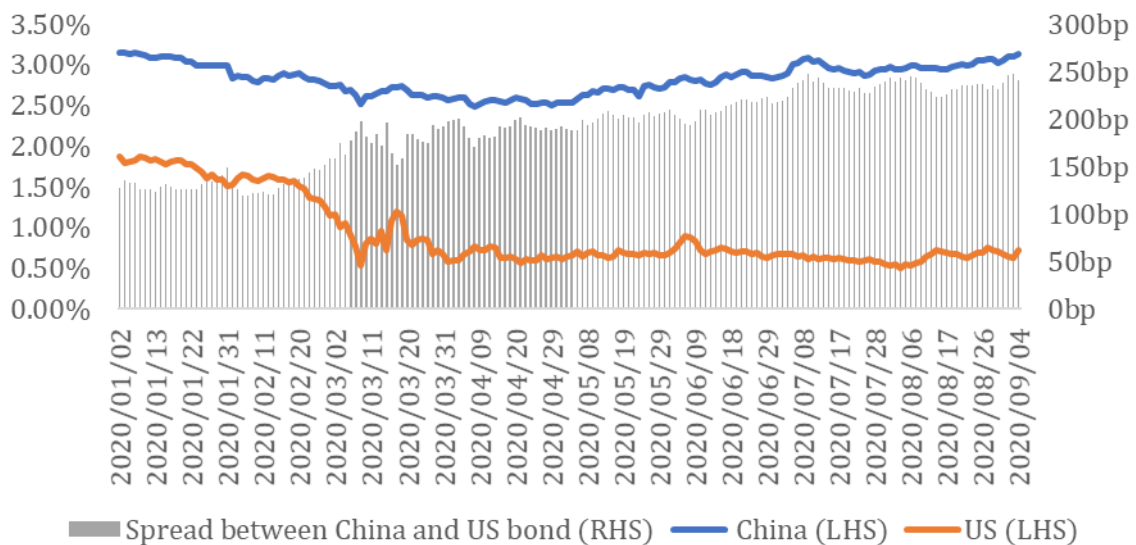
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of September 4, the yield spread between China and US 10-year note was 240.5bp, widening by 5.9bp from last Friday and 113.3bp 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, banks were the key issuers

From August 31 to September 4, there were 14 new issues with a total issuance volume of USD6.1 billion, increasing by 90.7% as compared to last week. Banks were the key issuers, which raised USD4.05 billion via 6 bonds, accounting for 66.4% of the total issuance volume.

Table 1 : New issuance of Chinese offshore bonds (20200831-20200904)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/8/31	ZhongAn Online P&C Insurance Co Ltd	USD	300	3.5	2026/3/8	5.5	Financials	Baa1/-/-	Baa2/-/-
2020/9/1	Fujian Yango Group Co Ltd	USD	200	11.75	2022/9/8	2	Real Estate	-/B/-	-/B/-
2020/9/1	Haitong International Securities Group Ltd	USD	50	0	2021/9/7	364D	Financials	Baa2/BBB/-	-/-/-
2020/9/1	Industrial & Commercial Bank of China Ltd/Singapore	USD	800	1	2023/9/9	3	Banks	A1/A/A	A1/-/-
2020/9/1	Industrial & Commercial Bank of China Ltd/Singapore	USD	1,000	1.2	2025/9/9	5	Banks	A1/A/A	A1/-/-
2020/9/2	Bank of Shanghai Co Ltd	USD	300	1.25	2023/9/10	3	Banks	Baa2/-/-	(P)A1/-/-
2020/9/2	Beijing Infrastructure Investment Co Ltd	USD	650	1	2023/9/10	3	Chengtou	A1/A+/A+	A1/-/A+
2020/9/2	China Merchants Bank Co Ltd/Hong Kong	USD	800	1.2	2025/9/10	5	Banks	A3/BBB+/BBB+	A3/-/-
2020/9/2	China South City Holdings Ltd	USD	250	10.75	2023/4/11	2.58	Real Estate	B2/B/B	-/-/B
2020/9/2	Guotai Junan International Holdings Ltd	USD	100	1.4	2021/9/8	364D	Financials	Baa2/BBB+/-	-/-/-
2020/9/2	Yan'an New City Construction Investment Development Co Ltd	USD	150	3.3	2021/9/8	364D	Chengtou	-/-/-	-/-/-
2020/9/3	Bank of Communications Co Ltd/Hong Kong	USD	350	3ML+80	2023/9/10	3	Banks	A2/A-/A	A2/-/-
2020/9/3	Bank of Communications Co Ltd/Hong Kong	USD	800	1.2	2025/9/10	5	Banks	A2/A-/A	A2/-/-
2020/9/3	Zhenro Properties Group Ltd	USD	350	7.35	2025/2/5	4.4	Real Estate	B1/B/B+	B2/-/B+

Sources: Bloomberg, CCX research

Modern Land China Co Ltd and Kaisa Group Holdings Ltd announced tap bond offering on August 31 and September 2, respectively.

Table 2 : Tap bond offering (20200831-20200904)

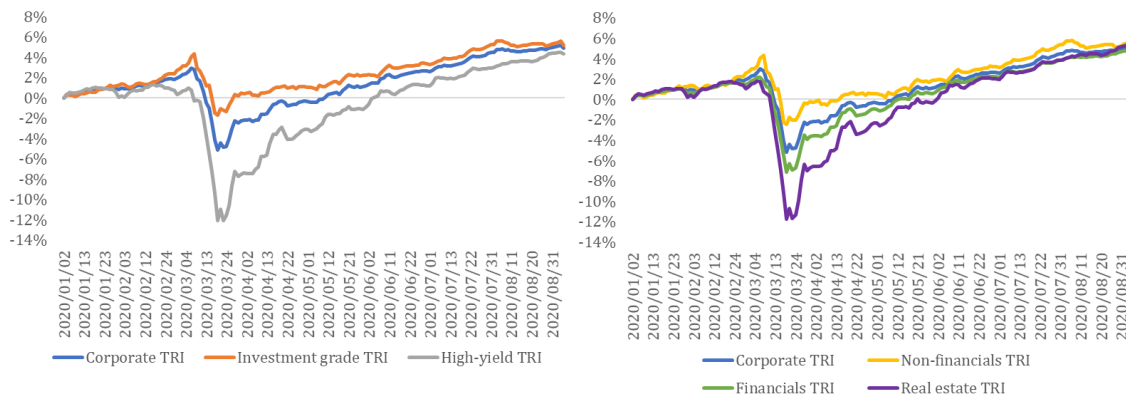
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/8/31	Modern Land China Co Ltd	USD	300 (reoffered 50)	11.5	2022/11/13	2.33	Real Estate	B2/-/B	B3/-/B
2020/8/31	Modern Land China Co Ltd	USD	200 (reoffered 50)	11.95	2024/3/4	4	Real Estate	B2/-/B	B3/-/B
2020/9/2	Kaisa Group Holdings Ltd	USD	700 (reoffered 400)	11.25	2025/4/16	5	Real Estate	B1/B/B	B2/-/B

Sources: Bloomberg, CCX research

Secondary Market: Returns on Chinese USD bonds fluctuated slightly

As of September 4, the YTD return¹ on Chinese USD corporate bond index flatted at 4.86% as compared to last Friday, of which investment grade bond index was rose by 1bp to 5.21% and high-yield bond index flatted at 4.32%. In terms of sector indices, the return on non-financial index dropped by 5bp from last Friday to 5.09%, while the financial and real estate indices were 4.63% and 5.14%, increasing by 3bp and 7bp from last Friday, respectively.

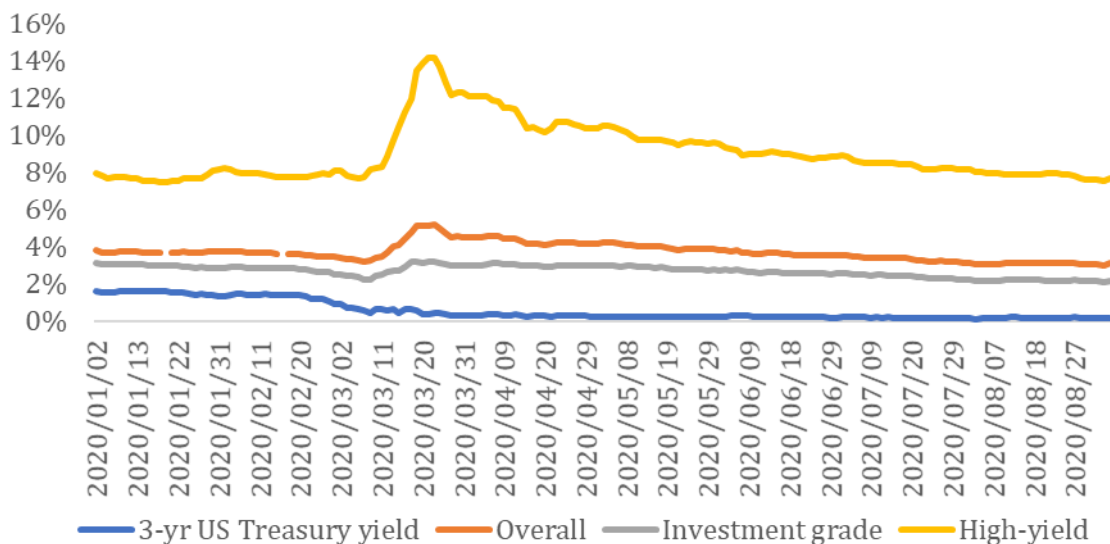
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of September 4, the yield-to-worst of Chinese dollar bonds increased by 3bp to 3.08% from last Friday, of which investment grade bond index dropped by 1bp to 2.16%, while the high-yield bond index declined by 3bp to 7.63%.

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: Chinese issuers' credit quality diverged

From August 31 to September 4, the rating agencies took positive rating actions on 4 Chinese issuers; and negative rating actions on 6 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20200831-20200904)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Jiaxing City Investment & Development Group Co Ltd	Chengtou	BBB	STABLE	2020/8/31	BBB-	STABLE	2019/12/9	Fitch	Stronger support incentive from the government
	Powerlong Real Estate Holdings Ltd	Real Estate	B1	POS	2020/8/31	B1	STABLE	2020/4/29	Moody's	Improving credit metrics
	Country Garden Holdings Co Ltd	Real Estate	BB+	POS	2020/9/2	BB+	STABLE	2019/9/25	S&P	Improving operating resilience
	JD.com Inc	Consumer Discretionary	BBB	POS	2020/9/3	BBB	STABLE	2019/8/20	S&P	Improving market position
Downgrade	Guangzhou R&F Properties Co Ltd	Real Estate	B+	NEG	2020/8/31	B+	STABLE	2020/7/2	Fitch	Rising refinancing risk
	Guangzhou R&F Properties Co Ltd & R&F Properties HK Co Ltd	Real Estate	B	STABLE	2020/8/31	B+	STABLE	2020/4/29	S&P	Large and concentrated refinancing needs
	Shandong Sanxing Group Co Ltd	Consumer Staples	B-	Rating Watch Negative	2020/9/1	B	Rating Watch Negative	2020/2/14	S&P	Slower refinancing
	361 Degrees International Ltd	Consumer Discretionary	B-	NEG	2020/9/1	B+	NEG	2020/3/31	S&P	Deteriorating market position
	Jiangsu Nantong Sanjian Construction Group Co Ltd	Industrials	Caa2	NEG	2020/9/2	Caa1	NEG	2020/6/1	Moody's	Very weak liquidity and uncertainty of exchange offer
	E-House China Enterprise Holdings Ltd	Real Estate	BB+	NEG	2020/9/3	BB+	STABLE	2020/8/7	Lianhe Global	Risks and uncertainties from the COVID-19 outbreak, and increase in debt leverage

Sources: Bloomberg, Wind, CCX research

Risk Event: Nantong Sanjian proposed exchange offer; Founder Group rejected claims on USD1.7 billion keepwell bonds

On August 31, Jiangsu Nantong Sanjian Construction Group Co Ltd ("Nantong Sanjian") announced exchange offer to the holders of its USD300 million 7.8% senior notes, which will mature on October 26, 2020. Nantong Sanjian planned to redeem 20% of the outstanding notes in cash, while the rest of 80% will exchange for new notes with coupon rate of 10% due 2022.

On September 4, Peking University Founder Group Company Limited (“Founder Group”) announced that the administrator sent Notices of Results of Creditor’s Rights Recognition to The Bank of New York Mellon, London Branch, pursuant to which, the administrator rejected in full the claims of creditor’s rights against Founder Group on 5 tranches of USD bonds with outstanding volume of USD1.7 billion, even if the bonds have keepwell deeds and deeds of equity interest purchase provided by Founder Group.

Panda Bond Market: No New Issuance this week

As of September 4, there were 23 issuers that issued 36 Panda Bonds in 2020, with a total issuance amount of RMB51.8 billion and an average coupon of 3.09%. 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 (20200101-20200904)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
ANTA Sports Products Limited	1	3.95	2020/8/24	2023/8/24	3	MTN	China Interbank Market	Shanghai Brilliance Rating
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	0.3	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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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>