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From September 7 to September 11

UK reached trade agreement with Japan in principle; Contemporary Amperex Technology issued USD1.5 billion bonds for first time

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

Peter Chong 852-28607120

peter_chong@ccxap.com

Jacky Lau 852-28607125

jacky_lau@ccxap.com

Other

Elle Hu 852-28607123

elle_hu@ccxap.com

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Headline: UK reached the first major post-Brexit trade deal with Japan in principle

On Friday, the UK and Japan agreed in principle to "UK-Japan Comprehensive Economic Partnership Agreement". UK business will benefit from tariff-free trade on 99% of exports to Japan; and Japan will gain improved access to the British markets, such as financial services.

Exchange Rate: The RMB exchange rate fluctuated slightly

This week, the RMB exchange rate fluctuated slightly after weeks of decline. As of September 11, the intermediate price of RMB exchange rate closed at 6.8389.

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

This week, China Government Bond yields diverged. Affected by the slump in US technology stocks and worse-than-expected employment data, US Treasury yields declined with rise in risk aversion sentiment. As of September 11, the yield spread between China and US 10-year note was 246.9bp, widening by 6.4bp from last Friday and 119.7bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance amount decreased, Contemporary Amperex Technology issued USD1.5 billion bonds for first time

From September 7 to September 11, there were 16 new issues with a total issuance volume of USD5.19 billion, decreasing by 14.9% as compared to last week. Contemporary Amperex Technology was the largest issuer this week, which issued 2 bonds and raised USD1.5 billion, accounting for 28.9% of the total issuance volume.

Secondary Market: Returns on Chinese USD bonds diverged, with real estate bonds suffering the biggest drop

As of September 11, the YTD return on Chinese USD corporate bond index dropped by 12bp to 4.74%. In terms of sector indices, the returns on non-financial, financial and real estate index indices were 5.05%, 4.46% and 4.69%, decreasing by 4bp, 17bp and 46bp from last week, respectively.

Rating Actions: Chinese issuers' credit quality diverged

Panda Bond Market: Crédit Agricole S.A. issued a new bond this week

On September 11, Crédit Agricole S.A. 2020 Renminbi Bonds (Series 1) was issued in the China Interbank Market, raising RMB1 billion at a coupon rate of 3.50% with a tenor of 3 years. CCXI assigned AAA to both the bond and its issuer.

Headline: UK reached the first major post-Brexit trade deal with Japan in principle

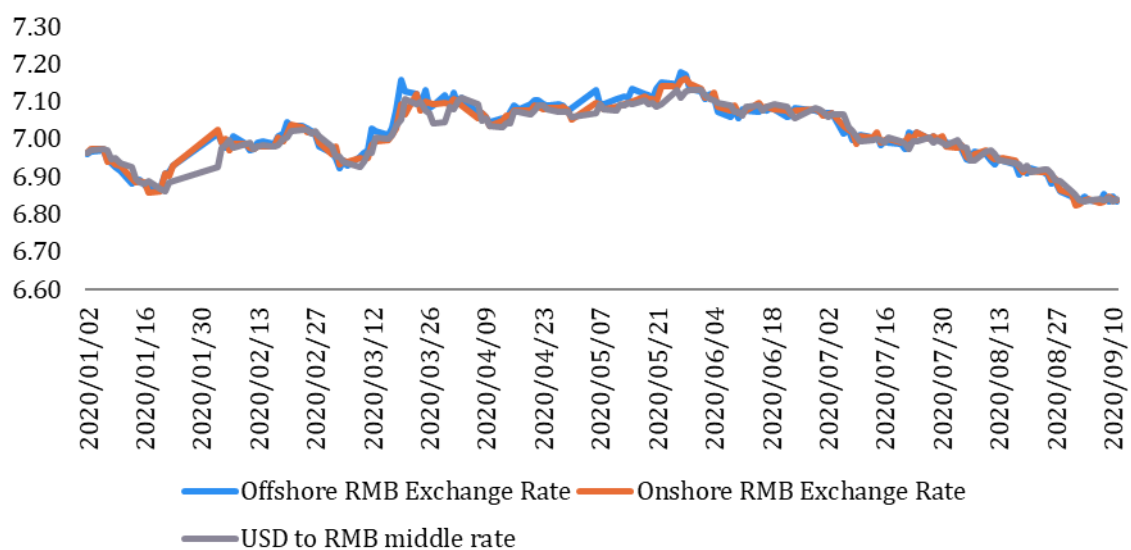
On Friday, the UK and Japan agreed in principle to "UK-Japan Comprehensive Economic Partnership Agreement", which is expected to take effect on January 1, 2021. UK business will benefit from tariff-free trade on 99% of exports to Japan; and Japan will gain improved access to the British markets, such as financial services. This is UK's first major post-Brexit trade deal as an independent trading nation, and it is also an important step towards joining the Comprehensive and Progressive Trans-Pacific Partnership ("CPTPP"). At present, in addition to Japan, UK is also conducting trade negotiations with other countries or regions, including the EU, the US, Australia and New Zealand. This agreement may provide a driving force for the subsequent trade negotiations of UK.

The UK and Japan are important trading partners for each other. Japan is the 11th largest export market for the UK and the UK is the 12th largest export market for Japan. In 2019, the bilateral trade volume between the two countries was GBP31.6 billion.

Exchange Rate: The RMB exchange rate fluctuated slightly

This week, the RMB exchange rate fluctuated slightly after weeks of decline. As of September 11, the intermediate price of RMB exchange rate closed at 6.8389, up 30bp from last Friday; the onshore RMB exchange rate closed at 6.8369, down 24bp; the offshore RMB exchange rate closed at 6.83245, down 36bp.

Figure 1 : RMB exchange rate

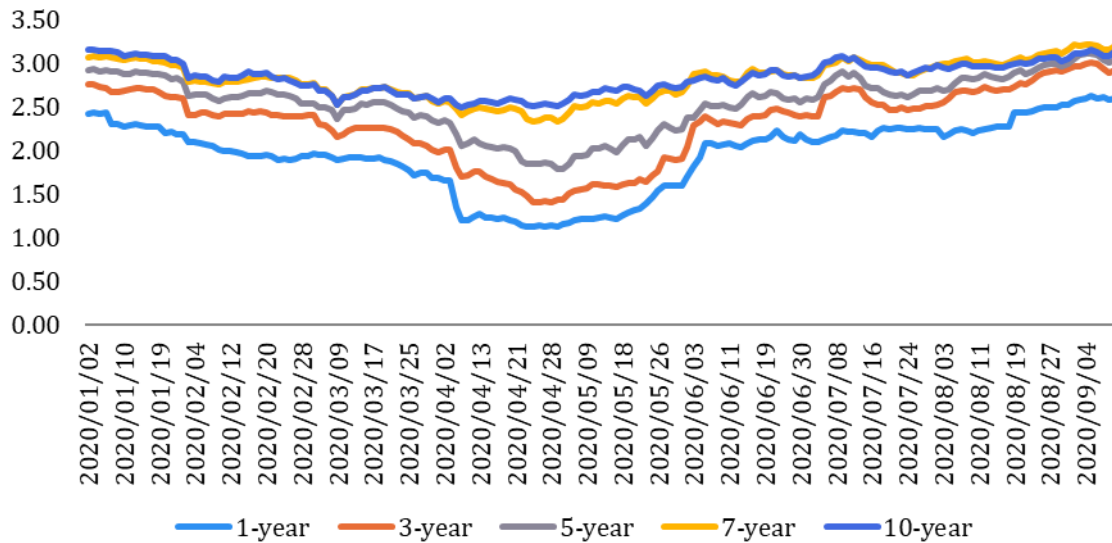


Sources: Eastmoney, CCX research

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

This week, China Government Bond yields diverged. As of September 11, the 3-year, 5-year and 7-year Government Bond yields declined from last Friday, closing at 2.9092%, 3.0371% and 3.1886%, respectively. 1-year and 10-year Government Bond yields increased from last Friday, closing at 2.5964% and 3.1346%.

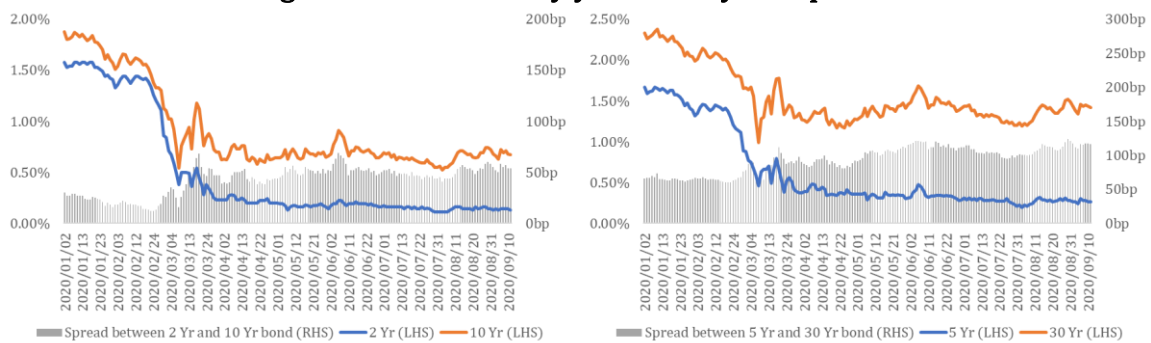
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Affected by the slump in US technology stocks and worse-than-expected employment data, US Treasury yields declined with rise in risk aversion sentiment. As of September 11, 2-year Treasury yield, 5-year yield, 10-year and 30- Treasury yields closed at 0.13%, 0.26%, 0.67% and 1.42%, decreasing by 1bp, 4bp, 5bp and 4bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 4bp to 54bp from last Friday, while the spread between the 5-year and 30-year flattened at 116bp as compared to last Friday.

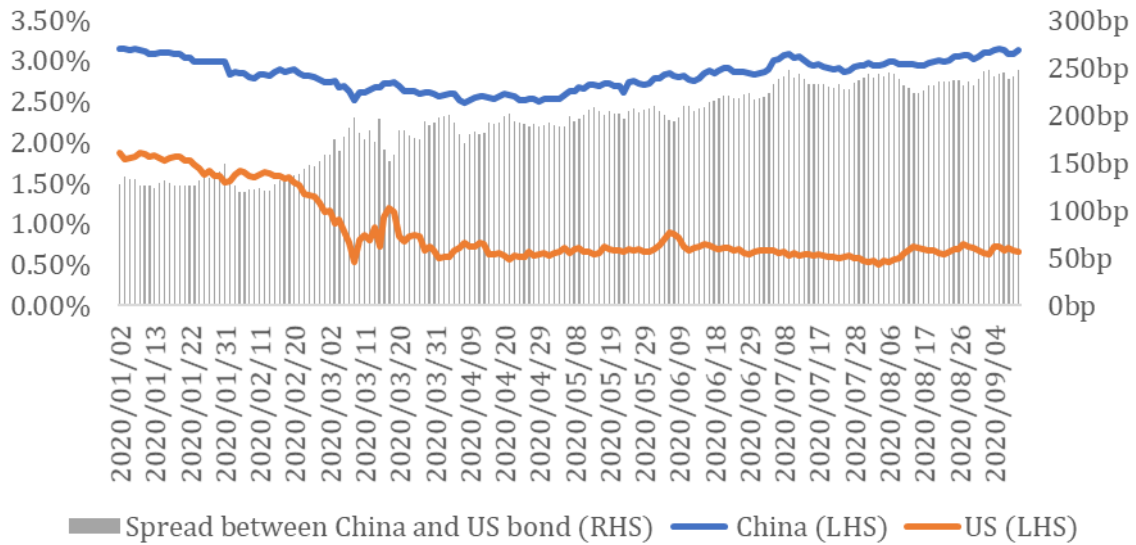
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of September 11, the yield spread between China and US 10-year note was 246.9bp, widening by 6.4bp from last Friday and 119.7bp 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 amount decreased, Contemporary Amperex Technology issued USD1.5 billion bonds for first time

From September 7 to September 11, there were 16 new issues with a total issuance volume of USD5.19 billion, decreasing by 14.9% as compared to last week. Contemporary Amperex Technology Co Ltd (“Contemporary Amperex Technology”) was the largest issuer this week, which issued 2 bonds and raised USD1.5 billion, accounting for 28.9% of the total issuance volume.

Table 1 : New issuance of Chinese offshore bonds (20200907-20200911)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/9/7	Central China Securities Co Ltd	USD	110	5.2	2021/9/12	363D	Financials	-/-/-	-/-/-
2020/9/7	China International Capital Corp Hong Kong Ltd	CNY	3	2.4	2021/6/11	270D	Financials	Baa1/BBB/BBB+	-/-/-
2020/9/8	BOC Aviation Ltd	USD	750	2.625	2030/9/17	10	Financials	-/A-/A-	-/A-/A-
2020/9/9	Bank of China Ltd/Qatar Financial Centre	USD	100	3ML+78	2024/3/14	3.5	Banks	A1/A/A	-/-/-
2020/9/9	Bank of China Ltd/Qatar Financial Centre	USD	100	3ML+78	2024/3/14	3.5	Banks	A1/A/A	-/-/-
2020/9/9	China Development Bank Financial Leasing Co., Ltd.	USD	50	1.38	2021/9/14	363D	Financials	A1/A/A+	-/-/-
2020/9/9	Linyi City Construction Investment Group Co Ltd	USD	300	3	2023/9/16	3	Chengtou	-/-/BBB-	-/-/BBB-
2020/9/10	Contemporary Amperex Technology Co Ltd	USD	1,000	1.875	2025/9/17	5	Energy	Baa1/BBB+/BBB+	Baa1/BBB+/-
2020/9/10	Contemporary Amperex Technology Co Ltd	USD	500	2.625	2030/9/17	10	Energy	Baa1/BBB+/BBB+	Baa1/BBB+/-

2020/9/10	ENN Energy Holdings Ltd	USD	750	2.625	2030/9/17	10	Utilities	Baa2/BBB/BBB	Baa2/BBB/BBB
2020/9/10	Guangzhou Metro Group Co Ltd	USD	500	1.507	2025/9/17	5	Chengtou	A1/-/A+	-/-/A+
2020/9/10	Guangzhou Metro Group Co Ltd	USD	330	2.31	2030/9/17	10	Chengtou	A1/-/A+	-/-/A+
2020/9/10	Haitong International Securities Group Ltd	USD	100	1.18	2021/9/16	364D	Financials	Baa2/BBB/-	-/-/-
2020/9/10	Tieling Public Assets Investment & Management Group Co Ltd	CNY	1,030	9.3	2023/9/16	3	Chengtou	-/-/-	-/-/-
2020/9/10	Xinyuan Real Estate Co Ltd	USD	300	14.5	2023/9/17	3	Real Estate	-/B-/B-	-/-/B-
2020/9/11	Guiyang Quanfeng City Construction Investment Co Ltd	USD	150	6.5	2021/9/15	363D	Chengtou	-/-/-	-/-/-

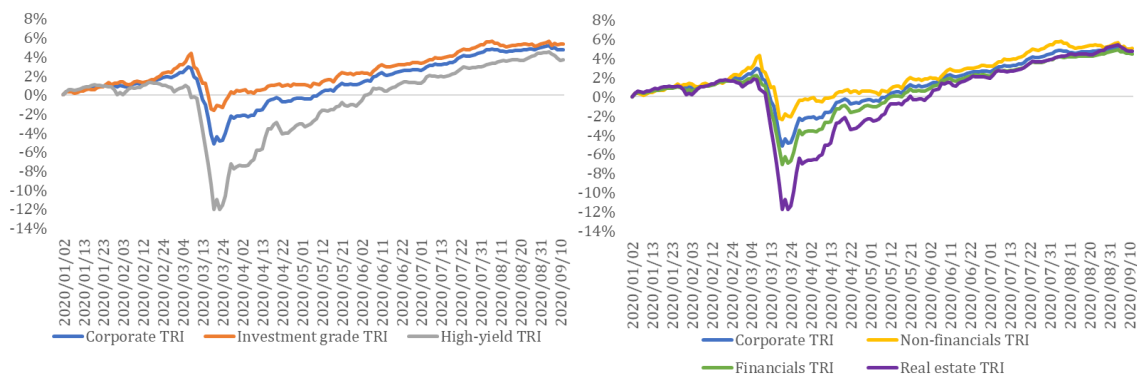
Sources: Bloomberg, CCX research

Recently, China National Chemical Corporation Limited and Henan Water Conservancy Investment Group Co Ltd planned to issue dollar bonds.

Secondary Market: Returns on Chinese USD bonds diverged, with real estate bonds suffering the biggest drop

As of September 11, the YTD return¹ on Chinese USD corporate bond index dropped by 12bp to 4.74%, of which investment grade bond index rose by 10bp to 5.31% and high-yield bond index decreased by 61bp to 3.70%. In terms of sector indices, the returns on non-financial, financial and real estate index indices were 5.05%, 4.46% and 4.69%, decreasing by 4bp, 17bp and 46bp from last week, respectively.

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

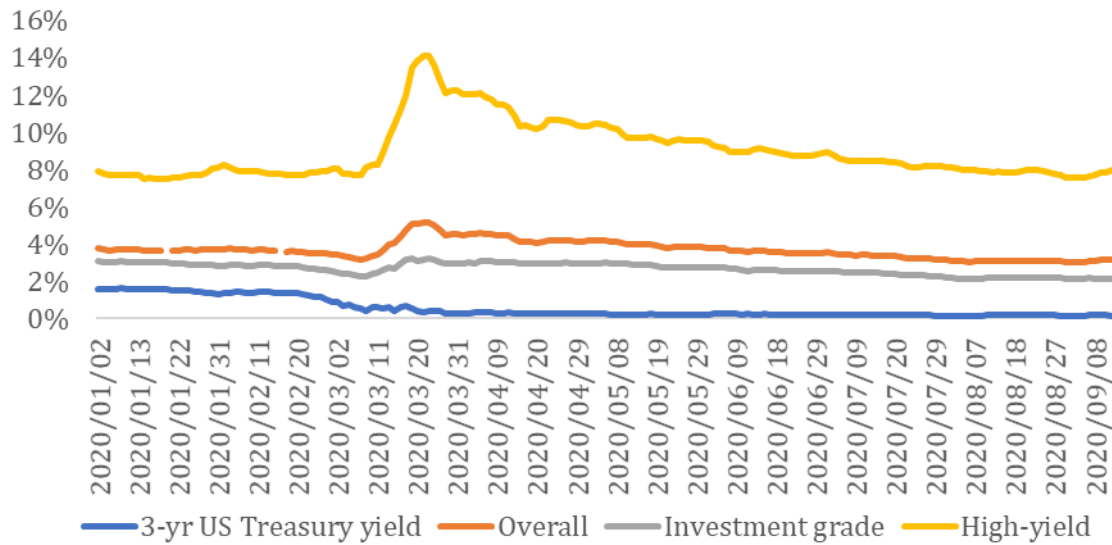


Sources: Bloomberg, CCX research

As of September 11, the yield-to-worst of Chinese dollar bonds increased by 6bp to 3.14% from last Friday, of which investment grade bond index dropped by 2bp to 2.14%, while the high-yield bond index rose by 30bp to 7.94%.

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 September 7 to September 11, the rating agencies took positive rating actions on 2 Chinese issuers; and negative rating actions on 2 Chinese issuers.

Table 2 : Credit rating changes of cross-border bond market (20200907-20200911)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Changde Urban Construction and Investment Group Co Ltd	Chengtou	BBB-	STABLE	2020/9/7	BB+	STABLE	2020/5/15	Fitch	Increasing incentive for the government to support the company
	Longfor Group Holdings Ltd	Real Estate	Baa2	STABLE	2020/9/10	Baa3	POS	2019/4/30	Moody's	Maintain a strong operating and financial performance throughout the cycles
Downgrade	ENN Energy Holdings Ltd	Energy	BBB	STABLE	2020/9/7	BBB+	Rating Watch Negative	2019/9/13	S&P	Shareholder restructuring
	China Everbright Ltd	Financials	Baa3	STABLE	2020/9/9	Baa2	Rating Watch Negative	2020/4/21	Moody's	Elevated leverage

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: Crédit Agricole S.A. issued a new bond this week

On September 11, Crédit Agricole S.A. 2020 Renminbi Bonds (Series 1) was issued in the China Interbank Market, raising RMB1 billion at a coupon rate of 3.50% with a tenor of 3 years. CEXI assigned AAA to both the bond and its issuer.

As of September 11, there were 24 issuers that issued 37 Panda Bonds in 2020, with a total issuance amount of RMB52.8 billion and an average coupon of 3.10%. 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 3 : New issuance of Panda Bond in 2020 (20200101-20200911)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Crédit Agricole S.A.	1	3.50	2020/9/11	2023/9/11	3	Commercial Bank Bond	China Interbank Market	China Chengxin
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>