

## 2020 Issue 37

From October 5 to October 9

## Risk of no-deal Brexit rose; Return on Chinese USD bonds continued to rebound

## Authors

## CXXI Overseas Business Department

Mia Zhu 010-66428877-570

[llzhu@ccxi.com.cn](mailto:llzhu@ccxi.com.cn)

Lina Wang 010-66428877-451

[jlwang@ccxi.com.cn](mailto:jlwang@ccxi.com.cn)

## CXXAP

Jacky Lau 852-28607124

[jacky\\_lau@ccxap.com](mailto:jacky_lau@ccxap.com)

Peter Chong 852-28607126

[peter\\_chong@ccxap.com](mailto:peter_chong@ccxap.com)

## Other

Elle Hu 852-28607120

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

## Date:

October 15, 2020

**Headline: Risk of no-deal Brexit rose given slow progress on trade deal**

The EU's Brexit negotiators left London on October 9 after a new round of Brexit negotiation. There were disagreements on some key issues of the trade deal between the EU and UK. The EU wants a fair competition for business, which the UK should stick to EU rules on financial assistance given by government to businesses. On the other hand, the UK does not want to provide full access for fishing fleets to UK waters. Risk of no-deal Brexit rose, as UK PM Johnson said the UK government should move on if no deal is agreed, while the EU also warned that the Eurozone countries should prepare for no-deal Brexit and potential chaos.

**Regulation: Rules for the Administration of Tiered Management of Panda Bond released**

NAFMII released the Rules for the Administration of Tiered Management of Panda Bond on September 30. CXXI believes that the Rules could further open up the Panda Bond market by providing convenience to the issuers with improvement in the administration and issuance procedures.

**Exchange Rate: RMB appreciated after the holidays**

Backed by a weaker dollar index, comparatively strong fundamentals of China's economy and capital inflow, the RMB appreciated significantly after the holidays. As of October 9, the intermediate price of RMB exchange rate closed at 6.7796.

**Interest Rate: Chinese Government Bond and US Treasury yields increased**

China Government Bond yields went up this week. US Treasury yields rose as investors monitored US's fiscal stimulus talk. As of October 9, the yield spread between China and US 10-year note was 241.4bp, tightening by 5.1bp from last Friday and widening by 114.2bp from the beginning of the year.

**Chinese Offshore Bond Market****Primary Market: Chinese offshore bond new issuance slowed during the holidays; Baidu issued USD950 million notes**

From October 5 to October 9, there were 8 new issues with a total issuance volume of USD1.4 billion. Baidu was the largest issuer this week, which raised USD950 million via 2 notes, accounting for around 67% of the total issuance volume.

**Secondary Market: Return on Chinese USD bonds continued to rebound**

Return on Chinese USD bonds continued to rebound amid recovering market sentiment, as investors digested the news of China Evergrande Group and the contracted sales of Chinese property developers picked up. As of October 9, the YTD return on Chinese USD corporate bond index increased by 29bp from last Friday to 4.54%, of which high-yield bond index rose by 66bp to 3.61% and real estate index boosted by 77bp to 4.53%.

**Rating Actions: Chinese issuers' credit quality diverged****Panda Bond Market: No new issue this week**

## Headline: Risk of no-deal Brexit rose given slow progress on trade deal

The EU's Brexit negotiators left London on October 9 after a new round of Brexit negotiation. There were disagreements on some key issues of the trade deal between the EU and UK. The EU wants a fair competition for business, which the UK should stick to EU rules on financial assistance given by government to businesses. On the other hand, the UK does not want to provide full access for fishing fleets to UK waters. The British prime minister ("PM") Boris Johnson introduced the Internal Market Bill in order to disregard part of the Brexit withdrawal treaty, yet the EU slammed that the bill violated the international law.

Risk of no-deal Brexit rose, as UK PM Johnson said the UK government should move on if no deal is agreed, while the EU also warned that the Eurozone countries should prepare for no-deal Brexit and potential chaos. The EU and UK will continue the trade talk this week in Brussel. The UK PM Johnson said that he wants the outlines of a deal to be clear by October 15.

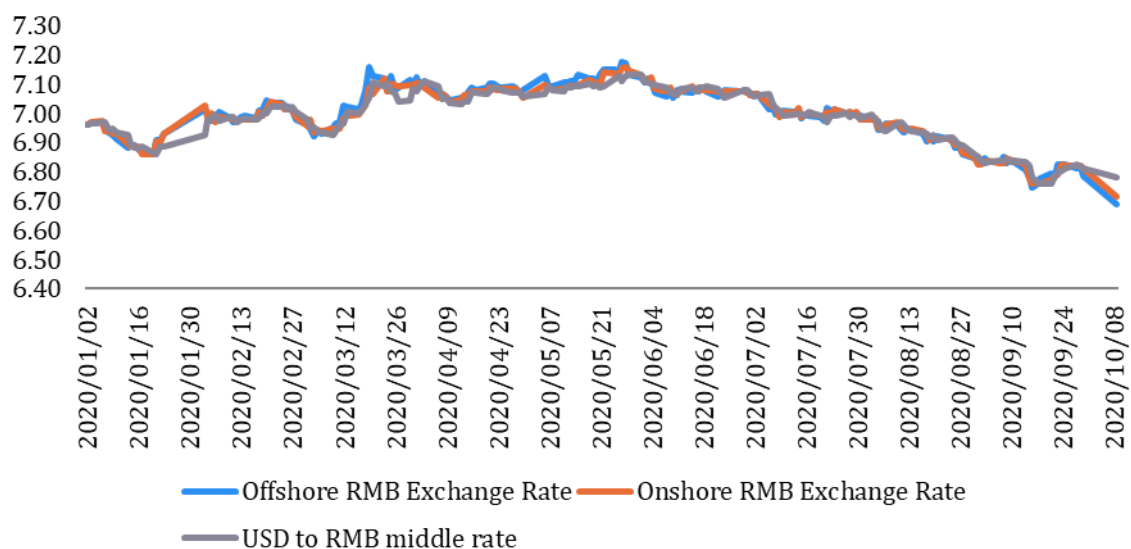
## Regulation: Rules for the Administration of Tiered Management of Panda Bond released

National Association of Financial Market Institutional Investors ("NAFMII") released the "Detailed Rules for the Administration of Tiered Management of Debt Financing Instruments of Overseas Non-Financial Enterprises" (the "Rules") on September 30. CCXI believes that the Rules could further open up the Panda Bond market by providing conveniency to the issuers with improvement in the administration and issuance procedures.

## Exchange Rate: RMB appreciated after the holidays

Backed by a weaker dollar index, comparatively strong fundamentals of China's economy and capital inflow, the RMB appreciated significantly after the holidays. In the short run, the RMB exchange rate is expected to fluctuate. As of October 9, the intermediate price of RMB exchange rate closed at 6.7796, down 305bp as compared to September 30; the onshore and offshore RMB exchange rate closed at 6.7135 and 6.6907, down 971bp and 939bp, respectively.

Figure 1 : RMB exchange rate

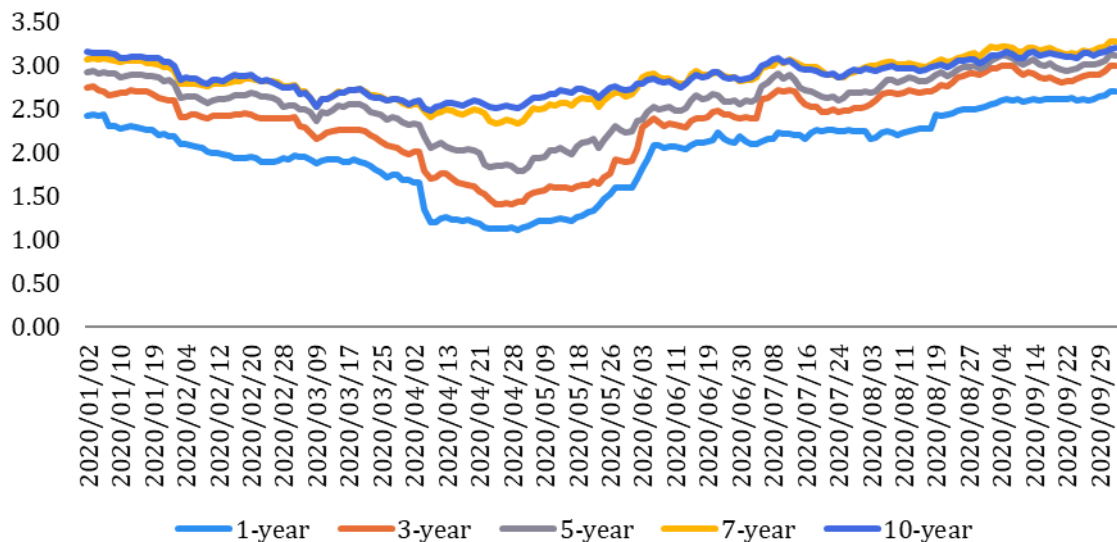


Sources: Eastmoney, CCX research

### Interest Rate: Chinese Government Bond and US Treasury yields increased

China Government Bond yields went up this week. As of October 10, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields rose as compared to that of September 30, closing at 2.7017%, 2.9872%, 3.1144%, 3.2664% and 3.1898%, respectively.

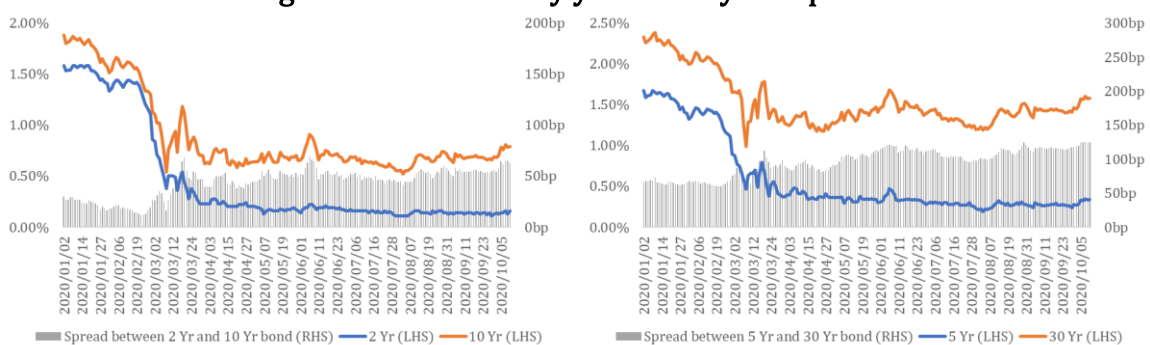
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields rose as investors monitored US’s fiscal stimulus talk. As of October 9, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.16%, 0.34%, 0.79% and 1.58%, decreasing by 3bp, 6bp, 9bp and 10bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 6bp to 63bp from last Friday, while the spread between the 5-year and 30-year widened by 4bp to 124bp.

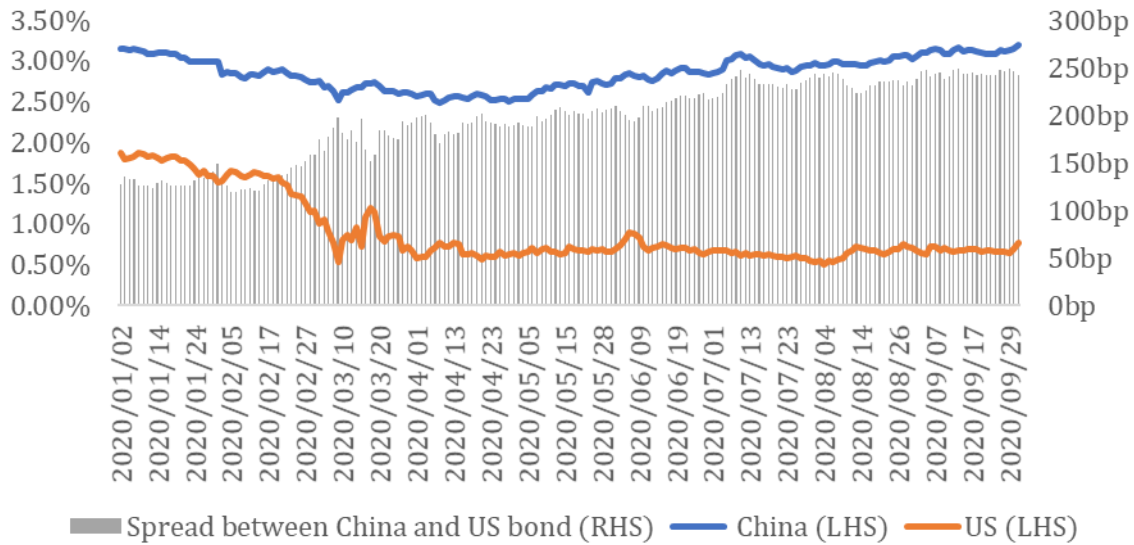
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of October 9, the yield spread between China and US 10-year note was 241.4bp, tightening by 5.1bp from last Friday and widening by 114.2bp 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 slowed during the holidays; Baidu issued USD950 million notes

From October 5 to October 9, there were 8 new issues with a total issuance volume of USD1.4 billion. Baidu Inc (“Baidu”) was the largest issuer this week, which raised USD950 million via 2 notes, accounting for around 67% of the total issuance volume.

Table 1 : New issuance of Chinese offshore bonds (20201005-20201009)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/10/5	China International Capital Corp Hong Kong Ltd	USD	35	3ML+108	2021/10/8	360D	Financials	Baa1/BBB/BBB+	-/-/-
2020/10/6	Baidu Inc	USD	650	1.72	2026/4/9	5.5	Communications	A3/-/A	A3/-/A
2020/10/6	Baidu Inc	USD	300	2.375	2030/10/9	10	Communications	A3/-/A	A3/-/A
2020/10/6	Guotai Junan International Holdings Ltd	USD	20	1.1	2021/4/9	182D	Financials	Baa2/BBB+/-	-/-/-
2020/10/6	iDreamSky Technology Holdings Ltd	HKD	775	3.125	2025/10/16	5	Technology	-/-/-	-/-/-
2020/10/7	Agile Group Holdings Ltd	USD	300	6.05	2025/10/13	5	Real Estate	Ba2/BB/-	Ba3/-/-
2020/10/9	China International Capital Corp Hong Kong Ltd	USD	2	1.05	2021/4/22	182D	Financials	Baa1/BBB/BBB+	-/-/-
2020/10/9	China International Capital Corp Hong Kong Ltd	USD	2	1.05	2021/4/20	183D	Financials	Baa1/BBB/BBB+	-/-/-

Sources: Bloomberg, CCX research

During this week, China Fortune Land Development Co Ltd and Jiangsu Nantong Sanjian Construction Group Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20201005-20201009)

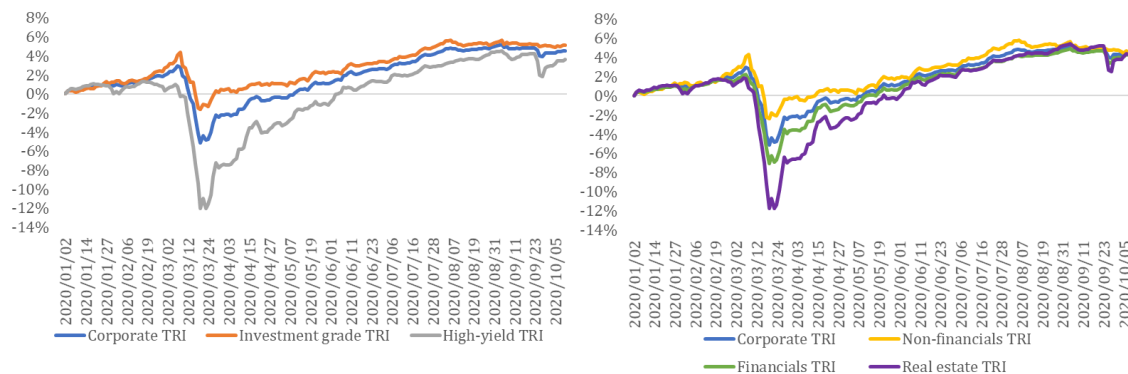
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/10/7	China Fortune Land Development Co Ltd	USD	760 (reoffered 60)	8.05	2025/1/13	5	Real Estate	Ba3/-/BB-	Ba3/-/-
2020/10/9	Jiangsu Nantong Sanjian Construction Group Co Ltd	USD	187 (reoffered 5.8)	10	2022/10/9	2	Industrials	Caa2/-/-	-/-/-

Sources: Bloomberg, CCX research

## Secondary Market: Return on Chinese USD bonds continued to rebound

Return on Chinese USD bonds continued to rebound amid recovering market sentiment, as investors digested the news of China Evergrande Group and the contracted sales of Chinese property developers picked up. As of October 9, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 29bp from last Friday to 4.54%, of which investment grade bond index was 5.07% and high-yield bond index was 3.61%, increasing by 13bp and 66bp respectively. In terms of sector indices, the return on real estate index recorded the largest rally, boosting by 77bp from last Friday to 4.53%, while the non-financial and financial indices were 4.65% and 4.37%, increasing by 5bp and 44bp, respectively.

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



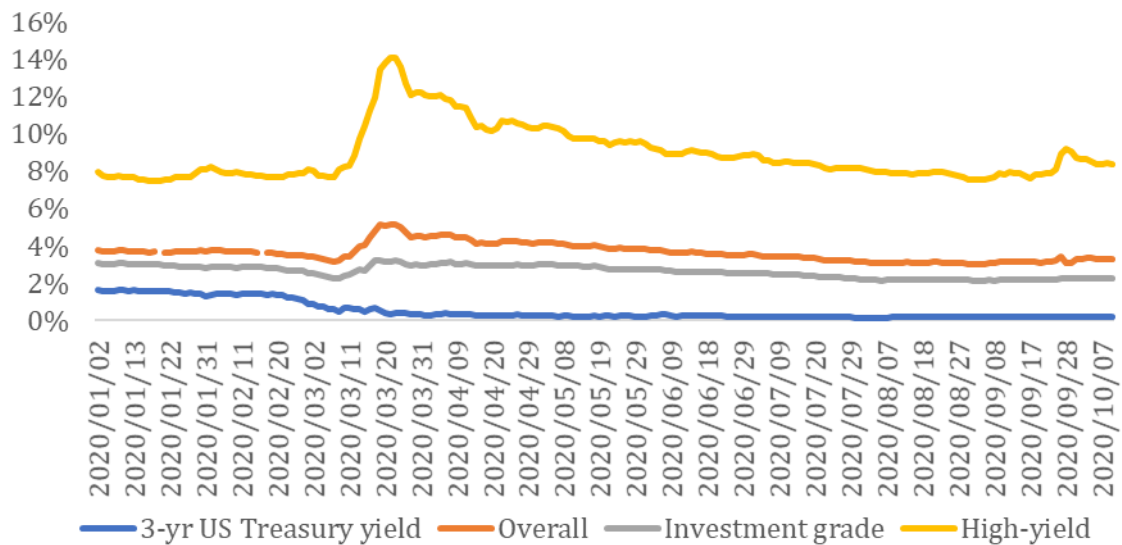
Sources: Bloomberg, CCX research

As of October 9, the yield-to-worst of Chinese dollar bonds decreased by 6bp to 3.26% from last Friday, of which investment grade bond index dropped by 2bp to 2.22%, while the high-yield bond index declined by 26bp to 8.35%.

<sup>1</sup> 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 October 5 to October 9, the rating agencies took positive rating actions on 2 Chinese issuers; and negative rating actions on 2 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20201005-20201009)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade	Shimao Group Holdings Ltd	Real Estate	Ba1	POS	2020/10/5	Ba1	STABLE	2020/4/28	Moody's	Improving credit metrics
	Jiangsu Zhongnan Construction Group Co Ltd	Real Estate	B+	STABLE	2020/10/9	B	POS	2019/9/20	S&P	Larger scale
Downgrade	Semiconductor Manufacturing International Corp	Technology	BBB-	Rating Watch Negative	2020/10/7	BBB-	POS	2020/7/13	S&P	US export restrictions
	Weibo Corp	Communications	Baa2	NEG	2020/10/9	Baa2	STABLE	2020/3/4	Moody's	Sina's proposed debt-funded privatization

Sources: Bloomberg, Wind, CCX research

### Panda Bond Market: No new issue this week

As of October 9, there were 24 issuers that issued 38 Panda Bonds in 2020, with a total issuance amount of RMB53.8 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 (20200101-20201009)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Traditional Chinese Medicine Holdings Co. Limited	1	2.60	2020/9/14	2021/6/11	0.75	SCP	China Interbank Market	China Chengxin
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



本文版权归中诚信国际信用评级有限公司、中国诚信(亚太)信用评级有限公司和/或其被许可人所有。本文件包含的所有信息受法律保护,未经中诚信国际事先书面许可,任何人不得复制、拷贝、重构、转让、传播、转售或进一步扩散,或为上述目的存储本文件包含的信息。

本文件中包含的信息由中诚信国际从其认为可靠、准确的渠道获得,因为可能存在人为或机械错误及其他因素影响,上述信息以提供时现状为准。特别地,中诚信国际对于其准确性、及时性、完整性、针对任何商业目的的可行性及合适性不作任何明示或暗示的陈述或担保。在任何情况下,中诚信国际不对任何人或任何实体就 a) 中诚信国际或其董事、经理、雇员、代理人获取、收集、编辑、分析、翻译、交流、发表、提交上述信息过程中可以控制或不能控制的错误、意外事件或其他情形引起的、或与上述错误、意外事件或其他情形有关的部分或全部损失或损害,或 b) 即使中诚信国际事先被通知该等损失的可能性,任何由使用或不能使用上述信息引起的直接或间接损失承担任何责任。

本文件所包含信息组成部分中信用级别、财务报告分析观察(如有)应该而且只能解释为一种意见,而不能解释为事实陈述或购买、出售、持有任何证券的建议。中诚信国际对上述信用级别、意见或信息的准确性、及时性、完整性、针对任何商业目的的可行性及合适性不作任何明示或暗示的担保。信息中的评级及其他意见只能作为信息使用者投资决策时考虑的一个因素。相应地,投资者购买、持有、出售证券时应该对每一只证券、每一个发行人、保证人、信用支持人作出,自己的研究和评估。



**中诚信国际信用评级有限责任公司**

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 19 楼 1904-1909 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 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong  
Tel: (852) 2860 7111  
Fax: (852) 2868 0656  
Website: <http://www.ccxap.com>