

2020 Issue 40

From October 26 to October 30

Global economies rebounded in Q3; primary and secondary Chinese USD bond market weakened

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

Vincent Tong 852-28607125

vincent_tong@ccxap.com

Jacky Lau 852-28607124

jacky_lau@ccxap.com

Other

Elle Hu 852-28607120

elle_hu@ccxap.com

Date:

November 6, 2020

Headline: Global economies rebounded in Q3 but downward pressure still exists

Global economies rebounded in the third quarter. Korea reported Q3 GDP grew by 1.9% QoQ. The US's initial value of the seasonally adjusted annual growth rate for GDP was 33.1% in Q3. Eurozone GDP grew by 12.7% QoQ. However, job markets in Europe and the US remained weak. European countries reintroduced lockdowns amid the second wave of coronavirus outbreak. Together with the uncontrolled pandemic in the US and the uncertainties in a new fiscal stimulus policy, it is expected that the downward pressure remained strong in Q4.

Exchange Rate: Strong US Dollar Index

The US dollar index showed resilience with the U.S. Election day approaching, while the RMB depreciated. As of October 30, the intermediate price of RMB exchange rate closed at 6.7232

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

This week, China Government Bond yields generally declined. Before the US presidential election, US Treasury yields rose as a more aggressive stimulus fiscal policy could be introduced if Biden wins the presidency. As of October 30, the yield spread between China and US 10-year note was 230.7bp, tightening by 4.6bp from last Friday and widening by 103.6bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese USD bond new issuance dropped

From October 26 to October 30, there were 24 new issues with a total issuance volume of USD6.8 billion.

Secondary Market: Affected by the external environment, Chinese USD bond return fell

Amid the coming US presidential election and the second wave of coronavirus outbreak in the EU, Chinese USD bond return fell. As of October 30, the YTD return on Chinese USD corporate bond index decreased by 19bp from last Friday to 4.24%, of which investment grade bond index was 4.87% and high-yield bond index was 3.10%, decreasing by 24bp and 8bp respectively.

Rating Actions: Positive rating actions on 5 Chinese issuers

Panda Bond Market: No new issue this week

Headline: Global economies rebounded in Q3 but downward pressure still exists

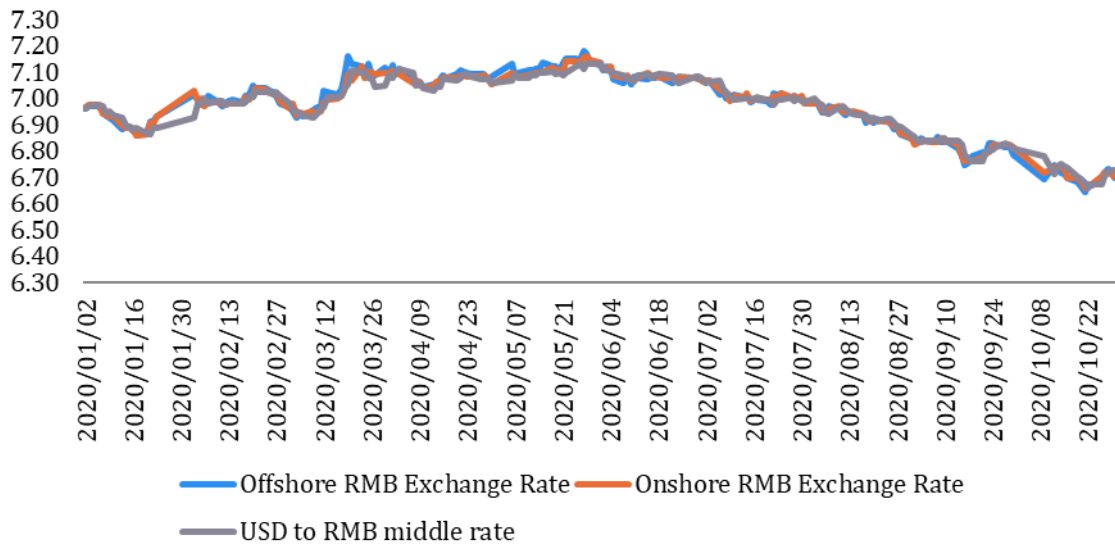
This week, many countries released their Q3 economic data. On Wednesday, Korea reported a strong quarter-to-quarter (“QoQ”) GDP growth of 1.9% and export growth of 15.6%, which represented the fastest growth for the country since 2010 and 1986 respectively. The US’s initial value of the seasonally adjusted annual growth rate for GDP was 33.1% in Q3, which was the highest since 1947. In particular, personal consumption, which was the key contributor to the US GDP, rebounded by 40.7% in Q3. Eurozone GDP grew by 12.7% QoQ, which beat the expectation of 9.4%. However, the strong economic readings mainly contributed by the base effect from a low level in previous quarter. The US unemployment rate fell to 7.9% in September, whereas permanent job losers increased to 3.75 million, the highest since May 2013. The EU recorded unemployment rate of 8.3% in September, the highest since July 2018. European countries reintroduced lockdowns amid the second wave of coronavirus outbreak. Together with the uncontrolled pandemic in the US and the uncertainties in a new fiscal stimulus policy, it is expected that the downward pressure remained strong in Q4.

Central banks, including Canada, Brazil, EU and Japan, kept their interest rates steady, but their policy stands may reflect the ongoing pressure of an economic downturn. Canada expected potential output growth to be 0.8% lower on average between 2020 and 2023. Japan emphasized the importance of managing systemic financial risk and cut its economic growth outlook to -5.5%. The ECB planned to further purchases EUR 120 billion assets until the end of 2020. On November 3, Australia announced a second rate cut in 2020, cutting its interest rate by 15bps to a record low of 0.1%, and a new round of QE with a total amount of AUD100 billion.

Exchange Rate: Strong US Dollar Index

During the week, the US dollar index showed resilience with the U.S. Election day approaching. Against this backdrop, the RMB depreciated. As of October 30, the intermediate price of RMB exchange rate closed at 6.7232, up 529bp from last Friday; the onshore RMB exchange rate closed at 6.7002, up 312bp; the offshore RMB exchange rate closed at 6.6964, up 296bp.

Figure 1 : RMB exchange rate

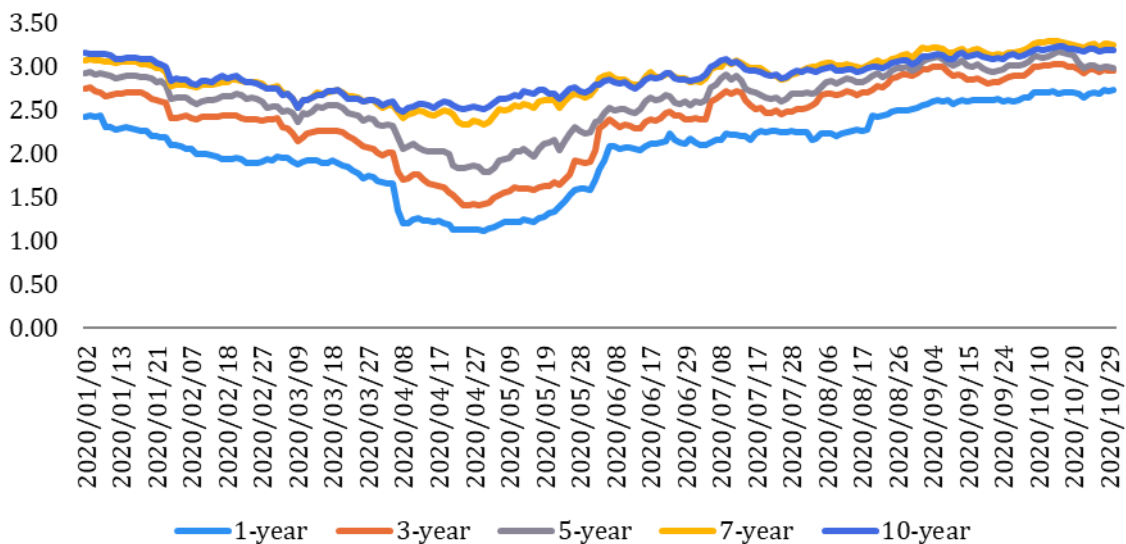


Sources: Eastmoney, CCX research

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

This week, China Government Bond yields generally declined. As of October 30, the 3-year, 5-year, 7-year and 10-year Government Bond yields declined from last Friday, closing at 2.9459%, 2.9755%, 3.2411% and 3.1810%, respectively; 1-year Government Bond yields increased from last Friday, closing at 2.6821%.

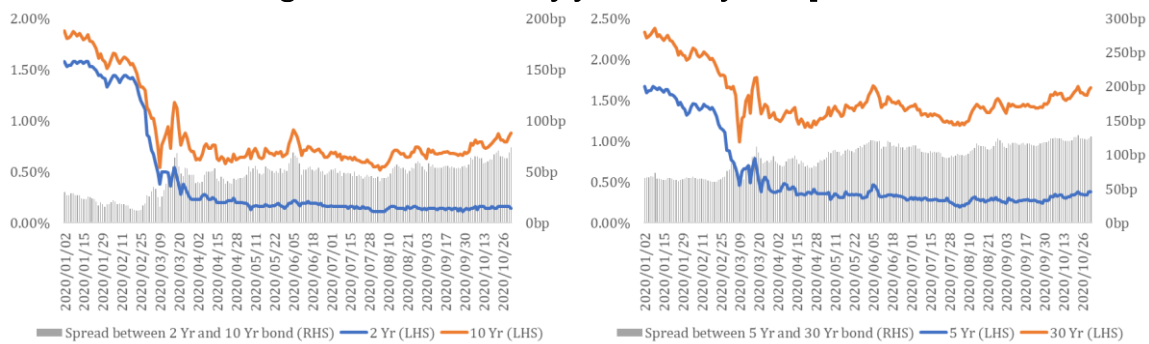
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Before the US presidential election, US Treasury yields rose as a more aggressive stimulus fiscal policy could be introduced if Biden wins the presidency, which was believed to bring a stronger economic growth and higher inflation. As of October 30, 2-maturity Treasury yields closed at 0.14%, decreasing by 2bp from last Friday; 5-year, 10-year and 30-year Treasury yields closed at 0.38%, 0.88%, and 1.65%, increasing by 3bp, 7bp and 6bp, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 9bp to 74bp from last Friday, while the spread between the 5-year and 30-year widened by 3bp to 127bp.

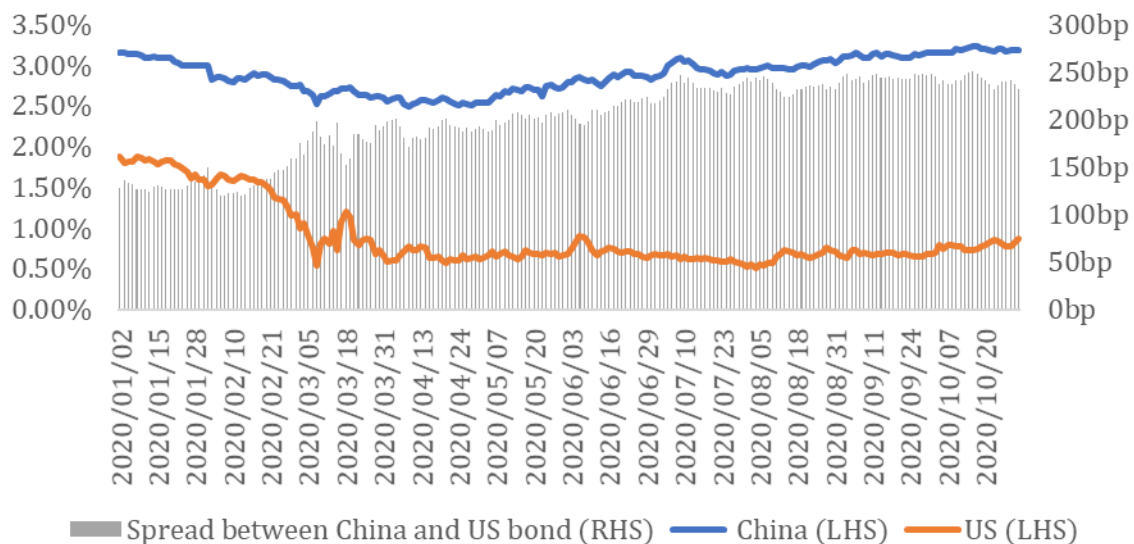
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of October 30, the yield spread between China and US 10-year note was 230.7bp, tightening by 4.6bp from last Friday and widening by 103.6bp 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 USD bond new issuance dropped

From October 26 to October 30, there were 24 new issues with a total issuance volume of USD6.8 billion. Chinese USD bond new issuance dropped before the US presidential election.

Table 1 : New issuance of Chinese offshore bonds (20201026-20201030)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/10/27	Gansu Provincial Highway Aviation Tourism Investment Group Co Ltd	USD	300	3.25	2023/11/3	3	Chengtou	-/BBB/BBB+	-/BBB/BBB+
2020/10/27	GF Global Capital Ltd/HK	USD	16	0	2021/3/15	136D	Financials	-/-/-	-/-/-
2020/10/27	Jiayuan International Group Ltd	USD	200	12	2022/10/30	2	Real Estate	B2/B/-	B3/-/-
2020/10/27	Mag Holdings Bhd	MYR	1	1	2022/8/23	1.82	Consumer Staples	-/-/-	-/-/-
2020/10/28	AVIC International Leasing Co Ltd	USD	200	3.425	-	Perpetual	Financials	Baa1/-/A-	Baa1/-/-
2020/10/28	Changde Urban Construction and Investment Group Co Ltd	USD	100	3	2023/11/4	3	Chengtou	-/-/BBB-	-/-/BBB-
2020/10/28	China Development Bank Financial Leasing Co Ltd	USD	500	1.5	2023/11/4	3	Financials	A1/A/A+	A1/-/A+
2020/10/28	Haitong International Securities Group Ltd	USD	94	0	2021/8/9	273D	Financials	Baa2/BBB/-	-/-/-
2020/10/28	Lenovo Group Ltd	USD	1,000	3.421	2030/11/2	10	Technology	Baa3/BBB-/BBB-	Baa3/BBB-/BBB-
2020/10/28	Poly Property Group Co Ltd	USD	500	4	2025/11/10	5	Real Estate	-/-/-	-/-/-
2020/10/28	Qingdao Conson Development Group Co Ltd	USD	500	2.8	2023/11/4	3	Chengtou	-/BBB/BBB+	-/BBB/BBB+
2020/10/28	Sino-Ocean Capital Holding Ltd	USD	400	5.4	2021/11/3	364D	Financials	-/-/-	-/-/-
2020/10/28	Yanzhou Coal Mining Co Ltd	USD	500	3.5	2023/11/4	3	Energy	Ba1/BB/BB-	Ba1/-/-
2020/10/28	Yincheng International Holding Co Ltd	USD	200	12	2021/11/3	364D	Real Estate	B2/-/-	-/-/-
2020/10/28	Zhou Hei Ya International Holdings Co Ltd	HKD	1,550	1	2025/11/5	5	Consumer Staples	-/-/-	-/-/-
2020/10/28	Zhuhai Huafa Group Co Ltd	USD	250	2.8	2025/11/4	5	Chengtou	-/-/BBB	-/-/BBB
2020/10/29	Bank of China Ltd/Sydney	AUD	200	3M BBSW+83	2023/11/6	3	Banks	A1/A/A	A1/-/-
2020/10/29	China International Capital Corp Hong Kong Ltd	USD	2	1.01	2021/4/6	153D	Financials	Baa1/BBB/BBB+	-/-/-
2020/10/29	GF Global Capital Ltd/HK	USD	10	0	2021/11/2	364D	Financials	-/-/-	-/-/-
2020/10/29	Shandong Iron & Steel Group Co Ltd	USD	500	6.5	2023/11/5	3	Materials	-/-/-	-/-/-
2020/10/29	State Development & Investment Corp Ltd	USD	300	1.5	2025/11/5	5	Financials	A2/A/A+	A2/-/A+
2020/10/30	Industrial Bank Co Ltd/Hong Kong	HKD	3,000	1.1	2022/11/6	2	Banks	Baa2/-/BBB-	Baa2/-/-
2020/10/30	Industrial Bank Co Ltd/Hong Kong	USD	450	1.125	2023/11/6	3	Banks	Baa2/-/BBB-	Baa2/-/-
2020/10/30	Tongren State-owned Capital Operation Co Ltd	USD	80	7.8	2023/11/3	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

On October 29, Bank of Shanghai Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20201026-20201030)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/ Fitch)	Issue Rating (Moody's/S&P/ Fitch)
2020/10/29	Bank of Shanghai Co Ltd	USD	500 (reoffered 200)	1.25	2023/9/10	3	Banks	Baa2/-/-	A1/-/-

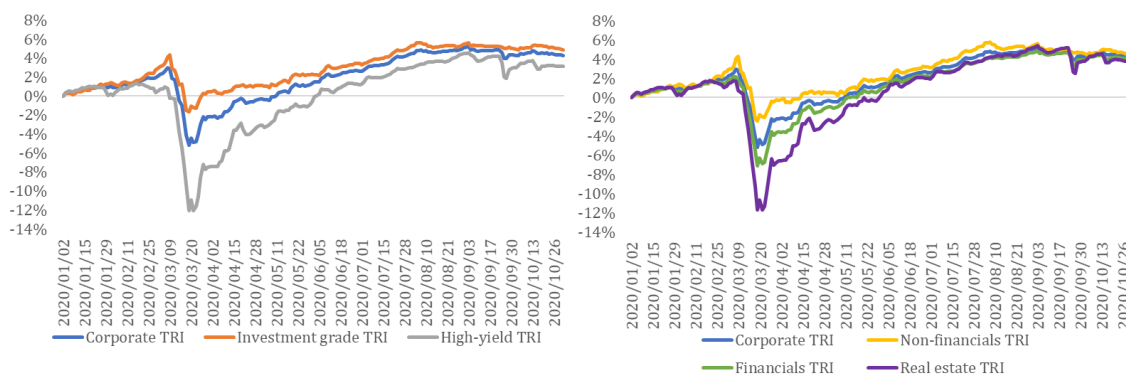
Sources: Bloomberg, CCX research

Recently, Zhongyuan Yuzi Investment Holdings Group Co Ltd and Guangxi Financial Investment Group Co Ltd planned to issue offshore bonds.

Secondary Market: Affected by the external environment, Chinese USD bond return fell

Amid the coming US presidential election and the second wave of coronavirus outbreak in the EU, Chinese USD bond return fell. As of October 30, the YTD return¹ on Chinese USD corporate bond index decreased by 19bp from last Friday to 4.24%, of which investment grade bond index was 4.87% and high-yield bond index was 3.10%, decreasing by 24bp and 8bp respectively. In terms of sector indices, the return on non-financial, financial and real estate indices were 4.47%, 4.01% and 3.66%, decreasing by 26bp, 14bp and 25bp respectively.

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

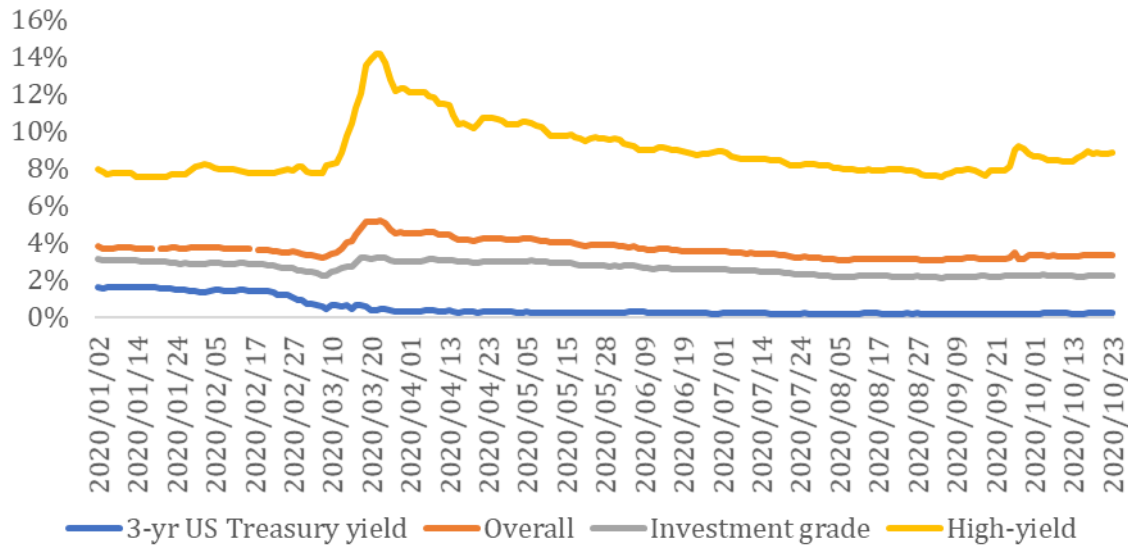


Sources: Bloomberg, CCX research

As of October 30, the yield-to-worst of Chinese dollar bonds increased by 2bp to 3.35% from last Friday, of which investment grade bond index increased by 2bp to 2.22%, while the high-yield bond index increased by 7bp to 8.85%.

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: Positive rating actions on 5 Chinese issuers

From October 26 to 30, the rating agencies took positive rating actions on 5 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20201026-20201030)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
Upgrade	Huzhou Communications Investment Group Co Ltd	Chengtou	BBB	STABLE	2020/10/27	BBB-	STABLE	2019/10/29	Fitch	Stronger expectations of government support
	Guangxi Financial Investment Group Co Ltd	Financials	Ba1	STABLE	2020/10/27	Ba1	Rating Watch Negative	2020/4/8	Moody's	Stable standalone credit profile
	China Grand Automotive Services Group Co Ltd	Consumer Discretionary	B+	STABLE	2020/10/27	B+	NEG	2020/4/1	Fitch	Ongoing recovery in business operation and cash generation
	WuXi AppTec Co Ltd	Health Care	BBB-	POS	2020/10/30	BBB-	STABLE	2019/11/5	Fitch	Expectation of continued market share gains and expanding scale
	China Aoyuan Group Ltd	Real Estate	BB	STABLE	2020/10/30	BB-	POS	2019/11/8	Fitch	Track record of maintaining a healthy financial profile, improved geographic diversification and enlarged operating scale

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issue this week

As of October 30, 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 (20200101-20201030)

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>