

2020 Issue 42

From November 9 to November 13

The world's largest free trade deal RCEP was launched;
Chinese issuers' credit risk heightened

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Date:

November 20, 2020

Headline: The world's largest free trade deal RCEP was launched

On November 15, the Regional Comprehensive Economic Partnership ("RCEP") Agreement was officially signed. This free trade zone of Asian economies is made up of 15 countries including 10 ASEAN countries, as well as China, Japan, South Korea, Australia and New Zealand. The total population, GDP and exports of RCEP accounted for about 30% of the population worldwide, global economy and trade, being the largest free trade zone in the world.

Exchange Rate: RMB exchange rate fluctuated slightly

During the week, the RMB exchange rate fluctuated slightly. As of November 13, the intermediate price of RMB exchange rate closed at 6.6285.

Interest Rate: China Government Bond and US Treasury yields rose

This week, China Government Bond yields rose. Affected by the positive vaccine news, US Treasury yields rose. As of November 13, the yield spread between China and US 10-year note was 237.5bp, narrowing by 1.3bp from last Friday and widening by 110.4bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance soared**

From November 9 to November 13, there were 25 new issues with a total issuance volume of USD8.1 billion, increasing significantly by 370.4% from last week.

Secondary Market: Return on Chinese USD bonds dropped

Affected by defaults on onshore bonds, investors became more cautious about Chinese dollar bonds, which led to a decline in the return on Chinese dollar bonds. As of November 13, the YTD return on Chinese USD corporate bond index dropped by 15bp from last Friday to 4.69%, of which high-yield bond index decreased by 47bp to 3.31%, and the non-financial index decreased by 28bp to 4.67%.

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

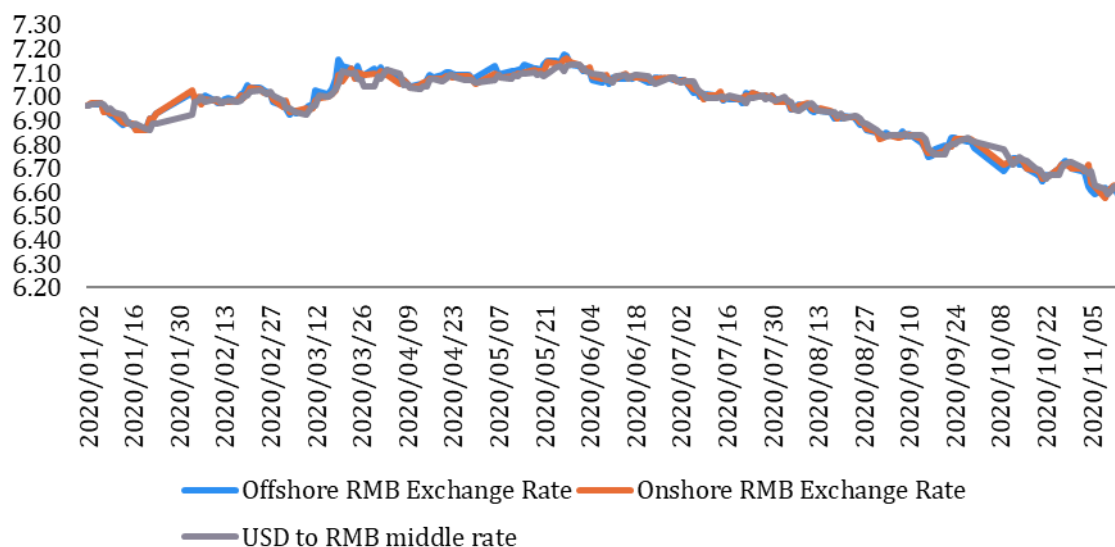
Headline: The world's largest free trade deal RCEP was launched

On November 15, after eight years of negotiations, the Regional Comprehensive Economic Partnership (“RCEP”) Agreement was officially signed. This free trade zone of Asian economies is made up of 15 countries, including 10 ASEAN countries, as well as China, Japan, South Korea, Australia and New Zealand. The 15 RCEP members have a total population of 2.27 billion, GDP of USD26 trillion, and total exports of USD5.2 trillion. These accounted for about 30% of the population worldwide, global economy and trade. The economic scale of RCEP is higher than that of the Comprehensive and Progressive Trans-Pacific Partnership Agreement (“CPTPP”). After the signing of RECP, in terms of trade in goods, more than 90% of the tariffs on imports between member countries will be eliminated. In addition, under the RCEP agreement, China and Japan reached a bilateral tariff reduction arrangement for the first time. According to the agreement, China and Japan will mutually reduce tariffs, which is expected to reduce trade costs and expand trade scale.

Exchange Rate: RMB exchange rate fluctuated slightly

During the week, the RMB exchange rate fluctuated slightly. As of November 13, the intermediate price of RMB exchange rate closed at 6.6285, down 5bp from last Friday; the onshore RMB exchange rate closed at 6.6144, down 71bp; the offshore RMB exchange rate closed at 6.5939, up 13bp.

Figure 1 : RMB exchange rate

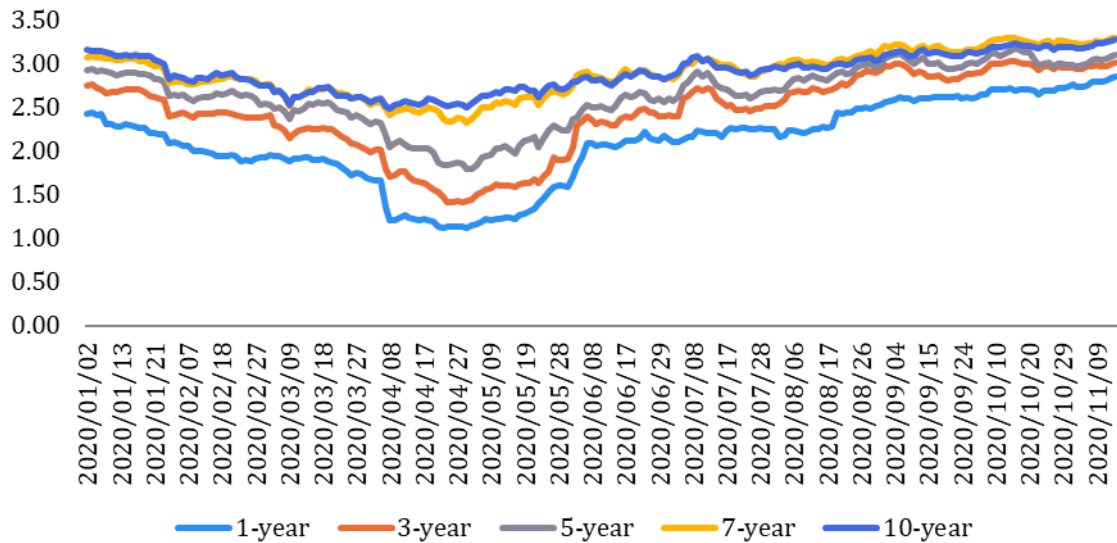


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond and US Treasury yields rose

This week, China Government Bond yields rose. As of November 13, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields increased from last Friday, closing at 2.8464%, 3.0053%, 3.0984%, 3.2885% and 3.2715%.

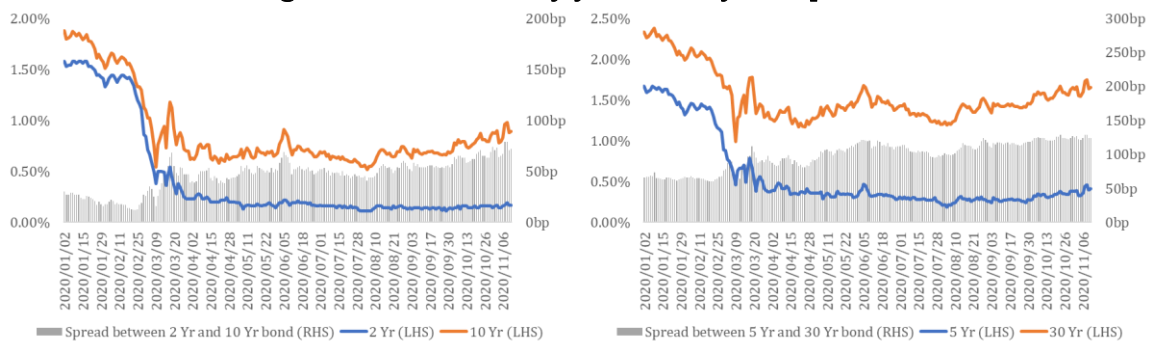
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Affected by the positive vaccine news, US Treasury yields rose. As of November 13, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.17%, 0.41%, 0.89% and 1.65%, increasing by 1bp, 5bp, 6bp and 5bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 5bp to 72bp from last Friday, while the spread between the 5-year and 30-year flattened at 124bp.

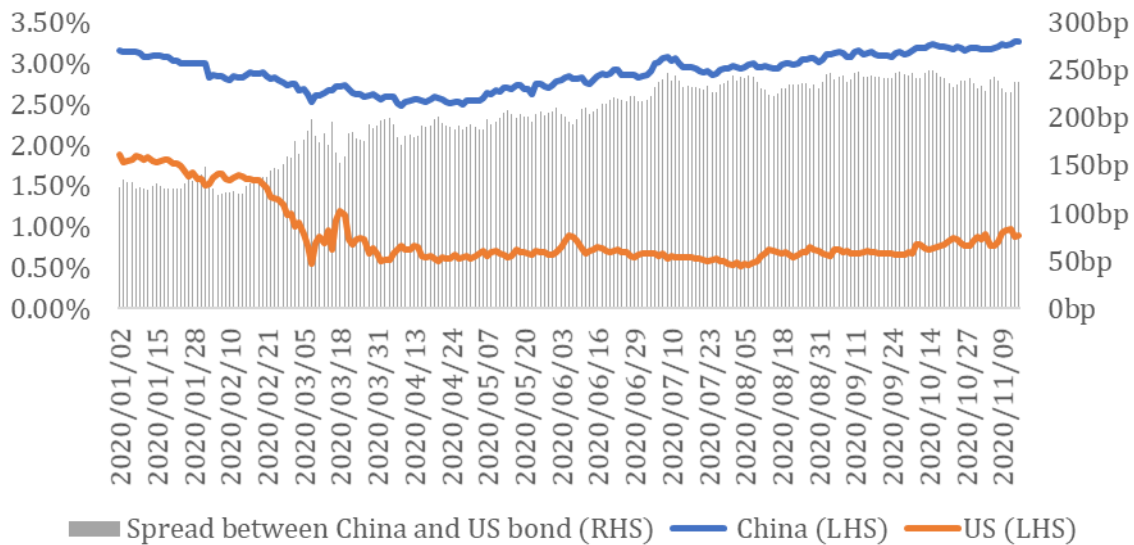
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of November 13, the yield spread between China and US 10-year note was 237.5bp, tightening by 1.3bp from last Friday and widening by 110.4bp 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 soared

From November 9 to November 13, there were 25 new issues with a total issuance volume of USD8.1 billion, increasing significantly by 370.4% from last week.

Table 1 : New issuance of Chinese offshore bonds (20201109-20201113)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/9	China Aircraft Leasing Group Holdings Ltd	USD	35	5.9	2025/11/9	5	Financials	-/-/-	-/-/-
2020/11/9	China Orient Asset Management International Holding Ltd	USD	450	1.875	2025/11/17	5	Financials	-/BBB+/A	-/BBB+/A
2020/11/9	China Orient Asset Management International Holding Ltd	USD	300	2.75	2030/11/17	10	Financials	-/BBB+/A	-/BBB+/A
2020/11/9	GF Global Capital Ltd/HK	USD	4	0	2021/5/16	181D	Financials	-/-/-	-/-/-
2020/11/9	Guotai Junan International Holdings Ltd	HKD	205	1.6	2021/11/15	364D	Financials	Baa2/BBB+/-	-/-/-
2020/11/9	Industrial & Commercial Bank of China Ltd/Macau	MOP	2,100	1.2	2022/11/12	2	Banks	A1/A/A	A1/-/-
2020/11/9	Yango Group Co Ltd	USD	270	7.5	2025/2/17	4.25	Real Estate	B1/B/B+	-/-/B+
2020/11/10	China Longyuan Power Group Corporation Limited	USD	300	1.5	2023/11/18	3	Utilities	A3/A/-	-/BBB+/-
2020/11/10	Guangxi Financial Investment Group Co Ltd	USD	400	3.6	2023/11/18	3	Financials	Ba1/-/-	Baa2/-/BBB
2020/11/10	Nanjing Lishui Economic and Technological Development Group Co Ltd	USD	65	2.8	2021/11/12	364D	Chengtou	-/-/-	-/-/-
2020/11/10	Redco Properties Group Ltd	USD	266	9.9	2024/2/17	3.25	Real Estate	-/B/B	-/-/-
2020/11/11	Bank of Communications Co Ltd	USD	2,800	3.8	-	Perpetual	Banks	A2/A-/A	-/-/BB+(EXP)
2020/11/11	China Aoyuan Group Ltd	USD	230	5.98	2025/8/18	4.75	Real Estate	B1/B+/BB	-/-/BB

2020/11/11	CITIC Securities International Co Ltd	USD	30	0	2050/11/30	30	Financials	-/BBB+/-	-/-/-
2020/11/11	Guangzhou R&F Properties Co Ltd	USD	360	12.375	2022/11/18	2	Real Estate	B1/B/B+	-/-/B+
2020/11/11	Nanjing Yangzi State-owned Investment Group Co Ltd	USD	200	2.35	2021/11/17	364D	Chengtou	-/BBB+/A-	-/-/A-
2020/11/11	Sinochem International Corp	USD	200	3.8	-	Perpetual	Materials	Baa1/BBB+/A-	Baa2/-/-
2020/11/11	Taizhou Oriental China Medical City Holding Group Co Ltd	USD	50	7	2021/11/14	363D	Chengtou	-/-/-	-/-/-
2020/11/11	Zhenro Properties Group Ltd	USD	200	5.95	2021/11/18	363D	Real Estate	B1/B/B+	-/-/-
2020/11/12	Huaxin Cement Co Ltd	USD	300	2.25	2025/11/19	5	Materials	Baa1/-/-	Baa1/-/-
2020/11/12	Inner Mongolia Yili Industrial Group Co Ltd	USD	500	1.625	2025/11/19	5	Consumer Staples	A3/A/-	A3/-/-
2020/11/12	Shandong Hi-Speed Group Co Ltd	USD	400	2.437	2023/11/19	3	Industrials	A3/-/A-	Baa1/-/A
2020/11/12	Wuhan Trading Group Co Ltd	USD	300	2.7	2023/11/23	3	Real Estate	-/-/BBB+	-/-/BBB+
2020/11/12	XiAn Qujiang Cultural Industry Investment Group Co Ltd	USD	180	5.5	2023/11/19	3	Chengtou	-/-/-	-/-/-
2020/11/13	China International Capital Corp Hong Kong Ltd	USD	4	1.27	2021/8/20	274D	Financials	Baa1/BBB/BBB+	-/-/-

Sources: Bloomberg, CCX research

Chinese enterprises such as Agile Group Holdings Ltd and Kaisa Group Holdings Ltd announced tap bond offering on November 9 and November 10, respectively.

Table 2 : Tap bond offering (20201109-20201113)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/9	Agile Group Holdings Ltd	USD	483 (reoffered 183)	6.05	2025/10/13	5	Real Estate	Ba2/BB/-	Ba3/-/-
2020/11/9	Kaisa Group Holdings Ltd	USD	500 (reoffered 200)	11.95	2023/11/12	4	Real Estate	B1/B/B	B2/-/B
2020/11/9	Industrial & Commercial Bank of China Ltd/Sydney	AUD	8 (reoffered 3)	1.087	2026/1/27	5.25	Banks	A1/A/A	-/-/-
2020/11/10	China National Bluestar Group Co Ltd	USD	800 (reoffered 300)	3.875	-	Perpetual	Materials	Baa2/BBB/A-	Baa3/-/BBB

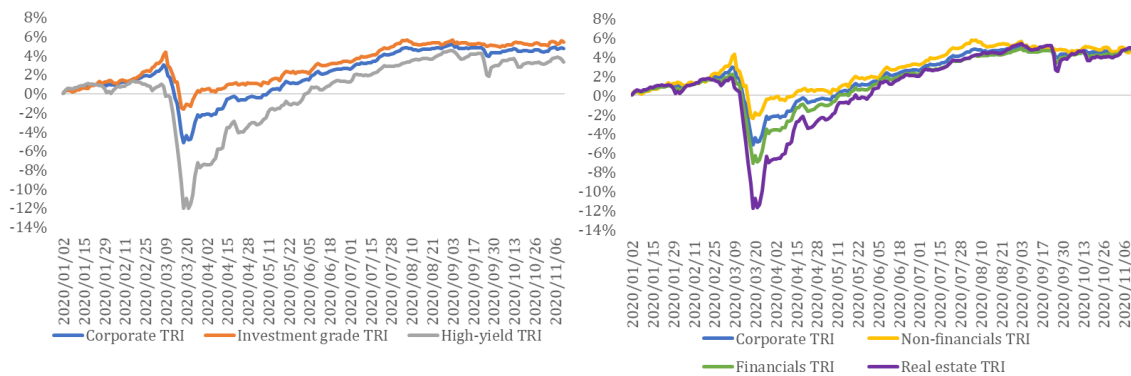
Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds dropped

Affected by defaults on onshore bonds, investors became more cautious about Chinese dollar bonds, which led to a decline in the return on Chinese dollar bonds. As of November 13, the YTD return¹ on Chinese USD corporate bond index dropped by 15bp from last Friday to 4.69%, of which investment grade bond index was 5.42% and high-yield bond index was 3.31%, decreasing by 1bp and 47bp respectively. In terms of sector indices, the return on non-financial index recorded the largest decline, decreasing by 28bp from last Friday to 4.67%, while the real estate and financial indices were 4.71% and 4.60%, decreasing by 3bp and 7bp, respectively.

¹ Year-to-date return measures the return since January 2, 2020.

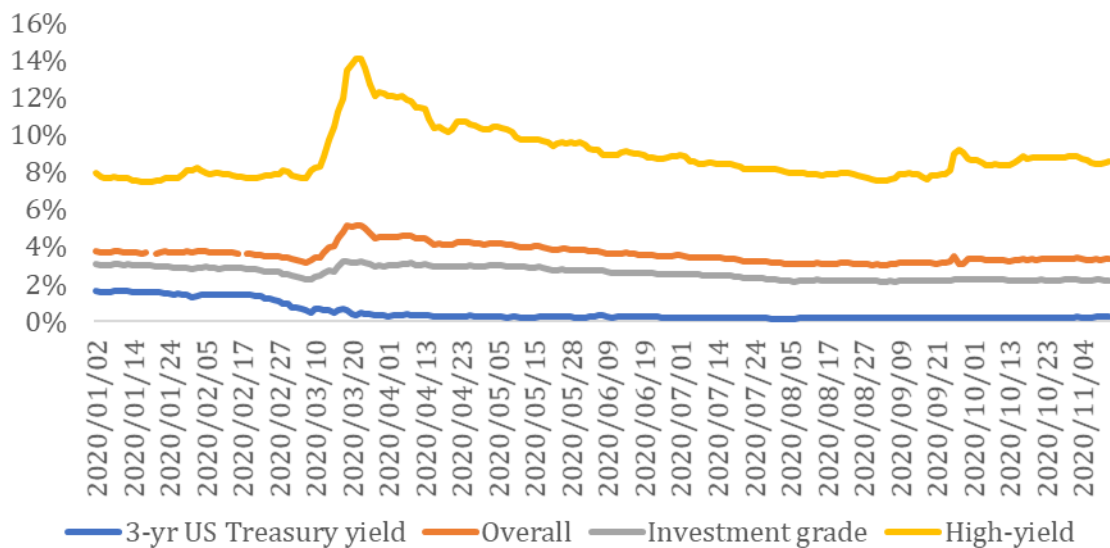
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of November 13, the yield-to-worst of Chinese dollar bonds increased by 7bp to 3.34% from last Friday, of which investment grade bond index rose by 3bp to 2.20%, while the high-yield bond index rose by 2bp to 8.55%.

Figure 6 : Yield-to-worst of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

Rating Actions: Chinese issuers' credit quality diverged

From November 9 to November 13, the rating agencies took positive rating actions on 11 Chinese issuers; and negative rating actions on 2 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20201109-20201113)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Anhui Transportation Holding Group Co Ltd	Industrials	Baa1	STABLE	2020/11/9	Baa1	NEG	2020/3/31	Moody's	Expectation of continuous recovery in operating and financial performance
	Guangzhou Communications Investment Group Co Ltd	Industrials	Baa2	STABLE	2020/11/9	Baa2	NEG	2020/3/31	Moody's	
	Shandong Hi-Speed Group Co Ltd	Industrials	A3	STABLE	2020/11/9	A3	NEG	2020/3/31	Moody's	
	Yuexiu Transport Infrastructure Ltd	Industrials	Baa2	STABLE	2020/11/9	Baa2	NEG	2020/3/31	Moody's	
	Shenzhen Expressway Co Ltd	Industrials	Baa2	STABLE	2020/11/9	Baa2	NEG	2020/3/31	Moody's	
	Shenzhen International Holdings Ltd	Industrials	Baa2	STABLE	2020/11/9	Baa2	NEG	2020/3/31	Moody's	
	Midea Group Co Ltd	Consumer Discretionary	A-	POS	2020/11/10	A-	STABLE	2017/10/31	S&P	Growing branded Product sales
	Xinhu Zhongbao Co Ltd	Real Estate	B	STABLE	2020/11/12	B	NEG	2019/11/6	S&P	Improved liquidity post asset disposals
	China National Bluestar Group Co Ltd	Materials	BBB	STABLE	2020/11/12	BBB	NEG	2020/3/20	S&P	Parent's earnings recovery
	China National Chemical Corp Ltd	Materials	BBB	STABLE	2020/11/12	BBB	NEG	2020/3/20	S&P	Recovering earnings, low financing costs
Downgrade	CAR Inc	Consumer Discretionary	CCC	POS	2020/11/13	CCC	Rating Watch Positive	2020/7/8	S&P	Improved liquidity
	CAR Inc	Consumer Discretionary	Caa1	NEG	2020/11/13	Caa1	Rating Watch Positive	2020/7/22	Moody's	Weakened funding access and financial profile
Domestic Rating:										
Downgrad	Tsinghua Unigroup Co Ltd	Technology	AA	Rating Watch Negative	2020/11/12	AAA	Rating Watch Negative	2020/11/5	CCXI	Lack of progress on strategic restructuring with large uncertainties

Sources: Bloomberg, Wind, CCX research

Risk Event: Chinese issuers' credit risk heightened

On November 14, Tianqi Lithium Corporation ("Tianqi Lithium") announced that there has been no material improvement in its cash flow and tight liquidity. It may default on a USD1.9 billion M&A loan due by the end of November 2020, given a potential failure of debt extension. In addition, Tianqi Lithium postponed part of the interest payment on its M&A loan due within 2020. As of November 14, Tianqi Lithium's accumulated interest payables on the M&A loan amounted to RMB471 million. Tianqi Lithium had a USD300 million outstanding dollar bond due in 2022, with coupon rate of 3.75%. The next interest payment date is November 28, 2020.

On November 16, Tsinghua Unigroup Co Ltd (“Tsinghua Unigroup”) defaulted on its RMB1.3 billion private bond (“17 紫光 PPN005”) after failing to extend deadline for repayment. According to Bloomberg data, the outstanding USD bonds issued by Tsinghua Unigroup and the related companies amounted to about USD2,450 million. Among them, a dollar bond of USD450 million will be due on December 10, 2020, for which Tsinghua Unigroup and Tsinghua Holdings Corporation Limited are the keepwell agreement providers.

Panda Bond Market: No new issue this week

As of November 13, there were 24 issuers that issued 39 Panda Bonds in 2020, with a total issuance amount of RMB55.3 billion and an average coupon of 3.12%. 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 (20200101-20201113)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	1.5	4.35	2020/11/5	2023/11/5	3	MTN	China Interbank Market	Golden Credit Rating
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	China Interbank Market	--

							Bond		
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	--	

Sources: Bloomberg, CCX research

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