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From November 16 to November 20

US Department of Treasury held back Fed loan facilities;
Weaker performance of Chinese offshore bond market

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Headline: US Department of Treasury held back Fed loan facilities

On November 19, US Treasury Secretary Steven Mnuchin requested the Federal Reserve to return USD455 billion unused funds for the sake of the Congress's economic stimulus plan. Loan facilities, such as PMCCF, MLF and MSLP, will expire on 31 December 2020. Given the policy vacuum during the presidential handover, coupled with the COVID-19 pandemic, less supports from monetary policies will exert pressure on the US economy.

Exchange Rate: RMB continued to appreciate

The RMB appreciated amid the widened yield spread between China Government Bonds and the US Treasury. As of November 20, the intermediate price of RMB exchange rate closed at 6.5786.

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

This week, China Government Bond yields continued to rise. US Treasury yields dropped given the weaker-than-expected retails and employment data, as well as the Fed and Treasury disagreement over emergency funding. As of November 20, the yield spread between China and US 10-year note was 248.6bp, widening by 11.1bp from last Friday and by 121.4bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance plunged due to the onshore credit events**

From November 16 to November 20, there were 17 new issues with a total issuance amount of USD3.88 billion, decreasing by 52.3% from last week. Pinduoduo Inc was the largest issuer with issuing USD2 billion convertible bonds.

Secondary Market: Return on Chinese USD bonds diverged

Influenced by credit events in onshore bond market, bonds with high credit risk demonstrated weak performance. As of November 20, the YTD return on Chinese USD corporate bond index dropped by 11bp from last Friday to 4.58%, of which investment grade bond index was 5.45% and high-yield bond index was 2.90%, increasing by 3bp and decreasing by 41bp respectively.

Rating Actions: Chinese issuers' credit quality diverged**Panda Bond Market: China Power issued another MTN this week**

On November 18, China Power issued 2020 Medium Term Note Series II in the China Interbank Market. China Power raised RMB1.5 billion, at a coupon rate of 4.60% with a tenor of 3 years.

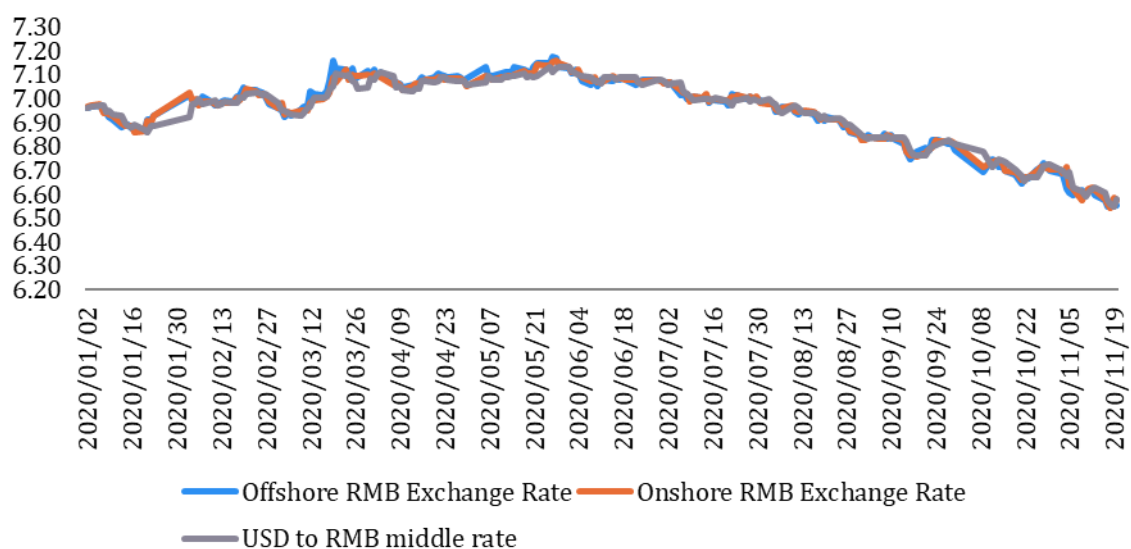
Headline: US Department of Treasury held back Fed loan facilities

On November 19, US Treasury Secretary Steven Mnuchin requested the Federal Reserve to return USD455 billion unused funds for the sake of the Congress’s economic stimulus plan. Loan facilities, such as Primary Market Corporate Credit Facility (“PMCCF”), Municipal Liquidity Facility (“MLF”) and Main Street Lending Program (“MSLP”), will expire on 31 December 2020. The Federal Reserve said on the next day affirming the legitimacy of the request. As such, it will comply with the request to return unused funds. Though Mnuchin later complemented that US Treasury will have sufficient fund to support financing demand in the future, US stock market still witnessed volatility. Given the policy vacuum during the presidential handover, coupled with the COVID-19 pandemic, less supports from monetary policies will exert pressure on the US economy.

Exchange Rate: RMB continued to appreciate

The RMB appreciated amid the widened yield spread between China Government Bonds and the US Treasury. As of November 20, the intermediate price of RMB exchange rate closed at 6.5786, down 499bp from last Friday; the onshore RMB exchange rate closed at 6.5714, down 430bp; the offshore RMB exchange rate closed at 6.5515, up 424bp.

Figure 1 : RMB exchange rate

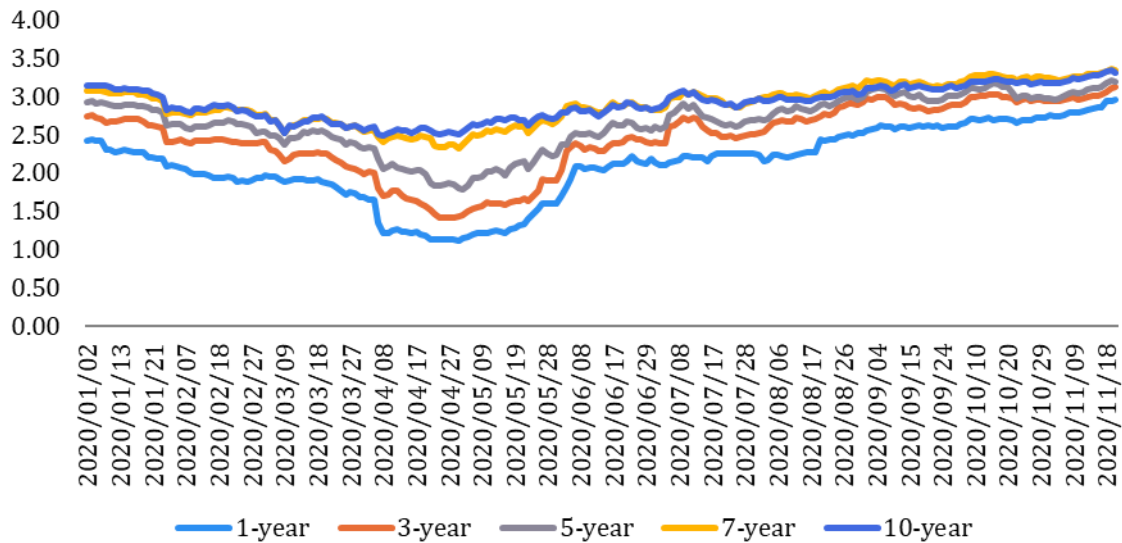


Sources: Eastmoney, CCX research

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

Affected by the risk events in the onshore bond market, China Government Bond yields continued to rise. As of November 20, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields increased from last Friday, closing at 2.9503%, 3.1201%, 3.1910%, 3.3385% and 3.3100%.

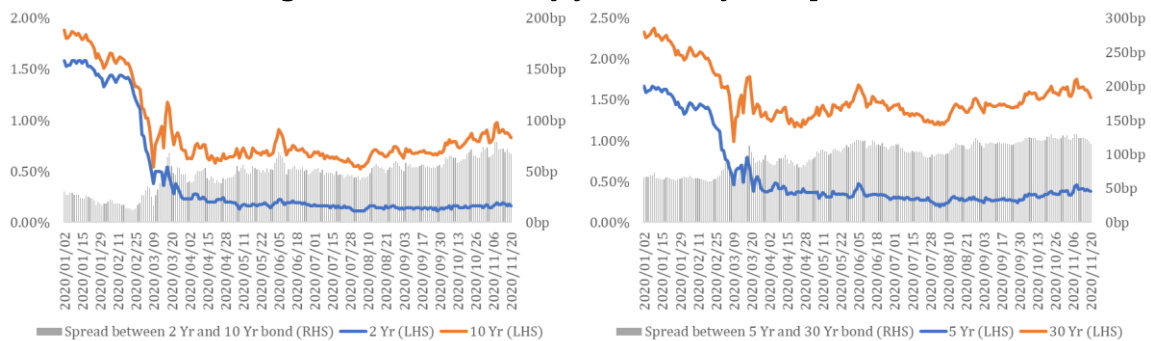
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields dropped given the weaker-than-expected retails and employment data, as well as the Fed and Treasury disagreement over emergency funding. As of November 20, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.16%, 0.38%, 0.83% and 1.53%, decreasing by 1bp, 3bp, 6bp and 12bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 5bp to 67bp from last Friday, while the spread between the 5-year and 30-year tightened by 9bp at 115bp.

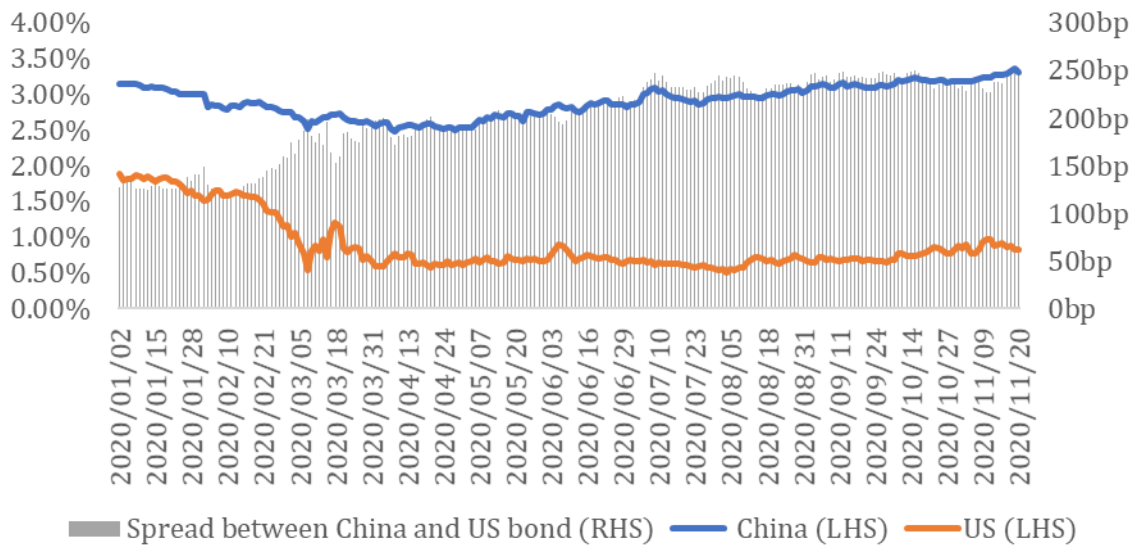
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of November 20, the yield spread between China and US 10-year note was 248.6bp, widening by 11.1bp from last Friday and by 121.4bp 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 plunged due to the onshore credit events

From November 16 to November 20, there were 17 new issues with a total issuance amount of USD3.88 billion, decreasing by 52.3% from last week. Pinduoduo Inc was the largest issuer with issuing USD2 billion convertible bonds.

Table 1 : New issuance of Chinese offshore bonds (20201116-20201120)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/16	Agile Group Holdings Ltd	USD	200	3.85	2021/11/18	364D	Real Estate	Ba2/BB/-	-/-/-
2020/11/16	China Logistics Property Holdings Co Ltd	USD	150	8.75	2022/11/18	2	Real Estate	-/-/B-	-/-/-
2020/11/16	Guotai Junan International Holdings Ltd	USD	100	1.16	2021/4/19	151D	Financials	Baa2/BBB+/-	-/-/-
2020/11/16	Guotai Junan International Holdings Ltd	USD	100	1.17	2021/5/20	182D	Financials	Baa2/BBB+/-	-/-/-
2020/11/16	Jingrui Holdings Ltd	USD	240	14.5	2023/2/19	2.25	Real Estate	B2/B/-	B3/-/-
2020/11/17	Central China Real Estate Ltd	USD	300	7.75	2024/5/24	3.5	Real Estate	Ba3/B+/BB-	-/-/BB-
2020/11/17	China International Capital Corp Hong Kong Ltd	USD	100	3ML+125	2021/11/19	364D	Financials	Baa1/BBB/BBB+	-/-/-
2020/11/18	China Development Bank Financial Leasing Co Ltd	USD	100	1.4	2021/8/3	243D	Financials	A1/A/A+	-/-/-
2020/11/18	China Gezhouba Group Company Limited	USD	200	4.15	-	Perpetual	Industrials	Baa2/-/BBB	Baa3/-/-
2020/11/18	Kanger International Bhd	MYR	1	2	2022/4/15	1.4	Consumer Discretionary	-/-/-	-/-/-
2020/11/18	Pinduoduo Inc	USD	2,000	0	2025/12/1	5	Consumer Discretionary	-/-/-	-/-/-

2020/11/19	Banque de Chine Djibouti SA	USD	200	0.9	2021/11/23	363D	Banks	-/-/-	-/-/-
2020/11/19	China Development Bank Financial Leasing Co Ltd	HKD	200	1.35	2021/11/26	364D	Financials	A1/A/A+	-/-/-
2020/11/19	Guotai Junan International Holdings Ltd	HKD	250	1.5	2021/11/25	364D	Financials	Baa2/BBB+/-	-/-/-
2020/11/19	Nanjing Luhe Economic and Technological Development Corp	USD	42	2.78	2021/11/24	364D	Chengtou	-/-/-	-/-/-
2020/11/19	Weihai Wendeng District Bluesea Investment & Development Co Ltd	USD	80	6.8	2021/11/24	364D	Chengtou	Ba2/-/-	-/-/-
2020/11/20	China International Capital Corp Hong Kong Ltd	USD	10	1.32	2021/11/18	358D	Financials	Baa1/BBB/BBB+	-/-/-

Sources: Bloomberg, CCX research

Zhongliang Holdings Group Co Ltd announced tap bond offering on November 16.

Table 2 : Tap bond offering (20201116-20201120)

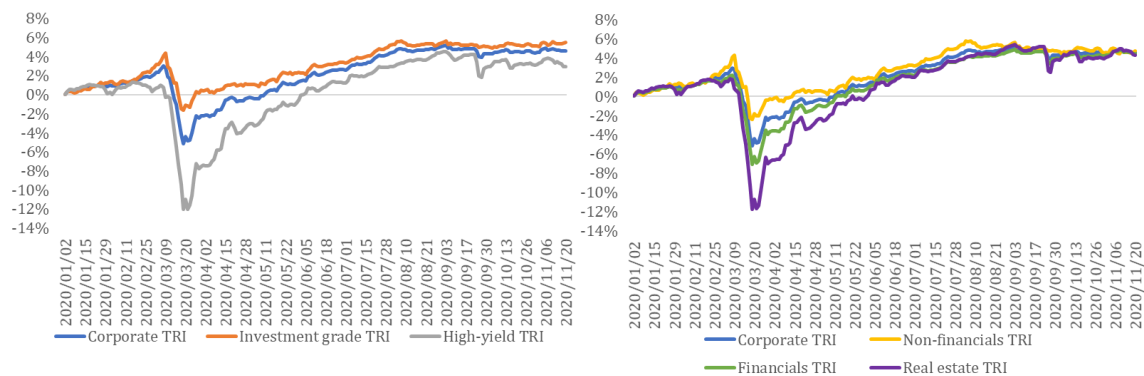
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/16	Zhongliang Holdings Group Co Ltd	USD	250 (reoffered 50)	9.5	2022/7/29	1.75	Real Estate	B1/B+/B+	-/-/B+

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds diverged

Influenced by credit events in onshore bond market, bonds with high credit risk demonstrated weak performance. As of November 20, the YTD return¹ on Chinese USD corporate bond index dropped by 11bp from last Friday to 4.58%, of which investment grade bond index was 5.45% and high-yield bond index was 2.90%, increasing by 3bp and decreasing by 41bp respectively. In terms of sector indices, the return on non-financial index increased by 1bp from last Friday to 4.69%, while the financial and real estate indices were 4.42% and 4.32%, decreasing by 18bp and 41bp, respectively.

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

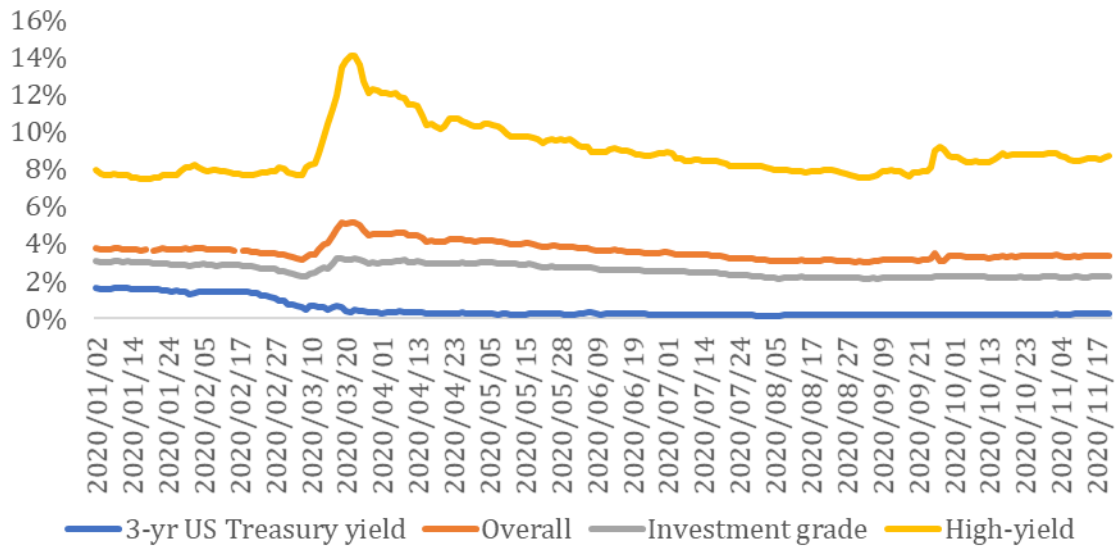


Sources: Bloomberg, CCX research

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

As of November 20, the yield-to-worst of Chinese dollar bonds increased by 1bp to 3.36% from last Friday, of which investment grade bond index rose by 2bp to 2.22%, while the high-yield bond index rose by 13bp to 8.68%.

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 16 to November 20, the rating agencies took positive rating actions on 6 Chinese issuers; and negative rating actions on 1 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20201116-20201120)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
	China Gezhouba Group Co Ltd	Industrials	BBB	Rating Watch positive	2020/11/17	BBB	STABLE	2020/9/4	Fitch	Share swap announcement
	eHi Car Services Ltd	Consumer Discretionary	B	STABLE	2020/11/17	B	NEG	2020/4/12	Fitch	Coverage, leverage metrics and financial flexibility will continue to improve
Upgrade	Binhai Investment Co Ltd	Utilities	Ba1	STABLE	2020/11/17	Ba1	Rating Watch Negative	2020/9/3	Moody's	Credit metrics will remain at levels appropriate over the next 12-18 months.
	Wuhan Real Estate Development & Investment Group Co Ltd	Real Estate	Baa3	POS	2020/11/18	Baa3	STABLE	2020/7/30	Moody's	Strengthened strategic importance to the Wuhan government

	WuXi AppTec Co Ltd	Health Care	BBB-	POS	2020/11/20	BBB-	STABLE	2019/11/5	S&P	Strong operating performance and expectation of a net cash position for at least the next 18 months
	Shanghai Electric Power Co Ltd	Utilities	A-	STABLE	2020/11/20	BBB+	STABLE	2019/11/25	Fitch	Strengthened linkages with parent
Downgrade	Orient Securities Co Ltd/China	Financials	BBB-	NEG	2020/11/19	BBB-	STABLE	2020/1/3	S&P	Expectation of heightened risks in the next 12-24 months

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: China Power issued another MTN this week

On November 18, China Power International Development Limited (“China Power”) issued 2020 Medium Term Note Series II in the China Interbank Market. China Power raised RMB1.5 billion, at a coupon rate of 4.60% with a tenor of 3 years.

As of November 20, there were 24 issuers that issued 40 Panda Bonds in 2020, with a total issuance amount of RMB56.8 billion and an average coupon of 3.15%. 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 (20200101-20201120)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	1.5	4.60	2020/11/18	2023/11/18	3	MTN	China Interbank Market	Golden Credit Rating
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	China Interbank	Shanghai

							Institutional Bond	Market	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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