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From November 23 to November 27

Mixed economic data of the US and Europe; Small Chinese offshore bond issuance**Authors****CCXI Overseas Business Department**

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn**CCXAP**

Jacky Lau 852-28607124

jacky_lau@ccxap.com

Vincent Tong 852-28607125

vincent_tong@ccxap.com**Other**

Elle Hu 852-28607120

elle_hu@ccxap.com**Date:****December 3 2020****Headline: Mixed economic data of the US and Europe**

The US and Europe showed a mixed economic data in November. The manufacturing sector continued to expand, while the services sector was in the contraction zone for the third consecutive month due to the pandemic. In November, despite that the US manufacturing sector pointed to the strongest growth since September 2014, the recovery of labor market slowed down.

Exchange Rate: RMB exchange rate adjusted

During the week, the RMB exchange rate adjusted with small fluctuations after continuous appreciation. As of November 27, the intermediate price of RMB exchange rate closed at 6.5755.

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

This week, China Government Bond yields declined. US Treasury yields fluctuated slightly amid mixed signals, including the start of presidential transition and rebound of US initial jobless claims. As of November 27, the yield spread between China and US 10-year note was 246.3bp, tightening by 2.3bp from last Friday and widening by 119.1bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Small Chinese offshore bond issuance**

From November 23 to November 27, there were 11 new issues with a total issuance volume of USD1.19 billion. Real estate companies were the key issuers, which newly issued USD0.45 billion offshore bonds and announced tap offer of USD0.62 billion.

Secondary Market: Return on Chinese USD bonds rebounded

As of November 27, the YTD return on Chinese USD corporate bond index increased by 41bp from last Friday to 5.00%, of which investment grade bond index was 5.48% and high-yield bond index was 4.18%, increasing by 4bp and 128bp respectively.

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

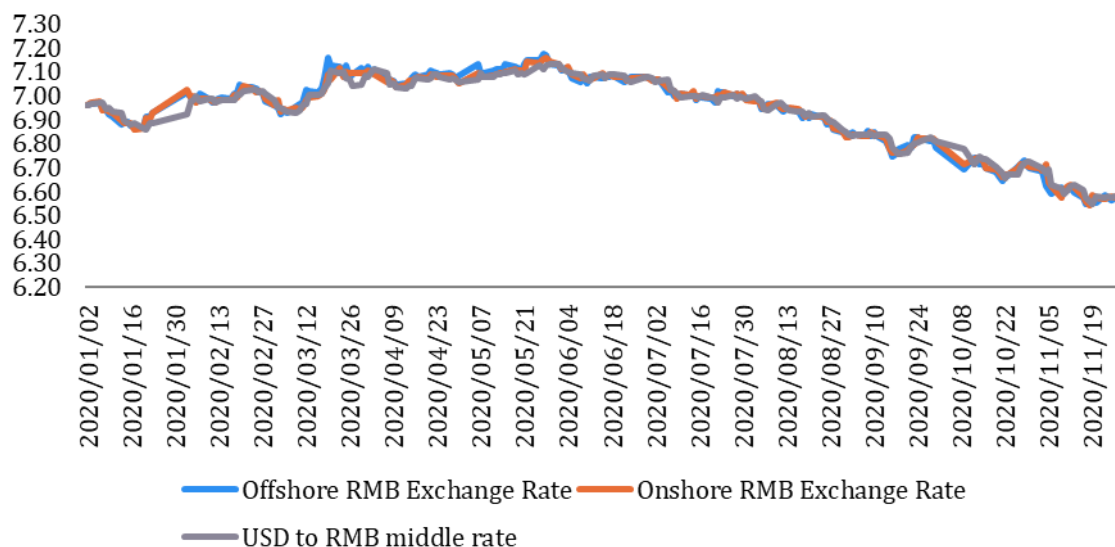
Headline: Mixed economic data of the US and Europe

November’s PMI data of major economies released this week, which showed mixed signal of recovery. Europe’s economic recovery slowed down given the reintroduction of lockdown. On November 23, the preliminary reading of IHS Markit Eurozone’s manufacturing PMI was 53.6 in November, dropped by 1.2 as compared to previous month’s reading, but still in the expansion territory. The services sector depressed amid the second wave of COVID-19 outbreak, which the PMI dropped for the fourth consecutive month to 41.3 in November and fell in the contraction zone for third month in a row. The composite PMI was 45.1, falling back to the contraction zone. US’s manufacturing sector showed a strong recovery in November, which the Manufacturing PMI bounced to 56.7 in November, the strongest reading since September 2014. However, the initial jobless claims were 778 thousand people, increasing for the second consecutive month, which represented a decelerated recovery in the labor market.

Exchange Rate: RMB exchange rate adjusted

During the week, the RMB exchange rate adjusted with small fluctuations after continuous appreciation. As of November 27, the intermediate price of RMB exchange rate closed at 6.5755, down 31bp from last Friday; the onshore RMB exchange rate closed at 6.5823, up 109bp; the offshore RMB exchange rate closed at 6.5753, up 239bp.

Figure 1 : RMB exchange rate

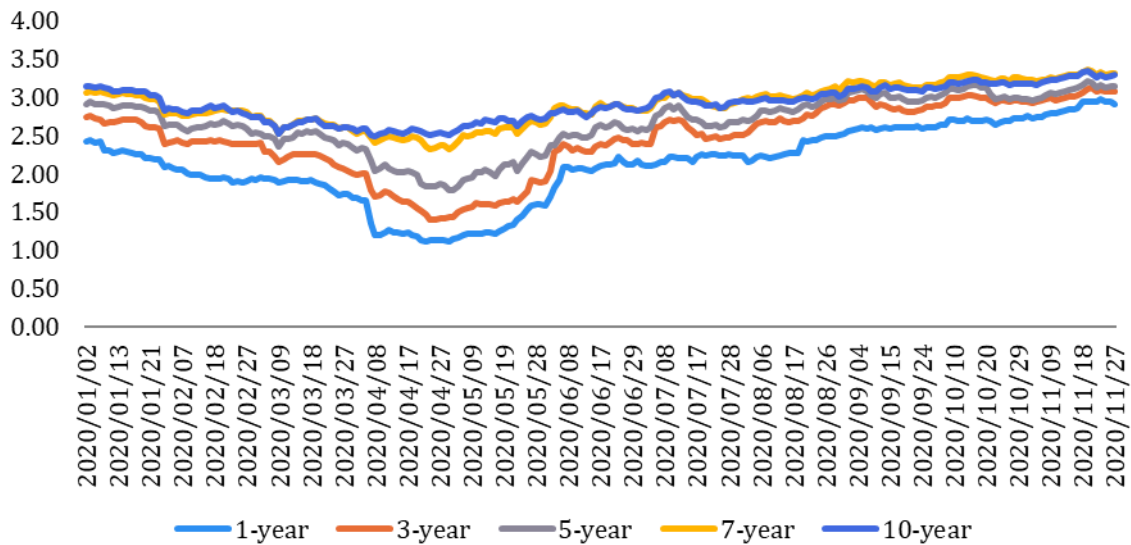


Sources: Eastmoney, CCX research

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

This week, China Government Bond yields declined. As of November 27, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields decreased from last Friday, closing at 2.9104%, 3.0837%, 3.1522%, 3.3189% and 3.3000%.

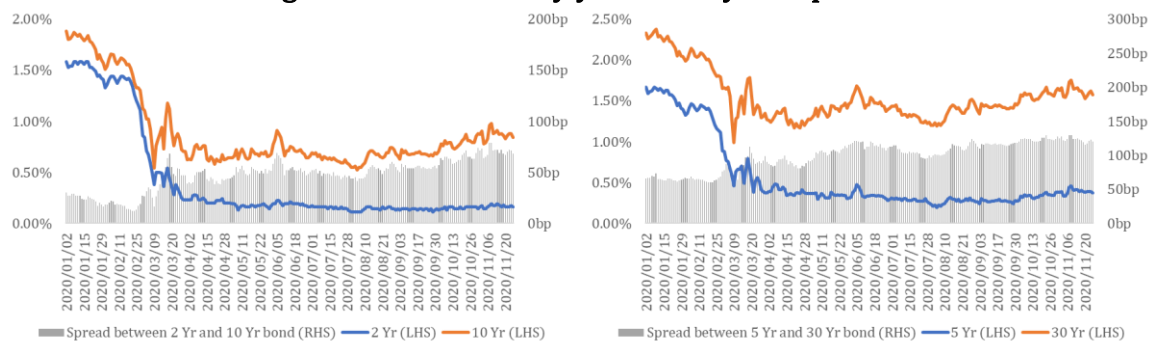
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields fluctuated slightly amid mixed signals, including the start of presidential transition and rebound of US initial jobless claims. As of November 27, 2-year Treasury yield flattened at 0.16% as compared to last Friday; 5-year yield dropped by 1bp to 0.37%; 10-year and 30-year yields closed at 0.84% and 1.57%, increasing by 1bp and 4bp, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 1bp to 68bp from last Friday, while the spread between the 5-year and 30-year widened by 5bp to 120bp.

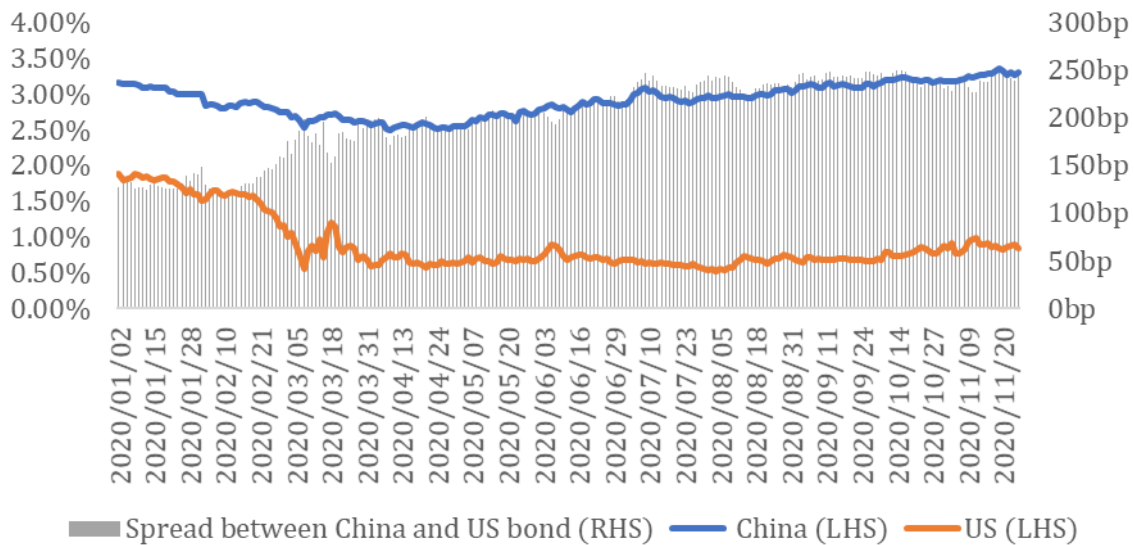
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of November 27, the yield spread between China and US 10-year note was 246.3bp, tightening by 2.3bp from last Friday and widening by 119.1bp 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: Small Chinese offshore bond issuance

From November 23 to November 27, there were 11 new issues with a total issuance volume of USD1.19 billion. Real estate companies were the key issuers, which newly issued USD0.45 billion offshore bonds. In addition, Shui On Land Ltd, Sunac China Holdings Ltd and Zhongliang Holdings Group Co Ltd announced tap bond offering of USD0.62 billion in aggregate on November 24 and November 26.

Table 1 : New issuance of Chinese offshore bonds (20201123-20201127)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/23	China Logistics Property Holdings Co Ltd	USD	100	6.95	2025/11/23	5	Real Estate	-/-/B-	-/-/-
2020/11/23	Huatai International Financial Holdings Co Ltd	USD	50	0.5	2021/11/26	364D	Financials	-/BBB/-	-/-/-
2020/11/23	Jingjiang Harbour Group Co Ltd	USD	50	2.78	2021/11/29	364D	Chengtou	-/-/-	-/-/-
2020/11/23	Taian Taishan Finance and Investment Group Co Ltd	USD	120	4.7	2021/11/26	364D	Financials	-/-/-	-/-/-
2020/11/24	Bank of China Ltd/Hong Kong	EUR	15.4	0.000001	2021/12/19	1.06	Banks	A1/A/A	-/-/-
2020/11/24	Far East Horizon Ltd	USD	200	0	2025/12/4	5	Financials	-/BBB/-	-/-/-
2020/11/24	Shouguang City Construction Investment Development Co Ltd	USD	28	3.5	2023/10/30	2.91	Chengtou	-/-/-	-/-/-
2020/11/25	Ganglong China Property Group Ltd	USD	150	13.5	2021/12/1	364D	Real Estate	-/-/-	-/-/-
2020/11/25	Xi'an Port Industrial Co Ltd	USD	190	5.8	2023/12/2	3	Chengtou	-/-/-	-/-/-
2020/11/26	Dexin China Holdings Co Ltd	USD	200	9.95	2022/12/3	2	Real Estate	B2/B/-	B3/B/-
2020/11/27	VCredit Holdings Ltd	USD	85	11	2022/12/3	2	Financials	-/-/-	-/-/-

Sources: Bloomberg, CCX research

Table 2 : Tap bond offering (20201123-20201127)

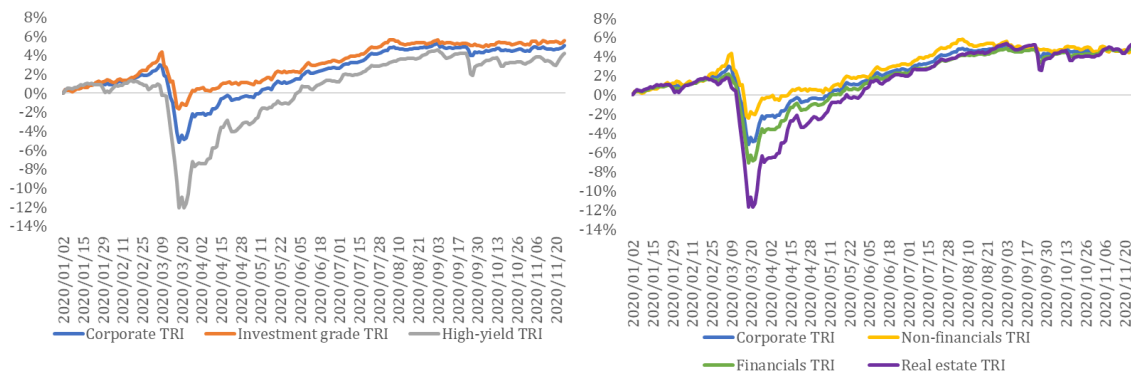
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/24	Shui On Land Ltd	USD	500 (reoffered 200)	5.75	2023/11/12	4	Real Estate	-/-/-	-/-/-
2020/11/26	Sunac China Holdings Ltd	USD	620 (reoffered 120)	6.65	2024/8/3	4	Real Estate	Ba3/BB-/BB	B1/B+/BB
2020/11/26	Sunac China Holdings Ltd	USD	600 (reoffered 200)	7	2025/7/9	5	Real Estate	Ba3/BB-/BB	B1/B+/BB
2020/11/26	Zhongliang Holdings Group Co Ltd	USD	150 (reoffered 100)	8.875	2021/11/22	364D	Real Estate	B1/B+/B+	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds rebounded

As of November 27, the YTD return¹ on Chinese USD corporate bond index increased by 41bp from last Friday to 5.00%, of which investment grade bond index was 5.48% and high-yield bond index was 4.18%, increasing by 4bp and 128bp respectively. In terms of sector indices, the return on real estate index recorded the largest rally, rising by 108bp from last Friday to 5.38%, while the non-financial and financial indices were 4.79% and 5.02%, increasing by 11bp and 60bp from last Friday, respectively.

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

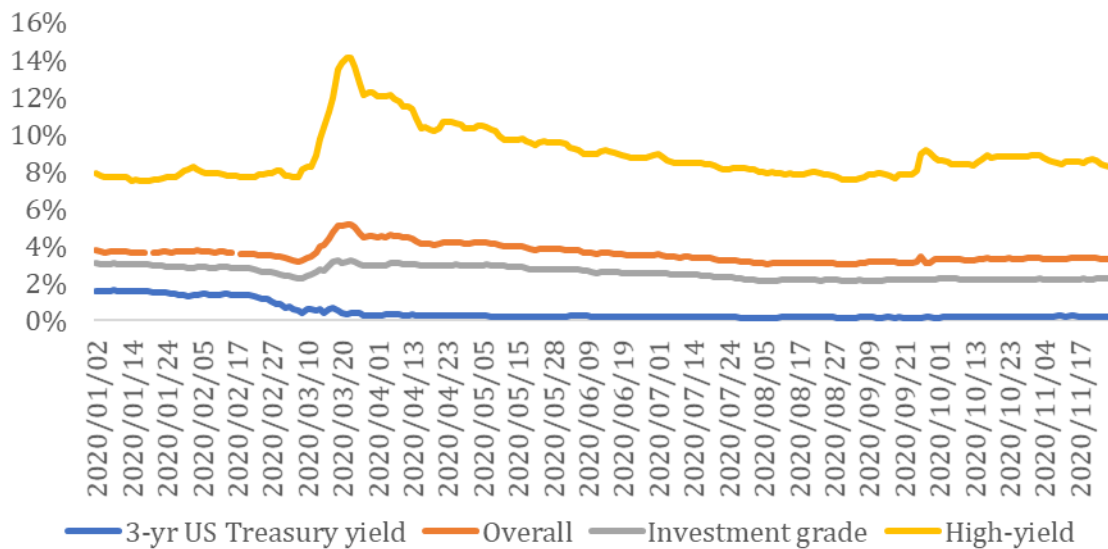


Sources: Bloomberg, CCX research

As of November 27, the yield-to-worst of Chinese dollar bonds decreased by 10bp to 3.26% from last Friday, of which investment grade bond index increased by 1bp to 2.23%, while the high-yield bond index declined by 43bp to 8.25%.

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 November 23 to November 27, the rating agencies took positive rating action on 1 Chinese issuer; and negative rating actions on 3 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20201123-20201127)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	CIFI Holdings Group Co Ltd	Real Estate	Ba2	STABLE	2020/11/26	Ba3	POS	2020/5/27	Moody's	Improved credit metrics
Downgrade	Health & Happiness H&H International Holdings Ltd	Consumer Staples	Ba2	STABLE	2020/11/24	Ba2	POS	2020/5/21	Moody's	Slowing revenue growth and deleveraging
	Zhejiang Geely Holding Group Co Ltd & Geely Automobile Holdings Ltd	Consumer Discretionary	BBB-	NEG	2020/11/27	BBB-	Rating Watch Negative	2020/6/24	S&P	Strained leverage

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No New Issuance this week

As of November 27, 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 (20200101-20201127)

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 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	China Chengxin
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 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>