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From November 30 to December 4

UK launched mass COVID-19 vaccination program; high yield Chinese dollar bond return rose significantly

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Headline: Britain launched mass coronavirus vaccination program

The Pfizer-BioNTech vaccine was granted emergency authorization by the British government last week, indicating that the UK became the first country to approve COVID-19 vaccine in the world. On December 8, the British government announced to offer vaccination to the majority of the UK citizens. The US FDA, followed by the UK decision, is voting on whether to authorize the Pfizer vaccine for emergency use and allow fast distribution of the new vaccine, according to a member of the FDA.

Regulatory Dynamics: Bond Connect is preparing for southbound trade

The Hong Kong Monetary Authority ("HKMA") and the People's Bank of China ("PBoC") is studying the framework of Southbound Bond Connect and the two sides will form a working group to take forward the study, an HKMA spokesperson said Wednesday. Eddie Yue, Chief Executive of the HKMA, said Southbound Bond Connect will further enhance the mutual access between the capital markets; it can not only facilitate mainland investors' diversified asset allocation, but also consolidate Hong Kong's role as the intermediary for capital flowing into and out of the mainland, which will generate enormous opportunities for Hong Kong's financial services industry.

Exchange Rate: RMB exchange rate dropped with fluctuations

During the week, the RMB exchange rate continued to drop with fluctuations. As of December 4, the intermediate price of RMB exchange rate closed at 6.5507.

Interest Rate: China Government Bond yields generally declined; US medium to long-term Treasury yields rose

China Government Bond yields generally declined. Despite the US's nonfarm payrolls missed market expectation, the US Treasury yields, particularly the medium to long-term bonds, rose strongly as the market was pricing in a quick economic rebound on new hopes from passing fiscal stimulus plan and COVID-19 vaccination. As of December 4, the yield spread between China and US 10-year note was 229.9bp, tightening by 16.4bp from last Friday and widening by 102.8bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Primary Market: Chinese offshore bond new issue rebounded; Huaneng Group issued perpetual bonds totaled USD1.0 billion**

From November 30 to December 4, there were 14 new issues with a total issuance volume of approximately USD3.6 billion, of which China Huaneng Group Co Ltd is the largest issuer in the week and issued 2 tranches of perpetual bonds totaled USD1.0 billion.

Secondary Market: Return on Chinese USD bonds diverged, high yield bonds outperformed

As of December 4, the YTD return on Chinese USD corporate bond index increased by 3bp from last Friday to 5.03%, of which investment grade bond index was 5.12%, decreasing by 36bp and high-yield bond index was 5.13%, increasing by 95bp respectively.

Rating Actions: CCXAP assigned first-time long-term credit rating of BBB_g to YCUAO, with stable outlook

Panda Bond Market: No New Issuance this week

Headline: Britain launched mass coronavirus vaccination program

The Pfizer-BioNTech vaccine was granted emergency authorization by the British government last week, indicating that the UK became the first country to approve COVID-19 in the world. On December 8, the British government announced to offer vaccination to the majority of the UK citizens, with priority for people over age 80, frontline medical staffs and nursing home caregivers. The UK is the first country to launch the mass coronavirus immunization campaign.

The UK coronavirus situation is still not optimistic. It has the third-highest number of people infected with COVID-19 in Europe, after France and Italy. But globally, US remained the country that recorded the highest number of infection cases. The US FDA is voting on whether to authorize the Pfizer vaccine for emergency use and allow fast distribution the new vaccine, according to a member of the FDA.

Regulatory Dynamics: Bond Connect is preparing for southbound trade

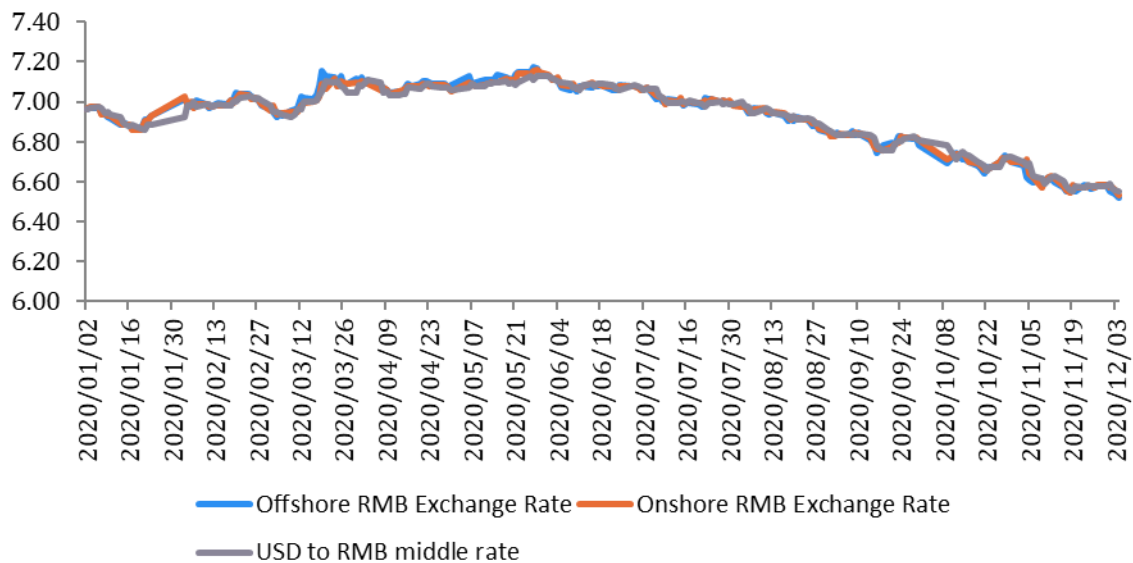
The Hong Kong Monetary Authority ("HKMA") and the People's Bank of China ("PBoC") is studying the framework of Southbound Bond Connect and the two sides will form a working group to take forward the study, an HKMA spokesperson said Wednesday. Launched more than three years, the Northbound Bond Connect has won the recognition of global investors and has laid a solid foundation for going further the Southbound Bond Connect. "When discussing the features of Southbound Bond Connect with the mainland authorities, we will fully consider cooperating with the two-way opening up of the mainland's financial markets, ensure proper risk controls, as well as promote the development of Hong Kong's bond market and strengthen Hong Kong's status as an international financial center," the spokesperson said.

Eddie Yue, Chief Executive of the HKMA, said Southbound Bond Connect will further enhance the mutual access between the capital markets; it can not only facilitate mainland investors' diversified asset allocation, but also consolidate Hong Kong's role as the intermediary for capital flowing into and out of the mainland, which will generate enormous opportunities for Hong Kong's financial services industry.

Exchange Rate: RMB exchange rate dropped with fluctuations

During the week, the RMB exchange rate continued to drop with fluctuations. As of December 4, the intermediate price of RMB exchange rate closed at 6.5507, down 248bp from last Friday; the onshore RMB exchange rate closed at 6.5302, down 521bp; the offshore RMB exchange rate closed at 6.5170, down 584bp. The RMB exchange rate may enter into an adjustment period and constrained by the China's economy, ongoing development of COVID-19 and other external factors.

Figure 1 : RMB exchange rate

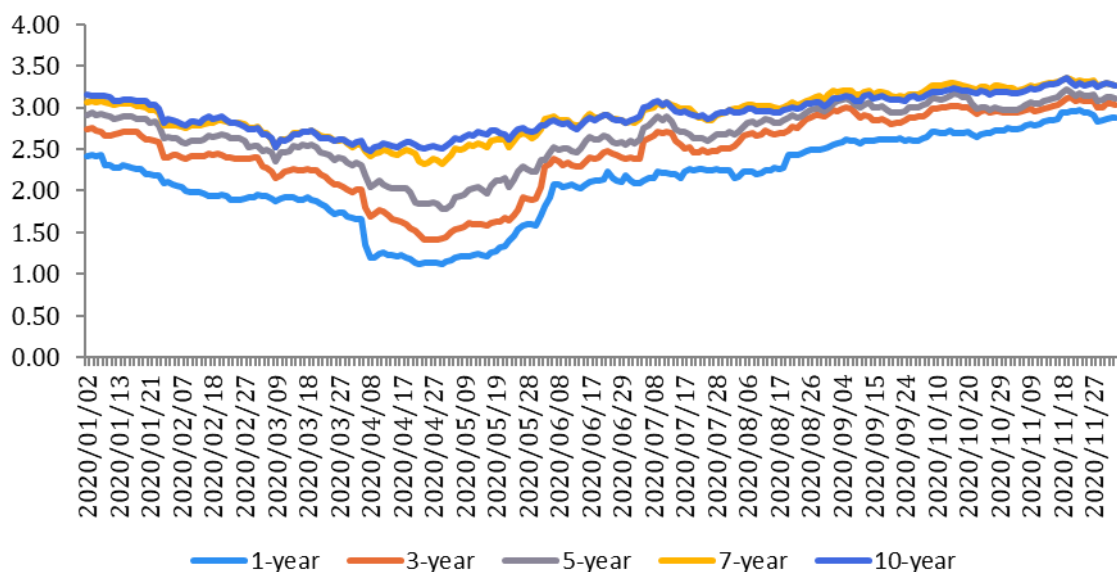


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields generally declined; US medium to long-term Treasury yields rose

This week, China Government Bond yields generally declined. As of December 4, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields decreased from last Friday, closing at 2.8708%, 3.0348%, 3.1156%, 3.2701% and 3.2651%. Affected by the recent credit events, China’s authority’s policy, to some extent, may focus on the prevention of financial risk and regulation, giving a room for the yields going downward.

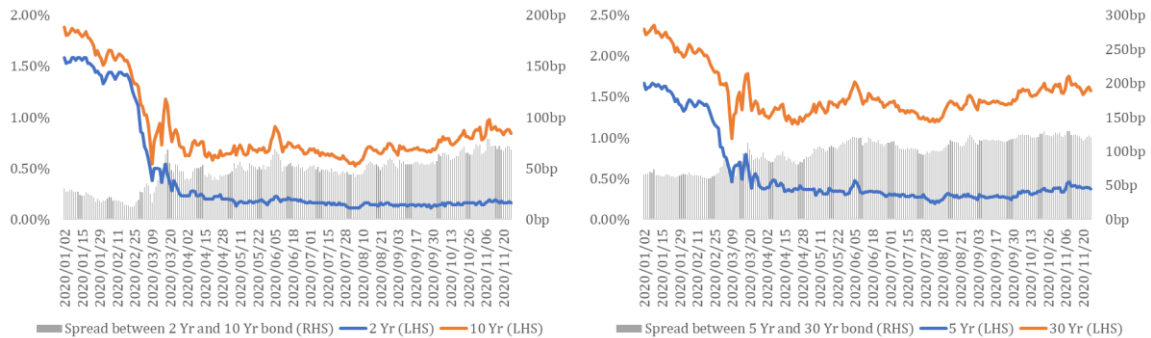
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Despite the US's nonfarm payrolls missed market expectation, the US Treasury yields, particularly the medium to long-term bonds, rose strongly as the market was pricing in a quick economic rebound on new hopes from passing fiscal stimulus plan and COVID-19 vaccination. As of December 4, 2-year Treasury yield flattened at 0.16% as compared to last Friday; 5-year, 10-year and 30-year Treasury yields closed at 0.42%, 0.97%, and 1.73%, increasing by 5bp, 13bp, and 16bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 13bp to 81bp from last Friday, while the spread between the 5-year and 30-year widened by 11bp to 131bp.

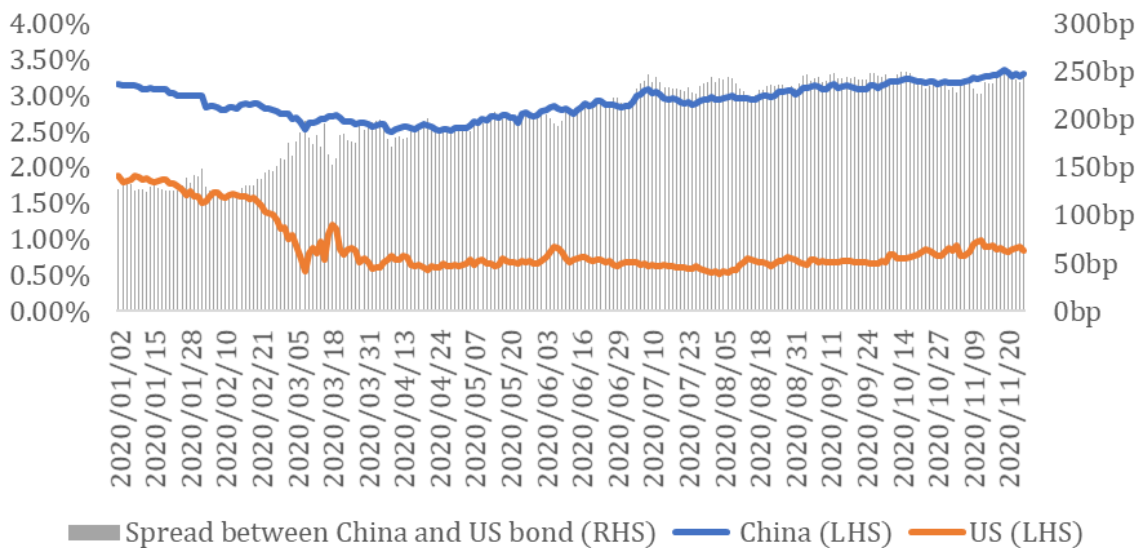
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of December 4, the yield spread between China and US 10-year note was 229.9bp, tightening by 16.4bp from last Friday and widening by 102.8bp 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 issue rebounded; Huaneng Group issued perpetual bonds totaled USD1.0 billion

From November 30 to December 4, there were 14 new issues with a total issuance volume of approximately USD3.6 billion, of which China Huaneng Group Co Ltd is the largest issuer in the week and issued 2 tranches of perpetual bonds totaled USD1.0 billion.

Table 1 : New issuance of Chinese offshore bonds (20201130-20201204)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/30	Ronshine China Holdings Ltd	USD	150	5.25	2021/12/3	364D	Financials	B1/B+/BB-	-/-/-
2020/12/1	Kaisa Group Holdings Ltd	USD	250	6.5	2021/12/7	364D	Utilities	B1/B/B	-/-/-
2020/12/1	Xiaomi Corp	USD	855	0	2027/12/17	7	Utilities	Baa2/BBB-/BBB	Baa2/-/-
2020/12/1	China Ping An Insurance Overseas (Holdings) Limited	CNY	1,000	3.3	2021/12/7	364D	Real Estate	Baa2/-/-	-/-/-
2020/12/1	CMB International Capital Corp Ltd	USD	3	0.83	2021/3/4	90D	Financials	Baa1/BBB+/-	-/-/-
2020/12/2	China Huaneng Group Co Ltd	USD	500	2.85	-	Perpetual	Financials	A2/A-/A	-/-/-
2020/12/2	China Huaneng Group Co Ltd	USD	500	3.08	-	Perpetual	Real Estate	A2/A-/A	-/-/-
2020/12/2	Sichuan Languang Development Co Ltd	USD	300	10.4	2023/3/9	2.25	Chengtou	B1/B+/-	B2/B/-
2020/12/2	China International Capital Corp Hong Kong Ltd	USD	50	0.5	2021/12/16	364D	Real Estate	Baa1/BBB/BBB+	-/-/-
2020/12/2	China Ping An Insurance Overseas (Holdings) Limited	HKD	770	1.1	2021/12/7	364D	Industrials	Baa2/-/-	-/-/-
2020/12/3	Hefei Xingtai Finance Holding Group Co Ltd	USD	100	3	2023/12/9	3	#N/A	-/-/-	-/-/-
2020/12/3	Jiangsu Zhongguancun Science Park Holding Group Co Ltd	USD	90	2.75	2021/12/9	364D	#N/A	-/-/-	-/-/-
2020/12/3	E-House China Enterprise Holdings Ltd	USD	200	7.6	2023/6/10	2.5	#N/A	-/BB/-	-/BB/-
2020/12/4	Jinan Lixia Holding Group Co Ltd	USD	300	4.5	2023/12/9	3	#N/A	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From November 30 to December 4, there are four Chinese corporates announced tap bond offering.

Table 2 : Tap bond offering (20201130-20201204)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/30	Jiangsu Yueda Group Co Ltd	USD	287.25 (reoffered 87.25)	5.7	2023/6/4	3	Consumer Discretionary	-/-/BBB _g - (CCXAP)	-/-/BBB _g - (CCXAP)
2020/12/1	Fosun International Limited	USD	700 (reoffered 300)	5.95	2025/10/19	5	Consumer Discretionary	Ba3/BB/-	-/BB/-
2020/12/1	Fujian Yango Group Co Ltd	USD	325 (reoffered 75)	10	2023/2/12	2.5	Real Estate	B2/-/B+	-/-/B+
2020/12/1	Fantasia Holdings Group Co Ltd	USD	320 (reoffered 120)	9.875	2023/10/19	3	Real Estate	B2/B/B+	-/-/B+

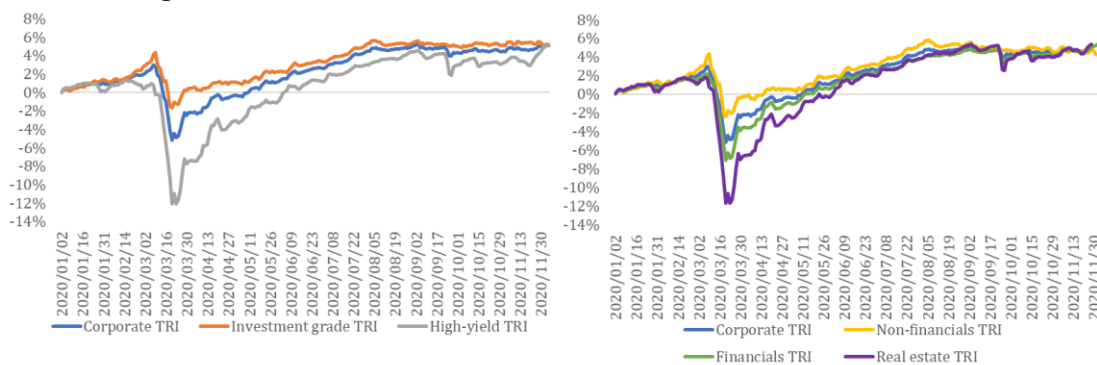
Sources: Bloomberg, CCX research

Recently, Suzhou SND Group Company Limited planned to issue offshore bonds.

Secondary Market: Return on Chinese USD bonds diverged, high yield bonds outperformed

As of December 4, the YTD return¹ on Chinese USD corporate bond index increased by 3bp to 5.03%, of which investment grade bond index was 5.12%, decreasing by 36bp and high-yield bond index was 5.13%, increasing by 95bp. In terms of sector indices, the return on real estate index performed well, rising by 84bp from last Friday to 6.23%, while the non-financial index was 4.21%, decreasing by 58bp from last Friday and the financial index was 5.43%, increasing by 41bp from last Friday.

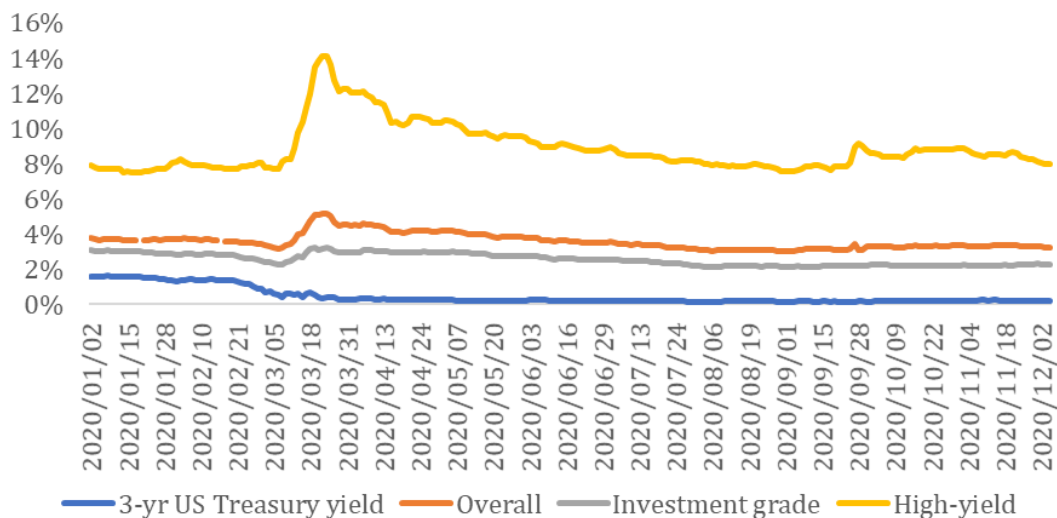
Figure 5 : YTD return on Markit iBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of December 4, the yield-to-worst of Chinese dollar bonds decreased by 1bp to 3.25% from last Friday, of which investment grade bond index increased by 6bp to 2.29%, while the high-yield bond index declined by 30bp to 7.94%.

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



Sources: Bloomberg, CCX research

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

Rating Actions: CCXAP assigned first-time long-term credit rating of BBB_g to YCUAO, with stable outlook

On December 4, CCXAP assigned first-time long-term credit rating of BBB_g to Yancheng City Urban Assets Operation Co., Ltd. (“YCUAO” or “the Company”), with stable outlook.

Table 3 : CCXAP’s rating action (20201130-20201204)

Date	Entity	Issue Rating	Rating Rationale
2020/12/4	YCUAO	BBB _g	The rating is underpinned by (1) good track record of receiving support from the Yancheng Municipal Government; (2) vital role in infrastructure construction and primary land consolidation in Yancheng City; (3) growing importance in public services; and (4) increase in revenue and operating profit. However, the rating is also constrained by its (1) large capital expenditure pressure due to long cash collection period and sizeable projects in the pipeline; and (2) modest financial profile and weak liquidity position.

Source: CCX research

From November 30 to December 4, the rating agencies took positive rating action on 3 Chinese issuers; and negative rating actions on 1 Chinese issuer.

Table 3 : Credit rating changes of cross-border bond market (20201130-20201204)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Midea Group Co Ltd	Consumer Discretionary	A-	Rating Watch positive	2020/12/2	A-	STABLE	2019/12/2	Fitch	Consistently stable free cash flow generation and adequate net cash position
	Seazen Holdings Co Ltd, Seazen Group Ltd	Real Estate	BB+	STABLE	2020/12/3	BB	STABLE	2019/12/15	Fitch	Large scale of attributable sales with good leverage control
Downgrade	Tianqi Lithium Corp	Materials	Caa2	NEG	2020/12/3	Caa1	NEG	2020/3/25	Moody's	Absence of a satisfactory resolution on term loan restructuring

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No New Issuance this week

As of December 4, 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 (20200101-20201204)

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 China
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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