

## 2020 Issue 47

From December 14 to December 18

## US passed USD900 billion stimulus bill; Return on high-yield and real estate bond surged

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## Date:

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**Headline: US passed USD900 billion stimulus bill**

On December 20, the two parties of the US reached a consensus on USD900 billion stimulus bill, which will offer fund to boost the US economy. Such plan will become the second largest stimulus plans in US history, preceded only by the USD2.2 trillion stimulus plan in March 2020. Nonetheless, on December 23, news from AFP reported that President Trump may refuse to sign the bill and requested the Congress to revise the bill for a larger scale of stimulus.

**Exchange Rate: RMB exchange rate adjusted**

During the week, the RMB exchange rate continued to fluctuate. As of December 18, the intermediate price of RMB exchange rate closed at 6.5315.

**Interest Rate: China Government Bond yields declined, US Treasury yields rose**

This week, China Government Bond yields declined. As the investors monitored progress over new stimulus measures, US Treasury yields increased. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 3bp to 82bp from last Friday, while the spread between the 5-year and 30-year widened by 5bp to 131bp.

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

From December 14 to December 18, there were 6 new issues with a total issuance volume of approximately USD1.61 billion. iQIYI Inc. was the main issuer issuing a dollar bond totaling USD0.8 billion.

**Secondary Market: Return on high-yield and real estate bond surged**

As of December 18, the YTD return on Chinese USD corporate bond index increased by 14bp from last Friday to 5.59%, of which investment grade bond index decreased by 4bp to 5.54%, and high-yield bond index increased by 55bp to 6.01%. In terms of sector indices, the return on real estate index out-performed, rising by 59bp from last Friday to 7.13%

**Rating Actions: Longfor's outlook revised to positive from stable****Panda Bond Market: Veolia Environnement issued two PPNs this week**

On December 16, the 2020 Veolia Environnement S.A. PPN Series III & IV (Bond Connect) were successfully issued in the China Interbank Market. Both bonds have the same issuance amount of RMB0.75 billion with the same coupon rate of 4.45% and tenor of 3 years. CXXI assigned AAA to the issuer.

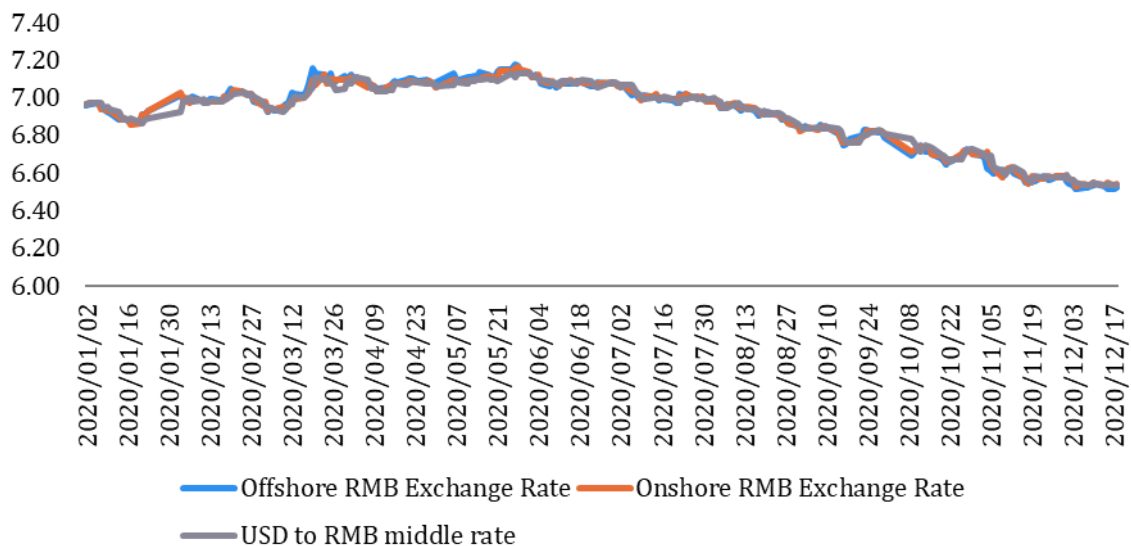
## Headline: US passed USD900 billion stimulus bill

On December 20, the two parties of the US reached a consensus after months of negotiation on the bill, confirming a stimulus bill totaling USD900 billion. The bill will offer fund to boost the US economy, including salary protection for small to medium enterprises, distribution of COVID-19 vaccines, cash cheques, enhanced jobless benefits of USD300 per week. Such plan will become the second largest stimulus plans in US history, preceded only by the USD2.2 trillion stimulus plan in March 2020. Nonetheless, on December 23, news from Agence France Presse (“AFP”) reported that President Trump may refuse to sign the bill and requested the Congress to revise the bill for a larger scale of stimulus.

## Exchange Rate: RMB exchange rate adjusted

During the week, the RMB exchange rate continued to fluctuate. As of December 18, the intermediate price of RMB exchange rate closed at 6.5315, down 90bp from last Friday; the onshore RMB exchange rate closed at 6.5415, up 4bp; the offshore RMB exchange rate closed at 6.5189, down 206bp. The RMB exchange rate gets stronger over the past few months, but is still in the trend of two-way fluctuations.

Figure 1 : RMB exchange rate

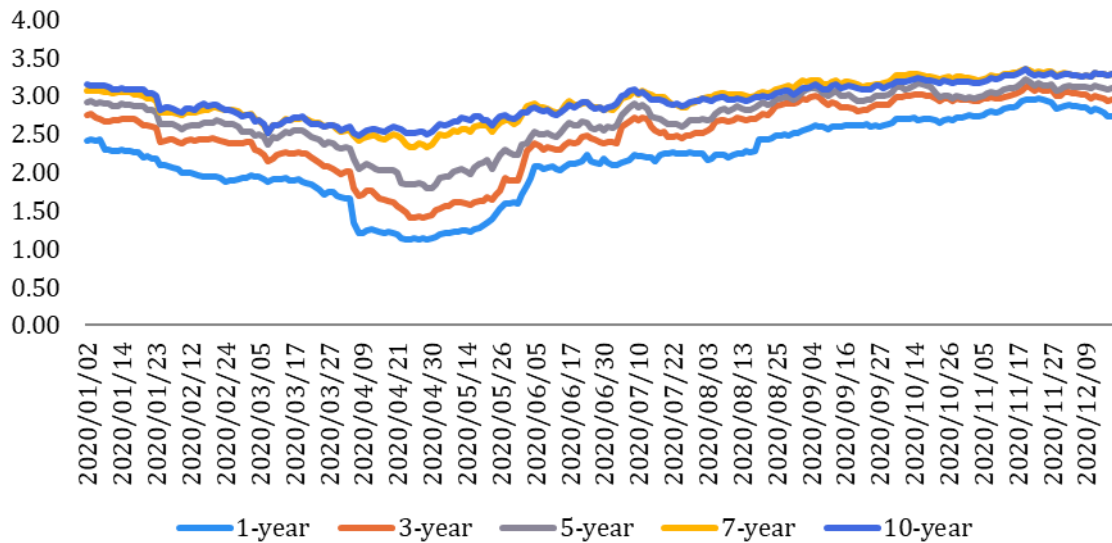


Sources: Eastmoney, CCX research

## Interest Rate: China Government Bond yields declined, US Treasury yields rose

This week, China Government Bond yields declined as the People's Bank of China conducted RMB950 billion MLF operation. As of December 18, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields decreased from last Friday, closing at 2.7267%, 2.9642%, 3.1100%, 3.2804% and 3.2902%. The rising risk aversion amid the COVID-19 outbreak and uncertainty of economic recovery, coupled with increasing demands of foreign institutions on Chinese bonds, could benefit the bond market.

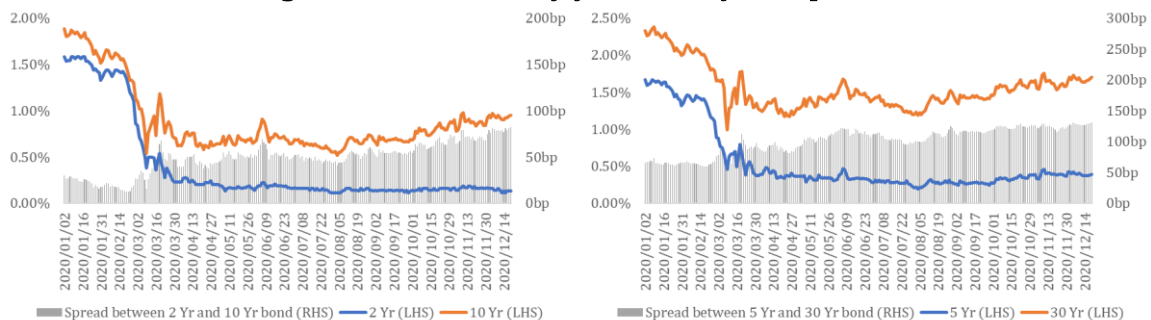
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

As the investors monitored progress over new stimulus measures, US Treasury yields increased. As of December 11, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.13%, 0.39%, 0.95%, and 1.70%, up by 2bp, 2bp, 5bp, and 7bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 3bp to 82bp from last Friday, while the spread between the 5-year and 30-year widened by 5bp to 131bp.

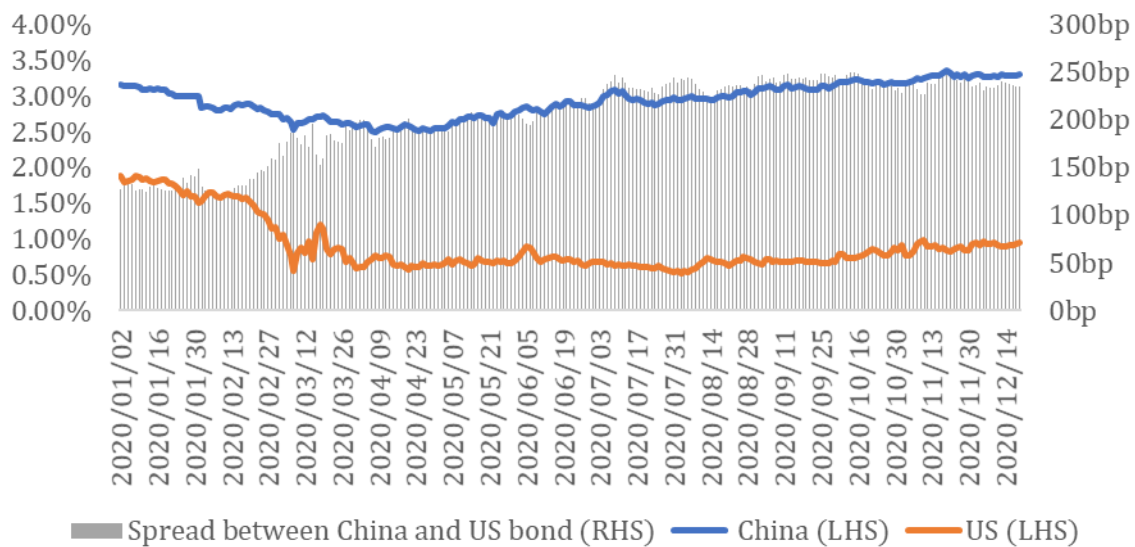
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of December 18, the yield spread between China and US 10-year note was 234.4bp, tightening by 5.5bp from last Friday and widening by 107.3bp 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 new issuance

From December 14 to December 18, there were 6 new issues with a total issuance volume of approximately USD1.61 billion. iQIYI Inc. was the key issuer issuing a dollar bond totaling USD0.8 billion. On 14 December, 16 December and 18 December, Kaisa Group Holdings Ltd., Powerlong Real Estate Holdings Ltd. and Industrial & Commercial Bank of China Ltd/Sydney announced tap bond offering, respectively.

Table 1 : New issuance of Chinese offshore bonds (20201214-20201218)

| Pricing Date | Obligor  | Currency | Amount (million) | Coupon (%) | Maturity   | Tenor | Industry       | Issuer Rating (Moody's/S&P / Fitch) | Issue Rating (Moody's/S&P / Fitch) |
|--------------|--|----------|------------------|------------|------------|-------|----------------|-------------------------------------|------------------------------------|
| 2020/12/15   | Fantasia Holdings Group Co Ltd                 | USD      | 150              | 7          | 2021/12/17 | 364D  | Real Estate    | B2/B/B+                             | -/-/-                              |
| 2020/12/15   | CMB International Capital Corporation Limited  | HKD      | 25               | 0.65       | 2021/3/8   | 76D   | Financials     | Baa1/BBB+/-                         | -/-/-                              |
| 2020/12/15   | CITIC Securities International Company Limited | USD      | 42               | 0          | 2021/5/18  | 148D  | Financials     | -/BBB+/-                            | -/-/-                              |
| 2020/12/17   | iQIYI Inc                                      | USD      | 800              | 4          | 2026/12/15 | 6     | Communications | -/-/-                               | -/-/-                              |
| 2020/12/17   | Viva Biotech Holdings                          | USD      | 280              | 1          | 2025/12/30 | 5     | Health Care    | -/-/-                               | -/-/-                              |
| 2020/12/18   | China Fortune Land Development Co., Ltd.       | USD      | 340              | 10.875     | 2021/12/17 | 364D  | Real Estate    | Ba3/-/BB-                           | -/-/-                              |

Sources: Bloomberg, CCX research

Table 2 : Tap bond offering (20201214-20201218)

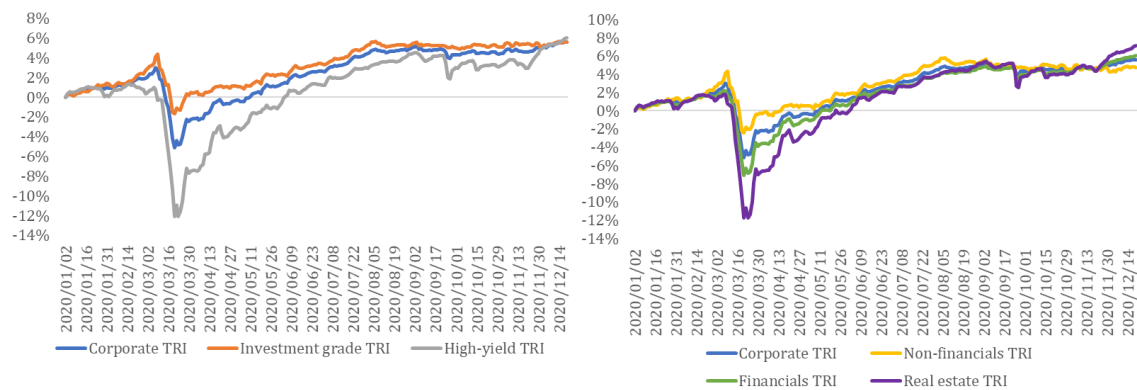
| Pricing date | Obligor  | Currency | Amount (million)    | Coupon (%) | Maturity  | Tenor | Industry    | Issuer Rating (Moody's/S&P/Fitch) | Issue Rating (Moody's/S&P/Fitch) |
|--------------|--|----------|---------------------|------------|-----------|-------|-------------|-----------------------------------|----------------------------------|
| 2020/12/14   | Industrial & Commercial Bank of China Ltd/Sydney | AUD      | 11 (reoffered 3)    | 1.09       | 2026/1/27 | 5.25  | Banks       | A1/A/A                            | -/-/-                            |
| 2020/12/16   | Kaisa Group Holdings Ltd                         | USD      | 400 (reoffered 150) | 6.5        | 2021/12/7 | 364D  | Real Estate | B1/B/B                            | -/-/-                            |
| 2020/12/18   | Powerlong Real Estate Holdings Ltd               | USD      | 300 (reoffered 100) | 5.95       | 2025/4/30 | 4.5   | Real Estate | B1/B+/-                           | B2/B/-                           |

Sources: Bloomberg, CCX research

### Secondary Market: Return on high-yield and real estate bond surged

As of December 18, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 14bp from last Friday to 5.59%, of which investment grade bond index decreased by 4bp to 5.54%, and high-yield bond index increased by 55bp to 6.01%. In terms of sector indices, the return on real estate index out-performed, rising by 59bp from last Friday to 7.13%, while non-financial index was 4.70%, decreasing by 9bp and the financial index was 6.03%, increasing by 27bp.

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

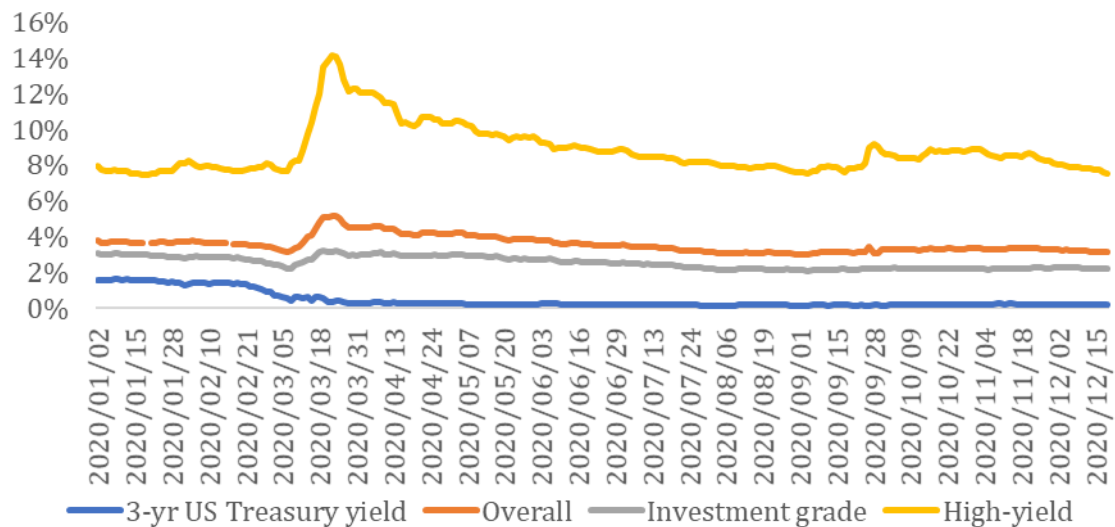


Sources: Bloomberg, CCX research

As of December 18, the yield-to-worst of Chinese dollar bonds decreased by 4bp to 3.14% from last Friday, of which investment grade bond index remained stable at 2.23%, while the high-yield bond index declined by 29bp to 7.53%.

<sup>1</sup> 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: Longfor’s outlook revised to positive from stable

On December 14, Fitch revised the rating outlook of Longfor Group Holdings Limited (“Longfor”) to positive from stable

Table 3 : Credit rating changes of cross-border bond market (20201214-20201218)

|                       | Entity                         | Sector      | Current Rating |         |            | Previous Rating |         |            | Rating Agency | Reason of Change  |
|-----------------------|--------------------------------|-------------|----------------|---------|------------|-----------------|---------|------------|---------------|---|
|                       |                                |             | Entity Rating  | Outlook | Date       | Entity Rating   | Outlook | Date       |               |   |
| International Rating: |                                |             |                |         |            |                 |         |            |               |   |
| Upgrade               | Longfor Group Holdings Limited | Real Estate | BBB            | POS     | 2020/12/14 | BBB             | STABLE  | 2019/12/17 | Fitch         | Continued improvement in business and financial profile |

Sources: Bloomberg, Wind, CCX research

### Panda Bond Market: Veolia Environnement issued two PPNs this week

On December 16, the 2020 Veolia Environnement S.A. (“Veolia Environnement”) PPN Series III & IV (Bond Connect) were successfully issued in the China Interbank Market. Both bonds have the same issuance amount of RMB0.75 billion with the same coupon rate of 4.45% and tenor of 3 years. CCXI assigned AAA to the issuer.

As of December 18, there were 24 issuers that issued 42 Panda Bonds in 2020, with a total issuance amount of RMB57.15 billion and an average coupon of 3.16%. The majority of them were issued in the China Interbank Market, and 60% of them were issued at a tenor of 3 years or above.

Table 4 : New issuance of Panda Bond in 2020 (20200101-20201218)

| Issuer  | Amount (RMB billion) | Coupon (%) | Issue date | Maturity   | Tenor | Bond Type                        | Issue Market             | Local Rating Agency             |
|---|----------------------|------------|------------|------------|-------|----------------------------------|--------------------------|---------------------------------|
| Veolia Environnement S.A.                               | 0.75                 | 4.45       | 2020/12/16 | 2023/12/16 | 3     | PPN                              | China Interbank Market   | China Chengxin                  |
| Veolia Environnement S.A.                               | 0.75                 | 4.45       | 2020/12/16 | 2023/12/16 | 3     | PPN                              | China Interbank Market   | China Chengxin                  |
| Hengan International Group Company Limited              | 0.35                 | 2.10       | 2020/12/7  | 2020/12/30 | 0.06  | SCP                              | China Interbank Market   | China Chengxin                  |
| 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   | S&P China                       |
| Daimler International Finance BV                        | 3                    | 3.25       | 2020/6/5   | 2023/6/5   | 3     | PPN                              | China Interbank Market   | China Chengxin                  |
| 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   | --                              |
| BMW Finance N.V.                                      | 1.5 | 2.90 | 2020/3/4  | 2021/3/4   | 1    | PPN                              | China Interbank Market   | --                              |
| 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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