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From January 18 to January 22

Joe Biden was sworn in; rate of return on Chinese USD bonds continued to rise

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Date:

January 27, 2021

Headline: Joe Biden was sworn in; many countries maintained easing monetary policies

President-elect Joe Biden was formally sworn in as the 46th President of the United States of America, in the inauguration ceremony held on Capitol Hill in Washington DC. Vice President Harris was sworn in on the same day, becoming the first female vice president in US history. In Biden's inauguration speech, he called on all Americans to "unify" the country and said that he would actively tackle the COVID-19 pandemic, improve the economy and repair American democracy. Meanwhile, central banks of Canada, Brazil, Japan, Indonesia, Norway, Turkey, the Europe, South Africa and other key economies announced their latest interest rate policies with no material adjustment plans, which was in line with market expectations.

Exchange Rate: RMB exchange rate fluctuated slightly

This week, RMB exchange rate fluctuated slightly. As of January 22, the intermediate price of RMB exchange rate closed at 6.4617.

Interest Rate: China Government Bond yields declined; US Treasury yields fell with fluctuation

During the week, China Government Bond yields generally declined. US Treasury yields fell with fluctuation given the evolving situation of COVID-19 pandemic in key economies and the policy uncertainty of the new US government. As of January 22, the yield spread between China and US 10-year note was 203.3bp, which is 3.4bp tightened than last Friday and widening by 76.2bp from the beginning of 2020.

Chinese Offshore Bond Market**Primary Market: New issuance declined; real estate companies were the key issuers**

From January 18 to January 22, there were 19 new issues with a total issued volume of USD5.38 billion, 53% down from last week. The real estate industry was the key issuer with 7 new issues and USD2.4 billion issued volume, accounting for 44.5% of the total issued amount.

Secondary Market: Return on Chinese USD bonds rose; non-financial bond performed remarkably

The return on Chinese USD bonds continued to rise. As of January 22, 2021, the YTD return on Chinese USD corporate bond index increased by 37bp over last week to 5.71%. The return on investment-grade bond rose by 42bp to 5.61%, and the return on high-yield bond rose by 25bp to 6.24%. In terms of sector indices, the non-financial index increased by 51bp to 4.55%.

Rating Actions: CCXAP assigned Finland's proposed US dollar-denominated notes B_g+ rating**Panda Bond Market: No new issuance this week**

Headline: Joe Biden was sworn in; many countries maintained easing monetary policies

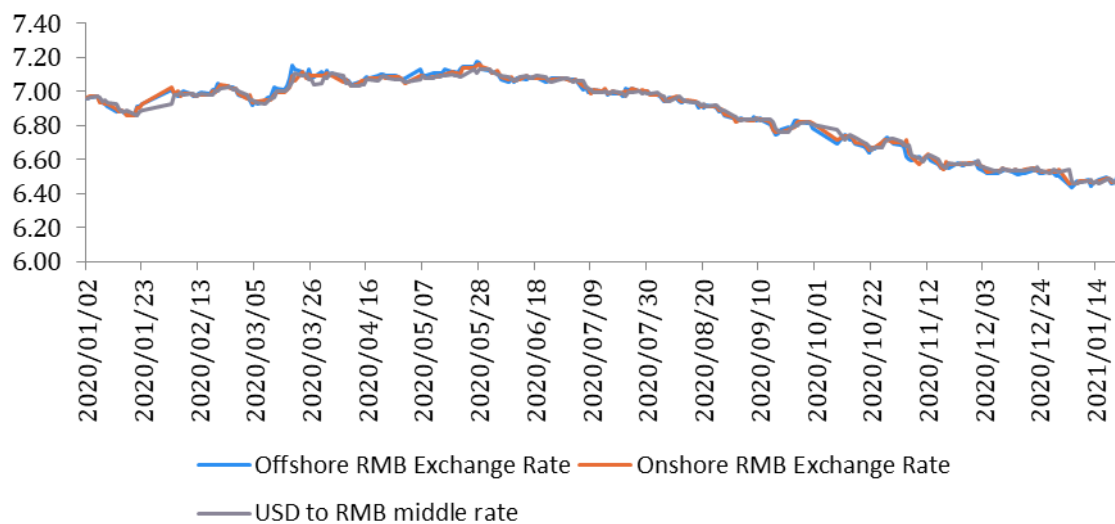
President-elect Joe Biden was formally sworn in as the 46th President of the United States of America, in the inauguration ceremony held on Capitol Hill in Washington DC. Vice President Harris was sworn in on the same day, becoming the first female vice president in US history. In Biden's inauguration speech, he called on all Americans to "unify" the country and said that he would tackle the COVID-19 pandemic, improve the economy and repair American democracy. Donald Trump became the first departing president to skip the inauguration of his successor in more than 150 years.

Meanwhile, central banks of Canada, Brazil, Japan, Indonesia, Norway, Turkey, the Europe, South Africa and other key economies announced their latest interest rate policies with no material adjustment plans, which was in line with market expectations. Among them, the European Central Bank reaffirmed its ultra-loose monetary policy stance, stating that it will adopt an emergency anti-pandemic bond purchase plan to maintain favorable bank lending environment during the pandemic. The central bank also stated that the third round of Targeted Long-Term Refinancing Operations (TLTRO) was still attractive to banks, which provided cheap funding to them in lending to businesses and households.

Exchange Rate: RMB exchange rate fluctuated slightly

This week, RMB exchange rate continued to fluctuate. As of January 22, the intermediate price of RMB exchange rate closed at 6.4617, down 16bp from last Friday; the onshore RMB exchange rate closed at 6.4777, up 25bp; the offshore RMB exchange rate closed at 6.4974, up 129bp.

Figure 1 : RMB exchange rate

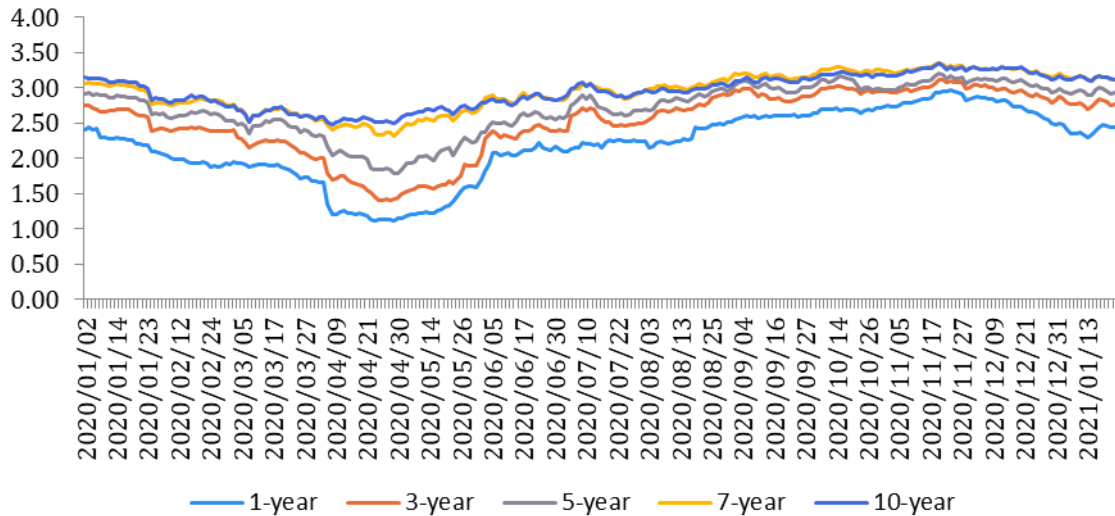


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields declined; US Treasury yields fell with fluctuation

During the week, China Government Bond yields generally declined. As of January 22, the 3-year, 5-year, 7-year, and 10-year Government Bond yields decreased from last Friday, closing at 2.7645%, 2.9373%, 3.1112% and 3.1185%; 1-year Government Bond yields increased from last Friday, closing at 2.4525%.

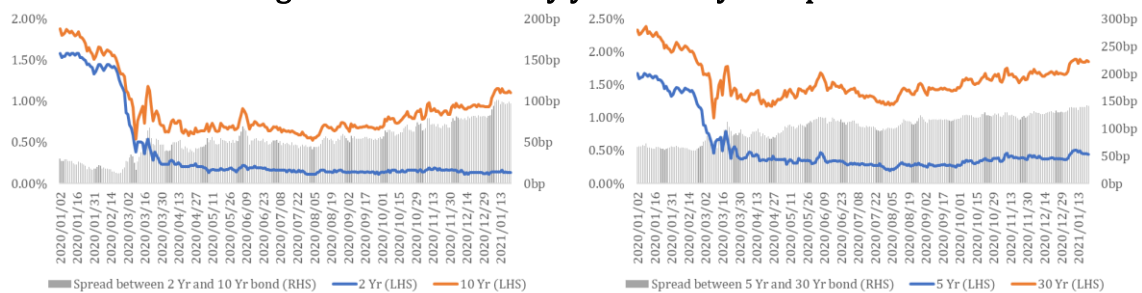
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields fell with fluctuation given the evolving situation of COVID-19 pandemic in key economies and the policy uncertainty of the new US government. As of January 22, the 2-year and 30-year Treasury yields closed at 0.13% and 1.85%, same as last Friday. The 5-year and 10-year Treasury yields closed at 0.44% and 1.10%, decreasing by 2bp and 1bp over last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 5-year tightened by 1bp to 97bp, while the spread between the 5-year and 30-year widened by 2bp to 141bp from last Friday.

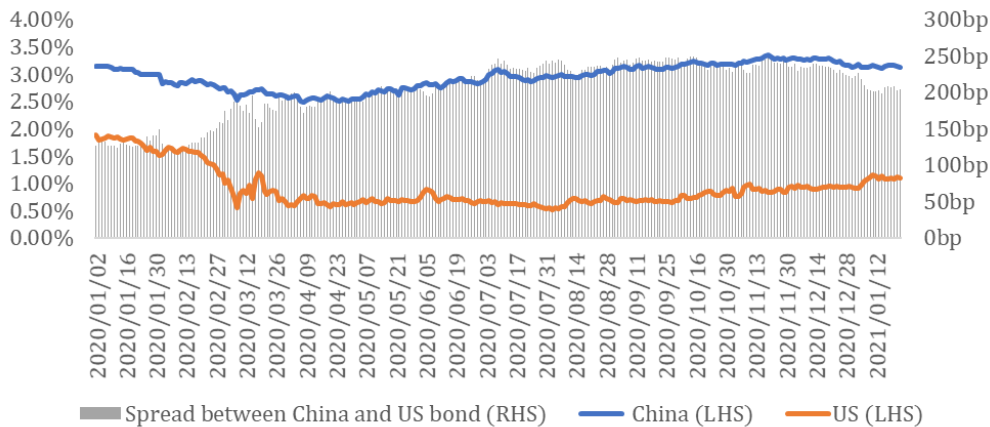
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of January 22, the yield spread between China and US 10-year note was 203.3bp, tightening by 3.4bp from last Friday and widening by 76.2bp from the beginning of 2020.

Figure 4 : Yield spread between China and US 10-year note



Sources: Bloomberg, ChinaBond.com.cn, CCX research

Chinese Offshore Bond Market

Primary Market: New issuance declined; real estate companies were the key issuers

From January 18 to January 22, there were 19 new issues with a total issued volume of USD5.38 billion. The real estate companies were the key issuers, with 7 new issues and USD2.4 billion issued volume, accounting for 44.5% of the total issued amount.

Table 1 : New issuance of Chinese offshore bonds (20210118-20210122)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/1/18	Far East Consortium International Ltd	USD	235	5.1	2024/1/21	3	Real Estate	-/-	-/-
2021/1/18	Ronshine China Holdings Ltd	USD	300	7.1	2025/1/25	4	Real Estate	B1/B+/BB-	B2/-/BB-
2021/1/18	Sinic Holdings Group Co Ltd	USD	250	8.5	2022/1/24	364D	Real Estate	B2/B/B+	-/-/B+
2021/1/18	Xinyuan Real Estate Co Ltd	USD	170	14	2024/1/25	3	Real Estate	-/B-/B-	-/-/B-
2021/1/19	China International Capital Corp Ltd	USD	1,000	1.625	2024/1/26	3	Financials	Baa1/BBB/BBB+	Baa1/-/-
2021/1/19	China International Capital Corp Ltd	USD	500	2	2026/1/26	5	Financials	Baa1/BBB/BBB+	Baa1/-/-
2021/1/19	Guotai Junan International Holdings Ltd	HKD	200	1.18	2022/1/25	364D	Financials	Baa2/BBB+/-	-/-
2021/1/20	Fosun International Ltd	USD	500	5.05	2027/1/27	6	Consumer Discretionary	Ba3/BB/-	-/BB/-
2021/1/20	Guangzhou Fineland Real Estate Development Co Ltd	USD	340	13.6	2023/7/27	2.5	Real Estate	B2/-/-/B _g + (CCXAP)	B2/-/-/B _g + (CCXAP)
2021/1/20	Shenghong Petrochemical International Pte Ltd	USD	40	2.4	2022/1/26	364D	Energy	-/-	-/-
2021/1/21	China Development Bank Financial Leasing Co Ltd	HKD	300	1	2022/1/28	1	Financials	A1/A/A+	-/-
2021/1/21	China Development Bank Financial Leasing Co Ltd	HKD	500	1.4	2024/1/27	3	Financials	A1/A/A+	-/-
2021/1/21	China Development Bank Financial Leasing Co Ltd	USD	20	1.22	2022/2/14	1.05	Financials	A1/A/A+	-/-
2021/1/21	Guotai Junan International Holdings	HKD	100	0.98	2021/7/28	181D	Financials	Baa2/BBB+/-	-/-

Ltd										
2021/1/21	Guotai Junan International Holdings Ltd	HKD	450	1.03	2021/10/28	273D	Financials	Baa2/BBB+/-	-/-/-	
2021/1/21	Sunac China Holdings Ltd	USD	600	5.95	2024/4/26	3.25	Real Estate	Ba3/BB-/BB-	B1/B+/BB	
2021/1/21	Sunac China Holdings Ltd	USD	500	6.5	2026/1/26	5	Real Estate	Ba3/BB-/BB-	B1/B+/BB	
2021/1/22	21Vianet Group Inc	USD	525	0	2026/2/1	5.02	Communications	B2/B/B+	-/-/-	
2021/1/22	AVIC International Holding Corp	USD	200	2.75	2026/1/29	5	Industrials	-/BBB-/A-	-/-/A-	

Sources: Bloomberg, CCX research

From January 18 to January 22, there were 3 Chinese enterprises announced tap bond offering.

Table 2 : Tap bond offering (20210118-20210122)

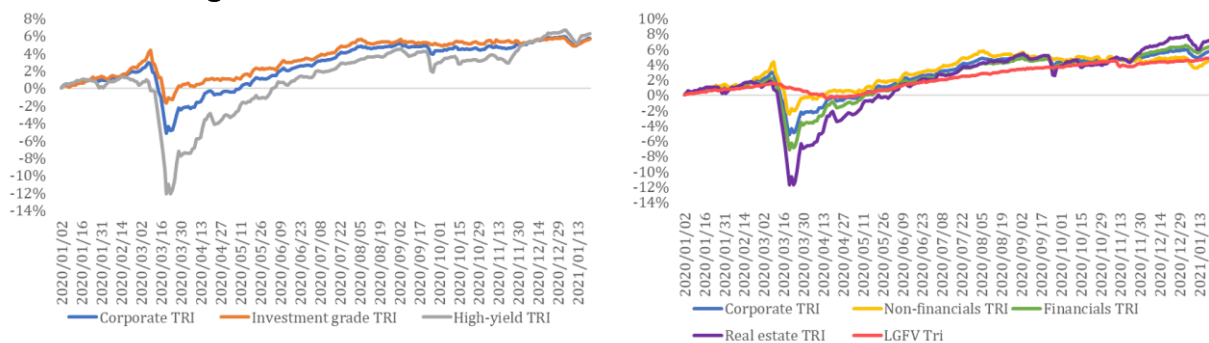
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/1/19	BOC Aviation Ltd	USD	500 (reoffered 100)	1.75	2026/1/21	5	Financial	-/A-/A-	-/A-/A-
2021/1/19	Kaisa Group Holdings Ltd	USD	750 (reoffered 300)	10.875	2023/7/23	4	Real Estate	B1/B/B	B2-/B
2021/1/21	Yuexiu Property Company Limited	USD	650 (reoffered 50)	2.8	2026/1/20	5	Real Estate	Baa3-/BBB-	Baa3-/BBB-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds rose; non-financial bonds performed remarkably

The return on Chinese USD bonds continued to rise. As of January 22, 2021, the YTD return on Chinese USD corporate bond index increased by 37bp over last week to 5.71%. The return on investment-grade bond rose by 42bp to 5.61%, and the return on high-yield bond rose by 25bp to 6.24%. In terms of sector indices, the non-financial index increased by 51bp to 4.55%, outperforming other indexes. The rate of return on Financial bond, Real Estate bond and Chengtong bond were 6.32%, 7.19% and 4.82%, increasing by 28bp, 27bp and 13bp from last week.

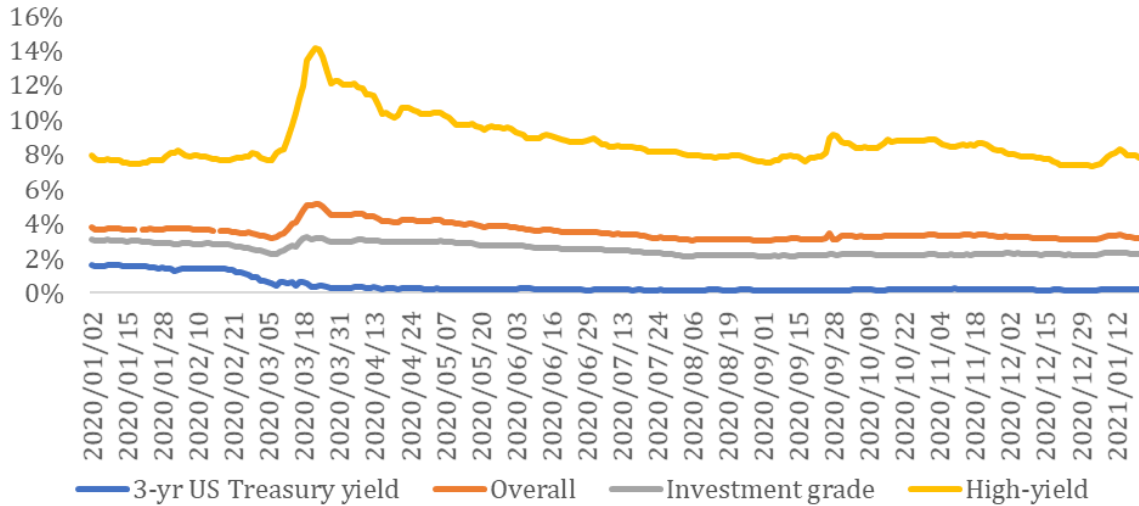
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of January 22, the yield-to-worst of Chinese dollar bonds decreased by 9bp to 3.15% from last Friday, of which investment grade bond index declined by 8bp to 2.22%, the high-yield bond index declined by 16bp to 7.79%.

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



Sources: Bloomberg, CCX research

Rating Actions: CCXAP assigned Finland’s proposed US dollar-denominated notes B_g+ rating

On January 18, CCXAP assigned Guangzhou Finland Real Estate Development Co., Ltd (Finland)’s proposed US dollar-denominated notes B_g+ rating.

Table 3: Credit rating of CCXAP (20210118-20210122)

Date	Entity	Rating	Rating Rationale
2021/1/18	Finland	B _g +	The long-term credit rating of Finland reflects the Company’s (1) good operating track record in the property development in Guangzhou; and (2) low-cost land bank acquired through urban renewal projects. However, the rating is also constrained by the Company’s (1) small operating scale with high geographic concentration; and (2) high debt burden and weakened liquidity position.

From January 18 to January 22, the rating agencies took positive rating actions on 2 Chinese issuers; and negative rating actions on 2 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20210118-20210122)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Seazen Group Ltd	Real Estate	Ba1	STABLE	2021/1/22	Ba2	STABLE	2020/8/31	Moody's	Improved credit profile with enhancing cash flow stability and debt-servicing ability
	Seazen Holdings Co Ltd	Real Estate	Ba1	STABLE	2021/1/22	Ba2	STABLE	2020/8/31	Moody's	
Domestic Rating										
Downgrade	China Fortune Land Development Co Ltd	Real Estate	AAA	NEG	2021/1/18	AAA	STABLE	2020/5/20	CCXI	Undermined financial profile
	Zhongyuan Asset Management Co Ltd	Financial	AAA	Rating Watch Negative	2021/1/21	AAA	STABLE	2020/8/14	CCXI	Large debt scale and weak liquidity

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issuance this week

As of January 22, there were 1 issuer that issued 1 panda bond with a total issuance amount of RMB10 billion and an average coupon of 3.75%. It was issued in the China Interbank Market.

Table 5 : New issuance of Panda Bond in 2021 (20210118-20210122)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Everbright Water Ltd	10	3.75	2021/1/15	2024/1/15	3	MTN	China Interbank Market	Shanghai Brilliance Rating

Sources: Bloomberg, CCX research

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