

## 2021 Issue 5

From January 25 to January 29

## Janet Yellen was officially appointed as US Treasury Secretary; Bank of China became debut issuer of “Yulan Bonds”

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## Date:

February 5, 2021

**Headline: Janet Yellen was officially appointed as US Treasury Secretary; US economy shrank by 3.5% in 2020**

This week, new headlines included the appointment of the new Secretary of the US Treasury, the resolutions of the Federal Reserve Meeting and the release of economic data. On 25 January, Janet Yellen officially became the 78th Secretary of the Treasury of the US. She is the first female Treasury Secretary of the United States. On 27 January, the Federal Reserve decided to maintain the current interest rate. On 28 January, the latest data from the US Department of Commerce showed that the initial value of the real GDP annualized quarterly rate in the fourth quarter of 2020 was 4%, which was lower than the market expectations; the full-year GDP growth rate in 2020 was -3.5%, which recorded a negative growth for the first time since 2009 and was the biggest contraction since 1946.

**Exchange Rate: RMB exchange rate fluctuated slightly**

This week, RMB exchange rate fluctuated slightly. As of January 29, the intermediate price of RMB exchange rate closed at 6.4709.

**Interest Rate: China Government Bond yields rose; US Treasury yields rose in general**

During the week, China Government Bond yields rose with fluctuation. The latest decision by the Federal Reserve to maintain interest rates unchanged, coupled with better-than-expected jobless claims at the beginning of the week, has increased the market risk appetite, resulting in US Treasury yields to rise in general. As of January 29, the yield spread between China and US 10-year note was 210.8bp, which is 7.5bp widened than last Friday and widening by 83.7bp from the beginning of 2020.

**Chinese Offshore Bond Market****Primary Market: New issuance increased; Bank of China became debut issuer of “Yulan Bond”**

From January 25 to January 29, there were 28 new issues with a total issued volume of USD6.4 billion, 20% up from last week. Among them, the Bank of China (Hong Kong Branch) issued a first-time 3-year USD500 million “Yulan Bond”.

**Secondary Market: Affected by China Fortune’s incident, return on Chinese USD bonds diverged**

The return on Chinese USD bonds diverged. The return on investment-grade bond rose and the return on high-yield bond significantly decreased. As of January 29, the YTD return on Chinese USD corporate bond index increased by 9bp over last week to 5.80%. The return on investment-grade bond rose by 25bp to 5.86%, and the return on high-yield bond decreased by 27bp to 5.97%.

**Rating Actions: Negative rating actions were placed on oil and gas companies****Risk Event: GCL New Energy’s offshore dollar notes defaulted; China Fortune’s onshore debts defaulted****Panda Bond Market: GLP and Yuexiu issued 3 bonds in 2 markets this week**

On 25 January, the 2021 GLP China Holdings Corporate Bond (Series I) were successfully issued on the Shanghai SME. The issued amount was RMB0.7 billion with a coupon rate of 3.98% and tenor of 3 years. CCXI assigned AAA to the issuer. On the same day, the 2021 Yuexiu Corporate Bond (Series I) was issued on the Shanghai SME, with total issued amount of RMB1 billion, coupon rate at 3.63% and tenor of 5 years. CCXI assigned AAA to the bond and the issuer. On 28 January, the 2021 Yuexiu Medium Term Note (Series I) was successfully issued in the China Interbank Market, with total issued amount of RMB1 billion, coupon rate at 3.78% and tenor of 5 years, and CCXI assigned AAA to both the bond and the issuer.

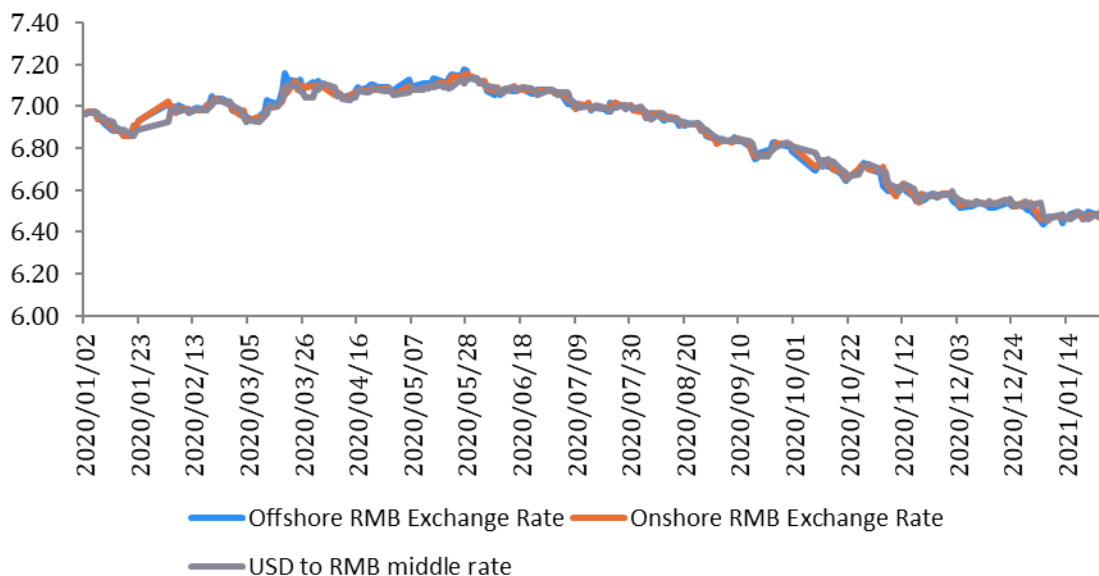
**Headline: Janet Yellen was officially appointed as US Treasury Secretary; the US economy shrank by 3.5% in 2020**

On 25 January, the US Senate, in an 84-13 vote, approved President Joe Biden's nomination of Janet Yellen to be the US 78th treasury secretary, making her become the first female Treasury Secretary of the US and the second person to make the leap from the head of the Federal Reserve to the US Treasury. On 27 January, the Federal Reserve decided to maintain the current 0-0.25% interest rate. On 28 January, the latest data from the US Department of Commerce showed that the initial value of the real GDP annualized quarterly rate in the fourth quarter of 2020 was 4%, which was 4.2% lower than the market expectations; the full-year GDP growth rate in 2020 was -3.5%, which recorded a negative growth for the first time since 2009 and was the biggest contraction since 1946.

**Exchange Rate: RMB exchange rate fluctuated slightly**

This week, RMB exchange rate continued to fluctuate. As of January 29, the intermediate price of RMB exchange rate closed at 6.4709, increasing by 92bp from last Friday; the onshore RMB exchange rate closed at 6.4612, falling back by 165bp; the offshore RMB exchange rate closed at 6.4489, decreasing by 485bp.

**Figure 1 : RMB exchange rate**

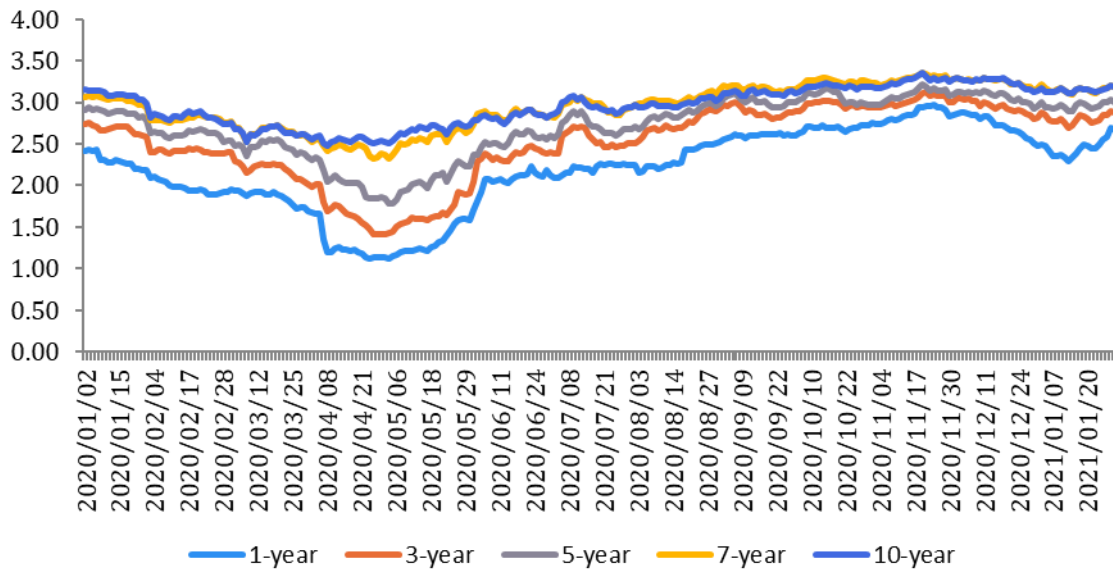


Sources: Eastmoney, CCX research

**Interest Rate: China Government Bond yields rose; US Treasury yields generally rose**

During the week, China Government Bond yields rose with fluctuation. As of January 29, the 1-year, 3-year, 5-year, 7-year, and 10-year Government Bond yields increased with fluctuation from last Friday, closing at 2.6799%, 2.8849%, 3.0006% and 3.1786%.

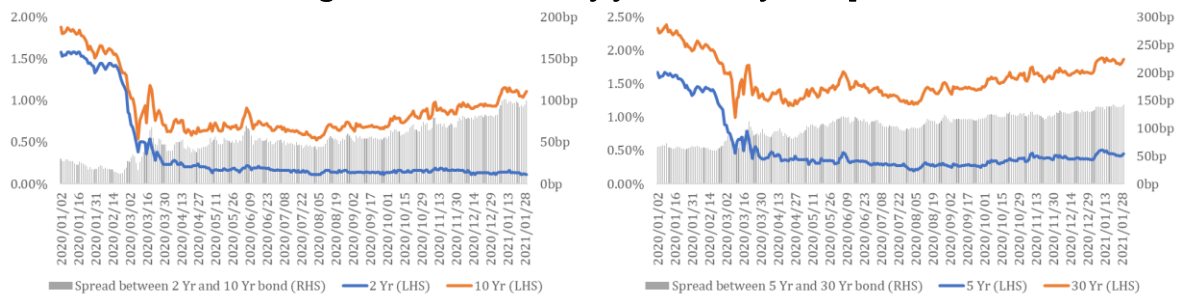
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The latest decision by the Federal Reserve to maintain interest rates unchanged, coupled with better-than-expected jobless claims at the beginning of the week, has increased the market risk appetite, resulting in US Treasury yields to rise in general. As of January 29, the 2-year Treasury yields closed at 0.11%, decreasing by 2bp from last Friday. The 5-year, 10-year Treasury yields and 30-year Treasury yields closed at 0.45%, 1.11% and 1.87%, increasing by 1bp, 1bp and 2bp over last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 5-year widened by 3bp to 100bp, while the spread between the 5-year and 30-year widened by 1bp to 142bp from last Friday.

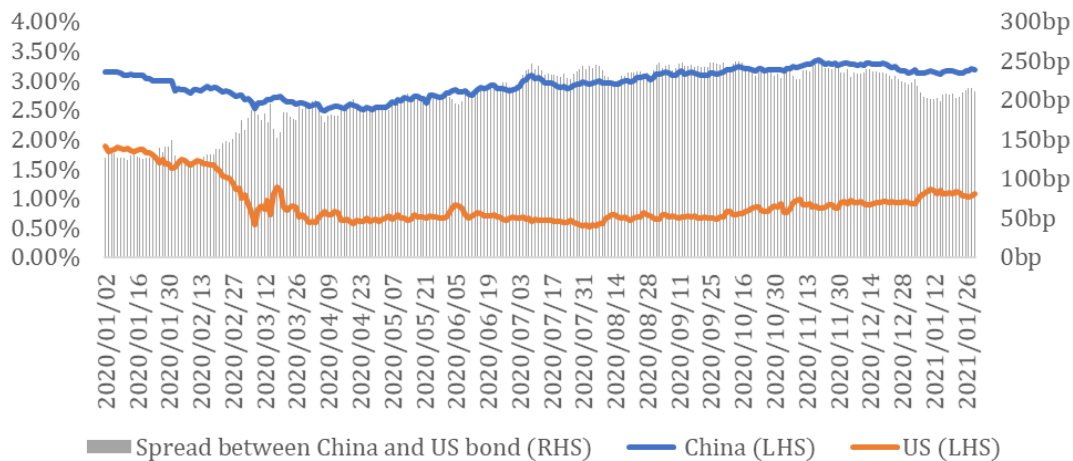
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

In terms of the yield spread between China and US, As of January 29, the yield spread between China and US 10-year note was 210.8bp widening by 7.5bp from last Friday and widening by 83.7bp 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 rose; Bank of China became debut issuer of “Yulan Bond”

From January 25 to January 29, there were 28 new issues with a total issued volume of USD64.3 billion, increasing by 20% over the last week. The Bank of China (Hong Kong Branch) issued a first-time 3-year USD500 million “Yulan Bond”. “Yulan Bond” is denominated in foreign currencies issued by Chinese issuers to international investors. The bonds will be issued through the National Inter-Bank Bond Market — Shanghai Clearing House, and international investors will settle the securities within the network of the European Clearing Bank.

Table 1 : New issuance of Chinese offshore bonds (20210125-20210129)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/1/25	Dongtai Communication Investment Construction Group Co Ltd	USD	67	5.8	2022/1/27	364D	Chengtou	-/-/-	-/-/-
2021/1/25	Guangzhou R&F Properties Co Ltd	USD	500	11.75	2023/8/2	2.5	Real Estate	B1/B/B+	-/-/B+
2021/1/25	Guorui Properties Ltd	USD	324	14.25	2024/1/25	3.0	Real Estate	-/-/B-	-/-/B- *
2021/1/25	Taixing Zhiguang Environmental Protection Technology Co Ltd	USD	50	2.4	2022/1/26	364D	Financials	-/-/-	-/-/-
2021/1/25	Zhongliang Holdings Group Co Ltd	USD	250	7.5	2022/1/31	364D	Real Estate	B1/B+/B+	-/-/B+
2021/1/26	China Citic Bank Corp Ltd/London	USD	200	0.875	2024/2/2	3.0	Banks	Baa2/BBB+/BBB	-/-/-
2021/1/26	China Citic Bank Corp Ltd/London	USD	350	1.25	2026/2/2	5.0	Banks	Baa2/BBB+/BBB	-/-/-
2021/1/26	China SCE Group Holdings Lt	USD	350	6	2026/2/4	5.0	Real Estate	B1/-/B+	B2/-/-
2021/1/26	Seazen Holdings Co Ltd	USD	404	4.5	2026/5/2	5.2	Real Estate	Ba1/BB/BB+/-	Ba2/-/BB+
2021/1/26	Yuexiu Real Estate Investment Trust	USD	400	2.65	2026/2/2	5.0	Real Estate	Baa3/BBB/-	Baa3/-/-
2021/1/26	Zhenro Properties Group Ltd	USD	300	6.7	2026/8/4	5.5	Real Estate	B1/-/B+	B2/-/B+
2021/1/27	China Aircraft Leasing Group Holdings Ltd	USD	35	5.9	2026/1/27	5.0	Financials	-/-/-	-/-/-

2021/1/27	Hainan State Farms Investment Holdings Group Co Ltd	USD	300	3	2024/2/3	3.0	Financials	Baa2/-/BBB+	Baa2/-/BBB+
2021/1/27	Ronshine China Holdings Ltd	USD	200	5.5	2022/2/1	364D	Real Estate	B1/B+/BB-	-/-/-
2021/1/27	Taizhou Hailing City Development Group Co Ltd	USD	28	2.38	2022/1/31	364D	Chengtou	-/-/-	-/-/-
2021/1/27	Taizhou Huaxin Pharmaceutical Investment Co Ltd	USD	60	2.6	2024/1/29	3.0	Financials	-/-/BB+	-/-/-
2021/1/27	Zhejiang State-owned Investment Holding Group Co Ltd	USD	150	2.4	2022/1/31	364D	Chengtou	-/-/-	-/-/-
2021/1/28	Bank of China Ltd/Hong Kong	USD	500	0.75	2024/2/4	3.0	Banks	A1/A/A	A1/-/A
2021/1/28	China Development Bank Financial Leasing Co Ltd	HKD	800	1.2	2023/2/3	2.0	Financials	A1/A/A+	A2/-/A+
2021/1/28	China International Capital Corp Hong Kong Ltd	USD	2	0.73	2021/4/1	58D	Financials	Baa1/BBB/BBB+	-/-/-
2021/1/28	China Jinmao Holdings Group Ltd	USD	500	6	-	Perpetual	Real Estate	Baa3/BBB-/BBB-	Ba2/-/-
2021/1/28	CMB Financial Leasing Co Ltd	USD	400	2	2026/2/4	5.0	Financials	A3/BBB+/-	Baa1/-/-
2021/1/28	CMB Financial Leasing Co Ltd	USD	400	2.875	2031/2/4	10.0	Financials	A3/BBB+/-	Baa1/-/-
2021/1/28	Guotai Junan International Holdings Ltd	HKD	210	1	2022/2/4	364D	Financials	Baa2/BBB+/-	-/-/-
2021/1/28	Xi'an Aerospace High-Tech Industry Development Group Co Ltd	USD	55	2.6	2024/2/2	3.0	Chengtou	-/-/-	-/-/-
2021/1/28	Zhejiang Xinchang Investment Development Co Ltd	USD	300	3.9	2024/2/4	3.0	Chengtou	-/-/-	-/-/-
2021/1/29	Huatai International Finance Ltd	USD	60	1.35	2021/12/28	328D	Financials	-/-/-	-/-/-
2021/1/29	Sunshine 100 China Holdings Ltd	USD	120	12	2023/10/3	2.7	Real Estate	-/CCC/-	-/-/-

Sources: Bloomberg, CCX research

From January 25 to January 29, there were 6 Chinese enterprises announced tap bond offering.

Table 2 : Tap bond offering (20210125-20210129)

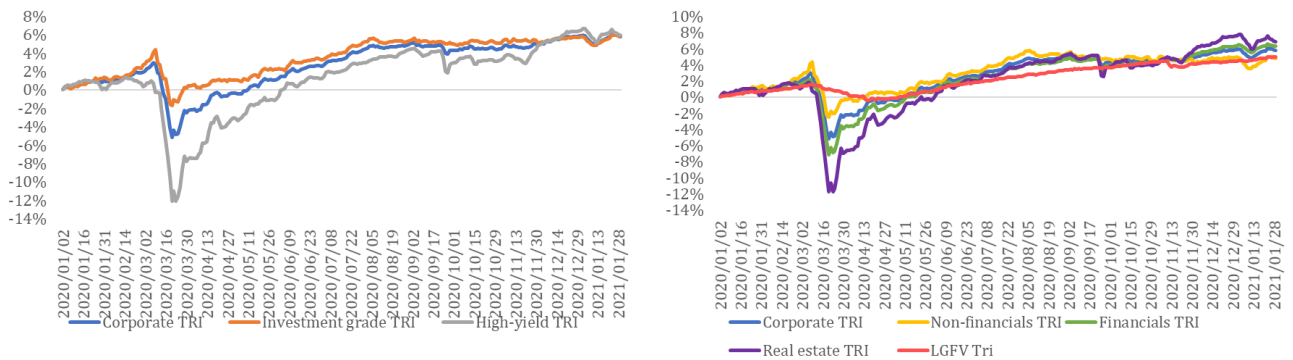
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/1/19	Yuexiu Property Co Ltd	USD	650 (reoffered 50)	2.8	2026/1/20	5	Real Estate	Baa3/-/BBB-	Baa3/-/BBB-
2021/1/25	Modern Land China Co Ltd	USD	277 (reoffered 200)	11.8	2022/2/26	2.001369	Real Estate	B2/-/B	B3/-/B
2021/1/25	Modern Land China Co Ltd	USD	321 (reoffered 71)	9.8	2023/4/11	2.2	Real Estate	B2/-/B	B3/-/B
2021/1/27	Kaisa Group Holdings Ltd	USD	500 (reoffered 200)	9.95	2025/7/23	5.497604	Real Estate	B1/B/B	B2/-/B
2021/1/27	Longjitaihe Property Co Ltd	USD	165 (reoffered 65)	12.5	2022/1/19	1	Real Estate	-/-/-	-/-/-
2021/1/28	Fujian Zhanglong Group Co Ltd	USD	500 (reoffered 100)	3.45	2023/12/19	2.91307	Chengtou	-/-/BBB-	-/-/BBB-
2021/1/28	Hopson Development Holdings Ltd	USD	500 (reoffered 100)	5.8	2022/1/12	1	Real Estate	B2/B/B+	-/-/-

Sources: Bloomberg, CCX research

## Secondary Market: Affected by China Fortune’s incident, return on Chinese USD bonds diverged

The return on Chinese USD bonds performed diverged. The return on investment-grade bond rose and the return on high-yield bond significantly decreased. As of January 29, the YTD return on Chinese USD corporate bond index increased by 9bp over last week to 5.80%. The return on investment-grade bond rose by 25bp to 5.86%, and the return on high-yield bond decreased by 27bp to 5.97%. In terms of sector indices, the non-financial index increased by 25bp to 4.80%, outperforming other indexes. The rate of return on financials, real estate and Chengtong sectors were 6.31%, 6.88% and 4.98%, decreasing by 1bp, 31bp and increasing by 16bp from last week.

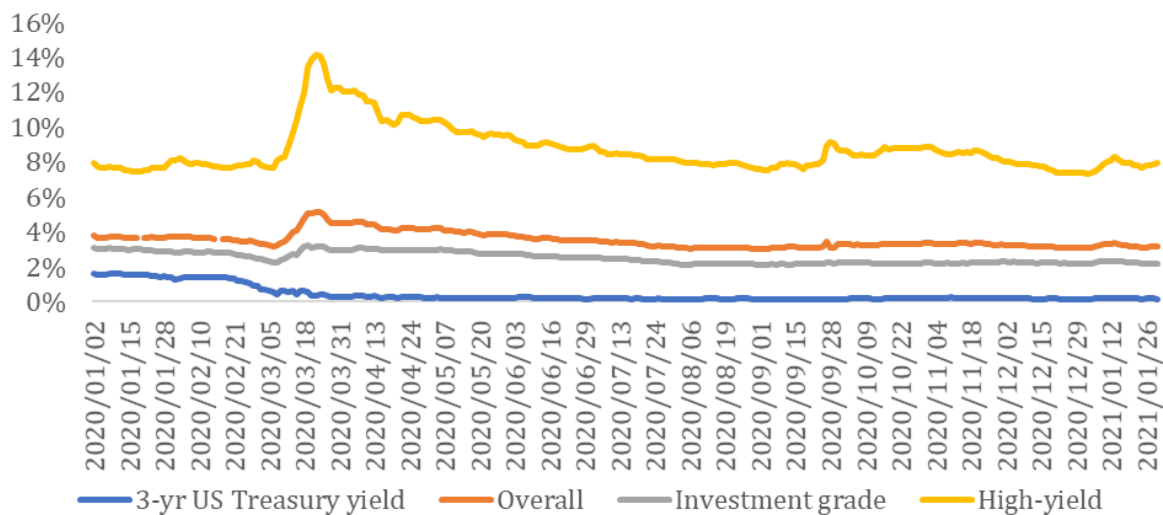
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of January 29, the yield-to-worst of Chinese dollar bonds increased by 1bp to 3.16% from last Friday, of which investment grade bond index declined by 3bp to 2.19%, the high-yield bond index increased by 12bp to 7.91%.

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



Sources: Bloomberg, CCX research

## Rating Actions: Negative rating actions were placed on oil and gas companies

From January 25 to January 29, the rating agencies took positive rating actions on 2 Chinese issuers; and negative rating actions on 9 Chinese issuers.

**Table 3 : 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		
<b>International Rating:</b>										
Upgrade	ENN Natural Gas Co Ltd	Materials	Ba1	STABLE	2021/01/28	Ba2	STABLE	2019/11/28	Moody's	Smooth financing channels in the capital market, good financial situation and government support
	Xinneng (Hong Kong) Energy Investment Limited	Financial	Ba1	STABLE	2021/01/28	Ba2	STABLE	2019/11/28	Moody's	
	China National Offshore Oil Corporation	Materials	A+	Rating Watch Negative	2021/01/26	A+	STABLE	2019/09/17	S&P	
	CNOOC Ltd	Materials	A+	Rating Watch Negative	2021/01/26	A+	STABLE	2019/09/17	S&P	
Downgrade	CNOOC Insurance Ltd	Financial	A+	Rating Watch Negative	2021/01/26	A+	STABLE	2019/05/09	S&P	Global energy transition, price volatility, and weaker profitability are increasing risks for oil and gas producers
	China Petroleum & Chemical Corp	Materials	A+	Rating Watch Negative	2021/01/26	A+	STABLE	2020/01/04	S&P	
	China Petrochemical Corp	Materials	A+	Rating Watch Negative	2021/01/26	A+	STABLE	2020/01/04	S&P	
	Sinopec Century Bright Capital Investment Ltd	Financial	A	Rating Watch Negative	2021/01/26	A	STABLE	2018/10/22	S&P	
	Sinopec Insurance Ltd	Financial	A+	Rating Watch Negative	2021/01/26	A+	STABLE	2017/09/22	S&P	
	China Fortune Land Development Co Ltd	Real Estate	CCC	STABLE	2021/01/27	B	NEG	2020/01/14	Fitch	High refinancing risk and large short-term debt
<b>Domestic Rating</b>										
Downgrade	Xinneng (Hong Kong) Energy Investment Limited	Financial	Ba1	STABLE	2021/01/28	Ba2	STABLE	2019/11/28	Moody's	Major shareholder defaulted, large amount of capital was occupied, significant loans were overdue and

China Fortune Land Development Co Ltd	Real Estate	AA+	Rating Watch Negative	2021/01/29	AAA	NEG	2020/01/18	CCXI	liquidity pressure were high High debt maturity pressure, weak liquidity and uncertainty of debt service funds
China Fortune Land Development Co Ltd	Real Estate	AAA	NEG	2021/01/29	AAA	STABLE	6/9/2020	Golden Credit	Reduced contracted sales and cash collection, large debt scale with concentrated repayment pressure

Sources: Bloomberg, Wind, CCX research

### Risk Event: GCL New Energy’s offshore dollar notes defaulted; China Fortune’s onshore debt defaulted

On 1 February, GCL New Energy Holdings Limited (“GCL New Energy”) and GCL-Poly Energy Holdings Limited, the parent company of GCL New Energy, jointly announced that the company was unable to repay the US \$500 million bills due on 30 January. It was one of the first Chinese companies to declare a default in the offshore USD bond market this year. At the same time, the company extended its invitation to support an irrevocable reorganization of the company until 8 February. The maturity date of the notes will be extended for an additional three years, if 75% of holders participate.

On 2 February, China Fortune Land Development Co., Ltd. (“China Fortune”) announced that the company and its subsidiaries had overdue debts, with a principal and interest amount of approximately RMB5.3 billion, including bank loans, trust loans, and other forms of debt. No bonds, debt financing instruments, and other products were involved. From the fourth quarter of 2020, China Fortune had to repay the principal and interest of debt totaled RMB55.9 billion, and the net cash flow after deducting the support of major shareholders was negative RMB37.1 billion. China Fortune currently has 9 outstanding USD bonds, with a total amount of USD4.56 billion. Prices of China Fortune’s USD bonds fell sharply. A USD530 million bond due on 28 February closed at 48.635 on 29 January.

### Panda Bond Market: GLP and Yuexiu issued 3 bonds in 2 markets this week

On 25 January, the 2021 GLP China Holdings Limited (“GLP”) Corporate Bond (Series I) were successfully issued on the Shanghai Stock Exchange Market (“Shanghai SME”). The total issued amount was RMB0.7 billion at the coupon rate of 3.98% and tenor of 3 years. CCXI assigned AAA to the issuer. On the same day, the 2021 Yuexiu Transport Infrastructure Limited (“Yuexiu”) Corporate Bond (Series I) was issued on the Shanghai SME. With total issued amount of RMB1 billion at the coupon rate of 3.63% and tenor of 5 years, and CCXI assigned AAA to both the bond and the issuer. On 28 January, the 2021 Yuexiu Transport Infrastructure Limited Medium Term Note Series I was successfully issued in the China Interbank Market, with total issued amount of RMB1 billion at the coupon rate of 3.78% and tenor of 5 years, and CCXI assigned AAA to the bond and the issuer.

As of January 29, there were 3 issuers that issued 4 panda bonds with a total issued amount



of RMB3.7 billion and an average coupon rate of 3.79%, tenor of the bonds are all 3 years and above. The China Interbank Market and the Exchange Market each hold half of the issuances.

**Table 4 : New issuance of Panda Bond in 2021 (20210101-20210129)**

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Tpe	Issue Market	Local Rating Agency
Yuexiu Transport Infrastructure Limited	1	3.78	2021/1/28	2026/28	5	MTN	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.63	2021/1/25	2026/1/25	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
GLP China Holdings Limited	0.7	3.98	2021/1/25	2024/1/25	3	Corporate Bond	Shanghai Exchange Market	China Chengxin
China Everbright Water Ltd	1	3.75	2021/1/15	2024/1/15	3	MTN	China Interbank Market	Shanghai Brilliance Rating

Sources: Bloomberg, CCX research

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