

## 2021 Issue 6

From February 1 to February 5

## Bank of England kept interest rate unchanged; Alibaba issued USD5 billion dollar bond

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## Date:

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**Headline: Bank of England kept interest rate unchanged**

The BoE maintained Bank Rate at 0.1%, in line with market expectations. It lowered its 2021 economic growth forecast from 7.25% announced in November last year to 5%. The BoE stated that all banks should commence preparations for negative Bank Rate, despite that it did not wish to send any signal that it intended to set a negative Bank Rate at some point in the future.

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

RMB exchange rate continued to fluctuate. As of February 5, the intermediate price of RMB exchange rate closed at 6.4710.

**Interest Rate: China Government Bond yields continued to increase; US Treasury yields rose**

China Government Bond yields continued to rise given the adaptive monetary policy. The mid- and long-term US Treasury yields rose given better-than expected employment data and passage of USD1.9 trillion stimulus plan in the Senate. As of February 5, the yield spread between China and US 10-year note was 205.3bp, tightening by 6.0bp from last Friday and 21.2bp from the beginning of the year.

**Chinese Offshore Bond Market****Primary Market: New issuance continued to rise; Alibaba issued USD5 billion dollar bond**

From February 1 to February 5, there were 18 new issues with a total issued volume of USD7.42 billion, increasing by 15.2% as compared to last week. Alibaba was the largest issuer, which issued 4 dollar bonds with total amount of USD5 billion.

**Secondary Market: Returns on Chinese high-yield and real estate USD bonds decreased**

Affected by China Fortune's incident, returns on Chinese high-yield and real estate USD bonds decreased. As of February 5, the YTD return on Chinese USD corporate bond index increased by 5bp from last week to -0.08%. The return on high-yield bond decreased by 32bp to -0.98%, and the return on real estate bond decreased by 29bp to -1.11%.

**Rating Actions: Chinese issuers' credit quality diverged**

**Risk Event: HNA Group and its subsidiaries were applied for reorganization**

**Panda Bond Market: No New Issuance this week**

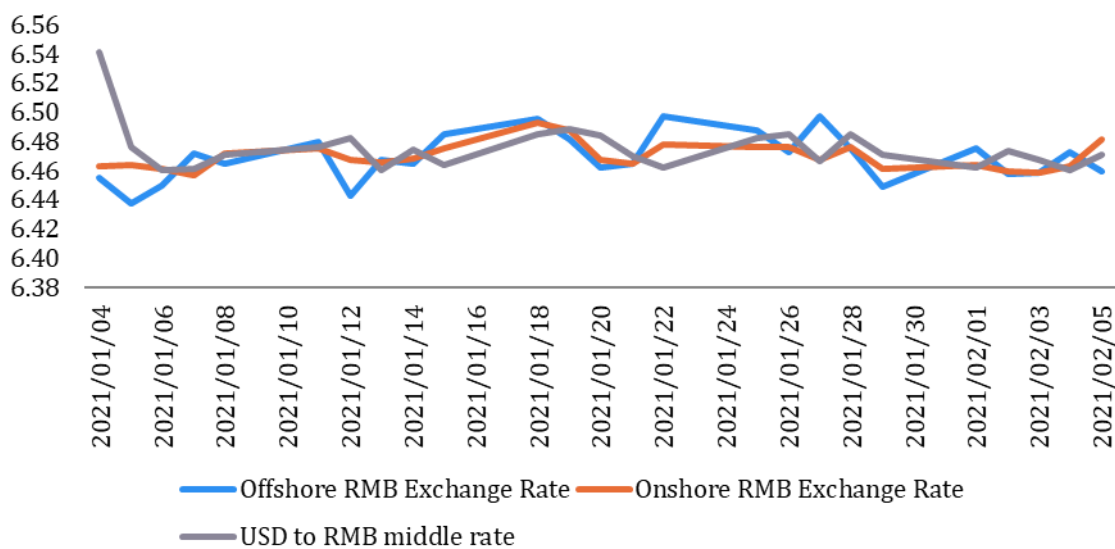
### Headline: Bank of England kept interest rate unchanged

On Thursday, the Bank of England (“BoE”) maintained Bank Rate at 0.1%, in line with market expectations. The BoE expected the economy to recover later this year, and will continue with its existing stimulus program until recovery. The BoE expected that UK economy will shrink by 4% in 2021Q1. It lowered its 2021 economic growth forecast from 7.25% announced in November last year to 5%, and raised its growth forecast for 2022 from 6.25% to 7.25%. It also expected UK GDP to reach its 2019Q4 level by 2022Q1. In addition, the BoE stated that all banks should commence preparations for negative Bank Rate, but it did not wish to send any signal that it intended to set a negative Bank Rate at some point in the future. Negative Bank Rate is one of the measures to pull UK out of a severe recession, and the BoE has considered whether to implement negative Bank Rate for nearly a year. The BoE believed that banks need at least six months to prepare for negative interest rates to avoid undue risks.

### Exchange Rate: RMB exchange rate fluctuated slightly

RMB exchange rate continued to fluctuate. As of February 5, the intermediate price of RMB exchange rate closed at 6.4710, increasing by 1bp from last Friday; the onshore RMB exchange rate rose 198 bp to 6.4810; the offshore RMB exchange rate rose by 100bp to 6.4589.

Figure 1 : RMB exchange rate

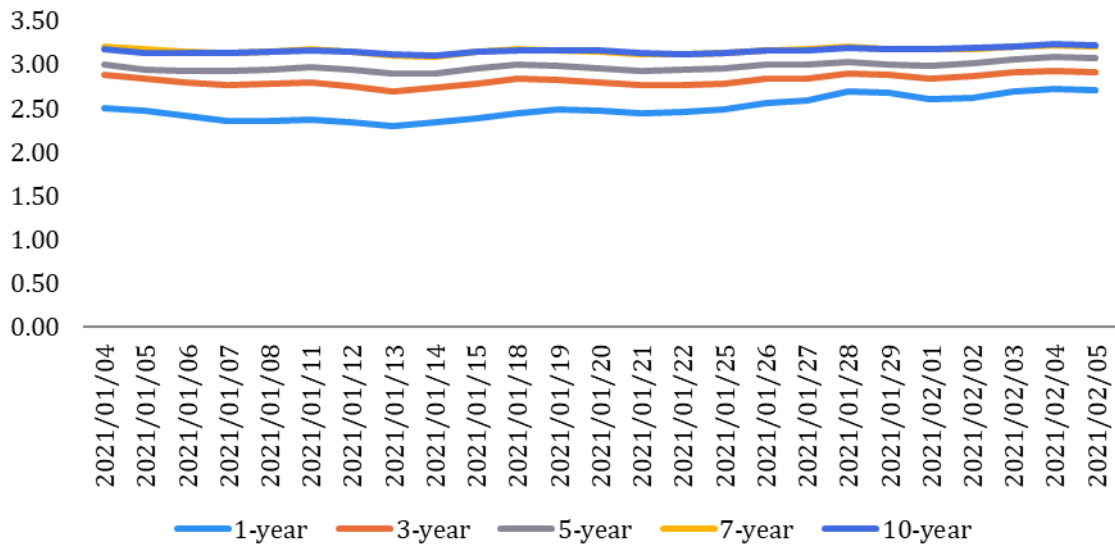


Sources: Wind, CCX research

### Interest Rate: China Government Bond yields continued to increase; US Treasury yields rose

China Government Bond yields continued to rise given the adaptive monetary policy. As of February 5, the 1-year, 3-year, 5-year, 7-year, and 10-year Government Bond yields increased from last Friday, closing at 2.7021%, 2.9136%, 3.0695%, 3.2046% and 3.2164%, respectively.

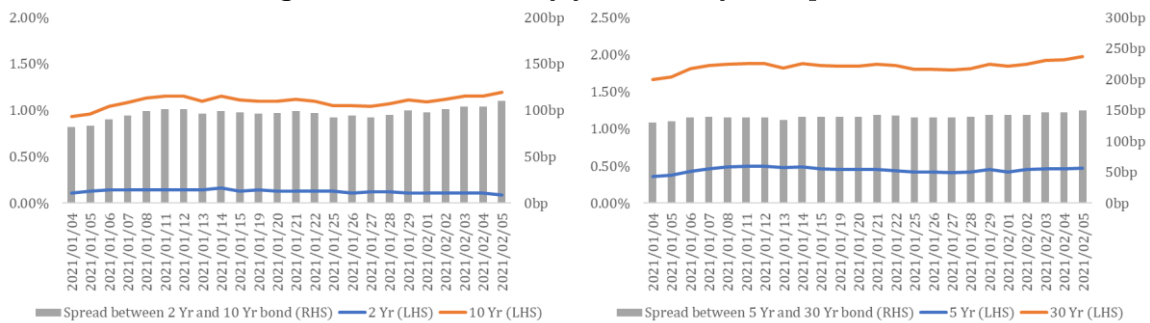
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The mid- and long-term US Treasury yields rose given better-than expected employment data and passage of USD1.9 trillion stimulus plan in the Senate. As of February 5, the 2-year Treasury yields closed at 0.09%, decreasing by 2bp from last Friday. The 5-year, 10-year Treasury yields and 30-year Treasury yields closed at 0.47%, 1.19% and 1.97%, increasing by 2bp, 8bp and 10bp over last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 5-year widened by 10bp to 110bp, while the spread between the 5-year and 30-year widened by 8bp to 150bp from last Friday.

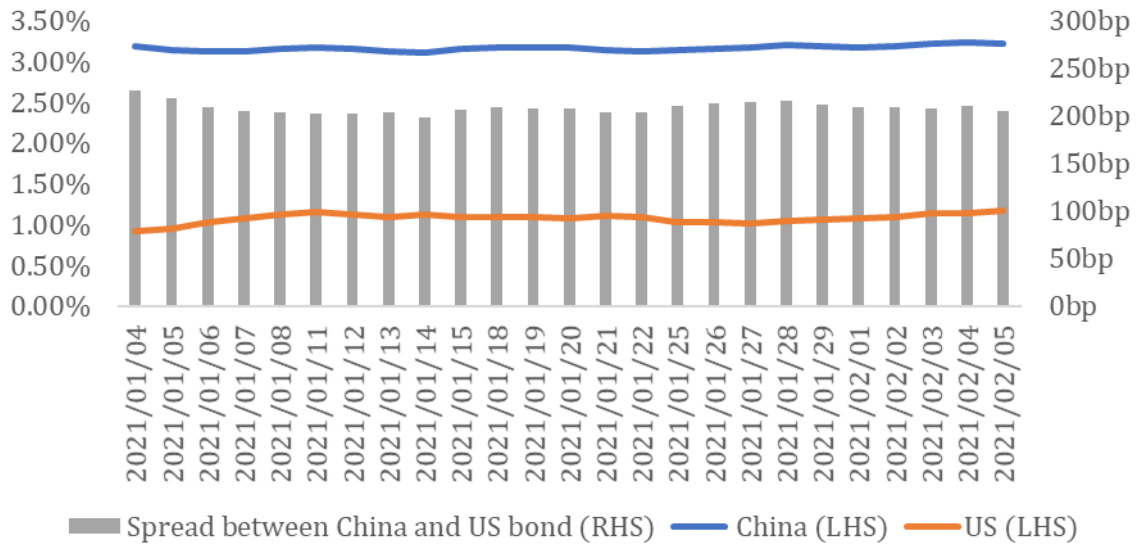
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of February 5, the yield spread between China and US 10-year note was 205.3bp, tightening by 6.0bp from last Friday and 21.2bp 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: New issuance continued to rise; Alibaba issued USD5 billion dollar bond

From February 1 to February 5, there were 18 new issues with a total issued volume of USD7.42 billion, increasing by 15.2% as compared to last week. Alibaba Group Holding Ltd (“Alibaba”) was the largest issuer, which issued 4 dollar bonds with total amount of USD5 billion.

Table 1 : New issuance of Chinese offshore bonds (20210201-20210205)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/2/2	China Industrial Securities International Financial Group Ltd	USD	300	2	2024/2/9	3	Financials	-/-/-	-/-/-
2021/2/2	China Overseas Grand Oceans Group Ltd	USD	512	2.45	2026/2/9	5	Real Estate	Baa2/BBB-/BBB	Baa2/-/BBB
2021/2/2	CMB International Capital Corp Ltd	USD	3	0.75	2021/8/9	182D	Financials	Baa1/BBB+/-	-/-/-
2021/2/2	Far East Horizon Ltd	CNY	1,500	4.7	2024/2/9	3	Financials	-/BBB-/-	-/BBB-/-
2021/2/2	JY Grandmark Holdings Ltd	USD	155	7.5	2022/2/7	364D	Real Estate	-/-/-	-/-/-
2021/2/3	Avic Capital Co Ltd	USD	300	2.375	2026/2/9	5	Financials	A3/-/A-	A3/-/-
2021/2/3	CNCB Hong Kong Investment Ltd	USD	200	1.04	2024/2/10	3	Financials	-/-/-	-/-/-
2021/2/3	Guiyang Economic Development Zone Urban Construction Investment Group Co Ltd	EUR	23	1.7	2022/2/7	364D	Chengtou	-/-/-	-/-/-
2021/2/3	Southwest Securities International Securities Ltd	USD	178	4	2024/2/9	3	Financials	-/-/-	-/-/-
2021/2/4	Alibaba Group Holding Ltd	USD	1,500	2.125	2031/2/9	10	Consumer Discretionary	A1/A+/A+	A1/A+/A+
2021/2/4	Alibaba Group Holding Ltd	USD	1,000	2.7	2041/2/9	20	Consumer Discretionary	A1/A+/A+	A1/A+/A+

2021/2/4	Alibaba Group Holding Ltd	USD	1,500	3.15	2051/2/9	30	Consumer Discretionary	A1/A+/A+	A1/A+/A+
2021/2/4	Alibaba Group Holding Ltd	USD	1,000	3.25	2061/2/9	40	Consumer Discretionary	A1/A+/A+	A1/A+/A+
2021/2/4	GLP China Holdings Ltd	USD	66	2.6	2024/2/9	3	Industrials	-/BBB/-	-/-/-
2021/2/4	Jinchuan Group Co Ltd	USD	280	4	2024/2/10	3	Materials	-/-/BBB-	-/-/BBB-
2021/2/5	China Development Bank Financial Leasing Co., Ltd.	USD	58	1.2	2023/2/19	2	Financials	A1/A/A+	-/-/-
2021/2/5	CMB International Capital Corp Ltd	HKD	25	0.73	2021/5/5	85D	Financials	Baa1/BBB+/-	-/-/-
2021/2/5	Jinan Zhangqiu Holding Group Co Ltd	USD	100	5	2022/2/8	364D	Financials	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From February 1 to February 5, there were 5 Chinese enterprises announced tap bond offering.

**Table 2 : Tap bond offering (20210201-20210205)**

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/2/3	Xinyuan Real Estate Co Ltd	USD	270 (reoffered 100)	14	2024/1/25	3	Real Estate	-/B-/B-	-/-/B-
2021/2/4	Kaisa Group Holdings Ltd	USD	500 (reoffered 100)	9.75	2023/9/28	3.2	Real Estate	B1/B/B	B2/-/B
2021/2/4	Far East Horizon Ltd	CNY	1,700 (reoffered 200)	4.7	2024/2/9	3	Financials	-/BBB/-	-/BBB/-
2021/2/4	Fantasia Holdings Group Co Ltd	USD	450 (reoffered 150)	11.875	2023/6/1	3	Real Estate	B2/B/B+	B3/-/-
2021/2/5	LVGEM China Real Estate Investment Co Ltd	HKD	331.2 (reoffered 33.2)	6	2021/12/13	363D	Real Estate	-/-/B	-/-/-
2021/2/5	LVGEM China Real Estate Investment Co Ltd	CNY	9.5 (reoffered 1)	6	2021/12/13	363D	Real Estate	-/-/B	-/-/-

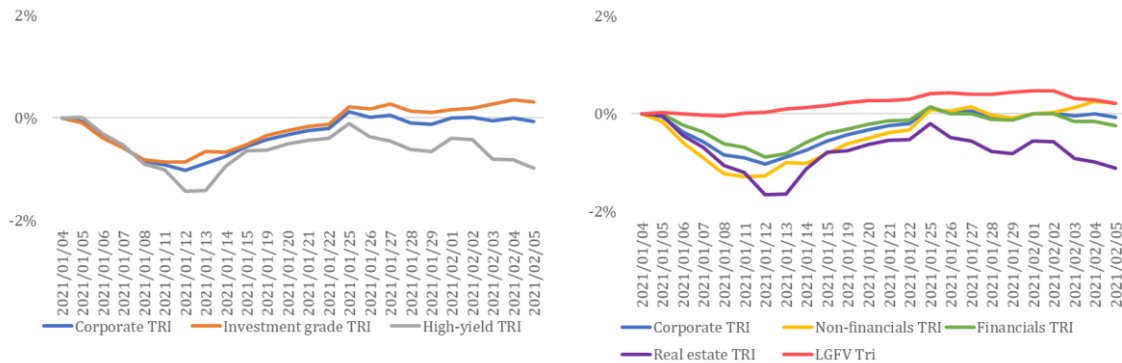
Sources: Bloomberg, CCX research

## Secondary Market: Returns on Chinese high-yield and real estate USD bonds decreased

Affected by China Fortune's incident, returns on Chinese high-yield and real estate USD bonds decreased. As of February 5, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 5bp from last week to -0.08%. The return on investment-grade bond rose by 20bp to 0.31%, and the return on high-yield bond decreased by 32bp to -0.98%. In terms of sector indices, the return on non-financial index increased by 31bp to 0.21%, while returns on financials, real estate and Chengtong sectors were -0.25%, -1.11% and 0.21%, decreasing by 11bp, 29bp and 23bp from last week, respectively.

<sup>1</sup> Year-to-date return measures the return since January 4, 2021

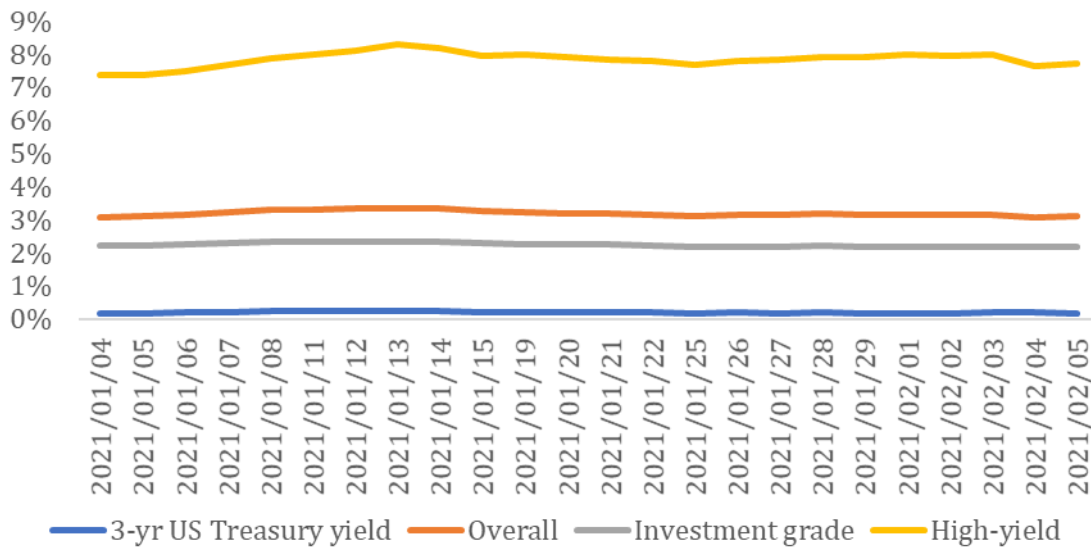
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of February 5, the yield-to-worst of Chinese dollar bonds decreased by 7bp to 3.08% from last Friday, of which investment grade bond index declined by 2bp to 2.17%, the high-yield bond index decreased by 21bp to 7.70%.

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



Sources: Bloomberg, CCX research

### Rating Actions: Chinese issuers' credit quality diverged

From February 1 to February 5, the rating agencies took positive rating actions on 2 Chinese issuers; and negative rating actions on 7 Chinese issuers.



Table 3 : Credit rating changes of cross-border bond market (20210201-20210205)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade	Zoomlion Heavy Industry Science and Technology Co Ltd	Industrials	BB-	POS	2021/2/3	B+	POS	2020/5/15	S&P	Enhanced financial cushion
	Logan Group Co Ltd	Real Estate	Ba2	STABLE	2021/2/5	Ba3	POS	2020/6/2	Moody's	Strong revenue growth and controlled debt increase
Evolving	Kunming Iron & Steel Holdings Co Ltd	Materials	BBB-	Rating Watch Evolving	2021/2/4	BBB-	STABLE	2020/2/11	Fitch	Placed under entrusted management of China Baowu
	Xinjiang Zhongtai Group Co Ltd	Materials	BB-	STABLE	2021/2/2	BB+	STABLE	2020/10/30	Fitch	Larger exposure to commercial operations
Downgrade	GCL New Energy Holdings Ltd	Utilities	Caa3	NEG	2021/2/2	Caa2	Rating Watch Negative	2020/12/24	Moody's	Default on debt
	China Fortune Land Development Co Ltd	Real Estate	Caa1	NEG	2021/2/2	B2	Rating Watch Negative	2021/1/13	Moody's	High liquidity risk
	China Fortune Land Development Co Ltd	Real Estate	CC	-	2021/2/3	CCC	-	2021/1/27	Fitch	Default on debt
	Meinian Onehealth Healthcare Holdings Co Ltd	Health Care	B+	STABLE	2021/2/4	BB-	STABLE	2020/5/12	Fitch	Muted revenue growth, limited deleveraging capability
	Chongqing Energy Investment Group Co Ltd	Materials	BBB	Rating Watch Negative	2021/2/5	BBB	STABLE	2020/11/11	Fitch	Close 14 of its coal mines
	Meinian Onehealth Healthcare Holdings Co Ltd	Health Care	B2	NEG	2021/2/5	B1	NEG	2020/9/14	Moody's	Weak liquidity profile
<b>Domestic Rating:</b>										
Upgrade	HNA Group Co Ltd, Hainan Airlines Holding Co Ltd	Industrials	BB	NEG	2021/2/1	AA	Rating Watch Negative	2021/1/28	Shanghai Brilliance Rating	Being applied for reorganization, loss announcement by subsidiaries, capital occupation by affiliates and sizable undisclosed guarantees
	Hainan Airlines Holding Co Ltd	Industrials	BB	NEG	2021/2/2	AA	Rating Watch Negative	2021/1/28	CCXI	Being applied for reorganization
	China Fortune Land Development Co Ltd	Real Estate	A	Rating Watch Negative	2021/2/3	AA+	Rating Watch Negative	2021/1/29	CCXI	Default on debt, tight liquidity

China Fortune Land Development Co Ltd	Real Estate	A	NEG	2021/2/3	AAA	NEG	2021/1/29	Golden Credit	Default on debt, high debt burden
China Fortune Land Development Co Ltd	Real Estate	BB	NEG	2021/2/3	AA+	NEG	2021/1/18	Dagong	Default on debt, tight liquidity

Sources: Bloomberg, Wind, CCX research

### Risk Event: HNA Group and its subsidiaries were applied for reorganization

On January 29, due to failure of HNA Group Co., Ltd. (“HNA Group”) and its several subsidiaries to repay debts, their creditors applied to Hainan High People’s Court for HNA Group’s reorganization. HNA Group may expose to bankruptcy risk if it fails to restructure. As of February 5, HNA Group and its associates, Hainan Airlines Holdings Co., Ltd., had 2 outstanding dollar bonds, with total outstanding amount of USD241 million, which will be due on October 5 and October 29, 2021, respectively.

### Panda Bond Market: No New Issuance this week

As of February 5, 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 (20210101-20210205)**

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	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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