

2021 Issue 11

From March 15 to March 19

Emerging markets start rate hikes; US 10-year Treasury yield hit 1.7%

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

George Wang 852-28607130

george_wang@ccxap.com

Jacky Lau 852-28607124

jacky_lau@ccxap.com

Other Contact

Elle Hu 852-28607120

elle_hu@ccxap.com

Date:

March 24, 2021

Headline: US Treasury yields soared, emerging markets started to raise interest rates

On March 17, the FOMC decided to keep the target range for the federal funds rate at 0% to 0.25%, and increased 2021 GDP and inflation projection. US 10-year Treasury yield topped 1.7% due to the economic recovery and increased inflation expectations. Despite the developed countries still insisted dovish stance, some emerging economies started to increase interest rate as inflation heated up. This week, Brazil, Turkey and Russia announced interest rate hikes.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate fluctuated slightly around 6.5. As of March 19, the intermediate price of RMB exchange rate closed at 6.4845.

Interest Rate: China Government Bond yields dropped; US 10-year Treasury yield topped 1.7%

China Government Bond yields dropped. US Treasury yields continued to surge and 10-year Treasury yield topped 1.7%, as the Federal Reserve announced that it would not extend SLR exemption and the inflation expectations increased. As of March 19, the yield spread between China and US 10-year note was 151.5bp, tightening by 12.1bp from last Friday and 74.9bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance stayed weak**

From March 15 to March 19, there were 17 new issues with a total issued volume of approximately USD1.9 billion. Chengtong companies were the key issuers, which issued USD0.6 billion in aggregate.

Secondary Market: Return on Chinese USD bonds rebounded, while real estate sector recorded the biggest rise

As of March 19, the YTD return on Chinese USD corporate bond index increased by 28bp from last Friday to -0.50%. The return on investment-grade bond slightly rose by 3bp to -0.70%, and the return on high-yield bond rose significantly by 88bp to -0.02%. In terms of sector indices, the return on real estate index climbed the most, increasing by 92bp to -0.36% from last Friday.

Rating Actions: Chinese issuers' credit quality diverged**Panda Bond Market: SIIC、GLP、Crédit Agricole and Daimler issued 5 bonds this week**

On March 15, SIIC Environment Holdings Ltd. 2021 Corporate Bond (Series I) (for Specialized Investors) was issued in the Shanghai Stock Exchange Market. SIIC raised RMB1.5 billion, at a coupon rate of 3.89%, with tenor of 5 years. CCXI assigned AAA to both the issuer and the bond. On March 18, GLP China Holdings Limited 2021 Medium Term Note (Series I) was issued in the China Interbank Market. GLP raised RMB1.5 billion, at a coupon rate of 4.40%, with tenor of 3 years. On March 18, Crédit Agricole S.A. 2021 Renminbi Bond (Series I) was issued in the China Interbank Market. Crédit Agricole raised RMB1 billion, at a coupon rate of 3.50%, with tenor of 3 years. On March 19, Daimler International Finance BV issued 2021 Private Placement Note Series I & II (Bond Connect) in the China Interbank Market. Daimler raised RMB2 billion via each bond, at coupon rate of 3.70% and 3.80%, with tenor of 2 years and 3 years, respectively.

Headline: US Treasury yields soared, emerging markets start to raise interest rates

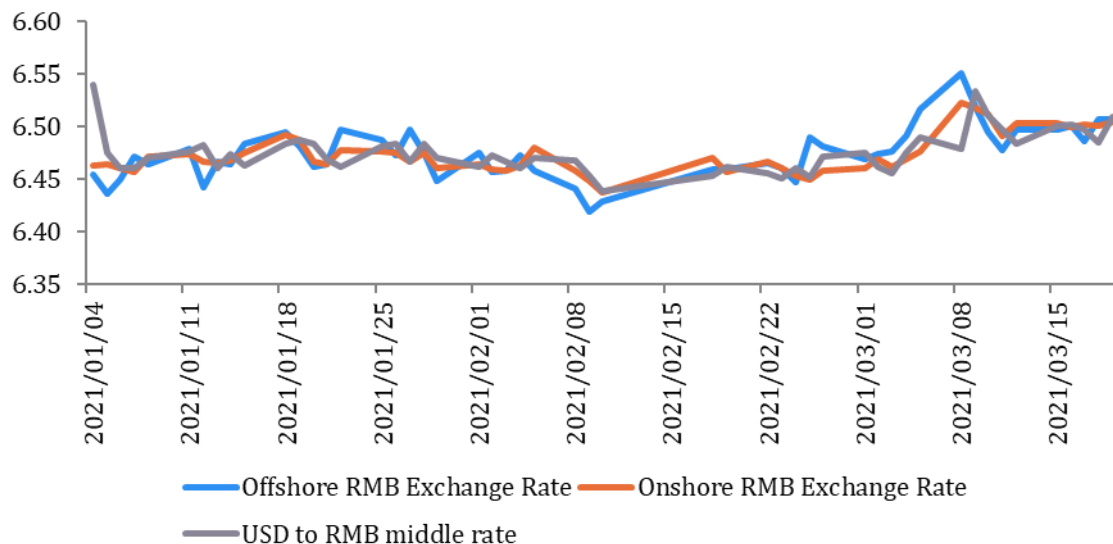
On March 17, the Federal Reserve Open Market Committee (“FOMC”) decided to keep the target range for the federal funds rate at 0% to 0.25%. Also, the Committee raised 2021 GDP forecast to 6.5% from 4.2%, 2021 PCE inflation to 2.4% from 1.8%, and core PCE inflation to 2.2% from 1.8%. Yet, US 10-year Treasury yield topped 1.7% due to the economic recovery and increased inflation expectations.

Despite the developed countries still insisted dovish stance, some emerging economies started to increase interest rates as inflation heated up. This week, Brazil, Turkey and Russia, announced interest rate hikes. On March 18, The Central Bank of Brazil increased the Selic rate by 75bp to 2.75%, which was higher than the expected rate of 2.5%, and indicated another hike of 75bp at its next meeting. The Central Bank of the Republic of Turkey lifted the policy rate by 200bp to 19%, and stated to implement a strong additional monetary tightening. This was also the fourth interest rate hike for Turkey in the past 6 months. On March 19, the Central Bank of Russia Federation increased the key rate by 25bp to 4.5%, and pointed out that the fast recovery of demand and elevated inflationary pressure call for a return to neutral monetary policy.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate fluctuated around 6.5. As of March 19, the intermediate price of RMB exchange rate closed at 6.5098, down 253bp from last Friday; the onshore RMB exchange rate closed at 6.5045, up 9bp; the offshore RMB exchange rate closed at 6.5076, down 104bp.

Figure 1 : RMB exchange rate

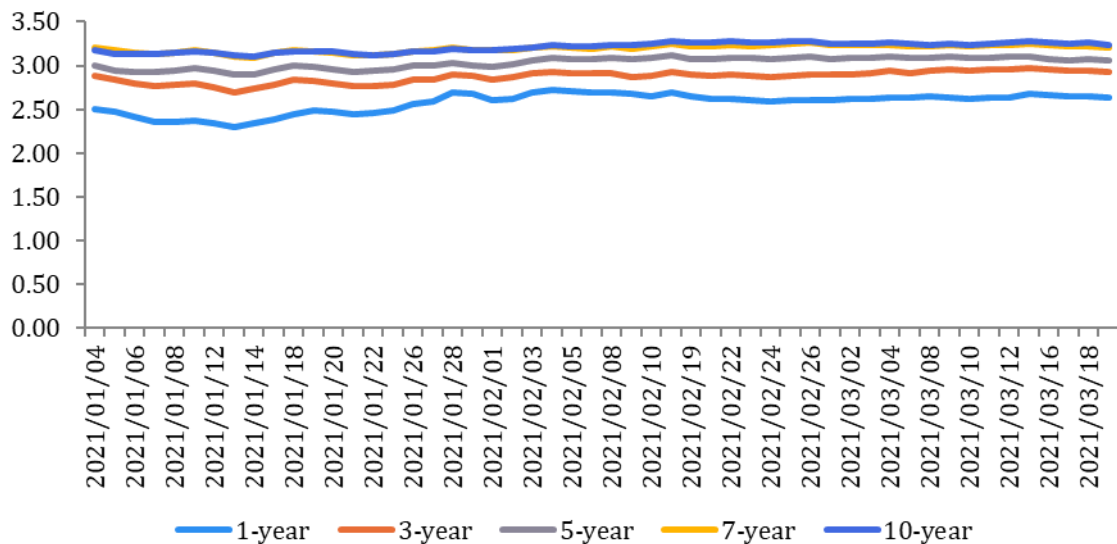


Sources: Wind, CCX research

Interest Rate: China Government Bond yields dropped; US 10-year Treasury yield topped 1.7%

China Government Bond yields dropped. As of March 19, the 1-year, 3-year 5-year, 7-year, and 10-year Government Bond yields decreased from last Friday, closing at 2.6395%, 2.9205%, 3.0540%, 3.2085% and 3.2364%, respectively. As of February, foreign institutions have increased their holdings of Chinese bonds for 27 consecutive months, although the yield rate spread between China and the US has narrowed since the beginning of the year.

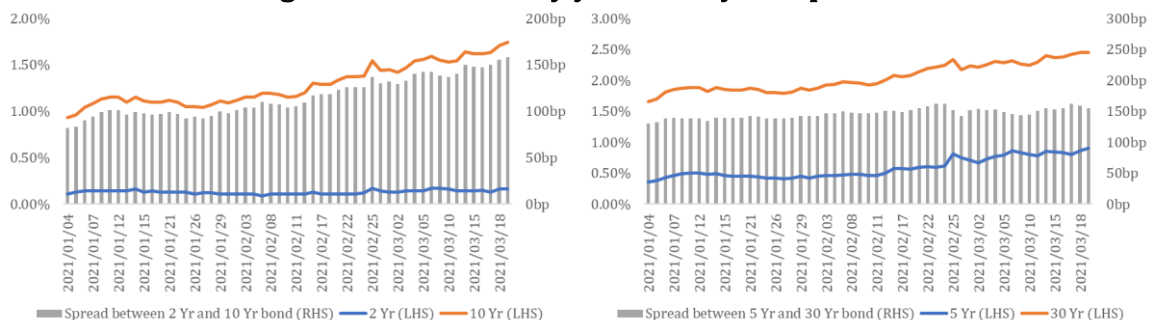
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields continued to surge and 10-year Treasury yield topped 1.7%, as the Federal Reserve announced that it would not extend SLR exemption and the inflation expectations increased. As of March 19, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.16%, 0.90%, 1.74% and 2.45%, increasing by 2bp, 5bp, 10bp and 5bp from last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 8bp to 158bp, while the spread between the 5-year and 30-year flattened at 155bp.

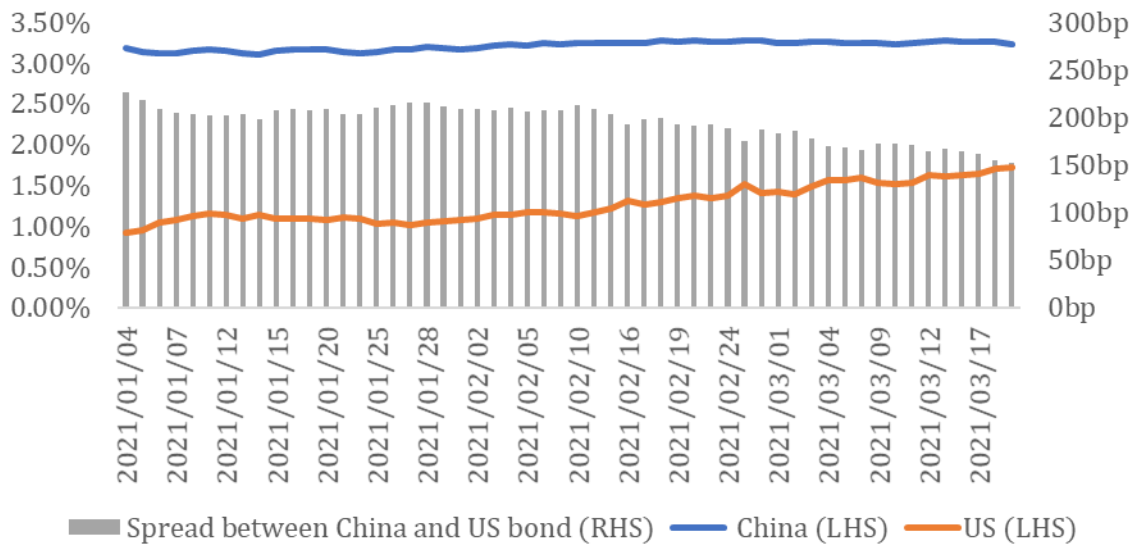
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of March 19, the yield spread between China and US 10-year note was 151.5bp, tightening by 12.1bp from last Friday and 74.9bp 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 issuance stayed weak

From March 15 to March 19, there were 17 new issues with a total issued volume of approximately USD1.9 billion. Chengtou companies were the key issuers, which issued USD0.6 billion in aggregate.

Table 1 : New issuance of Chinese offshore bonds (20210315-20210319)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/3/15	Fujian Yango Group Co Ltd	USD	175	12	2024/3/19	3	Real Estate	-/B/-	-/B/-
2021/3/15	Jiangsu Fangyang Group Co Ltd	USD	150	5.3	2024/3/22	3	Chengtou	-/-/BB	-/-/BB
2021/3/16	Beijing Public Housing Center	USD	300	1.9	2026/3/23	5	Chengtou	A1/-/A+	A1/-/A+
2021/3/16	China International Capital Corp Hong Kong Ltd	USD	40	0.78	2021/9/22	184D	Financials	Baa1/BBB/BBB+	-/-/-
2021/3/16	Guotai Junan International Holdings Ltd	HKD	350	0.8	2022/3/22	364D	Financials	Baa2/BBB+/-	-/-/-
2021/3/16	Shuifa Group Co Ltd	USD	200	4	2024/3/24	3	Industrials	Baa1/-/	Baa1/-/
2021/3/17	Beijing Gas Blue Sky Holdings Ltd	USD	40	6.875	2021/12/19	275D	Utilities	-/-/-	-/-/-
2021/3/17	CMB International Capital Corp Ltd	USD	5	0.6	2021/6/23	92D	Financials	Baa1/BBB+/-	-/-/-
2021/3/17	Dafeng Port Heshun Technology Co Ltd	USD	55	2.4	2024/3/23	3	Consumer Discretionary	-/-/-	-/-/-
2021/3/17	Guotai Junan International Holdings Ltd	HKD	250	1	2022/3/23	364D	Financials	Baa2/BBB+/-	-/-/-
2021/3/17	Guotai Junan International Holdings Ltd	USD	25	0.65	2021/9/23	184D	Financials	Baa2/BBB+/-	-/-/-

2021/3/17	Guotai Junan International Holdings Ltd	USD	50	0.7	2021/9/23	184D	Financials	Baa2/BBB+/-	-/-/-
2021/3/17	Helenbergh China Holdings Ltd	USD	200	11	2023/3/24	2	Real Estate	B2/-/B+	B3/-/-
2021/3/18	Nanchang Jinkai Group Co Ltd	USD	68	1.98	2024/3/25	3	Chengtou	-/-/-	-/-/-
2021/3/18	Nanchong Pengda Jialing River Group Industrial Co Ltd	USD	97	3.5	2024/2/24	2.92	Chengtou	-/-/-	-/-/-
2021/3/18	Zhejiang Geely Holding Group Co Ltd	USD	400	1.375	2024/3/25	3	Consumer Discretionary	-/BBB/-	A1/-/-
2021/3/19	China Construction Bank Corp/Luxembourg	USD	50	0.8	2024/3/26	3	Banks	A1/A/A	-/-/-

Sources: Bloomberg, CCX research

From March 15 to March 19, 4 Chinese companies announced tap bond offering.

Table 2 : Tap bond offering (20210315-20210319)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/3/15	GLP China Holdings Ltd	USD	126 (reoffered 60)	2.6	2024/2/9	3	Industrials	-/BBB/-	-/-/-
2021/3/16	Jingrui Holdings Ltd	USD	350 (reoffered 110)	14.5	2023/2/19	2.25	Real Estate	B2/B/-	B3/-/-
2021/3/17	CMB Financial Leasing Co Ltd	USD	420 (reoffered 20)	2	2026/2/4	5	Financials	A3/BBB+/-	Baa1/-/-
2021/3/17	China South City Holdings Ltd	USD	225 (reoffered 50)	11.95	2023/2/9	1.92	Real Estate	B2/B/B	-/-/B

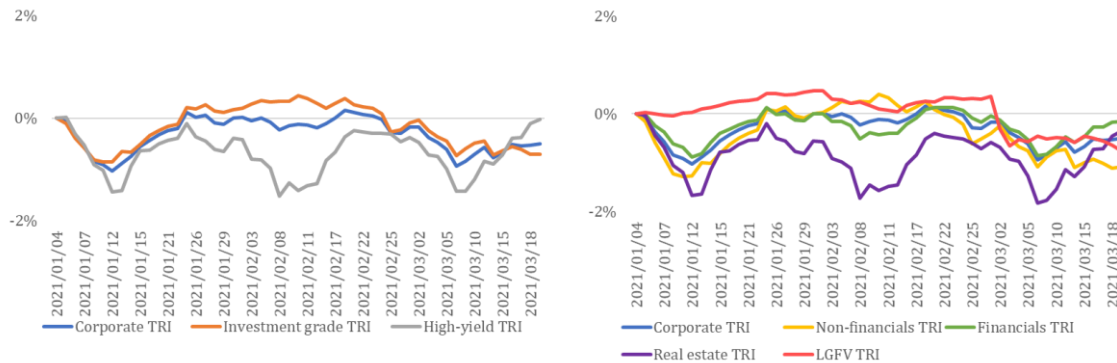
Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds rebounded, while real estate sector recorded the biggest rise

As of March 19, the YTD return¹ on Chinese USD corporate bond index increased by 28bp from last Friday to -0.50%. The return on investment-grade bond rose by 3bp to -0.70%, and the return on high-yield bond rose by 88bp to -0.02%. In terms of sector indices, the return on real estate index climbed the most, increasing by 92bp to -0.36% from last Friday. The return on non-financials and financials indices were -1.08% and -0.16%, increasing by 2bp and 43bp from last Friday. However, the return on Chengtou index declined by 17bp to -0.75%.

¹ Year-to-date return measures the return since January 4, 2021

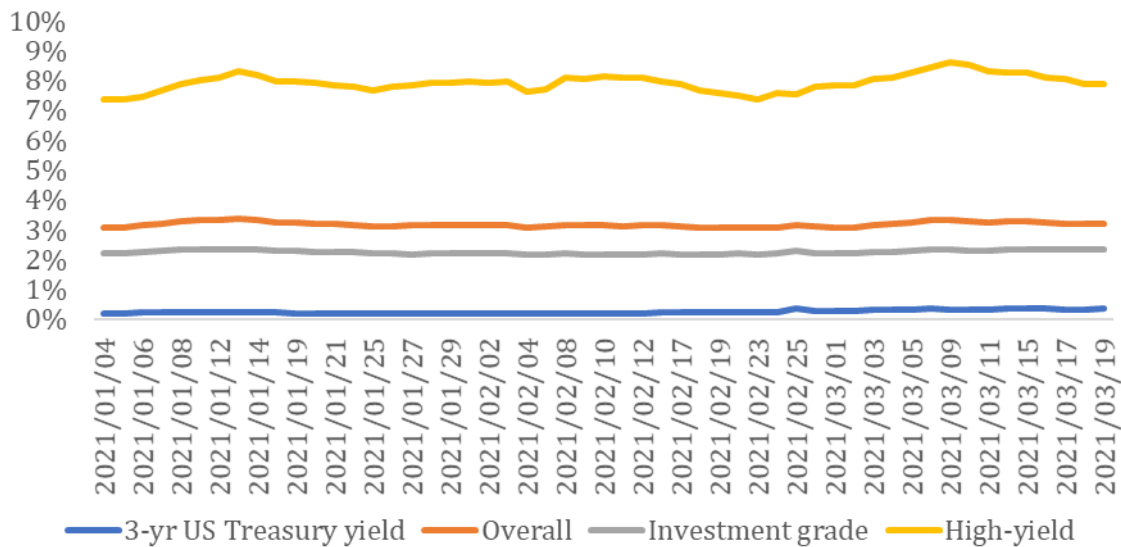
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of March 19, the yield-to-worst of Chinese dollar bonds decreased by 8bp to 3.19% from last Friday, of which investment grade bond index slightly increased by 2bp to 2.35% and high-yield bond index decreased by 41 to 7.87% from last Friday.

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



Sources: Bloomberg, CCX research

Rating Actions: Chinese issuers' credit quality diverged

From March 15 to March 19, the rating agencies took positive rating actions on 6 Chinese issuers, and took negative rating actions on 4 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20210315-20210319)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	WuXi AppTec Co Ltd	Health Care	Baa3	POS	2021/3/15	Baa3	STABLE	2020/12/22	Moody's	Strong revenue and EBITDA growth
	Sunac China Holdings Ltd	Real Estate	BB	STABLE	2021/3/16	BB-	STABLE	2019/4/2	S&P	Enhanced financial discipline and business standing
	Shenergy Group Co Ltd	Utilities	A1	STABLE	2021/3/16	A1	NEG	2020/11/4	Moody's	Stable performance in the gas and power sectors
	Xinhu Zhongbao Co Ltd	Real Estate	B3	STABLE	2021/3/17	B3	NEG	2020/8/11	Moody's	Access to various sources of funding and lower investment to preserve liquidity and meet refinancing needs
	Sunac China Holdings Ltd	Real Estate	Ba3	POS	2021/3/17	Ba3	STABLE	2020/10/14	Moody's	Expectation of debt deleveraging
	Yuexiu Transport Infrastructure Ltd	Industrials	BBB-	STABLE	2021/3/17	BBB-	NEG	2020/2/24	S&P	Recovered revenue and improved leverage ratios
	Yanlord Land Group Ltd	Real Estate	BB-	STABLE	2021/3/18	BB-	NEG	2020/9/30	S&P	More disciplined expansion
	China Aluminum International Engineering Corp Ltd	Industrials	BB	NEG	2021/3/16	BB	STABLE	2020/4/28	S&P	Weaker-than-expected financial performance
	Guorui Properties Ltd	Real Estate	B-	NEG	2021/3/16	B-	Rating Watch Negative	2021/1/6	Fitch	Tight liquidity, limited market access and ongoing refinancing risk
	Red Star Macalline Group Corp Ltd	Real Estate	BB	NEG	2021/3/17	BB+	STABLE	2020/4/7	Fitch	Weaker financial profile and opportunistic liquidity management
Downgrade	Guangzhou Rural Commercial Bank Co Ltd	Banks	Baa2	Rating Watch Negative	2020/3/19	Baa2	NEG	2020/3/27	Moody's	Decline of profitability and potential deterioration of asset quality and capital ratios

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: SIIC、GLP、Crédit Agricole and Daimler issued 5 bonds this week

On March 15, SIIC Environment Holdings Ltd. (“SIIC”) 2021 Corporate Bond (Series I) (for Specialized Investors) was issued in the Shanghai Stock Exchange Market. SIIC raised RMB1.5 billion, at a coupon rate of 3.89%, with tenor of 5 years. CCXI assigned AAA to both the issuer and the bond. On March 18, GLP China Holdings Limited (“GLP”) 2021 Medium Term Note (Series I) was issued in the China Interbank Market. GLP raised RMB1.5 billion, at a coupon

rate of 4.40%, with tenor of 3 years. On March 18, Crédit Agricole S.A. (“Crédit Agricole”) 2021 Renminbi Bond (Series I) was issued in the China Interbank Market. Crédit Agricole raised RMB1 billion, at a coupon rate of 3.50%, with tenor of 3 years. On March 19, Daimler International Finance BV (“Daimler”) issued 2021 Private Placement Note Series I & II (Bond Connect) in the China Interbank Market. Daimler raised RMB2 billion via each bond, at coupon rate of 3.70% and 3.80%, with tenor of 2 years and 3 years, respectively.

As of March 19, there were 8 issuers that issued 12 panda bonds with a total issued amount of RMB15.9 billion and an average coupon rate of 3.77%. More than 80% of the bonds had a tenor of 3 years or above, and the bonds were issued mostly in the China Interbank Market.

Table 4 : New issuance of Panda Bond in 2021 (20210101-20210319)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Daimler International Finance BV	2	3.80	2021/3/19	2024/3/19	3	PPN	China Interbank Market	--
Daimler International Finance BV	2	3.70	2021/3/19	2023/3/19	2	PPN	China Interbank Market	--
Crédit Agricole S.A.	1	3.50	2021/3/18	2024/3/18	3	Financial Bond	China Interbank Market	S&P China
GLP China Holdings Limited	1.5	4.40	2021/3/18	2024/3/18	3	MTN	China Interbank Market	Shanghai Brilliance Rating
SIIC Environment Holdings Ltd.	1.5	3.89	2021/3/15	2026/3/15	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
Asian Development Bank	2	3.20	2021/3/11	2026/3/11	5	International Institution Bond	China Interbank Market	--
GLP China Holdings Limited	1.7	4.37	2021/3/8	2024/3/8	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Power International Development Limited	0.5	3.20	2021/2/8	2021/8/6	0.5	SCP	China Interbank Market	Golden Credit Rating
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	Shanghai Brilliance Rating
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

Copyright

Copyright © 2021 China Chengxin (Asia Pacific) Credit Ratings Company Limited, China Chengxin (Asia Pacific) Credit Ratings Company Limited and/or their affiliates (collectively, "CCX"). All rights reserved. All information contained herein is protected by law. None of such information may be copied or otherwise reproduced, repackaged, further transmitted, transferred, redaction, interception, resold or redistributed, or stored for subsequent use for any such purpose, by any person without CCX's prior written consent.

Important Information

All information contained herein is obtained by CCX from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "as is" without warranty of any kind. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any commercial purpose of such information is given or made by CCX in any form or manner whatsoever.

To the extent permitted by law, CCX and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (a) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, or any contingency within or beyond the control of, CCX or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; or (b) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCX or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

CCX's credit ratings, assessments and other opinions contained herein are current opinions and are not statements of current or historical fact and do not constitute or provide investment or financial advice, and do not provide recommendations to purchase, sell, or hold particular securities. CCX's credit rating assessments and other opinions are not intended for use by retail investors when making an investment decision. Any person as investor will, with due care, make its own study and evaluation of each security, issuer, guarantor, and credit supporter that is under consideration for purchase, holding, or selling.



中诚信国际信用评级有限责任公司

地址：北京市东城区朝阳门内大街
南竹竿胡同 2 号银河 SOHO6 号楼
邮编：100020
电话：(8610) 6642 8877
传真：(8610) 6642 6100
网址：<http://www.ccxi.com.cn>

China Chengxin International Credit Rating Co., Ltd
Address: Building 6, Galaxy SOHO,
No.2 Nanzhugan hutong, Chaoyangmennei Avenue,
Dongcheng district, Beijing, 100020
Tel: (8610) 6642 8877
Fax: (8610) 6642 6100
Website: <http://www.ccxi.com.cn>



中国诚信(亚太)信用评级有限公司

地址：香港中环康乐广场 1 号
怡和大厦 19 楼 1904-1909 室
电话：(852) 2860 7111
传真：(852) 2868 0656
网址：<http://www.ccxap.com>

China Chengxin (Asia Pacific) Credit Ratings Company Limited
Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong
Tel: (852) 2860 7111
Fax: (852) 2868 0656
Website: <http://www.ccxap.com>