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From March 22 to March 26

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Powell first-time mentioned the possibility to reduce the use of expansionary policies; Chinese offshore bond new issuance rebounded

Headline: Powell first-time mentioned the possibility to reduce the level of expansionary policies, intimating a hawkish stance

On March 25, Jerome Powell, the chair of the Fed, showed his hawkish stance for the first time during an interview with National Public Radio ("NPR"). Given the better-than-expected vaccination progress in the US and the slight dip in US treasury yields, the market generally believed that there were rooms for Powell to reduce the use of expansionary policies. Goldman Sachs also anticipated the Fed possibly intimate to reduce the scale of bond purchase in the meeting of the second half of 2020, and then slash the scale of debt purchase starting from the first quarter of 2022.

Exchange Rate: RMB exchange rate declined

The RMB exchange rate declined as dollar index strengthened. As of March 26, the intermediate price of RMB exchange rate closed at 6.5376.

Interest Rate: China Government Bond yields dropped; US Treasury yields declined

China Government Bond yields dropped. Earlier this week, Jerome Powell said at the US congressional hearing that the US economy was yet to fully recover and would still require the support from the Fed continuously. US treasury yields fell as a result. Later, as US's GDP and initial claims for unemployment insurance beat expectations, US treasury yield rebounded. As of March 26, the yield spread between China and US 10-year note was 152.3bp, widening by 0.7bp from last Friday and narrowing by 74.2bp from the beginning of the year.

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

From March 22 to March 26, there were 12 new issues with a total issued volume of approximately USD3.4 billion, increased by 73.6% from last week. GLP China Holdings Ltd was the key issuer with total issued amount of USD700 million.

Secondary Market: Return on Chinese USD bonds diverged while real estate sector recorded the largest decline

Chinese dollar bonds demonstrated diverged returns. As of March 26, the YTD return on Chinese USD corporate bond index fell by 19bp from last Friday to -0.70%. The return on investment-grade bond rose by 15bp to -0.55%, and the return on high-yield bond fell by 102bp to -1.04%. In terms of sector indices, the return on real estate index declined the most, decreasing by 109bp to -1.46% from last Friday.

Rating Actions: Chinese issuers' credit quality diverged**Panda Bond Market:** GLP, Mengniu, New Development Bank and Hengan International issued 4 bonds

On March 25, GLP China Holdings Limited announced public offering for its third issue of 2021 Corporate Bond for professional investors in the Shanghai Stock Exchange. The bond featured a size of RMB1.5 billion, a coupon rate of 4.40% and a tenor of 3 years. During the same day, New Development Bank issued the first phrase of 2021 Renminbi Bond in the inter-bank bond market. The bond featured a size of RMB5 billion, a coupon rate of 3.22% and a tenor of 3 years. On March 26, China Mengniu Dairy Company Limited issued the first phrase of 2021 super & short-term commercial paper in the inter-bank bond market. The bond had a size of RMB2 billion, a coupon rate of 2.50% and a tenor of 90 days. CCXI assigned AAA rating on the issuer and the bond. On the same day, Hengan International Group Company Limited issued the first phrase of 2021 super & short-term commercial paper in the inter-bank bond market. Hengan International raised RMB1 billion, at a coupon rate of 3.08% and with a tenor of 181 days. CCXI assigned AAA rating on the issuer and the bond.

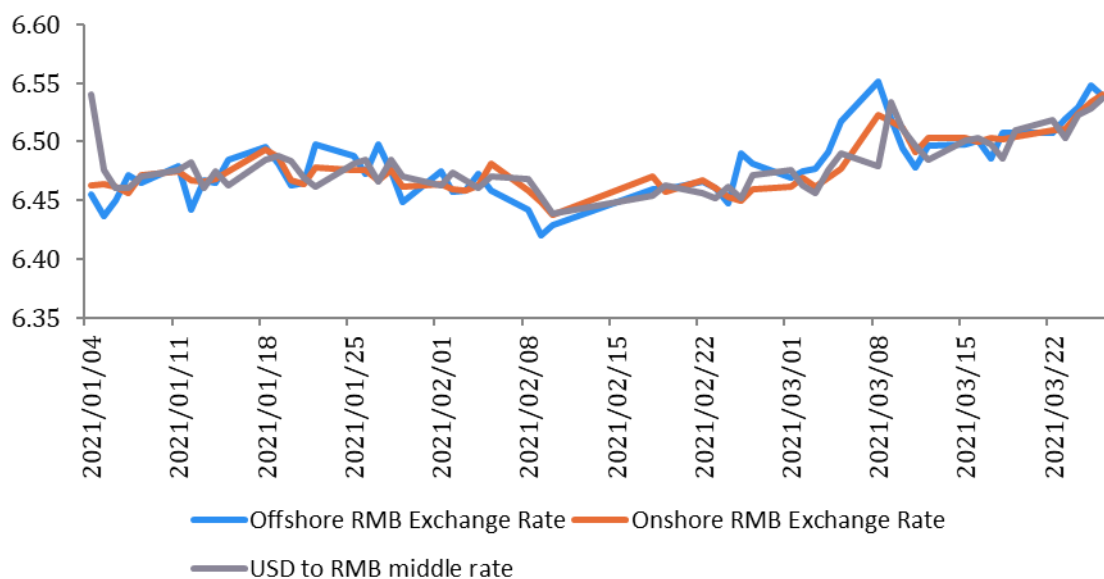
Headline: Powell first-time mentioned the possibility to reduce the level of expansionary policies, intimating a hawkish stance

On March 25, Jerome Powell, the chair of the Fed, showed his hawkish stance for the first time during an interview with National Public Radio (“NPR”). He said that, with the recovery of USD economy and solid progress in inflation target, the Fed would gradually reduce the scale of bond buying program on treasury bills and asset-backed securities. In the earlier Federal Open Market Committee (“FOMC”) meeting ended on March 18, Powell insisted that it was not the right time to cut the bond buying program. Given the better-than-expected vaccination progress in US and the slight dip in US treasury yields, the market generally believed that there were rooms for Powell to reduce the level of expansionary policies. Goldman Sachs also anticipated the Fed could intimate to reduce the scale of bond purchase in meeting of the second half of 2020, and then slash the scale of debt purchase starting from the first quarter of 2022.

Exchange Rate: RMB exchange rate declined

The RMB exchange rate declined as dollar index strengthened. As of March 26, the intermediate price of RMB exchange rate closed at 6.5376, up 278bp from last Friday; the onshore RMB exchange rate closed at 6.5407, up 362bp; the offshore RMB exchange rate closed at 6.5394, up 318bp.

Figure 1 : RMB exchange rate

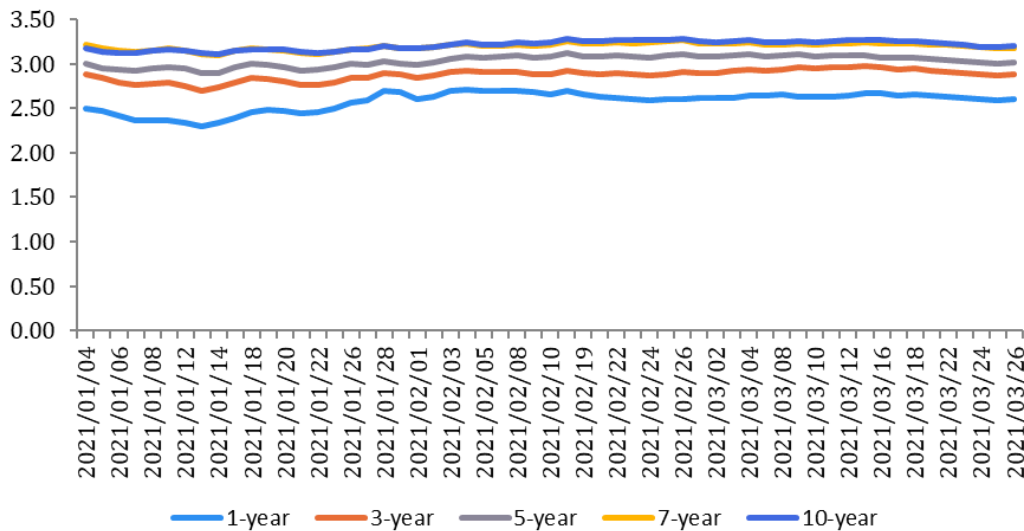


Sources: Wind, CCX research

Interest Rate: China Government Bond yields dropped; US Treasury yields declined

China Government Bond yields dropped. As of March 26, the 1-year, 3-year 5-year, 7-year, and 10-year Government Bond yields fluctuated downward from last Friday, closing at 2.6073%, 2.8860%, 3.0102%, 3.1806% and 3.1985%, respectively.

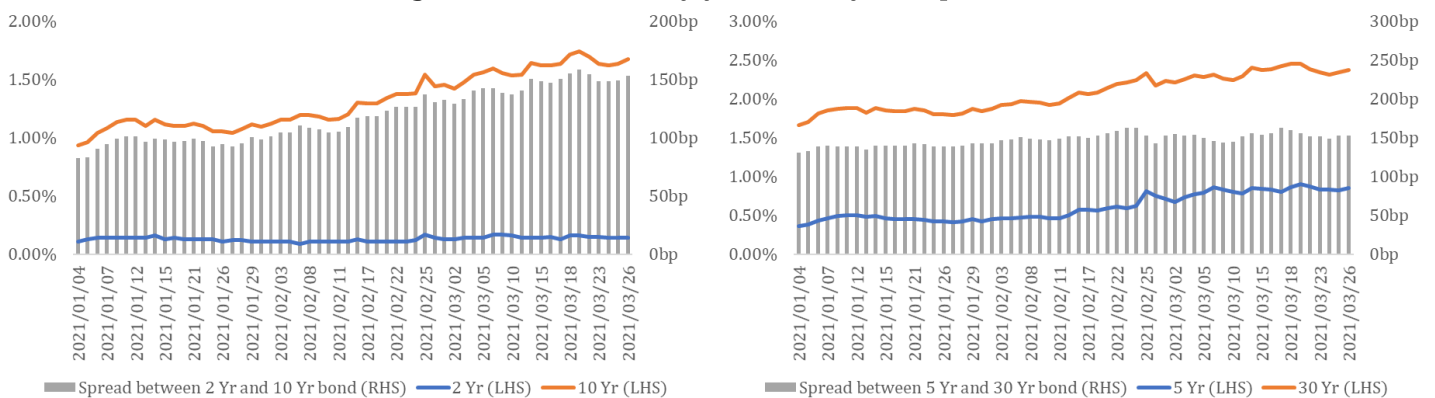
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Earlier this week, Jerome Powell said at the US congressional hearing that the US economy was yet to fully recover and would still require the support from the Fed continuously. US treasury yields fell as a result. Later, as US's GDP and initial claims for unemployment insurance beat expectations, US treasury yield rebounded. As of March 26, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.14%, 0.85%, 1.67% and 2.37%, decreasing by 2bp, 5bp, 7bp and 8bp from last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 8bp to 153bp, while the spread between the 5-year and 30-year flattened narrowed by 3bp to 152bp.

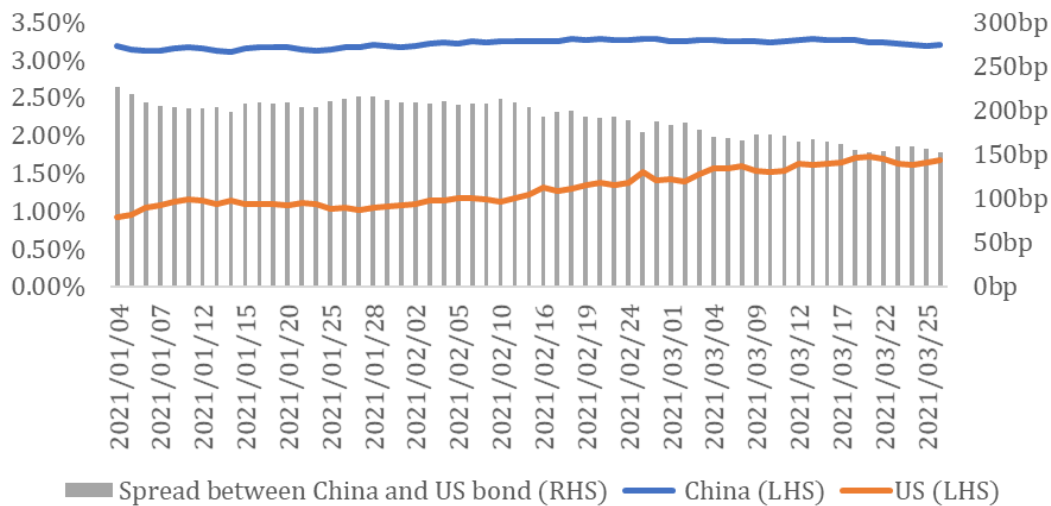
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of March 26, the yield spread between China and US 10-year note was 152.3bp, widening by 0.7bp from last Friday and narrowing by 74.2bp 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: Chinese offshore bond new issuance rebounded

From March 22 to March 26, there were 12 new issues with a total issued volume of approximately USD3.4 billion, increased by 73.6% from last week. GLP China Holdings Ltd was the key issuer with total issued amount of USD700 million.

Table 1 : New issuance of Chinese offshore bonds (20210322-20210326)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/3/22	Anji Qicai Lingfeng Rural Tourism Investment Co Ltd	USD	100	2.6	2024/3/25	3	Chengtou	-/-/-	-/-/-
2021/3/23	China SCE Group Holdings Ltd	USD	300	5.95	2024/9/29	4	Real Estate	B1/B+/BB-	-/-/BB-
2021/3/23	GLP China Holdings Ltd	USD	700	2.95	2026/3/29	5	Industrials	-/BBB/-	-/BBB/-
2021/3/23	Industrial & Commercial Bank of China New Zealand Ltd	NZD	200	-	2024/2/29	3	Banks	A1/A/-	-/A/-
2021/3/23	Science City Guangzhou Investment Group Co Ltd	USD	400	2.95	2024/3/30	3	Chengtou	-/-/BBB	-/-/BBB
2021/3/23	Science City Guangzhou Investment Group Co Ltd	USD	150	3.75	2026/3/30	5	Chengtou	-/-/BBB	-/-/BBB
2021/3/24	AVIC International Leasing Co Ltd	USD	500	1.75	2024/3/30	3	Financials	Baa1/-/A-	-/-/A-
2021/3/24	Goho Asset Management Co Ltd	USD	100	4.5	2024/2/29	3	Financials	B1/-/-	-/-/-
2021/3/25	Power Construction Corp of China	USD	500	3.08	-	Perpetual	Industrials	Baa1/BBB+/BBB+	-/-/BBB
2021/3/26	CAR Inc	USD	250	9.75	2024/3/31	3	Consumer	Caa1/CCC+/-	Caa1/(P)B-1/-

¹ On 22 March 2021, S&P placed Car Inc on credit watch positive and assigned a long-term issue rating of "B-" to the proposed senior unsecured USD bonds to be issued by Car Inc.

Discretionary									
2021/3/26	Industrial & Commercial Bank of China Mexico SA	USD	30	-	-	Perpetual	Banks	-/-/-	-/-/-
2021/3/26	Lionbridge Capital Co Ltd	USD	180	6.5	2022/3/31	364D	Financials	B1/-/B+	-/-/-

Sources: Bloomberg, CCX research

From March 22 to March 26, there were 2 Chinese companies announced tap bond offering.

Table 2 : Tap bond offering (20210322-20210326)

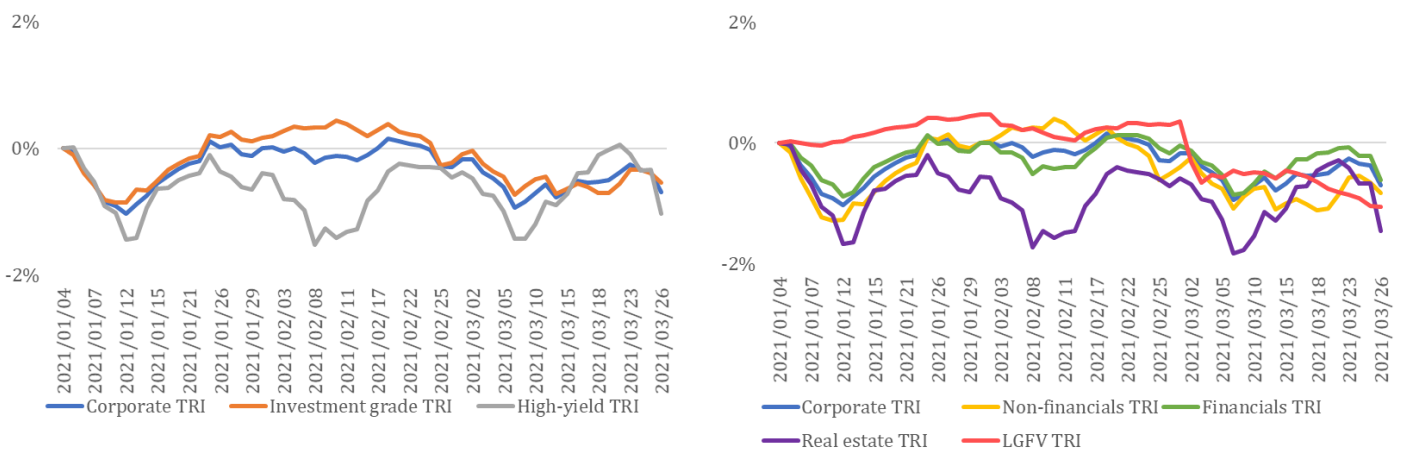
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/3/22	Hong Kong JunFa Property Co Ltd	USD	237 (reoffered 116)	11	2022/12/24	2	Real Estate	-/-/B+	-/-/B+
2021/3/24	LVGEM China Real Estate Investment Co Ltd	USD	12 (reoffered 4)	6	2021/12/13	0.99	Real Estate	-/-/B	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds diverged while real estate sector recorded the largest decline

Chinese dollar bonds demonstrated diverged returns. As of March 26, the YTD return² on Chinese USD corporate bond index fell by 19bp from last Friday to -0.70%. The return on investment-grade bond rose by 15bp to -0.55%, and the return on high-yield bond fell by 102bp to -1.04%. In terms of sector indices, the return on real estate index declined the most, decreasing by 109bp to -1.46% from last Friday. The return on financials and Chengtou indices were -0.62% and -1.06%, decreasing by 46bp and 30bp from last Friday. However, the return on non-financials index increased by 24bp to -0.84%.

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

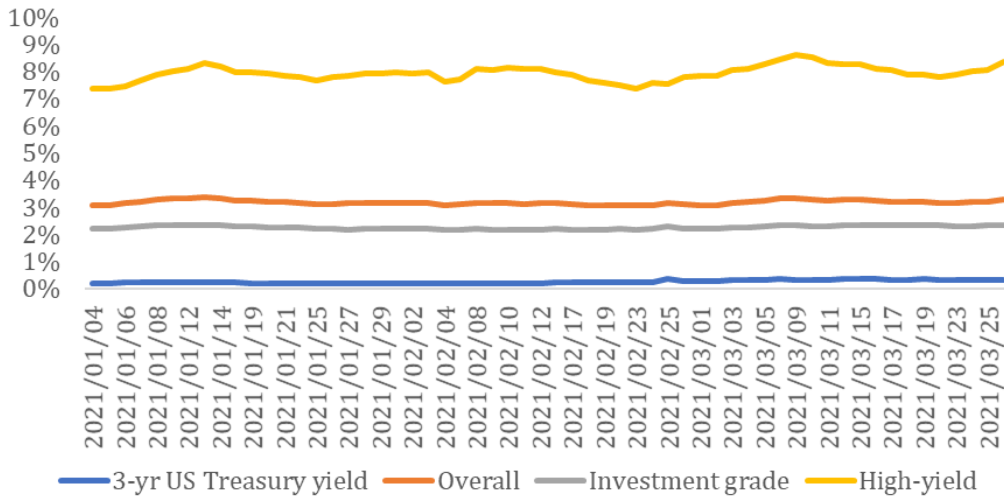


Sources: Bloomberg, CCX research

² Year-to-date return measures the return since January 4, 2021

As of March 26, the yield-to-worst of Chinese dollar bonds rose by 8bp to 3.26% from last Friday, of which investment grade bond index slightly declined by 1bp to 2.34% and high-yield bond index increased by 48bp to 8.35% 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 22 to March 26, the rating agencies took positive rating actions on 5 Chinese issuers, and took negative rating actions on 3 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20210322-20210326)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
CAR Inc	Consumer Discretionary	CCC+	Rating Watch positive	2021/3/22	CCC+	POS	2021/1/12	S&P	Expectation of successful issuance of proposed notes	
Sunny Optical Technology Group Co Ltd	Technology	Baa1	STABLE	2021/3/24	Baa2	STABLE	2020/7/22	Moody's	Improving credit diversification	
Upgrade	JD.com Inc	Consumer Discretionary	BBB+	POS	2021/3/24	BBB	POS	2020/9/3	S&P	Further solidified position as the largest online retailer in China
	Powerlong Real Estate Holdings Ltd	Real Estate	BB-	STABLE	2021/3/25	B+	POS	2020/8/27	S&P	Solid sales execution, better profitability than peers, and increasing recurring income from investment properties
Beijing Energy Holding Co Ltd	Utilities	A3	STABLE	2021/3/25	A3	NEG	2020/3/26	Moody's	Operating performance for its	

										coal-fired power and renewable energy segments will gradually improve
Downgrade	Yuzhou Group Holdings Co Ltd	Real Estate	B1	NEG	2021/3/23	Ba3	STABLE	2020/6/23	Moody's	Recent profit warning and expectation of weak revenue recognition
	Yinchuan Tonglian Capital Investment Operation Co Ltd	Chengtou	Baa3	NEG	2021/3/26	Baa3	STABLE	2020/7/30	Moody's	Weak in corporate governance
	Yanfeng International Auto Tech Co Ltd	Consumer Discretionary	Baa3	STABLE	2021/3/26	Baa3	NEG	2020/6/16	Moody's	Recovery of revenue and margins from the pandemic and expectation of growth in revenue and leverage
	Yuzhou Group Holdings Co Ltd	Real Estate	BB	Rating Watch Negative	2021/3/26	BB	STABLE	2020/11/6	Lianhe Global	Expectation of deterioration in operating performance and credit metrics

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: GLP, Mengniu, New Development Bank and Hengan International issued 4 bonds

On March 25, GLP China Holdings Limited (“GLP”) announced public offering for its third issue of 2021 Corporate Bond for professional investors in the Shanghai Stock Exchange. The bond featured a size of RMB1.5 billion, a coupon rate of 4.40% and a tenor of 3 years. During the same day, New Development Bank issued the first phrase of 2021 Renminbi Bond in the inter-bank bond market. The bond featured a size of RMB5 billion, a coupon rate of 3.22% and a tenor of 3 years. On March 26, China Mengniu Dairy Company Limited (“Mengniu”) issued the first phrase of 2021 super & short-term commercial paper in the inter-bank bond market. The bond had a size of RMB2 billion, a coupon rate of 2.50% and a tenor of 90 days. CCXI assigned AAA rating on the issuer and the bond. On the same day, Hengan International Group Company Limited (“Hengan International”) issued the first phrase of 2021 super & short-term commercial paper in the inter-bank bond market. Hengan International raised RMB1 billion, at a coupon rate of 3.08% and with a tenor of 181 days. CCXI assigned AAA rating on the issuer and the bond.

As of March 26, there were 11 issuers issuing 16 panda bonds with a total issued amount of RMB25.4 billion and an average coupon rate of 3.65%. About 70% of the bonds had a tenor of 3 years or above, and the bonds were mainly issued in the China Interbank Market.

Table 4 : New issuance of Panda Bond in 2021 (20210101-20210326)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Hengan International Group Company Limited	1	3.08	2021/3/26	2021/9/23	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2	2.50	2021/3/26	2021/6/24	0.25	SCP	China Interbank Market	China Chengxin
New Development Bank	5	3.22	2021/3/25	2024/3/25	3	International Institution Bond	China Interbank Market	Lianhe Credit Rating
GLP China Holdings Limited	1.5	4.40	2021/3/25	2024/3/25	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
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

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