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From April 26 to May 7

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**Yellen warned to prevent economy from overheating;
China Huarong and its subsidiaries' ratings downgraded****Headline: Yellen warned to prevent economy from overheating**

On May 4, US Treasury Secretary Janet Yellen said interest rates may have to rise to prevent the US economy from overheating. Later in the day, she clarified that she was not making recommendation or providing advice on interest rate hikes, and respected the Federal Reserve's independence. Fed officials differed in the monetary policy stance. The US April manufacturing and employment figures were weaker than market expectations, alleviating investors' worries about the Fed reducing quantitative easing in the short term.

Exchange Rate: RMB exchange rate declined

EMB exchange rate dropped given the weak dollar index. As of May 7, the intermediate price of RMB exchange rate closed at 6.4678.

Interest Rate: Chinese Government Bond and US Treasury yields dropped

Chinese Government Bond yields dropped. The recovery of US manufacturing sector slowed down, and the April non-farm payroll increased by 266 thousand, much lower the market expectation of 1 million. Confidence in economic recovery and interest rate hikes expectation weakened, driving the decline in US Treasury yields. As of May 7, the yield spread between China and US 10-year note was 158.2bp, widening by 4.4bp from last Friday and tightening by 68.3bp from the beginning of the year.

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

New issuance of Chinese offshore bond stayed weak given the May Day holiday. From April 26 to May 7, Chinese corporates had 22 new issues in the offshore market with a total issued volume of approximately USD3.7 billion.

Secondary Market: Return on Chinese USD bonds rose

As of May 7, the YTD return on Chinese USD corporate bond index increased by 32bp from last Friday to -0.63%. The return on investment-grade bond increased by 33bp to -1.15%, and the return on high-yield bond increased by 28bp to 0.65%.

Rating Actions: China Huarong and its subsidiaries' ratings downgraded**Panda Bond Market: Hengan International issued a SCP**

On April 26, Hengan International Group Company Limited ("Hengan International") issued the third tranche 2021 super & short-term commercial paper in the China Interbank Market. The bond totaled RMB1 billion with a coupon rate of 2.90% and a tenor of 180 days. CCXI assigned AAA rating on the issuer.

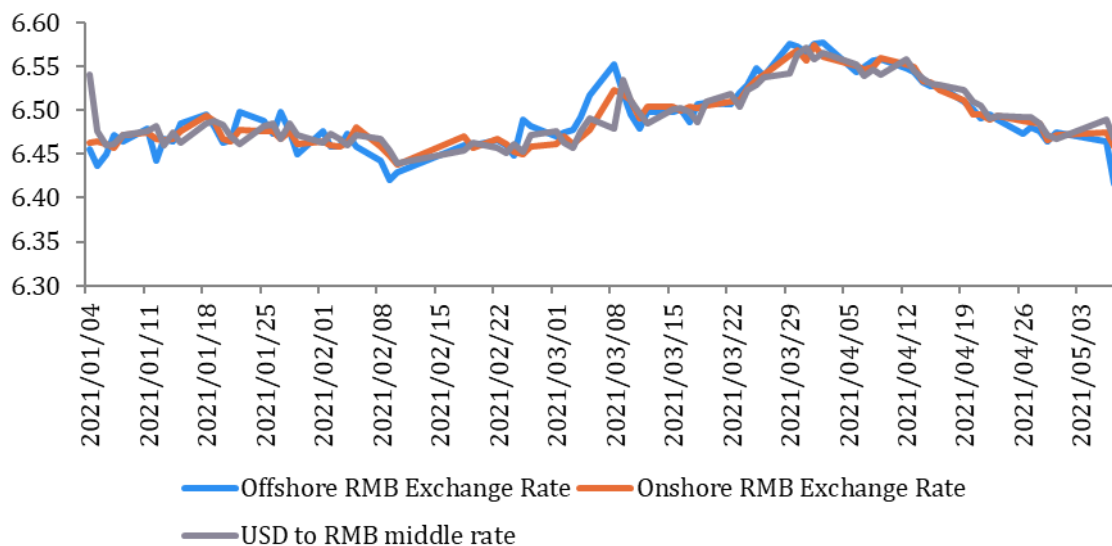
Headline: Yellen warned to prevent economy from overheating

On May 4, US Treasury Secretary Janet Yellen said interest rates may have to rise to prevent the US economy from overheating brought by the stimulus plan. Later in the day, she clarified that she was not making recommendation or providing advice on interest rate hikes, and respected the Federal Reserve’s independence. Fed officials differed in the monetary policy stance. Richard Clarida said it was not time to talk tapering. However, Robert Kaplan said that the Fed should start talking about tapering “sooner rather than later”, stating that the economy has improved faster than he expected, and worries about excesses and imbalances in markets. The US April manufacturing and employment figures were weaker than market expectations, alleviating investors’ worries about the Fed reducing quantitative easing in the short term.

Exchange Rate: RMB exchange rate declined

The RMB exchange rate declined given the weak dollar index. As of May 7, the intermediate price of RMB exchange rate closed at 6.4678, down 256bp as compared to the rate on April 23; the onshore RMB exchange rate closed at 6.4589, down 347bp; the offshore RMB exchange rate closed at 6.4159, down 738bp.

Figure 1 : RMB exchange rate

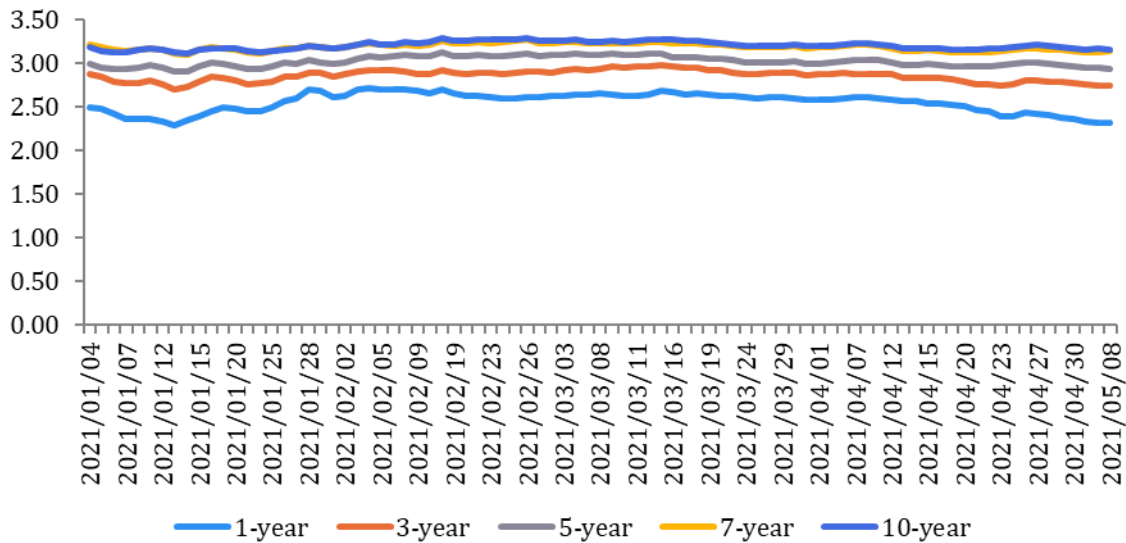


Sources: Wind, CCX research

Interest Rate: Chinese Government Bond and US Treasury yields dropped

Chinese Government Bond yields dropped. As of May 8, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields closed at 2.3193%, 2.7346%, 2.9369%, 3.1333% and 3.1582%, respectively.

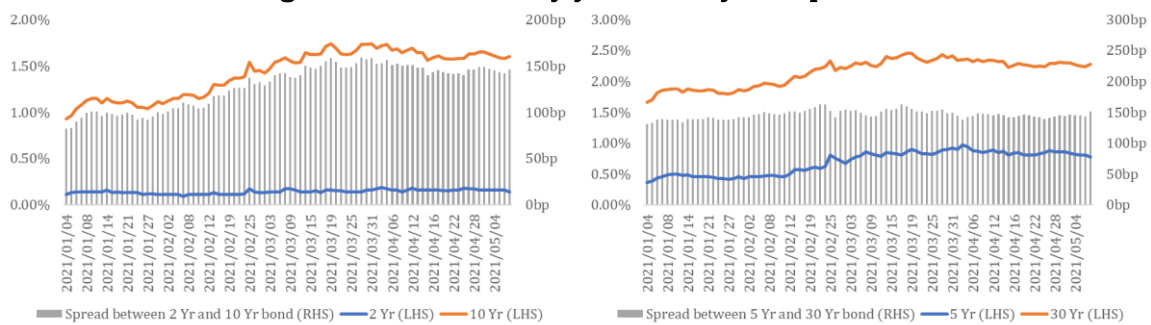
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The recovery of US manufacturing sector slowed down, and the April non-farm payroll increased by 266 thousand, much lower the market expectation of 1 million. Confidence in economic recovery and interest rate hikes expectation weakened, driving the decline in US Treasury yields. As of May 7, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.14%, 0.77%, 1.60% and 2.28%, decreasing by 2bp, 9bp, 5bp and 2bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 3bp to 146bp, while the spread between the 5-year and 30-year widened by 7bp to 151bp.

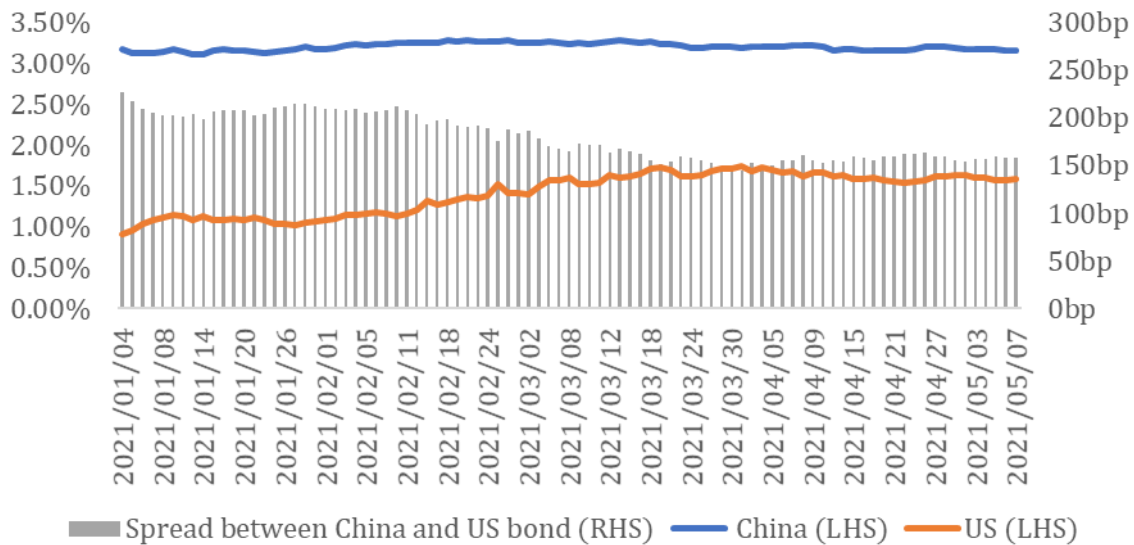
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of May 7, the yield spread between China and US 10-year note was 158.2bp, widening by 4.4bp from last Friday and tightening by 68.3bp 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

New issuance of Chinese offshore bond stayed weak given the May Day holiday. From April 26 to May 7, Chinese corporates had 22 new issues in the offshore market with a total issued volume of approximately USD3.7 billion.

Table 1 : New issuance of Chinese offshore bonds (20210426-20210507)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/4/26	China Datang Corp	HKD	400	3	2024/4/28	3	Utilities	-/-/-	-/-/-
2021/4/27	Kaisa Group Holdings Ltd	USD	500	11.7	2025/11/11	4.5	Real Estate	B1/B/B	B2/-/B
2021/4/27	Shanxi Securities Co Ltd	USD	200	3.4	2024/5/4	3	Financials	-/-/-	-/-/-
2021/4/28	Beijing Enterprises Holdings Ltd	USD	300	2	2026/5/6	5	Utilities	Baa1/BBB+/-	Baa1/BBB+/-
2021/4/28	Beijing Enterprises Holdings Ltd	USD	400	3.125	2031/5/6	10	Utilities	Baa1/BBB+/-	Baa1/BBB+/-
2021/4/28	Huatai International Financial Holdings Co Ltd	USD	2.5	0	2024/6/18	3.12	Financials	-/BBB/-	-/-/-
2021/4/28	Huatai International Financial Holdings Co Ltd	USD	2.5	0	2024/6/18	3.12	Financials	-/BBB/-	-/-/-
2021/4/28	Nanjing Jiangbei New Area Industrial Investment Group Co Ltd	USD	300	2.6	2022/5/5	364D	Chengtou	-/-/BBB	-/-/-
2021/4/29	CMB International Capital Corp Ltd	USD	6	0.65	2021/11/4	184D	Financials	Baa1/BBB+/-	-/-/-
2021/4/29	Guangzhou Finance Holdings Group Co Ltd	USD	300	2.15	2024/5/6	3	Financials	-/BBB+/A-	-/-/A-
2021/4/29	XiAn Qujiang Cultural Industry Investment Group Co Ltd	USD	60	5.5	2024/5/10	3	Chengtou	-/-/-	-/-/-
2021/4/30	Rudong County Tongtai Investment Group Co Ltd	USD	50	5.5	2022/5/6	364D	Chengtou	-/-/-	-/-/-

2021/5/4	Guotai Junan International Holdings Ltd	HKD	380	0	2021/11/11	184D	Financials	Baa2/BBB+/-	-/-/-
2021/5/4	Guotai Junan International Holdings Ltd	HKD	200	0.6	2022/5/10	364D	Financials	Baa2/BBB+/-	-/-/-
2021/5/5	ENN Natural Gas Co Ltd	USD	800	3.375	2026/5/12	5	Utilities	Ba1/-/BBB-	Ba1/-/BBB-
2021/5/5	Guotai Junan International Holdings Ltd	HKD	160	0.8	2022/5/11	364D	Financials	Baa2/BBB+/-	-/-/-
2021/5/5	Powerlong Real Estate Holdings Ltd	USD	200	4.9	2026/5/13	5	Real Estate	B1/BB-/	B2/B+/-
2021/5/6	China International Capital Corp Hong Kong Ltd	USD	30	1.02	2022/5/12	364D	Financials	Baa1/BBB/BBB+	-/-/-
2021/5/6	eHi Car Services Ltd	USD	300	7.75	2024/11/14	3.5	Consumer Discretionary	-/B/B*+	-/B/B*+
2021/5/6	Guotai Junan International Holdings Ltd	HKD	156	0.78	2022/5/12	364D	Financials	Baa2/BBB+/-	-/-/-
2021/5/6	Huatai International Financial Holdings Co Ltd	USD	35	0.5	2021/8/12	92D	Financials	-/BBB/-	-/-/-
2021/5/7	Guotai Junan International Holdings Ltd	HKD	380	0.75	2021/11/15	185D	Financials	Baa2/BBB+/-	-/-/-

Sources: Bloomberg, CCX research

From April 26 to May 7, 3 Chinese companies announced tap bond offering.

Table 2 : Tap bond offering (20210426-20210507)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/ Fitch)	Issue Rating (Moody's/S&P/ Fitch)
2021/4/26	Yango Group Co Ltd	USD	382 (reoffered 82)	7.5	2024/4/15	3.75	Real Estate	B1/-/B+	B2/-/-
2021/5/6	BOC Aviation Ltd	USD	1,000 (reoffered 250)	1.625	2024/4/29	3	Financials	-/A-/A-	-/A-/A-
2021/5/7	Redco Properties Group Ltd	USD	285 (reoffered 65)	8	2022/4/13	364D	Real Estate	-/B/B+	-/-/B+

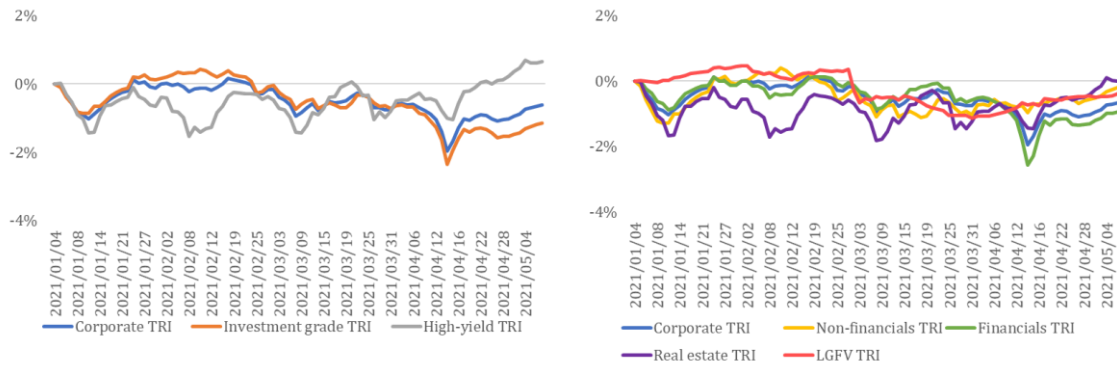
Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds rose

As of May 7, the YTD return¹ on Chinese USD corporate bond index increased by 32bp from last Friday to -0.63%. The return on investment-grade bond increased by 33bp to -1.15%, and the return on high-yield bond increased by 28bp to 0.65%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds closed at -0.20%, -0.90%, 0.05% and -0.39%, increasing by 32bp, 31bp, 31bp and 10bp from last Friday, respectively.

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

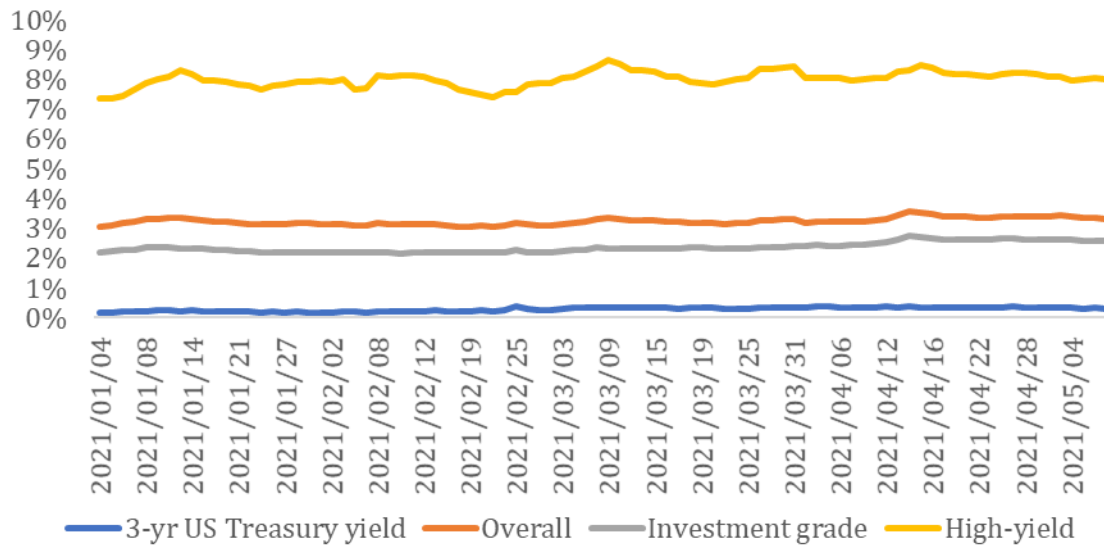
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of May 7, the yield-to-worst of Chinese dollar bonds fell by 5bp to 3.31% from last Friday, of which investment grade bond index fell by 5bp to 2.56% and high-yield bond index fell by 8bp to 8.01%.

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



Sources: Bloomberg, CCX research

Rating Actions: China Huarong and its subsidiaries' ratings downgraded

From April 26 to May 7, the rating agencies took positive rating actions on 5 Chinese issuers, and took negative rating actions on 6 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20210426-20210507)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	China Logistics Property Holdings Co Ltd	Real Estate	B-	STABLE	2021/4/26	B-	NEG	2020/4/28	Fitch	Reduced refinancing risk
	Tingyi Cayman Islands Holding Corp	Consumer Staples	A3	STABLE	2021/4/29	Baa1	POS	2020/7/10	Moody's	Prudent financial policy and resilient business model
	Redsun Properties Group Ltd	Real Estate	BB	STABLE	2021/4/29	BB-	STABLE	2020/5/22	Lianhe Global	Improved market position and financial leverage
	Yangzhou Economic & Technological Development Zone Development Corp	Chengtou	BB+	STABLE	2021/5/3	BB+	NEG	2020/4/24	S&P	Resilience of Yangzhou's local economy
	eHi Car Services Ltd	Consumer Discretionary	B	Rating Watch positive	2021/5/5	B	STABLE	2020/11/17	Fitch	Potential improvement of debt maturity profile
Downgrade	China Huarong Asset Management Co Ltd	Financials	BBB	Rating Watch Negative	2021/4/26	A	Rating Watch Negative	2021/4/13	Fitch	Reassessment of the government support factors
	China Huarong Financial Leasing Co Ltd	Financials	BBB-	Rating Watch Negative	2021/4/27	A-	Rating Watch Negative	2021/4/14	Fitch	Parent company's ratings were downgraded
	Huarong Industrial Investment Management Co Ltd	Real Estate	BB	Rating Watch Negative	2021/4/27	BBB+	Rating Watch Negative	2021/4/15	Fitch	Weakened parent and subsidiary linkage
	China Huarong Asset Management Co Ltd	Financials	Baa1	Rating Watch Negative	2021/4/29	A3	Rating Watch Negative	2021/4/13	Moody's	Weakened funding profile
	Golden Wheel Tiandi Holdings Co Ltd	Real Estate	B	STABLE	2021/4/30	B+	Rating Watch Negative	2021/4/20	Lianhe Global	Tight liquidity and rising refinancing risk
	China Huarong Financial Leasing Co Ltd	Financials	Baa2	Rating Watch Negative	2021/4/30	Baa1	Rating Watch Negative	2021/4/14	Moody's	Uncertainties in government support
	Golden Wheel Tiandi Holdings Co Ltd	Real Estate	B3	Negative	2021/4/30	B2	STABLE	2019/12/19	Moody's	Heightened refinancing risk
	Sichuan Languang Development Co Ltd	Real Estate	B2	STABLE	2021/5/5	B1	STABLE	2020/10/23	Moody's	Reduced liquidity buffer
	Sichuan Languang Development Co Ltd	Real Estate	B+	NEG	2021/5/6	B+	STABLE	2018/6/5	S&P	Weakening Capital structure
Beijing Hongkun Weiye Real Estate Development Co Ltd	Real Estate	B	NEG	2021/5/6	B	STABLE	2020/5/11	Fitch	Increased refinancing risks	
Domestic Rating:										
Downgrade	China Huarong Financial Leasing Co Ltd	Financials	AAA	Rating Watch Negative	2021/4/26	AAA	STABLE	2020/7/29	China Chengxin	Uncertainty of China Huarong's 2020 annual result

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: Hengan International issued a SCP

On April 26, Hengan International Group Company Limited (“Hengan International”) issued the third tranche 2021 super & short-term commercial paper in the China Interbank Market. The bond totaled RMB1 billion with a coupon rate of 2.90% and a tenor of 180 days. CCFI assigned AAA rating on the issuer.

As of May 7, there were 12 issuers issuing 23 panda bonds with a total issued amount of RMB34.4 billion and an average coupon rate of 3.53%. 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 (20210101-20210507)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Hengan International Group Company Limited	1	2.90	2021/4/26	2021/10/23	0.5	SCP	China Interbank Market	China Chengxin
Beijing Enterprises Water Group Limited	1.5	3.98	2021/4/23	2029/4/23	8	MTN	China Interbank Market	Shanghai Brilliance Rating
China Power International Development Limited	2	3.54	2021/4/23	2024/4/23	3	MTN	China Interbank Market	China Chengxin
GLP China Holdings Limited	1.5	4.40	2021/4/22	2026/4/22	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Mengniu Dairy Company Limited	1	2.50	2021/4/19	2021/6/25	0.18	SCP	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	3.00	2021/4/15	2021/10/12	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	1	2.50	2021/4/8	2021/6/25	0.21	SCP	China Interbank Market	China Chengxin
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
SHC 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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