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From May 17 to May 21

Japan and EU's economy shrank; Oceanwide defaulted on its USD bond

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Headline: Japan and EU's economy shrank, Fed's minutes revealed taper talk

On May 18, Japan and EU's 2021Q1 economic data were announced, which showed the recovery in both regions was interrupted due to pandemic rebound. According to the data published by Eurostat, the GDP decreased by 0.6% QoQ in the eurozone, which was the second consecutive quarter of contractions since a strong rebound in 2020Q3. Japan's economy shrank in 2021Q1 and ceased the expansion since 2020Q3. Japan 2021Q1 GDP declined by 1.3% QoQ, or 5.1% year-on-year.

On May 19, the Fed released April meeting minutes, which was less dovish than expected. The minutes showed that a number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases.

Exchange Rate: RMB exchange rate dropped

Affected by the increasing expectations on interest rate hike of the Fed and the weakened US dollar index, the RMB exchange rate continued to drop. As of May 21, the intermediate price of RMB exchange rate closed at 6.4300.

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

China Government Bond yields declined amid stable market liquidity. Fed's April meeting minutes revealed hawkish signals, but later, data showed that factory activity in the US mid-Atlantic region slowed down, casting doubt on how quickly the economy can continue to grow. As a result, US treasury yields fell after rising. As of May 21, the yield spread between China and US 10-year note was 146.6bp, narrowing by 5.1bp from last Friday and narrowing by 79.9bp from the beginning of the year.

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

From May 17 to May 21, there were 16 new issues with a total issued volume of USD2.25 billion, decreasing by 52.6% from last week. Chengtou companies were the key issuers that issued 7 bonds with a total issued amount of USD0.8 billion.

Secondary Market: Market: Return on Chinese USD bonds diverged

As of May 21, the YTD return on Chinese USD corporate bond index rose by 2bp from last Friday to -0.87%. The return on investment-grade bond fell by 10bp to -1.57%, and the return on high-yield bond rose by 33bp to 0.86%.

Rating Actions: CCXAP upgraded Jinke Property's long-term credit rating to BB_g+, with stable outlook, and assigned BB_g+ to its proposed USD notes

Risk Event: Oceanwide Holdings defaulted on its USD bond

Panda Bond Market: Daimler International issued 2 PPNs

On May 21, Daimler International issued the series three and four 2021 private placement notes in the China Interbank Market. Daimler International raised RMB2.0 billion via each series of notes, with a tenor of 2 and 3 years at a coupon rate of 3.60% and 3.77%, respectively.

Headline: Japan and EU's economy shrank, Fed's minutes revealed taper talk

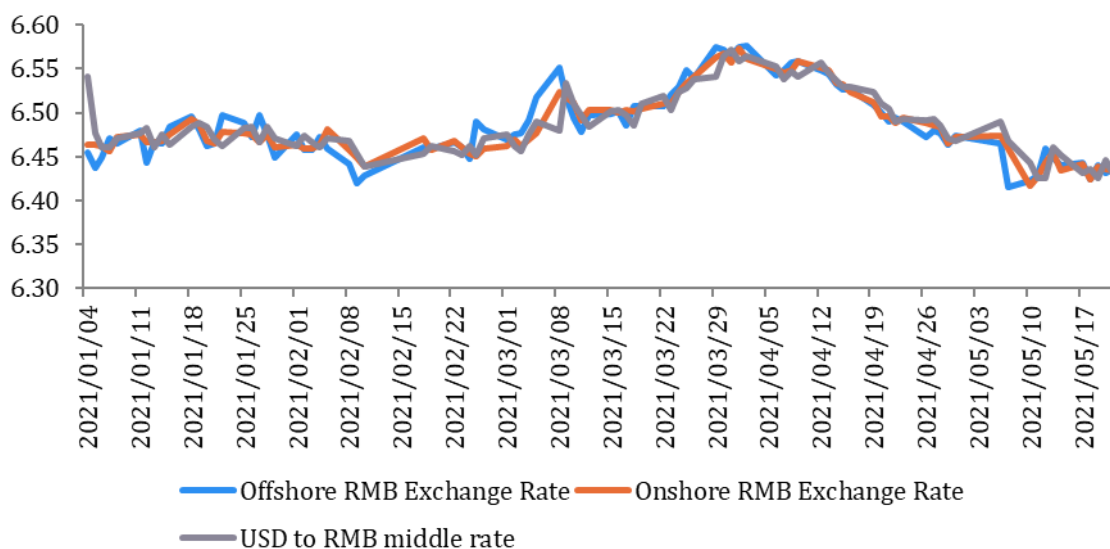
On May 18, Japan and EU's 2021Q1 economic data were announced, which showed the recovery in both regions was interrupted due to pandemic rebound. According to the data published by Eurostat, the GDP decreased by 0.6% quarter-on-quarter ("QoQ") in the eurozone, which was the second consecutive quarter of contractions since a strong rebound in 2020Q3. The main reason for the short-term economic pressure in the eurozone was that many European countries experienced rebound in infections, and the governments tightened the pandemic control measures. Among the eurozone, Germany and Italy recorded a 1.8% and 0.4% QoQ contraction in GDP, respectively. France's economy rose by 0.4% QoQ. According to the data from Cabinet Office of Japan, Japan's economy shrank in 2021Q1 and ceased the expansion since 2020Q3. Japan 2021Q1 GDP declined by 1.3% QoQ, or 5.1% year-on-year.

On May 19, the Fed released April meeting minutes, which was less dovish than expected. The minutes showed that a number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases. This has been the first time for the Fed policymakers to hint at the possibility of discussing tapering in the meeting since the pandemic.

Exchange Rate: RMB exchange rate dropped

Affected by the increasing expectations on interest rate hike of the Fed and the weakened US dollar index, the RMB exchange rate continued to drop. As of May 21, the intermediate price of RMB exchange rate closed at 6.4300, down 225bp from last Friday; the onshore RMB exchange rate decreased by 10bp to 6.4337; the offshore RMB exchange rate decreased by 45bp to 6.4354.

Figure 1 : RMB exchange rate

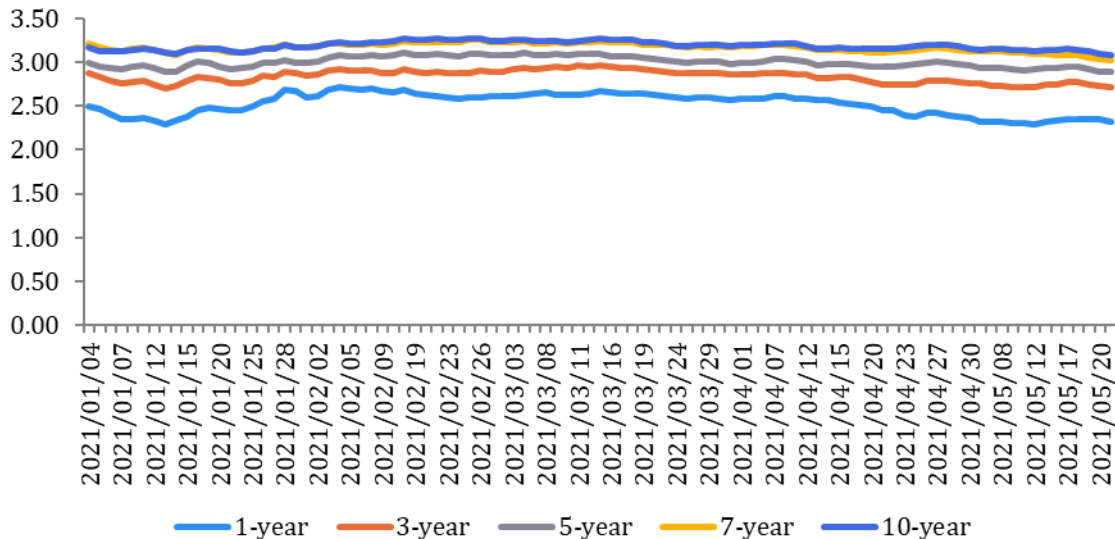


Sources: Wind, CCX research

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

China Government Bond yields declined amid stable market liquidity. As of May 21, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields closed at 2.3272%, 2.7217%, 2.8919%, 3.0238% and 3.0876%, respectively.

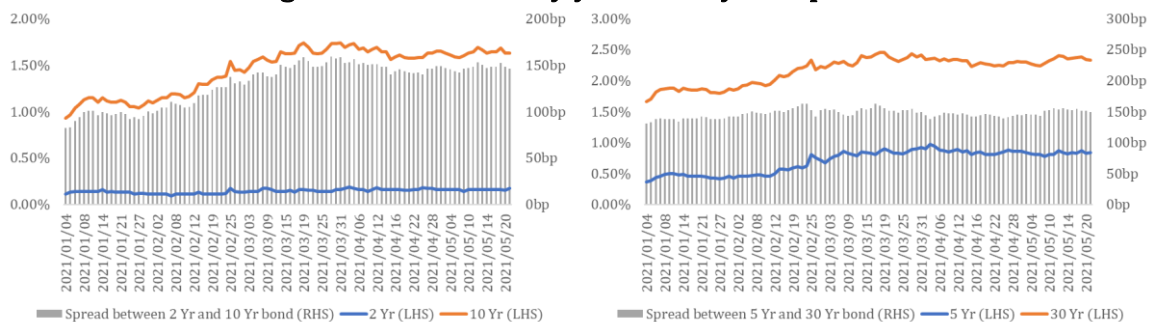
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Fed's April meeting minutes revealed hawkish signals, but later, data showed that factory activity in the US mid-Atlantic region slowed down, casting doubt on how quickly the economy can continue to grow. As a result, US treasury yields fell after rising. As of May 21, the 2-year Treasury yield closed at 0.17%, 5-year Treasury yield closed at 0.84%, increasing by 1bp and 2bp from last Friday respectively, 10-year Treasury yield flattened at 1.63%, 30-year Treasury yield closed at 2.33%, decreasing by 2bp from last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 1bp to 146bp, while the spread between the 5-year and 30-year narrowed by 4bp to 149bp.

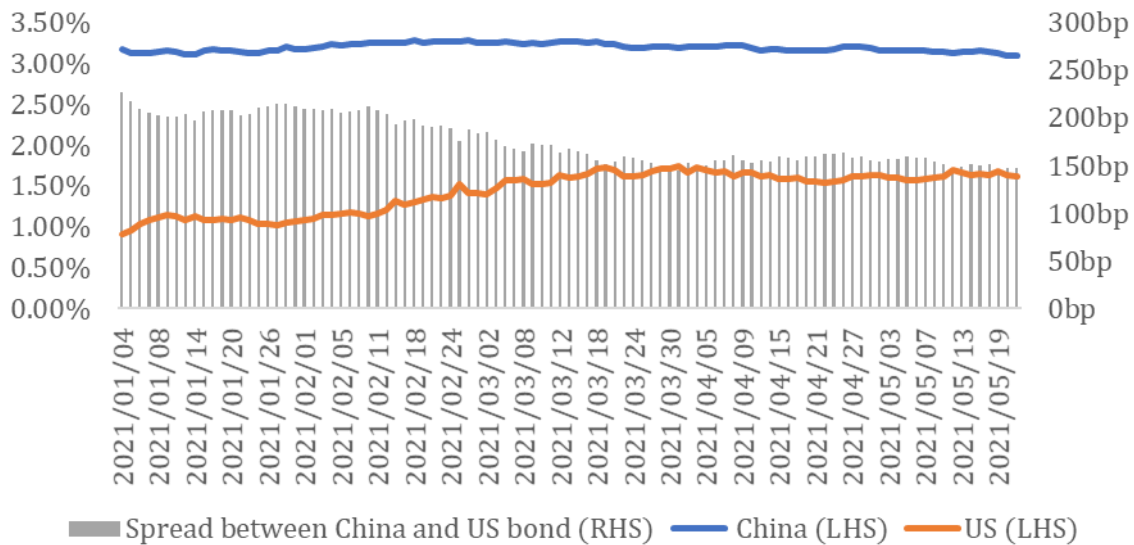
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of May 21, the yield spread between China and US 10-year note was 146.6bp, narrowing by 5.1bp from last Friday and narrowing by 79.9bp 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 issuance fell

From May 17 to May 21, there were 16 new issues with a total issued volume of USD2.25 billion, decreasing by 52.6% from last week. Chengtou companies were the key issuers that issued 7 bonds with a total issued amount of USD0.8 billion.

Table 1 : New issuance of Chinese offshore bonds (20210517-20210521)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/5/17	China Vanke Co Ltd	CNY	1,445	3.45	2024/5/25	3	Real Estate	Baa2/BBB+/BBB+	-/BBB/-
2021/5/17	Guiyang Quanfeng City Construction Investment Co Ltd	EUR	23	1.7	2022/5/19	364D	Chengtou	-/-/-	-/-/-
2021/5/17	Guotai Junan International Holdings Ltd	HKD	300	0.6	2022/5/24	364D	Financials	Baa2/BBB+/-	-/-/-
2021/5/17	Redsun Properties Group Ltd	USD	210	7.3	2024/5/21	3	Real Estate	B2/-/B+	B3/-/B+
2021/5/17	Shandong Hi-Speed Group Co Ltd	USD	200	3.95	2024/5/24	3	Industrials	A3/-/A	Baa2/-/BBB+
2021/5/18	Hilong Holding Ltd	USD	379	9.75	2024/11/18	3.5	Energy	Caa3/-/-	-/-/-
2021/5/18	Jiangsu Jinguang Investment Development Group Co Ltd	USD	100	2.3	2024/5/25	3	Chengtou	-/-/-	-/-/-
2021/5/19	Bank of China Australia Ltd	AUD	200	3M BBSW+63	2024/5/26	3	Banks	A1/A/A	-/-/A
2021/5/20	Changxing Urban Construction Investment Group Co Ltd	USD	180	2.6	2024/5/27	3	Chengtou	-/-/-	-/-/-
2021/5/20	Jiande State-Owned Assets Management Co Ltd	USD	40	2.3	2024/5/27	3	Chengtou	-/-/-	-/-/-
2021/5/20	Nanning Communications Investment Group Co Ltd	USD	300	3.5	2024/5/27	3	Chengtou	-/-/BBB-	-/-/BBB-
2021/5/21	Agricultural Bank of China Ltd/Hong Kong	CNY	1,200	2.6	2023/5/28	2	Banks	A1/A/A	A1/-/-

2021/5/21	Agricultural Bank of China Ltd/Hong Kong	CNY	300	2.7	2024/4/28	2.92	Banks	A1/A/A	A1/-/-
2021/5/21	Shanghai Kangda New Materials Group Co Ltd	USD	11.8	3	2024/5/26	3	Materials	-/-/-	-/-/-
2021/5/21	Yangzhou Longchuan Holding Group Co Ltd	USD	97	2.5	2022/5/16	355D	Chengtou	-/-/-	-/-/-
2021/5/21	Zhenjiang New Area Urban Construction Investment Co Ltd	USD	50	3	2022/5/25	364D	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

On May 18, Skyfame Realty Holdings Ltd announced tap bond offering.

Table 2 : Tap bond offering (20210517-20210521)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/5/18	Skyfame Realty Holdings Ltd	USD	192 (reoffered 112)	13	2023/12/16	3	Real Estate	-/-/B-	-/-/B-

Sources: Bloomberg, CCX research

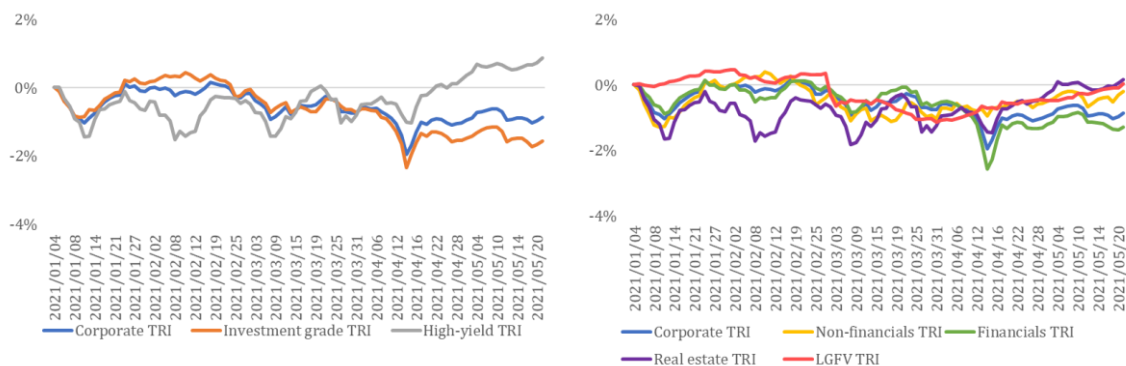
Recently, Zhongyu Gas Holdings Ltd, Jinke Properties Group Co Ltd and Jiangsu Shagang Group Co Ltd planned to issue dollar bonds.

Secondary Market: Return on Chinese USD bonds diverged

As of May 21, the YTD return¹ on Chinese USD corporate bond index rose by 2bp from last Friday to -0.87%. The return on investment-grade bond fell by 10bp to -1.57%, and the return on high-yield bond rose by 33bp to 0.86%. In terms of sector indices, the returns on real estate bond, non-financial bond and chengtou bond were 0.16%, -0.20% and 0.04%, increasing by 31bp, 25bp and 22bp from last Friday.

The return on financial bond fell by 12bp to -1.29% given the slump of China Huarong's USD bonds.

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

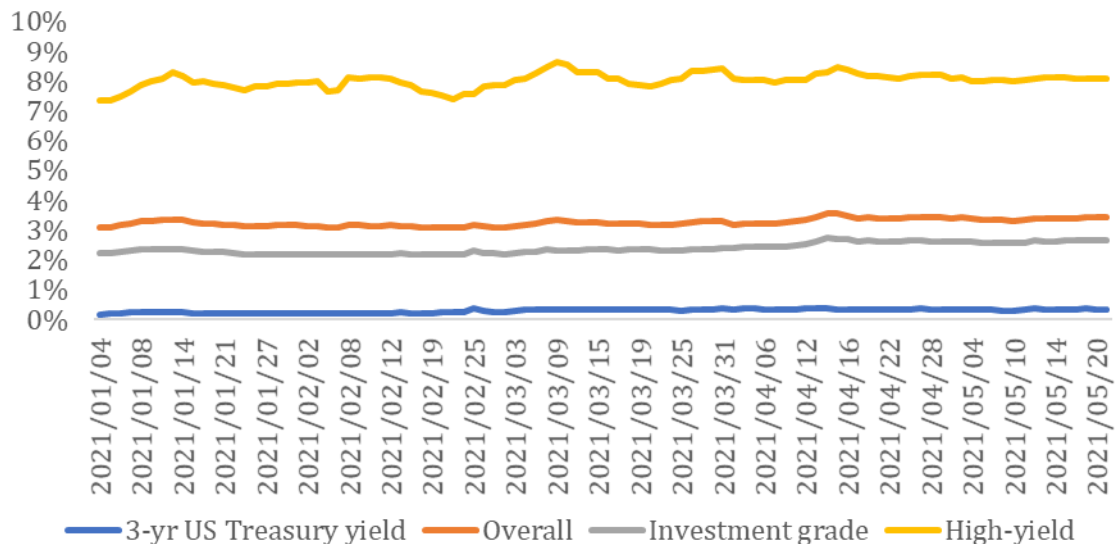


Sources: Bloomberg, CCX research

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

As of May 21, the yield-to-worst of Chinese dollar bonds rose by 3bp to 3.41% from last Friday, of which investment grade bond index rose by 2bp to 2.64% and high-yield bond index fell by 5bp to 8.06%.

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



Sources: Bloomberg, CCX research

Rating Actions: CCXAP upgraded Jinke Property’s long-term credit rating to BB_g+, with stable outlook, and assigned BB_g+ to its proposed USD notes

On May 20, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) upgraded Jinke Property Group Co., Ltd.’s (“Jinke Property”) long-term credit rating to BB_g+ from BB_g, with stable outlook, and assigned BB_g+ to the proposed US dollar-denominated senior notes to be issued by Jinke Property. The upgrade is based on Jinke Property’s robust contracted sales growth with more diversified geographical coverage. Jinke Property demonstrates a better-than-expected deleveraging process, which is expected to continue over the next 12-18 months.

On May 21, CCXAP assigned a first-time long-term credit rating of BBB_g- to Yangzhou Longchuan Holding Group Co., Ltd (“Yangzhou Longchuan”). The rating outlook is stable.

Table 3 : CCXAP’s rating action (20210517-20210521)

Date	Entity	Issuer Rating	Issue Rating	Rating Rationale
2021/5/20	Jinke Property	BB _g +	BB _g +	The credit rating is underpinned by (1) established track record in Chongqing and resilient contracted sales growth; (2) sufficient and diversified land bank; and (3) solid revenue growth and improving net profit margin. However, the rating is also constrained by (1) large exposure to lower-tier cities; and (2) moderate but improving credit metrics.
2021/5/21	Yangzhou Longchuan	BBB _g -	-	The credit rating is underpinned by (1) vital position in infrastructure and resettlement housing construction in Jiangdu District; (2) regional monopolistic advantage in city operation businesses; and (3) increasing revenue and operating profit. However, the rating is also constrained by (1) weak asset liquidity; (2) high debt leverage; and (3) weak liquidity profile.

Source: CCX research

From May 17 to May 21, the rating agencies took positive rating actions on 1 Chinese issuer, and took negative rating actions on 6 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20210517-20210521)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Golden Eagle Retail Group Ltd	Consumer Discretionary	BB+	STABLE	2021/5/17	BB	STABLE	2020/9/25	Fitch	Maintain a strong financial profile amid the coronavirus pandemic
	Wens Foodstuffs Group Co Ltd	Consumer Staples	BBB-	STABLE	2021/5/17	BBB	STABLE	2020/10/15	S&P	Business deterioration and higher leverage
Downgrade	Baoji Investment Group Co Ltd	Chengtou	BB+	STABLE	2021/5/17	BBB-	STABLE	2020/9/15	Fitch	Weakened financial implications of default
	Shenzhen International Holdings Ltd	Industrials	BBB	NEG	2021/5/20	BBB	STABLE	2020/5/22	Fitch	Ambitious plans underway for expansion and acquisitions
	Shenzhen Expressway Co Ltd	Industrials	BBB	NEG	2021/5/20	BBB	STABLE	2020/5/22	Fitch	Parent company's outlook was revised
	Xiamen Xiangyu Group Corp	Industrials	BBB-	STABLE	2021/5/21	BBB	STABLE	2020/11/16	Fitch	Weakened financial implications of default
Domestic Rating:										
Downgrade	Oceanwide Holdings Co Ltd	Real Estate	AA-	NEG	2021/5/18	AA+	Rating Watch Negative	2021/1/28	Golden Credit	Reported a loss, large repayment pressure

Sources: Bloomberg, Wind, CCX research

Risk Event: Oceanwide Holdings defaulted on its USD bond

On May 24, Oceanwide Holdings Co. Ltd. ("Oceanwide Holdings") announced that it could not fully repay its USD280 million bond due May 23, 2021, constituting a material default. As of May 24, Oceanwide Holdings repaid USD146 million of the issued, and it planned to postpone the principal and interest repayment on the remaining USD134 million until August 23. In addition, Oceanwide Holdings' had another outstanding offshore bond of USD280 million due October 31, 2021.

Panda Bond Market: Daimler International issued 2 PPNs

On May 21, Daimler International Finance BV ("Daimler International") issued the series three and four 2021 private placement notes in the China Interbank Market. Daimler International raised RMB2.0 billion via each series of notes, with a tenor of 2 and 3 years at a coupon rate of 3.60% and 3.77%, respectively.

As of May 21, there were 12 issuers that issued 27 panda bonds with a total issued amount of RMB39.9 billion and an average coupon rate of 3.55%. 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 5 : New issuance of Panda Bond in 2021 (20210101-20210521)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Daimler International Finance BV	2	3.77	2021/5/21	2024/5/21	3	PPN	China Interbank Market	--
Daimler International Finance BV	2	3.60	2021/5/21	2023/5/21	2	PPN	China Interbank Market	--
Yuexiu Transport Infrastructure Limited	0.5	3.84	2021/5/13	2028/5/13	7	Corporate Bond	Shanghai Exchange Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.48	2021/5/13	2026/5/13	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
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	China Chengxin

							Market	
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	2026/1/28	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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