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From May 31 to June 4

Eurozone PMI hit record high; Returns on Chinese real estate high-yield USD bonds decreased

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Headline: Eurozone PMI hit record highs in May, US inflationary pressures increased further

Eurozone manufacturing industry rebounded and hit a record high alongside the rise in inflation. The Eurozone annual inflation surged to 2% in May, near three-year high. The Eurozone PMI rose to a record high of 63.1 in May, which was better than market expectations. The Beige Book indicated that economy expanded at a moderate pace from early April to late May, a somewhat faster rate than the prior reporting period. The interruption of the supply chain under the COVID-19 pandemic intensified price pressures, particularly in the construction and manufacturing sectors. It is anticipated that cost increases and higher prices will continue in the coming months.

Exchange Rate: RMB exchange rate rebounded

The RMB exchange rate rebounded as the central bank raised the reserve requirement ratio for foreign exchange deposits. As of June 4, the intermediate price of RMB exchange rate closed at 6.4072.

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

China Government Bond yields generally rose. US May non-farm payrolls increased by 559 thousand, and the US Treasury yields decline due to the lower-than-expected result. As of June 4, the yield spread between China and US 10-year note was 153.9bp, widening by 5.1bp from last Friday and narrowing by 72.6bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond issuers remained active**

From May 31 to June 4, there were 17 new issues with a total issued volume of USD5.31 billion. Industrial Bank Co Ltd/Hong Kong Branch was the largest issuer, issuing 2 tranches of bond totaling USD920 million.

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

Affected by the negative news and rating downgrades, returns on Chinese real estate high-yield USD bonds decreased. As of June 4, the YTD return on Chinese USD corporate bond index declined by 2bp from last Friday to -0.58%. The return on investment-grade bond rose by 31bp to -0.87%, and the return on high-yield bond dropped by 82bp to 0.12%. In terms of sector indices, the return on real estate bond fell the most, decreasing by 91bp to -0.71% from last Friday.

Rating Actions: Chinese issuers' credit quality diverged, Languang's rating downgraded**Panda Bond Market: China TCM issued 1 SCP**

On May 31, China TCM issued phrase one 2021 Super & Short-Term Commercial Paper (Rural Revitalization Bond) in the China Interbank Market. China TCM raised RMB1 billion at a coupon rate of 2.65%, with a tenor of 270 days.

Headline: Eurozone PMI hit record high in May, US inflationary pressures increased further

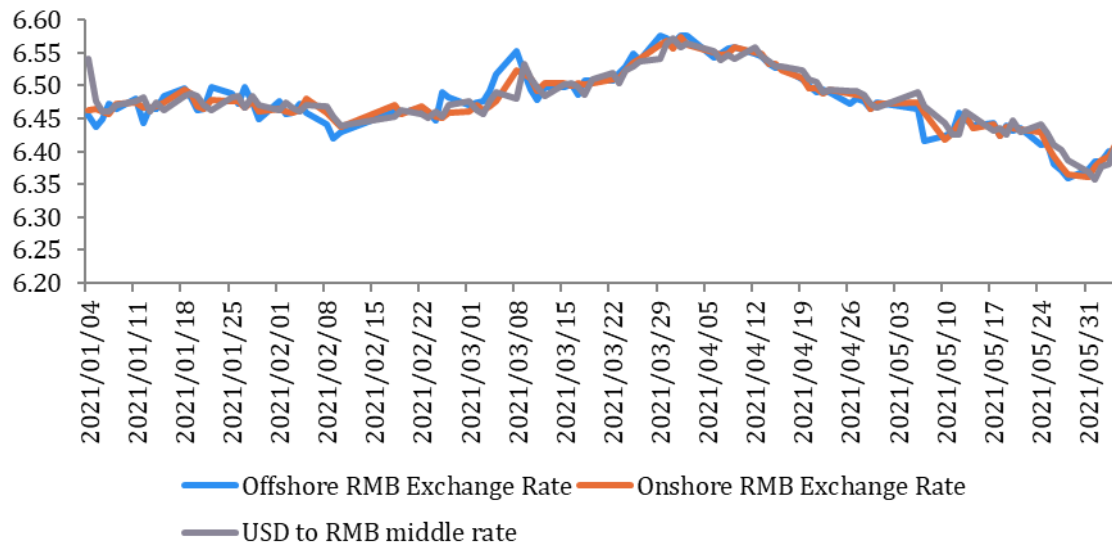
On June 1, Eurostat released economic data for the eurozone, showing that the manufacturing industry rebounded and hit a record high alongside the rise in inflation. The Eurozone annual inflation surged to 2% in May, near three-year high. The Eurozone PMI rose to a record high of 63.1 in May, which was better than market expectations. The outperformed manufacturing PMIs of Germany, France, and Italy recorded at 64.4, 59.4, and 62.3 in May, respectively. New orders drove record surge in UK manufacturing PMI in May to 65.6.

On June 2, the Fed published the Beige Book, which indicated that economy expanded at a moderate pace from early April to late May, a somewhat faster rate than the prior reporting period. Several Districts cited the positive effects on the economy of increased vaccination rates and relaxed social distancing measures. The interruption of the supply chain under the COVID-19 pandemic intensified price pressures, particularly in the construction and manufacturing sectors. It is anticipated that cost increases and higher prices will continue in the coming months.

Exchange Rate: RMB exchange rate rebounded

The RMB exchange rate rebounded as the central bank raised the reserve requirement ratio for foreign exchange deposits. As of June 4, the intermediate price of RMB exchange rate closed at 6.4072, up 214bp from last Friday; the onshore RMB exchange rate increased by 438bp to 6.4092; the offshore RMB exchange rate increased by 305bp to 6.3902.

Figure 1 : RMB exchange rate



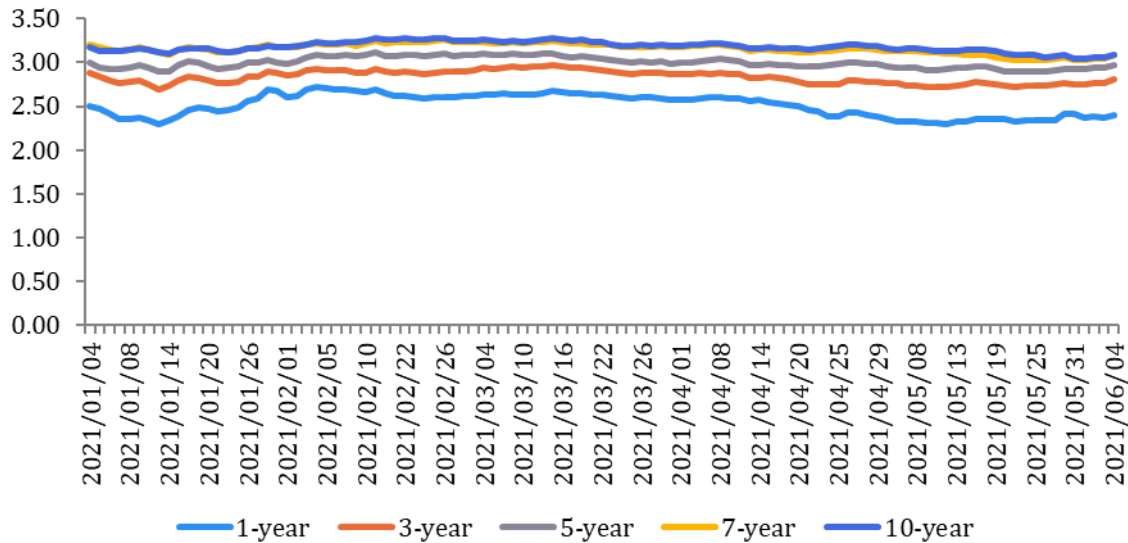
Sources: Wind, CCX research

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

China Government Bond yields generally rose. As of June 4, the 3-year, 5-year, 7-year and 10-year Government Bond yields fluctuated upward from last Friday and closed at 2.8087%, 2.9746%, 3.0807% and 3.0925%, respectively. 1-year Government Bond yield fluctuated downward and closed at 2.3934%. In the short term, China Government Bond yields are

mainly affected by domestic liquidity. The Chinese Government Bond yields may increase given increase in liquidity pressure.

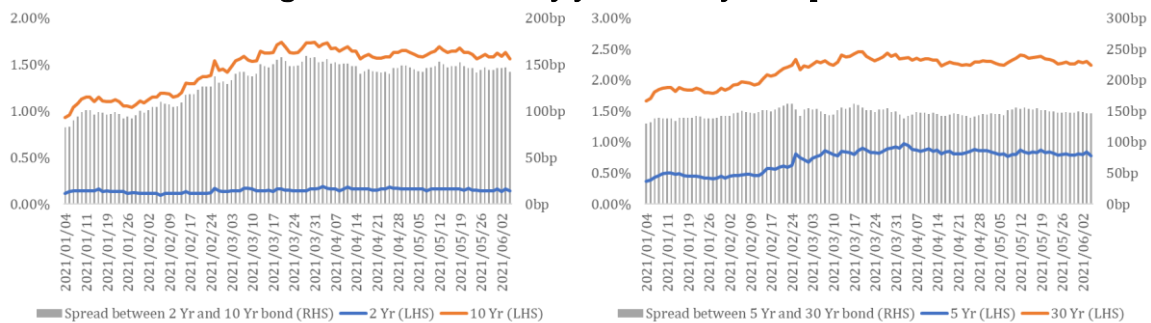
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US May non-farm payrolls increased by 559 thousand, and the US Treasury yields decline due to the lower-than-expected result. As of June 4, the 2-year Treasury yield flattened at 0.14%, 5-year Treasury yield closed at 0.78%, 10-year Treasury yield closed at 1.56%, 30-year Treasury yield closed at 2.24%, decreasing by 1bp, 2bp, and 2bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 2bp to 142bp, while the spread between the 5-year and 30-year tightened by 1bp to 146bp.

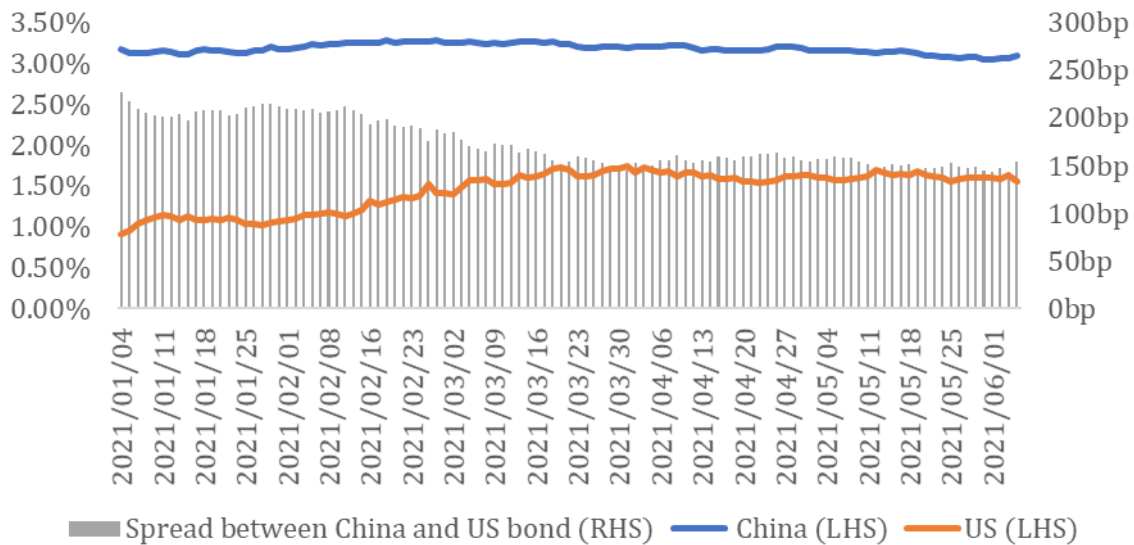
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of June 4, the yield spread between China and US 10-year note was 153.9bp, widening by 5.1bp from last Friday and tightening by 72.6bp 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 issuers remained active

From May 31 to June 4, there were 17 new issues with a total issued volume of USD5.31 billion. Industrial Bank Co Ltd/Hong Kong Branch was the key issuer, issuing 2 tranches of bond totaling USD920 million.

Table 1 : New issuance of Chinese offshore bonds (20210531-20210604)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/5/31	China State Construction International Holdings Ltd	USD	500	3.4	-	Perpetual	Industrials	Baa2/BBB/BBB+	Baa3/-/-
2021/5/31	Datang Group Holdings Ltd	USD	300	12.5	2022/6/6	364D	Real Estate	B2/B/-	-/-/-
2021/5/31	Qingdao Jiaozhou Bay Development Group Co Ltd	USD	200	3.4	2024/6/7	3	Chengtou	-/-/BBB-	-/-/BBB-
2021/6/1	China Hongqiao Group Ltd	USD	500	6.25	2024/6/8	3	Materials	Ba3/BB-/BB	B1/B+/BB
2021/6/1	Microport Scientific Corp	USD	700	0	2026/6/11	5	Health Care	-/-/-	-/-/-
2021/6/1	Zhenro Properties Group Ltd	USD	340	7.1	2024/9/10	3.3	Real Estate	B1/-/B+	B2/-/B+
2021/6/2	CMB International Capital Corp Ltd	USD	50	0.7	2022/6/9	363D	Financials	Baa1/BBB+/-	-/-/-
2021/6/2	Industrial Bank Co Ltd/Hong Kong Branch	HKD	2,500	0.75	2024/6/10	3	Banks	Baa2/-/BBB-	Baa2/-/-
2021/6/2	Yangzhou Yuanbo Investment Development Co Ltd	USD	46	2.2	2022/6/7	364D	Chengtou	-/-/-	-/-/-
2021/6/3	Chongqing Nan'an Urban Construction & Development Group Co Ltd	USD	350	4.56	2026/6/10	5	Chengtou	-/BBB/BBB	-/-/-
2021/6/3	CSC Financial Co Ltd	USD	500	1.125	2024/6/10	3	Financials	Baa1/-/BBB+	Baa1/-/-
2021/6/3	Gansu Provincial Highway Aviation Tourism Investment	USD	400	3.5	2024/6/10	3	Chengtou	-/BBB/BBB+	-/BBB/-

Group Co Ltd									
2021/6/3	Huatai International Financial Holdings Co Ltd	USD	100	0.7	2022/6/9	363D	Financials	-/-/-	-/-/-
2021/6/3	Industrial Bank Co Ltd/Hong Kong Branch	USD	600	0.875	2024/6/10	3	Banks	Baa2/-/BBB-	Baa2/-/-
2021/6/3	Jiangsu Zhongnan Construction Group Co Ltd	USD	150	12	2022/6/8	364D	Real Estate	B1/B+/-	-/-/-
2021/6/3	Shinsun Holdings Group Co Ltd	USD	200	10.5	2022/6/7	364D	Real Estate	B2/B/B	-/-/-
2021/6/3	Ying Li International Real Estate Ltd	USD	50	3	2022/6/9	364D	Real Estate	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From May 31 to June 4, there were 5 Chinese enterprises announced tap bond offering.

Table 2 : Tap bond offering (20210531-20210604)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/ Fitch)	Issue Rating (Moody's/S&P/ Fitch)
2021/5/31	Xi'an Port Industrial Co Ltd	USD	300 (reoffered 110)	5.8	2023/12/2	3	Industrials	-/-/-	-/-/-
2021/5/31	Agile Group Holdings Ltd	USD	450 (reoffered 150)	5.5	2026/5/17	5	Real Estate	Ba2/BB/-	-/BB/-
2021/6/2	E-House China Enterprise Holdings Ltd	USD	300 (reoffered 100)	7.6	2023/6/10	2.5	Real Estate	-/BB/-	-/BB/-
2021/6/2	Skyfame Realty Holdings Ltd	USD	292 (reoffered 100)	13	2023/12/16	3	Real Estate	-/-/B-	-/-/B-
2021/6/4	Putian State-owned Assets Investment Co Ltd	USD	265 (reoffered 85)	4.7	2024/4/23	3	Chengtou	-/-/BB+	-/-/BB+

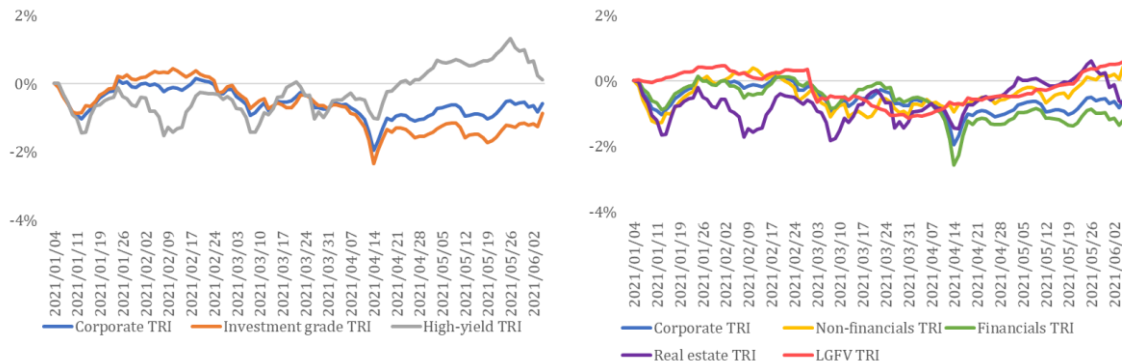
Sources: Bloomberg, CCX research

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

Affected by the negative news about the real estate issuers such as Languang and Evergrande, returns on Chinese real estate high-yield USD bonds decreased. As of June 4, the YTD return¹ on Chinese USD corporate bond index declined by 2bp from last Friday to -0.58%. The return on investment-grade bond rose by 31bp to -0.87%, and the return on high-yield bond dropped by 82bp to 0.12%. In terms of sector indices, the return on real estate bond fell the most, decreasing by 91bp to -0.71% from last Friday. The return on financial bond decreased by 20bp to -1.21%. The returns on non-financial bond and Chengtou bond were 0.43% and 0.59%, increasing by 28bp and 16bp.

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

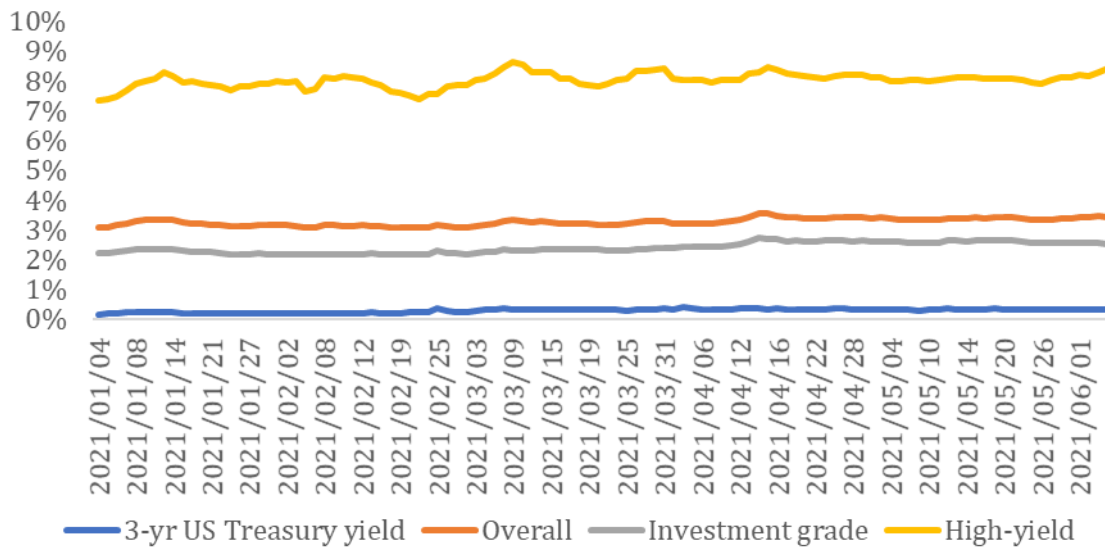
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of June 4, the yield-to-worst of Chinese dollar bonds rose by 5bp to 3.41% from last Friday, of which investment grade bond index dropped by 4bp to 2.50% and high-yield bond index rose by 32bp to 8.42%.

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



Sources: Bloomberg, CCX research

Rating Actions: Chinese issuers' credit quality diverged, Languang's rating downgraded

From May 31 to June 4, the rating agencies took positive rating actions on 8 Chinese issuer, and took negative rating actions on 6 Chinese issuers. Languang was downgraded by several rating agencies.

Table 3 : Credit rating changes of cross-border bond market (20210531-20210604)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:	Meinian Onehealth Healthcare Holdings Co Ltd	Health Care	B2	STABLE	2021/5/31	B2	NEG	2021/2/5	Moody's	Recovering operating performance	
	Bank of Suzhou Co Ltd	Banks	Ba1	STABLE	2021/5/31	Ba1	NEG	2020/3/27	Moody's	Stable operating environment and resilient financial fundamentals	
	Bank of Ningbo Co Ltd	Banks	Baa2	STABLE	2021/5/31	Baa2	NEG	2020/3/27	Moody's		
	Bank of Nanjing Co Ltd	Banks	Baa3	STABLE	2021/5/31	Baa3	NEG	2020/3/27	Moody's		
	Upgrade	Yuexiu Transport Infrastructure Ltd	Industrials	BBB-	STABLE	2021/6/3	BBB-	NEG	2020/6/19	Fitch	Strong post-pandemic revenue rebound and a more favorable macroeconomic environment
	Lenovo Group Limited	Technology	Baa3	POS	2021/6/4	Baa3	STABLE	2020/10/14	Moody's	Maintain leading market position and improved EBITDA	
	361 Degrees International Ltd	Consumer Discretionary	B+	STABLE	2021/6/4	B	NEG	2020/9/30	Fitch	Repayment of the outstanding bond	
Lionbridge Capital Co Ltd	Financials	Ba3	STABLE	2021/6/4	B1	POS	2020/9/4	Moody's	Increased financial flexibility and more diversified funding channels		
Downgrade	Sichuan Languang Development Co Ltd	Real Estate	B-	Rating Watch Negative	2021/5/31	B+	NEG	2021/5/6	S&P	Uncertain improvement in weak liquidity	
	Sichuan Languang Development Co Ltd	Real Estate	B3	NEG	2021/5/31	B2	STABLE	2021/5/5	Moody's	Heightened refinancing risk	
	Shanghai Electric Group Corp & Shanghai Electric Group Co Ltd	Industrials	A-	Rating Watch Negative	2021/6/1	A-	STABLE	2021/5/26	S&P	Potential receivables Loss	
	Shanghai Electric Group Corp & Shanghai Electric Group Co Ltd	Industrials	A3	NEG	2021/6/1	A3	STABLE	2020/6/2	Moody's	Potential loss arising from the account receivables issue	
	Dalian Deta Holding Co Ltd	Chengtou	BB+	STABLE	2021/6/1	BBB-	STABLE	2020/7/8	Fitch	Shareholding changes diluted the company's status	
	Kunming Traffic Investment Co Ltd	Chengtou	BB+	STABLE	2021/6/3	BBB-	STABLE	2020/6/12	Fitch	Limited the direct financial implications for the municipality from the expansion in logistics and trading business	

	Shanghai Huayi Group Co	Materials	BBB-	STABLE	2021/6/4	BBB-	POS	2020/6/17	Fitch	Higher-than-expected leverage ratio
Domestic Rating:										
Downgrade	Sichuan Languang Development Co Ltd	Real Estate	AAA	NEG	2021/6/1	AAA	STABLE	2020/3/11	Dagong	Weakened profitability, the quality and scale of land reserves restrict its future business development
	Sichuan Languang Development Co Ltd	Real Estate	AA	Rating Watch Negative	2021/6/3	AA+	STABLE	2021/1/29	CCXI	Heightened operating and refinancing risk
	Sichuan Languang Development Co Ltd	Real Estate	AA	NEG	2021/6/4	AA+	STABLE	2020/6/15	Golden Credit	Greater short-term debt repayment pressure and refinancing risk

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: China TCM issued 1 SCP

On May 31, China Traditional Chinese Medicine Holdings Co. Limited (“China TCM”) issued phrase one 2021 Super & Short-Term Commercial Paper (Rural Revitalization Bond) in the China Interbank Market. China TCM raised RMB1 billion at a coupon rate of 2.65%, with a tenor of 270 days.

As of June 4, there were 13 issuers that issued 29 panda bonds with a total issued amount of RMB41.9 billion and an average coupon rate of 3.50%. 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 (20210101-20210604)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Traditional Chinese Medicine Holdings Co. Limited	1	2.65	2021/5/31	2022/2/25	0.74	SCP	China Interbank Market	--
Hengan International Group Company Limited	1	2.90	2021/5/25	2021/11/23	0.5	CP	China Interbank Market	China Chengxin
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
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	2026/1/28	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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