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From June 14 to June 18

Fed sent hawkish signal; BMW Group issued first public placement Panda Bonds

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Headline: Fed sent hawkish signal

On June 16, the Fed released the June FOMC meeting statement and decided to keep the target range for the federal funds rate at 0-0.25%. The Fed also raised projected real GDP growth for 2021 to 7% from 6.5%. In the meantime, it raised the PCE inflation rate by 1 percentage point to 3.4%, and core PCE inflation rate by 80bp to 3.0%. The Fed's dot plot implied two rate hikes by the end of 2023, which the monetary policy may be tightened sooner than the market expectation.

In the press conference, Powell stated that the Fed will begin to assess whether the economy makes sufficient progress towards its 2% inflation and full employment goals to justify reducing bond purchasing, start at its meeting next month.

Exchange Rate: USD appreciated against RMB

The USD appreciated against the RMB, mainly driven by an increase in reverse repurchases by the Fed. As of June 18, the intermediate price of RMB exchange rate closed at 6.4361.

Interest Rate: China Government Bond yields declined; US Treasury yield curve flattened

China Government Bond yields generally declined. The Fed's new dot plot implied two interest rate hikes by the end of 2023, pushing the short- and medium-term Treasury yields up. However, the long-term Treasury yields declined given lower expectation for inflation. As of June 18, the yield spread between China and US 10-year note was 168.2bp, widening by 0.6bp from last Friday and narrowing by 58.3bp from the beginning of the year.

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

From June 14 to June 18, there were 15 new issues with a total issued volume of USD 2.2 billion, decreasing by 50.7% from last week.

Secondary Market: Return on Chinese USD bonds rebounded

As of June 18, the YTD return on Chinese USD corporate bond index rose by 19bp from last Friday to -0.37%. The return on investment-grade bond rose by 20bp to -0.34%, and the return on high-yield bond rose by 16bp to -0.46%.

Rating Actions: Chinese issuers' credit quality diverged**Risk Event: Tus-Holdings missed interest repayment of USD bond****Panda Bond Market: CCXI assisted in BMW Group's first public placement Panda Bonds**

On June 15, BMW Finance N.V. issued 2021 Commercial Paper (Series 1) and 2021 Medium Term Notes (Series 1) in the China Interbank Market via Bond Connect, raising RMB 1.5 billion and RMB 2 billion, with tenor of 1 year and 3 years, at coupon rate of 3.03% and 3.44%, respectively. CCXI assigned AAA to the issuer, and A-1 and AAA to the bonds, respectively.

On June 15, China Everbright Environment Group Limited issued 2021 Medium-term Notes (Series 1) (Bond Connect) in the China Interbank Market. The bond totaled RMB 2 billion with a coupon rate of 3.60% and a tenor of 3 years. On June 18, China Everbright Limited issued 2021 corporate Bond (Series 1) in the China Interbank Market. The bond totaled RMB 4 billion with a coupon rate of 3.70% and a tenor of 3 years. CCXI assigned AAA to both the bond and the issuer.

Headline: Fed sent hawkish signal

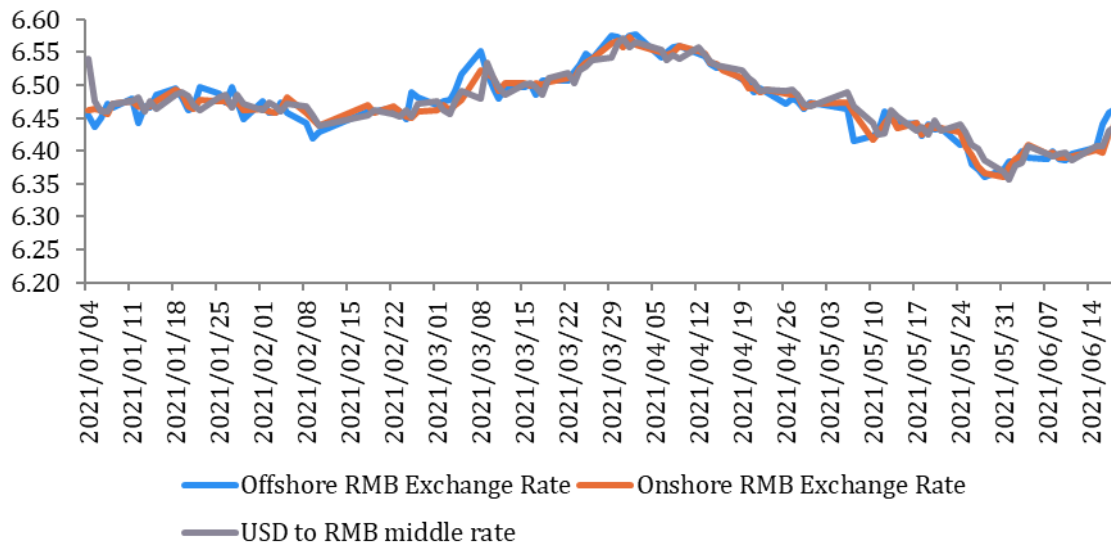
On June 16, the Fed released the June FOMC meeting statement and decided to keep the target range for the federal funds rate at 0-0.25%, raise the interest rate on required and excess reserve balances by 5bp to 0.15%, and raise the offering rate of overnight reverse repurchase agreement by 5bp to 0.05%. The Fed also raised projected real GDP growth for 2021 to 7% from 6.5%, showing that the economic recovery is faster than the previous expectation. In the meantime, it raised the inflation expectations for this year significantly. The PCE inflation rate increased by 1 percentage point to 3.4%, and core PCE inflation rate increased by 80bp to 3.0%. The Fed's dot plot implied two rate hikes by the end of 2023, which the monetary policy may be tightened sooner than the market expectation.

In the press conference, Powell emphasized that Fed's judgement is based on the economy, and the Fed will begin to assess whether the economy makes sufficient progress towards its 2% inflation and full employment goals to justify reducing bond purchasing, start at its meeting next month.

Exchange Rate: USD appreciated against RMB

The USD appreciated against the RMB this week, mainly driven by an increase in reverse repurchases by the Fed. As of June 18, the intermediate price of RMB exchange rate closed at 6.4361, up 505bp from last Friday; the onshore RMB exchange rate increased by 494bp to 6.4408; the offshore RMB exchange rate increased by 670bp to 6.4633.

Figure 1 : RMB exchange rate

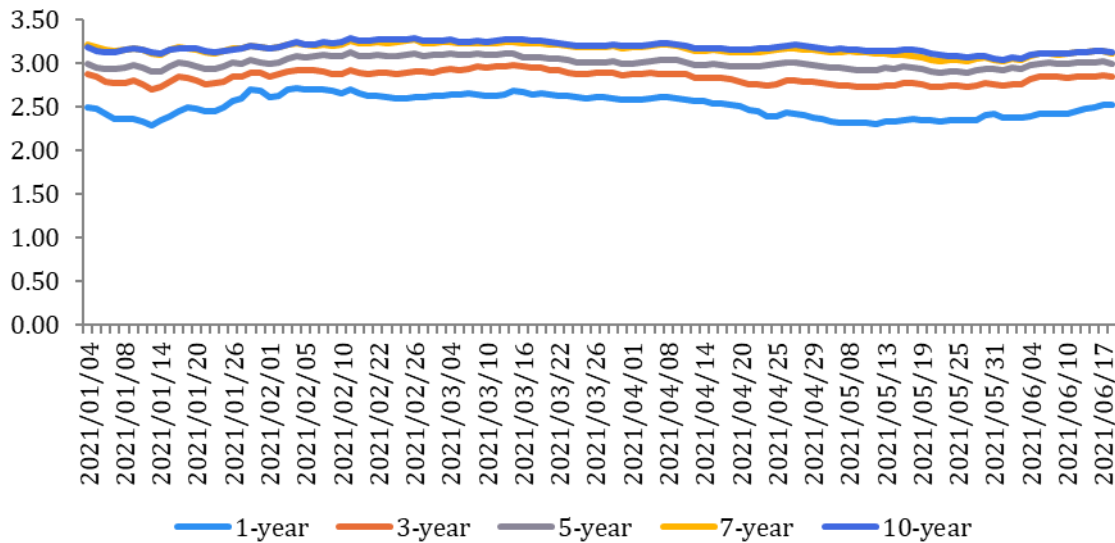


Sources: Wind, CCX research

Interest Rate: China Government Bond yields declined;

China Government Bond yields generally declined, while the 1-year Government Bond yield rose. As of June 18, the 3-year, 5-year, 7-year and 10-year Government Bond yields fluctuated downward from last Friday and closed at 2.8406%, 2.9867%, 3.1109% and 3.1202%, respectively. 1-year Government Bond yield fluctuated upward and closed at 2.5274%.

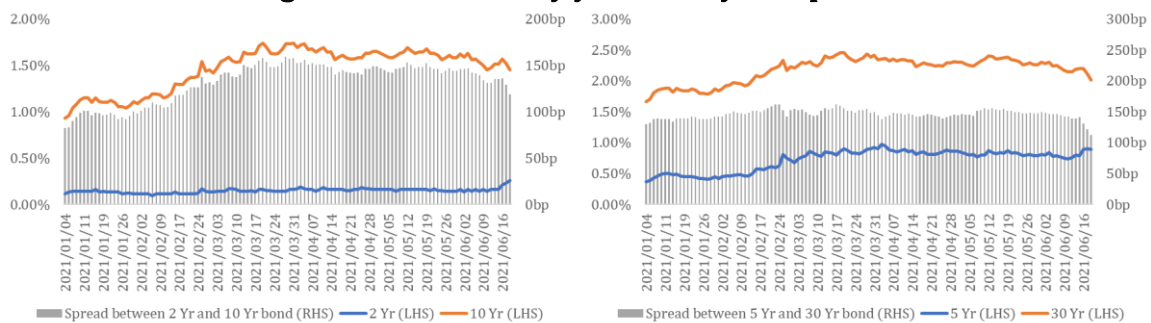
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The Fed's new dot plot implied two interest rate hikes by the end of 2023, pushing the short- and medium-term Treasury yields up. However, the long-term Treasury yields declined given lower expectation for inflation. As of June 18, the 2-year and 5-year Treasury yields closed at 0.26% and 0.89%, increasing by 10bp and 13bp from last Friday; while 10-year and 30-year Treasury yields closed at 1.45% and 2.01%, decreasing by 2bp and 14bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 12bp to 119bp, while the spread between the 5-year and 30-year narrowed by 27bp to 112bp.

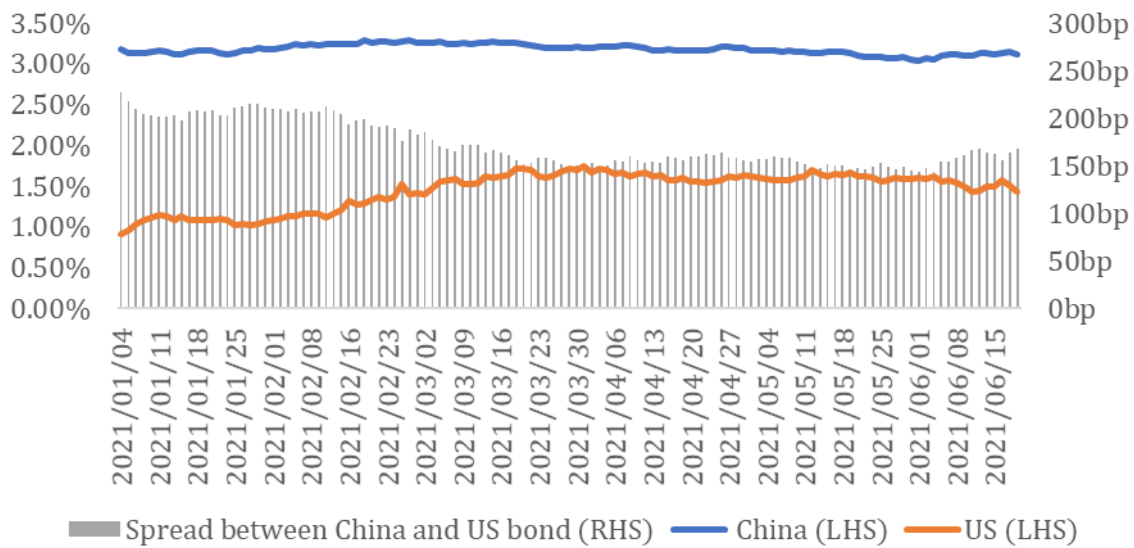
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of June 18, the yield spread between China and US 10-year note was 168.2bp, widening by 0.6bp from last Friday and narrowing by 58.3bp 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 issuance fell

From June 14 to June 18, there were 15 new issues with a total issued volume of USD 2.2 billion, decreasing by 50.7% from last week.

Table 1 : New issuance of Chinese offshore bonds (20210614-20210618)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/6/15	China Aoyuan Group Ltd	USD	200	7.95	2024/6/21	3	Real Estate	B1/B+/BB	-/-/BB
2021/6/15	CMB International Capital Corp Ltd	USD	5	0.38	2021/7/22	30D	Financials	Baa1/BBB+/-	-/-/-
2021/6/15	CMB International Capital Corp Ltd	USD	5	0.52	2021/9/21	91D	Financials	Baa1/BBB+/-	-/-/-
2021/6/15	GCL New Energy Holdings Ltd	USD	512	10	2024/1/30	2.62	Utilities	-/-/-	-/-/-
2021/6/15	Guotai Junan International Holdings Ltd	USD	63	0.71	2022/1/22	214D	Financials	Baa2/BBB+/-	-/-/-
2021/6/15	Zhangjiakou Financial Holding Group Co Ltd	USD	93	4.3	2024/6/18	3	Financials	-/-/-	-/-/-
2021/6/16	Bank of China Ltd Qatar Financial Centre Branch	USD	200	0.6	2023/6/23	2	Banks	A1/A/A	-/-/-
2021/6/16	Fantasia Holdings Group Co Ltd	USD	200	14.5	2024/6/25	3	Real Estate	B2/B/B+	-/B/-
2021/6/16	Huatai International Financial Holdings Co Ltd	USD	3	0	2024/6/18	3	Financials	-/BBB/-	-/-/-
2021/6/17	Deqing Construction Development Group Co Ltd	USD	150	3.6	2024/6/24	3	Chengtou	-/-/-	-/-/-
2021/6/17	Huatai International Financial Holdings Co Ltd	USD	4	0	2021/10/12	112D	Financials	-/BBB/-	-/-/-
2021/6/17	Sino-Ocean Capital Holding Ltd	USD	500	6.25	2023/6/22	2	Financials	-/-/-	-/-/-
2021/6/17	Taixing City Hongqiao Yuan	USD	55	2.1	2022/6/21	364D	Chengtou	-/-/-	-/-/-

	Industrial Development Co Ltd								
2021/6/18	Industrial & Commercial Bank of China Ltd/Sydney	AUD	12	1.39	2026/9/25	5.25	Banks	A1/A/A	-/-/-
2021/6/18	Jinan Hi-tech Holding Group Co Ltd	USD	170	2.5	2024/6/23	3	Chengtou	-/-/BBB	-/-/BBB

Sources: Bloomberg, CCX research

On June 16, eHi Car Services Ltd announced tap bond offering.

Table 2 : Tap bond offering (20210614-20210618)

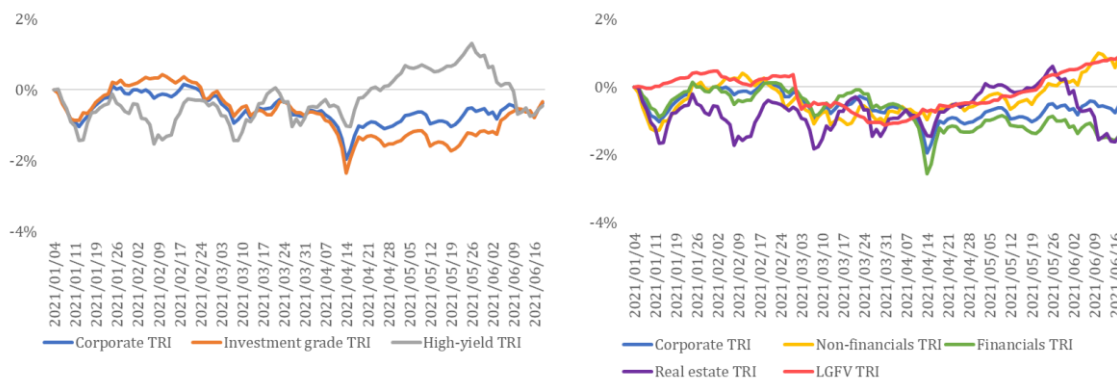
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/6/16	eHi Car Services Ltd	USD	450 (reoffered 150)	7.75	2024/11/14	3.5045	Consumer Discretionary	-/B/B*+	-/B/B*+

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds rebounded

As of June 18, the YTD return¹ on Chinese USD corporate bond index rose by 19bp from last Friday to -0.37%. The return on investment-grade bond rose by 20bp to -0.34%, and the return on high-yield bond rose by 16bp to -0.46%. In terms of sector indices, the returns on non-financial bond, financial bond, real estate bond, and chengtou bond were 1.21%, -1.34%, -1.33%, and 0.92%, increasing by 24bp, 16bp, 16bp, and 16bp from last Friday, respectively.

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

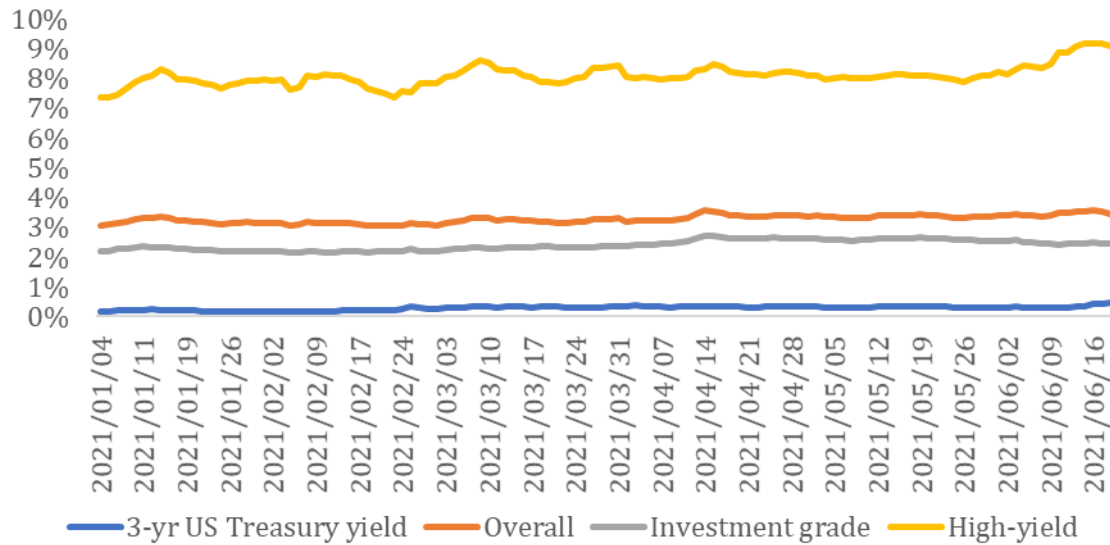


Sources: Bloomberg, CCX research

As of June 18, the yield-to-worst of Chinese dollar bonds fell by 3bp to 3.45% from last Friday, of which investment grade bond index flattened at 2.43% and high-yield bond index rose by 19bp to 9.03%.

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

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



Sources: Bloomberg, CCX research

Rating Actions: Chinese issuers' credit quality diverged

From June 14 to June 18, the rating agencies took positive rating actions on 2 Chinese issuers, and took negative rating actions on 3 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20210614-20210618)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Logan Group Co Ltd	Real Estate	BB	POS	2021/6/18	BB	STABLE	2020/8/28	Fitch	Improving financial profile
	Wuhan Urban Construction Group Co Ltd	Chengtou	Baa2	STABLE	2021/6/18	Baa3	POS	2020/11/18	Moody's	Strengthened strategic importance
Downgrade	CDB Aviation Lease Finance Designated Activity Co	Financials	A2	STABLE	2021/6/16	A1	STABLE	2020/6/2	Moody's	Relatively weak capital position
	Jinjiang International Holding Co Ltd	Consumer Discretionary	BBB-	STABLE	2021/6/17	BBB+	STABLE	2020/6/21	Fitch	Moderate capital markets debt issuance versus other Shanghai state-owned entities
	Sichuan Languang Development Co Ltd	Real Estate	CCC-	NEG	2021/6/18	B-	Rating Watch Negative	2021/5/31	S&P	Heightening nonpayment risk

Sources: Bloomberg, Wind, CCX research

Risk Event: Tus-Holdings missed interest repayment of USD bond

On June 18, REDD reported that Tus-Holdings Co., Ltd. (“Tus-Holdings”) missed the interest of its USD550 million bond due 2022, which amounted to about USD19.1 million. According to the prospectus, the bond has a grace period of 7 business days. Tus-Holdings had another outstanding bond of USD400 million due August 2021.

Panda Bond Market: CCFI assisted in BMW Group’s first public placement Panda Bonds

On June 15, BMW Finance N.V. (“BMW Finance”) issued 2021 Commercial Paper (Series 1) and 2021 Medium Term Notes (Series 1) in the China Interbank Market via Bond Connect, raising RMB1.5 billion and RMB2 billion, with tenor of 1 year and 3 years, at coupon rate of 3.03% and 3.44%, respectively. CCFI assigned AAA to the issuer, and A-1 and AAA to the bonds, respectively.

On June 15, China Everbright Environment Group Limited (“Everbright Environment”) issued 2021 Medium-term Notes (Series 1) (Bond Connect) in the China Interbank Market. The bond totaled RMB2 billion with a coupon rate of 3.60% and a tenor of 3 years. On June 18, China Everbright Limited (“Everbright Limited”) issued 2021 corporate Bond (Series 1) in the China Interbank Market. The bond totaled RMB4 billion with a coupon rate of 3.70% and a tenor of 3 years. CCFI assigned AAA to both the bond and the issuer.

As of June 18, there were 16 issuers that issued 34 panda bonds with a total issued amount of RMB53.4 billion and an average coupon rate of 3.52%. About 70% of the bonds had a tenor of 3 years or above and more than 70% of the bonds were issued in the China Interbank Market.

Table 4 : New issuance of Panda Bond in 2021 (20210101-20210618)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Everbright Limited	4	3.70	2021/6/18	2024/6/18	3	MTN	China Interbank Market	China Chengxin
China Everbright Environment Group Limited	2	3.60	2021/6/15	2024/6/15	3	MTN	China Interbank Market	Lianhe Credit Rating
BMW Finance N.V.	1.5	3.03	2021/6/15	2022/6/15	1	CP	China Interbank Market	China Chengxin
BMW Finance N.V.	2	3.44	2021/6/15	2024/6/15	3	MTN	China Interbank Market	China Chengxin
GLP China Holdings Limited	2	4.30	2021/6/11	2026/6/11	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
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	Shanghai Brilliance

							Market	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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