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From June 21 to June 25

UNCTAD expected global foreign direct investment to bottom out; Chinese offshore bond issuance was active

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

Simon So 852-28607127

simon_so@ccxap.com

Vincent Tong 852-28607125

vincent_tong@ccxap.com

Other Contact

Elle Hu 852-28607120

elle_hu@ccxap.com

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Headline: UNCTAD expected global foreign direct investment to bottom out

Recently, the United Nations Conference on Trade and Development (“UNCTAD”) released the World Investment Report for 2021, and predicted the global foreign direct investment (“FDI”) to bottom out in 2021, with a growth rate of 10% to 15%. However, this level would still be 25% lower than that in 2019. The global trade agency also expected that global FDI flows, in the most optimistic scenario, would continue to grow and resume to the 2019 level in 2022. The report showed that global FDI flows fell by 35% to USD1.0 trillion in 2020 from USD1.5 trillion in 2019, as impacted by the COVID-19 pandemic. Notably, FDI flows to developed economies fell by 58% while that to developing economies decreased by 8%. Due to China’s success in combating the COVID-19 pandemic and its rapid economic recovery, FDI flows to China increased by 6% in 2020, which helped Asia to be the only region that had positive growth in FDI in the world during the year.

Exchange Rate: USD exchange rate fluctuated upward against RMB

Impacted by the Federal Reserve FOMC Meeting, USD exchange rate fluctuated upward against RMB. As of June 25, the intermediate price of RMB exchange rate closed at 6.4744.

Interest Rate: China Government Bond yields declined continuously; while US treasury yield rose

China Government Bond yields continuously declined. Fed Chairman Powell reiterated that the current inflation was temporary, but the Fed had divided views on inflation internally. US Treasury bond yields rose this week, of which mid-to-long-term yields increased notably. As of June 25, the yield spread between China and US 10-year note was 158.9bp, narrowing by 9.3bp from last Friday and narrowing by 67.6bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance was active

From June 21 to June 25, there were 20 new issues with a total issued volume of USD5.4 billion, increasing by 149% from last week.

Secondary Market: Return on real estate bonds dropped significantly

As of June 25, the YTD return on Chinese USD corporate bond index fell by 31bp from last Friday to -0.68%. The return on investment-grade bonds fell by 20bp to -0.53%, and the return on high-yield bonds fell by 59bp to -1.04%. In terms of sector indices, the return on real estate bonds dropped the most, decreasing by 58bp from last Friday to -1.91%.

Rating Actions: Rating downgrade on real estate issuers

Panda Bond Market: Mengniu and BOCGI issued 3 bonds in total

On June 22 and 24, China Mengniu Dairy Company Limited issued the fourth and fifth series of 2021 Super & Short-term Commercial Paper in the China Interbank Market via Bond Connect, raising RMB800 million and RMB1.2 billion, with tenor of 0.48 year and 0.23 years, at coupon rate of 2.65% and 2.50%, respectively. CCXI assigned AAA to the issuer. On June 24, Bank of China Group Investment Limited issued the first series of 2021 Medium-term Notes in the China Interbank Market. The bond totaled RMB2.5 billion with a coupon rate of 3.64% and a tenor of 3 years. CCXI assigned AAA to both the bond and the issuer.

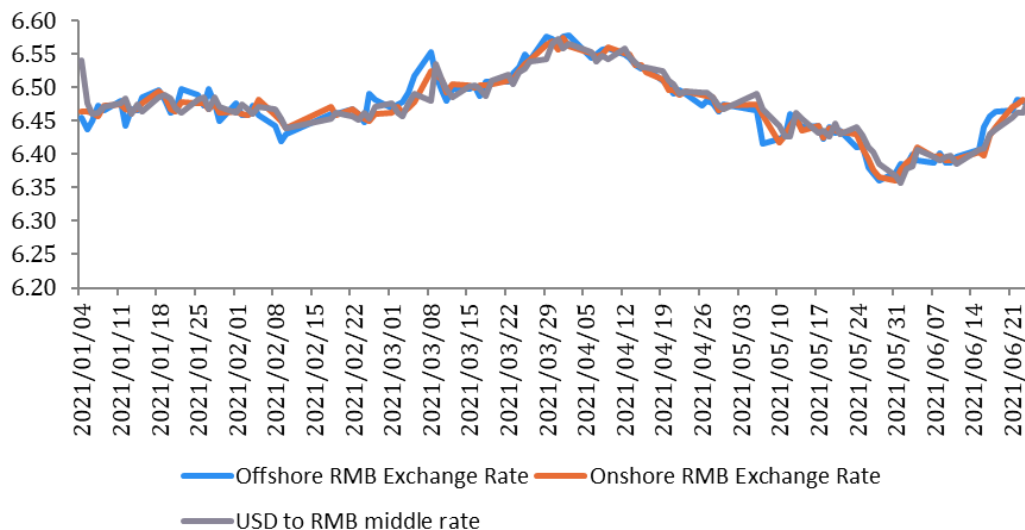
Headline: UNCTAD expected global foreign direct investment to bottom out

Recently, the United Nations Conference on Trade and Development (“UNCTAD”) released the World Investment Report for 2021, and predicted global FDI flows to bottom out in 2021, with a growth rate of 10% to 15%. However, this level would still be 25% lower than that in 2019. The global trade agency also expected that global FDI flows, in the most optimistic scenario, would continue to grow and resume to the 2019 level in 2022. The report showed that global FDI flows fell by 35% to USD1.0 trillion in 2020 from USD1.5 trillion in 2019. The regional lockdown caused by the COVID-19 outbreak has hindered existing investment projects and pushed multinational companies to re-evaluate its progress on new projects for a negative economic outlook. FDI flows to developed economies fell by 58% while that to developing economies decreased by 8%. Due to China’s success in combating the COVID-19 pandemic and its rapid economic recovery, FDI flows to China increased by 6% in 2020. At the same time, underpinned by the ongoing development of Chinese multinational companies, China became the world's largest foreign investor in 2020. Driven by the economic growth of China and other key countries in Asia, it helped Asia to be the only region that had positive growth of FDI flows in the world during the year, whereas FDI flows to Europe, North America, Latin America, the Caribbean and Africa fell sharply.

Exchange Rate: USD exchange rate fluctuated upward against RMB

Impacted by the Federal Reserve FOMC Meeting, USD exchange rate fluctuated upward against RMB. As of June 25, the intermediate price of RMB exchange rate closed at 6.4744, up 383bp from last Friday; the onshore RMB exchange rate increased by 145bp to 6.4553; the offshore RMB exchange rate went down by 18bp to 6.4615.

Figure 1 : RMB exchange rate



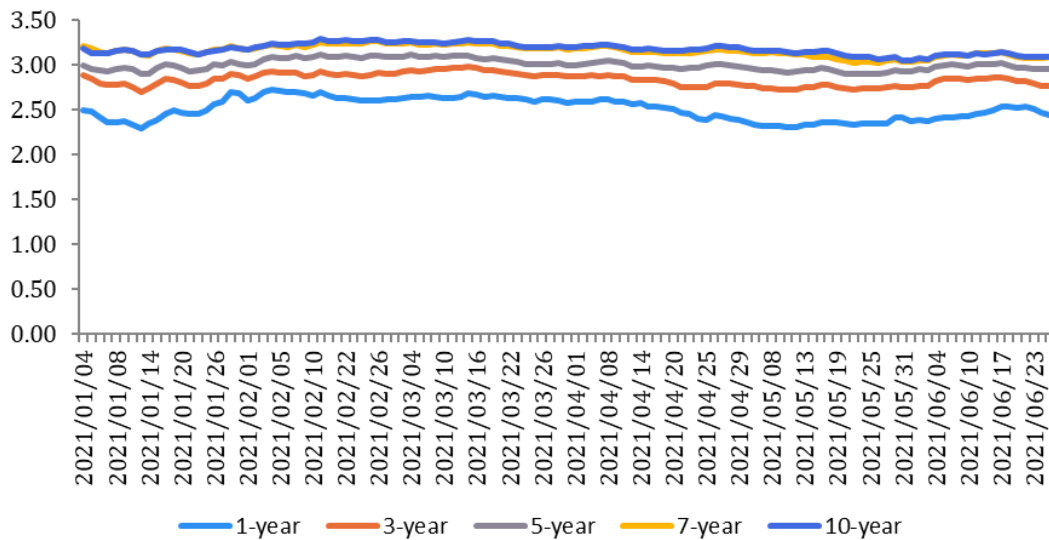
Sources: Wind, CCX research

Interest Rate: China Government Bond yields declined continuously; while US treasury yield rose

China Government Bond yields continuously declined. As of June 25, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields fluctuated downward from last Friday and closed

at 2.4437%, 2.7614%, 2.9506%, 3.0783% and 3.0827%, respectively.

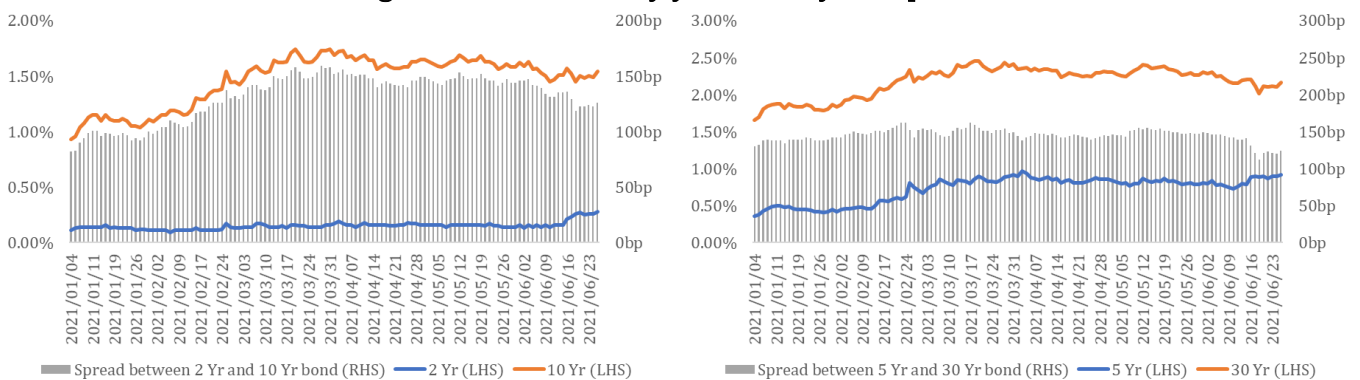
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Fed Chairman Powell reiterated that the current inflation was temporary, but the Fed had divided views on inflation internally. Later, the US inflation data was basically in line with market expectations. US Treasury bond yields rose this week, of which mid-to-long-term yields increased notably. As of June 25, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.28%, 0.92%, 1.54% and 2.16%, increasing by 2bp, 3bp, 9bp and 15bp from last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 7bp to 126bp, while the spread between the 5-year and 30-year widened by 12bp to 124bp.

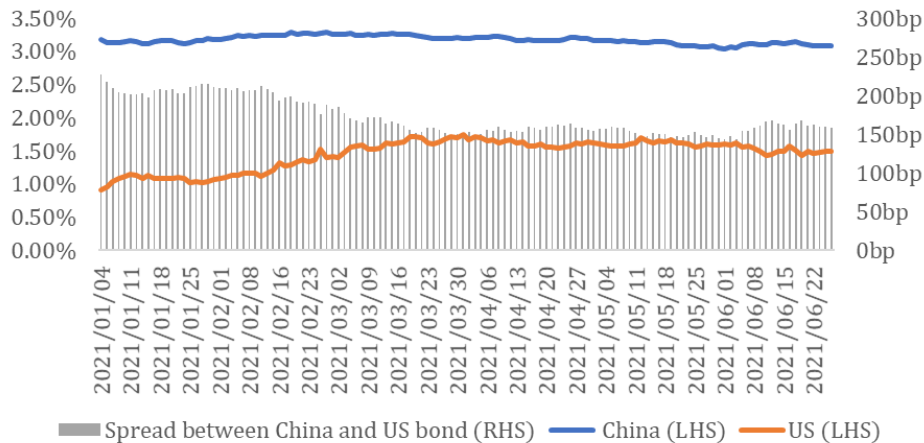
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of June 25, the yield spread between China and US 10-year note was 158.9bp, narrowing by 9.3bp from last Friday and narrowing by 67.6bp 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 issuance was active

From June 21 to June 25, there were 20 new issues with a total issued volume of USD5.4 billion, increasing by 149% from last week.

Table 1 : New issuance of Chinese offshore bonds (20210621-20210625)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/6/21	Hopson Development Holdings Ltd	USD	200	6.8	2023/12/28	2	Real Estate	B2/B/B+	-/-/B+
2021/6/21	Huainan Construction Development Holding Group Co Ltd	USD	100	2.8	2024/6/25	3	Chengtou	-/-/-	-/-/-
2021/6/21	Hebei Shunde Investment Group Co Ltd	USD	50	5	2024/6/25	3	Chengtou	-/-/-	-/-/-
2021/6/21	Bank of Communications Co Ltd/Luxembourg	EUR	50	0.08	2024/6/28	3	Banks	A2/A-/A	-/-/-
2021/6/21	CMB International Capital Corp Ltd	USD	5	0.85	2022/6/24	364D	Financials	Baa1/BBB+/-	-/-/-
2021/6/22	BOCOM International Holdings Co Ltd	USD	500	1.75	2026/6/28	5	Financials	A3/-/A	-/-/A
2021/6/22	China Construction Bank Corp/Luxembourg	EUR	800	0	2024/6/28	3	Banks	A1/A/A	A1/-/-
2021/6/22	Zhenro Properties Group Ltd	CNY	1,300	7.125	2022/6/30	363D	Real Estate	B1/-/B+	-/-/B+
2021/6/22	Beijing Energy International Holdings Co Ltd	USD	50	3.8	2024/6/29	3	Energy	-/-/-	-/-/-
2021/6/22	Hangzhou Fuyang City Construction Investment Group Co Ltd	USD	328	3.2	2026/6/25	5	Chengtou	-/-/BBB-	-/-/BBB-
2021/6/23	China Oil & Gas Group Ltd	USD	400	4.7	2026/6/30	5	Utilities	Ba2/BB/-	Ba2/BB/-
2021/6/23	Fosun International Ltd	EUR	500	3.95	2026/10/2	5.25	Consumer Discretionary	Ba3/BB/-	Ba3/BB/-
2021/6/23	Beijing Construction Engineering	USD	600	2.22	2026/7/2	5	Industrials	-/BBB/-	-/BBB/-

Group Co Ltd

2021/6/23	Leading Holdings Group Ltd	USD	150	12	2022/6/27	364D	Real Estate	B2/-/B	-/-/-
2021/6/24	Goho Asset Management Co Ltd	USD	88	8.5	2023/6/30	2	Financials	B1/-/-	B1/-/-
2021/6/24	Shui On Land Ltd	USD	400	5.5	2026/6/29	5	Real Estate	-/-/-	-/-/-
2021/6/24	Shenzhen Expressway Co Ltd	USD	300	1.75	2026/7/8	5	Industrials	Baa2/BBB/BBB	Baa2/BBB/-
2021/6/24	Nanshan Group Co Ltd	USD	110	7	2022/6/28	364D	Materials	-/-/-	-/-/-
2021/6/25	CMB International Capital Corp Ltd	USD	4	0.5	2021/10/6	92D	Financials	Baa1/BBB+/-	-/-/-
2021/6/25	Zhongyuan Yuzi Investment Holding Group Co Ltd	USD	300	3.2	2026/7/6	5	Financials	A2/-/A	-/-/-

Sources: Bloomberg, CCX research

From June 21 to June 25, there were 3 Chinese corporates announced tap bond offering.

Table 2 : Tap bond offering (20210621-20210625)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/6/22	Dalian Wanda Commercial Management Group Co., Ltd.	USD	400 (reoffered 75)	7.25	2022/4/28	1	Real Estate	Ba3/BB/BB	-/-/-
2021/6/23	Central China Real Estate Ltd	USD	500 (reoffered 100)	6.875	2022/8/8	3	Real Estate	Ba3/B+/BB-	B1/-/-
2021/6/24	Helenbergh China Holdings Ltd	USD	350 (reoffered 150)	11	2023/3/24	2	Real Estate	B2/-/B+	B3/-/-

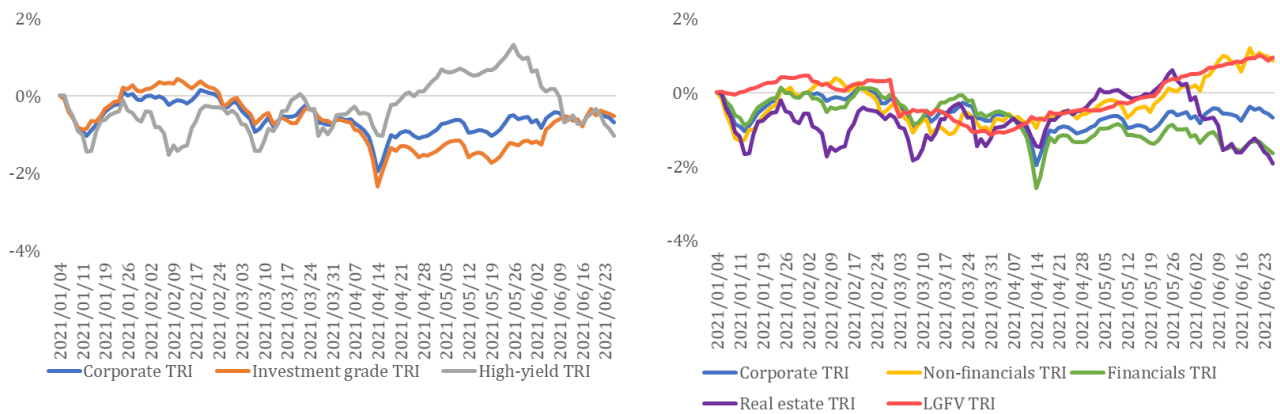
Sources: Bloomberg, CCX research

Secondary Market: Return on real estate bonds dropped significantly

As of June 25, the YTD return¹ on Chinese USD corporate bond index fell by 31bp from last Friday to -0.68%. The return on investment-grade bonds fell by 20bp to -0.53%, and the return on high-yield bonds fell by 59bp to -1.04%. In terms of sector indices, the return on real estate bonds dropped the most, decreasing by 58bp from last Friday to -1.91%. The return on non-financial bonds and financial bonds were 0.87% and -1.64%, decreasing by 34bp and 29bp from last Friday, respectively. The return on Chengtou bonds was 0.95%, increasing by 3bp from last Friday.

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

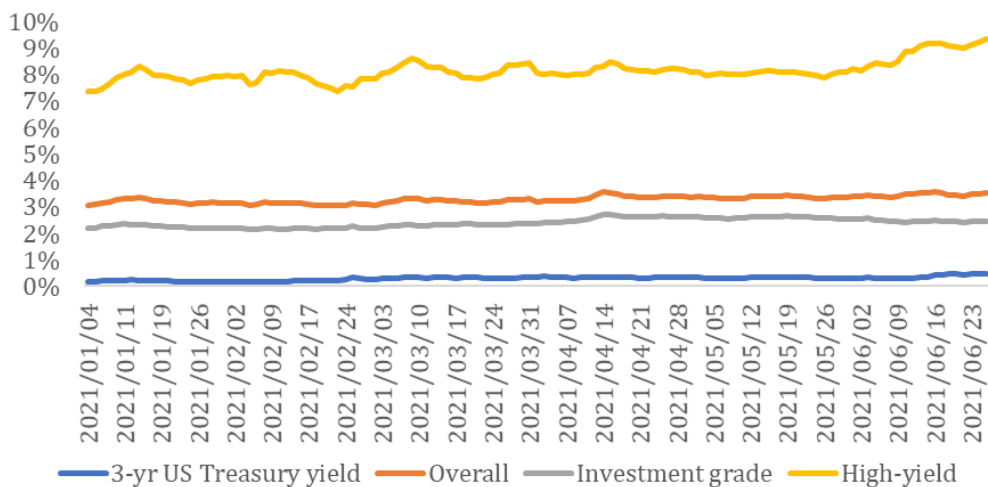
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of June 25, the yield-to-worst of Chinese dollar bonds rose by 6bp to 3.51% from last Friday, of which investment grade bond index increased by 1bp at 2.44%, similar to last Friday, and high-yield bond index rose by 26bp to 9.32%.

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



Sources: Bloomberg, CCX research

Rating Actions: Rating downgrade on real estate issuers

From June 21 to June 25, the rating agencies took positive rating actions on 5 Chinese issuers, and took negative rating actions on 4 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20210621-20210625)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Xiaomi Corp	Technology	BBB-	POS	2021/6/22	BBB-	STABLE	2020/4/19	S&P	Expectation of good operating performance and cash flow
	Anhui Transportation Holding Group Co Ltd									
	Anhui Transportation Holding Group (HK) Ltd	Industrials	A3	STABLE	2021/6/23	Baa1	STABLE	2020/11/9	Moody's	Strengthened financial profile
	Chong Hing Bank Limited	Banks	BBB	STABLE	2021/6/24	BBB	Rating Watch Evolving	2020/5/14	Fitch	Planned privatization will not materially affect its credit profile
	China National Gold Group Co Ltd	Materials	Baa3	POS	2021/6/25	Baa3	STABLE	2020/7/17	Moody's	Expectation of a strong credit profile
Downgrade	Sichuan Languang Development Co Ltd	Real Estate	Caa3	NEG	2021/6/22	B3	NEG	2021/5/31	Moody's	Heightened liquidity and default risks
	China Evergrande Group									
	Hengda Real Estate Group Co Ltd	Real Estate	B	NEG	2021/6/22	B+	STABLE	2020/9/15	Fitch	Ongoing pressure on diminishing business scale and debt cut
	Tianji Holding Ltd									

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: Mengniu and BOCGI issued 3 bonds in total

On June 22 and 24, China Mengniu Dairy Company Limited (“Mengniu”) issued the fourth and fifth series of 2021 Super & Short-term Commercial Paper in the China Interbank Market via Bond Connect, raising RMB800 billion and RMB1.2 billion, with tenor of 0.48 years and 0.23 years, at coupon rate of 2.65% and 2.50%, respectively. CCXI assigned AAA to the issuer. On June 24, Bank of China Group Investment Limited (“BOCGI”) issued the first series of 2021 Medium-term Notes in the China Interbank Market. The bond totaled RMB2.5 billion with a coupon rate of 3.64% and a tenor of 3 years. CCXI assigned AAA to both the bond and the issuer.

As of June 25, there were 17 issuers that issued 37 panda bonds with a total issued amount of RMB57.9 billion and an average coupon rate of 3.47%. More than 60% of the bonds had a tenor of 3 years or above and nearly 80% of the bonds were issued in the China Interbank Market.

Table 4 : New issuance of Panda Bond in 2021 (20210101-20210625)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Bank of China Group Investment Limited	2.5	3.64	2021/6/24	2024/6/24	3	MTN	China Interbank Market	China Chengxin / Lianhe Credit
China Mengniu Dairy Company Limited	1.2	2.50	2021/6/24	2021/9/17	0.23	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	0.8	2.65	2021/6/22	2021/12/16	0.48	SCP	China Interbank Market	China Chengxin
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
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	2026/1/28	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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中诚信国际信用评级有限责任公司

地址：北京市东城区朝阳门内大街
南竹竿胡同 2 号银河 SOHO6 号楼
邮编：100020
电话：(8610) 6642 8877
传真：(8610) 6642 6100
网址：<http://www.ccxi.com.cn>

China Chengxin International Credit Rating Co., Ltd
Address: Building 6, Galaxy SOHO,
No.2 Nanzhugan hutong, Chaoyangmennei Avenue,
Dongcheng district, Beijing, 100020
Tel: (8610) 6642 8877
Fax: (8610) 6642 6100
Website: <http://www.ccxi.com.cn>



中国诚信(亚太)信用评级有限公司

地址：香港中环康乐广场 1 号
怡和大厦 19 楼 1904-1909 室
电话：(852) 2860 7111
传真：(852) 2868 0656
网址：<http://www.ccxap.com>

China Chengxin (Asia Pacific) Credit Ratings Company Limited
Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong
Tel: (852) 2860 7111
Fax: (852) 2868 0656
Website: <http://www.ccxap.com>