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From July 5 to July 9

The European Commission expected EU's GDP to rebound strongly in 2021; real estate bonds dropped for three consecutive weeks

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Headline: EU's GDP is forecasted to rebound strongly in 2021; division among policy-makers of the Fed intensified

The European Commission's latest summer economic forecast showed that the EU and Eurozone economies were expected to grow by 4.8% in 2021, increasing by 0.6% and 0.5% respectively, as comparing with economic forecast in spring; and expected a 4.5% growth in 2022. The European Commission believed that personal consumption and investment will become the main driving force for the economic recovery of the EU and the Eurozone, however, the risk of a rebound of the epidemic caused by the spreading new Delta variant will still pose downward pressure on economic growth. Officials expected that the GDP of most EU member states will resume to the pre-pandemic level by the end of this year. On Thursday, the FOMC minutes in June indicated that most officials believed that the economy has not yet made substantial further progress and should give more patience for a tightening monetary policy to come. However, there were big differences among officials on when and how to reduce debt repurchases.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate fluctuated slightly. As of July 9, the intermediate price of RMB exchange rate closed at 6.4755.

Interest Rate: Chinese Government Bond yields decreased; US Treasury yields continued to fall

On Friday, PBOC announced that it would lower the deposit reserve ratio of financial institutions by 0.5 percentage point on July 15, 2021, after the State Council executive meeting releasing the signal of RRR cut on Wednesday. As a result, Chinese government bond yields dropped. On the other hand, the market expectations on the US's inflation weakened, together with the concerns over the mutant of virus, which may threaten the economic recovery of the United States as well as the whole world. The US Treasury yields continued to fall. As of July 9, the yield spread between China and US 10-year note was 165.1bp, narrowing by 0.6bp from last Friday and narrowing by 61.4bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance increased

From July 5 to July 9, there were 19 new issues with a total issued volume of USD5.3 billion, increasing by 17.9% from last week. Financial institutions were the key issuers that issued total amount of USD2.6 billion.

Secondary Market: Real estate bonds dropped for three consecutive weeks

As of July 9, the YTD return on Chinese USD corporate bond index fell by 20bp from last Friday to -0.84%. The return on investment-grade bonds and high-yield bonds fell by 4bp and 56bp to -0.29%, -2.17%, respectively. Particularly, the return on real estate bonds dropped by 69bp to -3.20% from last Friday, which was down for three consecutive weeks.

Rating Actions: Sichuan Languang Development was downgraded by credit rating agencies

Credit Events: Sichuan Languang Development has appointed a financial advisor for USD bonds restructuring

Panda Bond Market: No new issuance this week

Headline: EU's GDP is forecasted to rebound strongly in 2021; division among policy-makers of the Fed intensified

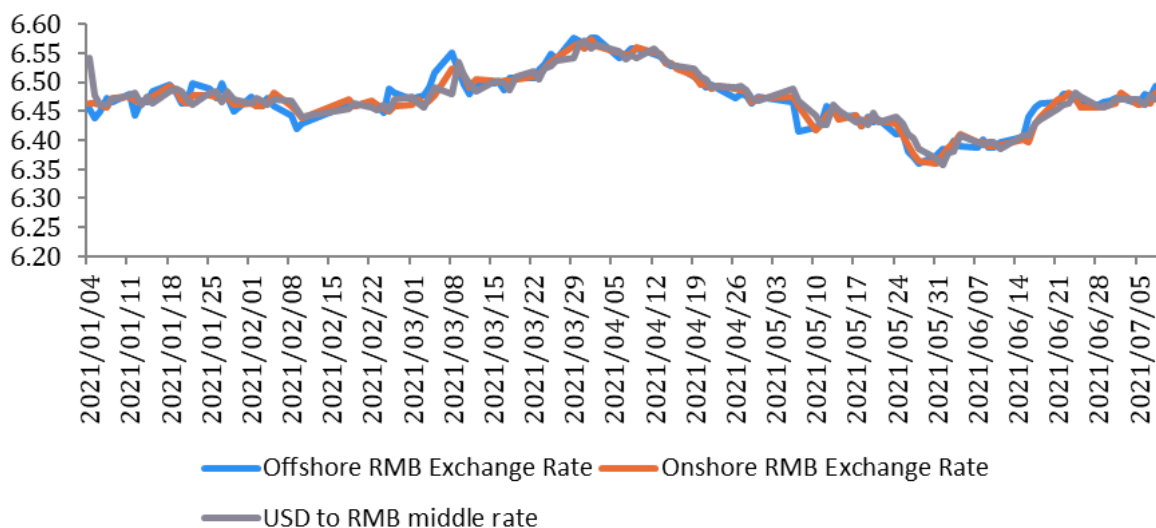
The European Commission's latest summer economic forecast showed that the EU and Eurozone economies were expected to grow by 4.8% in 2021, increasing by 0.6% and 0.5% respectively, as comparing with economic forecast in spring; and expected a 4.5% growth in 2022. The European Commission believed that the economic activities of the European Union and the Eurozone in the first quarter of this year exceeded expectations, and performance in service sector was benefited from the lifting prevention and control restriction in the second quarter. It is expected that personal consumption and investment will become the main driving force for the economic recovery of the EU and the Eurozone, however, the risk of a rebound of the epidemic caused by the spreading new Delta variant will still pose downward pressure on economic growth. The European Commission member Paul Gentiloni, who is in charge of economic affairs, said at the press conference that the GDP of most EU member states will resume to the pre-pandemic level by the end of this year. However, due to the economic impact among countries were different, it is expected that the speed of economic recovery for different will be diverged in the future.

On Thursday, the FOMC minutes in June indicated that most officials believed that the economy has not yet made substantial further progress and should give more patience for a tightening monetary policy to come. However, there were big differences among officials on when and how to reduce debt repurchases.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate fluctuated slightly. As of July 9, the intermediate price of RMB exchange rate closed at 6.4755, up 43bp from last Friday; the onshore RMB exchange rate decreased by 34bp to 6.4791; the offshore RMB exchange rate increased by 69bp to 6.4788.

Figure 1 : RMB exchange rate

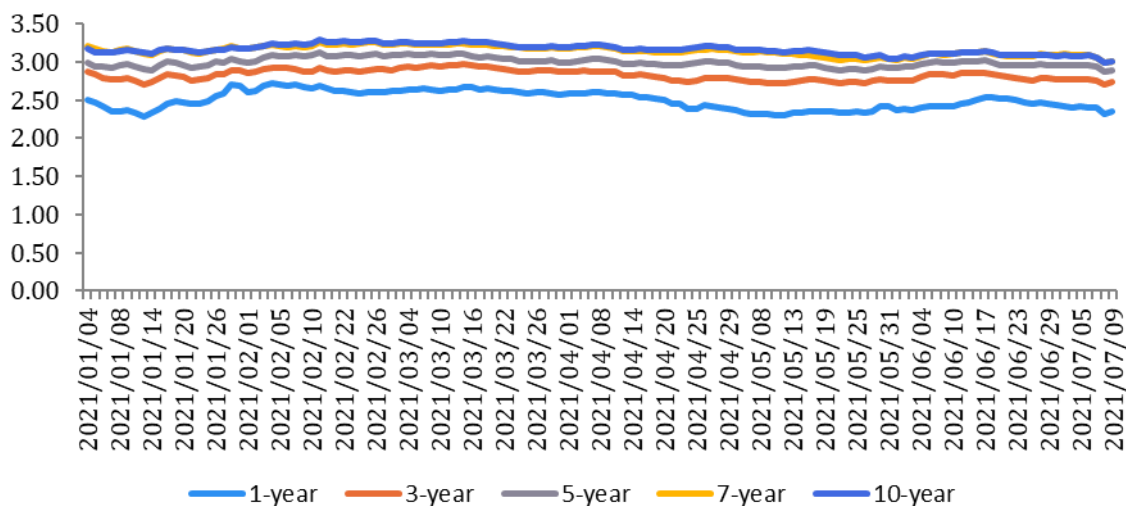


Sources: Wind, CCX research

Interest Rate: Chinese Government Bond yields decreased; US Treasury yields continued to fall

After the State Council executive meeting released the signal of RRR cut on Wednesday, PBOC announced on Friday that it would lower the deposit reserve ratio of financial institutions by 0.5 percentage point, which will release long-term funds of about RMB1,000 billion. Chinese government bond yields dropped. As of July 9, the 1-year, 3-year, 5-year, 7-year and 10-year Chinese Government Bond Yields dropped fluctuated to 2.3474%, 2.7377%, 2.8888%, 3.0125% and 3.0105% from last Friday, respectively.

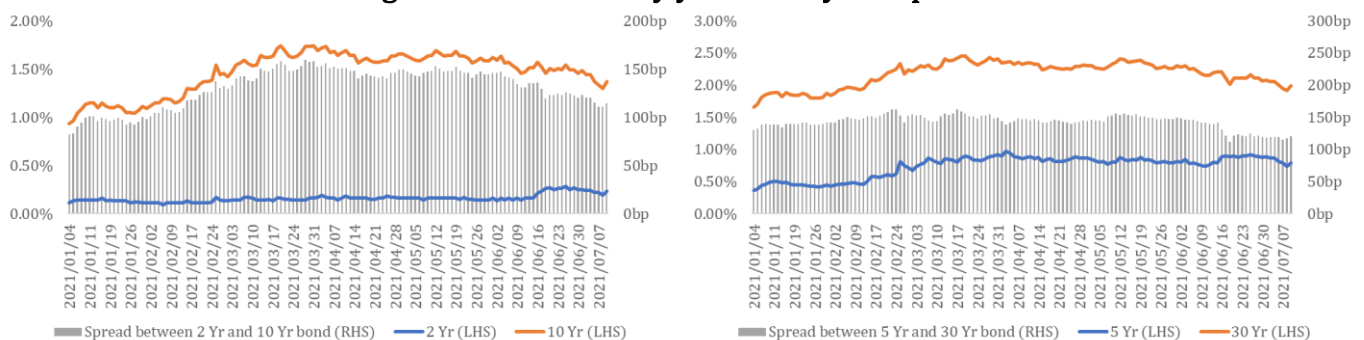
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The market expectations on the US's inflation weakened, together with the concerns over the mutant of virus, which may threaten the economic recovery of the United States as well as the whole world. The US Treasury yields continued to fall. As of July 9, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.23%, 0.79%, 1.37% and 1.99%, decreasing by 1bp, 7bp, 7bp and 6bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 6bp to 114bp from last Friday, while the spread between the 5-year and 30-year widened by 1bp to 120bp.

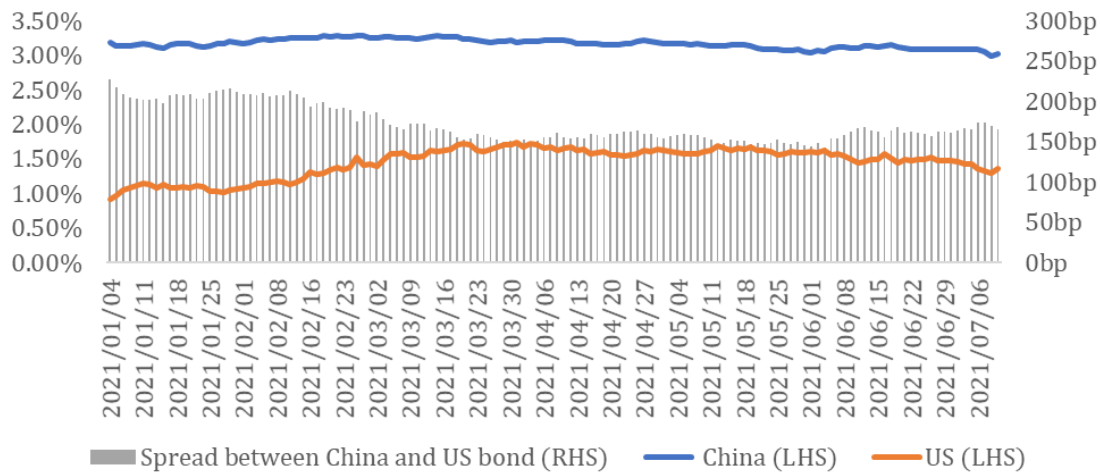
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

In terms of the yield spread between China and US, as of July 9, the 10-year note was 165.1bp, narrowing by 0.6bp from last Friday and narrowing by 61.4bp 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 increased

From July 5 to July 9, there were 19 new issues with a total issued volume of USD5.3 billion, increasing by 17.9% from last week. Financial institutions were the key issuers that issued total amount of USD2.6 billion.

Table 1 : New issuance of Chinese offshore bonds (20210705-20210709)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/7/5	Haitong International Securities Group Ltd	HKD	800	0.6	2022/1/18	186D	Financials	Baa2/BBB/-	-/-/-
2021/7/6	Shanghai Pudong Development Bank Co Ltd/ Hong Kong	USD	700	0.875	2024/7/13	3	Banks	Baa2/BBB/BBB	Baa2/-/-
2021/7/6	Shanghai Pudong Development Bank Co Ltd/ Hong Kong	HKD	2,000	0.6	2023/7/13	2	Banks	Baa2/BBB/BBB	Baa2/-/-
2021/7/6	Fujian Investment Development Group Co Ltd	USD	150	1.88	2022/7/12	364D	Utilities	-/-/-	-/-/-
2021/7/6	CMB International Capital Corporation Limited	HKD	24	0.31	2021/8/12	31D	Financials	Baa1/BBB+/-	Baa1/-/-
2021/7/6	Huatai International Financial Holdings Co Ltd	CNY	32	0	2024/7/15	3	Financials	-/BBB/-	-/-/-
2021/7/6	Huatai International Financial Holdings Co Ltd	CNY	129	0	2023/11/13	2.3	Financials	-/BBB/-	-/-/-
2021/7/6	Huatai International Financial Holdings Co Ltd	CNY	129	0	2023/11/13	2.3	Financials	-/BBB/-	-/-/-
2021/7/6	Sino-Ocean Group Holding Ltd	USD	320	2.7	2025/1/13	3.5	Real Estate	Baa3/-/BBB-	Baa3/-/BBB-
2021/7/7	China Modern Dairy Holdings Ltd	USD	500	2.125	2026/7/14	5	Consumer	-/BBB/-	-/BBB/-

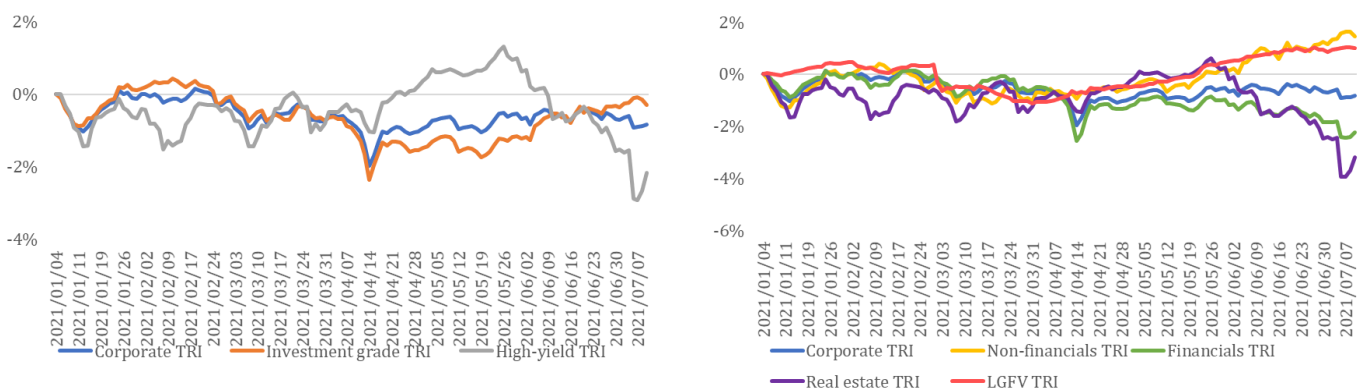
								Staples	
2021/7/7	Xiaomi Corporation	USD	800	2.875	2031/7/14	10	Technology	Baa2/BBB-/BBB	Baa2/BBB-/BBB-
2021/7/7	Xiaomi Corporation	USD	400	4.1	2051/7/14	30	Technology	Baa2/BBB-/BBB	Baa2/BBB-/BBB-
2021/7/7	Haitong International Securities Group Ltd	HKD	253	0.7	2022/7/15	364D	Financials	Baa2/BBB/-	Baa2/BBB/-
2021/7/7	Huatai International Financial Holdings Co Ltd	USD	21	0	2021/10/12	91D	Financials	-/BBB/-	-/-/-
2021/7/7	Shenwan Hongyuan Securities Co Ltd	USD	500	1.8	2026/7/14	5	Financials	Baa2/BBB/-	Baa2/BBB/-
2021/7/7	Zhejiang Expressway Co Ltd	USD	470	1.638	2026/7/14	5	Industrials	-/A/A+	-/A/A+
2021/7/8	Beijing Capital Development Holding Group Co Ltd	USD	517	3.25	2026/7/15	5	Financials	-/-/BBB	-/-/BBB
2021/7/8	Eastern Air Overseas Hong Kong Co Ltd	SGD	500	2	2026/7/15	5	Financials	-/-/-	A1/-/-
2021/7/9	Weifang Binhai Investment Development Co Ltd	USD	78	5.5	2022/7/12	363D	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Real estate bonds dropped for three consecutive weeks

As of July 9, the YTD return on Chinese USD corporate bond index fell by 20bp from last Friday to -0.84%. The return on investment-grade bonds and high-yield bonds fell by 4bp and 56bp to -0.29% and -2.17%, respectively. In terms of sector indices, the return on real estate bonds dropped by 69bp to -3.20% from last Friday, which was down for three consecutive weeks. The returns on non-financial bonds and Chengtou bonds were 1.44% and 1.00%, increasing by 10bp and 8bp from last Friday, respectively. The return on financial bonds was -2.23%, decreasing by 37bp from last Friday.

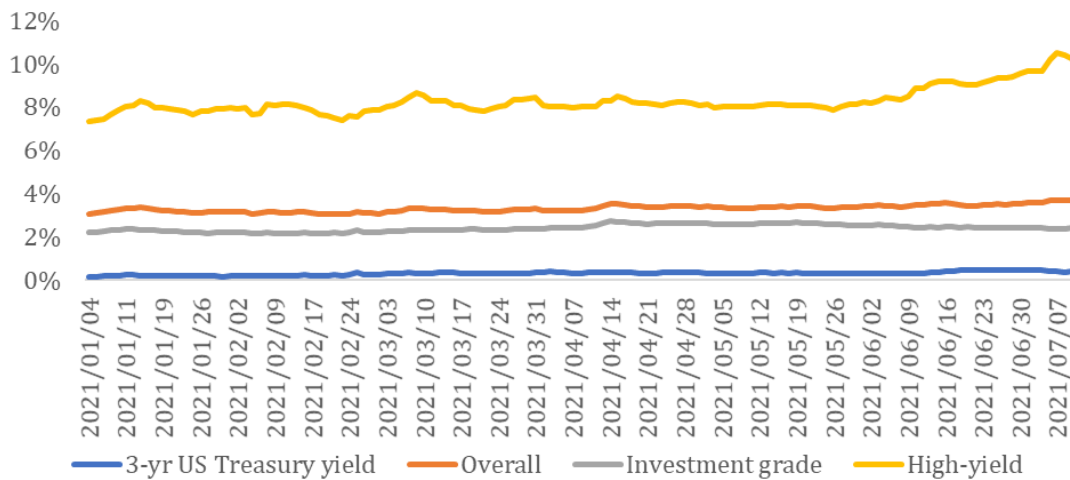
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of July 9, the yield-to-worst of Chinese dollar bonds rose by 11bp to 3.68% from last Friday, of which investment grade bond index stayed same as last Friday, and high-yield bond index rose by 59bp to 10.24%.

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



Sources: Bloomberg, CCX research

Rating Actions: Sichuan Languang Development was downgraded by credit rating agencies

From July 5 to July 9, the rating agencies took positive rating actions on 1 Chinese issuers, and took negative rating actions on 3 Chinese issuers, of which was downgraded by credit rating agencies.

Table 2 : Credit rating changes of cross-border bond market (20210705-20210709)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Tianqi Lithium Corp	Materials	Caa1	NEG	2020/7/8	Caa2	NEG	2020/12/3	Moody's	Solid position in the lithium chemical industry and good profitability
Downgrade	Fantasia	Real Estate	B+	NEG	2021/7/6	B+	STABLE	2020/7/7	Fitch	Increased leverage, decreased cash collection rate
	China South City	Real Estate	B2	Rating Watch Negative	2021/7/8	B2	STABLE	2020/8/27	Moody's	Weak liquidity and sizable maturing debt
Domestic Rating:										
Downgrade	Sichuan Languang Development Co Ltd	Real Estate	A+	NEG	2021/7/5	AA	NEG	2021/6/10	Dagong	Frozen shares
	Sichuan Languang Development Co Ltd	Real Estate	A	Rating Watch Negative	2021/7/5	AA	Rating Watch Negative	2021/6/3	CCXI	The external financing channel deteriorated, large pressure on debt maturity
	Sichuan Languang Development Co Ltd	Real Estate	BBB-	NEG	2021/7/8	A+	NEG	2021/7/5	Dagong	Changes in senior management,

									increased uncertainty in debt repayment
Sichuan Languang Development Co Ltd	Real Estate	B	Rating Watch Negative	2021/7/8	A	Rating Watch Negative	2021/7/5	CCXI	Increased uncertainty in debt repayment
Sichuan Languang Development Co Ltd	Real Estate	B	NEG	2021/7/9	BBB	NEG	2021/7/2	Golden Credit	Unpaid debt, increased frozen shares

Sources: Bloomberg, Wind, CCX research

Credit Events: Sichuan Languang Development has appointed a financial advisor for USD bonds restructuring

On July 12, Sichuan Languang Development's indirect and wholly-owned subsidiary, Hejun Shunze Investment, announced that some of Sichuan Languang's onshore debts defaulted due to the liquidity issues. Hejun Shunze has appointed Admiralty Harbour Capital as its financial advisor to assist it in exploring feasible solutions related to its USD notes to solve current liquidity issues, including contact creditors and reach agreement with noteholders. As of July 12, 2021, Languang Development has missed debt payments of RMB4.54 billion in principal and interest.

Panda Bond Market: No new issuance this week

As of July 9, 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 3 : New issuance of Panda Bond in 2021 (20210101-20210709)

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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