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From July 19 to July 23

ECB to keep its loose monetary policy stance; Return on high yield USD bonds plummeted again

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Headline: ECB to keep its loose monetary policy stance

The European Central Bank ("ECB") released the latest monetary policy resolution with rates unchanged, which is in line with market expectations. It reiterated the Council's expectation that the pandemic emergency purchase programme (PEPP)'s asset purchase scale at the third quarter will be much larger than the previous few months. At the same time, the ECB promised to achieve a symmetrical inflation target of 2% and the key interest rate will remain at the current or even lower level until reaching a 2% inflation rate. The ECB's new policy framework links interest rates to expected inflation, which implies that interest rates will remain at a low level for a longer period of time. ECB's President Christine Lagarde emphasized in press conference the commitment to stay accommodative. She also believed that the economic recovery in Europe is on track and economic activities will resume to pre-crisis levels in the first quarter of 2022.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate fluctuated slightly. As of July 23, the intermediate price of RMB exchange rate closed at 6.4650, up 55bp from last Friday.

Interest Rate: Chinese Government Bond yields and US Treasury yield went down

As affected by PBoC's RRR cut, coupled with the impact of the COVID-19 pandemic and flooding, China's government bond yields continued to decline. On the other hand, US Treasury yields declined as a result of concerns over the spreading of new variant and inflation pressures, which may deter the economic recovery; and the higher-than-expected US initial jobless claims. As of July 23, the yield spread between China and US 10-year note was 163.7bp, narrowing by 1.6bp from last Friday and narrowing by 62.8bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuances were active

From July 19 to July 23, there were 32 new issues with a total issued volume of USD6.8 billion, increasing by 122.7% from last week.

Secondary Market: Return on high yield USD bonds plummeted again

As of July 23, the YTD return on Chinese USD corporate bond index fell by 47bp from last Friday to -0.65%. The return on investment-grade bond rose by 17bp to 0.40%; the return on high-yield bond fell by 201bp to -3.19%. In terms of sector indices, the return on real estate and financial bonds were -4.42% and -2.22%, decreasing by 225bp and 85bp from last Friday, respectively; the returns on non-financial and Chengtou bonds were 1.91% and 1.49%, increasing by 15bp and 14bp from last Friday, respectively.

Rating Action: Rating agencies took negative rating actions on Chinese issuers

Panda Bond Market: No new issuance this week

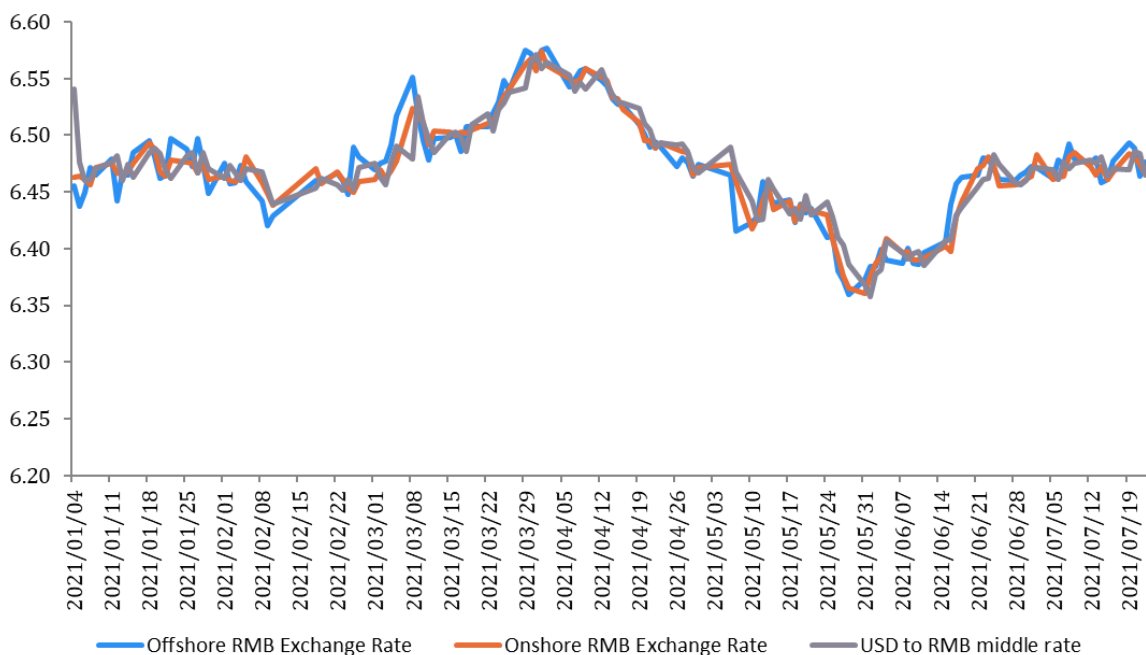
Headline: ECB to keep its loose monetary policy stance

On July 22, the ECB released the latest monetary policy resolution to keep rates on main refinancing operations, marginal lending and deposit facility unchanged at 0.00%, 0.25%, and -0.50%, respectively. It reiterated the Council’s expectation that the pandemic emergency purchase programme (PEPP)’s asset purchase scale will be much larger than the previous few months. At the same time, the ECB promised to achieve a symmetrical inflation target of 2% and the key interest rate will remain at the current or even lower level until reaching a 2% inflation rate. The ECB’s new policy framework links interest rates to expected inflation, which implies that interest rates will remain at a low level for a longer period of time. ECB’s President Christine Lagarde emphasized in press conference the commitment to stay accommodative. She also believed that the economic recovery in Europe is on track and expected strong economic rebound in the second and third quarter. Manufacturing activities will performance well and economic activities will resume to pre-crisis levels in the first quarter of 2022.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate fluctuated downward slightly. As of July 23, the intermediate price of RMB exchange rate closed at 6.4650, down 55bp from last Friday; the onshore RMB exchange rate increased by 81bp to 6.4759; the offshore RMB exchange rate decreased by 8bp to 6.4760.

Figure 1 : RMB exchange rate

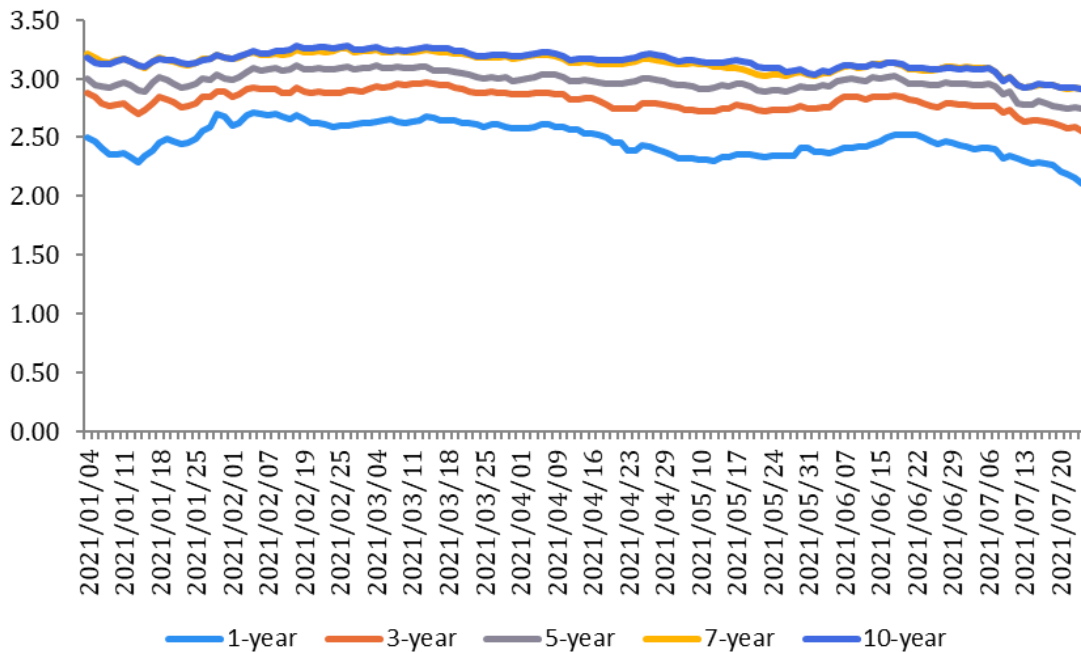


Sources: Wind, CCX research

Interest Rate: Chinese Government Bond yields and US Treasury yields went down

As affected by PBoC 's RRR cut, coupled with the impact of the COVID-19 pandemic and flooding, China's government bond yields continued to decline. As of July 23, the 1-year, 3-year, 5-year, 7-year and 10-year Chinese Government Bond Yields closed at 2.1119%, 2.5586%, 2.7426%, 2.9064% and 2.9134%, respectively.

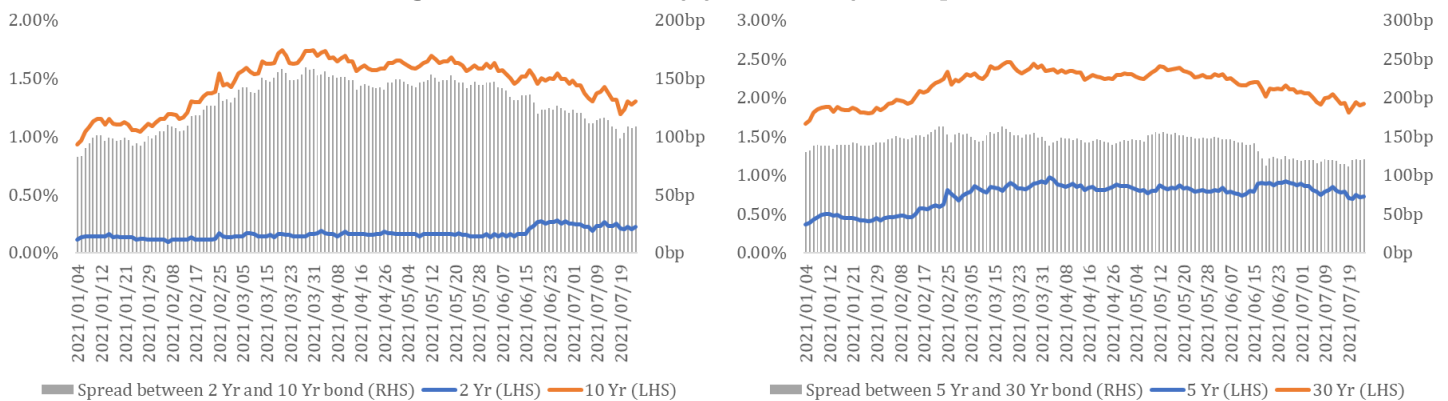
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

On the other hand, US Treasury yields declined as a result of concerns over the spreading of new variant and inflation pressures, which is expected to deter the economic recovery; and higher-than-expected US initial jobless claims. As of July 23, the 2-year Treasury yield closed at 0.22%, decreasing by 3bp from last Friday; 5-year Treasury yield flattened at 0.72 %, decreasing by 7bp from last Friday; 10-year and 30-year Treasury yields closed at 1.30% and 1.92%, both decreasing by 1bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 2bp to 108bp, while the spread between the 5-year and 30-year widened by 6bp to 120bp.

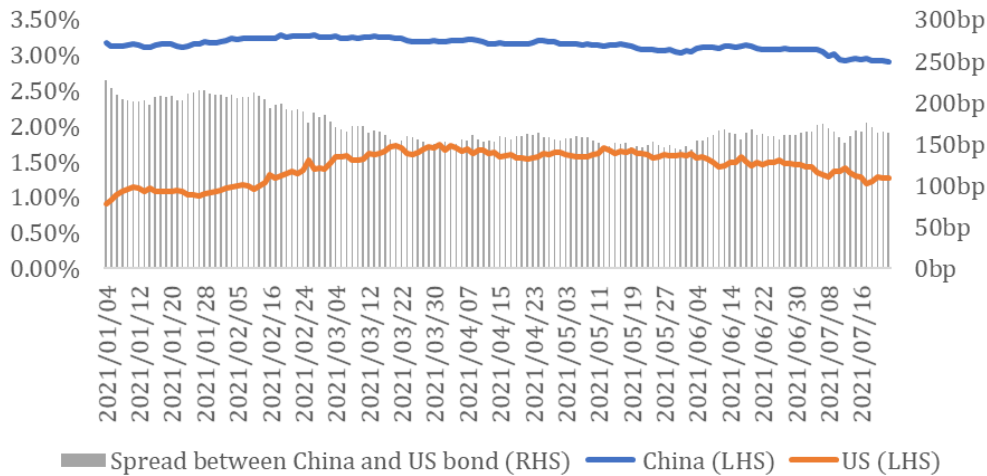
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of July 23, the yield spread between China and US 10-year note was 163.7bp, narrowing by 1.6bp from last Friday and narrowing by 62.8bp 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 issuances were active

From July 19 to July 23, there were 32 new issues with a total issued volume of USD6.8 billion, increasing by 122.7% from last week.

Table 1 : New issuance of Chinese offshore bonds (20210719-20210723)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/7/19	Haitong International Securities Group Ltd	HKD	380	0.6	2022/1/28	183D	Financials	Baa2/BBB-/	-/-
2021/7/19	Road King Infrastructure Ltd	USD	500	5.125	2026/7/26	5	Real Estate	Ba3/BB-/	Ba3/BB-/
2021/7/19	Huijing Holdings Co Ltd	USD	138	12.5	2022/7/21	364D	Real Estate	-/-	-/-
2021/7/19	Sunkwan Properties Group Ltd	USD	210	12.25	2022/7/21	364D	Real Estate	-/-	-/-
2021/7/19	ICBC International Holdings Ltd	USD	600	1.1	2024/7/26	3	Financials	A2/A-/	A2/-
2021/7/19	Anton Oilfield Services Group/Hong Kong	USD	150	8.75	2025/1/26	4	Energy	B1/-	B1/-
2021/7/19	Powerlong Real Estate Holdings	USD	200	4	2022/7/25	364D	Real Estate	B1/BB-/	-/-
2021/7/19	CMB International Capital Corp Ltd	USD	10	0.75	2022/6/23	335D	Financials	Baa1/BBB+/-	-/-
2021/7/20	Bank of China Ltd/Macau	USD	40	3.25	2026/7/15	4.98	Banks	A1/A/A	-/-
2021/7/20	CMB International Capital Corp Ltd	USD	100	0.3	2021/8/23	32D	Financials	Baa1/BBB+/-	-/-
2021/7/20	Far East Horizon Ltd	USD	200	0	2026/8/5	5	Financials	-/BBB-/	-/-
2021/7/20	CMB International Capital Corp Ltd	HKD	50	0.5	2022/1/27	184D	Financials	Baa1/BBB+/-	-/-
2021/7/21	Guotai Junan International Holdings Ltd	HKD	356	0.65	2022/7/27	364D	Financials	Baa2/BBB+/-	-/-
2021/7/21	Guotai Junan International Holdings Ltd	HKD	450	0.7	2022/1/27	184D	Financials	Baa2/BBB+/-	-/-
2021/7/21	Guotai Junan International Holdings Ltd	HKD	200	0	2022/1/28	184D	Financials	Baa2/BBB+/-	-/-

2021/7/21	CSSC Hong Kong Shipping Co Ltd	USD	500	2.1	2026/7/27	5	Industrials	-/A-/A	-/A-/A
2021/7/21	Jiangsu Century New City Investment Holding Group Co Ltd	USD	110	6.5	2022/7/26	364D	Materials	-/-/-	-/-/-
2021/7/21	China Grand Automotive Services Group Co Ltd	USD	232	9.125	2024/1/30	3	Consumer Discretionary	B1-/B+	-/-B+
2021/7/21	Aluminum Corp of China Ltd	USD	500	1.55	2024/7/28	3	Materials	-/-A-	-/-A-
2021/7/21	Aluminum Corp of China Ltd	USD	500	2.1	2026/7/28	5	Materials	-/-A-	-/-A-
2021/7/21	Huatai International Financial Holdings Co Ltd	USD	15	0	2022/12/29	1.43	Financials	-/BBB/-	-/-/-
2021/7/21	Jiayuan International Group Ltd	USD	100	7	2025/1/27	3.5	Real Estate	B2/B/B	-/-/B
2021/7/22	China CITIC Bank International Ltd	USD	600	3.25	1900/1/0	Perp	Banks	A3-/BBB+	Ba2/-/-
2021/7/22	Ping An Real Estate Co Ltd	USD	300	3.45	2026/7/29	5	Financials	Baa2/-/-	Baa3/-/-
2021/7/22	Ping An Real Estate Co Ltd	USD	300	2.75	2024/7/29	3	Financials	Baa2/-/-	Baa3/-/-
2021/7/22	Shandong Iron & Steel Group Co Ltd	USD	500	4.8	7/28/2024	3	Materials	-/-/-	-/-/-
2021/7/22	Guangzhou Industrial Investment Fund Management Co Ltd	USD	300	2.85	2026/7/28	5	Financials	-/-A-	-/-A-
2021/7/22	Shanghai Fosun High Technology Group Co Ltd	USD	200	4.3	2024/7/27	3	Consumer Discretionary	-/-/-	-/-/-
2021/7/22	Bank of China Ltd/Macau	USD	5	4.66	2024/6/4	2.86	Banks	A1/A/A	-/-/-
2021/7/22	Country Garden Holdings Co Ltd	MYR	60	0	2022/7/26	365D	Real Estate	Baa3/BB+/BBB-	-/-/-
2021/7/23	Xi'an Aerospace High-Tech Industry Development Group Co Ltd	USD	35	3.6	2024/7/28	3	Chengtou	-/-/-	-/-/-
2021/7/23	Nanchang Jinkai Group Co Ltd	USD	225	3.45	2024/6/29	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From July 19 to July 23, there were 4 real estate enterprises announced tap bond offering.

Table 2 : Tap bond offering (20210719-20210723)

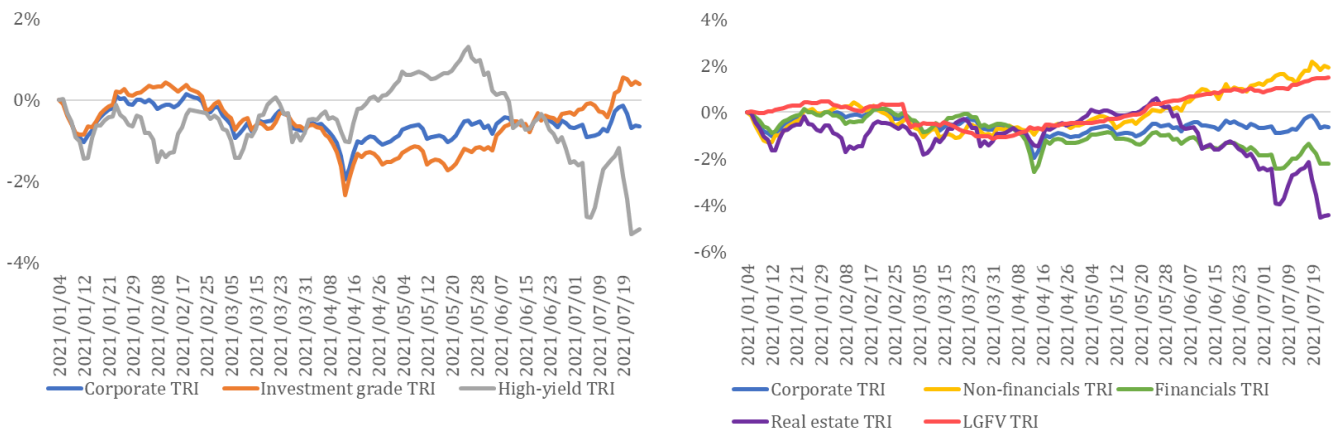
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/7/19	Redco Properties Group Ltd	USD	320.8 (reoffered 100.8)	11	2022/8/6	2	Real Estate	-/B/B+	-/B-/B+
2021/7/19	Zhenro Properties Group Ltd	CNY	1600 (reoffered 300)	7.125	2022/6/30	1	Real Estate	B1-/B+	-/-/B+
2021/7/20	Times China Holdings Ltd	USD	500 (reoffered 100)	5.55	2024/6/4	3	Real Estate	Ba3/BB-/BB-	B1/B+/BB-
2021/7/21	Hopson Development Holdings Ltd	USD	237.5 (reoffered 37.5)	6.8	2023/12/28	2.5	Real Estate	B2/B/B+	-/-/B+

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese high yield USD bonds plummeted again

As of July 23, the YTD return¹ on Chinese USD corporate bond index fell by 47bp from last Friday to -0.65%. The return on investment-grade bond rose by 17bp to 0.40%. Impacted by the negative rumors on China Evergrande, the return on high-yield bond fell by 201bp to -3.19%. In terms of sector indices, the return on real estate and financial bonds were -4.42% and -2.22%, decreasing by 225bp and 85bp from last Friday, respectively; the returns on non-financial and Chengtong bonds were 1.91% and 1.49%, increasing by 15bp and 14bp from last Friday, respectively.

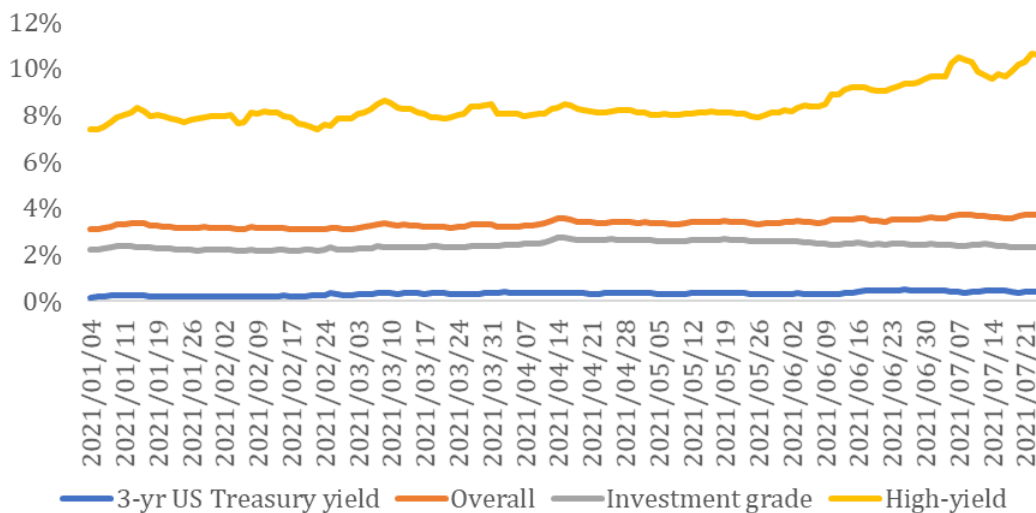
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of July 23, the yield-to-worst of Chinese dollar bonds rose by 15bp to 3.71% from last Friday, of which investment grade bond index fell by 4bp to 2.32% and high-yield bond index rose by 93bp to 10.59%.

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



Sources: Bloomberg, CCX research

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

Rating Action: Rating agencies took negative rating actions on Chinese issuers

From July 19 to July 23, the rating agencies took negative rating actions on 5 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20210719-20210723)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	RiseSun Real Estate Development Co Ltd	Real Estate	Ba3	NEG	2021/7/19	Ba3	STABLE	2021/6/28	Moody's	Weakened access to offshore capital markets and moderating interest coverage
	China Merchants Commerce Financial Leasing Co Ltd	Financials	BBB+	Rating Watch Negative	2021/7/22	BBB+	STABLE	2021/5/19	Fitch	Fitch's reviewing a portfolio of Chinese government-related entities
	Yestar Healthcare Holdings Co Ltd	Health Care	Caa3	NEG	2021/7/23	Caa1	NEG	2021/4/14	Moody's	Very weak liquidity and uncertainty over the proposed offshore debt restructuring
Domestic Rating:										
Downgrade	Shandong Sanxing Group Co Ltd	Consumer Staples	AA	NEG	2021/7/21	AA	STABLE	2021/1/21	CCXI	Deteriorated operating environment and financial situation
	Suning Appliance Group Co Ltd	Consumer Discretionary	A	NEG	2021/7/22	AA+	NEG	2021/4/6	Golden Credit	-

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issuance this week

As of July 23, there were 18 issuers that issued 40 panda bonds with a total issued amount of RMB60.4 billion and an average coupon rate of 3.48%. More than 60% 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 (20210101-20210723)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Beijing Enterprises Water Group Limited	1	3.27	2021/7/14	2026/7/14	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Beijing Enterprises Water Group Limited	1	3.64	2021/7/14	2026/7/14	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Far East Horizon Limited	0.5	3.98	2021/7/12	2023/7/12	2	MTN	China Interbank Market	China Chengxin
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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