

## 2021 Issue 29

From August 2 to August 6

Chinese offshore new issuances continued to decline;  
Real estate bonds rebounded significantly

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## Date:

August 11, 2021

**Headline: IMF approved the largest SDR allocation, Brazil raised interest rates significantly**

The IMF approved a new round of SDR universal allocation plan with a size of US\$650 billion in order to increase global liquidity, which was the largest SDR allocation in history; the Central Bank of Brazil announced an interest rate hike of 100 basis points to tame inflation pressure. This was the fourth interest rate hike for Brazil this year and the largest rate hike since February 2003. The Central Bank of England announced that it would maintain its policy interest rate unchanged; the US's non-agricultural employment population increased 943,000 in July, exceeding market expectations; Europe's comprehensive PMI broke 60 in July, recording 60.6, indicating that economic expansion is continued.

**Exchange Rate: RMB exchange rate rose slightly**

The RMB exchange rate continued to fluctuate, rose slightly from last Friday. As of August 6, the intermediate price of RMB exchange rate closed at 6.4625.

**Interest Rate: Chinese Government Bond yields fluctuated and US Treasury yields rose generally**

Chinese Government Bond yields fluctuated, of which the medium and long-term yields bonds continued to decline and the short-term treasury yields rose. On the other hand, US Treasury yields generally rose as Federal Reserve Vice Chairman Richard Clarida believed that the fiscal stimulus measures would accelerate the recovery of the US economy, and the scale of the current bond purchases may begin to reduce this year. Meanwhile, US's ISM non-manufacturing index rose beat expectation in July. As of August 6, the yield spread between China and US 10-year note was 151.7bp, narrowing by 9.7bp from last Friday and narrowing by 74.8bp from the beginning of the year.

**Chinese Offshore Bond Market****Primary Market: Chinese offshore new issuances continued to decline**

From August 2 to August 6, there were 11 new issues with a total volume of USD2.9 billion, mostly issued by financial institutions which recorded USD1.6 billion in total.

**Secondary Market: Chinese real estate bonds rebounded significantly**

As of August 6, the YTD return on Chinese USD corporate bond index rose by 31bp from last Friday to -1.72%. The return on investment-grade bonds fell by 2bp to 0.10%. Supported by the rebound of real estate sector, the return on high-yield bonds rose by 112bp to -6.11%.

**Rating Actions: Evergrande Group's rating downgraded again****Panda Bond Market: Panda Bond Market: China Power and China Mengniu issued 2 tranches of SCPs**

On August 3, the second series of 2021 China Power International Development Limited Super & Short-term Commercial Paper was issued in the China Interbank Market. The bond amounted to RMB500 million, with a tenor of 210 days and coupon rate of 2.63%. On August 4, the seventh series of 2021 China Mengniu Dairy Company Limited Super & Short-term Commercial Paper (Rural Vitalization Bond) was issued in the China Interbank Market. China Mengniu raised RMB500 million, with a tenor of 86 days and coupon rate of 2.50%. CCXI assigned a credit rating of AAA to both China Power and China Mengniu.

## Headline: IMF approved the largest SDR allocation, Brazil raised interest rates significantly

On August 2, the IMF approved a new round of SDR universal allocation plan with a size of US\$650 billion in order to increase global liquidity, which was the largest SDR allocation in history. The new SDR allocation will be provided to members in accordance with their current share ratio, effective on August 23 this year. Among them, emerging markets and developing economies will receive total support of approximately US\$275 billion.

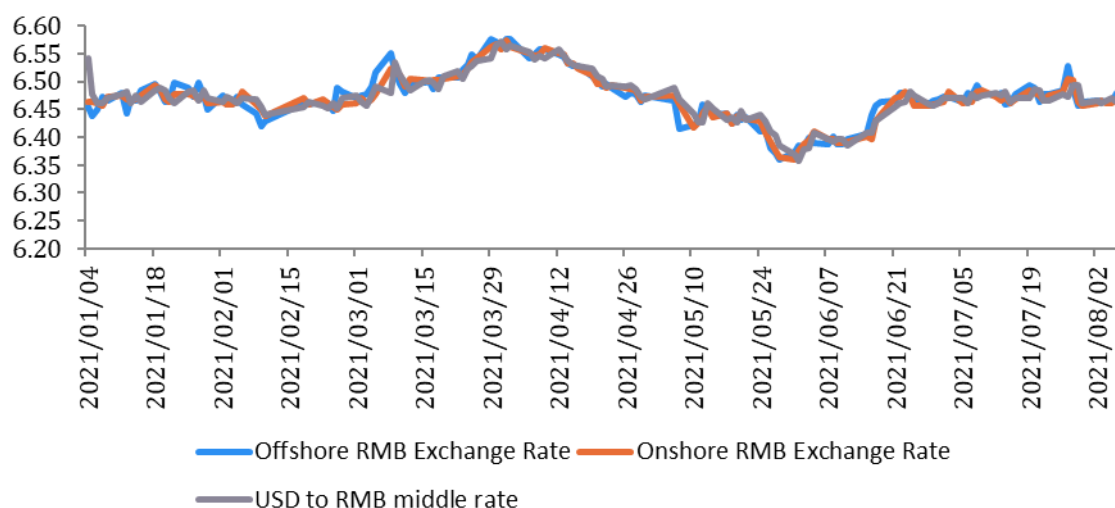
On August 4, the Central Bank of Brazil announced an interest rate hike of 100 basis points, raising the base interest rate from 4.25% to 5.25%. This was the fourth interest rate hike for Brazil this year and the largest rate hike since February 2003. The main reason for raising the interest rate was to tame inflation pressure in Brazil amid the pandemic. In June, Brazil's inflation rate reached 8.35%, far exceeding the target cap. On Thursday, the Central Bank of England announced that it would maintain the base interest rate of 0.1% and the scale of bond purchases of GBP895 billion, while raising its inflation forecast to 4%.

In addition, the US's non-agricultural employment population increased 943,000 in July, the previous population was 938,000; the US's unemployment rate fell by 0.5 percentage point to 5.4%, exceeding market expectations; Europe's comprehensive PMI broke 60 in July, recording 60.6, indicating that economic expansion is continued.

## Exchange Rate: RMB exchange rate rose slightly

The RMB exchange rate continued to fluctuate, rose slightly from last Friday. As of August 6, the intermediate price of RMB exchange rate closed at 6.4625, up 23bp from last Friday; the onshore RMB exchange rate rose by 128bp to 6.4688; the offshore RMB exchange rate increased by 157bp to 6.4785. As the employment environment in US improves, the Fed is getting closer to reduce the unconventional easing measures, and the expected rise in interest rates will increase the dollar trend.

Figure 1 : RMB exchange rate

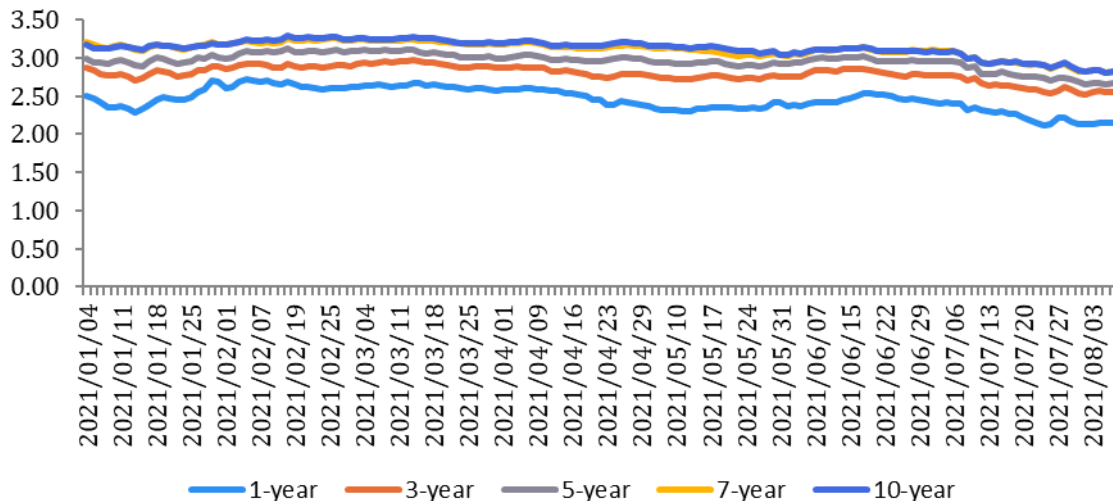


Sources: Wind, CCX research

## Interest Rate: Chinese Government Bond yields fluctuated and US Treasury yields rose generally

Chinese Government Bond yields fluctuated, of which the medium and long-term yields bonds continued to decline and the short-term treasury yields rose. As of August 6, the 5-year, 7-year and 10-year Chinese Government Bond yields dropped fluctuated comparing to last Friday, closed at 2.6631%, 2.8150% and 2.8139%, respectively, while 1-year and 3-year yield increased slightly, closing at 2.1514 and 2.5536%.

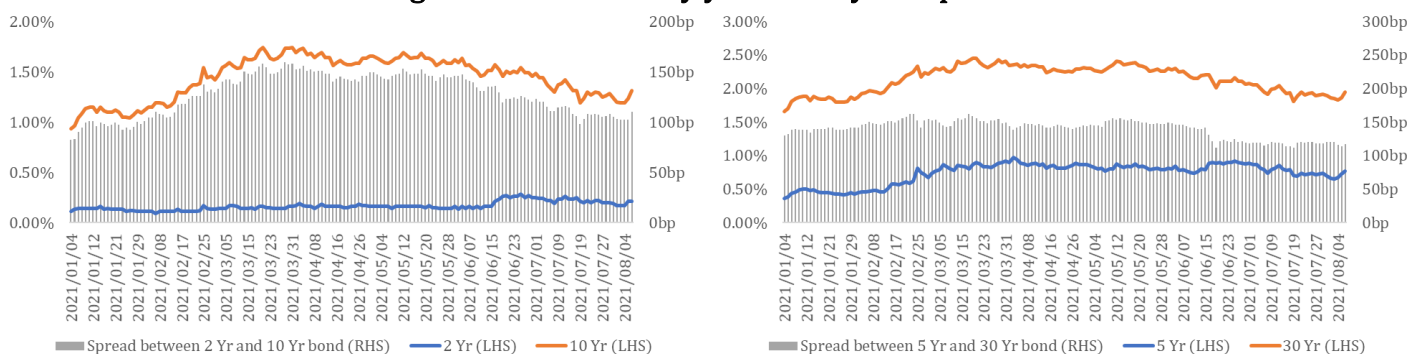
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields generally rose as Federal Reserve Vice Chairman Richard Clarida believed that the fiscal stimulus measures would accelerate the recovery of the US economy, and the scale of the current bond purchases may begin to reduce this year. Meanwhile, US's ISM non-manufacturing index rose beat expectation in July. As of August 6, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.21%, 0.77%, 1.31% and 1.94%, increasing by 2bp, 8bp, 7bp and 5bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 5bp to 110bp from last Friday, while the spread between the 5-year and 30-year narrowed 3bp to 117bp.

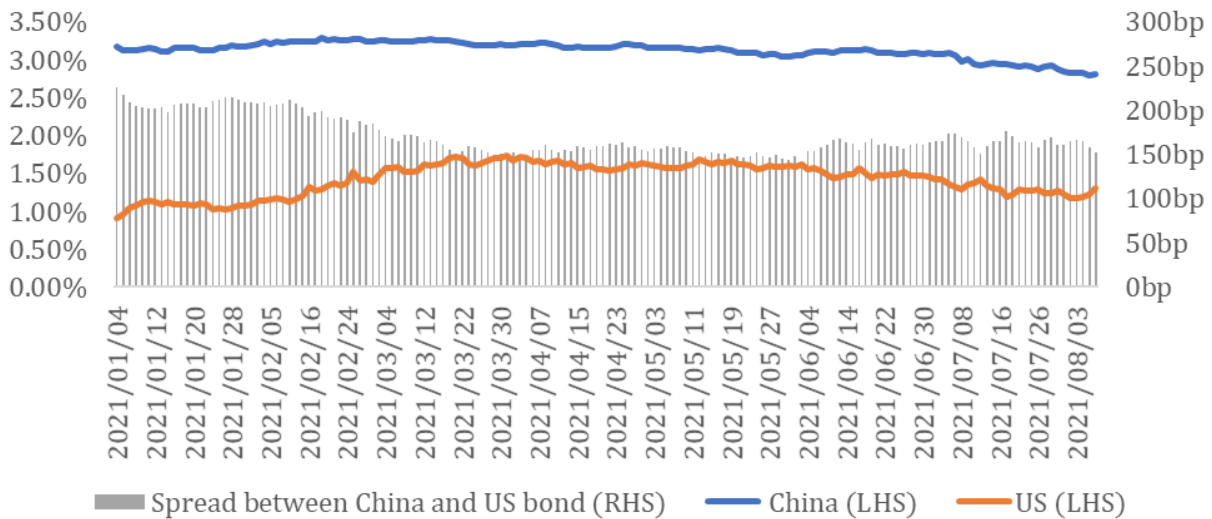
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of August 6, the yield spread between China and US 10-year note was 151.7bp, narrowing by 9.7bp from last Friday and narrowing by 74.8bp 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 new issuances continued to decline

From August 2 to August 6, there were 11 new issues with a total volume of USD2.9 billion, mostly issued by financial institutions which recorded USD1.6 billion in total.

Table 1 : New issuance of Chinese offshore bonds (20210802-20210806)

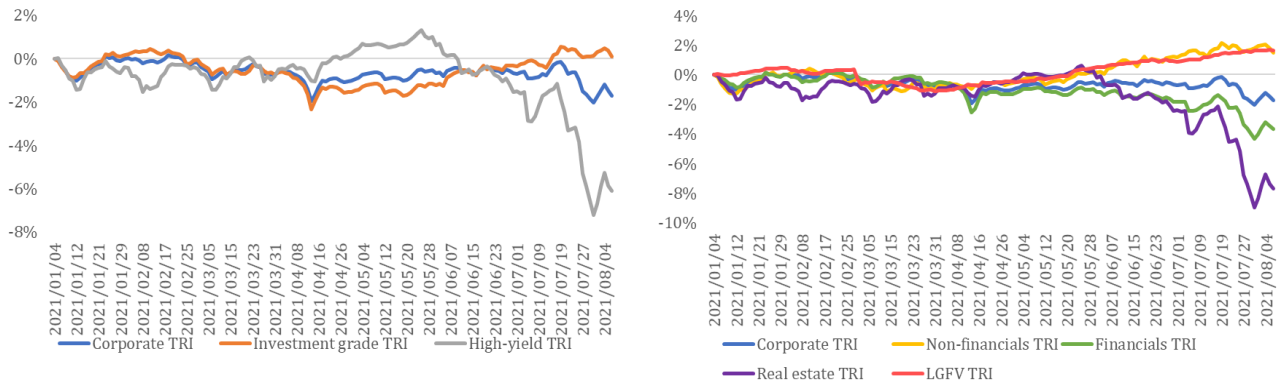
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/8/2	Yunnan Communications Investment & Construction Group Co Ltd	USD	200	3.1	2024/8/9	3	Industrials	-/-	-/-
2021/8/2	CMB International Capital Corp	USD	10	0.7	2022/5/10	274D	Financials	Baa1/BBB+/-	-/-
2021/8/3	Bank of China Ltd/Hong Kong	USD	500	SOFR+48	2024/8/10	3	Banks	A1/A/A	A1/A/A
2021/8/3	Bank of China Ltd/London	GBP	300	SONIO+56	2023/8/10	2	Banks	A1/A/A	A1/A/A
2021/8/3	China Ping An Insurance Overseas Holdings Ltd	USD	550	2.85	2031/8/12	10	Financials	Baa2/-	Baa2/-
2021/8/4	Nanjing Jiangbei New Area Industrial Investment Group Co Ltd	USD	250	2.3	2022/8/10	364D	Chengtou	-/-/BBB	-/-/BBB
2021/8/4	Ningbo Yincheng Group Co Ltd	USD	200	2.15	2024/8/11	3	Chengtou	Baa3/-/BBB	Baa3/-/BBB
2021/8/5	Gemdale Corp	USD	480	4.95	2024/8/12	3	Real Estate	Ba2/BB/-	Ba3/-
2021/8/5	Hangzhou Shangcheng District Urban Construction&Comprehensive Development Co Ltd	USD	200	2.25	2024/8/12	3	Chengtou	-/-/BBB-	-/-/BBB-
2021/8/5	China Development Bank Financial Leasing Co Ltd	USD	100	0.95	2022/8/13	1	Financials	A1/A/A+	-/-
2021/8/6	Industrial & Commercial Bank of China Ltd/Sydney	USD	3	1.146	2026/8/17	5	Banks	A1/A/A	-/-

Sources: Bloomberg, CCX research

## Secondary Market: Real estate bonds rebounded significantly

As of August 6, the YTD return on Chinese USD corporate bond index rose by 31bp from last Friday to -1.72%. The return on investment-grade bond fell by 2bp to 0.10%. The return on high-yield bond rose by 112bp to -6.11%. In terms of sector indices, the return on non-financial bonds was 1.47%, decreasing by 30bp from last Friday. The returns on financial bonds, real estate bonds and Chengtou bonds were 3.66%, -7.69% and 1.64%, increasing by 69bp, 131bp and 1bp from last Friday, respectively.

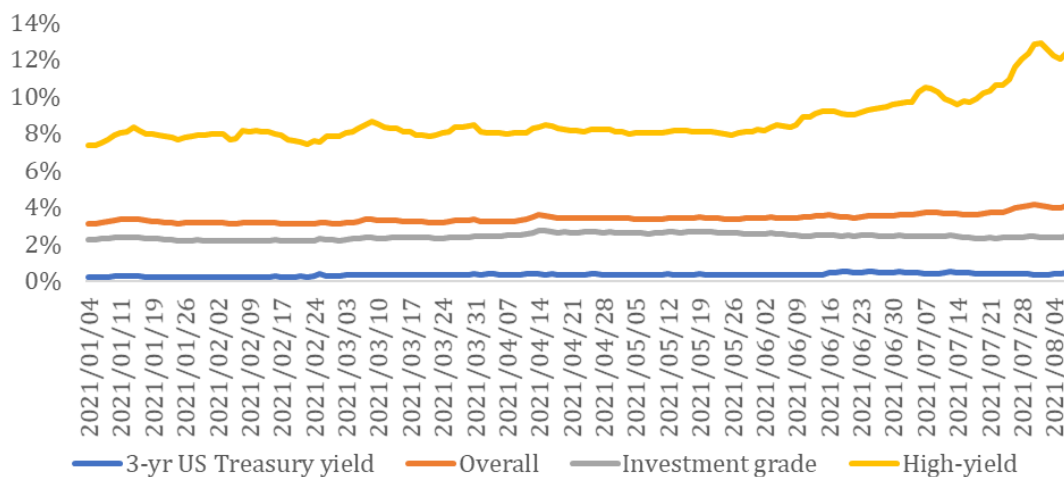
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of August 6, the yield-to-worst of Chinese dollar bonds fell by 10bp to 4.05% from last Friday, of which investment grade bond index rose by 1bp to 2.39% and high-yield bond index fell by 41bp to 12.41%.

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



Sources: Bloomberg, CCX research

## Rating Actions: Evergrande Group's rating downgraded again

From August 2 to August 6, the rating agencies took positive rating actions on 1 Chinese issuers, and took negative rating action on 5 Chinese issuers, Evergrande Group's rating downgraded

again.

**Table 2 : Credit rating changes of cross-border bond market (20210802-20210806)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade	Industrial Bank Co Ltd	Banks	BBB	STABLE	2021/8/5	BBB-	STABLE	2021/3/4	Fitch	Expanded scale and successfully shifted strategic focus to traditional lending business
	Tianji Holding Ltd	Real Estate	Caa2	NEG	2021/8/2	B3	Rating Watch Negative	2021/6/30	Moody's	Weak liquidity and credit profile
Downgrade	China Evergrande Group Hengda Real Estate Group Co Ltd	Real Estate	Caa1	NEG	2021/8/2	B2	Rating Watch Negative	2021/6/30	Moody's	Weak liquidity and credit profile
	China South City Holdings Ltd	Real Estate	B	NEG	2021/8/5	B	STABLE	2020/9/13	Fitch	Rising risk of refinancing
	China Evergrande Group Hengda Real Estate Group Co Ltd	Real Estate	CCC	NEG	2021/8/5	B-	NEG	2021/7/26	S&P	Rising risk of debt default
	Tianji Holding Ltd									
	Wens Foodstuffs Group Co Ltd	Consumer Discretionary	BBB-	STABLE	2021/8/6	BBB+	NEG	2021/4/16	Fitch	Small scale, weak operating efficiency and high leverage

Sources: Bloomberg, Wind, CCX research

### Panda Bond Market: China Power and China Mengniu issued 2 tranches of SCPs

On August 3, the second series of 2021 China Power International Development Limited (“China Power”) Super & Short-term Commercial Paper was issued in the China Interbank Market. The bond amounted to RMB500 million, with a tenor of 210 days and coupon rate of 2.63%. On August 4, the seventh series of 2021 China Mengniu Dairy Company Limited (“China Mengniu”) Super & Short-term Commercial Paper (Rural Vitalization Bond) was issued in the China Interbank Market. China Mengniu raised RMB500 million, with a tenor of 86 days, at the coupon rate of 2.50%. CCXI assigned AAA to both China Power and China Mengniu.

As of August 6, there were 20 issuers that issued 45 panda bonds with a total amount of RMB65.9 billion and an average coupon rate of 3.42%. Approximately sixty percent 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 3 : New issuance of Panda Bond in 2021 (20210101-20210806)**

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Mengniu Dairy Company Limited	0.5	2.5	2021/8/4	2021/10/29	0.24	SCP	China Interbank Market	China Chengxin

China Power International Development Limited	0.5	2.63	2021/8/3	2022/3/1	0.58	SCP	China Interbank Market	China Chengxin
China Everbright Greentech Limited	1	3.50	2021/7/28	2026/7/28	5	MTN	China Interbank Market	Lianhe Credit
Luso International Banking Limited	1.5	3.28	2021/7/27	2024/7/27	3	Financial Bond	China Interbank Market	Lianhe Credit
China Mengniu Dairy Company Limited	2	2.60	2021/7/27	2021/12/9	0.37	SCP	China Interbank Market	China Chengxin
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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