

## 2021 Issue 30

From August 9 to August 13

## Chengtou companies were main issuers; return on Chinese USD bonds continued to rebound

## Authors

## CCXI Overseas Business Department

Mia Zhu 010-66428877-570

[llzhu@ccxi.com.cn](mailto:llzhu@ccxi.com.cn)

Lina Wang 010-66428877-451

[jlwang@ccxi.com.cn](mailto:jlwang@ccxi.com.cn)

## CCXAP

Peter Chong 852-28607126

[peter\\_chong@ccxap.com](mailto:peter_chong@ccxap.com)

Jacky Lau 852-28607124

[jacky\\_lau@ccxap.com](mailto:jacky_lau@ccxap.com)

## Other Contact

Elle Hu 852-28607120

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

## Date:

August 18, 2021

**Headline: Regime change in Afghanistan amid US military withdrawal**

On August 15, Afghan President Ashraf Ghani announced his resignation. On the same day, Mohamed Naim, the Taliban spokesperson, announced that Taliban has entered and taken control of the capital city, Kabul, declaring the "Islamic Emirate of Afghanistan" from the presidential palace. President Biden said that the US military mission in Afghanistan will conclude on August 31, ending the 20-year war in Afghanistan.

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

As the Fed is getting closer to tapering, the RMB exchange rate rose slightly from last Friday. As of August 13, the intermediate price of RMB exchange rate closed at 6.4799.

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

Chinese Government Bond yields fluctuated upward. US Treasury yields fluctuated due to high inflation and sharp drop in consumer confidence. As of August 13, the yield spread between China and US 10-year note was 160.3bp, widening by 8.5bp from last Friday and narrowing by 66.2bp from the beginning of the year.

**Chinese Offshore Bond Market****Primary Market: Chinese offshore bond issuance remained low, Chengtou companies were main issuers**

From August 9 to August 13, there were 13 new issues with a total issued volume of USD2.38 billion. Among them, Chengtou companies were the main issuer, with total issued amount of USD1.38 billion.

**Secondary Market: Return on Chinese USD bonds continued to rebound**

As of August 13, the YTD return on Chinese USD corporate bond index rose by 57bp from last Friday to -1.15%. The return on investment-grade bond rose by 32bp to 0.42%, and the return on high-yield bond rose by 118bp to -4.93%.

**Rating Actions: Outlook revisions on 4 Chinese banks****Risk Event: Sunshine 100 China defaulted on its convertible bond****Panda Bond Market: China Everbright Water issued a SCP**

On August 10, the first series of 2021 China Everbright Water Limited Super & Short-term Commercial Paper was issued in the China Interbank Market. The bond amounted to RMB800 million, with a tenor of 120 days and coupon rate of 2.40%.

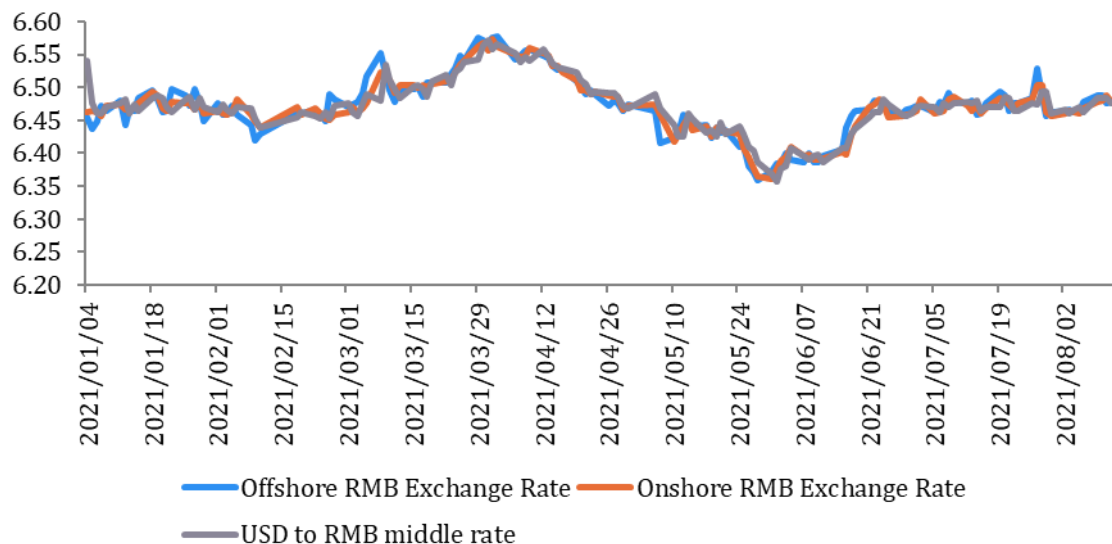
## Headline: Regime change in Afghanistan amid US military withdrawal

On August 15, Afghan President Ashraf Ghani announced his resignation, stating that he had left Afghanistan in order to avoid bloodshed. On the same day, Mohamed Naim, the Taliban spokesperson, announced that Taliban has entered and taken control of the capital city, Kabul, declaring the "Islamic Emirate of Afghanistan" from the presidential palace. Recently, the US military helped evacuate personnel from the Embassy in Afghanistan by helicopters. President Biden said that the US military mission in Afghanistan will conclude on August 31, ending the 20-year war in Afghanistan.

## Exchange Rate: RMB exchange rate rose slightly

As the Fed is getting closer to tapering, the RMB exchange rate rose slightly from last Friday. As of August 13, the intermediate price of RMB exchange rate closed at 6.4799, up 174bp from last Friday; the onshore RMB exchange rate rose by 142bp to 6.4830; the offshore RMB exchange rate decreased by 13bp to 6.4772.

Figure 1 : RMB exchange rate

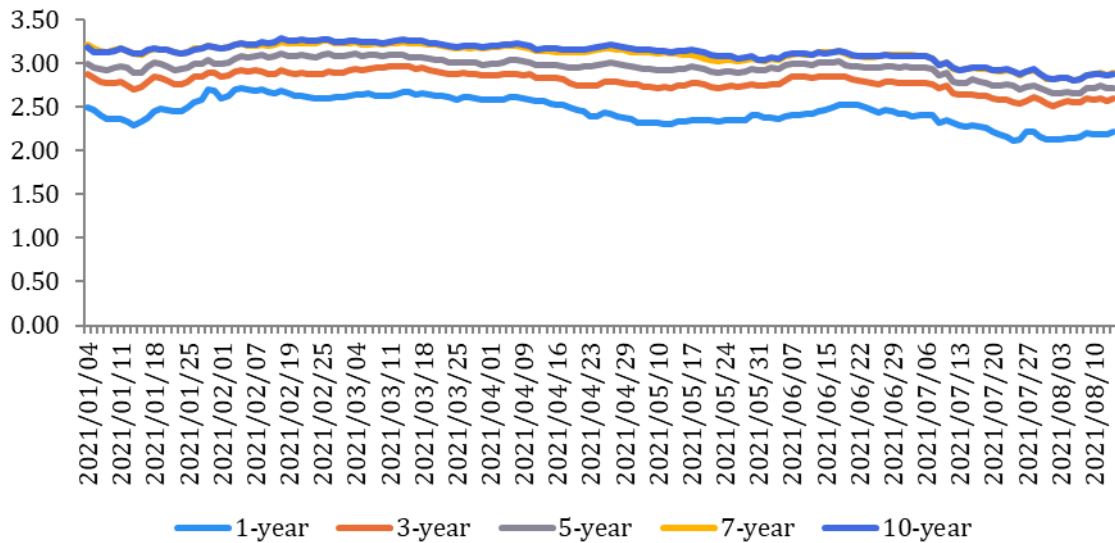


Sources: Wind, CCX research

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

Chinese Government Bond yields fluctuated upward. As of August 13, the 1-year, 3-year, 5-year, 7-year and 10-year Chinese Government Bond yields rose comparing to last Friday, closing at 2.2209%, 2.5908%, 2.7152%, 2.8849% and 2.8792%, respectively.

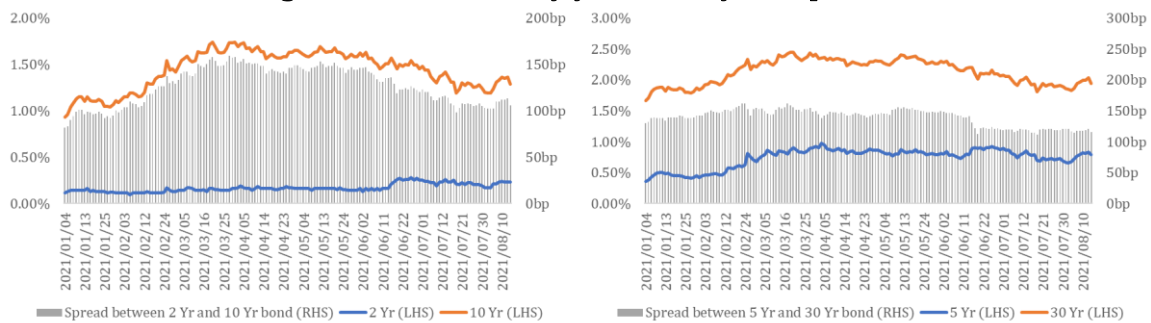
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields fluctuated due to high inflation and sharp drop in consumer confidence. As of August 13, the 2-year and 5-year Treasury yields closed at 0.23% and 0.79%, increasing by 2bp and 2bp from last Friday, respectively; 10-year Treasury yield closed at 1.29%, decreasing by 2bp; 30-year Treasury yield flattened at 1.94%. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 4bp to 106bp, while the spread between the 5-year and 30-year narrowed by 2bp to 115bp.

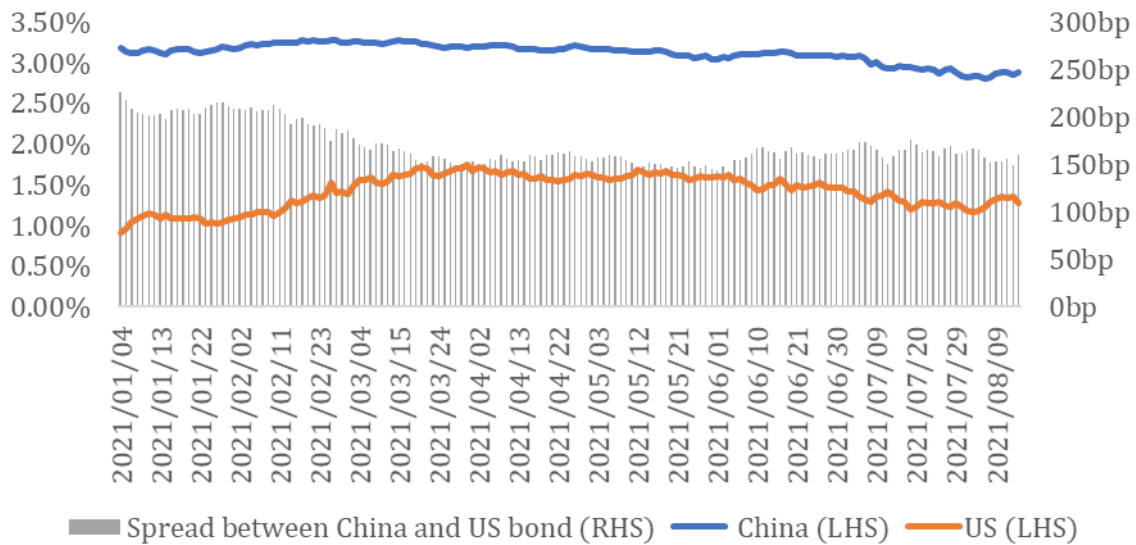
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of August 13, the yield spread between China and US 10-year note was 160.3bp, widening by 8.5bp from last Friday and narrowing by 66.2bp 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 remained low, Chengtou companies were main issuers

From August 9 to August 13, there were 13 new issues with a total issued volume of USD2.38 billion. Among them, Chengtou companies were the main issuers, with total issued amount of USD1.38 billion.

Table 1 : New issuance of Chinese offshore bonds (20210809-20210813)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/8/9	China Development Bank Financial Leasing Co Ltd	USD	100	1	2022/8/17	1	Financials	A1/A/A+	-/-/-
2021/8/9	Huatai International Financial Holdings Co Ltd	USD	3	0	2023/11/13	2.26	Financials	-/BBB/-	-/-/-
2021/8/9	Zhejiang Deqing Jinkai Urban Development Co Ltd	USD	47	2.08	2024/8/16	3	Chengtou	-/-/-	-/-/-
2021/8/10	Haitong International Securities Group Ltd	HKD	800	0.5	2022/2/18	184D	Financials	Baa2/BBB/-	-/-/-
2021/8/10	Shangrao Innovation Development Industrial Investment Group Co Ltd	USD	96	4	2024/7/17	2.92	Chengtou	-/-/BB*-	-/-/-
2021/8/10	Taiyuan Longcheng Development Investment Group Co Ltd	USD	77	2.2	2022/8/15	364D	Chengtou	Baa3/-/BBB	-/-/-
2021/8/11	Sichuan Development Holding Co Ltd	USD	400	2.8	2026/8/18	5	Financials	-/-/A-	-/-/A-
2021/8/11	Yibin Emerging Industry Investment Group Co Ltd	USD	195	2.2	2024/7/17	2.9	Financials	-/-/-	-/-/-
2021/8/11	Zhuhai Huafa Group Co Ltd	USD	250	4.25	-	Perpetual	Chengtou	-/-/BBB	-/-/BBB-
2021/8/12	Nanjing Lishui Economic and	USD	50	2	2022/8/16	364D	Chengtou	-/-/-	-/-/-

Technological Development Group Co Ltd

2021/8/12	Shaoxing City Investment Group Ltd	USD	700	2.5	2026/8/19	5	Chengtou	-/-/BBB+	-/-/BBB+
2021/8/12	Shinsun Holdings Group Co Ltd	USD	200	12	2023/8/18	2	Real Estate	B2/B/B	B3/B/-
2021/8/13	Chongqing International Logistics Hub Park Construction Co Ltd	USD	160	5.3	2024/8/20	3	Chengtou	-/-/BBB-	-/-/BBB-

Sources: Bloomberg, CCX research

On August 13, Jingrui Holdings Ltd announced tap bond offering.

Table 2 : Tap bond offering (20210809-20210813)

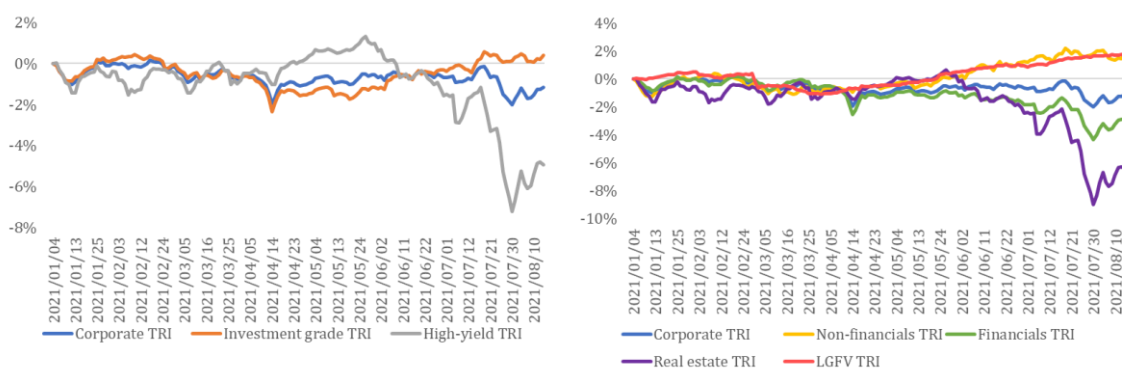
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/8/13	Jingrui Holdings Ltd	USD	240 (reoffered 50)	12.5	2023/10/26	2.5	Real Estate	B2/B/-	-/B/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds continued to rebound

As of August 13, the YTD return<sup>1</sup> on Chinese USD corporate bond index rose by 57bp from last Friday to -1.15%. The return on investment-grade bond rose by 32bp to 0.42%, and the return on high-yield bond rose by 118bp to -4.93%. In terms of sector indices, the returns on real estate, financial, non-financial and Chengtou bond were -6.40%, -2.91%, 1.74% and 1.76%, increasing by 129bp, 75bp, 27bp, and 12bp from last Friday, respectively.

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

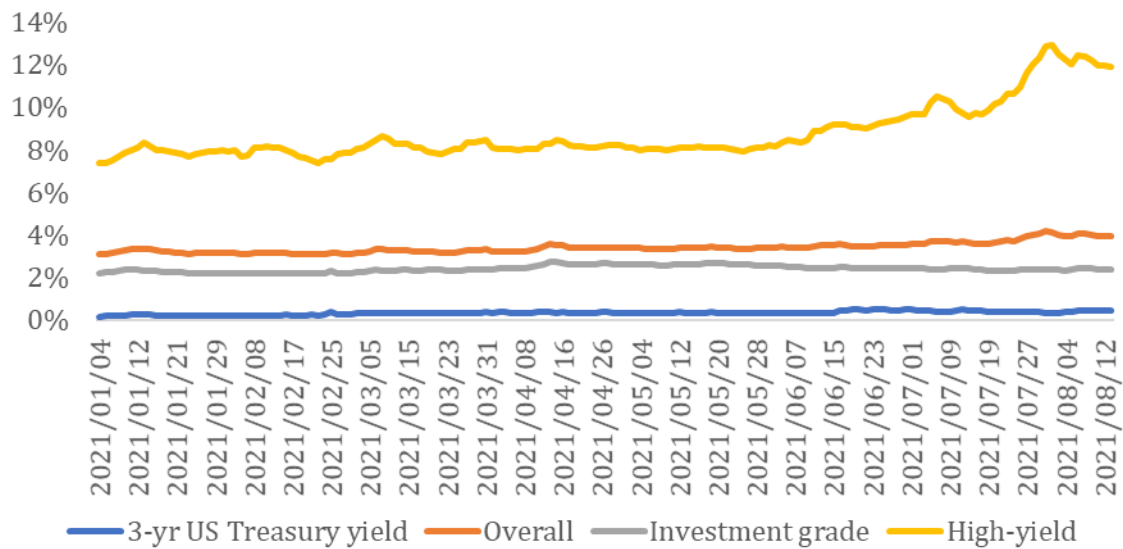


Sources: Bloomberg, CCX research

As of August 13, the yield-to-worst of Chinese dollar bonds fell by 13bp to 3.92% from last Friday, of which investment grade bond index fell by 4bp to 2.35% and high-yield bond index fell by 52bp to 11.89%.

<sup>1</sup> 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: Outlook revisions on 4 Chinese banks

From August 9 to August 13, the rating agencies took positive rating actions on 11 Chinese issuers, and took negative rating actions on 4 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20210809-20210813)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
	Bank of Communications Co Ltd	Banks	A-	POS	2021/8/9	A-	STABLE	2019/7/26	S&P	
	China Minsheng Banking Corp Ltd	Banks	BBB-	POS	2021/8/9	BBB-	STABLE	2021/5/31	S&P	Slower debt and property price growth
	China CITIC Bank Corp Ltd	Banks	BBB+	POS	2021/8/9	BBB+	STABLE	2020/12/29	S&P	
	China Guangfa Bank Co Ltd	Banks	BBB-	STABLE	2021/8/9	BBB-	NEG	2020/8/3	S&P	
Upgrade	Bank of Communications Hong Kong Ltd	Banks	A-	POS	2021/8/9	A-	STABLE	2019/7/26	S&P	
	Bank of Communications Financial Leasing Co Ltd, Bocom Leasing Management Hong Kong Co Ltd	Financials	A-	POS	2021/8/9	A-	STABLE	2019/7/26	S&P	Outlook revision of Bank of Communications Co Ltd
	Minsheng Financial Leasing Co Ltd	Financials	BBB-	POS	2021/8/9	BBB-	STABLE	2021/5/31	S&P	Outlook revision of China Minsheng Banking Corp Ltd



	CITIC Group Corp, CITIC Ltd	Financials	BBB+	POS	2021/8/9	BBB+	STABLE	2017/9/28	S&P	Outlook revision of China CITIC Bank Corp Ltd
	Anhui Transportation Holding Group Co Ltd	Industrials	A-	STABLE	2021/8/9	BBB+	STABLE	2021/6/8	Fitch	Higher incentive for Anhui province to provide support to the Company
Downgrade	E-House China Enterprise Holdings Ltd	Real Estate	B+	STABLE	2021/8/9	BB-	NEG	2020/9/21	S&P	Expected negative operating cash flow
	Sunshine 100 China Holdings Ltd	Real Estate	SD	-	2021/8/11	CCC-	NEG	2021/3/4	S&P	Missed bond repayment
	Huarong Industrial Investment Management Co Ltd	Financials	CCC	-	2021/8/11	BB	Rating Watch Negative	2021/4/27	Fitch	Lack of a refinancing plan for its capital market instruments maturing in 2022
	Shenzhen Expressway Co Ltd	Industrials	Baa2	NEG	2021/8/13	Baa2	STABLE	2021/6/23	Moody's	Proposed acquisition will significantly increase its leverage and weaken its standalone credit profile

Sources: Bloomberg, Wind, CCX research

### Risk Event: Sunshine 100 China defaulted on its convertible bond

On August 11, Sunshine 100 China Holdings Ltd (“Sunshine 100 China” or the “Company”) announced that, the Company defaulted on the convertible bond due on August 11, 2021, with total outstanding principal and accrued interest amount of USD50.9161 million and USD1.4755 million, respectively. In the meantime, the default will trigger cross default provisions under its 3 outstanding offshore notes, with a total amount of USD509.6 million.

### Panda Bond Market: China Everbright Water issued a SCP

On August 10, the first series of 2021 China Everbright Water Limited (“China Everbright Water”) Super & Short-term Commercial Paper was issued in the China Interbank Market. The bond amounted to RMB800 million, with a tenor of 120 days and coupon rate of 2.40%.

As of August 13, there were 20 issuers that issued 46 panda bonds with a total amount of RMB66.7 billion and an average coupon rate of 3.39%. Approximately 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 (20210101-20210813)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Everbright Water Limited	0.8	2.40	2021/8/10	2021/12/8	0.33	SCP	China Interbank	Shanghai

								Market	Brilliance Rating
China Mengniu Dairy Company Limited	0.5	2.50	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
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 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>