

2021 Issue 31

From August 16 to August 20

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Date:

August 25, 2021

The Fed may consider tapering bond purchases this year; Baidu issued USD1 billion of bonds

Headline: Fed may consider tapering bond purchases this year; the pandemic continues to rebound

On August 18, the Fed published the minutes of July's FOMC meeting. Most participants believed that, substantial progress had been made in achieving the price stability target and maximizing the employment level and if the economy could recover as scheduled, it would be appropriate to consider bond tapering withing the year. However, some worried about that the spreading Delta variant would hamper economic recovery, and it should be more patient for the tapering. Since July, the pandemic resurged in various regions including the Europe and the US. Even in Israel, where has a relatively high vaccination rate, witnessed a strong rebound on new cases.

Exchange Rate: RMB exchange rate rose slightly

The RMB exchange rate rose slightly from last Friday and the anticipation of the Fed to shrink its balance sheet gave a boost to the dollar. As of August 20, the intermediate price of RMB exchange rate closed at 6.4984, up 185bp from last Friday.

Interest Rate: Chinese Government Bond yields generally fell; US Treasury yields showed divergence

Chinese Government Bond yields generally went downward. On the other hand, despite the Fed's optimism on the current economy, participants still had divided opinion on the timing of the bond tapering. US Treasury yields showed diverged trend. As of August 20, the yield spread between China and US 10-year note was 159.7bp, narrowing by 0.5bp from last Friday and narrowing by 66.8bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance rebounded; Baidu issued USD1 billion bonds

From August 16 to August 20, there were 14 new issues with a total issued volume of USD3.5 billion, increasing by 47.5% from last week. Among them, Baidu issued 2 tranches of bonds totaled USD1 billion.

Secondary Market: Return on Chinese real estate USD bonds weakened after rebounds

As of August 20, the YTD return on Chinese USD corporate bond index rose by 25bp from last Friday to -0.90%. The return on investment-grade bond rose by 65bp to 1.07%, and the return on high-yield bond fell by 73bp to -5.67%. In terms of sector indices, the returns on real estate weakened again after two-week rebounds and it fell by 90bp to -7.30% from last Friday.

Rating Actions: Negative outlooks on China Orient and China Great Wall

Panda Bond Market: No new issuance this week

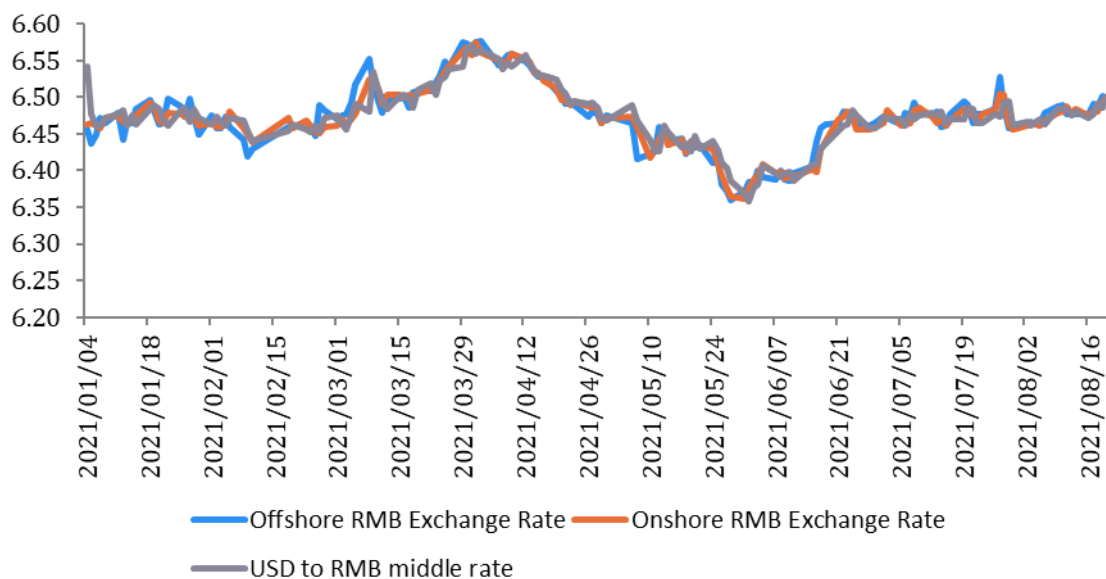
Headline: Fed may consider tapering bond purchases this year; the pandemic continues to rebound

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Exchange Rate: RMB exchange rate rose slightly

The RMB exchange rate rose slightly from last Friday and the anticipation of the Fed to shrink its balance sheet gave a boost to the dollar. As of August 20, the intermediate price of RMB exchange rate closed at 6.4984, up 185bp from last Friday; the onshore RMB exchange rate rose by 170bp to 6.5000; the offshore RMB exchange rate increased by 225bp to 6.4996.

Figure 1 : RMB exchange rate

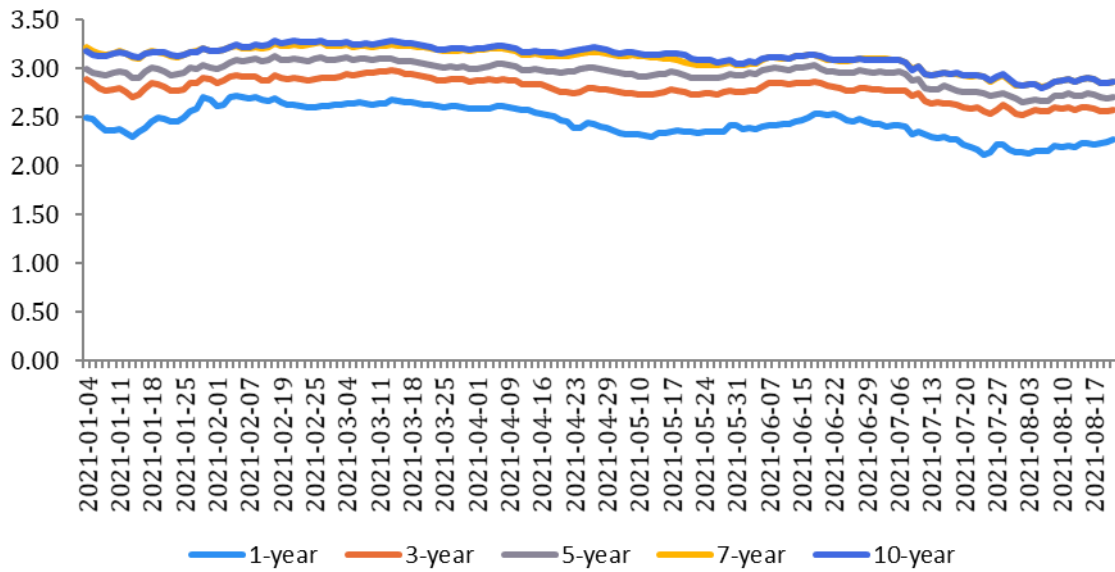


Sources: Wind, CCX research

Interest Rate: Chinese Government Bond yields generally fell; US Treasury yields showed diverged trend

Chinese Government Bond yields generally went downward. As of August 20, the 3-year, 5-year, 7-year and 10-year Chinese Government Bond yields went down comparing to last Friday, closing at 2.5711%, 2.7066%, 2.8573% and 2.8520%, respectively; 1-year Chinese Government Bond yields increased from last Friday at 2.2682%.

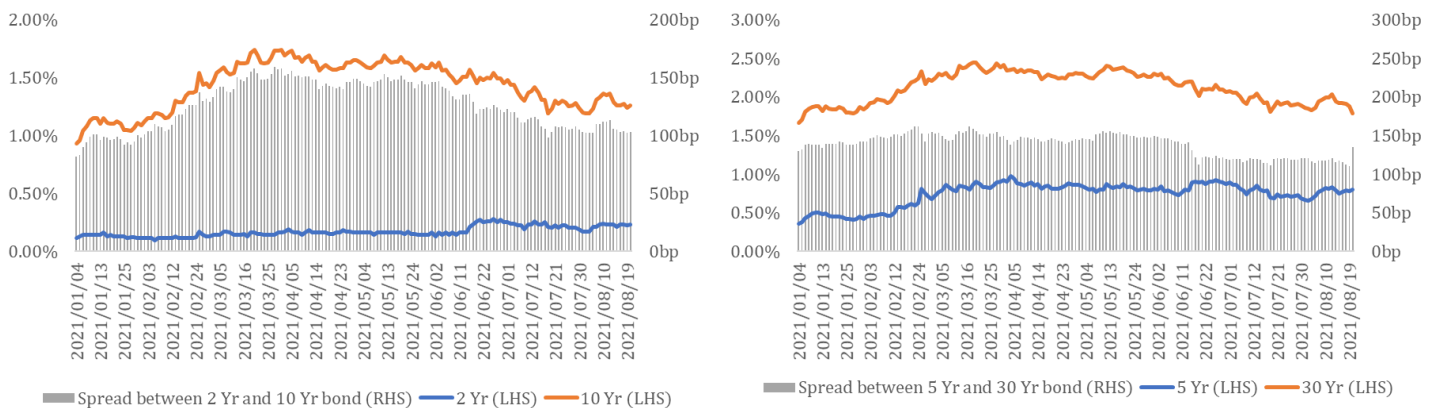
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

On the other hand, despite the Fed’s optimism on the current economy, participants still had divided opinion on the timing of the bond tapering. US Treasury yields showed diverged trend. US Treasury yields showed diverged trend. As of August 20, the 2-year Treasury yields flattered at 0.23%; 5-year Treasury yields closed at 0.80%, increasing by 1bp from last Friday; 10-year Treasury yield closed at 1.26%, decreasing by 3bp; 30-year Treasury yield closed at 1.79%, decreasing by 15bp from last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 3bp to 103bp, while the spread between the 5-year and 30-year widened by 20bp to 135bp.

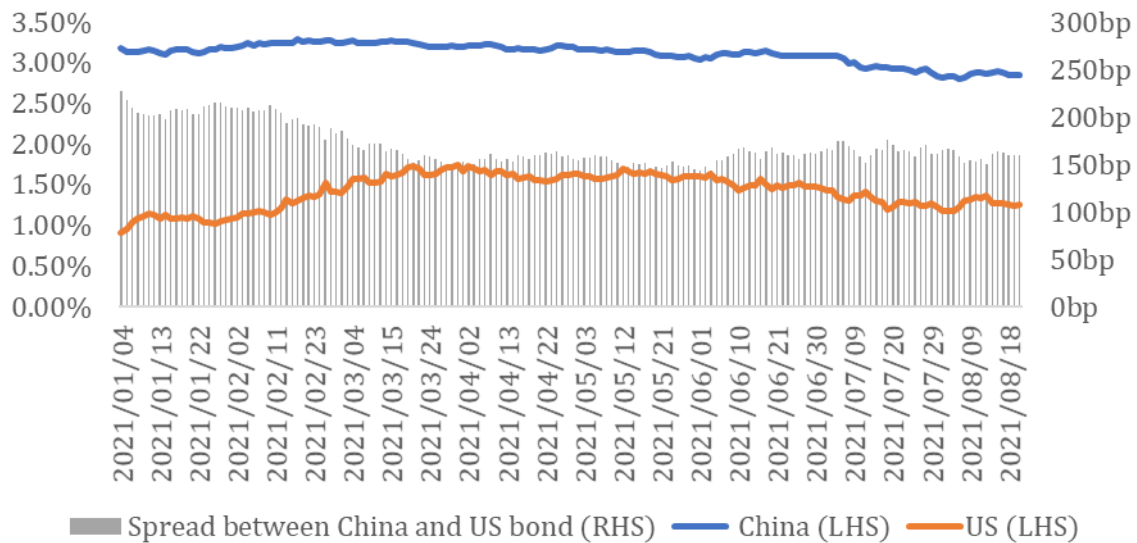
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of August 20, the yield spread between China and US 10-year note was 159.7bp, narrowing by 0.5bp from last Friday and narrowing by 66.8bp 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 issuance rebounded; Baidu issued USD1 billion bonds

From August 16 to August 20, there were 14 new issues with a total issued volume of USD3.5 billion, increasing by 47.5% from last week. Among them, Baidu issued 2 tranches of bonds totaled USD1 billion.

Table 1 : New issuance of Chinese offshore bonds (20210816-20210820)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/8/16	Bank of China Ltd/Macau	USD	5	6.25	2021/11/29	102D	Banks	A1/A/A	-/-/-
2021/8/16	Sinochem Hong Kong Group Co Ltd	CNY	1,944	3.12	2024/7/23	2.9	Real Estate	A3/A-/A	-/-/-
2021/8/17	Bank of China Ltd/Macau	USD	5	4.75	2023/1/17	1.4	Banks	A1/A/A	-/-/-
2021/8/18	Haitong International Securities Group Ltd	USD	50	0.58	2022/8/25	364D	Financials	Baa2/BBB/-	-/-/-
2021/8/18	Henan Investment Group Co Ltd	USD	300	2.2	2024/8/25	3	Utilities	-/-/A-	-/-/A-
2021/8/18	Ping An International Financial Leasing Co Ltd	USD	300	2.5	2024/8/27	3	Financials	-/-/-	-/-/-
2021/8/18	China Jianyin Investment Limited	USD	500	1.375	2024/8/25	3	Financials	A2/A/A+	-/-/A+
2021/8/18	Baidu Inc	USD	300	1.625	2027/2/23	5.5	Communications	A3-/A	A3-/A
2021/8/18	Baidu Inc	USD	700	2.375	2031/8/23	10	Communications	A3-/A	A3-/A
2021/8/18	CMB International Capital Corp Ltd	USD	5	0	2022/2/25	184D	Financials	Baa1/BBB+/-	-/-/-
2021/8/19	Anhui Transportation Holding Group Co Ltd	USD	400	1.618	2026/8/26	5	Industrials	A3-/A-	-/-/-

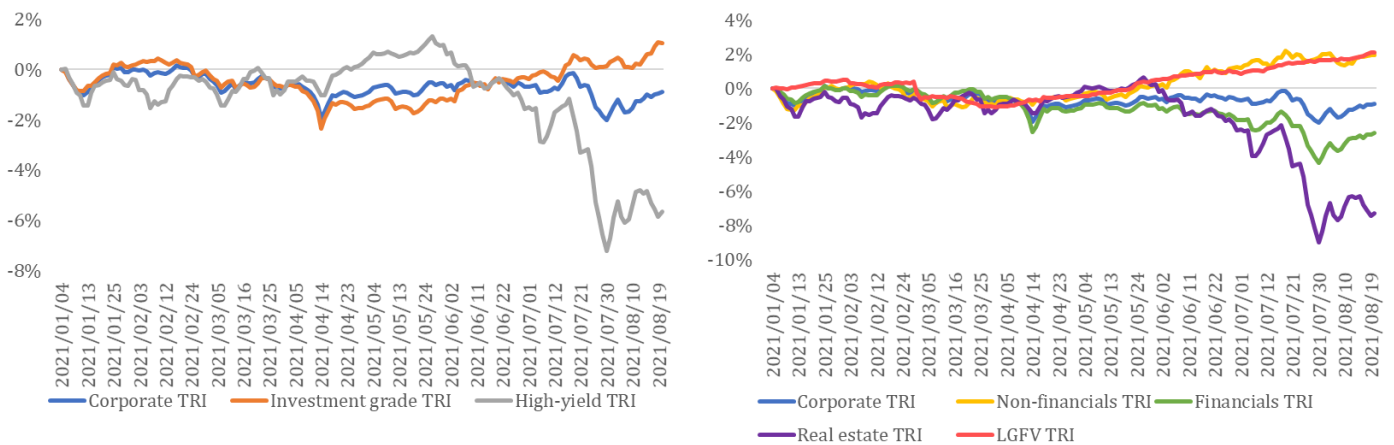
2021/8/19	Shandong Gold Group Co Ltd	USD	300	2.4	2024/8/25	3	Materials	-/BBB-/-	-/-/-
2021/8/19	Shandong Gold Group Co Ltd	USD	300	2.8	2026/8/25	5	Materials	-/BBB-/-	-/-/-
2021/8/19	Fujian Yango Group Co Ltd	USD	50	12.5	2024/1/4	2.4	Real Estate	-/B/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese real estate USD bonds weakened after rebounds

As of August 20, the YTD return¹ on Chinese USD corporate bond index rose by 25bp from last Friday to -0.90%. The return on investment-grade bond rose by 65bp to 1.07%, and the return on high-yield bond fell by 73bp to -5.67%. In terms of sector indices, the returns on real estate weakened again after two-week rebounds and it fell by 90bp to -7.30% from last Friday. The returns on financial, non-financial and Chengtou bond were -2.62%, 1.90% and 2.08 %, increasing by 30bp, 17bp and 32bp from last Friday, respectively.

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

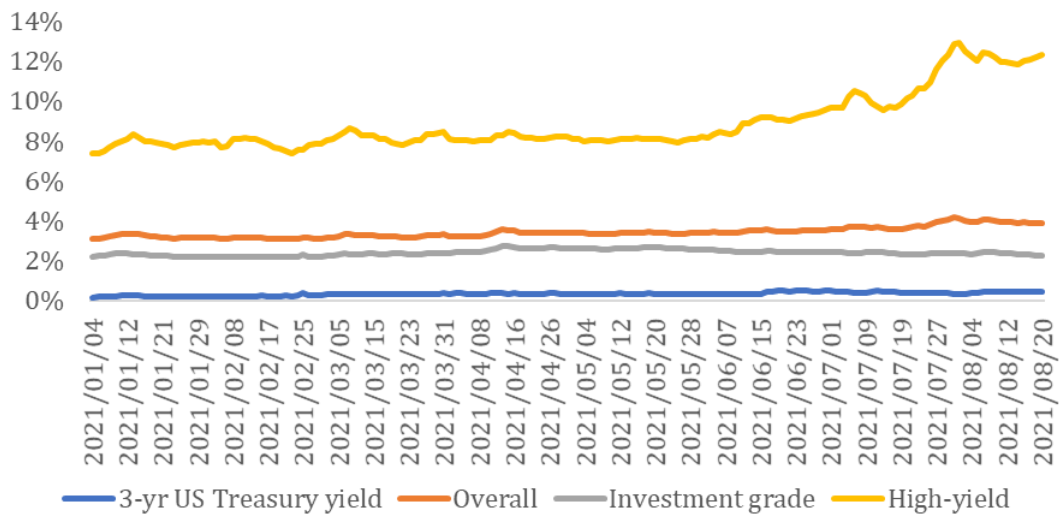


Sources: Bloomberg, CCX research

As of August 20, the yield-to-worst of Chinese dollar bonds fell by 6bp to 3.86% from last Friday, of which investment grade bond index fell by 11bp to 2.24% and high-yield bond index rose by 41bp to 12.30%.

¹ 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: Negative outlooks on China Orient and China Great Wall

From August 16 to August 20, the rating agencies took positive rating actions on 2 Chinese issuers, and took negative rating actions on 3 Chinese issuers.

Table 2 : Credit rating changes of cross-border bond market (20210816-20210820)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Dongfeng Motor Group Co Ltd	Consumer Discretionary	A	STABLE	2021/8/19	A	NEG	2020/6/3	S&P	Anticipated profitability recovery
	Hubei Science & Technology Investment Group Co Ltd	Chengtou	Baa3	POS	2021/8/20	Baa3	STABLE	2020/7/30	Moody's	Strengthened strategic importance to the Wuhan government
Downgrade	China Orient Asset Management Co Ltd	Financials	BBB+	NEG	2021/8/20	BBB+	STABLE	2019/12/27	S&P	Lower regulatory barriers to entry put pressure on the Company's operating environment
	Dongxing Securities Co Ltd	Financials	BBB	NEG	2021/8/20	BBB	STABLE	2019/7/10	S&P	In tandem with China Orient's negative outlook
	China Great Wall Asset Management Co Ltd	Financials	A-	NEG	2021/8/20	A-	STABLE	2017/10/26	S&P	Lower regulatory barriers to entry put pressure on the Company's operating environment

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issuance this week

As of August 20, 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 3 : New issuance of Panda Bond in 2021 (20210101-20210820)

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 Market	Shanghai 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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