

## 2022 Issue 2

From January 10 to January 14

## Chinese offshore bond issuance increased, return on Chinese USD bond dropped

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Date: January 19, 2022

**Headline: World Bank cuts global growth forecast for 2022 to 4.1%**

The World Bank released the latest global economic outlook report on January 11. The report predicts that the global economy will grow by 5.5% in 2021 and 4.1% in 2022, both down 0.2 percentage points from previous forecasts. The report indicates that the global economic recovery will slow significantly due to the COVID-19 variant, the rising inflation, elevated debts, and rising income inequality.

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

The RMB exchange rate continued to fluctuate slightly. As of January 14, the RMB mid-point rate closed at 6.3677, declined by 65bp from last Friday.

**Interest Rate: Chinese Government Bond yields all dropped; US treasury yields continued to rise**

This week, Chinese Government Bond yields all dropped. The Federal Reserve released a strong signal of interest rate hikes and clearly pointed out that the pace of interest rate hikes would be accelerated, driving the US Treasury yields to climb. As of January 14, the yield spread between China and US 10-year note was 100.9bp, narrowing by 4.7bp from last Friday and narrowing by 125.5bp from the beginning of the 2021.

**Chinese Offshore Bond Market****Primary Market: Chinese offshore bond issuance increased**

From January 10 to January 14, there were 22 new issues with a total issued volume of USD5.5 billion, increasing by 447.2% from last Friday. Among them, China Construction Bank Corp was the largest issuer. In addition, Chengtuo companies issued a relatively large amount at the beginning of the year.

**Secondary Market: Return on Chinese USD bond dropped; Real estate bond had the biggest drop**

As of January 14, the YTD return on Chinese USD corporate bond index decreased by 157bp from last Friday to -8.91%. The return on investment-grade bond decreased by 62bp to -1.00%, and the return on high-yield bond decreased by 407bp to -28.89%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 588bp from last Friday to -38.09%

**Rating Action: Several real estate companies were downgraded****Risk Event: Yuzhou Group initiated an exchange offer for matured bonds****Panda Bond Market: Shenzhen International and Everbright Water issued 2 new bonds this week**

On January 10, the first series of 2022 Shenzhen International Holdings Limited corporate bond (Type I) was issued in the Shenzhen Exchange Market, with the tenor of 6 years, raising RMB1 billion, at a coupon rate of 2.95%.

On January 13, the first series of 2022 China Everbright Water Limited Super & Short-term Commercial Paper was issued in the China Interbank Market, with the tenor of 150 days, raising RMB1 billion, at a coupon rate of 2.50%.

**Issuer Analysis: Crédit Agricole S.A.**

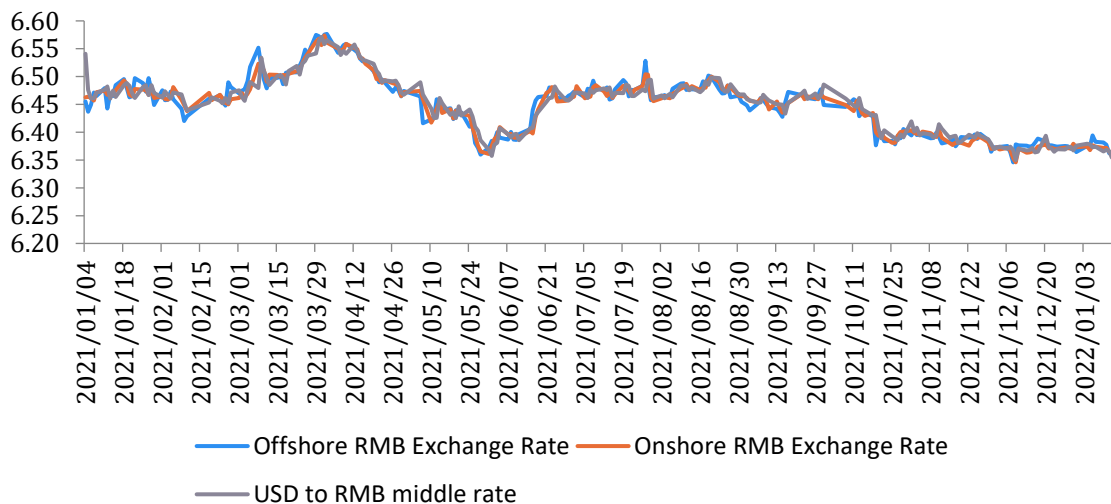
## Headline: World Bank cuts global growth forecast for 2022 to 4.1%

The World Bank released the latest global economic outlook report on January 11. The report predicts that developed economies will grow by 5% in 2021 and 3.8% in 2022, down by 0.4 and 0.2 percentage points, respectively; Emerging markets and developing economies will grow by 6.3% in 2021 and 4.6% in 2022. The eurozone economy will grow by 5.2% in 2021 and 4.2% in 2022. The US economy will grow by 5.6% in 2021 and 3.7% in 2022, down by 1.2 and 0.5 percentage points from the previous expectation. The rapid spread of the Omicron variant indicates that the pandemic will likely continue to disrupt economic activity in the near term. Currently, many developing economies lack the policy space to support their economy when necessary. Under such background, new COVID-19 outbreaks, persistent supply-chain bottlenecks and inflationary pressures, and elevated financial vulnerabilities in many regions of the world could increase the risk of a hard landing. The global economy is simultaneously facing three major challenges: macroeconomic imbalances, rising income inequality among and within the world's economies, and the continued pressure from the pandemic.

## Exchange Rate: RMB exchange rate fluctuated slightly

This week, the RMB exchange rate continued to fluctuate slightly. As of January 14, the RMB mid-point rate closed at 6.3677, decreased by 65bp from last Friday; the onshore RMB exchange rate decreased by 304bp to 6.3735; the offshore RMB exchange rate declined by 249bp to 6.358. The pressure of dollar selling continues to release, but it is not yet to conclude that the dollar index has entered a downward trend. RMB is still in the state of partial foreign exchange settlement.

Figure 1 : RMB exchange rate



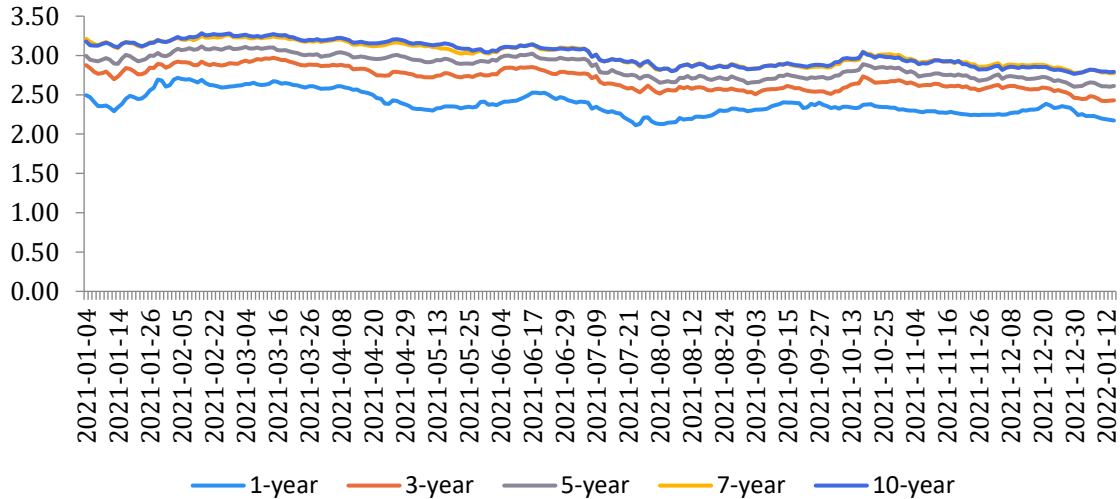
Sources: Wind, CCX research

## Interest Rate: Chinese Government Bond yields all dropped, US treasury yields continued to rise

The Chinese Government Bond yields all dropped this week. As of January 14, the 1-year, 3-year, 5-year, 7-year, and 10-year Chinese Government Bond yields fluctuated downward compared to last Friday, closed at 2.1721%, 2.4298%, 2.6125%, 2.775%, and 2.7935% respectively.

This week, the central bank carried out a net investment of 10 billion yuan. The market liquidity has fluctuated slightly compared with last Friday.

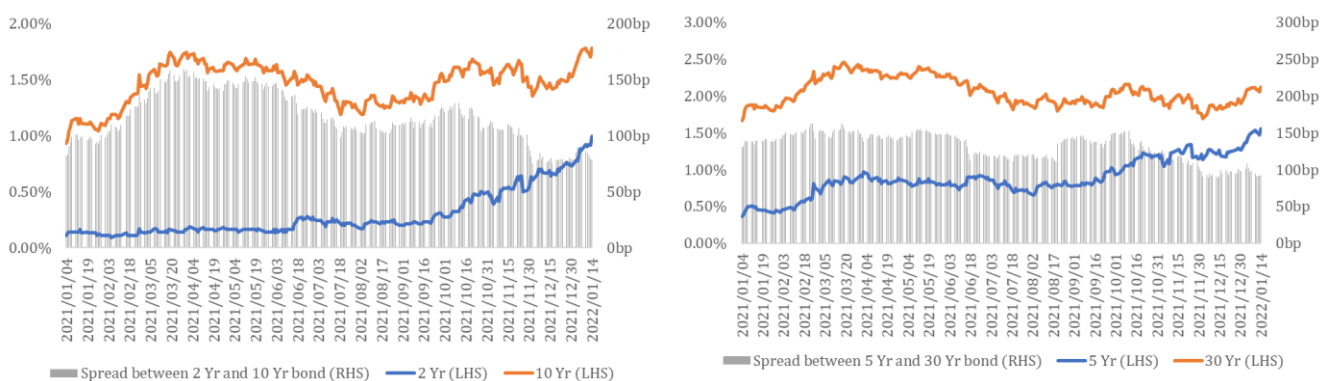
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The Federal Reserve released a strong signal of interest rate hikes and clearly pointed out that the pace of interest rate hikes would be accelerated, driving US Treasury yields to climb. As of January 14, 2-year Treasury yield, 5-year, 10-year and 30-year Treasury yields closed at 0.99%, 1.55%, 1.78% and 2.12%, increasing by 12bp, 5bp, 2bp and 1bp from last Friday respectively. In terms of Treasury yield spreads, spread between the 2-year and 10-year narrowed by 10bp to 79bp, and spread between the 5-year and 30-year narrowed by 6bp to 92bp.

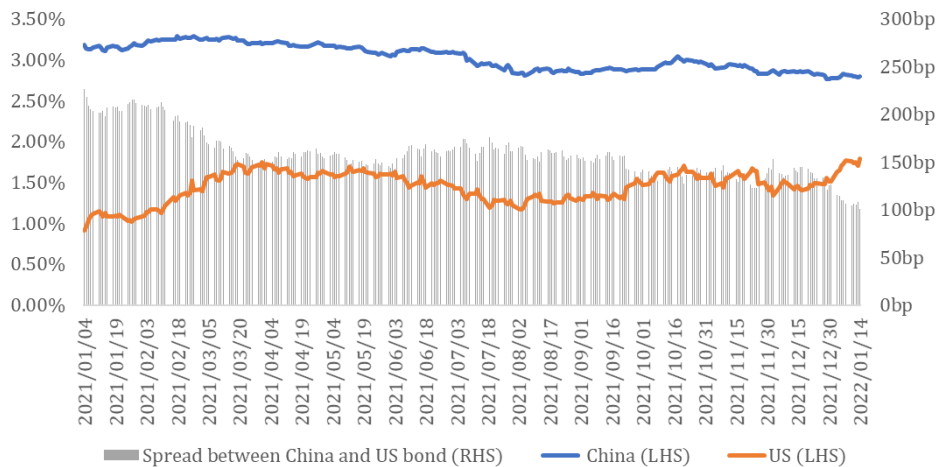
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of January 14, the yield spread between China and US 10-year note was 100.9bp, narrowing by 4.7bp from last Friday and narrowing by 125.5bp from the beginning of the 2021.

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 January 10 to January 14, there were 22 new issues with a total issued volume of USD5.5 billion, increasing by 447.2% from last Friday. Among them, China Construction Bank Corp was the largest issuer, which issued an USD2 billion bond. In addition, 12 Chengtou companies issued offshore bonds at the beginning of the year, with a relatively large amount of USD2.2 billion.

Table 1 : New issuance of Chinese offshore bonds (20220110-20220114)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/1/10	Guotai Junan International Holdings Ltd	HKD	240	0	2022/7/18	182D	Financials	Baa2/BBB+/-	-/-/-
2022/1/11	Agricultural Bank of China Ltd/New York	USD	400	1.5	2025/1/18	3	Banks	A1/A/A	A1/-/-
2022/1/11	Agricultural Bank of China Ltd/New York	USD	300	2	2027/1/18	5	Banks	A1/A/A	A1/-/-
2022/1/11	Beijing Gas Group Co Ltd	USD	500	1.88	2025/1/18	3	Utilities	A3/A-/A	A3-/A
2022/1/11	Guangzhou Development District Holding Group Co Ltd	USD	490	2.85	2027/1/19	5	Chengtou	Baa1/-/BBB+	Baa1/-/BBB+
2022/1/11	Jiangsu Dieshiqiao Home Textile Industry Group Co Ltd	USD	35	3	2025/1/14	3	Chengtou	-/-/-	-/-/-
2022/1/11	Wenzhou Lucheng District State-Owned Holding Group Co Ltd	CNY	972	4.1	2025/1/14	3	Chengtou	-/-/-	-/-/-
2022/1/11	Chongqing International Logistics Hub Park Construction Co Ltd	USD	38	5.3	2025/1/14	3	Chengtou	-/-/BBB-	-/-/-
2022/1/12	China Chengtong Hong Kong Co Ltd	USD	300	2	2025/1/19	3	Financials	Baa1/-/BBB+	Baa1/-/BBB+
2022/1/12	China Chengtong Hong Kong Co Ltd	USD	400	2.75	2027/1/19	5	Financials	Baa1/-/BBB+	Baa1/-/BBB+
2022/1/12	Guotai Junan International Holdings Ltd	HKD	1,200	0.8	2022/7/20	181D	Financials	Baa2/BBB+/-	-/-/-
2022/1/12	Jiangsu Ruihai Investment Holding Group Co Ltd	USD	100	1.9	2023/1/17	364D	Chengtou	-/-/-	-/-/-
2022/1/12	Yichun Yuanzhou District State-Owned Investment Group Co Ltd	USD	98	1.98	2025/1/20	3	Chengtou	-/-/-	-/-/-

2022/1/12	Guiyang Economic Development Zone Urban Construction Investment Group Co Ltd	EUR	22	3	2023/1/13	364D	Chengtou	-/-	-/-
2022/1/13	China Construction Bank Corp	USD	2,000	2.85	2032/1/21	10	Banks	A1/A/A	-/BBB+/BBB+
2022/1/13	Huatai International Financial Holdings Co Ltd	USD	60	0.65	2022/4/25	91D	Financials	-/BBB/-	-/-
2022/1/13	Mag Holdings Bhd	MYR	330	1	2022/8/23	221D	Consumer Staples	-/-	-/-
2022/1/13	Fuzhou Digital Economy Investment Group Co Ltd	USD	98	1.98	2025/1/21	3	Chengtou	-/-	-/-
2022/1/14	Jiande State-Owned Assets Management Co Ltd	USD	55	2.05	2025/1/19	3	Chengtou	-/-	-/-
2022/1/14	Jinan Zhangqiu Holding Group Co Ltd	USD	105	3.8	2023/1/20	364D	Chengtou	-/-	-/-
2022/1/14	Taixing Zhiguang Environmental Protection Technology Co Ltd	USD	100	1.95	2023/1/19	364D	Chengtou	-/-	-/-
2022/1/14	Zhejiang Qiantang River Investment & Development Co Ltd	USD	80	2.1	2025/1/21	3	Chengtou	-/-	-/-

Sources: Bloomberg, CCX research

From January 10 to 14, SF Holding Co Ltd and Chengtou Economic & Technological Investment Group Co Ltd announced tap bond offering.

**Table 2 : Tap bond offering (20220110-20220114)**

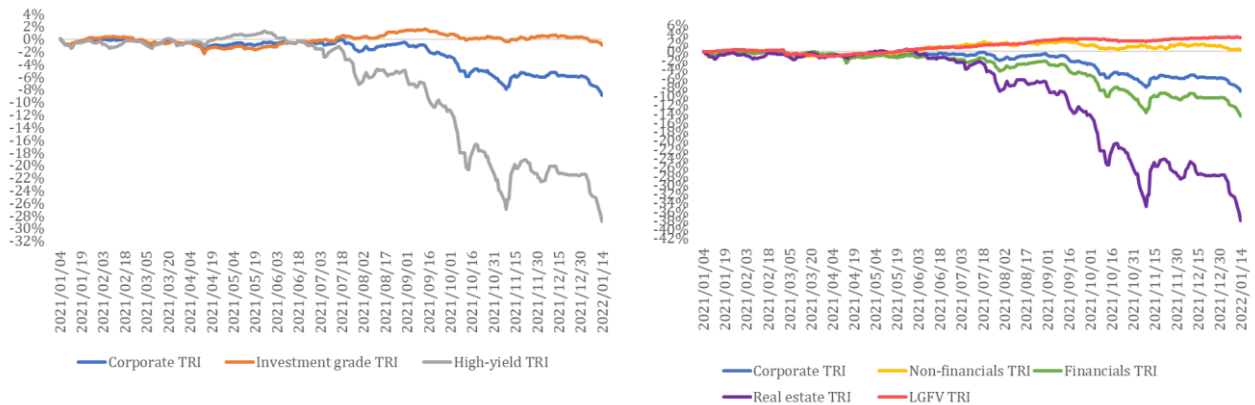
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/1/10	SF Holding Co Ltd	USD	800 (reoffered 400)	2.375	2026/11/17	5	Industrials	A3/A-/A-	A3/A-/A-
2022/1/10	SF Holding Co Ltd	USD	800 (reoffered 300)	3.125	2031/11/17	10	Industrials	A3/A-/A-	A3/A-/A-
2022/1/14	Chengdu Economic & Technological Investment Group Co Ltd	USD	500 (reoffered 200)	5.3	2024/12/7	3	Chengtou	Ba2/-/-	Ba2/-/-

Sources: Bloomberg, CCX research

## Secondary Market: Return on Chinese USD bond dropped; Real estate bond had the biggest drop

As of January 14, the YTD return on Chinese USD corporate bond index decreased by 157bp from last Friday to -8.91%. The return on investment-grade bond decreased by 62bp to -1.00%, and the return on high-yield bond decreased by 407bp to -28.89%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 588bp from last Friday to -38.09%; the return on financial, non-financial and Chengtou bonds was -14.54%, 0.20%, and 0.3.17%, decreased by 239bp, 26bp and 3bp, respectively.

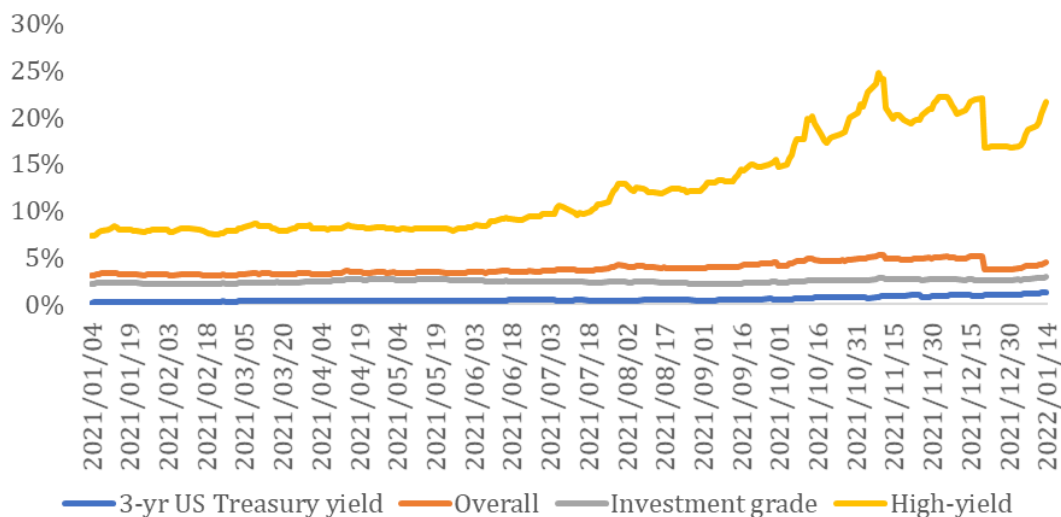
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of January 14, the yield-to-worst of Chinese dollar bonds increased by 35bp to 4.45% from last Friday, of which investment grade bond index increased by 18bp to 2.91%. High-yield bond index increased by 298bp to 21.62%.

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



Sources: Bloomberg, CCX research

**Rating Action: Several real estate companies were downgraded**

From January 10 to 14, rating agencies took negative rating actions on 2 Chinese issuers, and took positive rating action on 10 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20220110-20210114)

Entity	Sector	Current Rating		Previous Rating		Rating Agency	Reason of Change
		Entity Rating	Outlook Date	Entity Rating	Outlook Date		
<b>International Rating:</b>							

Upgrade	ENN Energy Holdings Ltd	Energy	BBB+	STABLE	2022/01/11	BBB	Rating Watch	2021/12/01	Fitch	Rating criteria change
	DaFa Properties Group Ltd	Real Estate	Caa2	NEG	2022/01/10	B2	STABLE	2021/09/09	Moody's	Increased liquidity risk
	Yuzhou Group Holdings Co Ltd	Real Estate	Caa2	NEG	2022/01/10	B2	NEG	2021/10/19	Moody's	Increased refinancing risk
	Yuzhou Group Holdings Co Ltd	Real Estate	CCC-	-	2022/01/10	B	NEG	2021/11/03	Fitch	Higher bond refinancing risk
	Shimao Group Holdings Ltd	Real Estate	B-	RWN	2022/01/10	B+	NEG	2021/12/21	S&P	Weak liquidity
	Shimao Group Holdings Ltd	Real Estate	B2	RWN	2022/01/10	Ba3	RWN	2021/12/17	Moody's	Elevating liquidity risks
	Lanzhou Construction Investment (Holding) Group Co Ltd	Chengtou	Ba2	NEG	2022/01/11	Ba1	NEG	2021/10/18	Moody's	Weaker support capacity of Lanzhou city government
	Shimao Group Holdings Ltd	Real Estate	B-	RWN	2022/01/11	BB	RWN	2021/12/17	Fitch	Lower margin of safety in preserving liquidity
Downgrade	West China Cement Ltd	Materials	Ba2	STABLE	2022/01/12	Ba2	POS	2021/04/22	Moody's	Expansion strategy in Africa will elevate its leverage
	R&F Properties (HK) Co Ltd	Real Estate	SD	-	2022/01/13	CC	NEG	2021/12/15	S&P	Completed of distressed tender and extension
	Agile Group Holdings Ltd	Real Estate	BB+	RWN	2022/01/13	BBB-	STABLE	2021/07/15	Lianhe Global	Increasing refinancing pressure and deteriorating access to financing channels
	Ronshine China Holdings Ltd	Real Estate	B3	NEG	2022/01/14	B2	RWN	2021/10/19	Moody's	Weakened operations and increased refinancing risks
	Guangzhou R&F Properties Co Ltd, R&F Properties HK Co Ltd	Real Estate	RD	-	2022/01/14	C	-	2021/12/17	Fitch	Completed of distressed tender and extension
<b>Domestic Rating:</b>										
Upgrade	China Huarong Asset Management Co Ltd	Financial	AAA	STABLE	2022/01/14	AAA	NEG	2021/09/29	CCXI	Business operations and financial performance gradually stabilized
Downgrade	Zunyi Road and Bridge Engineering Co Ltd	Chengtou	AA+	NEG	2022/01/10	AA+	STABLE	2021/06/30	Pengyuan	Large debt burden and short-term repayment pressure

Sources: Bloomberg, Wind, CCX research

## Risk Event: Yuzhou Group initiated an exchange offer for matured bonds

On January 12, Yuzhou Group Holdings CO., Ltd. ("Yuzhou Group") initiated an exchange offer for two bonds with a total principal amount of RMB580 million, due on January 23, 2021 and January 25, 2022 respectively. According to the exchange offer plan, each USD1,000 principal amount of outstanding exchange notes will receive the exchange consideration consisting of USD50 principal repayment and USD10 in cash from Yuzhou Group, and USD950 in aggregate principal amount of new notes. In addition, holders who agree to the exchange offer plan will be able to charge a consent fee of USD2.5 for every USD1000 they hold. The new notes will bear interest at 7.81% per annual, which is expected to list on January 21, 2022 and mature on January 21, 2023.

## Panda Bond Market: Shenzhen International and Everbright Water issued 2 new bonds this week

On January 10, the first series of 2022 Shenzhen International Holdings Limited corporate bond (Type I) was issued in the Shenzhen Exchange Market, with the tenor of 6 years, raising RMB1 billion, at a coupon rate of 2.95%.

On January 13, the first series of 2022 China Everbright Water Limited Super & Short-term Commercial Paper was issued in the China Interbank Market, with the tenor of 150 days, raising RMB1 billion, at a coupon rate of 2.50%.

**Table 4 : New issuance of Panda Bond in the Year 2022 (20220103-20220114)**

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Everbright Water Limited	1	2.50	2021/12/16	2022/6/12	0.4	SCP	China Interbank Market	Shanghai Brilliance Rating
Shenzhen International Holdings Limited	1	2.95	2022/1/10	2028/1/15	6	Corporate Bond	Shenzhen Exchange Market	Lianhe Credit Rating

Sources: Bloomberg, CCX research

## Issuer Analysis: Crédit Agricole S.A.

**Issuer profile:** Crédit Agricole S.A. is an important financial pillar of the French economy, the largest mutual financial group in France and one of the largest financial groups in Europe. It was listed on the Euronext Paris stock exchange in 2001 and is headquartered in Paris. After several mergers and reorganizations, Crédit Agricole has formed four business lines: asset management, retail banking, special financial services and large customer business. At the end of 2020, the issuer had 73,817 full-time employees in 45 countries home and abroad. The main credit advantages of Crédit Agricole include: good internal support mechanism with regional banks within the Group; extensive branches, rich customer resources and leading product research and development and information technology platforms, providing effective support for its business development Support; asset management, leasing, factoring and insurance businesses are developing steadily, and with diversified income sources,



operating risks are somewhat dispersed; the capital management level is relatively high, and the capital is relatively sufficient. However, at the same time, it should be noted that the process of world economic recovery is still uncertain due to the impact of the epidemic, and credit risks in some regions are rising, and Crédit Agricole is still facing potential pressure in terms of asset quality, business and profit growth; the strengthening of the provision of impairment losses has led to a significant decline in net profit, and profitability needs to be improved; investment income accounts for a relatively high proportion of operating income, and is susceptible to large fluctuations due to the impact of the macroeconomic and market environment, thus affecting the profitability.

**Issuance history:** Crédit Agricole S.A. entered the panda bond market for the first time at the end of 2019 and has been active since then. Up to now, Crédit Agricole S.A. has issued 4 panda bonds, all at RMB 1 billion, raising a total of RMB 4 billion, with an average coupon rate of 3.39% and a relatively stable interest spread, with an average interest spread of 57bp. Usage of proceeds are supporting the business activities and development of the issuer and its subsidiaries in China.

**Table 5: Historical Issuance of Crédit Agricole S.A. in the Panda Bond Market**

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Use of Proceeds	Bond Type	Issue Market
1	2021/9/17	2024/9/17	3	1	3.14	56	To support the business activities and development of the issuer and its subsidiaries in China.	Financial Institution Bond	China Interbank Market
2	2021/3/18	2024/3/18	3	1	3.50	56	To support the business activities and development of the issuer and its subsidiaries in China.	Financial Institution Bond	China Interbank Market
3	2020/9/11	2023/9/11	3	1	3.50	59	To support the business activities and development of the issuer and its subsidiaries in China.	Financial Institution Bond	China Interbank Market
4	2019/12/5	2022/12/5	3	1	3.40	56	To support the business activities and development of the issuer and its subsidiaries in China.	Financial Institution Bond	China Interbank Market

Sources: Bloomberg, CCX research

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