

2022 Issue 4

From January 24 to February 4

IMF cut global economic growth forecast; Chinese offshore bond issuance decreased

Headline: IMF cut global economic growth forecast for 2022

On January 25, the IMF updated the "World Economic Outlook", downgrading the global economic growth rate in 2022 by 0.5 percentage point to 4.4%, and raising the global economic growth rate in 2023 by 0.2 percentage point to 3.8%. The report believed that global economic growth faces downside risks. As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions may emerge. In addition, other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated.

Exchange Rate: RMB exchange rate fluctuated greatly

In the past two weeks, The RMB exchange rate fluctuated greatly. As of February 4, the RMB mid-point rate closed at 6.3746, up 254bp since January 21.

Interest Rate: China Government Bond yields dropped; US treasury yields climbed

As of February 4, China Government Bond yields continued to drop. The Federal Reserve released a clear signal of interest rate hikes as soon as March, and Fed Chair Powell hinted that Fed is very likely to raise interest rates without influencing economic growth, driving the US Treasury yields to climb. As of February 4, the yield spread between China and US 10-year note was 79.1bp, narrowing by 16.1bp from January 21 and narrowing by 35.6bp from the beginning of the year.

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

From January 24 to February 4, around Chinese New Year, there were 15 new issues with a total issued volume of USD2.1 billion, decreasing by 59.1% from the third week of January. Among them, China Cinda (HK) Holdings Company Limited was the largest issuer, with a total issued volume of USD1.0 billion.

Secondary Market: Return on Chinese USD bond dropped; Real estate bond rose slightly

As of February 4, the YTD return on Chinese USD corporate bond index decreased by 56bp from January 21 to -2.43%. The return on investment-grade bond decreased by 76bp to -1.56%, and the return on high-yield bond increased by 7bp to -5.31%. In terms of sector indices, the return on real estate bonds decreased slightly, which increased by 2bp from January 21 to 0.16%.

Rating Action: Several real estate companies were downgraded**Panda Bond Market: China Mengniu and NDB issued 2 Panda Bonds altogether**

On January 24, China Mengniu Dairy Company Limited issued the first series of Super & Short-term Commercial Paper in 2022 in the China Interbank market, raising RMB2.5 billion, with a tenor of 88 days, at the coupon rate of 2.35%. CCXI assigned AAA to the issuer.

On January 27, New Development Bank issued the first series of Renminbi Bond in 2022 through Bond Connect in the China Interbank market, raising RMB3 billion, with a tenor of 3 years, at the coupon rate of 2.45%. CCXI assigned AAA to the issuer.

Issuer Analysis: New Development Bank**Authors****CCXI Overseas Business Department**

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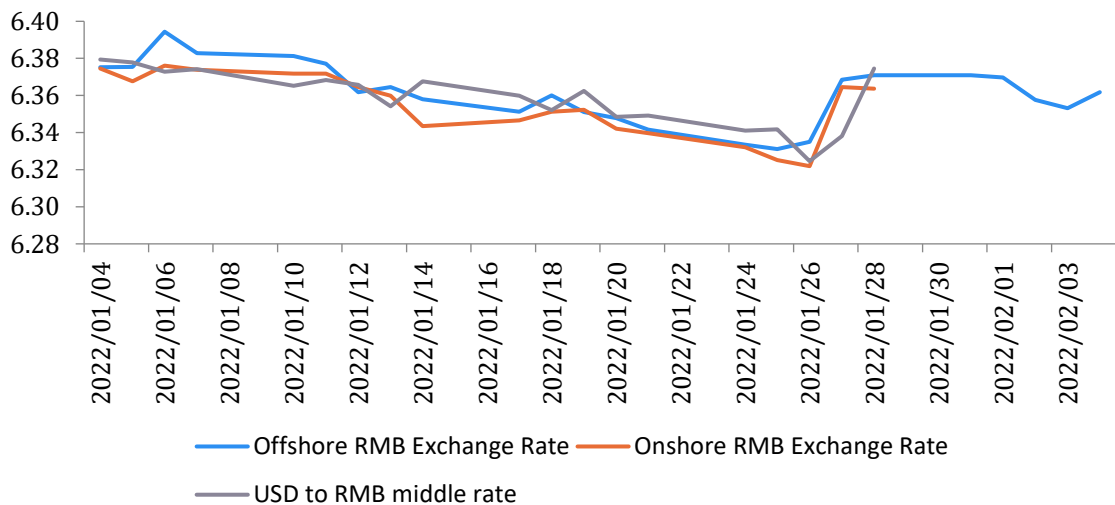
Headline: IMF cut global economic growth forecast for 2022

On January 25, the IMF updated the "World Economic Outlook", the global economy was expected to grow by 4.4% in 2022, 0.5 percentage point lower than the forecast in October last year. The IMF predicted that if the factors that drag on economic growth dissipate in the second half of this year, the global economy is expected to grow by 3.8% in 2023, 0.2 percentage point higher than in the previous forecast. The report believed that global economic growth faces downside risks. As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions may emerge. In addition, other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated. The report said that an effective global health strategy is more salient than ever. Economies need to increase the production and supply of relevant materials, and enhance the fairness of international distribution.

Exchange Rate: RMB exchange rate fluctuated greatly

In the past two weeks, the RMB exchange rate fluctuated greatly. As of February 4, the RMB mid-point rate closed at 6.3746, increased by 254bp from January 21; the onshore RMB exchange rate increased by 239bp to 6.3636; As of February 4, the offshore RMB exchange rate increased by 202bp to 6.3619. Recently, the USD Index has been trending strongly and the RMB Index remains stable.

Figure 1 : RMB exchange rate

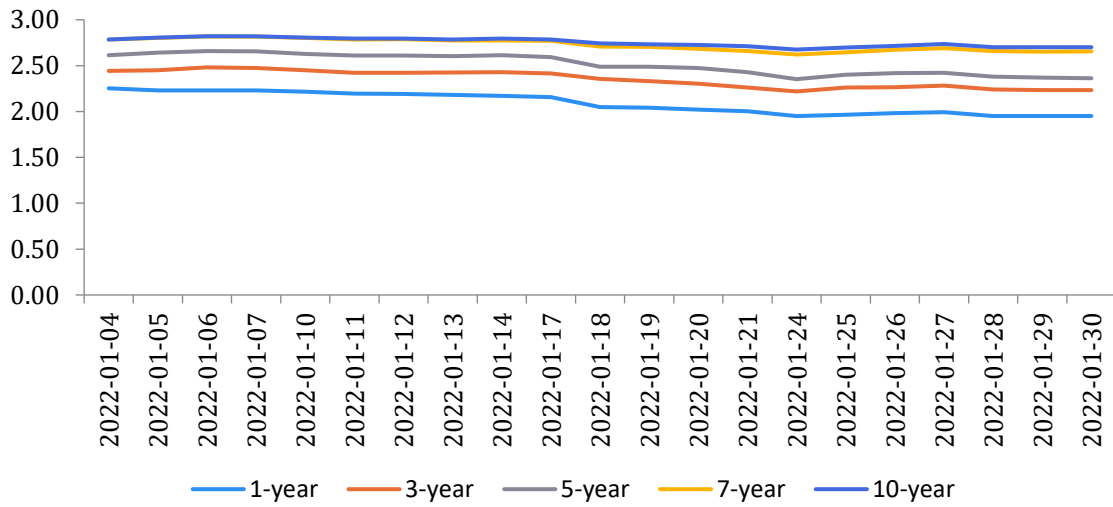


Sources: Wind, CCX research

Interest Rate: China Government Bond yields dropped; US treasury yields climbed

As of February 4, China Government Bond yields continued to drop. The 1-year, 3-year, 5-year, 7-year, and 10-year China Government Bond yields fluctuated downward compared to January 21, closed at 1.9514%, 2.2318%, 2.3634%, 2.6555%, and 2.6997% respectively. The 1-year China Government Bond yields continued dropping sharply, aiming to promote short-term financing and thereby stimulate economic growth.

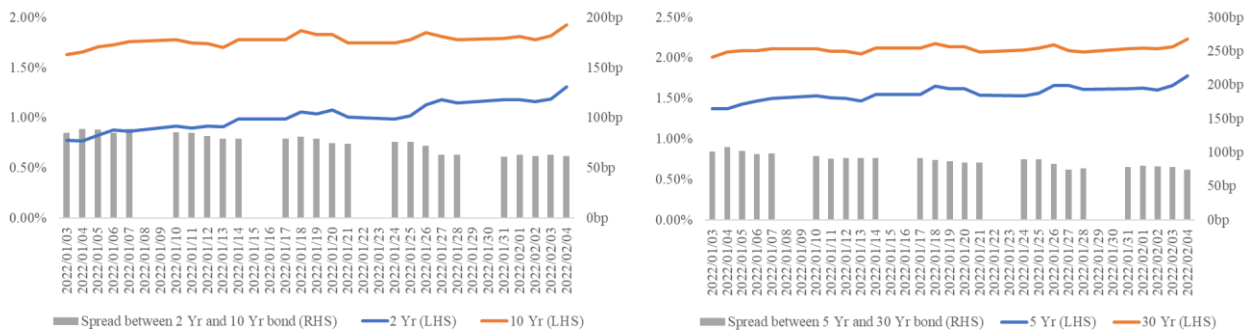
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The Federal Reserve released a clear signal of interest rate hikes as soon as March, and Fed Chair Powell hinted that Fed is very likely to raise interest rates without influencing economic growth, driving the US Treasury yields to climb. As of February 4, 2-year Treasury yield, 5-year, 10-year and 30-year Treasury yields closed at 1.31%, 1.78%, 1.93% and 2.23%, increasing by 30bp, 24bp, 18bp and 16bp from January 21 respectively. In terms of Treasury yield spreads, spread between the 2-year and 10-year narrowed by 12bp to 62bp, and spread between the 5-year and 30-year narrowed by 11bp to 75bp, from January 21.

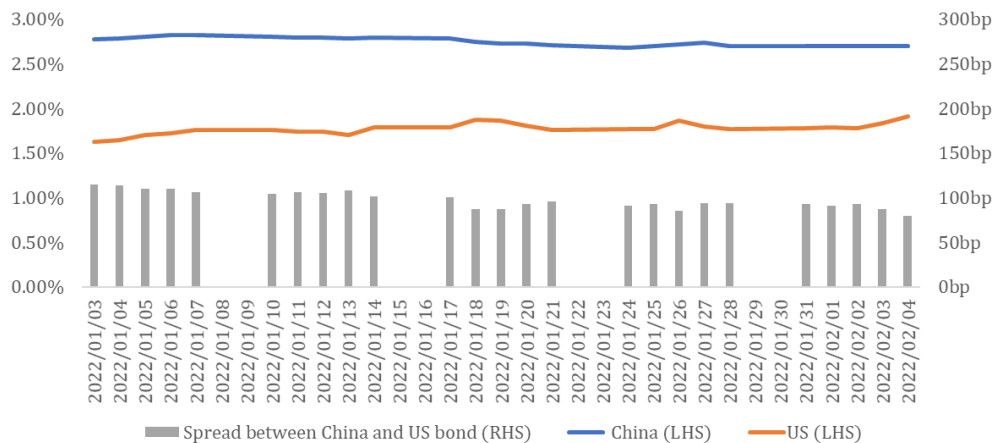
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of February 4, the yield spread between China and US 10-year note was 79.1bp, narrowing by 16.1bp from January 21 and narrowing by 35.6bp 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 decreased

From January 24 to February 4, around Chinese New Year, there were 15 new issues with a total issued volume of USD2.1 billion, decreasing by 59.1% from the third week of January. Among them, China Cinda (HK) Holdings Company Limited was the largest issuer, with a total issued volume of USD1.0 billion.

Table 1 : New issuance of Chinese offshore bonds (20220124-20220204)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/1/24	China Cinda HK Holdings Co Ltd	USD	1,000	3.25	2027/1/28	5	Financials	A3/A-/A	-/A-/A
2022/1/24	Huafa Industrial Co Ltd Zhuhai	USD	200	4.2	2023/1/26	364D	Real Estate	-/-	-/-
2022/1/24	Huatai International Financial Holdings Ltd	USD	200	0.8	2022/7/28	181D	Financials	-/-	-/-
2022/1/24	Huatai International Financial Holdings Ltd	USD	5	0	2027/1/28	5	Financials	-/-	-/-
2022/1/24	Huatai International Financial Holdings Ltd	USD	15	0	2027/1/28	5	Financials	-/-	-/-
2022/1/24	Zibo High-tech State-owned Capital Investment Co Ltd	USD	71	4.9	2023/1/26	364D	Chengtou	-/-	-/-
2022/1/25	Haitong International Securities Group Ltd	USD	20	0.6	2022/8/1	182D	Financials	Baa2/BBB/-	-/-
2022/1/25	Shenwan Hongyuan HK Ltd	USD	140	1	2023/1/27	364D	Financials	-/BBB/-	-/-
2022/1/26	Chengdu Yang An New Town Development and Construction Co Ltd	EUR	12	1.85	2025/2/17	3	Chengtou	-/-	-/-
2022/1/26	Jiangsu Yangkou Port Development & Investment Co Ltd	USD	48	2.8	2023/2/8	364D	Chengtou	-/-	-/-
2022/1/26	Logan Group Co Ltd	HKD	1,950	6.95	2026/8/4	4.5	Real Estate	Ba2/BB/BB	-/-
2022/1/26	Taixing Zhiguang Environmental Protection Technology Co. Ltd	USD	50	1.95	2023/1/27	364D	Chengtou	-/-	-/-
2022/1/27	Industrial & Commercial Bank of China Ltd/Dubai DIFC	USD	40	1.48	2024/2/9	2	Banks	A1/A/A	-/-
2022/1/28	Huzhou New City Investment	CNY	265	4.5	2025/2/9	3	Chengtou	-/-	-/-

Development Group Co Ltd

2022/1/28	Luckin Coffee Inc	USD	110	9	2027/1/28	5	Consumer Discretionary	-/-	-/-
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Sources: Bloomberg, CCX research

On January 17, Sino-Ocean Group Holding Ltd announced tap bond offering.

Table 2 : Tap bond offering (20220124-20220204)

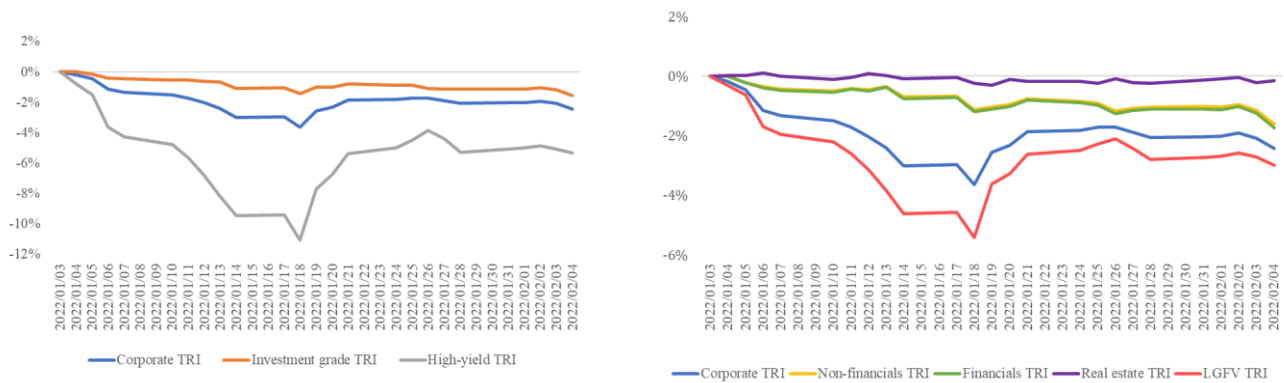
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/1/27	Sino-Ocean Group Holding Ltd	USD	520 (reoffered 200)	2.7	2025/1/13	3.5	Real Estate	Baa3/-/BBB-	Baa3/-/BBB-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond dropped; Real estate bond rose slightly

As of February 4, the YTD return¹ on Chinese USD corporate bond index decreased by 56bp from January 21 to -2.43%. The return on investment-grade bond decreased by 76bp to -1.56%, and the return on high-yield bond increased by 7bp to -5.31%. In terms of sector indices, the return on real estate bonds decreased slightly, which increased by 2bp from January 21 to 0.16%; the returns on financial, non-financial and Chengtuo bonds were -1.73%, -1.62%, and -2.99%, decreased by 92bp, 86bp and 37bp from January 21, respectively.

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

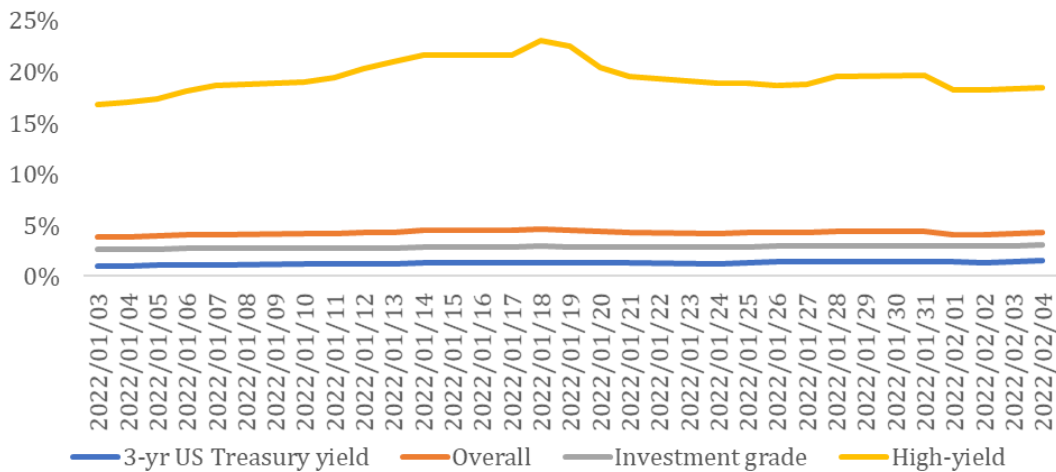


Sources: Bloomberg, CCX research

As of February 4, the yield-to-worst of Chinese dollar bonds increased by 1bp to 4.25% from January 21, of which investment grade bond index increased by 24bp to 3.09%. High-yield bond index increased by 115bp to 18.41%.

¹ Year-to-date return measures the return since January 3, 2022

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 24 to February 4, rating agencies took positive rating actions on 1 Chinese real estate issuer, and took negative rating action on 10 Chinese real estate issuers.

Table 3 : Credit rating changes of cross-border bond market (20220124-20210204)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Guangzhou R&F Properties Co Ltd, R&F Properties HK Co Ltd	Real Estate	CC	-	2022/01/24	RD	-	2021/01/14	Fitch	Completion of the exchange offer
	Shinsun Holdings Group Co Ltd	Real Estate	Caa2	NEG	2022/01/24	B3	RWN	2021/12/20	Moody's	Rising risk in debt repayment
Downgrade	Guorui Properties Ltd	Real Estate	CCC+	-	2022/01/24	B-	RWN	2021/10/20	Fitch	Rising refinancing risk
	Jingrui Holdings Ltd	Real Estate	B3	NEG	2022/01/25	B2	Rating Under Review	2021/10/15	Moody's	Rising refinancing risk
	Logan Group Co Ltd	Real Estate	BB	RWN	2022/01/27	BB	STABLE	2019/08/28	S&P	Unreported secured debt
	Yincheng International Holding Co Ltd	Real Estate	B+	NEG	2022/01/27	B+	STABLE	2021/02/09	Lianhe Global	Deteriorating Refinancing
	Redsun Properties Group Ltd	Real Estate	B2	NEG	2022/01/28	B2	STABLE	2021/10/19	Moody's	Weakening financial metrics and liquidity
	Zhongliang Holdings Group Co Ltd	Real Estate	B1	STABLE	2022/01/28	B1	POS	2021/10/18	Moody's	credit indicators not meeting rating upgrade criteria
	LVGEM (China) Real Estate Investment	Real Estate	B-	NEG	2022/02/03	B	STABLE	2021/10/20	Fitch	Contract sales are small and

Company Limited

concentrated on a few projects

Domestic Rating:

	Yango Group Co Ltd	Real Estate	AA	RWN	2022/01/24	AA+	RWN	2021/11/01	CCXI	Increasing liquidity risks
Downgrade	Yango Group Co Ltd	Real Estate	AA	NEG	2022/01/26	AA+	NEG	2021/11/01	Golden Credit	Shareholder's holdings reduced, executives resigned, and some shares were frozen by the judiciary
	Risesun Real Estate Development Co Ltd	Real Estate	AAA	NEG	2022/01/27	AAA	STABLE	2021/07/28	DAGONG	USD Bond exchange offer
	Yango Group Co Ltd	Real Estate	BBB	RWN	2022/01/30	AA	RWN	2022/01/24	CCXI	Deteriorating liquidity situation

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: China Mengniu and NDB issued 2 Panda Bonds altogether

On January 24, China Mengniu Dairy Company Limited issued the first series of Super & Short-term Commercial Paper in 2022 in the China Interbank market, raising RMB2.5 billion, with a tenor of 88 days, at the coupon rate of 2.35%. CCXI assigned AAA to the issuer.

On January 27, New Development Bank issued the first series of Renminbi Bond in 2022 through Bond Connect in the China Interbank market, raising RMB3 billion, with a tenor of 3 years, at the coupon rate of 2.45%. CCXI assigned AAA to the issuer.

Table 3 : New issuance of Panda Bond in the Year 2022 (20220103-20220204)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
New Development Bank	3	2.45	2022/1/27	2025/1/27	3	International Institution Bond	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.35	2022/1/24	2022/4/22	0.24	SCP	China Interbank Market	China Chengxin
Beijing Enterprises Water Group Limited	1.5	3.38	2022/1/21	2026/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
Beijing Enterprises Water Group Limited	1	2.97	2022/1/21	2023/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
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: New Development Bank

Issuer profile: New Development Bank was established in accordance with the "Agreement on the New Development Bank" jointly signed by the governments of the BRICS countries on July 15, 2014. The institution is headquartered in Shanghai, the People's Republic of China. The NDB aims to mobilize resources for infrastructure and sustainable development projects in the BRICS and other emerging economies and developing countries, complementing existing multilateral and regional financial institutions, and promoting global growth and development. According to the agreement, the initial authorized capital of the New Development Bank is USD100 billion, and the initial subscribed capital is USD50 billion. Each BRICS country subscribes for 100,000 shares for the first time, totaling USD10 billion; of which 20,000 shares are paid-in and 80,000 shares are to be paid, which are paid in US dollars in seven installments. Each member's voting rights are equal to the number of shares subscribed in NDB's share capital. Since September 2021, the NDB has approved the admission of the United Arab Emirates, Uruguay, Bangladesh and Egypt as its new members. As of September 30, 2021, NDB employed a total of 189 employees, including 5 managers, 4 short-term consultants and 5 outsourced staff. The NDB's business operations are closely aligned with the needs of member states, with a large scale of paid-in capital and strong support from member states. During the epidemic, the bank's rapid response to the needs of member countries to respond to the epidemic and achieve economic recovery has further strengthened the bank's policy importance to member countries. The bank's capital is sufficient, the proportion of the bank's equity assets is at a high level, and the Bank's current assets can fully cover its debt. Although under the impact of the epidemic, the quality of bank projects has declined due to the rising sovereign credit risk of member states, NDB still enjoys a favorable position comparing to other MDBs, with relatively high quality bank assets. What is more, the counterparties to the Bank's portfolio are well-qualified and have low credit risk. However, attentions should be paid to the downside risks of the sovereign credit levels of some NDB member states.

Issuance history: NDB entered the Panda Bond market for the first time in July 2016, as an early issuer. It returned to the Panda Bond market in 2019 and has been active since then. So far, New Development Bank has issued a total of 8 bonds in the China Interbank market, all of which are international institutional bonds with a maturity of 3 or 5 years, raising a total of RMB23 billion, at an average coupon rate of 2.94% and an average interest rate spread of 29bp. Regarding the usage of proceeds, the Green Bonds issued in the year 2016 were used for infrastructure and sustainable development projects in BRICS countries, other emerging economies and developing countries; while the Epidemic Prevention and Control Bonds issued in the year 2020 were designed to help the Chinese government fight the epidemic and to provide emergency financing support for the Chinese government. Other bonds are primarily used for general corporate purposes aimed at supporting its member countries in achieving their development goals.

Table 4: Historical Issuance of New Development Bank in the Panda Bond Market

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Usage of Proceeds	Bond Type	Issue Market
1	2022/1/27	2025/1/27	3	3	2.45	17	General corporate usage	International Institution Bond	China Interbank Market
2	2021/9/17	2026/9/17	0.23	2	3.02	29	General corporate usage	International Institution Bond	China Interbank Market
3	2021/3/25	2024/3/25	3	5	3.22	35	General corporate usage	International Institution Bond	China Interbank Market
4	2020/7/7	2025/7/7	5	2	3.00	21	General corporate usage	International Institution Bond	China Interbank Market
5	2020/4/3	2023/4/3	3	5	2.43	42	To help the Chinese government fight the epidemic and to provide emergency financing support	International Institution Bond	China Interbank Market
6	2019/2/26	2024/2/26	5	1	3.32	27	General corporate usage	International Institution Bond	China Interbank Market
7	2019/2/26	2022/2/26	3	2	3.00	23	General corporate usage	International Institution Bond	China Interbank Market
8	2016/7/19	2021/7/19	5	3	3.07	41	Infrastructure and sustainable development projects for BRICS, other emerging economies and developing countries	International Institution Bond	China Interbank Market

Sources: Bloomberg, CCX research

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