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From May 9 to May 13

Chinese offshore bond issuance increased; return dropped

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elle_hu@ccxap.com**Date: May 18, 2022****Headline: IMF increased SDR weighting of RMB**

This week, IMF completed its regular review of the SDR for the first time since the RMB became the SDR basket currency in 2016. It is worth noting that the weighting of RMB was increased from 10.92% to 12.28%, and its weighting remained in third place after the upward adjustment of 1.36 percentage points.

Exchange Rate: RMB exchange rate fluctuated upward

This week, the RMB exchange rate fluctuated upward. As of May 13, the RMB mid-point rate closed at 6.7898, increased by 1566bp compared with exchange rate on last Friday.

Interest Rate: China Government Bond yields fluctuated downward; US Treasury yields dropped

This week, China Government Bond yields fluctuated downward. The 1-year China Government Bond yield declined by 3.29bp compared with yield on last Friday. The US CPI in April was higher than expected, and US Treasury yields dropped due to the worry that the Fed would tighten policy sharply in response to high inflation. As of May 13, the yield spread between China and US 10-year note was -10.5bp, narrowed by 8.2bp from last Friday and narrowed by 125.2bp from the beginning of the year.

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

From May 9 to May 13, there were 16 new issues with a total issued volume of USD3.1 billion, a significant increase from last week. Among them, financial institutions (including banks) were the main issuers, which issued 11 bonds with total amount of USD 2.2 billion.

Secondary Market: Return on Chinese USD bond dropped

As of May 13, the YTD return on Chinese USD corporate bond index decreased by 24bp from last Friday to -8.2%. The return on investment-grade bonds increased by 13bp to -6.1%, and the return on high-yield bonds decreased by 175bp to -15.57%. In terms of sector indices, the returns on real estate bonds dropped the most, decreasing by 316bp from last Friday to -23.58%.

Rating Action: Several real estate companies were downgraded**Credit event: Sunac China defaulted on USD bonds****Panda Bond Market**

No panda bond issuance this week.

Issuer Analysis: The Republic of Poland

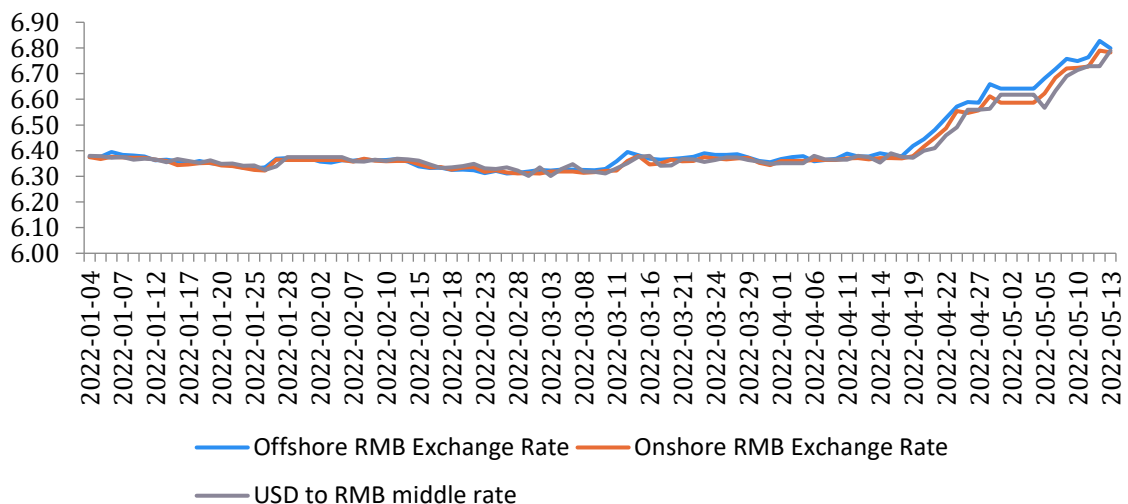
Headline: IMF increased SDR weighting of RMB

On May 11, the Executive Board of the International Monetary Fund (IMF) completed a quinquennial review of the Special Drawing Rights (SDR), the first review since RMB became an SDR basket currency in 2016. The Executive Board unanimously decided to maintain the existing SDR basket currencies, namely USD, EUR, RMB, JPY and GBP, and to increase the weighting of RMB from 10.92% to 12.28% and decrease the weighting of EUR, JPY and GBP. The new SDR currency basket will be effective on August 1, 2022. It is worth noting that the weighting of RMB was increased from 10.92% to 12.28%, and its weighting remained in third place after the upward adjustment of 1.36 percentage points.

Exchange Rate: The RMB exchange rate fluctuated upward

This week, the RMB exchange rate fluctuated upward. As of May 13, the RMB mid-point rate closed at 6.7898, rose by 1566bp compared with the rate on last Friday; the onshore RMB exchange rate rose by 985bp to 6.7830 compared with the rate on last Friday; the offshore RMB exchange rate rose by 810bp to 6.7993 compared with the rate on last Friday.

Figure 1 : RMB exchange rate

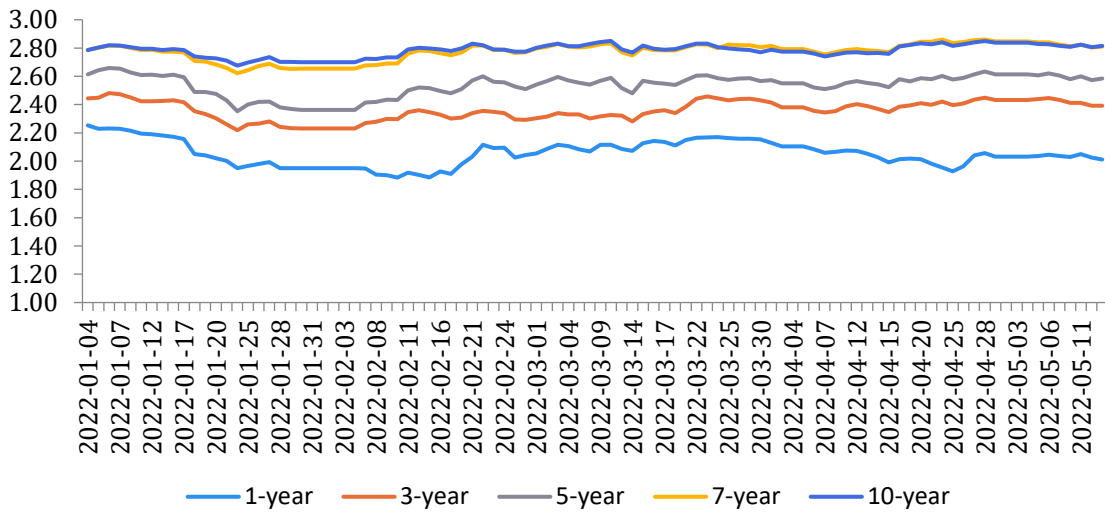


Sources: Wind, CCX research

Interest Rate: China Government Bond yields fluctuated downward; US Treasury yields dropped

The China Government Bond yields fluctuated downward this week. As of May 13, the 1-year, 3-year, 5-year, 7-year, and 10-year China Government Bond yields declined by 3.29bp, 5.54bp, 3.52bp, 2.96bp, and 1.33bp since last Friday and closed at 2.0125%, 2.3909%, 2.5852%, 2.8103%, and 2.8140%.

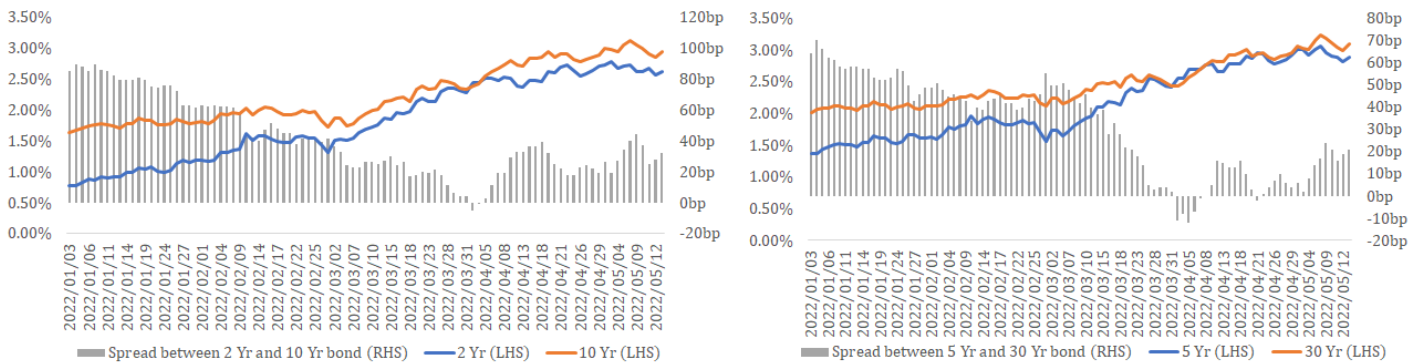
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The US CPI in April was higher than expected, and US Treasury yields dropped due to the worry that the Fed would tighten policy sharply in response to high inflation. As of May 13, the 2-year, 5-year, 10-year and 30-year yields were 2.61%, 2.89%, 2.93% and 3.1%, decreasing by 11bp, 15bp, 17bp and 18bp from last Friday, respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads narrowed by 19bp to 32bp from last Friday, while the 5-year and 30-year Treasury bond spreads narrowed by 11bp to 21bp from last Friday.

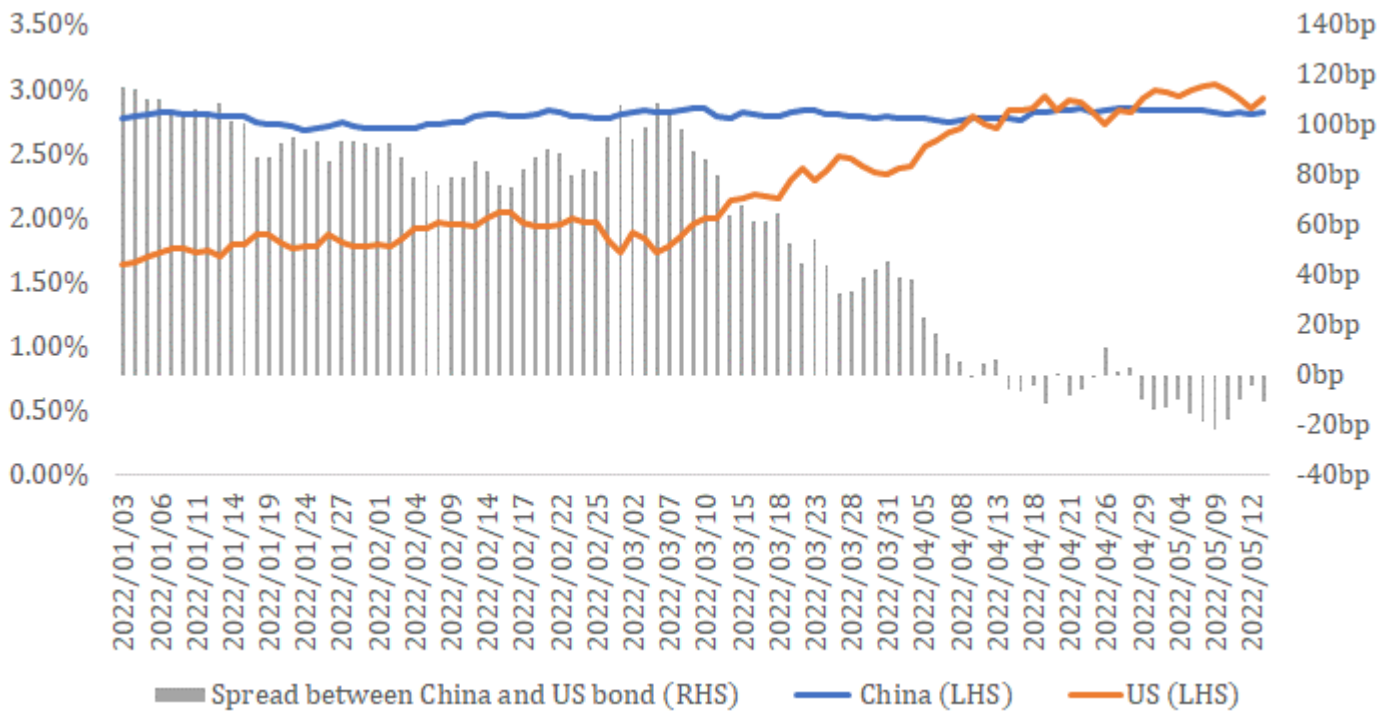
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of May 13, the yield spread between China and US 10-year note was -10.5bp, narrowing by 8.2bp from last Friday and narrowing by 125.2bp 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 increased

From May 9 to May 13, there were 16 new issues with a total issued volume of USD3.1 billion, a significant increase from last week. Among them, financial institutions (including banks) were the main issuers, which issued 11 bonds with total amount of about USD2.2 billion.

Table 1 : New issuance of Chinese offshore bonds(20220509-20220513)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/5/10	Changsha Jinxia New City Development Co Ltd	USD	145	4.1	2025/5/17	3	Chengtou	-/-/-	-/-/-
2022/5/10	China Construction Bank Corp/London	CNY	100	3.4	2024/5/17	2	Banks	A1/A/A	A1/-/-
2022/5/10	China Construction Bank Corp/London	USD	1,000	3.125	2025/5/17	3	Banks	A1/A/A	A1/-/-
2022/5/11	ENN Energy Holdings Ltd	USD	550	4.625	2025/5/17	5	Utilities	Baa1/BBB/BBB+	Baa1/BBB/BBB+
2022/5/11	Industrial Bank Co Ltd/Hong Kong	USD	650	3.25	2025/5/18	3	Banks	Baa2/-/-	Baa2/-/-
2022/5/11	Orient Securities Co Ltd/China	USD	300	3.5	2025/5/17	3	Financials	Baa2/BBB/-/-	Baa2/-/-
2022/5/12	Sanya Yazhouwan Science & Technology City Development & Construction Co Ltd	EUR	66	2	2023/4/17	335D	Banks	-/-/-	-/-/-
2022/5/13	Bank of China Ltd/Macau	USD	32	5.9	2022/5/17	1.33	Banks	A1/A/A	-/-/-
2022/5/13	Bank of China Ltd/Macau	USD	13	4.25	2022/5/17	1.78	Banks	A1/A/A	-/-/-
2022/5/13	Bank of China Ltd/Macau	USD	4	2.5	2022/5/17	2.28	Banks	A1/A/A	-/-/-
2022/5/13	Bank of China Ltd/Macau	USD	9	1.625	2022/5/17	2.46	Financials	A1/A/A	-/-/-

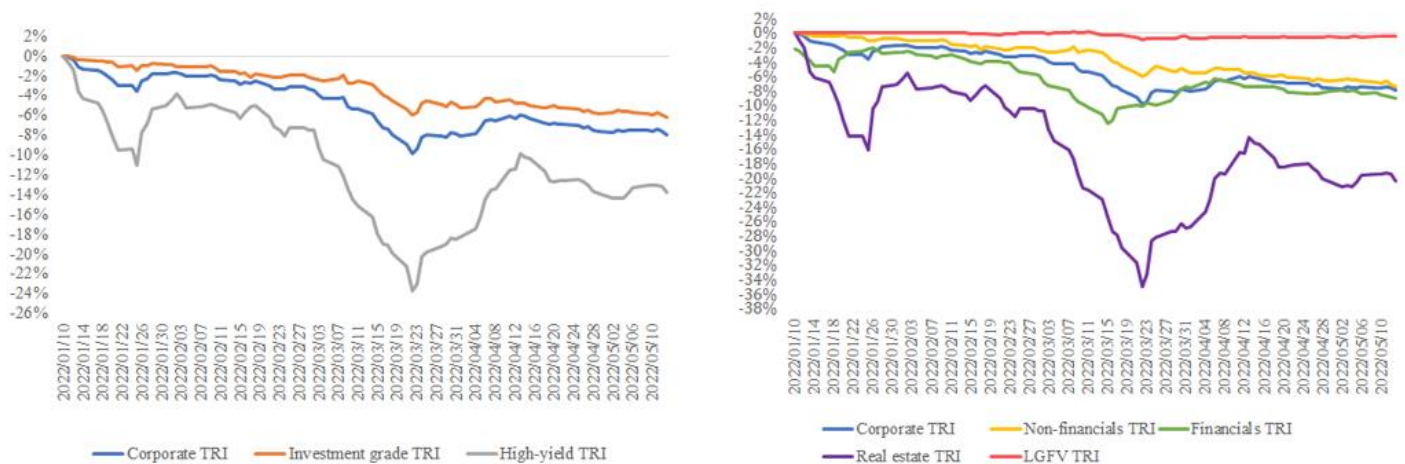
2022/5/13	Bank of China Ltd/Macau	USD	13	3.6	2022/5/17	2.8	Chengtou	A1/A/A	-/-
2022/5/13	Bank of China Ltd/Macau	USD	9	1.75	2022/5/17	3.27	Chengtou	A1/A/A	-/-
2022/5/13	Huatai International Financial Holdings Co Ltd	USD	20	0	2026/7/7	4.14	Financials	-/BBB+/-	-/-
2022/5/13	Taizhou Huangyan Transportation and Tourism Investment Group Co Ltd	EUR	65	2.4	2025/5/20	3	Chengtou	-/-	-/-
2022/5/13	Taizhou Huangyan Transportation and Tourism Investment Group Co Ltd	EUR	75	2.4	2025/5/20	3	Chengtou	-/-	-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond dropped

As of May 13, the YTD return¹ on Chinese USD corporate bond index decreased by 24bp from last Friday to -8.20%. The return on investment-grade bonds increased by 13bp to -6.10%, and the return on high-yield bonds decreased by 175bp to -15.57%. In terms of sector indices, the returns on real estate bonds dropped the most, decreasing by 316bp from last Friday to -23.58%; the return on financial bonds was -9.03%, decreasing by 69bp from last Friday. The returns on non-financial and Chengtou bonds were -6.99% and -0.34%, increasing by 39bp and 4bp from last Friday, respectively.

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

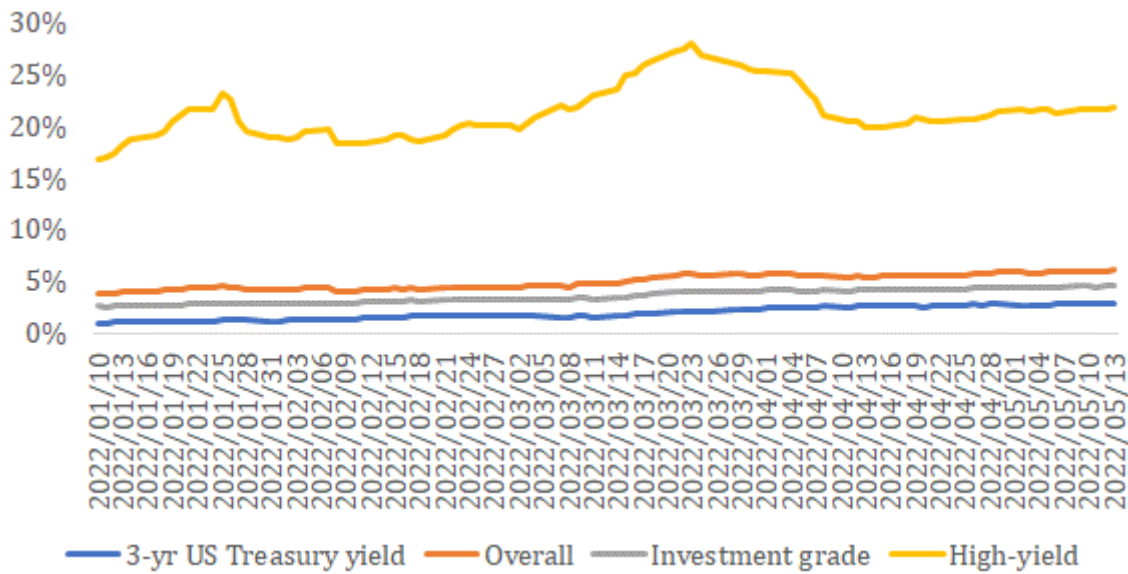


Sources: Bloomberg, CCX research

As of May 13, the yield-to-worst of Chinese dollar bonds decreased by 6bp to 6.05% from last Friday, of which investment grade bond index decreased by 3bp to 4.59%, and high-yield bond index increased by 95bp to 22.81%.

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 May 9 to May 13, rating agencies took positive rating action on 1 Chinese issuer and negative rating action on 10 Chinese issuers.

Table 2: Credit rating changes of cross-border bond market (20220509-2022513)

	Entity	Sector	Entity Rating	Current Rating		Previous Rating		Rating Agency	Reason of Change	
				Outlook	Date	Entity Rating	Outlook			Date
International Rating:										
Upgrade	Tianqi Lithium Corp	Materials	Caa1	POS	2022/5/13	Caa1	NEG	2021/7/8	Moody's	improving revenue and profitability, debt level dropped
Downgrade	Jiangsu Zhongnan Construction Group Co Ltd	Real Estate	CCC+	-	2022/5/9	B-	NEG	2021/11/15	S&P	capital structure not sustainable
	Jiayuan International Group Ltd	Real Estate	B3	NEG	2022/5/10	B2	RWN	2022/3/7	Moody's	Rising refinancing risk
	Greenland Hong Kong Holdings Ltd, Greenland Holding Group Co Ltd	Real Estate	B2	RWN	2022/5/12	Ba3	NEG	2021/12/16	Moody's	Rising refinancing risk
	Red Star Macalline Group Corp Ltd	Real Estate	B+	NEG	2022/5/12	BB	STABLE	2021/2/11	S&P	parent company rising refinancing risk
	Jinke Properties Group Co Ltd	Real Estate	B+	STABLE	2022/5/12	BB-	STABLE	2021/4/7	S&P	tightening liquidity

Huijing Holdings Co Ltd	Real Estate	B+	STABLE	2022/5/13	B+	POS	2021/6/16	Lianhe Global	carefully implement urban renewal projects and diversify its land reserve
Seazen Holdings Co Ltd, Seazen Group Ltd	Real Estate	Ba2	RWN	2022/5/13	Ba1	NEG	2022/2/22	Moody's	weakening sales and financial indications
Powerlong Real Estate Holdings Ltd	Real Estate	B3	NEG	2022/5/13	B2	RWN	2022/3/22	Moody's	Rising refinancing risk, tightening liquidity

Sources: Bloomberg, Wind, CCX research

Credit event: Sunac China defaulted on USD bonds

On May 12, Sunac China Holdings Limited ("Sunac China") announced that it had not made the interest payment on its notes due October 2023 before the expiry of a 30-day grace period, while the interests on the notes due April 2023, October 2024 and April 2024 became due and payable and it did not expect to make payments within the 30-day grace period, constituting an event of default. The total interests on the four notes amounted to about USD105 million. As of the announcement date, Sunac China has 12 outstanding USD bonds with a total amount of USD6.69 billion

Panda Bond Market

No Panda Bond Issuance This Week.

Table 3 : New issuance of Panda Bond in the Year 2022 (20220103-20220513)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Everbright Environment Group Limited	1.5	3.47	2022/4/20	2025/4/20	3	MTN	China Interbank Market	Lianhe Credit Rating
China Everbright Water Limited	1	3.10	2022/4/18	2022/4/18	3	MTN	China Interbank Market	Shanghai Brilliance Rating
China Everbright Greentech Limited	1.2	3.27	2022/4/8	2027/4/8	5	MTN	China Interbank Market	Lianhe Credit Rating
China Mengniu Dairy Company Limited	2.5	2.2	2022/3/22	2022/6/10	0.22	SCP	China Interbank Market	China Chengxin
China Traditional Chinese Medicine Holdings Co. Limited	1	2.32	2022/3/21	2022/10/17	0.58	SCP	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure	1	3.28	2022/3/18	2027/3/18	5	MTN	China Interbank Market	China Chengxin

Hengan International Group Co., Ltd	1.5	2.4	2022/3/18	2022/9/14	0.49	CP	China Interbank Market	China Chengxin
GLP China Holdings Limited	1	4.3	2022/3/7	2025/3/7	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/30	0.49	CP	China Interbank Market	China Chengxin
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/30	0.49	CP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.33	2022/2/24	2022/5/25	0.25	SCP	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	2.89	2022/2/21	2024/2/21	2.00	MTN	China Interbank Market	China Chengxin
BMW Finance N.V.	2.5	3.1	2022/2/21	2025/2/21	3.00	MTN	China Interbank Market	China Chengxin
China Traditional Chinese Medicine Co. Limited	1	2.4	2022/2/18	2022/11/15	0.74	SCP	China Interbank Market	China Chengxin
New Development Bank	3	2.45	2022/1/27	2025/1/27	3	International Institution Bond	China Interbank Market	-
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	2.97	2022/1/21	2027/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
Beijing Enterprises Water Group Limited	1	3.38	2022/1/21	2027/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
China Everbright Water Limited	1	2.50	2022/1/13	2022/6/12	0.41	SCP	China Interbank Market	Shanghai Brilliance Rating
Shenzhen International Holdings Limited	1	2.95	2022/1/10	2028/1/10	6	Corporate Bond	Shenzhen Exchange Market	Lianhe Credit Rating

Sources: Bloomberg, CCX research

Issuer Analysis: The Republic of Poland

Issuer profile: The Republic of Poland is located on the shores of the Baltic Sea and borders Germany, the Czech Republic, Slovakia, Ukraine, Belarus, Lithuania and Russia. With an area of 312,696 square kilometers and a population of about 38.5 million people, it is one of the largest countries in central Europe. Poland is a country with the largest economy in Central and Eastern Europe. It joined the Economic Cooperation and Development Group and the European Union in 1996 and 2004.

Since joining the European Union in 2004, Poland's economy has achieved rapid development, and its economic size and national income have continued to grow. With a nominal GDP of

US\$596 billion in 2020, Poland ranks among the highest in the European Union and has the largest economy in Central and Eastern Europe. GDP per capita in purchasing power parity is at a relatively high level of over \$30,000. Poland's industrial structure is diversified, and both the manufacturing industry and service industry are relatively developed. The effective implementation of EU funds is also an important driving force for the long-term growth of the Polish economy. The total size of EU funds in 2021-2027 exceeds 110 billion euros, an increase of more than 25% over the 2014-2020 cycle. In addition, the "Next Generation EU" program with a total of more than 800 billion euros provides Poland with 35.525 billion euros, including 23.858 billion euros in grants and 11.667 billion euros in loans, with a life cycle of 2020-2026. Before the epidemic, Poland's fiscal deficit ratio showed a downward trend and remained low; under the impact of the epidemic, Poland's fiscal deficit increased significantly, but Poland has sufficient fiscal space and limited fiscal pressure. From the perspective of Poland's debt structure, the proportion of foreign currency debt and foreign resident debt continued to decline. From the perspective of the term structure, the general government debt in Poland is dominated by medium and long-term debt. In terms of the composition of the current account, benefiting from Poland's competitiveness in the fields of transportation, tourism, and information technology, the service account continued to maintain a surplus. However, due to a large amount of foreign investment in Poland, the high investment income of foreign investment in Poland, and a large number of foreign workers in Poland, the long-term deficit in primary income is the main reason for the long-term deficit in Poland's current account.

In April 2000, Poland began to implement a free-floating exchange rate system. The flexible exchange rate system can help Poland resist external risks. The exchange rate of the Polish zloty fluctuates little, and the exchange rate between the Polish zloty and the euro has been stable at around 4.1 to 4.6 since 2016. At the end of 2020, the coverage ratio of official foreign exchange reserves to short-term external debt was more than 1.5 times, and the repayment pressure of external debt was relatively low. In 2011, the diplomatic relations between China and Poland were upgraded to a "strategic partnership". The bilateral trade between China and Poland has developed steadily and the scale of trade is relatively large. Poland is one of China's most important economic and trade partners in Central and Eastern Europe, and it is the first country in the region whose trade volume with China exceeds US\$10 billion. China is Poland's second-largest source of imports and the largest importer in Asia. Under the epidemic, the trade between Poland and China will grow against the trend in 2020. Among them, Poland's imports from China are 33 billion euros, accounting for 14.4% of Poland's total imports; Poland's exports to China are 3 billion euros, accounting for 1.3%. In 2021, China Chengxin International rated the credit rating of the national treasury of the Republic of Poland (represented by the Minister of Finance) as AAA, with a stable rating outlook.

Issuance history: The Republic of Poland entered the Panda Bond Market in 2016 and issued a total of 2 bonds, raising 6 billion RMB altogether. 2 international bonds are issued in the Inter-bank Market. The average coupon rate is 3.30% and the average spread is 76.14bp. The funds raised are mainly used to remit abroad and convert into other currencies, and used for the national budget expenditure of the year.

Table 4: Historical Issuance of the Republic of Poland in the Panda Bond Market

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Usage of Proceeds	Bond Type	Issue Market
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1	2021/10/15	2024/10/15	3	3	3.20	55.41	Remit abroad and convert into euros, and use for state budget spending in 2021	International Bond	Inter-bank Market
2	2016/8/26	2019/8/26	3	3	3.40	96.86	Remit abroad and exchange into another currency, and use for state budget expenditure in 2016	International Bond	Inter-bank Market

Sources: Bloomberg, CCX research

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