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From June 27 to July 1

Chinese offshore bond issuance increased; return on Chinese USD bond increased

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Headline: Eurozone inflation hit a record high

On July 1, Eurostat's preliminary statistics showed that, affected by the situation in Ukraine, energy and food prices in the eurozone continued to soar, and the annual inflation rate in June reached 8.6%, hitting a record high again. Among them, energy prices in the eurozone rose by 41.9% YoY in June, which was the main reason for the increase in inflation of the month. The inflation rates in June of Germany, France, Italy and Spain were 8.2%, 6.5%, 8.5%, and 10% respectively, all at high levels; while the inflation rate of the three Baltic countries was as high as 20%.

Exchange Rate: RMB exchange rate fluctuated up and down

This week, the RMB exchange rate fluctuated up and down. As of July 1, the RMB mid-point rate closed at 6.6863, declined by 137bp compared with exchange rate on last Friday.

Interest Rate: China Government Bond yields fluctuated up and down; US Treasury yields decreased

This week, China Government Bond yields fluctuated up and down. The 1-year China Government Bond yield declined by 3.29bp compared with yield on last Friday. US Treasury yields fell sharply amid intensified market concerns that the rate hike may weaken US economy. As of July 1, the yield spread between China and US 10-year note was -5.5bp, widening by 27.8bp from last Friday and narrowing by 120.2bp from the beginning of the year.

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

From June 27 to July 1, there were 13 new issues with a total issued volume of USD1.9 billion, increasing sharply by 53.5% from last week. Among them, Chengtuo companies were the main issuers, which issued 7 bonds with total amount of USD1.3 billion.

Secondary Market: Return on Chinese USD bond decreased

As of July 1, the YTD return on Chinese USD corporate bond index fell by 1bp to -9.54% from last Friday, of which the return on investment-grade bonds rose by 36bp to -6.16%, and the return on high-yield bonds fell by 154bp to -22.19%. In terms of sector indices, the return on real estate bonds fell the most, decreasing by 183bp from last Friday to -32.25%.

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

Credit event: Sunshine 100 and Shimao Group defaulted on US dollar bonds

Panda Bond Market

No Issuance This Week

Issuer Analysis: Republic of Portugal

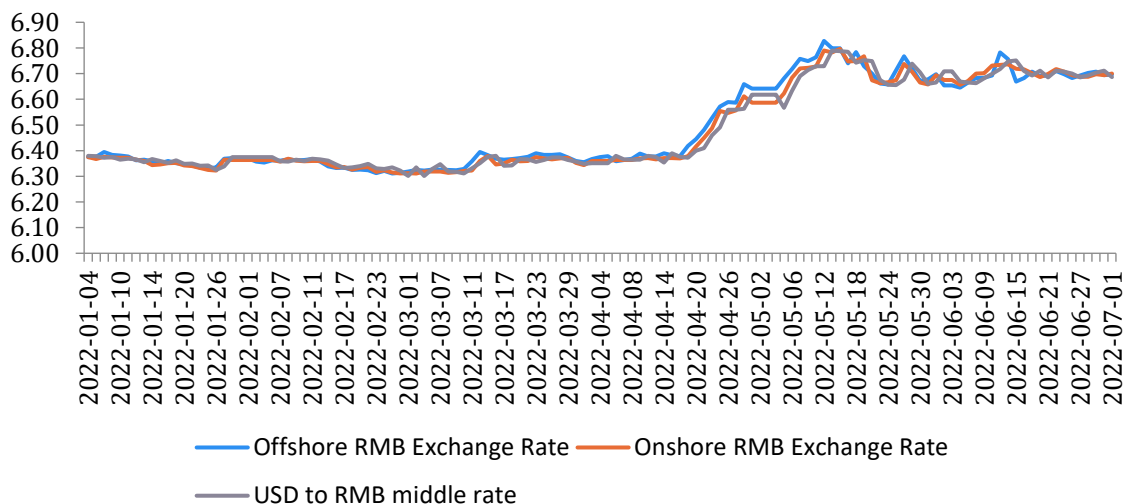
Headline: Eurozone inflation hit a record high

On July 1, Eurostat's preliminary statistics showed that, affected by the situation in Ukraine, energy and food prices in the eurozone continued to soar, and the annual inflation rate in June reached 8.6%, hitting a record high again. Among them, energy prices in the eurozone rose by 41.9% YoY in June, which was the main reason for the increase in inflation of the month; the prices of food, tobacco and alcohol rose by 8.9%; the prices of non-energy industrial products rose by 4.3%; service prices rose by 3.4%. The inflation rates in June of Germany, France, Italy and Spain were 8.2%, 6.5%, 8.5%, and 10% respectively, all at high levels; while the inflation rate of the three Baltic countries was as high as 20%.

Exchange Rate: The RMB exchange rate fluctuated up and down

This week, the RMB exchange rate fluctuated up and down. As of July 1st, the RMB mid-point rate closed at 6.6863, declined by 137bp compared with the rate on last Friday; the onshore RMB exchange rate rose by 70bp to 6.7006 compared with the rate on last Friday; the offshore RMB exchange rate rose by 140bp to 6.6966 compared with the rate on last Friday.

Figure 1 : RMB exchange rate

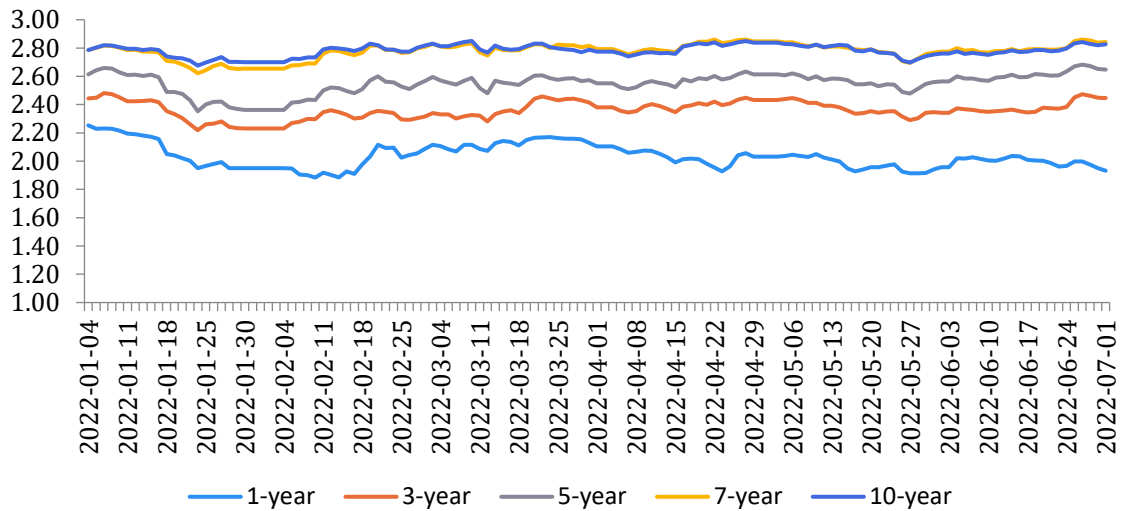


Sources: Wind, CCX research

Interest Rate: China Government Bond yields fluctuated up and down; US Treasury yields decreased

The China Government Bond yields fluctuated up and down this week. As of July 1st, the 1-year China Government Bond yields declined by 3.29bp since last Friday and closed at 1.9324%; the 3-year, 5-year, 7-year and 10-year China Government Bond yields rose by 6.29bp, 1.45bp, 4.25bp and 2.77bp since last Friday and closed at 2.4455%, 2.6485%, 2.8425% and 2.8255% respectively.

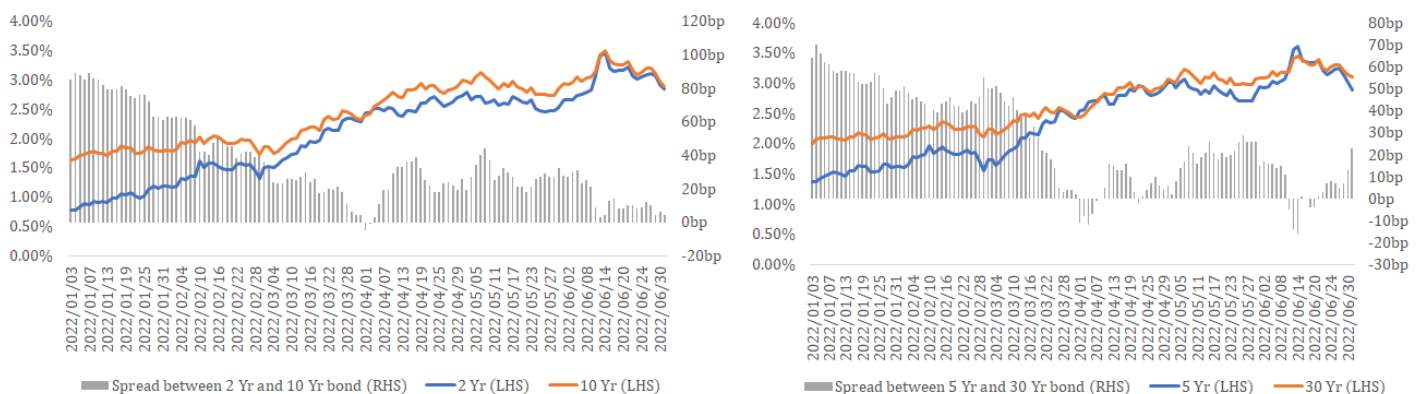
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields fell sharply amid intensified market concerns that the rate hike may weaken US economy. As of July 1, the yields of 2-year, 5-year, 10-year and 30-year US Treasury bonds were 2.84%, 2.88%, 2.88% and 3.11%, decreasing by 20bp, 30bp, 25bp and 15bp from last Friday, respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads narrowed by 5bp to 4bp from last Friday, while the 5-year and 30-year Treasury bond spreads widened by 15bp to 23bp from last Friday.

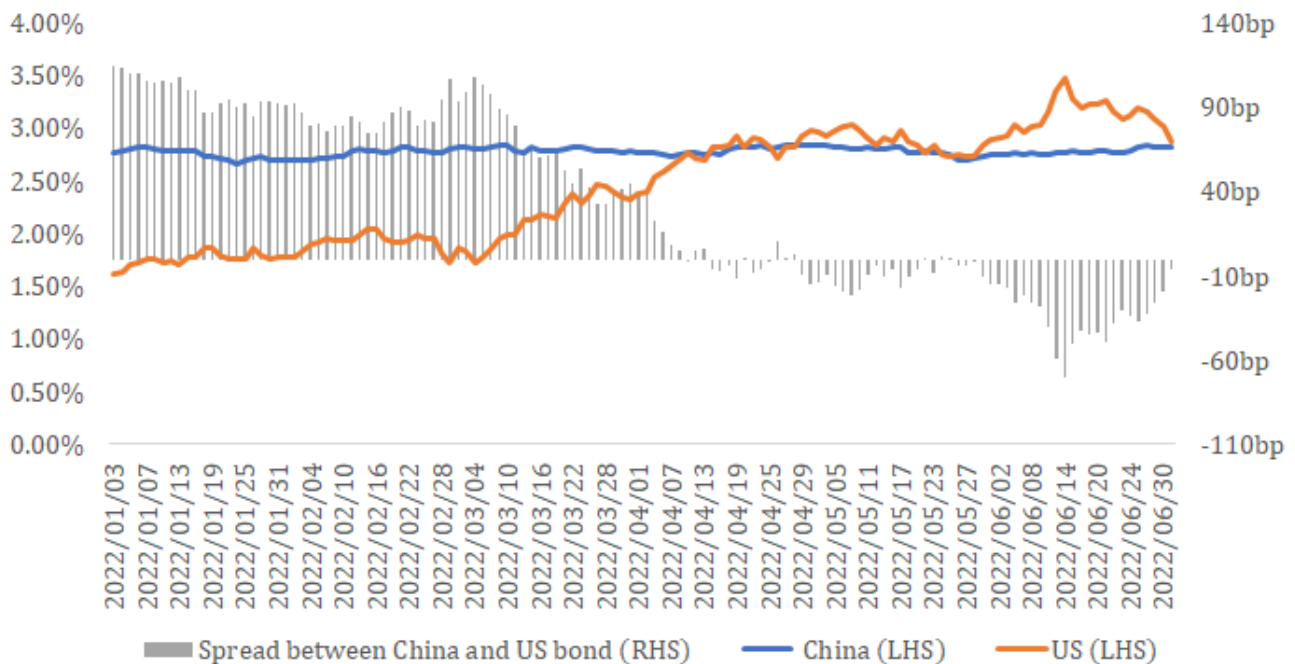
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of July 1, the yield spread between China and US 10-year note was -5.5bp, widening by 27.8bp from last Friday and narrowing by 120.2bp 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 June 27 to July 1, there were 13 new issues with a total issued volume of USD1.9 billion, increasing sharply by 53.5% from last week. Among them, Chengtuo companies were the main issuers, which issued 7 bonds with total amount of USD1.3 billion.

Table 1 : New issuance of Chinese offshore bonds (20220627-20220701)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/6/27	Nanshan Group Co. Ltd.	USD	34	7	2023/6/27	364D	Materials	-/-/-	-/-/-
2022/6/28	Chengdu Tianfu Dagang Group Co Ltd	USD	22	5	2025/6/30	3	Chengtou	-/-/-	-/-/-
2022/6/28	Chengdu Tianfu Dagang Group Co., Ltd.	USD	30	5	2025/6/30	3	Chengtou	-/-/-	-/-/-
2022/6/28	China International Capital Corp Hong Kong Ltd	USD	2	0.8	2022/8/5	30D	Financial	Baa1/BBB+/BBB+	-/-/-
2022/6/28	China Railway Group Limited	USD	500	4	2027/7/6	5	Industrial	A3/BBB+/A-	-/-/A-
2022/6/28	Deqing County Cultural Tourism Development Group Co Ltd	CNY	195	5.37	2025/7/6	3	Chengtou	-/-/-	-/-/-
2022/6/28	Neijiang Investment Holding Group Co.,Ltd.	USD	30	5	2025/6/5	3	Chengtou	-/-/-	-/-/-
2022/6/29	Qingdao City Construction Investment Group Co Ltd	USD	750	4.8	2025/7/8	3	Chengtou	-/-/BBB+	-/-/BBB+
2022/6/29	Chengdu Economic&Technology Development Zone Industrial Investment Group Co Ltd	USD	200	5.5	2025/7/6	3	Chengtou	-/-/-	-/-/-
2022/6/30	Bank of China Ltd/Macau	CNY	13	3.51	2025/9/23	3.21	Banks	A1/A/A	-/-/-

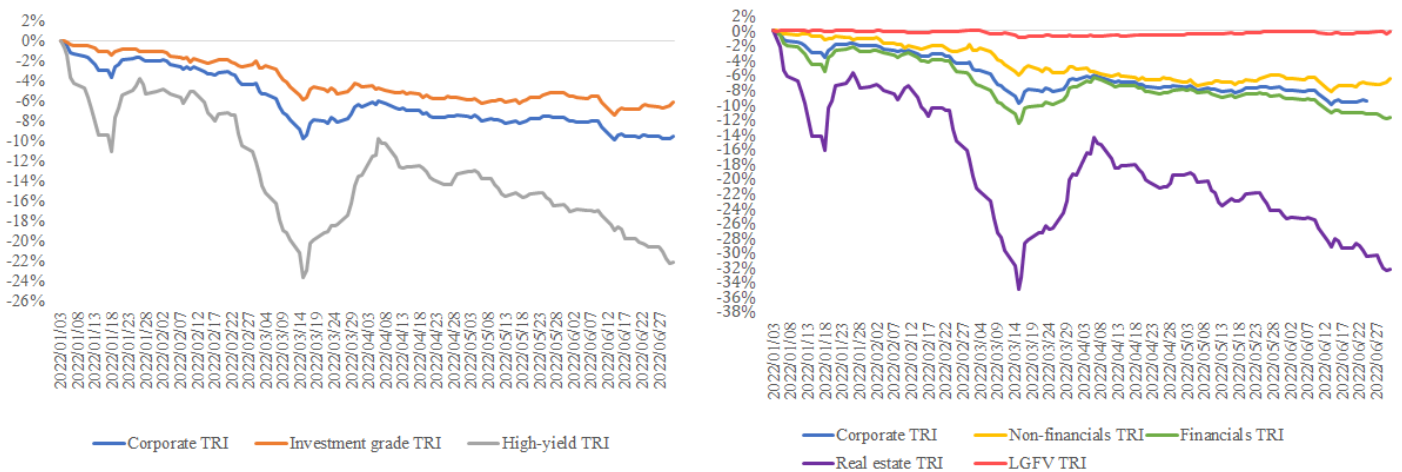
2022/6/30	Bank of China Ltd/Macau	CNY	20	3.73	2025/11/18	3.37	Banks	A1/A/A	-/-
2022/6/30	Bank of China Ltd/Macau	USD	1	2.45	2025/6/24	2.97	Banks	A1/A/A	-/-
2022/6/30	Nanjing Jiangbei New Area Industrial Investment Group Co Ltd	USD	270	4.4	2023/7/11	364D	Chengtou	-/-/BBB+	-/-/BBB+

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond decreased

As of July 1, the YTD return¹ on Chinese USD corporate bond index fell by 1bp to -9.54% from last Friday, of which the return on investment-grade bonds rose by 36bp to -6.16%, and the return on high-yield bonds fell by 154bp to -22.19%. In terms of sector indices, the return on real estate bonds fell the most, decreasing by 183bp from last Friday to -32.25%; the return on financial bonds fell by 45bp from last week to -11.65%, while the returns on non-financial and Chengtou bonds were -6.49% and -0.13% respectively, increasing by 63bp and 14bp from last Friday.

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

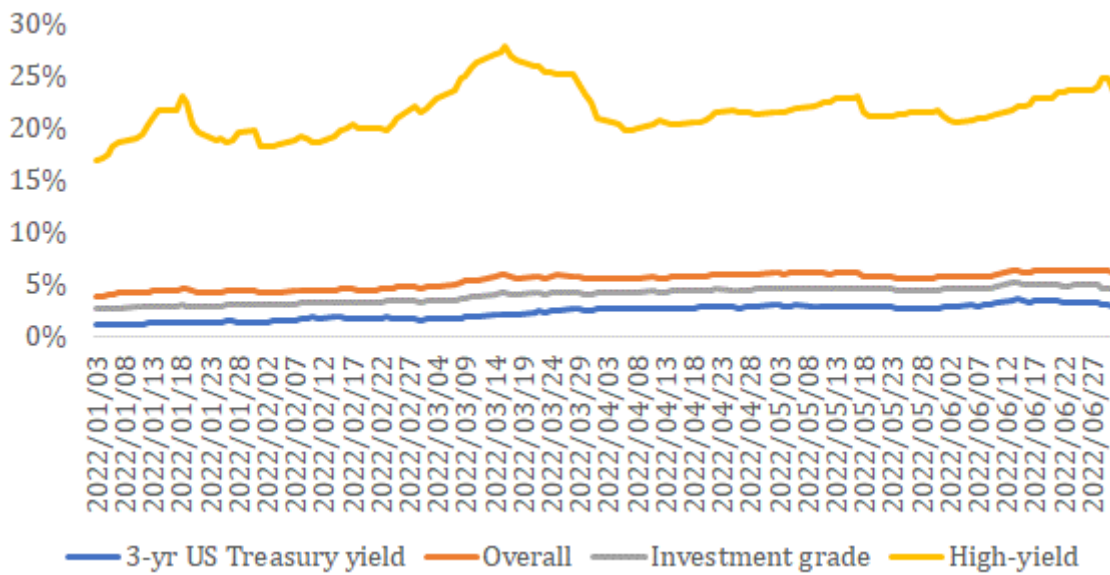


Sources: Bloomberg, CCX research

As of July 1, the yield-to-worst of Chinese dollar bonds decreased by 20bp to 6.04% from last Friday, of which investment grade bond index decreased by 36bp to 4.48%, while high-yield bond index increased by 16bp to 23.45%.

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 June 27 to July 1, rating agencies took positive rating action on 1 Chinese issuer and took negative rating action on 4 Chinese issuers.

Table 2: Credit rating changes of cross-border bond market (20220627-20220701)

	Entity	Sector	Entity Rating	Current Rating		Previous Rating		Rating Agency	Reason of Change	
				Outlook	Date	Entity Rating	Outlook			Date
International Rating:										
Upgrade	Greenland Holding Group Co. Ltd	Real Estate	CCC-	NEG	2022/6/29	SD	-	2022/6/22	S&P	Completing distressed maturity extension
Downgrade	Jinjiang International Holding Co. Ltd	Real Estate	BBB-	NEG	2022/6/27	BBB-	STABLE	2020/10/12	S&P	Slower-than-expected recovery
	Red Star Macalline Group Corporation Ltd.	Real Estate	BBB _g -	STABLE	2022/6/28	BBB _g	STABLE	2021/8/21	CCXAP	Weakening profitability
	Powerlong Real Estate Holdings Limited	Real Estate	CCC+	RWN	2022/6/29	B	NEG	2022/5/25	S&P	Faces considerable refinancing risk
	Redsun Properties Group Limited	Real Estate	Caa1	NEG	2022/6/30	B3	NEG	2022/7/4	Moody's	Heightened refinancing risks

Powerlong Real Estate Holdings Limited	Real Estate	Caa1	NEG	2022/6/30	B3	NEG	2022/5/13	Moody's	Heightened liquidity risks
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Sources: Bloomberg, Wind, CCX research

Credit event: Sunshine 100 and Shimao Group defaulted on US dollar bonds

On June 29, Sunshine 100 China Holdings Ltd ("Sunshine 100") announced that, owing to continuous liquidity issues arising from the adverse impact of a number of factors including the macroeconomic environment and the real estate industry, the Company was unable to repay the principal and the accrued but unpaid interest on the USD219.6 million, 13.0% Senior Green Notes due 2022, constituting an event of default.

On July 3, Shimao Group Holdings Limited ("Shimao Group") announced that the 4.750% senior notes due 2022 in the aggregate principal amount of USD1 billion issued by the Company matured on July 3, 2022. As at the announcement date, the Company has not made the relevant payment, constituting an event of default.

Panda Bond Market No Issuance This Week

Table 3 : New issuance of Panda Bond in the Year 2022 (20220103-20220701)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	2	2.99	2022/6/20	2025/6/20	3	MTN	China Interbank Market	China Chengxin
Mercedes-Benz International Finance B.V.	3	3.25	2022/6/20	2025/6/20	3	MTN	China Interbank Market	China Chengxin
Mercedes-Benz International Finance B.V.	1	2.98	2022/6/20	2024/6/20	2	MTN	China Interbank Market	China Chengxin
China Everbright Limited	3	3.09	2022/6/17	2025/6/17	3	MTN	China Interbank Market	China Chengxin
China Power International Development Limited	1	2.1	2022/6/15	2023/3/12	0.74	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	2	3	2022/6/14	2025/6/14	3	MTN	China Interbank Market	China Chengxin
China Everbright Water Limited	7	3.3	2022/6/13	2025/6/13	3	MTN	China Interbank Market	Shanghai Brilliance Rating
Hengan International Group Co., Ltd	1	2.1	2022/6/10	2022/12/7	0.49	CP	China Interbank Market	China Chengxin
China Everbright Greentech Limited	0.7	3.35	2022/5/27	2025/5/27	3	MTN	China Interbank Market	Lianhe Credit Rating

Asian Infrastructure Investment Bank	1.5	2.4	2022/5/26	2025/5/26	3	International Institution Bond	China Interbank Market	-
Yuexiu Transport Infrastructure	0.5	2.1	2022/5/23	2023/2/17	0.74	MTN	China Interbank Market	China Chengxin
New Development Bank	7	2.70	2022/5/20	2025/5/20	3	International Institution Bond	China Interbank Market	-
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	MTN	China Interbank Market	China Chengxin
BMW Finance N.V.	2.5	3.1	2022/2/21	2025/2/21	3	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: Republic of Portugal

Issuer profile: The Republic of Portugal consists of the Portuguese mainland and two overseas autonomous regions (the Azores and Madeira), with a total territorial area of 92,000 square kilometers. Lisbon is the capital of Portugal and the largest city in the country. In 2020, the total population of Portugal is about 10.3 million people, of which more than 80% of the residents are Catholics. Portugal is a member of international organizations such as the United Nations, the International Monetary Fund, NATO and the WTO, and joined the European Union as early as 1986. Affected by the epidemic, the Portuguese economy fell into a record recession in 2020, with a GDP of 202.44 billion euros and a year-on-year decline of 7.6% in real GDP. In 2020, domestic demand in Portugal fell by 4.6%, while net external demand fell by 3.0%. The implementation of social distancing policies and more cautious consumption behavior of households contributed to an 11.9% drop in total imports. At the same time, affected by factors such as shrinking global external demand, supply chain disruptions, and aviation and logistics disruptions, Portugal's total exports fell sharply by 18.6% year-on-year. Although Portugal's economy underperformed the average level of euro zone, it suffered relatively small shock compared with southern European countries that rely heavily on tourism, such as Spain (GDP down 10.8%), Italy (GDP down 8.9%), and Greece (GDP down 8.2%). Portugal's unemployment rate was 6.8% in 2020, which increased 0.3 percentage points from 2019 and broke its seven-year downward trend in unemployment. The Portuguese government's fiscal revenue fell by 5.0% year-on-year to 86.59 billion euros, while fiscal expenditure increased by 7.8% year-on-year to 98.09 billion euros. In terms of debt maturity structure, most of the Portuguese government debt is medium and long-term debt. As of the end of 2020, the average debt maturity of Portugal remained at around 7.4 years, and the short-term debt repayment pressure was small. In 2020, Portugal's total external debt increased by 1.7 percentage points compared with 2019 to US\$468.32 billion. The ratio of total external debt to GDP was 202.7%, an increase of 10.5 percentage points year-on-year. This was mainly due to the dual effects of GDP contraction and external debt growth. In September 2020, China and the EU signed the "China-EU Geographical Indication Agreement", and closer political and economic exchanges between China and Portugal provided a good external environment for the repayment of the panda debt. In 2020, China is Portugal's 15th largest export destination and sixth largest source of imports. In June 2021, Portugal received the issuer credit rating of "AAA" from a domestic rating agency in China, with a stable outlook.

Issuance history: Republic of Portugal entered the Panda Bond Market in 2019 and issued a total of 1 bond, raising 2 billion RMB. The international institutional bond is issued on the inter-bank bond

market. The average coupon rate is 4.09% and the average spread is 114.96bp. The funds raised are mainly used to remit abroad for a variety of government purposes, possibly including relevant initiatives to support the Belt and Road Initiative.

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

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Usage of Proceeds	Bond Type	Issue Market
1	2019/6/3	2022/6/3	3	2	4.09	114.96	remit abroad for a variety of government purposes, possibly including relevant initiatives to support the Belt and Road Initiative.	International Institutional Bond	inter-bank bond market

Sources: Bloomberg, CCX research

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