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From July 11 to July 15

US inflation hit record high; Chinese offshore bond primary and secondary market decreased

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Chris Dong 010-66428877-567

xndong@ccxi.com.cn

CCXAP

Olivia Feng 852-28607133

olivia_feng@ccxap.com

Peter Chong 852-28607124

peter_chong@ccxap.com

Other Contact

Elle Hu 852-28607120

elle_hu@ccxap.com

Date: July 20, 2022

Headline: US inflation soared to 9.1%; EUR to USD fell below parity; Italian Prime Minister resigned

On July 13, the latest data released by the US Department of Labor showed that the US consumer price index (CPI) rose by 1.3% month-on-month in June and 9.1% year-on-year, and was expected to rise by 8.8%, and the previous value rose by 8.6%, hitting a record high in 40 years. On the same day, the exchange rate of the euro against the USD in the European foreign exchange market once fell to EUR1:USD0.998, for the first time in nearly 20 years. The European Commission lowered the euro zone's GDP growth rate in 2022 and 2023 to 2.6% and 1.4%, respectively, and expected the euro zone's full-year inflation to be 7.6% in 2022. On July 14, after winning the government's confidence vote on the bailout bill in the Italian Senate, Prime Minister Draghi still announced that he would resign as prime minister. Although Italian President Mattarella rejected Draghi's resignation, Italy, already facing a debt crisis, may be caught in a new round of political storms.

Exchange Rate: RMB exchange rate fluctuated upward

This week, the RMB exchange rate fluctuated upward. As of July 15th, the RMB mid-point rate closed at 6.7503, rose by 405bp compared with exchange rate on last Friday.

Interest Rate: China Government Bond yields fluctuated downward; US Treasury yield curve inverted

This week, China Government Bond yields fluctuated downward. The 1-year China Government Bond yield declined by 7.47bp compared with yield on last Friday. US CPI hit a 40-year high in June, elevating market expectations for aggressive rate hikes by the Fed and deepening the fears of recession, causing US Treasury yields curve to invert. As of July 15, the yield spread between China and US 10-year note was -13bp, widening by 11.2bp from last Friday and narrowing by 127.7bp from the beginning of the year.

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

From July 11 to July 15, there were 12 new issues with a total issued volume of about USD840 million, decreasing by 40.1% from last week. Among them, Chengtuo companies were the main issuers, which issued 4 bonds with total amount of about USD740 million.

Secondary Market: Return on Chinese USD bond decreased

As of July 15, the YTD return on Chinese USD corporate bond index fell by 91bp to -11.5% from last Friday, of which the return on investment-grade bonds fell by 34bp to -7.33%, and the return on high-yield bonds fell by 331bp to -27.51%. In terms of sector indices, the return on real estate bonds fell the most, decreasing by 429bp from last Friday to -40.32%.

Rating Action: Several real estate companies were downgraded**Panda Bond Market**

ANTA Sports Products Limited issued a panda bond

Issuer Analysis: ANTA Sports Products Limited

Headline: US inflation soared to 9.1%; EUR to USD fell below parity; Italian Prime Minister resigned

On July 13, the latest data released by the US Department of Labor showed that the US consumer price index (CPI) rose by 1.3% month-on-month in June and 9.1% year-on-year, and was expected to rise by 8.8%, and the previous value rose by 8.6%, hitting a record high in 40 years. US stock index and futures plunged collectively, while global gold and oil prices fell sharply amid fears of a deepening recession in the US and the world.

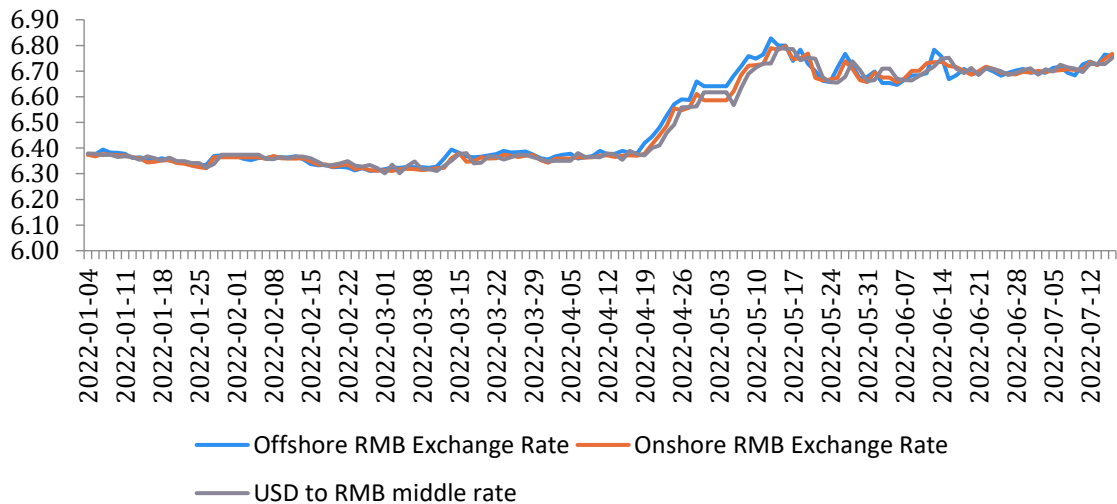
On the same day, the exchange rate of the euro against the USD in the European foreign exchange market once fell to EUR1:USD0.998, for the first time in nearly 20 years. In the latest summer economic outlook report released the next day, the European Commission pointed out that as the conflict between Russia and Ukraine lasted longer than expected, many of the previously estimated negative risks have come true, including rising and expanding inflation, a weak external environment, continued economic deterioration and tightened financing conditions. These shocks are weighing on the euro zone's economic growth prospects, putting it on a trajectory of slower growth and higher inflation. Therefore, The European Commission lowered the euro zone's GDP growth rate in 2022 and 2023 to 2.6% and 1.4%, respectively, down 0.1% and 0.9% from the economic forecast in spring (May); meanwhile, inflation in the eurozone was expected to reach 8.4% in the third quarter, remain at 7.9% in the fourth quarter, and reach 7.6% for the full year of 2022.

On July 14, Prime Minister Draghi announced at a cabinet meeting that he would resign as prime minister, given that the ruling coalition supporting the establishment of the current government no longer exists and the government no longer has the conditions to continue governing according to the established plan. The reason for this is that the main party in the ruling coalition, the Five Star Movement, refused to support the government's bailout bill. Winning a government confidence vote on the bailout bill in the Italian Senate failed to reverse Draghi's decision to resign. Italy, already facing a debt crisis, may be caught in a new round of political storms.

Exchange Rate: The RMB exchange rate fluctuated upward

This week, the RMB exchange rate fluctuated upward. As of July 15, the RMB mid-point rate closed at 6.7503, rose by 405bp compared with the rate on last Friday; the onshore RMB exchange rate rose by 619bp to 6.7670 compared with the rate on last Friday; the offshore RMB exchange rate rose by 751bp to 6.7588 compared with the rate on last Friday.

Figure 1 : RMB exchange rate

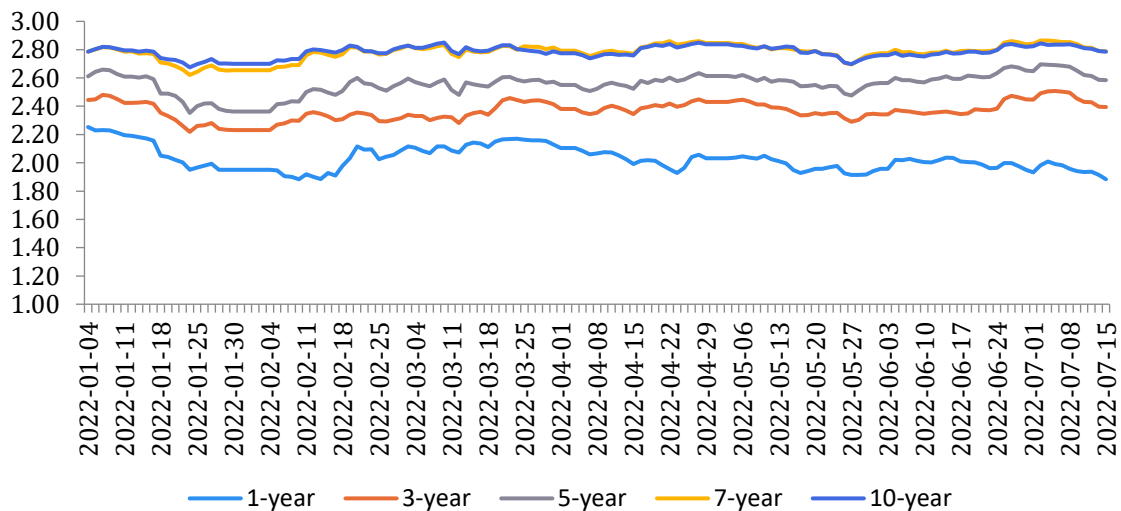


Sources: Wind, CCX research

Interest Rate: China Government Bond yields fluctuated downward; US Treasury yield curve inverted

The China Government Bond yields fluctuated downward this week. As of July 15, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields declined by 7.47bp, 10.09bp, 9.37bp, 6.75bp and 5.27bp since last Friday and closed at 1.8837%, 2.3953%, 2.5848%, 2.7875% and 2.7857% respectively.

Figure 2: China Government Bond yields

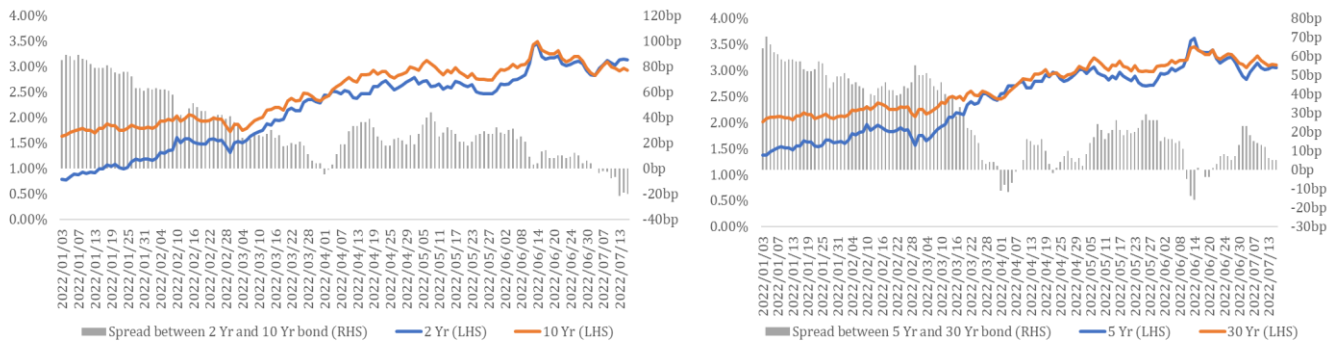


Sources: ChinaBond.com.cn, CCX research

US CPI hit a 40-year high in June, elevating market expectations for aggressive rate hikes by the Fed and deepening the fears of recession, causing US Treasury yields curve to invert. As of July 15, the yields of 2-year increased by 1bp to 3.13% from last Friday, 5-year, 10-year and 30-year US Treasury bonds were 3.05%, 2.93% and 3.10%, decreasing by 8bp, 16bp and 17bp

from last Friday, respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads narrowed by 17bp to -20bp from last Friday, while the 5-year and 30-year Treasury bond spreads narrowed by 9bp to 5bp from last Friday.

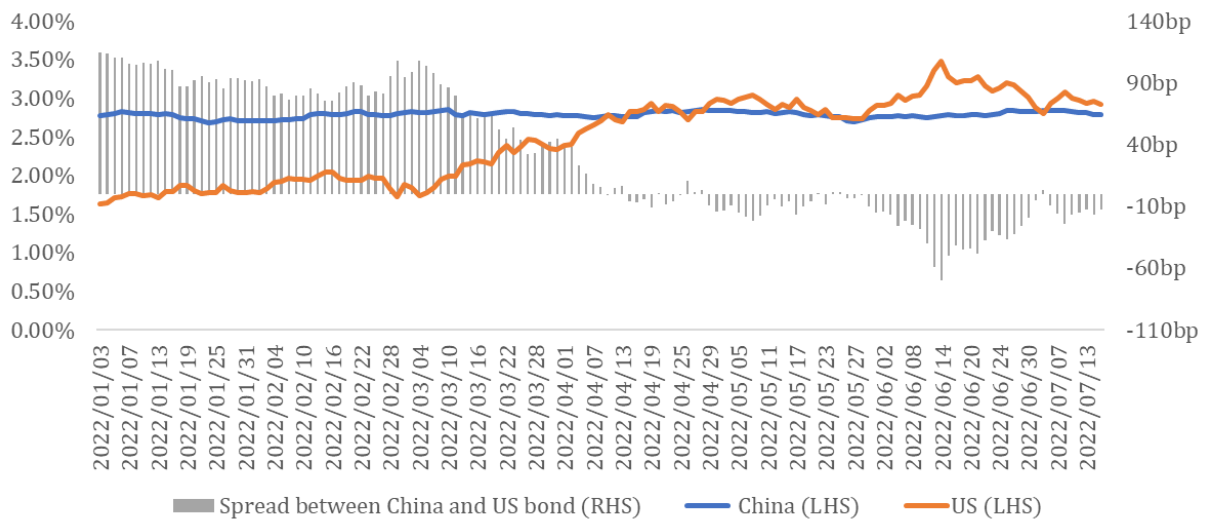
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of July 15, the yield spread between China and US 10-year note was 13.0bp, widening by 11.2bp from last Friday and narrowing by 127.7bp 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 July 11 to July 15, there were 12 new issues with a total issued volume of about USD840 million, decreasing by 40.1% from last week. Among them, Chengtou companies were the main issuers, which issued 4 bonds with total amount of about USD740 million.

Table 1 : New issuance of Chinese offshore bonds (20220711-20220715)

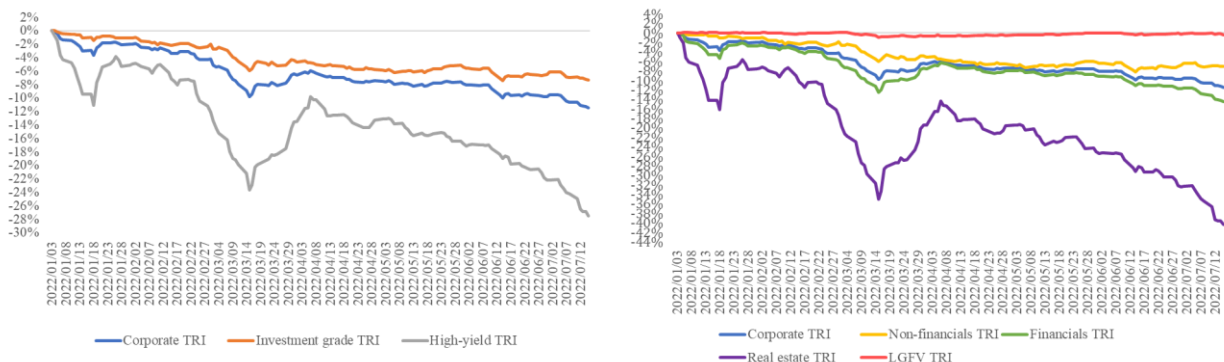
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/7/11	Bank of China Ltd/Macau	USD	20	3.25	2023/7/11	361D	Banks	A1/A/A	-/-/-
2022/7/11	Bank of China Ltd/Macau	USD	20	3.25	2023/7/11	361D	Banks	A1/A/A	-/-/-
2022/7/11	Bank of China Ltd/Macau	USD	20	3.25	2023/7/11	361D	Banks	A1/A/A	-/-/-
2022/7/11	Bank of China Ltd/Macau	USD	2	2.85	2025/1/25	2.53	Banks	A1/A/A	-/-/-
2022/7/11	Guotai Junan International Holdings Ltd	USD	20	0	2026/8/21	4.11	Financials	Baa2/BBB+/-	-/-/-
2022/7/12	Bank of China Ltd/Macau	CNY	54	2.78	2027/1/21	4.51	Banks	A1/A/A	-/-/-
2022/7/12	Gaoyou City Construction Investment Development Group Co. Ltd	USD	46	4.3	2025/7/15	3	Chengtou	-/-/-	-/-/-
2022/7/13	Fujian Zhanglong Group Co Ltd	USD	500	4.8	2025/6/20	2.92	Chengtou	-/-/BBB-	-/-/BBB-
2022/7/14	Dalian Deta Holding Co Ltd	USD	30	5	2025/7/21	3	Chengtou	-/-/BB+	-/-/-
2022/7/15	Bank of China Ltd/Macau	CNY	44	3.76	2024/2/27	1.6	Banks	A1/A/A	-/-/-
2022/7/15	Bank of China Ltd/Macau	CNY	68	3.45	2025/3/4	2.62	Banks	A1/A/A	-/-/-
2022/7/15	Shaoxing Shangyu Urban Construction Group Co Ltd	CNY	1,100	3.9	2025/7/22	3	Chengtou	-/-/BBB-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond decreased

As of July 15, the YTD return¹ on Chinese USD corporate bond index fell by 91bp to -11.5% from last Friday, of which the return on investment-grade bonds fell by 34bp to -7.33%, and the return on high-yield bonds fell by 331bp to -27.51%. In terms of sector indices, the return on real estate bonds fell the most, decreasing by 492bp from last Friday to -40.32%; the returns on financial and Chengtou bonds were -14.53% and -0.42% respectively, non-financial bond increasing by 10bp to -7.14 from last Friday.

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

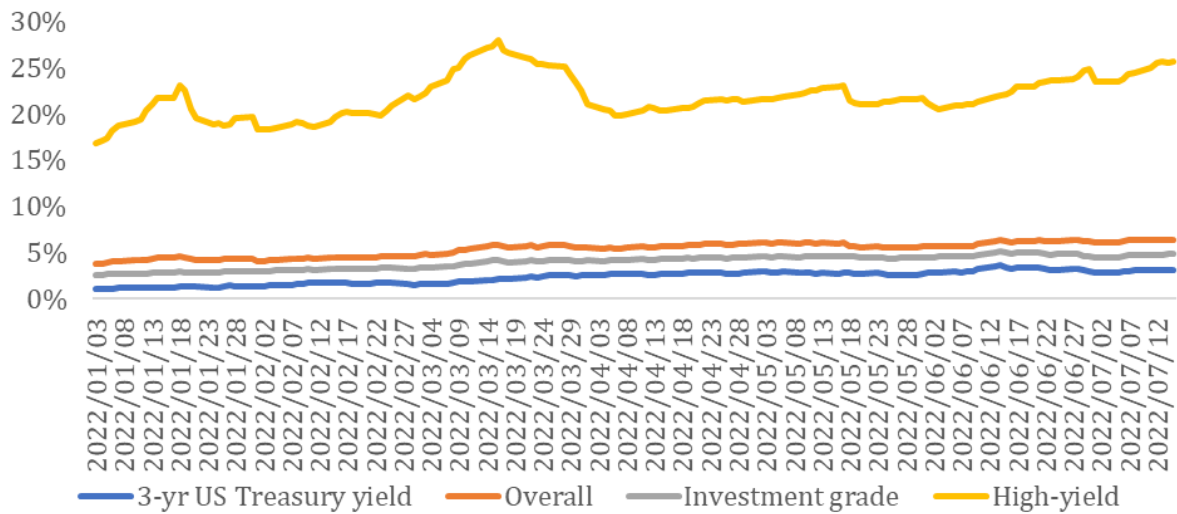


Sources: Bloomberg, CCX research

As of July 15, the yield-to-worst of Chinese dollar bonds decreased by 2bp to 6.37% from last Friday, of which investment grade bond index increased by 5bp to 4.83%, while high-yield bond index increased by 129bp to 25.66%.

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 July 11 to July 15, rating agencies took negative rating action on 5 Chinese issuers, including 3 real estate companies.

Table 2: Credit rating changes of cross-border bond market (20220711-20220715)

Entity	Sector	Entity Rating	Current Rating		Entity Rating	Previous Rating		Rating Agency	Reason of Change	
			Outlook	Date		Outlook	Date			
International Rating:										
Ronshine China Holdings Ltd	Real Estate	Ca	NEG	2022/7/11	Caa1	NEG	2022/3/22	Moody's	default on interest payment	
Times China Holdings Limited	Real Estate	CCC+	-	2022/7/11	B+	NEG	2022/3/10	Fitch	rising refinancing risks	
China Great Wall Asset Management Co. Ltd	financial	A-	RWN	2022/7/12	A-	NEG	2022/5/12	S&P	a prolonged delay in release of its results for 2021	
China Great Wall AMC International Holdings Co Ltd	financial	BBB+	RWN	2022/7/12	BBB+	NEG	2022/5/12	S&P	a prolonged delay in release of its results for 2022	
Central China Real Estate Ltd	Real Estate	B	RWN	2022/7/13	B+	NEG	2021/10/21	Fitch	tight liquidity and weak contracted sales in 2022H1	
Central China Real Estate Ltd	Real Estate	B-	RWN	2022/7/13	B	NEG	2022/4/14	S&P	faces high execution risk on its debt repayment plan	

Sources: Bloomberg, Wind, CCX research

Panda Bond Market

ANTA Sports Products Limited issued a panda bond

On July 13, ANTA Sports Products Limited successfully issued the first tranche of medium-term notes in 2022 in the inter-bank bond market, with a term of 3 years, raising funds of 0.5 billion RMB, and a coupon rate of 2.8%.

Table 3 : New issuance of Panda Bond in the Year 2022 (20220103-20220715)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
ANTA Sports Products Limited	0.5	2.8	2022/7/13	2025/7/13	3	MTN	China Interbank Market	Shanghai Brilliance Rating
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: ANTA Sports Products Limited

Issuer profile: The Anta brand was founded in 1991. ANTA Sports Products Limited ("ANTA Sports") was established in the Cayman Islands on February 8, 2007, and was listed on the Hong Kong Stock Exchange on July 10, 2007 (stock code 2020.HK). As of the end of 2021, ANTA International Group Holdings is the controlling shareholder of ANTA Sports, with a shareholding ratio of 44.43%; Shizhong Ding is the actual controller of ANTA Sports. ANTA Sports is mainly engaged in the design, development, manufacture and sale of sporting goods, including sports shoes, apparel and accessories. Brands mainly include ANTA, FILA, DESCENTE, KOLON SPORT, KINGKOW and SPRANDI. In addition, ANTA Sports formed an investor consortium AS Holding to acquire the Finnish sporting goods group Amer Sports Corporation in 2019 and became its largest shareholder. It owns Salomon, Arc'teryx, Peak Performance, Atomic, Suunto, Wilson and Precor, etc. In 2021, the operating income was 49.33 billion yuan, a year-on-year increase of 38.9%. The Anta and Fila brands are the main sources of revenue. Benefiting from the transformation of the DTC business model, the recovery of consumer demand, and the reduction of discounts, revenue of Anta increased by 52.5% year-on-year, and Fila increased by 25.1% year-on-year. ANTA Sports' gross profit margin was 61.64%, a year-on-year increase of 3.49%. The AS Holding's revenue in 2021 was 19.72 billion yuan, EBITDA was 2.367 billion yuan, a year-on-year increase of 46.56%, and a net loss of 154 million yuan. The increase was mainly due to the rapid growth of Arc'teryx and Wilson's profits, and the main reason for the loss was the annual amortization of the asset value revaluation and acquisition interest loan expenses incurred during the acquisition in 2019. ANTA Sports guaranteed the EUR 1.3 billion financing of AS Holding. At the end of 2021, ANTA Sports had a total debt of 31.00 billion yuan, an asset-liability ratio of 49.48%, and a reasonable level of financial leverage. The long-term and short-term debt ratio was 94.47%, the current liabilities were 15.943 billion yuan, and the non-current liabilities were 15.062 billion yuan. Rigid debt was mainly medium and long-term, and bank loan interest rates were mainly within 3%. Current assets were 39.902 billion yuan, mainly composed of cash assets, inventories, trade receivables, and other current assets. Non-current assets amounted to RMB 22.766 billion, mainly composed of property, plant and equipment, right-of-use assets, intangible assets, and investment in joint ventures. In terms of liquidity, the current ratio was 250.28%, the quick ratio was 202.33%, and the cash ratio was 158.97%. The company has abundant monetary funds, which can provide strong support for debt repayment. ANTA Sports' current domestic rating is AAA, and the outlook is stable.

Issuance history: ANTA Sports Products Limited entered the Panda Bond Market in 2020 and issued a total of 2 bonds, raising 1.5 billion RMB altogether. 2 medium-term notes were issued in the Inter-bank Bond Market. The average coupon rate is 2.88% and the average spread is 76.27bp. The funds raised are mainly used to supplement working capital of subsidiaries and construction project.

Table 4: Historical Issuance of ANTA Sports Products Limited in the Panda Bond Market

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Usage of Proceeds	Bond Type	Issue Market
1	2020/8/24	2023/8/24	3	1	3.95	115.48	Supplement working capital of subsidiaries	MTN	Inter-bank Market
2	2022/7/13	2025/7/13	3	0.5	2.8	37.06	Construction of Shanghai headquarters project	MTN	Inter-bank Market

Sources: Bloomberg, CCX research

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**中诚信国际信用评级有限责任公司**

地址：北京市东城区朝阳门内大街
南竹竿胡同 2 号银河 SOHO6 号楼
邮编：100020
电话：(8610) 6642 8877
传真：(8610) 6642 6100
网址：<http://www.ccxi.com.cn>

China Chengxin International Credit Rating Co., Ltd
Address: Building 6, Galaxy SOHO,
No.2 Nanzhugan hutong, Chaoyangmennei Avenue,
Dongcheng district, Beijing, 100020
Tel: (8610) 6642 8877
Fax: (8610) 6642 6100
Website: <http://www.ccxi.com.cn>

**中国诚信(亚太)信用评级有限公司**

地址：香港中环康乐广场 1 号
怡和大厦 19 楼 1904-1909 室
电话：(852) 2860 7111
传真：(852) 2868 0656
网址：<http://www.ccxap.com>

China Chengxin (Asia Pacific) Credit Ratings Company Limited
Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong
Tel: (852) 2860 7111
Fax: (852) 2868 0656
Website: <http://www.ccxap.com>