

## 2019 Issue 45

# CCKI & CCXAP Cross-border Bonds Weekly Report

From November 25 to November 29

## MSCI's largest expansion took effect; new issuance of Chinese offshore bonds rose

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### Headline: MSCI's largest expansion took effect, northbound inflow hit a new high

On November 26, the third expansion this year for the global equity index provider MSCI officially took effect. The weight of Chinese A shares in the MSCI China Index and MSCI Emerging Market Index increased to 12.1% and 4.1%, respectively. This expansion is the last and largest in the year. The expansion has driven strong market demand for Chinese A-shares. Net capital inflows through northbound trading reached RMB 21.43 billion on the very day, setting a new record for single-day net purchases since the Shanghai/Shenzhen-Hong Kong Stock Connect opened.

### Exchange Rate: RMB exchange rate stabilized

During the week, the RMB exchange rate revealed a stable trend, fluctuating above the threshold of 7. As of November 29, the intermediate price of the RMB exchange rate closed at 7.0298.

### Interest Rate: China Government Bonds yields fluctuated; US Treasury yields rebound

During the week, the yields of China Government Bonds fluctuated slightly, and the adjustments were all within 2bp. The United States released a series of economic data. The data generally improved, but economic uncertainties remained. US Treasury yields rebound, following a drop in the beginning of the week. As of November 29, the yield spread between China and US 10-year note was 138.9bp, narrowing by 1.5bp from last Friday and widening by 83.6bp from the beginning of the year.

### Chinese Offshore Bond Market

#### Primary Market: New issuance rose, Chengtou companies were the key issuers

From November 25 to November 29, there were 19 new issues with a total issued volume of USD 4.2 billion, increasing by 13.0% over the last week. Chengtou companies were the key issuers with an issued volume of USD 1.6 billion, occupying 37.4% of the total amount.

#### Secondary Market: Returns on investment grade bonds and high-yield bonds kept rising

As of November 29, the YTD return on Chinese USD corporate bond index rose by 9bp over last week to 9.49%, of which investment grade bond index was 8.82% and high-yield bond index was 11.26%, increasing by 9bp and 11bp over last week, respectively.

### Panda Bond Market: JD newly issued a PPN this week

On November 26, JD issued a Private Placement Note in China's Interbank Market. JD raised RMB 2 billion, with a coupon rate at 2.80% and tenor of 30 days, making it a debut of JD in the Panda Bond market.

## Headline: MSCI's largest expansion took effect, northbound inflow hit a new high

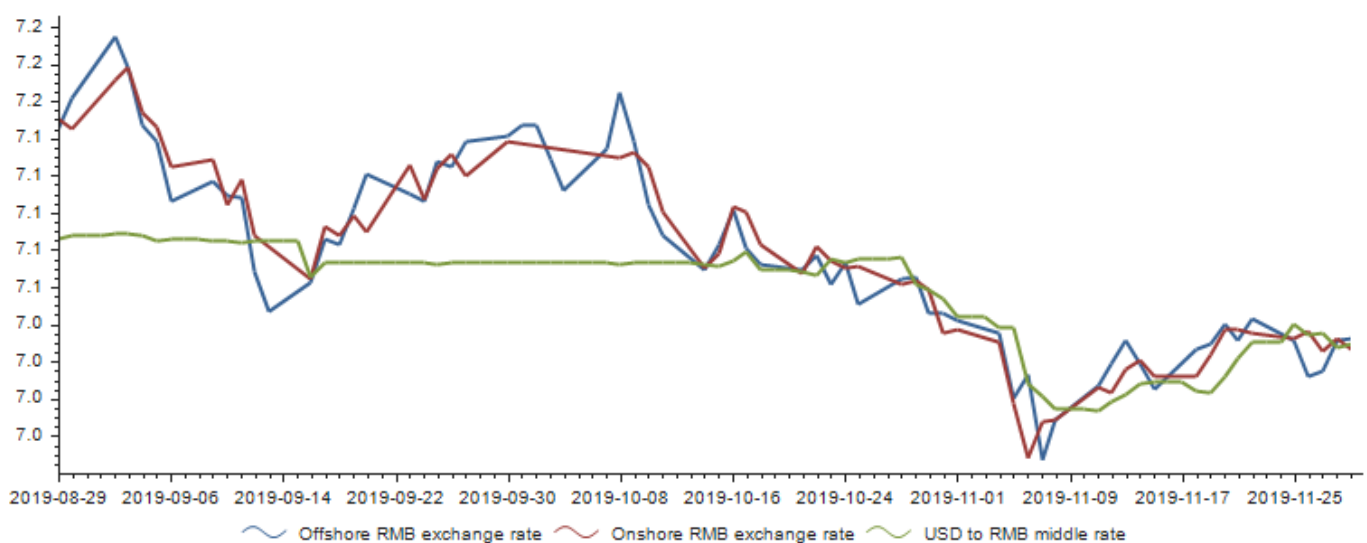
On November 26, the third expansion this year for the global equity index provider MSCI officially took effect. The weight of Chinese A shares in the MSCI China Index and MSCI Emerging Market Index increased to 12.1% and 4.1%, respectively. This expansion is the last and largest in the year. The expansion has driven strong market demand for Chinese A-shares, making it better performed than H-shares in 2019. With the MSCI expansion coming into effect, net capital inflows through northbound trading reached RMB 21.43 billion on the very day, setting a new record for single-day purchases since the Shanghai / Shenzhen-Hong Kong Stock Connect opened. Also, the northbound turnover and proportion both broke historical records, reaching RMB 124.26 billion and 31.59%, respectively.

Since the second half of 2019, from the expansion of the three major international indices in August and September to the largest single weight increase for MSCI in November, the pace of international index expansion has gradually accelerated. With the index dilatation process, net capital inflows through northbound trading kept growing. The cumulative net inflow in November was about RMB 60.44 billion, exceeding that of September and topping in the year. In November, northbound capital flowed into electronics, home appliances and banks, while simultaneously outflowed from leisure, comprehensiveness and textile. The scope of capital inflow trend continued to widen. As the trade environment improves and market confidence in China's domestic economy stabilizes, this trend may continue.

## Exchange Rate: RMB exchange rate stabilized

During the week, the RMB exchange rate revealed a stable trend, fluctuating above the threshold of 7. As of November 29, the intermediate price of the RMB exchange rate closed at 7.0298, basically the same as last Friday. Both onshore and offshore RMB exchange rate declined slightly, closing at 7.0261 and 7.0321 respectively, down 95bp and 108bp from last Friday.

Figure 1 : RMB Exchange Rate

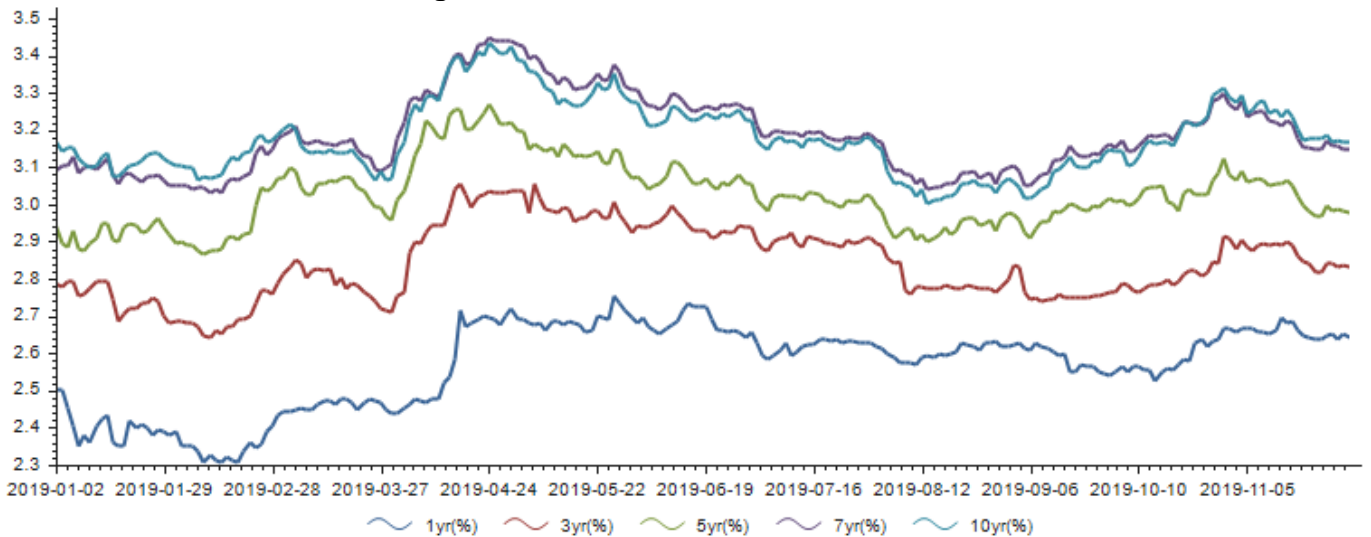


Sources: Eastmoney, CCX research

### Interest Rate: China Government Bonds yields fluctuated; US Treasury yields rebound

During the week, the yields of China Government Bonds fluctuated slightly, and the adjustments were all within 2bp. The Government Bonds yields of shorter maturities rose, while those with longer maturities declined slightly. As of November 29, the maturity yields of 1-year, 3-year, 5-year Government Bonds rose from last Friday, closing at 2.6431%, 2.8320% and 2.9755 %, respectively; the maturity yields of 7-year, 10-year Government Bonds declined slightly from last Friday, closing at 3.1489% and 3.1650%.

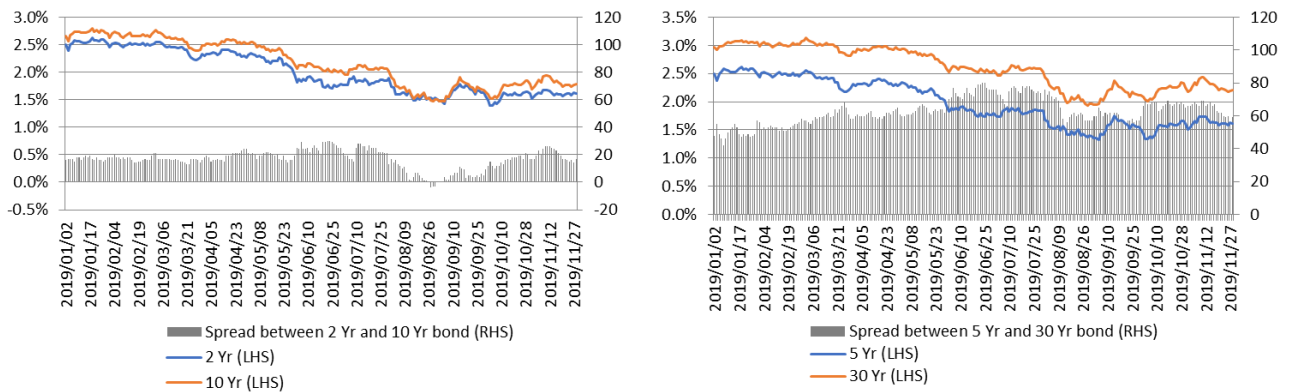
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

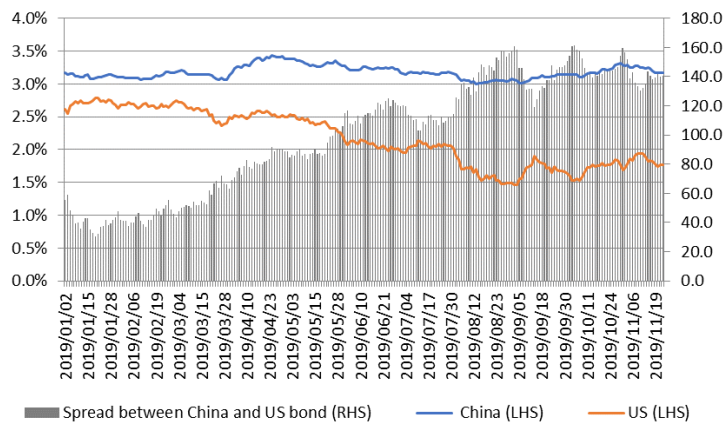
The United States released a series of economic data, including the revised annualized quarterly rate of real GDP in the third quarter, the monthly rate of durable goods orders in October, and the PCE data in October. The data generally improved, but economic uncertainties remained. US Treasury yields rebound, following a drop in the beginning of the week. As of November 29, the 2-year and 5-year Treasury yield closed at 1.61% and 1.62%, unchanged from last Friday; while 10-year closed at 1.78%, increasing by 1bp over last Friday; and 30-year Treasury yields closed at 2.21%, decreasing by 1bp over last Friday. The spread between the 2-year and 10-year increased slightly by 1bp to 17bp from last Friday, while the spread between the 5-year and 30-year narrowed marginally by 1bp to 59bp from last Friday. As of November 29, the yield spread between China and US 10-year note was 138.9bp, narrowing by 1.5bp from last Friday and widening by 83.6bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

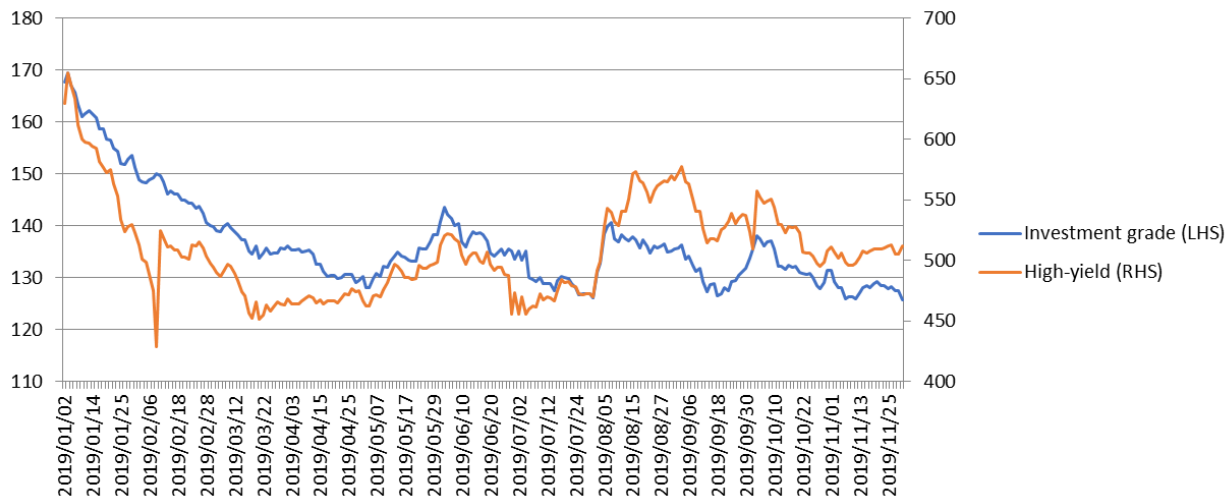
Figure 4 : Spread between China and US 10-year bond



Sources: Bloomberg, ChinaBond.com.cn, CCX research

The credit spread of Barclays Asia USD investment bond and high-yield bond differed. As of November 29, investment-grade bond spreads declined slightly by 2.9bp to 126bp from last week, and high-yield spreads increased marginally by 2.3bp to 512bp from last week.

Figure 5 : Credit spread of investment grade bond and high-yield bond index



Sources: Bloomberg, CCX research

### Chinese Offshore Bond Market

#### Primary Market: New issuance rose, Chengtou companies were the key issuers

From November 25 to November 29, there were 19 new issues with a total issued volume of USD 4.2 billion, increasing by 13.0% over the last week. Chengtou companies were the key issuers with an issued volume of USD 1.6 billion, occupying 37.4% of the total amount.

Table 1 : New issuance of Chinese offshore bonds (20191125-20191129)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/25	China State Construction International Holdings Ltd	USD	500	4	-	Perpetual	Industrials	Baa2/BBB/BBB+	Baa3/-/-
2019/11/25	CITIC Securities International Co Ltd	USD	80	0	2049/11/29	30.0	Financials	-/BBB+/-	-/-/-
2019/11/25	Taizhou Oriental China Medical City Holding Group Co Ltd	USD	50	7.5	2020/11/24	363D	Financials	-/-/-	-/-/-
2019/11/25	Xuzhou Hi-Tech Industrial Development Zone State Asset Management Co Ltd	USD	100	6	2022/12/2	3.0	Chengtou	-/-/-	-/-/-
2019/11/26	Yichun Development Investment Group Co Ltd	USD	300	4.2	2022/12/3	3.0	Chengtou	-/-/-	-/-/-
2019/11/27	Bank of China Ltd/Macau	USD	600	2.5	2024/12/5	5.0	Financials	A1/A/A	A1/A/-
2019/11/27	China Construction Bank New Zealand Ltd	NZD	90	2.1	2022/11/10	2.9	Banks	A1/A/-	-/A/-
2019/11/27	China International Capital Corp Hong Kong Ltd	USD	3	2.3	2020/1/29	57D	Financials	Baa1/BBB/BBB+	-/-/-
2019/11/27	Dalian Wanda Commercial Management Group Co Ltd	USD	400	6.95	2022/12/5	3.0	Real Estate	Ba1/BB/BB+	-/-/BB+
2019/11/27	Geely Automobile Holdings Ltd	USD	500	4	-	Perpetual	Consumer Discretionary	Baa3/BBB/-	Baa3/-/-
2019/11/27	Hangzhou Linjiang Investment Development Co Ltd	USD	300	5.3	2022/12/4	3.0	Chengtou	-/-/-	-/-/-

2019/11/27	LVGEM China Real Estate Investment Co Ltd	HKD	192	5.75	2020/12/2	363D	Real Estate	B3/-/B	-/-/-
2019/11/27	Shaoxing Shangyu State-owned Capital Investment Operation Co Ltd	USD	300	4.18	2022/12/4	3.0	Chengtou	-/-/BBB-	-/-/BBB-
2019/11/28	Bank of China Ltd/Luxembourg	USD	200	3ML+60	2021/12/5	2.0	Banks	A1/A/A	-/-/-
2019/11/28	Bengbu Gaoxin Investment Group Co Ltd	USD	100	3.6	2022/12/5	3.0	Chengtou	-/-/-	-/-/-
2019/11/28	CMB International Capital Corp Ltd	USD	7	2.66	2020/3/5	91D	Financials	Baa1/BBB+/-	-/-/-
2019/11/28	Jiangxi Provincial Water Conservancy Investment Group China Ltd	USD	300	3.4	2022/12/5	3.0	Chengtou	Baa3/-/BBB	Baa3/-/BBB
2019/11/28	Tianfeng Securities Co Ltd	USD	200	4.3	2022/12/9	3.0	Financials	-/-/-	-/-/-
2019/11/29	Weifang Binhai Investment Development Co Ltd	USD	170	5.8	2020/12/2	363D	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

On November 26, Jiayuan International Group Ltd announced tap bond offering.

**Table 2 : Tap bond offering (20191125-20191129)**

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/26	Jiayuan International Group Ltd	USD	237.5 (reoffered 37.5)	13.75	2023/2/18	3	Real Estate	B2/B/-	B3/B/-

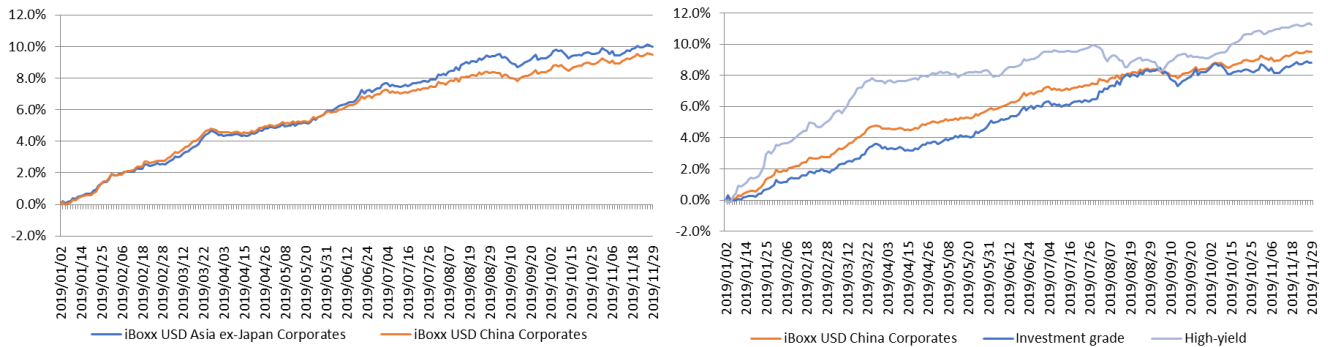
Sources: Bloomberg, CCX research

Recently, Kunming Rail Transit Group Co., Ltd. planned to issue offshore bonds.

## Secondary Market: Returns on investment grade bonds and high-yield bonds kept rising

As of November 29, the YTD return on Chinese USD corporate bond index rose by 9bp over last week to 9.49%, of which investment grade bond index was 8.82% and high-yield bond index was 11.26%, increasing by 9bp and 11bp over last week, respectively.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

For the credit rating changes of cross-border bond market, the rating agencies took positive rating actions on 4 Chinese issuers; and negative rating action on 4 Chinese issuers from November 25 to November 29.

Table 3 : Credit rating changes of cross-border bond market (20191125-20191129)

	Entity	Sector	Latest Rating		Last Rating			Rating Agency	Reason of Change	
			Entity Rating	Outlook	Entity Rating	Outlook	Date			
<b>International Rating:</b>										
	Hangzhou Hikvision Digital Technology Co Ltd	Technology	A-	STABLE	2019/11/25	A-	Rating Watch Negative	2019/10/9	S&P	Supply chain resumption
Upgrade	China Oilfield Services Ltd	Energy	A3	STABLE	2019/11/26	Baa1	STABLE	2018/4/26	Moody's	The company's performance will continue to improve
	ENN Ecological Holdings Co Ltd	Materials	Ba2	POS	2019/11/28	Ba2	STABLE	2019/9/23	Moody's	The reorganization will strengthen the Company's business profile
	Huatai Securities Co Ltd	Financials	BBB	POS	2019/11/29	BBB	STABLE	2018/5/31	S&P	Capital raising actions
Downgrade	Zhongrong Xinda Group Co Ltd	Materials	CCC-	Rating Watch Negative	2019/11/24	CCC+	Rating Watch Negative	2019/9/5	S&P	Rising bond refinancing risk
	Tibet Financial Leasing Co Ltd	Financials	Ba2	NEG	2019/11/27	Ba2	STABLE	2019/8/23	Moody's	The liquidity problems at its largest shareholder, Tunghsu Group Co., Ltd, and the potential change in its shareholding
	Shandong Yuhuang Chemical Co Ltd	Materials	D		2019/11/29	CC	NEG	2019/11/22	S&P	Onshore bond default

## Domestic Rating:

Downgrade	Shandong Ruyi Technology Group Co Ltd	Consumer Discretionary	AA+	Rating Watch	2019/11/26	AA+	STABLE	2019/6/26	Dagong Global	Increase in liquidity, legal and financial risk, weaker refinancing capability

Sources: Bloomberg, Wind, CCX research

## Panda Bond Market: JD newly issued a PPN this week

On November 26, JD issued a Private Placement Note in China's Interbank Market. JD raised RMB 2 billion, with a coupon rate at 2.80% and tenor of 30 days, making it a debut of JD in the Panda Bond market. As of November 30, there were 18 issuers that issued 35 Panda Bonds in 2019, with a total issuance amount of RMB56.34 billion and an average coupon of 3.60%. These bonds were mostly issued in the Interbank Market and with tenor mainly on 3 years.

Table 4 : New issuance of Panda Bond in 2019 (20190101-20191129)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
JD.com, Inc.	2	2.80	2019/11/26	2019/12/26	0.08	PPN	China Interbank Market	--
China Mengniu Dairy Co. Ltd	1	3.67	2019/11/22	2022/11/22	3	MTN	China Interbank Market	China Chengxin
Daimler AG	2	3.68	2019/11/13	2021/11/13	2	PPN	China Interbank Market	China Bond Rating
Daimler AG	3	4.04	2019/11/13	2022/11/13	3	PPN	China Interbank Market	China Bond Rating
BMW Finance N.V.	2	3.37	2019/10/21	2020/10/21	1	PPN	China Interbank Market	China Chengxin
BMW Finance N.V.	1	3.57	2019/10/21	2021/10/21	2	PPN	China Interbank Market	China Chengxin
China Traditional Chinese Medicine Holdings Co., Ltd.	2.8	3.19	2019/10/14	2020/7/9	0.74	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	1.5	2.50	2019/10/11	2019/12/25	3	MTN	China Interbank Market	China Chengxin
China Power International Development Limited	0.5	2.80	2019/9/3	2020/5/30	0.74	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	2	3.55	2019/9/5	2022/9/5	3	MTN	China Interbank Market	China Chengxin
China Mengniu Dairy Co. Ltd	1	2.96	2019/8/23	2020/2/19	0.5	SCP	China Interbank Market	China Chengxin
Daimler AG	3	3.84	2019/8/12	2022/8/12	3	PPN	China Interbank Market	China Bond Rating
Daimler AG	2	3.53	2019/8/12	2021/8/12	2	PPN	China Interbank Market	China Bond Rating
Cassa depositi e prestiti S.p.A.	1	4.50	2019/8/1	2022/8/1	3	Financial Bond	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	2	3.10	2019/7/25	2020/4/20	0.76	SCP	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	3.30	2019/7/12	2020/7/12	1	PPN	China Interbank Market	China Chengxin
BMW Finance N.V.	2	3.98	2019/7/12	2022/7/12	3	PPN	China Interbank Market	China Chengxin
Malayan Banking Berhad	1	3.28	2019/6/21	2020/6/21	1	Financial Bond	China Interbank Market	China Chengxin
Malayan Banking Berhad	1	3.58	2019/6/21	2022/6/21	3	Financial Bond	China Interbank Market	China Chengxin



The Republic of Portugal	2	4.09	2019/6/3	2022/6/3	3	International Institutional Bond	China Interbank Market	Lianhe
Republic of the Philippines	2.5	3.58	2019/5/20	2022/5/20	3	International Institutional Bond	China Interbank Market	Lianhe
Trafigura Private Trading Enterprise Limited	0.54	5.49	2019/5/20	2022/5/20	3	PPN	China Interbank Market	Lianhe
CITIC Pacific Limited	1	3.90	2019/5/20	2022/5/20	3	Corporate Bond	Shanghai Stock Exchange	China Chengxin
Semiconductor Manufacturing International Corp.	1	3.10	2019/4/29	2019/10/26	0.5	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	0.5	3.05	2019/4/29	2019/10/26	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Co. Ltd	1	3.35	2019/4/19	2019/12/30	0.7	SCP	China Interbank Market	China Chengxin
GLP China Holdings Limited	3.3	4.35	2019/3/18	2028/3/18	9	Corporate Bond	Shenzhen Stock Exchange	Shanghai Brilliance
United Overseas Bank Ltd	2	3.49	2019/3/14	2022/3/14	3	Commercial Bank Bond	China Interbank Market	China Chengxin
BMW Finance N.V.	3	4.00	2019/3/8	2022/3/8	3	PPN	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	1.5	3.57	2019/3/4	2022/3/4	3	MTN	China Interbank Market	China Chengxin/China Bond Rating
New Development Bank	2	3.00	2019/2/26	2022/2/26	3	International Institutional Bond	China Interbank Market	China Chengxin/Lianhe
New Development Bank	1	3.32	2019/2/26	2024/2/26	5	International Institutional Bond	China Interbank Market	China Chengxin/Lianhe
China Everbright Water Ltd	0.7	3.89	2019/1/21	2024/1/21	5	Corporate Bond	Shanghai Stock Exchange	Shanghai Brilliance
Beijing Enterprises Water Group Ltd	1	3.95	2019/1/11	2026/1/11	7	MTN	China Interbank Market	Shanghai Brilliance / Dagong
Beijing Enterprises Water Group Ltd	1	4.49	2019/1/11	2029/1/11	10	MTN	China Interbank Market	Shanghai Brilliance / Dagong

Sources: Bloomberg, CCX research

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