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From November 18 to November 22

China's monetary policy eased marginally, Tewoo introduced debt restructuring

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Headline: China's monetary policy eased marginally

During November 5 and November 20, the PBoC released liquidity to the market through cutting MLF rate, reverse repo rate, interest rate of fixed cash deposits of central treasury and LPR. China's monetary policy demonstrated a marginal easing trend, such that, the MLF rate and LPR are both expected to drop.

Exchange Rate: RMB exchange rate on the rise

During the week, the RMB exchange rate rose with elevated external uncertainties and domestic counter cyclical adjustments. As of November 22, the intermediate price of the RMB exchange rate closed at 7.0306.

Interest Rate: China Government Bonds yields declined; US Treasury yields rebound

Affected by China's marginal easing monetary policy, the bond market continued to pick up, with the yields of China Government Bonds declining. Market sentiment fluctuated given uncertainties of US-China trade deal, and as a result, US Treasury yields rebound, following a drop in the beginning of the week. As of November 22, the yield spread between China and US 10-year note was 140.4bp, narrowing by 0.1bp from last Friday and 85.1bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: New issuance remained stable, real estate and Chengtou companies were the key issuers**

From November 18 to November 22, there were 16 new issues with a total issued volume of USD3.7 billion. Real estate and Chengtou companies were the key issuers. Zhuhai Da Heng Qin Investment Co Ltd issued RMB800 million offshore Renminbi green bond and USD450 million dollar bond this week, which was its first issuance in offshore market after its dim sum bond issuance in 2014.

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

As of November 22, the YTD return on Chinese USD corporate bond index rose by 18bp over last week to 9.39%, of which investment grade bond index was 8.73% and high-yield bond index was 11.16%, increasing by 22bp and 9bp over last week, respectively.

Credit Event: Tunghsu Optoelectronic's onshore bond defaulted; Tewoo introduced exchange offer and tender offer**Panda Bond Market: China Mengniu newly issued a MTN this week**

On November 22, China Mengniu issued a Medium-term Note in China's Interbank Market. China Mengniu raised RMB1 billion, with a coupon rate at 3.67% and tenor of 3 years.

Headline: China's monetary policy eased marginally

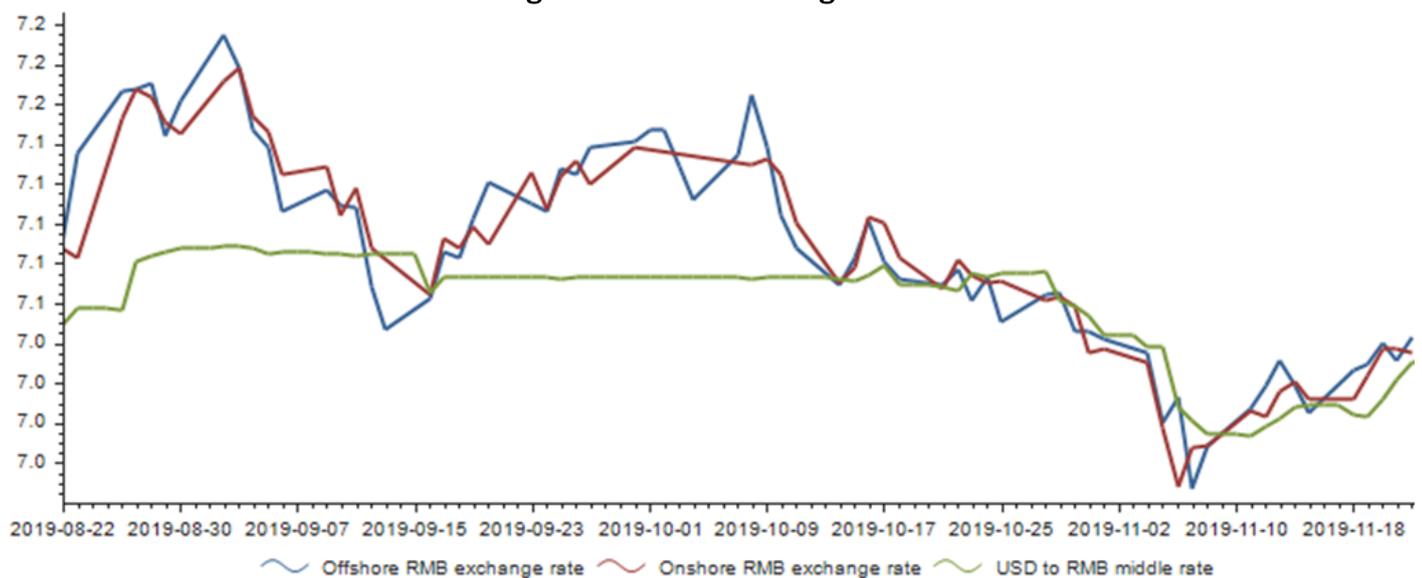
During November 5 and November 20, the People's Bank of China ("PBoC") released liquidity to the market through cutting medium-term lending facility ("MLF") rate, reverse repo rate, interest rate of fixed cash deposits of central treasury and loan prime rate ("LPR"), showing that the monetary policy eased marginally.

On November 5, the PBoC cut 1-year MLF rate by 5bp to 3.25% and injected RMB4 billion into the market. On November 15, the central bank reduced the targeted reserve requirement ratio for some provincial-level commercial banks by 100bp, releasing liquidity of RMB40 billion. In addition, it implemented open market operation to inject RMB180 billion into the market on the same date. The PBoC reduced the 7-day reverse repo rate by 5bp to 2.50%, which was the first rate cut in 4 years, and injected RMB180 billion on November 18. On the next day, the central bank channeled RMB50 billion of funds into commercial banks via fixed term deposits of commercial banks for central treasury cash management at a rate of 3.18%, 2bp lower than the rate operated in previous operation. On November 20, the central bank cut 1-year LPR by 5bp to 4.15% and 5-year LPR by 5bp to 4.80% (the second and first rate cut since the introduction of LPR). China's monetary policy demonstrated a marginal easing trend, such that, the MLF rate and LPR are both expected to drop.

Exchange Rate: RMB exchange rate on the rise

During the week, the RMB exchange rate rose with elevated external uncertainties and domestic counter cyclical adjustments. As of November 22, the intermediate price of the RMB exchange rate closed at 7.0306, up 215bp from last Friday. Both onshore and offshore RMB exchange rate rose, closing at 7.0356 and 7.0429 respectively, up 235bp and 375bp from last Friday. In this round of adjustment, the move of RMB exchange rate is not highly correlated with the dollar index. Overall, the RMB exchange rate is expected to fluctuate around the threshold of 7.

Figure 1 : RMB Exchange Rate

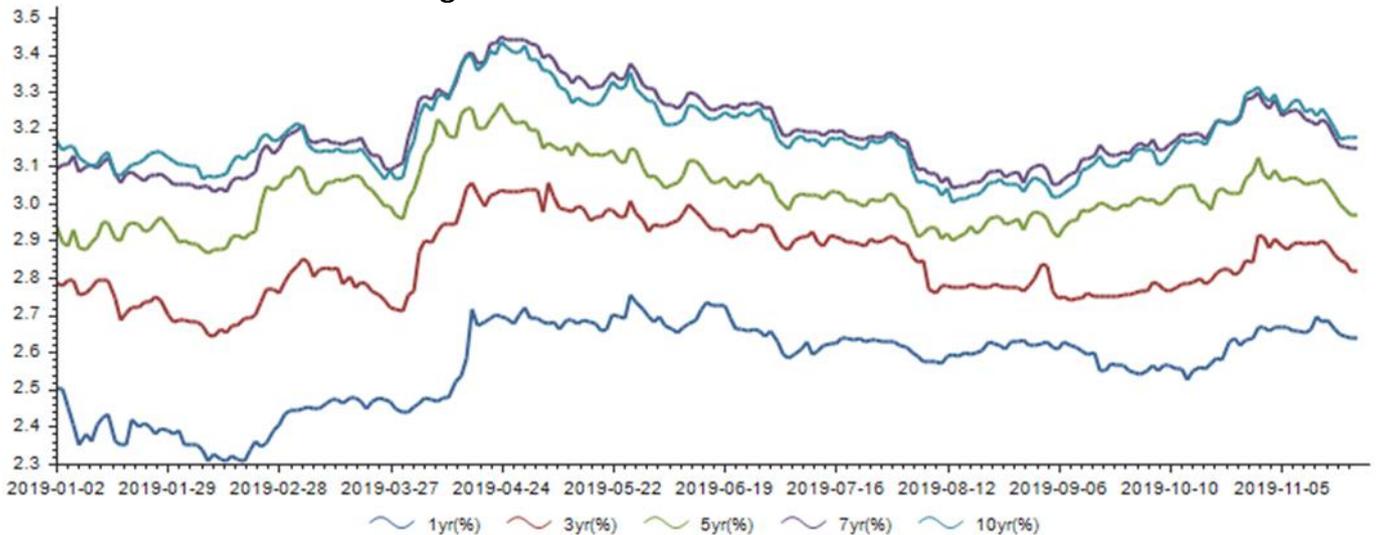


Sources: Eastmoney, CCX research

Interest Rate: China Government Bonds yields declined; US Treasury yields rebound

During the week, affected by China’s marginal easing monetary policy, the bond market continued to pick up and the yields of China Government Bonds declined. As of November 22, the maturity yields of 1-year, 3-year, 5-year, 7-year and 10-year Government Bonds fell from last Friday, closing at 2.6379%, 2.8154%, 2.9688%, 3.1494% and 3.1747%, respectively.

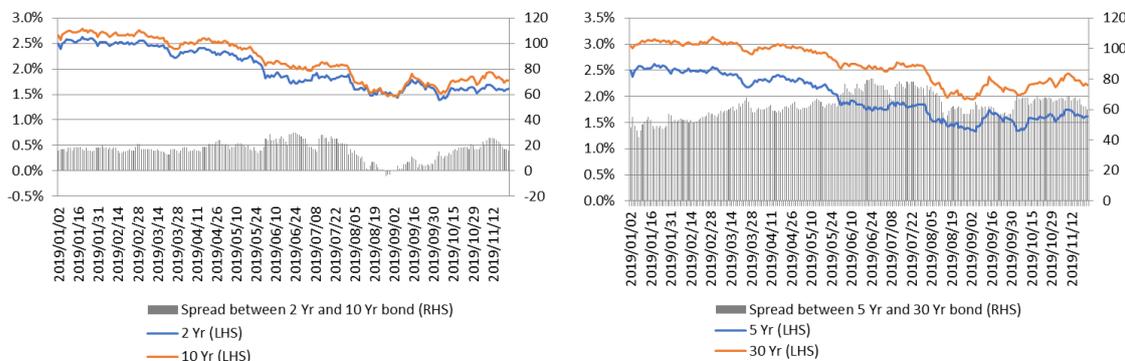
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

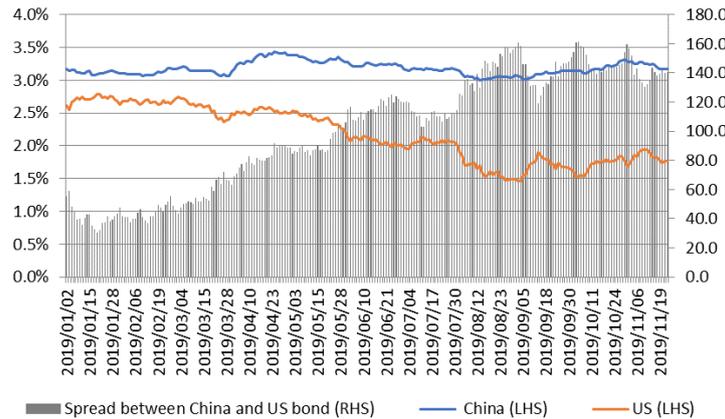
Market sentiment fluctuated given uncertainties of US-China trade deal. As a result, US Treasury yields rebound, following a drop in the beginning of the week. As of November 22, the 2-year Treasury yield closed at 1.61%, unchanged from last Friday; while 5-year, 10-year and 30-year Treasury yields closed at 1.62%, 1.77% and 2.22%, decreasing by 3bp, 7bp and 9bp over last Friday. US Treasury yield curve flattened. The spread between the 2-year and 10-year narrowed by 7bp to 16bp from last Friday, while the spread between the 5-year and 30-year narrowed by 6bp to 60bp from last Friday. As of November 22, the yield spread between China and US 10-year note was 140.4bp, narrowing by 0.1bp from last Friday and widening by 85.1bp 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 were relatively stable. As of November 22, investment-grade bond spreads rose by 0.1bp to 128bp from last week, and high-yield spreads increased by 3.7bp to 510bp 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 remained stable, real estate and Chengtou companies were the key issuers

From November 18 to November 22, there were 16 new issues with a total issued volume of USD3.7 billion. Real estate and Chengtou companies were the key issuers. Zhuhai Da Heng Qin Investment Co Ltd issued RMB800 million offshore Renminbi green bond and USD450 million dollar bond this week, which was its first issuance in offshore market after its dim sum bond issuance in 2014.

Table 1 : New issuance of Chinese offshore bonds (20191118-20191122)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/18	Agile Group Holdings Ltd	USD	200	7.75	-	Perpetual	Real Estate	Ba2/BB-/	Ba3/-/-
2019/11/18	Beijing Infrastructure Investment Co Ltd	CNY	1,000	3.4	2022/11/26	3	Chengtou	A1/A+/A+	A2/-/-
2019/11/18	CMB Financial Leasing Co Ltd	USD	50	3ML+80	2020/11/23	364D	Financials	A3/BBB+/-	-/-/-
2019/11/18	Shaanxi Xixian New Area Fengxi New City Development & Construction Group Co Ltd	USD	120	3.5	2022/11/22	3	Chengtou	-/-/-	-/-/-
2019/11/18	Shuifa Group Co Ltd	USD	100	4.5	2020/11/18	364D	Industrials	Baa3/-/-	-/-/-
2019/11/19	Industrial & Commercial Bank of China Ltd/Sydney	AUD	2.95	1.54	2023/11/26	4	Banks	A1/A/A	-/-/-
2019/11/20	AAC Technologies Holdings Inc	USD	388	3	2024/11/27	5	Technology	Baa1/-/-	Baa1/-/-
2019/11/20	China Overseas Land & Investment Ltd	USD	294	3.05	2029/11/27	10	Real Estate	Baa1/BBB+/A-	Baa1/-/-
2019/11/20	Zhuhai Da Heng Qin Investment Co Ltd	CNY	800	4.6	2021/11/27	2	Chengtou	-/-/-	-/-/-
2019/11/20	Zhuhai Da Heng Qin Investment Co Ltd	USD	450	3.8	2022/11/27	3	Chengtou	-/-/-	-/-/-
2019/11/21	Anton Oilfield Services Group/Hong Kong	USD	300	7.5	2022/12/2	3	Energy	B1/-/B	B1/-/-
2019/11/21	China Jinmao Holdings Group Ltd	USD	400	7.125	-	Perpetual	Real Estate	Baa3/BBB-/BBB-	-/-/-
2019/11/21	Yuzhou Properties Co Ltd	USD	500	8.3	2025/5/27	5.5	Real Estate	Ba3/BB-/BB-	B1/-/BB-e
2019/11/21	Zhongyuan Asset Management Co Ltd	USD	400	4.2	2022/11/29	3	Financials	Baa3/-/BBB	-/-/BBBe
2019/11/22	Wuyi Mountains Ltd	USD	30	6.5	2020/11/23	1	Financials	-/-/-	-/-/-
2019/11/22	Zhenjiang Transportation Industry Group Co Ltd	USD	220	7	2022/11/28	3	Chengtou	-/B+/-	-/-/-

Sources: Bloomberg, CCX research

On November 19, Fujian Yango Group Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20191118-20191122)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/11/19	Fujian Yango Group Co Ltd	USD	222 (reoffered 70)	12.5	2021/9/24	2	Real Estate	-/B/B-	-/B/-

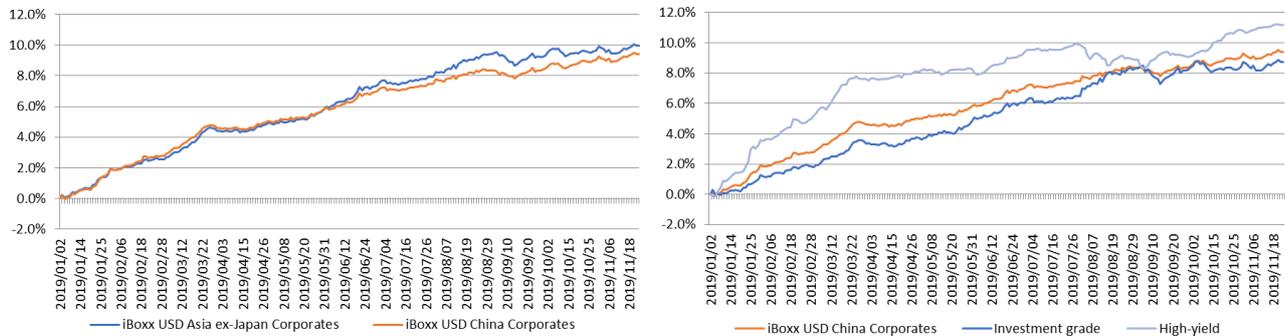
Sources: Bloomberg, CCX research

Recently, Chinese enterprises, such as China State Construction International Holdings Ltd, Dalian Wanda Commercial Management Group Co Ltd and Yichun Development & Investment Group Co Ltd, planned to issue offshore bonds.

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

As of November 22, the YTD return on Chinese USD corporate bond index rose by 18bp over last week to 9.39%, of which investment grade bond index was 8.73% and high-yield bond index was 11.16%, increasing by 22bp and 9bp 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 1 Chinese issuer; and negative rating action on 4 Chinese issuers from November 18 to November 22.

Table 3 : Credit rating changes of cross-border bond market (20191118-20191122)

	Entity	Sector	Latest Rating			Last Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Weichai Power Co Ltd	Industrials	BBB	POS	2019/11/18	BBB	STABLE	2018/9/19	S&P	Improving business and financial performance
	Tunghsu Group Co Ltd	Technology	CCC-	Rating Watch Negative	2019/11/19	B-	NEG	2019/2/18	S&P	Subsidiary's missed payment
Downgrade	Shandong Yuhuang Chemical Co Ltd	Materials	CC	-	2019/11/20	CCC+	NEG	2019/6/27	Fitch	High near-term risk of default
	Shandong Yuhuang Chemical Co Ltd	Materials	CC	NEG	2019/11/22	CCC+	Rating Watch Negative	2019/9/5	S&P	Imminent default risk
	Huayuan Property Co Ltd	Real Estate	B	STABLE	2019/11/22	B+	NEG	2018/12/11	S&P	High land spending and slow project delivery
Domestic Rating:										
Downgrade	Tunghsu Optoelectronic Technology Co Ltd	Technology	C	-	2019/11/19	AA+	STABLE	2019/7/25	CCXI	Debt default
	Tunghsu Optoelectronic Technology Co Ltd	Technology	C	-	2019/11/20	AA+	STABLE	2019/6/21	United Rating	Debt default
	Tunghsu Group Co Ltd	Technology	A	Rating Watch	2019/11/20	AA+	STABLE	2019/6/21	United Rating	Subsidiary's missed payment

Tunghsu Group Co Ltd	Technology	A	NEG	2019/11/21	AA+	STABLE	2019/6/27	Pengyuan	Tight funding channels, high liquidity risk and debt burden
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Sources: Bloomberg, Wind, CCX research

Credit Event: Tunghsu Optoelectronic's onshore bond defaulted; Tewoo introduced exchange offer and tender offer

On November 19, Tunghsu Optoelectronic Technology Co., Ltd. ("Tunghsu Optoelectronic"), the subsidiary of Tunghsu Group Co., Ltd. ("Tunghsu Group") announced that Tunghsu Optoelectronic missed the principal and interest payments of "16 Tunghsu Optoelectronic MTN001A" and "16 Tunghsu Optoelectronic MTN001B", due on November 18, given its liquidity shortage. In addition, Tunghsu Optoelectronic announced that the largest shareholder of Tunghsu Group is in discussions to transfer 51.46% of Tunghsu Group's shares to Shijiazhuang State-owned Assets Supervision and Administration Commission. If the transfer completes, the cross-default provision of Tunghsu Group's dollar bond could be triggered.

On November 19, Tewoo Group Co., Ltd. ("Tewoo") announced that it is unable to arrange interest payment for its USD500 million dollar bond due 2020, which was issued in 2017, on the upcoming interest payment date of December 1. According to the announcement, Industrial and Commercial Bank of China Ltd., the standby letter of credit provider of this bond, will repay USD7.875 million interest for Tewoo. On November 22, Tewoo introduced exchange offer and tender offer to bond holders to tackle 4 of its dollar bonds (outstanding amount was USD1.25 billion in aggregate). The bond holders could exchange some or all of their bonds for the new bonds issued Tianjin State-owned Capital Investment and Management Co., Ltd.; or sell their bonds for cash with haircut between 33% and 64%. Founded in 2017, Tianjin State-owned Capital Investment and Management Co., Ltd., the exchanged bonds issuer, is an assets management company under Tianjin Municipal Government with a registered capital of RMB10.1 billion.

Panda Bond Market: China Mengniu newly issued a MTN this week

On November 22, China Mengniu Dairy Co. Ltd ("China Mengniu") issued a Medium-term Note in China's Interbank Market. China Mengniu raised RMB1 billion, with a coupon rate at 3.67% and tenor of 3 years. CCXI assigned issuer rating of AAA to China Mengniu. In 2019, China Mengniu has raised RMB3 billion in total in the Panda Bond market through 2 SCPs and 1 MTN, with an average interest rate of 3.33%.

As of November 22, there were 17 issuers that issued 34 Panda Bonds in 2019, with a total issuance amount of RMB54.34 billion and an average coupon of 3.62%. 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 (20190101-20191122)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
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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