

2020 Issue 38

From October 12 to October 16

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Date:

October 23, 2020

CCXI & CCXAP

Cross-border Bonds Weekly Report

IMF lifted 2020 global growth forecast; Chinese offshore bond new issuance rebounded

Headline: IMF lifted 2020 global growth forecast

IMF revised 2020 global growth forecast upward by 80bp to -4.4%, and revised 2021 global growth forecast downward by 20bp to 5.2% in its latest World Economic Outlook. The report forecasted that China's economy will grow by 1.9% this year, making it the only major economy in the world to achieve positive growth. As for advanced economies, the US and Euro Area were projected to contract by 4.3% and 8.3% this year, respectively.

Exchange Rate: The RMB exchange rate fluctuated

Recently, the RMB exchange rate fluctuated. As of October 16, the intermediate price of RMB exchange rate closed at 6.7332.

Interest Rate: Chinese Government Bond yields increased; US Treasury yields dipped

This week, China Government Bond yields generally increased. As US initial jobless claims jumped to two-month high and the negotiation of stimulus plan reached deadlock, the Treasury yields dipped. As of October 16, the yield spread between China and US 10-year note was 247.5bp, widening by 6.1bp from last Friday and widening by 120.3bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance rose sharply; banks were the key issuers

From October 12 to October 16, there were 22 new issues with a total issuance volume of USD8.05 billion, significantly increasing by 471.3% from last week. Banks were the key issuers, which raised USD2.9 billion, accounting for around 36% of the total issuance volume.

Secondary Market: Return on Chinese USD bonds diverged

As of October 16, the YTD return on Chinese USD corporate bond index decreased by 9bp from last Friday to 4.45%, of which investment grade bond index was 5.30%, increasing by 22bp from last Friday, while high-yield bond index was 2.80%, decreasing by 80bp from last Friday.

Rating Actions: CCXAP assigned BBB_g- to Logan's proposed US dollar-denominated notes

Panda Bond Market: No new issue this week

Headline: IMF lifted 2020 global growth forecast

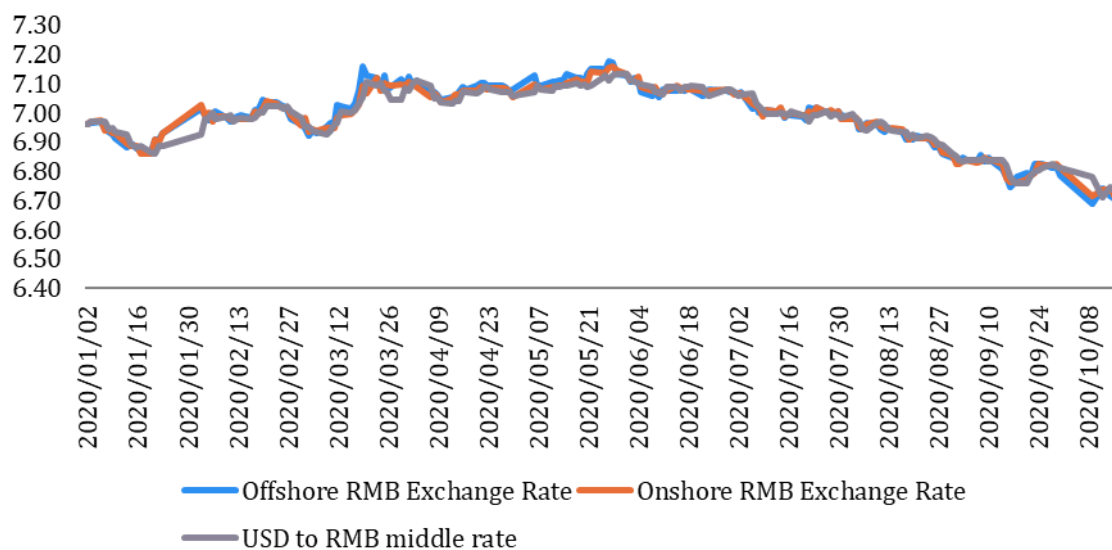
The International Monetary Fund (“IMF”) revised 2020 global growth forecast upward in the latest World Economic Outlook, in which global growth was projected at -4.4% this year, as compared to the forecast of -5.2% in June. Global growth was projected at 5.2% in 2021, 0.2 percentage points lower than the forecast in June.

The upward revision reflected better-than-anticipated second quarter GDP outturns, as well as indicators of a stronger recovery in the third quarter. With China being an important contributor, global trade began recovering in June. But with the COVID-19 pandemic spreading and accelerating in some areas, many countries have slowed their reopening since August. The report forecasted that Chinese economy will grow by 1.9% this year, and 8.2% in 2021, in line with the forecast in June. As for advanced economies, the US economy was projected to contract by 4.3%, before growing at 3.1% in 2021; while the economy of Euro Area was projected to contract by 8.3% in 2020, before growing at 5.2% in 2021.

Exchange Rate: The RMB exchange rate fluctuated

Recently, the RMB exchange rate fluctuated. As of October 16, the intermediate price of RMB exchange rate closed at 6.7332, down 464bp from last Friday; the onshore RMB exchange rate closed at 6.6982, down 153bp; the offshore RMB exchange rate closed at 6.6965, up 59bp.

Figure 1 : RMB exchange rate

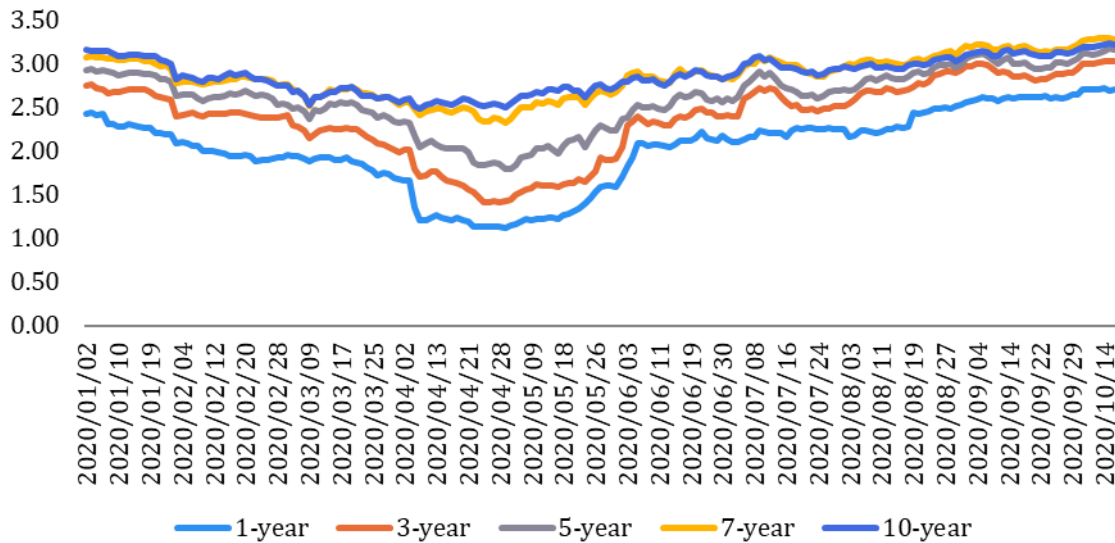


Sources: Eastmoney, CCX research

Interest Rate: Chinese Government Bond yields increased; US Treasury yields dipped

This week, China Government Bond yields generally increased. As of October 16, the 3-year, 5-year, 7-year and 10-year Government Bond yields rose from last Saturday, closing at .3.0159%, 3.1557%, 3.2773% and 3.2202%, respectively. 1-year Government Bond yield dropped from last Saturday, closing at 2.6961%.

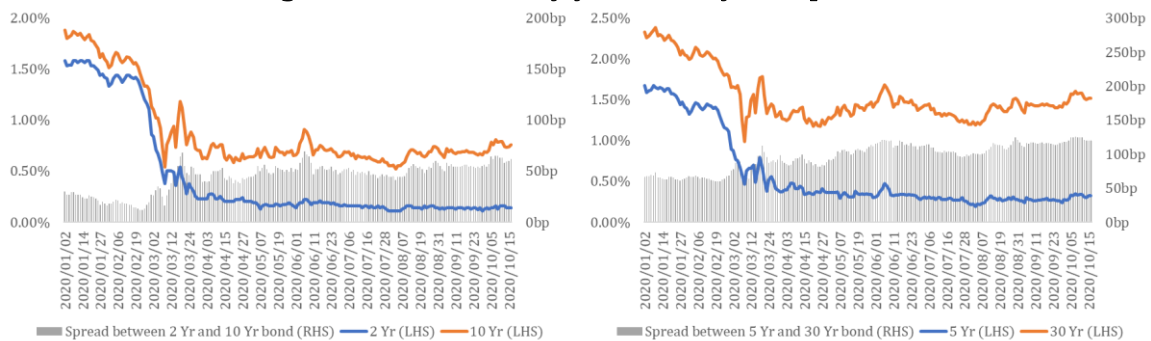
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

As US initial jobless claims jumped to two-month high and the negotiation of stimulus plan reached deadlock, the Treasury yields dipped. As of October 16, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.14%, 0.32%, 0.76% and 1.52%, decreasing by 2bp, 2bp, 3bp and 6bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 1bp to 62bp from last Friday, while the spread between the 5-year and 30-year tightened by 4bp to 120bp.

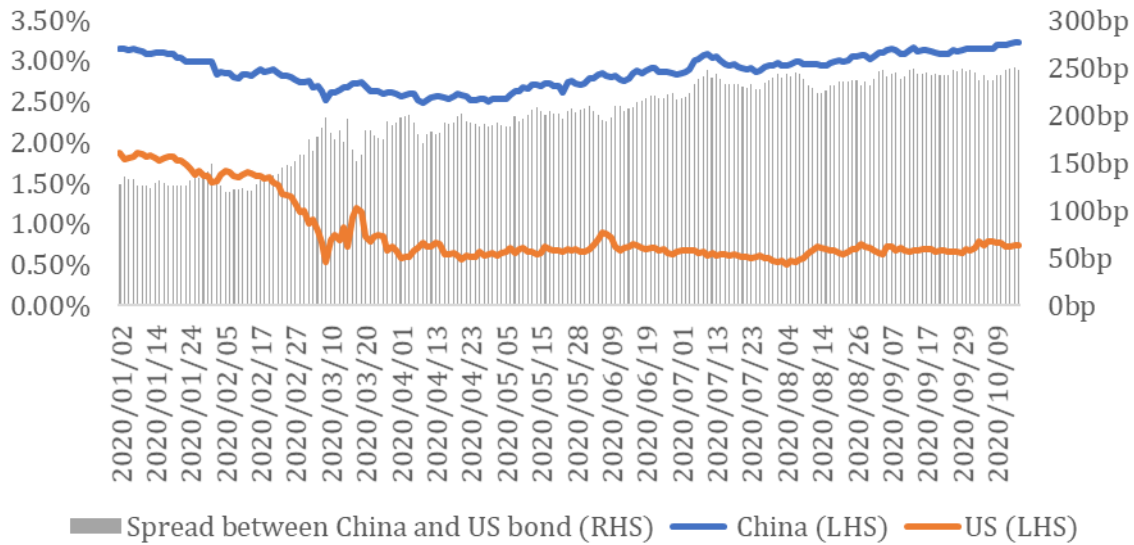
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of October 16, the yield spread between China and US 10-year note was 247.5bp, widening by 6.1bp from last Friday and widening by 120.3bp 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 new issuance rose sharply; banks were the key issuers

From October 12 to October 16, there were 22 new issues with a total issuance volume of USD8.05 billion, significantly increasing by 471.3% from last week. Banks were the key issuers, which raised USD2.9 billion, accounting for around 36% of the total issuance volume.

Table 1 : New issuance of Chinese offshore bonds (20201012-20201016)

| Pricing Date | Obligor | Currency | Amount (million) | Coupon (%) | Maturity | Tenor | Industry | Issuer Rating (Moody's/S&P/Fitch) | Issue Rating (Moody's/S&P/Fitch) |
|--------------|--|----------|------------------|------------|------------|-------|------------------------|--------------------------------------|-----------------------------------|
| 2020/10/12 | Fosun International Ltd | USD | 400 | 5.95 | 2025/10/19 | 5 | Consumer Discretionary | Ba3/BB/- | -/BB/- |
| 2020/10/12 | Jiangsu Hanrui Investment Holding Co Ltd | USD | 114 | 3.2 | 2023/10/19 | 3 | Chengtou | -/-/- | -/-/- |
| 2020/10/12 | Logan Group Co Ltd | USD | 300 | 5.25 | 2025/10/19 | 5 | Real Estate | Ba3/BB/BB/BBB _g - (CCXAP) | -/-/BB/BBB _g - (CCXAP) |
| 2020/10/12 | Sinic Holdings Group Co Ltd | USD | 250 | 9.5 | 2021/10/18 | 364D | Real Estate | B2/B/B+ | -/-/B+ |
| 2020/10/13 | China Merchants Commerce Financial Leasing Co Ltd | USD | 350 | 2.375 | 2025/10/20 | 5 | Financials | Baa2/BBB/BBB+ | -/-/BBB+ |
| 2020/10/14 | Fantasia Holdings Group Co Ltd | USD | 200 | 9.875 | 2023/10/19 | 3 | Real Estate | B2/B/B+ | -/-/B+ |
| 2020/10/14 | Greenland Holding Group Co Ltd | USD | 250 | 6.75 | 2022/4/21 | 1.5 | Real Estate | Ba1/BB/BB- | Ba2/-/- |
| 2020/10/14 | Shangrao City Construction Investment Development Group Co Ltd | USD | 300 | 4.375 | 2023/10/21 | 3 | Chengtou | -/-/BB+ | -/-/BB+ |
| 2020/10/15 | Agricultural Bank of China Ltd/Hong Kong | HKD | 5,000 | 1 | 2022/10/22 | 2 | Banks | A1/A/A | -/-/- |
| 2020/10/15 | Agricultural Bank of China Ltd/Hong Kong | USD | 500 | 1 | 2023/10/22 | 3 | Banks | A1/A/A | -/-/- |
| 2020/10/15 | Agricultural Bank of China | USD | 350 | 1.2 | 2025/10/22 | 5 | Banks | A1/A/A | -/-/- |

Ltd/Hong Kong

| | | | | | | | | | |
|------------|--|-----|-----|--------|------------|-----------|------------------|---------------|-------------|
| 2020/10/15 | Bank of China Ltd/Macau | USD | 400 | 1.5 | 2025/10/22 | 5 | Banks | A1/A/A | -/A/- |
| 2020/10/15 | Bank of China Ltd/Macau | USD | 500 | 2.25 | 2030/10/22 | 10 | Banks | A1/A/A | -/-/- |
| 2020/10/15 | COFCO Hong Kong Ltd | USD | 500 | 2.2 | 2030/10/21 | 10 | Consumer Staples | A3/A-/A | -/A-/A |
| 2020/10/15 | COFCO Hong Kong Ltd | USD | 500 | 3.1 | - | Perpetual | Consumer Staples | A3/A-/A | Baa1/-/- |
| 2020/10/15 | Country Garden Holdings Co Ltd | USD | 500 | 3.125 | 2025/10/22 | 5 | Real Estate | Baa3/BB+/BBB- | Baa3/-/BBB- |
| 2020/10/15 | Country Garden Holdings Co Ltd | USD | 500 | 3.875 | 2030/10/22 | 10 | Real Estate | Baa3/BB+/BBB- | Baa3/-/BBB- |
| 2020/10/15 | Guotai Junan International Holdings Ltd | USD | 73 | 1.17 | 2021/1/22 | 92D | Financials | Baa2/BBB+/- | -/-/- |
| 2020/10/15 | Taizhou Urban Construction and Investment Development Group Co Ltd | USD | 500 | 2.65 | 2023/10/22 | 3 | Chengtou | -/-/BBB | -/-/BBB |
| 2020/10/15 | Weifang Binhai Investment Development Co Ltd | EUR | 100 | 5 | 2021/10/21 | 364D | Chengtou | -/-/- | -/-/- |
| 2020/10/16 | China Minsheng Banking Corp Ltd/Hong Kong | USD | 500 | 3ML+90 | 2023/10/22 | 3 | Banks | -/BBB-/BB+ | -/-/- |
| 2020/10/16 | Urumqi Gaoxin Investment and Development Group Co Ltd | USD | 300 | 4.75 | 2023/10/23 | 3 | Chengtou | -/-/BB+ | -/-/BB+ |

Sources: Bloomberg, CCX research

On October 15, DaFa Properties Group Ltd and China Merchants Port Holdings Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20201012-20201016)

| Pricing date | Obligor | Currency | Amount (million) | Coupon (%) | Maturity | Tenor | Industry | Issuer Rating (Moody's/S&P/Fitch) | Issue Rating (Moody's/S&P/Fitch) |
|--------------|--------------------------------------|----------|---------------------|------------|-----------|-----------|-------------|-----------------------------------|----------------------------------|
| 2020/10/15 | DaFa Properties Group Ltd | USD | 280 (reoffered 130) | 12.375 | 2022/7/30 | 2 | Real Estate | B2/B/- | B3/-/- |
| 2020/10/15 | China Merchants Port Holdings Co Ltd | USD | 600 (reoffered 200) | 3.5 | - | Perpetual | Industrials | Baa1/BBB/- | Baa2/-/- |

Sources: Bloomberg, CCX research

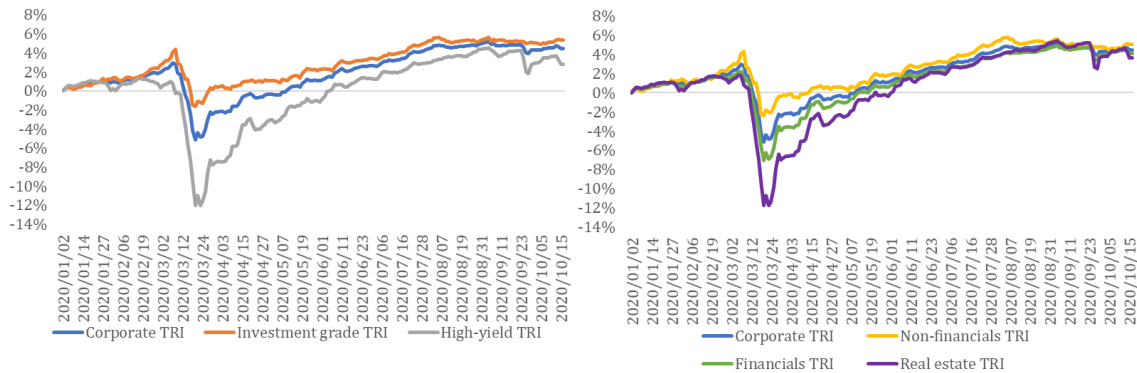
Recently, Nanjing Jiangning Economic and Technological Development Corporation and China Everbright Limited planned to issue dollar bonds.

Secondary Market: Return on Chinese USD bonds diverged

As of October 16, the YTD return¹ on Chinese USD corporate bond index decreased by 9bp from last Friday to 4.45%, of which investment grade bond index was 5.30%, increasing by 22bp, while high-yield bond index was 2.80%, decreasing by 80bp. In terms of sector indices, the return on real estate and financial indices were 3.61% and 4.02%, decreasing by 92bp and 35bp from last Friday respectively, while the non-financial index was 4.98%, increasing by 33bp.

¹ Year-to-date return measures the return since January 2, 2020.

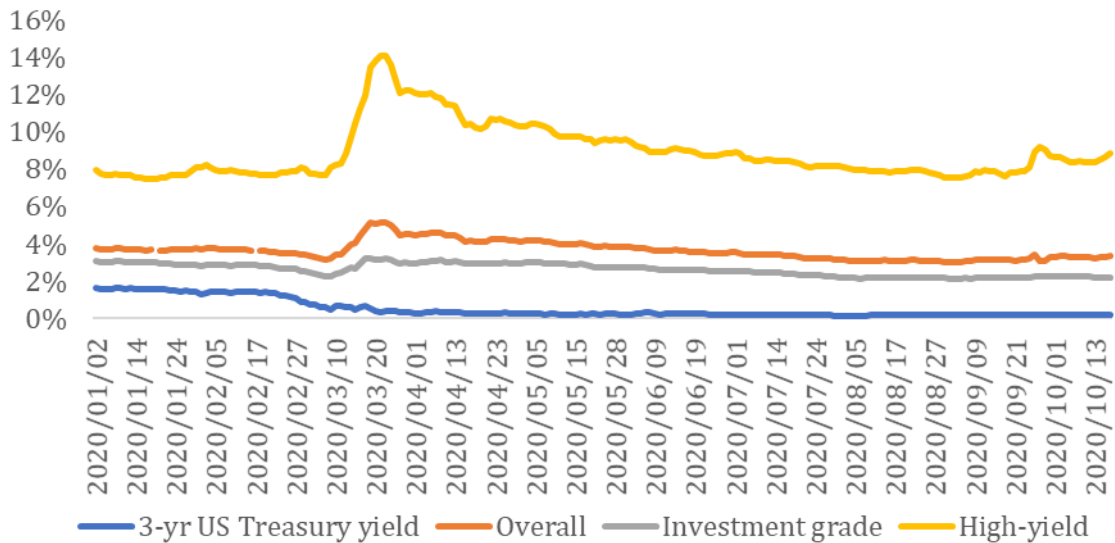
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of October 16, the yield-to-worst of Chinese dollar bonds increased by 8bp to 3.33% from last Friday, of which investment grade bond index decreased by 4bp to 2.18%, while the high-yield bond index rose by 49bp to 8.85%.

Figure 6 : Yield-to-worst of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

Rating Actions: CCXAP assigned BBB_g- to Logan’s proposed US dollar-denominated notes

On October 12, CCXAP assigned BBB_g- to the proposed US dollar-denominated senior notes to be issued by Logan Group Company Limited (“Logan” or the “Company”).

Table 3 : CCXAP's rating action (20201012-20201016)

| Date | Entity | Issue Rating | Rating Rationale |
|------------|--------|--------------------|--|
| 2020/10/12 | Logan | BBB _g - | The rating is underpinned by (1) quality land bank in the Great Bay Area; (2) sound profitability; and (3) good liquidity. However, the rating is also constrained by its (1) limited geographic diversification; and (2) moderate debt leverage with growing debt burden. |

Source: CCX research

From October 12 to October 16, the rating agencies took positive rating action on 1 Chinese issuer; and negative rating actions on 2 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20201012-20201016)

| | Entity | Sector | Current Rating | | | Previous Rating | | | Rating Agency | Reason of Change |
|------------------------------|---------------------------------------|------------------------|----------------|-----------------------|------------|-----------------|---------|------------|---------------|--|
| | | | Entity Rating | Outlook | Date | Entity Rating | Outlook | Date | | |
| International Rating: | | | | | | | | | | |
| Upgrade | Radianc Group Co Ltd | Real Estate | B | POS | 2020/10/14 | B | STABLE | 2019/10/20 | Fitch | Improvement in leverage over the next 12-18 months |
| Downgrade | Jinjiang International Holding Co Ltd | Consumer Discretionary | BBB- | STABLE | 2020/10/12 | BBB | NEG | 2020/6/16 | S&P | Protracted travel slump |
| | Weibo Corp | Communications | BBB | Rating Watch Negative | 2020/10/13 | BBB | STABLE | 2020/6/29 | S&P | SINA Corp.'s privatization plans |

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issue this week

As of October 16, there were 24 issuers that issued 38 Panda Bonds in 2020, with a total issuance amount of RMB53.8 billion and an average coupon of 3.09%. The majority of them were issued in the China Interbank Market, and more than 60% of them were issued at a tenor of 3 years or above.

Table 5 : New issuance of Panda Bond in 2020 (20200101-20201016)

| Issuer | Amount (RMB billion) | Coupon (%) | Issue date | Maturity | Tenor | Bond Type | Issue Market | Local Rating Agency |
|---|----------------------|------------|------------|-----------|-------|----------------------|------------------------|----------------------------|
| China Traditional Chinese Medicine Holdings Co. Limited | 1 | 2.60 | 2020/9/14 | 2021/6/11 | 0.75 | SCP | China Interbank Market | China Chengxin |
| Crédit Agricole S.A. | 1 | 3.50 | 2020/9/11 | 2023/9/11 | 3 | Commercial Bank Bond | China Interbank Market | China Chengxin |
| ANTA Sports Products Limited | 1 | 3.95 | 2020/8/24 | 2023/8/24 | 3 | MTN | China Interbank Market | Shanghai Brilliance Rating |
| Yuexiu Transport Infrastructure Limited | 0.5 | 3.54 | 2020/8/14 | 2023/8/14 | 3 | MTN | China Interbank Market | China Chengxin |
| China Everbright Water Limited | 2 | 3.60 | 2020/8/5 | 2023/8/5 | 3 | MTN | China Interbank Market | Shanghai Brilliance Rating |

| | | | | | | | | |
|---|------|------|-----------|------------|------|----------------------------------|--------------------------|---------------------------------|
| GLP China Holdings Limited | 0.2 | 3.88 | 2020/7/30 | 2023/7/23 | 3 | Corporate Bond | Shanghai Exchange Market | Shanghai Brilliance Rating |
| China State Construction International Holdings Limited | 2 | 3.48 | 2020/7/29 | 2023/7/29 | 3 | Corporate Bond | Shanghai Exchange Market | China Chengxin / United Ratings |
| GLP China Holdings Limited | 2 | 3.90 | 2020/7/23 | 2023/7/23 | 3 | International Institutional Bond | China Interbank Market | Shanghai Brilliance Rating |
| BMW Finance N.V. | 2.5 | 3.19 | 2020/7/16 | 2021/7/16 | 1 | PPN | China Interbank Market | -- |
| New Development Bank | 2 | 3.00 | 2020/7/7 | 2025/7/7 | 5 | International Institutional Bond | China Interbank Market | -- |
| Veolia Environnement S.A. | 0.75 | 3.85 | 2020/6/24 | 2023/6/24 | 3 | PPN | China Interbank Market | China Chengxin |
| Veolia Environnement S.A. | 0.75 | 3.85 | 2020/6/24 | 2023/6/24 | 3 | PPN | China Interbank Market | China Chengxin |
| Asian Infrastructure Investment Bank | 3 | 2.40 | 2020/6/15 | 2023/6/15 | 3 | International Institutional Bond | China Interbank Market | -- |
| China Everbright Greentech Limited | 1 | 3.68 | 2020/6/12 | 2025/6/12 | 5 | MTN | China Interbank Market | Lianhe Ratings |
| Sumitomo Mitsui Banking Corporation | 1 | 3.20 | 2020/6/8 | 2023/6/8 | 3 | PPN | China Interbank Market | -- |
| Daimler International Finance BV | 3 | 3.25 | 2020/6/5 | 2023/6/5 | 3 | PPN | China Interbank Market | -- |
| China Traditional Chinese Medicine Co. Limited | 2.2 | 3.28 | 2020/6/5 | 2023/6/5 | 3 | MTN | China Interbank Market | China Chengxin |
| Capital Environment Holdings Limited | 1 | 3.10 | 2020/5/29 | 2025/5/29 | 5 | Corporate Bond | Shanghai Exchange Market | China Chengxin |
| China Mengniu Dairy Company Limited | 0.5 | 1.61 | 2020/5/29 | 2020/11/25 | 0.49 | SCP | China Interbank Market | China Chengxin |
| China Mengniu Dairy Company Limited | 1.5 | 1.61 | 2020/5/29 | 2020/11/25 | 0.49 | SCP | China Interbank Market | China Chengxin |
| China Power International Development Limited | 0.5 | 2.00 | 2020/5/29 | 2021/2/23 | 0.74 | SCP | China Interbank Market | China Chengxin |
| Beijing Enterprises Water Group Limited | 1 | 4.00 | 2020/5/13 | 2025/5/13 | 5 | MTN | China Interbank Market | Shanghai Brilliance Rating |
| Bank of China Group Investment Limited | 1.5 | 2.70 | 2020/5/8 | 2023/5/8 | 3 | MTN | China Interbank Market | China Chengxin / Lianhe Ratings |
| Beijing Enterprises Clean Energy Group Limited | 0.9 | 5.50 | 2020/4/29 | 2023/4/29 | 3 | Corporate Bond | Shenzhen Exchange Market | United Ratings |
| China Mengniu Dairy Co. Ltd | 1.5 | 1.80 | 2020/4/24 | 2020/11/20 | 0.57 | SCP | China Interbank Market | -- |
| Semiconductor Manufacturing International Corporation | 1.5 | 1.85 | 2020/4/16 | 2022/8/5 | 0.3 | SCP | China Interbank Market | China Chengxin |
| New Development Bank | 5 | 2.43 | 2020/4/3 | 2023/4/3 | 3 | International Institutional Bond | China Interbank Market | -- |

| | | | | | | | | |
|---|-----|------|-----------|------------|------|-----|------------------------|----------------|
| Xiaomi Corporation | 1 | 2.78 | 2020/4/3 | 2021/4/3 | 1 | PPN | China Interbank Market | China Chengxin |
| Hengan International Group Company Limited | 0.5 | 2.60 | 2020/3/19 | 2020/12/11 | 0.74 | PPN | China Interbank Market | China Chengxin |
| Hengan International Group Company Limited | 0.5 | 2.60 | 2020/3/19 | 2020/12/11 | 0.74 | MTN | China Interbank Market | China Chengxin |
| Hengan International Group Company Limited | 1 | 2.65 | 2020/3/16 | 2020/12/10 | 0.74 | PPN | China Interbank Market | China Chengxin |
| China Gas Holdings Ltd. | 1 | 3.38 | 2020/3/10 | 2025/3/10 | 5 | MTN | China Interbank Market | Lianhe Rating |
| BMW Finance N.V. | 2 | 3.35 | 2020/3/4 | 2023/3/4 | 3 | PPN | China Interbank Market | China Chengxin |
| BMW Finance N.V. | 1.5 | 2.90 | 2020/3/4 | 2021/3/4 | 1 | PPN | China Interbank Market | China Chengxin |
| Hengan International Group Company Limited | 1 | 2.85 | 2020/2/28 | 2020/11/24 | 0.74 | SCP | China Interbank Market | China Chengxin |
| Semiconductor Manufacturing International Corporation | 1.5 | 2.40 | 2020/1/13 | 2020/5/28 | 0.37 | SCP | China Interbank Market | China Chengxin |
| Yuexiu Transport Infrastructure Limited | 1 | 3.47 | 2020/1/10 | 2023/1/10 | 3 | MTN | China Interbank Market | China Chengxin |
| Daimler International Finance BV | 3 | 3.50 | 2020/1/9 | 2022/1/9 | 2 | PPN | China Interbank Market | -- |

Sources: Bloomberg, CCX research

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