

## 2020 Issue 39

From October 19 to October 23

## US and Europe entered a second wave of pandemic; Chinese offshore bond new issuance remained active

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### Date:

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### Headline: US and Europe entered a second wave of pandemic; economic data reflected its blow was smaller than the first wave

This week, US's number of new cases reached a record high since the COVID-19 outbreak. Meanwhile, a second wave of pandemic accelerated in Europe, forcing countries to reimplement social restriction measures. With reference to this week's economic data, a second wave of coronavirus had a smaller economic blow to US and Europe economies than the initial wave at this moment. Since the fourth quarter, US economy, especially in manufacturing and services industries, demonstrated strong recovery. Labor market continued to recover slowly. Eurozone's manufacturing and services PMIs, as represented by Germany, diverged. Although the manufacturing sector continuously showed significant recovery, services sector lacked strength in recovery. At the same time, consumer confidence hesitated at low level.

### Exchange Rate: The RMB exchange rate continued to appreciate

Supported by the solid economic prospects, the RMB exchange rate continued to appreciate. As of October 23, the intermediate price of RMB exchange rate closed at 6.6703.

### Interest Rate: China Government Bond yields dropped; US Treasury yields rebounded

This week, China Government Bond yields dropped. As investors were optimistic toward a new economic stimulus, coupled with improving employment data, US Treasury yield rebounded. As of October 23, the yield spread between China and US 10-year note was 235.3bp, tightening by 12.2bp from last Friday and widening by 108.1bp from the beginning of the year.

### Chinese Offshore Bond Market

#### Primary Market: Chinese offshore bond new issuance remained active; Meituan issued dollar bonds for first time

From October 19 to October 23, there were 29 new issues with a total issuance volume of USD7.1 billion. Meituan, which was the largest issuer of the week, issued dollar bonds for the first time, totaling USD2 billion and accounting for 28% of the total issued volume.

#### Secondary Market: Return on Chinese USD bonds diverged

As of October 23, the YTD return on Chinese USD corporate bond index decreased by 2bp from last Friday to 4.43%, of which investment grade bond index was 5.10%, decreasing by 19bp, while high-yield bond index was 3.18%, increasing by 38bp.

#### Rating Actions: Upgrades on credit rating of 2 Chinese issuers

### Panda Bond Market: No new issue this week

## Headline: US and Europe entered a second wave of pandemic; economic data reflected its blow was smaller than the first wave

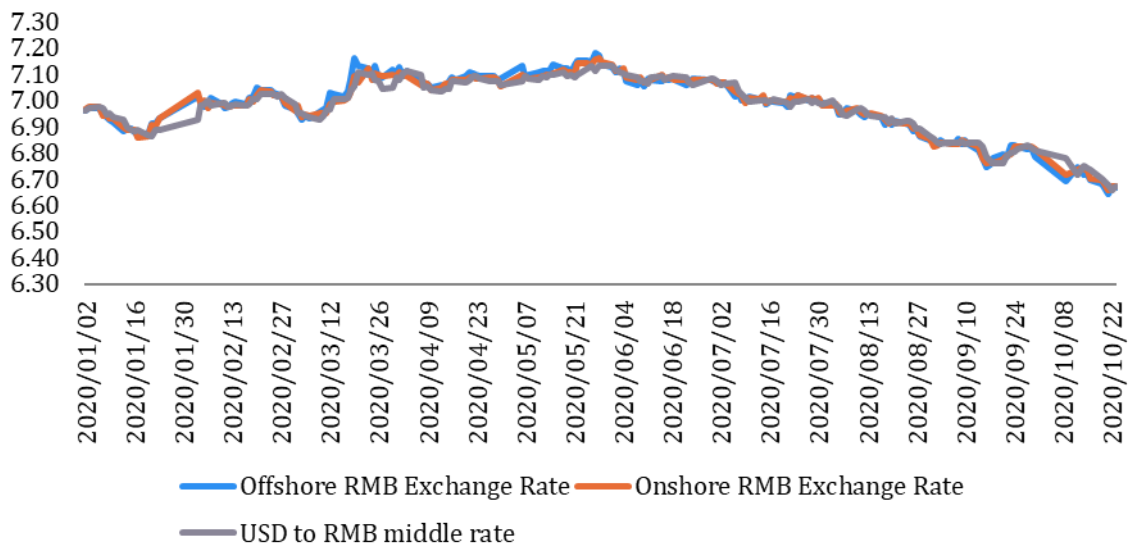
This week, US's daily and weekly number of new cases reached a record high since the COVID-19 outbreak. Meanwhile, a second wave of pandemic accelerated in Europe, forcing countries to reimplement social restriction measures. France entered the state of emergency as the number of new cases hit its high, while curfews were announced in 38 more departments, impacting a total of 69% of the population. Spain became the first European country to reach a million cases, and announced a 15-day national curfew. Italy implemented partial lockdowns since October 25 as its daily new cases reached a record high.

With reference to this week's economic data, the second wave of coronavirus had a smaller economic blow to US and Europe economies than the initial wave at this moment. Since the fourth quarter, US economy, especially in manufacturing and services industries, demonstrated strong recovery. Markit manufacturing PMI recorded an initial value of 53.3 in October, reaching its high since January 2019. Furthermore, labor market continued to recover slowly. The latest number of US's initial jobless claims amounted to 787 thousand while continuing jobless claims amounted to 8,373 thousand, with both numbers being lower than market expectation and previous readings. Initial jobless claims recognized triple drop, recording a level under 800 thousand for the first time since the pandemic. Eurozone's manufacturing and services PMIs, as represented by Germany, diverged. Although the manufacturing sector continuously showed significant recovery, service industry lacked strength in recovery. German manufacturing PMI led Eurozone with an initial value of 58 in October, much higher than the expected value of 55.1. But services PMI was still below the threshold of 50. The manufacturing PMI of Eurozone recorded an initial value of 54.4 in October, representing a 26-month high. Nonetheless, Eurozone's preliminary services PMI was 46.2 in October, lower than that of 48 in September and the market expectation of 47. Due to the weak services sector, Eurozone's composite PMI in October dropped below the threshold of 50 to 49.4, as compared to the previous reading of 50.4, but still outperformed market expectation of 49.3. At the same time, consumer confidence hesitated at low level as the Consumer Confidence Index of Eurozone recorded -15.1, weaker than expected value and September's reading.

## Exchange Rate: The RMB exchange rate continued to appreciate

Supported by the solid economic prospects, the RMB exchange rate continued to appreciate. As of October 23, the intermediate price of RMB exchange rate closed at 6.6703, down 629bp from last Friday; the onshore RMB exchange rate closed at 6.6690, down 292bp; the offshore RMB exchange rate closed at 6.6668, down 297bp.

Figure 1 : RMB exchange rate

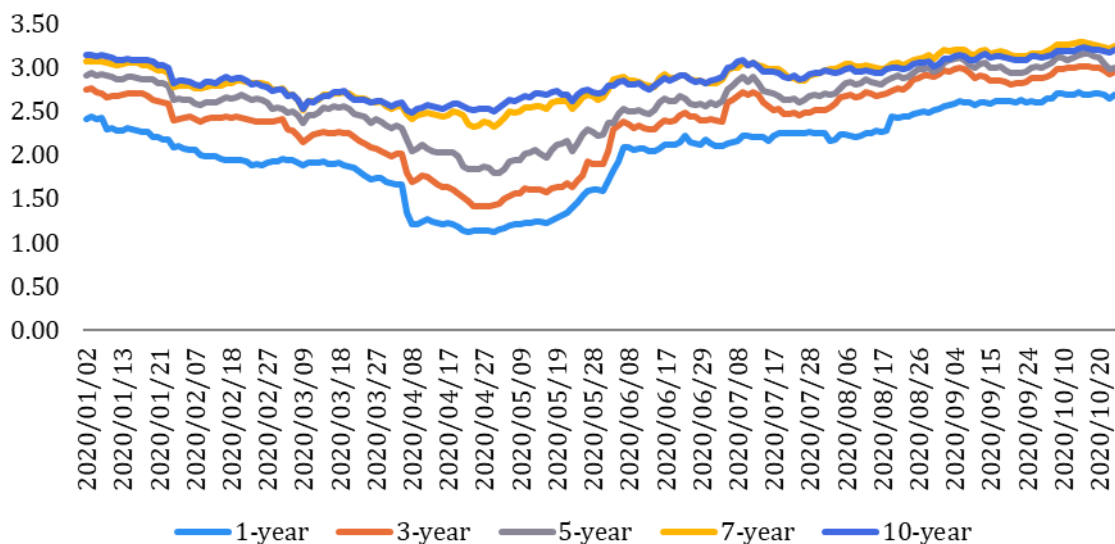


Sources: Eastmoney, CCX research

### Interest Rate: China Government Bond yields dropped; US Treasury yields rebounded

This week, China Government Bond yields dropped. As of October 23, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields declined from last Friday, closing at 2.6821%, 2.9600%, 3.0000%, 3.2421% and 3.1957%, respectively. China’s monetary policy is expected to adjust marginally alongside the recovery of domestic economy. Considering the increase in leverage in the 2020H1, the PBoC is unlikely to ease or tighten the monetary policy significantly.

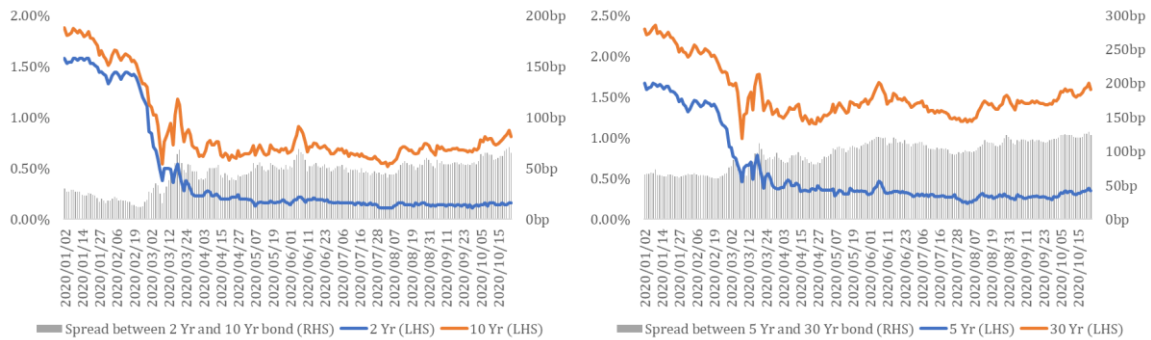
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

As investors were optimism toward a new economic stimulus, coupled with improving employment data, US Treasury yield rebounded. As of October 23, 2-year, 5-year, 10-year and 30-year Treasury yields closed at 0.16%, 0.35%, 0.81% and 1.59%, increasing by 2bp, 3bp, 5bp and 7bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year widened by 3bp to 65bp from last Friday, while the spread between the 5-year and 30-year widened by 4bp to 124bp.

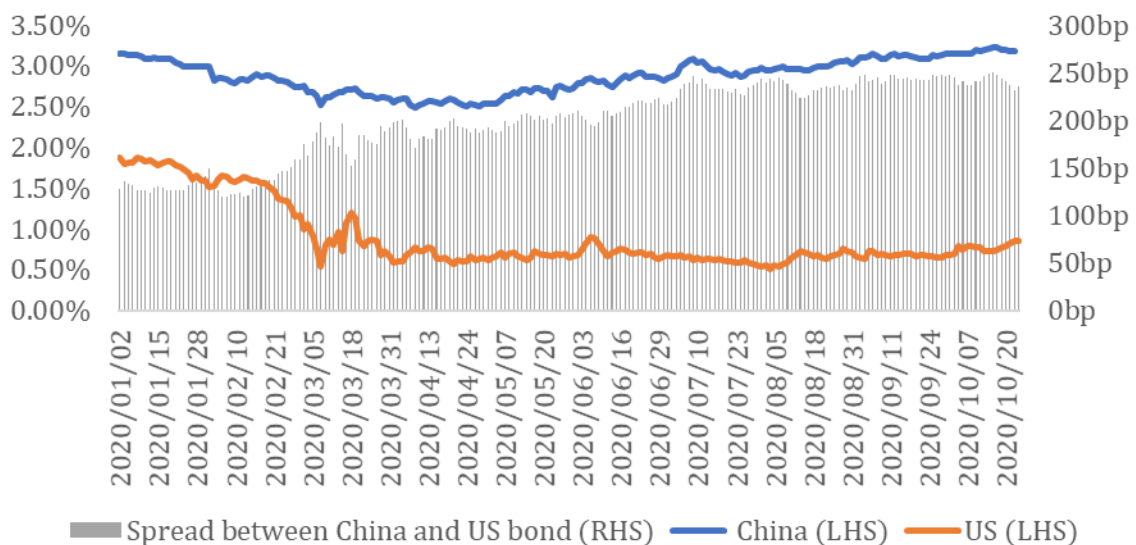
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of October 23, the yield spread between China and US 10-year note was 235.3bp, tightening by 12.2bp from last Friday and widening by 108.1bp 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 remained active; Meituan issued dollar bonds for first time

From October 19 to October 23, there were 29 new issues with a total issuance volume of USD7.1 billion. Meituan, which was the largest issuer of the week, issued dollar bonds for the first time, totaling USD2 billion and accounting for 28% of the total issued volume.

**Table 1 : New issuance of Chinese offshore bonds (20201019-20201023)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/10/19	CMB International Capital Corp Ltd	HKD	81	0.33	2020/11/27	31D	Financials	Baa1/BBB+/-	-/-/-
2020/10/20	Chengdu Xiangcheng Investment Group Co Ltd	EUR	130	3.8	2023/10/23	3	Chengtou	-/-/-	-/-/-
2020/10/20	China Development Bank Financial Leasing Co Ltd	HKD	900	1.5	2021/4/27	182D	Financials	A1/A/A+	-/-/-
2020/10/20	China Everbright Ltd	USD	300	3.8	-	Perpetual	Financials	Baa3/-/BBB	Baa3/-/-
2020/10/20	Guotai Junan International Holdings Ltd	USD	20	1.1	2021/1/27	92D	Financials	Baa2/BBB+/-	-/-/-
2020/10/20	Hubei Science & Technology Investment Group Co Ltd	USD	300	2.9	2025/10/28	5	Chengtou	Baa3/-/BBB+	-/-/BBB+
2020/10/20	Industrial & Commercial Bank of China Ltd/Sydney	AUD	6	1.087	2026/1/27	5.25	Banks	A1/A/A	-/-/-
2020/10/20	Peak Reinsurance Co Ltd	USD	250	5.35	-	Perpetual	Financials	A3/-/-	Baa2/-/-
2020/10/20	Seazen Group Ltd	USD	80	5.45	2021/10/27	364D	Real Estate	Ba2/BB/BB	-/-/-
2020/10/20	Taizhou East New City Development Group Co Ltd	USD	65	2.98	2021/10/26	364D	Chengtou	-/-/-	-/-/-
2020/10/21	China Development Bank Financial Leasing Co Ltd	HKD	300	1.45	2021/7/29	273D	Financials	A1/A/A+	-/-/-
2020/10/21	China SCE Group Holdings Ltd	USD	500	7	2025/5/2	4.5	Real Estate	B1/B+/-	B2/-/-
2020/10/21	CMB International Capital Corp Ltd	USD	100	0.85	2021/4/29	182D	Financials	Baa1/BBB+/-	-/-/-
2020/10/21	Greentown China Holdings Ltd	USD	300	4.7	2025/4/29	4.5	Real Estate	Ba3/BB/-	Ba3/-/-
2020/10/21	Guangxi Communications Investment Group Co Ltd	USD	200	2.95	2025/10/30	5	Chengtou	Baa2/-/BBB	Baa2/-/-
2020/10/21	Mag Holdings Bhd	MYR	1	1	2022/8/23	1.84	Consumer Staples	-/-/-	-/-/-
2020/10/21	Meituan	USD	750	2.125	2025/10/28	5	Consumer Discretionary	Baa3/BBB-/BBB	Baa3/BBB-/BBB
2020/10/21	Meituan	USD	1,250	3.05	2030/10/28	10	Consumer Discretionary	Baa3/BBB-/BBB	Baa3/BBB-/BBB
2020/10/21	Nanjing Jiangning Economic Technology Development Co	USD	200	3.15	2021/10/26	364D	Chengtou	-/-/BBB	-/-/BBB
2020/10/21	Sinochem Hong Kong Group Co Ltd	USD	500	1.625	2025/10/29	5	Real Estate	A3/A-/A	A3/A-/A
2020/10/21	Sinochem Hong Kong Group Co Ltd	USD	500	3	-	Perpetual	Real Estate	A3/A-/A	Baa1/-/BBB+
2020/10/21	Zhongliang Holdings Group Co Ltd	USD	200	9.5	2022/7/29	1.75	Real Estate	B1/B+/B+	-/-/BB+
2020/10/22	China Development Bank Financial Leasing Co Ltd	USD	100	1.29	2021/10/28	364D	Financials	A1/A/A+	-/-/-
2020/10/22	CMB International Capital Corp	HKD	73	0.5	2021/4/30	182D	Financials	Baa1/BBB+/-	-/-/-

Ltd									
2020/10/22	GF Global Capital Ltd/HK	USD	8	0	2021/10/28	364D	Financials	-/-/-	-/-/-
2020/10/22	Jiaxing City Investment & Development Group Co Ltd	USD	300	2.6	2023/10/29	3	Chengtou	Baa3/-/BBB	-/-/BBB
2020/10/22	Powerlong Real Estate Holdings Ltd	USD	200	5.95	2025/4/30	4.5	Real Estate	B1/B+/-	B2/-/-
2020/10/22	Wens Foodstuffs Group Co Ltd	USD	350	2.349	2025/10/29	5	Consumer Staples	-/BBB/BBB+	-/-/BBB+
2020/10/22	Wens Foodstuffs Group Co Ltd	USD	250	3.258	2030/10/29	10	Consumer Staples	-/BBB/BBB+	-/-/BBB+

Sources: Bloomberg, CCX research

On October 22, Wuhan Dangdai Science & Technology Industries Group Co Ltd announced tap bond offering.

**Table 2 : Tap bond offering (20201019-20201023)**

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/10/22	Wuhan Dangdai Science & Technology Industries Group Co Ltd	USD	143 (reoffered 60)	10.5	2023/1/16	3	Health Care	-/-/-	-/-/-

Sources: Bloomberg, CCX research

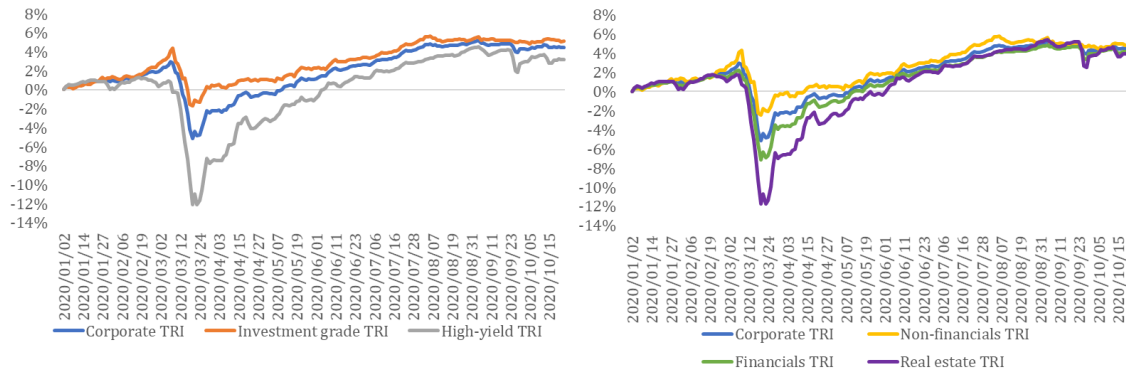
Recently, Gansu Provincial Highway Aviation Tourism Investment Group Co Ltd and Lenovo Group Ltd planned to issue offshore bonds.

## Secondary Market: Return on Chinese USD bonds diverged

As of October 23, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 2bp from last Friday to 4.43%, of which investment grade bond index was 5.10%, decreasing by 19bp, while high-yield bond index was 3.18%, increasing by 38bp. In terms of sector indices, the return on non-financial index was 4.73%, decreasing by 26dp from last Friday, while the return on real estate and financial indices were 3.92% and 4.15%, increasing by 30bp and 13bp respectively.

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

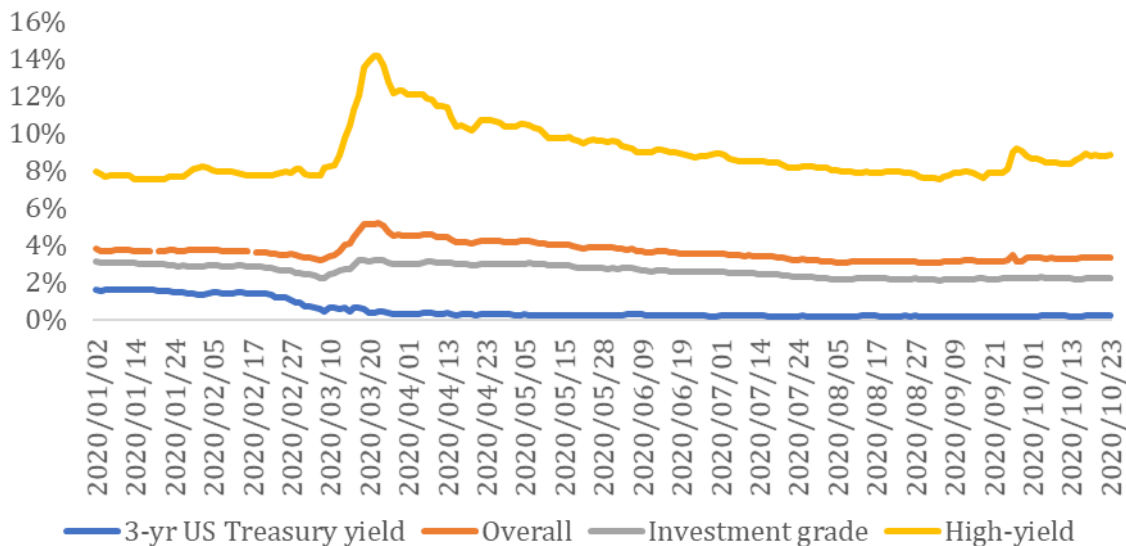
<sup>1</sup> Year-to-date return measures the return since January 2, 2020.



Sources: Bloomberg, CCX research

As of October 23, the yield-to-worst of Chinese dollar bonds decreased by 1bp to 3.33% from last Friday, of which investment grade bond index increased by 2bp to 2.20%, while the high-yield bond index fell by 7bp to 8.78%.

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



Sources: Bloomberg, CCX research

### Rating Actions: Upgrades on credit rating of 2 Chinese issuers

From October 19 to October 23, the rating agencies took positive rating action on 2 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20201019-20201023)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade	CIFI Holdings Group Co Ltd	Real Estate	BBB-	STABLE	2020/10/20	BB+	STABLE	2019/12/9	Lianhe Global	Leading market position, track record of prudent operating

performance,  
consistent  
profitability and  
financial discipline

Jiangxi Provincial Water Conservancy Investment Group Corp	Chengtou	BBB+	STABLE	2020/10/22	BBB	STABLE	2019/10/30	Fitch	Stronger incentive to support
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Sources: Bloomberg, Wind, CCX research



## Panda Bond Market: No new issue this week

As of October 23, 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 4 : New issuance of Panda Bond in 2020 (20200101-20201023)**

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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