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From November 2 to November 6

US election results became clear; Return on Chinese USD bonds rebounded

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Headline: US election results became clear, global economies recovered

Democrat Joe Biden was expected to be elected as the 46th US president, according to US mainstream media's report. Meanwhile, controls of the Senate and the House were expected to remain under Republicans and Democrats. The election results reduced market uncertainties. The US jobs report and the PMI data of major economies were better than market expectations, suggesting the recovery of global economy.

Exchange Rate: Strong RMB exchange rate

RMB exchange rate went strong with a clearer result of US presidential election. As of November 6, the intermediate price of RMB exchange rate closed at 6.6290.

Interest Rate: China Government Bond yields rose, US Treasury yields dropped followed by a rebound

This week, China Government Bond yields rose in general. US Treasury yields fluctuated due to the US election and better-than-expected jobs report. Treasury yields dropped followed by a rebound. As of November 6, the yield spread between China and US 10-year note was 238.8bp, widening by 8.1bp from last Friday and 111.6bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond new issuance declined, property developers were key issuers**

Chinese offshore bond new issuance declined amid the US election. From November 1 to November 6, there were 10 new issues with a total issuance volume of USD1.7 billion. Property developers were the key issuers, which raised USD925 million, accounting for 53.5% of the total issuance.

Secondary Market: Return on Chinese USD bonds rebounded

Return on Chinese USD bonds rebounded as market sentiment recovered alongside the progress of US election. As of November 6, the YTD return on Chinese USD corporate bond index increased by 47bp from last Friday to 4.84%. In terms of sector indices, the return on real estate index recorded the largest rally, rising by 80bp from last Friday to 4.74%.

Rating Actions: Chinese issuers' credit quality diverged**Risk Event: Tsinghua Unigroup failed to buy back perpetual bonds****Panda Bond Market: China Power issued a MTN this week**

On November 5, China Power issued 2020 Medium Term Note Series I in the China Interbank Market. China Power raised RMB1.5 billion, at a coupon rate of 4.35% with a tenor of 3 years.

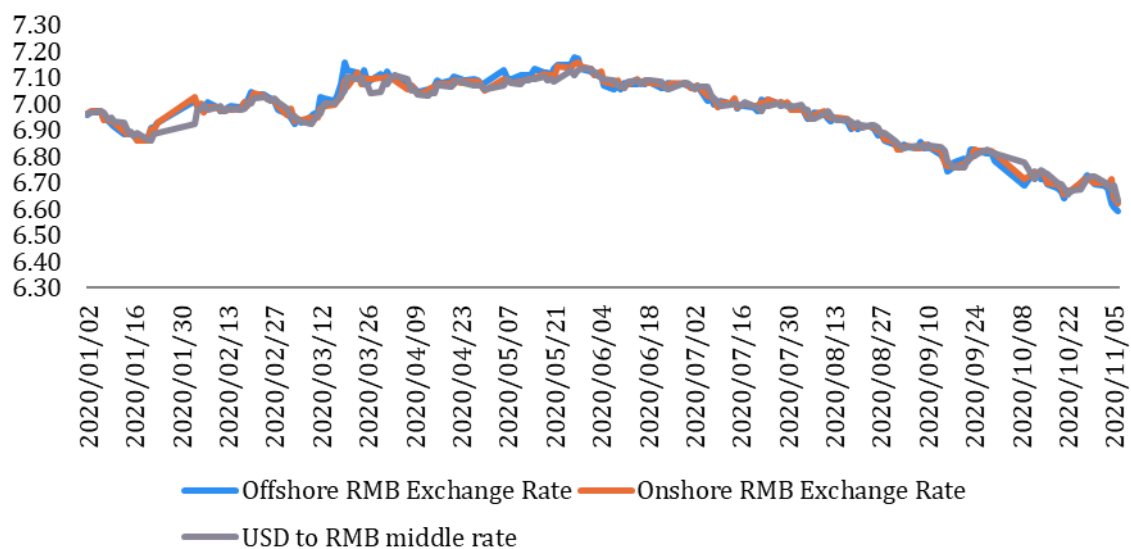
Headline: US election results became clear, global economies recovered

Despite that President Trump refused to concede, Democrat Joe Biden was expected to win more than 270 electoral votes to become the 46th US president, according to US mainstream media's report. Meanwhile, controls of the Senate and the House were expected to remain under Republicans and Democrats. In Biden's winning speech, he declared a few priorities for the new government, including COVID-19, economic recovery, racial justice and climate change. The election results reduced uncertainties, which investors expected that new fiscal stimulus policy will be introduced soon. The Fed kept the benchmark interest rate steady at 0% to 0.25%, and held asset purchases unchanged. The US jobs report and the PMI data of major economies were better than market expectations, suggesting recovery of the economies.

Exchange Rate: Strong RMB exchange rate

According to US mainstream media, Democratic presidential candidate former vice president Joe Biden won more than 270 electoral votes. RMB exchange rate went strong with a clearer result of the US presidential election. As of November 6, the intermediate price of RMB exchange rate closed at 6.6290, down 942bp from last Friday; the onshore RMB exchange rate closed at 6.6215, down 787bp; the offshore RMB exchange rate closed at 6.5926, down 1038bp.

Figure 1 : RMB exchange rate

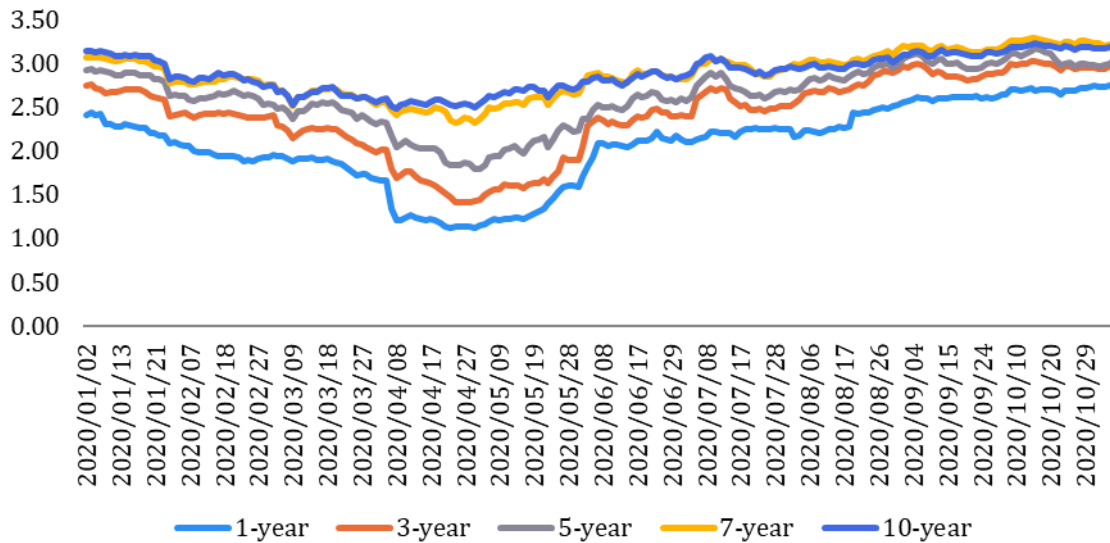


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields rose, US Treasury yields dropped followed by a rebound

This week, China Government Bond yields rose in general. As of November 6, the 1-year, 3-year, 5-year and 10-year Government Bond yields increased from last Friday, closing at 2.7832%, 2.9702%, 3.0341% and 3.2063%, respectively; 7-year Government Bond yield declined slightly from last Friday, closing at 3.2354%.

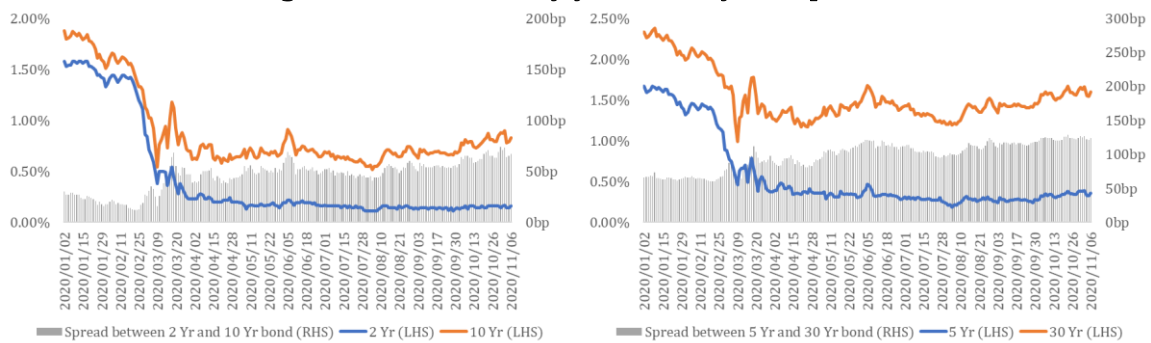
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields fluctuated due to the US election and better-than-expected jobs report. The yields dropped followed by a rebound. As of November 6, 2-year Treasury yield rose by 2bp to 0.16%; 5-year, 10-year and 30-year Treasury yields closed at 0.36%, 0.83% and 1.60%, decreasing by 2bp, 5bp and 5bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 7bp to 67bp from last Friday, while the spread between the 5-year and 30-year tightened by 3bp to 124bp.

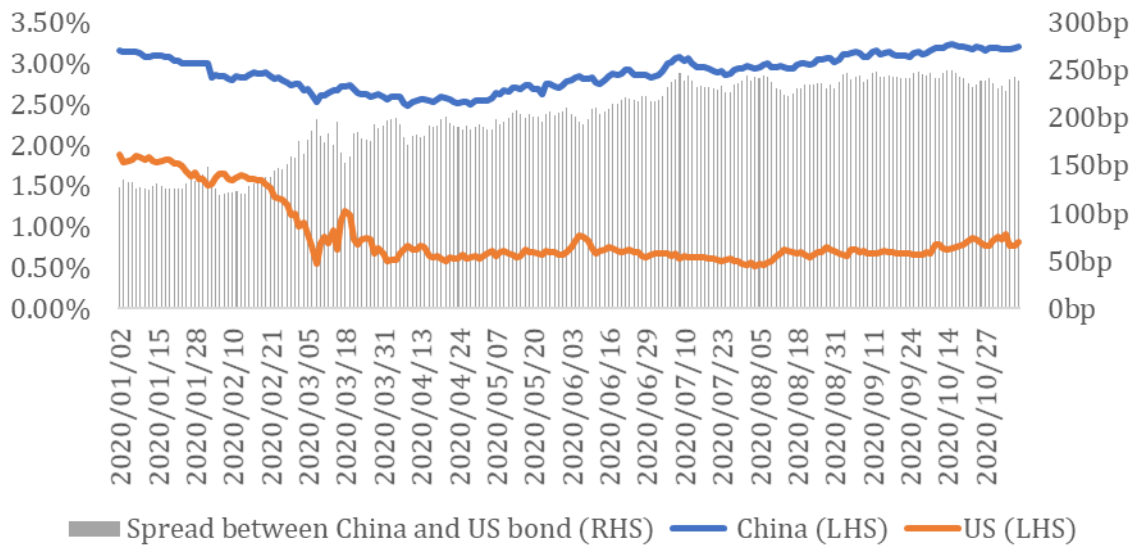
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of November 6, the yield spread between China and US 10-year note was 238.8bp, widening by 8.1bp from last Friday and 111.6bp 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 declined, property developers were key issuers

Chinese offshore bond new issuance declined amid the US election. From November 1 to November 6, there were 10 new issues with a total issuance volume of USD1.7 billion. Property developers were the key issuers, which raised USD925 million, accounting for 53.5% of the total issuance.

Table 1 : New issuance of Chinese offshore bonds (20201101-20201106)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/1	China Beidahuang Industry Group Holdings Ltd	HKD	111	12	2021/12/31	1.16	Consumer Staples	-/-/-	-/-/-
2020/11/2	China Hualong International Construction Corp	EUR	25.3	4	2021/11/1	364D	Industrials	-/-/-	-/-/-
2020/11/2	China North Industries Group Corp Ltd	USD	300	1.828	2025/11/9	5	Energy	-/-/-	-/-/-
2020/11/3	Fujian Yango Group Co Ltd	USD	175	11.875	2023/5/10	2.5	Real Estate	-/B/-	-/B/-
2020/11/4	China Development Bank Financial Leasing Co Ltd	HKD	210	1.43	2021/6/11	211D	Financials	A1/A/A+	-/-/-
2020/11/5	CMB International Capital Corp Ltd	USD	3	0.6	2021/2/16	95D	Financials	Baa1/BBB+/-	-/-/-
2020/11/5	Guiyang Economic Development Zone Urban Construction Investment Group Co Ltd	EUR	253	4.5	2021/10/31	356D	Chengtou	-/-/-	-/-/-
2020/11/5	Xuzhou Economic Technology Development Zone State Owned Asset Management Co Ltd	USD	400	4.5	2023/11/12	3	Chengtou	-/-/-	-/-/-
2020/11/6	CIFI Holdings Group Co Ltd	USD	350	5.25	2026/5/13	5.5	Real Estate	Ba3/BB/BB	-/BB-/BB

2020/11/6 KWG Group Holdings Ltd USD 400 6.3 2026/2/13 5.25 Real Estate B1/B+/BB- -/-/BB-

Sources: Bloomberg, CCX research

Tongren State-owned Capital Operation Co Ltd and Jiayuan International Group Ltd announced tap bond offering on November 5 and November 6, respectively.

Table 2 : Tap bond offering (20201102-20201106)

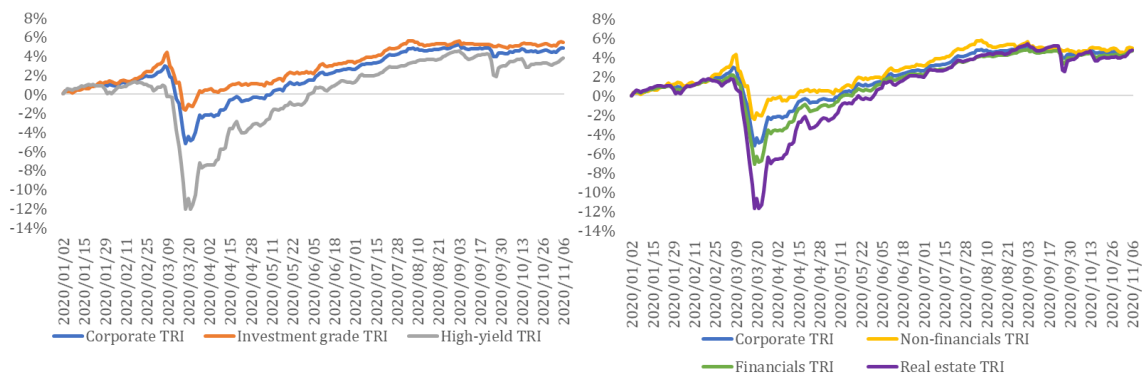
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/11/5	Tongren State-owned Capital Operation Co Ltd	USD	150 (reoffered 70)	7.8	2023/11/3	3	Chengtou	-/-/-	-/-/-
2020/11/6	Jiayuan International Group Ltd	USD	300 (reoffered 100)	12.5	2023/4/8	2.5	Real Estate	B2/B/-	B3/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds rebounded

Return on Chinese USD bonds rebounded as market sentiment recovered alongside the progress of US election. As of November 6, the YTD return¹ on Chinese USD corporate bond index increased by 47bp from last Friday to 4.84%, of which investment grade bond index was 5.43% and high-yield bond index was 3.78%, increasing by 37bp and 71bp respectively. In terms of sector indices, the return on real estate index recorded the largest rally, rising by 80bp from last Friday to 4.74%, while the non-financial and financial indices were 4.95% and 4.67%, increasing by 45bp and 48bp, respectively.

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

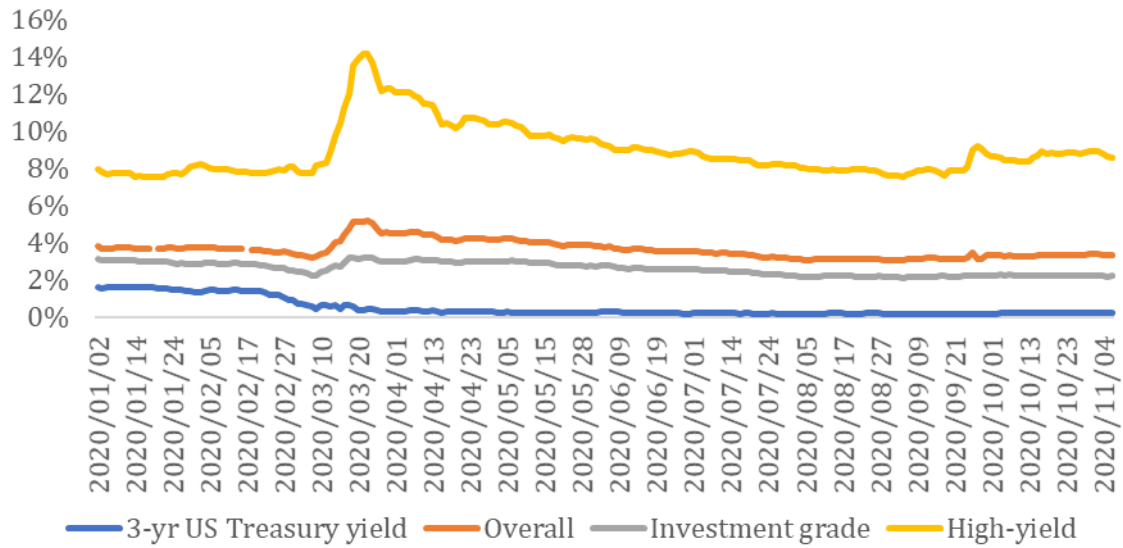


Sources: Bloomberg, CCX research

As of November 6, the yield-to-worst of Chinese dollar bonds decreased by 8bp to 3.27% from last Friday, of which investment grade bond index dropped by 5bp to 2.17%, while the high-yield bond index declined by 33bp to 8.52%.

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

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



Sources: Bloomberg, CCX research

Rating Actions: Chinese issuers' credit quality diverged

From November 2 to November 6, the rating agencies took positive rating actions on 7 Chinese issuers; and negative rating actions on 3 Chinese issuers.

Table 3 : Credit rating changes of cross-border bond market (20201102-20201106)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Seazen Holdings Co Ltd & Seazen Group Ltd	Real Estate	BB	POS	2020/11/2	BB	STABLE	2020/1/8	S&P	Growing rental business
	Jiangsu Nantong Sanjian Construction Group Co Ltd	Industrials	Caa1	NEG	2020/11/5	Caa2	NEG	2020/9/2	Moody's	Settlement of the exchange offer
	China Great Wall AMC International Holdings Co Ltd	Financials	A	STABLE	2020/11/5	A-	STABLE	2020/7/21	Fitch	Reassessment of the Parent and Subsidiary Linkage
	China Orient Asset Management International Holding Ltd	Financials	A	STABLE	2020/11/5	A-	STABLE	2020/3/10	Fitch	Reassessment of the Parent and Subsidiary Linkage
	State Grid International Development Ltd	Financials	A+	STABLE	2020/11/6	A	STABLE	2020/8/20	Fitch	Reassessment of the Parent and Subsidiary Linkage
	China FAW Group Co Ltd	Consumer Discretionary	A	STABLE	2020/11/6	A	NEG	2020/4/3	S&P	Resilient performance
	Shenergy Group Co Ltd	Utilities	A1	NEG	2020/11/4	A1	STABLE	2019/11/22	Moody's	Proposed acquisition of Guanhui
Downing										

	Huarong Industrial Investment Management Co Ltd	Real Estate	BBB+	STABLE	2020/11/4	A-	Rating Watch Negative	2019/11/7	Fitch	Reassessment of the Parent and Subsidiary Linkage
Domestic Rating:										
Downgrade	Tsinghua Unigroup Co Ltd	Technology	AAA	Rating Watch Negative	2020/11/5	AAA	STABLE	2020/7/7	CCXI	High refinancing pressure

Sources: Bloomberg, Wind, CCX research

Risk Event: Tsinghua Unigroup failed to buy back perpetual bonds

On October 29, Tsinghua Unigroup Co Ltd (“Tsinghua Unigroup” or the “Company”) announced that the Company will pay the interest of its Private Placement Note Series 6 issued in 2015 (“15紫光PPN006”), but will not exercise the call option, which investors were worried about the Company’s liquidity and caused slump of bond prices. China Chengxin believed that Tsinghua Unigroup was under refinancing pressure as it had a sizeable amount of short-term debt, which will be mature in November to December of 2020 and the first half of 2021, but lacked cash. Also, China Chengxin expected that the failure of callback could increase the Company’s financing cost and weakened its refinancing capability. As of 30 October 2020, the outstanding USD bonds issued by Tsinghua Unigroup and the related companies amounted to about USD2.45 billion.

Panda Bond Market: China Power issued a MTN this week

On November 5, China Power International Development Limited (“China Power”) issued 2020 Medium Term Note Series I in the China Interbank Market. China Power raised RMB1.5 billion, at a coupon rate of 4.35% with a tenor of 3 years.

As of November 6, there were 24 issuers that issued 39 Panda Bonds in 2020, with a total issuance amount of RMB55.3 billion and an average coupon of 3.12%. 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 (20200101-20201106)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	1.5	4.35	2020/11/5	2023/11/5	3	MTN	China Interbank Market	Golden Credit Rating
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	Shanghai

							Market	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	China Interbank	--

						Institutional Bond	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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