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From December 21 to December 25

CCXI & CCXAP Cross-border Bonds Weekly Report

Brexit trade deal agreed; validity of keepwell under challenge

Authors

CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Lina Wang 010-66428877-451

jlwang@ccxi.com.cn

CCXAP

Jacky Lau 852-28607124

jacky_lau@ccxap.com

Vincent Tong 852-28607125

vincent_tong@ccxap.com

Other

Elle Hu 852-28607120

elle_hu@ccxap.com

Date:

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Headline: Brexit trade deal agreed, UK flights were suspended by several countries

On December 24, the UK and EU agreed on the Brexit trade deal. Both parties compromised on several key areas, including fishing and rules on fair competition. The zero-tariff and zero-quota arrangement will be maintained after 2021, which help businesses for cost control. The UK identified a new, potentially more contagious coronavirus variant in mid-December, which has spread across several countries already. Some countries in the EU suspended travel links with the UK. In addition, many of the Asian countries, including China and Singapore, suspended the UK flights.

Exchange Rate: RMB exchange rate fluctuated

The RMB exchange rate continued to fluctuated this week. As of December 25, the intermediate price of RMB exchange rate closed at 6.5333.

Interest Rate: China Government Bond yields dropped, US Treasury yields fluctuated

The adjustment of China Government Bond market continued this week. US Treasury yields fluctuated due to fears of new COVID-19 strain and agreement on the Brexit trade deal. As of December 25, the yield spread between China and US 10-year note was 226.5bp, tightening by 7.9bp from last Friday and widening 99.3bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Few new issuances of Chinese offshore bond before Christmas holiday

From December 21 to December 25, there were 14 new issues with a total issuance volume of USD0.52 billion.

Secondary Market: Return on Chinese dollar bonds rose

As of December 24, the YTD return on Chinese USD corporate bond index increased by 22bp from last Friday to 5.81%, of which investment grade bond index was 5.72% and high-yield bond index was 6.35%, increasing by 18bp and 34bp respectively.

Rating Actions: CCXAP assigned first-time long-term credit rating of BBB_g- to Zhuzhou Geckor, with stable outlook

Risk Event: GCL New Energy introduced exchange offer, Tsinghua Holdings not responsible for Tsinghua Unigroup's USD bond

Panda Bond Market: No new issuance this week

Headline: Brexit trade deal agreed, UK flights were suspended by several countries

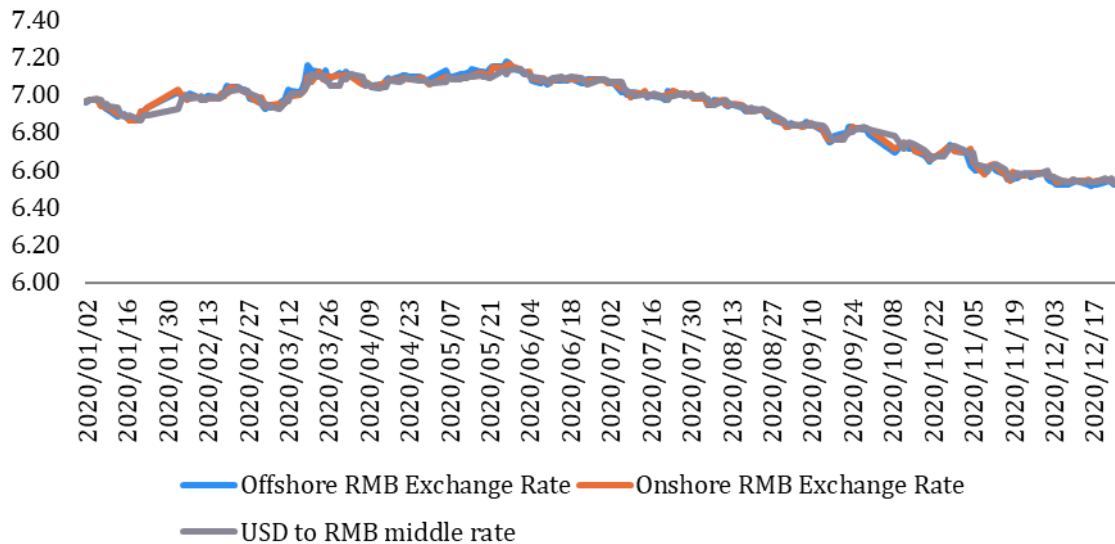
On December 24 (Brussels time), the UK and EU agreed on the Brexit trade deal after around four and half years' negotiation. The UK will leave the EU single market and customs union on December 31, ending the Brexit transition period. Both parties compromised on several key areas, including fishing and rules on fair competition. "It (the deal) is fair and balanced. And it is the right responsible thing to do for both sides," the president of the European Commission, Ursula von Der Leyen praised. This is the first zero-tariff and zero-quota agreement approved by the EU, which the zero-tariff and zero-quota arrangement will be maintained after 2021, and help businesses for cost control. In addition, the UK is not required to contribute to the EU budget; and ends the jurisdiction of the European Court of Justice.

The UK identified a new, potentially more contagious coronavirus variant in mid-December, which has spread across several countries already. Some countries in the EU suspended travel links with the UK. In addition, many of the Asian countries, including China and Singapore, suspended the UK flights.

Exchange Rate: RMB exchange rate fluctuated

The RMB exchange rate continued to fluctuated this week. As of December 25, the intermediate price of RMB exchange rate closed at 6.5333, up 18bp from last Friday; the onshore RMB exchange rate closed at 6.5241, down 174bp; the offshore RMB exchange rate closed at 6.5196, up 7bp.

Figure 1 : RMB exchange rate

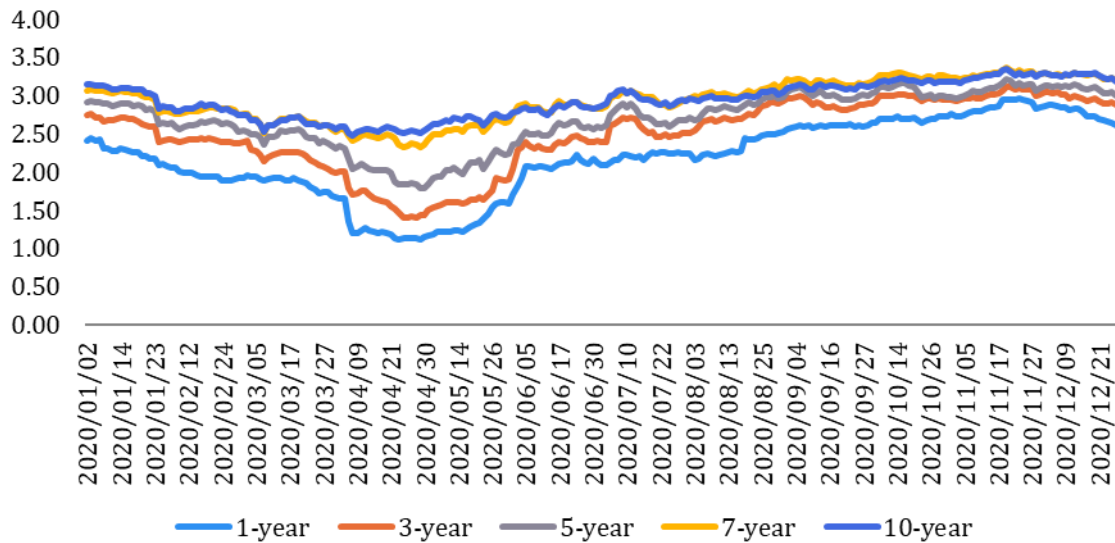


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields dropped, US Treasury yields fluctuated

The adjustment of China Government Bond market continued. As of December 25, the 1-year, 3-year, 5-year, 7-year and 10-year Government Bond yields decreased from last Friday, closing at 2.6096%, 2.8856%, 3.0030%, 3.1950% and 3.1878%.

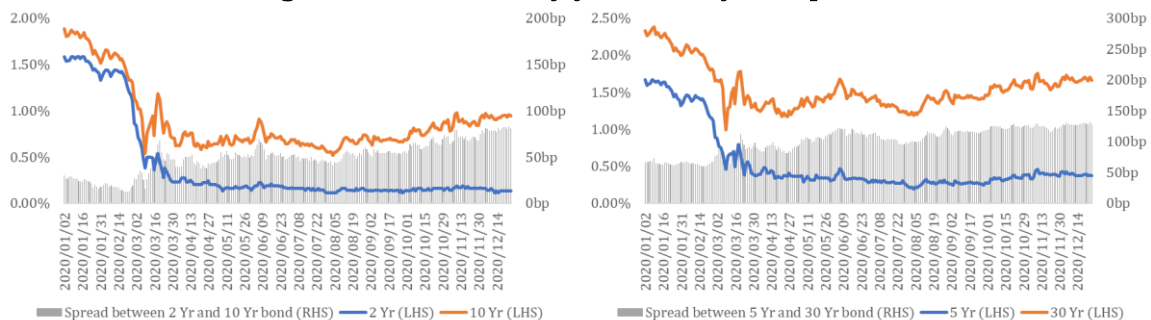
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields fluctuated due to fears of new COVID-19 strain and agreement on the Brexit trade deal. As of December 24, 2-year flattened at 0.13% as compared to last Friday; while 5-year, 10-year and 30-year Treasury yields closed at 0.37%, 0.94% and 1.66%, decreasing by 2bp, 1bp and 4bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year tightened by 1bp to 81bp from last Friday, while the spread between the 5-year and 30-year tightened by 2bp to 129bp from last Friday.

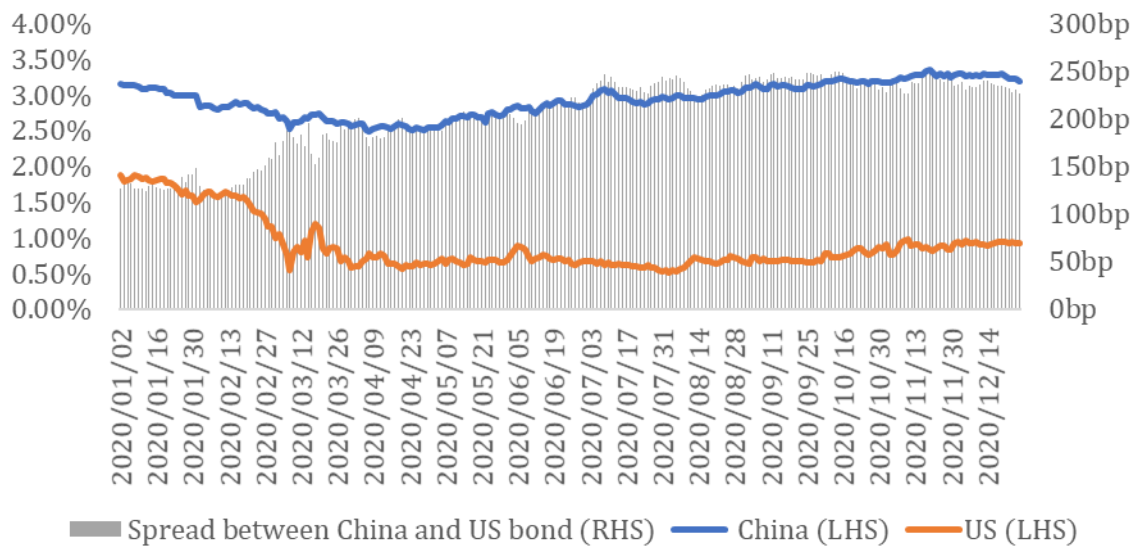
Figure 3 : US Treasury yields and yield spreads



Sources: The Federal Reserve, CCX research

As of December 25, the yield spread between China and US 10-year note was 226.5bp, tightening by 7.9bp from last Friday and widening 99.3bp 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: Few new issuances of Chinese offshore bond before Christmas holiday

From December 21 to December 25, there were 14 new issues with a total issuance volume of USD0.52 billion.

Table 1 : New issuance of Chinese offshore bonds (20201221-20201225)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2020/12/21	China International Capital Corp Hong Kong Ltd	USD	90	3ML+125	2021/12/22	364D	Financials	Baa1/BBB/BBB+	-/-/-
2020/12/21	CITIC Securities International Company Limited	USD	1	0.000001	2025/9/30	4.76	Financials	-/BBB+/-	-/-/-
2020/12/21	CITIC Securities International Company Limited	USD	5	0.000001	2025/9/30	4.76	Financials	-/BBB+/-	-/-/-
2020/12/21	CITIC Securities International Company Limited	USD	3	0.000001	2025/11/25	4.91	Financials	-/BBB+/-	-/-/-
2020/12/21	CITIC Securities International Company Limited	USD	3	0.000001	2025/11/25	4.91	Financials	-/BBB+/-	-/-/-
2020/12/21	CITIC Securities International Company Limited	USD	3	0.000001	2025/11/25	4.91	Financials	-/BBB+/-	-/-/-
2020/12/21	CITIC Securities International Company Limited	USD	3	0.000001	2025/11/25	4.91	Financials	-/BBB+/-	-/-/-
2020/12/21	CITIC Securities International Company Limited	USD	3	0.000001	2025/11/25	4.91	Financials	-/BBB+/-	-/-/-
2020/12/21	Guotai Junan International Holdings Ltd	HKD	200	1.49	2021/6/29	182D	Financials	Baa2/BBB+/-	-/-/-
2020/12/22	Hong Kong JunFa Property Co Ltd	USD	121	11	2022/12/24	2	Real Estate	-/-/B+	-/-/B+
2020/12/22	Zhejiang Changxing Jingkai Construction & Development Co Ltd	USD	42	2.9	2023/12/28	3	Chengtou	-/-/-	-/-/-

2020/12/23	CTI Capital Management Ltd	USD	80	3.788	2021/4/23	114D	Financials	-/-/-	-/-/-
2020/12/23	Shandong Iron & Steel Group Co Ltd	EUR	100	1.8	2021/12/28	364D	Materials	-/-/-	-/-/-
2020/12/24	CMB Financial Leasing Co Ltd	USD	20	1.5	2021/12/28	364D	Financials	A3/BBB+/-	-/-/-

Sources: Bloomberg, CCX research

On December 21, CITIC Securities International Co Ltd and Industrial & Commercial Bank of China Ltd/Sydney announced tap bond offering.

Table 2 : Tap bond offering (20201221-20201225)

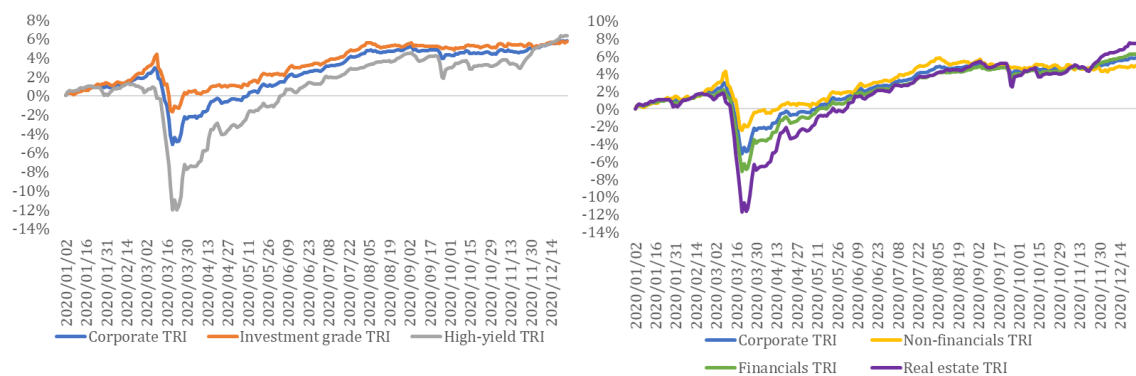
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/ Fitch)	Issue Rating (Moody's/S&P/ Fitch)
2020/12/21	CITIC Securities International Co Ltd	USD	80 (reoffered 50)	0	2050/11/30	30	Financials	-/BBB+/-	-/-/-
2020/12/21	Industrial & Commercial Bank of China Ltd/Sydney	AUD	17 (reoffered 6)	1.087	2026/1/27	5.25	Banks	A1/A/A	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese dollar bonds rose

As of December 24, the YTD return¹ on Chinese USD corporate bond index increased by 22bp from last Friday to 5.81%, of which investment grade bond index was 5.72% and high-yield bond index was 6.35%, increasing by 18bp and 34bp respectively. In terms of sector indices, the non-financial, financial and real estate indices were 4.95%, 6.24% and 7.46%, increasing by 24bp, 21bp and 33bp from last Friday, respectively.

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

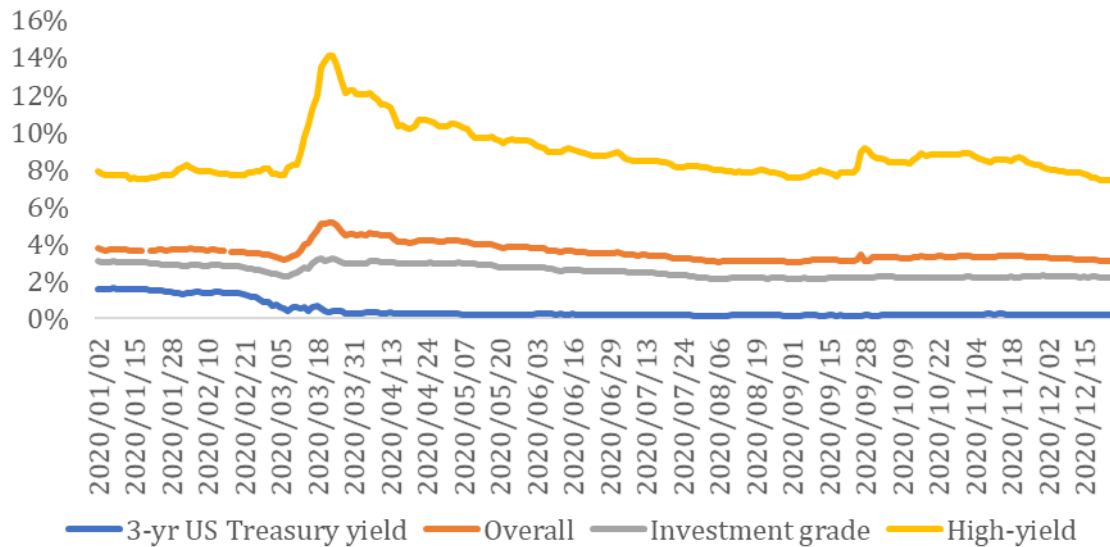


Sources: Bloomberg, CCX research

As of December 24, the yield-to-worst of Chinese dollar bonds decreased by 4bp to 3.10% from last Friday, of which investment grade bond index dropped by 2bp to 2.21%, while the high-yield bond index declined by 12bp to 7.40%.

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: CCXAP assigned first-time long-term credit rating of BBB_g- to Zhuzhou Geckor, with stable outlook

On December 22, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) assigned a first-time long-term credit rating of BBB_g- to Zhuzhou Geckor Group Company Ltd (“Zhuzhou Geckor”). The rating outlook is stable.

Table 3 : CCXAP’s rating action (20201221-20201225)

Date	Entity	Issuer Rating	Rating Rationale
2020/12/22	Zhuzhou Geckor	BBB _g -	The rating is underpinned by Zhuzhou Geckor’s (1) strong market position as the sole investment and financing platform in Zhuzhou High-tech Industrial Development Zone; (2) dominant and sustainable primary land and property development businesses; and (3) growing operating revenue. However, the rating is also constrained by its (1) moderate operating profits and average cash collection ability; (2) high debt leverage and modest liquidity profile; and (3) relatively large amount of restricted assets.

Source: CCX research

From December 21 to December 25, 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 (20201221-20201225)

Table 1: Current Rating Changes of Chinese Border Communities (2020-2021)										
	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Qingdao City Construction Investment Group Co Ltd	Chengtou	BBB+	STABLE	2020/12/23	BBB	STABLE	2020/1/21	Fitch	Strengthened relationship with the Qingdao

Downgrade	Baidu Inc	Communications	A3	STABLE	2020/12/23	A3	POS	2020/3/6	Moody's	municipal government Stable credit profile
	GCL New Energy Holdings Ltd	Utilities	Caa2	Rating Watch Negative	2020/12/24	Caa1	NEG	2020/4/28	Moody's	Distressed exchange

Sources: Bloomberg, Wind, CCX research

Risk Event: GCL New Energy introduced exchange offer, Tsinghua Holdings not responsible for Tsinghua Unigroup's USD bond

On December 23, GCL New Energy Holdings Ltd ("GCL New Energy" or the "Company") introduced exchange offer to the bond holders of its USD500 million senior notes due in January 2021. The Company stated that although it strived to improve its liquidity through cooperation with China Huaneng Group and other assets disposals, the Company's internal resources may be insufficient to repay the notes due to uncertainties of these transactions and undermined cash position. The exchange consideration for each USD1,000 principal amount of the notes consisted of: (1) cash consideration of USD50; (2) USD950 in aggregate principal amount of the new notes; (3) any accrued interest; and (4) cash in lieu of any fractional amount of the new notes.

On December 29, according to Bloomberg, Tsinghua Holdings Corp Ltd ("Tsinghua Holdings") told a bondholder meeting on December 28 that it is not responsible for the Tsinghua Unigroup Co Ltd's ("Tsinghua Unigroup") USD450 million bonds, despite that it is one of the keepwell providers. In addition, Tsinghua Holdings stated that Tsinghua Unigroup will introduce other strategic investors, and it will not be the biggest shareholder afterward.

Panda Bond Market: No new issuance this week

As of December 25, there were 24 issuers that issued 42 Panda Bonds in 2020, with a total issuance amount of RMB57.15 billion and an average coupon of 3.16%. The majority of them were issued in the China Interbank Market, and 60% of them were issued at a tenor of 3 years or above.

Table 5 : New issuance of Panda Bond in 2020 (20200101-20201225)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Veolia Environnement S.A.	0.75	4.45	2020/12/16	2023/12/16	3	PPN	China Interbank Market	China Chengxin
Veolia Environnement S.A.	0.75	4.45	2020/12/16	2023/12/16	3	PPN	China Interbank Market	China Chengxin
Hengan International Group Company Limited	0.35	2.10	2020/12/7	2020/12/30	0.06	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	1.5	4.60	2020/11/18	2023/11/18	3	MTN	China Interbank Market	Golden Credit Rating
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 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	S&P China
Daimler International Finance BV	3	3.25	2020/6/5	2023/6/5	3	PPN	China Interbank Market	China Chengxin
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	China Chengxin
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	--
BMW Finance N.V.	1.5	2.90	2020/3/4	2021/3/4	1	PPN	China Interbank Market	--
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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地址: 北京市东城区朝阳门内大街
南竹竿胡同 2 号银河 SOHO6 号楼
邮编: 100020
电话: (8610) 6642 8877
传真: (8610) 6642 6100
网址: <http://www.ccxi.com.cn>

China Chengxin International Credit Rating Co., Ltd

Address: Building 6, Galaxy SOHO,
No.2 Nanzhugan hutong, Chaoyangmennei Avenue,
Dongcheng district, Beijing, 100020
Tel: (8610) 6642 8877
Fax: (8610) 6642 6100
Website: <http://www.ccxi.com.cn>



中国诚信(亚太)信用评级有限公司

地址: 香港中环康乐广场 1 号
怡和大厦 19 楼 1904-1909 室
电话: (852) 2860 7111
传真: (852) 2868 0656
网址: <http://www.ccxap.com>

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong
Tel: (852) 2860 7111
Fax: (852) 2868 0656
Website: <http://www.ccxap.com>