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From October 28 to November 1

The Fed delivered third rate cut this year; new issuance of Chinese offshore bonds declined

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Headline: The Fed delivered third rate cut this year

On October 30, the Fed announced interest rate cut for the third time this year. The central bank lowered its benchmark interest rate by 25bp to a target range between 1.5% and 1.75%, in line with the market expectation. Since July 2019, the Fed has cut interest rates by 75bp accumulatively. The market believed that the Fed would pause a further cut in December indicated by the hawkish statement.

Exchange Rate: RMB exchange rates dropped

The intermediate price, onshore and offshore RMB exchange rates declined because of US-China trade optimism and weak US Dollar index.

Interest Rate: China Government Bond yields rose, while US Treasury yields fell

Easing of China-US trade frictions and recovery of economic data lifted the yields of China Government Bonds. The Fed cut US interest rates again and treasury yields fell. As of November 1, the yield spread between China and US 10-year note was 156.5bp, widening by 12.3bp from last Friday and 101.2bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: New issuance declined, real estate enterprises were the key issuers

From October 28 to November 1, there were 7 new issues with a total issued volume of USD2.1 billion, decreasing by 52.9% from last week, of which real estate enterprises were the key issuers.

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

As of November 1, the YTD return on Chinese USD corporate bond index rose by 26bp over last week to 9.15%, of which investment grade bond index was 8.62% and high-yield bond index was 10.65%, increasing by 36bp and 3bp over last week, respectively.

Panda Bond Market: No new issuance this week

Headline: The Fed delivered third rate cut this year

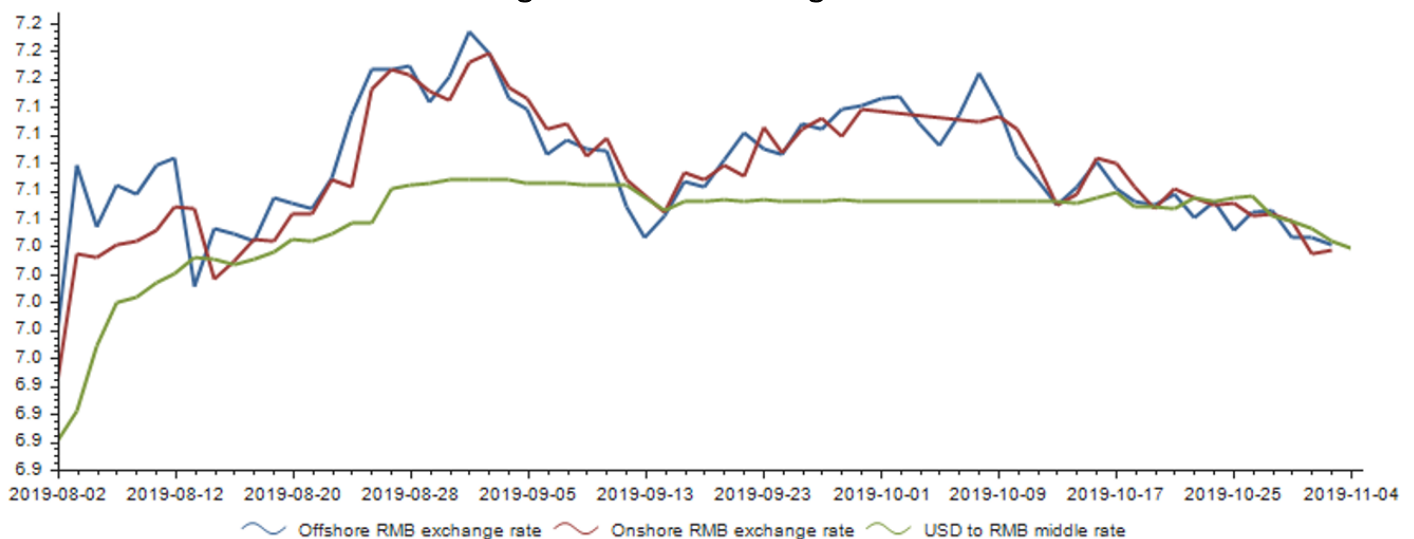
On October 30, the Fed announced interest rate cut for the third time this year. The central bank lowered its benchmark interest rate by 25bp to a target range between 1.5% and 1.75%, which has been widely anticipated by the market. Since July 2019, the Fed has cut interest rates by 75bp accumulatively in order to prevent the downturn risk of economies affected by external factors.

The Federal Open Market Committee stated that economic activity has been rising at a moderate rate. Although household spending has been rising at a strong pace, business fixed investment and exports remained weak. On a 12-month basis, overall inflation and inflation for items other than food and energy were running below 2%. In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate. The Fed made two significant changes to the language of its monetary policy statement: (1) it would “assess the appropriate path” for rates instead of “act as appropriate to sustain the expansion”; and (2) it would “continue to monitor the implications of incoming information”. Powell reaffirmed the monetary policy stance was appropriate during his press briefing. He said the Fed would keep its policy steady as long as there are no threats to its outlook for a moderately growing economy. The market believed that the Fed would pause a further cut in December after its hawkish statement.

Exchange Rate: RMB exchange rates dropped

During the week, the intermediate price, onshore and offshore RMB exchange rates declined because of US-China trade optimism and weak US Dollar index. As of November 1, the intermediate price of the RMB exchange rate closed at 7.0437, dropping by 312bp from last Friday; while the onshore and offshore RMB exchange rate fell by 340bp and 94bp from last Friday, closing at 7.0376 and 7.0417, respectively.

Figure 1 : RMB Exchange Rate

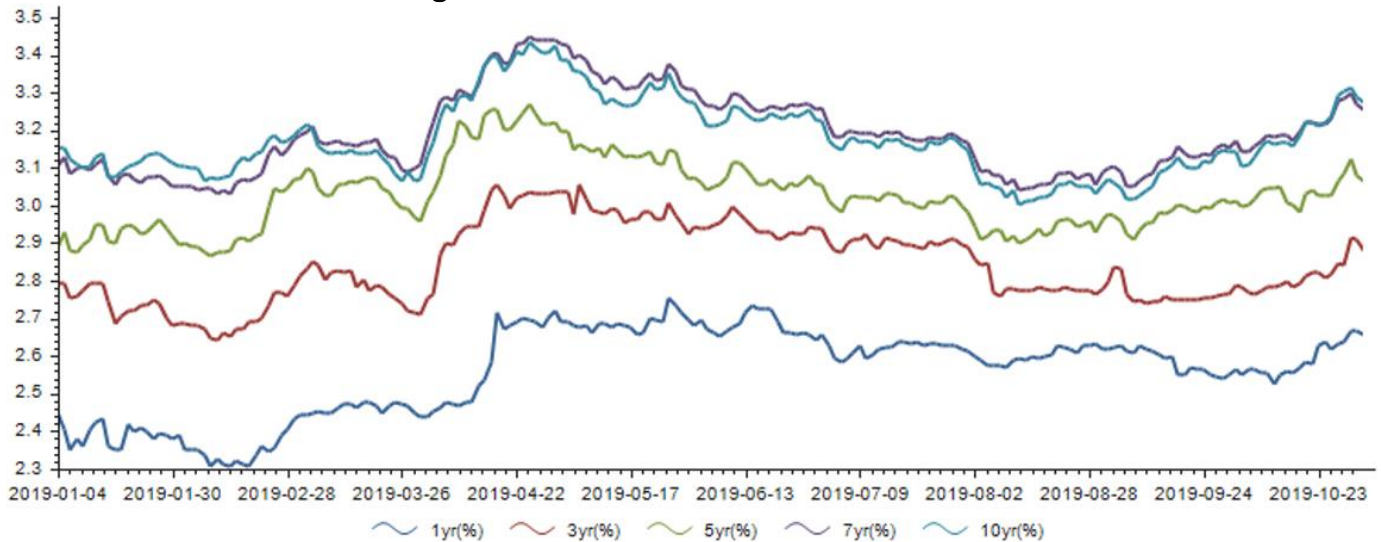


Sources: Eastmoney, CCX research

Interest Rate: China Government Bond yields rose, while US Treasury yields fell

During the week, easing of China-US trade frictions and recovery of economic data lifted the yields of China Government Bonds. As of November 1, the maturity yields of 1-year, 3-year, 5-year, 7-year and 10-year Government Bonds rose from last Friday, closing at 2.6576%, 2.8806%, 3.0639%, 3.2538% and 3.2757%, respectively.

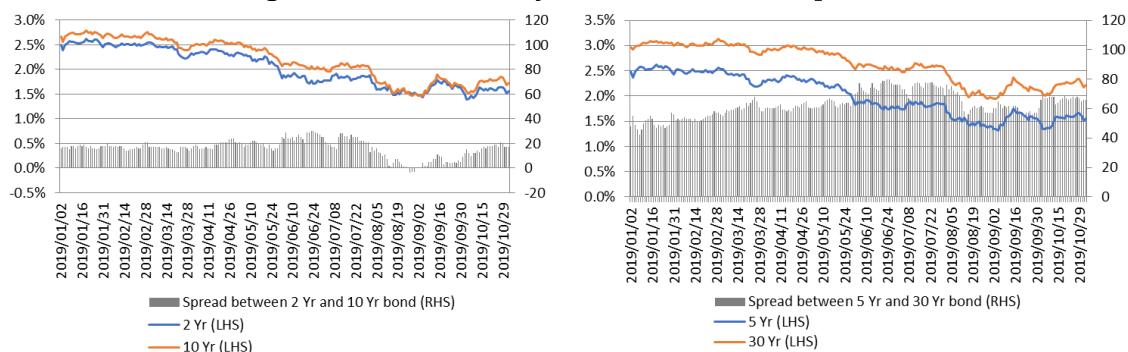
Figure 2 : China Government Bond Yields



Sources: Eastmoney, CCX research

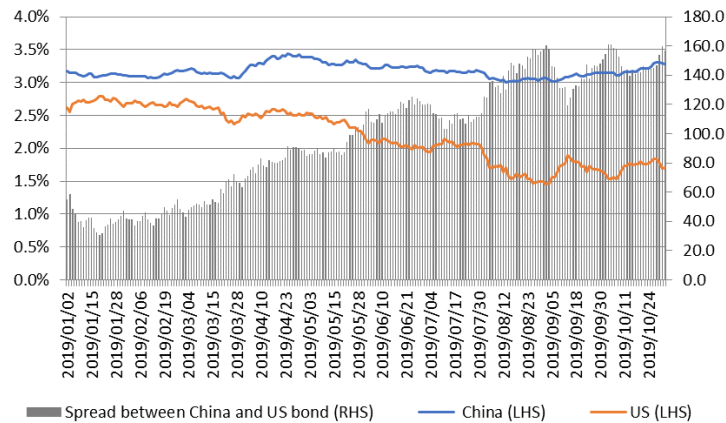
The Fed cut US interest rates again by 25 bp to a target range between 1.5% and 1.75% this week and treasury yields fell. As of November 1, the 2-year, 5-year, 10-year and 30-year Treasury yields closed at 1.56%, 1.55%, 1.73% and 2.21%, decreasing by 7bp, 7bp, 7bp and 8bp over last Friday. In terms of Treasury yield spreads, the spread between the 2-year and 10-year was at 17bp, unchanged from last Friday, while the spread between the 5-year and 30-year narrowed by 1bp to 66bp from last Friday. As of November 1, the yield spread between China and US 10-year note was 156.5bp, widening by 12.3bp from last Friday and 101.2bp from the beginning of the year.

Figure 3 : US Treasury Yields and Yields Spread



Sources: The Federal Reserve, CCX research

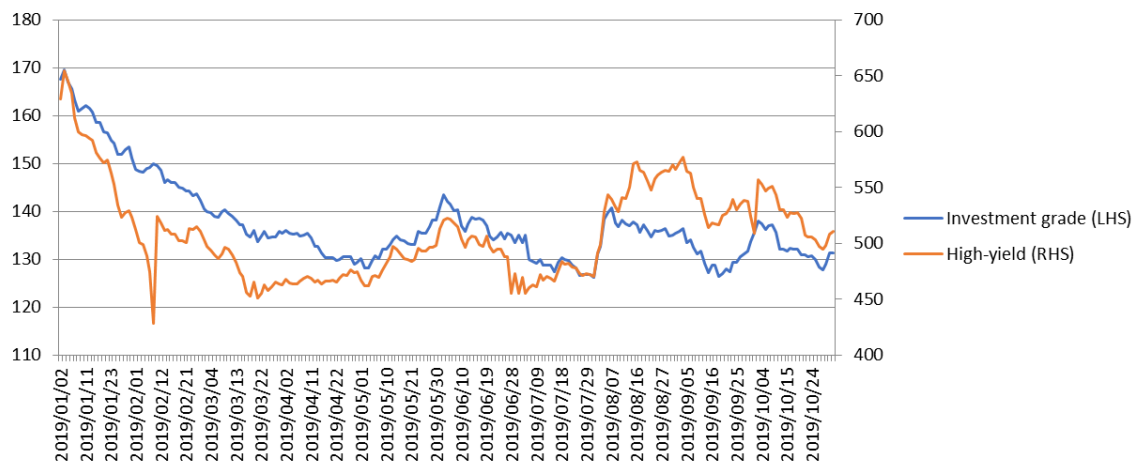
Figure 4 : Spread between China and US 10-year bond



Sources: Bloomberg, ChinaBond.com.cn, CCX research

The credit spread of Barclays Asia USD investment bond and high-yield bond increased. As of November 1, investment-grade bond spreads rose by 1.4bp to 131bp from last week, and high-yield spreads increased by 7.8bp to 511bp 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 declined, real estate enterprises were the key issuers

From October 28 to November 1, there were 7 new issues with a total issued volume of USD2.1 billion, decreasing by 52.9% from last week, of which real estate enterprises were the key issuers.

Table 1 : New issuance of Chinese offshore bonds (20191028-20191101)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/10/29	CIFI Holdings Group Co Ltd	USD	400	6.45	2024/11/7	5	Real Estate	Ba3/BB/BB	-/BB-/BBe
2019/10/29	Sunac China Holdings Ltd	USD	650	7.5	2024/2/1	4.25	Real Estate	Ba3/BB-/BB	B1/B+/BB
2019/10/30	Fosun International Ltd	EUR	400	4.35	2023/5/6	3.5	Financials	Ba2/BB/-	Ba2/BB/-
2019/10/30	Hangzhou Finance And Investment Group Co Ltd	USD	37	4.2	2020/11/1	363D	Financials	-/BBB/BBB	-/-/-
2019/10/30	Shangrao Investment Holding Group Co Ltd	EUR	50	4.5	2020/11/4	364D	Chengtou	-/-/BBB-	-/-/-
2019/10/30	Zhenro Properties Group Ltd	USD	300	9.15	2023/5/6	3.5	Real Estate	B1/B/B+	B2/-/B+e
2019/10/31	Central China Real Estate Ltd	USD	200	7.9	2023/11/7	4	Real Estate	Ba3/B+/BB-	-/-/BB-

Sources: Bloomberg, CCX research

During this week, Kaisa Group Holdings Ltd and Changde Economic Construction Investment Group Co Ltd announced tap bond offering.

Table 2 : Tap bond offering (20191028-20191101)

Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2019/10/29	Kaisa Group Holdings Ltd	USD	600 (reoffered 200)	11.95	2022/10/22	3	Real Estate	B1/B/B	B2/B/B
2019/10/31	Changde Economic Construction Investment Group Co Ltd	USD	300 (reoffered 100)	6.6	2022/8/15	3	Chengtou	Ba1/-/-	Ba1/-/-

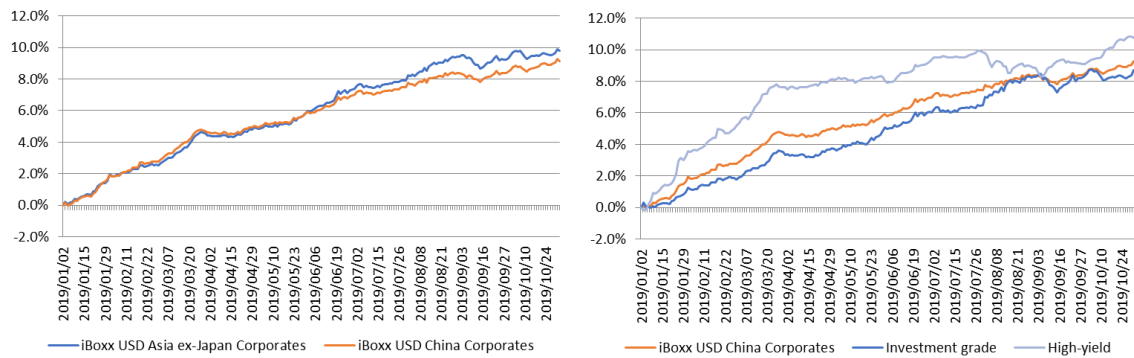
Sources: Bloomberg, CCX research

Recently, Qingdao City Construction Investment (Group) Limited and Beijing Capital Group Co Ltd planned to issue offshore bonds.

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

As of November 1, the YTD return on Chinese USD corporate bond index rose by 26bp over last week to 9.15%, of which investment grade bond index was 8.62% and high-yield bond index was 10.65%, increasing by 36bp and 3bp over last week, respectively.

Figure 6 : YTD return on Chinese USD bond index



Sources: Bloomberg, CCX research

From October 28 to November 1, S&P Global Ratings revised the outlook on Powerlong Real Estate Holdings Ltd to stable from negative, and downgraded the outlook on China Railway Group Ltd and Jingrui Holdings Ltd to stable and negative respectively.

Table 3 : Credit rating changes of cross-border bond market (20191028-20191101)

	Entity	Sector	Entity Rating	Latest Rating		Last Rating		Rating Agency	Reason of Change	
				Outlook	Date	Entity Rating	Outlook			Date
International Rating:										
Upgrade	Powerlong Real Estate Holdings Ltd	Real Estate	B+	STABLE	2019/10/31	B+	NEG	2019/4/1	S&P	Enhanced debt control
Downgrade	China Railway Group Ltd	Industrials	BBB+	STABLE	2019/10/30	BBB+	POS	2018/11/3	S&P	Slower-than-expected deleveraging
	Jingrui Holdings Ltd	Real Estate	B	NEG	2019/11/1	B	STABLE	2018/3/28	S&P	Uncertain growth prospects

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: No new issuance this week

As of November 1, there were 17 issuers that issued 31 Panda Bonds in 2019, with a total issuance amount of RMB 48.34 billion and an average coupon of 3.60%. 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 (20190101-20191101)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
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.	0.5	2.80	2019/10/14	2020/7/9	0.74	SCP	China Interbank Market	China Chengxin
Semiconductor Manufacturing International Corp.	2	3.55	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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