

**Offshore US Dollar Debt Market 2Q2019 Review: Record issuance in the primary market but receding yields in the secondary market****Summary:**

Since the second quarter of 2019, the Fed's policy stance has turned dovish which pushes down yields on the US dollar denominated debts including offshore debt issued by onshore Chinese entities. The yield spread between China and the US government bonds continued to widen against the largely steady exchange rate of RMB to USD which boded well for the offshore US dollar debts.

From the primary market perspective, the offshore US dollar debt issuance continued to grow at a breakneck pace in the second quarter 2019. There was a total of 192 issuances representing a quarter-over-quarter increase of 44.36% and a total issuance amount of USD72.893 billion representing a quarter-over-quarter increase of 54.69% which also broke the record high for the season.

From the issuing entity perspective, property developers and financial institutions (including banks, non-bank financial institutions, and financial services) still made up the lion shares. But under the backdrop of tightened regulation promulgated by the NDRC targeting offshore US dollar issuance, the pace of debt issuance by property developers receded. At the same time, many LGFVs faced a wave of refinancing which pushed up the issuance volume in the second quarter of 2019.

From the cost of funding perspective, a dovish Fed was conducive for the issuance of offshore US dollar debts, but the issuance coupons of property developers continued to climb. From the issuance registration perspective, RegS still dominated the landscape due to lower issuance cost and expedited issuance process.

From the issuance tenor perspective, 3-to-5 year was the most common tenor with the 5-year tenor issuance increasing noticeably while the less than 1-year tenor issuance decreased significantly.

Looking forward into the third quarter 2019, we expect the yield spread between China and the US government bonds continues to widen. On the other hand, under the backdrop of the NDRC No. 666 and No. 778 policy announcements which regulated and tightened the offshore US dollar issuance by LGFVs and property developers, respectively, we believe it is likely that the issuance volume of offshore US dollar will decline from the record high reached in the second quarter 2019.

For more details, please refer to the Chinese report:

《2019 年二季度中资美元债研究报告——发行量创季度新高，二级市场收益率转而走低》  
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