NAFMII WEEKLY UPDATE 2 July - 6 July, 2018

NAFMII Related

Issuance of Non-financial Enterprise Debt Financing Instruments Keeps Stable

Primary statistics show that in June 2018, about RMB340 billion of debt financing instruments were issued, with a month-on-month increase of about RMB40 billion. By the end of June, the outstanding volume of debt financing instruments was RMB 9.19 trillion, with a stable and sound growth of the market size. No new default entities have appeared since June, and the credit risks of debt financing instruments have been generally under control.

Regarding the general issuance, in June 2018, debt financing instruments continued to support the financing of real-economy enterprises and the market size maintained rational growth. About RMB 340 billion debt financing instruments were issued in June, with an increase of around RMB 40 billion from May, indicating a steady pace of issuance. Primary statistics show that the principal of about RMB 300 billion bonds was paid in June, and the monthly net financing volume was around RMB 40 billion, which strongly supported the refinancing of real economy. The outstanding volume of debt financing instruments at the end of June amounted at RMB 9.19 trillion (RMB 9.15 trillion at the end of May).

Regarding the issuance structure, the issuance in different industries and regions recovered to varying degrees. An accumulative of 207 enterprises in 19 industries and 21 regions issued debt financing instruments in June, and the amount of issuance in industries such as energy, metals and retail and wholesale increased by nearly 30% on a month-on-month basis. In terms of geographical distribution, the 12 provinces in western China issued RMB36 billion debt financing instruments and the 6 provinces in the central region issued RMB38 billion, with a month-on-month increase of nearly 70% and 40% respectively.

Regarding the interest rate, the interest rate of debt financing instruments raised slowly in June and financing cost stayed stable. As to the risk profile, there was no new default entity of debt financing instruments in June, although two ongoing default events of Shanghai Huaxin worth RMB 2,285 million remained. The credit risk of debt financing instruments was generally under control and the bond market expectation was stable.

(NAFMII News) (Currently Available in Chinese)

Macro & Financial

Market News

Governor Yi Gang's Interview with China Securities Daily on the Recent Foreign Exchange Market Situation

China Securities Daily: Recently the foreign exchange market has experienced some fluctuations. What are your comments?

YI Gang: We are closely monitoring the recent fluctuations in the foreign exchange market. The movements are mainly affected by the strength of US dollar and external uncertainties, and are of pro-cyclical in nature.

At present, the fundamentals of China's economy are sound, and the overall financial risks are under control. As the transformation and upgrading of economic structure is gathering momentum, the economy has entered a stage of high-quality development. The BOP is stable and cross-border capital flows are generally balanced.

We have adopted a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The practices over the years have proven the effectiveness of the exchange rate regime, so we will continue with such an arrangement.

We will continue the sound and neutral monetary policy, deepen market-based exchange rate regime reform, use the existing experience and the many policy instruments, allow macro-prudential policy to play a role in adjustment, and keep the RMB exchange rate generally stable at an adaptive and equilibrium level.
(PBC News) (Currently Available in English)

CSRC issues Provisional Rules on Use of Hong Kong Institutional Securities Investment Consulting Service by Securities and Fund Operating Institutions
To regulate the use of Hong Kong institutional securities investment consulting service by mainland securities and fund operating institutions under Stock Connect program and protect investors' legitimate rights and interests, CSRC released the Provisional Rules on Use of Hong Kong Institutional Securities Investment Consulting Service by Securities and Fund Operating Institutions, which came into force on July 1, 2018. The main contents are as follows:
First, business model: qualified mainland securities companies or their subsidiaries are allowed to forward to their customers the securities research report issued by Hong Kong institutions that gives investment analysis and opinions about the shares under Stock Connect program. Mainland securities fund operating institutions are allowed to entrust Hong Kong institutions to provide investment advice on the shares under Stock Connect program for the securities investment funds that are under their management.
Second, qualifications and responsibilities of institutions: qualifications and responsibilities of the institutions are clarified in terms of business license and experience.
Third, regulatory mechanism: if mainland institutions violate the Provisional Rules, CSRC will take administrative regulatory measures or impose administrative penalty on the institutions and responsible personnel according to the law; if Hong

Kong institutions violate the Provisional Rules, CSRC and Hong Kong Securities and Futures Commission will investigate and deal with the institution and responsible personnel according to the law through the cross-border regulatory cooperation mechanism.

(CSRC News) (Currently Available in Chinese)