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From July 25 to July 29

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Chinese offshore bond issuance decreased; return on Chinese USD bond increased**Headline: US economy fell into a technical recession; Eurozone economy grew slightly in second quarter**

This week, the second quarter economic growth data of Europe and the US were released. The initial value of the US GDP growth in the second quarter was -0.9%, negative growth for two consecutive quarters, suggesting a technical recession. The GDP of the euro zone increased by 0.7% from the previous quarter. In terms of countries, the GDP of Germany, the largest economy in the Eurozone, grew at zero month-on-month in the second quarter, while the GDP of France, Spain and Italy increased by 0.5%, 1.1% and 1.0% respectively. Although the Eurozone economy avoided a contraction in the second quarter, the issues caused by high inflation and manufacturing problems still stand out. The euro zone economy is expected to experience a mild recession in the second half of 2022.

Exchange Rate: RMB exchange rate fluctuated downward

This week, the RMB exchange rate fluctuated downward. As of July 29th, the RMB mid-point rate closed at 6.7437, declined by 85bp compared with exchange rate on last Friday.

Interest Rate: China Government Bond yields fluctuated downward; US Treasury yield curve further inverted

This week, China Government Bond yields fluctuated downward. The 1-year China Government Bond yield declined by 4.13bp compared with yield on last Friday. Since the Fed raised interest rates by 75 basis points as scheduled and the market was worried that aggressive interest rate hikes could lead to a recession, US yield curve further inverted. As of July 29, the yield spread between China and US 10-year note was 10.7bp, widening by 7.1bp from last Friday and narrowing by 104.0bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond issuance decreased**

From July 25 to July 29, there were 15 new issues with a total issued volume of about USD1.6 billion, decreasing by 51.6% from last week. Among them, Chengtuo companies were the main issuers, which issued 9 bonds with total amount of about USD920 million.

Secondary Market: Return on Chinese USD bond increased

As of July 29, the YTD return on Chinese USD corporate bond index increased by 59bp from last Friday to -10.82%. The return on investment-grade bonds increased by 40bp to -6.72%, and the return on high-yield bonds increased by 140bp to -26.51%. In terms of sector indices, the return on real estate bonds had the largest increase, rising by 176bp from last Friday to -40.44%.

Rating Action: CCXAP assigns first-time long-term credit rating of BBB_g to Zhaojin Mining, with stable outlook; assigns first-time long-term credit rating of BBB_g to CACD, with positive outlook.

Credit event: JunFa Real Estate, Jingrui Holdings, Powerlong Real Estate and Zhongliang Holdings defaulted on offshore bonds

Panda Bond Market

China Power International Development Limited issued a panda bond
Issuer Analysis: Crédit Agricole SA

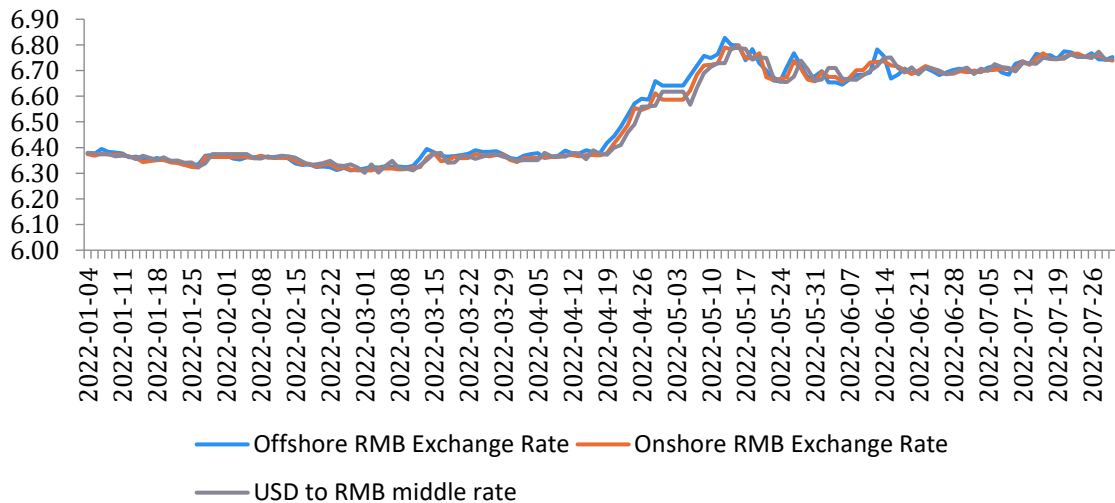
Headline: US economy fell into a technical recession; Eurozone economy grew slightly in second quarter

This week, the second quarter economic growth data of Europe and US were released. The initial value of the US GDP growth rate in the second quarter was -0.9%. Among them, personal consumption expenditure increased by 1.0%, commodity consumption decreased by 4.4%, service consumption increased by 4.1%; total domestic private investment decreased by 13.5%, non-residential fixed asset investment reflecting the investment status of enterprises decreased by 0.1%; government payment decreased by 1.9%. US has recorded negative growth for two consecutive quarters, falling into a technical recession. Preliminary data released by Eurostat showed that in the second quarter, the GDP of the Eurozone increased by 0.7% from the previous quarter. In terms of countries, the GDP of Germany, the largest economy in the EU, grew at zero month-on-month in the second quarter, while the GDP of France, Spain and Italy increased by 0.5%, 1.1% and 1.0% respectively. Although the Eurozone economy avoided a contraction in the second quarter, the potential issues caused by high inflation and manufacturing are still significant. As the rebound effect of the reopening of the service sector weakens, global demand is weak, and purchasing power continues to shrink. The Eurozone economy is also expected to experience a mild recession in the second half of 2022.

Exchange Rate: The RMB exchange rate fluctuated downward

This week, the RMB exchange rate fluctuated downward. As of July 29th, the RMB mid-point rate closed at 6.7437, declined by 85bp compared with the rate on last Friday; the onshore RMB exchange rate declined by 267bp to 6.7390 compared with the rate on last Friday; the offshore RMB exchange rate declined by 55bp to 6.7530 compared with the rate on last Friday.

Figure 1 : RMB exchange rate



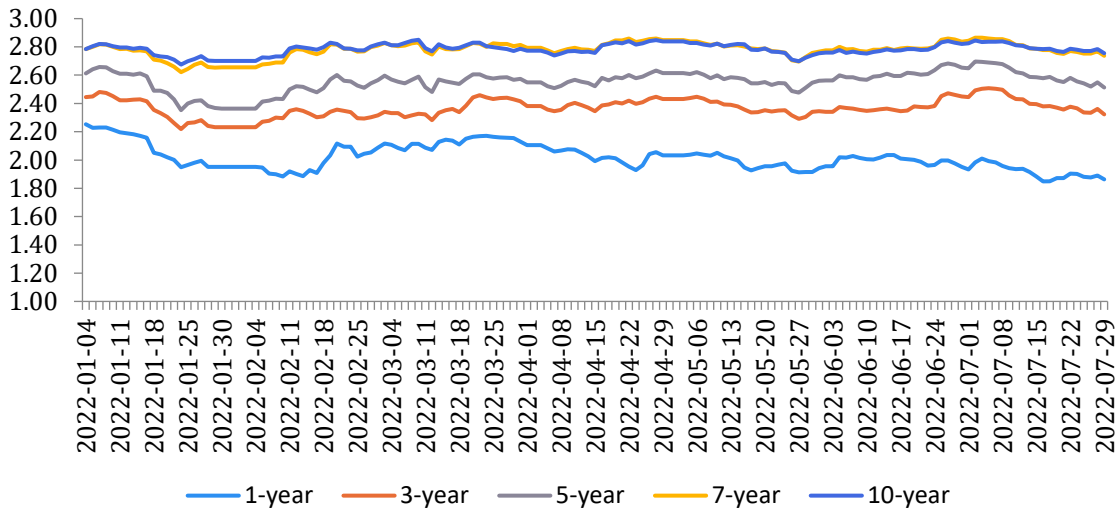
Sources: Wind, CCX research

Interest Rate: China Government Bond yields fluctuated downward; US Treasury yield curve further inverted

The China Government Bond yields fluctuated downward this week. As of July 29th, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields declined by 4.13bp, 5.34bp,

6.65bp, 3.42bp and 3.10bp since last Friday and closed at 1.8623%, 2.3228%, 2.5136%, 2.7374% and 2.7560% respectively.

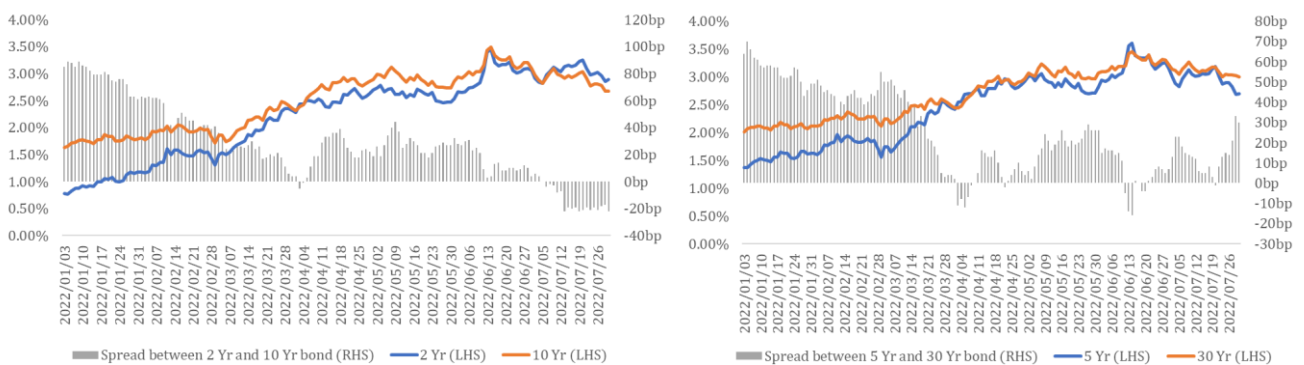
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

Since the Fed raised interest rates by 75 basis points as scheduled and the market was worried that aggressive interest rate hikes could lead to a recession, US yield curve further inverted. As of July 29, the 2-year, 5-year, 10-year yields were 2.89%, 2.70%, and 2.67%, decreasing by 9bp, 17bp, and 10bp from last Friday, respectively. 30-year yield was 3.00%, unchanged from last Friday. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 1bp to -22bp from last Friday, while the 5-year and 30-year Treasury bond spreads widened by 17bp to 30bp from last Friday.

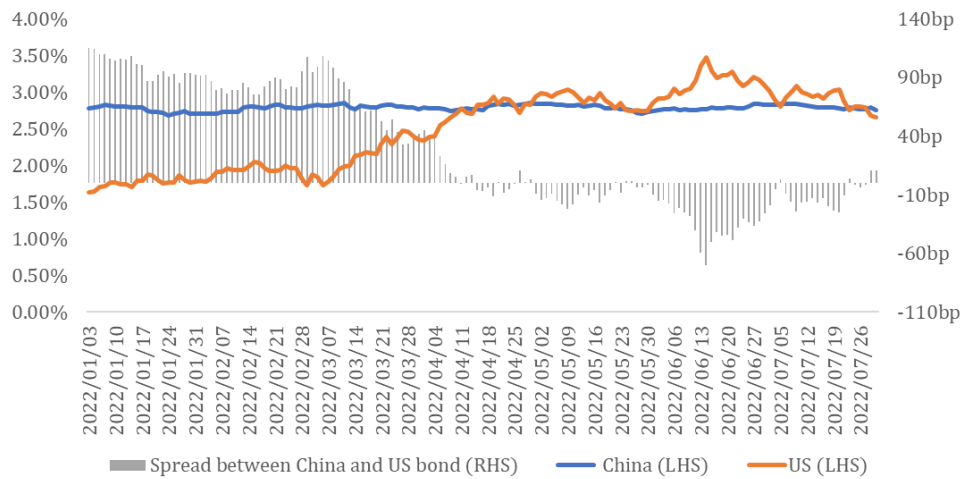
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of July 29, the yield spread between China and US 10-year note was 10.7bp, widening by 7.1bp from last Friday and narrowing by 104.0bp 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 issuance decreased

From July 25 to July 29, there were 15 new issues with a total issued volume of about USD1.6 billion, decreasing by 51.6% from last week. Among them, Chengtuo companies were the main issuers, which issued 9 bonds with total amount of about USD920 million.

Table 1 : New issuance of Chinese offshore bonds (20220725-20220729)

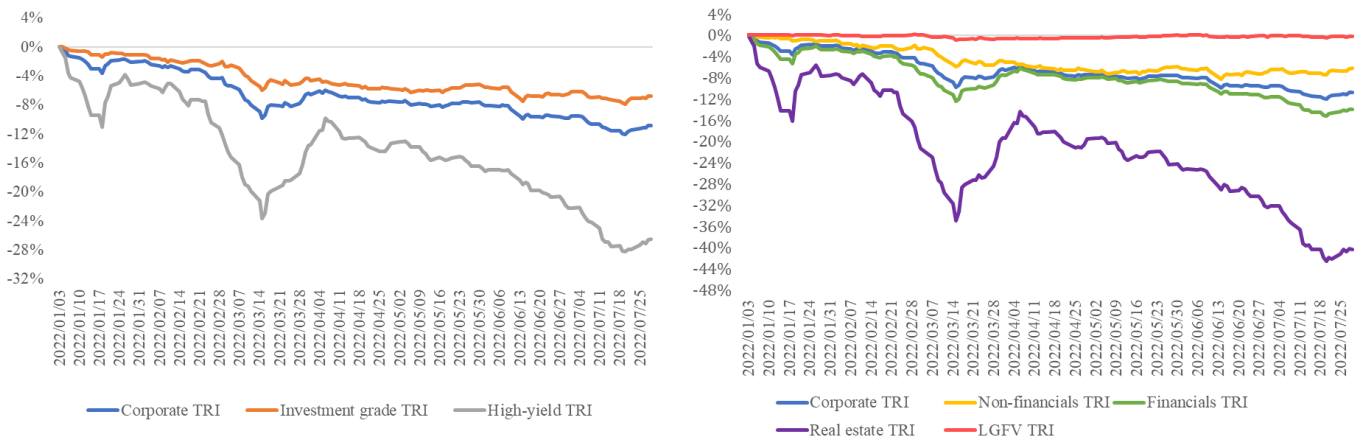
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/7/25	Hangzhou Shangcheng District Urban Construction & Comprehensive Development Co Ltd	USD	300	3.99	2023/7/27	364D	Chengtou	-/-/BBB	-/-/BBB
2022/7/25	Shandong Guohui Investment Holding Group Co Ltd	USD	110	5.3	2025/8/1	3	Financials	Baa2-/BBB+	-/-/BBB+
2022/7/26	Ningbo Haishu Development Construction Investment Group Co Ltd	EUR	90	3.1	2025/8/2	3	Chengtou	Baa3-/BBB	Baa3/-/-
2022/7/26	Taixing Jinjiang Investment Co Ltd	EUR	30	3.5	2025/7/2	2.92	Chengtou	-/-/-	-/-/-
2022/7/26	Xi'an International Horticultural Exposition Investment Group Co Ltd	USD	71	4.5	2025/7/1	2.92	Chengtou	-/-/-	-/-/-
2022/7/26	Yangzhou Jiangdu Yanjiang Development Ltd Co	USD	40	5.2	2023/7/27	364D	Chengtou	-/-/-	-/-/-
2022/7/26	Zhejiang Anji State-Controlled Construction & Development Group Co Ltd	USD	25	4.8	2023/7/28	364D	Chengtou	-/-/-	-/-/-
2022/7/27	Bank of China Ltd/Sydney	CNY	2,500	2.95	2025/8/3	3	Banks	A1/A/A	A1/A/A
2022/7/27	Chong Hing Bank Ltd	USD	224	4.9	2032/7/27	10	Banks	Baa1-/BBB	-/-/-
2022/7/27	CITIC Securities International Co Ltd	USD	0.25	14.29	2022/11/15	97D	Financials	-/-/-	-/-/-
2022/7/27	Nanxun Communications Investment Group Co Ltd	CNY	490	5	2025/8/1	3	Chengtou	-/-/-	-/-/-
2022/7/28	CITIC Securities International Co Ltd	USD	1	13.99	2022/11/15	96D	Financials	-/-/-	-/-/-
2022/7/28	CITIC Securities International Co Ltd	USD	10	0	2023/8/2	363D	Financials	-/-/-	-/-/-
2022/7/28	Shaoxing City Keqiao District Construction Group Co Ltd	CNY	1,000	4.35	2025/8/4	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond increased

As of July 29, the YTD return¹ on Chinese USD corporate bond index increased by 59bp from last Friday to -10.82%. The return on investment-grade bonds increased by 40bp to -6.72%, and the return on high-yield bonds increased by 140bp to -26.51%. In terms of sector indices, the return on real estate bonds had the largest increase, rising by 176bp from last Friday to -40.44%. The returns on non-financial, financial, and Chengtuo bonds were -6.26%, -13.99%, and -0.24%, increasing by 34bp, 76bp, and 3bp from last Friday, respectively.

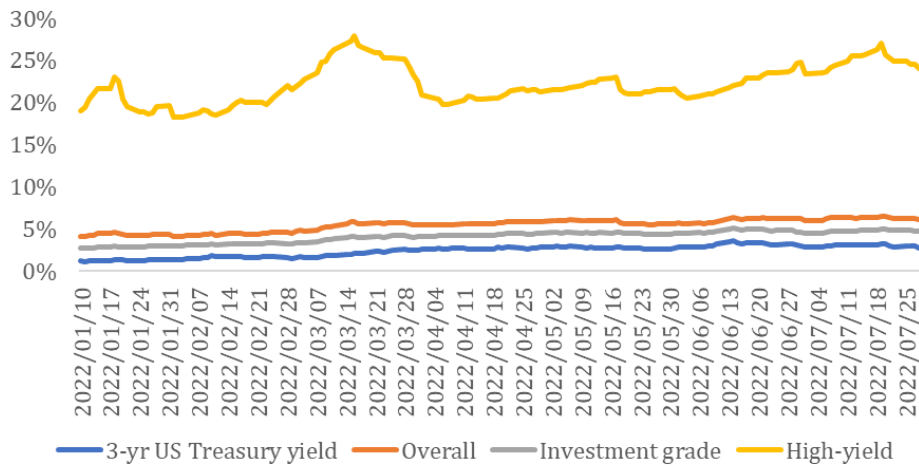
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of July 29, the yield-to-worst of Chinese dollar bonds decreased by 12bp to 6.10% from last Friday, of which investment grade bond index decreased by 10bp to 4.72% while high-yield bond index decreased by 78bp to 24.12%.

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



Sources: Bloomberg, CCX research

¹ Year-to-date return measures the return since January 3, 2022

Rating Action: CCXAP assigns first-time long-term credit rating of BBB_g- to Zhaojin Mining, with stable outlook; assigns first-time long-term credit rating of BBB_g to CACD, with positive outlook.

On 28 July, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating of Zhaojin Mining Industry Company Limited (“Zhaojin Mining”), with stable outlook.

On 29 July, CCXAP has assigned a first-time BBB_g long-term credit rating of Chengdu Aerotropolis City Development Group Co., Ltd. (“CACD”), with positive outlook.

Table 2: Rating Action of CCXAP (20220725-20220729)

Date	Entity	Issuer Rating	Rating Rationale
2022/7/28	Zhaojin Mining	BBB _g -	The credit rating is underpinned by the Company’s (1) good market position in the gold mining industry with sufficient resource reserves; (2) cost advantage in gold production; (3) good access to funding; (4) proven track record of support from Zhaojin Group and the local government. However, the rating is constrained by the Company’s (1) earnings vulnerability to global economic conditions and gold price volatility; (2) weaker profitability due to increased operating expenses; (3) high debt leverage owing to debt-driven business expansion; and (4) modest liquidity profile with reliance on short-term financing.
2022/7/29	CACD	BBB _g	The credit rating is underpinned by the Company’s (1) monopolistic position in the transportation infrastructure construction in Shuangliu District, as well as the only construction, development, and industrial investment entity in the Chengdu International Airport Business District; (2) solid track record of receiving ongoing government payments; and (3) good access to funding. However, the rating is constrained by the Company’s (1) high debt growth driven by a large number of construction projects; and (2) medium exposure to commercial activities.

From July 25 to July 29, rating agencies took positive action on 4 Chinese issuers and negative rating action on 9 Chinese issuers, of which 5 Chinese real estate companies were downgraded.

Table 3: Credit rating changes of cross-border bond market (20220725-20220729)

	Entity	Sector	Entity Rating	Current Rating		Previous Rating		Rating Agency	Reason of Change	
				Outlook	Date	Entity Rating	Outlook			Date
International Rating:										
Upgrade	Honghua Group Ltd	Energy	B-	STABLE	2022/7/25	B-	RWN	2022/4/8	Fitch	Continued support to Honghua from Dongfang Electric Corporation
	Changzhou Eastern New City Construction Group Co Ltd	Chengtou	BBB _g +	STABLE	2022/7/29	BBB _g	STABLE	2021/8/24	CCXAP	Follows the publication of the updated version of

									Rating Methodology for LIIFC	
	Yancheng High-tech Zone Investment Group Corp Ltd	Chengtou	BBB _g	STABLE	2022/7/29	BBB _g -	STABLE	2021/7/23	CCXAP	Follows the publication of the updated version of Rating Methodology for LIIFC
	Yancheng Oriental Investment & Development Group Co Ltd	Chengtou	BBB _g	STABLE	2022/7/29	BBB _g -	STABLE	2021/9/17	CCXAP	Follows the publication of the updated version of Rating Methodology for LIIFC
Downgrade	China Taiping Insurance Holdings Co Ltd	Financial	BBB+	NEG	2022/7/25	BBB+	STABLE	2022/3/25	S&P	Narrowing financial buffer
	China Taiping Insurance Group (HK) Co Ltd"									
	Kunming Public Rental Housing Development and Construction Management Co Ltd	Chengtou	BB+	NEG	2022/7/26	BB+	STABLE	2021/5/20	Fitch	Slower sales progress of KPRH's restricted-price properties than Fitch's forecast
	Guoren Property & Casualty Insurance Co Ltd	Financial	Baa1	NEG	2022/7/26	Baa1	STABLE	2021/5/17	Moody's	Weakened financial flexibility
	Seazen Group Limited	Real Estate	Ba3	NEG	2022/7/26	Ba2	RWN	2022/5/13	Moody's	Declining property sales and credit metrics
	Gemdale Corp	Real Estate	BB	NEG	2022/7/26	BB	STABLE	2014/9/3	S&P	Contracted sales and EBITDA will continue to decline
	KWG Group Holdings Ltd	Real Estate	CCC	NEG	2022/7/28	B-	NEG	2022/4/28	S&P	Escalating refinancing risk
	Redsun Properties Group Ltd Hongyang Group Co Ltd	Real Estate	CC		2022/7/29	B-	NEG	2022/6/22	Fitch	Increasing refinancing risks

Sources: Bloomberg, Wind, CCX research

Credit event: JunFa Real Estate, Jingrui Holdings, Powerlong Real Estate and Zhongliang Holdings defaulted on offshore bonds

On July 24, Hong Kong JunFa Property Co., Ltd. ("JunFa Real Estate") failed to pay interest of USD13.0 million on July 24, the deadline of the 30-day grace period, which constituted an event of default.

On July 25, Jingrui Holdings Ltd. ("Jingrui Holdings") failed to pay the principal of USD260 million and accrued interest of USD15.6 million, which constituted an event of default.

On July 26, Powerlong Real Estate Holdings Co., Ltd. ("Powerlong Real Estate") announced that the company failed to pay the principal and accrued interest of USD21.3 million due on July 25, which constituted an event of default.

On July 29, Zhongliang Holdings Group Co., Ltd. ("Zhongliang Holdings") announced that the company failed to pay the remaining principal and interest of USD12.6 million due on July 29, which constituted an event of default.

Panda Bond Market

China Power International Development Limited issued a panda bond

On July 26th, China Power International Development Limited successfully issued the second tranche of super and short-term commercial paper (old revolutionary area) in 2022 in the inter-bank bond market, with a term of 0.49 year, raising funds of RMB1 billion, and a coupon rate of 1.75%.

Table 4: New issuance of Panda Bond in the Year 2022 (20220103-20220729)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	1	1.75	2022/7/26	2023/1/22	0.49	SCP	China Interbank Market	Golden Credit Rating
China Power International Development Limited	2	2.87	2022/7/22	2025/7/22	3	MTN	China Interbank Market	Golden Credit Rating
ANTA Sports Products Limited	0.5	2.8	2022/7/13	2025/7/13	3	MTN	China Interbank Market	Shanghai Brilliance Rating
China Power International Development Limited	2	2.99	2022/6/20	2025/6/20	3	MTN	China Interbank Market	Golden Credit Rating
Mercedes-Benz International Finance B.V.	3	3.25	2022/6/20	2025/6/20	3	MTN	China Interbank Market	China Chengxin
Mercedes-Benz International Finance B.V.	1	2.98	2022/6/20	2024/6/20	2	MTN	China Interbank Market	China Chengxin
China Everbright Limited	3	3.09	2022/6/17	2025/6/17	3	MTN	China Interbank Market	China Chengxin
China Power International Development Limited	1	2.1	2022/6/15	2023/3/12	0.74	SCP	China Interbank Market	Golden Credit Rating
China Power International Development Limited	2	3	2022/6/14	2025/6/14	3	MTN	China Interbank Market	Golden Credit Rating
China Everbright Water Limited	7	3.3	2022/6/13	2025/6/13	3	MTN	China Interbank Market	Shanghai Brilliance

									Rating
Hengan International Group Co., Ltd	1	2.1	2022/6/10	2022/12/7	0.49	CP	China Interbank Market	China	Chengxin
China Everbright Greentech Limited	0.7	3.35	2022/5/27	2025/5/27	3	MTN	China Interbank Market	Lianhe Credit Rating	
Asian Infrastructure Investment Bank	1.5	2.4	2022/5/26	2025/5/26	3	International Institution Bond	China Interbank Market	-	
Yuexiu Transport Infrastructure	0.5	2.1	2022/5/23	2023/2/17	0.74	MTN	China Interbank Market	China	Chengxin
New Development Bank	7	2.70	2022/5/20	2025/5/20	3	International Institution Bond	China Interbank Market	-	
China Everbright Environment Group Limited	1.5	3.47	2022/4/20	2025/4/20	3	MTN	China Interbank Market	Lianhe Credit Rating	
China Everbright Water Limited	1	3.10	2022/4/18	2022/4/18	3	MTN	China Interbank Market	Shanghai Brilliance Rating	
China Everbright Greentech Limited	1.2	3.27	2022/4/8	2027/4/8	5	MTN	China Interbank Market	Lianhe Credit Rating	
China Mengniu Dairy Company Limited	2.5	2.2	2022/3/22	2022/6/10	0.22	SCP	China Interbank Market	China	Chengxin
China Traditional Chinese Medicine Holdings Co. Limited	1	2.32	2022/3/21	2022/10/17	0.58	SCP	China Interbank Market	China	Chengxin
Yuexiu Transport Infrastructure	1	3.28	2022/3/18	2027/3/18	5	MTN	China Interbank Market	China	Chengxin
Hengan International Group Co., Ltd	1.5	2.4	2022/3/18	2022/9/14	0.49	CP	China Interbank Market	China	Chengxin
GLP China Holdings Limited	1	4.3	2022/3/7	2025/3/7	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating	
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/30	0.49	CP	China Interbank Market	China	Chengxin
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/30	0.49	CP	China Interbank Market	China	Chengxin
China Mengniu Dairy Company Limited	2.5	2.33	2022/2/24	2022/5/25	0.25	SCP	China Interbank Market	China	Chengxin
BMW Finance N.V.	1.5	2.89	2022/2/21	2024/2/21	2	MTN	China Interbank Market	China	Chengxin
BMW Finance N.V.	2.5	3.1	2022/2/21	2025/2/21	3	MTN	China Interbank Market	China	Chengxin
China Traditional Chinese Medicine Co. Limited	1	2.4	2022/2/18	2022/11/15	0.74	SCP	China Interbank Market	China	Chengxin
New Development Bank	3	2.45	2022/1/27	2025/1/27	3	International Institution Bond	China Interbank Market	-	

China Mengniu Dairy Company Limited	2.5	2.35	2022/1/24	2022/4/22	0.24	SCP	China Interbank Market	China Chengxin
Beijing Enterprises Water Group Limited	1	2.97	2022/1/21	2027/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
Beijing Enterprises Water Group Limited	1	3.38	2022/1/21	2027/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
China Everbright Water Limited	1	2.50	2022/1/13	2022/6/12	0.41	SCP	China Interbank Market	Shanghai Brilliance Rating
Shenzhen International Holdings Limited	1	2.95	2022/1/10	2028/1/10	6	Corporate Bond	Shenzhen Exchange Market	Lianhe Credit Rating

Sources: Bloomberg, CCX research

Issuer Analysis: Crédit Agricole SA

Issuer profile: Crédit Agricole SA (formerly the National Crédit Agricole Administration) was founded in 1920 and listed on the Euronext Paris stock exchange in 2001. SAS Rue La Boétie, an intermediate shareholding entity jointly funded by 39 regional banks and members of the Group, is the largest shareholder and holds 55.5% shares. The bank is the largest mutual financial group in France and one of the largest financial groups in Europe. By the end of 2021, the bank formed five business lines: asset pooling, French retail banking, international retail banking, specialized financial services and major clients, with operations in 47 countries. By the end of 2021, the bank had total assets of EUR207,395 million, total capital of EUR76,916 million, operating income of €22,657 million, net profit of EUR6,849 million, average return on capital of 9.11%, cost-to-income ratio of 61% and total capital adequacy ratio of 17.46%. In terms of strengths, Crédit Agricole and regional banks within the Group have a good internal support mechanism; they have a wide range of branches, rich customer resources and a leading product development and information technology platform, which provide good support for business development; they have diversified income sources and a certain degree of diversification of operational risks; they have a high level of capital management and are relatively well capitalized. In terms of concerns, there are still uncertainties in the world economic recovery process and international relations, causing credit risks to rise in some regions. The bank still faces potential pressure in terms of asset quality, business and earnings growth; investment income accounts for a relatively high percentage of operating income and is susceptible to large fluctuations due to the macroeconomic and market environment, which will impact the profit level. As of July 2022, Crédit Agricole has an international credit rating of "A+" and a domestic rating of "AAA".

Issuance history: Crédit Agricole SA entered the Panda Bond Market in 2019 and issued a total of 4 bonds, raising 4 billion RMB altogether. 4 financial bonds were issued in the Inter-bank Bond Market. The average coupon rate is 3.39% and the average spread is 56.51bp. The funds raised are mainly used to support business activities and development in China.

Table 5: Historical Issuance of Crédit Agricole SA in the Panda Bond Market

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Usage of Proceeds	Bond Type	Issue Market
1	2021/9/17	2024/9/17	3.00	1	3.14	55.71	support business activities and development in China	Financial bond	Inter-bank Market
2	2021/3/18	2024/3/18	3.00	1	3.5	55.7	support business activities and development in China	Financial bond	Inter-bank Market
3	2020/9/11	2023/9/11	3.00	1	3.50	59.08	support business activities and development in China	Financial bond	Inter-bank Market
4	2019/12/5	2022/12/5	3.00	1	3.4	55.55	support business activities and development in China	Financial bond	Inter-bank Market

Sources: Bloomberg, CCX research

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