

2022 Issue 35

From September 12 to September 16

Chinese offshore bond issuance decreased; return on Chinese USD bond decreased

Headline: Both onshore and offshore RMB dropped past 7; US CPI was higher than expected in August

In the evening of September 15, the offshore RMB/USD exchange rate dropped past 7, with the lowest point of 7.0183. In the morning of September 16, the onshore RMB/USD exchange rate fell below 7, the first time since July 2020. On September 13, the US Bureau of Labor Statistics released data showing that the US CPI rose 8.3% year-on-year in August, higher than market expectations of 8.1%.

Exchange Rate: RMB exchange rate dropped, USD index increased

As of September 9, the RMB/USD middle rates closed at 6.9308, increasing by 207bp from last Friday. The USD index increased by 0.7% to 109.764.

Interest Rate: China Government Bond yields increased; US Treasury yields rose

This week, China Government Bond yields increased. US Treasury yields rose amid higher-than-expected US CPI in August.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance decreased

From September 12 to September 16, there were 17 new issues with a total issued volume of USD1.9 billion, decreasing by 31.1% from last week. Among them, KWG Group Holdings Limited was the largest issuer, who issued 1 bond, with a total size of about USD795 million.

Secondary Market: Return on Chinese USD bond decreased

As of September 16, the YTD return on Chinese USD corporate bond index decreased by 33bp to -11.07% from last Friday. The return on investment-grade bonds decreased by 37bp to -7.71%, and the return of high-yield bonds decreased by 15bp to -23.46%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 55bp from last Friday to -34.93%.

Rating Action: Several real estate companies were downgraded

From September 12 to September 16, rating agencies took negative action on 9 Chinese issuers, 5 of them were real estate companies.



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Headline: Both onshore and offshore RMB dropped past 7; US CPI was higher than expected in August

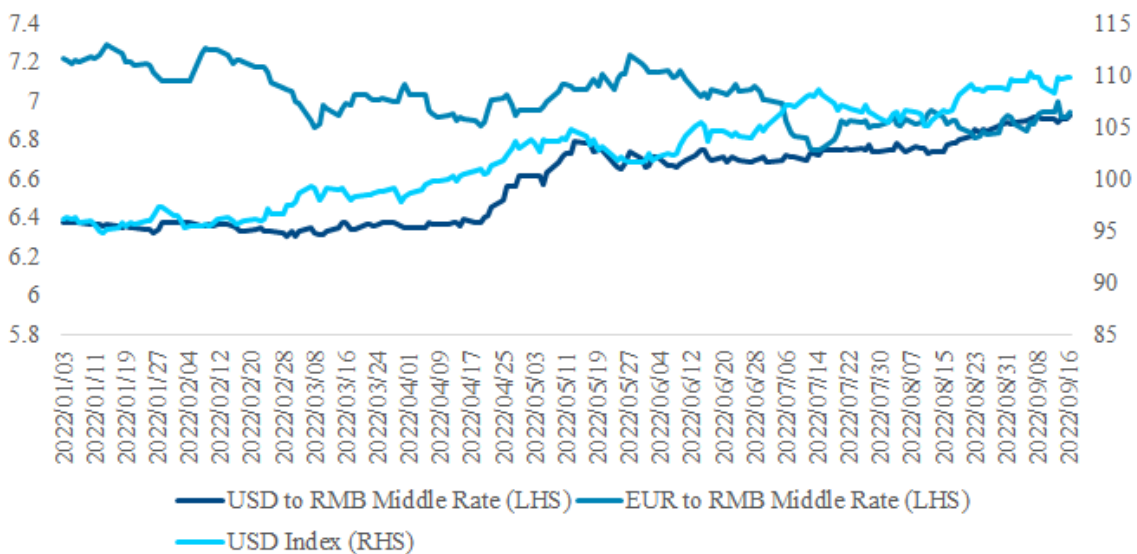
In the evening of September 15, the offshore RMB/USD exchange rate dropped past 7, with the lowest point of 7.0183. In the morning of September 16, the onshore RMB/USD exchange rate fell below 7, the first time since July 2020. The RMB exchange rate dropped past 7 again after two years, mainly due to the accelerated tightening of monetary policy by the Fed to curb high inflation. Along with the continuous strengthening of the USD index, most of the non-USD currencies including RMB have depreciated to varying degrees. However, compared with the currencies of major developed economies such as GBP, EUR and JPY, the depreciation of RMB is relatively small, and the exchange rate of the RMB index is generally stable.

On September 13, the US Bureau of Labor Statistics released data showing that the US CPI rose 8.3% year-on-year in August, higher than market expectations of 8.1%, with previous value was 8.5%. The CPI in August rose 0.1% month-on-month, higher than the market expectations of -0.1%, rebounding slightly from the previous value of 0%. The overall inflation fell in August mainly because gasoline prices continued to decline, while housing, food and medical prices continued to rise. Although the overall CPI year-on-year growth rate fell to 8.3% in August, it was still more than three times higher than the Fed's 2% target, and the core inflation rate unexpectedly rose. The Fed still has a long way to fight the inflation. The slowdown in CPI growth rate may not prevent the Fed from raising interest rates by 75 basis points at next week's FOMC meeting.

Exchange Rate: The RMB exchange rate dropped, USD index increased

This week, the RMB exchange rate dropped. As of September 16, the RMB/USD and RMB/EUR middle rates closed at 6.9305 and 6.9421, increasing by 207bp and decreasing by 38bp from last Friday, respectively. The USD index increased by 0.7% to 109.764.

Figure 1: RMB exchange rate

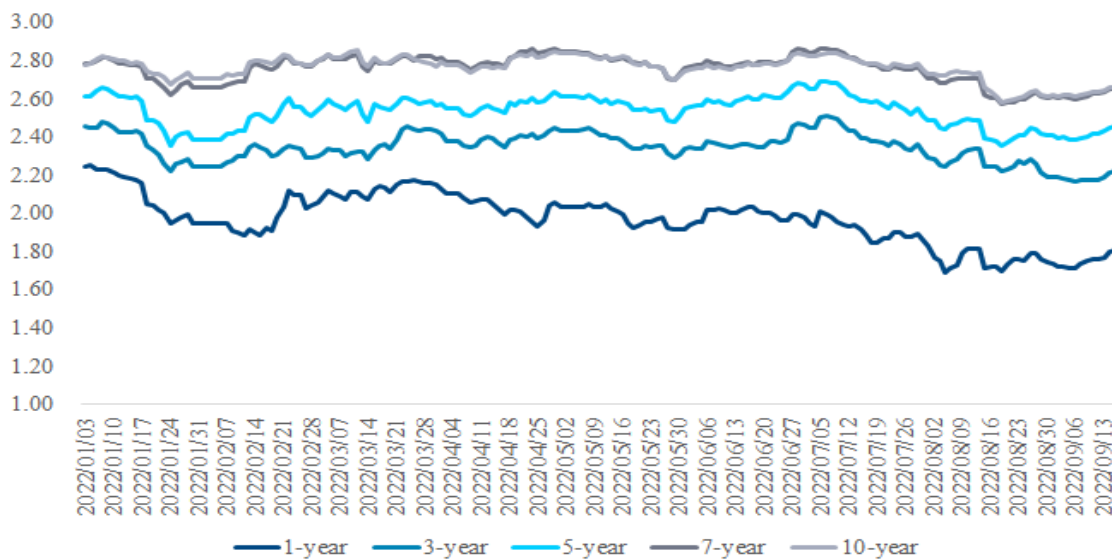


Sources: Wind, CCX research

Interest Rate: China Government Bond yields increased; US Treasury yields rose

The China Government Bond yields increased this week. As of September 16, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields rose 7bp, 7bp, 5bp, 4bp and 4bp from last Friday to 1.8298%, 2.2496%, 2.4666%, 2.6647% and 2.6730% respectively.

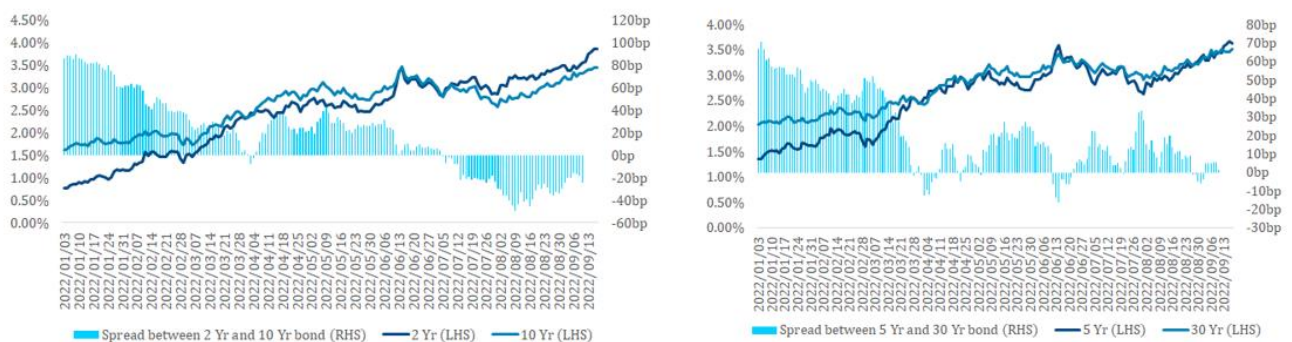
Figure 2: China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields rose amid higher-than-expected US CPI in August. As of September 16, the yields of 2-year, 5-year, 10-year and 30-year US Treasury bonds were 3.8671%, 3.6309%, 3.4494% and 3.5131%, respectively, increasing by 31bp, 20bp, 14bp and 7bp from last Friday. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 17bp to -41.8bp from last Friday, while the 5-year and 30-year Treasury bond spreads widened by 11bp to -11.8bp from last Friday.

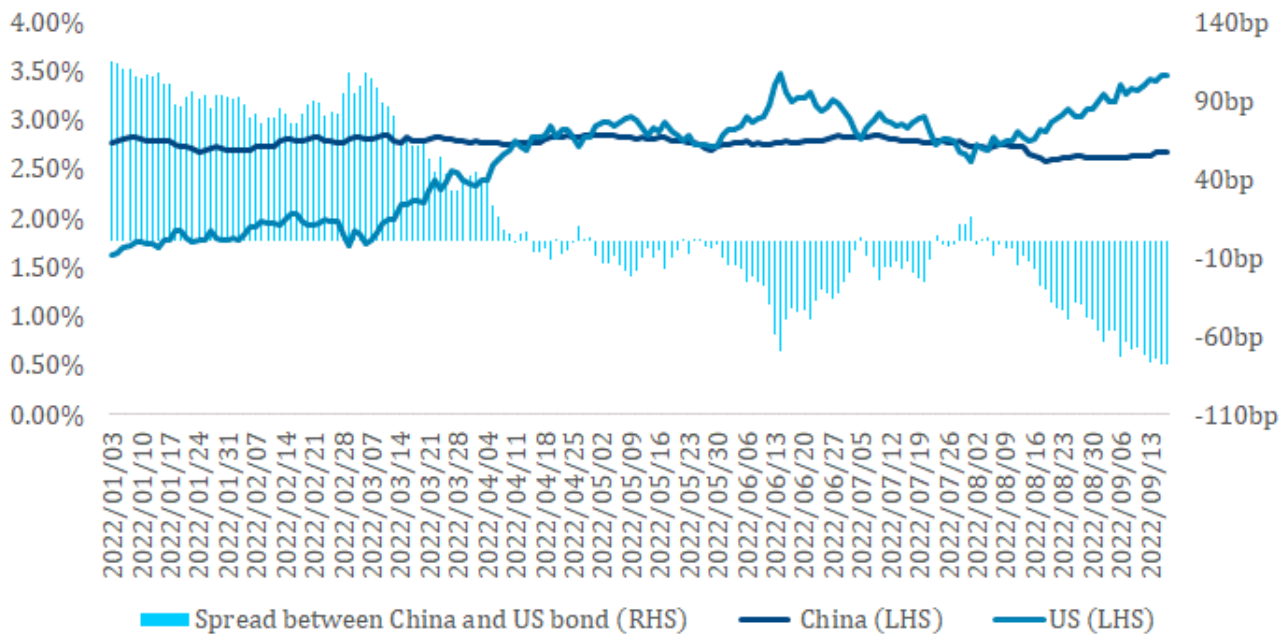
Figure 3: US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of September 16, the yield spread between China and US 10-year note was -7.6bp, widening by 10.2bp from last Friday and narrowing by 37.1bp 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 September 12 to September 16, there were 17 new issues with a total issued volume of USD1.9 billion, decreasing by 31.1% from last week. Among them, KWG Group Holdings Limited was the largest issuer, which issued 1 bond, with a total size of about USD795 million.

Table 1: New issuance of Chinese offshore bonds (20220912-20220916)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/9/12	CITIC Securities International Co Ltd	USD	1	15	2023/3/1	156D	Financials	-/BBB+/-	-/-/-
2022/9/13	CITIC Securities International Co Ltd	USD	0.4	32.04	2023/1/31	126D	Financials	-/BBB+/-	-/-/-
2022/9/13	Jiande State-Owned Assets Management Co Ltd	USD	74	6.4	2025/9/16	3	Chengtou	-/-/-	-/-/-
2022/9/13	Tongren Energy Investment Group Ltd	USD	62	6	2023/9/15	364D	Energy	-/-/-	-/-/-
2022/9/14	CITIC Securities International Co Ltd	USD	0.2	0	2022/11/30	63D	Financials	-/BBB+/-	-/-/-

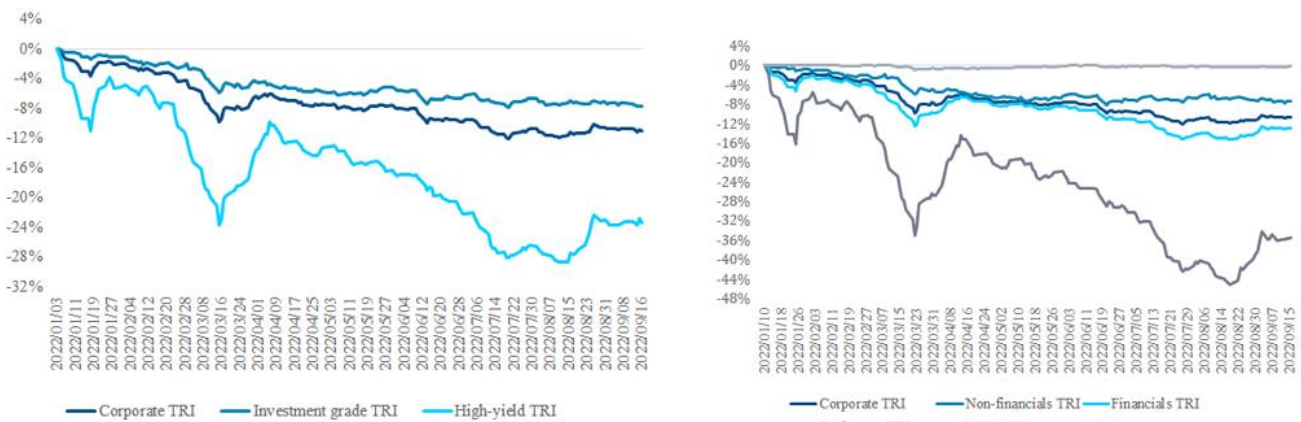
2022/9/14	CITIC Securities International Co Ltd	USD	0.6	20	2022/12/30	93D	Financials	-/BBB+/-	-/-/-
2022/9/14	KWG Group Holdings Ltd	USD	795	6	2024/1/14	1.33	Real Estate	-/-/-	-/-/-
2022/9/15	CITIC Securities International Co Ltd	CNY	34	4.02	2025/6/20	2.75	Financials	-/BBB+/-	-/-/-
2022/9/15	CITIC Securities International Co Ltd	USD	0.4	15	2023/2/1	125D	Financials	-/BBB+/-	-/-/-
2022/9/15	CITIC Securities International Co Ltd	USD	0.5	15	2023/2/1	125D	Financials	-/BBB+/-	-/-/-
2022/9/15	CITIC Securities International Co Ltd	USD	1.5	15	2023/2/1	125D	Financials	-/BBB+/-	-/-/-
2022/9/15	Jinko Power Technology Co Ltd	USD	100	4.8	2025/9/22	3	Energy	-/-/-	-/-/-
2022/9/15	Jinan Economic Development Investment Co Ltd	EUR	48	4	2025/8/22	2.92	Chengtou	-/-/-	-/-/-
2022/9/15	Zhengzhou Real Estate Group Co Ltd	CNY	1,000	5	2025/9/21	3	Chengtou	-/-/BBB+	-/-/-
2022/9/16	Shaoxing Shangyu State-owned Capital Investment Operation Co Ltd	USD	300	5.2	2025/9/21	3	Chengtou	-/-/BBB-	-/-/BBB-
2022/9/16	Xiamen Xiangyu Co Ltd.	USD	300	5.7	2025/9/23	3	Consumer Discretionary	-/-/-	-/-/-
2022/9/16	Xi'an Weiyang Urban Construction Group Co Ltd	USD	77	5.3	2025/9/23	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond decreased

As of September 16, the YTD return¹ on Chinese USD corporate bond index decreased by 33bp to -11.07% from last Friday. The return on investment-grade bonds decreased by 37bp to -7.71%, and the return of high-yield bonds decreased by 15bp to -23.46%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 55bp from last Friday to -34.93%. The returns on financial and Chengtou bonds were -13.24% and -0.45%, decreasing by 27bp and 21bp from last Friday, respectively; the return on non-financial bonds fell 42bp from last Friday to -7.92%.

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

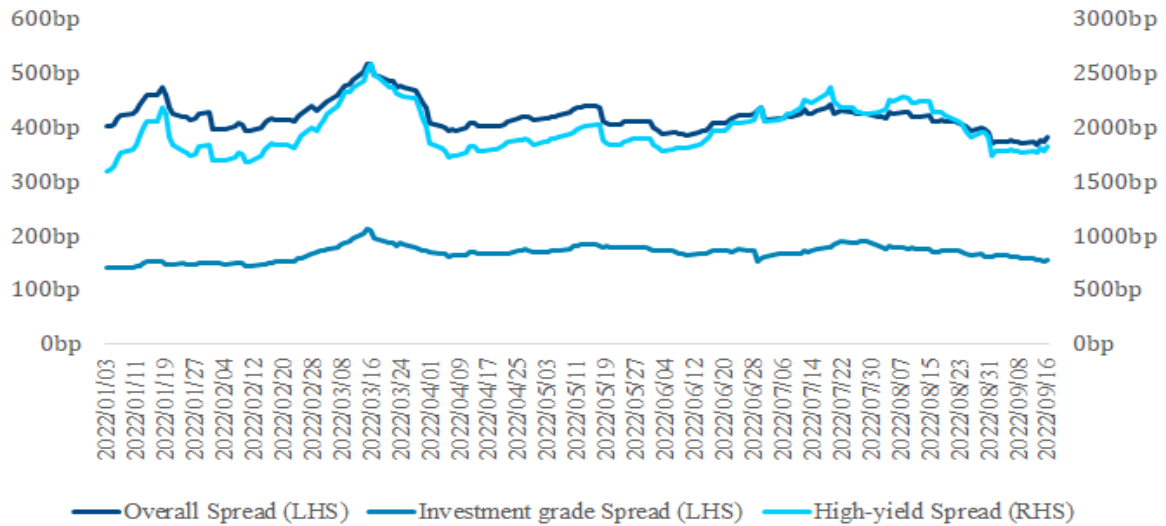


Sources: Bloomberg, CCX research

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

As of September 16, the yield spread of Chinese dollar bonds increased by 11.4bp to 382.4bp from last Friday. The yield spread of investment grade bonds decreased by 4.2bp to 153.8bp while that of high-yield bonds increased by 46.4bp to 1816.9bp.

Figure 6: Yield Spreads of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

According to Bloomberg data, the 10 bonds with the largest yield increase from September 12 to September 16 are shown in the table below. Among them, the yield of an offshore bond of Seazen Group Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20220912-20220916)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
FUTLAN 4 ¼ 09/22/22	Seazen Group Limited	99.01	0.0055	213.80	27M
GRNLGR 5 ¾ 09/26/22	Greenland Holdings Corporation Limited	92.33	0.0164	611.33	13.8M
GRNLGR 5 ¾ 07/03/24	Greenland Holdings Corporation Limited	42.00	1.7851	66.31	6.4M
CIFIHG 11.581 PERP	CIFI Holdings (Group) Co. Ltd.	43.48	perpetual bond	1780.18	5.9M
TPHL 6.6 03/02/23	Times China Holdings Limited	26.69	0.4463	736.91	5.6M
SINOCE 6 07/30/24	Sino-Ocean Group Holding Limited	47.36	1.8590	54.59	5M
LSEAGN 10 ¼ 10/21/22	Landsea Green Management Limited	81.95	0.0849	279.59	4.7M
FOSUNI 5.95 01/29/23	Fosun International Limited	81.41	0.3587	73.14	4M
FOSUNI 6 ¾ 07/02/23	Fosun International Limited	61.25	0.7803	85.06	4M
LZINVE 4.15 11/15/22	Lanzhou Development Investment Co., Ltd.	88.96	0.1533	73.39	3M

Sources: Bloomberg, CCX research

Rating Action: Several real estate companies were downgraded

From September 12 to September 16, rating agencies took negative action on 9 Chinese issuers, 5 of them were real estate companies.

Table 3: Credit rating changes of cross-border bond market (20220912-20220916)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Downgrade	Meinian Onehealth Healthcare Holdings Co Ltd	Health Care	B2	NEG	2022/9/14	B2	STABLE	2021/5/31	Moody's	Weakened liquidity
	Dexin China Holdings Co Ltd	Real Estate	Caa1	NEG	2022/9/15	B3	NEG	2022/4/20	Moody's	Heightened refinancing risks
	Sino-Ocean Group Holding Limited	Real Estate	BB	RWN	2022/9/15	BB+	RWN	2022/8/18	Fitch	Aggressive financial management
	CIFI Holdings Group Co Ltd	Real Estate	B1	NEG	2022/9/15	Ba3	RWN	2022/7/22	Moody's	Weakened credit profile
	China SCE Group Holdings Ltd	Real Estate	B-	NEG	2022/9/15	B+	STABLE	2021/9/20	S&P	Weakening sales and liquidity
	China Everbright Ltd	Financial	Baa3	NEG	2022/9/15	Baa3	STABLE	2020/9/9	Moody's	Weakened financial position
	Yinchuan Tonglian Capital Investment Operation Co Ltd	Chengtou	Ba2	NEG	2022/9/16	Ba1	STABLE	2021/11/19	Moody's	Constrained access to funding with reduced government payment
	Fosun International Ltd	Financial	BB-	NEG	2022/9/16	BB	STABLE	2021/8/24	S&P	Thinning liquidity buffer
	LVGEM China Real Estate Investment Co Ltd	Real Estate	CCC	-	2022/9/16	B-	NEG	2022/2/3	Fitch	Rising refinancing risks

Sources: Bloomberg, Wind, CCX research

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