

2022 Issue 37

From September 26 to September 30

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

Headline: China PMIs returned to expansion in September; US core PCE accelerated in August

On September 30, China's three major indexes in September returned to expansion. The manufacturing PMI was 50.1%, up 0.7 percentage points from the previous month, returning to expansion. The manufacturing sector recovered. On September 30, the US PCE price index in August increased by 6.2% YoY, higher than expectation of 6%. The core PCE price index in August unexpectedly accelerated, up 4.9% YoY, higher than expectation of 4.7%, triggering the market's concern about interest rate hike.

Exchange Rate: RMB depreciated, USD index fell

As of September 30, the RMB/USD closed at 7.0998, increasing by 1078bp from last Friday. The USD index decreased by 0.9% to 112.117.

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

This week, China Government Bond yields generally increased. US Treasury yields rose as Fed officials stressed determination to bring down inflation and US core PCE growth accelerated in August.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance decreased

From September 26 to September 30, there were 13 new issues with a total issued volume of USD723 million, decreasing by 36.8% from last week. Among them, Chengtou companies were the main issuers, which issued 7 bonds, with a total size of about USD623 million.

Secondary Market: Return on Chinese USD bond decreased

As of September 30, the YTD return on Chinese USD corporate bond index decreased by 104bp to -12.85% from last Friday. The return on investment-grade bonds decreased by 63bp to -9%, and the return on high-yield bonds decreased by 276bp to -27.36%. In terms of sector indices, the return on real estate bonds decreased the most, decreasing by 371bp from last Friday to -40.04%.

Rating Action: CCXAP announced 3 issuers ratings

CCXAP assigns first-time long-term credit rating of A_g- to Ronghe Holding, with a stable outlook; first-time long-term credit rating of BBB_g- to XGGC, with a stable outlook; first-time long-term credit rating of BB_g+ to Geckor Development, with a stable outlook.



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Headline: China PMIs returned to expansion in September; US core PCE accelerated in August

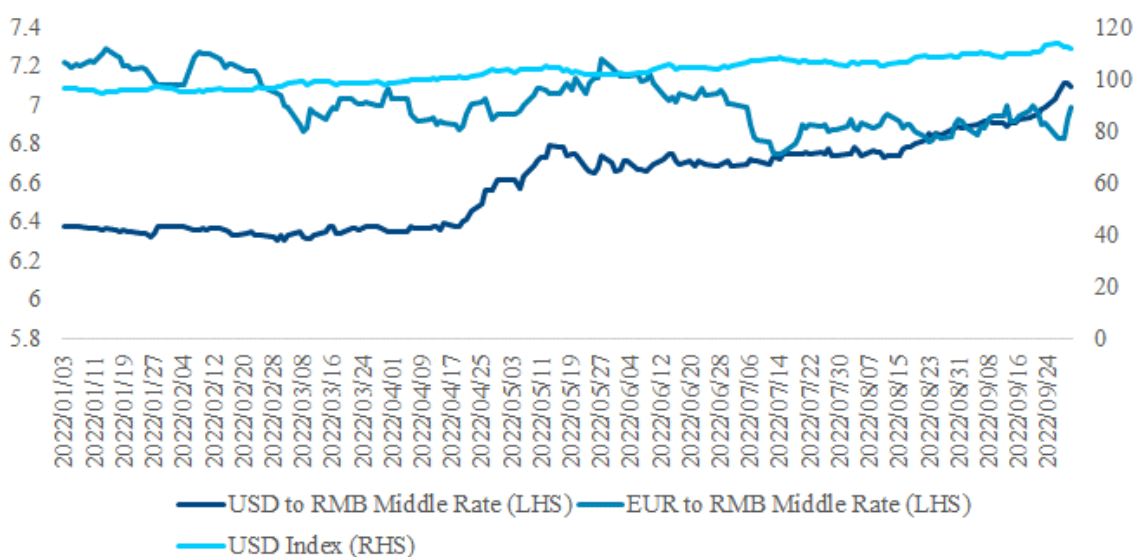
On September 30, the China Federation of Logistics and Purchasing and the National Bureau of Statistics jointly released data showing that China’s three major indexes in September returned to expansion. The manufacturing purchasing managers index (PMI) was 50.1%, up 0.7 percentage points from the previous month, returning to expansion. The non-manufacturing business activity index and composite PMI output index were 50.6% and 50.9% respectively, both of which were higher than the threshold for four consecutive months. With the effective policies for stabilizing the economy and the subsidence of high temperature effects, the manufacturing sector has recovered in September. However, the new order index was 49.8% and maintained in the contraction zone, indicating that the manufacturing market demand was still sluggish.

On September 30, US Department of Commerce released data showing that the US PCE price index in August increased by 6.2% YoY, higher than expectation of 6%, but the year-on-year growth rate slowed down for the second consecutive month and hit the lowest growth rate since February this year. Energy prices, falling by 5.5% in August, continued to be the main driver of slower price growth. However, at the same time, the core PCE price index (excluding food and energy prices) unexpectedly accelerated. In August, the core PCE increased by 4.9% YoY, higher than expectation of 4.7%, the highest since May this year, triggering the market’s concern about interest rate hike.

Exchange Rate: RMB depreciated, USD index fell

This week, RMB depreciated and USD index fell. As of September 30, the RMB/USD middle rate closed at 7.0998, increasing by 1078bp from last Friday; the RMB/EUR middle rate closed at 6.9892, increasing by 780bp from last Friday. The USD index decreased by 0.9% to 112.117.

Figure 1: RMB exchange rate

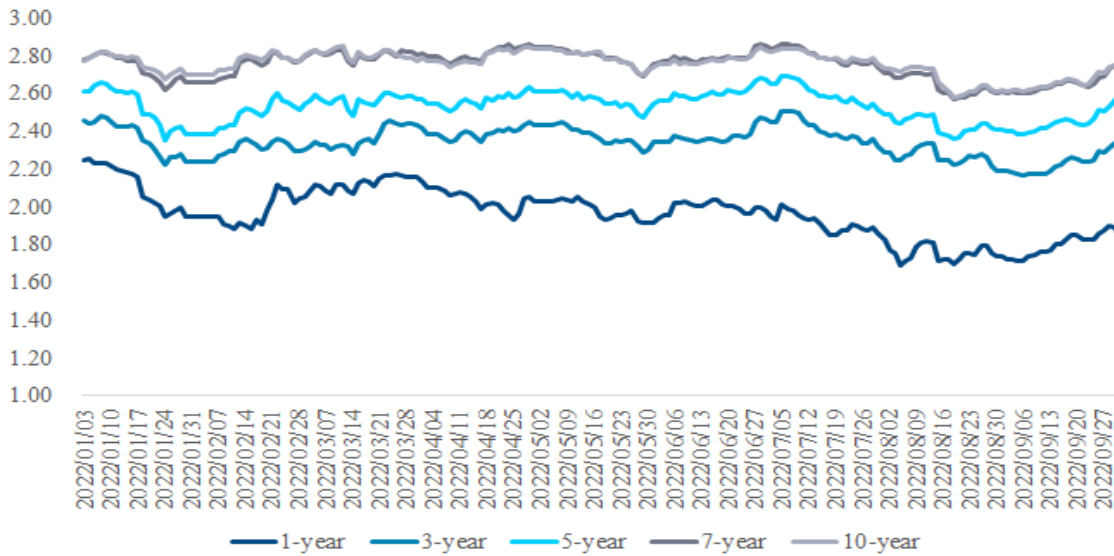


Sources: Wind, CCX research

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

The China Government Bond yields generally increased this week. As of September 30, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields increased by 3bp, 9bp, 11bp, 10bp and 8bp from last Friday to 1.8535%, 2.3341%, 2.5836%, 2.7551% and 2.7601%, respectively.

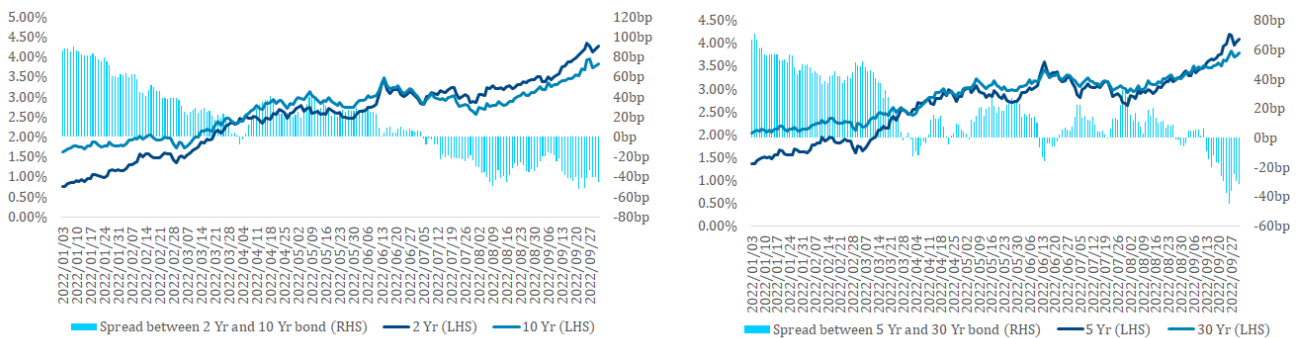
Figure 2: China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields rose as Fed officials stressed determination to bring down inflation and US core PCE growth accelerated in August. As of September 30, the yields of 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.2787%, 4.0900%, 3.8286% and 3.7759%, increasing by 8bp, 11bp, 14bp and 17 bp from last Friday, respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spread narrowed by 17bp to -45bp from last Friday, while the 5-year and 30-year Treasury bond spread narrowed by 6bp to -31.4bp from last Friday.

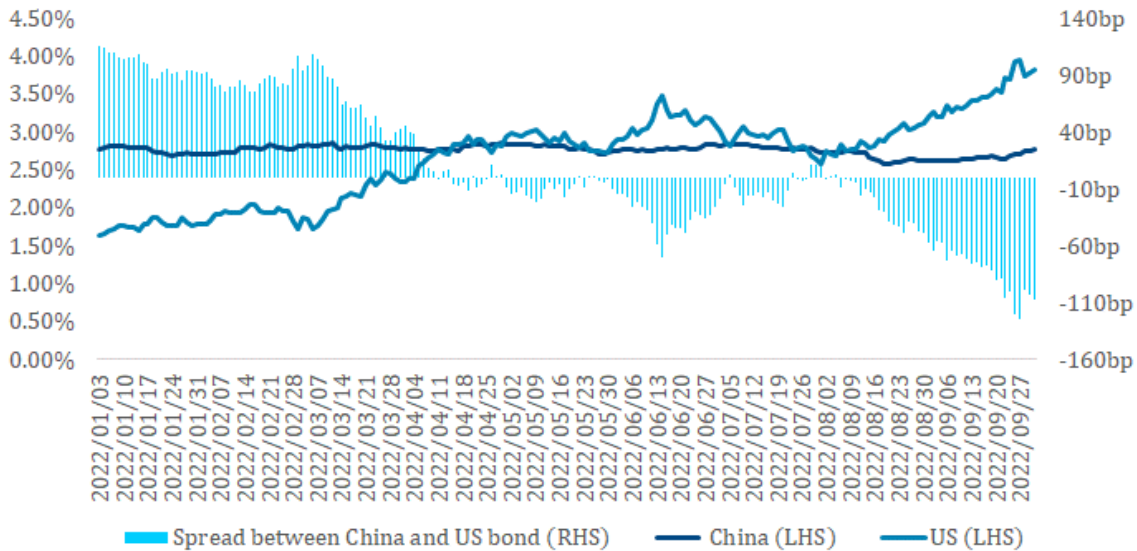
Figure 3: US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of September 30, the yield spread between China and US 10-year note was -106.9bp, widening by 6.4bp from last Friday and narrowing by 7.9bp 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 26 to September 30, there were 13 new issues with a total issued volume of USD723 million, decreasing by 36.8% from last week. Among them, Chengtou companies were the main issuers, which issued 7 bonds, with a total size of about USD623 million.

Table 1: New issuance of Chinese offshore bonds (20220926-20220930)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/9/26	Nanjing Jiangning Economic Technology Development Company	USD	120	5.35	2023/10/9	1	Chengtou	Baa3/-/-	-/-/-
2022/9/27	CDB Leasing International Co Ltd	CNY	350	3.4	2024/10/10	2	Financials	-/-/-	-/-/-
2022/9/27	CITIC Securities International Co Ltd	USD	0.5	12	2023/1/13	94D	Financials	Baa1/BBB+/-	-/-/-
2022/9/27	CITIC Securities International Co Ltd	USD	0.5	20	2023/1/10	96D	Financials	Baa1/BBB+/-	-/-/-
2022/9/28	Changzhou Xinyun Urban Development Group Co Ltd	EUR	50	4.1	2025/10/12	3	Chengtou	-/-/-	-/-/-
2022/9/28	Changzhou Xinyun Urban Development Group Co Ltd	EUR	50	4.1	2025/10/12	3	Chengtou	-/-/-	-/-/-
2022/9/28	CITIC Securities International Co Ltd	USD	0.3	12	2023/1/17	97D	Financials	Baa1/BBB+/-	-/-/-
2022/9/28	CITIC Securities International Co Ltd	USD	0.3	12	2023/1/17	97D	Financials	Baa1/BBB+/-	-/-/-
2022/9/28	Luoyang Cultural Tourism	EUR	32	4.3	2025/10/11	3	Chengtou	-/-/-	-/-/-

	Investment Group Co Ltd								
2022/9/29	CDB Leasing International Co Ltd	CNY	350	3.4	2024/10/17	2	Financials	-/-/-	-/-/-
2022/9/29	Nanjing Pukou Economic Development Co. Ltd.	USD	80	5.6	2025/10/11	3	Chengtou	Ba2/-/-	-/-/-
2022/9/29	Tongling State-Owned Capital Operation Holding Group Co Ltd	USD	200	6	2025/10/12	3	Chengtou	-/-/-	-/-/-
2022/9/30	Nanjing Jiangning Economic Technology Development Company	USD	93.5	5.35	2023/10/11	1	Chengtou	Baa3/-/-	-/-/-

Sources: Bloomberg, CCX research

On 27 September, Gemstones International Ltd. announced tap bond offering on offshore bonds.

Table 2: New issuance of additional Chinese offshore bonds (20220926-20220930)

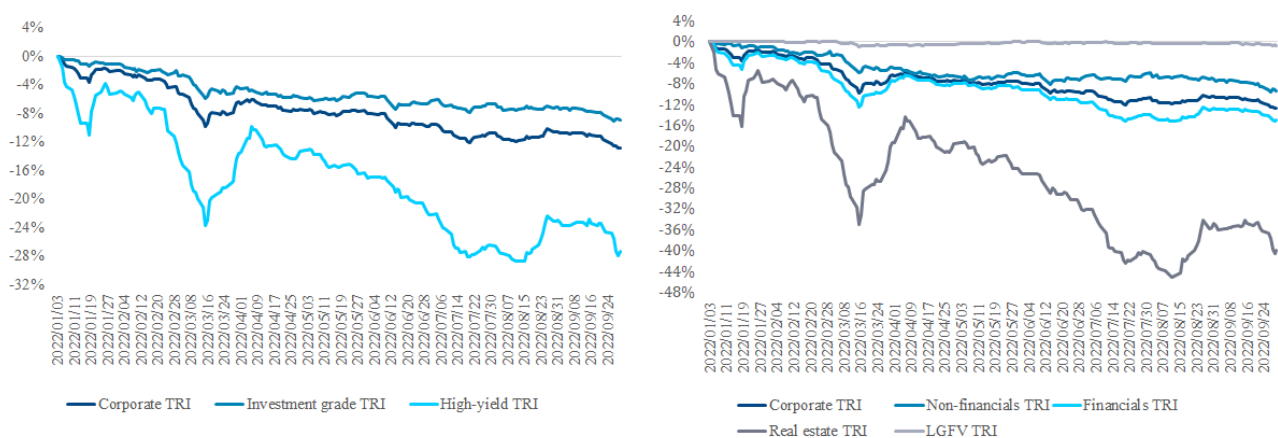
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/9/27	Gemstones International Ltd	USD	90 (reoffered 10)	6	2023/8/11	1	Real Estate	-/-/CCC	-/-/-
2022/9/27	Gemstones International Ltd	HKD	225.6 (reoffered 510)	6	2023/8/11	1	Real Estate	-/-/CCC	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond decreased

As of September 30, the YTD return¹ on Chinese USD corporate bond index decreased by 104bp to -12.85% from last Friday. The return on investment-grade bonds decreased by 63bp to -9%, and the return on high-yield bonds decreased by 276bp to -27.36%. In terms of sector indices, the return on real estate bonds decreased the most, decreasing by 371bp from last Friday to -40.04%. The returns on non-financial, financial and Chengtou bonds were -9.54%, -15.15% and -0.74%, decreasing by 84bp, 119bp and 15bp from last Friday, respectively.

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

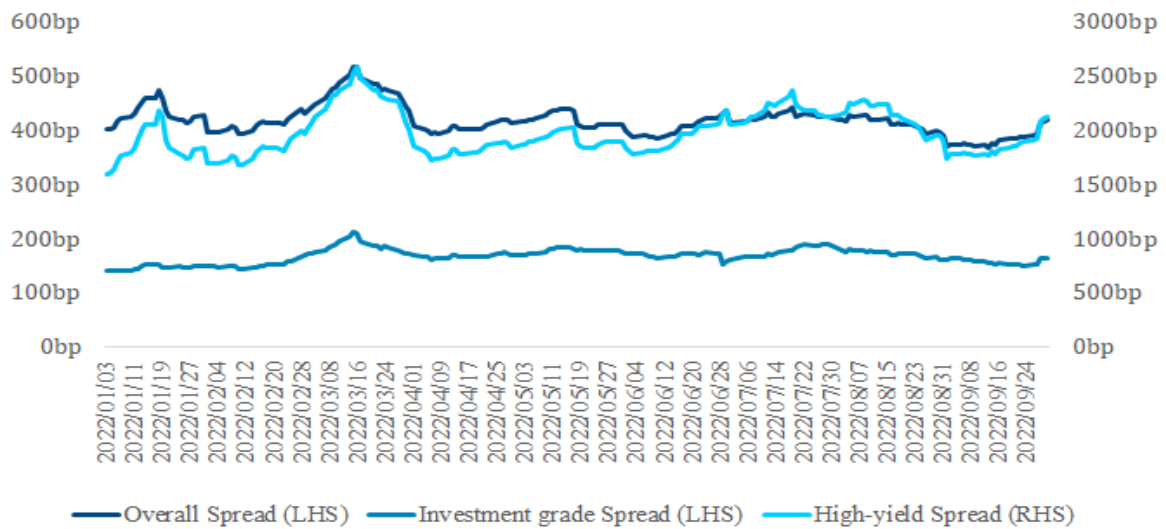


Sources: Bloomberg, CCX research

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

As of September 30, the yield spread of Chinese dollar bonds increased by 4.9bp to 387.3bp from last Friday. The yield spread of investment-grade bonds decreased by 4.0bp to 149.9bp while that of high-yield bonds increased by 84.4bp to 1901.3bp.

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 26 to September 30 are shown in the table below. Among them, the yield of an offshore bond of Landsea Green Management Ltd. changed the most.

Table 3: Chinese offshore bonds with largest yield increases (20220926-20220930)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
LSEAGN 10 ¼ 10/21/22	Landsea Green Management Ltd	75.5	0.044	688.225	14.9M
AGILE 6 ¾ PERP	Agile Group Holdings Ltd	22	perpetual bond	922.808	10.2M
CHINSC 7 ¼ 04/19/23	China SCE Group Holdings Ltd	31.63	0.537	411.991	9.2M
TPHL 6.6 03/02/23	Times China Holdings Ltd	25.864	0.405	883.524	7.5M
GRNLGR 6 ¾ 12/16/22	Greenland Global Investment Ltd	59.513	0.197	477.488	6.4M
TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	20.766	0.778	380.122	4.8M
CENCHI 7.9 11/07/23	Central China Real Estate Ltd	26.98	1.090	187.703	3.7M
GRNLGR 6 ½ 04/22/23	Greenland Global Investment Ltd	50.807	0.545	186.068	3.0M
LOGPH 6 ½ 07/16/23	Logan Group Co Ltd	16.95	0.778	459.488	2.9M
GRNLGR 6 ¾ 06/25/23	Greenland Global Investment Ltd	44.864	0.720	166.794	2.9M

Sources: Bloomberg, CCX research

Rating Action: CCXAP announced 3 issuers ratings

On September 28, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time A_g- long-term credit rating to Qingdao West Coast New Area Ronghe Holding Group Co., Ltd. (“Ronghe Holding”), with stable outlook.

On September 29, CCXAP has assigned a first-time BBB_g- long-term credit rating to Xiaogan Gaochuang Investment Co., Ltd. (“XGGC”), with stable outlook.

On September 29, CCXAP has assigned first-time long-term credit rating of BB_g+ to Zhuzhou Geckor Development Co., Ltd (“Geckor Development”), with stable outlook.

Table 4: Rating Action of CCXAP (20220926-20220930)

Date	Entity	Issuer Rating	Rating Rationale
2022/9/28	Qingdao West Coast New Area Ronghe Holding Group Co., Ltd.	A _g -	The credit rating is underpinned by the Company’s (1) full and direct ownership by the QDWC New Area Government; (2) strong strategic role in undertaking public policy projects in the development of the QDWC New Area; (3) good track record of receiving government payments; and (4) diversified and stable funding sources from major banks and the domestic bond market. However, the Company’s rating is constrained by its (1) high exposure to commercial businesses; (2) accelerated debt growth driven by expansion; and (3) risk exposure of regional private-owned enterprises during market downturn.
2022/9/29	Xiaogan Gaochuang Investment Co., Ltd.	BBB _g -	The credit rating is underpinned by the Company’s (1) important role in local infrastructure construction and shantytown renovation projects in Xiaogan High-tech Zone; (2) good track record of receiving government payments; and (3) fair access to funding from banks and domestic bond market. However, the Company’s rating is constrained by its (1) moderate exposure to commercial businesses; (2) high exposure to account receivable collection risk; and (3) fast debt growth driven by large number of construction projects.
2022/9/29	Zhuzhou Geckor Development Co., Ltd	BB _g +	The credit rating is underpinned by the Company’s (1) important position in the industrial park development in Zhuzhou High-tech Zone; (2) good track record of receiving government payments; and (3) good asset liquidity. However, the Company’s rating is constrained by its (1) high exposure to commercial business activities; (2) reliance on high-cost nonstandard financing channels; and (3) moderate debt growth.

Sources: CCX research

From September 26 to September 30, rating agencies took positive action on 4 Chinese issuers and negative action on 12 Chinese issuers, 9 of them were real estate companies.

Table 5: Credit rating changes of cross-border bond market (20220926-20220930)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									
Country Garden Holdings Co Ltd	Materials	Ba2	STABLE	2022/9/26	Ba3	POS	2022/5/6	Moody's	debt reduction

	Hangzhou Shangcheng District Urban Construction & Comprehensive Development Co., Ltd.	Chengtou	BBB-	STABLE	2022/9/30	BBB-	Ratings Under Review	2022/4/11	Fitch	administrative change and company reorganization
	China Southern Power Grid Co. Ltd	Utilities	A+	STABLE	2022/9/30	A+	NEG	2020/9/18	S&P	profit margin will gradually improve
	Beijing Capital Group Co. Ltd	Real Estate	BBB-	STABLE	2022/9/30	BBB-	NEG	2021/12/10	S&P	stable on deleveraging prospects
Downgrade	Radiance Group Co., Ltd.	Real Estate	B+	NEG	2022/9/26	B+	STABLE	2021/12/1	Fitch	weak sales performance
	Redco Properties Group Ltd	Real Estate	CC	-	2022/9/27	CCC-	-	2022/4/22	Fitch	weakened liquidity and heightened debt
	Red Star Macalline Group Corp Ltd	Real Estate	B-	NEG	2022/9/27	B+	NEG	2021/5/12	S&P	parent's diminishing liquidity
	Kunming Rail Transit Group Co., Ltd.	Chengtou	Baa1	NEG	2022/9/27	Baa1	STABLE	2020/7/30	Moody's	declined Kunming government's capacity to support
	Changchun Urban Development & Investment Holdings (Group) Co., Ltd.	Chengtou	Baa1	RWN	2022/9/27	Baa1	STABLE	2020/7/30	Moody's	weakening credit fundamentals in Jilin province and Changchun city
	Zhenro Properties Group Limited	Real Estate	Ca	NEG	2022/9/29	Caa2	NEG	2022/2/21	Moody's	weak recovery prospects for its creditors
	West China Cement Limited	Materials	Ba2	NEG	2022/9/29	Ba2	STABLE	2022/1/12	Moody's	reducing liquidity buffer
	Landsea Green Management Limited	Real Estate	Caa2	NEG	2022/9/29	Caa1	NEG	2022/9/5	Moody's	heightened default risk
	CIFI Holdings (Group) Co. Ltd	Real Estate	BBB _g -	RWN	2022/9/29	BBB _g -	STABLE	2022/5/11	CCXAP	sluggish contracted sales and deteriorated liquidity
	Shanghai Electric Holdings Group Co. Ltd. Shanghai Electric Group Co. Ltd.	Industrials	BBB	NEG	2022/9/30	BBB+	NEG	2022/5/19	S&P	slower deleveraging
	Fosun International Limited	Financial	B1	RWN	2022/9/30	B1	NEG	2022/8/23	Moody's	elevated refinancing risk
	CIFI Holdings (Group) Co. Ltd	Real Estate	B+	RWN	2022/9/30	BB-	NEG	2022/9/7	S&P	thinning liquidity buffer
CIFI Holdings (Group) Co. Ltd	Real Estate	BB-	RWN	2022/9/30	BB-	NEG	2022/9/21	Fitch	uncertainty may affect liquidity	

Sources: Bloomberg, Wind, CCX research

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