

### 2022 Issue 39 From October 10 to October 14

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

#### Headline: China's YoY growth of CPI expanded in September; US core inflation hit a 40-year high

Data released by the National Bureau of Statistics showed that due to the increase of the vegetable and pork prices, the YoY growth of CPI in September increased by 2.8%. The U.S. Bureau of Labor Statistics released data showing that the core CPI in September rose by 6.6% YoY, hitting a new high since August 1982.

#### Exchange Rate: RMB was depreciated, USD index rose

This week, RMB was depreciated. As of October 14, the RMB/USD middle rate closed at 7.1088; the RMB/EUR middle rate closed at 6.9596. The USD index increased by 0.5% to 113.311.

#### Interest Rate: China Government Bond yields generally decreased; US Treasury yields rose

The China Government Bond yields generally decreased. US Treasury yields rose amid higher-than-expected US inflation data.

#### Chinese Offshore Bond Market

##### Primary Market: Chinese offshore bond issuance decreased

From October 10 to October 14, there were 8 new issues with a total issued volume of USD 820 million. Among them, Syngenta Group Finance Ltd was the largest issuer, who issued 1 bond, with a total size of about USD500 million.

##### Secondary Market: Return on Chinese USD bond decreased

As of October 14, the YTD return on Chinese USD corporate bond index decreased by 118bp to -14.4% from last Friday. The return on investment-grade bonds decreased by 87bp to -10.02%, and the return on high-yield bonds decreased by 271bp to -31.49%. In terms of sector indices, the return on real estate bonds decreased the most, decreasing by 393bp from last Friday to -45.80%.

#### Rating Action: A real estate company was downgraded due to liquidity issues

From October 10 to October 14, rating agencies took positive action on 1 Chinese issuer and took negative action on 1 Chinese issuer.

#### Credit event: Dangdai International and Xinyuan Real Estate defaulted on USD bonds



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## Headline: China's YoY growth of CPI expanded in September; US core inflation hit a 40-year high

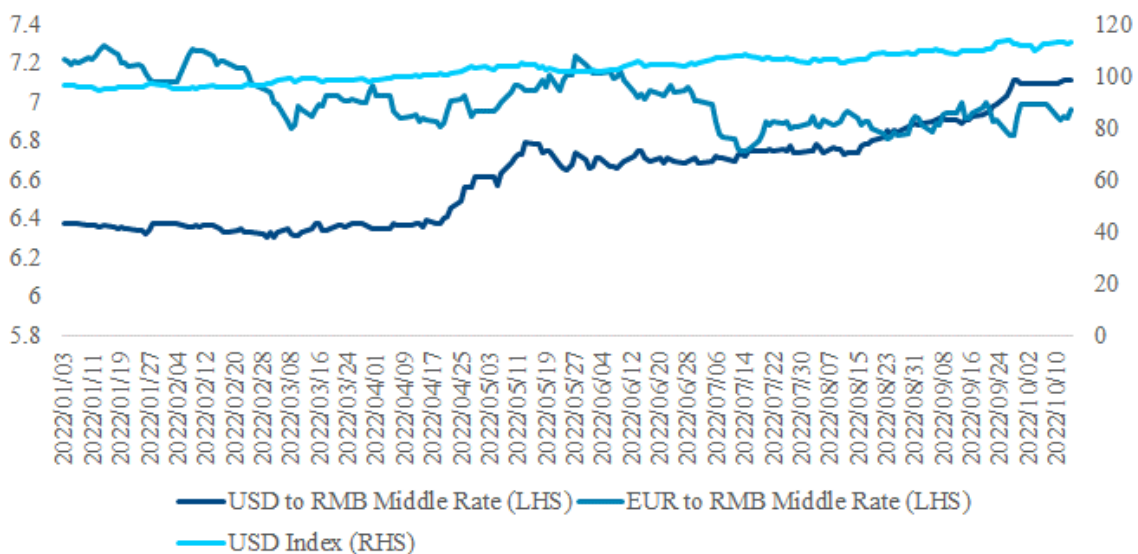
On October 14, data released by the National Bureau of Statistics showed that due to the increase of the vegetable and pork prices, the year-on-year (“YoY”) growth of CPI in September expanded and increased by 2.8%, an increase of 0.3 percentage points from the previous month. The CPI rose slightly month-on-month (“MoM”), from a decrease of 0.1% in the previous month to an increase of 0.3%. Affected by the continued decline in the prices of bulk commodities such as international crude oil, the price trend of domestic industrial products generally declined. The PPI in September increased by 0.9% YoY, 1.4 percentage points lower than the previous month, and the MoM decrease narrowed.

On October 13, the US Bureau of Labor Statistics released data showing that the US CPI rose 8.2% YoY in September, higher than market expectations of 8.1%, and the previous value of 8.3%; September CPI rose by 0.4% MoM, twice as high as the market expectation of 0.2%, and significantly higher than the previous value of 0.1%. After excluding volatile food and energy prices, the core CPI in September rose by 6.6% YoY, which was not only higher than the market expectation of 6.5% and the previous value of 6.3%, but also hit a new high since August 1982. The core CPI climbed 0.6% MoM for the second consecutive months, higher than the market expectations of 0.4%.

## Exchange Rate: RMB depreciated, USD index rose

This week, RMB depreciated. As of October 14, the RMB/USD middle rate closed at 7.1088; the RMB/EUR middle rate closed at 6.9596. The USD index increased by 0.5% to 113.311.

Figure 1: RMB exchange rate

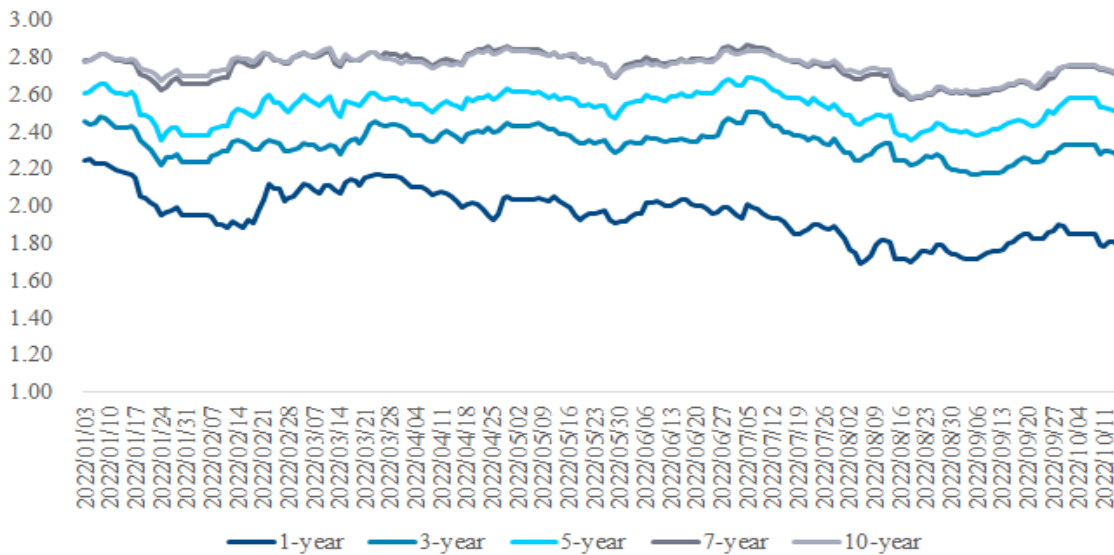


Sources: Wind, CCX research

## Interest Rate: China Government Bond yields generally decreased; US Treasury yields rose

The China Government Bond yields generally decreased. As of October 14, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.7851%, 2.2598%, 2.4905%, 2.6951% and 2.6977%, respectively.

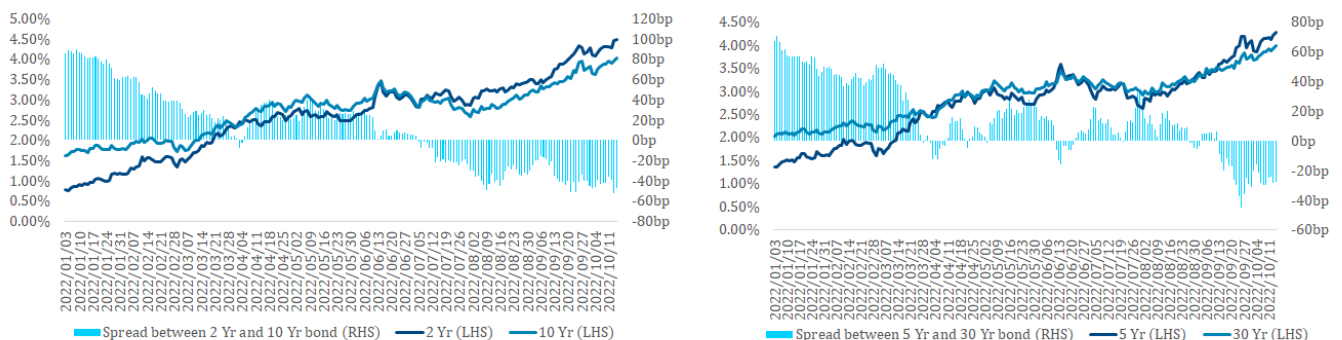
Figure 2: China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields rose amid higher-than-expected US inflation data. As of October 14, the yields of 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.4959%, 4.2677%, 4.0184% and 3.9916%, increasing by 19bp, 13bp, 14bp and 15bp from last Friday, respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 5bp from last Friday to -47.8bp, while the 5-year and 30-year Treasury bond spread narrowed by 2bp to -27.6bp from last Friday.

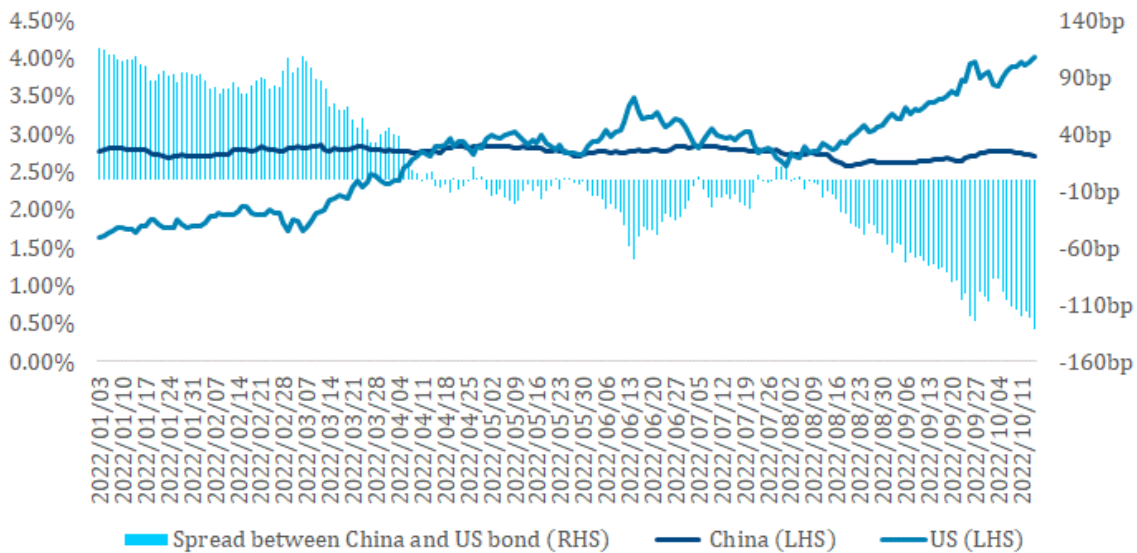
Figure 3: US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of October 14, the yield spread between China and US 10-year note was -132.1bp, widening by 19.9bp from last Friday and widening by 17.3bp 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 October 10 to October 14, there were 8 new issues with a total issued volume of USD820 million. Among them, Syngenta Group Finance Ltd was the largest issuer, who issued 1 bond, with a total size of about USD500 million.

**Table 1: New issuance of Chinese offshore bonds (20221010-20221014)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/10/10	China Securities International Finance Holding Co Ltd	USD	5	4.25	2023/4/17	182D	Financials	-/-/-	-/-/-
2022/10/10	Liupanshui Affordable Housing Development Investment Co., Ltd.	USD	100	6.4	2023/10/12	364D	Chengtou	-/-/-	-/-/-
2022/10/11	CITIC Securities International Co Ltd	USD	0.3	29.13	2023/3/1	127D	Financials	-/BBB+/-	-/-/-
2022/10/11	Tonglu County State Capital Investment & Management Holding Group Co Ltd	CNY	950	4.2	2025/10/14	3	Chengtou	-/-/-	-/-/-
2022/10/12	CITIC Securities International Co Ltd	USD	0.3	15	2023/3/1	126D	Financials	-/BBB+/-	-/-/-
2022/10/12	Syngenta Group Finance Ltd	USD	500	5	2026/4/19	3.5	Materials	Baa1/BBB+/A	Baa1/BBB+/A
2022/10/13	CMB Financial Leasing Co., Ltd.	USD	50	SOFR+100	2023/4/20	182D	Financials	A3/BBB+/-	-/-/-
2022/10/14	Wuhan Jiangxia Agricultural Group Co., Ltd.	EUR	35	4.6	2025/10/19	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

On October 11, Oriental Capital Co Ltd announced tap bond offering.

**Table 2: New issuance of additional Chinese offshore bonds (20221010-20221014)**

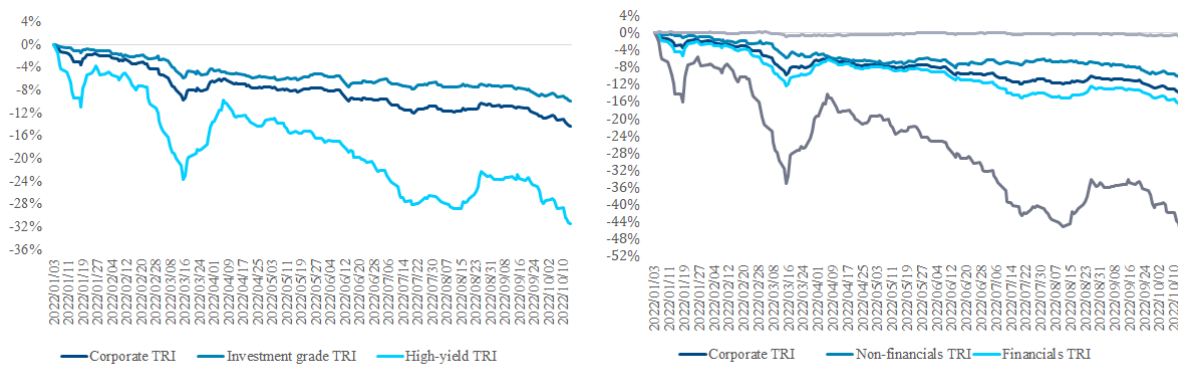
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/10/11	Yancheng Oriental Investment & Development Group Co Ltd	USD	394 (reoffered 164)	7	2025/9/28	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

## Secondary Market: Return on Chinese USD bond decreased

As of October 14, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 118bp to -14.4% from last Friday. The return on investment-grade bonds decreased by 87bp to -10.02%, and the return on high-yield bonds decreased by 271bp to -31.49%. In terms of sector indices, the return on real estate bonds decreased the most, decreasing by 393bp from last Friday to -45.80%. The returns on non-financial, financial and Chengtou bonds were -10.71%, -16.99% and -0.86%, decreasing by 94bp, 136bp and 20bp from last Friday, respectively.

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

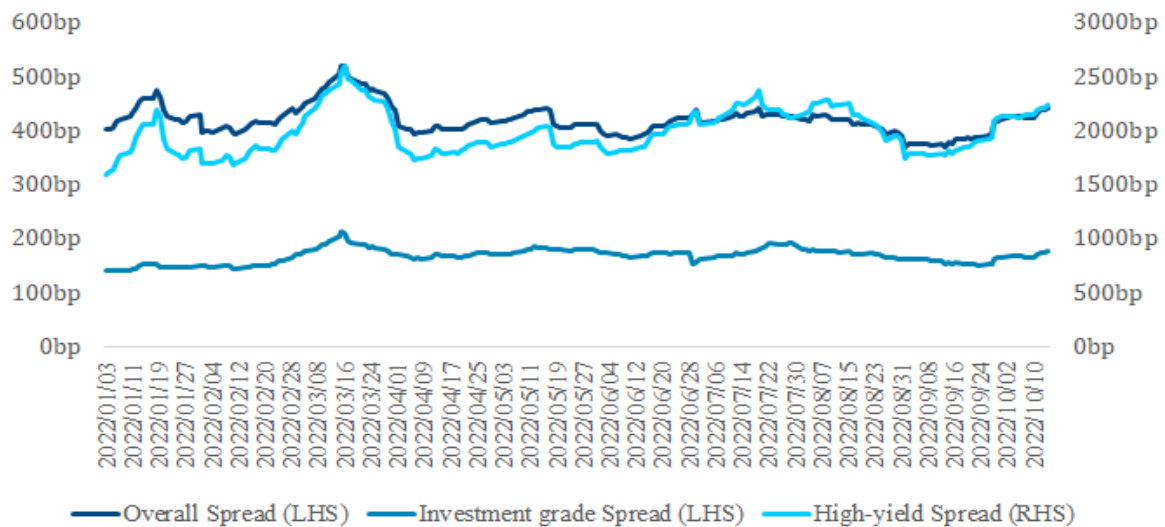


Sources: Bloomberg, CCX research

As of October 14, the yield spread of Chinese dollar bonds increased by 17.7bp to 441.4bp from last Friday. The yield spread of investment-grade bonds increased by 13bp to 177.4bp, while that of high-yield bonds increased by 90.7bp to 2229.4bp.

<sup>1</sup> Year-to-date return measures the return since January 3, 2022



**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 October 10 to October 14 are show Times China Holdings Ltd changed the most.

**Table 3: Chinese offshore bonds with largest yield increases (20221010-20221014)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
TPHL 6.6 03/02/23	Times China Holdings Ltd	18.0	0.4	634.0	71.9M
TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	17.1	0.7	336.7	13.1M
CHINSC 7 ¾ 04/19/23	China SCE Group Holdings Ltd	33.2	0.5	243.9	12.5M
CBZHZH 5 ½ PERP	Bank of Zhengzhou Co Ltd	97.3	Perpetual Bond	18.0	9.8M
AGILE 6 ¾ PERP	Agile Group Holdings Ltd	20.0	Perpetual Bond	540.5	8.6M
TPHL 6 ¾ 07/08/25	Times China Holdings Ltd	12.0	2.7	118.4	2.8M
KWGPRO 7 ¾ 08/30/24	KWG Group Holdings Ltd	18.8	1.9	194.1	2.4M
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	51.3	1.3	62.1	2.2M
KWGPRO 6 01/14/24	KWG Group Holdings Ltd	29.6	1.2	173.7	2.2M
KMCONS 5.8 10/17/22	Kunming Municipal Urban Construction Investment & Development Co Ltd	98.7	0.0	14.6	2.1M

Sources: Bloomberg, CCX research

### Rating Action: A real estate company was downgraded due to liquidity issues

From October 10 to October 14, rating agencies took positive action on 1 Chinese issuer and took negative action on 1 Chinese issuer.

**Table 4: Credit rating changes of cross-border bond market (20221010-20221014)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
upgrade	Zhongsheng Group Holdings Ltd	Consumption Non-discretionary	BBB	STABLE	2022/10/14	BBB-	POS	2022/8/30	S&P	remain a more conservative fiscal policy
Downgrade	CIFI Holdings (Group) Co. Ltd	Real Estate	CC	-	2022/10/11	BB-	RWN	2022/9/30	Fitch	rising liquidity risks

Sources: Bloomberg, Wind, CCX research

### Credit event: Dangdai International and Xinyuan Real Estate defaulted on USD bonds

On October 11, Wuhan Dangdai Science & Technology Industries (Group) Company Limited issued an announcement stating that its subsidiary Dangdai International Investments Ltd. ("Dangdai International"), failed to pay interest payment on the 10.5% notes due in 2023 before the grace period expired, constituting an event of default. The interest on the 9.0% notes due in 2023 should be due and payable on September 8, 2022. The failure to pay the interest before the grace period expires would constitute a default.

On October 11, Xinyuan (China) Real Estate Co., Ltd. announced that its controlling shareholder's parent company, Xinyuan Real Estate Co., Ltd. ("Xinyuan Real Estate"), failed to pay two USD bonds with interest rates of 14% and 14.5% on time, of which the outstanding principal balance of the 14% notes was USD269 million, and the outstanding principal balance of the 14.5% notes was USD258 million.

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