

### 2022 Issue 40 From October 17 to October 21

#### Chinese offshore bond issuance increased; return on secondary market bond decreased

#### Headline: China's LPRs remained unchanged in October; US 10-year Treasury yield rose above 4.2% for the first time since 2008

The National Interbank Funding Center announced that the loan prime rates (LPR) on October 20 remained unchanged from last month. Due to the Federal officials' speeches about aggressive rate hike, the 10-year US bond yield hit a daily high, and rose above 4.20% for the first time since June 2008.

#### Exchange Rate: RMB depreciated, USD index declined

This week, RMB depreciated. As of October 21, the RMB/USD middle rate closed at 7.1186; the RMB/EUR middle rate closed at 6.9902. The USD index decreased by 1.1% to 112.012.

#### Interest Rate: China Government Bond yields were mixed; US Treasury yields rose

China Government Bond yields were mixed. US Treasury yields rose amid Federal officials' speeches about aggressive rate hike.

#### Chinese Offshore Bond Market

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

From October 17 to October 21, there were 17 new issues with a total issued volume of USD1.12 billion. Among them, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD600 million.

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

As of October 21, the YTD return on Chinese USD corporate bond index decreased by 96bp to -15.36% from last Friday. The return on investment-grade bonds decreased by 75bp to -10.77%, and the return on high-yield bonds decreased by 199bp to -33.48%. In terms of sector indices, the return on real estate bonds declined the most, decreasing by 291bp from last Friday to -48.7%.

#### Rating Action: CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Jining High Tech Urban Construction Investment Co., Ltd., with stable outlook

CCXAP assigned a first-time BBB<sub>g</sub>- long-term credit rating to Jining High Tech Urban Construction Investment Co., Ltd., with stable outlook.

#### Credit event: Helenbergh proposed consent solicitation for offshore bonds



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## Headline: China's LPRs remained unchanged in October; US 10-year Treasury yield rose above 4.2% for the first time since 2008

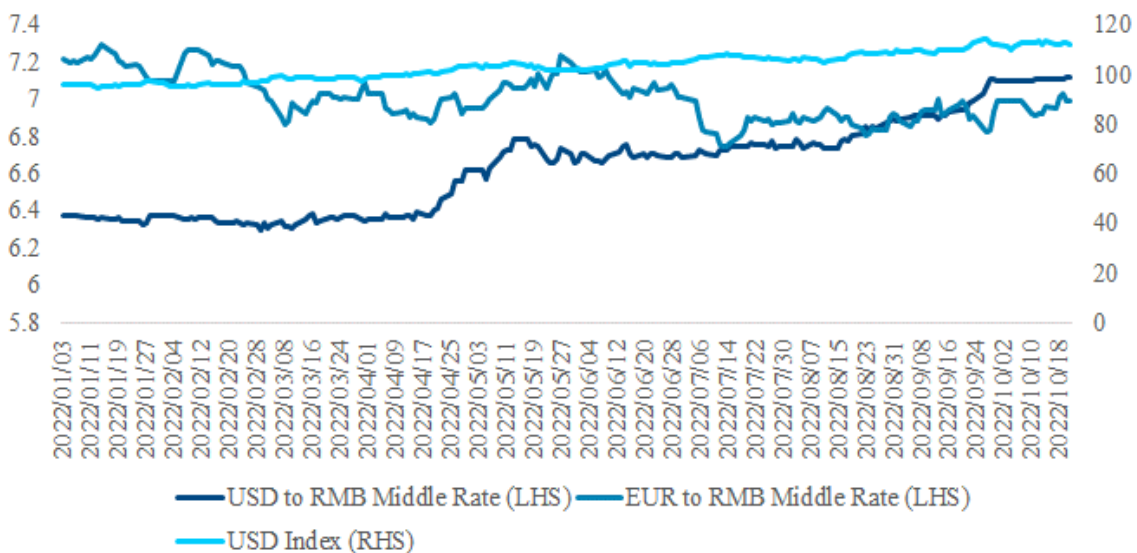
On October 20, the People's Bank of China authorized the National Interbank Funding Center to announce that the loan prime rate (LPR) on October 20, 2022 will be 3.65% for 1-year LPR and 4.3% for LPR over 5 years, both of which remained unchanged from the previous month. Since the beginning of this year, the 1-year LPR and the 5-year LPR have dropped by 15 bp and 35 bp respectively, which has driven the interest rates in credit market to continue to decline at historically low levels.

On October 20, due to the Federal officials' speeches about aggressive rate hike, the 10-year US bond yield hit a daily high, and rose above 4.20% for the first time since June 2008. The futures market showed that the Fed must aggressively raise interest rate of 75bp in November for the fourth consecutive time, and the probability of another rate hike of 75bp in December is more than 60%, which will raise the federal funds rate to 4.5%-4.75 by the end of the year. The Fed is expected to raise interest rates to around 5% in May next year, which will be higher than the 4.6% terminal rate forecast released in September.

## Exchange Rate: RMB depreciated, USD index declined

This week, RMB continued to depreciate. As of October 21, the RMB/USD middle rate closed at 7.1186, increasing by 98bp from last Friday; the RMB/EUR middle rate closed at 6.9902, increasing by 306bp from last Friday. The USD index decreased by 1.1% to 112.012.

Figure 1: RMB exchange rate

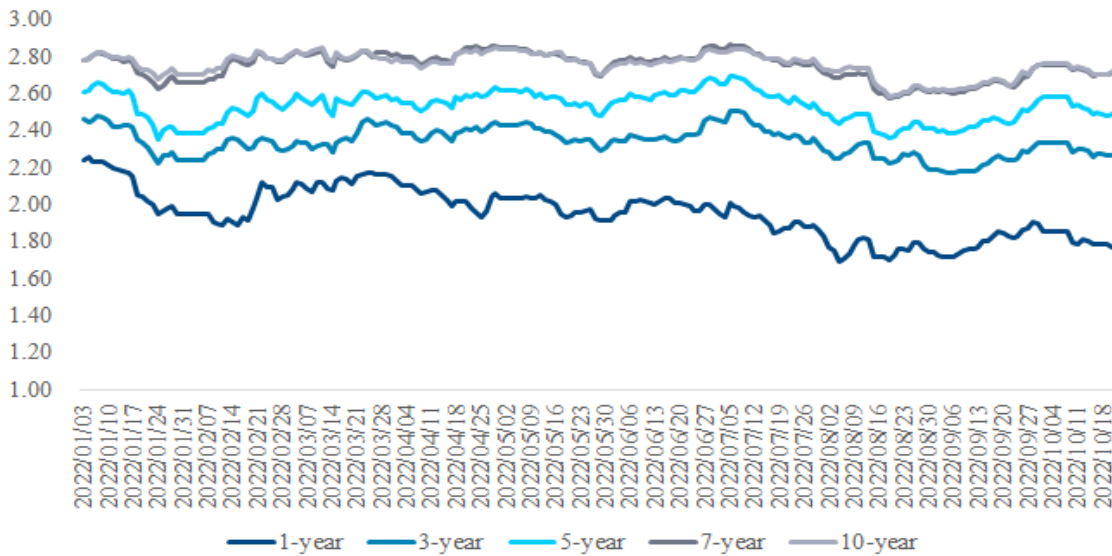


Sources: Wind, CCX research

## Interest Rate: China Government Bond yields were mixed; US Treasury yields rose

The change in China Government Bond yields were mixed. As of October 21, the 1-year China Government Bond yield was 1.7706%, decreasing by 1bp from last Friday. The 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.2802%, 2.4918%, 2.7229% and 2.7278%, increasing by 2bp, 0.1bp, 3bp and 3bp respectively.

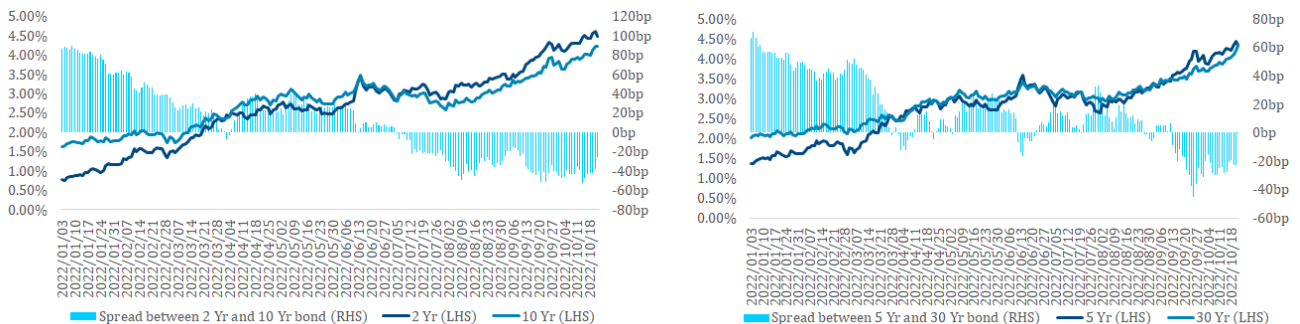
Figure 2: China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields rose amid Federal officials' speeches about aggressive rate hike. As of October 21, the yield of 2-year US Treasury bond was 4.4723%, decreasing by 2bp from last Friday. The 5-year, 10-year and 30-year US Treasury bonds were 4.3411%, 4.2167% and 4.3335%, increasing by 7bp, 20bp and 34bp from last Friday respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads narrowed by 22bp from last Friday to -25.6 bp, while the 5-year and 30-year Treasury bond spread narrowed by 27bp to -0.8bp from last Friday.

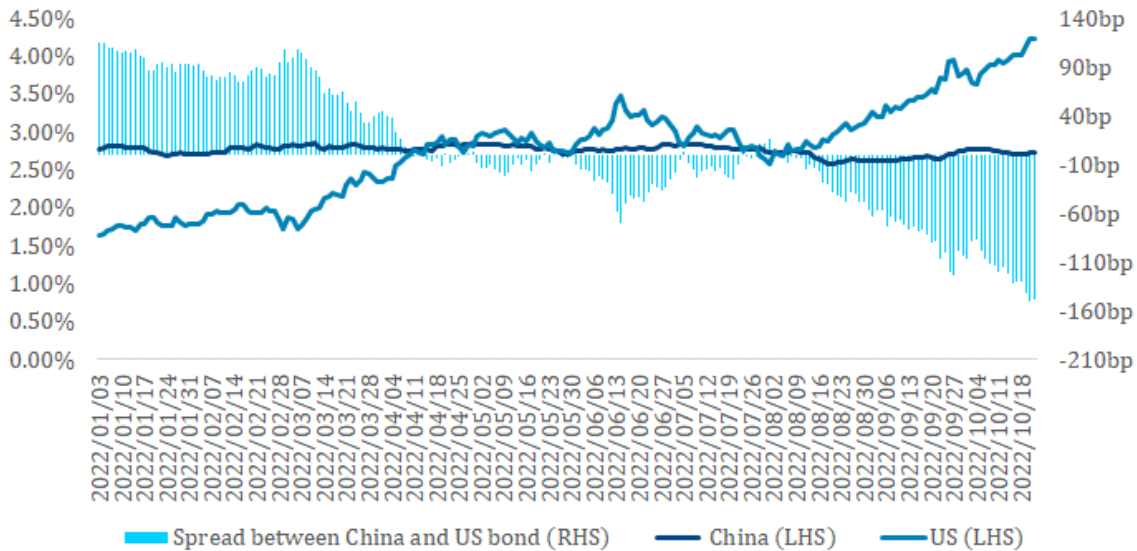
Figure 3: US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of October 21, the yield spread between China and US 10-year note was -148.9 bp, widening by 16.8 bp from last Friday and widening by 34.2 bp 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 increased

From October 17 to October 21, there were 17 new issues with an increase of 36.1% in total issued volume to USD1.12 billion. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD600 million.

**Table 1: New issuance of Chinese offshore bonds (20221017-20221021)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/10/17	China International Capital Corp International Ltd	USD	1	4.3	2023/4/24	182D	Financials	Baa1/BBB+/BBB+	-/-
2022/10/18	Chengdu Sino French Ecological Park Investment Development Co Ltd	USD	200	6	2025/10/21	3	Chengtou	-/-	-/-
2022/10/18	China International Capital Corp International Ltd	USD	2	4.2	2023/4/25	182D	Financials	Baa1/BBB+/BBB+	-/-
2022/10/18	CITIC Securities International Co Ltd	USD	0.3	17.95	2022/12/5	34D	Financials	-/BBB+/-	-/-
2022/10/18	CITIC Securities International Co Ltd	USD	7	0	2025/10/20	3	Financials	-/BBB+/-	-/-
2022/10/18	CITIC Securities International Co Ltd	USD	22.5	0	2025/10/20	3	Financials	-/BBB+/-	-/-
2022/10/18	Huzhou Wuxing Economic Development & Investment Group Co Ltd	CNY	240	5.2	2025/10/21	3	Chengtou	-/-	-/-
2022/10/19	CITIC Securities International Co Ltd	USD	0.3	12	2023/3/6	124D	Financials	-/BBB+/-	-/-
2022/10/19	Landsea Green Management Ltd	USD	119	10.75	2024/10/20	2	Real Estate	Caa2/-	-/-
2022/10/19	Sichuan Liquor Group Co Ltd	CNY	385	4.3	2025/10/27	3	Consumer Staples	-/-	-/-
2022/10/19	Zhenjiang Transportation Industry Group	USD	162.5	6.9	2025/10/26	3	Chengtou	-/-	-/-

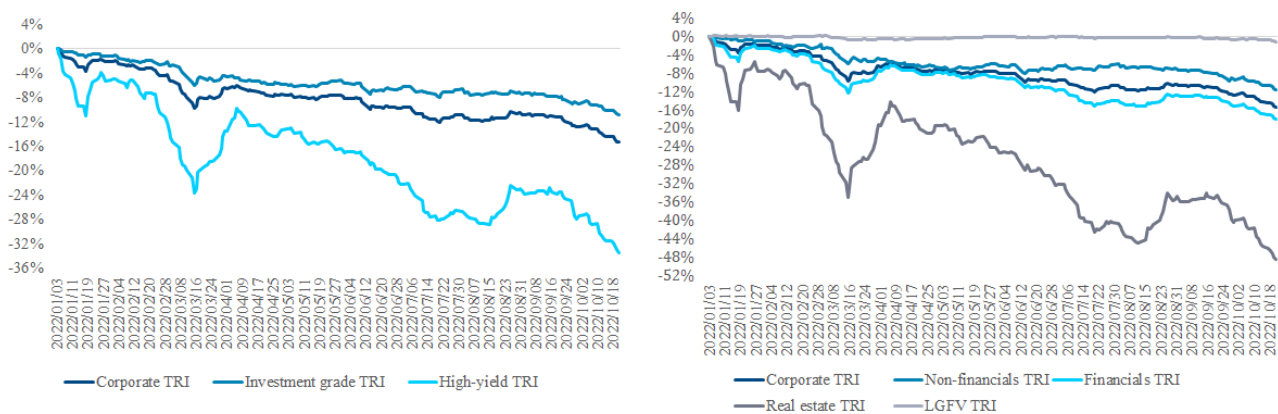
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2022/10/20	China International Capital Corp International Ltd	USD	1	4	2023/4/27	182D	Financials	Baa1/BBB+/BBB+	-/-
2022/10/20	Orient Securities Co Ltd/China	USD	300	5.125	2025/10/26	3	Financials	Baa2/BBB-/-	Baa2/-/-
2022/10/21	CITIC Securities International Co Ltd	USD	5	4.3	2023/1/17	83D	Financials	-/BBB+/-	-/-
2022/10/21	Jiangmen Xinhui Yin Hai Development Co Ltd	CNY	700	4.6	2025/10/28	3	Chengtou	-/-	-/-
2022/10/21	Longkou City Investment Co Ltd	USD	110	7	2025/10/28	3	Chengtou	-/-	-/-
2022/10/21	Shenwan Hongyuan HK Ltd	USD	5	4	2023/1/17	83D	Financials	-/BBB-/-	-/-

Sources: Bloomberg, CCX research

## Secondary Market: Return on Chinese USD bond decreased

As of October 21, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 96bp to -15.36% from last Friday. The return on investment-grade bonds decreased by 75bp to -10.77%, and the return on high-yield bonds decreased by 199bp to -33.48%. In terms of sector indices, the return on real estate bonds declined the most, decreasing by 291bp from last Friday to -48.7%. The returns on non-financial, financial and Chengtouw bonds were -11.59%, -18% and -1.29%, decreasing by 88bp, 101bp and 43bp from last Friday, respectively.

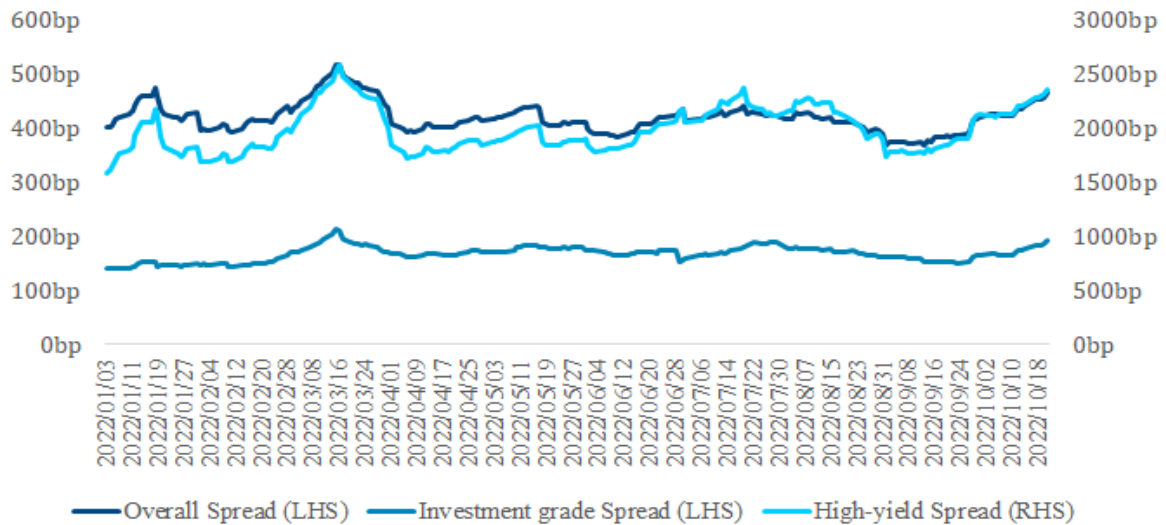
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: Bloomberg, CCX research

As of October 21, the yield spread of Chinese dollar bonds increased by 24.6bp to 466.02bp from last Friday. The yield spread of investment-grade bonds increased by 15bp to 192.5bp, while that of high-yield bonds increased by 133.6bp to 2363.0bp.

<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 17 to October 21 are shown in the table below. Among them, Times China Holdings Ltd changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20221017-20221021)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
CIFIHG 5 ½ 01/23/23	CIFI Holdings Group Co Ltd	14.167	0.2	2290.2	65.9M
TPHL 6.6 03/02/23	Times China Holdings Ltd	16.575	0.4	2280.0	51.7M
TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	13.219	0.7	623.1	13.2M
RISSUN 9 ½ 03/16/23	Rongchangda Development Bvi Ltd	19.364	0.4	1063.2	5.5M
CHINAM 4.4 PERP	China Merchants Bank Co Ltd	99.960	Perpetual bond	18.0	4.2M
DALWAN 6.95 12/05/22	Wanda Properties Overseas Ltd	92.382	0.1	79.4	3.4M
DALWAN 6 7/8 07/23/23	Wanda Properties Overseas Ltd	61.500	0.7	87.1	3.1M
FUTLAN 6.15 04/15/23	Seazen Group Ltd	64.404	0.5	126.3	3.0M
TPHL 5.55 06/04/24	Times China Holdings Ltd	9.667	1.6	242.8	2.7M
LZINVE 4.15 11/15/22	Lanzhou City Development Investment Co Ltd	95.114	0.1	99.7	2.2M

Sources: Bloomberg, CCX research

## Rating Action: CCXAP assigns first-time long-term credit rating of **BBB<sub>g</sub>-** to Jining High Tech Urban Construction Investment Co., Ltd., with stable outlook

On October 20, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Jining High Tech Urban Construction Investment Co., Ltd. (“JHUC” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20221017-20221021)**

Rating Date	Obligor	Entity Rating	Rating Rationale
2022/10/20	JHUC	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) important role in infrastructure construction in Jining High-tech Zone; (2) good track record of receiving government payments; and (3) good access to funding from banks and the bond market. However, the Company’s rating is constrained by its (1) high exposure to commercial activities; (2) moderate debt growth and weak asset liquidity; and (3) high contingent liability risk.

Sources: CCX research

From October 17 to October 21, international rating agencies took negative actions on 4 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20221017-20221021)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Downgrade	CIFI Holdings (Group) Co Ltd	Real Estate	Ca	NEG	2022/10/17	B3	NEG	2022/10/6	Moody's	Rising liquidity and default risks
	Dexin China Holdings Co Ltd	Real Estate	Caa2	NEG	2022/10/20	Caa1	NEG	2022/9/15	Moody's	Rising default risk
	Helenbergh China Holdings Ltd	Real Estate	Ca	NEG	2022/10/21	Caa1	NEG	2022/6/20	Moody's	Rising default risk
	China SCE Group Holdings Ltd	Real Estate	CCC+	NEG	2022/10/21	B-	NEG	2022/9/15	S&P	Rising liquidity and refinancing risks

Sources: Bloomberg, Wind, CCX research

## Credit event: Helenbergh proposed consent solicitation for offshore bonds

On October 19, Helenbergh China Holdings Limited (“Helenbergh”) issued an announcement stating that the company has failed to pay the interests due on September 24, 2022 and October 8, 2022

under the 11.0% senior notes due on March 24, 2023. To this end, Helenbergh filed a consent solicitation to exempt and divest certain provisions related to the default events on the offshore senior notes due on October 8, 2023. At the same time, if the Consent Solicitation is not successfully consummated, any event of default under the March 2023 Notes, could trigger an Event of Default under the Notes.



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