

### 2022 Issue 41 From October 24 to October 28

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

#### Headline: China's GDP grew by 3.0% in Q3; US Core PCE Price Index growth rate in September accelerated

China's preliminary GDP in the first three quarters of 2022 is RMB87,026.9 billion, with YoY growth rate of 3.0%. The Core PCE Price Index in September increased by 5.15% YoY, lower than the market expectation of 5.2%, with the previous value of 4.9%, accelerating for the second consecutive month.

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

This week, RMB continued to depreciate. As of October 28, the RMB/USD middle rate closed at 7.1698; the RMB/EUR middle rate closed at 7.1612. The USD index decreased by 1.1% to 110.752.

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

The China Government Bond yields generally decreased. US Treasury yields fell amid eased inflation concerns caused by slower US GDP deflator growth.

#### Chinese Offshore Bond Market

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

From October 24 to October 28, there were 15 new issues with total issued volume of USD630 million, a decrease of 43.3% from last week. Among them, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD620 million.

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

As of October 28, the YTD return on Chinese USD corporate bond index decreased by 58bp to -15.94% from last Friday. The return on investment-grade bonds decreased by 34bp to -11.11%, and the return on high-yield bonds decreased by 174bp to -35.22%. In terms of sector indices, the return on real estate bonds declined the most, decreasing by 304bp from last Friday to -51.75%.

#### Rating Action: CCXAP assigns debt rating to Shanghai Lingang Economic Development (Group) Co., Ltd.'s Free Trade Zone Green Bonds

CCXAP announced 4 entities' long-term credit ratings, including WXCI, RXCI, LSHI, and ZCFH. CCXAP assigns debt rating of A<sub>+</sub> to Lingang Group Free Trade Zone Green Bonds.

#### Credit event: Ganglong China Property proposed exchange offer for offshore bond



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## Headline: China's GDP grew by 3.0% in Q3; US Core PCE Price Index growth rate in September accelerated

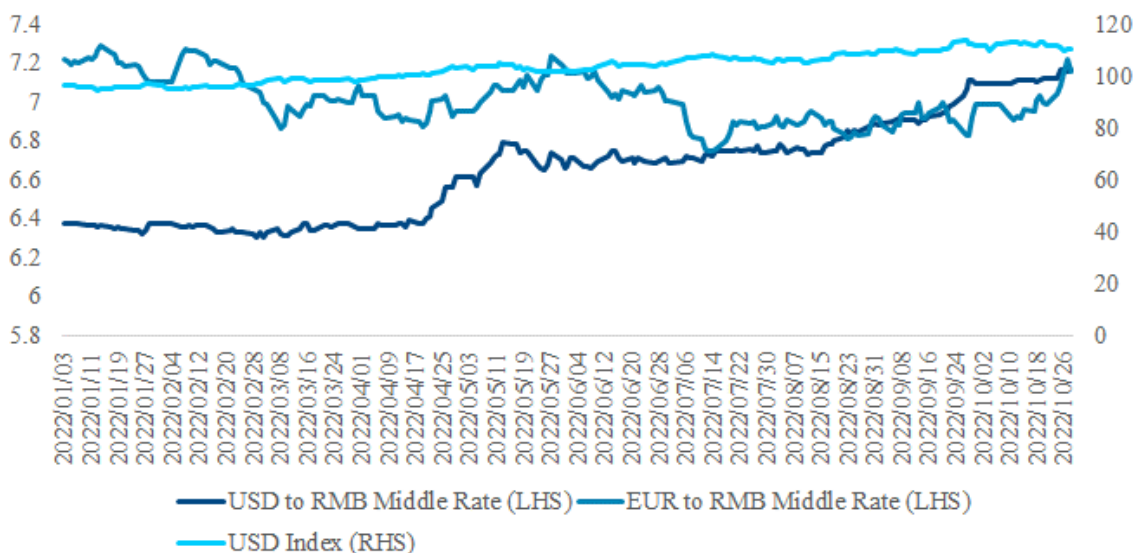
On October 24, National Bureau of Statistics of China announced the China’s preliminary GDP in the first three quarters of 2022 is RMB87,026.9 billion, with year-on-year (“YoY”) growth rate of 3.0%, which is 0.5 percentage points higher than the first half year’s growth rate. China’s GDP in Q3 is RMB30,762.7 billion, with YoY growth rate of 3.9%. With seasonal adjustments, the QoQ growth rate on Q3 GDP is 3.9%.

On October 28, the data from US Department of Commerce showed that US PCE Price Index in September increased by 6.2% YoY, lower than the market expectation of 6.3%, with the previous value of 6.2%, slowing for the third consecutive month. The Core PCE Price Index (excluding food and energy) in September increased by 5.15% YoY, lower than the market expectation of 5.2%, with the previous value of 4.9%, accelerating for the second consecutive month. The decline in energy price was an important factor for the slower-than-market growth rate of US Price Index in September. Energy price fell by 2.4% in September, with the previous value of 5.5%. The energy price in September still rose by 20.3% YoY.

## Exchange Rate: RMB depreciated, USD index declined

This week, RMB continued to depreciate. As of October 28, the RMB/USD middle rate closed at 7.1698, increasing by 512bp from last Friday; the RMB/EUR middle rate closed at 7.1612, increasing by 1710bp from last Friday. The USD index decreased by 1.1% to 110.752.

Figure 1: RMB exchange rate

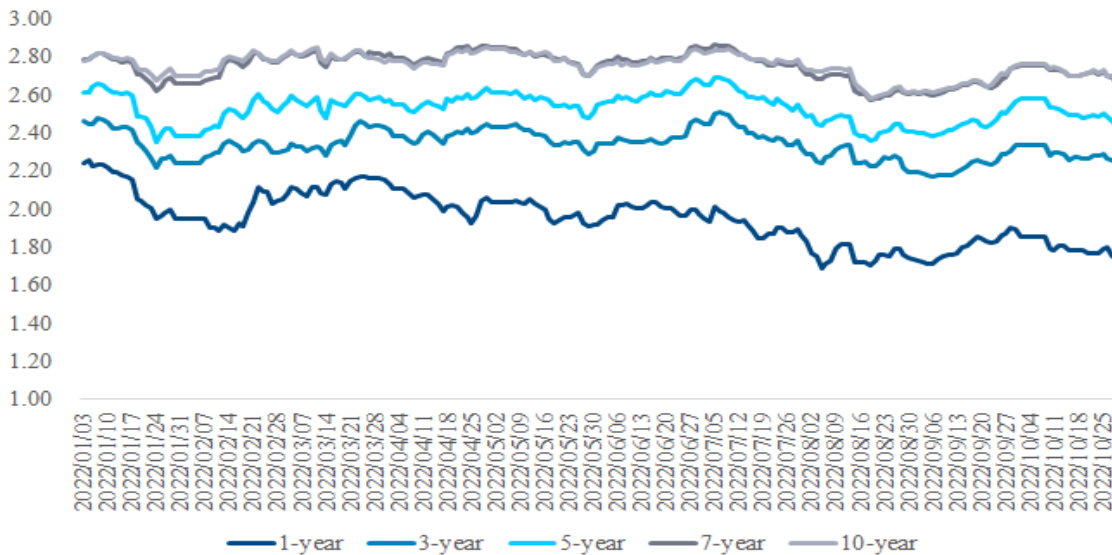


Sources: Bloomberg, CCXAP research

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

The China Government Bond yields generally decreased. As of October 28, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.7403%, 2.2416%, 2.4337%, 2.6605% and 2.6653%, decreasing by 3bp, 4bp, 6bp, 6bp and 6bp respectively.

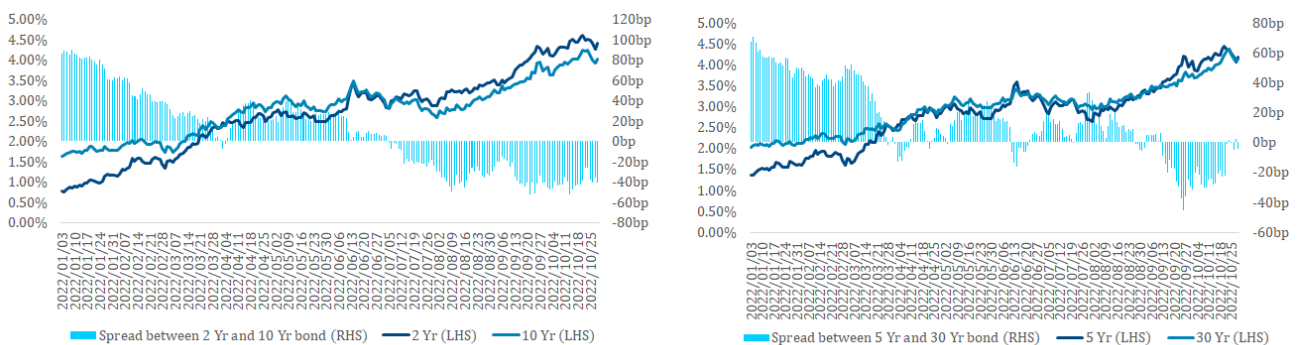
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

US Treasury yields fell amid eased inflation concerns caused by slower US GDP deflator growth. As of October 28, the 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.4142%, 4.1844%, 4.0123%, and 4.1414%, decreasing by 6bp, 16bp, 20bp and 19bp from last Friday respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 15bp from last Friday to -40.2 bp, while the 5-year and 30-year Treasury bond spread widened by 4bp to -4.3bp from last Friday.

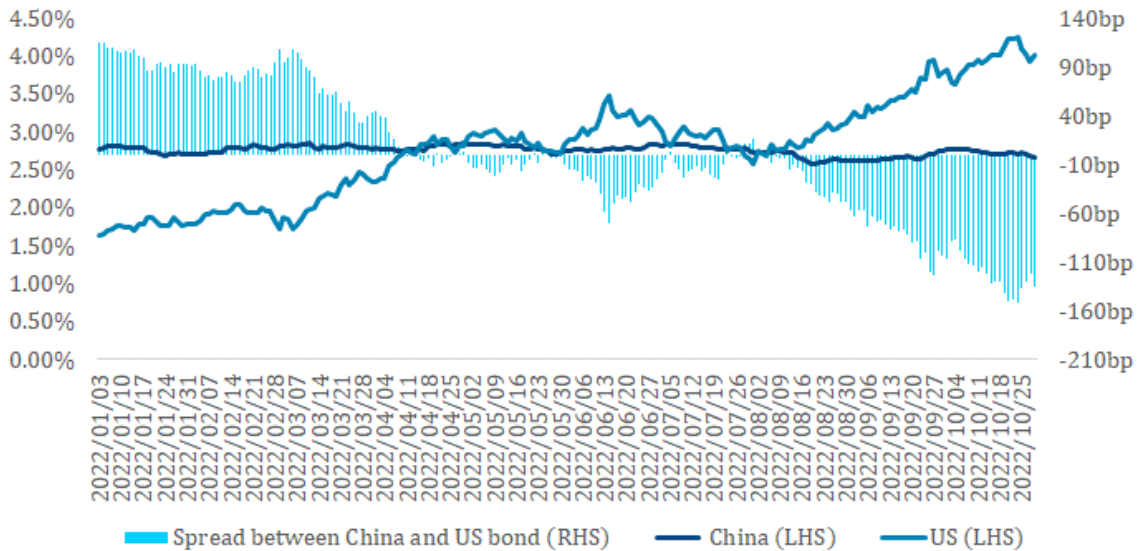
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of October 28, the yield spread between China and US 10-year note was -134.7 bp, narrowing by 14.2 bp from last Friday and widening by 20 bp from the beginning of the year.

**Figure 4: Yield spread between China and US 10-year note**



Sources: Bloomberg, CCXAP research

## Chinese Offshore Bond Market

### Primary Market: Chinese offshore bond issuance decreased

From October 24 to October 28, there were 15 new issues with total issued volume of USD630 million, a decrease of 43.3% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD620 million.

**Table 1: New issuance of Chinese offshore bonds (20221024-20221028)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/10/18	China International Capital Corp International Ltd	USD	5	4.3	2023/1/17	82D	Financials	Baa1/BBB+/BBB+	-/-
2022/10/24	CITIC Securities International Co Ltd	USD	0.2	20	2023/3/9	122D	Financials	-/BBB+/-	-/-
2022/10/25	Changsha Pilot Investment Holdings Group Co Ltd	CNY	500	4.2	2025/11/1	3	Chengtou	-/-/BBB	-/-
2022/10/25	China International Capital Corp International Ltd	USD	1.2	4	2023/2/1	92D	Financials	Baa1/BBB+/BBB+	-/-
2022/10/25	CITIC Securities International Co Ltd	USD	1	8	2023/3/10	122D	Financials	-/BBB+/-	-/-
2022/10/25	Dongtai Huimin Urban Construction and Development Co Ltd	EUR	46	4.7	2025/11/1	3	Chengtou	-/-	-/-
2022/10/25	Xinchang County Transportation Investment Group Co Ltd	EUR	100	4.4	2025/10/31	3	Chengtou	-/-	-/-
2022/10/26	CITIC Securities International Co Ltd	USD	1	19.57	2022/12/13	34D	Financials	-/BBB+/-	-/-
2022/10/26	CITIC Securities International Co Ltd	USD	2	20	2023/3/13	124D	Financials	-/BBB+/-	-/-
2022/10/26	Shanghai Lingang Economic Development Group Co Ltd	CNY	1,000	2.98	2025/10/28	3	Chengtou	Baa1/BBB+/A-	-/BBB+/-

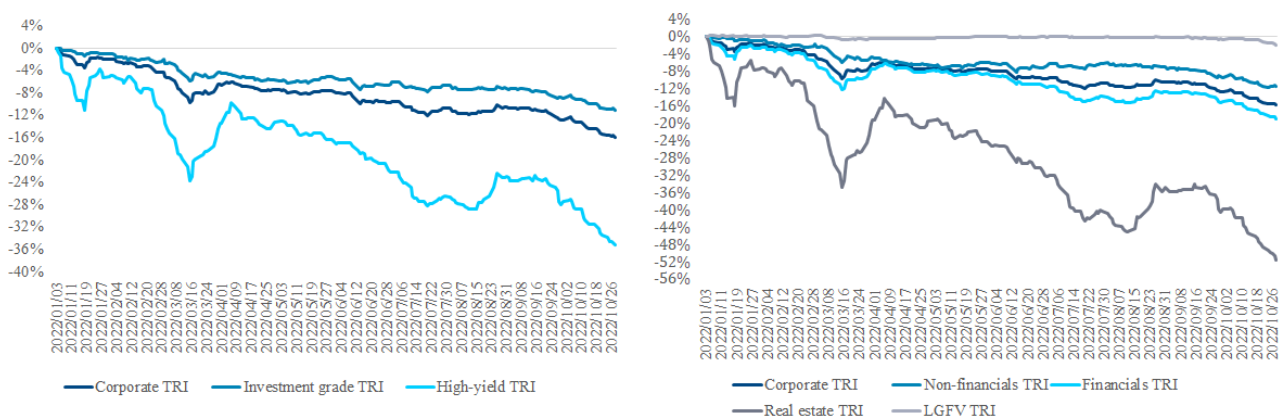
2022/10/26	Shanghai Lingang Economic Development Group Co Ltd	EUR	50	3	2023/10/29	1	Chengtou	Baa1/BBB+/A-	-/BBB+/-
2022/10/27	Yichun Development& Investment Group Co Ltd	USD	210	7	2025/11/3	3	Chengtou	-/BBB-	-/BBB-
2022/10/28	CITIC Securities International Co Ltd	USD	2	38.6	2023/1/19	66D	Financials	-/BBB+/-	-/-/-
2022/10/28	TF International Securities Group Ltd	USD	3	5.15	2023/2/1	92D	Financials	-/-/-	-/-/-
2022/10/28	TF International Securities Group Ltd	USD	5	5.8	2023/5/2	182D	Financials	-/-/-	-/-/-

Sources: Bloomberg, CCXAP research

## Secondary Market: Return on Chinese USD bond decreased

As of October 28, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 58bp to -15.94 % from last Friday. The return on investment-grade bonds decreased by 34bp to -11.11%, and the return on high-yield bonds decreased by 174bp to -35.22%. In terms of sector indices, the return on real estate bonds declined the most, decreasing by 304bp from last Friday to - 51.75 %. The returns on non-financial was -11.54%, increasing by 5bp from last Friday. The returns on financial and Chengtou bonds were -19.04% and -2.21%, decreasing by 104bp and 92bp from last Friday, respectively.

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

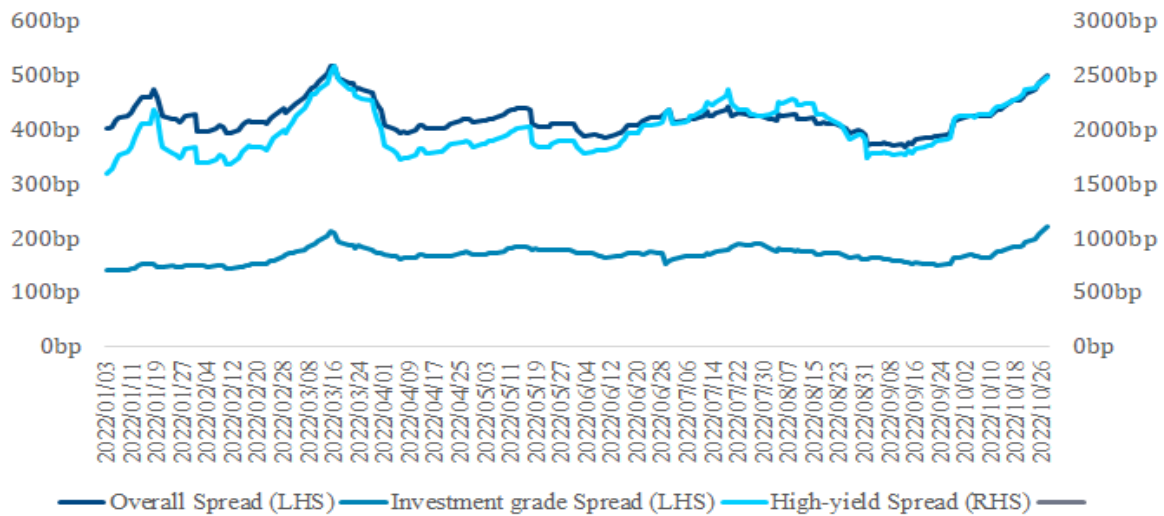


Sources: Bloomberg, CCXAP research

As of October 28, the yield spread of Chinese dollar bonds increased by 32.9bp to 498.89bp from last Friday. The yield spread of investment-grade bonds increased by 27.5bp to 220.0bp, while that of high-yield bonds increased by 116.6bp to 2479.67bp.

<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, CCXAP research

According to Bloomberg data, the 10 bonds with the largest yield increase from October 24 to October 28 are shown in the table below. Among them, CIFI Holdings Group Co Ltd changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20221024-20221028)**

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	12.0	0.2	2892.8	78.7M
TPHL 6.6 03/02/23	Times China Holdings Ltd	16.3	0.3	2693.9	52.0M
GRNLGR 6 ¾ 12/16/22	Greenland Global Investment Ltd	48.1	0.1	834.3	14.4M
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	17.5	1.4	190.0	7.6M
TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	12.1	0.7	702.8	7.4M
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	21.8	1.2	194.2	5.8M
CIFIHG 11.581 PERP	CIFI Holdings Group Co Ltd	7.5	Perpetual bond	12848.0	5.7M
NJYZSO 1.98 11/02/22	Xi Yang Overseas Ltd	99.9	0.0	44.1	4.5M
COGARD 4 ¾ 01/17/23	Country Garden Holdings Co Ltd	73.8	0.2	171.1	3.8M
ANTOIL 7 ½ 12/02/22	Anton Oilfield Services Group/Hong Kong	92.7	0.1	96.6	3.6M

Sources: Bloomberg, CCXAP research

## Rating Action: CCXAP assigns debt rating to Shanghai Lingang Economic Development (Group) Co., Ltd.’s Free Trade Zone Green Bonds

On October 24, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Huzhou Wuxing City Investment Development Group Co., Ltd. (WXCI” or the “Company”), with stable outlook.

On October 25, CCXAP has assigned a senior unsecured debt rating of A<sub>g</sub><sup>+</sup> to the proposed Free Trade Zone CNY and EUR bonds to be issued by Lingang Wings Inc, an indirect wholly-owned subsidiary of Shanghai Lingang Economic Development (Group) Co., Ltd. (“Lingang Group” or the “Company”) (A<sub>g</sub><sup>+</sup>/stable), and unconditionally and irrevocably guaranteed by Lingang Group.

On October 25, CCXAP has assigned a first-time BBB<sub>g</sub><sup>-</sup> long-term credit rating to Rizhao Xinlanshan Caijin Investment Group Co., Ltd. (“RXCI” or the “Company”), with stable outlook.

On October 26, CCXAP has assigned a first-time BBB<sub>g</sub><sup>-</sup> long-term credit rating to Linyi Lanshan District Finance Investment Group Co., Ltd. (“LSFI”), with stable outlook.

On October 27, CCXAP has assigned a first-time BBB<sub>g</sub><sup>-</sup> long-term credit rating to Zhejiang Changxing Financial Holdings Group Co., Ltd. (“ZCFH”), with stable outlook.

**Table 3: Credit rating from CCXAP (20221024-20221028)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2022/10/24	WXCI	BBB <sub>g</sub> <sup>-</sup>	-	The credit rating is underpinned by the Company’s (1) important role in infrastructure construction with regional franchise; and (2) good track record of receiving government payment. However, the Company’s rating is constrained by its (1) increasing exposure to commercial activities; (2) high debt growth and moderate asset liquidity; and (3) contingent liability risk from guarantees for local SOEs and private-owned property developers.
2022/10/25	Lingang Group	A <sub>g</sub> <sup>+</sup>	A <sub>g</sub> <sup>+</sup>	The credit rating is underpinned by the Company’s (1) full ownership and direct management by the Shanghai Municipal Government; (2) strategic importance in the development of Shanghai City’s industrial parks; (3) solid government support through ongoing capital injection and subsidies; and (4) good access to low-cost and stable fundings. However, it is constrained by the Company’s (1) large exposure to industrial property development, which is typically subject to the volatilities of regional industrial investments; and (2) fast expansion on scale that exerts debt management pressure.
2022/10/25	RXCI	BBB <sub>g</sub> <sup>-</sup>	-	The credit rating is underpinned by the Company’s (1) essential role in industrial park construction and public welfare of Lanshan District; (2) solid track record of receiving government payments; and (3) reasonable debt level. However, the rating is constrained by the Company’s (1) limited access to funding; and (2) moderate asset liquidity
2022/10/26	LSFI	BBB <sub>g</sub> <sup>-</sup>	-	The credit rating is underpinned by the Company’s (1) full ownership and ultimate control by the Lanshan District Government; (2) strong strategic role in the economic and industrial development in Lanshan District; and (3) track record of receiving government supports. However, the Company’s rating is constrained by (1) higher business risk related to property and financial service segments; (2) increasing exposure to commercial activities exerts pressure on capital expenditure; and (3) unbalanced debt structure and concentrated financing channels.
2022/10/27	ZCFH	BBB <sub>g</sub> <sup>-</sup>	-	The credit rating is underpinned by the Company’s (1) status as the primary platform fully owned and controlled by the Changxing County Government; (2) important position in land development and infrastructure construction in Changxing County; and (3) good track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium commercial business risk; (2) moderate debt management and asset liquidity; and (3) contingent liability risks in external guarantees.

Sources: CCXAP research

From October 24 to October 28, international rating agencies took positive actions on 2 Chinese issuers and negative actions on 6 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20221024-20221028)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade	S. F. Holding Co., Ltd.	Industrials	A-	STABLE	2022/10/24	A-	NEG	2021/11/2	Fitch	Recovery in profitability and deleveraging capacity
	Zhongyuan Asset Management Co., Ltd	Financial	BB+	POS	2022/10/28	BB+	STABLE	2022/8/15	Fitch	Firmer support from the government
Downgrade	Fosun International Limited	Financial	B2	NEG	2022/10/25	B1	RWN	2022/9/30	Moody's	Rising liquidity and default risks
	eHi Car Services Ltd	Consumer Discretionary	B-	NEG	2022/10/26	B	RWN	2022/5/24	S&P	Diminishing liquidity from unexpected tax liability
	China Life Insurance (Overseas) Company Ltd.	Financial	A1	NEG	2022/10/27	A1	STABLE	2020/12/17	Moody's	Asset quality and profitability will be under pressure
	China Orient Asset Management Co Ltd	Financial	A3	NEG	2022/10/28	A3	RWN	2021/8/25	Moody's	Deterioration in the operating environment
	China Cinda Asset Management Co Ltd	Financial	A3	NEG	2022/10/28	A3	RWN	2021/8/25	Moody's	Deterioration in the operating environment
	China Cinda HK Holdings Co Ltd	Financial	Baa1	NEG	2022/10/28	Baa1	STABLE	2022/5/19	Moody's	Negative rating action of China Cinda AMC

Sources: Bloomberg, Wind, CCXAP research

## Credit event: Ganglong China Property proposed exchange offer for offshore bond

On October 26, Ganglong China Property Group Limited ("Ganglong China Property") announced that the company proposed exchange offer for its 13.5% senior notes due 2022 held by non-U.S. persons outside the United States. As of the date of announcement, the outstanding principal amount of the existing notes is USD158 million. The new notes will have a tenor of 364 days and bear an interest rate of 13.5% per annum, payable in arrears. Ganglong China Property said the purpose of the exchange offer is refinance the existing notes and improve its debt structure to enable the company to extend its debt maturity profile, develop more steadily, strengthen its balance sheet and improve cash flow management.



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