

2022 Issue 42

From October 31 to November 4

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

Headline: China's official manufacturing PMI fell below 50 in October; the Fed raised interest rate by 75bp for the fourth consecutive time as scheduled

China's official manufacturing PMI in October was 49.2%, down 0.9 percentage points from the previous month and below the threshold. The Fed raised interest rates by 75 basis points for the fourth consecutive time as scheduled, raising the target range for the federal funds rate from 3.00%-3.25% to 3.75%-4.00%.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB continued to depreciate. As of November 4, the RMB/USD middle rate closed at 7.2555, increasing by 857bp from last Friday. The USD index increased by 0.1% to 110.877.

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

The China Government Bond yields generally increased. US Treasury yields rose amid the Fed's rate hike.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance increased

From October 31 to November 4, there were 13 new issues with total issued volume of USD1 billion, an increase of 58.2% from last week. Among them, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD830 million.

Secondary Market: Return on Chinese USD bond decreased

As of November 4, the YTD return on Chinese USD corporate bond index decreased by 94bp to -16.88 % from last Friday. The return on investment-grade bonds decreased by 63bp to -11.74%, and the return on high-yield bonds decreased by 258bp to -37.80%. In terms of sector indices, the return on real estate bonds declined the most, decreasing by 300bp from last Friday to - 54.75 %.

Rating Action: CCXAP announced 5 entities' long-term credit ratings

CCXAP announced 5 entities' long-term credit ratings, including SGCC, ZBHT, SYSC, WIID and SUIC.

Credit event: Greenland Holdings proposed exchange offer for offshore bond; CIFI Holdings suspended payment of offshore bonds



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Headline: China's official manufacturing PMI fell below 50 in October; the Fed raised interest rate by 75bp for the fourth consecutive time as scheduled

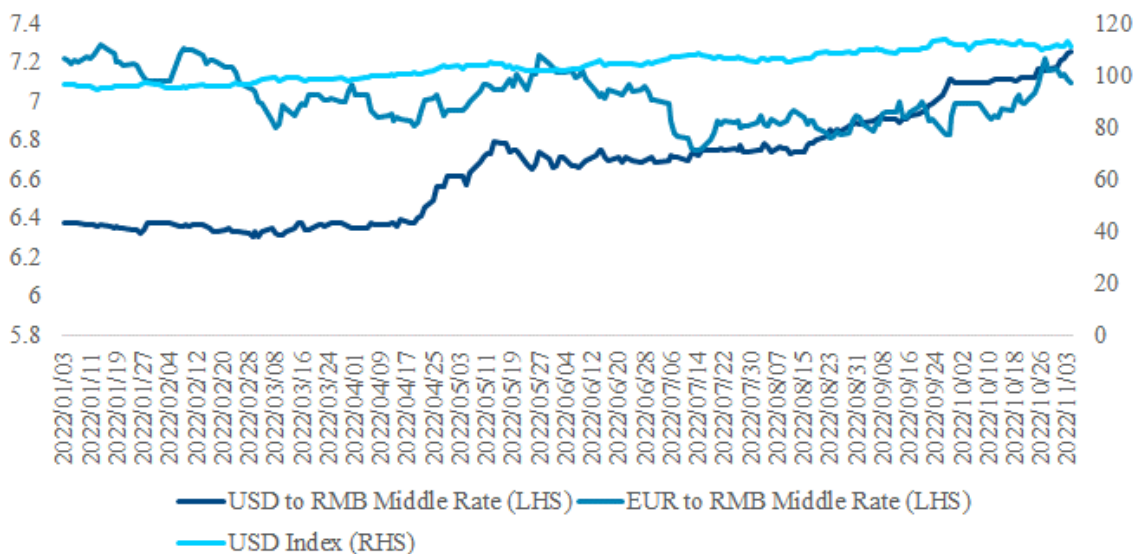
On October 31, National Bureau of Statistics of China announced the October manufacturing purchasing managers' index (PMI) was 49.2%, down 0.9 percentage points from the previous month, and was lower than the threshold point; the non-manufacturing business activity index and composite PMI output index were 48.7% and 49.0%, respectively, down 1.9 percentage points from the previous month, falling below the threshold point. Both production and demand have slowed down. In October, the production index and new order index were 49.6% and 48.1%, respectively, down 1.9 and 1.7 percentage points from the previous month, and the prosperity of manufacturing production and market demand both declined.

On November 2, The Federal Open Market Committee announced after meeting that the target range of the federal funds rate was raised from 3.00%-3.25% to 3.75%-4.00%. This is the Fed's fourth consecutive rate hike by 75 basis points. Different from the previous statement, this time the Fed said that in order to judge the pace of future interest rate hikes, it will take into account the hysteretic nature of the cumulative monetary policy tightening and the effect of monetary policy on economic activity and inflation, and changes in economic and financial conditions. The Fed also said it was appropriate to continue raising interest rates in order to maintain a sufficiently restrictive monetary policy stance.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB continued to depreciate. As of November 4, the RMB/USD middle rate closed at 7.2555, increasing by 857bp from last Friday; the RMB/EUR middle rate closed at 7.0955, decreasing by 657bp from last Friday. The USD index increased by 0.1% to 110.877.

Figure 1: RMB exchange rate

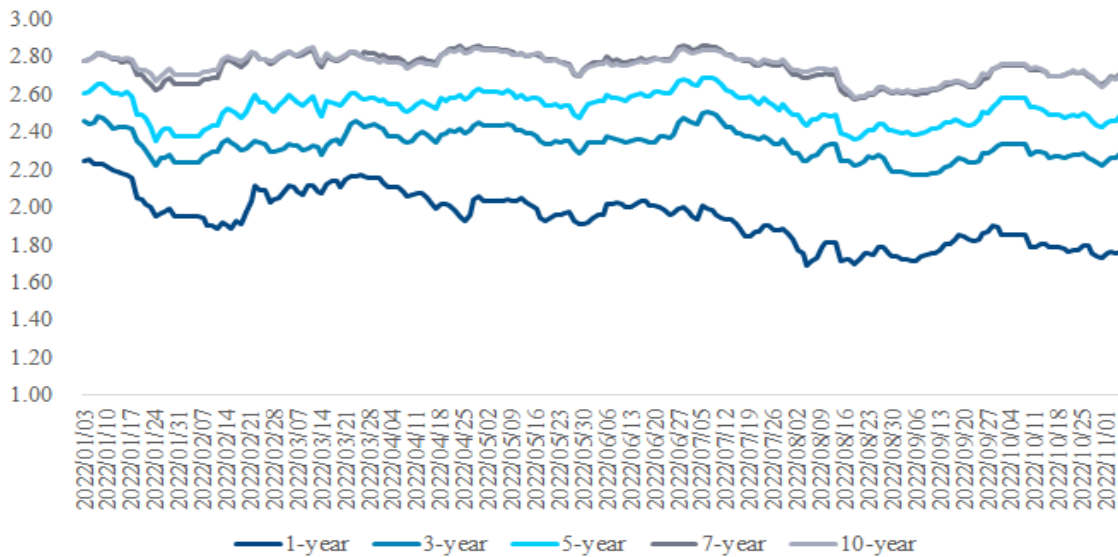


Sources: Bloomberg, CCXAP research

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

The China Government Bond yields generally decreased. As of November 4, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.7628%, 2.2848%, 2.4887%, 2.7125% and 2.7023%, increasing by 2bp, 4bp, 6bp, 5bp and 4bp respectively.

Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

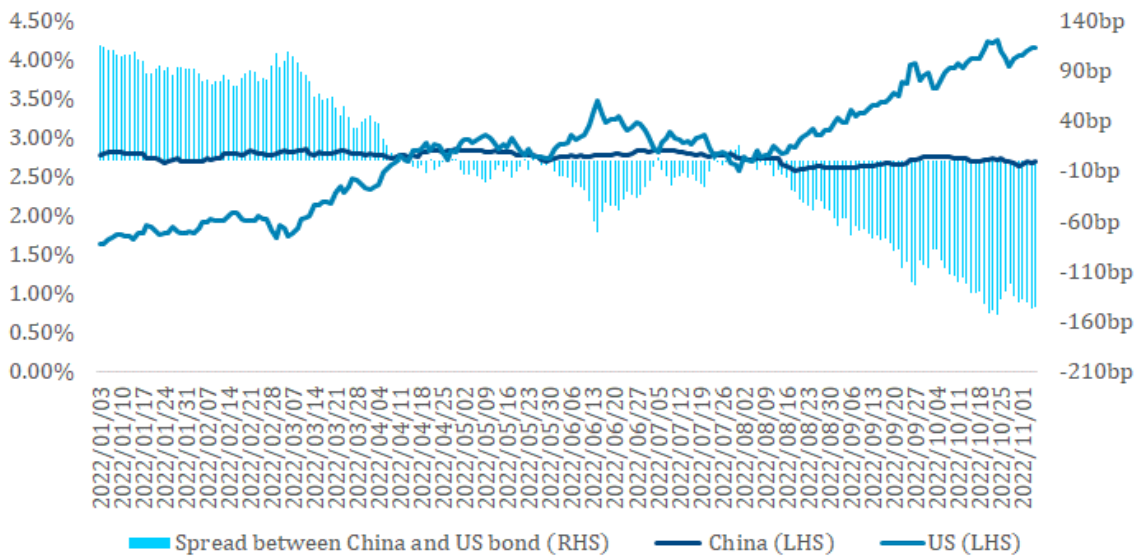
US Treasury yields rose amid the Fed’s rate hike. As of November 4, the 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.6584%, 4.3308%, 4.1584%, and 4.2463%, increasing by 24bp, 15bp, 15bp and 10bp from last Friday respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 10bp from last Friday to -50.0 bp, while the 5-year and 30-year Treasury bond spread widened by 4bp to -8.5bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of November 4, the yield spread between China and US 10-year note was -145.6 bp, widening by 10.9 bp from last Friday and widening by 30.9 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 increased

From October 31 to November 4, there were 13 new issues with total issued volume of USD10.0 billion, an increase of 58.2% from last week. Among them, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD830 million.

Table 1: New issuance of Chinese offshore bonds (20221031-20221104)

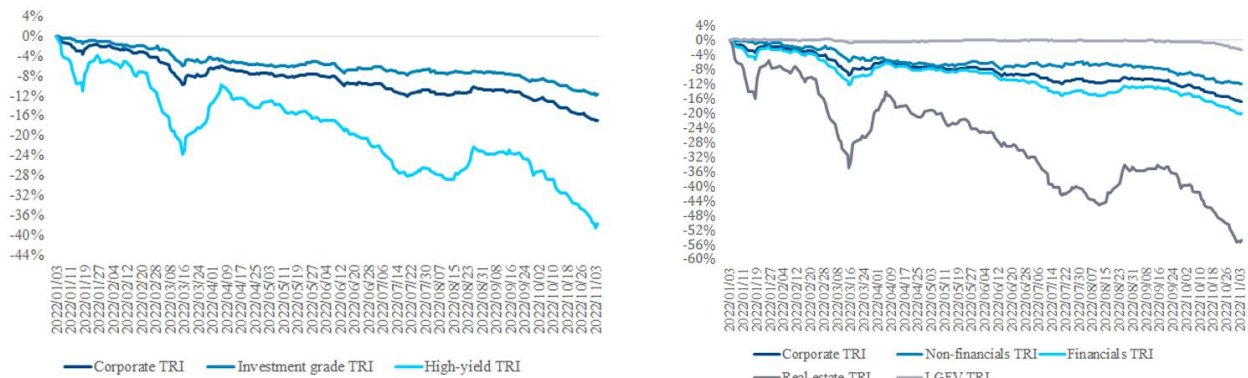
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/10/31	Shengzhou Investment Holding Co Ltd	USD	100	6	2025/11/3	3	Chengtou	-/-	-/-
2022/11/1	CITIC Securities International Co Ltd	USD	6	0	2025/11/3	3	Financials	-/BBB+/-	-/-
2022/11/1	Hangzhou Shangcheng State-Owned Capital Operation Group Co.	USD	208	6.5	2023/11/3	364D	Chengtou	-/-	-/-
2022/11/1	Nanjing Lishui Economic and Technological Development Group Co Ltd	EUR	130	4.9	2025/11/7	3	Chengtou	-/-	-/-
2022/11/2	CITIC Securities International Co Ltd	CNY	12	0	2024/9/30	1.9	Financials	-/BBB+/-	-/-
2022/11/2	CITIC Securities International Co Ltd	CNY	15	0	2024/9/30	1.9	Financials	-/BBB+/-	-/-
2022/11/2	CITIC Securities International Co Ltd	USD	0.2	15.2	2023/2/21	97D	Financials	-/BBB+/-	-/-
2022/11/2	Huzhou Moganshan Hi-tech Group Co Ltd	CNY	375	4.5	2025/11/8	3	Chengtou	-/-	-/-
2022/11/3	China Zheshang Bank Co Ltd	USD	100	0	2023/2/10	92D	Banks	Baa3/BBB-/-	-/-
2022/11/3	Weihai Wendeng District Bluesea Investment & Development Co Ltd	USD	91	7.5	2023/11/7	364D	Chengtou	-/-	-/-
2022/11/4	CITIC Securities Co Ltd	USD	60	0	2023/11/10	364D	Financials	Baa1/BBB+/-	-/-
2022/11/4	Qingdao Haifa State-owned Capital Investment & Operation Group Co Ltd	CNY	1,330	4.5	2025/11/10	3	Chengtou	baa3-/-/BBB-	-/-
2022/11/4	Suzhou City Investment Capital Holding Co Ltd	CNY	500	3.8	2025/11/9	3	Chengtou	-/-	-/-

Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of November 4, the YTD return¹ on Chinese USD corporate bond index decreased by 94bp to -16.88% from last Friday. The return on investment-grade bonds decreased by 63bp to -11.74%, and the return on high-yield bonds decreased by 258bp to -37.88%. In terms of sector indices, the return on real estate bonds declined the most, decreasing by 300bp from last Friday to -54.75%. The returns on non-financial, financial and Chengtuo bonds were -12.08%, -20.27% and -2.74%, decreasing by 54bp, 124bp and 52bp from last Friday, respectively.

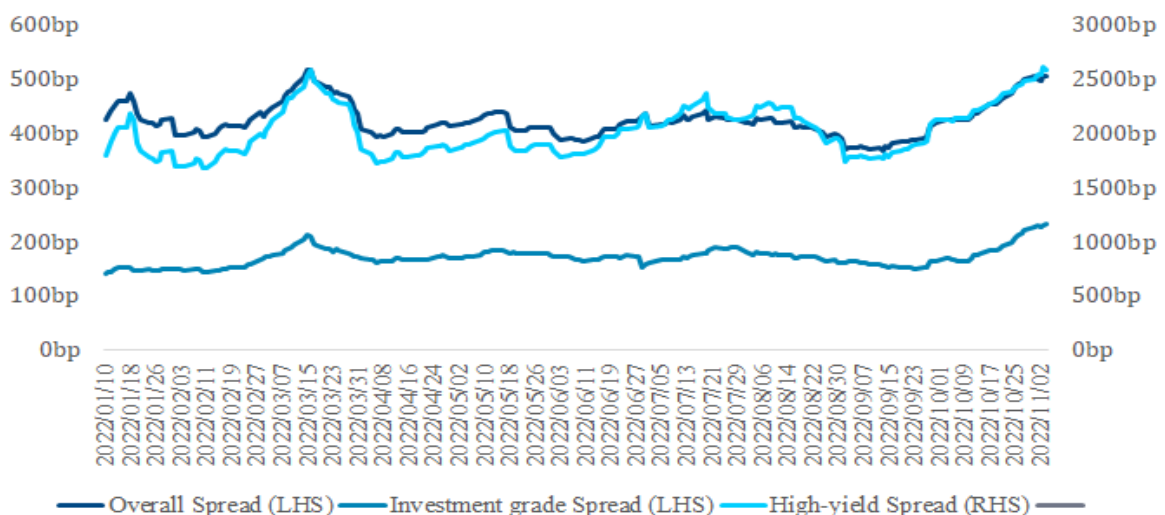
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCXAP research

As of November 4, the yield spread of Chinese dollar bonds increased by 7.9bp to 506.80bp from last Friday. The yield spread of investment-grade bonds increased by 12.1bp to 232.13bp, while that of high-yield bonds increased by 112.8bp to 2592.47bp.

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



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

Sources: Bloomberg, CCXAP research

According to Bloomberg data, the 10 bonds with the largest yield increase from October 31 to November 4 are shown in the table below. Among them, Greenland Holding Group Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20221031-20221104)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
GRNLGR 5.6 11/13/22	Greenland Holding Group Co., Ltd.	20.0	0.02	29854.6	1.5MM
GRNLGR 6 ¼ 12/16/22	Greenland Holding Group Co., Ltd.	14.8	0.1	26632.0	489.8M
CIFIHG 11.581 PERP	CIFI Holdings Group Co Ltd	5.6	Perpetual bond	19828.4	223.6M
CIFIHG 5 ½ 01/23/23	CIFI Holdings Group Co Ltd	10.3	0.2	3218.4	211.2M
GRNLGR 6 ¾ 04/22/23	Greenland Holding Group Co., Ltd.	12.1	0.5	2456.2	76.4M
TPHL 6.6 03/02/23	Times China Holdings Ltd	16.1	0.3	3654.7	69.2M
AGILE 6 ⅞ PERP	Agile Group Holdings Ltd	16.5	Perpetual bond	1586.5	18.7M
LZINVE 4.15 11/15/22	Lanzhou City Development Investment Co Ltd	96.2	0.02	282.6	14.0M
CENCHI 7 ¼ 04/24/23	Central China Real Estate Ltd	28.3	0.5	577.7	13.5M
TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	11.7	0.7	842.8	10.3M

Sources: Bloomberg, CCXAP research

Rating Action: CCXAP announced 5 entities' long-term credit ratings

On November 1, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Shouguang City Construction Investment Development Co., Ltd. (SGCC”), with stable outlook.

On November 2, CCXAP has assigned a first-time BBB_g long-term credit rating to Zibo Hi-tech State-owned Capital Investment Co., Ltd (“ZBHT”), with stable outlook.

On November 3, CCXAP has assigned a first-time BBB_g+ long-term credit rating to Shaoxing Shangyu State-owned Capital Investment and Operation Co., Ltd. (“SYSC”), with stable outlook.

On November 4, CCXAP has assigned a first-time BBB_g- long-term credit rating to Huzhou Wuxing Industrial Investment Development Group Co. Ltd. (“WIID”), with stable outlook.

On November 4, CCXAP has assigned a first-time BBB_g- long-term credit rating to Suzhou Urban Investment Capital Holding Co., Ltd. (“SUIC”), with stable outlook.

Table 3: Credit rating from CCXAP (20221031-20221104)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2022/11/1	SGCC	BBB _g -	-	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)

				concentrated portfolio in Suzhou City and Jiangsu Province; (2) unproven track record with uncertain investment return; and (3) moderate profitability with intensive market competition.
2022/11/2	ZBHT	BBB _g	-	The credit rating is underpinned by the Company's (1) dominant role in local infrastructure construction and land development; (2) providing utility services with high replacement cost; (3) good track record of receiving government payments; and (4) good access to diversified funding channels. However, the Company's rating is constrained by (1) moderate exposure to commercial activities with certain capital expenditure pressure; and (2) fast debt growth driven by large number of construction projects.
2022/11/3	SYSC	BBB _g ⁺	-	The credit rating is underpinned by the Company's (1) full and direct ownership by the local government; (2) important policy role in Shangyu District as the largest state-owned enterprise ("SOE"); (3) good access to funding; and (4) good track record of receiving government payments. However, the rating is constrained by the Company's (1) moderate exposure to commercial business activities; (2) moderate debt management and weak asset liquidity; and (3) moderate exposure to contingent liabilities.
2022/11/4	WIID	BBB _g ⁻	-	The credit rating is underpinned by the Company's (1) full ownership and ultimate control by the Wuxing District Government; (2) leading position in public projects development of Wuxing District; and (3) good track record of receiving government payments. However, the Company's rating is constrained by its (1) medium exposure to commercial activities; (2) high debt growth and moderate asset liquidity; and (3) contingent liability risk from external guarantees.
2022/11/4	SUIC	A _g ⁻	A _g ⁻	The credit rating is underpinned by the Company's (1) fast-growing business scale aligned with the development strategy of its parent, Suzhou Urban Construction & Investment Development (Group) Co., Ltd. ("SCID"); and (2) good asset quality with relatively low risk appetite. 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 31 to November 4, international rating agencies took positive actions on 1 Chinese issuer and negative actions on 9 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20221031-20221104)

	Entity	Sector	Entity Rating	Current Rating		Previous Rating			Rating Agency	Reason of Change
				Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrad	Zijin Mining Group Co Ltd	Materials	BBB+	STABLE	2022/11/2	BBB	STABLE	2021/12/28	CCXAP	strengthening business position and further product diversification
Downgrade	GLP China Holdings Ltd	Financial	BBB+	NEG	2022/10/31	BBB+	STABLE	2021/4/23	S&P	High reliance on asset monetization gains
	Country Garden Holdings Co Ltd	Real Estate	BB-	NEG	2022/10/31	BB+	RWN	2022/8/15	Fitch	limiting access to funding
	Longfor Group Holdings Ltd	Real Estate	Baa2	NEG	2022/11/1	Baa2	STABLE	2022/4/12	Moody's	weakened financial and operational stability
	eHi Car Services Ltd	Consumer Discretionary	B-	NEG	2022/11/1	B+	NEG	2022/6/2	Fitch	weakened financial flexibility

BOCOM MSIG Life Insurance Co Ltd	Financial	A	NEG	2022/11/2	A	STABLE	2021/11/8	Fitch	weakened risk-based capitalization and leverage
Dongxing Securities Co Ltd	Financial	Baa2	NEG	2022/11/1	Baa2	RWN	2021/8/26	Moody's	deterioration in the creditworthiness of Orient AMC
China Dili Group	Consumer Staples	Caa2	NEG	2022/11/1	B3	STABLE	2022/10/18	Moody's	potential significant worsening in the company's operations and financial profile stemming
Greenland Holding Group Co Ltd	Real Estate	CC	NEG	2022/11/2	CCC-	NEG	2022/6/29	S&P	Distressed maturity extensions
China Dili Group	Consumer Staples	CCC	NEG	2022/11/2	B-	STABLE	2020/9/14	S&P	Increased difficulty in accessing financing
Yuyao Shuncai Investment Holding Co Ltd	Chengtou	BB+	STABLE	2022/11/3	BBB-	STABLE	2021/11/8	Fitch	Yuyao city's weakened ability to provide subsidies, grants and other legitimate resources
Longfor Group Holdings Ltd	Real Estate	BBB-	N	2022/11/4	BBB	STABLE	2022/4/12	S&P	Narrowing funding channels

Sources: Bloomberg, Wind, CCXAP research

Credit event: Greenland Holdings proposed consent solicitation for offshore bond; CIFI Holdings suspended payment of offshore bonds

On October 31, Greenland Holdings Group Co., Ltd. ("Greenland Holdings") intends to initiate a consent solicitation for the extension of its 9 USD bonds, of which the 6.65% USD bond due in June 2023 will be extended for one year, and the rest of the bonds will be extended for two years. Coupon remain unchanged during the extension period. Notes due in November 2022 will be paid on the payment date (expected no later than November 25, 2022), the other 8 notes will be repaid with 5% of the principal on their respective original maturity dates. The remaining 95% of the principal of all notes will be repaid on the new maturity date after the rollover; the company will pay all bond coupons on time for the duration of the bond.

On November 1, CIFI Holdings (Group) Co., Ltd. ("CIFI Holdings") announced that the company has not been able to reach an agreement with all its creditors under its overseas debts that have repayment obligations within October 2022. CIFI Holdings announced a moratorium on all principal and interest payments due under the offshore financing arrangement to ensure fair treatment of all offshore creditors. On the same day, Shangkun Real Estate Group Co., Ltd. announced that the maturity of the US dollar bonds has not been extended, which will lead to a cross-default of the company's 13.5% senior notes due in 2023. As of the announcement date, the company has not received any notice of accelerated termination under the Notes or the 2023 Notes.

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