

### 2022 Issue 43

#### From November 7 to November 11

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

#### Headline: China's CPI in October increased by 2.1% YoY; US CPI YoY growth in October fell sharply

Due to the decline in the prices of vegetables, fruits and aquatic products, the China's CPI rose by 2.1% YoY in October, with lower growth rate. The US CPI rose by 7.7% YoY in October, lower than market expectations of 7.9%, a sharp drop from the previous value of 8.2%, and the lowest level since January.

#### Exchange Rate: RMB increased slightly, USD index decreased

This week, RMB increased slightly. As of November 11, the RMB/USD middle rate closed at 7.1907, decreasing by 648bp from last Friday. The USD index decreased by 4.1% to 106.292.

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

The China Government Bond yields generally increased. US Treasury yields fell amid the market expectation that the Fed will slow down the pace of rate hikes caused by the sharp fall in US inflation data in October.

#### Chinese Offshore Bond Market

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

From November 7 to November 11, there were 20 new issues with total issued volume of USD1 billion, a decrease of 4.4% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD920 million.

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

As of November 11, the YTD return on Chinese USD corporate bond index increased by 119bp to -15.69% from last Friday. The return on investment-grade bonds increased by 113bp to -10.61%, and the return on high-yield bonds increased by 161bp to -36.19%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 261bp from last Friday to -52.13 %.

#### Rating Action: CCXAP announced long-term credit ratings of 4 entities

CCXAP announced 4 long-term credit ratings of entities, including JUCI, CSCI, XCID and QUIC.

#### Credit event: Jiangsu Zhongnan Construction Group Co., Ltd. suspended payment of interests on offshore bonds



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## Headline: China's CPI in October increased by 2.1% YoY; US CPI YoY growth in October fell sharply

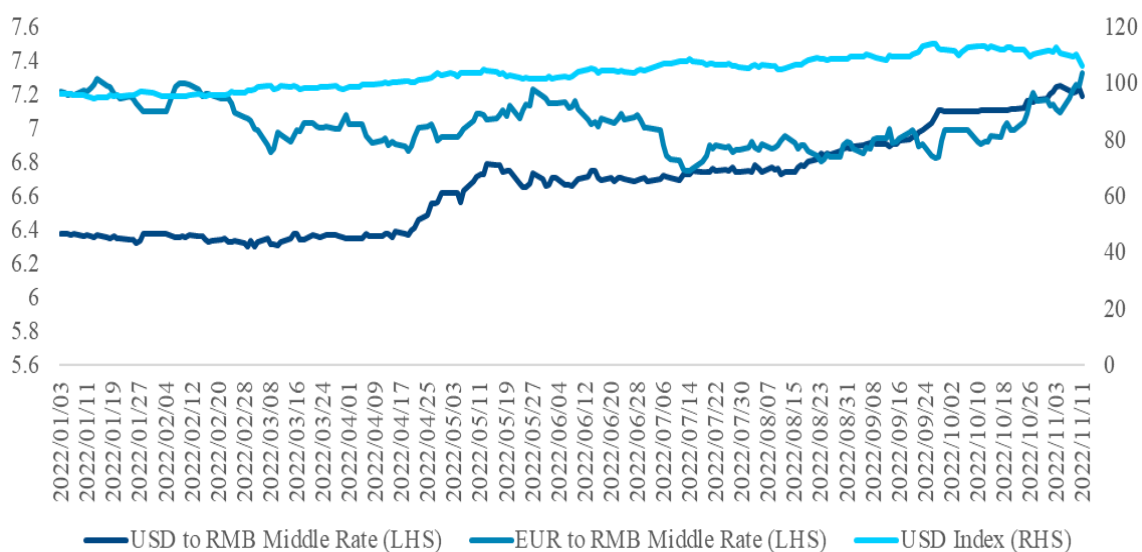
On November 9, National Bureau of Statistics of China released data showing that in October 2022, due to the decline in the prices of vegetables, fruits and aquatic products, the CPI rose by 2.1% year-on-year (“YoY”), with lower growth rate. The CPI rose by 0.1% month-on-month (“MoM”), a decrease of 0.2 percentage points from the previous month. Among them, food prices rose by 7.0%, a decrease of 1.8 percentage points from the previous month, which affected the increase of CPI by about 1.26%. The price of vegetables decreased by 8.1%, as compared with an increase of 12.1% in the previous month; the price of fruits increased by 12.6%, a decrease of 5.2 percentage points from the previous month; the price of pork increased by 51.8%, an increase of 15.8 percentage points from the previous month; Driven by rising prices, the prices of eggs and poultry meat rose by 12.7% and 8.3% respectively, both growth rate of which expanded.

On Thursday, November 10, the US Bureau of Labor Statistics released data showing that US CPI in October rose by 7.7% YoY, lower than market expectations of 7.9%, a sharp drop from the previous value of 8.2%, the lowest level since January. In October, the CPI rose by 0.4% MoM, which was better than the market expectation of 0.6%, and the growth rate was consistent with the previous value of 0.4%. The core inflation rate was also better than expected. After excluding the volatile food and energy prices, the core CPI rose by 6.3% YoY, better than the market expectations of 6.5% and falling from the previous value of 6.6%. Core inflation rose by 0.3% MoM, better than market expectations of 0.5%, and a sharp drop from the previous value of 0.6%.

## Exchange Rate: RMB increased slightly, USD index decreased

This week, RMB increased slightly. As of November 11, the RMB/USD middle rate closed at 7.1907, decreasing by 648bp from last Friday; the RMB/EUR middle rate closed at 7.328, increasing by 2325bp from last Friday. The USD index decreased by 4.1% to 106.292.

Figure 1: RMB exchange rate

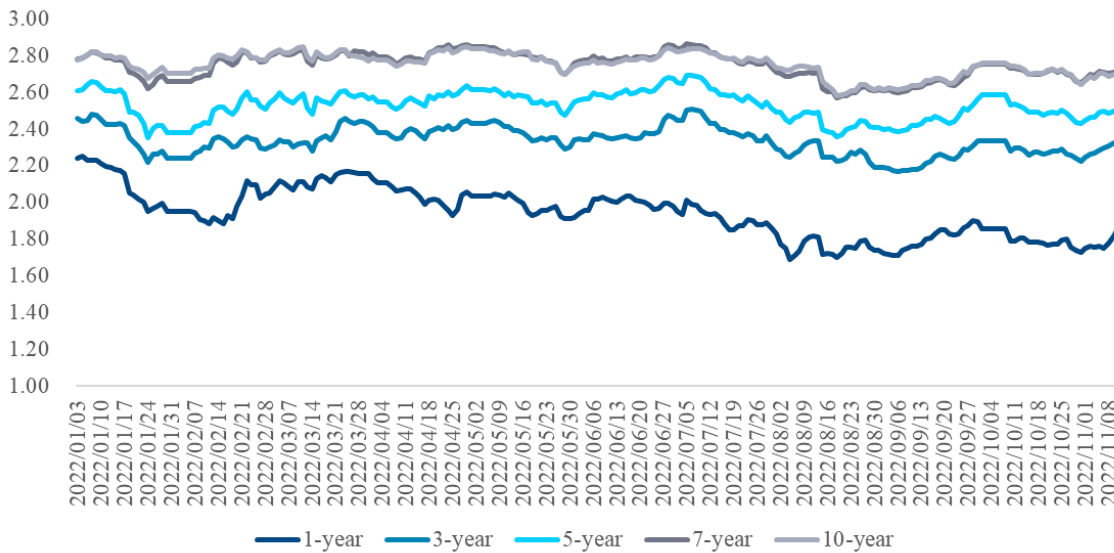


Sources: Bloomberg, CCXAP research

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

The China Government Bond yields generally decreased. As of November 11, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.9614%, 2.3641%, 2.5348%, 2.7474% and 2.7354%, increasing by 20bp, 8bp, 5bp, 3bp and 3bp respectively.

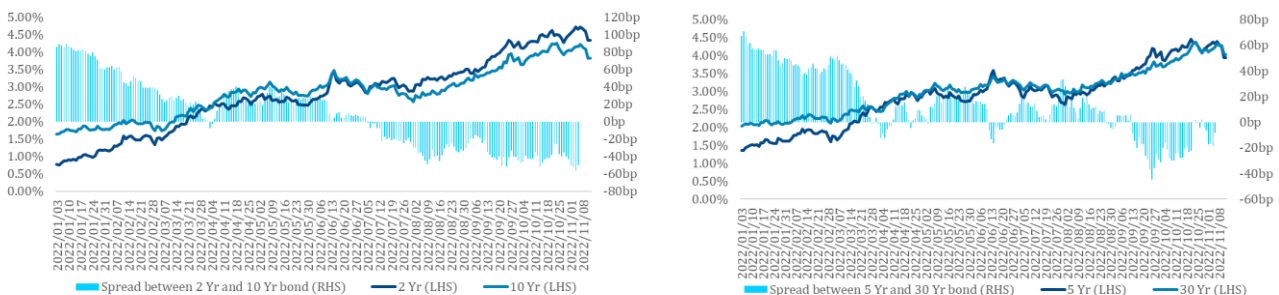
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

US Treasury yields fell amid the market expectation that the Fed will slow down the pace of rate hikes caused by the sharp fall in US inflation data in October. As of November 11, the 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.3321%, 3.9375%, 3.8125%, and 4.0153%, decreasing by 33bp, 39bp, 35bp and 23bp from last Friday respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 2bp from last Friday to -52.0 bp, while the 5-year and 30-year Treasury bond spread narrowed by 1bp to 7.8bp from last Friday.

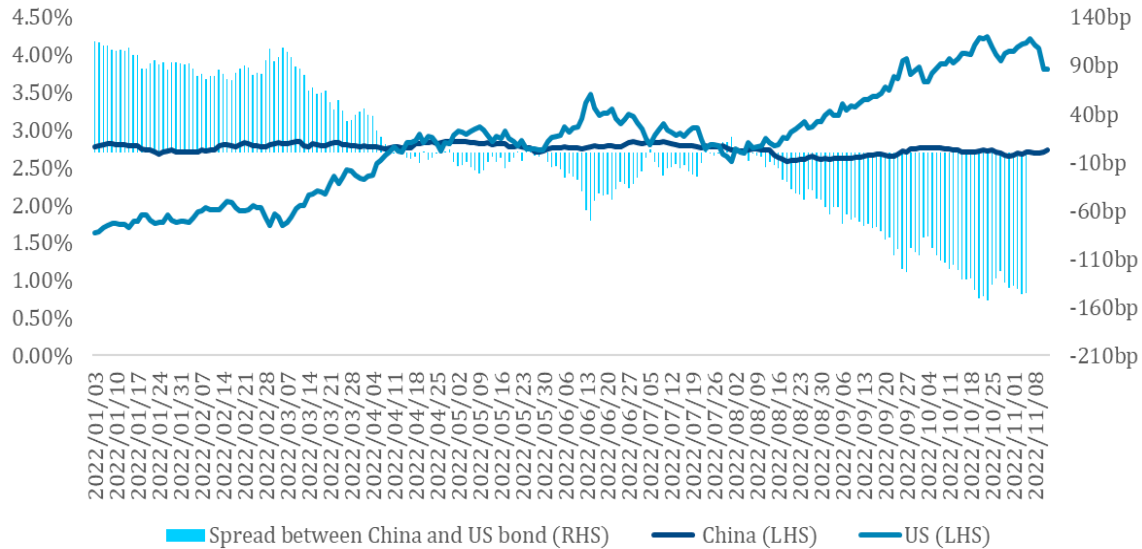
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of November 11, the yield spread between China and US 10-year note was -107.7 bp, narrowing by 37.9 bp from last Friday and narrowing by 7.0 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 November 7 to November 11, there were 20 new issues with total issued volume of USD1.0 billion, a decrease of 4.4% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD920 million.

**Table 1: New issuance of Chinese offshore bonds (20221107-20221111)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/11/7	Changde Economic Construction Investment Group Co. Ltd	EUR	95	4.6	2023/11/9	364D	Chengtou	Ba1/-/-	-/-/-
2022/11/7	CITIC Securities International Co Ltd	USD	0.2	12.93	2023/2/23	94D	Financials	-/BBB+/-	-/-/-
2022/11/7	CITIC Securities International Co Ltd	USD	3.5	5	2023/11/9	364D	Financials	-/BBB+/-	-/-/-
2022/11/7	CITIC Securities International Co Ltd	USD	12.2	5	2023/11/9	364D	Financials	-/BBB+/-	-/-/-
2022/11/7	Heze City Investment Holdings International Co Ltd	USD	121	7.2	2023/11/9	364D	Chengtou	-/-/-	-/-/-
2022/11/7	Qingdao Haifa State-owned Capital Investment & Operation Group Co Ltd	CNY	880	6	2025/11/10	3	Chengtou	Baa3/-/BBB-	-/-/-
2022/11/8	Chenzhou Industry Investment Group Co Ltd	CNY	550	4.5	2025/11/11	3	Chengtou	-/-/-	-/-/-
2022/11/8	China International Capital Corp International Ltd	USD	1	4.8	2023/11/15	364D	Financials	Baa1/BBB+/BBB+	-/-/-
2022/11/8	CITIC Securities International Co Ltd	USD	3	0	2022/12/16	30D	Financials	-/BBB+/-	-/-/-
2022/11/8	Jinan HI-Tech Holding Group Co Ltd	USD	172.5	6.95	2025/11/14	3	Chengtou	-/-/BBB	-/-/BBB
2022/11/8	Shengzhou Communications Investment	CNY	330	4.2	2025/11/14	3	Chengtou	-/-/-	-/-/-

	Development Group Co Ltd								
2022/11/8	Zhenjiang Cultural Tourism Industry Group Co Ltd	USD	1725	7.1	2025/11/14	3	Chengtou	-/-	-/-
2022/11/9	China International Capital Corp International Ltd	USD	1	3	2022/11/23	7D	Financials	Baa1/BBB+/BBB+	-/-
2022/11/9	CITIC Securities International Co Ltd	USD	0.2	25.97	2023/2/27	96D	Financials	-/BBB+/-	-/-
2022/11/9	Huatai International Financial Holdings Co Ltd	USD	10.7	0	2023/2/16	92D	Financials	-/BBB+/-	-/-
2022/11/10	CITIC Securities International Co Ltd	USD	0.2	17.22	2023/3/1	96D	Financials	-/BBB+/-	-/-
2022/11/10	CITIC Securities International Co Ltd	USD	0.6	15	2023/3/29	124D	Financials	-/BBB+/-	-/-
2022/11/10	Yiyang Heshan District Development Group Co Ltd	CNY	529	4.9	2025/11/15	3	Chengtou	-/-	-/-
2022/11/11	Huatai International Financial Holdings Co Ltd	HKD	24	0	2023/2/17	91D	Financials	-/BBB+/-	-/-
2022/11/11	Huatai International Financial Holdings Co Ltd	USD	7.5	0	2023/2/17	91D	Financials	-/BBB+/-	-/-

Sources: Bloomberg, CCXAP research

On 10 November, Danyang Investment Group Co., Ltd. announced tap bond offering.

**Table 2: New issuance of additional Chinese offshore bonds (20221107-20221111)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/11/10	Phoenix Charm International Investment Ltd	USD	224 (reoffered 19)	6.4	2025/8/10	3	Chengtou	-/-	-/-

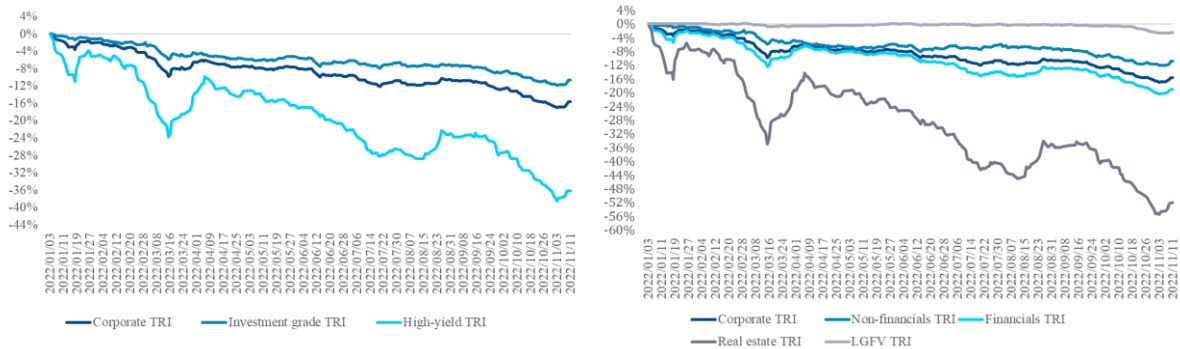
Sources: Bloomberg, CCX research

## Secondary Market: Return on Chinese USD bond increased

As of November 11, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 119bp to -15.69% from last Friday. The return on investment-grade bonds increased by 113bp to -10.61%, and the return on high-yield bonds increased by 161bp to -36.19%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 261bp from last Friday to -52.13%. The returns on non-financial, financial and Chengtou bonds were -10.90%, -19.07% and -2.53%, increasing by 118bp, 120bp and 21bp from last Friday, respectively.

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

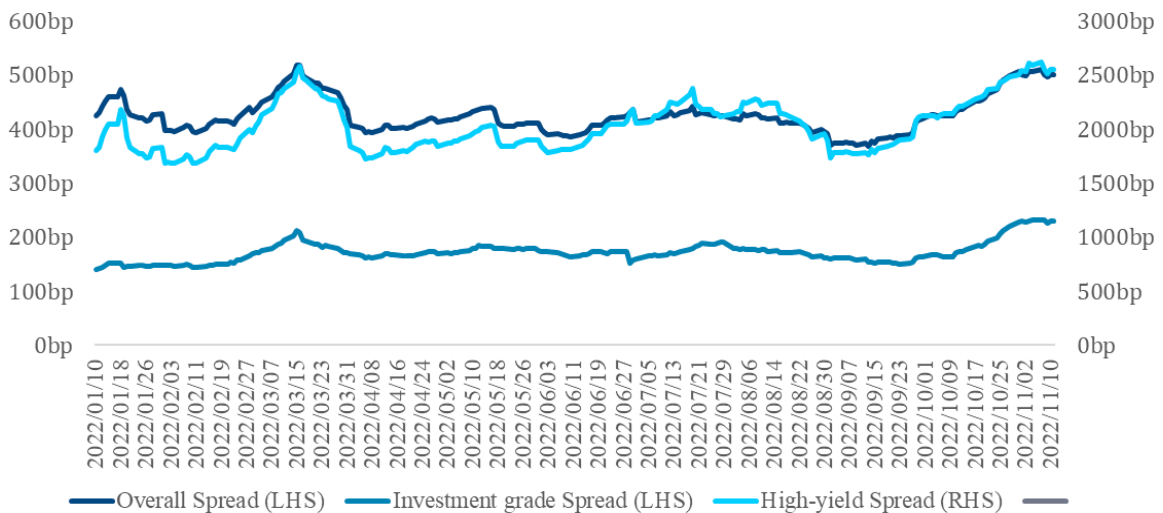
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCXAP research

As of November 11, the yield spread of Chinese dollar bonds decreased by 6.2bp to 500.57bp from last Friday. The yield spread of investment-grade bonds decreased by 1.9bp to 230.19bp, while that of high-yield bonds decreased by 36.5bp to 2555.94bp.

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 November 7 to November 11 are shown in the table below. Among them, Greenland Holding Group Co., Ltd. changed the most.

Table 3: Chinese offshore bonds with largest yield increases (202211007-20221111)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
GRNLGR 5.6 11/13/22	Greenland Global Investment Ltd	21.7	0.0	38416.2	848.6M
LZINVE 4.15 11/15/22	Lanzhou City Development Investment Co Ltd	96.9	0.0	1524.2	121.3M
TPHL 6.6 03/02/23	Times China Holdings Ltd	16.3	0.3	3971.2	91.8M

TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	11.6	0.7	804.9	9.3M
KWGPRO 6 01/14/24	KWG Group Holdings Ltd	23.4	1.2	245.2	6.1M
GRNLGR 5.9 02/12/23	Greenland Global Investment Ltd	20.4	0.2	1525.0	5.9M
ANTOIL 7 ½ 12/02/22	Anton Oilfield Services Group/Hong Kong	94.3	0.0	132.4	3.9M
AGILE 6 ¾ PERP	Agile Group Holdings Ltd	16.6	永续债	1536.1	3.6M
QDWCDG 3.9 11/18/22	XI HAI AN 2019 Ltd	99.8	0.0	25.4	2.6M
DALWAN 6.95 12/05/22	Wanda Properties Overseas Ltd	95.2	0.1	94.1	1.9M

Sources: Bloomberg, CCXAP research

## Rating Action: CCXAP announced 4 entities' long-term credit ratings

On November 7, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Jiangshan Urban Construction Investment Co., Ltd. (“JUCI”), with stable outlook.

On November 8, CCXAP has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Chuxiong State-owned Capital Investment Group Co. Ltd. (“CSCI”), with stable outlook.

On November 10, CCXAP has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Chengdu Xinjin City Industry Development Group Company Ltd. (“XCID”), with stable outlook.

On November 11, CCXAP has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Qihe Urban Investment Construction Group Co., Ltd. (“QUIC”), with stable outlook.

**Table 4: Credit rating from CCXAP (20221107-20221111)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2022/11/7	JUCI	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company's (1) important policy role in the provision of public activities in Jiangshan City; and (2) good track record of receiving government payments. However, the Company's rating is constrained by (1) moderate exposure to commercial business activities; and (2) moderate debt management with ongoing investment needs in public projects.
2022/11/8	CSCI	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company's (1) important strategic position in the infrastructure and industrial development in Chuxiong Prefecture; (2) solid track record of receiving government payments; and (3) access to funding mainly from banks.; and (4) good track record of receiving government payments. However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) high debt growth driven by a large number of construction projects; and (3) credit risks from lending business and contingent risks from external guarantees.
2022/11/10	XCID	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company's (1) important strategic position in the development of Xinjin District; (2) solid track record of receiving government supports; and (3) large undertakings in infrastructure construction projects, with sufficient project reserves. However, the Company's rating is constrained by its (1) increasing exposure to commercial activities; (2) high debt growth driven by a large number of construction projects; and (3) moderate access to financing channels.
2022/11/11	QUIC	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company's (1) dominant position in public services of Qihe County; (2) good track record of receiving government payments; and (3) good access to funding. However, the rating is constrained by the Company's (1) moderate exposure to commercial businesses; and (2) fast debt growth and moderate asset liquidity.

Sources: CCXAP research

From November 7 to November 11, international rating agencies took negative actions on 5 Chinese issuers.

**Table 5: Credit rating changes of cross-border bond market (20221107-20221111)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Downgrade	Country Garden Holdings Co Ltd	Real Estate	B+	NEG	2022/11/7	BB	NEG	2022/9/19	S&P	Narrowed financing channels
	Jiangsu Zhongnan Construction Group Co Ltd	Real Estate	Ca	NEG	2022/11/9	Caa2	NEG	2022/5/25	Moody's	Interest payment default on its USD bond
	Zijin Mining Group Co Ltd	Materials	BB+	STABLE	2022/11/9	BBB-	STABLE	2022/4/27	Fitch	Aggressive acquisition growth appetite, which will result in volatility in its leverage profile
	Central China Real Estate Ltd	Real Estate	C	-	2022/11/10	B	NED	2022/8/11	Fitch	Failure to pay interest on its USD bond
	Country Garden Holdings Co Ltd	Real Estate	Ba3	NEG	2022/11/11	Ba2	NEG	2022/9/20	Moody's	Liquidity buffer will further reduce
	Pujiang International Group Ltd	Consumer Discretionary	BB-	RWN	2022/11/11	BB-	NEG	2022/7/19	Lianhe Global	The deterioration in access to financing channels

Sources: Bloomberg, Wind, CCXAP research

### **Credit event: Jiangsu Zhongnan Construction Group Co., Ltd. suspended payment of interests on offshore bonds**

On the evening of November 7, Zhongnan Construction Group Co., Ltd. ("Zhongnan Construction") announced that due to reasons such as market adjustments and industry non-virtuous circle, it will temporarily not pay the interests on USD250 million senior notes issued by Zhongnan Construction's wholly-owned subsidiary in April 2021. The notes are due in April 2024, with a coupon rate of 11.5% and an outstanding amount of USD240 million.



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