

2022 Issue 44

From November 14 to November 18

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

Headline: Chinese economy in general continued to recover in October; US PPI growth in October slower than expectations

National Bureau of Statistics' data showed that the Chinese economy continued to recover in October. US PPI increased by 8% YoY in October, the lowest growth rate since July 2021, lower than the market expectations of 8.3%.

Exchange Rate: RMB maintained appreciation against USD, USD index increased slightly

This week, RMB maintained appreciation against USD. As of November 18, the RMB/USD middle rate closed at 7.1091, decreasing by 816bp from last Friday. The USD index increased by 0.6% to 106.93.

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

The China Government Bond yields generally increased. US Treasury yields rose amid the market expectation for interest rates hike picking up after hawkish remarks from the Fed officials.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance increased

From November 14 to November 18, there were 19 new issues with total issued volume of USD2.46 billion, an increase of 156.0% from last week. Among them, financial companies were the main issuers, which issued bonds with a total size of about USD1.94 billion.

Secondary Market: Return on Chinese USD bond increased

As of November 18, the YTD return on Chinese USD corporate bond index increased by 193bp to -13.76% from last Friday. The return on investment-grade bonds increased by 108bp to -9.53%, and the return on high-yield bonds increased by 662bp to -29.58%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 674bp from last Friday to -45.4 %.

Rating Action: CCXAP assigns first-time long-term credit rating of BBB_g- to Weihai Huantong Industrial Investment Group Co., Ltd., with stable outlook

CCXAP assigns first-time long-term credit rating of BBB_g- to Weihai Huantong Industrial Investment Group Co., Ltd. ("HTII"), with stable outlook.

Credit event: Yida China defaulted on USD bonds



Analyst Contacts

Kelly Liang

852-2860 7127

kelly_liang@ccxap.com

Peter Chong

852-2860 7124

peter_chong@ccxap.com

Other Contacts

Elle Hu

852-2860 7120

elle_hu@ccxap.com

Headline: Chinese economy in general continued to recover in October; US PPI growth in October slower than expectations

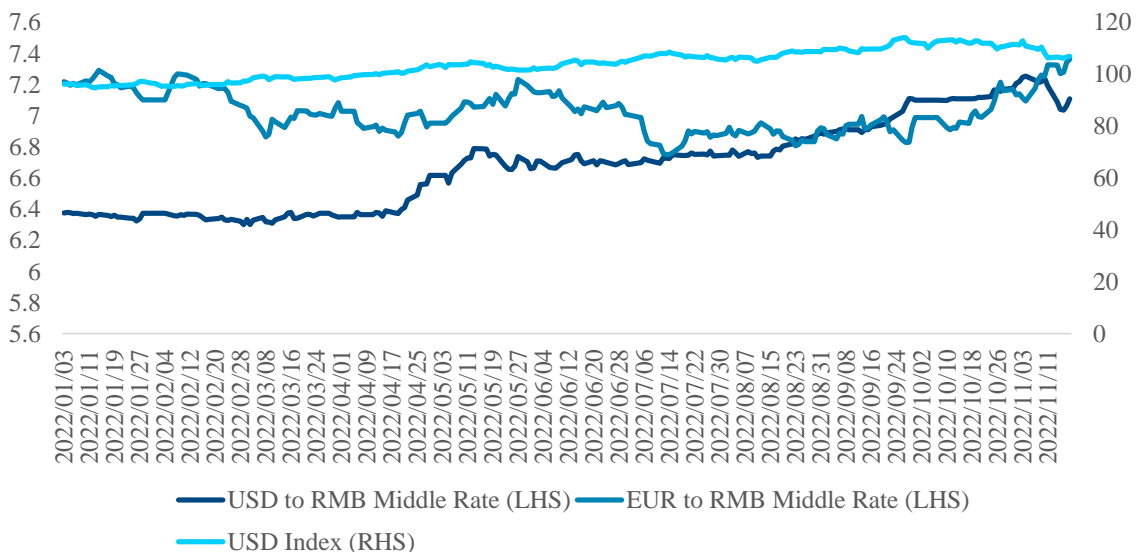
On November 15, the National Bureau of Statistics (“NBS”) released data showing that, in October, the value added of industrial enterprises above designated size grew by 5% year-on-year (“YoY”). In terms of sectors, the value added of 26 industries among the 41 major industries improved YoY, and that of new energy vehicles increased by 84.8% YoY. In the first ten months, the investment in fixed assets increased by 5.8% YoY. Specially, the investment in infrastructure increased. In October, the investment in fixed assets grew by 0.12% month on month (“MoM”), growing for six consecutive months. Fu Linghui, spokesman of the NBS, said that overall, external shocks are temporary and will not change the general development trend of the Chinese economy. The Chinese economy will continue to sustain a stable recovery trend with its policies taking effect.

On November 15, the US Bureau of Labor Statistics released data showing that US Producer Price Index (“PPI”) increased by 8% YoY in October, the lowest growth rate since July 2021. This was lower than the revised growth rate of 8.4% last month and the market expectation of 8.3%. The core PPI, which excluding food and energy sectors, increased by 6.7% YoY in October, down from 7.2% in the previous month and also lower than market expectations of 7.2%. After reaching the peak of 11.7% in March, PPI growth has moderated amid improving supply chains, softening demand and weaker prices for many commodities.

Exchange Rate: RMB maintained appreciation against USD, USD index increased slightly

This week, RMB maintained appreciate against USD. As of November 18, the RMB/USD middle rate closed at 7.1091, decreasing by 816bp from last Friday; the RMB/EUR middle rate closed at 7.3626, increasing by 346bp from last Friday. The USD index slightly increased by 0.6% to 106.93.

Figure 1: RMB exchange rate

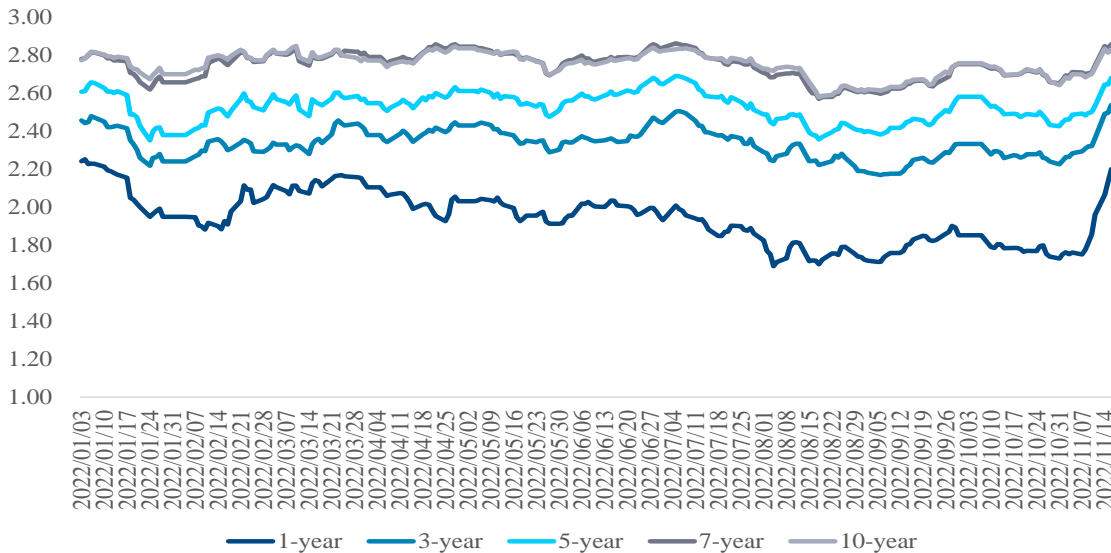


Sources: Bloomberg, CCXAP research

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

The China Government Bond yields generally increased. As of November 18, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1718%, 2.4793%, 2.6381%, 2.8300% and 2.8250%, increasing by 21bp, 12bp, 9bp, 8bp and 9bp respectively.

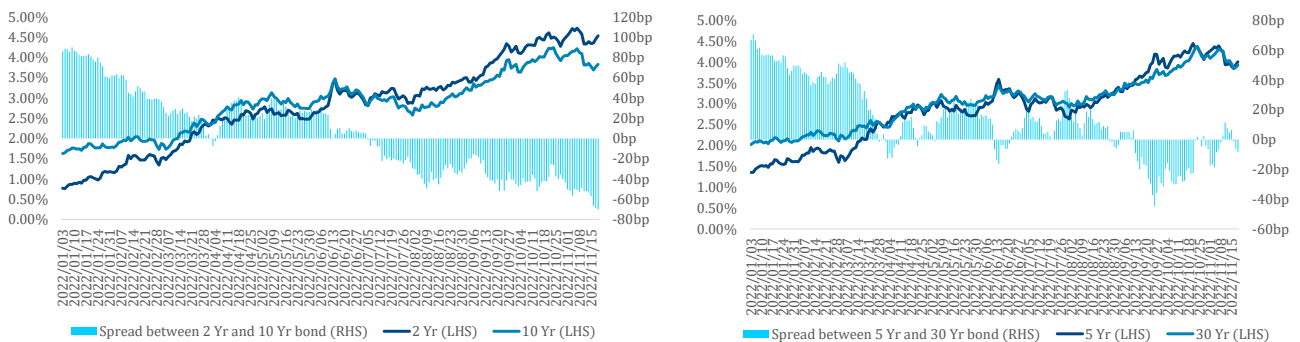
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

US Treasury yields rose amid the market expectation for interest rates hike picking up after hawkish remarks from US Fed officials. As of November 18, the 2-year, 5-year and 10-year US Treasury bonds were 4.5329%, 4.0085% and 3.8288%, increasing by 20bp, 7bp and 2bp from last Friday respectively. The 30-year US Treasury bonds decreased by 9bp from last Friday to 3.9260%. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 18bp from last Friday to -70.4bp, and the 5-year and 30-year Treasury bond spread widened by 0.5bp to -8.2bp from last Friday.

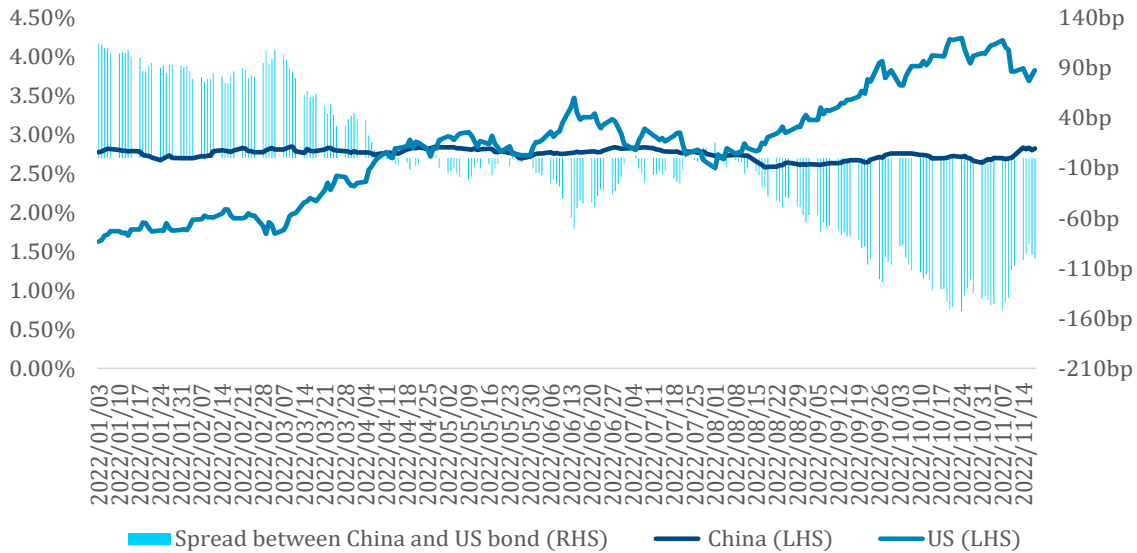
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of November 18, the yield spread between China and US 10-year note was -100.4bp, narrowing by 7.3bp from last Friday and narrowing by 14.4bp 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 November 14 to November 18, there were 19 new issues with total issued volume of USD2.46 billion, an increase of 156.0% from last week. Among them, financial companies were the main issuers, which issued bonds with a total size of about USD1.94 billion.

Table 1: New issuance of Chinese offshore bonds (20221114-20221118)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/11/14	Nanjing Yangzi State-owned Investment Group Co Ltd	USD	300	6	2025/11/17	3	Chengtou	-/BBB+/A-	-/-/A-
2022/11/15	China International Capital Corp Ltd	USD	650	5.4	2025/11/22	3	Financials	Baa1/BBB+/BBB+	-/-/BBB+
2022/11/15	CITIC Securities International Co Ltd	USD	0.2	14.9	2023/3/2	93D	Financials	-/BBB+/-	-/-/-
2022/11/16	Bank of China Ltd/Paris	USD	400	4.8	2025/11/23	3	Banks	A1/A/A	-/-/-
2022/11/16	CDB Leasing International Co Ltd	CNY	200	3.1	2023/11/27	1	Financials	-/-/-	-/-/-
2022/11/16	China Zheshang Bank Co Ltd	USD	70	4	2023/1/30	63D	Banks	Baa3/BBB-/-	-/-/-
2022/11/16	CITIC Securities International Co Ltd	USD	0.3	22	2023/3/2	92D	Financials	-/BBB+/-	-/-/-
2022/11/16	CITIC Securities International Co Ltd	USD	0.2	10	2023/4/3	124D	Financials	-/BBB+/-	-/-/-
2022/11/16	Huatai International Financial Holdings Co Ltd	HKD	150	0	2023/2/22	92D	Financials	-/BBB+/-	-/-/-
2022/11/16	Jinan Industrial Development Investment Group Co Ltd	USD	114	7.5	2023/11/20	1	Financials	-/-/-	-/-/-
2022/11/17	Bank of China Ltd/Luxembourg	USD	500	0	2025/11/25	3	Banks	A1/A/A	-/-/-
2022/11/17	Bengbu Gaoxin Investment Group Co Ltd	CNY	210	5.2	2025/11/21	3	Chengtou	-/-/-	-/-/-

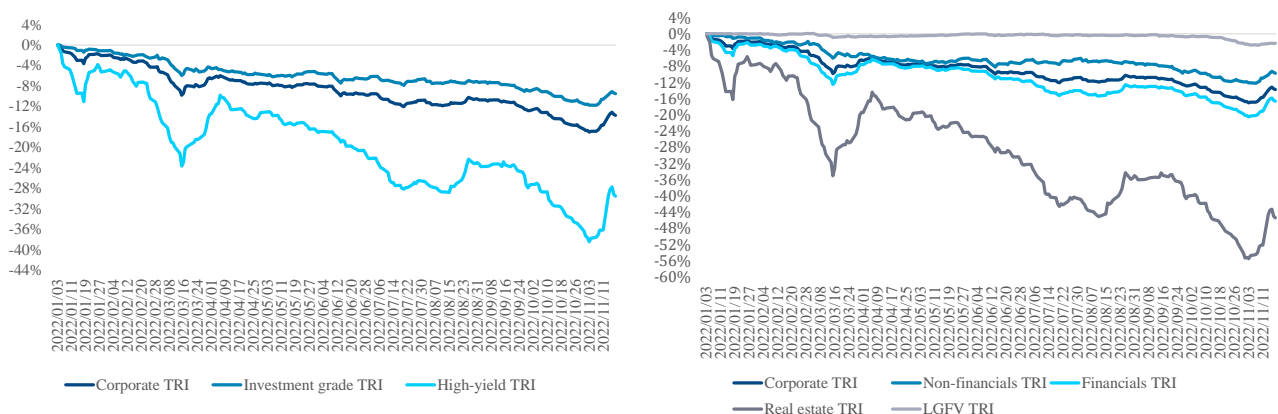
2022/11/17	CITIC Securities International Co Ltd	USD	2	10	2023/3/3	92D	Financials	-/BBB+/-	-/-/-
2022/11/17	CMB Financial Leasing Co Ltd	CNY	300	3.2	2023/11/24	1	Financials	A3/BBB+/-	-/-/-
2022/11/17	Hangzhou Qiantang New Area City Development Group Co Ltd	USD	105	6.5	2023/11/24	1	Chengtou	-/-/-	-/-/-
2022/11/17	Shaanxi Yushen Energy Development and Construction Group	USD	85	7	2025/11/23	3	Chengtou	-/-/-	-/-/-
2022/11/18	CITIC Securities International Co Ltd	HKD	20	12	2023/3/2	94D	Financials	-/BBB+/-	-/-/-
2022/11/18	CITIC Securities International Co Ltd	USD	100	0	2023/2/25	92D	Financials	-/BBB+/-	-/-/-
2022/11/18	Huatai International Financial Holdings Co Ltd	USD	9	0	2023/2/24	91D	Financials	-/BBB+/-	-/-/-

Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of November 18, the YTD return¹ on Chinese USD corporate bond index increased by 193bp to -13.76% from last Friday. The return on investment-grade bonds increased by 108bp to -9.53%, and the return on high-yield bonds increased by 662bp to -29.58%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 674bp from last Friday to -45.4%. The returns on non-financial, financial and Chengtou bonds were -9.71%, -16.59%, and -2.33%, increasing by 119bp, 248bp and 20bp from last Friday, respectively.

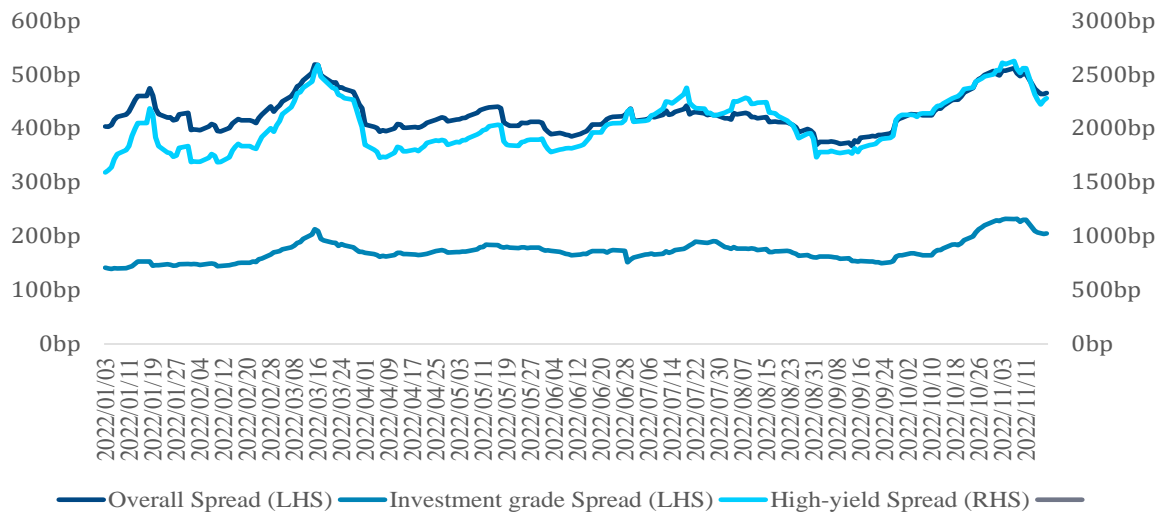
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCXAP research

As of November 18, the yield spread of Chinese dollar bonds decreased by 35.4bp to 465.18bp from last Friday. The yield spread of investment-grade bonds decreased by 25.6bp to 204.61bp, while that of high-yield bonds decreased by 278.8bp to 2277.17bp.

¹ 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 November 14 to November 18 are shown in the table below. Among them, Times China Holding Ltd. changed the most.

Table 3: Chinese offshore bonds with largest yield increases (20221114-20221118)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
TPHL 6.6 03/02/23	Times China Holdings Ltd	16.4	0.3	4976.4	114.3M
GRNLGR 6 ¾ 12/16/22	Greenland Global Investment Ltd	20.7	0.1	5119.3	113.7M
CENCHI 7 ¾ 04/24/23	Central China Real Estate Ltd	27.0	0.4	654.9	9.8M
ANTOIL 7 ½ 12/02/22	Anton Oilfield Services Group/Hong Kong	93.6	0.03	245.0	8.5M
CIFIHG 5 ½ 01/23/23	CIFI Holdings Group Co Ltd	14.1	0.2	3608.5	6.3M
GRNLGR 6 ½ 04/22/23	Greenland Global Investment Ltd	20.6	0.4	1125.1	4.2M
CENCHI 7 ¾ 05/24/24	Central China Real Estate Ltd	11.8	1.5	246.2	4.1M
GRNLGR 5.9 02/12/23	Greenland Global Investment Ltd	24.5	0.2	1386.7	3.6M
GRNLGR 6 ¾ 03/03/24	Greenland Global Investment Ltd	17.2	1.3	221.0	2.5M
DALWAN 6.95 12/05/22	Wanda Properties Overseas Ltd	97.9	0.04	63.4	2.5M

Sources: Bloomberg, CCXAP research

Rating Action: CCXAP assigns first-time long-term credit rating of **BBB_g-** to Weihai Huantong Industrial Investment Group Co., Ltd., with stable outlook.

On November 14, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Weihai Huantong Industrial Investment Group Co., Ltd. (“HTII”), with stable outlook.

Table 4: Credit rating from CCXAP (20221114-20221118)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2022/11/14	HTII	BBB _g -	-	The credit rating is underpinned by the Company’s (1) full ownership and ultimate control by the Huancui District Government; (2) essential role in infrastructure construction and regional development in Huancui District; (3) solid track record of receiving government supports; and (4) good access to funding from banks and domestic bond market. However, the Company’s rating is constrained by its (1) moderate exposure to commercial activities with increasing business risk related to property development; and (2) increasing debt level and moderate asset liquidity.

Sources: CCXAP research

From November 14 to November 18, international rating agencies took positive actions on 2 Chinese issuers and negative actions on 5 Chinese issuers.

Table 5: Credit rating changes of cross-border bond market (20221114-20221118)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	ENN Natural Gas Co., Ltd.	Energy	Ba1	POS	2022/11/15	Ba1	STABLE	2021/9/30	Moody's	Financial metrics will strengthen
	Shandong Hi-Speed Holdings Group Limited	Industrials	A-	STABLE	2022/11/18	A-	RWE	2022/5/23	Fitch	Linkages with its parent will remain stable
Downgrade	Gemdale Corporation	Real Estate	BB-	NEG	2022/11/14	BB	NEG	2022/7/26	S&P	Large exposure to JV projects
	Greenland Holding Group Co Ltd	Real Estate	SD	-	2022/11/15	CC	NEG	2022/11/3	S&P	Missed principal payment
	Shuifa Group Co., Ltd.	Chengtou	Baa1	NEG	2022/11/16	Baa1	STABLE	2020/7/30	Moody's	Rising proportion of debt and capital expenditure related to commercial activities outside Shandong province
	Longfor Group Holdings Ltd	Real Estate	BBB	NEG	2022/11/16	BBB	STABLE	2021/12/7	Fitch	Poor capital-market conditions for Chinese property developers

Haitong International Securities Group Ltd.	Financial	Baa2	NEG	2022/11/18	Baa2	STABLE	2021/10/28	Moody's	Deterioration in profitability and weakening funding profile
---	-----------	------	-----	------------	------	--------	------------	---------	--

Sources: Bloomberg, Wind, CCXAP research

Credit event: Yida China defaulted on USD bonds

On November 14, Yida China Holdings Limited ("Yida China") announced that the interest of senior notes due 2025 in the amount of USD5,734,470 became due and payable on 30 October 2022. The Company has a grace period of 15 days to pay the related interest. Due to unfavorable factors in the macro economy, real estate market and financial environment, and multiple rounds of epidemics, the Company has not paid the interest before the last day of the grace period on 14 November 2022, which constituted an event of default.

Copyright © 2022 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852 2860 7111

Fax: +852 2868 0656