

2022 Issue 45 From November 21 to November 25

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

Headline: The People's Bank of China cut the required deposit reserve ratio of financial institutions; the minutes of the Fed's November meeting were dovish

The People's Bank of China decided to cut the required deposit reserve ratio of financial institutions by 0.25 percentage points on December 5, 2022. The minutes of the Federal Reserve meeting in November showed that most of the Fed policymakers favored a slower pace of rate hikes.

Exchange Rate: RMB depreciated, USD index declined slightly

This week, RMB depreciated. As of November 25, the RMB/USD middle rate closed at 7.1339, increasing by 248bp from last Friday; The USD index slightly decreased by 0.9% to 105.959.

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

This week, the China Government Bond yields generally fell. The minutes of the Fed's November meeting released a "dovish" signal, driving US Treasury yields to drop.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance increased

From November 21 to November 25, there were 27 new issues with total issued volume of USD2.82 billion, an increase of 15.0% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD1.3 billion.

Secondary Market: Return on Chinese USD bond increased

As of November 25, the YTD return on Chinese USD corporate bond index increased by 133bp to -12.44% from last Friday. The return on investment-grade bonds increased by 69bp to -8.83%, and the return on high-yield bonds increased by 484bp to -24.73%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 536bp from last Friday to -40.04%.

Rating Action: CCXAP assigned 1 issuer rating and 2 issue ratings

CCXAP assigned a long-term credit rating of Yuyao Shunca, A_g- rating to the proposed USD notes to be issued by Zhongyuan AMC and BBB_g rating to the proposed Free Trade Zone CNY bonds to be issued by CACD.



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Headline: The People's Bank of China cut the required deposit reserve ratio of financial institutions; the minutes of the Fed's November meeting were dovish

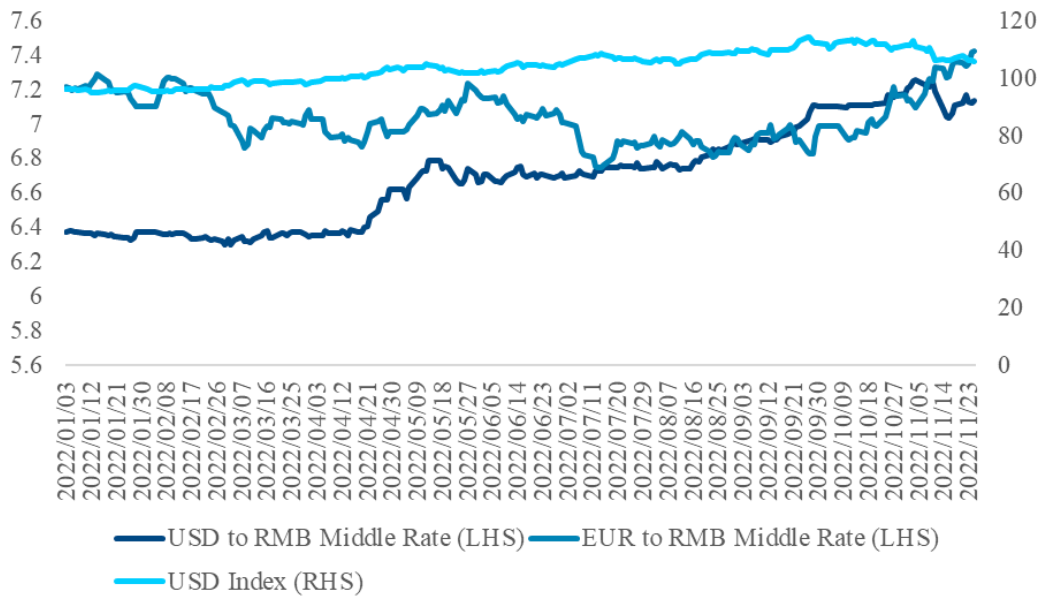
On November 25, the People's Bank of China decided to cut the deposit reserve ratio of financial institutions by 0.25 percentage points on December 5, 2022 (excluding financial institutions that have implemented a 5% deposit reserve ratio). After the reduction, the weighted average deposit reserve ratio of financial institutions is about 7.8%. Regarding the purpose of reduction, the central bank pointed out that, first purpose includes maintaining reasonable and sufficient liquidity, maintaining a reasonable growth in monetary and credit aggregates, implementing a package of policy measures to stabilize the economy, increasing support for the real economy, and supporting the effective improvement of economic quality and reasonable increase in volume. The second purpose includes optimizing the capital structure of financial institutions, increasing the long-term stable funding sources of financial institutions, enhancing the capital allocation capabilities of financial institutions, and supporting industries and SMEs that have been severely affected by the pandemic. The third is that the reduction of deposit reserve ratio reduces the capital cost of financial institutions by about RMB5.6 billion per year, which can promote the reduction of the comprehensive financing cost of the real economy through the transmission of financial institutions.

On November 24, the minutes of the Federal Reserve meeting showed that at the Federal Reserve monetary policy meeting earlier this month, most of the Fed policymakers favored a slower pace of interest rate hikes, suggesting that the rate hike in December is expected to fall from 75 basis points this month to 50 basis points. After the release of the meeting minutes, US Treasury yields and the USD index accelerated their decline. The majority of participants expected to slowdown the pace of rate hikes soon, which would allow the FOMC to better assess progress toward its targets of full employment and price stability. One reason for this assessment is uncertainty about the extent to which monetary policy actions will affect economic activity and inflation, and what about the hysteresis of the impact.

Exchange Rate: RMB depreciated, USD index declined slightly

This week, RMB depreciated. As of November 25, the RMB/USD middle rate closed at 7.1339, increasing by 248bp from last Friday; the RMB/EUR middle rate closed at 7.4212, increasing by 586bp from last Friday. The USD index slightly decreased by 0.9% to 105.959.

Figure 1: RMB exchange rate

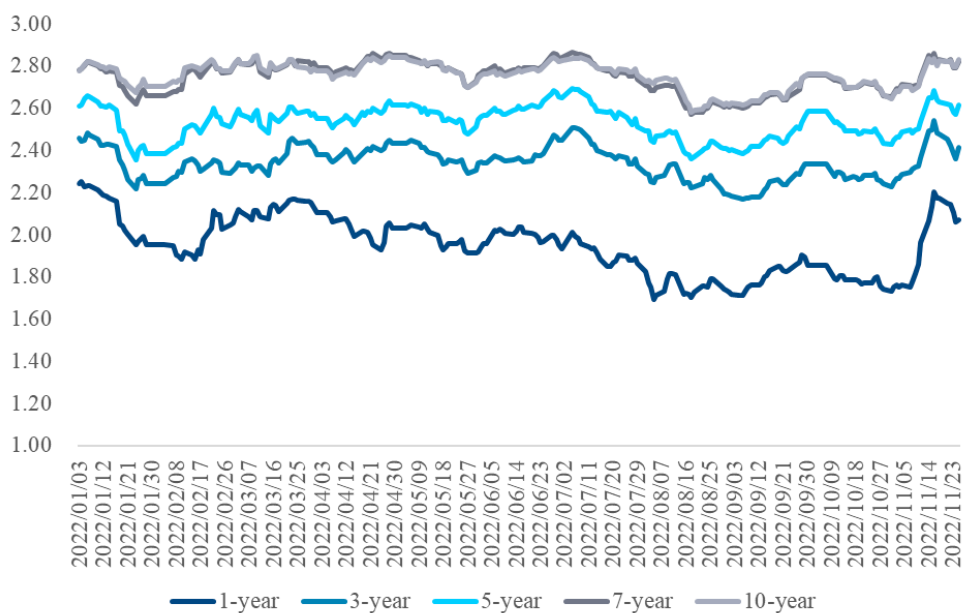


Sources: Wind, CCXAP research

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

This week, the China Government Bond yields generally decreased. As of November 25, the 1-year, 3-year, 5-year and 7-year China Government Bond yields were 2.0685%, 2.4154%, 2.6144% and 2.8215%, respectively, which decreased by 10bp, 6bp, 1bp and 1bp from last Friday. The 10-year China Government Bond yields were unchanged from Friday.

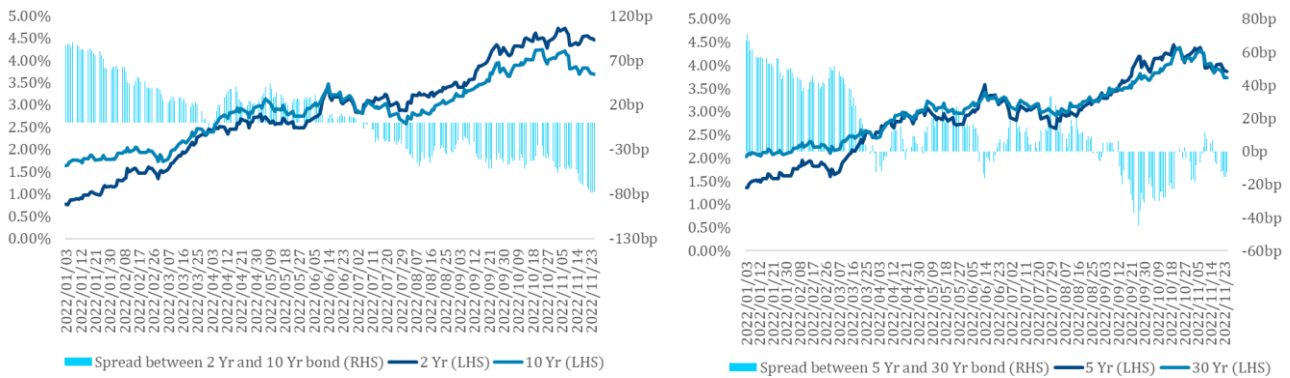
Figure 2: China Government Bond yields



Sources: ChinaBond.com.cn, CCXAP research

The minutes of the Fed's November meeting released a "dovish" signal, driving US Treasury yields to drop. As of November 25, the yields of 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.4526%, 3.8577%, 3.6776% and 3.7326%, respectively, decreased by 8bp, 15bp, 15bp and 19bp from last Friday. In terms of US treasury bond spreads, the 2-year and 10-year treasury bond spreads widened by 7bp to -77.5bp from last Friday, and the 5-year and 30-year treasury bond spreads widened by 4.3bp to -12.5bp from last Friday.

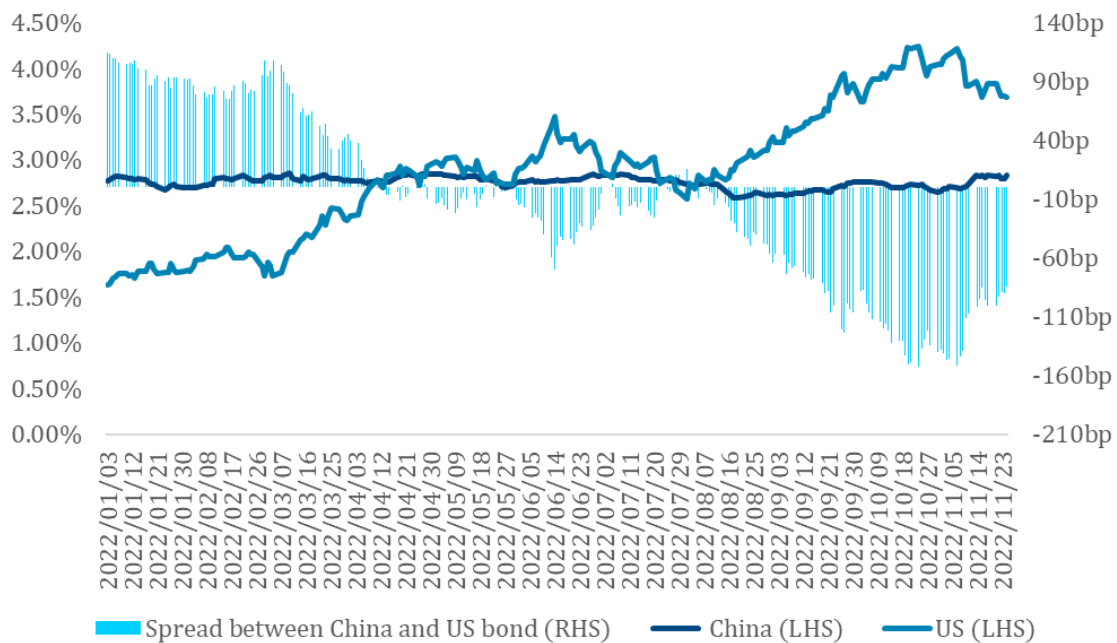
Figure 3: US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCXAP research

As of November 25, the yield spread between China and US 10-year note was -84.8 bp, narrowing by 15.6 bp from last Friday and narrowing by 30.0 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 increased

From November 21 to November 25, there were 27 new issues with total issued volume of USD2.82 billion, an increase of 15.0% from last week. Among them, Chengtou companies were the main issuers, with a total size of about USD1.3 billion.

Table 1: New issuance of Chinese offshore bonds (20221121-20221125)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/11/21	Jinan Rail Transit Group Co Ltd	USD	200	6.75	2023/11/27	364D	Chengtou	-/-A-	-/-A-
2022/11/22	Bank of Communications Co Ltd	CNY	1,420	3.05	2024/11/30	2	Banks	A2/A-/A	A2-/A
2022/11/22	Bank of Communications Co Ltd	USD	200	4.75	2025/11/30	3	Banks	A2/A-/A	A2-/A
2022/11/22	Huatai International Financial Holdings Co Ltd	USD	50	0	2023/2/27	90D	Financials	-/BBB+/-	-/-
2022/11/22	Huatai International Financial Holdings Co Ltd	USD	100	0	2023/2/27	90D	Financials	-/BBB+/-	-/-
2022/11/22	Shangrao Investment Holding Group Co Ltd	USD	120	7.9	2025/11/29	3	Chengtou	-/-/BBB-	-/-/BBB-
2022/11/22	Zhongyuan Asset Management Co Ltd	USD	110	7.5	2024/11/25	2	Financials	-/-/BB+	-/-/BB+
2022/11/23	China International Capital Corp Ltd	USD	10	5	2023/3/1	92D	Financials	Baa1/BBB+/BBB+	-/-/BBB+
2022/11/23	Hangzhou Linjiang Investment Development Co Ltd	USD	300	7.1	2025/11/28	3	Chengtou	-/-	-/-
2022/11/23	Huaihua Industrial Park Zhengxin Industrial Investment Development Co Ltd	CNY	480	4.9	2025/5/28	2.5	Chengtou	-/-	-/-
2022/11/24	China Securities International Finance Holding Co Ltd	USD	1	5.1	2023/11/28	364D	Financials	-/-	-/-
2022/11/24	China Zheshang Bank Co Ltd	USD	100	3.85	2022/12/30	30D	Banks	Baa3/BBB-/-	-/-
2022/11/24	CITIC Securities International Co Ltd	USD	1	27.03	2023/3/3	92D	Financials	-/BBB+/-	-/-
2022/11/24	CITIC Securities International Co Ltd	USD	2	32.86	2023/3/3	92D	Financials	-/BBB+/-	-/-
2022/11/24	Shaoxing City Keqiao District Construction Group Co Ltd	CNY	880	4.8	2025/12/1	3	Chengtou	-/-	-/-
2022/11/24	Taizhou Huangyan Economic Development Group Co Ltd	CNY	600	4.2	2025/12/1	3	Chengtou	-/-	-/-
2022/11/25	Chengdu Aerotropolis City Development Group Co Ltd	CNY	700	4.5	2025/11/30	3	Chengtou	-/-	-/-/BB+
2022/11/25	Chengdu Inland Port Hub Investment & Development (Group) Co Ltd	CNY	280	4.3	2025/11/30	3	Chengtou	-/-	-/-
2022/11/25	China Reform Holdings Corporation Limited	USD	550	6.3	2025/12/2	3	Financials	-/-	-/-
2022/11/25	Chongqing Bazhou Cultural Tourism Industry Group Co.,Ltd	CNY	266	4.7	2025/12/1	3	Chengtou	-/-	-/-
2022/11/25	Dongtai State-owned Assets Operation Group Co Ltd	CNY	310	4.4	2025/12/2	3	Chengtou	-/-	-/-
2022/11/25	Guilin ETDZ Investment Holding Co Ltd	USD	40	6.8	2025/12/1	3	Chengtou	-/-	-/-
2022/11/25	Huatai International Financial Holdings Co Ltd	HKD	14	0	2023/3/1	90D	Financials	-/BBB+/-	-/-
2022/11/25	Huatai International Financial Holdings Co Ltd	USD	5	0	2023/3/1	90D	Financials	-/BBB+/-	-/-
2022/11/25	Xiamen ITG Holding Group Co Ltd	USD	200	6.5	2023/12/1	1	Industrials	-/-	-/-
2022/11/25	Xuzhou Economic and Technology Development Zone State-Owned Assets Management Co Ltd	USD	100	7.5	2025/11/29	3	Chengtou	-/-	-/-

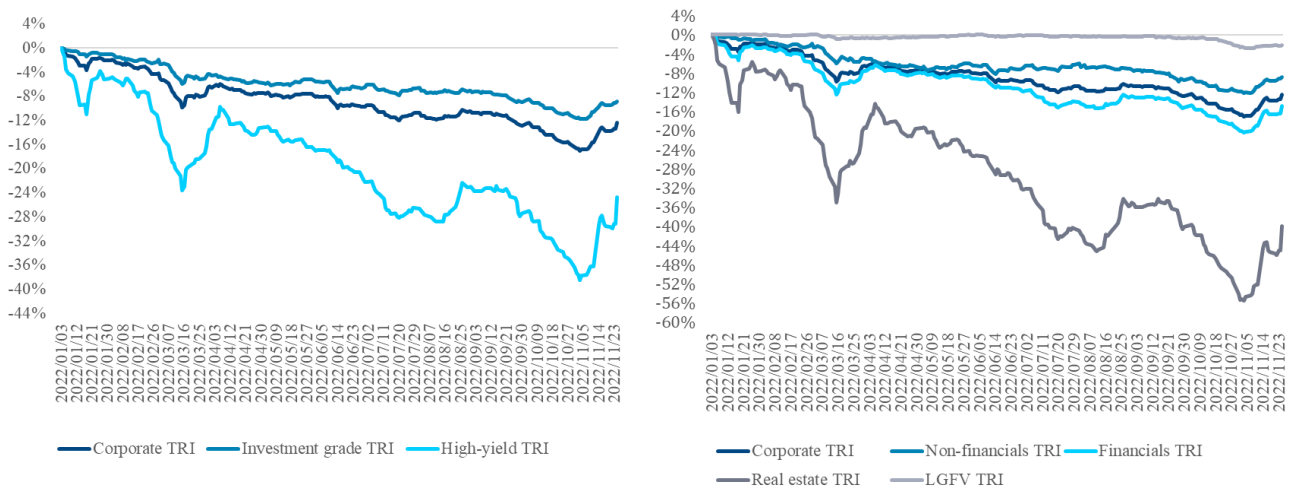
2022/11/25	Zunyi Road & Bridge Construction Group Ltd	USD	45	7.5	2025/11/30	3	Chengtou	-/-	-/-
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Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of November 25, the YTD return¹ on Chinese USD corporate bond index increased by 133bp to -12.44% from last Friday. The return on investment-grade bonds increased by 69bp to -8.83%, and the return on high-yield bonds increased by 484bp to -24.73%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 536bp from last Friday to -40.04%. The returns on non-financial, financial and Chengtou bonds were -8.82%, -14.93% and -2.21%, increasing by 89bp, 166bp and 12bp from last Friday, respectively.

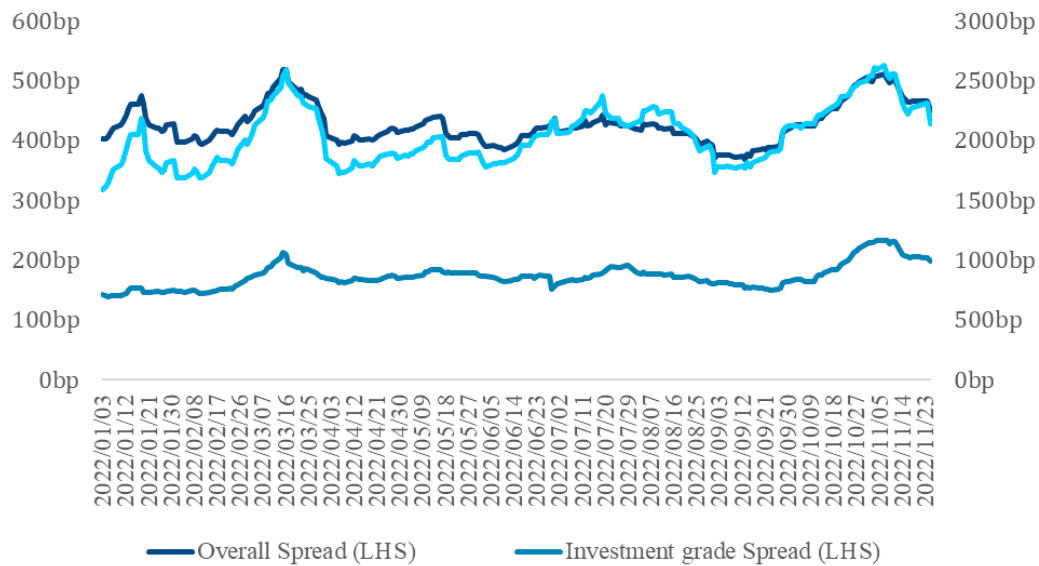
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCXAP research

As of November 25, the yield spread of Chinese dollar bonds decreased by 16.0bp to 499.13bp from last Friday. The yield spread of investment-grade bonds decreased by 7.3bp to 197.27bp, while that of high-yield bonds decreased by 137.2bp to 2139.95bp.

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 21 to November 25 are shown in the table below. Among them, Times China Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20221121-20221125)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
TPHL 6.6 03/02/23	Times China Holdings Ltd	15.2	0.25	7677.5	318.2M
ANTOIL 7 ½ 12/02/22	Anton Oilfield Services Group/Hong Kong	96.3	0.01	457.8	23.5M
ZYAMCL 4.2 11/29/22	Zhongyuan Asset Management Co Ltd	99.66	0	217.0	18.3M
CIFIHG 5 ½ 01/23/23	CIFI Holdings Group Co Ltd	14.8	0.15	3832.7	14.5M
AGILE 6 ¾ PERP	Agile Group Holdings Ltd	22.2	Perpetual	1229.1	12.0M
TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	12.2	0.63	865.8	7.6M
TQLTHI 3 ¾ 11/28/22	Tianqi Finco Co Ltd	99.2	0	140.8	7.4M
CENCHI 7 ¼ 04/24/23	Central China Real Estate Ltd	26.1	0.4	710.6	5.7M
CENCHI 7.65 08/27/23	Central China Real Estate Ltd	14.7	0.74	546.4	4.7M
SZIHL 3.95 PERP	Shenzhen International Holdings Limited	99.9	0	57.1	4.3M

Sources: Bloomberg, CCXAP research

Rating Action: CCXAP assigned 1 issuer rating and 2 issue ratings

On November 22– China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g+ to Yuyao Shuncai Investment Holding Co., Ltd. (“Yuyao Shuncai” or the “Company”), with stable outlook.

On November 22– CCXAP has assigned a senior unsecured debt rating of A_g- to the proposed USD notes to be issued by Zhongyuan Dayu International (BVI) Co., Ltd., an indirect wholly-owned subsidiary of Zhongyuan Asset Management Co., Ltd (“Zhongyuan AMC” or the “Company”) (A_g-/stable), and unconditionally and irrevocably guaranteed by Zhongyuan AMC.

On November 25– CCXAP has assigned a senior unsecured debt rating of BBB_g to the proposed Free Trade Zone CNY bonds to be issued by Chengdu Aerotropolis City Development Group Co., Ltd. (“CACD” or the “Company”) (BBB_g/positive).

Table 3: Credit rating from CCXAP (20221121-20221125)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2022/11/22	Yuyao Shuncai	BBB _g +	-	The credit rating is underpinned by the Company’s (1) strong business position in Yuyao City; (2) essential policy role in the provision of public services in Yuyao City; (3) good access to fundings; and (4) good track record of receiving government payments. However, the Company’s rating is constrained by its (1) high debt leverage and moderate asset liquidity; and (2) large exposure to contingent liabilities.
2022/11/22	Zhongyuan AMC	A _g -	A _g -	The credit rating is underpinned by the Company’s (1) strong franchise and local advantage as the largest local AMC in Henan Province; (2) sufficient capital adequacy on the back of capital injection from the local government; (3) good access to funding; and (4) solid government support from the Henan Provincial Government. However, it is constrained by the Company’s (1) moderate asset quality with high operating and concentration risk; (2) management challenges from higher regulatory requirements; (3) relatively weak profitability; and (4) modest liquidity profile.
2022/11/25	CACD	BBB _g	BBB _g	The credit rating is underpinned by the Company’s (1) monopolistic position in the transportation infrastructure construction in Shuangliu District, as well as the only construction, development, and industrial investment entity in the Chengdu International Airport Business District; (2) solid track record of receiving ongoing government payments; and (3) good access to funding. However, the rating is constrained by the Company’s (1) high debt growth driven by a large number of construction projects; and (2) medium exposure to commercial activities.

Sources: CCXAP research

From November 21 to November 25, international rating agencies took negative actions on 10 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20221121-20221125)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgr	China Oil and Gas Group Limited	Utilities	Ba2	NEG	2022/11/21	Ba2	STABLE	2021/2/10	Moody's	Weakened credit quality

Yinchuan Tonglian Capital Investment Operation Group Co., Ltd.	Chengtou	BB	NEG	2022/11/22	BB+	NEG	2022/4/13	Fitch	The municipality has a reduced ability to provide legitimate support to YCTL
China Huanong Property & Casualty Insurance Company Limited	Financial	BBB	RWN	2022/11/22	BBB	STABLE	2021/12/2	Fitch	Uncertainty over the impact of its capital injection plan on its capital strength, business growth target and investment strategy
Seazen Holdings Co. Ltd. Seazen Group Ltd.	Real Estate	BB-	NEG	2022/11/22	BB	NEG	2022/8/22	S&P	Liquidity buffer has further narrowed
Zhejiang Geely Holding Group Co. Ltd. Geely Automobile Holdings Ltd.	Consumer Discretionary	BBB-	NEG	2022/11/22	BBB-	STABLE	2021/12/6	S&P	Persistently high lithium battery costs and uncertainty in the execution of Polestar's EV businesses
Hainan State Farms Investment Holding Group Co., Ltd. (Haiken)	Financial	Baa2	NEG	2022/11/23	Baa2	STABLE	2021/1/20	Moody's	Debt leverage becoming elevated
Xinhu Zhongbao Co. Ltd.	Real Estate	B	NEG	2022/11/24	B	STABLE	2020/11/12	S&P	Weakened liquidity
Hopson Development Holdings Ltd.	Real Estate	B	NEG	2022/11/25	B	STABLE	2022/4/21	S&P	Weaken sales

Sources: Bloomberg, Wind, CCXAP research

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