

2022 Issue 46

From November 28 to December 2

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

Headline: The People's Bank of China and the State Administration of Foreign Exchange jointly issued the fund management requirements for panda bonds; US non-farm payrolls rose by 263,000 in November

The People's Bank of China and the State Administration of Foreign Exchange jointly issued the "Notice by the People's Bank of China and the State Administration of Foreign Exchange Regarding the Management of Bond Funds Issued by Foreign Institutions in China". The number of non-farm employments in the US increased by 263,000 in November, much higher than the expectation of 200,000 and even the highest expectation, with the previous value of 261,000.

Exchange Rate: RMB appreciated, USD index declined

This week, RMB appreciated. As of December 2, the RMB/USD middle rate closed at 7.0542, decreasing by 797bp from last Friday; The USD index slightly decreased by 1.3% to 104.545.

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

This week, the China Government Bond yields generally rose. US Treasury yields dropped amid Powell's dovish speech and higher-than-expected US non-farm payrolls.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance increased

From November 28 to December 2, there were 17 new issues with total issued volume of USD2.03 billion, a decrease of 28.3% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD1.0 billion.

Secondary Market: Return on Chinese USD bond increased

As of December 2, the YTD return on Chinese USD corporate bond index increased by 201bp to -10.43% from last Friday. The return on investment-grade bonds increased by 136bp to -7.47%, and the return on high-yield bonds increased by 565bp to -19.08%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 602bp from last Friday to -34.02%.

Rating Action: CCXAP assigned 2 issuer ratings

CCXAP assigned long-term credit ratings to Lixia Holding and WCID, respectively.



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Headline: The People's Bank of China and the State Administration of Foreign Exchange jointly issued the fund management requirements for panda bonds; US non-farm payrolls rose by 263,000 in November

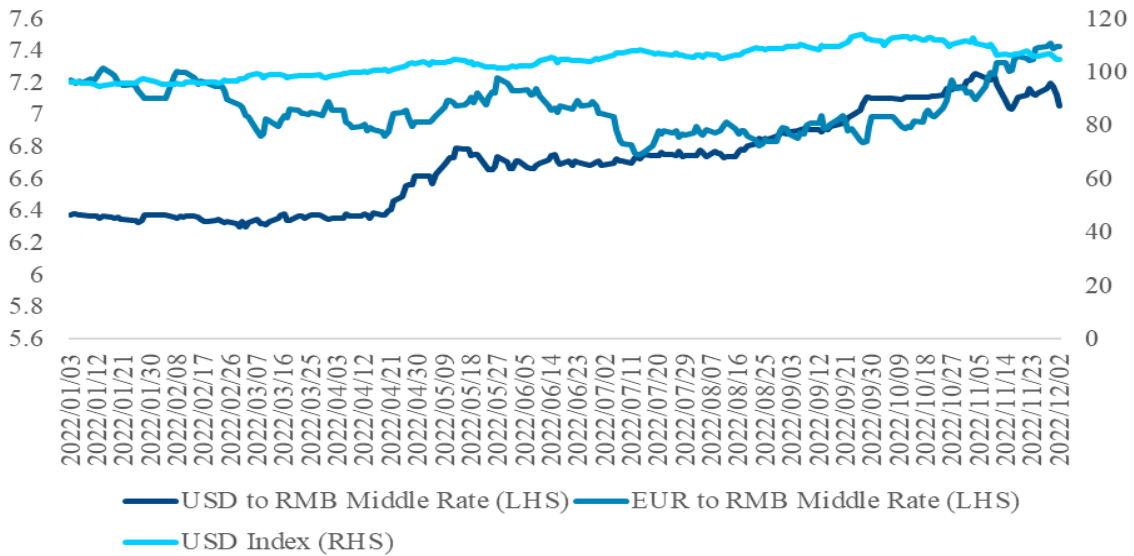
On December 2, in order to further expand the two-way opening of the financial market, the People's Bank of China and the State Administration of Foreign Exchange jointly issued the "Notice by the People's Bank of China and the State Administration of Foreign Exchange Regarding the Management of Bond Funds Issued by Foreign Institutions in China", which is expected to improve the fund management requirements of domestic bond (panda bond) issuance by foreign institutions and further facilitate foreign institutions to raise funds in the domestic bond market. The first is to unify the management rules for panda bond fund registration, account opening, fund remittance and use, and statistical monitoring in the interbank and exchange markets. The second is to standardize the registration and account opening process, such as the registration is done at the bank before the issuance of panda bonds; it is allowed to register and open an account for the first phase of issuance in installments, and to submit issuance information one by one after issuances, and can share a bond issuance account. The third is to improve the foreign exchange risk management of panda bonds. Foreign institutions can conduct foreign exchange derivatives transactions with domestic financial institutions to manage exchange rate risks. The fourth is to clarify that the funds raised by issuing bonds can be kept in China or remitted overseas for use.

On December 2, the data released by the US Bureau of Labor Statistics showed that the number of non-farm employments in US increased by 263,000 in November, much higher than the expectation of 200,000 and even the highest expectation, with the previous value of 261,000. The unemployment rate remained at 3.7, in line with expectations and the previous value, close to a 50-year low. While most other economic indicators are pointing to a recession, the labor market continues to be much better than expected, which could force Powell to keep tightening monetary policy until the economy bottoms out. Analysts pointed out that despite growing concerns about a US recession, US employers employed more workers than expected in November, while wages rose, which may complicate the Fed's plan to slow down interest rate hikes this month.

Exchange Rate: RMB appreciated, USD index declined

This week, RMB appreciated. As of December 2, the RMB/USD middle rate closed at 7.0542, decreasing by 797bp from last Friday; the RMB/EUR middle rate closed at 7.4282, increasing by 70bp from last Friday. The USD index decreased by 1.3% to 104.545.

Figure 1: RMB exchange rate

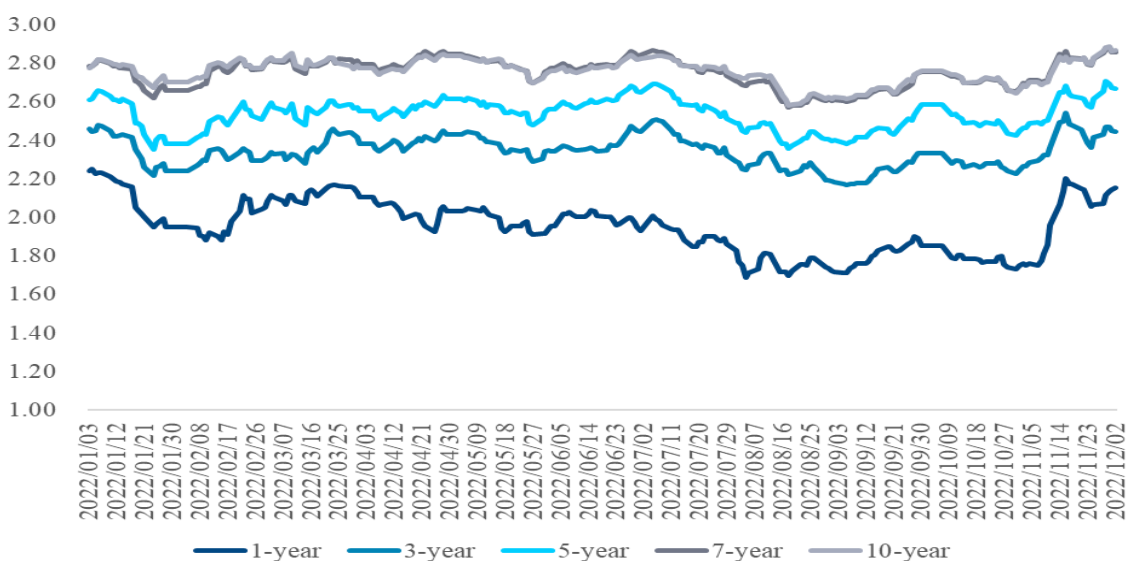


Sources: Wind, CCXAP research

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

This week, the China Government Bond yields generally rose. As of December 2, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1554%, 2.4473%, 2.6702%, 2.8550%, and 2.8676%, respectively, which increased by 9bp, 3bp, 6bp, 3bp, and 4bp from last Friday.

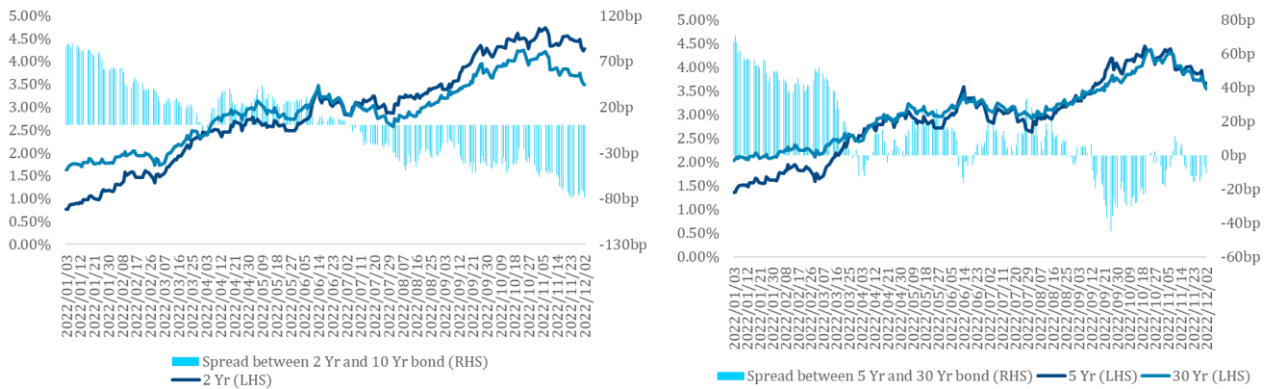
Figure 2: China Government Bond yields



Sources: ChinaBond.com.cn, CCXAP research

US Treasury yields dropped amid Powell's dovish speech and higher-than-expected US non-farm payrolls. As of December 2, the yields of 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.2717%, 3.6520%, 3.4862% and 3.5478%, respectively, decreased by 18bp, 21bp, 19bp and 18bp from last Friday. In terms of US treasury bond spreads, the 2-year and 10-year treasury bond spreads widened by 1bp to -78.6bp from last Friday, and the 5-year and 30-year treasury bond spreads narrowed by 2.1bp to -10.4bp from last Friday.

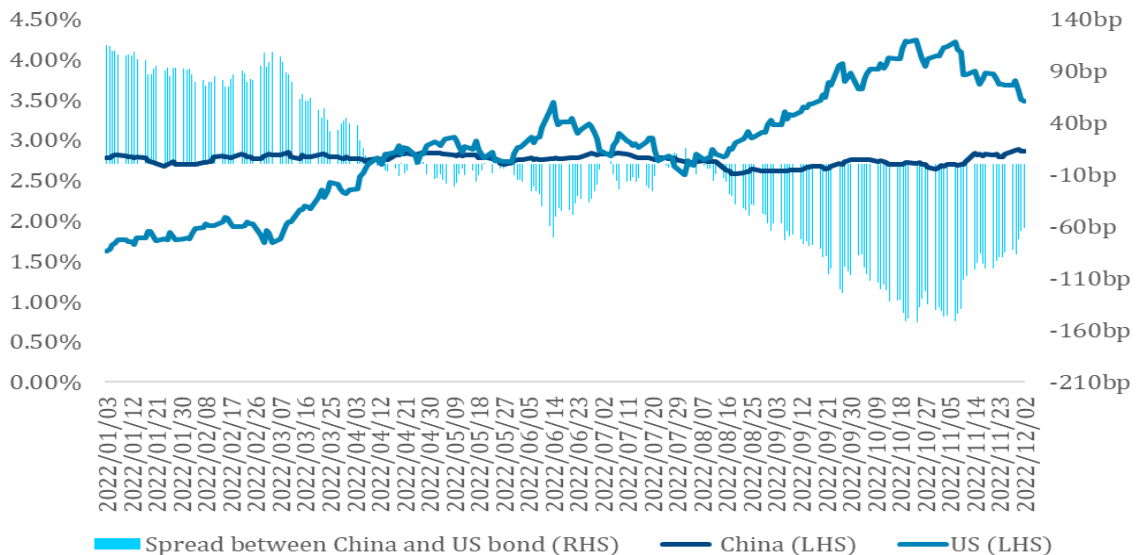
Figure 3: US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCXAP research

As of December 2, the yield spread between China and US 10-year note was -61.9 bp, narrowing by 22.9 bp from last Friday and narrowing by 52.9 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 decreased

From November 28 to December 2, there were 17 new issues with total issued volume of USD2.03 billion, a decrease of 28.3% from last week. Among them, Chengtou companies were the main issuers, with a total size of about USD1.0 billion.

Table 1: New issuance of Chinese offshore bonds (20221128-20221202)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/11/28	Bank of China Ltd/Dubai	USD	300	4.75	2025/12/5	3	Banks	A1/A/A	A1/A/A
2022/11/28	CDB Leasing International Co Ltd	USD	150	SOFR+85	2024/1/5	1.08	Financials	-/-/-	-/-/-
2022/11/28	Jingfa Overseas Investment Co Ltd	USD	82	7.5	2025/12/2	3	Chengtou	-/-/-	-/-/-
2022/11/29	CITIC Securities International Co Ltd	USD	0.3	20.45	2023/4/7	115D	Financials	-/BBB+/-	-/-/-
2022/11/29	CITIC Securities International Co Ltd	USD	0.3	15	2023/4/17	125D	Financials	-/BBB+/-	-/-/-
2022/11/29	Huzhou Nanxun Zhenxun Sewage Treatment Co Ltd	CNY	350	4.5	2025/12/6	3	Chengtou	-/-/-	-/-/-
2022/11/29	Taixing Zhongxing State-owned Asset Management & Investment Co	CNY	830	4.8	2025/12/2	3	Chengtou	-/-/-	-/-/-
2022/11/29	TF International Securities Group Ltd	USD	240	6.5	2024/6/5	1.5	Financials	-/-/-	-/-/-
2022/11/30	CITIC Securities International Co Ltd	CNY	14.3	0	2025/12/10	3.01	Financials	-/BBB+/-	-/-/-
2022/11/30	CITIC Securities International Co Ltd	USD	0.2	14.94	2023/3/16	92D	Financials	-/BBB+/-	-/-/-
2022/11/30	CITIC Securities International Co Ltd	USD	15	0	2025/12/12	3.02	Financials	-/BBB+/-	-/-/-
2022/11/30	TF International Securities Group Ltd	USD	6.3	5.8	2023/6/6	182D	Financials	-/-/-	-/-/-
2022/12/1	Deyang Development Holdings Group Co Ltd	USD	350	7	2025/12/8	3	Chengtou	-/-/BBB-	-/-/BBB-
2022/12/1	Industrial & Commercial Bank of China Ltd/London	USD	300	4.69	2025/12/8	3	Banks	-/A/A	-/-/-
2022/12/1	Kunming Rail Transit Group Co Ltd	USD	253	8.5	2025/12/7	3	Chengtou	Baa1-/BBB+	Baa1-/BBB+
2022/12/1	Pingdu City Development Group Co Ltd	CNY	440	5.5	2025/12/6	3	Chengtou	-/-/-	-/-/-
2022/12/1	Shaoxing Paojiang Venture Construction Development Co Ltd	CNY	679	4	2025/12/8	3	Chengtou	-/-/-	-/-/-

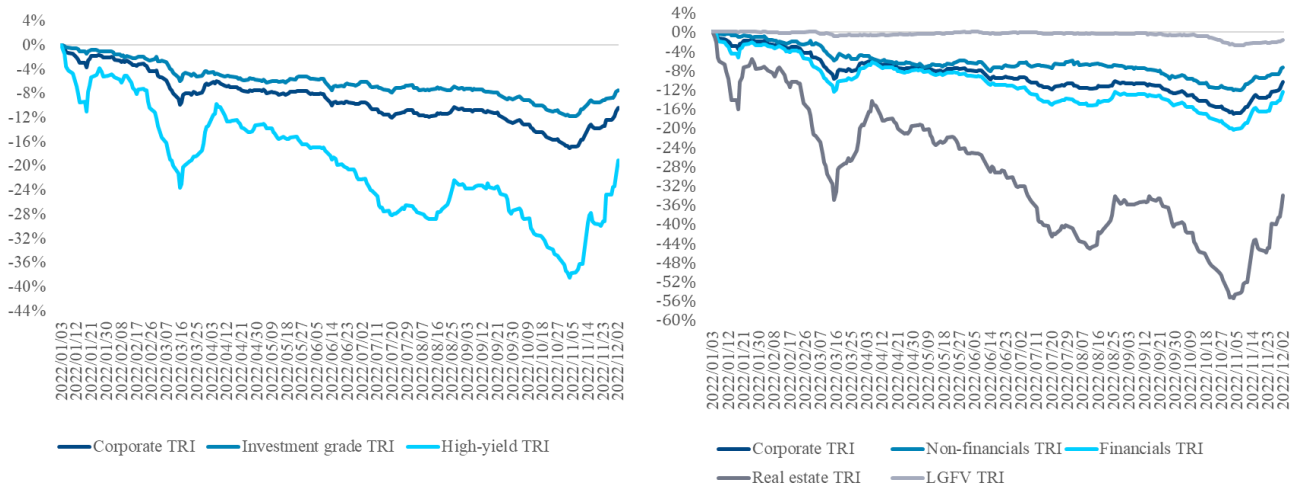
Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of December 2, the YTD return¹ on Chinese USD corporate bond index increased by 201bp to -10.43% from last Friday. The return on investment-grade bonds increased by 136bp to -7.47%, and the return on high-yield bonds increased by 565bp to -19.08%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 602bp from last Friday to -34.02%. The returns on non-financial, financial and Chengtou bonds were -7.35%, -12.52% and -1.66%, increasing by 147bp, 241bp and 54bp from last Friday, respectively.

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

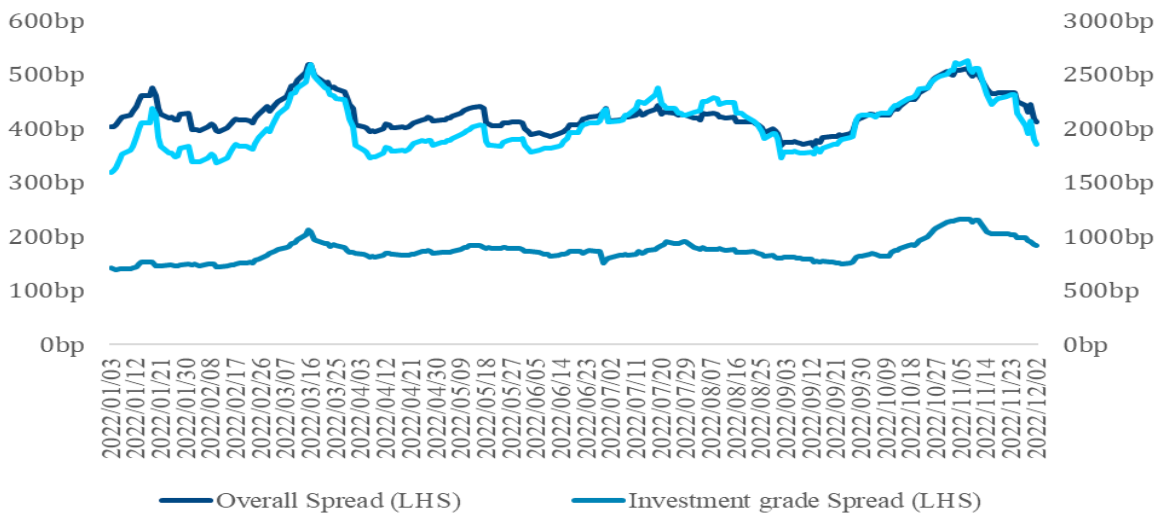
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCXAP research

As of December 2, the yield spread of Chinese dollar bonds decreased by 37bp to 412.10bp from last Friday. The yield spread of investment-grade bonds decreased by 13.8bp to 183.46bp, while that of high-yield bonds decreased by 290.2bp to 1849.70bp.

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 28 to December 2 are shown in the table below. Among them, Agile Group 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
AGILE 6 ¾ PERP	Agile Group Holdings Ltd	18.9	Perpetual	1590.5	44.2M
HRRLET 1 ½ 12/05/22	Huarong Universe Investment Holding Ltd	98.4	-	194.2	16.9M
ICBCAS Float 05/26/25	Industrial & Commercial Bank of China New Zealand Ltd	100.0	2.47	106.5	5.8M
CENCHI 7.9 11/07/23	Central China Real Estate Ltd	16.1	0.92	371.4	4.6M
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	18.7	Perpetual	296.3	4.4M
CENCHI 7 ¼ 04/24/23	Central China Real Estate Ltd	26.1	0.38	741.4	2.8M
HKIQCL 4 ¼ 12/04/22	Qingdao City Construction Investment (Group) Co Ltd	99.8	-	38.1	2.8M
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	18.7	Perpetual	157.8	2.5M
DALWAN 6.95 12/05/22	Dalian Wanda Commercial Management Group Co Ltd	99.3	-	83.0	2.0M
NJYZSO 3 ¾ 12/05/22	Nanjing Yangzi State-owned Investment Group Co Ltd	99.9	-	13.5	1.6M

Sources: Bloomberg, CCXAP research

Rating Action: CCXAP assigned 2 issuer ratings

On December 1, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g long-term credit rating to Jinan Lixia Holding Group Co., Ltd. (“Lixia Holding”), with stable outlook.

On December 2, CCXAP has assigned a first-time BBB_g- long-term credit rating to Huzhou Wuxing City Investment and Development Group Co., Ltd. (“WCID” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20221128-20221202)

Rating Date	Obligor	Entity Rating	Rating Rationale
2022/12/1	Lixia Holding	BBB _g	The credit rating is underpinned by the Company’s (1) important position as the largest entity focusing on infrastructure construction and primary land development in Lixia District; (2) solid track record of receiving government payments; and (3) good access to diversified funding channels. However, the Company’s rating is constrained by (1) high exposure to commercial activities which exerts pressure on capital expenditures; (2) fast debt growth and high debt burden; and (3) relatively weak liquidity profile.
2022/12/2	WCID	BBB _g -	The credit rating is underpinned by the Company’s (1) strong strength and prominent position in infrastructure construction and land development in Wuxing District; (2) substantial reserves of public policy projects; and (3) solid track record of receiving government payments. However, the Company’s rating is constrained by its (1) relatively high debt leverage and moderate asset liquidity; (2) reliance on non-standard financing; and (3) high contingent liability risk from external guarantees with exposure to private enterprises.

Sources: CCXAP research

From November 28 to December 2, international rating agencies took positive actions on 2 Chinese issuers and negative action on 1 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20221128-20221202)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Contemporary Amperex Technology Co Ltd	Consumer Discretionary	Baa1	POS	2022/11/30	Baa1	STABLE	2020/9/7	Moody's	Maintain leading market position and significantly increase its revenue scale
	SF Holding Co Ltd	Industrials	A3	STABLE	2022/12/1	A3	NEG	2021/2/11	Moody's	Strengthened business profile after integrating Kerry Logistics
Downgrade	Agile Group Holdings Ltd	Real Estate	Caa1	NEG	2022/12/2	B3	NEG	2022/5/17	Moody's	Heightened liquidity and refinancing risks

Sources: Bloomberg, Wind, CCXAP research

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