

### 2022 Issue 47

#### From December 5 to December 9

#### Chinese offshore bond issuance decreased; return on Chinese USD bond increased

#### Headline: China's CPI in November increased by 1.6% YoY; US PPI in November had higher-than-expected growth

China's November CPI increased by 1.6% YoY, 0.5% lower than previous month's 2.1% increase. US PPI increased by 7.4% YoY in November, slowing down from the previous month's revised value of 8%, but higher than market expectations of 7.2%.

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

This week, RMB appreciated. As of December 9, the RMB/USD middle rate closed at 6.9588, decreasing by 954bp from last Friday; The USD index slightly increased by 0.3% to 104.81 from last Friday.

#### Interest Rate: China Government Bond yields and US Treasury yields rose

This week, the China Government Bond yields generally rose. The higher-than-expected US PPI in November drove US Treasury yields up.

#### Chinese Offshore Bond Market

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

From December 5 to December 9, there were 22 new issues with total issued volume of USD1.56 billion, a decrease of 22.8% from last week. Among them, financial institutions 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 December 9, the YTD return on Chinese USD corporate bond index increased by 51bp to -9.92% from last Friday. The return on investment-grade bonds increased by 11bp to -7.36%, and the return on high-yield bonds increased by 270bp to -16.38%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 264bp from last Friday to -31.38%.

##### Rating Action: Credit quality of Chinese issuers diverged

From December 5 to December 9, international rating agencies took positive actions on 4 Chinese issuers and negative actions on 3 Chinese issuers.



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## Headline: China's CPI in November increased by 1.6% YoY; US PPI in November had higher-than-expected growth

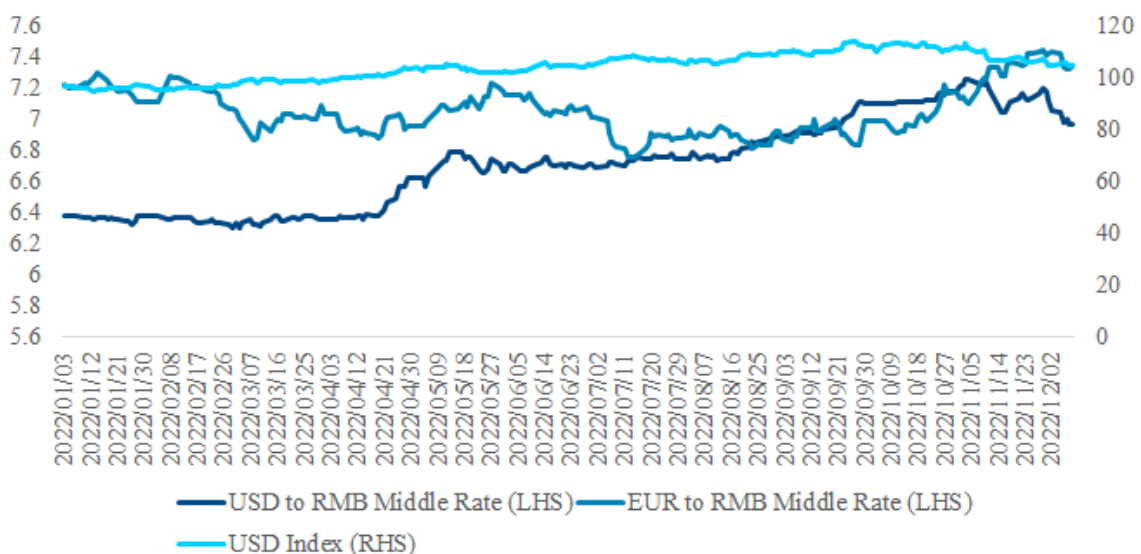
On December 9, the National Bureau of Statistics released data showing that in November, mainly affected by the decline in food price growth, China's CPI increased by 1.6% year-on-year (“YoY”), 0.5% lower than previous month's 2.1% increase. CPI decreased by 0.2% month-on-month (“MoM”) compared with 0.1% increase in the previous month. PPI fell 1.3% YoY, same as previous month, marking the second consecutive month of decline. Affected by rising prices in coal, oil, non-ferrous metals and other industries, PPI edged up 0.1% MoM compared with 0.2% increase in the previous month.

On December 9, data released by the US Department of Labor showed that the US PPI increased by 7.4% YoY in November, slowing down from the previous month revised value of 8%, but higher than market expectations of 7.2%. The November PPI rose 0.3% MoM, unchanged from the previous month's revised value of 0.3%, but also above expectations of 0.2%. Excluding volatile food and energy sectors, US core PPI rose 6.2% YoY in November, lower than the previous month of 6.7%, but above market expectations of 5.9%. It surged 0.4% MoM, twice as the expectations of 0.2% and higher than the previous month of 0.1%. While energy prices fell to their lowest level since February 2022, food prices surged to record high. US PPI rose more than expected in November, implying that the Fed may continue its path of rate hikes.

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

This week, RMB appreciated. As of December 9, the RMB/USD middle rate closed at 6.9588, decreasing by 954bp from last Friday; the RMB/EUR middle rate closed at 7.3460, decreasing by 822bp from last Friday. The USD index increased slightly by 1.3% to 104.81 from last Friday.

Figure 1: RMB exchange rate

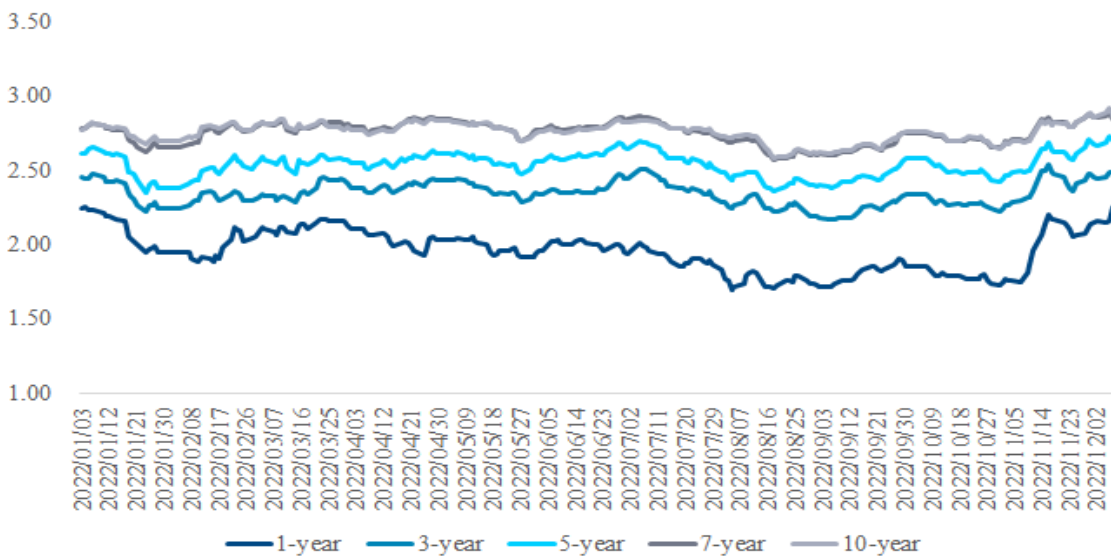


Sources: Bloomberg, CCXAP research

## Interest Rate: China Government Bond yields and US Treasury yields rose

This week, the China Government Bond yields generally rose. As of December 9, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.2869%, 2.5033%, 2.7344%, 2.8654%, and 2.8903%, respectively, which increased by 13bp, 6bp, 6bp, 1bp and 2bp from last Friday.

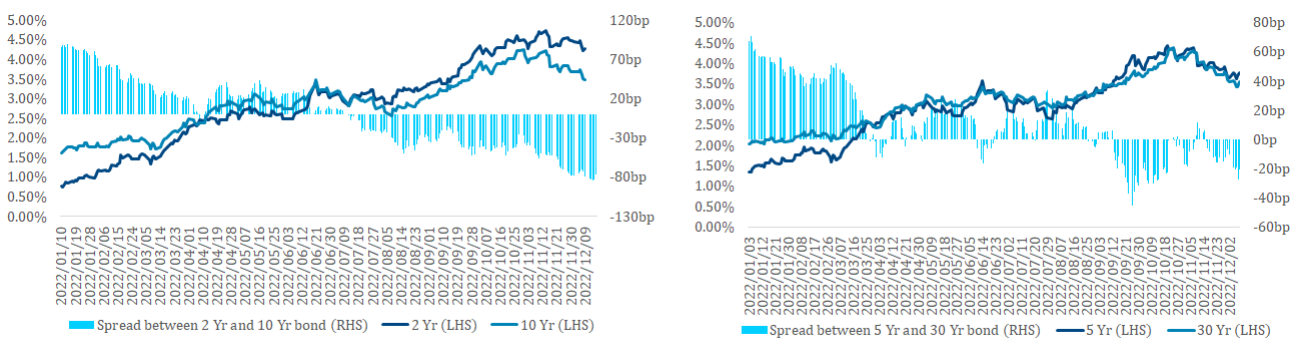
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

The higher-than-expected US PPI in November drove US Treasury yields up. As of December 9, the 2-year, 5-year, 10-year and 30-year US Treasury bond yields were 4.3443%, 3.7686%, 3.5783% and 3.5590% respectively, increasing by 7bp, 12bp, 9bp and 1bp from last Friday. In terms of US treasury bond spreads, the 2-year and 10-year treasury bond spreads narrowed by 2bp to -76.6bp from last Friday, and the 5-year and 30-year treasury bond spreads widened by 10.5bp to -21bp from last Friday.

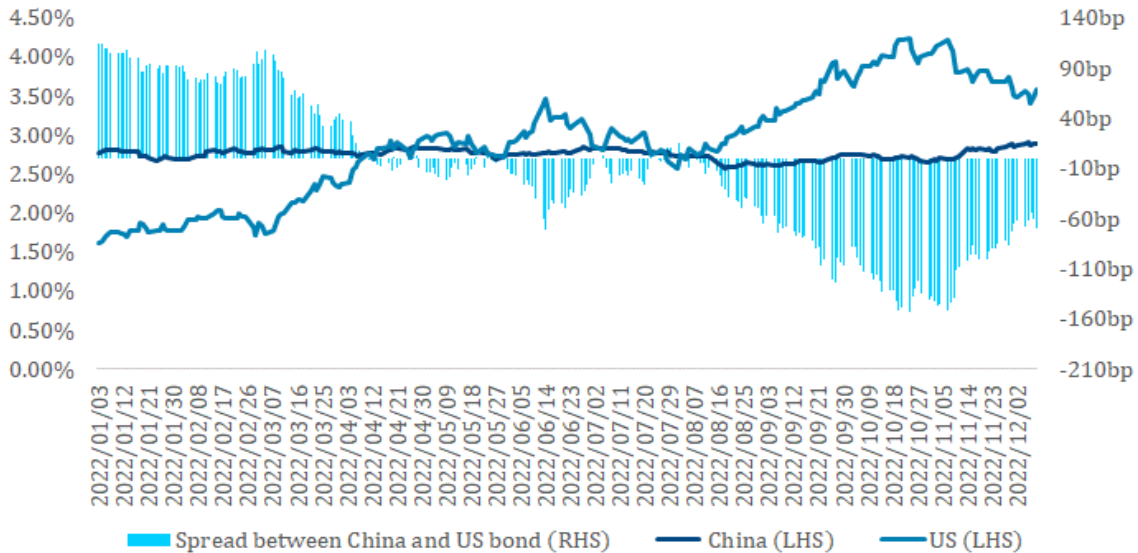
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of December 9, the yield spread between China and US 10-year note was -68.8 bp, widening by 6.9 bp from last Friday and narrowing by 45.9 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 December 5 to December 9, there were 22 new issues with total issued volume of USD1.56 billion, a decrease of 22.8% from last week. Among them, financial institutions were the main issuers, with a total size of about USD1.3 billion.

**Table 1: New issuance of Chinese offshore bonds (20221205-20221209)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/12/5	China Securities International Finance Holding Co Ltd	USD	1.5	5.1	2023/12/7	364D	Financials	-/-/-	-/-/-
2022/12/5	CITIC Securities International Co Ltd	USD	0.2	13.03	2023/3/22	93D	Financials	-/BBB+/-	-/-/-
2022/12/5	CITIC Securities International Co Ltd	USD	0.2	13.05	2023/3/22	93D	Financials	-/BBB+/-	-/-/-
2022/12/5	CITIC Securities International Co Ltd	USD	0.25	14.31	2023/3/22	93D	Financials	-/BBB+/-	-/-/-
2022/12/5	CITIC Securities International Co Ltd	USD	1.3	0	2024/12/9	1.99	Financials	-/BBB+/-	-/-/-
2022/12/5	Hefei Gaoxin Development & Investment Group Co	CNY	110.59	4.49	2025/12/9	3	Chengtou	-/-/-	-/-/-
2022/12/6	CITIC Securities International Co Ltd	USD	0.2	9.7	2023/3/22	92D	Financials	-/BBB+/-	-/-/-
2022/12/6	CITIC Securities International Co Ltd	USD	0.2	11.26	2023/3/22	92D	Financials	-/BBB+/-	-/-/-
2022/12/6	CITIC Securities International Co Ltd	USD	0.2	13.16	2023/3/22	92D	Financials	-/BBB+/-	-/-/-
2022/12/6	CITIC Securities International Co Ltd	USD	0.2	13.76	2023/3/22	92D	Financials	-/BBB+/-	-/-/-
2022/12/6	CITIC Securities International Co Ltd	USD	0.2	14.3	2023/3/22	92D	Financials	-/BBB+/-	-/-/-
2022/12/6	Huatai International Financial Holdings	CNY	63.13	3.49	2023/12/12	364D	Financials	-/BBB+/-	-/-/-

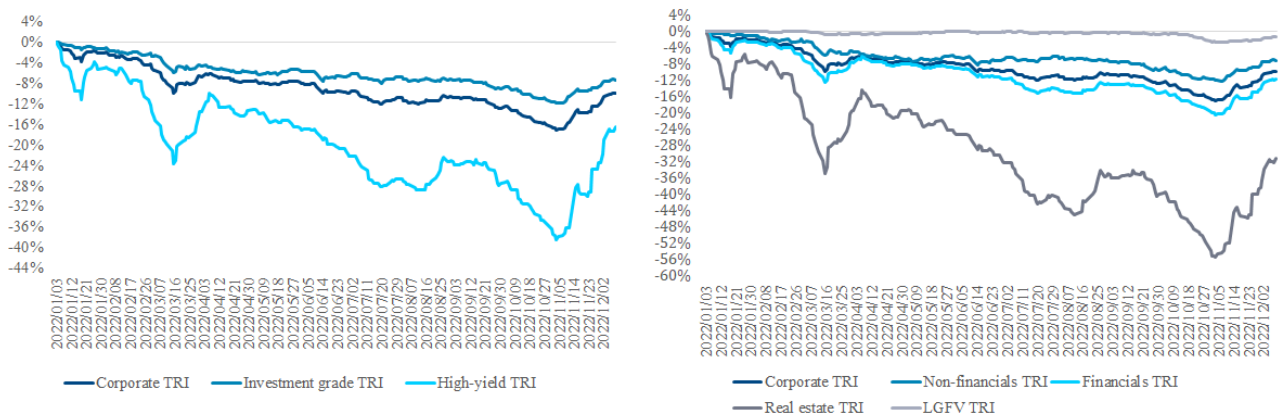
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2022/12/7	CITIC Securities Co Ltd	USD	175	5.15	2024/5/14	1.42	Financials	Baa1/BBB+/-	-/-/-
2022/12/7	CITIC Securities International Co Ltd	USD	1	12	2023/3/23	92D	Financials	-/BBB+/-	-/-/-
2022/12/7	CITIC Securities International Co Ltd	USD	1	20	2023/3/23	92D	Financials	-/BBB+/-	-/-/-
2022/12/7	CMB International Leasing Management Ltd	USD	45	SOFR+83	2023/12/13	364D	Financials	Baa1/BBB+/-	-/-/-
2022/12/7	Industrial & Commercial Bank of China Ltd/Macau	USD	250	SOFR+80	2024/12/15	2	Banks	A1/A/A	-/-/A
2022/12/7	TF International Securities Group Ltd	USD	250	6.75	2025/6/9	2.5	Financials	-/-/-	-/-/-
2022/12/8	Bank Of Communications Finance Leasing Co.,Ltd.	CNY	344.3	2.9	2025/12/15	3	Financials	A2/A-/A	A3/-/-
2022/12/8	Hangzhou Qian Tang New Area Construction Investment Group Co.,Ltd.	USD	150	6.5	2023/12/11	364D	Chengtou	-/-/-	-/-/-
2022/12/9	Huatai International Financial Holdings Co Ltd	USD	62	0	2023/6/15	182D	Financials	-/BBB+/-	-/-/-
2022/12/9	Wuxi Nengda Thermoelectricity Co Ltd	CNY	107.8	4.2	2025/12/16	3	Industrials	Baa2/-/-	-/-/-

Sources: Bloomberg, CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of December 9, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 51bp to -9.92% from last Friday. The return on investment-grade bonds increased by 11bp to -7.36%, and the return on high-yield bonds increased by 270bp to -16.38%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 264bp from last Friday to -31.38%. The returns on non-financial, financial and Chengtou bonds were -7.26%, -11.7% and -1.47%, increasing by 9bp, 82bp and 20bp from last Friday, respectively.

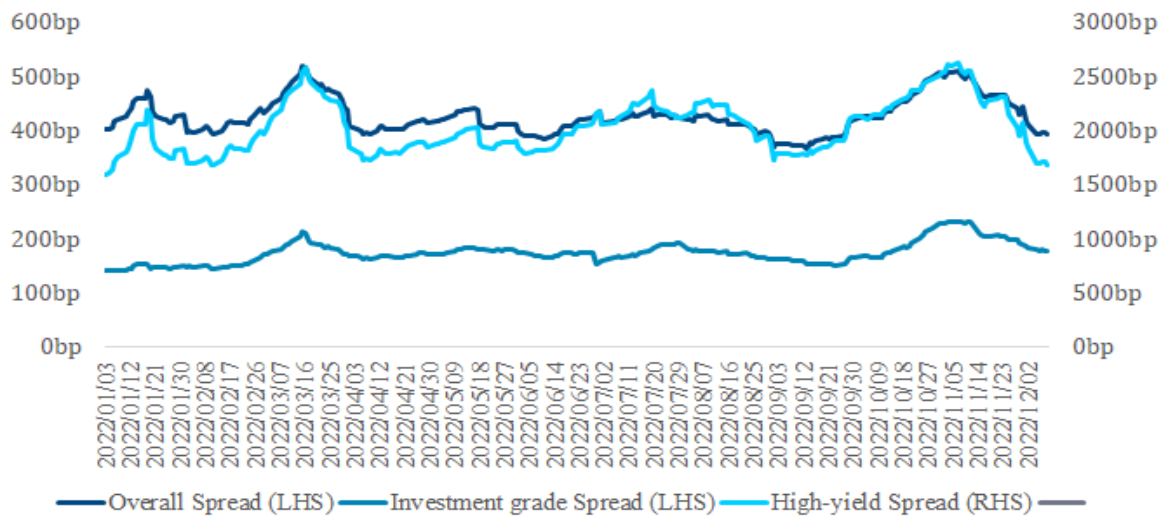
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: Bloomberg, CCXAP research

As of December 9, the yield spread of Chinese dollar bonds decreased by 19.6bp to 392.54bp from last Friday. The yield spread of investment-grade bonds decreased by 6.8bp to 176.69bp, while that of high-yield bonds decreased by 170.9bp to 1678.82bp.

<sup>1</sup> 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 December 5 to December 9 are shown in the table below. Among them, Jiangsu Zhongnan Construction Group Co., Ltd. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20221205-20221209)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
JIAZHO 11 ½ 04/07/24	Jiangsu Zhongnan Construction Group Co., Ltd.	25.6	1.32	911.9	5.8M
TPHL 6.6 03/02/23	Times China Holdings Limited	23.4	0.22	1500.6	3.8M
XIN 14 ½ 09/17/23	Xinyuan Real Estate Co Ltd	21.5	0.76	374.8	1.6M
ZOOMLI 6 ⅜ 12/20/22	Zoomlion Heavy Industry Science and Technology Co., Ltd.	100	0.02	6	1.1M
LVGEM 12 03/10/23	Lvjing (China) Real Estate Investment Co., Ltd	74.1	0.24	154.7	916.9
TSSTEE 3 ¾ 12/18/22	Hebei Iron & Steel Group Co., Ltd.	99.9	0.02	13.5	776.5
GUOCAP 3.95 12/11/22	China Reform Holdings Corporation Ltd.	100	0	14.5	571.5
ORIEAS 4 ¾ PERP	China Orient Asset Management Co., Ltd.	100	Perpetual	5.1	522.8
BOCHON 5.4 PERP	Bank Of Chongqing Co., Ltd	100	Perpetual	3.9	181.1
CHIOIL 5 ½ 01/25/23	China Oil and Gas Group Limited	99.1	0.12	12.8	136.8

Sources: Bloomberg, CCXAP research

## Rating Action: Credit quality of Chinese issuers diverged

From December 5 to December 9, international rating agencies took positive actions on 4 Chinese issuers and negative actions on 3 Chinese issuers.

**Table 3: Credit rating changes of cross-border bond market (20221205-20221209)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade	JD.com Inc	Consumer Discretionary	A-	STABLE	2022/12/7	BBB+	POS	2022/6/7	S&P	Good business momentum
	Jin Chuan Group Co.,Ltd.	Materials	BBB+	STABLE	2022/12/7	BBB	STABLE	2022/1/5	Moody's	Profitability and financial position improved
	Nanjing Pukou Economic Development Co.,Ltd.	Chengtou	Ba2	POS	2022/12/8	Ba2	STABLE	2020/7/20	Moody's	The willingness of local governments to support has increased
	Chengdu Jingkai Guotou Inv Grp Co., Ltd.	Chengtou	Ba2	POS	2022/12/9	Ba2	STABLE	2020/7/30	Moody's	Contingent liability risk and government spending improved
Downgrade	Guoren Property & Casualty Insurance Co Ltd	Financial	BBB+	RWN	2022/12/5	BBB+	STABLE	2021/12/21	Fitch	Delayed implementation of the 2021 capital injection plan
	Greenland Holding Group Co.,Ltd.	Real Estate	CCC-	-	2022/12/7	SD	-	2022/11/15	S&P	Completion of distressed maturity extension
	Central China Real Estate Ltd	Real Estate	Caa2	NEG	2022/12/9	B3	NEG	2022/4/4	Moody's	Increased risk of default

Sources: Bloomberg, CCXAP research

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