

2022 Issue 48

From December 12 to December 16

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

Headline: China's private financing increased by RMB1.99 trillion in November; the Fed raised interest rates by 50bp in December

China's private financing increased by RMB1.99 trillion in November, a decrease of RMB610.9 billion YoY. The Fed announced a 50bp rate hike after the FOMC meeting. The target range for the federal funds rate was 4.25%-4.5%, in line with market expectations.

Exchange Rate: RMB depreciated, USD index decreased slightly

This week, RMB depreciated. As of December 16, the RMB/USD middle rate closed at 6.9791, increasing by 203bp from last Friday; The USD index slightly decreased by 0.1% to 104.701 from last Friday.

Interest Rate: China Government Bond yields were mixed; US Treasury yields declined

This week, the China Government Bond yields were mixed. US Treasury yields declined amid the Fed's slowdown of interest rate hike for the first time and the lower-than-expected US CPI in November.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance decreased

From December 12 to December 16, there were 23 new issues with total issued volume of USD1.41 billion, a decrease of 10.0% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD0.8 billion.

Secondary Market: Return on Chinese USD bond increased

As of December 16, the YTD return on Chinese USD corporate bond index increased by 48bp to -9.44% from last Friday. The return on investment-grade bonds increased by 41bp to -6.95%, and the return on high-yield bonds increased by 91bp to -15.47%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 136bp from last Friday to -30.02%.

Rating Action: CCXAP assigns first-time long-term credit ratings to 3 entities

CCXAP assigns first-time long-term credit ratings to Chengdu Yunlai Investment Group Co., Ltd. ("CYIG"), Chongqing Changshou Development Investment (Group) Co., Ltd. ("CCDI") and Jiangsu Ruihai Investment Holding Group Co., Ltd. ("JRIH").



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Headline: China's private financing increased by RMB1.99 trillion in November; the Fed raised interest rates by 50bp in December

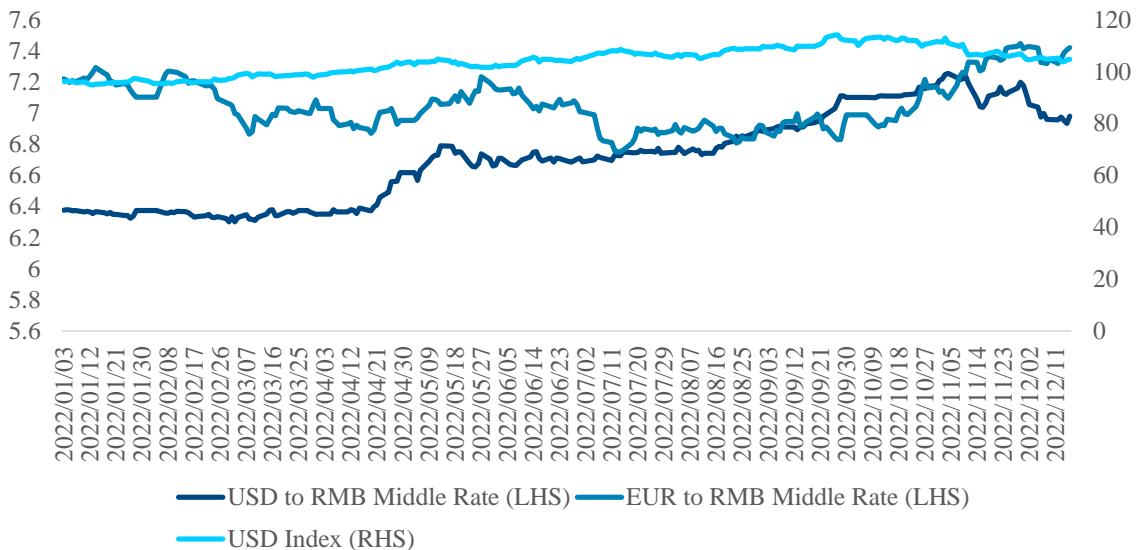
On December 12, the People's Bank of China released data showing that China's private financing increased by RMB1.99 trillion in November, a decrease of RMB610.9 billion year-on-year (“YoY”); the outstanding amount of private financing at the end of November was RMB343.19 trillion, increased by 10% YoY; RMB loans in November increased by RMB1.21 trillion, a decrease of RMB59.6 billion YoY; in November, the balance of broad money (“M2”) was RMB264.7 trillion, and the balance of narrow money (“M1”) was RMB66.7 trillion, and the M2-M1 gap widened.

On December 14, the Fed announced a 50bp rate hike after the FOMC meeting. The target range for the federal funds rate was 4.25%-4.5%, in line with market expectations. Before this meeting, the Fed had raised interest rates by 75 bp for four consecutive times, and this was the first time to slow down the rate hike this year. The Fed also stated that in order to bring inflation back to the target of 2%, it is appropriate to continue to raise the target interest rate range, implying that the pace of interest rate hikes will continue.

Exchange Rate: RMB depreciated, USD index decreased slightly

This week, RMB depreciated. As of December 16, the RMB/USD middle rate closed at 6.9791, increasing by 203bp from last Friday; the RMB/EUR middle rate closed at 7.4202, increasing by 742bp from last Friday. The USD index decreased slightly by 0.1% to 104.701 from last Friday.

Figure 1: RMB exchange rate

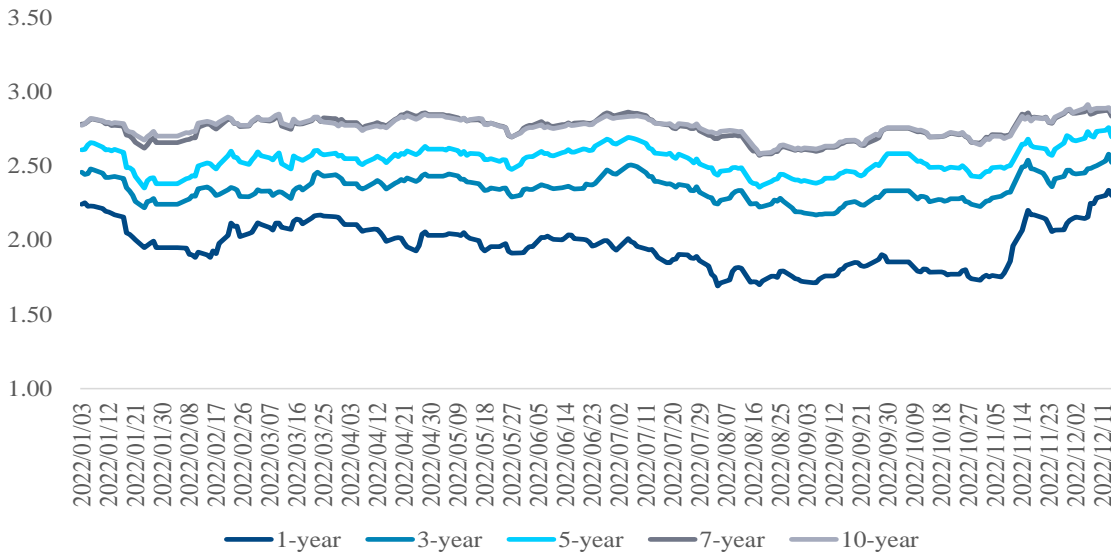


Sources: Bloomberg, CCXAP research

Interest Rate: China Government Bond yields were mixed; US Treasury yields declined

This week, the China Government Bond yields were mixed. As of December 16, the 1-year and 3-year China Government Bond yields were 2.3169% and 2.5310%, respectively, increasing by 3bp and 3bp from last Friday. 5-year, 7-year and 10-year China Government Bond yields were 2.7052%, 2.8528% and 2.8856% respectively, decreasing by 3bp, 1bp and 0.5bp from last Friday.

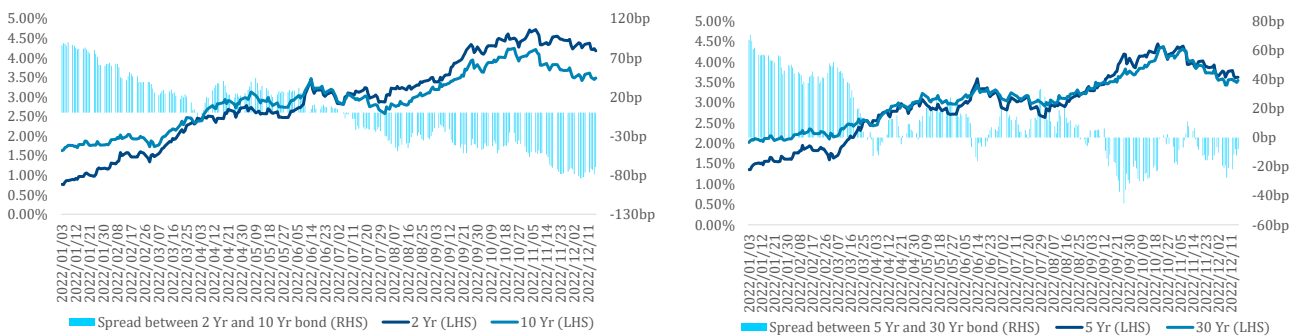
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

US Treasury yields declined amid the Fed’s slowdown of interest rate hike for the first time and the lower-than-expected US CPI in November. As of December 16, the 2-year, 5-year, 10-year and 30-year US Treasury bond yields were 4.1783%, 3.6242%, 3.4822% and 3.5451% respectively, decreasing by 17bp, 14bp, 10bp and 1bp from last Friday. In terms of US treasury bond spreads, the 2-year and 10-year treasury bond spreads narrowed by 7bp to -69.6bp (from last Friday), and the 5-year and 30-year treasury bond spreads narrowed by 13.1bp to -7.9bp from last Friday.

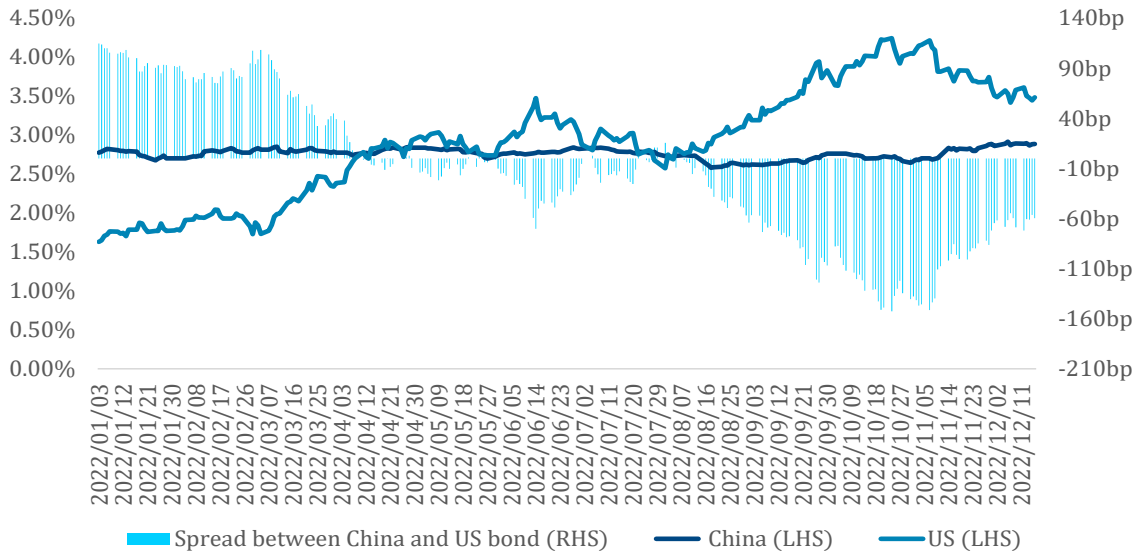
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of December 16, the yield spread between China and US 10-year note was -59.7 bp, narrowing by 9.1 bp from last Friday and narrowing by 55.1 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 12 to December 16, there were 23 new issues with total issued volume of USD1.41 billion, a decrease of 10.0% from last week. Among them, Chengtou companies were the main issuers, with a total size of about USD0.8 billion.

Table 1: New issuance of Chinese offshore bonds (20221212-20221216)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/12/12	CMB International Leasing Management Ltd	USD	100	SOFR+140	2027/12/16	5	Financials	Baa1/BBB+/-	-/-/-
2022/12/12	Qingtian County State Owned Assets Holding Group Co Ltd	CNY	86	4	2025/12/19	3	Chengtou	-/-/-	-/-/-
2022/12/13	CITIC Securities International Co Ltd	USD	26	0	2023/3/20	90D	Financials	-/BBB+/-	-/-/-
2022/12/13	CITIC Securities International Co Ltd	USD	0.3	10.66	2023/3/29	92D	Financials	-/BBB+/-	-/-/-
2022/12/13	CITIC Securities International Co Ltd	USD	0.2	12.38	2023/3/29	92D	Financials	-/BBB+/-	-/-/-
2022/12/13	CITIC Securities International Co Ltd	USD	0.2	14.44	2023/3/29	92D	Financials	-/BBB+/-	-/-/-
2022/12/13	Sichuan Gloport Investment Development Group Co Ltd	CNY	235.2	4.2	2025/12/20	3	Chengtou	-/-/-	-/-/-
2022/12/13	Zhenjiang State-owned Investment Holding Group Co Ltd	EUR	150.5	4.7	2023/12/18	364D	Chengtou	-/-/-	-/-/-
2022/12/14	CMB International Leasing Management Ltd	EUR	60.4	2.9	2023/12/15	364D	Financials	Baa1/BBB+/-	-/-/-
2022/12/14	Heze Railway Investment Development Group Co Ltd	CNY	28.7	5	2025/12/21	3	Chengtou	-/-/-	-/-/-

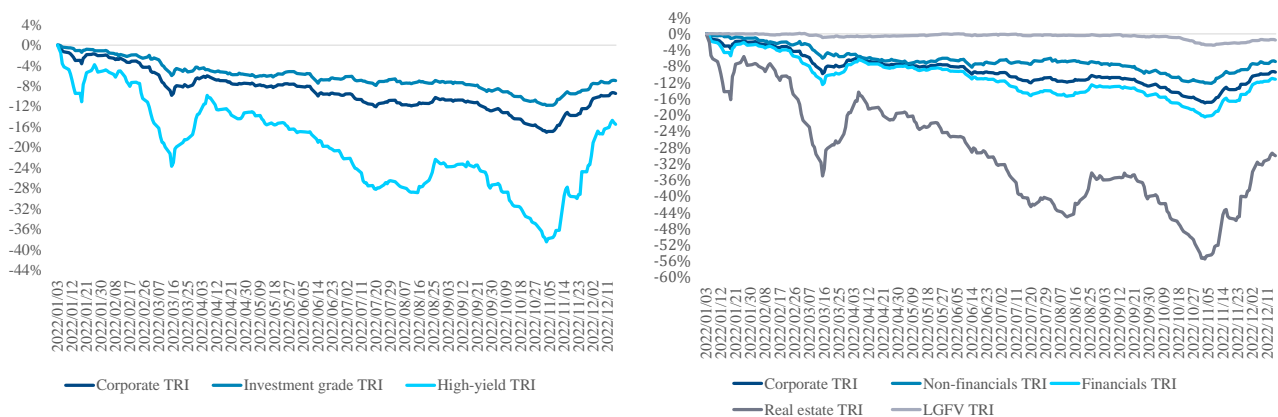
2022/12/14	Jiangyin State Owned Capital Holding Group Co Ltd	EUR	106.1	4.95	2025/12/20	3	Chengtou	-/-/BBB	-/-/BBB
2022/12/15	CITIC Securities International Co Ltd	USD	0.2	6	2023/3/24	92D	Financials	-/BBB+/-	-/-/-
2022/12/15	CITIC Securities International Co Ltd	USD	0.3	9.45	2023/3/31	92D	Financials	-/BBB+/-	-/-/-
2022/12/15	CITIC Securities International Co Ltd	USD	0.3	10.98	2023/3/31	92D	Financials	-/BBB+/-	-/-/-
2022/12/15	CITIC Securities International Co Ltd	USD	0.2	11.02	2023/3/31	92D	Financials	-/BBB+/-	-/-/-
2022/12/15	CITIC Securities International Co Ltd	USD	0.02	12.84	2023/3/31	92D	Financials	-/BBB+/-	-/-/-
2022/12/15	CITIC Securities International Co Ltd	USD	0.02	8	2023/5/3	125D	Financials	-/BBB+/-	-/-/-
2022/12/15	CNCB Hong Kong Investment Ltd	USD	270	5.139	2025/6/20	2	Financials	-/BBB/BBB	-/-/-
2022/12/15	Heze Railway Investment Development Group Co Ltd	CNY	86	4.7	2025/12/22	3	Chengtou	-/-/-	-/-/-
2022/12/15	ICBC Financial Leasing Co., Ltd.	USD	150	5.63	2023/12/21	364D	Financials	A1/A/A	-/-/-
2022/12/15	Lunan Zaozhuang Economic Development Investment Co Ltd	CNY	50.2	4.4	2025/12/22	3	Chengtou	-/-/-	-/-/-
2022/12/16	China Securities International Finance Holding Co Ltd	USD	1	5.05	2023/12/19	362D	Financials	-/-/-	-/-/-
2022/12/16	Dongtai Huimin Urban Construction and Development Co Ltd	CNY	56	4.2	2025/12/22	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of December 16, the YTD return¹ on Chinese USD corporate bond index increased by 48bp to -9.44% from last Friday. The return on investment-grade bonds increased by 41bp to -6.95%, and the return on high-yield bonds increased by 91bp to -15.47%. In terms of sector indices, boosted by positive signals from industry policies, the return on real estate bonds increased the most increasing by 136bp from last Friday to -30.02%. The returns on non-financial and financial bonds were -6.81% and -11.19%, increasing by 45bp and 51bp from last Friday, respectively. The return on Chengtou bond was -1.52%, decreasing by 6bp from last Friday.

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

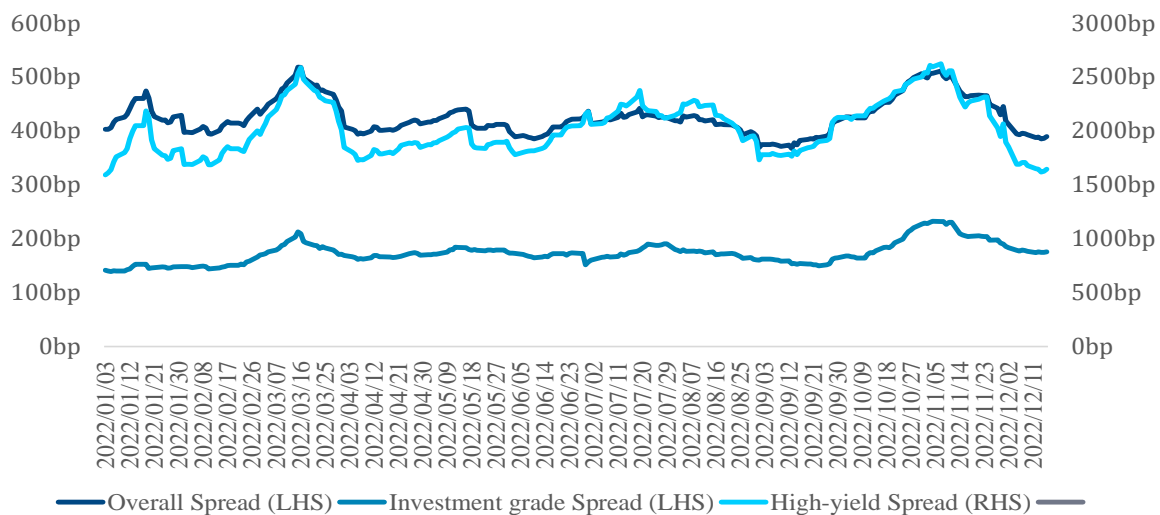


Sources: Bloomberg, CCXAP research

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

As of December 16, the yield spread of Chinese dollar bonds decreased by 3.1bp to 389.46bp from last Friday. The yield spread of investment-grade bonds decreased by 1.3bp to 175.43bp, while that of high-yield bonds decreased by 34.2bp to 1644.66bp.

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 12 to December 16 are shown in the table below. Among them, Zoomlion Heavy Industry Science and Technology Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20221212-20221216)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
ZOOMLI 6 ½ 12/20/22	Zoomlion Heavy Industry Science and Technology Co., Ltd.	99.8	0	61.9	15.0M
BOCHON 5.4 PERP	Bank Of Chongqing Co., Ltd	99.8	Perpetual	61.9	14.7M
ZOOMLI 6 ¾ 12/20/22	Zoomlion Heavy Industry Science and Technology Co., Ltd.	100.0	0	5.9	13.7M
CIFIHG 5 ½ 01/23/23	CIFI HOLDINGS GROUP	33.8	0.1	2140.1	8.2M
TSSTEE 3 ¾ 12/18/22	Hebei Iron&Steel Group Co., Ltd.	99.8	0	35.0	2.9M
TPHL 6.6 03/02/23	Times China Holdings Limited	23.9	0.2	1595.9	1.7M
CHJMAO 4 PERP	China Jinmao Holdings Group Limited	99.8	Perpetual	10.8	1.2M
COGARD 4 ¾ 01/17/23	Country Garden Holdings Co Ltd	98.3	0.08	27.6	510.2
ROADKG 7 % 02/01/23	Road King Infrastructure Limited	98.5	0.12	20.7	334.4
DALWAN 8 ¾ 03/21/23	Dalian Wanda Group Co Ltd	97.9	0.25	17.3	309.6

Sources: Bloomberg, CCXAP research

Rating Action: CCXAP assigns first-time long-term credit ratings to 3 entities

On December 12, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Chengdu Yunlai Investment Group Co., Ltd. (“CYIG”), with stable outlook.

On December 16, CCXAP has assigned a first-time BBB_g- long-term credit rating to Chongqing Changshou Development Investment (Group) Co., Ltd. (“CCDI”), with stable outlook.

On December 16, CCXAP has assigned a first-time BBB_g- long-term credit rating to Jiangsu Ruihai Investment Holding Group Co., Ltd. (“JRIH”), with stable outlook.

Table 3: Credit rating from CCXAP (20221212-20221216)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2022/12/12	CYIG	BBB _g -	-	The credit rating is underpinned by the Company’s (1) essential position in the development of Qionglai City; (2) solid track record of receiving government payments; and (3) access to funding from banks and bond markets. However, the Company’s rating is constrained by its (1) high debt growth driven by a large number of construction projects; (2) medium exposure to commercial activities; and (3) contingent liability risk from external guarantees.
2022/12/16	CCDI	BBB _g -	-	The credit rating is underpinned by the Company’s (1) strengthening strategic position as the most important urban comprehensive operation entity in Changshou District; (2) solid track record of receiving government payments; and (3) diversified funding channels. However, it is constrained by the Company’s (1) moderate exposure to commercial activities along with the development of industrial parks; (2) moderate debt growth and asset liquidity; and (3) contingent risks associated with external guarantees.
2022/12/16	JRIH	BBB _g -	-	The credit rating is underpinned by the Company’s (1) direct and full ownership by the Hai’an City Government; (2) high strategic role in land development and affordable housing in Hai’an City; and (3) limited exposure to commercial business risk. However, the rating is constrained by the Company’s (1) increasing debt level with large investment needs in public projects; and (2) long public project payment period, subject to the government’s decision and fiscal revenue of the year.

Sources: CCXAP research

From December 12 to December 16, international rating agencies took positive actions on 4 Chinese issuers and negative actions on 1 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20221212-20221216)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Jinan City Construction Group Limited Company	Chengtou	Baa1	STABLE	2022/12/12	Baa2	POS	2021/7/13	Moody's	reduction in contingent risk exposures to a low level
	Jiaxing City Invs and Dev Group Co., Ltd.	Chengtou	Baa3	POS	2022/12/13	Baa3	STABLE	2020/7/30	Moody's	favorable trends in the Jiaxing government's propensity to support

Downgrade	Tianqi Lithium Corporation	Materials	B2	POS	2022/12/16	B3	POS	2022/7/19	Moody's	strengthening of its capital structure
	Shanghai Lingang Economic Dev. (Grp) Co., Ltd	Chengtou	Baa1	POS	2022/12/16	Baa1	STABLE	2021/6/25	Moody's	steadily increase revenue from its rental and service businesses
	Changchun Urban Development & Investment Holdings (Group) Co., Ltd.	Chengtou	Baa2	STABLE	2022/12/14	Baa1	RWN	2022/9/27	Moody's	weakening ability of government support

Sources: Bloomberg, CCXAP research

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