

### 2022 Issue 49

#### From December 19 to December 30

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

#### Headline: China's official manufacturing PMI in December was 47; US core PCE increased by 4.7% YoY in November

China's official manufacturing PMI in December was 47, lower than the critical point. The US core PCE in November continued to slow, rising by 4.7% YoY.

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

Over past two week, RMB appreciated. As of December 30, the RMB/USD middle rate closed at 6.9646, decreasing by 145bp from December 16; The USD index decreased by 1.1% to 103.522 from December 16.

#### Interest Rate: China Government Bond yields decreased; US Treasury yields declined

This week, the China Government Bond yields decreased. US Treasury yields increased amid market expectation that the Fed will continue to hike rates in 2023 until inflation and inflation expectations reach an acceptable level.

#### Chinese Offshore Bond Market

##### Primary Market: Chinese offshore bond issuance was low

From December 19 to December 30, there were 51 new issues with total issued volume of USD850 million. Among them, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD670 million.

##### Secondary Market: Return on Chinese USD bond decreased

As of December 30, the YTD return on Chinese USD corporate bond index decreased by 40bp to -9.84% from December 16. The return on investment-grade bonds decreased by 75bp to -6.95%, and the return on high-yield bonds increased by 150bp to -13.77%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 131bp from December 16 to -28.71%.

#### Rating Action: CCXAP assigns first-time long-term credit ratings to 4 entities

CCXAP assigns first-time long-term credit ratings to Jiangsu Donghe Investment Group Co., Ltd. ("JDIG"), Nanchang Jinkai Group Co., Ltd. ("NCJK"), Chongqing Jinyun Asset Management (Group) Co Ltd. ("CJAM") and Yantai Chefoo Finance Holding Group Co., Ltd ("Yantai Chefoo").



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## Headline: China's official manufacturing PMI in December was 47; US core PCE increased by 4.7% YoY in November

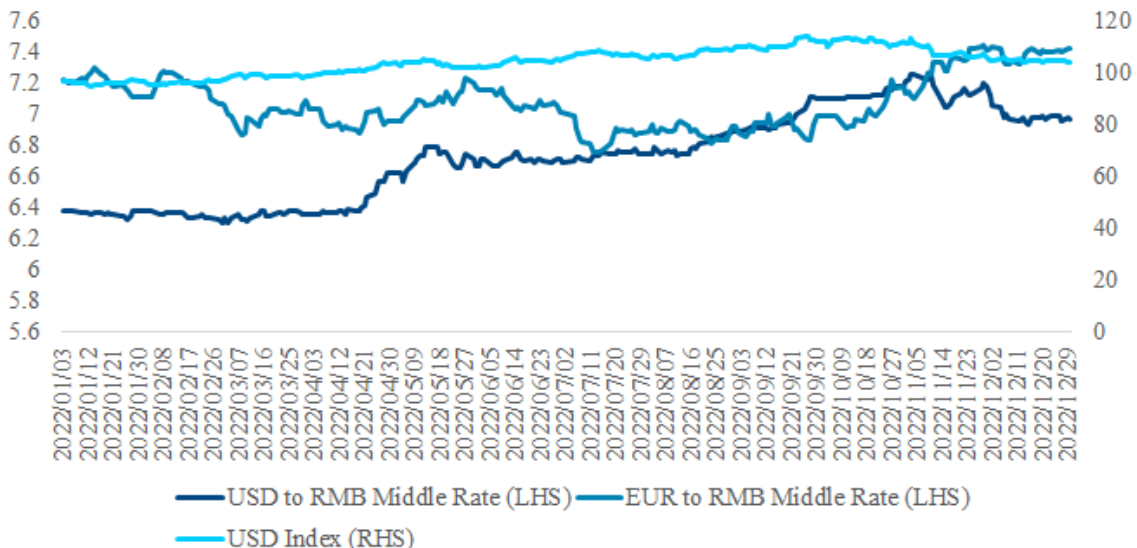
On December 31, the National Bureau of Statistics released data showing that in December, the Manufacturing Purchasing Managers Index (PMI) was 47.0%, a decrease of 1.0 percentage point from the previous month, lower than the critical point. The non-manufacturing business activity index and the comprehensive PMI output index were 41.6% and 42.6% respectively, down 5.1 percentage points and 4.5 percentage points from the previous month, both below the critical point.

On December 23, data from the U.S. Department of Commerce showed that the PCE price index in the US rose by 5.5% year-on-year (“YoY”) in November, in line with the market consensus, lower than the previous value of 6% (revised to 6.3%), slowing for the fifth consecutive month. The index rose by 0.1% month-on-month, in line with the market consensus, with the previous value revised to 0.4%. The core PCE price index (excluding food and energy prices) increased by 4.7% YoY in November, lower than the previous value of 5%, and lower than the forecast of 4.8% by the Federal Reserve FOMC in December.

### Exchange Rate: RMB appreciated, USD index decreased

Over the past two weeks, RMB appreciated. As of December 30, the RMB/USD middle rate closed at 6.9646, decreasing by 145bp from December 16; the RMB/EUR middle rate closed at 7.4229, increasing by 27bp from December 16. The USD index decreased by 1.1% to 103.522 from December 16.

Figure 1: RMB exchange rate

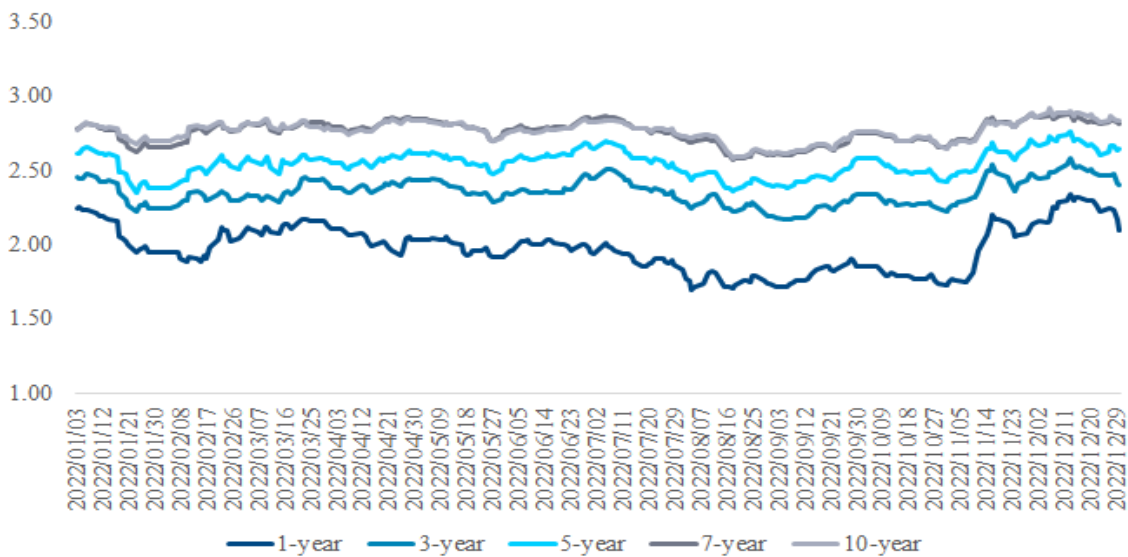


Sources: Bloomberg, CCXAP research

## Interest Rate: China Government Bond yields decreased; US Treasury yields increased

This week, the China Government Bond yields decreased. As of December 30, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.0969%, 2.4040%, 2.6446%, 2.8182% and 2.8353%, respectively, increasing by 22bp, 13bp, 6bp, 3bp and 5bp from December 16.

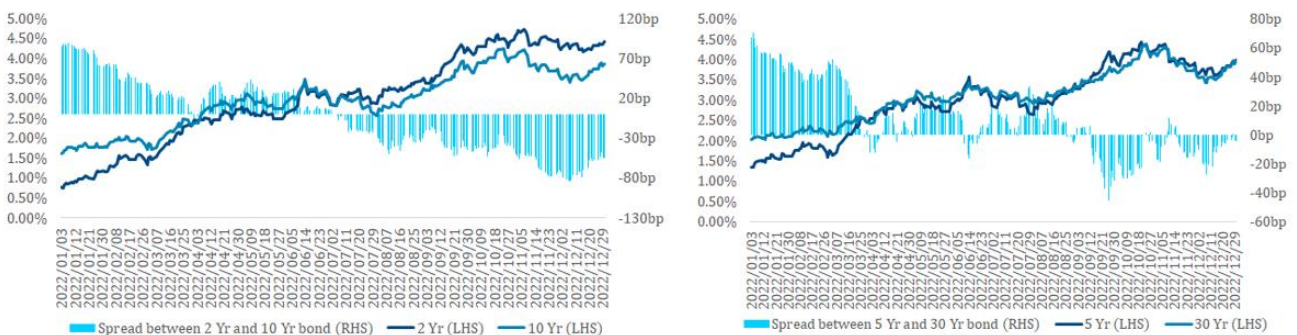
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

US Treasury yields increased amid market expectation that the Fed will continue to hike rates in 2023 until inflation and inflation expectations reach an acceptable level. As of December 30, the 2-year, 5-year, 10-year and 30-year US Treasury bond yields were 4.4258%, 4.0039%, 3.8748% and 3.9630% respectively, increasing by 25bp, 38bp, 39bp and 42bp from December 16. In terms of US treasury bond spreads, the 2-year and 10-year treasury bond spreads narrowed by 15bp to -55.1bp from December 16, and the 5-year and 30-year treasury bond spreads narrowed by 4bp to -4.1bp from December 16.

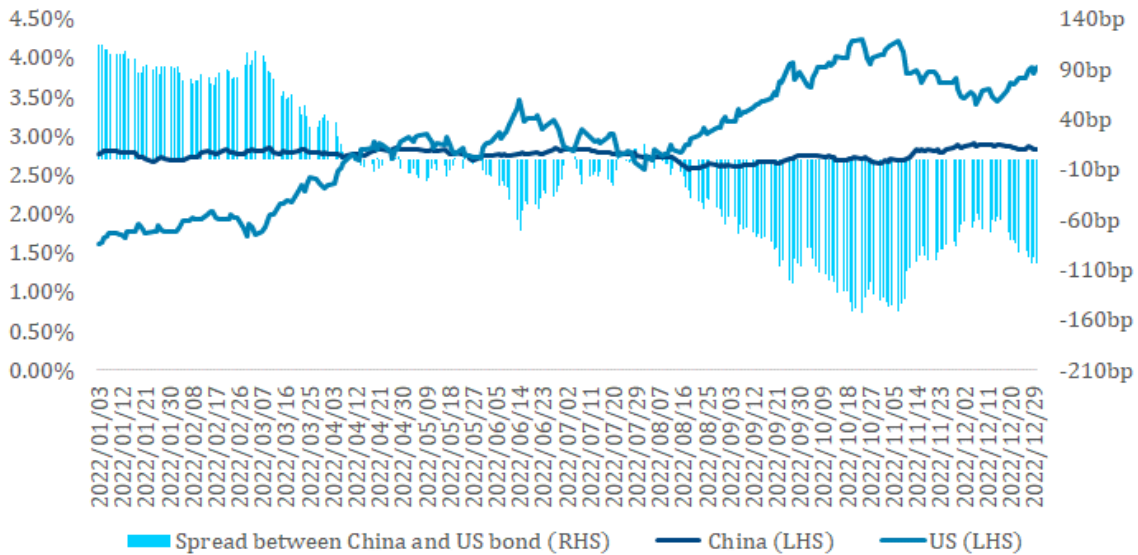
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of December 30, the yield spread between China and US 10-year note was -104 bp, widening by 44.3 bp from December 16 and narrowing by 10.8 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 was low

From December 19 to December 30, there were 51 new issues with total issued volume of USD850 million. Among them, Chengtuo companies were the main issuers, with a total size of about USD670 million.

**Table 1: New issuance of Chinese offshore bonds (20221219-20221230)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/12/19	CITIC Securities International Co Ltd	USD	0.4	10.05	2023/4/5	92D	Financials	-/BBB+/-	-/-/-
2022/12/19	CITIC Securities International Co Ltd	USD	0.3	11.68	2023/4/5	92D	Financials	-/BBB+/-	-/-/-
2022/12/19	CITIC Securities International Co Ltd	USD	2.0	12	2023/3/29	92D	Financials	-/BBB+/-	-/-/-
2022/12/19	CITIC Securities International Co Ltd	USD	0.2	13.65	2023/4/5	92D	Financials	-/BBB+/-	-/-/-
2022/12/19	CITIC Securities International Co Ltd	USD	0.2	13.66	2023/4/5	92D	Financials	-/BBB+/-	-/-/-
2022/12/19	LVGEM China Real Estate Investment Co Ltd	CNY	7.6	8	2023/12/21	364D	Real Estate	-/-/B-	-/-/-
2022/12/19	LVGEM China Real Estate Investment Co Ltd	HKD	19.9	8	2023/12/21	364D	Real Estate	-/-/B-	-/-/-
2022/12/19	LVGEM China Real Estate Investment Co Ltd	USD	7.3	8	2023/12/21	364D	Real Estate	-/-/B-	-/-/-
2022/12/19	Qingdao Jiaozhou Urban Development & Investment Co Ltd	CNY	58.8	6	2025/12/22	3	Chengtuo	-/-/-	-/-/-
2022/12/19	TF International Securities Group Ltd	USD	5.0	0	2023/6/19	182D	Financials	-/-/-	-/-/-

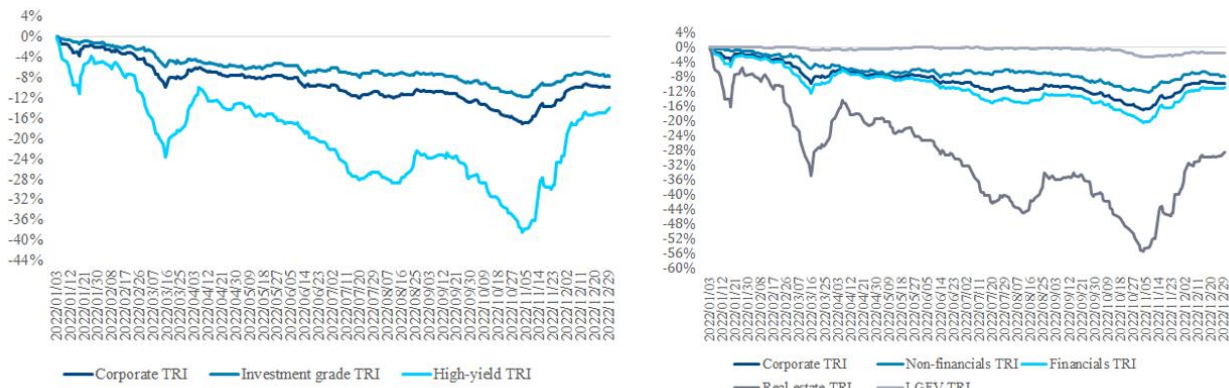
2022/12/19	TF International Securities Group Ltd	USD	19.5	0	2023/6/19	182D	Financials	-/-	-/-
2022/12/20	CITIC Securities International Co Ltd	CNY	0.7	0	2026/6/1	3	Financials	-/BBB+/-	-/-
2022/12/20	CITIC Securities International Co Ltd	CNY	10.3	0	2026/6/1	3	Financials	-/BBB+/-	-/-
2022/12/20	CITIC Securities International Co Ltd	USD	0.6	15.58	2023/2/7	35D	Financials	-/BBB+/-	-/-
2022/12/20	CITIC Securities International Co Ltd	USD	0.2	10.26	2023/4/5	92D	Financials	-/BBB+/-	-/-
2022/12/20	CITIC Securities International Co Ltd	USD	0.2	10.5	2023/4/5	92D	Financials	-/BBB+/-	-/-
2022/12/20	CITIC Securities International Co Ltd	USD	0.2	10.65	2023/4/5	92D	Financials	-/BBB+/-	-/-
2022/12/20	Fujian Zhanglong Group Co Ltd	CNY	61.2	4.98	2025/12/23	3	Chengtou	-/-/BBB-	-/-/BBB-
2022/12/20	Hubei Huanchuan State Owned Capital Investment Operation Co Ltd	CNY	142.6	4.7	2025/12/23	3	Chengtou	-/-	-/-
2022/12/20	Pengze Urban Development Construction Group Co Ltd	USD	47.0	8	2025/11/23	3	Chengtou	-/-	-/-
2022/12/21	CITIC Securities International Co Ltd	USD	0.2	10.29	2023/4/6	92D	Financials	-/BBB+/-	-/-
2022/12/21	CITIC Securities International Co Ltd	USD	0.2	10.39	2023/4/6	92D	Financials	-/BBB+/-	-/-
2022/12/21	CITIC Securities International Co Ltd	USD	2.0	27.75	2023/4/6	92D	Financials	-/BBB+/-	-/-
2022/12/21	CITIC Securities International Co Ltd	USD	1.0	10	2023/5/8	124D	Financials	-/BBB+/-	-/-
2022/12/21	CITIC Securities International Co Ltd	USD	1.0	12	2023/5/8	124D	Financials	-/BBB+/-	-/-
2022/12/21	Haitong International Securities Group Ltd	USD	50.0	5.43	2023/12/14	351D	Financials	Baa2/BBB-	-/-
2022/12/21	Huatai International Financial Holdings Co Ltd	USD	32.3	5.6	2023/6/29	182D	Financials	-/BBB+/-	-/-
2022/12/22	CITIC Securities International Co Ltd	USD	0.2	8.38	2023/4/10	95D	Financials	-/BBB+/-	-/-
2022/12/22	CITIC Securities International Co Ltd	USD	0.2	9.79	2023/4/10	95D	Financials	-/BBB+/-	-/-
2022/12/22	CITIC Securities International Co Ltd	USD	0.2	9.87	2023/4/10	95D	Financials	-/BBB+/-	-/-
2022/12/22	CITIC Securities International Co Ltd	USD	0.2	9.95	2023/4/10	95D	Financials	-/BBB+/-	-/-
2022/12/22	CITIC Securities International Co Ltd	USD	0.2	11.44	2023/4/10	95D	Financials	-/BBB+/-	-/-
2022/12/22	CITIC Securities International Co Ltd	USD	3.0	0	2025/10/24	3	Financials	-/BBB+/-	-/-
2022/12/22	Zibo High-tech State-owned Capital Investment Co Ltd	CNY	41.9	5.5	2026/1/5	3	Chengtou	-/-	-/-
2022/12/23	CITIC Securities International Co Ltd	USD	0.2	10.77	2023/4/11	95D	Financials	-/BBB+/-	-/-
2022/12/23	CITIC Securities International Co Ltd	USD	0.2	16.99	2023/4/12	96D	Financials	-/BBB+/-	-/-
2022/12/23	Rugao Economic & Trade Development Co	CNY	99.3	4.2	2026/1/4	3	Chengtou	-/-	-/-
2022/12/23	Yancheng Dafeng Haicheng Industrial Development Co Ltd	CNY	76.6	4.2	2025/12/29	3	Chengtou	-/-	-/-
2022/12/28	CITIC Securities International Co Ltd	USD	0.2	8.93	2023/4/13	92D	Financials	-/BBB+/-	-/-
2022/12/28	CITIC Securities International Co Ltd	USD	0.2	10.46	2023/4/13	92D	Financials	-/BBB+/-	-/-
2022/12/28	CITIC Securities International Co Ltd	USD	2.0	12	2023/4/13	92D	Financials	-/BBB+/-	-/-
2022/12/28	GF Holdings Hong Kong Corp Ltd	HKD	12.8	0	2024/1/9	364D	Financials	-/-	-/-
2022/12/29	China Securities International Finance Holding Co Ltd	HKD	0.6	4.5	2023/4/5	90D	Financials	-/-	-/-
2022/12/29	China Securities International Finance Holding Co Ltd	USD	0.8	4.55	2023/2/5	31D	Financials	-/-	-/-
2022/12/29	CITIC Securities International Co Ltd	USD	0.2	8.88	2023/4/14	92D	Financials	-/BBB+/-	-/-
2022/12/29	CITIC Securities International Co Ltd	USD	0.2	8.94	2023/4/14	92D	Financials	-/BBB+/-	-/-
2022/12/29	CITIC Securities International Co Ltd	USD	0.2	10.43	2023/4/14	92D	Financials	-/BBB+/-	-/-
2022/12/29	CITIC Securities International Co Ltd	USD	0.2	19.62	2023/4/14	92D	Financials	-/BBB+/-	-/-
2022/12/29	CITIC Securities International Co Ltd	USD	0.2	19.71	2023/4/14	92D	Financials	-/BBB+/-	-/-
2022/12/29	Xi'an Aerospace High-Tech Industry Development Group Co Ltd	CNY	88.2	5.1	2026/1/9	3	Chengtou	-/-	-/-
2022/12/30	Xi'an Weiyang Urban Construction Group Co Ltd	CNY	53.2	5.8	2026/1/9	3	Chengtou	-/-	-/-

Sources: Bloomberg, CCXAP research

## Secondary Market: Return on Chinese USD bond decreased

As of December 30, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 40bp to -9.84% from December 16. The return on investment-grade bonds decreased by 75bp to -7.70%, and the return on high-yield bonds increased by 150bp to -13.97%. In terms of sector indices, boosted by positive signals from industry policies, the return on real estate bonds increased the most, increasing by 131bp from December 16 to -28.71%. The returns on financial bonds were -11.03%, increasing by 16bp from December 16. The returns on non-financial and Chengtong bond were -7.94% and -1.60%, decreasing by 113bp and 8bp from December 16, respectively.

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

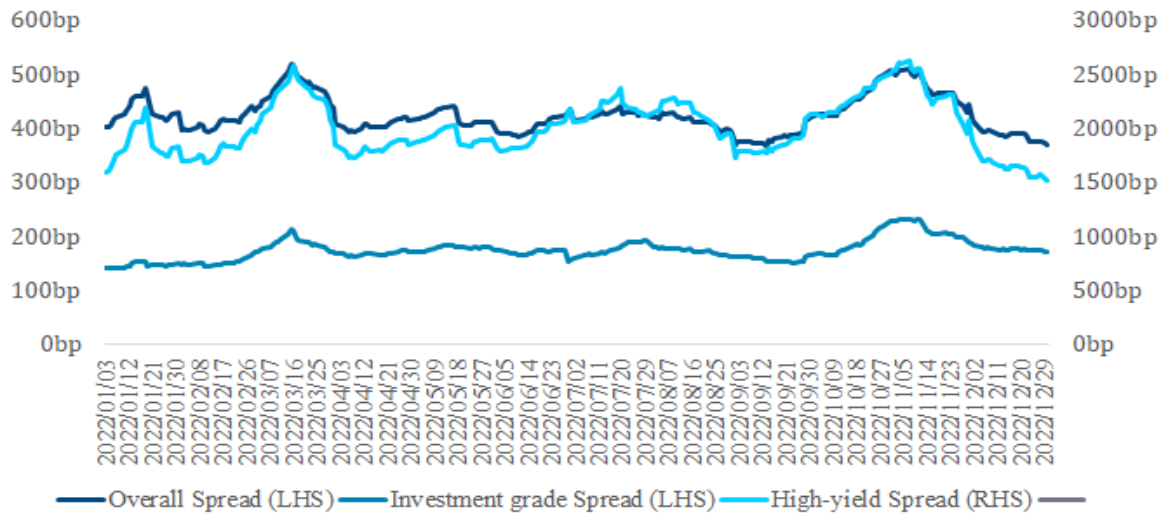


Sources: Bloomberg, CCXAP research

As of December 30, the yield spread of Chinese dollar bonds decreased by 20.9bp to 368.56bp from December 16. The yield spread of investment-grade bonds decreased by 5.2bp to 170.25bp, while that of high-yield bonds decreased by 124.9bp to 1519.76bp.

Figure 6: Yield Spreads of Bloomberg Barclays Chinese USD bond index

<sup>1</sup> Year-to-date return measures the return since January 3, 2022



Sources: Bloomberg, CCXAP research

According to Bloomberg data, the 10 bonds with the largest yield increase from December 19 to December 30 are shown in the table below. Among them, Risesun Real Estate Development Co., Ltd. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20221219-20221230)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
RISSUN 9 ½ 03/16/23	Risesun Real Estate Development Co., Ltd.	13.17	0.19	2403.6	29.9M
LVGEM 12 03/10/23	Lvjing (China) Real Estate Investment Co., Ltd	74.13	0.18	196.5	9.7M
CHJMAO 4 PERP	China Jinmao Holdings Group Co., Ltd.	72.83	Perpetual	47.8	4.2M
COGARD 4 ¾ 01/17/23	Country Garden Holdings Co Ltd	98.69	0.04	40.7	2.5M
ROADKG 7 ¾ 02/01/23	Road King Infrastructure Limited	98.50	0.08	27.4	1.1M
CHIOIL 5 ½ 01/25/23	China Oil & Gas Group Ltd	99.41	0.06	15.4	590.7
GEELY 3 ½ 01/25/23	Geely Automobile Holdings Ltd	99.76	0.06	7.6	546.9
HUAFI 4.2 01/26/23	Zhuhai Huafa Properties Co.,Ltd	99.58	0.06	10.9	509.3
SHRIHG 4.3 01/16/23	Shangrao Investment Holding Group Co., Ltd.	99.80	0.03	10.0	476.7
YUEXIU 4 ½ 01/24/23	Yuexiu Property Company Limited	99.78	0.05	8.3	422.4

Sources: Bloomberg, CCXAP research Perpetual

## Rating Action: CCXAP assigns first-time long-term credit ratings to 4 entities

CCXAP assigns first-time long-term credit ratings to Jiangsu Donghe Investment Group Co., Ltd. (“JDIG”), Nanchang Jinkai Group Co., Ltd. (“NCJK”), Chongqing Jinyun Asset Management (Group) Co Ltd. (“CJAM”) and Yantai Chefoo Finance Holding Group Co., Ltd (“Yantai Chefoo”).

On December 19, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Jiangsu Donghe Investment Group Co., Ltd. (“JDIG”), with stable outlook.

On December 21, CCXAP has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Nanchang Jinkai Group Co., Ltd. (“NCJK”), with stable outlook.

On December 28, CCXAP has assigned a first-time BBB<sub>g</sub> long-term credit rating to Chongqing Jinyun Asset Management (Group) Co Ltd. (“CJAM”), with stable outlook.

On December 30, CCXAP has assigned a first-time BBB<sub>g</sub>+ long-term credit rating to Yantai Chefoo Finance Holding Group Co., Ltd (“Yantai Chefoo”), with stable outlook.

**Table 3: Credit rating from CCXAP (20221219-20221230)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2022/12/19	JDIG	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company (1) is fully and directly owned by the Rudong County Government; (2) plays key roles in local infrastructure construction and industrial development; and (3) receives solid government support in the form of subsidies, capital injections or asset injections. However, the rating is constrained by Company’s (1) moderate debt management and weak asset liquidity; and (2) high level of contingent liabilities which, nevertheless, are mostly related to local stated-owned enterprises.
2022/12/21	NCJK	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) strategic position as evidenced by the majority stake held by the Management Committee of Nanchang ETDZ on behalf of the local government; (2) dominant role in the development of Nanchang ETDZ by undertaking public policy projects; (3) good track record of receiving recurring government payments; and (4) relatively high acceptance by bank and bond market financing channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increased debt burden to support the development of Nanchang ETDZ; and (3) moderate asset liquidity.
2022/12/28	CJAM	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) important role as the largest state-owned enterprise with the strongest comprehensive strength in Beibei District; (2) solid track record of receiving government payments; and (3) good access to funding. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; and (2) moderate debt growth and assets liquidity.
2022/12/30	Yantai Chefoo	BBB <sub>g</sub> +	-	The credit rating is underpinned by the Company’s (1) ultimate control by the Zhifu District Government; (2) strategic importance in the regional development of Zhifu District; (3) solid government support through capital injections, asset transfers, and subsidies; and (4) good access to funding from banks and domestic bond market. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; and (2) relatively high debt growth due to large expenditure requirements in construction projects.

Sources: CCXAP research

From December 19 to December 30, international rating agencies took positive actions on 1 Chinese issuer and negative actions on 1 Chinese issuer.

**Table 4: Credit rating changes of cross-border bond market (20221219-20221230)**

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>									



Upgrade	Nantong Coastal Development Co., Ltd.	Chengtou	A <sub>g</sub>	STABLE	2022/12/30	A <sub>g</sub> -	STABLE	2021/12/29	CCXAP	improving government willingness to support
Downgrade	Far East Horizon Ltd	Financial	BBB-	NEG	2022/12/20	BBB-	STABLE	2021/9/29	S&P	link to its parent company is weakening

Sources: Bloomberg, CCXAP research

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