

2023 Issue 1 From January 2 to January 6

Chinese offshore bond issuance continued to be low; return on secondary market bond increased

Headline: China's Caixin manufacturing PMI fell to 49 in December; US non-farm payroll increased by 223,000 in December

China's Caixin manufacturing PMI for December 2022 was 49, slightly lower than November's 49.4. US non-farm payroll increased by 223,000 in December, the lowest level since December 2020, when negative growth occurred.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of January 6, the RMB/USD middle rate closed at 6.8912, decreasing by 734bp from last Friday. The USD index increased by 0.3% to 103.879.

Interest Rate: China Government Bond yield were generally unchanged; US Treasury yields fell

The China Government Bond yields were generally unchanged. US Treasury yields fell amid lower bets on rate hikes by Fed, caused by markedly slower wage inflation in December.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance continued to be low

From January 2 to January 6, there were 35 new issues with total issued volume of USD750 million. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD410 million.

Secondary Market: Return on Chinese USD bond increased

As of January 6, the YTD return on Chinese USD corporate bond index increased by 191bp to -7.92% from last Friday. The return on investment-grade bonds increased by 115bp to -6.55%, and the return on high-yield bonds increased by 628bp to -7.69%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 677bp from last Friday to -21.94 %.

Rating Action: Times China Holdings was downgraded

Credit event: Times China Holdings suspends payment of 6 USD bonds



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Headline: China's Caixin manufacturing PMI fell to 49 in December; US non-farm payroll increased by 223,000 in December

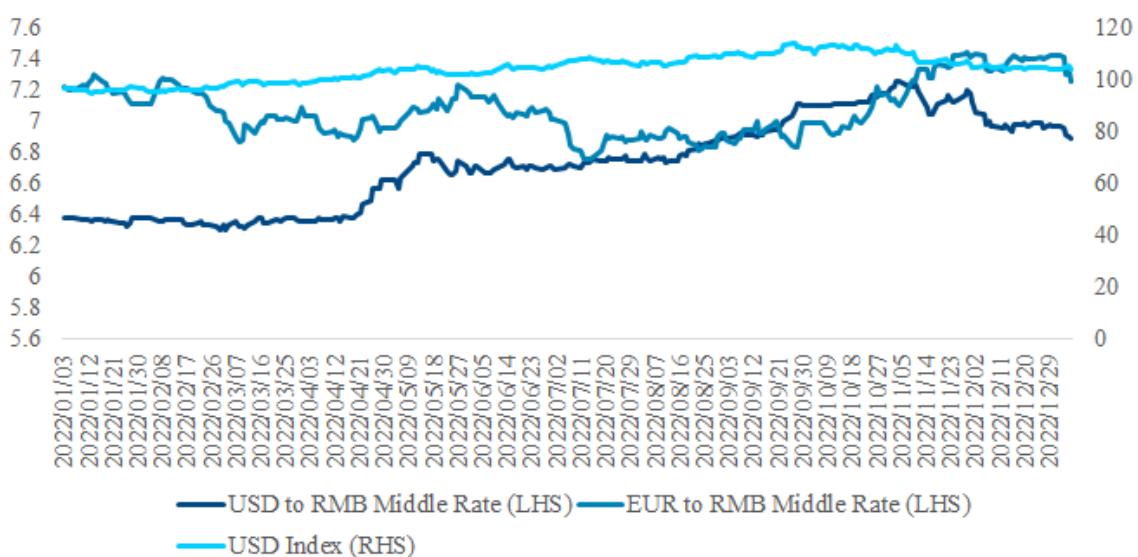
On January 3, according to data released by S&P Global, China's Caixin manufacturing PMI in December 2022 was 49, slightly lower than November's 49.4. It was the fifth consecutive month that the manufacturing industry was in the contraction range, but the contraction rate slowed down. The factor that led to the decline in the manufacturing PMI in December was the accelerated decline in new orders. Although the decline was small, it was the most significant in three months. Affected by the pandemic, domestic demand was relatively weak. In addition, in the context of the global economic slowdown, the decline in demand in overseas markets has accelerated compared to November.

On January 6, data released by the US Bureau of Labor Statistics showed that the US non-farm payroll increased by 223,000 in December, as compared to previous value of 263,000 (revised to 256,000). Although it was higher than the market expectations of 202,000, it was the lowest level since December 2020. Wage inflation cooled significantly in December, with average hourly wages increasing by only 0.3% month-on-month, which was lower than market expectations of 0.4%, and the previous value was revised to 0.4%. The year-on-year increase was 4.6%, also lower than market expectations of 5%. The value in November was revised to 4.8%, the lowest since August 2021.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of January 6, the RMB/USD middle rate closed at 6.8912, decreasing by 734bp from last Friday; the RMB/EUR middle rate closed at 7.2535, decreasing by 1694bp from last Friday. The USD index increased by 0.3% to 103.879.

Figure 1: RMB exchange rate

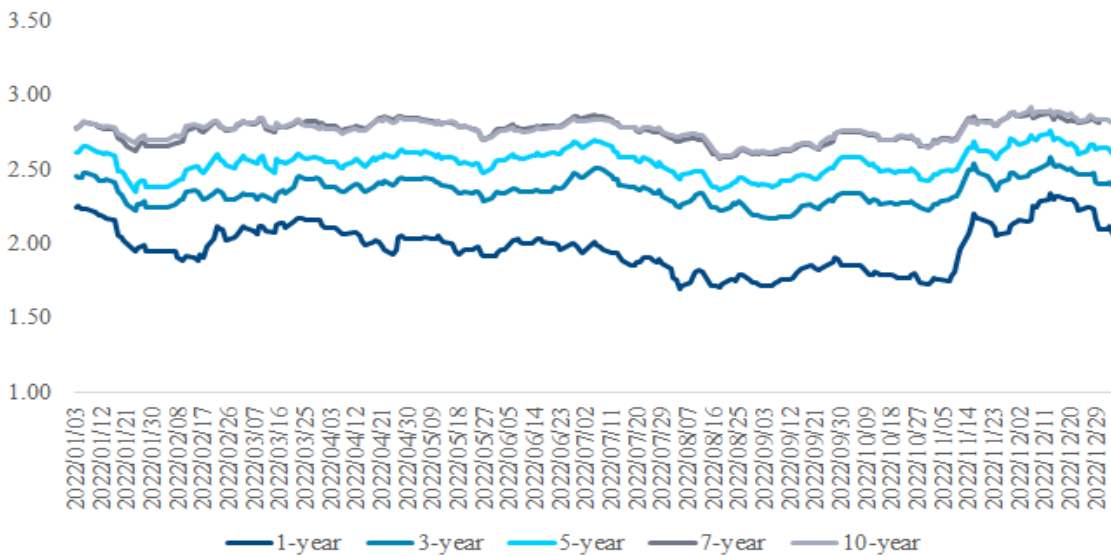


Sources: Bloomberg, CCXAP research

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

The China Government Bond yields were generally unchanged. As of January 6, the 1-year, 5-year, 7-year and 10-year China Government Bond yields were 2.0970%, 2.6495%, 2.8208% and 2.8328%, same as last Friday. The 3-year China Government Bond yields were 2.4419%, increasing by 4bp from last Friday.

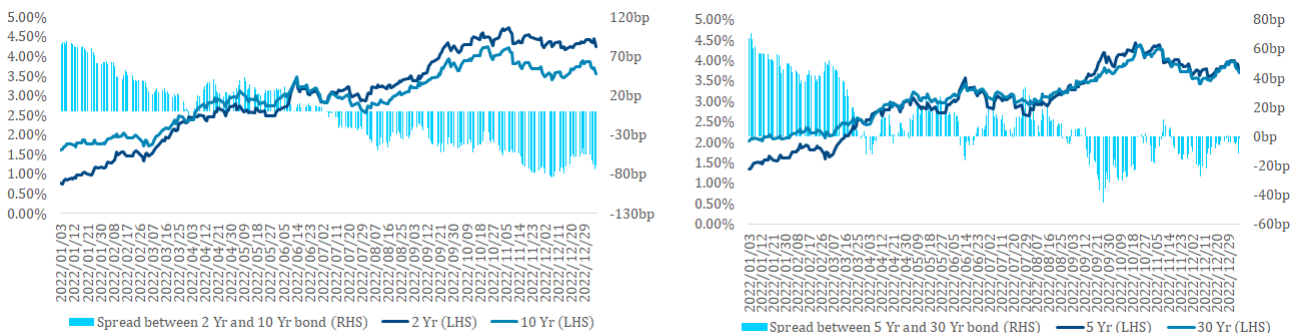
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

US Treasury yields fell amid lower bets on rate hikes by Fed, caused by markedly slower wage inflation in December. As of January 6, the 2-year, 5-year, 10-year and 30-year US Treasury bonds were 4.2474%, 3.6980%, 3.5580%, and 3.6874%, decreasing by 18bp, 31bp, 32bp and 28bp from last Friday respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads widened by 15bp from last Friday to -55.1 bp, while the 5-year and 30-year Treasury bond spread narrowed by 3bp to -1.1bp from last Friday.

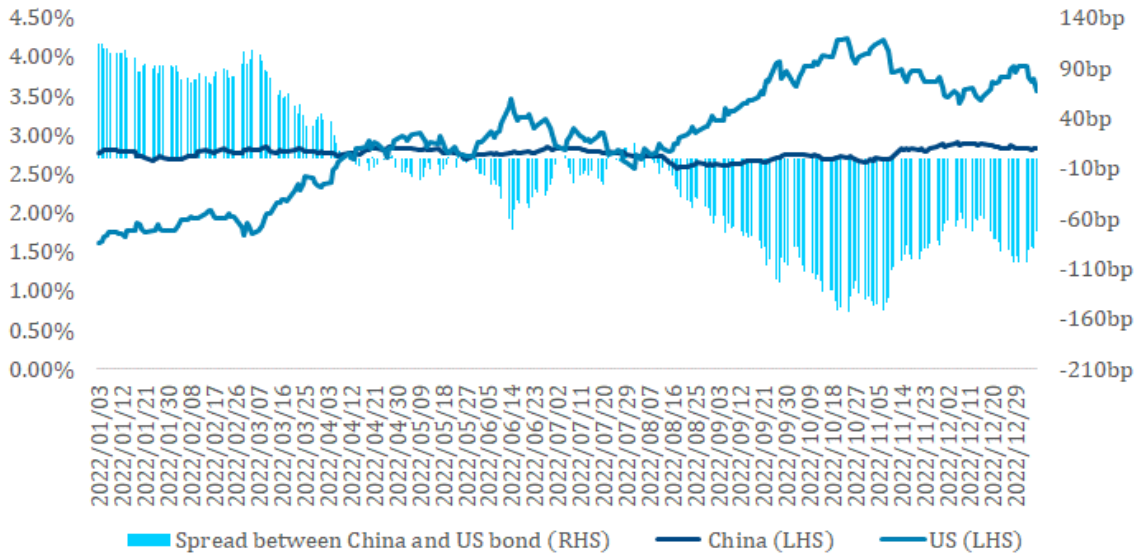
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of January 6, the yield spread between China and US 10-year note was -72.5 bp, narrowing by 31.4 bp from last Friday and narrowing by 42.2 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 January 2 to January 6, there were 35 new issues with total issued volume of USD750 million. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD410 million.

Table 1: New issuance of Chinese offshore bonds (20230102-20230106)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2023/1/3	CITIC Securities International Co Ltd	HKD	1.3	12	2023/4/13	93D	Financials	-/BBB+/-	-/-/-
2023/1/3	CITIC Securities International Co Ltd	USD	0.2	8.93	2023/4/19	92D	Financials	-/BBB+/-	-/-/-
2023/1/3	CITIC Securities International Co Ltd	USD	0.2	10.43	2023/4/19	92D	Financials	-/BBB+/-	-/-/-
2023/1/4	Bank of China Ltd/Sydney	USD	150	4.86	2026/1/13	3	Financials	A1/A/A	-/-/A
2023/1/4	CITIC Securities International Co Ltd	HKD	0.3	17.01	2023/2/22	35D	Financials	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	HKD	0.3	16.3	2023/2/23	36D	Real Estate	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	HKD	0.3	12	2023/5/15	124D	Real Estate	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	HKD	0.5	12	2023/5/15	124D	Real Estate	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.2	9.35	2023/4/20	92D	Energy	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.2	10.96	2023/4/20	92D	Energy	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.2	12.94	2023/4/20	92D	Energy	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.2	13.12	2023/4/20	92D	Real Estate	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.2	16.94	2023/4/20	92D	Real Estate	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.3	10	2023/7/20	183D	Real Estate	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.3	17.79	2023/7/20	183D	Financials	-/BBB+/-	-/-/-
2023/1/4	CITIC Securities International Co Ltd	USD	0.3	18.6	2023/7/20	183D	Real Estate	-/BBB+/-	-/-/-

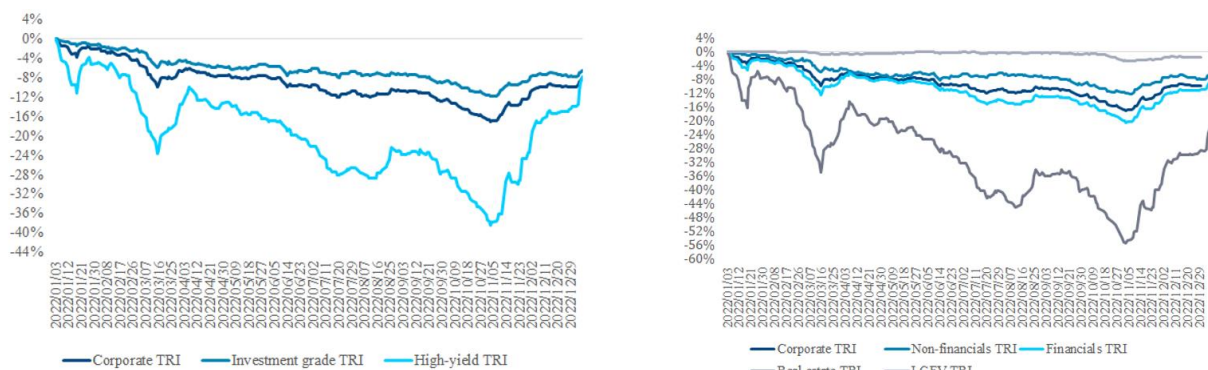
2023/1/4	Guotai Junan International Holdings Ltd	USD	140.3	5.6	2024/1/9	364D	Real Estate	Baa2/BBB+/-	-/-/-
2023/1/4	Huzhou Wuxing City Investment & Development Group Co Ltd	CNY	133.7	5.4	2026/1/6	3	Real Estate	-/-/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	HKD	1.3	12	2023/4/14	92D	Real Estate	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.5	34.68	2023/2/23	35D	Industrials	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.2	12	2023/4/19	90D	Financials	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.2	8.76	2023/4/21	92D	Real Estate	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	5	20	2023/4/21	92D	Real Estate	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.2	45.04	2023/4/21	92D	Real Estate	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.6	15	2023/5/23	124D	Real Estate	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	1	15	2023/5/23	124D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	1	15	2023/5/23	124D	Banks	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.2	17.95	2023/5/23	124D	Banks	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.5	14.29	2023/7/21	183D	Real Estate	-/BBB+/-	-/-/-
2023/1/5	CITIC Securities International Co Ltd	USD	0.5	17.33	2023/7/21	183D	Chengtou	-/BBB+/-	-/-/-
2023/1/5	Guotai Junan International Holdings Ltd	HKD	50.1	0	2023/7/10	180D	Materials	Baa2/BBB+/-	-/-/-
2023/1/6	Chengdu Sino French Ecological Park Investment Development Co Ltd	USD	100	6.5	2026/1/13	3	Financials	-/-/-	-/-/-
2023/1/6	Huatai International Financial Holdings Co Ltd	USD	30	5	2023/4/13	90D	Financials	-/BBB+/-	-/-/-
2023/1/6	Huatai International Financial Holdings Co Ltd	USD	22	5	2024/1/12	364D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/1/6	Huzhou Wuxing Industrial Investment Development Group Co Ltd	CNY	112.8	5.4	2026/1/11	3	Financials	-/-/-	-/-/-

Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of January 6, the YTD return¹ on Chinese USD corporate bond index increased by 191bp to -7.92% from last Friday. The return on investment-grade bonds increased by 115bp to -6.55%, and the return on high-yield bonds increased by 628bp to -7.69%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 677bp from last Friday to -21.94%. The returns on non-financial, financial and Chengtou bonds were -6.48%, -8.77% and -1.25%, increasing by 146bp, 227bp and 35bp from last Friday, respectively.

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

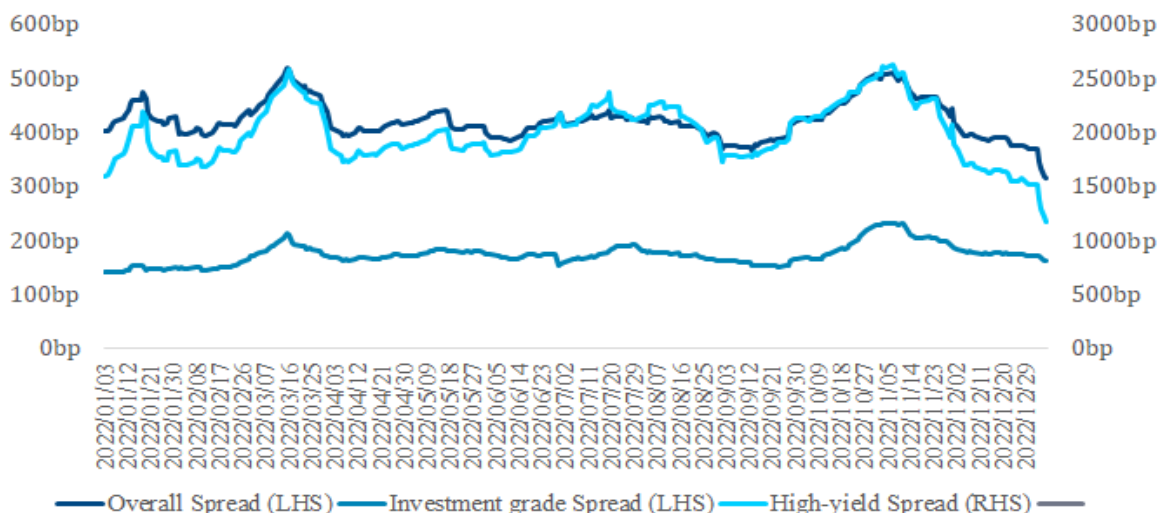


¹ Year-to-date return measures the return since January 3, 2022

Sources: Bloomberg, CCXAP research

As of January 6, the yield spread of Chinese dollar bonds decreased by 54.9bp to 313.69bp from last Friday. The yield spread of investment-grade bonds decreased by 8.1bp to 162.19bp, while that of high-yield bonds decreased by 345.8bp to 1173.92bp.

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 January 2 to January 6 are shown in the table below. Among them, Times China Holdings Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230102-20230106)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
TPHL 6.6 03/02/23	Times China Holdings Ltd	21.858	0.14	2475	52.8M
RISSUN 9 ½ 03/16/23	Rongchangda Development Bvi Ltd	13.167	0.18	2570	19.6M
TPHL 6 ¾ 07/16/23	Times China Holdings Ltd	22.223	0.51	685.3	8.6M
GRNLGR 5 ½ 07/03/26	Greenland Global Investment Ltd	48.357	3.48	32.2	2.9M
SHRIHG 4.3 01/16/23	Shangrao Investment Holdings International Co Ltd	99.836	0.02	13.9	1.2M
CHGRAU 9.109 PERP	Baoxin Auto Finance I Ltd	47.833	perpetual	351.2	837
THSCPA 6.95 05/13/24	Tuspark Forward Ltd	22.409	1.34	169.2	757
CHMETL 3 ½ PERP	MCC Holding Hong Kong Corp Ltd	99.905	perpetual	9.1	704.3
COGARD 4 ¾ 01/17/23	Country Garden Holdings Co Ltd	99.519	0.02	29.0	536.8
TPHL 5.55 06/04/24	Times China Holdings Ltd	19.914	1.40	165.6	525.2

Sources: Bloomberg, CCXAP research

Rating Action: Times China Holdings Limited was downgraded

From January 2 to January 6, international rating agencies took negative actions on 1 Chinese issuer.

Table 3: Credit rating changes of cross-border bond market (20230102-20230106)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	Times China Holdings Ltd	Real Estate	C	NEG	2023/1/4	Caa2	NEG	2022/7/7	Moody's	Higher likelihood of default, weaker recovery prospects

Sources: Bloomberg, Wind, CCXAP research

Credit event: Times China Holdings suspends payment of 6 USD bonds

On November 7, Times China Holdings Co., Ltd. (“Times China Holdings”) announced that in order to facilitate the overall management of offshore debts, the company will suspend the payment of six overseas US dollar-denominated senior notes. As of the announcement date, Times China Holdings has not yet paid the relevant interest on the 6.6% senior notes due in 2023 and the 5.55% senior notes due in 2024. The grace period for these senior notes expires at December 30, 2022 and January 3, 2023, respectively.

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