

### 2023 Issue 3

#### From January 16 to January 27

#### Chinese offshore bond issuance was weak; return on secondary market bond increased

#### Headline: China's PMI rose in December; US core PCE price index hit 14-month low in December

In January, China's PMI was 50.1%, an increase of 3.1 percentage points from the previous month. The US PCE price index rose by 5% year-on-year in December last year, the smallest increase since October 2021.

#### Exchange Rate: RMB was depreciated, USD index decreased

This week, RMB was depreciated. As of January 27, the RMB/USD middle rate closed at 6.7702, decreasing by 410bp from January 13. The USD index decreased by 0.3% to 101.927.

#### Interest Rate: China Government Bond yield increased; US Treasury yields were stable

This week, the China Government Bond yields increased. The Fed was expected to slow down rate hikes and US Treasury yields were relatively stable.

#### Chinese Offshore Bond Market

#### Primary Market: Chinese offshore bond issuance was weak during the Lunar New Year holidays

From January 16 to January 27, Chinese offshore bond issuance was weak during the Lunar New Year holidays. There were 30 new issues with total issued volume of USD770 million. Among them, Agricultural Bank of China Ltd/Hong Kong was the largest issuer, who issued bonds with a total size of RMB2.5 billion.

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

As of January 27, the YTD return on Chinese USD corporate bond index increased by 43bp to -7.01% from January 13. The return on investment-grade bonds increased by 31bp to -5.65%, while the return on high-yield bonds increased by 112bp to -6.67%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 121bp from January 13 to -21.01%.

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

CCXAP assigns first-time long-term credit ratings to FE Horizon, NXSA, TXCI, and MCCT.

#### Credit event: Huijing Holdings did not expect to pay interest and Ronshine China defaulted on senior notes



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## Headline: China's PMI rose in December; US core PCE price index hit 14-month low in December

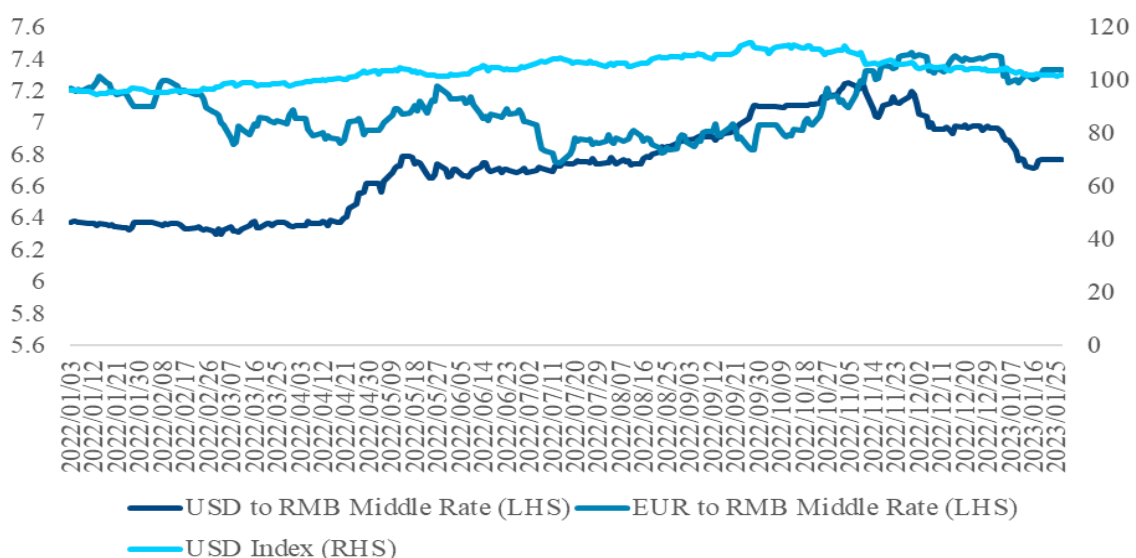
On January 30, the National Bureau of Statistics released data showing that China’s manufacturing sector rebounded significantly in January, and returned to the expansion zone after three consecutive months of contraction. The non-manufacturing sector rebounded sharply to a new high since June last year. In January, China's Manufacturing Purchasing Managers Index (PMI) was 50.1%, an increase of 3.1 percentage points from the previous month, rising above the critical point and demonstrating a sharp rebounding in the manufacturing sector. The non-manufacturing business activity index and the composite PMI output index were 54.4% and 52.9%, 12.8 and 10.3 percentage points higher than the previous month.

On January 27, the latest data from the US Department of Commerce showed that the US personal consumption expenditures PCE price index in December last year increased by 5% year-on-year, in line with expectations and weaker than the previous value of 5.5%. It was the sixth consecutive month of slowdown and the smallest increase since October 2021, with a month-on-month increase of 0.1%, unchanged from the previous value, which slightly exceeded market expectations of zero growth. According to the analysis, the price pressure in US continued to slow down, but remained high, which might prevent the Fed from pausing the pace of raising interest rates. However, it is expected that FOMC would further slow down the rate hike to 25 basis points next week.

## Exchange Rate: RMB was depreciated, USD index decreased

This week, RMB was depreciated. As of January 27, the RMB/USD middle rate closed at 6.7702, increasing by 410bp from January 13; the RMB/EUR middle rate closed at 7.3361, increasing by 294bp from January 13. The USD index decreased by 0.3% to 101.927.

Figure 1: RMB exchange rate

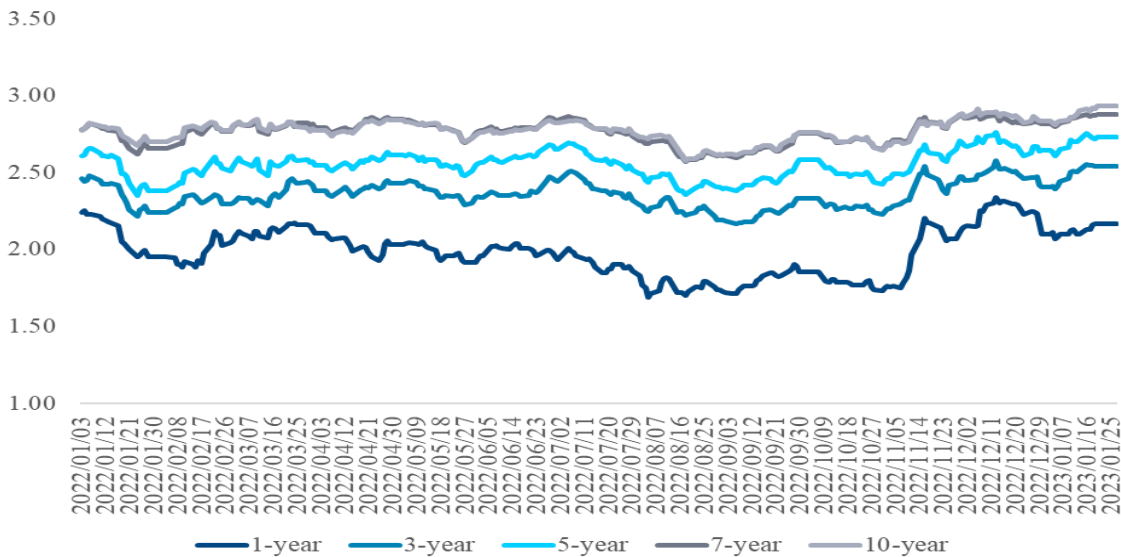


Sources: Bloomberg, CCXAP research

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

This week, the China Government Bond yields increased. As of January 27, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1648%, 2.5379%, 2.7288%, 2.8756% and 2.9331%, respectively, increasing by 7bp, 2bp, 2bp, 1bp and 3bp from January 13.

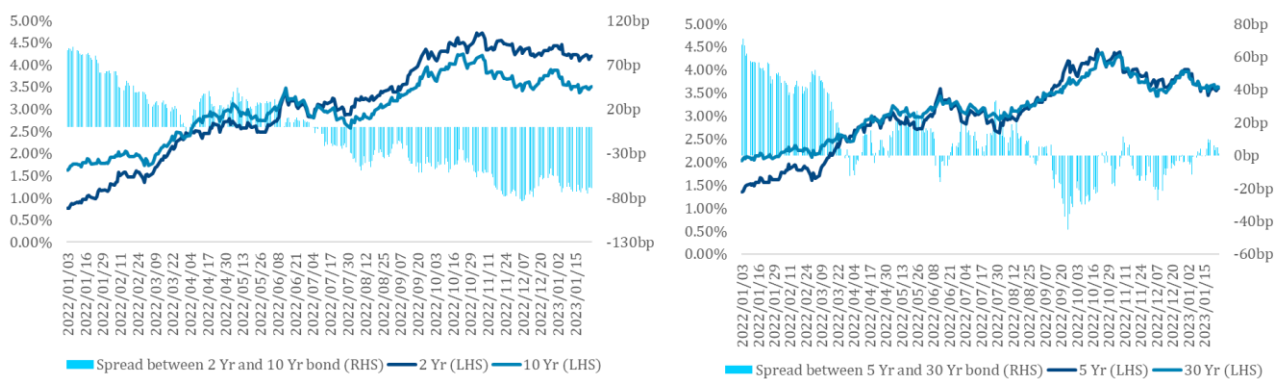
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

The Fed was expected to slow down rate hikes and US Treasury yields were relatively stable. As of January 27, the 2-year US Treasury yields decreased by 3bp to 4.1990% from January 13. The 5-year and 10-year US Treasury yields were 3.6102% and 3.5035%, same as January 13. The 30-year US Treasury yields slightly increased by 1bp to 3.6190%. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads narrowed by 3bp from January 13 to -69.6bp, while the 5-year and 30-year Treasury bond spreads widened by 1bp to 0.88bp from January 13.

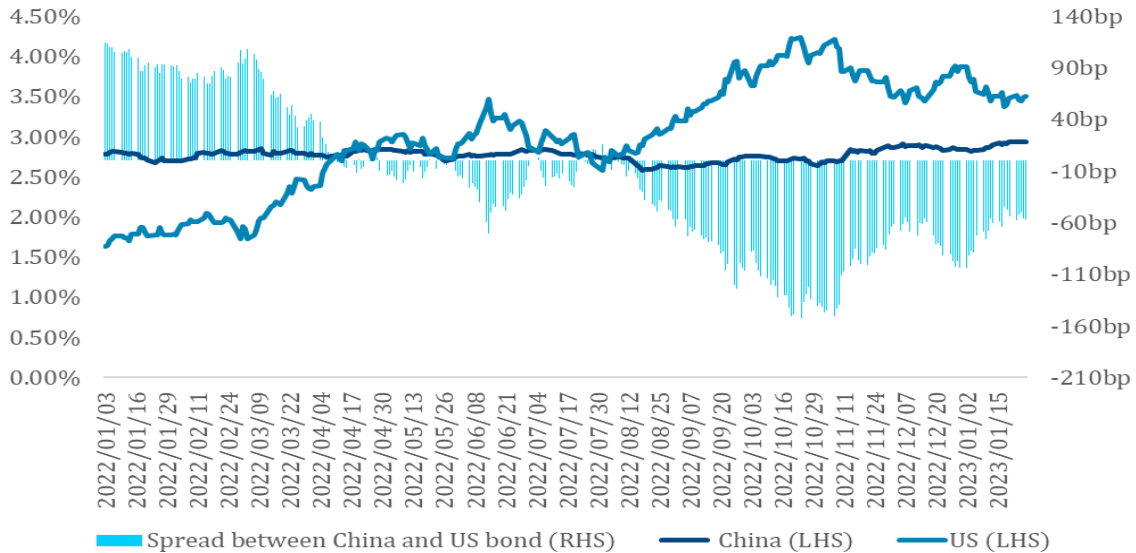
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of January 27, the yield spread between China and US 10-year note was -57.0bp, narrowing by 3.2bp from January 13 and narrowing by 57.7bp from the beginning of the year of 2022.

**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 weak during the Lunar New Year holidays

From January 16 to January 27, Chinese offshore bond issuance was weak during the Lunar New Year holidays. There were 30 new issues with total issued volume of USD770 million. Among them, Agricultural Bank of China Ltd/Hong Kong was the largest issuer, who issued bonds with a total size of RMB2.5 billion.

**Table 1: New issuance of Chinese offshore bonds (2023016-2023027)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P / Fitch)	Issue Rating (Moody's/S&P / Fitch)
2023/1/16	CITIC Securities International Co Ltd	HKD	1.5	20.62	2023/5/4	94D	Financials	-/BBB+/-	-/-/-
2023/1/16	CITIC Securities International Co Ltd	HKD	1.5	21.1	2023/5/4	94D	Financials	-/BBB+/-	-/-/-
2023/1/16	Shanghai Jinmao Investment Management Group Co Ltd	CNY	2050	4	2026/1/19	3	Real Estate	-/-/-	-/-/-
2023/1/17	CITIC Securities International Co Ltd	USD	0.2	7.75	2023/5/3	92D	Financials	-/BBB+/-	-/-/-
2023/1/17	CITIC Securities International Co Ltd	USD	0.2	8.94	2023/5/3	92D	Financials	-/BBB+/-	-/-/-
2023/1/17	CITIC Securities International Co Ltd	USD	0.2	10.44	2023/5/3	92D	Financials	-/BBB+/-	-/-/-
2023/1/17	CITIC Securities International Co Ltd	USD	0.4	12	2023/4/26	92D	Financials	-/BBB+/-	-/-/-
2023/1/17	CITIC Securities International Co Ltd	USD	0.4	12	2023/4/26	92D	Financials	-/BBB+/-	-/-/-
2023/1/17	CITIC Securities International Co Ltd	USD	0.4	12	2023/6/2	122D	Financials	-/BBB+/-	-/-/-
2023/1/17	Haitong International Securities Group Ltd	HKD	400	5	2023/7/27	181D	Financials	Baa2/BBB/-	-/-/-
2023/1/17	TF International Securities Group	USD	3	6.7	2024/1/26	364D	Financials	-/-/-	-/-/-

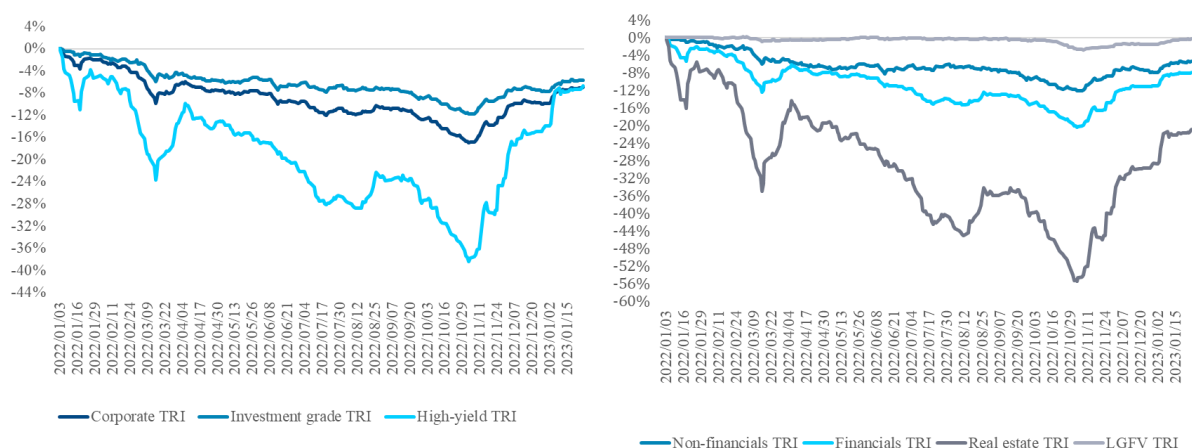
	Ltd									
2023/1/18	Agricultural Bank of China Ltd/Hong Kong	CNY	2500	2.97	2025/1/30	2	Banks	A1/A/A	A1/-/-	
2023/1/18	Chongqing Puri Development Investment Group Co Ltd	CNY	220	5.2	2026/2/2	3	Chengtou	-/-/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	HKD	1.5	10.49	2023/5/4	92D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	HKD	1.5	14.68	2023/5/4	92D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.7	10	2023/5/4	92D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.2	12	2023/4/27	92D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.2	12	2023/4/27	92D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.3	18	2023/5/4	92D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.2	12	2023/6/5	124D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.3	12	2023/6/5	124D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.6	12	2023/6/5	124D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	1	20	2023/5/30	125D	Financials	-/BBB+/-	-/-/-	
2023/1/18	CITIC Securities International Co Ltd	USD	0.2	11.87	2023/11/3	275D	Financials	-/BBB+/-	-/-/-	
2023/1/19	CITIC Securities International Co Ltd	HKD	1.5	9.11	2023/5/4	91D	Financials	-/BBB+/-	-/-/-	
2023/1/19	CITIC Securities International Co Ltd	USD	0.3	24.2	2023/3/6	32D	Financials	-/BBB+/-	-/-/-	
2023/1/19	CITIC Securities International Co Ltd	USD	0.6	19.45	2023/4/28	92D	Financials	-/BBB+/-	-/-/-	
2023/1/19	CITIC Securities International Co Ltd	USD	0.6	30.6	2023/4/28	92D	Financials	-/BBB+/-	-/-/-	
2023/1/19	CITIC Securities International Co Ltd	USD	0.2	11.55	2023/11/6	277D	Financials	-/BBB+/-	-/-/-	
2023/1/26	CITIC Securities International Co Ltd	USD	0.2	14.31	2023/11/13	277D	Financials	-/BBB+/-	-/-/-	

Sources: Bloomberg, CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of January 27, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 43bp to -7.01% from January 13. The return on investment-grade bonds increased by 31bp to -5.65%, while the return on high-yield bonds increased by 112bp to -6.67%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 121bp from January 13 to -21.01%. The returns on non-financial, financial and Chengtou bonds were -5.46%, -7.94% and -0.37%, increasing by 38bp, 47bp, and 33bp from January 13, respectively.

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



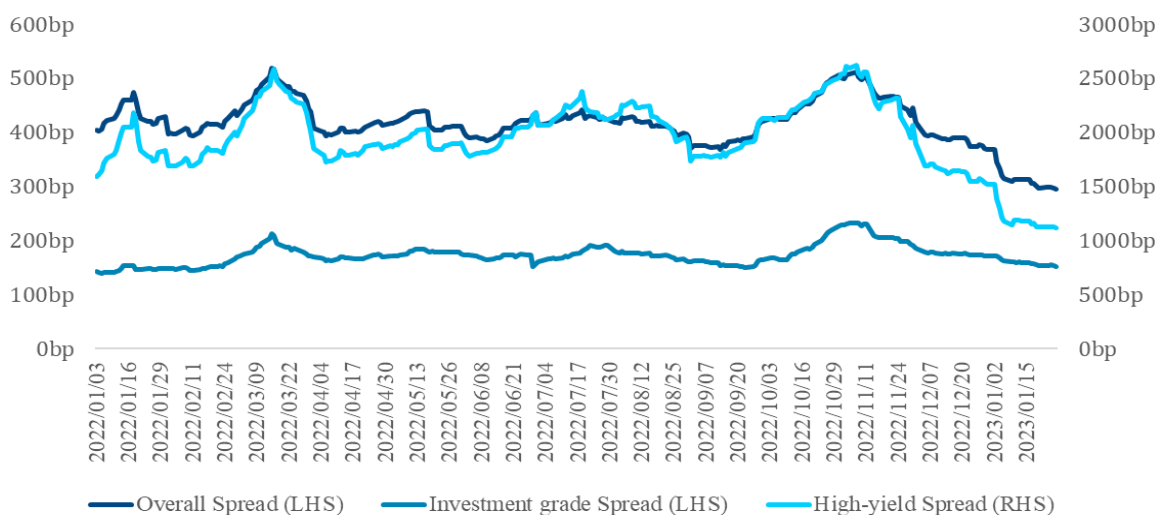
Sources: Bloomberg, CCXAP research

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



As of January 27, the yield spread of Chinese dollar bonds decreased by 16.3bp to 295.4bp from January 27. The yield spread of investment-grade bonds decreased by 7.3bp to 151.54bp, while that of high-yield bonds decreased by 62.4bp to 1118.66bp.

**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 January 16 to January 27 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 (20230116-20230127)**

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	13.364	0.12	3179.48	67.5M
ROADKG 7 % 02/01/23	Road King Infrastructure Limited	99.542	0.01	166.98	34.6M
AGILE 6 % PERP	Agile Group Holdings Ltd	31.11	Perpetual	2001	32.5M
FOSUNI 5.95 01/29/23	Fosun International Limited	99.413	0	6.89	17.2M
CENCHI 7 ¼ 04/24/23	Central China Real Estate Ltd	45.528	0.23	507.15	6.7M
CHGRAU 9.109 PERP	China Grand Automotive Services Group Co Ltd	42.85	Perpetua	526.75	6.2M
ZGCINT 2 % 02/03/23	Zhongguancun development group Limited by Share Ltd	99.722	0.01	35.83	5.0M
CENCHI 7.65 08/27/23	Central China Real Estate Ltd	37.08	0.57	290.69	4.1M
XIANGY 4 ½ 01/30/23	Xiamen Xiangyu Co Ltd	99.788	0	29.35	3.9M
CENCHI 7.9 11/07/23	Central China Real Estate Limited	35.641	0.77	207.47	1.8M

Sources: Bloomberg, CCXAP research

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

On January 16, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time A<sub>g</sub>- long-term credit rating to Far East Horizon Limited (“FE Horizon”), with stable outlook.

On January 17, CCXAP has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Huzhou Nanxun State-owned Assets Investment Holding Co., Ltd. (“NXSA”), with stable outlook.

On January 19, CCXAP has assigned a first-time long-term credit rating of BBB<sub>g</sub> to Taixing City Investment Development Group Co., Ltd. (“TXCI”), with stable outlook.

On January 19, CCXAP has assigned a first-time BBB<sub>g</sub>- long-term credit rating to MCC Tongsin Resources Ltd. (“MCCT”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230116-20230127)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/1/16	FE Horizon	A <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) leading market position as one of the largest financial leasing companies in China by total assets; (2) sound profitability, with steady income growth driven by the expansion of industrial operation services; and (3) strong access to funding and good asset-liability management. However, the rating is constrained by Company’s (1) decelerating industry growth due to tightening regulations; (2) lingering pandemic and increasing economic downward pressure that challenged asset quality; and (3) the Company’s high industry concentration of leasing portfolio.
2023/1/17	NXSA	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) important position as the primary platform owned and controlled by Nanxun District Government; (2) key roles in infrastructure construction and public services in Nanxun District; (3) good track record of receiving government payments; and (4) diversified sources of funding. However, the rating is constrained by the Company’s (1) medium commercial business risk; (2) moderate debt management and asset liquidity; and (3) moderate contingent liability risk associated with external guarantee.
2023/1/19	TXCI	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) important policy roles in public-related activities in Taixing City; (2) track record of receiving government support; and (3) good access to diversified funding sources. However, the rating is constrained by the Company’s (1) moderate exposure to commercial business activities; (2) moderate debt management and weak asset liquidity; and (3) high exposure to contingent liabilities.
2023/1/19	MCCT	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) sufficient copper reserves for future operation; and (2) improved profitability due to the rise of copper prices. However, the rating is constrained by the Company’s (1) earnings vulnerable to global economic conditions and copper price volatility; (2) low product diversification and high overseas operating risks; and (3) low revenue scale.

Sources: CCXAP research

From January 16 to January 27, international rating agencies took negative actions on 3 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (2023016-20230127)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Downgrade	VNET Group Inc	Communications	B2	NEG	2023/1/19	B2	STABLE	2020/3/24	Moody's	Weakened liquidity position amid a tight funding environment
	CAR Inc	Consumer Discretionary	B-	NEG	2023/1/20	B-	STABLE	2022/3/11	S&P	Increasing liquidity pressure come March 2023
	LVGEM China Real Estate Investment Co Ltd	Real Estate	B	RWN	2023/1/20	BB-	STABLE	2022/1/21	Lianhe Global	Increasing refinancing pressure

Sources: Bloomberg, Wind, CCXAP research

### **Credit event: Huijing Holdings did not expect to pay interest and Ronshine China defaulted on senior notes**

On January 20, Huijing Holdings Company Limited (“Huijing Holdings”) announced that it had not paid the interest of the outstanding 12.50% USD107.6 million senior notes. In July 2022, the Company completed an exchange offer to exchange its 12.50% senior notes due 2022 (ISIN: XS2364281506) for the Notes. The Notes were issued pursuant to such exchange offer, and the Indenture relating to the Notes was executed on July 21, 2022. Under the Indenture, the Company is required to make an interest payment on the Notes on January 21, 2023, being the Original Interest Payment Date. As at the date of this announcement, the Company does not expect to make such payment on the Original Interest Payment Date.

On January 26, Ronshine China Holdings Limited (“Ronshine China”) announced that the 8.95% senior notes due 2023 (the “January 2023 Notes”, ISIN XS2031469732) in the aggregate principal amount of USD413,000,000 issued by the Company and listed on the Singapore Exchange Securities Trading Limited matured on January 22, 2023. The principal amount and the accrued and unpaid interest totalling USD431,481,750 became due and payable. As of the date of this announcement, the Company has not made such payment.



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