

2023 Issue 4 From January 30 to February 3

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

Headline: China's manufacturing sector rebounded significantly in January; the Fed slowed rate hikes further

In January, the Manufacturing Purchasing Managers Index (PMI) was 50.1%, an increase of 3.1 percentage points from previous month, rising above the critical point, and the level of manufacturing prosperity rebounded significantly. The Federal Reserve Monetary Policy Committee FOMC announced after the meeting that the target range of the policy rate federal funds rate was raised from the range between 4.25% and 4.50% to the range between 4.50% and 4.75%. This is the second time in a row that the Fed has slowed the pace of rate hikes

Exchange Rate: RMB was appreciated, USD index decreased

This week, RMB was appreciated. As of February 3, the RMB/USD middle rate closed at 6.7382, decreasing by 320bp from last Friday. The USD index decreased by 1.0% to 102.915.

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

This week, the China Government Bond yields decreased. The Fed raised interest rates by 25 basis points, driving up U.S. Treasury yields.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance was weak

From January 30 to February 3, there were 65 new issues with total issued volume of USD920 million. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD840 million.

Secondary Market: Return on Chinese USD bond increased

As of February 3, the YTD return on Chinese USD corporate bond index increased by 48bp to 3.59% from last Friday, of which the return on investment-grade bonds increased by 33bp to 2.53%, and the return on high-yield bonds increased by 138bp to 9.86%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 109bp from last Friday to 4.89%

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

CCXAP assigns long-term credit ratings to KGIG, LURD and HYCI.



Analyst Contacts

Karissa Du
852-28607126
karissa_du@ccxap.com

Peter Chong
852-2860 7124
peter_chong@ccxap.com

Other Contacts
Elle Hu
852-2860 7120
elle_hu@ccxap.com

Headline: China's manufacturing sector rebounded significantly in January; the Fed slowed rate hikes further

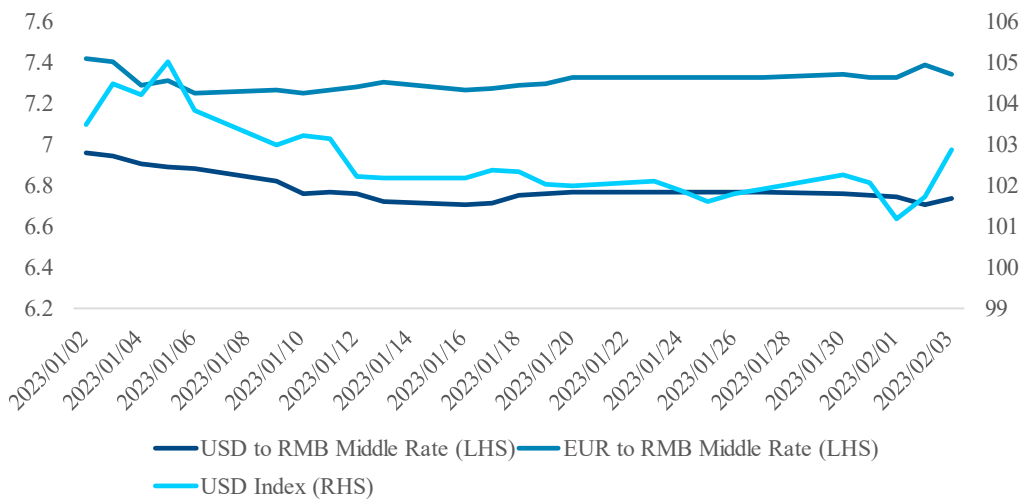
According to data released by the National Bureau of Statistics, in January, the Manufacturing Purchasing Managers Index (PMI) was 50.1%, an increase of 3.1 percentage points from previous month, rising above the critical point, and the level of manufacturing prosperity rebounded significantly. The non-manufacturing business activity index and the comprehensive PMI output index were 54.4% and 52.9%, respectively, 12.8 and 10.3 percentage points higher than the previous month. The three major indexes all rose to the expansion range, and the level of China's economic prosperity has rebounded significantly.

On February 1, the Federal Reserve Monetary Policy Committee FOMC announced after the meeting that the target range of the policy rate federal funds rate was raised from the range between 4.25% and 4.50% to the range between 4.50% and 4.75%, and the interest rate increase was 25 basis points. This is the second time in a row that the Fed has slowed the pace of rate hikes, and the first time since March last year that it raised rates by just 25 basis points.

Exchange Rate: RMB was appreciated, USD index decreased

This week, RMB was appreciated. As of February 3, the RMB/USD middle rate closed at 6.7382, decreasing by 320bp from last Friday; the RMB/EUR middle rate closed at 7.3497, increasing by 136bp from last Friday. The USD index decreased by 1.0% to 102.915.

Figure 1: RMB exchange rate

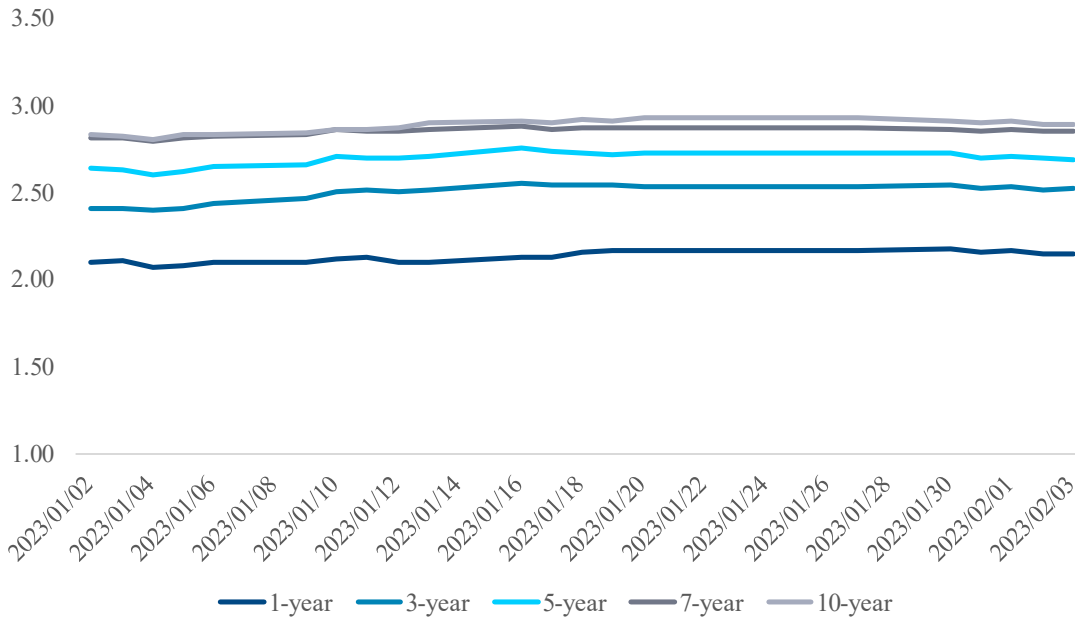


Sources: Bloomberg, CCXAP research

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

This week, the China Government Bond yields decreased. As of February 3, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1504%, 2.5244%, 2.6921%, 2.8582% and 2.8943%, respectively, increasing by 1bp, 1bp, 4bp, 2bp and 4bp from January 30.

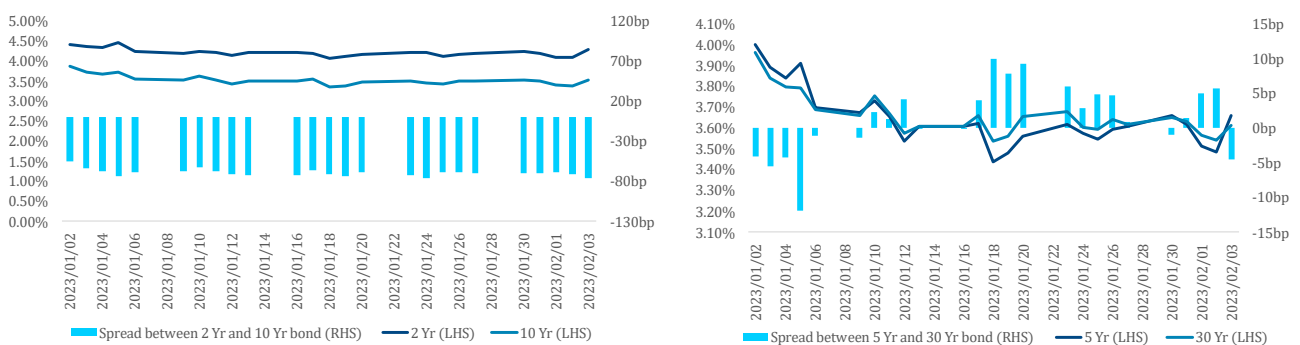
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

The Fed raised interest rates by 25 basis points, driving up U.S. Treasury yields. As of February 3, the 2-year, 5-year and 10-year US Treasury yields were 4.2886%, 3.6590% and 3.5246%, respectively, increased by 9bp, 5bp and 2bp than from last Friday. The yield of 30-year U.S. Treasury bonds was 3.6140%, decreased by 1bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year treasury bonds widened by 7bp to -76.4bp from last Friday, and the spread between 5-year and 30-year treasury bonds widened 4bp to -4.5bp from last Friday.

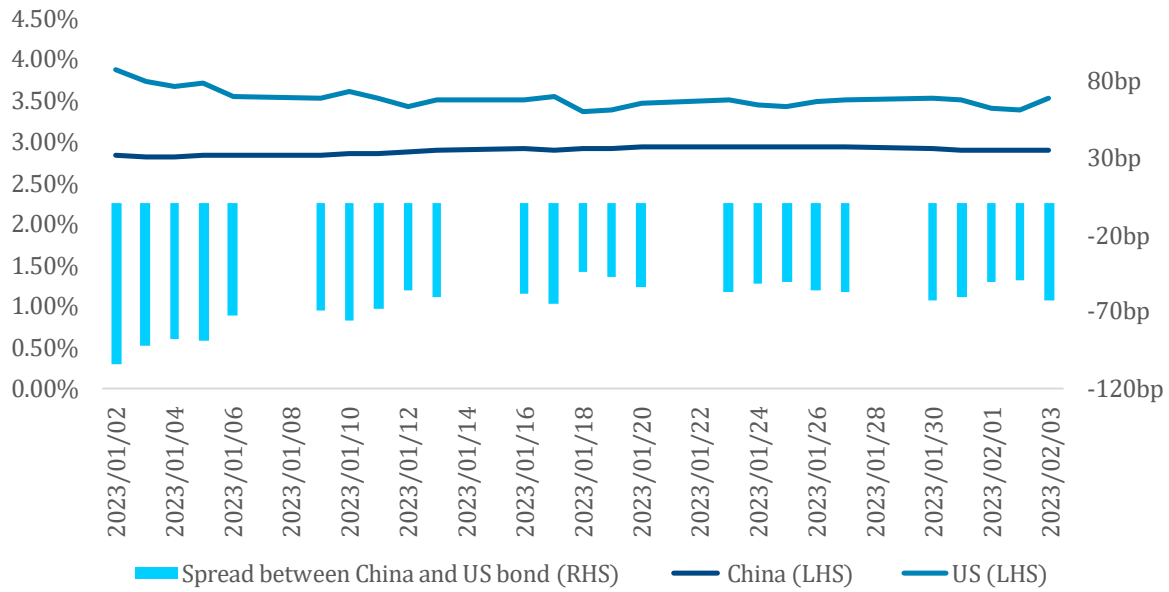
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of February 3, the yield spread between China and US 10-year note was -63.0bp, widening by 6.0bp from last Friday and narrowing by 40.9bp from the beginning of the year of 2023.

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

From January 30 to February 3, there were 65 new issues with total issued volume of USD920 million. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD840 million.

Table 1: New issuance of Chinese offshore bonds (20230130-20230203)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P / Fitch)	Issue Rating (Moody's/S&P / Fitch)
2023/1/30	CITIC Securities International Co Ltd	HKD	2	16.48	2023/4/17	63D	Real Estate	-/BBB+/-	-/-/-
2023/1/30	CITIC Securities International Co Ltd	HKD	2	31.56	2023/5/17	93D	Real Estate	-/BBB+/-	-/-/-
2023/1/30	CITIC Securities International Co Ltd	USD	2	12	2023/5/17	78D	Financials	-/BBB+/-	-/-/-
2023/1/30	CITIC Securities International Co Ltd	USD	0	12	2023/6/15	122D	Real Estate	-/BBB+/-	-/-/-
2023/1/30	CITIC Securities International Co Ltd	USD	1	12	2023/6/15	122D	Financials	-/BBB+/-	-/-/-
2023/1/30	CITIC Securities International Co Ltd	USD	0	19.46	2023/6/15	122D	Financials	-/BBB+/-	-/-/-
2023/1/30	CITIC Securities International Co Ltd	USD	0	14.04	2023/11/15	275D	Financials	-/BBB+/-	-/-/-
2023/1/30	Huatai International Financial Holdings Co Ltd	USD	10	5.5	2023/8/4	179D	Financials	-/BBB+/-	-/-/-
2023/1/30	Tianfeng Securities Co., Ltd	USD	6	6.37	2023/8/2	181D	Financials	-/-/-	-/-/-
2023/1/31	CDB Leasing (International) Company Limited	HKD	1000	4.7	2024/2/8	365D	Financials	-/-/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	HKD	8	8	2023/5/17	92D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	HKD	3	12	2023/6/9	122D	Real Estate	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	HKD	2	12.53	2023/6/16	122D	Chengtou	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	6	2023/5/17	92D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/5/17	92D	Chengtou	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	2	12	2023/5/17	92D	Banks	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	30.26	2023/5/17	92D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	10	2023/6/16	122D	Chengtou	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	1	10	2023/6/16	122D	Chengtou	-/BBB+/-	-/-/-

2023/1/31	CITIC Securities International Co Ltd	USD	1	10.11	2023/6/16	122D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/9	122D	Banks	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/9	122D	Chengtou	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/9	122D	Industrials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/9	122D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/9	122D	Real Estate	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/9	122D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/16	122D	Real Estate	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/16	122D	Chengtou	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	12	2023/6/16	122D	Chengtou	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	1	15.39	2023/6/16	122D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	15.74	2023/6/16	122D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	1	16.43	2023/6/16	122D	Industrials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	1	17.66	2023/6/16	122D	Utilities	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	2	20	2023/6/16	122D	Financials	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	1	13.1	2023/8/16	183D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/1/31	CITIC Securities International Co Ltd	USD	0	19.16	2023/8/16	183D	Financials	-/BBB+/-	-/-/-
2023/1/31	Huatai International Financial Holdings Co Ltd	USD	15	0	2024/2/2	364D	Financials	-/BBB+/-	-/-/-
2023/2/1	China Construction Bank Corp	NZD	225	FRA+110	2026/2/9	3	Financials	A1/-/A	A1/-/A
2023/2/1	CITIC Securities International Co Ltd	USD	0	21.52	2023/5/17	91D	Real Estate	-/BBB+/-	-/-/-
2023/2/1	CITIC Securities International Co Ltd	USD	0	12	2023/6/20	125D	Chengtou	-/BBB+/-	-/-/-
2023/2/1	CITIC Securities International Co Ltd	USD	1	12	2023/6/20	125D	Chengtou	-/BBB+/-	-/-/-
2023/2/1	CITIC Securities International Co Ltd	USD	0	16.5	2023/6/20	125D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/2/1	CITIC Securities International Co Ltd	USD	1	17	2023/6/20	125D	Banks	-/BBB+/-	-/-/-
2023/2/1	CITIC Securities International Co Ltd	USD	0	10.41	2023/11/17	275D	Chengtou	-/BBB+/-	-/-/-
2023/2/1	Huatai International Financial Holdings Co Ltd	USD	20	5.55	2023/8/8	181D	Real Estate	-/BBB+/-	-/-/-
2023/2/1	Huatai International Financial Holdings Co Ltd	USD	21	0	2024/2/5	364D	Industrials	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	HKD	4	12	2023/3/20	32D	Banks	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	HKD	2	12	2023/6/20	124D	Chengtou	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	HKD	2	13.81	2023/11/20	277D	Chengtou	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	USD	0	10	2023/6/21	125D	Financials	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	USD	0	12	2023/6/21	125D	Financials	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	USD	1	20	2023/6/21	125D	Industrials	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	USD	0	18.37	2023/8/18	183D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	USD	0	10.32	2023/11/20	277D	Banks	-/BBB+/-	-/-/-
2023/2/2	CITIC Securities International Co Ltd	USD	0	10.46	2023/11/20	277D	Financials	-/BBB+/-	-/-/-
2023/2/2	Guotai Junan International Holdings Ltd	USD	25	5.59	2023/8/9	180D	Communications	Baa2/BBB+/-	-/-/-
2023/2/2	Guotai Junan International Holdings Ltd	USD	75	0	2023/8/8	181D	Real Estate	Baa2/BBB+/-	-/-/-
2023/2/2	Haitong International Securities Group Ltd	HKD	303	4.7	2024/2/8	364D	Real Estate	Baa2/BBB/-	-/-/-
2023/2/3	CDB Leasing (International) Company Limited	CNY	200	3.35	2024/2/21	1	Financials	-/-/-	-/-/-
2023/2/3	CDB Leasing (International) Company Limited	HKD	300	4.65	2024/1/10	334D	Financials	-/-/-	-/-/-
2023/2/3	Guotai Junan International Holdings Ltd	USD	100	0	2023/8/9	181D	Financials	Baa2/BBB+/-	-/-/-
2023/2/3	Guotai Junan International Holdings Ltd	USD	50	5.69	2023/11/9	273D	Consumer Discretionary	Baa2/BBB+/-	-/-/-

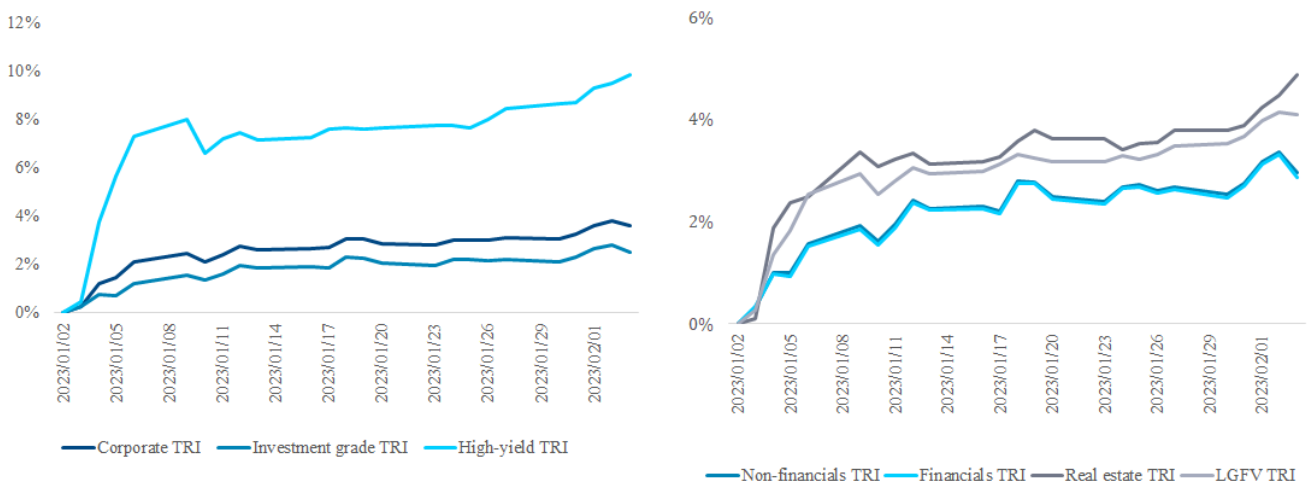
2023/2/3	Huatai International Financial Holdings Co Ltd	USD	15	0	2023/8/10	181D	Financials	-/BBB+/-	-/-/-
2023/2/3	Huatai International Financial Holdings Co Ltd	USD	100	0	2023/8/9	181D	Real Estate	-/BBB+/-	-/-/-
2023/2/3	Qingdao Jimo District Urban Development Investment Co Ltd	CNY	560	6.2	2026/2/8	3	Technology	-/-/BBB-	-/-/-

Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of February 3, the YTD return¹ on Chinese USD corporate bond index increased by 48bp to 3.59% from last Friday, of which the return on investment-grade bonds increased by 33bp to 2.53%, and the return on high-yield bonds increased by 138bp to 9.86%. In terms of sector indices, the return on real estate bonds increased the most, increasing by 109bp from last Friday to 4.89%; the returns on non-financial, financial and Chengtuo bonds were 2.95%, 2.86% and 4.11%, respectively, increasing by 27bp, 24bp and 64bp from last Friday, respectively.

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

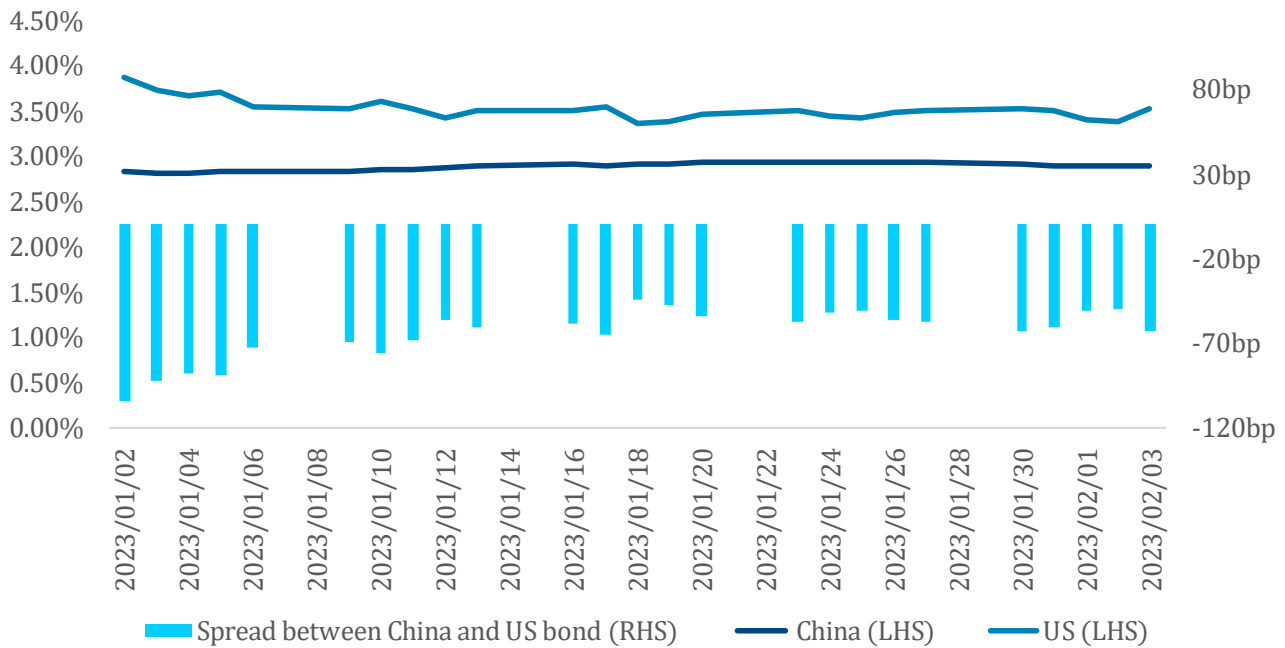


Sources: Bloomberg, CCXAP research

As of February 3, the yield spread of Chinese dollar bonds decreased slightly by 14.7bp to 280.71bp from last Friday. The yield spread of investment-grade bonds decreased by 9.9bp to 141.60bp, and the spread of high-yield bonds decreased by 45.5bp to 1073.15bp.

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

¹ Year-to-date return measures the return since January 3, 2023



Sources: Bloomberg, CCXAP research

According to Bloomberg data, the 10 bonds with the largest yield increase from January 30 to February 3 are shown in the table below. Among them, Country Garden Holdings Co Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230130-20230203)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
COGARD 5 ½ 12/15/26	Country Garden Holdings Co Ltd	70.084	3.85	16.388	1.1M
DALWAN 7 ¼ 01/29/24	Wanda Properties International Co Ltd	97.054	0.97	10.494	514.2
CQNANA 4 ½ 08/17/26	Chongqing Nan'an Urban Construction & Development Group Co Ltd	86.32	3.52	9.121	444.5
SUNSHG 4 ½ 04/20/26	Sunshine Life Insurance Corp Ltd	89.053	3.20	8.47	418
FOSUNI 5 ½ 08/17/23	Wealth Driven Ltd	98.638	0.52	8.183	401.5
CENCHI 7 ¼ 08/13/24	Central China Real Estate Ltd	32.263	1.51	106.65	382.6
CHRAIL 3.85 02/05/23	China Railway Resources Huitung Ltd	99.995	0	4.707	379.3
THSCPA 6.95 05/13/24	Tuspark Forward Ltd	22.961	1.26	179.691	321.6
CENCHI 7 ¼ 07/16/24	Central China Real Estate Ltd	32.974	1.44	109.791	306
FRESHK 4 ¾ 02/27/23	Far East Horizon Ltd	99.747	0.05	8.78	289.6

Sources: Bloomberg, CCXAP research

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

On January 30, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of Ag- to Kunshan Guochuang Investment Group Co., Ltd. (“KGIG”), with stable outlook.

On January 30, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Chengdu Longke Urban and Rural Development Group Co., Ltd. (“LURD”), with stable outlook.

On February 3, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g- to Taizhou City Huangyan City Construction Investment Group Co., Ltd. (“HYCI”), with stable outlook.

Table 3: Credit rating from CCXAP (20230130-20230203)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/2/3	KGIG	A _g -	-	The credit rating is underpinned by the Company’s (1) essential role in public policy activities of Kunshan Economic and Technological Development Zone, which has a leading position among the national-level ETDZs; (2) solid track record of receiving government payments; and (3) good access to financing channels. However, the rating is constrained by Company’s (1) high exposure to commercial activities, the profitability of which is susceptible to macro-environment and industry cyclical; and (2) relatively high debt growth driven by a large number of project pipelines.
2023/1/17	LURD	BBB _g -	-	The credit rating is underpinned by the Company’s (1) ultimate control by Chengdu Wenjiang District State-Owned Assets Supervision and Administration Bureau; (2) strategic position of infrastructure construction in the northern area of Wenjiang District; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) relatively high debt growth driven by a large number of construction projects.
2023/2/3	HYCI	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) status as one of the main state-owned enterprises fully controlled by the local government; (2) key policy role in the infrastructure construction and resettlement housing in Huangyan District; and (3) good track record of receiving government special fund. However, the rating is constrained by the Company’s (1) moderate debt management with increased debt level and weak asset liquidity; and (2) moderate exposure to contingent liabilities related to state-owned enterprises.

Sources: CCXAP research

Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852 2860 7111

Fax: +852 2868 0656