

2023 Issue 5

From February 6 to February 10

Chinese offshore bond issuance was weak; return on Chinese USD bond decreased

Headline: China CPI rose year-on-year in January; US consumer sentiment in February hit a new high in more than a year

China's CPI in January rose 2.1% year-on-year, rising slightly from 1.8% in the previous month and rising 0.8% month-on-month. The University of Michigan's preliminary US consumer sentiment index rose to 66.4 in February, reaching the highest level in more than a year.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of February 10, the RMB/USD middle rate closed at 6.7884, increasing by 502bp from last Friday. The USD index increased by 0.7% to 103.63 from last Friday.

Interest Rate: China Government Bond yields and US Treasury yields increased

This week, the China Government Bond yields increased. The preliminary US consumer confidence rose, driving up US Treasury yields.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance was weak

From February 6 to February 10, there were 52 new issues with total issued volume of USD1.0 billion. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD470 million.

Secondary Market: Return on Chinese USD bond decreased

As of February 10, the YTD return on Chinese USD corporate bond index decreased by 85bp to 2.74% from last Friday, of which the return on investment-grade bonds decreased by 57bp to 1.96%, and the return on high-yield bonds decreased by 254bp to 7.32%. In terms of sector indices, the return on real estate bonds decreased the least, decreasing by 60bp from last Friday to 4.28%

Rating Action: CCXAP assigns long-term credit ratings to one entity

On February 9, CCXAP assigned long-term credit ratings to HZFI.



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Headline: China CPI rose year-on-year in January; US consumer sentiment in February hit a new high in more than a year

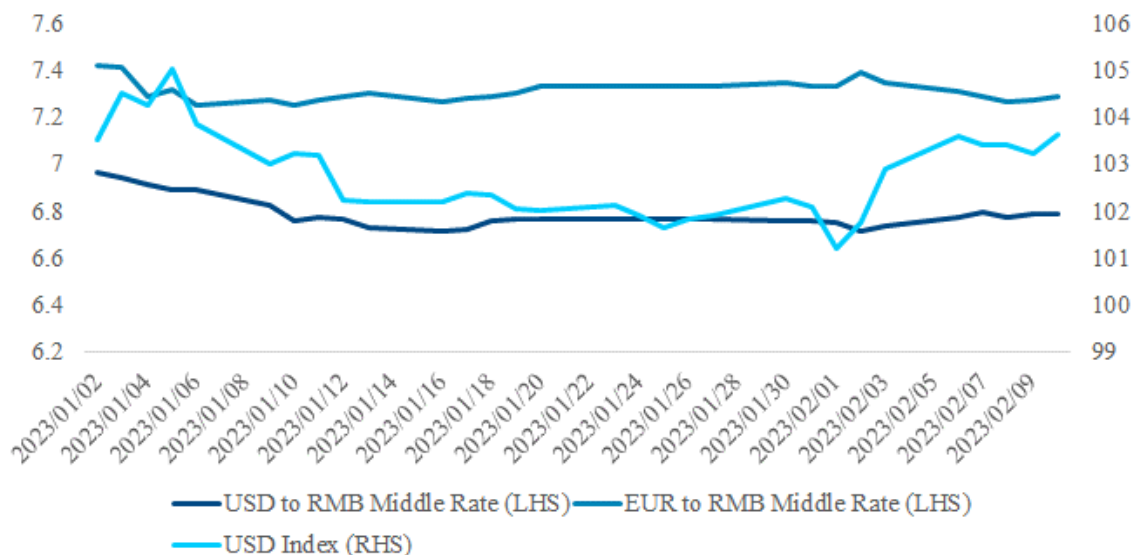
On February 10, the National Bureau of Statistics released data that China's CPI in January rose 2.1% year-on-year (“YoY”). Affected by factors such as the Spring Festival effect and the optimization and adjustment of epidemic prevention and control policies, it rose slightly from 1.8% in the previous month and rose 0.8% month-on-month (“MoM”). Affected by factors such as fluctuations in international crude oil prices and the decline in domestic coal prices, the overall price of industrial products continued to decline. In January, the producer price index (PPI) fell by 0.8% YoY. The purchase price of industrial producers increased by 0.1% YoY and decreased by 0.7% MoM.

Driven by consumers' assessment of current conditions, the University of Michigan's preliminary US consumer sentiment index rose to 66.4 in February, reaching the highest level in more than a year. Short-term inflation expectations rose to a certain extent from last month, rising from 3.9% to 4.2%, while long-term inflation expectations remained stable at 2.9%. US will release its highly anticipated January CPI next week. Markets expect January CPI to show consumer prices rising at their fastest pace in three months.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of February 10, the RMB/USD middle rate closed at 6.7884, increasing by 502bp from last Friday; the RMB/EUR middle rate closed at 7.2886, decreasing by 611bp from last Friday. The USD index increased by 0.7% to 103.63 from last Friday.

Figure 1: RMB exchange rate

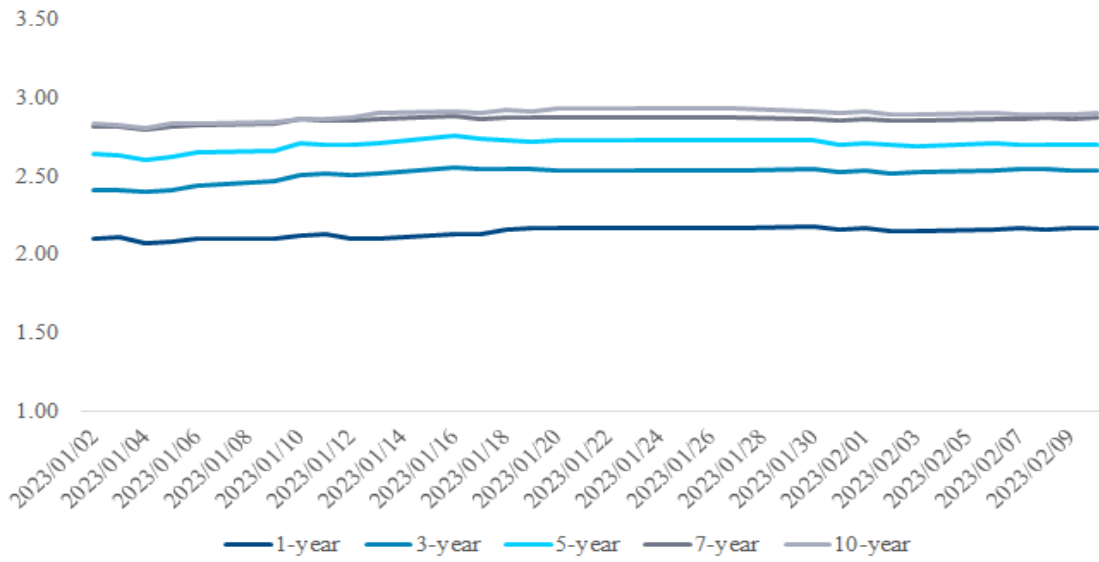


Sources: Bloomberg, CCXAP research

Interest Rate: China Government Bond yields and US Treasury yields increased

This week, the China Government Bond yields increased. As of February 10, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1682%, 2.5383%, 2.6961%, 2.8744% and 2.9003%, respectively, increasing by 2bp, 1bp, 0bp, 2bp and 1bp from last Friday.

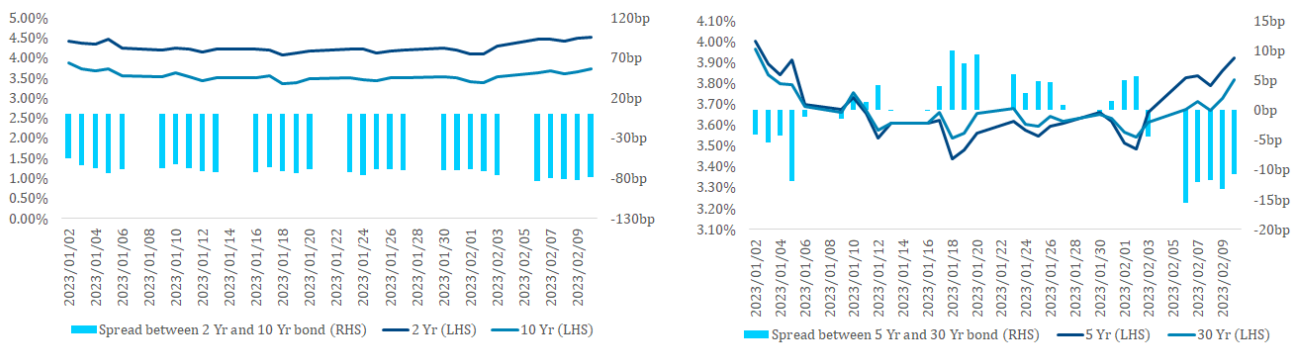
Figure 2: China Government Bond yields



Sources: Bloomberg, CCXAP research

The preliminary US consumer confidence rose, driving up US Treasury yields. As of February 10, the 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.5170%, 3.9226%, 3.7320% and 3.8158%, respectively, increasing by 23bp, 26bp, 21bp and 20bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year treasury bonds widened by 2bp to -78.5bp from last Friday, and the spread between 5-year and 30-year treasury bonds widened 6bp to -10.68bp from last Friday.

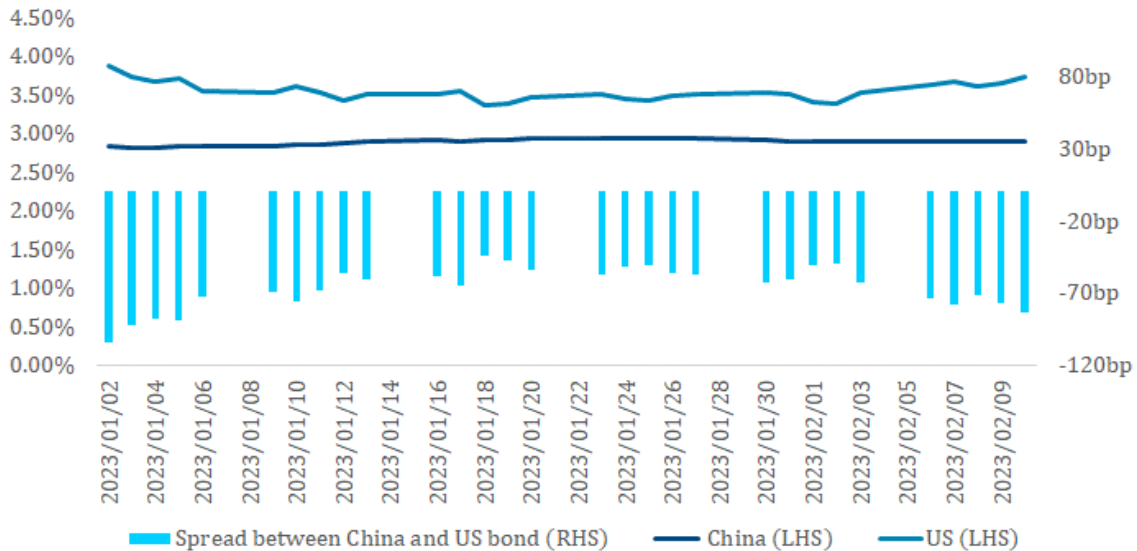
Figure 3: US Treasury yields and yield spreads



Sources: Bloomberg, CCXAP research

As of February 10, the yield spread between China and US 10-year note was -83.2bp, widening by 20.1bp from last Friday and narrowing by 20.8bp 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 February 6 to February 10, there were 52 new issues with total issued volume of USD1.0 billion. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD470 million.

Table 1: New issuance of Chinese offshore bonds (20230206-20230210)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P / Fitch)	Issue Rating (Moody's/S&P / Fitch)
2023/2/6	Dalian Wanda Commercial Management Group Co., Ltd.	USD	300	11	2026/2/13	3	Industrials	Ba1/BB+/BB+	Ba3/-/BB
2023/2/6	ICBCIL Finance Co Ltd	USD	100	SOFR+78	2024/2/7	359D	Financials	A2/A/A	-/-/-
2023/2/6	Guotai Junan International Holdings Ltd	USD	40	5.65	2023/11/13	273D	Real Estate	Baa2/BBB+/-	-/-/-
2023/2/6	Huatai International Financial Holdings Co Ltd	USD	7	0	2023/5/10	89D	Real Estate	-/BBB+/-	-/-/-
2023/2/6	CITIC Securities International Co Ltd	USD	2	8	2023/6/23	122D	Financials	-/BBB+/-	-/-/-
2023/2/6	CITIC Securities International Co Ltd	USD	2	12	2023/5/24	92D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/2/7	Guotai Junan International Holdings Ltd	USD	35	5.59	2023/8/14	180D	Real Estate	Baa2/BBB+/-	-/-/-
2023/2/7	Guotai Junan International Holdings Ltd	USD	25	5.5	2024/2/13	364D	Financials	Baa2/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	1	15	2023/6/23	122D	Financials	-/BBB+/-	-/-/-

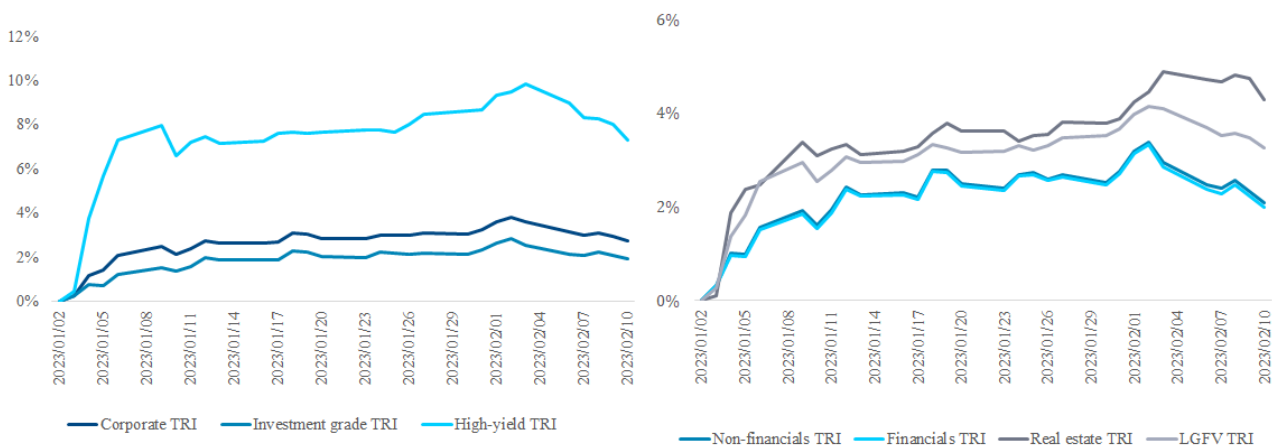
2023/2/7	CITIC Securities International Co Ltd	USD	1	15	2023/6/23	122D	Financials	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	1	15	2023/6/23	122D	Industrials	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	1	19.81	2023/6/23	122D	Financials	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	HKD	1	15	2023/6/26	125D	Industrials	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	0.2	10.99	2023/11/24	276D	Financials	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	0.2	11.24	2023/11/24	276D	Financials	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	1	12	2023/5/24	85D	Banks	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	1	12	2023/5/24	92D	Banks	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	0.2	19.69	2023/6/16	122D	Banks	-/BBB+/-	-/-/-
2023/2/7	CITIC Securities International Co Ltd	USD	1	12	2023/5/24	92D	Banks	-/BBB+/-	-/-/-
2023/2/8	CITIC Securities International Co Ltd	USD	0.2	18.62	2023/4/26	63D	Financials	-/BBB+/-	-/-/-
2023/2/8	CITIC Securities International Co Ltd	USD	0.2	12	2023/6/26	124D	Communications	-/BBB+/-	-/-/-
2023/2/8	Shaoxing Shangyu State-owned Capital Investment Operation Co Ltd	CNY	1130	4.95	2026/2/15	3	Communications	-/-/BBB-	-/-/-
2023/2/8	CITIC Securities International Co Ltd	HKD	2	13.8	2023/11/27	278D	Communications	-/BBB+/-	-/-/-
2023/2/8	CITIC Securities International Co Ltd	USD	0.2	15.58	2023/6/26	124D	Communications	-/BBB+/-	-/-/-
2023/2/8	CITIC Securities International Co Ltd	USD	0.2	15	2023/6/26	124D	Real Estate	-/BBB+/-	-/-/-
2023/2/8	CITIC Securities International Co Ltd	USD	0.2	17	2023/6/26	124D	Financials	-/BBB+/-	-/-/-
2023/2/8	CITIC Securities International Co Ltd	USD	0.2	0	2023/4/26	63D	Financials	-/BBB+/-	-/-/-
2023/2/8	China Securities International Finance Holding Co Ltd	USD	0.2	4.85	2024/2/14	365D	Financials	-/-/-	-/-/-
2023/2/8	Guotai Junan International Holdings Ltd	USD	100	0	2023/8/14	181D	Financials	Baa2/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.3	12	2023/6/27	124D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.3	12	2023/6/27	124D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.2	16.69	2023/6/27	124D	Chengtou	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	1	10	2023/6/27	124D	Banks	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.5	12	2023/6/21	125D	Banks	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.3	12	2024/2/27	1.01	Banks	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.2	10.87	2023/11/28	278D	Banks	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.7	15	2023/6/27	124D	Banks	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.2	12	2023/5/25	91D	Banks	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	1	0	2024/2/27	364D	Chengtou	-/BBB+/-	-/-/-
2023/2/9	Haitong International Securities Group Ltd	USD	42.1	5.15	2023/11/16	273D	Real Estate	Baa2/BBB/-	-/-/-
2023/2/9	Haitong International Securities Group Ltd	HKD	80	4.67	2024/2/15	364D	Chengtou	Baa2/BBB/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	1	8	2024/2/27	1.01	Real Estate	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	HKD	2.5	8	2023/6/27	124D	Consumer Discretionary	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	1	10	2023/6/27	124D	Industrials	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.2	15	2023/6/27	124D	Financials	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.2	10.75	2023/11/28	278D	Real Estate	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.2	20.43	2023/4/26	62D	Utilities	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.5	12	2023/6/27	124D	Real Estate	-/BBB+/-	-/-/-
2023/2/9	CITIC Securities International Co Ltd	USD	0.3	15	2023/6/27	124D	Financials	-/BBB+/-	-/-/-
2023/2/10	Zhejiang Anji State-Controlled Construction & Development Group Co Ltd	EUR	60	5.5	2024/2/26	364D	Utilities	-/-/-	-/-/-
2023/2/10	Huatai International Financial Holdings Co Ltd	USD	13.4	0	2023/5/17	89D	Utilities	-/BBB+/-	-/-/-
2023/2/10	CMB Financial Leasing Co Ltd	CNY	500	3.5	2025/2/14	1.99	Financials	A3/BBB+/-	-/-/-

Sources: Bloomberg, CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of February 10, the YTD return¹ on Chinese USD corporate bond index decreased by 85bp to 2.74% from last Friday, of which the return on investment-grade bonds decreased by 57bp to 1.96%, and the return on high-yield bonds decreased by 254bp to 7.32%. In terms of sector indices, the return on real estate bonds decreased the least, decreasing by 60bp from last Friday to 4.28%; the returns on non-financial, financial and Chengtuo bonds were 2.09%, 1.99% and 3.26%, respectively, decreasing by 86bp, 87bp and 85bp from last Friday, respectively.

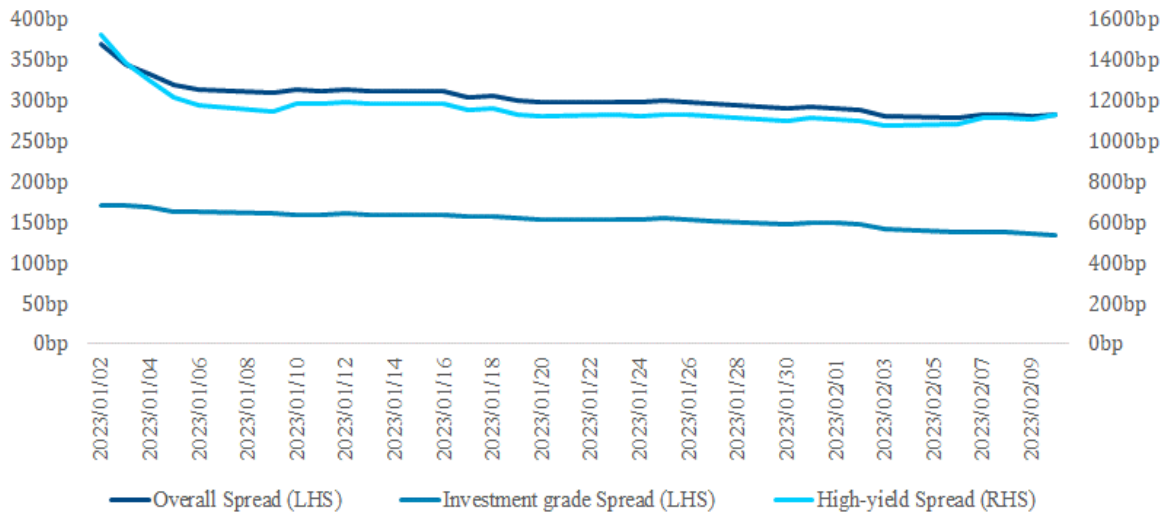
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCXAP research

As of February 10, the yield spread of Chinese dollar bonds increased slightly by 1.6bp to 282.31bp from last Friday. The yield spread of investment-grade bonds decreased by 7.1bp to 134.47bp, and the spread of high-yield bonds increased by 57.9bp to 1131.07bp.

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

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 February 6 to February 10 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 (20230206-20230210)

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	11.05	0.08	5,290.2	12.0M
CHGRAU 9.109 PERP	China Grand Automotive Services Group Co Ltd	48.688	perpetuals	491.4	2.0M
HRINTH 2 ½ 02/24/23	China Huarong International Holdings Ltd	99.718	0.03	12.5	785.5
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	83.921	0.95	28.4	487.6
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	80.558	1.15	27.3	426.5
BEIPRO 5.95 02/27/23	Beijing Properties Holdings Ltd	99.592	0.04	16.9	377.7
COGARD 5 ½ 01/17/25	Country Garden Holdings Co Ltd	72.222	1.93	23.9	329.8
HRINTH Float 02/24/23	China Huarong International Holdings Ltd	99.905	0.03	9.1	308.9
SINOCE 2.7 01/13/25	Sino-Ocean Group Holding Ltd	77.843	1.92	16.7	288.4
CHMETL 3 ¼ PERP	Metallurgical Corp of China Ltd	99.789	perpetuals	5.9	279.9

Sources: Bloomberg, CCXAP research

Rating Action: CCXAP assigns long-term credit ratings to one entity

On February 9, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g to Heze Finance Investment Group Co., Ltd. (“HZFI”), with stable outlook.

Table 3: Credit rating from CCXAP (20230206-20230210)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/2/9	HZFI	BBB _g	-	The credit rating is underpinned by the Company's strategic role in the economic and social development of Heze City; (2) good track record of receiving government supports; and (3) good access to bank loans with sufficient standby liquidity. However, the rating is constrained by Company's (1) high exposure to commercial activities; (2) increasing debt burden; and (3) medium contingent risks resulting from external guarantees.

Sources: CCXAP research

From February 6 to February 10, international rating agencies took 1 positive action and 2 negative actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230206-20230210)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Longfor Group Holdings Ltd	Real Estate	BBB-	STABLE	2023/2/9	BBB-	NEG	2022/11/4	S&P	Increasing liquidity buffer, stabilizing financing channels
Downgrade	VNET Group Inc.	Communications	B-	STABLE	2023/2/6	B	STABLE	2022/2/21	Fitch	Refinancing risk increases
	Radiance Holdings (Group) Co Ltd	Real Estate	B3	NEG	2023/2/10	B2	NEG	2022/8/31	Moody's	Worsening liquidity

Sources: Bloomberg, Wind, CCXAP research

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