

2023 Issue 6

From February 13 to February 17

Chinese offshore bond issuance rebounded slightly; return on Chinese USD bond decreased

Headline: Sales price of commercial residential buildings in China's first-tier cities rose MoM in January; US CPI in January rose YoY

In January, the sales price of commercial residential buildings in China's first-tier cities increased 0.2% month-on-month, while the month-on-month decline in second-tier and third-tier cities slowed down. US CPI rose 6.4% year-on-year in January, slightly higher than the expected 6.2%, falling for seven consecutive months.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of February 17, the RMB/USD middle rate closed at 6.8659, increasing by 775bp from last Friday. The USD index increased by 0.2% to 103.86 from last Friday.

Interest Rate: China Government Bond yields were mixed, US Treasury yields increased

This week, the China Government Bond yields were mixed. The US CPI in January was slightly higher than expectation, driving up US Treasury yields.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance rebounded slightly

From February 13 to February 17, there were 29 new issues with total issued volume of USD1.5 billion, increasing by 50% from last week. Among them, Chengtuo Companies were the main issuers, who issued bonds with a total size of about USD720 million.

Secondary Market: Return on Chinese USD bond decreased

As of February 17, the YTD return on Chinese USD corporate bond index decreased by 57bp to 2.17% from last Friday, of which the return on investment-grade bonds decreased by 41bp to 1.55%, and the return on high-yield bonds decreased by 156bp to 5.76%. In terms of sector indices, the return on financial institutions bonds decreased the least, decreasing by 44bp from last Friday to 1.55%

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

On February 15, CCXAP assigned long-term credit ratings to BDIC.



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Headline: Sales price of commercial residential buildings in China’s first-tier cities rose MoM in January; US CPI in January rose YoY

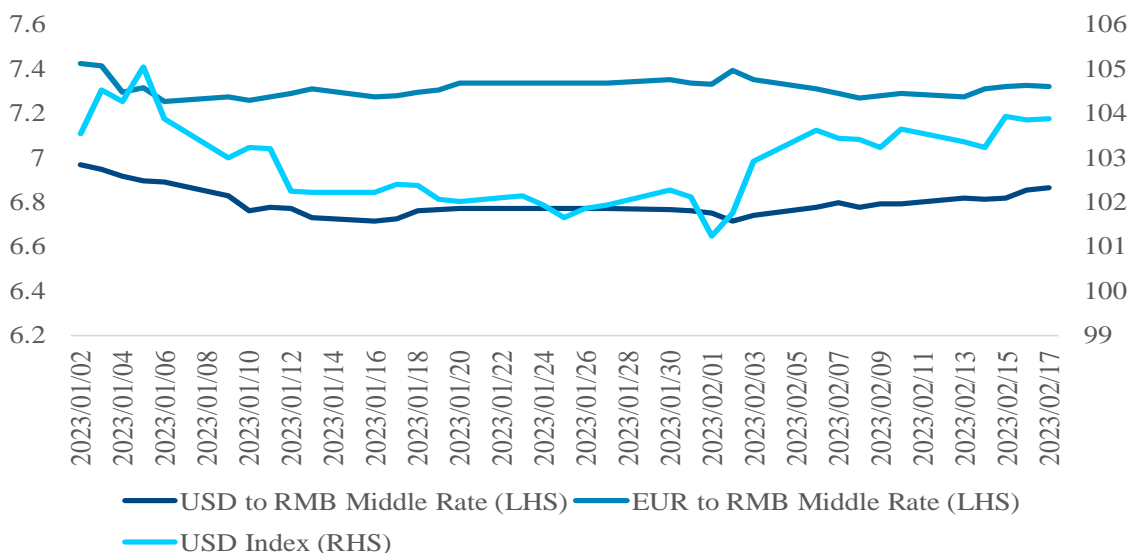
On February 16, the National Bureau of Statistics released data that the sales price of commercial housing in China's first-tier cities rose to 0.2% month-on-month (“MoM”) in January, and the month-on-month decline in second-tier and third-tier cities slowed down. Among 70 large and medium-sized cities, the sales price of newly constructed commercial residential housing and second-hand residential buildings rose in 36 and 13 cities, respectively, an increase of 21 and 6 compared with the previous month. The sales price of commercial residential housings in China's first-tier cities increased by 2.1% year-on-year (“YoY”), while that in second-tier and third-tier cities decreased by 1.1% YoY.

On February 14, the US Department of Labor released data that US CPI rose 6.4% YoY in January, slightly higher than the expected 6.2%, and fell for seven consecutive months. US CPI rose 0.5% MoM in January. Excluding the volatile food and energy prices, the US Core CPI rose 5.6% YoY in January, the lowest level since December 2021, and rose 0.4% MoM. The data showed that inflation in US had weakened to some extent, but inflation in US is still high. Markets expect that the Federal Reserve may continue to raise interest rates in March.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of February 17, the RMB/USD middle rate closed at 6.8659, increasing by 775bp from last Friday; the RMB/EUR middle rate closed at 7.3193, increasing by 307bp from last Friday. The USD index increased by 0.2% to 103.86 from last Friday.

Figure 1: RMB exchange rate

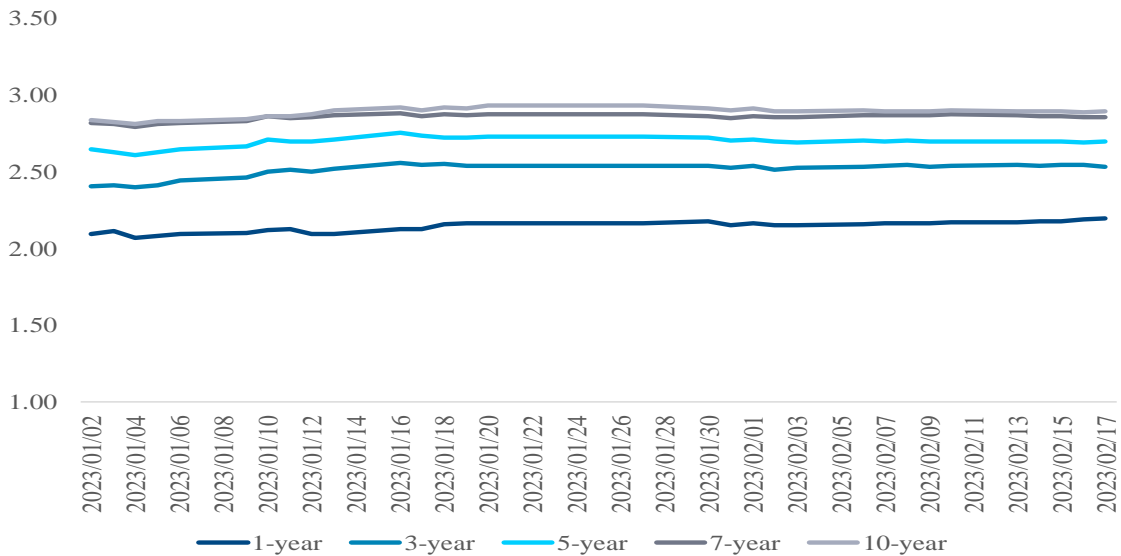


Sources: CCXAP research

Interest Rate: China Government Bond yields were mixed, US Treasury yields increased

This week, the China Government Bond yields were mixed. As of February 17, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1973%, 2.5329%, 2.6976%, 2.8587% and 2.8920%, respectively, increasing by 3bp and decreasing by 1bp, 0bp, 2bp and 1bp from last Friday.

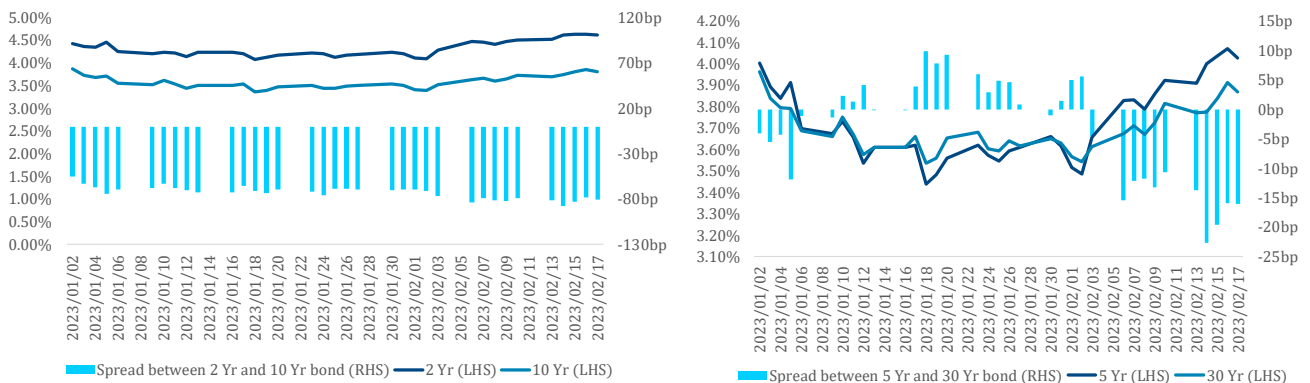
Figure 2: China Government Bond yields



Sources: CCXAP research

The US CPI in January was slightly higher than expectation, driving up US Treasury yields. As of February 10, the 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.6169%, 4.0291%, 3.8148% and 3.8693%, respectively, increasing by 10bp, 11bp, 8bp and 5bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year treasury bonds widened by 2bp to -80.2bp from last Friday, and the spread between 5-year and 30-year treasury bonds widened 5bp to -15.98bp from last Friday.

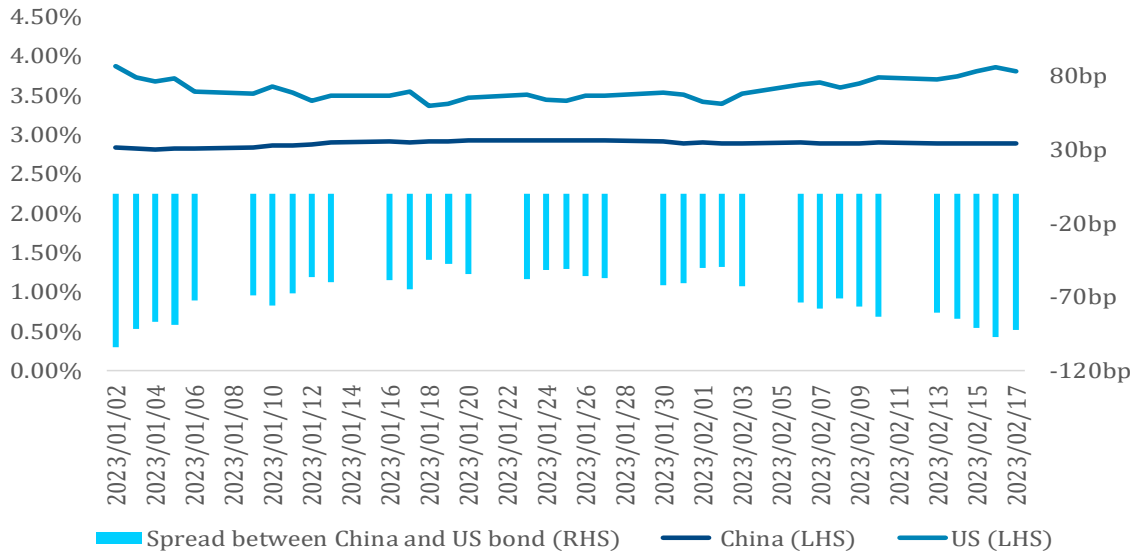
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of February 17, the yield spread between China and US 10-year note was -92.3bp, widening by 9.1bp from last Friday and narrowing by 11.7bp from the beginning of the year.

Figure 4: Yield spread between China and US 10-year note



Sources: CCXAP research

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance rebounded slightly

From February 13 to February 17, there were 29 new issues with total issued volume of USD1.5 billion, increasing by 50% from last week. Among them, Chengtuo Companies were the main issuers, who issued bonds with a total size of about USD720 million.

Table 1: New issuance of Chinese offshore bonds (20230213-20230217)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor (year)	Industry	Issuer Rating (Moody's/S&P / Fitch)	Issue Rating (Moody's/S&P / Fitch)
2023/2/13	Huzhou Economic Development Group Co Ltd	USD	200	7.3	02/16/26	365D	Financials	-/-/-	-/-/-
2023/2/13	Jiangxi Provincial Ganxiang Development Investment Group Co Ltd	CNY	125	4.9	02/14/26	2	Chengtou	-/-/-	-/-/-
2023/2/14	CDB Leasing International Co Ltd	HKD	500	4.85	02/22/24	3	Financials	-/-/-	-/-/-
2023/2/14	CITIC Securities Co Ltd	USD	200	5	02/21/25	64D	Financials	Baa1/BBB+/-	-/-/-
2023/2/14	Hubei Agricultural Valley Industrial Group Co Ltd	CNY	578	4.95	02/21/26	93D	Chengtou	-/-/-	-/-/-
2023/2/14	CITIC Securities International Co Ltd	HKD	3	20.59	05/03/23	275D	Chengtou	-/BBB+/-	-/-/-
2023/2/14	CITIC Securities International Co Ltd	USD	0.2	12	06/01/23	275D	Financials	-/BBB+/-	-/-/-
2023/2/14	CITIC Securities International Co Ltd	USD	0.2	10.99	11/30/23	275D	Financials	-/BBB+/-	-/-/-
2023/2/14	CITIC Securities International Co Ltd	USD	0.2	11.02	11/30/23	93D	Utilities	-/BBB+/-	-/-/-
2023/2/14	CITIC Securities International Co Ltd	USD	0.2	11.24	11/30/23	3	Financials	-/BBB+/-	-/-/-

2023/2/14	CITIC Securities International Co Ltd	USD	0.2	10	06/01/23	3	Real Estate	-/BBB+/-	-/-/-
2023/2/15	Chindata Group Holdings Ltd	USD	300	10.5	02/23/26	174D	Financials	Ba2/-/BBB-	-/-/BBB-
2023/2/15	Sichuan Gloport Investment Development Group Co Ltd	CNY	345	3.8	02/21/26	178D	Consumer Discretionary	-/-/-	-/-/-
2023/2/15	Huatai International Financial Holdings Co Ltd	USD	50	5	08/15/23	3	Financials	-/BBB+/-	-/-/-
2023/2/15	Huatai International Financial Holdings Co Ltd	USD	100	0	08/18/23	189D	Financials	-/BBB+/-	-/-/-
2023/2/15	Guiyang County Rongcheng Holding Group Co Ltd	CNY	258	5	02/20/26	127D	Financials	-/-/-	-/-/-
2023/2/15	CITIC Securities International Co Ltd	USD	0.3	20.56	09/06/23	127D	Real Estate	-/BBB+/-	-/-/-
2023/2/15	CITIC Securities International Co Ltd	USD	0.3	19.77	07/06/23	189D	Real Estate	-/BBB+/-	-/-/-
2023/2/15	CITIC Securities International Co Ltd	USD	3.0	25	07/06/23	127D	Real Estate	-/BBB+/-	-/-/-
2023/2/15	CITIC Securities International Co Ltd	USD	0.3	31.14	09/06/23	1.01	Financials	-/BBB+/-	-/-/-
2023/2/15	CITIC Securities International Co Ltd	USD	3	25	07/06/23	364D	Financials	-/BBB+/-	-/-/-
2023/2/15	CITIC Securities International Co Ltd	USD	0.3	0	03/05/24	3	Financials	-/BBB+/-	-/-/-
2023/2/15	GF Holdings Hong Kong Corp Ltd	USD	16.5	0	02/16/24	3	Real Estate	-/-/-	-/-/-
2023/2/16	HuaiBei Public Utility Assets Operation Co Ltd	CNY	640	3.78	02/23/26	3	Real Estate	-/-/-	-/-/-
2023/2/16	Taian Guotai Minan Investment Group Co Ltd	USD	50	6.8	02/21/26	3	Banks	-/-/-	-/-/-
2023/2/16	Taian Guotai Minan Investment Group Co Ltd	USD	47	7	02/21/26	364D	Utilities	-/-/-	-/-/-
2023/2/16	Gaoyou City Construction Investment Development Group Co Ltd	EUR	75	4.6	02/23/26	3	Consumer Discretionary	-/-/-	-/-/-
2023/2/16	CDB Leasing International Co Ltd	USD	40	5.75	02/22/24	3	Financials	-/-/-	-/-/-
2023/2/17	Xiangshan Country Binhai Investment Co Ltd	CNY	372	5.8	02/21/26	3	Real Estate	-/-/-	-/-/-

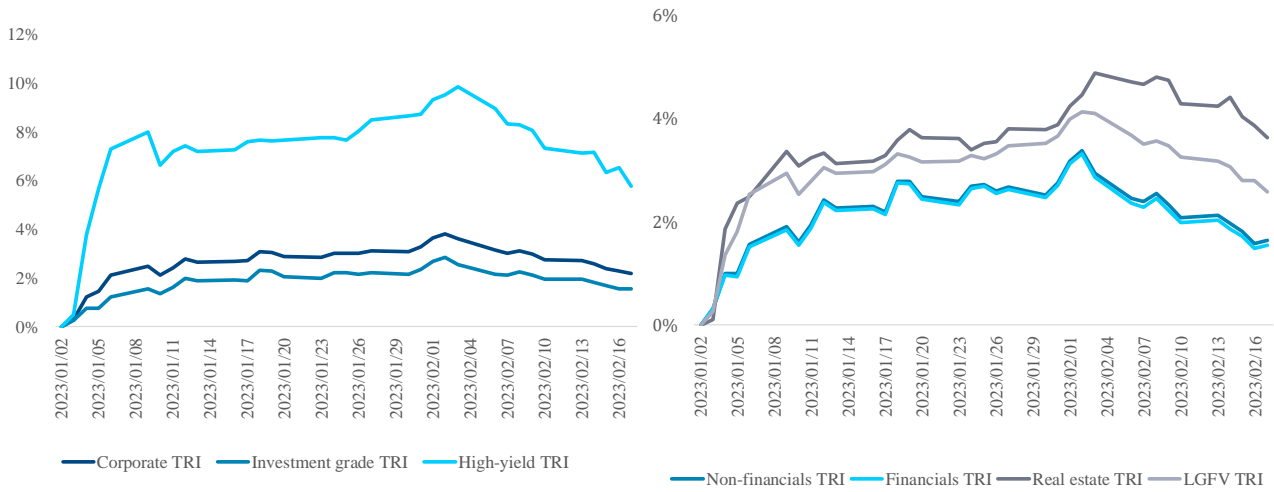
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of February 17, the YTD return¹ on Chinese USD corporate bond index decreased by 57bp to 2.17% from last Friday, of which the return on investment-grade bonds decreased by 41bp to 1.55%, and the return on high-yield bonds decreased by 156bp to 5.76%. In terms of sector indices, the return on financial institutions bonds decreased the least, decreasing by 44bp from last Friday to 1.55%; the returns on non-financial, real estate and Chengtou bonds were 1.64%, 3.63% and 2.59%, respectively, decreasing by 45bp, 65bp and 67bp from last Friday, respectively.

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

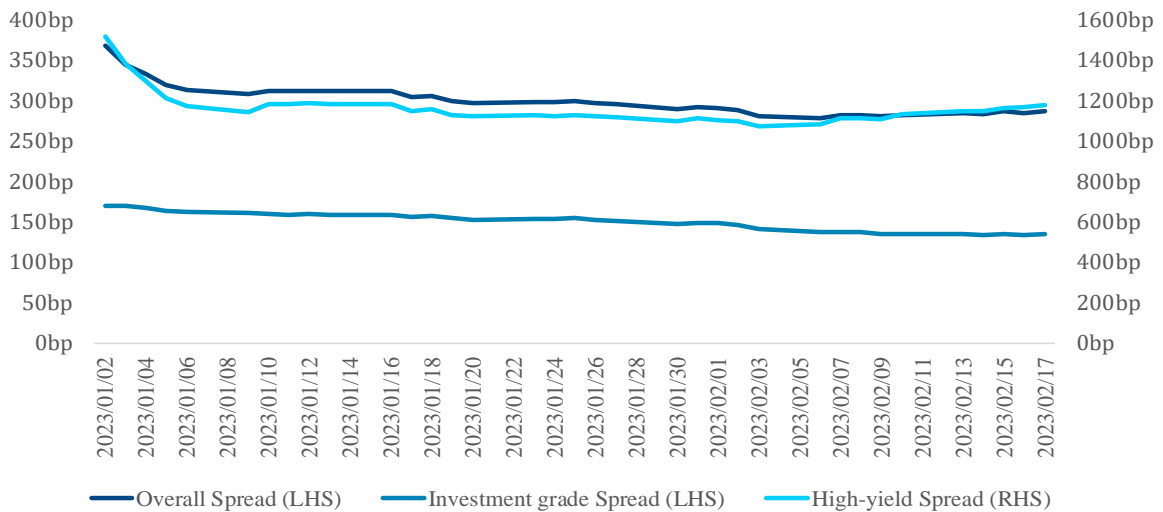
Figure 5: YTD return on Markit IBBox Chinese USD bond index



Sources: CCXAP research

As of February 17, the yield spread of Chinese dollar bonds increased by 4.1bp to 286.45bp from last Friday. The yield spread of investment-grade bonds increased slightly by 0.6bp to 135.10bp, and the spread of high-yield bonds increased by 48.0bp to 1179.07bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from February 13 to February 17 are shown in the table below. Among them, China Huarong International Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230213-20230217)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
HRINTH 2 ½ 02/24/23	China Huarong International Holdings Ltd	99.583	0.01	76.93	9.9M

HRINTH Float 02/24/23	China Huarong International Holdings Ltd	99.792	0.01	42.737	6.2M
CHGRAU 9.109 PERP	China Grand Automotive Services Group Co Ltd	48.848	perpetuals	541.609	5.4M
BEIPRO 5.95 02/27/23	Beijing Properties Holdings Ltd	99.592	0.02	34.47	3.2M
LVGEM 12 03/10/23	LVGEM (China) Real Estate Investment Company Limited	91.362	0.05	190.943	2.7M
FRESHK 4 ¾ 02/27/23	Far East Horizon Ltd	99.787	0.02	19.341	2.2M
FUTLAN 6.15 04/15/23	Seazen Group Limited	96.705	0.15	28.856	1.2M
KWGPRO 7 ¾ 08/30/24	KWG Group Holdings Ltd	43.923	1.52	108.388	856.8
KWGPRO 7.4 03/05/24	KWG Group Holdings Ltd	44.437	1.04	109.468	736.3
KWGPRO 7 ¾ 11/10/24	KWG Group Holdings Ltd	36.11	1.72	80.708	428.7

Sources: CCXAP research

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

On February 15, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g- to Baoying Development Investment Co., Ltd. (“BDIC”), with stable outlook.

Table 3: Credit rating from CCXAP (202302013-20230217)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/2/15	BDIC	BBB _g -	-	The credit rating is underpinned by Company’s (1) key role as the primary platform for infrastructure construction in Baoying Economic and Technological Development Zone (“Baoying ETDZ”); and (2) track record of receiving government payment. However, the rating is constrained by Company’s (1) insufficient project reserves for its infrastructure construction; (2) moderate asset liquidity arising from large amount of receivables; and (3) medium risk of contingent liabilities for the external guarantee.

Sources: CCXAP research

From February 13 to February 17, international rating agencies took 4 negative actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230213-20230217)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	China Grand Automotive Services Group Co Ltd	Consumer Discretionary	CCC+	-	2023/2/16	B-	NEG	2022/10/24	Fitch	Tightening liquidity and an inability to significantly deleverage
	VNET Group Inc.	Communications	B2	RWN	2023/2/17	B2	NEG	2023/1/19	Moody's	Change of control risk as a result of concentrated voting rights

China SCE Group Holdings Ltd	Real Estate	B3	NEG	2023/2/17	B2	NEG	2022/9/9	Moody's	Worsening liquidity
Kunming Rail Transit Group Co Ltd	Chengtou	BBB+	RWN	2023/2/17	BBB+	NEG	2022/12/2	Moody's	The willingness of local governments to support is unclear

Sources: CCXAP research

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