

2023 Issue 7

From February 20 to February 24

Chinese offshore bond issuance rebounded; return on Chinese USD bond continued to decrease

Headline: The actual use of foreign capital in China rose YoY in January; US PCE price index in January rose YoY

In January, the actual use of foreign capital in China was RMB127.69 billion, YoY increase of 14.5%. The US PCE price index rose by 5.4% YoY in January, with expectation of 5% and previous value of 5%.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of February 24, the RMB/USD middle rate closed at 6.8942, increasing by 283bp from last Friday. The USD index increased by 1.3% to 105.214 from last Friday.

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

This week, the China Government Bond yields increased. The minutes of the Fed's February meeting reiterated its tough stance against inflation and the US PCE in January was higher than expectation, driving up US Treasury yields.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance rebounded

From February 20 to February 24, there were 26 new issues with total issued volume of USD4.2 billion, increasing by 282% from last week. Among them, Financial Institutions were the main issuers, who issued bonds with a total size of about USD3.6 billion.

Secondary Market: Return on Chinese USD bond decreased

As of February 24, the YTD return on Chinese USD corporate bond index decreased by 22bp to 1.95% from last Friday, of which the return on investment-grade bonds decreased by 40bp to 1.15%, and the return on high-yield bonds increased by 85bp to 6.61%. In terms of sector indices, the return on real estate bonds recorded an increase, increasing by 39bp from last Friday to 4.02%

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

On February 20, CCXAP assigned long-term credit ratings to CNWG.



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Headline: The actual use of foreign capital in China rose YoY in January; US PCE price index in January rose YoY

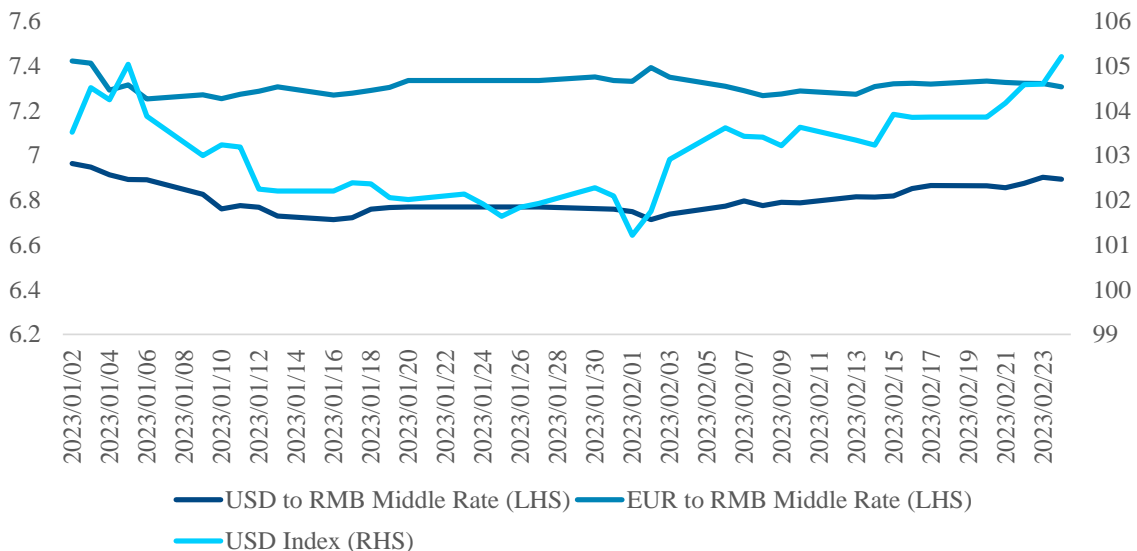
On February 20, the latest data from Ministry of Commerce of China showed that China's actual use of foreign capital in January was RMB127.69 billion, a year-on-year (“YoY”) increase of 14.5% (equivalent to USD19.02 billion, an increase of 10%). At the same time, the actual use of foreign capitals in the manufacturing industry, high-tech industry, high-tech manufacturing industry and high-tech service industry increased by 40.4%, 62.8%, 74.5%, 59.6% respectively. As to regional distribution, the actual use of foreign capital in the eastern, central and western regions of China increased by 13.4%, 25.9% and 21.6% respectively in January.

On February 24, the latest data from the US Department of Commerce showed that the US PCE price index rose by 5.4% YoY in January, with the expectation of 5% and the previous value of 5%. After excluding volatile food and energy prices, the core PCE price index rose by 4.7% YoY in January, with an expectation of 4.3% and a previous value of 4.6%. Consumer spending recorded the largest increase since 2021. After data release, the market believes that the risk of a 50-basis point rate hike at the Federal Reserve meeting next month is on the rise.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of February 24, the RMB/USD middle rate closed at 6.8942, increasing by 283bp from last Friday; the RMB/EUR middle rate closed at 7.307, decreasing by 123bp from last Friday. The USD index increased by 1.3% to 105.214 from last Friday.

Figure 1: RMB exchange rate

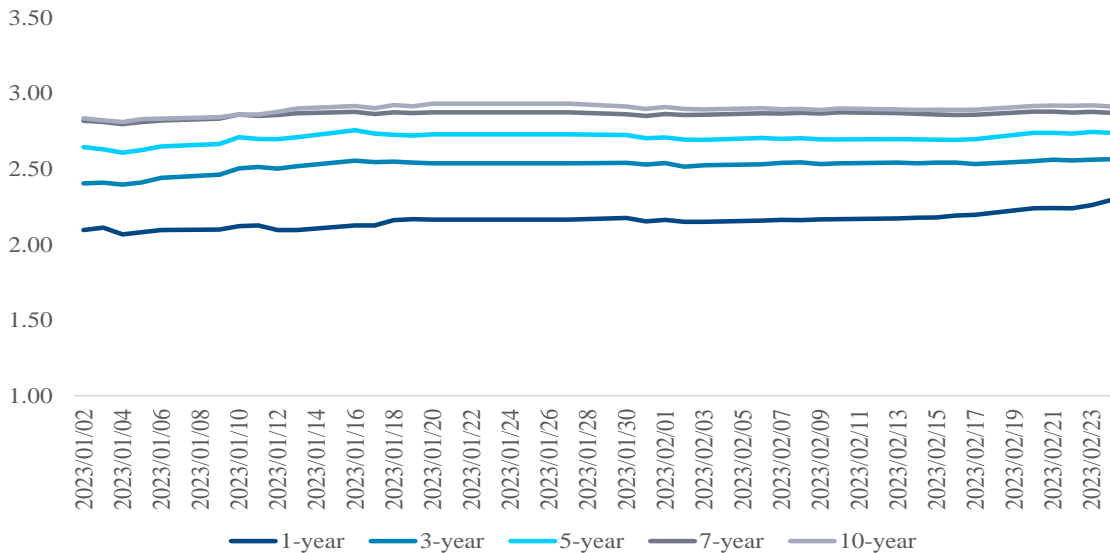


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of February 24, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.2948%, 2.5647%, 2.7395%, 2.8712% and 2.9126%, respectively, increasing by 10bp, 3bp, 4bp, 1bp and 2bp from last Friday.

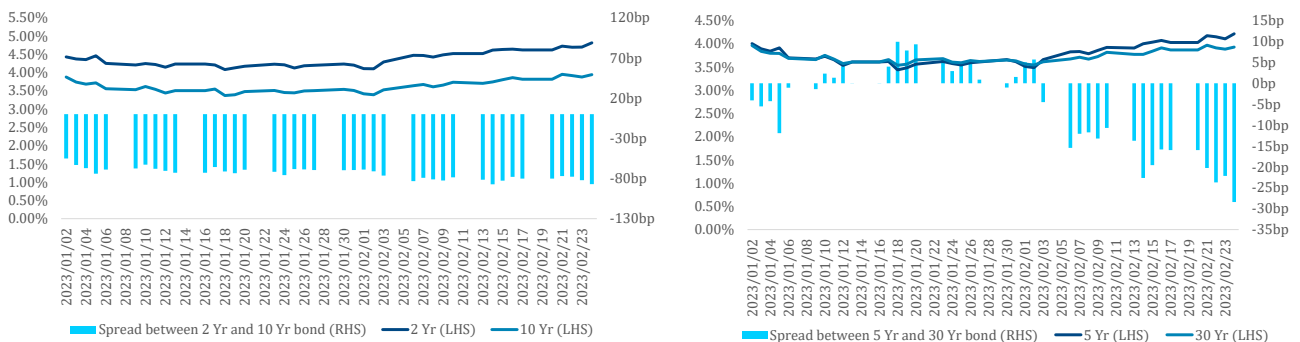
Figure 2: China Government Bond yields



Sources: CCXAP research

The minutes of the Fed's February meeting reiterated its tough stance against inflation and the US PCE in January was higher than expectation, driving up US Treasury yields. As of February 24, the 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.8136%, 4.2152%, 3.9432% and 3.9309%, respectively, increasing by 20bp, 19bp, 13bp and 6bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year treasury bonds widened by 7bp to -87.0bp from last Friday, and the spread between 5-year and 30-year treasury bonds widened 12bp to -28.43bp from last Friday.

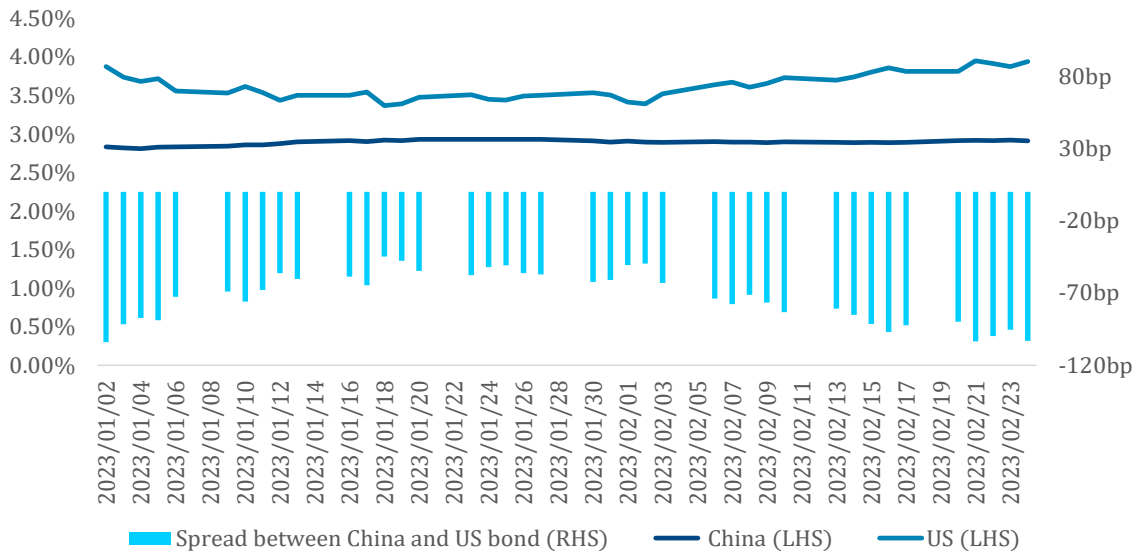
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of February 24, the yield spread between China and US 10-year note was -103.1bp, widening by 10.8bp from last Friday and narrowing by 0.9bp 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 increased

From February 20 to February 24, there were 26 new issues with total issued volume of USD4.2 billion, increasing by 282% from last week. Among them, Financial Institutions were the main issuers, who issued bonds with a total size of about USD3.6 billion.

Table 1: New issuance of Chinese offshore bonds (20230220-20230224)

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)
2023/2/20	Huzhou Wuxing Transportation Tourism Investment Development Group Co Ltd	CNY	350	4.2	2026/2/27	3	Chengtou	-/-	-/-
2023/2/21	Bank of China Ltd/Macau	CNY	34.4	1.3	2025/9/28	3	Banks	A1/A/A	-/-/A
2023/2/21	Bank of Communications Co Ltd/Hong Kong	CNY	3800	2.97	2025/2/28	2	Banks	A2/A-/A	A2/-/-
2023/2/21	Bank of Communications Co Ltd/Hong Kong	HKD	2700	4.5	2025/2/28	2	Banks	A2/A-/A	A2/-/-
2023/2/21	Bank of Communications Co Ltd/Hong Kong	USD	600	4.875	2026/2/28	3	Banks	A2/A-/A	A2/-/-
2023/2/21	CITIC Securities International Co Ltd	HKD	5	22.15	2023/4/13	37D	Financials	-/BBB+/-	-/-/-
2023/2/21	CITIC Securities International Co Ltd	USD	0.2	12	2023/6/30	122D	Financials	-/BBB+/-	-/-/-
2023/2/21	CITIC Securities International Co Ltd	USD	0.2	12	2023/6/30	122D	Financials	-/BBB+/-	-/-/-
2023/2/21	CITIC Securities International Co Ltd	USD	0.3	12	2023/7/11	126D	Financials	-/BBB+/-	-/-/-
2023/2/21	Ganzhou Urban Investment Holding Group Co Ltd	USD	62	5.898	2026/1/24	3	Chengtou	-/-/BBB-	-/-/BBB-

2023/2/21	Ganzhou Urban Investment Holding Group Co Ltd	USD	160	7.7	2026/2/24	3	Chengtou	-/-/BBB-	-/-/BBB-
2023/2/21	Kunming Industrial Development & Investment Co Ltd	USD	220	9.8	2025/2/24	2	Chengtou	-/-/BB	-/-/-
2023/2/21	Taizhou Huangyan Economic Development Group Co Ltd	CNY	210	4	2026/2/28	3	Chengtou	-/-/-	-/-/-
2023/2/22	Bank of China Ltd/Macau	CNY	36.8	0.48	2025/11/25	3	Banks	A1/A/A	-/-/A
2023/2/22	China International Capital Corp Ltd	USD	1250	5.493	2026/3/1	3	Financials	Baa1/BBB+/BBB+	-/-/BBB+
2023/2/22	CMB Financial Leasing Co Ltd	USD	60	SOFR+	2024/2/27	364D	Financials	A3/BBB+/-	-/-/-
2023/2/22	Xinchang County Transportation Investment Group Co Ltd	CNY	680	3.9	2026/2/28	3	Chengtou	-/-/-	-/-/-
2023/2/23	China Everbright Bank Co Ltd/Hong Kong	USD	400	4.994	2026/3/2	3	Banks	Baa2/BBB+/BBB	-/BBB+/-
2023/2/23	CITIC Securities International Co Ltd	USD	0.2	21.44	2023/6/13	96D	Financials	-/BBB+/-	-/-/-
2023/2/23	CITIC Securities International Co Ltd	USD	0.2	8	2023/7/12	125D	Financials	-/BBB+/-	-/-/-
2023/2/23	CITIC Securities International Co Ltd	USD	0.2	12	2023/7/12	125D	Financials	-/BBB+/-	-/-/-
2023/2/23	CITIC Securities International Co Ltd	USD	0.2	12.09	2023/9/13	188D	Financials	-/BBB+/-	-/-/-
2023/2/23	CITIC Securities International Co Ltd	USD	0.2	12.35	2023/12/13	279D	Financials	-/BBB+/-	-/-/-
2023/2/23	CMB Financial Leasing Co Ltd	USD	145	SOFR+	2023/8/29	182D	Financials	A3/BBB+/-	-/-/-
2023/2/23	CMB Financial Leasing Co Ltd	USD	200	SOFR+	2023/9/1	183D	Financials	A3/BBB+/-	-/-/-
2023/2/24	Dongtai Chengxing Investment Development Co Ltd	EUR	37	4.6	2026/3/3	3	Chengtou	-/-/-	-/-/-

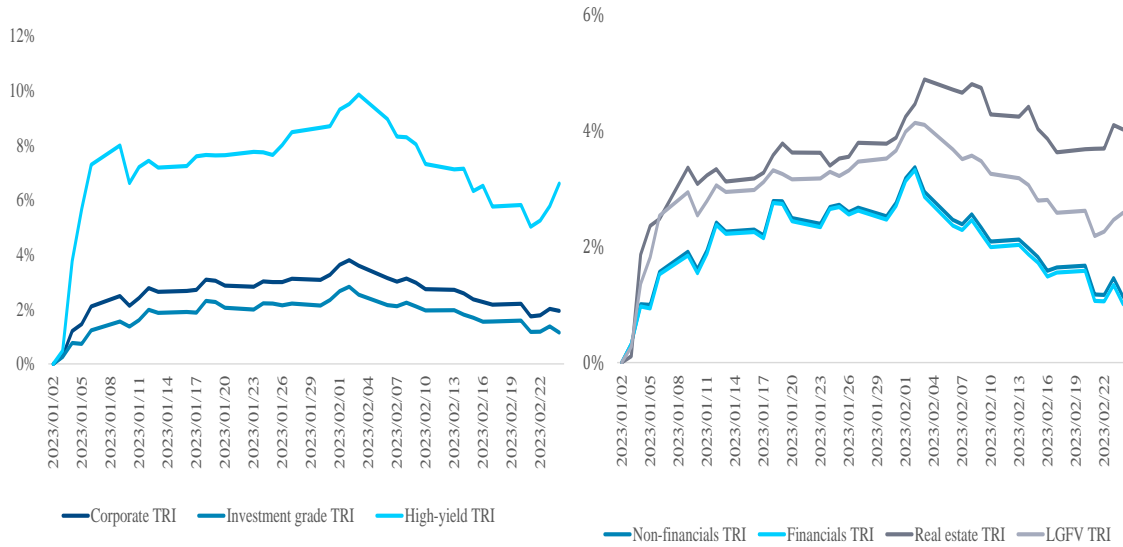
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of February 24, the YTD return¹ on Chinese USD corporate bond index decreased by 22bp to 1.95% from last Friday, of which the return on investment-grade bonds decreased by 40bp to 1.15%, while the return on high-yield bonds increased by 85bp to 6.61%. In terms of sector indices, the return on real estate bonds recorded an increase, rising by 39bp from last Friday to 4.02%; the returns on non-financial and financial bonds were 1.13% and 1.01%, respectively, decreasing by 51bp and 55bp from last Friday, respectively. The return on Chengtou bonds remained at 2.59%.

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

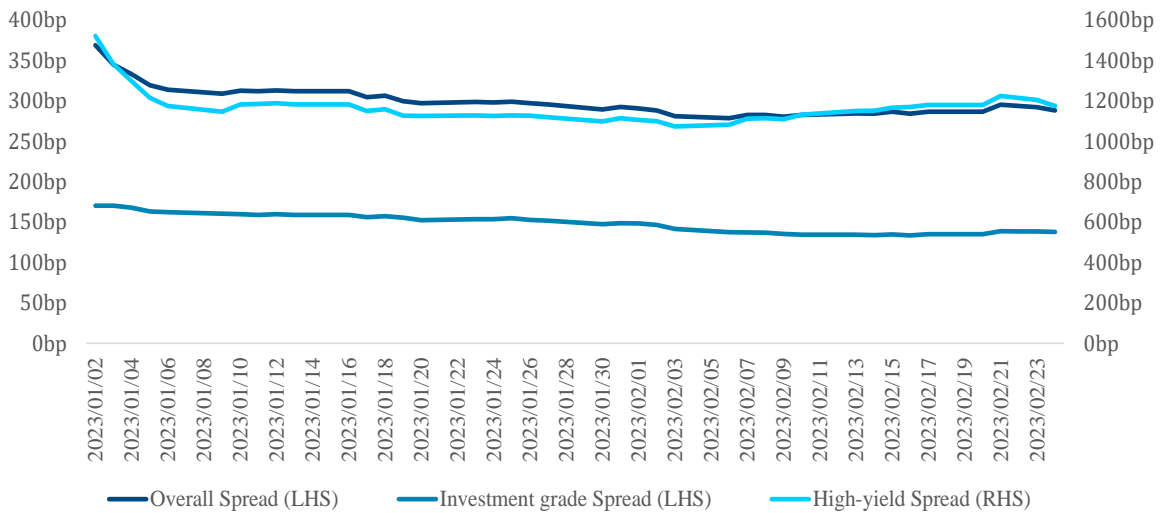
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of February 24, the yield spread of Chinese dollar bonds increased by 1.5bp to 287.94bp from last Friday. The yield spread of investment-grade bonds increased slightly by 2.6bp to 137.67bp, and the spread of high-yield bonds decreased by 5bp to 1174.08bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from February 20 to February 24 are shown in the table below. Among them, Greenland Holding Group Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230220-20230224)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
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GRNLGR 5 ¾ 07/03/26	Greenland Holding Group Co., Ltd.	47.2	3.34	34.148	2.9M
SINOCE 6 07/30/24	Sino-Ocean Group Holding Limited	83.664	1.42	19.709	1.5M
COGARD 5 ¾ 12/15/26	Country Garden Holdings Co Ltd	63.225	3.79	19.855	1.5M
SINOCE 5.95 02/04/27	Sino-Ocean Group Holding Limited	70.742	3.93	16.313	1.1M
DALWAN 7 ¼ 01/29/24	Dalian Wanda Group Co., Ltd.	94.747	0.92	13.497	815.1
FOSUNI 5 ½ 08/17/23	Fosun International Limited	98.068	0.47	9.788	579.9
LIHKK 4 ½ 06/26/25	Lifestyle International Group Ltd.	89.697	2.32	9.534	427.7
CQNANA 4 ½ 08/17/26	Chongqing Nan'An District Urban Construction Development (Group) Co., Ltd.	87.027	3.47	8.93	422.2
HRINTH 4 ¾ 06/03/26	China Huarong Asset Management Co., Ltd.	88.764	3.26	8.645	405.5
HRINTH 5 ½ 01/16/25	China Huarong Asset Management Co., Ltd.	95.01	1.88	8.414	404.4

Sources: CCXAP research

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

On February 20, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BB_g+ to Chongqing Nanzhou Water Group Co., Ltd. (“CNWG”), with stable outlook.

Table 3: Credit rating from CCXAP (20230220-20230224)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/2/20	CNWG+	BB _g +	-	The credit rating is underpinned by Company’s (1) important role as the sole water conservancy construction entity in Qijiang District; and (2) large amount of project reserves in water conservancy construction. However, the rating is constrained by Company’s (1) moderate exposure to commercial activities; (2) rapid debt growth and low asset liquidity; (3) limited financing flexibility with high investment pressure; and (4) weak regional fiscal income limiting government payments.

Sources: CCXAP research

From February 20 to February 24, international rating agencies took 3 positive actions on Chinese issuers while took 4 negative actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230220-20230224)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
upgrade	Sunshine Life Insurance Corporation Limited	Financial	BBB+	STABLE	2023/2/20	BBB+	NEG	2022/2/28	Fitch	strengthening in consolidated risk-based capitalization
	China Baowu Steel Group Corporation Limited Baoshan Iron & Steel Co. Ltd.	Materials	A+	STABLE	2023/2/20	A	POS	2022/2/22	Fitch	improving diversification and financial profile
	Baosteel Resources International Company Limited	Materials	A	STABLE	2023/2/20	A-	POS	2022/2/22	Fitch	upgrade of rating of parent Company

Downgrade

Tianjin Rail Transit Group Co., Ltd	Chengtou	BBB+	NEG	2023/2/20	BBB+	STABLE	2021/4/14	Fitch	revision of Fitch's internal assessment of the creditworthiness of the Tianjin municipal government
Hainan State Farms Investment Holdings Group Co., Ltd.	Financial	Baa2	NEG	2023/2/20	Baa2	RWE	2022/11/23	Moody's	increased debt leverage
Qingdao Jimo District Urban Development Investment Co.,Ltd.	Chengtou	BBB-	RWN	2023/2/22	BBB-	STABLE	2022/7/22	Fitch	Jimo district's ability to support weaken
Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd	Chengtou	BBB-	NEG	2023/2/24	BBB-	STABLE	2021/3/4	Fitch	negative outlook on Qingdao municipality

Sources: CCXAP research

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