

### 2023 Issue 9 From March 6 to March 10

#### Chinese offshore bond new issuance decreased; return on Chinese USD bond rose

#### Headline: China's social financing and RMB loans both fell in February, and the US non-farm payroll data beat expectations in February

In February, both China's social financing and RMB loans fell, and the M2-M1 scissors gap widened. US non-farm payroll increased by 311,000 in February, compared with expectation of 225,000.

#### Exchange Rate: RMB continued to depreciate, USD index increased slightly

This week, RMB continued to depreciate. As of March 10, the RMB/USD middle rate closed at 6.9655, increasing by 538bp from last Friday. The USD index slightly increased by 0.1% to 104.576 from last Friday.

#### Interest Rate: China Government Bond yields and US Treasury yields decreased

This week, Chinese government bond yields fell. US Treasury yields decreased amid higher-than-expected US non-farm payroll data in February.

#### Chinese Offshore Bond Market

##### Primary Market: Chinese offshore bond new issuance decreased

From March 6 to March 10, there were 62 new issues with total issued volume of USD1.3 billion, decreasing by 72.0% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD0.8 billion.

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

As of March 10, the YTD return on Chinese USD corporate bond index increased by 45bp to 2.53% from last Friday, of which the return on investment-grade bonds increased by 65bp to 1.89%, and the return on high-yield bonds decreased by 70bp to 6.24%.

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

CCXAP assigned long-term credit ratings to JHIH, CYAM, Putuo Construction and JHHG.



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## Headline: China's social financing and RMB loans both fell in February, and US non-farm payroll data beat expectations in February

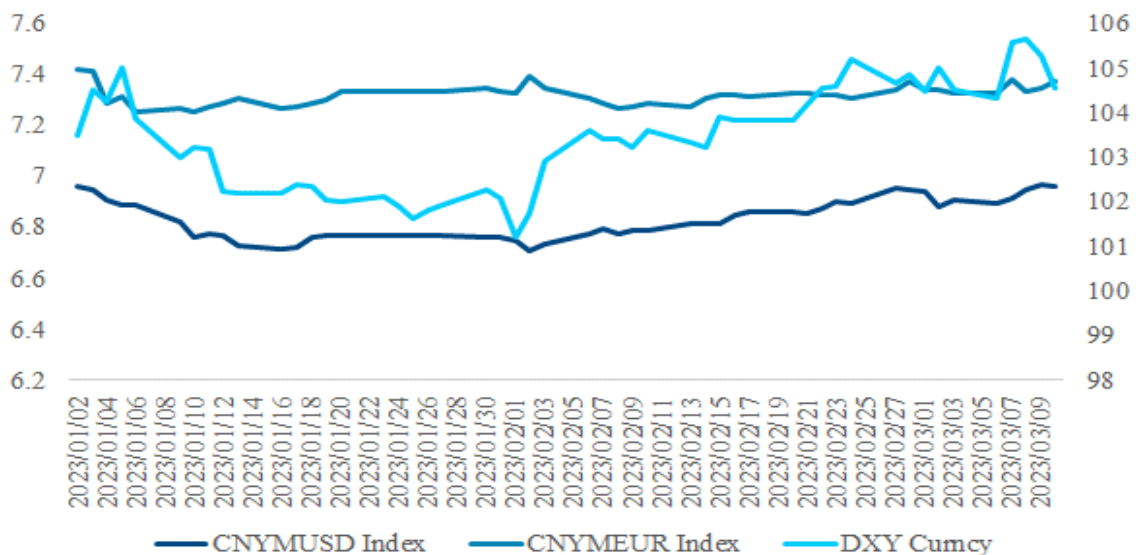
On March 10, data released by the People's Bank of China showed that, compared with January, China's new social financing and new RMB loans in February both decreased. The M2-M1 scissors gap widened. In February, the social financing scale was RMB353.97 trillion, increasing by 9.9% YoY, and the previous value was RMB350.93 trillion. RMB loans increased by RMB1.81 trillion, increasing by RMB592.8 billion YoY, and the previous value was RMB4.9 trillion. M2 balance is RMB275.52 trillion, a YoY increase of 12.9%, and M1 balance was RMB65.79 trillion, a YoY increase of 5.8%. The M2-M1 scissors gap was 7.1%, slightly wider than the previous value of 5.9%.

On March 10, data released by the US Department of Labor showed that non-farm employment increased by 311,000 in February, compared with the expected value of 225,000. The increase of 517,000 in January was revised down to 504,000. Unemployment rate rose to 3.6% in February. The expected value and previous value were 3.4%, lowest since 1969. The average hourly wages in February increased by 4.6%, with expected value of 4.8% and the previous value of 4.4%. The average hourly wages in February increased by 0.24%, lowest value in one year.

## Exchange Rate: RMB continued to depreciate, USD index increased slightly

This week, RMB continued to depreciate. As of March 10, the RMB/USD middle rate closed at 6.9655, increasing by 538bp from last Friday; the RMB/EUR middle rate closed at 7.3738, increasing by 471bp from last Friday. The USD index slightly increased by 0.1% to 104.576 from last Friday.

Figure 1: RMB exchange rate

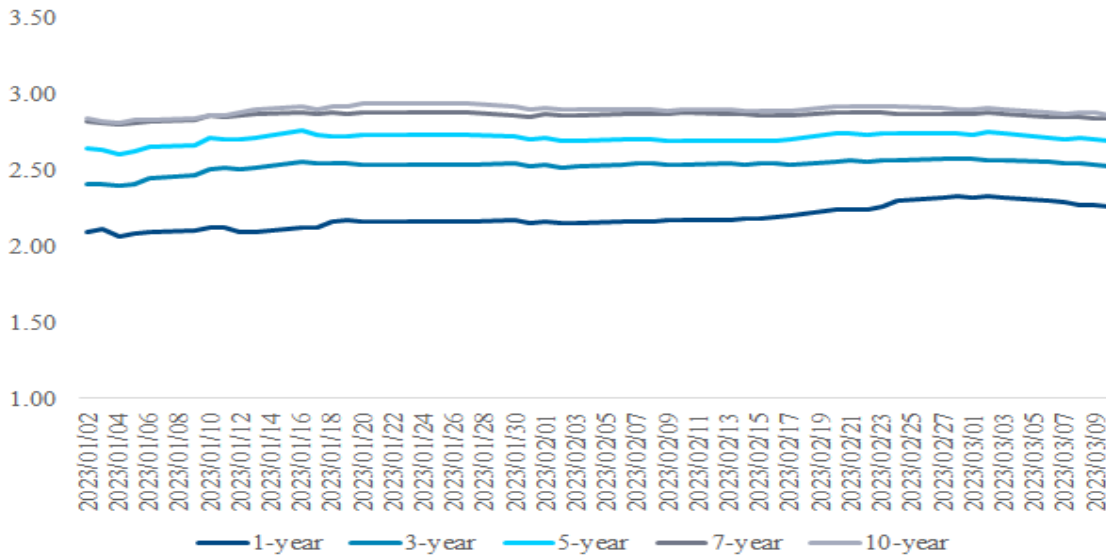


Sources: CCXAP research

## Interest Rate: China Government Bond yields and US Treasury yields decreased

This week, the China Government Bond yields fell. As of March 10, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.2630%, 2.5239%, 2.6955%, 2.8365% and 2.8627% respectively, narrowing by 6bp, 4bp, 4bp, 4bp and 4bp from last Friday.

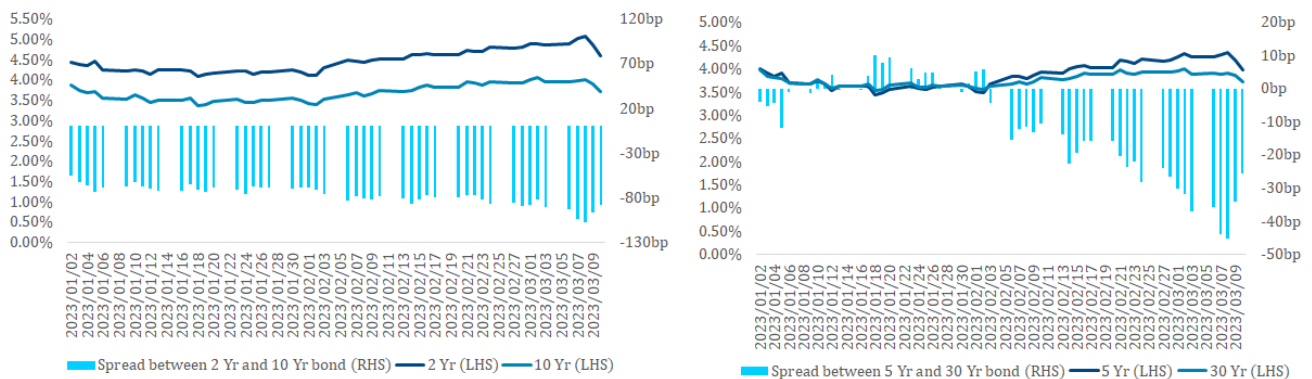
Figure 2: China Government Bond yields



Sources: CCXAP research

US Treasury yields decreased amid higher-than-expected US non-farm payroll data in February. As of March 10, 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.5862%, 3.9647%, 3.6987% and 3.7065%, decreasing by 27bp, 28bp, 25bp and 17bp from last Friday, respectively. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 2bp to -88.8bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 11bp to -25.82bp from last Friday.

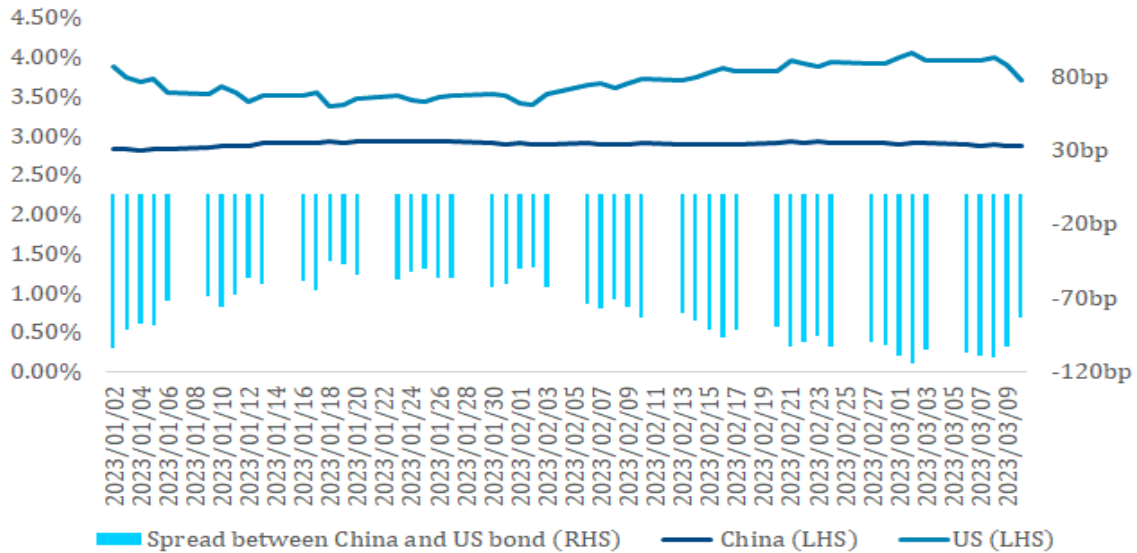
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of March 10, the yield spread between China and US 10-year note was -83.6bp, narrowing by 21.3bp from last Friday and narrowing by 20.4bp 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 March 6 to March 10, there were 62 new issues with total issued volume of USD1.3 billion, decreasing by 72.0% from last week. Among them, Chengtou companies were the main issuers, who issued bonds with a total size of about USD0.8 billion.

**Table 1: New issuance of Chinese offshore bonds (20230306-20230310)**

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)
2023/3/6	CITIC Securities International Co Ltd	HKD	2.2	12	2023/7/24	126D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	HKD	2.2	12	2023/4/24	35D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	HKD	2.2	12	2023/6/23	95D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.7	12	2023/6/24	96D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.2	12	2023/7/24	126D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.2	12	2023/7/24	126D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.4	12	2023/7/24	126D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	1	15	2023/7/24	126D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.3	22.38	2023/7/24	126D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.2	10.95	2023/12/22	277D	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.2	11.81	2024/3/22	1	Financials	-/BBB+/-	-/-/-
2023/3/6	CITIC Securities International Co Ltd	USD	0.2	11.83	2024/3/22	1	Financials	-/BBB+/-	-/-/-
2023/3/6	Guotai Junan International Holdings Ltd	CNY	500	3.35	2026/3/10	3	Financials	Baa1/-/-	-/-/-
2023/3/6	Huatai International Finance Ltd	USD	100	0	2023/9/12	186D	Financials	-/BBB+/-	-/-/-
2023/3/6	TF International Securities Group Ltd	USD	7	6.25	2023/6/7	89D	Financials	-/-/-	-/-/-
2023/3/6	Tieling Public Assets Investment &	CNY	1050	7.8	2026/3/7	3	Chengtou	-/-/-	-/-/-

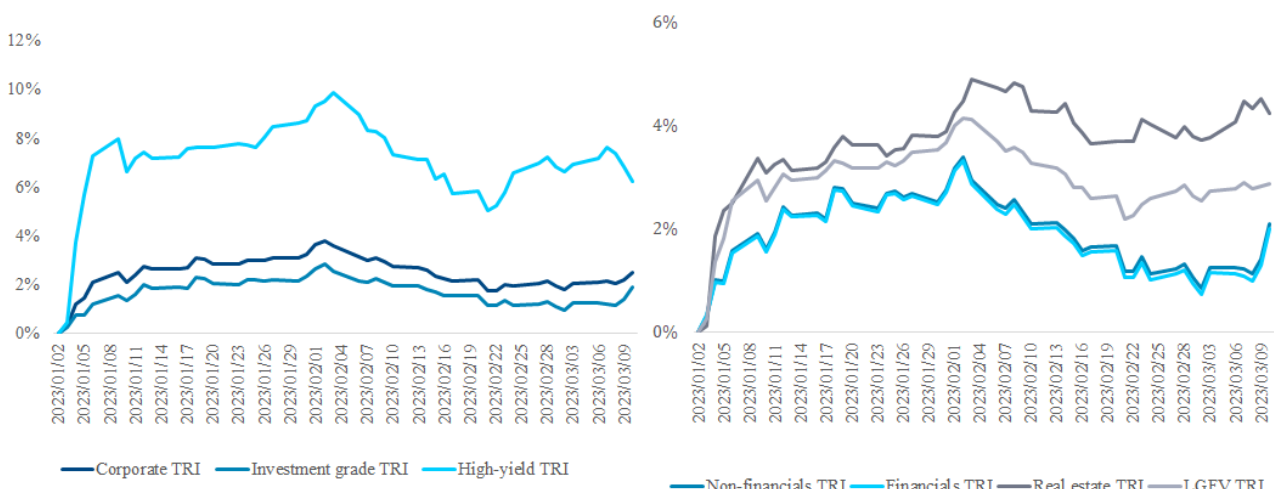
	Management Group Co Ltd								
2023/3/7	CDB Leasing International Co Ltd	USD	25	5.77	2024/4/12	1	Financials	-/-/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	HKD	2.2	12	2023/6/23	95D	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	1	21.12	2023/06/23	94D	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	0.3	12	2023/07/25	126D	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	0.2	10.8	2023/12/26	280D	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	0.2	10.92	2023/12/26	280D	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	0.2	11.47	2024/3/25	1	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	0.2	11.51	2024/3/25	1	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	0.5	15	2024/3/25	1	Financials	-/BBB+/-	-/-/-
2023/3/7	CITIC Securities International Co Ltd	USD	0.4	15	2024/07/25	1	Financials	-/BBB+/-	-/-/-
2023/3/7	Fujian Jinjiang Urban Construction Investment Development Group Co Ltd	USD	158	6.68	2024/3/8	364D	Chengtou	-/-/-	-/-/-
2023/3/7	Haining City Development Investment Group Co Ltd	CNY	1700	4.3	2026/3/10	3	Chengtou	-/-/-	-/-/-
2023/3/7	TF International Securities Group Ltd	USD	10	5.46	2023/4/11	33D	Financials	-/-/-	-/-/-
2023/3/7	Xingguo City Holdings Industrial Development Group Co Ltd	CNY	205	4.8	2026/3/9	3	Chengtou	-/-/-	-/-/-
2023/3/8	Bocom Leasing Management Hong Kong Co Ltd	USD	50	5.5	2024/03/13	364D	Financials	A3/A-/A	-/-/-
2023/3/8	Bocom Leasing Management Hong Kong Co Ltd	USD	55	5.55	2024/3/13	364D	Financials	A3/A-/A	-/-/-
2023/3/8	CDB Leasing International Co Ltd	HKD	264.2	4.7	2024/2/21	343D	Financials	-/-/-	-/-/-
2023/3/8	CDB Leasing International Co Ltd	USD	30	5.75	2024/3/15	1	Financials	-/-/-	-/-/-
2023/3/8	Chenzhou Industry Investment Group Co Ltd	CNY	875	4	2026/3/13	3	Chengtou	-/-/-	-/-/-
2023/3/8	China Securities International Finance Holding Co Ltd	USD	0.8	5.5	2024/3/13	1	Financials	-/-/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	HKD	1.8	20	2023/7/26	126D	Financials	-/BBB+/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	USD	0.2	9.12	2023/6/26	96D	Financials	-/BBB+/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	USD	2	33.84	2023/6/26	96D	Financials	-/BBB+/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	USD	0.3	18	2023/7/26	126D	Financials	-/BBB+/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	USD	0.3	15	2023/9/26	188D	Financials	-/BBB+/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	USD	1	15	2023/9/26	188D	Financials	-/BBB+/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	USD	0.2	11.22	2023/12/27	280D	Financials	-/BBB+/-	-/-/-
2023/3/8	CITIC Securities International Co Ltd	USD	0.2	11.62	2024/3/25	1	Financials	-/BBB+/-	-/-/-
2023/3/8	Wuxi Chengkai Industrial Development Group Co Ltd	CNY	660	4.28	2026/3/14	3	Chengtou	-/-/-	-/-/-
2023/3/8	Yancheng Dafeng Haicheng Industrial Development Co Ltd	EUR	24	4.6	2026/3/14	3	Chengtou	-/-/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	CNY	13	0	2023/7/27	4	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	CNY	52	0	2023/7/27	4	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	HKD	3.5	15	2023/7/26	125D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	HKD	3.5	15	2023/7/26	125D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	HKD	3.5	15	2023/7/26	125D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	HKD	1.8	21.11	2023/7/26	125D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	HKD	1.8	24.65	2023/7/26	125D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	USD	0.4	12	2023/7/26	125D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	USD	0.3	15	2023/7/26	125D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	USD	1	16	2023/7/26	126D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	USD	0.2	18.22	2023/9/27	188D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	USD	0.2	11.05	2023/12/28	280D	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	USD	0.2	11.79	2024/03/27	1	Financials	-/BBB+/-	-/-/-
2023/3/9	CITIC Securities International Co Ltd	USD	0.2	11.99	2024/03/27	1	Financials	-/BBB+/-	-/-/-
2023/3/10	CDB Leasing International Co Ltd	USD	30	5.6	2024/2/21	337D	Financials	-/-/-	-/-/-
2023/3/10	China Securities International Finance Holding Co Ltd	USD	0.5	5.8	2024/3/15	1	Financials	-/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of March 10, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 45bp to 2.53% from last Friday, of which the return on investment-grade bonds increased by 65bp to 1.89%, while the return on high-yield bonds decreased by 70bp to 6.24%. In terms of sector indices, the return on real estate bonds increased by 47bp from last Friday to 4.23%; the returns on Chengtou, non-financial, financial bonds were 2.87%, 2.09% and 2.00%, respectively, increasing by 15bp, 83bp and 85bp from last Friday, respectively.

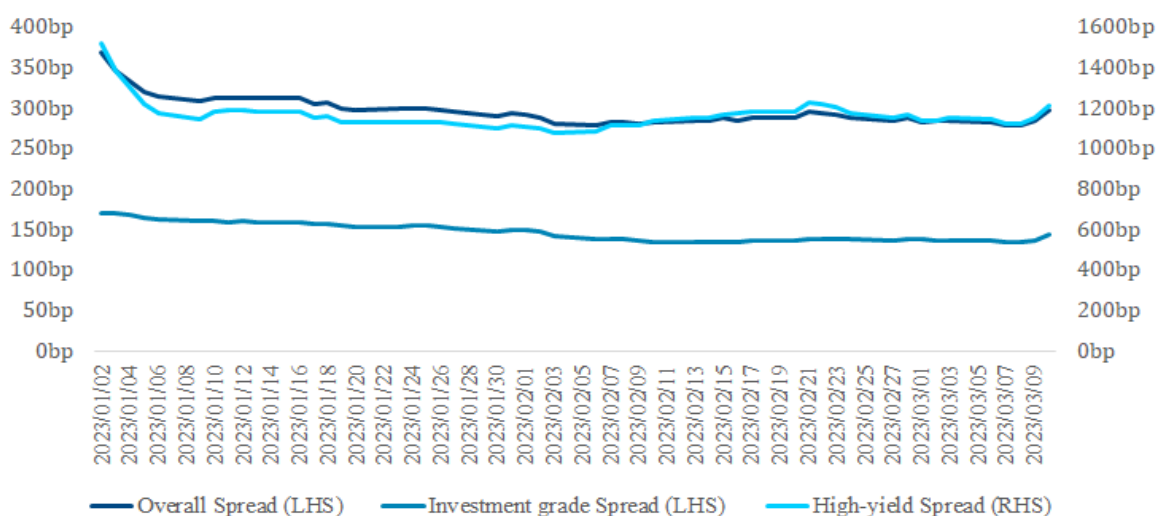
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of March 10, the yield spread of Chinese dollar bonds increased by 12.7bp to 296.74bp from last Friday. The yield spread of investment-grade bonds increased by 7.6bp to 143.75bp, and the spread of high-yield bonds increased by 62.9bp to 1211.02bp.

<sup>1</sup> Year-to-date return measures the return since January 3, 2023

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


Sources: CCXAP research

The 10 bonds with the largest yield increase from March 6 to March 10 are shown in the table below. Among them, China Grand Automotive Service Group Co., Ltd. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20230306-20230310)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
CHGRAU 9.109 PERP	China Grand Automotive Service	48.400	0.129	797.317	11557.8
SINOCL 6 ¼ 06/22/23	Sino-Ocean Capital Holding Ltd	37.277	0.274	611.518	3245.1
BEICAP 2.8 03/18/23	Beijing Capital Group Co Ltd	99.771	0.011	23.146	1912.4
HAOHUA 4 % 03/14/23	China National Chemical Corp Ltd	99.983	0	10.505	1694.8
DALWAN 8 ¾ 03/21/23	Dalian Wanda Group Co Ltd	99.917	0.019	12.616	897.1
GEELZ 0 06/19/24	Zhejiang Geely Holding Group Co Ltd	127.908	1.268	-17.696	312.5
SINOCL 6 10/24/23	Sino-Ocean Capital Holding Ltd	35.102	0.613	284.016	231.3
SINOCE 2.7 01/13/25	Sino-Ocean Capital Holding Ltd	74.055	1.837	20.372	142.8
FUTLAN 4.45 07/13/25	Seazen Group Ltd	79.328	1.415	24.121	338
FTLNHD 4 % 10/15/25	Seazen Group Ltd	72.154	2.59	18.686	258.9

Sources: CCXAP research

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

On March 6, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB<sub>g</sub> to Jiangsu Haihong Investment Holding Group Co Ltd. (“JHIH”), with stable outlook.

On March 7, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB<sub>g</sub><sup>+</sup> to Chongqing Yulong Asset Management (Group) Co Ltd. (“CYAM”), with stable outlook.

On March 7, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB<sub>g</sub><sup>-</sup> to Zhoushan Putuo Construction Co Ltd. (“Putuo Construction”), with stable outlook.

On March 10, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB<sub>g</sub> to Jining High-tech Holding Group Co Ltd. (“JHHG”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230306-20230310)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/03/06	JHIH	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) position as the core entity in the construction and operation of affordable housing in Haimen District; (2) solid track record of receiving government payments from affordable housing and infrastructure construction; (3) possession of good leasing assets; and (4) good access to diversified funding. However, the Company’s rating is constrained by (1) increasing exposure to commercial activities such as investment funds and commercial properties; (2) fast-growing debt levels driven by development pipelines; and (3) high level of external guarantees.
2023/03/07	CYAM	BBB <sub>g</sub> <sup>+</sup>	-	The credit rating is underpinned by the Company’s (1) dominant position in land consolidation and infrastructure construction in Jiulongpo District; (2) important status as a leading developer of Jiulong Peninsula, one of the top ten area renovation projects in Chongqing City; (3) diversified access to funding; and (4) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) rapid debt growth and moderate assets liquidity; and (3) medium contingent risks associated with external guarantees.
2023/03/07	Putuo Construction	BBB <sub>g</sub> <sup>-</sup>	-	The credit rating is underpinned by the Company’s (1) important position in the construction of infrastructure projects in Putuo District; and (2) strong support from government payments. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; and (2) sufficient liquidity buffer, but high reliance on non-standard financing.
2023/03/10	JHHG	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) full and direct ownership by the Jining High-tech Zone Government; (2) high strategic importance in infrastructure construction and provision of public services in Jining High-tech Zone; (3) proven track record of receiving government support; and (4) good access to diversified financing channels. However, the Company’s rating is constrained by its (1) increasing exposure to operating risk of investment properties; (2) rapid debt growth and moderate asset liquidity; and (3) contingent risks arising from relatively large scale of external guarantees.

Sources: CCXAP research

From March 6 to March 10, international rating agencies took 3 negative actions on Chinese issuers.



**Table 4: Credit rating changes of cross-border bond market (20230306-20230310)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Downgrade	CAR Inc	Consumer Discretionary	B3	NEG	2023/3/6	B3	STABLE	2021/5/28	Moody's	increased liquidity risk
	Seazen Group Limited	Real Estate	B1	STABLE	2023/3/8	Ba3	NEG	2022/7/26	Moody's	weakening contracted sales and market positions
	Sino-Ocean Group Holding Limited	Real Estate	Ba3	NEG	2023/3/8	BB	NEG	2022/9/15	Moody's	weaker operating performance, lower margins and reduced financial flexibility

Sources: CCXAP research

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