

2023 Issue 13 From April 3 to April 7

Chinese offshore bond new issuance was weak; return on Chinese USD bond increased

Headline: China's CPI and PPI growth rates both fell in March, US ISM manufacturing index in March hit a new low since the pandemic

According to the data released by the National Bureau of Statistics, China's March CPI increased by 0.7% YoY, which was 3 percentage points lower compared with the figure last month, and fell by 0.3% MoM. The US ISM manufacturing index unexpectedly fell to 46.3 in March, the lowest since May 2020.

Exchange Rate: RMB continued to depreciate, USD index decreased slightly

This week, RMB continued to depreciate. As of April 7, the RMB/USD middle rate closed at 6.8838, increasing by 121bp from last Friday. The USD index slightly decreased by 0.4% to 102.092 from last Friday.

Interest Rate: Chinese Government Bond yields largely unchanged; US Treasury yields went down

This week, the China Government Bond yields largely unchanged. US Treasury yields fell due to the continued economic cooling.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance was weak

From April 3 to April 7, there were 2 new issues with total issued volume of USD60 million, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD50 million.

Secondary Market: Return on Chinese USD bond increased

As of April 7, the YTD return on Chinese USD corporate bond index increased by 14bp to 2.83% from last Friday, of which the return on investment-grade bonds increased by 30bp to 2.95%, while the return on high-yield bonds decreased by 86bp to 2.05%.

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

CCXAP assigned long-term credit ratings to Huantai-Jinhai Public Assets Management Co., Ltd.



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Headline: China's CPI and PPI growth rates both fell in March, US ISM manufacturing index in March hit a new low since the pandemic

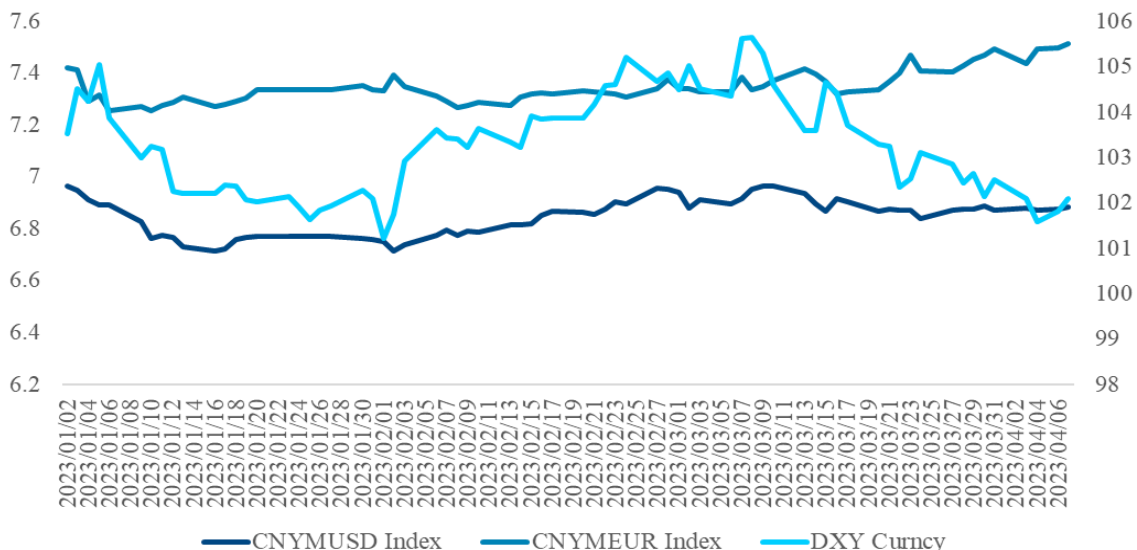
According to the data released by the National Bureau of Statistics, China's March CPI increased by 0.7% year-on-year (“YoY”), which was 3 percentage points lower compared with the figure last month, and fell by 0.3 percentage points month-on-month (“MoM”). PPI fell 2.5% YoY, an increase of 1.1 percentage points over the previous month, and flatted MoM. Industrial producer purchase prices fell 1.8% year-on-year, flatted MoM. In the first quarter, Industrial Producer Prices fell by 1.6% over the same period last year, industrial producer purchase prices decreased by 0.8%.

On April 3, ISM announced that the ISM Manufacturing Index unexpectedly fell to 46.3 in March, a new low since May 2020. Excluding the influences of Covid-19 outbreak, the ISM manufacturing index in March hit a new low since 2009. Among them, the employment sub-index hit a new low since July 2020, and the new orders index also fell into deep contraction.

Exchange Rate: RMB continued to depreciate, USD index decreased slightly

This week, RMB continued to depreciate. As of April 7, the RMB/USD middle rate closed at 6.8838, increasing by 121bp from last Friday; the RMB/EUR middle rate closed at 7.5149, increasing by 204bp from last Friday. The USD index slightly decreased by 0.4% to 102.092 from last Friday.

Figure 1: RMB exchange rate



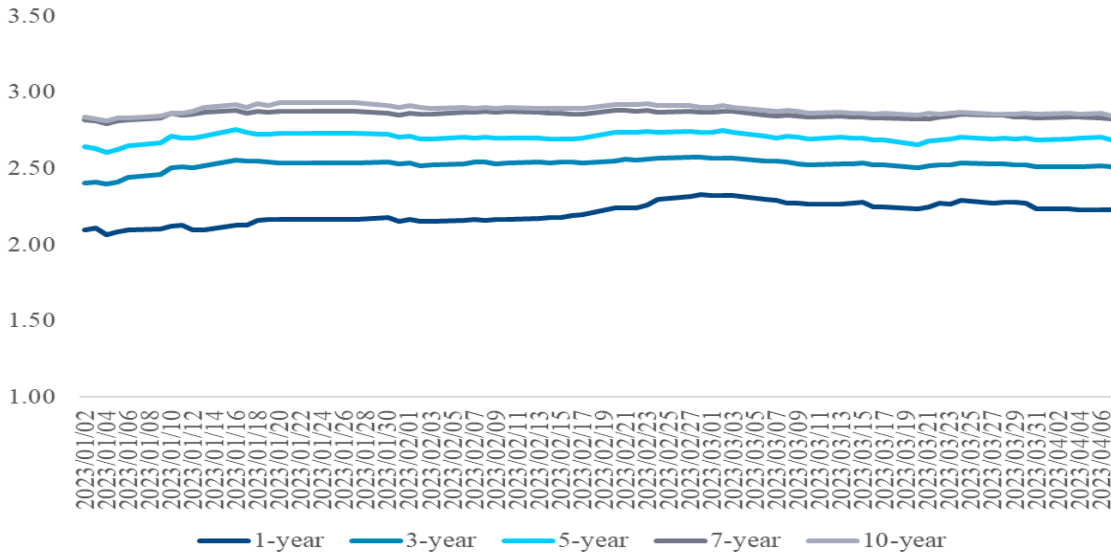
Sources: CCXAP research

Interest Rate: Chinese Government Bond yields largely unchanged; US Treasury yields went down

This week, the China Government Bond yields largely unchanged. As of April 7, the 1-year and 10-years China Government Bond yields were 2.2278% and 2.8464% respectively, decreasing by 1bp

and 1bp from last Friday. the 3-year, 5-year and 10-years China Government Bond yields were 2.5095%, 2.6880% and 2.8258% respectively, remained flat from last Friday.

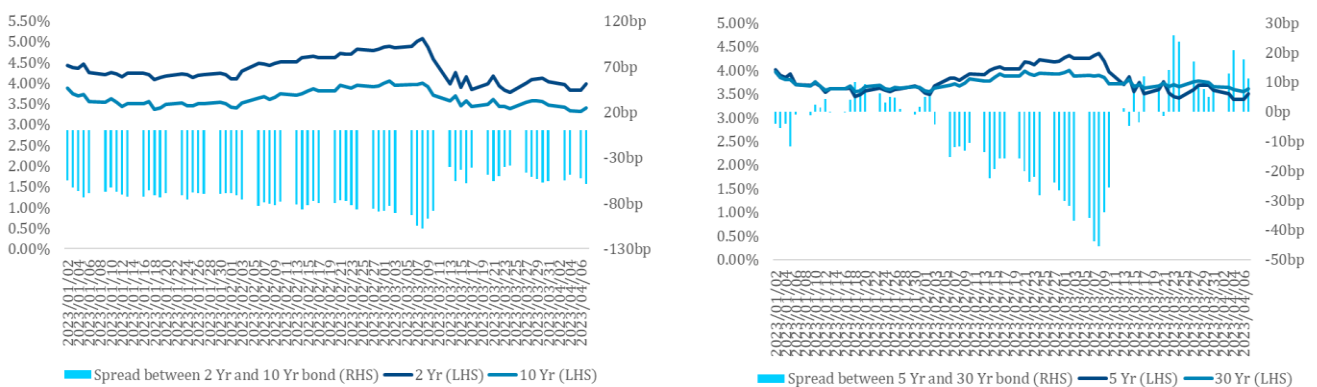
Figure 2: China Government Bond yields



Sources: CCXAP research

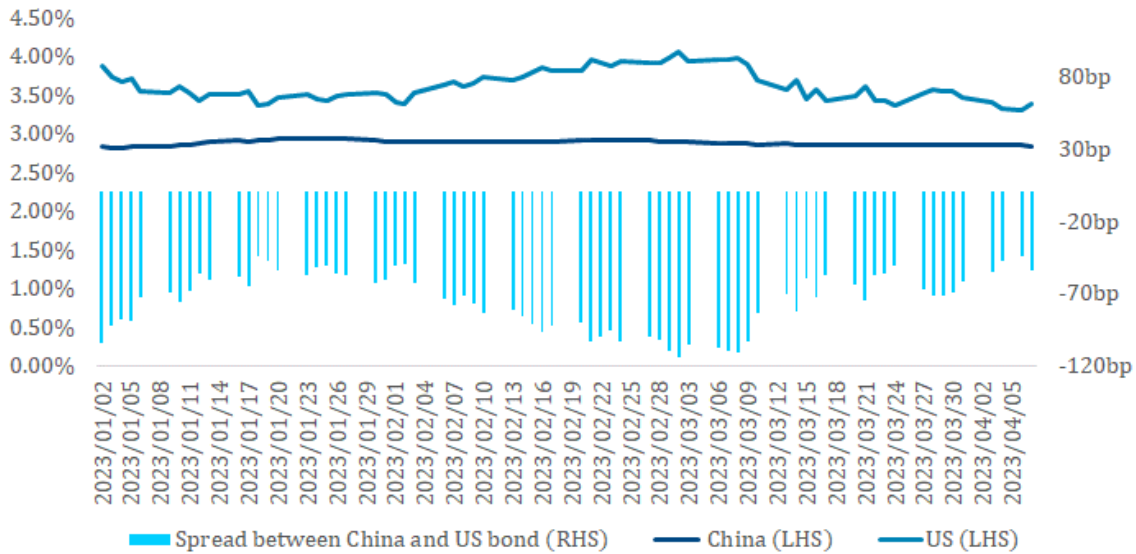
US Treasury yields fall due to continued economic cooling. As of April 7, 2-year, 5-year, 10-year and 30-year US Treasury yields were 3.9806%, 3.4971%, 3.3906% and 3.6076%, decreasing by 4bp, 8bp, 8bp and 4bp from last Friday, respectively. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 3bp to -59.0bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 3bp to 11.05bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of April 7, the yield spread between China and US 10-year note was -54.4bp, narrowing by 7.1bp from last Friday and narrowing by 49.53bp 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 was weak

From April 3 to April 7, there were 2 new issues with total issued volume of USD60 million. Among them, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD50 million.

Table 1: New issuance of Chinese offshore bonds (20230403-20230407)

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)
2023/4/3	Fuzhou Dongxiang Municipal Engineering Co., Ltd	CNY	328	4.9	2025/10/11	2.5	Chengtou	-/-	-/-
2023/4/3	TF International Securities Group Limited	USD	10	5.7	2023/5/11	29D	Financials	-/-	-/-

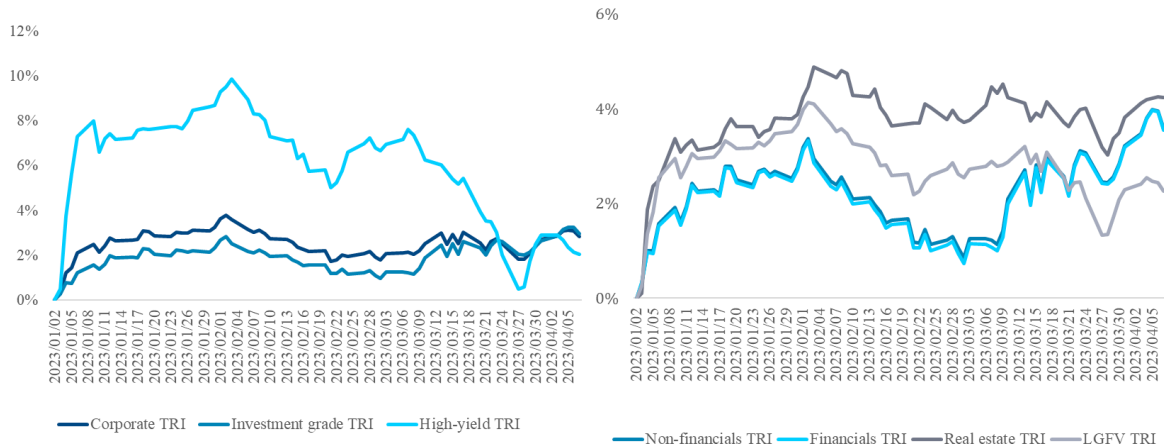
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of April 7, the YTD return¹ on Chinese USD corporate bond index increased by 14bp to 2.83% from last Friday, of which the return on investment-grade bonds increased by 30bp to 2.95%, while the return on high-yield bonds decreased by 86bp to 2.05%. In terms of sector indices, the return on real estate, financial and non-financial bonds were 4.24%, 3.55% and 3.58%, respectively, increasing by 43bp, 36bp and 37bp from last Friday, respectively; the return on Chengtuo bonds decreased slight by 3bp from last Friday to 2.25%.

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

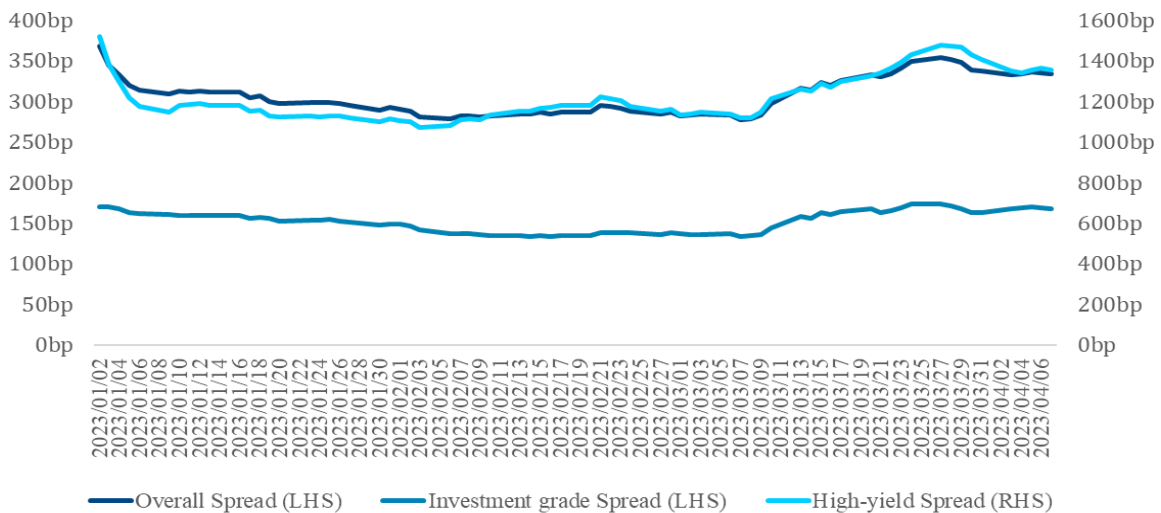
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of April 7, the yield spread of Chinese dollar bonds decreased by 3.9bp to 333.23bp from last Friday. The yield spread of investment-grade bonds increased by 3.9bp to 167.06 bp, and the spread of high-yield bonds decreased by 54.8bp to 1353.35bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from April 3 to April 7 are shown in the table below. Among them, Sino-Ocean Capital Holding Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230403-20230407)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
SINOCE 2.7 01/13/25	Sino-Ocean Group Holding Limited	34.5	1.758	76.297	2700
GRNLGR 6 ¾ 06/25/24	Greenland Holding Group Co Ltd	48.104	1.205	87.224	2100

SINOCE 3 ¼ 05/05/26	Sino-Ocean Group Holding Limited	35.373	3.064	43.199	1400
SINOCE 6.876 PERP	Sino-Ocean Group Holding Limited	24.514	PERP	51.667	1200
GRNLGR 5.9 02/12/25	Greenland Holding Group Co Ltd	39.516	1.840	68.477	1100
KWGPRO 7.4 03/05/24	KWG Group Holdings Limited	33.729	0.898	182.569	1100
VNKRLE 4.15 04/18/23	China Vanke Co.,Ltd.	99.831	0.016	12.611	999.8
SINOCE 5.95 02/04/27	Sino-Ocean Group Holding Limited	34.505	3.817	41.609	800.5
SINOCE 4 ¾ 01/14/30	Sino-Ocean Group Holding Limited	29.472	6.760	29.221	603.6
SINOCE 4 ¾ 08/05/29	Sino-Ocean Group Holding Limited	31.65	6.316	28.852	544.9

Sources: CCXAP research

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

On April 6, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g- to Huantai-Jinhai Public Assets Management Co., Ltd (“HTJH”), with stable outlook.

Table 3: Credit rating from CCXAP (20230403-20230407)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/03/27	HTJH	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) position as the largest platform owned and controlled by Huantai County Government; (2) key role in infrastructure construction and public services; and (3) good track record of receiving government support. However, the Company’s rating is constrained by (1) medium exposure to commercial activities with higher volatility in income; (2) moderate contingent risks of external guarantees that provided to local state-owned enterprises; and (3) limited liquidity buffer.

Sources: CCXAP research

From April 3 to April 7, international rating agencies took 2 negative actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230403-20230407)

	Entity	Sector	Entity Rating	Current Rating		Previous Rating		Rating Agency	Reason of Change	
				Outlook	Date	Entity Rating	Outlook			Date
International Rating:										
Downgrade	China Great Wall Asset Management Co., Ltd.	Financial	A	RWN	2023/4/3	BB	STABLE	2021/4/13	Fitch	Financial profile deterioration
	China Orient Asset Management Co., Ltd.	Financial	A	RWN	2023/4/5	Baa2	STABLE	2021/8/2	Fitch	Asset Quality and Profitability deterioration

Sources: CCXAP research

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