

### 2023 Issue 14 From April 10 to April 14

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

#### Headline: China's import and export of foreign trade boomed; US retail sales growth rate has hit a new low in recent three years

In the first quarter this year, the total value of China's foreign trade imports and exports was 9.89 trillion yuan, a YoY increase of 4.8%, of which exports were RMB5.65 trillion, a year-on-year increase of 8.4%. The US retail sales fell by 1% MoM in March, exceeding market expectations of -0.4%. US retail sales slowed more than expected, indicating that consumption is shrinking rapidly.

#### Exchange Rate: RMB was appreciated, USD index continued to depreciate

This week, RMB was appreciated. As of April 14, the RMB/USD middle rate closed at 6.8606, decreasing by 232bp from last Friday. The USD index decreased by 0.5% to 101.552 from last Friday.

#### Interest Rate: Chinese Government Bond yields decreased; US Treasury yields went up

This week, the China Government Bond yields decreased. US Treasury yields increased as the US retail sales slowed more than expected.

#### Chinese Offshore Bond Market

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

From April 10 to April 14, there were 10 new issues with total issued volume of USD1.1 billion, financial companies were the main issuers, who issued bonds with a total size of about USD624 million.

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

As of April 14, the YTD return on Chinese USD corporate bond index decreased by 10bp to 2.73% from last Friday, of which the return on investment-grade bonds decreased by 14bp to 2.81%, while the return on high-yield bonds increased by 13bp to 2.17%.

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

CCXAP assigned long-term credit ratings to Longyou State-owned Assets Management Co., Ltd.



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## Headline: China's import and export of foreign trade boomed; US retail sales growth rate has hit a new low in recent three years

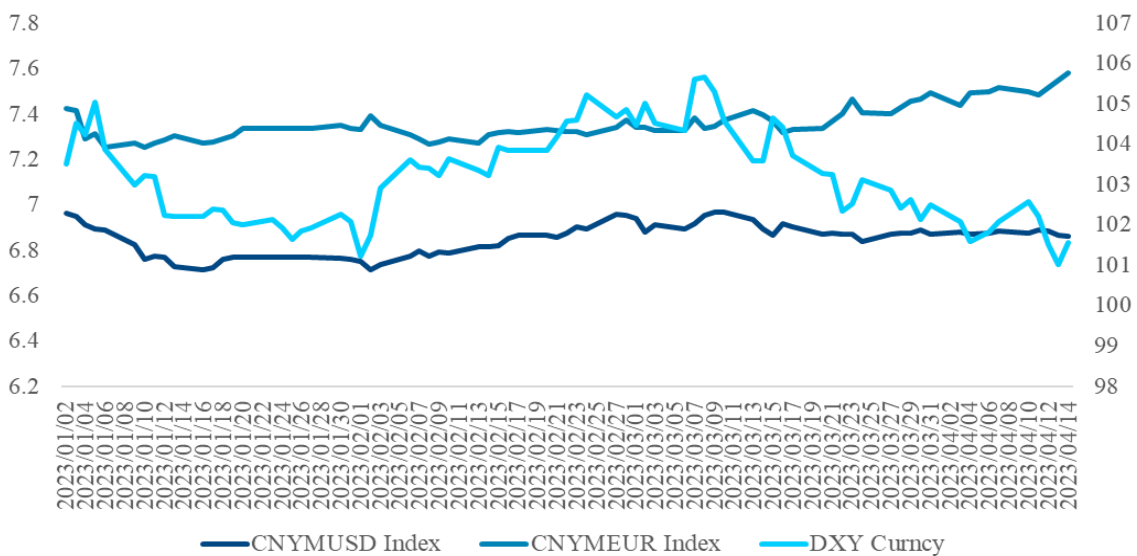
According to data released by the General Administration of Customs, the total value of China's foreign trade import and export in the first quarter of 2023 was RMB9.89 trillion, a year-on-year (“YoY”) increase of 4.8%, of which exports were RMB5.65 trillion, a YoY increase of 8.4%; imports were RMB4.24, a YoY increase of 0.2%. In the first quarter, the import and export of various foreign trade entities boomed and developed steadily. The import and export growth rate of private enterprises was higher than that of the whole, continuing to play the main role of foreign trade. The private enterprises’ foreign trade continued to maintain a rapid growth trend, which was RMB5.18 trillion, a YoY increase of 14.4%, accounting for 52.4% of China's total foreign trade value.

On April 14, data released by the US Census Bureau showed that US retail sales fell by 1% month-on-month (“MoM”) in March, exceeding market expectations of -0.4%. The previous value was revised up from -0.4% to -0.2%. Excluding cars and gasoline, US retail sales fell 0.3% MoM in March, beating expectations of -0.5%. Retail sales (excluding autos) fell 0.8% MoM in March, below analysts' forecast of -0.3%. Overall, retail sales rose just 2.9% YoY: the slowest annual increase in retail sales since June 2020. US retail sales slowed more than expected, suggesting that consumption is shrinking rapidly.

### Exchange Rate: RMB was appreciated, USD index continued to depreciate

This week, RMB was appreciated. As of April 14, the RMB/USD middle rate closed at 6.8606, decreasing by 232bp from last Friday; the RMB/EUR middle rate closed at 7.5819, increasing by 670bp from last Friday. The USD index decreased by 0.5% to 101.552 from last Friday.

Figure 1: RMB exchange rate

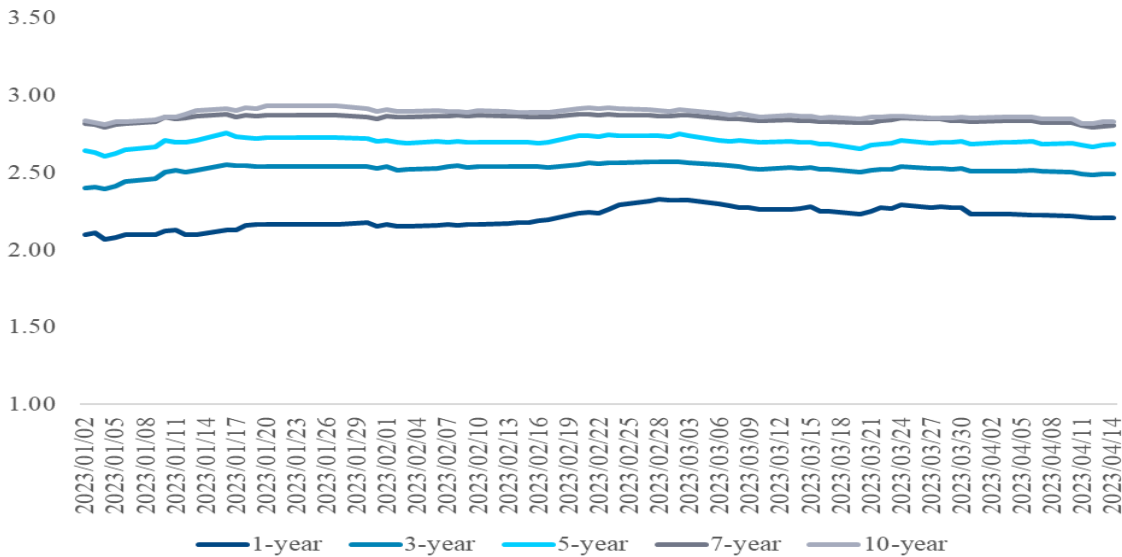


Sources: CCXAP research

## Interest Rate: Chinese Government Bond yields decreased; US Treasury yields went up

This week, the China Government Bond yields decreased. As of April 14, the 1-year, 3-year, 5-year, 7-years and 10-years China Government Bond yields were 2.2091%, 2.4922%, 2.6826%, 2.8039% and 2.8281% respectively, decreasing by 1.9bp, 1.7bp, 0.5bp, 2.2bp and 1.8bp from last Friday.

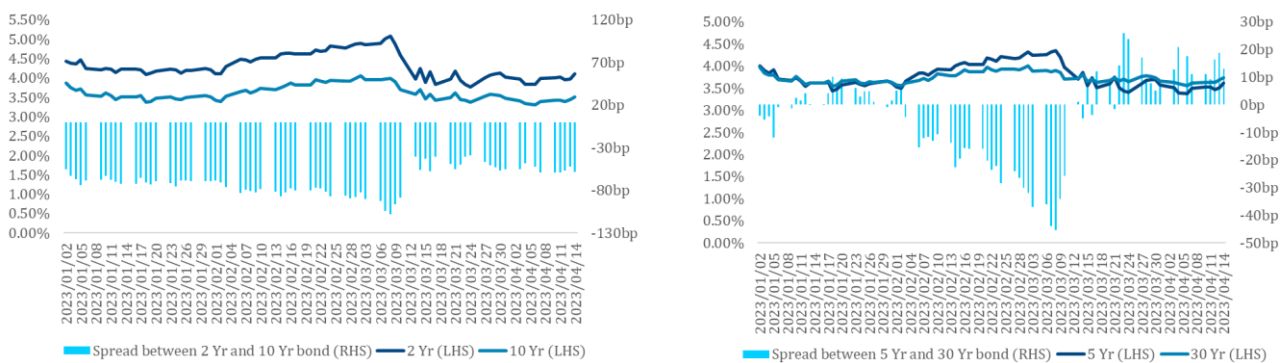
Figure 2: China Government Bond yields



Sources: CCXAP research

US Treasury yields increased as the US retail sales slowed more than expected. As of April 14, 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.0989%, 3.6056%, 3.5128% and 3.7348%, increasing by 11.8bp, 10.9bp, 12.2bp and 12.7bp from last Friday, respectively. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds is -58.6bp unchanged from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 2bp to 12.92bp from last Friday.

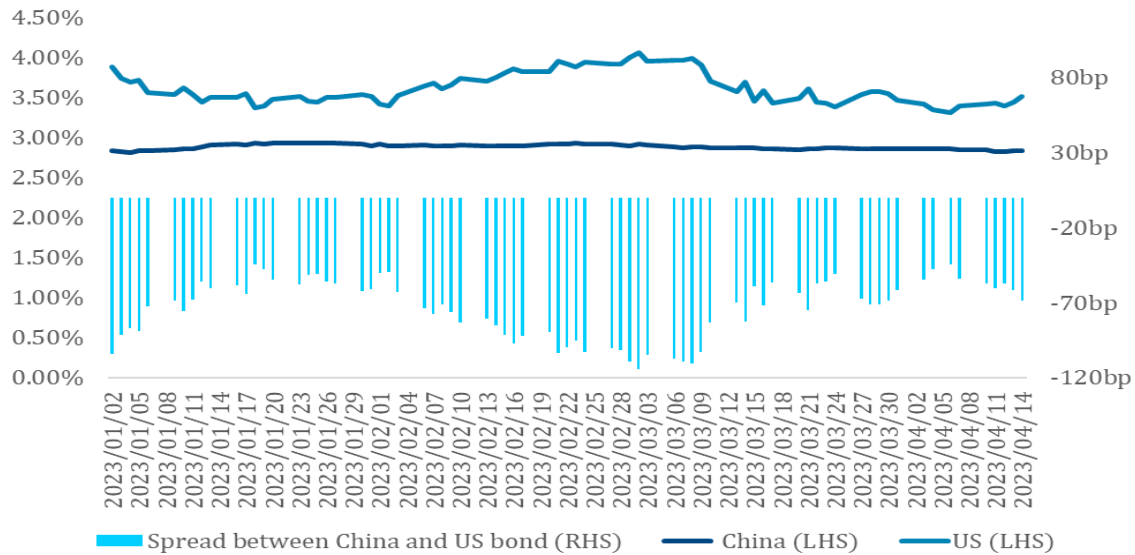
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of April 14, the yield spread between China and US 10-year note was -68.5bp, widening by 14.1bp from last Friday and narrowing by 35.48bp 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 10 to April 14, there were 10 new issues with total issued volume of USD1.1 billion. Among them, financial companies were the main issuers, who issued bonds with a total size of about USD624 million.

**Table 1: New issuance of Chinese offshore bonds (20230410-20230414)**

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)
2023/4/12	China Education Group Holdings Ltd	CNY	500	4	2026/4/19	3	Education	-/-/-	-/AA/-
2023/4/12	China Securities International Finance Holding Co Ltd	USD	0.2	5.1	2024/4/16	1	Financial	-/-/-	-/-/-
2023/4/12	Huatai International Financial Holdings Co Ltd	USD	17	0	2023/7/19	0.25	Financial	-/-/-	-
2023/4/12	Shangrao Investment Holdings International Co Ltd	USD	120	7.9	2026/4/17	3	Chengtou	-/-/BBB-	-/-/BBB-
2023/4/13	Binzhou State-owned Capital Investment Operation Group Co Ltd	USD	50	7.5	2026/4/20	3	Chengtou	-/-/-	-
2023/4/13	Changde Economic Construction Investment Group Co Ltd	EUR	60	5.5	2024/4/17	1	Chengtou	Ba1/-/-	-/-/-
2023/4/13	Haitong Securities Co Ltd	CNY	4000	3.4	2026/4/20	3	Financial	-/BBB/-	-
2023/4/13	Huatai International Financial Holdings Co Ltd	USD	6.3	0	2023/7/20	0.25	Financial	-/-/-	-
2023/4/13	Huatai International Financial Holdings Co Ltd	USD	18	0	2023/7/20	0.25	Financial	-/-/-	-

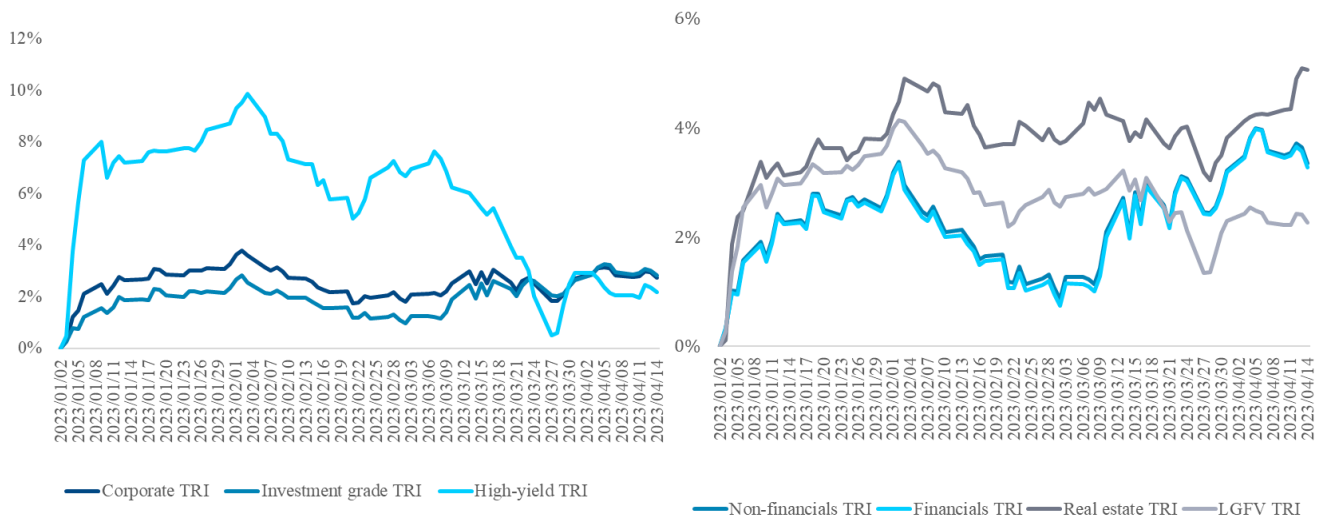
2023/4/14	Jinan Energy Group Co Ltd	USD	210	6	2024/4/17	1	Financial	-/-/-	-
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Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond decreased

As of April 14, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 10bp to 2.73% from last Friday, of which the return on investment-grade bonds decreased by 14bp to 2.81%, while the return on high-yield bonds increased by 13bp to 2.17%. In terms of sector indices, the return on financial and non-financial bonds were 3.27% and 3.35%, respectively, decreasing by 28bp and 23bp from last Friday, respectively; the return on real estate bonds increased by 81bp from last Friday to 5.05%; the return on Chengtou bonds kept unchanged from last Friday to 2.26%.

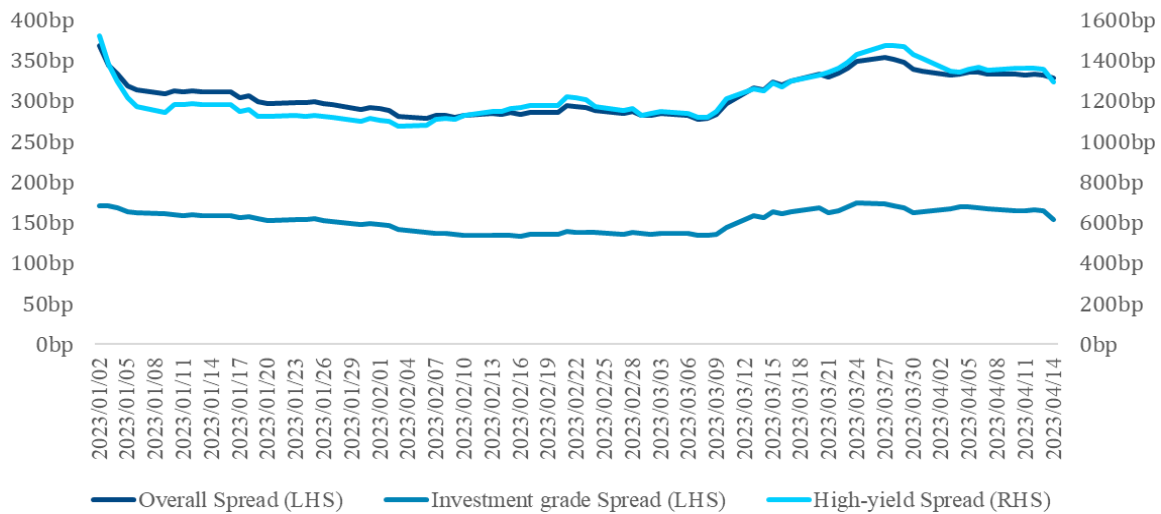
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of April 14, the yield spread of Chinese dollar bonds decreased by 5.1bp to 328.11bp from last Friday. The yield spread of investment-grade bonds decreased by 12.9bp to 154.17bp, and the spread of high-yield bonds decreased by 60.3bp to 1293.06bp.

<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 April 10 to April 14 are shown in the table below. Among them, Agile Group Holdings Limited changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20230410-20230414)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 ¾ PERP	Agile Group Holdings Limited	32.558	PERP	307.369	3262.2
KWGPRO 6 01/14/24	KWG Group Holdings Limited	47.75	0.742	204.74	1419.5
CHGRAU 9.109 PERP	China Grand Automotive Service	49.125	PERP	206.762	1361.4
AGILE 7 ½ PERP	Agile Group Holdings Limited	33.09	PERP	124.714	1203.6
AGILE 13.476 PERP	Agile Group Holdings Limited	39.125	PERP	1958.089	1136.6
KWGPRO 7.4 03/05/24	KWG Group Holdings Limited	32.045	0.882	198.909	1101.1
KWGPRO 5 ½ 11/10/24	KWG Group Holdings Limited	25.625	1.566	124.67	1020.9
KWGPRO 7 ¾ 08/30/24	KWG Group Holdings Limited	34.167	1.369	183.175	992.4
KWGPRO 6.3 02/13/26	KWG Group Holdings Limited	23.375	2.825	75.29	644.9
KWGPRO 5.95 08/10/25	KWG Group Holdings Limited	24.625	2.313	85.969	480.2

Sources: CCXAP research

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

On April 14, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB<sub>g</sub>- to Longyou State-owned Assets Management Co., Ltd. (“LSAM”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230410-20230414)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/04/14	LSAM	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company's (1) dominant strategic role as the largest state-owned enterprise in Longyou County; (2) high sustainability for public policy projects; and (3) good track record of receiving government payments. However, the Company's rating is constrained by (1) medium exposure to commercial activities; (2) high debt leverage and moderate asset liquidity; and (3) medium exposure to contingent risks

Sources: CCXAP research

From April 10 to April 14, international rating agencies took 3 negative actions on Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230410-20230414)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Downgrade	Sino-Ocean Group Holding Limited	Real Estate	B-	RWN	2023/4/11	B+	RWN	2023/3/31	Fitch	Liquidity problem and uncertainty of parent company support
	Kunming Industrial Development & Investment Co. Ltd.	Chengtou	BB-	RWN	2023/4/13	BB	STABLE	2022/8/5	Fitch	The financial impact has declined because of default
	China Huarong Asset Management Co., Ltd.	Financial	Baa3	STABLE	2023/4/14	Baa2	RWN	2023/3/22	Moody's	Deterioration in profitability, capital and asset quality

Sources: CCXAP research

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