

2023 Issue 15 From April 17 to April 21

Chinese offshore bond new issuance continued to rise; return on Chinese USD bond declined

Headline: China's GDP grew 4.5% year-on-year in the first quarter, US business activities hit a one-year high in April

China's GDP in the first quarter was RMB2,449.7 billion, up 4.5% YoY. US business activities unexpectedly rose in April to a near one-year high, with the service sector continuing to grow and manufacturing sector expanding for the first time in six months.

Exchange Rate: RMB depreciated, USD index increased slightly

This week, RMB depreciated. As of April 21, the RMB/USD middle rate closed at 6.8752, increasing by 146bp from last Friday. The USD index slightly increased by 0.3% to 101.822 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 driven by rising business activities.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance continued to rise

From April 17 to April 21, there were 23 new issues with total issued volume of USD2.23 billion, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD1.2 billion.

Secondary Market: Return on Chinese USD bond decreased

As of April 21, the YTD return on Chinese USD corporate bond index decreased by 39bp to 2.34% from last Friday, of which the return on investment-grade bonds increased by 3bp to 2.85%, while the return on high-yield bonds decreased by 301bp to -0.83%.

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

CCXAP has assigned long-term credit rating of BBB₋ to Yidu State-owned Assets Investment, Operation and Holding Group Co., Ltd.

Risk Event: Guangdong-Hong Kong Greater Bay Area Holdings Limited announced an exchange offer



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Headline: China's GDP grew 4.5% YoY in the first quarter, US business activities hit a one-year high in April

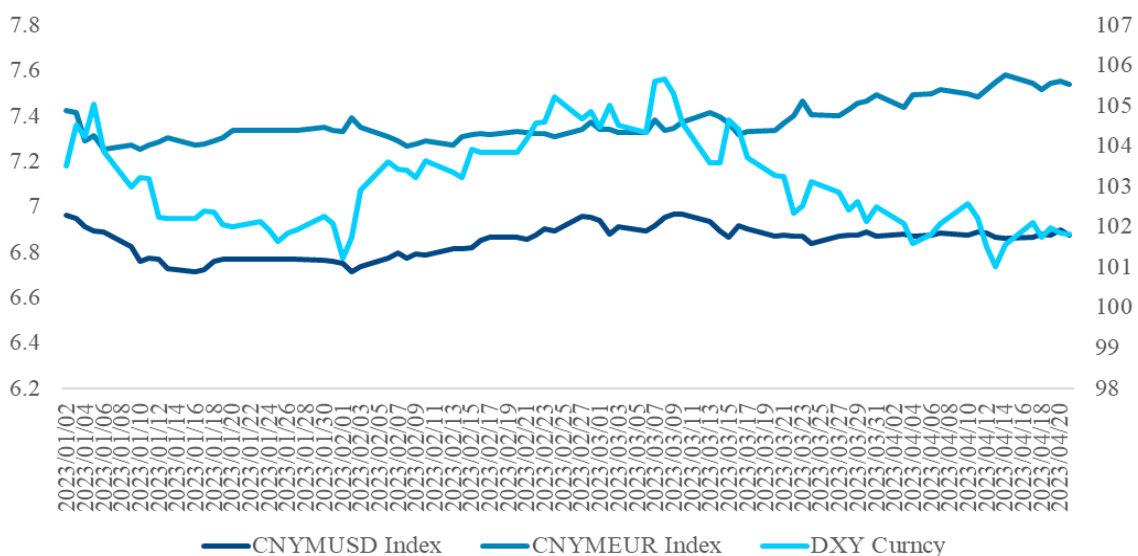
According to preliminary calculations data released by the National Bureau of Statistics on April 18, the GDP in the first quarter was RMB28,499.7 billion, a year-on-year (“YoY”) increase of 4.5%, better than the expected value of 4% and a quarter-on-quarter increase of 2.2%. By industry, the added value of the primary industry was 115.75 billion RMB, up 3.7% YoY; the added value of the secondary industry was RMB1079.47 billion, up 3.3% YoY; and the added value of the tertiary industry was RMB1654.75 billion, increasing by 5.4% YoY.

On April 21, S&P Global released the preliminary PMI (Purchasing Managers' Index) measuring U.S. business activity in April. The data showed that US business activity unexpectedly rose in April to a one-year new high, with the service sector continuing to grow and manufacturing sector expanding for the first time in six months. The preliminary value of US Markit composite PMI in April was 53.5, higher than the expected value of 51.2 and the previous value of 52.3, a new 11-month high since May last year; preliminary value of US services PMI in April was 53.7, a new one-year high since April last year, higher than 50 for the third consecutive month; preliminary value of US manufacturing PMI in April was 50.4, rising above the 50 for the first time since November last year.

Exchange Rate: RMB depreciated, USD index increased slightly

This week, RMB depreciated. As of April 21, the RMB/USD middle rate closed at 6.8752, increasing by 146bp from last Friday; the RMB/EUR middle rate closed at 7.54, decreasing by 419bp from last Friday. The USD index slightly increased by 0.3% to 101.822 from last Friday.

Figure 1: RMB exchange rate

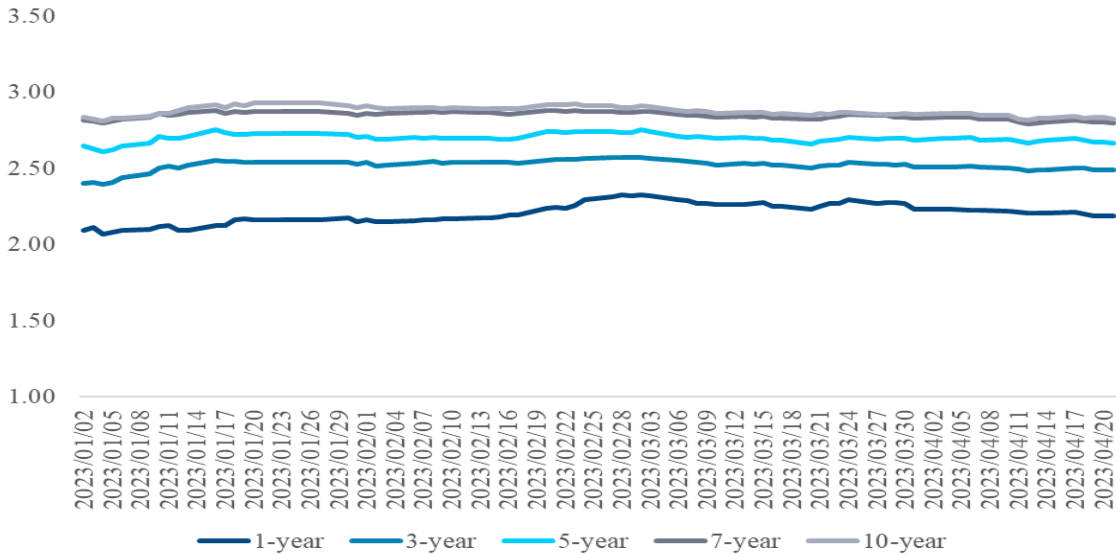


Sources: CCXAP research

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 2.1894%, 2.492%, 2.669%, 2.800% and 2.8258% respectively, decreasing by 2bp, 0.02bp, 1.4bp, 0.4bp and 0.2bp from last Friday.

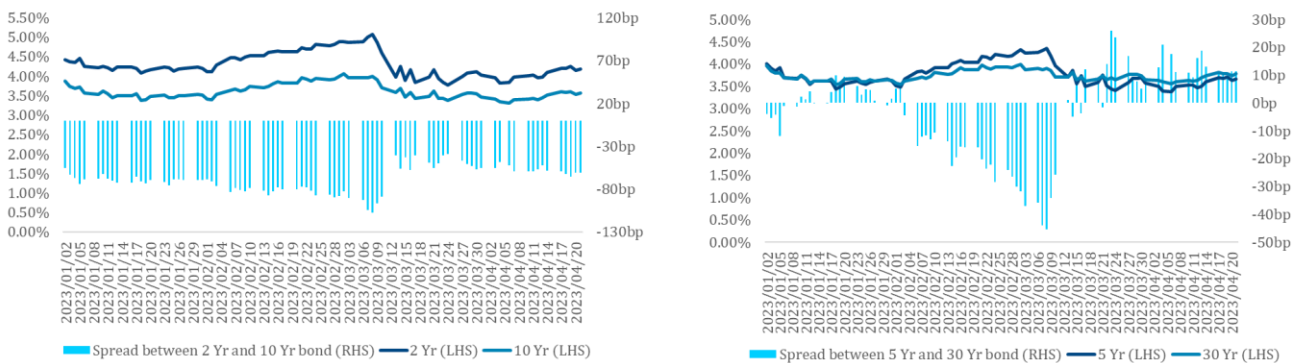
Figure 2: China Government Bond yields



Sources: CCXAP research

US Treasury yields increased driven by rising business activities. As of April 14, 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.1816%, 3.663%, 3.5718% and 3.7757%, increasing by 8.3bp, 5.7bp, 5.9bp and 4.1bp from last Friday, respectively. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 2bp to -61.0bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 2bp to 11.3bp from last Friday.

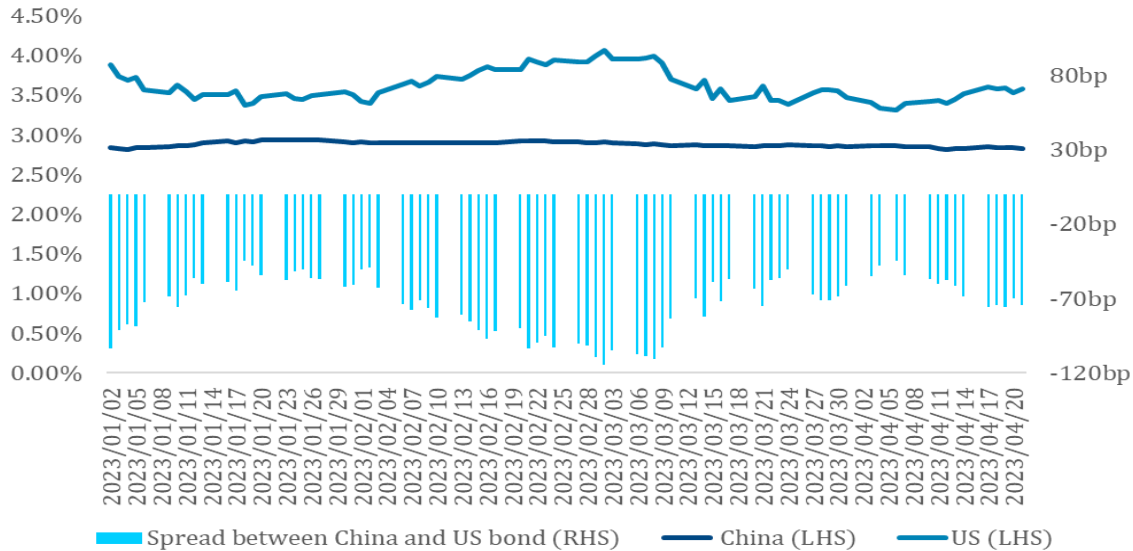
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of April 21, the yield spread between China and US 10-year note was -74.6bp, widening by 6.1bp from last Friday and narrowing by 29.4bp 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 was weak

From April 17 to April 21, there were 23 new issues with total issued volume of USD2.23 billion. Among them, Chengtuo companies were the main issuers, who issued bonds with a total size of about USD1.2 billion.

Table 1: New issuance of Chinese offshore bonds (202304017-20230421)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/4/17	CITIC Securities International Co Ltd	USD	21	0	2023/7/24	91D	Financials	-/BBB+/-	-/-/-
2023/4/17	Guotai Junan International Holdings Ltd	USD	50	5.69	2023/10/21	183D	Financials	Baa2/BBB+/-	-/-/-
2023/4/17	Huatai International Financial Holdings Co Ltd	USD	20	5.55	2023/7/21	88D	Financials	-/-/-	-/-/-
2023/4/17	International Far Eastern Leasing Co Ltd	CNY	300	4.8	2026/4/20	3	Financials	-/-/-	-/-/-
2023/4/17	Jiangmen Xinhui Yinhai Development Co Ltd	CNY	685	4.85	2026/4/24	3	Financials	-/-/-	-/-/-
2023/4/17	Nanning Wuxiang New Area Construction Investment Co Ltd	CNY	140	4.65	2026/4/20	3	Industrials	-/-/-	-/-/-
2023/4/17	Qingdao West Coast New Area Fusion Holdings Group Co Ltd	CNY	300	5.35	2026/4/20	3	Financials	-/-/-	-/-/-
2023/4/17	Quzhou Industrial Development Group Co Ltd	CNY	300	4.2	2026/4/20	3	Industrials	-/-/-	-/-/-

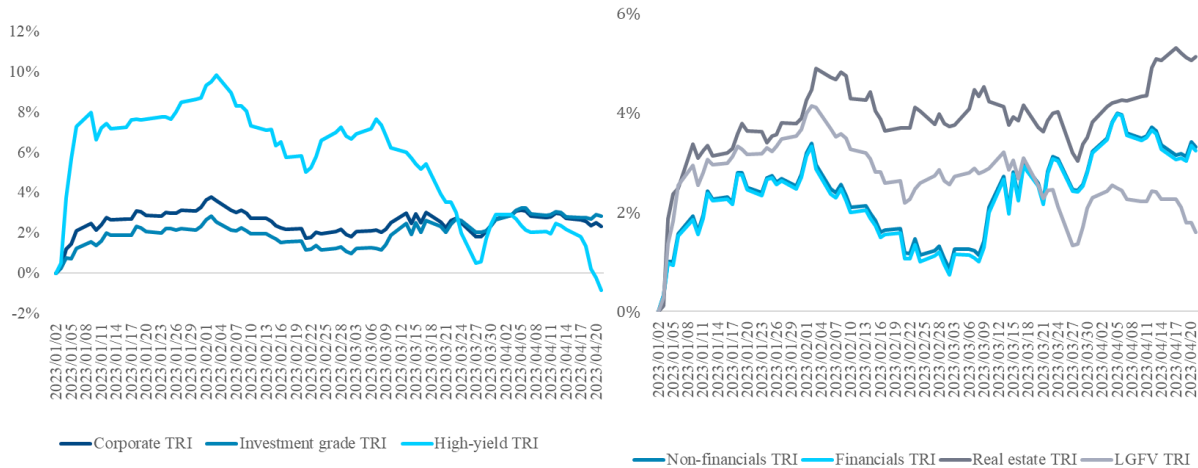
2023/4/17	Shaoxing Shangyu State-owned Capital Investment Operation Co Ltd	CNY	1360	4.35	2025/4/20	2	Industrials	-/-/BBB-	-/-/-
2023/4/18	China Securities International Finance Holding Co Ltd	HKD	5	3.3	2023/7/24	91D	Financials	-/-/-	-/-/-
2023/4/18	Neijiang Investment Holding Group Co Ltd	CNY	300	6	2026/4/21	3	Industrials	-/-/-	-/-/-
2023/4/18	Qingdao City Construction Investment (Group) Co., Ltd.	CNY	700	4.2	2026/4/21	3	Industrials	-/-/BBB+	-/-/-
2023/4/20	China Securities International Finance Holding Co Ltd	HKD	8	4.15	2024/4/23	364D	Financials	-/-/-	-/-/-
2023/4/20	CNCB Hong Kong Investment Ltd	CNY	1800	3.9	2024/4/24	1	Financials	- /BBB/BB B	-/-/-
2023/4/20	CSC Financial Co Ltd	CNY	1500	3.15	2025/4/27	2	Financials	Baa1/BB B+/BBB +	- /BBB+/ -
2023/4/20	CSC Financial Co Ltd	CNY	1500	3.25	2026/4/27	3	Financials	Baa1/BB B+/BBB +	- /BBB+/ -
2023/4/20	Dongtai Chengxing Investment Development Co Ltd	CNY	410	3.65	2026/4/27	3	Industrials	-/-/-	-/-/-
2023/4/20	Industrial & Commercial Bank of China Ltd/London	USD	140	SOFR+70	2026/4/27	3	Financials	A1/A/A	-/-/-
2023/4/20	Wuxi Communications Industry Group Co Ltd	CNY	1500	3.98	2026/4/27	3	Industrials	- /BBB/BB B+	-/-/-
2023/4/20	Zhuhai Huafa Group Co Ltd	CNY	500	4.5	2026/4/27	3	Financials	-/-/BBB	-/-/-
2023/4/21	Chuzhou Economic and Technological Development General Corp	CNY	660	3.45	2026/4/28	3	Financials	-/-/-	-/-/-
2023/4/21	Pingdu Construction Investment Development Co Ltd	USD	200	7.7	2026/4/26	3	Industrials	-/-/-	-/-/-
2023/4/21	Taizhou Sanfu Heavy Industry Group Co Ltd	CNY	480	4.8	2026/4/25	3	Financials	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

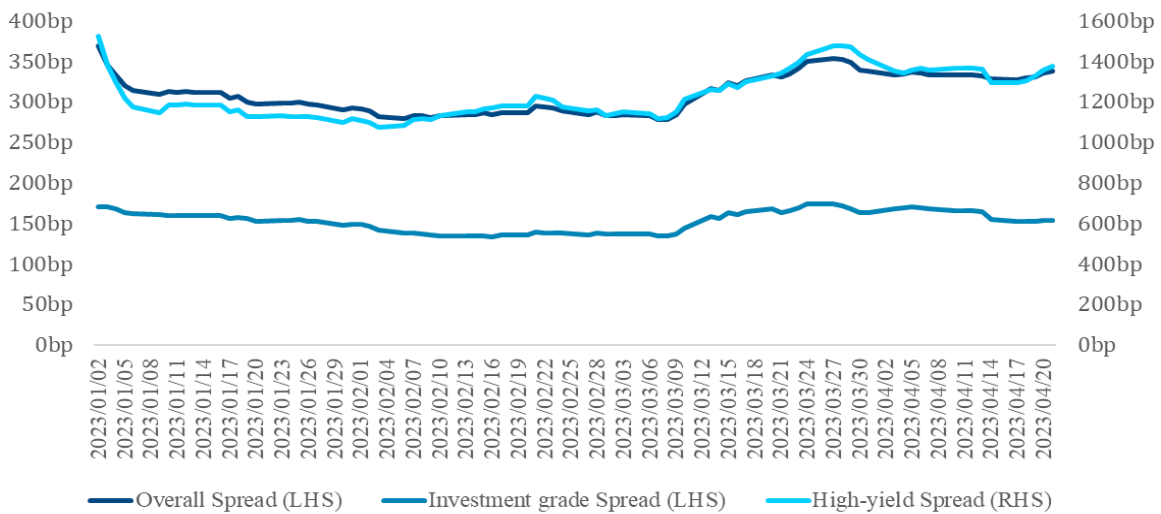
As of April 21, the YTD return¹ on Chinese USD corporate bond index decreased by 39bp to 2.34% from last Friday, of which the return on investment-grade bonds increased by 3bp to 2.85%, while the return on high-yield bonds decreased by 301bp to -0.83%. In terms of sector indices, the return on financial and non-financial bonds were 3.23% and 3.31%, respectively, both decreasing by 4bp from last Friday; the return on real estate bonds increased by 8bp from last Friday to 5.13%; the return on Chengtou bonds decreased by 67bp from last Friday to 1.59%.

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 April 21, the yield spread of Chinese dollar bonds increased by 9.3bp to 337.38bp from last Friday. The yield spread of investment-grade bonds decreased by 1.3bp to 152.92 bp, and the spread of high-yield bonds increased by 82.7bp to 1375.73bp.

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


Sources: CCXAP research

The 10 bonds with the largest yield increase from April 17 to April 21 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 (20230417-20230421)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
GRNLGR 6 ¼ 04/22/25	Greenland Holding Group Co Ltd	32.083	1.993	79.168	675.1M

AGILE 13.476 PERP	Agile Group Holdings Ltd	36.17	PERP	2277.102	23.8M
SINOCE 6 07/30/24	Sino-Ocean Group Holding Limited	37.718	1.265	105.944	4.2M
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	30.962	PERP	343.536	3.0M
DALWAN 7 ¼ 01/29/24	Dalian Wanda Commercial Management Group Co., Ltd	73.031	0.764	55.047	2.9M
CHINSC 7 ¾ 04/09/24	China SCE Group Holdings Ltd	57.336	0.958	78.846	2.2M
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd	44.77	1.432	75.424	2.1M
SINOCE 2.7 01/13/25	Sino-Ocean Group Holding Limited	31.534	1.722	85.765	2.0M
SINOCE 6.946 PERP	Sino-Ocean Group Holding Limited	17.375	PERP	66.856	1.8M
DALWAN 6 ¾ 07/23/23	Dalian Wanda Commercial Management Group Co., Ltd	91.625	0.244	44.052	1.7M

Sources: CCXAP research

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

On April 21, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g- to Yidu State-owned Assets Investment, Operation and Holding Group Co., Ltd. (“YDSI”), with stable outlook.

Table 3: Credit rating from CCXAP (20230417-20230421)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/04/21	YDSI	BBB _g -	-	The credit rating is underpinned by the Company’s (1) crucial role in the local economic and social development as one of the most important state-owned enterprises (“SOEs”) in Yidu City; (2) good track record of receiving government support; and (3) diversified funding channels including bank loans and bond issuances. However, the Company’s rating is constrained by (1) medium exposure to commercial activities; (2) moderate debt management with increasing debt levels; and (3) weak asset liquidity.

Sources: CCXAP research

From April 17 to April 21, international rating agencies took 1 positive and 1 negative actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230417-20230421)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
upgrade	Haidilao International Holding Ltd	Consumer Staples	BBB-	STABLE	2023/4/19	BBB-	NEG	2022/6/13	Fitch	Financial position will remain solid
Downgrade	Weifang Urban Construction and Development Investment Group Co., Ltd	Chengtou	BB+	STABLE	2023/4/18	BBB-	STABLE	2021/7/8	Fitch	Government's legal support power declines

Sources: CCXAP research

Risk Event: Guangdong-Hong Kong Greater Bay Area Holdings Limited announced an exchange offer

On April 17, Guangdong-Hong Kong Greater Bay Area Holdings Limited announced the Exchange Offer. The Company intends to make an exchange offer for USD67.5 million of 12% Senior Notes due 2023 (the "May 2023 Notes") and at least USD273 million of 13.85% Senior Notes due 2023 (the "October 2023 Notes"). The purpose of the Exchange Offer is to improve the Company's financial position, extend the maturity of its debt and improve its cash flow.

As of the date of the announcement, the Company has not paid the October 2023 Notes interest due on October 12nd 2022, and the May 2023 Notes interest due on 23rd November 2022.

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