

2023 Issue 16 From April 24 to April 28

Chinese offshore bond new issuance has fallen back; return on Chinese USD bond increased

Headline: China official manufacturing PMI fell 2.7% in April from last month, the U.S. PCE price index rose 4.2% year-on-year in March

China's manufacturing PMI was 49.2% in April, below the critical point and down 2.7% from last month. The U.S. PCE price index rose 4.2% year-on-year (YoY) in March, above expectations of 4.1% and below the previous value of 5.0%; month-on-month (MoM) growth of 0.1% was in line with expectations.

Exchange Rate: RMB depreciated, USD index decreased slightly

This week, RMB depreciated. As of April 28, the RMB/USD middle rate closed at 6.9240, increasing by 488bp from last Friday. The USD index slightly decreased by 0.2% to 101.659 from last Friday.

Interest Rate: Both Chinese Government Bond yields and US Treasury yields decreased

This week, the China Government Bond yields decreased. US Treasury yields declined driven by cooled down inflations.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance has fallen back

From April 24 to April 28, there were 10 new issues with total issued volume of USD1.07 billion, down 52% from last Friday. Financial companies were the main issuers, who issued bonds with a total size of about USD0.58 billion.

Secondary Market: Return on Chinese USD bond increased

As of April 28, the YTD return on Chinese USD corporate bond index increased by 37bp to 2.71% from last Friday, of which the return on investment-grade bonds increased by 47bp to 3.32%, while the return on high-yield bonds decreased by 26bp to -1.10%.

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

CCXAP has assigned long-term credit rating to Jiangsu Haisheng Holding Group Co., Ltd., Chengdu Xisheng Investment Group Co., Ltd., Zouping Finance Development Group Co., Ltd. and Quzhou Qutong Development Group Co., Ltd.



Analyst Contacts

Jessica Cao

852-2860 7131

jessica_cao@ccxap.com

Peter Chong

852-2860 7124

peter_chong@ccxap.com

Other Contacts

Elle Hu

852-2860 7120

elle_hu@ccxap.com

Headline: China official manufacturing PMI fell 2.7% in April from last month, the U.S. PCE price index rose 4.2% year-on-year in March

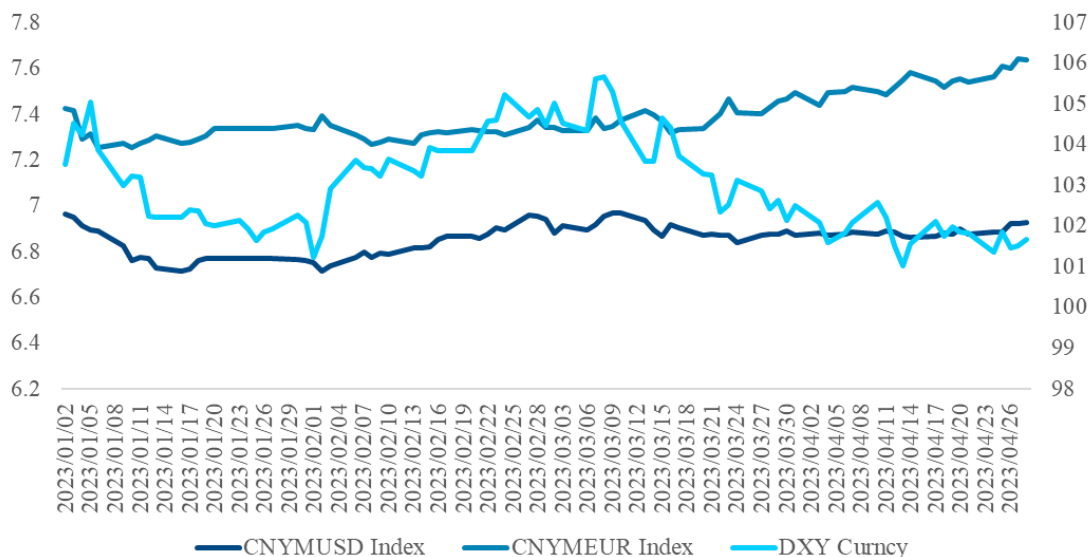
April 30, the National Bureau of Statistics released data, April manufacturing purchasing managers index of 49.2%, below the critical point, down 2.7% percentage points from the previous month; non-manufacturing PMI of 56.4%, down 1.8% from the previous month, maintained at a higher boom level. Comprehensive PMI output index was 54.4%, 2.6% lower than the previous month. The three indices fell to varying degrees, but the overall output continued to maintain expansion, business production and operation activities resume the development trend.

On April 28, the latest data from the U.S. Department of Commerce showed that the PCE price index rose 4.2% YoY in March, higher than the expected value of 4.1%, lower than the previous value of 5.0%; MoM growth of 0.1% was in line with expectations. Excluding food and energy, the core PCE price index rose 4.6% YoY, in line with expectations. Meanwhile, cyclical core PCE inflation, which tracks inflationary pressures associated with the current economic cycle, is at its highest level recorded since 1985.

Exchange Rate: RMB depreciated, USD index decreased slightly

This week, RMB depreciated. As of April 28, the RMB/USD middle rate closed at 6.9240, increasing by 488bp from last Friday; the RMB/EUR middle rate closed at 7.6361, increasing by 961bp from last Friday. The USD index slightly decreased by 0.2% to 101.659 from last Friday.

Figure 1: RMB exchange rate

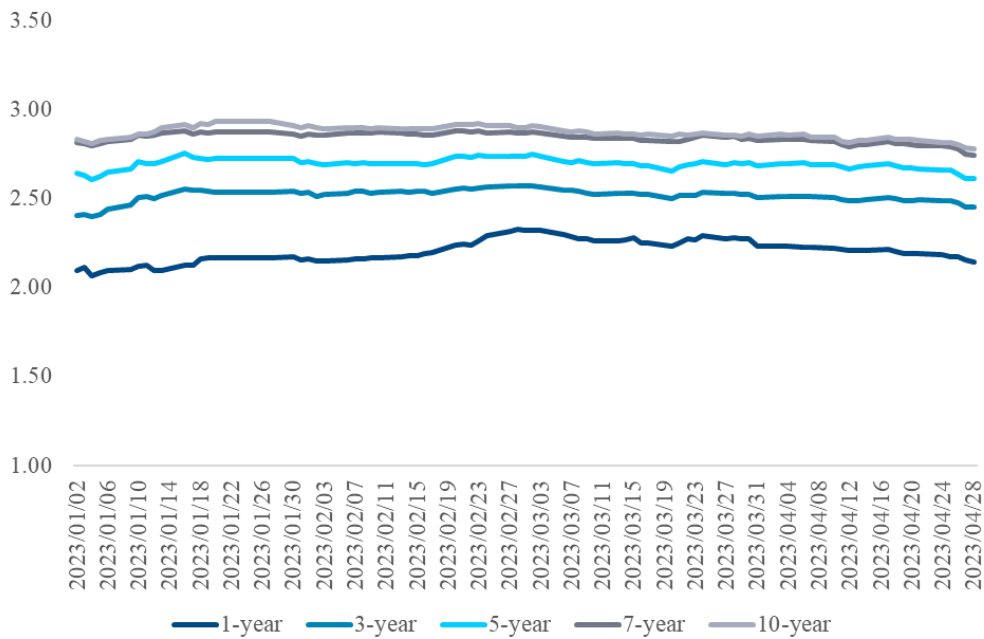


Sources: CCXAP research

Interest Rate: Both Chinese Government Bond yields and US Treasury yields decreased

This week, the China Government Bond yields decreased. As of April 28, the 1-year, 3-year, 5-year, 7-years and 10-years China Government Bond yields were 2.1464%, 2.4501%, 2.6130%, 2.7452% and 2.7788% respectively, decreasing by 4.3bp, 4.2bp, 5.6bp, 5.5bp and 4.7bp from last Friday.

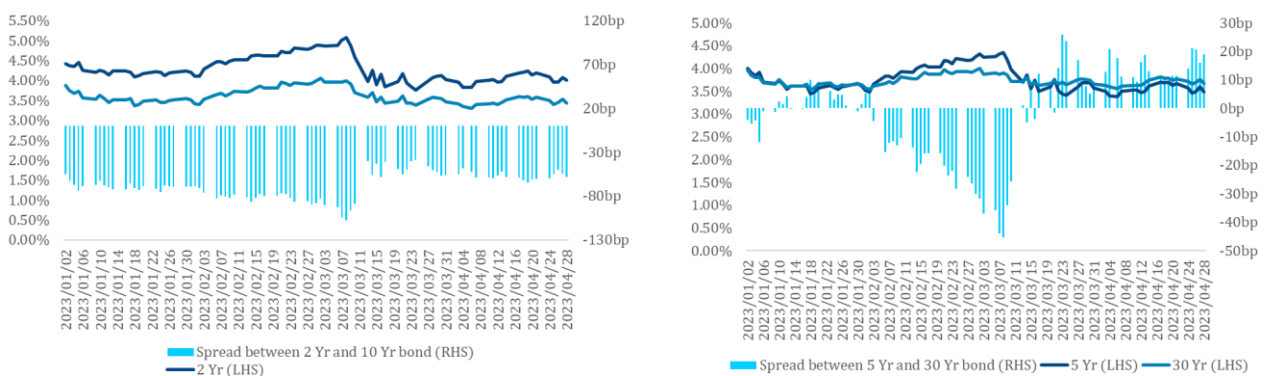
Figure 2: China Government Bond yields



Sources: CCXAP research

US Treasury yields decreased driven by cooled down inflations. As of April 28, 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.0064%, 3.4828%, 3.4220% and 3.6733%, decreasing by 17.5bp, 18.0bp, 15.0bp and 10.2bp from last Friday, respectively. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 3bp to -58.4bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 8bp to 19.1bp from last Friday.

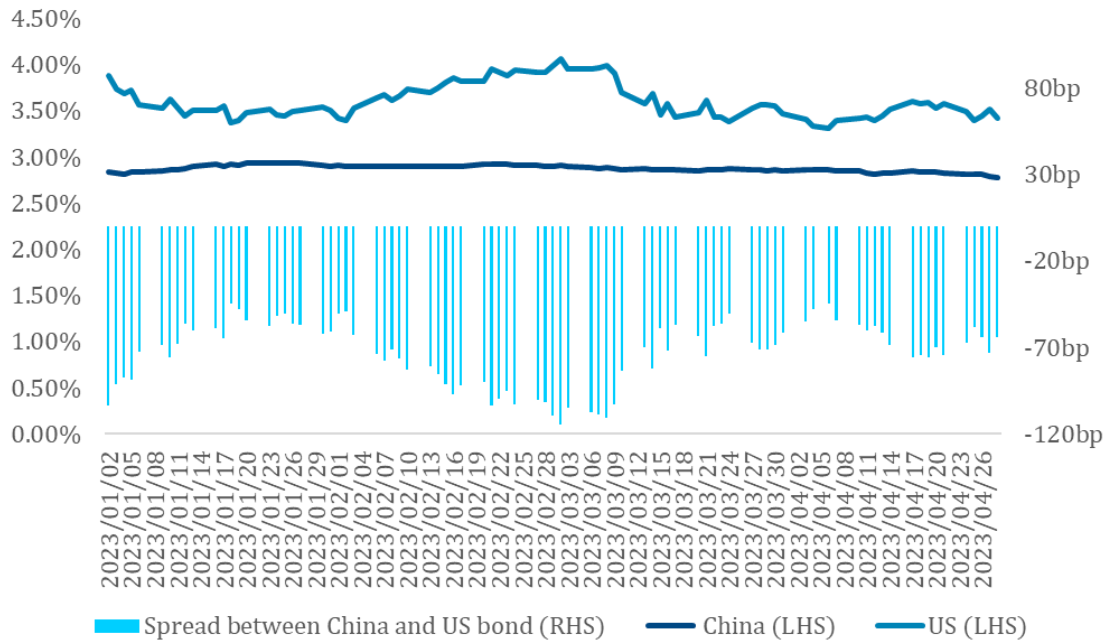
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of April 28, the yield spread between China and US 10-year note was -64.3bp, narrowing by 10.3bp from last Friday and narrowing by 39.6bp 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 24 to April 28, there were 10 new issues with total issued volume of USD1.07 billion. Among them, financial companies were the main issuers, who issued bonds with a total size of about USD0.58 billion.

Table 1: New issuance of Chinese offshore bonds (202304024-20230428)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/4/24	Changxing Communications Investment Group Co Ltd	CNY	7	4.7	2026/4/27	3	Chengtou	-/-/-	-/-/-
2023/4/24	Huatai International Financial Holdings Co Ltd	HKD	0.51	0	2023/11/2	184D	Financials	-/-/-	-/-/-
2023/4/24	Zhangzhou Jiulongjiang Group Co Ltd	CNY	13.7	4.28	2026/4/28	3	Chengtou	-/-/BBB-	-/-/-
2023/4/25	BOC Aviation Ltd	USD	5	4.875	2033/5/3	10	Financials	-/A-/A-	-/-/-
2023/4/25	Changxing Cultural Tourism Development Group Co	CNY	2.86	3.8	2026/4/28	3	Chengtou	-/-/-	-/-/-
2023/4/26	China Securities International Finance Holding Co Ltd	USD	0.01	5.3	2023/6/3	31D	Financials	-/-/-	-/-/-

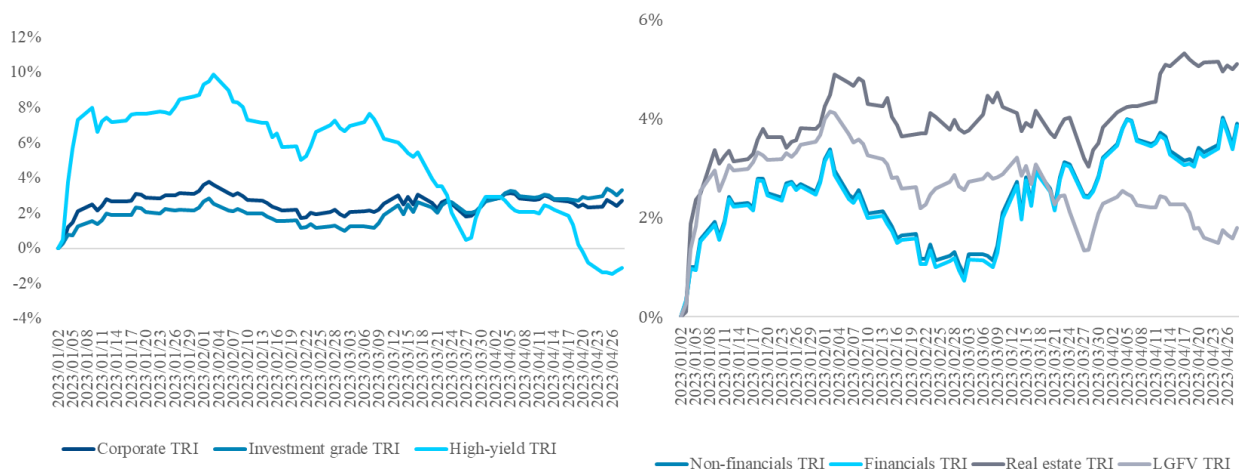
2023/4/26	Lianyungang Ganyu Urban Construction Development Group Co Ltd	JPY	58	1.8	2026/5/9	3	Chengtou	-/-/-	-/-/-
2023/4/27	Huatai International Financial Holdings	HKD	4.75	4	2024/5/3	364D	Financials	-/-/-	-/-/-
2023/4/28	Huatai International Financial Holdings	USD	0.1	5.5	2023/7/7	60D	Financials	-/-/-	-/-/-
2023/4/28	Huzhou Wuxing City Investment & Development Group Co Ltd	CNY	7.05	4.95	2026/5/10	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of April 28, the YTD return¹ on Chinese USD corporate bond index increased by 37bp to 2.71% from last Friday, of which the return on investment-grade bonds increased by 47bp to 3.32%, while the return on high-yield bonds decreased by 26bp to -1.10%. In terms of sector indices, the return on financial, non-financial and Chengtou bonds were 3.84%, 3.90% and 1.79%, respectively, increasing by 62bp, 59bp and 20bp from last Friday, respectively; the return on real estate bonds decreased by 2bp from last Friday to 5.10%.

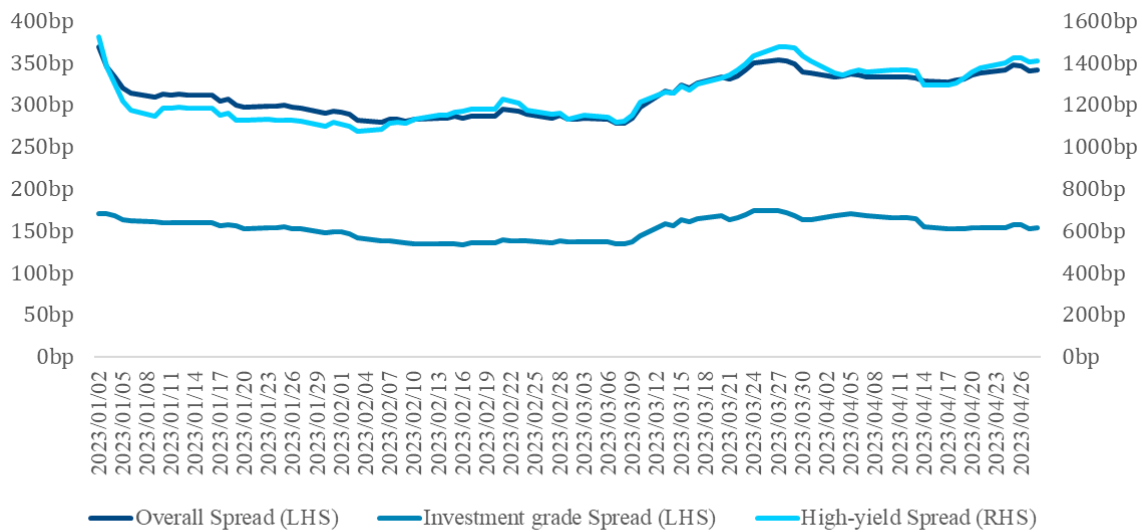
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of April 28, the yield spread of Chinese dollar bonds increased by 3.7bp to 341.07bp from last Friday. The yield spread of investment-grade bonds increased by 0.3bp to 153.20 bp, and the spread of high-yield bonds increased by 31.0bp to 1406.76bp.

¹ 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 24 to April 28 are shown in the table below. Among them, Agile Group Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230424-20230428)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 13.476 PERP	Agile Group Holdings Ltd	35.38	PERP	2337.348	13.6M
SINOCE 6 07/30/24	Sino-Ocean Group Holding Limited	40.812	1.246	97.869	10.5M
SKYFAM 13 12/16/23	Skyfame International Holdings Ltd	10.508	0.624	1086.133	7.3M
GRNLGR 5 7/8 07/03/26	Greenland Holding Group Co Ltd	25.5	3.17	65.549	6.1M
FOSUNI 5 1/2 08/17/23	Fosun International Limited	95.352	0.293	22.214	1.9M
GRNLGR 6 3/4 06/25/24	Greenland Holding Group Co Ltd	37.346	1.15	130.868	1.4M
CHGRAU 9.109 PERP	Grand Baoxin Auto Group Ltd	48.75	PERP	231.064	1.3M
KWGPRO 5 7/8 11/10/24	KWG Group Holdings Limited	23.125	1.528	140.418	1.3M
GRNLGR 5.9 02/12/25	Greenland Holding Group Co Ltd	30.115	1.785	93.538	1.2M
KWGPRO 6.3 02/13/26	KWG Group Holdings Limited	18.06	2.787	91.993	1.1M

Sources: CCXAP research

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

On April 27, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g to Jiangsu Haisheng Holding Group Co., Ltd. (“JHHG”), with stable outlook.

On April 27, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBBg to Chengdu Xisheng Investment Group Co., Ltd., (“CXIG”), with stable outlook.

On April 27, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBBg to Zouping Finance Development Group Co., Ltd., (“ZPFD”), with stable outlook.

On April 28, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBBg+ to Quzhou Qutong Development Group Co., Ltd. (“QQDG”), with stable outlook.

Table 3: Credit rating from CCXAP (20230424-20230428)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/4/27	JHHG	BBB _g	-	The credit rating is underpinned by the Company’s (1) position as the core entity of transportation projects in Haimen District; (2) track record of receiving government payments; and (3) good access to diversified funding. However, the Company’s rating is constrained by (1) medium exposure to commercial activities; (2) high debt leverage with an increasing short-term debt burden; and (3) high level of external guarantees.
2023/4/27	CXIG	BBB _g	-	The credit rating is underpinned by the Company’s (1) important role as the major infrastructure constructor in Pidu District; (2) high sustainability for public policy projects; and (3) solid track record of receiving government payments. However, the Company’s rating is constrained by (1) medium exposure to commercial activities; (2) increasing debt burden; and (3) moderate assets liquidity.
2023/4/27	ZPFD	BBB _g	-	The credit rating is underpinned by the Company’s (1) essential role in infrastructure construction and operation of Zouping City; (2) dominant position in providing 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; and (2) ongoing increase in debt level to support investment in public policy projects.
2023/4/28	QQDG	BBB _g +	-	The credit rating is underpinned by the Company’s (1) important strategic role as the transportation infrastructure construction entity in Quzhou City; (2) good access to funding; and (3) good track record of receiving government payments. However, the Company’s rating is constrained by (1) medium exposure to commercial activities; and (2) moderate debt management and moderate asset liquidity.

Sources: CCXAP research

From April 24 to April 28, international rating agencies took 6 positive and 4 negative actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230424-20230428)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
upgrade	Contemporary Amperex Technology Co. Ltd.	Electrical equipment	BBB+	POS	2023/4/24	BBB+	STABLE	2022/5/12	S&P	The Business scale and footprint will be expended over the next 24 months while stable profitability will be maintained

Downgrade

Hopson Development Holdings Ltd.	Real Estate	B	STABLE	2023/4/24	B	NEG	2022/11/25	S&P	Steady cash flow due to higher sales volumes
China Merchants Bank Co. Ltd.	Financial	BBB+	POS	2023/4/28	BBB+	RWN	2022/4/29	S&P	Improved liquidity and reduced risk of legal action against the former governor over the past two years
CMB Financial Leasing Co. Ltd.	Financial	BBB+	POS	2023/4/28	BBB+	RWN	2022/4/29	S&P	Improved liquidity and reduced risk of legal action against the former governor over the past two years
CMB International Leasing Management Ltd.	Financial	BBB+	POS	2023/4/28	BBB+	STABLE	2022/4/29	S&P	Improved liquidity and reduced risk of legal action against the former governor over the past two years
CMB International Capital Holdings Corp.Ltd.	Financial	BBB+	POS	2023/4/28	BBB+	RWN	2022/4/29	S&P	Improved liquidity and reduced risk of legal action against the former governor over the past two years
Xiaomi Corp.	Technology	BBB-	STABLE	2023/4/25	BBB-	POS	2021/12/13	S&P	Declining mobile phone shipments and lackluster monetization gains
Dalian Wanda Commercial Management Group Co., Ltd.	Real Estate	BB+	RWN	2023/4/27	BB+	STABLE	2022/5/24	Fitch	The uncertainty in the listing of Zhuhai Wanda Commercial Management Ltd. may lead to a deterioration in Wanda's commercial financial position
Wanda Commercial Properties (Hong Kong) Co. Limited	Real Estate	BB	RWN	2023/4/27	BB	STABLE	2022/5/24	Fitch	Follows the "stronger parent" path under Fitch
YUNDA Holding Co., Ltd.	Transportation	Baa2	NEG	2023/4/28	Baa2	STABLE	2020/8/10	Moody's	Sales volume grew weak

Sources: CCXAP research

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852 2860 7111

Fax: +852 2868 0656