

### 2023 Issue 16 From May 1 to May 5

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

#### Headline: China Caixin PMI contracted; US Fed raised rates by 25bps

China's Caixin PMI recorded 49.5 in April, 0.5 percentage points lower than in March, falling into contraction territory for the first time since February. US Fed announced raising rates by 25 basis points, as expected by the market, raising the target range for the federal funds rate to a range of 5% to 5.25%.

#### Exchange Rate: RMB appreciated, USD index decreased

This week, RMB appreciated. As of May 5, the RMB/USD middle rate closed at 6.9114, decreasing by 126bp from last Friday. The USD index decreased by 0.4% to 101.214 from last Friday.

#### Interest Rate: Chinese Government Bond yields decreased; US Treasury yields were mixed

This week, the China Government Bond yields decreased. Driven by Fed's rate hike, US Treasury yields were mixed.

#### Chinese Offshore Bond Market

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

From May 1 to May 5, there were 7 new issues with total issued volume of USD219 million, down 79.5% from last Friday. Chengtuo companies were the main issuers, with total issuance of about USD134 million.

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

As of May 5, the YTD return on Chinese USD corporate bond index decreased by 30bp to 2.41% from last Friday, of which the return on investment-grade bonds increased by 5bp to 3.37%, while the return on high-yield bonds decreased by 246bp to -3.56%.

#### Rating Action: 5 Chinese issuers were taken negative rating actions

From May 1 to May 5, international rating agencies took 5 negative rating actions on Chinese issuers.



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## Headline: China Caixin PMI contracted; US Fed raised rates by 25bps

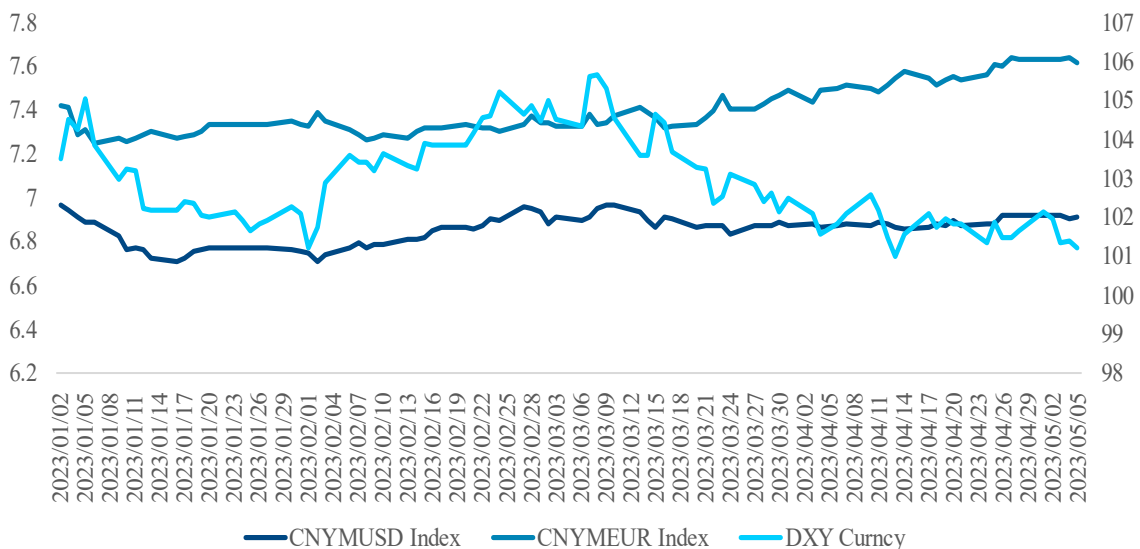
May 4, according to data released by S&P Global, China's Caixin Manufacturing Purchasing Managers' Index ("PMI") recorded 49.5 in April, 0.5 percentage points lower than in March, falling into contraction territory for the first time since February. By sub-data, manufacturing supply growth slowed, with some companies reflecting lower-than-expected new orders, inhibiting output growth. Demand ended the previous two months of expansion, and the new orders index was slightly below the critical point, mainly because of relatively weak demand and reduced customer consumption. By three major product categories, sales of intermediate and investment goods fell, offsetting the growth in sales of consumer goods.

May 3, the Fed announced a 25-basis point interest rate hike, or a 0.25% rise. Since March last year, the Fed ended the era of zero interest rates, which had lasted for four years, and started hiking rate for more than a year. After this hike, the US federal funds rate increased to a range of 5.00%-5.25%, a new high since 2007.

## Exchange Rate: RMB appreciated, USD index decreased

This week, RMB appreciated. As of May 5, the RMB/USD middle rate closed at 6.9114, decreasing by 126bp from last Friday; the RMB/EUR middle rate closed at 7.6189, decreasing by 172bp from last Friday. The USD index decreased by 0.4% to 101.214 from last Friday.

**Figure 1: RMB exchange rate**

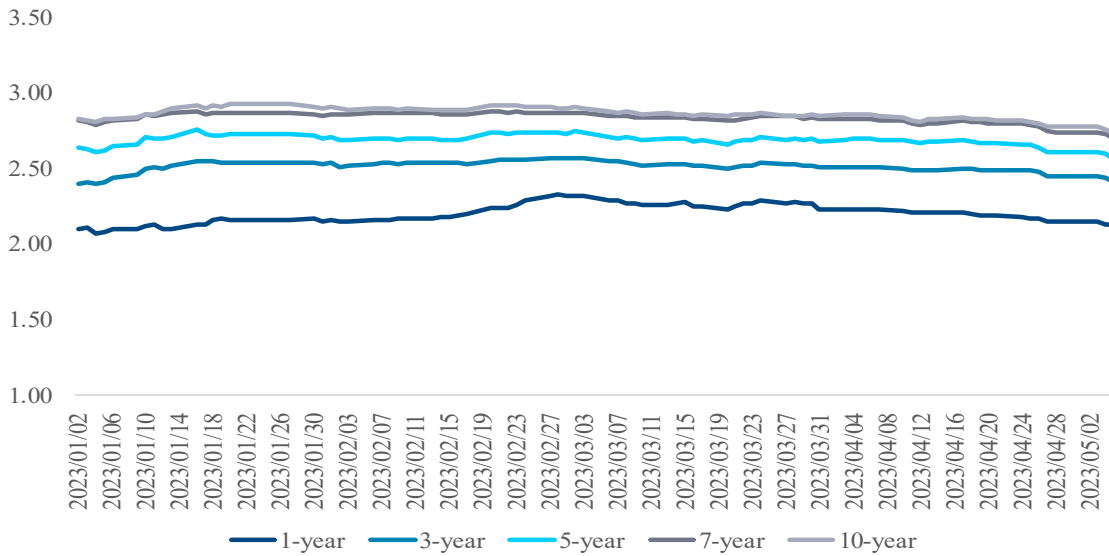


Sources: CCXAP research

## Interest Rate: Chinese Government Bond yields decreased; US Treasury yields were mixed

This week, the China Government Bond yields decreased. As of May 5, the 1-year, 3-year, 5-year, 7-years and 10-years China Government Bond yields were 2.1266%, 2.4083%, 2.5645%, 2.7035% and 2.7338% respectively, decreasing by 2bp, 4.2bp, 4.9bp, 4.2bp and 4.5bp from last Friday.

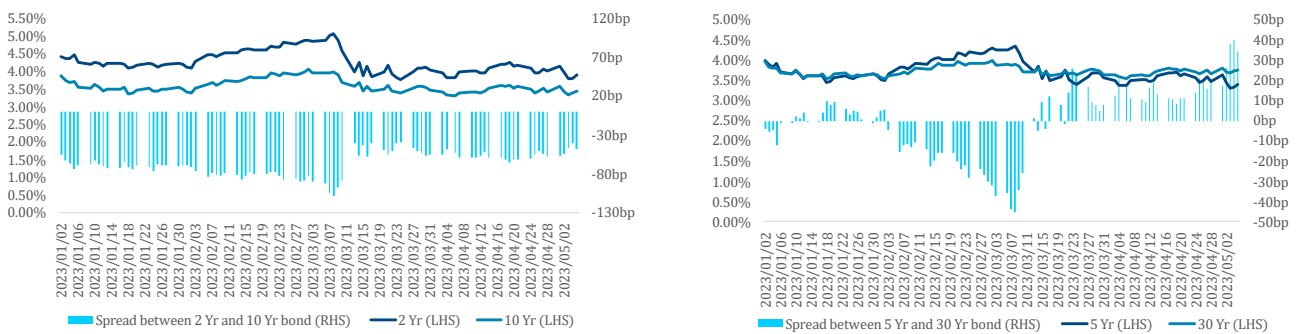
Figure 2: China Government Bond yields



Sources: CCXAP research

As of May 5, driven by Fed’s rate hike, US Treasury yields were mixed. 2-year and 5-year US Treasury yields were 3.9139% and 3.4104%, decreasing by 9.3bp and 7.2bp; 10-year and 30-year US Treasury yields were 3.4370% and 3.7535%, increasing by 1.5bp and 8.0bp from last Friday, respectively. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 11bp to -47.7bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 15bp to 34.3bp from last Friday.

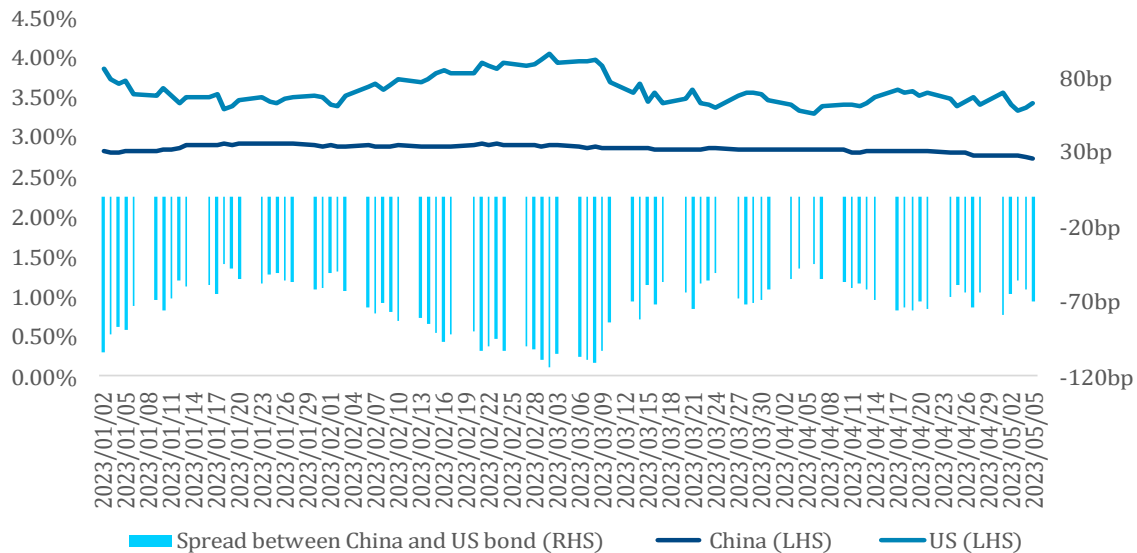
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of May 5, the yield spread between China and US 10-year note was -70.3bp, widened by 6bp from last Friday and narrowing by 33.6bp 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 new issuance decreased

From May 1 to May 5, there were 7 new issues with total issued volume of USD219 million, down 79.5% from last Friday. Chengtou companies were the main issuers, with total issuance of about USD134 million.

**Table 1: New issuance of Chinese offshore bonds (20230501-20230505)**

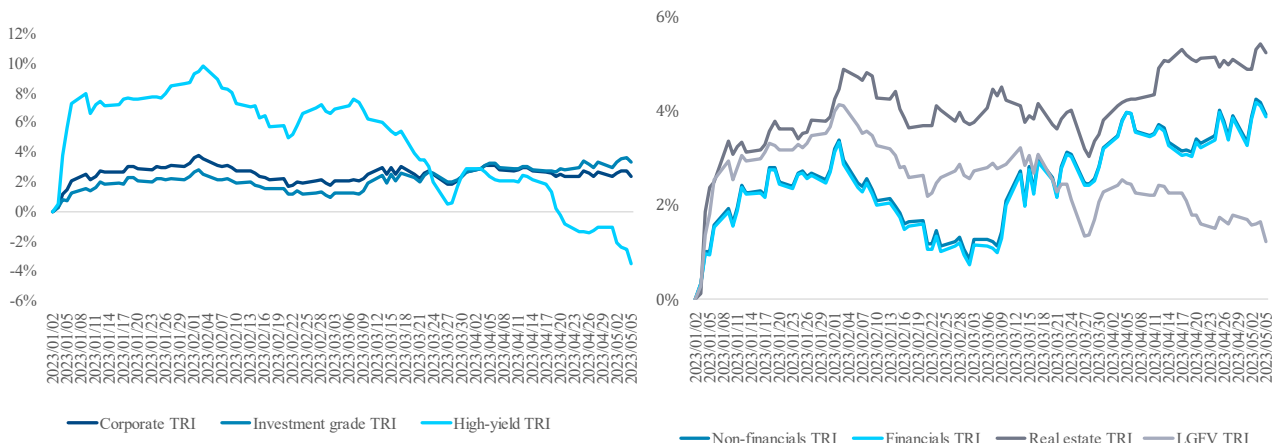
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/5/2	Huatai International Financial Holdings Co Ltd	USD	20	5.5	2023/11/9	184D	Financials	-/-/-	-/-/-
2023/5/2	Bank of China Ltd/Sydney	USD	15	0	2023/8/4	91D	Financials	A1/A/A	-/-/-
2023/5/2	CITIC Securities International Co Ltd	USD	1	0	2024/5/20	1	Financials	- /BBB+/-	-/-/-
2023/5/3	Huatai International Financial Holdings Co Ltd	USD	40	5.5	2023/7/11	62D	Financials	-/-/-	-/-/-
2023/5/4	TF International Securities Group Ltd	USD	10	5.8	2023/7/11	61D	Financials	-/-/-	-/-/-
2023/5/5	Nanchang Linkong Economic Zone Urban Construction Investment Development Group Co., Ltd.	CNY	464	3.6	2026/5/12	3	Chengtou	-/-/-	-/-/-
2023/5/5	Tianjin Lingang Investment Holding Co., Ltd.	CNY	460	6.6	2026/5/10	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond decreased

As of May 5, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 30bp to 2.41% from last Friday, of which the return on investment-grade bonds increased by 5bp to 3.37%, while the return on high-yield bonds decreased by 246bp to -3.56%. In terms of sector indices, the return on financials, non-financials and real estate bonds were 3.87%, 3.93% and 5.24%, respectively, increasing by 2bp, 3bp and 14bp from last Friday, respectively; the return on Chengtou bonds decreased by 56bp from last Friday to 1.22%.

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

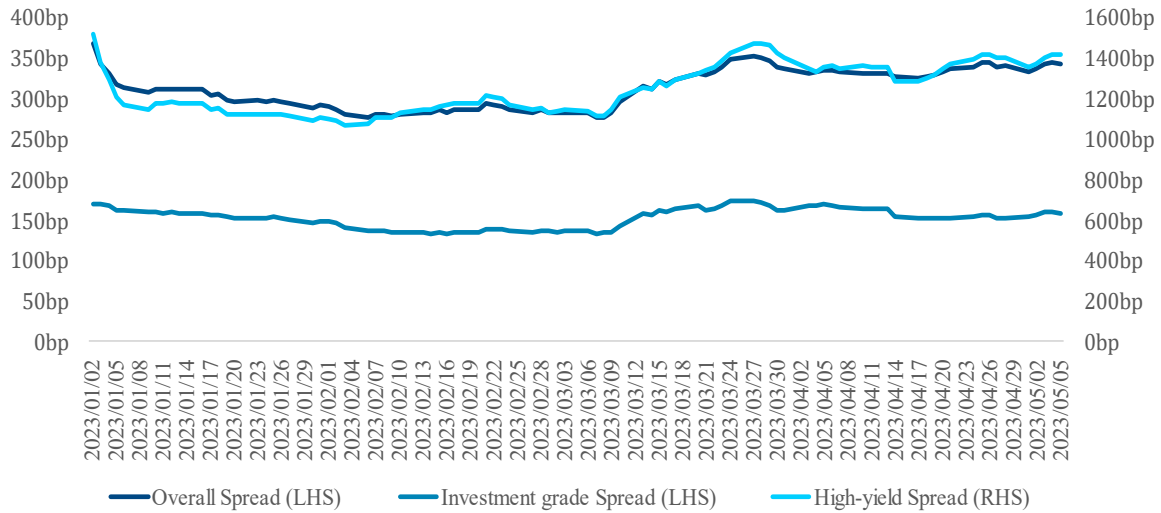


Sources: CCXAP research

As of May 5, the yield spread of Chinese dollar bonds increased by 2.5bp to 343.56bp from last Friday. The yield spread of investment-grade bonds increased by 4.7bp to 157.93 bp, and the spread of high-yield bonds increased by 15.3bp to 1422.01bp.

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

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from May 1 to May 5 are shown in the table below. Among them, KWG Group Holdings Limited changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20230501-20230505)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
KWGPRO 6 01/14/24	KWG Group Holdings Limited	21.376	0.687	1783.155	193.2M
KWGPRO 7 7/8 08/30/24	KWG Group Holdings Limited	14.95	1.314	530.181	30.6M
KWGPRO 5 7/8 11/10/24	KWG Group Holdings Limited	14.95	1.511	200.652	5.9M
AGILE 7 7/8 PERP	Agile Group Holdings Ltd	26.738	PERP	162.394	1.7M
AGILE 5 3/4 01/02/25	Agile Group Holdings Ltd	41.91	1.656	70.744	1.7M
SINOCE 6 07/30/24	Sino-Ocean Group Holding Limited	37.583	1.229	110.061	1.4M
GRNLGR 5.6 11/13/24	Greenland Holding Group Co Ltd	37.225	1.520	88.627	1.4M
AGILE 7 3/4 PERP	Agile Group Holdings Ltd	26.649	PERP	95.578	1.0M
JNHUIG 8.8 09/17/23	Radiance Group Co., Ltd.	91.085	0.361	37.735	823.4
ROADKG 7 3/4 PERP	Road King Infrastructure Limited	50.94	PERP	61.883	819.8

Sources: CCXAP research

## Rating Action: 5 Chinese issuers were taken negative rating actions

From May 1 to May 5, international rating agencies took 5 negative rating actions on Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230501-20230505)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Downgrade	China Great Wall Asset Management	Financial	BBB	NEG	2023/5/4	BBB	STABLE	2022/9/21	S&P	Delayed release of 2022 results increase uncertainty to the company's credit profile

China Great Wall AMC (International) Holdings Co. Ltd	Financial	A	NEG	2023/5/4	A	STABLE	2022/10/26	S&P	Delayed release of 2022 results increase uncertainty to the company's credit profile
BlueFocus Intelligent Communications Group Co., Ltd	Advertising	B	POS	2023/5/5	B+	STABLE	2021/10/11	Fitch	Company may exhibit better working capital management, but the business is regionally concentrated
Dalian Wanda Commercial Management Group Co., Ltd.	Real Estate	Ba2	RWN	2023/5/5	Ba1	STABLE	2021/9/27	Moody's	Concerns about the company's increased commercial liquidity and governance risks
Wanda Commercial Properties (Hong Kong) Co. Limited	Real Estate	B1	RWN	2023/5/5	Ba3	STABLE	2021/9/27	Moody's	Concerns about the company's increased commercial liquidity and governance risks

Sources: CCXAP research

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