

2023 Issue 18 From May 8 to May 12

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

Headline: China's CPI rose slightly in April; US inflation expectation rose to 12-year high

China's CPI rose by 0.1% YoY in April, dropping slightly compared with 0.7% in March. US consumer long-term inflation expectations hit 12-year high and reached 3.2%.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of May 12, the RMB/USD middle rate closed at 6.9481, increasing by 367bp from last Friday. The USD index increased by 1.4% to 102.681 from last Friday.

Interest Rate: Chinese Government Bond yields decreased; US Treasury yields rose

This week, the China Government Bond yields decreased. Influenced by US consumers' inflation expectation, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From May 8 to May 12, there were 15 new issues with total issued volume of USD1.13 billion, increasing by 417% from last Friday. Financial institutions were the main issuers, with total issuance of about USD0.73 billion.

Secondary Market: Return on Chinese USD bond decreased

As of May 12, the YTD return on Chinese USD corporate bond index decreased by 23bp to 2.17% from last Friday, of which the return on investment-grade bonds increased by 5bp to 3.42%, while the return on high-yield bonds decreased by 194bp to -5.50%.

Rating Action: CCXAP assigns first-time long-term credit ratings to 2 entities and upgraded 1 entity's long-term credit rating

CCXAP assigns first-time long-term credit ratings to SYSI and NXCD, and upgraded long-term credit rating of Jiangsu Yueda.

Credit event: KWG Group failed to pay interest and coupon, constituting an event of default



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Headline: China's CPI rose slightly in April; US inflation expectation rose to 12-year high

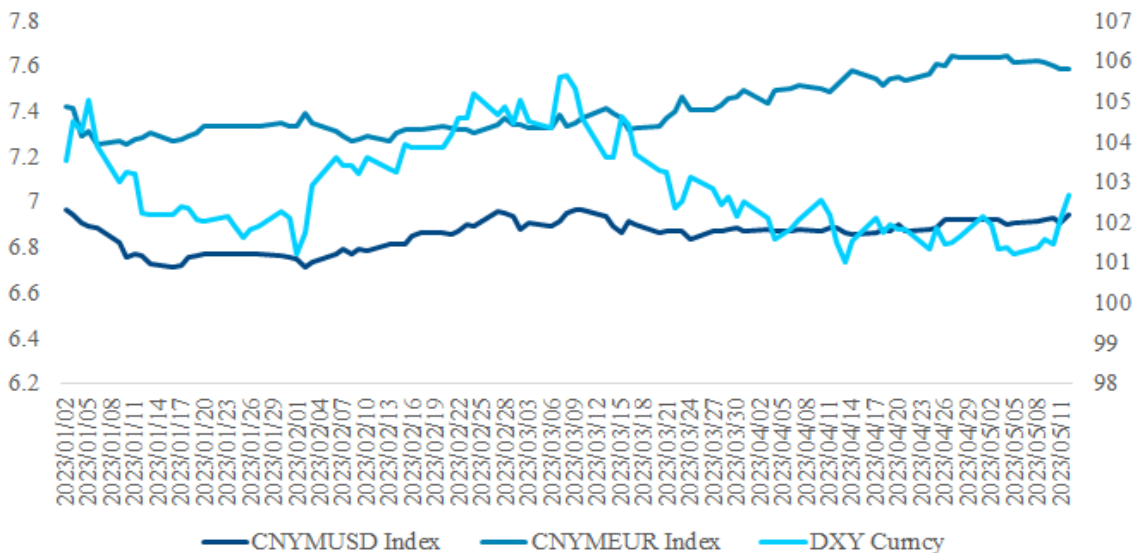
On May 11, according to data released by National Bureau of Statistics, China's CPI rose by 0.1% year-on-year ("YoY") in April, dropping slightly compared with 0.7% in March, lowest growth since February in 2021. Core CPI (excluding food and energy prices) rose by 0.7%, same growth rate compared with last month, and rose by 0.1% month-on-month ("MoM"). PPI in April dropped by 3.6% YoY, with larger decline compared to March and being the largest decline since May in 2020. PPI rose by 0.5% MoM.

On May 11, consumer confidence index issued by University of Michigan was 57.7, lowest level since November last year. US consumer long-term inflation expectations hit 12-year high and reached 3.2%. Consumer confidence also deteriorated, lowest level over last six months, reflecting people's worry about worsening US economy.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of May 12, the RMB/USD middle rate closed at 6.9481, increasing by 367bp from last Friday; the RMB/EUR middle rate closed at 7.585, decreasing by 339bp from last Friday. The USD index increased by 1.4% to 102.681 from last Friday.

Figure 1: RMB exchange rate

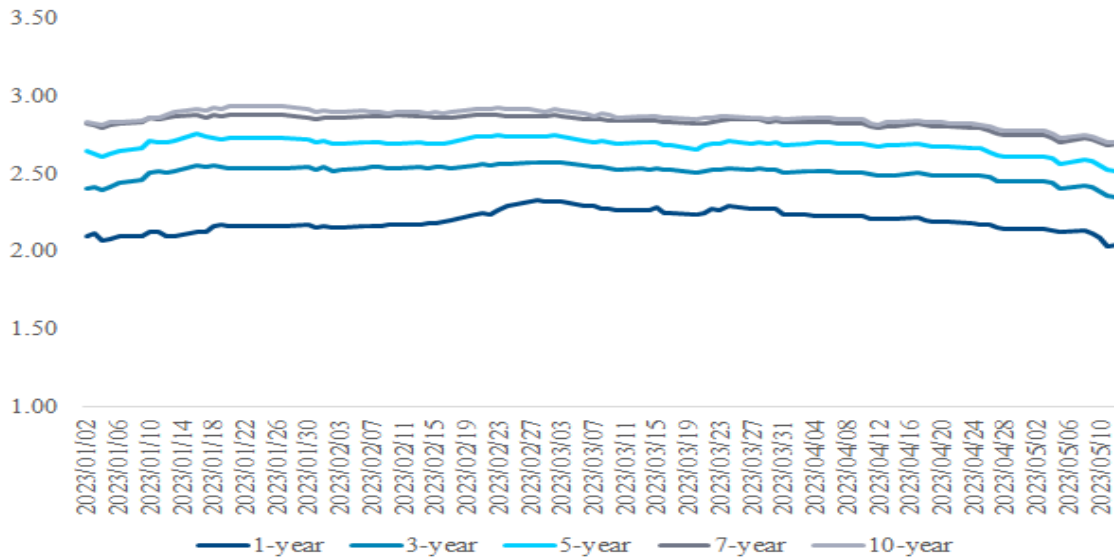


Sources: CCXAP research

Interest Rate: Chinese Government Bond yields decreased; US Treasury yields increased

This week, the China Government Bond yields decreased. As of May 12, the 1-year, 3-year, 5-year, 7-years and 10-years China Government Bond yields were 2.0441%, 2.3523%, 2.5164%, 2.6876% and 2.7058% respectively, decreasing by 8.3bp, 5.6bp, 4.8bp, 1.6bp and 2.8bp from last Friday.

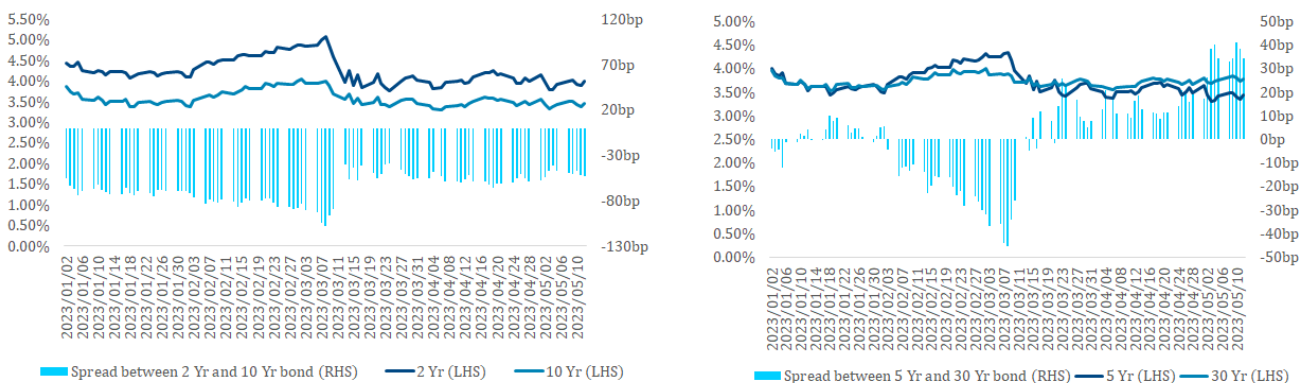
Figure 2: China Government Bond yields



Sources: CCXAP research

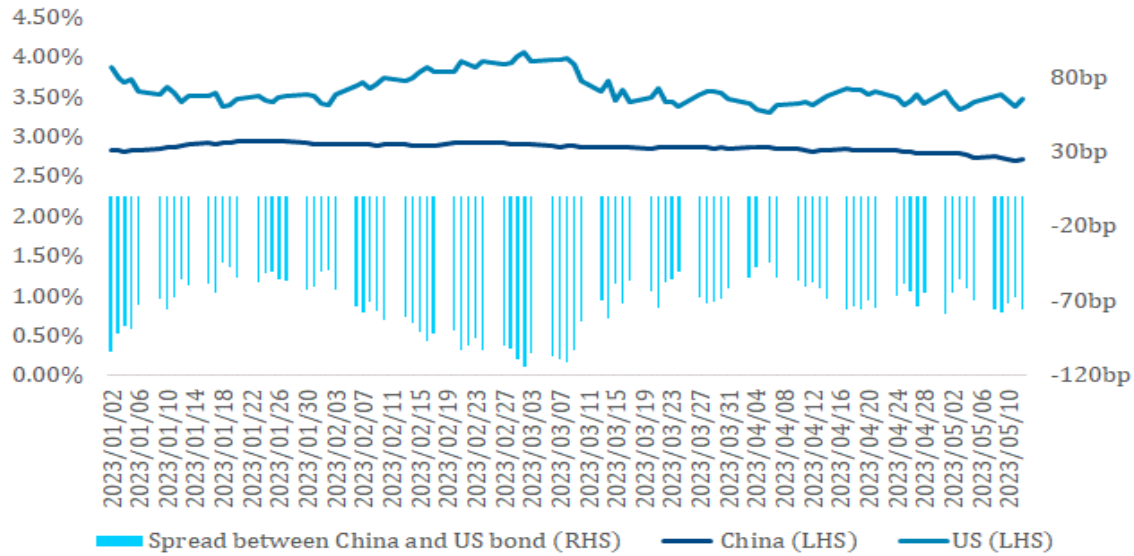
Influenced by US consumers' inflation expectation, US Treasury yields rose. As of May 12, 2-year, 5-year, 10-year and 30-year US Treasury yields were 3.9872%, 3.4462%, 3.4625% and 3.7888% respectively, increasing by 7.3bp, 3.6bp, 2.6bp and 3.5bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 5bp to -52.5bp from last Friday, and the spread between 5-year and 30-year Treasury bonds was 34.3bp, flat with last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of May 12, the yield spread between China and US 10-year note was -75.7bp, widening by 5.4bp from last Friday and narrowing by 28.3bp 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 increased

From May 8 to May 12, there were 15 new issues with total issued volume of USD1.13 billion, increasing by 417% from last Friday. Financial institutions were the main issuers, with total issuance of about USD0.73 billion.

Table 1: New issuance of Chinese offshore bonds (20230508-20230512)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/5/8	China Securities International Finance Holding Co Ltd	USD	0.5	5.3	2023/6/12	35D	Financials	-/-/-	-/-/-
2023/5/9	Bank of China Ltd/Auckland	NZD	150	NFIXF+115	2026/5/15	3	Banks	A1/A/A	-/-/A
2023/5/9	CMB International Leasing Management Ltd	HKD	750	4.4	2023/11/16	191D	Financials	A3/BBB +/-	-/-/-
2023/5/9	Sichuan Liquor Group Co Ltd	CNY	210	4.2	2026/5/12	3	Consumer Staples	-/-/-	-/-/-
2023/5/9	Xiangtan Urban & Rural Construction Development Group Co Ltd	CNY	713.3	4.5	2026/5/12	3	Chengtou	-/-/-	-/-/-
2023/5/10	Changxing Urban Construction Investment Group Co Ltd	CNY	200	3.75	2026/5/15	3	Chengtou	-/-/-	-/-/-
2023/5/10	Haitong Securities Co Ltd	CNY	2800	3.2	2026/5/18	3	Financials	-/BBB/-	-
2023/5/10	Huatai International Financial Holdings Co Ltd	USD	12.5	5.5	2023/7/14	65D	Financials	-/-/-	-/-/-
2023/5/11	Chengdu Xinjin City Industry Development Group Co Ltd	CNY	707	3.8	2026/5/18	3	Chengtou	-/-/-	-/-/-
2023/5/11	Industrial & Commercial Bank of China Ltd/London	USD	100	4.47	2025/5/19	2	Banks	A1/A/-	-/-/-

2023/5/1 1	Neijiang Investment Holding Group Co Ltd	CNY	350	7.68	2026/5/15	3	Chengtou	-/-/-	-/-/-
2023/5/1 1	Shaanxi Xixian New Area Airport New City Development & Construction Group Co Ltd	USD	50	6.2	2026/5/18	3	Chengtou	-/-/-	-/-/-
2023/5/1 2	Huatai International Financial Holdings Co Ltd	USD	20.9	5	2023/7/21	70D	Financials	-/-/-	-/-/-
2023/5/1 2	Huatai International Financial Holdings Co Ltd	USD	5.2	0	2023/11/17	189D	Financials	-/-/-	-/-/-
2023/5/1 2	Shaanxi Xixian New Area Airport New City Development & Construction Group Co Ltd	USD	41	7.8	2026/5/17	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

On 10 May, Industrial & Commercial Bank of China Ltd/London announced bond reoffering.

Table 2: New issuance of additional Chinese offshore bonds (20230508-20230512)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2023/5/10	Industrial & Commercial Bank of China Ltd/London	USD	214 (reoffered 74)	5.53	2026/4/27	3	Financials	A1/A/A	-/-/-

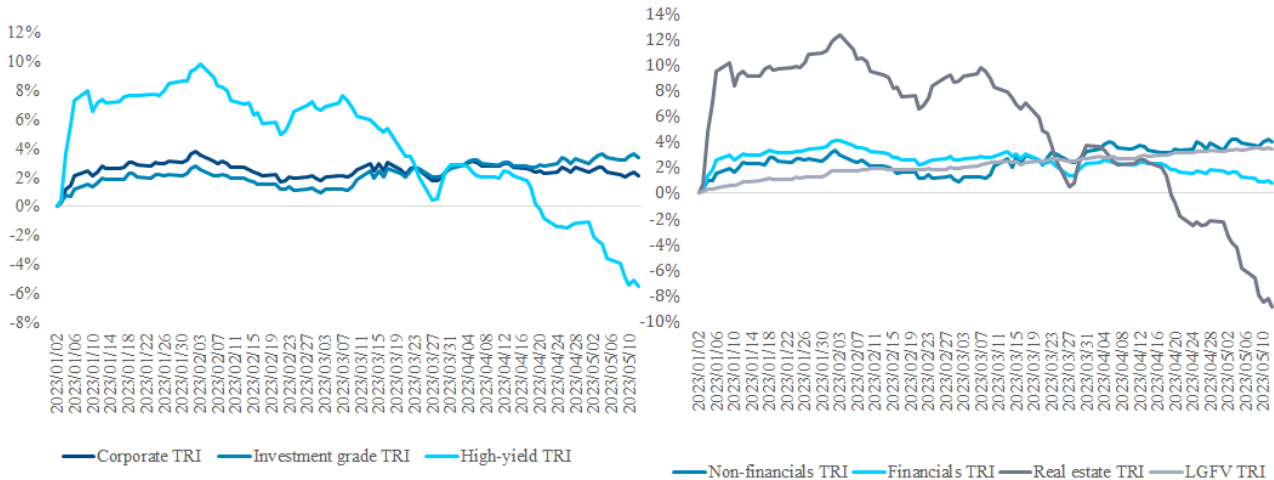
Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond decreased

As of May 12, the YTD return¹ on Chinese USD corporate bond index decreased by 23bp to 2.17% from last Friday, of which the return on investment-grade bonds increased by 5bp to 3.42%, while the return on high-yield bonds decreased by 194bp to -5.50%. In terms of sector indices, the return on financials and real estate bonds were 0.78% and -8.90%, respectively, decreasing by 44bp and 300bp from last Friday, respectively; the return on Chengtou and non-financials were 3.43% and 3.97%, respectively, increasing by 9bp and 4bp from last Friday, respectively.

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

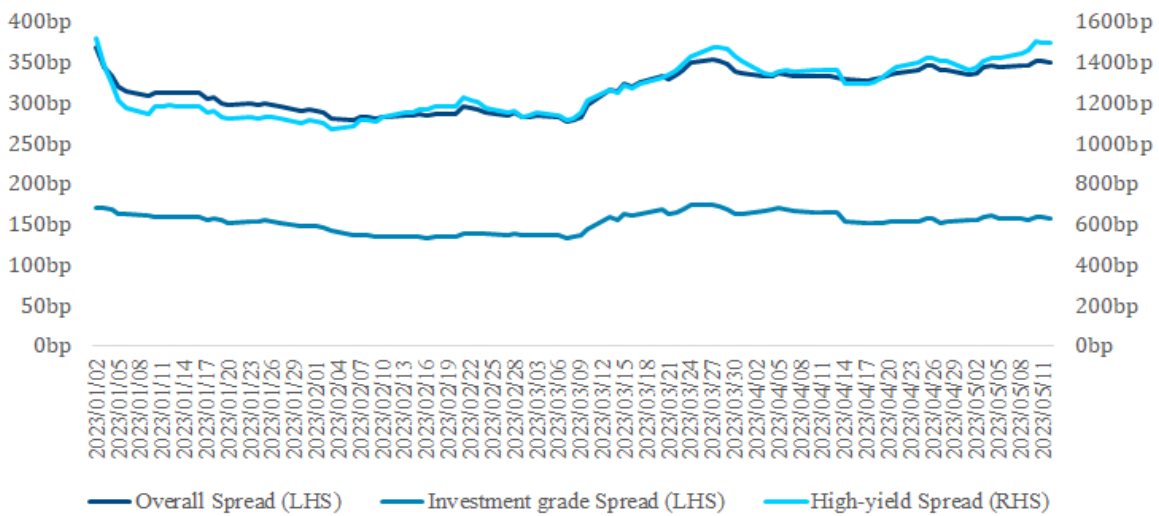
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of May 12, the yield spread of Chinese dollar bonds increased by 5.3bp to 348.87bp from last Friday. The yield spread of investment-grade bonds decreased by 1.6bp to 156.36bp, and the spread of high-yield bonds increased by 72.6bp to 1494.63bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from May 8 to May 12 are shown in the table below. Among them, Shimao Group Holdings Limited changed the most.

Table 3: Chinese offshore bonds with largest yield increases (20230508-20230512)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
SHIMAO 3.975 09/16/23	Shimao Group Holdings Limited	13.196	0.337	1973.416	30884.1
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	19.743	PERP	700.431	21865.1

CENCHI 7.65 08/27/23	Central China Real Estate Ltd	22.597	0.282	1220.923	8766.3
KWGPRO 6 01/14/24	KWG Group Holdings Limited	18.949	0.665	519.618	7535.6
SHIMAO 6 ½ 02/21/24	Shimao Group Holdings Limited	12.513	0.769	595.102	6502.2
GERGHK 4 ½ 05/21/23	Golden Eagle Retail Group Limited	99.457	0.014	42.988	5354.5
AGILE 7 ½ PERP	Agile Group Holdings Ltd	21.34	PERP	202.601	5256.6
DALWAN 7 ¼ 01/29/24	Wanda Properties International Co. Limited	62	0.706	91.436	2430.1
SINOCE 2.7 01/13/25	Sino-Ocean Group Holding Limited	28.5	1.665	98.342	1668.6
KWGPRO 7.4 03/05/24	KWG Group Holdings Limited	14.75	0.805	473.853	1560.5

Sources: CCXAP research

Rating Action: CCXAP assigns first-time long-term credit ratings to 2 entities and upgraded 1 entity's long-term credit rating

On May 10, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Sheyang State-owned Assets Investment Group Co., Ltd. (“SYSI”), with stable outlook.

On May 10, CCXAP has upgraded long-term credit rating of Jiangsu Yueda Group Co., Ltd. (“Jiangsu Yueda”) to BBB_g, with stable outlook.

On May 11, CCXAP has assigned a first-time BBB_g- long-term credit rating to Huzhou Nanxun Xunshanghe Construction Development Group Co., Ltd. (“NXCD”), with stable outlook.

Table 4: Credit rating from CCXAP (20230508-20230512)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/5/10	SYSI	BBB _g -	-	The credit rating is underpinned by the Company's (1) full ownership by the Sheyang County Government; (2) key role in infrastructure construction in Sheyang County; and (3) track record of receiving government support. However, the rating is constrained by Company's (1) medium risk exposure to commercial activities such as property development and photovoltaic power generation; (2) high reliance on bank borrowing and non-standard financing; and (3) medium level of contingent risk.
2023/5/10	Jiangsu Yueda	BBB _g	-	The credit rating is underpinned by the Company's (1) investment portfolio in line with Yancheng City's industrial development strategy; (2) good access to quality investments; and (3) diversified funding channels. However, the rating is constrained by the Company's (1) exposure to high volatility from its investments in cyclical industries; (2) modest financial profile with relatively weak profitability and high financial leverage; and (3) high refinancing needs in the near term.
2023/5/11	NXCD	BBB _g -	-	The credit rating is underpinned by the Company's (1) important role in infrastructure construction in Nanxun District, especially the Shanghai Innovation Cooperation Zone (“SICZ”); (2) high sustainability for public policy projects; and (3) track record of receiving government payments. However, the rating is constrained by the Company's (1) capital expenditure leads to increased debt burden and (2) moderate asset liquidity.

Sources: CCXAP research

From May 8 to May 12, international rating agencies took 2 negative rating actions and 1 positive rating action on Chinese issuers.

Table 5: Credit rating changes of cross-border bond market (20230508-20230512)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Anton Oilfield Services Group	Energy	B1	STABLE	2023/5/8	B1	NEG	2020/8/20	Moody's	Liquidity profile has improved
Downgrade	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	Chengtou	BBB+	NEG	2023/5/9	BBB+	STABLE	2021/8/30	S&P	Reduced financing flexibility
	Changchun Urban Development & Investment Holdings (Group) Co., Ltd	Chengtou	BBB	STABLE	2023/5/11	BBB+	STABLE	2022/5/19	Fitch	Changchun municipality will have a slightly lowered ability to provide legitimate support

Sources: CCXAP research

Credit event: KWG Group failed to pay interest and coupon, constituting an event of default

On May 14, KWG Group Holdings (“KWG Group” or “Company”) announced that it had not paid the interest of 6% senior notes matured in 2024. The Company was originally scheduled to pay 15% of the principal with interest on May 14, but the payment of USD119 million (approximately HKD928 million) has not yet been paid. It constituted an event of default and triggered cross-default on 9 USD notes issued by the Company.

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