

2023 Issue 19 From May 15 to May 19

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

Headline: China's fixed assets investment grew by 4.7% YoY from January to April; US retail sales grew by 0.4% MoM in April

China's fixed assets investment (excluding farmers) was RMB14.75 trillion from January to April, rising by 4.7% YoY. US retail sales grew by 0.4% MoM in April and former value was revised from -1.0% to -0.7%.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of May 19, the RMB/USD middle rate closed at 7.0356, increasing by 875bp from last Friday. The USD index increased by 0.5% to 103.198 from last Friday.

Interest Rate: China and US Treasury yields increased

This week, the China Government Bond yields increased. Influenced by increase in US retail sales, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From May 15 to May 19, there were 13 new issues with total issued volume of USD1.62 billion, increasing by 42.88% from last Friday. Chengtou companies were the main issuers, with total issuance of about USD0.77 billion.

Secondary Market: Return on Chinese USD bond decreased

As of May 19, the YTD return on Chinese USD corporate bond index decreased by 96bp to 1.22% from last Friday, of which the return on investment-grade bonds decreased by 62bp to 2.80%, while the return on high-yield bonds decreased by 303bp to -8.53%.

Rating Action: CCXAP assigns first-time long-term credit ratings to 3 entities

CCXAP assigns first-time long-term credit ratings to DSOC, HZCD and YEDC.



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Headline: China's fixed assets investment grew by 4.7% YoY from January to April; US retail sales grew by 0.4% MoM in April

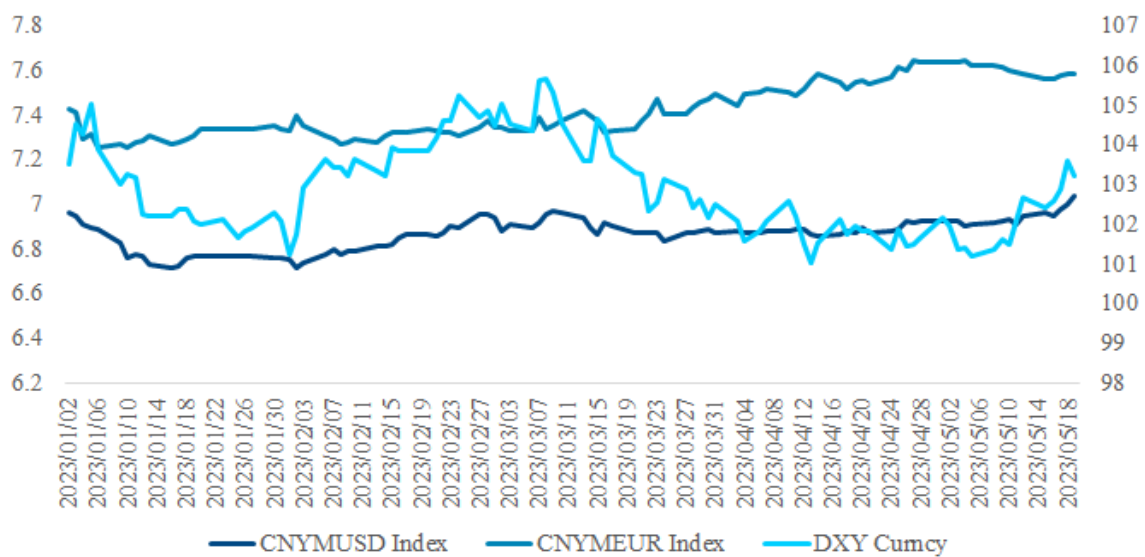
On May 16, according to data released by National Bureau of Statistics, China's fixed assets investment (excluding farmers) was RMB14.75 trillion from January to April, rising by 4.7% YoY. Private fixed assets investment was RMB7.96 trillion, growing by 0.4% YoY. Fixed assets investment (excluding farmers) dropped by 0.64% MoM.

On May 16, according to data released by US Census Bureau, US retail sales grew by 0.4% MoM in April, with expectation value of 0.8%, and former value was revised from 1.0% drop to 0.7% drop. As data shown, 7 categories out of 13 categories had positive growth. US retail sales excluding auto and oil rose by 0.6% in April, higher than expected value of 0.2%. Retail sales excluding auto rose by 0.4% MoM.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of May 19, the RMB/USD middle rate closed at 7.0356, increasing by 875bp from last Friday; the RMB/EUR middle rate closed at 7.5829, decreasing by 21bp from last Friday. The USD index increased by 0.5% to 103.198 from last Friday.

Figure 1: RMB exchange rate

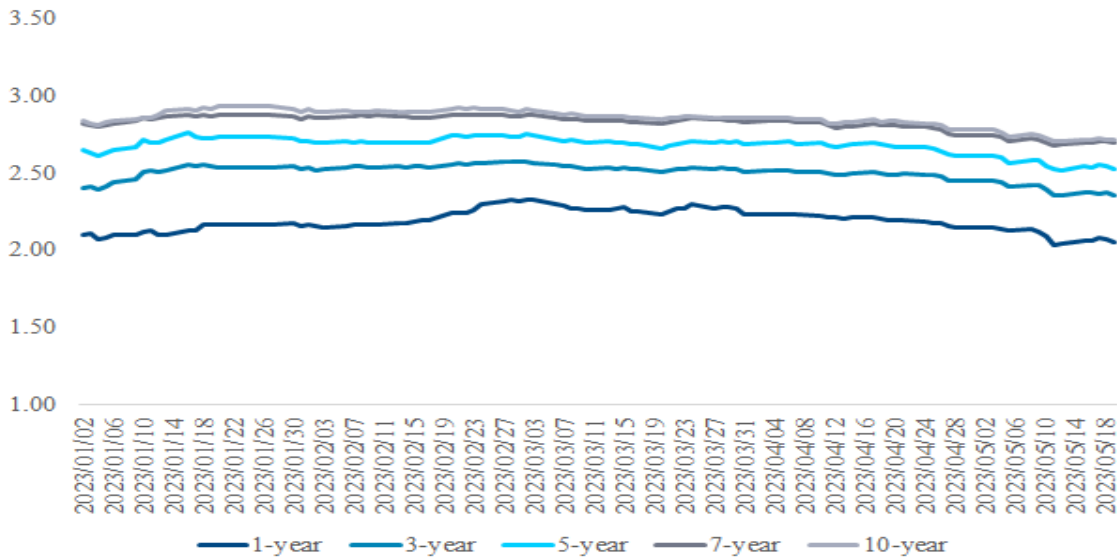


Sources: CCXAP research

Interest Rate: China and US Treasury yields increased

This week, the China Government Bond yields increased. As of May 19, the 1-year, 3-year, 5-year, 7-years and 10-years China Government Bond yields were 2.0554%, 2.3583%, 2.5204%, 2.6934% and 2.7151% respectively, increasing by 1.1bp, 0.6bp, 0.4bp, 0.6bp and 0.9bp from last Friday.

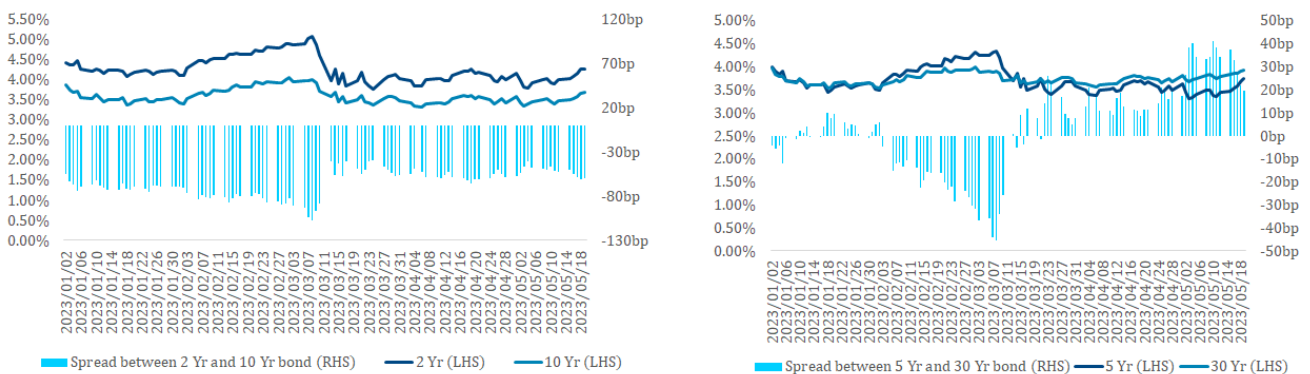
Figure 2: China Government Bond yields



Sources: CCXAP research

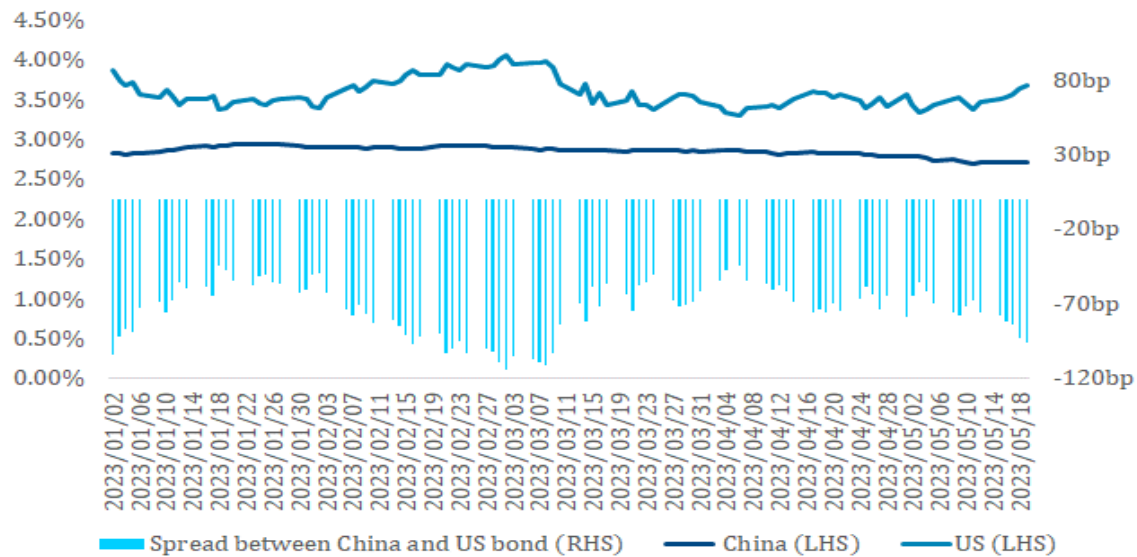
Influenced by increase in US retail sales, US Treasury yields rose. As of May 19, 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.2659%, 3.7319%, 3.6726% and 3.9271% respectively, increasing by 27.9bp, 28.6bp, 21.0bp and 13.8bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 7bp to -59.3bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 15bp to 19.5bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of May 19, the yield spread between China and US 10-year note was -95.8bp, widening by 20.1bp from last Friday and narrowing by 8.2bp from the beginning of the year.

Figure 4: Yield spread between China and US 10-year note


Sources: CCXAP research

Primary Market: Chinese offshore bond new issuance increased

From May 15 to May 19, there were 13 new issues with total issued volume of USD1.62 billion, increasing by 42.88% from last Friday. Chengtou companies were the main issuers, with total issuance of about USD0.77 billion.

Table 1: New issuance of Chinese offshore bonds (20230515-20230519)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/5/15	Shaanxi Xixian New Area Airport New City Development & Construction Group Co Ltd	USD	26.5	7.1	2026/5/18	3	Chengtou	-/-/-	-/-/-
2023/5/16	BOC Aviation Ltd	USD	500	4.5	2028/5/23	5	Financials	-/A-/A-	-/A-/A-
2023/5/16	China Securities International Finance Holding Co Ltd	USD	0.5	5.35	2023/11/22	184D	Financials	-/-/-	-/-/-
2023/5/16	Chongqing Fuling Industrial Development Group Co Ltd	CNY	1140	4.9	2026/5/23	3	Chengtou	-/-/-	-/-/-
2023/5/16	Shandong Hi-Speed Group Co Ltd	USD	300	5.1	2026/5/19	3	Industrials	A3-/A	-/-/-
2023/5/17	Changxing Urban Construction Investment Group Co Ltd	CNY	335	3.7	2026/5/22	3	Chengtou	-/-/-	-/-/-
2023/5/17	Qingtian Transportation Development Investment Co Ltd	CNY	483	3.7	2026/5/22	3	Financials	-/-/-	-/-/-
2023/5/17	Seazen Group Ltd	USD	100	7.95	2024/5/20	364D	Real Estate	B1/BB-/	-/-/-
2023/5/18	China Cinda HK Holdings Co Ltd	CNY	1500	3.7	2026/5/23	3	Financials	Baa1/BB B+/A	-/-/-
2023/5/18	China Securities International Finance Holding Co Ltd	USD	0.6	5.3	2023/8/22	92D	Financials	-/-/-	-/-/-

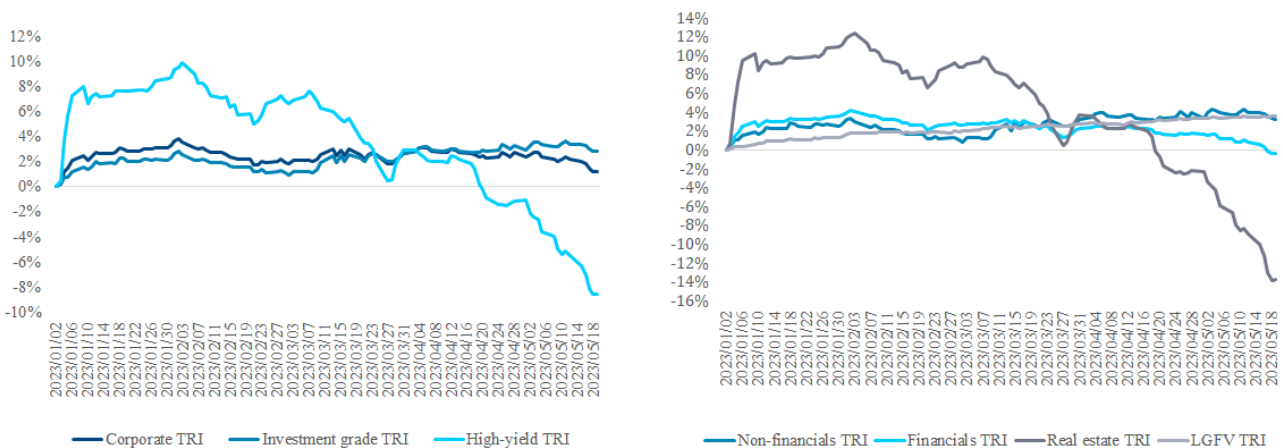
2023/5/18	ICBCIL Finance Co Ltd	USD	39	4.63	2026/5/14	3	Financials	A2/A/A	-/-
2023/5/18	Xianju Urban Construction & Development Group Co Ltd	CNY	778	3.7	2026/5/25	3	Chengtou	-/-	-/-
2023/5/19	Zhuzhou State-owned Asset Investment Holding Group Co Ltd	CNY	350	3.7	2026/5/23	3	Chengtou	-/-	-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of May 19, the YTD return¹ on Chinese USD corporate bond index decreased by 96bp to 1.22% from last Friday, of which the return on investment-grade bonds decreased by 62bp to 2.80%, while the return on high-yield bonds decreased by 303bp to -8.53%. In terms of sector indices, the return on non-financials, financials and real estate bonds were 3.23%, -0.35% and -13.79%, respectively, decreasing by 74bp, 113bp and 488bp from last Friday, respectively; the return on Chengtou bonds were 3.52%, increasing by 9bp from last Friday.

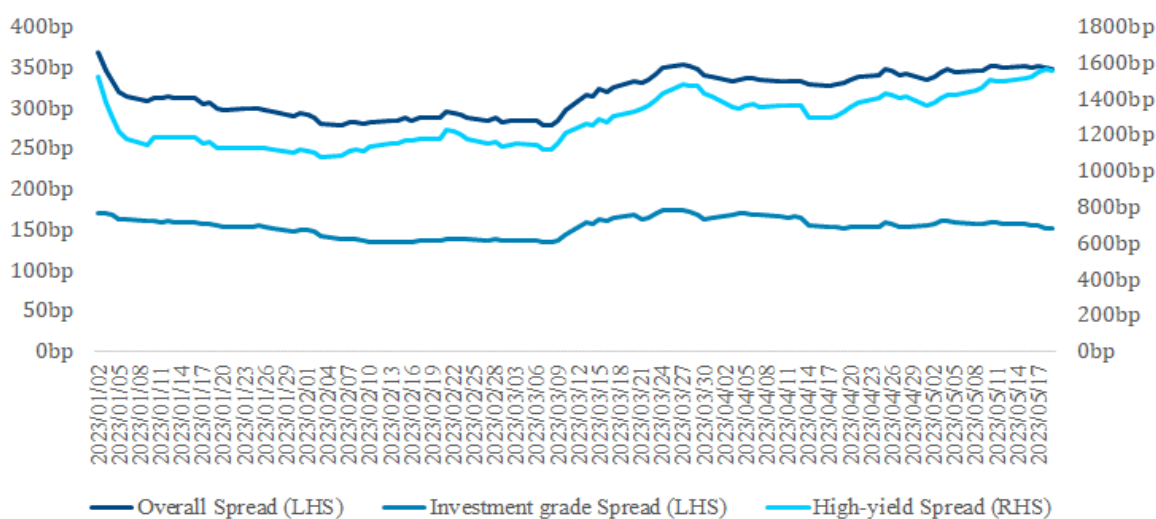
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of May 19, the yield spread of Chinese dollar bonds decreased by 1bp to 347.84bp from last Friday. The yield spread of investment-grade bonds decreased by 6bp to 150.4bp, and the spread of high-yield bonds increased by 61.2bp to 1555.81bp.

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 May 15 to May 19 are shown in the table below. Among them, Agile Property Holdings Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230515-20230519)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	16.257	PERP	940.683	23522.8
DALWAN 6 ¾ 07/23/23	Dalian Wanda Commercial Management Group Co., Ltd	77.291	0.1697	179.849	10634.8
CENCHI 7.65 08/27/23	Central China Real Estate Ltd	22.417	0.2656	1325.451	9131.6
GZRFPR 7 ½ 07/11/25	R&F Properties (HK) Company Limited	13.333	2.1383	205.945	4029.7
CHINSC 5.95 09/29/24	CHINA SCE GRP HLDGS LTD	25.694	1.358	146.285	3845.1
CHINSC 7 ¾ 04/09/24	CHINA SCE GRP HLDGS LTD	39.423	0.8843	154.644	3803.6
DALWAN 7 ¼ 01/29/24	Dalian Wanda Commercial Management Group Co., Ltd	49.856	0.6899	145.018	3194.4
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	17.834	PERP	239.76	2810.4
CENCHI 7.9 11/07/23	Central China Real Estate Ltd	21.188	0.4627	816.509	2666.5
TLINVT 4.45 06/10/23	Yinchuan Tonglian Capital Investment Operation Co.,Ltd	98.167	0.052	43.188	2516.9

Sources: CCXAP research

Rating Action: CCXAP assigns first-time long-term credit ratings to 3 entities

On May 16, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Dujiangyan Smart City Operation and Construction Development Group Co., Ltd. (“DSOC”), with stable outlook.

On May 16, CCXAP has assigned a first-time BBB_g long-term credit rating to Huizhou Zhongkai City Development Group Co. (“HZCD”), with stable outlook.

On May 18, CCXAP has assigned a first-time BBB_g- long-term credit rating to Shaanxi Yushen Energy Development and Construction Group Co., Ltd. (“YEDC”), with stable outlook.

Table 3: Credit rating from CCXAP (20230515-20230519)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/5/16	DSOC	BBB _g -	-	The credit rating is underpinned by the Company’s (1) important role as the major infrastructure constructor and urban operator in Dujiangyan City; and (2) solid track record of receiving government payments. However, the rating is constrained by Company’s (1) relatively high reliance on non-standard financing; (2) medium exposure to contingent risk; and (3) moderate assets liquidity.
2023/5/16	HZCD	BBB _g	-	The credit rating is underpinned by the Company’s (1) strong market position as the sole investment and financing entity in Zhongkai HTZ, after consolidating local state-owned assets and resources; (2) dominant role in undertaking local public activities with high sustainability; and (3) track record of receiving government payments. However, the rating is constrained by the Company’s (1) high exposure to commercial activities; (2) rapid debt growth with large capital expenditure needs; and (3) moderate asset quality.
2023/5/18	YEDC	BBB _g -	-	The credit rating is underpinned by the Company’s (1) unique position in infrastructure construction and provision of essential public services; (2) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium and increasing exposure to commercial activities; (2) rising debt burden; and (3) limited credit facilities and relatively large scale of high-cost nonstandard financing.

Sources: CCXAP research

From May 15 to May 19, international rating agencies took 1 negative rating action and 3 positive rating action on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230515-20230519)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	New Development Bank	Financial	AA	STABLE	2023/5/16	AA	NEG	2022/7/18	Fitch	continuing to grow its balance sheet and attract new shareholders
	China Merchants Bank	Financial	A2	STABLE	2023/5/15	A3	POS	2021/11/12	Moody's	improved financial metrics in profitability, capital and funding
	CMB International Capital Corporation Limited	Financial	A3	STABLE	2023/5/15	Baa1	POS	2021/11/12	Moody's	enhancement in CMB's credit profile,
Downgrade	Yuexiu Real Estate Investment Trust (REIT)	Real Estate	Ba1	STABLE	2023/5/19	Baa3	NRW	2023/3/14	Moody's	high debt leverage and exposure to increased borrowing costs

Sources: CCXAP research

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