

2023 Issue 20 From May 22 to May 26

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

Headline: China LPR unchanged in May; US core PCE up 4.7% YoY in April

China's 1-year LPR were 3.65% and 5-year+ LPR was 4.3% on May 22, unchanged from the previous month and stable for the ninth consecutive month. US core PCE rose 4.7% YoY in April, with the MoN growth rate reaching a new high since January.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of May 26, the RMB/USD middle rate closed at 7.076, increasing by 404bp from last Friday. The USD index increased by 1.0% to 104.206 from last Friday.

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

This week, the China Government Bond yields were mixed. Driven by the increase in US core PCE, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance continued to rise

From May 22 to May 26 there were 19 new issues with total issued volume of USD2.21 billion, increasing by 36.13% from last Friday. Financial companies were the main issuers, with total issuance of about USD1.32 billion.

Secondary Market: Return on Chinese USD bond decreased

As of May 26, the YTD return on Chinese USD corporate bond index decreased by 36bp to 0.86% from last Friday, of which the return on investment-grade bonds decreased by 25bp to 2.54%, while the return on high-yield bonds decreased by 99bp to -9.52%.

Rating Action: CCXAP assigns first-time long-term credit ratings to 1 entity

CCXAP assigns long-term credit rating A_g- with stable outlook to Tianfeng Securities Co., Ltd.



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Headline: China LPR unchanged in May; US core PCE up 4.7% YoY in April

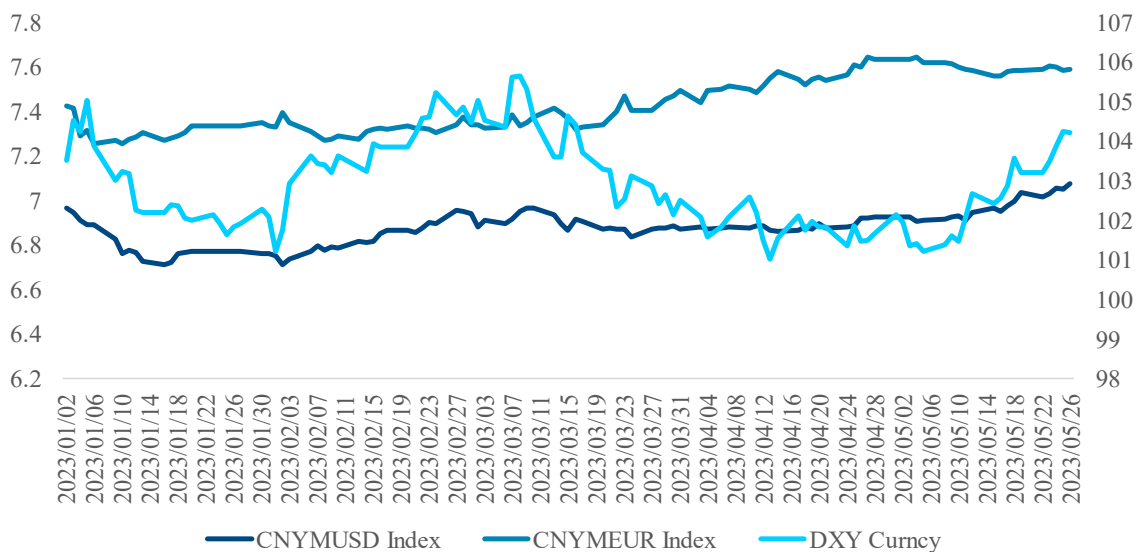
On May 22, the People's Bank of China authorized the National Interbank Offered Rate Center to announce that the 1-year Loan Prime Rate (“LPR”) was 3.65% and the 5-year+ LPR was 4.3%, unchanged from the previous rate. China's LPR quotes in May remained unchanged for the ninth consecutive month.

On May 26, the latest data from the US Department of Commerce showed that the US PCE price index rose 4.4% year-on-year (“YoY”) in April, above expectations of 4.3% and above the previous value of 4.2%; it increased 0.4% month-on-month (“MoM”), exceeding expectations and the previous value of 0.3% and 0.1%. Excluding food and energy, the core PCE price index rose 4.7% YoY, beating expectations of 4.6%, and the previous value of 4.6%; rose 0.4% MoM, also beating expectations and the previous value of 0.3%, the growth rate hitting a new high since January 2023.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of May 26, the RMB/USD middle rate closed at 7.076, increasing by 404bp from last Friday; the RMB/EUR middle rate closed at 7.5888, increasing by 59bp from last Friday. The USD index increased by 1.0% to 104.206 from last Friday.

Figure 1: RMB exchange rate

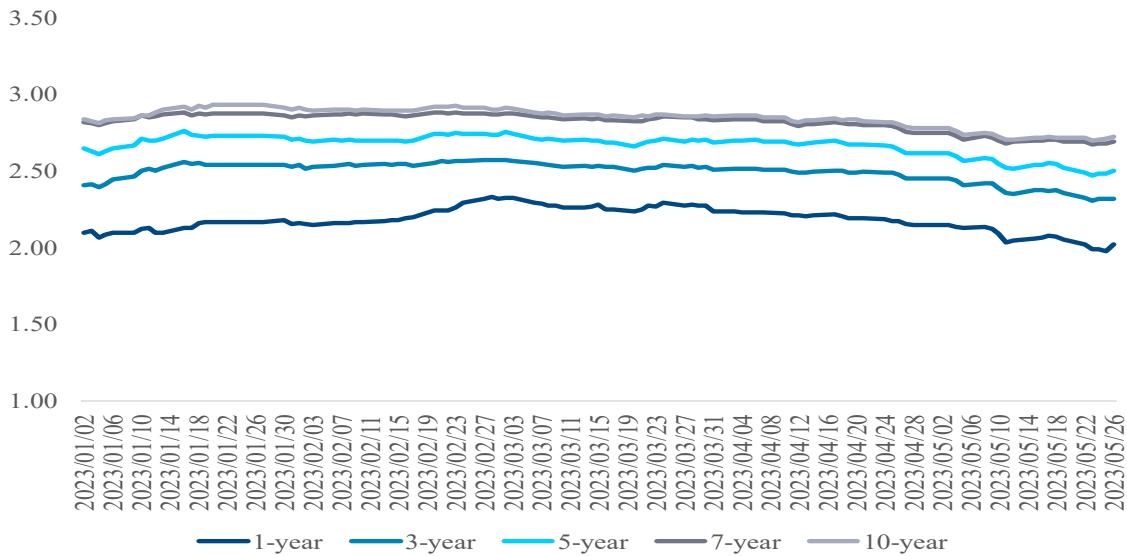


Sources: CCXAP research

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

This week, the China Government Bond yields were mixed. As of May 26, the 1-year, 3-year and 5-year China Government Bond yields were 2.0188%, 2.3203% and 2.5007% respectively, decreasing by 3.7bp, 3.8bp and 2.0bp from last Friday. 7-years China Government Bond yield was 2.6930%, unchanged from last Friday. 10-years China Government Bond yield was 2.7205%, increasing by 0.5bp from last Friday.

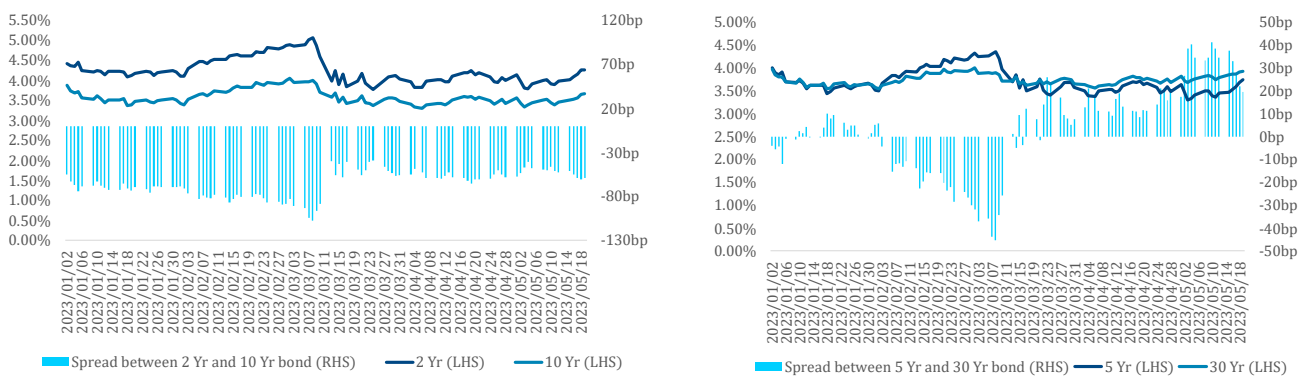
Figure 2: China Government Bond yields



Sources: CCXAP research

Driven by the rise in US core PCE, US Treasury yields rose. As of May 26, 2-year, 5-year, 10-year and 30-year US Treasury yields were 4.5619%, 3.9271%, 3.7983% and 3.9607% respectively, increasing by 29.5bp, 19.5bp, 12.6bp and 3.4bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 17bp to -76.4bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 16bp to 3.4bp from last Friday.

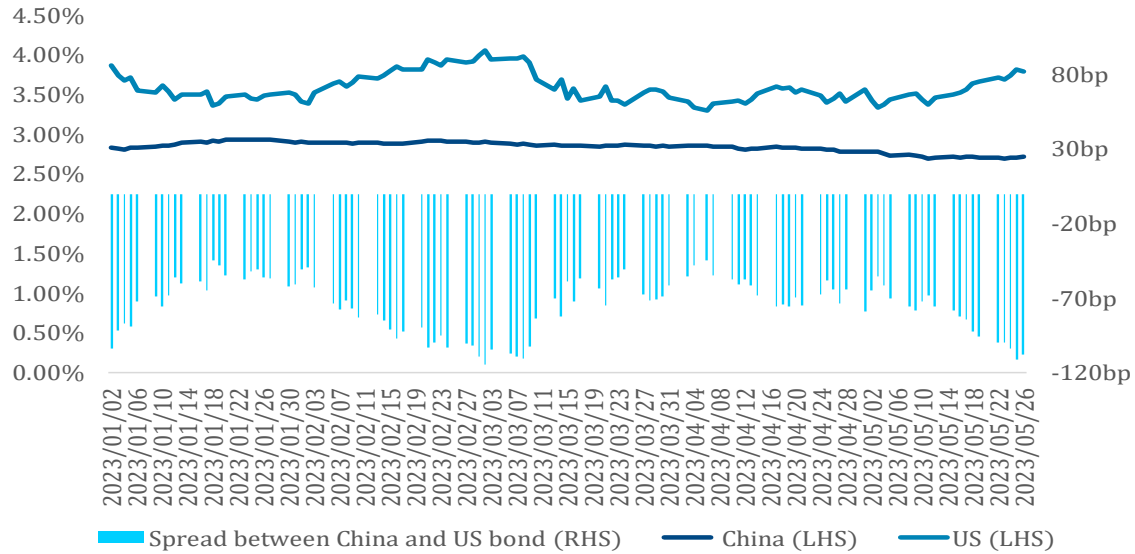
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of May 26, the yield spread between China and US 10-year note was -107.8bp, widening by 12bp from last Friday and widening by 3.83bp 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 continued to increase

From May 22 to May 26, there were 19 new issues with total issued volume of USD2.21 billion, increasing by 36.13% from last Friday. Financial companies were the main issuers, with total issuance of about USD1.32 billion.

Table 1: New issuance of Chinese offshore bonds (20230522-20230526)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/5/22	Bank of China Ltd/Macau	CNY	2000	2.85	2025/5/30	2	Banks	A1/A/A	A1/A/A
2023/5/23	China Construction Bank Corp/London	CNY	2000	2.8	2025/5/31	2	Banks	A1/A/A	A1/-/-
2023/5/23	China Construction Bank Corp/Sydney	USD	500	4.5	2026/5/31	3	Banks	A1/A/A	A1/-/-
2023/5/23	CMB Financial Leasing Co Ltd	USD	75	SOFR+100	2025/5/30	2	Financials	Baa1/BBB+/-	-/-/-
2023/5/23	Jingjiang Port Group Co Ltd	CNY	287	3.8	2025/11/30	3	Chengtou	-/-/-	-/-/-
2023/5/23	CITIC Securities International Co Ltd	USD	7	0	2023/8/31	92D	Financials	-/BBB+/-	-/-/-
2023/5/23	CITIC Securities International Co Ltd	USD	5.5	0	2023/12/1	184D	Financials	-/BBB+/-	-/-/-
2023/5/23	NanShan Group Corp	HKD	394	7.5	2024/5/23	364D	Materials	-/-/-	-/-/-
2023/5/24	Bijie Shengfeng Agricultural Development Co Ltd	USD	40	4.9	2024/6/3	364D	Consumer Staples	-/-/-	-/-/-
2023/5/24	Jiangsu Yueda Group Co Ltd	CNY	1500	5.5	2026/5/29	3	Consumer Discretionary	-/-/-	-/-/-
2023/5/24	Zibo High-tech State-owned Capital Investment Co Ltd	USD	46.4	8	2026/5/30	3	Chengtou	-/-/-	-/-/-
2023/5/25	Huzhou Wuxing City Investment &	CNY	387	4.8	2026/5/30	3	Chengtou	-/-/-	-/-/-

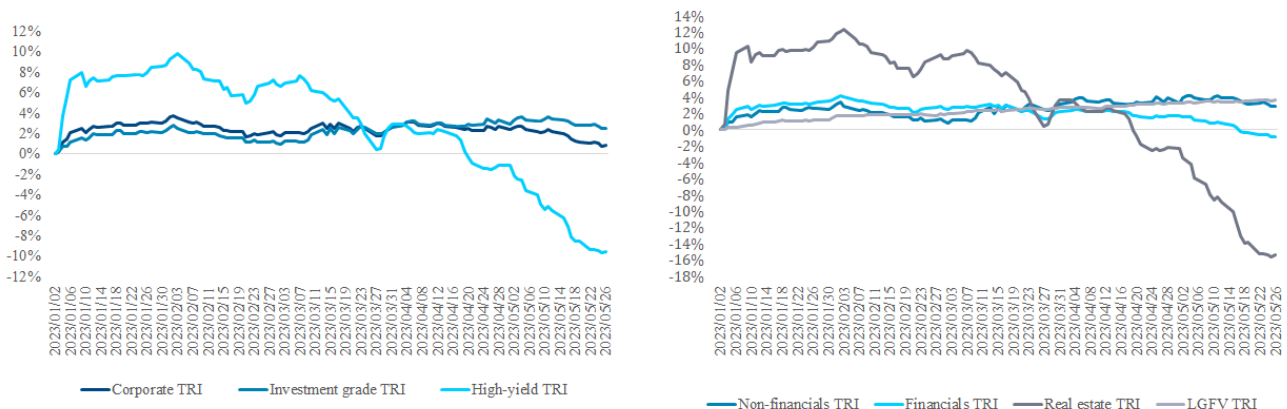
	Development Group Co Ltd								
2023/5/25	Industrial & Commercial Bank of China Ltd/Dubai DIFC	USD	122	SOFR+65	2026/6/1	2.5	Banks	A1/A/A	-/-/-
2023/5/25	Jiangxi Financial Asset Management Co Ltd	CNY	248	3.5	2025/11/30	3	Financials	-/-/-	-/-/-
2023/5/25	Quzhou Industrial Development Group Co Ltd	CNY	500	4.2	2026/5/30	3	Chengtou	-/-/-	-/-/-
2023/5/25	Taiyuan Longcheng Development Investment Group Co Ltd	CNY	2040	4.3	2026/6/1	3	Chengtou	Baa3/-/BBB	-/-/-
2023/5/25	Changzhou Xinyun Urban Development Group Co Ltd	CNY	560	4.5	2026/6/1	3	Chengtou	-/-/-	-/-/-
2023/5/25	CITIC Securities International Co Ltd	USD	6.5	0	2023/9/1	91D	Financials	-/-/-	-/-/-
2023/5/25	Huzhou Wuxing City Investment & Development Group Co Ltd	CNY	220	4.95	2026/5/30	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of May 26, the YTD return¹ on Chinese USD corporate bond index decreased by 36bp to 0.86% from last Friday, of which the return on investment-grade bonds decreased by 25bp to 2.54%, while the return on high-yield bonds decreased by 99bp to -9.52%. In terms of sector indices, the return on non-financials, financials and real estate bonds were 2.97%, -0.78% and -15.37%, respectively, decreasing by 26bp, 43bp and 158bp from last Friday, respectively; the return on Chengtou bonds were 3.62%, increasing by 9bp from last Friday.

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

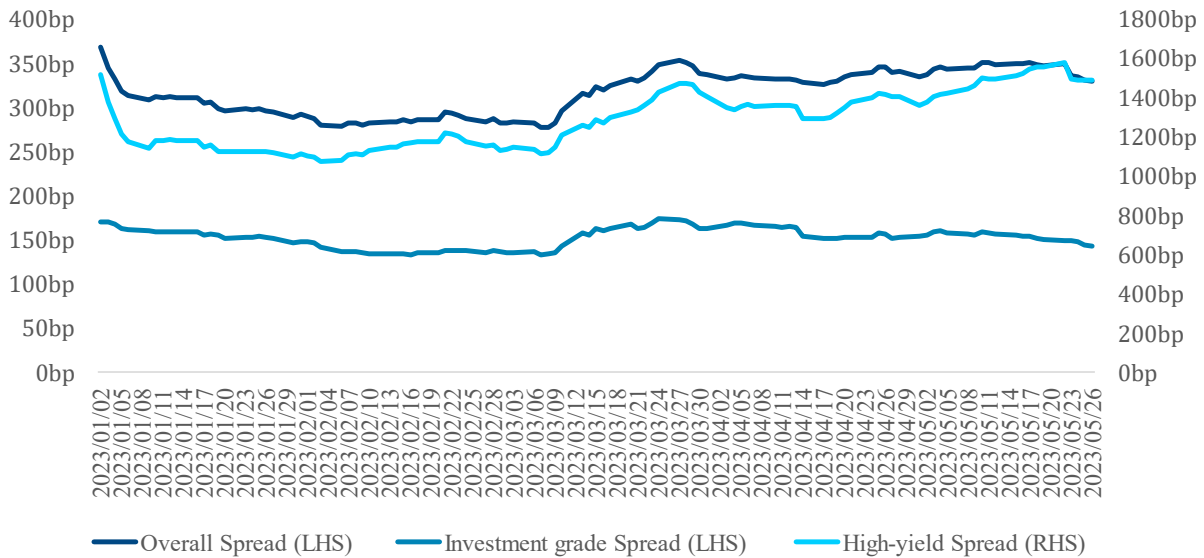


Sources: CCXAP research

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

As of May 26, the yield spread of Chinese dollar bonds decreased by 18bp to 329.86bp from last Friday. The yield spread of investment-grade bonds decreased by 6.9bp to 143.50bp, and the spread of high-yield bonds increased by 67.7bp to 1488.12bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from May 22 to May 26 are shown in the table below. Among them, Agile Property Holdings Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230522-20230526)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	14.987	PERP	1126.116	19.1M
TLINVT 4.45 06/10/23	Yinchuan Tonglian Capital Investment Operation Group Co Ltd	98.333	0.03	64.183	3.6M
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	15.475	PERP	149.558	3.1M
CHINSC 7 ¾ 04/09/24	China SCE Group Holdings Ltd	32.417	0.86	202.379	1.7M
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd	22.7	1.33	165.992	1.7M
FTLNHD 6.8 08/05/23	Seazen Group Ltd	91.539	0.18	57.262	1.5M
AGILE 7 ½ PERP	Agile Group Holdings Ltd	16.75	PERP	257.439	1.3M
CHGRAU 9.109 PERP	Grand Baoxin Auto Group Ltd	50.714	PERP	247.499	835.7
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	32.984	1.46	105.265	744.7
FUTLAN 4.45 07/13/25	Seazen Group Ltd	4.841	PERP	242.91	433.7

Sources: CCXAP research

Rating Action: CCXAP assigns long-term credit ratings to 1 entity

On May 24, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned Tianfeng Securities Co., Ltd. (“TFS”)’s long-term credit rating at Ag-, with stable outlook.

Table 3: Credit rating from CCXAP (20230522-20230526)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/5/24	TFS	A _g -	-	The credit rating is underpinned by the Company's (1) good operation environment in China where the capital market is matured with good efficiency and stability; (2) established franchise in China's securities market; and (3) increasing business and financial support from its parent and the Hubei Provincial Government. However, the rating is constrained by Company's (1) volatile profitability driven by high investment risk; (2) moderate but improving liquidity and funding position; and (3) higher risk appetite compared with other leading Chinese securities companies.

Sources: CCXAP research

From May 22 to May 26, international rating agencies took 1 negative rating action on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230522-20230526)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	Guoren Property and Casualty Insurance Co., Ltd.	Financial	BBB+	STABLE	2023/5/25	A-	RWN	2022/12/5	Fitch	High risk asset ratio and financial leverage, but the completion of the capital injection will ease the pressure on the company's risk capitalization

Sources: CCXAP research

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