

2023 Issue 22 From Jun 05 to Jun 09

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

Headline: China's import and export dropped by 6.2% YoY in May; US trade deficit in goods and services widened by 23% MoM in April

China's imports and exports in May were USD501.19 billion, a YoY decrease of 6.2%. Goods and services trade deficit in April expanded by 23% MoM to USD-74.6 billion.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of June 9, the RMB/USD middle rate closed at 7.1115, increasing by 176bp from last Friday. The USD index decreased by 0.4% to 103.557 from last Friday.

Interest Rate: Chinese Government Bond yield decreased, US Treasury yield increased

This week, the China Government Bond yields decreased. Influenced by widened trade deficit in goods and service, US Treasury yields increased.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From June 5 to June 9, there were 19 new issues with total issued volume of USD2.03 billion, increasing by 54.2% from last Friday. Financial companies were the main issuers, with total issuance of about USD1.40 billion.

Secondary Market: Return on Chinese USD bond increased

As of June 9, the YTD return on Chinese USD corporate bond index increased by 38bp to 2.14% from last Friday, of which the return on investment-grade bonds increased by 12bp to 3.22%, while the return on high-yield bonds increased by 199bp to -4.50%.

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

CCXAP assigns long-term credit rating to 3 entities, including JDCG, NDIG and WEDG.



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Headline: China's import and export dropped by 6.2% YoY in May; US trade deficit in goods and services widened by 23% MoM in April

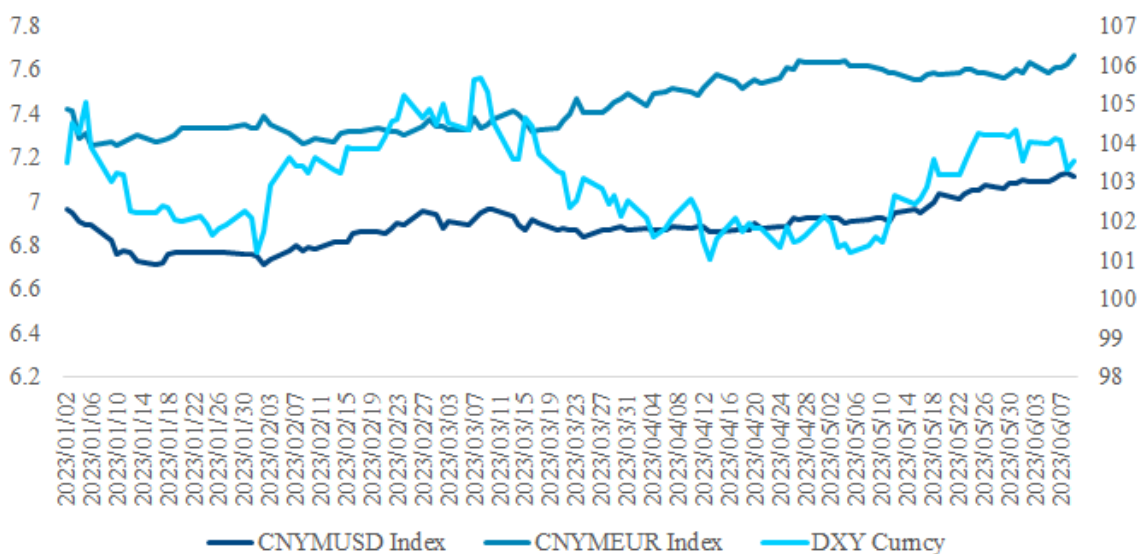
On June 7, according to data released by General Administration of Customs, China's import and export in May were USD501.19 billion, a YoY decrease of 6.2%. Among them, exports were USD283.5 billion, a YoY decrease of 7.5%, and expectation was 1.8% decrease, the first time to decline in the past three months. Imports were USD217.69 billion, a YoY decrease of 4.5% and expectation was 8% decrease. Trade surplus achieved USD65.81 billion, narrowing by 16.1%.

On June 7, according to data released by US Department of Commerce, goods and services trade deficit in April expanded by 23% MoM to USD-74.6 billion, basically same as expectation of USD-75.8 billion, the largest deficit since October 2022. After adjusting inflation, the goods trade deficit widened further to USD95.8 billion, largest deficit since June 2022.

Exchange Rate: RMB depreciated, USD index decreased

This week, RMB depreciated. As of June 9, the RMB/USD middle rate closed at 7.1115, increasing by 176bp from last Friday; the RMB/EUR middle rate closed at 7.6692, increasing by 371bp from last Friday. The USD index decreased by 0.4% to 103.557 from last Friday.

Figure 1: RMB exchange rate

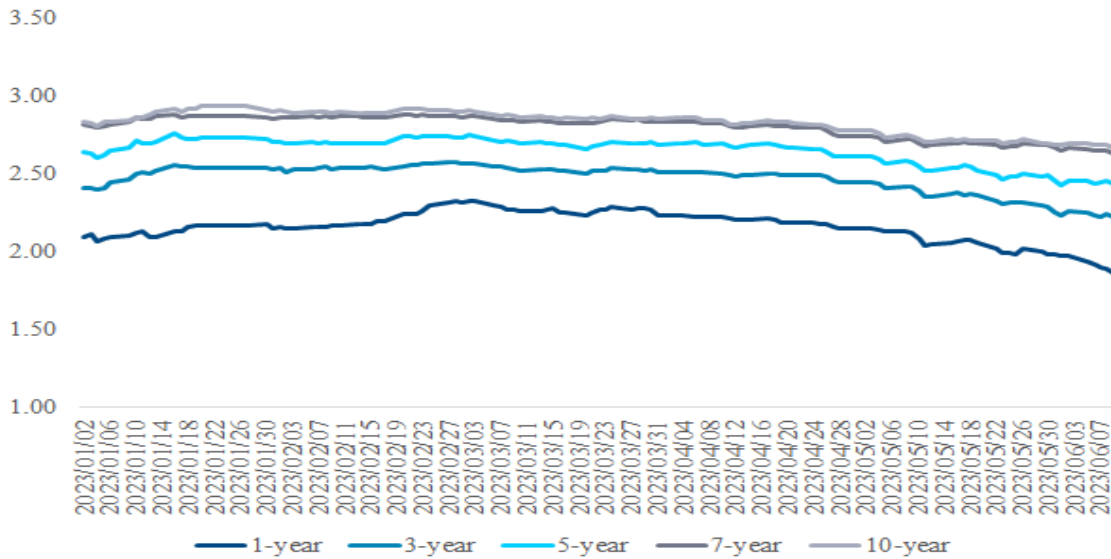


Sources: CCXAP research

Interest Rate: Chinese Government Bond yield decreased, US Treasury yield increased

This week, the China Government Bond yields decreased. As of June 9, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.8636%, 2.2213%, 2.4340%, 2.6290% and 2.6703% respectively, decreasing by 11.0bp, 4.3bp, 1.9bp, 3.5bp and 2.5bp from last Friday.

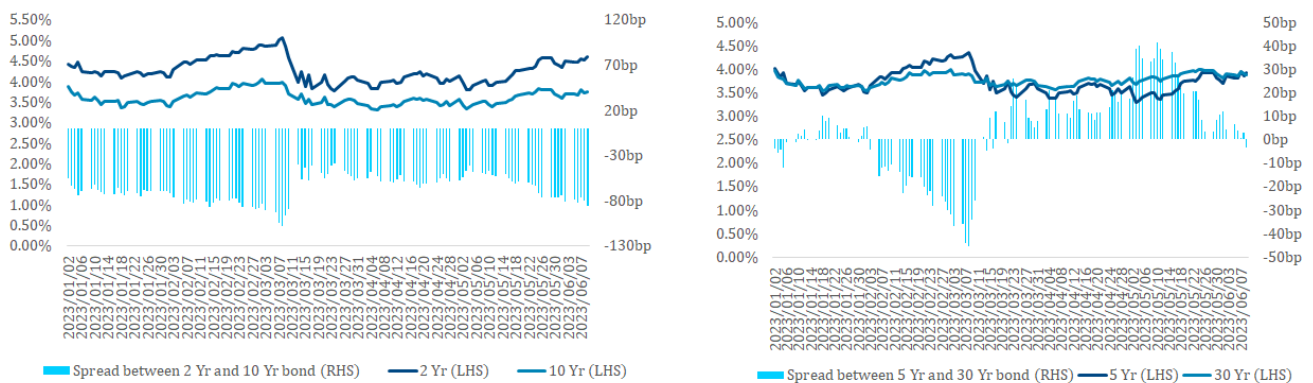
Figure 2: China Government Bond yields



Sources: CCXAP research

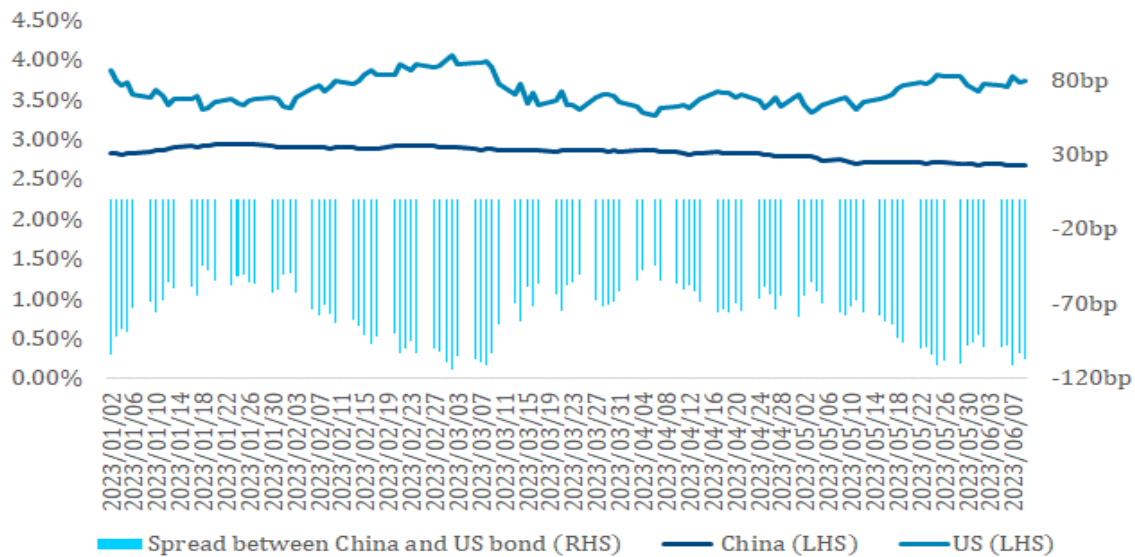
Influenced by widened trade deficit in goods and service, US Treasury yields increased. As of June 9, 2-year, 5-year and 10-year US Treasury yields were 4.5956%, 3.9128% and 3.7394% respectively, increasing by 9.9bp, 6.9bp and 4.9bp from last Friday, while 30-year US Treasury yields fell by 0.7bp to 3.8804%. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 5bp to -85.6bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 1bp to 3.2bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of June 9, the yield spread between China and US 10-year note was -106.6bp, widening by 7.3bp from last Friday and widening by 3.0bp 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 June 5 to June 9, there were 19 new issues with total issued volume of USD2.03 billion, increasing by 54.2% from last Friday. Financial companies were the main issuers, with total issuance of about USD1.40 billion.

Table 1: New issuance of Chinese offshore bonds (20230605-20230609)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/6/5	Laiwu High-tech Investment Holding Co Ltd	USD	65.8	6.8	2026/6/8	3	Chengtou	-/-/-	-/-/-
2023/6/5	Xianyang Financial Holdings Group Co Ltd	CNY	686	5.5	2026/6/8	3	Technology	-/-/-	-/-/-
2023/6/5	Zhejiang Changxing Financial Holdings Group Co Ltd	USD	160	6.95	2026/6/12	3	Chengtou	-/-/-	-/-/-
2023/6/6	China Merchants Bank Co Ltd/London	USD	400	SOFR+65	2026/6/13	3	Banks	A2/BBB+/A-	-/-/-
2023/6/6	China Securities International Finance Holding Co Ltd	USD	1	5.45	2023/8/12	61D	Financials	-/-/-	-/-/-
2023/6/6	China Securities International Finance Holding Co Ltd	USD	45	SOFR+70	2024/6/6	360D	Financials	-/-/-	-/-/-
2023/6/6	Hangzhou Shangcheng District Urban Construction Investment Group Co. Ltd	USD	200	5.9	2024/6/11	364D	Chengtou	-/-/BBB	-/-/BBB
2023/6/6	Huatai International Financial Holdings Co Ltd	USD	50	5.95	2024/6/13	1	Financials	-/-/-	-/-/-
2023/6/6	Industrial & Commercial Bank of China Ltd/Dubai DIFC	USD	194	SOFR+65	2026/6/16	3	Banks	-/A/A	-/-/-

2023/6/6	Zhongtai Financial International Ltd	USD	200	6.7	2025/6/12	2	Financials	-/-/-	-/-/-
2023/6/7	Chongqing Wanzhou Economic & Technological Development Group Co Ltd	USD	29.5	7.2	2026/6/12	3	Chengtou	-/-/-	-/-/-
2023/6/7	CMB Financial Leasing Co Ltd	USD	103	SOFR+10 5	2026/6/13	3	Financials	A3/BBB+/-	- /BBB+ /-
2023/6/8	Baoying Development Investment Co Ltd	CNY	335	3.63	2026/6/15	3	Chengtou	-/-/-	-/-/-
2023/6/8	Jiangsu Haihong Investment Holdings Group Co Ltd	CNY	1500	3.9	2026/6/15	3	Chengtou	-/-/-	-/-/-
2023/6/9	Bocom Leasing Management Hong Kong Co Ltd	USD	90	5.5	2024/5/21	335D	Financials	A3/A-/A	-/-/-
2023/6/9	Huatai International Financial Holdings Co Ltd	USD	19.9	0	2023/9/15	92D	Financials	-/-/-	-/-/-
2023/6/9	Huzhou Wuxing Transportation Tourism Investment Development Group Co Ltd	CNY	200	5.3	2026/6/14	3	Chengtou	-/-/-	-/-/-
2023/6/9	Nanning Wuxiang New Area Construction Investment Co Ltd	CNY	550	4.7	2026/6/16	3	Chengtou	-/-/-	-/-/-
2023/6/9	Yili Kazakh Autonomous Prefecture Caitong State-owned Asset Operation Co Ltd	CNY	89	3.6	2026/6/15	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

On 7 June and 9 June, Industrial & Commercial Bank of China Ltd/Dubai IFC Branch announced USD bond reoffering. On 5 June and 7 June, NanShan Group Corp announced HKD bond reoffering.

Table 2: New issuance of additional Chinese offshore bonds (20230605-20230609)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2023/6/5	NanShan Group Corp	HKD	214 (reoffered 330)	7.5	2024/5/23	1	Materials	-/-/-	-/-/-
2023/6/7	Industrial & Commercial Bank of China Ltd/Dubai DIFC	USD	258 (reoffered 64)	5.73	2026/6/16	3	Financials	A1/A/A	-/-/-
2023/6/7	NanShan Group Corp	HKD	975 (reoffered 251)	7.5	2024/5/23	1	Materials	-/-/-	-/-/-
2023/6/9	Industrial & Commercial Bank of China Ltd/Dubai DIFC	USD	314 (reoffered 56)	5.73	2026/6/16	3	Financials	A1/A/A	-/-/-

Sources: Bloomberg, CCX research

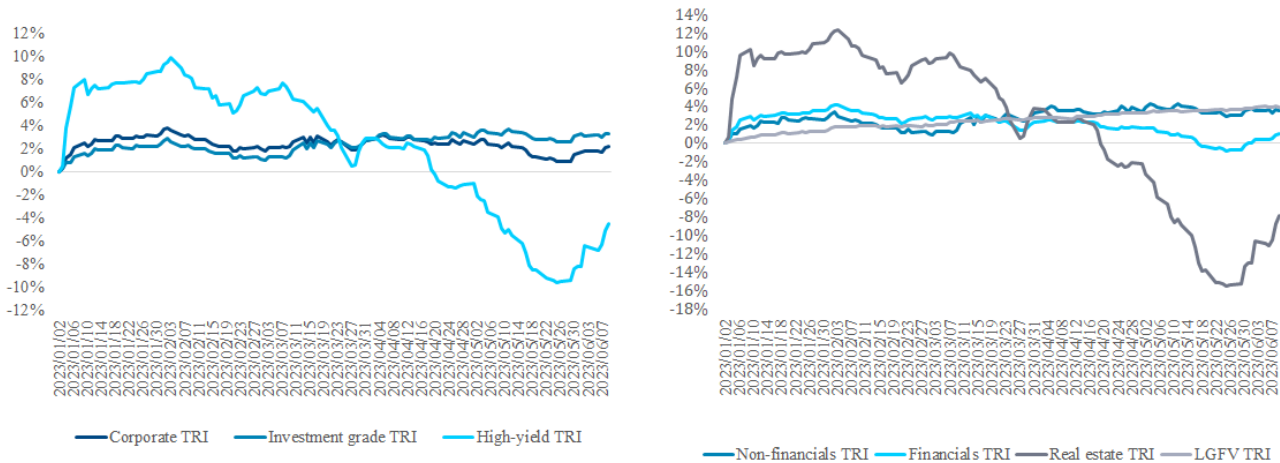
Secondary Market: Return on Chinese USD bond increased

As of June 9, the YTD return¹ on Chinese USD corporate bond index increased by 38bp to 2.14% from last Friday, of which the return on investment-grade bonds increased by 12bp to 3.22%, while

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

the return on high-yield bonds increased by 199bp to -4.50%. In terms of sector indices, the return on non-financials, financials, real estate and Chengtou bonds were 3.54%, 1.03%, -7.93% and 3.96%, respectively, increasing by 5bp, 63bp, 277bp and 6bp from last Friday.

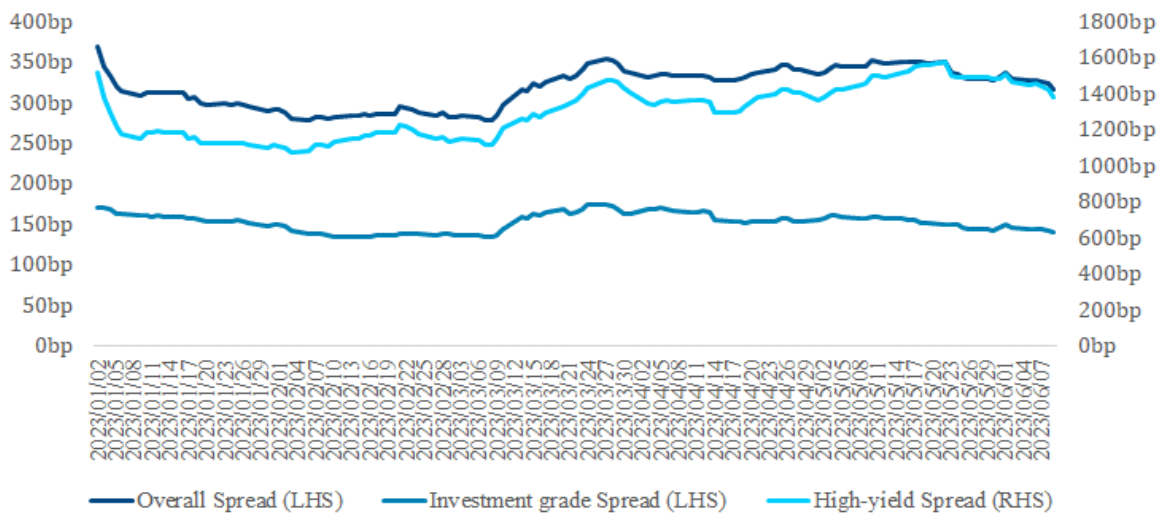
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of June 9, the yield spread of Chinese dollar bonds decreased by 12.2bp to 316.81bp from last Friday. The yield spread of investment-grade bonds decreased by 5.6bp to 138.92bp, and the spread of high-yield bonds decreased by 85.5bp to 1382.07bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from June 5 to June 9 are shown in the table below. Among them, Central China Real Estate Ltd changed the most.

Table 3: Chinese offshore bonds with largest yield increases (20230605-20230609)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
CENCHI 7.9 11/07/23	Central China Real Estate Ltd	18.786	0.40	1080.778	4629.9
DALWAN 6 7/8 07/23/23	Wanda Properties International Co. Limited	89.596	0.11	108.932	4116.4
AGILE 8 3/8 PERP	Agile Group Holdings Ltd	14.796	PERP	1251.231	3380.9
ZZAIRI 3.4 06/17/23	Zhengzhou Airport Economy Zone Xinggang Investment Group	99.771	0.01	23.671	2587
CENCHI 7.65 08/27/25	Central China Real Estate Ltd	13.909	2.21	177.251	2108.4
GRNLGR 6 3/4 06/25/24	Greenland Global Investment Limited	32.912	1.03	176.723	1611.5
DALWAN 7 1/4 01/29/24	Wanda Properties International Co. Limited	61.134	0.63	106.688	1484.9
CENCHI 7 3/4 05/24/24	Central China Real Estate Ltd	16.127	0.95	355.798	1383.1
DALWAN 11 01/20/25	Wanda Properties International Co. Limited	44.8	1.61	75.965	1093.8
RISSUN 9 1/2 09/17/24	Risesun Real Estate Development Co., Ltd	9.777	1.26	335.953	1005.7

Sources: CCXAP research

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

On June 5, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned Jinghe New City Development and Construction (Group) Co, Ltd of Xixian New Area, Shaanxi Province. (“JDCG”)’s long-term credit rating at BBB_g-, with stable outlook.

On June 7, CCXAP has assigned Nan'an Development Investment Group Co., Ltd. (“NDIG”)’s long-term credit rating at BBB_g, with stable outlook.

On June 8, CCXAP has assigned Huzhou Wuxing Economic Development and Investment Group Co., Ltd. (“WEDG”)’s long-term credit rating at BBB_g-, with stable outlook.

Table 4: Credit rating from CCXAP (20230605-20230609)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/06/05	JDCG	BBB _g -	-	The credit rating is underpinned by the Company’s (1) essential role as the primary urban developer and operator of Jinghe New City; (2) solid track record of receiving government payments. However, the rating is constrained by Company’s (1) medium exposure to commercial activities; (2) relatively high debt leverage owing to debt-driven business expansion; and (3) high level of external guarantees exerting contingent risk.
2023/06/07	NDIG	BBB _g	-	The credit rating is underpinned by the Company’s (1) important policy role as the largest state-owned enterprise in Nan’an City; (2) high sustainability of infrastructure construction business; (3) track record of receiving government support; (4) good access to funding. However, the rating is constrained by the Company’s (1) medium exposure to commercial business activities; (2) rapid debt growth and moderate asset liquidity; and (3) medium exposure to contingent risks.
2023/06/08	WEDG	BBB _g -	-	The credit rating is underpinned by the Company’s (1) strategic importance in the infrastructure construction in Wuxing Economic Development Zone (“Wuxing EDZ”); and (2) track record of receiving government payments. However, the Company’s rating is constrained by its (1) increasing debt burden and moderate asset liquidity; (2) high dependence on non-standard financing; and (3) moderate contingent liability risk from external guarantees.

Sources: CCXAP research

From June 5 to June 9, international rating agencies took 4 positive rating actions and 7 negative rating actions on Chinese issuers.

Table 5: Credit rating changes of cross-border bond market (20230605-20230609)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Far East Horizon Ltd	Financials	BBB-	STABLE	2023/06/05	BBB-	NEG	2022/12/20	S&P	earnings are likely to outperform that of bank-affiliated leasing companies
	Midea Group Co., Ltd	Industrials	A3	POS	2023/06/05	A3	STABLE	2021/06/28	Moody's	growing its business scale and scope amid a competitive operating environment
	eHi Car Services Limited	Consumer Discretionary	B	STABLE	2023/06/06	B-	NEG	2022/11/01	Fitch	cash generation will improve and leverage will moderate as operations normalize following Covid-19-related disruptions
	Jinjiang International Holdings Co, Ltd	Consumer Discretionary	BBB-	STABLE	2023/06/06	BBB-	NEG	2022/06/10	Fitch	business has recovered and exceeded preCovid-19 levels
	Wanda Commercial Properties (Hong Kong) Co. Limited	Real Estate	BB-	Credit Watch	2023/06/05	BB	NEG	2023/04/28	S&P	parent's weakening liquidity
Downgrade	Dalian Wanda Commercial Management Group Co. Ltd	Real Estate	BB	Negative Under Review	2023/06/05	BB+	NEG	2023/04/28	S&P	parent's weakening liquidity
	China Hongqiao Group Ltd	Industrials	BB-	STABLE	2023/06/07	BB-	POS	2022/04/07	S&P	costs of raw materials to gradually moderate from the highs of 2022
	China Energy Engineering Corporation	Industrials	Baa1	NEG	2023/06/07	Baa1	STABLE	2020/09/22	Moody's	higher debt leverage
	China Gezhouba Group Co.,Ltd	Industrials	Baa2	NEG	2023/06/07	Baa2	STABLE	2020/11/16	Moody's	leverage higher expectation due to BPT and PPP
	China Gezhouba Group Corporation	Industrials	Baa2	NEG	2023/06/07	Baa2	STABLE	2020/10/08	Moody's	leverage higher expectation due to BPT and PPP

Tongchuangjiuding Investment Management Group Co. Ltd	Financials	CCC	Credit Watch	2023/06/09	BB-	NEG	2022/08/25	S&P	weak governance and unwillingness to pay upcoming debt
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Sources: CCXAP research

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