

**2023 Issue 23**  
**From Jun 12 to Jun 16****Chinese offshore bond new issuance increased; return on Chinese USD bond increased****Headline: China M2 balance in May grew 11.6% YoY; the Fed keeps rate unchanged at 5%-5.25%**

The May report released by the People's Bank of China showed that the M2 balance at the end of May was CNY 282.05 trillion, a year-on-year increase of 11.6%; Meanwhile, the US Federal Reserve announced that it would maintain the rate at 5%-5.25%, marking the first pause in the Fed's current cycle of rate hike.

**Exchange Rate: RMB continued to depreciate and USD index went down**

RMB continued to depreciate. As of June 16, the RMB/USD middle rate closed at 7.1289, up by 174bp from last Friday. The USD index closed at 102.243, decreasing by 1.3% from last Friday.

**Interest Rate: Both Chinese government bond yields and US Treasury yields rose**

This week, Chinese government bond yields slightly increased. Influenced by the Fed's interest rate meeting, US Treasury yields rose.

**Chinese Offshore Bond Market****Primary Market: Chinese offshore bond new issuance increased**

From June 12 to June 16, Chinese enterprises issued 15 new bonds with a total of USD2.3 billion in offshore markets, increasing by 13.4% from last Friday. Among them, financial enterprises were the main issuers, with a total issuance of USD1.68 billion.

**Secondary Market: Return on Chinese USD bond increased**

As of June 16, the YTD return on Chinese USD corporate bond index increased by 23bp to 2.38% from last Friday. Among them, the return for investment-grade bonds increased by 20bp to 3.42%, while the return for high-yield bonds increased by 46bp to -4.04%.

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

CCXAP assigned long-term credit rating to 3 entities, including ZCUA, HPIC, and XUCI.

**Analyst Contacts****Waldo Li**

852-2860 7131

[waldo\\_li@ccxap.com](mailto:waldo_li@ccxap.com)**Peter Chong**

852-2860 7124

[peter\\_chong@ccxap.com](mailto:peter_chong@ccxap.com)**Other Contacts****Elle Hu**

852-2860 7120

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

## Headline: China M2 balance in May grew 11.6% YoY; the Fed keeps rate unchanged at 5%-5.25%

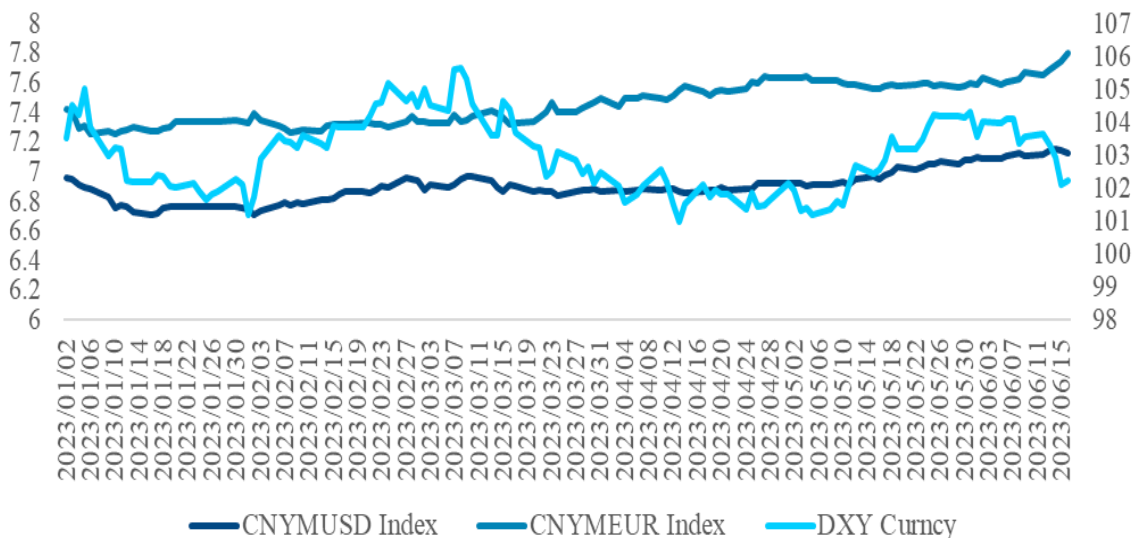
On June 13, the People's Bank of China released its financial statistics report for May 2023. The report showed that the broad money supply (M2) balance at the end of May was RMB282.05 trillion with a year-on-year (“YoY”) increase of 11.6%. The growth was 0.8 percentage points lower than the previous month but 0.5 percentage points higher than the same period last year. The M1 balance was RMB67.53 trillion, a YoY increase of 4.7%. The growth rate was 0.6 percentage points lower than the previous month but 0.1 percentage points higher than the same period last year.

On June 14, the US Fed announced to maintain the benchmark interest rate target at 5%-5.25%, marking the first pause in the Fed's current cycle of rate hikes. Since March last year, the Fed had raised interest rates at its previous ten meetings and announced a 25-basis-point hike at each of the last three meetings. The dot plot and economic outlook implied that there may be another two rate hikes this year; and the Fed raised its rate peak expectation, which was higher than most economists and investors had expected.

## Exchange Rate: RMB continued to depreciate and USD index went down

This week, RMB continued to depreciate. As of June 16, the RMB/USD middle rate closed at 7.1289, up by 174bp from last Friday; the RMB/EUR middle rate closed at 7.8042, up by 1350bp from last Friday. The USD index closed at 102.243, decreasing by 1.3% from last Friday.

Figure 1: RMB exchange rate

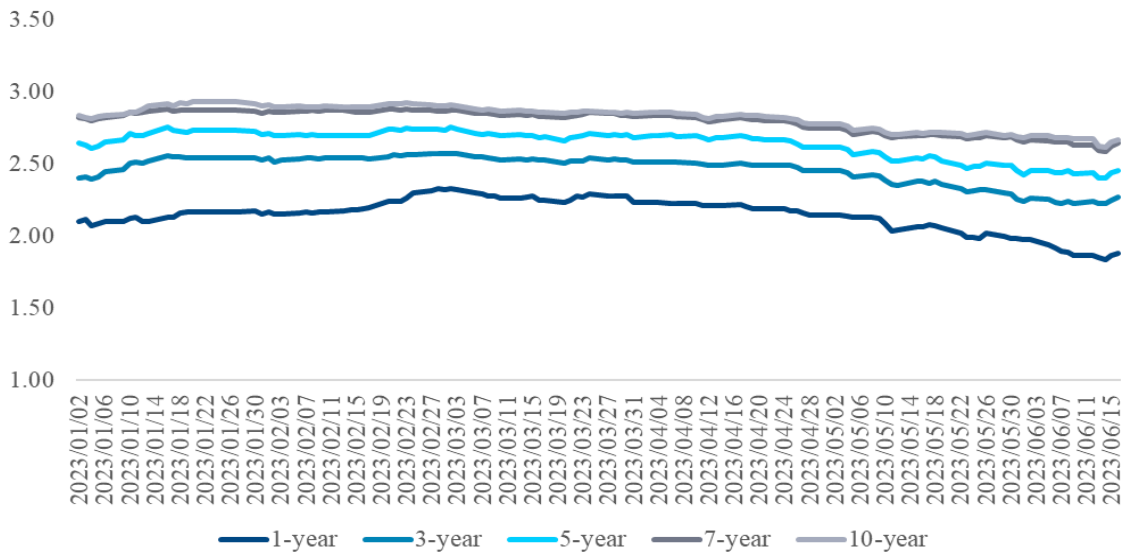


Sources: CCXAP research

## Interest Rate: Both Chinese government bond yields and US Treasury yields rose

This week, Chinese government bond yields slightly increased. As of June 16, the yields for 1-year, 3-year, 5-year, and 7-year government bonds were 1.8817%, 2.2687%, 2.4543%, and 2.6445% respectively, up by 1.8bp, 4.7bp, 2bp, and 1.5bp respectively from last Friday. Meanwhile, the yield for 10-year government bonds decreased by 0.8bp to 2.6626%.

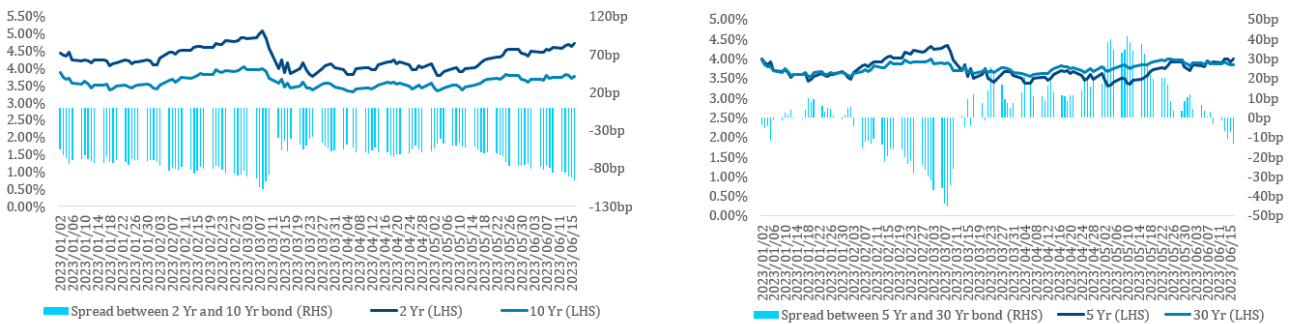
Figure 2: China Government Bond yields



Sources: CCXAP research

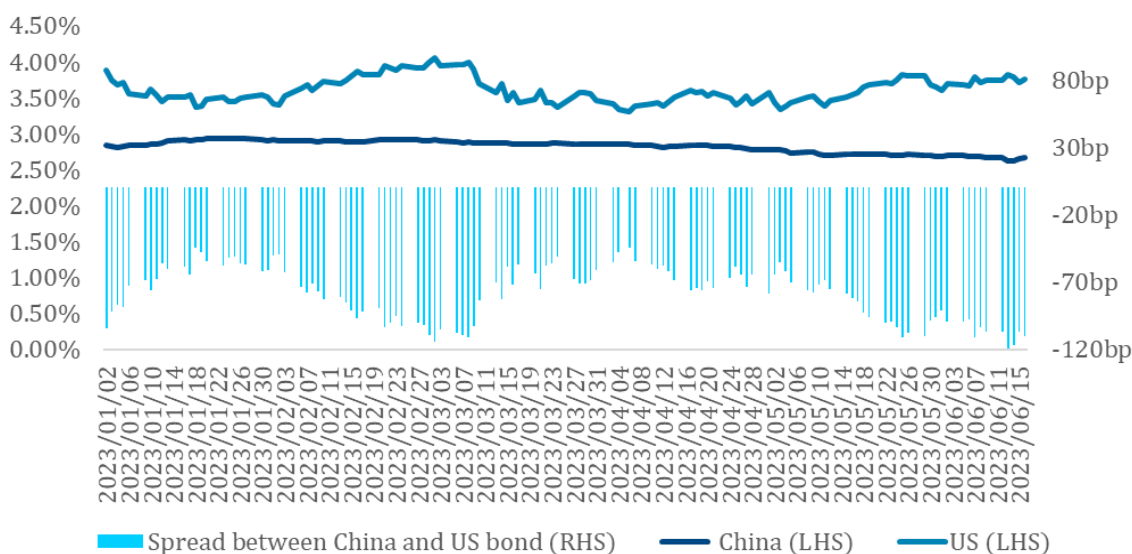
Influenced by the Fed's meeting, US Treasury yields rose. As of June 16, the yields for 2-year, 5-year, and 10-year government bonds were 4.7141%, 3.9828%, and 3.7613%, up by 11.9bp, 7.0bp and 2.2bp from last Friday respectively, while the 30-year US Treasury bond yield has decreased by 2.8bp to 3.8522%. In terms of US Treasury yield spread, the yield spread between 2-year and 10-year government bonds widened by 10 bp to 95.3bp from last Friday, and the yield spread between 5-year and 30-year government bonds has widened by 10bp to 13.1bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of June 16, the yield spread between China and US 10-year note was -109.9bp, widening by 3bp from last Friday and widening by 5.9bp 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 12 to June 16, Chinese enterprises issued 15 new bonds with a total of approximately USD2.3 billion in offshore markets, increasing by 13.4% from last Friday. Among them, financial enterprises were the main issuers, with a total issuance of approximately USD 1.68 billion.

**Table 1: New issuance of Chinese offshore bonds (20230612-20230616)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/6/12	China Securities International Finance Holding Co Ltd	CNY	5.3	2.25	2023/8/16	61D	Financials	-/-/-	-/-/-
2023/6/12	Tonglu New City Development Investment Co Ltd	CNY	484	3.69	2026/6/16	3	Chengtou	-/-/-	-/-/-
2023/6/12	Tonglu New City Development Investment Co Ltd	CNY	804	3.69	2026/6/16	3	Chengtou	-/-/-	-/-/-
2023/6/13	Industrial & Commercial Bank of China Ltd/Dubai DIFC	CNY	490	2.7	2025/6/20	2	Banks	-/A/A	-/-/-
2023/6/13	NanShan Group Corp	HKD	761	7.5	2024/6/13	364D	Materials	-/-/-	-/-/-
2023/6/14	Chengdu Jingkai Asset Management Co Ltd	CNY	200	5.8	2026/6/16	3	Chengtou	-/-/-	-/-/-
2023/6/14	CITIC Securities Co Ltd	CNY	700	2.9	2026/6/23	3	Financials	Baa1/BBB +/-	-/-/-
2023/6/14	Fujian Jinjiang Urban Construction Investment Development Group Co Ltd	USD	142	6.08	2024/6/18	364D	Chengtou	-/-/-	-/-/-
2023/6/14	Industrial & Commercial Bank of China Ltd/Dubai DIFC	CNY	620	2.7	2025/6/27	2	Banks	-/A/A	-/-/-
2023/6/15	Bank of China Ltd/New York NY	USD	500	4.63	2026/6/26	3	Banks	A1/-/A	-/-/-

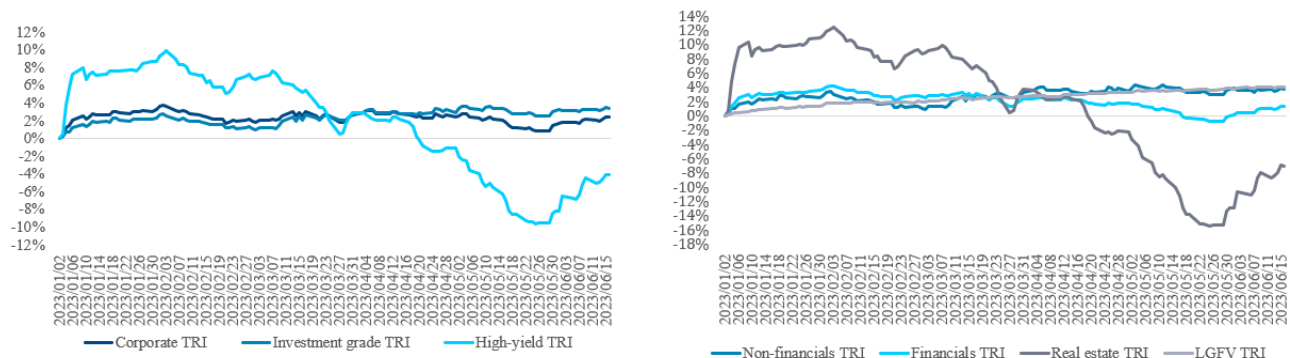
2023/6/15	Bank of Communications Co Ltd/Hong Kong	USD	140	4.5	2028/6/26	5	Banks	-/-/A	-/-/-
2023/6/16	China Securities International Finance Holding Co Ltd	USD	750	5.53	2023/12/22	183D	Financials	-/-/-	-/-/-
2023/6/16	Huatai International Financial Holdings Co Ltd	USD	38	0	2023/11/22	152D	Financials	-/-/-	-/-/-
2023/6/16	Longkou City Investment Co Ltd	CNY	710	5.5	2026/6/21	3	Chengtou	-/-/-	-/-/-
2023/6/16	Qingtian State Owned Assets Holding Group Co. Ltd	CNY	500	4.6	2026/6/21	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of June 16, the YTD return<sup>1</sup> of Chinese USD bonds increased by 23bp to 2.38% from last Friday, of which the return of investment grade bonds increased by 20bp to 3.42%, and the return of high-yield bonds increased by 46bp to -4.04%. In terms of industries, the returns of non-financial, financial, real estate and Chengtou bonds were 3.76%, 1.28%, -7.03% and 4.00%, respectively, increasing by 22bp, 24bp, 90bp and 4bp respectively from last Friday.

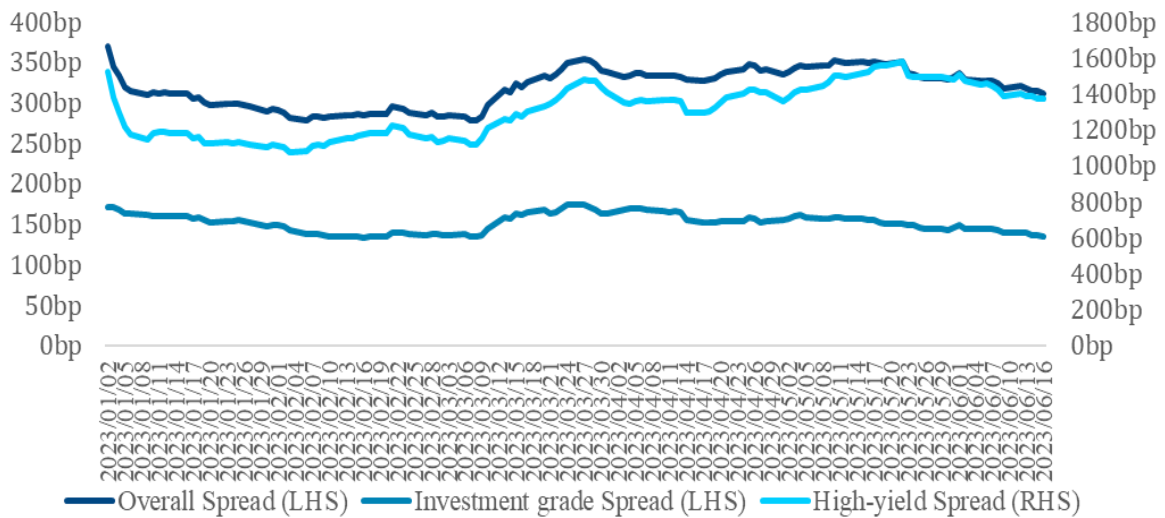
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of June 16, the yield spread of Chinese USD bonds fell by 5.6bp to 311.22bp from last Friday, of which the yield spread of investment-grade bonds fell by 5.1bp to 133.82bp, and the yield spread of high-yield bonds fell by 12.7bp to 1369.41bp.

<sup>1</sup> 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 June 5 to June 9 are shown in the table below. Among them, Central China Real Estate Ltd changed the most.

**Table 2: 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	0.38	1144.35	3630.0
THSCPA 7.95 05/13/24	Tuspark Forward Ltd	19.5	0.90	327.22	1853.4
CENCHI 7.9 11/07/25	Central China Real Estate Ltd	13.767	2.38	169.49	1809.9
CGGCN 2.8 06/23/23	China Gold International Resources Corporation	99.929	0.01	15.38	1788.1
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd	23.449	1.28	169.99	1495.4
DALWAN 6 ¾ 07/23/23	Wanda Properties International Co. Limited	88.108	0.09	154.68	1433.8
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	16.633	PERP	277.63	1428.5
FWDINS 6.675 PERP	FWD Ltd	90.856	PERP	95.21	1366.4
CHGRAU 9.109 PERP	Baoxin Auto Finance I Ltd	51.009	PERP	278.83	1286.8
RISSUN 9 ½ 09/17/24	Risesun Real Estate Development Co., Ltd	9.777	1.25	345.96	1188

Note: Defaulted issuers are excluded

Sources: CCXAP research

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

On June 12, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB<sub>g</sub> to Zoucheng Urban Assets Holding Group Co., Ltd. (“ZCUA” or the “Company”), with stable outlook.

On June 12, CCXAP has assigned first-time long-term credit rating of BBB<sub>g</sub>- to Zhejiang Huzhou Public Innovation Investment and Construction Co., Ltd., (“HPIC” or the “Company”) with stable outlook.

On June 13, CCXAP has assigned first time long-term credit rating of BBB<sub>g</sub> to Xinchang Urban Construction Investment Group Co., Ltd. (“XUCI” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230612-20230616)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/06/12	ZUCA	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) the largest local infrastructure investment and financing company (“LIIFC”) by total assets in Zoucheng City; (2) important role in the infrastructure construction in Zoucheng City; and (3) good track record of government support. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; (2) moderate debt management with a large maturity scale; and (3) medium contingent liabilities.
2023/06/12	HPIC	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) important role in infrastructure construction in Lianshi Town of Nanxun District (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; (2) moderate asset liquidity; and (3) funding channels need to be improved.
2023/06/13	XUCI	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) important strategic role in the infrastructure construction and utilities provision in Xinchang County; and (2) good track record of receiving government payments; However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) high debt leverage and moderate asset quality.

Sources: CCXAP research

From June 12 to June 16, international rating agencies took 4 positive rating actions and 2 negative rating actions on Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230612-20230616)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
upgrade	Yiwu State-owned Capital Operation Co., Ltd	Chengtou	Baa3	POS	2023/06/12	Baa3	STABLE	2022/12/14	Moody's	Yiwu City government's capacity to support strengthened

	Longfor Group Holdings Ltd.	Real Estate	BBB	STABLE	2023/06/12	BBB	NEG	2021/11/16	Fitch	Strengthened banking access, supported by government policies and its large unencumbered investment-property (IP) portfolio
	Mudanjiang City Investment Group Company Limited	Chengtou	BB+	STABLE	2023/06/13	BB	STABLE	2022/05/10	Pengyuan	Parent's willingness to support it and its leading position in Mudanjiang's urban construction.
	Mudanjiang State-owned Assets Investment Holdings Company Limited	Chengtou	BB+	STABLE	2023/06/13	BB	STABLE	2022/05/10	Pengyuan	An extremely strong willingness to support from the Mudanjiang city government
Downgrade	Weifang Urban Construction and Development Investment Group Co., Ltd	Chengtou	Baa3	Credit Watch	2023/06/16	Baa3	STABLE	2021/07/29	Moody's	Rising liquidity risks associated with its contingent liabilities
	Kunming Rail Transit Group Co., Ltd	Chengtou	BBB-	Negative Under Review	2023/06/16	BBB+	Negative Under Review	2023/02/17	Fitch	Municipality's lower ability to support KRTG

Sources: CCXAP research



Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

#### China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong  
Website: [www.ccxap.com](http://www.ccxap.com)  
Email: [info@ccxap.com](mailto:info@ccxap.com)  
Tel: +852 2860 7111  
Fax: +852 2868 0656