

CCXAP

Cross-border Bonds Weekly Report



2023 Issue 25
From Jun 26 to Jun 30

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

Headline: China Manufacturing PMI improved in June; US Q1 final GDP beat estimation

According to data released by the National Bureau of Statistics, the Manufacturing Purchasing Managers' Index (PMI) in China increased by 0.2 percentage points to 49.0% in June, indicating a slight improvement in the overall manufacturing business activity. The final revised US Q1 GDP grew by 2% year-on-year, which was 0.7% higher than the data released earlier and exceeded the market expectation of 1.4%.

Exchange Rate: RMB continued to depreciate, USD index slightly increased

This week, RMB continued to depreciate. As of June 30, the RMB/USD middle rate closed at 7.2258, increasing by 463bp from last Friday. The USD index increased by 0.01% to 102.912 from last Friday.

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

This week, the China Government Bond yields decreased. Influenced by Powell's speech and strong economic data, US Treasury yields increased.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From June 26 to June 30, there were 12 new issues with total issued volume of USD800 million, increasing by 12.8% from last week. Among them, LGFV issuers are the majority with a total issued amount of USD590 million.

Secondary Market: Return on Chinese USD bond decreased

As of June 30, the YTD return on Chinese USD corporate bond index decreased by 51bp to 1.57% from last Friday, of which the return on investment-grade bonds decreased by 26.4bp to 3.15%, while the return on high-yield bonds decreased by 202bp to -8.16%.

Rating Action: CCXAP assigns long-term credit ratings to 6 entities

CCXAP assigns long-term credit rating to 6 entities, including JNHT, JAID, HZID, ZCHG, HMHG, and TCCI.



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Headline: China Manufacturing PMI improved in June; US Q1 final GDP beat estimation

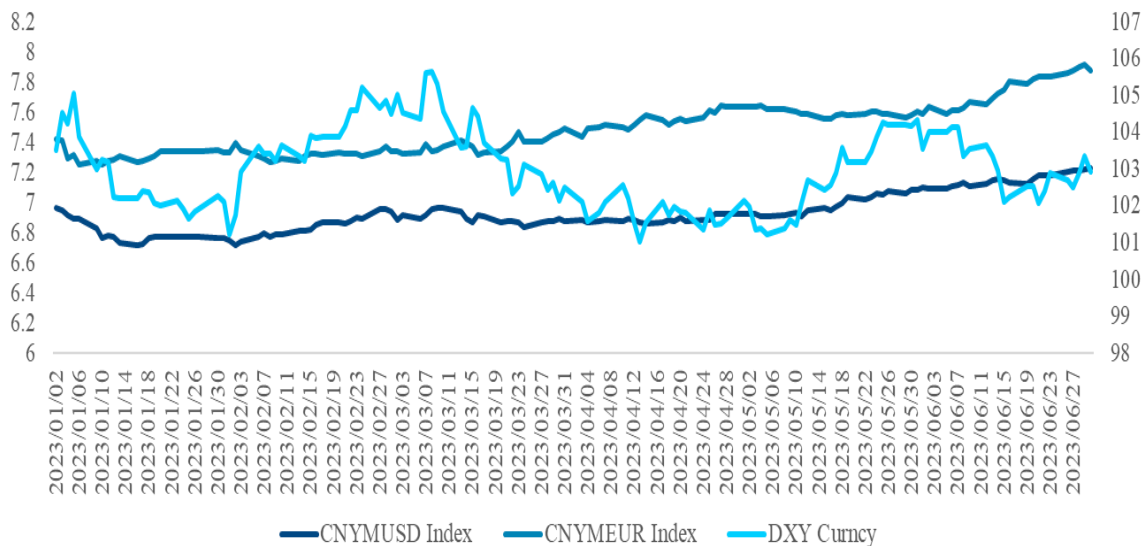
On June 30, the National Bureau of Statistics released data showing that the Manufacturing Purchasing Managers Index (PMI) in June was 49%, 0.2 percentage points higher than the previous month, which indicates that the manufacturing situation has improved. Non-manufacturing business activity index at 53.2%. The comprehensive PMI output index is 52.3%, which continues to be in the expansion range, indicating that the overall production activities of Chinese enterprises continue to expand.

On June 29, the final revised data released by the US Department of Commerce showed that in the first quarter of 2023, the US GDP grew by 2% year-on-year. The final data was revised up by 0.7%, exceeding market expectations of 1.4%. Strong economic data may imply that the Fed will have plenty of room to raise interest rates to bring the inflation rate down to the target of 2%

Exchange Rate: RMB continued to depreciate, USD index slightly increased

This week, RMB continued to depreciate. As of June 30, the RMB/USD middle rate closed at 7.2258, increasing by 463bp from last Friday; the RMB/EUR middle rate closed at 7.8771, increasing by 375bp from last Friday. The USD index slightly increased by 0.01% to 102.912 from last Friday.

Figure 1: RMB exchange rate

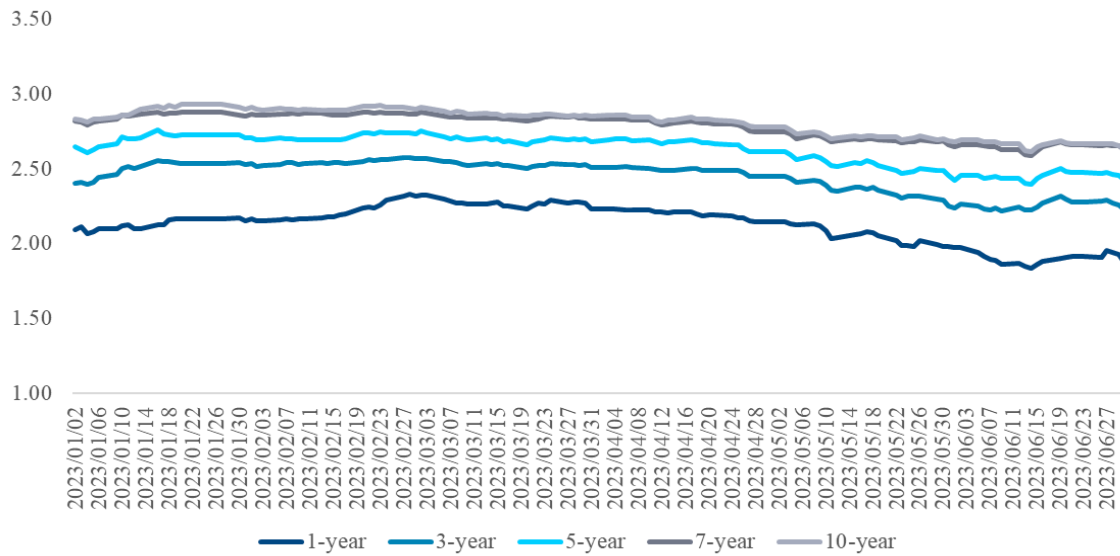


Sources: CCXAP research

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

This week, the China Government Bond yields decreased. As of June 30, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.8723%, 2.2253%, 2.4247%, 2.6276% and 2.6351% respectively, decreasing by 4.4bp、5.5bp、5.0bp、3.4bp and 3.5bp from last Friday.

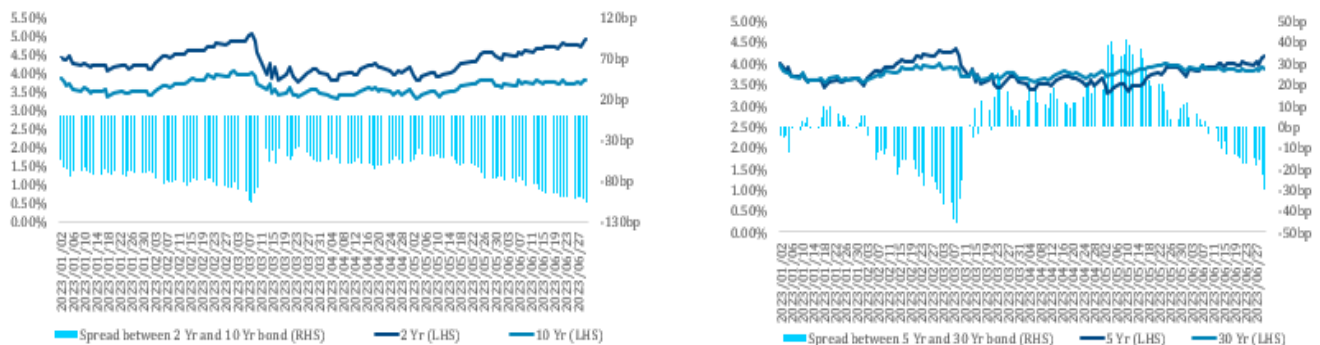
Figure 2: China Government Bond yields



Sources: CCXAP research

Influenced by Powell's speech and strong economic data, US Treasury yields increased. As of June 30, 2-year, 5-year, 10-year and 30-year treasury yields were 4.8954%, 4.1556%, 3.8367% and 3.8605% respectively, increasing by 15.4bp, 16.5bp, 10.2bp and 4.9bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 5bp to -105.9bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 12bp to -29.5bp from last Friday.

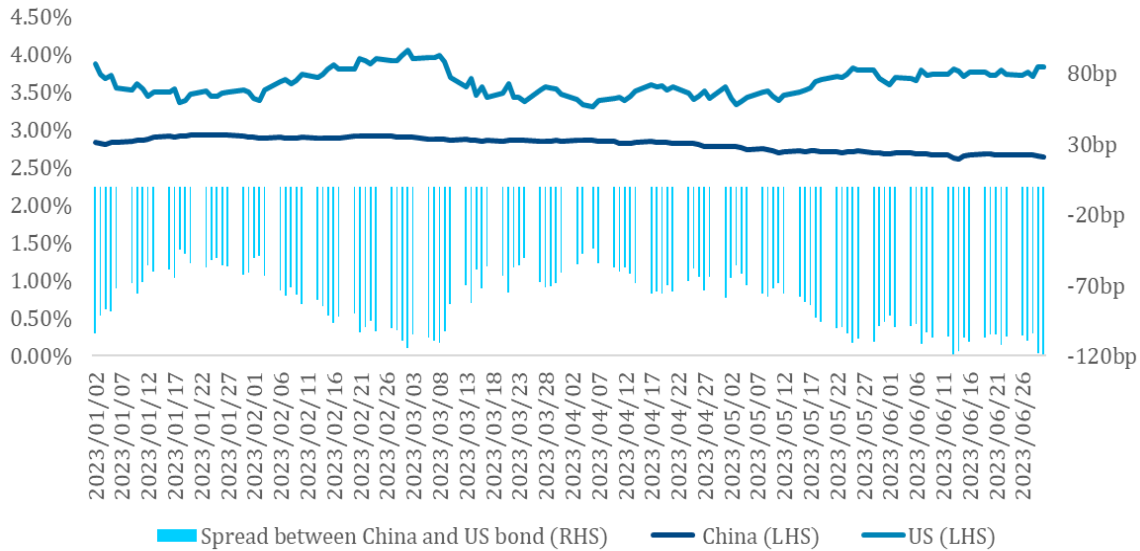
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of June 30, the yield spread between China and US 10-year note was -120.2bp, widening by 13.7bp from last Friday and 16.21bp 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 decreased

From June 26 to June 30, there were 12 new issues with total issued volume of USD800 million, increasing by 12.8% from last week. Among them, LGFV issuers are the majority with a total issued amount of USD590 million.

Table 1: New issuance of Chinese offshore bonds (20230626-20230630)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/6/26	China Securities International Finance Holding Co Ltd	CNY	5.4	2.45	2023/8/30	60D	Financials	-/-	-/-
2023/6/26	Jinan Licheng Holding Group Co Ltd	USD	130	7.3	2026/6/29	3	Chengtou	-/-	-/-
2023/6/26	Jinan Shizhong Finance Investment Group Co Ltd	USD	150	7.2	2024/6/26	364D	Chengtou	-/-	-/-
2023/6/26	Linyi Lanshan District Finance Investment Group Co Ltd	USD	38.5	7	2026/6/28	3	Chengtou	-/-	-/-
2023/6/26	Qingdao Laoshan Technology Innovation Development Group	CNY	1100	4.8	2026/6/28	3	Chengtou	-/-	-/-
2023/6/26	Shandong Luzhong Investment Co Ltd	CNY	185	5.5	2026/6/28	3	Chengtou	-/-	-/-
2023/6/26	Zibo Zhangdian District Stateowned Assets Operation Co Ltd	CNY	200	5.5	2026/6/29	3	Chengtou	-/-	-/-
2023/6/27	Chongqing Chijia Tourism Cultural & Creative Development	CNY	188	4.2	2026/6/30	3	Chengtou	-/-	-/-

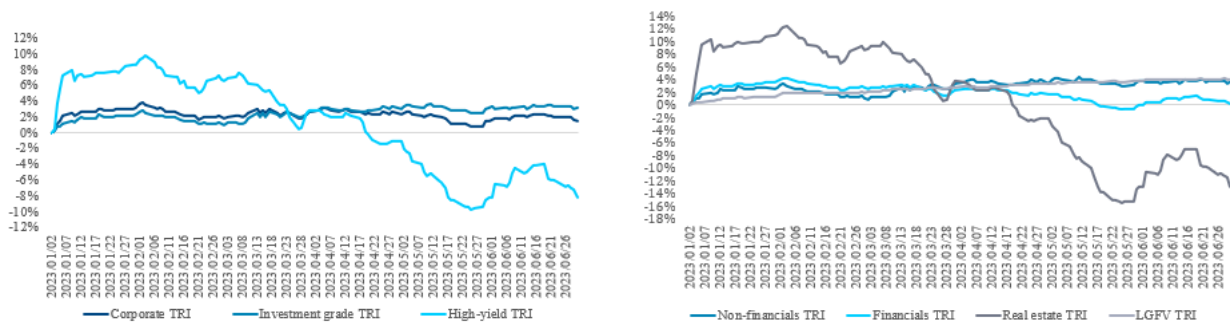
	Group Co Ltd								
2023/6/27	Neijiang Investment Holding Group Co Ltd	CNY	297	7.8	2028/4/29	5	Chengtou	-/-/-	-/-/-
2023/6/28	Industrial & Commercial Bank of China Ltd/London	USD	100	SOFR+65	2026/7/7	3	Banks	-/-/-	-/-/-
2023/6/29	NanShan Group Corp	HKD	101.4	7.5	2024/1/7	188D	Materials	-/-/-	-/-/-
2023/6/30	CMB International Leasing Management Ltd	CNY	700	3.05	2025/1/10	2	Financials	A3/BBB+/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of June 30, the YTD return¹ on Chinese USD corporate bond index decreased by 51bp to 1.57% from last Friday, of which the return on investment-grade bonds decreased by 26.4bp to 3.15%, while the return on high-yield bonds decreased by 202bp to -8.16%. In terms of sector indices, the return on non-financials, financials, real estate and Chengtou bonds were 3.44%, 0.11% and -12.88% and 3.98%, respectively, decreasing by 32bp, 65bp, 283bp and 3bp from last Friday.

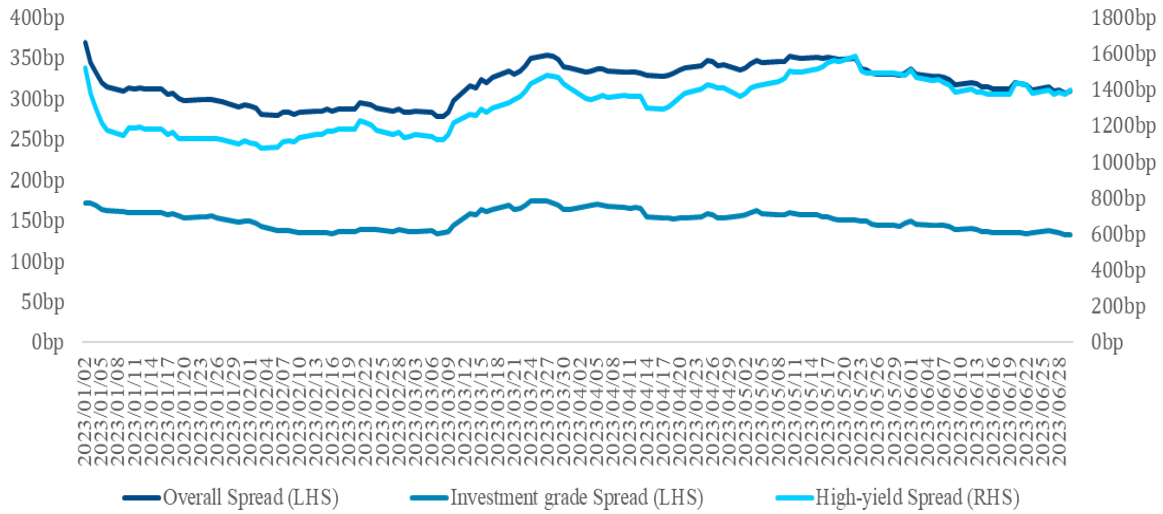
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of June 30, the yield spread of Chinese dollar bonds decreased by 1.8bp to 308.33bp from last Friday. The yield spread of investment-grade bonds increased slightly by 2.5bp to 132.08bp, and the spread of high-yield bonds increased by 15.5bp to 1393.89bp.

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 June 26 to June 30 are shown in the table below. Among them, Sino-Ocean Group Holding Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230626-20230630)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
SINOCE 5.95 02/04/27	Sino-Ocean Group Holding Ltd	17.75	3.59	52.46	5839.7
AGILE 7 7/8 PERP	Agile Group Holdings Ltd	17.433	PERP	143.52	4841.0
CHINSC 7 3/8 04/09/24	China SCE Group Holdings Ltd	14.304	0.77	199.80	4835.5
FOSUNI 5 1/8 08/17/23	Fosun International Holdings Ltd	98.636	0.12	7.21	4666.0
COGARD 5 1/8 12/15/26	Country Garden Holdings Co Ltd	15.798	3.45	58.67	3997.0
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd	11.137	1.24	178.99	3387.5
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	30.08	0.57	142.87	2257.1
AGILE 5 1/8 04/21/25	Agile Group Holdings Ltd	23.375	1.80	77.11	2170.0
AGILE 6.05 10/13/25	Agile Group Holdings Ltd	19.75	2.28	76.78	1683.2
SINOCE 6 07/30/24	Sino-Ocean Group Holding Ltd	18.25	1.07	112.60	1419.8

Sources: CCXAP research

Rating Action: CCXAP assigned long-term credit ratings to 6 entities

On June 26, CCXAP assigns first time long-term credit rating of BBB_g to Tianchang City Investment Holding Group Co., Ltd., with stable outlook.

On June 27, CCXAP assigns first-time long-term credit rating of BBB_g to Huzhou Moganshan High-tech Group Co., Ltd., with stable outlook

On June 28, CCXAP assigns long-term credit rating of A_g- to Zhejiang Changsanhe Holding Group Co., Ltd., with stable outlook

On June 29, CCXAP assigns first time long-term credit rating of BBB_g⁺ to Heze Investment Development Group Co., Ltd., with stable outlook.

On June 30, CCXAP assigns first time long-term credit rating of BBB_g⁻ to Sichuan Jianzhou Airport Agricultural Investment Development Group Co. Ltd., with stable outlook.

On June 30, CCXAP assigns first time long-term credit rating of A_g⁻ to Jinan Hi-tech Holding Group Co., Ltd., with stable outlook

Table 3: Credit rating from CCXAP (20230626-20230630)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/06/26	TCCI	BBB _g	-	The credit rating is underpinned by the Company's (1) the most important local infrastructure investment and financing company ("LIIFC") with the largest asset scale in Tianchang City; and (2) good track record of receiving government support. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden driven by large investments; and (3) medium contingent liabilities risk.
2023/06/27	HMHG	BBB _g	-	The credit rating is underpinned by the Company's (1) most important market position in infrastructure construction and industrial park development in the Mogan Mountain of Huzhou High-tech Industry Development Zone ("MHTZ"); (2) good track record of receiving government payments; and (3) diversified financing channels. However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) moderate contingent risks resulting from external guarantees.
2023/06/28	ZCHG	A _g ⁻	-	The credit rating is underpinned by the Company's (1) monopoly position in the development of Yangtze River Delta Industrial Cooperation Zone (Huzhou) ("YICZ"); and (2) good track record of receiving ongoing government payments. However, the rating is constrained by the Company's short operating history, financing and debt management need to be improved as a newly established entity.
2023/06/29	HZID	BBB _g ⁺	-	The credit rating is underpinned by the Company's (1) strong market position as the largest investment and financing entity in Heze City; (2) good track record of receiving government support; and (3) good access to multiple financing channels. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; and (2) rapid debt growth driven by the continuous investment in construction projects.
2023/06/30	JAID	A _g ⁻	-	The credit rating is underpinned by the Company's (1) strategic role as the major agricultural infrastructure constructor and service provider in Jianyang City; (2) high sustainability of infrastructure construction business; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company's (1) rapid debt growth; and (2) moderate assets liquidity.
2023/06/30	JNHT	BBB _g ⁻	-	The credit rating is underpinned by the Company's (1) strategic importance in the social and economic development of Jinan Innovation Zone; (2) solid track record of receiving government support; and (3) high acceptance in the debt capital market and relatively low financing costs. However, the Company's rating is constrained by its (1) medium operational risks from market-driven commercial activities; and (2) high debt management pressure arising from ongoing investment.

Sources: CCXAP research

From June 26 to June 30, rating agencies took 6 positive rating actions and 4 negative rating actions on Chinese issuers

Table 4: Credit rating changes of cross-border bond market (20230626-20230630)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Contemporary Amperex Technology Co. Limited	Consumer Discretionary	A-	STABLE	2023/06/26	BBB+	POS	2022/08/25	Fitch	Market share, technical capability and production capacity have strengthened
	CITIC Group Corp.	Financial	BBB+	POS	2023/06/28	BBB+	STABLE	2022/05/31	S&P	Benefiting from a stronger brokerage business, the group's credit strength improved significantly,
	CITIC Ltd.	Financial	BBB+	POS	2023/06/28	BBB+	STABLE	2022/05/31	S&P	Benefiting from a stronger brokerage business, the group's credit strength improved significantly,
	China CITIC Bank Corp. Ltd.	Financial	BBB+	POS	2023/06/28	BBB+	STABLE	2022/05/31	S&P	Benefiting from a stronger brokerage business, the group's credit strength improved significantly,
	CNCB (Hong Kong) Investment Ltd.	Financial	BBB	POS	2023/06/28	BBB	STABLE	2022/05/31	S&P	Benefiting from a stronger brokerage business, the group's credit strength improved significantly,
	Chengdu Airport Xingcheng Investment Group Co., Ltd.	Chengtou	BBB+	STABLE	2023/06/29	BBB	POS	2023/04/17	Lianhe	The strategic importance of the company in Shuangliu District has been improved
Downgrade	Guangzhou Fineland Real Estate Development	Real Estate	Ca	NEG	2023/06/26	Caa1	NEG	2022/09/22	Moody's	No internal source of cash to meet the offshore bond maturities
	Central China Real Estate Limited	Real Estate	Ca	NEG	2023/06/27	Caa2	NEG	2022/12/09	Moody's	The recovery outlook is weak and the company failed to pay interest on its offshore bond
	Sino-Ocean Group Holding Limited	Real Estate	Caa1	NEG	2023/06/27	B3	NEG	2023/04/04	Moody's	Sino-Ocean Group's refinancing risk rises due to weak liquidity, declining sales and profit margins, and high refinancing needs
	Chindata Group Holdings Ltd	Technology	BBB-	Negative under review	2023/06/27	BBB-	STABLE	2023/02/12	Fitch	Privatisation plan may raise leverage

Sources: CCXAP research

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