

2023 Issue 26 From July 3 to July 7

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

Headline: China CPI in June was flat YoY; US Nonfarm payrolls increased 209,000 in June

China CPI in June was flat YoY, lower than the growth rate of 0.2% in May; the MoM decrease was 0.2%, the same as the previous month. US nonfarm payrolls increased by 209,000 in June, below the consensus estimate of 225,000.

Exchange Rate: RMB rebounded, USD index slightly increased

This week, RMB rebounded. As of July 7, the RMB/USD middle rate closed at 7.2054, decreasing by 204bp from last Friday. The USD index slightly increased by 0.6% to 102.272 from last Friday.

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

This week, the China Government Bond yields were mixed. The non-farm payrolls data showed that the labor market is still resilient, and US Treasury yields increased.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From July 3 to July 7, there were 4 new issues with total issued volume of USD674 million, decreasing by 16% from last week. Among them, China CITIC Securities International is the largest issuer with a total issued amount of USD340 million.

Secondary Market: Return on Chinese USD bond decreased

As of July 7, the YTD return on Chinese USD corporate bond index decreased by 93bp to 0.64% from last Friday, of which the return on investment-grade bonds decreased by 51.7bp to 2.63%, while the return on high-yield bonds decreased by 351bp to -11.67%.

Rating Action: CCXAP assigns long-term credit ratings to 2 entities

CCXAP assigns long-term credit rating to 6 entities, including DURC and FSWG.



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Headline: China CPI in June was flat YoY; US Nonfarm payrolls increased 209,000 in June

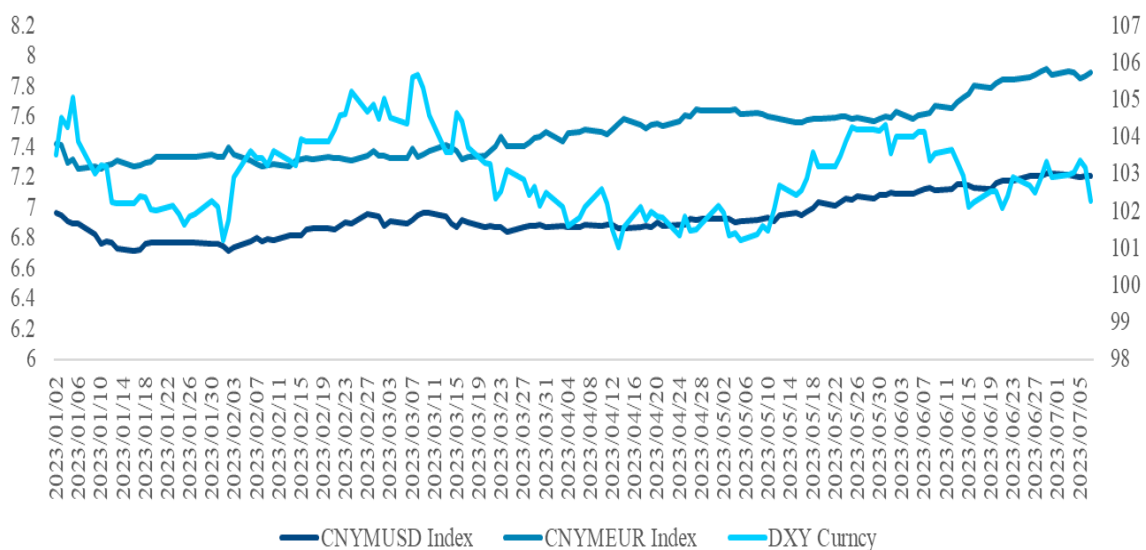
On July 10, the National Bureau of Statistics released data showing that China CPI in June was flat year-on-year (“YoY”), lower than the growth rate of 0.2% in May; the month-on-month (“MoM”) decrease was 0.2%, the same as the previous month. In June, the PPI fell by 5.4% year-on-year, higher than the 4.6% drop in May, and expanded the decline for the sixth consecutive month; the chain fell by 0.8%, the previous value was 0.9%, and the decline narrowed by 0.1 percentage points from the previous month.

July 7, according to data released by the US National Bureau of Statistics, US nonfarm payrolls increased by 209,000 in June, below the consensus estimate of 225,000. Job gains in June hit lowest since December 2020 as May's figure was revised down to 306,000 from 339,000.

Exchange Rate: RMB rebounded, USD index slightly increased

This week, RMB rebounded. As of July 7, the RMB/USD middle rate closed at 7.2054, decreasing by 204bp from last Friday; the RMB/EUR middle rate closed at 7.8869, increasing by 98bp from last Friday. The USD index slightly increased by 0.6% to 102.272 from last Friday.

Figure 1: RMB exchange rate

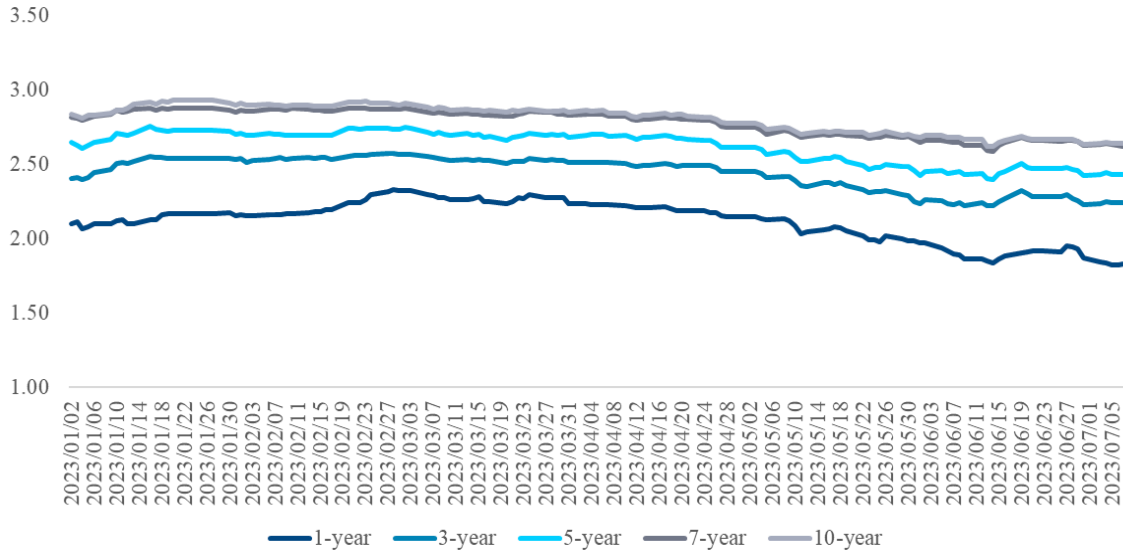


Sources: CCXAP research

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

This week, the China Government Bond yields were mixed. As of July 7, the 1-year and 7-year China Government Bond yields were 1.8279% and 2.6231%, decreasing by 4.4bp and 0.5bp from last Friday. Meanwhile, the 3-year, 5-year and 10-year China Government Bond yields were 2.2411%, 2.4295%, 2.6403% respectively, decreasing by 1.6bp, 0.5bp, 0.5bp from last Friday.

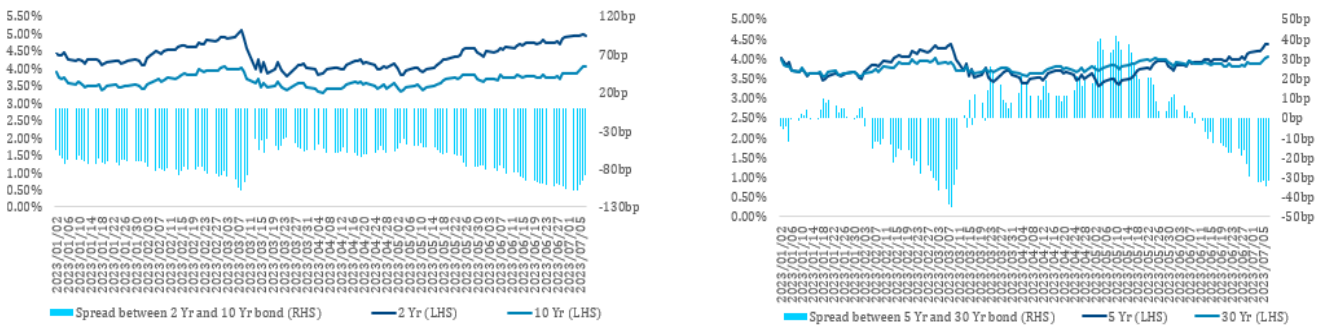
Figure 2: China Government Bond yields



Sources: CCXAP research

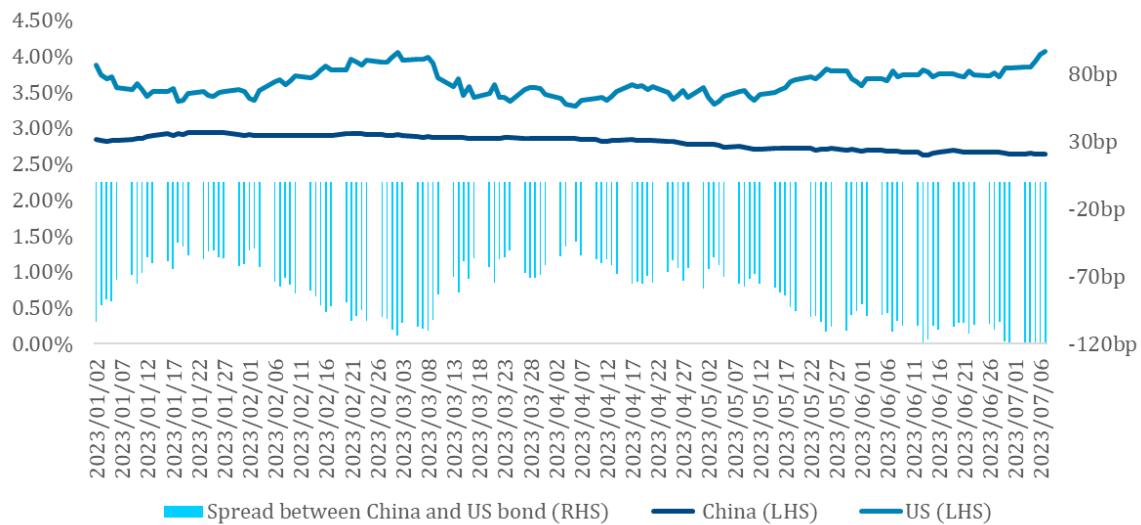
The non-farm payrolls data showed that the labor market is still resilient, and US Treasury yields increased. As of July 7, 2-year, 5-year, 10-year and 30-year treasury yields were 4.9459%, 4.3597%, 4.0616%, 4.0453% respectively, increasing by 5.0bp, 20.4bp, 22.5bp and 18.5bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 17bp to -88.4bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 2bp to -31.4bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of July 7, the yield spread between China and US 10-year note was -142.1bp, widening by 22.0bp from last Friday and 38.2bp 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 decreased

From July 3 to July 7, there were 4 new issues with total issued volume of USD674 million, decreasing by 16% from last week. Among them, China CITIC Securities International is the largest issuer with a total issued amount of USD340 million.

Table 1: New issuance of Chinese offshore bonds (20230703-20230707)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/7/3	Huatai International Financial Holdings Co Ltd	USD	46.6	5.5	2023/10/11	96D	Financials	-/-/-	-/-/-
2023/7/3	Hubei Guanggudong State-owned Asset Investment Operation Group Co Ltd	USD	209	7.5	2023/7/10	3	Chengtou	-/-/-	-/-/-
2023/7/3	Neijiang Investment Holding Group Co Ltd	JPY	10500	1.4	2026/7/12	3	Chengtou	-/-/-	-/-/-
2023/7/6	CITIC Securities International Co Ltd	CNY	2500	3.1	2026/7/13	3	Financials	-/BBB+/-	-/BBB+/-

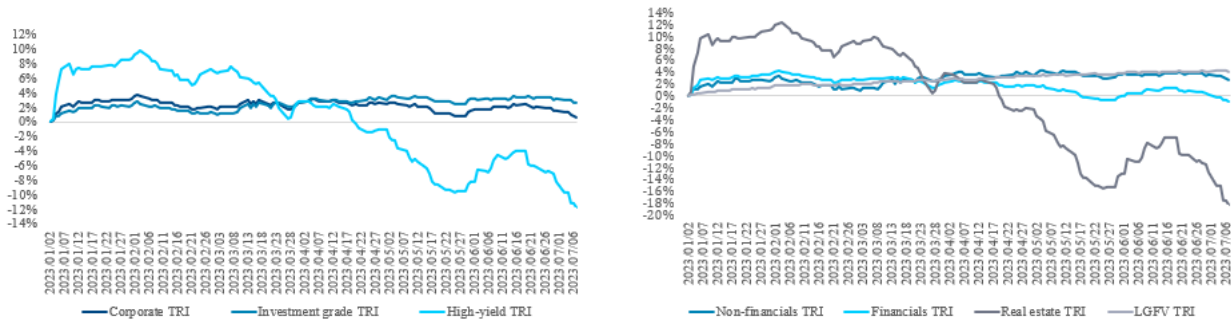
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of July 7, the YTD return¹ on Chinese USD corporate bond index decreased by 93bp to 0.64% from last Friday, of which the return on investment-grade bonds decreased by 51.7bp to 2.63%, while the return on high-yield bonds decreased by 351bp to -11.67%. In terms of sector indices, the return on non-financials, financials, real estate bonds were 2.67%, -0.94% and -18.24%, decreasing by 76bp, 105bp, 536bp respectively from last Friday; while return on Chengtou bond increased by 3bp to 4.01%.

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

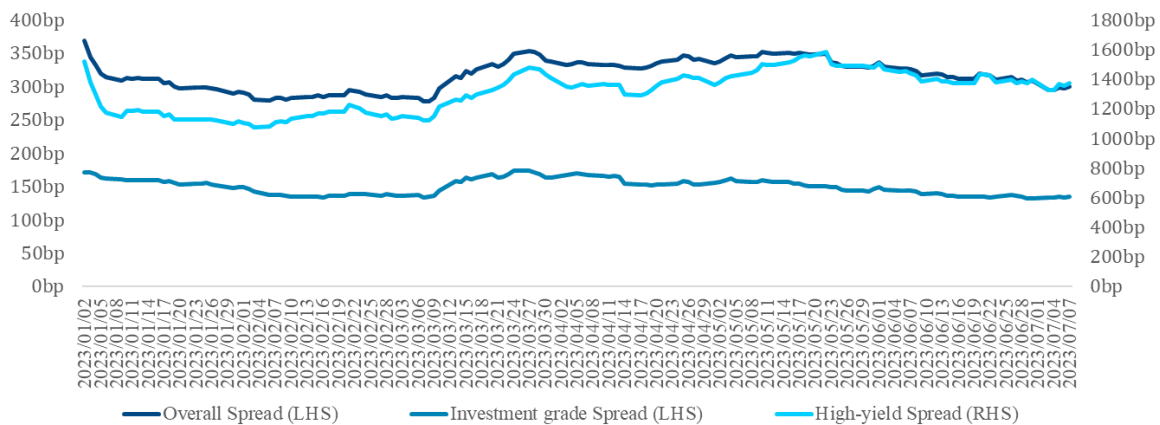
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of July 7, the yield spread of Chinese dollar bonds decreased by 8.6bp to 299.72bp from last Friday. The yield spread of investment-grade bonds increased slightly by 2.0bp to 134.04bp, and the spread of high-yield bonds decreased by 24.8bp to 1369.08bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from July 3 to July 7 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 (20230703-20230707)

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 1/2 08/17/23	Fosun International Holdings Ltd	98.636	0.12	7.21	4666.0
COGARD 5 7/8 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 1/2 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 2 entities

On July 7, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g- to Jiangsu Fushui Water Group Co., Ltd. (“FSWG” or the “Company”), with stable outlook. It has also assigned an expected senior unsecured debt rating of BBB_g- to the proposed offshore bonds to be issued by FSWG.

On July 7, CCXAP has assigned first time long-term credit rating of BBB_g- to Dujiangyan Urban and Rural Construction Group Co., Ltd. (“DURC” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20230703-20230707)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/07/07	FSWG	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) strong role in water infrastructure construction and public services in Funing County; and (2) solid track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing in debt level to support investment in public policy projects; and (3) high reliance on non-standard financing.
2023/07/07	DURC	BBB _g -	-	The credit rating is underpinned by the Company’s (1) important role in infrastructure construction and rural revitalization of Dujiangyan City; (2) solid track record of receiving government payments; and (3) good debt management. However, the rating is constrained by the Company’s (1) high exposure to contingent risk; and (2) moderate assets liquidity.

Sources: CCXAP research

From July 3 to July 7, rating agencies took 2 negative rating actions on Chinese issuers

Table 4: Credit rating changes of cross-border bond market (20230703-20230707)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	Wanda Commercial Properties (HK) Co. Limited's	Real Estate	B3	NEG	2023/07/06	Ba3	STABLE	2021/09/27	Moody's	Deteriorated access to funding
	Dalian Wanda Commercial Management Group Co., Ltd.	Real Estate	B1	NEG	2023/07/06	Ba2	Negative Rating Watch	2023/05/05	Moody's	Deteriorated access to funding

Sources: CCXAP research

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