

### 2023 Issue 27 From July 10 to July 14

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

#### Headline: China's Q2 GDP grew by 6.3% YoY; US June CPI lower than expected

According to data from the National Bureau of Statistics, in the first half of this year, the gross domestic product (GDP) of China was RMB59,303.4 billion, a YoY increase of 5.5%, 1 percentage points higher than YoY growth in Q1. The US CPI in June YoY growth continued to fall from 4% in May to 3%, which is lower than the estimation of 3.1%, marking the 12th consecutive month of decline and the lowest since March 2021.

#### Exchange Rate: RMB appreciated, USD index decreased

This week, RMB appreciated. As of July 14, the RMB/USD middle rate closed at 7.1318, decreasing by 763bp from last Friday. The USD index decreased by 2.3% to 99.914 from last Friday.

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

This week, the China Government Bond yields increased. Influenced by lower-than-expected CPI, US Treasury yields decreased.

#### Chinese Offshore Bond Market

##### Primary Market: Chinese offshore bond new issuance increased

From July 10 to July 14, there were 7 new issues with total issued volume of USD1.72 billion, increasing by 59% from last week. Among them, China International Capital (International) Corporation Limited is the largest issuer with a total issued amount of USD500 million.

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

As of July 14, the YTD return on Chinese USD corporate bond index increased by 111bp to 1.75% from last Friday, of which the return on investment-grade bonds decreased by 92.4bp to 3.56%, while the return on high-yield bonds decreased by 228bp to -9.39%.

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

CCXAP assigns long-term credit rating to 2 entities, including Xi'an Qujiang Cultural Industry Investment (Group) Co., Ltd and Jiangsu Hairun City Development Group Co., Ltd.



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## Headline: China's Q2 GDP grew by 6.3% YoY; US CPI in June lower than expected

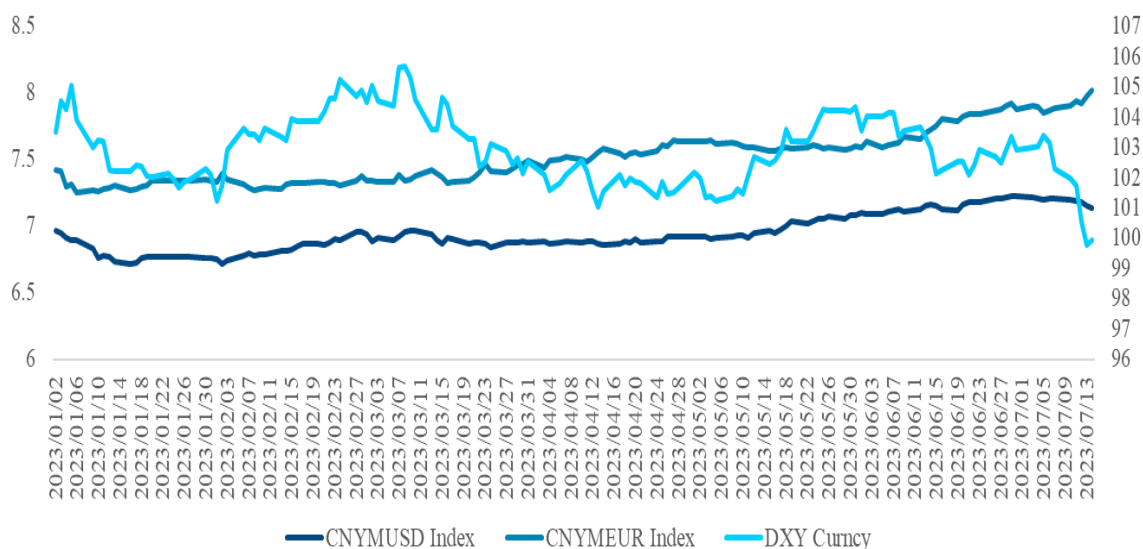
According to data from the National Bureau of Statistics, in the first half of this year, the gross domestic product (GDP) of China was RMB59,303.4 billion, a YoY increase of 5.5%, 1 percentage points higher than YoY growth in the first quarter. In terms of industries, the added value of the primary industry was 3,041.6 billion yuan, a year-on-year increase of 3.7%; the added value of the secondary industry was 23,068.2 billion yuan, an increase of 4.3%; the added value of the tertiary industry was 33,193.7 billion yuan, an increase of 6.4%. By quarter, Q1 GDP grew by 4.5% year-on-year and by 6.3% in Q2. On a quarter-on-quarter basis, China's Q2 GDP grew by 0.8%.

The U.S. June CPI YoY growth fell to 3%, which is lower than the estimation of 3.1%, marking the 12th consecutive month of decline and the lowest since March 2021; CPI rose 0.2% MoM, higher than the previous value of 0.1%, but lower than the expected 0.3%. Core CPI (Excluding food and energy) rose 4.8% year-on-year, lower than the expected 5% and the previous value of 5.3%, the lowest since October 2021, but still far higher than the target of the Fed.

## Exchange Rate: RMB appreciated, USD index decreased

This week, RMB appreciated. As of July 14, the RMB/USD middle rate closed at 7.1318, decreasing by 763bp from last Friday; the RMB/EUR middle rate closed at 8.0169, increasing by 1300bp from last Friday. The USD index decreased by 2.3% to 99.914 from last Friday.

Figure 1: RMB exchange rate

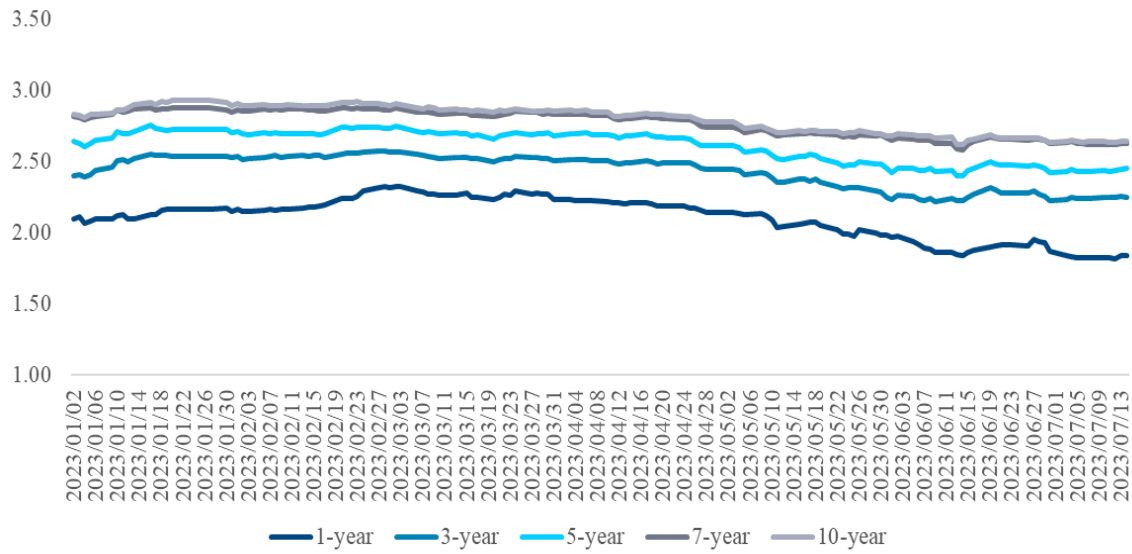


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of July 14, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.8385%, 2.2488%, 2.4512%, 2.6260% and 2.6444%, increasing by 1.1bp, 0.8bp, 2.2bp, 0.3bp and 0.4bp respectively from last Friday.

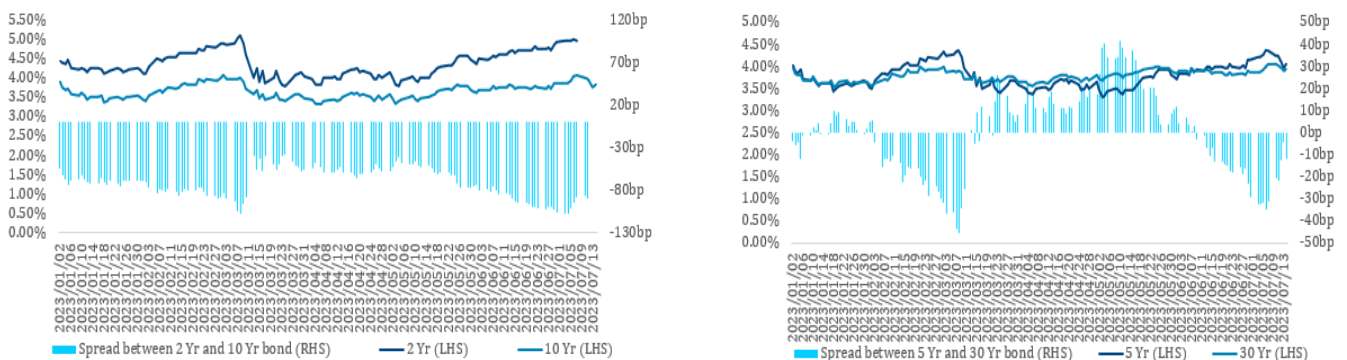
Figure 2: China Government Bond yields



Sources: CCXAP research

Influenced by lower-than-expected CPI, US Treasury yields decreased. As of July 14, 2-year, 5-year, 10-year and 30-year Treasury yields were 4.7656%, 4.0470%, 3.8322% and 3.9278% respectively, decreasing by 18.0bp, 31.3bp, 22.59bp and 11.8bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds increased by 5bp to -93.3bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 20bp to -11.9bp from last Friday.

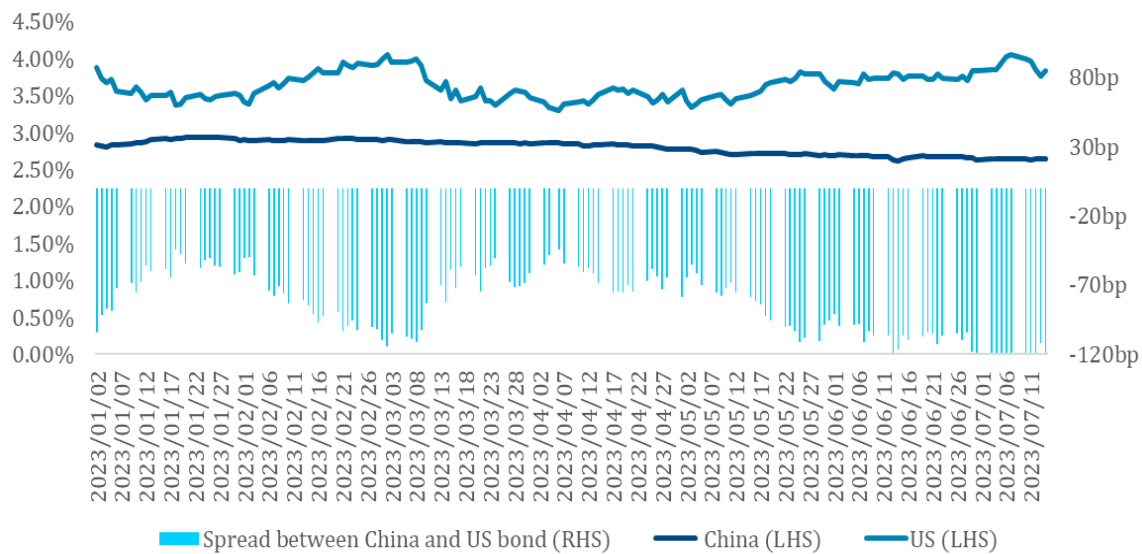
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of July 14, the yield spread between China and US 10-year note was -118.8bp, narrowing by 23.4bp from last Friday, widening by 14.83bp 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 decreased

From July 10 to July 14, there were 7 new issues with total issued volume of USD1.07 billion, increasing by 59% from last week. Among them, China International Capital (International) Corporation Limited is the largest issuer with a total issued amount of USD500 million.

**Table 1: New issuance of Chinese offshore bonds (20230710-20230714)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/7/11	Huatai International Financial Holdings Co Ltd	USD	27.5	6.17	2024/1/18	184D	Financials	-/BBB+/-	-/-/-
2023/7/12	China International Capital (International) Corporation Limited	USD	500	5.442	2026/7/18	3	Financials	Baa1/BBB+/BBB+	-/BBB+/-
2023/7/12	Wuxi Taihu New City Asset Management Co Ltd	CNY	1250	3.6	2026/7/19	3	Chengtou	-/-/-	-/-/-
2023/7/12	Quxian Hengji Industrial Construction Development Co Ltd	CNY	300	4.7	2026/7/14	3	Chengtou	-/-/-	-/-/-

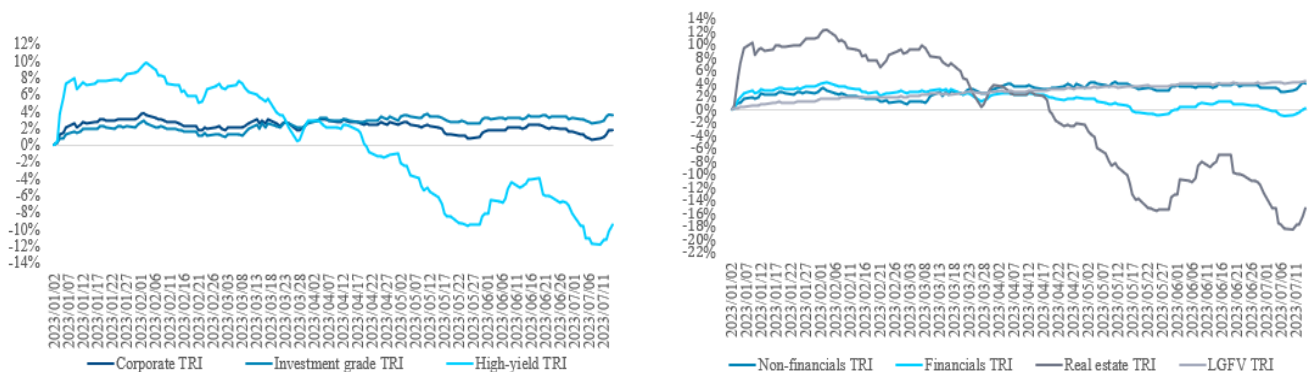
2023/7/13	Yangzhou Urban Construction State-owned Asset Holdings Group Co Ltd	USD	300	5.48	2026/7/20	3	Chengtou	-/-/BBB	-/-/-
2023/7/13	Huatai International Financial Holdings Co Ltd	USD	10	5.8	2023/10/19	92D	Financials	-/BBB+/-	-/-/-
2023/7/14	Chongqing Wansheng Industrial Park Development and Construction Co., Ltd.	CNY	127.5	4.2	2026/7/19	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of July 14, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 111bp to 1.75% from last Friday, of which the return on investment-grade bonds increased by 92.4bp to 3.56%, while the return on high-yield bonds increased by 228bp to -9.39%. In terms of sector indices, the return on non-financials, financials, real estate and Chengtou bonds were 3.88%, 0.1%, -15.21%, and 4.3%, increasing by 121bp, 104bp, 302bp and 29 bp respectively from last Friday.

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

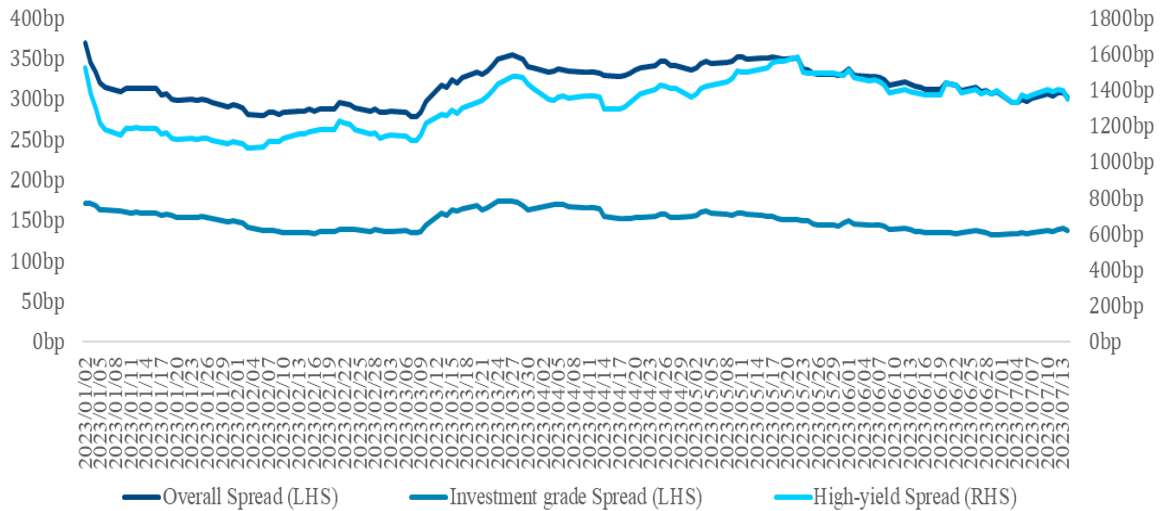


Sources: CCXAP research

As of July 14, the yield spread of Chinese dollar bonds increased by 1.4bp to 301.17bp from last Friday. The yield spread of investment-grade bonds increased slightly by 3.4bp to 137.41bp, and the spread of high-yield bonds increased by 21.1bp to 1347.94bp.

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

<sup>1</sup> Year-to-date return measures the return since January 3, 2023



Sources: CCXAP research

The 10 bonds with the largest yield increase from July 10 to July 14 are shown in the table below. Among them, Wanda Properties International Co. Limited changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20230710-20230714)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
DALWAN 6 7/8 07/23/23	Wanda Properties International Co. Limited	94.53	0.01	409.428	26.5K
AGILE 8 3/8 PERP	Agile Group Holdings Ltd	11.454	PERP	1945.577	22.1K
AGILE 7 7/8 PERP	Agile Group Holdings Ltd	11.27	PERP	417.618	2729.5
FTLNHD 6.8 08/05/23	Seazen Group Ltd	97.286	0.05	64.039	1789.7
CSCHCN 9 04/12/24	China South City Holdings Ltd	64.754	0.74	87.77	881.8
CSCHCN 9 10/09/24	China South City Holdings Ltd	59.118	1.23	67.167	870.1
FOSUNI 5 1/2 08/17/23	Fosun International Limited	95.5	0.08	62.738	851.4
SINOCE 6 07/30/24	Sino-Ocean Group Holding Ltd	17.156	1.03	292.666	795.4
CSCHCN 9 12/11/24	China South City Holdings Ltd	59.274	1.40	58.504	556.4
YNPOWE 3 1/2 08/20/23	Yunnan Energy Investment Overseas Finance Co Ltd	99.25	0.09	11.856	522.3

Sources: CCXAP research

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

On July 10, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB<sub>g</sub> to Jiangsu Hairun City Development Group Co., Ltd. (“JHCD” or the “Company”), with stable outlook.

On July 14, CCXAP has assigned first time long-term credit rating of BBB<sub>g</sub> to Xi’an Qujiang Cultural Industry Investment (Group) Co., Ltd (“QCII” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230710-20230714)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
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2023/07/10	JHCD	BBB <sub>g</sub>	BBB <sub>g</sub>	The credit rating is underpinned by the Company's (1) essential role as a comprehensive urban operator in Haimen District with sufficient project reserves; (2) track record of receiving government payments; and (3) good access to diversified funding. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high debt leverage and moderate asset liquidity; and (3) high level of external guarantees.
2023/07/14	QCII	BBB <sub>g</sub>	BBB <sub>g</sub>	The credit rating is underpinned by the Company's (1) dominant position in cultural and tourism industry of Qujiang New District, aligning with government development strategy; (2) track record of receiving government support; and (3) rich and high-quality tourism resources. However, the rating is constrained by the Company's (1) moderate risk exposure to property development and retail businesses; (2) relatively high refinancing needs; and (3) contingent risks associated with external guarantees.

Sources: CCXAP research

From July 10 to July 14, rating agencies took 1 positive and 4 negative rating actions on Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230710-20230714)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upwngrade	Bank of Nanjing	Financial	Baa3	POS	2023/07/14	Baa3	STABLE	2021/05/31	Moody's	Asset quality remains healthy
	China Orient Asset Management	Financial	A	NEG	2023/07/14	A	Negative under review	2023/04/05	Fitch	Capital adequacy remains above the regulatory threshold, and the issuer has plans to take measures to enhance its capital buffer.
	China Orient Asset Management (International)	Financial	A	NEG	2023/07/14	A	Negative under review	2023/04/05	Fitch	Capital adequacy remains above the regulatory threshold, and the issuer has plans to take measures to enhance its capital buffer.
Downgrade	Wanda Commercial Properties (Hong Kong) Co. Limited	Real Estate	B-	Negative under review	2023/07/13	B+	NEG	2023/05/31	Fitch	Wanda Properties' liquidity is under pressure

Dalian Wanda Commercial Management Group Co. Ltd	Real Estate	B-	Negative under review	2023/07/13	BB+	NEG	2023/05/31	Fitch	Wanda Properties' liquidity is under pressure
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Sources: CCXAP research



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