

2023 Issue 28 From July 17 to July 21

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

Headline: China's Q2 GDP grew 5.5% YoY; MoM growth of US retail sales in June was lower than expectation

In the first half of this year, the gross domestic product (GDP) of China was 59,303.4 billion RMB, a YoY increase of 5.5%, 1 percentage points higher than YoY growth in the first quarter. The US Department of Commerce announced that retail sales in June were 689.5 billion US dollars, an increase of 0.2% from the previous month, which was lower than the estimation of 0.5%.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of July 21, the RMB/USD middle rate closed at 7.1456, increasing by 138bp from last Friday. The USD index increased by 1.2% to 101.071 from last Friday.

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

This week, the China Government Bond yields decreased. Influenced by the decline in the initial jobless claim, US Treasury yields increased.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From July 17 to July 21, there were 10 new issues with total issued volume of USD632 million, decreasing by 41% from last week. Among them, CNCB Hong Kong Investment Ltd is the largest issuer with a total issued amount of USD300 million.

Secondary Market: Return on Chinese USD bond decreased

As of July 21, the YTD return on Chinese USD corporate bond index decreased by 80bp to 0.96% from last Friday, of which the return on investment-grade bonds decreased by 16.5bp to 3.39%, while the return on high-yield bonds decreased by 473bp to -14.12%.

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

CCXAP assigns long-term credit rating to 3 entities, including Chongqing Jiangjin District Jiangding Industrial Development, Qingdao Jimo District Urban Tourism Development and Investment, and Taizhou Luqiao State-owned Assets Development Group.



Analyst Contacts

Waldo Li

852-2860 7131

waldo_li@ccxap.com

Peter Chong

852-2860 7124

peter_chong@ccxap.com

Other Contacts

Elle Hu

852-2860 7120

elle_hu@ccxap.com

Headline: China's Q2 GDP grew 5.5% YoY; MoM growth of US retail sales in June was lower than expectation

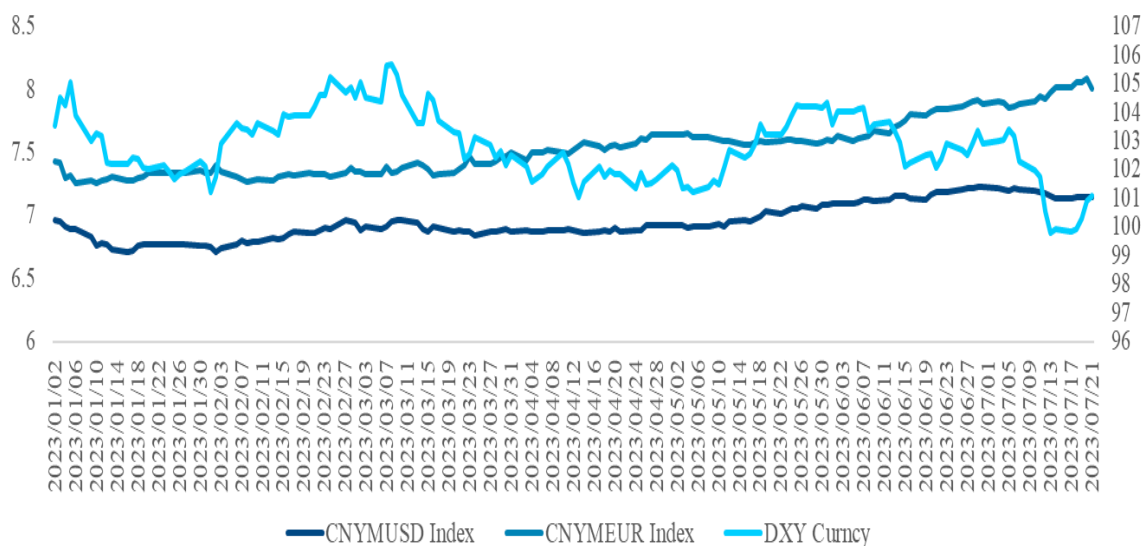
According to data from the National Bureau of Statistics, in the first half of this year, the gross domestic product (GDP) of China was 59,303.4 billion RMB, a YoY increase of 5.5%, 1 percentage points higher than YoY growth in the first quarter. In terms of industries, the added value of the primary 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. Department of Commerce announced that retail sales in June were 689.5 billion US dollars, up by 0.2% from the previous month but missing the expected value of 0.5%, and the previous value was revised up to 0.5%. Retail sales in June increased by 1.5% year-on-year; Core retail sales in June excluding auto sales rose 0.2% month-on-month with the previous value of 0.3%. Retail sales are considered as key indicators of consumer spending and consumer spending accounts for more than two-thirds of the U.S. economy.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of July 21, the RMB/USD middle rate closed at 7.1456, increasing by 138bp from last Friday; the RMB/EUR middle rate closed at 8.0041, decreasing by 128bp from last Friday. The USD index increased by 1.2% to 101.071 from last Friday.

Figure 1: RMB exchange rate

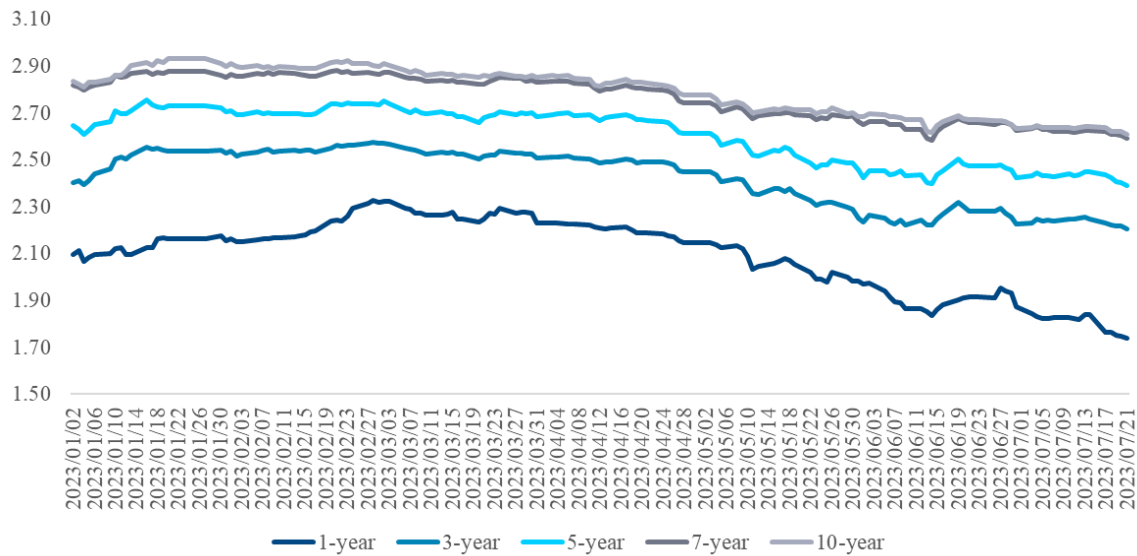


Sources: CCXAP research

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

This week, the China Government Bond yields decreased. As of July 21, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.7385%, 2.2063%, 2.3920%, 2.5912% and 2.6079%, decreasing by 10bp, 4.3bp, 5.9bp, 3.5bp and 3.7bp respectively from last Friday.

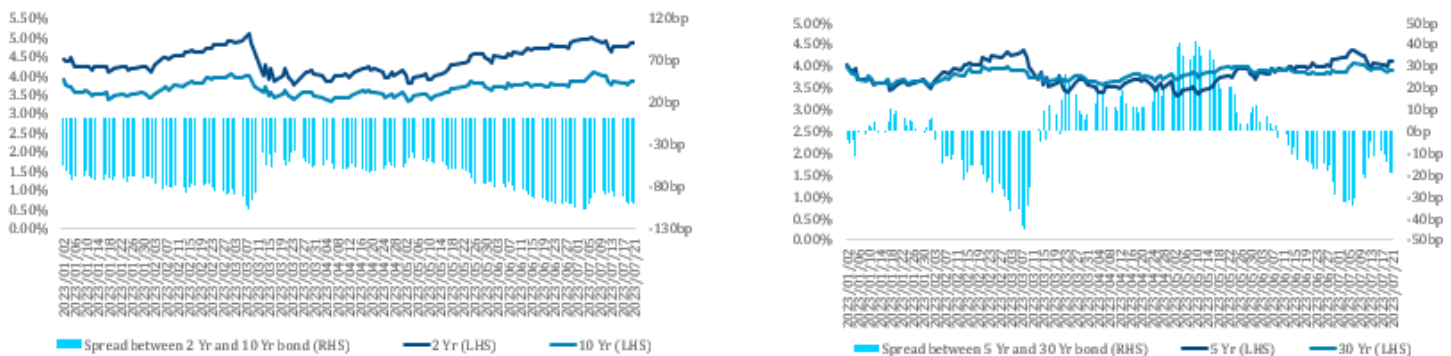
Figure 2: China Government Bond yields



Sources: CCXAP research

Influenced by the decline in the initial jobless claim, US Treasury yields increased. As of July 21, 2-year, 5-year, 10-year and were 4.8372%, 4.0930% and 3.8349%, increasing by 7.2bp, 4.6bp, 0.3bp respectively from last Friday; while the 30-year treasury yields declined by 3.0bp to 3.8974% from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds increased by 7bp to -100.2bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 8bp to -19.6bp from last Friday.

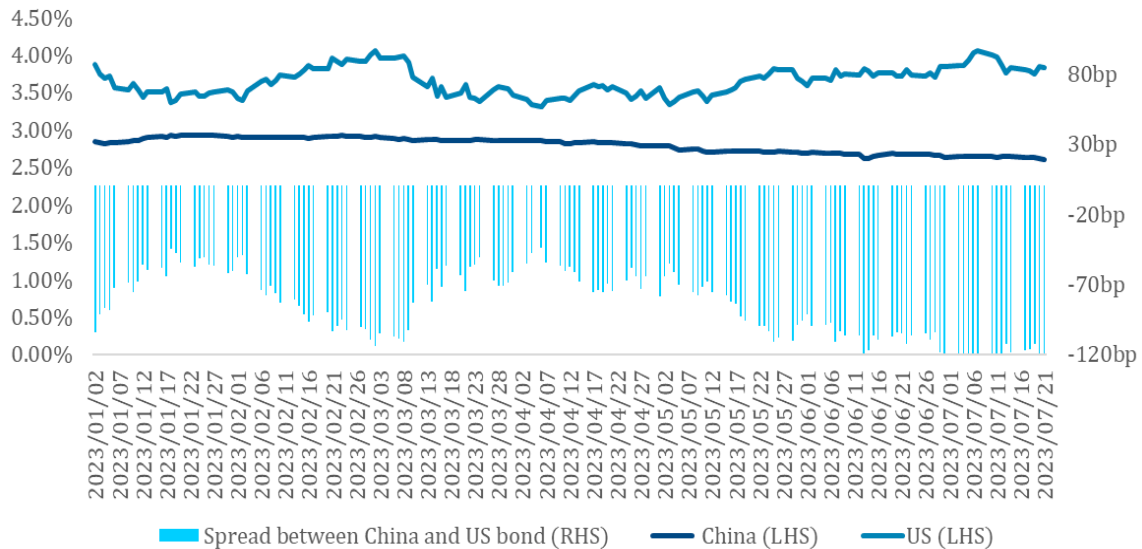
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of July 21, the yield spread between China and US 10-year note was -122.7bp, widening by 3.9bp from last Friday and by 18.75bp 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 17 to July 21, there were 10 new issues with total issued volume of USD632 million, decreasing by 41% from last week. Among them, CNCB Hong Kong Investment Ltd is the largest issuer with a total issued amount of USD300 million.

Table 1: New issuance of Chinese offshore bonds (20230717-20230721)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/7/17	Mengcheng Development Zone Xingmeng Investment Co Ltd	CNY	670	3.58	2026/7/24	3	Chengtou	-/-/-	-/-/-
2023/7/18	CNCB Hong Kong Investment Ltd	USD	300	6.1162	2024/7/23	364D	Financials	-/BBB/BBB	-/-/-
2023/7/18	Bank of Communications Financial Leasing Co., Ltd.	CNY	760	3	2026/7/26	3	Financials	A2/A-/A	A3/-/-
2023/7/19	Huatai International Financial Holdings Co Ltd	USD	11	6.17	2024/7/19	1	Financials	-/BBB+/-	-/-/-
2023/7/19	Huatai International Financial Holdings Co Ltd	HKD	200	5.52	2023/10/26	92D	Financials	-/BBB+/-	-/-/-
2023/7/19	CITIC Securities International Co Ltd	USD	0.6	-	2025/7/30	2	Financials	-/BBB+/-	-/-/-
2023/7/20	Ganzhou Tourism Investment Group Co Ltd	CNY	4600	3.6	2026/6/27	3	Chengtou	-/-/-	-/-/-

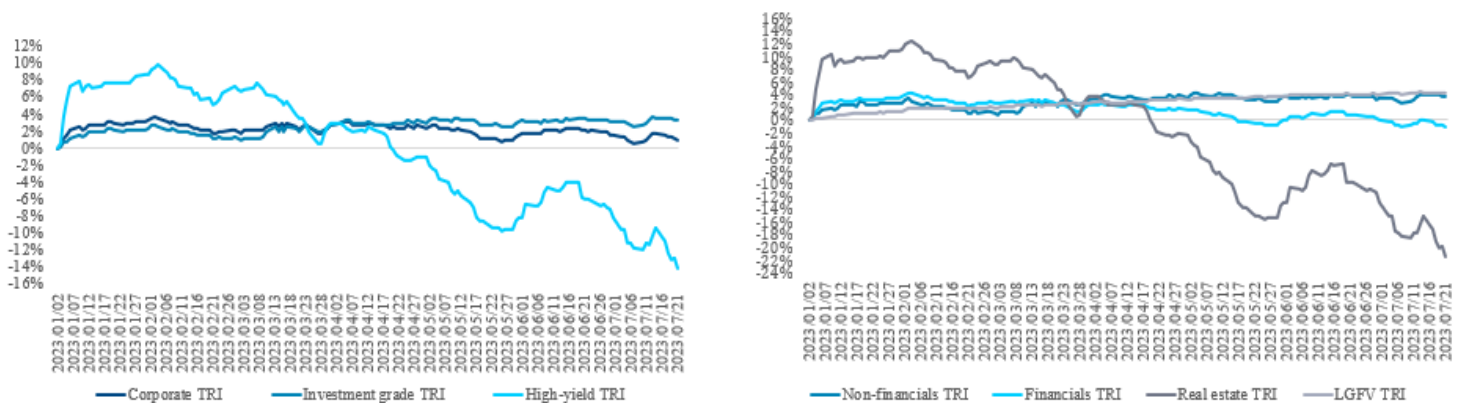
2023/7/20	Linyi Lanshan Financial Investment Group Co., Ltd.	CNY	91	4	2026/7/27	3	Chengtou	-/-/-	-/-/-
2023/7/20	China Securities International Finance Holding Co Ltd	HKD	5	4.5	2023/10/25	93D	Financials	-/-/-	-/-/-
2023/7/21	Huatai International Financial Holdings Co Ltd	USD	19	-	2024/7/26	365D	Financials	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of July 21, the YTD return¹ on Chinese USD corporate bond index decreased by 80bp to 0.96% from last Friday, of which the return on investment-grade bonds decreased by 16.5bp to 3.39%, while the return on high-yield bonds decreased by 473bp to -14.12%. In terms of sector indices, the return on non-financials, financials, real estate and Chengtoug bonds were 3.73%, -1.17%, -21.58%, and 4.23%, decreasing by 16bp, 127bp, 637bp and 7bp respectively from last Friday.

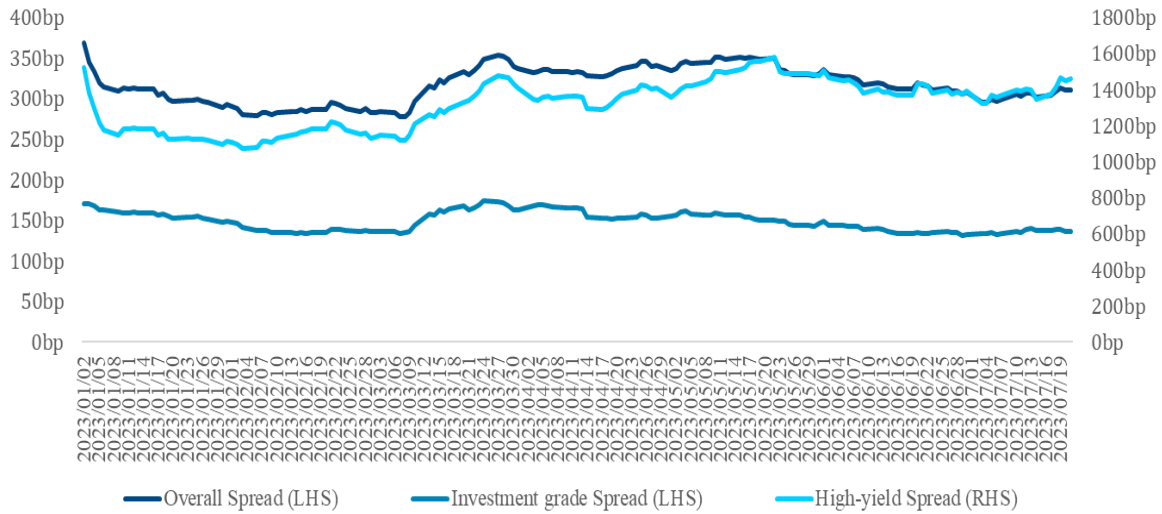
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of July 21, the yield spread of Chinese dollar bonds increased by 9.5bp to 310.66bp from last Friday. The yield spread of investment-grade bonds decreased by 0.8bp to 136.66bp, and the spread of high-yield bonds increased by 112.5bp to 1460.42bp.

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 July 17 to July 21 are shown in the table below. Among them, Agile Group Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230717-20230721)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
DALWAN 6 ¾ 07/23/23	Agile Group Holdings Ltd	9.956	PERP	2330.371	58.8K
AGILE 8 ¾ PERP	Wanda Properties International Co. Limited	38.5	0.5147159 48	326.894	12.6K
AGILE 7 ¾ PERP	Sino-Ocean Group Holding Ltd	9.451	3.5318275 15	111.618	11.5K
FTLNHD 6.8 08/05/23	Wanda Properties International Co. Limited	29.944	1.4921286 79	126.467	2.2K
CSCHCN 9 04/12/24	Country Garden Holdings Co Ltd	23.75	1.8398357 29	110.026	1.7K
CSCHCN 9 10/09/24	Wanda Properties International Co. Limited	28.082	2.5571526 35	82.63	1.4K
FOSUNI 5 ½ 08/17/23	Agile Group Holdings Ltd	11.198	PERP	434.207	1.3K
SINOCE 6 07/30/24	Country Garden Holdings Co Ltd	22.375	2.5379876 8	80.308	1.0K
CSCHCN 9 12/11/24	Country Garden Holdings Co Ltd	19.475	3.4743326 49	68.429	968.7
YNPOWE 3 ½ 08/20/23	Seazen Group Ltd	62.789	1.0513347 02	58.236	964.4

Sources: CCXAP research

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

On July 17, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g- to Chongqing Jiangjin District Jiangding Industrial Development Co., Ltd. (“Jiangding” or the “Company”), with stable outlook.

On July 18, CCXAP has assigned first time long-term credit rating of BBB_g⁺ to Qingdao Jimo District Urban Tourism Development and Investment Co., Ltd. (“JMTI” or the “Company”), with stable outlook.

On July 18, CCXAP has assigned first time long-term credit rating of BBB_g⁺ to Taizhou Luqiao State-owned Assets Development Group Co., Ltd. (“LSAD” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20230717-20230721)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/07/17	Jiangding	BBB _g ⁻	BBB _g ⁻	The credit rating is underpinned by the Company’s (1) enhancing strategic position in Jiangjin District after the consolidation of Zhenxin; (2) track record of receiving government supports; and (3) relatively low debt leverage. However, the rating is constrained by the Company’s (1) moderate assets liquidity; and (2) high reliance on a singular funding channel.
2023/07/18	JMTI	BBB _g ⁺	BBB _g ⁺	The credit rating is underpinned by the Company’s (1) key role in the infrastructure construction and provision of public utility services in Jimo District; (2) solid track record of receiving government support; and (3) good access to different financing channels with relatively low financing costs. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt burden with large investment needs; and (3) relatively high contingent risk arising from external guarantees.
2023/07/18	LSAD	BBB _g ⁺	-	The credit rating is underpinned by the Company’s (1) most important position in the infrastructure construction and utility services of Luqiao District; (2) high sustainability of public policy businesses; (3) good track record of receiving government payments; and (4) good access to fundings. However, the Company’s rating is constrained by its (1) medium exposure to diversified commercial activities, with manageable commercial risks; and (2) high debt leverage and moderate asset liquidity.

Sources: CCXAP research

From July 17 to July 21, rating agencies took 3 positive and 3 negative rating actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230717-20230721)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upwngade	Dongxing Securities	Financials	BBB ⁺	NEG	2023/07/19	BBB ⁺	Negative under review	2023/07/12	Fitch	Parent willing to provide shareholder support in case of need
	Jinjiang International Holdings Co. Ltd	Consumer Discretionary	BBB ⁻	Stable	2023/07/19	BBB ⁻	Negative under review	2023/06/27	S&P	Hotel businesses in China will recover strongly after the ease of pandemic restrictions

	Chengdu Aerotropolis City Development Group Co., Ltd	Chengtou	BBB ^g +	Stable	2023/07/21	BBB ^g	POS	2022/07/29	CCXAP	Fiscal metrics of Shuangliu District enhanced
Downgrade	Wanda Commercial Properties (Hong Kong) Co. Limited	Real Estate	CCC-	Negative under review	2023/07/20	CCC-	Negative under review	2023/07/17	S&P	Wanda commercial faces tremendous repayment pressure in the coming 12 months
	Dalian Wanda Commercial Management Group Co. Ltd	Real Estate	CCC	Negative under review	2023/07/20	CCC-	Negative under review	2023/07/17	S&P	Wanda commercial faces tremendous repayment pressure in the coming 12 months
	Linyi City Development Group Co., Ltd.	Chengtou	Baa3	NEG	2023/07/20	Baa3	STABLE	2023/06/17	Moody's	Weakness in the company's quality of financial information disclosures
	Wanda Commercial Properties (Hong Kong) Co. Limited	Real Estate	C	-	2023/07/21	B-	Negative under review	2023/07/13	Fitch	Wanda commercial failed to pay the coupon on the bonds due 2025
	Dalian Wanda Commercial Management Group Co. Ltd	Real Estate	C	-	2023/07/21	B	Negative under review	2023/07/13	Fitch	Wanda commercial failed to pay the coupon on the bonds due 2025

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
Email: info@ccxap.com
Tel: +852 2860 7111
Fax: +852 2868 0656