

### 2023 Issue 29 From July 24 to July 28

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

#### Headline: China's official manufacturing PMI in July was 49.3; US Q2 GDP beat expectation

China's official manufacturing PMI in July was 49.3, higher than expectation of 48.9 and previous value of 49, and the level of manufacturing prosperity continued to improve. In 2023Q2, the US real GDP grew by 2.4% YoY, higher than 2% in Q1, but consumer spending weakened and exports fell.

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

This week, RMB appreciated. As of July 28, the RMB/USD middle rate closed at 7.1338, decreasing by 118bp from last Friday. The USD index increased by 0.5% to 101.622 from last Friday.

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

This week, the China Government Bond yields increased. Influenced by strong economic data, US Treasury yields increased.

#### Chinese Offshore Bond Market

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

From July 24 to July 28, there were 8 new issues with total issued volume of USD471 million, decreasing by 34% from last week. Among them, Hangzhou Qiantang New Area Construction and Investment Group is the largest issuer with a total issued amount of USD300 million.

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

As of July 28, the YTD return on Chinese USD corporate bond index increased by 24bp to 1.20% from last Friday, of which the return on investment-grade bonds increased by 9.6bp to 3.49%, while the return on high-yield bonds increased by 116bp to -12.96%.

##### Rating Action: CCXAP assigns long-term credit ratings to 5 entities

CCXAP assigns long-term credit rating to 5 entities, including Wuxi Gaofa Investment & Development Group Co., Ltd, Xuancheng High-tech Investment Development Group Co., Ltd, Shandong Luqiao Group Co., Ltd., Yizheng City State-owned Assets Investment Development (Group) Co., Ltd., Hebei Xuankong Group Co., Ltd.



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## Headline: China's official manufacturing PMI in July was 49.3; US Q2 GDP beat expectation

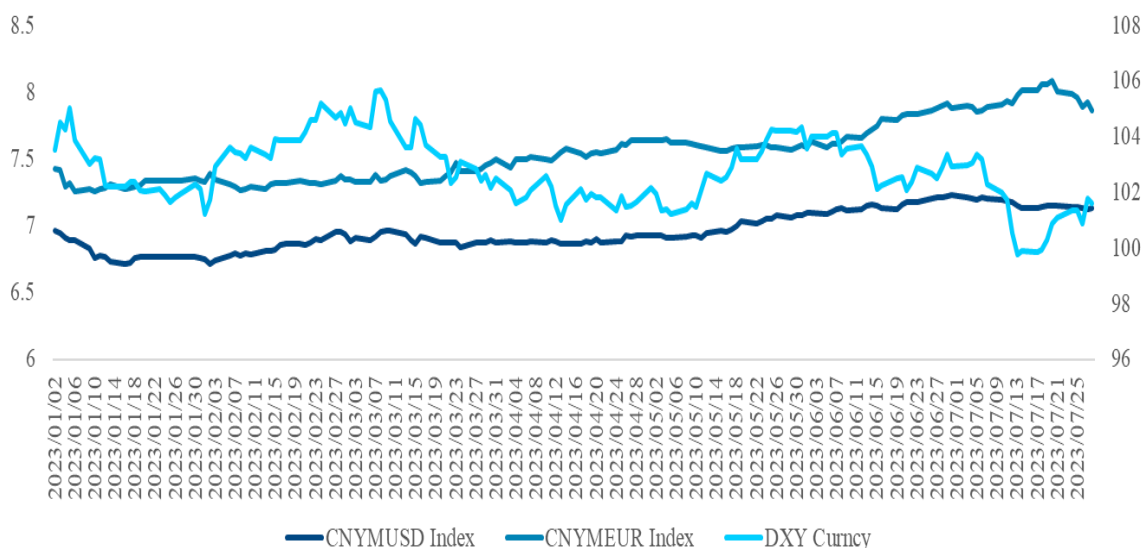
On July 31, the National Bureau of Statistics released data showed that China's official manufacturing PMI in July was 49.3, higher than the expected 48.9 and the previous value of 49. The prosperity level of the manufacturing industry continued to improve. China's official non-manufacturing PMI in July was 51.5, with expectation of 53 and the previous value of 53.2. The non-manufacturing activity continued to expand. In addition, the comprehensive PMI in July was 51.1, down 1.2 percentage points from the previous month but still higher than the critical point, indicating that the overall production and operation of domestic enterprises continued to expand.

On July 27, the data released by the US Department of Commerce showing that the US real gross domestic product (GDP) growth in the second quarter of 2023 was 2.4 percent, which was higher than the 2 percent in the first quarter. However, consumer spending weakened and exports fell. The US Department of Commerce stated that the faster GDP growth in the second quarter mainly reflected a pick-up in private sector inventory investment and higher nonresidential fixed investment, but were partially offset by weaker exports, lower exports and lower government spending.

## Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of July 28, the RMB/USD middle rate closed at 7.1338, decreasing by 118bp from last Friday; the RMB/EUR middle rate closed at 7.8627, decreasing by 1414bp from last Friday. The USD index increased by 0.5% to 101.622 from last Friday.

Figure 1: RMB exchange rate

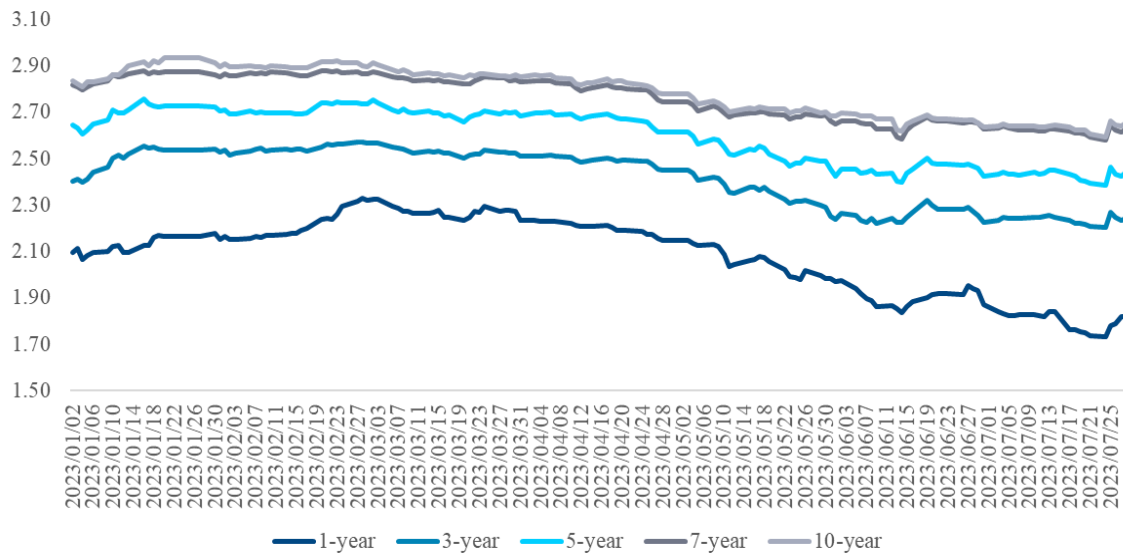


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of July 28, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.8181%, 2.2448%, 2.4410%, 2.6275% and 2.6533%, decreasing by 8.0bp, 3.9bp, 4.9bp, 3.6bp and 4.5bp respectively from last Friday.

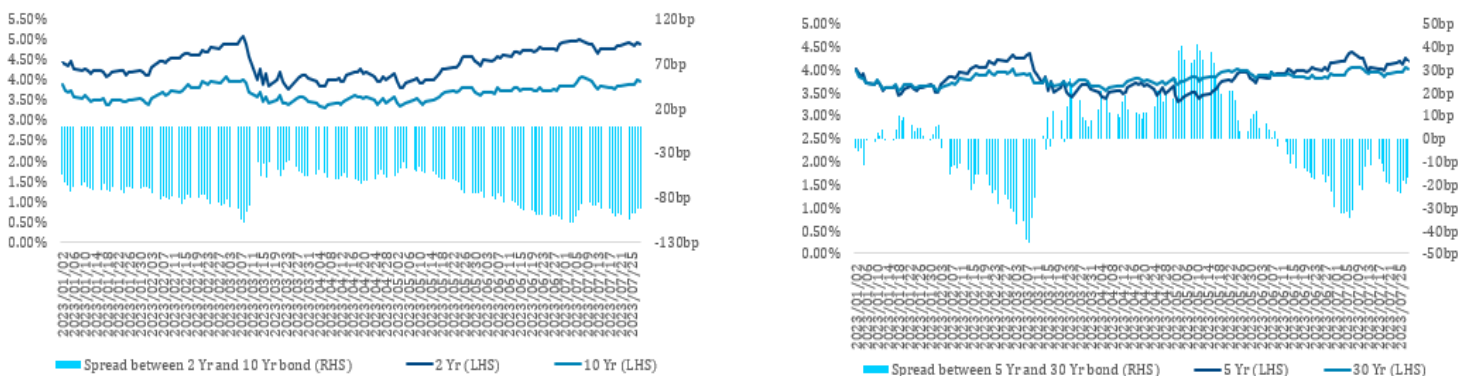
Figure 2: China Government Bond yields



Sources: CCXAP research

Influenced by the strong economic data, US Treasury yields increased. As of July 28, 2-year, 5-year, 10-year and 30-year treasury yields were 4.8744%, 4.1774%, 3.9507% and 4.0105%, increasing by 3.7bp, 8.4bp, 11.6bp and 11.3bp respectively from last Friday; In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds decreased by 8bp to -92.4bp from last Friday, and the spread between 5-year and 30-year Treasury bonds decreased by 3bp to -16.7bp from last Friday.

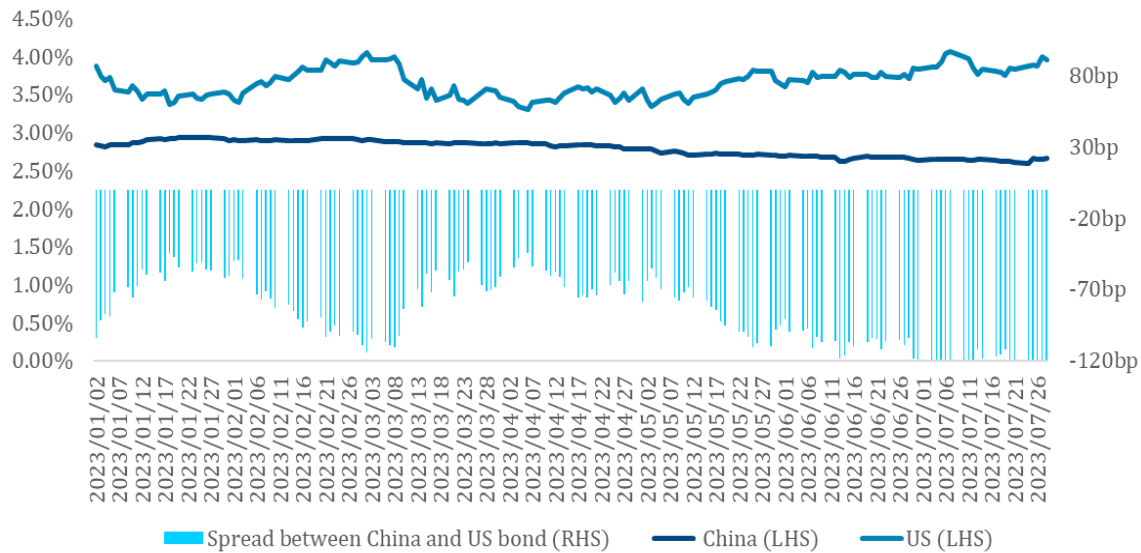
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of July 28, the yield spread between China and US 10-year note was -129.7bp, widening by 7.0bp from last Friday and by 25.79bp 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 24 to July 28, there were 8 new issues with total issued volume of USD471 million, decreasing by 34% from last week. Among them, Hangzhou Qiantang New Area Construction and Investment Group Co Ltd is the largest issuer with a total issued amount of USD300 million.

**Table 1: New issuance of Chinese offshore bonds (20230724-20230728)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/7/25	Agricultural Bank of China Ltd/Macao	HKD	400	3MH+20	2025/8/5	2	Banks	A1/A-	-/-
2023/7/25	China Securities International Finance Holding Co Ltd	USD	0.5	5.6	2024/1/31	184D	Financials	-/-	-/-
2023/7/25	Zibo High-tech State-owned Capital Investment Co Ltd	USD	54.8	8	2026/3/31	3	Chengtou	-/-	-/-
2023/7/26	Chengdu Dongjin Huaizhou Xincheng Investment Group Co Ltd	USD	39	6.5	2026/8/2	3	Chengtou	-/-	-/-
2023/7/26	Hangzhou Qiantang New Area Construction and Investment Group Co Ltd	USD	300	6.28	2026/7/31	3	Chengtou	-/-	-/-
2023/7/27	China Securities International Finance Holding Co Ltd	USD	0.7	5.3	2023/11/1	92D	Financials	-/-	-/-
2023/7/27	Huatai International Financial Holdings Co Ltd	USD	10	SOFR+95	2024/7/31	364D	Financials	-/-	-/-

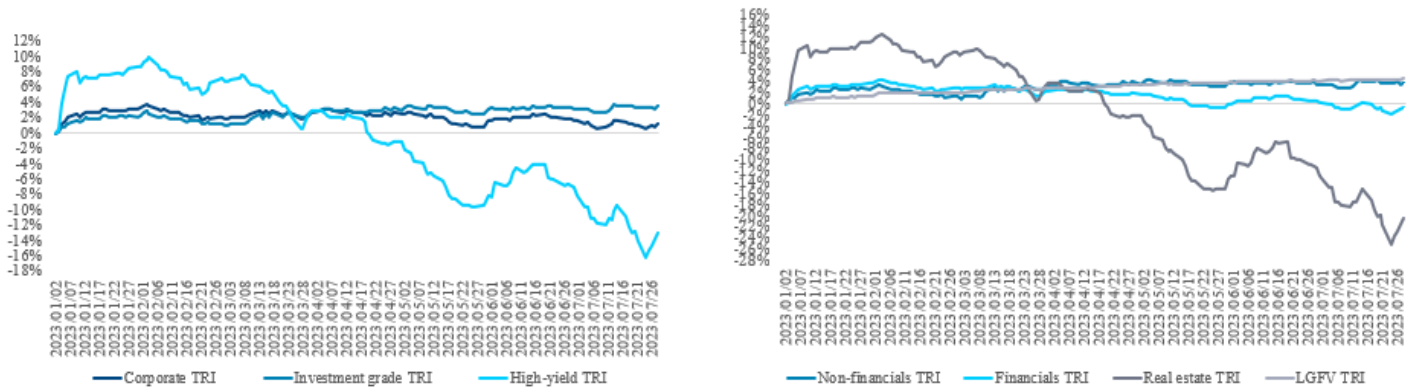
2023/7/27	Huatai International Financial Holdings Co Ltd	USD	15	SOFR+95	2024/8/1	364D	Financials	-/-	-/-
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Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of July 28, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 24bp to 1.2% from last Friday, of which the return on investment-grade bonds increased by 9.6bp to 3.49%, while the return on high-yield bonds increased by 116bp to -12.96%. In terms of sector indices, the return on non-financials, financials, real estate and Chengtuo bonds were 3.68%, -0.72%, -20.47%, and 4.44%. The non-financial sector decreased by 5bp from last Friday, while Financial, real estate and Chengtuo sector increased by 46bp, 111bp and 21bp respectively from last Friday.

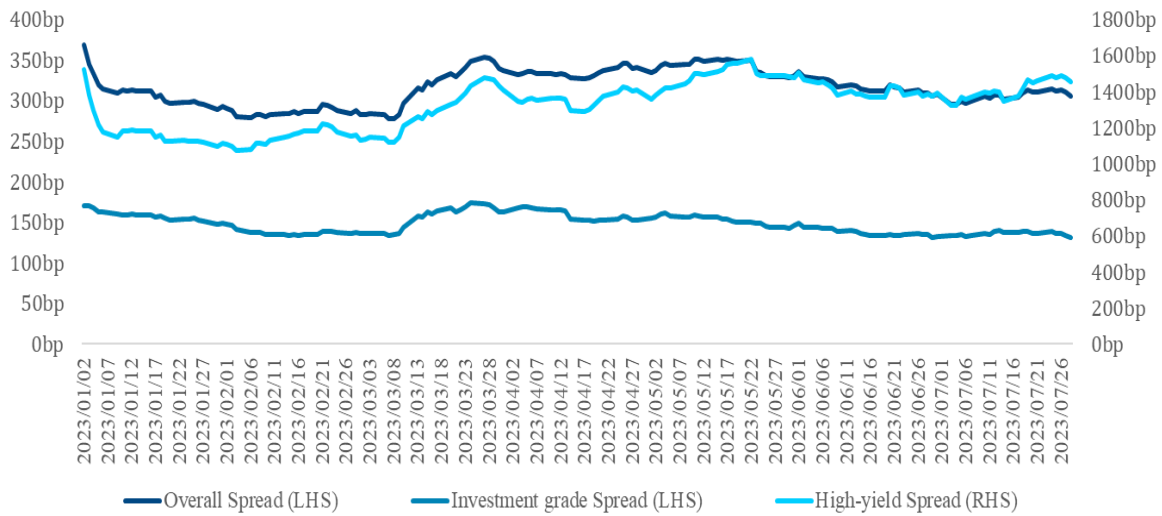
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of July 28, the yield spread of Chinese dollar bonds decreased by 4.6bp to 306.04bp from last Friday. The yield spread of investment-grade bonds decreased by 5.8bp to 130.9bp, and the spread of high-yield bonds decreased by 3.9bp to 1456.51bp.

<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 July 24 to July 28 are shown in the table below. Among them, Seazen Group Ltd changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20230724-20230728)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
FTLNHD 6.8 08/05/23	Seazen Group Ltd	97.703	0.01	211.358	11.3K
SINOCE 6 07/30/24	Sino-Ocean Group Holding Ltd	12.5	0.99	400.099	5.2K
AGILE 7 ⅞ PERP	Agile Group Holdings Ltd	10.28	PERP	477.067	4.5K
FOSUNI 5 ½ 08/17/23	Fosun International Limited	95.5	0.04	108.922	2.8K
SINOCE 2.7 01/13/25	Sino-Ocean Group Holding Ltd	13.167	1.45	214.304	1.1K
YNPOWE 3 ½ 08/20/23	Yunnan Energy Investment Overseas Finance Co Ltd	99.25	0.05	17.567	903.9
AGILE 5 ½ 05/17/26	Agile Group Holdings Ltd	16.75	2.79	93.647	838.1
AGILE 5 ½ 04/21/25	Agile Group Holdings Ltd	21.25	1.72	129.397	786.3
AGILE 6.05 10/13/25	Agile Group Holdings Ltd	19.25	2.20	109.288	766.1
SINOCE 4 ¾ 08/05/29	Sino-Ocean Group Holding Ltd	8.667	6.01	73.275	757.2

Sources: CCXAP research



## Rating Action: CCXAP assigned long-term credit ratings to 5 entities

On July 24, CCXAP has assigned first time long-term credit rating of A<sub>g</sub>- to Wuxi Gaofa Investment & Development Group Co., Ltd. (“WXGF” or the “Company”), with stable outlook.

On July 24, CCXAP has assigned first time long-term credit rating of BBB<sub>g</sub>- to Xuancheng High-tech Investment Development Group Co., Ltd. (“XCHT” or the “Company”), with stable outlook.

On July 25, CCXAP has assigned first time long-term credit rating of A<sub>g</sub>- to Shandong Luqiao Group Co., Ltd. (“SDLQ” or the “Company”), with stable outlook.

On July 26, CCXAP has assigned first time long-term credit rating of BBB<sub>g</sub> to Yizheng City State-owned Assets Investment Development (Group) Co., Ltd. (“YSAI” or the “Company”), with stable outlook.

On July 28, CCXAP has assigned first time long-term credit rating of BBB<sub>g</sub>- to Hebei Xuankong Group Co., Ltd. (“HBXK” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230724-20230728)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/07/24	WXGF	A <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) essential role in infrastructure construction and industry park operation in Xinwu District; (2) track record of receiving government payments; and (3) good access to diversified financing channels. However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities; (2) moderate debt management with an increasing debt burden; and (3) medium level of contingent risk.
2023/07/24	XCHT	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) strategic role as the most important local infrastructure investment and financing company (“LIIFC”) in Xuancheng HIDZ; 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) rapidly increasing debt level driven by ongoing investments; and (3) medium contingent liabilities risk
2023/07/25	SDLQ	A <sub>g</sub> -	-	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.
2023/07/26	YSAI	BBB <sub>g</sub>	BBB <sub>g</sub>	The credit rating is underpinned by (1) key role in primary land development and infrastructure construction in Yizheng City; (2) high sustainability of public policy businesses; and (3) good track record of receiving government support. However, the Company’s rating is constrained by its (1) high debt leverage due to ongoing external financing; and (2) high exposure to external guarantees, with manageable contingent liabilities risk.
2023/07/28	HBXK	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by (1) high position as the largest local infrastructure investment and financing company (“LIIFC”) by total assets in the Xuanhua District; and (2) good track record of government support. However, the Company’s rating is constrained by its (1) increasing debt level driven by high investment needs; (2) concentrated funding sources from regional banks in Zhangjiakou City; and (3) medium risk from external guarantees.

Sources: CCXAP research

From July 24 to July 28, rating agencies took 1 negative rating action on Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230724-20230728)**

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
<b>International Rating:</b>										
Downgrade	Sino-Ocean Group Holding Limited	Real Estate	Caa2	NEG	2023/07/28	Caa1	NEG	2023/06/27	Moody's	Weak liquidity and credit profile

Sources: CCXAP research



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