

2023 Issue 30 From July 31 to August 4

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

Headline: China's official manufacturing PMI in July was 49.3; US non-farm payrolls hit record low in July

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. US non-farm payrolls hit record low in July, adding 187,000 non-farm jobs.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB appreciated. As of August 4, the RMB/USD middle rate closed at 7.1418, increasing by 80bp from last Friday. The USD index increased by 0.4% to 102.017 from last Friday.

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

This week, the China Government Bond yields decreased. Influenced by non-farm payrolls data in July, US Treasury yields were mixed.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From July 31 to August 4, there were 12 new issues with total issued volume of USD1.7 billion, increasing by 253.17% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD1.5 billion.

Secondary Market: Return on Chinese USD bond decreased

As of August 4, the YTD return on Chinese USD corporate bond index decreased by 37bp to 0.83% from last Friday, of which the return on investment-grade bonds decreased by 234bp to -15.3%, while the return on high-yield bonds increased by 116bp to -12.96%.

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

CCXAP assigns long-term credit rating to 3 entities, including Gaoyou Water Industry Investment Group Co Ltd, Chongqing Fengdu Industrial Development Group Co Ltd and Chongqing Wanzhou Economic and Technological Development (Group) Co Ltd.



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Headline: China's official manufacturing PMI in July was 49.3; US non-farm payrolls hit record low in July

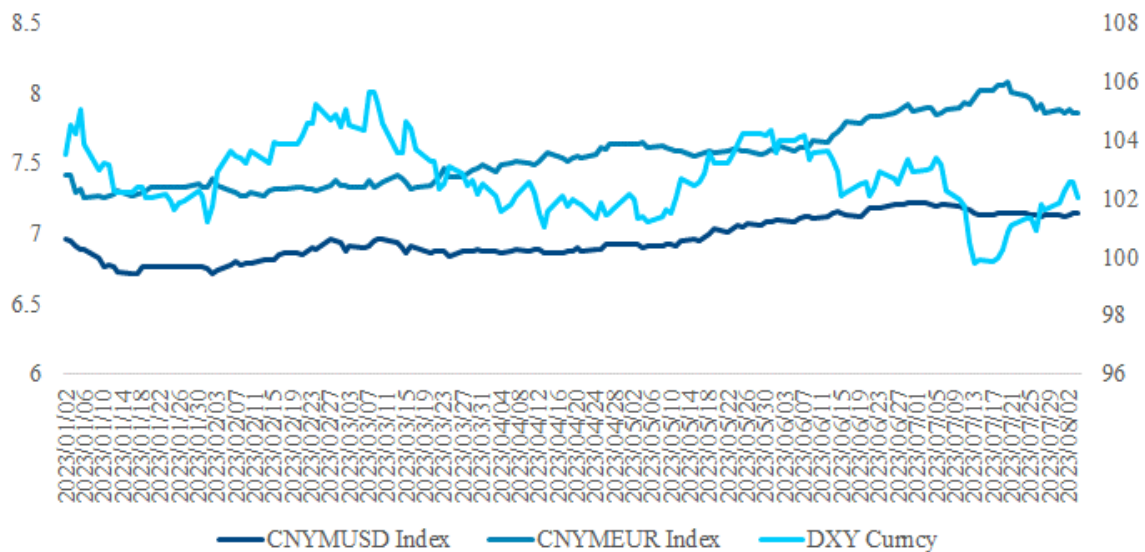
On July 31, the National Bureau of Statistics released data showed that China's official manufacturing PMI in July was 49.3, higher than the expected 48.9 and the previous value of 49. The prosperity level of the manufacturing industry continued to improve. China's official non-manufacturing PMI in July was 51.5, with the expected value of 53 and the previous value of 53.2. The non-manufacturing industry kept expanding.

On August 4, US Bureau of Labor Statistics released data showed that the United States added 187,000 non-farm jobs in July, lower than the expected value of 190,000. The figure was revised down to 185,000 from 209,000. The number of new jobs in July hit the lowest level since December 2020, and non-farm payrolls fell short of expectations.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of August 4, the RMB/USD middle rate closed at 7.1418, increasing by 80bp from last Friday; the RMB/EUR middle rate closed at 7.8563, decreasing by 64bp from last Friday. The USD index increased by 0.4% to 102.017 from last Friday.

Figure 1: RMB exchange rate

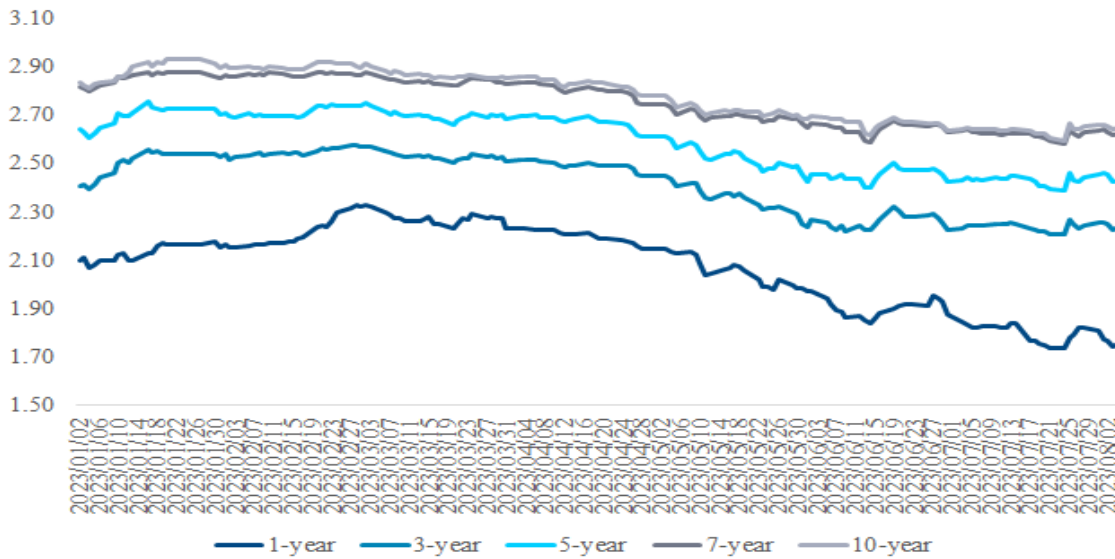


Sources: CCXAP research

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

This week, the China Government Bond yields decreased. As of August 4, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.7511%, 2.2376%, 2.428%, 2.6206% and 2.6469%, decreasing by 6.7bp, 0.7bp, 1.3bp, 0.7bp and 0.6bp respectively from last Friday.

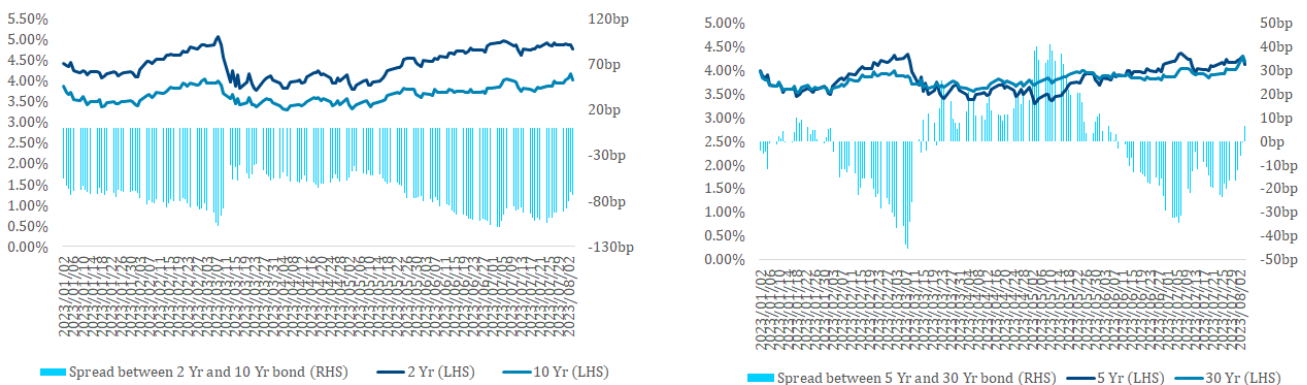
Figure 2: China Government Bond yields



Sources: CCXAP research

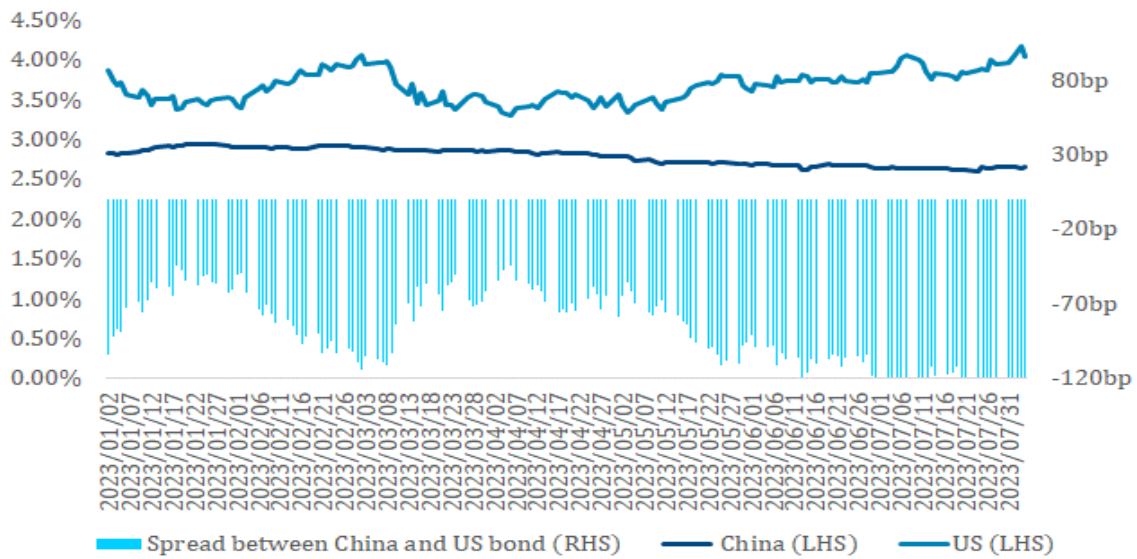
Influenced by non-farm payrolls data in July, US Treasury yields were mixed. As of August 4, 2-year and 5-year Treasury yields were 4.7641% and 4.1336%, decreasing by 11bp and 4.4bp respectively from last Friday; 10-year and 30-year Treasury yields were 4.0338% and 4.2007%, increasing by 8.3bp and 19.0bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds decreased by 19bp to -73bp from last Friday, and the spread between 5-year and 30-year Treasury bonds decreased by 10bp to 6.7bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of August 4, the yield spread between China and US 10-year note was -138.7bp, widening by 9.0bp from last Friday and by 34.7bp 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 31 to August 4, there were 12 new issues with total issued volume of USD1.7 billion, increasing by 253.17% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD1.5 billion.

Table 1: New issuance of Chinese offshore bonds (20230731-20230804)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/7/31	China Cinda HK Holdings Co Ltd	USD	400	5.75	2027/2/7	4	Financials	Baa1/BBB+/A	-/-/-
2023/7/31	CITIC Securities International Co Ltd	USD	5	4.2	2023/11/7	92D	Financials	-/BBB+/-	-/-/-
2023/7/31	Huatai International Financial Holdings Co Ltd	USD	40	6.02	2023/12/1	119D	Financials	-/-/-	-/-/-
2023/8/1	Chongqing Puri Development Investment Group Co Ltd	CNY	197	4.9	2026/8/9	3	Chengtou	-/-/-	-/-/-
2023/8/1	CITIC Securities International Co Ltd	CNY	21	0	2026/11/10	3	Financials	-/BBB+/-	-/-/-
2023/8/1	CITIC Securities International Co Ltd	CNY	28	0	2026/11/10	3	Financials	-/BBB+/-	-/-/-
2023/8/2	China Securities International Finance Holding Co Ltd	HKD	5	5.2	2024/8/2	364D	Financials	-/-/-	-/-/-
2023/8/2	GF Holdings Hong Kong Corp Ltd	USD	200	6.7	2024/2/4	184D	Financials	-/-/-	-/-/-
2023/8/2	Huatai Securities Co Ltd	USD	800	5.25	2026/8/9	3	Financials	Baa1/BBB+/-	-/-/-

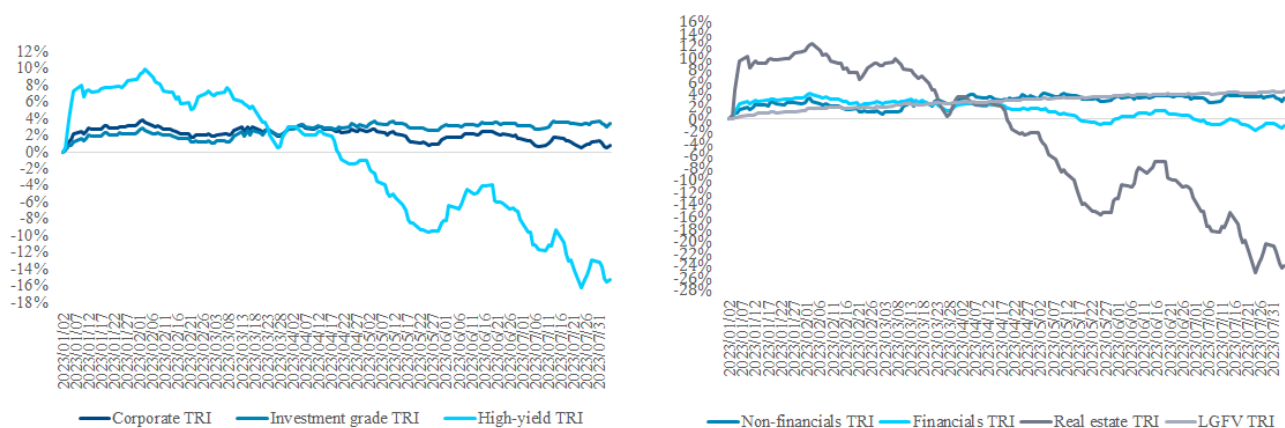
2023/8/3	Huatai International Financial Holdings Co Ltd	USD	15	6.05	2024/8/9	365D	Financials	-/-/-	-/-/-
2023/8/3	Yibin Grace Group Co Ltd	USD	150	6	2026/8/9	3	Chengtou	-/-/-	-/-/-
2023/8/4	Mengcheng Development Zone Xingmeng Investment Co Ltd	CNY	140	5	2026/8/15	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of August 4, the YTD return¹ on Chinese USD corporate bond index decreased by 37bp to 0.83% from last Friday, of which the return on investment-grade bonds decreased by 6.4bp to 3.42%, while the return on high-yield bonds decreased by 234bp to -15.3%. In terms of sector indices, the return on non-financials, financials, and real estate bonds were 3.45%, -1.19% and -23.91%. The non-financials, financials and real estate sector decreased by 23bp, 47bp and 343bp respectively from last Friday, while Chengtou sector increased by 7bp to 4.51% from last Friday.

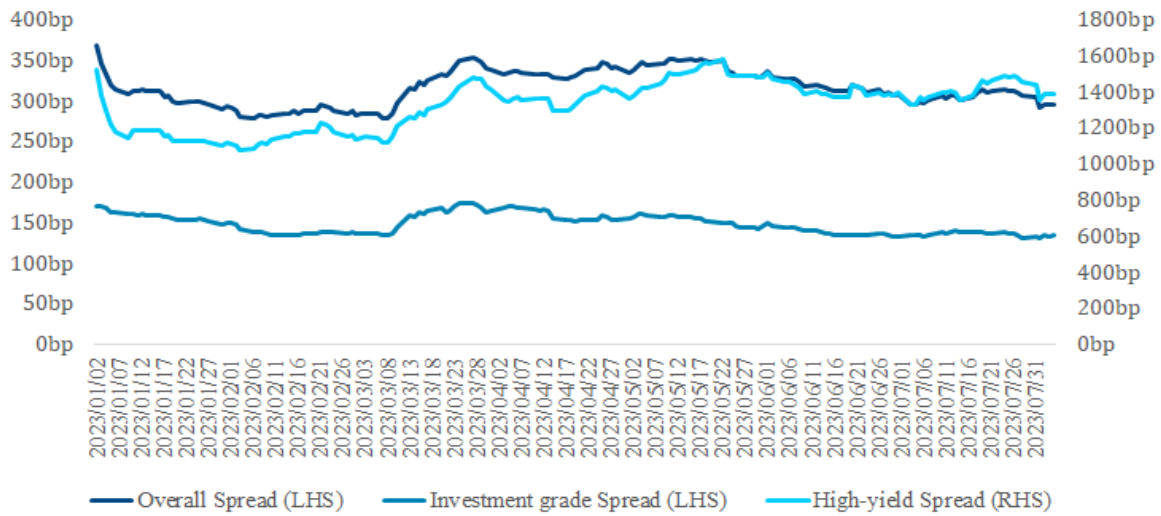
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of August 4, the yield spread of Chinese dollar bonds decreased by 12bp to 294.00bp from last Friday. The yield spread of investment-grade bonds increased by 2.3bp to 133.18bp, and the spread of high-yield bonds decreased by 73.3bp to 1383.19bp.

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 31 to August 4 are shown in the table below. Among them, Country Garden Holdings Co Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230731-20230804)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	25.056	0.468	688.985	34461.3
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	18.824	0.665	515.634	19357.1
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	10.038	PERP	2494.753	13749.4
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	9.289	PERP	527.575	12641.3
DALWAN 7 ¼ 01/29/24	Wanda Properties International Co. Limited	51.5	0.473	211.596	7272.9
COGARD 5 ½ 01/17/25	Country Garden Holdings Co Ltd	16.293	1.443	194.442	5499.5
COGARD 5.4 05/27/25	Country Garden Holdings Co Ltd	14.845	1.798	159.646	5091.6
COGARD 6.15 09/17/25	Country Garden Holdings Co Ltd	14.479	2.108	139.826	4410.7
COGARD 3 ½ 10/22/25	Country Garden Holdings Co Ltd	14.141	2.203	123.403	3574.3
SINOCE 6.946 PERP	Sino-Ocean Group Holding Ltd	2.722	PERP	243.615	3214.5

Sources: CCXAP research

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

On August 3, CCXAP has assigned first time long-term credit rating of BBB_g- to Gaoyou Water Industry Investment Group Co., Ltd., (“GWIG” or the “Company”), with stable outlook.

On August 3, CCXAP has assigned first time long-term credit rating of BBB_g- to Chongqing Fengdu Industrial Development Group Co., Ltd., (“CFID” or the “Company”), with stable outlook.

On August 4, CCXAP has assigned first time long-term credit rating of BBB_g+ to Chongqing Wanzhou Economic and Technological Development (Group) Co., Ltd., (“WETD” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20230731-20230804)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/08/03	GWIG	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) strong market position in water conservancy infrastructure construction and water utilities services of Gaoyou City; (2) good track record of receiving government support; and (3) access to funding from banks and domestic bond market. However, the rating is constrained by the Company’s (1) moderate debt management; (2) relatively low asset liquidity; and (3) high exposure to external guarantees.
2023/08/03	CFID	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) most important policy role in Fengdu County; (2) high sustainability of public policy businesses; and (3) good track record of receiving government payments. However, the rating is constrained by the Company’s (1) increasing debt leverage; and (2) moderate assets liquidity.
2023/08/04	WETD	BBB _g +	-	The credit rating is underpinned by the Company’s (1) major state-owned assets management and operation platform in Wanzhou District; (2) solid track record of receiving government payments; and (3) diversified financing channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) rapid debt growth with a relatively concentrated maturity period.

Sources: CCXAP research

From July 31 to August 4, rating agencies took 4 negative rating action and 3 positive rating actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230731-20230804)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	Ganzhou Urban Investment Holding Group Co., Ltd	Chengtou	BBB-	NEG	2023/08/02	BBB-	STABLE	2021/08/11	Fitch	GUIH has received consistent and strong financial support from the government
	China Great Wall Asset Management Co., Ltd	Financial	A-	RWN	2023/08/03	A	RWN	2023/04/03	Fitch	no longer consider the company to be a proxy financing vehicle

Upgrade	China Great Wall AMC (International) Holdings Company Limited	Financial	A-	RWN	2023/08/03	A	RWN	2023/04/03	Fitch	mirror the rating action taken on the parent
	Ganzhou Urban Investment Holding Group Co., Ltd	Chengtou	BBB-	NEG	2023/08/02	BBB-	STABLE	2021/08/11	Fitch	received consistent and strong financial support from the government
	Zhaojin Mining Industry Company Limited	Metals	BBB _g -	POS	2023/08/01	BBB _g -	STABLE	2022/07/28	CCXAP	good market position in the gold mining industry with sufficient resource reserves
	Dalian Wanda Commercial Management Group Co., Ltd	Real Estate	CC	-	2023/08/03	C	-	2023/07/21	Fitch	Wanda Commercial's repayment of a coupon on its USD400 million bond due 2025
	Wanda Commercial Properties (Hong Kong) Co. Limited	Real Estate	CC	-	2023/08/03	C	-	2023/07/21	Fitch	Wanda Commercial's repayment of a coupon on its USD400 million bond due 2025

Sources: CCXAP research

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