

### 2023 Issue 31 From August 7 to August 11

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

##### Headline: China CPI in July fell; US CPI in July rose by 3.2% YoY

China's CPI fell by 0.3% YoY in July; the month-on-month CPI increased by 0.2% in July, marking the first MoM increase in the past 5 months. US July CPI rose by 3.2% YoY (forecast: 3.3%) and 0.2% MoM.

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

This week, RMB depreciated. As of August 11, the RMB/USD middle rate closed at 7.1587, increasing by 169bp from last Friday. The USD index increased by 0.8% to 102.842 from last Friday.

##### Interest Rate: Chinese Government Bond yields were mixed; US Treasury yields rose

This week, the China Government Bond yields were mixed. Influenced by CPI data in July, US Treasury yields increased.

#### Chinese Offshore Bond Market

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

From August 7 to August 11, there were 15 new issues with total issued volume of USD2.9 billion, increasing by 75% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD2.3 billion.

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

As of August 11, the YTD return on Chinese USD corporate bond index decreased by 67bp to 0.16% from last Friday, of which the return on investment-grade bonds decreased by 32.6bp to 3.10%, while the return on high-yield bonds decreased by 291bp to -18.21%.

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

CCXAP assigns long-term credit rating to 3 entities, including Qingdao Jimo District Urban Development Investment Co. Ltd., Xi'an Kingfar Holding (Group) Co. Ltd, and Hebei Shunde Investment Group Company Limited.



#### Analyst Contacts

**Waldo Li**

852-2860 7131

[simon\\_chen@ccxap.com](mailto:simon_chen@ccxap.com)

**Peter Chong**

852-2860 7124

[peter\\_chong@ccxap.com](mailto:peter_chong@ccxap.com)

#### Other Contacts

**Elle Hu**

852-2860 7120

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

## Headline: China CPI in July fell; US CPI in July rose by 3.2% YoY

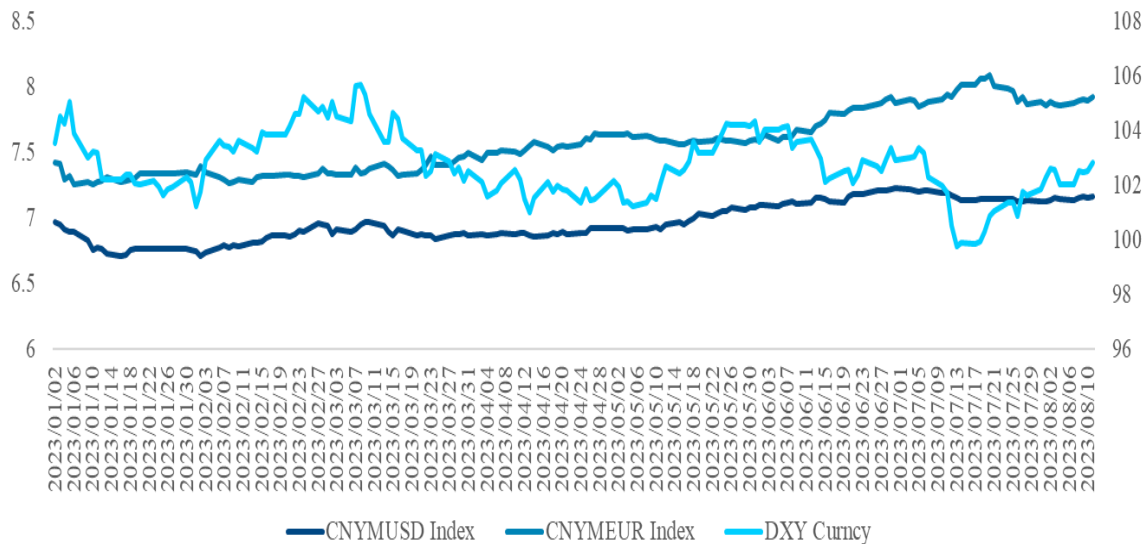
China's CPI fell by 0.3% in July from June's flat year-on-year; the month-on-month CPI increased by 0.2% in July, marking the first MoM increase in the past 5 months. During the month, PPI fell year-on-year 4.4%, the decline narrowed by 1 percentage point from the previous value; PPI fell by 0.2% month-on-month, and the decline narrowed by 0.6 percentage points. As the demand recovers, the CPI has turned from a decline to an increase from the previous month, while the year-on-year decline of the CPI was mainly dragged down by the high base in the same period last year.

According to data released by the US Department of Labor on the 10th, the US consumer price index (CPI) rose by 3.2% year-on-year in July. Data show that in July this year, the U.S. CPI rose by 3.2% year-on-year and 0.2% month-on-month, while the June CPI rose by 3.2% year-on-year and 0.2% month-on-month. Excluding volatile food and energy prices, core CPI rose 4.7% year-on-year in July, the lowest level since October 2021. Specifically, the largest driver of price increases in July was rising housing costs, followed by the rising cost of Auto insurance and education. The decline in the prices of civil aviation air tickets, second-hand cars and medical care has eased inflation to a certain extent.

## Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of August 11, the RMB/USD middle rate closed at 7.1587, increasing by 169bp from last Friday; the RMB/EUR middle rate closed at 7.9171, increasing by 608bp from last Friday. The USD index increased by 0.8% to 102.842 from last Friday.

Figure 1: RMB exchange rate

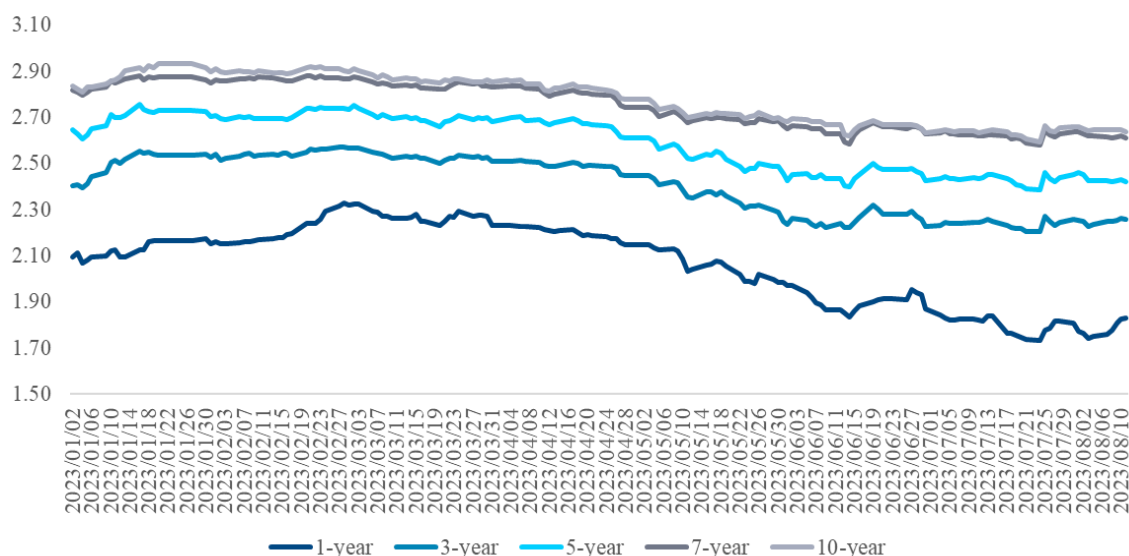


Sources: CCXAP research

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

This week, the China Government Bond yields were mixed. As of August 11, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.8305%, 2.2573%, 2.4216%, 2.609% and 2.6381%. The 1-year and 3-year increased by 7.9bp and 2.0bp, while the 5-year, 7-year and 10-year decreased by 0.6bp, 1.2bp and 0.9bp respectively from last Friday.

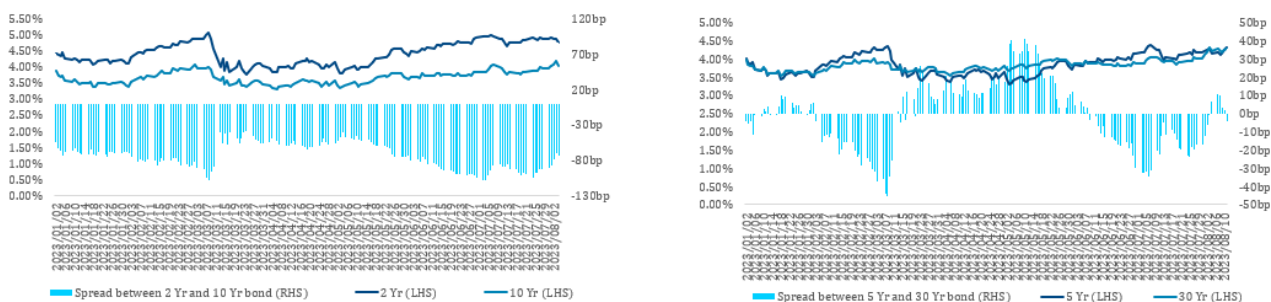
**Figure 2: China Government Bond yields**



Sources: CCXAP research

Influenced by CPI data in July, US Treasury yields increased. As of August 11, 2-year, 5-year, 10-year and 30-year Treasury yields were 4.8947%, 4.3012%, 4.1522% and 4.2614%, increasing by 13.1bp, 16.8bp, 11.8bp and 6.1bp respectively from last Friday; In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds increased by 1bp to -74.3bp from last Friday, and the spread between 5-year and 30-year Treasury bonds decreased by 3bp to -4.0bp from last Friday.

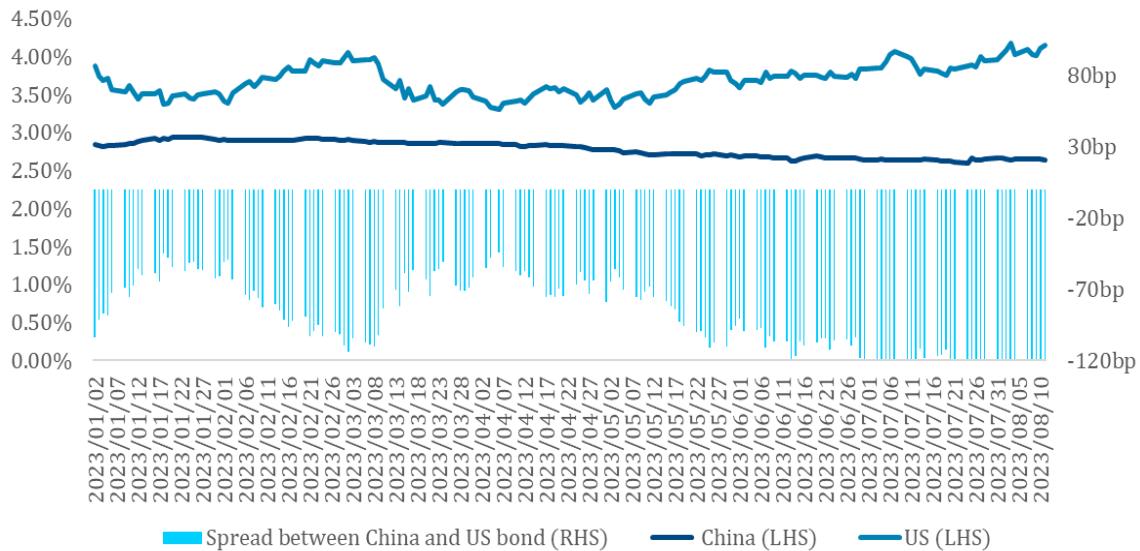
**Figure 3: US Treasury yields and yield spreads**



Sources: CCXAP research

As of August 11, the yield spread between China and US 10-year note was -151.4bp, widening by 12.7bp from last Friday and by 47.46bp 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 increased

From August 7 to August 11, there were 15 new issues with total issued volume of USD2.9 billion, increasing by 75% from last week. Among them, financial companies were the largest issuer with a total issued amount of USD2.3 billion.

**Table 1: New issuance of Chinese offshore bonds (20230807-20230811)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/8/7	Yunnan Provincial Energy Investment Group	USD	70	5.75	2026/8/14	3	Utilities	-/-/BBB-	-/-/-
2023/8/8	China Life Insurance Overseas Co Ltd/Hong Kong	USD	2000	5.35	2033/8/15	10	Financials	A1/A/-	-/A/-
2023/8/8	Shandong Commercial Group Co Ltd	CNY	485	3.90	2026/8/11	3	Financials	-/-/-	-/-/-
2023/8/8	Agricultural Bank of China Ltd/Hong Kong	USD	200	SOFR+50	2025/8/15	2	Banks	A1/A/-	-/-/-
2023/8/8	CITIC Securities International Co Ltd	CNY	22	0	2025/9/22	2.12	Financials	-/BBB+/-	-/-/-
2023/8/9	CMB International Leasing Management Ltd	USD	10	SOFR+95	2025/8/15	2	Financials	A3/BBB+/-	-/-/-
2023/8/9	Panzhuhua Urban Construction and Transportation Group Co Ltd	CNY	256.9	4.65	2026/8/11	3	Chengtou	-/-/-	-/-/-
2023/8/9	CITIC Securities International Co Ltd	USD	10	0	2024/2/16	184D	Financials	-/BBB+/-	-/-/-

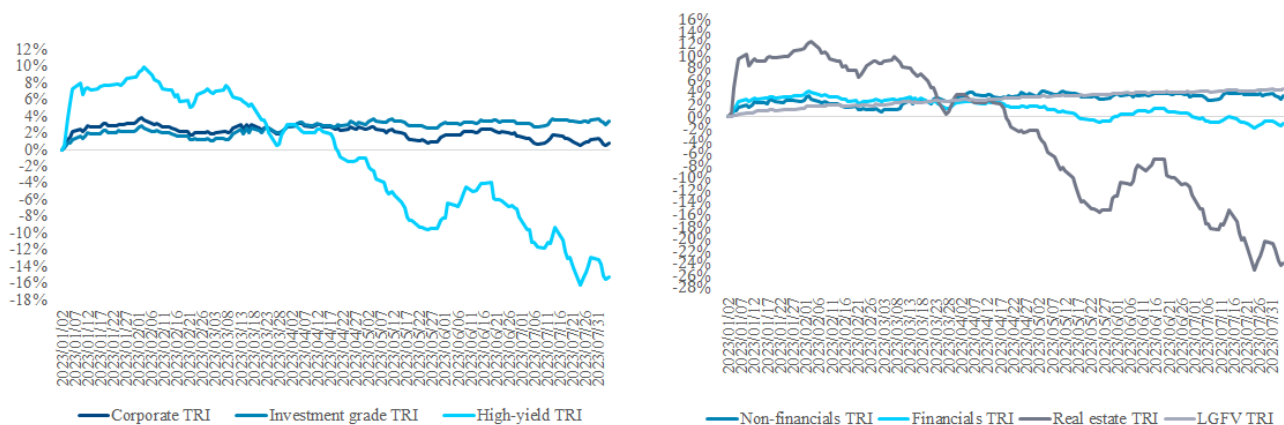
2023/8/9	CITIC Securities International Co Ltd	CNY	5	0	2026/7/29	2.97	Financials	-/BBB+/-	-/-/-
2023/8/9	CITIC Securities International Co Ltd	USD	10	0	2024/2/16	184D	Financials	-/BBB+/-	-/-/-
2023/8/10	CITIC Securities International Co Ltd	CNY	4	0	2025/11/25	2.28	Financials	-/BBB+/-	-/-/-
2023/8/10	Linyi City Construction Investment Group Co Ltd	USD	310	7.4	2026/8/17	3	Chengtou	Baa3/-/BBB-	Baa3/-/-
2023/8/11	Anshun State Owned Capital Operation Co Ltd	USD	125	6.58	2024/8/14	364D	Chengtou	-/-/-	-/-/-
2023/8/11	CITIC Securities International Co Ltd	USD	15	0	2023/11/17	91D	Financials	-/BBB+/-	-/-/-
2023/8/11	CMB International Leasing Management Ltd	USD	50	SOFR+130	2028/8/18	5	Financials	A3/BBB+/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond decreased

As of August 11, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 67bp to 0.16% from last Friday, of which the return on investment-grade bonds decreased by 32.6bp to 3.10%, while the return on high-yield bonds decreased by 291bp to -18.21%. In terms of sector indices, the return on non-financials, financials, and real estate bonds were 3.11%, -2.10% and -28.76%. The non-financials, financials and real estate sector decreased by 34bp, 91bp and 486bp respectively from last Friday, while Chengtou sector increased by 14bp to 4.65% from last Friday.

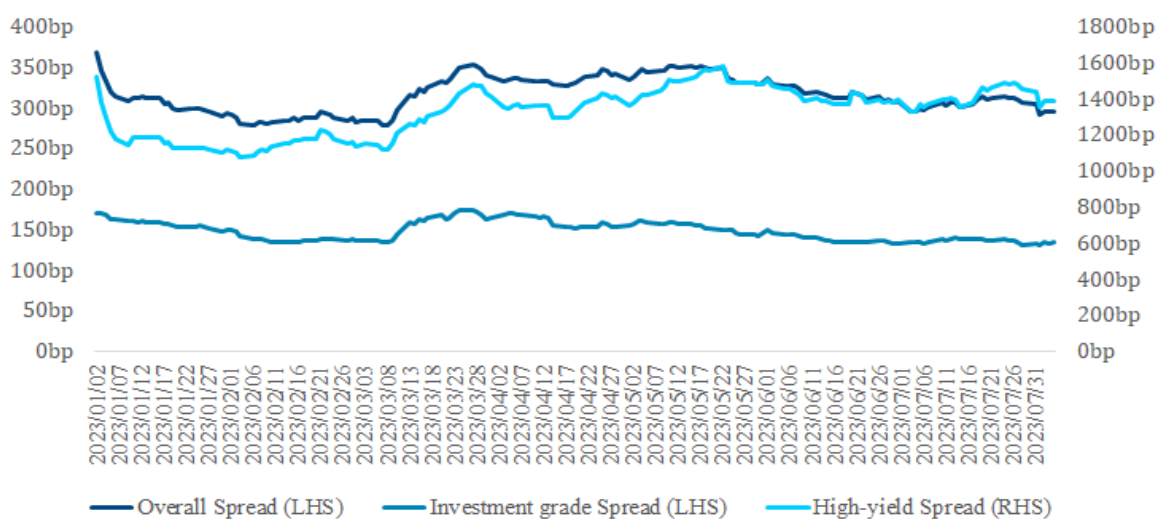
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of August 11, the yield spread of Chinese dollar bonds increased by 0.1bp to 294.12bp from last Friday. The yield spread of investment-grade bonds increased by 1.4bp to 134.53bp, and the spread of high-yield bonds increased by 5.4bp to 1388.60bp.

<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 August 7 to August 11 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 (20230807-20230811)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	8.97	0.452	2502.404	196.3K
FOSUNI 5 ½ 08/17/23	Fosun International Limited	95.65	0.005	801.57	72.4K
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	8.029	0.649	1178.973	69.1K
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	9.236	PERP	2830.212	32.8K
DALWAN 7 ¼ 01/29/24	Wanda Properties International Co. Limited	41	0.457	330.965	12.6K
COGARD 5.4 05/27/25	Country Garden Holdings Co Ltd	7.042	1.782	255.595	9.7K
COGARD 6.15 09/17/25	Country Garden Holdings Co Ltd	6.931	2.092	221.184	8.5K
YNPOWE 4 ½ PERP	Yunnan Energy Investment Overseas Finance Co Ltd	98.824	PERP	88.279	6.6K
COGARD 3 ¾ 10/22/25	Country Garden Holdings Co Ltd	7.153	2.188	185.343	5.9K
FTLNHD 4.8 12/15/24	Seazen Group Ltd	33.334	1.336	112.276	5.1K

Sources: CCXAP research

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

On August 8, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>+ to Qingdao Jimo District Urban Development Investment Co., Ltd. (“JMUI” or the “Company”), with stable outlook.

On August 9, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>+ to Xi’an Kingfar Holding (Group) Co., Ltd., with stable outlook.

On August 11, CCXAP has assigned first-time long-term credit rating of BBB<sub>g</sub>+ to Hebei Shunde Investment Group Company Limited (“HBSD” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230807-20230811)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/08/08	JMUI	BBB <sub>g</sub> +	-	The credit rating is underpinned by the Company’s (1) strategic importance in affordable housing and infrastructure construction in Jimo District; (2) solid track record of receiving government support; and (3) strong access to diversified fundings. However, the rating is constrained by the Company’s (1) medium and increasing exposure to commercial activities; (2) fast debt growth to support the local development; and (3) contingent risks associated with large amounts of external guarantees.
2023/08/09	XKFH	BBB <sub>g</sub> +	-	The credit rating is underpinned by the Company’s (1) essential role as the comprehensive urban developer and operator in Xi’an ETDZ; (2) solid track record of receiving government support; and (3) good access to funding. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities with high proportion in the property development segment; and (2) high debt leverage and increasing refinancing pressure.
2023/08/11	HBSD	BBB <sub>g</sub> +	-	The credit rating is underpinned by the Company’s (1) important role in the urban development of Xingtai City; (2) good track record of receiving government support; and (3) diversified funding channels. However, the rating is constrained by the Company’s (1) high financial leverage and increasing debt level driven by its large investment needs; and (2) moderate asset liquidity.

Sources: CCXAP research

From August 7 to August 11, rating agencies took 2 positive rating actions and 4 negative rating actions on Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230807-20230811)**

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
<b>International Rating:</b>										
Downgrade	Qingdao Jimo District Urban Development Investment Co., Ltd	Chengtou	BB+	Stable	2023/08/09	BBB-	Negative under review	2023/02/22	Fitch	Jimo District government has a lower ability to provide legitimate support to Jimo Urban
	Country Garden Holdings Company Limited	Real Estate	Caa1	NEG	2023/08/10	B1	NEG	2023/08/03	Moody's	Heightened liquidity and refinancing risks in view of its deteriorated liquidity and financial flexibility
	AAC Technologies Holdings Inc	Communications	Baa3	NEG	2023/08/11	Baa3	Stable	2022/08/17	Moody's	Proposed acquisition will weaken AAC Technologies' financial buffers and bring execution risks
	Country Garden Services Holdings Co Ltd	Real Estate	Ba1	NEG	2023/08/14	Baa3	Stable	2023/04/28	Moody's	The credit profile of its parent deteriorated

Upgrade	Yunnan Energy Investment (HK) Co. Ltd	Financials	BBB-	Stable	2023/08/09	BBB-	NEG	2021/09/30	Fitch	Fitch raised its assessment of the social-political implications of a default by YEIG
	Yunnan Provincial Energy Investment Group Co., Ltd	Energy	BBB-	Stable	2023/08/09	BBB-	NEG	2022/09/29	Fitch	Fitch raised its assessment of the social-political implications of a default by YEIG

Sources: CCXAP research



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**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](http://www.ccxap.com)  
Email: [info@ccxap.com](mailto:info@ccxap.com)  
Tel: +852 2860 7111  
Fax: +852 2868 0656