

2023 Issue 33 From August 21 to August 25

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

Headline: China's 1-year LPR fell 10 basis points in August, while the 5-year LPR remained unchanged; Fed will continue to raise interest rates and keep them high if appropriate

China's 1-year LPR was 3.45%, decreasing by 10 bp from 3.55% in the previous months, and the 5-year LPR was unchanged from 4.2% in the previous months. Fed Chairman Jerome Powell warned that inflation remains too high, making it clear that "interest rates will continue to rise if the economy and the job market do not cool down," and saying that 2% remains the inflation target.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of August 25, the RMB/USD middle rate closed at 7.1883, decreasing by 123bp from last Friday. The USD index increased by 0.7% to 104.077 from last Friday.

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

This week, the China Government Bond yields increased. US Treasury yields were mixed: 2-year, 5-year yields rose, while 10-year, 30-year yields fell.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From August 21 to August 25, there were 13 new issues with total issued volume of USD1.28 billion, increasing by 96% from last week. Among them, Chengtuo Companies are the largest issuer with a total issued amount of USD0.54 billion.

Secondary Market: Return on Chinese USD bond increased

As of August 25, the YTD return on Chinese USD corporate bond index increased by 13bp to -0.63% from last Friday, of which the return on investment-grade bonds increased by 13bp to 2.47%, while the return on high-yield bonds increased by 14bp to -20.09%.

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

CCXAP assigns long-term credit rating to 2 entities, including Jiangsu Fang Yang Group Co., Ltd. and Shangrao City Construction Investment Development Group Company Limited.



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Headline: China's 1-year LPR fell 10 basis points in August, while the 5-year LPR remained unchanged; Fed will continue to raise interest rates and keep them high if appropriate

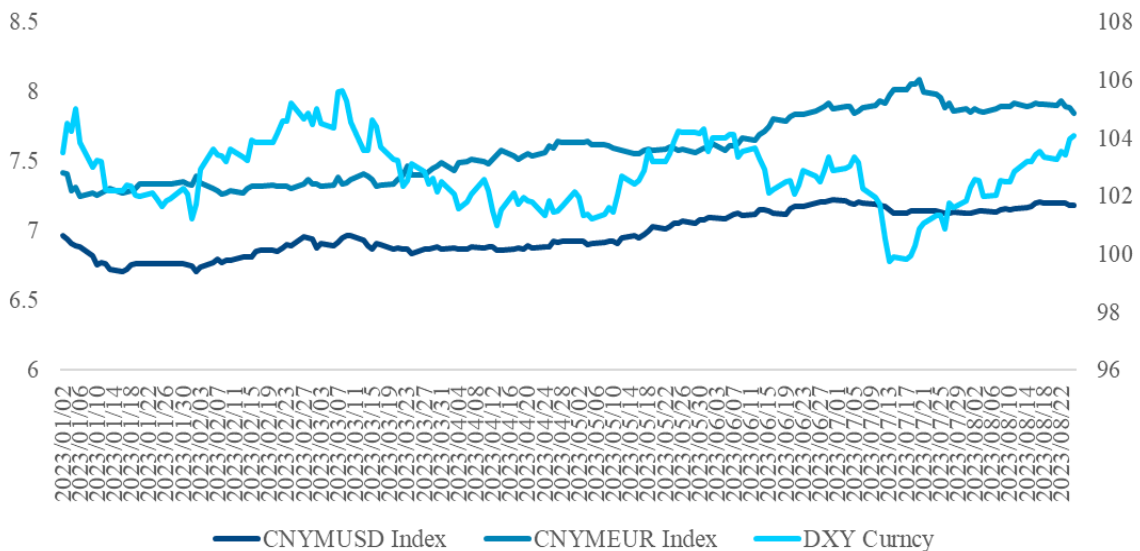
On August 21, the National Interbank Lending Center authorized by People's Bank of China announced that the Loan Prime Rate (LPR) on August 21, 2023 was: the one-year LPR of 3.45%, down 10bp from the previous value of 3.55%, but higher than the expected 3.40%; The five-year LPR was unchanged from 4.2% in the previous month, but higher than the expected 4.05%. This is the second downward revision of the LPR since 2023, following a 10bp downward revision in June after nine consecutive months of inactivity.

On August 25, Fed Chairman Jerome Powell spoke at the Jackson Hole Central Bank's annual meeting, warning that inflation "remains too high" and that "the Fed will continue to raise interest rates if appropriate," and denied the possibility of a rate cut in the short term. He made it clear that the Fed needs to see continued progress on commodity inflation, as well as further progress on non-housing services inflation, and that good data over the past two months is just the beginning of building confidence that inflation will continue to cool to its target.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of August 25, the RMB/USD middle rate closed at 7.1883, decreasing by 123bp from last Friday; the RMB/EUR middle rate closed at 7.8510, decreasing by 577bp from last Friday. The USD index increased by 0.7% to 104.077 from last Friday.

Figure 1: RMB exchange rate

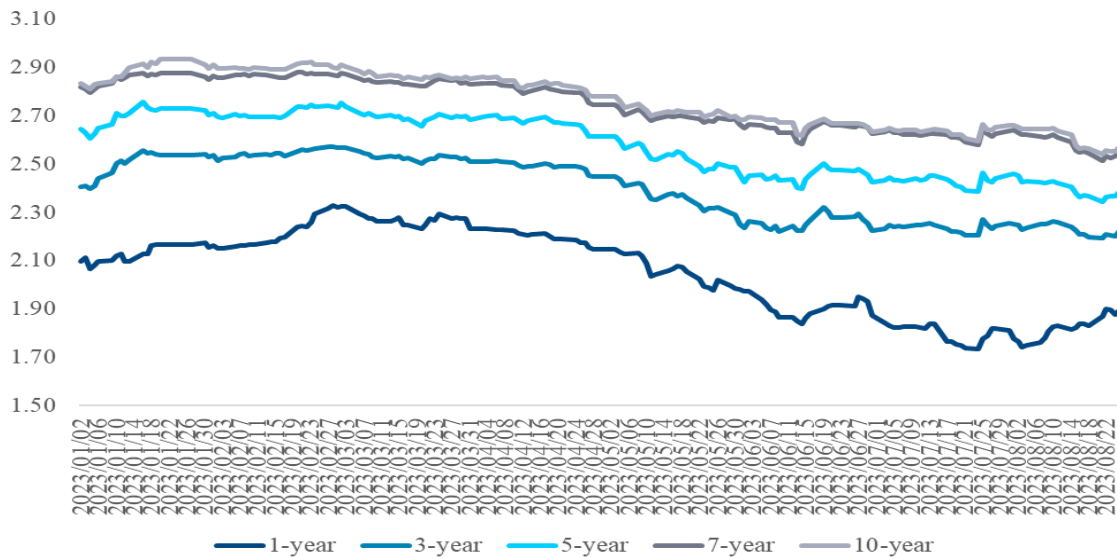


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of August 25, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.8951%, 2.2226%, 2.3877%, 2.5488% and 2.5702%, increasing by 6.3bp, 2.4bp, 2.2bp, 0.3bp and 0.6bp respectively from last Friday.

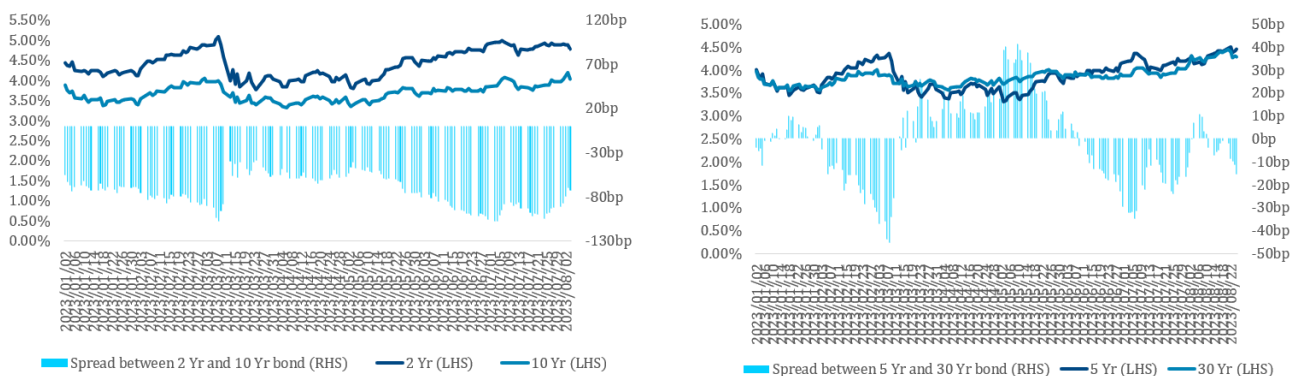
Figure 2: China Government Bond yields



Sources: CCXAP research

Influenced by Fed Chairman Jerome Powell's speeches on interest rate hikes, US Treasury yields were mixed. As of August 25, 2-year and 5-year Treasury yields were 5.0779% and 4.4383%, increasing by 13.5bp and 5.3bp respectively from last Friday. 10-year and 30-year Treasury yields were 4.2354% and 4.2841%, decreasing by 1.9bp and 9.1bp respectively from last Friday; In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds increased by 15bp to -84.2bp from last Friday, and the spread between 5-year and 30-year Treasury bonds increased by 14bp to -15.4bp from last Friday.

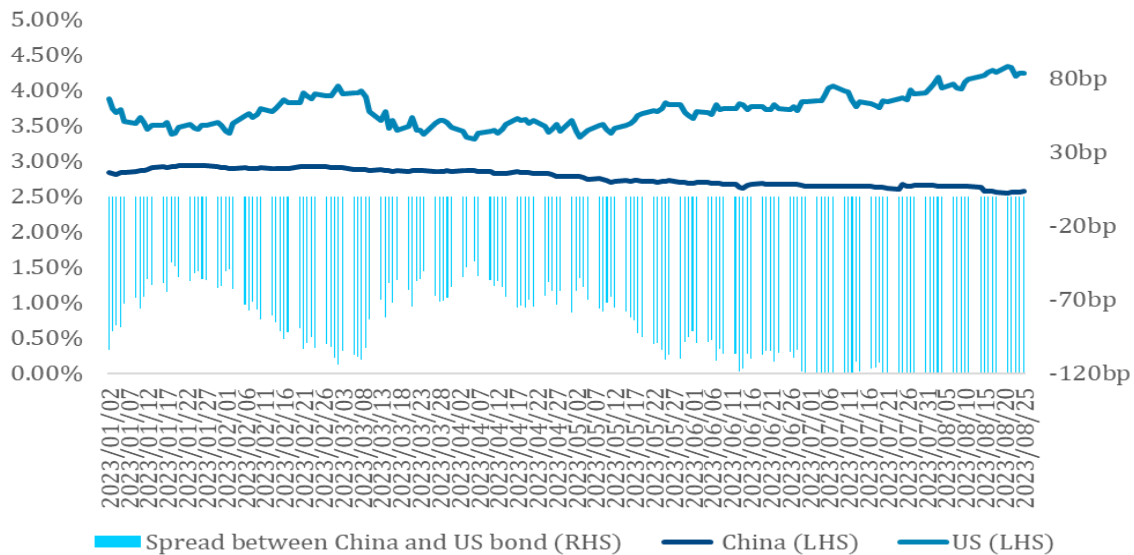
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of August 25, the yield spread between China and US 10-year note was -166.5bp, narrowing by 2.5bp from last Friday and widening by 62.57bp 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 21 to August 25, there were 13 new issues with total issued volume of USD1.28 billion, increasing by 96% from last week. Among them, Chengtou Companies were the largest issuer with a total issued amount of USD0.54 billion.

Table 1: New issuance of Chinese offshore bonds (20230821-20230825)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/8/21	China Securities International Finance Holding Co Ltd	USD	20	6.075	2023/12/28	0.34	Financials	-/-/-	-/-/-
2023/8/21	Jiangsu Hanrui Investment Holding Co Ltd	JPY	16,720	1.7	2026/8/24	3	Chengtou	-/-/-	-/-/-
2023/8/21	Shandong Commercial Group Co Ltd	USD	130	8	2026/8/24	3	Consumer Discretionary	-/-/-	-/-/-
2023/8/22	China Securities International Finance Holding Co Ltd	CNY	5.4	2.4	2023/10/31	0.17	Financials	-/-/-	-/-/-
2023/8/22	Hangzhou Shangcheng District Urban Construction&Comprehensive Development Co Ltd	USD	200	5.85	2026/8/25	3	Chengtou	-/-/BBB-	-/-/BBB-
2023/8/22	Wuxi Nengda Thermoelectricity Co Ltd	JPY	13,000	1.6	2026/8/25	3	Industrials	-/-/-	-/-/-
2023/8/23	Bank of Communications Co Ltd/Hong Kong	USD	500	5.935	2026/8/30	3	Financials	A2/A-/A	-/-/-

2023/8/24	China Securities International Finance Holding Co Ltd	USD	0.5	5.3	2023/11/29	0.25	Financials	-/-/-	-/-/-
2023/8/24	Puyang Investment Group Co Ltd	USD	28.5	7.2	2026/8/28	3	Chengtou	-/-/-	-/-/-
2023/8/24	Wuhan Gehua Group Co Ltd	CNY	718	5	2026/8/31	3	Chengtou	-/-/-	-/-/-
2023/8/24	Xiaogan Gaochuang Investment Co Ltd	CNY	170	4.8	2026/8/30	3	Chengtou	-/-/-	-/-/-
2023/8/25	Linyi Lanshan District Finance Investment Group Co Ltd	CNY	218	4.7	2026/9/1	3	Chengtou	-/-/-	-/-/-
2023/8/25	Suzhou Urban Investment Capital Holding Co Ltd	USD	45	5.7	2026/8/30	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

On 21 August, CMB International Leasing Management Ltd. announced USD bond reoffering.

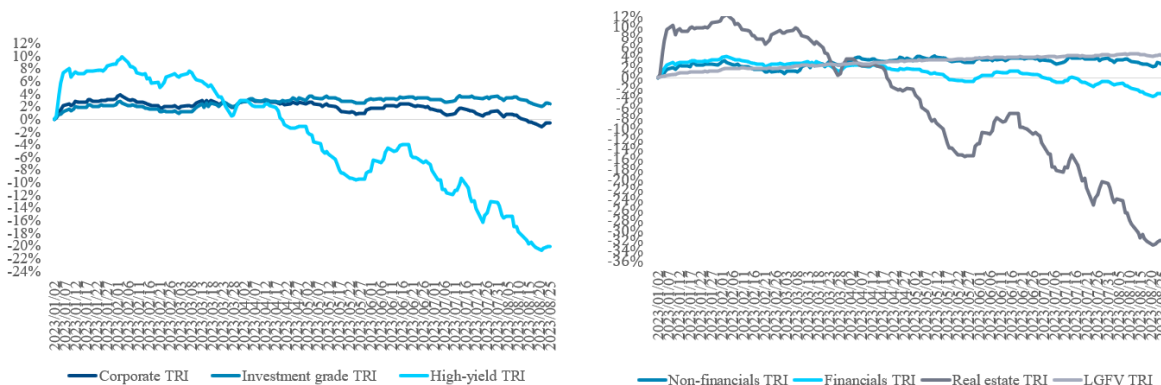
Table 2: New issuance of additional Chinese offshore bonds (20230821-20230825)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2023/8/21	CMB International Leasing Management Ltd.	USD	200 (Reoffered 100)	6.3	2025/8/15	2	Financials	A3/BBB+/-	-/-/-

Secondary Market: Return on Chinese USD bond increased

As of August 25, the YTD return¹ on Chinese USD corporate bond index increased by 13bp to -0.63% from last Friday, of which the return on investment-grade bonds increased by 13bp to 2.47%, the return on high-yield bonds increased by 14bp to -20.09%. In terms of sector indices, the return on non-financials, financials, and real estate bonds were 2.72%, -3.20% and -32.05%, increasing by 12bp, 14bp and 15bp respectively from last Friday, while Chengtou sector decreased by 1bp to 4.37% from last Friday.

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

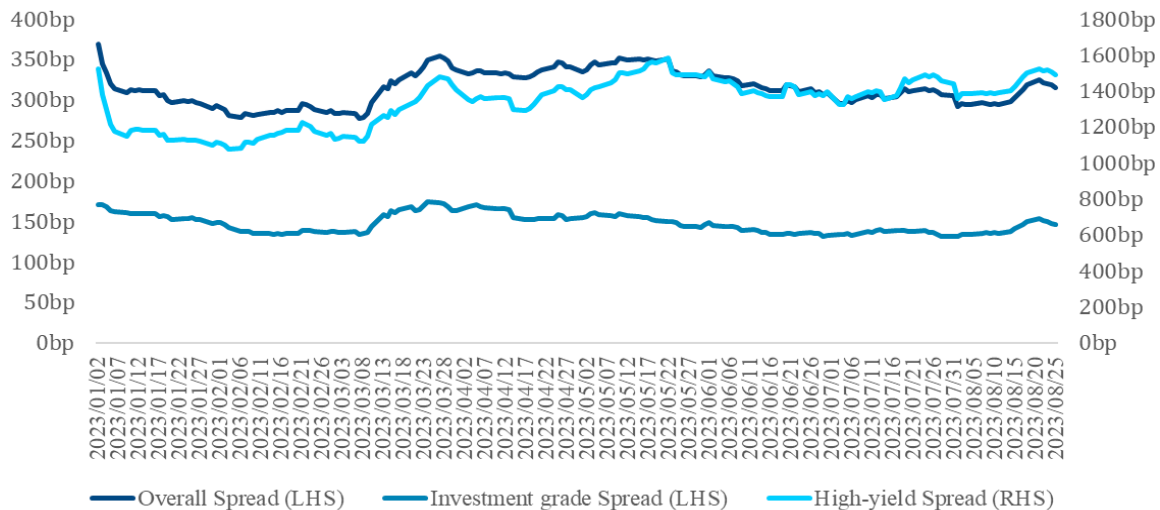


¹ Year-to-date return measures the return since January 3, 2023

Sources: CCXAP research

As of August 25, the yield spread of Chinese dollar bonds decreased by 3.2bp to 315.27bp from last Friday. The yield spread of investment-grade bonds decreased by 3.8bp to 146.07bp, and the spread of high-yield bonds decreased by 10.5bp to 1488.36bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from August 21 to August 25 are shown in the table below. Among them, China SCE Group Holdings Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230821-20230825)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
CHINSC 7 ¾ 04/09/24	China SCE Group Holdings Ltd	12.507	0.62	912.448	59,698
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	11.333	0.42	2560.674	38,068.5
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	5.444	PERP	5315.87	34,525.1
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd	18.467	1.1	461.343	7,775.4
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	10.319	0.62	1100.55	7,456
JIAZHO 11 ½ 04/07/24	Haimen Zhongnan Investment Development International Co Ltd	10.5	0.62	1158.586	7,192.6
CARINC 9 ¾ 03/31/24	CAR Inc	98.25	0.6	79.984	7,143.1
CHINSC 7 05/02/25	China SCE Group Holdings Ltd	10.409	1.69	227.486	5,369.2
GLPCHI 4.974 02/26/24	GLP China Holdings Ltd	85.444	0.51	40.641	3,502.2
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	5.312	PERP	326.076	2,972.5

Sources: CCXAP research

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

On August 21, CCXAP assigns first time long-term credit rating of BBB_g to Jiangsu Fang Yang Group Co., Ltd. ("Fang Yang" or the "Company"), with positive outlook.

On August 25, CCXAP assigns first time long-term credit rating of BBB_g+ to Shangrao City Construction Investment Development Group Company Limited (“SCID” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20230821-20230825)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/08/21	Fang Yang	BBB _g	-	The credit rating is underpinned by the Company’s (1) full ownership by the Lianyungang Municipal Government as the core entity in the construction and development of Xuwei New District; (2) important role in the development of Xuwei New District; (3) good track record of receiving government support; and (4) good access to diversified funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt burden driven by large investment needs; and (3) moderate asset liquidity.
2023/08/25	SCID	BBB _g +	-	The credit rating is underpinned by the Company’s (1) essential role in infrastructure construction and land development in Shangrao City; (2) good track record of receiving government payments; and (3) good access to 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) medium contingent liability risk from external guarantees.

Sources: CCXAP research

From August 21 to August 25, rating agencies took 3 positive rating actions and 2 negative rating actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230821-20230825)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Upgrade	Concord New Energy Group Limited's (CNE)	Utilities	BB-	Positive	2023/08/21	BB-	Stable	2022/09/01	Fitch	Significantly improvement of cash flow, levelised cost of energy (LCOE) and funding costs, and visible deleveraging trend in the medium term.
	Shandong Commercial Group Co. Ltd.	Consumer Discretionary	BBB _g	Stable	2023/08/23	BBB _g -	Stable	2022/08/31	CCXAP	Great growth momentum of pharmaceutical business and recovering prospect of retail business
	Jiangsu Fang Yang Group Co., Ltd.	Chengtou	BB	Stable	2023/08/24	BB-	Stable	2021/09/03	Fitch	Fitch's perception of stronger financial implications of a Fang Yang default, considering the company's enhanced public-function role in Lianyungang municipality, and Fang Yang's funding costs have reduced since 2021

Downgrade	Country Garden Services Holdings Company Limited	Real Estate	BB+	RWN	2023/08/23	BBB-	Stable	2023/03/06	Fitch	CGS's growth, brand reputation, profitability and funding access may be negatively affected by the heightened liquidity pressure at its sister company, Country Garden Holdings Company Limited (CGH)
	Longfor Group Holdings Limited	Real Estate	Baa3	RWN	2023/8/25	Baa2	NEG	2022/11/01	Moody's	Longfor's credit metrics and liquidity buffer will decline amid slowing contracted sales, continual margin pressure and still constrained funding access to the debt capital markets

Sources: CCXAP research

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