

2023 Issue 34 From August 28 to September 1

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

Headline: China's official manufacturing PMI in August was 49.7, non-manufacturing was 51.0; US Nonfarm Payrolls in August exceeded expectations, but employment data in June and July were sharply revised downward and unemployment rate rose

In August, China's manufacturing PMI rose 0.4 from July to 49.7, while the non-manufacturing PMI fell 0.5 to 51.0. US Nonfarm Payrolls rose by 187,000 in August, but the combined June and July payrolls were 110,000 lower than before the revision, and the unemployment rate rose more than expected.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of September 1, the RMB/USD middle rate closed at 7.1788, decreasing by 95bp from last Friday. The USD index increased by 0.2% to 104.236 from last Friday.

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

This week, the China Government Bond yields increased. Yields on Treasury bonds of all maturities except the 30-year fell as employment and consumer confidence indicators fell more than expected.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From August 28 to September 1, there were 15 new issues with total issued volume of USD1.84 billion, increasing by 44% from last week. Among them, Chengtong companies are the largest issuer with a total issued amount of USD1.28 billion.

Secondary Market: Return on Chinese USD bond increased

As of September 1, the YTD return on Chinese USD corporate bond index increased by 83bp to 0.20% from last Friday, of which the return on investment-grade bonds increased by 52bp to 2.99%, while the return on high-yield bonds increased by 289bp to -17.20%.

Rating Action: CCXAP assigns long-term credit ratings to 4 entities

CCXAP assigns long-term credit rating to 4 entities, including Jining State-owned Assets Investment Holdings Co., Ltd., Hunan Jinxia Development Group Co., Ltd., Heze Urban Construction Engineering Development Group Co., Ltd. and Jiangsu Shuangshu Investment Holding Group Co., Ltd..



Analyst Contacts

Amy Chen

852-2860 7131

amy_chen@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 official manufacturing PMI in August was 49.7, non-manufacturing was 51.0; US Nonfarm Payrolls in August exceeded expectations, but employment data in June and July were sharply revised downward and unemployment rate rose

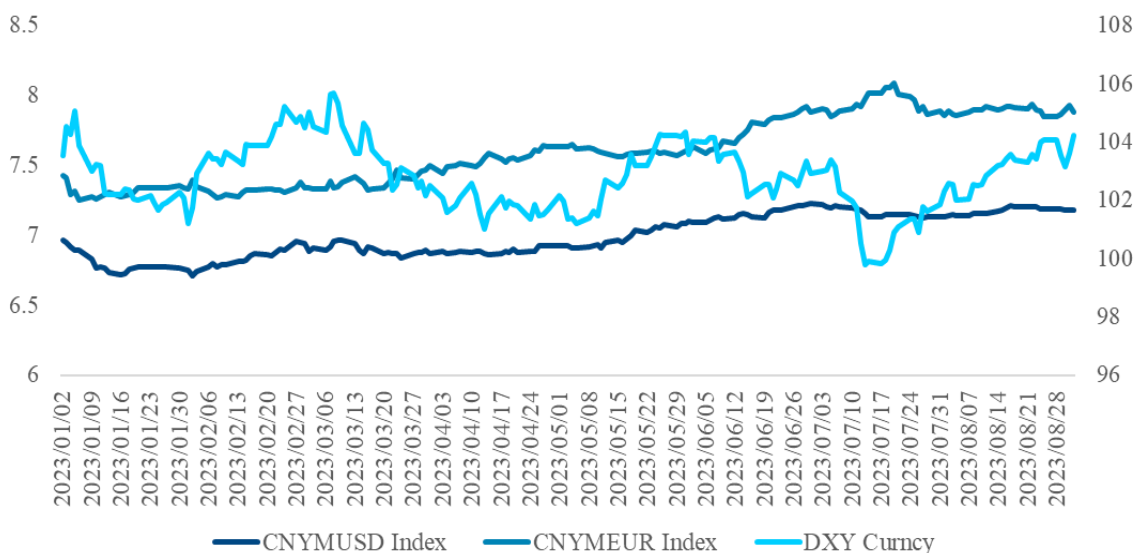
On August 31, the National Bureau of Statistics released data showing that in August, China's manufacturing PMI rose 0.4 to 49.7 from the previous month, the third consecutive month of recovery, and the manufacturing boom level further improved; Non-manufacturing PMIs fell by 0.5 to 51.0 from the previous month, the fifth consecutive monthly decline, but still above the critical point; The composite PMI was 51.3, up 0.2 from the previous month, remaining in expansion territory. In August, China's total output continued to be in the boom range, with manufacturing improving further from July, and non-manufacturing still expanding.

On September 1, the US Bureau of Labor Statistics released data showing that the US Nonfarm Payrolls increased by 187,000 in August, ahead of the estimate for 170,000, but the data for July was revised down from 187,000 to 157,000, and the data for June was revised down from 185,000 to 80,000. After the revision, the total increase of Nonfarm payrolls in June and July was 110,000 lower than before the amendment, and the unemployment rate rose more than expected.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of September 1, the RMB/USD middle rate closed at 7.1788, decreasing by 95bp from last Friday; the RMB/EUR middle rate closed at 7.8815, increasing by 305bp from last Friday. The USD index increased by 0.2% to 104.236 from last Friday.

Figure 1: RMB exchange rate

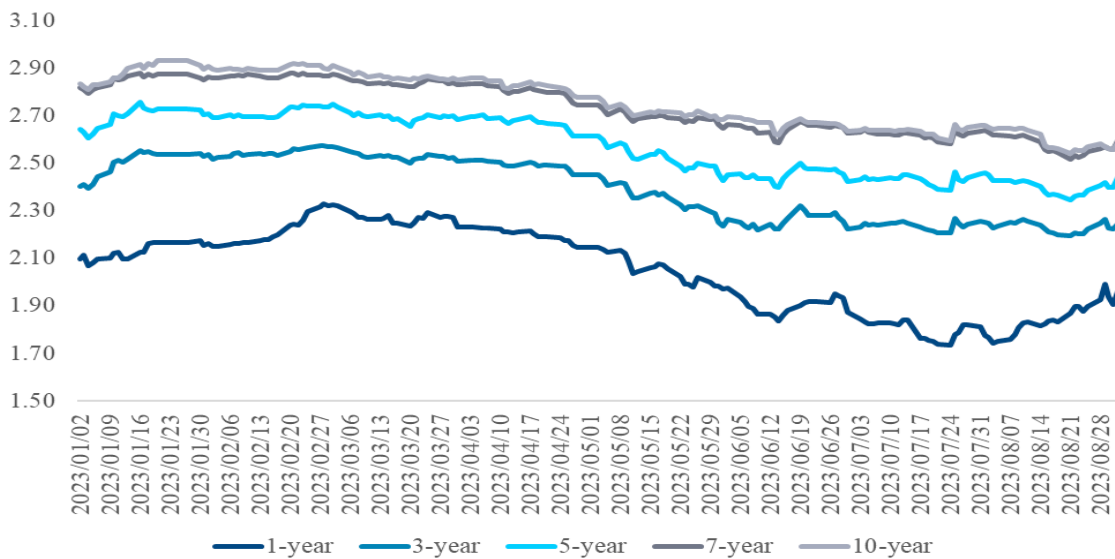


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of September 1, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.9578%, 2.2440%, 2.4382%, 2.5949% and 2.5850%, increasing by 6.3bp, 2.1bp, 5.1bp, 4.6bp and 1.5bp respectively from last Friday.

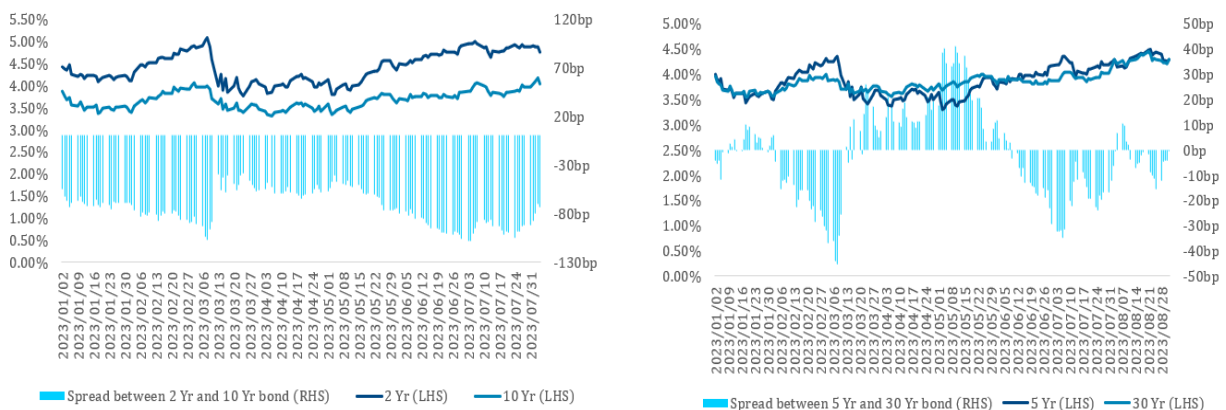
Figure 2: China Government Bond yields



Sources: CCXAP research

Yields on Treasury bonds of all maturities except the 30-year fell as employment and consumer confidence indicators fell more than expected. As of September 1, 2-year, 5-year and 10-year Treasury yields were 4.8785%, 4.2958% and 4.1788%, decreasing by 19.9bp, 14.3bp and 5.7bp respectively from last Friday. 30-year Treasury yield was 4.2936%, increasing by 1.0bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds decreased by 14bp to -70bp from last Friday, and the spread between 5-year and 30-year Treasury bonds decreased by 15bp to -0.2bp from last Friday.

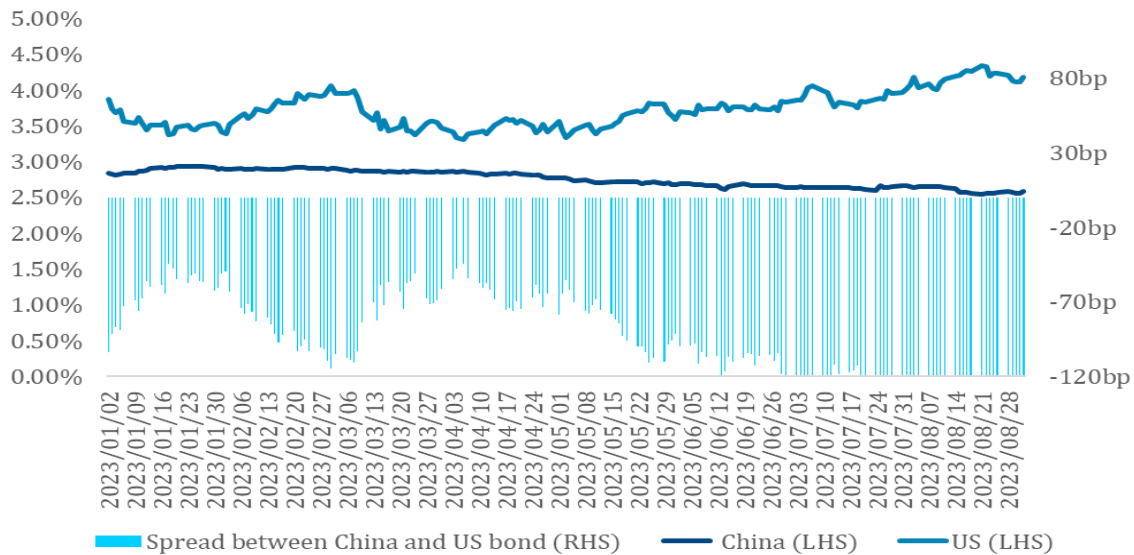
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of September 1, the yield spread between China and US 10-year note was -159.4bp, narrowing by 7.1bp from last Friday and widening by 55.43bp 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 28 to September 1, there were 15 new issues with total issued volume of USD1.84 billion, increasing by 44% from last week. Among them, Chengtou companies were the largest issuer with a total issued amount of USD1.28 billion.

Table 1: New issuance of Chinese offshore bonds (20230828-20230901)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/8/28	Shandong Marine Group Ltd	USD	200	6.95	2026/9/1	3	Financials	-/-/-	-/-/-
2023/8/28	Black Peony Group Co Ltd	USD	126	2.6	2023/12/1	3	Chengtou	-/-/-	-/-/-
2023/8/28	China Securities International Finance Holding Co Ltd	CNY	6	5.9	2026/9/1	91D	Financials	-/-/-	-/-/-
2023/8/29	Haiyan County State-owned Assets Management Co Ltd	USD	122	5.5	2026/9/7	3	Chengtou	-/-/BBB-	-/-/BBB-
2023/8/29	Urumqi Gaoxin Investment and Development Group Co Ltd	CNY	806.2	7	2024/9/3	3	Chengtou	-/-/BB+	-/-/-
2023/8/29	Tianjin Binhai New Area Construction & Investment Group Co Ltd	USD	50	6.237	2024/9/3	364D	Chengtou	Baa2/-/-	-/-/-
2023/8/29	CNCB Hong Kong Investment Ltd	USD	300	0	2023/12/5	364D	Financials	-/BBB/BBB	-/-/-

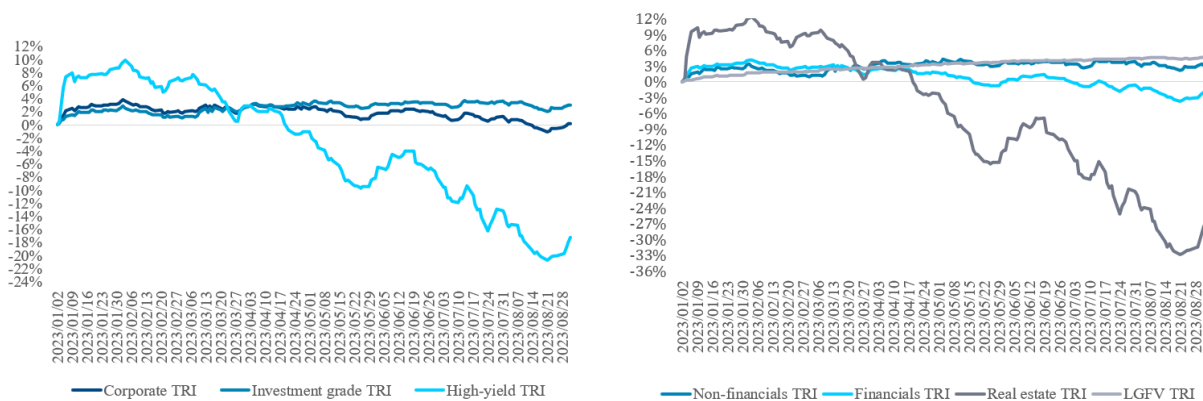
2023/8/29	CITIC Securities International Co Ltd	USD	9	0	2027/9/1	91D	Financials	-/BBB+/-	-/-/-
2023/8/29	CITIC Securities International Co Ltd	CNY	219.35	2.3	2026/9/4	4	Financials	-/BBB+/-	-/-/-
2023/8/30	Rizhao Chengtou Group Co Ltd	JPY	5,660	6.14	2024/3/5	3	Chengtou	-/-/-	-/-/-
2023/8/30	Guotai Junan International Holdings Ltd	USD	25	5.8	2026/9/5	182D	Financials	Baa2/BBB +/-	-/-/-
2023/8/30	Hefei Industry Investment Holding Group Co Ltd	USD	300	5.9	2026/9/5	3	Chengtou	-/-/BBB	-/-/BBB
2023/8/31	Taizhou Urban Construction and Investment Development Group Co Ltd	USD	500	4.8	2026/9/5	3	Chengtou	-/-/BBB	-/-/BBB
2023/8/31	Qilu Finance Shandong Economic Development Co Ltd	CNY	200	4.5	2024/3/6	3	Chengtou	-/-/-	-/-/-
2023/8/31	China Securities International Finance Holding Co Ltd	HKD	5.5	6.95	2026/9/1	182D	Financials	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of September 1, the YTD return¹ on Chinese USD corporate bond index increased by 83bp to 0.20% from last Friday, of which the return on investment-grade bonds increased by 52bp to 2.99% and the return on high-yield bonds increased by 289bp to -17.20%. In terms of sector indices, the return on non-financials, financials, real estate bonds and Chengtou bonds were 3.14%, -2.06%, -27.51% and 4.67%, increasing by 42bp, 114bp, 454bp and 30bp respectively from last Friday.

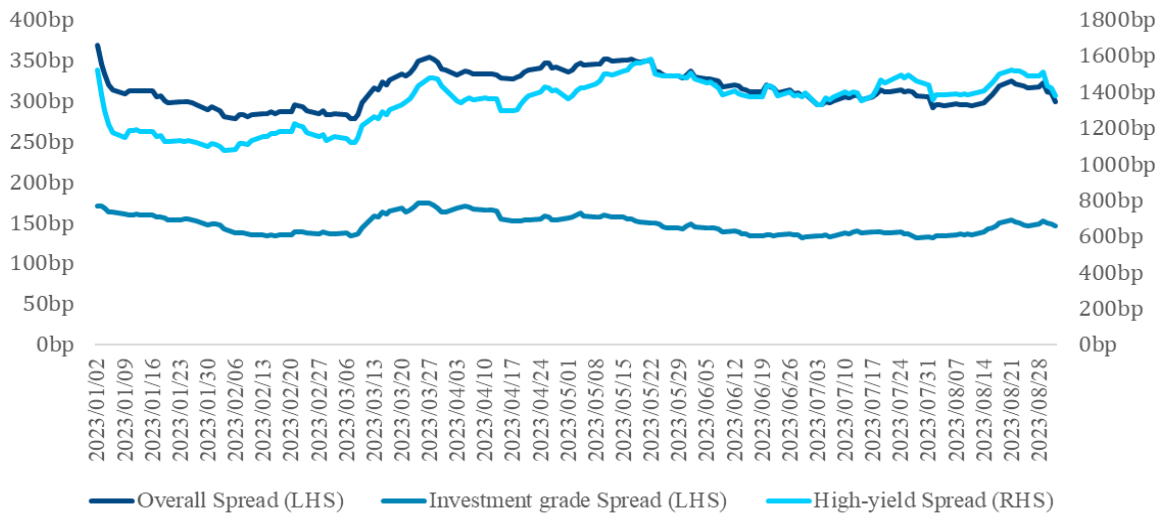
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of September 1, the yield spread of Chinese dollar bonds decreased by 16.7bp to 298.61bp from last Friday. The yield spread of investment-grade bonds increased by 0.02bp to 146.09bp, and the spread of high-yield bonds decreased by 114.5bp to 1373.89bp.

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 August 28 to September 1 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 (20230828-20230901)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
COGARD 8 01/27/24	Country Garden Holdings Co Ltd	11.476	0.41	2865.636	71.0M
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	4.759	PERP	5768.68	27.3M
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	10.398	0.60	1102.581	11.9M
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	5.185	PERP	884.801	9.5M
CHGRAU 9.109 PERP	Baoxin Auto Finance I Ltd	48.503	PERP	670.037	9.1M
JIAZHO 11 ½ 04/07/24	Haimen Zhongnan Investment Development International Co Ltd	10.5	0.60	1221.383	8.2M
SINOCE 6.946 PERP	Sino-Ocean Land Treasure III Ltd	2.102	PERP	315.054	5.8M
AGILE 7 ¼ PERP	Agile Group Holdings Ltd	5.158	PERP	334.348	3.1M
SINOCE 6 07/30/24	Sino-Ocean Land Treasure Finance I Ltd	12.312	0.91	451.27	1.7M
CARINC 9 ¾ 03/31/24	CAR Inc	97.964	0.58	13.418	1.6M

Sources: CCXAP research

Rating Action: CCXAP assigned long-term credit ratings to 4 entities

On August 29, CCXAP assigns first time long-term credit rating of BBB_g- to Jiangsu Shuanghu Investment Holding Group Co., Ltd. (“SHIH” or the “Company”), with stable outlook.

On August 29, CCXAP assigns first time long-term credit rating of BBB_g to Heze Urban Construction Engineering Development Group Co., Ltd. (“HUCG” or the “Company”), with stable outlook.

On August 30, CCXAP assigns first time long-term credit rating of BBB_g+ to Hunan Jinxia Development Group Co., Ltd. (“HJDG” or the “Company”), with stable outlook.

On September 1, CCXAP assigns first time long-term credit rating of BBB_g+ to Jining State-owned Assets Investment Holdings Co., Ltd., (“JNSI” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20230828-20230901)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/08/29	SHIH	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) status as the largest local infrastructure investment and financing company (“LIIFC”) in Jianhu County; (2) key role in infrastructure construction and affordable housing in Jianhu County; and (3) good track record of receiving government support. However, the rating is constrained by the Company’s (1) certain exposure to non-standard financing; and (2) medium level of contingent risk.
2023/08/29	HUCG	BBB _g	-	The credit rating is underpinned by the Company’s (1) status as an important infrastructure construction entity with a strong market position in Heze City; 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) large refinancing needs; and (3) medium contingent liabilities risk from external guarantees to local state-owned enterprises.
2023/08/30	HJDG	BBB _g +	-	The credit rating is underpinned by the Company’s (1) strong market position in infrastructure construction and land consolidation of Jinxia EDZ; (2) good track record of receiving government support; and (3) access to funding from banks and bond markets. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) fast debt growth and modest debt maturity structure; and (3) relatively low asset liquidity.
2023/09/01	JNSI	BBB _g +	-	The credit rating is underpinned by the Company’s (1) direct ownership and ultimate control by the Jining Municipal Government; (2) clear and solid strategic position of state-owned assets investment and operation in Jining City; and (3) good track record of support from the local government. However, the rating is constrained by the Company’s (1) credit contagion risks from financial businesses; (2) most projects within the investment period, with uncertainties in investment return; and (3) modest financial profile with narrow profitability and increasing debt leverage.

Sources: CCXAP research

From August 28 to September 1, rating agencies took positive rating action on 1 Chinese issuer and took negative rating actions on 5 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230828-20230901)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Health and Happiness (H&H) International Holdings Ltd.	Consumer Staples	BB+	Stable	2023/08/28	BB+	NEG	2023/04/20	S&P	The company’s rising EBITDA and cash flow resulting from good revenue growth in its adult nutrition and pet businesses and the deleveraging
Downgrade:	Yanlord Land Group Limited	Real Estate	Ba3	NEG	2023/08/28	Ba2	NEG	2023/03/10	Moody’s	Yanlord’s credit metrics and liquidity buffer will weaken over the next 12-18 months due to its declining contracted sales and constrained access to debt capital markets

Gemdale Corporation	Real Estate	Ba3	-	2023/08/28	Ba2	NEG	2022/09/05	Moody's	The company's liquidity buffer and credit metrics will worsen amid weakening contracted sales and its still-constrained funding access to debt capital markets
Yuexiu Real Estate Investment Trust	Real Estate	Ba1	NEG	2023/08/28	Ba1	Stable	2023/05/19	Moody's	Increased uncertainties over Yuexiu REIT's ability to strengthen its operations and credit metrics to levels commensurate with its current Ba1 CFR amid challenging business conditions in China (A1 stable)
Yanlord Land Group Limited	Real Estate	B+	NEG	2023/08/28	BB-	Stable	2023/03/27	S&P	Yanlord has concentrated debt maturities in February 2024 which will weaken its liquidity buffer
Wanhua Chemical Group Co., Ltd	Materials	BBB+	NEG	2023/08/29	BBB+	Stable	2022/09/01	Fitch	Wanhua's free cash flow generation will remain negative in 2023-2024 due to its high capex, which will delay deleveraging. The Negative Outlook also reflects volatility in refinancing risks from Wanhua's short-term oriented funding structure
Country Garden Holdings Company Limited	Real Estate	Ca	NEG	2023/08/31	Caa1	NEG	2023/08/10	Moody's	The negative outlook reflected Country Garden's tight liquidity and heightened default risk, as well as the likely weak recovery prospects for the company's bondholders

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

Email: info@ccxap.com

Tel: +852 2860 7111

Fax: +852 2868 0656