

2023 Issue 35

From September 4 to September 8

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

Headline: China's CPI in August rose by 0.1% YoY, and PPI fell by 3.0% YoY; the US ISM non-manufacturing PMI hit a six-month high

On September 9, China's CPI in August rose by 0.1% YoY and 0.3% MoM. The PPI fell by 3.0% YoY in August, lower than the 4.4% decline in July, and increased by 0.2% MoM. On September 6, the US ISM non-manufacturing index in August exceeded expectations, reaching 54.5, a six-month high.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of September 8, the RMB/USD middle rate closed at 7.2150, increasing by 362bp from last Friday. The USD index increased by 0.8% to 105.0900 from last Friday.

Interest Rate: Chinese Government Bond yields and US Treasury yields increased

This week, the China Government Bond yields increased. Influenced by non-manufacturing PMI data released by the ISM, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From September 4 to September 8, there were 17 new issues with total issued volume of USD1.89 billion, increasing by 2% from last week. Among them, financials companies are the largest issuer with a total issued amount of USD1.46 billion.

Secondary Market: Return on Chinese USD bond increased

As of September 8, the YTD return on Chinese USD corporate bond index increased by 2bp to 0.23% from last Friday, of which the return on investment-grade bonds decreased by 13bp to 2.86%, while the return on high-yield bonds increased by 102bp to -16.18%.

Rating Action: Credit quality of Chinese issuers diverged

From September 4 to September 8, rating agencies took positive rating actions on 4 Chinese issuers and took negative rating actions on 4 Chinese issuers.



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Headline: China's CPI in August rose by 0.1% YoY, and PPI fell by 3.0% YoY; the US ISM non-manufacturing PMI hit a six-month high

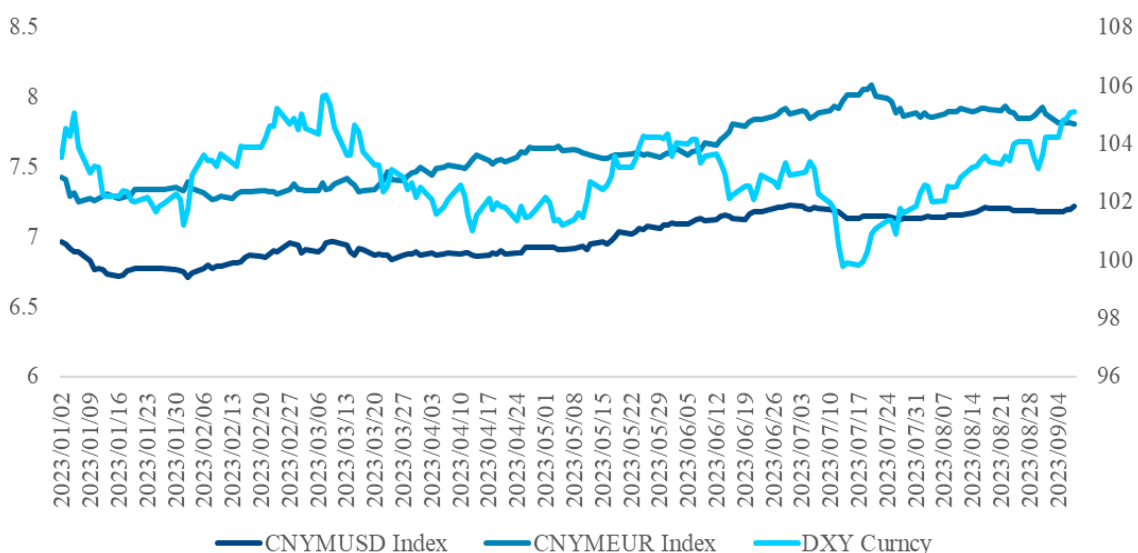
On September 9, the Bureau of Statistics released data showing that the national Consumer Price Index (CPI) increased by 0.1% year-on-year (YoY) in August and fell by 0.3% YoY in July; it rose by 0.3% month-on-month (MoM) and increased by 0.2% MoM in July. In August, the national industrial Producer Price Index (PPI) fell by 3.0% YoY, lower than the 4.4% decline in July, and increased by 0.2% MoM, compared with a decrease of 0.2% in the previous month. The consumer market continued to recover in August, and the supply and demand continued to improve. Affected by factors such as improved demand for some industrial products and rising international crude oil prices, China's CPI and PPI bottomed out.

On September 6, data released by ISM showed that the US non-manufacturing index reached 54.5 in August, hitting a six-month high, higher than the expected 52.5. The previous value was 52.7, and 50 is the dividing line between prosperity and contraction. Among them, the recruitment and order sub-indicators have rebounded significantly, and input costs have also accelerated. Stronger-than-expected ISM services data caused concerns about the risk of inflation, raising expectations that the Fed will keep interest rates higher for longer.

Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of September 8, the RMB/USD middle rate closed at 7.2150, increasing by 362bp from last Friday; the RMB/EUR middle rate closed at 7.8069, decreasing by 746bp from last Friday. The USD index increased by 0.8% to 105.090 from last Friday.

Figure 1: RMB exchange rate

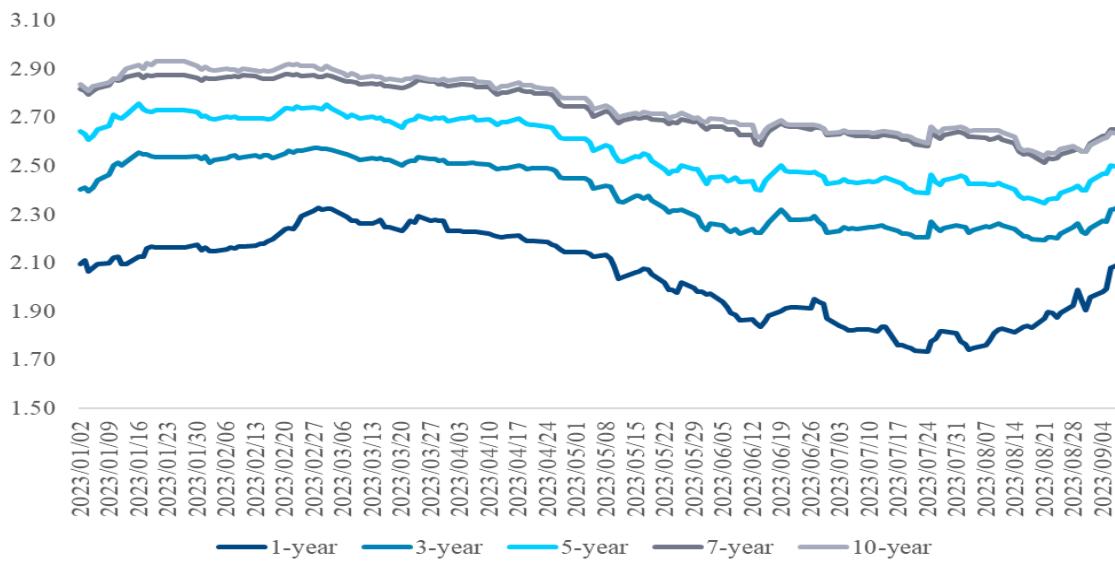


Sources: CCXAP research

Interest Rate: Chinese Government Bond yields and US Treasury yields increased

This week, the China Government Bond yields increased. As of September 8, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.0952%, 2.3337%, 2.4930%, 2.6474% and 2.6375%, increasing by 13.7bp, 9.0bp, 5.5bp, 5.3bp and 5.3bp respectively from last Friday.

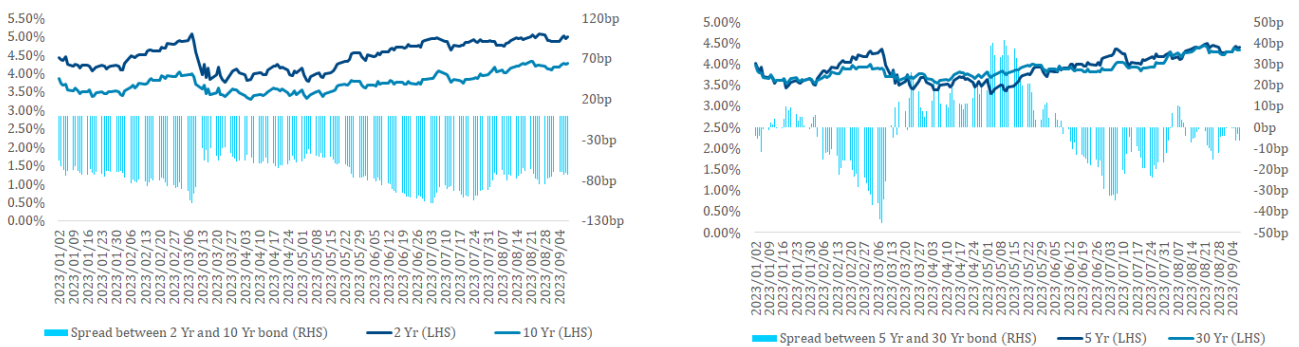
Figure 2: China Government Bond yields



Sources: CCXAP research

Influenced by the non-manufacturing PMI data released by the ISM, US Treasury yields rose. As of September 8, 2-year, 5-year, 10-year and 30-year Treasury yields were 4.9906%, 4.4030%, 4.2641% and 4.3376%, increasing by 11.2bp, 10.7bp, 8.5bp and 4.4bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds increased by 3bp to -72.7bp from last Friday, and the spread between 5-year and 30-year Treasury bonds increased by 6bp to -6.5bp from last Friday.

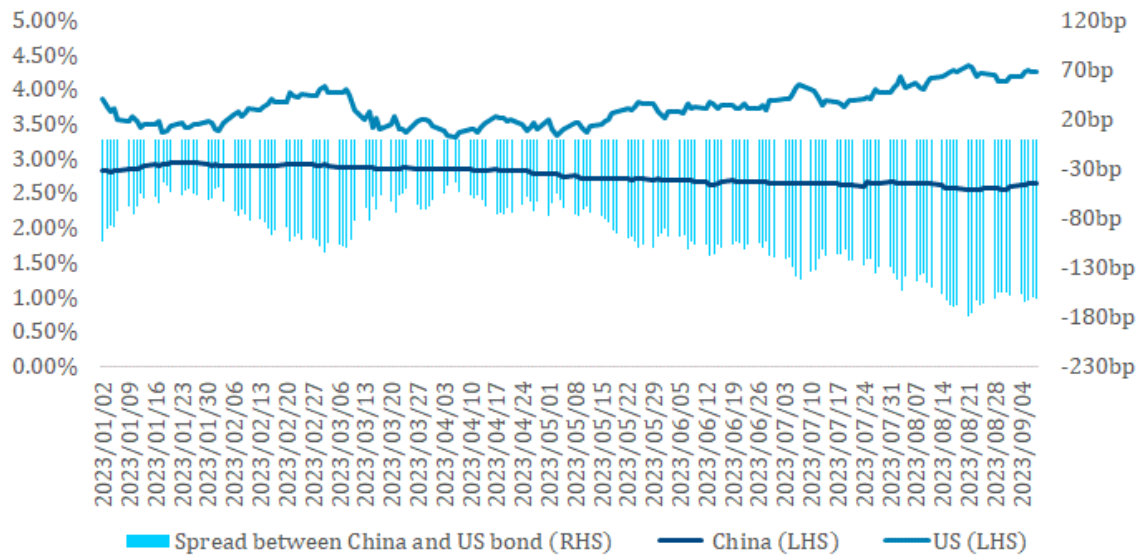
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of September 8, the yield spread between China and US 10-year note was -162.7bp, widening by 3.3bp from last Friday and 58.71bp 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 September 4 to September 8, there were 17 new issues with total issued volume of USD1.89 billion, increasing by 2% from last week. Among them, financials companies were the largest issuer with a total issued amount of USD1.46 billion.

Table 1: New issuance of Chinese offshore bonds (20230904-20230908)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/9/4	ABC International Holdings Ltd	CNY	500	2.99	2026/9/14	3	Financials	A2/A-/A	-/-/-
2023/9/5	China Everbright Bank Co Ltd/Hong Kong	CNY	1500	2.95	2025/9/12	2	Banks	Baa2/BBB+/BBB+	-/-/BBB+
2023/9/5	China Everbright Bank Co Ltd/Hong Kong	USD	500	SOFR+63	2026/9/12	3	Banks	Baa2/BBB+/BBB+	-/-/BBB+
2023/9/5	China Securities International Finance Holding Co Ltd	HKD	5.8	4.6	2024/3/8	182D	Financials	-/-/-	-/-/-
2023/9/5	CITIC Securities International Co Ltd	USD	6.3	0	2023/10/12	30D	Financials	-/BBB+/-	-/-/-
2023/9/5	Huatai International Financial Holdings Co Ltd	USD	65	6	2024/9/11	1	Financials	-/BBB+/-	-/-/-
2023/9/5	Shandong Binda Industrial Group Co Ltd	JPY	7100	2.3	2026/9/8	3	Chengtou	-/-/-	-/-/-
2023/9/6	CITIC Securities International Co Ltd	USD	6	0	2024/3/13	182D	Financials	-/BBB+/-	-/-/-
2023/9/6	Tieling Public Assets Investment & Management Group Co Ltd	CNY	1030	7.5	2026/9/11	3	Chengtou	-/-/-	-/-/-

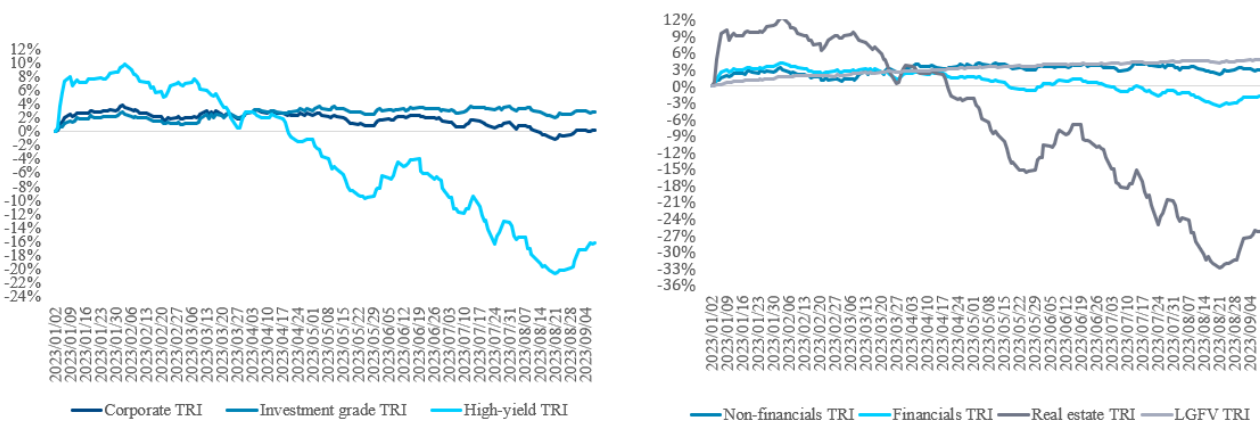
2023/9/7	Bank of China Ltd/London	USD	600	SOFR+59	2026/9/14	3	Banks	A1/A/-	A1/A/-
2023/9/7	TF International Securities Group Ltd	USD	10	6.15	2023/11/10	60D	Financials	-/-/-	-/-/-
2023/9/7	Tongren Energy Investment Group Ltd	USD	67	6	2024/9/9	1	Energy	-/-/-	-/-/-
2023/9/7	Wuhan Jiangxia Agriculture Group Co Ltd	USD	64	6.9	2026/9/11	3	Chengtou	-/-/-	-/-/-
2023/9/8	China Securities International Finance Holding Co Ltd	HKD	3	4.4	2024/9/13	1	Financials	-/-/-	-/-/-
2023/9/8	CSC Financial Co Ltd	HKD	3	4.4	2024/9/13	1	Financials	Baa1/BBB+/BBB+	-/-/-
2023/9/8	Zaozhuang Hi-Tech Investment Group Co Ltd	CNY	441	4.8	2026/9/20	3	Chengtou	-/-/-	-/-/-
2023/9/8	Zibo Zhangdian District Stateowned Assets Operation Co Ltd	CNY	334	4.7	2026/9/13	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of September 8, the YTD return¹ on Chinese USD corporate bond index increased by 2bp to 0.23% from last Friday, of which the return on investment-grade bonds decreased by 13bp to 2.86% and the return on high-yield bonds increased by 102bp to -16.18%. In terms of sector indices, the return on financials, real estate and Chengtoun bonds were -1.90%, -26.37% and 4.84%, increasing by 16bp, 114bp and 17bp respectively from last Friday. The return on non-financials bonds was 2.99%, decreasing by 16bp from last Friday.

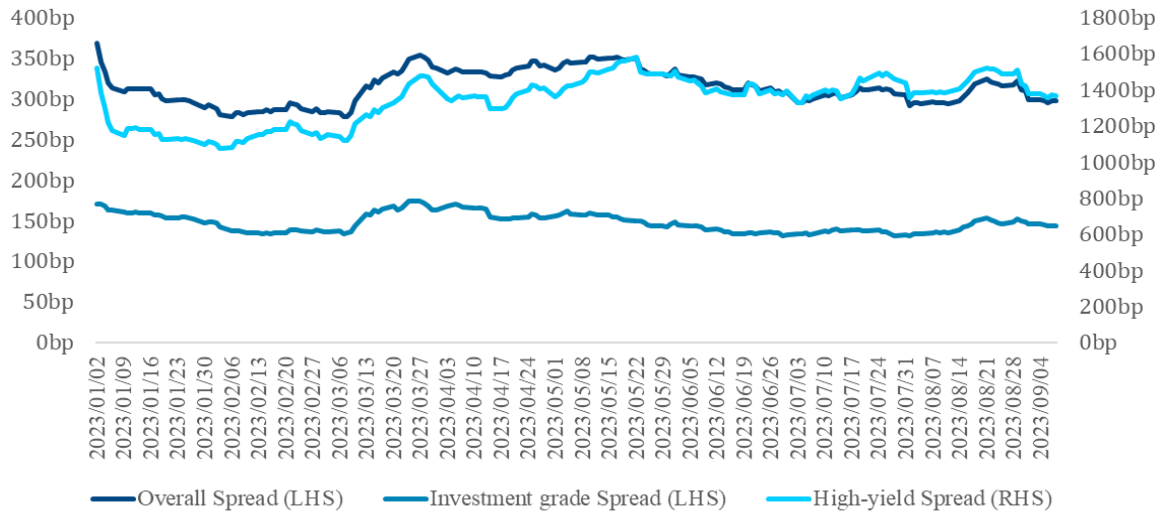
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of September 8, the yield spread of Chinese dollar bonds decreased by 1.7bp to 296.95bp from last Friday. The yield spread of investment-grade bonds decreased by 2.57bp to 143.52bp, and the spread of high-yield bonds decreased by 8.9bp to 1365.02bp.

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 September 4 to September 8 are shown in the table below. Among them, Agile Group Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230904-20230908)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	5.173	PERP	5160.113	11.3M
JIAZHO 11 ½ 04/07/24	Haimen Zhongnan Investment Development International Co Ltd	10.5	0.58	1319.823	9.2M
GLPCHI 4.974 02/26/24	GLP China Holdings Ltd	82.242	0.47	53.303	3.7M
BEIJHK 1 09/10/23	Eastern Creation II Investment Holdings Ltd	99.809	0.01	35.273	1.8M
CHINSC 7 05/02/25	China SCE Group Holdings Ltd	9.736	1.65	242.738	1.6M
LYURBN 3 09/16/23	YI Bright International Ltd	99.829	0.02	15.117	1.5M
SINOCE 2.7 01/13/25	Sino-Ocean Land Treasure IV Ltd	11.998	1.35	253.519	1.5M
BOCHKL 5.9 PERP	Bank of China Hong Kong Ltd	99.978	PERP	21.129	1.1M
SINOCE 6 07/30/24	Sino-Ocean Land Treasure Finance I Ltd	12.222	0.89	483.343	998.1
CARINC 9 ¾ 03/31/24	CAR Inc	99	0.56	94.863	980.4

Sources: CCXAP research

Rating Action: Credit quality of Chinese issuers diverged

From September 4 to September 8, rating agencies took positive rating actions on 4 Chinese issuers and took negative rating actions on 4 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230904-20230908)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Lenovo Group Co., Ltd	Technology	BBB	Stable	2023/09/04	BBB-	Positive	2023/02/24	S&P	Improved operational resiliency
	CAR Inc.	Consumer Discretionary	B-	Positive	2023/09/04	B-	NEG	2023/02/20	S&P	Improving Liquidity
	China Everbright Bank Co., Ltd.	Financials	BBB+	Stable	2023/09/06	BBB	Stable	2022/06/10	Fitch	Higher likelihood of government support
	China Citic Bank Co., Ltd	Financials	BBB+	Stable	2023/09/06	BBB	Stable	2022/06/10	Fitch	Higher likelihood of government support
Downgrade:	West China Cement Ltd	Materials	BB-	NEG	2023/09/04	BB	NEG	2023/04/04	Fitch	Aggressive capex
	BOCOM International Holdings Co., Ltd	Financials	Baa1	Stable	2023/09/06	A3	Negative under review	2023/03/24	Moody's	Significantly weakened capital position and high investment risk
	Great Wall Asset Management Co., Ltd	Financials	Baa1	Negative under review	2023/09/06	Baa1	NEG	2022/09/02	Moody's	The delayed publication of 2022 annual results
	Seazen Group Ltd	Real Estate	B+	NEG	2023/09/08	BB-	NEG	2022/11/22	S&P	Declining Sales

Sources: CCXAP research

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