

### 2023 Issue 36

#### From September 11 to September 15

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

**Headline: The central bank comprehensively cut the RRR by 0.25 percentage points, releasing about RMB500 billion; US August CPI rebounded to 3.7% YoY and core CPI accelerated MoM**

On September 14, People's Bank of China decided to cut the required reserve ratio (RRR) of financial institutions by 0.25 percentage points on September 15, 2023, releasing medium and long-term liquidity of more than RMB500 billion. US inflation accelerated again in August, and the overall CPI YoY growth rebounded for the second consecutive month and exceeded expectations by 3.6%; Core CPI growth rose to 0.3% MoM from 0.2% in the previous month.

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

This week, RMB appreciated. As of September 15, the RMB/USD middle rate closed at 7.1786, decreasing by 364bp from last Friday. The USD index increased by 0.2% to 105.3220 from last Friday.

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

This week, the China Government Bond yields increased. Influenced by the CPI data, US Treasury yields rose.

#### Chinese Offshore Bond Market

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

From September 11 to September 15, there were 15 new issues with total issued volume of USD2.03 billion, increasing by 7% from last week. Among them, financials companies are the largest issuer with a total issued amount of USD1.71 billion.

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

As of September 15, the YTD return on Chinese USD corporate bond index increased by 4bp to 0.27% from last Friday, of which the return on investment-grade bonds decreased by 2bp to 2.84%, while the return on high-yield bonds increased by 50bp to -15.69%.

#### Rating Action: Credit quality of Chinese issuers diverged, Moody's downgraded a number of real estate companies

From September 11 to September 15, rating agencies took positive rating actions on 4 Chinese issuers and took negative rating actions on 7 Chinese issuers.



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## Headline: The central bank comprehensively cut the RRR by 0.25 percentage points, releasing about RMB500 billion; US August CPI rebounded to 3.7% YoY and core CPI growth accelerated MoM

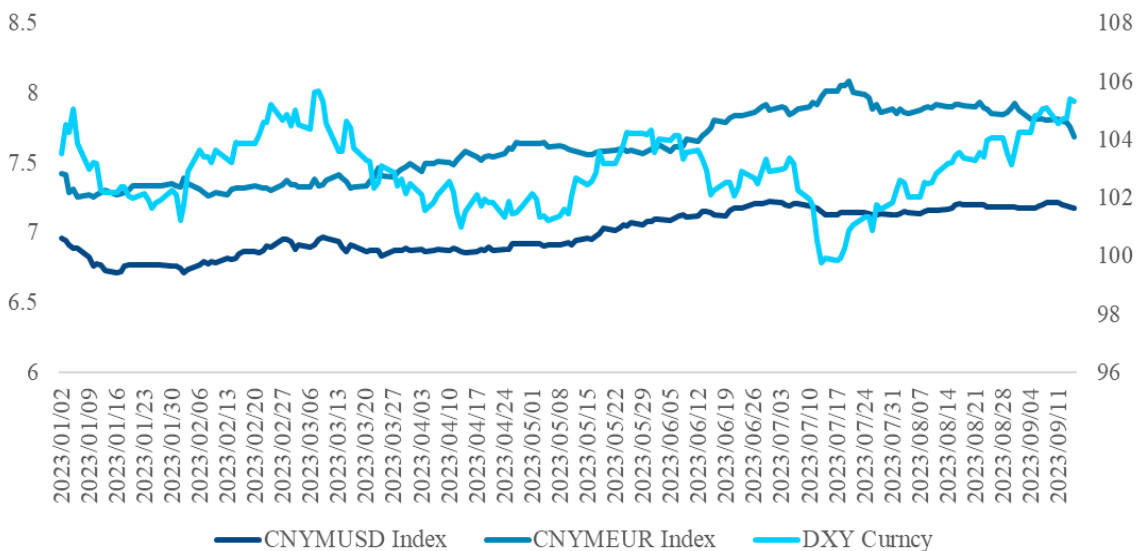
On September 14, the People's Bank of China decided to cut the RRR of financial institutions by 0.25 percentage points on September 15, 2023 (excluding financial institutions that have implemented a 5% RRR). After this cut, the weighted average reserve requirement ratio of financial institutions is approximately 7.4%. The RRR cut released more than RMB500 billion of medium and long-term liquidity, and support the liquidity of banks in a timely manner. Follow-up financing costs are expected to "stabilize and decrease", and monetary credit is expected to grow steadily and rapidly.

On September 13, data released by the Bureau of Labor Statistics showed that the US CPI rebounded to 3.7% year-on-year ("YoY") in August from 3.2% in July, the second consecutive monthly YoY growth rebound, exceeding expectations of 3.6%. Core CPI, excluding energy food, fell YoY to 4.3% from 4.7%, in line with expectations and the smallest increase in nearly two years. But core CPI edged up to 0.3% from 0.2% in the previous month, beating expectations of 0.2%.

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

This week, RMB appreciated. As of September 15, the RMB/USD middle rate closed at 7.1786, decreasing by 364bp from last Friday; the RMB/EUR middle rate closed at 7.6865, decreasing by 1,204bp from last Friday. The USD index increased by 0.2% to 105.322 from last Friday.

Figure 1: RMB exchange rate

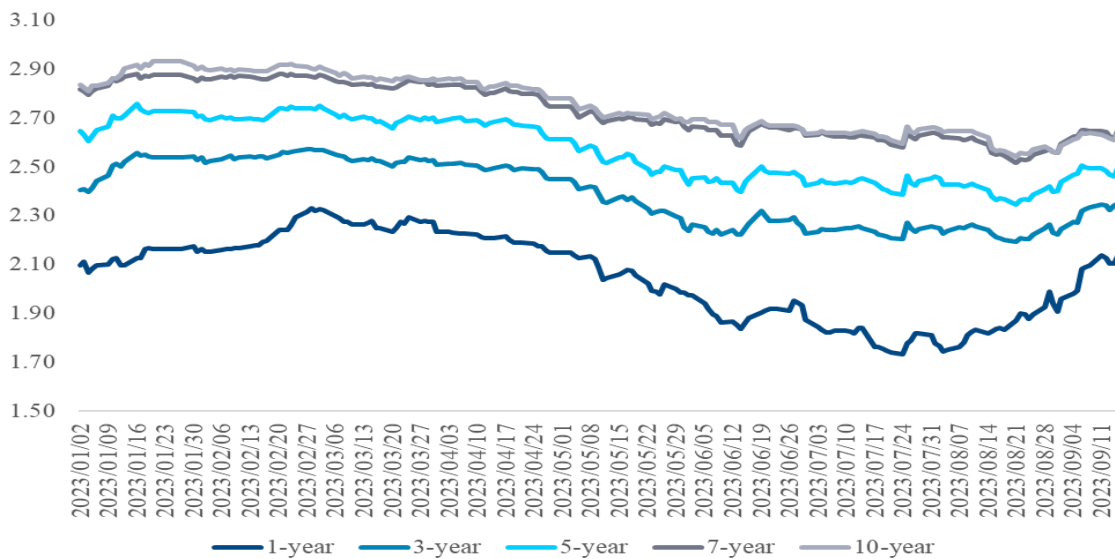


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of September 15, the 1-year, 3-year, 5-year and 10-year China Government Bond yields were 2.1327%, 2.3490%, 2.4939% and 2.6400%, increasing by 3.7bp, 1.5bp, 0.1bp and 0.2bp respectively from last Friday. The 7-year Bond yield was 2.6474%, same as last Friday.

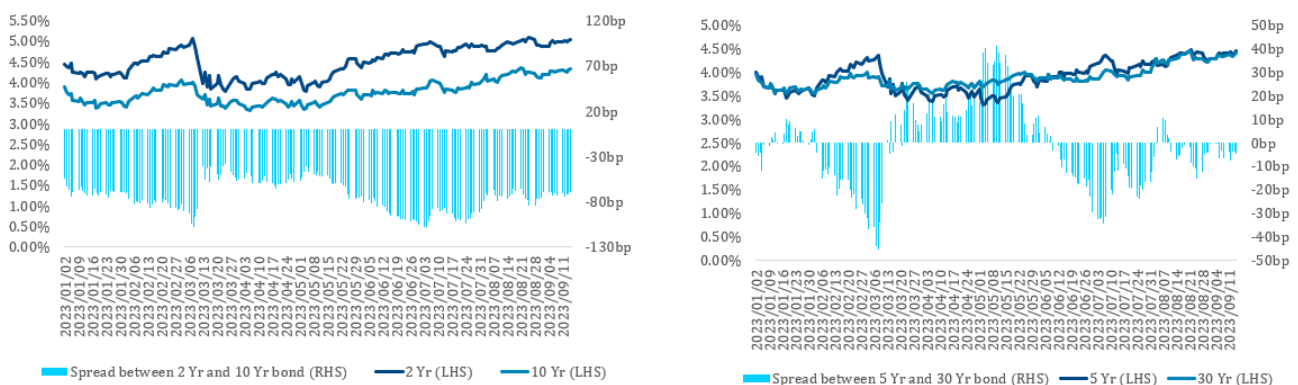
Figure 2: China Government Bond yields



Sources: CCXAP research

Influenced by the CPI data, US Treasury yields rose. As of September 15, 2-year, 5-year, 10-year and 30-year Treasury yields were 5.0325%, 4.4633%, 4.3324% and 4.4172%, increasing by 4.2bp, 6.0bp, 6.8bp and 8.0bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds decreased by 3bp to -70.0bp from last Friday, and the spread between 5-year and 30-year Treasury bonds decreased by 2bp to -4.6bp from last Friday.

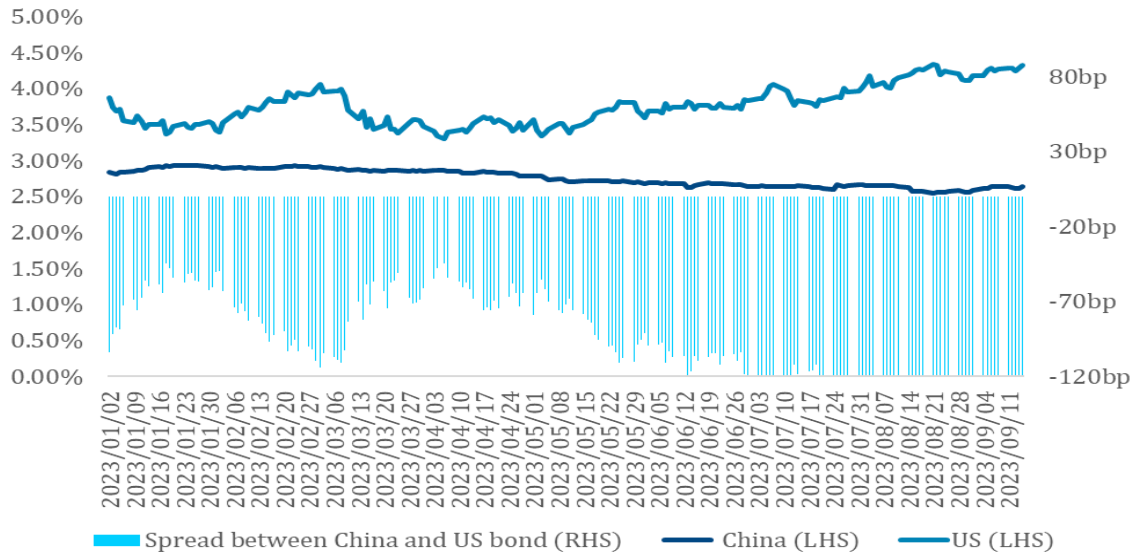
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of September 15, the yield spread between China and US 10-year note was -168.2bp, widening by 5.6bp from last Friday and 64.29bp 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 11 to September 15, there were 15 new issues with total issued volume of USD2.03 billion, increasing by 7% from last week. Among them, financials companies were the largest issuer with a total issued amount of USD1.71 billion.

**Table 1: New issuance of Chinese offshore bonds (20230911-20230915)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/9/11	ICBCIL Finance Co Ltd	USD	25	SOFR+70	2024/9/11	359D	Financials	A2/A/A	-/-/-
2023/9/11	Bank of China Ltd/Luxembourg	CNY	2000	2.98	2026/9/18	3	Banks	A1/A/A	A1/A/A
2023/9/11	Bank of China Ltd/Dubai	USD	500	SOFR+60	2026/9/18	3	Banks	A1/A/A	A1/A/A
2023/9/11	Tianjin Rail Transit Group Co Ltd	USD	140	7.5	2024/9/12	1	Chengtou	A3/-/-	-/-/-
2023/9/11	Zensun Group Ltd	USD	103.5	7	2025/9/12	2	Real Estate	-/-/-	-/-/-
2023/9/11	China Merchants Securities International Co Ltd	CNY	1000	3.3	2026/9/18	3	Financials	Baa2/-/-	Baa2/-/-
2023/9/12	CITIC Securities International Co Ltd	CNY	23	0	2025/4/17	2	Financials	-/BBB+/-	-/-/-
2023/9/12	CITIC Securities International Co Ltd	CNY	15	0	2025/4/17	2	Financials	-/BBB+/-	-/-/-
2023/9/12	Science City Guangzhou Investment Group Co Ltd	CNY	215	5.8	2026/9/15	3	Financials	-/-/BBB	-/-/-
2023/9/13	China Everbright Bank Co Ltd/Sydney	USD	550	SOFR+63	2026/9/20	3	Banks	Baa2/BBB+ /BBB+	- /BBB+/-

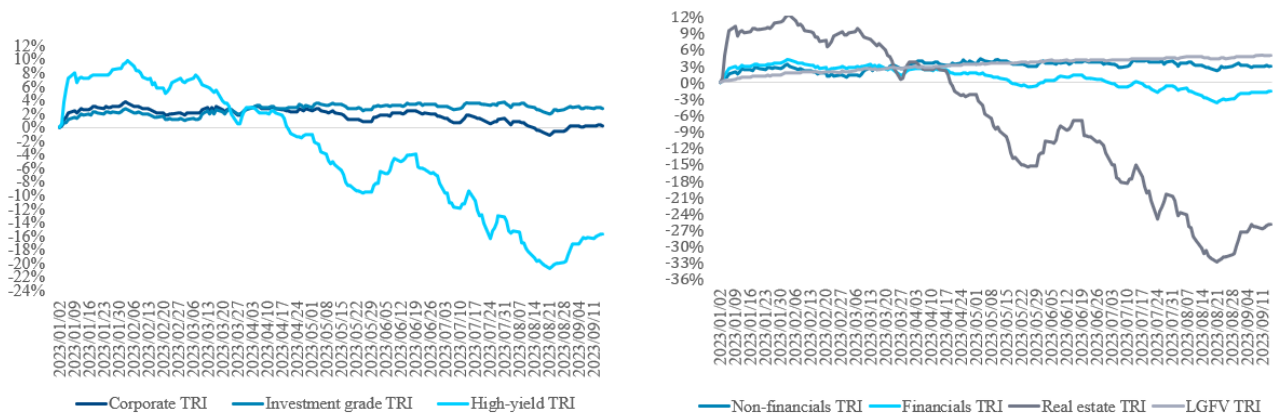
2023/9/13	CITIC Securities International Co Ltd	CNY	21	0	2025/7/28	2	Financials	-/BBB+/-	-/-/-
2023/9/13	Zouping Financial Development Group Co Ltd	JPY	7600	2.3	2026/9/19	3	Industrials	-/-/-	-/-/-
2023/9/13	Zibo Caijin Holding Group Co Ltd	CNY	580	3.7	2026/9/20	3	Financials	-/-/-	-/-/-
2023/9/14	Zaozhuang Hi-Tech Investment Group Co Ltd	CNY	260	4.8	2026/9/22	3	Chengtou	-/-/-	-/-/-
2023/9/15	Urumqi Gaoxin Investment and Development Group Co Ltd	USD	90	7.5	2026/9/22	3	Chengtou	-/-/BB+	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of September 15, the YTD return<sup>1</sup> on Chinese USD corporate bond index increased by 4bp to 0.27% from last Friday, of which the return on investment-grade bonds decreased by 2bp to 2.84% and the return on high-yield bonds increased by 50bp to -15.69%. In terms of sector indices, the return on financials, real estate and Chengtouw bonds were -1.73%, -25.98% and 4.90%, increasing by 17bp, 39bp and 6bp respectively from last Friday. The return on non-financials bonds was 2.86%, decreasing by 13bp from last Friday.

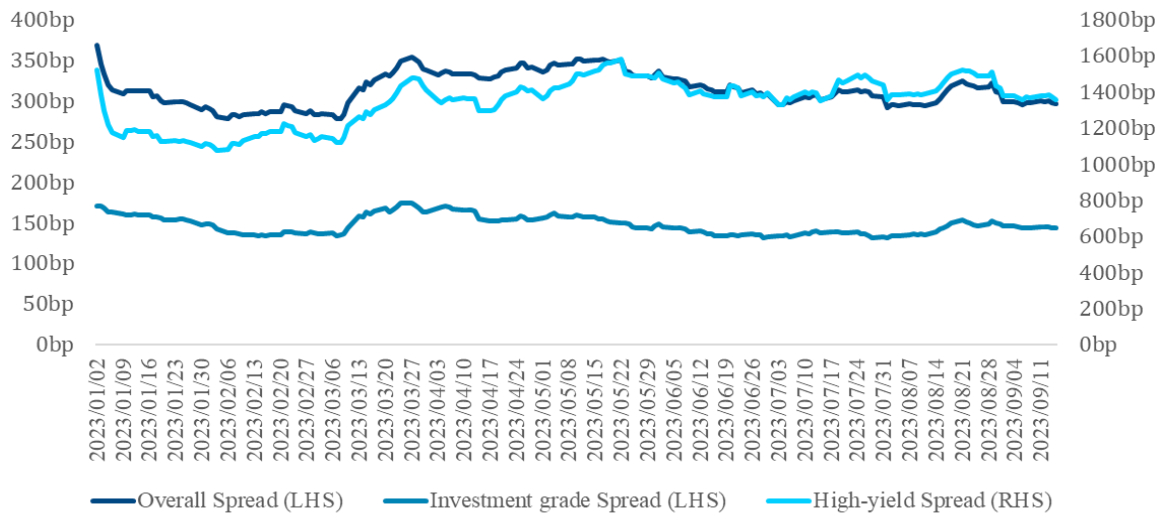
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of September 15, the yield spread of Chinese dollar bonds decreased by 0.8bp to 296.13bp from last Friday. The yield spread of investment-grade bonds decreased by 0.02bp to 143.51bp, and the spread of high-yield bonds decreased by 8.3bp to 1,356.71bp.

<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 September 11 to September 15 are shown in the table below. Among them, Agile Group Holdings Ltd. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20230911-20230915)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 ¾ PERP	Agile Group Holdings Ltd.	4.974	PERP	6262.883	39394.6
SINOCE 6 07/30/24	Sino-Ocean Land Treasure Finance I Ltd.	9.156	0.96	611.712	12234.6
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd.	12.95	0.65	1086.621	10963.9
JIAZHO 11 ½ 04/07/24	Haimen Zhongnan Investment Development Int.	10.5	0.65	1432.792	10535.2
AGILE 7 ¾ PERP	Agile Group Holdings Ltd.	5.299	PERP	925.705	6152.7
CHINSC 7 ¾ 04/09/24	China SCE Group Holdings Ltd.	17.009	0.65	807.123	5181.8
SINOCE 2.7 01/13/25	Sino-Ocean Land Treasure IV Ltd.	10	1.42	287.822	4652.1
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd.	12.848	1.13	372.115	1965.9
SINOCE 3 ¾ 05/05/26	Sino-Ocean Land Treasure IV Ltd.	8.552	2.72	135.39	1761.8
AGILE 7 ¼ PERP	Agile Group Holdings Ltd.	5.279	PERP	339.721	1466.2

Sources: CCXAP research

## Rating Action: Credit quality of Chinese issuers diverged, Moody's downgraded a number of real estate companies

From September 11 to September 15, rating agencies took positive rating actions on 4 Chinese issuers and took negative rating actions on 7 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230911-20230915)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
<b>Upgrade:</b>	Chongqing Changshou Development Investment (Group) Co., Ltd.	Chengtou	BBBg	Stable	2023/09/13	BBBg-	Stable	2022/12/16	CCXAP	Higher local government willingness of support and diversified funding channel
	CEB International Investment Co., Ltd.	Financials	BBB+	Stable	2023/09/13	BBB	Stable	2022/09/30	Fitch	Extraordinary shareholder support from CEB
	Chuzhou Economic and Technological Development General Corporation	Chengtou	BBBg	Stable	2023/09/14	BBBg-	Stable	2022/08/19	CCXAP	Fast economic growth of the Chuzhou ETZ and increasing importance in the industrial development of Chuzhou City.
	CNCB (Hong Kong) Investment Ltd.	Financials	BBB+	Stable	2023/09/14	BBB	Stable	2022/09/30	Fitch	Extraordinary support will be forthcoming from CNCB
<b>Downgrade:</b>	Weifang Urban Construction and Development Investment Group Co., Ltd.	Chengtou	Ba1	NEG	2023/09/13	Baa3	RWN	2023/06/16	Moody's	Deterioration of Weifang government's capacity to support (GCS) its local government financing vehicles (LGFVs)
	Radiance Holdings (Group) Co. Ltd.	Real Estate	Caa1	NEG	2023/09/14	B3	NEG	2023/02/10	Moody's	Heightened refinancing risks
	China SCE Group Holdings Ltd.	Real Estate	Caa1	NEG	2023/09/14	B3	NEG	2023/02/17	Moody's	Heightened refinancing risks
	Sino Ocean Group Holding Ltd.	Real Estate	Ca	NEG	2023/09/15	Caa2	NEG	2023/07/28	Moody's	Suspension payments for its offshore debts, weak liquidity and constrained financial flexibility
	Road King Infrastructure Ltd.	Real Estate	B2	NEG	2023/09/15	B1	Stable	2023/03/08	Moody's	Weakening market position and liquidity buffer
	Longfor Group Holdings Ltd.	Real Estate	BBB-	NEG	2023/09/15	BBB	Stable	2023/06/12	Fitch	Company and sector sales performance in recent months that was weaker than expected
	Future Land Development Holdings Ltd.	Real Estate	B1	NEG	2023/09/15	B1	Stable	2023/03/08	Moody's	Weak contracted sales and uncertainties over the company's ability to improve its operations

Sources: CCXAP research

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