

### 2023 Issue 38

#### From September 25 to September 29

#### Chinese offshore bond new issuance decreased; return on secondary market fell

#### Headline: China's September PMI was 50.2%; final value of US annual adjusted GDP in the second quarter was 2.1%

China's PMI in September was 50.2%, an increase of 0.5 percentage points from the previous month, returning to expansion range. US real GDP grew at an annual rate of 2.1% in the second quarter of 2023, slightly down from 2.2% in the first quarter and lower than the forecast of 2.2%.

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

This week, RMB depreciated. As of September 29, the RMB/USD middle rate closed at 7.1798, increasing by 69bp from last Friday. The USD index increased by 0.6% to 106.174 from last Friday.

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

This week, the China Government Bond yields decreased. As the better-than-expected PMI index strengthened the confidence of investors to the US economy, US Treasury yields rose.

#### Chinese Offshore Bond Market

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

From September 25 to September 29, there were 12 new issues with total issued volume of USD841 million, decreasing by 40% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD700 million.

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

As of September 29, the YTD return on Chinese USD corporate bond index decreased by 32bp to -0.22% from last Friday, of which the return on investment-grade bonds decreased by 16bp to 2.65%, the return on high-yield bonds decreased by 140 to -18.17%.

##### Rating Action: CCXAP assigns long-term credit ratings to 5 entities

CCXAP assigns long-term credit rating to 5 entities, including Suzhou New District Economic Development Group Co., Ltd., Ningguo Economic Development Holding Group Co., Ltd., Zhenjiang Culture & Broadcasting Industry Group Co., Ltd., Shandong Hesheng Investment Co., Ltd. and Chengdu Aerotropolis Industry Finance & Investment Development Co., Ltd.



#### Analyst Contacts

##### Allen Lin

852-2860 7128

[allen\\_lin@ccxap.com](mailto:allen_lin@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's September PMI was 50.2%; final value of US annual adjusted GDP in the second quarter was 2.1%

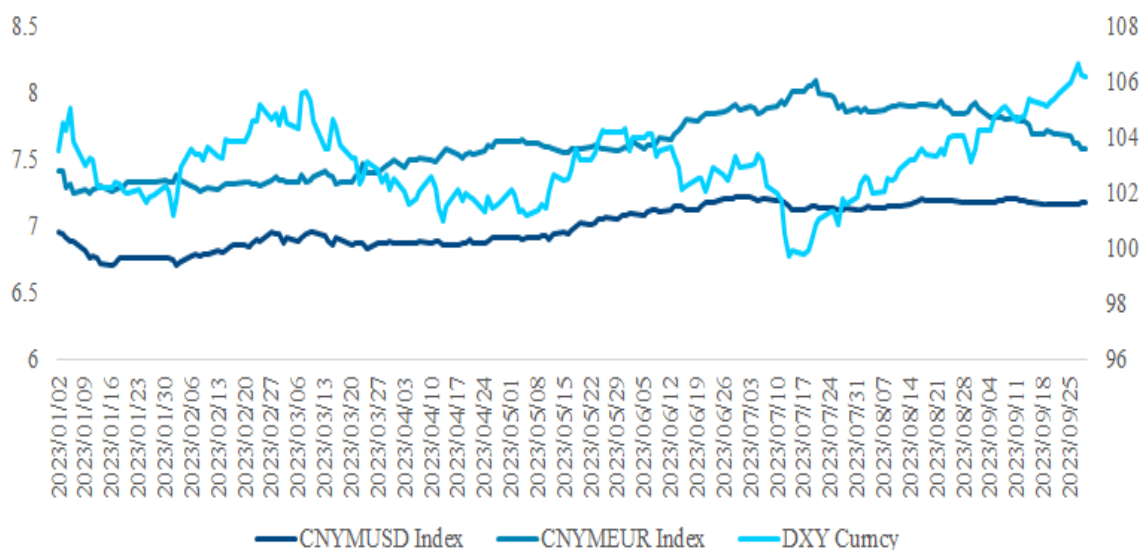
On September 30, China's National Bureau of Statistics announced that China's manufacturing purchasing managers' index (PMI) in September was 50.2%, an increase of 0.5 percentage points from the previous month, returning to the expansion range. In terms of enterprise size, the PMI of large enterprises was 51.6%, an increase of 0.8 percentage points from the previous month, and continued to be higher than the critical point; the PMI of medium-sized enterprises was 49.6%, the same as last month, and lower than the critical point; the PMI of small enterprises was 48.0%, increasing by 0.3 percentage points from the previous month and lower than the critical point. From the perspective of sub-indices, among the 5 sub-indices that make up the manufacturing PMI, the production index, new order index and supplier delivery time index are higher than the critical point, while the raw material inventory index and employee index are lower than the critical point.

On September 28, the US Department of Commerce announced that US real gross domestic product (GDP) grew at an annual rate of 2.1% in the second quarter of 2023, slightly lower than the 2.2% in the first quarter, and lower than the forecast of 2.2%. The latest report from the US Commerce Department showed that compared with the second estimate, the latest data mainly reflected a decrease in consumer spending, partially offset by an increase in non-residential fixed asset investment, exports and inventory investment. In addition, import data was revised downwards. Some economic researchers believe that US economic activity appeared to accelerate in the third quarter, but economic growth should stall in the fourth quarter due to the auto workers' strike, the restart of student loan repayments, and a possible government shutdown.

## Exchange Rate: RMB depreciated, USD index increased

This week, RMB depreciated. As of September 29, the RMB/USD middle rate closed at 7.1798, increasing by 69bp from last Friday; the RMB/EUR middle rate closed at 7.5849, decreasing by 1032bp from last Friday. The USD index increased by 0.6% to 106.174 from last Friday.

Figure 1: RMB exchange rate

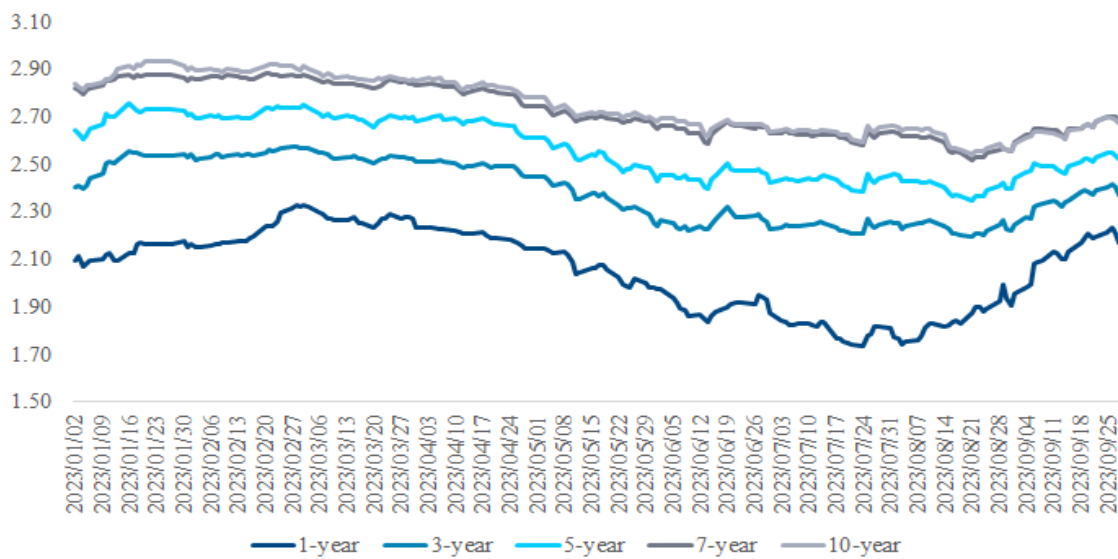


Sources: CCXAP research

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

This week, the China Government Bond yields decreased. As of September 29, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1677%, 2.3713%, 2.5256%, 2.6775% and 2.6751%, decreasing by 3.0bp, 1.9bp, 0.4bp, 0.2bp and 0.2bp respectively from last Friday.

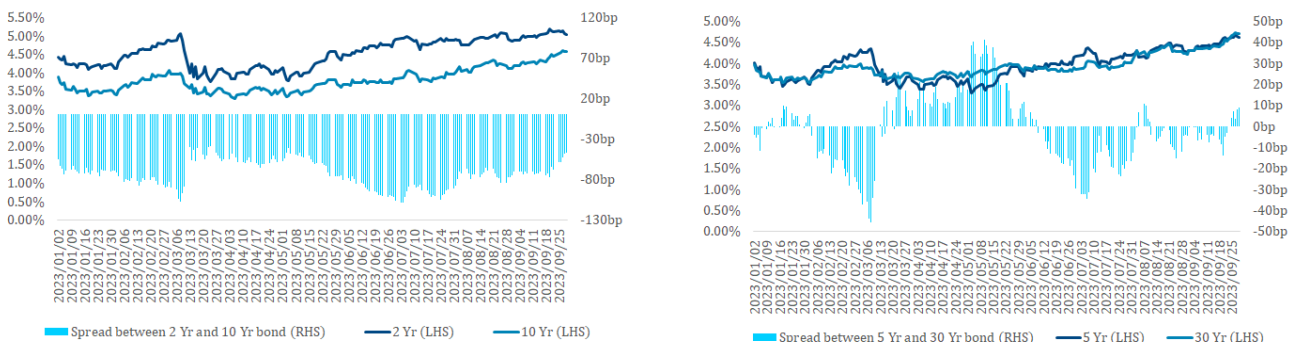
Figure 2: China Government Bond yields



Sources: CCXAP research

As the better-than-expected PMI index strengthened investor’s confidence to the US economy, US Treasury yields rose. As of September 29, 5-year, 10-year and 30-year Treasury yields were 4.609%, 4.5711% and 4.6992%, increasing by 5.1bp, 13.7bp and 17.5bp respectively from last Friday, while 2-year Treasury yield was 5.0436%, decreasing by 6.6bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds decreased by 20bp to -47.2bp from last Friday, and the spread between 5-year and 30-year Treasury bonds increased by 6bp to 9.0bp from last Friday.

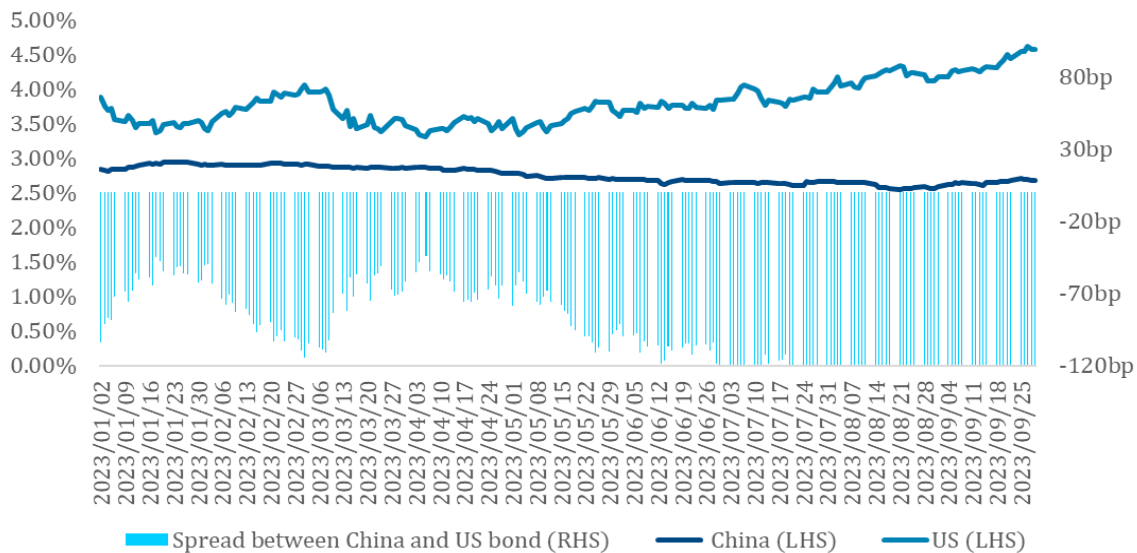
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of September 29, the yield spread between China and US 10-year note was -189.6bp, widening by 14.0bp from last Friday and 85.65bp 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 decreased

From September 25 to September 29, there were 12 new issues with total issued volume of USD841 million, decreasing by 40% from last week. Among them, Chengtou companies were the largest issuer with a total issued amount of USD700 million.

**Table 1: New issuance of Chinese offshore bonds (20230925-20230929)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/9/25	Bank of China Ltd Qatar Financial Centre Branch	USD	100	5.25	2026/8/27	2.91	Banks	A1/A/A	-/-/A
2023/9/25	Jiangyin State Owned Capital Holding Group Co Ltd	CNY	730	3.98	2026/10/10	3	Chengtou	-/-/BBB	-/-/BBB
2023/9/26	Kunming Industrial Development & Investment Co Ltd	USD	66.6	9.7	2024/9/29	1	Chengtou	-/-/-	-/-/-
2023/9/27	China Securities International Finance Holding Co Ltd	CNY	12.7	3	2023/10/31	33D	Financials	-/-/-	-/-/-
2023/9/27	China Securities International Finance Holding Co Ltd	HKD	22.9	4.75	2024/1/3	92D	Financials	-/-/-	-/-/-
2023/9/27	Liupanshui Minsheng Investment Group Co Ltd	USD	100	6.4	2024/10/8	364D	Chengtou	-/-/-	-/-/-
2023/9/27	Xuchang General Investment Co	CNY	300	3.69	2026/9/10	3	Chengtou	-/-/-	-/-/-

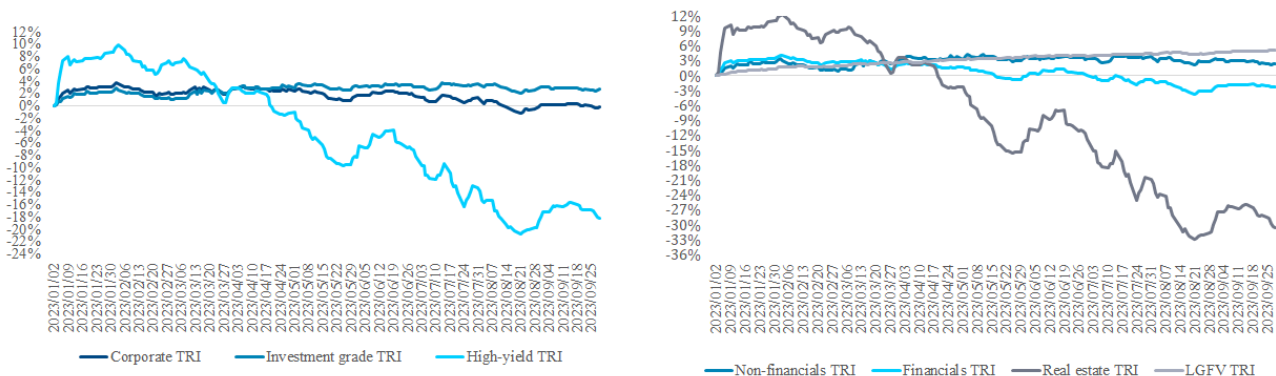
2023/9/28	Changde Urban Construction and Investment Group Co Ltd	USD	100	5.9	2026/10/11	3	Chengtou	-/-/BBB-	-/-/A+
2023/9/28	Chengdu Xiangcheng Investment Group Co Ltd	CNY	1560	4.8	2026/10/13	3	Chengtou	-/-/-	-/-/-
2023/9/28	Hope Education Group Co Ltd	THB	1300	4.12	2026/9/28	3	Consumer Discretionary	-/-/-	-/-/-
2023/9/28	Gaomi Huarong Industrial Development Co Ltd	CNY	90	7.5	2024/10/8	364D	Chengtou	-/-/-	-/-/-
2023/9/28	Shangrao City Construction Investment Development Group Co Ltd	USD	67	8.5	2026/10/11	3	Chengtou	-/-/BB+	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond decreased

As of September 29, the YTD return<sup>1</sup> on Chinese USD corporate bond index decreased by 32bp to 0.22% from last Friday, of which the return on investment-grade bonds decreased by 16bp to 2.65% and the return on high-yield bonds decreased by 140bp to -18.17%. In terms of sector indices, the return on non-financials, financials and real estate bonds were 2.42%, -2.26% and -30.64%, decreasing by 25bp, 38bp and 260bp respectively from last Friday. The return on Chengtou bonds was 5.12%, increasing by 14bp from last Friday.

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

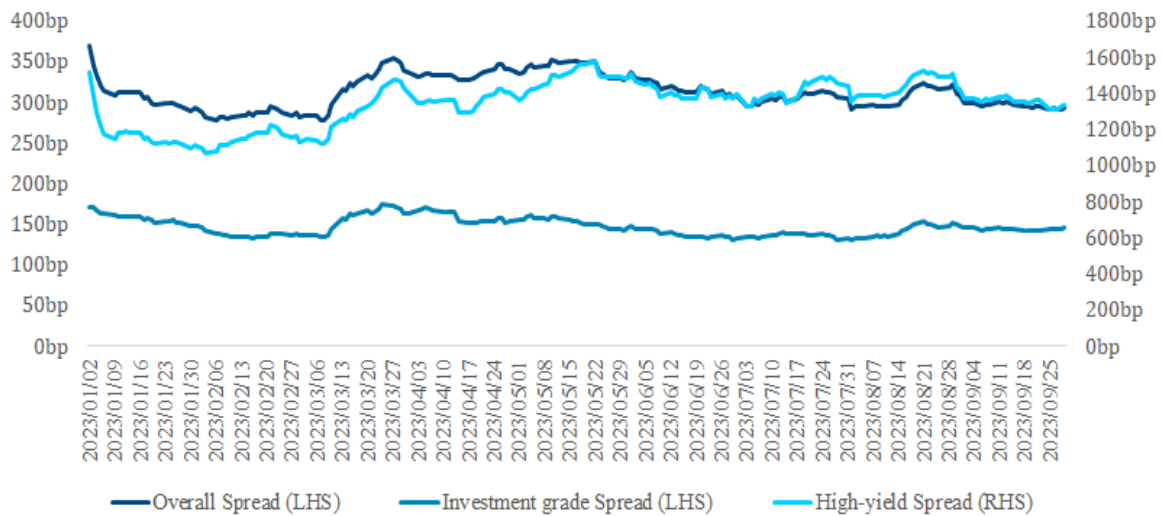


Sources: CCXAP research

As of September 29, the yield spread of Chinese dollar bonds decreased by 1.1bp to 293.58bp from last Friday. The yield spread of investment-grade bonds increased by 3.72bp to 145.19bp, while the spread of high-yield bonds decreased by 29.7bp to 1,335.0bp.

<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 25 to September 29 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 (20230925-20230929)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	7.146	0.51	2,744.07	114.0M
CHINSC 7 ¾ 04/09/24	China SCE Group Holdings Ltd	8	0.52	2,494.10	113.8M
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	4.667	PERP	9,769.77	101.2M
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	4.833	PERP	1,249.45	16.6M
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd	8.551	0.99	557.681	12.9M
COGARD 5 ½ 01/17/25	Country Garden Holdings Co Ltd	6.756	1.29	434.125	10.9M
CHINSC 7 05/02/25	China SCE Group Holdings Ltd	6.507	1.58	358.534	9.7M
SINOCE 6.946 PERP	Sino-Ocean Land Treasure III Ltd	1.524	PERP	315.157	8.5M
SINOCE 6 07/30/24	Sino-Ocean Land Treasure Finance I Ltd	5.993	0.82	994.217	8.3M
COGARD 5.4 05/27/25	Country Garden Holdings Co Ltd	7.046	1.65	306.05	6.4M

Sources: CCXAP research

## Rating Action: CCXAP assigned long-term credit ratings to 5 entities

On September 27, CCXAP assigns first time long-term credit rating of A<sub>g</sub> to Suzhou New District Economic Development Group Co., Ltd. (“SNDG”), with stable outlook.

On September 27, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>- to Ningguo Economic Development Holding Group Co., Ltd. (“NGED”), with stable outlook.

On September 28, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>- to Zhenjiang Culture & Broadcasting Industry Group Co., Ltd. (“ZCBI”), with stable outlook.

On September 28, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>+ to Shandong Hesheng Investment Co., Ltd. (“SHIC”), with stable outlook.

On September 28, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>+ to Chengdu Aerotropolis Industry Finance & Investment Development Co., Ltd. (“CAID”), with stable outlook.

**Table 3: Credit rating from CCXAP (20230925-20230929)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/09/27	SNDG	A <sub>g</sub>	A <sub>g</sub>	The credit rating is underpinned by the Company’s (1) wholly owned and directly managed by the District Government; (2) important strategic role in the development of the district; (3) solid macro support through continued capital injections and subsidies; (4) stability and a lower-cost source of funding. However, the rating is constrained by the Company’s (1) medium business risk, mainly including real estate development and financial investment; (2) rapidly expansion of debt, bringing pressure to the management.
2023/09/27	NGED	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) status as the most important infrastructure investment and financing company of the district; (2) remarkable record on government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) construction projects require continuous investment which may push expansion of the debt size; (3) medium size contingent solvency risk.
2023/09/28	ZCBI	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) wholly owned by the Zhenjiang city government; (2) huge political effect if claims default; (3) remarkable record on gaining government support. However, the rating is constrained by the Company’s (1) culture industry which is easy to be negatively affected by the economic cycle; (2) high leverage ratio and its high dependency on short-term debt; (3) Inadequate liquidity management, which makes it inflexible when financing.
2023/9/28	SHIC	BBB <sub>g</sub> +	BBB <sub>g</sub> +	The credit rating is underpinned by the Company’s (1) wholly owned by the government of Jimo District; (2) important strategic role in Jimo District, especially in Jimo economic development district. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) demand for investment is increasing with rising debt level; (3) regional financing environment is mediocre, thus the cost of finance is rising.
2023/9/28	CAID	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) strategic role as developer of urban main functional area and as main body of transportation infrastructure construction in ShuangLiu District; (2) remarkable records on continuous receiving government payment; (3) reasonable leverage level. However, the rating is constrained by the Company’s (1) medium size risk on commercial activities; (2) pretty large pressure on capital expenditure; (3) non-standard financing is relatively large.

Sources: CCXAP research

From September 25 to September 29, rating agencies took positive rating actions on 1 Chinese issuer and took negative rating actions on 3 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20230925-20230929)**

	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>	CAR Inc.	Consumer Discretionary	B3	STABLE	2023/09/27	B3	NEG	2022/03/06	Moody's	Improvement on liquidity management and debt maturity issues.

<b>Downgrade:</b>	China Huarong Asset Management Co., Ltd.	Financials	Baa3	NEG	2023/09/25	Baa3	POS	2023/04/14	Moody's	Pressure on profitability, asset quality and capital position.
	China Grand Automotive Services Group Co., Ltd.	Consumer Discretionary	CCC-	-	2023/09/25	CCC+	-	2021/02/16	Fitch	Weakening sales.
	Ping An Real Estate Co., Ltd.	Investment Holdings	Baa2	NEG	2023/09/27	Baa2	STABLE	2021/05/26	Moody's	Weakening financial strength.

Sources: CCXAP research



Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

---

**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