

### 2023 Issue 39

#### From October 2 to October 13

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

**Headline: China's CPI in September was 2.8%, up 0.2% month-on-month; US CPI in September exceeded expectations, up 3.7% year-on-year, and up 0.4% month-on-month.**

China's CPI remained stable in September, compared with an increase of 0.1% in the previous month. On a month-on-month basis, the national consumer price index (CPI) increased by 0.2% month-on-month, and the previous value increased by 0.3%. U.S. CPI in September exceeded market expectations, triggering slight fluctuations in the S&P 500 and gold prices on the day of the announcement.

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

In the past two weeks, RMB has appreciated. As of October 13, the RMB/USD middle rate closed at 7.1775, decreasing by 23bp from 2 weeks ago. The U.S. index increased by 0.4% to 106.648 from 2 weeks ago.

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

In the past two weeks, Chinese government bond yields increased. Due to higher-than-expected CPI and better-than-expected non-farm data, the market has increased its predictions on the possibility of the Federal Reserve raising interest rates, and U.S. Treasury yields rose.

#### Chinese Offshore Bond Market

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

From October 2 to October 13, there were 12 new issues with total issued volume of USD841 million, decreasing by 31% from last week. Among them, banks were the main issuers, issuing a total of US\$700 million in bonds.

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

As of October 13, the YTD return on Chinese USD bond index increased by 41bp from 2 weeks ago to -0.22%, of which the return rate of investment-grade bonds increased by 51bp to 2.78%, and the return rate of high-yield bonds fell by 21bp to -18.63%.

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

CCXAP assigns long-term credit rating to 4 entities, including Yueyang City Operation Investment Group Co., Ltd., Guangzhou Nanyue Fund Group Co., Ltd., Dongying Dongying District Municipal Holding Group Co., Ltd. and Luzhou High-tech Investment Group Co., Ltd..



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**Headline: China’s CPI in September was 2.8%, up 0.2% month-on-month; US CPI in September exceeded expectations, up 3.7% year-on-year, and up 0.4% month-on-month.**

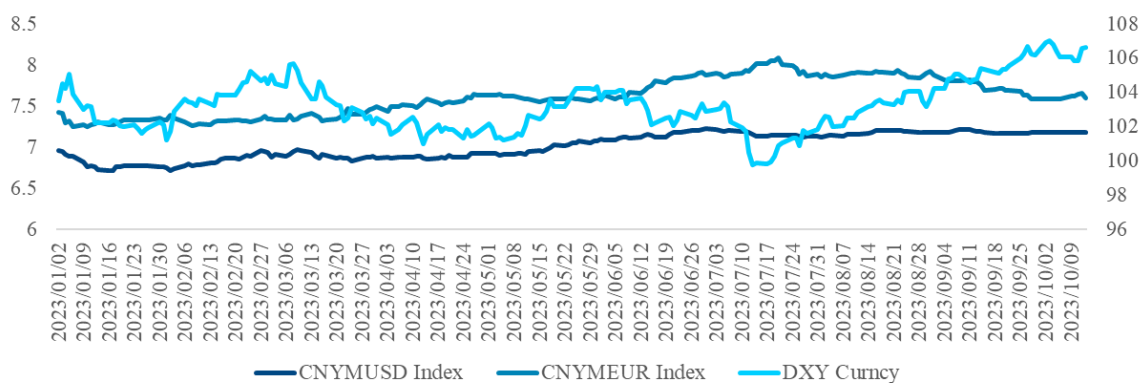
On October 13, China released national CPI (Consumer Price Index) and PPI (Producer Price Index) data for September 2023. From a month-on-month perspective, CPI increased by 0.2%, a decrease of 0.1 percentage points from the previous month. From a year-on-year perspective, CPI remained flat from a 0.1% increase last month. At the same time, affected by factors such as the gradual recovery of demand for industrial products and the continued rise in international crude oil prices, the month-on-month increase in PPI expanded, while the year-on-year decrease narrowed.

On October 12, the U.S. CPI in September exceeded market expectations, triggering slight fluctuations in the S&P 500 and gold prices on the day of the announcement. On October 6, data from the U.S. Bureau of Labor Statistics showed that non-farm employment increased by 336,000 people in September. The data for the previous two months were significantly revised upwards. The unemployment rate remained at 3.8% and wages grew at a moderate rate. . The U.S. non-farm payroll data in September unexpectedly hit the charts and hit the largest increase since the beginning of this year, indicating the resilience of the labor market and becoming a reason to support the Federal Reserve to raise interest rates again. But because wages are growing at a moderate pace, the CPI data is very sensitive. The higher-than-expected CPI combined with the explosive non-agricultural data, expectations for the Federal Reserve to raise interest rates were reflected in the day's fluctuations in the S&P 500 index and gold prices.

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

In the past two weeks, the RMB has appreciated. As of October 13, the RMB/USD middle rate closed at 7.1775, decreasing by 23bp from 2 weeks ago. The U.S. dollar index increased by 0.4% to 106.648 from 2 weeks ago.

**Figure 1: RMB exchange rate**

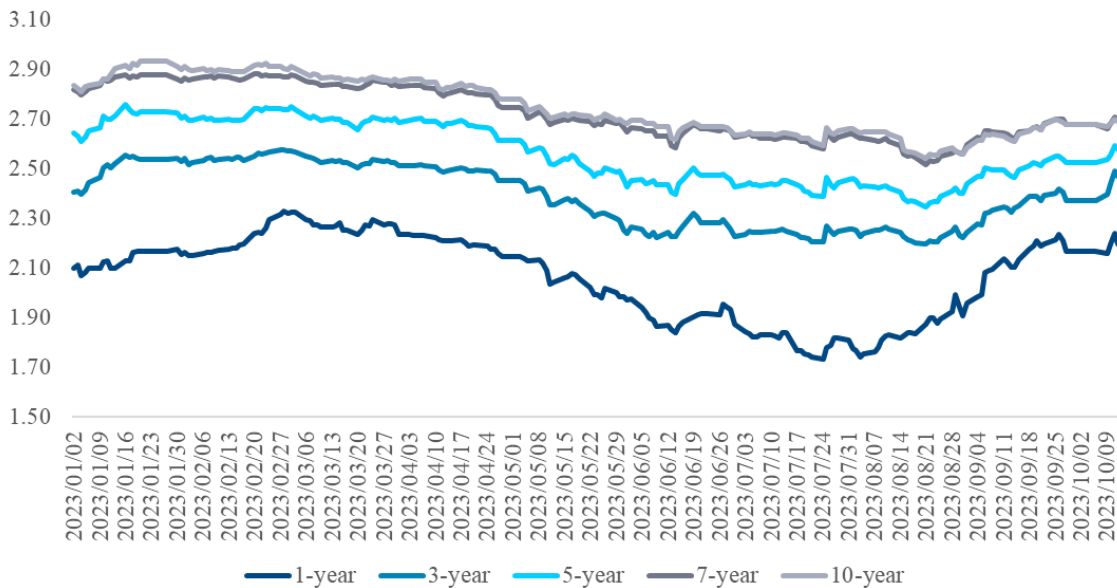


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of October 13, the yields on 1-year, 3-year, 5-year and 7-year government bonds were 2.1777%, 2.451%, 2.5528% and 2.6852% respectively, increasing by 1bp, 7.97bp, 0.5bp and 0.2bp respectively from two weeks ago. The 10-year government bond yield was 2.6702%, decreasing by 0.49bp from last week.

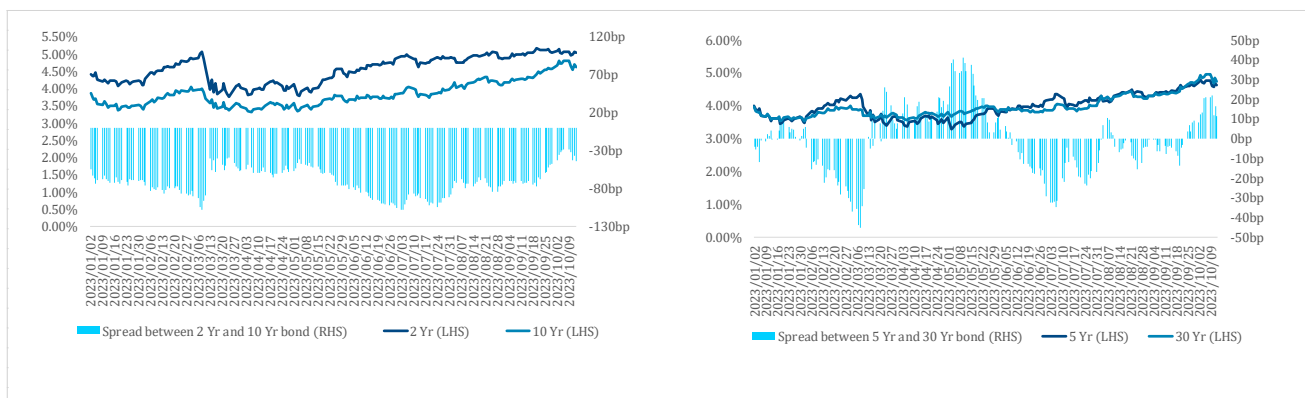
Figure 2: China Government Bond yields



Sources: CCXAP research

Due to higher-than-expected CPI and non-farm payroll data, the market expected that the Federal Reserve may restart interest rate hikes, and U.S. Treasury yields all rose. As of October 13, 2-year, 5-year, 10-year and 30-year Treasury yields were 5.05%, 4.64%, 4.61% and 4.75% respectively, up 1.02bp, 2.98bp, respectively from 2 weeks ago. 4.13bp and 5.41bp. In terms of U.S. Treasury bond spreads, the 2-year and 10-year Treasury bond spreads increased by 3.11bp from 2 weeks ago to -44.1bp, and the 5-year and 30-year Treasury bond spreads rose by 2.43 from 2 weeks ago. bp to 11.5bp.

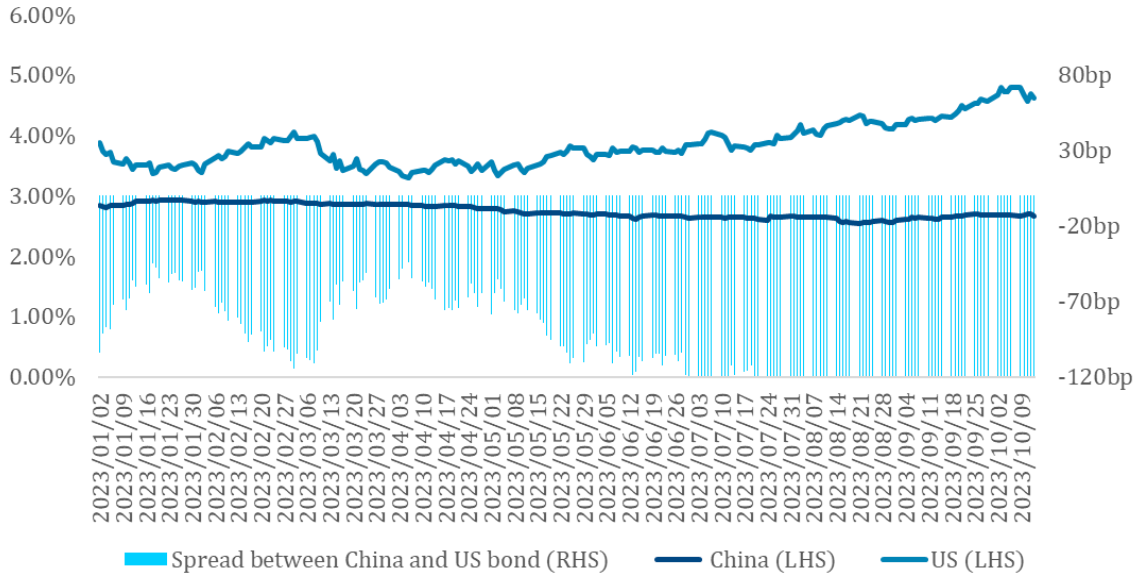
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of October 13, the yield spread between China and US 10-year note was -194.2bp, widening by 4.6bp from 2 weeks ago and 90.27bp 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 October 2 to October 13, there were 12 new issues with total issued volume of USD841 million, decreasing by 31% from last week. Among them, banks were the main issuers, issuing a total of US\$700 million in bonds.

**Table 1: New issuance of Chinese offshore bonds (20231002-20231013)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
3/10/2023	CSI Financial Products Ltd	USD	2.50	0	2024/08/04	0.50	Financials	-/BBB+/-	-/-/-
3/10/2023	CSI Financial Products Ltd	USD	10.00	0	2024/08/04	0.50	Financials	-/BBB+/-	-/-/-
4/10/2023	China Securities International Investment Co Ltd	USD	0.44	5.15	2024/10/01	0.25	Financials	-/-/-	-/-/-
5/10/2023	CSI Financial Products Ltd	USD	2.50	0	2024/10/04	0.50	Financials	-/BBB+/-	-/-/-
6/10/2023	CSI Financial Products Ltd	USD	5.00	0	2024/04/11	0.50	Financials	-/BBB+/-	-/-/-
9/10/2023	Jiangyin State Owned Asset Holding Group Co Ltd	CNY	98.55	3.93	2026/10/13	3.00	Chengtou	-/BBB/-	-/BBB/-
9/10/2023	CSI Financial Products Ltd	CNY	1.92	0.000001	2025/10/17	2.02	Financials	-/BBB+/-	-/-/-

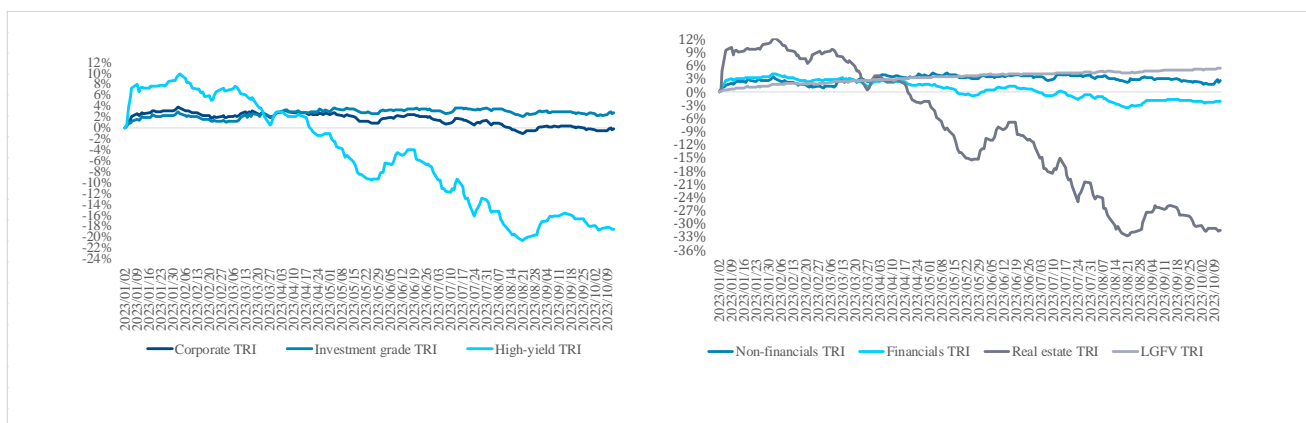
9/10/2023	China Securities International Investment Co Ltd	USD	0.50	0	2024/10/15	1.01	Financials	-/-	-/-
10/10/2023	Xiaogan Gaochuang Investment Co Ltd	CNY	41.06	6	2026/10/13	3.00	Chengtou	-/-	-/-
10/10/2023	Xiaogan Gaochuang Investment Co Ltd	CNY	52.70	3.9	2026/09/17	2.92	Chengtou	-/-	-/-
11/10/2023	China Securities International Investment Co Ltd	USD	1.00	5.4	2023/12/15	0.16	Financials	-/-	-/-
11/10/2023	China Securities International Investment Co Ltd	CNY	0.74	3.1	2023/12/15	0.16	Financials	-/-	-/-
13/10/2023	Hangzhou Shangcheng District Urban Construction Development Group Co., Ltd.	USD	2.23	6.7	16/10/2024	1	Chengtou	Baa2/-	Baa3/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond diverged

As of October 13, the year-to-date return rate of Chinese U.S. dollar bonds rose 5bp from 2 weeks ago to -0.22%, of which the return rate of investment-grade bonds rose 13bp to 2.78%, and the return rate of high-yield bonds fell 46bp to -18.63%. By industry, non-financial, financial and Chengtou returns were 2.48%, -2.21% and 5.30% respectively, up 6bp, 4bp and 18bp respectively from 2 weeks ago. The return rate of real estate bonds was -31.66%, down 102bp from 2 weeks ago.

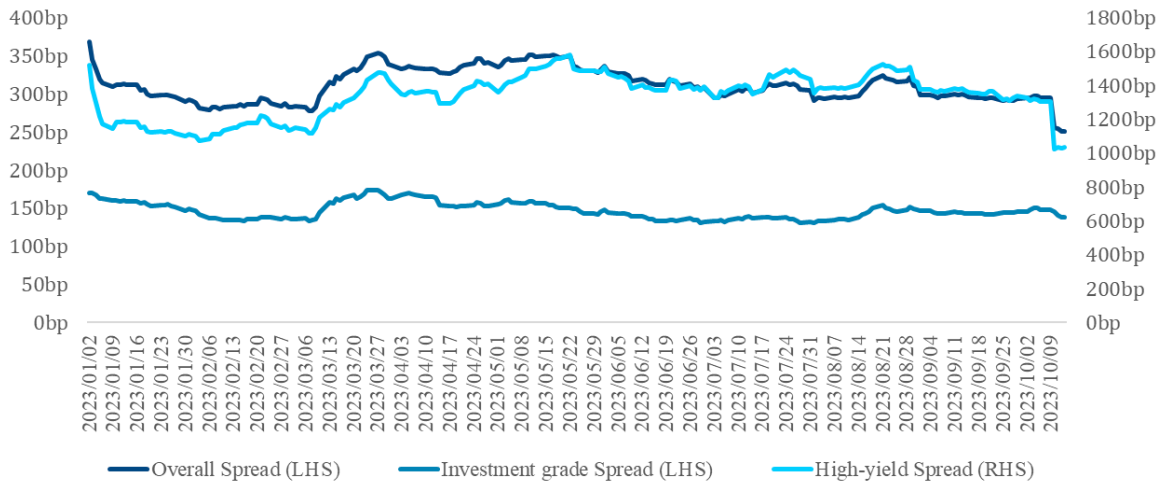
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of October 13, the spread of Chinese dollar bonds fell by 42.6bp to 250.99bp from last Friday, of which the spread of investment-grade bonds fell by 6.5bp to 138.73bp, and the spread of high-yield bonds fell by 300.4bp to 1034.60bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increases from October 2 to October 13 are shown in the table below. Among them, Agile Group Holdings Co., Ltd.'s overseas bond yields changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20231002-20231013)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 $\frac{3}{8}$ PERP	AGILE GROUP HOLDINGS LTD	3.879	PREP	11073.854	499949
AGILE 7 $\frac{7}{8}$ PERP	AGILE GROUP HOLDINGS LTD	3.75	PREP	1354.395	49065.9
AGILE 7 $\frac{3}{4}$ PERP	AGILE GROUP HOLDINGS LTD	3.983	PREP	425.881	12325.7
AGILE 13.476 PERP	AGILE GROUP HOLDINGS LTD	3.667	PREP	211.416	7629.4
GEMDAL 4.95 08/12/24	Gemdale Corporation	16.723	1.13	424.77	6057
AGILE 5 $\frac{1}{2}$ 04/21/25	AGILE GROUP HOLDINGS LTD	10.971	1.53	248.216	4591.2
AGILE 5 $\frac{3}{4}$ 01/02/25	AGILE GROUP HOLDINGS LTD	13.344	1.17	288.592	4576.3
CSCHCN 9 04/12/24	China South City Holdings Ltd	49.183	0.48	235.029	3966.4
CSCHCN 9 07/20/24	China South City Holdings Ltd	44.053	0.73	177.682	3738.4
YUEXIU 5.375 10/19/23	Yuexiu Property Company Limited	99.925	0.01	31.555	3715

Sources: CCXAP research

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

On October 11, CCXAP assigned Dongying City Dongying District Municipal Holdings Group Co., Ltd. ("DYM") a long-term credit rating of BBB- for the first time, with a stable outlook.

On October 13, CCXAP assigned Guangzhou Nanyue Fund Management Co., Ltd. ("GNFM") a long-term credit rating of BBBg for the first time, with a stable rating outlook.

On October 13, CCXAP assigned Yueyang City Operation Investment Group Co., Ltd. ("YCOG") a long-term credit rating of BBBg+ for the first time, with a stable outlook.

On October 13, CCXAP assigned Luzhou High-tech Investment Group Co., Ltd. ("LHIG") a long-term credit rating of BBBg- for the first time, with a stable outlook.

**Table 3: Credit rating from CCXAP (20231002-20231013)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/10/11	DYMH	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company's (1) important role in local infrastructure construction and public services; and (2) good track record of receiving government support. However, the rating is constrained by the Company's (1) increasing debt burden driven by the continuous investment in construction projects; (2) weak liquidity profile with limited bank standby facilities; and (3) medium contingent liabilities risk caused by mutual guarantee for local state-owned enterprises("SOEs").
2023/10/13	GNFM	BBB <sub>g</sub>	BBB <sub>g</sub>	The credit rating is underpinned by the Company's (1) strong market position in private equity fund management of Zengcheng District; (2) stable development momentum in financial service businesses, with manageable business risk; and (3) low debt burden and sufficient liquidity. However, the rating is constrained by the Company's (1) the Company's limited operating scale, with profitability vulnerable to macroeconomic conditions.
2023/10/13	YCOG	BBB <sub>g</sub> +	BBB <sub>g</sub> +	The credit rating is underpinned by the Company's (1) strong position in transportation infrastructure construction of Yueyang City and its increased importance following the injection of local state-owned enterprises; (2) good track record of receiving government support; and (3) good access to funding from banks and the bond market. However, the rating is constrained by the Company's (1) large future capital expenditure for self-operated projects; (2) fast debt growth and modest asset liquidity; and (3) moderate exposure to external guarantees.
2023/10/13	LHIG	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company's (1) key role in the infrastructure construction and high-tech industry investment in Luzhou High-Tech Industrial Development Zone ("Luzhou High-Tech Zone"); (2) solid 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) relatively low sustainability of public projects; (2) medium exposure to commercial activities; (3) high debt leverage with certain liquidity pressure; and (4) high contingent risk arising from external guarantees.

Sources: CCXAP research

From October 2 to October 13, rating agencies took positive rating actions on 2 Chinese issuers and took negative rating actions on 5 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20231002-20231013)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade:	China Resources Power Holdings Co., Ltd	Utility	Baa1	STABLE	3/10/2023	Baa2	STABLE	25/3/2020	Moody	Playing more important role on local government's green energy strategy
	CHINA PACIFIC INSURANCE (GROUP) CO., LTD.	Financials	A3	STABLE	2023/10/11	BBB+	NEG	25/7/2022	Moody	Operational sector is promising, stronger profitability according to recent actions

Downgrade:	China SCE Group Holdings Limited	Real Estate	Ca	NEG	5/10/2023	Caa1	NEG	14/9/2023	Moody	Poor liquidity management with default events
	WEST CHINA CEMENT LIMITED	Industrials	Ba3	NEG	2023/10/09	Ba2	NEG	29/9/2022	Moody	High leverage, dependency on short-term debt
	Ping An Real Estate Co., Ltd.	Real Estate	Ba2	STABLE	2023/10/11	Baa3	STABLE	2022/05/26	Moody	Poor financial report with low profitability and high liquidity risk
	China Hongqiao Group Limited	Industrials	Ba2	NEG	2023/10/11	Ba2	POS	2022/09/26	Moody	Increasing dependency on short term debt
	Zhongyuan Asset Management Co., Ltd	Real Estate	BBB	STABLE	2023/10/13	BB+	POS	2022/10/28	Fitch	Pessimistic industry outlook of the company

Sources: CCXAP research



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