

2023 Issue 40 From October 16 to October 20

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

Headline: China announced related data of real estate markets across the country from January to September 2023, the investment volume of real estate sector has experienced negative growth for 17 consecutive months.; The FED signaled it would stop raising interest rates in November, and long-term U.S. bond yields still rose

The basic situation of China's real estate market across the country from January to September has been released, and various data such as transaction volume and investment volume have dropped significantly year-on-year. The Federal Reserve hinted that it plans not to raise interest rates in November. Short-term U.S. bond yields therefore fell but long-term U.S. bond yields still rose, which affected the equity market.

Exchange Rate: RMB depreciated, USD index decreased

This week, RMB appreciated. As of October 20, the RMB/USD middle rate closed at 7.1793, increasing by 18bp from last Friday. The USD index decreased by 0.5% to 106.163 from last Friday.

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

This week, the China Government Bond yields increased. FED suggested its satisfaction on inflation control in the FOMC meeting, the market predicted the probability of another rate hike in November decrease. However, US bond was over sale in the past several months, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From October 16 to October 20, there were 22 new issues with total issued volume of USD3.55 billion. Among them, financial companies are the largest issuer with a total issued amount of USD1.60 billion.

Secondary Market: Return on Chinese USD bond decreased

As of October 20, the YTD return on Chinese USD corporate bond index decreased by 71bp to -0.88% from last Friday, of which the return on investment-grade bonds decreased by 10bp to 2.67%, the return on high-yield bonds decreased by 112bp to -19.75%.

Rating Action: CCXAP assigns long-term credit ratings to 1 entity

CCXAP assigns long-term credit rating to 1 entity, Renshou Urban Investment Group Co., Ltd.



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Headline: China announced related data of real estate markets across the country from January to September 2023, the investment volume of real estate sector has experienced negative growth for 17 consecutive months.; The FED signaled it would stop raising interest rates in November, and long-term U.S. bond yields still rose

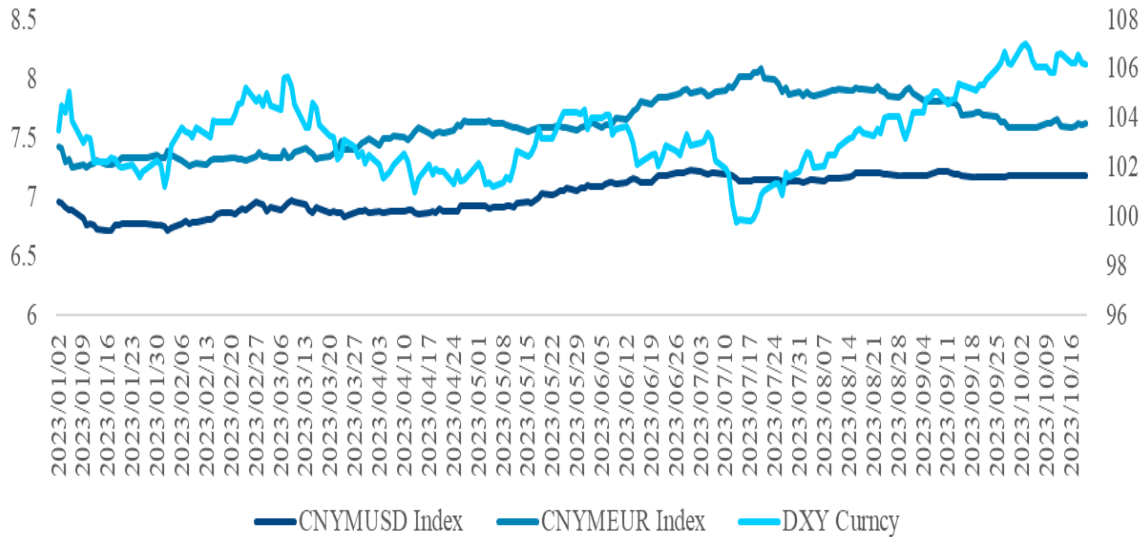
On October 18, China released list of related data of real estate market from January to September 2023. From January to September, the housing construction area of real estate development enterprises was 8,156.88 million square meters, a year-on-year decrease of 7.1%; the commercial housing sales area was 848.06 million square meters, a year-on-year decrease of 7.5%; the real estate development prosperity index was 93.44, declining for six consecutive months. From the investor perspective, investment in real estate development fell by 9.1% annually from January to September this year, showing negative growth for 17 consecutive months, indicating that due to the impact of the funding crunch, the confidence of real estate companies in development and investment continues to be weak.

On October 20, several FED officials, including Federal Reserve Chairman Jerome Powell, hinted that they would not raise interest rates in November. After Powell's speech, U.S. Treasury yields became more volatile, with short-term Treasury yields falling as the market expected the Fed would not further raise policy rates, while long-term Treasury yields climbed to multi-year highs, which also significantly suppressed sentiment on U.S. stocks overnight. All three major U.S. stock indexes closed lower. The equity market hopes that the Fed will give a relatively clear interest rate path, that is, completely stop raising interest rates, but the statements of Fed officials did not clearly give up this option.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of October 20, the RMB/USD middle rate closed at 7.1793, increasing by 18bp from last Friday; the RMB/EUR middle rate closed at 7.6275, increasing by 230bp from last Friday. The USD index decreased by 0.5% to 106.163 from last Friday.

Figure 1: RMB exchange rate

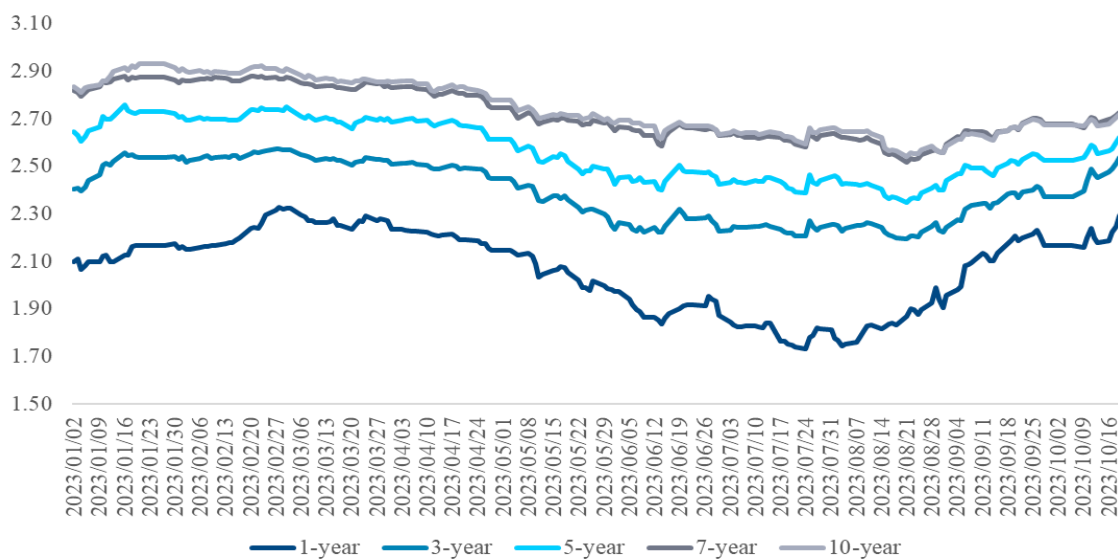


Sources: CCXAP research

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

Since the Central Bank’s Monetary Policy Committee pointed out at the September 25 meeting that it will promote price recovery and use policy tools such as interest rates to stimulate the economy, this week, the China Government Bond yields increased. As of October 20, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.3107%, 2.5010%, 2.5982%, 2.7150% and 2.7052%, increasing by 13.3bp, 5.0bp, 4.54bp, 3.25bp and 3.50bp respectively from last Friday.

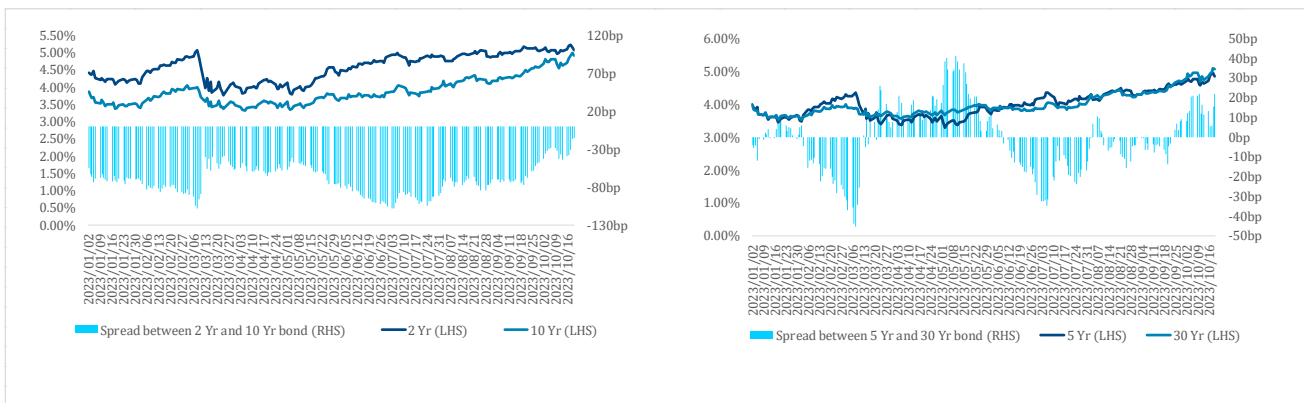
Figure 2: China Government Bond yields



Sources: CCXAP research

FED suggested its satisfaction on inflation control in the FOMC meeting, the market predicted the probability of another rate hike in November decrease. However, US bond was over sale in the past several months, US Treasury yields rose. As of October 20, 2-year, 5-year, 10-year and 30-year Treasury yields were 5.0731%, 4.8581%, 4.9137% and 5.0755%, increasing by 1.93bp, 21.93bp, 30.13bp and 32.22bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds increased by 28.2bp to -15.9bp from last Friday, and the spread between 5-year and 30-year Treasury bonds increased by 10.29bp to 21.7bp from last Friday.

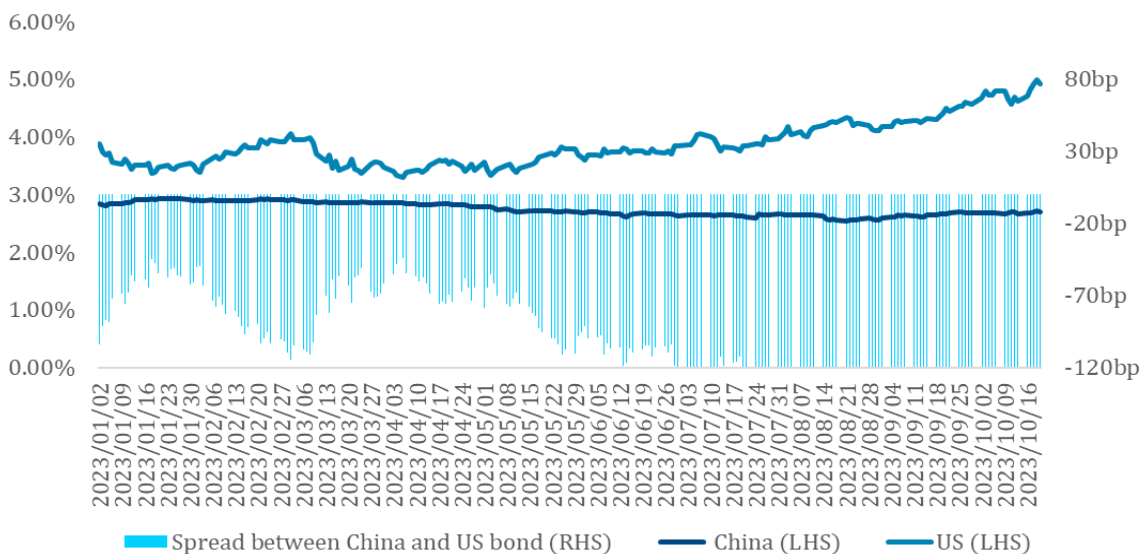
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of October 20, the yield spread between China and US 10-year note was -220.9bp, widening by 26.6bp from last Friday and 116.90bp 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 16 to October 20, there were 22 new issues with total issued volume of USD3.55 billion. Among them, financial companies are the largest issuer with a total issued amount of USD1.60 billion.

Table 1: New issuance of Chinese offshore bonds (20231016-20231020)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/10/16	Shangrao City Construction Investment Development Group Co Ltd	CNY	30	6.5	10/18/2026	3.00	Chengt ou	-/-/BB+	-/-/-
2023/10/16	CITIC Securities International	JPY	37	0	10/23/2024	1.01	Financia ls	-/BBB+/-	-/-/-
2023/10/16	Jiaxing City Investment & Development Group Co Ltd	CNY	1775	4	10/20/2026	3.00	Chengt ou	Baa2/-/-	-/-/-
2023/10/16	China Securities International Investment Co Ltd	CNY	7	4.8	01/19/2024	0.25	Financia ls	-/-/-	-/-/-
2023/10/16	CITIC Securities International	USD	50	0	10/19/2027	4.00	Financia ls	-/BBB+/-	-/-/-
2023/10/17	Baoying Development Investment Co Ltd	USD	4500	1.65	10/25/2026	3.00	Chengt ou	-/-/-	-/-/-
2023/10/17	Jiangsu Huajing Assets Management Co Ltd	USD	450	4.5	10/24/2026	3.00	Chengt ou	-/-/-	-/-/-
2023/10/18	Zoucheng City Investment Holdings International Co Ltd	USD	60	7.8	10/22/2024	1.00	Chengt ou	-/-/-	-/-/-
2023/10/18	Jinan Lixia Holding Group Co Ltd	CNY	300	7.3	10/26/2026	3.00	Chengt ou	-/-/-	-/-/-
2023/10/18	Qingdao Conson Development Gro	EUR	210	7	10/25/2026	3.00	Chengt ou	-/-/BBB+	-/-/-
2023/10/18	Xi'an Port Industrial Co Ltd	CNY	170	7	10/26/2026	3.00	Chengt ou	-/-/-	-/-/-
2023/10/18	Industrial & Commercial Bank of China Ltd/Singapore	JPY	1000	5.93524	10/25/2026	3.00	Financia ls	A1/A/A	A1/-/-
2023/10/18	Industrial & Commercial Bank of China Ltd/Dubai DIFC	HKD	1600	3.2	10/25/2025	2.00	Financia ls	A1/A/A	A1/-/-

2023/10/18	Industrial & Commercial Bank of China Ltd/Luxembourg	USD	300	4.125	10/25/2026	3.00	Financials	A1/A/A	A1/-/-
2023/10/18	China Overseas Land & Investment	USD	3190	3.5	10/25/2026	3.00	Real Estate	Baa1/-/-	-/-/-
2023/10/19	Chengdu Wenjiang Xingrongxi City Operations Group Co Ltd	CNY	10600	1.4	10/25/2026	3.00	Chengt ou	-/-/-	-/-/-
2023/10/19	China Securities International Investment Co Ltd	USD	5	4.65	01/25/2024	0.25	Financials	-/-/-	-/-/-
2023/10/20	Guotai Junan International Holdings Ltd	USD	33	6.1	04/26/2024	0.50	Financials	Baa2/B BB+/-	-/-/-
2023/10/20	Jinan HI-Tech International Cayman Investment Development Co Ltd	CNY	280	7.4	10/27/2026	3.00	Chengt ou	-/-/BBB	-/-/BBB
2023/10/20	China Securities International Investment Co Ltd	JPY	1156	2.85	01/25/2024	0.25	Financials	-/-/-	-/-/-
2023/10/20	CMB International Leasing Management Ltd	CNY	20	6.03484	04/29/2024	0.51	Financials	A3/-/-	-/-/-
2023/10/20	Ningguo State Owned Capital Holding Group Co Ltd	CNY	110	7.9	10/27/2026	3.00	Chengt ou	-/-/-	-/-/-

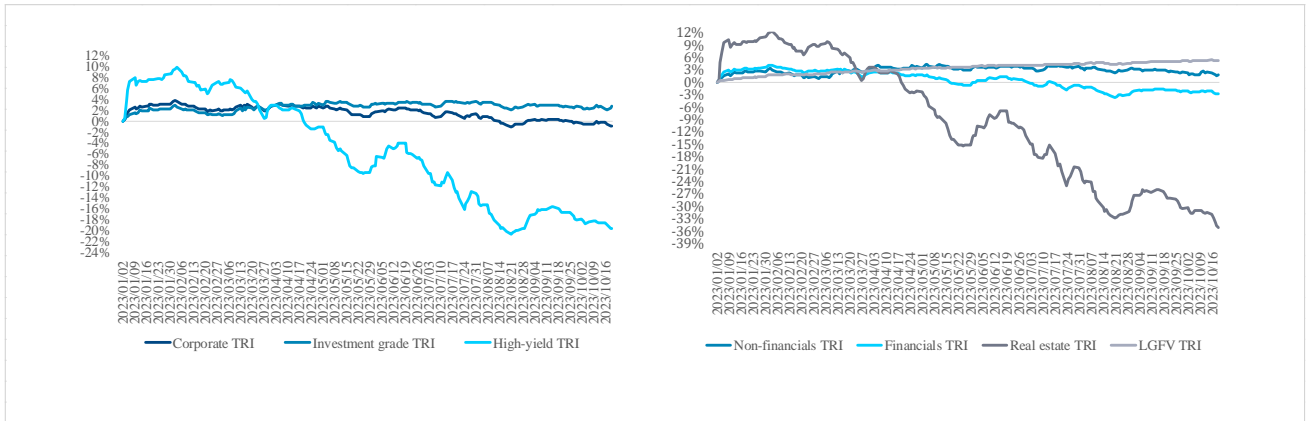
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of October 20, the YTD return¹ on Chinese USD corporate bond index decreased by 71bp to -0.88% from last Friday, of which the return on investment-grade bonds decreased by 10bp to 2.67% and the return on high-yield bonds decreased by 112bp to -19.75%. In terms of sector indices, the return on non-financials, financials, real estate and Chengt ou bonds were 1.71%, -2.87%, -35.31% and 5.22%, decreasing by 77bp, 66bp, 364bp and 8bp respectively from last Friday.

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

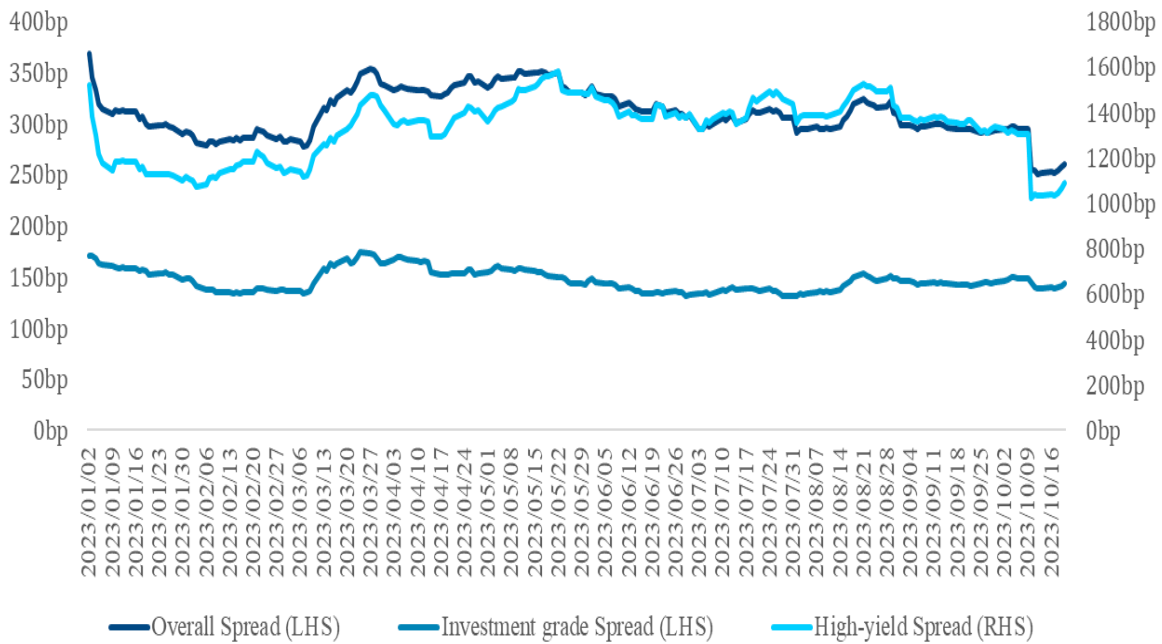
¹ Year-to-date return measures the return since January 3, 2023



Sources: CCXAP research

As of October 20, the yield spread of Chinese dollar bonds increased by 9.2bp to 260.15bp from last Friday. The yield spread of investment-grade bonds increased by 4.8bp to 143.52bp, while the spread of high-yield bonds increased by 54.5bp to 1,089.06bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from October 16 to October 20 are shown in the table below. Among them, Agile Group Holdings Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20231016-20231020)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Conventio n	Yield Change
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AGILE 8 ¾ PERP	AGILE GROUP HOLDINGS LTD	4.654	PREP	ERROR	255138.9
GEMDAL 4.95 08/12/24	Gemdale Corporation	17.721	0.73	409.31	24551.8
AGILE 7 ¾ PERP	AGILE GROUP HOLDINGS LTD	3.269	PREP	1535.301	10064.7
CHINEV 3.8 PREP	China Everbright Limited	99.954	PREP	19.991	5070
CHGRAU 9.109 PERP	China Grand Automotive Services Co.,Ltd.	99.266	PREP	72.474	4729.4
GCLNE 10 01/30/24	SAME TIME HOLDINGS LIMITED	99.5	0.27	53.98	4727.6
CSCHCN 9 04/12/24	China South City Holdings Ltd	48.085	0.45	259.026	4234.7
GLPCHI 4.974 02/26/24	GLP China Holdings Ltd	81.386	0.35	73.972	4106
GLPCHI 4 07/02/24	GLP China Holdings Ltd	64.625	0.69	81.026	3153.3
FUTLAN 6 08/12/24	New City Development Holdings Limited	47.748	0.73	128.837	3061.9

Sources: CCXAP research

Rating Action: CCXAP assigned long-term credit ratings to 1 entity

On October 20, CCXAP assigns first time long-term credit rating of BBB_g to Renshou Urban Investment Group Co., Ltd. ("RUIG" or the "Company"), with stable outlook.

Table 3: Credit rating from CCXAP (20231016-20231020)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/10/20	RUIG	BBB _g	BBB _g	The credit rating is underpinned by the Company's (1) crucial status as the most important infrastructure construction and state-owned assets operation entity in Renshou County; (2) government funding supports for its construction projects; and (3) diversified funding channels. However, the rating is constrained by the Company's (1) medium exposure to commercial activities, operating performance fell short of expectations; (2) large capital expenditure pressure; and (3) fast debt growth and moderate asset liquidity.

Sources: CCXAP research

From October 16 to October 20, rating agencies took positive rating actions on 1 Chinese issuer and took negative rating actions on 6 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20231016-20231020)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									

Upgrade:	WuXi AppTec Co., Ltd.	Technology	BBB	POS	2023/10/17	BBB	STABLE	2022/10/20	Fitch	Strong profitability brings strong and stable cash flow from operation
	GLP PTE. LTD.	Industrials	BB	STABLE	2023/10/16	BBB-	none	2023/05/09	Fitch	Poor financial report, postponing deleverage process made their interest coverage and debt structure worse
Downgrade:	China Vanke Co Ltd	Real estate	BBB	STABLE	2023/10/17	BBB+	STABLE	2023/07/25	Fitch	High leverage ratio under uncertain industry circumstances
	Gemdale Corp	Real estate	B3	NEG	2023/10/17	Ba3	none	2023/08/28	Mood y's	Decreasing sales number, large amount of debt due in the next 12 to 18 months
	Poly Developments and Holdings Group Co Ltd	Real estate	BBB	STABLE	2023/10/17	BBB+	STABLE	2022/11/02	Fitch	High leverage ratio under uncertain cash flow provision future
	Guangzhou Development District Holding Group Co Ltd	Chengtou	Baa2	NEG	2023/10/20	Baa1	NEG	2022/08/29	Mood y's	As demands on finance increase and the profitability under current situation decrease, the company is expected to increase its leverage ratio
	Hopson Development Holdings Ltd	Real estate	B	STABLE	2023/10/21	B+	STABLE	2023/02/16	Fitch	Sales decreased in the past several months, so the liquidity buffer weakened

Sources: CCXAP research

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