

2023 Issue 41 From October 23 to October 27

Chinese offshore bond new issuance decreased; return on Chinese USD bond rose

Headline: China would issue RMB1 trillion of government bonds, and the deficit rate was expected to increase from 3% to about 3.8%; US preliminary real GDP grew by 4.9% in the third quarter the fastest growth rate in nearly two years

China would issue RMB1 trillion of 2023 treasury bonds in the fourth quarter of this year, and the deficit rate was expected to increase from 3% to about 3.8%. US real GDP in the third quarter rose by 4.9% YoY on an annualized quarter-on-quarter basis, more than double the previous quarter's 2.1% and beat market expectations of 4.7%.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of October 27, the RMB/USD middle rate closed at 7.1782, decreasing by 11bp from last Friday. The USD index increased by 0.4% to 106.559 from last Friday.

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

This week, the China Government Bond yields decreased. As the US third-quarter GDP data showed robust economic growth, US Treasury yields decreased.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From October 23 to October 27, there were 19 new issues with total issued volume of USD1.288 billion, decreasing by 19.4% from last week. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD 695 million.

Secondary Market: Return on Chinese USD bond increased

As of October 23, the YTD return on Chinese USD corporate bond index increased by 28bp to -0.60% from last Friday, of which the return on investment-grade bonds increased by 31bp to 2.44%, the return on high-yield bonds increased by 7bp to -19.68%.

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

CCXAP assigns long-term credit rating to 5 entities, including Zigong Construction & Engineering Co., Ltd., Jiangyou Chuangyuan Development and Construction Investment Co., Ltd, Sichuan Zhenwei Industrial Development Group Co., Ltd., Meishan Tianfu New Area Investment Group Co. Ltd. and Jinyun County State-owned Assets Investment Operation Co., Ltd.



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Headline: China would issue RMB1 trillion of government bonds, and the deficit rate was expected to increase from 3% to about 3.8%; US preliminary real GDP grew by 4.9% in the third quarter the fastest growth rate in nearly two years

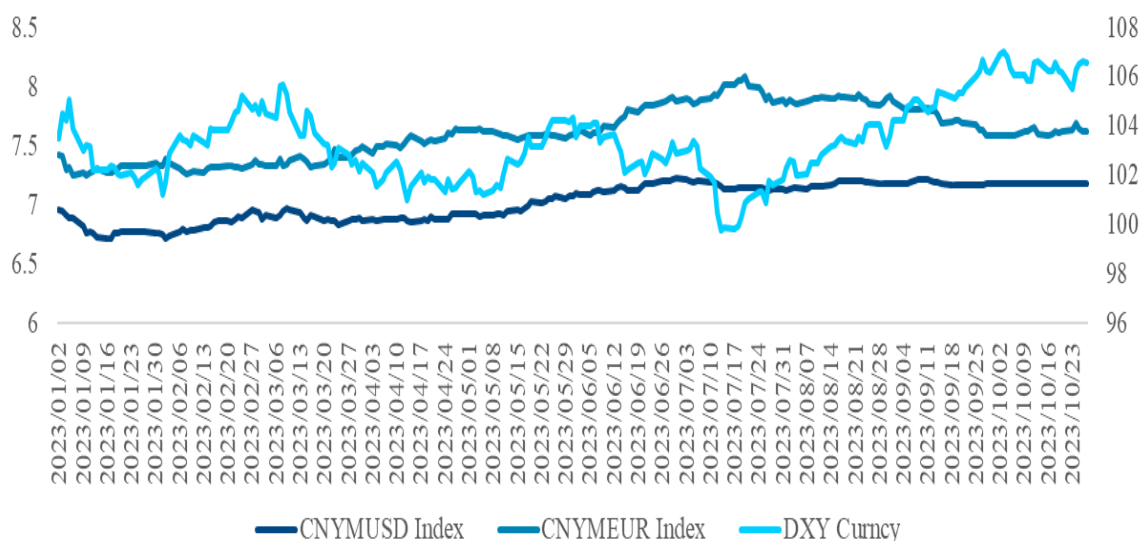
On October 24, the sixth meeting of the Standing Committee of the 14th National People's Congress voted to approve the resolution of approving the State Council's additional issuance of Treasury bonds and the 2023 central budget adjustment plan. The central government will issue RMB1 trillion of treasury bonds in 2023 in the fourth quarter of this year, and all the additional treasury bonds will be arranged to municipal governments through transfer payments, focusing on supporting post-disaster recovery and reconstruction, making up for the shortcomings of disaster prevention, mitigation and relief, and improving China's ability to resist natural disasters as a whole. The national fiscal deficit will increase from RMB3.88 trillion to RMB4.88 trillion, and the deficit rate is expected to increase from 3% to about 3.8%.

On October 26, data released by the US Department of Commerce showed that the US real GDP in the third quarter increased by 4.9% year-on-year on an annualized quarter-on-quarter basis, more than double the 2.1% increase in the previous quarter and exceeding market expectations of 4.7%. At the same time, the PCE index cooled down on quarterly inflation data, with the personal consumption expenditures (PCE) price index rising 2.9% YoY and 2.5% in the same period last year. The core PCE price index, which excludes food and energy, rose 2.4%, a significant slowdown from 3.7% in the previous reading and slightly below economists' expectations of 2.5%.

Exchange Rate: RMB appreciated, USD index increased

This week, the RMB appreciated. As of October 27, the RMB/USD middle rate closed at 7.1782, decreasing by 11bp from last Friday; the RMB/EUR middle rate closed at 7.618, decreasing by 95bp from last Friday. The USD index closed at 106.559, increasing by 0.4% from last Friday.

Figure 1: RMB exchange rate

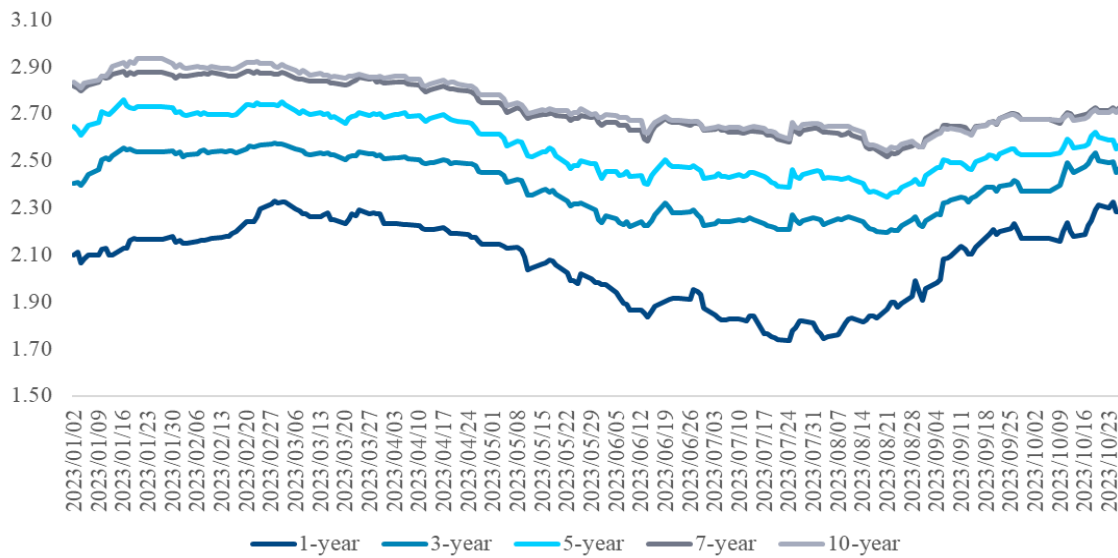


Sources: CCXAP research

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

This week, the China Government Bond yields generally decline. As of October 27th, the 1-year, 3-year, 5-year, and 7-year China Government Bond yields were 2.2807%, 2.4480%, 2.5518%, and 2.7125%, decreasing by 3.00bp, 5.30bp, 4.64bp, and 0.25bp, respectively from last Friday. The 10-year China Government Bond yield were 2.7133%, increasing by 0.81bp from last Friday.

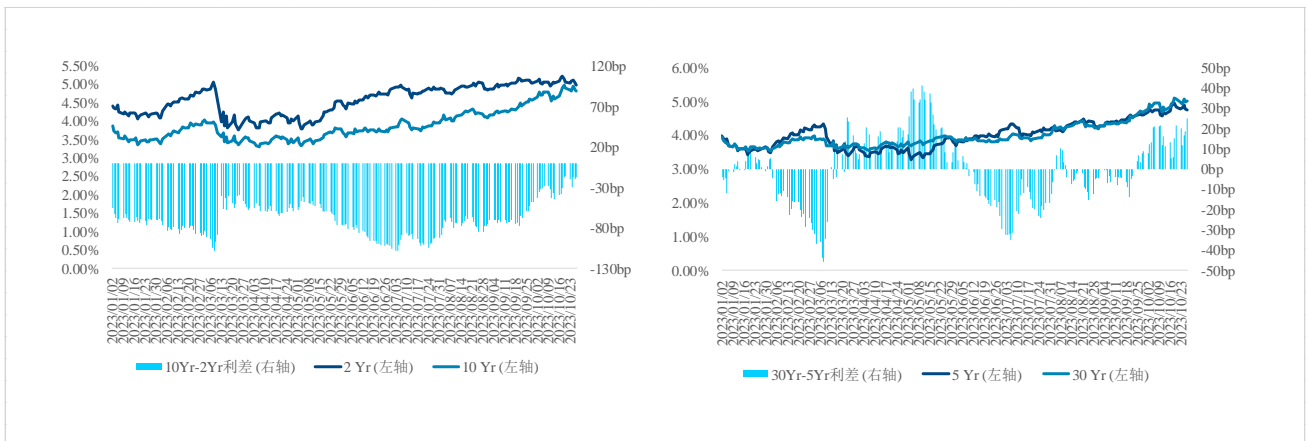
Figure 2: China Government Bond yields



Sources: CCXAP research

As the US third-quarter GDP data showed robust economic growth, US Treasury yields decreased. As of October 27, the 2-year, 5-year, 10-year, and 30-year Treasury yields were 5.0021%, 4.7614%, 4.8346%, and 5.0144%, decreasing by 7.10bp, 9.67bp, 7.91bp, and 6.11bp, respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 0.81bp to -16.8bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 3.56bp to 25.3bp from last Friday.

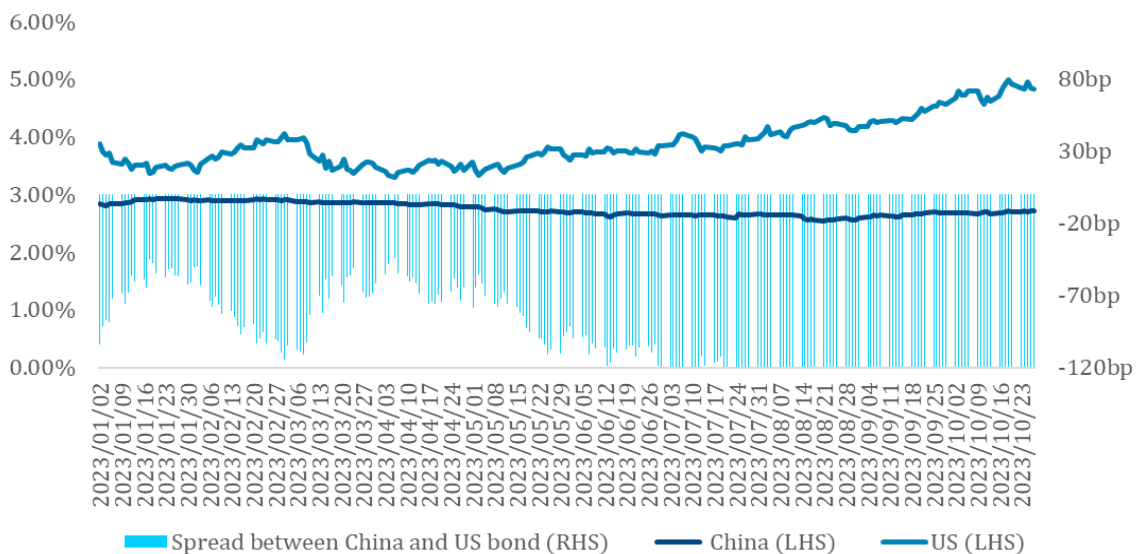
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of October 22, the yield spread between China and US 10-year note was -212.1bp, narrowing by 8.7bp from last Friday and widening 108.18bp 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 23 to October 27, there were 19 new issues with total issued volume of USD1.288 billion, decreasing by 19.4% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD 695 million.

Table 1: New issuance of Chinese offshore bonds (20231023-20231027)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/10/24	Qihe Urban Investment Construction Group Co., Ltd	CNY	150	7.8	2026/10/24	2.98	Chengtou	-/-/	-/-/
2023/10/24	China Securities International Investment Co Ltd	CNY	5.4	3.3	2024/1/31	92D	Financials	-/-/	-/-/
2023/10/24	CITIC Securities International	CNY	100	0	2026/11/10	3.04	Financials	-/BBB+/-	-/-/
2023/10/25	China Construction Bank Corp	NZD	150	FRA+120	2026/11/2	3	Banks	A1/-/A	A1/-/A
2023/10/25	Huatai International Financial	USD	14.5	0	2024/5/2	183D	Financials	-/BBB+/-	-/-/
2023/10/25	Sichuan Naxing Industrial Grou	CNY	497	7.9	2026/10/27	3	Chengtou	-/-/	-/-/
2023/10/25	CITIC Securities International	CNY	101	0	2026/9/30	2.92	Financials	-/BBB+/-	-/-/
2023/10/25	CITIC Securities International	CNY	84	0	2026/9/30	2.92	Financials	-/BBB+/-	-/-/
2023/10/25	CITIC Securities International	CNY	75	0	2026/9/30	2.92	Financials	-/BBB+/-	-/-/
2023/10/26	Fujian Zhanglong Group Co Ltd	USD	500	6.7	2026/9/2	2.83	Chengtou	-/-/BBB-	-/-/BBB-
2023/10/26	Tongren State-owned Capital Operation Co., Ltd.	USD	107	6.8	2026/10/30	3	Chengtou	-/-/	-/-/
2023/10/26	CITIC Securities International	USD	15	0	2024/1/31	92D	Financials	-/BBB+/-	-/-/
2023/10/26	CITIC Securities International	USD	10.4	0	2025/3/24	1.4	Financials	-/BBB+/-	-/-/
2023/10/26	CITIC Securities International	USD	11.4	0	2025/3/24	1.4	Financials	-/BBB+/-	-/-/
2023/10/26	CITIC Securities International	USD	12.2	0	2025/3/24	1.4	Financials	-/BBB+/-	-/-/
2023/10/26	China Securities International Investment Co Ltd	CNY	12.7	3	2024/1/3	64D	Financials	-/-/	-/-/
2023/10/27	China Securities International Investment Co Ltd	HKD	3.7	4.8	2024/4/30	181D	Financials	-/-/	-/-/
2023/10/27	ICBC Financial Leasing Co Ltd	USD	130	SOFR+78	2024/11/8	361D	Financials	A2/A/A	-/-/
2023/10/27	ICBC Financial Leasing Co Ltd	USD	260	SOFR+78	2024/11/8	361D	Financials	A2/A/A	-/-/

Sources: CCXAP research

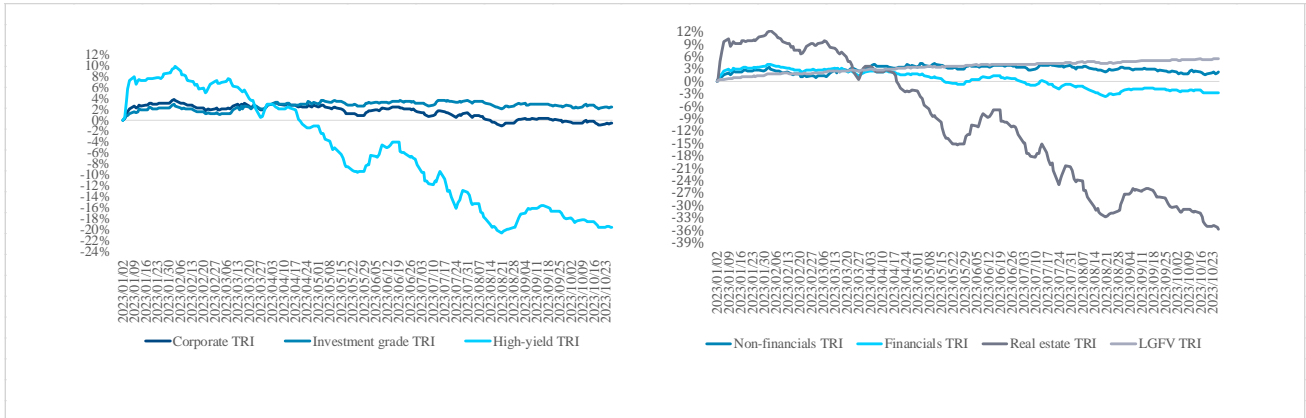
Secondary Market: Return on Chinese USD bond increased

As of October 27, the YTD return¹ on Chinese USD corporate bond index increased by 28bp to -0.60% from last Friday, of which the return on investment-grade bonds increased by 31bp to 2.44%, and the return on high-yield bonds increased by 7bp to -19.68%. In terms of sector indices, the return on non-financial, financial, and Chengtou bonds was 2.19%, -2.75%, and 5.43%, respectively,

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

increasing by 48bp, 12bp, and 21bp from last Friday. The return on real estate bonds was -35.97%, decreasing by 66bp from last week.

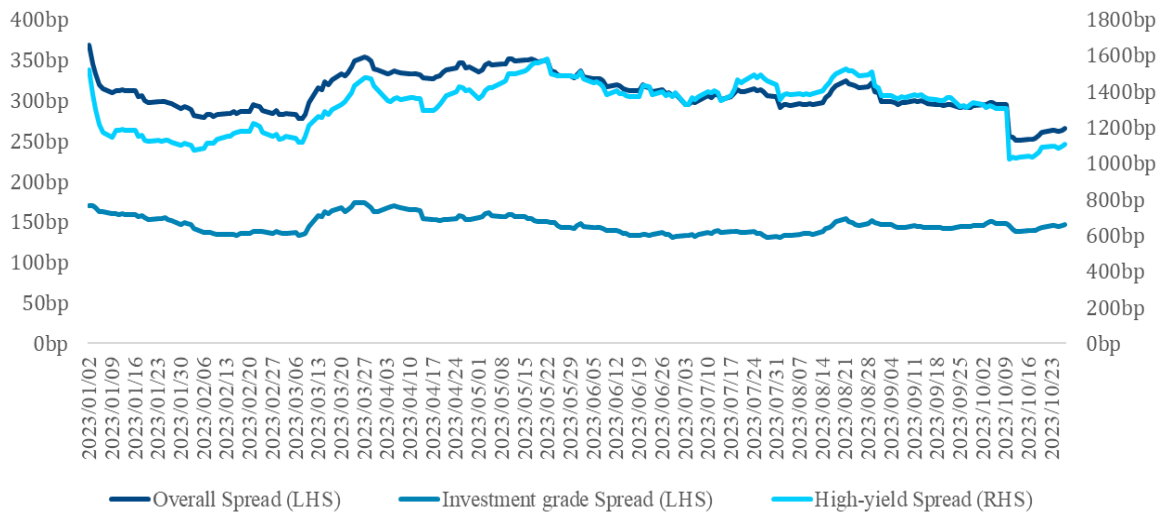
Figure 5: YTD return on Marit IBoxx Chinese USD bond index



Sources: CCXAP research

As of October 27th, the yield spread of Chinese dollar bonds increased by 8.1bp to 265.26bp from last Friday. The yield spread of investment-grade bonds increased by 5.6bp to 146.96bp, while the spread of high-yield bonds increased by 40.3bp to 1104.23bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from October 23 to October 27 are shown in the table below. Among them, Agile Group Holdings Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20231023-20231027)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 % PERP	AGILE GROUP HOLDINGS LTD	3.769	PREP	1486.447	39732.6

AGILE 7 ⅞ PERP	AGILE GROUP HOLDINGS LTD	3.706	PREP	464.127	8982.5
DALWAN 7 ¼ 01/29/24	Wanda Properties Overseas Ltd	52.252	0.24	382.538	8775.6
RDHGCL 7.8 03/20/24	RADIANCE GROUP Co., LTD.	52	0.38	253.027	6688.3
VNKRLE 4.2 06/07/24	China Vanke Co., Ltd.	79.307	0.6	48.174	2745.9
AVIILC 3.425 PREP	AVIC INTERNATIONAL LEASING CO., LTD.	99.968	PREP	14.699	2593.8
VNKRLE 5.35 03/11/24	China Vanke Co., Ltd.	90.216	0.36	36.123	2080.6
GSHIAV 3.25 11/03/23	Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd.	99.841	0.01	59.621	1928.5
CSCHCN 9 04/12/24	China South City Holdings Ltd	45.642	0.45	302.819	1889.4
AGILE 13.476 PERP	AGILE GROUP HOLDINGS LTD	4.000	PREP	206.656	1864.7

Sources: CCXAP research

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

On October 25, CCXAP assigns first time long-term credit rating of BBB_g- to Zigong Construction & Engineering Co., Ltd. (“ZCEC” or the “Company”), with stable outlook.

On October 25, CCXAP assigns first time long-term credit rating of BBB_g- to Jiangyou Chuangyuan Development and Construction Investment Co., Ltd (“JCDC” or the “Company”), with stable outlook.

On October 26, CCXAP assigns first time long-term credit rating of BBB_g- to Sichuan Zhenwei Industrial Development Group Co., Ltd. (“Zhenwei” or the “Company”), with stable outlook.

On October 26, CCXAP assigns first time long-term credit rating of BBB_g+ to Meishan Tianfu New Area Investment Group Co. Ltd. (“MTAI” or the “Company”), with stable outlook.

On October 27, CCXAP assigns first time long-term credit rating of BBB_g- to Jinyun County State-owned Assets Investment Operation Co., Ltd. (“JCSA” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20231023-20231027)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/10/25	ZCEC	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) high sustainability for public projects; (2) good predictability of government support; and (3) reasonable debt leverage. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities with controllable risks; (2) great capital expenditure pressure for project construction; and (3) relatively large exposure to high cost non-standard financing.
2023/10/26	JCDC	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) key role in the infrastructure construction of Jiangyou Industrial Park; (2) public projects with high business sustainability; and (3) solid track record of receiving government support. However, the Company’s rating is constrained by its (1) increasing exposure to commercial activities; and (2) high proportion of nonstandard financing.
2023/10/26	Zhenwei	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) important status as the major infrastructure construction entity in Weiyuan County; (2) good sustainability for infrastructure construction and engineering construction businesses; and (3) good track record of receiving government support. However, the rating is constrained by the Company’s (1) high capital expenditure pressure associated with large project reserves; (2) limited financing flexibility and relatively high financing cost; and (3) moderate asset liquidity.
2023/10/26	MTAI	BBB _g +	-	The credit rating is underpinned by the Company’s (1) monopoly role in the development of Meishan Tianfu New Area; (2) solid track record of receiving government support; and (3) strong access to funding from banks and bond markets. However, the rating is constrained by the Company’s (1) medium

				commercial business risks in self-operated projects and property development; and (2) rapid debt growth and certain liquidity pressure.
2023/10/26	JCSA	BBB _g -	BBB _g -	The credit rating is underpinned by the Company's (1) monopoly role in the development of Jinyun County; (2) good access to funding from banks and bond markets; and (3) solid track record of receiving government support. However, the rating is constrained by the Company's (1) high capital expenditure pressure associated with large project reserves; (2) rapid debt growth; and (3) moderate asset liquidity.

Sources: CCXAP research

From October 18 to October 22, rating agencies took negative rating actions on 1 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20231023-20231027)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Downgrade:	Wens Foodstuffs Group Co Ltd	Animal Production & Processing	BB	NEG	2023/10/23	BB+	STABLE	2022/10/31	Fitch	Industry is in a cycle of supply over demand, the price of the product is now below break-even price, so the profitability is negatively affected.

Sources: CCXAP research

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