

2023 Issue 42

From October 30 to November 3

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

Headline: China's October manufacturing purchasing managers' index fell 0.7% from the previous month; the Fed suspended rate hikes for the second consecutive time

The Chinese government announced that the manufacturing purchasing managers index (PMI) in October was 49.5%, a decrease of 0.7% from the previous month due to factors such as holidays and holidays. On November 1, the Fed announced its latest interest rate decision, announcing that it would keep the benchmark interest rate unchanged. This is also the second time in a row that the Fed has suspended interest rate hikes following its September meeting.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of November 3, the RMB/USD middle rate closed at 7.1796, increasing by 14bp from last Friday. The RMB/EUR middle rate closed at 7.6612, increasing by 432bp from last Friday. The USD index decreased by 1.4% to 105.021 from last Friday.

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

This week, the China Government Bond yields decreased. As the Fed suspended rate hikes, US Treasury yields fell.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From October 30 to November 3, there were 23 new issues with total issued volume of USD1.955 billion, increasing by 51.8% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD 1.107 billion.

Secondary Market: Return on Chinese USD bond increased

As of November 3, the year-to-date return on the Chinese USD corporate bond index increased by 71bp to 0.11% from last Friday, of which the return on investment-grade bonds increasing by 81bp to 3.25%, the return on high-yield bonds increasing by 7bp to -19.61%.

Rating Action: CCXAP assigns long-term credit ratings to 6 entities

CCXAP assigns long-term credit rating to 6 entities, including Xianyang Urban Development Group Co., Ltd., Pizhou Industrial Investment Holding Group Co., Ltd., Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd., Huaiyuan Investment Group Co., Ltd., Zoucheng Limin Construction Development Group Co., Ltd. and Mengcheng Development Zone Xingmeng Investment Co., Ltd.



Analyst Contacts

Saul Zuo

852-2860 7142

saul_zuo@ccxap.com

Peter Chong

852-2860 7124

peter_chong@ccxap.com

Other Contacts

Elle Hu

852-2860 7120

elle_hu@ccxap.com

Headline: China's October manufacturing purchasing managers' index fell 0.7% from the previous month; the Fed suspended rate hikes for the second consecutive time

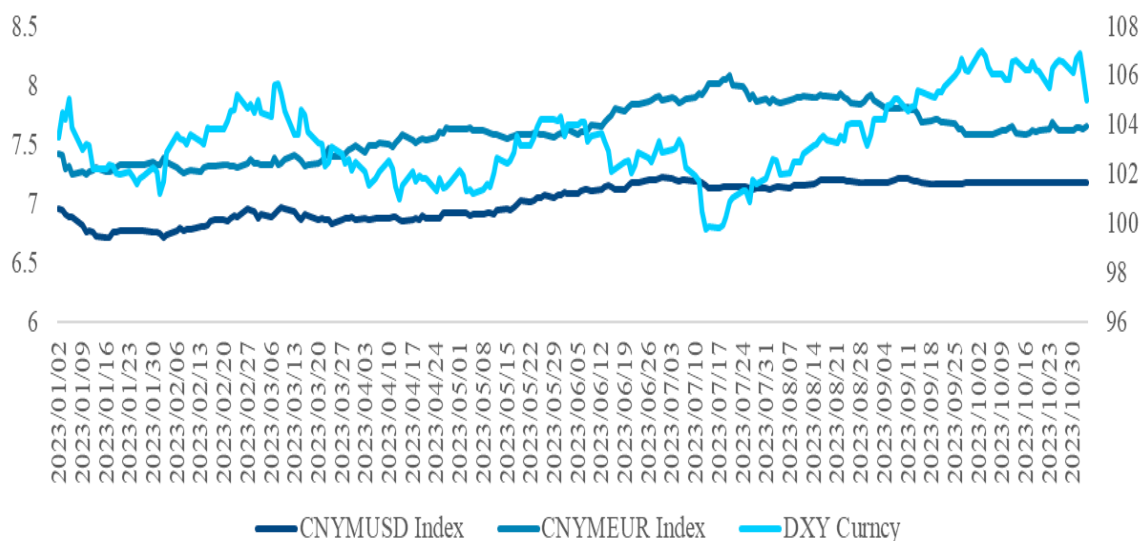
On October 31, the National Bureau of Statistics released data. In October, the manufacturing purchasing managers index (PMI), non-manufacturing business activity index and comprehensive PMI output index were 49.5%, 50.6% and 50.7% respectively. Affected by holidays factors, the manufacturing PMI boom level fell back that month, but the non-manufacturing industry generally maintained expansion, and the comprehensive PMI output index also continued to be higher than the critical point.

On November 1, the Fed announced its latest interest rate decision, announcing that it would keep the benchmark interest rate unchanged. This is also the second time in a row that the Fed has suspended rate hikes following its September meeting. The Fed said recent indicators point to US economic activity expanding at a strong pace in the third quarter, with job growth slowing but still strong since earlier this year and inflation remaining elevated. The statement reiterated that in determining the extent of further policy tightening, the Fed will consider the cumulative degree of monetary policy tightening, the lag in the impact of monetary policy on economic activity and inflation, and economic and financial developments. The Fed will continue to reduce its holdings of US Treasury securities, agency debt and agency mortgage-backed securities, and is firmly committed to returning inflation to its 2% goal.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of November 3, the RMB/USD middle rate closed at 7.1796, increasing by 14bp from last Friday. The RMB/EUR middle rate closed at 7.6612, increasing by 432bp from last Friday. The USD index decreased by 1.4% to 105.021 from last Friday.

Figure 1: RMB exchange rate

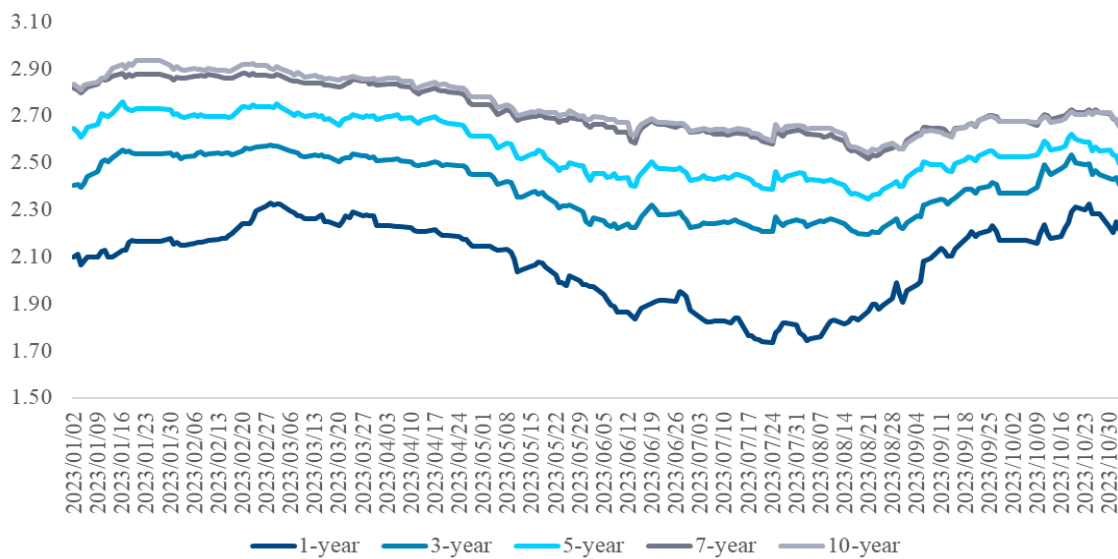


Sources: CCXAP research

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

This week, China Government Bond yields decreased. As of November 3, the 1-year, 3-year, 5-year, 7-year, and 10-year China Government Bond yields were 2.2202%, 2.4225%, 2.5177%, 2.6635%, and 2.6613%, decreasing by 6.05bp, 2.55bp, 3.41bp, 4.9bp, and 5.2bp, respectively, from last Friday.

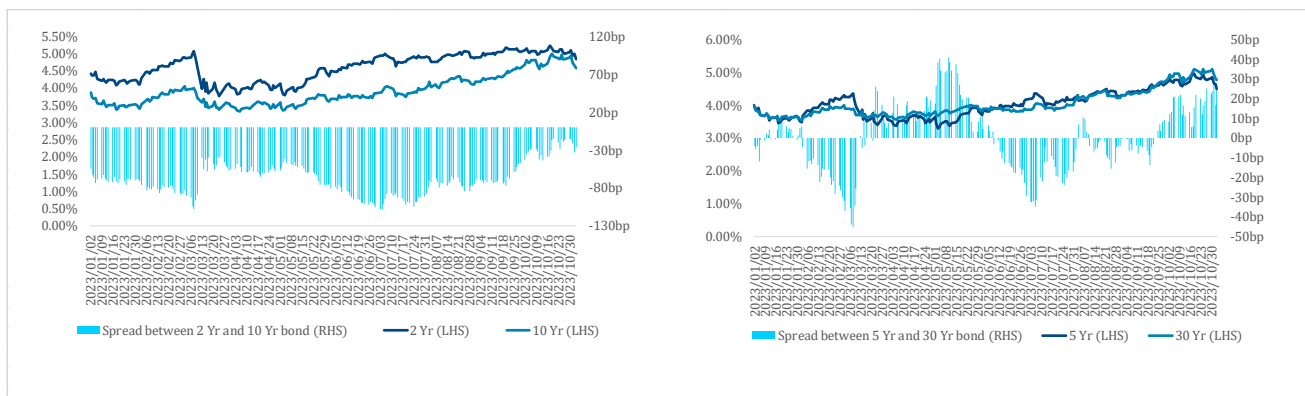
Figure 2: China Government Bond yields



Sources: CCXAP research

As the Fed suspended rate hikes, US Treasury yields fell. As of November 3, the 2-year, 5-year, 10-year, and 30-year Treasury yields were 4.8386%, 4.5036%, 4.5724%, and 4.7666%, decreasing by 16.35bp, 25.78bp, 26.22bp, and 24.78bp, respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds increased by 9.87bp to -26.6bp from last Friday, and the spread between 5-year and 30-year Treasury bonds increased by 1bp to 26.3bp from last Friday.

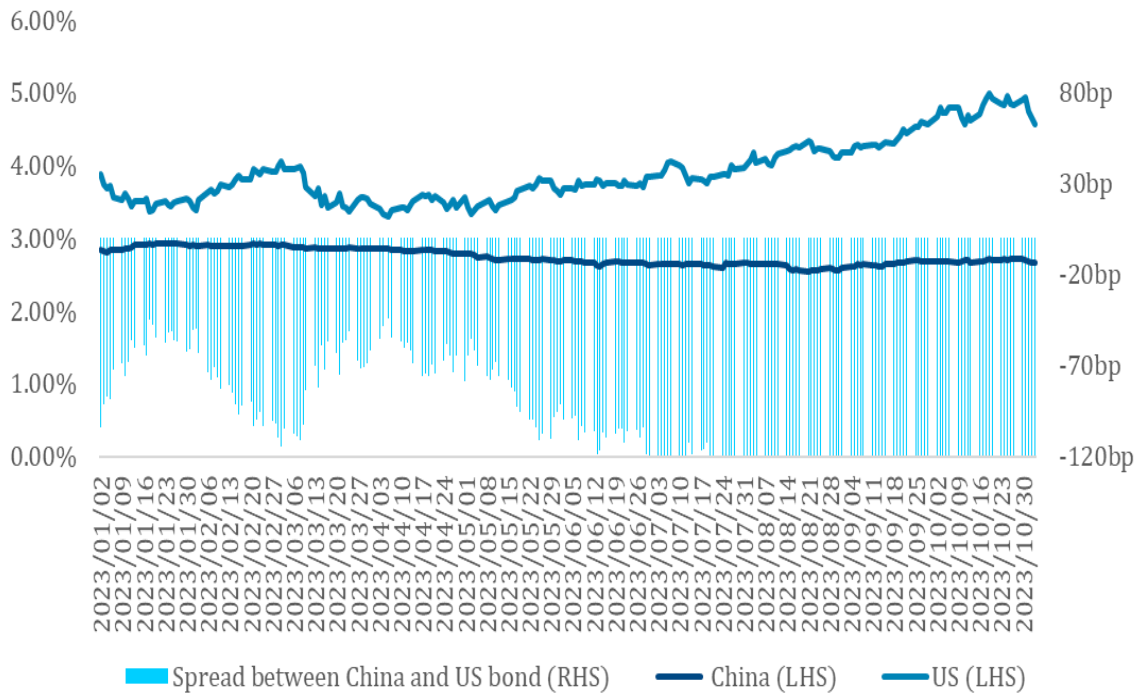
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of November 3, the yield spread between China and US 10-year note was -191.1bp, narrowing by 21bp from last Friday and widening 87.16 bp 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 October 30 to November 3, there were 23 new issues with total issued volume of USD1.955 billion, increasing by 51.8% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD 1.107 billion.

Table 1: New issuance of Chinese offshore bonds (20231030-20231103)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/10/30	Changde Economic Construction Investment Group Co Ltd	EUR	108	5.5	2024/11/1	364D	Chengtou	Ba1/-/-	-/-/-
2023/10/30	Huatai International Financial Holdings Co Ltd	USD	30	0	2024/11/4	364D	Financials	-/BBB+/-	-/-/-
2023/10/30	China Securities International Finance Holding Co Ltd	USD	0.7	5.1	2024/1/3	63D	Financials	-/-/-	-/-/-
2023/10/30	China Securities International Finance Holding Co Ltd	USD	1.2	5.5	2024/2/1	92D	Financials	-/-/-	-/-/-
2023/10/30	China International Capital Corp International Ltd	JPY	150	0.08	2024/8/27	295D	Financials	Baa1/BBB+ /BBB+	-/BBB+/-

2023/10/31	Xiamen ITG Holding Group Co Ltd	USD	170	6.9	2024/11/5	364D	Industrial s	-/-/-	-/-/-
2023/10/31	Xiamen ITG Holding Group Co Ltd	CNY	900	4.3	2024/11/5	364D	Industrial s	-/-/-	-/-/-
2023/10/31	Shaanxi Tourism Group Co Ltd	CNY	358	4.8	2026/11/3	3	Consumer Discretionary	-/-/-	-/-/-
2023/10/31	CITIC Securities International Co Ltd	CNY	20	0	2024/2/7	92D	Financials	-/BBB+/-	-/-/-
2023/10/31	China International Capital Corp International Ltd	USD	1.3	5.16	2024/12/5	1.08	Financials	Baa1/BBB+/BBB+	-/BBB+/-
2023/11/1	Linyi Lanshan District Finance Investment Group Co Ltd	JPY	3900	2.3	2026/11/8	3	Chengtou	-/-/-	-/-/-
2023/11/1	Huatai International Financial Holdings Co Ltd	USD	18	6.3	2024/2/7	92D	Financials	-/BBB+/-	-/-/-
2023/11/1	Huatai International Financial Holdings Co Ltd	USD	15	6.3	2024/2/10	92D	Financials	-/BBB+/-	-/-/-
2023/11/2	BOC Aviation Ltd	USD	500	5.75	2028/11/9	5	Financials	-/A-/A-	-/A-/A-
2023/11/2	BOC Aviation Ltd	USD	500	5.75	2028/11/9	5	Financials	-/A-/A-	-/A-/A-
2023/11/2	Heze City Investment Holdings International Co Ltd	USD	82.3	8	2026/11/7	3	Chengtou	-/-/-	-/-/-
2023/11/2	Huatai International Finance Ltd	USD	15	6.3	2024/2/15	97D	Financials	-/BBB+/-	-/-/-
2023/11/2	Huatai International Finance Ltd	USD	17	6.3	2024/2/15	105D	Financials	-/BBB+/-	-/-/-
2023/11/2	China Securities International Investment Co Ltd	CNY	22.9	0	2025/8/12	1.76	Financials	-/-/-	-/-/-
2023/11/2	China Securities International Investment Co Ltd	CNY	14.8	0	2025/11/5	1.99	Financials	-/-/-	-/-/-
2023/11/3	Dujiangyan Urban and Rural Construction Group Co Ltd	CNY	969	4.8	2026/11/10	3	Chengtou	-/-/-	-/-/-
2023/11/3	Weihai Wendeng District Bluesea Investment & Development Co Ltd	USD	98	8.5	2024/11/4	364D	Chengtou	-/-/-	-/-/-
2023/11/3	Yizheng City State Owned Assets Investment Development (Group) Co., Ltd.	CNY	365	4	2026/11/10	3	Chengtou	-/-/-	-/-/-

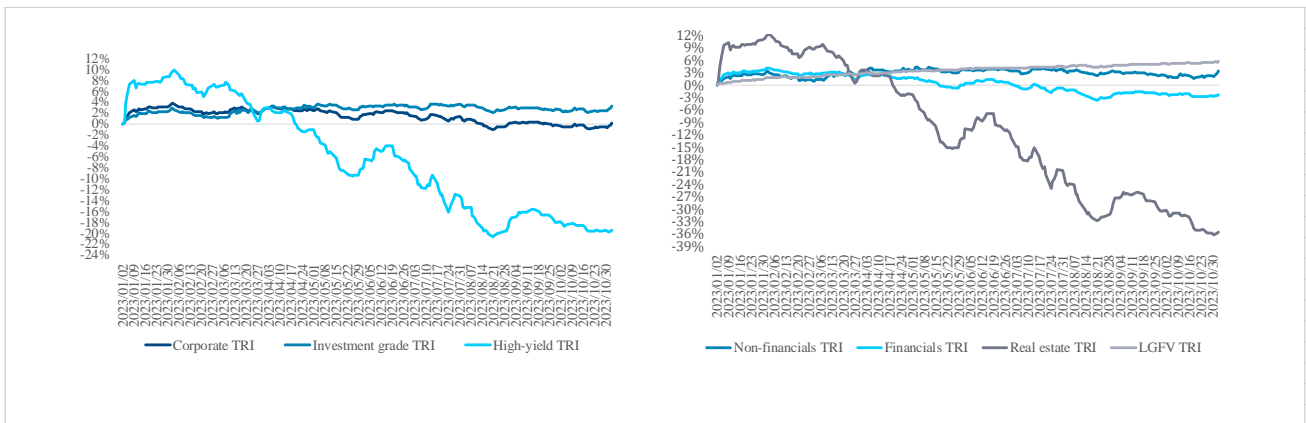
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of November 3, the YTD return¹ on the Chinese USD corporate bond index increased by 71bp to 0.11% from last Friday. The return on investment-grade bonds increased by 81bp to 3.25%, while the return on high-yield bonds increased by 7bp to -19.61%. In terms of sector indices, the return on non-financial, financial, real estate, and Chengtou bonds was 3.31%, -2.34%, -35.67%, and 5.65%, respectively, increasing by 112bp, 41bp, 30bp, and 22bp from last Friday.

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

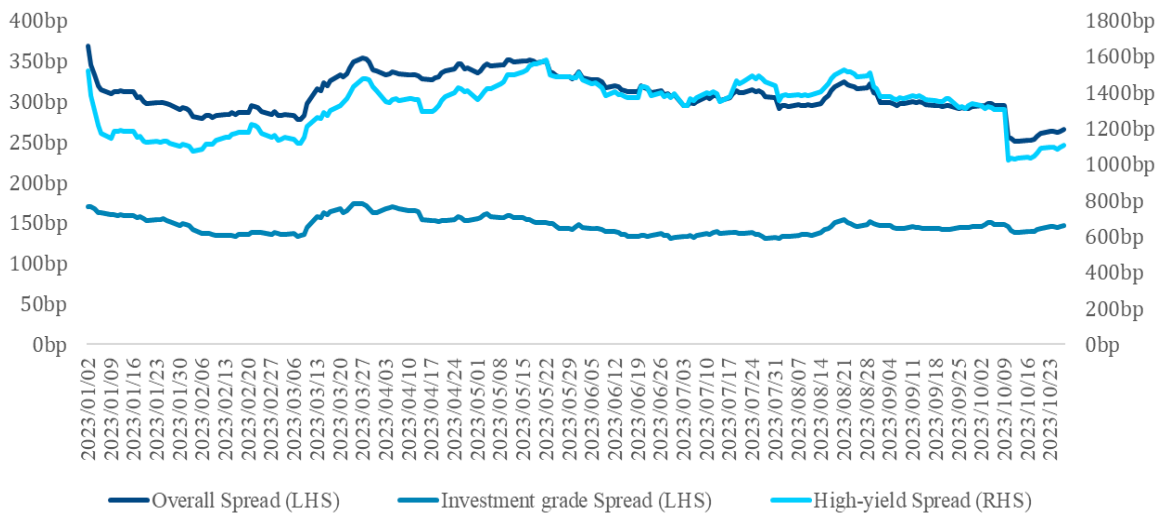
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of November 3, the yield spread of Chinese dollar bonds decreased by 15.6bp to 247.9bp from last Friday. The yield spread of investment-grade bonds decreased by 3.2bp to 142.25bp, while the spread of high-yield bonds decreased by 62.5bp to 1034.15bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from October 30 to November 3 are shown in the table below. Among them, Noble Group Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20231030-20231103)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
NOBLSP 7.014 PERP	Noble Group Ltd.	--	PREP	--	30789.6
AGILE 7 ¾ PERP	AGILE GROUP HOLDINGS LTD	3.654	PREP	480.853	4174.1
AGILE 13.476 PERP	AGILE GROUP HOLDINGS LTD	3.667	PREP	225.118	2174.2
AGILE 6.05 10/13/25	AGILE GROUP HOLDINGS LTD	9.649	1.93	199.732	1693.1
DALWAN 11 01/20/25	Wanda Properties Overseas Ltd	35.044	1.2	133.111	1239
FTLNHD 4.5 05/02/26	Seazen Group Ltd	17.458	2.48	99.01	1166.9
CHMINV 3.8 08/02/24	China Minsheng Investment	--	0.73	--	963.8
CSCHCN 9 06/26/24	China South City Holdings Ltd	40.391	0.63	229.398	957.2
AGILE 5 ¾ 01/02/25	AGILE GROUP HOLDINGS LTD	12.696	1.15	316.843	850.9
SUNSHG 4.5 04/20/26	Sunshine Life Insurance Corp Ltd	88.594	2.45	9.862	567.8

Sources: CCXAP research

Rating Action: CCXAP assigned long-term credit ratings to 6 entities

On October 30, CCXAP assigns first-time long-term credit rating of BBB_g+ to Xianyang Urban Development Group Co., Ltd. (“XYUD” or the “Company”), with stable outlook.

On October 31, CCXAP assigns first-time long-term credit rating of BBB_g to Pizhou Industrial Investment Holding Group Co., Ltd. (“PZII” or the “Company”), with stable outlook.

On October 31, CCXAP assigns first-time long-term credit rating of BBB_g- to Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd. (“JDBZ” or the “Company”), with stable outlook.

On November 1, CCXAP assigns first-time long-term credit rating of BBB_g- to Huaiyuan Investment Group Co., Ltd. (“HYIG” or the “Company”), with stable outlook.

On November 2, CCXAP assigns first-time long-term credit rating of BBB_g- to Zoucheng Limin Construction Development Group Co., Ltd. (“ZCLM” or the “Company”), with stable outlook.

On November 3, CCXAP assigns first-time long-term credit rating of BBB_g- to Mengcheng Development Zone Xingmeng Investment Co., Ltd. (“XMIC” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20231030-20231103)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/10/30	XYUD	BBB _g +	-	The credit rating is underpinned by the Company’s (1) strategic importance to local economic and urban development; (2) dominant position in the provision of public services; and (3) good track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities in property development and guarantee business; (2) ongoing debt growth driven by construction projects; and (3) medium contingent liabilities risk associated with external guarantees.
2023/10/31	PZII	BBB _g	BBB _g	The credit rating is underpinned by the Company’s (1) important role in infrastructure construction and industrial development in Pizhou City, particularly in the Economic Development Zone of Pizhou City (“Pizhou EDZ”) and the High-tech Industrial Development Zone of Pizhou City (“Pizhou HIDZ”); (2) good track record of receiving government support; and (3) diversified funding channels. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; (2) increasing debt burden

				from investment in infrastructure construction and factory construction; and (3) medium level of contingent risk.
2023/10/31	JDBZ	BBB _{g-}	BBB _{g-}	The credit rating is underpinned by the Company's (1) position as the core entity in infrastructure construction in Haimen District, particularly the Linjiang New Area; (2) solid track record of receiving government support; and (3) possession of leasing assets with high quality. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) medium level of contingent risk.
2023/11/1	HYIG	BBB _{g-}	BBB _{g-}	The credit rating is underpinned by the Company's (1) strong policy role in the development of Huaiyuan County; and (2) good track record of receiving government support. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; and (2) moderate debt management and moderate asset liquidity.
2023/11/2	ZCLM	BBB _{g-}	BBB _{g-}	The credit rating is underpinned by the Company's (1) important role in infrastructure construction in Zoucheng City, especially in the Mencius Lake New District; and (2) good track record of receiving government support. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high refinancing needs and short-term debt burden; and (3) medium contingent liability risks.
2023/11/3	XMIC	BBB _{g-}	BBB _{g-}	The credit rating is underpinned by the Company's (1) 100% direct ownership by the Mengcheng County Government; (2) important role in the infrastructure construction and industrial development in Mengcheng County; and (3) good track record of receiving government support. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) moderate access to funding; and (3) medium exposure to contingent liabilities.

Sources: CCXAP research

From October 30 to November 3, rating agencies took negative rating actions on 7 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20231030-20231103)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade:	Beijing Capital Group Co Ltd	Real estate	BBB-	STABLE	2023/10/30	BBB	STABLE	2023/04/04	Fitch	leverage ratio increases while sales revenue decreases due to the industry downhill
	Beijing Capital City Development Group Co Ltd	Real estate	BBB-	STABLE	2023/10/30	BBB	NEG	2023/04/06	Fitch	rating downgrade due to parent company's downgrade
	Beijing Capital Development Holding Group Co Ltd	Real estate	BBB-	STABLE	2023/10/30	BBB	NEG	2023/04/06	Fitch	rating downgrade due to parent company's downgrade
	Tianjin Rail Transit Group Co Ltd	Chengtou	Baa1	STABLE	2023/10/31	A3	RNW	2023/06/01	Moody's	Tianjin government's willingness to support its urban investment company decrease

Tianjin Binhai New Area Construction & Investment Group Co Ltd	Chengtou	Baa2	NEG	2023/10/31	Baa2	RNW	2023/06/01	Moody's	The ability to enhance financing channels and initiate long-term low-cost bonds are undetermined.
GLP China Holdings Ltd	Industrials	BB	NEG	2023/11/01	BBB-	NEG	2023/06/25	S&P	The unensured net income may break company's deleverage and debt management process in the next 12 months.
Xinhu Zhongbao Co Ltd	Real estate	CCC+	STABLE	2023/11/03	B-	STABLE	2022/12/16	Fitch	Decreasing sales revenue since the beginning of the year

Sources: CCXAP research

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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

Email: info@ccxap.com

Tel: +852 2860 7111

Fax: +852 2868 0656