

CCXAP

Cross-border Bonds Weekly Report



2023 Issue 43

From November 6 to November 10

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

Headline: China's CPI in October decreased by 0.2% YoY; Moody's downgraded US debt rating

The National Bureau of Statistics released data showing that China's CPI in October decreased by 0.2% YoY, with a previous value of 0%. Affected by factors such as sunny weather and sufficient supply of agricultural products, as well as a decline in consumer demand after holidays, the CPI in October fell. Moody's announced that the US credit rating had been downgraded from stable to negative.

Exchange Rate: RMB appreciated, USD index increased

This week, the RMB depreciated. As of November 10, the RMB/USD middle rate closed at 7.1771, decreasing by 25bp from last Friday. The USD index decreased by 0.8% to 105.861 from last Friday.

Interest Rate: Chinese Government Bond yields mostly fell; US Treasury yields mostly rose

This week, the downhill of consumer market has transferred to the capital market, the China Government Bond yields decreased. As Powell's latest talk at IMF suggested rate hike again, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From November 6 to November 10, there were 19 new issues with total issued volume of USD 1.598 billion, decreasing by 18.3% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD1.367 billion.

Secondary Market: Return on Chinese USD bond increased

As of November 10, the year-to-date return on the Chinese USD corporate bond index increased by 21bp to 0.32% from last Friday, of which the return on investment-grade bonds increasing by 10bp to 3.36%, the return on high-yield bonds increasing by 88bp to -18.74%.

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

CCXAP assigns long-term credit rating to 1 entity, Peixian Urban Construction Investment Development Group 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 CPI in October decreased by 0.2% YoY; Moody's downgraded US debt rating

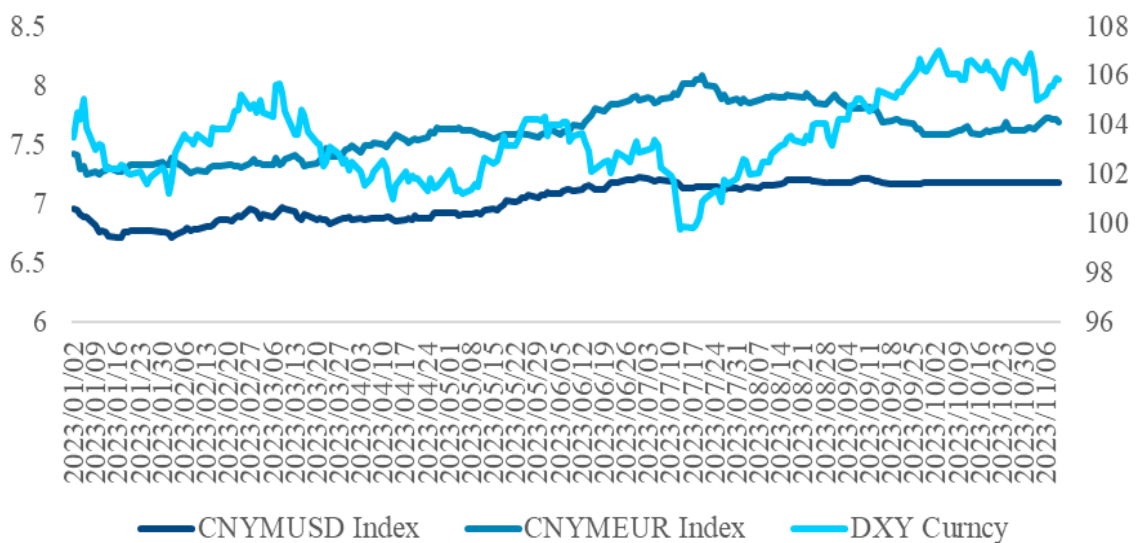
On November 9, the National Bureau of Statistics released data showing that China's CPI decreased by 0.2% year-on-year (“YoY”) in October, with a previous value of 0%. The core CPI, excluding food and energy prices, increased by 0.6% YoY, with a slight decrease in growth. At the same time, the PPI in October decreased by 2.6% YoY, with a previous decrease of 2.5%, further expanding the decline; China's PPI remained flat month on month in October, with a previous value of 0.4%. Affected by factors such as ample supply of agricultural products and a decline in consumer demand after the holiday, the CPI in October fell. In addition, the YoY decline in PPI slightly expanded due to fluctuations in international crude oil and non-ferrous metal prices and base numbers.

On November 10, Moody's released its latest rating report, lowering the US government's rating outlook from stable to negative and maintaining a long-term issuer and senior unsecured rating of "Aaa". The key driving factor behind Moody's downgrade of the US rating outlook to negative is that Moody's believes that the downside risk to US fiscal strength has increased and may no longer be fully offset by the unique credit strength of US sovereign countries. Since July this year, the yield of the 10-year treasury bond of the United States has risen sharply. In October, it once rose above the 5% threshold, the highest level since 2007. Analysts believe that the Federal Reserve's interest rate hike to curb inflation is the main factor contributing to the rise in US bond yields. The downgrade of sovereign credit rating may lead to a further increase in US bond yields.

Exchange Rate: RMB appreciated, USD index increased

This week, the RMB appreciated. As of November 10, the RMB/USD middle rate closed at 7.1771, decreasing by 25bp from last Friday. The RMB/EUR middle rate closed at 7.6917, increasing by 305bp from last Friday. The USD index increased by 0.8% to 105.861 from last Friday.

Figure 1: RMB exchange rate

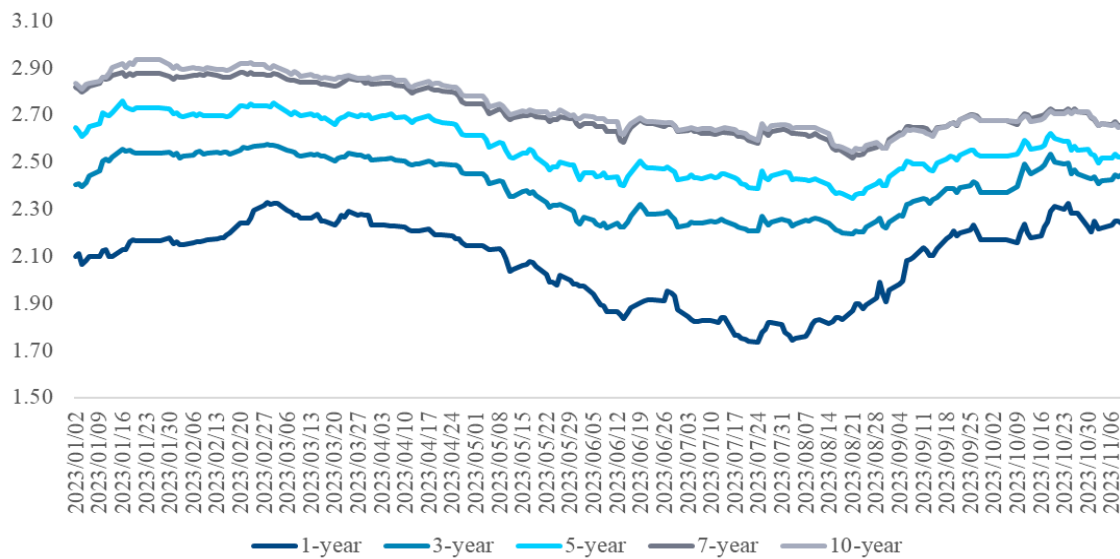


Sources: CCXAP research

Interest Rate: Chinese Government Bond yields mostly fell; US Treasury yields mostly rose

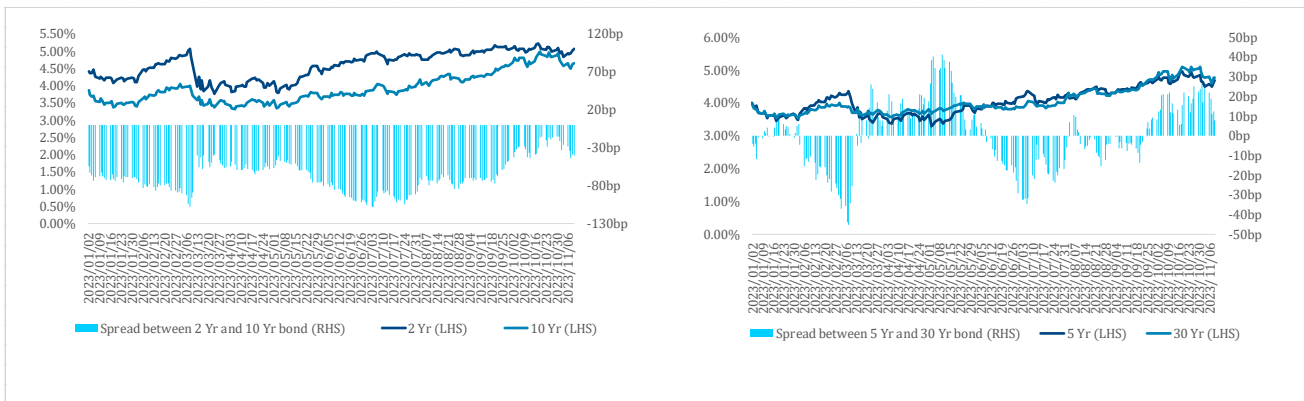
As the decline in consumer market demand after the holiday was transmitted to the capital market, this week, China Government Bond yields mostly decreased. As of November 10, the 1-year and 3-year China Government Bond yields were 2.5029% and 2.6475%, increasing by 1.04bp and 1.4bp, respectively, from last Friday. The 5-year, 7-year and 10-year China Government Bond yields were 2.5029%, 2.6475% and 2.6444%, decreasing by 1.48bp, 1.6bp and 1.69bp, respectively, from last Friday.

Figure 2: China Government Bond yields



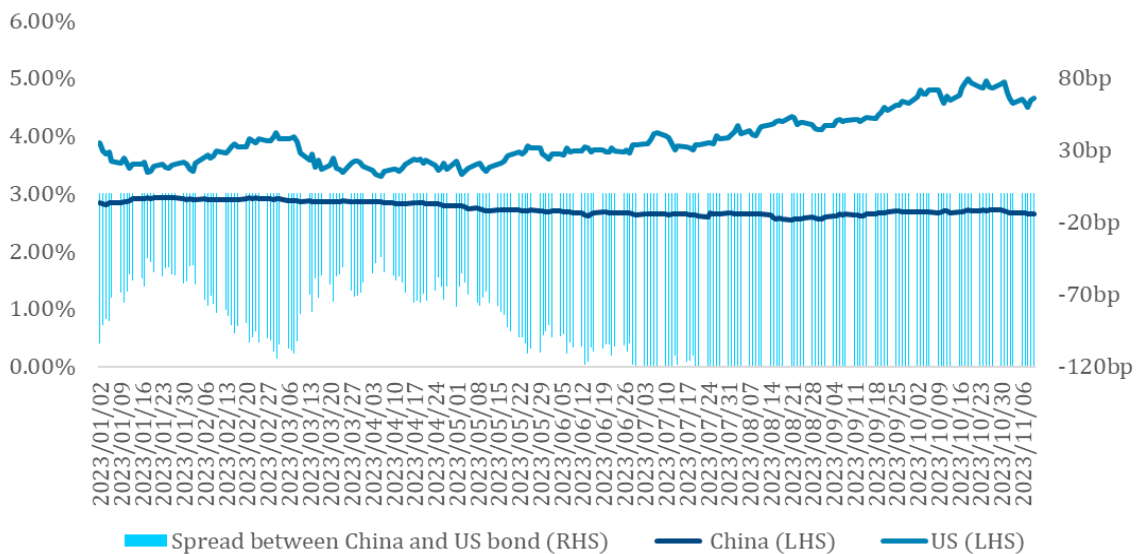
Sources: CCXAP research

Due to Powell's tendency to raise interest rates again in his speech at the IMF on November 10, US Treasury yields mostly increased. As of November 10, the 2-year, 5-year and 10-year Treasury yields were 5.0623%, 4.6839% and 4.6518%, increasing by 22.37bp, 18.03bp and 7.94bp respectively, from last Friday. The 30-year Treasury yields were 4.7618%, decreasing by 0.48bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 14.43bp to -41.1bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 18.51bp to 7.8bp from last Friday.

Figure 3: US Treasury yields and yield spreads


Sources: CCXAP research

As of November 10rd, the yield spread between China and US 10-year note was -200.7bp, widening by 9.6bp from last Friday and widening 96.79 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 decreased

From November 6 to November 10, there were 19 new issues with total issued volume of USD 1.598 billion, decreasing by 18.3% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD 1.367 billion.

Table 1: New issuance of Chinese offshore bonds (20231106-20231110)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/11/6	Guangxi Financial Investment Group Co Ltd	USD	150	7.5	2025/11/14	2	Financials	-/-/BBB-	-/-/

2023/11/6	Huatai International Financial	USD	35	0	2024/11/8	361D	Financials	-/BBB+/-	-/-/-
2023/11/6	Bank of China Ltd	USD	20	5.5	2024/11/8	361D	Banks	A1/A/A	A1/A/A
2023/11/7	Huatai International Financial	USD	20	0	2024/2/14	92D	Financials	-/BBB+/-	-/-/-
2023/11/7	China Securities International	HKD	21	4.5	2024/3/8	120D	Financials	-/-/-	-/-/-
2023/11/7	CITIC Securities International	CNY	20	0	2025/11/25	2.04	Financials	-/BBB+/-	-/-/-
2023/11/7	Huatai International Financial	USD	18.2	0	2024/2/8	87D	Financials	-/BBB+/-	-/-/-
2023/11/8	Yuexiu Property Co Ltd	CNY	510	4	2026/11/15	3	Real Estate	-/Baa3/-	-/-/-
2023/11/8	CDB Leasing International Co LTD	CNY	700	3.5	2026/11/17	3	Financials	-/-/A+	-/-/-
2023/11/8	CSI Financial Products Ltd	CNY	7	0	2024/9/25	317D	Financials	-/-/-	-/-/-
2023/11/8	Bank of Communications Co Ltd	USD	490	SOFR+1	2024/11/13	364D	Banks	-/-/A	0/1/1900
2023/11/9	Bocom Leasing Management Hong Kong Co Ltd	CNY	400	3.5	2026/11/20	3	Financials	A-/-/-	-/-/-
2023/11/9	Bank of China Ltd	USD	300	SOFR+60	2026/11/16	3	Banks	A1/A/A	A1/A/A
2023/11/9	Yizheng City State Owned Assets Investment Development (Group) Co., Ltd.	CNY	505	3.98	2026/11/16	3	Chengtou	-/-/-	-/-/-
2023/11/9	Rizhao Xinlanshan Real Estate Co., Ltd.	USD	30	9.5	2026/11/14	3	Chengtou	-/-/-	-/-/-
2023/11/9	CSI Financial Products Ltd	CNY	58	0	2025/12/3	2.05	Financials	-/-/-	-/-/-
2023/11/10	Binzhou High Tech Zone Finance Investment Group Co., Ltd.	CNY	385	4.7	2026/11/17	3	Chengtou	-/-/-	-/-/-
2023/11/10	Chengdu Jingkai Asset Management Co Ltd	CNY	550	4.8	2026/11/17	3	Chengtou	-/-/-	-/-/-
2023/11/10	WEIHAI INDUSTRIAL INVESTMENT GROUP CO., LTD.	CNY	750	7.5	2024/11/13	364D	Chengtou	-/-/-	-/-/-

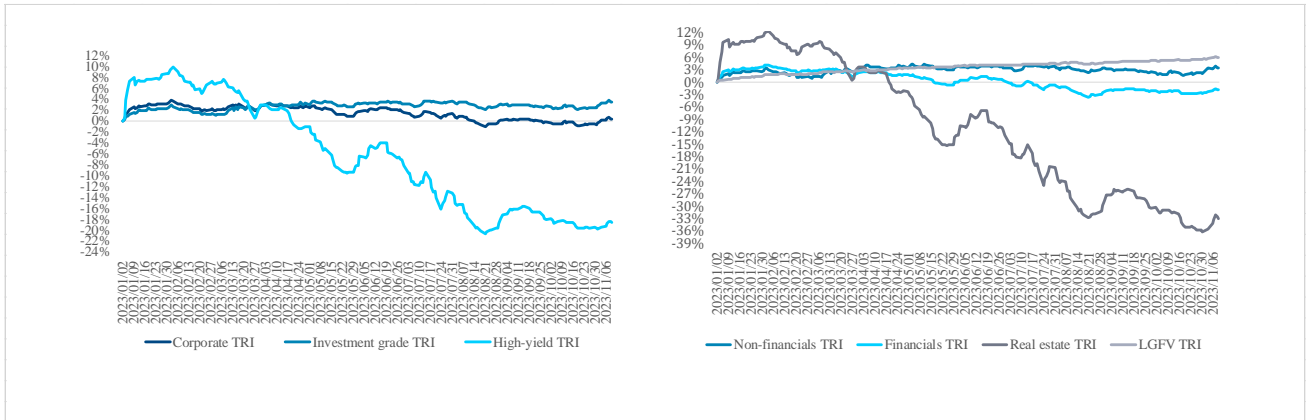
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of November 10, the YTD return¹ on the Chinese USD corporate bond index increased by 21bp to 0.32% from last Friday, of which the return on investment-grade bonds increasing by 10bp to 3.36%, the return on high-yield bonds increasing by 88bp to -18.74%. In terms of sector indices, the return on financial, real estate, and Chengtou bonds was -1.96%, -33.19%, and 5.97%, respectively, increasing by 38bp, 248bp, 32bp from last Friday, the return on non-financial bonds was 3.29%, decreasing by 2bp from last Friday.

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

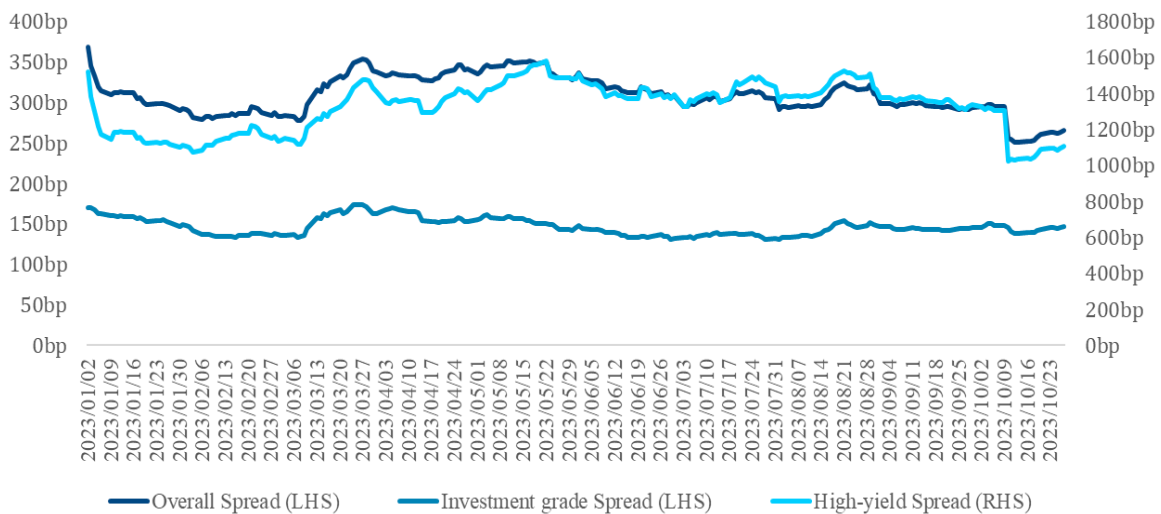
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of November 10, the yield spread of Chinese dollar bonds decreased by 9.4bp to 236.23bp from last Friday. The yield spread of investment-grade bonds decreased by 7.9bp to 133.44bp, while the spread of high-yield bonds increased by 7.8bp to 1025.37bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from November 6 to November 10 are shown in the table below. Among them, Skyfame International Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20231106-20231110)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
SKYFAM 13 12/16/23	Skyfame International Holdings Ltd	11.25	0.08	9793.103	179244.7
AGILE 7 7/8 PERP	AGILE GROUP HOLDINGS LTD	3.885	PREP	1631.864	13230.7
AGILE 13.476 PERP	AGILE GROUP HOLDINGS LTD	3.85	PREP	221.841	2644.8
CSCHCN 9 04/12/24	China South City Holdings Ltd	44.23	0.4	366.846	2060.3
FWDGHD 8.045 PERP	FWD Group Holdings Ltd	92.102	PREP	114.756	1788

AGILE 5 ¾ 01/02/25	AGILE GROUP HOLDINGS LTD	12.639	1.13	325.998	1671.4
CSCHCN 9 07/20/24	China South City Holdings Ltd	40.687	0.67	230.748	1046
AGILE 6.05 10/13/25	AGILE GROUP HOLDINGS LTD	9.79	1.91	199.945	951.2
ICBCAS Float 06/02/26	Industrial & Commercial Bank of China New Zealand Ltd	100.165	2.54	6.135	779.7
AGILE 5 ½ 04/21/25	AGILE GROUP HOLDINGS LTD	11.666	1.43	250.913	617

Sources: CCXAP research

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

On November 9, CCXAP assigns first-time long-term credit rating of BBB_g+ to Peixian Urban Construction Investment Development Group Co., Ltd. (“PXUC” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20231106-20231110)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/11/9	PXUC	BBB _g	BBB _g	The credit rating is underpinned by the Company’s (1) important role in the urban and industrial development of Pei County; (2) good track record of receiving government support; and (3) diversified funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt burden driven by large investment needs; and (3) moderate asset liquidity and medium level of contingent risk.

Sources: CCXAP research

From November 6 to November 10, rating agencies took positive rating actions on 1 Chinese issuer, and took negative rating actions on 2 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20231106-20231110)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Meituan	Consumer Discretionary	BBB	STABLE	2023/11/07	BBB-	STABLE	6/4/2023	S&P	Its operation performance exceed expectation in the past 12 months
	Chindata Group Holdings Ltd	Technology	Ba2	NEG	2023/11/07	Ba2	STABLE	27/7/2021	Moody's	Debt burden and leverage ratio will increase as expected
Downgrade:	NagaCorp Ltd.	Consumer Discretionary	B	NEG	2023/11/07	B	Negative under review	14/6/2023	S&P	Cash burden insufficient

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