

### 2023 Issue 45

#### From November 20 to November 24

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

**Headline: The Bank of China carried out several reverse repurchase operations within a week, totaling RMB2.167 trillion; the FOMC minutes showed that FED is not expected to start cutting rates in 2023**

In order to maintain reasonable and sufficient liquidity in the banking system, the People's Bank of China carried out reverse repurchase operations five times, with a period of seven days each. The Federal Reserve released the minutes of its last monetary policy meeting. It is expected to continue to maintain restrictive monetary policies in the future to ensure that the inflation rate returns to its long-term goal of 2%.

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

This week, the RMB appreciated. As of November 24, the RMB/USD middle rate closed at 7.1151, decreasing by 577bp from last Friday. The USD index decreased by 0.5% to 103.403 from last Friday.

#### Interest Rate: Chinese Government Bond yields increase; US Treasury yields rose

This week, the China Government Bond yields increased. As the FOMC showed little probability of cutting rates, US Treasury yields rose.

#### Chinese Offshore Bond Market

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

From November 20 to November 24, there were 20 new issues with total issued volume of USD3.126 billion, increasing by 108.96% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD2.332 billion.

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

As of November 24, the year-to-date return on the Chinese USD corporate bond index increased by 60bp to 1.75% from last Friday, of which the return on investment-grade bonds increasing by 38bp to 4.52%, the return on high-yield bonds increasing by 196bp to -15.52%.

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

CCXAP assigns long-term credit rating to 4 entities, Linzhou City Investment Holdings Co., Ltd., Ganzhou Jianxing Holding Investment Group Co., Ltd., Xi'an Gaoke Group Co., Ltd and Dongtai State-owned Assets Operation Group Co., Ltd.



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## Headline: The Bank of China carried out several reverse repurchase operations within a week, totaling RMB2.167 trillion; the FOMC minutes showed that FED is not expected to start cutting rates in 2023

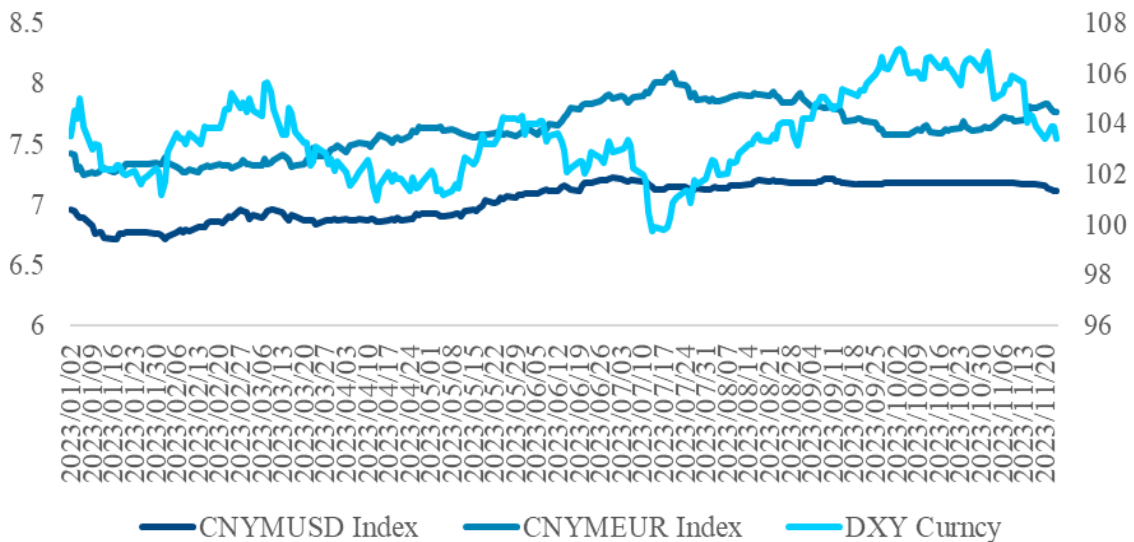
In the past week, in order to maintain reasonable and sufficient liquidity in the banking system, the People's Bank of China carried out reverse repurchase operations five times through interest rate bidding, with each scale being RMB205 billion, RMB319 billion, RMB460 billion, RMB519 billion and RMB664 billion respectively, the terms are all 7 days. The total amount reaches RMB2.167 billion, and the interest rate is 1.80%.

On November 21, the Federal Reserve released the minutes of its last monetary policy meeting. It is expected to continue to maintain restrictive monetary policies in the future to ensure that the inflation rate returns to its long-term goal of 2%. Previously, as the Federal Reserve chose to raise interest rates by 0bp for the second consecutive time in its latest interest rate resolution, the market has increased expectations that the Fed's interest rate hike cycle has reached its peak and that interest rates can begin to be cut in the short term. The minutes of this meeting dampened market expectations for short-term interest rate cuts, and US Treasury yields immediately rose.

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

This week, the RMB appreciated. As of November 24, the RMB/USD middle rate closed at 7.1151, decreasing by 577bp from last Friday. The RMB/EUR middle rate closed at 7.7708, decreasing by 349bp from last Friday. The USD index decreased by 0.5% to 103.403 from last Friday.

Figure 1: RMB exchange rate

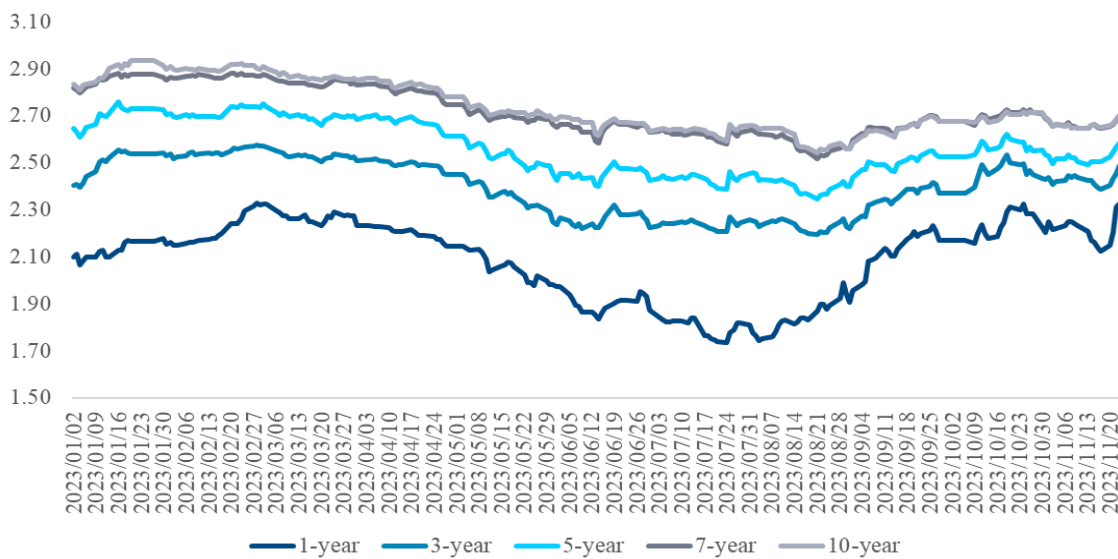


Sources: CCXAP research

## Interest Rate: Chinese Government Bond yields increased; US Treasury yields rose

This week, China Government Bond yields increased. As of November 24, the 1-year, 3-year 5-year, 7-year and 10-year China Government Bond yields were 2.3317%, 2.4911%, 2.5961%, 2.703% and 2.7053%, increasing by 20.96bp, 10.59bp, 9.03bp, 5.6bp and 5.29bp, respectively, from last Friday.

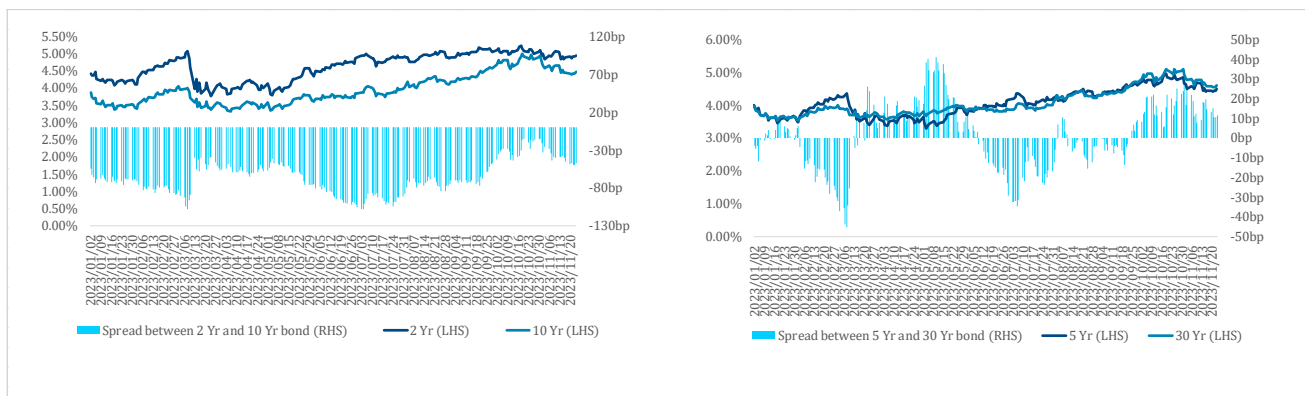
Figure 2: China Government Bond yields



Sources: CCXAP research

As the FOMC showed little probability of cutting rates, US Treasury yields rose. As of November 24, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.9484%, 4.485%, 4.4665% and 4.5793%, increasing by 6.29bp, 4.42bp, 3.11bp and 0.84bp respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 3.19bp to -48.2bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 3.57bp to 11.2bp from last Friday.

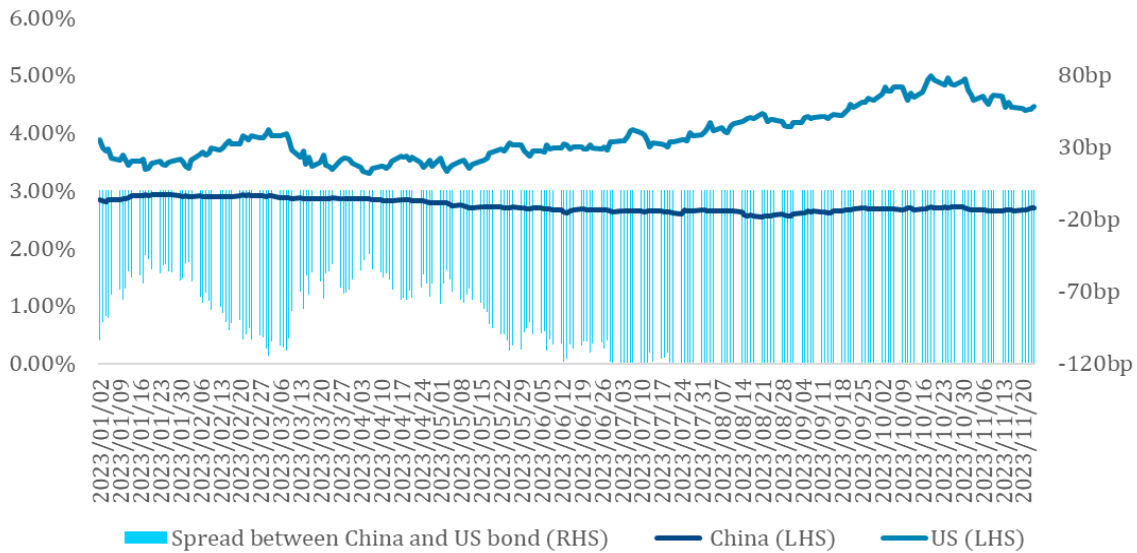
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of November 24, the yield spread between China and US 10-year note was -248.3bp, narrowing by 22.44bp from last Friday and widening 74.35 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 November 20 to November 24, there were 20 new issues with total issued volume of USD 3.126 billion, increasing by 108.96% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD2.332 billion.

**Table 1: New issuance of Chinese offshore bonds (20231120-20231124)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/11/20	Xi'an Port Industrial Co Ltd	USD	63	6.1	2026/10/22	2.92	Chengtou	-/-/-	-/-/-
2023/11/20	Qihe City Management and Construction Investment Co., Ltd.	CNY	418.5	7.8	2026/11/23	3	Chengtou	-/-/-	-/-/-
2023/11/20	China Securities International Finance Holding Co Ltd	HKD	8.2	4.8	2024/2/23	91D	Financials	-/-/-	-/-/-
2023/11/20	CMB International Leasing Management Ltd	CNY	351	3.35	2026/11/27	3	Financials	A3/-/-	-/-/-
2023/11/20	Zouping Financial Development Group Co Ltd	JPY	7075.1	2.3	2026/11/24	3	Chengtou	-/-/-	-/-/-
2023/11/20	CITIC Securities International	CNY	2.9	2.5	2024/12/20	1.07	Financials	-/BBB+/-	-/-/-
2023/11/21	Zhoushan Putuo City Investment Development Group Co., Ltd.	CNY	335	4.95	2026/11/28	3	Chengtou	-/-/-	-/-/-

2023/11/21	CITIC Securities International	CNY	7	0	2026/7/15	2.63	Financials	-/BBB+/-	-/-/-
2023/11/21	Huatai International Financial Holdings Co Ltd	USD	800	SOFR+90	2026/11/29	3	Financials	-/BBB+/-	-/-/-
2023/11/21	Hangzhou Finance & Investment	CNY	150.4	4.2	2024/11/22	360D	Materials	-/BBB/-	-/-/-
2023/11/21	Huatai International Financial Holdings Co Ltd	CNY	20.1	0	2027/1/26	3.16	Financials	-/BBB+/-	-/-/-
2023/11/22	China International Capital Corp International Ltd	USD	2.1	5.28	2024/11/27	364D	Financials	Baa1/BBB+ /BBB+	-/BBB+/-
2023/11/22	China Construction Bank Corp	USD	500	5	2026/11/30	3	Banks	A1/-/A	A1/-/A
2023/11/22	China Construction Bank Corp	USD	600	SOFR+65	2026/11/30	3	Banks	A1/-/A	A1/-/A
2023/11/22	China Construction Bank Corp	EUR	298.7	3.88	2026/11/30	3	Banks	A1/-/A	A1/-/A
2023/11/22	CITIC Securities International	USD	0.2	22.67	2024/1/31	63D	Financials	-/BBB+/-	-/-/-
2023/11/23	Hangzhou Gongshu District Urban Construction Group Co., Ltd.	CNY	2106.1	4.2	2026/11/30	3	Chengtou	-/-/-	-/-/-
2023/11/23	China Securities International Finance Holding Co Ltd	USD	1	5.8	2024/11/27	365D	Financials	-/-/-	-/-/-
2023/11/23	Zhenjiang State-owned Investment Holding Group	JPY	22300	1.29	2024/11/28	1	Chengtou	-/-/-	-/-/-
2023/11/24	Xi'an Jingfa Property Mgt Co., Ltd.	CNY	1150	3.9	2026/10/29	2.92	Chengtou	-/-/-	-/-/-

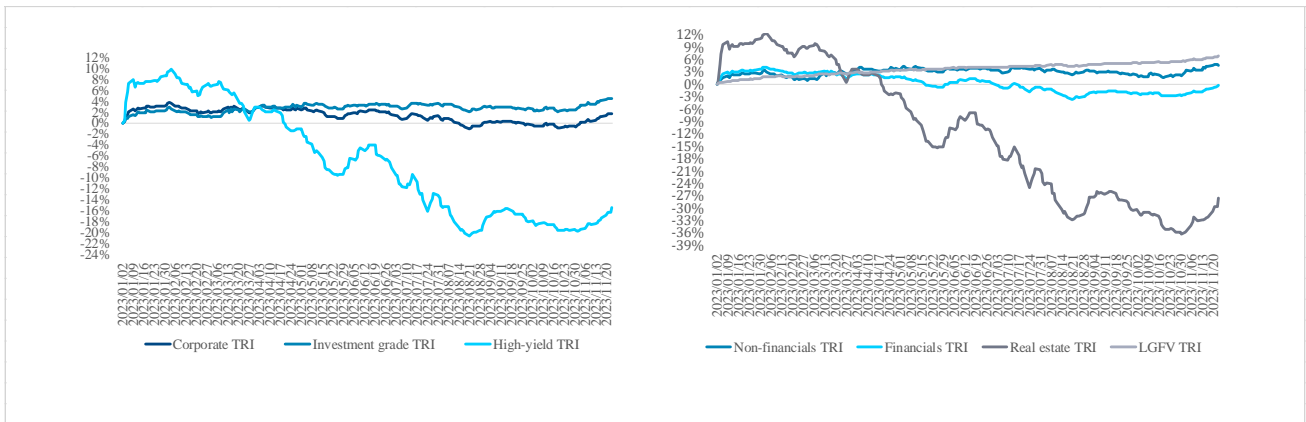
Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of November 24, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 60bp to 1.75% from last Friday, of which the return on investment-grade bonds increasing by 38bp to 4.52%, the return on high-yield bonds increasing by 196bp to -15.52%. In terms of sector indices, the return on non-financial, financial, real estate, and Chengtou bonds was 4.51%, -0.37%, -27.78% and 6.77%, respectively, increasing by 22bp, 87bp, 448bp and 50bp from last Friday.

<sup>1</sup> Year-to-date return measures the return since January 3, 2023

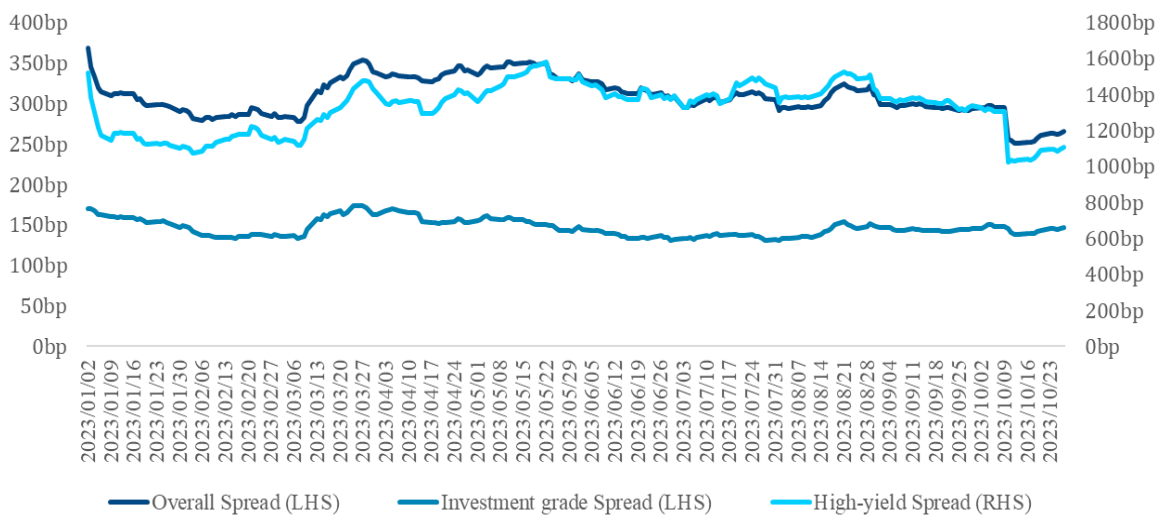
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of November 24, the yield spread of Chinese dollar bonds decreased by 9.3bp to 223.23bp from last Friday. The yield spread of investment-grade bonds decreased by 6.0bp to 120.23bp, while the spread of high-yield bonds decreased by 52.4bp to 967.15bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from November 20 to November 24 are shown in the table below. Among them, Dalian Wanda Commercial Management Group Co., Ltd changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20231120-20231124)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
DALWAN 7 ¼ 01/29/24	Wanda Properties Overseas Ltd	52.252	0.27	545.987	22980.2
NWDEVL 4 ¾ 12/05/23	New World Development Ltd	100.042	0.02	1.686	2850.8
CSCHCN 9 04/12/24	China South City Holdings Ltd	42.131	0.37	465.146	2508.6
DALWAN 11 01/20/25	Wanda Properties Overseas Ltd	35.661	1.15	137.402	1790.1
CSCHCN 9 07/20/24	China South City Holdings Ltd	38.95	0.64	239.989	1635.5
CSCHCN 9 06/26/24	China South City Holdings Ltd	40.991	0.58	254.489	1570.7
CSCHCN 9 10/09/24	China South City Holdings Ltd	35.45	0.86	201.682	970.7
CSCHCN 9 12/11/24	China South City Holdings Ltd	36.344	1.04	155.044	824.9
FWDGHD 6.675 PERP	FWD Group Holdings Ltd	88.133	PREP	84.913	708.8
ICBCAS Float 06/02/26	Industrial & Commercial Bank of China New Zealand Ltd	100.186	2.51	6.115	599.7

Sources: CCXAP research

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

On November 21, CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Linzhou City Investment Holdings Co., Ltd. (“LZIH” or the “Company”), with stable outlook.

On November 22, CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Ganzhou Jianxing Holding Investment Group Co., Ltd. (“GJHI” or the “Company”), with stable outlook.

On November 24, CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>+ to Xi’an Gaoke Group Co., Ltd (“XAGK” or the “Company”), with stable outlook.

On November 24, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub> to Dongtai State-owned Assets Operation Group Co., Ltd. (“DTAO” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20231120-20231124)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2023/11/21	LZIH	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) dominant role in local shantytown renovation and infrastructure construction; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) medium and increasing exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) moderate level of contingent risk.
2023/11/22	GJHI	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) most important position in the development of Zhanggong District; (2) high sustainability of public policy businesses; and (3) good track record of receiving government support. However, the Company’s rating is constrained by its (1) large debt burden with relatively high short-term debt repayment pressure; and (2) moderate access to funding, with relatively high reliance on non-standard financing.
2023/11/24	XAGK	BBB <sub>g</sub> +	BBB <sub>g</sub> +	The credit rating is underpinned by the Company’s (1) important role in the development and urban operations of Xi’an HIDZ; (2) good track record of receiving government support; and (3) good access to funding with sufficient bank facilities. However, the rating is constrained by the Company’s (1) high exposure to commercial activities especially in property development; (2) high debt leverage with heightened debt burden and refinancing needs; and (3) moderate asset liquidity.

2023/11/24	DTAO	BBB <sub>g</sub>	BBB <sub>g</sub>	The credit rating is underpinned by the Company's (1) position as an important entity for project construction and operation of state-owned assets in Dongtai City; (2) important role in the development of Dongtai Coastal Economic Zone ("Dongtai CAZ") with sufficient project reverses; 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 debt management and moderate asset liquidity; and (3) medium level of contingent risk.
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Sources: CCXAP research

From November 20 to November 24, rating agencies took positive rating action to 2 Chinese issuers; and took negative rating actions on 2 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20231120-20231124)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
<b>Upgrade:</b>	Weibo Corporation	Technology	Baa2	STABLE	2023/11/20	Baa2	NEG	2021/11/15	Moody's	The cash flow and credit quality in the next 12 to 18 months will improve
	Yinchuan Tonglian Capital Investment Operation	Chengtou	B+	STABLE	2023/11/20	B+	Negative under review	2023/05/31	Fitch	The connection with local government is robust
<b>Downgrade:</b>	Dalian Wanda Commercial Management Group Co., Ltd.	Real estate	Caa2	NEG	2023/11/22	B1	NEG	2023/07/06	Moody's	The liquidity goes weaken with higher risk refinance risk
	Dalian Wanda Commercial Management Group Co., Ltd.	Real estate	C	withdraw	2023/11/22	CC	withdraw	2023/08/03	Fitch	Inferior debt exchange causes liquidity crisis
	China Vanke Co.,Ltd.	Real estate	Baa3	NEG	2023/11/24	Baa1	Negative under review	2023/09/21	Moody's	The demand of finance in the next 12 to 18 months increases with debt pressure

Sources: CCXAP research



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