

### 2023 Issue 46

#### From November 27 to December 1

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

**Headline: China's manufacturing PMI in November was 49.4%, down 0.1% from the previous month; US manufacturing index in November was 46.7, shrinking for 13 consecutive months**

The National Bureau of Statistics released data. In November, the manufacturing purchasing managers index (PMI) was 49.4%, a decrease of 0.1 percentage points from the previous month, and the prosperity level of the manufacturing industry dropped slightly. Data released by ISM showed that the ISM manufacturing index in US in November was 46.7, lower than expected, shrinking for 13 consecutive months, the longest contraction period in the past 20 years since the outbreak of the Internet bubble crisis.

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

This week, the RMB depreciated. As of December 2, the RMB/USD middle rate closed at 7.1104, decreasing by 47bp from last Friday. The USD index decreased by 0.1% to 103.277 from last Friday.

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

This week, the China Government Bond yields mostly decreased. As Jelen's latest interview shown her opinion that it was no longer necessary to keep rate hiking, US Treasury yields fell.

#### Chinese Offshore Bond Market

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

From November 27 to December 2, there were 29 new issues with total issued volume of USD 2.628 billion, decreasing by 17.77% from last week. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD 1.735 billion.

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

As of December 2, the year-to-date return on the Chinese USD corporate bond index increased by 54bp to 2.30% from last Friday, of which the return on investment-grade bonds increasing by 80bp to 5.32%, the return on high-yield bonds decreasing by 110bp to -16.66%.

#### Rating Action: Rating agencies took rating actions to 12 Chinese issuers

From November 27 to December 2, rating agencies took positive rating action to 3 Chinese issuers; and took negative rating actions on 9 Chinese issuers.



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## Headline: China’s manufacturing PMI in November was 49.4%, down 0.1% from the previous month; US manufacturing index in November was 46.7, shrinking for 13 consecutive months

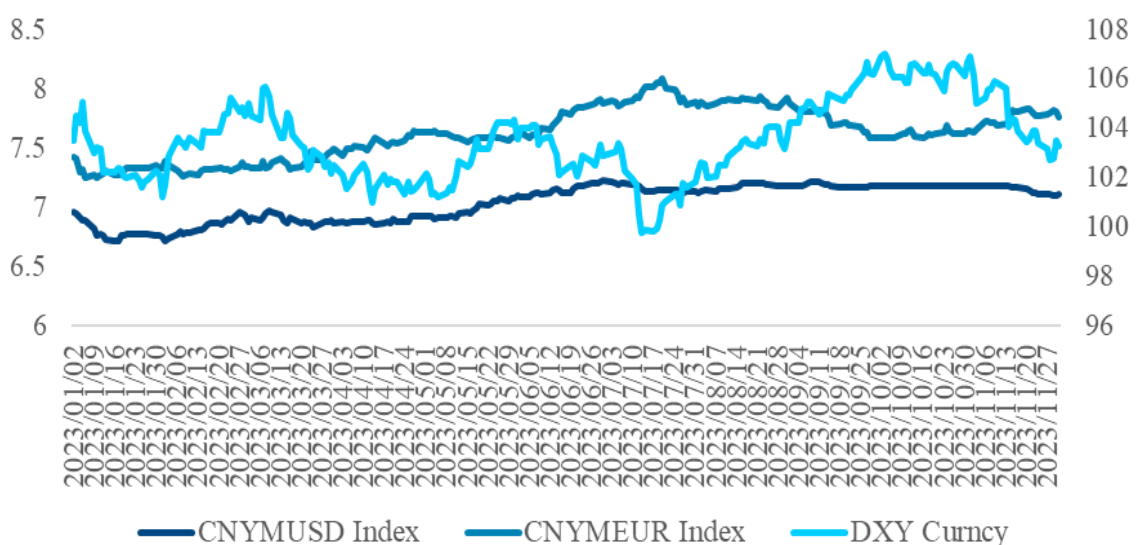
On November 30, the National Bureau of Statistics released data. In November, the manufacturing purchasing managers index (PMI) was 49.4%, a decrease of 0.1 percentage points from the previous month, and the prosperity level of the manufacturing industry dropped slightly. The non-manufacturing business activity index was 50.2%, down 0.4 percentage points from the previous month and still higher than the critical point. The non-manufacturing industry continued to expand. The comprehensive PMI output index was 50.4%, down 0.3 percentage points from the previous month, indicating that the overall production and operation activities of my country's enterprises continued to expand.

On December 1, data released by ISM showed that the ISM manufacturing index in the United States in November was 46.7, lower than expected, shrinking for 13 consecutive months, the longest contraction period in the past 20 years since the outbreak of the Internet bubble crisis. The U.S. ISM manufacturing index in November was 46.7, expected to be 47.8, and the previous value in October was 46.7. 50 is the dividing line between prosperity and contraction. The data hit a multi-year low in June this year, and gradually recovered in the following three months. By September, it had reached the best level in nearly a year, but it fell again since October. S&P Global data released earlier on the same day showed that the final value of the U.S. Markit manufacturing PMI in November was 49.4, which was expected to be 49.5 and the initial value was 49.4.

## Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of December 2, the RMB/USD middle rate closed at 7.1104, decreasing by 47bp from last Friday. The RMB/EUR middle rate closed at 7.7585, decreasing by 122bp from last Friday. The USD index decreased by 0.1% to 103.277 from last Friday.

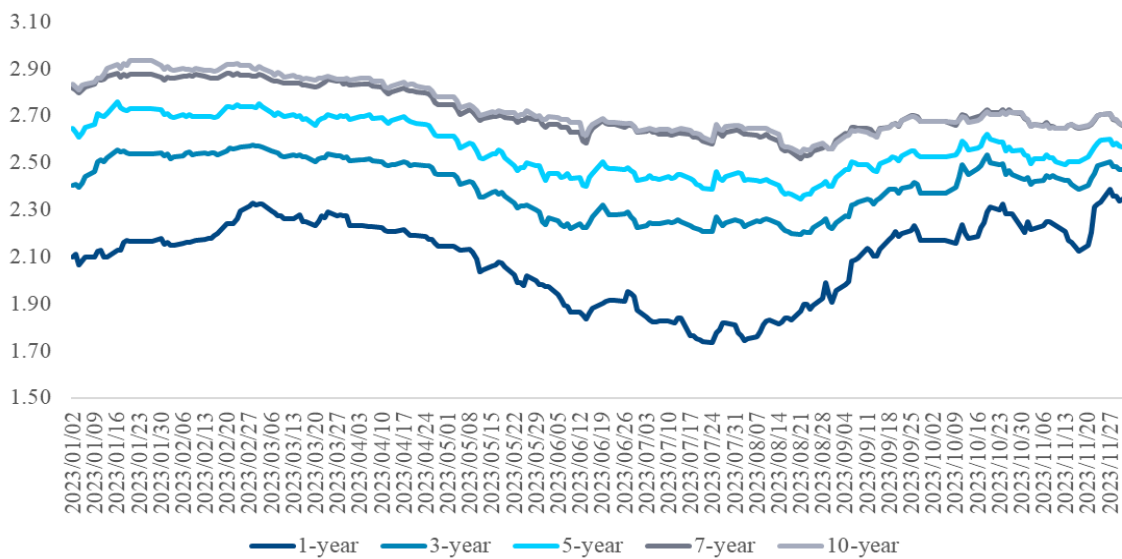
Figure 1: RMB exchange rate



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

This week, China Government Bond yields mostly decreased. As of December 2, the 3-year 5-year, 7-year and 10-year China Government Bond yields were 2.4725%, 2.5665%, 2.6588% and 2.6625%, decreasing by 1.86bp, 2.96bp, 4.42bp and 4.28bp, respectively, from last Friday. The 1-year China Government Bond yields were 2.3439%, increasing by 1.22bp from last Friday.

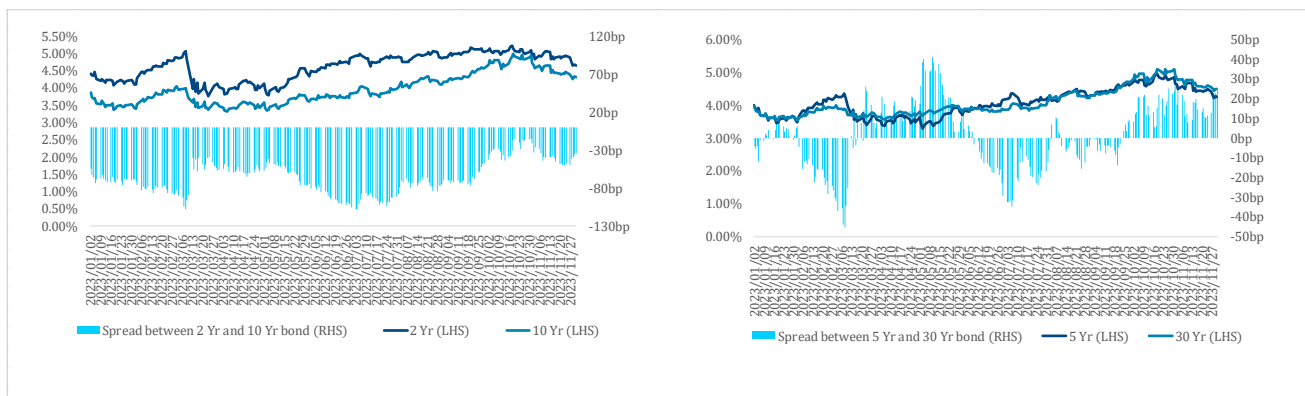
Figure 2: China Government Bond yields



Sources: CCXAP research

As Jelen’s latest interview shown her opinion that it was no longer necessary to keep rate hiking, US Treasury yields fell. As of December 2, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.6585%, 4.2433%, 4.3088% and 4.4876%, decreasing by 28.99bp, 24.17bp, 15.77bp and 10.97bp respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 13.22bp to -35.0bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 13.20bp to 24.4bp from last Friday.

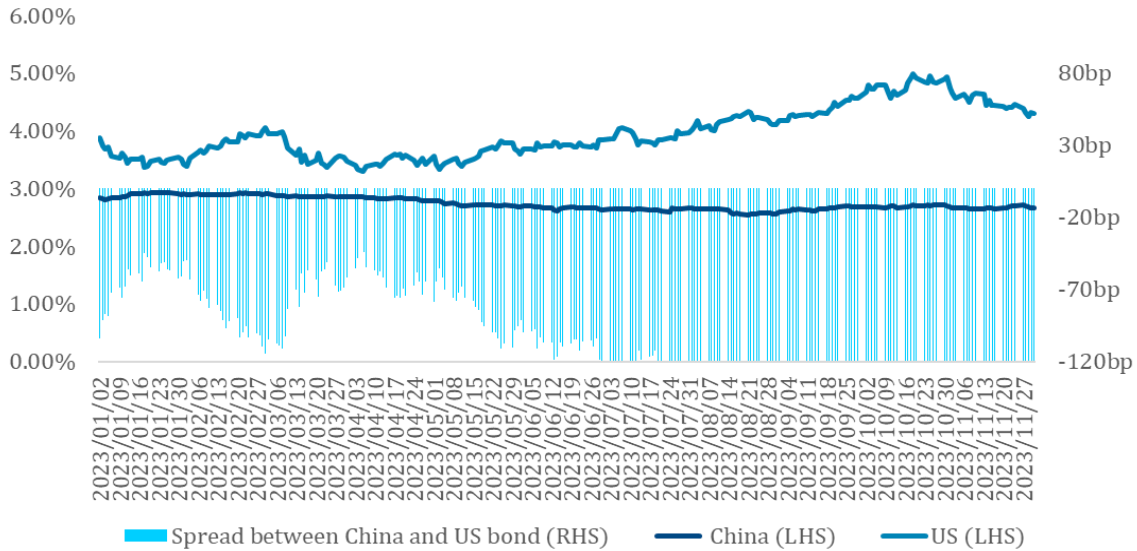
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of December 2, the yield spread between China and US 10-year note was -164.63bp, narrowing by 11.5bp from last Friday and widening 60.68 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 27 to December 2, there were 29 new issues with total issued volume of USD 2.628 billion, decreasing by 17.77% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD 1.735 billion.

**Table 1: New issuance of Chinese offshore bonds (20231127-20231202)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/11/27	Suzhou SND Group Co Ltd	USD	330	5.95	2026/12/4	3	Chengtou	-/-/BBB+	-/-/BBB+
2023/11/27	Hangzhou Gongshu State-Owned Holding Group Hongkong Co Ltd	CNY	707	4.3	2026/12/5	3	Chengtou	-/-/-	-/-/-
2023/11/27	CMB International Leasing Mana	USD	50	SOFR+110	2026/11/30	3	Financials	A3/-/-	-/-/-
2023/11/27	China Securities International Investment Co Ltd	USD	0.5	5.3	2024/2/29	92D	Financials	-/-/-	-/-/-
2023/11/28	China CITIC Bank International	USD	500	6	2033/12/5	10	Banks	A3/-/-	-/-/-
2023/11/28	Shouguang Chengtou Holding Group Co Ltd	CNY	298.7	9	2025/12/1	2	Chengtou	-/-/-	-/-/-
2023/11/28	Rizhao City Construction Inves	CNY	191.2	3.9	2026/12/6	3	Chengtou	-/-/-	-/-/-

2023/11/29	AVIC INTERNATIONAL LEASING CO.,LTD.	USD	187	6.125	1900/1/0	--	Financials	-/-A-	-/-/-
2023/11/29	Rizhao City Construction Inves	CNY	298.7	4.7	2026/12/6	3	Chengtou	-/-/-	-/-/-
2023/11/29	Huatai International Financial	USD	95	6	2024/9/6	275D	Financials	-/-/-	-/-/-
2023/11/29	China International Capital Co	USD	2.6	5.57	2024/3/6	91D	Financials	-/-/BBB+	-/-/-
2023/11/30	Shouguang City Construction In	CNY	199.2	8.5	2025/12/8	2	Chengtou	-/-/-	-/-/-
2023/11/30	Huangshi Urban Development Inv	CNY	368.1	3.9	2026/12/7	3	Chengtou	-/-/-	-/-/-
2023/11/30	CITIC Securities International	CNY	35.8	0	2026/12/14	3	Financials	-/BBB+/-	-/-/-
2023/11/30	Weihai Huantong Industrial Inv	CNY	248	7.5	2024/12/3	364D	Chengtou	-/-/-	-/-/-
2023/11/30	CITIC Securities International	CNY	28.9	0	2026/12/14	3	Financials	-/BBB+/-	-/-/-
2023/11/30	CITIC Securities International	CNY	35.8	0	2026/12/14	3	Financials	-/BBB+/-	-/-/-
2023/11/30	CITIC Securities International	CNY	11.9	0	2024/11/21	352D	Financials	-/BBB+/-	-/-/-
2023/11/30	CITIC Securities International	CNY	49.8	0	2025/11/25	2	Financials	-/BBB+/-	-/-/-
2023/11/30	CITIC Securities International	CNY	21.9	0	2025/11/25	2	Financials	-/BBB+/-	-/-/-
2023/11/30	CITIC Securities International	CNY	12.9	0	2024/7/25	233D	Financials	-/BBB+/-	-/-/-
2023/12/1	Jingdezhen Hesheng Industrial	CNY	334.9	3.9	2026/11/8	3	Chengtou	-/-/-	-/-/-
2023/12/1	Guangzhou Development District	USD	500	6.3	2025/12/6	2	Chengtou	Baa2/-/-	-/-/-
2023/12/1	Jinan City Construction Group Ltd Co Ltd	CNY	1991.6	4	2026/12/8	3	Chengtou	Baa1/-/-	-/-/-
2023/12/1	Qiantang Jiantou Bvi Ltd	USD	165	6.6	2024/12/4	364D	Chengtou	-/-/-	-/-/-
2023/12/1	Nanping Wuyi Group Co Ltd	CNY	398.3	3.7	2026/12/8	3	Chengtou	-/-/-	-/-/-
2023/12/1	Huatai International Financial	USD	25	6.4	2024/6/7	183D	Financials	-/-/-	-/-/-
2023/12/1	CITIC Securities International	USD	5.5	0	2024/6/7	182D	Financials	-/BBB+/-	-/-/-
2023/12/1	Chongqing Wansheng Industrial	CNY	217.1	7.5	2026/12/6	3	Chengtou	-/-/-	-/-/-

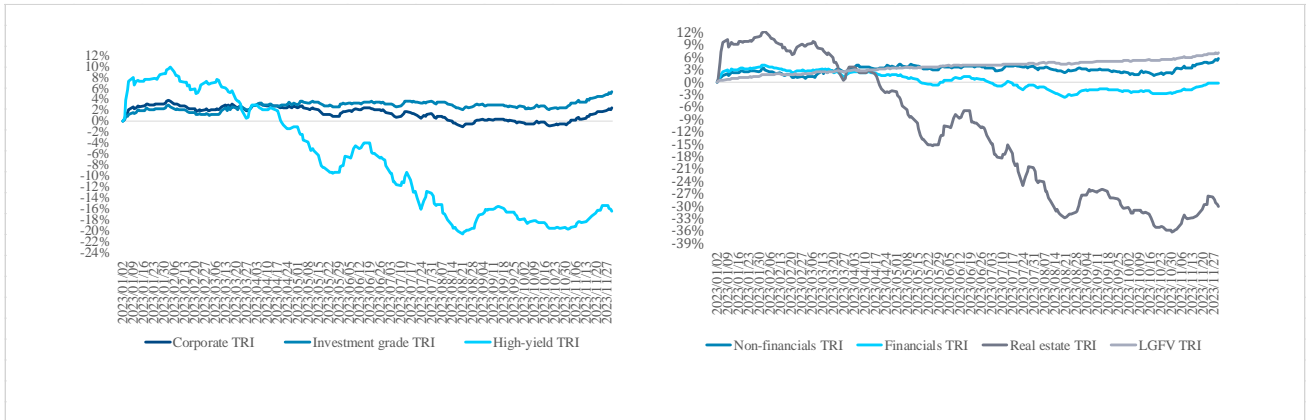
Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of December 2, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 54bp to 2.30% from last Friday, of which the return on investment-grade bonds increased by 80bp to 5.32%, the return on high-yield bonds decreased by 110bp to -16.66%. In terms of sector indices, the return on non-financial, financial, 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

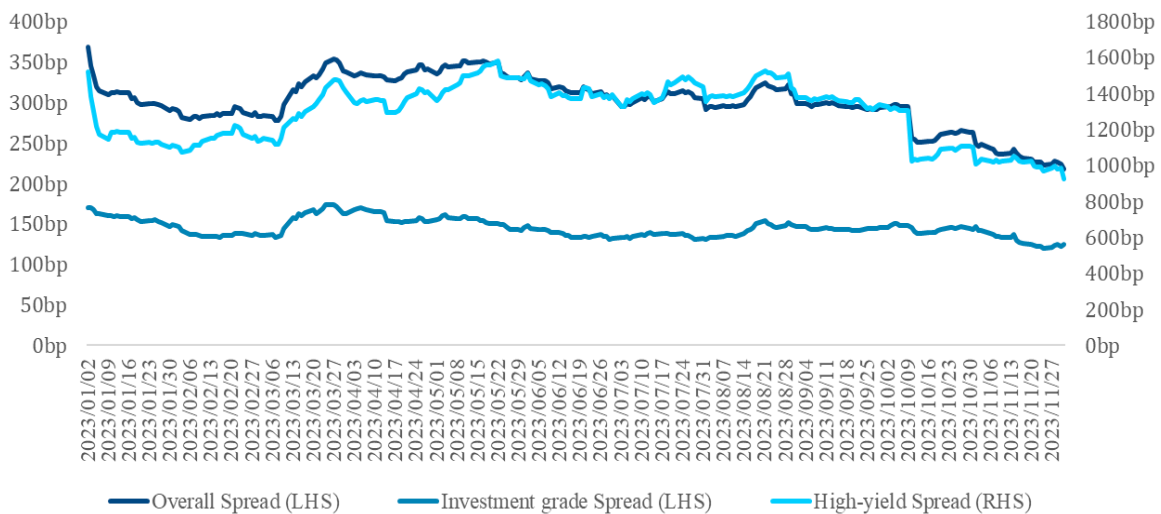
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of December 2, the yield spread of Chinese dollar bonds decreased by 4.2bp to 218.02bp from last Friday. The yield spread of investment-grade bonds widened by 4.9bp to 125.15bp, while the spread of high-yield bonds narrowed by 43.7bp to 923.42bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from November 27 to December 2 are shown in the table below. Among them, China South City Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20231127-20231202)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
CSCHCN 9 04/12/24	China South City Holdings Ltd	24.518	0.35	1286.039	94830.7
AGILE 7 ½ PERP	AGILE GROUP HOLDINGS LTD	5.786	PREP	1508.377	34178.9
CSCHCN 9 06/26/24	China South City Holdings Ltd	24.32	0.56	544.713	32959.6
CSCHCN 9 07/20/24	China South City Holdings Ltd	24.209	0.62	460.386	28727.5

CSCHCN 9 10/09/24	China South City Holdings Ltd	20.887	0.84	382.767	17943.8
CSCHCN 9 12/11/24	China South City Holdings Ltd	20.739	1.02	288.364	14245.5
DALWAN 7 ¼ 01/29/24	Wanda Properties Overseas Ltd	52.481	0.15	610.67	9024.3
AGILE 5 ¾ 01/02/25	AGILE GROUP HOLDINGS LTD	20.039	1.08	242.974	7079.2
GEMDAL 4.95 08/12/24	Gemdale Corporation	44.8	0.68	169.747	3598.5
FUTLAN 6 08/12/24	New City Development Holdings Limited	49.945	0.68	143.181	3007

Sources: CCXAP research

## Rating Action: Rating agencies took rating actions to 12 Chinese issuers

From November 27 to December 2, rating agencies took positive rating action to 3 Chinese issuers; and took negative rating actions on 9 Chinese issuers.

**Table 3: Credit rating changes of cross-border bond market (20231127-20231202)**

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
<b>International Rating:</b>										
Upgrade:	China Merchants Port Holdings Company Limited	Utility	BBB+	STABLE	2023/11/30	BBB	STABLE	2023/06/27	S&P	The policy strengthen the guarantor of the company
	China Merchants Finance Leasing Co., Ltd.	Utility	BBB+	STABLE	2023/11/30	BBB	STABLE	2023/08/29	S&P	The policy strengthen the guarantor of the company
	Henan Investment Group Company Limited	Chengtou	A	STABLE	2023/11/30	A-	STABLE	2022/12/08	Fitch	The negative impact if the company default is assessed to be much higher
Downgrade:	Beijing Capital Polaris Investment Co., Ltd	Utility	Baa3	Negative under review	2023/11/29	Baa3	STABLE	2022/07/07	Moody's	The financial indicators go weekend, the leverage ratio goes higher
	China National Bluestar(Group)Co, Ltd.	Technology	Baa2	Negative under review	2023/11/29	Baa2	STABLE	2023/08/17	Moody's	The leverage ratio is higher
	Hilong Holding Limited	Technology	Caa1	NEG	2023/11/29	Caa1	STABLE	2021/05/27	Moody's	The liquidity indicators are weaken, the risk of default increase
	Road King Infrastructure Limited	Real estate	B3	NEG	2023/11/30	B2	NEG	15/9/2023	Moody's	Sales weaken in the future
	Yanlord Land Group Limited	Real estate	B1	NEG	2023/11/30	Ba3	NEG	2023/08/28	Moody's	The credit indices and liquidity ratios will be weakened in the future
	Famous Commercial Ltd	Real estate	Caa2	NEG	2023/11/30	Caa1	NEG	2023/10/17	Moody's	Downgraded ratings of family company

Future Land Development Holdings Limited	Real estate	B2	NEG	2023/12/01	B1	NEG	2023/09/15	Moody's	The credit indices, liquidity ratios and flexibilities will be weakened in the future
Huaxin Cement Co.,Ltd.	Industrials	Baa1	NEG	2023/12/01	Baa1	STABLE	2022/06/14	Moody's	The real estate sector goes weak, affecting the upstream industries

Sources: CCXAP research



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