

2023 Issue 48

From December 11 to December 15

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

Headline: China announced that the CPI in November was -0.5%; the United States announced that the CPI in November was 3.1%

On December 9, data released by the National Bureau of Statistics showed that in November, the national consumer price index (CPI) fell by 0.5% year-on-year, a decline that expanded by 0.3 percentage points from the previous month; it fell by 0.5% month-on-month. On December 12, the U.S. Department of Labor released the latest data. The Consumer Price Index (CPI) rose by 3.1% year-on-year in November, in line with expectations and down 0.1 percentage point from the previous value of 3.2%.

Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of December 15, the RMB/USD middle rate closed at 7.0957, decreasing by 166bp from last Friday. The USD index decreased by 1.4% to 102.55 from last Friday.

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

This week, because of the CPI data, the China Government Bond yields fell. As the market believe the probability of Rate Hike decreased, US Treasury yields fell.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From December 11 to December 15, there were 38 new issues with total issued volume of USD 1.903 billion, increasing by 19.38% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD 0.933 billion.

Secondary Market: Return on Chinese USD bond increased

As of December 15, the year-to-date return on the Chinese USD corporate bond index increased by 119bp to 3.51% from last Friday, of which the return on investment-grade bonds increasing by 115bp to 6.53%, the return on high-yield bonds increasing by 143bp to -15.45%.

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

CCXAP assigns long-term credit rating to 5 entities, Henan Zhongyu Credit Promotion Co., Ltd., Chengdu Medical City Urban Construction Development Co., Ltd., Hunan Xiangjiang New Area Development Group Co., Ltd., Hengyang Hightech Holding Group Co., Ltd. and Pingyang County Urban Construction Investment Co., Ltd.



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Headline: China announced that the CPI in November was -0.5%; the United States announced that the CPI in November was 3.1%

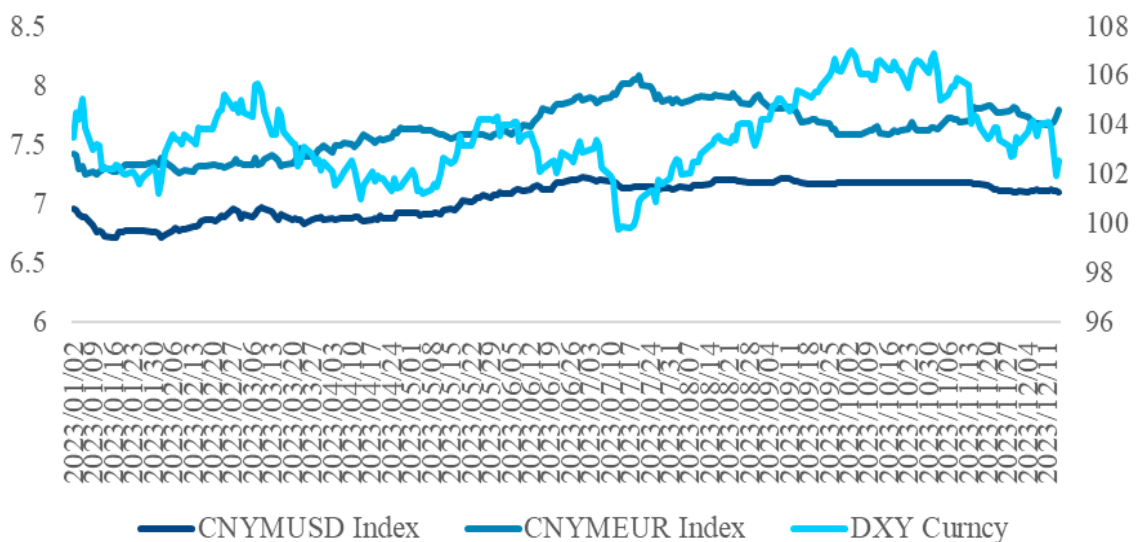
On December 9, data released by the National Bureau of Statistics showed that the national Consumer Price Index (CPI) fell by 0.5% year-on-year (“YoY”) in November, a decline that was 0.3 percentage points larger than the previous month, and the Producer Price Index (PPI) fell by 3% YoY, a decline that was 0.4 percentage points larger than the previous month. Domestic price operations generally remained stable. Affected by factors such as food and energy price fluctuations and downward trends, CPI has declined; core CPI excluding food and energy prices increased by 0.6% YoY, with the same increase as last month and continued to maintain a moderate increase.

On December 12, the US Department of Labor released the latest data. The CPI rose by 3.1% YoY in November, in line with expectations and down 0.1 percentage points from the previous value of 3.2%. This indicator soared to the highest level in 40 years in June last year. The highest level was 9%; the CPI increased by 0.1% month-on-month (“MoM”) in November, while it was flat MoM in October. Excluding volatile food and energy prices, core CPI rose by 4.0% YoY in November, both the expected and previous values were 4.0%; it rose by 0.3% MoM, also in line with expectations, and the previous value was 0.2%. If inflation remains stable or continues to subside, the Fed is more likely to keep interest rates at current levels rather than raise them further.

Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of December 15, the RMB/USD middle rate closed at 7.0957, decreasing by 166bp from last Friday. The RMB/EUR middle rate closed at 7.7988, increasing by 1196bp from last Friday. The USD index decreased by 1.4% to 102.55 from last Friday.

Figure 1: RMB exchange rate

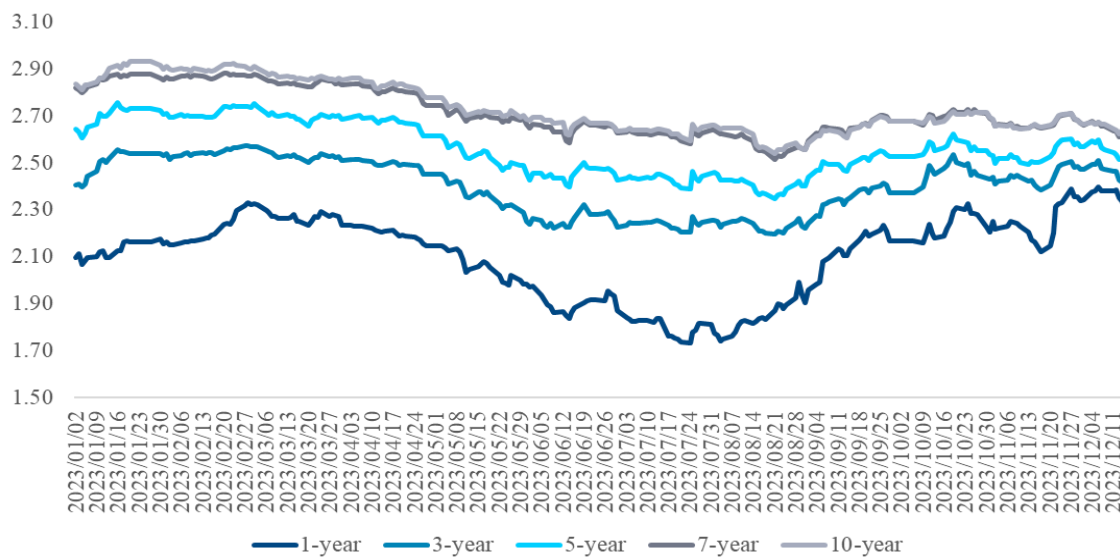


Sources: CCXAP research

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

This week, because of the CPI data, the China Government Bond yields fell. As of December 15, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 2.3076%, 2.3915%, 2.4916%, 2.6032% and 2.6227%, decreasing by 7.15bp, 8.09bp, 6.54bp, 5.43bp and 4.09bp, respectively, from last Friday.

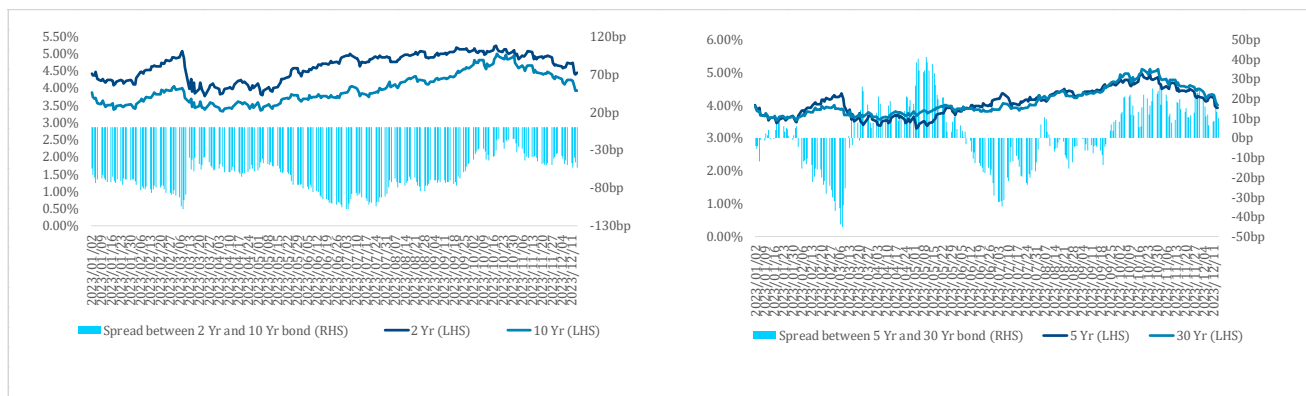
Figure 2: China Government Bond yields



Sources: CCXAP research

As the market believe the probability of Rate Hike decreased, US Treasury yields mostly fell. As of December 15, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.4428%, 3.9088%, 3.911% and 4.008%, decreasing by 27.81bp, 33.04bp, 31.46bp and 29.56bp respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 3.65bp to -53.2bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 3.48bp to 9.9bp from last Friday.

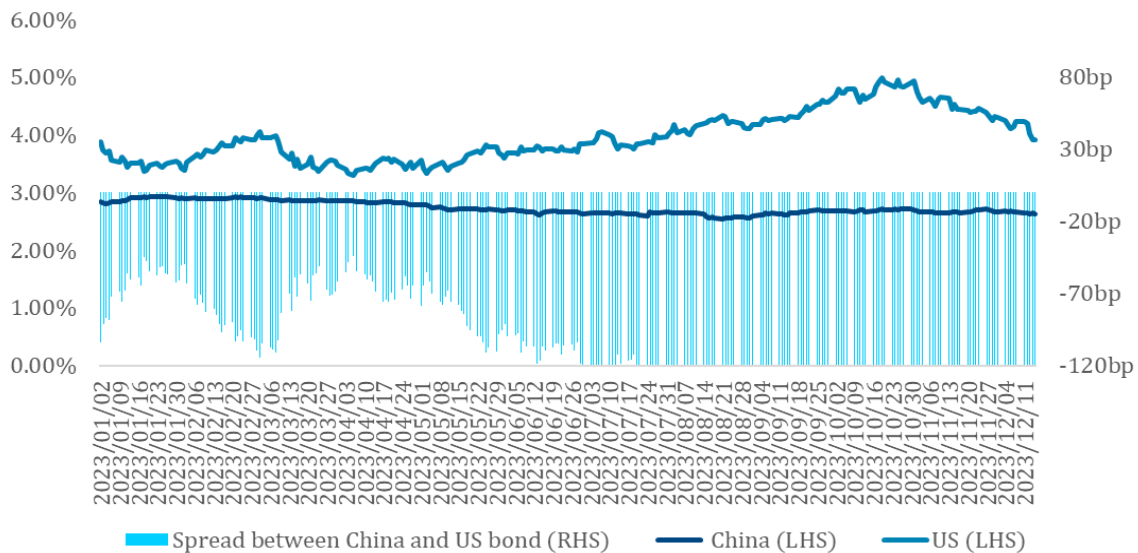
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of December 15, the yield spread between China and US 10-year note was -128.8bp, narrowing by 27.4bp from last Friday and widening 24.88bp 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 December 11 to December 15, there were 38 new issues with total issued volume of USD1.903 billion, increasing by 19.38% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD0.933 billion.

Table 1: New issuance of Chinese offshore bonds (20231211-20231215)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/12/11	Bocom Leasing Management Hong Kong Co Ltd	USD	240	6.34	2026/12/20	3	Financials	A3/A-/A	-/-/-
2023/12/11	China Everbright Bank Co Ltd/Luxembourg	EUR	44.6	3.7	2026/12/18	3	Banks	Baa2/BBB+/BBB+	-/-/-
2023/12/11	China Everbright Bank Co Ltd/Luxembourg	USD	50	5	2026/12/18	3	Banks	Baa2/BBB+/BBB+	-/-/-
2023/12/11	CITIC Securities International Co Ltd	USD	4.2	0	2026/3/27	2.28	Financials	-/BBB+/-	-/-/-
2023/12/11	CITIC Securities International Co Ltd	USD	4.1	0	2026/3/27	2.28	Financials	-/BBB+/-	-/-/-
2023/12/11	GF Holdings Hong Kong Corp Ltd	CNY	59.6	3	2024/6/13	183D	Financials	-/-/-	-/-/-
2023/12/11	GF Holdings Hong Kong Corp Ltd	USD	10	5.8	2024/3/14	91D	Financials	-/-/-	-/-/-
2023/12/11	Pingtang Comprehensive Pilot Zone City Development Group Co Ltd	CNY	580.8	5.6	2026/12/18	3	Chengtou	-/-/-	-/-/-

2023/12/12	China Everbright Bank Co Ltd/Luxembourg	EUR	49.6	3.66	2026/12/19	3	Banks	Baa2/BBB+/BBB+	-/-/-
2023/12/12	China Securities International Investment Co Ltd	CNY	5.3	2.7	2024/2/21	68D	Financials	-/-/-	-/-/-
2023/12/12	China Securities International Investment Co Ltd	CNY	5.4	2.8	2024/3/15	91D	Financials	-/-/-	-/-/-
2023/12/12	China Securities International Investment Co Ltd	USD	1	5.45	2024/2/21	68D	Financials	-/-/-	-/-/-
2023/12/12	China Securities International Investment Co Ltd	USD	2.5	5.7	2024/1/17	33D	Financials	-/-/-	-/-/-
2023/12/12	China Securities International Investment Co Ltd	USD	2.5	5.32	2024/3/15	91D	Financials	-/-/-	-/-/-
2023/12/12	CSC Financial Co Ltd	CNY	500.7	3.45	2026/12/19	3	Financials	Baa1/BBB+/BBB+	-/-/-
2023/12/12	CSC Financial Co Ltd	CNY	711	3.45	2026/12/19	3	Financials	Baa1/BBB+/BBB+	-/-/-
2023/12/12	CSC Financial Co Ltd	CNY	791.1	3.45	2026/12/19	3	Financials	Baa1/BBB+/BBB+	-/-/-
2023/12/12	Far East Horizon Ltd	JPY	4329.1	1.9	2026/12/18	3	Financials	-/BBB-/-	-/-/-
2023/12/12	GF Holdings Hong Kong Corp Ltd	USD	2.5	5.8	2024/3/15	91D	Financials	-/-/-	-/-/-
2023/12/12	Jiande State-owned Assets Investment Holding Group Co., Ltd.	CNY	941.4	5.2	2026/12/19	3	Chengtou	-/-/-	-/-/-
2023/12/12	Shandong Zhengfang Holding Group Co Ltd	CNY	65.1	7.8	2026/12/15	3	Chengtou	-/-/-	-/-/-
2023/12/13	CITIC Securities International Co Ltd	CNY	101.1	0	2027/5/6	3	Financials	-/BBB+/-	-/-/-
2023/12/13	CITIC Securities International Co Ltd	CNY	69.1	0	2025/3/11	1.23	Financials	-/BBB+/-	-/-/-
2023/12/13	Jining Hi-tech Holding Group Co Ltd	CNY	120.2	7.8	2024/12/19	364D	Chengtou	-/-/-	-/-/-
2023/12/13	Luoyang Guohong Investment Holding Group Co Ltd	CNY	198.3	7	2026/12/15	3	Chengtou	-/-/-	-/-/-
2023/12/14	China Everbright Bank Co Ltd/Luxembourg	CNY	1001.4	3	2026/12/18	2.97	Banks	Baa2/BBB+/BBB+	-/-/BBB+
2023/12/14	CITIC Securities International Co Ltd	CNY	300.4	3	2024/12/17	364D	Financials	-/BBB+/-	-/-/-
2023/12/14	CITIC Securities International Co Ltd	USD	5	5.75	2024/3/21	91D	Financials	-/BBB+/-	-/-/-
2023/12/14	Jinan Tianqiao Industrial Development Group Co Ltd	USD	67	8.5	2024/12/18	364D	Chengtou	-/-/-	-/-/-
2023/12/15	Chengdu Sino French Ecological Park Investment Development Co Ltd	CNY	300.4	7.9	2026/12/22	3	Chengtou	-/-/-	-/-/-
2023/12/15	Chengdu Xinjin City Industry Development Group Co Ltd	USD	49	7.5	2026/12/19	3	Chengtou	-/-/-	-/-/-
2023/12/15	Chenzhou Futian Construction Development Co Ltd	CNY	536.8	4.6	2026/12/22	3	Chengtou	-/-/-	-/-/-
2023/12/15	China Securities International Investment Co Ltd	USD	1	5.6	2024/12/19	1	Financials	-/-/-	-/-/-

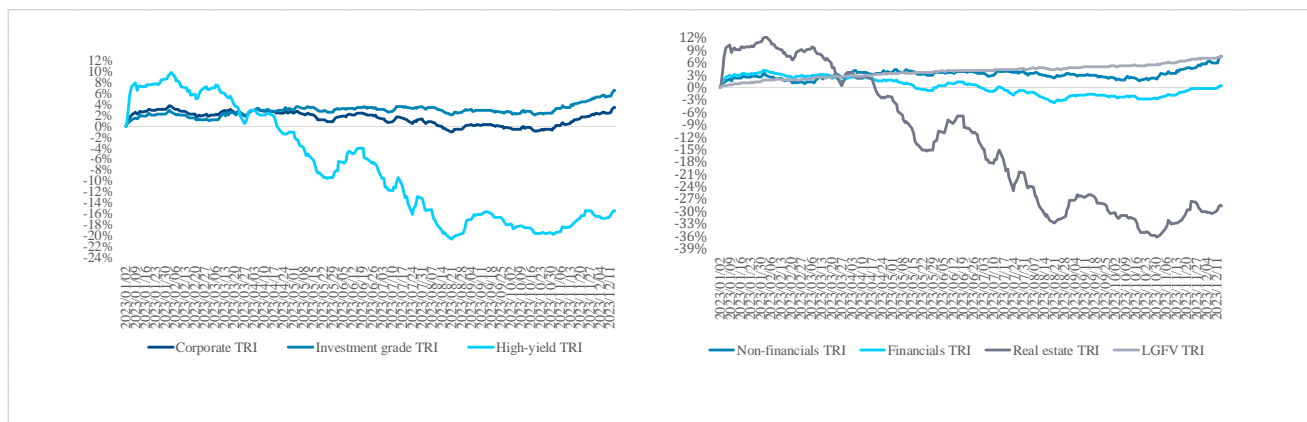
2023/12/15	Chongqing Wansheng Industrial Park Development And Construction Co Ltd	CNY	366	7.5	2026/12/19	3	Chengtou	-/-/-	-/-/-
2023/12/15	CITIC Securities International Co Ltd	USD	21	5.62	2024/12/20	364D	Financials	-/BBB+/-	-/-/-
2023/12/15	Jinan Zhangqiu Holding Group Co Ltd	CNY	1502.2	7	2024/12/19	364D	Chengtou	-/-/-	-/-/-
2023/12/15	Rudong County Jinxin Transportation Engineering Construction Investment Co Ltd	USD	50	5.7	2026/12/20	3	Chengtou	-/-/-	-/-/-
2023/12/15	Taian City Development and Investment Co Ltd	USD	120	8.9	2024/12/20	364D	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of December 15, the YTD return¹ on the Chinese USD corporate bond index increased by 119bp to 3.51% from last Friday, of which the return on investment-grade bonds increasing by 115bp to 6.53%, the return on high-yield bonds increasing by 143bp to -15.45%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 7.53%, 0.45%, -28.71% and 7.42%, respectively, increasing by 165bp, 85bp, 186bp and 44bp from last Friday.

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

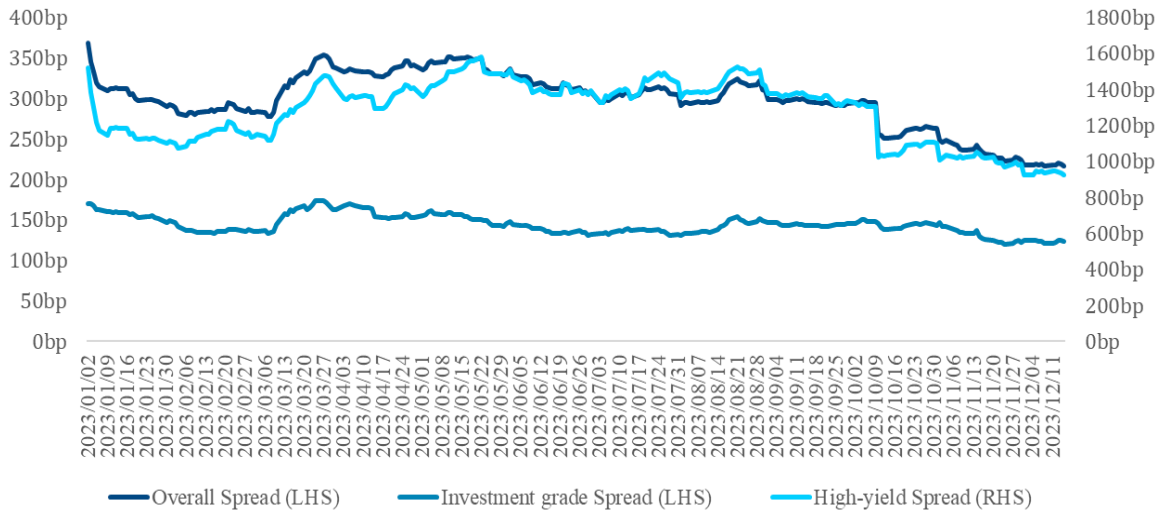


Sources: CCXAP research

As of December 15, the yield spread of Chinese dollar bonds widened by 0.5bp to 216.41bp from last Friday. The yield spread of investment-grade bonds widened by 2.6bp to 123.61bp, while the spread of high-yield bonds narrowed by 15.3bp to 921.72bp.

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

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from December 11 to December 15 are shown in the table below. Among them, Fujian Zhanglong Group Co Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20231211-20231215)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
ZHANLO 3.45 12/19/23	Fujian Zhanglong Group Co Ltd	99.93	0.01	28.266	7220.3
HPDLF 6.8 12/28/23	Hopson Development Holdings Ltd	99.3	0.03	37.348	3248.3
AGILE 13.476 PERP	AGILE GROUP HOLDINGS LTD	5.292	PERP	191.112	2690.9
AGILE 7 ¾ PERP	AGILE GROUP HOLDINGS LTD	5.212	PERP	432.299	1692.1
AGILE 5 ¾ 01/02/25	AGILE GROUP HOLDINGS LTD	19.125	1.04	265.828	1212.3
AGILE 5 ½ 04/21/25	AGILE GROUP HOLDINGS LTD	15.9	1.34	218.069	940
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	24.022	PERP	260.136	861.8
CHIGRA 9 ¾ 01/30/24	China Grand Automotive Services Limited	98.914	0.11	18.445	502.3
AGILE 6.05 10/13/25	AGILE GROUP HOLDINGS LTD	13.825	1.82	168.979	436.6
GLPCHI 4.974 02/26/24	GLP China Holdings Limited	94.066	0.19	39.043	286.6

Sources: CCXAP research

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

On December 12, CCXAP assigns first time long-term credit rating of A_g⁺ to Henan Zhongyu Credit Promotion Co., Ltd. (“HZCP” or the “Company”), with stable outlook.

On December 14, CCXAP assigns first-time long-term credit rating of BBB_g to Chengdu Medical City Urban Construction Development Co., Ltd., with stable outlook.

On December 15, CCXAP assigns first-time long-term credit rating of A_g to Hunan Xiangjiang New Area Development Group Co., Ltd. (“XNDG” or the “Company”), with stable outlook.

On December 15, CCXAP assigns first time long-term credit rating of BBB_g⁺ to Hengyang Hightech Holding Group Co., Ltd. (“HHHG” or the “Company”), with stable outlook.

On December 15, CCXAP assigns first time long-term credit rating of BBB_g to Pingyang County Urban Construction Investment Co., Ltd. (“PUCI” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20231211-20231215)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/12/12	HZCP	A _g +	-	The credit rating is underpinned by the Company’s (1) strong market position as the first credit enhancement company in Henan Province; (2) solid capital base supported by its large state-owned enterprises (“SOEs”) shareholders; and (3) good funding access. However, the rating is constrained by the Company’s (1) concentrated risk exposure in Henan Province; (2) business development and profitability that are subject to economic and policy changes; and (3) lack of operating track record.
2023/12/14	CMCC	BBB _g	-	The credit rating is underpinned by the Company’s (1) monopoly position in the development of Chengdu Medical City; (2) solid track record of receiving government payments; and (3) relatively low debt burden. However, the rating is constrained by the Company’s (1) moderate asset liquidity; and (2) large capital expenditure pressure associated with construction projects.
2023/12/15	XNDG	A _g	-	The credit rating is underpinned by the Company’s (1) important strategic position in the development of Xiangjiang New Area; (2) good track record of receiving government support; and (3) good access to funding from banks and bond markets. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) moderate debt growth and asset liquidity.
2023/12/15	HHHG	BBB _g +	-	The credit rating is underpinned by the Company’s (1) status as the most important entity for urban infrastructure construction in Hengyang HTZ; (2) good track of receiving government support; and (3) high sustainability for public policy businesses. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) fast debt growth, with large capital expenditure pressure; and (3) modest asset liquidity and profitability.
2023/12/15	PUCI	BBB _g	BBB _g	The credit rating is underpinned by the Company’s (1) important position in the comprehensive development of Pingyang County; (2) high sustainability of public policy businesses; and (3) good access to funding. However, the Company’s rating is constrained by its (1) moderate exposure to commercial activities with manageable commercial risks; (2) fast debt growth and moderate asset liquidity; and (3) high exposure to external guarantees, with manageable contingent liability risk.

Sources: CCXAP research

From December 11 to December 15, rating agencies took negative rating action to 1 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20231211-20231215)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Downgrade:	CMB Wing Lung Bank.	Financial	A2	NEG	2023/12/14	A2	STABLE	2023/05/15	Moody's	The credit pressure under the loans to the real estate companies from the bank

Sources: CCXAP research

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