

2023 Issue 49

From December 18 to December 29

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

Headline: China's manufacturing PMI in December was 49%; Goldman Sachs predicts that US will cut interest rates at least four times in 2024

According to data released by the Service Industry Survey Center of the National Bureau of Statistics and the China Federation of Logistics and Purchasing, in December 2023, China's PMI was 49%, a decrease of 0.4 percentage points from the previous month. On December 28, Goldman Sachs chief economist Jan Hatzius made judgments on the US economy, bank credit growth, and expectations of the Fed's interest rate cut in the latest "Ten Questions about the US Economy in 2024."

Exchange Rate: RMB appreciated, USD index decreased

These two weeks, the RMB appreciated. As of December 29, the RMB/USD middle rate closed at 7.0827, decreasing by 130bp from December 15. The USD index decreased by 1.2% to 101.33 from December 15.

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

These two weeks, the China Government Bond yields fell. As market participants, represented by Goldman Sachs, expected the Federal Reserve to start cutting interest rates in the near future, US Treasury yields mostly fell in the past two weeks.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From December 18 to December 29, there were 47 new issues with total issued volume of USD3.623 billion, increasing by 89.98% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD2.331 billion.

Secondary Market: Return on Chinese USD bond increased

As of December 29, the year-to-date return on the Chinese USD corporate bond index increased by 42bp to 3.93% from December 15, of which the return on investment-grade bonds increasing by 35bp to 6.80%, the return on high-yield bonds increasing by 86bp to -13.93%.

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

CCXAP assigns long-term credit rating to 5 entities, Zhejiang South Taihu Urban Development Holding Group Co., Ltd., Chengdu Xingjin Construction Development Investment Group Co., Ltd., Wuxi Construction Development Investment Co., Ltd., Wuxi Urban Construction Development Group Co., Ltd. and Chengdu Jiaozi Park Financial Business District Investment and Development Co., Ltd.



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Headline: China announced that its manufacturing PMI in December was 49%; Goldman Sachs predicts that the United States will cut interest rates at least four times in 2024

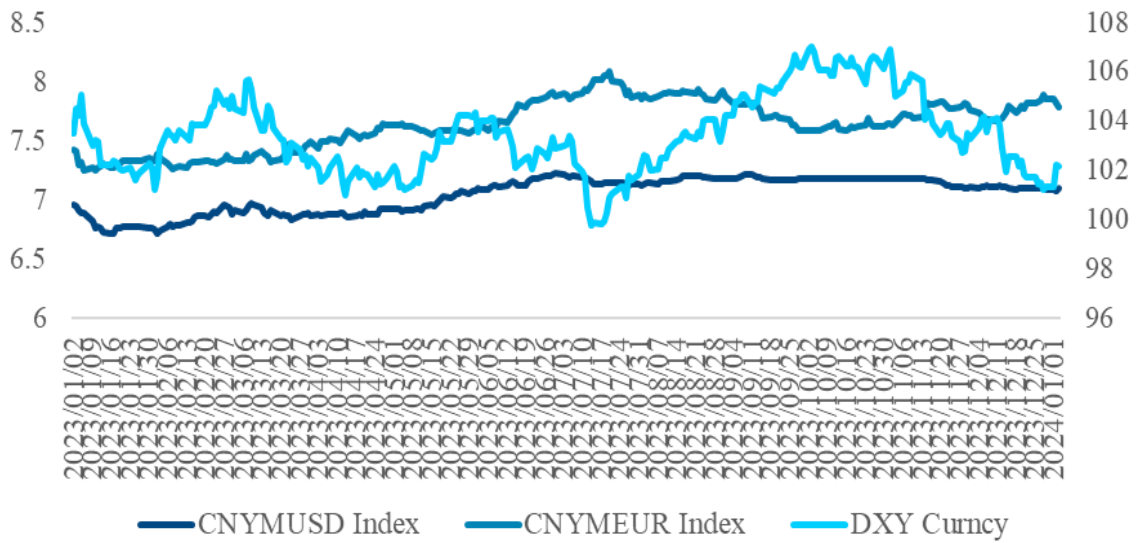
On December 31, the Service Industry Survey Center of the National Bureau of Statistics and the China Federation of Logistics and Purchasing released data on December 31, 2023. In December 2023, China's manufacturing purchasing managers index (PMI) was 49%, down from the previous month. 0.4 percentage points. The production index maintained expansion. In December, the production index was 50.2%, down 0.5 percentage points from the previous month and still higher than the critical point. The production of manufacturing enterprises has maintained expansion for seven consecutive months. From a global perspective, the manufacturing industry in major economies such as Europe and the United States has continued to shrink since 2023. The initial manufacturing PMI values of the United States and the Eurozone in December were 48.2% and 44.2% respectively. The current external environment is increasingly complex, severe, and uncertain. Some companies in the survey reported that reduced overseas orders and insufficient domestic effective demand are the main difficulties faced by companies.

On December 28, Goldman Sachs chief economist Jan Hatzius made judgments on the US economy, bank credit growth and the Federal Reserve's interest rate cut expectations in the latest "Ten Questions about US Economy in 2024. Overall, Goldman Sachs believes that the Federal Reserve will cut interest rates significantly in 2024, at least four times. In November, Goldman Sachs predicted that the Federal Reserve will only cut interest rates once in 2024, and it will be in the fourth quarter of 2024. Under the influence of sharp interest rate cuts, Goldman Sachs believes that credit growth in the U.S. banking industry will accelerate again. In November, Goldman Sachs said that as interest rates will remain high for a long time, "vulnerable areas" in the US banking industry may be exposed. Credit pressure on small banks continues. At the same time, Goldman Sachs believes that the US economy will avoid recession because of the Fed's early interest rate cut. It predicts that the US GDP growth rate will be 2% in the fourth quarter of 2024. In its November report, Goldman Sachs emphasized the possibility of economic recession in 2024. The probability is 15%.

Exchange Rate: RMB appreciated, USD index increased

These two weeks, the RMB appreciated. As of December 29, the RMB/USD middle rate closed at 7.0827, decreasing by 130bp from December 15. The RMB/EUR middle rate closed at 7.8592, increasing by 604bp from December 15. The USD index decreased by 1.2% to 101.33 from December 15.

Figure 1: RMB exchange rate

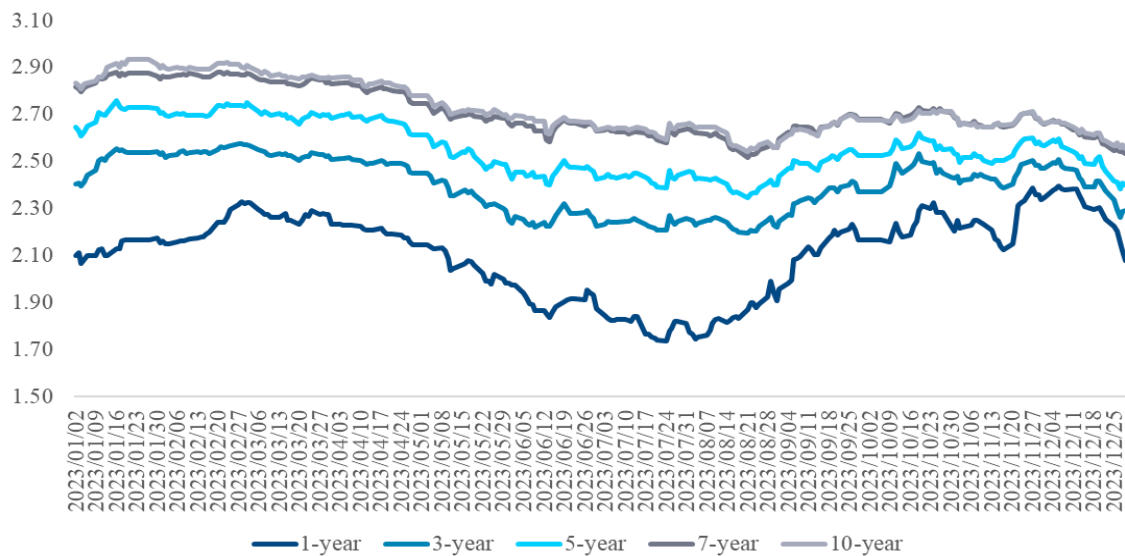


Sources: CCXAP research

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

These two weeks, the China Government Bond yields fell. As of December 29, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 2.0796%, 2.2894%, 2.4001%, 2.5328% and 2.5553%, decreasing by 22.8bp, 10.21bp, 9.15bp, 7.04bp and 6.74bp, respectively, from December 15.

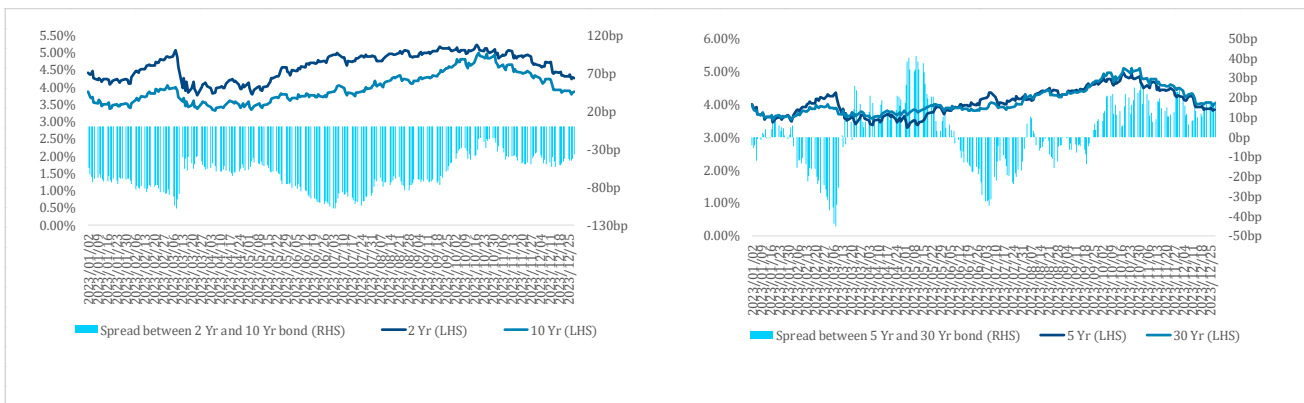
Figure 2: China Government Bond yields



Sources: CCXAP research

As market participants, represented by Goldman Sachs, expected the Federal Reserve to start cutting interest rates in the near future, US Treasury yields mostly fell in the past two weeks. As of December 29, the 2-year, 5-year and 10-year Treasury yields were 4.2499%, 3.8471% and 3.8791%, decreasing by 19.29bp, 6.17bp and 3.19bp respectively, from December 15. The 30-year Treasury yields were 4.0282%, increasing by 2.02bp from December 15. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 16.1bp to -37.1bp from December 15, and the spread between 5-year and 30-year Treasury bonds widened by 8.19bp to 18.1bp from December 15.

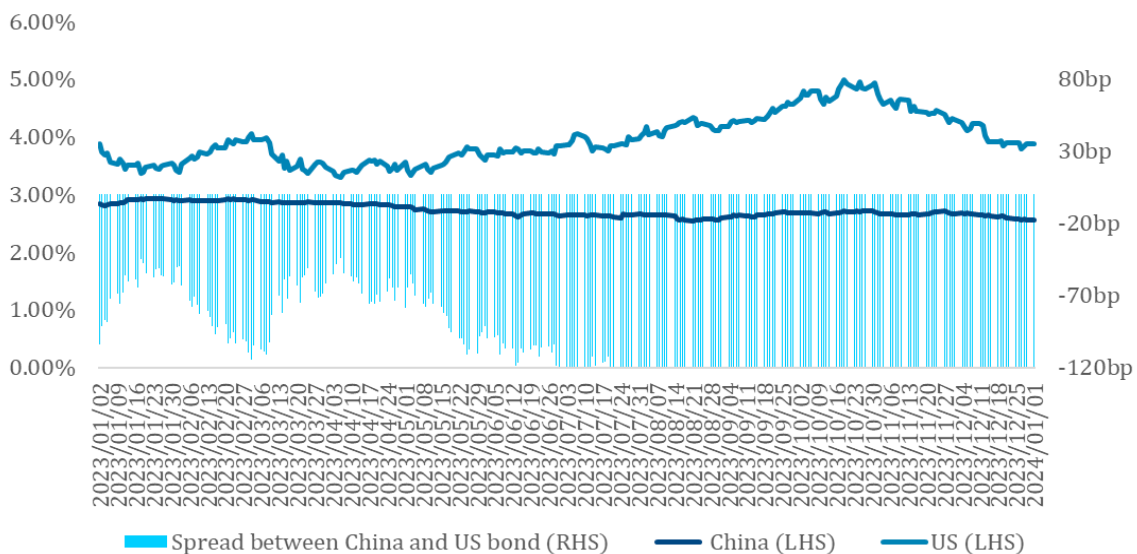
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of December 29, the yield spread between China and US 10-year note was -132.28bp, widening by 3.6bp from December 15 and widening 28.43bp 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 18 to December 29, there were 47 new issues with total issued volume of USD3.623 billion, increasing by 89.98% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD2.331 billion.

Table 1: New issuance of Chinese offshore bonds (20231218-20231229)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/12/18	Chengdu Yunlai Investment Group Co Ltd	USD	39	6.3	2026/12/22	3	Chengtou	-/-/-	-/-/-
2023/12/18	CITIC Securities International	HKD	100	5.83268	2024/12/20	365D	Financials	-/BBB+/-	-/-/-
2023/12/18	Cixi State-Owned Assets Investment Holding Co Ltd	USD	200	5.8	2026/12/21	3	Chengtou	-/-/BBB	-/-/BBB
2023/12/18	GF Holdings Hong Kong Corp Ltd	USD	10	6.29	2024/6/20	183D	Financials	-/-/-	-/-/-
2023/12/18	GF Holdings Hong Kong Corp Ltd	USD	10	6.29	2024/6/20	183D	Financials	-/-/-	-/-/-
2023/12/18	Guotai Junan Securities Co Ltd	CNY	500.3	3.35	2026/12/27	3	Financials	Baa1/BBB +/-	-/-/-
2023/12/18	Qihe Urban Investment Construction Group Co., Ltd	CNY	78	7.8	2026/11/23	3	Chengtou	-/-/-	-/-/-
2023/12/18	Yangzhou Jianghuai Construction & Development Co Ltd	CNY	350.2	3.75	2026/12/27	3	Chengtou	-/-/-	-/-/-
2023/12/18	Zoucheng Shengcheng Cultural Tourism Group Co., Ltd.	CNY	125	7.9	2024/12/18	1	Chengtou	-/-/-	-/-/-
2023/12/19	Chengdu Xinjin City Industry Development Group Co Ltd	CNY	500.4	4.6	2026/12/22	3	Chengtou	-/-/-	-/-/-
2023/12/19	China Everbright Bank Co Ltd/Luxembourg	CNY	1000.5	3.1	2026/12/21	3	Banks	Baa2/BBB +/BBB+	-/-/-
2023/12/19	CITIC Securities International	CNY	21	0.000001	2026/12/30	3	Financials	-/BBB+/-	-/-/-
2023/12/19	CITIC Securities International	CNY	36	0.000001	2026/12/30	3	Financials	-/BBB+/-	-/-/-
2023/12/19	Guotai Junan Securities Co Ltd	CNY	700.4	3.35	2026/12/28	3	Financials	Baa1/BBB +/-	-/-/-
2023/12/19	Industrial & Commercial Bank of China Ltd	MOP	2113.6	4.7	2025/12/28	2	Banks	-/A/A	-/-/-
2023/12/20	Chengdu Dongjin Huaizhou Xincheng Investment Group Co Ltd	CNY	480.4	8.2	2026/12/22	3	Chengtou	-/-/-	-/-/-
2023/12/20	CITIC Securities International	CNY	5.1	0.00001	2024/12/20	359D	Financials	-/BBB+/-	-/-/-
2023/12/20	CITIC Securities International	CNY	25.3	0.00001	2026/12/21	3	Financials	-/BBB+/-	-/-/-
2023/12/20	CITIC Securities International	USD	5	0	2024/12/27	364D	Financials	-/BBB+/-	-/-/-
2023/12/20	CITIC Securities International	USD	5	0	2024/6/28	182D	Financials	-/BBB+/-	-/-/-
2023/12/20	Gaomi Huarong Industrial Development Co Ltd	CNY	100.1	8.8	2024/12/27	364D	Chengtou	Baa3/-/BBB-	-/-/-
2023/12/20	JY Grandmark Holdings Ltd	USD	1	9.5	2025/1/9	364D	Real Estate	-/-/-	-/-/-

2023/12/20	New Hope Group Co Ltd	CNY	1000.5	4.4	2026/12/29	3	Consumer Staples	-/-/	-/-/
2023/12/21	Changde Urban Development Group Co Ltd	CNY	1400.7	4.7	2026/12/29	3	Chengtou	-/-/BBB-	-/-/BBB-
2023/12/21	GF Holdings Hong Kong Corp Ltd	USD	50	6.4	2024/12/24	362D	Financials	-/-/	-/-/
2023/12/21	Qihe Urban Investment Construction Group Co., Ltd	CNY	160.6	7.8	2026/11/23	2.89	Chengtou	-/-/	-/-/
2023/12/21	Ziyang Development Investment Group Co Ltd	CNY	500.3	7	2025/12/27	2	Chengtou	-/-/	-/-/
2023/12/22	GF Holdings Hong Kong Corp Ltd	USD	2.2	6	2024/1/26	30D	Financials	-/-/	-/-/
2023/12/22	Linyi Investment Development Group Co., Ltd.	CNY	150	6	2026/1/3	2	Chengtou	-/-/	-/-/
2023/12/22	Pingtian Comprehensive Pilot Zone City Development Group Co Ltd	CNY	200.1	5.1	2026/12/22	2.97	Chengtou	-/-/	-/-/
2023/12/22	Sanming City Construction And Development Group Co Ltd	CNY	440.2	5.3	2027/1/3	3	Chengtou	-/-/	-/-/
2023/12/22	Shandong Zhengfang Holding Group Co Ltd	USD	18	7.8	2025/12/28	2	Chengtou	-/-/	-/-/
2023/12/22	Weihai Nanhai Investment Development Co Ltd	CNY	310.2	8	2024/12/27	364D	Chengtou	-/-/	-/-/
2023/12/26	Qihe Urban Investment Construction Group Co., Ltd	CNY	207	7.8	2026/9/27	2.73	Chengtou	-/-/	-/-/
2023/12/27	Chenzhou Shengda Asset Management Co Ltd	CNY	335.8	4.6	2027/1/4	3	Financials	-/-/	-/-/
2023/12/27	Rudong County Jinxin Transportation Engineering Construction Investment Co Ltd	USD	43	6.45	2027/1/3	3	Chengtou	-/-/	-/-/
2023/12/28	Mianyang Science Technology City Development Investment Group Co Ltd	CNY	301.6	4.8	2027/1/8	3	Chengtou	-/-/	-/-/
2023/12/28	Rudong County Jinxin Transportation Engineering Construction Investment Co Ltd	USD	57	5.6	2027/1/3	3	Chengtou	-/-/	-/-/
2023/12/29	China Securities International Investment Co Ltd	HKD	10	4.55	2024/4/3	91D	Financials	-/-/	-/-/
2023/12/29	Luzhou Aviation Development Investment Group Co., Ltd.	CNY	610	4.8	2027/1/8	3	Chengtou	-/-/	-/-/
2023/12/29	LVGEM China Real Estate Investment Co Ltd	CNY	40.7	8	2025/1/2	364D	Real Estate	-/-/	-/-/
2023/12/29	LVGEM China Real Estate Investment Co Ltd	HKD	11446.1	8	2025/1/2	364D	Real Estate	-/-/	-/-/
2023/12/29	LVGEM China Real Estate Investment Co Ltd	USD	5.3	8	2025/1/2	364D	Real Estate	-/-/	-/-/
2023/12/29	Qihe Urban Investment Construction Group Co., Ltd	CNY	12	7.8	2025/1/2	1	Chengtou	-/-/	-/-/
2023/12/29	Qihe Urban Investment Construction Group Co., Ltd	CNY	223	7.8	2026/9/27	2.73	Chengtou	-/-/	-/-/

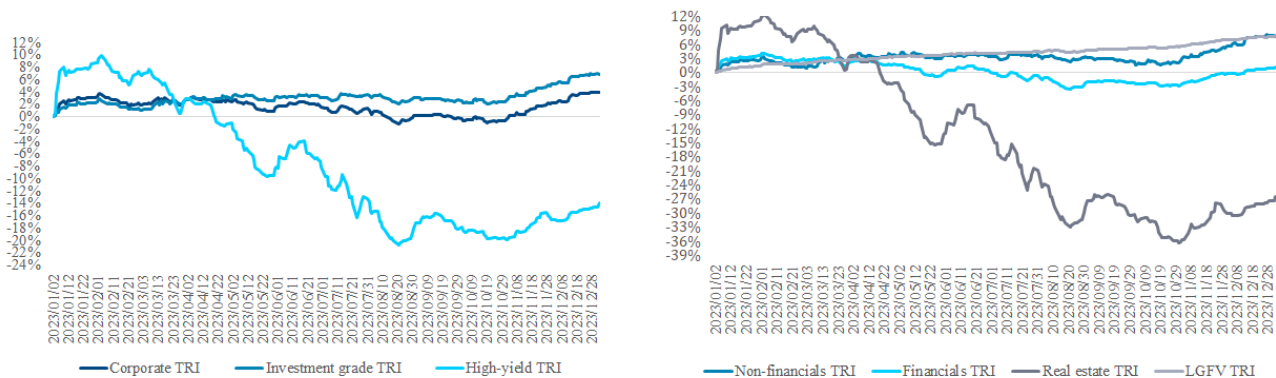
2023/12/29	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	USD	53.5	5.6	2027/1/4	3	Chengtou	-/-/BB	-/-/-
2023/12/29	Zibo Zhangdian District State-owned Assets Operation Co., Ltd.	CNY	150	7.8	2027/1/5	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of December 29, the YTD return¹ on the Chinese USD corporate bond index increased by 42bp to 3.93% from December 15, of which the return on investment-grade bonds increasing by 35bp to 6.80%, the return on high-yield bonds increasing by 86bp to -13.93%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 7.87%, 0.93%, -27.51% and 7.55%, respectively, increasing by 34bp, 48bp, 120bp and 13bp from December 15.

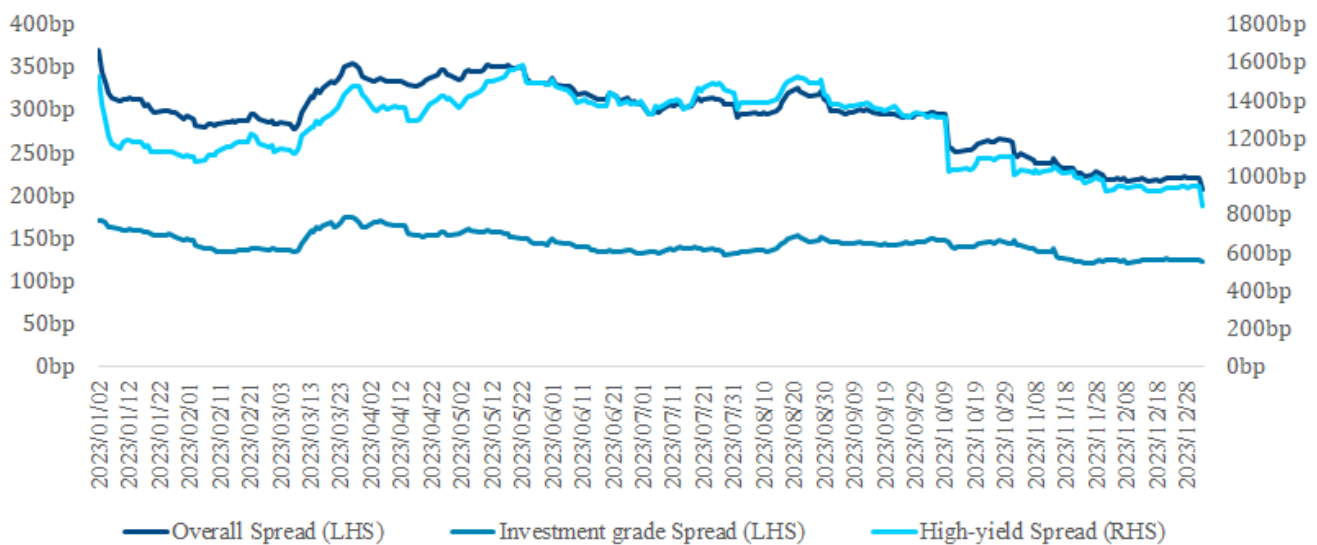
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of December 29, the yield spread of Chinese dollar bonds widened by 3.5bp to 219.90bp from December 15. The yield spread of investment-grade bonds widened by 0.4bp to 124.02bp, while the spread of high-yield bonds narrowed by 25.0bp to 946.73bp.

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

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


Sources: CCXAP research

The 10 bonds with the largest yield increase from December 18 to December 29 are shown in the table below. Among them, Hopson Development Group Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20231218-20231229)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
HPDLF 6.8 12/28/23	Hopson Development Group Co., Ltd.	99.482	0.01	187.9	10551.724
AGILE 7 ½ PERP	Agile Group Holdings Limited	5.1	PREP	2151.146	21278.9
AGILE 8 ½ PERP	Agile Group Holdings Limited	5.45	PREP	165.379	1289.9
CSCHCN 9 06/26/24	China South City Group Co., Ltd.	27.773	0.48	559.833	980.1
AGILE 5 ¾ 01/02/25	Agile Group Holdings Limited	18.254	1.00	287.136	913.6
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	23.692	PREP	273.149	810.9
AGILE 5 ½ 04/21/25	Agile Group Holdings Limited	15.307	1.30	229.578	738.6
DALWAN 7 ¼ 12/29/24	Wanda Real Estate Overseas Co., Ltd.	80.022	0.01	43.875	548.4
GLPCHI 4.974 02/26/24	GLP China Holdings Limited	93.885	0.15	45.609	510.2
GLPCHI 4 07/02/24	GLP China Holdings Limited	80.965	0.49	52.107	307.2

Sources: CCXAP research

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

On December 18, CCXAP assigns first time long-term credit rating of A_g+ to Zhejiang South Taihu Urban Development Holding Group Co., Ltd. (“STCD” or the “Company”), with stable outlook.

On December 20, CCXAP assigns first-time long-term credit rating of BBB_g+ to Chengdu Xingjin Construction Development Investment Group Co., Ltd. (“XCDI” or the “Company”), with stable outlook.

On December 22, CCXAP assigns first-time long-term credit rating of A_g+ to Wuxi Construction Development Investment Co., Ltd. (“WXCD” or the “Company”), with stable outlook.

On December 22, CCXAP assigns first time long-term credit rating of A_g+ to Wuxi Urban Construction Development Group Co., Ltd. (“WXUC” or the “Company”), with stable outlook.

On December 29, CCXAP assigns first time long-term credit rating of BBB_g+ to Chengdu Jiaozi Park Financial Business District Investment and Development Co., Ltd. (“CJID” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20231218-20231229)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/12/18	STCD	A _g +	-	The credit rating is underpinned by the Company’s (1) strong market position in infrastructure construction of South Taihu New District (“STND”); (2) good access to funding and; (3) good track record of receiving ongoing government payments. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) fast debt growth and moderate asset liquidity and (3) medium contingent risks resulting from external guarantees.
2023/12/20	XCDI	BBB _g +	BBB _g +	The credit rating is underpinned by the Company’s (1) regional franchising of public projects within the Third Ring Road of Jinjiang District; (2) high sustainability of the public projects; (3) good access to funding, with low financing cost; and (4) track record of receiving government payments. However, the rating is constrained by the Company’s (1) moderate exposure to commercial activities, with capital expenditure pressure and investment return volatility; and (2) rapid debt growth and moderate assets liquidity.
2023/12/22	WXCD	A _g +	-	The credit rating is underpinned by the Company’s (1) essential role in state-owned assets operation and infrastructure construction in Wuxi City; (2) solid track record of receiving government payments; and (3) strong access to diversified financing channels. However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities mainly including financing leasing and forest products; and (2) moderate debt management and increased financing needs.
2023/12/22	WXUC	A _g +	-	The credit rating is underpinned by the Company’s (1) dominant role in providing essential public policy services in Wuxi City, including public infrastructure projects, affordable housing and urban renewal projects; (2) solid track record of government payments; and (3) strong access to diversified funding. However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities, especially in financial services; (2) moderate asset liquidity; and (3) medium level of contingent risk.
2023/12/29	CJID	BBB _g +	-	The credit rating is underpinned by the Company’s (1) strong position in the development of Jiaozi Park Financial Business District (“Jiaozi Park”); (2) sufficient reserve of public construction projects; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) high debt growth and large capital expenditure pressure; and (3) moderate asset liquidity.

Sources: CCXAP research

From December 18 to December 29, rating agencies took positive actions to 2 issuers, and took negative rating action to 1 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20231218-20231229)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									

Upgrade	Meituan	Industrials	BBB-	POS	2023/12/18	BBB-	STABLE	2023/04/13	Fitch	Strong cash flow can deleverage financial structure
	Dalian Wanda Commercial Management Group Co., Ltd.	Real Estate	CC	NONE	2023/12/21	C	NONE	2023/11/22	Fitch	The cash is sufficient for short term debt
Downgrade:	Yihi Car Rental Co., Ltd.	Industrials	B-	NEG under review	2023/12/21	B	NEG under review	2023/11/15	Fitch	The liquidity is not strong enough for current debts in the next 12-24 months

Sources: CCXAP research

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