

2024 Issue 1 From January 1 to January 5

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

Headline: China released its 2023 commercial real estate market annual report; US announced that the unemployment rate in December was 3.7%, unchanged from the previous month

On January 4, China released its 2023 commercial real estate market annual report. Data showed that the supply and demand sides of China's commercial real estate market will shrink at the same time in 2023. On January 5, data released by the U.S. Department of Labor showed that the U.S. unemployment rate in December 2023 remained unchanged at 3.7% month-on-month, and the number of new jobs in the non-agricultural sector was 216,000, which was far lower than market expectations.

Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of January 5, the RMB/USD middle rate closed at 7.1029, increasing by 202bp from last Friday. The USD index increased by 1.1% to 102.412 from last Friday.

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

This week, the China Government Bond yields mostly decreased. As the lower-than-expected US unemployment rate data for December suggested no need for the Fed to cut interest rates in the short term, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From January 1 to January 5, there were 15 new issues with total issued volume of USD 0.442 billion, decreasing by 84.62% from last week. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD 0.375 billion.

Secondary Market: Return on Chinese USD bond mostly decreased

As of January 5, the year-to-date return on the Chinese USD corporate bond index decreased by 12bp to 3.81% from last Friday, of which the return on investment-grade bonds decreasing by 35bp to 6.53%, the return on high-yield bonds increasing by 136bp to -13.23%.

Rating Action: Fitch took negative rating actions on 4 Chinese AMC issuers

From January 1 to January 5, Fitch took negative rating actions on 4 Chinese AMC issuers.



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Headline: China released its 2023 commercial real estate market annual report; US announced that the unemployment rate in December was 3.7%, unchanged from the previous month

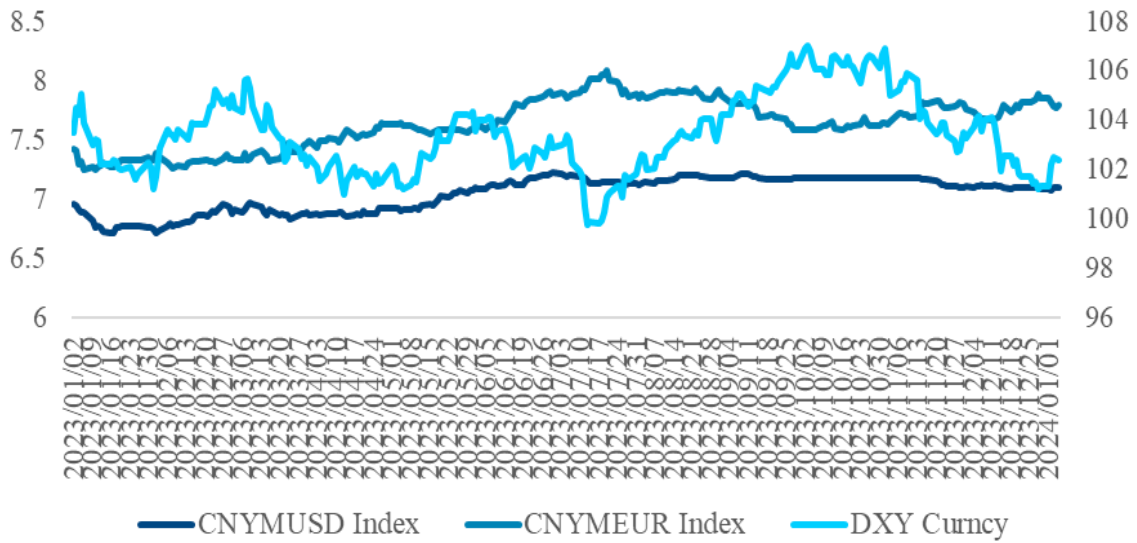
On January 4, China released its 2023 commercial real estate market annual report. Data showed that the supply and demand sides of China's commercial real estate market will shrink at the same time in 2023. On the demand side, the national commercial housing sales area fell by 13.2% year-on-year (“YoY”); on the supply side, the national commercial housing development investment fell by 14.6% YoY, and the newly started construction area fell by 21.0% YoY. From the perspective of commercial market potential, the commercial market in economically developed areas still has great development potential, but the core first- and second-tier cities may be dominated by existing competition in the future.

On January 5, data released by the US Department of Labor showed that the US unemployment rate in December 2023 remained unchanged at 3.7% month-on-month (“MoM”), and the number of new jobs in the non-agricultural sector was 216,000, which was far lower than market expectations. After the non-farm payrolls report was released, swap prices showed that the probability of the Fed cutting interest rates in March returned to 50%. The firm unemployment rate is due to a reduction in the labor force, with the labor force participation rate further falling to 62.5% from the previous value of 62.8%. The decline was mainly concentrated among young people and the elderly, with the participation rate for the population aged 25-54 falling by 0.1%. In terms of wages, wage growth in December exceeded expectations, with average hourly wages increasing by 0.4% MoM, exceeding expectations by 0.3% and consistent with the previous value. However, the YoY growth unexpectedly rose to 4.1%, exceeding market expectations of 3.9% and accelerating from 4% last month.

Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of January 5, the RMB/USD middle rate closed at 7.1029, increasing by 202bp from last Friday. The RMB/EUR middle rate closed at 7.7907, decreasing by 685bp from last Friday. The USD index increased by 1.1% to 102.412 from last Friday.

Figure 1: RMB exchange rate

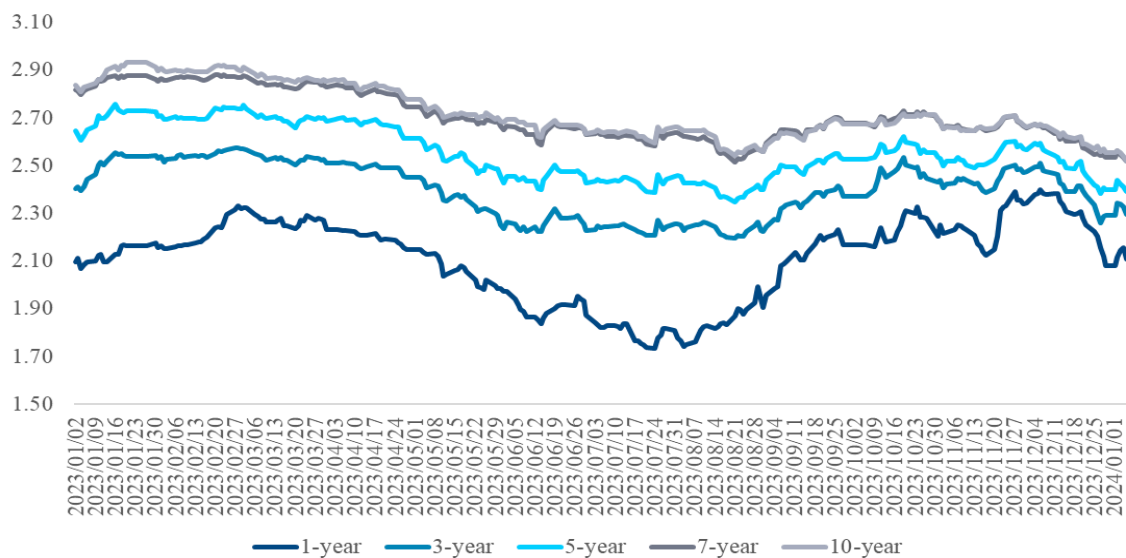


Sources: CCXAP research

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

This week, China Government Bond yields mostly increased. As of January 5, the 5 -year, 7-year and 10 -year government bond yields were 2.3903 %, 2.5175 % and 2.5175 %, decreasing by 0.98 bp, 1.53 bp and 3.78 bp, respectively, from last Friday. The 1-year and 3-year China Government Bond yields were 2.1091 % and 2.2931%, increasing by 2.95 bp and 0.37 bp from last Friday.

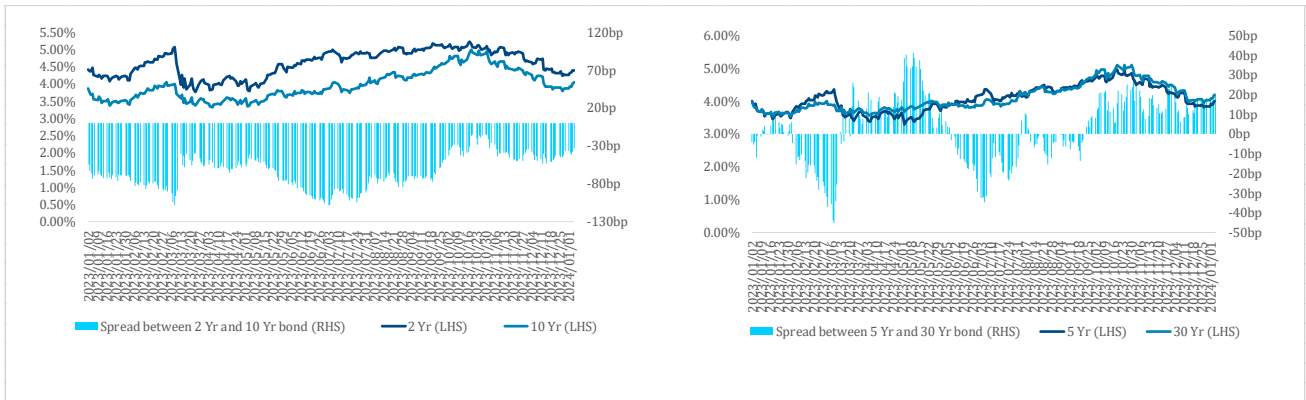
Figure 2: China Government Bond yields



Sources: CCXAP research

As the lower-than-expected US unemployment rate data for December suggested no need for the Fed to cut interest rates in the short term, US Treasury yields rose. As of January 5, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.3807%, 4.0066%, 4.0457% and 4.2021%, increasing by 13.08bp, 15.95bp, 16.66bp and 17.39 bp respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 3.58bp to -33.5bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 1.49bp to 19.6bp from last Friday.

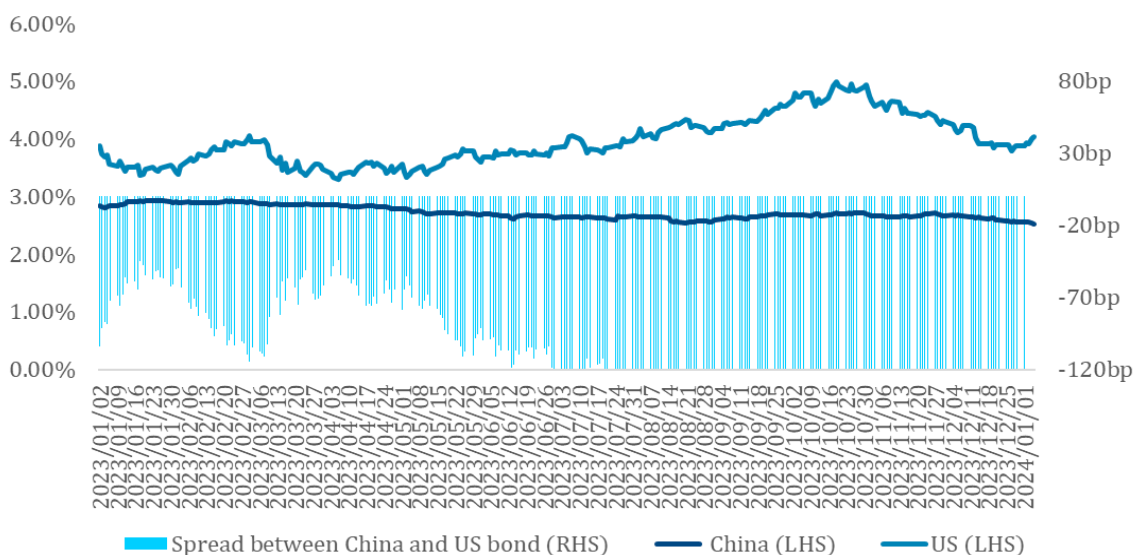
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of January 5, the yield spread between China and US 10-year note was -152.8bp, widening by 20.4bp from last Friday and widening 20.44bp 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 January 1 to January 5, there were 15 new issues with total issued volume of USD 0.442 billion, decreasing by 84.62% from last week. Among them, Chengtou companies were the largest issuer with a total issued amount of USD0.375 billion.

Table 1: New issuance of Chinese offshore bonds (20240101-20240105)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/1/2	China International Capital Corp International Ltd	USD	2.1	5.3	2025/1/7	364D	Financials	Baa1/BBB+/BBB+	-/-/BBB+
2024/1/2	China Securities International Finance Holding Co Ltd	USD	1.2	5.45	2024/3/5	61D	Financials	-/-/-	-/-/-
2024/1/2	UETD Construction & Development State-owned Capital Investment Operation Group Co	USD	74.5	7.5	2027/1/9	3	Chengtou	-/-/-	-/-/-
2024/1/3	China Securities International Finance Holding Co Ltd	CNY	21.6	0	2027/1/13	3	Financials	-/-/-	-/-/-
2024/1/3	Jiangsu Zhongwu Urban and Rural Investment Development Group Co Ltd	CNY	287.5	3.6	2027/1/10	3	Chengtou	-/-/-	-/-/-
2024/1/3	Qingdao Military-Civilian Integration Development Group Co., Ltd.	CNY	300.5	4.5	2027/1/10	3	Chengtou	-/-/-	-/-/-
2024/1/3	Zoucheng Urban Assets Holding Group Co Ltd	CNY	160.3	8	2025/1/9	2	Chengtou	-/-/-	-/-/-
2024/1/4	China Securities International Finance Holding Co Ltd	HKD	3.1	4.4	2025/1/9	1	Financials	-/-/-	-/-/-
2024/1/4	China Securities International Finance Holding Co Ltd	USD	0.8	5.3	2024/7/9	182D	Financials	-/-/-	-/-/-
2024/1/4	GF Holdings Hong Kong Corp Ltd	CNY	19.9	3.4	2024/7/9	182D	Financials	-/-/-	-/-/-
2024/1/4	Jinan Zhangqiu Holding Group Co Ltd	USD	118.8	5.9	2024/12/5	330D	Chengtou	-/-/-	-/-/-
2024/1/5	CITIC Securities International Co Ltd	USD	7.5	5.34	2025/1/10	364D	Financials	-/BBB+/-	-/-/-
2024/1/5	Hengyang High-Tech Holding Group Co Ltd	CNY	194.1	5.98	2027/1/10	3	Chengtou	-/-/-	-/-/-
2024/1/5	JC International Finance & Leasing Co Ltd	CNY	350.6	4.5	2027/1/5	3	Financials	-/-/-	-/-/-
2024/1/5	Jiangsu Donghe Investment Group Co Ltd	CNY	360.7	3.75	2027/1/12	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

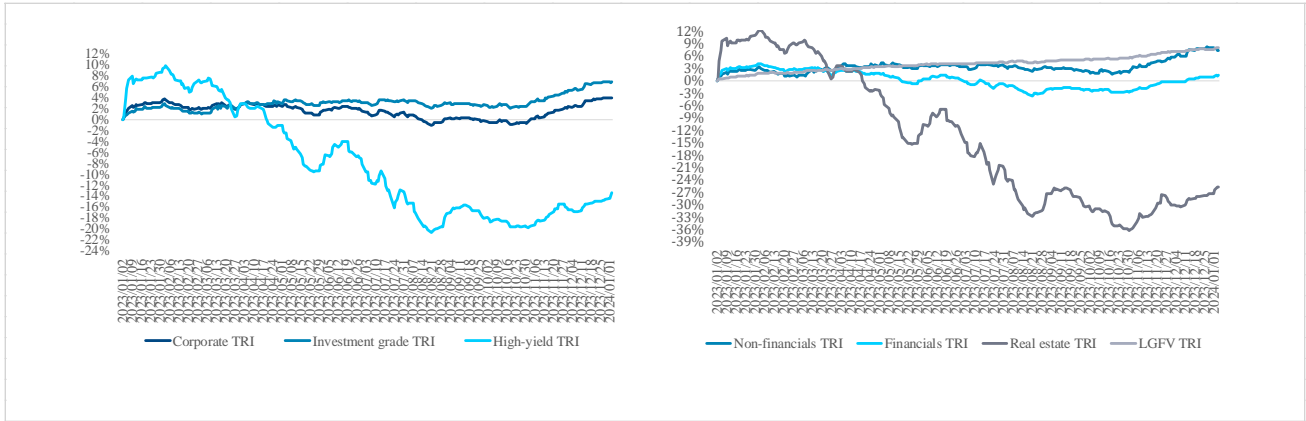
Secondary Market: Return on Chinese USD bond increased

As of January 5, the YTD return¹ on the Chinese USD corporate bond index decreased by 12bp to 3.81% from last Friday, of which the return on investment-grade bonds decreasing by 35bp to

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

6.53%, the return on high-yield bonds increasing by 136bp to -13.23%. In terms of sector indices, the return on financial, real estate, and Chengtou bonds was 1.23%, -25.79% and 7.99%, respectively, increasing by 3.1bp, 1.72bp and 4.5bp from last Friday. The return on non-financial bonds was 7.18%, decreasing by 68bp.

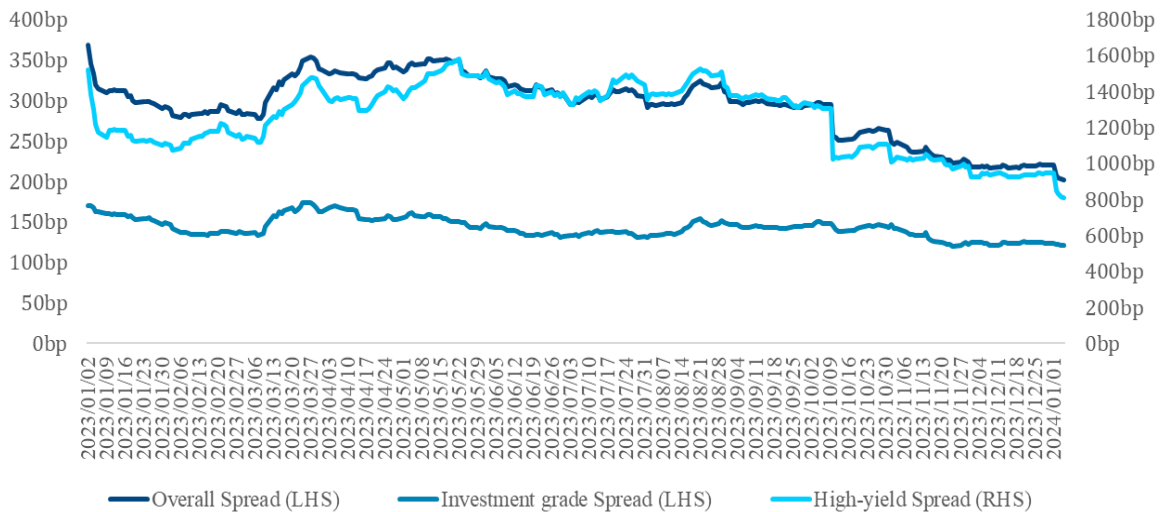
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of January 5, the yield spread of Chinese dollar bonds decreased by 17.9bp to 201.97bp from last Friday. The yield spread of investment-grade bonds decreased by 2.6bp to 121.44bp, while the spread of high-yield bonds decreased by 137.4bp to 809.29bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from January 1 to January 5 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 (20240101-20240105)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
DALWAN 7 ¼ 12/29/24	Dalian Wanda Commercial Management Group Co., Ltd.	14.167	0.86	1630.779	670281.1
XIN 14 01/25/24	Xinyuan Real Estate Co., Ltd.	16.575	0.49	493.538	540558.8
CHIGRA 9 ½ 01/30/24	Guanghui Automobile Service Group Co., Ltd.	13.219	0.73	1042.142	3373.9
CSCHCN 9 10/09/24	China South City Holdings Ltd	19.364	0.75	46.563	1645.9
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	99.96	PREP	56.864	1494.5
AGILE 5 ½ 04/21/25	Agile Group Holdings Ltd	92.382	1.49	148.671	673.3
CZONCC 3 01/19/24	Changzhou Oriental New City Construction Group Co., Ltd.	61.5	0.64	136.142	491.6
AGILE 5 ¾ 01/02/25	Agile Group Holdings Ltd	64.404	0.05	142.873	489.8
CSCHCN 9 12/11/24	China South City Holdings Ltd	9.667	0.01	141.315	434.2
RDHGCL 7.8 03/20/24	RADIANCE GROUP Co., LTD.	95.114	0.22	105.433	386.4

Sources: CCXAP research

Rating Action: Fitch took negative rating actions on 4 Chinese AMC issuers

From January 1 to January 5, Fitch took negative rating actions on 4 Chinese AMC issuers.

Table 3: Credit rating changes of cross-border bond market (20240101-20240105)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Downgrade:	China Great Wall Asset Management Co., Ltd.	Financial	BBB	NEG under review	2024/01/03	BBB+	NEG under review	2023/09/01	Fitch	The support from government to the AMC decrease
	China Huarong Asset Management Co., Ltd.	Financial	BBB	NEG under review	2024/01/03	BBB+	STABLE	2023/07/14	Fitch	The support from government to the AMC decrease
	China Orient Asset Management Co., Ltd.	Financial	A-	NEG under review	2024/01/03	A	NEG	2023/07/14	Fitch	The support from government to the AMC decrease
	China Cinda Asset Management Co., Ltd.	Financial	A-	STABLE	2024/01/03	A	STABLE	2023/04/05	Fitch	The support from government to the AMC decrease

Sources: CCXAP research

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