

2024 Issue 2 From January 8 to January 12

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

Headline: China's CPI in December was -0.3%; US CPI in December was 3.4%

Data released by the National Bureau of Statistics of China showed that in December, the national CPI fell by 0.3% YoY, 0.2 percentage points smaller than the previous month; it rose by 0.1% MoM. The US Department of Labor released the latest data showing that the CPI rose 3.4% YoY in December, exceeding expectations.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of January 12, the RMB/USD middle rate closed at 7.105, increasing by 21bp from last Friday. The USD index decreased by 0.01% to 102.404 from last Friday.

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

This week, the China Government Bond yields mostly rose. Though the CPI is higher than expected, the market still believe the Fed will cease rate hikes, US Treasury yields fell.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From January 8 to January 12, there were 26 new issues with total issued volume of USD 3.306 billion, increasing by 104.23% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD 2.033 billion.

Secondary Market: Return on Chinese USD bond increased

As of January 12, the year-to-date return on the Chinese USD corporate bond index increased by 60bp to 4.41% from last Friday, of which the return on investment-grade bonds increasing by 51bp to 7.04%, the return on high-yield bonds remains unchanged at -13.23%.

Rating Action: CCXAP assigns long-term credit ratings to 2 entities

CCXAP assigns long-term credit rating to 2 entities, Qingdao West Coast New Area Ocean Holding Group Co., Ltd. and Gansu Electric Power Investment Group Co., Ltd.



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Headline: China announced that the CPI in December was -0.3%; the US CPI in December was 3.4%

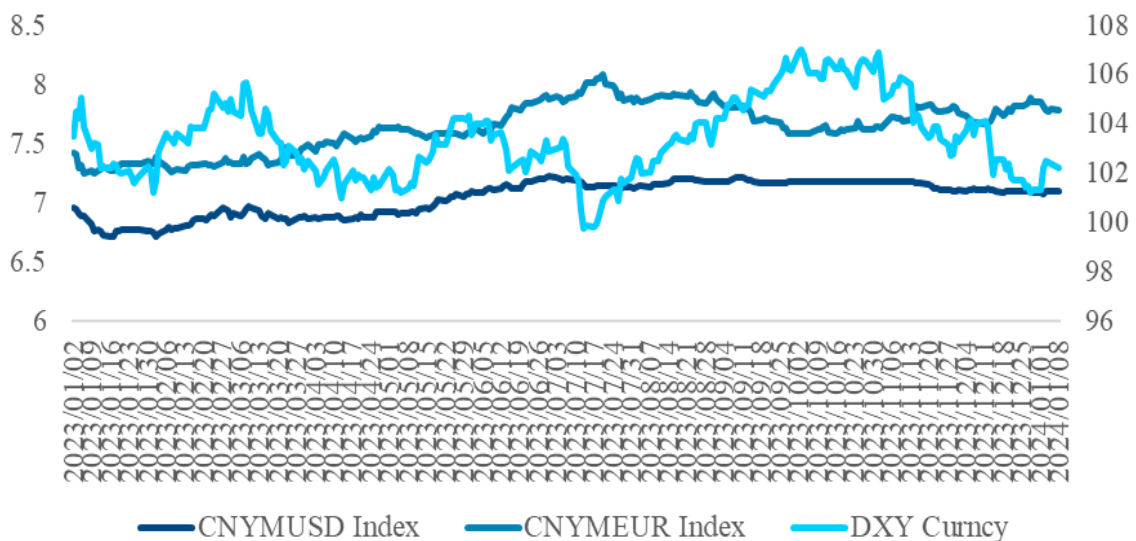
On January 12, data released by the National Bureau of Statistics showed that in December 2023, the national consumer price dropped by 0.3% year-on-year (“YoY”). Among them, urban prices dropped by 0.3% and rural prices dropped by 0.5%; food prices dropped by 3.7% and non-food prices increased by 0.5%; consumer goods prices dropped by 1.1% and service prices increased by 1.0%. In December, national consumer prices rose 0.1% month-on-month (“MoM”). Among them, urban prices increased by 0.1% and rural prices increased by 0.1%; food prices increased by 0.9% and non-food prices fell by 0.1%; consumer goods prices increased by 0.1% and service prices increased by 0.1%. For the whole of 2023, the national consumer price increased by 0.2% compared with the previous year.

On January 12, the U.S. Department of Labor released the latest data. The U.S. Consumer Price Index (CPI) increased by 0.3% MoM in December 2023, an increase of 0.2 percentage points from November last year, which was higher than consensus market expectations. Data show that U.S. CPI rose 3.4% YoY in December last year, an increase that expanded from 3.1% the previous month and was well above the 2% inflation target set by the Fed. Excluding volatile food and energy prices, core CPI rose 0.3% MoM, unchanged from the previous month; the YoY increase was 3.9%. The market reacted indifferently after the data was released, and various interest rate indexes did not interrupt the downward trend, indicating that the market does not expect the Fed to make large-scale adjustments to its interest rate change plan for 2024 based on this CPI data.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of January 12, the RMB/USD middle rate closed at 7.105, increasing by 21bp from last Friday. The USD index decreased by 0.01% to 102.404 from last Friday.

Figure 1: RMB exchange rate

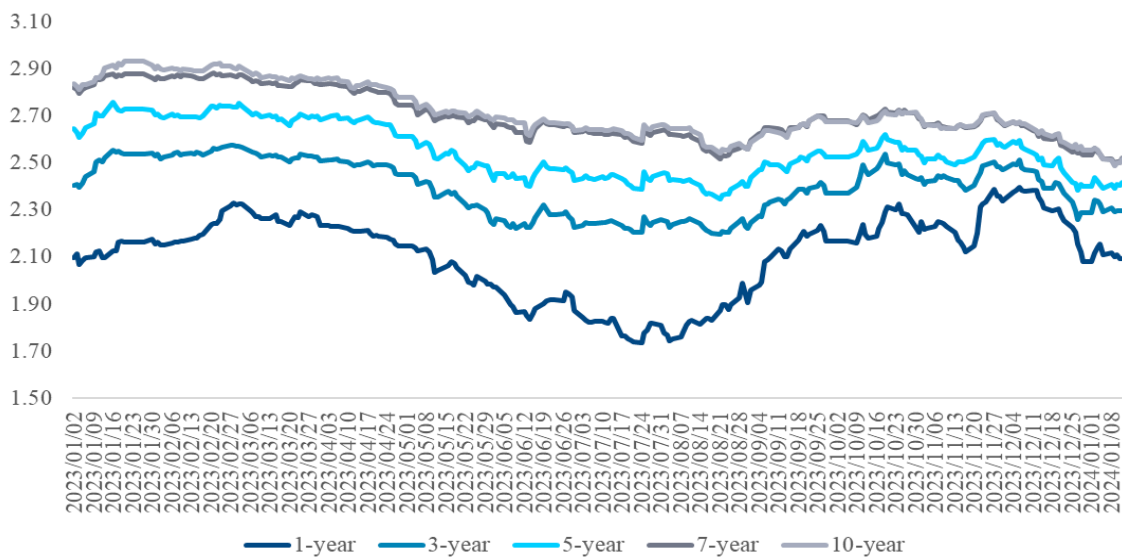


Sources: CCXAP research

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

This week, the China Government Bond yields mostly rose. As of January 12, the 3-year, 5-year, and 7-year China Government Bond yields were 2.2941%, 2.4156% and 2.52%, increasing by 0.10bp, 2.53bp and 0.25bp, respectively, from last Friday, the 1-year and 10-year China Government Bond yields were 2.0941% and 2.5172%, decreasing by 1.50bp and 0.03bp, respectively, from last Friday.

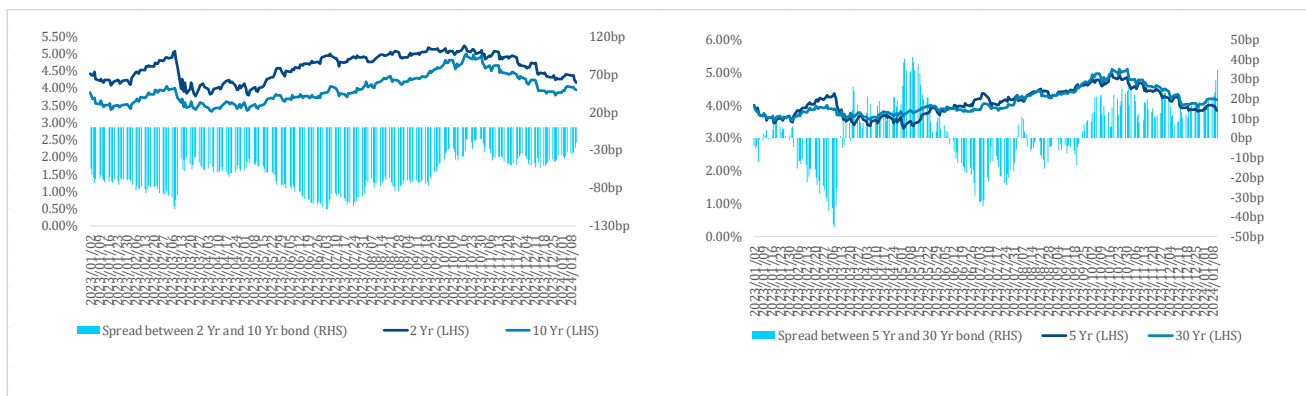
Figure 2: China Government Bond yields



Sources: CCXAP research

Though the CPI is higher than expected, the market still believe the Fed will cease rate hikes, US Treasury yields fell. As of January 12, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.1441%, 3.83%, 3.939% and 4.1751%, decreasing by 23.66bp, 17.66bp, 10.67bp and 2.70bp respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 12.99bp to -20.5bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 14.96bp to 34.5bp from last Friday.

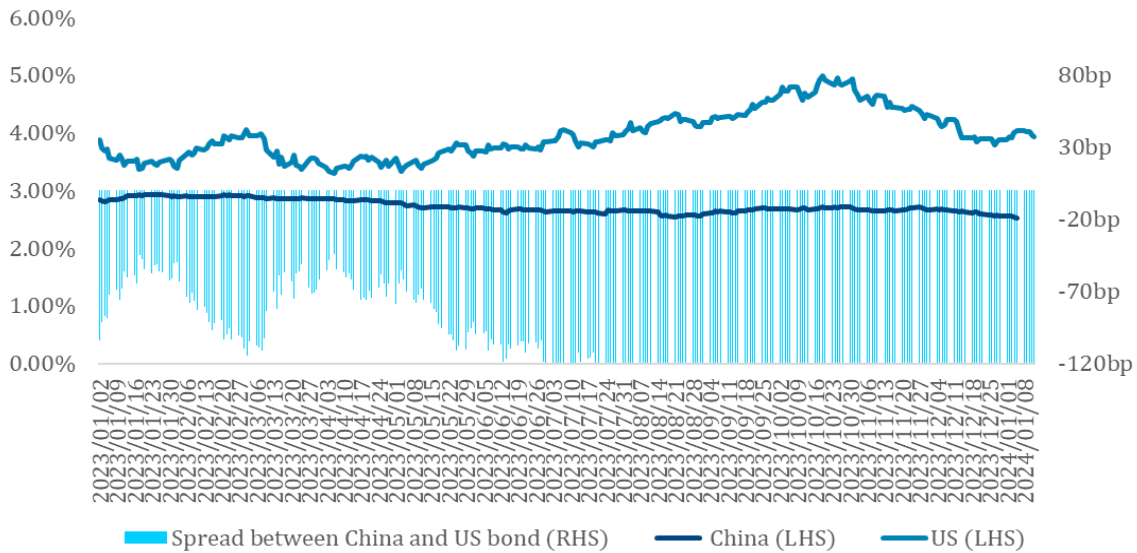
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of January 12, the yield spread between China and US 10-year note was -142.2bp, narrowing by 10.6bp from last Friday and widening 9.8bp 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 January 8 to January 12, there were 26 new issues with total issued volume of USD3.306 billion, increasing by 104.23% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD2.033 billion.

Table 1: New issuance of Chinese offshore bonds (20240108-20240112)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/1/8	Guotai Junan International Holdings Ltd	USD	140	0	2024/7/11	182D	Financials	Baa2/BBB +/-	-/-
2024/1/8	Zhejiang Xinchang Investment Development Co Ltd	USD	300	6	2027/1/11	3	Chengtou	-/-	-/-
2024/1/8	China Securities International Finance Holding Co Ltd	USD	0.6	5.35	2024/7/11	182D	Financials	-/-	-/-
2024/1/8	Beijing State-owned Assets Management Co Ltd	CNY	999.6	2.55	2027/1/8	3	Chengtou	-/-A-	-/-
2024/1/9	GF Holdings Hong Kong Corp Ltd	USD	15	6.09	2025/1/10	364D	Financials	-/-	-/-
2024/1/9	GF Holdings Hong Kong Corp Ltd	USD	0.5	5.5	2024/7/12	182D	Financials	-/-	-/-
2024/1/9	China Securities International Finance Holding Co Ltd	CNY	149.6	3.1	2025/1/10	364D	Financials	-/-	-/-

2024/1/9	BOC Aviation Ltd	USD	500	5	2029/1/17	5	Financials	-/A-/A-	-/-/
2024/1/9	Ji'an Chengtuo Holding Group Co Ltd	USD	96.3	5.55	2027/1/16	3	Chengtou	-/-/	-/-/
2024/1/9	Bank of China Ltd/Luxembourg	EUR	9.9	0	2024/10/10	272D	Banks	A1/A/A	A1/A/A
2024/1/10	GF Holdings Hong Kong Corp Ltd	CNY	149.6	3.05	2024/4/17	91D	Financials	-/-/	-/-/
2024/1/10	GF Holdings Hong Kong Corp Ltd	USD	10	6.18	2024/7/17	182D	Financials	-/-/	-/-/
2024/1/10	Guotai Junan International Holdings Ltd	USD	30	5.9	2024/7/16	182D	Financials	Baa2/BBB +/-	-/-/
2024/1/10	GF Holdings Hong Kong Corp Ltd	USD	0.5	5.4	2024/7/16	182D	Financials	-/-/	-/-/
2024/1/10	China International Capital Corp International Ltd	USD	500	5.012	2027/1/18	3	Financials	Baa1/BBB +/BBB+	-/-/BBB+
2024/1/10	China International Capital Corp International Ltd	USD	700	SOFR+95	2027/1/18	3	Financials	Baa1/BBB +/BBB+	-/-/BBB+
2024/1/10	Beijing Infrastructure Investment Co Ltd	CNY	996.8	2.52	2027/1/10	3	Chengtou	A1/-/	-/-/
2024/1/10	Guangzhou Zhitou Investment Holding Group Co Ltd	CNY	478.5	3.3	2031/1/10	7	Real Estate	-/-/	-/-/
2024/1/11	GF Holdings Hong Kong Corp Ltd	USD	0.5	5.45	2025/1/15	364D	Financials	-/-/	-/-/
2024/1/11	China Securities International Finance Holding Co Ltd	USD	1.4	5	2025/1/14	364D	Financials	-/-/	-/-/
2024/1/11	Taizhou Huaxin Pharmaceutical Investment Co Ltd	USD	60	5.55	2027/1/16	3	Chengtou	-/-/BB	-/-/
2024/1/11	Zibo City Asset Operation Group Co Ltd	CNY	1457.2	5.8	2027/1/18	3	Chengtou	-/-/	-/-/
2024/1/12	GF Holdings Hong Kong Corp Ltd	USD	15	6.05	2025/1/16	364D	Financials	-/-/	-/-/
2024/1/12	Dujiangyan Urban and Rural Construction Group Co Ltd	CNY	458.8	4.7	2027/1/19	3	Chengtou	-/-/	-/-/
2024/1/12	Chengdu Dongjin Huaizhou Xincheng Investment Group Co Ltd	CNY	668.3	7.6	2026/1/18	2	Chengtou	-/-/	-/-/
2024/1/12	Yongzhou Lingling Asset Management Co Ltd	CNY	1256.7	4.4	2027/1/19	3	Chengtou	-/-/	-/-/

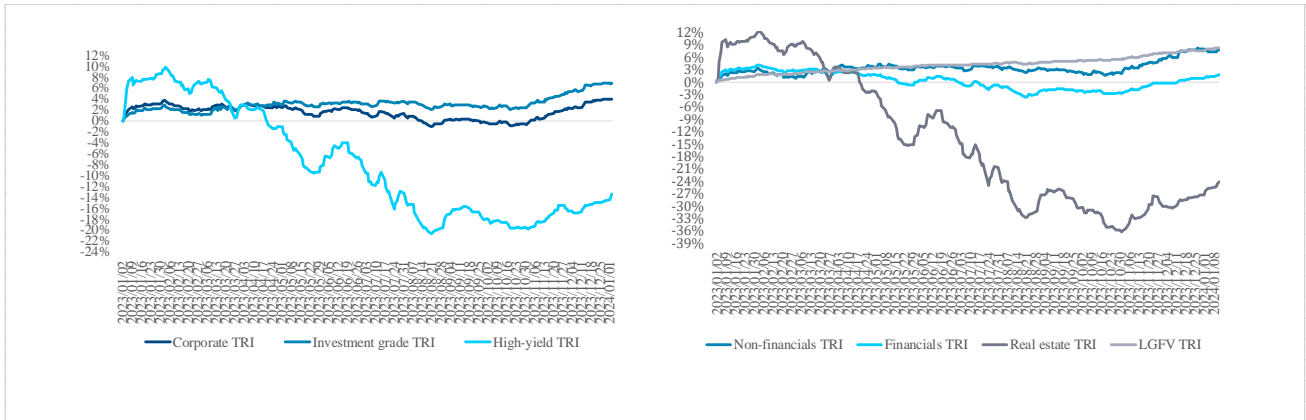
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of January 12, the YTD return¹ on the Chinese USD corporate bond index increased by 60bp to 4.41% from last Friday, of which the return on investment-grade bonds increasing by 51bp to 7.04%, the return on high-yield bonds remained unchanged at -13.23%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtuo bonds was 7.82%, 1.80%, -24.29% and 8.23%, respectively, increasing by 63bp, 57bp, 150bp and 24bp from last Friday.

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

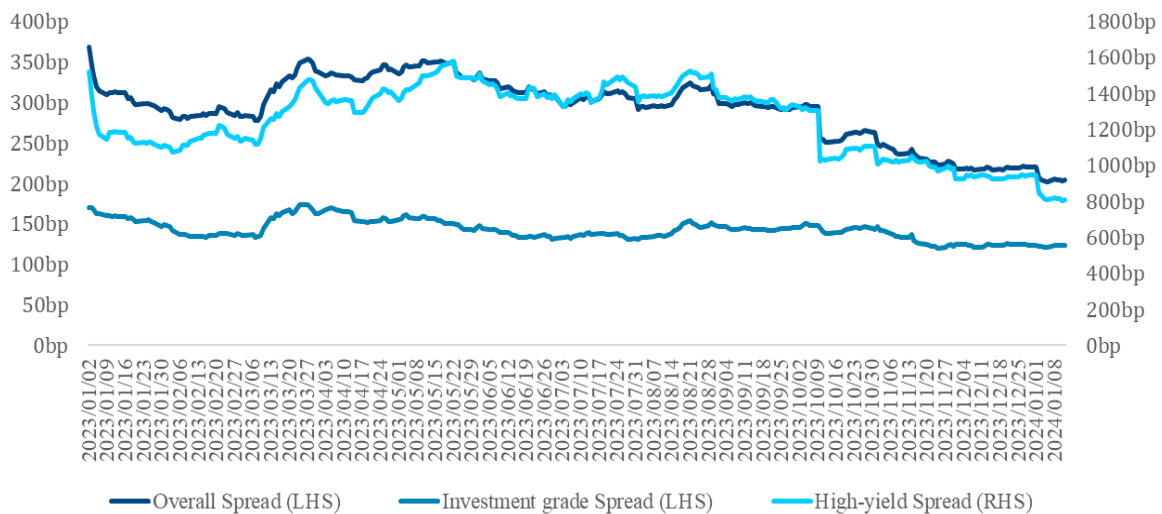
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of January 12, the yield spread of Chinese dollar bonds widened by 2.2bp to 204.13bp from last Friday. The yield spread of investment-grade bonds widened by 2.3bp to 123.72bp, while the spread of high-yield bonds narrowed by 2.8bp to 806.45bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from January 8 to January 12 are shown in the table below. Among them, Xinyuan Real Estate Co., Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240108-20240112)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
XIN 14 01/25/24	Xinyuan Real Estate Co., Ltd.	11.98	0.02	33052.17	2804.3M
DALWAN 7 ¼ 12/29/24	Wanda Real Estate International Co., Ltd.	89.52	0.95	23.72	669.6M
AGILE 7 ¾ PERP	Agile Group Holdings Limited	6.46	PREP	2331.35	66.9M
CZONCC 3 01/19/24	An Wing International Hong Kong Limited	99.75	0.01	47.42	11.2M

AGILE 7 ¾ PERP	Agile Group Holdings Limited	5.98	PREP	421.04	1.7M
RDHGCL 7.8 03/20/24	Jinhui Holding Group Co., Ltd.	84.38	0.18	111.64	1.5M
GEMDAL 4.95 08/12/24	Gemdale Yongchang Investment Co., Ltd.	65.17	0.57	98.45	1.1M
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	28	PREP	248.22	1.0M
FTLNHD 4 ½ 10/15/25	Suncity Development Holdings Limited	29.44	1.75	94.9	624.6
HNFARM 3 02/03/24	Hainan Agricultural Reclamation Investment Holding Group Co., Ltd.	99.57	1.75	0.05	622.3

Sources: CCXAP research

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

On January 10, assigns first-time long-term credit rating of A_g- to Qingdao West Coast New Area Ocean Holdings Group Co., Ltd. (“Ocean Holding” or the “Company”), with stable outlook.

On January 11, CCXAP assigns first-time long-term credit rating of A_g- to Gansu Province Electric Power Investment Group Co., Ltd, with stable outlook.

Table 3: Credit rating from CCXAP (20240108-20240112)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/1/10	Ocean Holding	A _g -	-	The credit rating is underpinned by the Company’s (1) full and direct ownership by the QDWC New Area Government; (2) key strategic role in the infrastructure construction of the QDWC New Area; (3) solid track record of receiving government payments; and (4) good access to diversified fundings. However, the rating is constrained by the Company’s (1) high exposure to commercial businesses; and (2) increasing debt burden driven by continuous investment.
2023/1/11	Gansu Power	A _g -	-	The credit rating is underpinned by the Company’s (1) strong regional market position in the power generation sector of Gansu Province; (2) diversified power structure, with good operating efficiency; and (3) good access to diversified funding channels. However, the rating is constrained by the Company’s (1) vulnerability to environmental protection policies and coal prices; (2) relatively weak profitability due to increased fuel costs and credit impairment losses; and (3) high debt burden with high capital expenditure pressure.

Sources: CCXAP research

From January 8 to January 12, rating agencies took positive rating action to 1 Chinese issuer and took negative rating action to 1 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20240108-20240112)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Wuxi Construction Development Investment Co., Ltd.	Chengtou	A+	STABLE	2024/01/08	A	STABLE	2023/01/06	Lianhe	The importance for the local government’s infrastructure holdings
Downgrade:	Dongxing Securities Co., Ltd.	Financial	BBB	NEG under review	2024/01/11	BBB+	NEG	2023/07/19	Fitch	The linkage company’s supportiveness from the government decrease

Sources: CCXAP research

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