

2024 Issue 3 From January 15 to January 19

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

Headline: China releases 2023 real estate sales data; US releases December retail sales data

On January 17, data released by the National Bureau of Statistics showed that in 2023, national real estate development investment would be RMB11,091.3 billion, a YoY decrease of 9.6%; a MoM increase of 0.1%. On January 17, US Department of Commerce released the latest data, showing that retail sales increased by 0.6% in December; retail sales excluding automobiles increased by 0.4%, the largest increase in three months.

Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of January 19, the RMB/USD middle rate closed at 7.117, increasing by 117bp from last Friday. The USD index increased by 0.86% to 103.288 from last Friday.

Interest Rate: Chinese Government Bond yields fall; US Treasury yields rose

This week, the China Government Bond yields fall. As the US sales market data shown better than expected, the market believe FED will not cease Rate Hikes immediately, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From January 15 to January 19, there were 20 new issues with total issued volume of USD 1.97 billion, decreasing by 45.69% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD0.99 billion.

Secondary Market: Return on Chinese USD bond decreased

As of January 19, the year-to-date return on the Chinese USD corporate bond index decreased by 31bp to 4.10% from last Friday, of which the return on investment-grade bonds decreasing by 35bp to 6.70%, the return on high-yield bonds increased by 109bp to -12.14%.

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

CCXAP assigns long-term credit rating to 5 entities, Zaozhuang Infrastructure Investment and Development Group Co., Ltd., Zhuzhou Nanzhou Development Group Co., Ltd., Pingdu City Development Group Co., Ltd., Jiangyin Lingang Holding (Group) Co., Ltd. and Jiangsu Yanxi New City Investment and Development Co., Ltd.



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Headline: China releases 2023 real estate sales data; US releases December retail sales data

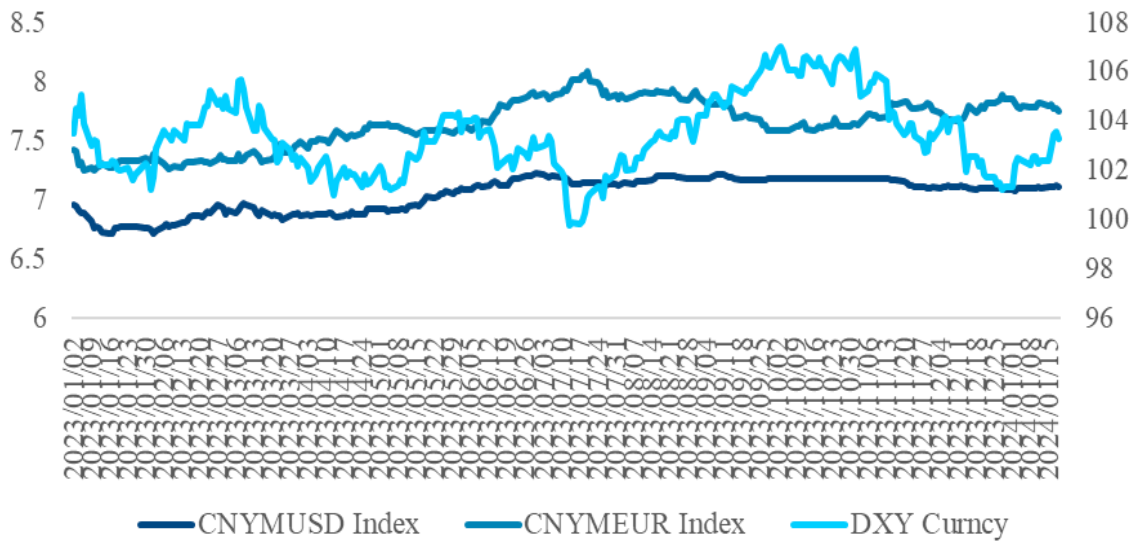
On January 17, data released by the National Bureau of Statistics showed that in 2023, national real estate development investment would be RMB11,091.3 billion, a year-on-year decrease of 9.6%; a month-on-month increase of 0.1%. Among them, residential investment was RMB8.382 billion, a decrease of 9.3%. In 2023, the sales area of commercial housing was 1,117.35 million square meters, a decrease of 8.5% from the previous year, of which the sales area of residential buildings decreased by 8.2%. Sales of commercial housing were 11,662.2 billion yuan, down 6.5%, of which residential sales dropped 6.0%. In 2023, real estate development companies will have RMB12,745.9 billion of funds in place, a decrease of 13.6% from the previous year. Among them, domestic loans were RMB1,559.5 billion, a decrease of 9.9%; foreign capital utilization was RMB4.7 billion, a decrease of 39.1%; self-raised funds were RMB4,198.9 billion, a decrease of 19.1%; deposits and advances received were RMB4,320.2 billion, a decrease of 11.9%; personal mortgage loans were RMB2,148.9 billion, down 9.1%. In December 2023, the real estate development prosperity index was 93.36.

On January 17, US Department of Commerce released the latest data, showing that retail sales increased by 0.6% in December; retail sales excluding automobiles increased by 0.4%, the largest increase in three months. Among the 13 retail categories, 9 categories achieved growth, with clothing, department stores and e-commerce experiencing the largest increases. Auto sales rose 1.1%, matching the biggest increase since May. Retail sales at gas stations have fallen for the third straight month as prices fell. US Treasuries fell, maintaining losses as traders scaled back bets on the Federal Reserve cutting interest rates this year. In 2023, US household spending overall exceeded expectations and fell well short of economists' recession forecasts. However, forecasters believe this resilience will fade in 2024 as consumers grapple with lingering inflation, high borrowing costs and dwindling savings.

Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of January 19, the RMB/USD middle rate closed at 7.117, increasing by 117bp from last Friday. The RMB/EUR middle rate closed at 7.7551, decreasing by 591bp from last Friday. The USD index increased by 0.86% to 103.288 from last Friday.

Figure 1: RMB exchange rate

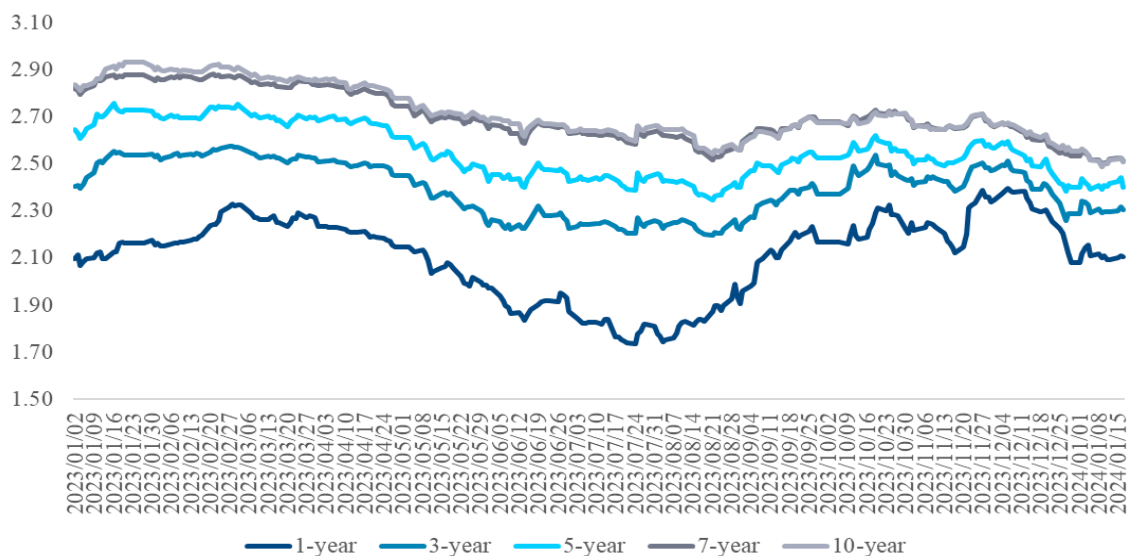


Sources: CCXAP research

Interest Rate: Chinese Government Bond yields fall; US Treasury yields rose

This week, the China Government Bond yields fall. As of January 19, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 2.0841%, 2.2901%, 2.3780%, 2.5050% and 2.5027%, decreasing by 1.00bp, 0.40bp, 3.76bp, 1.5bp and 1.45bp, respectively, from last Friday.

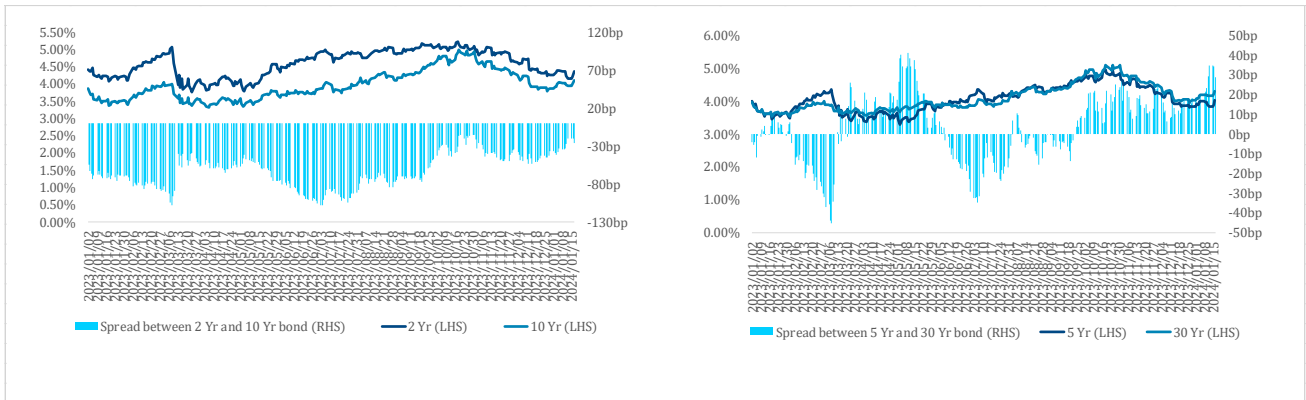
Figure 2: China Government Bond yields



Sources: CCXAP research

As the US sales market data shown better than expected, the market believe FED will not cease Rate Hikes immediately, US Treasury yields rose. As of January 19, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.3845%, 4.0507%, 4.1226% and 4.3285%, increasing by 24.04bp, 22.07bp, 18.36bp and 15.34bp respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 5.68bp to -26.2bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 6.73bp to 27.8bp from last Friday.

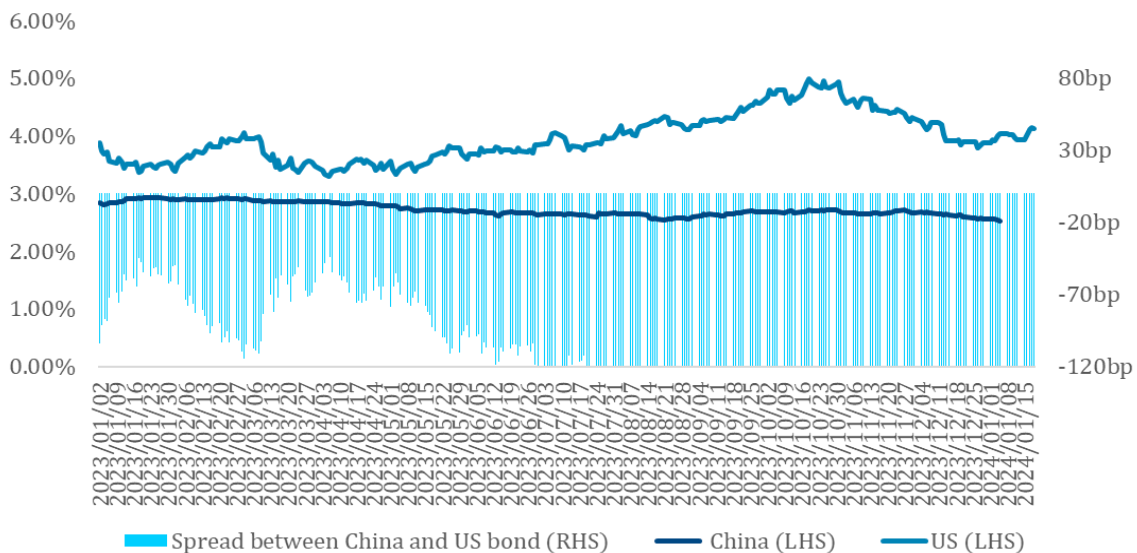
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of January 19, the yield spread between China and US 10-year note was -162.0bp, widening by 19.8bp from last Friday and widening 29.61bp 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 15 to January 19, there were 20 new issues with total issued volume of USD 1.97 billion, decreasing by 45.69% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD0.99 billion.

Table 1: New issuance of Chinese offshore bonds (20240115-20240119)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/1/15	Taixing Runjia Holdings Ltd	CNY	200.1	6	2027/1/18	3	Chengtou	-/-/-	-/-/-
2024/1/17	Agricultural Bank of China Ltd	USD	600	SOFR+63	2027/1/24	3	Banks	A1/A/-	-/-/-
2024/1/17	GF Holdings Hong Kong Corp Ltd	USD	10	6	2024/7/18	182D	Financials	-/-/-	-/-/-
2024/1/17	GF Holdings Hong Kong Corp Ltd	CNY	120.1	3.6	2024/4/18	91D	Financials	-/-/-	-/-/-
2024/1/17	Hengyang Urban Construction Investment Development Group Co., Ltd.	CNY	2001.7	4.86	2027/1/24	3	Chengtou	-/-/-	-/-/-
2024/1/17	Jiangsu Donghe Investment Group Co Ltd	CNY	198.1	3.58	2027/1/24	3	Chengtou	-/-/-	-/-/-
2024/1/17	Yangzhou Jianghuai Construction & Development Co Ltd	CNY	750.7	3.58	2027/1/24	3	Chengtou	-/-/-	-/-/-
2024/1/18	China National Petroleum Corp	CNY	1000.9	2.6	2026/1/25	2	Energy	A1/A+/A+	-/-/A+
2024/1/18	CITIC Securities International Co Ltd	USD	10	0	2025/4/25	1	Financials	-/BBB+/-	-/-/-
2024/1/18	CITIC Securities International Co Ltd	CNY	180.1	0	2025/4/25	1	Financials	-/BBB+/-	-/-/-
2024/1/18	CITIC Securities International Co Ltd	JPY	14786.8	1	2027/1/25	3	Financials	-/BBB+/-	-/-/-
2024/1/18	Huatai International Financial Holdings Co Ltd	USD	60	0	2024/7/25	182D	Financials	-/BBB+/-	-/-/-
2024/1/18	Qingdao Laoshan Science and Technology Innovation Development Group Co., Ltd.	CNY	900.8	4.05	2027/1/25	3	Chengtou	-/-/-	-/-/-
2024/1/18	Zhenjiang Culture Broadcasting and Television Industry Group Co., Ltd.	JPY	7242.9	1.68	2027/1/24	3	Chengtou	-/-/-	-/-/-
2024/1/19	CITIC Securities International Co Ltd	CNY	27	0	2027/5/5	3	Financials	-/BBB+/-	-/-/-
2024/1/19	Huatai International Financial Holdings Co Ltd	USD	35	0	2024/5/14	109D	Financials	-/BBB+/-	-/-/-
2024/1/19	Hubei Guanggudong State-owned Capital Investment and Operation Group Co., Ltd.	CNY	757.7	7.5	2026/1/25	2	Chengtou	-/-/-	-/-/-
2024/1/19	Nan'an Energy Industry and Trade Investment Development Group Co., Ltd.	CNY	1050.9	5.15	2027/1/26	3	Chengtou	-/-/-	-/-/-
2024/1/19	Shandong Zhengfang Holding Group Co., Ltd.	CNY	527.5	7.8	2026/1/25	2	Chengtou	-/-/-	-/-/-

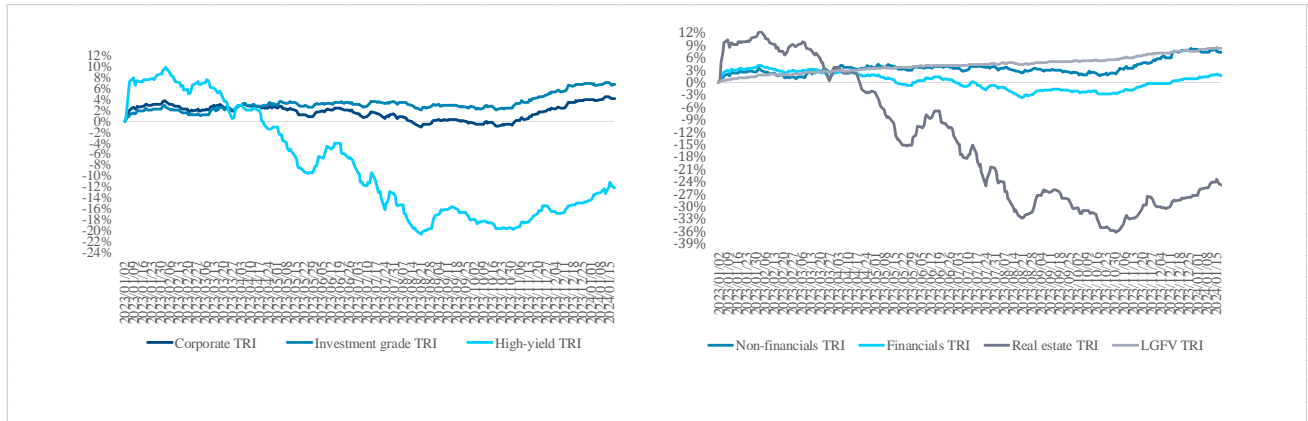
2024/1/19	Weifang Water Investment Group	CNY	256.2	8.6	2026/1/24	2	Chengtou	-/-	-/-
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Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of January 19, the YTD return¹ on the Chinese USD corporate bond index decreased by 31bp to 4.10% from last Friday, of which the return on investment-grade bonds decreasing by 35bp to 6.70%, the return on high-yield bonds increased by 109bp to -12.14%. In terms of sector indices, the return on non-financial, financial, and real estate bonds was 7.37%, 1.60% and -24.96%, respectively, decreasing by 45bp, 20bp and 67bp from last Friday. The return on Chengtou bonds was 8.26%, increasing by 2bp from last Friday.

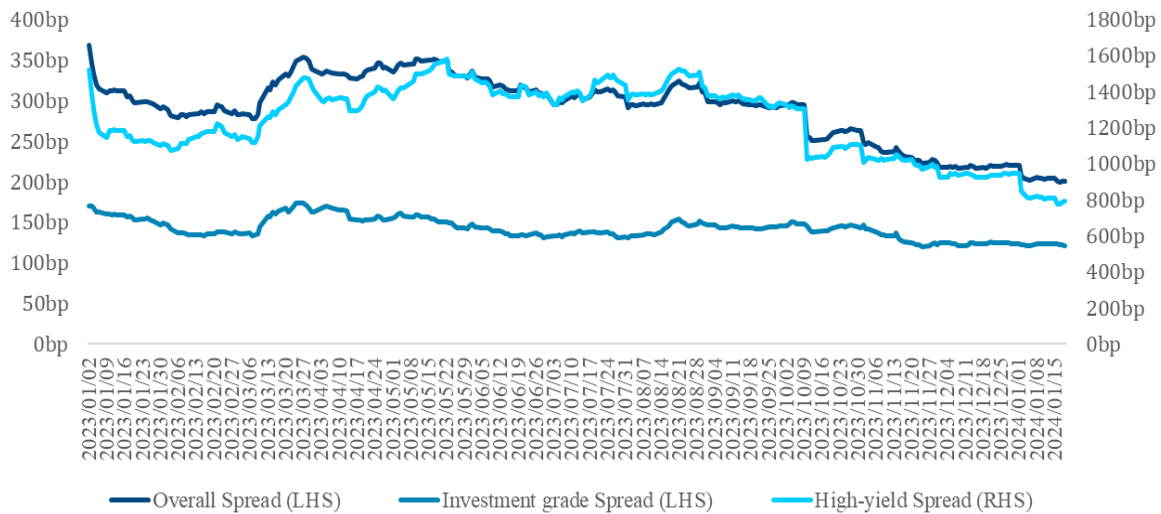
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of January 19, the yield spread of Chinese dollar bonds narrowed by 4.1bp to 200.06bp from last Friday. The yield spread of investment-grade bonds narrowed by 3.0bp to 120.70bp, while the spread of high-yield bonds narrowed by 15.5bp to 790.92bp.

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 January 15 to January 19 are shown in the table below. Among them, Agile Group Holdings Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240115-20240119)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 7 7/8 PERP	Agile Group Holdings Ltd	5.962	PREP	2999.065	91.5794M
CNDATA 10 1/2 02/23/26	Chindata Group Holdings Co., Ltd.	108.301	2.08	565.209	21.8374M
CSCHCN 9 04/12/24	China South City Holdings Ltd	44.832	0.21	1163.134	10.4049M
RDHGCL 7.8 03/20/24	RADIANCE GROUP Co., LTD.	79.536	0.15	175.317	6.2543M
CHIGRA 9 1/8 01/30/24	Guanghui Automobile Service Group Co., Ltd.	99.305	0.01	69.074	4.7963M
GEMDAL 4.95 08/12/24	Gemdale Corporation	58.961	0.55	132.839	4.0673M
AGILE 5 3/4 01/02/25	Agile Group Holdings Ltd	19.345	0.94	302.388	4.0026M
AGILE 7 3/4 PERP	Agile Group Holdings Ltd	5.573	PREP	447.713	3.6135M
AGILE 13.476 PERP	Agile Group Holdings Limited	6.1	PREP	189.757	2.1605M
AGILE 5 1/2 04/21/25	Agile Group Holdings Ltd	18.857	1.24	210.245	2.091M

Sources: CCXAP research

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

On January 16, CCXAP assigns first-time long-term credit rating of BBB_g⁺ to Zaozhuang Infrastructure Investment Development Group Co., Ltd. (“ZZII” or the “Company”), with stable outlook.

On January 18, CCXAP assigns first-time long-term credit rating of BBB_g⁻ to Zhuzhou Nanzhou Development Group Co., Ltd. (“Nanzhou Development” or the “Company”), with stable outlook.

On January 18, CCXAP assigns first-time long-term credit rating of BBB_g⁺ to Pingdu City Development Group Co., Ltd. (“PDCD” or the “Company”), with stable outlook.

On January 19, CCXAP assigns first-time long-term credit rating of BBB_g⁺ to Jiangyin Lingang Holding (Group) Co., Ltd. (“JYLG” or the “Company”), with stable outlook.

On January 19, CCXAP assigns first-time long-term credit rating of BBB_g⁻ to Jiangsu Yanxi Newcity Investment and Development Co., Ltd. (“YXNC” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20240115-20240119)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/1/16	ZZII	BBB _g ⁺	-	The credit rating is underpinned by the Company's (1) important role in supporting local economic development; (2) important responsibilities in undertaking water supply business; and (3) solid track record of receiving government supports. However, the rating is constrained by its (1) medium exposure to commercial activities; (2) increasing debt level driven; and (3) medium exposure to contingent liabilities.
2023/1/18	Nanzhou Development	BBB _g ⁻	-	The credit rating is underpinned by the Company's (1) ultimate control by Zhuzhou Municipal Government; (2) leading position in infrastructure construction and land consolidation of Lukou District; and (3) good track record of receiving government support. However, the rating is constrained by the Company's (1) high capital expenditure pressure from commercial activities; (2) moderate debt growth and low asset liquidity; and (3) medium exposure to contingent liabilities.
2023/1/18	PDCD	BBB _g ⁺	BBB _g ⁺	The credit rating is underpinned by the Company's (1) pivotal role in infrastructure construction and state-owned asset operation in Pingdu City; (2) good track record of receiving government supports; and (3) good access to funding. However, the rating is constrained by the Company's (1) moderate risk to commercial businesses with relatively high investment pressure; and (2) increasing debt burden driven by capital expenditures on construction projects.
2023/1/19	JYLG	BBB _g ⁺	BBB _g ⁺	The credit rating is underpinned by the Company's (1) position as the core entity with the largest asset scale undertaking infrastructure projects and land consolidation in Harbour EDZ; (2) good track record of government payments; and (3) good access to funding. However, the rating is constrained by the Company's (1) increasing short-term debt burden; (2) moderate asset liquidity; and (3) high level of contingent liabilities.
2023/1/19	YXNC	BBB _g ⁻	BBB _g ⁻	The credit rating is underpinned by the Company's (1) essential role in the development of Xiaomagou Life Group Project in Yandu District; (2) sufficient project reserves along with the development of Xiaomagou Life Group Project; and (3) good track of receiving government support. However, the rating is constrained by the Company's (1) increasing debt level to support investment in construction projects; and (2) moderate access to financing channels with limited financial flexibility.

Sources: CCXAP research

From January 15 to January 19, rating agencies took negative rating action to 5 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20240115-20240119)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	China Blue Star (Group) Co., Ltd.	Industrials	Ba1	STABLE	2024/01/19	Baa2	NEG under review	2023/11/29	Moody's	The leverage ratio for the company is too high to maintain credit safe

China Cinda Asset Management Co., Ltd.	Financial	Baa1	NEG	2024/01/19	A3	NEG under review	2023/12/07	Moody's	The support from government to the AMC decrease
China Orient Asset Management Co., Ltd.	Financial	Baa2	NEG	2024/01/19	A3	NEG under review	2023/12/07	Moody's	The support from government to the AMC decrease
China Great Wall Asset Management Co., Ltd.	Financial	Baa3	NEG under review	2024/01/19	Baa1	NEG under review	2023/09/06	Moody's	The support from government to the AMC decrease
China Huarong Asset Management Co., Ltd.	Financial	Ba1	NEG	2024/01/19	Baa3	NEG under review	2023/09/25	Moody's	The support from government to the AMC decrease

Sources: CCXAP research

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