

2024 Issue 6 From February 19 to February 23

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

Headline: IMF raised China's economic growth forecast for 2024; FOMC minutes showed risks of cutting interest rates too early

On February 22, IMF raised its growth forecast for China's economy and emerging Asian economies in 2024, and raised its global economic growth forecast for this year by 0.2 percentage points to 3.1%. On February 21, the US Federal Reserve Board released the minutes of its January monetary policy meeting, which showed that the federal funds rate may have reached its peak, but there are risks in relaxing the monetary policy stance prematurely.

Exchange Rate: RMB was basically flat, USD index decreased

This week, the RMB was basically flat. As of February 23, the RMB/USD middle rate closed at 7.106, increasing slightly by 1bp from Last Friday. The USD index decreased by 0.33% to 103.936 from Last Friday.

Interest Rate: Chinese Government Bond yields fall; US Treasury yields were mixed

This week, the China Government Bond yields fall. As the FOMC record showed worries from FED to cut rate soon, US Treasury yields were mixed.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From February 19 to February 23, there were 18 new issues with total issued volume of USD 1.16 billion. Among them, financial companies are the largest issuer with a total issued amount of USD 0.971 billion.

Secondary Market: Return on Chinese USD bond increased

As of February 23, the year-to-date return on the Chinese USD corporate bond index increased by 47bp to 0.95% from Last Friday, of which the return on investment-grade bonds increasing by 31bp to 0.36%, the return on high-yield bonds increased by 159bp to 5.47%.

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

CCXAP assigns long-term credit rating to 5 entities, Hebei Bohai Guokong Urban Development Group Co., Ltd., Tai'an Tianze Investment Operation Group Co., Ltd., Fujian Jinjiang Construction Investment Holding Group Co., Ltd., Lanzhou New District Modern Agriculture Investment Group Co., Ltd. and Jining Taibai Lake Holding Group Co., Ltd.



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Headline: IMF raised China's economic growth forecast for 2024; FOMC minutes showed risks of cutting interest rates too early

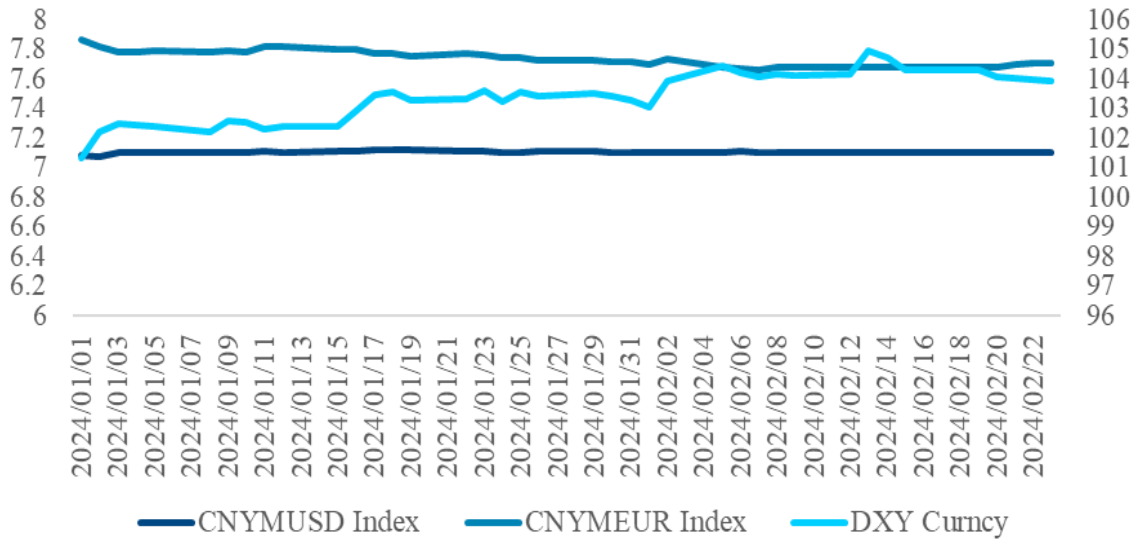
On February 22, the International Monetary Fund (IMF) raised its growth forecast for China's economy and emerging Asian economies in 2024. At the same time, based on the resilient growth of major economies such as China, the International Monetary Fund raised its global economic growth forecast for this year by 0.2 percentage points to 3.1%. The International Monetary Fund pointed out that the upward revision of China's economic growth forecast reflects the continuation of China's economy's higher-than-expected growth momentum last year and the driving role of the Chinese government's introduction of relevant policies. In 2023, China's GDP will exceed RMB126 trillion, an increase of 5.2% over the previous year. China remains the world's largest growth engine. Since the beginning of this year, high-quality development has been steadily promoted. In January 2024, the level of economic prosperity rebounded, releasing a positive signal for economic performance at the beginning of the year.

On February 21, the US Federal Reserve Board released the minutes of its January monetary policy meeting, which showed that the federal funds rate may have reached its peak, but there are risks in easing the monetary policy stance prematurely. The Federal Reserve held its first monetary policy meeting of the year on January 30-31 and kept the federal funds rate target range unchanged for the fourth consecutive time since September last year at 5.25% to 5.5%. The minutes of the meeting showed that Fed officials "unanimously judged that policy rates may be at the peak of this tightening cycle." Most participating officials "noted the risk of prematurely easing the policy stance" and emphasized the importance of carefully evaluating the upcoming data, to determine whether the inflation rate is continuing to decline towards the long-term target level of 2%. At the same time, some Fed officials believe it may be appropriate to begin slowing the pace of reducing the size of its balance sheet. Many attendees suggested the Federal Open Market Committee, which sets monetary policy, should discuss the topic in depth at its March meeting.

Exchange Rate: RMB was basically flat, USD index decreased

This week, the RMB was basically flat. As of February 23, the RMB/USD middle rate closed at 7.106, increasing slightly by 1bp from Last Friday. The RMB/EUR middle rate closed at 7.7102, increasing by 321bp from Last Friday. The USD index decreased by 0.33% to 103.936 from Last Friday.

Figure 1: RMB exchange rate

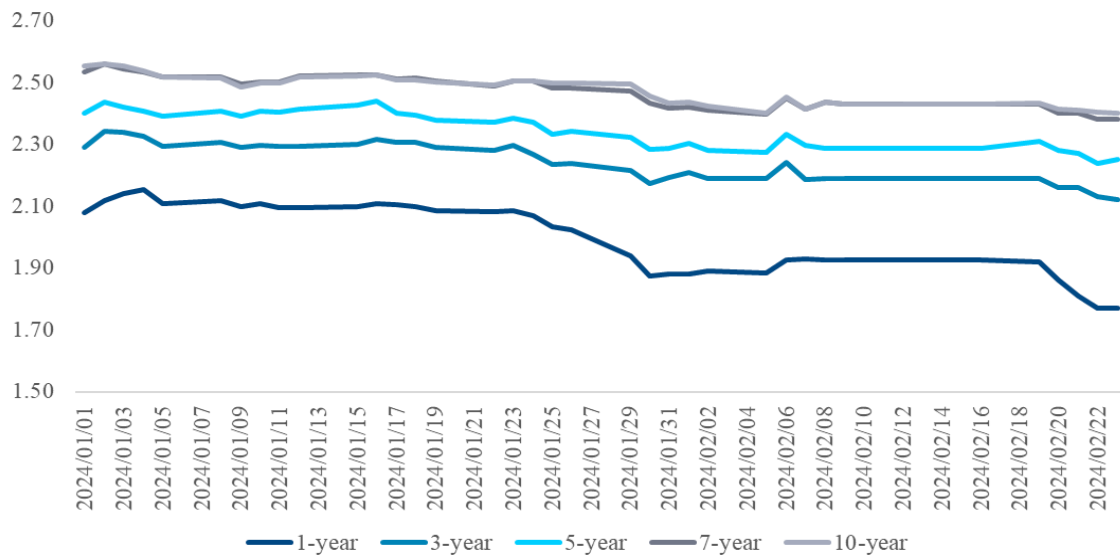


Sources: CCXAP research

Interest Rate: Chinese Government Bond yields fall; US Treasury yields were mixed

This week, the China Government Bond yields fall. As of February 23, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 1.7747%, 2.1240%, 2.247%, 2.3953% and 2.4302%, decreasing by 15.65bp, 6.91bp, 3.85bp, 5bp and 2.98bp, respectively, from Last Friday.

Figure 2: China Government Bond yields

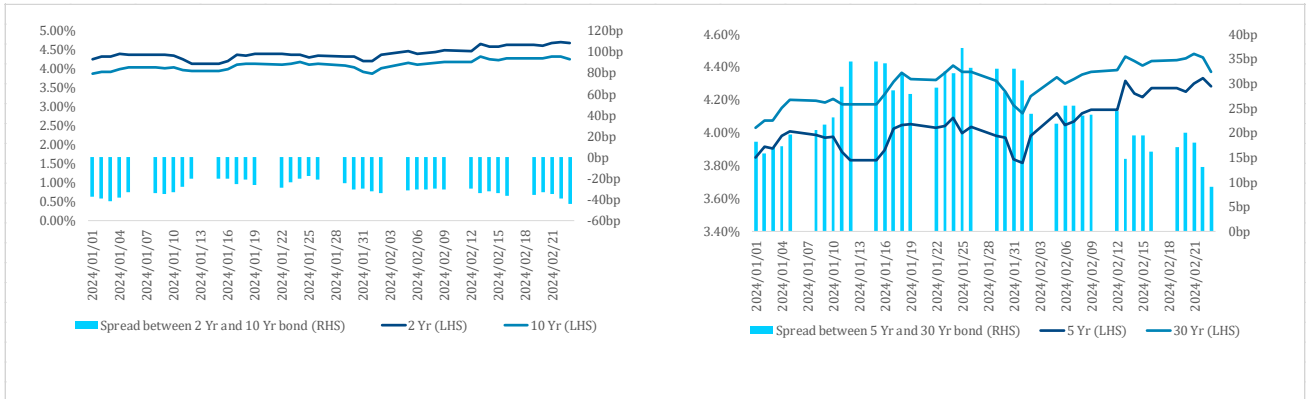


Sources: CCXAP research

As the FOMC record showed worries from FED to cut rate soon, US Treasury yields were mixed. As of February 23, the 2-year and 5-year Treasury yields were 4.6882% and 4.2845%, increasing by

4.84bp and 0.62bp respectively, from Last Friday. The 10-year and 30-year Treasury yields were 4.248% and 4.3704%, decreasing by 3.12bp and 6.56bp. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 7.96bp to -44.2bp from Last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 7.18bp to 9.0bp from Last Friday.

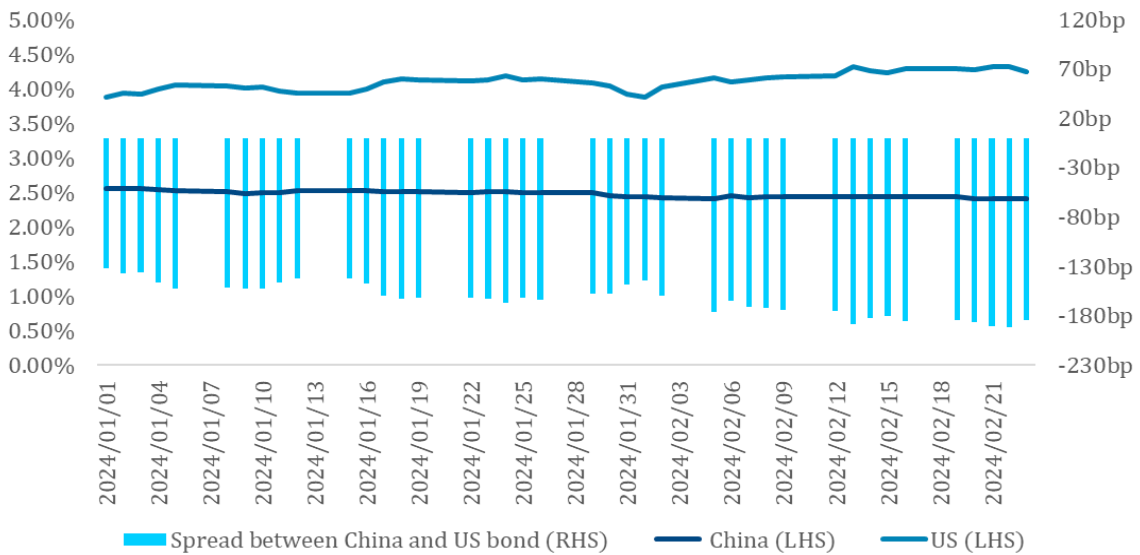
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of February 23, the yield spread between China and US 10-year note was -184.7bp, narrowed by 0.19bp from Last Friday and widened 52.33bp 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 was deserted during the Chinese New Year

From February 19 to February 23, there were 18 new issues with total issued volume of USD1.16 billion. Among them, financial companies are the largest issuer with a total issued amount of USD971 million.

Table 1: New issuance of Chinese offshore bonds (20240219-20240223)

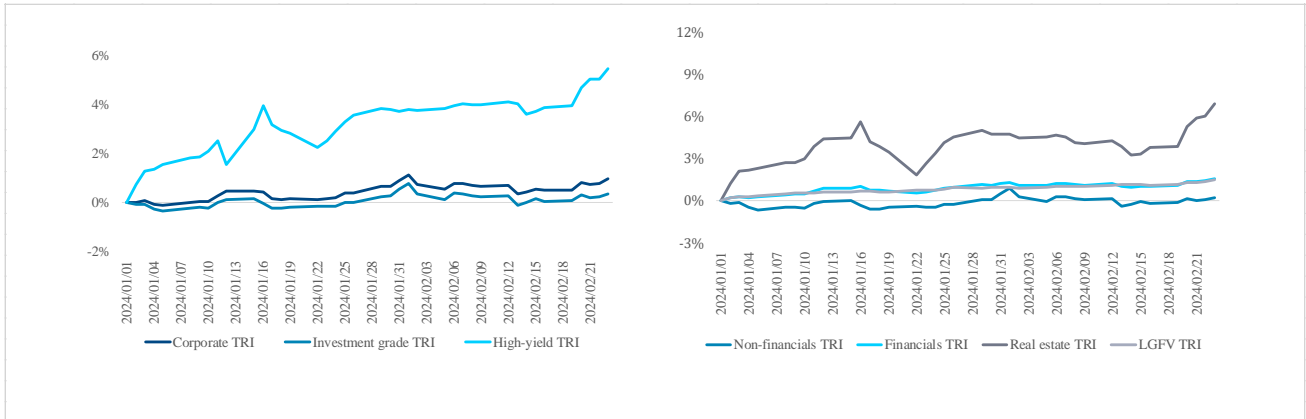
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/2/19	Bocom Leasing Management Hong Kong Limited	USD	150	SOFR+92	2027/2/26	3	Financials	A3/A-/A	-/-/-
2024/2/19	China Securities International Finance Holding Co Ltd	CNY	8.5	2.6	2024/5/21	90D	Financials	-/-/-	-/-/-
2024/2/19	China Securities International Finance Holding Co Ltd	USD	1	5.2	2024/5/21	90D	Financials	-/-/-	-/-/-
2024/2/19	China Securities International Finance Holding Co Ltd	USD	0.9	5.1	2024/5/22	90D	Financials	-/-/-	-/-/-
2024/2/19	GF Holdings Hong Kong Corp Ltd	USD	30	5.91	2024/8/23	182D	Financials	-/-/-	-/-/-
2024/2/19	GF Holdings Hong Kong Corp Ltd	HKD	99.8	5	2024/8/22	182D	Financials	-/-/-	-/-/-
2024/2/19	GF Holdings Hong Kong Corp Ltd	HKD	99.8	4.82	2024/5/22	90D	Financials	-/-/-	-/-/-
2024/2/19	Xiangtan Zhenxiang State-Owned Assets Management and Investment Co., Ltd.	CNY	838.9	4.15	2027/2/26	3	Chengtou	-/-/-	-/-/-
2024/2/19	Zhejiang Anji State-Controlled Construction & Development Group Co Ltd	EUR	39	6.3	2025/2/20	364D	Chengtou	-/-/-	-/-/-
2024/2/20	China Securities International Finance Holding Co Ltd	USD	1.8	0	2025/2/26	1	Financials	-/-/-	-/-/-
2024/2/21	Anji Qicai Lingfeng Rural Tourism Investment Co., Ltd.	JPY	15128.8	1.5	2027/2/28	3	Chengtou	-/-/-	-/-/-
2024/2/21	China Securities International Finance Holding Co Ltd	USD	20	5.75	2024/12/6	284D	Financials	-/-/-	-/-/-
2024/2/21	CITIC Securities International Co Ltd	CNY	28.6	0	2025/8/12	1	Financials	-/BBB+/-	-/-/-
2024/2/22	China Everbright Bank Co Ltd	CNY	444.1	3	2027/3/6	3	Banks	Baa2/BBB+/BBB+	-/-/-
2024/2/22	Chongqing Tongnan District Construction Engineering (Group) Co., Ltd.	CNY	197.4	4.8	2027/2/28	3	Industrials	-/-/-	-/-/-
2024/2/22	CITIC Securities International Co Ltd	USD	9.6	4.1	2024/3/28	28D	Financials	-/BBB+/-	-/-/-
2024/2/22	Haitong Securities Co Ltd	CNY	3454.3	3.3	2027/3/1	3	Financials	-/BBB/-	-/-/-
2024/2/23	ICBCIL Finance Co Ltd	USD	75	SOFR+63	2024/12/3	277D	Financials	A1/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of February 23, the YTD return¹ on the Chinese USD corporate bond index increased by 47bp to 0.95% from Last Friday, of which the return on investment-grade bonds increasing by 31bp to 0.36%, the return on high-yield bonds increased by 159bp to 5.47%. In terms of sector indices, the return on non-financial, financial, real estates and Chengtou bonds was 0.2%, 1.56%, 6.86% and 1.47%, respectively, increasing by 38bp, 54bp, 311bp and 37bp from Last Friday.

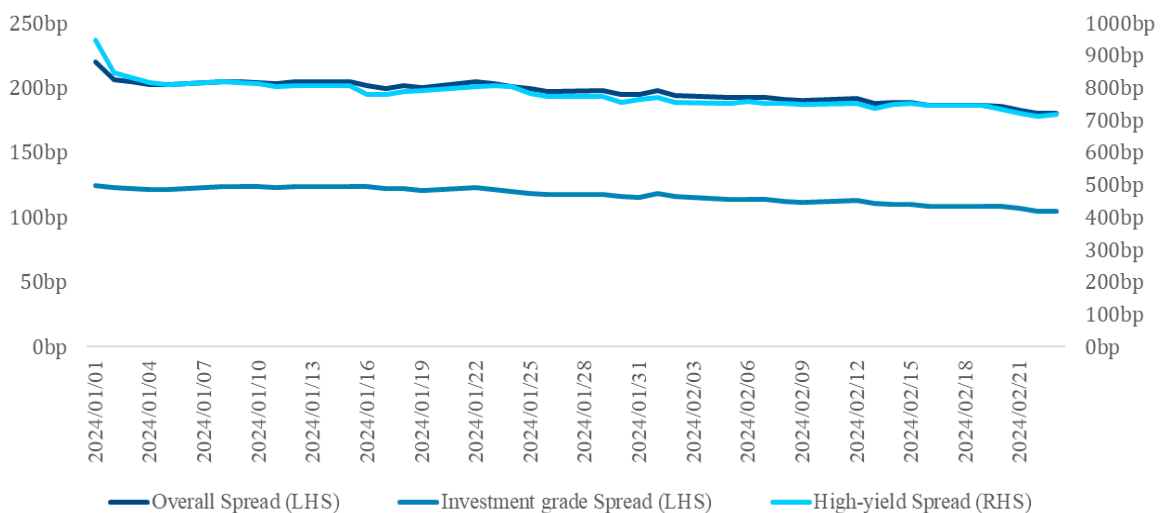
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of February 23, the yield spread of Chinese dollar bonds narrowed by 6.7bp to 179.76bp from last Friday. The yield spread of investment-grade bonds narrowed by 3.6bp to 104.67bp, while the spread of high-yield bonds narrowed by 25.5bp to 718.02bp.

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



Sources: CCXAP research

¹ Year-to-date return measures the return since January 1, 2024

The 10 bonds with the largest yield increase from February 19 to February 23 are shown in the table below. Among them, China South City Holdings Ltd changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240219-20240223)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
CSCHCN 9 04/12/24	China South City Holdings Ltd	32.412	0.12	1706.136	17.3851M
RDHGCL 7.8 03/20/24	RADIANCE GROUP Co., LTD.	71.675	0.06	7781.1	7.7811M
CSCHCN 9 10/09/24	China South City Holdings Ltd	30.394	0.61	2821.2	2.8212M
AGILE 5 ¾ 01/02/25	Agile Group Holdings Ltd	18.131	0.85	1678.4	1.6784M
VNKRLE 5.35 03/11/24	China Vanke Co.,Ltd.	99.665	0.03	1482.9	1.4829M
AGILE 5 ½ 04/21/25	Agile Group Holdings Ltd	16.679	1.15	559.8	559.8
AGILE 6.05 10/13/25	Agile Group Holdings Ltd	14.541	1.62	342.5	342.5
CSCHCN 9 06/26/24	China South City Holdings Ltd	30.688	0.33	256.8	256.8
SXFIAM 3.2 03/18/24	Shaanxi Financial Asset Management Co., Ltd.	99.575	0.05	245	245
AGILE 5 ½ 05/17/26	Agile Group Holdings Ltd	13.461	2.22	186.7	186.7

Sources: CCXAP research

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

On February 19, CCXAP assigns first-time long-term credit rating of BBB_g to Hebei Bohai Guokong Urban Development Group Co., Ltd. (“BH GK” or the “Company”), with stable outlook.

On February 20, CCXAP assigns first-time long-term credit rating of BBB_g to Tai'an Tianze Investment Operation Group Co., Ltd. (“TATZ” or the “Company”), with stable outlook.

On February 20, CCXAP assigns first time long-term credit rating of A_g- to Fujian Jinjiang Construction Investment Holding Group Co., Ltd. (“FJCI” or the “Company”), with stable outlook.

On February 21, CCXAP assigns first time long-term credit rating of BBB_g- to Lanzhou New District Modern Agriculture Investment Group Co., Ltd. (“LNAI” or the “Company”), with stable outlook.

On February 23, CCXAP assigns first time long-term credit rating of BBB_g- to Jining Taibai Lake Holdings Group Co., Ltd. (“JTLH” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20240219-20240223)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2024/2/19	BH GK	BBB _g	-	The credit rating is underpinned by the Company’s (1) status as the most important local state-owned enterprise in Bohai New Area Huanghua City; and (2) good track of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) high reliance on external financing and moderate access to funding.
2024/2/20	TATZ	BBB _g	BBB _g	The credit rating is underpinned by the Company’s (1) essential role as the primary urban developer and operator of the Wenhe Scenic Spot; and (2) good track record of receiving government supports. However, the rating is constrained by its (1) medium and increasing exposure to commercial activities; (2) fast debt growth with relatively large short-term debt pressure; and (3) moderate asset liquidity.
2024/2/20	FJCI	A _g -	A _g -	The credit rating is underpinned by the Company’s (1) dominant strategic role as the largest state-owned enterprise in Jinjiang City; (2) high sustainability of public policy projects; and (3) good track record of receiving government support. However, the rating is constrained by the Company’s (1) relatively

				high debt leverage; (2) moderate asset liquidity; and (3) relatively high reliance on non-standard financing.
2024/2/21	LNAI	BBB _{g-}	BBB _{g-}	The credit rating is underpinned by the Company's (1) important role in the agricultural infrastructure construction of Lanzhou New District; and (2) solid track record of receiving government support. However, the Company's rating is constrained by its (1) fast debt growth and weak asset liquidity; (2) moderate exposure to commercial activities; and (3) moderate access to funding.
2024/2/23	JTLH	BBB _{g-}	BBB _{g-}	The credit rating is underpinned by the Company's (1) essential role in the social and industrial development of Taibai Lake New Area; and (2) solid track record of receiving government supports. However, the rating is constrained by the Company's (1) medium exposure to commercial activities with relatively large capital expenditure pressure; and (2) moderate access to funding with high concentration on bank loans.

Sources: CCXAP research

From February 19 to February 23, rating agencies took negative rating action to 1 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20240219-20240223)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Downgrade	Hangzhou Financial Investment Group Co., Ltd.	Financial	BBB	NEG	2024/02/19	BBB	STABLE	2023/02/27	S&P	The investment liquidity will be facing stress

Sources: CCXAP research

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