

### 2024 Issue 7 From February 26 to March 1

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

**Headline: China's manufacturing PMI in February was 49.1%; US economic growth rate in the fourth quarter of 2023 was revised down to 3.2%**

On March 1, the Service Industry Survey Center of the National Bureau of Statistics and the China Federation of Logistics and Purchasing released data. In February, China's manufacturing PMI was 49.1%, down 0.1 percentage points from the previous month. On February 28, the US Department of Commerce released revised data. In the fourth quarter of 2023, US real GDP grew by 3.2% at an annual rate, which was revised down by 0.1 percentage point from the first estimate.

#### Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of February 23, the RMB/USD middle rate closed at 7.1059, decreasing by 5bp from Last Friday. The USD index decreased by 0.07% to 103.861 from Last Friday.

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

This week, the China Government Bond yields mostly rose. With US GDP in February weaker than expected, markets expect the data to tip the Fed towards an earlier cut in interest rates, US Treasury yields fall.

#### Chinese Offshore Bond Market

##### Primary Market: Chinese offshore bond new issuance increased

From February 26 to March 1, there were 17 new issues with total issued volume of USD 1.93 billion, increasing by 48.6% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD 1.02 billion.

##### Secondary Market: Return on Chinese USD bond rose

As of March 1, the year-to-date return on the Chinese USD corporate bond index increased by 34bp to 1.29% from last Friday, of which the return on investment-grade bonds increasing by 38bp to 0.74%, the return on high-yield bonds increased by 2bp to 5.49%.

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

CCXAP assigns long-term credit rating to 5 entities, Sichuan Jianzhou Airport Industrial Finance Investment Development Group Co., Ltd., Jianhu County Tourism Development Co., Ltd., Jiaxian State-owned Capital Operation Group Co., Ltd., Chongqing Yulong Asset Management Co., Ltd. and Shandong Quanhui Industrial Development Co., Ltd.



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## Headline: China's manufacturing PMI in February was 49.1%; US economic growth rate in the fourth quarter of 2023 was revised down to 3.2%

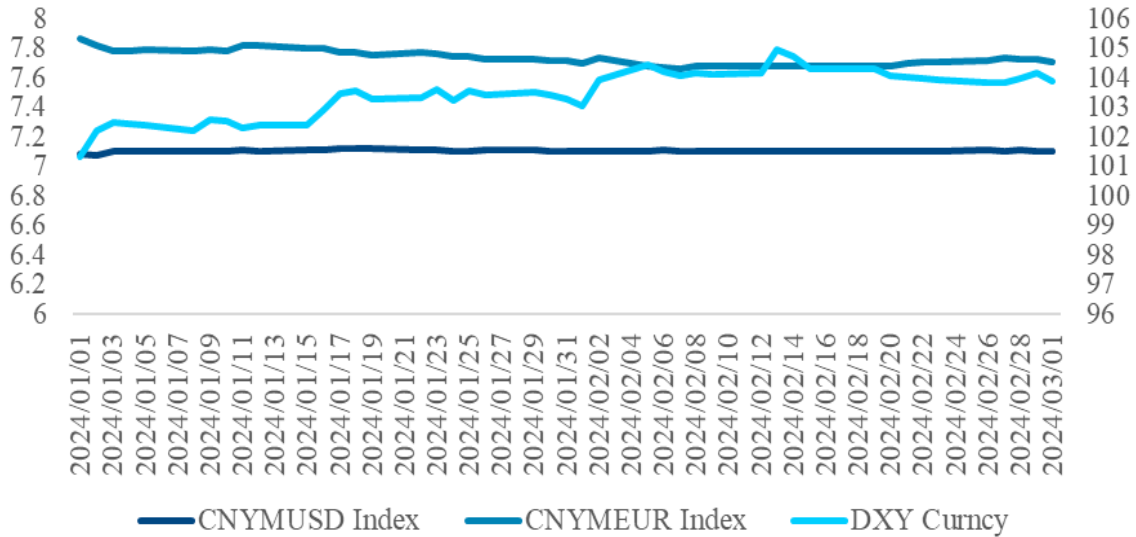
On March 1, the Service Industry Survey Center of the National Bureau of Statistics and the China Federation of Logistics and Purchasing released data. In February, China's manufacturing purchasing managers index (PMI) was 49.1%, down 0.1 percentage points from the previous month. In terms of enterprise size, the PMI of large enterprises was 50.4%, the same as last month and higher than the critical point; the PMI of medium-sized enterprises was 49.1%, an increase of 0.2 percentage points from the previous month and lower than the critical point; the PMI of small enterprises was 46.4%, higher than the critical point. It dropped 0.8 percentage points last month, below the critical point. From the perspective of sub-indices, among the five sub-indices that make up the manufacturing PMI, the production index, new orders index, raw material inventory index, employee index and supplier delivery time index are all below the critical point. The production index was 49.8%, down 1.5 percentage points from the previous month, indicating a slowdown in manufacturing production activities. The new orders index was 49.0%, the same as last month and still below the critical point, indicating that manufacturing market demand has declined compared with last month. The raw material inventory index was 47.4%, down 0.2 percentage points from the previous month, indicating that the inventory of major raw materials in the manufacturing industry continued to decrease. The employment index was 47.5%, down 0.1 percentage points from the previous month, indicating that the employment prosperity of manufacturing companies has declined slightly. The supplier delivery time index was 48.8%, a decrease of 2.0 percentage points from the previous month, indicating that the delivery time of manufacturing raw material suppliers was extended compared with the previous month.

On February 28, the U.S. Department of Commerce released revised data. In the fourth quarter of 2023, U.S. real gross domestic product (GDP) grew by 3.2% at an annual rate, which was revised down by 0.1 percentage point from the first estimate. The Commerce Department said the latest data mainly reflected downward revisions to indicators such as private inventory investment, offsetting increases in personal consumption expenditures and nonresidential fixed asset investment. Specifically, in the fourth quarter of last year, personal consumption expenditures, which accounted for about 70% of the U.S. economy, grew by 3%, an increase of 0.2 percentage points from the previous data. Non-residential fixed asset investment, which reflects the investment status of enterprises, increased by 2.4%, an increase of 0.5 percentage points. In the quarter, private inventory investment dragged down 0.27 percentage points from the economy, compared with the first estimate of a 0.07 percentage point boost to growth. Net exports of goods and services boosted economic growth by 0.32 percentage points, down 0.11 percentage points from the first estimate. Data showed that for all of 2023, the U.S. economy grew by 2.5%, in line with the first estimate. The U.S. Commerce Department believes that personal consumption expenditures, nonresidential fixed asset investment and state and local government spending boosted economic growth last year. The Commerce Department typically makes three estimates of quarterly economic data based on evolving information. Final revised economic data for last year's fourth quarter and full year will be released on March 28.

## Exchange Rate: RMB appreciated, USD index increased

This week, the RMB appreciated. As of February 23, the RMB/USD middle rate closed at 7.1059, decreasing by 5bp from Last Friday. The RMB/EUR middle rate closed at 7.7017, decreasing by 85bp from Last Friday. The USD index decreased by 0.07% to 103.861 from Last Friday.

Figure 1: RMB exchange rate

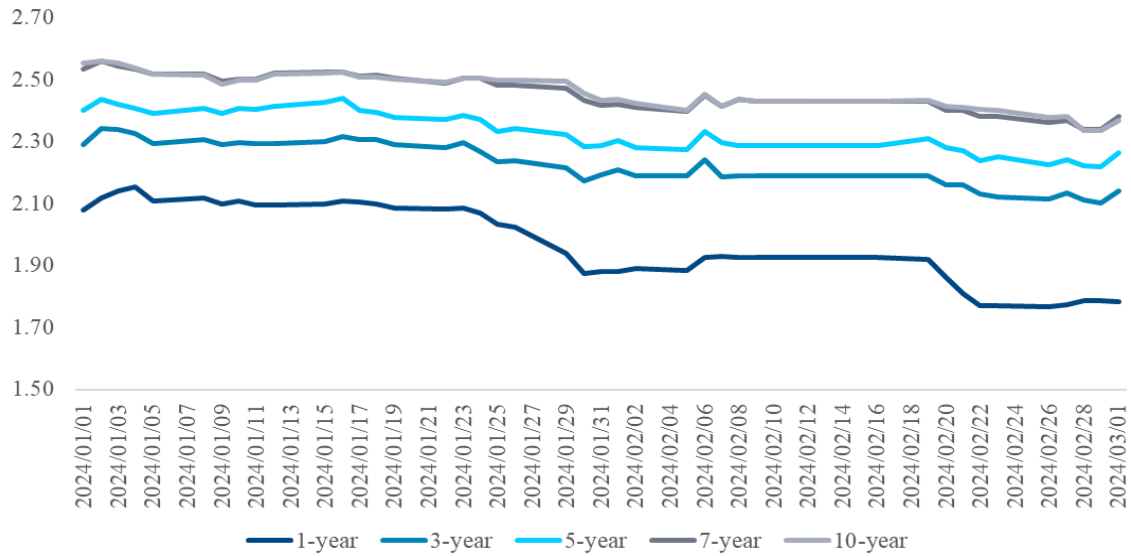


Sources: CCXAP research

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

This week, the China Government Bond yields mostly rose. As of March 1, the 1-year 3-year and 5-year China Government Bond yields were 1.7833%, 2.1405% and 2.2632%, increasing by 1.33bp, 2.05bp and 1.32bp, respectively, from Last Friday. The 7-year and 10-year China Government Bond yields were 2.3799% and 2.3675%, decreasing by 0.01bp and 3.34bp.

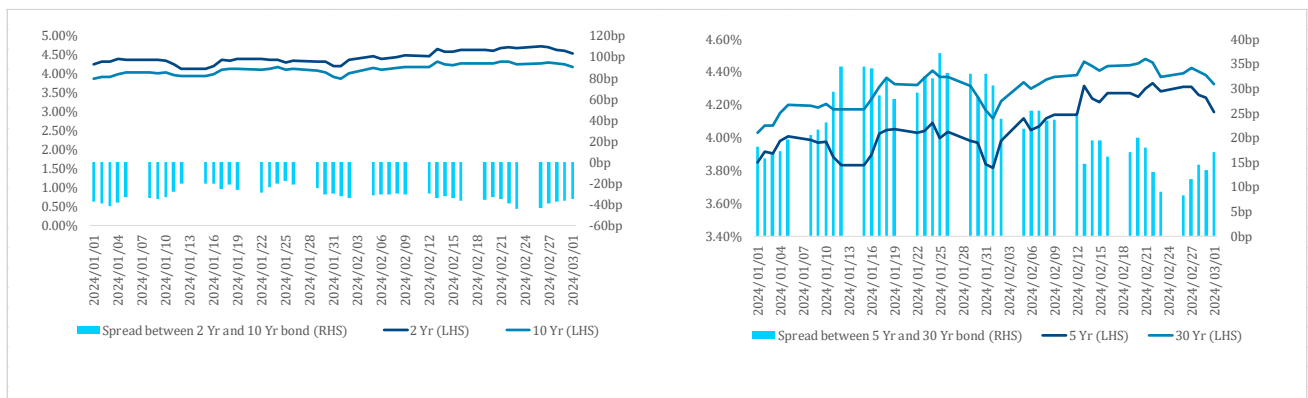
Figure 2: China Government Bond yields



Sources: CCXAP research

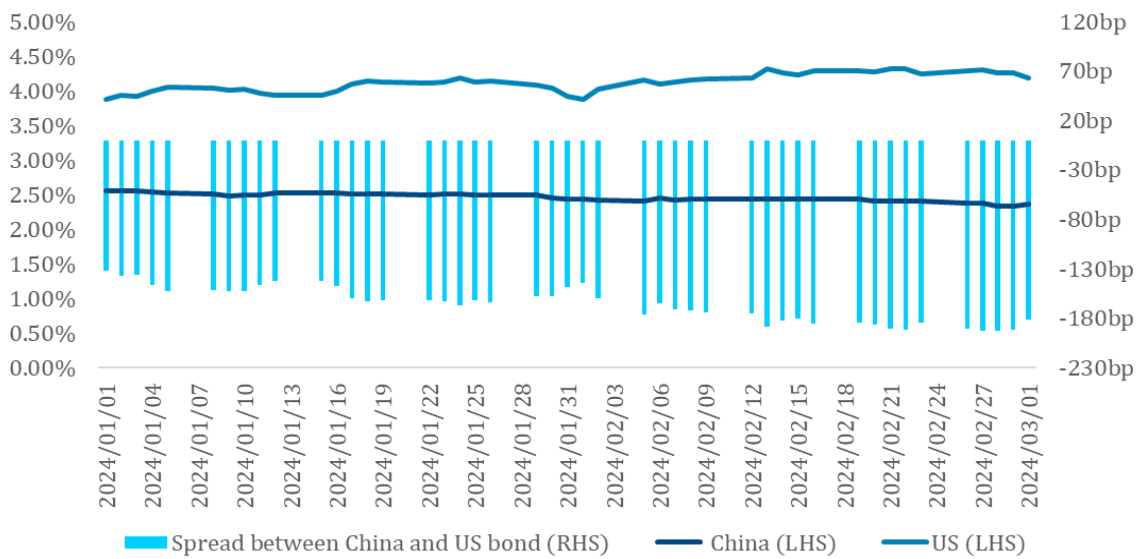
With U.S. GDP in February weaker than expected, markets expect the data to tip the Fed towards an earlier cut in interest rates, US Treasury yields fall. As of March 1, the 2-year 5-year 10-year and 30-year Treasury yields were 4.5313%, 4.1571%, 4.1798% and 4.3275%, decreasing by 15.87bp, 12.29bp, 6.82bp and 4.25bp respectively, from Last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 9.05bp to -35.2bp from Last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 8.04bp to 17.0bp 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 -181.2bp, narrowed by 3.48bp from Last Friday and widened 48.85bp 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 rose

From February 26 to March 1, there were 17 new issues with total issued volume of USD 1.93 billion, increasing by 48.6% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD 1.02 billion.

**Table 1: New issuance of Chinese offshore bonds (20240226-20240301)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/2/26	Bocom Leasing Management Hong Kong Co Ltd	USD	135	SOFR+92	2027/3/4	3	Financials	A3/A-/A	-/-/-
2024/2/26	Guotai Junan International Holdings Ltd	CNY	1000.5	3.4	2025/3/4	362D	Financials	Baa2/BBB +/-	-/-/-
2024/2/27	Tianfeng Securities Co Ltd	USD	300	6.5	2026/3/5	2	Financials	-/-/BBB-	-/-/BBB-
2024/2/27	Chongqing Fuling Industrial Development Group Co Ltd	CNY	1260.6	4.2	2027/3/5	3	Chengtou	-/-/-	-/-/-
2024/2/27	ICBCIL Finance Co Ltd	USD	66	SOFR+64	2025/2/27	363D	Financials	A1/-/-	-/-/-
2024/2/27	Huatai International Financial Holdings Co Ltd	CNY	50	0	2027/3/5	3	Financials	-/BBB+/-	-/-/-
2024/2/28	Nanchang Jinkai Group Co Ltd	USD	68	5.25	2027/3/4	3	Chengtou	-/-/-	-/-/-
2024/2/28	CMB International Leasing Management Ltd	USD	40	SOFR+105	2027/3/12	3	Financials	-/BBB+/-	-/-/-
2024/2/29	Shaanxi Financial Assets Management Co Ltd	USD	200	5.8	2027/3/7	3	Financials	Baa3/-/BBB	-/-/-
2024/2/29	Fujian Jinjiang Construction Investment Holding Group Co Ltd	USD	158	6.35	2025/3/4	364D	Chengtou	-/-/-	-/-/-
2024/2/29	Jiangsu Haisheng Holding Group Ltd	CNY	1000.5	3.6	2027/3/7	3	Chengtou	-/-/-	-/-/-

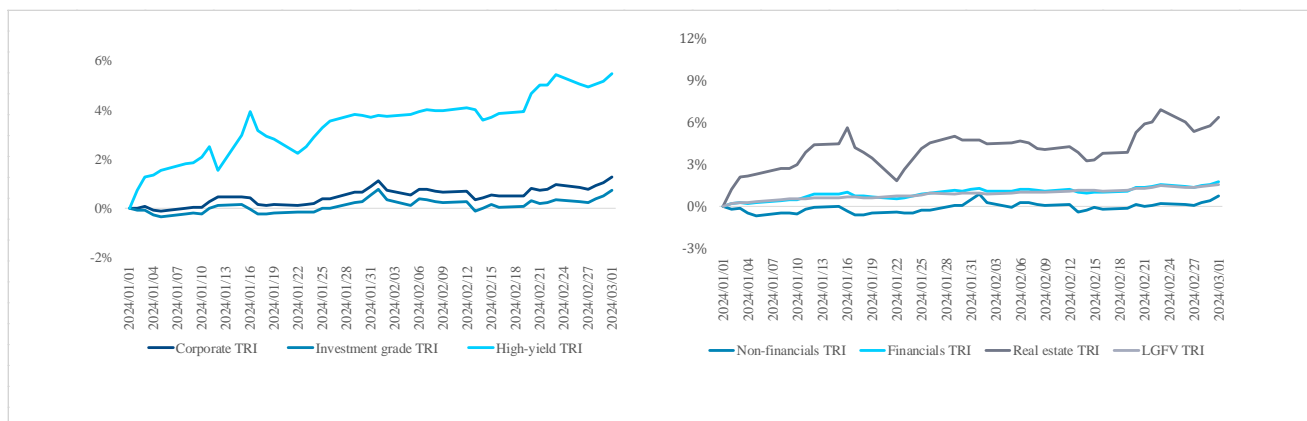
2024/2/29	Zhanjiang Infrastructure Construction Investment Group Co Ltd	CNY	1420.6	3.95	2027/3/7	3	Chengtou	-/-/-	-/-/-
2024/2/29	ICBCIL Finance Co Ltd	USD	30	5.2	2027/3/11	3	Financials	A1/A/A	-/-/-
2024/2/29	China Securities International Finance Holding Co Ltd	CNY	19.2	0	2024/11/26	265D	Financials	-/-/-	-/-/-
2024/2/29	Luoyang Guoyuan Investment Holding Group Co Ltd	CNY	815.4	7.5	2027/3/5	3	Chengtou	-/-/-	-/-/-
2024/3/1	Weifang Water Investment Group Co Ltd	CNY	400.2	7.5	2027/3/6	3	Chengtou	-/-/-	-/-/-
2024/3/1	Bank of Communications Co Ltd	USD	100	SOFR+63	2027/3/8	3	Banks	A2/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of March 1, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 34bp to 1.29% from last Friday, of which the return on investment-grade bonds increasing by 38bp to 0.74%, the return on high-yield bonds increased by 2bp to 5.49%. In terms of sector indices, the return on non-financial, financial and Chengtou bonds was 0.74%, 1.73% and 1.58%, respectively, increasing by 54bp, 17bp and 11bp from last Friday. The return on real estate bonds was 6.32%, decreasing by 54bp from last Friday.

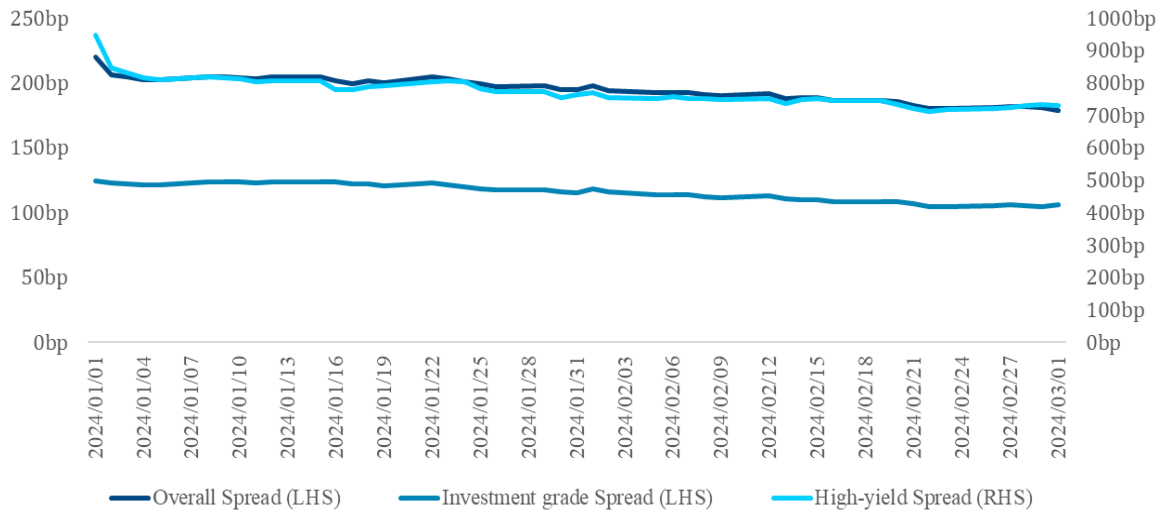
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of March 1, the yield spread of Chinese dollar bonds narrowed by 1.0bp to 178.75bp from last Friday. The yield spread of investment-grade bonds widened by 1.3bp to 105.93bp, while the spread of high-yield bonds widened by 10.5bp to 728.47bp.

<sup>1</sup> Year-to-date return measures the return since January 1, 2024

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


Sources: CCXAP research

The 10 bonds with the largest yield increase from February 26 to March 1 are shown in the table below. Among them, Radiance Group Co., LTD. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20240226-20240301)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
RDHGCL 7.8 03/20/24	RADIANCE GROUP Co., LTD.	52.967	0.04	2151.947	107.7229 M
CSCHCN 9 04/12/24	China South City Holdings Ltd	32.178	0.1	2107.713	36.5679M
CSCHCN 9 06/26/24	China South City Holdings Ltd	30.249	0.31	741.511	9.1078M
CHNAAR 5 ½ 03/08/24	China Aircraft Leasing Co., Ltd.	99.95	0.01	14.123	7.976M
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	25.956	PREP	342.653	3.8909M
MSFLCZ 3.15 03/10/24	Minsheng Hong Kong International Leasing Ltd	99.667	0.01	32.725	3.4728M
VNKRLE 5.35 03/11/24	China Vanke Co.,Ltd.	99.68	0.01	27.757	3.3586M
AGILE 5 ¾ 01/02/25	Agile Group Holdings Ltd	18.117	0.83	383.278	3.1103M
CSCHCN 9 10/09/24	China South City Holdings Ltd	30.068	0.59	380.611	1.5306M
AGILE 5 ½ 04/21/25	Agile Group Holdings Ltd	16.12	1.13	270.145	1.2881M

Sources: CCXAP research

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

On February 26, CCXAP assigned first-time long-term credit rating of BBB<sub>g</sub>- to Sichuan Jianzhou Airport Industrial & Finance Investment Development Group Co., Ltd. (“JAIF” or the “Company”), with stable outlook.

On February 27, CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Jianhu County Tourism Development Co., Ltd. (“JHTD” or the “Company”), with stable outlook.

On February 27, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>- to Jiaxian Stateowned Capital Operation Group Co., Ltd. (“JXSC” or the “Company”), with stable outlook.

On February 29, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub> to Chongqing Yulong Asset Management Co., Ltd. (“YLAM” or the “Company”), with stable outlook.

On March 1, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub> to Shandong Quanhui Industrial Development Co., Ltd. (“QHID” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20240226-20240301)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2024/2/26	JAIF	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) strategic role as the major industrial developer in Jianyang City; (2) high sustainability of infrastructure construction business; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) rapid debt growth and weak assets liquidity; (2) high capital expenditure pressure from construction projects; and (3) moderate contingent liability risk.
2024/2/27	JHTD	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) status as the sole state-owned enterprise (“SOE”) in Jianhu County that undertakes county-wide tourism investment, development, and operation; and (2) track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities with tourism business; (2) moderate access to funding and high reliance on external financing; and (3) medium level of contingent risk.
2024/2/27	JXSC	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) significant role in local infrastructure construction and primary land development; and (2) solid track record of receiving government supports. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) tight liquidity profile with insufficient bank credit facilities; and (3) medium exposure to contingent liability risk, with a high recovery risk from receivables.
2024/2/29	YLAM	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) key position as the main state-owned assets operation and management platform in Jiulongpo District; (2) large public project reserves in land consolidation and infrastructure construction; and (3) solid track record of receiving support from the local government and its parent company. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) large capital expenditure pressure from sizable investment in self-operated projects; and (3) rapid debt growth and moderate assets liquidity.
2024/3/1	QHID	BBB <sub>g</sub>	BBB <sub>g</sub>	The credit rating is underpinned by the Company’s (1) important role in local economic and industrial development; and (2) good track record of receiving supports from its parent company and the local government. However, the rating is constrained by its (1) medium exposure to commercial activities with relatively large capital expenditure pressure; (2) increasing debt burden driven by business expansion; and (3) medium contingent liability risk associated with guarantee business.

Sources: CCXAP research

From February 26 to March 1, rating agencies took positive rating action to 1 Chinese issuer.

**Table 4: Credit rating changes of cross-border bond market (20240226-20240301)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
<b>Upgrade:</b>	Taixing Runjia Holdings Co., Ltd.	Financial	BBB-	POS	2024/02/29	BBB-	STABLE	2023/03/01	Lianhe	The willingness and ability for local government to support local enterprises has increased

Sources: CCXAP research



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