

2024 Issue 10 From March 18 to March 22

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

Headline: China announced that the loan market quotation rate in March will remain unchanged; the Federal Reserve announced that the March meeting will keep interest rates unchanged at the current level

On March 20, the People's Bank of China authorized the National Interbank Funding Center to announce that the 1-year LPR was 3.45% and the 5-year and above LPR was 3.95%, both remaining unchanged. On March 20, the U.S. Federal Reserve Board announced its latest interest rate decision, keeping the federal funds rate target range unchanged at 5.25% to 5.5%, in line with market expectations.

Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of March 22, the RMB/USD middle rate closed at 7.1004, increasing by 29bp from Last Friday. The USD index increased by 0.96% to 104.43 from Last Friday.

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

This week, the China Government Bond yields fall. Although the Fed's interest rate meeting did not decide to cut interest rates, US Treasury yields fall.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From March 18 to March 22, there were 46 new issues with total issued volume of USD 2.917 billion. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD 1.587 billion.

Secondary Market: Return on Chinese USD bond increased

As of March 22, the year-to-date return on the Chinese USD corporate bond index increased by 40bp to 1.58% from last Friday, of which the return on investment-grade bonds increasing by 46bp to 1.05%, the return on high-yield bonds remained unchanged to 5.62%.

Rating Action: CCXAP assigns long-term credit ratings to 1 entity

CCXAP assigns long-term credit rating to 1 entity, Zhejiang Xingshanghe Urban Development Group Co., Ltd.



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Headline: China announced that the loan market quotation rate in March will remain unchanged; the Federal Reserve announced that the March meeting will keep interest rates unchanged at the current level

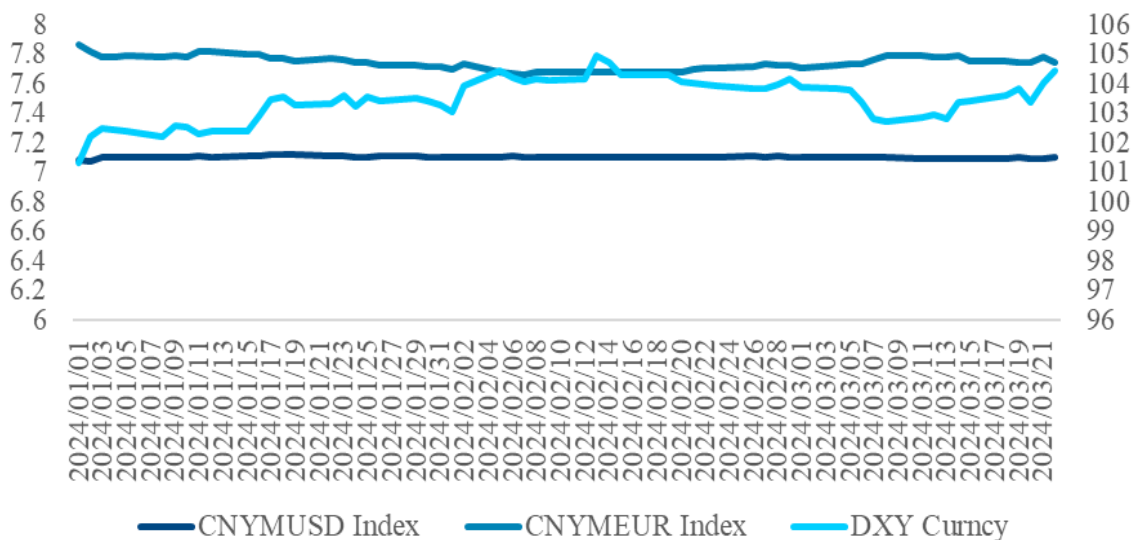
On March 20, the People's Bank of China authorized the National Interbank Funding Center to announce that the 1-year LPR was 3.45% and the 5-year and above LPR was 3.95%, both remaining unchanged. The March LPR quotation remained unchanged from the previous period, mainly due to the fact that the March medium-term lending facility (MLF) interest rate remained unchanged and the pricing basis of the LPR quotation did not change. On March 15, the People's Bank of China conducted a 1-year MLF operation of 387 billion yuan, and the winning interest rate remained unchanged at 2.50%. Under the consideration of external pressure to stabilize the exchange rate and signs of domestic economic stabilization and improvement, MLF achieved "parity reduction" in March, significantly reducing the probability of LPR quotation reduction this month.

On March 20, the U.S. Federal Reserve Board announced its latest interest rate decision, keeping the federal funds rate target range unchanged at 5.25% to 5.5%, in line with market expectations. In its policy statement, the Fed said economic activity has been expanding steadily. Job growth remains strong and the unemployment rate remains low. Inflation has eased over the past year but remains high. Despite strong U.S. economic growth and higher-than-expected inflation in recent months, Fed officials have not significantly changed their forecast for a rate cut later this year.

Exchange Rate: RMB appreciated, USD index increased

This week, the RMB depreciated. As of March 22, the RMB/USD middle rate closed at 7.1004, increasing by 29bp from Last Friday. The RMB/EUR middle rate closed at 7.7465, decreasing by 104bp from last Friday. The USD index increased by 0.96% to 104.43 from Last Friday.

Figure 1: RMB exchange rate

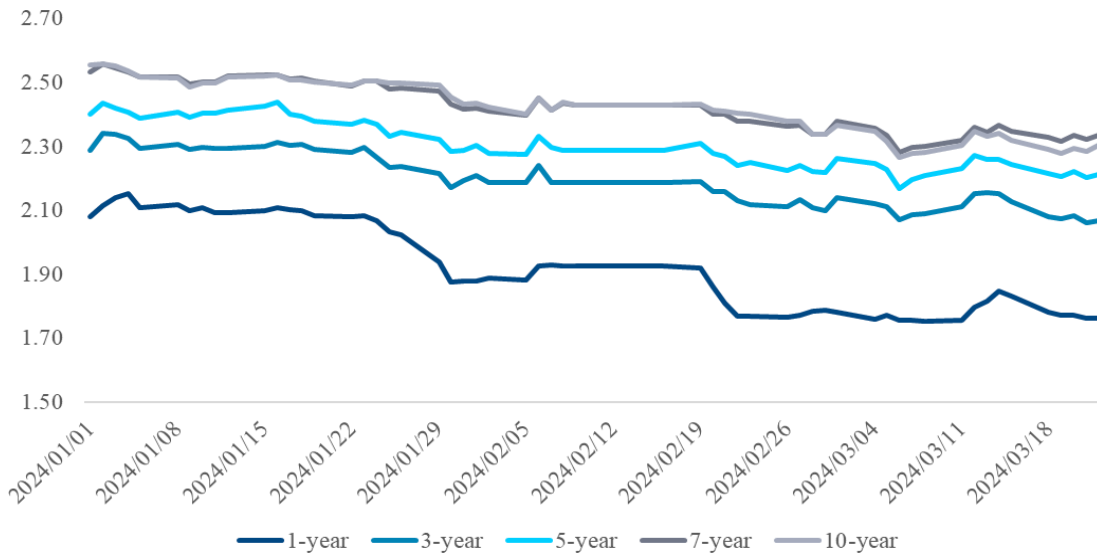


Sources: CCXAP research

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

This week, the China Government Bond yields fall. As of March 22, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 1.7625%, 2.0695%, 2.2143%, 2.3370% and 2.3051%, decreasing by 7bp, 5.81bp, 2.85bp, 1.26bp and 1.49bp, respectively, from Last Friday.

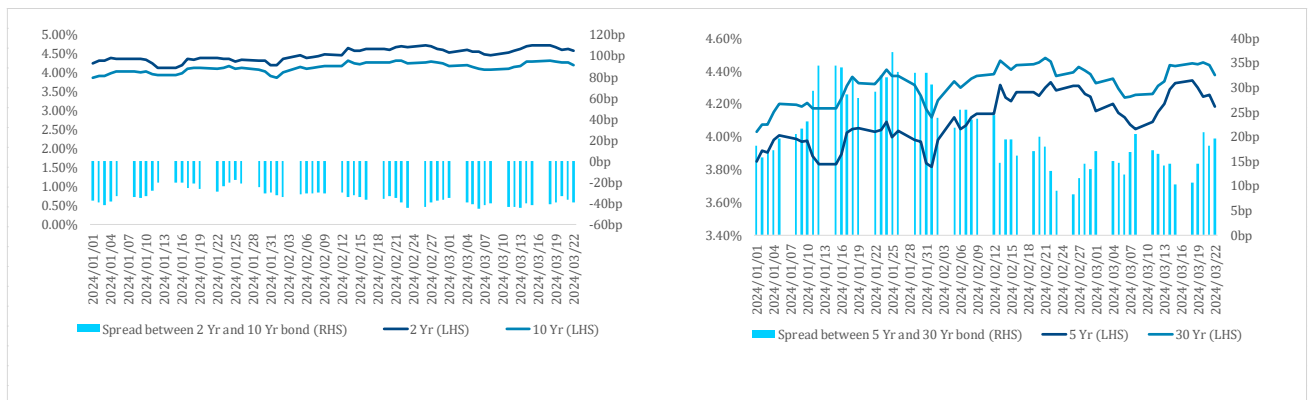
Figure 2: China Government Bond yields



Sources: CCXAP research

Although the Fed’s interest rate meeting did not decide to cut interest rates, US Treasury yields fall. As of March 22, the 2-year 5-year 10-year and 30-year Treasury yields were 4.5891%, 4.1822%, 4.1981% and 4.3779%, decreasing by 13.85bp, 14.35bp, 10.82bp and 5.1bp respectively from Last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 3.03bp to -39.1bp from Last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 9.25bp to 19.6bp from Last Friday.

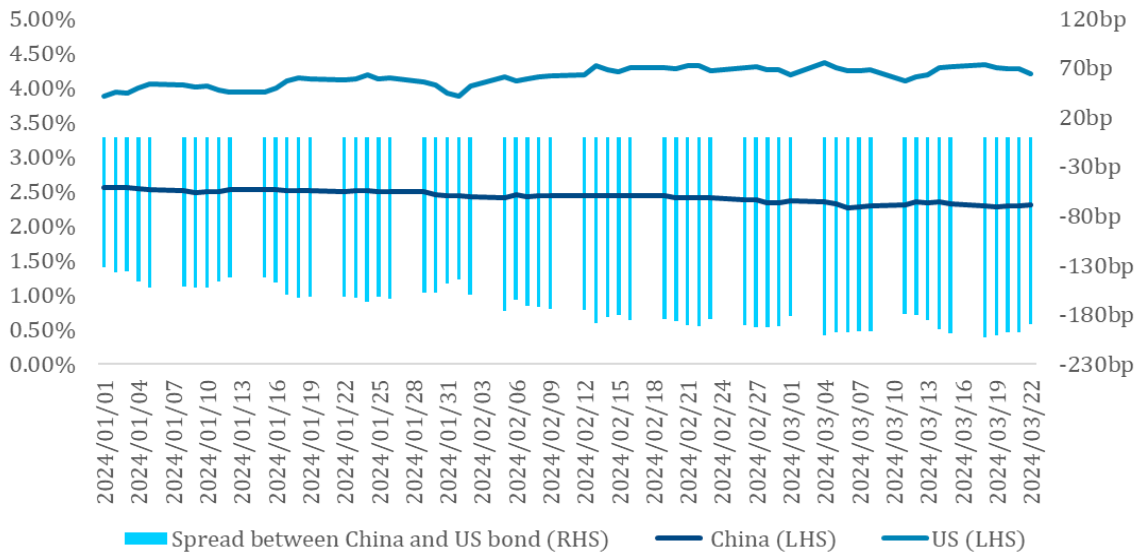
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of March 22, the yield spread between China and US 10-year note was -189.3bp, narrowed by 9.33bp from Last Friday and widened 56.92bp 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 increase

From March 18 to March 22, there were 46 new issues with total issued volume of USD 2.917 billion. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD 1.587 billion.

Table 1: New issuance of Chinese offshore bonds (20240318-20240322)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/3/18	GF Holdings Hong Kong Corp Ltd	CNY	98.6	3.22	2024/12/20	275D	Financials	-/-/-	-/-/-
2024/3/18	GF Holdings Hong Kong Corp Ltd	CNY	98.6	3.22	2025/3/19	364D	Financials	-/-/-	-/-/-
2024/3/18	GF Holdings Hong Kong Corp Ltd	HKD	79.9	5.25	2024/9/20	184D	Financials	-/-/-	-/-/-
2024/3/18	GF Holdings Hong Kong Corp Ltd	USD	5.0	6.15	2024/9/20	184D	Financials	-/-/-	-/-/-
2024/3/18	ICBC International Holdings Ltd	CNY	197.3	3.15	2027/3/20	3	Financials	A2/-/-	-/-/-
2024/3/18	Guangzhou Industrial Investment Fund Management Co Ltd	USD	250.0	5.95	2026/3/21	2	Chengtou	-/-/A-	-/-/-
2024/3/18	Heshan Public Asset Management Co Ltd	CNY	982.1	4.3	2027/3/25	3	Chengtou	-/-/-	-/-/-
2024/3/18	Weihai Huantong Industrial Investment Group Co Ltd	CNY	573.1	7.5	2027/3/18	3	Chengtou	-/-/-	-/-/-
2024/3/19	Zhoukou Urban Investment & Economic Development Industrial Co Ltd	CNY	491.1	7.5	2025/3/21	364D	Chengtou	-/-/-	-/-/-

2024/3/19	CMB International Leasing Management Ltd	USD	67.0	SOFR+100	2027/3/25	3	Financials	-/BBB+/-	-/-/-
2024/3/19	eHi Car Services Ltd	USD	325.0	12	2027/9/26	4	Consumer Discretionary	-/-/-	-/-/-
2024/3/19	Luoyang Guoyuan Investment Holding Group Co Ltd	CNY	167.0	7.5	2027/3/22	3	Chengtou	-/-/-	-/-/-
2024/3/20	GF Holdings Hong Kong Corp Ltd	USD	60.0	6.05	2025/4/3	374D	Financials	-/-/-	-/-/-
2024/3/20	CITIC Securities International Co Ltd	USD	5.0	0	2026/3/25	2	Financials	-/BBB+/-	-/-/-
2024/3/20	Huatai International Financial Holdings Co Ltd	CNY	72.0	0	2027/3/22	3	Financials	-/BBB+/-	-/-/-
2024/3/20	Deqing Construction Development Group Co Ltd	USD	150.0	5.48	2027/3/25	3	Chengtou	-/-/-	-/-/-
2024/3/20	Shanghai Pudong Development Bank Co Ltd/Hong Kong	USD	300.0	SOFR+59	2027/3/28	3	Banks	Baa2/-/-	-/-/-
2024/3/20	Shanghai Pudong Development Bank Co Ltd/Hong Kong	HKD	1497.9	4.6	2026/3/28	2	Banks	Baa2/-/-	-/-/-
2024/3/20	Health & Happiness H&H International holdings Ltd	CNY	491.1	7.5	2027/3/26	3	Consumer Staples	-/BB+/-	-/-/-
2024/3/20	Jiangsu Jinguan Investment Development Group Co Ltd	USD	100.0	5.3	2027/3/25	3	Chengtou	-/-/-	-/-/-
2024/3/20	Heze Finance Investment Group Co Ltd	CNY	476.3	3.2	2027/3/27	3	Chengtou	-/-/-	-/-/-
2024/3/20	Changxing Urban Construction Investment Group Co Ltd	USD	110.0	5.5	2027/3/25	3	Chengtou	-/-/-	-/-/-
2024/3/20	Yancheng State Owned Energy Investment Co Ltd	CNY	137.5	3.3	2027/3/27	3	Chengtou	-/-/-	-/-/-
2024/3/20	Funing Chengfa Holding Group Co Ltd	CNY	92.3	3.35	2027/3/27	3	Chengtou	-/-/-	-/-/-
2024/3/20	Mianyang Science Technology City Development Investment Group Co Ltd	CNY	520.5	3.18	2027/3/27	3	Chengtou	--/--/--	--/--/--
2024/3/21	Guotai Junan International Holdings Ltd	CNY	7.2	0	2027/5/2	3	Financials	Baa2/BBB+/-	-/-/-
2024/3/21	CDB Leasing International Co Ltd	USD	100.0	SOFR+95	2027/3/28	3	Financials	-/-/-	-/-/-
2024/3/21	CDB Leasing International Co Ltd	USD	100.0	SOFR+95	2027/3/28	3	Financials	-/-/-	-/-/-
2024/3/21	Sanmenxia Hubin State-Owned Assets Investment And Operation Co Ltd	CNY	98.2	8.5	2025/3/25	364D	Chengtou	-/-/-	-/-/-
2024/3/21	Weihai Huantong Industrial Investment Group Co Ltd	CNY	294.6	7	2027/3/26	3	Chengtou	-/-/-	-/-/-
2024/3/21	Hebi Investments Group Co Ltd	CNY	167.0	3.3	2027/2/28	3	Chengtou	-/-/-	-/-/-
2024/3/21	Jinan Energy Group Co Ltd	USD	210.0	5.842	2025/5/28	1	Chengtou	Baa1/-/-	Baa1/-/-
2024/3/21	Jiande State-owned Assets Investment Holding Group Co., Ltd.	CNY	98.2	5.2	2027/3/28	3	Chengtou	-/-/-	-/-/-
2024/3/21	Chengdu Xisheng Investment Group Co Ltd	CNY	599.1	4.27	2027/3/28	3	Chengtou	-/-/-	-/-/-
2024/3/22	Guotai Junan International Holdings Ltd	CNY	7.2	0	2027/5/2	3	Financials	Baa2/BBB+/-	-/-/-

2024/3/22	Guotai Junan International Holdings Ltd	CNY	7.2	0	2027/5/2	3	Financials	Baa2/BBB +/-	-/-/-
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2024/3/22	Guotai Junan International Holdings Ltd	CNY	7.2	0	2027/5/2	3	Financials	Baa2/BBB +/-	-/-/-
2024/3/22	Guotai Junan International Holdings Ltd	CNY	7.2	0	2027/5/2	3	Financials	Baa2/BBB +/-	-/-/-
2024/3/22	Chibi City Development Group Co Ltd	CNY	471.4	4.2	2027/3/28	3	Chengtou	-/-/-	-/-/-
2024/3/22	CMB International Leasing Management Ltd	USD	20.0	SOFR+65	2024/9/27	183D	Financials	-/BBB+/-	-/-/-
2024/3/22	Shandong Zhengfang Holding Group Co Ltd	CNY	280.9	7.5	2026/9/27	3	Chengtou	-/-/-	-/-/-
2024/3/18	GF Holdings Hong Kong Corp Ltd	CNY	98.6	3.22	2024/12/20	275D	Financials	-/-/-	-/-/-
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2024/3/18	ICBC International Holdings Ltd	CNY	197.3	3.15	2027/3/20	3	Financials	A2/-/-	-/-/-
2024/3/18	Guangzhou Industrial Investment Fund Management Co Ltd	USD	250.0	5.95	2026/3/21	2	Chengtou	-/-/A-	-/-/-

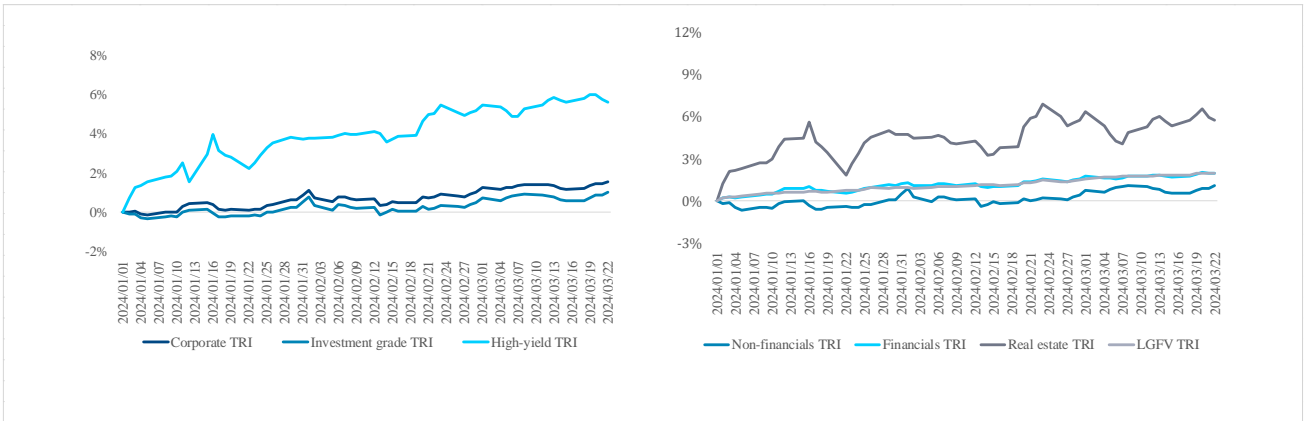
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of March 22, the YTD return¹ on the Chinese USD corporate bond index increased by 40bp to 1.58% from last Friday, of which the return on investment-grade bonds increasing by 46bp to 1.05%, the return on high-yield bonds remained unchanged to 5.62%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.07%, 1.98%, 5.75% and 1.99%, respectively, increasing by 53bp, 30bp, 43bp and 16bp from last Friday.

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

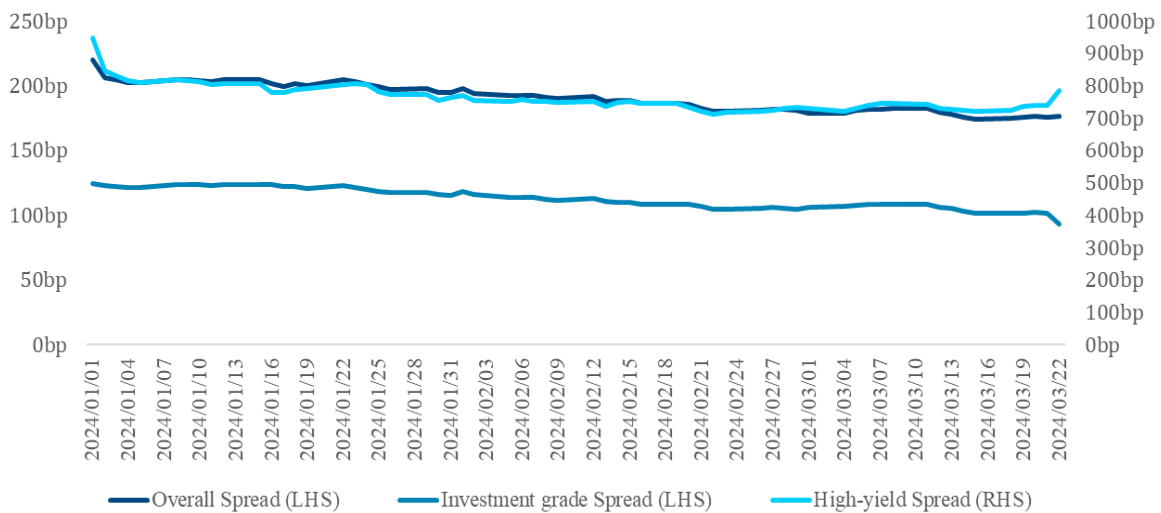
¹ Year-to-date return measures the return since January 1, 2024



Sources: CCXAP research

As of March 22, the yield spread of Chinese dollar bonds widened by 2.2bp to 176.48bp from last Friday. The yield spread of investment-grade bonds narrowed by 8.5bp to 93.19bp, while the spread of high-yield bonds widened by 64.6bp to 785.39bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from March 18 to March 22 are shown in the table below. Among them, Road King Infrastructure Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240318-20240322)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	14.588	PREP	710.873	27.4754M
ROADKG 6.7 09/30/24	Road King Infrastructure Limited	53.482	0.51	182.473	12.3233M
HILOHO 9 ¾ 11/18/24	Hilong Holdings Limited	62.038	0.64	104.29	4.8678M
AGILE 7 ½ PERP	Agile Group Holdings Limited	5.762	PREP	4047.633	3.7955M
ROADKG 5.9 03/05/25	Road King Infrastructure Limited	43.341	0.94	123.355	3.6922M
ROADKG 6 09/04/25	Road King Infrastructure Limited	33.543	1.44	105.538	3.204M
AGILE 7 ¾ PERP	Agile Group Holdings Limited	5.63	PREP	537.249	1.9858M

ROADKG 7.95 PERP	Road King Infrastructure Limited	12.912	PREP	61.148	1.6771M
ROADKG 5.2 01/12/26	Road King Infrastructure Limited	23.962	1.79	111.694	1.575M
ROADKG 7 PERP	Road King Infrastructure Limited	11.841	PREP	58.562	1.4123M

Sources: CCXAP research

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

On March 20, CCXAP assigns first time long-term credit rating of BBB_g to Zhejiang Xingshanghe Urban Development Group Co., Ltd. (“ZXUD”) with stable outlook.

Table 3: Credit rating from CCXAP (20240318-20240322)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2024/3/20	ZXUD	BBB _g	BBB _g	The credit rating is underpinned by the Company’s (1) status as the most important infrastructure construction and state-owned assets operation entity in Nanxun District; (2) high sustainability of public policy businesses; (3) good track record of receiving government support; and (4) good access to multiple financing channels with sufficient credit facilities. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities with manageable commercial risks; (2) fast debt growth and moderate asset liquidity; and (3) medium contingent liability risk from external guarantee.

Sources: CCXAP research

From March 18 to March 22, rating agencies took negative rating action to 3 Chinese issuer.

Table 4: Credit rating changes of cross-border bond market (20240318-20240322)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade:	Yuexiu Real Estate Investment Trust	Financial	Ba2	NEG	2024/03/18	Ba1	None	2023/08/28	Moody's	Corporate credit indicators decline
	Jinhui Holdings (Group) Co., Ltd.	Real Estate	Ca	NEG	2024/03/22	Caa1	NEG	2023/09/14	Moody's	The company’s recent technical default on its U.S. dollar bonds
	Vanke Enterprise Co., Ltd.	Real Estate	BB+	NEG under review	2024/03/22	BBB	NEG	2023/10/17	Fitch	The company’s sales data are weak and the debt due maturity is under great pressure

Sources: CCXAP research

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