

### 2024 Issue 11 From March 25 to March 29

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

##### Headline: China's PMI was higher than critical point in March; US's ISM manufacturing index rose to 50.3 unexpectedly

On March 31, the national bureau of statistics released data, the manufacturing purchasing managers index (PMI) was 50.8% in March, increasing by 1.7% from the previous month, higher than the critical point. On March 25, the American Institute for Supply Management released data, the United States ISM manufacturing index 50.3 in March, significantly better than expected value.

##### Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of March 29, the RMB/USD middle rate closed at 7.2203, increasing by 1199bp from last Friday. The USD index increased by 0.05% to 104.487 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 ISM index rose unexpectedly, US Treasury yields rose.

#### Chinese Offshore Bond Market

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

From March 25 to March 29, there were 19 new issues with total issued volume of USD 1.46billion, decreasing by 50.0% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD 0.87 billion.

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

As of March 29, the YTD return on the Chinese USD corporate bond index increased by 17bp to 1.75% from last Friday, of which the return on investment-grade bonds increasing by 10bp to 1.14%, the return on high-yield bonds increased by 68bp to 6.30%.

##### Rating Action: CCXAP assigns long-term credit ratings to 3 entities

CCXAP assigns long-term credit rating to 3 entities, Jiangsu Shuangxi Industrial Co., Ltd., Linyi City Construction Investment Group Co., Ltd, and Shaanxi Xixian New Area Airport New City Development & Construction Group Co., Ltd.



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## Headline: China's PMI was higher than critical point in March; US's ISM manufacturing index rose to 50.3 unexpectedly

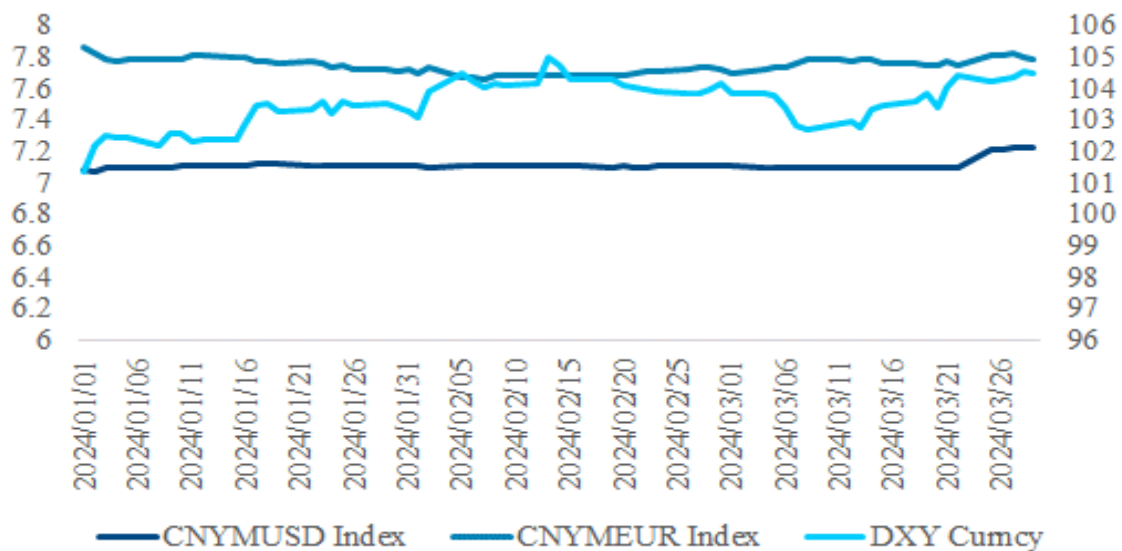
On March 31, the national bureau of statistics released data, the manufacturing purchasing managers index (PMI) was 50.8% in March, increasing by 1.7% from the previous month, higher than the critical point. Non-manufacturing business activity index was 53.0%, increasing by 1.6% from the previous month, higher than the critical point, indicating that non-manufacturing industry boom continued to rebound. The composite PMI Output index was 52.7%, increasing by 1.8% from the previous month.

On March 25, the American Institute for Supply Management released data, the United States ISM manufacturing index 50.3 in March, significantly better than expected value of 48.3, exceeding the expectation, and the previous value was 47.8 in February. Although the manufacturing PMI was only slightly above 50, it meant the end of 16 consecutive months of manufacturing contraction.

## Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of March 29, the RMB/USD middle rate closed at 7.2203, increasing by 1199bp from last Friday. The RMB/EUR middle rate closed at 7.7914, increasing by 449bp from last Friday. The USD index increased by 0.05% to 104.487 from last Friday.

Figure 1: RMB exchange rate

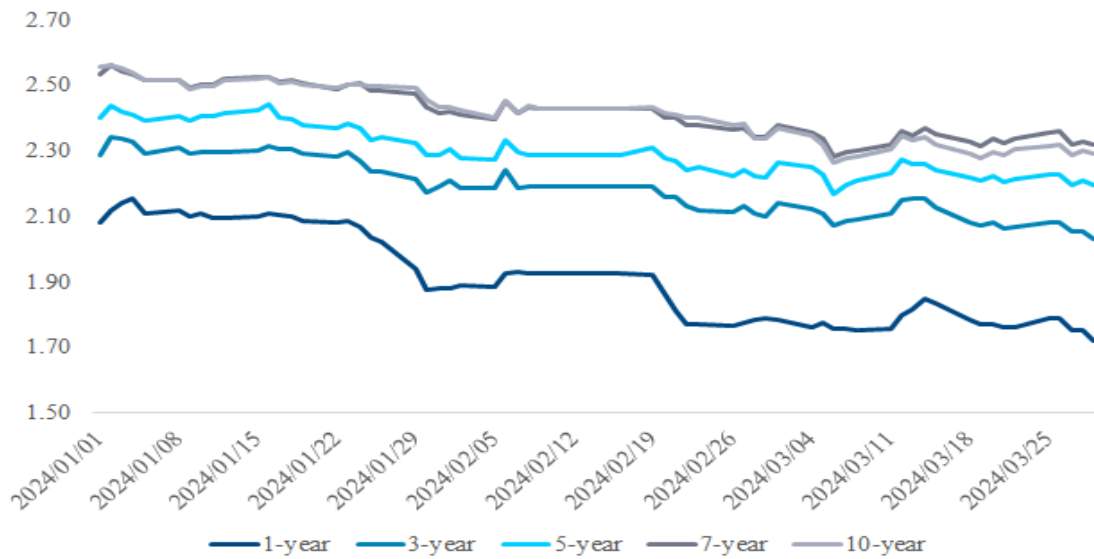


Sources: CCXAP research

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

This week, the China Government Bond yields fall. As of March 29, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 1.7225%, 2.0315%, 2.1974%, 2.3175% and 2.2901%, decreasing by 4bp, 3.8bp, 1.69bp, 1.95 bp and 1.5bp, respectively, from last Friday.

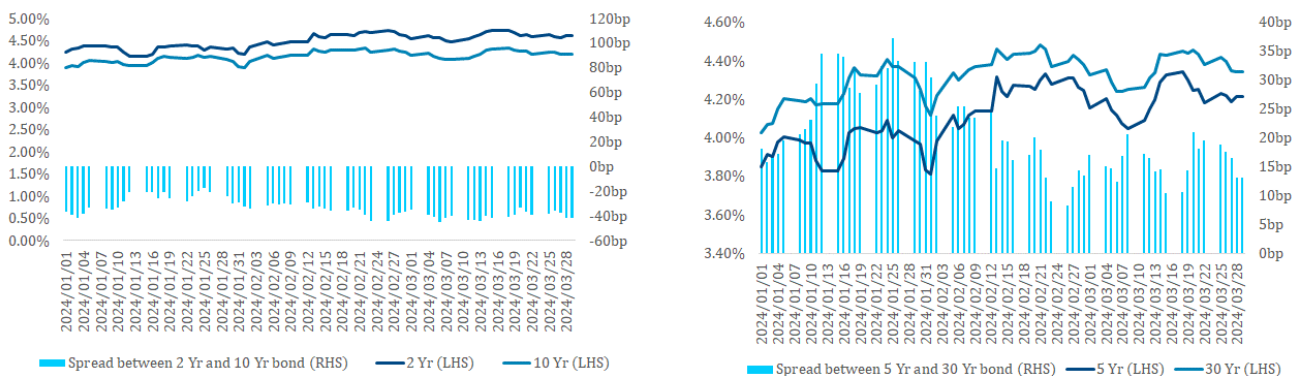
Figure 2: China Government Bond yields



Sources: CCXAP research

As the US ISM index rose unexpectedly in March, US Treasury yields rose. As of March 29, the 2-year, 5-year and 10-year Treasury yields were 4.6200%, 4.2125% and 4.2003%, increasing by 3.09bp, 3.03bp and 17.63bp respectively, from last Friday. 30-year Treasury yields were 4.3427%, decreasing by 3.52bp respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 2.87bp to -42.0bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 6.55bp to 13.0bp from last Friday.

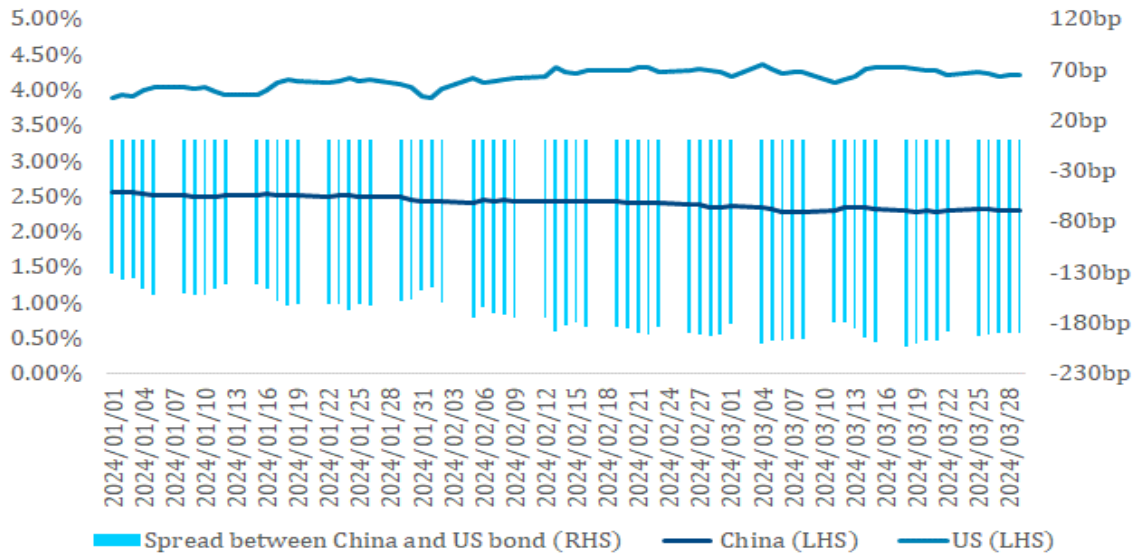
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of March 29, the yield spread between China and US 10-year note was -191.0bp, widening by 1.72bp from last Friday and widening by 58.64bp 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 March 25 to March 29, there were 19 new issues with total issued volume of USD 1.46billion, decreasing by 50.0% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD 0.87 billion.

**Table 1: New issuance of Chinese offshore bonds (20240325-20240329)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/3/25	China Hongqiao Investment Ltd,Hongqiao Investment Hong Kong Ltd,Hongqiao HK International Trading Ltd	USD	300.0	7.75	2025/3/27	364D	Financials	Ba2/BB-/BB+	-/-/-
2024/3/25	New Hope Group Co Ltd	CNY	976.0	3.3	2027/4/3	3	Financials	-/-/-	-/-/-
2024/3/25	China Everbright Bank Co Ltd/Sydney	USD	100.0	SOFR+5.9	2027/4/10	3	Chengtou	Baa2/BBB+/BBB+	-/-/-
2024/3/25	Feicheng City Assets Management Group Co Ltd	CNY	360.0	4.2	2027/4/7	3	Financials	-/-/-	-/-/-
2024/3/26	Ganzhou Jiankong Investment Holding Group Co Ltd	USD	50.0	5.5	2027/3/22	3	Chengtou	-/-/-	-/-/-
2024/3/26	Hengyang High-Tech Holding Group Co Ltd	CNY	480.0	3.15	2027/4/3	3	Materials	-/-/-	-/-/-
2024/3/26	Zhenjiang Culture & Broadcasting Industry Group Co Ltd	JPY	7500.0	1.65	2027/3/28	3	Consumer Staples	-/-/-	-/-/-
2024/3/27	China Securities International Finance Holding Co Ltd	USD	2.8	5.75	2027/4/2	1095D	Banks	-/-/-	-/-/-
2024/3/27	China Securities International Finance Holding Co Ltd	USD	0.5	5	2027/3/28	1095D	Chengtou	-/-/-	-/-/-

2024/3/27	China Securities International Finance Holding Co Ltd	HKD	10.0	4.1	2026/4/10	730D	Chengtou	-/-	-/-
2024/3/27	Luoyang Guoyuan Investment Holding Group Co Ltd	CNY	480.0	7.5	2029/4/9	3	Chengtou	-/-	-/-
2024/3/27	Zibo City Asset Operation Group Co Ltd	CNY	1533.0	5.8	2025/4/3	3	Chengtou	-/-	-/-
2024/3/28	Chengdu Tianfu New Area Investment Group Co Ltd	USD	300.0	5.45	2027/4/9	3	Financials	Baa2-/BBB	-/-
2024/3/28	CITIC Securities International Co Ltd	USD	14.6	4.25	2024/7/9	91D	Financials	-/BBB+/-	-/-
2024/3/28	GF Holdings Hong Kong Corp Ltd	USD	3.0	5.5	2025/4/2	364D	Financials	-/-	-/-
2024/3/28	Industrial & Commercial Bank of China Ltd	NZD	50.0	5.784	2026/3/22	5	Chengtou	A1/A/A	-/-
2024/3/28	Pingdu City Development Group Co Ltd	CNY	420.0	7.5	2025/4/3	2	Chengtou	-/-	-/-
2024/3/28	Qingdao West Coast New Area Ronghe Holding Group Co Ltd	CNY	120.0	5	2024/7/3	3	Chengtou	-/-	-/-
2024/3/28	Yidu State-Owned Assets Investment Operation and Holding Group Co Ltd	CNY	315.0	6.9	2027/4/9	2	Financials	-/-	-/-
2024/3/25	China Hongqiao Investment Ltd,Hongqiao Investment Hong Kong Ltd,Hongqiao HK International Trading Ltd	USD	300.0	7.75	2025/3/27	364D	Financials	Ba2/BB-/BB+	-/-

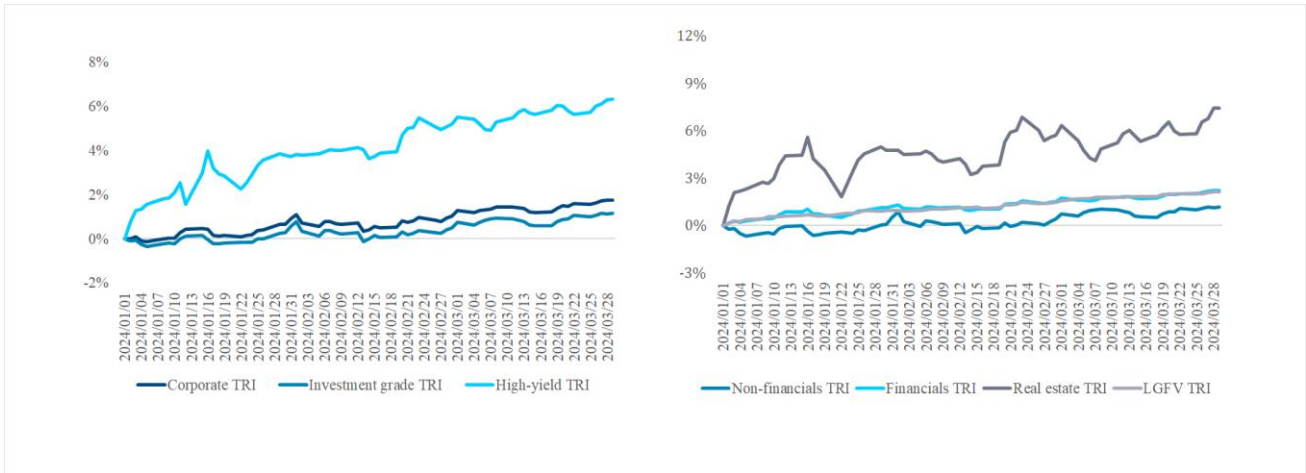
Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of March 29, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 17bp to 1.75% from last Friday, of which the return on investment-grade bonds increasing by 10bp to 1.14%, the return on high-yield bonds increased by 68bp to 6.30%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.15%, 2.23%, 7.44% and 2.12%, respectively, increasing by 7bp, 25bp, 169bp and 13bp from last Friday.

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

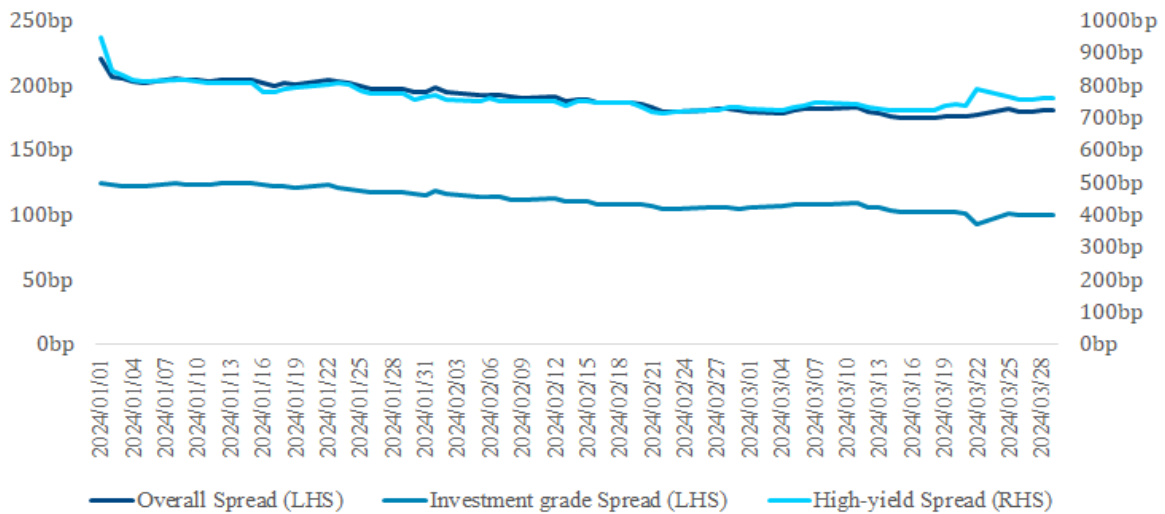
<sup>1</sup> Year-to-date return measures the return since January 3, 2023



Sources: CCXAP research

As of March 29, the yield spread of Chinese dollar bonds widened by 3.5bp to 179.96bp from last Friday. The yield spread of investment-grade bonds widened by 6.7bp to 99.93bp, while the spread of high-yield bonds narrowed by 28.4bp to 757.02bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from March 25 to March 29 are shown in the table below. Among them, Road King Infrastructure Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240325-20240329)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	16.357	PERP	662.705	27.4754M
ROADKG 6.7 09/30/24	Road King Infrastructure Limited	62.262	0.51	133.267	12.3233M
HILOHO 9 ¾ 11/18/24	Hilong Holdings Limited	61.35	0.64	109.484	4.8678M
AGILE 7 ¾ PERP	Agile Group Holdings Limited	4.609	PERP	5010.66	3.7955M

ROADKG 5.9 03/05/25	Road King Infrastructure Limited	48.409	0.94	106.274	3.6922M
ROADKG 6 09/04/25	Road King Infrastructure Limited	38.171	1.44	92.385	3.204M
AGILE 7 ¾ PERP	Agile Group Holdings Limited	4.515	PERP	620.831	1.9858M
ROADKG 7.95 PERP	Road King Infrastructure Limited	14.4	PERP	54.871	1.6771M
ROADKG 5.2 01/12/26	Road King Infrastructure Limited	25.981	1.79	105.128	1.575M
ROADKG 7 PERP	Road King Infrastructure Limited	13.583	PERP	51.162	1.4123M

Sources: CCXAP research

## Rating Action: CCXAP assigns long-term credit ratings to 3 entities

On March 26, CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>- to Jiangsu Shuangxi Industrial Co., Ltd. (“JSSX” or the “Company”), with stable outlook.

On March 27, CCXAP assigns first time long-term credit rating of A<sub>g</sub>- to Linyi City Construction Investment Group Co., Ltd. (“LCCI” or the “Company”), with stable outlook.

On March 28, CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Shaanxi Xixian New Area Airport New City Development & Construction Group Co., Ltd. (“ANCD” or the “Company”), with stable outlook.

**Table 3: Credit rating from CCXAP (20240325-20240329)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/3/26	JSSX	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) importance as the sole entity for infrastructure construction in the Xuzhou Airport Economic Development Zone (“Airport EDZ”) of Suining County; (2) sufficient project reserves supported by the ongoing economic development of Airport EDZ; and (3) good track record of receiving government support. However, the rating is constrained by its (1) medium exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; (3) moderate access to funding with certain exposure to non-standard financing products; and (4) medium level of contingent risk.
2023/3/27	LCCI	A <sub>g</sub> -	-	The credit rating is underpinned by the Company’s (1) strategic policy role in the regional development of Linyi City, with regional dominance in infrastructure construction and public transportation; (2) solid track record of receiving government support; and (3) good access to funding. However, the rating is constrained by the Company’s (1) high exposure to commercial activities with large capital expenditure needs; (2) increasing debt burden with short-term refinancing pressure; and (3) moderate asset liquidity.
2023/3/28	ANCD	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) strategic importance in the infrastructure construction and affordable housing development of Airport New City, with sufficient project reserves; and (2) track record of receiving government supports. However, the rating is constrained by its (1) medium exposure to commercial activities; (2) high debt leverage with large capital expenditure pressure; and (3) high contingent liability risk arising from large external guarantees to SOEs.

Sources: CCXAP research

From March 25 to March 29, rating agencies took negative rating action to 2 Chinese issuer.

**Table 4: Credit rating changes of cross-border bond market (20240325-20240329)**

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									

<b>Downgrade</b>	Longfor Properties Co. Ltd.	Real Estate	BB+	NEG	2024/03/28	BBB-	NEG	2023/09/15	Fitch	Overall weakness in the real estate sector, with sales recovering less than expected
	Agile Group Holdings Ltd.	Real Estate	Caa2	NEG	2024/03/25	Caa1	NEG	2022/12/2	Moody's	Overall weakness in the real estate sector, with sales recovering less than expected

Sources: CCXAP research



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