

2024 Issue 12 From April 1 to April 5

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

Headline: China's PMI in March was 50.8%; US non-farm employment data in March better than expected

In March, China's PMI was 50.8%, an increase of 1.7 percentage points from the previous month, which was higher than the critical point and the manufacturing boom was picking up. On April 5, the US Bureau of Labor Statistics announced that the U.S. non-farm employment population in March was 303,000, the largest increase since May 2023.

Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of April 5, the RMB/USD middle rate closed at 7.0949, decreasing by 1254bp from Last Friday. The USD index decreased by 0.18% to 104.298 from Last Friday.

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

This week, the China Government Bond yields mostly fall. As US non-farm employment data is better than expected, the market expected FED will not lower the rate soon, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance fell

From April 1 to April 5, there were 7 new issues with total issued volume of USD362 million, decreasing by 78.58% from last week. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD217 million.

Secondary Market: Return on Chinese USD bond decreased

As of April 5, the year-to-date return on the Chinese USD corporate bond index decreased by 21bp to 1.53% from last Friday, of which the return on investment-grade bonds decreasing by 30bp to 0.84%, the return on high-yield bonds increasing by 38bp to 6.68%.

Rating Action: The rating agencies adjusted several Chinese bond issuers

From April 1 to April 5, the rating agencies took positive rating actions to 2 Chinese issuers, took negative rating actions to 3 Chinese issuers.



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Headline: China's PMI in March was 50.8%; US non-farm employment data in March better than expected

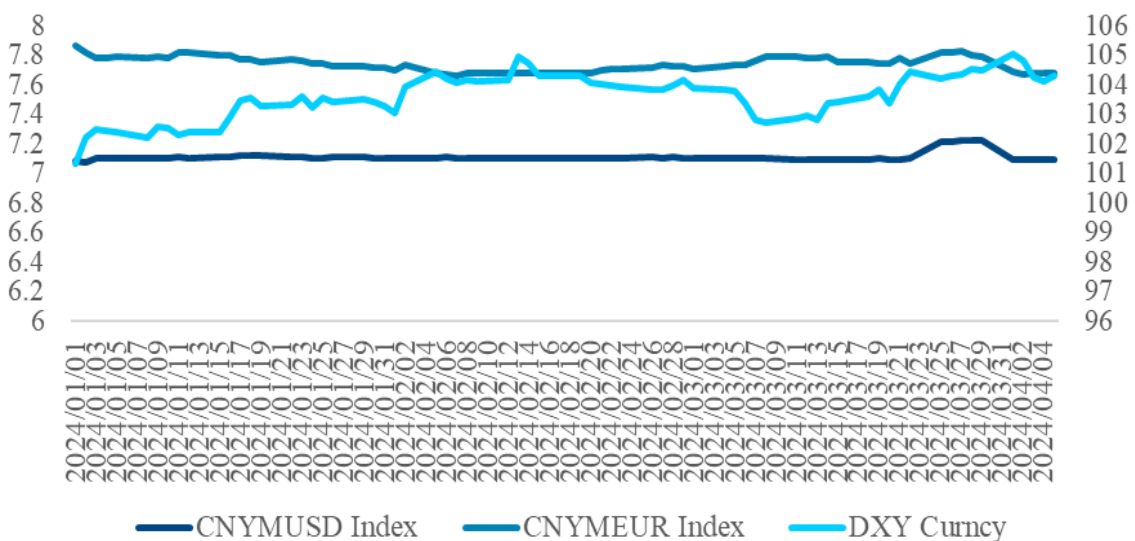
In March, China's PMI was 50.8%, an increase of 1.7 percentage points from the previous month, which was higher than the critical point, indicating that the manufacturing boom was picking up. In terms of enterprise size, the PMI of large, medium and small enterprises was 51.1%, 50.6% and 50.3% respectively, an increase of 0.7, 1.5 and 3.9 percentage points from the previous month, all above the critical point. From the perspective of sub-indices, among the five sub-indices that make up the manufacturing PMI, the production index, new order index and supplier delivery time index are higher than the critical point, while the raw material inventory index and employee index are lower than the critical point. The comprehensive PMI output index was 52.7%, an increase of 1.8 percentage points from the previous month and higher than the critical point, indicating that the expansion of production and operation activities of Chinese enterprises is accelerating.

On April 5, the U.S. Bureau of Labor Statistics announced that the US non-farm employment population in March was 303,000, the largest increase since May 2023. It is expected to be 200,000, compared with the previous value of 275,000; the US unemployment rate in March was 3.8%, expected 3.9%, previous value 3.90%. Among major worker groups, unemployment among blacks (6.4%) rose in March, while unemployment among Asians (2.5%) and Hispanics (4.5%) fell. There was little change in the unemployment rates for adult men (3.3%), adult women (3.6%), teenagers (12.6%), and whites (3.4%). After the March non-farm payrolls report was released, the market expected the Fed to postpone the first interest rate cut from July to September.

Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of April 5, the RMB/USD middle rate closed at 7.0949, decreasing by 1254bp from last Friday. The RMB/EUR middle rate closed at 7.6773, decreasing by 1141bp from last Friday. The USD index decreased by 0.18% to 104.298 from Last Friday.

Figure 1: RMB exchange rate

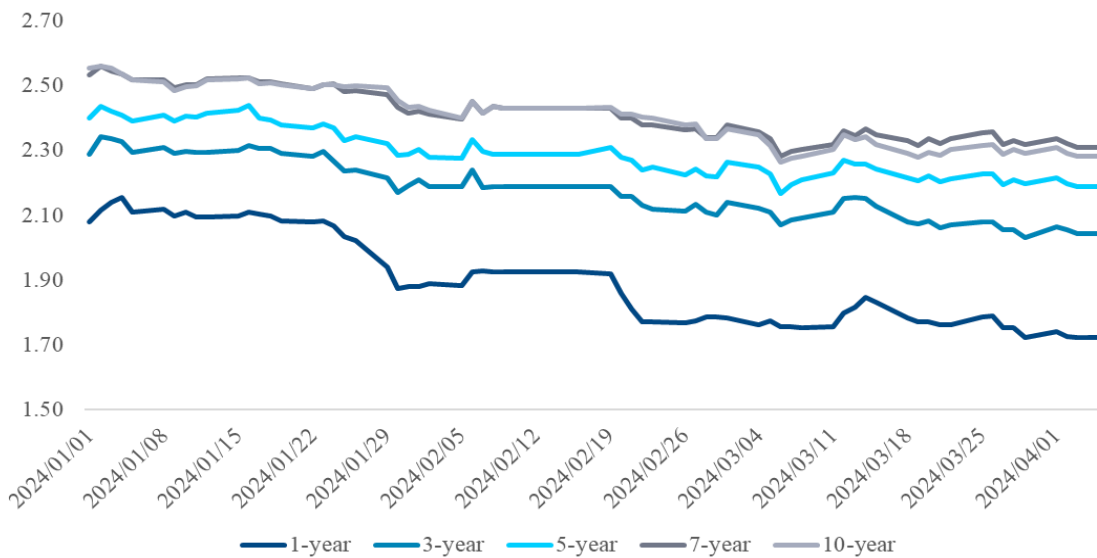


Sources: CCXAP research

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

This week, the China Government Bond yields fall. As of April 5, the 1-year, 5-year, 7-year and 10-year China Government Bond yields were 2.0428%, 2.2837%, 2.3100% and 2.2837%, decreasing by 0bp, 0.77bp, 0.75bp and 0.64bp, respectively, from last Friday. The 3-year China Government Bond yields were 2.0428%, increasing by 1.13bp from last Friday.

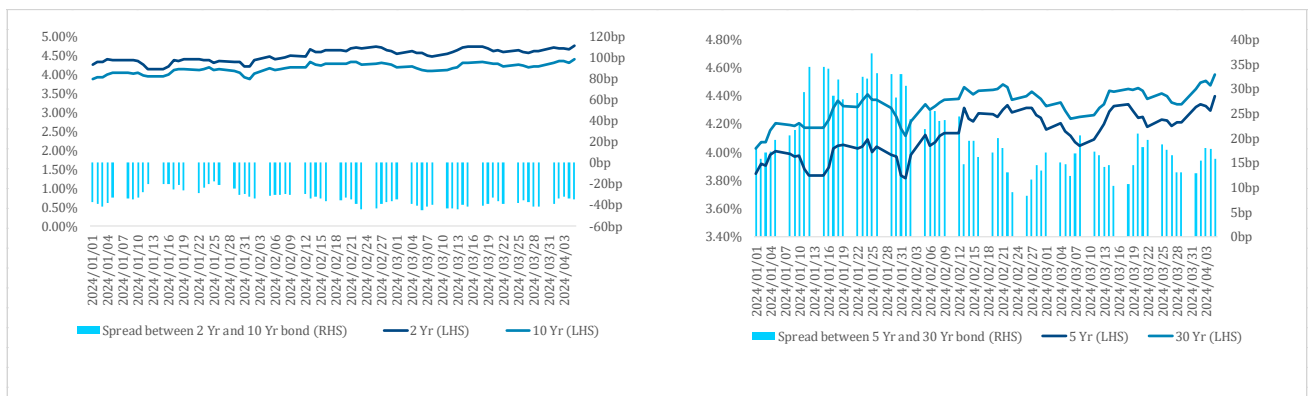
Figure 2: China Government Bond yields



Sources: CCXAP research

As US unemployment rate is lower than expected, the market expected FED will not lower the rate soon, US Treasury yields rose. As of April 5, the 2-year 5-year 10-year and 30-year Treasury yields were 4.7505%, 4.3947%, 4.4016% and 4.5528%, increasing by 13.05bp, 18.22bp, 20.13bp and 21.01bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 7.08bp to -34.9bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 2.79bp to 15.8bp from last Friday.

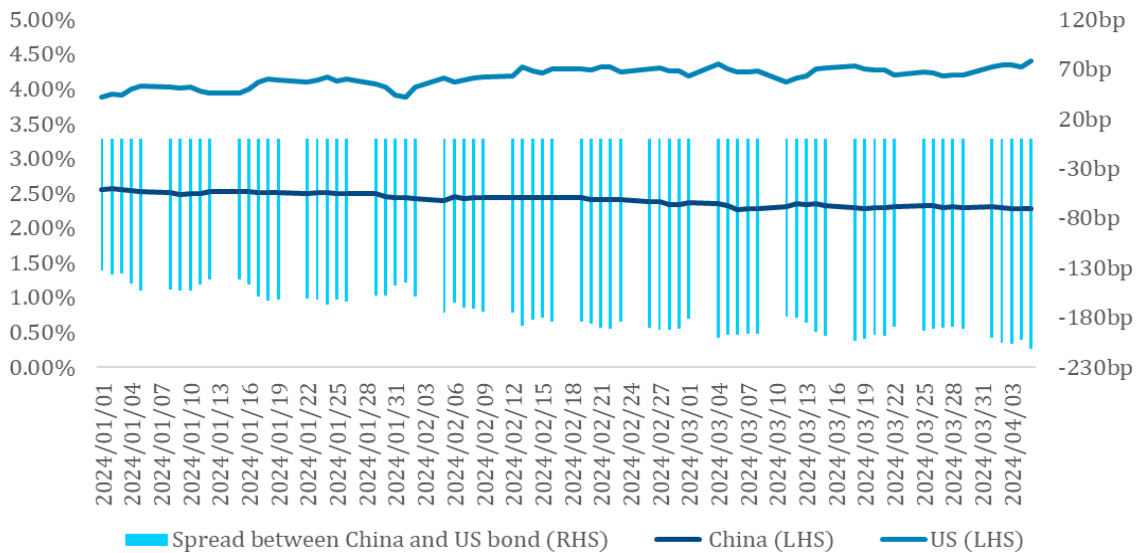
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of April 5, the yield spread between China and US 10-year note was -211.8bp, widening by 20.77bp from last Friday and widening 79.41bp 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 fell

From April 1 to April 5, there were 7 new issues with total issued volume of USD362 million, decreasing by 78.58% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD217 million.

Table 1: New issuance of Chinese offshore bonds (20240401-20240405)

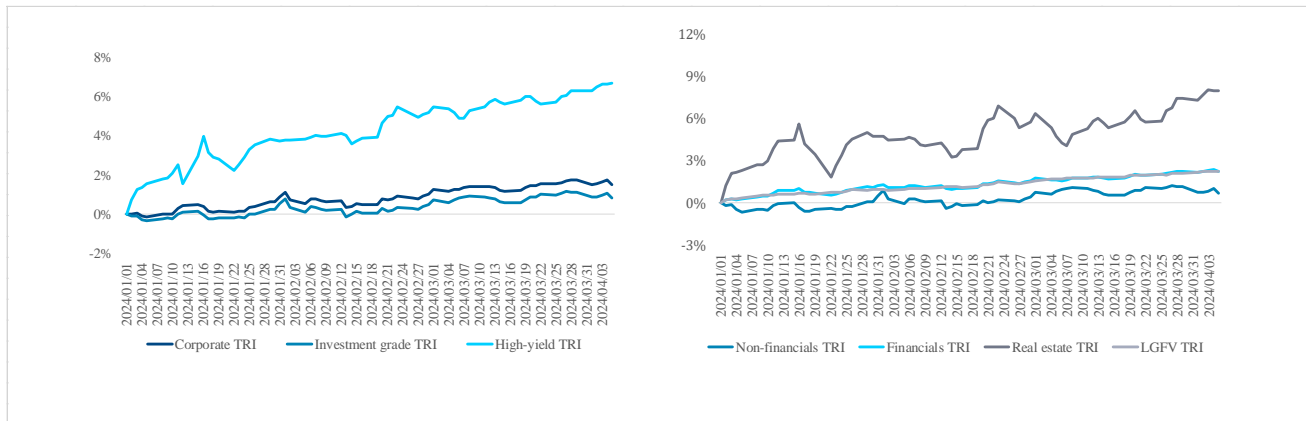
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/4/2	Jiangsu Shuanghu Investment Holding Group Co Ltd	JPY	2812.3	1.66	2027/4/11	3	Chengtou	-/-/-	-/-/-
2024/4/3	CDB Leasing International Co Ltd	USD	115.0	SOFR+90	2027/4/9	2.99	Financials	A1/A/A+	-/-/-
2024/4/3	CITIC Securities International Co Ltd	USD	30	5.5	2024/6/27	78D	Financials	-/BBB+/-	-/-/-
2024/4/3	Renshou Urban Investment Group Co Ltd	CNY	481.8	3.35	2027/3/15	2.91	Chengtou	-/-/-	-/-/-
2024/4/3	Shangrao Innovation Development Industrial Investment Group Co Ltd	USD	57.4	5.7	2027/4/10	3	Chengtou	-/-/-	-/-/-
2024/4/4	Huaibei Public Utility Assets Operation Co Ltd	CNY	250.8	6.8	2026/4/11	2	Chengtou	-/-/-	-/-/-
2024/4/3	Weifang Urban West Investment Development Group Co., Ltd.	EUR	35	5.3	2027/4/9	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of April 5, the YTD return¹ on the Chinese USD corporate bond index decreased by 21bp to 1.53% from last Friday, of which the return on investment-grade bonds decreasing by 30bp to 0.84%, the return on high-yield bonds increasing by 38bp to 6.68%. In terms of sector indices, the return on financial, real estate and Chengtou bonds was 2.25%, 7.95% and 2.24%, respectively, increasing by 2bp, 51bp and 12bp from last Friday. The return on non-financial bonds was 0.66%, decreasing by 49 bp from last Friday.

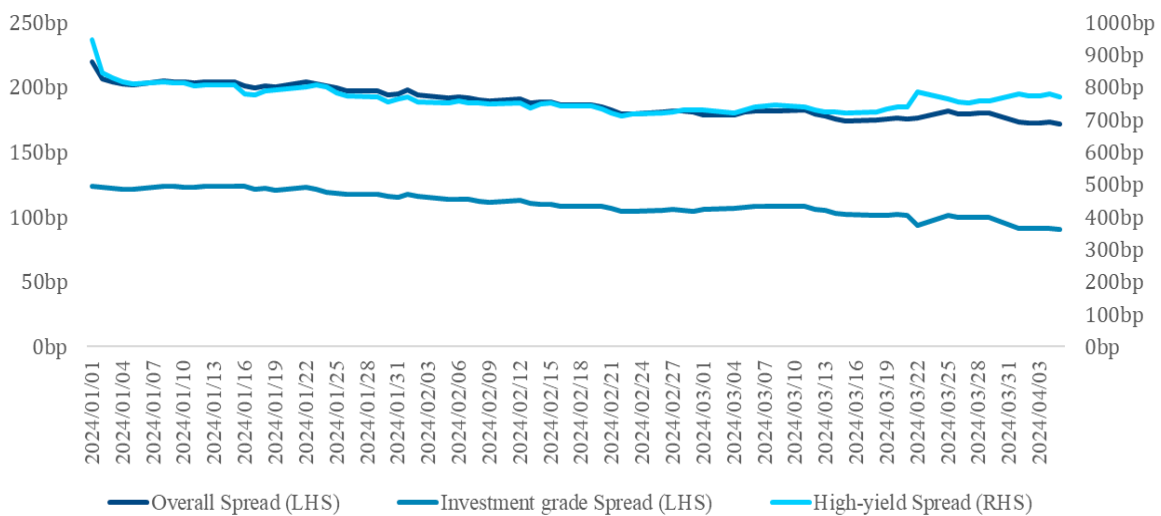
Figure 5: YTD return on Marit IBoxx Chinese USD bond index



Sources: CCXAP research

As of April 5, the yield spread of Chinese dollar bonds narrowed by 8.4bp to 171.60bp from last Friday. The yield spread of investment-grade bonds narrowed by 9.2bp to 90.74bp, while the spread of high-yield bonds widened by 11.6bp to 768.64bp.

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



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

Sources: CCXAP research

The 10 bonds with the largest yield increase from April 1 to April 5 are shown in the table below. Among them, Agile Group Holdings Limited changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240401-20240405)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	5.692	PREP	4407.805	28.4044M
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	17.189	PREP	679.997	6.2366M
ROADKG 6.7 09/30/24	Road King Infrastructure Limited	59.033	0.47	158.627	4.187M
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	5.63	PREP	569.632	2.6743M
AGILE 5 ¾ 01/02/25	Agile Group Holdings Ltd	18.093	0.73	465.452	2.3241M
AGILE 5 ½ 04/21/25	Agile Group Holdings Ltd	16.419	1.03	304.046	1.3976M
AGILE 6.05 10/13/25	Agile Group Holdings Ltd	15.184	1.51	198.633	0.8161M
ROADKG 6 09/04/25	Road King Infrastructure Limited	37.247	1.40	96.759	0.8047M
VNKRLE 3.45 05/25/24	China Vanke Co.,Ltd.	97.303	1.12	26.956	0.7697M
VNKRLE 4.2 06/07/24	China Vanke Co.,Ltd.	96.263	0.16	28.885	0.6795M

Sources: CCXAP research

From April 1 to April 5, rating agencies took positive rating action to 2 Chinese issuers, and took negative rating action to 3 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20240401-20240405)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Qingdao Urban Construction Investment (Group) Co., Ltd.	Chengtou	A+	STABLE	2024/04/02	A	POS	2023/03/31	Lianhe	The company received enhanced support from local governments
	Chengdu Dujiangyan Investment Development Group Co., Ltd.	Chengtou	BBB+	STABLE	2024/04/05	BBB-	STABLE	2023/04/06	Lianhe	The Group's strategic importance in Dujiangyan City has increased
Downgrade:	China Hongqiao Group Co., Ltd.	Industrials	Ba3	NEG	2024/04/02	Ba2	NEG	2023/10/11	Moody's	Short-term debt increases and capital structure weakens
	H&H International Holdings Limited	Industrials	BB	STABLE	2024/04/03	BB+	STABLE	2023/08/28	S&P	Large amounts of debt will mature in the next 6-12 months
	Road King Infrastructure Limited	Real Estate	Caa2	NEG	2024/04/03	B3	NEG	2023/11/30	Moody's	Leverage ratio is higher than expected and debt ratio cannot be reduced in the near future

Sources: CCXAP research

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