

CCXAP

Cross-border Bonds Weekly Report



2024 Issue 16
From April 29 to May 3

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

Headline: China's April PMI index was 50.4; US unemployment rate exceeded expectations

On April 30, data jointly released by the National Bureau of Statistics and the Federation of Logistics and Purchasing showed that the PMI in April was 50.4, higher than market expectations. On May 3, the U.S. Department of Labor released its April non-farm employment report. The U.S. non-farm payrolls increased by 175,000 in April, lower than the 240,000 expected; the U.S. unemployment rate in April was 3.9%, higher than expected of 3.8%.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of May 3, the RMB/USD middle rate closed at 7.1063, increasing by 7bp from Last Friday. The USD index decreased by 0.86% to 105.030 from Last Friday.

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

This week, the China Government Bond yields mostly rose. As U.S. unemployment rate rises higher than expected, market recession chances increase, and its positive news for the Fed to cut interest rates ahead of schedule, US Treasury yields fall.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From April 29 to May 3, there were 13 new issues with total issued volume of USD0.677 billion, decreasing by 25.77% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD0.411 billion.

Secondary Market: Return on Chinese USD bond increased

As of May 3, the year-to-date return on the Chinese USD corporate bond index increased by 81bp to 2.06% from last Friday, of which the return on investment-grade bonds increasing by 67bp to 1.24%, the return on high-yield bonds increasing by 169bp to 8.04%.

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

CCXAP assigns long-term credit rating to 3 entities, Feixi County Rural Revitalization Investment Group Co., Ltd., Qingdao High Speed Train Town Investment Group Co., Ltd. and Tai'an Taishan Holdings Co., Ltd.



Analyst Contacts

Saul Zuo

852-2860 7142

saul_zuo@ccxap.com

Peter Chong

852-2860 7124

Peter_chong@ccxap.com

Other Contacts

Elle Hu

852-2860 7120

elle_hu@ccxap.com

Headline: China's April PMI index was 50.4; US unemployment rate exceeded expectations

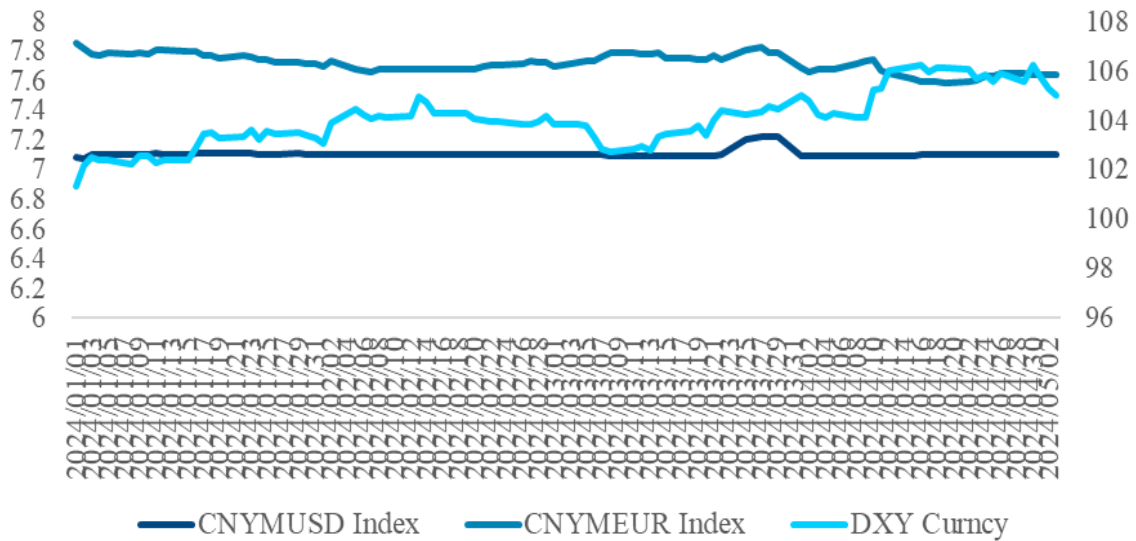
On April 30, data jointly released by the National Bureau of Statistics and the Federation of Logistics and Purchasing showed that the official manufacturing purchasing managers index (PMI) in April was 50.4, higher than market expectations. Judging from the sub-data, the expansion of supply and demand in the manufacturing industry accelerated in April, with the production index and new order index rising to the highest levels since June 2023 and March 2023 respectively in the expansion range; the recovery of external demand was more obvious, with the new export order index in April It is the highest since December 2020. According to survey sample companies, the total volume of new business, including exports, has increased, boosting the recent output expansion. Looking at the three major categories of commodities, the output and orders of investment categories have been higher than those of consumer categories and intermediate categories for two consecutive months. However, manufacturing employment has not continued to repair as supply and demand improved. The employment index turned downward in the contraction zone in April, reaching the lowest level in the past four months. The survey shows that the contraction of labor is mainly due to production automation and cost control.

On May 3, the U.S. Department of Labor released its April non-farm employment report, which showed that the U.S. non-farm payrolls increased by 175,000 in April, which was lower than the expected 240,000 and significantly lower than the previous value of 303,000. people. The report showed that the U.S. unemployment rate in April was 3.9%, higher than the expected 3.8% and the previous value of 3.8%, the highest level since January 2022. The U6 unemployment rate, which is more valued by U.S. Treasury Secretary Yellen and is more comprehensive, is 7.4%, the highest level since November 2021. In addition, the year-on-year increase in wages was lower than expected and the previous value. The report shows that the average hourly wage growth in the United States slowed to 3.9% year-on-year in April, which was expected to be 4%, and the previous value was 4.1%; the average hourly wage growth in the United States in April slowed to 0.2% month-on-month, and was expected to be 0.3%, and the previous value 0.3%. The private sector employment in the United States increased by 167,000 in April, lower than the 195,000 expected and lower than the previous value of 232,000; the manufacturing employment in the United States in April increased by 8,000, higher than the expected 5,000. Data showed U.S. employers scaled back hiring in April, the unemployment rate unexpectedly rose and wage growth slowed, suggesting the U.S. labor market is cooling after strong growth at the beginning of the year.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of May 3, the RMB/USD middle rate closed at 7.1063, increasing by 7bp from last Friday. The RMB/EUR middle rate closed at 7.6458, decreasing by 103bp from last Friday. The USD index decreased by 0.86% to 105.030 from Last Friday.

Figure 1: RMB exchange rate

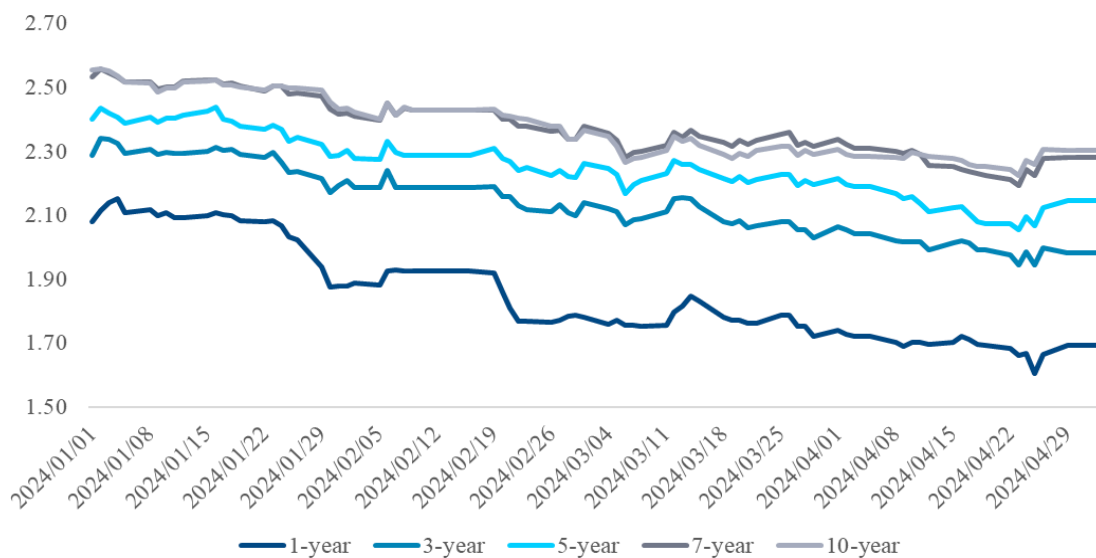


Sources: CCXAP research

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

This week, the China Government Bond yields mostly rose. As of May 3, the 1-year 5-year and 7-year China Government Bond yields were 1.6928%, 2.1484% and 2.2822%, increasing by 2.82bp, 2.39bp and 0.44bp, respectively, from last Friday. The 3-year and 10-year China Government Bond yields were 1.9836% and 2.3028%, decreasing by 1.45bp and 0.56bp.

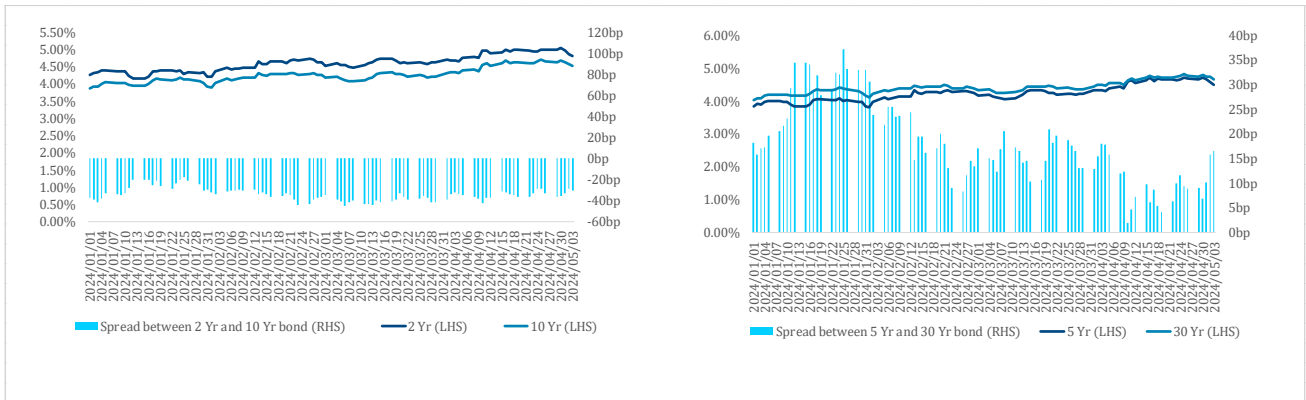
Figure 2: China Government Bond yields



Sources: CCXAP research

As U.S. unemployment rate rises higher than expected, market recession chances increase, and its positive news for the Fed to cut interest rates ahead of schedule, US Treasury yields fell. As of April 26, the 2-year 5-year 10-year and 30-year Treasury yields were 4.8160%, 4.4993%, 4.5077% and 4.6645%, decreasing by 17.74bp, 18.77bp, 15.53bp and 11.09bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 2.21bp to -30.8bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 7.68bp to 16.5bp from last Friday.

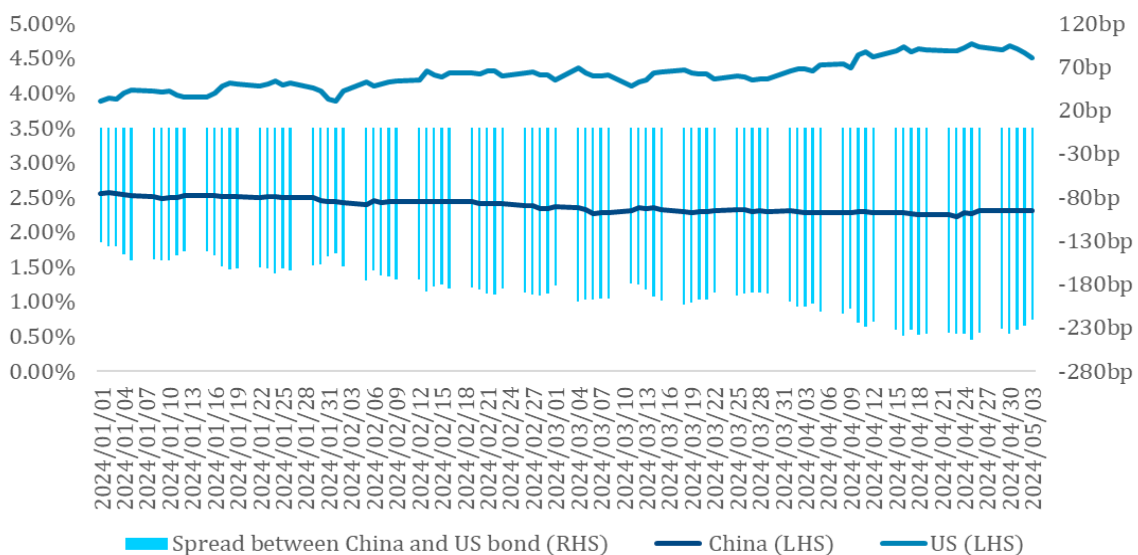
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of May 3, the yield spread between China and US 10-year note was -220.5bp, narrowing by 14.97bp from last Friday and widening 88.11bp 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 April 29 to May 3, there were 13 new issues with total issued volume of USD0.677 billion, decreasing by 25.77% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD0.411 billion.

Table 1: New issuance of Chinese offshore bonds (20240429-20240503)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/4/29	Changxing Urban Construction Investment Group Co Ltd	USD	40	5.6	2027/5/7	3	Chengtou	-/-/-	-/-/-
2024/4/29	Chengdu Jingkai Asset Management Co Ltd	CNY	147.1	8	2027/5/7	3	Chengtou	-/-/-	-/-/-
2024/4/29	China Securities International Finance Holding Co Ltd	USD	2.5	5.51	2025/2/7	276D	Financials	-/-/-	-/-/-
2024/4/29	GF Holdings Hong Kong Corp Ltd	USD	10	6.1	2025/4/30	363D	Financials	-/-/-	-/-/-
2024/4/29	Jiangsu Zhongyang Clean Energy Development Co Ltd	CNY	333.4	3.3	2027/5/9	3	Industrials	-/-/-	-/-/-
2024/4/29	Jiangsu Zhongyang Clean Energy Development Co Ltd	CNY	372.6	3.3	2027/5/9	3	Industrials	-/-/-	-/-/-
2024/4/29	Jiujiang Municipal Development Group Co Ltd	USD	300	6.55	2027/5/8	3	Chengtou	-/-/BBB-	-/-/BBB-
2024/4/29	Yidu State-Owned Assets Investment Operation and Holding Group Co Ltd	CNY	666.8	6.3	2027/5/9	3	Chengtou	-/-/-	-/-/-
2024/4/29	Zhuzhou Geckor Group Co Ltd	CNY	355.9	6.2	2027/5/9	3	Chengtou	-/-/-	-/-/-
2024/4/30	GF Holdings Hong Kong Corp Ltd	USD	5	6.02	2025/4/28	361D	Financials	-/-/-	-/-/-
2024/4/30	GF Holdings Hong Kong Corp Ltd	CNY	29.4	3.7	2024/11/1	179D	Financials	-/-/-	-/-/-
2024/5/2	Guotai Junan International Holdings Ltd	CNY	9.7	3.4	2024/11/7	184D	Financials	Baa2/BBB +/-	-/-/-
2024/5/3	Huatai International Financial Holdings Co Ltd	USD	50	5.9	2024/11/8	182D	Financials	-/BBB+/-	-/-/-

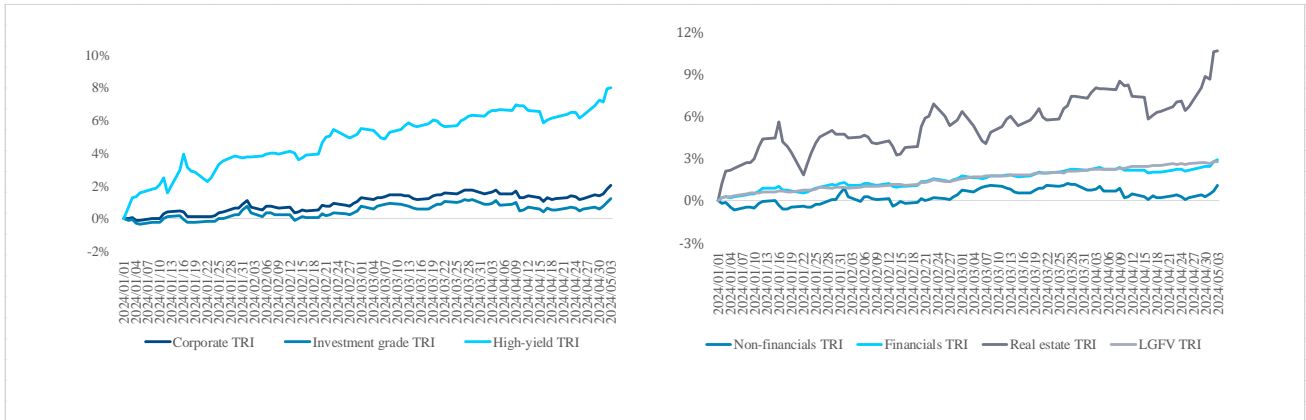
Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of May 3, the YTD return¹ on the Chinese USD corporate bond index increased by 81bp to 2.06% from last Friday, of which the return on investment-grade bonds increasing by 67bp to 1.24%, the return on high-yield bonds increasing by 169bp to 8.04%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.05%, 2.89%, 10.68% and 2.77%, respectively, increasing by 85bp, 76bp, 396bp and 16bp from last Friday.

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

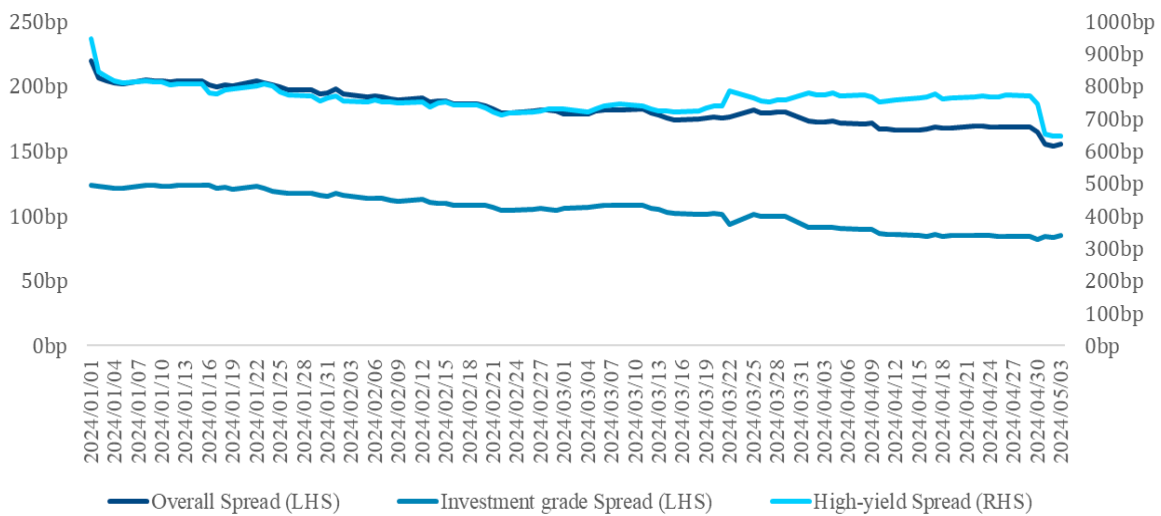
Figure 5: YTD return on Marikit IBoxx Chinese USD bond index



Sources: CCXAP research

As of May 3, the yield spread of Chinese dollar bonds narrowed by 13.6bp to 155.05bp from last Friday. The yield spread of investment-grade bonds widened by 0.6bp to 84.81bp, while the spread of high-yield bonds narrowed by 126.1bp to 645.76bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from April 22 to April 26 are shown in the table below. Among them, Agile Group Holdings Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240429-20240503)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 7 ½ PERP	Agile Group Holdings Ltd	5.538	PREP	5501.171	46.5428M
AGILE 5 ¾ 01/02/25	Agile Group Holdings Ltd	14.211	0.65	707.77	7.6001M
GZFINH 2.15 05/06/24	Guangying Investment Co., Ltd.	99.85	0.01	19.969	2.9513M
AGILE 5 ½ 04/21/25	Agile Group Holdings Ltd	13.247	0.95	404.234	2.8497M
HPDLF 7 05/18/24	Hopson Development Group Co., Ltd.	98.727	0.02	51.776	2.4507M

HILOHO 9 ¾ 11/18/24	Hilong Holdings Limited	63.912	0.53	120.43	2.0564M
AGILE 6.05 10/13/25	Agile Group Holdings Ltd	11.285	0.43	258.756	1.0983M
AGILE 5 ½ 05/17/26	Agile Group Holdings Ltd	10.47	2.02	177.282	688.7
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	5.58	PREP	657.559	660.1
AGILE 13.476 PERP	Agile Group Holdings Limited	5.37	PREP	167.793	427.6

Sources: CCXAP research

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

On April 30, CCXAP assigns first time long-term credit rating of BBB_g to Feixi County Rural Revitalization Investment Group Co., Ltd. (“FRIC”), with stable outlook.

On April 30, CCXAP assigns first time long-term credit rating of BBB_g+ to Qingdao Bullet Train Town Investment Group Co., Ltd. (“QBTI”), with stable outlook.

On April 30, CCXAP assigns first time long-term credit rating of BBB_g to Tai’an Taishan Holding Co., Ltd. (“TSHC”), with stable outlook.

Table 3: Credit rating from CCXAP (20240429-20240503)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2024/4/30	FRIC	BBB _g	BBB _g	The credit rating is underpinned by the Company’s (1) important position as the main rural infrastructure construction platform in Feixi County; (2) good sustainability of public policy businesses; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) moderate access to funding channels with limited financial flexibility; (2) rapid debt growth driven by large investment needs; and (3) weak asset liquidity.
2024/4/30	QBTI	BBB _g +	BBB _g +	The credit rating is underpinned by the Company’s (1) important position in infrastructure construction in Chengyang District, particularly in the Qingdao Rail Transit Industry Demonstration Zone (“QRTIDZ”); and (2) solid track record of receiving government support. However, the rating is constrained by the Company’s (1) high exposure to commercial activities with relatively large future investment needs; (2) increasing debt burden with moderate asset liquidity; and (3) medium exposure to contingent liabilities.
2024/4/30	TSHC	BBB _g	-	The credit rating is underpinned by the Company’s (1) important role in local infrastructure construction and resettlement housing development in the Tai’an HIDZ; and (2) good track record of receiving support from the local government and its parent company. However, the rating is constrained by its (1) high exposure to commercial activities especially in property development; (2) relatively large short-term debt burden; (3) funding channels which are highly concentrated on regional banks with limited liquidity standby; and (4) medium contingent liabilities risk from external guarantees.

Sources: CCXAP research

From April 22 to April 26, rating agencies took positive rating actions to 10 Chinese issuers, took negative rating actions to 9 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20240429-20240503)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Upgrade:	CNCBI (Hong Kong) Investment Co., Ltd.	Finance	BBB+	POS	2024/04/29	BBB	POS	2023/06/28	S&P	The group's capital strength is improving
	CITIC Corporation Limited	Finance	A-	POS	2024/04/29	BBB+	POS	2023/06/28	S&P	The group's capital strength is improving
	CITIC Group Co., Ltd.	Finance	A-	POS	2024/04/29	BBB+	POS	2023/06/28	S&P	The group's capital strength is improving
	China CITIC Bank Co., Ltd.	Finance	A-	POS	2024/04/29	BBB+	POS	2023/06/28	S&P	The group's capital strength is improving
	China Merchants Bank Co., Ltd.	Finance	A-	POS	2024/04/29	BBB+	POS	2023/04/28	S&P	The group's capital strength is improving
	CMB International Capital Co., Ltd.	Finance	A-	POS	2024/04/29	BBB+	POS	2023/04/28	S&P	The group's capital strength is improving
	CMB International Leasing Management Co., Ltd.	Finance	A-	POS	2024/04/29	BBB+	POS	2023/04/28	S&P	The group's capital strength is improving
	CMB Financial Leasing Co., Ltd.	Finance	A-	POS	2024/04/29	BBB+	POS	2023/04/28	S&P	The group's capital strength is improving
	Quzhou Qutong Development Group Co., Ltd.	Chengtou	Ag-	POS	2024/04/30	BBB _g ⁺	STABLE	2023/04/28	CCXAP	The company's strategic development status in local government has been improved
	Kunlun Energy Co., Ltd.	Utilities	A2	POS	2024/04/30	A2	NEG	2024/02/01	Moody's	Increased government support

China West Cement Co., Ltd.	Material	B+	NEG	2024/04/29	BB-	NEG	2023/09/04	Fitch	Business risks rise, free cash flow continues to be negative and leverage climbs
China Oilfield Services Co., Ltd.	Energy	A	NEG	2024/04/29	A	STABLE	2023/06/21	Fitch	Fitch's reassessment of its internal outlook on CNOOC's credit profile
Beijing Shougang Fund Co., Ltd.	Finance	A-	NEG	2024/04/29	A-	STABLE	2023/07/06	Fitch	Fitch's expectations for the strength and willingness of Shougang Fund's shareholders and local governments to provide support for the company have declined.
Greentown China Holdings Limited	Real estate	BB-	STABLE	2024/04/29	BB-	POS	2023/05/05	S&P	Contracted sales are expected to fall and margins will continue to be under pressure
International Financial Center Properties Limited	Finance	BB+	NEG	2024/04/30	BB+	STABLE	2023/10/30	Fitch	Sales and cash flow weaken
Capital Huaxing International Investment Co., Ltd.	Finance	BB+	NEG	2024/04/30	BBB-	None	2023/10/30	Fitch	The company's real estate development business continued to weaken during the industry downturn, resulting in increased leverage and deterioration in operating cash flow.
Beijing Capital City Development Group Co., Ltd.	Real estates	BBB-	NEG	2024/04/30	BBB-	STABLE	2023/10/30	Fitch	Rising corporate leverage and deteriorating operating cash flow

Beijing Capital Entrepreneurship Group Co., Ltd.	Utilities	BBB-	NEG	2024/04/30	BBB-	STABLE	2024/01/18	Fitch	Real estate development business continues to weaken during industry downturn, resulting in increased leverage and deterioration in operating cash flow
Sinochem Hong Kong (Group) Co., Ltd.	Industrials	A3	NEG	2024/04/30	A3	STABLE	2024/02/01	Moody's	Real estate industry subsidiary is in danger

Sources: CCXAP research

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852 2860 7111

Fax: +852 2868 0656