

### 2024 Issue 17 From May 6 to May 10

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

**Headline: China's CPI index in April rose 0.3% YoY; US consumer confidence index in May was 67.4, significantly lower than expected**

On May 11, according to data released by the National Bureau of Statistics, driven by rising service and energy prices, the CPI rose by 0.3% year-on-year in April, an increase of 0.2 percentage points larger than that in March, which was higher than market expectations. Data released on May 10 showed that U.S. consumer confidence hit a six-month low in May. Specifically, the initial value of the consumer confidence index was 67.4.

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

This week, the RMB appreciated. As of May 10, the RMB/USD middle rate closed at 7.1011, decreasing by 52bp from last Friday. The USD index increased by 0.26% to 105.301 from last Friday.

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

This week, the China Government Bond yields mostly rose. As US expected inflation rate increase, US Treasury yields mostly rose.

#### Chinese Offshore Bond Market

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

From May 6 to May 10, there were 18 new issues with total issued volume of USD2.428 billion, increasing by 258.03% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD 2.248 billion.

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

As of May 10, the year-to-date return on the Chinese USD corporate bond index increased by 11bp to 2.17% from last Friday, of which the return on investment-grade bonds increasing by 4bp to 1.28%, the return on high-yield bonds increasing by 60bp to 8.63%.

##### Rating Action: CCXAP assigns long-term credit ratings to 4 entities

CCXAP assigns long-term credit rating to 4 entities, Shandong Jibei New City Urban Operation Co., Ltd., Henan Zhengzhou New District Construction Investment Co., Ltd., MCC Copper and Zinc Co., Ltd. and Guangdong Sanshui Development Holding Investment Co., Ltd.



### Analyst Contacts

#### Saul Zuo

852-2860 7142

[saul\\_zuo@ccxap.com](mailto:saul_zuo@ccxap.com)

#### Peter Chong

852-2860 7124

[Peter\\_chong@ccxap.com](mailto:Peter_chong@ccxap.com)

### Other Contacts

#### Elle Hu

852-2860 7120

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

## Headline: China's CPI index in April rose 0.3% YoY; US consumer confidence index in May was 67.4, significantly lower than expected

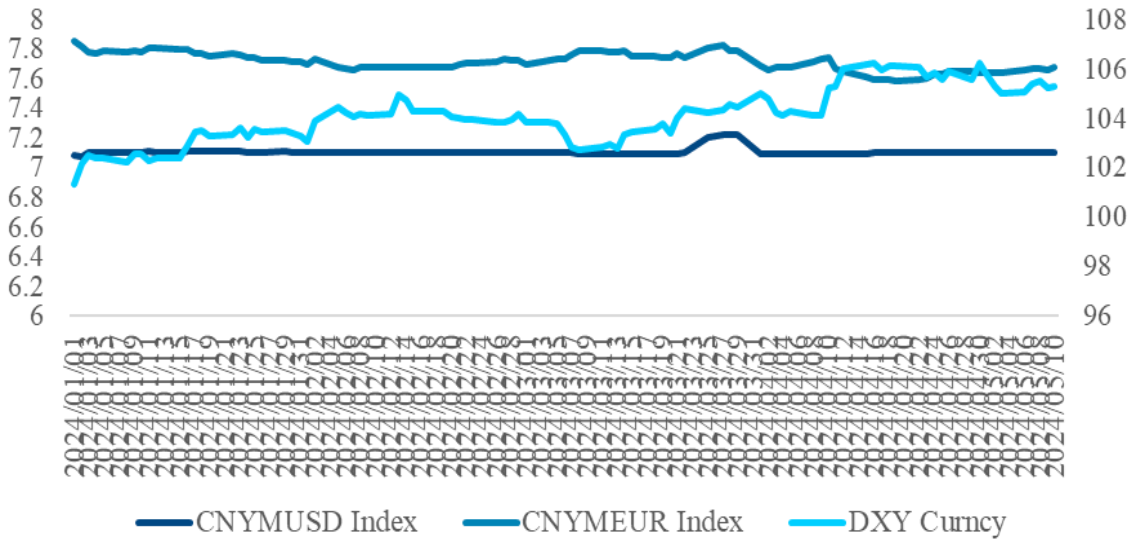
On May 11, according to data released by the National Bureau of Statistics, driven by rising service and energy prices, the CPI rose by 0.3% year-on-year in April, an increase of 0.2 percentage points larger than that in March, which was higher than market expectations. Affected by the increase in travel during the Tomb-Sweeping Day holiday in April, air tickets, transportation rental fees, accommodation and travel prices all turned from falling to rising, which together affected the CPI to rise by about 0.12 percentage points month-on-month. In addition, rising international gold prices and oil prices also pushed the CPI up by about 0.15 percentage points month-on-month. However, the producer price index (PPI) in April continued its downward trend since the end of 2022, falling by 2.5% year-on-year. Bloomberg reported that the long-term decline in PPI means that corporate profits are being squeezed, which will cause them to be reluctant to invest. Despite a recovery in China's manufacturing sector and strong exports, deflationary pressures remain a threat to the Chinese economy. Excluding volatile energy and food prices, core CPI rose 0.7% in April, up from 0.6% in March.

Data released on May 10 showed that US consumer confidence hit a six-month low in May. Specifically, the initial value of the consumer confidence index was 67.4, which was significantly lower than the expected 76 and far lower than the 77.2 of the previous month. After three consecutive months of little change, consumer confidence fell by about 13% in May. The drop was statistically significant, taking confidence to its lowest level in about six months. Consumer confidence trends this month were characterized by broad consensus, with confidence declining across age, income and education levels, with particularly steep declines among consumers in Western states, the survey showed. While consumers have reserved judgment over the past few months, they are now seeing negative developments on many fronts. They worry that inflation, unemployment and interest rates may all move in adverse directions in the coming year. However, with gasoline prices largely stable in recent weeks and the US stock market as a whole trending upward, economists are unable to offer a more reasonable explanation for the drop in consumer confidence.

## Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of May 10, the RMB/USD middle rate closed at 7.1011, decreasing by 52bp from last Friday. The RMB/EUR middle rate closed at 7.6817, increasing by 359bp from last Friday. The USD index increased by 0.26% to 105.301 from last Friday.

Figure 1: RMB exchange rate

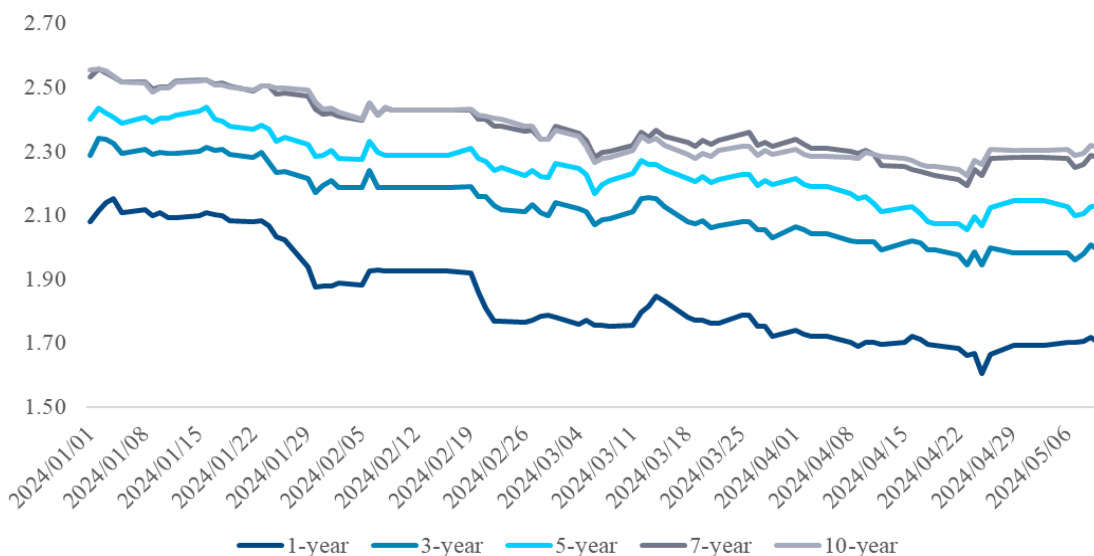


Sources: CCXAP research

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

This week, the China Government Bond yields mostly rose. As of April 26, the 1-year 3-year and 10-year China Government Bond yields were 1.7044%, 1.9930% and 2.3122%, increasing by 1.16bp, 0.94bp and 0.94bp, respectively, from last Friday. The 5-year and 7-year China Government Bond yields were 2.1301% and 2.2816%, decreasing by 1.83bp and 0.06bp.

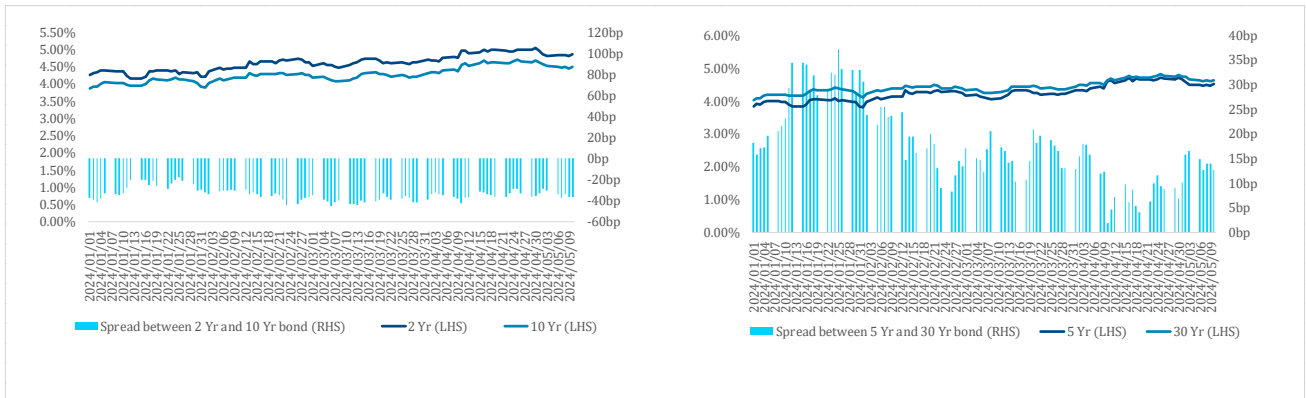
Figure 2: China Government Bond yields



Sources: CCXAP research

As U.S. expected inflation rate increase, US Treasury yields mostly rose. As of April 26, the 2-year and 5-year Treasury yields were 4.8655% and 4.5128%, increasing by 4.95bp and 1.35bp respectively from last Friday. The 10-year and 30-year Treasury yields were 4.4963% and 4.6386%, increasing by 1.14bp and 2.59bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 6.09bp to -36.9bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 3.94bp to 12.6bp from last Friday.

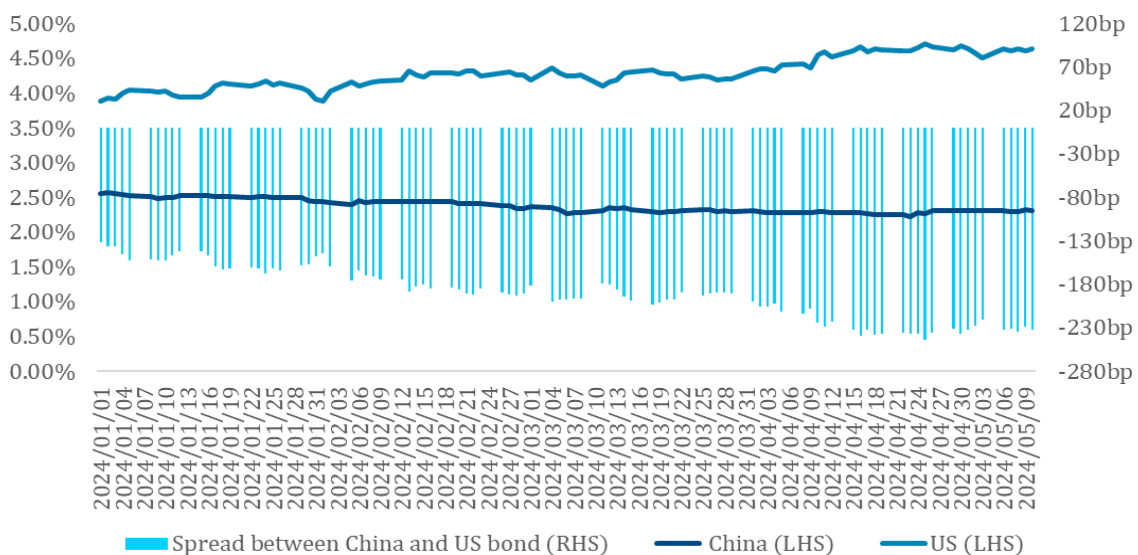
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of April 26, the yield spread between China and US 10-year note was -232.6bp, widened by 12.15bp from last Friday and widened 100.26bp 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 increased

From May 6 to May 10, there were 18 new issues with total issued volume of USD2.428 billion, increasing by 258.03% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD2.248 billion.

**Table 1: New issuance of Chinese offshore bonds (20240506-20240510)**

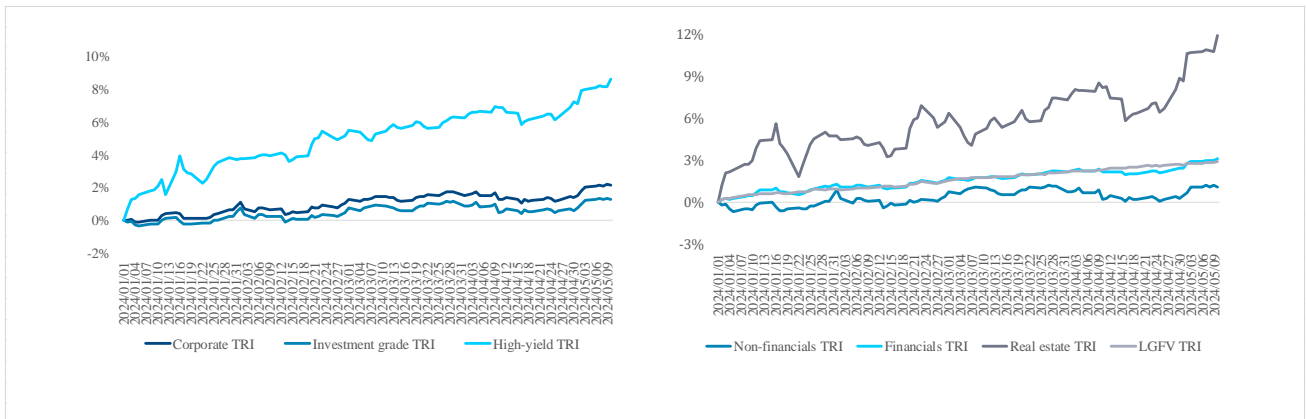
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/5/7	BOC Aviation Ltd	USD	500	5.25	2030/1/14	6	Financials	-/A-/A-	-/-/-
2024/5/7	BOC Aviation Ltd	USD	500	5.25	2030/1/14	6	Financials	-/A-/A-	-/-/-
2024/5/7	China Everbright Bank Co Ltd	USD	550	SOFR+52	2027/5/14	3	Banks	-/-/-	-/-/-
2024/5/7	China Everbright Bank Co Ltd	CNY	1474.1	3	2026/5/14	2	Banks	-/-/-	-/-/-
2024/5/7	China Securities International Finance Holding Co Ltd	USD	3	5.68	2024/11/14	184D	Financials	-/-/-	-/-/-
2024/5/7	CITIC Securities International Co Ltd	HKD	699.6	0	2025/5/13	364D	Financials	-/BBB+/-	-/-/-
2024/5/7	GF Holdings Hong Kong Corp Ltd	CNY	5.9	3.4	2025/2/12	275D	Financials	-- /BBB/BBB	-/-/-
2024/5/7	Jiande State-owned Assets Investment Holding Group Co., Ltd.	USD	40	5.5	2027/5/9	3	Chengtou	-/-/-	-/-/-
2024/5/8	CITIC Securities International Co Ltd	CNY	45.2	3.11	2024/6/14	29D	Financials	-/BBB+/-	-/-/-
2024/5/8	GF Holdings Hong Kong Corp Ltd	USD	10	6.05	2025/2/10	276D	Financials	-- /BBB/BBB	-/-/-
2024/5/8	Nanping Wuyi Group Co Ltd	CNY	245.6	3.6	2027/5/14	3	Chengtou	-/-/-	-/-/-
2024/5/8	Ping An Insurance Overseas (Holdings) Co., Ltd. of China	USD	300	6.125	2034/5/16	10	Financials	Baa2/-/-	-/-/-
2024/5/9	China Securities International Finance Holding Co Ltd	USD	17.5	0	2025/5/23	1	Financials	-/-/-	-/-/-
2024/5/9	China Securities International Finance Holding Co Ltd	CNY	5.9	3.35	2024/8/16	94D	Financials	-/-/-	-/-/-
2024/5/9	Xiao County Construction Investment Group Co., Ltd.	CNY	245.7	7.8	2026/5/16	2	Chengtou	-/-/-	-/-/-
2024/5/10	BoCom Leasing Management Hong Kong Limited	USD	30	5.2	2027/5/17	3	Financials	A3/A-/A	-/-/-
2024/5/10	China Everbright Bank Co Ltd	CNY	393	3	2026/5/20	2	Banks	-/-/-	-/-/-
2024/5/10	Guotai Junan International Holdings Co., Ltd.	USD	47.4	5.8	2024/11/20	184D	Financials	Baa2/BBB +/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond increased

As of May 10, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 11bp to 2.17% from last Friday, of which the return on investment-grade bonds increasing by 4bp to 1.28%, the return on high-yield bonds increasing by 60bp to 8.63%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.07%, 3.08%, 11.86% and 2.91%, respectively, increasing by 3bp, 19bp, 118bp and 14bp from last Friday.

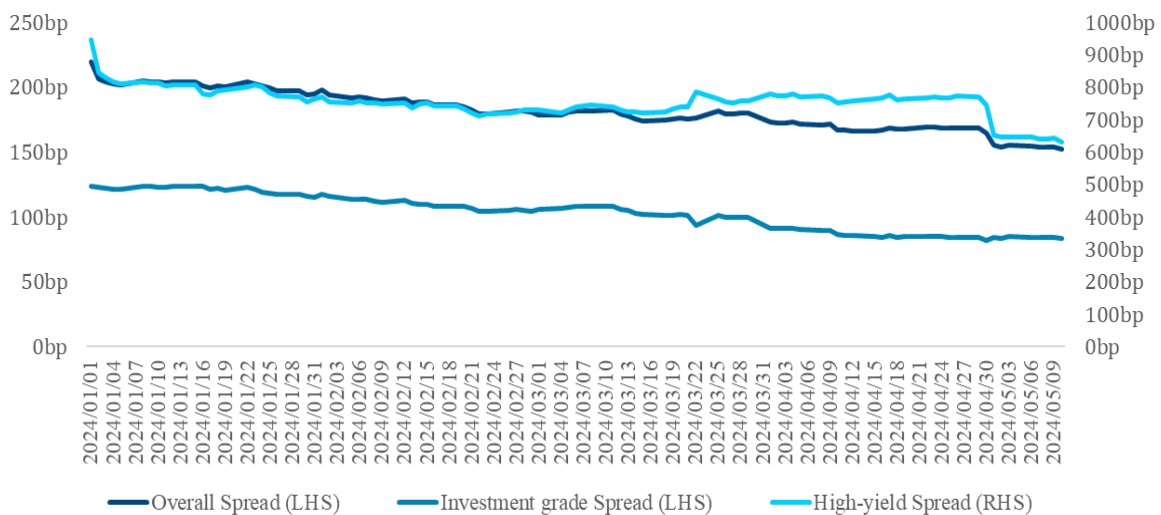
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of April 26, the yield spread of Chinese dollar bonds narrowed by 3.1bp to 151.96bp from last Friday. The yield spread of investment-grade bonds narrowed by 1.4bp to 83.45bp, while the spread of high-yield bonds narrowed by 15.3bp to 630.42bp.

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



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

Sources: CCXAP research

The 10 bonds with the largest yield increase from May 6 to May 10 are shown in the table below. Among them, Road King Infrastructure Limited changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20240506-20240510)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	13.293	PREP	1303.984	41.4943M
AGILE 7 ⅞ PERP	Agile Group Holdings Ltd	5.8	PREP	5681.636	33.0965M
HPDLF 7 05/18/24	Hopson Development Group Co., Ltd.	97.964	0.02	247.836	21.2358M
AGILE 5 ¾ 01/02/25	Agile Group Holdings Ltd	11.687	0.64	901.102	12.4354M
AGILE 5 ½ 04/21/25	Agile Group Holdings Ltd	11.056	0.94	479.775	6.361M
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	4.85	PREP	751.399	4.9575M
VNKRLE 3.45 05/25/24	China Vanke Co.,Ltd.	99.679	1.03	15.513	2.1603M
ROADKG 6.7 09/30/24	Road King Infrastructure Limited	49.514	0.38	280.685	1.7885M
AGILE 6.05 10/13/25	Agile Group Holdings Ltd	10.95	1.42	268.18	1.6383M
AGILE 5 ½ 05/17/26	Agile Group Holdings Ltd	8.964	2.01	197.397	1.4943M

Sources: CCXAP research

## Rating Action: CCXAP assigns long-term credit ratings to 4 entities

On May 6, CCXAP has assigned first-time long-term credit rating of BBB<sub>g</sub> to Shandong Jibei New City Urban Operation Co., Ltd. (“JBNC”), with stable outlook.

On May 9, CCXAP has assigned first-time long-term credit rating of BBB<sub>g</sub>+ to Construction Investment Co., Ltd Henan Province Zhengzhou New District (“ZZNDCI”), with stable outlook.

On May 9, CCXAP has assigned a BBB<sub>g</sub> long-term credit rating to MCC Tongsin Resources Ltd. (“MCCT”), with stable outlook.

On May 10, CCXAP has assigned first time long-term credit rating of BBB<sub>g</sub>+ to Guangdong Sanshui Development Group Co., Ltd (“Sanshui Development”), with stable outlook.

**Table 3: Credit rating from CCXAP (20240506-20240510)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2024/5/6	JBNC	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) dominant role in urban construction projects in Jiyang District; and (2) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium and increasing exposure to commercial activities; and (2) moderate access to funding.
2024/5/9	ZZNDCI	BBB <sub>g</sub> +	BBB <sub>g</sub> +	The credit rating is underpinned by the Company’s (1) strategic role in the regional development of Zhengdong New District with relatively high business sustainability; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) high exposure to commercial activities with relatively high capital expenditure pressure; and (2) fast debt growth and moderate asset liquidity.
2024/5/9	MCCT	BBB <sub>g</sub>	-	The credit rating is underpinned by the Company’s (1) strategic role as the only overseas copper mining company of MCC, owning all of MCC’s copper resources; and (2) track record of receiving capital support from MCC.
2024/5/10	Sanshui Development	BBB <sub>g</sub> +	BBB <sub>g</sub> +	The credit rating is underpinned by the Company’s (1) status as the most important local infrastructure construction and utility operation entity in Sanshui District; (2) good track record of receiving government support; and (3) good access to multiple funding channels. However, the rating is

constrained by the Company's (1) fast debt growth due to large capital expenditure; and (2) moderate asset liquidity.

Sources: CCXAP research

From April 22 to April 26, rating agencies took positive rating actions to 4 Chinese issuers, took negative rating actions to 2 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20240506-20240510)**

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
<b>International Rating:</b>										
Upgrade:	CATL New Energy Technology Co., Ltd.	Technologies	A-	STABLE	2024/05/06	BBB+	POS	2023/04/24	S&P	The company's overseas market expansion is higher than expected
	Xinao Natural Gas Co., Ltd.	Energies	BBB	STABLE	2024/05/08	BBB-	POS	2023/09/18	S&P	Optimization of company financing structure
	China Construction International Group Co., Ltd.	Industrials	Baa2	STABLE	2024/05/09	Baa2	NEG	2022/10/31	Moody's	The company's credit indicators show an improving trend
	Jin Jiang International (Group) Co., Ltd.	Consumer Discretionary	BBB	STABLE	2024/05/09	BBB-	STABLE	2024/01/18	Fitch	Level transfer after rating agency weight adjustment
Downgrade:	China West Cement Co., Ltd.	Materials	B1	NEG	2024/05/08	Ba3	NEG	2023/10/09	Moody's	Corporate risks rise, free cash flow tightens
	Yunda Holdings Co., Ltd.	Industrials	Baa3	STABLE	2024/05/10	Baa2	NEG	2023/04/28	Moody's	The company's industry is declining and profitability is declining.

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](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852 2860 7111

Fax: +852 2868 0656