

2024 Issue 18 From May 13 to May 17

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

Headline: China announced the arrangement of issuing 1 trillion ultra-long-term special-purpose treasury bonds; US April consumer price index rose by 3.4% as expected.

On May 17, Ministry of Finance of The People's Republic of China announced to issue RMB40 billion of 30-year ultra-long-term special-purpose treasury bonds. In addition, a 20-year and a 50-year ultra-long-term special-purpose treasury bonds will be issued on May 24 and June 14. On May 15, the US Bureau of Labor Statistics released April CPI data, which increased by 3.4% YoY as expected.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of May 17, the RMB/USD middle rate closed at 7.1045, increasing by 34bp from last Friday. The USD index decreased by 0.81% to 104.445 from last Friday.

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

This week, the China Government Bond yields mostly fall. As US CPI data level off, US Treasury yields fell.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From May 13 to May 17, there were 14 new issues with total issued volume of USD2.204 billion, decreasing by 8.29% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD1.997 billion.

Secondary Market: Return on Chinese USD bond increased

As of May 17, the year-to-date return on the Chinese USD corporate bond index increased by 49bp to 2.66% from last Friday, of which the return on investment-grade bonds increasing by 35bp to 1.62%, the return on high-yield bonds increasing by 137bp to 10.01%.

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

CCXAP assigns long-term credit rating to 1 entity, Zhejiang Nanxun Rural Commercial Bank Co., Ltd.

Credit Event: Agile Group defaulted on interest payment

May 14, Agile Group Holdings Limited announced the company has not paid interests on the USD483 million 6.05% senior notes due on 2025, and is expected not able to fulfill all payment obligations of its overseas debts, constituting a material default.



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Headline: China announced the arrangement of issuing 1 trillion ultra-long-term special-purpose treasury bonds; US April consumer price index rose by 3.4% as expected

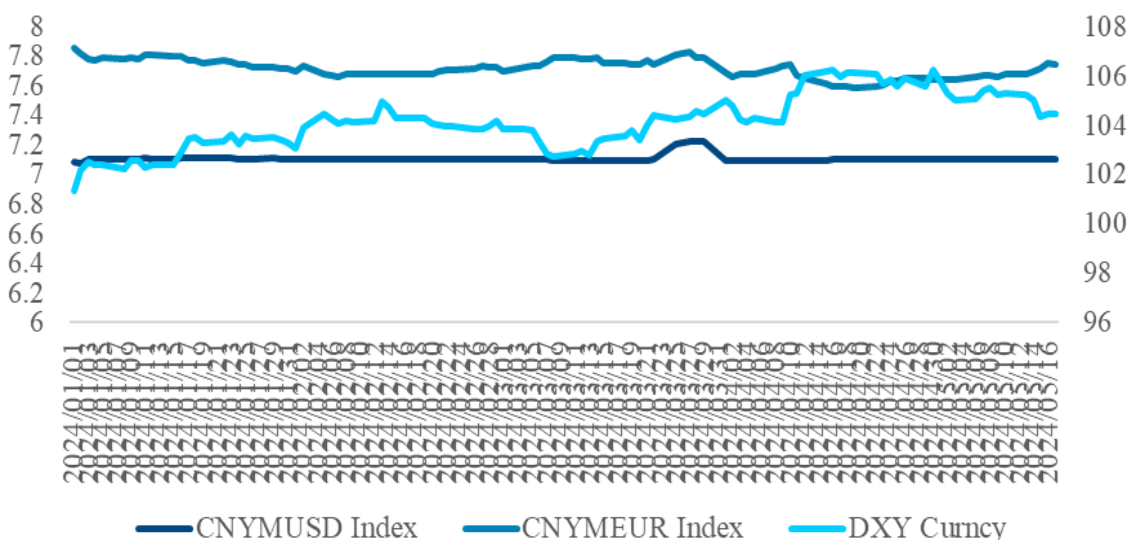
On May 17, Ministry of Finance of The People’s Republic of China announced to issue RMB40 billion of 30-year ultra-long-term special-purpose treasury bonds. In addition, a 20-year and a 50-year ultra-long-term special-purpose treasury bonds will be issued on May 24 and June 14 respectively. Credit data fell short of expectations, causing a rise in expectation for monetary easing, and dispelling trader’s concerns for an imminent sharp rise in the supply of government bonds.

On May 15, the U.S. Bureau of Labor Statistics released data to show that the US April CPI increased by 3.4% year-over-year as expected, slightly lower than the previous 3.5%. The April CPI increase by 0.3% month-on-month, lower than expectations and the previous value of 0.4%. After excluding food and energy costs, core CPI growth in April fell to 0.3% from 0.4% in March, which was the first decline in six months, unchanged from expectations of 0.3%. After the report was released, Wall Street analysts said that this CPI data give access to Federal Reserve to cut interest rates. It was generally believed that even if the April inflation data was not enough for the Federal Reserve to cut interest rates in July, it would be enough to start cutting interest rates in September. Although Fed Chairman Powell spoke relatively hawkishly, believing that the U.S. economy is in excellent condition and that it will take a long time for inflation to fall back to 2%, but considering that the U.S. economy may weaken in the second half of the year and the labor market continues to cool, the Fed is still likely to cut interest rates this year.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of May 17, the RMB/USD middle rate closed at 7.1045, increasing by 34bp from last Friday. The RMB/EUR middle rate closed at 7.7446, increasing by 629bp from last Friday. The USD index decreased by 0.81% to 104.445 from last Friday.

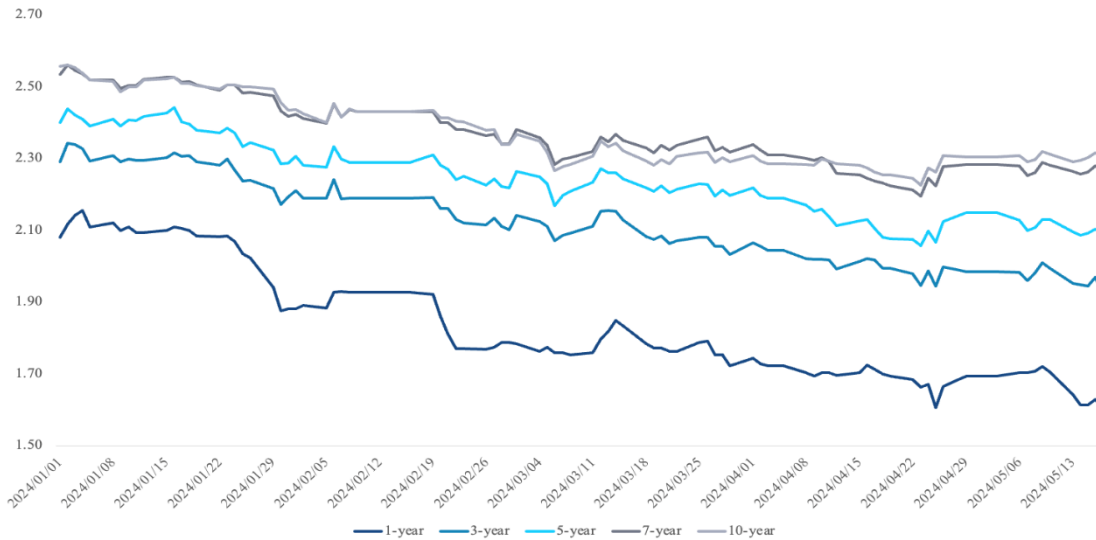
Figure 1: RMB exchange rate



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

This week, the China Government Bond yields mostly fell. As of May 17, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 1.6073%, 1.9206%, 2.0928%, 2.2707% and 2.3077%, decreasing by 9.71bp, 7.24bp, 3.73bp, 1.09bp and 0.45bp, respectively, from last Friday.

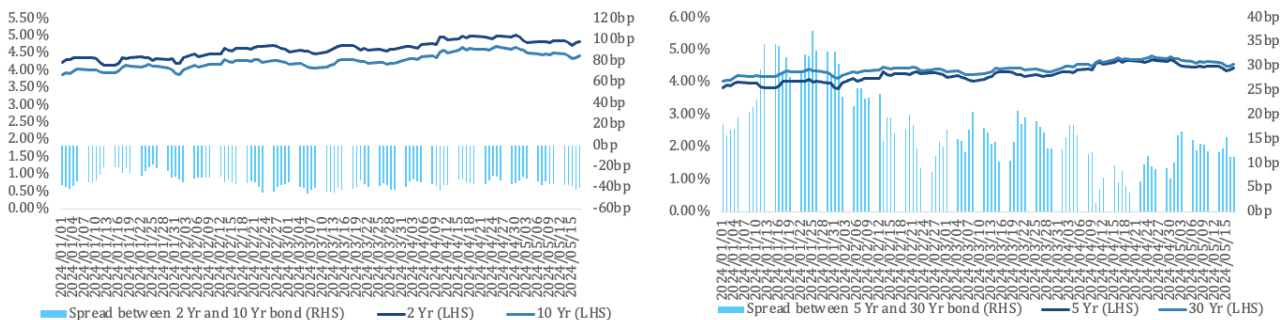
Figure 2: China Government Bond yields



Sources: CCXAP research

As U.S. CPI data level off, US Treasury yields fell. As of May 17, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.8245%, 4.4450%, 4.4198% and 4.5586%, decreasing by 4.1bp, 6.78bp, 7.65bp and 8bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 3.55bp to -40.5bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 1.22bp to 11.4bp from last Friday.

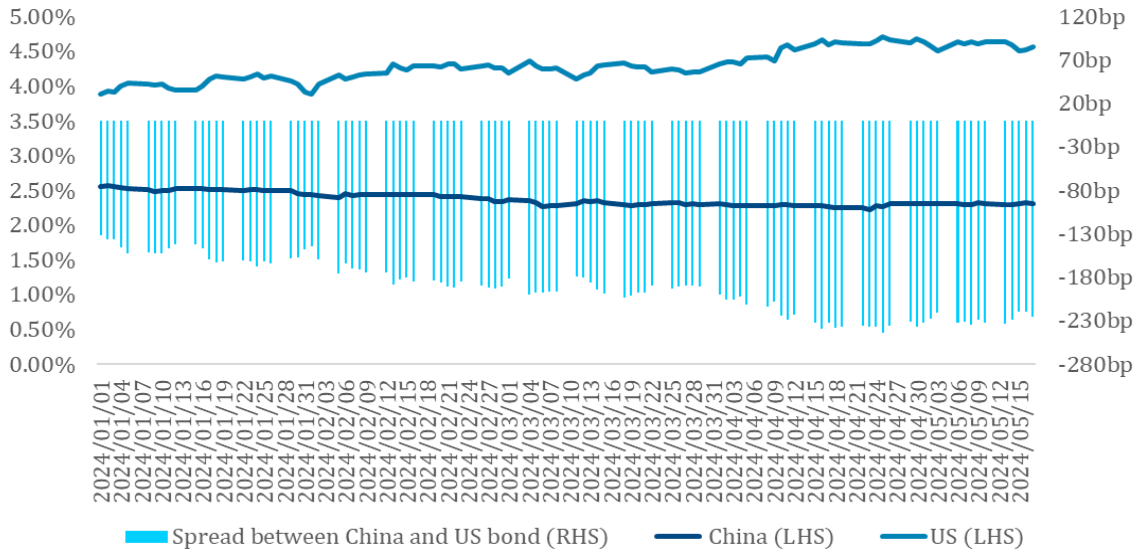
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of May 17, the yield spread between China and US 10-year note was -225.1bp, narrowing by 7.55bp from last Friday and widening 92.71bp 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 May 13 to May 17, there were 14 new issues with total issued volume of USD2.204 billion, decreasing by 8.29% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD1.997 billion.

Table 1: New issuance of Chinese offshore bonds (20240513-20240517)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/5/13	Bank of Communications Financial Leasing Co., Ltd.	USD	100	SOFR+75	2027/5/28	3	Financials	A2/-/-	-/-/-
2024/5/14	Chengdu Dongjin Huaitou Ronghe Industry Investment Co Ltd	CNY	335.4	7.4	2026/5/20	2	Chengtou	-/-/-	-/-/-
2024/5/14	China Everbright Bank Co Ltd/Sydney	CNY	491.4	0	2026/5/22	2	Banks	-/-/-	-/-/-
2024/5/14	China Securities International Finance Holding Co Ltd	USD	0.2	4.9	2025/5/16	364D	Financials	-/-/-	-/-/-
2024/5/14	Songyang County State Capital Investment and Operation Group Co Ltd	CNY	393.1	5.5	2027/5/22	3	Chengtou	-/-/-	-/-/-
2024/5/14	GF Holdings Hong Kong Corp Ltd	USD	30	5.96	2025/5/20	364D	Financials	- /BBB/BBB	-/-/-
2024/5/16	Industrial & Commercial Bank of China Ltd/Hong Kong	USD	1000	SOFR+48	2027/5/23	3	Banks	-/-/A	-/-/-
2024/5/16	Industrial & Commercial Bank of China Ltd/London	EUR	293.5	3.697	2027/5/23	3	Banks	-/-/A	-/-/-

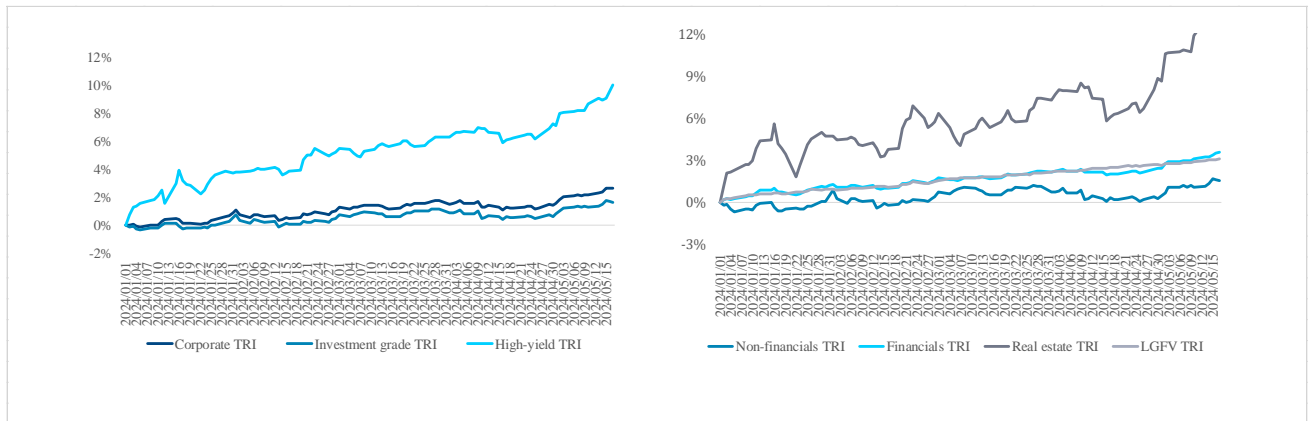
2024/5/16	Industrial & Commercial Bank of China Ltd/Singapore	CNY	2948.5	2.88	2027/5/23	3	Banks	-/-/A	-/-/-
2024/5/16	China Securities International Finance Holding Co Ltd	CNY	37.3	2.8	2024/8/23	94D	Financials	-/-/-	-/-/-
2024/5/17	Guotai Junan International Holdings Ltd	USD	30	5.85	2025/2/24	276D	Financials	Baa2/BBB +/-	-/-/-
2024/5/17	Jinyun County State-owned Assets Investment and Management Group Co., Ltd.	CNY	510	5.4	2027/5/24	3	Chengtou	-/-/-	-/-/-
2024/5/17	Zhoushan Putuo Urban Investment Development and Construction Co., Ltd.	CNY	235	6.98	2027/5/23	3	Chengtou	-/-/-	-/-/-
2024/5/17	Bank of Communications Financial Leasing Co., Ltd.	USD	100	SOFR+75	2027/5/28	3	Financials	A2/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond increased

As of May 17, the YTD return¹ on the Chinese USD corporate bond index increased by 49bp to 2.66% from last Friday, of which the return on investment-grade bonds increasing by 35bp to 1.62%, the return on high-yield bonds increasing by 137bp to 10.01%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.54%, 3.59%, 14.96% and 3.13%, respectively, increasing by 47bp, 51bp, 310bp and 22bp from last Friday.

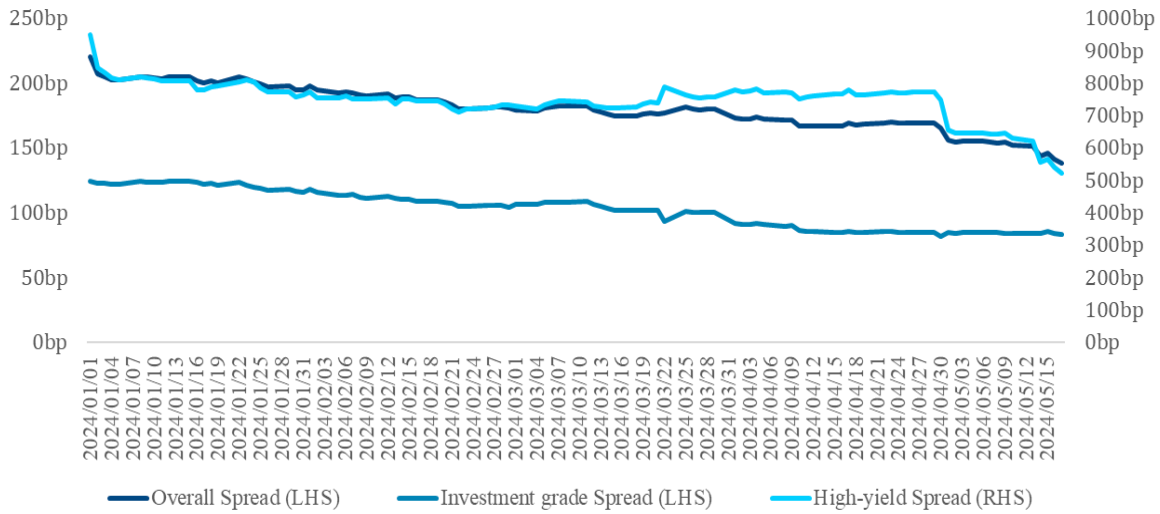
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of May 17, the yield spread of Chinese dollar bonds narrowed by 13.8bp to 138.18bp from last Friday. The yield spread of investment-grade bonds narrowed by 0.6bp to 82.86bp, while the spread of high-yield bonds narrowed by 110.1bp to 520.28bp.

¹ Year-to-date return measures the return since January 2, 2024

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


Sources: CCXAP research

The 10 bonds with the largest yield increase from May 13 to May 17 are shown in the table below. Among them, China Vanke Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240513-20240517)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
VNKRLE 3.45 05/25/24	China Vanke Co., Ltd.	99.735	0.01	29.141	4.2595M
DAFAPG 12 ¾ 07/30/22	Dafa Real Estate Group Co., Ltd.	1.668	0.19	741.906	2.8917M
LEEMAN 5 ½ PERP	Lee & Man Paper Co., Ltd.	100.126	PERP	-0.954	1.9188M
NNCOMM 3 ¾ 05/27/24	Nanning Transportation Investment Group Co., Ltd.	99.856	0.01	13.655	1.9144M
HRINTH 3 ¾ 05/29/24	CITIC Financial Asset Management Co., Ltd.	99.992	0.01	4.088	722.3
CNSHAN 3.95 05/24/24	Shandong Hi-Speed Group Co., Ltd.	99.992	0.01	5.287	684.8
FWDGHD 6.675 PERP	FWD Group Holdings Ltd	85.243	PERP	95.838	684
CHJMAO 4 06/21/24	China Jinmao Holding Group Co., Ltd.	99.756	0.08	6.93	585.3
SHGANG 4 05/23/24	Shougang Group Co., Ltd.	99.99	0.01	7.453	565.7
GLPCHI 4 07/02/24	GLP China Holdings Ltd	99.356	0.11	9.976	539.1

Sources: CCXAP research

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

On May 13, CCXAP has assigned first-time long-term credit rating of BBB_g to Zhejiang Nanxun Rural Commercial Bank Co., Ltd. (“NRCB”), with stable outlook.

Table 3: Credit rating from CCXAP (20240513-20240517)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2024/5/13	NRCB	BBB _g	-	The credit rating is underpinned by the Company’s (1) strong market franchise in Nanxun District; (2) limited exposure to market funds and solid deposit base; (3) low level of non-performing loan comparing with its peers; and (4) ongoing operating support from Zhejiang Rural Commercial United Bank (“ZRCB”) in terms of business development, risk management and information system

				configuration. However, the rating is constrained by the Bank's (1) squeezing profitability as a result of the narrowing net interest margin and higher credit costs; (2) asset quality which is sensitive to economic downturns because of its large exposure to small and medium-sized enterprises ("SMEs") and geographic concentration of loan portfolio; and (3) decreasing capital adequacy ratios resulting from continuous loan portfolio expansion.
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Sources: CCXAP research

From May 13 to May 17, rating agencies took positive rating actions to 1 Chinese issuer, took negative rating actions to 2 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20240513-20240517)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Guoren Property Insurance Co., Ltd.	Finance	BBB+	NEG	2024/05/15	BBB	STABLE	2023/05/25	Fitch	Improvement in company capital position
	Shenzhen International Holdings Co., Ltd.	Utilities	BBB	STABLE	2024/05/15	BBB+	NEG	2023/05/18	Fitch	Company financial condition weakens
Downgrade:	Agile Group Holdings Limited	Real estate	Ca	NEG	2024/05/16	Caa2	NEG	2024/03/25	Moody's	The company's liquidity is weak and the bills are in default

Sources: CCXAP research

Credit Event: Agile Group defaulted on interest payment

On May 14, Agile Group Holdings Limited announced that due to the liquidity pressure faced by the company, as of the announcement date, the company has not yet paid the relevant interest on the USD483 million 6.05% senior notes due in 2025. The grace period for interest payments on the notes expires on May 13, 2024, and it is expected to be unable to perform all payment obligations of its overseas debts, constituting a material default.

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