

### 2024 Issue 19 From May 20 to May 24

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

**Headline: China 1-year, 5-year LPR remain unchanged from April; Goldman Sachs adjusted its forecast for the Fed's first rate cut from July to September**

On May 20, the People's Bank of China authorized the National Interbank Lending Center to publish the loan prime rate (LPR) as: 1-year LPR 3.45%, 5-year LPR 3.95%, unchanged from April. On May 24, Goldman Sachs adjusts its forecast for the timing of the Fed's first rate cut, from July to September.

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

This week, the RMB depreciated. As of May 24, the RMB/USD middle rate closed at 7.1102, increasing by 57bp from last Friday. The USD index increased by 0.27% to 104.724 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 Fed is expected to adjust its forecast for the first rate cut, US Treasury yields rose.

#### Chinese Offshore Bond Market

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

From May 20 to May 24, there were 21 new issues with total issued volume of USD3.711 billion, increasing by 68.33% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD3.288 billion.

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

As of May 24, the year-to-date return on the Chinese USD corporate bond index increased by 4bp to 2.7% from last Friday, of which the return on investment-grade bonds decreased by 3bp to 1.59%, the return on high-yield bonds increased by 50bp to 10.05%.

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

CCXAP assigns long-term credit rating to 3 entities, Shandong Zhicheng Agricultural Development Group Co., Ltd., Jiangsu Runcheng Urban Investment Holding Group Co., Ltd., and Xiangtan Urban & Rural Construction Development Group Co., Ltd.



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## Headline: China 1-year, 5-year LPR remain unchanged from April; Goldman Sachs adjusted its forecast for the Fed's first rate cut from July to September

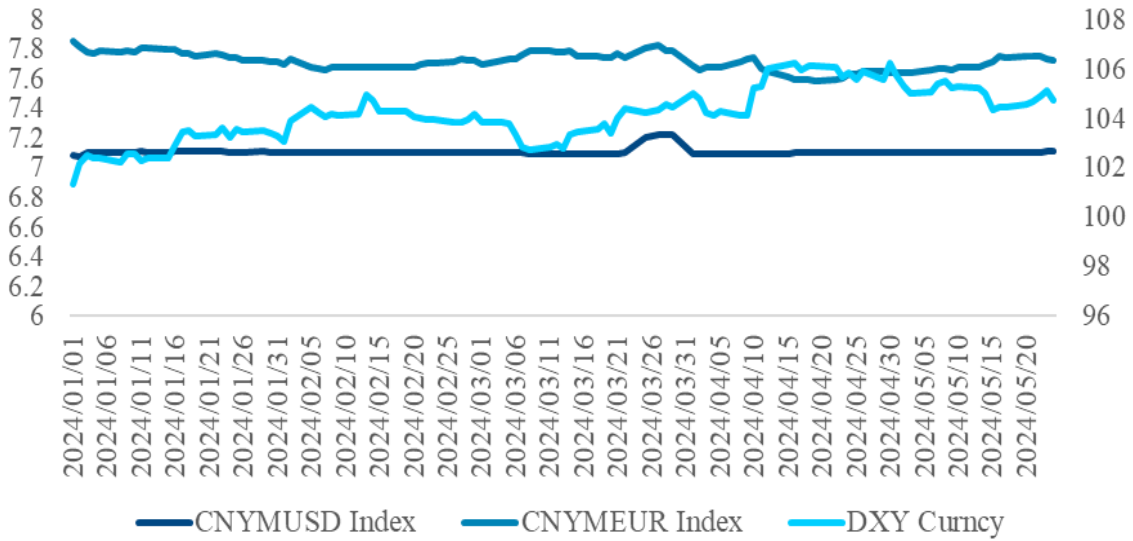
On May 20, the People's Bank of China authorized the National Interbank Funding Center to announce the Loan Prime Rate (LPR) as follows: the one-year LPR is 3.45%, and the LPR for over five years is 3.95%, unchanged from April. The LPR is generally formed by the MLF rate plus banks' added points. Since the MLF rate remained stable this month, the LPR also remained unchanged from last month, aligning with market expectations. Including this round of quotations, the LPR has been quoted five times this year. In the previous LPR quotation in February, the one-year LPR remained unchanged at 3.45%, while the LPR for over five years was 3.95%, a 25-basis point reduction, marking the largest single reduction in the history of the five-year LPR.

On May 24, Goldman Sachs revised its forecast for the timing of the Federal Reserve's first interest rate cut, postponing it from July to September. Goldman Sachs stated that earlier in May, they noted that to prompt a rate cut in July, better inflation data as well as significant signs of weakness in economic activity or the job market would be necessary. However, with May's manufacturing PMI data exceeding expectations and a decrease in the number of initial unemployment claims, a rate cut in July has become less likely. Goldman Sachs' latest forecast aligns with market expectations, while JPMorgan Chase and Citigroup are among the few investment banks still predicting action in July. Goldman Sachs maintains its expectation that the Federal Reserve will cut rates "once per quarter or every two meetings," which means the second rate cut is now expected to be in December, instead of the previously forecasted October. Goldman Sachs' forecast of a total of two rate cuts by the Federal Reserve in 2024 remains unchanged.

## Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of May 24, the RMB/USD middle rate closed at 7.1102, increasing by 54bp from last Friday. The RMB/EUR middle rate closed at 7.7254, decreasing by 192bp from last Friday. The USD index increased by 0.27% to 104.724 from last Friday.

Figure 1: RMB exchange rate

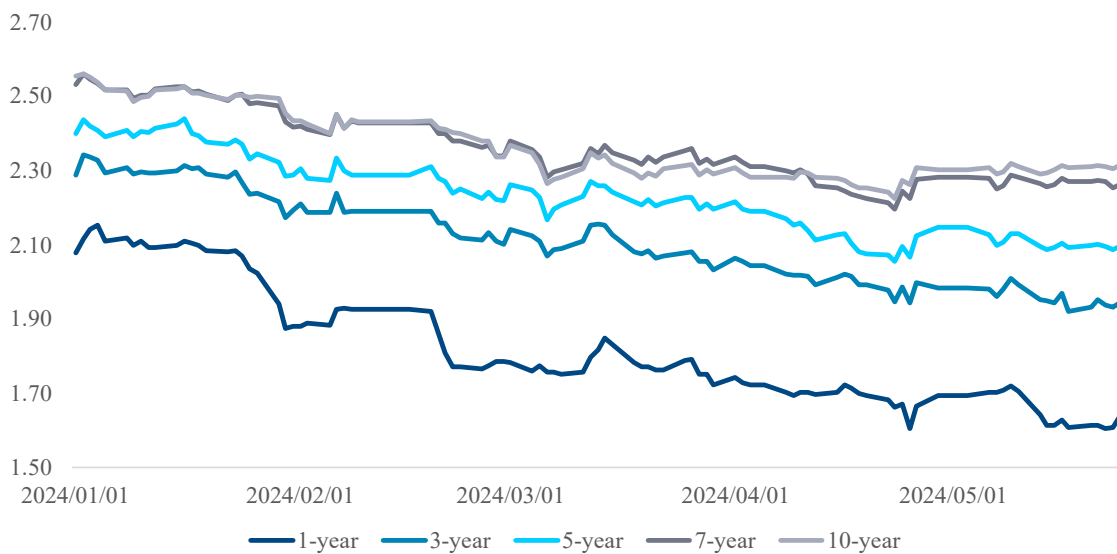


Sources: CCXAP research

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

This week, the China Government Bond yields mostly rose. As of May 24, the 1-year 3-year 5-year and 10-year China Government Bond yields were 1.6375%, 1.9430%, 2.0960%, and 2.3134%, increasing by 3.02bp, 2.24bp, 0.32bp, and 0.57bp, respectively, from last Friday. The 7-year China Government Bond yield was 2.2613%, decreasing by 0.94bp.

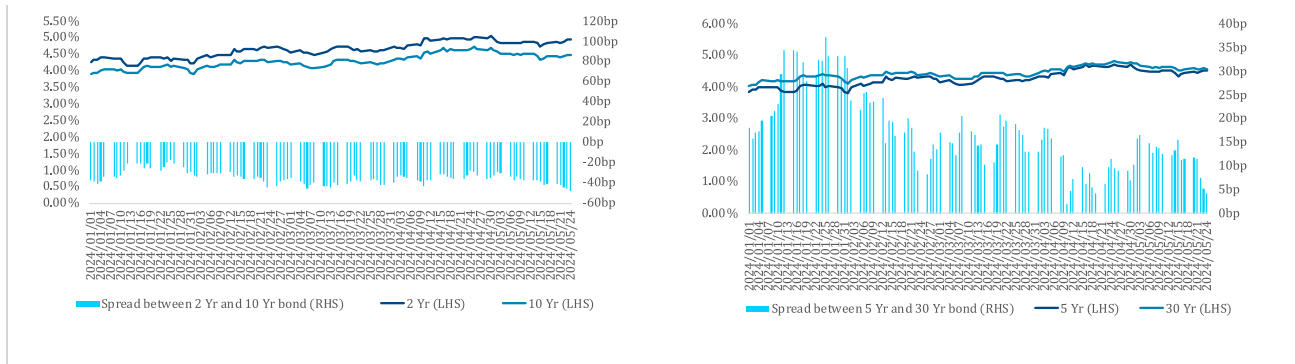
Figure 2: China Government Bond yields



Sources: CCXAP research

As Fed is expected to adjust its forecast for the first rate cut, US Treasury yields rose. As of May 24, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.9461%, 4.5277%, 4.4650%, and 4.5700%, increasing by 12.16bp, 8.27bp, 4.52bp and 1.14bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 7.64bp to -48.1bp from last Friday, and the spread between 5-year and 30-year Treasury bonds narrowed by 7.13bp to 4.2bp from last Friday.

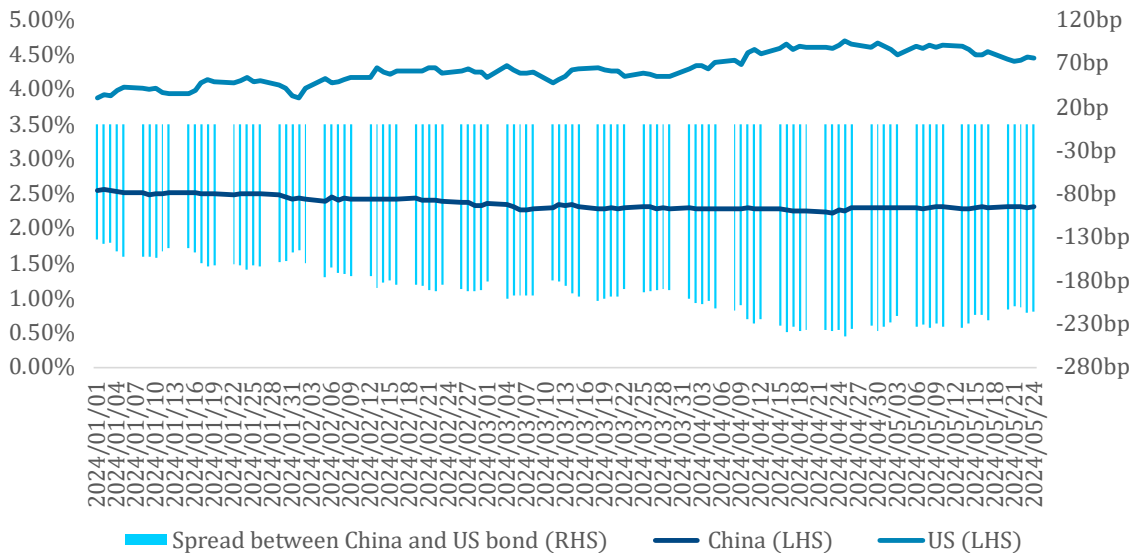
**Figure 3: US Treasury yields and yield spreads**



Sources: CCXAP research

As of May 24, the yield spread between China and US 10-year note was -215.2bp, narrowing by 9.93bp from last Friday and widening 82.78bp 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 20 to May 24, there were 21 new issues with total issued volume of USD3.711 billion, increasing by 68.33% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD3.288 billion.

**Table 1: New issuance of Chinese offshore bonds (20240520-20240524)**

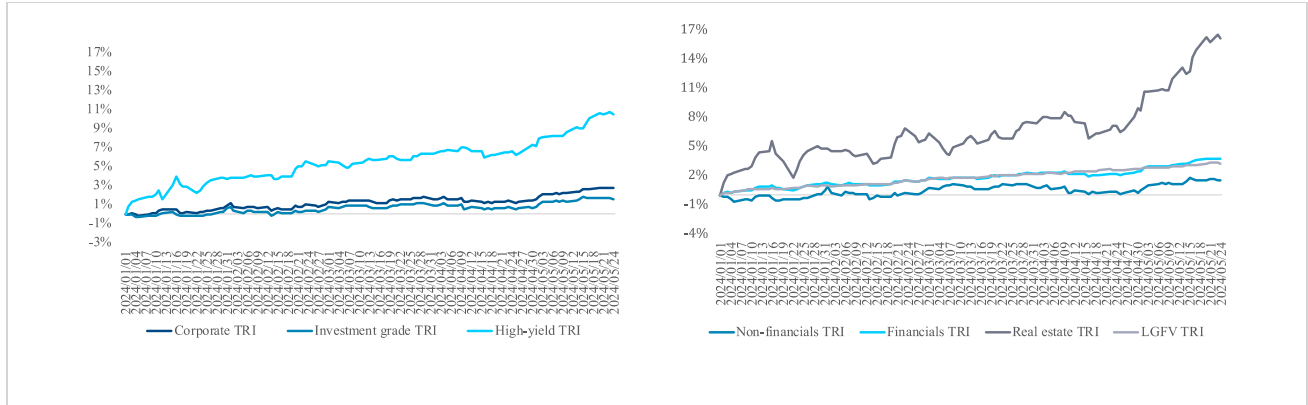
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/5/20	China Cinda HK Holdings Co Ltd	USD	800	5.75	2029/5/28	5	Financials	-/-/A-	-/-/A-
2024/5/20	Guotai Junan International Holdings Ltd	CNY	490.1	3.3	2025/5/27	364D	Financials	Baa2/BBB +/-	-/-/-
2024/5/20	Guotai Junan International Holdings Ltd	USD	50	5.85	2025/2/28	276D	Financials	Baa2/BBB +/-	-/-/-
2024/5/20	Jining Xiangcheng Investment Group Co., Ltd.	CNY	170	7.8	2025/5/21	1	Chengtou	-/-/-	-/-/-
2024/5/20	Yidu State-owned Assets Investment and Operation Holding Group Co., Ltd.	CNY	205.6	6.3	2027/5/9	3	Chengtou	-/-/-	-/-/-
2024/5/22	Bocom Leasing Management Hong Kong Co Ltd	HKD	367.9	4.6	2027/5/28	3	Financials	A3/A-/A	-/-/-
2024/5/22	Chibi City Development Group Co Ltd	CNY	686.2	6.5	2027/5/30	3	Chengtou	-/-/-	-/-/-
2024/5/22	Ganzhou Jiankong Investment Holding Group Co Ltd	USD	130	6	2027/5/28	3	Chengtou	-/-/-	-/-/-
2024/5/22	Ganzhou Jiankong Investment Holding Group Co Ltd	USD	90	6.5	2027/5/28	3	Chengtou	-/-/-	-/-/-
2024/5/22	Qingdao Military-Civilian Integration Development Group Co., Ltd.	CNY	328.4	4.5	2027/5/29	3	Chengtou	-/-/-	-/-/-
2024/5/23	CITIC Securities International Co Ltd	HKD	299.9	0	2025/5/29	364D	Financials	-/BBB+/-	-/-/-
2024/5/23	CITIC Securities International Co Ltd	USD	10	5.6	2024/11/29	184D	Financials	-/BBB+/-	-/-/-
2024/5/23	CSC Financial Co Ltd	USD	500	SOFR+67	2027/5/31	3	Financials	-/-/BBB+	-/-/-
2024/5/23	Guotai Junan International Holdings Ltd	CNY	36.9	0	2025/3/10	290D	Financials	Baa2/BBB +/-	-/-/-
2024/5/23	Quanzhou Urban Construction Group Co Ltd	CNY	1470.3	3.4	2027/5/30	3	Chengtou	-/-/BBB+	-/-/-
2024/5/23	Shandong Hi-Speed Group Co Ltd	USD	900	6.5	perpetuals	--	Chengtou	A3/-/-	-/-/-
2024/5/23	TF International Securities Group Ltd	USD	300	6.25	2026/5/31	2	Financials	-/-/BBB-	-/-/BBB-
2024/5/24	China Everbright Bank Co Ltd/Sydney	USD	150	SOFR+54	2027/6/3	3	Banks	Baa2/BBB +/BBB+	-/-/-
2024/5/24	Chongqing Tongnan Construction Engineering Group Co Ltd	CNY	470.5	7.8	2027/5/31	3	Industrial s	-/-/-	-/-/-
2024/5/24	Jinan Shizhong Finance Investment Group Co Ltd	USD	100	7.2	2025/5/28	364D	Chengtou	-/-/-	-/-/-
2024/5/24	Jinyun State Owned Assets Investment Operation Group Co Ltd	USD	51.7	6.8	2027/5/30	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond rose

As of May 24, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 4bp to 2.70% from last Friday, of which the return on investment-grade bonds decreasing by 3bp to 1.59%, the return on high-yield bonds increasing by 50bp to 10.50%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.49%, 3.72%, 16.09% and 3.25%, decreasing by 5bp, increasing by 12bp, 113bp and 12bp from last Friday, respectively.

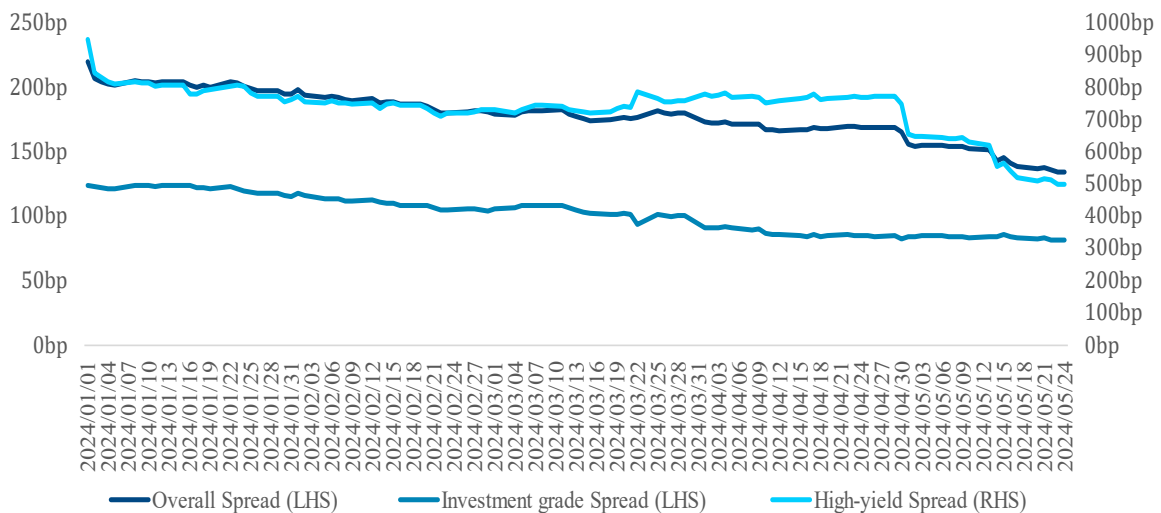
**Figure 5: YTD return on Market IBoxx Chinese USD bond index**



Sources: CCXAP research

As of May 24, the yield spread of Chinese dollar bonds narrowed by 4.1bp to 134.04bp from last Friday. The yield spread of investment-grade bonds narrowed by 1.5bp to 81.31bp, while the spread of high-yield bonds narrowed by 21.3bp to 499bp.

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



Sources: CCXAP research

<sup>1</sup> Year-to-date return measures the return since January 2, 2024

The 10 bonds with the largest yield increase from May 20 to May 24 are shown in the table below. Among them, Road King Infrastructure Limited changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20240520-20240524)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
JIUJDV 3.45 06/01/24	Jiujiang Urban Development Group Co., Ltd.	99.958	0.01	10.83	4.5114M
FWDGHD 6.675 PERP	FWD Group Holdings Ltd	84.793	PERP	109.189	1.3806M
VNKRLE 4.2 06/07/24	China Vanke Co., Ltd.	99.976	0.03	5.177	1.3633M
ROADKG 6.7 09/30/24	Road King Infrastructure Limited	7.987	0.34	57.281	1.1084M
HONGQI 6 ¼ 06/08/24	China Hongqiao Group Co., Ltd.	100.018	0.03	256.171	718.2
QDJZWD 3.4 06/07/24	Qingdao Jiaozhou Bay Development Group Co., Ltd.	100	0.03	145.758	529.1
NJYZSO 4.3 06/05/24	Nanjing Yangzi State-owned Assets Investment Group Co., Ltd.	99.974	0.02	27.05	401.8
GZHRCB 5.9 PERP	Guangzhou Rural Commercial Bank Co., Ltd.	100.325	PERP	5.37	389.5
GSHIAV 3 ½ 06/10/24	Gansu Highway and Aviation Tourism Investment Group Co., Ltd.	99.95	0.04	5.056	372.5
CQNANA 4.66 06/04/24	Chongqing Nan'an District Urban Construction and Development (Group) Co., Ltd.	100.066	0.02	3.45	313.8

Sources: CCXAP research

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

On May 22, CCXAP has assigned first-time long-term credit rating of BBB<sub>g</sub>- to Shandong Zhicheng Agricultural Development Group Co., Ltd. (“SDZC”), with stable outlook.

On May 24, CCXAP has assigned first-time long-term credit rating of BBB<sub>g</sub>+ to Xiangtan Urban & Rural Construction Development Group Co., Ltd. (“XCDG”), with stable outlook.

On May 24, CCXAP has assigned first-time long-term credit rating of BBB<sub>g</sub> to Jiangsu Runcheng Urban Investment Holding Group Co., Ltd. (“JSRC”), with stable outlook.

**Table 3: Credit rating from CCXAP (20240520-20240524)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2024/5/22	SDZC	BBB <sub>g</sub> -	BBB <sub>g</sub> -	The credit rating is underpinned by the Company’s (1) status as the sole state-owned enterprise (“SOE”) focusing on agricultural development in Zoucheng City; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities with relatively large investment needs; (2) fast debt growth with relatively large short-term debt burden; and (3) fair access to funding with high reliance on urban commercial banks.
2024/5/24	XCDG	BBB <sub>g</sub> +	-	The credit rating is underpinned by the Company’s (1) leading position in infrastructure construction and land development of Xiangtan City; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) weak asset liquidity; and (2) moderate exposure to contingent liabilities.
2024/5/24	JSRC	BBB <sub>g</sub>	BBB <sub>g</sub>	The credit rating is underpinned by the Company’s (1) dominant role in state-owned assets management and infrastructure construction in Pizhou City; (2) good track record of receiving government support; and (3) good access to funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities, especially in property

development and financial investment; (2) increasing debt burden and moderate asset liquidity; and (3) medium contingent risk resulting from external guarantees.

Sources: CCXAP research

From May 20 to May 24, rating agencies took positive rating actions to 1 Chinese issuer, took negative rating actions to 5 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20240520-20240524)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
<b>Upgrade:</b>	Jiangsu Yueda Group Co., Ltd.	Commercial trade	BBB <sub>g</sub> +	STABLE	2024/05/22	BBB <sub>g</sub>	STABLE	2023/05/10	CCXAP	Receive enhanced government support
	Shandong Energy Group Co., Ltd.	Energy	Ba1	NEG	2024/05/21	Ba1	STABLE	2022/10/25	Moody's	leverage ratio will continue to be high
	Yankuang Energy Group Co., Ltd.	Energy	Ba1	NEG	2024/05/21	Ba1	STABLE	2024/02/01	Moody's	profitability is greatly affected by coal price fluctuations
<b>Downgrade:</b>	Wuxi WuXi AppTec New Drug Development Co., Ltd.	Healthcare	Baa2	NEG	2024/05/21	Baa2	STABLE	2021/12/09	Moody's	New U.S. bill brings additional compliance risks
	Zhongshan Torch Public Assets Management Group Co., Ltd.	Real estate	B1	NEG	2024/05/22	Ba2	NEG	2024/01/11	Moody's	uncertainty about Zhongshan Torch's ability to improve its financial metrics amid increased commercialization of the industry and related business risks.
	Vanke Enterprise Co., Ltd.	Real estate	BB-	NEG	2024/05/23	BB+	NEG	2024/03/22	Fitch	financial report is weak and profitability has declined.

Sources: CCXAP research



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