

2024 Issue 20 From May 27 to May 31

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

Headline: China's manufacturing PMI in May was 49.5, decreasing from last month; US real GDP in the first quarter increased by 1.3% from last month

On May 31, the National Bureau of Statistics released data showing that the Manufacturing Purchasing Managers' Index (PMI) for May was 49.5%, a decrease of 0.9 percentage points from the previous month. The Non-Manufacturing Business Activity Index was 51.1%, remaining almost unchanged from the previous month.

On May 30, revised data released by the US Department of Commerce indicated that the actual GDP annualized quarter-on-quarter growth rate for the first quarter was 1.3%, down 0.3 percentage points from the initial estimate of 1.6%, and significantly slower than the 3.4% growth rate in the fourth quarter of last year.

Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of May 31, the RMB/USD middle rate closed at 7.1088, decreasing by 14bp from last Friday. The USD index decreased by 0.05% to 104.671 from last Friday.

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

This week, the China Government Bond yields mostly fell. Due to the slowdown in US GDP economic data, the Fed is expected to potentially cut interest rates earlier, resulting in mixed US Treasury yields.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance increased

From May 27 to May 31, there were 17 new issues with total issued volume of USD12.574 billion, increasing by 238.87% from last week. Among them, Alibaba Group Holding Ltd. is the largest issuer with a total issued amount of USD10 billion.

Secondary Market: Return on Chinese USD bond rose

As of May 31, the year-to-date return on the Chinese USD corporate bond index increased by 9bp to 2.79% from last Friday, of which the return on investment-grade bonds increasing by 13bp to 1.72%, the return on high-yield bonds decreasing by 15bp to 10.35%.

Rating Action: Rating agencies took rating actions to 11 Chinese issuers

From May 27 to May 31, rating agencies took positive rating actions to 4 Chinese issuers, took negative rating actions to 7 Chinese issuers.



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 manufacturing PMI in May was 49.5, decreasing from last month; US real GDP in the first quarter increased by 1.3% from last month

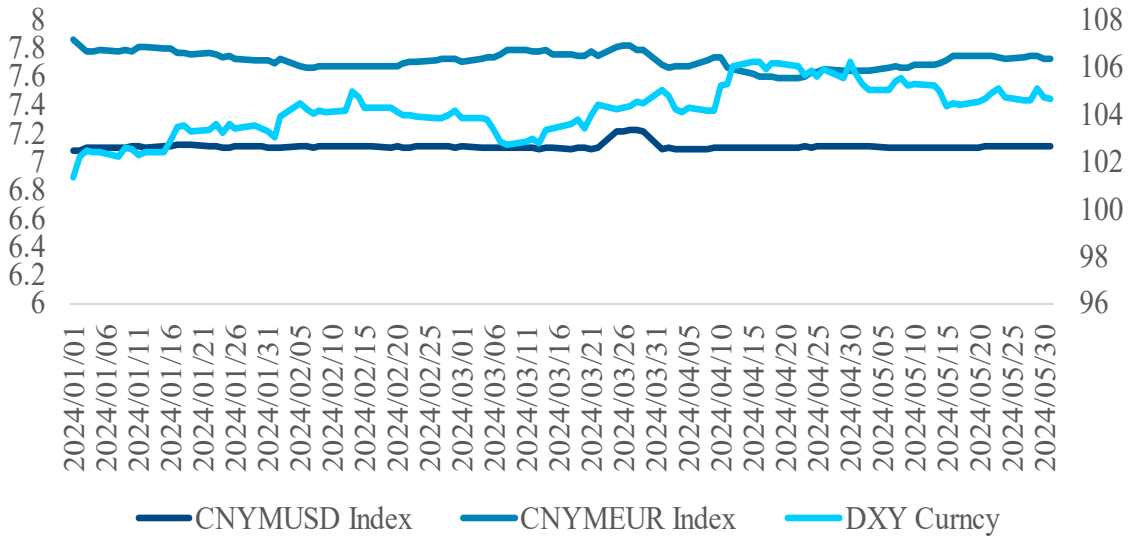
On May 31, the National Bureau of Statistics released data showing that the Manufacturing Purchasing Managers' Index (PMI) for May was 49.5%, a decrease of 0.9 percentage points from the previous month. By enterprise size, the PMI for large enterprises was 50.7%, an increase of 0.4 percentage points from the previous month, while the PMIs for medium and small enterprises were 49.4% and 46.7%, down 1.3 and 3.6 percentage points, respectively. Among the five sub-indices that make up the manufacturing PMI, the production index and supplier delivery time index were above the critical point, while the new orders index, raw materials inventory index, and employment index were below the critical point. The Non-Manufacturing Business Activity Index was 51.1%, remaining almost unchanged from the previous month. The Composite PMI Output Index was 51.0%, a decrease of 0.7 percentage points from the previous month but still above the critical point.

On May 30, revised data released by the US Department of Commerce indicated that the actual GDP annualized quarter-on-quarter growth rate for the first quarter was 1.3%, down 0.3 percentage points from the initial estimate of 1.6%, and significantly slower than the 3.4% growth rate in the fourth quarter of last year. The downward revision in economic growth was mainly due to lower-than-expected consumer spending. As the primary engine of US economic growth, personal consumption expenditures (PCE) for the first quarter were significantly revised down. Specifically, first-quarter PCE grew at an annualized rate of 2% quarter-on-quarter, revised down by 0.5 percentage points from the initial estimate of 2.5%, and lower than the expected 2.2%. Meanwhile, the GDP price index for the first quarter rose by 3.0%, revised down by 0.1 percentage points from the previous estimate.

Exchange Rate: RMB appreciated, USD index increased

This week, the RMB appreciated. As of May 31, the RMB/USD middle rate closed at 7.1088, decreasing by 14bp from last Friday. The RMB/EUR middle rate closed at 7.7322, increasing by 68bp from last Friday. The USD index decreased by 0.05% to 104.671 from last Friday.

Figure 1: RMB exchange rate

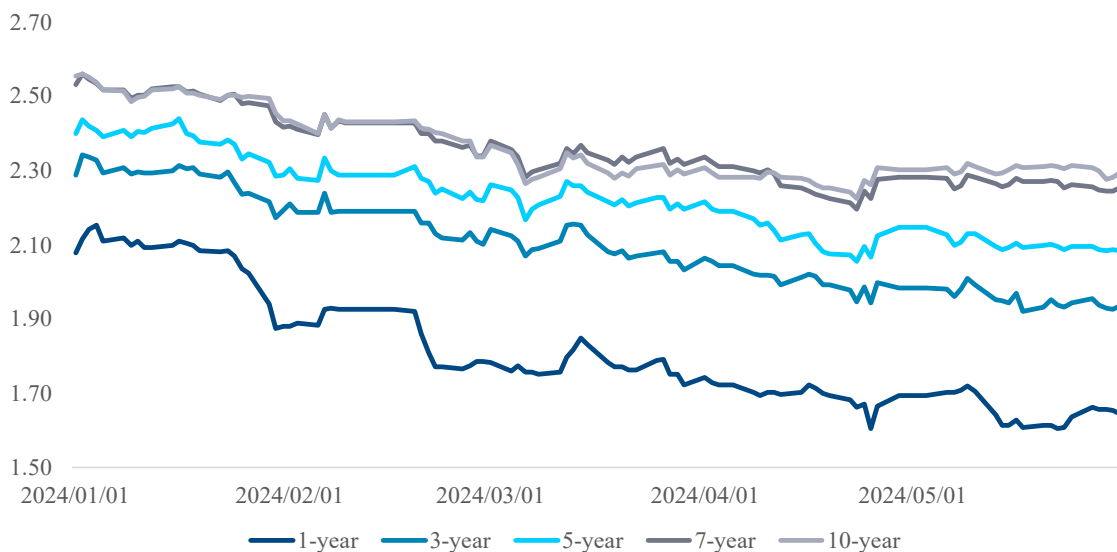


Sources: CCXAP research

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

This week, the China Government Bond yields mostly fell. As of May 31, the 3-year 5-year 7-year and 10-year China Government Bond yields were 1.9360%, 2.0850%, 2.2526%, and 2.2926%, decreasing by 0.7bp, 1.1bp, 0.87bp, and 2.08bp, respectively, from last Friday. The 1-year China Government Bond yield was 1.6444%, increasing by 0.69bp.

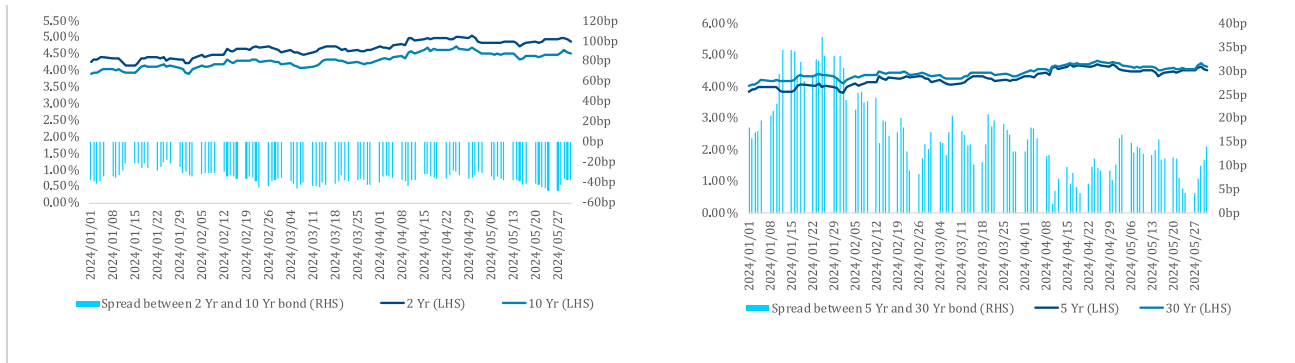
Figure 2: China Government Bond yields



Sources: CCXAP research

Due to the slowdown in US GDP economic data, the Fed is expected to potentially cut interest rates earlier, resulting in mixed US Treasury yields. As of May 31, the 2-year and 5-year Treasury yields were 4.8727% and 4.5070%, decreasing by 7.34bp and 2.07bp respectively from last Friday. The 10-year and 30-year Treasury yields were 4.4985% and 4.6472%, increasing by 3.35bp and 7.72bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 10.69bp to -37.4bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 9.79bp to 14bp from last Friday.

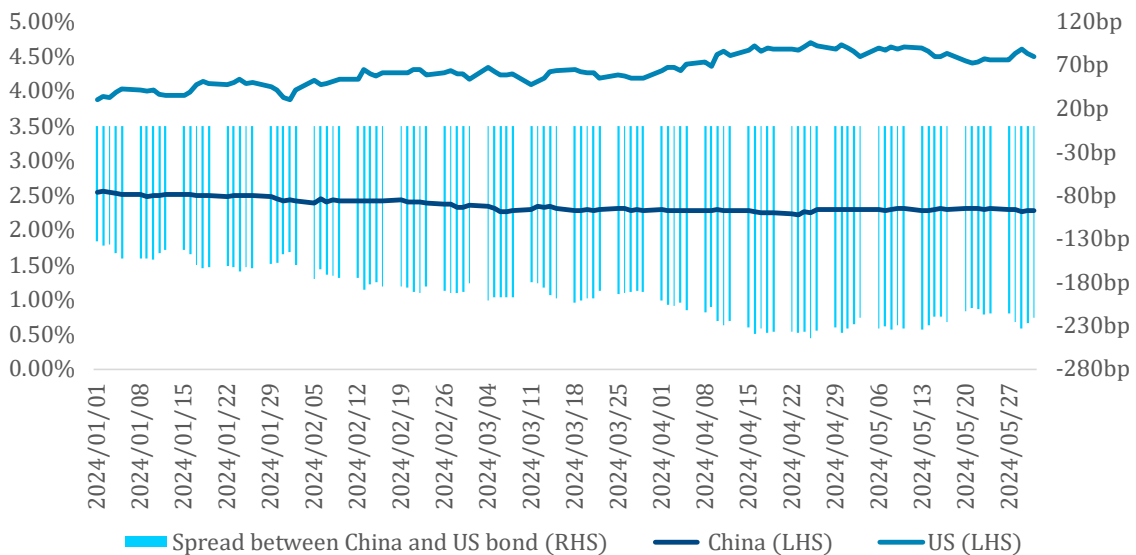
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of May 31, the yield spread between China and US 10-year note was -220.6bp, widened by 5.43bp from last Friday and widened 88.21bp 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 27 to May 31, there were 17 new issues with total issued volume of USD12.574 billion, increased by 238.87% from last week. Among them, Alibaba Group Holding Ltd. is the largest issuer with a total issued amount of USD10 billion.

Table 1: New issuance of Chinese offshore bonds (20240527-20240531)

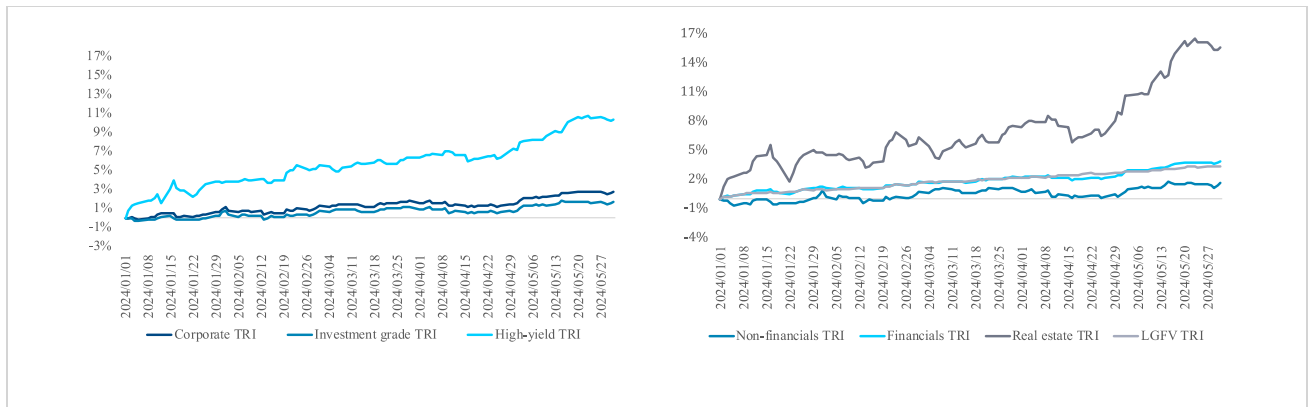
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/5/27	Sanmenxia Hubin State-Owned Assets Investment And Operation Co Ltd	CNY	82.3	8.5	2025/5/29	364D	Chengtou	-/-/	-/-/
2024/5/27	Wuxi Communications Industry Group Co Ltd	EUR	340.7	4.2	2027/5/30	3	Chengtou	-/-/BBB+	-/-/
2024/5/28	Baoding Guokong Group Co Ltd	CNY	979.4	4.98	2027/6/4	3	Chengtou	-/-/	-/-/
2024/5/28	CITIC Securities International Co Ltd	CNY	21.5	0	2027/6/8	3.02	Financials	-/BBB+/-	-/-/
2024/5/28	CMB International Leasing Management Ltd	USD	500	SOFR+76	2027/6/4	3	Financials	A2/A-/	-/-/
2024/5/28	Jiangyou Hongfei Investment Group Co Ltd	USD	62	7	2027/5/31	3	Chengtou	-/-/	-/-/
2024/5/28	Qingdao Jiaozhou Bay Development Group Co Ltd	USD	200	7.9	2027/6/4	3	Chengtou	-/-/	-/-/
2024/5/28	Sichuan Jianzhou Airport Agricultural Investment and Development Group Co Ltd	JPY	5209.8	3.3	2027/5/31	3	Chengtou	-/-/	-/-/
2024/5/29	Alibaba Group Holding Ltd.	USD	5000	0.5	2031-06-01	7.01	Consumer Discretionary	A1/A+/A+	-/-/
2024/5/29	Alibaba Group Holding Ltd.	USD	5000	0.5	2031-06-01	7.01	Consumer Discretionary	A1/A+/A+	-/-/
2024/5/29	China Securities International Finance Holding Co Ltd	CNY	371.7	3.2	2025/5/30	361D	Financials	-/-/	-/-/
2024/5/29	Fujian Jinjiang Construction Investment Holding Group Co Ltd	USD	142.0	6.45	2025/6/4	364D	Chengtou	-/-/	-/-/
2024/5/29	Ruichang State-owned Investment Holding Group Co Ltd	CNY	587.6	5.9	2027/6/5	3	Chengtou	-/-/	-/-/
2024/5/30	China Orient Asset Management (International) Holdings Co., Ltd.	USD	650	5.75	2029-06-06	5	Financials	-/BBB/A-	-/-/
2024/5/30	Chongqing Xinshuangquan Urban Construction and Development Co., Ltd.	USD	96	7.5	2027-06-04	3	Chengtou	-/-/	-/-/
2024/5/30	Nanchang Jinkai Group Co., Ltd.	USD	186	7	2027-05-04	3	Chengtou	-/-/	-/-/
2024/5/30	Qingdao Jimo District Urban Tourism Development Investment Co., Ltd.	CNY	272	6.5	2027-06-06	3	Chengtou	-/-/BB+	-/-/

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond rose

As of May 31, the YTD return¹ on the Chinese USD corporate bond index increased by 9bp to 2.79% from last Friday, of which the return on investment-grade bonds increasing by 13bp to 1.72%, the return on high-yield bonds decreasing by 15bp to 10.35%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.58%, 3.80%, 15.57% and 3.32%, respectively, increasing by 10bp, increasing by 8bp, decreasing by 52bp, and increasing by 8bp from last Friday.

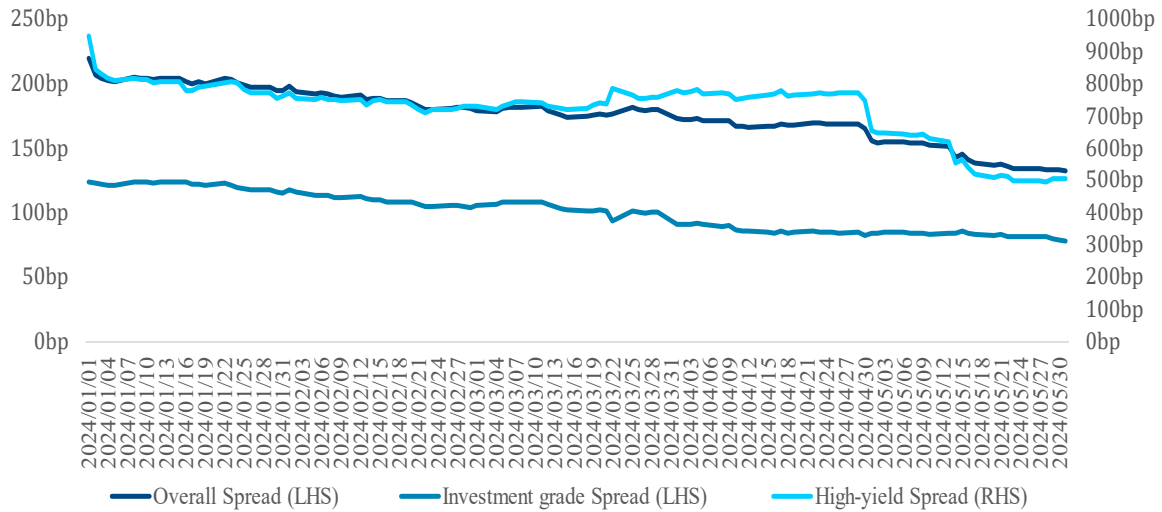
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of May 31, the yield spread of Chinese dollar bonds narrowed by 1.6bp to 132.47bp from last Friday. The yield spread of investment-grade bonds narrowed by 3.2bp to 78.09bp, while the spread of high-yield bonds widened by 6.8bp to 505.83bp.

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 27 to May 31 are shown in the table below. Among them, China Vanke Co.,Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240527-20240531)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
VNKRLE 4.2 06/07/24	China Vanke Co.,Ltd.	100.485	0.008	-81.024	4.7527M
QDJZWD 3.4 06/07/24	Qingdao Jiaozhou Bay Development Group Co., Ltd.	99.958	0.008	10.783	2.0694M
HONGQI 6 ¼ 06/08/24	China Hongqiao Group Co., Ltd.	100.179	0.011	-14.75	1.6995M
NJYZSO 4.3 06/05/24	Nanjing Yangzi State-owned Assets Investment Group Co., Ltd.	100.019	0.003	-2.486	1.653M
FWDGHD 6.675 PERP	FWD Group Holdings Ltd	84.755	PERP	120.245	896.5
GEMDAL 4.95 08/12/24	Gemdale Corporation	93.148	0.189	44.103	855.7
GSHIAV 3 ½ 06/10/24	Gansu Highway and Aviation Tourism Investment Group Co., Ltd.	100.001	0.016	3.371	776.4
GZHRCB 5.9 PERP	Guangzhou Rural Commercial Bank Co., Ltd.	100.404	PERP	-3.579	734.5
GLPCHI 4 07/02/24	GLP China Holdings Ltd	99.695	0.077	8.311	659.2
CHJMAO 4 06/21/24	China Jinmao Holdings Group Co., Ltd.	99.918	0.047	5.745	331.1

Sources: CCXAP research

Rating Action: Rating agencies took rating actions to 11 Chinese issuers

From May 27 to May 31, rating agencies took positive rating actions to 4 Chinese issuers, took negative rating actions to 7 Chinese issuers.

Table 3: Credit rating changes of cross-border bond market (20240527-20240531)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									

Upgrade:	Huzhou Wuxing Economic Development Construction Investment Development Group Co., Ltd.	Chengtou	BBBg	STABLE	2024/05/28	BBBg-	STABLE	2023/06/08	CCXAP	The company has received more support from local governments
	Jiangsu Yangjing Petrochemical Group Co., Ltd.	Chengtou	BBBg+	STABLE	2024/05/31	BBBg	STABLE	2023/05/31	CCXAP	The company has received more support from local governments
	Changxing Urban Construction Investment Group Co., Ltd.	Chengtou	BBBg+	STABLE	2024/05/29	BBBg	STABLE	2023/05/31	CCXAP	The company has received more support from local governments
	Chongqing International Logistics Hub Park Construction Co., Ltd.	Chengtou	BBB	STABLE	2024/05/31	BBB-	STABLE	2024/01/18	Fitch	The region's financial situation has improved and government support has increased
Downgrade:	Shanghai Commercial Bank Co., Ltd.	Finance	Aa3	NEG	2024/05/27	Aa3	STABLE	2023/02/24	Moody's	The company's credit profile faces downward pressure due to further deterioration in asset quality
	Xinhu Zhongbao Co., Ltd.	Real estate	B-	NEG under review	2024/05/28	B-	NEG	2024/03/15	S&P	The company's debt is about to mature
	China Power Construction Group Co., Ltd.	Utilities	Baa1	NEG	2024/05/30	Baa1	STABLE	2022/10/21	Moody's	The company is transforming to new energy operations, and its leverage ratio will remain high in the next 12-18 months, which will challenge the company's deleveraging plan
	China Gezhouba Group Co., Ltd.	Utilities	Baa3	NEG	2024/05/30	Baa2	NEG	2024/02/01	Moody's	The company's financial leverage ratio is high

China Gezhouba Group Co., Ltd.	Utilities	Baa3	NEG	2024/05/30	Baa2	NEG	2024/02/01	Moody's	The company's financial leverage ratio is high
Sinochem International (Holdings) Co., Ltd.	Industrials	Baa1	NEG under review	2024/05/30	Baa1	STABLE	2024/02/01	Moody's	Corporate credit profile to remain weak over next two years
Wuxi WuXi AppTec Pharmaceutical Development Co., Ltd.	Healthcare	BBB	NEG under review	2024/05/31	BBB	POS	2023/10/17	Fitch	The new US bill brings additional compliance risks

Sources: CCXAP research

Copyright © 2024 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

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