

### 2024 Issue 21 From June 3 to June 7

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

#### Headline: China's manufacturing PMI in May was 51.7; US non-farm payroll data in May was better than expected

On June 3, S&P Global released data showing that China's Caixin Manufacturing Purchasing Managers' Index (PMI) for May stood at 51.7, the highest since July 2022, up from the previous value of 51.4.

On June 7, the US Bureau of Labor Statistics released data showing that US non-farm payroll employment increased by 272,000 in May, a significant rebound from the previous value of 175,000.

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

This week, the RMB depreciated. As of June 7, the RMB/USD middle rate closed at 7.1106, increasing by 18bp from last Friday. The USD index increased by 0.20% to 104.885 from last Friday.

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

Due to better-than-expected US employment data, the market anticipates that the Federal Reserve will soon begin lowering interest rates, leading to a decline in US Treasury yields.

#### Chinese Offshore Bond Market

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

From June 3 to June 7, there were 15 new issues with total issued volume of USD1.889 billion, which has decreased by 84.98% from last week. Among them, financials are the largest issuer with a total issued amount of USD985 million.

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

As of June 7, the year-to-date return on the Chinese USD corporate bond index increased by 25bp to 3.04% from last Friday, of which the return on investment-grade bonds increasing by 19bp to 1.91%, the return on high-yield bonds decreasing by 64bp to 11%.

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

On June 6, CCXAP has assigned a first-time long-term credit rating of BBB<sub>g</sub>+ to Xingtai Communications Construction Group Co., Ltd., with stable outlook.



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## Headline: China's manufacturing PMI in May was 51.7; US non-farm payroll data in May was better than expected

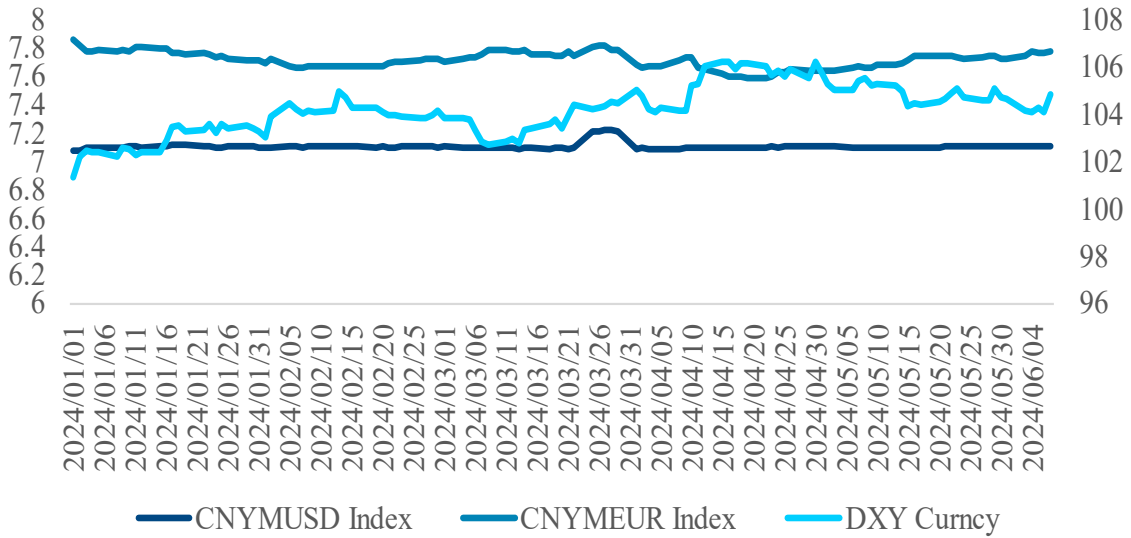
On June 3, S&P Global released data showing that China's Caixin Manufacturing Purchasing Managers' Index (PMI) for May stood at 51.7, the highest since July 2022, up from the previous value of 51.4. Specifically, in May, manufacturing supply and demand continued to expand, with the production index rising to a new high since July 2022, particularly driven by strong growth in the production of consumer goods. The new orders index slightly declined within the expansion range, while the expansion of external demand significantly slowed. The new export orders index for the month also slowed down but remained above the critical point. As new orders increased, output accelerated, with manufacturing output in May reaching the highest growth rate since June 2022, especially notable in consumer goods. Survey samples indicated that increased production was driven by the growth of new business volume, increased market interest in new products, and strengthened domestic and international demand leading to new orders growth, although the growth rate of new orders slowed compared to April. Market confidence in manufacturing remained relatively stable, with the production and business expectations index slightly rising within the expansion range in May. Responding companies stated that growth expectations were mainly related to the recent recovery in domestic and international market demand, as well as the benefits of new product launches, technological advancements, and capacity expansion. Survey results showed that the Chinese manufacturing industry continued to be optimistic about the future, with responding companies expecting improved demand both domestically and internationally in the coming year, which would help increase production. Confidence in the industry slightly improved compared to April.

On the evening of June 7, the US Bureau of Labor Statistics released data showing that US non-farm payroll employment increased by 272,000 in May, exceeding the expectations of all analysts surveyed by the media (120,000 to 258,000), and significantly surpassing the consensus expectation of 180,000. This was also a substantial rebound from the previous month's figure of 175,000 (revised down to 165,000). The year-on-year growth rate of average hourly earnings was 4.1%, higher than the expected and previous values of 3.9%, with the month-on-month growth rate rebounding from 0.2% in the previous month to 0.4%, higher than the expected 0.3%. The unemployment rate was 4%, up 0.1 percentage points from the previous value and expectation, marking the first time it has risen to this level in over two years. Meanwhile, the labor force participation rate dropped to 62.5%, the lowest point since early last year, reflecting more people opting out of the labor force. Some analysts believe that the rise in the unemployment rate is stronger evidence of a weakening labor market. If the unemployment rate continues to deteriorate, the likelihood of the Federal Reserve cutting interest rates in September will significantly increase. Morgan Stanley maintains that the Federal Reserve will cut interest rates three times starting from September.

## Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of June 7, the RMB/USD middle rate closed at 7.1106, increasing by 18bp from last Friday. The RMB/EUR middle rate closed at 7.776, increasing by 438bp from last Friday. The USD index increased by 0.20% to 104.885 from last Friday.

Figure 1: RMB exchange rate

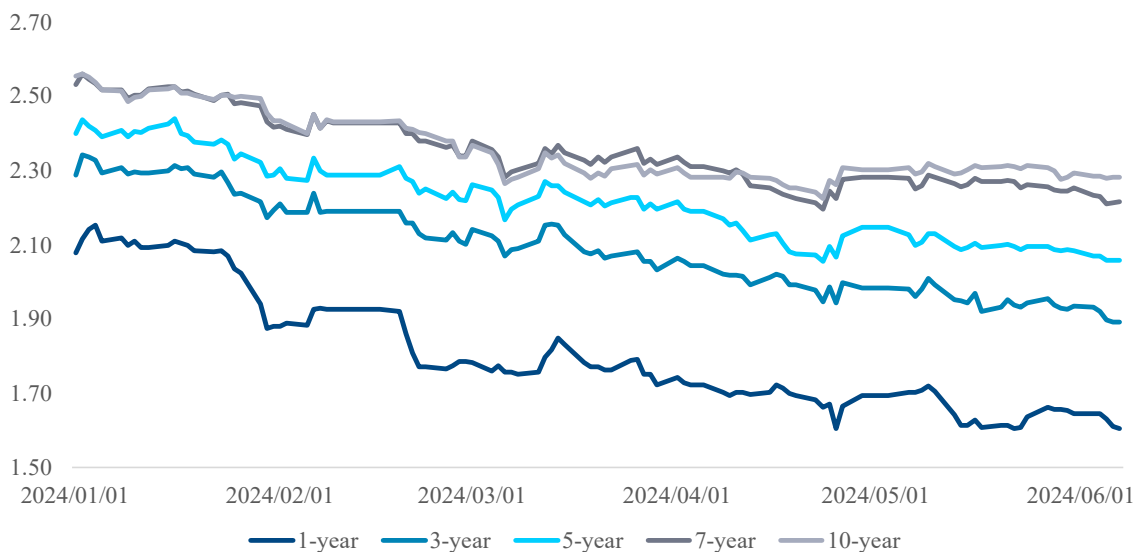


Sources: CCXAP research

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

This week, the China Government Bond yields mostly fell. As of June 7, The 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 1.6040%, 1.8932%, 2.0598%, and 2.2526% and 2.2156%, decreasing by 4.04bp, 4.28bp, 2.52bp, 3.7bp and 0.93bp, respectively, from last Friday.

Figure 2: China Government Bond yields



Sources: CCXAP research

Due to better-than-expected US employment data, the market anticipates that the Federal Reserve will soon begin lowering interest rates, leading to a decline in US Treasury yields. As of June 7, the 5-year 10-year and 30-year Treasury yields were 4.4626%, 4.4335% and 4.5546%, decreasing by 4.44bp, 6.5bp, and 9.26bp respectively from last Friday. The 2-year Treasury yields were 4.8868%, increasing by 1.41bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 7.91bp to -45.3bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 4.82bp to 9.2bp from last Friday.

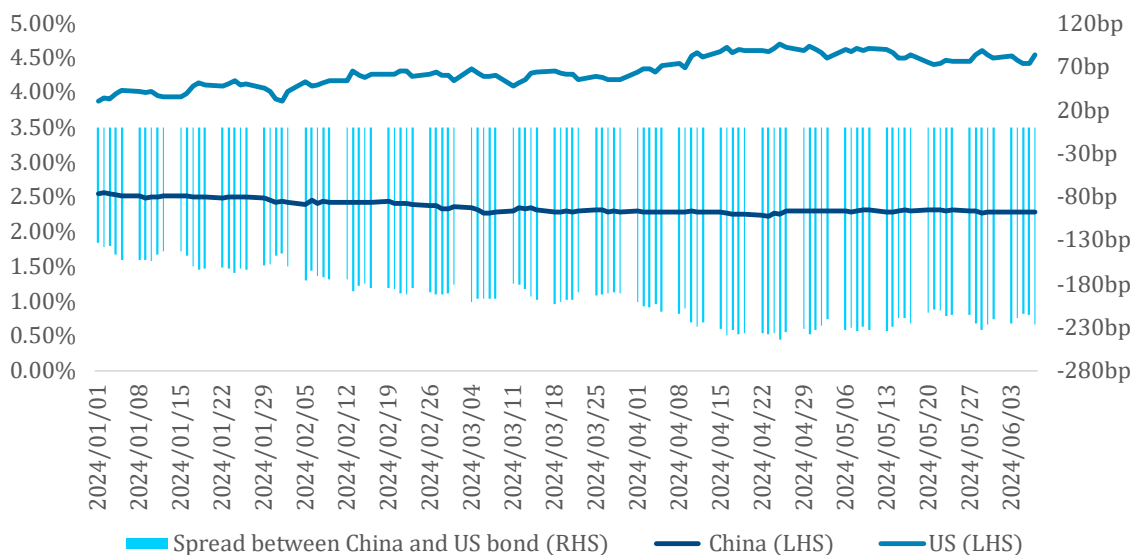
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of June 7, the yield spread between China and US 10-year note was -227.1bp, widened by 6.54bp from last Friday and widened 94.75bp 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 increase

From June 3 to June 7, there were 15 new issues with total issued volume of USD 1.889 billion, decreased by 84.98% from last week. Among them, financials is the largest issuer with a total issued amount of USD 0.985 billion.

**Table 1: New issuance of Chinese offshore bonds (20240603-20240607)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/6/3	Nine Dragons Paper Holdings Ltd	USD	400	14	-	perpetuals	Materials	-/-/-	-/-/-
2024/6/3	China Securities International Finance Holding Co Ltd	HKD	100	4.85	2024/12/6	184D	Financials	-/-/-	-/-/-
2024/6/3	China Securities International Finance Holding Co Ltd	HKD	150	4.78	2024/9/6	93D	Financials	-/-/-	-/-/-
2024/6/4	Qingdao Haike Holdings Co., Ltd.	CNY	52.9	7.5	2026/6/12	2	Chengtou	-/-/-	-/-/-
2024/6/4	Maoming Port Group Co Ltd	CNY	587.8	4.85	2027/6/12	3	Chengtou	-/-/-	-/-/-
2024/6/4	Industrial & Commercial Bank of China Ltd	CNY	979.7	2.85	2027/6/14	3	Banks	A1/A/A	-/-/-
2024/6/5	Xiaoxian Construction Investment Group Co Ltd	CNY	475.1	7.8	2027/6/11	3	Chengtou	-/-/-	-/-/-
2024/6/5	Zhengzhou Road Bridge Construction Investment Group Co Ltd	CNY	102.9	7.5	2025/6/6	364D	Chengtou	-/-/-	-/-/-
2024/6/6	Bank of China Ltd	USD	800	SOFR+50	2027/6/14	3	Banks	-/-/-	-/-/-
2024/6/6	Zibo City Asset Operation Group Co Ltd	CNY	979.7	5.8	2027/6/14	3	Chengtou	-/-/-	-/-/-
2024/6/6	Chengdu Xisheng Investment Group Co Ltd	CNY	783.7	4.98	2027/6/14	3	Chengtou	-/-/-	-/-/-
2024/6/6	Chongqing Tongnan Construction Engineering Group Co Ltd	CNY	313.5	7.9	2026/6/14	2	Chengtou	-/-/-	-/-/-
2024/6/6	Guotai Junan International Holdings Ltd	USD	10	0	2025/1/13	214D	Financials	Baa2/BBB +/-	-/-/-
2024/6/7	Sheyang State-owned Assets Investment Group Co Ltd	JPY	4289.4	1.68	2027/6/13	3	Chengtou	-/-/-	-/-/-
2024/6/7	Sheyang State-owned Assets Investment Group Co Ltd	JPY	1940.4	1.68	2027/6/13	3	Chengtou	-/-/-	-/-/-
2024/6/7	CITIC Securities International Co Ltd	USD	5	5.54	2024/12/17	183D	Financials	-/BBB+/-	-/-/-

Sources: CCXAP research

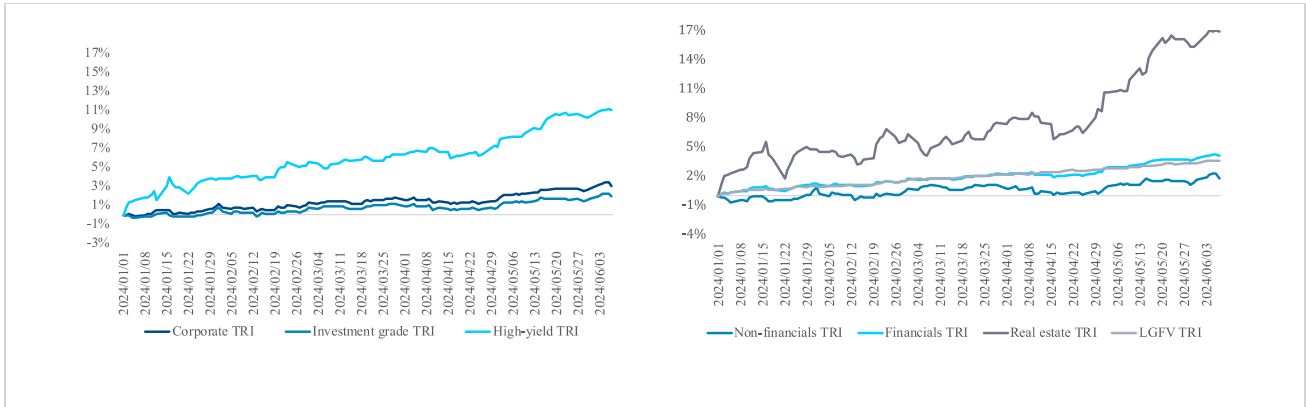
## Secondary Market: Return on Chinese USD bond increased

As of June 7, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 25bp to 3.04% from last Friday, of which the return on investment-grade bonds increasing by 19bp to 1.91%, the

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

return on high-yield bonds decreasing by 64bp to 11%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 1.82%, 4.06%, 16.9% and 3.54%, respectively, increasing by 24bp, 26bp, 133 bp, and 21bp

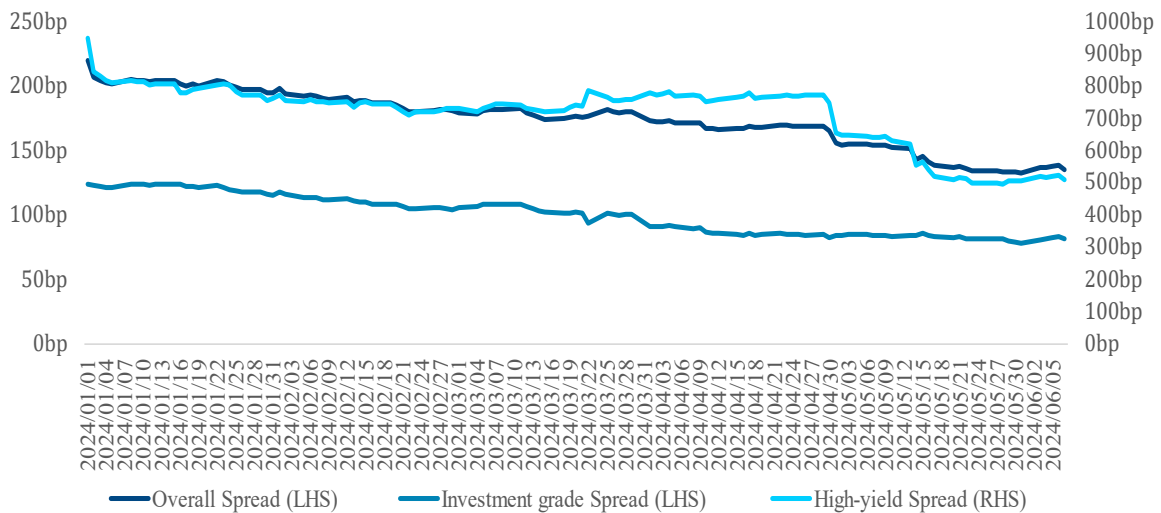
**Figure 5: YTD return on Markit IBoxx Chinese USD bond index**



Sources: CCXAP research

As of June 7, the yield spread of Chinese dollar bonds widened by 2.8bp to 135.24bp from last Friday. The yield spread of investment-grade bonds widened by 3.0bp to 81.06bp, while the spread of high-yield bonds widened by 3.4bp to 509.22bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from June 3 to June 7 are shown in the table below. Among them, Guangzhou Rural Commercial Bank Co., Ltd. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20240603-20240607)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
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GZHRCB 5.9 PERP	Guangzhou Rural Commercial Bank Co., Ltd.	100.485	0.008	-81.024	4.7527M
FWDGHD 6.675 PERP	FWD Group Holdings Ltd	99.958	0.008	10.783	2.0694M
CCB 2.85 06/13/24	China Construction Bank Corporation/Singapore	100.179	0.011	-14.75	1.6995M
HILOHO 9 ¾ 11/18/24	Hailong Holdings Limited	100.019	0.003	-2.486	1.653M
CHJMAO 4 06/21/24	Fangxing Guangyao Limited	84.755	PERP	120.245	896.5
SHUION 6.15 08/24/24	Shui On Construction Holdings Limited	93.148	0.189	44.103	855.7
GDYUDE 3 06/12/24	UHI Capital Limited	100.001	0.016	3.371	776.4
SHUION 5 ½ 03/03/25	Shui On Construction Holdings Limited	100.404	PERP	-3.579	734.5
ZHHFGR 4 ¼ 07/03/24	Huafa 2019 I Limited	99.695	0.077	8.311	659.2
WB 3 ½ 07/05/24	Weibo Co., Ltd.	99.918	0.047	5.745	331.1

Sources: CCXAP research

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

On June 6, CCXAP has assigned a first-time long-term credit rating of BBB<sub>g</sub><sup>+</sup> to Xingtai Communications Construction Group Co., Ltd. ("XTCG") with stable outlook.

**Table 3: Credit rating from CCXAP (20240603-20240607)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2024/06/06	XTCG	BBB <sub>g</sub> <sup>+</sup>	-	The credit rating is underpinned by the Company's (1) important role in urban and rural construction as well as public services of Xingtai City; (2) good track record of receiving government support; and (3) diversified funding channels. However, the rating is constrained by the Company's (1) high exposure to commercial activities especially in engineering construction sector; and (2) increasing debt burden with high financial leverage.

From June 3 to June 7, 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 (20240603-20240607)**

	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>	Hunan Xiangjiang New District Development Group Co., Ltd.	Chengtou	Baa3	STABLE	2024/06/03	Baa3	NEG	2024/01/25	Moody's	The company's financing channels have improved
	Qingdao Huatong State-owned Capital Investment and Operation Group Co., Ltd.	Chengtou	A+	STABLE	2024/06/03	A	POS	2023/06/05	Lianhe	The company's strategic position has improved
	Zhejiang Province Xinchang County Investment and Development Group Co., Ltd.	Chengtou	BBB <sub>g</sub> <sup>+</sup>	STABLE	2024/06/04	BBB <sub>g</sub>	STABLE	2023/05/30	CCXAP	The local government's support has increased

<b>Downgrade:</b>	Golden Crown Holdings Co., Ltd.	Consumer Discretionary	B3	STABLE	2024/06/05	B3	NEG	2023/06/12	Moody's	The company has sufficient funds for liquidity buffer
	China Jinmao Holdings Group Co., Ltd.	Real estate	BBB-	NEG	2024/06/05	BBB-	STABLE	2023/10/13	Fitch	The company's cash flow and financial flexibility are poor
	Yuexiu Real Estate Co., Ltd.	Real estate	BBB-	NEG	2024/06/05	BBB-	STABLE	2023/07/26	Fitch	The company's profitability has declined and its credit is under pressure

Sources: CCXAP research



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