

### 2024 Issue 24 From June 24 to June 28

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

**Headline: China's June PMI is 49.5%, while the US PCE consumption data for May increased by 2.6% YoY**

On June 30, data released by the National Bureau of Statistics showed that China's Manufacturing PMI was 49.5%, remaining unchanged from the previous month, indicating that the manufacturing sector's economic sentiment is basically stable. On June 28, data released by the US Department of Commerce showed that the PCE Price Index in the US increased by 2.6% YoY in May.

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

This week, the RMB depreciated. As of June 28, the RMB/USD middle rate closed at 7.1268, increasing by 72bp from last Friday. The USD index increased by 0.07% to 105.866 from last Friday.

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

This week, the China Government Bond yields mostly fell. Due to market expectations that the Federal Reserve will not cut interest rates in the short term, US Treasury yields rose.

#### Chinese Offshore Bond Market

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

From June 24 to June 28, there were 25 new issues with total issued volume of USD 1.864 billion, which has decreased by 60.63% from last week. Among them, China Huaneng Group Co., Ltd. is the largest issuer with a total issued amount of USD 0.5 billion.

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

As of June 28, the year-to-date return on the Chinese USD corporate bond index decreased by 5bp to 3.49% from last Friday, of which the return on investment-grade bonds decreasing by 12bp to 2.30%, the return on high-yield bonds increasing by 38bp to 11.76%.

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

From June 24 to June 28, CCXAP assigns long-term credit rating to 3 entities, Nanjing Yangzi State-owned Capital Investment Group Co., Ltd., Anhui Helu Industrial New City Construction Investment Co., Ltd., and Yuyao Jinrui Investment Group Co., Ltd.



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## Headline: China's June PMI is 49.5%, while the US PCE consumption data for May increased by 2.6% year-on-year.

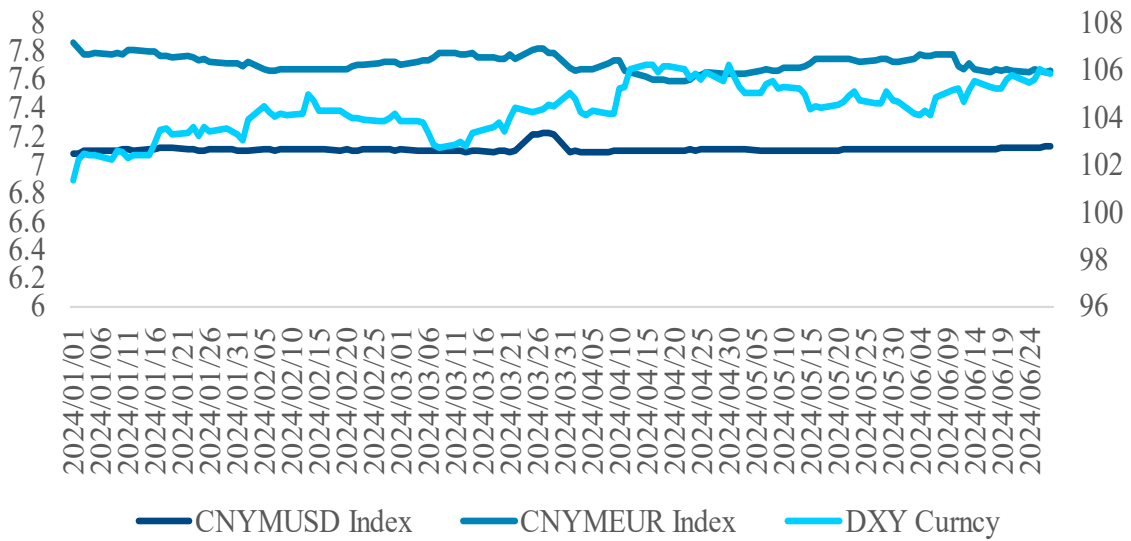
On June 30, data released by the National Bureau of Statistics showed that in June, China's Manufacturing Purchasing Managers' Index (PMI) was 49.5%, remaining unchanged from the previous month, indicating that the economic sentiment in the manufacturing sector is basically stable. By enterprise size, the PMI for large enterprises was 50.1%, down 0.6 percentage points from the previous month; the PMI for medium and small enterprises was 49.8% and 47.4%, respectively, up 0.4 and 0.7 percentage points from the previous month. The new orders index remained almost flat, with the June new orders index at 49.5%, down slightly by 0.1 percentage points from the previous month. New momentum continued to grow. In key industries, the PMI for high-tech manufacturing was 52.3%, up 1.6 percentage points from the previous month, maintaining an expansion range for eight consecutive months. Enterprise expectations were basically stable. The production and business activity expectation index was 54.4%, up 0.1 percentage points from the previous month, indicating that manufacturing enterprises have stable market development expectations.

On June 28, data released by the US Department of Commerce showed that the Personal Consumption Expenditures (PCE) Price Index in the US for May increased by 2.6% year-on-year ("YoY"), lower than the previous value of 2.7% and in line with market expectations. Month-on-month, it remained flat, lower than the previous value of 0.3%, also in line with expectations. This is the first time in six months that the US PCE index has shown no monthly change. Excluding the more volatile food and energy prices, the core PCE price index in May saw its slowest YoY growth since March 2021, dropping from 2.8% in April to 2.6%, also in line with expectations. The core inflation indicator hit its lowest level in over three years, strongly supporting expectations for a rate cut in September this year.

## Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of June 28, the RMB/USD middle rate closed at 7.1268, increasing by 72bp from last Friday. The RMB/EUR middle rate closed at 7.6617, decreasing by 6bp from last Friday. The USD index increased by 0.07% to 105.866 from last Friday.

Figure 1: RMB exchange rate

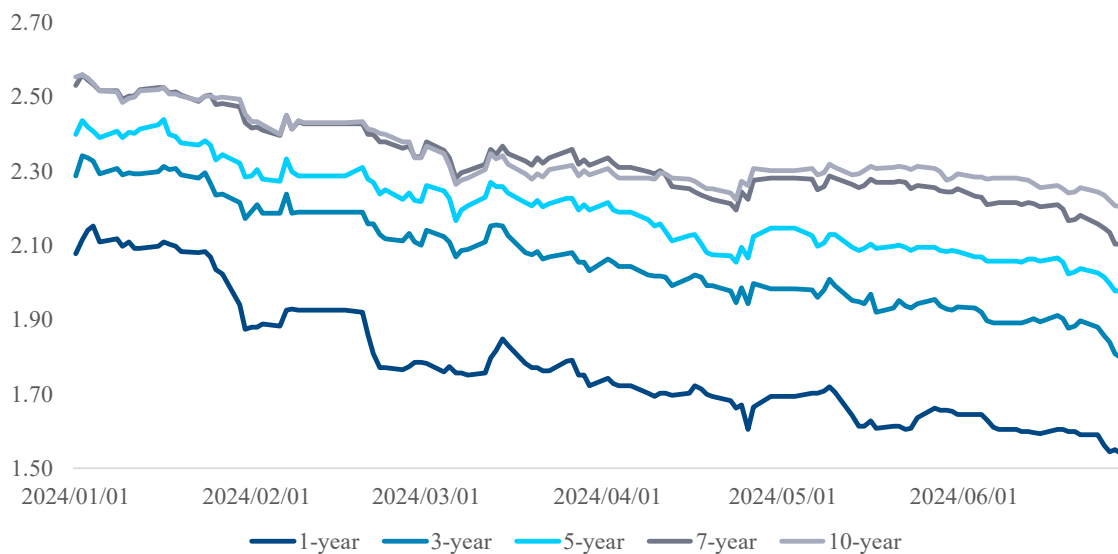


Sources: CCXAP research

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

This week, the China Government Bond yields mostly fell. As of June 28, the 1-year 3-year 5-year 7-year and 10-year China Government Bond yields were 1.5390%, 1.7960%, 1.9782%, 2.1030%, and 2.2058%, decreasing by 5.25bp, 10.09bp, 6.08bp, 7.89bp and 5.13bp, respectively, from last Friday.

Figure 2: China Government Bond yields

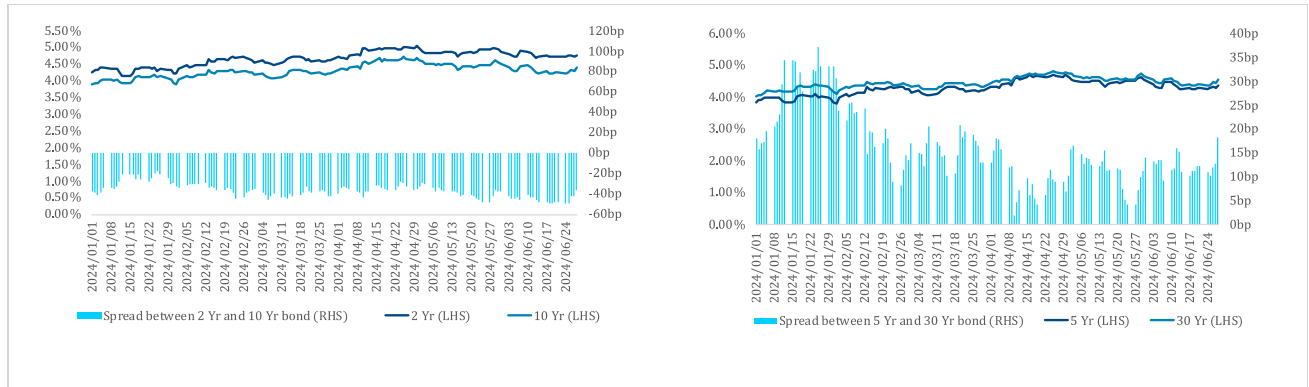


Sources: CCXAP research

Due to market expectations that the Federal Reserve will not cut interest rates in the short term, US Treasury yields rose. As of June 28, the 2-year 5-year 10-year and 30-year Treasury yields were

4.7535%, 4.3765%, 4.3961% and 4.5583%, increasing by 2.13bp, 10.23bp, 14.07bp and 16.12bp, respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 11.94bp to -35.7bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 5.89bp to 18.2bp from last Friday.

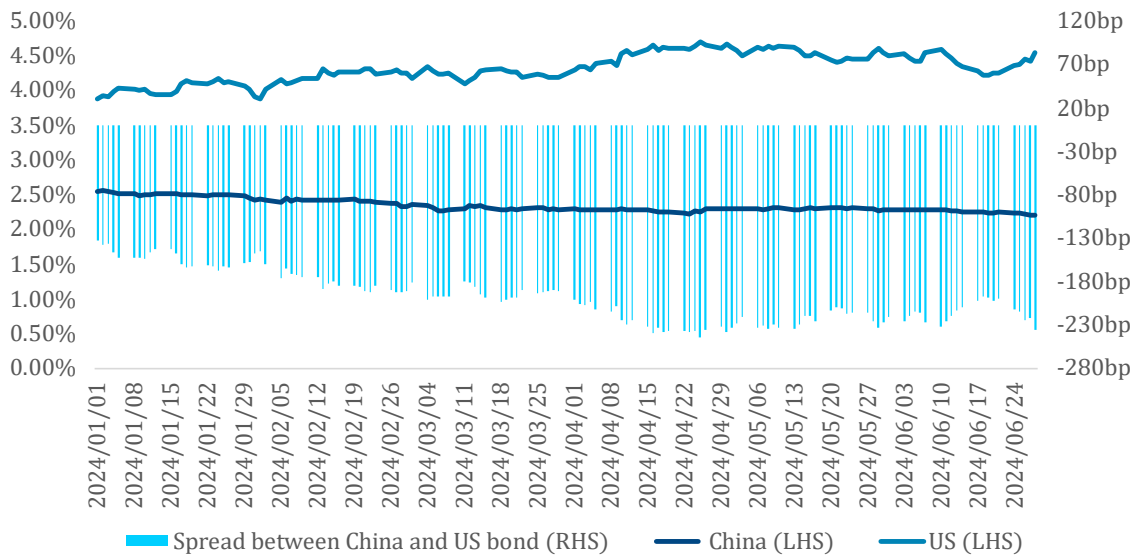
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of June 28, the yield spread between China and US 10-year note was -235.3bp, widening by 35.42bp from last Friday and widening by 102.87bp 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 June 24 to June 28, there were 25 new issues with total issued volume of USD1.864 billion, which has decreased by 60.63% from last week. Among them, China Huaneng Group Co Ltd is the largest issuer with a total issued amount of USD0.5 billion.

**Table 1: New issuance of Chinese offshore bonds (20240624-20240628)**

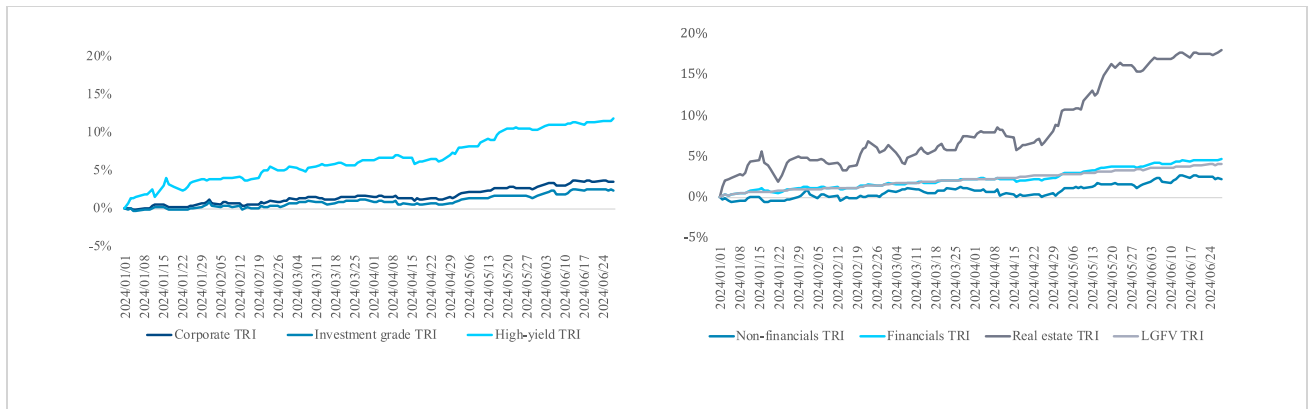
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/6/24	China Securities International Finance Holding Co Ltd	USD	2	4.5	2024/7/26	29D	Financials	-/-	-/-
2024/6/24	China Securities International Finance Holding Co Ltd	USD	1.1	0	2025/6/27	364D	Financials	-/-	-/-
2024/6/24	China Securities International Finance Holding Co Ltd	USD	0.7	0	2025/6/27	364D	Financials	-/-	-/-
2024/6/24	China Securities International Finance Holding Co Ltd	USD	0.8	0	2025/6/27	364D	Financials	-/-	-/-
2024/6/24	Taixing Zhongxin Investment Group Co Ltd	CNY	376.1	3.8	2027/6/27	3	Chengtou	-/-	-/-
2024/6/25	China Great Wall AMC International Holdings Co Ltd	USD	300	7.15	-	Perpetual	Financials	-/BBB-	-/BB+
2024/6/25	China Great Wall AMC International Holdings Co Ltd	USD	200	6.375	2028/1/2	4	Financials	-/BBB-	-/BBB-
2024/6/25	Linzhou City Investment Holding Co Ltd	CNY	439.6	7.5	2027/6/28	3	Chengtou	-/-	-/-
2024/6/25	Pingdu City Development Group Co Ltd	CNY	567.6	7.5	2026/7/3	2	Chengtou	-/-	-/-
2024/6/25	Sichuan Development Financing Guarantee Co Ltd	USD	60	7	2027/6/28	3	Chengtou	-/-	-/-
2024/6/25	Zhengzhou Road Bridge Construction Investment Group Co Ltd	CNY	81.1	7.5	2025/6/27	364D	Chengtou	-/-	-/-
2024/6/26	China Huaneng Group Co Ltd	USD	500	5.3	-	Perpetual	Utilities	A2/A-/A	-/-
2024/6/26	China Securities International Finance Holding Co Ltd	USD	7.0	5.45	2024/11/1	122D	Financials	-/-	-/-
2024/6/26	China Securities International Finance Holding Co Ltd	CNY	2.2	0	2027/7/7	3	Financials	-/-	-/-
2024/6/26	Huzhou Nanxun Cultural Tourism Development Group Co Ltd	USD	75	6.5	2027/7/5	3	Chengtou	-/-	-/-
2024/6/26	Jinan City Construction Group Ltd Co	CNY	1954	3.9	2029/7/4	5	Chengtou	Baa1/--/BBB+	-/-
2024/6/26	Xuchang City Investment Corporation	USD	50	9.5	2026/6/28	2	Chengtou	-/-	-/-
2024/6/27	China Securities International Finance Holding Co Ltd	CNY	13.6	0	2027/7/7	3	Financials	-/-	-/-
2024/6/27	China Securities International Finance Holding Co Ltd	CNY	2.2	0	2027/7/7	3	Financials	-/-	-/-
2024/6/27	China Securities International Finance Holding Co Ltd	CNY	2.2	0	2027/7/7	3	Financials	-/-	-/-
2024/6/27	China Securities International Finance Holding Co Ltd	CNY	15.8	0	2027/7/7	3	Financials	-/-	-/-
2024/6/27	China Securities International Finance Holding Co Ltd	USD	1.5	5.1	2024/10/9	98D	Financials	-/-	-/-
2024/6/27	Guotai Junan International Holdings Ltd	USD	4.0	0	2026/6/29	2	Financials	Baa2/BBB+/-	-/-
2024/6/27	ICBC International Holdings Ltd	USD	120	6.2	-	Perpetual	Financials	A2/-/-	-/-
2024/6/27	Xinyang Hongxin State Owned Capital Operation Group Co Ltd	CNY	396.7	6	2027/7/5	3	Chengtou	-/-	-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond fell

As of June 28, the YTD return<sup>1</sup> on the Chinese USD corporate bond index decreased by 5bp to 3.49% from last Friday, of which the return on investment-grade bonds decreasing by 12bp to 2.3%, the return on high-yield bonds increasing by 38bp to 11.76%. In terms of sector indices, the return on non-financial bonds was 2.18%, decreasing by 25bp from last Friday. The return on financial, real estate and chengtou bonds was 4.85%, 18.05% and 4.04%, respectively, increasing by 13bp, 49bp and 18bp, respectively.

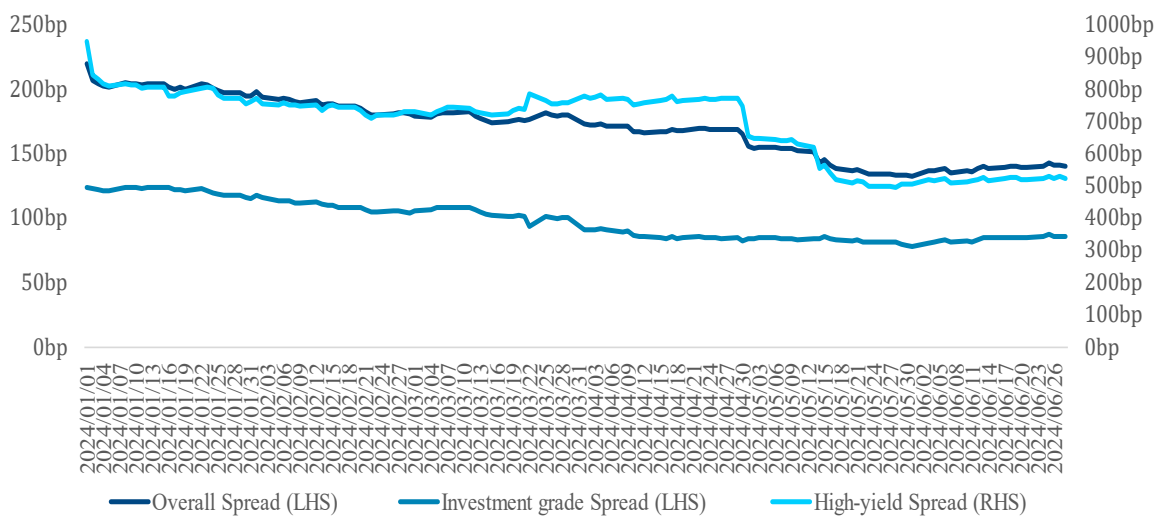
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of June 28, the yield spread of Chinese dollar bonds widened by 0.7bp to 140.11bp from last Friday. The yield spread of investment-grade bonds widened by 0.1bp to 85.3bp, while the spread of high-yield bonds widened by 4bp to 522.7bp.

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



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

Sources: CCXAP research

The 10 bonds with the largest yield increase from June 24 to June 28 are shown in the table below. Among them, MI Energy Holdings Ltd. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20240624-20240628)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
MIEHOL 0 12/31/24	MI Energy Holdings Ltd.	7483	15.704	0.49	1114.167
CHMINV 3.8 08/02/24	China Minsheng Investment Co., Ltd.	6501.4	75	0.08	410.143
FWDGHD 6.675 PERP	FWD Insurance Co., Ltd.	2672.9	89.012	PERP	161.111
FOSUNI 6.85 07/02/24	Fosun International Ltd.	2297.2	99.724	-	103.023
ZENENT 7 09/12/25	Zhengshang Group Co., Ltd.	1508.9	4.953	0.19	549.649
GEMDAL 4.95 08/12/24	Gemdale (Group) Co., Ltd.	1422.7	93.836	0.11	64.576
ROADKG 7 ¾ PERP	Road King Infrastructure Ltd.	1093	18.465	PERP	1158.715
WINGTP 4.35 PERP	Yongtai Real Estate Finance Co., Ltd.	1084.1	86.498	PERP	112.623
HFINVE 7 05/31/27	Jiangyou Hongfei Investment (Group) Co., Ltd.	562.3	89.975	2.91	11.123
CNBG 3.1 PERP	China Bluestar (Group) Co., Ltd.	501	99.828	PERP	9.844

Sources: CCXAP research

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

On June 25, CCXAP has assigned a first-time long-term credit rating of A<sub>g</sub><sup>+</sup> to Nanjing Yangzi State-owned Capital Investment Group Co., Ltd.

On June 25, CCXAP has assigned a first-time long-term credit rating of BBB<sub>g</sub><sup>-</sup> to Anhui Helu Industrial New City Construction Investment Co., Ltd. with stable outlook.

On June 28, CCXAP has assigned a first-time long-term credit rating of A<sub>g</sub><sup>+</sup> to Yuyao Jinrui Investment Group Co., Ltd.

**Table 3: Credit rating from CCXAP (20240624-20240628)**

Rating Date	Obligor	Entity Rating	Rating Rational
2024/06/25	YZSI	A <sub>g</sub> <sup>+</sup>	The credit rating is underpinned by the Company's (1) full ownership by the JND Management Committee with the largest asset scale in JND; (2) strategic importance in the economic and social development of JND; (3) solid track record of receiving government support in terms of financial subsidies and capital injections; and (4) strong access to low-cost and stable funding. However, the rating is constrained by the Company's (1) medium exposure to and investment in commercial activities; and (2) high debt burden arising from large debt-funded investments in JND.
2024/06/25	AHIN	BBB <sub>g</sub> <sup>-</sup>	The credit rating is underpinned by the Company's (1) important position as one of the key infrastructure construction platforms in Lujiang County and the sole regional developer in Helu Industrial New City; (2) good sustainability of public policy businesses; and (3) solid track record of receiving certain government support. However, the rating is constrained by the Company's (1) moderate access to funding channels with limited financial flexibility; (2) rapid debt growth driven by large investment needs; and (3) weak asset liquidity.
2024/06/28	YJIG	A <sub>g</sub> <sup>-</sup>	The credit rating is underpinned by the Company's (1) strong position in industrial development and public projects in Yuyao City; (2) high sustainability of infrastructure construction and land consolidation projects; (3) good access to fundings and sufficient standby liquidity; and (4) good track record of receiving government payments. However, the rating is constrained by the Company's (1) high debt leverage and moderate asset

			liquidity; and (2) moderate exposure to commercial business activities.
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From June 24 to June 28, rating agencies took positive rating actions to 5 Chinese issuers, took negative rating actions to 1 Chinese issuer.

**Table 4: Credit rating changes of cross-border bond market (20240624-20240628)**

	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>	Shougang Group Co., Ltd.	Industrials	A	NEG	2024/06/24	A-	NEG	2024/04/24	Fitch	The company has received more government support
	Huaian Transportation Holding Group Co., Ltd.	Chengtou	BBBg+	STABLE	2024/06/26	BBBg	STABLE	2023/06/28	CCXAP	The company's strategic position in the construction and operation of local transportation infrastructure in Huai'an City has been enhanced
	Yancheng Dongfang Investment Development Group Co., Ltd.	Chengtou	BBBg+	STABLE	2024/06/28	BBBg	STABLE	2023/07/31	CCXAP	The company's strategic position in the construction and operation of local transportation infrastructure in Huai'an City has been enhanced
	Yancheng Urban Asset Investment Group Co., Ltd.	Chengtou	Ag-	STABLE	2024/06/28	BBBg+	STABLE	2023/07/31	CCXAP	Regional strength has been enhanced and the company's strategic position in local infrastructure construction and operation has been enhanced
	Yancheng High-tech Zone Investment Group Co., Ltd.	Chengtou	BBBg+	STABLE	2024/06/28	BBBg	STABLE	2023/06/23	CCXAP	The company has received more support from the local government
<b>Downgrade:</b>	Dongfeng Motor Group Co., Ltd.	Industrials	A-	NEG	2024/06/25	A	STABLE	2023/06/28	Fitch	The company's market competitiveness and profitability have declined

Sources: CCXAP research



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