

### 2024 Issue 22 From June 10 to June 14

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

##### Headline: China CPI in May rose by 0.3% YoY, while US CPI in May rose by 3.3% YoY, lower than expected

On June 12, the data released by the National Bureau of Statistics showed that the CPI in May rose by 0.3% YoY and fell by 0.1% MoM. The core CPI, excluding food and energy prices, rose by 0.6% YoY, continuing to rise moderately. On June 12, the data released by the US Bureau of Labor Statistics showed that the US CPI in May increased by 3.3% YoY, a slight decrease from the previous value and the expected value of 3.4%.

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

This week, the RMB depreciated. As of June 14, the RMB/USD middle rate closed at 7.1151, increasing by 45bp from last Friday. The USD index increased by 0.63% to 105.550 from last Friday.

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

This week, the China Government Bond yields mostly fell. As FED is expected to lower the rate soon, US Treasury yields fell.

#### Chinese Offshore Bond Market

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

From June 10 to June 14, there were 14 new issues with total issued volume of USD2.637 billion, which has increased by 44.58% from last week. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD2.142 billion.

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

As of June 14, the year-to-date return on the Chinese USD corporate bond index increased by 56bp to 3.60% from last Friday, of which the return on investment-grade bonds increasing by 61bp to 2.52%, the return on high-yield bonds increasing by 24bp to 11.24%.

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

On June 6, CCXAP assigns long-term credit rating to 1 entity, Yiwu State-owned Capital Operation Co., Ltd.



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## Headline: China CPI in May rose by 0.3% YoY, while US CPI in May rose by 3.3% YoY, lower than expected

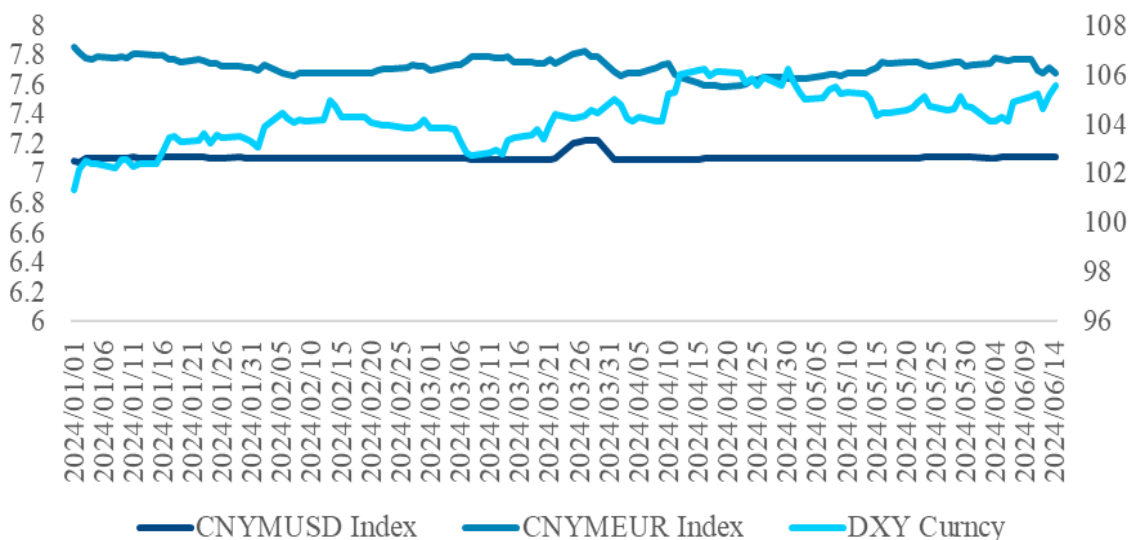
On June 12, data released by the National Bureau of Statistics showed that China's consumer market was generally stable last month, with the national CPI falling seasonally month-on-month (“MoM”) and the same year-on-year (“YoY”) growth rate as last month. Affected by factors such as the upward trend in prices of some international bulk commodities and the improvement in the supply and demand relationship in the domestic industrial product market, PPI turned from a MoM decline to an increase, and the YoY decline narrowed. Specifically, the CPI rose by 0.3% YoY in May and fell by 0.1% MoM. The core CPI, excluding food and energy prices, rose by 0.6% YoY, continuing to maintain a moderate increase. In May, the ex-factory price index (PPI) of industrial producers fell by 1.4% YoY, a decrease of 1.1 percentage points from the previous month, and rose by 0.2% MoM, changing the continuous downward trend in the previous six months, which was a decrease of 0.2% last month. On average from January to May, PPI fell by 2.4% YoY.

On Wednesday, June 12, data released by the U.S. Bureau of Labor Statistics showed that the US CPI grew by 3.3% YoY in May, a slight decrease from the previous value and the expected value of 3.4%; the CPI grew by 0% MoM in May, 0.1% lower than expected, and also significantly slower than the previous value, the lowest level since July 2022. Among them, energy is still the biggest factor dragging down the MoM increase in CPI. Excluding food and energy costs, the core CPI in May grew by 3.4% YoY, lower than the expected 3.5%, and lower than the previous value of 3.6%, the lowest level in more than three years; the MoM growth rate of the core CPI in May dropped from 0.3% in April to about 0.2% (the actual value was 0.16%), weaker than the expected 0.3%.

## Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of June 14, the RMB/USD middle rate closed at 7.1151, increasing by 45bp from last Friday. The RMB/EUR middle rate closed at 7.6795, decreasing by 965bp from last Friday. The USD index increased by 0.63% to 105.550 from last Friday.

Figure 1: RMB exchange rate

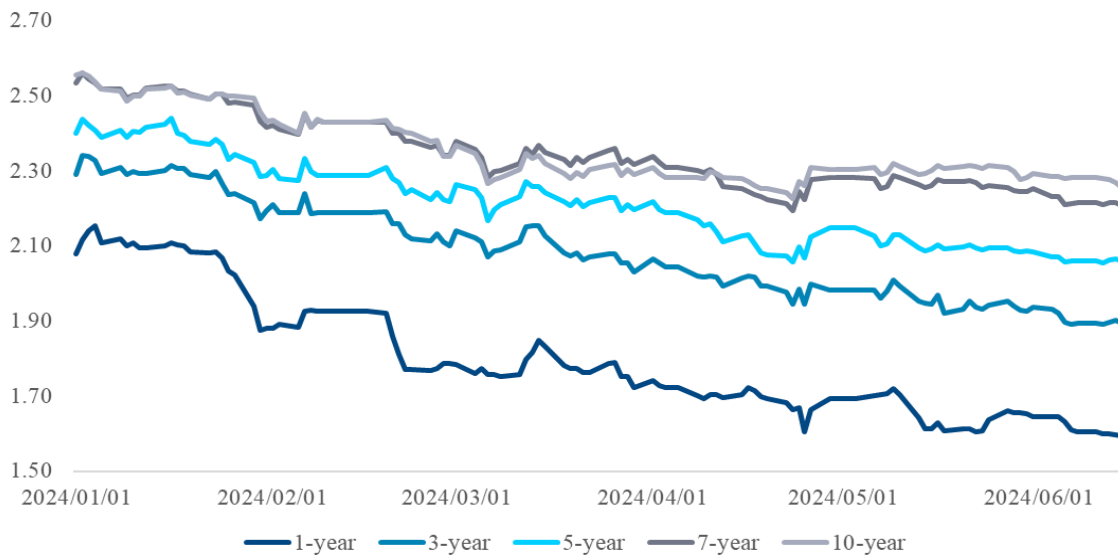


Sources: CCXAP research

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

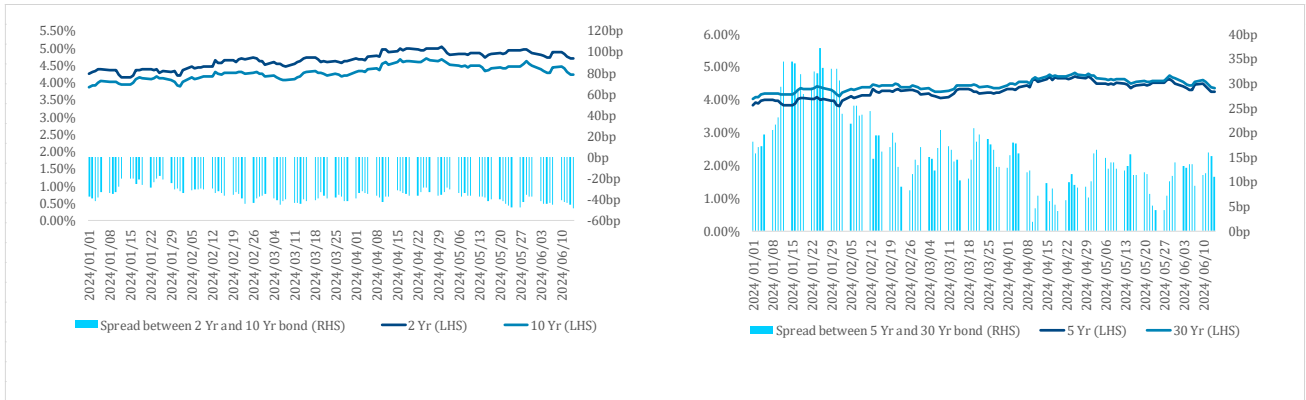
This week, the China Government Bond yields mostly fell. As of June 14, the 1-year 5-year 7-year and 10-year China Government Bond yields were 1.5940% , 2.0588%, 2.2062% and 2.2558%, decreasing by 1bp, 0.1bp, 2.52bp, 0.94bp and 2.75bp, respectively, from last Friday. The 3-year China Government Bond yields were 1.8953%, increasing by 0.21bp from last Friday.

**Figure 2: China Government Bond yields**



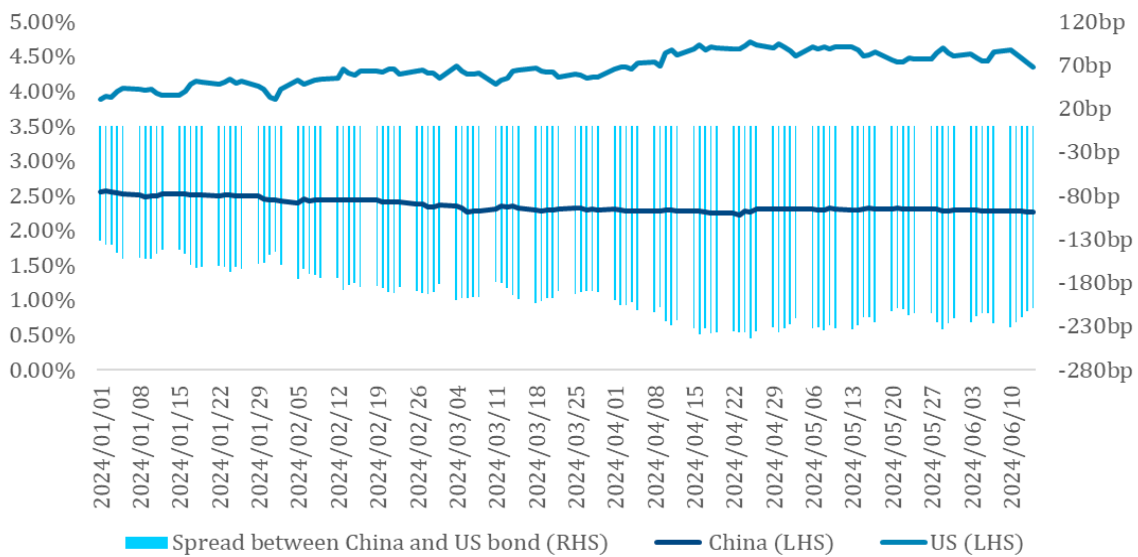
Sources: CCXAP research

As FED is expected to lower the rate soon, US Treasury yields fell. As of June 14, the 2-year 5-year 10-year and 30-year Treasury yields were 4.7044%, 4.2383%, 4.2209% and 4.3488%, decreasing by 18.24bp, 22.43bp, 21.26bp and 20.58bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds widened by 3.02bp to -48.3bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 1.85bp to 11.1bp from last Friday.

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


Sources: CCXAP research

As of June 14, the yield spread between China and US 10-year note was -209.3bp, narrowed by 17.83bp from last Friday and widened by 76.92bp 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 June 10 to June 14, there were 14 new issues with total issued volume of USD2.637 billion, which has increased by 44.58% from last week. Among them, Chengtou companies are the largest issuer with a total issued amount of USD2.142 billion.

**Table 1: New issuance of Chinese offshore bonds (20240610-20240614)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/6/11	Fujian Jinjiang Construction Investment Holding Group Co Ltd	CNY	1908.1	3.8	2027/6/18	3	Chengtou	-/-/-	-/-/-

2024/6/12	Henan Civil Aviation Development & Investment Group Co Ltd	CNY	195.7	3.3	2027/6/19	3	Industrials	-/-/-	-/-/-
2024/6/12	CITIC Securities International Co Ltd	CNY	44	2.71	2024/9/19	92D	Financials	-/BBB+/-	-/-/-
2024/6/12	Linyi City Construction Investment Group Co Ltd	USD	300	6.68	2027/6/20	3	Chengtou	Ba1-/BBB-	-/-/-
2024/6/13	Bank of China Ltd	CNY	978.5	2.83	2026/6/20	2	Banks	-/-/-	-/-/-
2024/6/13	Bank of China Ltd	CNY	1957.1	2.85	2027/6/20	3	Banks	-/-/-	-/-/-
2024/6/13	Yibin Emerging Industry Investment Group Co Ltd	CNY	1017.7	3.4	2027/6/20	3	Chengtou	-/-/-	-/-/-
2024/6/13	Zhongyuan Yuzi Investment Holdings Group Co Ltd	USD	500	5.9	2027/6/20	3	Chengtou	A3/-/-	-/-/-
2024/6/13	Wuhan Urban Construction Group Co Ltd	USD	500	5.7	2027/6/24	3	Chengtou	-/-/BBB+	-/-/-
2024/6/13	GF Holdings Hong Kong Corp Ltd	CNY	195.7	3.35	2025/6/16	363D	Financials	-/-/-	-/-/-
2024/6/13	GF Holdings Hong Kong Corp Ltd	CNY	293.6	3.35	2025/6/16	363D	Financials	-/-/-	-/-/-
2024/6/14	China Securities International Finance Holding Co Ltd	HKD	50	4.95	2024/12/23	186D	Financials	-/-/-	-/-/-
2024/6/14	Chengdu Xingjin Construction Development & Investment Group Co Ltd	CNY	2157.7	4.2	2027/6/21	3	Chengtou	-/-/-	-/-/-
2024/6/14	Luoyang Guoxing Investment Holding Group Co Ltd	CNY	309.2	7.5	2026/6/19	2	Chengtou	-/-/-	-/-/-
2024/6/14	Huaibei Public Utility Assets Operation Co Ltd	CNY	391.4	6.3	2027/6/20	3	Chengtou	-/-/-	-/-/-

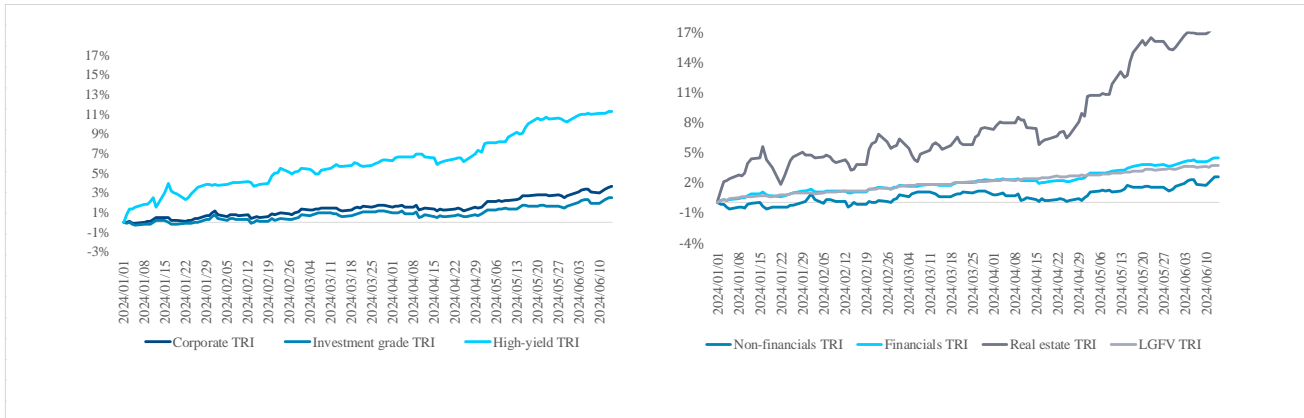
Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond rose

As of June 14, the YTD return<sup>1</sup> on the Chinese USD corporate bond index increased by 56bp to 3.60% from last Friday, of which the return on investment-grade bonds increasing by 61bp to 2.52%, the return on high-yield bonds increasing by 24bp to 11.24%. In terms of sector indices, the return on non-financial, financial, real estate and Chengtou bonds was 2.61%, 4.42%, 17.67% and 3.74%, respectively, increasing by 78bp, 37bp, 77bp and 20bp.

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

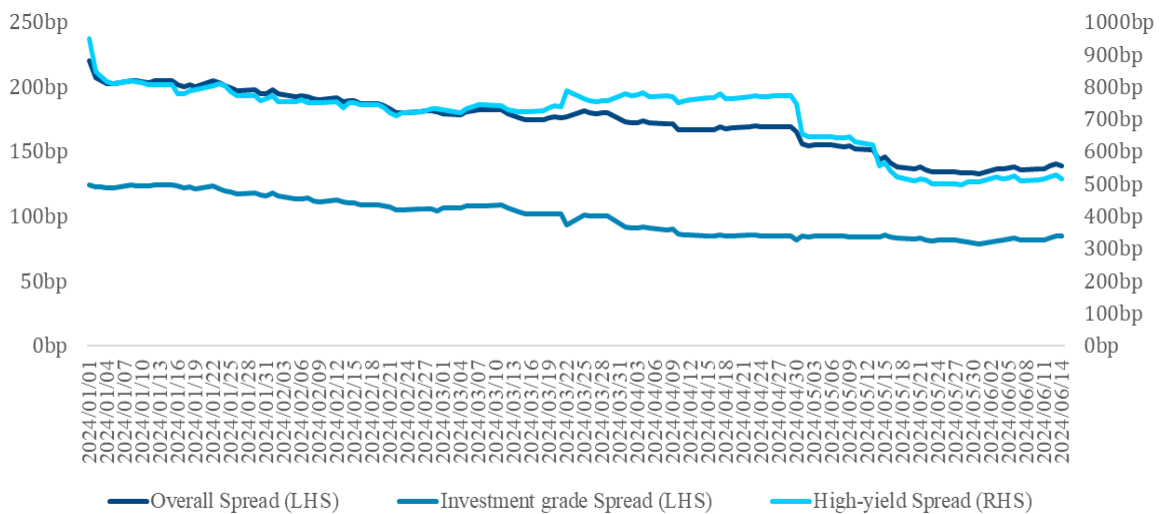
Figure 5: YTD return on Market IBoxx Chinese USD bond index



Sources: CCXAP research

As of June 14, the yield spread of Chinese dollar bonds widened by 3.3bp to 138.53bp from last Friday. The yield spread of investment-grade bonds widened by 3.6bp to 84.69bp, while the spread of high-yield bonds widened by 5.8bp to 515.01bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from June 10 to June 14 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 (20240610-20240614)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
GZHRCB 5.9 PERP	Guangzhou Rural Commercial Bank Co., Ltd.	100.288	PERP	-43.276	8.1417M
CHJMAO 4 06/21/24	China Jinmao Holdings Group Co., Ltd.	99.991	0.01	7.099	3.681M
FWDGHD 6.675 PERP	FWD Insurance Co., Ltd.	85.981	PERP	147.032	2.0473M

WHREST 2 ¼ 07/09/24	Guangzhou Rural Commercial Bank Co., Ltd.	99.418	0.05	13.221	1.3985M
FUTLAN 6 08/12/24	Sunac China Holdings Limited	96.521	0.15	30.115	1.2865M
FTLNHD 4.8 12/15/24	Sunac China Holdings Limited	86.315	0.49	38.356	936.8
JNHTE 2 ½ 06/23/24	Guangzhou Rural Commercial Bank Co., Ltd.	100.0256	0.01	-0.494	896.2
FUTLAN 4.45 07/13/25	Sunac China Holdings Limited	74.121	1.06	35.762	861.7
FTLNHD 4 ¾ 10/15/25	Sunac China Holdings Limited	69.708	1.32	35.287	816
HILOHO 9 ¾ 11/18/24	Hailong Holdings Limited	60.389	0.41	173.21	741.7

Sources: CCXAP research

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

On June 11, CCXAP has assigned a first-time long-term credit rating of A<sub>g</sub> to Yiwu State-owned Capital Operation Co., Ltd. ("XTCG") with stable outlook.

**Table 3: Credit rating from CCXAP (20240610-20240614)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rationale
2024/06/11	XTCG	A <sub>g</sub>	-	The credit rating is underpinned by the Company's (1) leading role in the infrastructure construction and state-owned asset operation in Yiwu City; (2) dominant role in providing essential public services with high sustainability; (3) good track record of receiving government payments; and (4) strong access to funding from commercial banks and bond markets. However, the rating is constrained by the Company's (1) large capital expenditure pressure and increasing debt burden; (2) operating risk arising from medium commercial business exposure; and (3) medium contingent liability risk associated with external guarantees.

From June 10 to June 14, rating agencies took positive rating actions to 5 Chinese issuers, took negative rating actions to 7 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20240610-20240614)**

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
<b>International Rating:</b>										
Upgrade:	Zhuzhou Hi-Tech Group Co., Ltd.	Chengtou	BBB <sub>g</sub>	STABLE	2024/06/12	BBB <sub>g-</sub>	STABLE	2023/06/19	CCXAP	The government's support for the company has increased
	SMIC International Integrated Circuit Manufacturing Co., Ltd.	Technologies	Baa3	STABLE	2024/06/12	Baa3	NEG	2021/11/25	Moody's	The company's strategic importance in promoting the development of China's semiconductor or industry
	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	Healthcare	BBB <sub>g+</sub>	STABLE	2024/06/13	BBB <sub>g</sub>	STABLE	2023/06/19	CCXAP	The company has increased support from the local government



**Downgrade:**

China CITIC Financial Asset Management Co., Ltd.	Finance	BBB	STABLE	2024/06/13	BBB	NEG under review	2024/04/18	Fitch	government support rating reflects its important policy role
Fujian Zhanglong Group Co., Ltd.	Chengtou	A-	STABLE	2024/06/14	BBB+	STABLE	2023/06/30	Lianhe	strategic importance in Zhangzhou has increased
China Aircraft Leasing Group Holdings Co., Ltd.	Finance	BB+	NEG	2024/06/11	BB+	STABLE	2023/06/16	Fitch	leverage ratio remains high
China Bluestar (Group) Co., Ltd.	Industrials	BBB	NEG	2024/06/11	BBB	STABLE	2021/11/09	S&P	The industry is in a downward cycle, and the company is under long-term pressure
Guangzhou Financial Holdings Group Co., Ltd.	Finance	BBB	STABLE	2024/06/12	BBB+	NEG	2023/10/19	S&P	asset quality is under pressure
China Great Wall Asset Management Co., Ltd.	Finance	BBB-	STABLE	2024/06/13	BBB	NEG under review	2024/04/18	Fitch	support from the local government has weakened
China Great Wall Asset (International) Holdings Co., Ltd.	Finance	BBB-	STABLE	2024/06/13	BBB	NEG under review	2024/04/18	Fitch	support from the local government has weakened
China Orient Asset Management (International) Holdings Co., Ltd.	Finance	BBB+	STABLE	2024/06/13	A-	NEG under review	2024/04/18	Fitch	capital buffer level is moderate, and policy-related businesses are limited
China Orient Asset Management Co., Ltd.	Finance	BBB+	STABLE	2024/06/13	A-	NEG under review	2024/04/18	Fitch	capital buffer level is moderate, and policy-related businesses are limited

Sources: CCXAP research



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