

2024 Issue 26 From July 8 to July 12

New issuance of Chinese offshore bonds increased; return on secondary market rose

Headline: China's CPI rose by 0.2% YoY in June; US CPI rose by 3% YoY in June, lower than expectations

On July 10, the National Bureau of Statistics of China announced the data indicating that China's CPI in June rose by 0.2% from a year earlier, against a 0.2% decrease in May, continuing to maintain a moderate increase. On July 11, the US Department of Labor released data showing that US CPI in June increased by 3% from a year earlier, lower than the expected 3.1% and decreased by 0.1% MoM, the first time to turn negative since May 2020.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of July 12, the RMB/USD middle rate closed at 7.1315, increasing by 26bp from last Friday. The USD index decreased by 0.75% to 104.093 from last Friday.

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

This week, the Chinese Government Bond yields mostly decreased. Due to the lower-than-expected CPI data and the market expectations that the Federal Reserve will cut interest rates in the short term, US Treasury yields fell.

Chinese Offshore Bond Market

Primary Market: New issuance of Chinese offshore bonds increased

From July 8 to July 12, there were 27 new issued offshore bonds with total issued volume of USD3.648 billion, increasing by 63.64% from last week. Financial institutions are the major issuers with a total issued amount of USD2.25 billion.

Secondary Market: Return on Chinese USD bonds rose

As of July 12, the year-to-date return on the Chinese USD bonds increased by 45bp to 4.43% from last Friday, of which the return on investment-grade bonds increased by 43bp to 3.23%, and the return on high-yield bonds increased by 55bp to 12.79%.

Ratings Action: CCXAP assigned credit ratings to 2 Chinese entities

From July 8 to July 12, CCXAP assigned credit ratings to 2 entities, which are Shaoyang Industrial Development Group Co., Ltd. and Nanyang Urban Investment Holdings Co., Ltd.



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Headline: China's CPI rose by 0.2% YoY in June; US CPI rose by 3% YoY in June, lower than expectations.

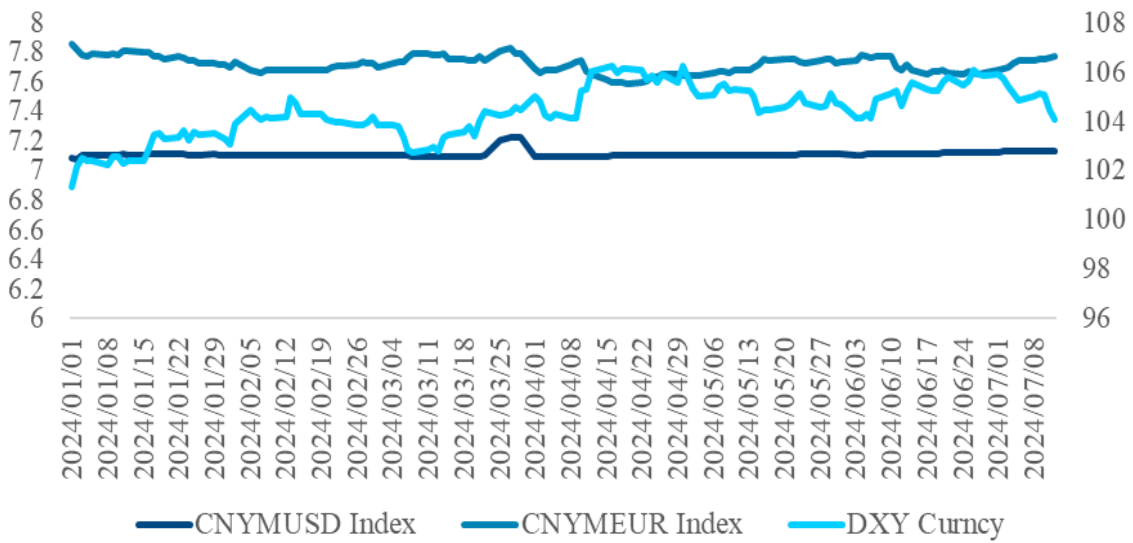
On July 10, the National Bureau of Statistics of China announced the data indicating that the year-on-year (“YoY”) decrease in food and automobile prices has broadened, driving the CPI to continue declining. Affected by the fluctuation in the prices of international commodity and insufficient demand for partial industrial products, the national PPI has decreased month-on-month (“MoM”), while the YoY decline continued to narrow. Specifically, CPI in June rose by 0.2% YoY and fell by 0.2% MoM. The core CPI (excluding food and energy which are volatile items) increased by 0.6% YoY, the same increase as last month, and continued to rise moderately. The PPI in June declined by 0.8% YoY, with the decrease being 0.6% less than that of previous month. The PPI(MoM) changed from an increase of 0.2% in previous month to a decrease of 0.2% in June. The industrial purchasing price index for raw materials, fuel and power decreased by 0.5% from a year earlier, against a 0.1% increase in May. In the first half of the year, the YoY industrial producer price index decreased by 2.1% while the YoY industrial purchasing price index for raw materials, fuel and power decreased by 2.6%.

On July 11, the data released by the US Department of Labor showed that the US CPI in June increased by 3% YoY, lower than the expected 3.1% and further down from previous value of 3.3%. The US CPI in June decreased by 0.1% MoM, with expected value of 0.1% and previous value of 0%, the first time to turn negative since May 2020. The core CPI (excluding food and energy which are volatile items) in June increased by 3.3% YoY, lower than the expected 3.4% and previous value of 3.4%, attaining the lowest level since April 2021. The core CPI in June increased by 0.1% MoM, with the expected value and previous value of 0.2%, representing the smallest increase since August 2021. This is the third consecutive time that the CPI has been lower than the expectations from Wall Street. The rate cut expectations reemerged and both the 3-month and 6-month annualized inflation rates presented the decreasing trend.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of July 12, the RMB/USD middle rate closed at 7.1315, increasing by 26bp from last Friday. The RMB/EUR middle rate closed at 7.7726, increasing by 317bp from last Friday. The USD index decreased by 0.75% to 104.093 from last Friday.

Figure 1: RMB exchange rate

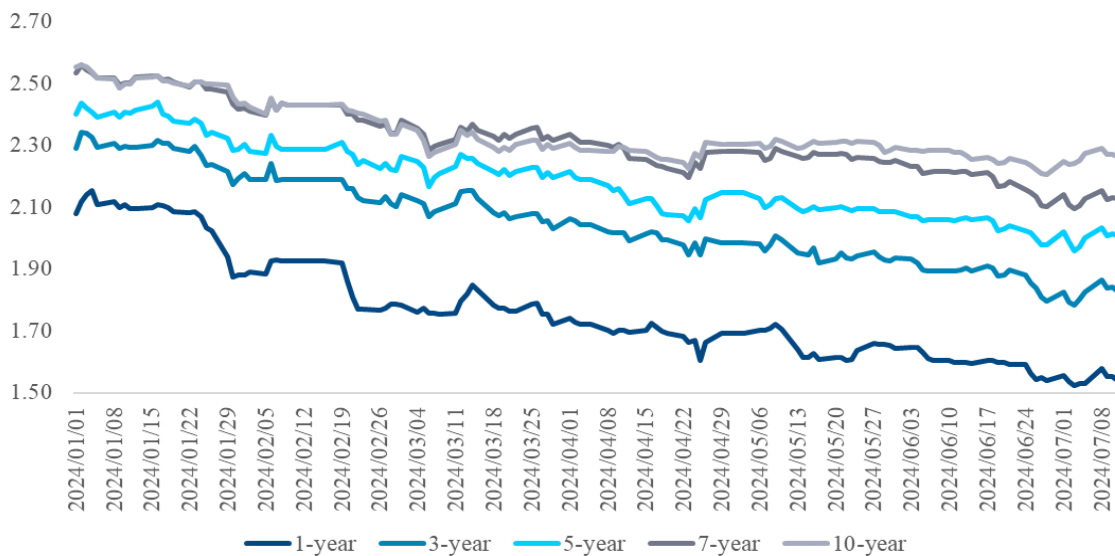


Sources: CCXAP research

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

This week, the China Government Bond yields mostly decreased. As of July 12, the 3-year, 7-year and 10-year China Government Bond yields were 1.8237%, 2.1229%, and 2.2604%, decreasing by 0.18bp, 0.64bp, and 1.5bp, respectively, from last Friday. The 1-year, 5-year China Government Bond yields were 1.5390% and 2.0016%, increasing by 1bp and 0.21bp respectively from last Friday.

Figure 2: China Government Bond yields

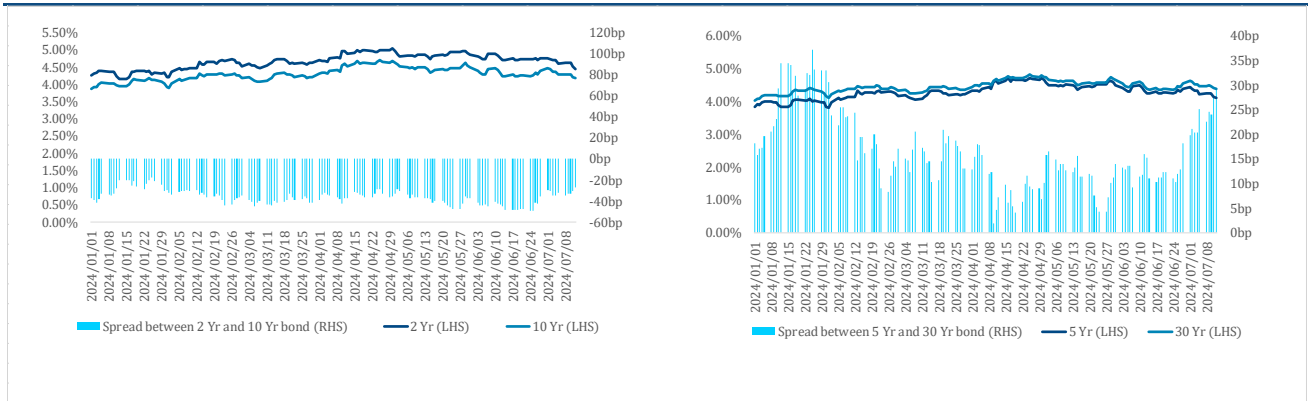


Sources: CCXAP research

Due to market expectations that the Federal Reserve will cut interest rates in the short term, US Treasury yields fell. As of July 12, the 2-year, 5-year, 10-year and 30-year Treasury yields were

4.4514%, 4.1020%, 4.1829% and 4.3959%, decreasing by 15.21bp, 12.32bp, 9.55bp and 8.09bp, respectively, from last Friday. In terms of US Treasury yield spreads, the spread between 2-year and 10-year Treasury notes narrowed by 5.66bp to -26.9bp from last Friday, and the spread between 5-year Treasury notes and 30-year Treasury bonds widened by 4.23bp to 29.4bp from last Friday.

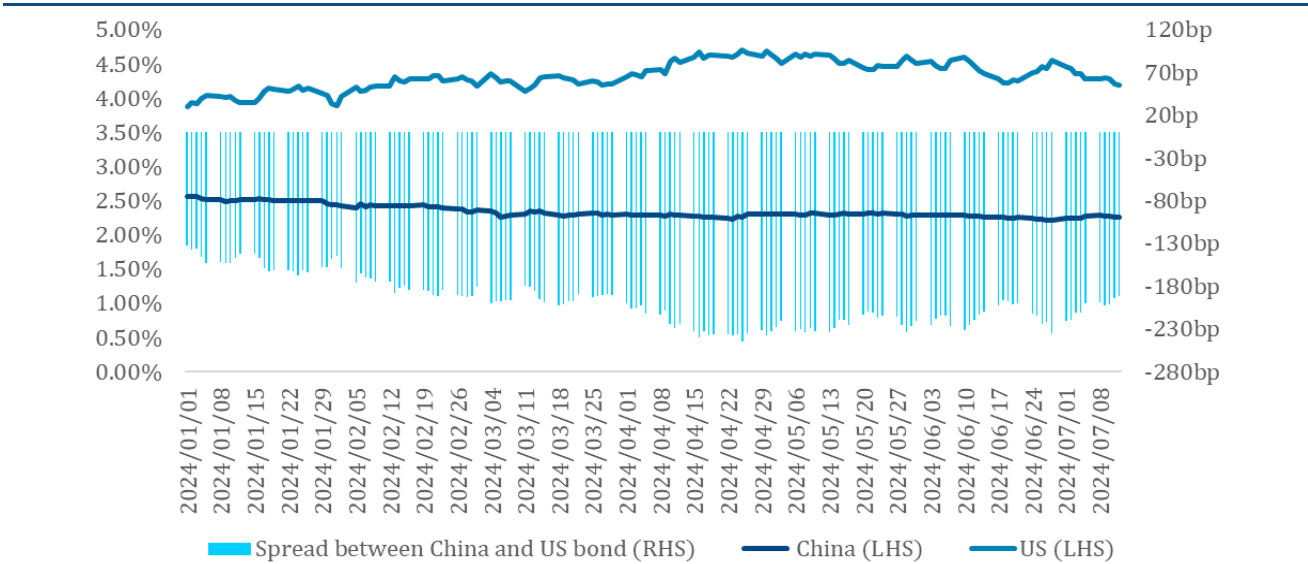
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of July 12, the yield spread between 10-year China Government Bonds and US Treasury notes was -192.3bp, narrowing by 8.05bp from last Friday and widening by 59.87bp from the beginning of the year.

Figure 4: Yield spread between 10-year note of China and US



Sources: CCXAP research

Primary Market: Chinese offshore bond new issuance increased

From July 8 to July 12, there were 27 new issued offshore bonds with total issued volume of USD3.648 billion, increasing by 63.64% from last week. Financial institutions are the major issuers with a total issued amount of USD2.25 billion.

Table 1: New issuance of Chinese offshore bonds (20240708-20240712)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/7/8	Bank of China Ltd/Dubai	USD	30	0	2024/12/16	157D	Banks	A1/-/-	-/-/-
2024/7/8	China Merchants Bank Co Ltd/New York	USD	300	SOFR+54	2027/7/15	3	Banks	A2/--/--	A2/--/--
2024/7/8	Huatai International Financial Holdings Co Ltd	USD	30	5.71	2024/10/15	92D	Financials	-/BBB+/-	-/-/-
2024/7/8	Jining City Development Capital Holding Co Ltd	CNY	95	7	2027/7/12	3	Chengtou	--/--/--	--/--/--
2024/7/9	Agricultural Bank of China Limited Sydney Branch	AUD	730	3M BBSW+80	2027/7/16	3	Banks	--/--/--	--/A/--
2024/7/9	China Construction Bank Corp/Hong Kong	USD	1000	SOFR+55	2027/7/16	3	Banks	A1/--/--	A1/--/--
2024/7/9	China Construction Bank Corp/London	CNY	2000	2.83	2027/7/16	3	Banks	A1/--/--	A1/--/--
2024/7/9	Guilin ETDZ Investment Holding Co Ltd	CNY	690	4.5	2027/7/16	3	Chengtou	--/--/--	--/--/--
2024/7/9	Hangzhou Shangcheng District Urban Construction & Comprehensive Development Co Ltd	USD	200	6.05	2027/7/12	3	Chengtou	--/--/BBB-	--/--/BBB-
2024/7/10	Chengdu Aerotropolis City Development Group Co Ltd	CNY	2205	4	2027/7/17	3	Chengtou	--/--/BB+	--/--/--
2024/7/10	China Securities International Finance Holding Co Ltd	USD	2.5	5.6	2025/7/11	364D	Financials	--/BBB+/BBB+	-/-/-
2024/7/10	China Securities International Finance Holding Co Ltd	USD	10	4.2	2024/9/13	60D	Financials	--/BBB+/BBB+	-/-/-
2024/7/10	Chuzhou Nanqiao Urban Investment Holding Group Co Ltd	CNY	1000	6.5	2027/7/17	3	Chengtou	--/--/--	--/--/--
2024/7/10	GF Holdings Hong Kong Corp Ltd	USD	2.5	5.6	2025/7/11	364D	Financials	-/-/-	-/-/-
2024/7/10	Jiande State-owned Assets Investment Holding Group Co., Ltd.	CNY	377	5.3	2027/7/17	3	Chengtou	--/--/--	--/--/--
2024/7/10	Neijiang Road and Bridge Group Co Ltd	USD	62	7.5	2027/7/17	3	Chengtou	--/--/--	--/--/--
2024/7/10	Ziyang Development Investment Group Co Ltd	USD	42	7.5	2026/7/16	2	Chengtou	--/--/--	--/--/--
2024/7/11	Baoding Guokong Group Co Ltd	CNY	1000	5.15	2027/7/18	3	Chengtou	--/--/--	--/--/--
2024/7/11	Beijing Energy Holding Co Ltd	CNY	2000	1.68	2024/8/10	30D	Utilities	-/-/A	-/-/-
2024/7/11	China Securities International Finance Holding Co Ltd	USD	10	5.4	2024/11/15	122D	Financials	--/BBB+/BBB+	-/-/-
2024/7/11	China Securities International Finance Holding Co Ltd	USD	2.5	5.05	2024/10/17	92D	Financials	--/BBB+/BBB+	-/-/-
2024/7/11	GF Holdings Hong Kong Corp Ltd	CNY	100	3.3	2025/7/14	363D	Financials	-/-/-	-/-/-
2024/7/11	GF Holdings Hong Kong Corp Ltd	CNY	5	3.1	2025/4/16	274D	Financials	-/-/-	-/-/-
2024/7/12	CITIC Securities Co Ltd	USD	20	5.5	2024/10/16	92D	Financials	Baa1/BBB+/B+	--/--/--
2024/7/12	Feicheng Urban Investment Holding Group Co., Ltd.	CNY	270	6.9	2027/7/19	3	Chengtou	-/-/-	-/-/-

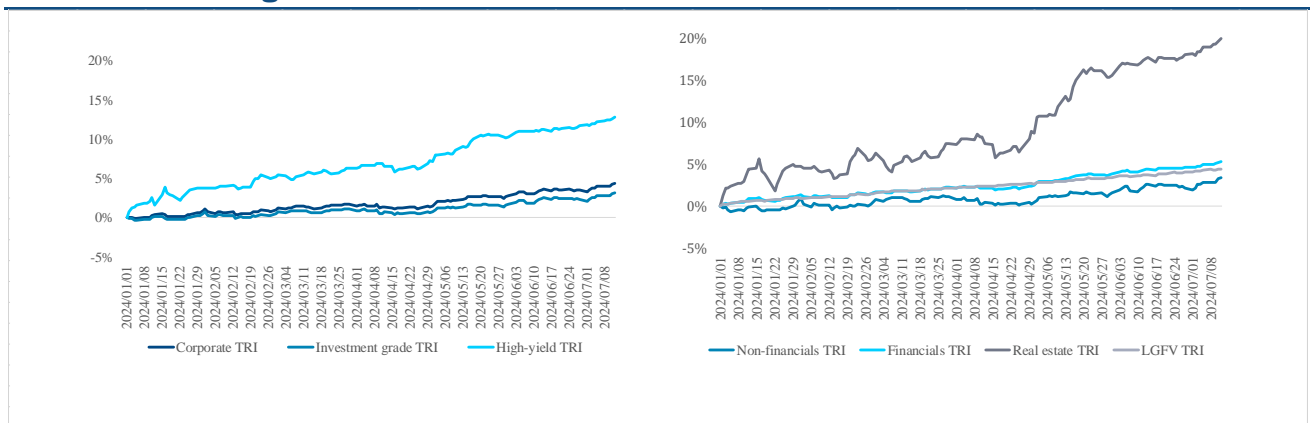
2024/7/12	Industrial & Commercial Bank of China Ltd/London	USD	50	4.74	2027/7/19	3	Banks	A1/--/--	--/--/--
2024/7/12	Jining City Development Capital Holding Co Ltd	CNY	127	7	2027/7/19	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond rose

As of July 12, the year-to-date return¹ on the Chinese USD bonds increased by 45bp to 4.43% from last Friday, of which the return on investment-grade bonds increased by 43bp to 3.23%, and the return on high-yield bonds increased by 55bp to 12.79%. By sectors, the return on non-financial, financial, real estate and Chengtou bonds were 3.36%, 5.31%, 19.93%, and 4.42%, increasing by 53bp, 38bp, 103bp, and 16bp, respectively, from last Friday.

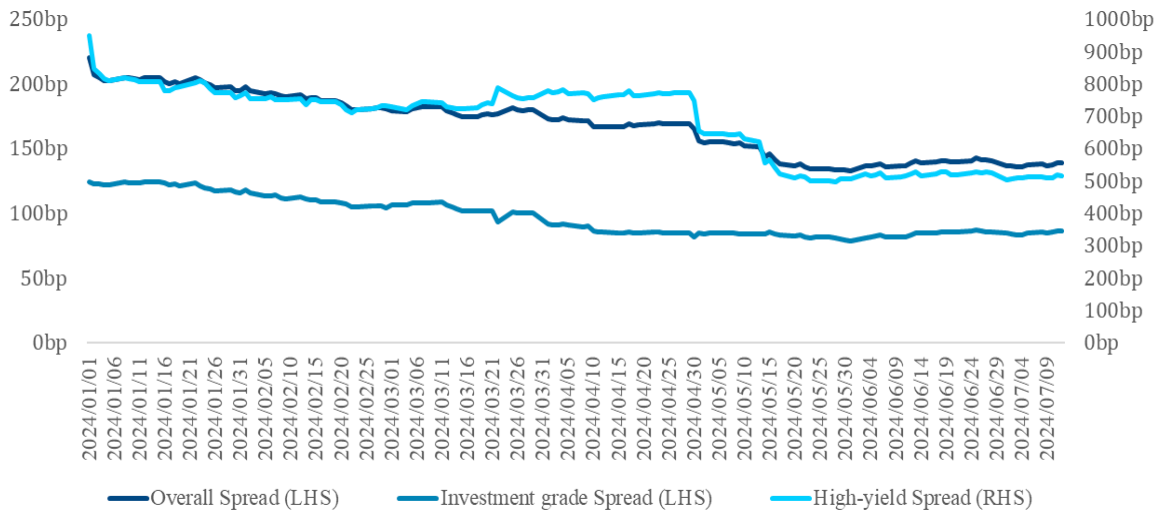
Figure 5: YTD return on Markit iBoxx Chinese USD bond index



Sources: CCXAP research

As of July 12, the yield spread of Chinese USD bonds widened by 1.4bp to 138.64bp from last Friday, of which the yield spread of investment-grade bonds broadened by 1.5bp to 85.98bp, and the yield spread of high-yield bonds widened by 2.3bp to 514.58bp.

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 increase in yield from July 8 to July 12 are shown in the table below. Among them, the yield of the bond issued by Ping An Real Estate Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest increase in yield (20240708-20240712)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
PINGRE 2 ¾ 07/29/24	Ping An Real Estate Co., Ltd.	99.793	0.03	8.865	358.4
HTISEC 3 ¾ 07/19/24	Haitong International Securities Group Co., Ltd.	99.978	0.01	7.216	296.4
WFURCD 2.6 09/27/24	Weifang Urban Construction Development Investment Group Co., Ltd.	98.677	0.03	9.454	205.7
VNKRL 3.15 05/12/25	Vanke Co., Ltd.	86.666	0.82	21.757	200.3
SHDOIS 4.8 07/28/24	Shandong Iron and Steel Group Co., Ltd.	99.912	0.03	7.517	163.3
GRWALL 3.95 PERP	China Great Wall Asset (International) Holdings Co., Ltd.	99.992	PREP	4.097	149.9
DALWAN 11 01/20/25	Wanda Commercial Real Estate (Hong Kong) Co., Ltd.	94.283	0.51	23.572	132
GSELEC 3.7 09/29/24	Gansu Electric Power Investment Group Co., Ltd.	99.364	0.20	6.848	128.7
CHMEDA 3 07/18/24	China Mengniu Dairy Co., Ltd.	100.001	0.01	2.601	121.5
GRWALL 3 ¾ 07/31/24	China Great Wall Asset (International) Holdings Co., Ltd.	100.045	0.03	1.851	95.5

注：收益率变动的M代表1000；已剔除所有已违约主体

Sources: CCXAP research

Ratings Action: CCCXAP assigned credit ratings to 2 Chinese entities

On July 8, CCXAP assigned first time long-term credit rating of BBB_g to Shaoyang Industrial Development Group Co., Ltd., with stable outlook.

On July 12, CCXAP assigned first time long-term credit rating of BBB_g+ to Nanyang Urban Investment Holdings Co., Ltd., with stable outlook.

Table 3: CCXAP ratings action (20240708-20240712)

Rating Date	Obligor	Entity Rating	Rating Date
2024/7/8	SYIC	BBB _e	The credit rating is underpinned by the Company's (1) strategic role as the primary state-owned assets operation entity in Shaoyang City with strong regional franchise advantages in developing Shaoyang ETDZ; (2) good sustainability of public policy businesses; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company's (1) medium exposure to commercial activities with poor industrial investment return; (2) fast-growing debt from large development pipelines; and (3) medium exposure to contingent risk
2024/6/25	NYUI	BBB _e +	The credit rating is underpinned by the Company's (1) relatively small revenue scale and weak profitability; and (2) increasing debt burden and modest liquidity position. The rating also reflects a relatively high likelihood of support from the Nanyang Municipal Government and its parent company when needed, which is based on the Company's (1) status as the core subsidiary of Nanyang Investment Group Co., Ltd. ("NYIG"); (2) ultimate control by the Nanyang Municipal Government; (3) regional importance in urban operation and industrial development in Nanyang City; and (4) good track record of receiving support from the local government and its parent company.

Sources: CCXAP research

From July 8 to July 12, rating agencies took positive rating actions to 2 Chinese issuers, and took negative rating actions to 1 Chinese issuer.

Table 4 : Credit rating changes of cross-border bond market (20240708-20240712)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change Outlook	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Upgrade:	Zhangzhou Transportation Development Group Co., Ltd.	Chengt ou	BBB+	POS	2024/07/10	BBB+	STABLE	2023/07/10	Lianhe Global	Strategic importance would be strengthened
	AVIC International Holdings Co., Ltd.	Techno logies	BBB	STABLE	2024/07/11	BBB-	POS	2023/08/09	S&P	Business recovery and increasing financial flexibility
Downgr	Beijing New Building Materials Group Co., Ltd.	Utilities	A-	NEG	2024/07/08	A-	STABLE	2021/06/10	S&P	Weakening industry dynamics

Sources: CCXAP research

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