

2024 Issue 27 From July 15 to July 19

New issuance of Chinese offshore bonds decreased; return on Chinese USD bonds fell

Headline: China's GDP rose by 4.7% YoY in the second quarter; the growth rate of US retail sales in June was 0%

On July 16, the National Bureau of Statistics of China announced that China's GDP in the second quarter of 2024 rose by 4.7% YoY, with the growth rate being 0.6% lower than that in the first quarter. On July 16, the US Department of Commerce released the retail sales data showing that the growth rate of US retail sales in June was 0% from last month, with the expected value of -0.3% and previous value of 0.1%.

Exchange Rate: RMB remained stable, USD index increased

This week, the RMB remained stable. As of July 19, the RMB/USD middle rate closed at 7.1315, unchanged from last Friday. The USD index increased by 0.29% to 104.396 from last Friday.

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

This week, the Chinese Government Bond yields mostly decreased. Due to better-than-expected consumption data, the market expected the Federal Reserve to cautiously begin the rate-cutting cycle. The US Treasury yields increased.

Chinese Offshore Bond Market

Primary Market: new issuance of Chinese offshore bonds decreased

From July 15 to July 19, there were 22 new offshore bonds issued by Chinese companies with a total issued volume of USD2.401 billion, decreasing by 33.30% from last week. Financial institutions were the major issuers, with a total issued amount of USD1.564 billion.

Secondary Market: return on Chinese USD bonds fell

As of July 19, the year-to-date return on the Chinese USD bonds decreased by 5bp to 4.37% from last Friday, of which the return on investment-grade bonds decreased by 11bp to 3.12%, and the return on high-yield bonds increased by 33bp to 13.12%.

Ratings Action: CCXAP assigned credit ratings to 1 Chinese entity

From July 15 to July 19, CCXAP assigned credit ratings to 1 entity, which is Shangrao Urban Operation (Holding) Group Co., Ltd.



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Headline: China's GDP rose by 4.7% YoY in the second quarter; the growth rate of US retail sales in June was 0%

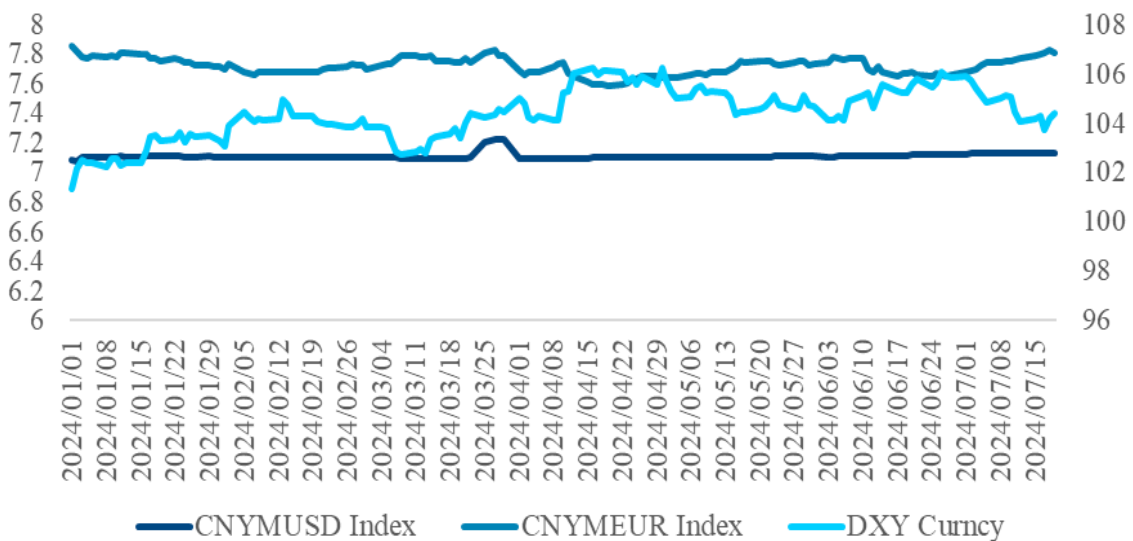
On July 16, the National Bureau of Statistics of China announced that China's GDP in the second quarter of 2024 rose by 4.7% from a year earlier, with the growth rate being 0.6% lower than that in the first quarter. After adjusting for seasonal factors, the growth rate of GDP in the second quarter was 0.7%, which is 0.8% lower than that in the first quarter, indicating a decline in the growth momentum. While it achieved positive growth for eight consecutive quarters. In the first half of the year, the cumulative year-on-year ("YoY") GDP growth rate was 5%, 0.2% lower than the annual growth rate of 2023. Affected by the combined influences of short-term factors such as extreme weather and frequent flood disasters, and challenges such as insufficient effective demand, the YoY growth rate of China's GDP slowed down in the second quarter. The change in the decline was larger than expected.

On July 16, the US Department of Commerce released the retail sales data showing that the growth rate of US retail sales in June was 0% from last month, with the expected value of -0.3% and previous value of 0.1%. Although the month-on-month retail sales data in June was better than expected, the real retail sales witnessed a significant decrease YoY after adjusting for inflation. Among the 13 retail sales categories, online non-store retailers were the major driving force behind the growth of retail sales in June, while the retail sales of auto and parts dealers experienced a significant decrease. Based on non-seasonal adjustments, the YoY growth rate of retail sales in June was 0.2%, with vehicle sales being the main factor contributing to the decrease.

Exchange Rate: RMB remained stable, USD index increased

This week, the RMB remained stable. As of July 19, the RMB/USD middle rate closed at 7.1315, unchanged from last Friday. The RMB/EUR middle rate closed at 7.809, increasing by 364bp from last Friday. The USD index increased by 0.29% to 104.396 from last Friday.

Figure 1: RMB exchange rate

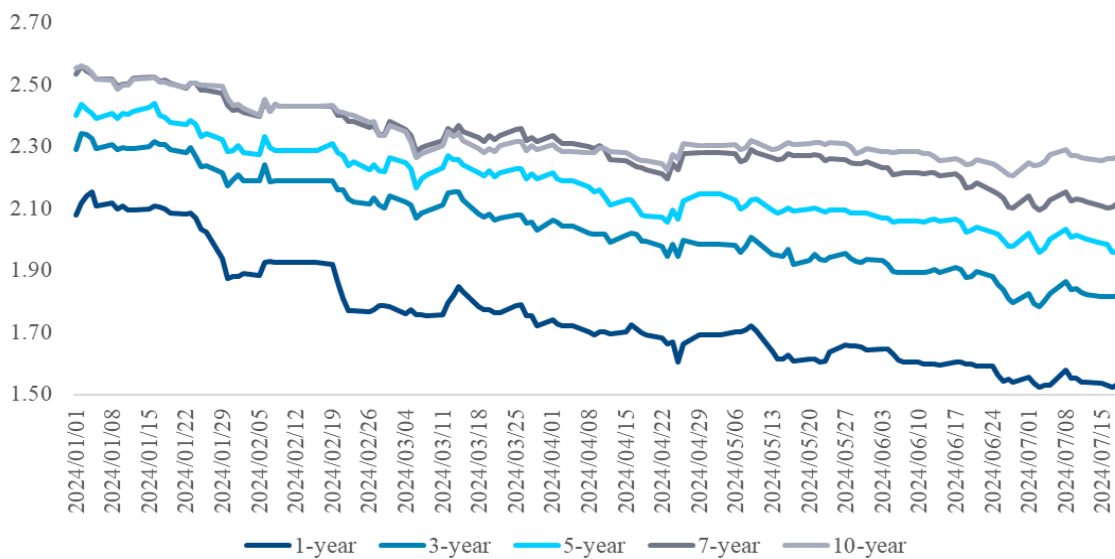


Sources: CCXAP research

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

This week, the China Government Bond yields mostly decreased. As of July 19, the 1-year, 3-year, 5-year and 7-year China Government Bond yields were 1.5265%, 1.8004%, 1.9534% and 2.1101%, decreasing by 1.25bp, 2.33bp, 4.82bp and 1.28bp, respectively, from last Friday. The 10-year China Government Bond yields were 2.2614%, increasing by 0.1bp from last Friday.

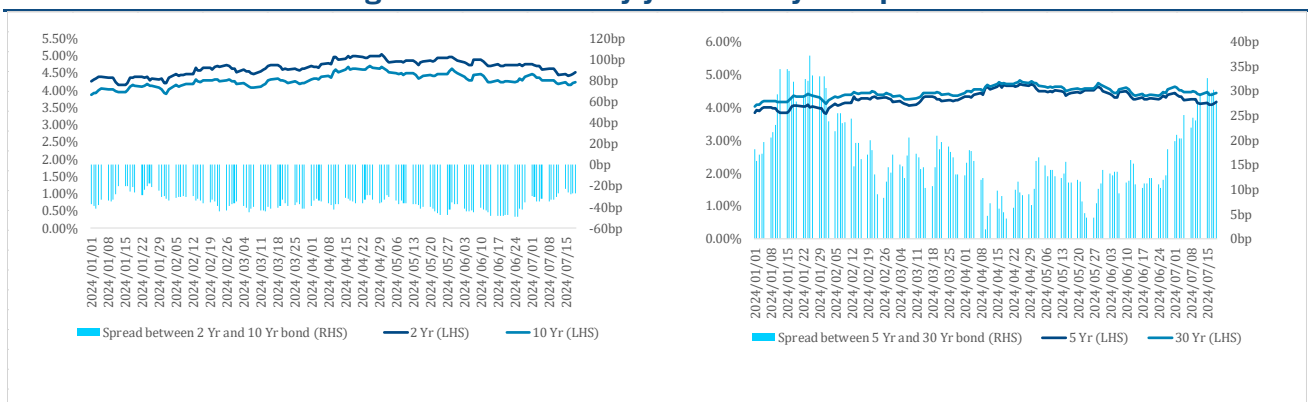
Figure 2: China Government Bond yields



Sources: CCXAP research

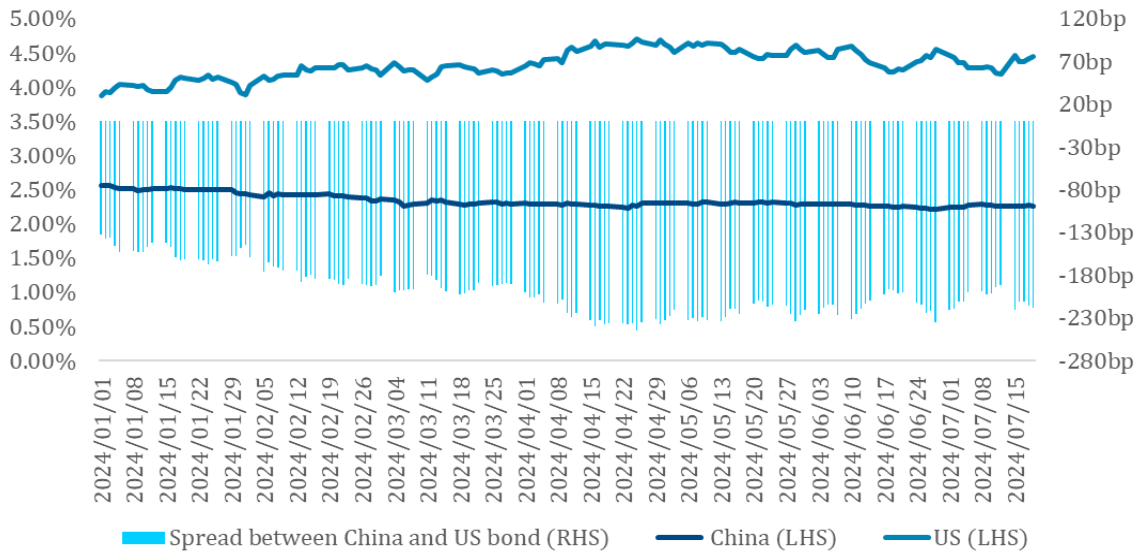
Due to market expectations that the Federal Reserve will cautiously begin the rate-cutting cycle, US Treasury yields rose. As of July 19, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.5109%, 4.1665%, 4.2389% and 4.4468%, increasing by 5.95bp, 6.45bp, 5.6bp and 5.09bp, respectively, from last Friday. In terms of US Treasury yield spreads, the spread between 2-year and 10-year Treasury notes widened by 0.35bp to -27.2bp from last Friday, and the spread between 5-year Treasury notes and 30-year Treasury bonds narrowed by 1.36bp to 28.0bp from last Friday.

Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of July 19, the yield spread between 10-year China Government Bonds and US Treasury notes was -218.5bp, widening by 26.29bp from last Friday and widening by 86.16bp from the beginning of the year.

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


Sources: CCXAP research

Primary Market: new issuance of Chinese offshore bond decreased

From July 15 to July 19, there were 22 new offshore bonds issued by Chinese companies with a total issued volume of USD2.401 billion, decreasing by 33.30% from last week. Financial institutions were the major issuers, with a total issued amount of USD1.564 billion.

Table 1: New issuance of Chinese offshore bonds (20240715-20240719)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/7/15	Anshun State Owned Capital Operation Co Ltd	USD	125	6.4	2025/7/18	364D	Chengtou	-/-	-/-
2024/7/15	China Securities International Finance Holding Co Ltd	USD	0.7	0	2025/7/18	364D	Financials	-- /BBB+/BBB+	-/-
2024/7/15	CITIC Securities International Co Ltd	USD	7.2	0	2025/7/18	1	Financials	--/BBB+/-	-/-
2024/7/15	CITIC Securities International Co Ltd	USD	7.5	0	2025/7/18	1	Financials	--/BBB+/-	-/-
2024/7/15	Qingdao Conson Development Group Co.,Ltd.	USD	150	6.1	2027/7/19	3	Chengtou	--/BBB/BBB+	-/-
2024/7/16	China Cinda HK Holdings Co Ltd	USD	500	5.5	2030/1/23	6	Financials	Baa2/BBB+/ A-	--/-/A-
2024/7/16	China Cinda HK Holdings Co Ltd	USD	500	5.375	2027/7/23	3	Financials	Baa2/BBB+/ A-	--/-/A-
2024/7/16	CITIC Securities Co Ltd	USD	20	5.5	2024/10/18	92D	Financials	Baa1/BBB+/- -	-/-
2024/7/17	China Securities International Finance Holding Co Ltd	USD	1.8	5.35	2025/7/22	365D	Financials	-- /BBB+/BBB+	-/-
2024/7/17	China Securities International Finance Holding Co Ltd	USD	0.3	0	2025/7/23	365D	Financials	-- /BBB+/BBB+	-/-
2024/7/17	China Securities International Finance Holding Co Ltd	USD	0.7	0	2025/7/23	365D	Financials	-- /BBB+/BBB+	-/-

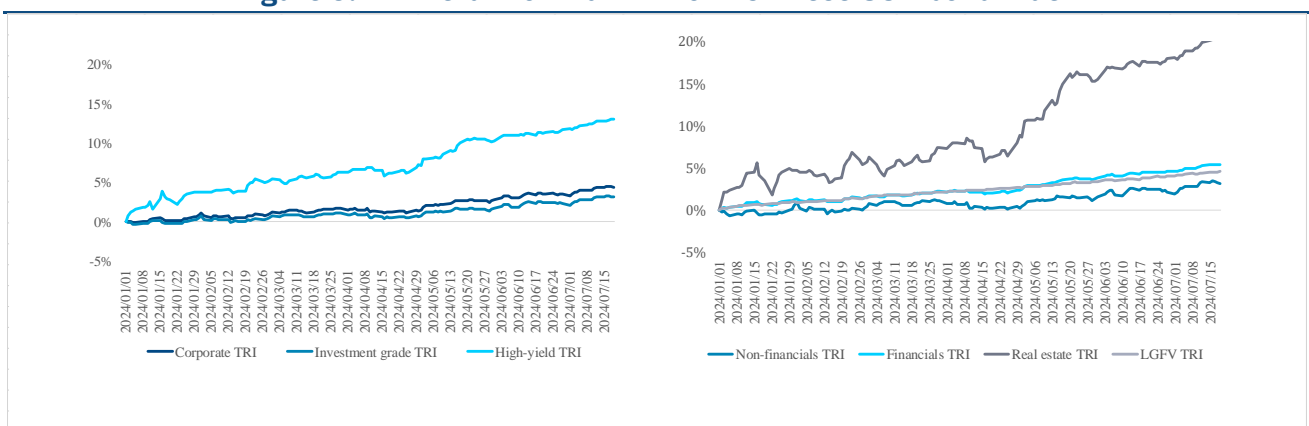
2024/7/17	CNCB Hong Kong Investment Ltd	USD	300	5.856	2025/7/18	364D	Financials	-- /BBB+/BBB+	-/-
2024/7/17	GF Holdings Hong Kong Corp Ltd	USD	3	5.63	2024/8/22	31D	Financials	--/BBB/BBB	-/-
2024/7/17	Ningbo Yincheng Group Co Ltd	USD	200	5.38	2027/7/24	3	Chengtou	Baa3/-/BBB	-/-
2024/7/18	Bocom Leasing Management Hong Kong Co Ltd	CNY	300	3.05	2027/7/24	3	Financials	A2/A-/A	-/-
2024/7/18	GF Holdings Hong Kong Corp Ltd	USD	10	5.71	2025/1/23	184D	Financials	--/BBB/BBB	-/-
2024/7/18	Industrial & Commercial Bank of China Ltd/London	USD	100	SOFR+48	2027/7/25	3	Banks	A1/-/-	-/-
2024/7/18	Shandong Hesheng Investment Co Ltd	CNY	123	6.95	2027/7/25	3	Chengtou	-/-	-/-
2024/7/18	Weihai City Investment Group Co Ltd	CNY	1245	4.8	2027/7/25	3	Chengtou	--/-/BBB-	-/-
2024/7/19	Binzhou Bincheng District Economic Development Investment Co Ltd	CNY	606	7.4	2027/7/24	3	Chengtou	-/-	-/-
2024/7/19	Industrial & Commercial Bank of China Ltd	CNY	500	2.93	2027/7/26	3	Banks	A1/A/A	-/-
2024/7/19	Linzhou City Investment Holding Co Ltd	CNY	600	7.5	2027/7/26	3	Chengtou	-/-	-/-

Sources: CCXAP research

Secondary Market: return on Chinese USD bond fell

As of July 19, the year-to-date return on the Chinese USD bonds decreased by 5bp to 4.37% from last Friday, of which the return on investment-grade bonds decreased by 11bp to 3.12%, and the return on high-yield bonds increased by 33bp to 13.12%. By sectors, the return on financial, real estate and chengtou bonds were 5.41%, 20.67% and 4.57%, increasing by 10bp, 75bp and 14bp, respectively, from last Friday. The return on non-financial bonds were 3.13%, decreasing by 24bp from last Friday.

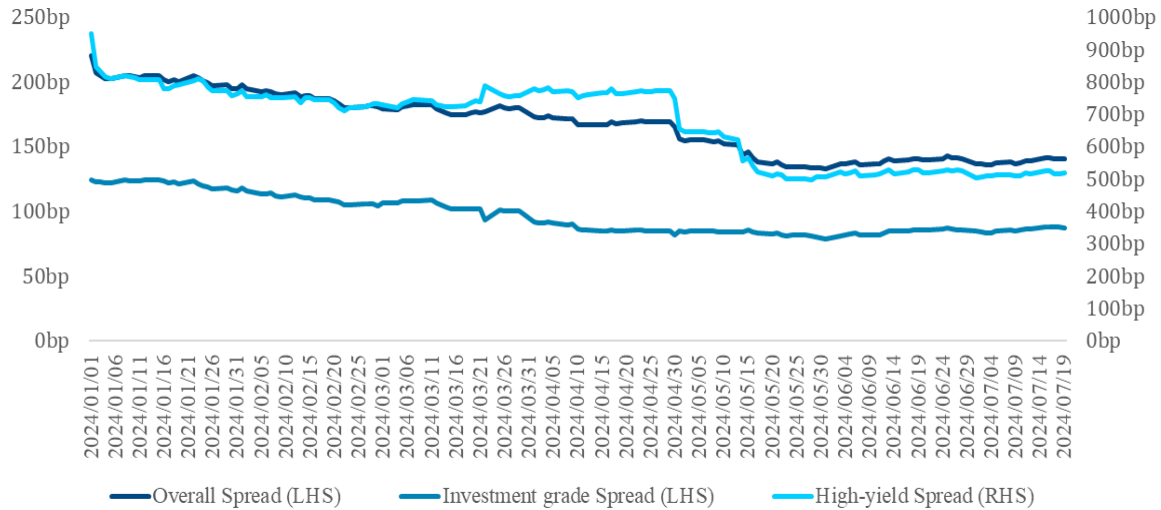
Figure 5: YTD return on Markit iBoxx Chinese USD bond index



Sources: CCXAP research

As of July 19, the yield spread of Chinese USD bonds widened by 1.6bp to 140.21bp from last Friday, of which the yield spread of investment-grade bonds broadened by 1.0bp to 86.96bp, and the yield spread of high-yield bonds widened by 4.5bp to 519.04bp.

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 15 to July 19 are shown in the table below. Among them, the yield of the bond issued by Ping An Real Estate Company Ltd. changed the most.

Table 2: Chinese offshore bonds with largest increase in yield (20240715-20240719)

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.	99.953	0.01	6.056	1.9743M
GEMDAL 4.95 08/12/24	Gemdale Corporation	98.518	0.05	34.334	1.5709M
HILOHO 9 ¾ 11/18/24	Hilong Holdings Limited	59.674	0.32	223.059	1.2789M
HILOHO 9 ¾ 11/18/24	Hilong Holdings Limited	59.022	0.32	228.836	1.2557M
SHDOIS 4.8 07/28/24	Shandong Iron and Steel Group Co., Ltd.	100.09	0.01	3.222	1.0149M
GRWALL 3 ½ 07/31/24	China Great Wall Asset (International) Holdings Co., Ltd.	99.99	0.02	3.67	506.7
FUTLAN 6 08/12/24	Seazen Group Ltd	100.011	0.05	5.627	452.4
CNSHAN 4.3 PERP	Shandong Hi-Speed Group Co., Ltd.	99.952	PERP	6.635	375.4
ZHHFGR 4 ¼ PERP	Zhuhai Huafa Group Co., Ltd.	99.857	PERP	6.288	270.1
NBQZUC 2.15 08/11/24	Ningbo Yincheng Group Co., Ltd.	99.804	0.05	6.252	243.1

Sources: CCXAP research

Ratings Action: CCCXAP assigned credit ratings to 1 Chinese entity

On July 19, CCXAP assigned first time long-term credit rating of BBB_g+ to Shangrao Urban Operation (Holding) Group Co., Ltd., with stable outlook.

Table 3: CCXAP ratings action (20240715-20240719)

Rating Date	Obligor	Entity Rating	Rating Rational
2024/7/19	SUOG	BBB _r +	The credit rating is underpinned by the Company's (1) essential role as one of the four state-owned assets operation entities in Shangrao City; (2) key position as the major infrastructure construction and land development platform in Shangrao City; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) rapid debt growth and moderate asset liquidity; and (3) medium contingent liability risk from external guarantees.

Sources: CCXAP research

From July 15 to July 19, rating agencies took positive rating actions to 1 Chinese issuer.

Table 4 : Credit rating changes of cross-border bond market (20240715-20240719)

Entity	Sector	Current Rating			Previous Rating			Rating Agency Entity Rating	Reason of Change Outlook Outlook	
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date			
International Rating:										
Upgrade:	Shanghai Electric Holding Group Co., Ltd.	Utilities	BBB	STABLE	2024/07/18	BBB	NEG	2022/09/30	S&P	The company's business is recovering and the leverage ratio is expected to stabilize

Sources: CCXAP research

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