

2023 Issue 11 From March 20 to March 24

Chinese offshore bond new issuance was weak; return on Chinese USD bond decreased

Headline: PBOC cut CRR by 0.25 percentage points; the Fed hiked rate by 25bp

PBOC announced to lower the reserve requirement ratio for financial institutions by 0.25 percentage points. US Federal Reserve announced to raise the target range of the federal funds rate by 25 basis points to between 4.75% and 5%.

Exchange Rate: RMB appreciated, USD index decreased slightly

This week, RMB appreciated. As of March 24, the RMB/USD middle rate closed at 6.8374, decreasing by 678bp from last Friday. The USD index slightly decreased by 0.6% to 103.116 from last Friday.

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

This week, Chinese government bond yields increased. US Treasury yields fell amid Fed rate hikes and Silicon Valley bank failures.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance was weak

From March 20 to March 24, there were 15 new issues with total issued volume of USD1.4 billion. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD0.74 billion.

Secondary Market: Return on Chinese USD bond decreased

As of March 24, the YTD return on Chinese USD corporate bond index decreased by 50bp to 2.53% from last Friday, of which the return on investment-grade bonds decreased by 1bp to 2.60%, and the return on high-yield bonds decreased by 342bp to 2.02%.

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

CCXAP assigned long-term credit ratings to SBCI and JUDI.



Analyst Contacts

Simon Chen
852-2860 7131
simon_chen@ccxap.com

Peter Chong
852-2860 7124
peter_chong@ccxap.com

Other Contacts
Elle Hu
852-2860 7120
elle_hu@ccxap.com

Headline: PBOC cut RRR by 0.25 percentage points; the Fed hiked rate by 25bp

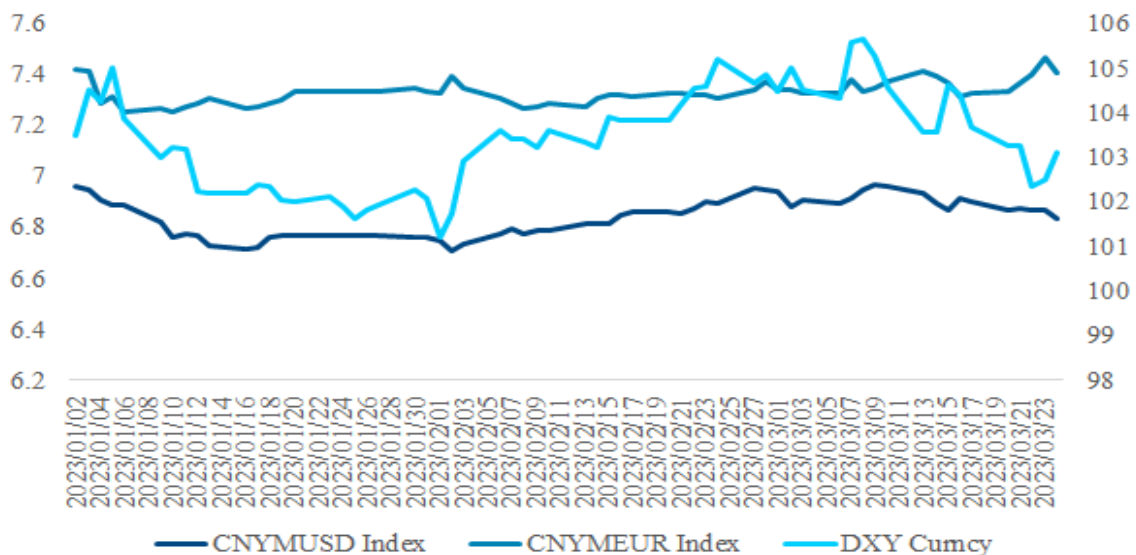
On March 20, the People's Bank of China announced to reduce the reserve requirement ratio of financial institutions by 0.25 percentage points. After this reduction, the weighted average reserve requirement ratio of financial institutions is about 7.6%. The People's Bank of China stated that this aims to promote the effective improvement of the economy and the reasonable growth of the quantity, and to improve macro economy, and maintain reasonable and sufficient liquidity in the banking system.

On March 23, the Federal Reserve announced 25bp rate hike. The Federal Open Market Committee (FOMC) announced that the federal funds target range was raised by 25bp to a range between 4.75% and 5%, highest level since October 2007, and ninth hike since March 2022. The FOMC noted that future rate hikes are uncertain and will largely depend on future data. The Federal Reserve expects the US economic growth rate to be 0.4% and 1.2% in the next two years, reducing 0.1 percentage points and 0.4 percentage points compared with last year. US inflation is expected to be 3.3% this year, with core inflation excluding food and energy prices at 3.6%, above the 2% inflation target.

Exchange Rate: RMB appreciated, USD index decreased slightly

This week, RMB appreciated. As of March 24, the RMB/USD middle rate closed at 6.8374, decreasing by 678bp from last Friday; the RMB/EUR middle rate closed at 7.4069, increasing by 768bp from last Friday. The USD index slightly decreased by 0.6% to 103.116 from last Friday.

Figure 1: RMB exchange rate

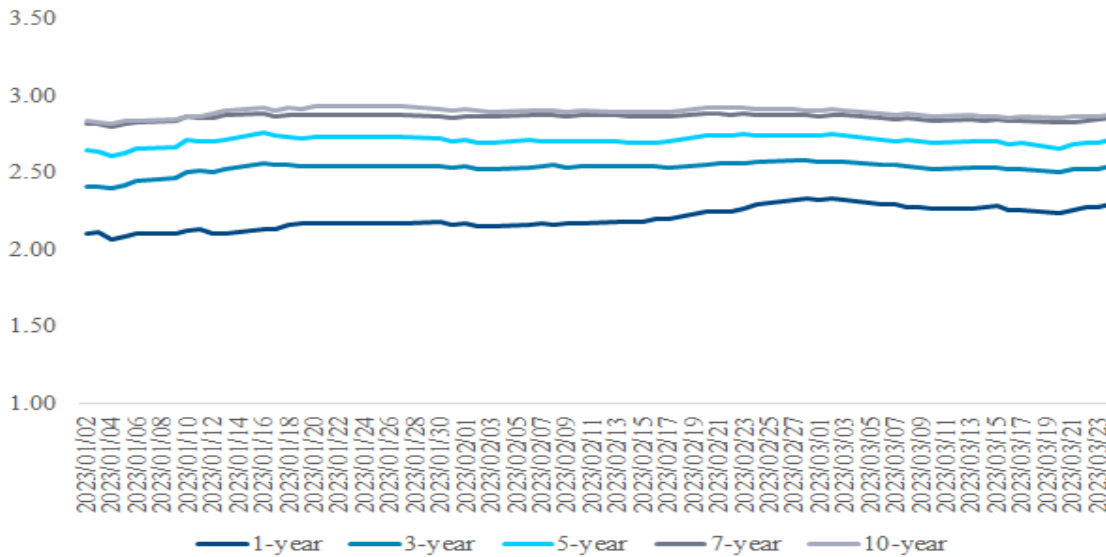


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of March 24, the 1-year, 3-years, 5-years, 7-years and 10-years China Government Bond yields were 2.2928%, 2.5377%, 2.7066%, 2.8544% and 2.8676% respectively, increasing by 4bp, 1bp, 2bp, 2bp and 1bp from last Friday.

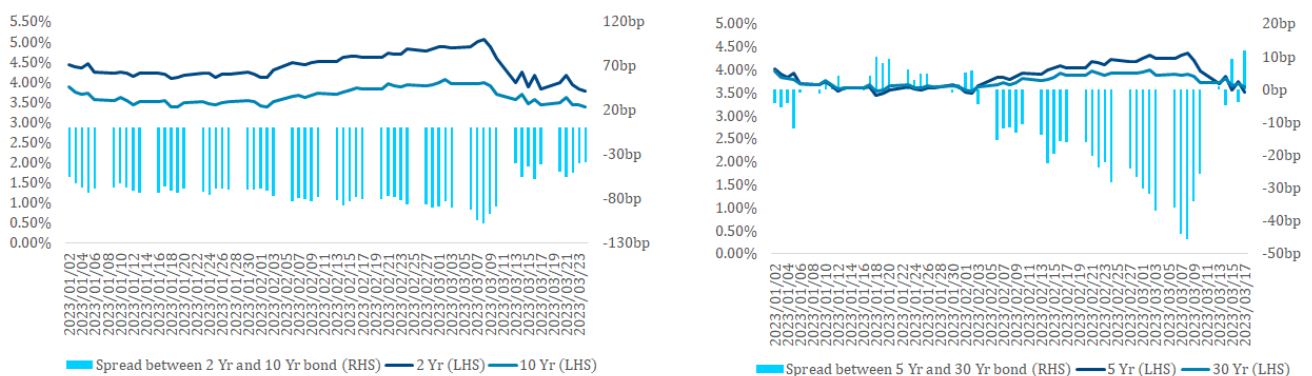
Figure 2: China Government Bond yields



Sources: CCXAP research

US Treasury yields fell amid Fed rate hikes and Silicon Valley bank failures. As of March 24, 2-year, 5-year and 10-year US Treasury yields were 3.7667%, 3.4075% and 3.3762%, decreasing by 7bp, 9bp and 5bp from last Friday, respectively. 30-years US Treasury yield was 3.6438%, increasing by 2bp from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 2bp to -39.1bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 12bp to 23.63bp from last Friday.

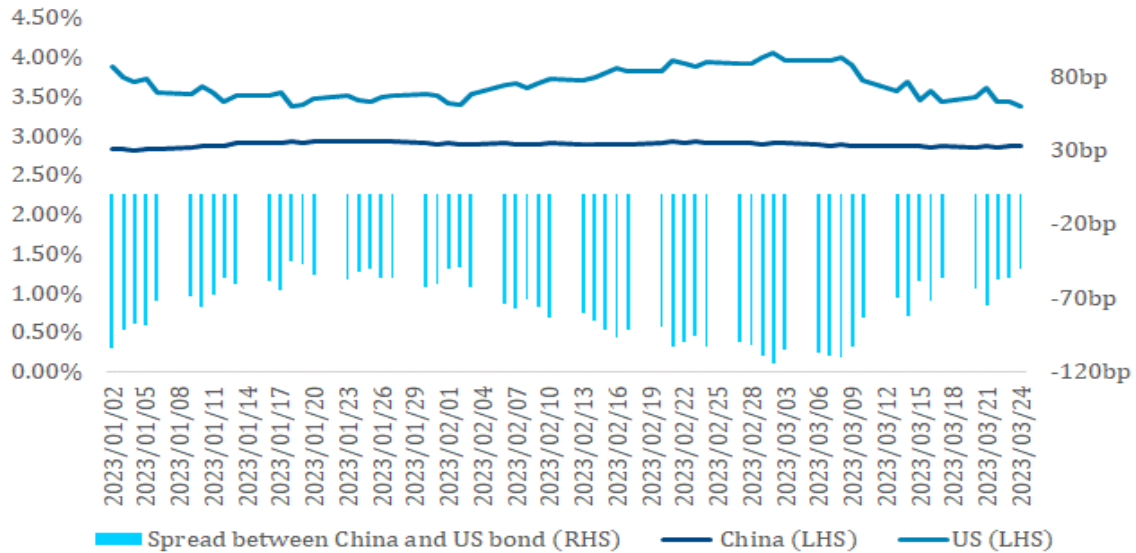
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of March 24, the yield spread between China and US 10-year note was -50.9bp, narrowing by 6bp from last Friday and narrowing by 53.1bp from the beginning of the year.

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



Sources: CCXAP research

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance was weak

From March 20 to March 24, there were 15 new issues with total issued volume of USD1.4 billion. Among them, financial institutions were the main issuers, who issued bonds with a total size of about USD0.74 billion.

Table 1: New issuance of Chinese offshore bonds (20230320-20230324)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor (year)	Industry	Issuer Rating (Moody's/S&P / Fitch)	Issue Rating (Moody's/S&P / Fitch)
2023/3/20	Bank of China Ltd/Hong Kong	CNY	1000	2.93	2025/3/27	2	Banks	A1/A/A	A1/A/A
2023/3/20	CNCB Hong Kong Investment Ltd	USD	200	4.859	2024/3/25	364D	Financials	-/BBB/BBB	-/-/-
2023/3/20	Guotai Junan Securities Co Ltd	CNY	935	3.35	2026/3/23	3	Financials	Baa1/BBB+/-	-/-/-
2023/3/20	Guotai Junan Securities Co Ltd	CNY	500	3.35	2026/3/24	3	Financials	Baa1/BBB+/-	-/-/-
2023/3/20	Haiyan County State-owned Assets Management Co Ltd	CNY	1220	4.3	2026/3/23	3	Chengtou	-/-/-	-/-/-
2023/3/21	ICBCIL Finance Co Ltd	USD	22	5.4	2024/3/22	361D	Financials	A2/A/A	-/-/-
2023/3/21	Industrial & Commercial Bank of China Ltd/Dubai DIFC	USD	100	SOFR+45	2025/3/24	2	Banks	A1/A/-	-/-/-
2023/3/22	Shaoxing Shangyu Hangzhou Bay Economic Development Zone Holding Group Co Ltd	CNY	1020	4.5	2026/3/24	3	Chengtou	-/-/BBB-	-/-/-
2023/3/22	Bocom Leasing Management Hong Kong Co Ltd	USD	37	5	2024/1/29	307D	Financials	A3/A-/A	-/-/-
2023/3/23	ICBCIL Finance Co Ltd	USD	28	5.3	2024/3/22	361D	Financials	A2/A/A	-/-/-
2023/3/24	Qingdao West Coast New Area Ocean	CNY	1000	5.5	2026/3/28	3	Chengtou	-/-/-	-/-/-

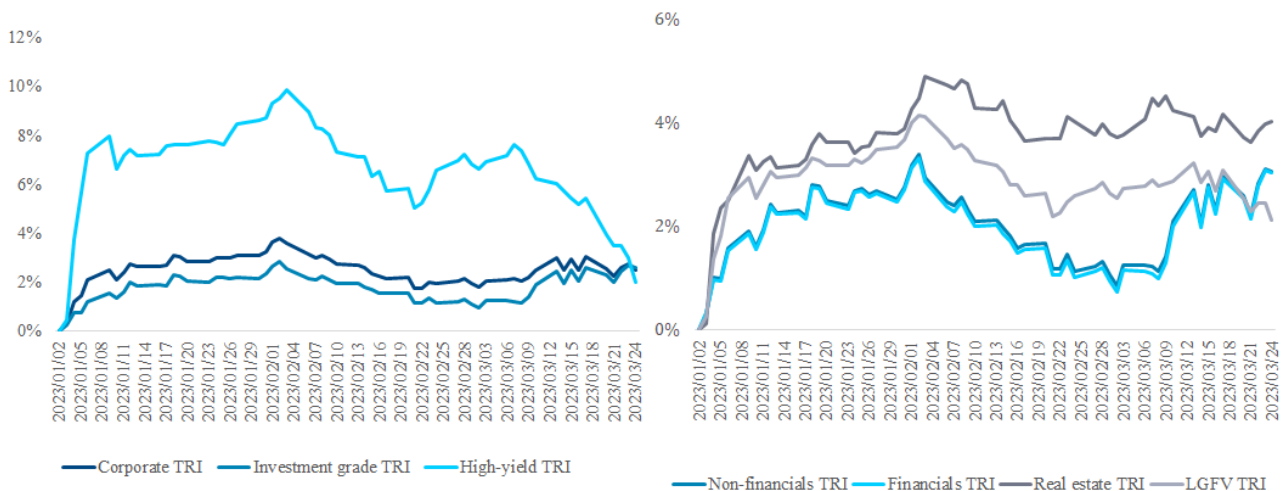
	Holding Group Co Ltd								
2023/3/24	Longnan Tourism Development and Investment Group Co Ltd	USD	60	6.7	2026/2/28	3	Chengtou	-/-	-/-
2023/3/24	Panzhuhua Panxi Science and Technology City Development Construction Co Ltd	CNY	300	3.8	2026/3/30	3	Chengtou	-/-	-/-
2023/3/24	Qingdao West Coast New Area Fusion Holdings Group Co Ltd	CNY	400	5.4	2026/3/29	3	Chengtou	-/-	-/-
1900/1/0	Shiyan Juxin Urban & Rural Construction Development Investment Group Co Ltd	CNY	410	4.85	2026/3/30	3	Chengtou	-/-	-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of March 24, the YTD return¹ on Chinese USD corporate bond index decreased by 50bp to 2.53% from last Friday, of which the return on investment-grade bonds decreased by 1bp to 2.60%, while the return on high-yield bonds decreased by 342bp to 2.02%. In terms of sector indices, the return on real estate bonds decreased by 14bp from last Friday to 4.01%; the return on Chengtou bonds was 2.11%, decreasing by 97bp. Returns on financial and non-financial bonds were 3.02% and 3.06%, respectively, increasing by 10bp and 9bp from last Friday, respectively.

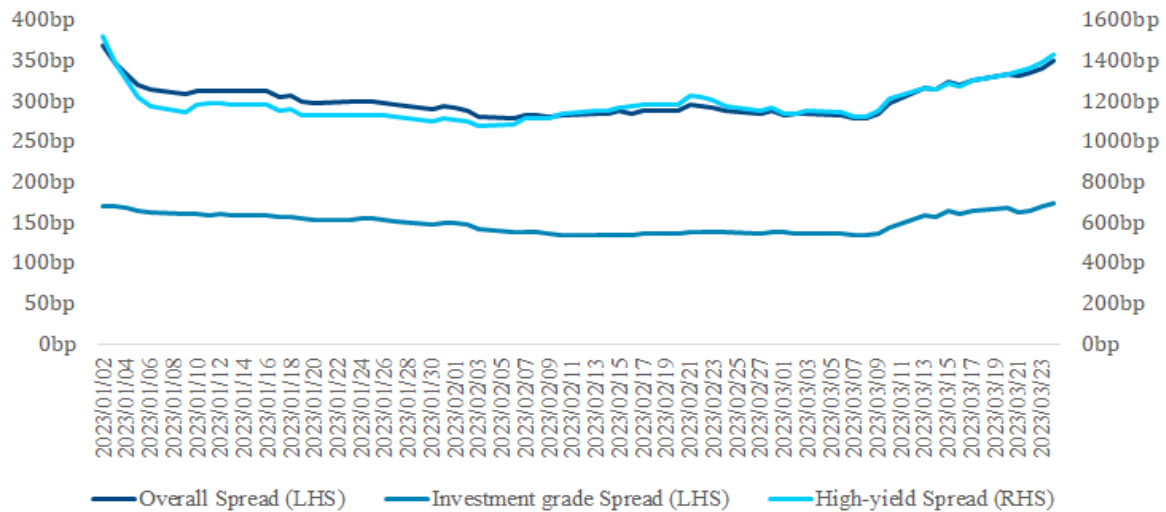
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of March 24, the yield spread of Chinese dollar bonds increased by 23.9bp to 348.95bp from last Friday. The yield spread of investment-grade bonds increased by 10.1bp to 173.74 bp, and the spread of high-yield bonds increased by 132.3bp to 1429.52bp.

¹ Year-to-date return measures the return since January 3, 2023

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


Sources: CCXAP research

The 10 bonds with the largest yield increase from March 20 to March 24 are shown in the table below. Among them, China Grand Automotive Service Group Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230320-20230324)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
CHGRAU 9.109 PERP	China Grand Automotive Service	49	PERP	1105.055	21403.6
SINOCL 6 ¼ 06/22/23	Sino-Ocean Capital Holding Ltd	37.01	0.238193018	714.144	4854
SINOCE 6 07/30/24	Sino-Ocean Capital Holding Ltd	66.062	1.344284736	41.451	2160.5
SINOCE 6.876 PERP	Sino-Ocean Capital Holding Ltd	28.917	PERP	45.123	1825.8
SINOCE 2.7 01/13/25	Sino-Ocean Capital Holding Ltd	55.144	1.801505818	40.119	1701.9
SINOCE 5.95 02/04/27	Sino-Ocean Capital Holding Ltd	50.751	3.86036961	27.436	989.3
SINOCE 3 ¾ 05/05/26	Sino-Ocean Capital Holding Ltd	53.25	3.107460643	26.159	916.7
GEELZ 0 06/19/24	Zhejiang Geely Holding Group Co Ltd	122.696	1.232032854	-15.378	804.6
SINOCE 4 ¾ 08/05/29	Sino-Ocean Capital Holding Ltd	43.125	6.360027379	21.618	753.7
GRWALL 4 ¾ 05/25/23	China Great Wall AMC International Holding Co Ltd	99.045	0.161533196	10.351	651.9

Sources: CCXAP research

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

On March 23, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g+ to Qingdao Shibe Construction Investment Group Co., Ltd. (“SBCI”), with stable outlook.

On March 24, CCXAP has assigned a first-time long-term credit rating of BBB_g to Taizhou Jiaojiang Urban Development Investment Group Co. Ltd. (“TXJI”), with stable outlook.

Table 3: Credit rating from CCXAP (20230320-20230324)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/03/14	SBCI	BBB _g +	-	The credit rating is underpinned by the Company’s (1) important policy role as the key urban operator of Shibe District; (2) good track record of receiving government support; and (3) good access to diversified funding sources. However, the Company’s rating is constrained by (1) medium commercial activities exposure; and (2) high debt leverage level and weak asset liquidity.
2023/03/24	JUDI	BBB _g	-	The credit rating is underpinned by the Company’s (1) important role in infrastructure construction and dominant position in water utility provision in Jiaojiang District; (2) substantial payments received from Jiaojiang District Government; and (3) good access to funding. However, the rating is constrained by the Company’s (1) important role in infrastructure construction and dominant position in water utility provision in Jiaojiang District; (2) substantial payments received from Jiaojiang District Government; and (3) good access to funding..

Sources: CCXAP research

From March 20 to March 24, international rating agencies took 2 negative actions on Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230320-20230324)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Downgrade	China Huarong Asset Management Co Ltd	Financial	Baa2	Rating Under Review	2023/3/27	Baa2	NEG	2022/9/6	Moody's	Record net loss attributable to the company's shareholders of approximately RMB 27.6 billion in 2022
	BOCOM International Holdings Co Ltd	Financial	A3	Rating Under Review	2023/3/24	A3	NEG	2022/8/12	Moody's	Expects to record a net loss of approximately HKD 2.9 billion-HKD 3.0 billion for the year ended 2022/12/31

Sources: CCXAP research

Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong
Website: www.ccxap.com
Email: info@ccxap.com
Tel: +852 2860 7111
Fax: +852 2868 0656