

2023 Issue 37

From September 18 to September 22

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

Headline: China's September 1-year and 5-year LPRs were unchanged; US paused rate hikes as scheduled but hinted at higher rates for longer, with most officials expecting another hike this year

People's Bank of China authorized the National Interbank Lending Center to announce that the LPR on September 20, 2023 was 3.45% for one-year and 4.2% for five-year terms, both unchanged from the previous value. The FOMC, announced after its meeting that the target range for the federal funds rate remained at 5.25% to 5.50%, keeping the policy rate at a 22-year high. The dot plot shows that more than 60% of Fed officials expect another rate hike this year.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of September 22, the RMB/USD middle rate closed at 7.1729, decreasing by 57bp from last Friday. The USD index increased by 0.2% to 105.583 from last Friday.

Interest Rate: Chinese Government Bond yields and US Treasury yields increased

This week, the China Government Bond yields increased. As the market expects the Fed to keep interest rates high, US Treasury yields rose.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From September 18 to September 22, there were 16 new issues with total issued volume of USD1.40 billion, decreasing by 31% from last week. Among them, Chengtuo companies are the largest issuer with a total issued amount of USD1.17 billion.

Secondary Market: Return on Chinese USD bond decreased

As of September 22, the YTD return on Chinese USD corporate bond index decreased by 17bp to 0.10% from last Friday, of which the return on investment-grade bonds decreased by 3bp to 2.80%, the return on high-yield bonds decreased by 108bp to -16.77%.

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

CCXAP assigns long-term credit rating to 3 entities, including Shandong Public Holdings Limited, Ningyuan Caimao State-owned Assets Operation Co., Ltd. and Hunan Miluo River Holding Group Co., Ltd..



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Headline: China's September 1-year and 5-year LPRs were unchanged; The U.S. paused rate hikes as scheduled but hinted at higher rates for longer, with most officials expecting another hike this year

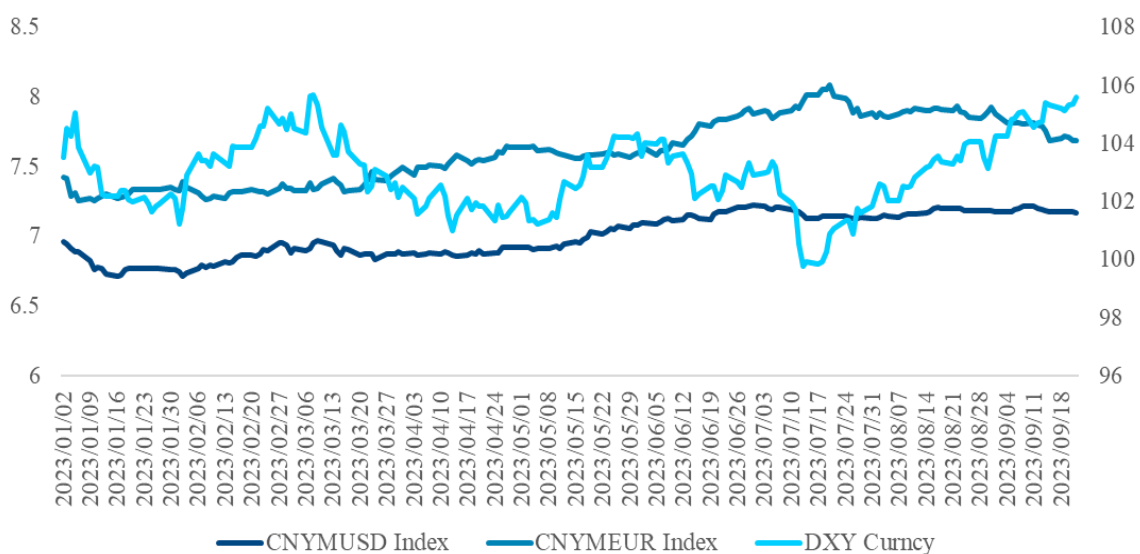
On September 20, the National Interbank Lending Center authorized by People's Bank of China to announce that the Loan Prime Rate (LPR) on September 20, 2023 was: one-year LPR of 3.45%, with expected value of 3.45% and previous value of 3.45%. The five-year LPR was 4.2%, with expected value of 4.2% and previous value of 4.2%. On the same day, the central bank carried out a 7-day reverse repurchase operation of RMB205 billion, and the interest rate was 1.80%; conducted an RMB86 billion 14-day reverse repurchase operation, with interest rate of 1.95%. Net investments in the open market amounted to RMB226 billion.

On September 20, the Federal Reserve's monetary policy committee, the FOMC, announced after its meeting that the target range for the federal funds rate remained at 5.25% to 5.50%, keeping the policy rate at a 22-year high. Following June this year, this is the second time in this tightening cycle that the Fed has not continued to raise interest rates at its previous meeting. The dot plot of "Fed officials' expectations of future interest rates" released after the meeting showed that this time Fed policymakers expect higher interest rates this year than the previous dot plot released in June, most expect another rate hike this year, and most policymakers expect to cut interest rates at least once next year.

Exchange Rate: RMB appreciated, USD index increased

This week, RMB appreciated. As of September 22, the RMB/USD middle rate closed at 7.1729, decreasing by 57bp from last Friday; the RMB/EUR middle rate closed at 7.6881, increasing by 16bp from last Friday. The USD index increased by 0.2% to 105.583 from last Friday.

Figure 1: RMB exchange rate

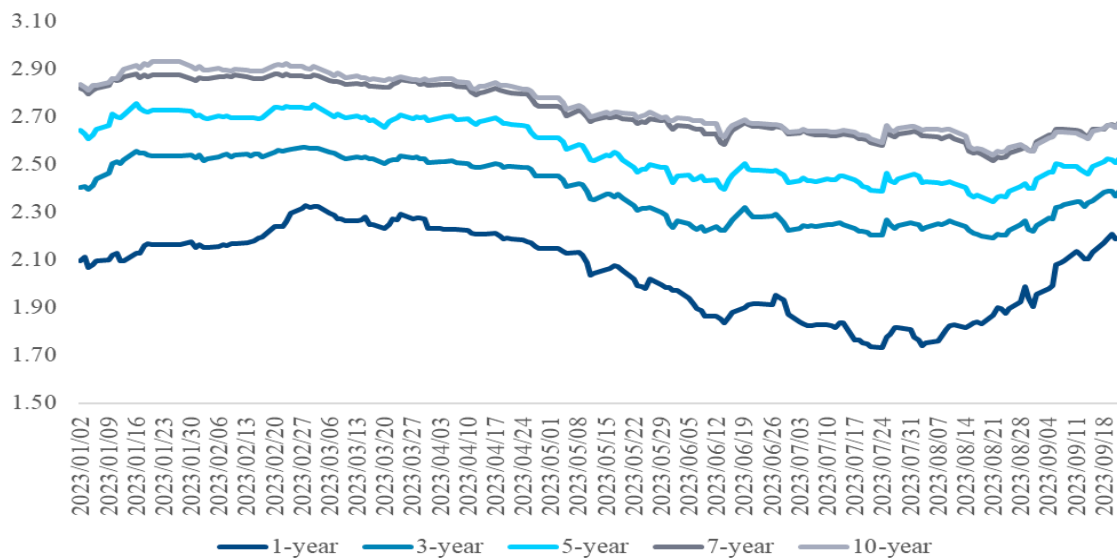


Sources: CCXAP research

Interest Rate: Chinese Government Bond yields and US Treasury yields increased

This week, the China Government Bond yields increased. As of September 22, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 2.1977%, 2.3907%, 2.5296%, 2.6800% and 2.6776%, increasing by 6.5bp, 4.2bp, 3.6bp, 3.3bp and 3.8bp respectively from last Friday.

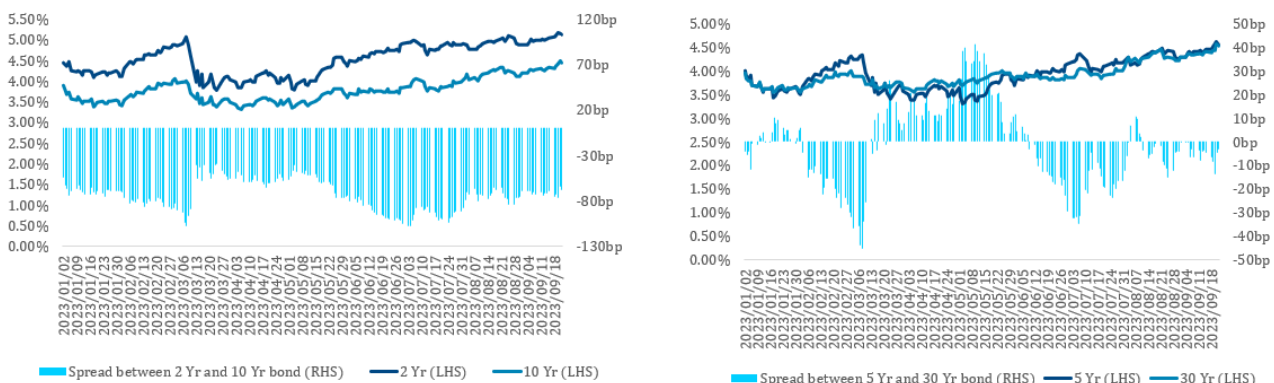
Figure 2: China Government Bond yields



Sources: CCXAP research

As the market expects the Fed to keep interest rates high, US Treasury yields rose. As of September 22, 2-year, 5-year, 10-year and 30-year Treasury yields were 5.1097%, 4.5584%, 4.4337% and 4.5245%, increasing by 7.7bp, 9.5bp, 10.1bp and 10.7bp respectively from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds decreased by 2bp to -67.6bp from last Friday, and the spread between 5-year and 30-year Treasury bonds decreased by 1bp to -3.4bp from last Friday.

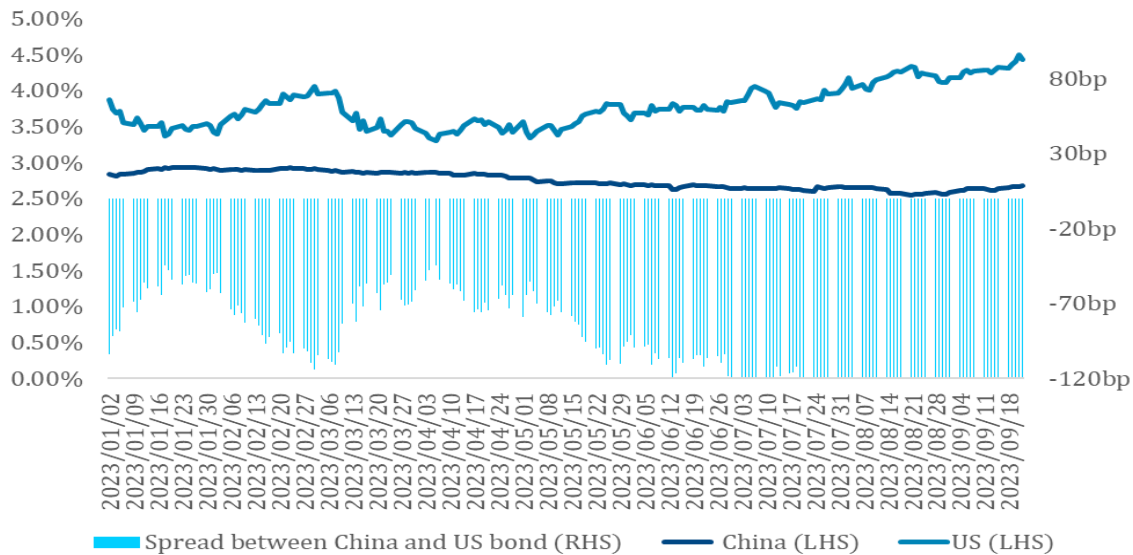
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of September 22, the yield spread between China and US 10-year note was -175.6bp, widening by 7.4bp from last Friday and 71.66bp 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 September 18 to September 22, there were 16 new issues with total issued volume of USD1.40 billion, decreasing by 31% from last week. Among them, Chengtou companies were the largest issuer with a total issued amount of USD1.17 billion.

Table 1: New issuance of Chinese offshore bonds (20230918-20230922)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2023/9/18	Tangshan Holding Development Group Co Ltd	CNY	385	5.5	2026/9/20	3	Chengtou	-/-/-	-/-/-
2023/9/19	Bocom Leasing Management Hong Kong Co Ltd	CNY	700	3.3	2026/10/20	3	Financials	A3/A-/A	-/-/-
2023/9/19	CITIC Securities International Co Ltd	USD	15.5	0	2026/3/27	2.51	Financials	-/BBB+/-	-/-/-
2023/9/19	Jinan Shizhong Finance Investment Group Co Ltd	USD	60	7.5	2024/9/20	1	Chengtou	-/-/-	-/-/-
2023/9/19	Qingdao Jiaozhou Bay Development Group Co Ltd	CNY	800	5.5	2026/9/26	3	Chengtou	-/-/-	-/-/-
2023/9/20	China Securities International Finance Holding Co Ltd	HKD	20	1M HIBOR+0	2024/3/22	179D	Financials	-/-/-	-/-/-
2023/9/20	Gansu Provincial Highway Aviation Tourism Investment Group Co Ltd	CNY	1,860	3.9	2026/9/27	3	Chengtou	-/BBB+/BB B+	-/-/-
2023/9/20	Huatai International Financial Holdings Co Ltd	USD	60	6	2024/3/26	181D	Financials	-/BBB+/-	-/-/-

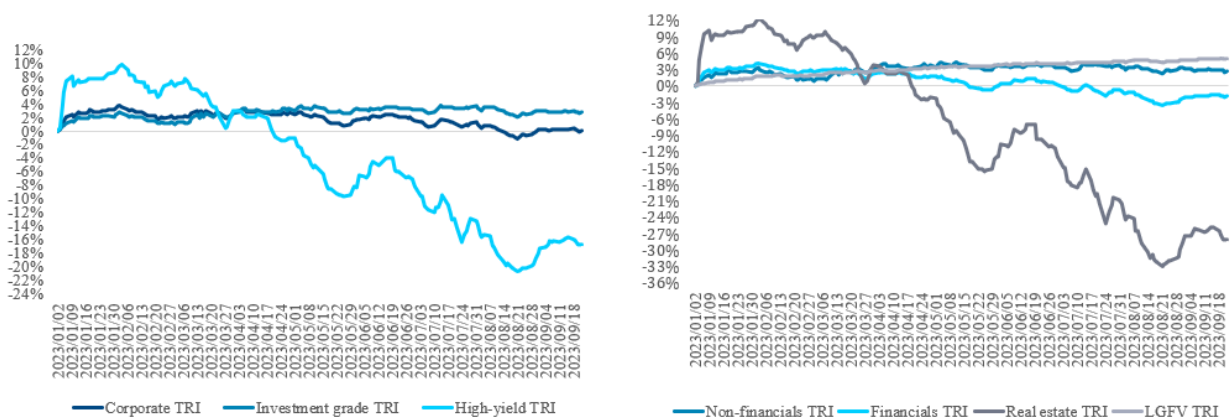
2023/9/20	Jiangsu Pingling Construction Investment Group Co Ltd	CNY	730	3.88	2026/9/27	3	Chengtou	-/-/-	-/-/-
2023/9/20	Xuzhou Economic Technology Development Zone State Owned Asset Management Co Ltd	USD	60	6.5	2026/9/27	3	Chengtou	-/-/-	-/-/-
2023/9/20	Zhangzhou Jiulongjiang Group Co Ltd	CNY	2,130	4.2	2026/9/27	3	Chengtou	-/-/BBB-	-/-/-
2023/9/21	China Securities International Finance Holding Co Ltd	HKD	6.5	4.8	2023/11/24	59D	Financials	-/-/-	-/-/-
2023/9/21	Huatai International Financial Holdings Co Ltd	CNY	400	3.78	2024/9/24	362D	Financials	-/BBB+/-	-/-/-
2023/9/21	Shaanxi Xixian New Area Fengxi Development Group Co Ltd	CNY	1,070	4.95	2026/9/28	3	Chengtou	-/-/-	-/-/-
2023/9/22	Qihe Urban Investment Construction Group Co., Ltd	CNY	244	7.8	2026/9/27	3	Chengtou	-/-/-	-/-/-
2023/9/22	Xi'an Aerospace High-Tech Industry Development Group Co Ltd	USD	60	7.1	2026/10/16	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond decreased

As of September 22, the YTD return¹ on Chinese USD corporate bond index decreased by 17bp to 0.10% from last Friday, of which the return on investment-grade bonds decreased by 3bp to 2.80% and the return on high-yield bonds decreased by 108bp to -16.77%. In terms of sector indices, the return on non-financials, financials and real estate bonds were 2.67%, -1.88% and -28.04%, decreasing by 19bp, 15bp and 206bp respectively from last Friday. The return on Chengtou bonds was 4.98%, increasing by 7bp from last Friday.

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

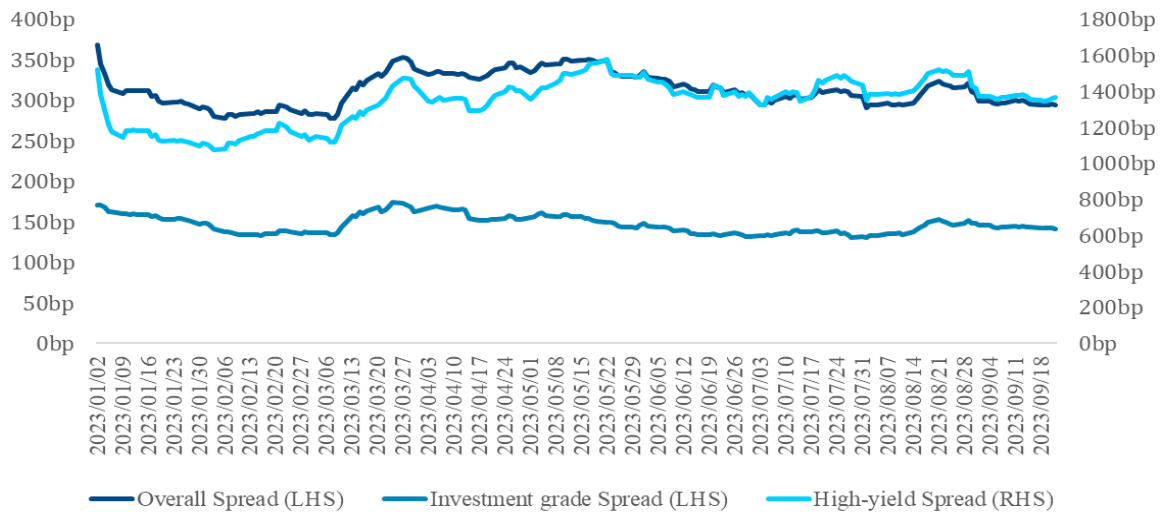


Sources: CCXAP research

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

As of September 22, the yield spread of Chinese dollar bonds decreased by 1.4bp to 294.72bp from last Friday. The yield spread of investment-grade bonds decreased by 2.03bp to 141.47bp, while the spread of high-yield bonds increased by 8.0bp to 1,364.69bp.

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



Sources: CCXAP research

The 10 bonds with the largest yield increase from September 18 to September 22 are shown in the table below. Among them, Agile Group Holdings Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20230918-20230922)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
AGILE 8 ¾ PERP	Agile Group Holdings Ltd	4.733	PERP	6451.776	97965.5
CHINSC 7 ¾ 04/09/24	China SCE Group Holdings Ltd	16.584	0.55	838.418	45357.2
COGARD 6 ½ 04/08/24	Country Garden Holdings Co Ltd	10.481	0.55	1475.876	43834.7
JIAZHO 11 ½ 04/07/24	Haimen Zhongnan Investment Development International Co Ltd	10.5	0.54	1543.524	10061.9
AGILE 7 ¾ PERP	Agile Group Holdings Ltd	5.143	PERP	997.287	6544.5
SZIHOG 4.35 09/26/23	SIHC International Capital Ltd	99.934	0.01	27.533	3898.9
CHINSC 6 02/04/26	China SCE Group Holdings Ltd	7.713	2.37	181.745	3811.8
SINOCE 6 07/30/24	Sino-Ocean Land Treasure Finance I Ltd	9.32	0.85	629.555	3597.8
CHINSC 5.95 09/29/24	China SCE Group Holdings Ltd	12.093	1.02	402.814	3352.2
DALWAN 7 ¼ 01/29/24	Wanda Properties International Co Ltd	65.008	0.35	165.768	3307.4

Sources: CCXAP research

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

On September 22, CCXAP assigns first time long-term credit rating of BBB_g+ to Shandong Public Holdings Limited (“SDPH” or the “Company”), with stable outlook.

On September 22, CCXAP assigns first time long-term credit rating of BBB_g- to Ningyuan Caimao State-owned Assets Operation Co., Ltd. (“NCSA” or the “Company”), with stable outlook.

On September 22, CCXAP assigns first time long-term credit rating of BBB_g- to Hunan Miluo River Holding Group Co., Ltd. (“MRHG” or the “Company”), with stable outlook.

Table 3: Credit rating from CCXAP (20230918-20230922)

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2023/09/22	SDPH	BBB _g +	-	The credit rating is underpinned by the Company’s (1) strong regional franchise in the public utility services of Jining City; (2) good access to diversified funding; and (3) solid track record of government support. However, the rating is constrained by the Company’s (1) high exposure to commercial activities; and (2) increasing debt burden driven by large capital expenditure.
2023/09/22	NCSA	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) strong market position in infrastructure construction and utility services of Ningyuan County; (2) good track record of receiving government support; and (3) reasonable debt leverage. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) moderate asset liquidity; and (3) limited access to funding.
2023/09/22	MRHG	BBB _g -	BBB _g -	The credit rating is underpinned by the Company’s (1) strong position in public-related services of Miluo City; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) increasing investment on self-operated commercial projects, exerting high capital expenditure pressure; and (2) fast debt growth and modest asset liquidity.

Sources: CCXAP research

From September 18 to September 22, rating agencies took positive rating actions on 2 Chinese issuers and took negative rating actions on 13 Chinese issuers.

Table 4: Credit rating changes of cross-border bond market (20230918-20230922)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	ENN Natural Gas Co. Ltd.	Consumer Discretionary	BBB-	POS	2023/09/18	BBB-	Stable	2022/08/05	S&P	Sale of coal business
	Shenzhen Expressway Corporation Ltd.	Industrials	Baa2	Stable	2023/09/19	Baa2	NEG	2021/08/13	Moody's	Strong support from parent companies
Downgrade:	Hainan State Farms Investment Holding Group Co., Ltd.	Consumer Staples	Baa3	NEG	2023/09/19	Baa2	NEG	2023/02/21	Moody's	Haiken's leverage will remain elevated
	Poly Developments Holdings Group Co., Ltd.	Real Estate	Baa2	NEG	2023/09/21	Baa2	Stable	2021/08/02	Moody's	Uncertainties over company's ability to achieve stable operating performance
	Hengli (Hong Kong) Real Estate Ltd.	Real Estate	Baa3	NEG	2023/09/21	Baa3	Stable	2021/08/02	Moody's	Uncertainties over Hengli's ability to achieve stable operating performance
	Greentown China Holdings Ltd.	Real Estate	Ba3	NEG	2023/09/21	Ba3	Stable	2022/01/11	Moody's	Uncertainties over Greentown's ability to achieve stable operating performance

China Resources Land Ltd.	Real Estate	Baa1	NEG	2023/09/21	Baa1	Stable	2022/02/17	Moody's	Uncertainties over CR Land's ability to achieve stable operating performance
Shum Yip Group Ltd.	Real Estate	Baa1	NEG	2023/09/21	Baa1	Stable	2023/07/10	Moody's	Uncertainties over Shum Yip's ability to recover its weakened credit metrics
China Overseas Grand Oceans Group Ltd.	Real Estate	Baa2	NEG	2023/09/21	Baa2	Stable	2022/09/30	Moody's	Uncertainties over COGO's ability to restore its weakened credit metrics
Yuexiu Property Company Ltd.	Real Estate	Baa3	NEG	2023/09/21	Baa3	Stable	2022/07/04	Moody's	Uncertainties over Yuexiu Property's ability to achieve stable operating performance
China Vanke Co., Ltd.	Real Estate	Baa1	Rating Under Review	2023/09/21	Baa1	Stable	2022/04/19	Moody's	High uncertainties over company's ability to recover its weakened contracted sales
China Overseas Land & Investment Ltd.	Real Estate	Baa1	NEG	2023/09/21	Baa1	Stable	2022/04/25	Moody's	Uncertainties over COLI's ability to restore its weakened credit metrics
China Jinmao Holdings Group Ltd.	Real Estate	Baa3	Rating Under Review	2023/09/21	Baa3	Stable	2022/09/29	Moody's	High uncertainties over company's ability to recover its gross profit margins
Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	Chengtou	BBB	Stable	2023/09/21	BBB-	Stable	2022/09/21	Lianhe Global	Strategic importance increased
Redsun Properties Group Ltd.	Real Estate	Ca	NEG	2023/09/22	Caa2	NEG	2022/09/21	Moody's	Weak liquidity and weak recovery prospects

Sources: CCXAP research

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