

# CCXAP

## Cross-border Bonds Weekly Report



### 2024 Issue 23

#### From June 17 to June 21

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

**Headline: China's 1-year and 5-year LPR remained unchanged in June; US retail sales data in May rose by 0.1% YoY, falling short of expectations.**

On June 20, the People's Bank of China authorized the National Interbank Funding Center to announce that the 1-year Loan Prime Rate (LPR) is 3.45% and the over 5-year LPR is 3.95%, both unchanged from the previous values. On June 19, the US Department of Commerce released data showing that retail sales in May increased by 0.1% month-on-month, and the April data was revised from flat to a 0.2% decline.

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

This week, the RMB depreciated. As of June 21, the RMB/USD middle rate closed at 7.1196, increasing by 45bp from last Friday. The USD index increased by 0.23% to 105.796 from last Friday.

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

This week, the China Government Bond yields mostly fell. Due to the month-on-month decline in consumer data, inflation has slightly eased, US Treasury yields rose.

#### Chinese Offshore Bond Market

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

From June 17 to June 21, there were 43 new issues with total issued volume of USD4.736 billion, increasing by 79.6% from last week. Among them, financials companies are the largest issuer with a total issued amount of USD3.130 billion.

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

As of June 21, the year-to-date return on the Chinese USD corporate bond index decreased by 6bp to 3.54% from last Friday, of which the return on investment-grade bonds decreasing by 10bp to 2.42%, the return on high-yield bonds increasing by 14bp to 11.38%.

##### Rating Action: CCXAP assigns long-term credit ratings to 2 entities

From June 17 to June 21, CCXAP assigns long-term credit rating to 2 entities, Jingdezhen Hesheng Industrial Investment Development Co., Ltd., and Fuqing State-owned Asset Operation and Investment Group.



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## Headline: China's 1-year and 5-year LPR remained unchanged in June; US retail sales data in May rose by 0.1% YoY, falling short of expectations

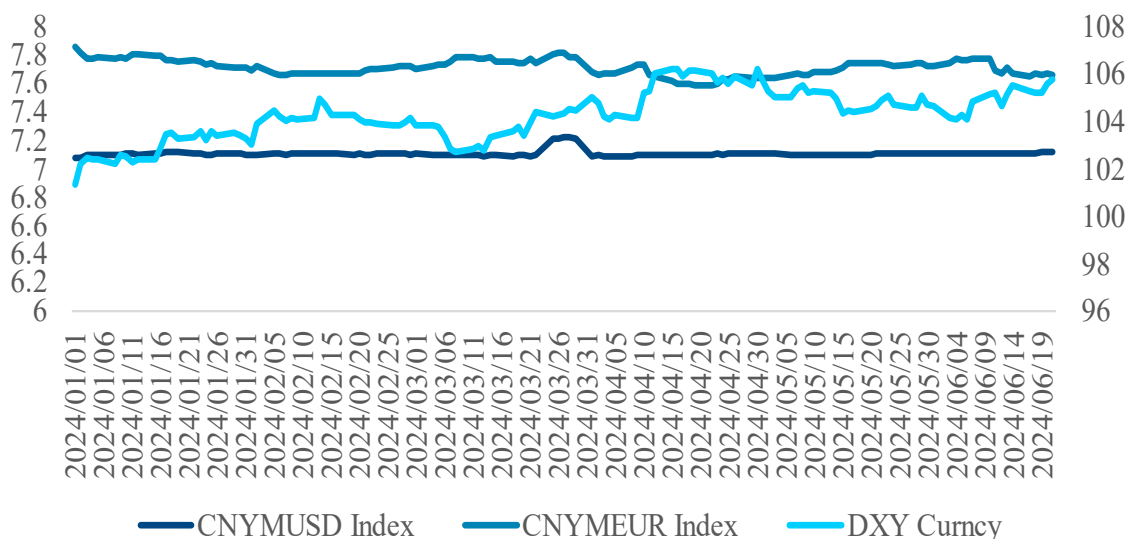
On June 20, the People's Bank of China authorized the National Interbank Funding Center to announce the Loan Prime Rate (LPR) for June 20, 2024, as follows: the 1-year LPR is 3.45%, unchanged from the previous value; the over 5-year LPR is 3.95%, also unchanged from the previous value. The LPR is quoted by banks based on the open market operation rate (mainly the Medium-term Lending Facility rate) with an added spread, and is calculated by the National Interbank Funding Center, serving as a pricing reference for bank loans. Currently, the LPR includes two terms: 1-year and over 5-year. The market believes that not lowering the interest rate may be due to the limited stimulating effect of reducing policy rates on the real estate sector at present.

On June 19, the U.S. Department of Commerce released data showing that retail sales in May increased by 0.1% month-on-month, while April data was revised from flat to a 0.2% decline. Among the 13 categories, 5 saw declines, and retail sales excluding gasoline increased by 0.3% month-on-month. These data reflect a significant slowdown in consumer spending after strong growth earlier this year. Given ongoing inflation, gradually cooling employment, and emerging financial pressures, economists expect future consumption to be relatively moderate as Americans become more cautious.

## Exchange Rate: RMB depreciated, USD index increased

This week, the RMB depreciated. As of June 21, the RMB/USD middle rate closed at 7.1196, increasing by 45bp from last Friday. The RMB/EUR middle rate closed at 7.6623, decreasing by 172bp from last Friday. The USD index increased by 0.23% to 105.796 from last Friday.

Figure 1: RMB exchange rate

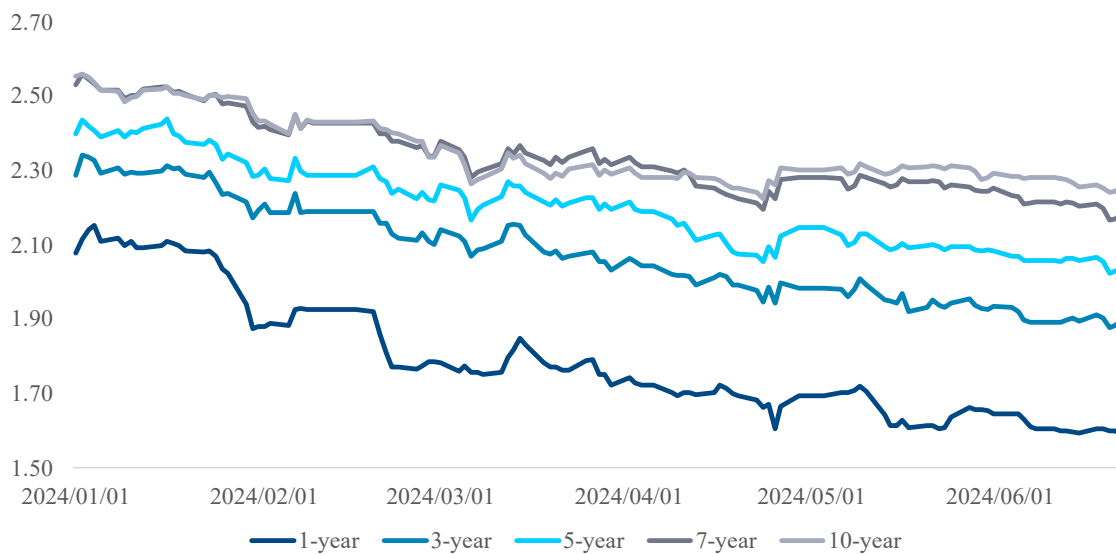


Sources: CCXAP research

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

This week, the China Government Bond yields mostly fell. As of June 21, the 1-year 5-year and 7-year China Government Bond yields were 1.5915% , 2.0390%, and 2.1819%, decreasing by 0.25bp, 1.98bp, and 2.43bp, respectively, from last Friday. The 3-year and 10-year China Government Bond yields were 1.8969% and 2.2571%, increasing by 0.16bp and 0.13bp, respectively, from last Friday.

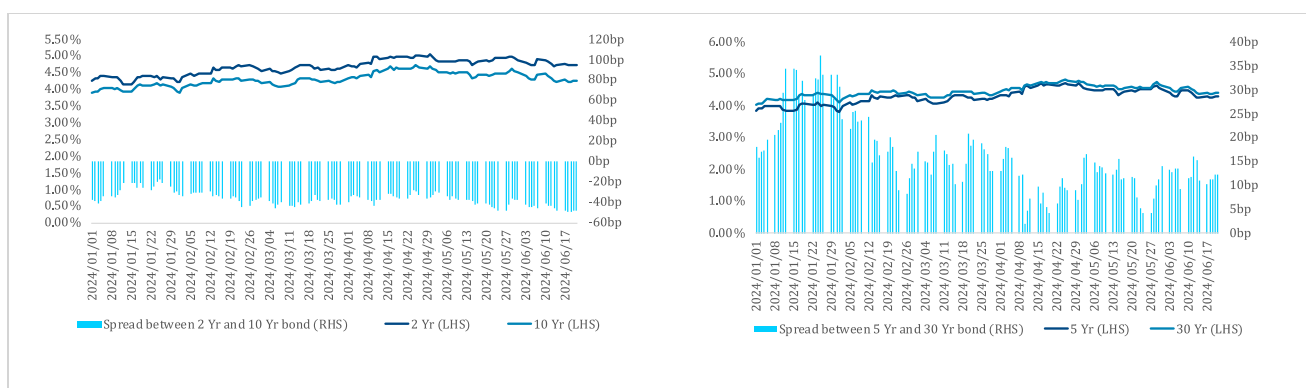
Figure 2: China Government Bond yields



Sources: CCXAP research

Due to the month-on-month decline in consumer data, inflation has slightly eased, US Treasury yields rose. As of June 21, the 2-year 5-year 10-year and 30-year Treasury yields were 4.7322%, 4.2742%, 4.2554% and 4.3971%, increasing by 2.78bp, 3.59bp, 3.45bp and 4.83bp, respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 0.67bp to -47.7bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 1.24bp to 12.3bp from last Friday.

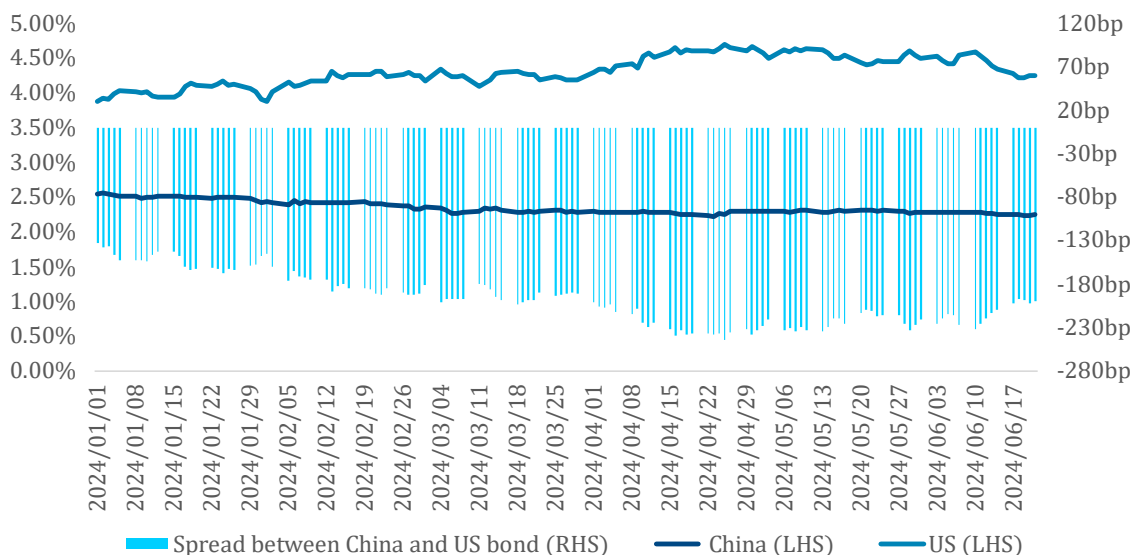
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of June 21, the yield spread between China and US 10-year note was -119.8bp, narrowed by 9.47bp from last Friday and widened by 67.45bp 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 17 to June 21, there were 43 new issues with total issued volume of USD4.736 billion, increasing by 79.60% from last week. Among them, financial companies are the largest issuer with a total issued amount of USD3.130 billion.

**Table 1: New issuance of Chinese offshore bonds (20240617-20240621)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/6/17	CITIC Securities International Co Ltd	USD	10	5.53	2024/9/25	92D	Financials	-/BBB+/-	-/-/-
2024/6/17	CITIC Securities International Co Ltd	USD	10	5.52	2024/12/24	182D	Financials	-/BBB+/-	-/-/-
2024/6/17	Gaoyou Water Industry Investment Group Co Ltd	JPY	7483.7	1.74	2027/6/24	3	Chengtou	-/-/-	-/-/-
2024/6/17	Ziyang Development Investment Group Co., Ltd.	CNY	488.9	7.5	2026/4/30	2	Chengtou	-/-/-	-/-/-
2024/6/18	Bank of China Ltd/Hungarian	USD	500	SOFR+55	2027/6/26	3	Banks	-/-/-	-/-/-
2024/6/18	Bank of China Ltd/Macau	CNY	977.8	2.82	2027/6/26	3	Banks	-/-/-	-/-/-
2024/6/18	Bank of China Ltd/Panama	USD	300	SOFR+52	2026/6/26	2	Banks	-/-/-	-/-/-
2024/6/18	CITIC Securities International Co Ltd	CNY	31.3	5.79	2026/2/2	2	Financials	-/BBB+/-	-/-/-
2024/6/18	Guotai Junan Securities Co Ltd	USD	400	SOFR+65	2027/6/26	3	Financials	Baa2/BBB +/-	-/-/-

2024/6/18	Hebei Shunde Investment Group Co Ltd	USD	79.0	8.5	2027/6/21	3	Chengtou	-/-/-	-/-/-
2024/6/18	Shanghai Lingang Economic Development Group Co Ltd	CNY	782.2	3.15	2027/6/25	3	Chengtou	Baa1/BBB+/A-	-/-/-
2024/6/19	Bank of China Ltd/Johannesburg	USD	300	SOFR+58	2027/6/26	3	Banks	-/-/-	-/-/-
2024/6/19	Changchun Urban Development & Investment Holdings Group Co Ltd	USD	230	6.8	2027/6/25	3	Chengtou	Baa2/-/BBB	-/-/BBB
2024/6/19	China Securities International Finance Holding Co Ltd	CNY	21.2	0	2029/6/25	5	Financials	-/-/-	-/-/-
2024/6/19	CMB International Capital Corp Ltd	USD	100	SOFR+65	2027/6/26	3	Financials	A3/-/-	-/-/-
2024/6/19	Goho Asset Management Co Ltd	USD	87.6	8.5	2025/6/20	364D	Financials	-/-/-	-/-/-
2024/6/19	Jiangsu Haihong Investment Holdings Group Co Ltd	CNY	713.8	3.7	2027/6/26	3	Chengtou	-/-/-	-/-/-
2024/6/19	Qingdao Jiaozhou Bay Development Group Co Ltd	CNY	1173.4	6	2027/6/26	3	Chengtou	-/-/-	-/-/-
2024/6/20	Beijing Enterprises Group Company Limited	CNY	1466.7	5.4	2027/6/27	3	Chengtou	-/-/-	-/-/-
2024/6/20	Bocom Leasing Management Hong Kong Co Ltd	USD	650	SOFR+68	2027/6/26	3	Financials	A3/A-/A	-/-/-
2024/6/20	Bocom Leasing Management Hong Kong Co Ltd	USD	300	5	2027/6/26	3	Financials	A3/A-/A	-/-/-
2024/6/20	China Securities International Finance Holding Co Ltd	USD	15	5.75	2024/12/20	179D	Financials	-/-/-	-/-/-
2024/6/20	China Securities International Finance Holding Co Ltd	CNY	21.2	0	2029/6/25	5	Financials	-/-/-	-/-/-
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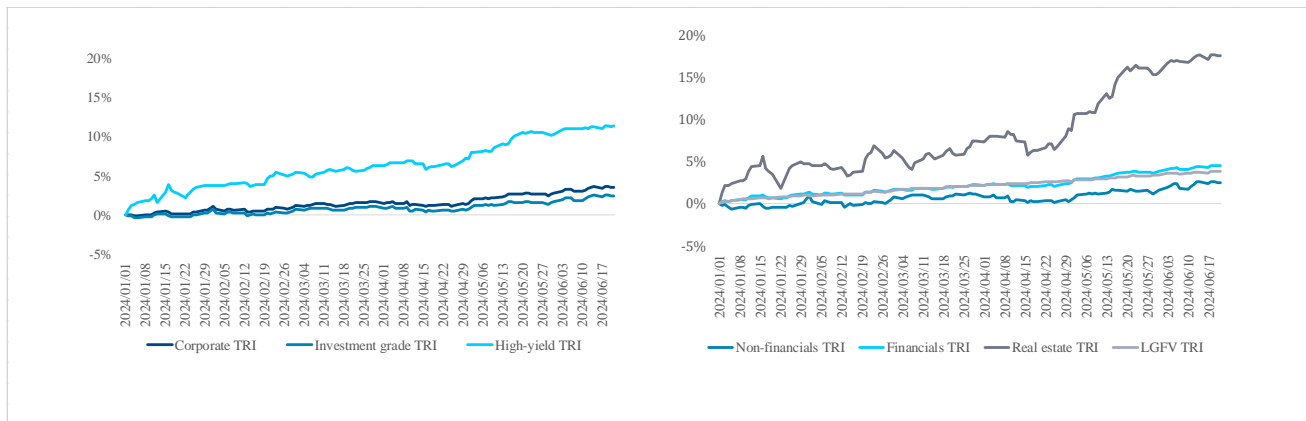
2024/6/20	China Securities International Finance Holding Co Ltd	USD	0.5	0	2025/6/25	365D	Financials	-/-/-	-/-/-
2024/6/20	Guotai Junan International Holdings Ltd	USD	25	5.62	2025/3/27	273D	Financials	Baa2/BBB +/-	-/-/-
2024/6/20	Qingdao Haikē Holdings Co., Ltd.	CNY	158.6	7.5	2027/6/27	3	Chengtou	-/-/-	-/-/-
2024/6/20	Shandong Hesheng Investment Co Ltd	CNY	695.2	7.8	2027/6/27	3	Chengtou	-/-/-	-/-/-
2024/6/20	Shandong Mingshui Guokai Development Group Co Ltd	CNY	391.1	6.9	2027/7/3	3	Chengtou	-/-/-	-/-/-
2024/6/20	Shangrao Innovation Development Industrial Investment Group Co Ltd	USD	50	5.6	2027/5/11	2.87	Chengtou	-/-/-	-/-/-
2024/6/20	Zibo High-tech State-owned Capital Investment Co Ltd	CNY	762.7	6.7	2027/6/27	3	Chengtou	-/-/-	-/-/-
2024/6/21	Bank of China Ltd Qatar Financial Centre Branch	USD	140	SOFR+62	2027/6/27	3	Banks	A1/-/-	-/-/-
2024/6/21	China Construction Bank Corp	USD	120	SOFR+60	2027/7/8	3	Banks	-/-/A	-/-/-
2024/6/21	Huzhou Wuxing City Investment & Development Group Co Ltd	USD	30	6.9	2027/6/26	3	Chengtou	-/-/-	-/-/-
2024/6/21	Shiyan Urban Operation Group Co., Ltd.	CNY	1160	7.9	2027/6/26	3	Chengtou	-/-/-	-/-/-
2024/6/21	Zibo City Asset Operation Group Co Ltd	CNY	508.5	5.8	2027/6/14	2.96	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: Return on Chinese USD bond decreased

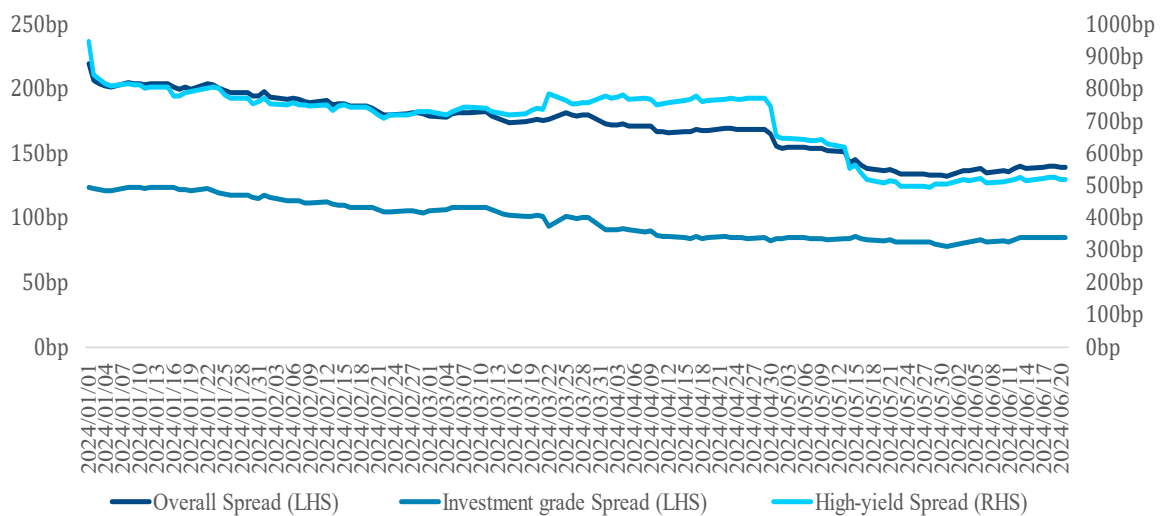
As of June 21, the YTD return<sup>1</sup> on the Chinese USD corporate bond index decreased by 6bp to 3.54% from last Friday, of which the return on investment-grade bonds decreasing by 10bp to 2.42%, the return on high-yield bonds increasing by 14bp to 11.38%. In terms of sector indices, the return on non-financial and real estate bonds was 2.43% and 17.55% respectively, decreasing by 18bp and 11bp, respectively. The return on financial and Chengtou bonds was 4.46% and 3.86%, respectively, increasing by 3bp and 12bp, respectively.

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

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


Sources: CCXAP research

As of June 21, the yield spread of Chinese dollar bonds widened by 0.9bp to 139.43bp from last Friday. The yield spread of investment-grade bonds widened by 0.5bp to 85.19bp, while the spread of high-yield bonds widened by 3.7bp to 518.67bp.

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


Sources: CCXAP research

The 10 bonds with the largest yield increase from June 17 to June 21 are shown in the table below. Among them, Road King Infrastructure Co., Ltd. changed the most.

**Table 2: Chinese offshore bonds with largest yield increases (20240617-20240621)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
ROADKG 7 ¾ PERP	Road King Infrastructure Co., Ltd.	18.677	PERP	1097.309	6.7713M
ROADKG 6.7 09/30/24	Road King Infrastructure Co., Ltd.	53.136	0.27	340.137	4.4661M
GLPCHI 4 07/02/24	GLP China Holdings Co., Ltd.	99.933	0.02	8.915	2.34M
ROADKG 5.9 03/05/25	Road King Infrastructure Co., Ltd.	39.303	0.69	204.41	1.9976M
HNYUZI 4 ¾ 06/28/24	Sincere Centaline Investment Co., Ltd.	99.997	0.01	4.692	1.3717M



ROADKG 6 09/04/25	Road King Infrastructure Co., Ltd.	33.341	1.19	130.392	939.9
HILOHO 9 ¼ 11/18/24	Hailong Holdings Co., Ltd.	60.103	0.40	181.406	850.2
ZHHFGR 4 ¼ 07/03/24	Huafa 2019 I Co., Ltd.	100.156	0.02	3.692	714.7
FOSUNI 6.85 07/02/24	Fortune BVI Co., Ltd.	100.102	0.02	0.706	637
RLCONS 3.97 PERP	China Railway Construction Chengan Co., Ltd.	100.092	PERP	28.56	562.7

Sources: CCXAP research

## Rating Action: CCXAP assigns long-term credit ratings to 2 entities

On June 17, CCXAP has assigned a first-time long-term credit rating of A<sub>g</sub>- to Fuqing State-owned Asset Operation and Investment Group, with stable outlook.

On June 19, CCXAP has assigned a first-time long-term credit rating of BBB<sub>g</sub>- to Jingdezhen Hesheng Industrial Investment Development Co., Ltd., with stable outlook.

**Table 3: Credit rating from CCXAP (20240617-20240621)**

Rating Date	Obligor	Entity Rating	Debt Rating	Rating Rational
2024/06/17	FSAO	A <sub>g</sub> -	A <sub>g</sub> -	The credit rating is underpinned by the Company's (1) status as the most important entity for infrastructure construction and state-owned assets operation in Fuqing City; (2) good track record of receiving government support; and (3) diversified funding channels. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; and (2) fast debt growth and weak asset liquidity.
2024/06/19	JHII	BBB <sub>g</sub> -	-	The credit rating is underpinned by the Company's (1) investment portfolio in line with Jingdezhen City's development strategy; and (2) diversified sources of revenue. However, the rating is constrained by the Company's (1) weak asset liquidity and weak profitability from investments; (2) increasing debt burden with large debt maturities; and (3) moderate access to funding.

From June 17 to June 21, rating agencies took positive rating actions to 8 Chinese issuers, took negative rating actions to 3 Chinese issuers.

**Table 4: Credit rating changes of cross-border bond market (20240617-20240621)**

Entity		Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Guangxi Communications Investment Group Co., Ltd.	Chengtou	Baa3	STABLE	2024/06/17	Baa3	NEG	2024/01/25	Moody's	Guangxi government's increased willingness to support the company offsets its reduced support capacity and the negative outlook on China's sovereign.



Downgrade:

Suzhou Bank Co., Ltd.	Finance	Baa3	STABLE	2024/06/17	Ba1	POS	2023/06/30	Moody's	Banks' market share and importance in Suzhou are gradually increasing.
Zhongyuan Asset Management Co., Ltd.	Finance	A+	STABLE	2024/06/18	A-	STABLE	2023/07/11	Lianhe	Company's strategic position in Henan Province has improved
Huaian Communications Holding Group Co., Ltd.	Chengtou	BBB+	STABLE	2024/06/18	BBB	STABLE	2023/06/19	Lianhe	Local government credit rating has improved
ENN Natural Gas Co., Ltd.	Utilities	BBB	STABLE	2024/06/18	BBB-	POS	2023/06/21	Fitch	Company leverage has declined
Dongxing Securities Co., Ltd.	Finance	BBB-	STABLE	2024/06/20	BBB	NEG under review	2024/04/24	Fitch	Company's buffer capital is lower than required
China Overseas Land & Investment Ltd.	Real estate	A-	STABLE	2024/06/20	BBB+	STABLE	2023/05/08	S&P	Parent company credit quality has improved
Midea Group Co., Ltd.	Consumer Discretionary	A2	STABLE	2024/06/20	A3	POS	2023/06/05	Moody's	Company business has improved steadily
ENN Energy Holdings Co., Ltd.	Utilities	BBB+	STABLE	2024/06/18	BBB+	POS	2023/06/21	Fitch	Parent company credit has declined
Sinochem International (Holdings) Co., Ltd.	Industrials	Baa2	NEG	2024/06/20	Baa1	NEG under review	2024/05/30	Moody's	Company leverage is higher than expected
China National Chemical Corporation	Industrials	Baa2	NEG	2024/06/20	Baa2	STABLE	2024/02/01	Moody's	Company leverage is higher than expected

Sources: CCXAP research

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