

CCXAP

Cross-border Bonds Weekly Report



2024 Issue 25 From July 1 to July 5

Chinese offshore bond new issuance decreased; Return on Chinese USD bond rose

Headline: The People's Bank of China recently conducted treasury bond borrowing operations with some primary dealers in the open market; US Services PMI in June was 48.8, significantly below expectations

On July 1, the People's Bank of China announced that it would conduct treasury bond borrowing operations with some primary dealers in the open market in the near future. On July 3, ISM released data showing that the US Services PMI in June was 48.8, with an expectation of 52.6 and down from May's previous value of 53.8, unexpectedly far below expectations and entering contraction territory.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of July 5, the RMB/USD middle rate closed at 7.1289, increasing by 21bp from last Friday. The USD index decreased by 0.94% to 104.875 from last Friday.

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

This week, the China Government Bond yields mostly rose. Due to market expectations that the Federal Reserve will cut interest rates in the short term, US Treasury yields fell.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond new issuance decreased

From July 1 to July 5, there were 18 new issues with total issued volume of USD 2.248 billion, which has decreased by 20.56% from last week. Among them, Chengtou is the largest issuer with a total issued amount of USD 1.241 billion.

Secondary Market: Return on Chinese USD bond rose

As of July 5, the year-to-date return on the Chinese USD corporate bond index increased by 49bp to 3.98% from last Friday, of which the return on investment-grade bonds increasing by 49bp to 2.79%, the return on high-yield bonds increasing by 48bp to 12.24%.

Rating Action: Rating agencies took rating actions to 6 Chinese issuers

From July 1 to July 5, rating agencies took positive rating actions to 5 Chinese issuers, and took negative rating actions to 1 Chinese issuer.



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Headline: The People's Bank of China recently conducted treasury bond borrowing operations with some primary dealers in the open market; US Services PMI in June was 48.8, significantly below expectations

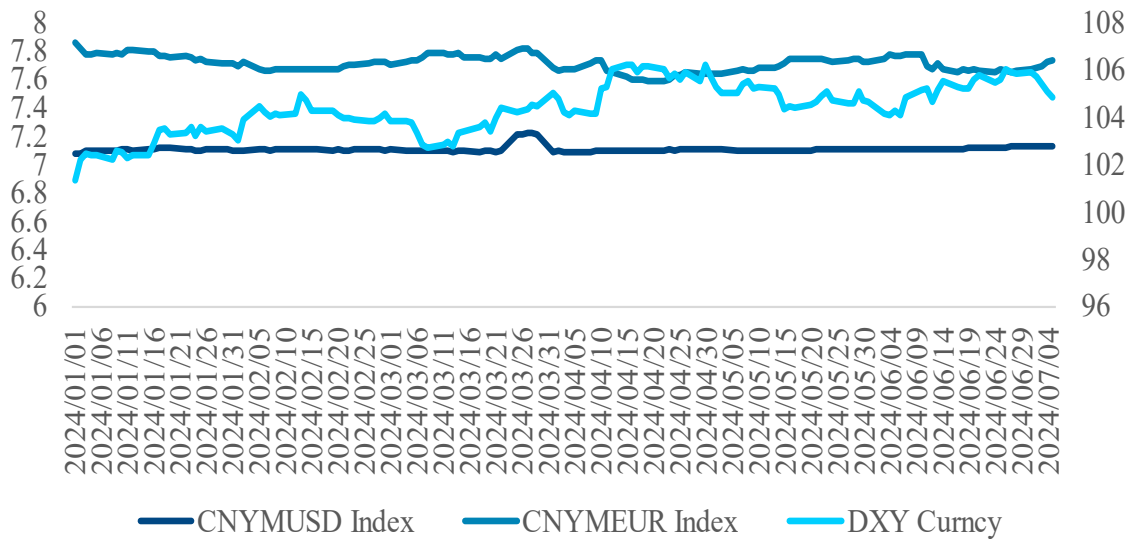
On July 1, the People's Bank of China announced that to maintain the stable operation of the bond market, it decided to conduct treasury bond borrowing operations with some primary dealers in the open market after careful observation and evaluation of the current market situation. This means that the central bank will borrow treasury bonds and may subsequently conduct treasury bond selling operations in the open market. This operation by the central bank will affect the supply and demand relationship in the secondary bond market, which may influence interest rate trends, thereby preventing long-term treasury bond rates from deviating excessively from reasonable levels. Additionally, through this move, the central bank aims to remind financial institutions and individual investors to be aware of the potential maturity mismatches and interest rate risks associated with investing in long-term bonds.

On July 3, ISM released data showing that the U.S. June Services PMI was 48.8, against an expectation of 52.6 and down from May's previous value of 53.8, unexpectedly far below expectations and entering contraction territory. Analysts noted that the ISM services data for June showed a sudden and significant reversal compared to May when the overall indicator rose to a nine-month high. The deterioration in the June services indicator further suggests that the U.S. economy is showing more signs of losing momentum. Earlier this week, the ISM manufacturing indicator showed contraction for the third consecutive month, highlighting that overall demand is under greater pressure due to high borrowing costs, cooling business investment, and uneven consumer spending.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of July 5, the RMB/USD middle rate closed at 7.1289, increasing by 21bp from last Friday. The RMB/EUR middle rate closed at 7.7409, decreasing by 792bp from last Friday. The USD index decreased by 0.94% to 104.875 from last Friday.

Figure 1: RMB exchange rate

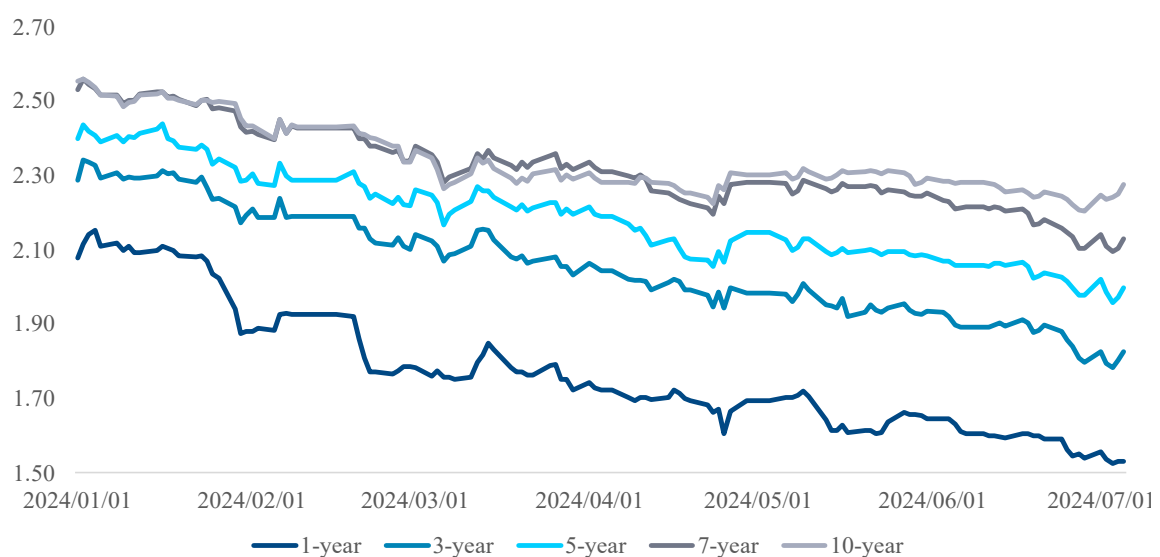


Sources: CCXAP research

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

This week, the China Government Bond yields mostly rose. As of July 5, the 3-year 5-year 7-year and 10-year China Government Bond yields were 1.8255%, 1.9995%, 2.1293%, and 2.2754%, increasing by 2.95bp, 2.13bp, 2.63bp, and 6.96bp, respectively, from last Friday. The 1-year China Government Bond yield was 1.5290%, decreasing by 1bp from last Friday.

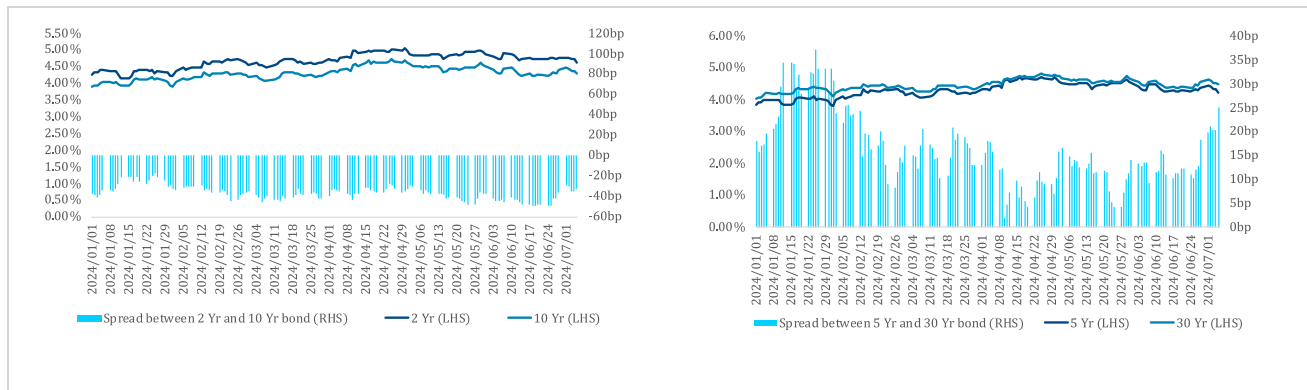
Figure 2: China Government Bond yields



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 5, the 2-year 5-year 10-year and 30-year Treasury yields were 4.6035%, 4.2252%, 4.2784% and 4.4768%, decreasing by 15bp, 15.13bp, 11.77bp and 8.15bp, respectively, from last Friday. In terms of US Treasury bond spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 3.23bp to -32.5bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 6.98bp to 25.2bp from last Friday.

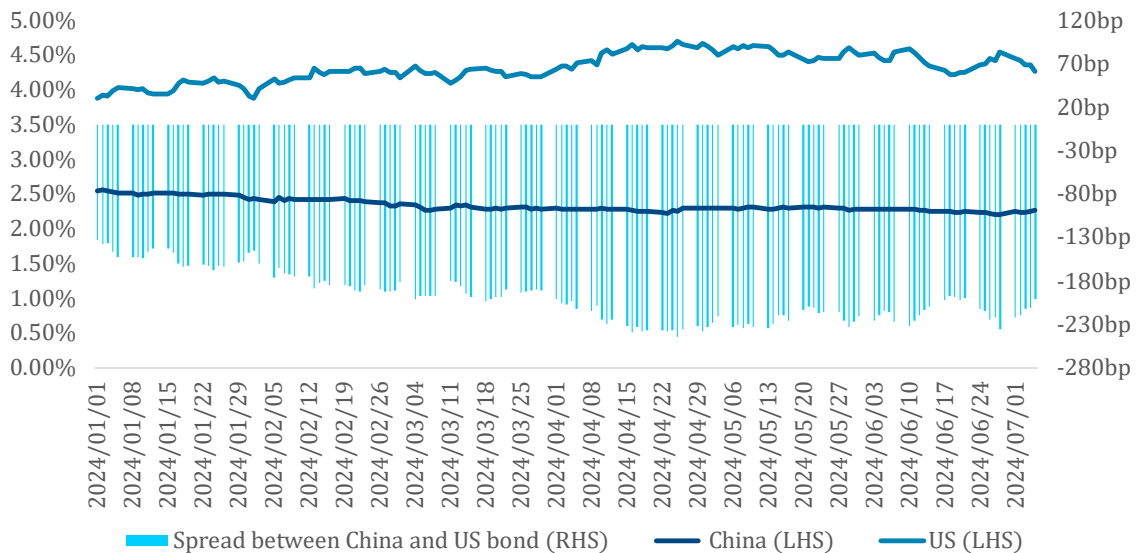
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of July 5, the yield spread between China and US 10-year note was -200.3bp, widening by 34.95bp from last Friday and widening by 67.92bp 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 July 1 to July 5, there were 18 new issues with total issued volume of USD2.247 billion, increasing by 20.56% from last week. Among them, Chengtou is the largest issuer with a total issued amount of USD1.241 billion.

Table 1: New issuance of Chinese offshore bonds (20240701-20240705)

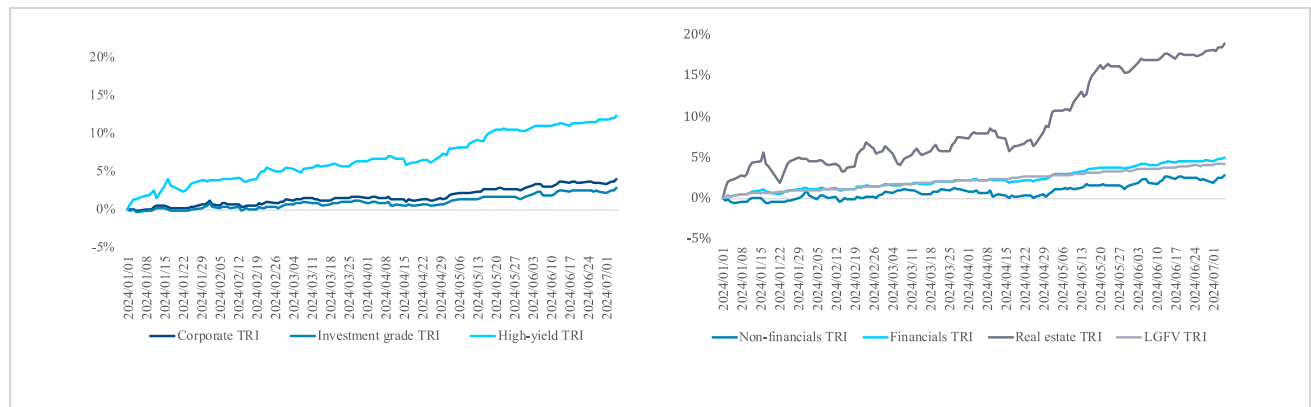
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/7/2	China CITIC Bank Corp Ltd	USD	300	SOFR+55	2027/7/9	3	Banks	-/-/-	-/-/-
2024/7/2	China Merchants Bank Co Ltd	USD	400	SOFR+54	2027/7/10	3	Banks	-/-/-	-/-/-
2024/7/3	China Ping An Insurance Overseas (Holdings) Co., Ltd.	HKD	70	1M HIBOR+60	2025/4/8	274D	Financials	Baa2/-/--	Baa2/-/--
2024/7/3	Deqing County Construction Development Group Co., Ltd.	USD	97	5.65	2027/7/10	3	Chengtou	-/-/-	-/-/-
2024/7/3	Taizhou City Construction Investment Development Group Co., Ltd.	USD	500	5.45	2027/7/11	3	Chengtou	--/--/BBB	--/--/BBB
2024/7/4	China Securities International Finance Holding Co Ltd	USD	12.5	5.6	2025/7/9	365D	Financials	-- /BBB+/BBB +	-/-/-
2024/7/4	Huatai International Financial Holdings Co Ltd	USD	30	5.72	2024/10/11	92D	Financials	-/BBB+/-	-/-/-
2024/7/4	Sanmenxia Hubin State-owned Capital Investment and Operation Co., Ltd.	USD	9	8.5	2025/7/8	364D	Chengtou	-/-/-	-/-/-
2024/7/4	Ziyang Development Investment Group Co., Ltd.	CNY	300	7.9	2026/7/10	2	Chengtou	-/-/-	-/-/-
2024/7/5	Chongqing Wansheng Eco & Technological Development Zone Development Investment Group Co., Ltd.	CNY	634.5	3.25	2027/7/11	3	Chengtou	-/-/-	-/-/-
2024/7/5	CITIC Securities International Co Ltd	CNY	19	-	2026/11/10	2.34	Financials	Baa1/BBB+/ --	-/-/-
2024/7/5	ICBCIL Finance Co Ltd	USD	20	5.1	2027/7/9	2.99	Financials	A1/A/A	-/-/-
2024/7/5	Jingzhou City Development Holdings Group Co., Ltd.	CNY	2500	5.2	2027/7/12	3	Chengtou	-/-/BBB-	-/-/-
2024/7/5	Luoyang Shengshi City Construction Investment Co., Ltd.	CNY	400	7.5	2027/7/12	3	Chengtou	-/-/-	-/-/-
2024/7/5	Sichuan Southwest Development Holdings Group Co., Ltd.	USD	63	6	2027/7/10	3	Chengtou	-/-/-	-/-/-
2024/7/5	Taian City Development and Investment Co Ltd	CNY	134	5.5	2027/7/12	3	Chengtou	-/-/-	-/-/-
2024/7/5	Yuexiu Property Co Ltd	CNY	1690	4.1	2027/7/12	3	Real Estate	WR/NR/BB B-	-/-/-
2024/7/5	Zhengzhou Road and Bridge Construction Investment Group Co., Ltd.	CNY	190	7.5	2025/7/9	364D	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

Secondary Market: Return on Chinese USD bond rose

As of July 5, the YTD return¹ on the Chinese USD corporate bond index increased by 49bp to 3.98% from last Friday, of which the return on investment-grade bonds increasing by 49bp to 2.79%, the return on high-yield bonds increasing by 48bp to 12.24%. In terms of sector indices, the return on non-financial, financial, real estate and chengtou bonds were 2.83%, 4.93%, 18.9%, and 4.26%, increasing by 65bp, 35bp, 85bp, and 22bp, respectively, from last Friday.

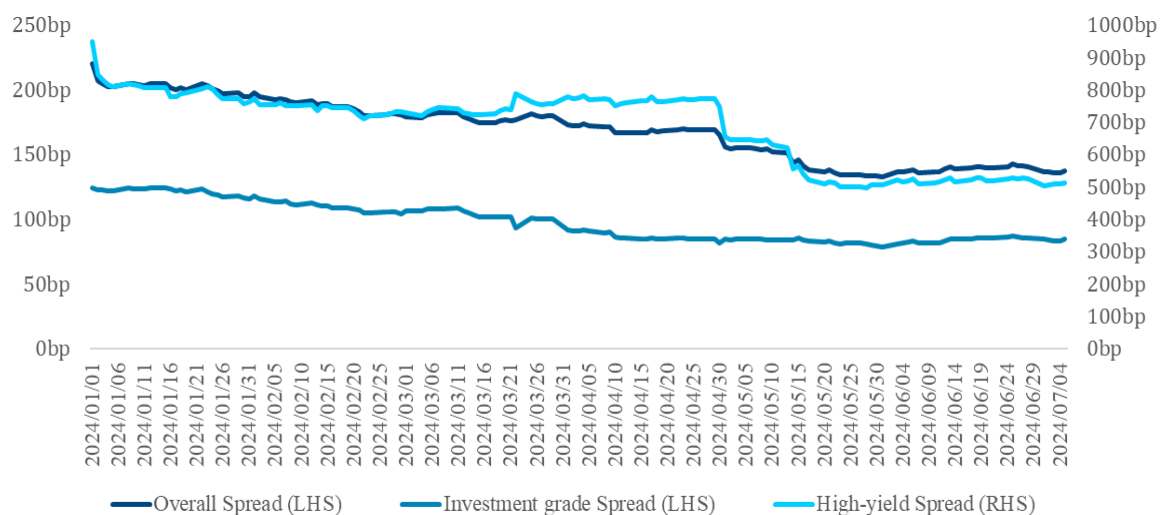
Figure 5: YTD return on Markit IBoxx Chinese USD bond index



Sources: CCXAP research

As of July 5, the yield spread of Chinese dollar bonds narrowed by 2.9bp to 137.23bp from last Friday. The yield spread of investment-grade bonds narrowed by 0.8bp to 84.51bp, while the spread of high-yield bonds widened by 10.4bp to 512.3bp.

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



Sources: CCXAP research

¹ Year-to-date return measures the return since January 2, 2024

The 10 bonds with the largest yield increase from July 1 to July 5 are shown in the table below. Among them, Wuhan Urban Construction Group Co., Ltd. changed the most.

Table 2: Chinese offshore bonds with largest yield increases (20240701-20240705)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
WHREST 2 ¼ 07/09/24	Wuhan Urban Construction Group Co., Ltd.	98.883	0.01	404.363	56.0005M
SHUION 6.15 08/24/24	Shui On Construction Holdings Co., Ltd.	94.428	0.12	53.476	1.9636M
CNBG 3.1 PERP	China National Bluestar (Group) Co., Ltd.	100.063	PERP	-8.111	1.1953M
LIHHK 4 ¾ 07/15/24	Lifestyle International Holdings Limited	99.975	0.01	6.522	843.4
CHOHIN 5.7 PERP	Chong Hing Bank Limited	99.996	PERP	5.827	841.1
PINGRE 2 ¾ 07/29/24	Ping An Real Estate Co., Ltd.	99.647	0.05	9.356	345.5
SHUION 5 ½ 03/03/25	Shui On Construction Holdings Co., Ltd.	81.637	0.65	40.406	311.7
NBQZUC 2.15 08/11/24	Ningbo Yincheng Group Co., Ltd.	99.579	0.09	7.006	282.6
ADHERH 9 09/30/30	Add Hero Holdings Limited	3.381	0.22	90.532	267.5
PINIFL 2 ½ 08/27/24	Ping An International Financial Leasing Co., Ltd.	99.41	0.13	6.996	250.3

Sources: CCXAP research

Rating Action: Rating agencies took rating actions to 6 Chinese issuers

From July 1 to July 5, rating agencies took positive rating actions to 5 Chinese issuers, and took negative rating actions to 1 Chinese issuer.

Table 3: Credit rating changes of cross-border bond market (20240701-20240705)

Entity		Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade:	Hualu Holding Group Co., Ltd.	Industrials	A-	STABLE	2024/07/01	A-	NEG	2024/04/22	Fitch	Improved financial situation
	Beijing Shougang Fund Co., Ltd.	Finance	A	NEG	2024/07/01	A-	NEG	2024/04/29	Fitch	The parent company's rating was upgraded
	Chengdu Xingdong Rural Development Group Co., Ltd.	Chengtou	BBBg	STABLE	2024/07/02	BBBg-	STABLE	2023/06/20	CCXAP	Improved support capacity of Longquanyi government
	Chengdu Sino-French Ecological Park Investment Development Co., Ltd.	Chengtou	BBBg	STABLE	2024/07/02	BBBg-	STABLE	2023/08/31	CCXAP	Improved support capacity of Longquanyi government
	Chengdu Jincheng Tianfu Investment Development Group Co., Ltd.	Chengtou	A-	STABLE	2024/07/03	BBB+	STABLE	2023/07/11	Pengyuan International	Improved credit capacity of regional government

Downgrade:	Hubei United Development Investment Group Co., Ltd.	Chengtou	Baa3	NEG	2024/07/02	Baa2	NEG	2023/12/06	Moody's	Increased financial risk due to increased business exposure
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Sources: CCXAP research

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