

# CCXAP

## Cross-border Bonds Weekly Report



**2024 Issue 29**  
**From July 29 to August 2**

### **New issuance of Chinese offshore bonds decreased; return on secondary market increased**

**Headline: China's PMI in July was 49.4%, a decrease from the previous month. The increase in the US nonfarm payrolls in July fell short of the market expectation**

In July, the PMI of China's manufacturing industry came in at 49.4%, a decrease of 0.1% from the previous month, continuously remaining in the contraction zone. On August 2, the US announced that the nonfarm payrolls rose by 0.114 million in July, falling short of the market expectation of 0.175 million.

### **Exchange Rate: RMB depreciated, USD index decreased**

This week, the RMB depreciated. As of August 2, the RMB/USD middle rate closed at 7.1376, increasing by 106.0bp from last Friday. The USD index decreased by 1.11% to 103.208 from last Friday.

### **Interest Rate: Chinese Government Bond yields decreased; US Treasury yields decreased**

This week, the Chinese Government Bond yields decreased. Due to market expectations that the Federal Reserve will begin the rate-cutting cycle in September, US Treasury yields mostly decreased.

### **Chinese Offshore Bond Market**

#### **Primary Market: new issuance of Chinese offshore bonds decreased**

From July 29 to August 2, there were 22 new offshore bonds issued by Chinese companies with a total issued volume of USD2.287 billion, which has decreased by 35.29% from last week. Financial institutions were the major issuers, with a total issued amount of USD1.546 billion.

#### **Secondary Market: return on Chinese USD bonds increased**

As of August 2, the year-to-date return on the Chinese USD bonds increased by 107bp to 5.72% from last Friday, of which the return on investment-grade bonds increased by 118bp to 4.55%, and the return on high-yield bonds increased by 34bp to 13.86%.

#### **Ratings Action: CCXAP assigned credit ratings to 1 Chinese entity**

From July 29 to August 2, CCXAP assigned credit ratings to 1 entity, which is Nanyang Transportation Holding Group Co., Ltd.



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## Headline: China's PMI in July was 49.4%, a decrease from the previous month. The increase in the US nonfarm payrolls in July fell short of the market expectation

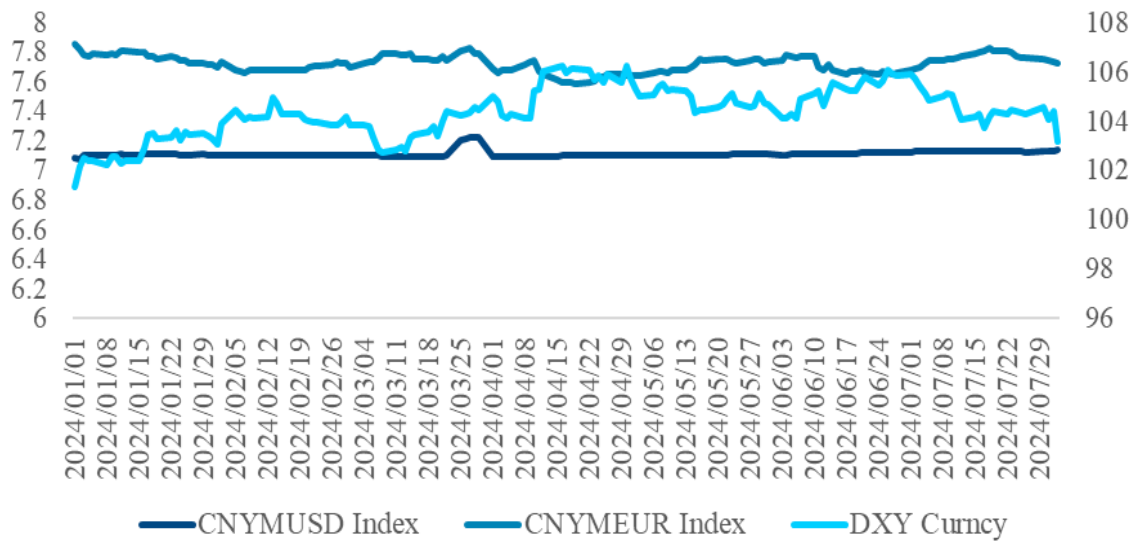
In July, the Purchasing Managers' Index (PMI) of China's manufacturing industry came in at 49.4%, a decrease of 0.1% from the previous month, continuously remaining in the contraction zone. The non-manufacturing Purchasing Managers' Index was 50.2%, a decrease of 0.3% from the previous month, consistently remaining in the expansion zone, albeit at a slower pace. In the manufacturing sector, the PMI of the basic raw materials industry was 48.6%, an increase of 1.2% from the previous month. The PMI of the consumer goods industry was 50.1%, an increase of 0.6% from the previous month, indicating a relatively stable demand in the climate level of consumer goods industry. In the non-manufacturing sector, the business activity index for the construction industry was 51.2%, a decrease of 1.1% from the previous month, but still remaining in the expansion zone. The business activity index for the service industry was 50.0%, a decrease of 0.2% from the previous month, remaining stable. The new order index for the service industry stood at 46.7%, a decrease of 0.4% from the previous month, indicating a decline in the climate level of service industry market demand. While the business activity expectation index for the service industry stood at 56.6%, a decrease of 1.0% from the previous month, still within the expansion zone, indicating that enterprises in service industry remained optimistic about the recent market development.

On August 2, the US announced that the nonfarm payrolls rose by 0.114 million in July, falling short of the market expectation of 0.175 million. This indicated that the cooling of US labour market was progressing faster than expected, drawing the market's attention to the recession indicator, the Sahm Rule. In detail, the increase in nonfarm payrolls was 114,000 in July, a decrease of 36.31% from the previous month and a decrease of 38.04% from a year earlier. From March 2023 to July 2024, this figure fell from 146,000 to 114,000, an accumulated decrease of 32,000 or 21.92%. During this period, the increase in non-farm payrolls peaked at 310,000 in March 2024 and reached its lowest at 108,000 in April 2024, and the average figure during this period is 215,470. The total nonfarm payrolls after seasonally adjusted reached 158.723 million in July 2024, an increase of 1.61% from a year earlier, and an increase of 0.072% from the previous month. From March 2023 to July 2024, the total nonfarm payrolls rose from 155.206 million to 158.723 million, an accumulated increase of 3.517 million or 2.27%. During this period, the total nonfarm payrolls arrived the highest in July 2024, and reached its lowest at 155.206 million in March 2023, and the average figure during this period is 157,081,820.

## Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of August 2, the RMB/USD middle rate closed at 7.1376, increasing by 106.0bp from last Friday. The RMB/EUR middle rate closed at 7.7246, increasing by 353.0bp from last Friday. The USD index decreased by 1.11% to 103.208 from last Friday.

Figure 1: RMB exchange rate

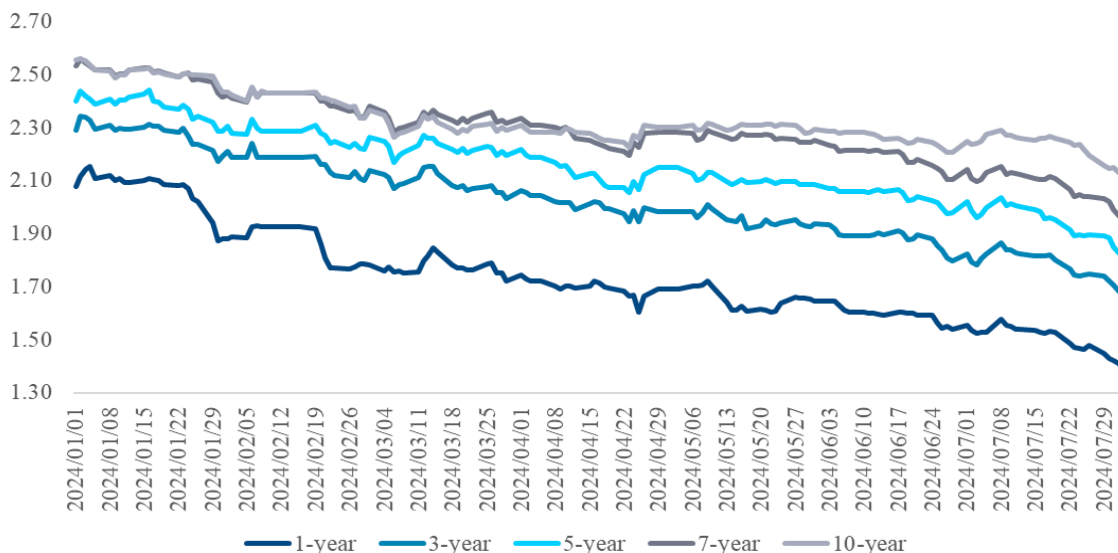


Sources: CCXAP research

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

This week, the China Government Bond yields decreased. As of August 2, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.3901%, 1.6741%, 1.8188%, 1.9598% and 2.1277%, decreasing by 8.68bp, 7.27bp, 7.88bp, 8.12bp and 6.67bp, respectively, from last Friday.

Figure 2: China Government Bond yields

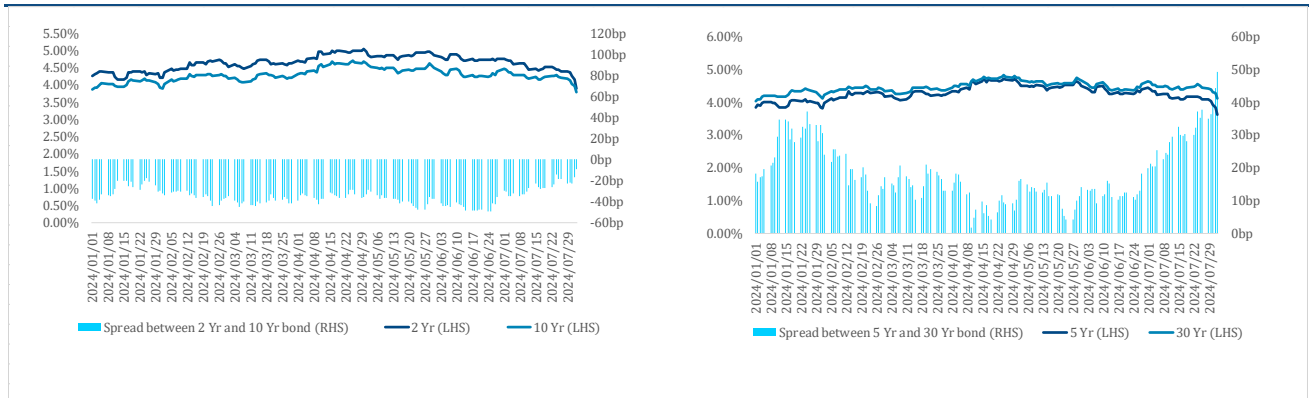


Sources: CCXAP research

Due to market expectations that the Federal Reserve will begin the rate-cutting cycle in September, US Treasury yields mostly decreased. As of August 2, the 2-year, 5-year, 10-year and 30-year Treasury yields were 3.8798%, 3.6166%, 3.7904% and 4.1072%, decreasing by 50.34bp, 45.83bp, 40.35bp and 34.51bp, respectively, from last Friday. In terms of US Treasury yield spreads, the spread between 2-year and 10-year Treasury notes narrowed by 9.99bp to -8.94bp from last Friday,

and the spread between 5-year Treasury notes and 30-year Treasury bonds widened by 11.32bp to 49.06bp from last Friday.

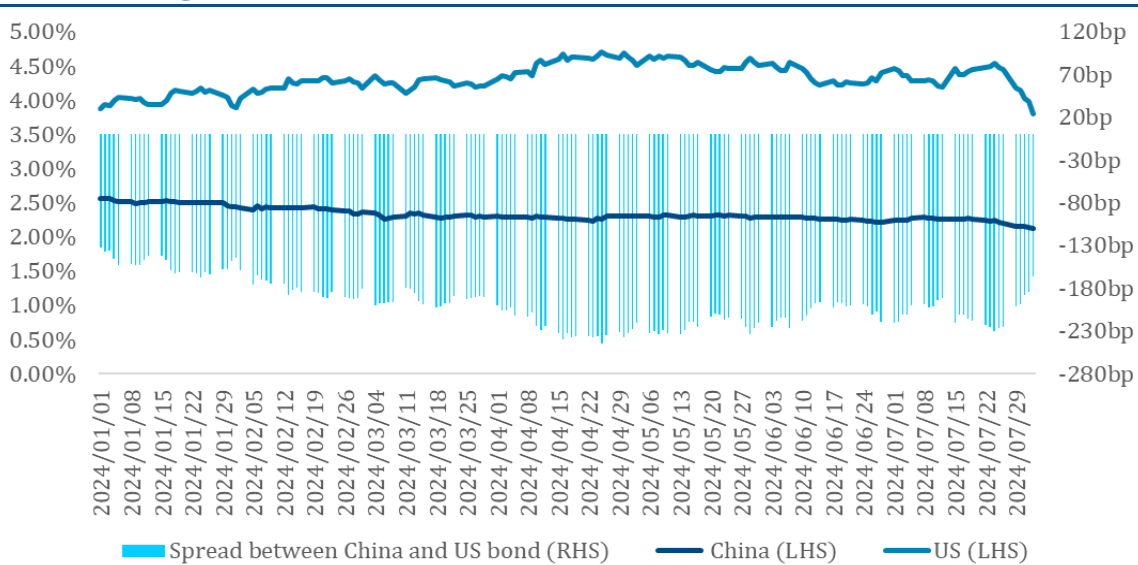
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of August 2, the yield spread between 10-year China Government Bonds and US Treasury notes was -166.3bp, narrowing by 33.7bp from last Friday and widening by 33.9bp 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 29 to August 2, there were 22 new offshore bonds issued by Chinese companies with a total issued volume of USD 2.287 billion, which has decreased by 35.29% from last week. Financial institutions were the major issuers, with a total issued amount of USD 1.546 billion.

Table 1: New issuance of Chinese offshore bonds (20240729-20240802)

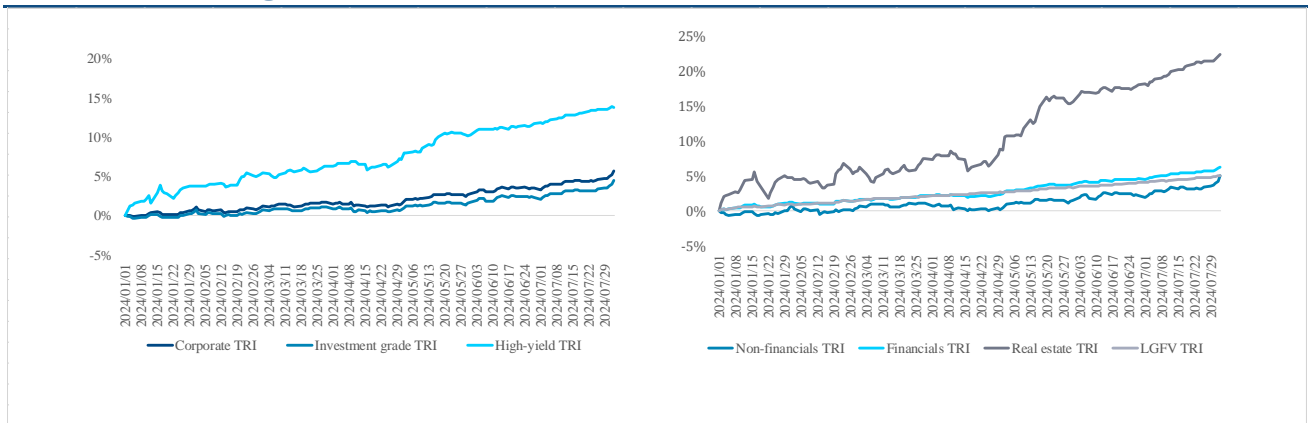
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/7/29	Xinyi Communications Culture & Tourism Group Co Ltd	CNY	277.2	3.1	2027/8/5	3	Chengtou	-/-/-	-/-/-
2024/7/29	Industrial & Commercial Bank of China Ltd/Doha	USD	100.0	4.4	2027/8/5	3	Banks	A1/-/-	-/-/-

2024/7/29	GF Holdings Hong Kong Corp Ltd	USD	15	5.62	2024/9/30	61D	Financials	- /BBB/BB B	-/-/-
2024/7/29	China Securities International Finance Holding Co Ltd	USD	0.4	0	2025/8/2	365D	Financials	- /BBB+/B BB+	-/-/-
2024/7/29	GF Holdings Hong Kong Corp Ltd	USD	15	5.63	2025/1/24	177D	Financials	- /BBB/BB B	-/-/-
2024/7/30	Yunnan Communications Investment & Construction Group Co Ltd	USD	200	6.4	2026/8/2	2	Chengtou	-/-/-	-/-/-
2024/7/30	Ninghai City Investment Group Co Ltd	USD	100	5.6	2027/8/2	3	Chengtou	-/-/-	-/-/-
2024/7/30	Shandong Quanhui Industrial Development Co Ltd	CNY	226.7	3.2	2027/8/6	3	Chengtou	-/-/-	-/-/-
2024/7/30	Xinyi Communications Culture & Tourism Group Co Ltd	CNY	187.1	3.1	2027/8/6	3	Chengtou	-/-/-	-/-/-
2024/7/30	China Securities International Finance Holding Co Ltd	USD	1.3	5	2024/11/1	91D	Financials	- /BBB+/B BB+	-/-/-
2024/7/30	GF Holdings Hong Kong Corp Ltd	USD	5.0	5.59	2025/2/3	186D	Financials	- /BBB/BB B	-/-/-
2024/7/31	CITIC Securities International Co Ltd	CNY	35.6	0	2029/8/13	5	Financials	-/BBB+/-	-/-/-
2024/7/31	CITIC Securities International Co Ltd	CNY	35.6	0	2029/8/13	5	Financials	-/BBB+/-	-/-/-
2024/7/31	CITIC Securities International Co Ltd	CNY	35.6	0	2029/8/13	5	Financials	-/BBB+/-	-/-/-
2024/8/1	China Communications Construction Co Ltd	CNY	2079.3	2.9	2027/8/8	3	Industrials	Baa1/-/A-	-/-/-
2024/8/1	Dazhou Industry Development Co Ltd	USD	140	7	2027/8/8	3	Industrials	-/-/-	-/-/-
2024/8/1	Laohekou Highway Construction Co Ltd	CNY	142.6	8	2025/8/5	364D	Chengtou	-/-/-	-/-/-
2024/8/1	Guangzhou Zhitou Investment Holding Group Co Ltd	CNY	509.6	2.25	2031/8/1	7	Chengtou	-/-/-	-/-/-
2024/8/1	CITIC Securities International Co Ltd	EUR	982.1	5.25	2025/2/5	183D	Financials	-/BBB+/-	-/-/-
2024/8/2	Agricultural Bank Of China Ltd/Singapore	USD	10000	3.01	2025/8/11	365D	Banks	-/-/-	-/-/-
2024/8/2	Boxing Financial Investment Group Co Ltd	CNY	516.8	6.9	2027/8/7	3	Consumer Staples	-/-/-	-/-/-
2024/8/2	Jinan Zhangqiu Holding Group Co Ltd	CNY	277.2	6.95	2027/8/9	3	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

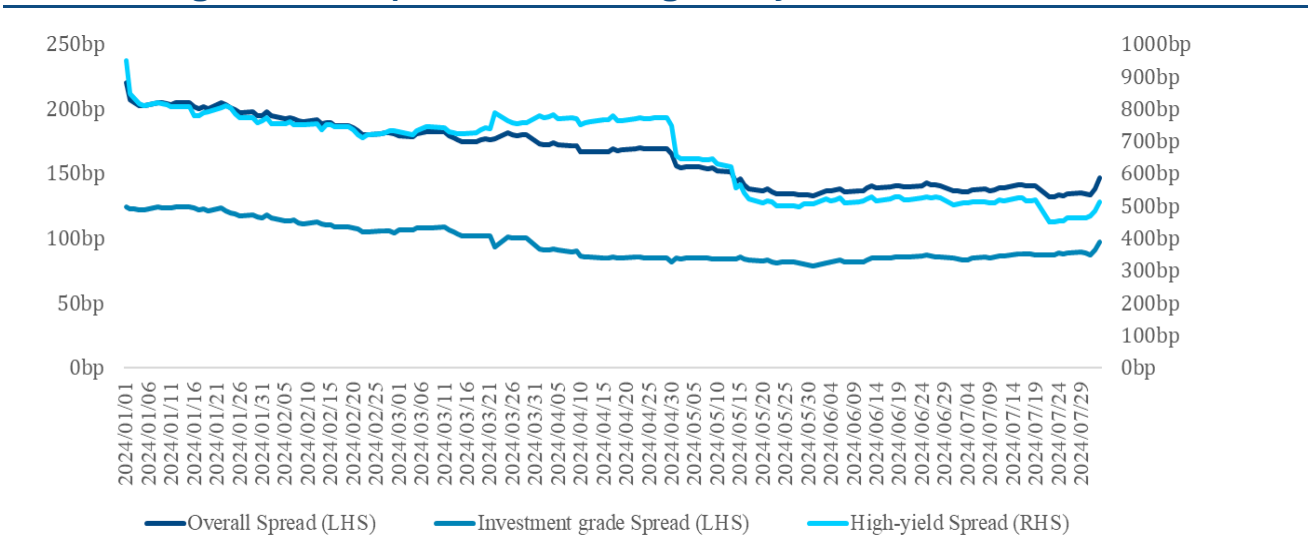
## Secondary Market: return on Chinese USD bond increased

As of August 2, the year-to-date return on the Chinese USD bonds increased by 107bp to 5.72% from last Friday, of which the return on investment-grade bonds increased by 118bp to 4.55%, and the return on high-yield bonds increased by 34bp to 13.86%. By sectors, the return on non-financial, financial, real estate and Chengtou bonds were 4.99%, 6.31%, 22.31% and 5.06%, increasing by 156bp, 64bp, 97bp and 24bp, respectively, from last Friday.

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


Sources: CCXAP research

As of August 2, the yield spread of Chinese USD bonds widened by 12.9bp to 146.71bp from last Friday, of which the yield spread of investment-grade bonds broadened by 8.9bp to 97.23bp, and the yield spread of high-yield bonds widened by 48.5bp to 510.18bp.

**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 29 to August 2 are shown in the table below. Among them, the yield of the offshore bond issued by Gemdale Corporation changed the most.

**Table 2: 10 Chinese offshore bonds with largest increase in yield (20240729-20240802)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
GEMDAL 4.95 08/12/24	Gemdale Corporation	99.537	0.02	37.556	5.1279M
FUTLAN 6 08/12/24	Seazen Group Ltd	100.093	0.02	0.676	2.8624M
NBQZUC 2.15 08/11/24	Ningbo Yincheng Group Co., Ltd.	99.92	0.02	9.26	1.622M
HILOHO 9 ¾ 11/18/24	Hilong Holdings Limited	58.64	0.28	258.593	1.4488M
ZHEBAR 2 ¾ 08/12/24	Hangzhou Shangcheng District Urban Construction and Comprehensive Development Co., Ltd.	99.967	0.02	4.577	570



DALWAN 11 01/20/25	Wanda Properties International Co. Limited	923	0.46	30.979	433.9
TZCONS 2.05 09/02/24	Taizhou Urban Construction Investment Development Group Co., Ltd.	99.695	0.07	6.405	393
DALWAN 7 ¼ 12/29/24	Wanda Properties Overseas Ltd	95.643	0.4	24.033	325.7
HKJHCC 7 ⅞ 06/24/21	Peking University Founder Group Co., Ltd.	10.364	0.38	75.984	227.5
HKJHCC 7 ½ 01/28/22	Peking University Founder Group Co., Ltd.	10.353	0.48	72.443	216.7

Sources: CCXAP research

## Ratings Action: CCXAP assigned credit ratings to 1 Chinese entity

On July 31, CCXAP assigned first time long-term credit rating of BBB<sub>g</sub>+ to Nanyang Transportation Holding Group Co., Ltd., with stable outlook.

**Table 3: CCXAP ratings action ( 20240729-20240802 )**

Rating Date	Obligor	Entity Rating	Rating Rational
2024/7/31	NTHG	BBB <sub>g</sub> +	The credit rating is underpinned by the Company' s (1) important role in transportation infrastructure construction and operation of Nanyang City; (2) recurring income generation from toll road business; and (3) track record of receiving government support. However, the rating is constrained by the Company' s (1) increasing debt burden; (2) moderate asset liquidity; and (3) moderate level of contingent risk.

Sources: CCXAP research

From July 29 to August 2, rating agencies took positive rating actions to 3 Chinese issuers, and took negative rating actions to 2 Chinese issuers.

**Table 4 : Credit rating changes of cross-border bond market ( 20240729-20240802 )**

Entity		Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Chengdu Xingjin Construction Development Investment Group Co., Ltd.	Chengtu	Ag-	STABLE	2024/07/31	BBBg+	STABLE	2023/12/20	CCXAP	The company's strategic significance as an important local infrastructure enterprise has increased
	China Metallurgical Group Corporation	Industrials	AAg-	STABLE	2024/07/31	Ag+	STABLE	2023/06/30	CCXAP	The company has received more local support
	Gansu Highway, Aviation and Tourism Investment Group Co., Ltd.	Chengtu	BBB+	STABLE	2024/08/01	BBB+	NEG	2023/05/09	S&P	The company's financing conditions have improved

Downgrade	Beijing Construction Engineering Group Co., Ltd.	Utilities	BBB	NEG	2024/07/29	BBB	STABLE	2021/06/20	S&P	The company's deleveraging progress is uncertain
	China United Property Insurance Co., Ltd.	Finance	BBB+	STABLE	2024/08/01	A-	NEG	2024/03/21	Fitch	The company's parent company, Oriental Asset Management, has downgraded its rating

Sources: CCXAP research



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