

CCXAP

Cross-border Bonds Weekly Report



2024 Issue 30
From August 5 to August 9

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

Headline: China's CPI in July increased by 0.5% YoY. US Services PMI in July was 51.4, high than expectation

On August 9, the National Bureau of Statistics of China announced that China's consumer price index in July increased by 0.5% from a year earlier, with the previous value of 0.2%. On August 5, US announced that the US Services PMI in July was 51.4, higher than the expected value of 51, with the previous value of 48.8 in June.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of August 9, the RMB/USD middle rate closed at 7.1449, increasing by 73.0bp from last Friday. The USD index decreased by 0.07% to 103.135 from last Friday.

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

This week, the Chinese Government Bond yields increased. Due to market expectations that the interest rate will significantly fluctuate and decrease after Federal Reserve begins the rate-cutting cycle in September, US Treasury yields increased.

Chinese Offshore Bond Market

Primary Market: new issuance of Chinese offshore bonds decreased

From August 5 to August 9, there were 24 new offshore bonds issued by Chinese companies with a total issued volume of USD2.281 billion, decreasing by 0.28% from last week. Aluminum Corporation of China Limited was the major issuer, with a total issued amount of USD0.65 billion.

Secondary Market: return on Chinese USD bonds decreased

As of August 9, the year-to-date return on the Chinese USD bonds decreased by 38bp to 5.34% from last Friday, of which the return on investment-grade bonds decreased by 40.0bp to 4.15%, and the return on high-yield bonds decreased by 23bp to 13.63%.

Ratings Action: CCXAP assigned credit ratings to 1 Chinese entity

August 5, CCXAP assigned credit ratings to 1 entity, which is Yuzhou Water Development Co., Ltd..



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Headline: China's CPI in July increased by 0.5% YoY. US Services PMI in July was 51.4, high than expectation

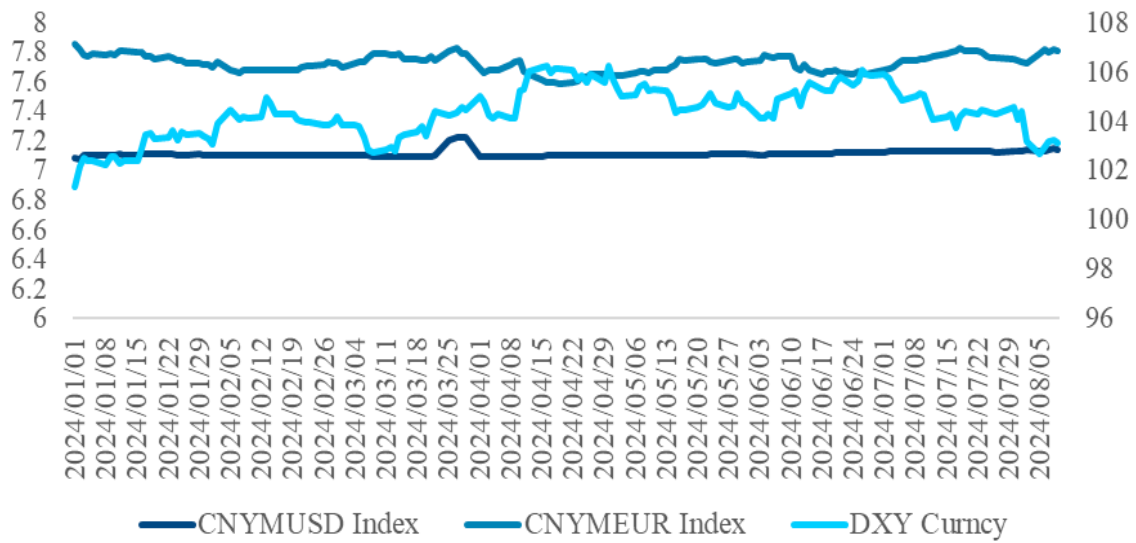
On August 9, the National Bureau of Statistics of China announced that China's consumer price index in July increased by 0.5% from a year earlier, with the previous value of 0.2%. The national PPI in July decreased by 0.8% from a year earlier, with the previous value of -0.8%. In July, the consumption demand continued to recover, coupled with the impacts of high temperatures and rainfall in some regions, the national month-on-month ("MoM") CPI turned from a decline to a rise, with a larger year-on-year ("YoY") increase. Affected by insufficient market demand and the decline in prices of some international commodities, the YoY and MoM decrease in the national PPI remained the same as last month. Specifically, in July, CPI increased by 0.5% from a year earlier. The MoM core CPI (excluding food and energy) changed from a 0.1% decline last month to a 0.3% increase this month, which is higher than the average level for the same period in the past decade. Affected by the high base of the same period last year for comparison, the YoY increase in core CPI was 0.4%, maintaining a moderate rise. The PPI in July decreased by 0.8% from a year earlier, with the same YoY and MoM decrease as last month. In July, the producer price index for industrial products decreased by 0.8% from a year earlier and decreased by 0.2% compared to last month, with the same decrease as the last month. Both YoY and MoM industrial purchasing price index decreased by 0.1%. On average for the period from January to July, the industrial producer price index decreased by 2% and the industrial producer purchase prices decreased by 2.2% compared to the same period last year.

On August 5, the US announced that the Services PMI in July was 51.4, which was higher than the expected value of 51, with a previous value of 48.8 in June. 50 is the threshold dividing the expansion zone and contraction zone. The PMI in July surpassed 50, indicating that the services sector returned to the expansion zone from the most severe contraction in June in 4 years. Among them, the indices of services employment, new orders, services business activity returned back to the expansion zone, driving the increase of PMI in July. Since the second quarter of this year, the U.S. Services PMI has fluctuated significantly. The Services PMI in April and June released by Institute for Supply Management were in the contraction zone. While in May, due to the significant increase in the business activity index, the Services PMI expanded at the fastest pace since September of last year. Services employment index has increased for the first time since the beginning of the year, with the growth rate being the greatest since September of last year. Services business activity index rose by 5% to 54.5 in July. New order index increased by 5.1%, returning back to the expansion zone at 52.4. The index of the price paid by service providers in July increased by 0.7% to 57, remaining consistent with the average level of the past year. The backlog of orders in the services sector increased by 6.6% in July after experiencing a significant decrease in June, and rebounded back to the expansion zone at 50.6.

Exchange Rate: RMB depreciated, USD index decreased

This week, the RMB depreciated. As of August 9, the RMB/USD middle rate closed at 7.1449, increasing by 73.0bp from last Friday. The RMB/EUR middle rate closed at 7.8064, increasing by 818.0bp from last Friday. The USD index decreased by 0.07% to 103.135 from last Friday.

Figure 1: RMB exchange rate

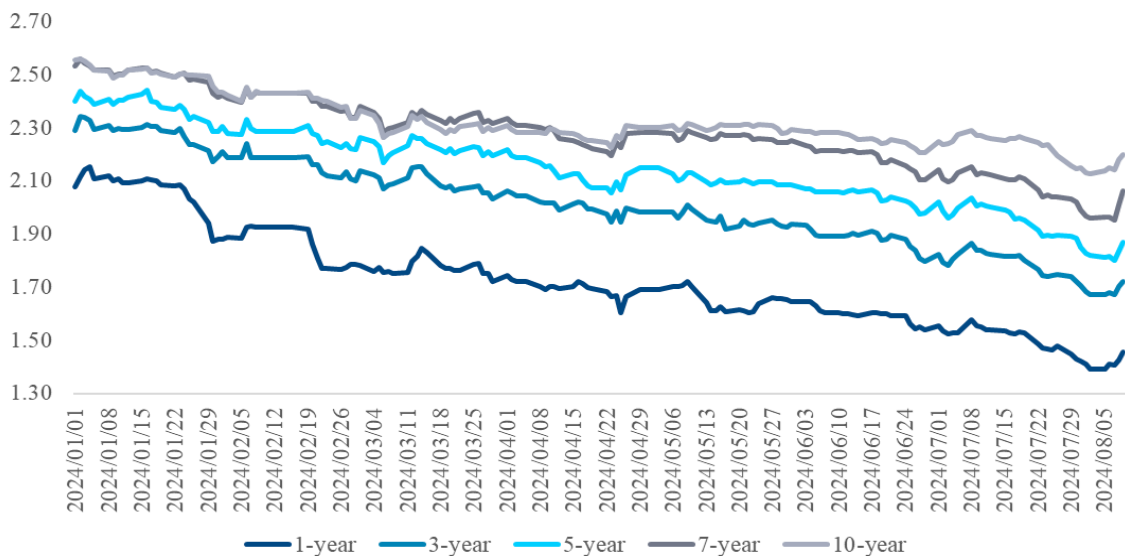


Sources: CCXAP research

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

This week, the China Government Bond yields increased. As of August 9, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.4562%, 1.7215%, 1.8706%, 2.0613% and 2.1986%, increasing by 6.61bp, 4.74bp, 5.18bp, 10.15bp and 7.09bp, respectively, from last Friday.

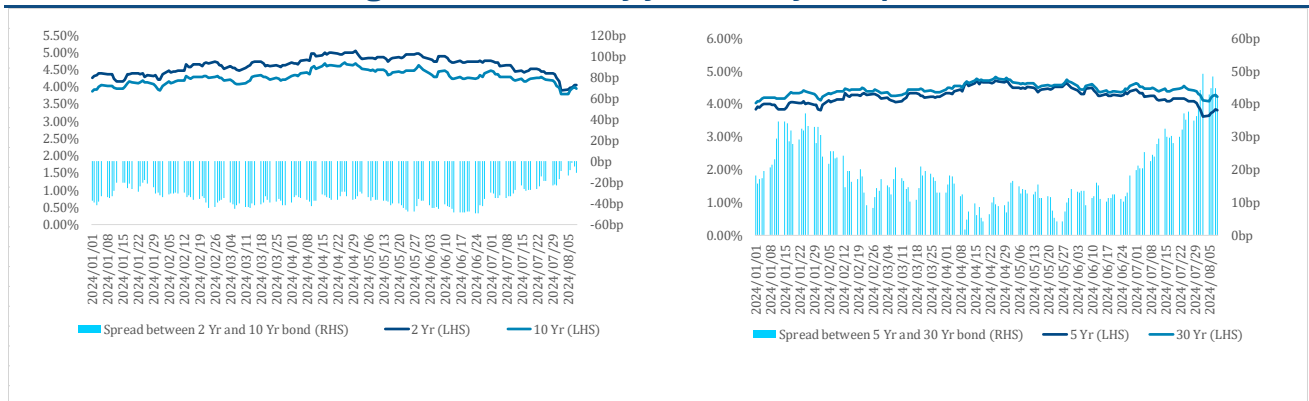
Figure 2: China Government Bond yields



Sources: CCXAP research

Due to market expectations that the interest rate will significantly fluctuate and decrease after Federal Reserve begins the rate-cutting cycle in September, this week, US Treasury yields increased. As of August 9, the 2-year, 5-year, 10-year and 30-year Treasury yields were 4.0531%, 3.7961%, 3.9398% and 4.2186%, increasing by 17.33bp, 17.95bp, 14.94bp and 11.14bp, respectively, from last Friday. In terms of US Treasury yield spreads, the spread between 2-year and 10-year Treasury notes widened by 2.39bp to -11.33bp from last Friday, and the spread between 5-year Treasury notes and 30-year Treasury bonds narrowed by 6.81bp to 42.25bp from last Friday.

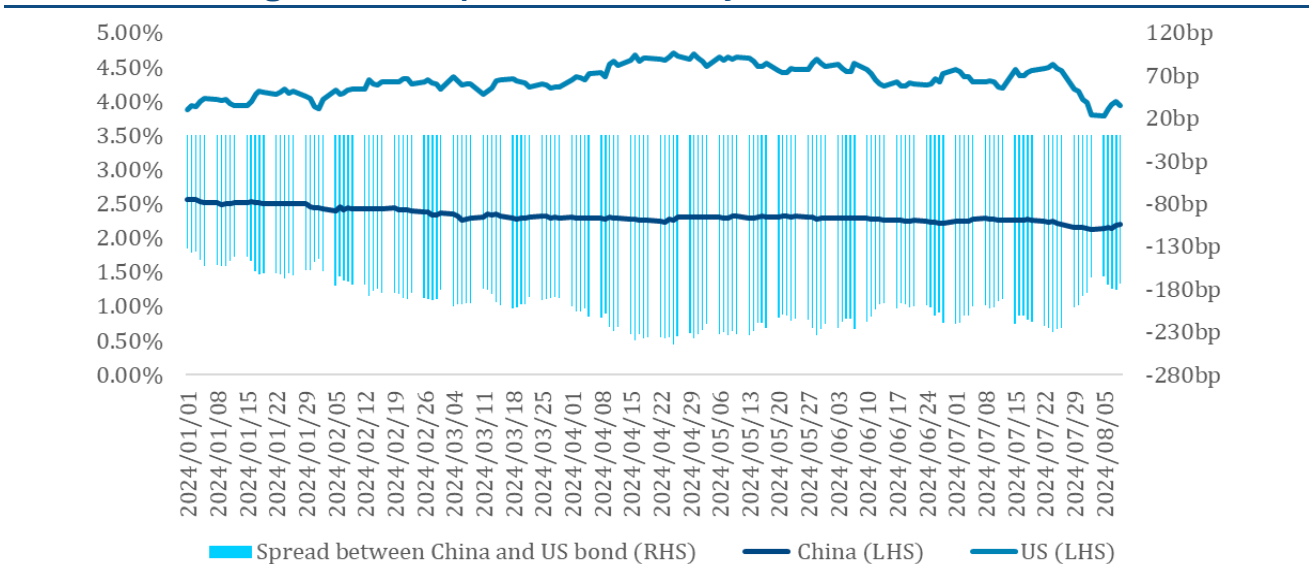
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of August 9, the yield spread between 10-year China Government Bonds and US Treasury notes was -174.1bp, narrowing by 7.9bp from last Friday and widening by 41.7bp 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 August 5 to August 9, there were 24 new offshore bonds issued by Chinese companies with a total issued volume of USD 2.281 billion, which has decreased by 0.28% from last week. Aluminum Corporation of China Limited was the major issuer with a total issued amount of USD 0.65 billion.

Table 1: New issuance of Chinese offshore bonds (20240805-20240809)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/8/5	CITIC Securities International Co Ltd	CNY	35.6	0	2029/8/13	5	Financials	-/BBB+/-	-/-/-
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2024/8/5	CITIC Securities International Co Ltd	CNY	20.8	0	2026/4/8	1.66	Financials	-/BBB+/-	-/-/-
2024/8/5	Huangshi State-owned Assets Management Co Ltd	CNY	693.4	6.5	2027/8/12	3	Chengtou	-/-/-	-/-/-
2024/8/5	Jiangsu Runxin City Investment Group Co Ltd	CNY	304.1	4.98	2027/8/12	3	Chengtou	-/-/-	-/-/-
2024/8/5	Jiyuan Huling Economic Development Group Co Ltd	CNY	207.8	8.5	2025/8/7	364D	Chengtou	-/-/-	-/-/-
2024/8/6	Guotai Junan International Holdings Ltd	USD	25	5.45	2025/2/13	184D	Financials	Baa1/BBB+/-	-/-/-
2024/8/6	Pizhou Industrial Investment Holding Group Co Ltd	CNY	653.8	4.8	2027/8/13	3	Chengtou	-/-/-	-/-/-
2024/8/6	Yancheng High-tech Zone Investment Group Corp Ltd	USD	85	5.2	2027/8/12	3	Chengtou	-/-/-	-/-/-
2024/8/7	Aluminum Corp of China	USD	650	4.75	2028/2/14	3.5	Materials	-/BBB/A-	-/-/-
2024/8/7	Bank of China Ltd/Auckland	NZD	79.8	FRA+114	2027/8/13	3	Banks	-/-/-	-/-/-
2024/8/7	Bazhong Development Holding Group Co Ltd	CNY	137.4	7.8	2027/8/12	3	Chengtou	-/-/-	-/-/-
2024/8/7	CITIC Securities International Co Ltd	USD	20	5.2	2024/9/13	30D	Financials	-/BBB+/-	-/-/-
2024/8/7	CITIC Securities International Co Ltd	CNY	27.7	0	2050/5/20	26	Financials	-/BBB+/-	-/-/-
2024/8/7	CITIC Securities International Co Ltd	CNY	36.7	0	2051/1/13	26	Financials	-/BBB+/-	-/-/-
2024/8/7	CITIC Securities International Co Ltd	CNY	26.7	0	2051/1/13	26	Financials	-/BBB+/-	-/-/-
2024/8/7	Industrial Bank Co Ltd/Hong Kong	USD	500	SOFR+56	2027/8/14	3	Banks	Baa2/-/-	-/-/-
2024/8/7	Yancheng High-tech Zone Investment Group Corp Ltd	USD	30	5.2	2027/8/13	3	Chengtou	-/-/-	-/-/-
2024/8/8	Beijing Construction Engineering Group Co Ltd	CNY	989.4	2.3	2034/8/8	10	Industrials	-/BBB/-	-/-/-
2024/8/8	Fujian Jinjiang Construction Investment Holding Group Co Ltd	CNY	1634.5	3.4	2027/8/15	3	Chengtou	-/-/-	-/-/-
2024/8/8	Shangqiu City Development Investment Group Co Ltd	CNY	1109.5	6.5	2027/8/15	3	Chengtou	-/-/-	-/-/-
2024/8/9	GF Holdings Hong Kong Corp Ltd	USD	6.7	5.45	2025/2/12	183D	Financials	-/BBB/BBB	-/-/-
2024/8/9	Huangshi State-owned Assets Management Co Ltd	CNY	297.2	6.5	2027/8/15	3	Chengtou	-/-/-	-/-/-

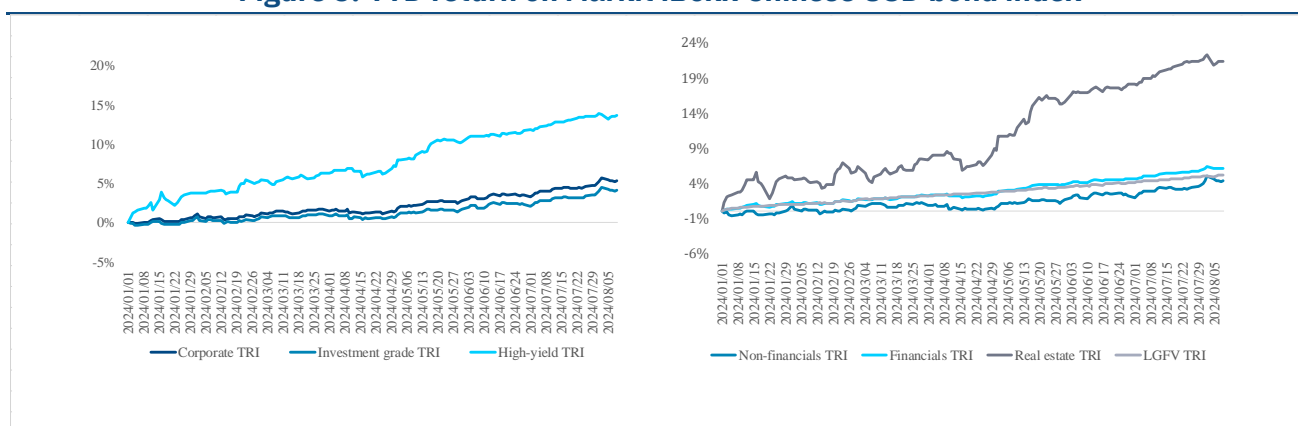
2024/8/9	Zhengzhou Road Bridge Construction Investment Group Co Ltd	CNY	106.0	7.5	2025/8/13	364D	Chengtou	-/-	-/-
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Sources: CCXAP research

Secondary Market: return on Chinese USD bond decreased

As of August 9, the year-to-date return on the Chinese USD bonds decreased by 38.0bp to 5.34% from last Friday, of which the return on investment-grade bonds decreased by 40bp to 4.15%, and the return on high-yield bonds decreased by 23bp to 13.63%. By sectors, the return on non-financial, financial, real estate were 4.38%, 6.13%, and 21.33%, decreasing by 60.0bp, 18bp, and 99bp, respectively, from last Friday. The return on Chengtou bonds was 5.1%, increasing by 4.0bp from last Friday.

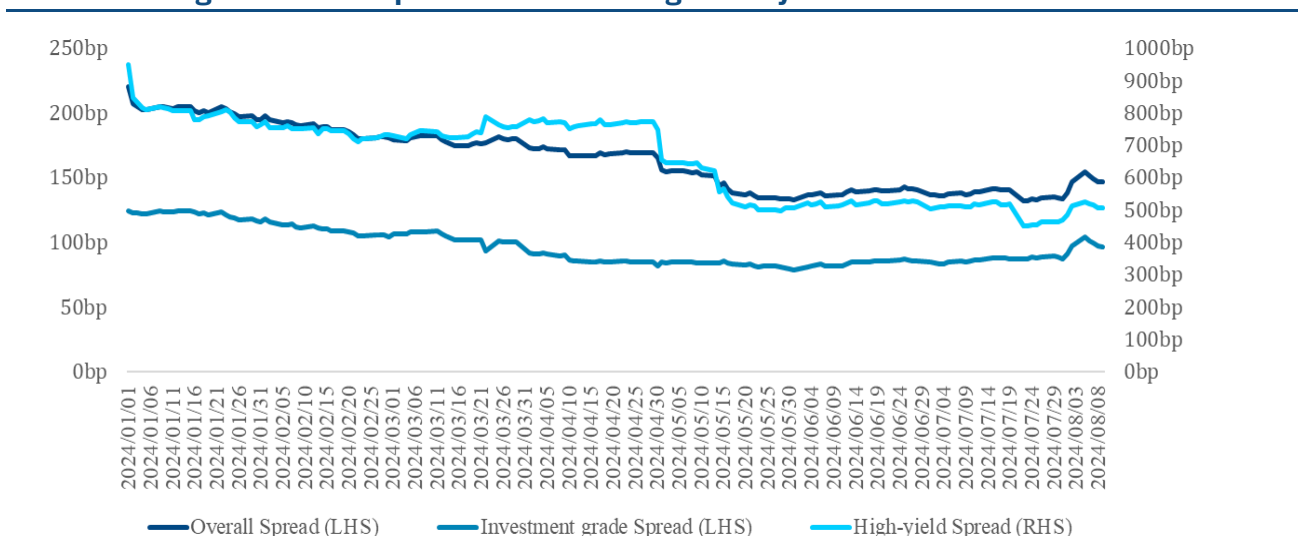
Figure 5: YTD return on Markit iBoxx Chinese USD bond index



Sources: CCXAP research

As of August 9, the yield spread of Chinese USD bonds narrowed by 0.6bp to 146.14bp from last Friday, of which the yield spread of investment-grade bonds narrowed by 1.1bp to 96.12bp, and the yield spread of high-yield bonds narrowed by 5.7bp to 504.5bp.

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



Sources: CCXAP research

The 10 bonds with the largest increase in yield from August 5 to August 9 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 (20240805-20240809)

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
GEMDAL 4.95 08/12/24	Gemdale (Group) Co., Ltd.	99.687	0.01	41.627	8.9448M
FUTLAN 6 08/12/24	Sunac China Holdings Limited	100.027	0.01	2.68	4.6003M
HILOHO 9 ¾ 11/18/24	Hailong Holdings Limited	59.13	0.25	270.543	1.9287M
ZHEBAR 2 ¾ 08/12/24	Hangzhou Shangcheng District Urban Construction and Comprehensive Development Co., Ltd.	99.968	0.01	6.025	1.2589M
ZHHFGR 4 ¾ PERP	Zhuhai Huafa Group Co., Ltd.	99.967	PREP	7.075	698.5
TZCONS 2.05 09/02/24	Taizhou Urban Construction Investment and Development Group Co., Ltd.	99.73	0.05	7.402	574.2
WFURCD 2.6 09/27/24	Weifang Urban Construction Development Investment Group Co., Ltd.	99.275	0.13	8.647	411.2
SDGOLD 2.4 08/25/24	Shandong Gold Group Co., Ltd.	99.839	0.03	7.596	393.7
CQLGST 5.3 08/20/24	Chongqing International Logistics Hub Park Construction Co., Ltd.	100.091	0.02	0.156	323.6
HENINV 2.2 08/25/24	Henan Investment Group Co., Ltd.	99.796	0.03	8.803	311.1

Sources: CCXAP research

Ratings Action: CCXAP assigned credit ratings to 1 Chinese entity

On August 5, CCXAP assigned first-time long-term credit rating of BBB_g- to Yuzhou Water Development Co., Ltd., with stable outlook.

Table 3: CCXAP ratings action (20240805-20240809)

Rating Date	Obligor	Entity Rating	Rating Rational
2024/8/5	YZWD	BBB _g -	The credit rating is underpinned by the Company's (1) important role in water conservancy infrastructure construction and water supply service of Yuzhou City; and (2) track record of receiving government support. However, the rating is constrained by the Company's (1) increasing exposure to commercial activities; (2) moderate weak asset liquidity; and (3) limited financing channels and standby liquidity.

Sources: CCXAP research

From August 5 to August 9, rating agencies took positive rating actions to 2 Chinese issuers, and took negative rating actions to 1 Chinese issuer.

Table 4 : Credit rating changes of cross-border bond market (20240805-20240809)

Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change Outlook
		Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:									

U p g r a d e	Zhangzhou Transportation Development Group Co., Ltd.	Chengtou	BBB-	STABLE	2024/08/05	BB+	STABLE	2023/05/23	Fitch	The support provided by Zhangzhou Municipal Government to Zhangzhou Transportation is strong and significant.
	Huzhou Moganshan High-tech Group Co., Ltd.	Chengtou	BBBg+	STABLE	2024/08/06	BBBg	STABLE	2023/06/27	CCXAP	The company has received increased support from the local government.
D o w n g r a d e	Wanhua Chemical Group Co., Ltd.	Industrials	BBB	STABLE	2024/08/06	BBB+	NEG	2023/08/29	Fitch	The company's deleveraging is expected to be delayed.

Sources: CCXAP research

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