

# CCXAP

## Cross-border Bonds Weekly Report



**2024 Issue 32**  
**From August 19 to August 23**

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

#### **Headline: China's LPR in August unchanged; US revised down NFP from April 2023 to March 2024 by 818,000**

On August 20, the People's Bank of China (PBOC) authorized the announcement of loan market quotation rates (LPRs): 3.35% for the 1-year LPR and 3.85% for the 5-year LPR, both unchanged after the July cuts. On August 21, the US Department of Labor released preliminary revised Nonfarm Payrolls data for the past year ending in March, with Nonfarm Payrolls additions revised sharply downward by 818,000.

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

This week, the RMB appreciated. As of August 23, the RMB/USD middle rate closed at 7.1358, decreasing by 106.0bp from last Friday. The USD index decreased by 1.74% to 100.718 from last Friday.

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

This week, the Chinese Government Bond yields decreased. As Nonfarm Payrolls data was revised down significantly, the market expects the Federal Reserve to cut interest rates in the near term, US Treasury yields decreased.

### **Chinese Offshore Bond Market**

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

From August 19 to August 23, there were 25 new offshore bonds issued by Chinese companies with a total issued volume of USD2.786 billion, decreasing by 16.33% from last week. Financial Institution was the major issuer, with a total issued amount of USD1.502 billion.

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

As of August 23, the year-to-date return on the Chinese USD bonds increased by 23.0bp to 5.91% from last Friday, of which the return on investment-grade bonds increased by 31.0bp to 4.8%, and the return on high-yield bonds decreased by 28.0bp to 13.66%.

#### **Ratings Action: CCXAP assigned credit ratings to 6 Chinese entities**

From August 19 to August 23, CCXAP assigned credit ratings to 6 entities. China Kangfu International Leasing Co. Ltd, Zhongyuan Aviation Finance Leasing Co. Ltd, Zhengding County State Owned Assets Holding and Operating Group Co. Ltd, Yichang City Development Holding Group Co. Ltd, Jiangsu Fuxuan Industry Co. Ltd, and Chongqing Fuling Lingang Economic Zone Construction and Development Group Co, Ltd.



### **Analyst Contacts**

#### **Saul Zuo**

852-2860 7142

[saul\\_zuo@ccxap.com](mailto:saul_zuo@ccxap.com)

#### **Peter Chong**

852-2860 7124

[Peter\\_chong@ccxap.com](mailto:Peter_chong@ccxap.com)

### **Other Contacts**

#### **Elle Hu**

852-2860 7120

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

## Headline: China's LPR in August unchanged; US revised down NFP from April 2023 to March 2024 by 818,000

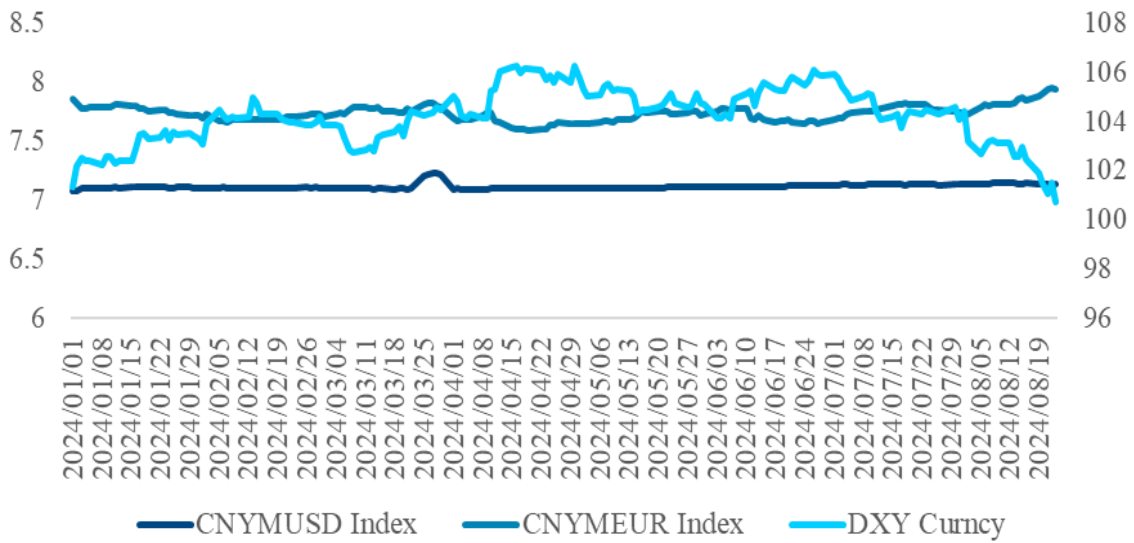
On August 20, the People's Bank of China (PBOC) authorized the announcement of loan market quotation rates (LPRs): 3.35% for the 1-year LPR and 3.85% for the 5+ year LPR, both unchanged after the July cuts. The central bank indicated in the second-quarter monetary policy report that LPR quotes shifted to refer more to the central bank's short-term policy rate, and that the interest rate transmission relationship from short to long was being gradually rationalized. The LPR had previously been formed mainly by adding points to the MLF operating rate, but the central bank maintained the interest rate unchanged during the regular mid-month operation of the MLF in July, and then lowered the 7-day reverse repurchase operating rate, and the LPR, indicating that the role of the reverse repurchase operating rate as the policy rate rose, with the previous role of MLF subsequently fading. This month's medium-term lending facility (MLF) operation has been extended to the 26th. Analysis suggests that the LPR has stabilized in line with the central bank's policy signals, but the market is also concerned about whether new stimulus measures will be introduced later.

On August 21, the US Department of Labor released preliminary revised nonfarm payrolls data for the past year ending in March, with nonfarm payrolls additions revised sharply downward by 818,000. This downward revision is the largest revision adjustment in fifteen years. Goldman Sachs had also pessimistically predicted that the highest downward revision could reach a record 1 million people. According to the media summary, the latest data show that the total employment in the year to March before the revised value of -0.5%, is the largest amendment since 2009. Previous mainstream economists expected the downward revision would be 500,000. Actual US NFP growth from April 2023 to March 2024 was almost 30% lower than the 2.9 million initially reported, turning the average monthly net job creation of about 242,000 jobs over that period into an average of 173,500 new jobs per month suddenly. It indicates that the US labor market is not as strong as thought, and that the cooling of the job market could be longer or last longer.

## Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of August 23, the RMB/USD middle rate closed at 7.1358, decreasing by 106.0bp from last Friday. The RMB/EUR middle rate closed at 7.9316, increasing by 828.0bp from last Friday. The USD index decreased by 1.74% to 100.718 from last Friday.

Figure 1: RMB exchange rate

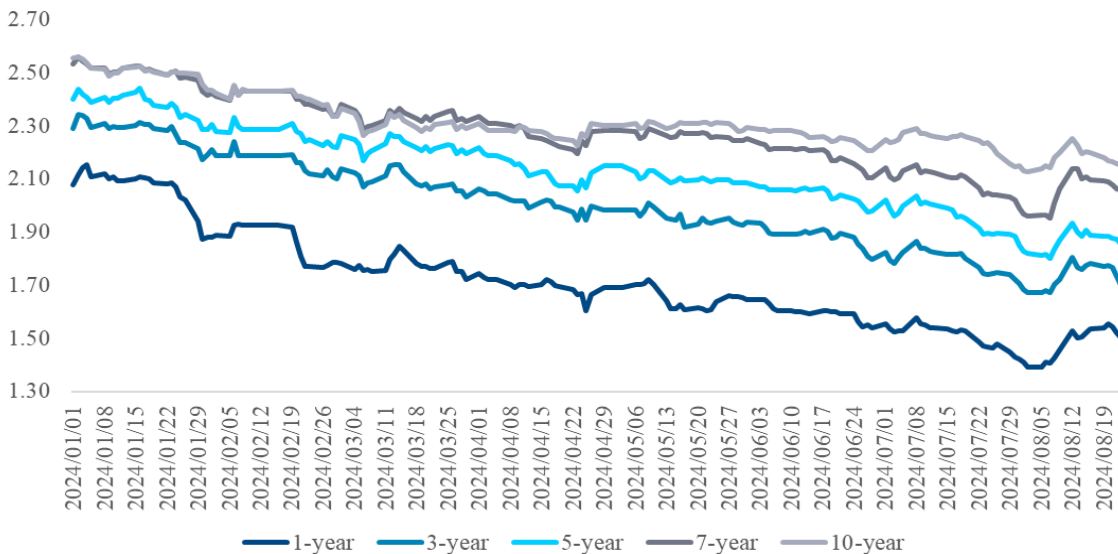


Sources: CCXAP research

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

This week, the China Government Bond yields decreased. As of August 23, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.4973%, 1.6924%, 1.8487%, 2.0577% and 2.1547%, decreasing by 3.68bp, 8.86bp, 4.14bp, 4.09bp and 4.031bp, respectively, from last Friday.

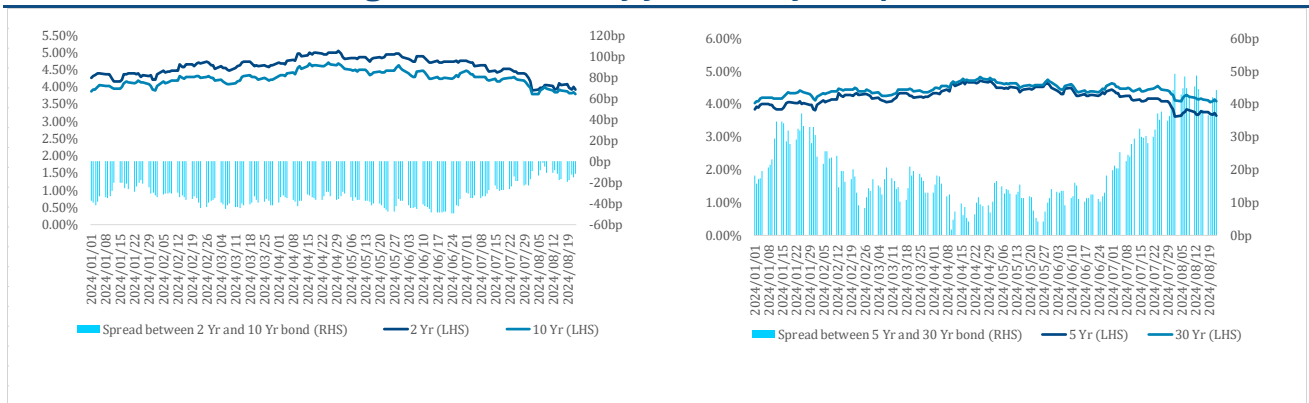
Figure 2: China Government Bond yields



Sources: CCXAP research

As Nonfarm Payrolls data was revised down significantly, the market expects the Federal Reserve to cut interest rates in the near term, US Treasury yields decreased. As of August 23, the 2-year, 5-year, 10-year and 30-year Treasury yields were 3.9153%, 3.6486%, 3.7990% and 4.0908%, increasing by 13.44bp, 10.85bp, 8.36bp and 4.94bp, respectively, from last Friday. In terms of US Treasury yield spreads, the spread between 2-year and 10-year Treasury notes narrowed by 5.08bp to -11.63bp from last Friday, and the spread between 5-year Treasury notes and 30-year Treasury bonds narrowed by 5.91bp to 44.22bp from last Friday.

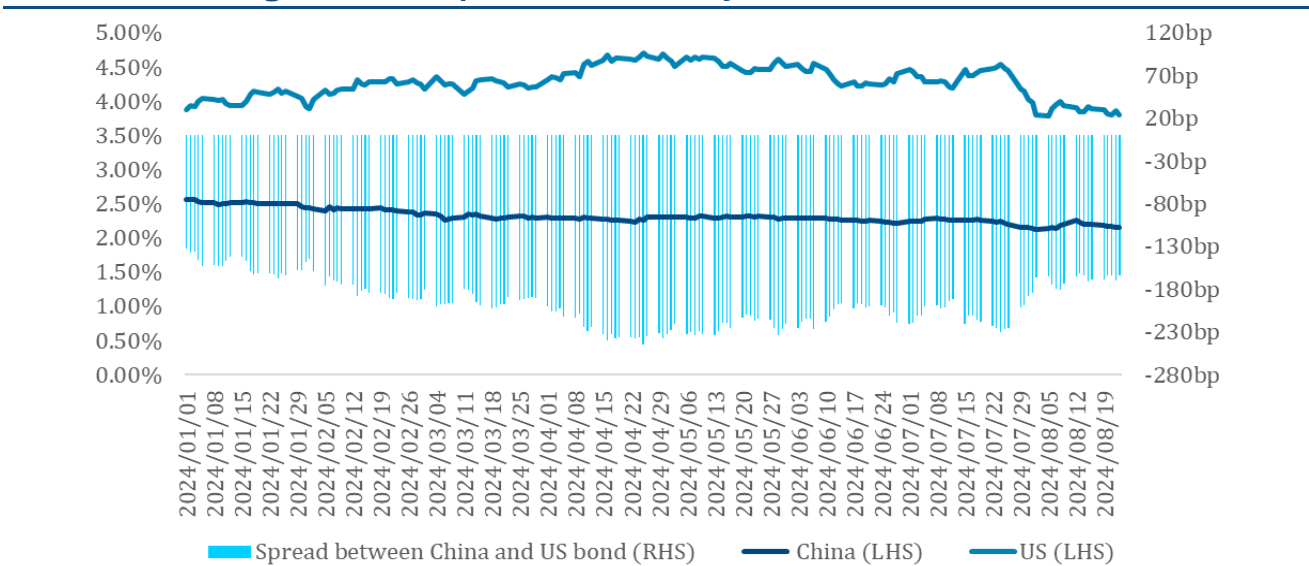
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of August 23, the yield spread between 10-year China Government Bonds and US Treasury notes was -164.4bp, narrowing by 4.1bp from last Friday and widening by 32.0bp 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 19 to August 23, there were 25 new offshore bonds issued by Chinese companies with a total issued volume of USD2.786 billion, decreasing by 16.33% from last week. Financial Institution was the major issuer, with a total issued amount of USD1.502 billion.

**Table 1: New issuance of Chinese offshore bonds (20240819-20240823)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/8/19	Xuchang Investment Group Co., Ltd.	USD	53	8	2026/8/22	2	Chengtou	-/-/-	-/-/-
2024/8/19	Bocom Leasing Management Hong Kong Co Ltd	USD	400	SOFR+75	2027/8/23	3	Financials	A2/A-/A	A3/--/A
2024/8/19	Bocom Leasing Management Hong Kong Co Ltd	USD	250	4.5	2027/8/23	3	Financials	A2/A-/A	A3/--/A
2024/8/19	GF Holdings Hong Kong Corp Ltd	USD	30	5.5	2024/10/21	61D	Financials	- /BBB/BB B	-/-/-
2024/8/19	Beijing Infrastructure Investment Co Ltd	CNY	994.3	2.1	2029/8/19	5	Chengtou	-/A+/A+	-/-/-
2024/8/19	China Securities International Finance Holding Co Ltd	USD	2	4.95	2025/8/22	365D	Financials	- /BBB+/B BB+	-/-/-
2024/8/19	China Securities International Finance Holding Co Ltd	USD	3	4.99	2025/5/23	273D	Financials	- /BBB+/B BB+	-/-/-
2024/8/20	AVIC International Leasing Co Ltd	USD	300	4.625	2027/8/27	3	Financials	Baa1/-- /A-	-/-/-
2024/8/20	Bank of China Ltd/Dubai	USD	400	SOFR+55	2027/8/27	3	Banks	-/-/-	-/-/-
2024/8/20	Shiyan City Operation Group Co Ltd	CNY	1060	6.3	2027/8/27	3	Chengtou	-/-/-	-/-/-
2024/8/20	Huzhou Wuxing City Investment & Development Group Co Ltd	USD	177	5.15	2027/8/28	3	Chengtou	-/-/-	-/-/-
2024/8/20	Yibin Emerging Industry Investment Group Co Ltd	USD	97	5.4	2027/8/23	3	Chengtou	-/-/-	-/-/-
2024/8/20	Luoyang Cultural Tourism Investment Group Co Ltd	CNY	220	5.5	2026/8/27	2	Chengtou	-/-/-	-/-/-
2024/8/20	Ningguo Ningyang Holding Group Co Ltd	CNY	500	7.5	2027/8/23	3	Chengtou	-/-/-	-/-/-
2024/8/20	GF Holdings Hong Kong Corp Ltd	HKD	100	4.23	2024/10/25	59D	Financials	- /BBB/BB B	-/-/-
2024/8/21	UETD Construction & Development State-owned Capital Investment Operation Group Co	USD	100	7.5	2027/8/28	3	Chengtou	-/-/-	-/-/-
2024/8/21	Weihai City Investment Group Co Ltd	CNY	500	4.7	2027/8/28	3	Chengtou	-/-/BBB-	-/-/-
2024/8/21	Wuxi Hengting Industrial Co Ltd	USD	80	5.1	2027/8/26	3	Chengtou	-/-/-	-/-/-
2024/8/21	Bank of Communications Co Ltd/Hong Kong	USD	102	4.1	2027/8/28	3	Banks	A2-/A	-/-/-
2024/8/21	Shengcheng Culture and Tourism Group International Trade Co., Ltd.	CNY	107.6	6	2026/8/27	2	Consumer Discretionary	-/-/-	-/-/-
2024/8/21	GF Holdings Hong Kong Corp Ltd	USD	2	5.12	2025/2/28	184D	Financials	- /BBB/BB B	-/-/-

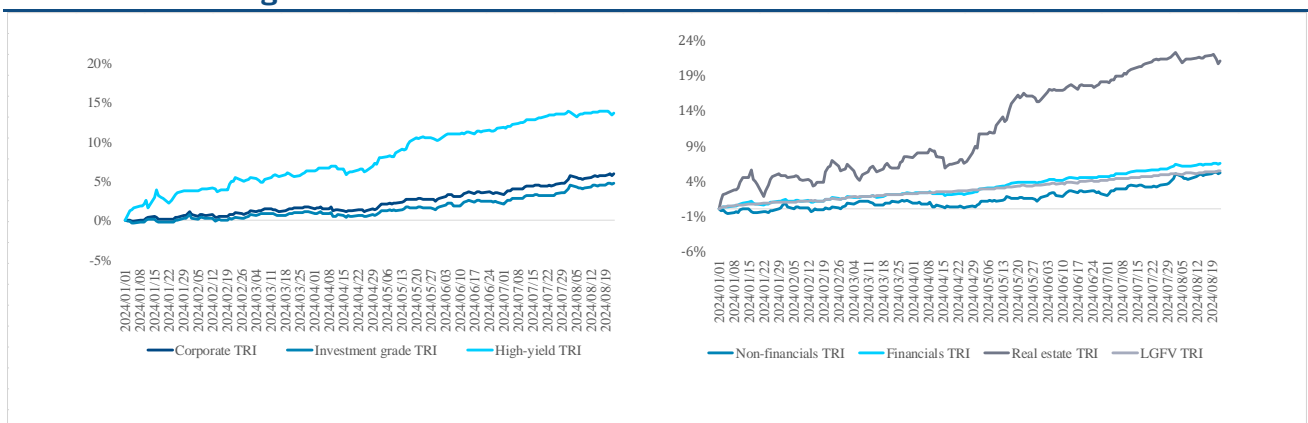
2024/8/22	Nanyang Transportation Holding Group Co Ltd	CNY	1280	6	2027/8/29	3	Chengtou	-/-	-/-
2024/8/23	Anji Qicai Lingfeng Rural Tourism Investment Co Ltd	CNY	360	5.5	2027/8/30	3	Chengtou	-/-	-/-
2024/8/23	Huzhou Wuxing City Investment & Development Group Co Ltd	USD	23	6.75	2027/8/28	3	Chengtou	-/-	-/-
2024/8/23	Qingdao Blue Valley Investment Development Group Co., Ltd.	CNY	366	6.8	2027/8/28	3	Chengtou	-/-	-/-

Sources: CCXAP research

## Secondary Market: return on Chinese USD bond increased

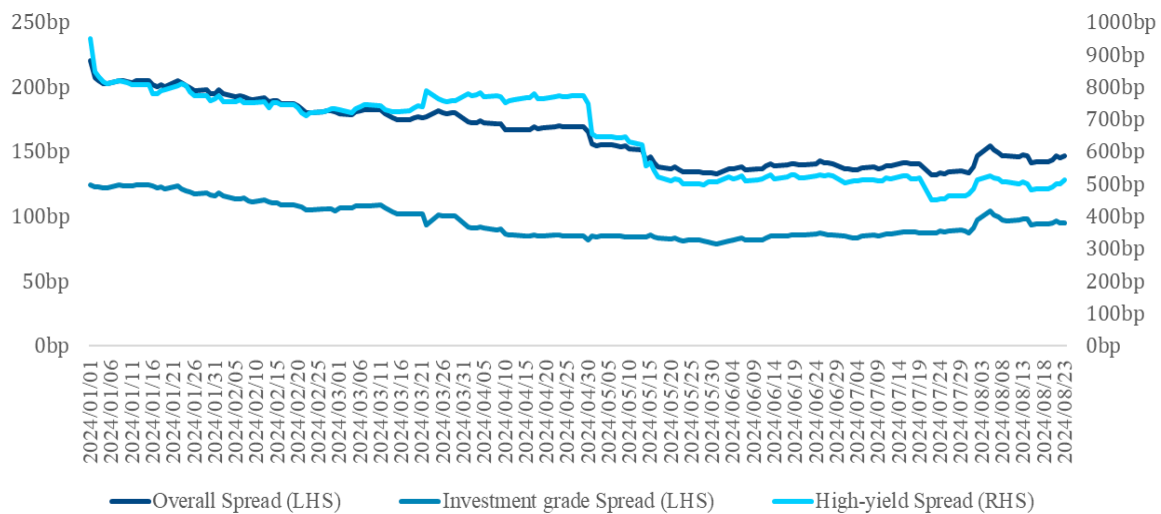
As of August 23, the year-to-date return on the Chinese USD bonds increased by 23.0bp to 5.91% from last Friday, of which the return on investment-grade bonds increased by 31.0bp to 4.8%, and the return on high-yield bonds decreased by 28.0bp to 13.66%. By sectors, the returns on non-financial, financial, urban construction, real estate were 5.19%, 6.49%, 5.43%, and 21.12%, increasing by 33.0bp, 15.0bp, and 19.0bp, and decreasing by 69.0 respectively, from last Friday.

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



Sources: CCXAP research

As of August 23, the yield spread of Chinese USD bonds widened by 4.4bp to 146.52bp from last Friday, of which the yield spread of investment-grade bonds widened by 1.0bp to 94.89bp, and the yield spread of high-yield bonds widened by 27.2bp to 511.92bp.

**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 19 to August 23 are shown in the table below. Among them, the yield of the offshore bond issued by China Vanke Co., Ltd. changed the most.

**Table 2: 10 Chinese offshore bonds with largest increase in yield (20240819-20240823)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
VNKRLE 3.15 05/12/25	Vanke Co., Ltd.	83.199	0.7	31.479	748
FTLNHD 4.8 12/15/24	Seazen Group Ltd	91.553	0.3	35.903	724.8
WESCHI 4.95 07/08/26	China West Cement Co., Ltd.	74.644	1.86	22.318	572.4
DALWAN 11 01/20/25	Dalian Wanda Commercial Management Group Co., Ltd.	94.808	0.4	24.917	415.8
FUTLAN 4.45 07/13/25	Seazen Group Ltd	80.628	0.87	31.416	356.1
VNKRLE 3.975 11/09/27	Vanke Co., Ltd.	57.068	3.2	23.928	353.3
FTLNHD 4 5/8 10/15/25	Seazen Group Ltd	74.719	1.13	33.242	346.7
FTLNHD 4 1/2 05/02/26	Seazen Group Ltd	65.582	1.68	32.773	227.6
DALWAN 7 3/4 01/29/24	Dalian Wanda Commercial Management Group Co., Ltd.	96.62	2.42	23.408	193.7
DALWAN 11 02/13/26	Dalian Wanda Commercial Management Group Co., Ltd.	87.806	1.46	21.13	176.8

Sources: CCXAP research

## Ratings Action: CCXAP assigned credit ratings to 6 Chinese entities

On August 20, CCXAP assigned first-time long-term credit rating of A<sub>g</sub>- to China Kangfu International Leasing Co. Ltd, with stable outlook.

On August 21, CCXAP assigned first-time long-term credit rating of A<sub>g</sub>- to Zhongyuan Aviation Finance Leasing Co. Ltd, with stable outlook.

On August 22, CCXAP assigned first-time long-term credit rating of BBB<sub>g</sub> to Zhengding County State Owned Assets Holding and Operating Group Co. Ltd, with stable outlook.

On August 23, CCXAP assigned first-time long-term credit rating of A<sub>g</sub><sup>-</sup> to Yichang City Development Holding Group Co. Ltd, with stable outlook.

On August 23, CCXAP assigned first-time long-term credit rating of BBB<sub>g</sub><sup>-</sup> to Jiangsu Fuxuan Industry Co. Ltd, with stable outlook.

On August 23, CCXAP assigned first-time long-term credit rating of BBB<sub>g</sub><sup>-</sup> to Chongqing Fuling Lingang Economic Zone Construction and Development Group Co. Ltd, with stable outlook.

**Table 3: CCXAP ratings action ( 20240819-20240823 )**

Rating Date	Obligor	Entity Rating	Rating Rational
2024/8/20	Kangfu Leasing	A <sub>g</sub> <sup>-</sup>	The credit rating is underpinned by the Company's (1) good business synergy with shareholders, supporting its business growth; (2) proven risk management and control with a relatively low risk appetite; and (3) diversified funding channels and good financial flexibility. However, the rating is constrained by (1) weakened operating environment from tightening regulations and economic slowdown; (2) the Company's asset concentrations in the new energy industry; and (3) increasing exposure to clean energy investment which may challenge its management capacity and heighten its debt leverage.
2024/8/21	ZYAL	A <sub>g</sub> <sup>-</sup>	The credit rating is underpinned by the Company's (1) solid leasing business development in Henan Province; (2) stable asset quality; and (3) good capital adequacy. However, the rating is constrained by (1) weakened operating environment for leasing companies due to tightening regulations and economic slowdown; (2) ZYAL's small operating scale and modest profitability; and (3) concentrated asset portfolio.
2024/8/22	ZDSH	BBB <sub>g</sub>	The credit rating is underpinned by the Company's (1) important role in urban and rural construction, urban operation, and industrial incubation of Zheng ding County; and (2) good track record of receiving government support. However, the rating is constrained by the Company's (1) rapid debt growth with large capital expenditure pressure; and (2) relatively weak asset liquidity.
2024/8/23	YCHG	A <sub>g</sub> <sup>-</sup>	The credit rating is underpinned by the Company's (1) foremost role as the primary infrastructure construction and state-owned assets operation entity in Yichang City, with regional franchise advantage in public utilities; (2) solid track record of receiving government payments; and (3) diversified access to funding channels. However, the rating is constrained by the Company's (1) high commercial business risks due to fluctuations in cyclical industries; (2) rapid debt growth driven by large investment needs; and (3) weak asset liquidity.
2024/8/23	JSFX	BBB <sub>g</sub> <sup>-</sup>	The credit rating is underpinned by the Company's (1) full ownership by the Binhai County Government; (2) essential role in infrastructure and industrial development in Jiangsu Binhai Economic Development Zone ("Binhai EDZ"); and (3) track record of receiving support from the local government in terms of financial subsidies and asset injections. However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) increased debt leverage driven by construction investments; and (3) moderate financing ability.

Sources: CCXAP research

From August 19 to August 23, rating agencies took positive rating actions to 4 Chinese issuers, and took negative rating actions to 1 Chinese issuer.

**Table 4 : Credit rating changes of cross-border bond market ( 20240819-20240823 )**

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



International Rating:										
Upgrade	Urumqi Economic and Technological Development Zone Jianfa State-owned Capital Investment and Operation (Group) Co., Ltd.	Real estate	BBB <sub>g</sub> +	STABLE	2024/08/19	BBB <sub>g</sub>	STABLE	2023/08/14	CCXAP	Improved capacity of local governments to provide support
	Ningbo Haishu Development and Construction Investment Group Co., Ltd.	Chengtou	Baa3	STABLE	2024/08/19	Baa3	NEG	2023/12/06	Moody's	The company's debt management is optimized
	Hangzhou Shangcheng District State-owned Capital Operation Group Co., Ltd.	Chengtou	Baa2	STABLE	2024/08/19	Baa2	NEG	2023/12/06	Moody's	The government's willingness to support the company is enhanced
	Heze Urban Construction Engineering Development Group Co., Ltd.	Chengtou	BBB <sub>g</sub> +	STABLE	2024/08/20	BBB <sub>g</sub>	STABLE	2023/08/29	CCXAP	Improved capacity of local governments to provide support
Downgrade	Shandong Guohui Investment Holding Group Co., Ltd.	Investment Holdings	Baa2	NEG	2024/08/21	Baa2	STABLE	2023/11/22	Moody's	The company's dividend fluctuations exceed expectations

Sources: CCXAP research

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**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852 2860 7111

Fax: +852 2868 0656