

2024 Issue 35

From September 9 to September 13

New issuance of Chinese overseas bonds increased; secondary market returns rose

Headline: China announced August CPI, up 0.6%; the United States announced August CPI, up 2.5%

On September 9, China's National Bureau of Statistics released the national CPI and PPI data for August 2024; on September 11, the United States announced that the CPI in August rose 2.5% year-on-year, a 0.4 percentage point narrowing from July.

Exchange rate: RMB depreciated and the US dollar index fell

In the past week, the RMB has depreciated. As of September 13, the central parity rate of the US dollar against the RMB closed at 7.103, up 105.0bp from last Friday. The US dollar index closed at 101.114, down 0.06% from last Friday.

Interest rate: China's treasury bond yields decreased; US treasury bond yields decreased

Chinese government bond yields have fallen over the past week, while U.S. government bond yields have fallen as the Federal Reserve is expected to cut interest rates.

Chinese offshore bond market

Primary market: New issuance of Chinese offshore bonds increased

From September 9 to September 13, Chinese enterprises issued 28 new bonds in the overseas market, totaling about US\$3.058 billion, up 5.77% from the previous week. Among them, municipal investment companies were the main issuers, issuing a total of US\$1.936 billion in bonds.

Secondary market: Returns on Chinese USD bonds rise

As of September 13, the year-to-date return of Chinese dollar bonds rose 18.0bp from last Friday to 6.62%, among which the return of investment-grade bonds rose 26.0bp to 5.7%, and the return of high-yield bonds fell 30.0bp to 13.11%.

Rating Action: CCXAP assigns rating to 1 entity

On September 13, China Chengxin Asia Pacific awarded a corporate rating to Changzhou Jiangrun Environmental Protection Technology Co., Ltd.



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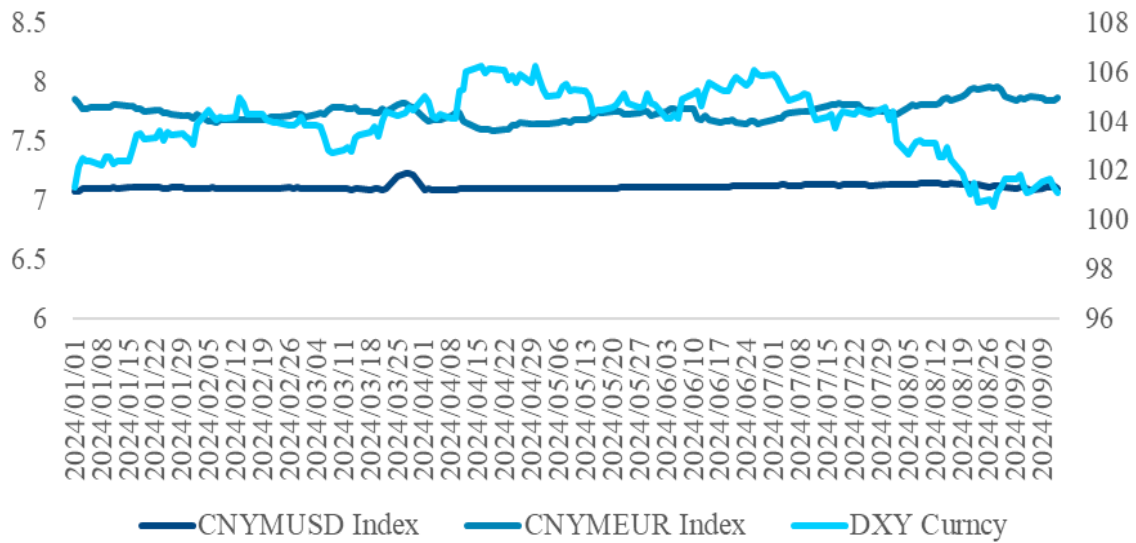
Headline: China announced August CPI, up 0.6%; the United States announced August CPI, up 2.5%

On September 9, the National Bureau of Statistics of China released the national CPI and PPI data for August 2024. From a month-on-month perspective, the CPI rose by 0.4%, a 0.1 percentage point drop from the previous month. Among them, food prices rose by 3.4%, an increase of 2.2 percentage points from the previous month, affecting the CPI month-on-month increase by about 0.60 percentage points. From a year-on-year perspective, the CPI rose by 0.6%, an increase of 0.1 percentage point from the previous month. Among them, food prices rose by 2.8% from the previous month, affecting the CPI year-on-year increase by about 0.51 percentage points. In August, affected by factors such as insufficient market demand and the downward trend in prices of some international bulk commodities, the national PPI fell both month-on-month and year-on-year. From a month-on-month perspective, the PPI fell by 0.7%, an increase of 0.5 percentage points from the previous month. From a year-on-year perspective, the PPI fell by 1.8%, an increase of 1.0 percentage points from the previous month. Among them, the price of means of production fell by 2.0%, an increase of 1.3 percentage points; the price of living materials fell by 1.1%, an increase of 0.1 percentage points.

On September 11, the United States announced that the CPI in August increased by 2.5% year-on-year, 0.4 percentage points narrower than in July. This is the smallest increase since February 2021. In August this year, although the U.S. CPI dropped significantly from the high of 9.1% year-on-year increase in June 2022, it was still higher than the 2% long-term inflation target set by the U.S. Federal Reserve Board. In addition, according to data released by the U.S. Department of Labor, the U.S. CPI increased by 0.2% month-on-month in August this year, which was the same as the month-on-month increase in July. After excluding volatile food and energy prices, the core CPI rose by 0.3% month-on-month in August, 0.1 percentage points higher than the month-on-month increase in July; the core CPI in August rose by 3.2% year-on-year, an increase that was significantly higher than the overall CPI. U.S. Federal Reserve Chairman Powell said in August that "the time has come" to adjust monetary policy, almost clearly indicating to the market that the Federal Reserve will cut interest rates at the monetary policy meeting to be held on September 17th and 18th. The Federal Reserve raised interest rates 11 times in a row from March 2022 to July 2023, with the cumulative rate of interest rate hikes reaching 525 basis points. Over the past year, the Federal Reserve has maintained the target range for the federal funds rate at 5.25% to 5.5%, the highest level in 23 years.

Exchange rate trend: RMB depreciated and the US dollar index fell

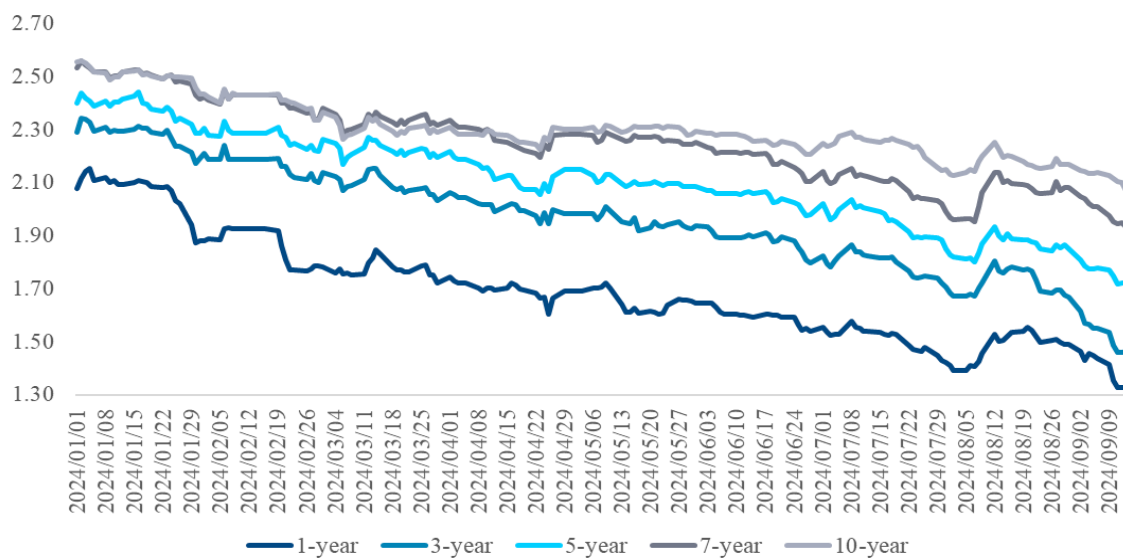
Last week, the RMB has depreciated. As of September 13, the central parity rate of the US dollar against the RMB closed at 7.103, up 105.0bp from last Friday. The central parity rate of the euro against the RMB closed at 7.868, down 103.0bp from last Friday. The US dollar index closed at 101.114, down 0.06% from last Friday.

Figure 1: RMB exchange rate


Source: China Chengxin Asia Pacific

Interest rate: China's treasury bond yields are down; US treasury bond yields are down

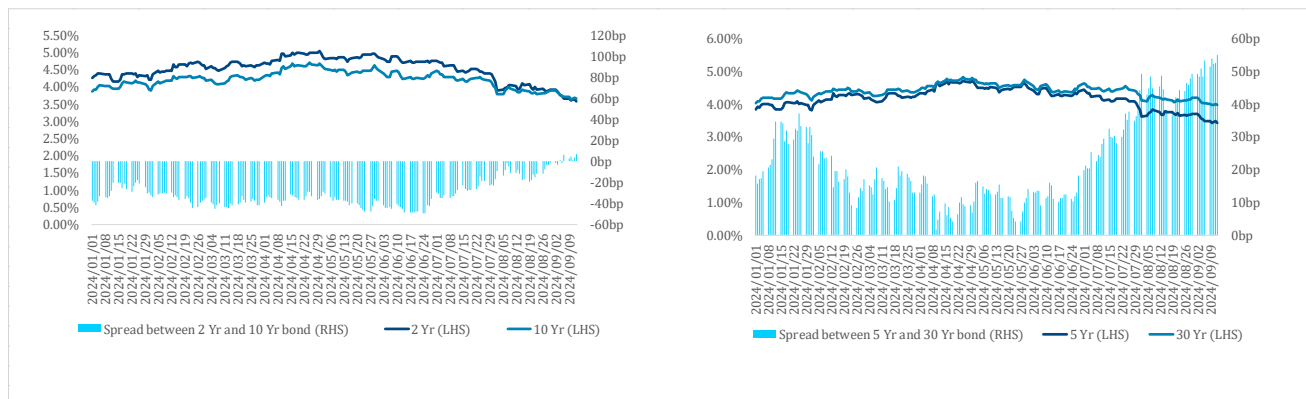
In the past week, China's treasury bond yields generally fell. As of September 13, the yields of 1-year, 3-year, 5-year, 7-year and 10-year treasury bonds were 1.3260%, 1.4630%, 1.7205%, 1.9331% and 2.0724%, respectively, down 10.92bp, 8.78bp, 5.85bp, 7.59bp and 6.64bp from last Friday.

Figure 2: China's Treasury bond yields


Source: China Chengxin Asia Pacific

As the Fed is about to cut interest rates, US Treasury yields are falling. As of September 13, the yields of 2-year, 5-year, 10-year and 30-year Treasury bonds were 3.5824%, 3.4312%, 3.6513% and 3.9795%, respectively, down 6.38bp, 5.40bp, 5.67bp and 3.85bp from last Friday. In terms of US Treasury spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 0.71bp to 6.89bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 1.55bp to 54.83bp from last Friday.

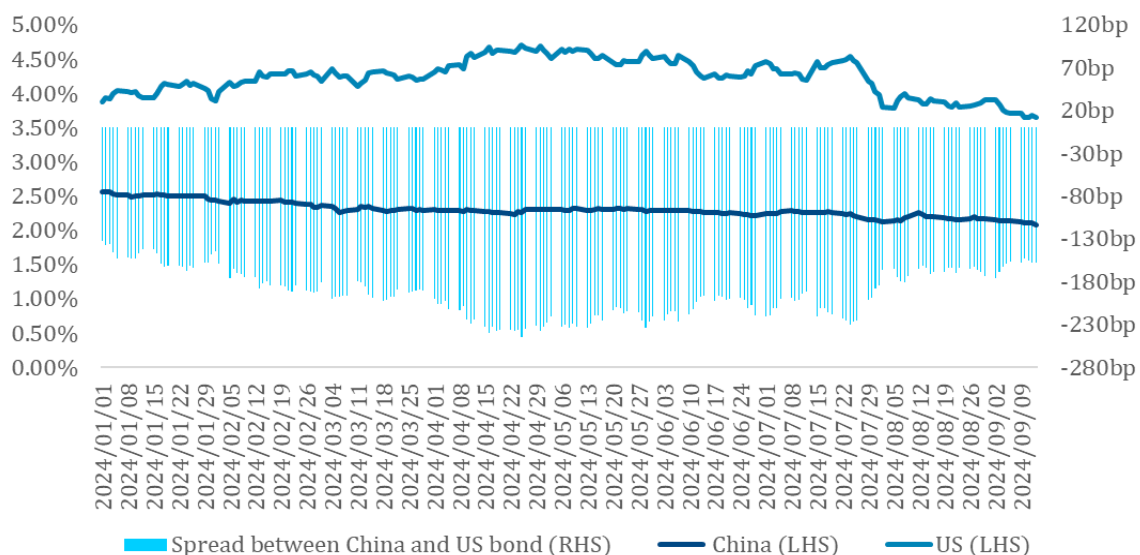
Figure 3: U.S. Treasury yields and spreads



Source: China Chengxin Asia Pacific

In terms of the interest rate gap between China and the United States, as of September 13, the 10-year Treasury bond interest rate gap between China and the United States was -157.9bp, narrowing by 1.0bp from last Friday and widening by 25.5bp from the beginning of the year.

Figure 4: US-China 10-year Treasury bond yield differentials



Source: China Chengxin Asia Pacific

Primary market: New issuance of Chinese offshore bonds increased

From September 9 to September 13, Chinese enterprises issued 28 new bonds in the overseas market, totaling about US\$3.058 billion, up 5.77% from the previous week. Among them, municipal investment companies were the main issuers, issuing a total of US\$1.936 billion in bonds.

Table 1: Issuance of Chinese-funded overseas bond markets (20240909 -20240913)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/9/9	China Minsheng Banking Corp Ltd/Hong Kong	USD	300.0	SOFR +65	2027/9/13	3	Banks	-/BBB-/BB+	-/BBB-/
2024/9/9	Chongqing International Logistics Hub Park Construction Co Ltd	USD	142.7	6.5	2027/9/12	3	Cheng tou	--/--/BBB	-/-/-
2024/9/9	Xiaogan Gaochuang Investment Co Ltd	CNY	565.0	7.8	2026/9/19	2	Cheng tou	-/-/-	-/-/-
2024/9/9	Changde Urban Development Group Co Ltd	CNY	1200.0	3.95	2027/9/13	3	Cheng tou	-/-/BBB-	-/-/BBB-
2024/9/9	Zoucheng City Shengcheng Cultural and Tourism Group Co Ltd	CNY	174.0	6.5	2027/9/19	3	Cheng tou	-/-/-	-/-/-
2024/9/9	CITIC Securities International Co Ltd	USD	20.0	5.17	2024/10/15	32D	Financials	-/BBB+/-	-/-/-
2024/9/9	Huatai International Financial Holdings Co Ltd	USD	12.0	3.8	2025/9/8	364D	Financials	-/BBB+/-	-/-/-
2024/9/10	Wuhan Metro Group Co Ltd	USD	300.0	4.25	2027/9/13	3	Cheng tou	A3/--/A	A3/--/A
2024/9/10	Xinyi Communications Culture & Tourism Group Co Ltd	CNY	968.9	6	2027/9/20	3	Cheng tou	-/-/-	-/-/-
2024/9/10	Ningbo Fenghua Investment Group Co Ltd	CNY	1000.0	3.3	2027/9/19	3	Cheng tou	-/-/-	-/-/-
2024/9/10	Shandong Quanhui Industrial Development Co Ltd	CNY	400.0	6.4	2027/9/13	3	Cheng tou	-/-/-	-/-/-
2024/9/10	Jurong Rongfeng Construction Co Ltd	CNY	868.0	3.1	2027/9/20	3	Industrials	-/-/-	-/-/-
2024/9/10	Hunan Ruixin Industrial Operation Management Co Ltd	CNY	140.0	7.6	2027/9/13	3	Cheng tou	-/-/-	-/-/-
2024/9/10	China Securities International Finance Holding Co Ltd	USD	10.1	3.85	2024/12/13	91D	Financials	-/-/-	-/-/-
2024/9/11	Jinan Lixia Holding Group Co Ltd	USD	250.0	5.7	2027/9/19	3	Cheng tou	-/-/-	-/-/-
2024/9/11	Jinan Shizhong Finance Investment Group Co Ltd	USD	60.0	6.8	2027/9/13	3	Cheng tou	-/-/-	-/-/-
2024/9/11	Luoyang Cultural Tourism Investment Group Co Ltd	CNY	213.0	5.5	2026/9/20	2	Cheng tou	-/-/-	-/-/-
2024/9/11	Pingdu City Development Group Co Ltd	CNY	350.0	6.95	2026/9/19	2	Cheng tou	-/-/-	-/-/-

2024/9/11	Quzhou Xin'an Development Co Ltd	USD	99.0	10	2025/9/12	364D	Real Estate	-/-/CCC+	-/-/-
2024/9/11	CITIC Securities Co Ltd	USD	30.0	5.3	2024/12/18	93D	Financials	Baa1/BBB+/-	-/-/-
2024/9/12	Weifang Urban Construction & Development Investment Group Co Ltd	CNY	923.0	6.5	2027/3/20	2	Chengtou	-/-/BB+	-/-/-
2024/9/12	NanAn Development Investment Group Co Ltd	CNY	1150.0	3.7	2027/9/23	3	Chengtou	-/-/-	-/-/-
2024/9/12	China Securities International Finance Holding Co Ltd	CNY	150.0	2.3	2025/9/19	365D	Financials	-/-/-	-/-/-
2024/9/12	Kunming Industrial Development & Investment Co Ltd	CNY	480.0	7.9	2025/9/21	1	Chengtou	-/-/-	-/-/-
2024/9/12	CITIC Securities International Co Ltd	USD	18.0	5.14	2024/10/21	31D	Financials	-/BBB+/-	-/-/-
2024/9/13	China Railway Construction Corp	CNY	3500.0	2.6	2027/9/25	3	Industrials	A3/A/--	-/-/-
2024/9/13	Huzhou Nanxun Xinkai Construction Group Co Ltd	USD	76.5	6.5	2027/9/20	3	Chengtou	-/-/-	-/-/-
2024/9/13	Pujiang County State-owned Capital Investment Group Co Ltd	USD	48.0	5.6	2027/9/20	3	Chengtou	-/-/-	-/-/-

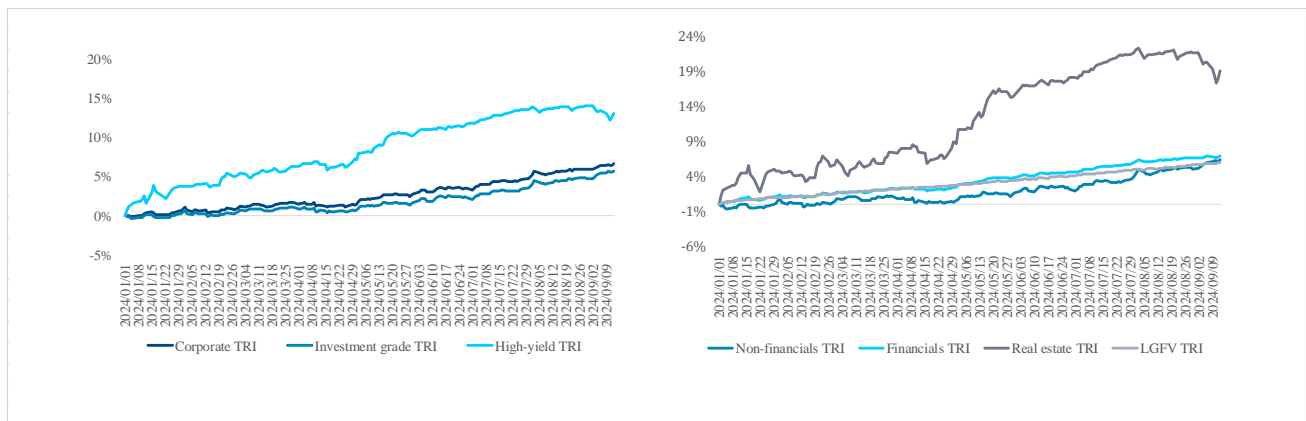
Source: China Chengxin Asia Pacific

Secondary market: Returns on Chinese dollar bonds rise

As of September 13, the year-to-date return rate of Chinese dollar bonds ¹rose by 18.0bp from last Friday to 6.62%, of which the return rate of investment-grade bonds rose by 26.0bp to 5.7%, and the return rate of high-yield bonds fell by 30.0bp to 13.11%. By industry, the return rate of non-financial bonds was 6.28%, up 32.0bp from last Friday. The return rate of financial bonds was 6.89%, up 7.0bp from last Friday. The return rate of real estate was 19.11%, down 116.0bp from last Friday. The return rate of municipal investment was 5.95%, up 15.0bp from last Friday.

¹ The rate of return is calculated based on January 2, 2024

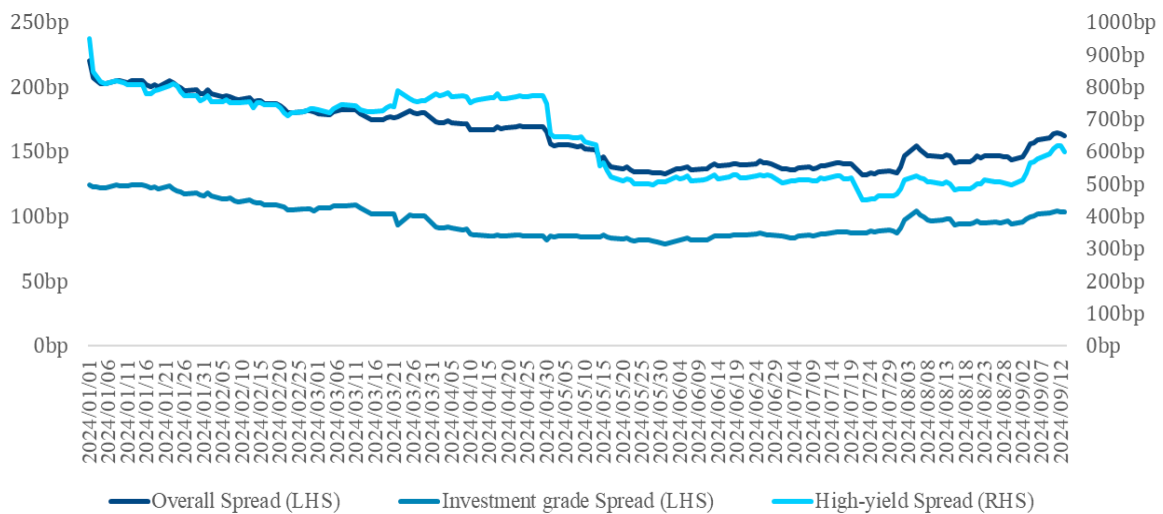
Figure 5: Markit iBoxx Chinese dollar bond returns



Source: China Chengxin Asia Pacific

As of September 13, the spread of Chinese dollar bonds widened by 3.6bp to 162.11bp from last Friday, among which the spread of investment-grade bonds widened by 1.1bp to 102.76bp, and the spread of high-yield bonds widened by 21.3bp to 597.86bp.

Figure 6: Bloomberg Barclays Chinese dollar bond spreads



Source: China Chengxin Asia Pacific

The following table shows the 10 bonds with the largest yield increases from September 9 to September 13. Among them, the yield of AVIC International Holdings Co., Ltd.'s overseas bonds changed the most.

Table 2: Top 10 Chinese bonds with the largest increase in yields from September 9 to September 13

Bond Name	Subject Name	Latest Net Price (USD)	Remaining term (years)	Yield (%)	change (bp)
CATIC 3.3 09/23/30	AVIC International Holdings Limited	94.933	6.0	1892.97	76.9382M
CATIC 2 ½ 11/17/26	AVIC International Holdings Limited	96.267	2.2	1386.487	54.0395M

CATIC 3 03/07/27	AVIC International Holdings Limited	96.836	2.5	1178.239	45.8236M
ROADKG 7 ¾ PERP	Road King Infrastructure Limited	21.553	PREP	2149.9	32.8348M
CATIC 2 ¾ 01/29/26	AVIC International Holdings Limited	97.795	1.4	811.404	32.6901M
BNKEA 5 ½ PERP	Bank of East Asia	100.067	PREP	-17.716	3.2743M
WFURCD 2.6 09/27/24	Weifang Urban Construction Development Investment Group Co., Ltd.	100.004	0.1	2.212	571.2
DALWAN 11 01/20/25	Wanda Real Estate International Co., Ltd.	95.023	0.4	27.142	406.1
ZQGLIH 2.68 10/26/24	Zhaoqing Guolian Investment Holdings Co., Ltd.	99.711	1.1	5.786	381.5
FUTLAN 4.45 07/13/25	Sunac China Holdings Limited	76.733	0.8	41.164	375

Note: M in the rate of return change represents 10 00; all defaulting entities have been excluded

Source: China Chengxin Asia Pacific

Rating Action: CCXAP assigns rating to 1 entity

On September 13, China Chengxin Asia Pacific assigned Changzhou Jiangrun Environmental Protection Technology Co., Ltd. a long-term credit rating of BBB_g + for the first time, with a stable outlook.

Table 3: China Chengxin Asia Pacific Ratings Actions (20240909 -20240913)

Rating Date	Credit Subject	Subject level	Rating opinion
2024/9/13	CZJR	BBB _g +	CCX Asia Pacific affirmed the following factors, including: (1) strong regional competitiveness in water and environmental protection businesses in Jintan District supported by its clear position; and (2) stable revenue and profitability with relatively low business risk. However, the rating is constrained by the Company's (1) small business scale with geographic concentration; (2) large initial investment leads to a high debt leverage; and (3) weak debt servicing capability.

Source: China Chengxin Asia Pacific

September 9 to September 13, major rating agencies took positive rating actions on four Chinese issuers and negative rating actions on two Chinese issuers.

Table 4: Rating actions for cross-border issuers (20240909 -20240913)

Credit Subject		industry	Latest Ratings			Last Rating			Rating agencies	Reason for adjustment
			level	Outlook	time	level	Outlook	time		
Overseas ratings:										
Upgrade	Shandong Commercial Group Co., Ltd.	Investment Holding	BBB+	STABLE	2024/09/10	BBB	STABLE	2023/08/23	CCXAP	Continued earnings growth and high market share

	Yunnan Energy Investment Group Co., Ltd.	Chengtou	A	STABLE	2024/09/11	A-	POS	2023/09/11	Lianhe	Increased importance of the company's regional strategy
	Meituan	Consumer Discretionary	BBB	POS	2024/09/11	BBB-	POS	2023/12/18	Fitch	Increased profitability and free cash flow
	Liling Lujiang Investment Holding Group Co., Ltd.	Chengtou	BBB	STABLE	2024/09/12	BBB-	STABLE	2023/09/05	Pengyuan International	Increased support from regional governments
Downgrade	Dongfeng Motor Group Co., Ltd.	Industrials	Baa1	NEG	2024/09/09	A3	NEG	2024/04/12	Moody's	Weak profitability and resulting leverage increase
	Vanke Enterprise Co., Ltd.	Real estate	B+	NEG	2024/09/12	BB-	NEG	2024/05/23	Fitch	Uncertainty about the company's sales and cash flow

Source: China Chengxin Asia Pacific

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