

### 2024 Issue 36

### September 16 to September 20

#### **FED announced rate cut; new issuance of Chinese overseas bonds decreased**

#### **Headline: FED announced rate cut; China kept LPR in September unchanged**

On September 19, the Federal Reserve announced a 50 bps rate cut, lowering the target range of the federal funds rate to 4.75% to 5%, the first rate cut since 2020. On September 20, the People's Bank of China authorized the National Interbank Funding Center to announce that the 1-year LPR is 3.35% and the LPR for more than 5 years is 3.85%. The quotations of both varieties remain unchanged from the previous values.

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

In the past week, the RMB appreciated. As of September 20, the RMB/USD middle rate closed at 7.0644, depreciated by 386.0bp from last Friday. The USD index closed at 100.723, decreased by 0.39% from last Friday.

#### **Interest rate: Chinese Government Bond yields rose; US Treasury yields increased**

In the past week, Chinese Government Bond yields rose. Though the Fed cut rate for 50bps, the bond market yield had already oversold, US Treasury bond yields increased.

#### **Chinese offshore bond market**

#### **Primary market: New issuance of Chinese offshore bonds decreased**

From September 16 to September 20, Chinese issuers issued 14 new bonds the overseas market, totaling about USD815 million, decreasing by 73.36% from the last week. Among them, Chengtou were the main issuers, issuing a total of USD737 million in bonds.

#### **Secondary market: Returns on Chinese USD bonds rose**

As of September 20, the year-to-date return of Chinese dollar bonds rose 12.0bp to 6.74% from last Friday, among which the return of investment-grade bonds rose 7.0bp to 5.78%, and the return of high-yield bonds rose 41.0bp to 13.51%.

#### **Ratings Action: Rating agencies took rating actions on 2 Chinese issuers**

From September 16 to September 20, rating agencies took positive rating actions on 1 Chinese issuer, and took negative rating actions on 1 Chinese issuer.



### 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: FED announced rate cut; China kept LPR in September unchanged

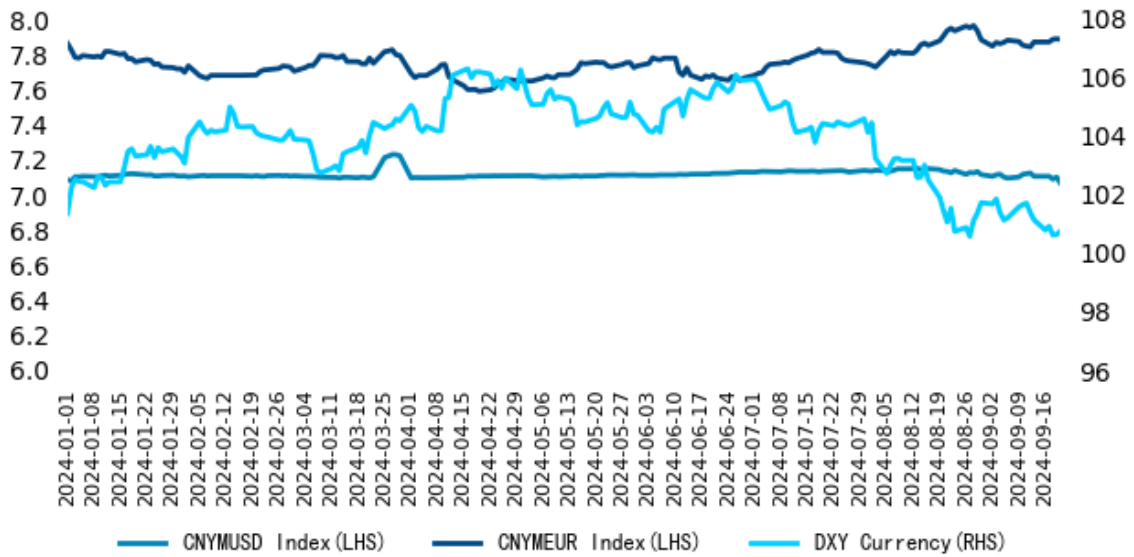
On September 19, the Federal Reserve announced a 50-basis point rate cut, lowering the target range of the federal funds rate to 4.75% to 5%, the first rate cut since 2020. From an exchange rate perspective, the US dollar usually depreciates due to the Fed's rate cut. With the end of the Fed's "quiet period", several Fed officials will speak this week. The market consensus is that if Fed officials suppress the market's expectations of a 50-basis point rate cut by the Fed in November, the US dollar may rebound; but if Fed officials are open to a 50-basis point rate cut at the November meeting, the US dollar will fall further. From the perspective of capital flows, the Fed's rate cut will also help ease external pressure on emerging market economies and promote a rebound in risk appetite. The weakening attractiveness of US dollar assets will reshape the flow of global capital and the pricing of assets. From a macro perspective, the gradual narrowing of the interest rate gap between developed economies and emerging market economies will ease the pressure of capital outflows from emerging market economies.

On September 20, the People's Bank of China authorized the National Interbank Funding Center to announce that the 1-year LPR was 3.35% and the 5-year LPR was 3.85%. The quotations of both varieties remained unchanged from the previous values. The LPR remained unchanged in September, on the one hand, because the current 7-day reverse repurchase rate remained unchanged. Wen Bin, chief economist of Minsheng Bank, said in an interview with a reporter from Securities Daily that under the new monetary policy framework, the 7-day reverse repurchase rate will be the main policy rate to gradually dredge the interest rate transmission relationship from short to long. In this direction, the LPR quotation will mainly follow the changes in the 7-day reverse repurchase rate to improve the fairness of the loan benchmark interest rate and further improve the efficiency of interest rate transmission. On the other hand, the current commercial bank net interest margin is still under pressure, which also limits the continued downward adjustment of the LPR quotation in the short term. The data on the main regulatory indicators of the banking and insurance industries in the second quarter of 2024 disclosed by the State Financial Supervision and Administration Bureau in August showed that the net interest margin of my country's commercial banks was 1.54%, the same as in the first quarter of 2024.

## Exchange Rate: RMB appreciated, USD index decreased

In the past week, the RMB appreciated. As of September 20, the RMB/USD middle rate closed at 7.0644, depreciated by 386.0bp from last Friday. The RMB/EUR middle rate closed at 7.8834, appreciated by 154.0bp from last Friday. The USD index closed at 100.723, decreased by 0.39% from last Friday.

图 1: Figure 1: RMB exchange rate

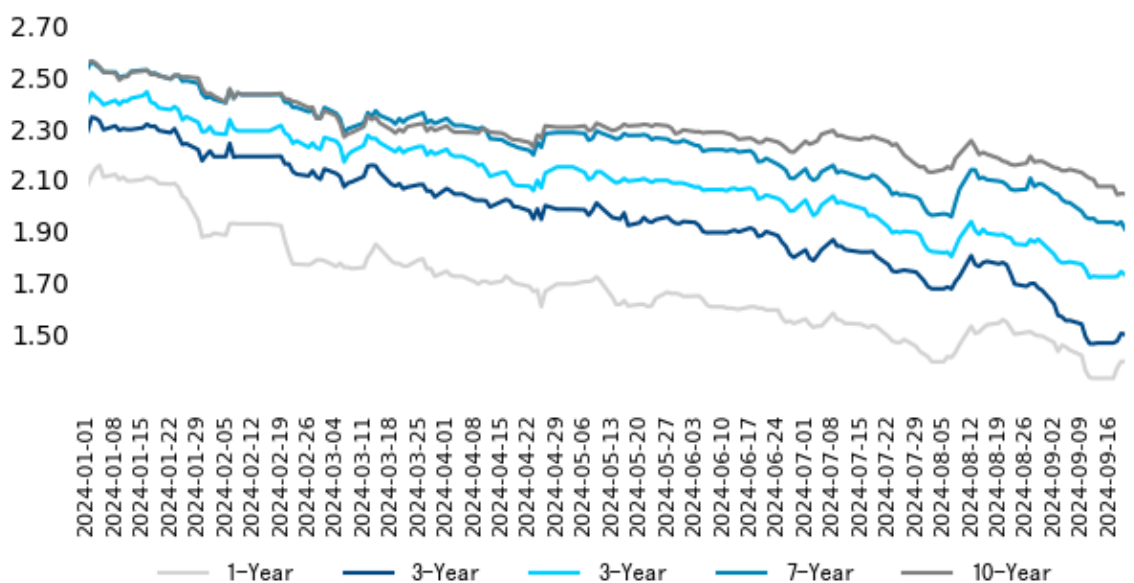


Source: CCXAP research

### Interest rate: Chinese Government Bond yields rose; US Treasury yields increased

In the past week, the China Government Bond yields rose. As of September 20, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields were 1.3910%, 1.4963%, 1.7281%, 1.9062% and 2.0431%, increasing 6.50bp, increasing 3.33bp, increasing 0.76bp, decreasing 2.69bp and decreasing 2.93bp respectively from last Friday.

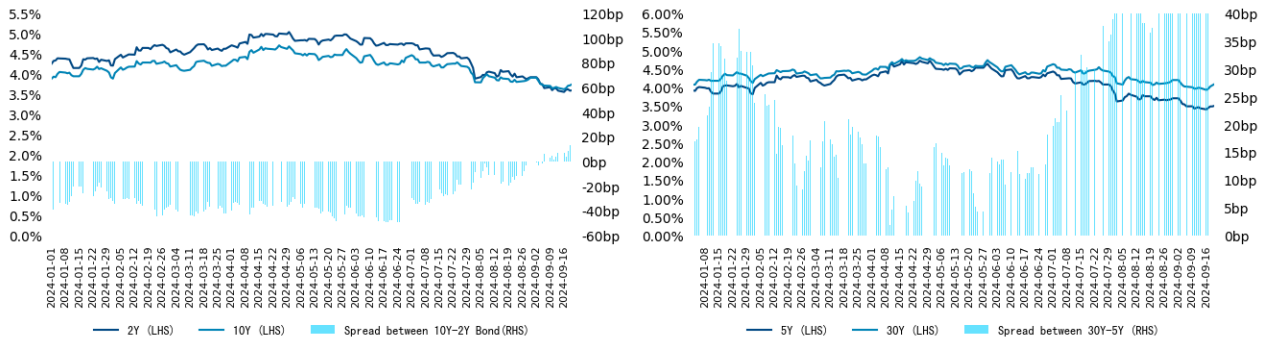
Figure 2: China's Treasury bond yields



Source: CCXAP research

Though the Fed cut rate for 50bps, the bond yield had already oversold, US Treasury bond yields increased. As of September 20, the 2-year, 5-year, 10-year and 30-year Treasury yields were 3.5910%, 3.4978%, 3.7413% and 4.0833%, increasing by 0.86bp、6.66bp、9.00bp and 10.38bp, respectively, from last Friday. In terms of US Treasury yield spreads, the spread between 2-year and 10-year Treasury notes narrowed by 8.14bp to 15.03bp from last Friday, and the spread between 5-year Treasury notes and 30-year Treasury bonds widened by 3.72bp to 58.55bp from last Friday.

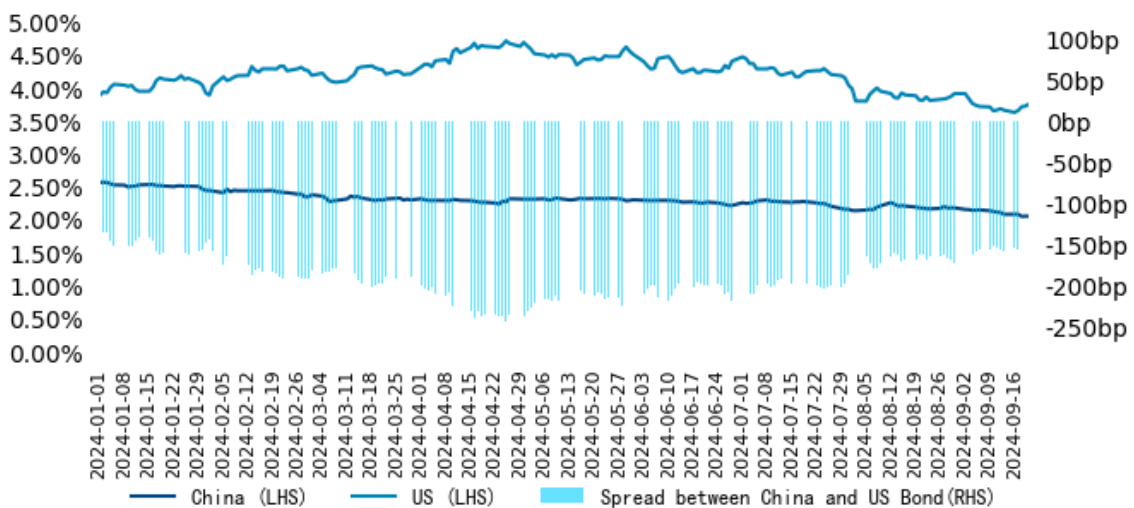
Figure 3: U.S. Treasury yields and spreads



Source: CCXAP research

As of September 20, the interest rate spread between China and the United States of the 10-year Treasury bond was -169.8bp, narrowing by 11.9bp from last Friday and widening by 37.4bp from the beginning of the year.

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



Source: CCXAP research

### Primary market: New issuance of Chinese offshore bonds decreased

From September 16 to September 20, Chinese enterprises issued 14 new bonds in the overseas market, totaling about USD815 million, decreasing by 73.36% from the last week. Among them, Chengtou were the main issuers, issuing a total of USD737 million in bonds.

**Table 1: Issuance of Chinese-funded overseas bond markets (20240916-20240920)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/9/16	Yancheng High-tech Zone Investment Group Co., Ltd.	CNY	500	6.8	2027/9/25	3	Chengtou	-/-/-	-/-/-
2024/9/17	Huatai International Financial Holdings Co Ltd	USD	11.9	0	2025/9/22	364D	Financials	-/BBB+/-	-/-/-
2024/9/19	Chongqing Southern New City Industrial Investment Group Co Ltd	USD	200	6.6	2027/9/25	3	Chengtou	-/-/-	-/-/-
2024/9/19	GF Holdings Hong Kong Corp Ltd	USD	15	5	2025/3/24	181D	Financials	-/BBB/BBB	-/-/-
2024/9/19	Jining City Development Capital Holding Co Ltd	CNY	168.3	7	2027/9/30	3	Chengtou	-/-/-	-/-/-
2024/9/19	Shangrao Urban Operation Holding Group Co Ltd	CNY	360	5.5	2027/9/26	3	Chengtou	-/-/-	-/-/-
2024/9/19	Tongcheng Economic Development Zone Construction Investment Group Co Ltd	CNY	300	6.8	2027/9/26	3	Chengtou	-/-/-	-/-/-
2024/9/20	China Securities International Finance Holding Co Ltd	CNY	2	2.25	2025/6/27	274D	Financials	-/-/-	-/-/-
2024/9/20	China Securities International Finance Holding Co Ltd	HKD	200	4	2025/6/27	274D	Financials	-/-/-	-/-/-
2024/9/20	China Securities International Finance Holding Co Ltd	USD	25	5	2025/3/27	182D	Financials	-/-/-	-/-/-
2024/9/20	Renshou Urban Investment Group Co Ltd	USD	55	7.5	2027/9/25	3	Chengtou	-/-/-	-/-/-
2024/9/20	Zhejiang Xinchang Investment Development Co Ltd	USD	200	5.95	2027/9/27	3	Chengtou	-/-/-	-/-/-
2024/9/20	Zhengzhou Road Bridge Construction Investment Group Co Ltd	CNY	40	7.5	2025/8/23	333D	Chengtou	-/-/-	-/-/-
2024/9/20	Zhoushan Haicheng Construction Investment Group Co., Ltd.	USD	90	4.7	2027/9/25	3	Chengtou	--/--/BBB	-/-/-

Source: CCXAP research

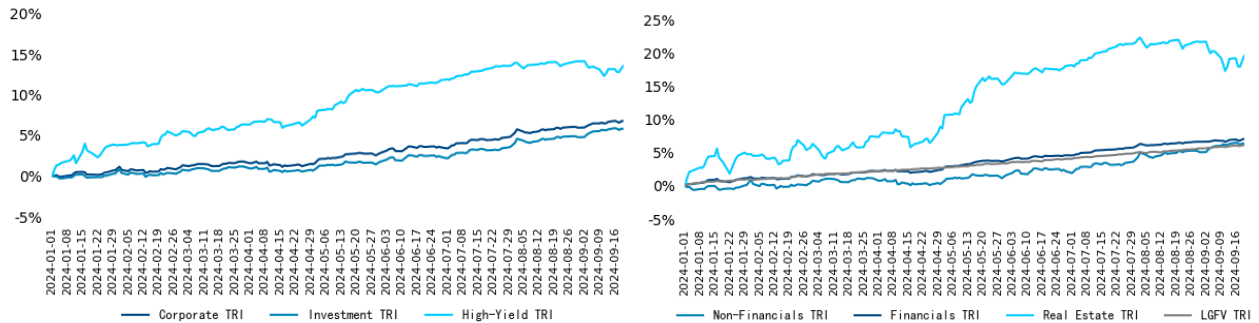
## Secondary market: Returns on Chinese USD bonds rose

As of September 20, the year-to-date return<sup>1</sup> of Chinese dollar bonds rose by 12.0bp to 6.74% last Friday, of which the return rate of investment-grade bonds rose by 7.0bp to 5.78%, and the return rate of high-yield bonds rose by 41.0bp to 13.51%. By industry, the return rate of non-financial bonds was 6.35%, up by 7.0bp from last Friday. The return rate of financial bonds was 7.05%, up

<sup>1</sup> Year-to-date return measures the return since January 2, 2024

16.0bp from last Friday. The return rate of real estate was 19.57%, up46.0bp from last Friday。 The return rate of municipal investment was 6.09%, up 13.0bp from last Friday.

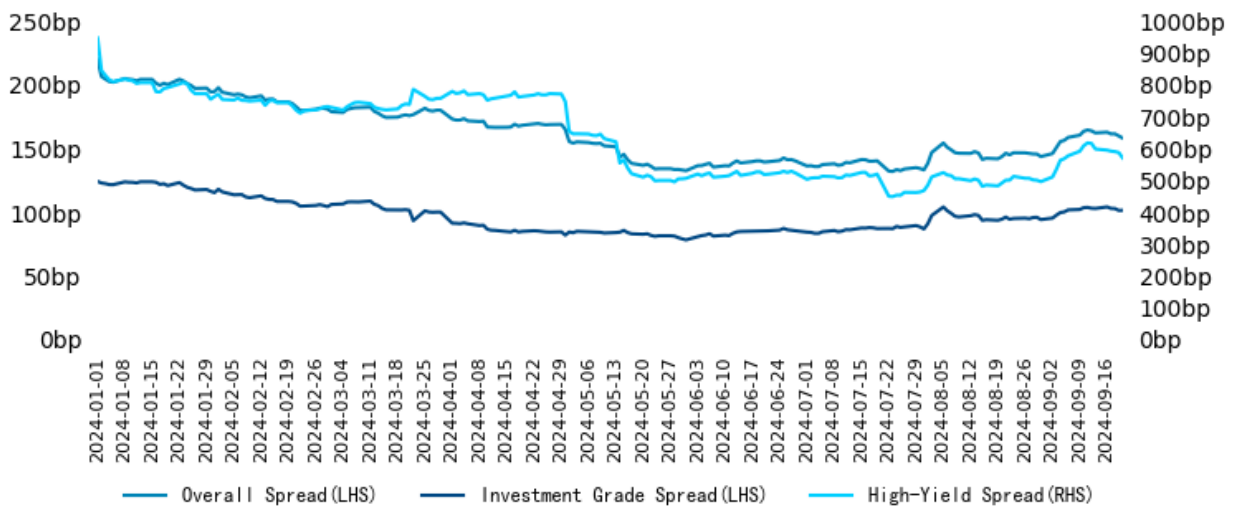
Figure 5: Markit iBoxx Chinese dollar bond returns



Source: CCXAP research

As of September 20, the spread of Chinese dollar bonds was narrowed by 4.1bp to 158.04 from last Friday, among which the spread of investment-grade bonds narrowed by 1.4bp to 101.33bp, and the spread of high-yield bonds narrowed by 28.1bp to 569.77bp.

Figure 6: Bloomberg Barclays Chinese dollar bond spreads



Source: CCXAP research

The following table shows the 10 bonds with the largest yield increases from Sep 16 to Sep 20. Among them, the yield of Weifang Urban Construction Development Investment Group Co., Ltd. overseas bonds changed the most.

Table 2: Top 10 Chinese bonds with the largest increase in yields from Sep 16 to Sep 20

Bond Name	Subject Name	Latest Net Price (USD)	Remaining term (years)	Yield (%)	change (bp)
WFURCD 2.6 09/27/24	Weifang Urban Construction Development Investment Group Co., Ltd.	55.666	0.02	525.985	3.3834M
EHICAR 7 ¼ 11/14/24	eHi Car Rental Co., Ltd.	99.105	0.15	14.055	320.8

BOCAVI 3 ½ 10/10/24	BOC Aviation Leasing Co., Ltd.	99.939	0.05	4.799	181
CHJMAO 7 ⅛ PERP	China Jinmao Holdings Group Co., Ltd.	99.873	PREP	7.614	141.5
YZCOAL 2.9 11/18/24	Yankuang Energy Group Co., Ltd.	99.494	0.16	6.304	119
ORIEAS 2 ⅞ 09/24/24	China Orient Asset Management (International) Holdings Co., Ltd.	100.051	0.01	15.259	91.6
KMRLGP 3.9 12/12/24	Kunming Rail Transit Group Co., Ltd.	99.041	0.23	8.371	84.3
CHITRA 5 ⅞ 11/03/24	China Tourism Group Co., Ltd.	100.066	0.12	4.888	79.5
EHICAR 7 09/21/26	eHi Car Rental Co., Ltd.	71.094	2.00	26.648	73.2
SECGRP 2.65 11/21/24	Shanghai Electric Holdings Group Co., Ltd.	99.638	0.17	4.95	72.8

Note: M in the rate of return change represents 1000; all defaulting entities have been excluded

Source: CCXAP research

## Rating actions: Credit rating agencies took ratings actions on two Chinese issuers

From September 16 to September 20, major rating agencies took positive rating actions on 1 Chinese issuers and negative rating actions on 1 Chinese issuers.

**Table 3: CCXAP research Ratings Actions (20240916-20240920)**

Credit Subject	industry	Latest Ratings			Last Rating			Rating agencies	Reason for adjustment	
		level	Outlook	time	level	Outlook	time			
<b>Overseas ratings:</b>										
<b>Upgrade</b>	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	Health care	A-	STABLE	2024/09/19	BBB	STABLE	2023/09/21	Lianhe	The company's strategic importance to the local government has increased
<b>Downgrade</b>	China Tourism Group Co., Ltd.	Consumer Discretionary	A-	NEG	2024/09/16	A-	STABLE	2022/08/09	S&P	The company's business scale in Hainan is expected to decline

Source: CCXAP research

Copyright © 2024 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

---

#### 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