

## 2024 Issue 37

### From September 23 to September 27

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

#### **Headline: China's central bank dropped reverse repo operation rate; US MoM PCE price index in August was lower than expected**

On September 27, the People's Bank of China lowered 7-day reverse repo operation rate to 1.5%, driving down the LPR, MLF, and deposit rate accordingly. On September 27, US released the August PCE price index, which showed a month-on-month increase of 0.1%, lower than the previous value and the expected 0.2%, and a year-on-year increase of 2.7%, in line with expectations.

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

Last week, the RMB appreciated. As of September 27, the RMB/USD middle rate closed at 7.0101, down 543.0bp from last Friday. The US dollar index closed at 100.381, down 0.34% from last Friday.

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

This week, Chinese government bond yields rose. Due to the oversold of US Treasury yields before the rate cuts, US Treasury yields generally rose over the past week.

#### **Chinese Offshore Bond Market**

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

From September 23 to September 27, there were 22 new offshore bonds issued by Chinese companies with a total issued volume of USD4.538 billion, up 456.79% from the previous week. Among them, Meituan was the biggest issuer, issuing a total of USD2.5 billion in bonds.

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

As of September 27, the year-to-date return on Chinese USD bonds rose 38.0bp from last Friday to 7.12%. Among them, the return on investment-grade bonds rose 16.0bp to 5.93%, while the return on high-yield bonds rose 189.0bp to 15.4%.

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

On September 23, CCXAP assigned first-time long-term credit rating of A<sub>g</sub> to Huizhou Traffic Investment Group Co., Ltd. with stable outlook.



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## Headline: China's central bank dropped reverse repo operation rate; US month-on-month PCE price index in August was lower than expected

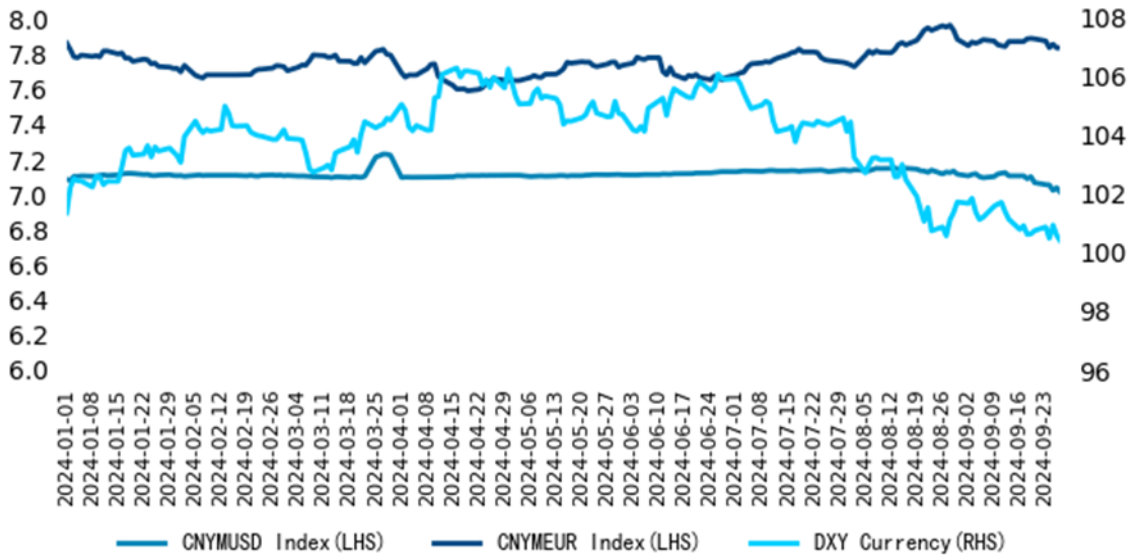
On September 27, the People's Bank of China lowered 7-day reverse repo operation rate to 1.5%, driving down the LPR, MLF, and deposit rate accordingly. Previously, at a press conference held by the State Council Information Office on September 24, Pan Gongsheng, the Governor of the People's Bank of China, announced plans for an upcoming rate cut. Subsequently, in the Medium-term Lending Facility (MLF) operation conducted on September 25, the bid rate had fallen by 30bp. Market analysts anticipate that this policy rate cut will also guide a simultaneous reduction in deposit rates and the Loan Prime Rate (LPR), helping to maintain the stability of commercial banks' net interest margins. At the same time, the rate cut will help lower the overall financing costs for the real economy, supporting stable economic growth. Lower financing costs will directly stimulate consumption and investment demand, helping to address the issue of insufficient effective demand and enhance economic growth momentum. At the same time, it will contribute to a moderate increase in price levels and faster growth in household incomes. Moreover, the central bank's substantial rate cut sends a clear signal of its commitment to stabilizing growth, which will effectively boost market confidence and improve societal expectations.

On September 27, the US released the August PCE price index, showing a month-on-month increase of 0.1%, lower than the previous value and the expected 0.2%, while the year-on-year increase was 2.7%, in line with expectations. Market expectations for a significant rate cut are rising. Interest rate futures traders believe there is a slightly higher likelihood of a 50bp rate cut by the Federal Reserve in November compared to a 25bp cut. However, investors remain divided on whether the Fed will take such measures. The growth in spending has been driven by an increase in service expenditures. Overall service spending rose by 0.2%, compared to 0.1% in the previous month, while goods spending remained unchanged after a sharp increase the month before. Despite notable inflation data, personal spending and income figures have also drawn attention. In August, both income and spending growth felt lower than expectations. Among them, personal income grew by 0.2%, marking the smallest month-on-month increase since July 2023. Inflation-adjusted real consumer spending rose 0.1%, the lowest level since January 2024.

## Exchange Rate: RMB appreciated, USD index decreased

This week, the RMB appreciated. As of September 27, the RMB/USD middle rate closed at 7.0101, down 543.0bp from last Friday. the RMB/EUR middle rate closed at 7.8326, down 508.0bp from last Friday. The US dollar index closed at 100.381, down 0.34% from last Friday.

Figure 1: RMB exchange rate

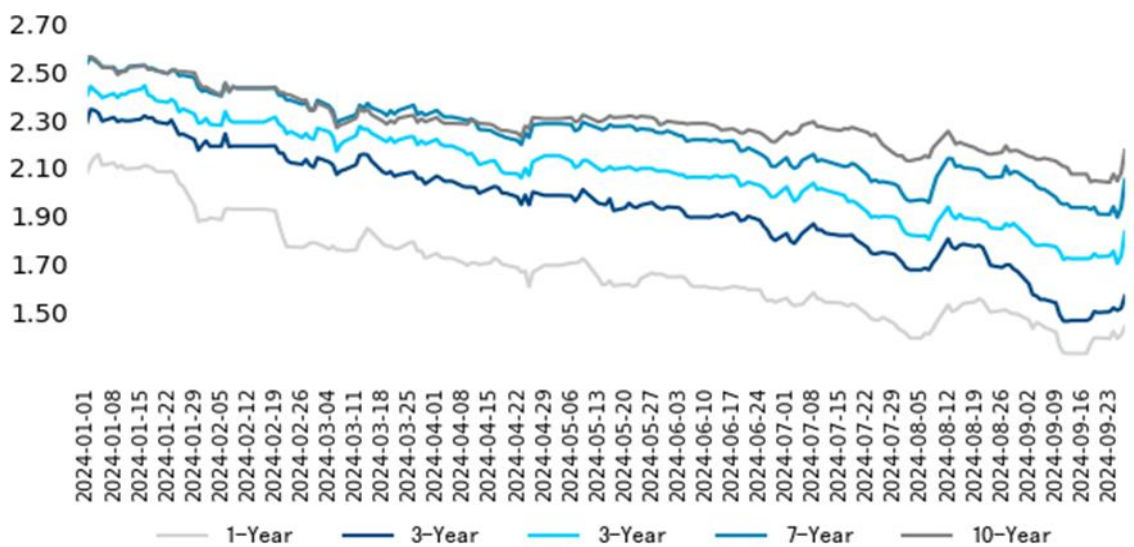


Sources: CCXAP research

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

This week, Chinese government bond yields increased. As of September 27, the yields on 1-year, 3-year, 5-year, 7-year, and 10-year government bonds were 1.4379%, 1.5649%, 1.8312%, 2.0486%, and 2.1714%, respectively, rising by 4.69bp, 6.86bp, 10.31bp, 14.24bp, and 12.83bp from last Friday.

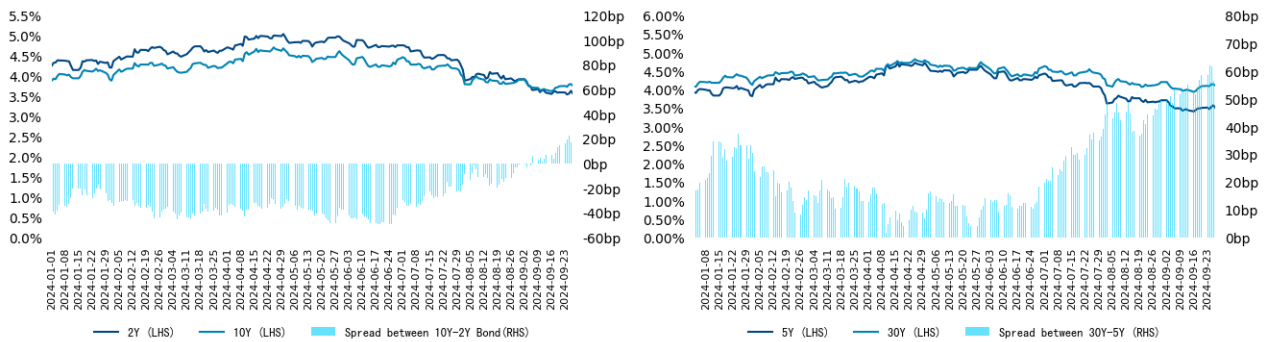
Figure 2: China Government Bond yields



Sources: CCXAP research

Due to the oversold of US Treasury yields before the rate cuts, US Treasury yields generally rose over the past week. As of September 27, the yields on 2-year, 5-year, 10-year, and 30-year Treasury bonds were 3.5592%, 3.5052%, 3.7506%, and 4.1038%, respectively. Compared to last Friday, the 2-year yield decreased by 3.18bp, while the 5-year, 10-year, and 30-year yields increased by 0.74bp, 0.93bp, and 2.05bp, respectively. In terms of US Treasury spreads, the spread between 2-year and 10-year Treasury bonds narrowed by 4.11bp to 19.14bp from last Friday, and the spread between 5-year and 30-year Treasury bonds widened by 1.31bp to 59.86bp from last Friday.

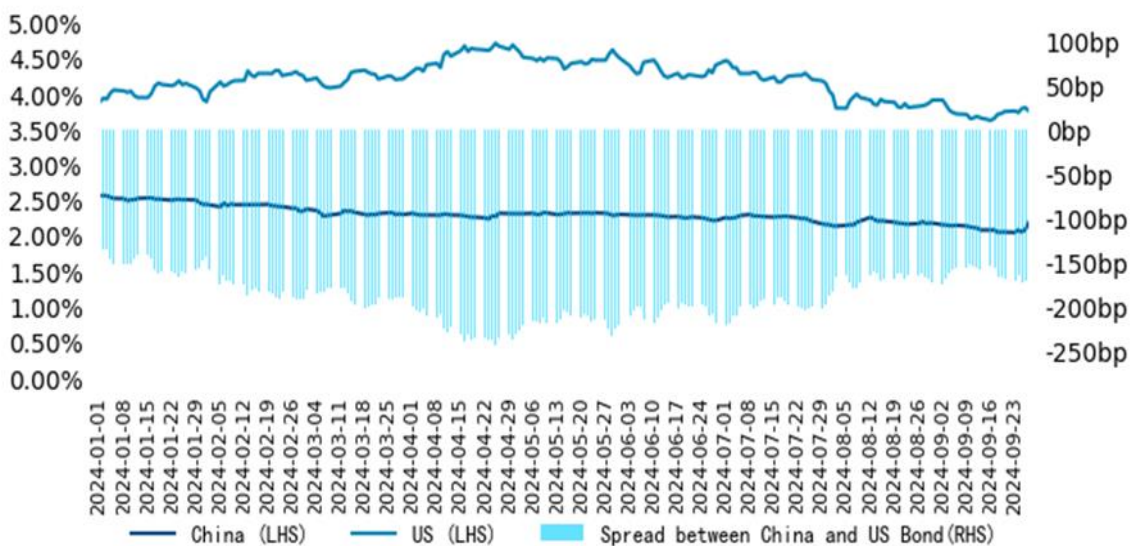
Figure 3: U.S. Treasury yields and yield spreads



Sources: CCXAP research

As of September 27, the yield spread between 10-year China Government Bonds and US Treasury notes was -157.9bp, narrowing by 11.9bp from last Friday and widening by 25.5bp from the beginning of the year.

Figure 4: Yield spread between 10-year note of China and US



Sources: CCXAP research

## Market Primary Market: new issuance of Chinese offshore bonds increased

From September 23 to September 27, there were 22 new offshore bonds issued by Chinese companies with a total issued volume of USD4.538 billion, up 456.79% from the previous week. Among them, Meituan was the biggest issuer, issuing a total of USD2.5 billion in bonds.

**Table 1: New issuance of Chinese offshore bonds (20240923-20240927)**

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating	Issue Rating
2024/9/23	Bank of China Ltd/Sydney	USD	500	SOFR+5 9	2027/9/30	3	Banks	A1/--/--	A1/A/A
2024/9/23	CSC Financial Co Ltd	USD	150	SOFR+6 8	2027/9/27	3	Financials	Baa1/BBB+/ BBB+	-/-/-
2024/9/23	CSC Financial Co Ltd	CNY	800	2.5	2025/9/26	364D	Financials	Baa1/BBB+/ BBB+	-/-/-
2024/9/23	Liupanshui Minsheng Industrial Investment Group Co Ltd	USD	100	6.4	2025/9/25	364D	Chengtou	-/-/-	-/-/-
2024/9/23	Suzhou Industrial Investment Holding Group Co Ltd	USD	150	5.8	2027/9/26	3	Chengtou	-/-/-	-/-/-
2024/9/23	Zhangzhou Taiwanese Investment Zone Asset Operation Group Co Ltd	CNY	400	5.2	2027/9/30	3	Chengtou	-/-/-	-/-/-
2024/9/24	China Everbright Bank Co Ltd/Luxembourg	USD	200	3.9	2027/9/30	3	Banks	Baa2/BBB+/ BBB+	-/-/-
2024/9/24	Luoyang Guosheng Investment Holding Group Co Ltd	CNY	500	4.1	2027/9/30	3	Chengtou	--/--/BBB-	--/--/BBB-
2024/9/24	Meituan	USD	1300	4.625	2029/10/2	5	Communications	Baa2/BBB+/ BBB	Baa2/--/--
2024/9/24	Meituan	USD	1200	4.5	2028/4/2	3	Communications	Baa2/BBB+/ BBB	Baa2/--/--
2024/9/25	Binzhou Bincheng District Economic Development Investment Co Ltd	CNY	100	7.4	2027/9/30	3	Chengtou	-/-/-	-/-/-
2024/9/25	CMB International Leasing Management Ltd	USD	30	SOFR+0	2027/10/8	3	Financials	A2/A-/--	-/-/-
2024/9/25	Hebei Shunde Investment Group Co Ltd	USD	58	8.2	2027/9/30	3	Chengtou	-/-/-	-/-/-
2024/9/25	Jiangsu Fangyang Holdings Co Ltd	USD	150	5.7	2027/9/27	3	Chengtou	-/-/-	-/-/-
2024/9/25	Jinan Hi-tech Holding Group Co Ltd	USD	250	5	2027/10/8	3	Chengtou	--/--/BBB	--/--/BBB
2024/9/25	Mengzi Urban Construction Investment Co Ltd	CNY	45	8	2025/9/29	364D	Chengtou	-/-/-	-/-/-

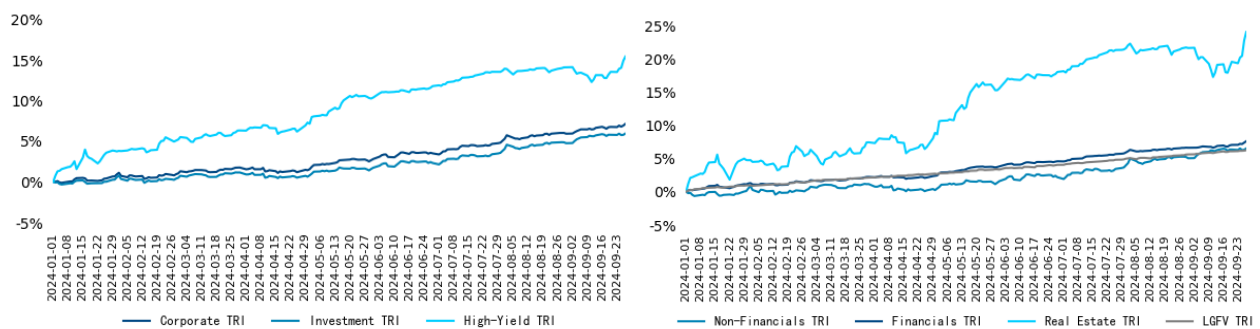
2024/9/26	CNCB Hong Kong Investment Ltd	CNY	52	0	2027/3/26	2	Financials	-- /BBB+/BBB +	-/-/-
2024/9/26	GF Holdings Hong Kong Corp Ltd	USD	11	5.03	2024/12/4	65D	Financials	-/BBB/BBB	-/-/-
2024/9/26	Taizhou State-Owned Assets Investment Group Co Ltd	USD	90	4.45	2027/10/10	3	Chengtou	-/-/-	-/-/-
2024/9/27	Binzhou Bincheng District Economic Development Investment Co Ltd	CNY	108	7.4	2027/10/3	3	Chengtou	-/-/-	-/-/-
2024/9/27	Dujiangyan Smart City Operation Construction And Development Group Co Ltd	CNY	420	6.8	2027/10/10	3	Chengtou	-/-/-	-/-/-
2024/9/27	Weihai Wendeng District Bluesea Investment & Development Co Ltd	CNY	66.5	6.9	2025/10/9	364D	Chengtou	-/-/-	-/-/-

Sources: CCXAP research

## Secondary Market: return on Chinese USD bonds rose

As of September 27, the year-to-date return<sup>1</sup> of Chinese dollar bonds rose 38.0bp from last Friday to 7.12%, among which the return of investment-grade bonds rose 16.0bp to 5.93%, and the return of high-yield bonds rose 189.0bp to 15.4%. By sectors, the return of non-financial bonds was 6.52%, up 17.0bp from last Friday. The return on financial bonds was 7.6%, up 56.0bp from last Friday. The return of real estate was 24.06%, rising 449.0bp from last Friday. The return of Chengtou was 6.25%, up 16.0bp from last Friday.

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

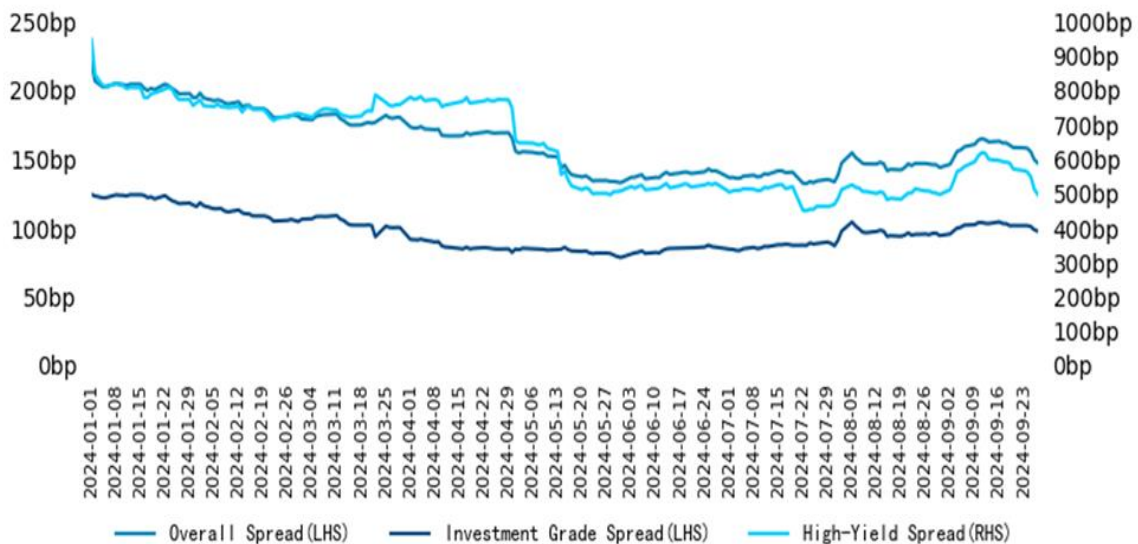


Sources: CCXAP research

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

As of September 27, the spread of Chinese dollar bonds narrowed by 11.2bp to 146.81bp from last Friday, among which the investment-grade bond spread narrowed by 4.0bp to 97.3bp, and the high-yield bond spread narrowed by 74.0bp to 495.75bp.

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



Sources: CCXAP research

10 bonds with the largest yield increases from September 23 to September 27. Among them, the yield of the offshore bond issued by eHi Car Rental Co., Ltd. changed the most.

**Table 2: 10 Chinese offshore bonds with largest increase in yield (20240923-20240927)**

Security Name	Obligor	Last Price (USD)	Years to Maturity	Yield to Convention	Yield Change
EHICAR 12 09/26/27	eHi Car Rental Co., Ltd.	70.346	2.98	27.118	423.4
EHICAR 7 09/21/26	eHi Car Rental Co., Ltd.	70.493	1.98	27.349	283.2
BOCAVI 3 ½ 10/10/24	BOC Aviation Leasing Co., Ltd.	99.96	0.03	5.019	281.4
CHJMAO 7 ⅞ PERP	China Jinmao Holdings Group Co., Ltd.	99.773	PREP	8.232	247.2
KMRLGP 3.9 12/12/24	Kunming Rail Transit Group Co., Ltd.	98.969	0.19	9.188	186.7
ICBCAS 0 ⅞ 10/28/24	Industrial and Commercial Bank of China (New Zealand) Limited	99.747	0.07	3.692	155.4
PCGIHD 4 ¾ 10/28/24	PCGI HOLDINGS LIMITED	99.88	0.07	6.291	148.6
HSBC Float 11/11/24	HSBC Bank (China) Co., Ltd.	100.025	0.11	5.491	113.8
YGCZCH 2.9 11/30/24	Shandong Energy Group Co., Ltd.	99.325	0.16	7.068	112.5
CDCOMM 2.2 12/01/24	Chengdu Transportation Investment Group Co., Ltd.	99.359	0.17	6.105	110.2

Sources: CCXAP research

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

On September 23, CCXAP assigned first-time long-term credit rating of A<sub>g</sub> to Huizhou Traffic Investment Group Co., Ltd. with stable outlook.

**Table 3: CCXAP ratings action (20240923 -20240927)**

Rating Date	Obligor	Entity Rating	Rating Rational
2024/9/23	HTIG	A <sub>g</sub>	The credit rating is underpinned by the Company's (1) dominant role in transportation construction and operation of Huizhou City; (2) high sustainability in local public activities; and (3) track record of receiving government payments. However, the rating is constrained by the Company's (1) high debt growth and leverage; (2) moderate asset liquidity; (3) medium exposure to commercial activities.

Sources: CCXAP research

September 23 to September 27, major rating agencies took positive rating actions on two Chinese issuers and negative rating actions on one Chinese issuer.

**Table 4: Credit rating changes of cross-border bond market (20240923-20240927)**

Credit Subject	Industry	Latest Ratings			Last Rating			Rating agencies level	Reason for adjustment Outlook	
		level	Outlook	time	level	Outlook	time			
<b>International ratings:</b>										
Upgrade	Linzhou City Investment Holdings Co., Ltd.	Chengt ou	BBB <sub>g</sub>	STABLE	2024/09/26	BBB <sub>g-</sub>	STABLE	2023/11/21	CCXAP	The company's strategic importance in the local area has increased
	China Hongqiao Group Co., Ltd.	Materials	Ba3	STABLE	2024/09/26	Ba3	NEG	2024/04/02	Moody's	The company's liquidity has improved
Downgrade	Zhongsheng Group Holdings Co., Ltd.	Consumer Discretionary	BBB	NEG	2024/09/24	BBB	STABLE	2024/05/24	Fitch	The company's profitability has declined

Sources: CCXAP research



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