

2026 Issue 20 From June 1 to June 5

New Issuance of Chinese Offshore Bonds Decreased; Return on Chinese USD Bonds Decreased

Headline: China's May S&P Global Services PMI Exceeds Previous Reading; US May Nonfarm Payrolls Beat Expectations

On June 3, China reported that its May S&P Global Services PMI stood at 54.4, higher than the previous reading of 52.6. On June 5, the US announced that seasonally adjusted nonfarm payroll employment increased by 172,000 in May, far exceeding expectations.

Exchange Rate: RMB Appreciated; USD Index Increased

Last week, the RMB has appreciated. As of June 5, the RMB/USD middle rate closed at 6.8157, down 19.0bp from last Friday. The USD Index closed at 100.069, up 1.13% from last Friday.

Interest Rate: Chinese Government Bond Yields Increased; US Treasury Yields Increased

Last week, China Government Bond yields increased. Strong economic data boosted expectations of policy tightening, US Treasury yields increased.

Chinese Offshore Bond Market

Primary Market: New Issuance of Chinese Offshore Bonds Decreased

From June 1 to June 5, Chinese enterprises issued 19 new bonds in the offshore market, totaling about USD795 million, a decrease of 69.37% from last week. Among them, financial institutions were the main issuers, issuing a total of USD658 million in bonds.

Secondary Market: Return on Chinese USD Bonds Decreased

As of June 5, the return rate of Chinese USD bonds decreased by 13.0bp to 1.17% to compared to last Friday, among which the return rate of investment-grade bonds decreased by 19.0bp to 1.06%, while the return rate of high-yield bonds increased by 30.0bp to 2.02%.

Rating Actions: CCXAP Assigned Credit Ratings to 3 Chinese Entities

CCXAP assigned first-time long-term credit ratings to 3 Chinese entities, BOC International Holdings Limited, BOCI Financial Products Limited, and Guangdong Gaohua Industrial Investment Development Group Co., Ltd.



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Headline: China's May S&P Services PMI exceeds previous reading; US May nonfarm payrolls beat expectations

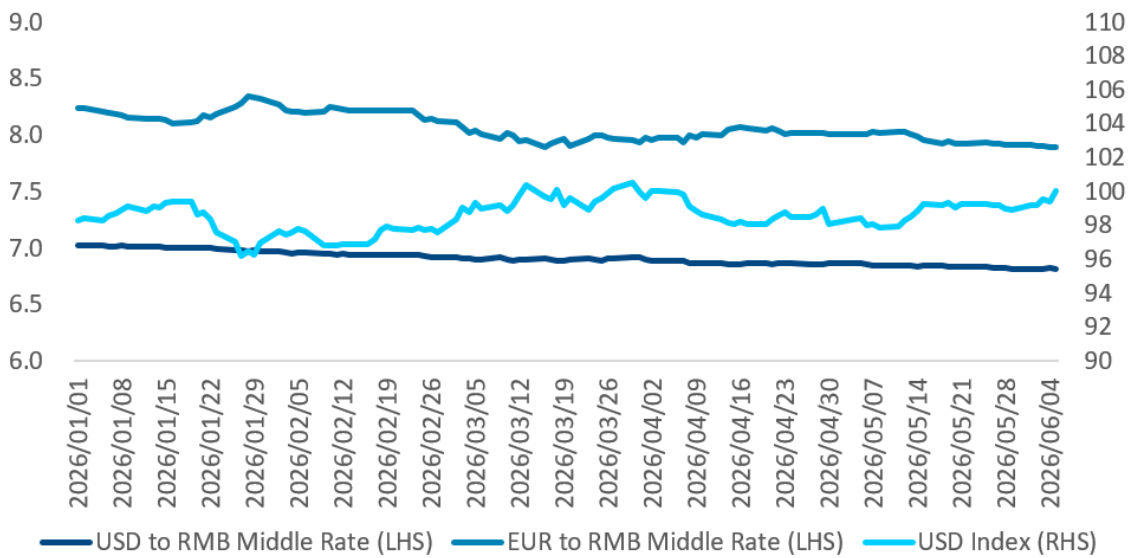
On June 3, China reported that the May S&P Global Services PMI stood at 54.4, higher than the previous reading of 52.6 and market expectations of 52.2, marking a three-month high, with the index remaining in expansion territory above 50 since 2023. The May Composite PMI also rose to 54.0, a three-month high. Sub-indexes showed that total new business grew for the 41st consecutive month, at the fastest pace in three months, driven mainly by domestic market demand, business innovation, and new customer acquisition. After slight contractions in March and April, new export business returned to expansion in May. The labor market also showed positive changes, with employment levels rebounding into expansion after three consecutive months of decline. On the price front, rising oil prices and wages pushed input costs higher for the 15th consecutive month, with the inflation rate reaching its highest since October 2024. However, service providers did not pass the cost burden on to customers, as average selling prices remained broadly stable.

On June 5, the US announced that seasonally adjusted nonfarm payroll employment increased by 172,000 in May, far exceeding market expectations of 85,000, with the previous month's figure revised up to 185,000. At the same time, employment data for March and April were revised up by a combined 93,000, making the three-month job growth the strongest in over two years. The May unemployment rate was 4.3%, unchanged for the third consecutive month, in line with expectations. By industry structure, May employment growth was highly concentrated in a few sectors. The leisure and hospitality sector added 70,000 jobs, far above its average monthly gain of 14,000 over the past 12 months; local government employment increased by 55,000, the largest gain since March 2024; most other sectors were weak, with financial industry employment continuing to decline. Following the data release, the US Dollar Index rose briefly, Treasury yields moved higher across the board, market expectations for Fed rate cuts cooled further, and the probability of a rate hike within the year increased.

Exchange Rate: RMB appreciated; USD Index increased

In the past week, the RMB has appreciated. As of June 5, the RMB/USD middle rate closed at 6.8157, down 19.0bp from last Friday. The RMB/EUR middle rate closed at 7.8919, down 241.0bp from last Friday. The USD Index closed at 100.069, up 1.13% from last Friday.

Figure 1: RMB exchange rate

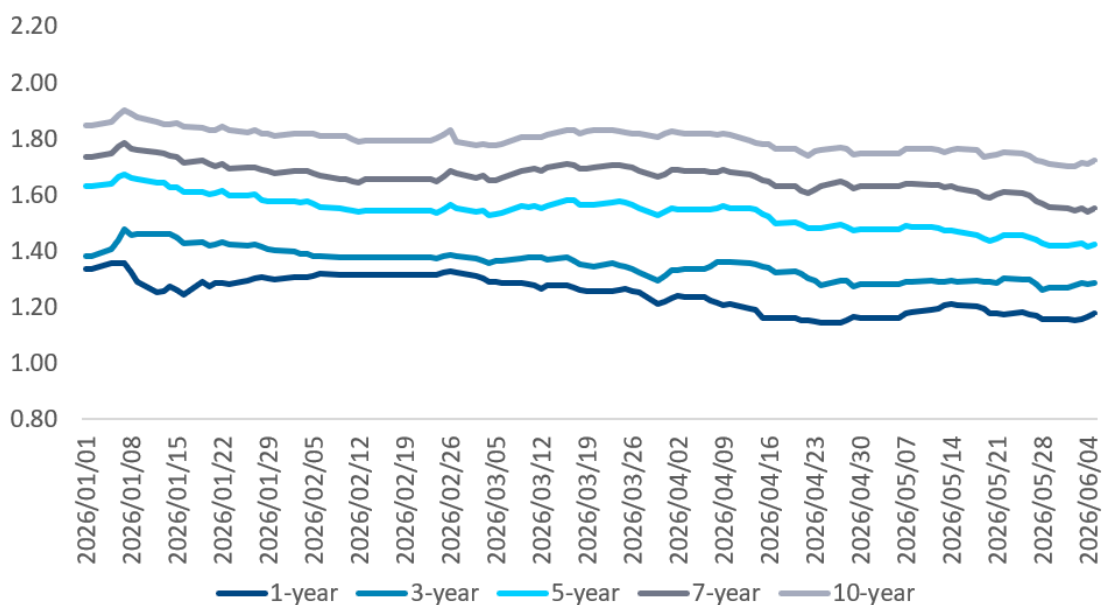


Sources: CCXAP research

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

In the past week, China Government Bond yields generally increased. As of June 5, the 1-year, 3-year, 5-year, 7-year, and 10-year China Government Bond yields were 1.1775%, 1.2839%, 1.4247%, 1.5536%, and 1.7207%, respectively. Compared to last Friday, the 1-year yield increased by 1.97bp, the 3-year yield increased by 1.34bp, the 5-year yield increased by 0.58bp, the 7-year yield decreased by 0.45bp, and the 10-year yield increased by 1.17bp.

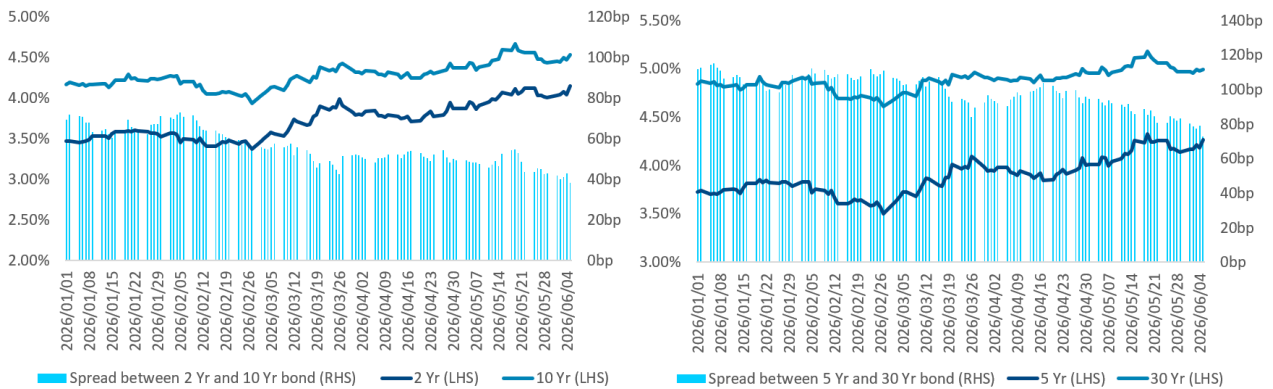
Figure 2: China Government Bond yields



Sources: CCXAP research

Strong economic data boosted expectations of policy tightening, US Treasury yields increased. As of June 5, the 2-year, 5-year, 10-year, and 30-year US treasury yields were 4.1470%, 4.2672%, 4.5303%, and 4.9957%, respectively. Up 14.29bp, 12.65bp, 9.48bp, and 2.41bp from last Friday. For US Treasury yield spreads, the spread between the 2-year and 10-year Treasury notes narrowed by 4.81bp to 38.33bp compared to last Friday, and the spread between the 5-year and 30-year Treasury bonds narrowed by 10.24bp to 72.85bp compared to last Friday.

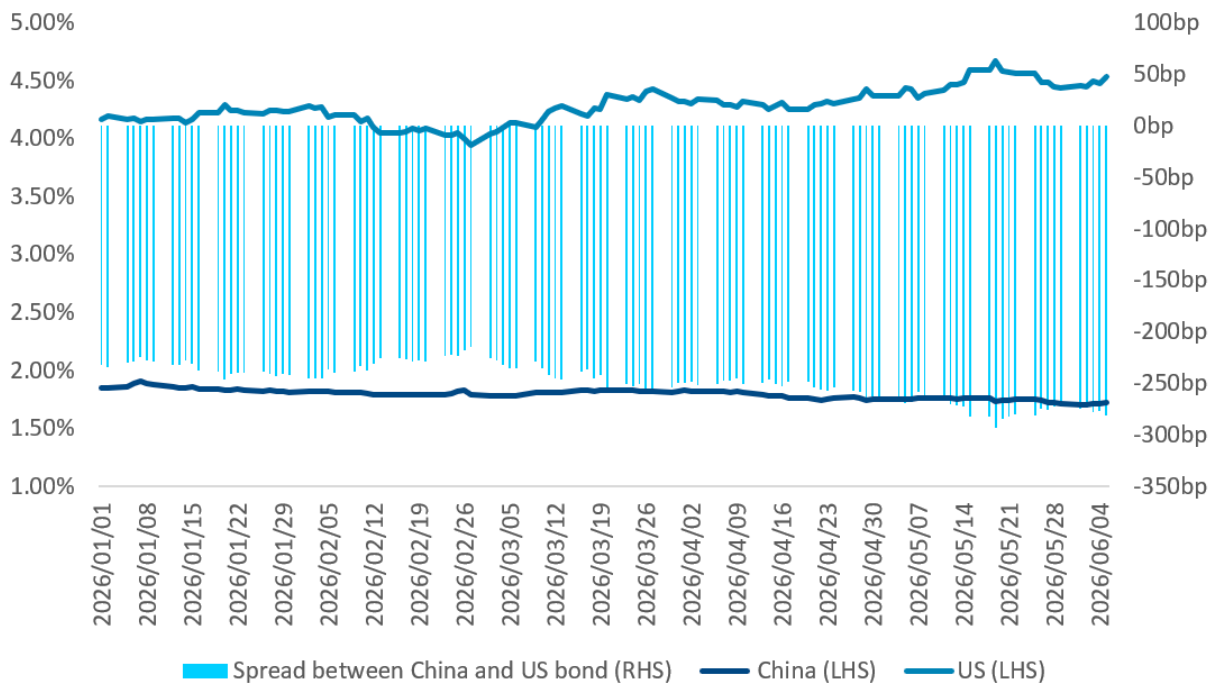
Figure 3: US Treasury yields and yield spreads



Sources: CCXAP research

As of June 5, the 10-year Treasury bond interest rate gap between China and the US was -281.0bp, narrowing by 8.3bp from last Friday and widening by 49.0bp from the beginning of the year.

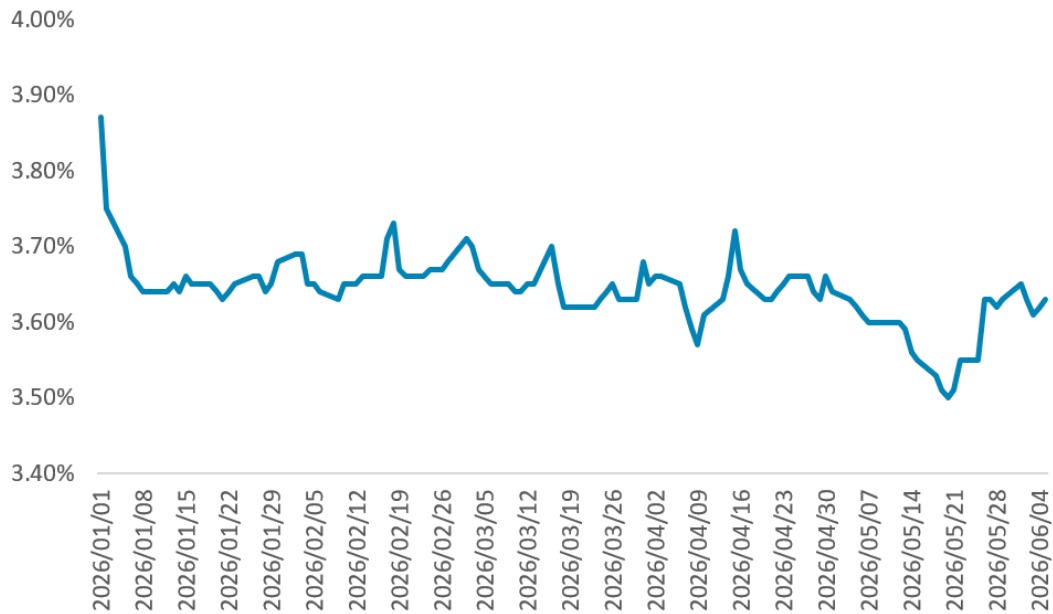
Figure 4: Yield spread between 10-year note of China and US



Sources: CCXAP research

As of June 5, the US benchmark rate SOFR (Secured Overnight Financing Rate) was 3.63%, unchanged from last Friday and down 24.0bp from the beginning of the year.

Figure 5: US Benchmark Rate SOFR



Sources: CCXAP research

Primary Market: new issuance of Chinese offshore bonds decreased

From June 1 to June 5, Chinese enterprises issued 19 new bonds in the offshore market, totaling about USD795 million, a decrease of 69.37% from last week. Among them, financial institutions were the main issuers, issuing a total of USD658 million in bonds.

Table 1: New issuance of Chinese offshore bonds (20260601-20260605)

| Announcement date | Obligor | Currency | Amount | Coupon (%) | Maturity | Tenor | Industry | Issuer Rating | Issue Rating |
|-------------------|---|----------|--------|------------|------------|-------|------------|---------------|--------------|
| 2026/6/1 | CCB International Holdings Ltd | USD | 20 | 4.17 | 2027/6/7 | 364D | Financials | A2/-/A | -/-/- |
| 2026/6/1 | CCB International Holdings Ltd | CNY | 80 | 1.66 | 2026/9/8 | 92D | Financials | A2/-/A | -/-/- |
| 2026/6/1 | CCB International Holdings Ltd | CNY | 80 | 1.66 | 2026/9/8 | 92D | Financials | A2/-/A | -/-/- |
| 2026/6/1 | CITIC Securities International Co Ltd | CNY | 7 | 2 | 2026/8/21 | 77D | Financials | -/BBB+/- | -/-/- |
| 2026/6/1 | CITIC Securities International Co Ltd | USD | 4 | 0 | 2026/9/2 | 90D | Financials | -/BBB+/- | -/-/- |
| 2026/6/1 | TF International Securities Group Ltd | HKD | 50 | 0 | 2027/3/4 | 273D | Financials | -/-/BBB- | -/-/- |
| 2026/6/2 | Bank of China Macau Ltd | CNY | 3,000 | 1.7 | 2029/6/9 | 3 | Banks | -/-/- | -/A/- |
| 2026/6/2 | CCB International Holdings Ltd | CNY | 75 | 1.66 | 2026/9/9 | 92D | Financials | A2/-/A | -/-/- |
| 2026/6/2 | China CITIC Bank International Ltd | CNY | 350 | 1.48 | 2026/12/11 | 183D | Banks | A3/-/A- | -/-/- |
| 2026/6/2 | China Securities International Finance Holding Co Ltd | CNY | 35 | 0 | 2031/3/28 | 5 | Financials | -/BBB+/BBB+ | -/-/- |
| 2026/6/2 | CITIC Securities International Co Ltd | USD | 5 | 0 | 2031/6/5 | 5 | Financials | -/BBB+/- | -/-/- |

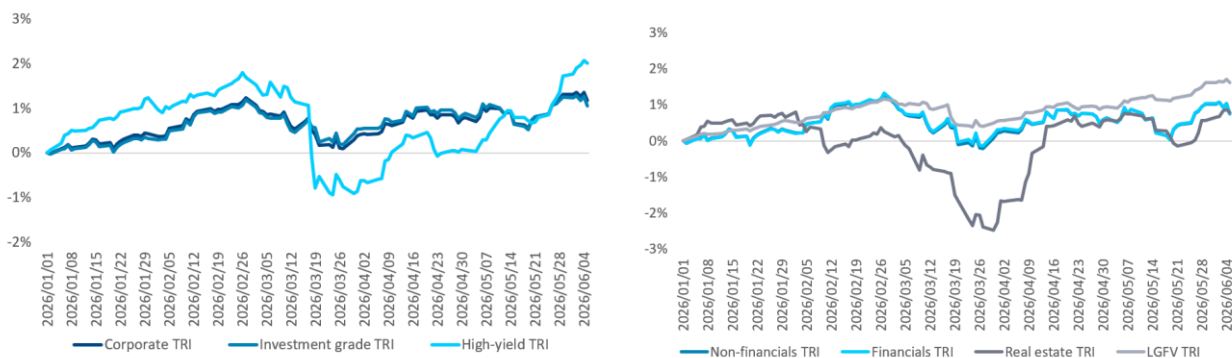
| | | | | | | | | | |
|----------|---|-----|-----|------|-----------|------|------------|-----------|-------|
| 2026/6/2 | CITIC Securities International Co Ltd | CNY | 50 | 0 | 2031/6/5 | 5 | Financials | -/BBB+/- | -/-/- |
| 2026/6/2 | GF Holdings Hong Kong Corp Ltd | HKD | 10 | 3.04 | 2026/12/1 | 180D | Financials | -/BBB/BBB | -/-/- |
| 2026/6/2 | GF Holdings Hong Kong Corp Ltd | USD | 80 | 4.19 | 2026/12/7 | 180D | Financials | -/BBB/BBB | -/-/- |
| 2026/6/2 | GF Holdings Hong Kong Corp Ltd | USD | 3 | 4.19 | 2026/12/1 | 180D | Financials | -/BBB/BBB | -/-/- |
| 2026/6/3 | GF Holdings Hong Kong Corp Ltd | USD | 12 | 4.07 | 2026/10/8 | 125D | Financials | -/BBB/BBB | -/-/- |
| 2026/6/3 | Linyi Lanshan Industrial Investment and Development Group Co Ltd | CNY | 790 | 5.7 | 2029/6/9 | 3 | Chengtou | -/-/- | -/-/- |
| 2026/6/4 | China CITIC Bank International Ltd | HKD | 90 | 0 | 2026/9/11 | 92D | Banks | A3/-/A- | -/-/- |
| 2026/6/5 | Chongqing Chijia Tourism Cultural & Creative Development Group Co Ltd | CNY | 188 | 3 | 2029/6/10 | 3 | Chengtou | -/-/- | -/-/- |

Sources: CCXAP research

Secondary Market: Return on Chinese USD bonds decreased

As of June 5, the year-to-date return¹ of Chinese USD bonds decreased by 13.0bp to 1.17% to compared to last Friday, among which the return rate of investment-grade bonds decreased by 19.0bp to 1.06%, while the return rate of high-yield bonds increased by 30.0bp to 2.02%. By industry, the return rate of non-financial bonds was 0.76%, down 26.0bp from last Friday. The return rate of financial bonds was 0.76%, down 28.0bp. The return rate of real estate was 0.78%, up 22.0bp. The return rate of Chengtougou was 1.62%, unchanged from last Friday.

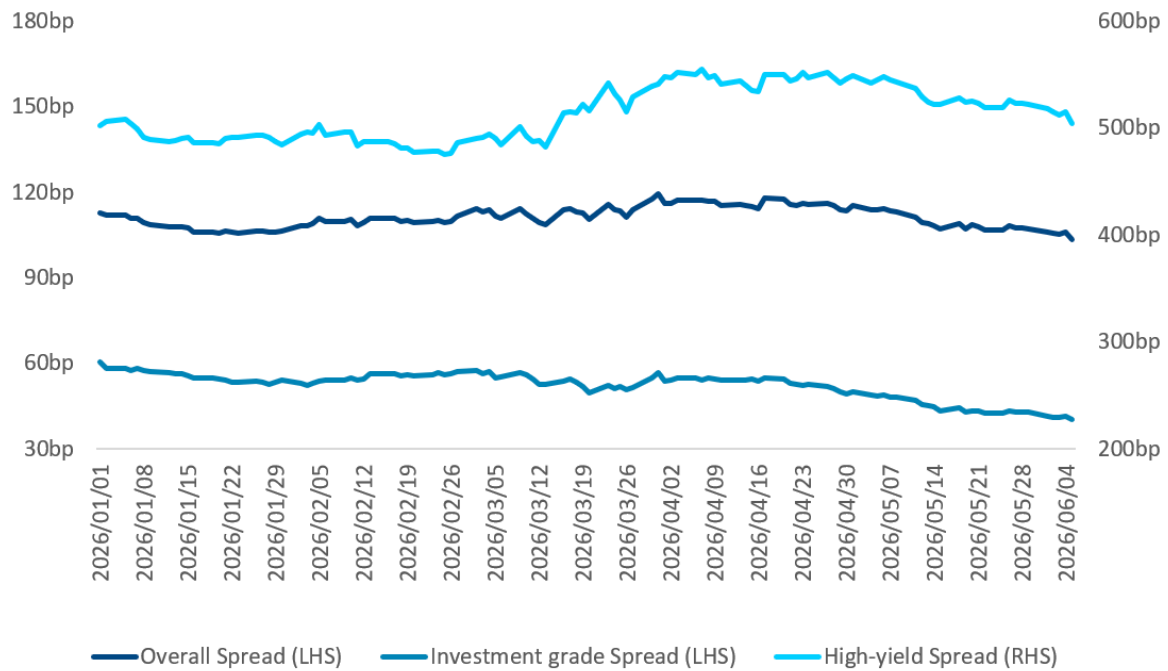
Figure 6: YTD return on Markit iBoxx Chinese USD bond index



Sources: CCXAP research

As of June 5, the spread of Chinese USD bonds narrowed by 3.7bp to 103.45bp from last Friday, among which the spread of investment-grade bonds narrowed by 0.2bp to 42.74bp, and the spread of high-yield bonds widened by 18.2bp to 503.73bp.

¹ Year-to-date return measures the return since January 1, 2026

Figure 7: Yield Spreads of Bloomberg Barclays Chinese USD bond index


Sources: CCXAP research

From June 1 to June 5, the following table shows the 10 bonds with the largest yield increases. Among them, the yield of China Oil And Gas Group Limited changed the most.

Table 2: Chinese offshore bonds with largest increase in yield (20260601-20260605)

| Security Name | Obligor | Last Price (USD) | Years to Maturity | Yield to Convention | Yield Change |
|-----------------------|---|------------------|-------------------|---------------------|--------------|
| CHIOIL 4.7 06/30/26 | China Oil And Gas Group Limited | 100.207 | 0.06 | 0.952 | 320.6 |
| CHSCOI 3.4 PERP | China State Construction International Holdings Limited | 100.239 | PERP | -24.806 | 238.6 |
| HZFYCT 3.2 06/25/26 | Hangzhou Fuyang City Construction Investment Group Co., Ltd. | 100.033 | 0.05 | 2.372 | 232.5 |
| PINGRE 3.45 07/29/26 | Ping An Real Estate Company Ltd. | 99.384 | 0.14 | 7.925 | 167.0 |
| HBTUID 7 ½ 07/10/26 | Hubei New Tongdu Urban Investment Development Group Co., Ltd. | 100.375 | 0.09 | 2.899 | 159.0 |
| EHICAR 12 09/26/27 | eHi Car Services Limited | 51.538 | 1.30 | 77.305 | 142.4 |
| ZJEXPC 1.638 07/14/26 | Zhejiang Expressway Co.,Ltd. | 99.715 | 0.10 | 4.638 | 128.8 |
| ZHOSHK 5.98 01/30/28 | Zhongsheng Group Holdings Limited | 96.345 | 1.65 | 8.406 | 114.4 |
| SIDEVE 2.8 08/18/26 | Sichuan Development Holding Co., Ltd. | 99.705 | 0.20 | 4.337 | 62.3 |
| FRESHK 6 ¾ 04/16/27 | Far East Horizon Limited | 101.368 | 0.86 | 4.951 | 62.0 |

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

Sources: CCXAP research

Rating Actions: CCXAP assigned credit ratings to 3 Chinese entities

On June 1, CCXAP assigned first-time long-term credit rating of AA_g+ to BOC International Holdings Limited (“BOCI”), with stable outlook.

On June 1, CCXAP assigned first-time long-term credit rating of AA_g+ to BOCI Financial Products Limited (“BOCIFP”), with stable outlook.

On June 3, CCXAP assigned first-time long-term credit rating of BBB_g+ to Guangdong Gaohua Industrial Investment Development Group Co., Ltd. (“GGII”), with stable outlook.

Table 3: CCXAP’s rating actions of cross-border issuer (20260601-20260605)

| Rating Date | Obligor | Entity Rating | Rating Rational |
|-------------|---------|--------------------|--|
| 2026/6/1 | BOCI | AA _g + | The rating reflects the Company’s (1) established market position and brand recognition with a diversified business portfolio; (2) low risk appetite and low leverage; (3) sound profitability; and (4) high likelihood to receive support from its ultimate owner, Bank of China Limited, and the Chinese government, in times of need. |
| 2026/6/1 | BOCIFP | AA _g + | The rating reflects a very high likelihood of support from its parent, BOCI, as seen by BOCIFP’s (1) full ownership and strategic supervision by BOCI; and (2) high legal and operational linkages with BOCI. |
| 2026/6/3 | GGII | BBB _g + | The rating reflects the Company’s (1) status as the most important industrial investment platform in Gaoyao District; (2) good market position and competitiveness in engineering construction and product sales in Gaoyao District; and (3) rapid growth of lithium battery recycling business. However, the rating is constrained by the Company’s (1) relatively weak profitability; (2) rapid debt growth and high short-term debt repayment pressure; and (3) modest debt servicing capability with moderate access to funding. |

Source: CCXAP research

From June 1 to June 5, rating agencies took positive rating actions on 8 Chinese issuers.

Table 4: Rating actions of cross-border issuer (20260601-20260605)

| | Entity | Sector | Latest Rating | | | Last Rating | | | Rating Agency | Reason of Change Outlook |
|--------------------------|---------------------------|-----------|---------------|---------|------------|---------------|---------|------------|---------------|---|
| | | | Entity Rating | Outlook | Date | Entity Rating | Outlook | Date | | |
| Offshore Rating : | | | | | | | | | | |
| Upgrade | China Hongqiao Group Ltd. | Materials | BB+ | Stable | 2026/06/02 | BB | Stable | 2025/04/14 | S&P | The stable production and rising aluminum prices will strengthen the company's earnings over the next two years |

| | | | | | | | | | |
|--|-----------|------|--------|------------|------|--------|------------|-------|---|
| Aluminum Corporation of China Ltd. | Materials | BBB | Pos | 2026/06/03 | BBB | Stable | 2025/05/27 | S&P | The company's credit profile will likely improve during 2026-2027 |
| China Huadian Corporation Ltd. | Energy | A | Stable | 2026/06/04 | A- | Stable | 2026/02/09 | Fitch | Rising strategic importance of the power sector strengthens government support |
| China Huaneng Group Co., Ltd. | Energy | A | Stable | 2026/06/04 | A- | Stable | 2026/02/09 | Fitch | Rising strategic importance of the power sector strengthens government support |
| Huaneng Power International, Inc. | Energy | A | Stable | 2026/06/04 | A- | Stable | 2026/02/09 | Fitch | The company's rating is upgraded in line with its parent company's rating upgrade |
| State Power Investment Corporation Limited | Energy | A | Stable | 2026/06/04 | A- | Stable | 2026/02/09 | Fitch | Rising strategic importance of the power sector strengthens government support |
| Shanghai Electric Power Co., Ltd. | Energy | A- | Stable | 2026/06/05 | BBB+ | Stable | 2026/02/09 | Fitch | The company's rating is upgraded in line with its parent company's rating upgrade |
| Yangzhou Economic and Technological Development Zone Development (Group) Co., Ltd. | Chengt ou | BBB- | Stable | 2026/06/05 | BB+ | Stable | 2024/10/25 | S&P | Greater clarity of the company's links with the government |

Source: CCXAP research

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