

Asia Credit Trader

Lack Of Conviction From Asia Credit Investors

A steadier week for the Asia credit market, after the recent strong rebound. To us, the pause in the rally in US rates was a contributing factor, and the direction of risk assets going forward is likely dependent on macro data. We believe there remains considerable uncertainties, and we see a cloudy outlook for China. We maintain our preference for IG over HY, as we see limited room for further significant spread tightening at the current juncture, and believe a muddle through scenario in China is possible.

We recently spoke with a number of Asia credit investors in Hong Kong and Singapore, and most were in broad agreement with our views, and expressed an overall lack of conviction. Main concern is market volatility and not credit quality, except for the China property sector where appetite remains limited due to rising default risks. Many were concerned that market direction is dictated by fund flows, and not by credit fundamentals.

With China property HY unlikely to be a significant part of Asia credit indices going forward, many questioned what the Asia credit landscape will look like going forward. Some believe investor interest in non-China HY will continue; some see opportunities to look beyond Asia credit and into EM credit; some are pivoting more towards Asia IG, with

interest from investors on IG-focused fixed maturity funds.

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Summary of the week

A steadier week for the Asia credit market, after the recent strong rebound. To us, the pause in the rally in US rates was a contributing factor, and the direction of risk assets going forward is likely dependent on macro data. We believe there remains considerable uncertainties, and with a cloudy outlook for China, given the dynamic zero covid strategy, the slowdown in the real estate sector, and heightened geopolitical concerns. We maintain our preference for IG over HY, as we see limited room for further significant spread tightening at the current juncture. We see a muddle through scenario in China - where defaults stay elevated though without triggering systemic concerns, and growth at positive but low levels - is a possibility.

Growth/inflation trade-off suggests limited room for significant spread compression. As noted by our Global Asset Allocation team, risky assets have been supported by US real rates resetting materially lower, as the most recent FOMC meeting opened the possibility of a slower hiking pace. However, we believe uncertainties relating to the growth/inflation mix will limit any room for significant spread tightening for the Asia credit market. Should the US economy slows to an extent that allows the Fed to cut rates, this could increase concerns on a recession, which would likely put pressure on spreads; conversely, stickier inflation would suggest a more hawkish response, removing a key support for risky assets. With our US economics team assigning a 50% probability of a US recession in the next 24 months, we believe this narrow path to a soft landing could keep Asia credit spreads wide.

China property recovery loses steam. The latest data from the CRIC indicates that the rebound in pre-sales in June were not sustained. July Pre-sales for the top 100 developers fell by 27% from June levels, and was 40% lower compared to July 2021. To us, news regarding mortgage boycotts by homebuyers due to project completion delays and the impact from covid restrictions negatively impacted sentiment. There is significant policymaker focus on these issues, as evidenced by the July Politburo meeting, when it was stressed that local governments should take responsibilities in ensuring housing deliveries, whilst at the same time reiterating that “housing is for living in, not for speculation”.

Policy easings coming through at a gradual pace. We expect further policy easing is needed, particularly given the tight liquidity amongst developers. Our China property team estimated approximately Rmb 600bn is required to fulfill completion needs in the coming 12 months. There were reports in late July that Chinese policymakers were setting up a fund to provide liquidity to alleviate construction delays. However, there have not been official announcements regarding this, and we continue to see policy easing measures enacted in piecemeal manner. We believe policymakers are seeking to strike a balance between preventing systemic concerns arising and moral hazard, and to us, this means credit risk amongst China property HY issuers are likely to stay elevated.

Asia IG: Shorter-dated single-A our core preference, but relative value in 30yr. We prefer IG over HY. Within Asia IG, we

maintain our preference for shorter-dated carry, and the most attractive parts of the market are A-rated corporates and financials across China, HK, Korea and Taiwan. In addition, there are 4 areas that offer good relative value opportunities: (1) Relative value in 30yr bonds for China A-rated corporates and Indonesia sovereign, (2) Indonesia IG (particularly state-related enterprises) over India and Philippines, (3) resettable corporate perpetuals, and (4) longer-dated China property. We are cautious on India IG given macro headwinds.

Asia HY: Prefer non-China property HY and cautious on India BB. Overall preference for non-China property HY, as we see a long road ahead to restructure the China property credits and for more defaults to emerge. Focus should be on shorter-dated credits. Within China Property HY, investors should stay invested only in the best quality names, and where there is relative value in longer-dated bonds given lower dollar price. We are cautious on India BB given macro headwinds. We are neutral across the other segments within Asia HY.

Lack of Conviction From Asia Credit Investors

We recently spoke with a number of hedge funds, real money and private bank investors in Hong Kong and Singapore, and below are our key takeaways:

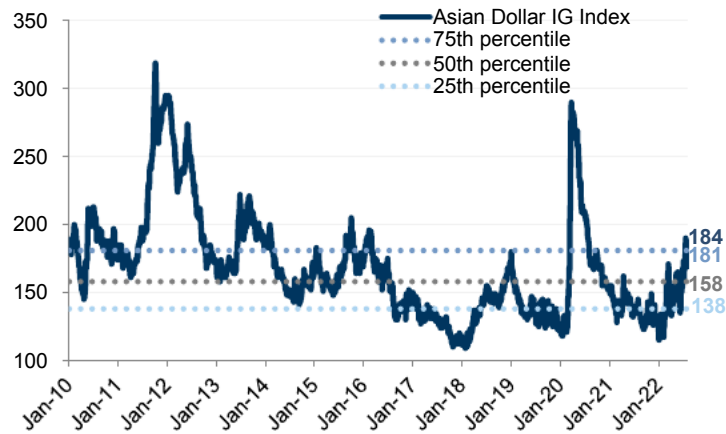
- **Lack of conviction.** Most investors broadly agree with our overall views - preference for IG over HY, with exposures concentrated in the front-end, with our views shaped by continuing macro uncertainties. Most believe we are unlikely to see substantial further spread tightening after the recent rally, and are adopting a relatively conservative stance, focusing on shorter-dated carry.
- **Little appetite for longer duration risk.** We highlighted two of our longer duration relative value views - China A and Indonesia sovereign 30yr IG, and longer dated bonds for the best China property developers - but investors were generally lukewarm. We believe investors do not see the need to extend duration, given the carry available amongst shorter dated credit, and prefer to limit volatility.
- **Main worry is volatility, not credit quality.** Whilst most investors agree that valuation is attractive, they are reluctant to adopt a strong positive directional stance. The worries are not related to potential deterioration in credit quality. Investors are concerned about further bouts of market volatility, especially when market liquidity has deteriorated in recent months, where small sized selling can have large market impact.
- **Markets disproportionately affected by fund flows.** We received numerous questions regarding fund flows, with many commenting that flows appears to be having disproportionately large impact on the Asia credit market - outflows in May/June led to negative performance, and steadier flows in July contributed to the rally. We believe it is difficult to predict the direction of fund flows, but there is likely to be some correlation with the direction of interest rates, and the recent fall in US rates likely was a factor that led to better inflows.
- **A reshaping of the Asia credit landscape.** With China property HY unlikely to be a significant part of the Asia credit indices going forward given the large number of defaults, many investors are questioning what the Asia credit landscape will look like going forward. Some believe investor interest in non-China HY will continue; some see opportunities to look beyond Asia credit and more into EM credit; some are pivoting more towards Asia IG, with interest from investors on IG-focused fixed maturity funds.
- **Lots of focus on China A rated credits.** A number of questions were raised relating to A-rated China IG, in particular the TMT sector. Many questioned whether there could be further selling pressure given rising geopolitical tensions, and could regulatory impact on TMT names negatively impact their credit profiles. We reiterated our preference for China A both for 2-4yr and 30yr credits, as we believe that they are strong A-rated credits, and we see further selling by non-Asia investors as good entry points.

- **Tentative on Macau gaming, China property HY unloved.** There were numerous discussions on Macau gaming HY, and we found most investors' views were in line with our neutral stance, and a preference for shorter dated exposure. We did not encounter many investors with a strong negative or strong positive view towards the sector. This contrasts with China property HY, which continues to have very limited interest from investors. In fact, most hedge fund investors mentioned they have zero exposure to China property risk.

Asia credit performance

Exhibit 1: Asia IG performance

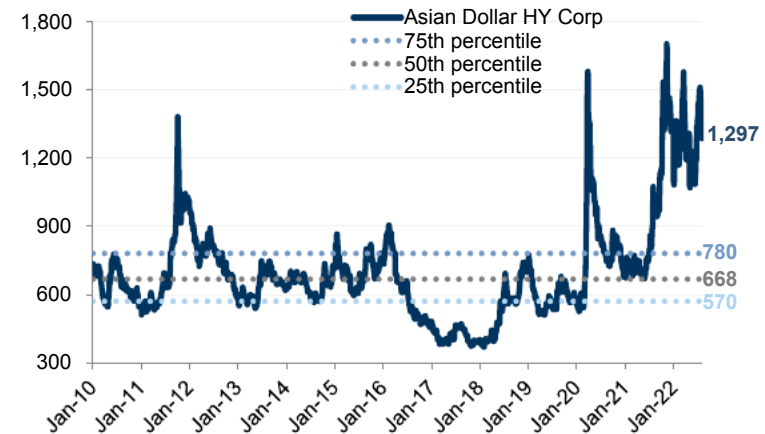
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 2: Asia HY corp performance

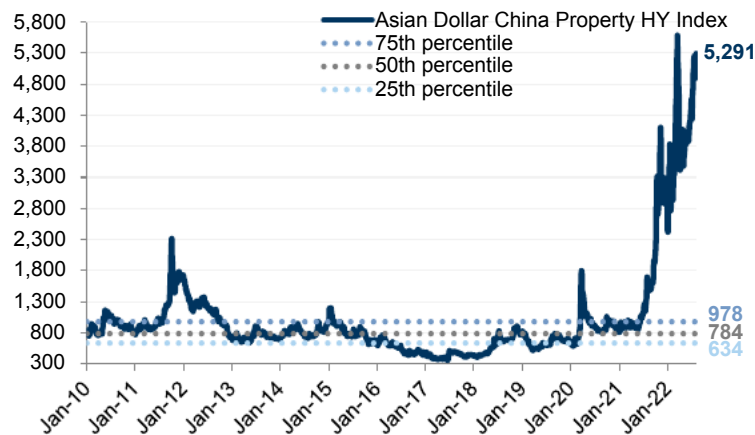
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 3: China property HY performance

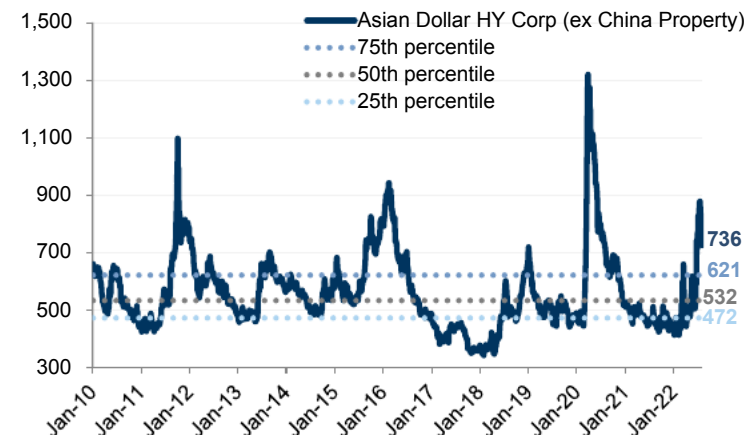
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 4: Asia HY corp performance (ex China Property)

OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Asia credit forecast and issuance

Exhibit 5: Current levels of OAS and 2022 end forecast for Asian dollar IG and HY corp (bps)

Index	Current levels (bps)	2022 end Forecast (bps)
Asian Dollar IG	184	162
Asian Dollar HY Corp (ex China property)	736	600

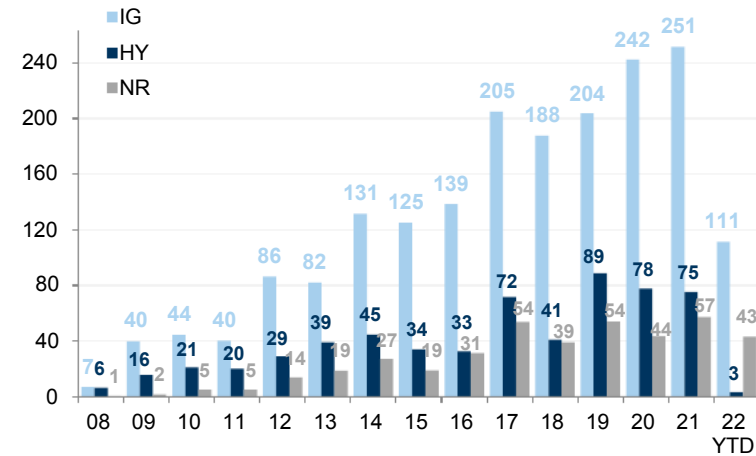
Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 7: New G3-currency Asia IG bond issuance this week

Date	Issuer	Country	Sector	Bond	Currency	Notional (USD mn)
Investment Grade						
8/1/2022	KT Corp	Korea	Communications	KOREAT 4% 25	USD	500
8/2/2022	Suzhou City Construction Investment Group Holding Co Ltd	China	Industrial	SZCONS 6% 25	USD	200
8/2/2022	Jinan Hi-tech Holding Group Co Ltd	China	Industrial	JNHITE 5.5% 25	USD	300
8/2/2022	Kookmin Bank	Korea	Financial	CITNAT Float% 25	USD	30
8/4/2022	Kookmin Bank	Korea	Financial	CITNAT Float% 26	USD	30
8/4/2022	Malayan Banking Bhd	Malaysia	Financial	MAYMK Float% 27	USD	30
8/4/2022	Chang Development International Ltd	China	Industrial	CCUDIH 5% 25	USD	200
Total						1,290

Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

Exhibit 6: Asia ex-Japan G3-currency bond issuance (2008-2022YTD) (USD, bn)



Source: Bloomberg

Exhibit 8: New G3-currency Asia HY & NR bond issuance this week

NO HY ISSUANCE

Date	Issuer	Country	Sector	Bond	Currency	Notional (USD mn)
Non-rated						
8/1/2022	Mianyang Investment Holding Group Co Ltd	China	Financial	MIANYA 6.7% 25	USD	300
8/3/2022	Phoenix Charm International Investment Ltd	China	Financial	PHCIL 6.4% 25	USD	205
8/4/2022	Korea Development Bank/Singapore	Korea	Financial	KDB 3.68% 23	USD	100
8/4/2022	Bengbu Gaoxin Investment Group Co Ltd	China	Industrial	BHHNIV 5.3% 25	USD	200
Total						805

Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

Asia credit performance and percentile

Exhibit 9: Performance and percentile ranks for Asia Corporate Credit Market

as of Aug 4, 2022

Index	Current			Spread change (bps)				Total return (%)				Percentile rank (Post-GFC)	
	Spread	Yield (%)	Mod. Dur	1m	3m	12m	YTD	1m	3m	12m	YTD	Spread (%)	Yield (%)
Asia Corporate by rating and region (ex-financials)													
<i>Investment Grade</i>													
AA rated	107	3.9	4.5	18	19	50	50	0.2	0.6	-8.2	-6.9	51.1%	98.4%
Korea AA Corp	99	3.9	3.6	16	19	45	46	0.0	0.2	-6.7	-5.6	74.4%	97.5%
Taiwan AA Corp	132	4.1	5.8	25	22	63	62	0.2	0.9	-10.9	-9.2	99.7%	93.5%
Singapore AA Corp	75	3.6	4.6	4	10	24	28	0.7	0.9	-8.3	-7.1	37.5%	95.6%
A rated	117	4.1	4.2	8	1	24	28	0.4	0.5	-7.3	-6.4	35.7%	95.4%
China A Corp	117	4.1	3.9	10	-3	19	24	0.3	1.2	-6.2	-5.3	38.0%	98.3%
HK A Corp	121	4.1	5.3	8	13	36	38	0.6	2.7	-6.6	-5.5	45.7%	95.2%
Korea A Corp	111	4.0	3.4	12	24	46	49	0.1	-0.3	-6.1	-5.1	41.2%	91.7%
Malaysia A Corp	104	3.8	5.3	-20	-12	8	23	2.5	2.6	-7.1	-6.5	38.0%	91.2%
Singapore A Corp	144	4.4	3.0	20	19	36	51	-0.3	0.1	-5.7	-5.4	37.8%	99.4%
Taiwan A Corp	147	4.4	3.9	22	14	54	69	-0.2	0.6	-8.2	-7.5	89.2%	99.5%
BBB rated	384	6.7	4.0	56	121	195	185	-1.7	-4.9	-14.2	-12.4	97.2%	99.7%
China BBB Corp (ex-property)	213	5.1	3.4	38	36	13	36	-0.6	-0.2	-5.4	-5.5	43.7%	93.8%
Indo BBB Corp	232	5.1	4.8	-39	23	70	82	3.2	0.8	-7.3	-7.0	52.7%	85.2%
India BBB Corp	238	5.2	4.3	14	36	67	75	0.4	-0.3	-7.8	-7.6	62.6%	91.5%
HK BBB Corp	330	6.2	4.7	95	112	149	152	-2.9	-3.3	-11.1	-10.4	85.4%	99.2%
Korea BBB Corp	149	4.4	3.4	16	30	63	64	-0.1	-0.3	-7.0	-6.2	65.2%	95.0%
Thailand BBB Corp	235	5.0	6.4	20	44	107	100	0.6	-0.2	-11.4	-10.7	74.4%	96.1%
Malaysia BBB Corp	252	5.3	4.7	21	54	79	87	-0.3	-1.2	-11.2	-10.1	91.0%	98.3%
Macau BBB Corp	491	7.7	4.4	-242	117	335	237	11.7	-2.1	-16.2	-12.8	93.4%	94.5%
<i>High-yield</i>													
BB rated	1,075	13.6	3.1	100	541	509	353	-5.1	-14.8	-31.2	-26.1	99.0%	99.3%
China BB Corp (ex-property)	1,171	14.7	2.5	87	727	758	773	-6.2	-16.4	-18.1	-18.2	99.2%	99.3%
China BB HY Property	3,923	42.0	2.2	1,803	2,700	3,160	2,563	-32.9	-45.7	-67.8	-61.4	100.0%	100.0%
India BB Corp	482	7.7	3.2	-72	130	146	199	3.0	-3.0	-7.1	-9.1	52.9%	75.1%
Indo BB Corp	570	8.7	3.1	6	199	144	176	0.9	-4.2	-5.6	-6.7	93.7%	97.5%
Macau BB Corp	1,007	12.9	4.0	-220	327	620	577	10.9	-10.6	-24.4	-23.1	98.3%	98.5%
India BB renewable energy	525	8.2	3.3	-111	146	193	253	4.3	-2.5	-8.1	-9.8	85.7%	93.5%
India BB non-renewable energy Corp	427	7.2	2.8	-52	106	97	144	1.8	-3.0	-5.3	-7.4	58.6%	86.7%
B rated	1,718	20.1	2.8	-314	31	386	68	-0.9	-20.4	-54.2	-37.5	93.6%	95.7%
China B Corp (ex-property)	2,704	30.1	1.9	451	1,108	2,116	1,843	-7.7	-15.1	-31.0	-28.5	99.7%	99.7%
China B HY Property	4,750	50.0	1.7	-321	819	3,019	1,749	-24.4	-51.5	-83.6	-70.0	98.1%	98.8%
India B Corp	1,514	18.1	2.6	108	786	808	778	-0.2	-12.2	-11.3	-13.7	94.2%	94.9%
Indo B Corp	1,209	15.0	2.9	165	624	581	649	-1.6	-10.6	-10.0	-12.6	90.0%	92.4%
Macau B Corp	998	12.9	3.6	-378	297	564	468	14.7	-7.1	-19.9	-16.8	98.7%	98.7%

Indices include bonds with a final maturity date less than 10yr

Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 10: Performance and percentile ranks for Asia sovereign, quasi & financials Credit Market

as of Aug 4, 2022

Index	Current			Spread change (bps)				Total return (%)				Percentile rank (Post-GFC)	
	Spread	Yield (%)	Mod. Dur	1m	3m	12m	YTD	1m	3m	12m	YTD	Spread (%)	Yield (%)
Asia financials by seniority and rating													
<i>Investment Grade</i>													
Senior banks	80	3.8	2.7	6	-4	2	8	0.1	0.4	-4.8	-4.0	7.8%	78.5%
China A senior bank	58	3.6	2.7	9	-14	-10	-6	0.0	0.7	-4.7	-3.8	3.3%	79.8%
Korea A senior bank	103	4.0	2.9	19	19	48	51	-0.2	0.0	-5.8	-4.9	52.2%	93.3%
China BBB senior bank	65	3.7	2.0	1	-19	2	0	-0.1	8.5	4.0	4.8	7.1%	84.1%
Philippines BBB senior bank	139	4.4	2.5	13	43	39	34	0.2	-0.7	-4.7	-4.1	56.1%	96.6%
Thailand BBB senior bank	117	4.1	3.3	8	11	37	33	0.3	0.3	-4.4	-4.1	40.5%	88.5%
Indo BBB senior bank	128	4.3	2.1	-4	-3	-2	36	0.1	0.2	-3.2	-3.4	12.2%	86.8%
Subordinated bank	124	4.2	2.9	8	6	11	25	0.1	0.3	-4.9	-4.5	10.3%	87.4%
China A subordinated bank	49	3.5	2.8	7	-15	-11	-4	0.0	0.6	-4.8	-3.9	6.3%	78.9%
Korea A subordinated bank	84	3.8	3.3	2	5	32	39	0.4	0.6	-6.7	-5.6	44.8%	54.1%
Singapore A subordinated bank	127	4.3	2.9	10	21	36	48	-0.2	-0.2	-5.7	-5.1	24.6%	98.8%
China BBB subordinated bank	113	3.7	2.7	6	-6	-1	16	0.2	0.8	-4.1	-3.5	7.0%	34.6%
Korea BBB subordinated bank	183	4.8	3.7	10	23	59	63	0.2	-0.1	-7.4	-6.7	51.5%	91.5%
HK BBB subordinated bank	144	4.7	1.8	10	28	-47	9	-0.2	-0.3	-1.6	-2.5	7.2%	83.0%
Non-bank financials	217	5.1	3.2	46	47	-30	72	-0.9	-0.9	-3.0	-6.3	58.7%	93.4%
China A NBFI ex AMC	119	4.1	3.1	12	-4	0	14	0.1	0.9	-4.7	-4.1	11.3%	89.6%
China A AMC	277	5.7	3.7	79	84	47	122	-2.2	-2.1	-6.8	-8.7	97.7%	99.1%
HK A NBFI	126	4.2	3.6	10	14	28	38	0.0	3.0	-4.3	-3.2	56.7%	96.9%
China BBB NBFI ex AMC	172	4.7	2.9	33	19	17	30	-0.7	0.4	-5.2	-4.6	23.0%	93.4%
India BBB NBFI	225	5.1	4.1	7	14	73	114	0.6	0.8	-6.2	-6.6	82.2%	93.4%
HK BBB NBFI	326	6.2	2.5	126	103	158	131	-2.2	-2.4	-7.1	-6.2	80.8%	98.2%
Korea BBB NBFI	217	5.2	2.4	41	50	47	82	-1.0	-1.1	-4.4	-4.6	51.0%	83.5%
<i>High-yield</i>													
BB rated	207	5.2	3.1	-20	21	-128	-25	0.5	-0.1	-3.0	-4.9	4.0%	70.1%
Greater China BB AT1	165	4.8	3.2	1	20	-75	2	0.4	0.3	-2.4	-4.0	7.0%	37.6%
India BB senior financials	369	6.7	1.6	-114	42	87	109	1.8	-0.1	-1.4	-2.8	80.3%	91.5%
Asia sovereign & quasi-sovereign by region													
<i>Investment Grade</i>													
AAA/AA rated	60	3.5	4.0	6	8	28	29	0.5	0.8	-7.4	-6.0	18.9%	89.8%
Singapore AAA quasi-sov	53	3.3	5.7	2	-6	10	16	1.1	2.1	-8.0	-7.0	28.2%	85.8%
Korea AA quasi-sov	64	3.6	3.3	9	12	34	35	0.1	0.3	-6.9	-5.6	27.8%	93.3%
Korea AA sov	39	3.2	4.4	0	1	8	13	0.8	1.1	-7.2	-5.9	11.7%	83.0%
A rated	77	3.7	3.7	13	8	12	25	0.2	1.0	-5.9	-5.1	13.9%	90.8%
China A quasi-sov	64	3.6	3.4	8	3	15	19	0.2	0.7	-5.9	-4.8	14.2%	73.9%
China A sov	20	3.1	4.2	4	-3	-2	4	0.6	1.3	-6.6	-5.4	14.3%	89.2%
Malaysia A sov	42	3.3	4.3	-5	-2	-12	-7	1.0	1.3	-6.3	-5.0	1.2%	87.8%
BBB rated	160	4.4	4.0	-10	15	36	71	1.7	1.1	-6.6	-6.7	51.0%	88.9%
Indo BBB sov	104	3.9	4.5	-45	-2	17	41	2.9	1.5	-6.2	-6.2	19.2%	80.6%
Philip BBB sov	107	3.7	4.9	-42	-22	28	50	3.2	2.4	-8.1	-7.9	60.1%	83.7%
India BBB quasi-sov	203	4.8	5.3	-7	7	52	69	1.8	1.6	-8.6	-8.5	60.3%	95.2%
<i>High-yield</i>													
BB rated	1,430	17.2	3.6	293	657	958	939	-7.6	-16.7	-28.0	-28.0	98.3%	99.2%
Mongolia B sov	570	8.6	3.6	32	130	266	243	0.1	-3.3	-9.8	-9.0	75.4%	89.1%
Pakistan B sov	1,885	21.7	3.8	482	970	1,365	1,332	-11.4	-23.7	-36.8	-36.8	99.6%	99.5%
CCC rated													
Sri Lanka CCC sov	5,020	54.6	2.4	112	1,822	3,158	2,098	-0.2	-29.2	-50.1	-40.0	99.3%	99.3%

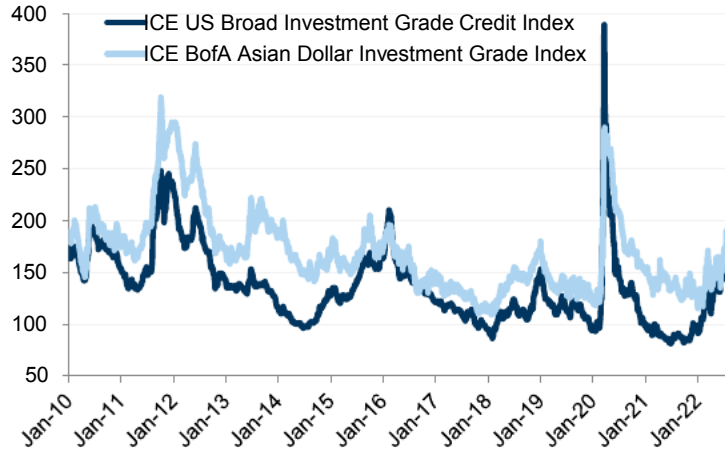
Indices include bonds with a final maturity date less than 10yr

Source: ICE-BAML, Goldman Sachs Global Investment Research

Asia credit performance relative to US credit

Exhibit 11: Asia IG vs. US IG performance

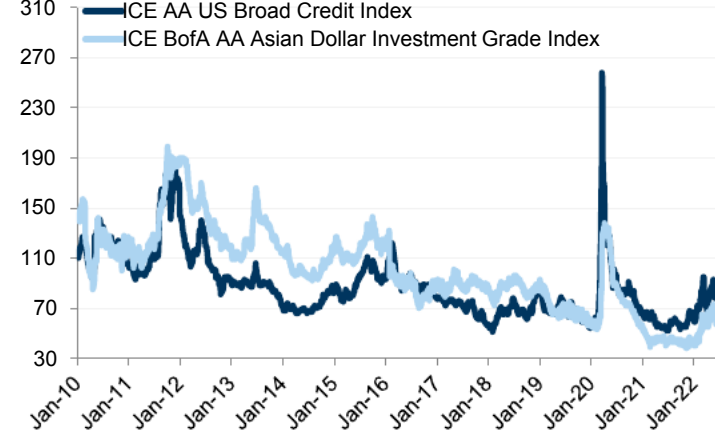
OAS (bps)



Source: ICE-BAML

Exhibit 12: Asia IG AA vs. US IG AA performance

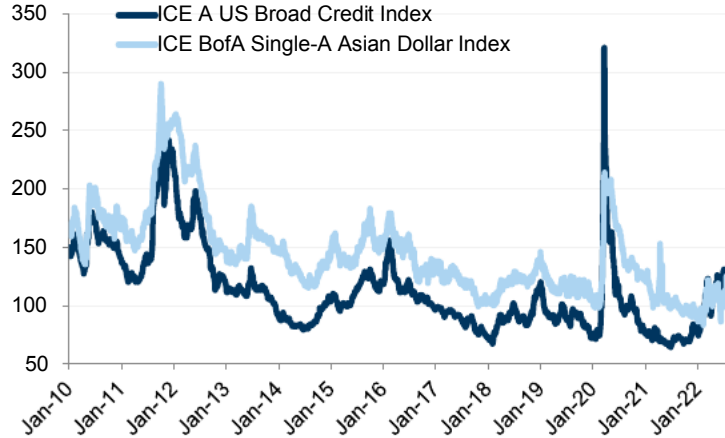
OAS (bps)



Source: ICE-BAML

Exhibit 13: Asia IG A vs. US IG A performance

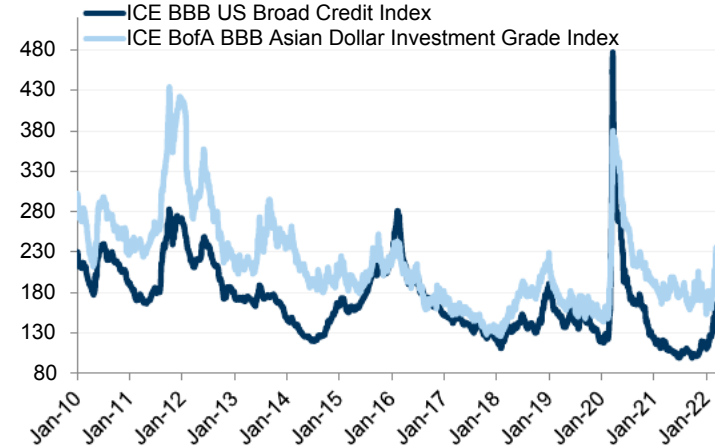
OAS (bps)



Source: ICE-BAML

Exhibit 14: Asia IG BBB vs. US IG BBB performance

OAS (bps)

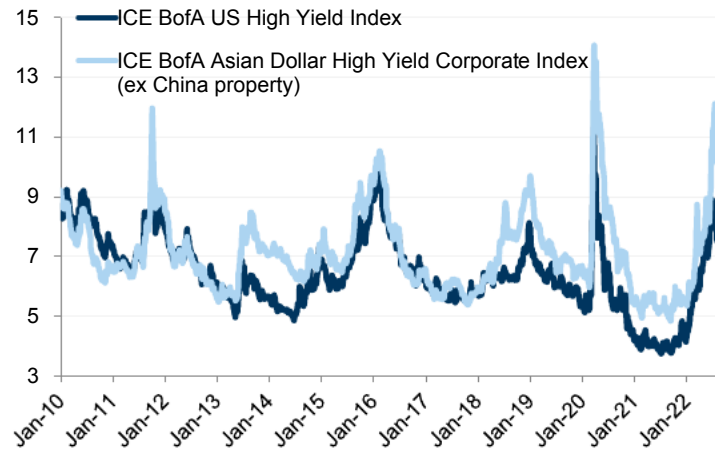


Source: ICE-BAML

Asia credit performance relative to US credit

Exhibit 15: Asia HY ex China property vs. US HY

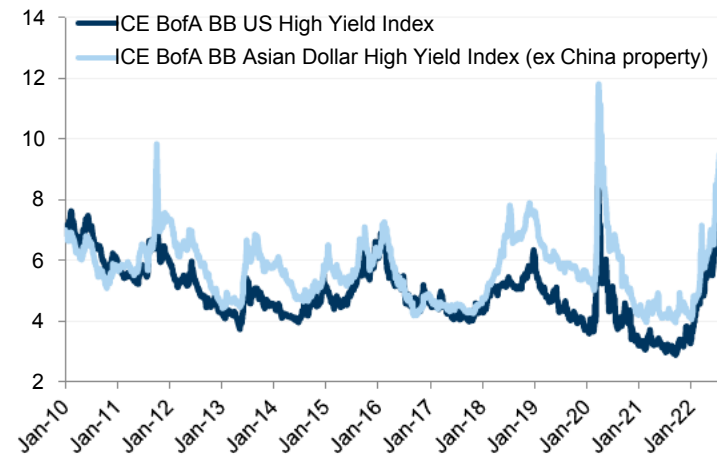
YTW (%)



Source: ICE-BAML

Exhibit 16: Asia HY BB ex China property vs. US HY BB performance

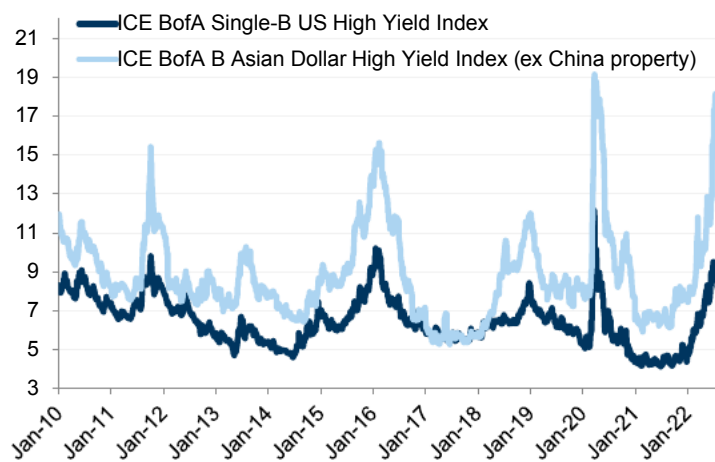
YTW (%)



Source: ICE-BAML

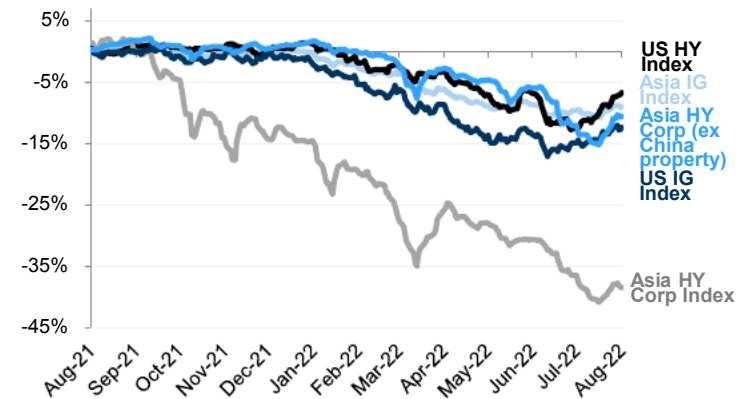
Exhibit 17: Asia HY B ex China property vs. US HY B performance

YTW (%)



Source: ICE-BAML

Exhibit 18: LTM total return for Asia IG and HY indices vs. US IG and HY indices

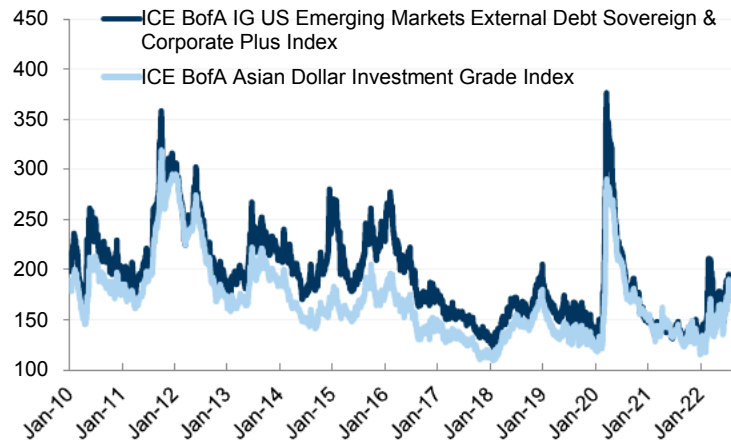


Source: ICE-BAML

Asia credit performance relative to EM credit

Exhibit 19: Asia IG vs. EM IG performance

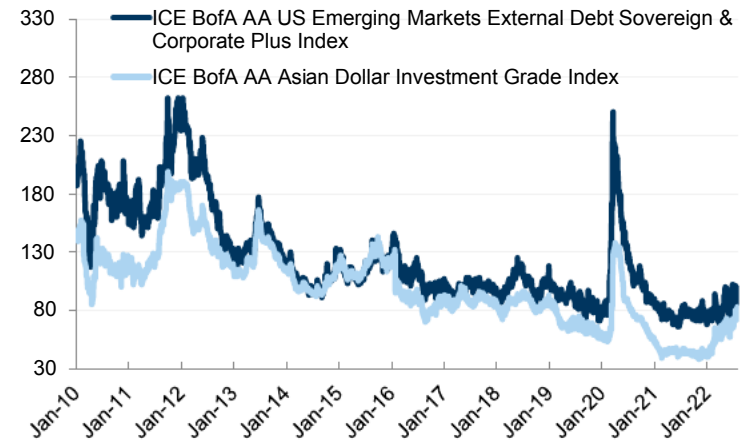
OAS (bps)



Source: ICE-BAML

Exhibit 20: Asia AA vs. EM AA performance

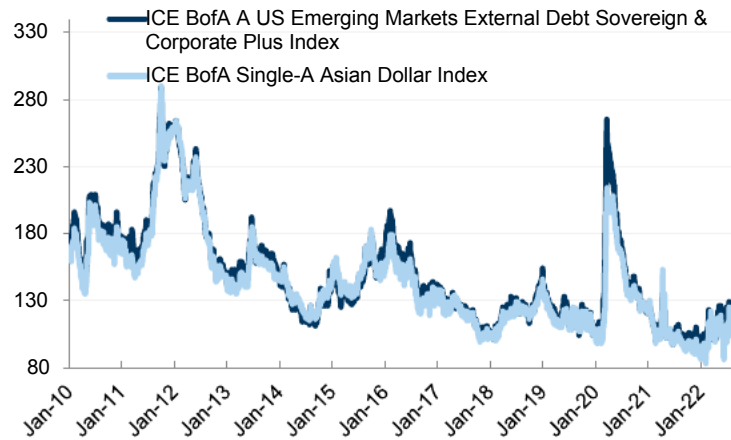
OAS (bps)



Source: ICE-BAML

Exhibit 21: Asia A vs. EM A performance

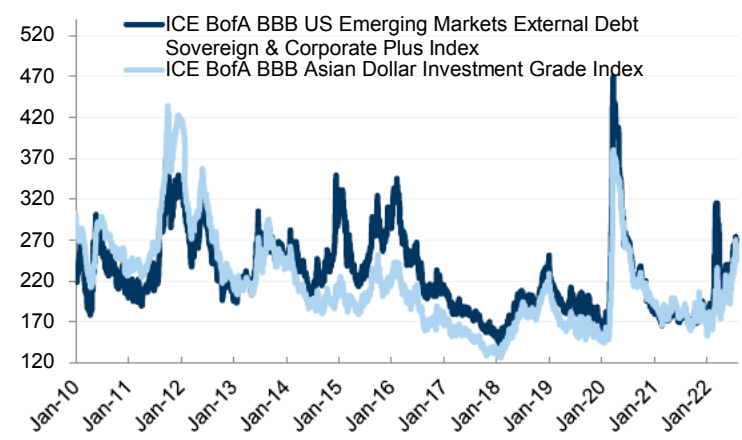
OAS (bps)



Source: ICE-BAML

Exhibit 22: Asia BBB vs. EM BBB performance

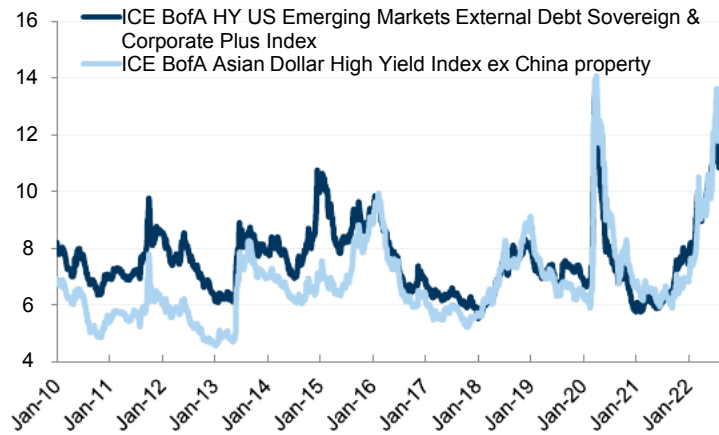
OAS (bps)



Source: ICE-BAML

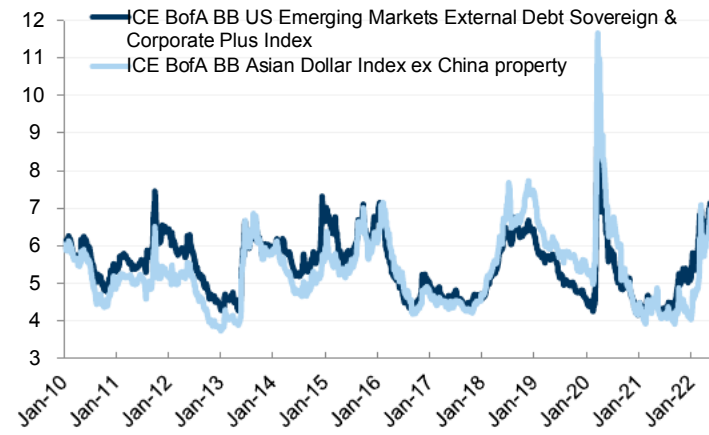
Asia credit performance relative to EM credit

Exhibit 23: Asia HY ex China property vs. EM HY yield performance
YTW (%)



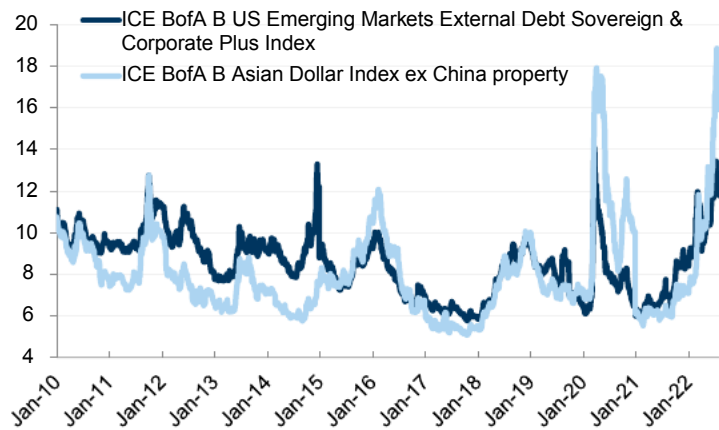
Source: ICE-BAML

Exhibit 24: Asia HY BB ex China property vs. EM HY BB performance
YTW (%)



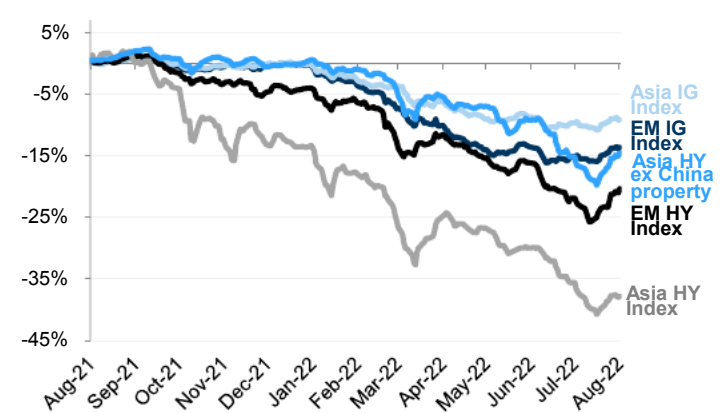
Source: ICE-BAML

Exhibit 25: Asia HY B ex China property vs. EM HY B performance
YTW (%)



Source: ICE-BAML

Exhibit 26: LTM total return for Asia IG and HY indices vs. EM IG and HY indices

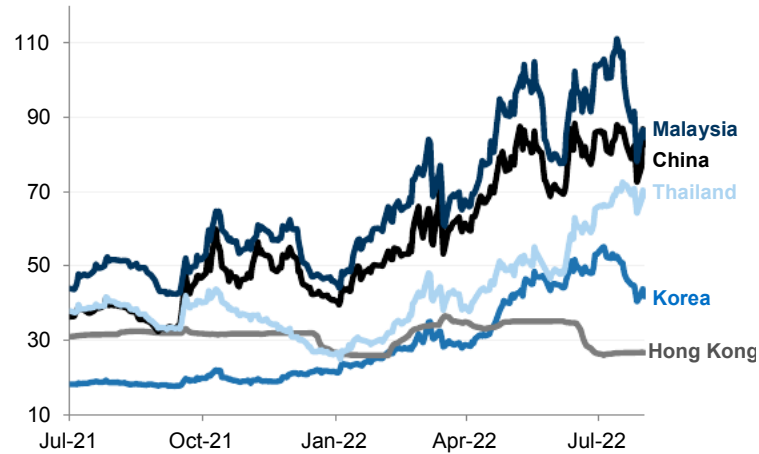


Source: ICE-BAML

CDS performance

Exhibit 27: LTM performance of Asia Sovereign 5y CDS

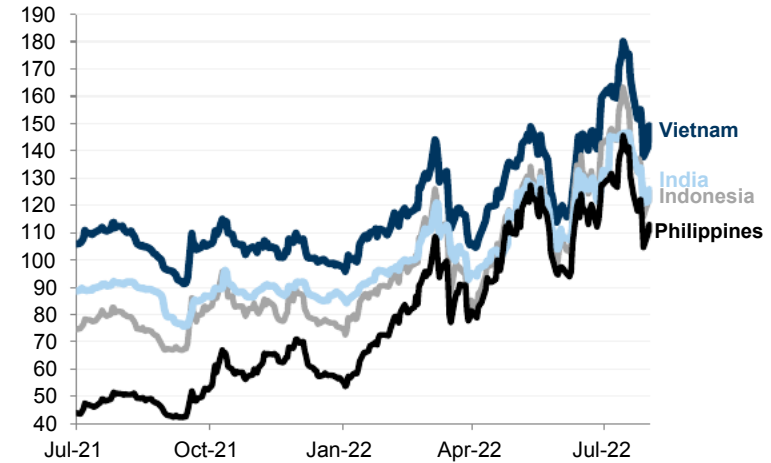
5y CDS levels (bps)



Source: Markit

Exhibit 28: LTM performance of Asia Sovereign 5y CDS

5y CDS levels (bps)

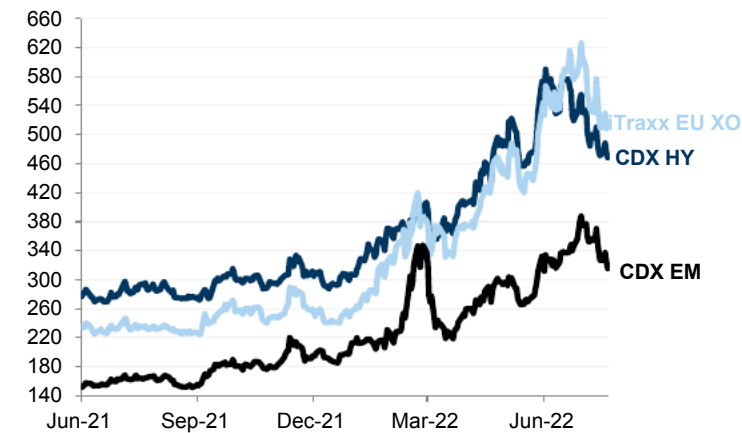


Note: we use State Bank of India as a proxy for the India sovereign

Source: Markit

Exhibit 29: LTM performance of Global HY indices

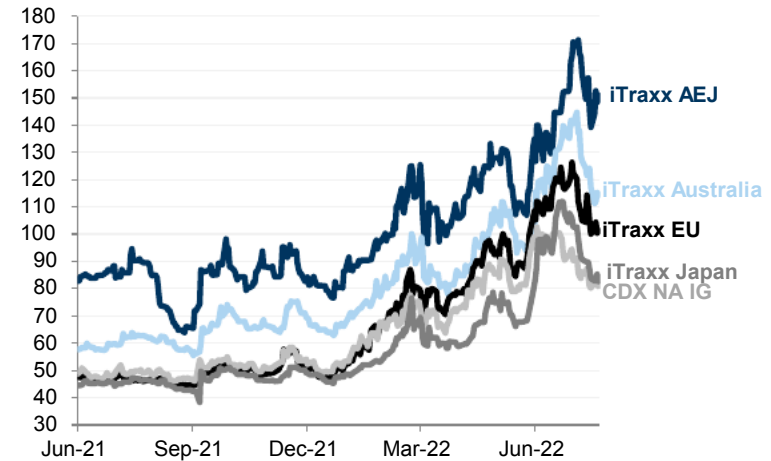
5y CDS levels (bps)



Source: Markit

Exhibit 30: LTM performance of Global IG indices

5y CDS levels (bps)

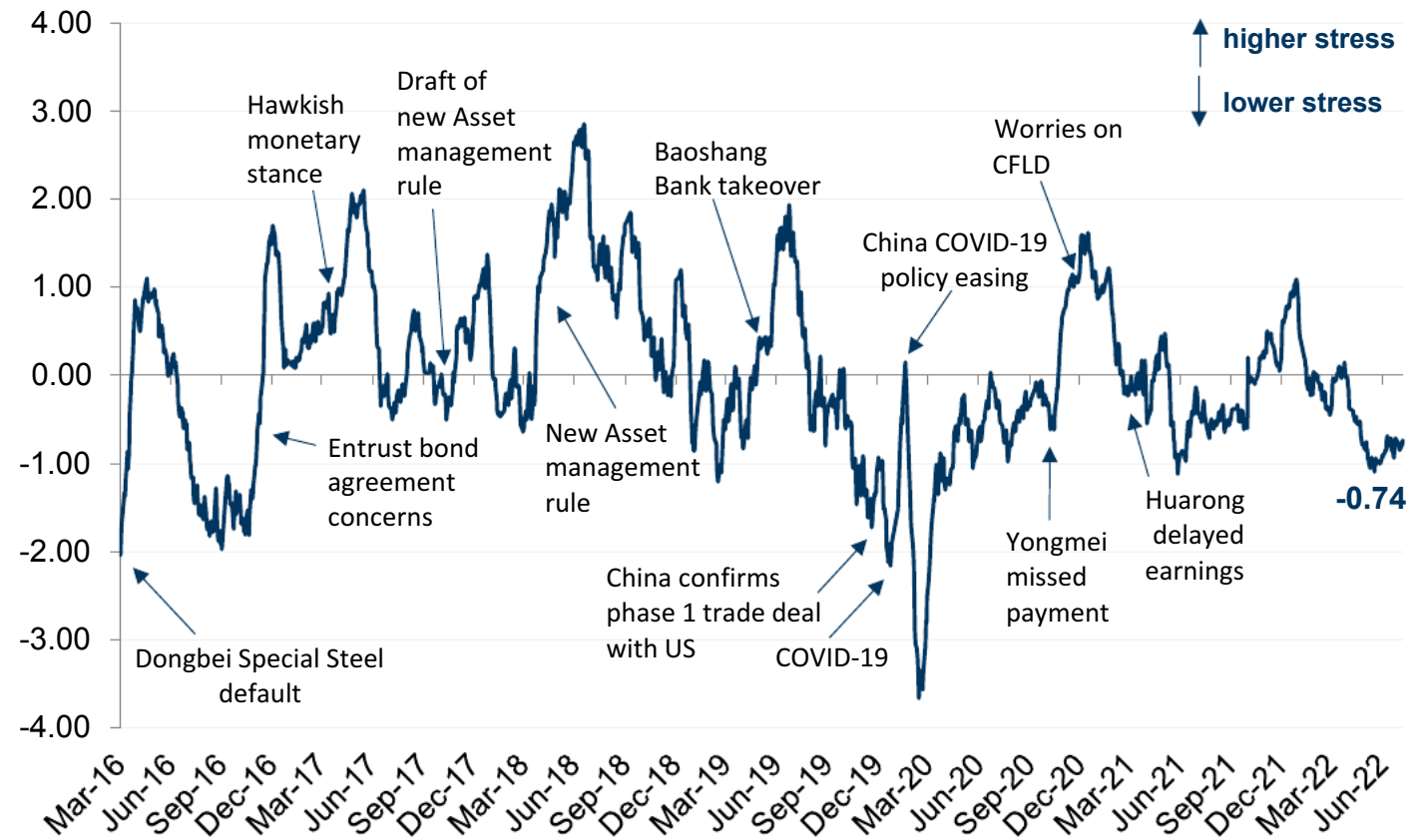


Source: Markit

GS China onshore Credit Stress Index

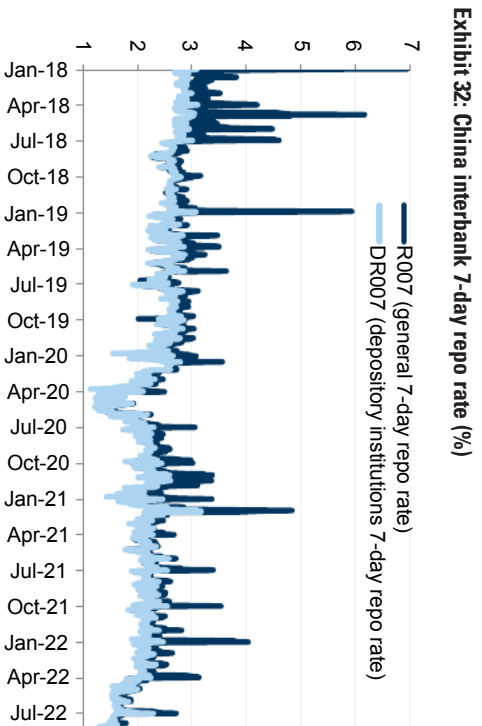
Exhibit 31: GS China Onshore Credit Stress Index

Z-score, as of Aug 4, 2022

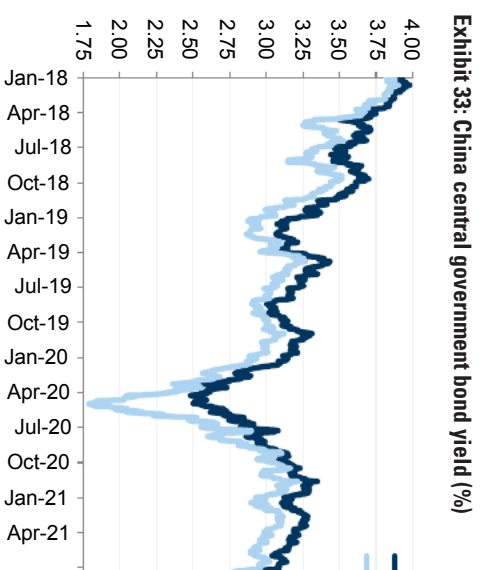


Source: Goldman Sachs Global Investment Research

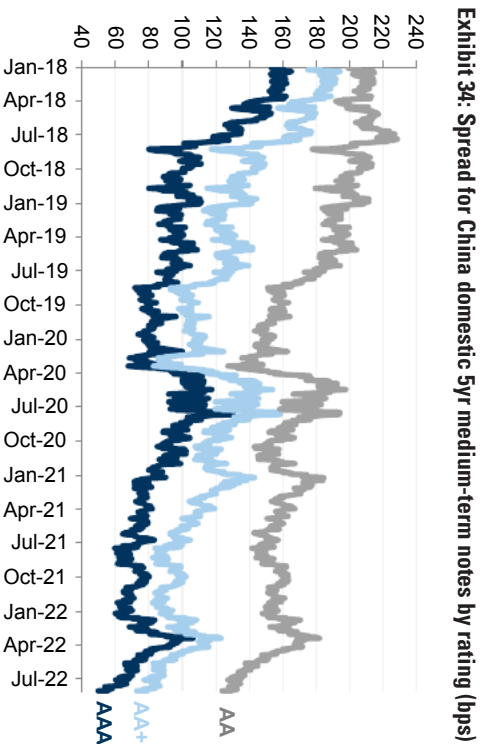
China onshore yield and spread



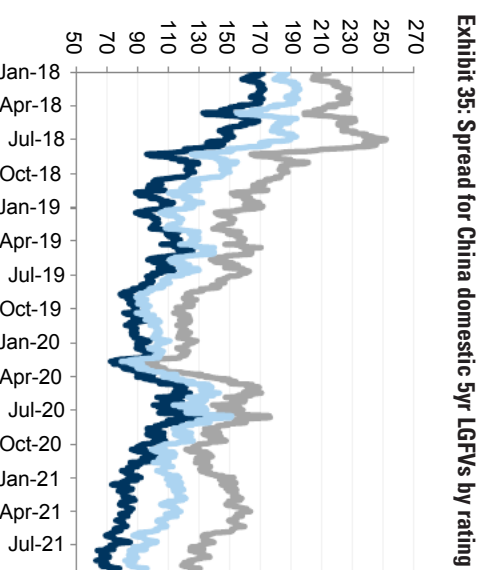
Source: CFETS, Wind



Source: Chinabond, Wind

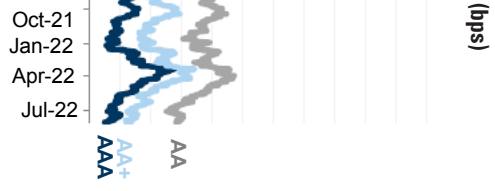
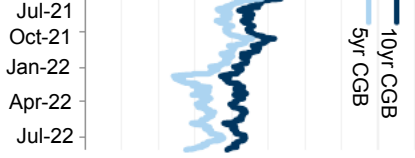


Source: CFETS, Wind



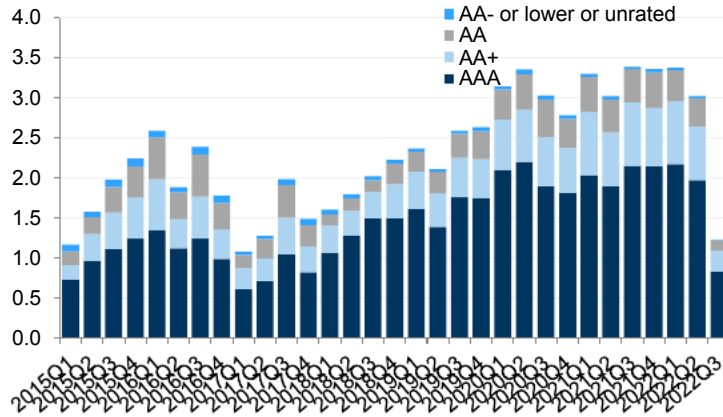
Source: Chinabond, Wind

Asia Credit Trader



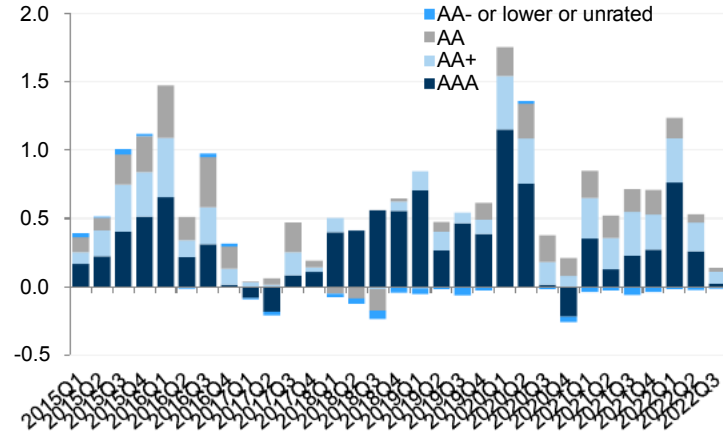
China onshore issuance

Exhibit 36: Onshore corporate sector bond gross issuance breakdown by rating (RMB tn)



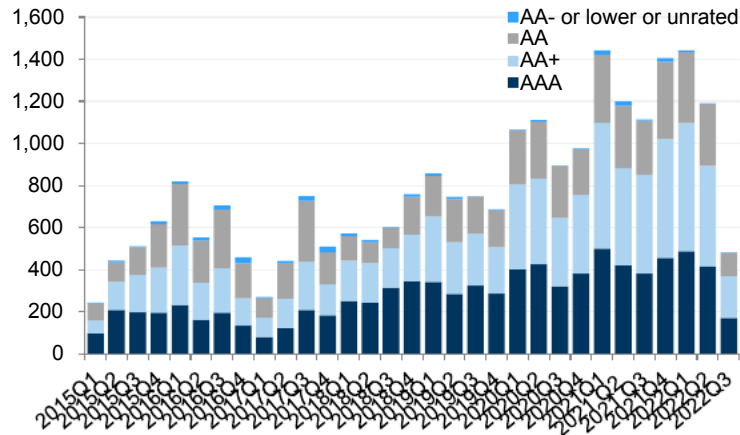
Source: Wind

Exhibit 37: Onshore corporate sector bond net issuance breakdown by rating (RMB tn)



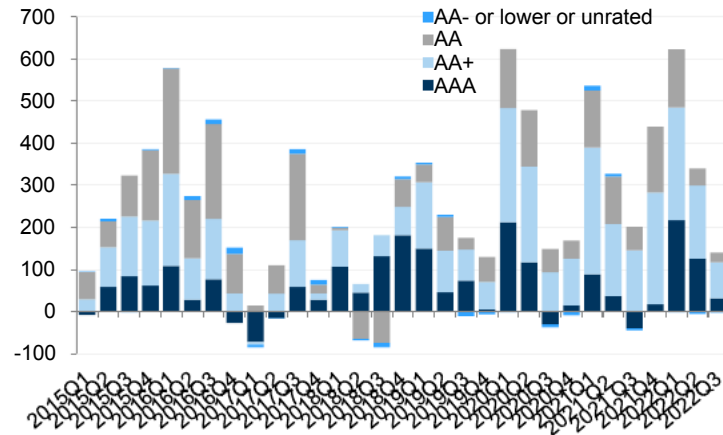
Source: Wind

Exhibit 38: Onshore gross LGFV bond issuance breakdown by rating (RMB bn)



Source: Wind

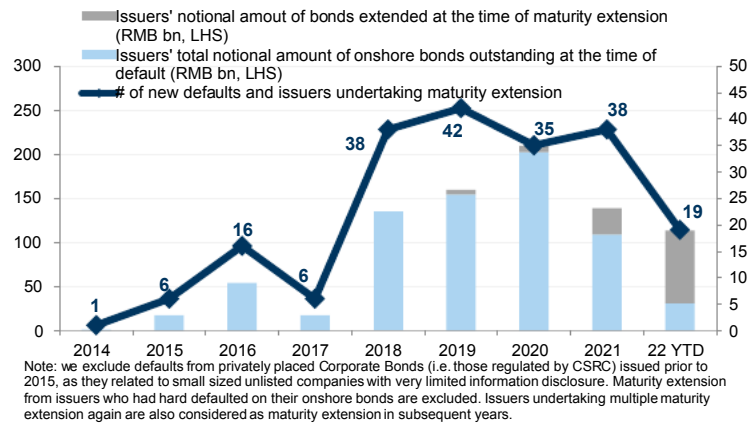
Exhibit 39: Onshore net LGFV bond issuance breakdown by rating (RMB bn)



Source: Wind

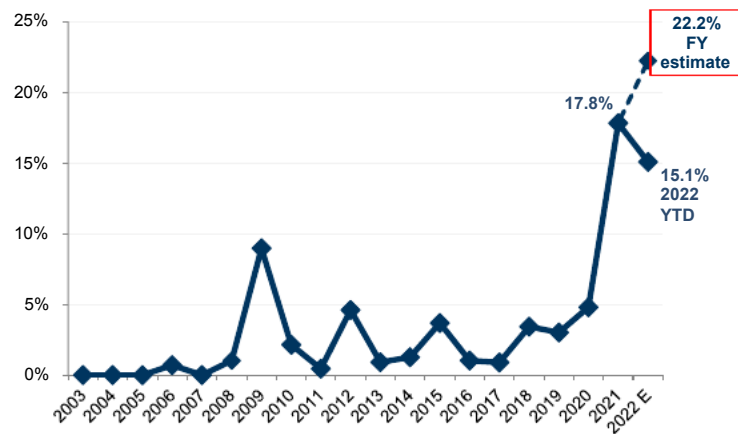
Asia HY and China onshore bond defaults

Exhibit 40: China onshore bond defaults and maturity extensions since 2014



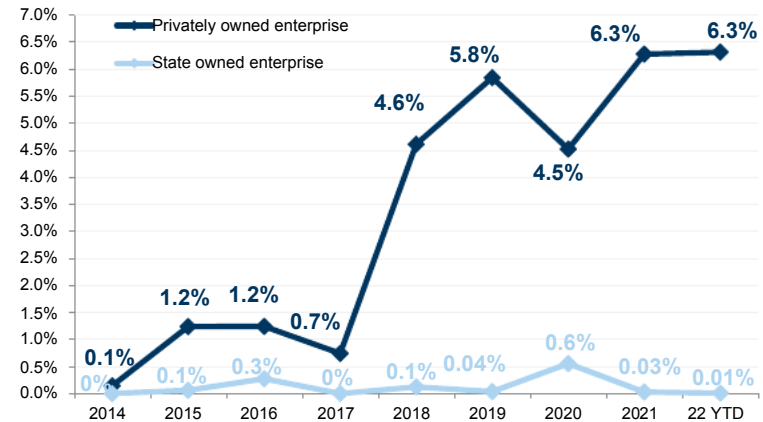
Source: Wind, Bloomberg, Company announcements, Goldman Sachs Global Investment Research

Exhibit 42: Default ratio of AeJ G3 HY bond market (weighted by outstanding amount)



Source: Bloomberg, Moody's, S&P, Goldman Sachs Global Investment Research

Exhibit 41: Issuers' total notional amount of onshore bonds outstanding at the time of default plus issuers' notional amount of bonds extended at the time of maturity extension, as a percentage of total corporate bonds outstanding at the start of the year (%)



Source: Wind, Bloomberg, Company announcements, Goldman Sachs Global Investment Research

Exhibit 43: Asia HY bond defaults/ bond exchanges/ maturity extensions

Year	No. of Defaults/ Bond exchanges/ Maturity extensions	Notional amount (USD mn)
2008	2	270
2009	10	2,555
2010	3	885
2011	1	238
2012	5	2,905
2013	2	880
2014	4	1,483
2015	7	4,117
2016	2	1,173
2017	2	1,427
2018	8	6,086
2019	9	5,663
2020	18	12,480
2021	23	52,640
2022 YTD	38	38,527

Source: Bloomberg, Moody's, S&P, Goldman Sachs Global Investment Research

Asia HY defaults & bond exchanges & maturity extensions and US Treasury performance

Exhibit 44: Details of Asia HY bond defaults/ bond exchanges/ maturity extensions in 2021

Default year	Defaulted/ exchange/ extension involved G3 bonds (USD mn)	Issuer name	Default/ bond exchange/ maturity extension
2021	200	Shandong Sanxing Group Co Ltd	Defaulted
	500	GCL New Energy Holdings Limited	Defaulted
	200	HNA Group	Defaulted
	41	Hainan Airlines Holding Co., Ltd.	Defaulted
	583	Sunshine 100 China Holdings Ltd.	Defaulted
	4,560	China Fortune Land Development Co.,Ltd.	Defaulted
	560	China Oceanwide Group Ltd	Defaulted
	375	Sri Rejeki Isman Tbk PT	Defaulted
	950	Tus-Holdings Co Ltd	Defaulted
	500	Garuda Indonesia Persero Tbk PT	Defaulted
	1,050	Sichuan Languang Development Co Ltd	Defaulted
	19,236	China Evergrande Group	Defaulted
	3,858	Fantasia Holdings Group Co Ltd	Defaulted
	699	Sinic Holdings Group Co Ltd	Defaulted
	1,348	Modern Land China Co Ltd	Defaulted
	229	Xinyuan Real Estate Co Ltd	Bond exchange
	747	Yango Group Co., Ltd.	Bond exchange
	1,400	Fujian Yango	Defaulted
	11,574	Kaisa Group Holdings Ltd	Defaulted
	3,203	China Aoyuan Group Ltd	Defaulted
	222	Serba Dinamik Holdings Bhd	Defaulted
	455	Guorui Properties Ltd	Bond exchange
	150	Ganglong China Property Group Ltd	Bond exchange
2021 Total	52,640		

Source: Bloomberg, Moody's, S&P, HKEX, Data compiled by Goldman Sachs Global Investment Research

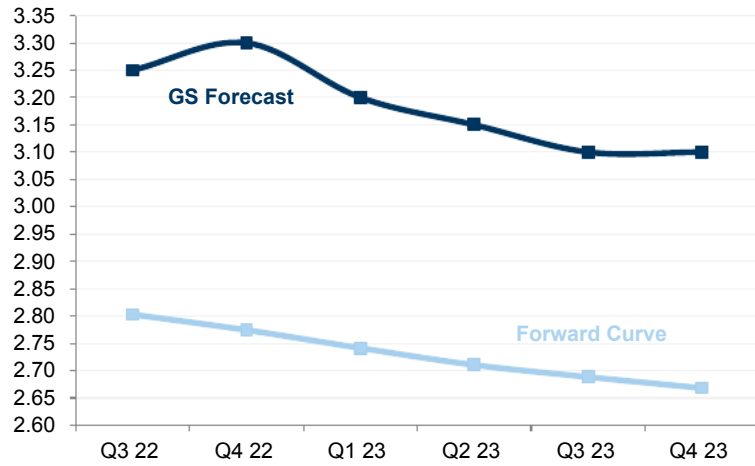
Exhibit 45: Details of Asia HY bond defaults/ bond exchanges/ maturity extensions in 2022

Default year	Defaulted/ exchange/ extension involved G3 bonds (USD mn)	Issuer name	Default/ bond exchange/ maturity extension
2022	725	Guangzhou R&F Properties Co Ltd	Bond exchange
	185	Sunkwan Properties Group Ltd	Bond exchange
	780	Risesun Real Estate Development Co Ltd	Bond exchange
	185	DaFa Properties Group	Bond exchange
	455	Golden Wheel Tiandi Holdings Co Ltd	Bond restructuring
	300	Shinsun Real Estate Group Co Ltd	Bond exchange
	582	Yuzhou Properties Co Ltd	Bond exchange
	155	JY Grandmark Holding Ltd	Bond exchange
	694	China South City Holdings Ltd	Bond exchange
	953	Yango Group Co., Ltd.	Defaulted
	460	DaFa Properties Group	Defaulted
	165	Yincheng International Holdings Co Ltd	Bond exchange
	190	Jingrui Holdings Ltd	Bond exchange
	5	Guorui Properties Ltd	Defaulted
	500	Yuzhou Properties Co Ltd	Defaulted
	998	Zhenro Properties Group Ltd	Bond exchange
	640	Shinsun Real Estate Group Co Ltd	Defaulted
	652	Redco Properties Group Ltd	Bond exchange
	595	Mulhacen Pte Ltd	Bond restructuring
	1,379	Zhenro Properties Group Ltd	Defaulted
	600	E-House (China) Holdings Limited	Defaulted
	7,704	Sunac China Holdings Ltd	Defaulted
	729	Zhongliang Holdings Group Co Ltd	Bond exchange
	300	Datang Group Holdings Limited	Bond exchange
	1,626	Yuzhou Properties Co Ltd	Defaulted
	223	Jiangsu Zhongnan Construction Group Co Ltd	Bond exchange
	300	Zhenro Properties Group Ltd	Defaulted
	488	Greenland Holding Group Co Ltd	Maturity extension
	123	Leading Holdings Group Ltd	Bond exchange
	6,120	Shimao Group Holdings Ltd	Defaulted
	541	Skyfame Realty (Holdings) Ltd	Defaulted
	2,253	Ronshine China Holdings Limited	Defaulted
	4,944	Guangzhou R&F Properties Co Ltd	Bond exchange
	500	Powerlong Real Estate Holdings Ltd	Bond exchange
	138	Huijing Holdings Co Ltd	Bond exchange
	210	Sunkwan Properties Group Limited	Bond exchange
260	Jingrui Holdings Ltd	Defaulted	
872	China South City Holdings Ltd	Bond exchange	
2022 YTD Total	38,527		

Source: Bloomberg, Moody's, S&P, HKEX, Data compiled by Goldman Sachs Global Investment Research

Exhibit 46: US 5y Treasury forward vs. GS forecast

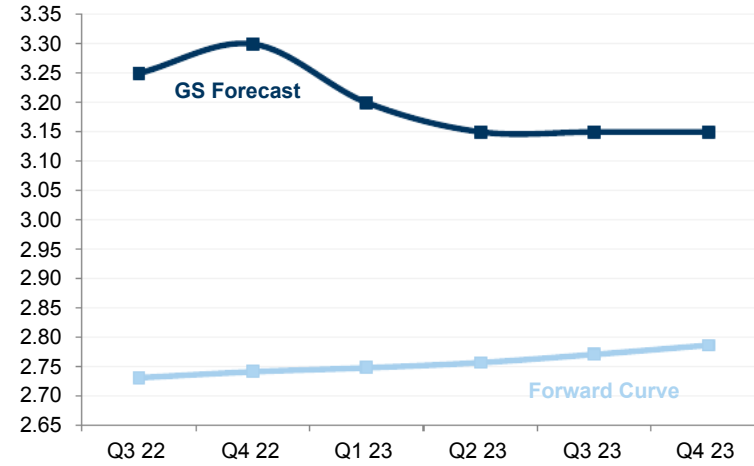
5y Treasury yield (%)



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 47: US 10y Treasury forward vs. GS forecast

10y Treasury yield (%)



Source: Bloomberg, Goldman Sachs Global Investment Research

Rating changes

Exhibit 48: Rating changes during the week

Issuer	Change	Moody's		S&P	
		Current	Previous	Current	Previous
Mapletree North Asia Commercial Trust Treasury Co S Pte Ltd	Positive Change by Moody's	Baa2	Baa3 (Neg)	NR	NR
Sino-Ocean Group Holding Ltd	Negative Change by Moody's	Ba1 (Neg)	Baa3 (Watch Neg)	NR	NR
ENN Energy Holdings Ltd	Positive Change by S&P	Baa1	Baa1	BBB+	BBB (Pos)

Source: Bloomberg

Exhibit 49: Credit watch changes during the week

Issuer	Change	Moody's		S&P	
		Current	Previous	Current	Previous
China SCE Group Holdings Ltd	Negative Change by Moody's	B2 (Watch Neg)	B2	B+	B+

Source: Bloomberg

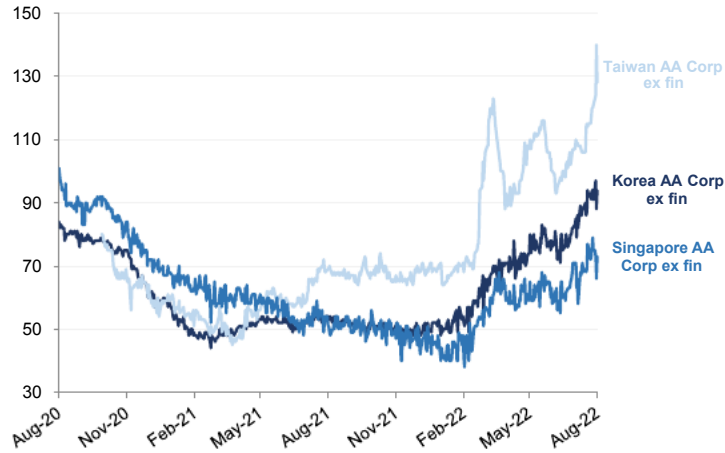
Exhibit 50: Outlook changes during the week

Issuer	Change	Moody's		S&P	
		Current	Previous	Current	Previous
Islamic Republic of Pakistan	Negative Change by S&P	B3 (Neg)	B3 (Neg)	B- (Neg)	B-

Source: Bloomberg

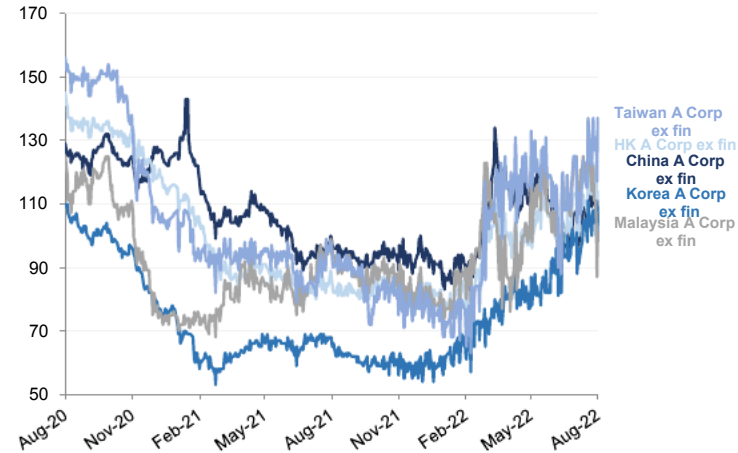
Relative Value: IG Corporates by Rating

Exhibit 51: OAS for AA rated corporates from Taiwan, Korea and Singapore (bps)
including bonds with a final maturity date less than 10yr



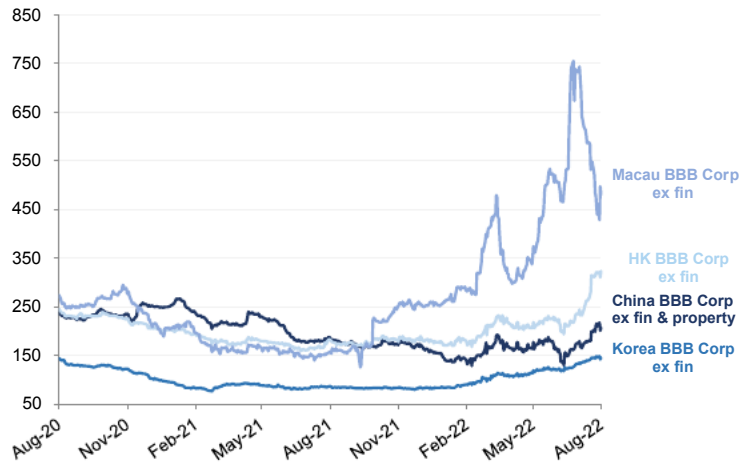
Source: ICE-BAML

Exhibit 52: OAS for A rated corporates from China, HK, Malaysia, Taiwan and Korea (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 53: OAS for BBB rated corporates from China, HK, Macau and Korea (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

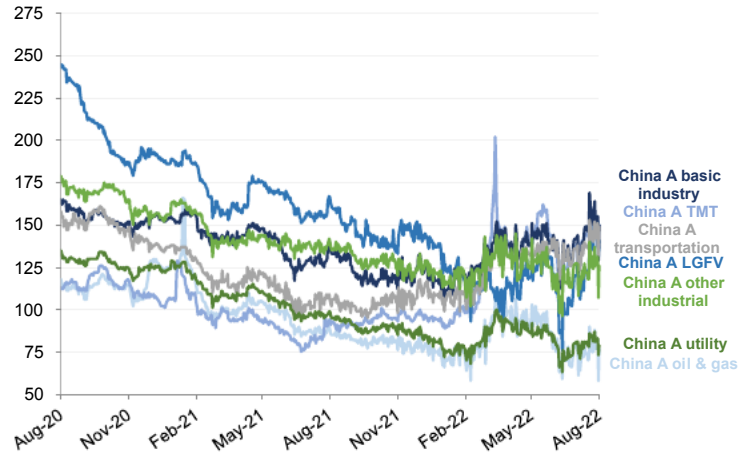
Exhibit 54: OAS for BBB rated corporates from Malaysia, India, Indonesia and Thailand (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Relative Value: IG Corporates by Sector

Exhibit 55: OAS for A rated China corporates (bps)
including bonds with a final maturity date less than 10yr



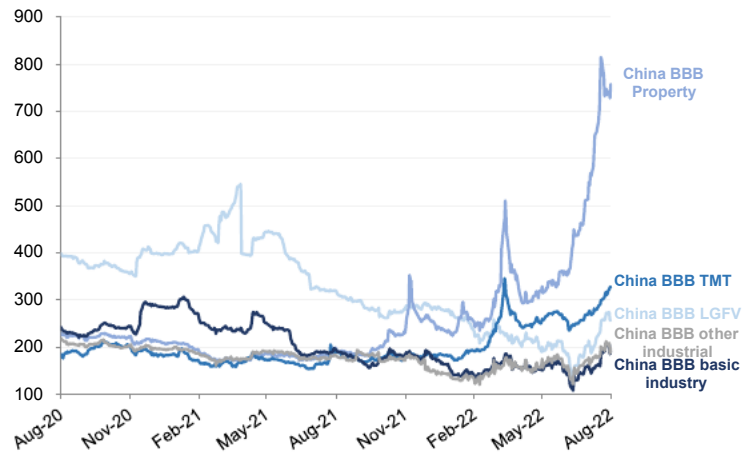
Source: ICE-BAML

Exhibit 56: OAS for China A rated POE vs SOE (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 57: OAS for BBB rated China corporates (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 58: OAS for China BBB rated POE vs SOE (bps)
including bonds with a final maturity date less than 10yr

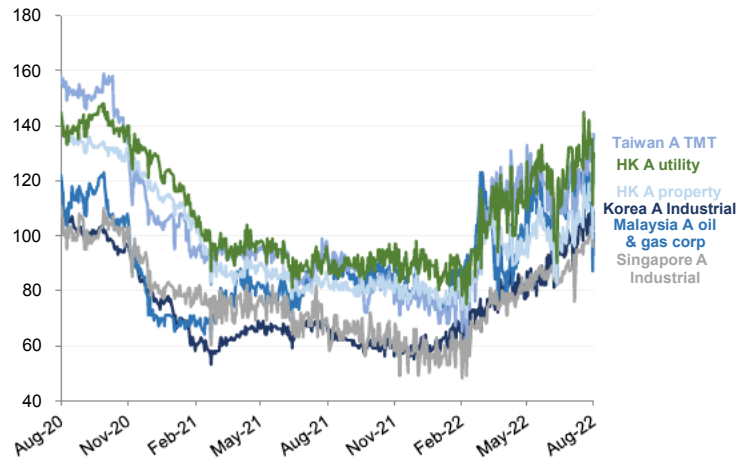


Source: ICE-BAML

Relative Value: IG Corporates by Sector

Exhibit 59: OAS for A rated corporates from HK, Malaysia, Taiwan, Korea and Singapore (bps)

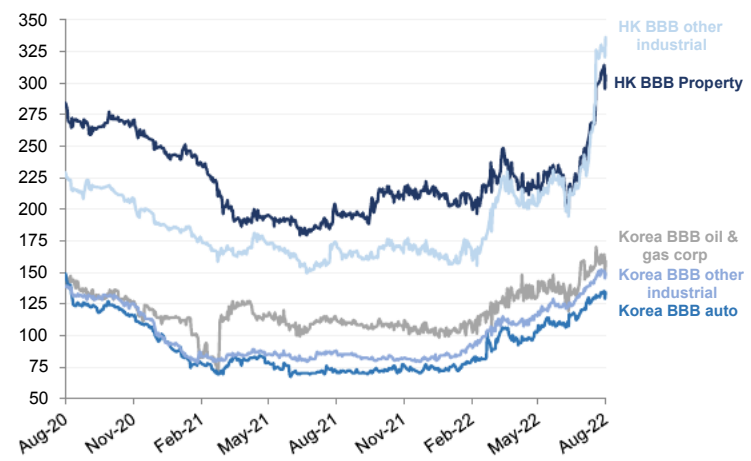
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 60: OAS for BBB rated corporates from HK and Korea (bps)

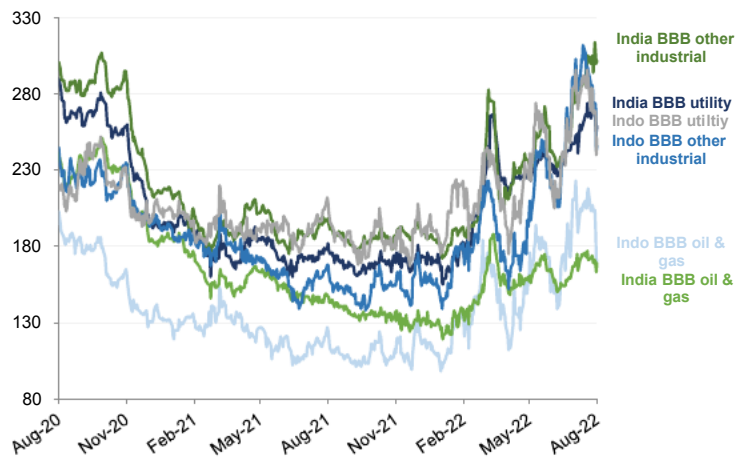
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 61: OAS for BBB rated corporates from India and Indonesia (bps)

including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 62: OAS for BBB rated corporates from Malaysia and Thailand (bps)

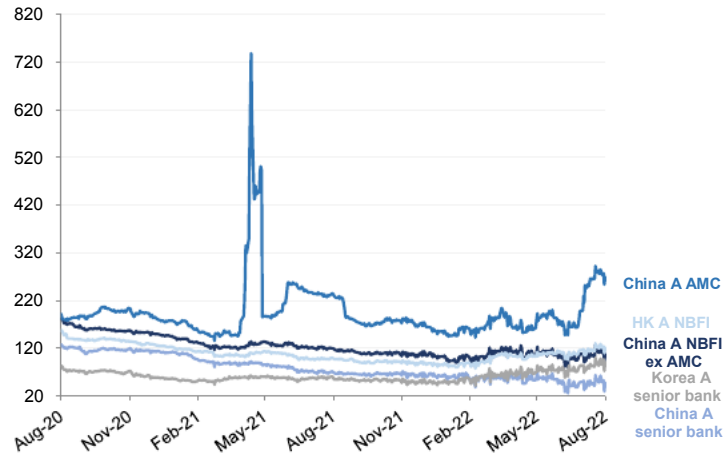
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

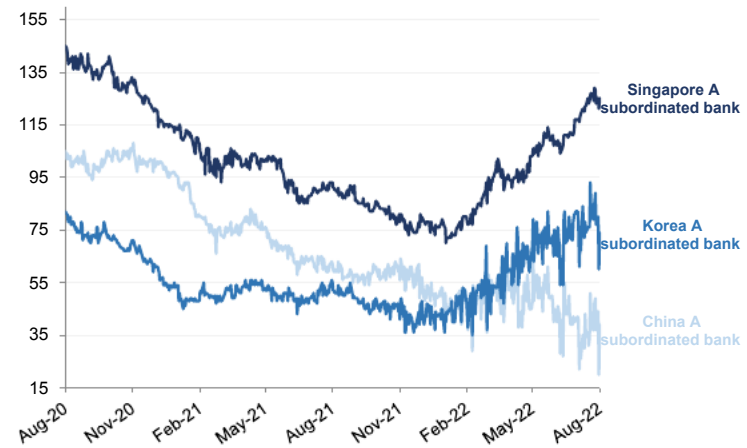
Relative Value: IG Financials

Exhibit 63: OAS for A rated senior and non-bank financials (bps)
including bonds with a final maturity date less than 10yr



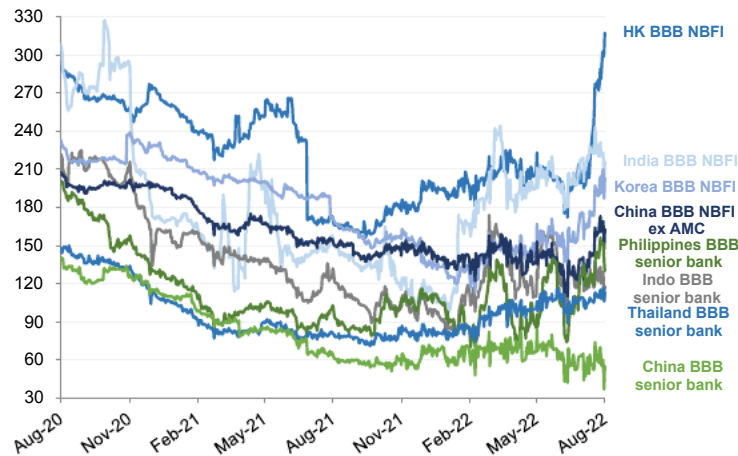
Source: ICE-BAML

Exhibit 64: OAS for A rated subordinated financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 65: OAS for BBB senior and non-bank financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

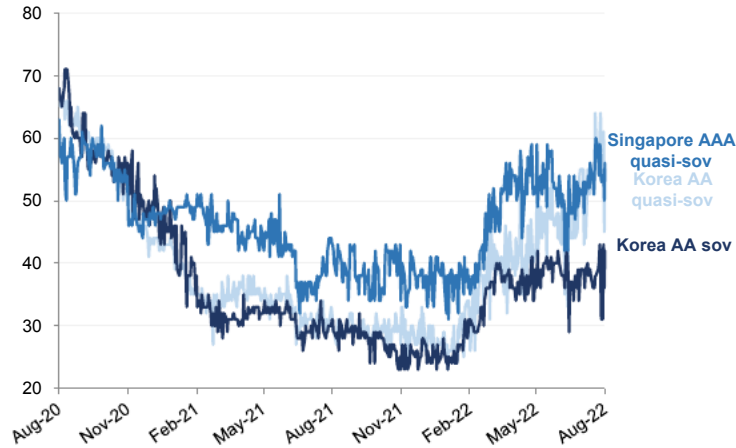
Exhibit 66: OAS for BBB rated subordinated financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

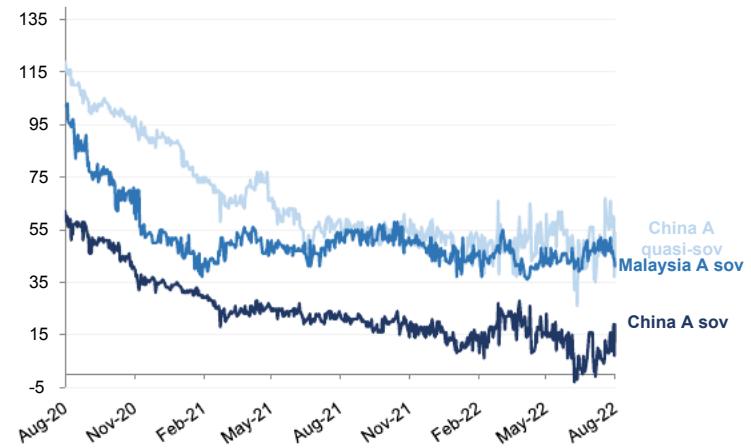
Relative Value: IG Sovereign

Exhibit 67: OAS for AAA/AA rated sovereign and quasi-sovereign (bps)
including bonds with a final maturity date less than 10yr



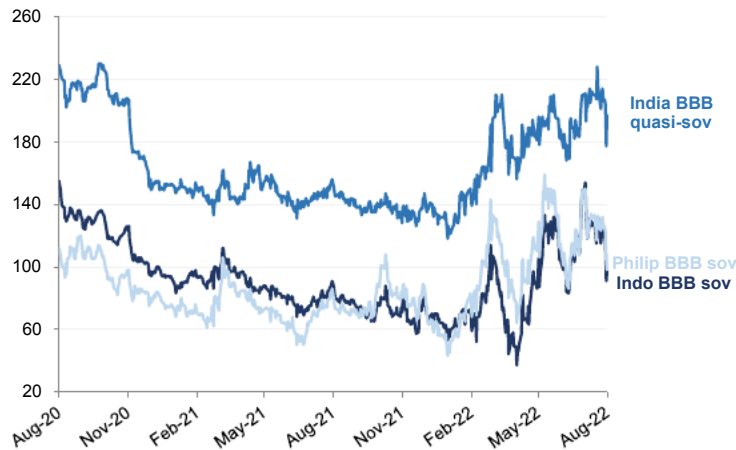
Source: ICE-BAML

Exhibit 68: OAS for A rated sovereign and quasi-sovereign (bps)
including bonds with a final maturity date less than 10yr



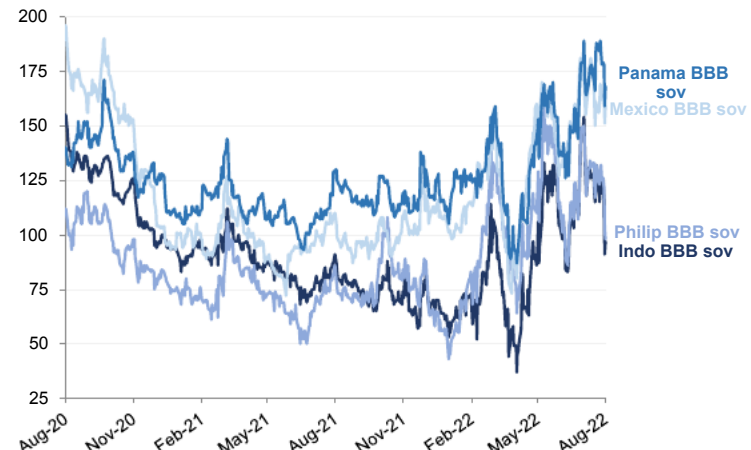
Source: ICE-BAML

Exhibit 69: OAS for BBB rated sovereign and quasi-sovereign (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 70: OAS for BBB rated EM sovereign (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

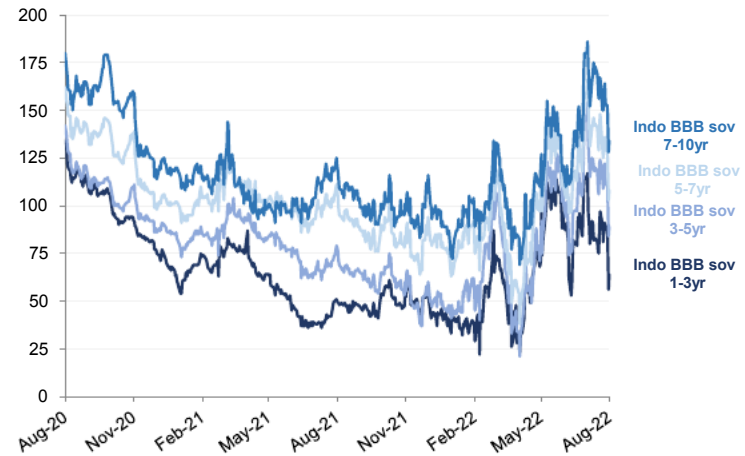
IG Curve Shapes

Exhibit 71: OAS for China A corporates by maturity (bps)



Source: ICE-BAML

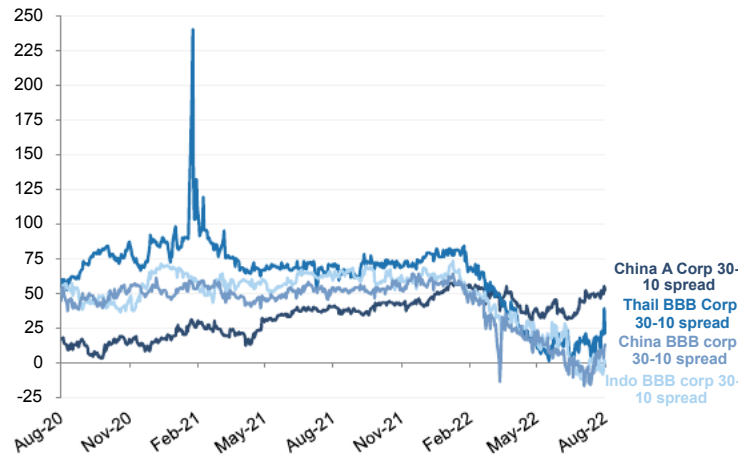
Exhibit 72: OAS for Indonesia BBB sovereign by maturity (bps)



Source: ICE-BAML

Exhibit 73: OAS differential between 10yr and 30yr IG corporates (bps)

Spread differential for bonds with a final maturity date between 20-40yr and bonds with a final maturity date between 8-10yr



Source: ICE-BAML

Exhibit 74: OAS differential between 10yr and 30yr IG sovereign (bps)

Spread differential for bonds with a final maturity date between 20-40yr and bonds with a final maturity date between 8-10yr



Source: ICE-BAML

Relative Value: HY

Exhibit 75: YTW for BB rated corporates from China, India, Indonesia and Macau



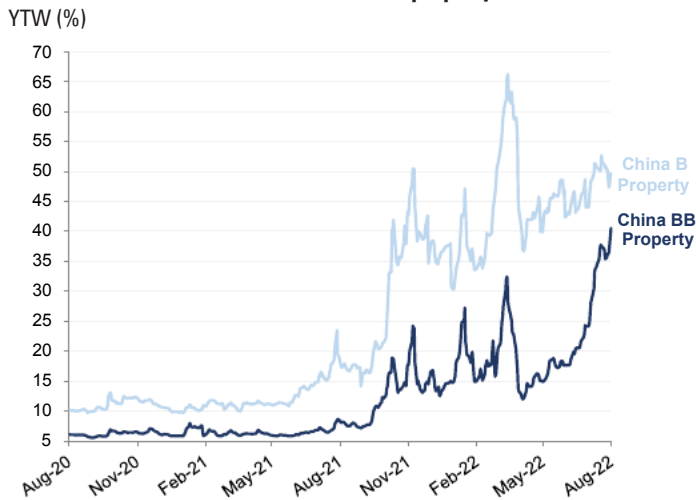
Source: ICE-BAML

Exhibit 76: YTW for B rated corporates from China, India, Indonesia and Macau



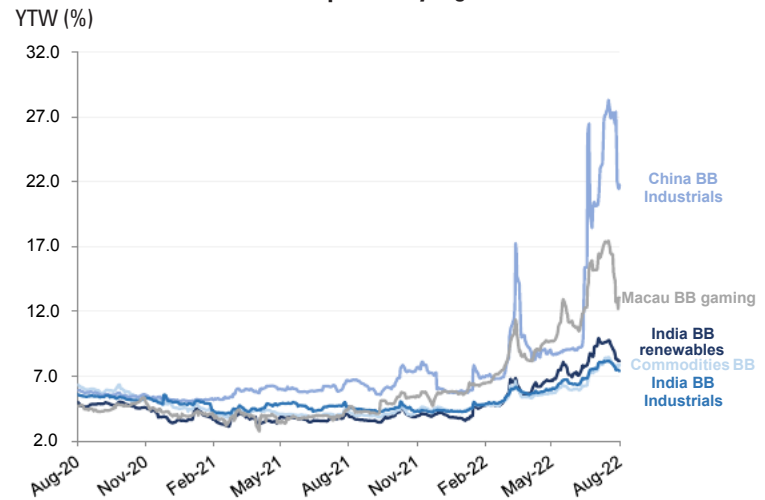
Source: ICE-BAML

Exhibit 77: YTW for BB and B rated China property



Source: ICE-BAML

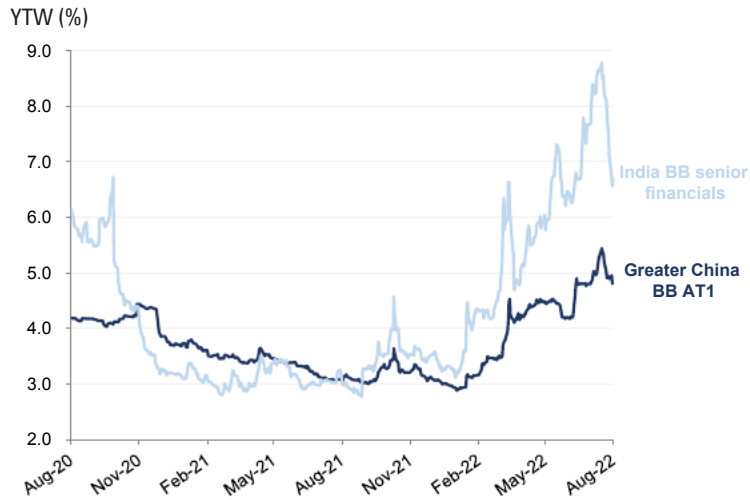
Exhibit 78: YTW for BB rated corporates by region and sector



Source: ICE-BAML

Relative Value: HY

Exhibit 79: YTW for BB rated financials



Source: ICE-BAML

Exhibit 80: YTW for B rated corporates by region and sector



Source: ICE-BAML

Exhibit 81: YTW for B rated sovereign



Source: ICE-BAML

Exhibit 82: YTW for CCC rated sovereign



Source: ICE-BAML

Recent publications

Publication	Title	Date
Global Markets Daily	Policy Support Could Limit Tail Risk But Unlikely To Stop Defaults For China Property Sector (Ho)	Aug 1, 2022
Asia Credit Trader	Not Expecting A Sustained Rally In Asia HY	Jul 30, 2022
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