

Asia Credit Trader

Shifting To Neutral Across IG & HY, Still Focused on Short End Carry

Another strong week for Asia HY as sentiment remained firm across global risk assets, though performance across China property HY continued to lag. To us, this divergence in performance reflects the macro backdrop. The strong US payrolls and weaker than expected inflation data lowered the risks of a near term recession and a more hawkish Fed response, whilst China growth risks remain tilted to the downside with lingering concerns surrounding the real estate sector.

As highlighted in our 2022 outlook, we saw the deteriorating growth inflation/mix as the biggest factor affecting the Asia credit market this year, and it is for these reasons that we shifted to a preference for IG over HY in May this year. We do not see a straight line path towards improved performance, with potential risks including commodity price rebound and geopolitical concerns, amongst others. But with near-term risks having subsided, we are shifting to a neutral stance between IG and HY for several reasons. First, the risks of near-term recession in the US has reduced, and we expect a disinflationary path ahead; second, the selloff in Asia HY since the start of the year means valuation is at attractive levels; and third, investors are cautiously positioned and fund flows have turned less negative. That

said, we maintain our preference for front end carry to reduce market volatility and see the best relative value in Commodities HY and in Macau Gaming HY.

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Summary of the week

Another strong week for Asia HY as sentiment remained firm across global risk assets, though performance across China property HY continued to lag. To us, this divergence in performance reflects the macro backdrop, with the strong payrolls and weaker than expected inflation data from the US lowering the risk of a near-term recession and a more hawkish Fed response, whilst China growth risks remain tilted to the downside with lingering concerns surrounding the real estate sector. We do not see a straight line path towards improved performance, with potential risks including commodity price rebound and geopolitical concerns, amongst others. But with near-term risks having subsided, we are shifting to a neutral stance across IG and HY (compared with our earlier preference for IG over HY), though maintain our preference for shorter-dated carry to reduce market volatility, and continue to see better value in non-China property HY, specifically Commodities HY and Macau Gaming HY.

Still muddling through in China. We believe a muddle through scenario in China – which we define as defaults staying elevated but systemic risk concerns remaining in check, with growth at positive but low levels – is plausible, and the recent news affirms that stance. In its Q2 [monetary policy report](#), the PBOC reiterated its accommodative stance by stating monetary policy would “*step up support to the real economy*” and focus on implementing the already-announced policy measures, and our China economics team continues to expect the PBOC to maintain the low-profile accommodative monetary policy stance. For the China property sector, our China property team noted that the latest number of cities with reported [mortgage boycott incidents](#) reached 100, with 337 developer projects being impacted (vs. 99 cities and 336 projects in the prior week). Furthermore, Zhengzhou, with 46 reported mortgage boycott incidents, reportedly [announced](#) implementation of a rescue fund worth up to Rmb10bn originated from both state-owned and social capital. These indicate stresses remaining high within the property sector, though there appears to be tentative signs of stabilization.

Asia IG: Shorter-dated single-A our core preference, but relative value in 30yr. We are neutral across IG and 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 the China, HK, Korea and Taiwan markets. 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 potential for more defaults to emerge. Focus should be on shorter-dated credits within Macau Gaming and Commodities sectors. 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.

Shifting To Neutral Across IG & HY, Still Focused on Short End Carry

US recession risks alleviated, at least for now. As noted by our Global Chief Economist, the July employment report shows that the US economy is not in recession. Although real GDP has declined for two consecutive quarters and other growth measures such as our current activity indicator (CAI) have clearly been slowing, most of the monthly indicators used by the Business Cycle Dating Committee of the National Bureau of Economic Research are still rising. Most importantly, nonfarm payrolls surged 528k in July, a further pickup from the robust pace of the prior six months. These numbers are preliminary, but even allowing for the possibility of downward revisions it is clear that employment is still expanding at a healthy rate, at least for now.

A disinflationary environment, though insufficient to stop the Fed from hiking. The most recent US CPI And PPI inflation data suggest we are on a disinflationary path. According to our Global Chief Economist, the most immediate reason to expect disinflation is the nearly 20% decline in retail gasoline prices since mid-June, which still has further to run given the usual lags versus the wholesale market. By itself, this decline should take at least 1pp off the headline CPI level in the next 2-3 months. Perhaps more importantly, the improvement in supplier delivery times and other supply chain measures is increasingly feeding into slower PPI inflation and should soon show up in the core goods CPI as well. However, they remain concerned about shelter and other service prices, where persistence is greater and where we see only limited evidence of slowing in the leading indicators. All told, they expect a large slowdown from the outsized prints of the past two months, but it will probably take until early next year before sequential inflation slows sufficiently to persuade the Fed to stop hiking.

Rising oil prices still a risk, but near term concerns subsided. Brent prices have declined 25% since early June, though our Commodities team continues to expect the oil market will remain in unsustainable deficits at current prices, after updating their supply and demand forecasts. Balancing the oil market therefore still requires oil demand destruction on top of the ongoing economic slowdown, where they are more cautious than consensus. This requires a sharp rebound in retail fuel prices - the binding constraint to balancing the oil market - back to USD 150/bbl Brent equivalent prices. They still expect that Brent prices will need to rally well above market forwards, with their 3Q-4Q22 forecasts now USD 110-125/bbl vs. USD 140-130/bbl previously (with their USD 125/bbl 2023 forecast unchanged).

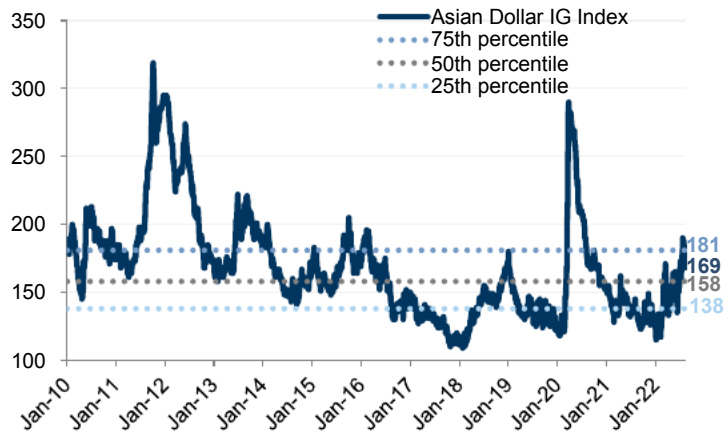
Shifting to neutral between IG and HY. As highlighted in our 2022 outlook, we saw the deteriorating growth inflation/mix as the biggest factor affecting the Asia credit market this year, and concerns about inflation, a more hawkish Fed and recessionary fears have dominated price actions since the start of this year. And it is for these reasons we shifted to a preference for IG over HY in May this year. We believe these factors will continue to be important drivers of the market for the remainder of 2022, but we believe investors should shift to a neutral stance between IG and HY for several reasons. First, as noted above, risks of near term recession in the US has subsided, and we expect a disinflationary path ahead;

second, the selloff in Asia HY spreads since the start of the year means valuation is at attractive levels; and third, as noted in last week's [Asia Credit Trader](#), investors are cautiously positioned and fund flows have turned less negative. That said, we maintain our preference for front end carry to reduce market volatility (which we expect to stay elevated) and see the best relative value in Commodities HY (due to our Commodities team maintaining their [bullish](#) stance) and in Macau Gaming HY (which we see is on a [rocky path to recovery](#)).

Asia credit performance

Exhibit 1: Asia IG performance

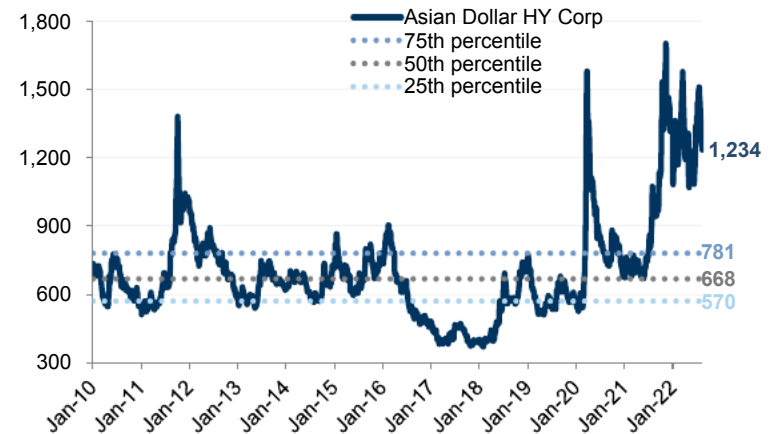
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 2: Asia HY corp performance

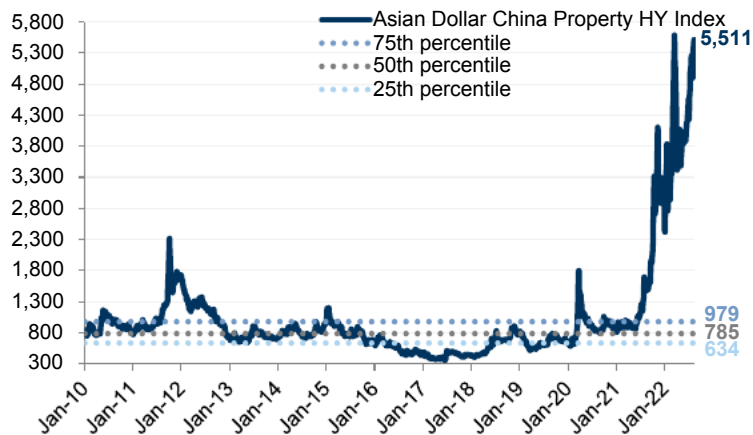
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 3: China property HY performance

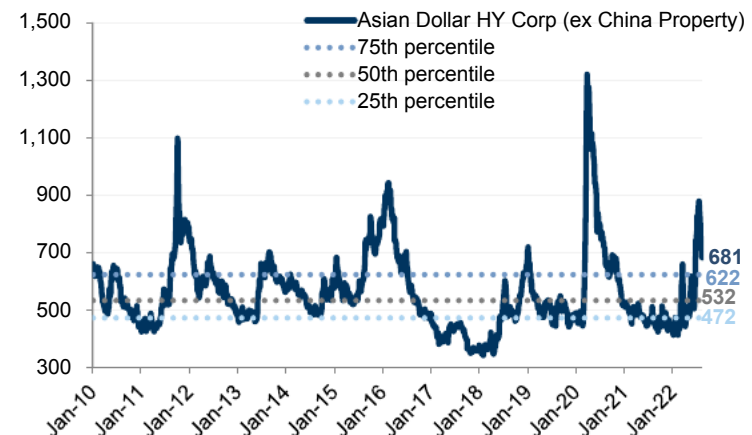
OAS and historical percentiles from Jan 2010 (bps)



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	169	162
Asian Dollar HY Corp (ex China property)	681	600

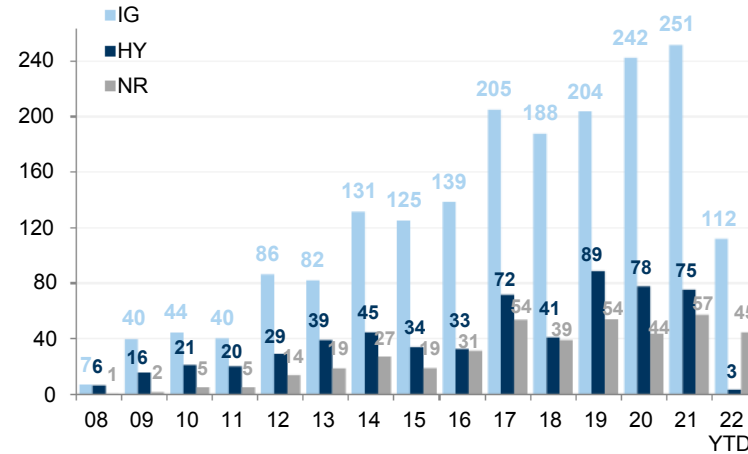
Source: ICE-BAML, Goldman Sachs Global Investment Research

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

Date	Issuer	Country	Sector	Bond	Currency	Notional (USD mn)
Investment Grade						
8/9/2022	Korea Development Bank/The	Korea	Financial	KDB Float% 24	USD	25
8/10/2022	Qingdao Jimo District Urban Development Investment Co Ltd	China	Industrial	JMUDIV 4.9% 25	USD	261
Total						286

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						
8/8/2022	Solar United Network Pte Ltd	Singapore	Utilities	SLRUTD 8.125% 25	USD	70
8/8/2022	GF Capital Global Ltd	Sri Lanka	Consumer	GFLOB 3.1% 22	USD	2
8/9/2022	Gemstones International Ltd	China	Financial	LVGEM 6% 23	USD	9
8/9/2022	Shaodong City Development Group Co Ltd	China	Industrial	SDCDGP 3.2% 25	EUR	152
8/9/2022	Hanwha Impact Corp	Korea	Basic Materials	SAMGEN Float% 25	USD	30
8/10/2022	Hanwha Aerospace Co Ltd	Korea	Industrial	SAMAER Float% 25	USD	30
8/10/2022	Wuxi Chengkai Industrial Development Group Co Ltd	China	Industrial	WXCKIN 2.95% 25	EUR	165
8/11/2022	Huai An Traffic Holding Group Co Ltd	China	Industrial	HACOMM 5.5% 25	USD	300
8/11/2022	SDSC International Development Ltd	China	Industrial	SDSHIP 5% 25	USD	200
8/11/2022	Korea Development Bank/Singapore	Korea	Financial	KDB 3.83% 24	USD	20
8/11/2022	Suzhou City Construction Investment Group Holding Co Ltd	China	Industrial	SZCONS 5.5% 25	USD	100
8/12/2022	Binzhou Bincheng District Economic Development Investment Co Ltd	China	Industrial	BIBIDI 4.8% 25	USD	28
Total						1,105

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 11, 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	101	4.1	4.5	9	16	44	44	0.2	-0.2	-8.2	-7.5	46.7%	99.6%
Korea AA Corp	93	4.1	3.6	4	18	39	40	0.3	-0.4	-6.7	-6.0	52.3%	99.6%
Taiwan AA Corp	128	4.3	5.8	20	17	60	58	-0.1	0.0	-10.9	-10.1	98.5%	97.3%
Singapore AA Corp	71	3.8	4.6	3	11	19	24	0.5	-0.1	-8.3	-7.8	28.3%	98.2%
A rated	106	4.1	4.2	-3	-4	13	17	0.7	0.6	-7.0	-6.7	18.5%	97.4%
China A Corp	106	4.2	3.8	-2	-8	9	13	0.5	0.7	-5.9	-5.6	21.0%	99.2%
HK A Corp	107	4.1	5.3	-5	3	23	24	0.8	0.2	-6.1	-5.7	29.8%	97.2%
Korea A Corp	101	4.2	3.3	5	20	37	39	0.1	-0.8	-6.0	-5.4	24.4%	94.5%
Malaysia A Corp	86	3.9	5.3	-35	-23	-7	5	2.9	2.2	-6.6	-6.4	12.1%	92.0%
Singapore A Corp	134	4.5	3.0	9	16	26	41	0.1	-0.4	-5.5	-5.5	28.9%	99.6%
Taiwan A Corp	133	4.4	3.8	26	13	39	55	-0.5	0.0	-7.7	-7.6	75.7%	99.7%
BBB rated	371	6.8	4.0	44	94	186	172	-0.7	-4.5	-14.1	-12.6	96.0%	99.7%
China BBB Corp (ex-property)	199	5.1	3.4	24	26	1	22	-0.3	-0.6	-5.2	-5.7	33.9%	94.4%
Indo BBB Corp	186	4.9	4.8	-81	-37	34	36	4.9	2.7	-6.0	-5.7	37.3%	79.1%
India BBB Corp	219	5.2	4.2	-13	10	54	56	1.6	0.1	-7.3	-7.4	50.2%	91.5%
HK BBB Corp	334	6.4	4.6	90	121	159	156	-2.5	-4.0	-11.3	-10.9	86.2%	99.8%
Korea BBB Corp	142	4.6	3.3	5	24	58	57	0.2	-0.8	-7.0	-6.5	61.0%	95.8%
Thailand BBB Corp	217	5.1	6.4	-5	25	87	82	1.6	-0.3	-10.7	-10.8	65.6%	96.1%
Malaysia BBB Corp	236	5.4	4.6	-9	35	64	71	1.0	-1.0	-10.5	-10.1	84.7%	98.6%
Macau BBB Corp	450	7.5	4.4	-169	48	286	196	8.3	-0.5	-14.8	-12.2	91.3%	93.7%
<i>High-yield</i>													
BB rated	1,034	13.4	3.1	-61	447	498	312	-0.8	-13.1	-31.5	-25.9	98.3%	99.0%
China BB Corp (ex-property)	1,178	15.0	2.5	-46	723	776	780	-2.8	-17.1	-18.7	-18.5	99.2%	99.3%
China BB HY Property	4,135	44.2	2.1	1,410	2,704	3,411	2,775	-27.8	-46.0	-70.1	-63.8	99.9%	99.9%
India BB Corp	438	7.5	3.2	-129	52	129	155	5.2	-0.7	-6.4	-8.0	45.4%	71.8%
Indo BB Corp	494	8.2	3.1	-121	93	95	100	4.4	-1.9	-4.4	-5.1	90.5%	96.7%
Macau BB Corp	906	12.1	4.0	-460	182	552	476	20.6	-5.9	-22.3	-20.3	97.7%	97.9%
India BB renewable energy	496	8.1	3.3	-141	73	189	224	5.4	-0.6	-7.9	-9.2	82.0%	92.4%
India BB non-renewable energy Corp	372	6.8	2.8	-139	19	64	89	4.8	-0.6	-4.3	-5.9	41.0%	80.6%
B rated	1,608	19.2	2.9	-497	-215	317	-42	5.9	-16.8	-53.9	-36.5	92.3%	94.1%
China B Corp (ex-property)	2,834	31.6	1.8	521	1,188	2,303	1,973	-8.1	-18.6	-33.2	-30.1	99.8%	99.8%
China B HY Property	5,081	53.4	1.6	-443	720	3,397	2,080	-17.1	-52.7	-85.1	-72.6	98.6%	99.4%
India B Corp	1,331	16.5	2.6	-276	495	650	595	7.1	-8.5	-8.9	-10.9	91.9%	93.6%
Indo B Corp	1,142	14.6	2.9	-41	539	575	582	3.6	-8.8	-10.0	-11.3	86.7%	91.6%
Macau B Corp	863	11.7	3.6	-534	102	461	333	21.0	-1.1	-16.7	-13.3	96.8%	98.2%

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 11, 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	67	3.9	2.7	-6	-7	-10	-5	0.3	0.0	-4.6	-4.1	0.9%	80.8%
China A senior bank	45	3.6	2.6	-6	-10	-25	-19	0.3	0.1	-4.4	-3.9	0.7%	81.5%
Korea A senior bank	87	4.0	2.9	4	17	29	35	0.1	-0.5	-5.4	-4.9	25.8%	93.9%
China BBB senior bank	54	3.7	2.0	-8	-13	-7	-11	0.1	-0.1	4.1	4.7	0.8%	85.4%
Philippines BBB senior bank	121	4.4	2.5	3	12	30	16	0.2	-0.3	-4.6	-4.0	41.9%	96.8%
Thailand BBB senior bank	108	4.2	3.3	3	9	27	24	0.4	-0.2	-4.4	-4.4	29.9%	89.6%
Indo BBB senior bank	111	4.3	2.1	-6	-42	-6	19	0.2	0.5	-3.2	-3.3	5.7%	87.4%
Subordinated bank	109	4.2	2.9	-8	0	-4	10	0.6	-0.1	-4.6	-4.6	3.8%	87.8%
China A subordinated bank	36	3.5	2.8	1	-13	-27	-17	0.0	-0.1	-4.6	-4.0	0.9%	83.3%
Korea A subordinated bank	72	3.9	3.3	-12	6	18	27	0.7	-0.2	-6.4	-5.8	35.4%	55.7%
Singapore A subordinated bank	121	4.4	2.8	0	18	30	42	0.1	-0.7	-5.6	-5.4	19.6%	99.3%
China BBB subordinated bank	90	3.7	2.7	-21	-14	-22	-7	0.9	0.5	-3.6	-3.3	0.7%	33.3%
Korea BBB subordinated bank	172	4.8	3.7	-3	18	50	52	0.7	-0.4	-6.9	-6.7	38.4%	92.9%
HK BBB subordinated bank	121	4.7	1.7	-10	6	-69	-14	0.1	-0.5	-1.5	-2.5	1.0%	80.2%
Non-bank financials	200	5.1	3.2	12	35	-36	55	0.2	-0.9	-3.2	-6.2	45.8%	93.4%
China A NBFI ex AMC	103	4.2	3.1	-6	-5	-16	-2	0.5	0.3	-4.3	-4.2	2.6%	89.9%
China A AMC	260	5.7	3.7	6	72	31	105	0.2	-2.4	-6.4	-8.8	95.4%	99.0%
HK A NBFI	114	4.3	3.6	-5	8	16	26	0.6	-0.1	-3.9	-3.3	33.1%	98.7%
China BBB NBFI ex AMC	155	4.7	2.9	16	15	0	13	-0.3	-0.4	-4.8	-4.6	10.0%	94.0%
India BBB NBFI	199	5.1	4.1	-22	-4	51	88	1.8	1.0	-5.3	-6.1	66.1%	91.4%
HK BBB NBFI	344	6.6	2.4	130	137	177	149	-1.9	-3.5	-7.4	-6.7	87.1%	99.7%
Korea BBB NBFI	207	5.2	2.4	43	55	40	72	-1.1	-1.7	-4.5	-4.8	46.9%	84.8%
<i>High-yield</i>													
BB rated	189	5.2	3.1	-44	-8	-141	-43	1.2	0.1	-2.9	-4.7	2.0%	69.4%
Greater China BB AT1	149	4.8	3.2	-15	2	-89	-14	0.9	0.3	-2.2	-3.9	4.1%	38.3%
India BB senior financials	337	6.6	1.6	-181	-51	64	77	2.8	1.2	-1.1	-2.4	75.5%	90.3%
Asia sovereign & quasi-sovereign by region													
<i>Investment Grade</i>													
AAA/AA rated	53	3.6	4.0	0	7	20	22	0.5	0.0	-7.2	-6.5	14.8%	95.5%
Singapore AAA quasi-sov	52	3.5	5.7	-1	1	9	15	0.8	0.5	-8.4	-8.0	25.0%	91.3%
Korea AA quasi-sov	56	3.7	3.2	1	12	25	27	0.3	-0.3	-6.7	-5.8	21.5%	98.2%
Korea AA sov	40	3.4	4.4	0	1	11	14	0.5	0.1	-7.5	-6.8	12.6%	86.9%
A rated	65	3.8	3.6	4	4	-1	13	0.4	0.2	-5.6	-5.3	8.9%	92.5%
China A quasi-sov	48	3.6	3.3	-2	-5	-3	3	0.4	0.3	-5.5	-4.9	6.8%	75.8%
China A sov	11	3.2	4.2	1	-4	-12	-5	0.7	0.5	-6.3	-5.8	3.4%	93.8%
Malaysia A sov	38	3.5	4.3	-10	-4	-17	-11	0.9	0.5	-6.2	-5.6	0.2%	93.1%
BBB rated	137	4.4	4.0	-19	-19	21	48	1.9	1.6	-6.1	-6.4	28.5%	88.2%
Indo BBB sov	75	3.8	4.5	-54	-47	-4	12	3.1	2.7	-5.6	-5.7	4.9%	76.8%
Philip BBB sov	80	3.6	4.9	-50	-68	7	23	3.3	3.9	-7.3	-7.5	32.2%	81.8%
India BBB quasi-sov	168	4.7	5.3	-46	-22	21	34	3.7	2.2	-7.3	-7.7	50.3%	92.6%
<i>High-yield</i>													
BB rated	1,246	15.5	3.7	-7	402	782	755	2.0	-9.9	-23.8	-23.9	96.6%	98.2%
Mongolia B sov	482	7.9	3.6	-91	2	191	155	3.6	-0.2	-8.0	-7.2	59.4%	80.7%
Pakistan B sov	1,617	19.2	3.9	35	617	1,101	1,064	1.6	-15.0	-31.5	-31.7	99.3%	99.3%
CCC rated													
Sri Lanka CCC sov	4,965	54.2	2.4	-674	1,313	2,920	2,043	21.9	-18.9	-46.6	-39.1	99.2%	99.2%

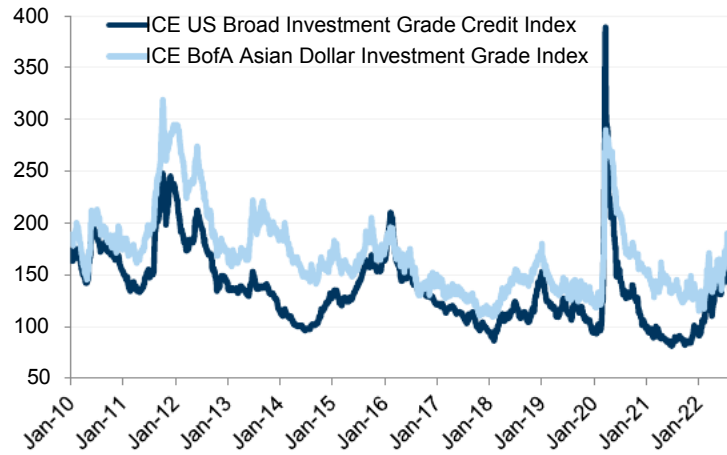
Indices include bonds with a final maturity date less than 10yr

Source: ICE-BAML, Goldman Sachs Global Investment Research

Asia credit performance relative to US credit

Exhibit 11: Asia IG vs. US IG performance

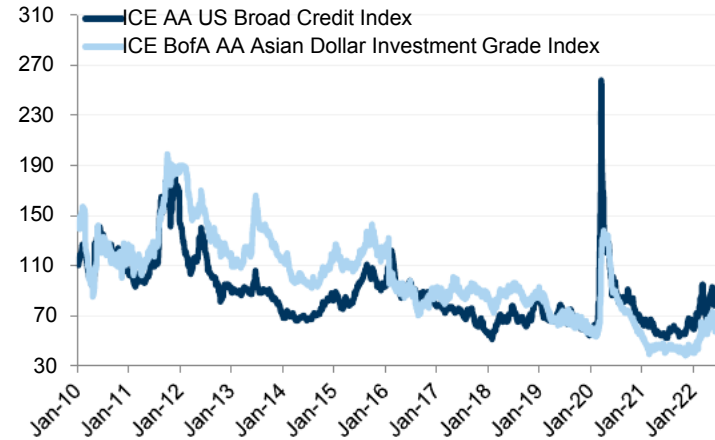
OAS (bps)



Source: ICE-BAML

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

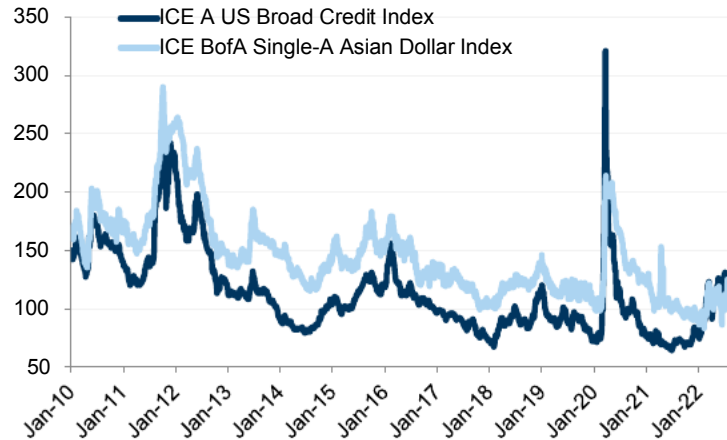
OAS (bps)



Source: ICE-BAML

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

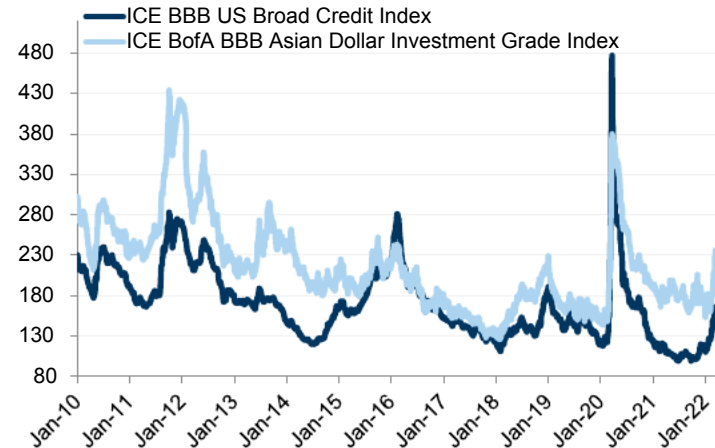
OAS (bps)



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

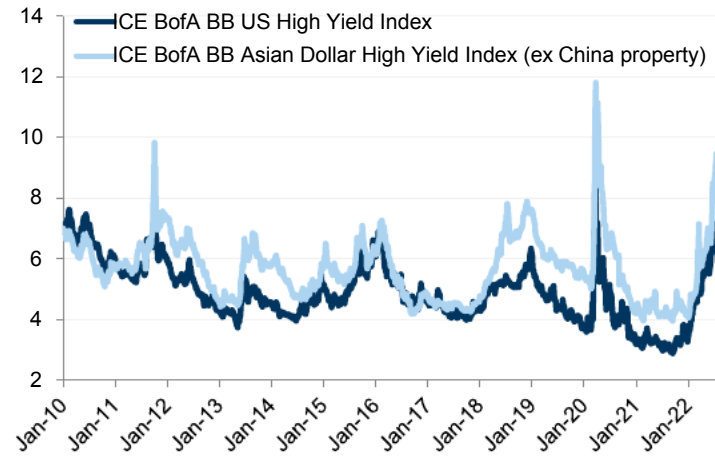
YTW (%)



Source: ICE-BAML

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

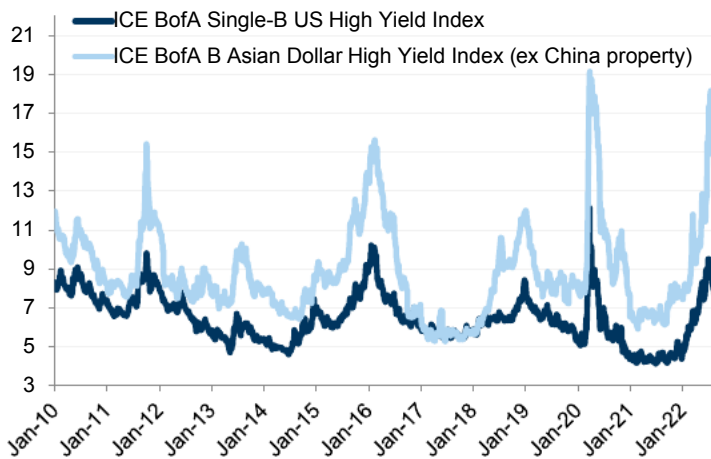
YTW (%)



Source: ICE-BAML

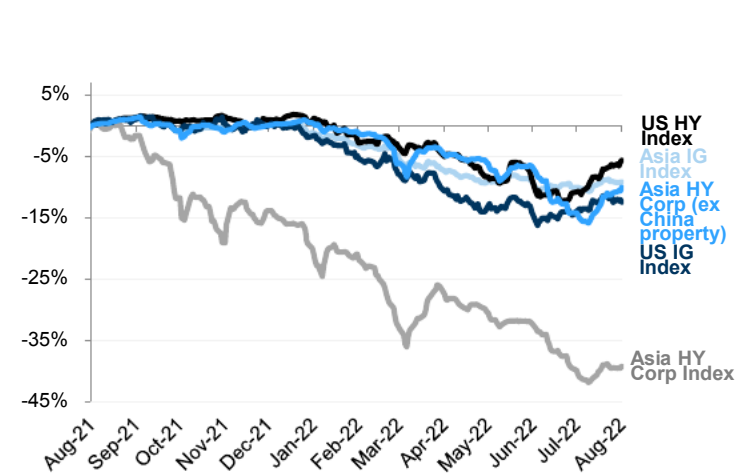
Exhibit 17: Asia HY B ex China property vs. US HY B performance

YTW (%)



Source: ICE-BAML

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

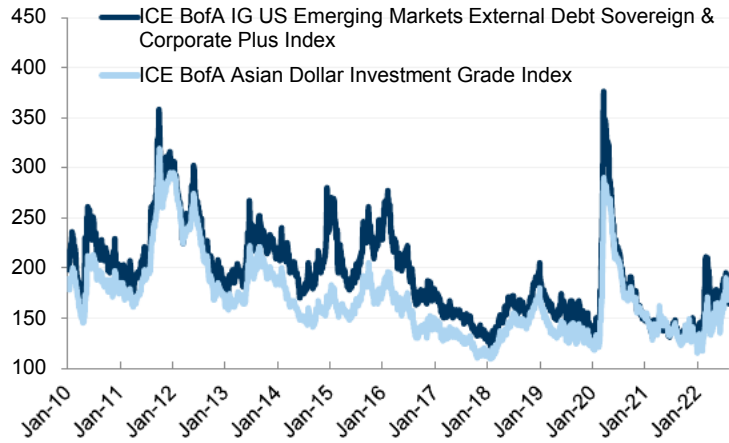


Source: ICE-BAML

Asia credit performance relative to EM credit

Exhibit 19: Asia IG vs. EM IG performance

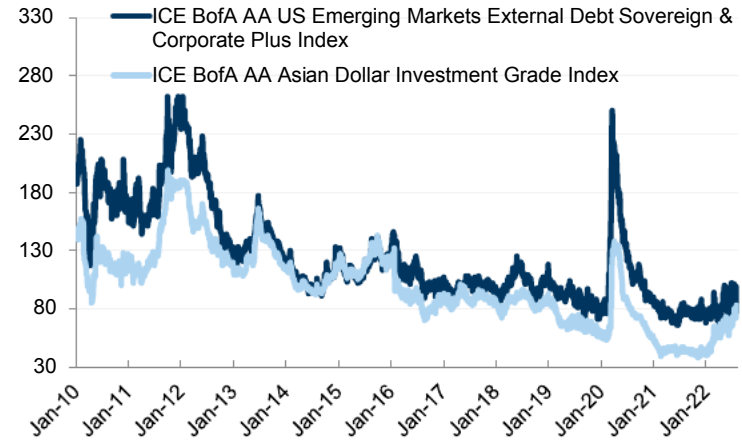
OAS (bps)



Source: ICE-BAML

Exhibit 20: Asia AA vs. EM AA performance

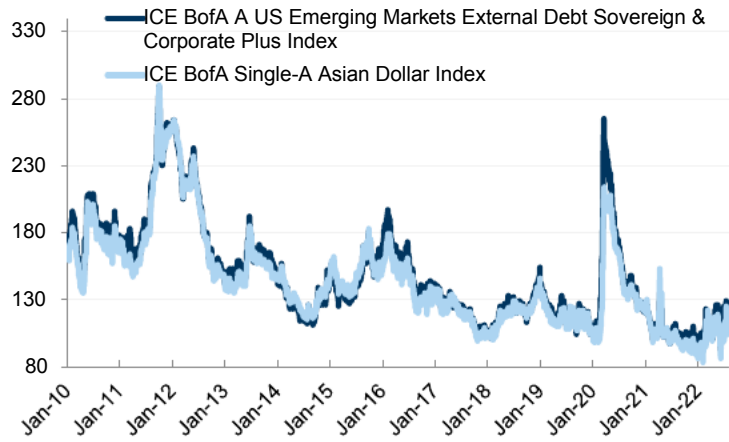
OAS (bps)



Source: ICE-BAML

Exhibit 21: Asia A vs. EM A performance

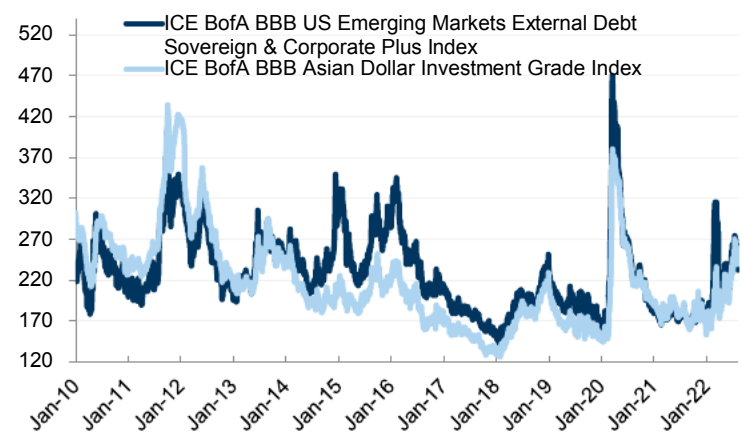
OAS (bps)



Source: ICE-BAML

Exhibit 22: Asia BBB vs. EM BBB performance

OAS (bps)

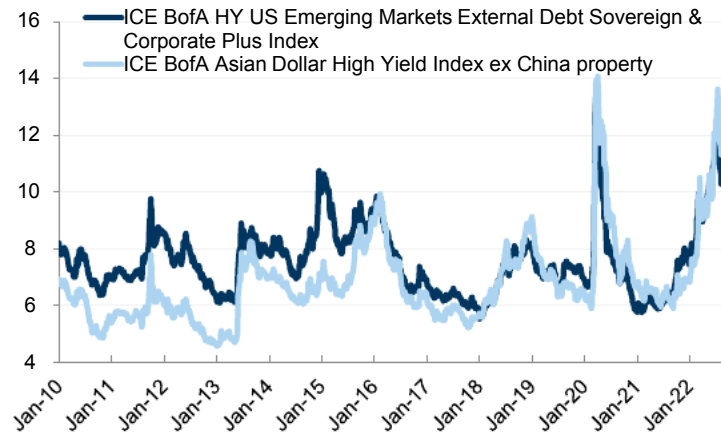


Source: ICE-BAML

Asia credit performance relative to EM credit

Exhibit 23: Asia HY ex China property vs. EM HY yield performance

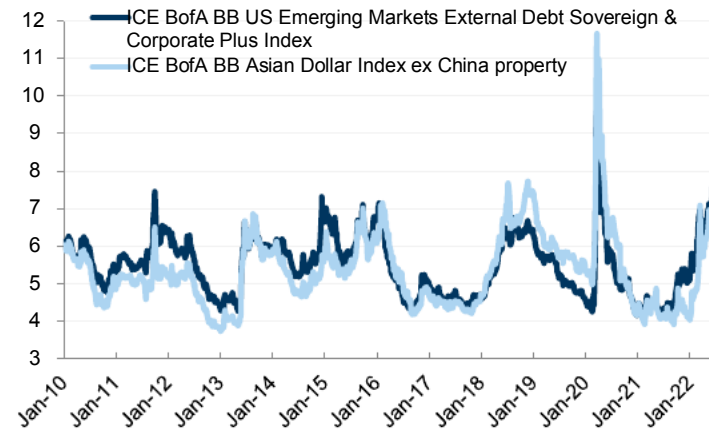
YTW (%)



Source: ICE-BAML

Exhibit 24: Asia HY BB ex China property vs. EM HY BB performance

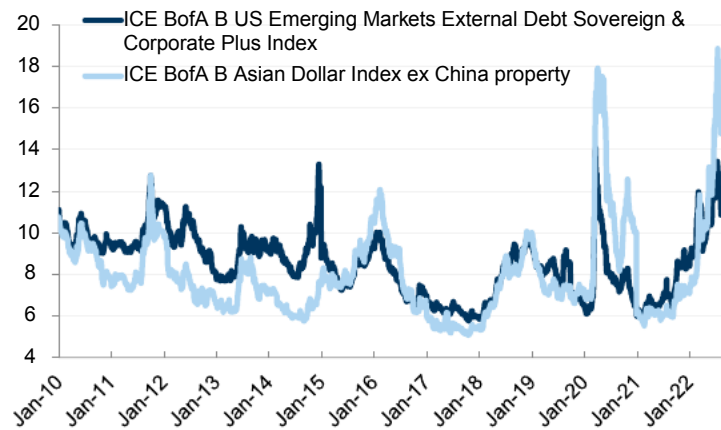
YTW (%)



Source: ICE-BAML

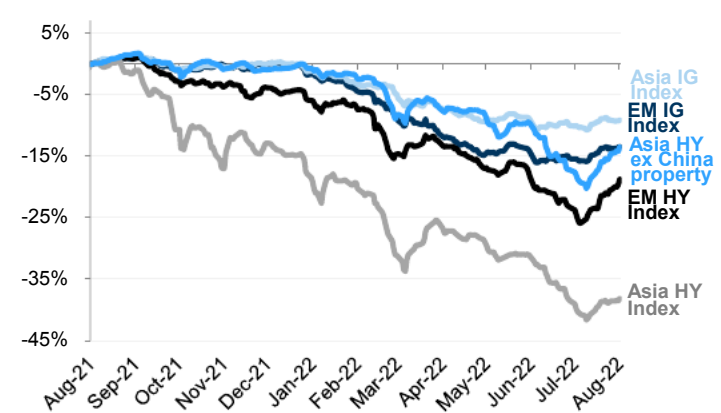
Exhibit 25: Asia HY B ex China property vs. EM HY B performance

YTW (%)



Source: ICE-BAML

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

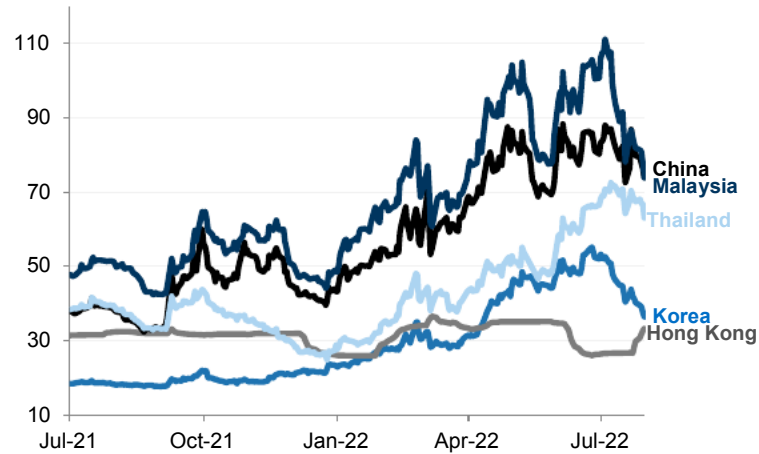


Source: ICE-BAML

CDS performance

Exhibit 27: LTM performance of Asia Sovereign 5y CDS

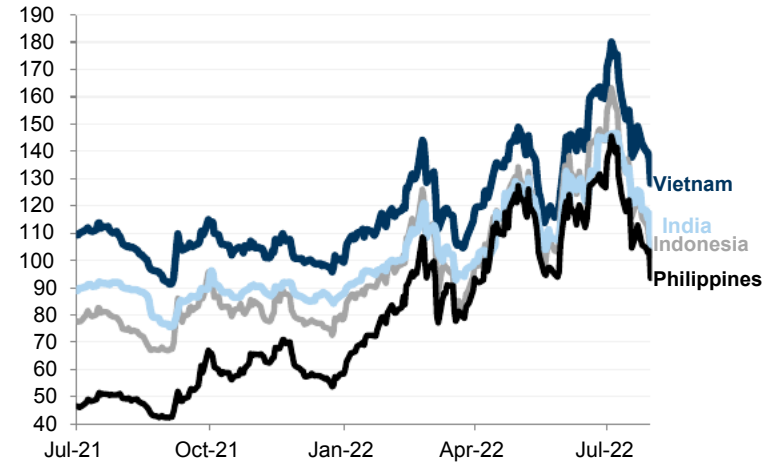
5y CDS levels (bps)



Source: Markit

Exhibit 28: LTM performance of Asia Sovereign 5y CDS

5y CDS levels (bps)

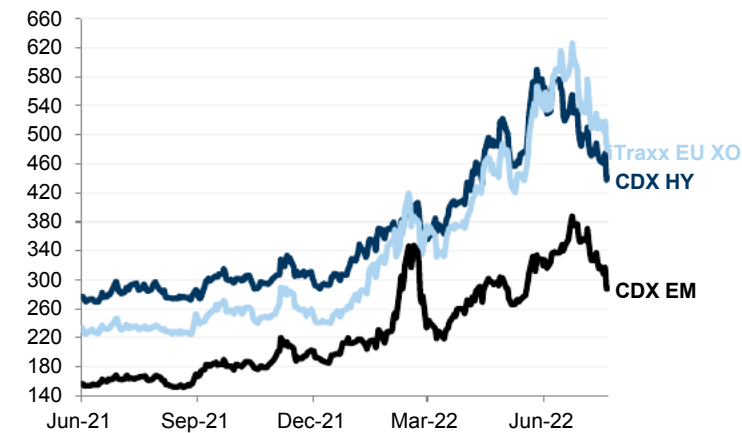


Note: we use State Bank of India as a proxy for the India sovereign

Source: Markit

Exhibit 29: LTM performance of Global HY indices

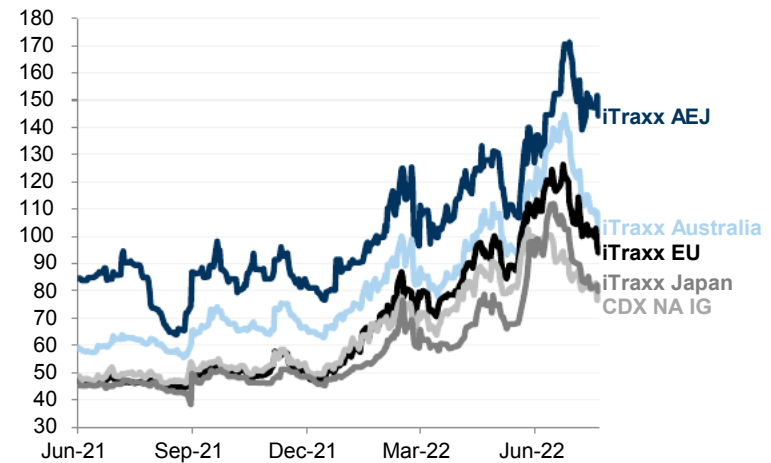
5y CDS levels (bps)



Source: Markit

Exhibit 30: LTM performance of Global IG indices

5y CDS levels (bps)



Source: Markit

GS China onshore Credit Stress Index

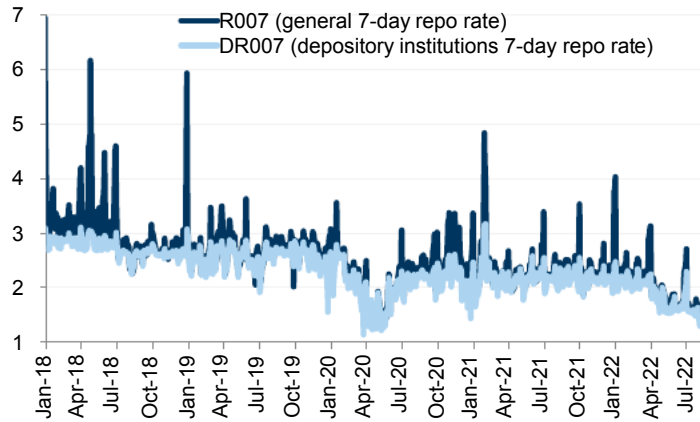
Exhibit 31: GS China Onshore Credit Stress Index
Z-score, as of Aug 11, 2022



Source: Goldman Sachs Global Investment Research

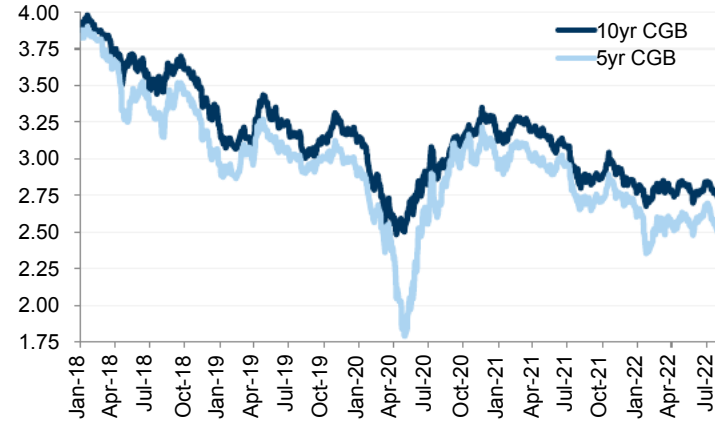
China onshore yield and spread

Exhibit 32: China interbank 7-day repo rate (%)



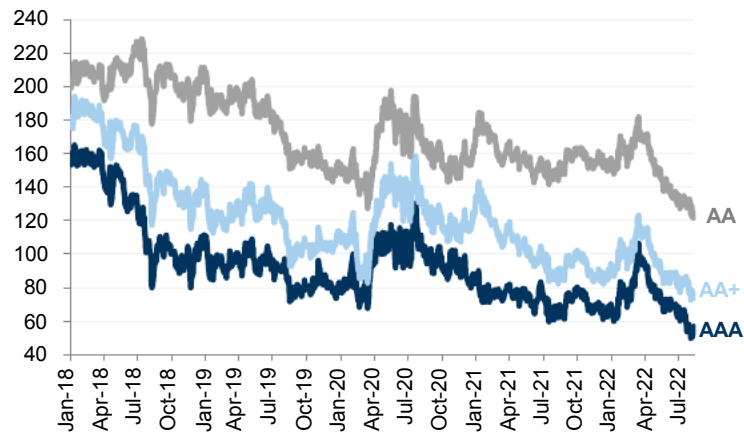
Source: CFETS, Wind

Exhibit 33: China central government bond yield (%)



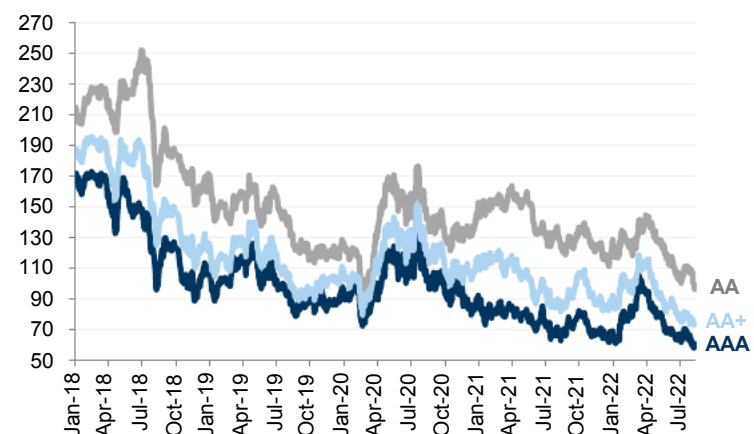
Source: Chinabond, Wind

Exhibit 34: Spread for China domestic 5yr medium-term notes by rating (bps)



Source: CFETS, Wind

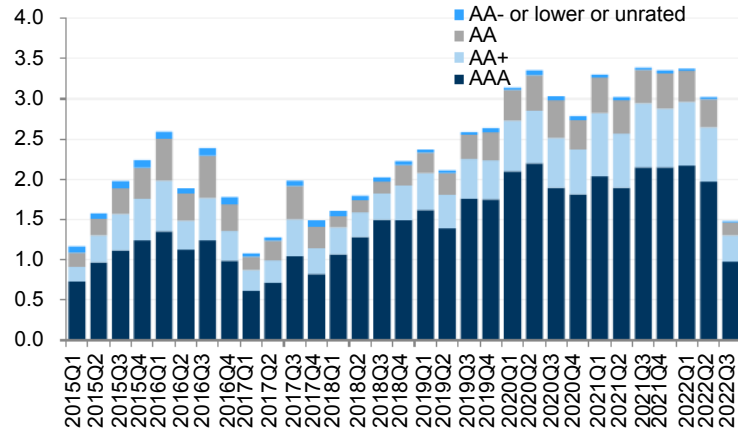
Exhibit 35: Spread for China domestic 5yr LGFVs by rating (bps)



Source: Chinabond, Wind

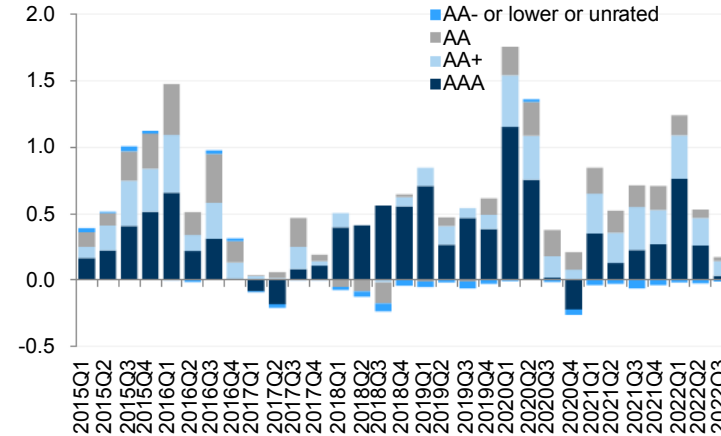
China onshore issuance

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



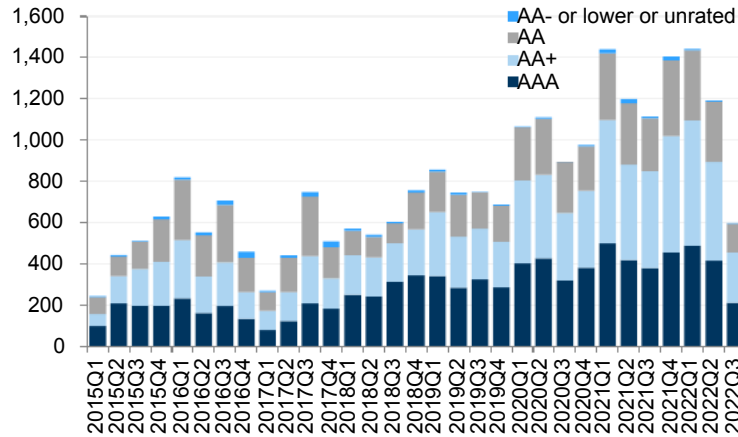
Source: Wind

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



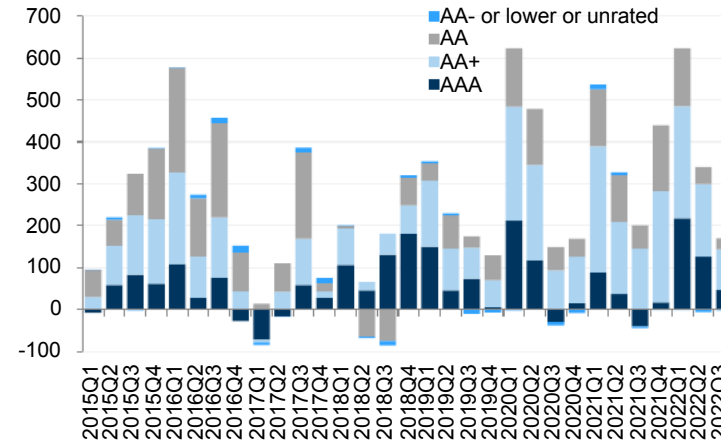
Source: Wind

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



Source: Wind

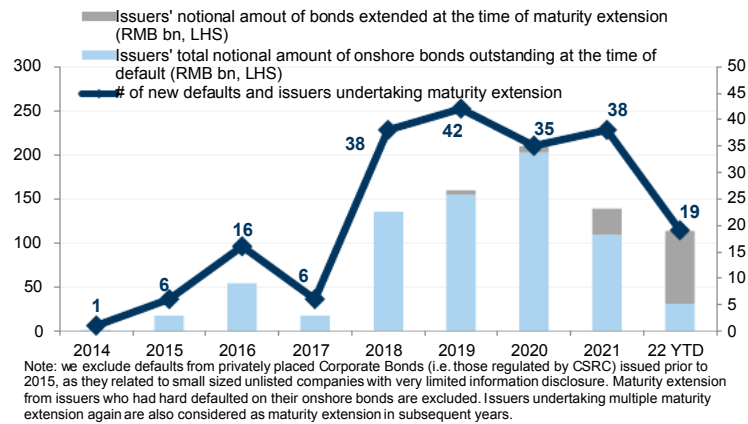
Exhibit 39: Onshore net LGFV bond issuance breakdown by rating (RMB bn)



Source: Wind

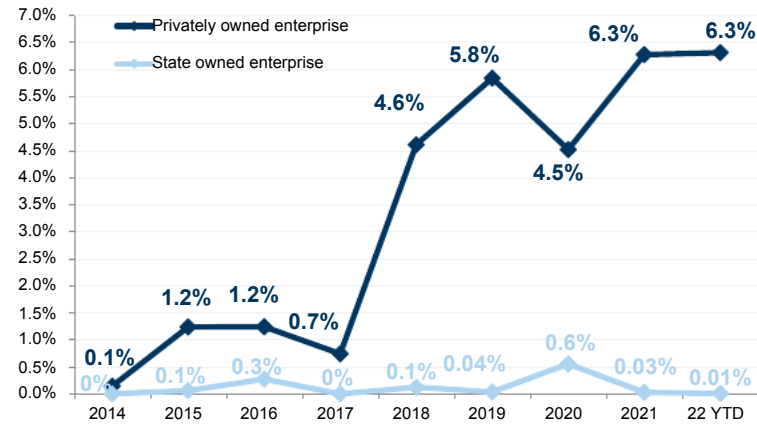
Asia HY and China onshore bond defaults

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



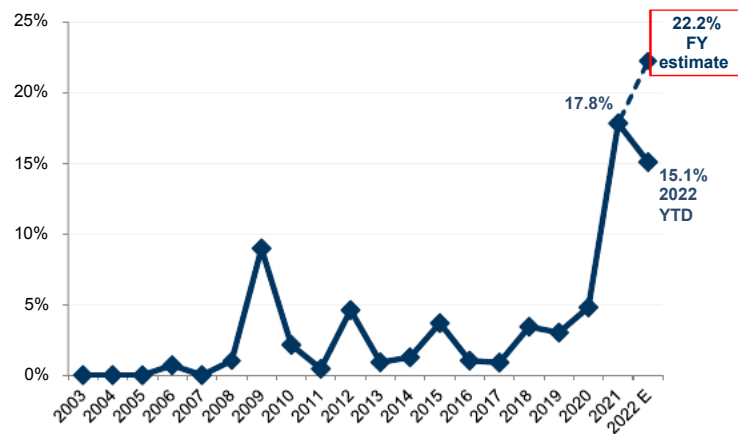
Source: Wind, Bloomberg, Company announcements, Goldman Sachs Global Investment Research

Exhibit 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 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 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

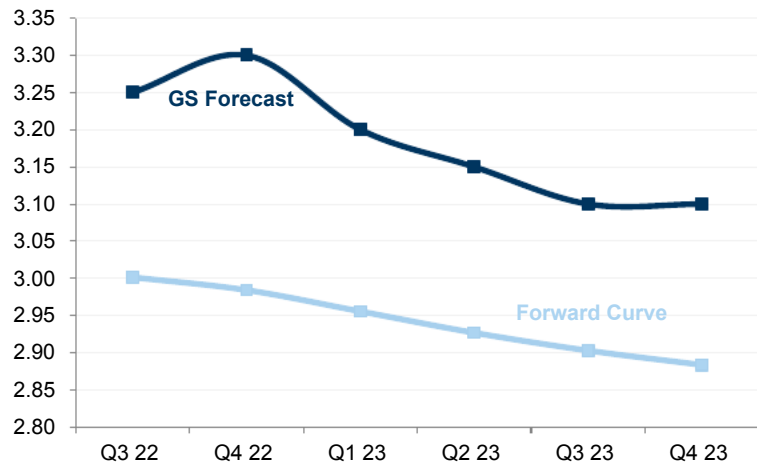
Exhibit 45: Details of Asia HY bond defaults/ bond exchanges/ maturity extensions in 2022

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
	185	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

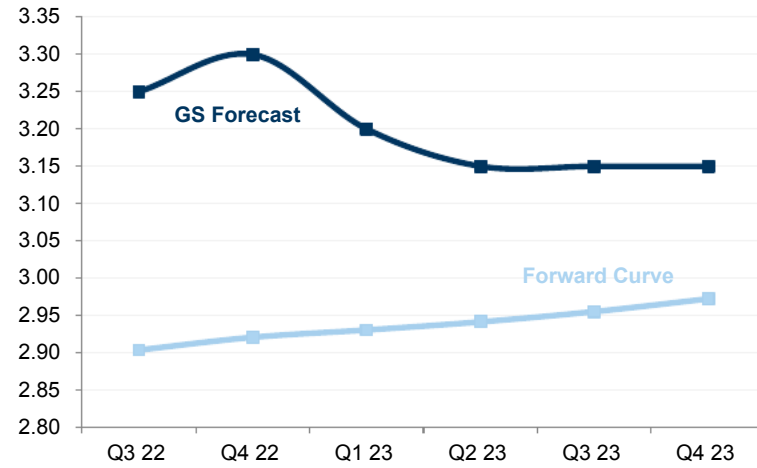
5y Treasury yield (%)



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

NO RATING CHANGES FOR THE WEEK

Source: Bloomberg

Exhibit 49: Credit watch changes during the week

NO CREDIT WATCH CHANGES FOR THE WEEK

Source: Bloomberg

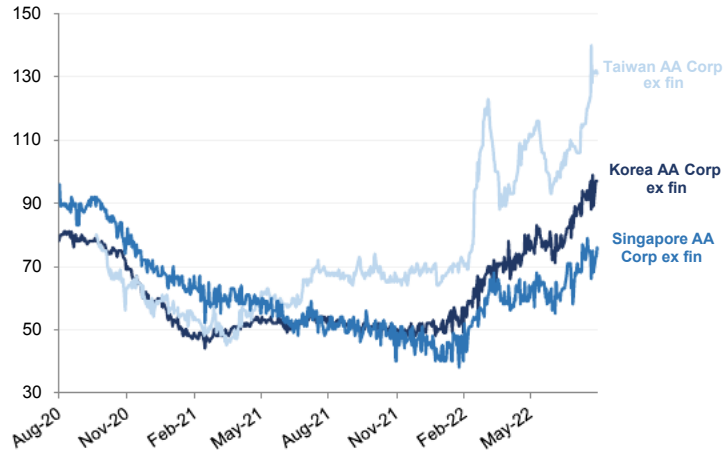
Exhibit 50: Outlook changes during the week

Issuer	Change	Moody's		S&P	
		Current	Previous	Current	Previous
China Cinda Asset Management Co Ltd	Negative Change by S&P	A3	A3	A- (Neg)	A-
Radianc Holdings Group Co Ltd	Negative Change by S&P	B2 (Watch Neg)	B2 (Watch Neg)	B+ (Neg)	B+

Source: Bloomberg

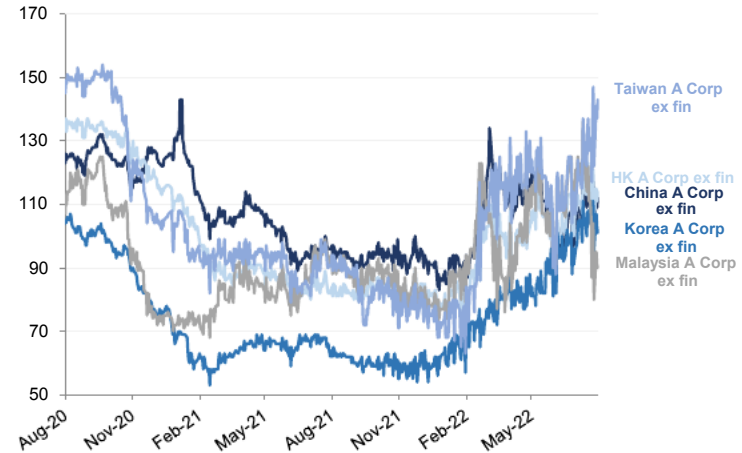
Relative Value: IG Corporates by Rating

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



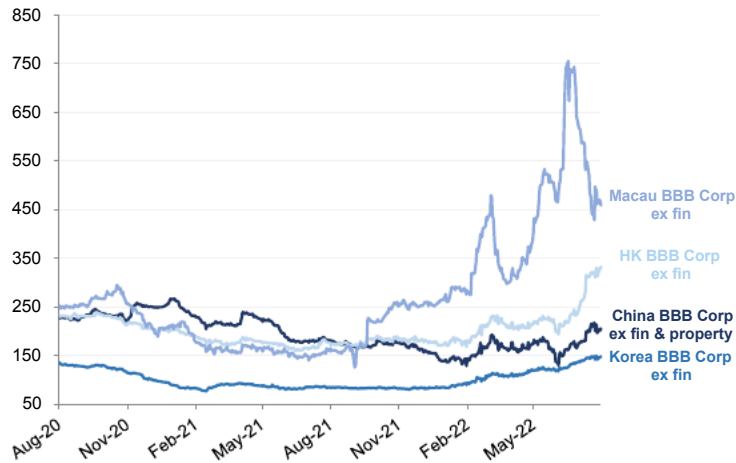
Source: ICE-BAML

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

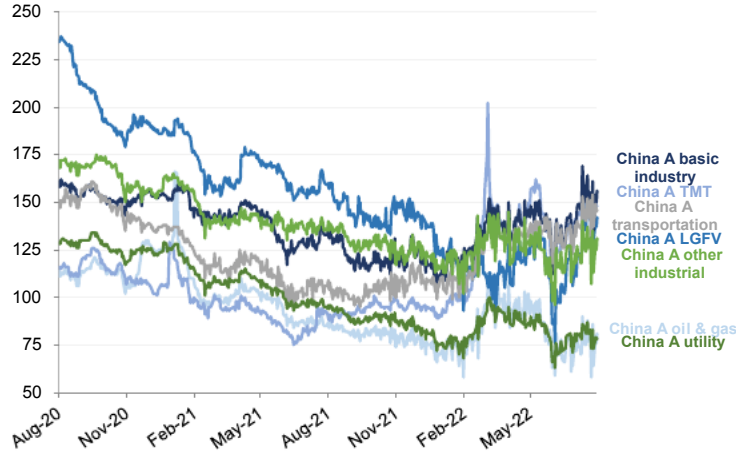
Exhibit 54: OAS for BBB rated corporates from Malaysia, India, Indonesia and Thailand (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

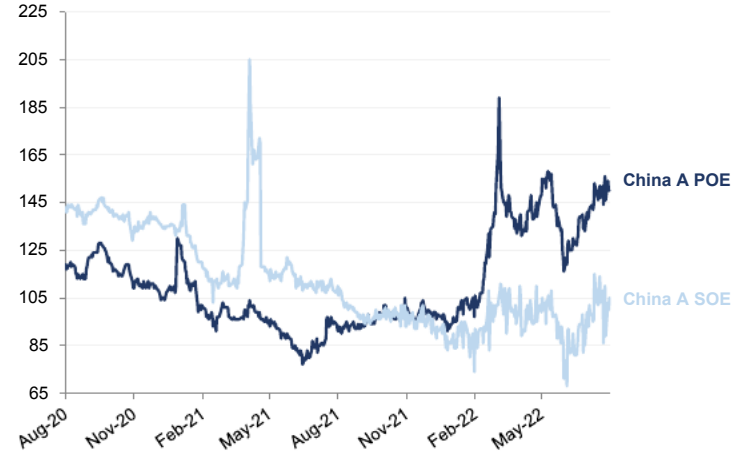
Relative Value: IG Corporates by Sector

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



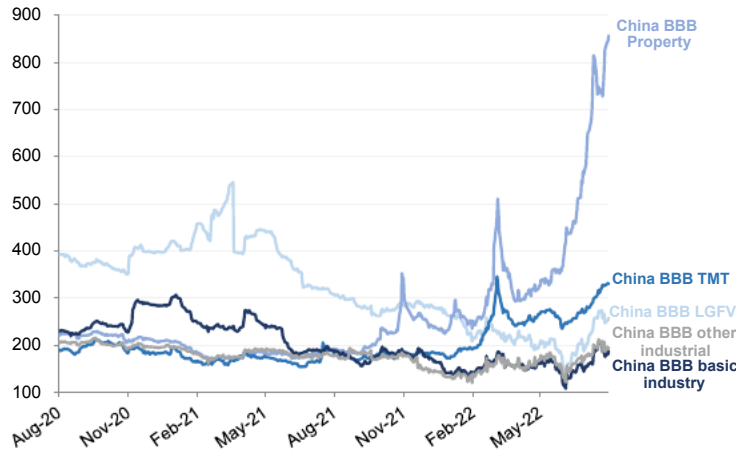
Source: ICE-BAML

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



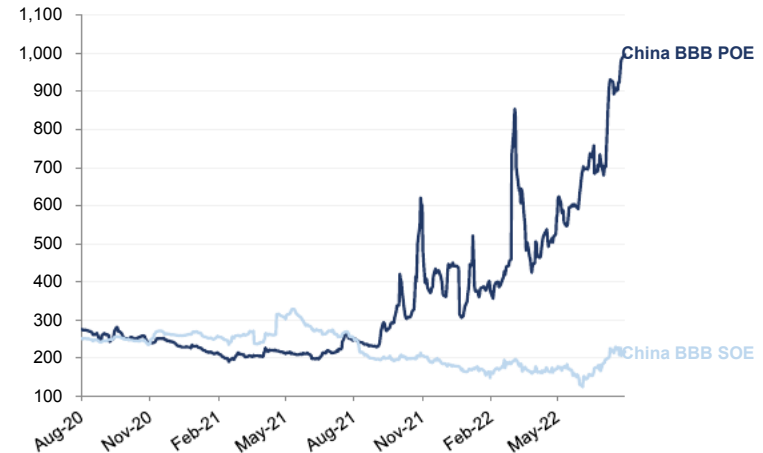
Source: ICE-BAML

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

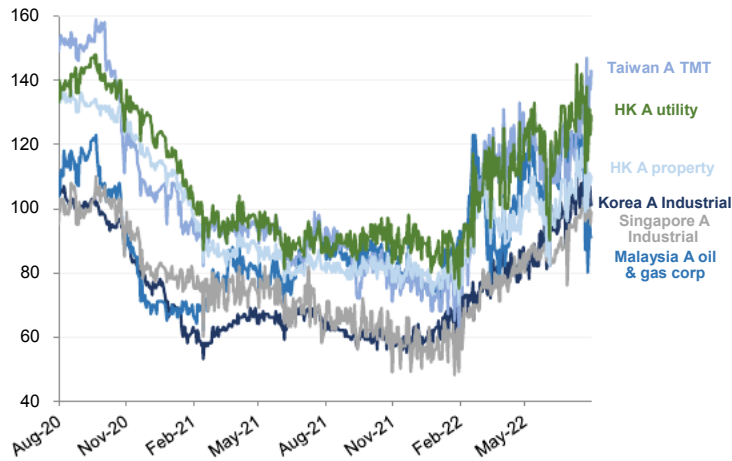


Source: ICE-BAML

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)

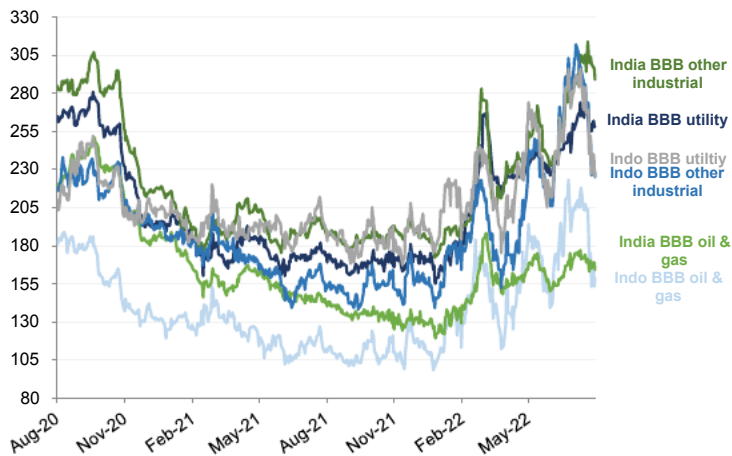
including bonds with a final maturity date less than 10yr



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)

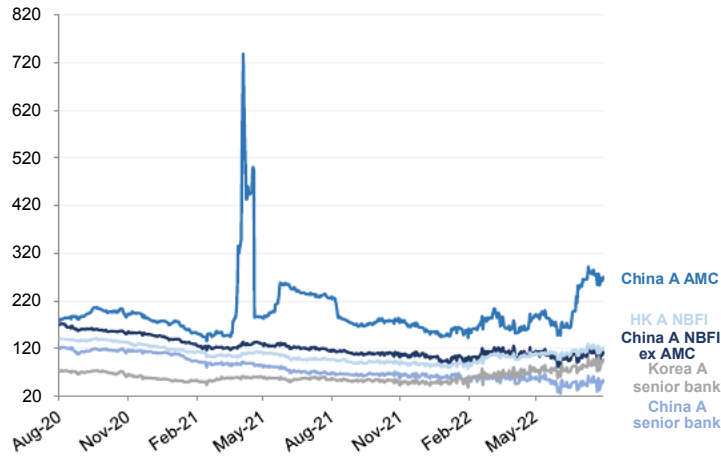
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

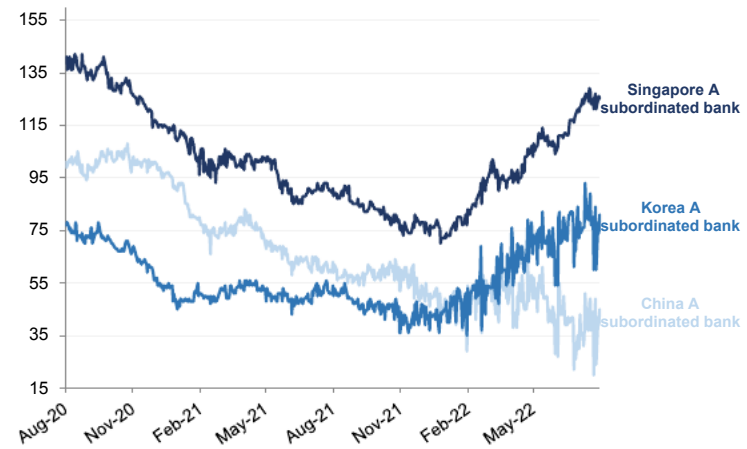
Relative Value: IG Financials

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



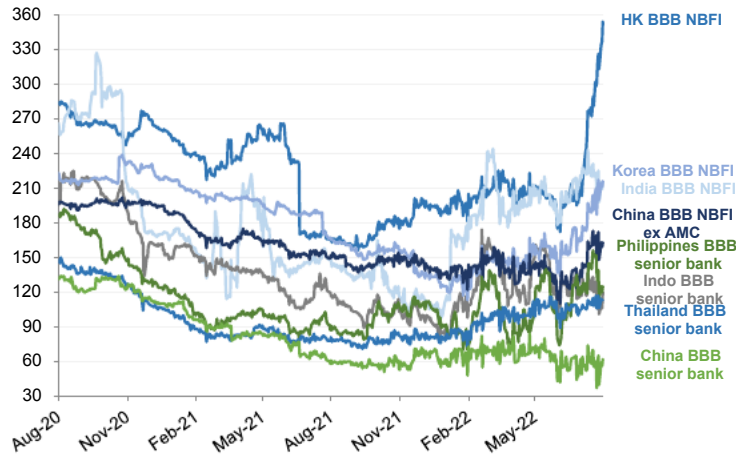
Source: ICE-BAML

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

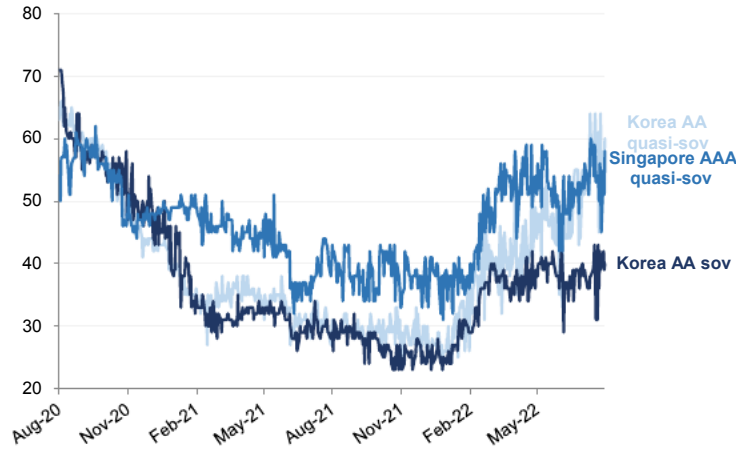
Exhibit 66: OAS for BBB rated subordinated financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

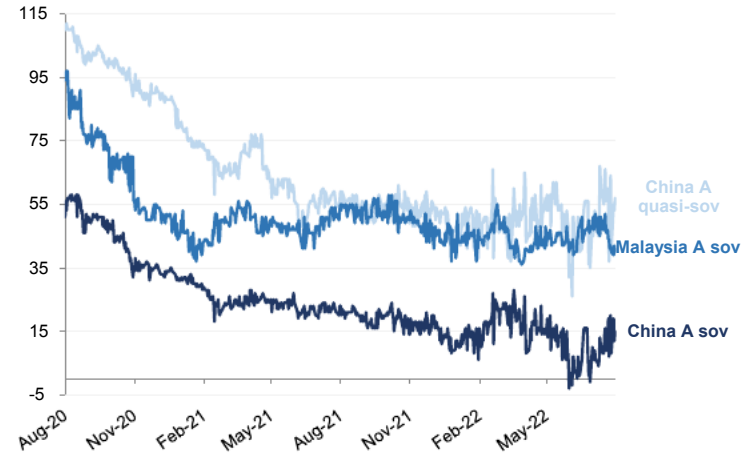
Relative Value: IG Sovereign

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



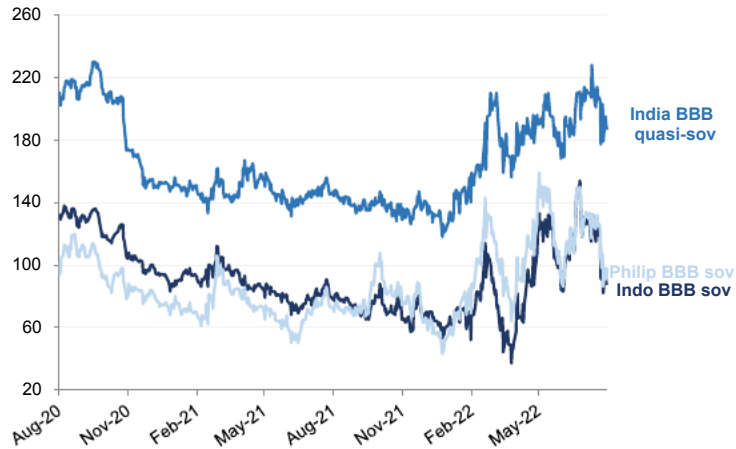
Source: ICE-BAML

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



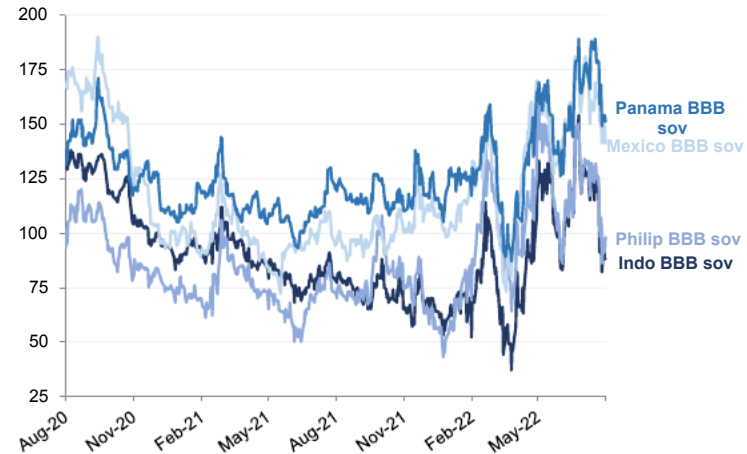
Source: ICE-BAML

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

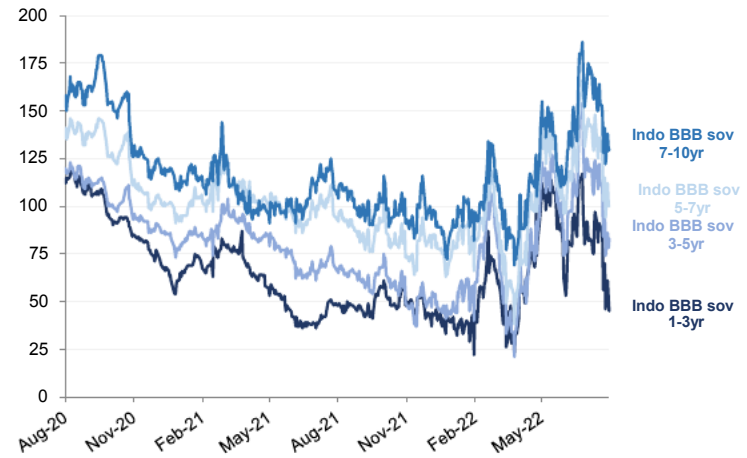
IG Curve Shapes

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



Source: ICE-BAML

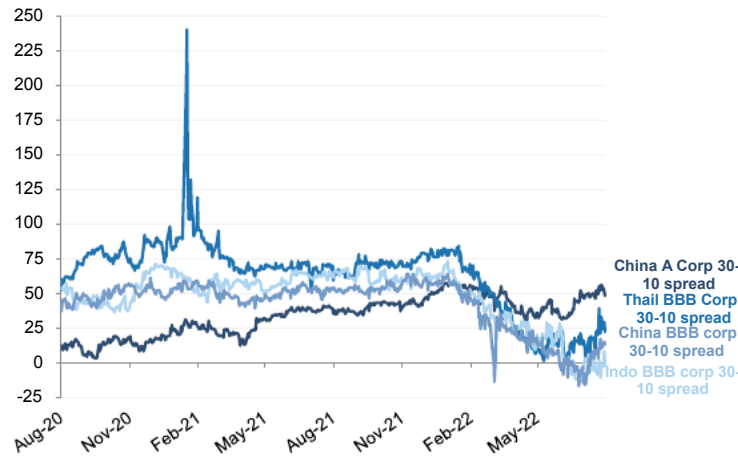
Exhibit 72: OAS for Indonesia BBB sovereign by maturity (bps)



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)

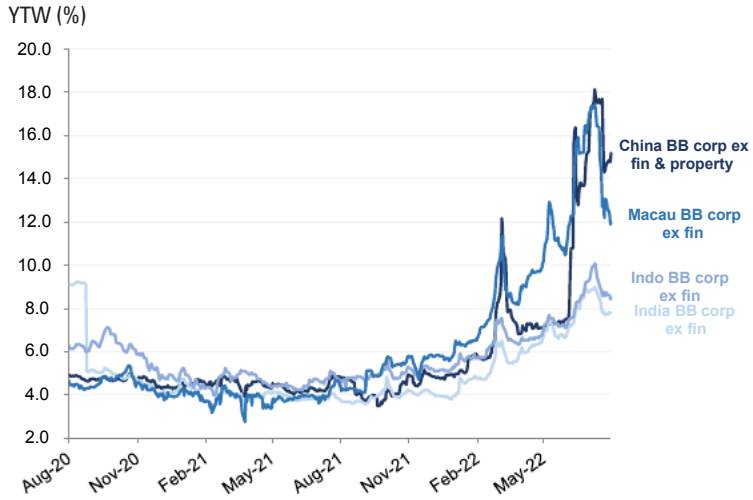
Spread differential for bonds with a final maturity date between 20-40yr and bonds with a final maturity date between 8-10yr



Source: ICE-BAML

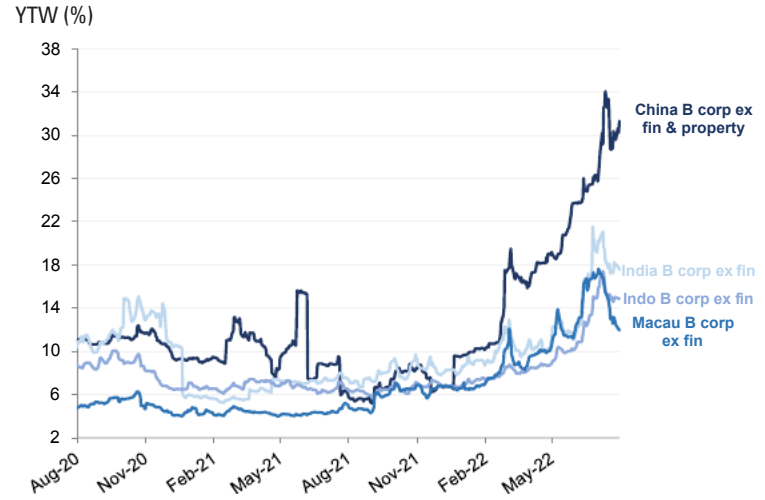
Relative Value: HY

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



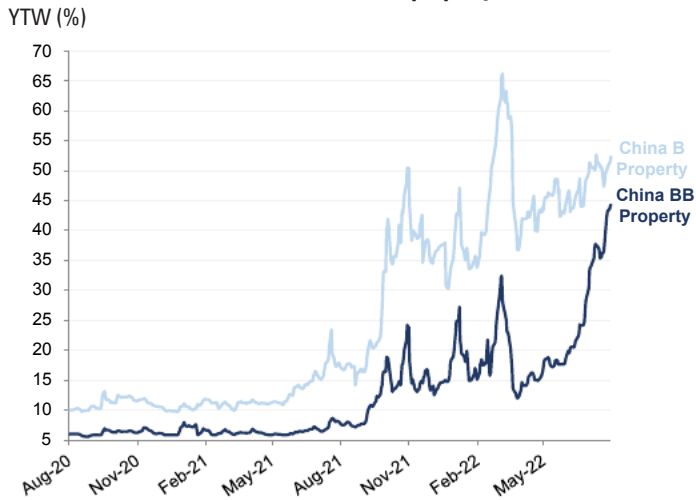
Source: ICE-BAML

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



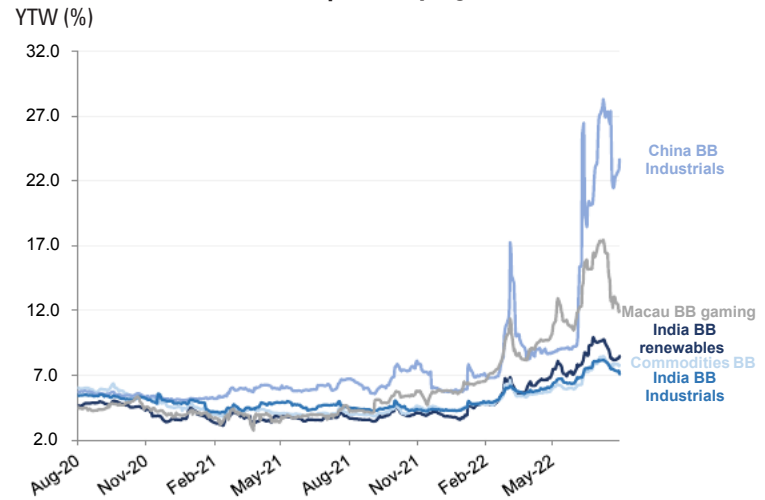
Source: ICE-BAML

Exhibit 77: YTW for BB and B rated China property



Source: ICE-BAML

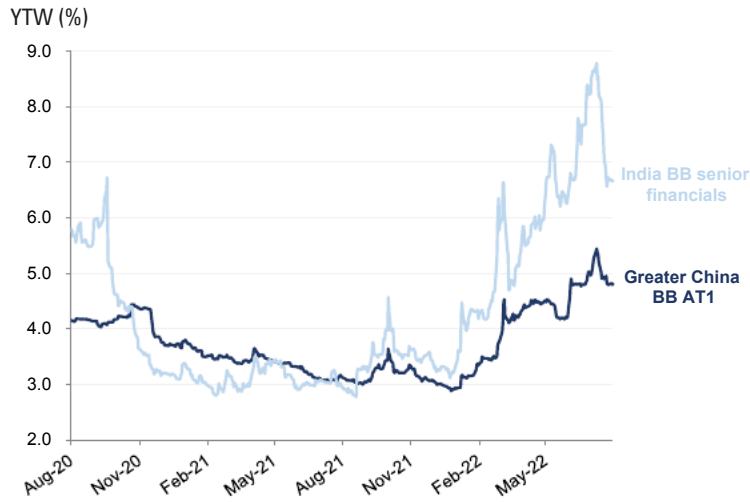
Exhibit 78: YTW for BB rated corporates by region and sector



Source: ICE-BAML

Relative Value: HY

Exhibit 79: YTW for BB rated financials



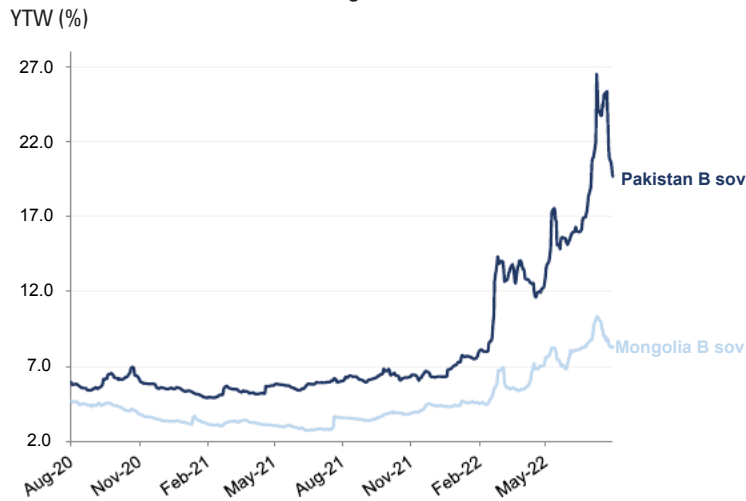
Source: ICE-BAML

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



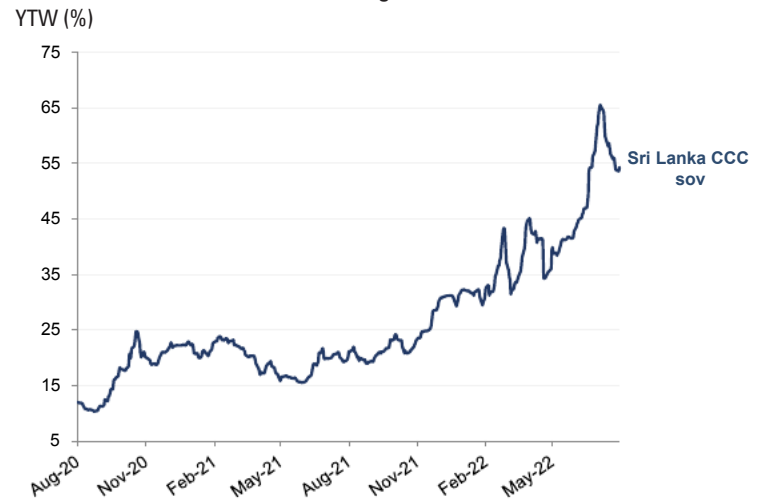
Source: ICE-BAML

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
Asia Credit Trader	Lack Of Conviction From Asia Credit Investors	Aug 6, 2022
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