Asia Credit Trader

Not Expecting A Sustained Rally In Asia HY

Another strong week for Asia HY, whilst Asia IG spreads were broadly unchanged. To us, a number of factors contributed to the strong performance, including cheap valuation, cautious investor positioning, falling US treasury yields and rally in global equity markets. Whilst the recent strength in Asia HY may continue in the near term, we expect it will be a tougher grind, and an element of caution is still warranted. Overall, we believe the risks of further worsening growth/inflation mix in the global economy has not faded, and uncertainties regarding China's Covid and real estate measures remain elevated. Therefore, we believe it is likely to be a tougher grind for Asia HY. We maintain our preference for IG over HY, and for Asia HY exposure, we prefer shorter dated credits for non-China property HY.

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Summary of the week

Another strong week for Asia HY, whilst Asia IG spreads were broadly unchanged. To us, a number of factors contributed to the strong performance, including cheap valuation, cautious investor positioning, falling US treasury yields and rally in global equity markets. We believe global macro conditions will continue to be the key driver for Asia credit markets, and uncertainties remain high. Whilst the recent strength in Asia HY may continue in the near term, we expect it will be a tougher grind, and an element of caution is still warranted. We maintain our preference for IG over HY, and for Asia HY exposure, we prefer shorter dated credits for non-China property HY.

Reported China real estate fund a step in the right direction, but limited help to China Property HY. On 25 July, news reports suggest that policymakers are raising a fund with an initial size of RMB 80bn to address issues relating to construction delays. We see this as a step in the right direction to stabilize sentiment and keep systemic risk concerns in check, but is unlikely to provide sufficient support to the stressed developers. We maintain our FY22 China Property HY default rate forecast of 45%. The path for China Property HY will likely depend on further policy action, though with continued stresses in the property sector coupled with the uncertainties relating to COVID measures, these suggest a murkier outlook for China. For investors considering China Property HY exposure, we maintain the view that they should only consider the best developers (i.e. including IG rated names) and we see better relative value in their lower dollar priced longer duration bonds.

A Rocky Path To Recovery For Macau Gaming HY. The Macau Gaming sector has been affected by a number of headwinds over the past 12 months. Changes to the gaming law, regulatory uncertainties regarding licensing renewal and junket operations, and the impact of COVID, have contributed to credit rating downgrades and the selloff across Macau Gaming HY over the past few months. We expect Macau Gaming HY will continue to be volatile, with the main uncertainty being when and how visitor restrictions from China will be eased. That said, there are a number of credit supports - strong cash buffers, limited upcoming debt maturities, and potential support from shareholders. Overall, we expect a rocky path to recovery for Macau Gaming HY, and maintain a neutral stance. We think investors should search for relative value amongst shorter dated paper.

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.

Not Expecting A Sustained Rally In Asia HY

A broad based rally driven by reduced recession/tightening fears. The past two weeks have seen a strong rally in Asia HY, alongside a broader rally across global risk assets. Our Global Markets team attribute the improved market conditions to some relief about the intensity of growth risk. First, the growth and inflation news is more mixed than consistently threatening. US data surprises are still positive on a rolling monthly basis and inflation expectations are firmly back out of the danger zone. Second, the risk of Fed overtightening has eased a little, and the Fed had been quick to dampen rising expectations of a 100bp July hike. Third, the more than 20% rise in gasoline prices from mid-April to mid-June may have played a larger role than appreciated in the near-term data picture, raising inflationary expectations while squeezing consumer incomes and hurting sentiment. A reversal in that spike has helped to dampen inflationary worries.

Fall in US treasury yields provided impetus to fixed income assets. Another factor that has supported risk assets is the fall in US treasury yields. Our Global Rates team's spillover model suggests that the decline in Treasury yields is largely the result of a bullish bond impulse originating in Europe, likely driven by the heightened concerns about imminent recession in that region. Furthermore, as noted by our Global Asset Allocation team, markets seem to have turned more optimistic on the 'central bank put', reverting to a 'bad news is good news' regime that has been a feature of a large part of the past cycle when central banks regularly had large dovish pivots during growth slowdowns. To us, the combination of attractive valuation, a more stable environment for US rates and cautious investor positions all contributed to the recent strong rebound in Asia HY.

Not yet out of the woods. We believe that concerns regarding inflation and recession risks have not receded to an extent that would support a sustained rally in Asia HY. Note that our US Credit Strategy team do not see a sustained compression in risk premia, and therefore an easing of financial conditions, at a time when the Fed has not yet seen any concrete evidence that inflation has come under control. They continue to fade the rally in US HY and recommend using it as an opportunity to cut risk and rotate further up in quality. Our European Equity Strategy team thinks the European equity market is too complacent about the weakness in growth and risks related to Russian gas supply and Italian politics, which are skewed to the downside. In addition, our Commodities team are sticking to our bullish commodities view until we have clear, consistent, and globally coordinated policy around both energy and climate policy that hastens the investment the industry desperately needs today.

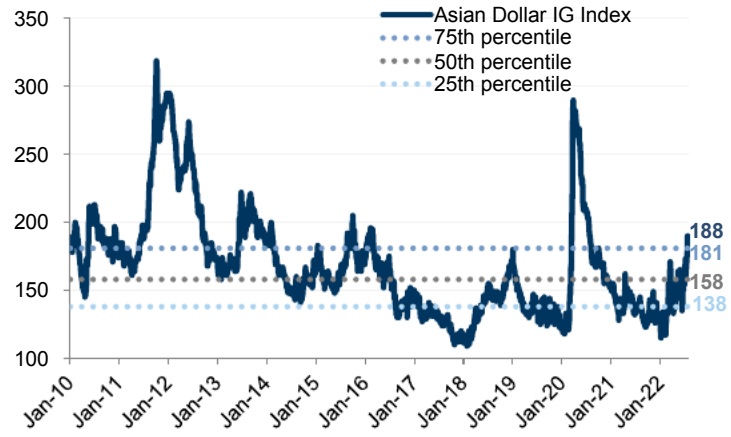
Murkier outlook for China adds to potential headwinds. Our China economics team sees the July Politburo meeting as indicating that the "Dynamic Zero Covid" policy stance is here to stay, and while full-year economic targets appear challenging on a nationwide basis. Policymakers would maintain their supportive stance, in particular continue to push for infrastructure investment to support the overall economy. The meeting emphasized "housing is for living in, not for

speculation", which suggests to us that policy easing sufficient to reflate the real estate sector is unlikely. These sum up to a less certain outlook for China's economic activity levels, and we see a muddle through scenario for China credit - which we define as low, but positive, levels of growth and rising defaults without systemic risk pressures emerging - as a possibility.

Overall, we believe the risks of further worsening growth/inflation mix in the global economy has not faded, and uncertainties regarding China's Covid and real estate measures remain elevated. Therefore, we believe it is likely to be a tougher grind for Asia HY after their strong recent performance. We maintain our preference for IG over HY, and focus should be on shorter dated credits from non-China property issuers.

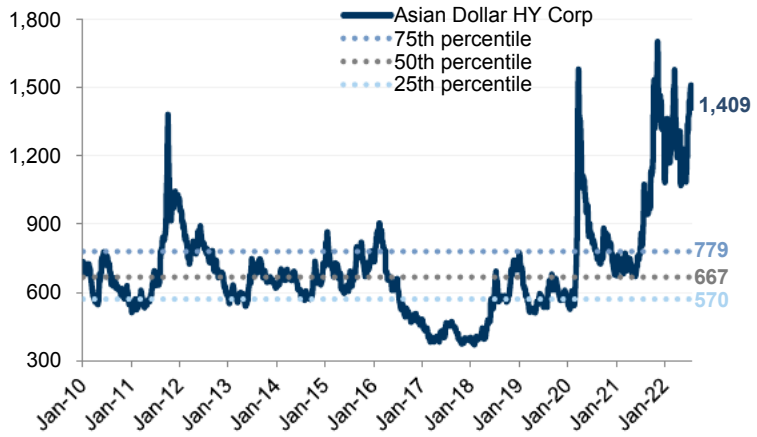
Asia credit performance

Exhibit 1: Asia IG performance
OAS and historical percentiles from Jan 2010 (bps)



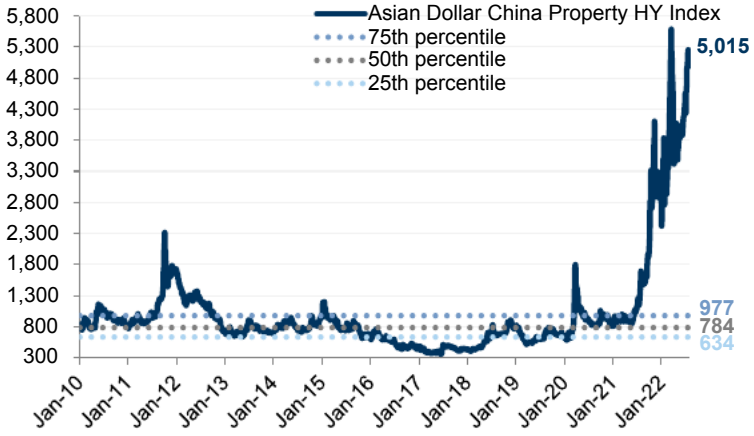
Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 2: Asia HY corp performance
OAS and historical percentiles from Jan 2010 (bps)



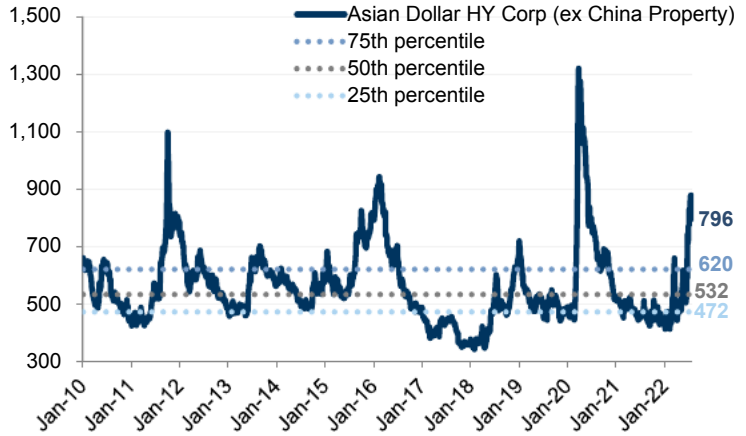
Source: ICE-BAML, Goldman Sachs Global Investment Research

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

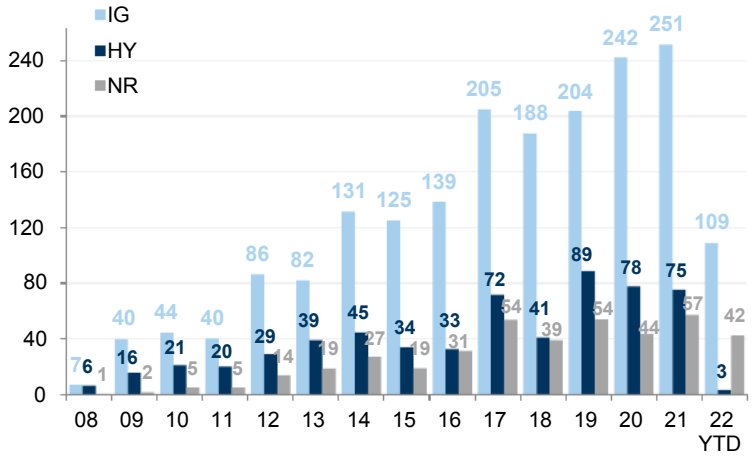
Asia credit forecast and issuance

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	188	162
Asian Dollar HY Corp (ex China property)	796	600

Source: ICE-BAML, Goldman Sachs Global Investment Research

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



Source: Bloomberg

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

Date	Issuer	Country	Sector	Bond	Currency	Notional (USD mn)
Investment Grade						
7/25/2022	Hanhui International Ltd	China	Financial	SHGUOH 5.3% 25	USD	110
7/26/2022	Heng Yuan International Co Ltd	China	Industrial	NBHSDC 3.1% 25	EUR	91
7/27/2022	Hana Bank	Korea	Financial	KEBHNB Float% 25	USD	30
Total						**231**

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

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						
7/26/2022	Taixing Jinjiang Investment Co Ltd	China	Industrial	TXJJIN 3.5% 25	EUR	30
7/26/2022	Hong Kong Yanjiang International Industrial Co Ltd	China	Financial	YZJNDU 5.2% 23	USD	40
7/26/2022	Xi'an International Horticultural Exposition Investment Group Co Ltd	China	Industrial	XIANGR 4.5% 25	USD	71
7/27/2022	Chong Hing Bank Ltd	China	Financial	CHOHIN 4.9% 32	USD	224
Total						**365**

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 Jul 28, 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 (%)
Corporate	**Asia Corporate by rating and region (ex-financials)**													
	Investment Grade													
	AA rated	**100**	**3.8**	**4.3**	**15**	**22**	**44**	**43**	**1.9**	**0.6**	**-7.6**	**-6.7**	**45.8%**	**96.3%**
	Korea AA Corp	94	3.8	3.3	14	24	42	41	1.4	0.3	-6.3	-5.3	55.7%	90.6%
	Taiwan AA Corp	120	3.9	5.7	18	17	48	50	2.5	1.3	-9.8	-8.7	99.1%	87.8%
	Singapore AA Corp	79	3.6	4.6	14	21	30	32	2.1	0.6	-8.0	-7.1	45.3%	94.9%
	A rated	**119**	**4.0**	**4.2**	**18**	**11**	**26**	**30**	**1.6**	**0.2**	**-6.9**	**-6.3**	**37.9%**	**93.6%**
	China A Corp	118	4.0	3.9	18	5	20	25	1.5	1.0	-5.7	-5.2	38.9%	96.9%
	HK A Corp	123	4.0	5.2	18	25	39	40	1.8	2.1	-6.3	-5.5	47.8%	93.4%
	Korea A Corp	108	3.9	3.3	9	28	41	46	1.4	-0.2	-5.5	-4.8	36.7%	88.3%
	Malaysia A Corp	122	3.9	5.3	10	20	27	41	2.7	0.8	-7.6	-7.4	54.9%	94.6%
	Singapore A Corp	149	4.4	3.0	33	36	42	56	0.7	-0.1	-5.5	-5.3	42.4%	99.4%
	Taiwan A Corp	137	4.2	3.9	23	21	42	59	1.3	0.6	-7.3	-6.9	81.0%	98.2%
	BBB rated	**381**	**6.6**	**3.9**	**56**	**122**	**194**	**182**	**-0.9**	**-4.4**	**-13.5**	**-11.9**	**97.0%**	**99.7%**
	China BBB Corp (ex-property)	215	5.0	3.3	51	33	15	38	0.2	-0.5	-4.9	-5.5	46.2%	92.7%
	Indo BBB Corp	266	5.4	4.7	33	82	105	116	1.3	-1.5	-8.4	-8.4	66.7%	90.1%
	India BBB Corp	242	5.2	4.1	31	40	72	79	1.1	-0.7	-7.8	-7.9	64.9%	90.9%
	HK BBB Corp	321	6.1	4.7	100	112	145	143	-1.8	-3.3	-10.5	-10.1	83.7%	98.5%
	Korea BBB Corp	148	4.3	3.4	21	38	64	63	1.1	-0.4	-6.7	-6.0	64.8%	94.4%
	Thailand BBB Corp	244	5.1	6.4	40	75	119	109	1.5	-1.5	-11.7	-11.2	78.7%	96.3%
	Malaysia BBB Corp	260	5.3	4.6	45	51	89	95	0.4	-1.4	-11.1	-10.3	92.7%	98.4%
	Macau BBB Corp	457	7.3	4.4	-216	109	307	203	12.1	-2.2	-15.2	-11.8	92.2%	94.2%
	High-yield													
	BB rated	**1,126**	**14.3**	**2.9**	**266**	**555**	**564**	**404**	**-5.4**	**-13.8**	**-30.4**	**-25.6**	**99.2%**	**99.5%**
	China BB Corp (ex-property)	1,325	17.5	2.2	289	877	905	927	-7.0	-16.5	-18.1	-18.4	99.5%	99.7%
	China BB HY Property	3,260	35.5	2.3	1,303	1,971	2,496	1,900	-24.3	-35.1	-62.1	-55.0	99.8%	99.8%
	India BB Corp	525	8.1	3.1	41	174	180	242	1.1	-4.2	-8.0	-10.3	62.5%	78.4%
	Indo BB Corp	600	8.9	2.9	98	235	156	206	-0.9	-5.2	-5.9	-7.8	94.8%	97.6%
	Macau BB Corp	1,161	14.3	3.9	-31	480	814	731	3.2	-15.3	-29.6	-27.3	98.7%	98.7%
	India BB renewable energy	581	8.7	3.2	43	201	246	309	1.8	-4.2	-9.3	-11.3	90.6%	94.8%
	India BB non-renewable energy Corp	473	7.6	2.7	40	151	124	190	0.2	-3.9	-6.0	-8.4	68.8%	91.0%
	B rated	**1,994**	**21.5**	**2.7**	**-51**	**126**	**333**	**344**	**-4.7**	**-20.7**	**-54.9**	**-38.2**	**97.0%**	**97.1%**
	China B Corp (ex-property)	2,713	30.1	1.9	559	1,170	1,789	1,852	-8.7	-16.0	-31.2	-28.8	99.8%	99.7%
	China B HY Property	5,610	50.7	1.6	317	1,286	3,500	2,609	-21.6	-47.3	-82.4	-67.7	99.1%	99.1%
	India B Corp	1,489	17.7	2.6	239	680	756	753	-4.1	-11.4	-10.6	-14.1	94.1%	94.7%
	Indo B Corp	1,241	15.3	2.9	321	644	584	681	-4.7	-11.0	-9.7	-13.6	90.8%	92.5%
	Macau B Corp	1,116	13.9	3.5	-121	402	747	586	6.6	-11.1	-25.0	-20.8	99.1%	99.1%

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 Jul 28, 2022

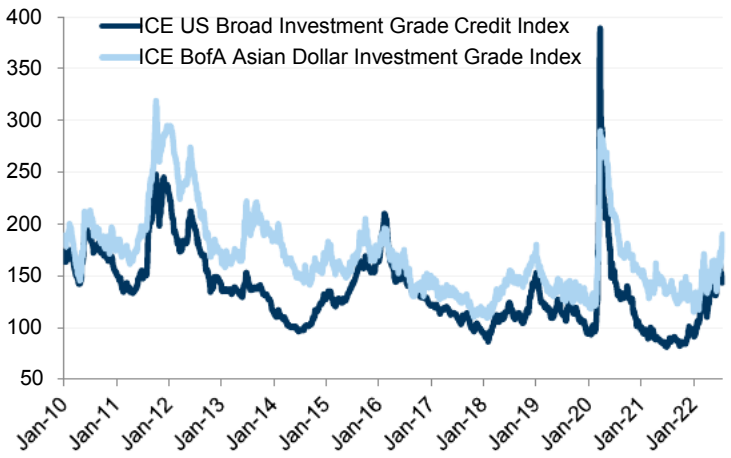
	Index	Current			Spread change (bps)				Total return (%)				Percentile rank (Post-GFC)	
		Spread	Yield (%)	Mod. Dur	1m	3m	12m	YTD	1m	3m	12m	YTD	Spread (%)	Yield (%)
Sovereign, quasi & financials	**Asia financials by seniority and rating**													
	Investment Grade													
	Senior banks	**85**	**3.7**	**2.6**	**18**	**15**	**7**	**13**	**0.9**	**0.2**	**-4.5**	**-3.9**	**8.7%**	**75.1%**
	China A senior bank	62	3.5	2.7	18	9	-5	-2	0.9	0.4	-4.4	-3.7	5.0%	78.2%
	Korea A senior bank	98	3.8	2.6	20	32	40	46	0.8	-0.3	-5.3	-4.6	40.9%	88.8%
	China BBB senior bank	70	3.6	1.9	11	5	7	5	0.6	8.3	4.2	5.0	10.9%	82.8%
	Philippines BBB senior bank	156	4.4	2.6	57	59	60	51	0.0	-1.1	-4.8	-4.3	68.5%	98.1%
	Thailand BBB senior bank	115	4.0	3.1	9	15	36	31	1.2	0.3	-4.1	-4.0	38.5%	85.4%
	Indo BBB senior bank	133	4.2	1.9	10	17	1	41	0.6	0.1	-2.9	-3.3	14.3%	84.9%
	Subordinated bank	**127**	**4.1**	**2.9**	**16**	**20**	**13**	**28**	**0.9**	**0.0**	**-4.7**	**-4.5**	**11.3%**	**85.9%**
	China A subordinated bank	49	3.4	2.6	7	1	-10	-4	1.0	0.5	-4.4	-3.6	6.0%	75.0%
	Korea A subordinated bank	89	3.7	3.4	11	28	38	44	1.5	0.2	-6.4	-5.5	45.5%	53.2%
	Singapore A subordinated bank	128	4.3	2.9	17	31	38	49	0.9	-0.1	-5.3	-4.9	25.3%	99.0%
	China BBB subordinated bank	114	3.6	2.7	15	16	-2	17	1.1	0.5	-3.6	-3.4	7.2%	32.0%
	Korea BBB subordinated bank	187	4.8	3.7	26	40	63	67	0.6	-0.8	-7.3	-6.9	55.4%	92.0%
	HK BBB subordinated bank	160	4.8	1.8	36	35	-32	25	0.0	-0.4	-1.5	-2.6	11.5%	86.0%
	Non-bank financials	**220**	**5.0**	**3.2**	**64**	**67**	**-27**	**75**	**-0.4**	**-1.4**	**-2.9**	**-6.3**	**59.7%**	**93.2%**
	China A NBFI ex AMC	123	4.1	3.0	23	15	2	18	1.0	0.5	-4.5	-4.1	14.1%	88.5%
	China A AMC	285	5.6	3.7	115	127	56	130	-2.3	-3.6	-6.7	-8.9	98.5%	99.2%
	HK A NBFI	129	4.1	3.6	19	27	32	41	1.1	2.8	-4.0	-3.1	59.6%	95.3%
	China BBB NBFI ex AMC	173	4.6	2.9	43	38	18	31	0.3	0.2	-4.9	-4.4	23.8%	90.7%
	India BBB NBFI	231	5.1	4.1	26	35	81	120	1.3	0.0	-6.0	-6.8	84.0%	92.9%
	HK BBB NBFI	289	5.7	2.3	79	85	121	94	-1.4	-2.5	-6.7	-5.9	66.7%	90.6%
	Korea BBB NBFI	204	5.0	2.2	44	59	16	69	-0.2	-1.4	-3.8	-4.2	46.0%	79.6%
	High-yield													
	BB rated	**241**	**5.5**	**3.1**	**49**	**52**	**-120**	**9**	**-0.3**	**-0.8**	**-3.5**	**-5.6**	**15.2%**	**78.4%**
	Greater China BB AT1	185	4.9	3.2	52	34	-53	22	-0.3	-0.3	-2.9	-4.6	8.9%	45.7%
	India BB senior financials	457	7.5	1.5	32	126	154	197	0.4	-1.0	-1.9	-3.8	88.4%	93.6%
	Asia sovererign & quasi-sovereign by region													
	Investment Grade													
	AAA/AA rated	**60**	**3.4**	**4.0**	**11**	**16**	**29**	**29**	**1.8**	**0.6**	**-7.0**	**-5.9**	**18.8%**	**88.1%**
	Singapore AAA quasi-sov	58	3.3	5.7	9	5	16	21	2.9	1.6	-7.8	-7.0	44.4%	85.9%
	Korea AA quasi-sov	64	3.5	3.3	15	23	35	35	1.3	0.2	-6.5	-5.4	27.7%	91.5%
	Korea AA sov	39	3.2	4.4	0	-2	10	13	2.5	1.2	-6.8	-5.8	11.7%	80.6%
	A rated	**77**	**3.6**	**3.7**	**23**	**29**	**13**	**25**	**1.3**	**0.7**	**-5.5**	**-5.0**	**13.8%**	**89.0%**
	China A quasi-sov	66	3.5	3.4	18	27	18	21	1.3	0.4	-5.6	-4.7	14.4%	67.3%
	China A sov	16	2.9	4.2	6	2	-5	0	2.0	1.0	-6.1	-5.2	8.3%	85.8%
	Malaysia A sov	52	3.3	4.3	9	7	-1	3	2.1	1.1	-6.3	-5.2	10.6%	88.2%
	BBB rated	**175**	**4.5**	**4.0**	**39**	**60**	**51**	**86**	**0.9**	**-0.1**	**-6.9**	**-7.3**	**63.0%**	**90.4%**
	Indo BBB sov	127	4.0	4.5	18	37	42	64	1.8	-0.2	-6.8	-7.0	30.7%	84.7%
	Philip BBB sov	132	3.9	4.8	21	20	53	75	1.8	0.4	-8.7	-9.0	70.9%	89.2%
	India BBB quasi-sov	214	4.8	5.2	24	27	64	80	1.9	0.4	-8.7	-9.1	63.7%	95.9%
	High-yield													
	BB rated	**1,598**	**18.8**	**3.5**	**546**	**850**	**1,140**	**1,107**	**-14.3**	**-21.8**	**-31.4**	**-32.1**	**99.1%**	**99.8%**
	Mongolia B sov	647	9.2	3.5	151	225	393	320	-2.8	-6.0	-11.9	-11.3	83.7%	94.0%
	Pakistan B sov	2,153	24.3	3.6	865	1,268	1,621	1,600	-20.5	-30.1	-41.0	-41.9	99.9%	99.9%
	CCC rated													
	Sri Lanka CCC sov	5,332	57.4	2.3	1,061	1,442	3,292	2,410	-16.7	-35.5	-51.9	-44.4	99.6%	99.6%

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

Source: ICE-BAML, Goldman Sachs Global Investment Research

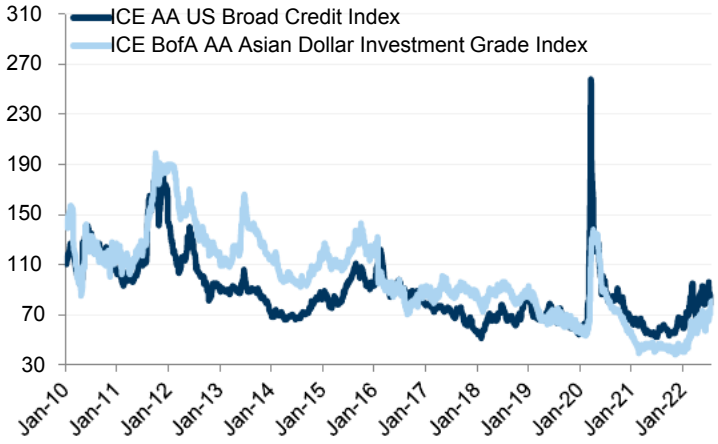
Asia credit performance relative to US credit

Exhibit 11: Asia IG vs. US IG performance
OAS (bps)



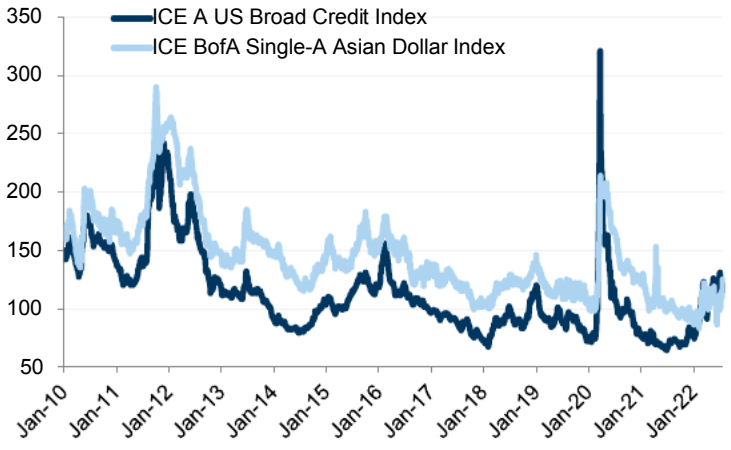
Source: ICE-BAML

Exhibit 12: Asia IG AA vs. US IG AA performance
OAS (bps)



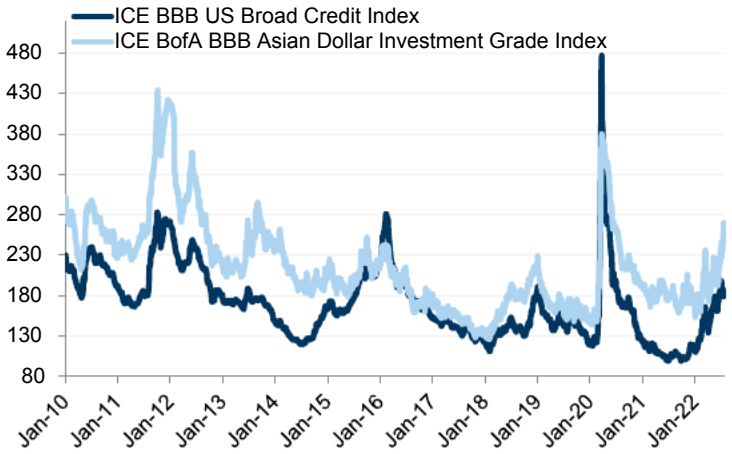
Source: ICE-BAML

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

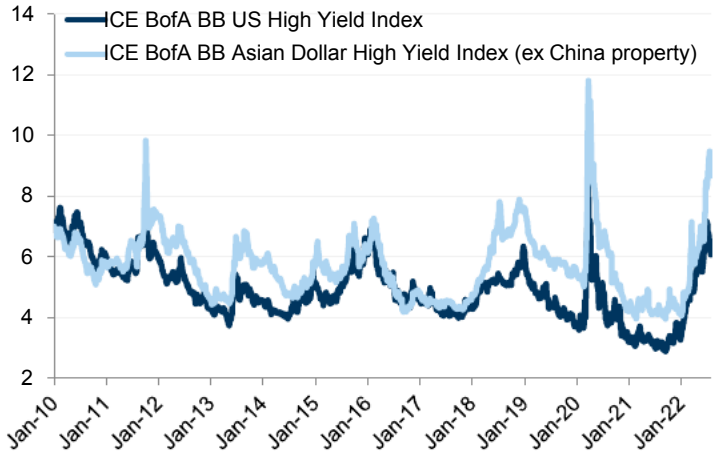
Exhibit 15: Asia HY ex China property vs. US HY

YTW (%)

Source: ICE-BAML

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

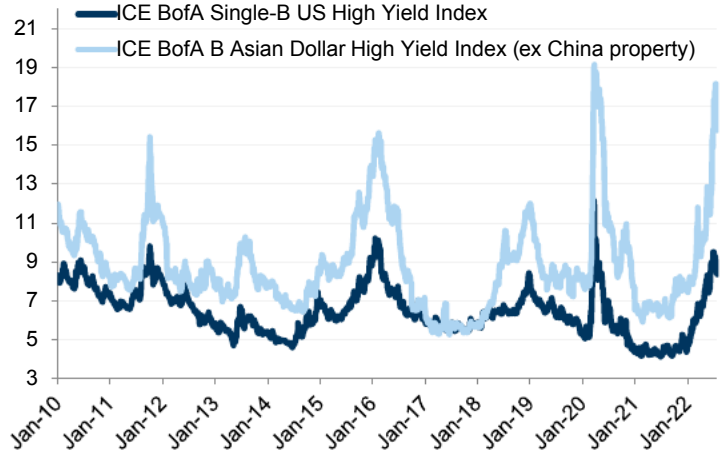
YTW (%)



Source: ICE-BAML

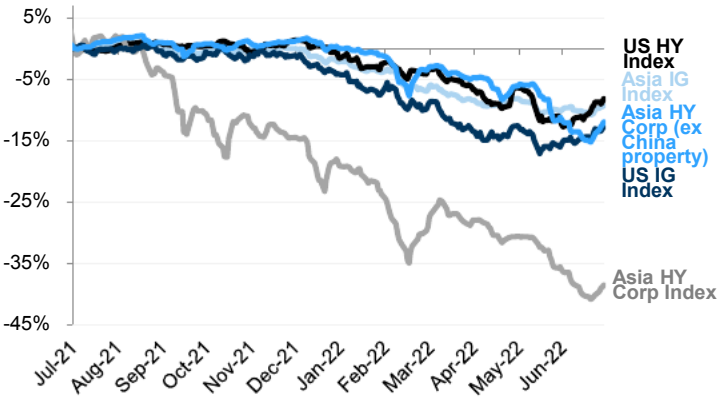
Exhibit 17: Asia HY B ex China property vs. US HY B performance

YTW (%)



Source: ICE-BAML

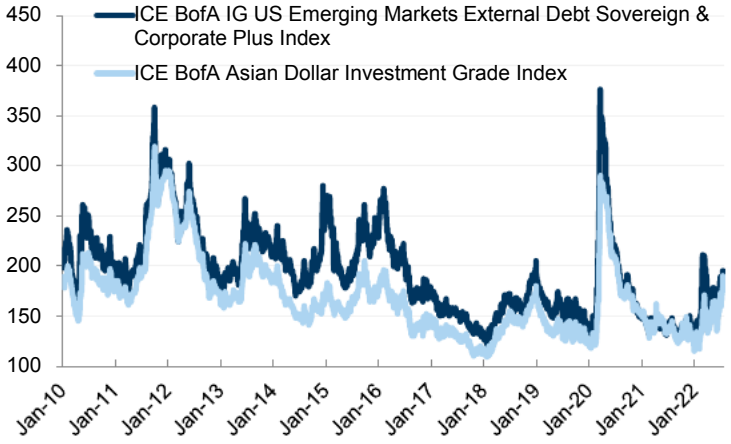
Exhibit 18: LTM total return for Asia IG and HY indices vs. US IG and HY indices



Source: ICE-BAML

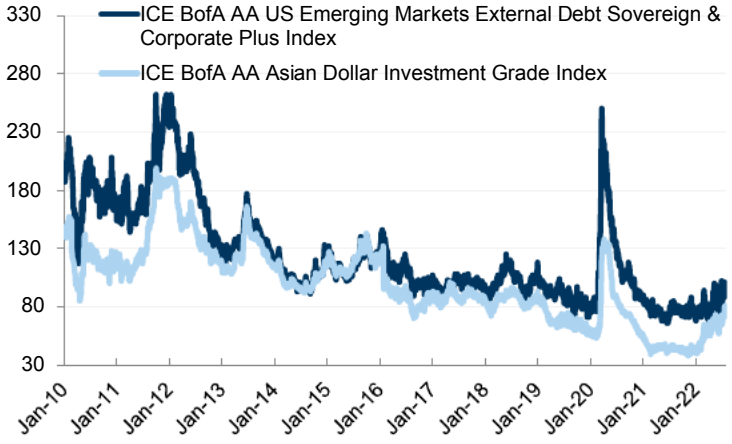
Asia credit performance relative to EM credit

Exhibit 19: Asia IG vs. EM IG performance
OAS (bps)



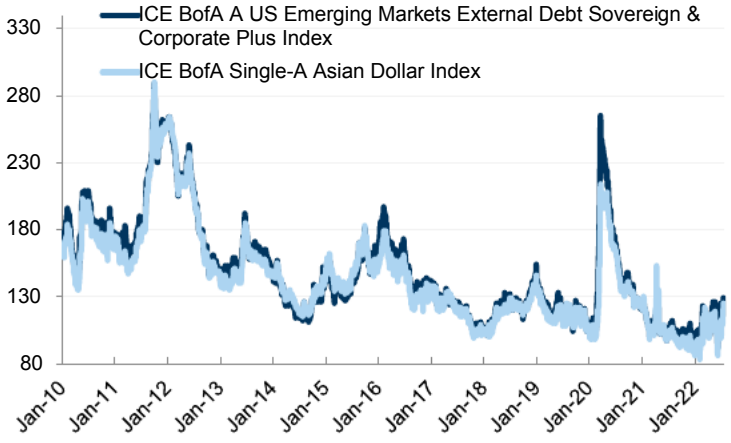
Source: ICE-BAML

Exhibit 20: Asia AA vs. EM AA performance
OAS (bps)



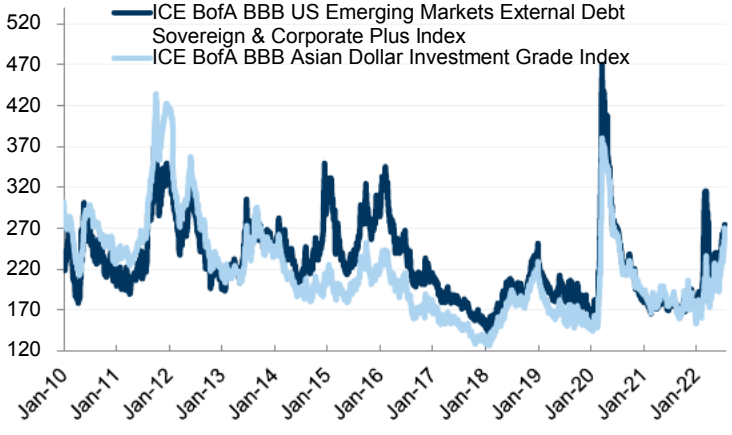
Source: ICE-BAML

Exhibit 21: Asia A vs. EM A performance
OAS (bps)



Source: ICE-BAML

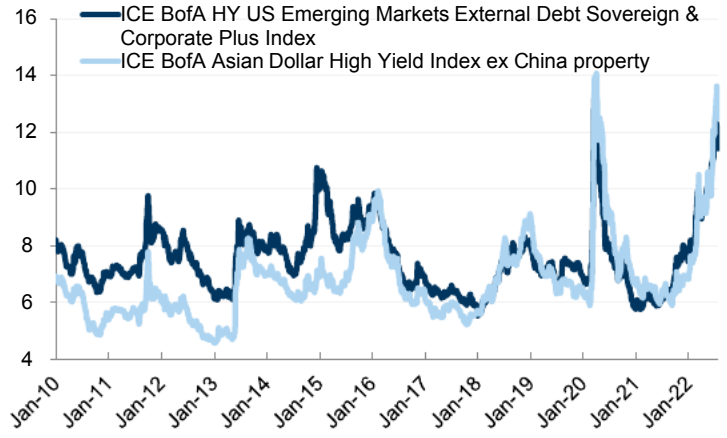
Exhibit 22: Asia BBB vs. EM BBB performance
OAS (bps)



Source: ICE-BAML

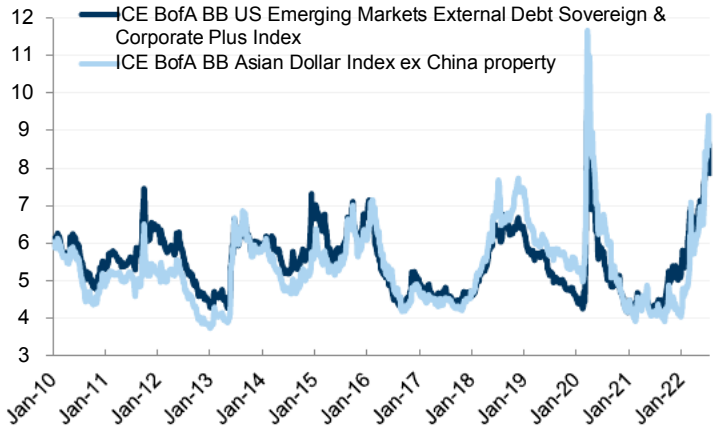
Asia credit performance relative to EM credit

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



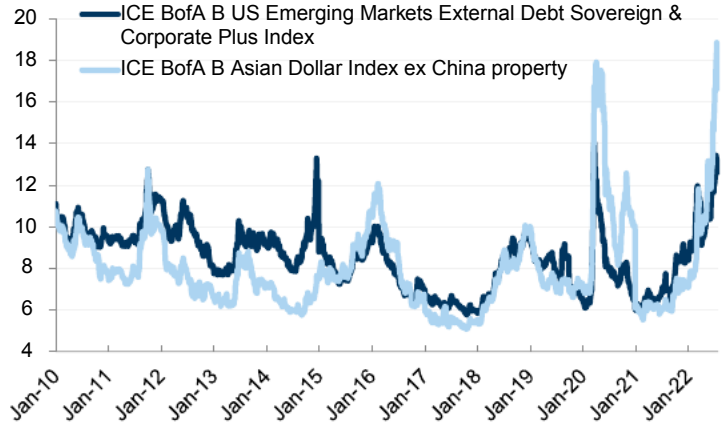
Source: ICE-BAML

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



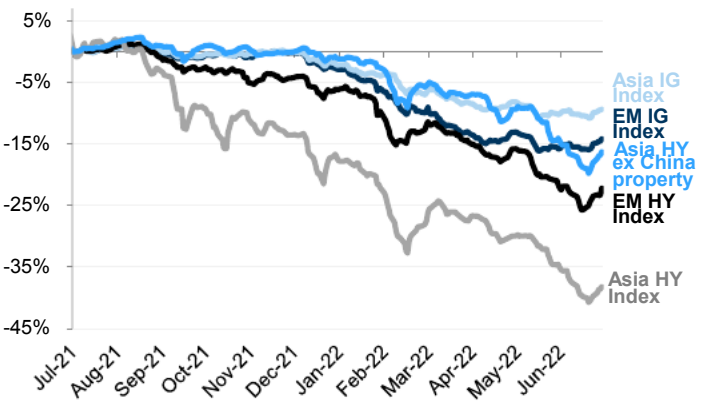
Source: ICE-BAML

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



Source: ICE-BAML

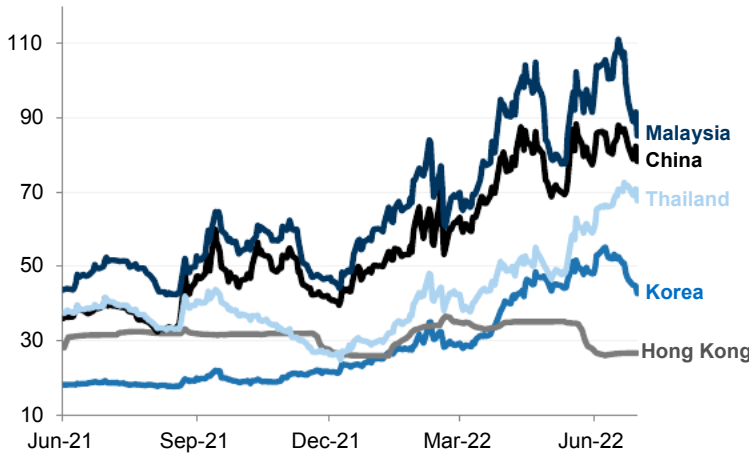
Exhibit 26: LTM total return for Asia IG and HY indices vs. EM IG and HY indices



Source: ICE-BAML

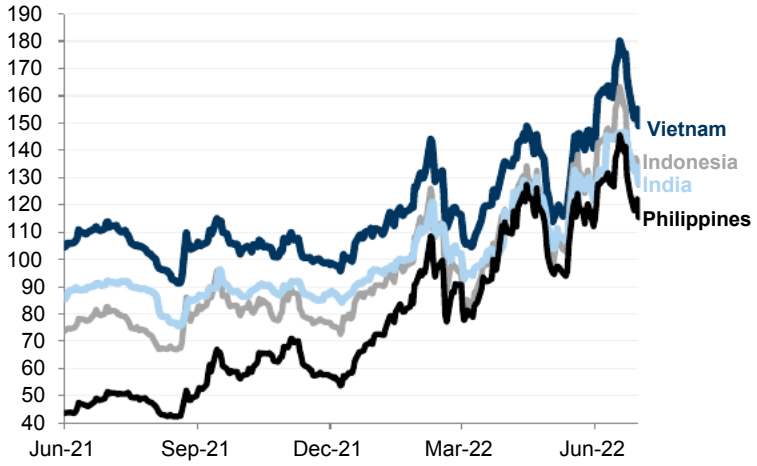
CDS performance

Exhibit 27: LTM performance of Asia Sovereign 5y CDS
5y CDS levels (bps)



Source: Markit

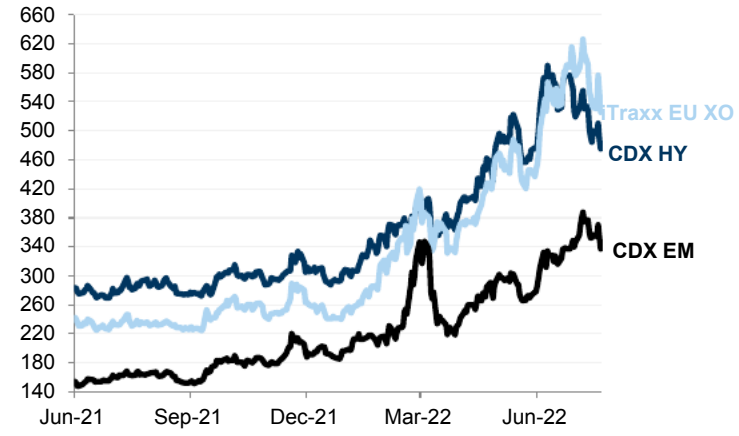
Exhibit 28: LTM performance of Asia Sovereign 5y CDS
5y CDS levels (bps)



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

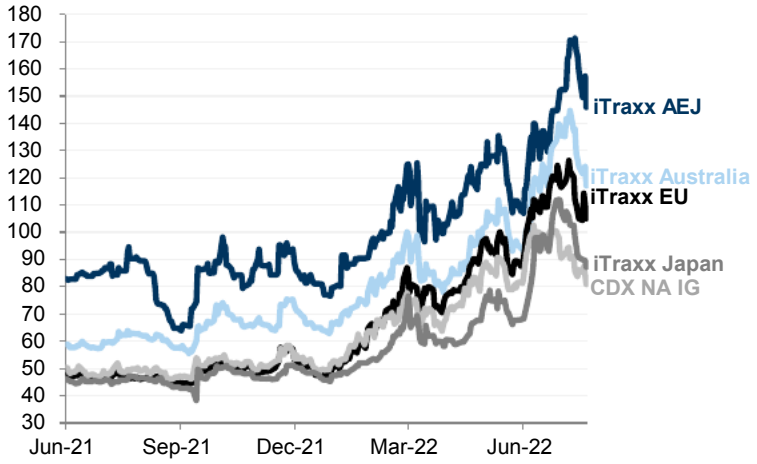
Source: Markit

Exhibit 29: LTM performance of Global HY indices
5y CDS levels (bps)



Source: Markit

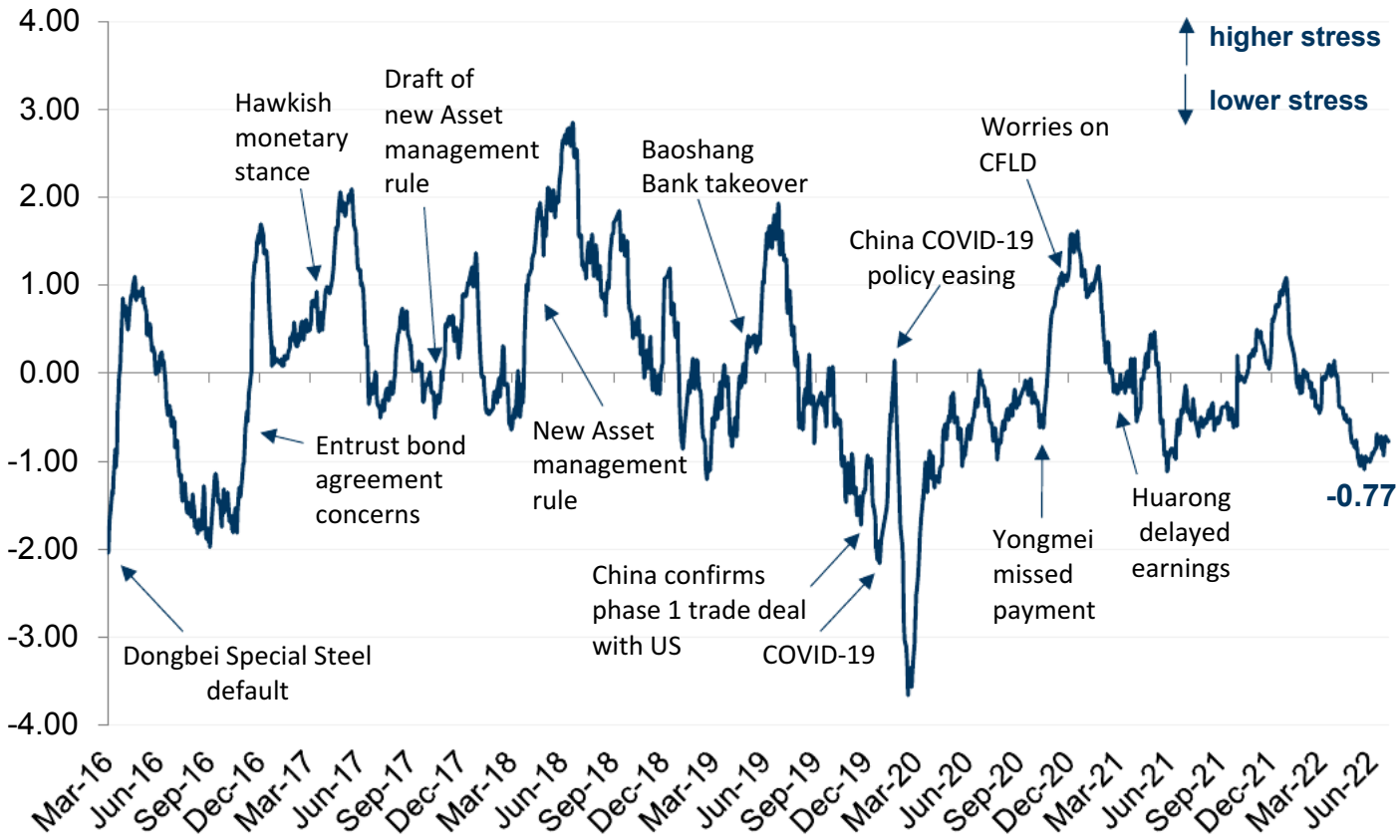
Exhibit 30: LTM performance of Global IG indices
5y CDS levels (bps)



Source: Markit

GS China onshore Credit Stress Index

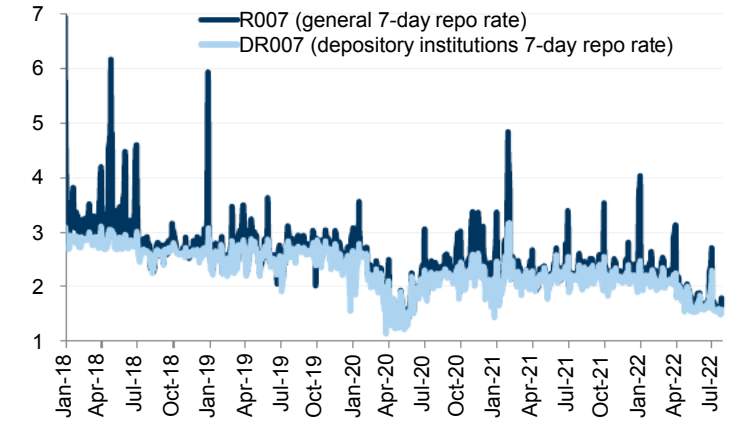
Exhibit 31: GS China Onshore Credit Stress Index
Z-score, as of Jul 28, 2022



Source: Goldman Sachs Global Investment Research

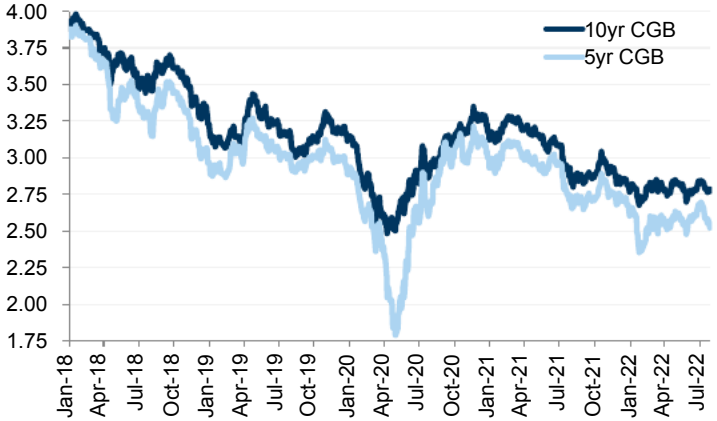
China onshore yield and spread

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



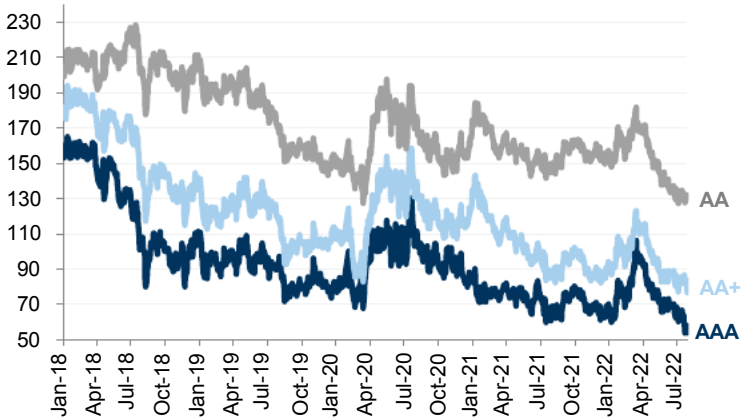
Source: CFETS, Wind

Exhibit 33: China central government bond yield (%)



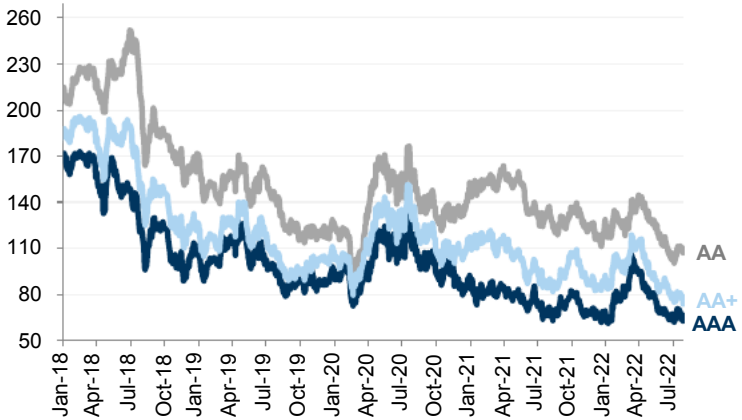
Source: Chinabond, Wind

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



Source: CFETS, Wind

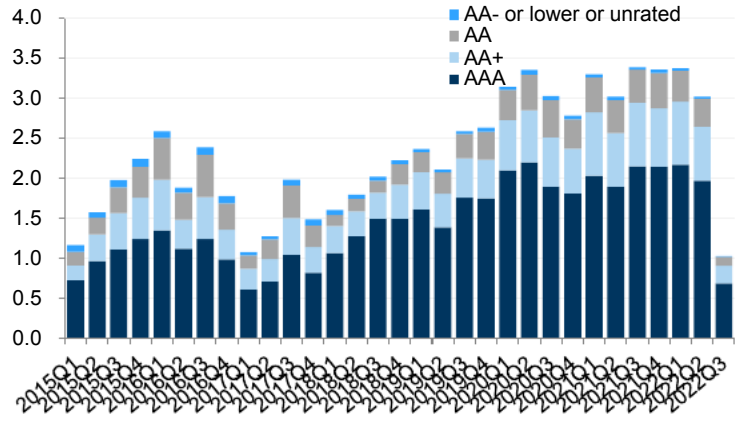
Exhibit 35: Spread for China domestic 5yr LGFVs by rating (bps)



Source: Chinabond, Wind

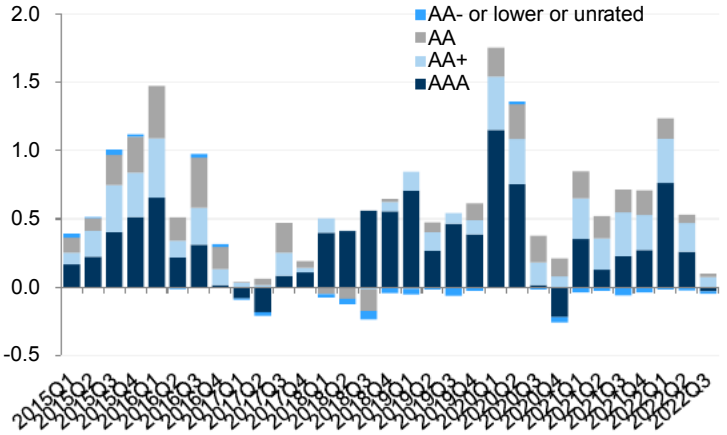
China onshore issuance

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



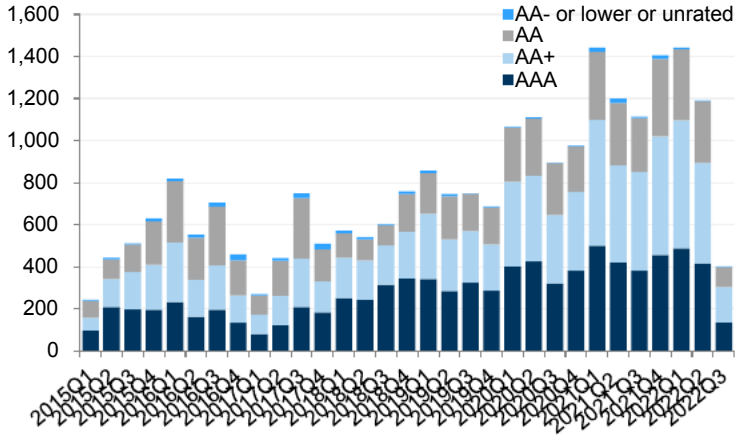
Source: Wind

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



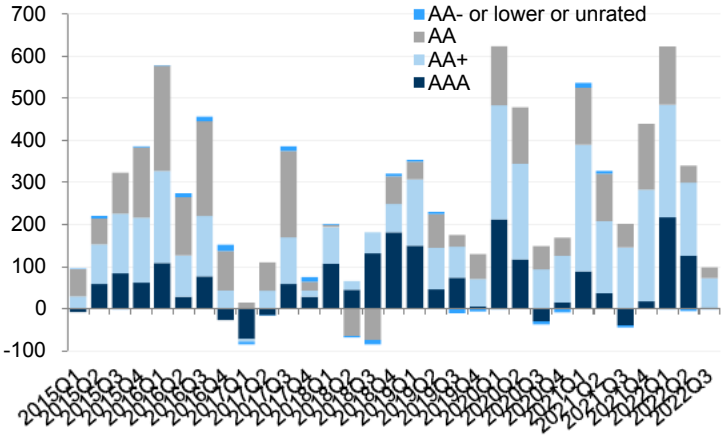
Source: Wind

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



Source: Wind

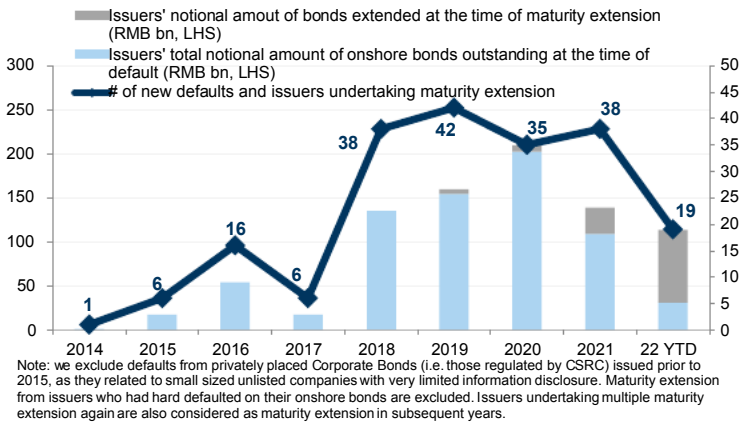
Exhibit 39: Onshore net LGFV bond issuance breakdown by rating (RMB bn)



Source: Wind

Asia HY and China onshore bond defaults

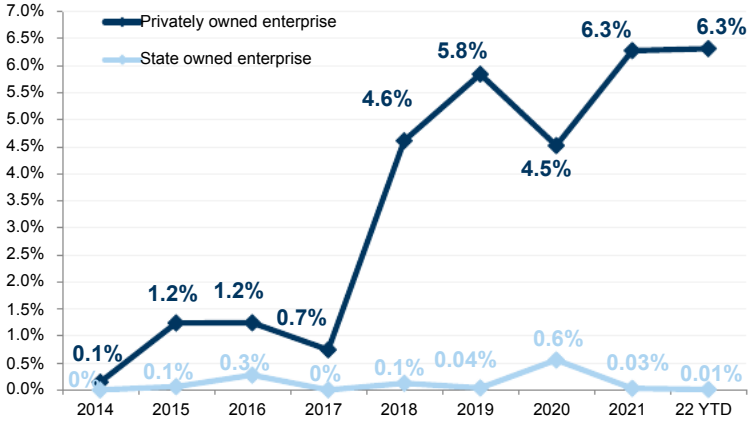
Exhibit 40: China onshore bond defaults and maturity extensions since 2014



Note: we exclude defaults from privately placed Corporate Bonds (i.e. those regulated by CSRC) issued prior to 2015, as they related to small sized unlisted companies with very limited information disclosure. Maturity extension from issuers who had hard defaulted on their onshore bonds are excluded. Issuers undertaking multiple maturity extension again are also considered as maturity extension in subsequent years.

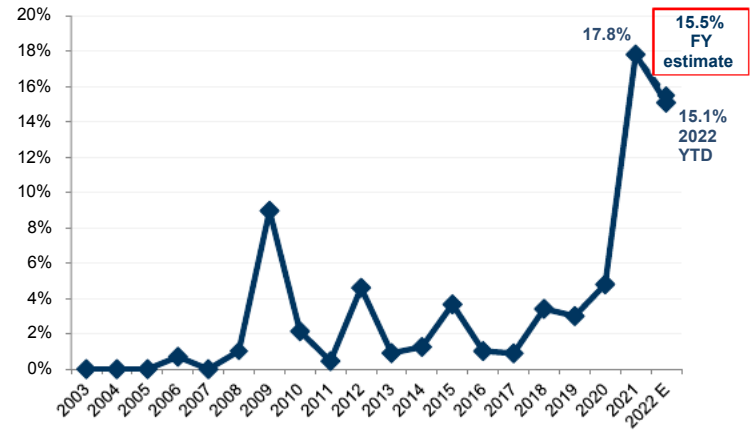
Source: Wind, Bloomberg, Company announcements, Goldman Sachs Global Investment Research

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**		

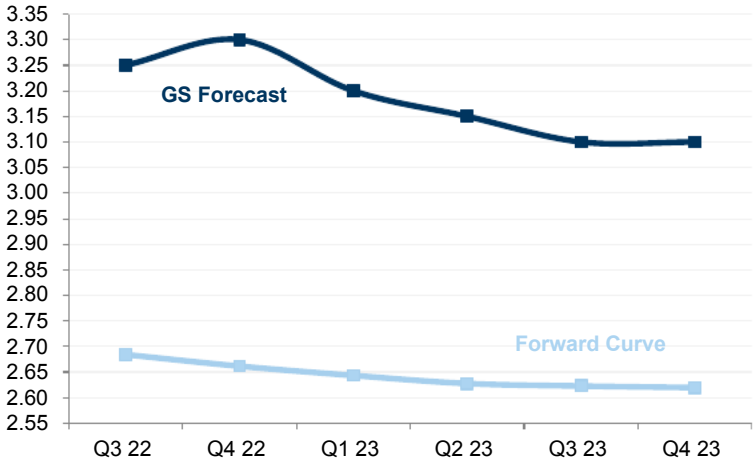
Source: Bloomberg, Moody's, S&P, HKEX, Data compiled by Goldman Sachs Global Investment Research

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
	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**		

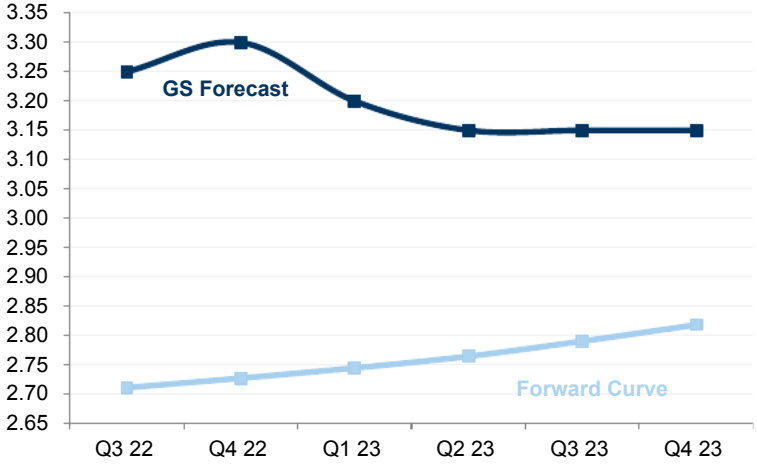
Source: Bloomberg, Moody's, S&P, HKEX, Data compiled by Goldman Sachs Global Investment Research

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
Seazen Group Ltd	Negative Change by Moody's	B1 (Neg)	Ba3 (Watch Neg)	BB+ (Neg)	BB+ (Neg)

Source: Bloomberg

Exhibit 49: Credit watch changes during the week

NO CREDIT WATCH CHANGES FOR THE WEEK

Source: Bloomberg

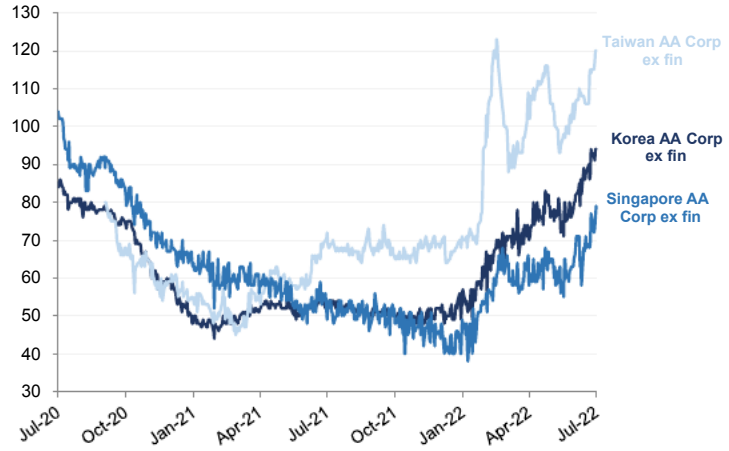
Exhibit 50: Outlook changes during the week

Issuer	Change	Moody's		S&P	
		Current	Previous	Current	Previous
Taiping Reinsurance Co Ltd	Negative Change by S&P	NR	NR	A (Neg)	A
Gemdale Corp	Negative Change by S&P	Ba2	Ba2	BB (Neg)	BB
Guoren Property & Casualty Insurance Co Ltd	Negative Change by Moody's	Baa1 (Neg)	Baa1	NR	NR
Famous Commercial Ltd	Negative Change by S&P	Ba3	Ba3	BB- (Neg)	BB-

Source: Bloomberg

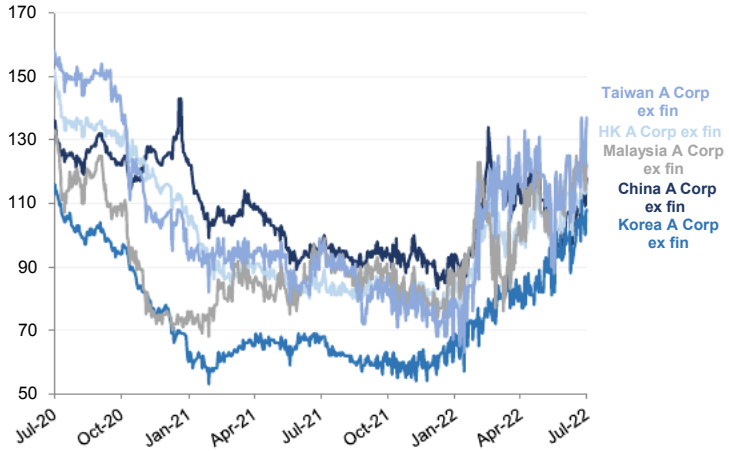
Relative Value: IG Corporates by Rating

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



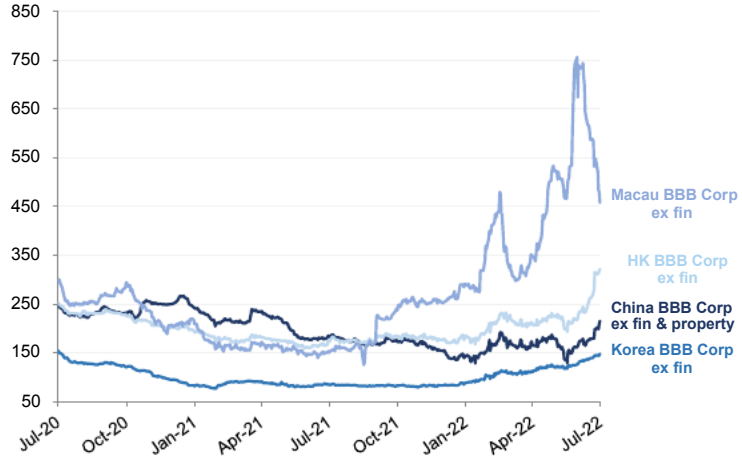
Source: ICE-BAML

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



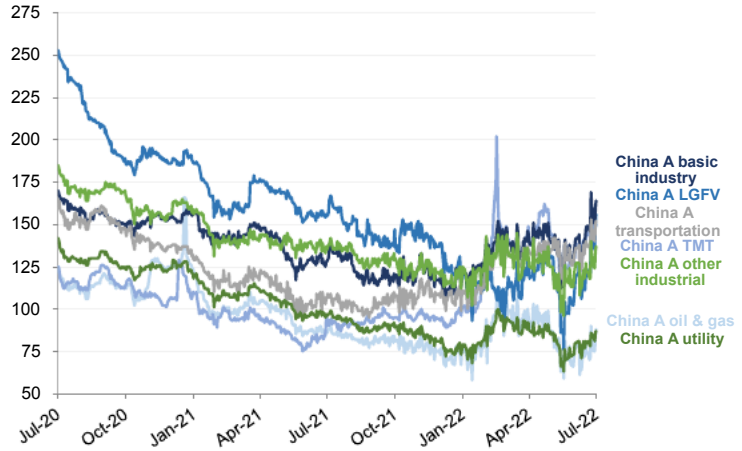
Source: ICE-BAML

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

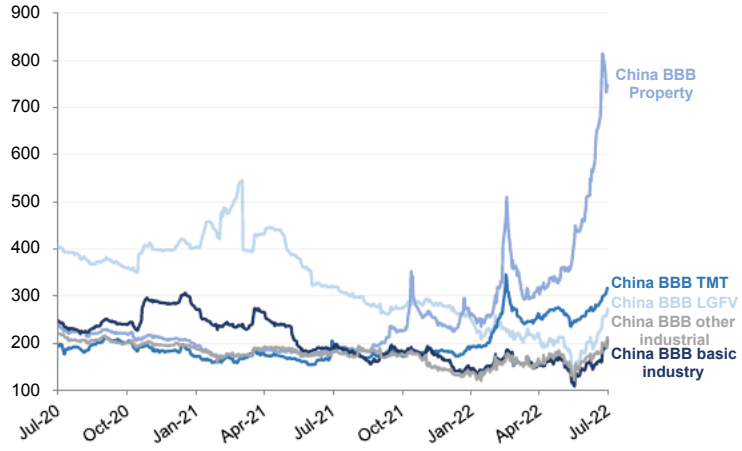


Source: ICE-BAML

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



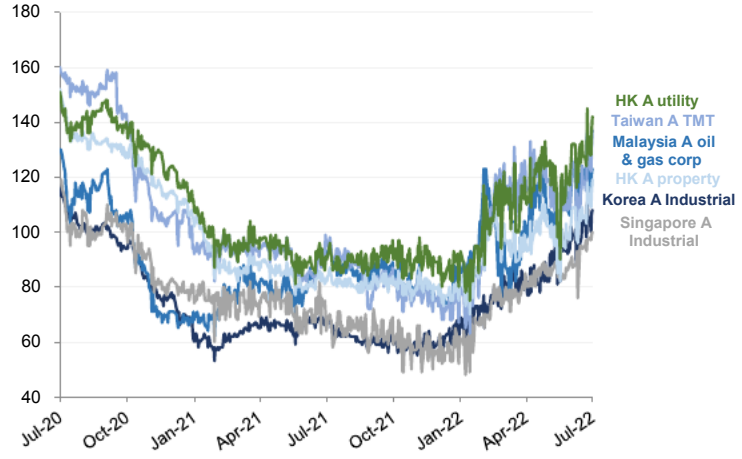
Source: ICE-BAML

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

Source: ICE-BAML

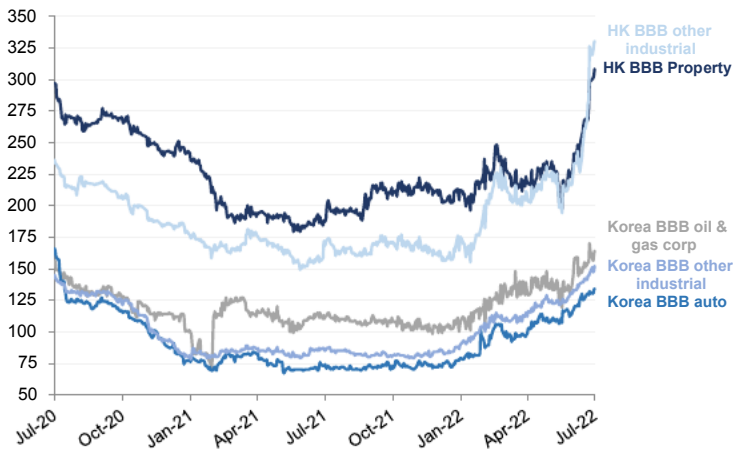
Relative Value: IG Corporates by Sector

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



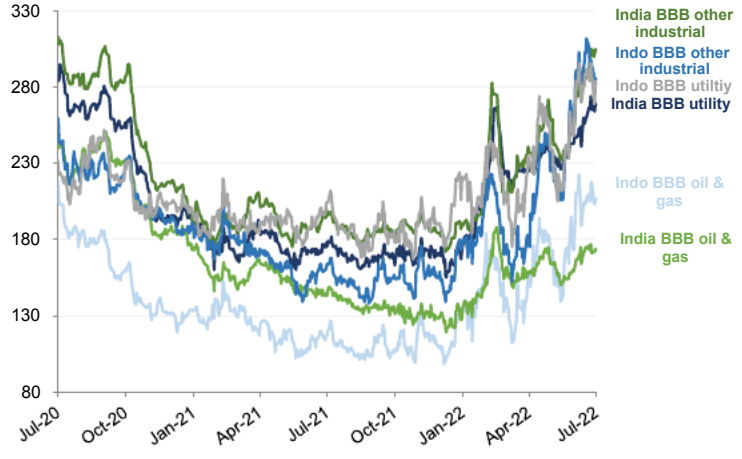
Source: ICE-BAML

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



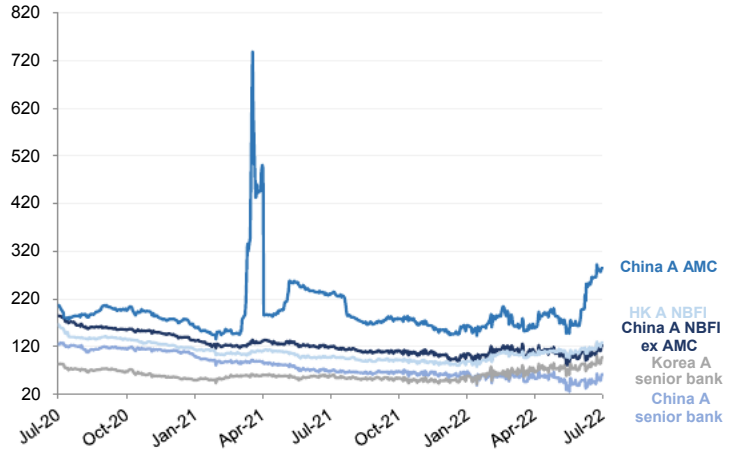
Source: ICE-BAML

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

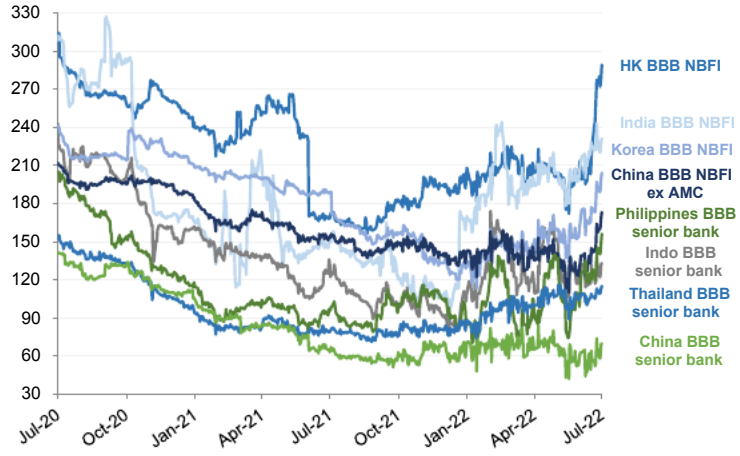


Source: ICE-BAML

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



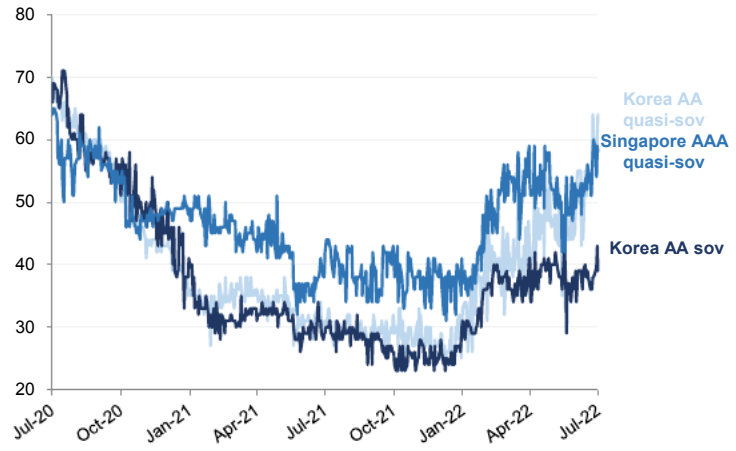
Source: ICE-BAML

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

Source: ICE-BAML

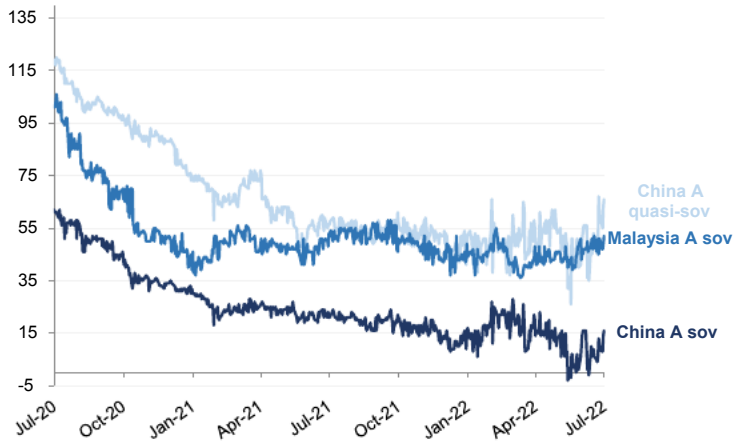
Relative Value: IG Sovereign

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



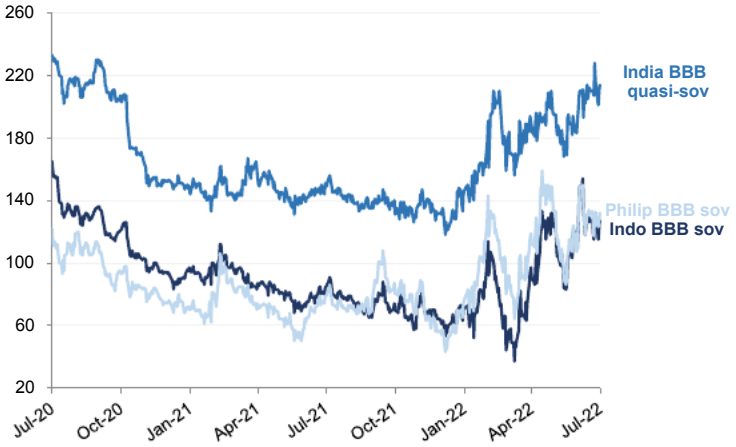
Source: ICE-BAML

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



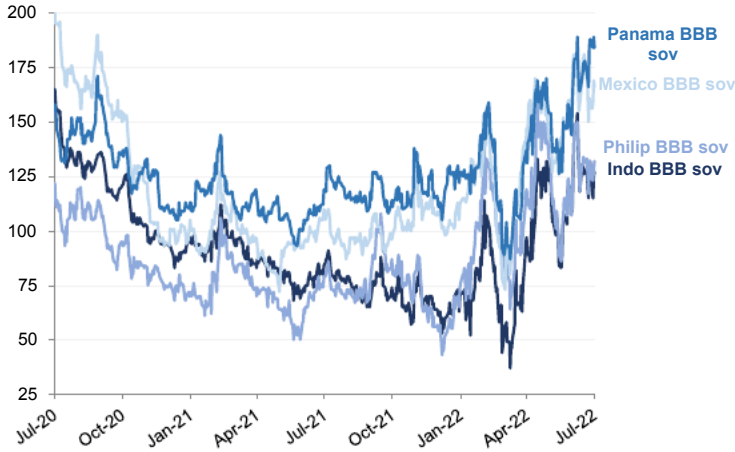
Source: ICE-BAML

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



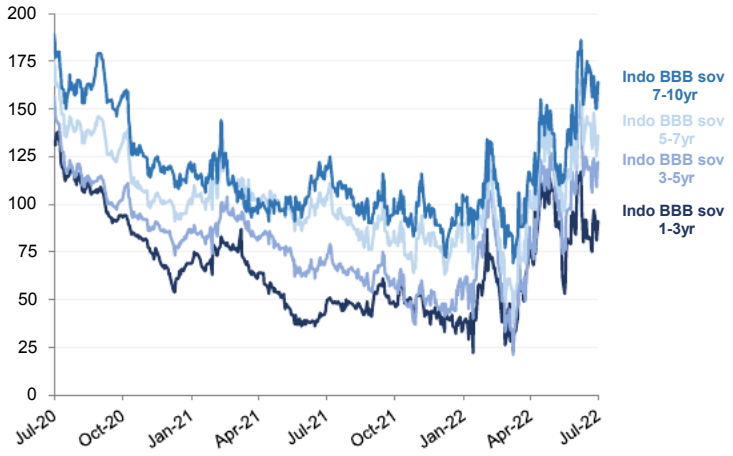
Source: ICE-BAML

IG Curve Shapes

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

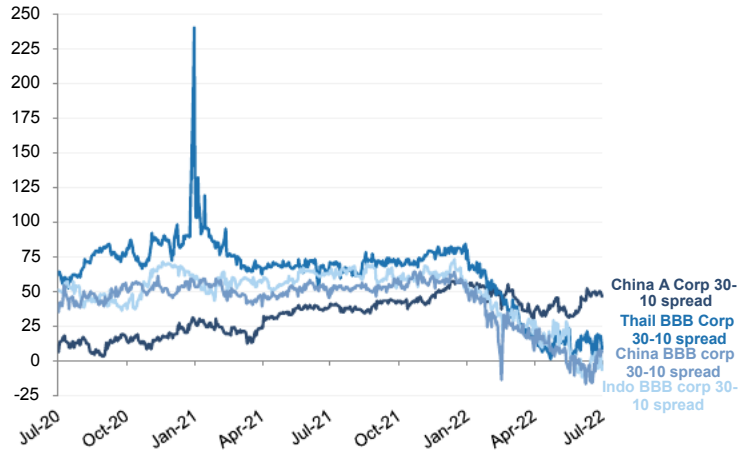
Source: ICE-BAML

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



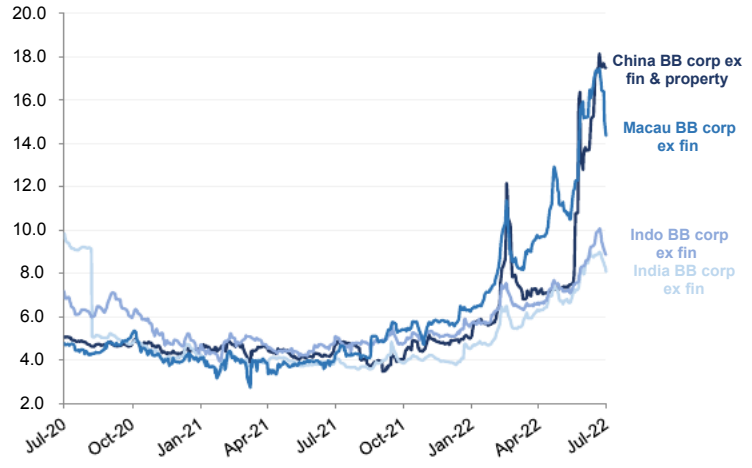
Source: ICE-BAML

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

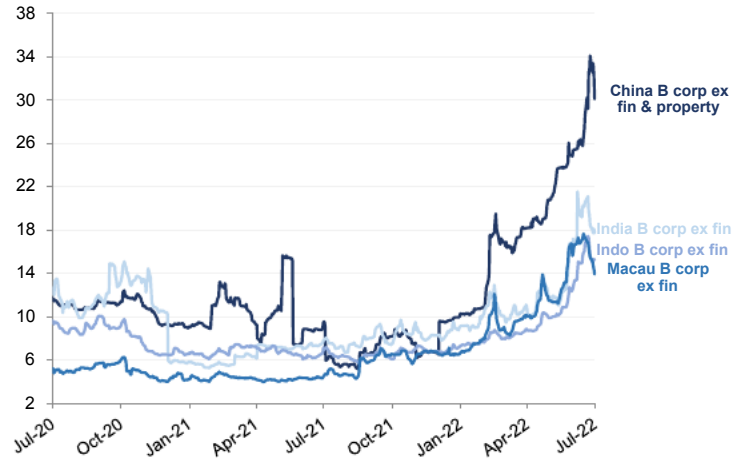
Relative Value: HY

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



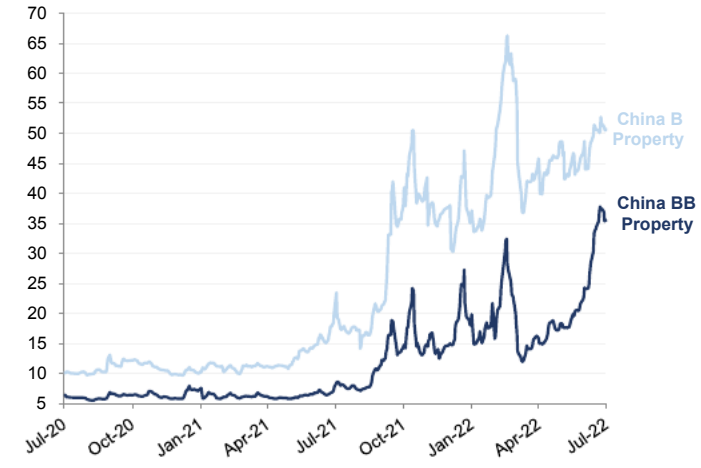
Source: ICE-BAML

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



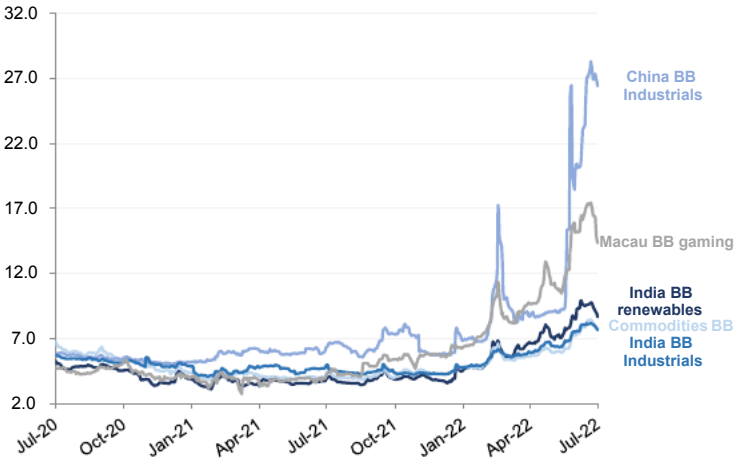
Source: ICE-BAML

Exhibit 77: YTW for BB and B rated China property
YTW (%)



Source: ICE-BAML

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

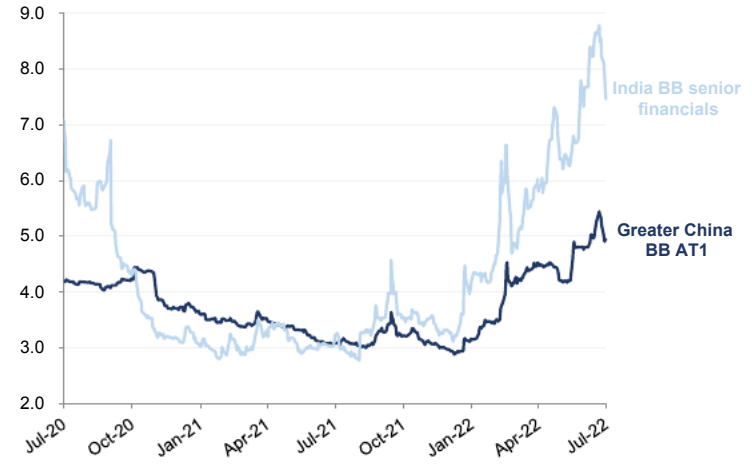


Source: ICE-BAML

Relative Value: HY

Exhibit 79: YTW for BB rated financials

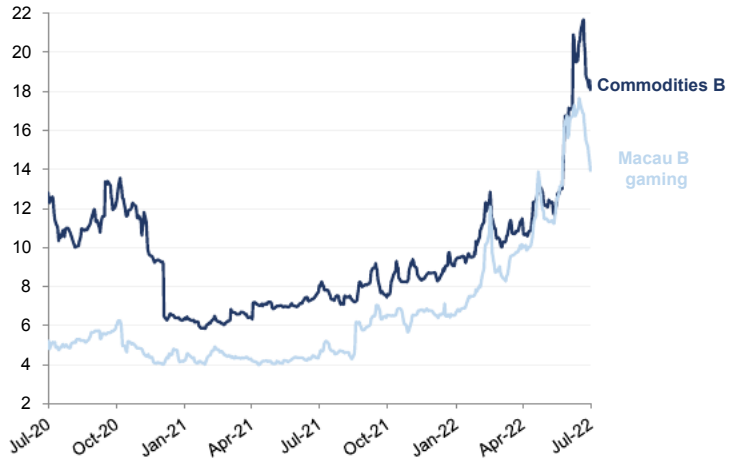
YTW (%)



Source: ICE-BAML

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

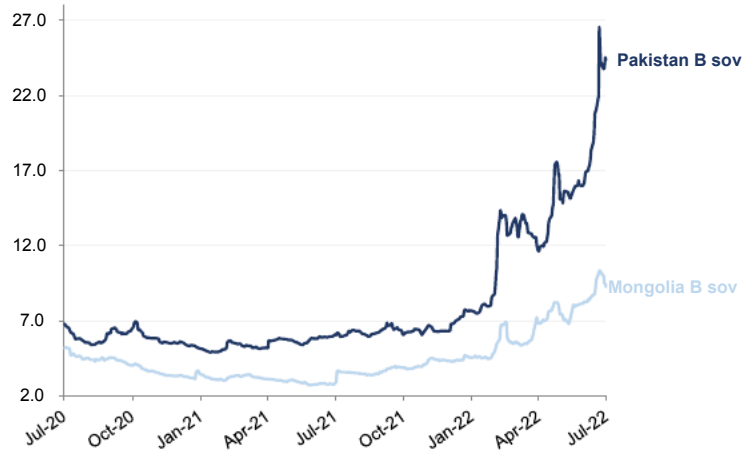
YTW (%)



Source: ICE-BAML

Exhibit 81: YTW for B rated sovereign

YTW (%)



Source: ICE-BAML

Exhibit 82: YTW for CCC rated sovereign

YTW (%)

Source: ICE-BAML

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