

Asia Credit Trader

Better Value In Bank Capital Securities Over Corporates

A volatile week in Asia credit, though we see the spread widening as a healthy correction. A major focus in the coming weeks will be details on further China policy easing. Our China economics team believes an additional RMB1-2tn ultra-long-term central government special bond quota by year-end is likely, and should support our view that Asia credit spreads can stay lower for longer. Furthermore, with our US economics team reducing their 12-month US recession probability back to the unconditional long-term average of 15%, we expect search for yield motives to remain intact and the firm macro backdrop should support many of the idiosyncratic opportunities across Asia credit.

In this week's Asia Credit Trader, we discuss:

- We maintain duration neutral for Asia IG, with a focus on credits across the curve versus our previous barbelled stance.
- For Asia IG corporates, we removed Malaysia A from our most favored sectors, and maintain a neutral stance on HK IG. Our favored segment continues to be Indonesia corporates.
- We shifted our preference for banks over corporates for Asia IG, and added HK and Korea subordinated financials

to our favored list.

- Aside from Tier 2 bonds from Asia Ex-Japan banks, we highlight two additional areas that we believe have value - Australia Tier 2 bonds and HK Global banks AT1 securities.

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Summary of the week

A volatile week in Asia credit, stemming from the increases in US Treasury yields and large moves across the HK and China equity markets. Spreads widened across both Asia IG and HY, though we see that as a healthy correction given how strong performance has been over the past month. A major focus in the coming weeks will be details on further China policy easing, in particular on the fiscal front and on measures that could accelerate the reduction of housing inventory. Our China economics team believes an additional RMB1-2tn ultra-long-term central government special bond quota by year-end is likely, and should that play out, it would support our view that Asia credit spreads can stay lower for longer. Furthermore, with our US economics team reducing their 12-month US recession probability back to the unconditional long-term average of 15% whilst maintaining their conviction in further (core) PCE disinflation, we expect search for yield motives to remain intact. The firm macro backdrop should also support many of the idiosyncratic opportunities across Asia credit.

In our recent Asia Credit Notes, we made a number of changes to our views:

- With our Global Markets team expecting macro volatility to subside, we do not think a strong duration stance is warranted. We maintain duration neutral for Asia IG, with a focus on credits across the curve versus our previous barbelled stance.
- We see better value in Asia IG subordinated bank debt versus Asia IG corporates, and added Korea and HK BBB subordinated banks to our most favored list.
- For Asia IG corporates, we removed Malaysia A from our most favored sectors, and maintain a neutral stance on HK IG. Our favored segment continues to be Indonesia corporates.
- We continue to prefer a moderate overweight on Asia HY, and see India Renewables and Macau Gaming as core holdings. Given tight valuation and potential tail concerns, we avoid the riskiest parts of Asia HY.
- BBB and BB continues to be our preferred segments. We will watch for China policy easing, specifically on measures that could accelerate the reduction of housing inventory, before considering a move lower into the riskier segments.

Asia IG – duration neutral, with preference for bank capital securities over corporates. We prefer a neutral duration positioning to the index, and see the most value in BBB. We see value in Malaysia A Corp. We like Japan A rated senior bank debt as an off-index position, and we prefer HK Global Banks for AT1 securities and Australian banks for Tier 2 bonds. For BBB, we see value in Indonesia corporates, Korea & HK Tier 2 bonds, and opportunities in idiosyncratic situations in China and India. We are cautious on Philippines IG.

Asia HY – moderately overweight on HY, with idiosyncratic opportunities. Our overall preference is for BB rated corporates, and we believe the focus should be on segments that offer relatively attractive all-in yield, including Macau Gaming (though BB over B) and India Renewables. There exists a sizeable tail risk within Asia HY in our view, which could offer value, though this requires careful credit analysis. We are neutral on China property HY, though see it as important to be up in quality. Amongst the frontier sovereigns, we still see upside potential in Pakistan.

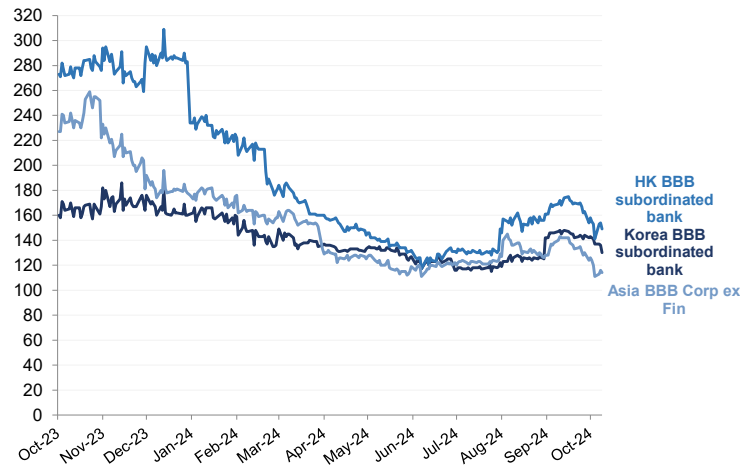
Better Value In Bank Capital Securities Over Corporates

Value in subordinated bank capital. The rally in IG spreads over the past year means valuation is no longer cheap, but we do see attractive valuation in subordinated bank capital securities. In our [Asia Credit Notes](#), we shifted to a preference for banks over corporates for Asia IG, and added HK and Korea subordinated financials to our favored list. As shown in [Exhibit 1](#), spreads on Korea BBB subordinated banks were at 158bps in October 2023, significantly tighter than the 227bps for Asia BBB corporates; this position has since reversed, with spreads on Korea BBB subordinated banks at 130bps, compared with 114bps for Asia BBB corporates. The picture is similar for HK BBB subordinated banks, which at 149bps, offers a 35bps spread pickup over Asia BBB corporates.

T2/Senior spread multiples have not compressed. Underpinning the attractiveness of Tier 2 bonds is the fact that spread multiples between Tier 2 and senior bank bonds have not compressed in recent months, despite the moves tighter in spreads across Asia credit. The best way to highlight this is the Tier 2/senior spread multiple for Japan, ANZ and HK Global banks, using levels based on the ICE-BAML indices. This is currently at 1.7x, a multiple that we highlighted as fair in our recent [EM banks](#) publication ([Exhibit 2](#)) – if we assume recovery on bank senior debt is 40% and recovery on sub debt in the event of a default is 0%. This means that the loss on senior debt is 60%, and the loss on sub debt is 100%. For this example, one can see that the loss from the sub debt is 1.67x higher than the loss on senior debt, indicating it is fair that subordinated debt spread should be at a multiple to senior debt at around the 1.7x range ([Exhibit 2](#)).

Exhibit 1: Better value in BBB bank subordinated bonds than BBB corporates

OAS for BBB rated subordinated financials and corporates (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 2: Tier 2/senior spread ratio has not compressed

Australia, Japan & HK global bank Tier 2/Senior banks spread ratio (x)

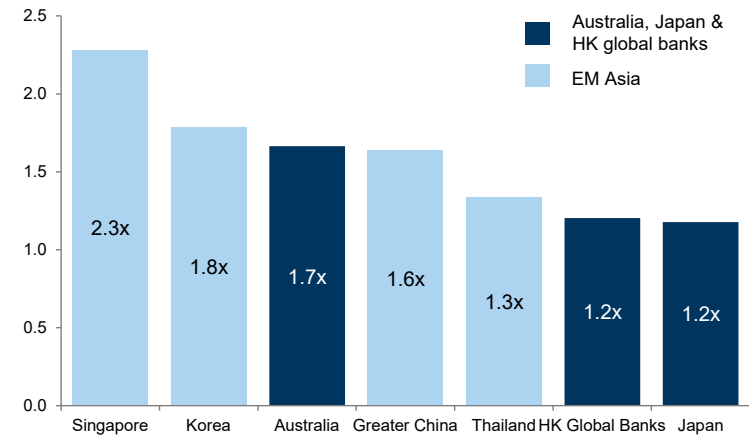


Source: ICE-BAML, Goldman Sachs Global Investment Research

Value in Australia Bank T2 and HK Global Banks AT1. Aside from Tier 2 bonds from Asia Ex-Japan banks, we highlight two additional areas that we believe have value. First is Australia Tier 2 bonds. In our [note](#) from June 2024, we cited their high Tier 2/senior spread multiples as attractive, and that continues to be the case. As shown in [Exhibit 3](#), we estimate that the Australia bank Tier 2/senior spread multiple is currently at 1.7x, amongst the highest in Asia. The second area we believe is attractive is HK Global Bank AT1 securities. As highlighted in [Exhibit 4](#), their yield to call is averaging 6.1%, higher than most AT1 securities in Asia, and they have solid investment grade credit ratings at the senior unsecured level. Furthermore, as we noted in an [Asia Credit Trader](#) last month, whilst we believe there are still pressures on the HK commercial real estate sector, we believe HK banks' balance sheets are robust, despite some downside risks to earnings.

Exhibit 3: Australia T2 bonds have attractive multiple over senior debt

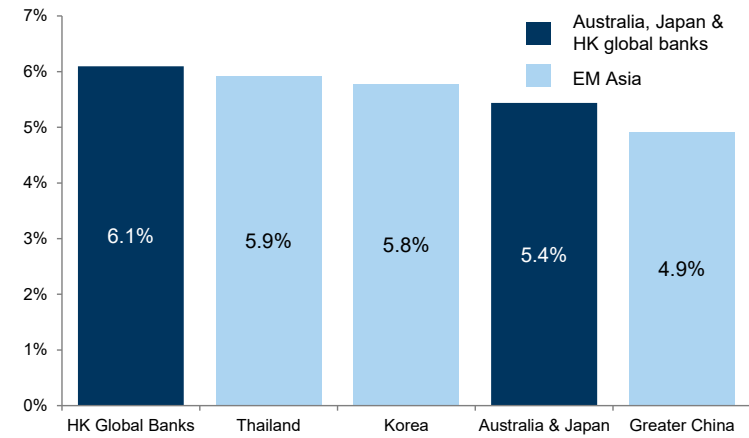
T2/Senior bond spread ratio, weighted by notional outstanding (x)



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 4: HK Global banks have some of the highest yields amongst Asia AT1 securities

AT1 yield to call, weighted by notional outstanding (%)

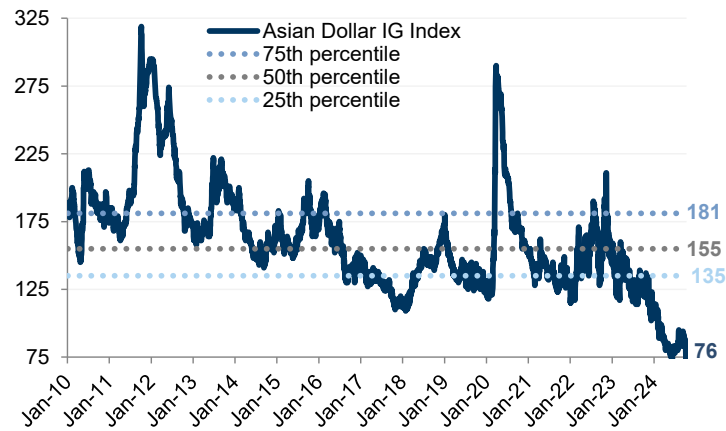


Source: Bloomberg, Goldman Sachs Global Investment Research

Asia credit performance

Exhibit 5: Asia IG performance

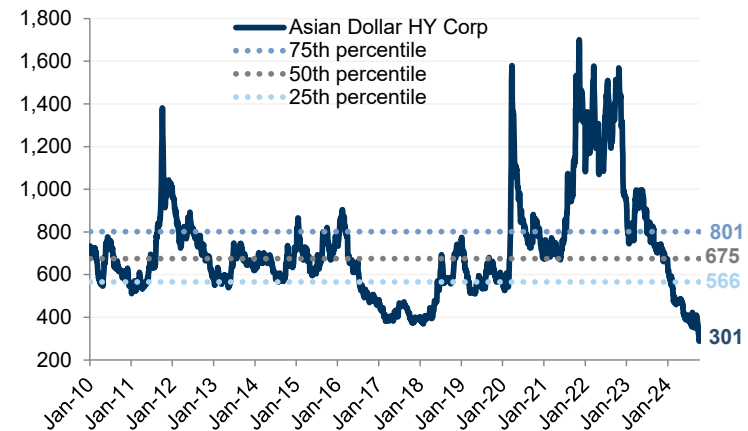
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 6: Asia HY corp performance

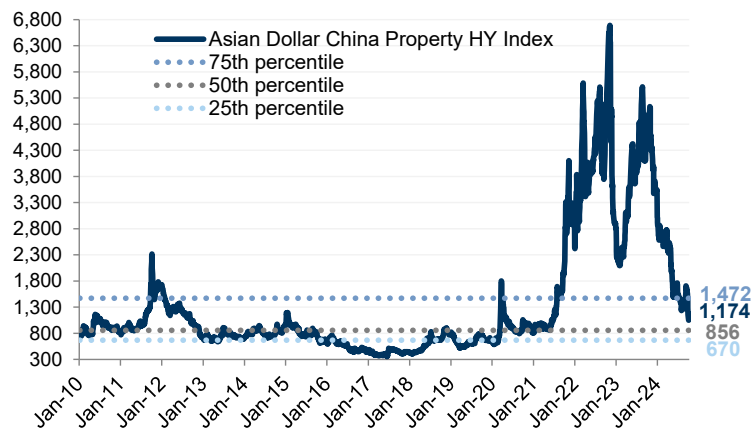
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 7: China property HY performance

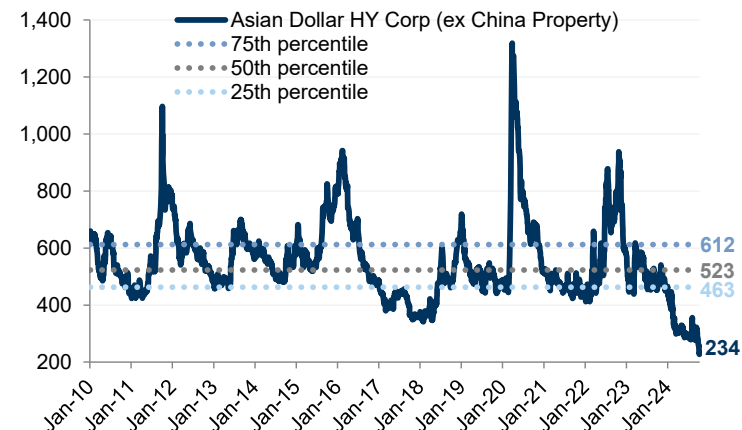
OAS and historical percentiles from Jan 2010 (bps)



Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 8: 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 9: Asian dollar IG and HY corp spread forecasts (bps) & Asia G3 Bond Issuance forecast

Index	Current levels (bps)	2024 end Forecast (bps)
Asian Dollar IG	76	95
Asian Dollar HY Corp (ex China property)	234	350
Primary Market	YTD Issuance (USD bn)	2024 Full Year Forecast (USD bn)
Asia G3 Currency Bond Issuance	146	180

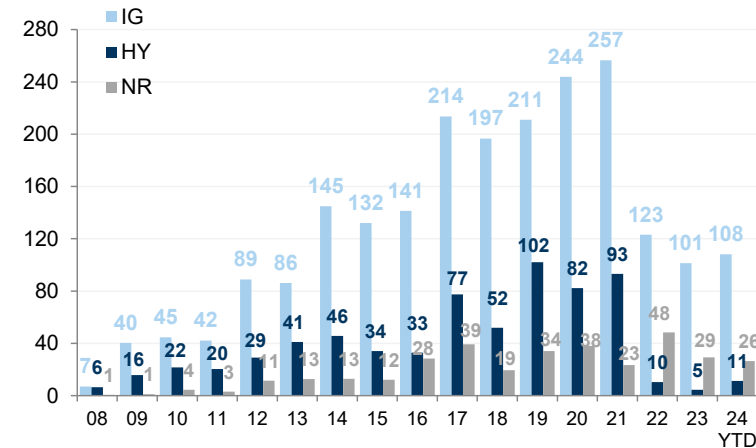
Source: ICE-BAML, Goldman Sachs Global Investment Research

Exhibit 11: New G3-currency Asia IG bond issuances this week

Date	Issuer	Origin	Sector	Bond	Currency	Notional (USD mn)
Investment Grade						
10/7/2024	Kodit Global 2024-2 Co Ltd	Korea	Financial	KOCRGF Float% 27	USD	200
10/8/2024	Korea Development Bank/The	Korea	Financial	KDB 4.125% 27	USD	1,000
10/9/2024	Hong Kong Mortgage Corp Ltd/The	Hong Kong	Financial	HKMTGC 4.125% 27	USD	850
10/9/2024	Bank of China Ltd/London	China	Financial	BCHINA Float% 27	USD	300
10/9/2024	Export-Import Bank of Korea	Korea	Government	EIBKOR 4.125% 27	USD	500
Total						2,850

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

Exhibit 10: Asia ex-Japan G3-currency bond issuance (2008-2024YTD) by rating category (USD, bn)



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 12: New G3-currency Asia HY & NR bond issuances this week

NO HY ISSUANCE
NO NR ISSUANCE

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

Asia credit performance and percentile

Exhibit 13: Performance and percentile ranks for Asia Corporate Credit Market

as of October 9, 2024

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	56	4.6	3.1	-5	3	-15	-15	-0.6	2.4	8.9	4.4	7.0%	87.8%
	Korea AA Corp	61	4.6	2.6	-4	3	-12	-15	-0.4	2.4	8.3	4.6	14.5%	81.3%
	Taiwan AA Corp	58	4.6	4.2	-4	7	-14	-9	-0.9	2.3	9.8	3.7	19.4%	56.9%
	Singapore AA Corp	37	4.4	3.1	-4	-1	-19	-21	-0.7	2.4	9.0	4.6	0.2%	88.3%
	A rated	63	4.6	3.6	-9	0	-26	-23	-0.6	2.6	10.0	4.9	0.5%	87.5%
	China A Corp	55	4.6	3.4	-11	-2	-31	-28	-0.5	2.6	9.8	5.1	0.2%	87.0%
	HK A Corp	76	4.8	4.4	-8	-2	-26	-25	-0.9	2.9	10.8	4.8	0.2%	88.4%
	Korea A Corp	76	4.8	2.1	-1	9	1	-6	-0.3	2.2	7.7	4.5	10.5%	86.1%
	Malaysia A Corp	72	4.7	4.0	-8	-2	-15	3	-0.8	2.8	10.2	3.8	1.5%	89.4%
	Singapore A Corp	53	4.5	4.2	-11	4	-19	-13	-0.8	2.6	10.1	4.3	2.1%	88.2%
	Taiwan A Corp	81	4.9	2.8	1	11	-34	-43	-0.5	2.2	10.1	5.6	7.3%	83.9%
	BBB rated	114	5.1	3.7	-26	-6	-121	-62	0.0	3.0	11.9	6.1	0.1%	82.5%
	China BBB Corp (ex-property)	105	5.1	3.3	-19	1	-66	-61	-0.1	2.8	11.5	6.5	0.8%	81.8%
	Indo BBB Corp	106	5.0	4.0	-35	-18	-66	-31	0.3	3.5	13.0	5.6	0.1%	70.3%
	India BBB Corp	129	5.3	3.8	-25	-13	-87	-64	0.0	3.3	14.2	7.1	1.3%	80.4%
	HK BBB Corp	104	5.1	4.8	-36	-10	-70	-76	-0.1	3.0	13.2	7.4	0.0%	79.4%
	Korea BBB Corp	99	5.0	3.2	-12	8	-28	-24	-0.3	2.6	10.1	5.3	14.5%	85.1%
	Thailand BBB Corp	113	5.1	4.4	-17	0	-53	-29	-0.6	2.8	13.3	5.2	8.7%	84.0%
	Malaysia BBB Corp	117	5.2	3.4	-16	-7	-51	-23	-0.2	2.9	12.3	6.1	1.9%	84.6%
	Macau BBB Corp	136	5.4	3.4	-51	-7	-135	-59	0.9	3.0	13.8	6.2	2.1%	53.1%
	High-yield													
	BB rated	280	7.0	3.0	-81	-40	-244	-292	1.9	3.1	20.3	13.8	2.4%	50.4%
	China BB Corp (ex-property)	456	8.7	1.5	-212	16	-465	-605	3.6	2.8	28.2	21.7	38.2%	77.6%
	China BB HY Property	512	9.1	2.8	-199	-293	-788	-810	7.2	1.7	43.3	33.6	29.0%	58.5%
	India BB Corp	234	6.4	3.3	-55	5	-143	-76	1.2	3.1	14.4	8.4	1.1%	42.9%
	Indo BB Corp	247	6.8	3.1	-60	25	-114	-80	1.1	2.6	13.8	8.4	8.6%	72.4%
	Macau BB Corp	253	6.7	3.2	-88	-28	-212	-85	2.1	3.8	18.2	8.9	10.8%	68.5%
	India BB renewable energy	248	6.6	3.2	-49	18	-169	-91	1.0	3.0	15.2	8.6	3.4%	51.5%
	India BB non-renewable energy Corp	221	6.3	3.1	-62	6	-103	-61	1.3	3.2	13.3	8.2	2.1%	61.0%
	B rated	431	8.0	2.1	-106	38	-690	-201	4.7	5.0	25.6	16.4	4.0%	13.9%
	China B HY Property	987	14.0	2.1	-405	258	-4,416	-4,541	13.8	14.4	72.0	71.8	52.9%	67.5%
	India B Corp	235	5.1	1.7	66	-61	-761	-136	1.4	4.6	17.5	9.5	0.4%	0.0%
	Indo B Corp	224	6.7	1.9	-72	-27	-240	-250	1.1	2.9	17.1	12.1	0.0%	11.8%
Macau B Corp	260	6.8	2.8	-85	-1	-228	-78	2.0	3.3	19.5	8.7	5.3%	59.3%	

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

Source: ICE-BAML, Compiled by Goldman Sachs Global Investment Research

Exhibit 14: Performance and percentile ranks for Asia sovereign, quasi & financials Credit Market

as of October 9, 2024

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	63	4.7	2.7	-8	1	-2	-7	-0.2	2.4	8.0	4.8	2.7%	85.0%
China A senior bank	41	4.5	1.9	-2	-1	-10	-13	-0.2	2.1	7.2	4.4	1.9%	83.6%
Korea A senior bank	61	4.6	2.6	-6	2	-17	-17	-0.4	2.4	8.2	4.8	9.1%	85.7%
China BBB senior bank	40	4.5	1.3	3	5	-17	-10	0.0	2.0	6.7	4.3	3.8%	81.2%
Philippines BBB senior bank	81	4.9	3.5	-39	-21	-17	-71	0.4	3.3	9.4	6.9	1.1%	80.9%
Thailand BBB senior bank	88	4.9	4.4	-15	0	-30	-22	-0.7	2.9	10.9	4.7	8.6%	84.9%
Indo BBB senior bank	91	4.9	2.6	-36	-9	-3	-11	0.5	2.8	8.5	5.8	5.5%	80.8%
Subordinated bank	93	5.0	2.8	-5	18	-21	-24	-0.2	2.4	9.3	5.3	3.7%	86.9%
China A subordinated bank	48	4.6	1.9	3	9	0	-11	-0.3	2.0	7.0	4.2	15.3%	77.6%
Korea A subordinated bank	57	4.6	2.6	-6	1	-31	-25	-0.4	2.4	8.9	4.4	18.3%	57.5%
Singapore A subordinated bank	80	5.0	2.4	-3	8	-36	-23	-0.3	2.0	9.0	4.7	3.9%	87.3%
China BBB subordinated bank	65	4.7	2.0	3	5	-13	-33	-0.3	2.0	7.2	4.6	3.3%	63.0%
Korea BBB subordinated bank	130	5.3	3.7	-17	12	-35	-31	-0.1	3.2	12.5	6.9	9.4%	84.7%
HK BBB subordinated bank	149	5.7	2.9	-20	18	-124	-85	0.3	2.7	12.4	8.1	10.3%	86.0%
Non-bank financials	101	5.0	3.1	-17	5	-67	-41	-0.1	2.7	10.8	5.8	1.4%	80.8%
China A NBFI ex AMC	70	4.7	2.7	-10	4	-25	-27	-0.3	2.3	8.6	4.9	1.7%	82.3%
HK A NBFI	80	4.8	4.1	-13	-4	-27	-20	-0.6	3.1	11.4	6.0	0.3%	83.7%
China BBB NBFI ex AMC	115	5.2	2.3	-20	5	-18	-21	0.3	2.4	9.2	5.6	4.1%	81.6%
India BBB NBFI	105	5.0	3.6	-17	-5	-46	-26	-0.3	2.9	11.3	5.0	0.3%	65.5%
HK BBB NBFI	178	6.1	3.6	-36	24	-120	-81	1.0	3.4	14.3	10.2	15.4%	84.0%
Korea BBB NBFI	115	5.2	2.6	-21	0	-153	-125	-0.1	2.7	12.4	7.6	0.1%	58.1%
<i>High-yield</i>													
BB rated	118	5.3	2.3	-65	-29	-70	-67	1.2	3.4	12.1	7.7	0.0%	63.7%
Greater China BB AT1	79	5.0	1.7	-72	-31	-91	-99	1.1	2.9	10.8	7.1	0.0%	36.9%
India BB senior financials	212	6.1	2.4	-65	-4	-56	-53	1.2	3.1	10.3	7.2	25.2%	69.3%
Asia sovereign & quasi-sovereign by region													
<i>Investment Grade</i>													
AAA/AA rated	33	4.3	3.5	-5	1	-18	-15	-0.7	2.4	9.0	4.0	4.3%	87.9%
Singapore AAA quasi-sov	26	4.3	3.8	-6	-1	-14	-16	-0.9	2.6	9.6	4.0	0.3%	89.4%
Korea AA quasi-sov	44	4.5	3.2	-4	4	-15	-12	-0.6	2.3	8.6	4.2	14.0%	84.5%
Korea AA sov	15	4.1	3.8	-5	-8	-22	-12	-1.0	2.6	9.3	3.5	0.0%	86.8%
A rated	37	4.4	3.0	-11	-5	-14	-24	-0.4	2.5	8.2	4.1	0.1%	86.2%
China A quasi-sov	38	4.5	2.0	-7	-6	-12	-19	-0.2	2.4	7.6	4.2	0.9%	83.2%
China A sov	-8	4.0	3.6	-7	-8	-7	-12	-0.7	2.8	8.1	3.5	0.0%	83.4%
Malaysia A sov	30	4.3	3.3	-8	-3	2	6	-0.4	2.7	8.3	4.2	9.7%	90.0%
BBB rated	80	4.8	3.9	-30	-20	-42	-28	0.0	3.4	10.5	4.7	0.0%	84.1%
Indo BBB sov	52	4.5	4.2	-26	-27	-29	-9	-0.2	3.7	10.3	4.1	0.3%	83.5%
Philip BBB sov	60	4.6	4.7	-33	-24	-18	-10	0.1	3.9	10.8	4.0	5.6%	86.0%
India BBB quasi-sov	84	4.8	4.5	-21	-9	-54	-30	-0.4	3.2	13.2	5.0	0.0%	82.4%
<i>High-yield</i>													
B rated	282	6.8	3.1	-86	-29	-152	-76	2.0	4.3	17.1	8.6	0.5%	54.0%
Mongolia B sov	238	6.4	3.1	-88	-30	-171	-77	2.1	4.3	17.7	8.3	0.2%	41.1%
Pakistan CCC sov	697	11.0	3.6	-121	-8	-1,664	-717	3.7	4.3	92.7	37.0	58.9%	72.8%

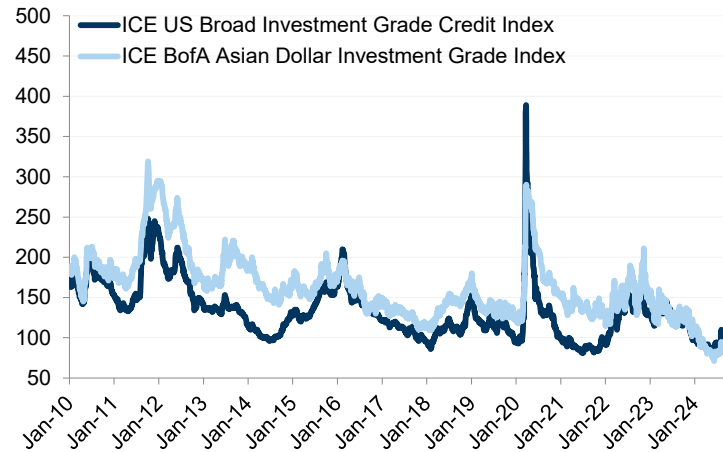
Indices include bonds with a final maturity date less than 10yr.

Source: ICE-BAML, Compiled by Goldman Sachs Global Investment Research

Asia credit performance relative to US credit

Exhibit 15: Asia IG vs. US IG performance

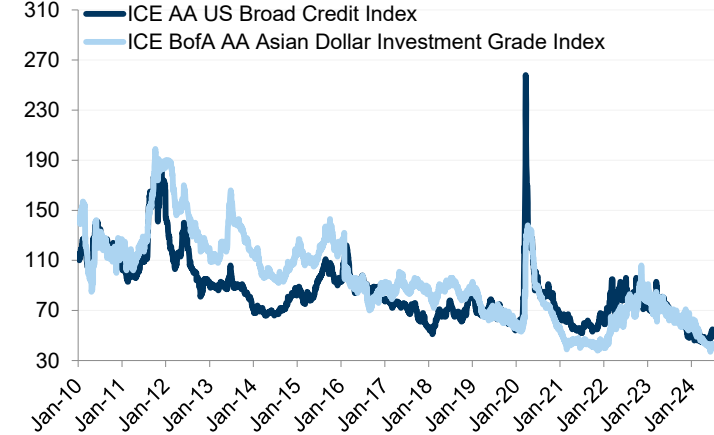
OAS (bps)



Source: ICE-BAML

Exhibit 16: Asia IG AA vs. US IG AA performance

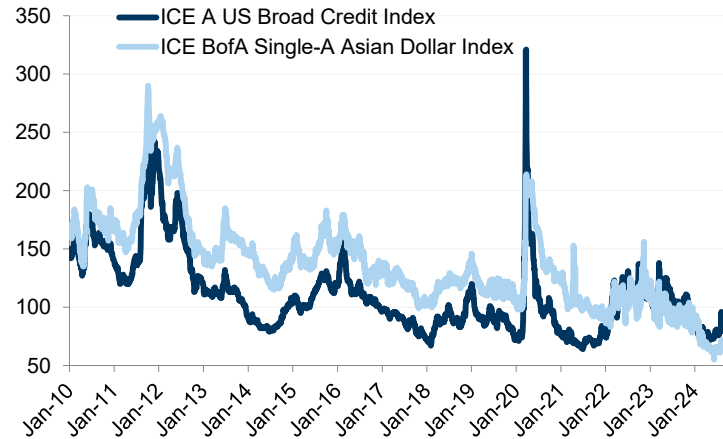
OAS (bps)



Source: ICE-BAML

Exhibit 17: Asia IG A vs. US IG A performance

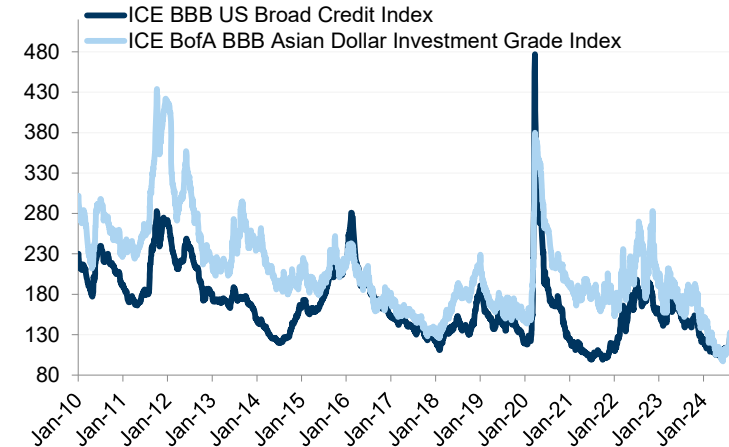
OAS (bps)



Source: ICE-BAML

Exhibit 18: Asia IG BBB vs. US IG BBB performance

OAS (bps)



Source: ICE-BAML

Asia credit performance relative to US credit

Exhibit 19: Asia HY ex-China property vs. US HY

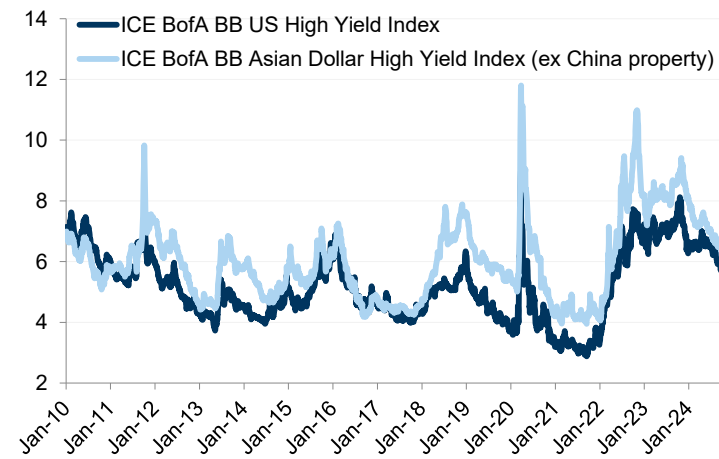
YTW (%)



Source: ICE-BAML

Exhibit 20: Asia HY BB ex-China property vs. US HY BB performance

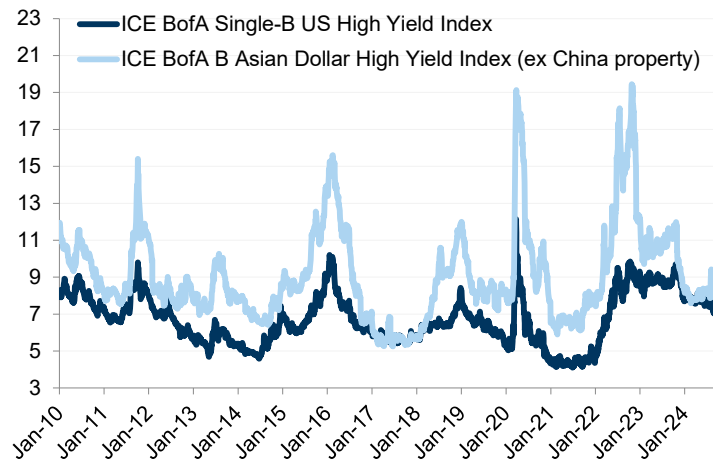
YTW (%)



Source: ICE-BAML

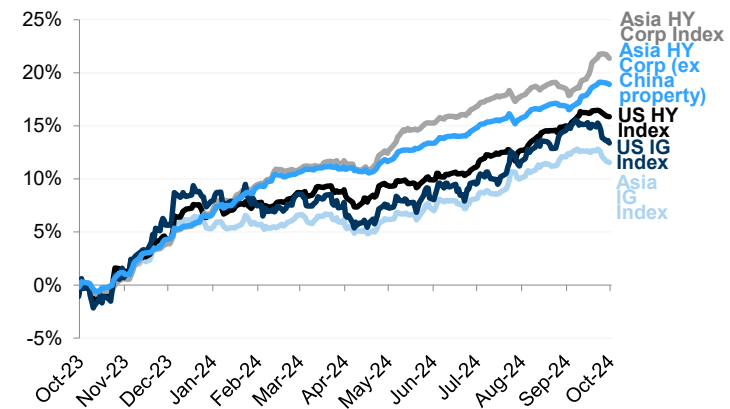
Exhibit 21: Asia HY B ex-China property vs. US HY B performance

YTW (%)



Source: ICE-BAML

Exhibit 22: LTM total return for Asia IG and HY indices vs. US IG and HY indices

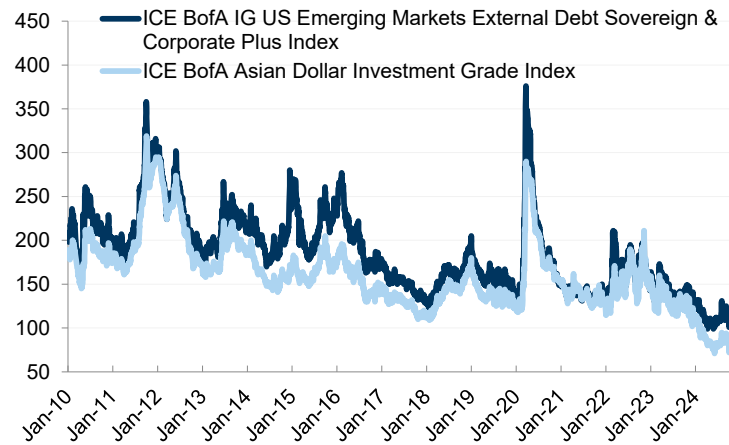


Source: ICE-BAML

Asia credit performance relative to EM credit

Exhibit 23: Asia IG vs. EM IG performance

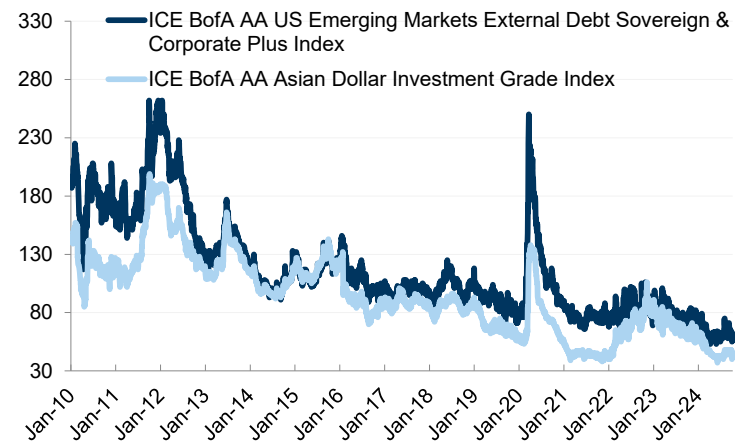
OAS (bps)



Source: ICE-BAML

Exhibit 24: Asia AA vs. EM AA performance

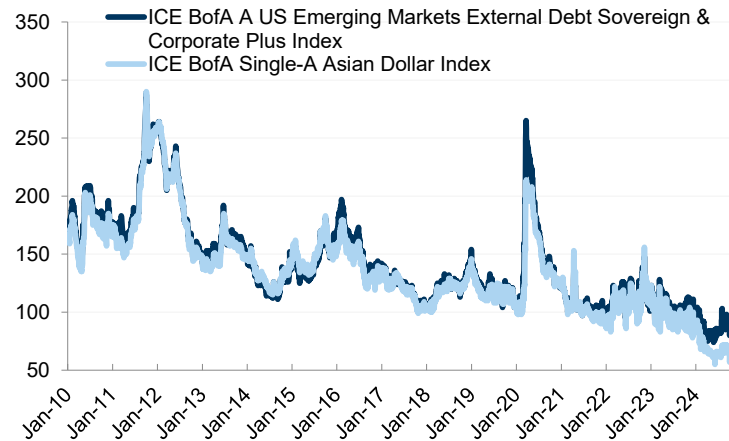
OAS (bps)



Source: ICE-BAML

Exhibit 25: Asia A vs. EM A performance

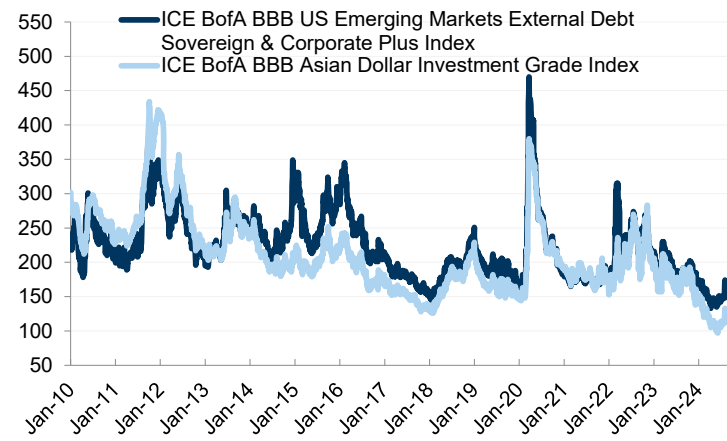
OAS (bps)



Source: ICE-BAML

Exhibit 26: Asia BBB vs. EM BBB performance

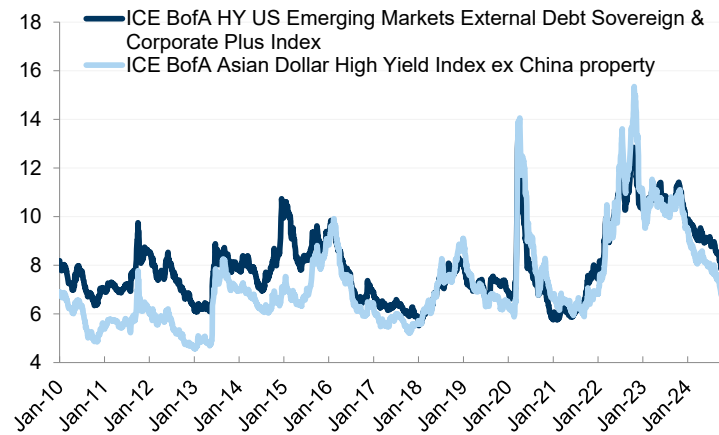
OAS (bps)



Source: ICE-BAML

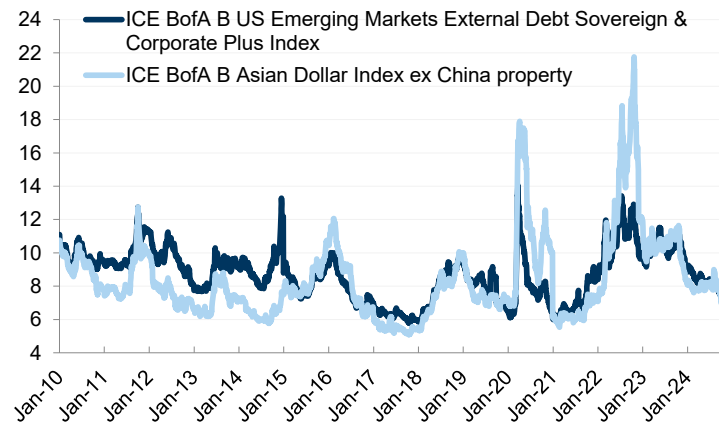
Asia credit performance relative to EM credit

Exhibit 27: Asia HY ex-China property vs. EM HY yield performance
YTW (%)



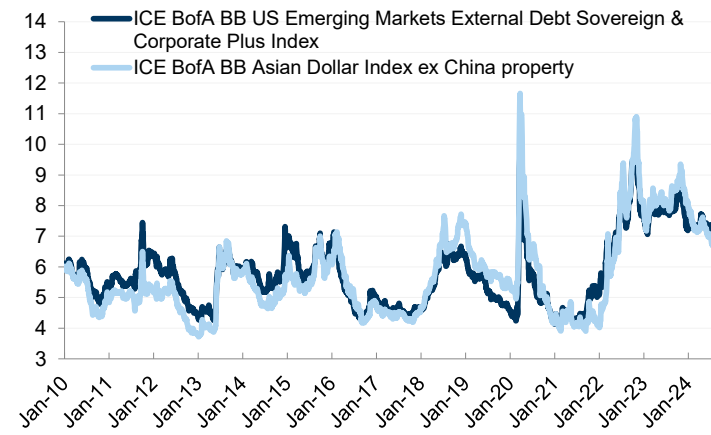
Source: ICE-BAML

Exhibit 29: Asia HY B ex-China property vs. EM HY B performance
YTW (%)



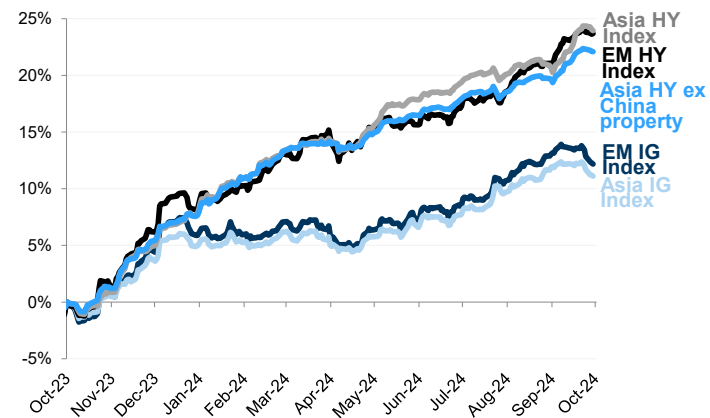
Source: ICE-BAML

Exhibit 28: Asia HY BB ex-China property vs. EM HY BB performance
YTW (%)



Source: ICE-BAML

Exhibit 30: LTM total return for Asia IG and HY indices vs. EM IG and HY indices

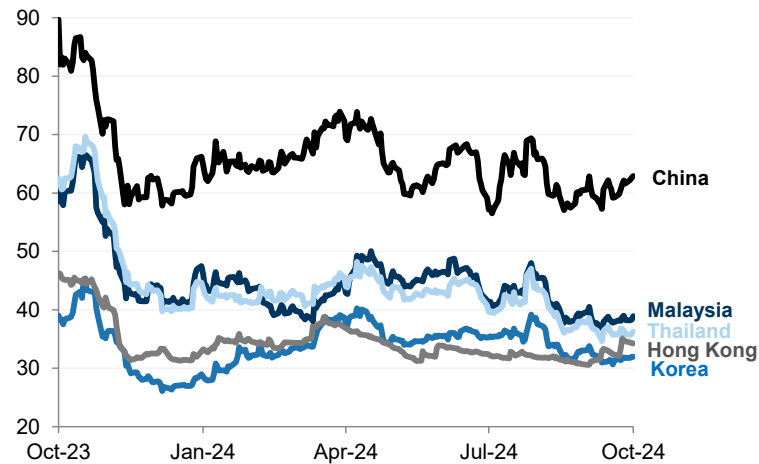


Source: ICE-BAML

CDS performance

Exhibit 31: LTM performance of Asia Sovereign 5y CDS

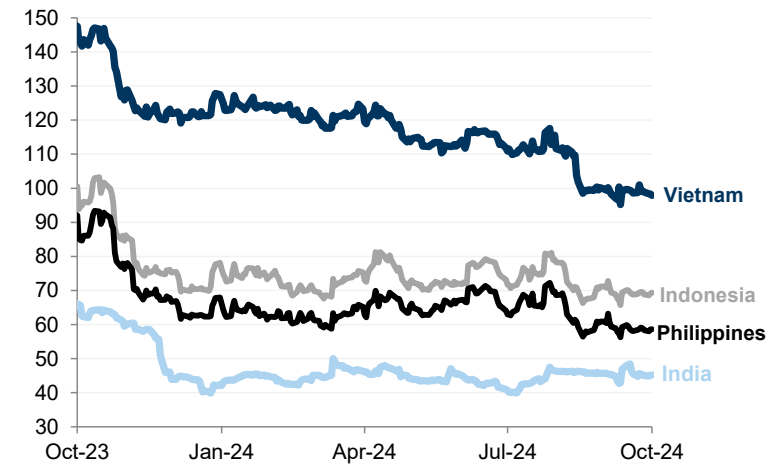
5y CDS levels (bps)



Source: Markit

Exhibit 32: LTM performance of Asia Sovereign 5y CDS

5y CDS levels (bps)

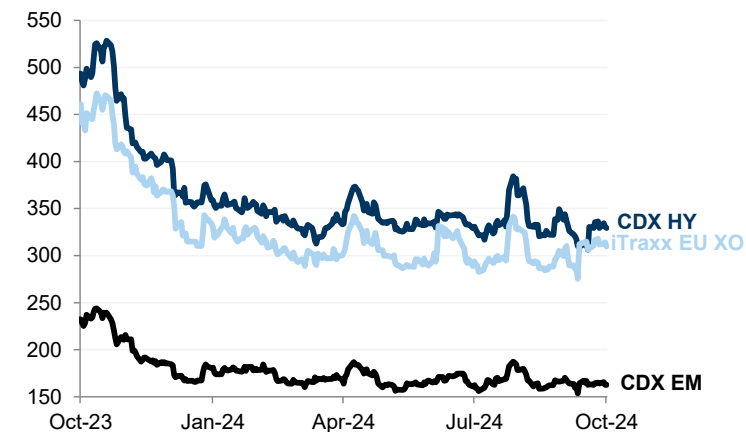


Note: We use State Bank of India as a proxy for the India sovereign.

Source: Markit

Exhibit 33: LTM performance of Global HY indices

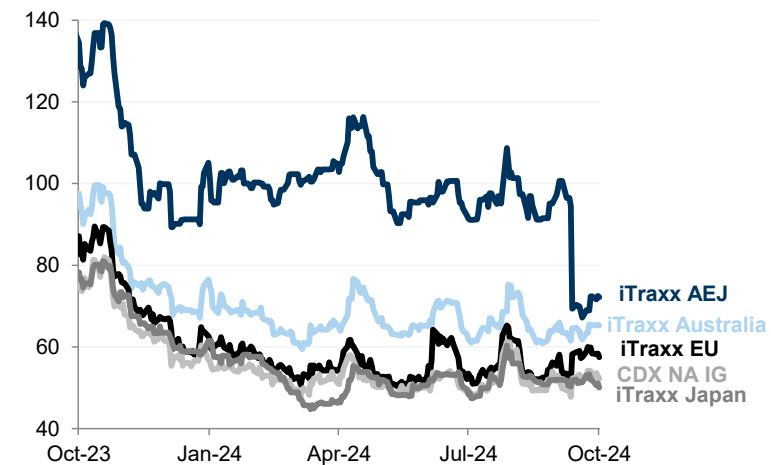
5y CDS levels (bps)



Source: Markit

Exhibit 34: LTM performance of Global IG indices

5y CDS levels (bps)

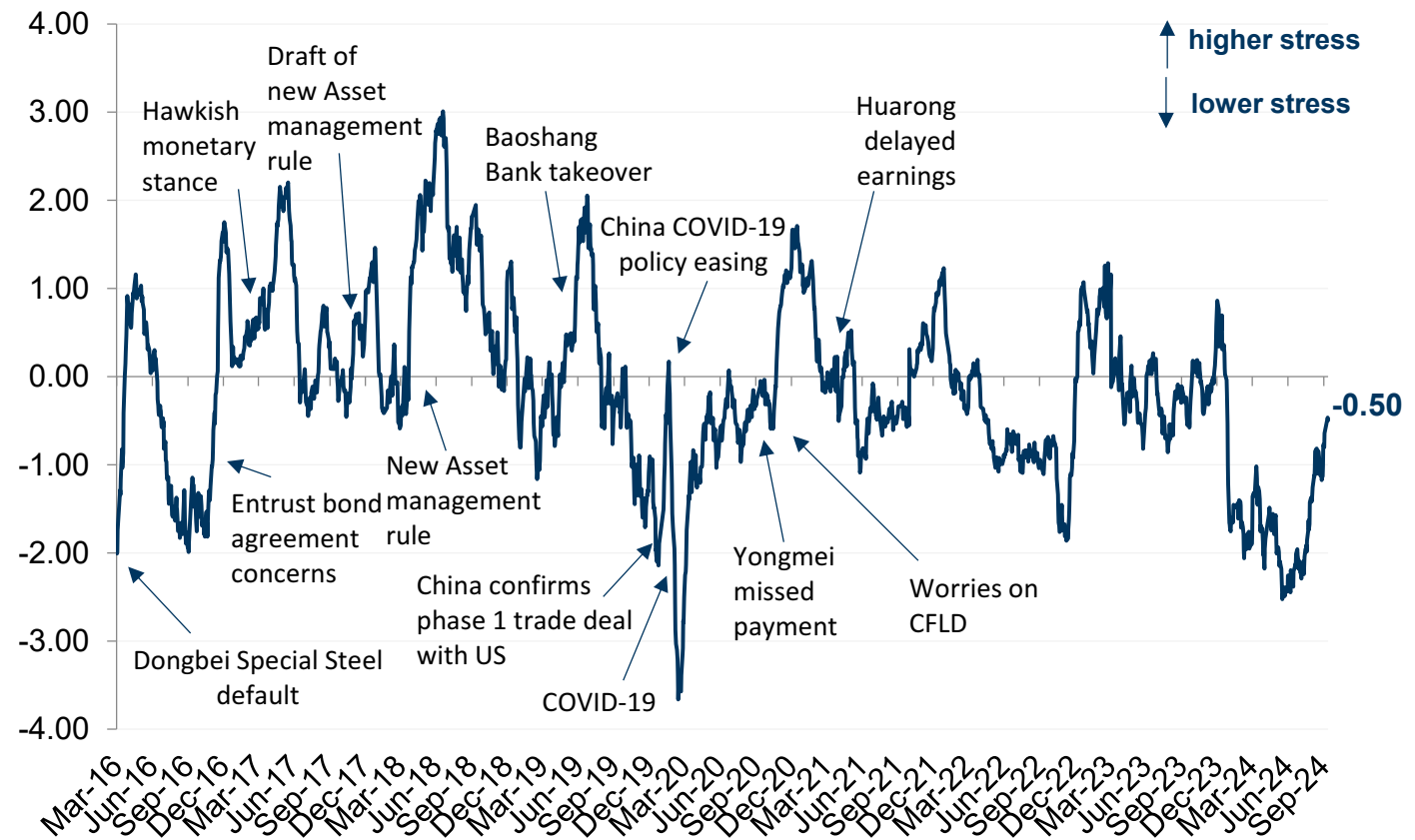


Source: Markit

GS China onshore Credit Stress Index

Exhibit 35: GS China onshore Credit Stress Index

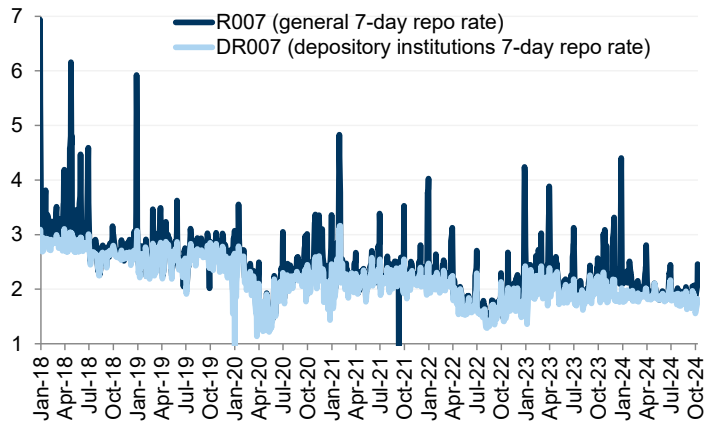
Z-score, as of October 9, 2024



Source: Goldman Sachs Global Investment Research

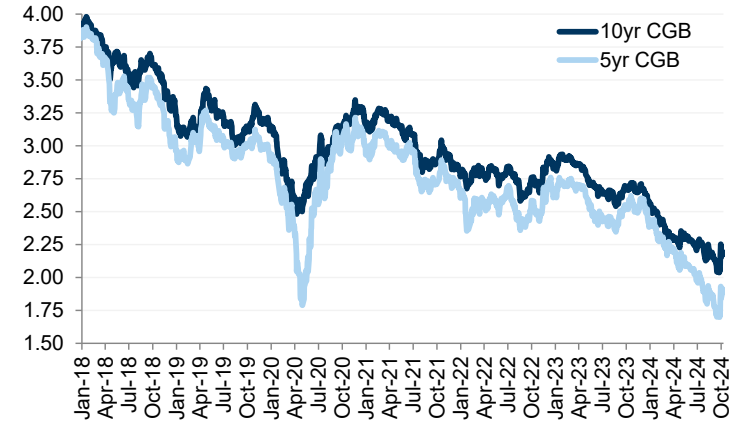
China onshore yield and spread

Exhibit 36: China interbank 7-day repo rate (%)



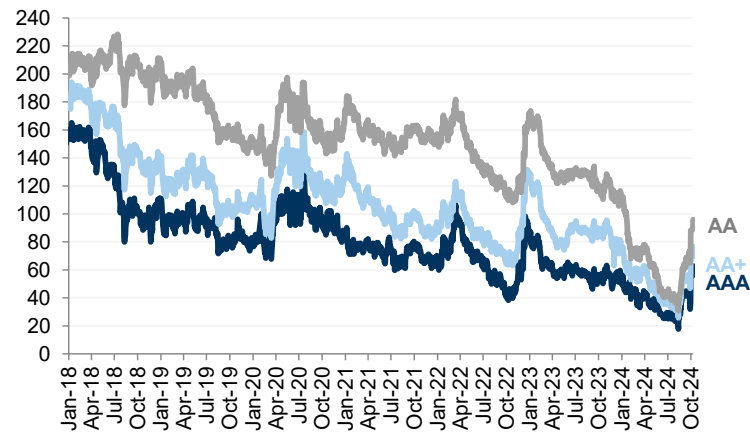
Source: CFETS, Wind

Exhibit 37: China central government bond yield (%)



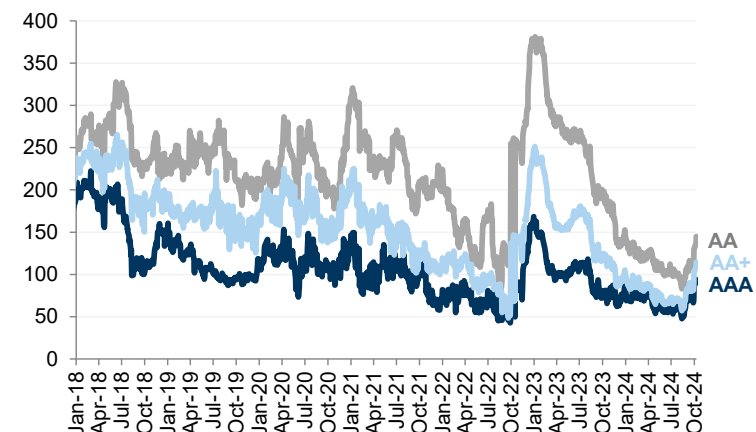
Source: Chinabond, Wind

Exhibit 38: Spread for China domestic 5yr medium-term notes by rating (bps)



Source: CFETS, Wind

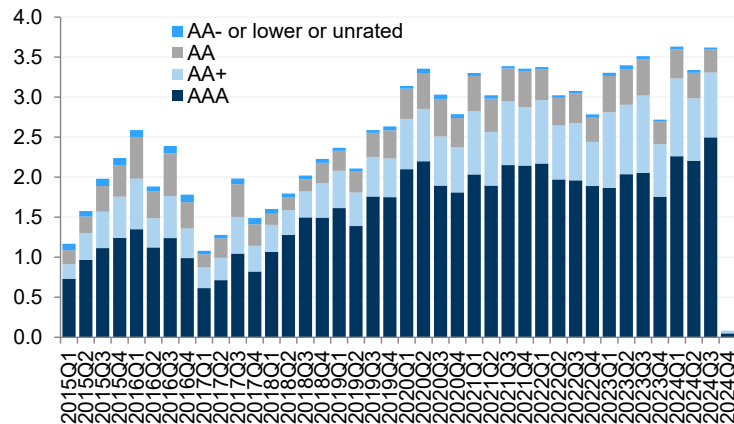
Exhibit 39: Spread for China domestic 1yr LGFV bonds by rating (bps)



Source: Wind

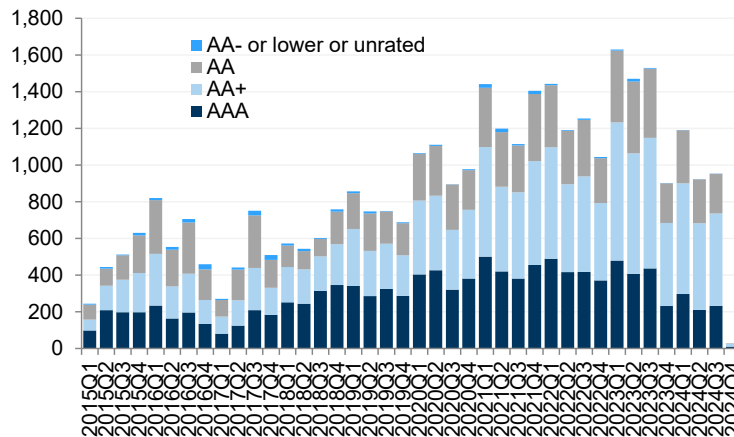
China onshore issuance

Exhibit 40: Onshore corporate sector bond gross issuance breakdown by rating (RMB tn)



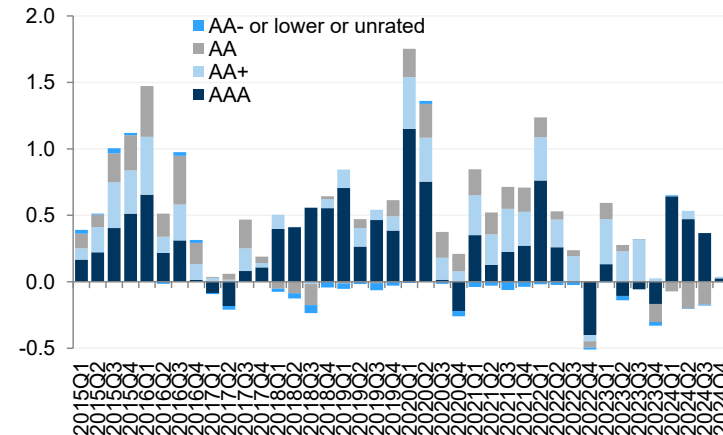
Source: Wind

Exhibit 42: Onshore gross LGFV bond issuance breakdown by rating (RMB bn)



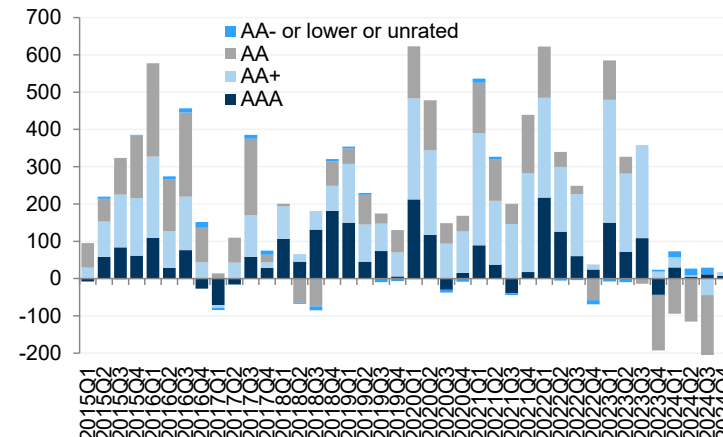
Source: Wind

Exhibit 41: Onshore corporate sector bond net issuance breakdown by rating (RMB tn)



Source: Wind

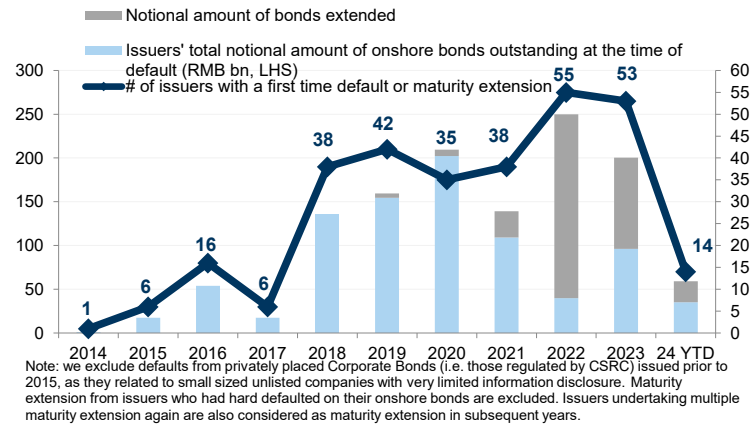
Exhibit 43: Onshore net LGFV bond issuance breakdown by rating (RMB bn)



Source: Wind

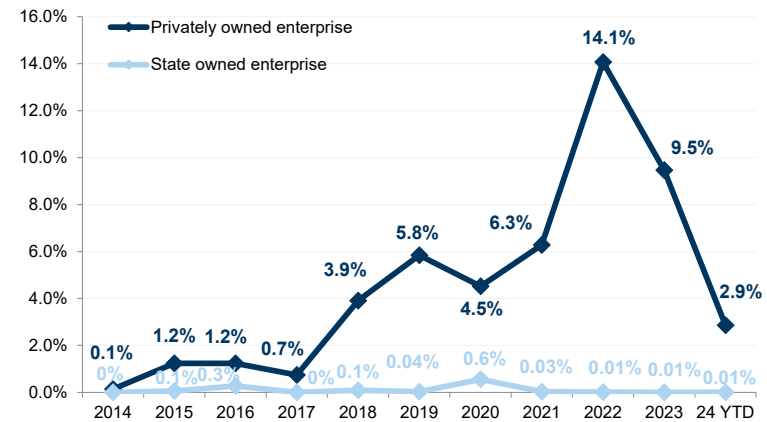
Asia HY and China onshore bond defaults

Exhibit 44: China onshore bond defaults and maturity extensions since 2014

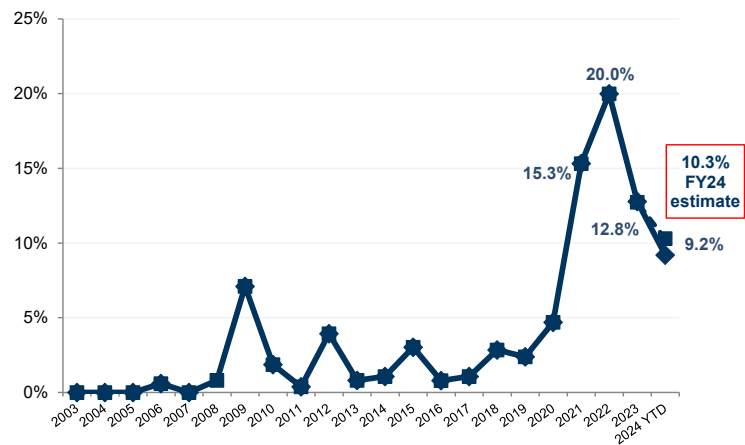


Source: Wind, Bloomberg, Company announcements, Goldman Sachs Global Investment Research

Exhibit 45: 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 46: Default ratio of AeJ G3 HY excluding sovereign (weighted by outstanding amount)

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

Exhibit 47: 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	24	14,732
2021	28	54,597
2022	71	62,964
2023	18	27,317
2024 YTD	7	10,401

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

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

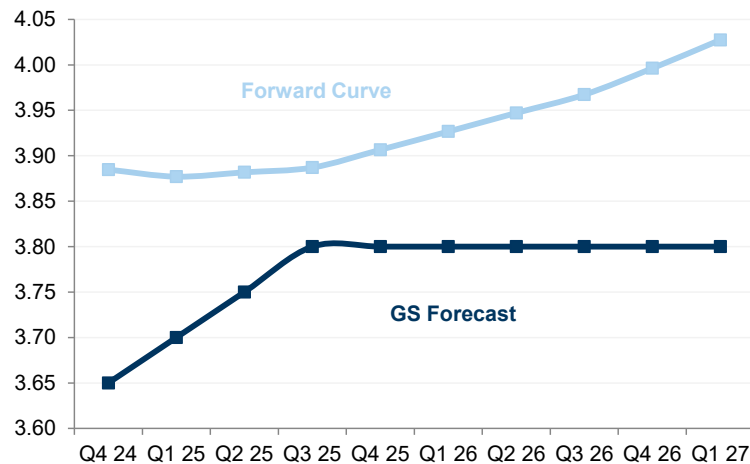
Exhibit 48: Details of Asia HY bond defaults/ bond exchanges/ maturity extensions in 2023

Default year	Defaulted/ exchange/ extension involved G3 bonds (USD mn)	Issuer name	Default/ bond exchange/ maturity extension
2023	2,650	Times China Holdings Ltd	Defaulted
	96	Yincheng International Holding Co Ltd	Defaulted
	897	Central China Real Estate Ltd	Bond exchange
	363	Guangdong Hong Kong Greater Bay Area Holdings Ltd	Bond exchange
	3,319	KWG Group Holdings Ltd	Defaulted
	1,049	Central China Real Estate Ltd	Defaulted
	497	Mega Wisdom Global Ltd	Defaulted
	725	Xinyuan Real Estate Co Ltd	Bond exchange
	420	Powerlong Real Estate Holdings Ltd	Bond exchange
	300	APL Realty Holdings Pte Ltd	Defaulted
	340	Guangzhou Fineland Real Estate Development Co Ltd	Defaulted
	1,800	Sino-Ocean Group Holding Ltd	Bond exchange
	113	Zensun Enterprises Ltd	Bond exchange
	2,120	Sino-Ocean Group Holding Ltd	Defaulted
	1,800	China SCE Group Holdings Ltd	Defaulted
	9,913	Country Garden Holdings Co Ltd	Defaulted
	315	Powerlong Real Estate Holdings Ltd	Defaulted
	600	Wanda Properties International Co Ltd	Bond exchange
2023 Total		27,317	

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

Exhibit 50: US 5y Treasury forward vs. GS forecast

5y Treasury yield (%)



Source: Bloomberg, Goldman Sachs Global Investment Research

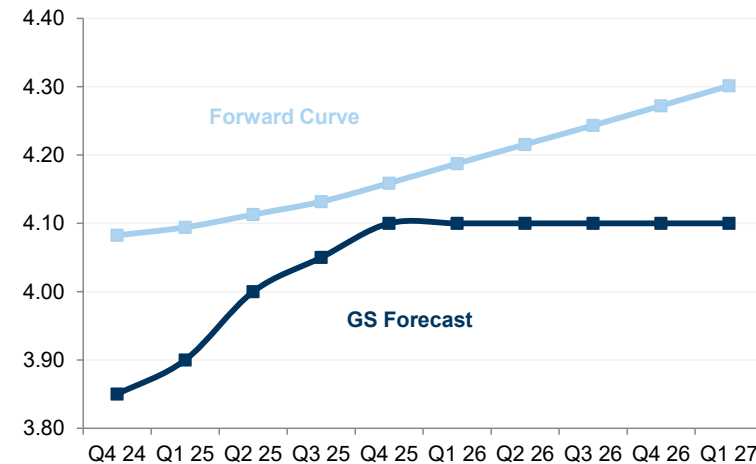
Exhibit 49: Details of Asia HY bond defaults/ bond exchanges/ maturity extensions in 2024 to date

Default year	Defaulted/ exchange/ extension involved G3 bonds (USD mn)	Issuer name	Default/ bond exchange/ maturity extension
2024	3,751	Vedanta Resources PLC	Bond exchange
	253	LMIRT Capital Pte Ltd	Bond exchange
	382	eHi Car Services Limited	Bond exchange
	300	Radiance Holdings Group Co Ltd	Defaulted
	160	Zensun Enterprises Ltd	Defaulted
	3,647	Agile Group Holdings Ltd	Defaulted
	1,908	Road King Infrastructure Ltd	Bond exchange
2024 YTD Total		10,401	

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

Exhibit 51: US 10y Treasury forward vs. GS forecast

10y Treasury yield (%)



Source: Bloomberg, Goldman Sachs Global Investment Research

Agency rating changes

Exhibit 52: Rating changes during the week

Issuer	Change	Moody's		S&P	
		Current	Previous	Current	Previous
Trade & Development Bank of Mongolia LLC	Positive Change by S&P	(P)B3	(P)B3	B+	B
Golomt Bank	Positive Change by S&P	B3	B3	B+	B

Source: Bloomberg

Exhibit 53: Credit watch changes during the week

NO CREDIT WATCH CHANGES FOR THE WEEK

Source: Bloomberg

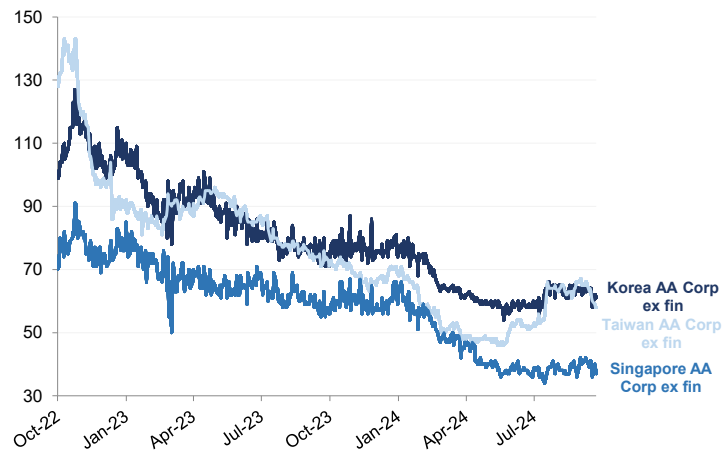
Exhibit 54: Outlook changes during the week

Issuer	Change	Moody's		S&P	
		Current	Previous	Current	Previous
Sun Hung Kai Properties Ltd	Negative Change by S&P	NR	NR	A+ (Neg)	A+
Cikarang Listrindo Tbk PT	Positive Change by S&P	Ba1	Ba1	BB+ (Pos)	BB+

Source: Bloomberg

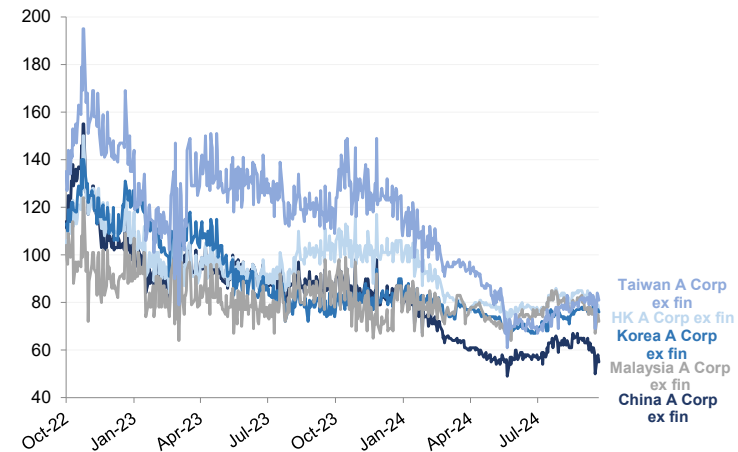
Relative Value: IG Corporates by Rating

Exhibit 55: OAS for AA rated corporates from Taiwan, Korea and Singapore (bps)
including bonds with a final maturity date less than 10yr in markets shown



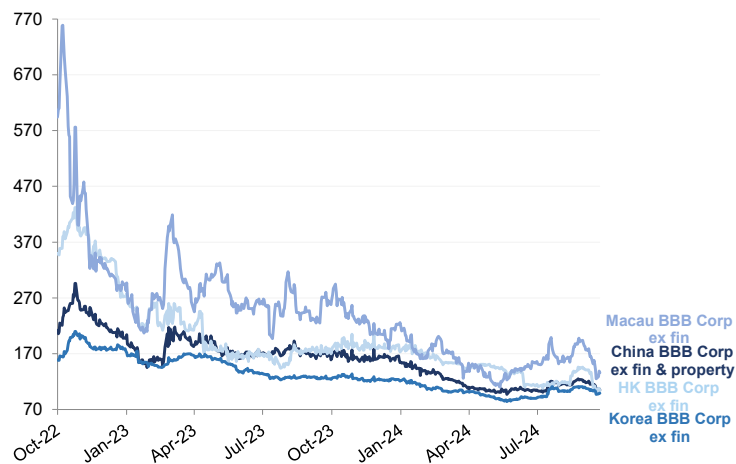
Source: ICE-BAML

Exhibit 56: OAS for A rated corporates from mainland China, HK, Malaysia, Taiwan and Korea (bps)
including bonds with a final maturity date less than 10yr in markets shown



Source: ICE-BAML

Exhibit 57: OAS for BBB rated corporates from mainland China, HK, Macau and Korea (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 58: OAS for BBB rated corporates from Malaysia, India, Indonesia and Thailand (bps)
including bonds with a final maturity date less than 10yr

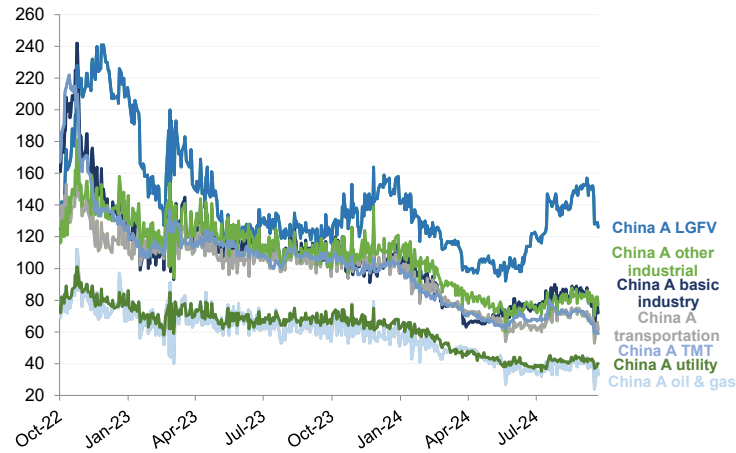


Source: ICE-BAML

Relative Value: IG Corporates by Sector

Exhibit 59: OAS for A rated China corporates (bps)

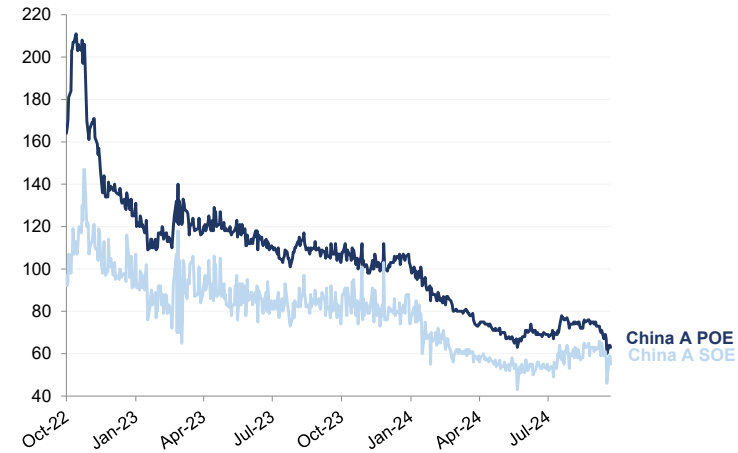
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 60: OAS for China A rated POE vs. SOE (bps)

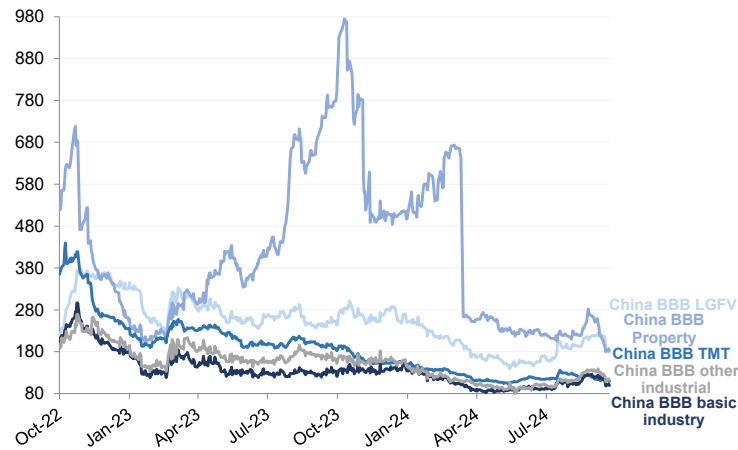
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 61: OAS for BBB rated China corporates (bps)

including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 62: OAS for China BBB rated POE vs. SOE (bps)

including bonds with a final maturity date less than 10yr

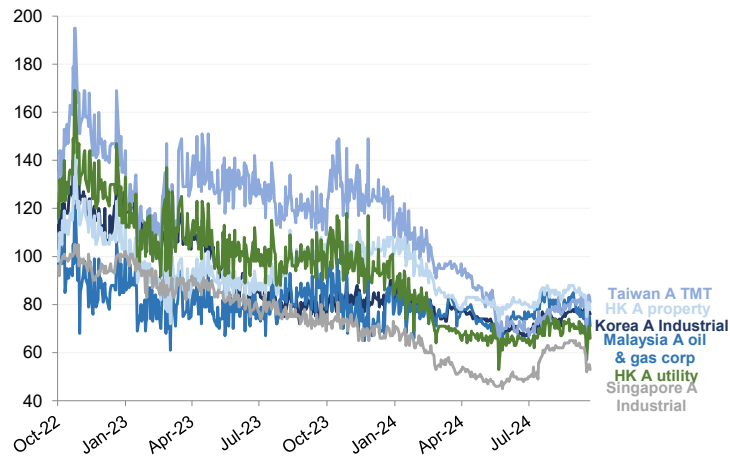


Source: ICE-BAML

Relative Value: IG Corporates by Sector

Exhibit 63: OAS for A rated corporates from HK, Malaysia, Taiwan, Korea and Singapore (bps)

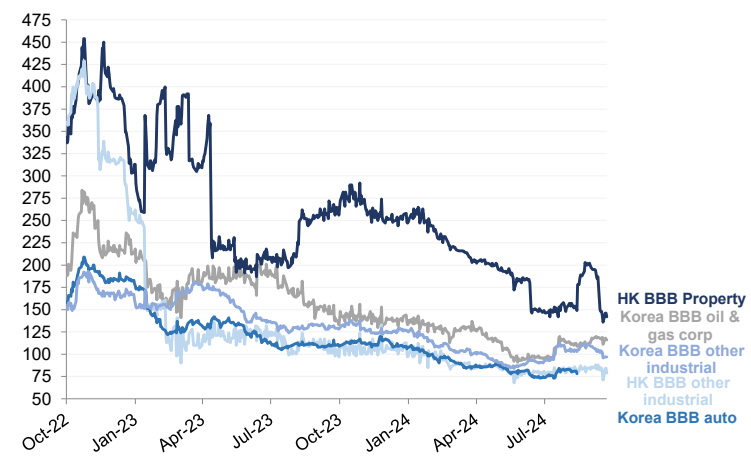
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 64: OAS for BBB rated corporates from HK and Korea (bps)

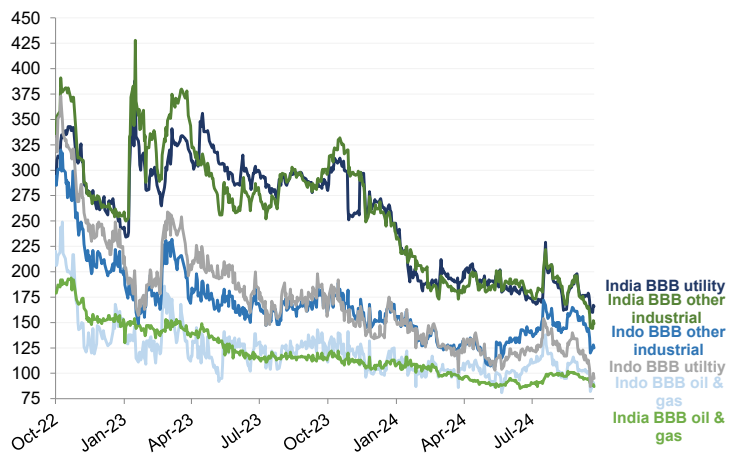
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 65: OAS for BBB rated corporates from India and Indonesia (bps)

including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 66: OAS for BBB rated corporates from Malaysia and Thailand (bps)

including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 67: OAS for A rated corporates from Australia and Japan
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

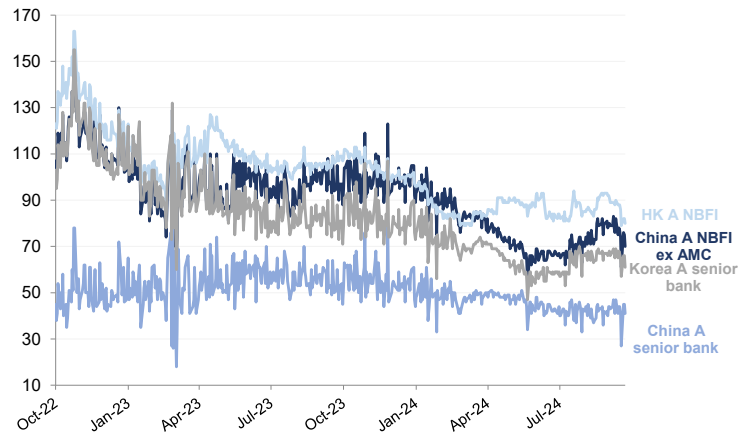
Exhibit 68: OAS for BBB rated corporates from Australia and Japan
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

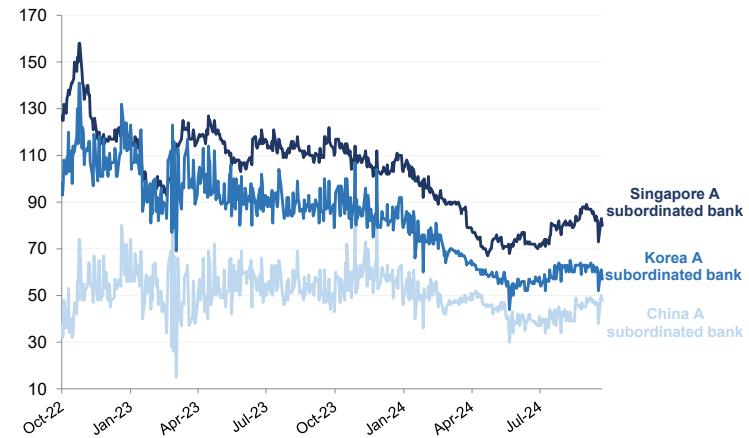
Relative Value: IG Financials

Exhibit 69: OAS for A rated senior and non-bank financials (bps)
including bonds with a final maturity date less than 10yr



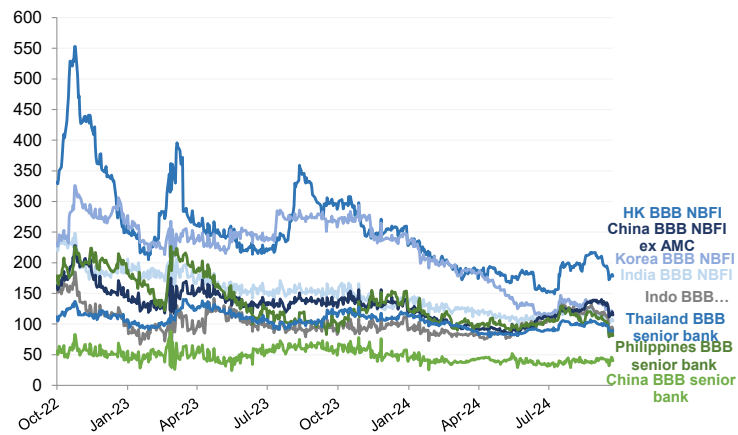
Source: ICE-BAML

Exhibit 70: OAS for A rated subordinated financials (bps)
including bonds with a final maturity date less than 10yr



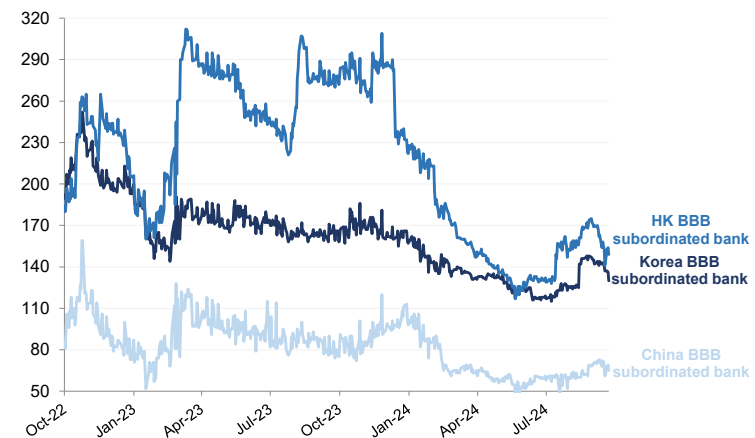
Source: ICE-BAML

Exhibit 71: OAS for BBB senior and non-bank financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 72: OAS for BBB rated subordinated financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 73: OAS for Australia & New Zealand AA & A rated Senior Financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 75: OAS for Japan subordinated financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

Exhibit 74: OAS for A rated Japan senior financials (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

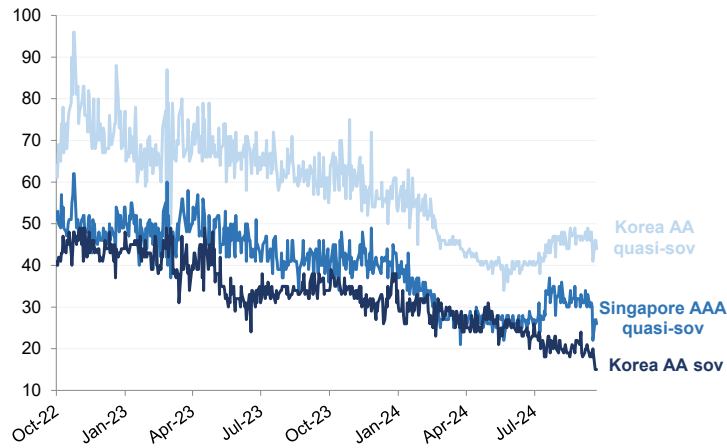
Exhibit 76: OAS for Japan BBB rated Senior Banks (bps)
including bonds with final maturity date less than 10 years



Source: ICE-BAML

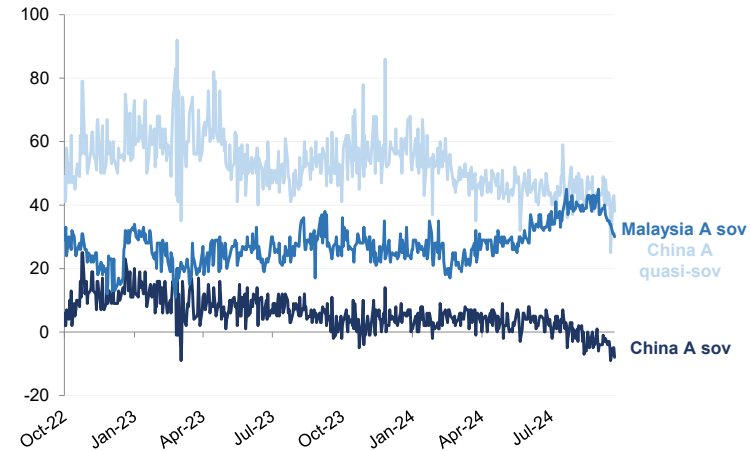
Relative Value: IG Sovereign

Exhibit 77: OAS for AAA/AA rated sovereign and quasi-sovereign (bps)
including bonds with a final maturity date less than 10yr



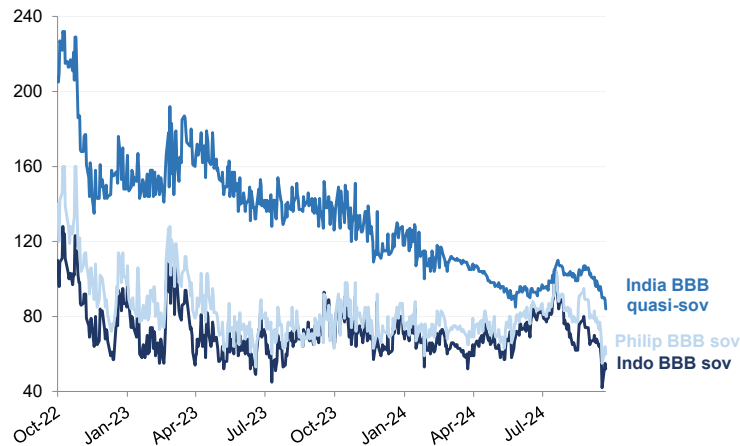
Source: ICE-BAML

Exhibit 78: OAS for A rated sovereign and quasi-sovereign (bps)
including bonds with a final maturity date less than 10yr



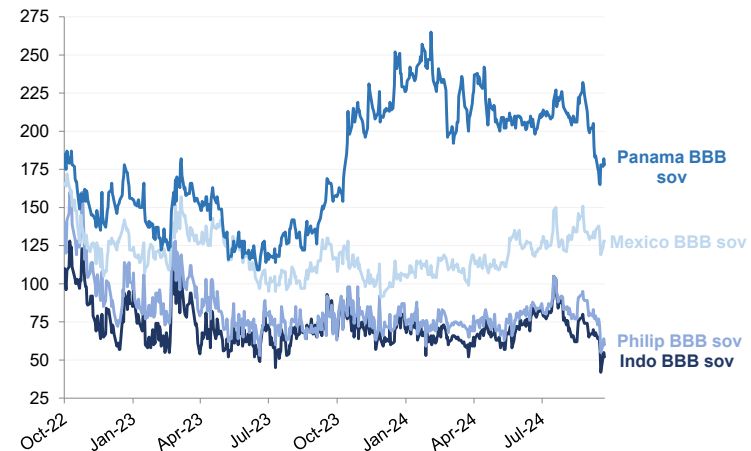
Source: ICE-BAML

Exhibit 79: OAS for BBB rated sovereign and quasi-sovereign (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

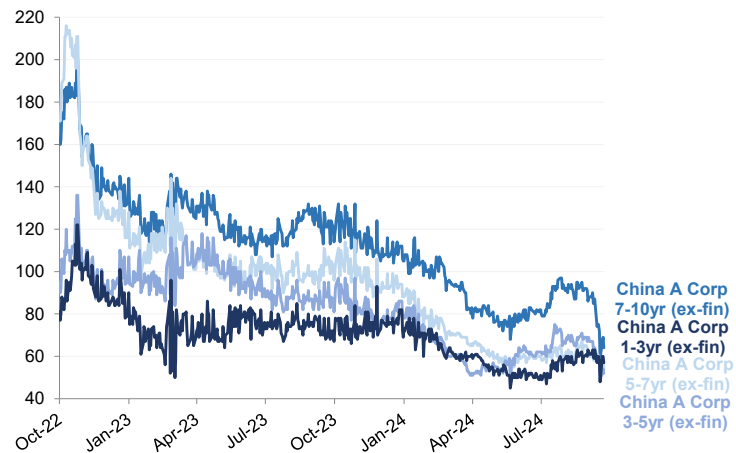
Exhibit 80: OAS for BBB rated EM sovereign (bps)
including bonds with a final maturity date less than 10yr



Source: ICE-BAML

IG Curve Shapes

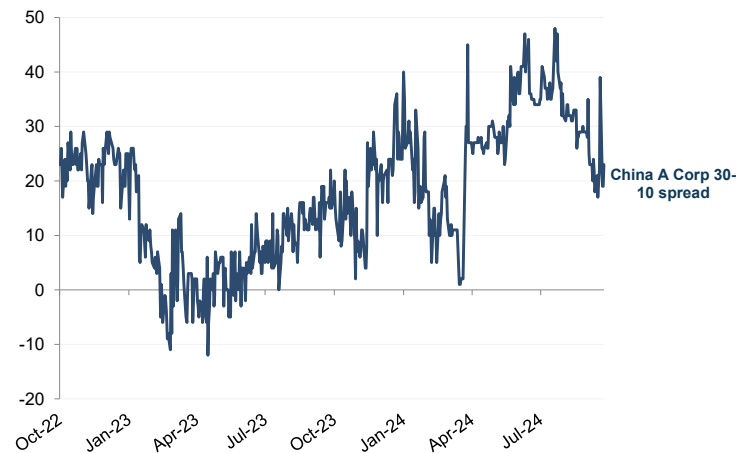
Exhibit 81: OAS for China A corporates by maturity (bps)



Source: ICE-BAML

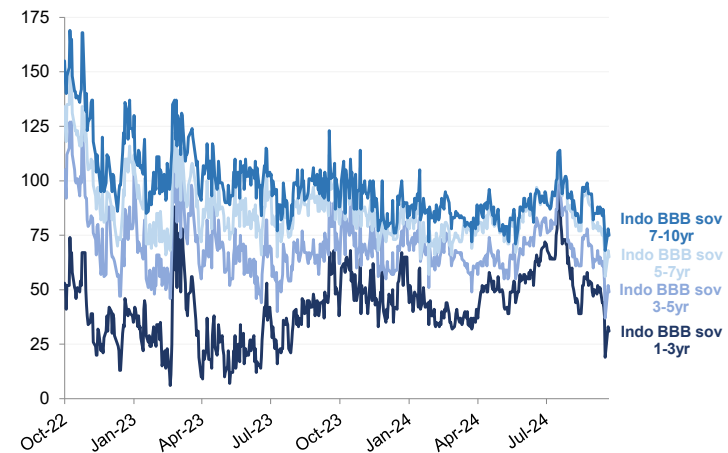
Exhibit 83: OAS differential between 10yr and 30yr IG corporates (bps)

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

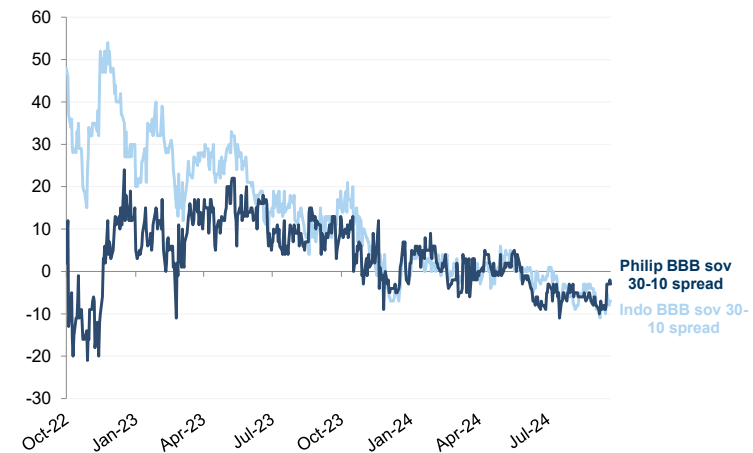
Exhibit 82: OAS for Indonesia BBB sovereign by maturity (bps)



Source: ICE-BAML

Exhibit 84: 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 85: YTW for BB rated corporates from mainland China, India, Indonesia and Macau
YTW (%)



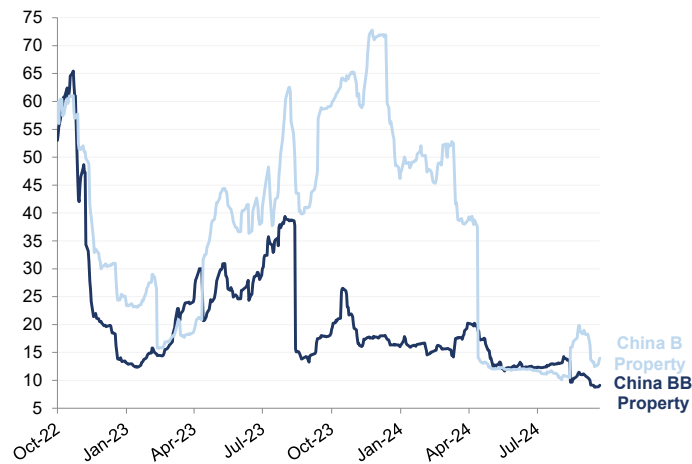
Source: ICE-BAML

Exhibit 86: YTW for B rated corporates from mainland China, India, Indonesia and Macau
YTW (%)



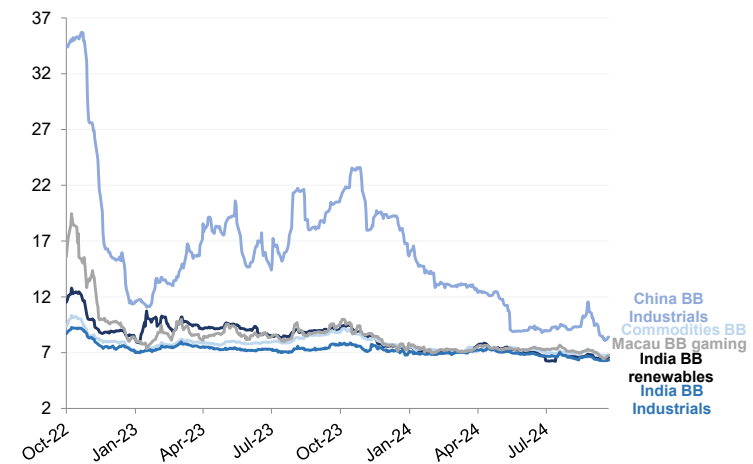
Source: ICE-BAML

Exhibit 87: YTW for BB and B rated China property
YTW (%)



Source: ICE-BAML

Exhibit 88: YTW for BB rated corporates by region/market and sector
YTW (%)



Source: ICE-BAML

Relative Value: HY

Exhibit 89: YTW for BB rated financials

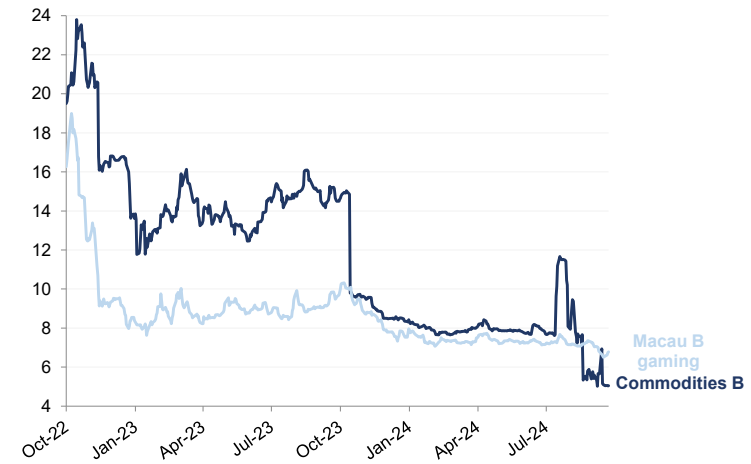
YTW (%)



Source: ICE-BAML

Exhibit 90: YTW for B rated corporates by region and sector

YTW (%)



Source: ICE-BAML

Exhibit 91: YTW for B rated sovereign

YTW (%)



Source: ICE-BAML

Exhibit 92: YTW for BB rated Australia corporates

YTW (%)



Source: ICE-BAML

Recent publications

Publication	Title	Date
Asia Credit Notes	Search For Carry In Banks and HY	Oct 9, 2024
Global Markets Daily	China Policy Put Mostly Reflected In China Credit Market	Oct 8, 2024
Asia Credit Trader	Primary Market Activities to Pick Up, Albeit Gradually	Oct 5, 2024
Asia Credit Trader	China Policy Put Already Reflected in Credit	Sep 30, 2024
EM Macro Navigator	Fed opens the door for broader EM easing	Sep 29, 2024
Asia Credit Trader	HK & Macau – A Tale of Two Cities	Sep 21, 2024
Asia Credit Trader	Moderate Selloff In China Credit Not An Opportunity To Add	Sep 16, 2024
EM in Focus	Identifying Relative Value In EM Bank Credits	Sep 14, 2024
Asia Credit Trader	Still Lacking In Firm Direction After Payrolls	Sep 8, 2024
Asia Credit Trader	Rising China Leverage Has Little Impact on Credit Markets	Sep 2, 2024
Global Markets Daily	In Ensuring Macro Stability, China's Leverage Rises	Aug 28, 2024
Asia Credit Trader	Barbell IG Position Provides Moderate Yield Pickup	Aug 24, 2024
Asia Credit Trader	Still Like Macau Gaming, Though More BB Than B	Aug 16, 2024
Presentation	Asia Credit Market Primer	Aug 15, 2024
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