



ASIA CREDIT REPORT  
Second Quarter 2018

PREPARED IN PARTNERSHIP WITH



**ASIFMA** is an independent, regional trade association with over 100 member firms comprising a diverse range of leading financial institutions from both the buy and sell side including banks, asset managers, law firms and market infrastructure service providers. Together, **we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia.** ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive **consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice.** Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the US and AFME in Europe, ASIFMA also provides insights on **global best practices and standards to benefit the region.**

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## 2. G3 Asia ex Developed Market Asia (Japan, Australia and New Zealand)

### Market Overview and Highlights of Asia (ex-Japan, Australia and New Zealand) debt issuance in Second Quarter 2018

Total issuance in 2Q'18 came in at USD 69.9 billion (bn) as of June 30, down 7.6% quarter-over-quarter (qoq) from 1Q'17 (USD 75.7bn) and down 12.0% year-over-year (yoy), inclusive of high grade (HG), high yield (HY), and unrated deals. Slowing Chinese credit growth, coupled with higher US interest rates and widening credit spreads across the globe at a time of increased market volatility, contributed to the slowdown in issuance. Even so, in absolute terms, issuance remains robust as issuers have generally rushed to complete deals ahead of even higher US interest rates, which are expected as the year progresses.

- 1) YTD HG issuance (of USD 108.4bn) continues to easily outpace HY issuance of USD 27.7bn. HY issuance dropped 4.7% in the second quarter, falling to USD 13.5bn from 1Q'18 issuance of USD 14.2bn.
- 2) Global economic uncertainties and pressures on Chinese and regional markets arising from global trade tensions, against a backdrop of rising US interest rates, steep falls in the Chinese renminbi, increased Chinese defaults and severe pricing pressures, particularly in the HY space, all took their toll on issuance.
- 3) Additionally, a liquidity squeeze in the Chinese onshore markets, especially in the context of curbs on shadow banking activities as banks are forced to increasingly move "Wealth Management Products" (WMPs) onto balance sheets, thereby pressuring their capital adequacy ratios – coupled with the consequent indigestion on offshore markets as HY issuers (particularly in the property development space) all trying to tap the USD bond markets at the same time, have contributed to steep spread widening.
- 4) That said, pockets of value in areas such as Indonesian HY industrials and Indian non-performing loans (NPLs) do exist, as corporates in both countries restructure their balance sheets. Even in China, some of the stronger names in the property sector, which have also borne the brunt of indiscriminate spread widening, also offer value.
- 5) Looking ahead, investors should remain very selective, as significant refinancing risks in the Chinese property sector and Local Government Financing Vehicle (LGFV) space still remain, over the remainder of 2018.

### Key trends in Asia (ex-Japan, Australia and New Zealand) G3 & LCY bond issuance

For the second quarter 2018, total G3 issuance stood at USD 69.9bn, down 7.6% qoq and 12.0% yoy. China remains the largest issuing country in the second quarter, dominating Asian issuance at USD 44.1bn, or approximately 63.1% of G3 issuance; of second quarter volume, USD 33.0bn and USD 9.2bn were in HG and HY deals, respectively. South Korea reasserted itself as the second largest issuer with USD 7.6bn of issuance, followed by Indonesia with USD 6.6bn. Year to date, G3 issuance totaled USD 145.6bn, composed of \$108.4bn in HG issuance, USD 18.6bn in HY issuance and the balance in unrated issuance.

Finance remains the largest sector of G3 issuance in the second quarter (USD 26.9bn), followed by real estate/property (USD 15.8bn) and utility and energy (USD 7.1bn).

In terms of ratings, within the HG space, A+ transactions accounted for the largest share of deals priced during the quarter, with USD 13.2bn in total issuance, followed by A rated transactions totaling USD 8.4bn. Within HY issuance, the BB- category led with USD 4.5bn of issuance, followed by B rated transactions of USD 2.5bn.

By tenor, Asia ex-Japan, Australia and NZ G3 deals with tenors of 5 years or less continued to account for the bulk of issuance in 2Q'18, with a total of USD 49.9bn in short tenor issues being priced during the quarter. Of these, USD 36.9bn were HG deals, USD 9.8bn were HY deals and the balance unrated.

Overall G3 debt outstanding in the region stood at USD 1.1tn at the end of June 2018, increasing 2.9% qoq and 17.3% yoy. High grade debt accounted for the bulk of total outstanding debt at USD 739.7bn (a 3.0% increase qoq and 15.2% increase yoy), followed by unrated debt at USD 243.5bn (a growth of 2.6% qoq and 29.4% yoy). HY debt was USD 141.4bn (an increase of 2.7% qoq and 10.4% yoy).

China (with USD 551.7bn), South Korea (with USD 124.1bn) and Hong Kong (with USD 113.0bn) remain the three regions with the largest shares of G3 debt outstanding. Ratings-wise among HG issuers, deals rated A+ (USD 131.6bn) account for the largest share of debt outstanding, while B- transactions outstanding (USD 32.3bn) just edged out B+ (USD 30.9bn) in the HY space. By sector, financials with a total of USD 353.4bn accounted for 31% of outstanding G3 paper, followed by sovereigns (USD 252.4bn) and real estate (USD 110.7bn). Finally, deals with remaining tenors of 5 years or less (USD 620.8bn) accounted for the bulk of total Asia (ex-Japan, Australia and NZ) debt outstanding.

Turning to the LCY debt markets, USD 203.8bn in total LCY-denominated debt was issued in Asia (ex-Japan, Australia & NZ) in 2Q'18, a growth of 5.7% qoq (USD 192.8bn) but a fall of 2.7% yoy (USD 209.5bn). China remains the largest issuer in the LCY debt markets in the second quarter, with USD 152.2bn issued, followed by South Korea (USD 27.8bn). Thailand reasserted itself in third place with USD 5.1bn in issuance in 2Q'18. Finance continues to remain the largest category in 2Q'18 with USD 71.4bn issued, followed by transportation (USD 24.5bn) and construction/building (USD 21.5bn).

Total LCY debt outstanding at the end of 2Q'18 in Asia (ex-Japan, Australia and NZ) stood at USD 17.4tn, rising by 2.4% qoq, with HY and unrated debt outstanding increasing 107.3% and 2.4% qoq, respectively. HG debt declined 0.2% to \$614.4bn. China remains the bulk of total outstanding LCY debt at USD 11.7tn, followed by India (USD 2.0tn) and South Korea (USD 1.5tn).

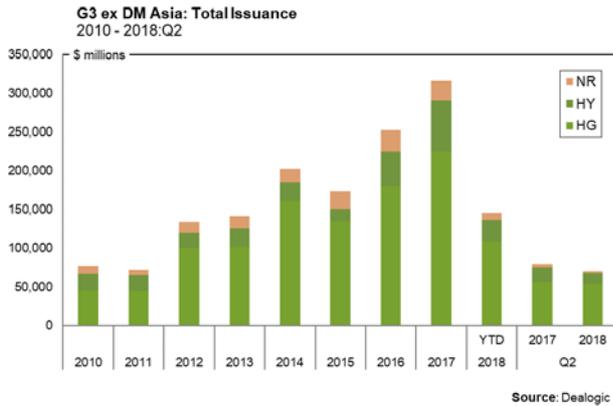
### **State of the Asian leveraged loan market**

Asian leveraged loan debt, excluding developed market Asia, dropped to USD 45.1bn in 2Q'18, a decline 16.0% qoq and 23.5% yoy. Leading sectors in 2Q'18 issuance were real estate/property (USD 7.0bn), oil and gas (USD 6.6bn), and finance (USD 5.9bn). Leveraged loan issuance was primarily used for refinancing (USD 12.4bn) and project financing (USD 9.0bn). Sponsored loan deals, as a percentage of issuance in the first quarter, slightly increased to 3.2% (from 0.7% for 1Q'18) of deals by dollar amount. Year to date, leveraged loan issuance totaled USD 98.7bn, a growth of 6.2% from the first half of 2017.

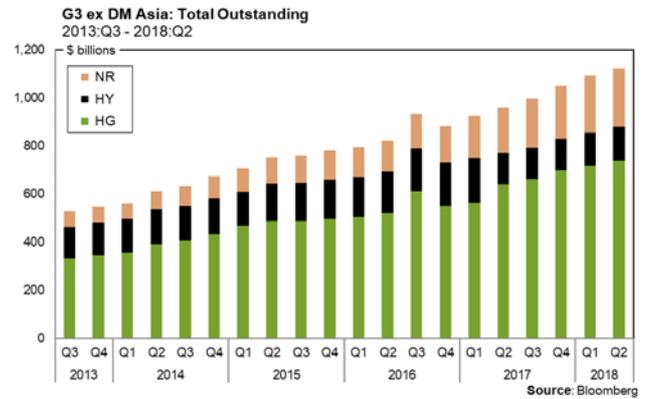
- 1) A surge in CLO issuance has also been seen in 1H'2018, as banks have sought to improve capital ratios by getting HY leveraged loans to corporates of their balance sheets and issuing CLOs backed by corporate debt. It is however questionable if these trends can be sustained, particularly if investors balk at the risk underlying some of these structures.
- 2) Asia too, has seen its share of innovation in the CLO space, as a project finance CLO was concluded in Singapore from Clifford Capital (Bayfront Infrastructure Capital). Further development of the Asian CLO market will continue to be contingent on the outlook for credit in the region turning favourable, coupled with continued pressures on bank balance sheets, which could help underpin issuance at the margin.



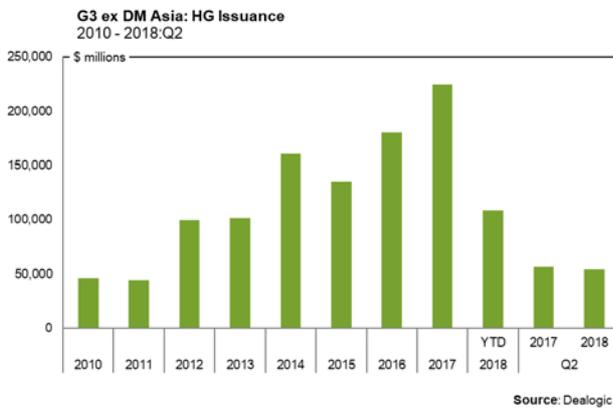
### 2.1. G3 ex DM Asia: Total Issuance



### 2.2. G3 ex DM Asia: Total Outstanding



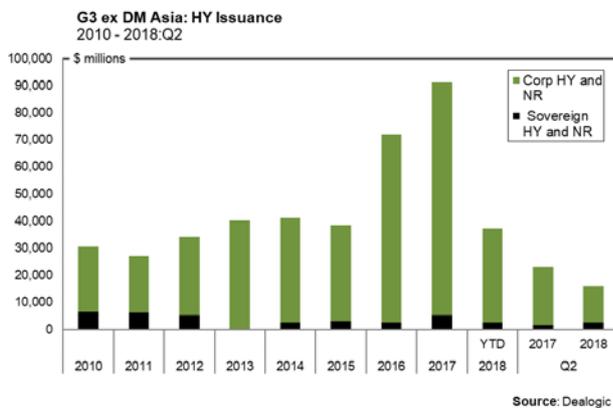
### 2.3. G3 ex DM Asia: HG Issuance



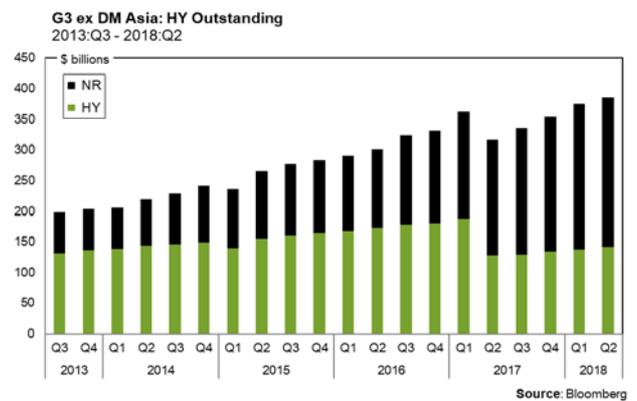
### 2.4. G3 ex DM Asia: HG Outstanding



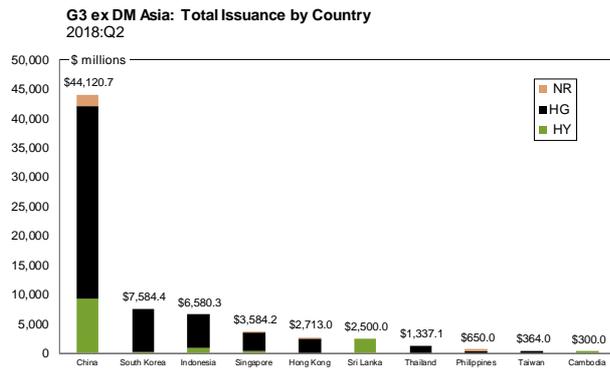
### 2.5. G3 ex DM Asia: HY Issuance



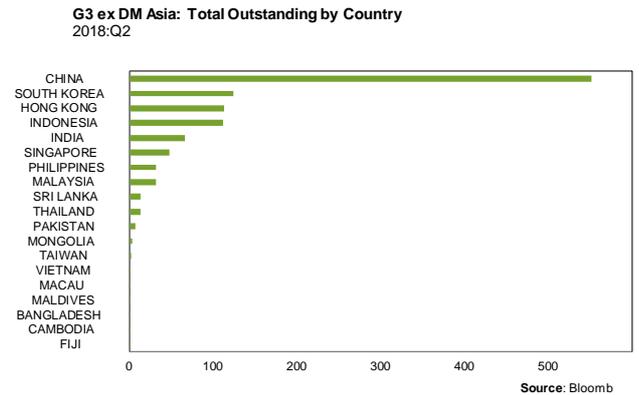
### 2.6. G3 ex DM Asia: HY Outstanding



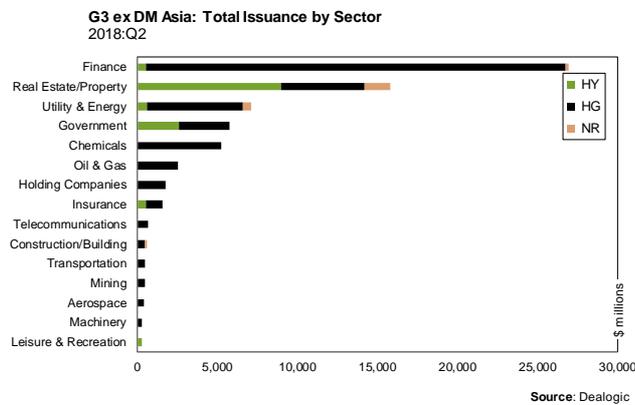
### 2.7. G3 ex DM Asia: Total Issuance by Country



### 2.8. G3 ex DM Asia: Total Outstanding by Country

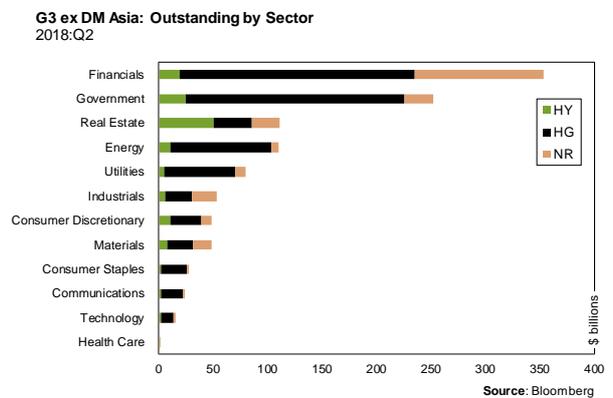


### 2.10. G3 ex DM Asia: Total Issuance by Sector

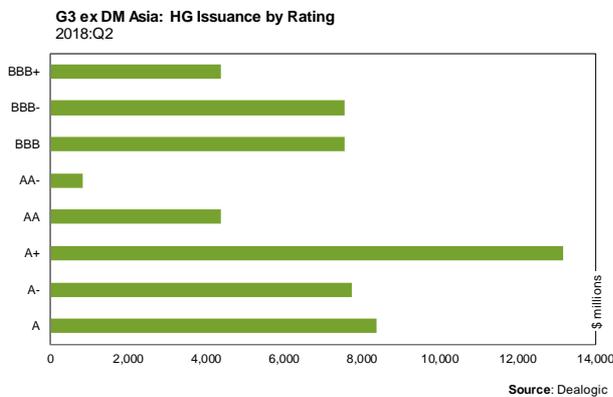


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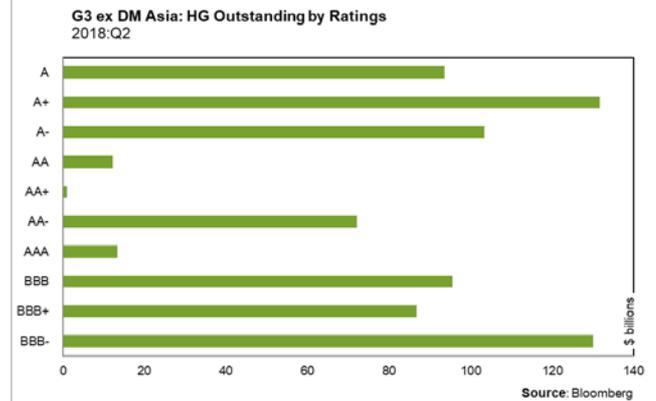
### 2.11. G3 ex DM Asia: Total Outstanding by Sector



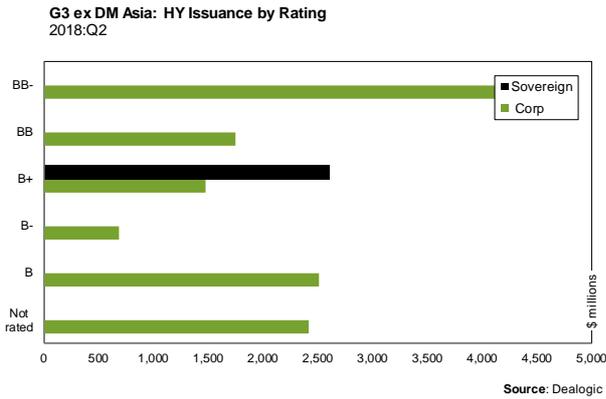
### 2.12. G3 ex DM Asia: HG Issuance by Rating



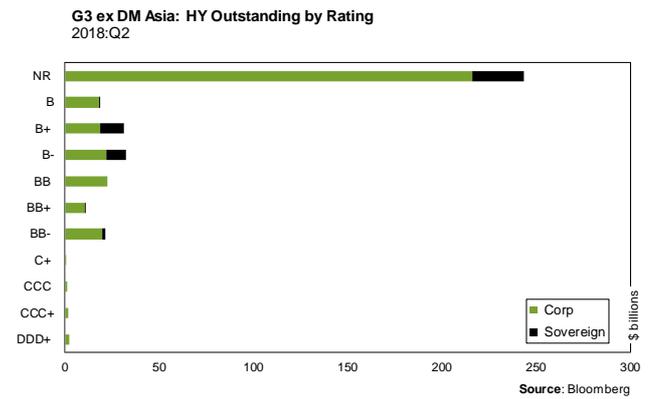
### 2.13. G3 ex DM Asia: HG Outstanding by Rating



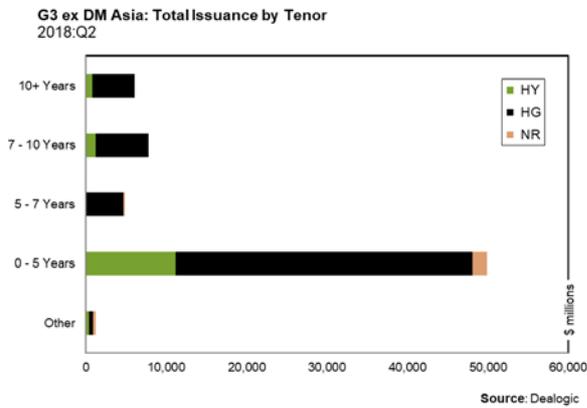
2.14. G3 ex DM Asia: HY Issuance by Rating



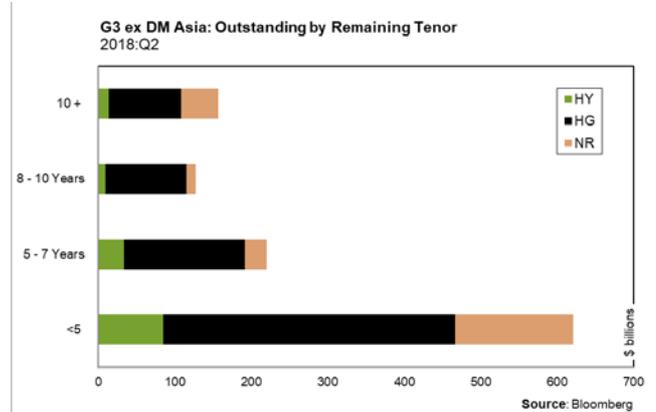
2.15. G3 ex DM Asia: HY Outstanding by Rating



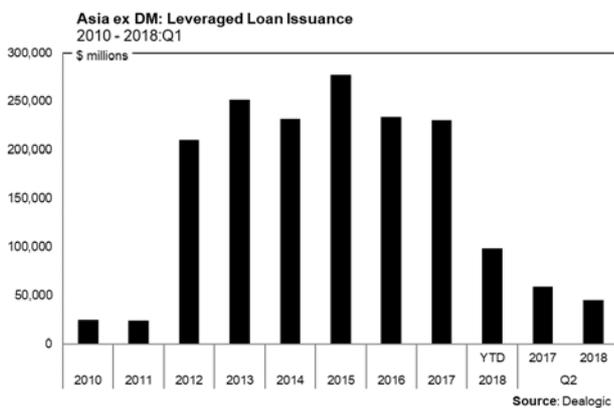
2.16. G3 ex DM Asia: Total Issuance by Tenor



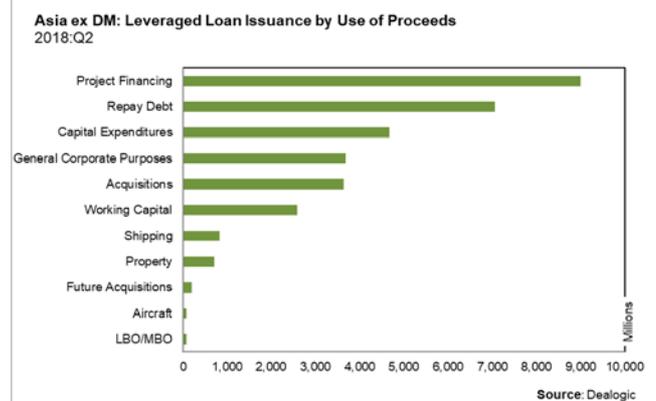
2.17. G3 ex DM Asia: Outstanding by Remaining Tenor



2.18. Asia ex DM: Total Leveraged Loan Issuance

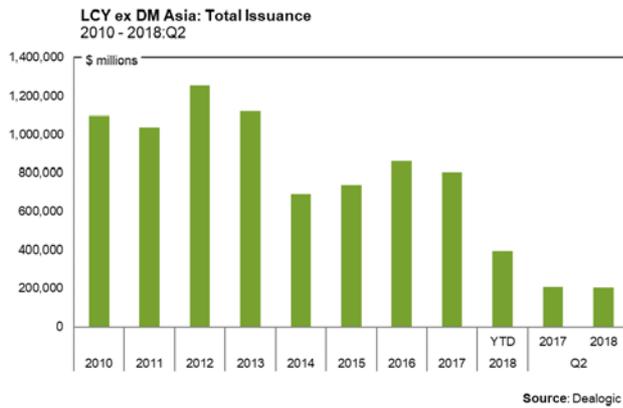


2.19. Asia ex DM: Total Leveraged Loan Issuance by Use of Proceeds

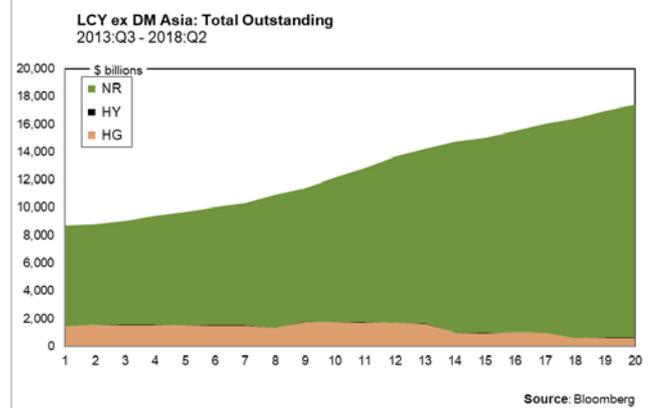


## 3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

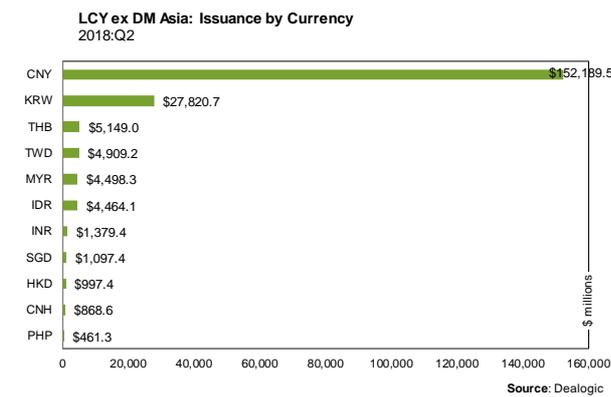
### 3.1. LCY ex DM Asia: Total Issuance



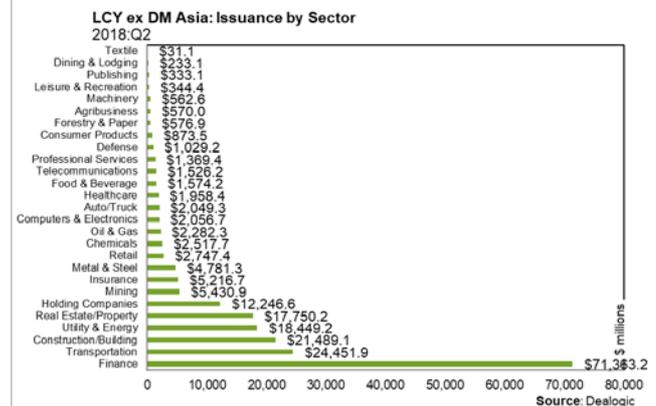
### 3.2. LCY ex DM Asia: Total Outstanding



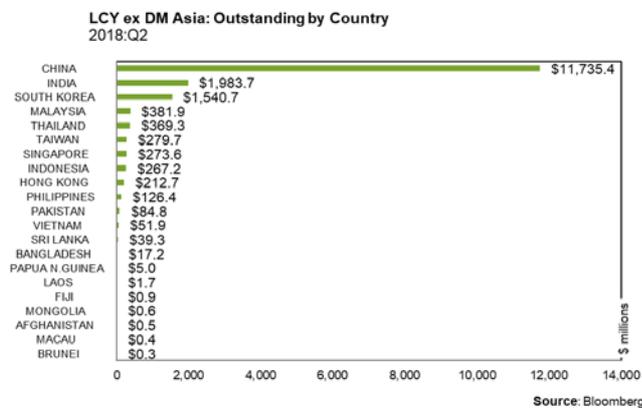
### 3.3. LCY ex DM Asia: Issuance by Currency



### 3.4. LCY ex DM Asia: Issuance by Sector



### 3.5. LCY ex DM Asia: Outstanding by Country



## 4. All Asia

### Total Issuance & Outstanding – G3 and LCY for Asia (including Japan, Australia and New Zealand)

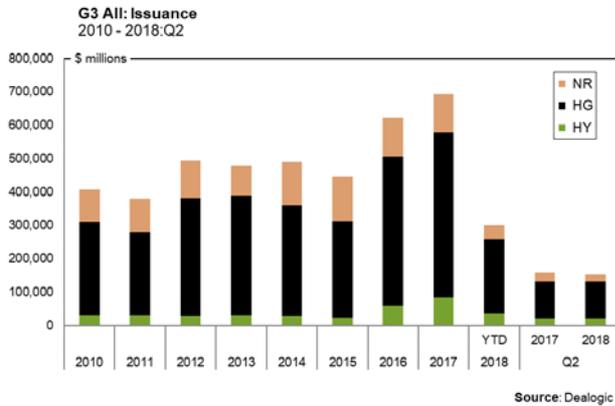
Total G3 issuance in Asia (including Japan, Australia and New Zealand) was USD 152.1bn in the second quarter of 2018, an uptick of 2.1% qoq and a decline of 4.4% yoy. In 2Q'18, total HG G3 issuance in Asia was USD 110.1bn, a decline of 0.4% qoq and 1.2% yoy; HY issuance was USD 20.7bn, an increase of 27.5% qoq and 1.1% yoy; and unrated issuance was USD 21.3bn, a decline of 3.6% qoq and a 21.5% yoy. Year to date, G3 issuance including developed market Asia totaled USD 301.1bn, w

LCY debt issuance, including Japan, Australia, and New Zealand, increased to USD 274.3bn in the second quarter of 2018, an increase of 6.8% qoq and decline of 50.8% yoy, comprised of USD 87.9bn in HG issuance, USD 12.0bn in HY issuance and USD 174.5bn in unrated issuance. Year to date, LCY debt issuance totaled USD 531.2bn, a steep decline of 49.9% from the first half of 2017.

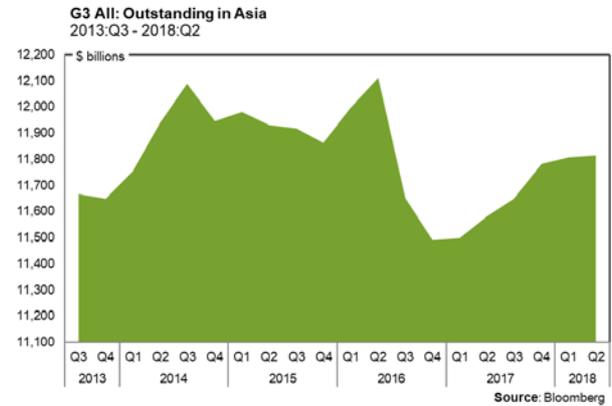
Key trends worth noting include:

- 1) A return of the Rule 144A market at the expense of the Reg S market, which constitutes a big reversal of recent trends. Chinese and other Asian investors in Asian paper pulled back relative to the first quarter, as rising funding costs, coupled with widening credit spreads, inflicted increasing mark-to-market losses on Asian credit funds.
- 2) On the other hand, US investors have picked up the slack, as the relative attractiveness of South Korea, Hong Kong and the higher rated Indian issuers piqued investor interest in these stronger names. In the HY space too, the recent underperformance of Asian credits has resulted in Asian junk bond credit spreads trading considerably wider than comparable US names – this too has attracted renewed interest among the 144A US investor base.
- 3) Among other trends globally, mega-sovereign issuance has been a key feature – In Asia too, both Qatar and Saudi Arabia have priced sovereign deals in excess of USD 10.0 billion each during 1H'2018. The need to plug fiscal gaps and to meet ever-increasing government outlays across the globe, is likely to underpin sovereign issuance through the rest of 2018.
- 4) A combination of risk aversion, USD strength/EM currency weakness and general global uncertainties should keep HG USD assets (Developed Market assets in particular) well-bid at the expense of HY paper across the board, EM USD and EM LCY assets, through the rest of 2018.

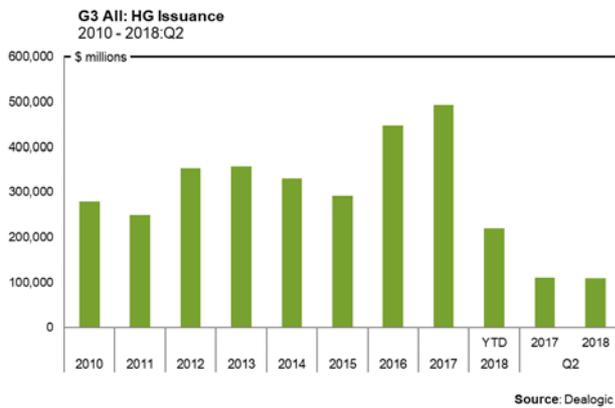
#### 4.1. G3 All: Total Issuance



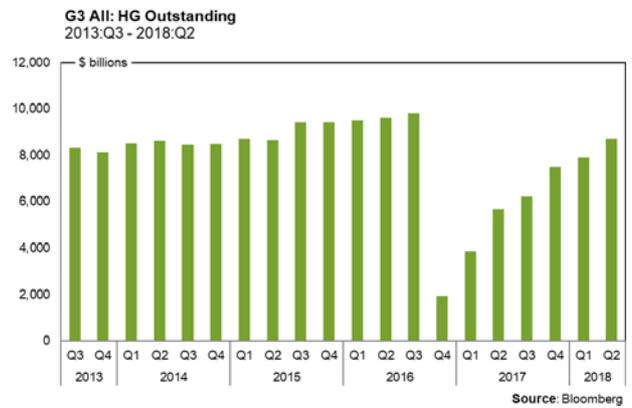
#### 4.2. G3 All: Total Outstanding



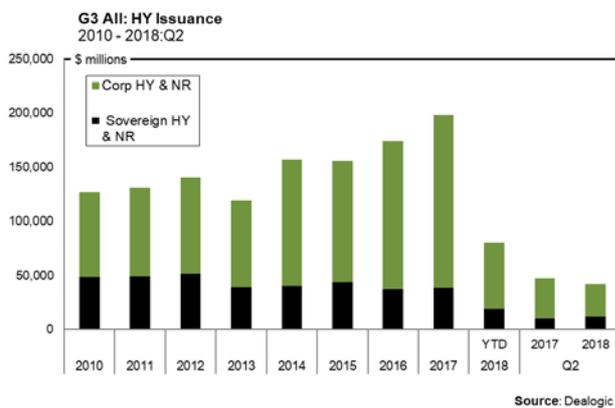
#### 4.3. G3 All: HG Issuance



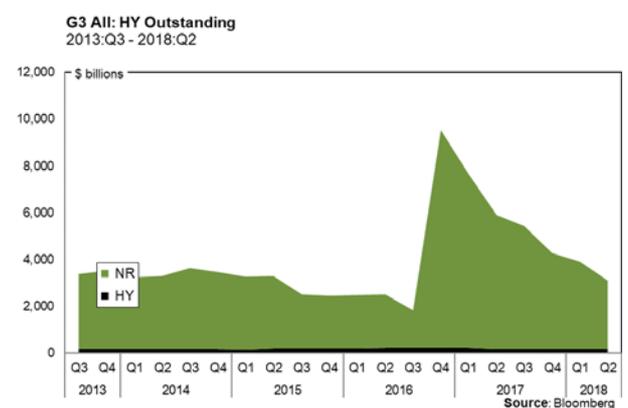
#### 4.4. G3 All: HG Outstanding



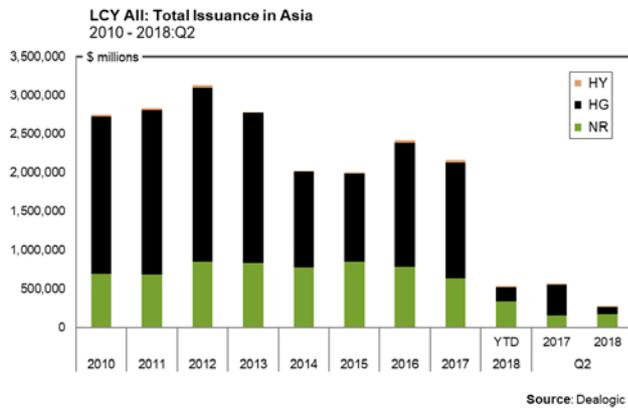
#### 4.5. G3 All: HY Issuance



#### 4.6. G3 All: HY Outstanding



#### 4.7. LCY All: Total Issuance



## 5. China – Domestic

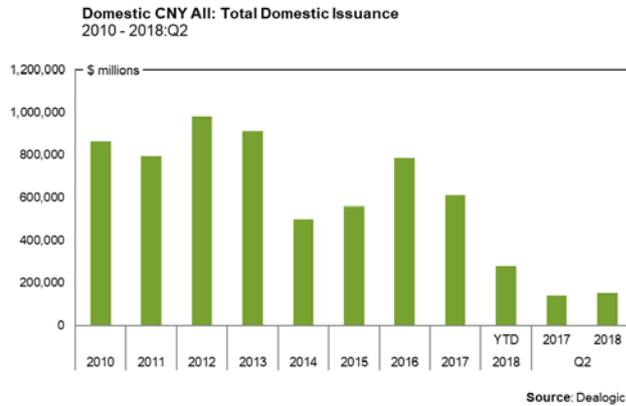
### Total Issuance & Outstanding – Domestic CNY issuance

Total domestic CNY issuance stood at USD 152.3bn in the second quarter of 2018, up 20.3% from the first quarter (USD 126.6bn) and 6.7% yoy (USD 142.8bn). By tenor, 71.0% of second quarter issuance (USD 108.2bn) would mature in five years or less, followed by the 7-10 year bucket (USD 16.6bn, or 10.9% of issuance). By sector, finance led issuance totals (USD 43.4bn), followed by transportation (USD 22.2bn) and construction/building (USD 19.0bn). Year to date, domestic issuance totaled USD 279.0bn, an increase of 26.4% from the first half of 2017. Outstanding domestic CNY debt stood at USD 11.6tn at the end of second quarter 2018, with sovereigns leading totals (USD 6.6tn), followed by financials (USD 2.9tn) and industrials (USD 901.7bn).

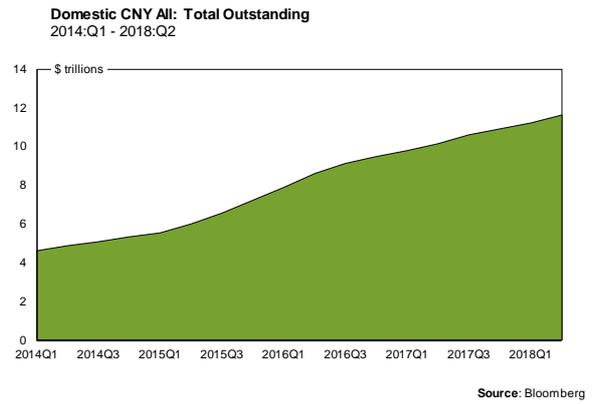
Key themes going forward with respect to the Chinese domestic CNY-denominated bond market include the following:

- 1) In the wake of the outbreak of recent global trade tensions and consequent across-the-board China market weakness, the Chinese authorities have announced a variety of fiscal, monetary and credit stimulus measures, which should underpin domestic issuance.
- 2) Chinese developers alone face around USD 200bn in redemptions of USD-denominated debt through 2021 (Source: Bloomberg). Despite the onshore liquidity squeeze caused by the crackdown in shadow financing (prior to the recent Chinese stimulus measures), developers are likely to face no choice but to tap the domestic bond markets, given the recent rapid depreciation of the renminbi. This should underpin domestic debt issuance.
- 3) Sovereign panda issuance is likely to continue strong (for instance, the Philippines concluded the maiden sovereign panda issuance from that country earlier in 1H'2018), not least because of China's continued support and sponsorship of the Belt & Road Initiative. Also, according to an article published on Thomson Reuters earlier in July ("China to Simplify Panda Bond Rules to boost issuance" July 3, 2018), the Chinese regulators are set to make it easier for overseas issuers to tap this market. This should further help in the sustainable development of this fund-raising avenue for overseas sovereigns and corporates.

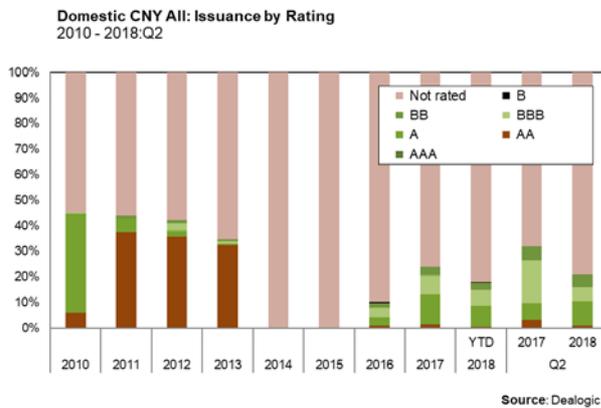
### 5.1. Domestic CNY All: Total Issuance



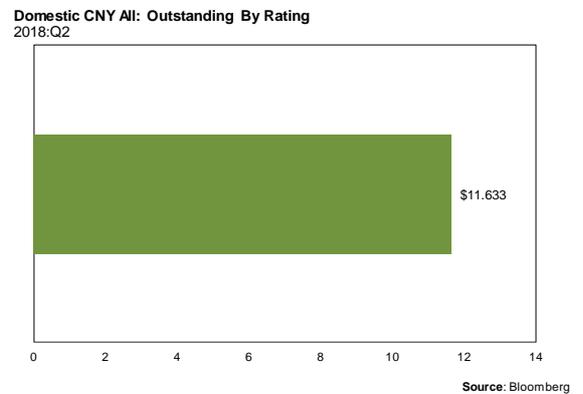
### 5.2. Domestic CNY All: Total Outstanding



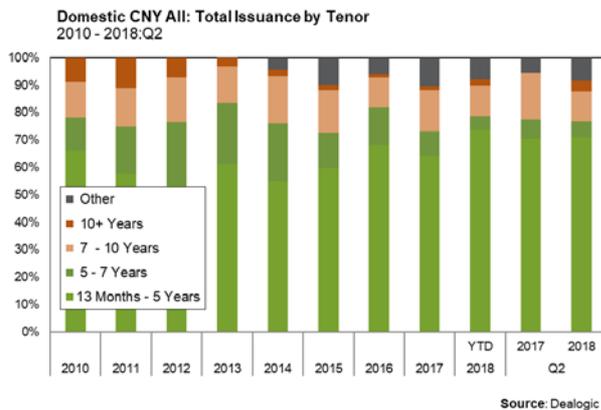
### 5.3. Domestic CNY All: Issuance by Rating



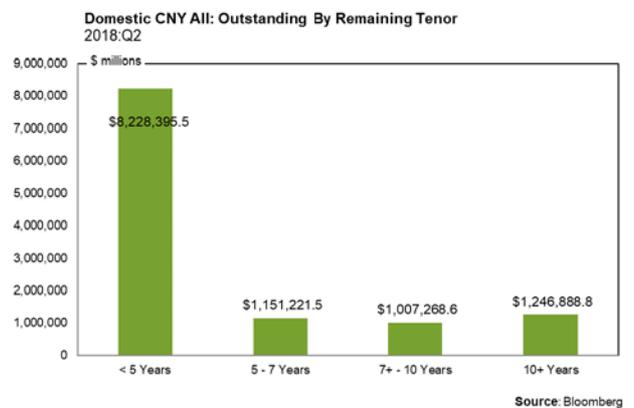
### 5.4. Domestic CNY All: Outstanding by Rating



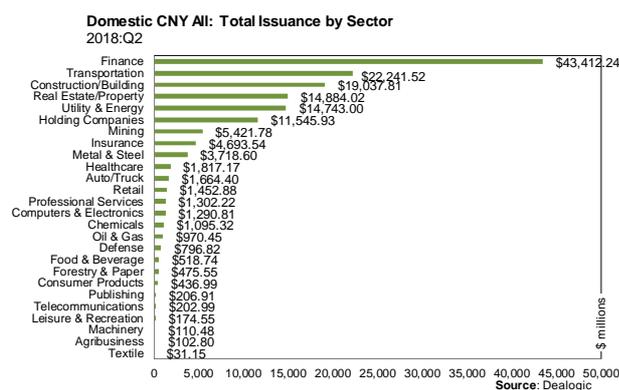
### 5.5. Domestic CNY All: Issuance by Tenor



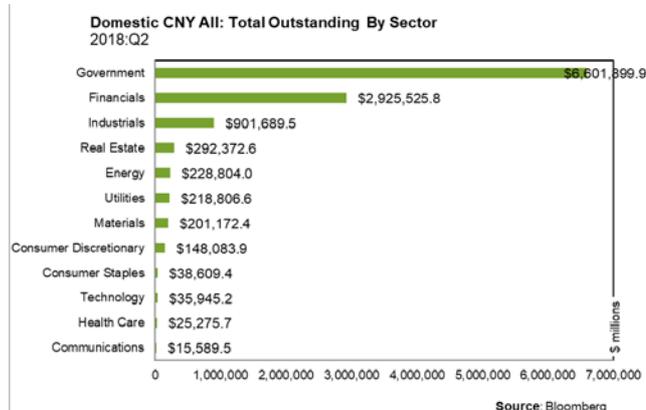
### 5.6. Domestic CNY All: Outstanding by Remaining Tenor



## 5.7. Domestic CNY All: Issuance by Sector



## 5.8. Domestic CNY All: Outstanding by Sector



## 6. China – CNH

### Key trends in offshore renminbi (CNH) and the dim sum bond markets

The pace of offshore issuance slowed down in the second quarter from the first quarter; an equivalent of USD 3.1bn in CNH bonds were issued, a decline of 20.0% qoq but increase of 30.5% yoy. In terms of tenor, transactions with tenors of 5-years or less accounted for 66.7% of second quarter issuance. HG deals rated AA totaling USD 812.3mn had the highest share among rated deals (26.5%). In terms of sector, finance was the largest issuer in 2Q'18 (USD 1.7bn), followed by real estate (USD 1.3bn) and transportation (USD 55.7mn). Year to date, offshore issuance totaled USD 6.9bn, an increase of 56.4% from the first half of 2017.

CNH Deposit Base by Location	Amt (USD bn)	As of
Hong Kong	90.8	Jun-18
Singapore	21.0	Mar-18
Taiwan	47.2	Jun-18
Korea, Republic of	1.1	Jun-18
Luxembourg	9.8	Aug-15
United Kingdom	11.7	Mar-18
France	3.2	Dec-15

Sources: HKMA (Hong Kong), MAS (Singapore), Central Bank of Republic of China (Taiwan), Bank of Korea (Korea), Luxembourg for Finance (Luxembourg), Bank of England (UK), PWC (France);  
Exchange Rate: CNH 6.621 = USD 1.0, GBP 1.32 = USD 1.0

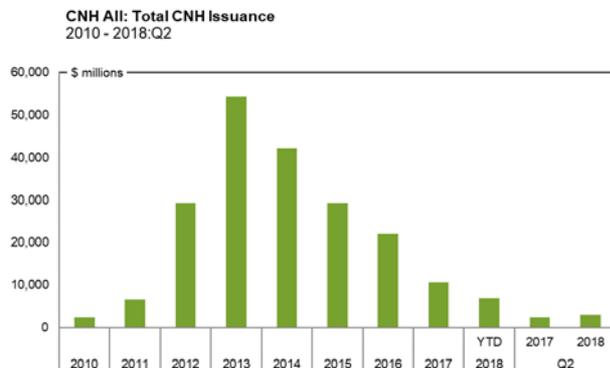
CNH deposits rose slightly in Hong Kong, South Korea, and the UK in the most recent data ending the second quarter 2018, although total deposits remain relatively low overall. Some of the factors that contributed to the rebound in offshore dim sum bond issuance are not likely to be factor with respect to dim sum bond issuance during the rest of 2018. For instance, the domestic liquidity squeeze in the onshore renminbi bond markets seen in the first half of 2018 have given way to considerably more accommodative conditions in the second half of the year. This is on account of the fact that Chinese regulatory authorities have consciously chosen to ease liquidity

and credit conditions domestically, to offset pressures on the domestic economy and markets, which in turn are a function of the uncertain global trade environment. That said, Chinese and other issuers will look to tap any market that is likely to prove receptive to issuance at the margin – This should continue to support the modest rebound in dim sum bond issuance seen in 2018.

The total of dim sum bonds outstanding stood at USD 54.1bn at the end of the second quarter, a decline of 3.5% qoq and 14.4% yoy. The CNH deposit base globally was broadly unchanged (at least in USD terms and

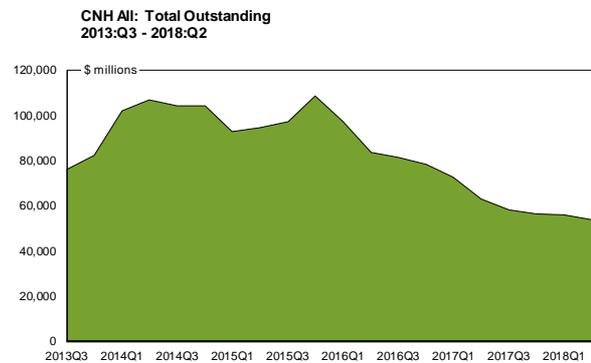
marginally higher in nominal renminbi terms – the weakening in the Chinese currency eroded translation gains in USD terms).

### 6.1. CNH All: Total CNH Issuance



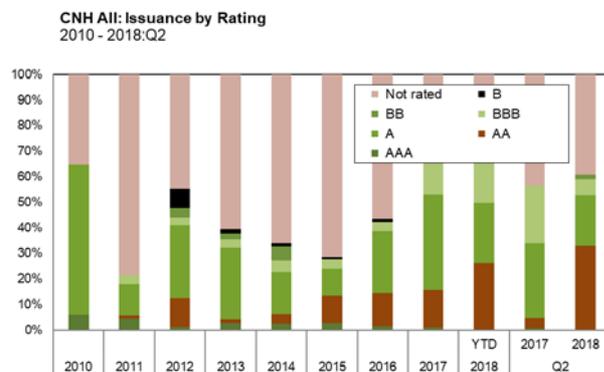
Source: Dealogic

### 6.2. CNH All: Total Outstanding



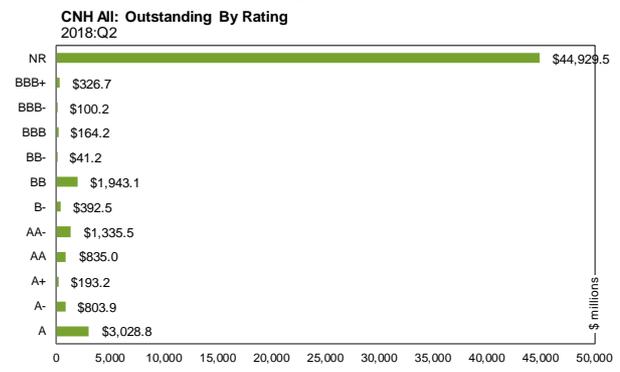
Source: Bloomberg

### 6.3. CNH All: Issuance by Rating



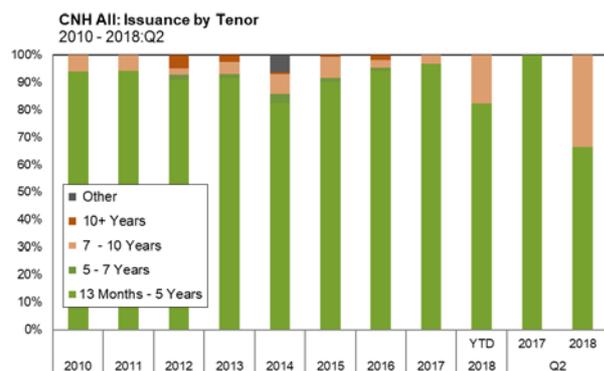
Source: Dealogic

### 6.4. CNH All: Outstanding by Rating



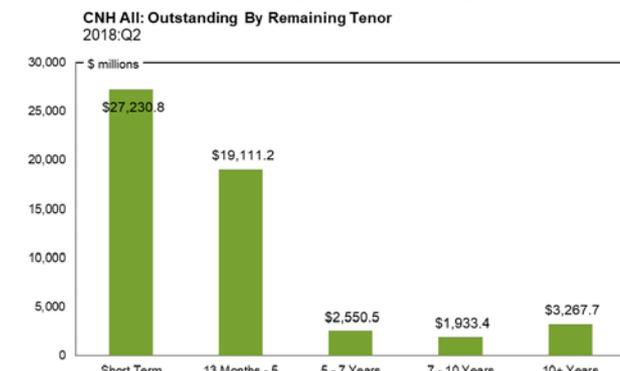
Source: Bloomberg

### 6.5. CNH All: Issuance by Tenor



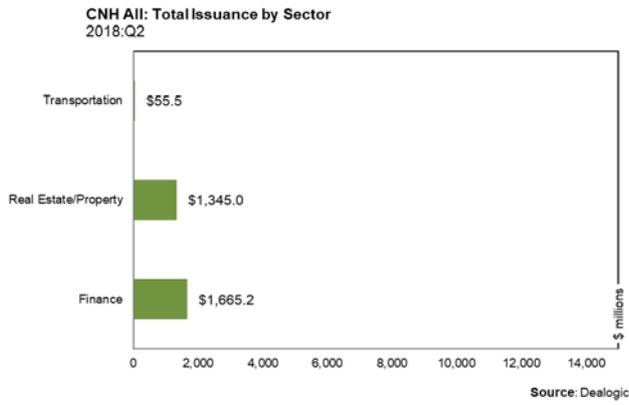
Source: Dealogic

### 6.6. CNH All: Outstanding by Remaining Tenor

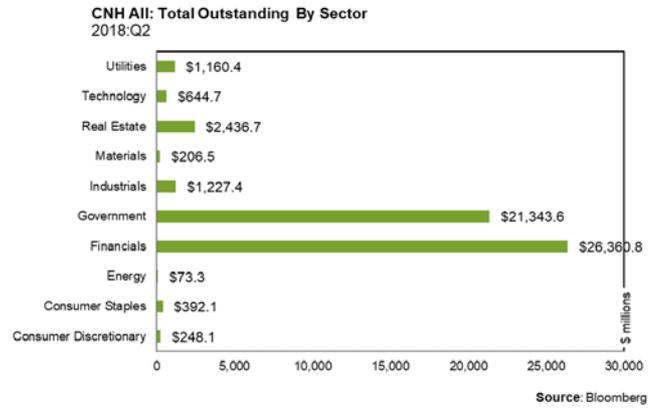


Source: Bloomberg

6.7. CNH All: Issuance by Sector



6.8. CNH All: Outstanding by Sector



## 7. Spreads, Credit & Total Return

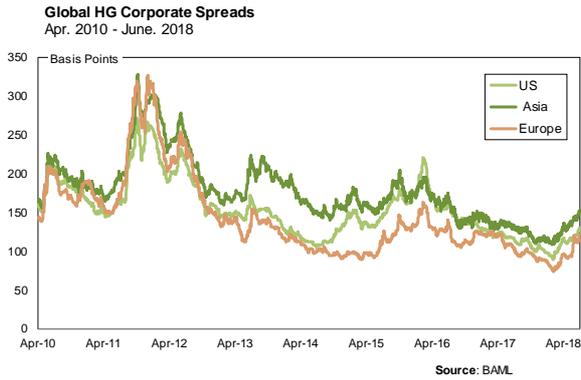
### Relative Value and returns (Asia ex-Japan, Australia & New Zealand G3)

Asian HG bond spreads traded wider in 2Q'18 from the first quarter (153 bps vs. 134 bps): US and European HG bonds traded on top of each other at 130 bps and 122 bps respectively. The comparable figures for 1Q'18 were 117 bps (US) and 97 bps (Europe) respectively. US HY spreads were broadly unchanged at 371 bps in 2Q'18 relative to 1Q'18, while European HY spreads widened modestly to 388 bps from 315 bps over the same period. Asian HY spreads underperformed significantly, widening to 591 bps at the end of 2Q'18 from 399 bps at the end of 1Q'18.

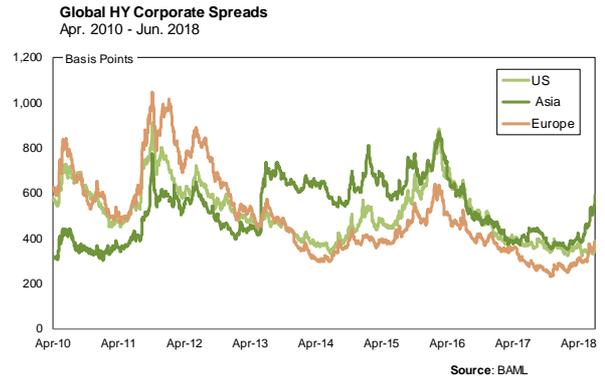
In terms of total return, it was really a tale of two distinct sets of equity markets – developed country equities outperformed, led by the Australian All-Ordinaries and the UK FTSE index (which returned significant single digit percentage returns) while emerging market (EM) Latin America, EEMEA and European equities were the worst hit, suffering double digit percentage losses during 2Q'18. This is a complete reversal of trends seen in the first quarter. Asian HY and HG indices lost about 4.0% and 1.0% respectively, during the quarter.

Looking ahead, with trade tensions continuing unabated and the US cycle of steady tightening set to continue, pressures on the EM space (both equities and credit) are unlikely to let up any time soon. That said, pockets of value in both the HG and HY EM Asian USD-denominated space have begun to appear. For the more adventurous investors who are of the view that the USD's uptrend is set to pause (or even correct/reverse, even if only for a short period of time), might wish to consider LCY-denominated credits in both the INR and CNY, which offer both attractive carry and possible short-term currency upside, through the rest of 2018.

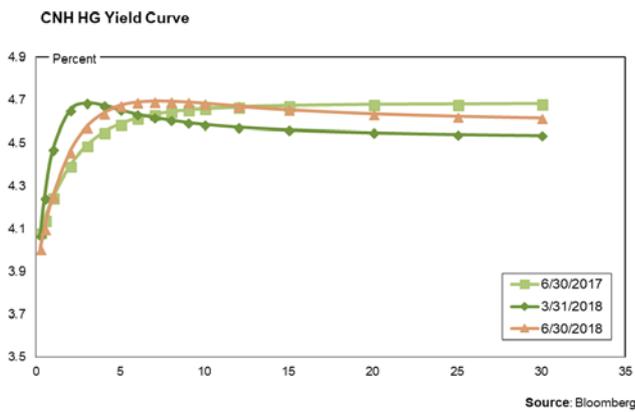
### 7.1. Global HG Corporate Spreads



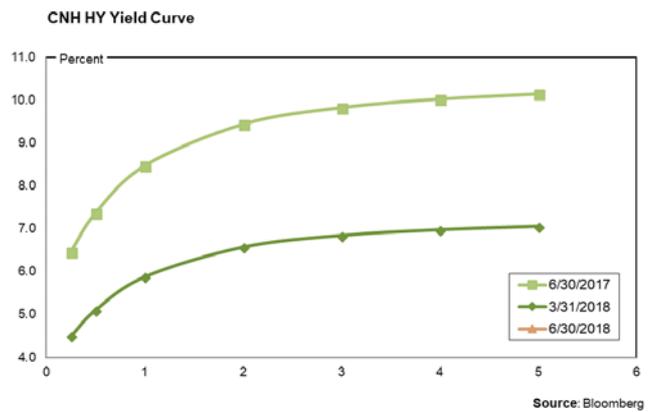
### 7.2. Global HY Corporate Spreads



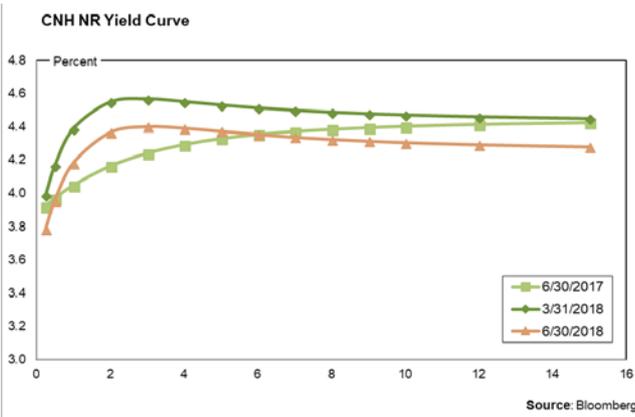
### 7.3. CNH HG Yield Curve



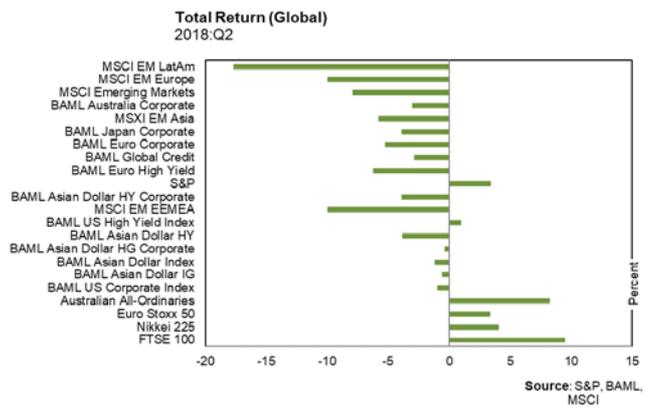
### 7.4. CNH HY Yield Curve



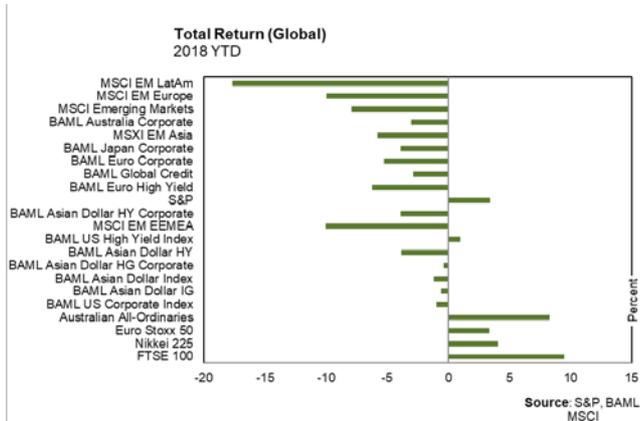
### 7.5. CNH NR Yield Curve



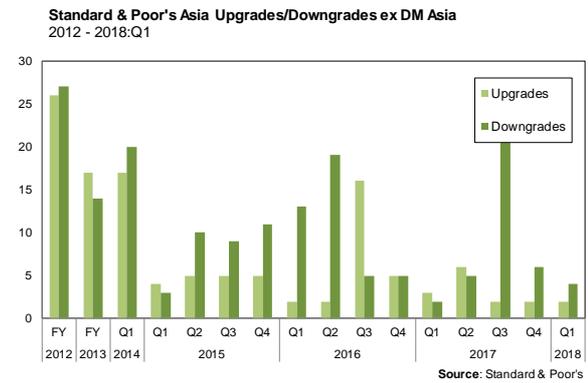
### 7.6. Global Returns, Quarter-End



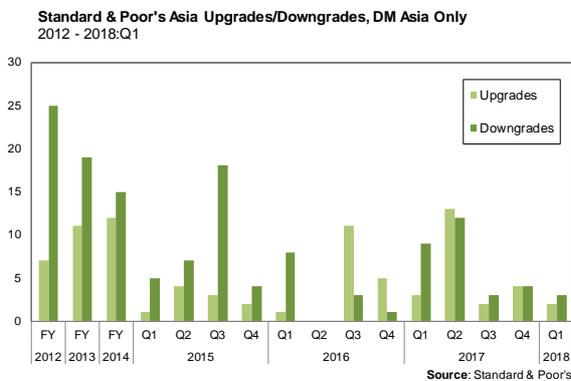
### 7.7. Global Returns, 2018



### 7.8. Asia Upgrades / Downgrades ex DM Asia



### 7.9. Asia Upgrades / Downgrades, DM Asia



### 7.10. Asian Upgrades & Downgrades, Standard & Poor's, First Quarter 2018

Upgrades	Country	Date	Rating
Southern Cross Airports Corporation Holdings Ltd.	Australia	3/26/2018	BBB+
Yanlord Land Group Limited	Singapore	3/14/2018	BB
GS Caltex Corp.	Korea, Republic of	3/14/2018	BBB+
Toshiba Corp.	Japan	1/19/2018	CCC+

Downgrades	Country	Date	Rating
Ricoh Co. Ltd.	Japan	3/6/2018	BBB+
Glenmark Pharmaceuticals Ltd.	India	3/1/2018	BB-
Ricoh Leasing Company, Ltd.	Japan	3/7/2018	BBB+
BIS Industries Ltd.	Australia	1/15/2018	D
SMRT Corp. Ltd.	Singapore	3/13/2018	AA+
PT MNC Investama Tbk.	Indonesia	2/2/2018	CCC-
PT Pelabuhan Indonesia III (Persero) (Republic of Indonesia)	Indonesia	3/28/2018	BB+

### 7.11. Asian Defaults, Standard & Poor's, Second Quarter 2018

Defaults	Country	Type
PT MNC Investama Tbk.	Indonesia	Distressed Exchange/Out of Court Restructuring

## 8. Summary of the Methodologies Adopted for this Report

### 2. G3 Asia ex Developed Market Asia (Japan, Australia, and New Zealand)

#### Issuance

Bond transactions are sourced primarily from Dealogic, with supplemental information sourced from Bloomberg. Unless otherwise noted, all issuance are long-term debt. High grade transactions are defined as transactions with a Dealogic “effective” rating of equal or greater than BBB-, and may include unrated transactions based on issuer and desk notes. High yield transactions are defined as transactions with a Dealogic “effective” rating of equal or less than BB+, and may also include unrated transactions based on issuer and desk notes. Unrated deals are those deals with no effective rating from Dealogic.

“All Asia” issuances are defined as being a corporate bond issue having a Dealogic “deal nationality” as within Asia, regardless of market, including domestic. Sovereign, sub-sovereign, medium-term notes, and agencies are also included from issuance, while supranational and ABS/MBS issuers are excluded from issuance. Loans are excluded from issuance as well.

“DM”, or Developed Market Asia, include those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand. “Ex DM Asia” will refer to all deals excluding those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand.

G3 deals are defined a subset of deals in “All Asia” that are rank eligible, according to Dealogic’s rank eligibility guidelines, with a tranche currency in US dollar (USD), European euro (EUR), or Japanese yen (JPY). There may exist deals within “All Asia” issuance that are denominated in a G3 currency but are not rank eligible and therefore not included in G3 tables but may be included in all other non-G3 exclusive tables.

“LCY”, or local currency, are defined as a subset of deals in “All Asia” flagged by Dealogic local currency flag. G3 and LCY deals are not mutually exclusive and may overlap (e.g., in the case of Japanese JPY deals).

All issuances are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

#### Outstanding

Outstanding figures are sourced from Bloomberg and contain all bonds from its corporate securities database, including private placements. Structured notes and debt secured by assets are excluded. All other criteria hew closely to the criteria for issuance.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

Outstanding G3 deals are defined a subset of deals in “All Asia” that are rated with at least one rating by one of the four rating agencies: Fitch Ratings, Moody’s, Standard & Poor’s, or DBRS; and denominated in US dollar (USD), European euro (EUR), or Japanese yen (JPY). Deals that are not rated by one of the four rating agencies (those deals with a Bloomberg composite rating of “NA”) are excluded. The “NA” exclusion is due to overlap between rank ineligible deals and those deals with no rating; a close analysis of the data reveals that the figures for data excluding “rank ineligible” deals and the figures for data excluding data rated N.A. in Bloomberg are similar.

**2.1., 2.3, 2.5., 2.7., 2.9., 2.11., 2.13., 2.15., 2.17., 2.18.**

Data are sourced from Dealogic.

Issuance by country is determined by Dealogic's deal nationality.

Issuance by tenor is determined by years of maturity at issuance.

Issuance by sector is defined by Dealogic's General Industry Group ("GIG") groupings and are not analogous to Bloomberg's Sector grouping.

**2.2., 2.4., 2.6., 2.8., 2.10., 2.12.**

Data are sourced from Bloomberg.

Outstanding by rating are by current composite rating assigned by Bloomberg. Composite ratings by Bloomberg are the average of ratings assigned by Moody's, Standard & Poor's, Fitch Ratings, and DBRS; a minimum of two ratings must be given to a bond before a composite rating is generated. "NR" denotes a bond with a single rating assigned by the four rating agencies, whereas "NA" denotes a bond with no rating from any of the four.

Outstanding by tenor are based on current tenor as quarter-end. "Other" includes those bonds with no listed maturity date and perpetuals.

**3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)**

**3.1. - 3.4.**

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

**4. All Asia**

**4.1. – 4.9.**

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

**5. Domestic CNY**

**Issuance**

Bond transactions for CNY are sourced from Dealogic and are defined as all issued debt denominated in renminbi (CNY) and in the domestic debt markets. CNY-denominated deals issued in the euro, foreign, or international markets are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNY issuance, CNY-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

**Outstanding**

Bond transactions for CNY are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the domestic or domestic MTN markets. CNY-denominated deals issued in the euro, foreign, or international debt markets are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

### 5.1. – 5.8.

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 5. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 5.

## 6. CNH

### Issuance

Bond transactions for CNH are sourced from Dealogic and are defined as all debt denominated in renminbi (CNY) issued and in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNH issuance, CNH-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

All issuance are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

### Outstanding

Bond transactions for CNH are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market, securitisations, and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

### 6.1. – 6.8.

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 4. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 6.

## 7. Spreads, Credit Quality & Total Return

### 7.1. – 7.2. Global Corporate Spreads

High grade and high yield US and European corporate spreads are sourced from Bank of America-Merrill Lynch (BAML) indices. Spreads are over government debt.

US high grade spreads are sourced from BAML's US Corporate Index (COA0) and tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of USD 250 million. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized

corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high grade spreads are sourced from BAML's Euro Corporate Index (ER00) and tracks the performance of EUR denominated investment grade corporate debt publicly issued in the Eurobond or Euro member domestic markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million. Original issue zero coupon bonds and pay-in-kind securities, including toggle notes, are included in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

US high yield spreads are sourced from BAML's US High Yield Index (HOA0) and tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high yield spreads are sourced from BAML's Euro High Yield Index (HE00) and tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance. In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR 100 million. Original issue zero coupon bonds, "Global"

securities (debt issued simultaneously in the Eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

Asian high grade and investment grade spreads are sourced from J.P. Morgan's Asia Credit Index (JACI) and tracks the performance of USD-denominated Asian debt in the Asian ex-Japan region. Qualifying countries are those Asian region excluding Japan, including: China, Hong Kong, Indonesia, India, South Korea, Sri Lanka, Mongolia, Macao, Malaysia, the Philippines, Pakistan, Singapore, Thailand, Taiwan and Vietnam. Minimum deal sizes are \$150 million and at least 12 months to final maturity at time of issuance. Fixed and floating rate instruments, and debt issued by sovereign, quasi-sovereign and corporate entities qualify for inclusion. Convertible bonds do not qualify for inclusion in the index.

### **7.3. – 7.5. China CNH Yield Curves**

The securities underlying this curve are a subset of CNH data and sourced from Bloomberg; please see section 6 for more details regarding criteria. Ratings are determined by Bloomberg composite rating. Curves are fitted using Nelson-Siegel regression on mid-yield to maturity of underlying bonds.

### **7.6. – 7.7. Total Return (Quarter-End and YTD)**

Total return data are sourced from various global bond and equity, including, but not limited to: the Bank of America-Merrill Lynch, Standard & Poor's, J.P. Morgan, and MSCI,

### **7.10. – 7.10. Asian Issuer Rating Actions**

European issuer upgrades and downgrades are sourced from S&P. and are a combination of both emerging market, Japan, Australia, and New Zealand rating actions. Multiple upgrades or downgrades of a single issuer are counted separately. Rating actions are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign ratings.

Due to publication timing, these data set may run on a quarter lag.

### **7.12. Asian Issuer Defaults**

European issuer upgrades and downgrades are sourced from S&P and are a combination of both emerging market, Japan, Australia, and New Zealand defaults reported. Defaults are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign defaults.

## 9. Disclaimer

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