

December 12, 2018 09:10 AM GMT

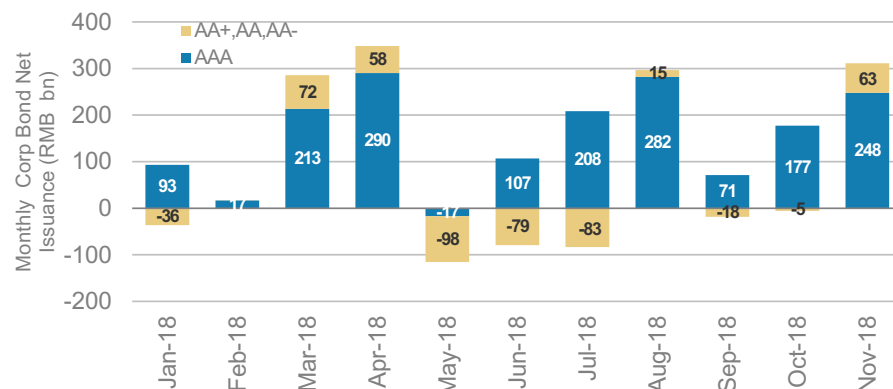
Asia Credit Strategy | Asia Pacific

What's Going on in Asia Credit

What's Going on in Asia Credit (WGOIAC) is our weekly publication that highlights the key themes in Asia credit. Our WGOIAC publication includes detailed returns calculations for Asia credit, relative value sector performance, technicals and valuation tools.

As we approach year-end, we think it makes sense to check on the technicals for Asia credit. EM hard currency fund flows have clearly held up much better than Asia credit funds this year. Year to date, Asia credit funds saw outflows of 12.2% of AUM while EM hard currency funds only saw outflows of 0.12% of AUM. Our proprietary Asia fund flow tracker shows outflows of 0.96% of AUM or US\$257 million in November ([Exhibit 73](#)) while EM hard currency funds saw only 0.73% of outflows (-US\$1,347 million) for the same period ([Exhibit 72](#)). Given the continued outflows pressure, Asia credit funds had increased their cash level substantially in October to 5.95% of AUM, which is above the historical average level of 5% ([Exhibit 69](#)). In addition, duration for Asia credit funds remained relatively low in October ([Exhibit 68](#)). On the supply side, gross and net issuance remained lower than last year due to weak supply from Asia financials (especially the Chinese non-banks sector). We did see a substantial improvement in China onshore corporate net issuance in November ([Exhibit 1](#)). This is especially true for AA rated issuers due to the implementation of the credit enhancement support programme announced by the PBOC in late October (see [Credit enhancement support to private firms helps with credit stabilization; banks benefit via better risk-reward](#), October 22, 2018). If this trend proves sustainable, it would help to reduce the offshore USD supply pressure for China HY corporates.

Exhibit 1: November was the strongest net issuance month for onshore corporate bonds since April



Source: WIND, Morgan Stanley Research

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Most recent research

[Waiting for the Bottom to Be Bullish](#)

We see 2019 as a transition period for Asia credit towards the bottom of the cycle. Valuations don't fully reflect weakness in fundamentals. We stay cautious but lay out three signposts that would make us bullish. Investors should focus on alpha opportunities through single-name credits in 2019.

[Screening the China HY Property Sector for Alpha](#)

Credit creation in China has remained selective, driving credit dispersion in China HY. We believe that the China HY property sector offers good alpha opportunities. Using three factors from our PCA analysis and land bank concentration, we screen for defensive China HY property credit.

Due to the nature of the fixed income market, the issuers or bonds of the issuers recommended or discussed in this report may not be continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers or bonds of the issuers.

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Asia Credit Performance Summary

Exhibit 2: Asia credit broad spread performance table summary as of December 2018

ASSET CLASS	1Y TIGHTS	CURRENT	1Y WIDES	1Y AVG	1Y% RANGE	1Y RANGE	ABOVE TIGHTS	BELOW WIDES	1D CHANGE	1W CHANGE	1M CHANGE	YTD CHANGE	1M PERFORMANCE
AxJ	150	255	257	203	98%		105	-2	-2	5	17	95	
Non-Financials	149	241	242	195	99%		92	-1	-1	7	17	79	
Financials	186	367	368	271	99%		181	-1	-1	5	27	172	
Corporates	163	288	289	223	99%		125	-1	-1	6	21	114	
Investment Grade	125	187	188	155	98%		62	-1	-1	5	14	56	
High Yield	343	660	694	496	90%		317	-34	-2	7	6	256	
Sovereigns	133	204	211	175	91%		71	-7	-3	2	8	57	
Frontier	241	429	448	342	91%		188	-19	-4	9	18	171	
CORPS													
IG non fin Corp	127	193	194	157	99%		66	-1	-1	7	17	61	
AA	90	106	116	105	62%		16	-10	0	1	4	6	
A	107	145	146	126	97%		38	-1	-1	5	14	31	
BBB	156	258	260	203	98%		102	-2	-2	9	18	93	
HY non fin Corp	324	622	624	472	99%		298	-2	-2	13	36	156	
BB	250	476	515	372	85%		226	-39	-1	10	19	208	
B	353	846	852	566	99%		493	-6	-6	16	96	461	
CURVE													
1-3	172	339	349	252	94%		167	-10	-1	3	6	161	
3-5	152	291	293	218	99%		139	-2	-2	6	35	129	
5-7	141	284	285	216	99%		143	-1	-1	9	16	132	
7-10	142	218	219	181	99%		76	-1	-1	8	16	69	
10+	144	197	199	173	96%		53	-2	-1	2	11	43	
FINANCIALS													
Banks Senior Debt	105	136	136	123	100%		31	0	0	4	7	24	
Banks Subordinated Debt	161	332	333	212	99%		171	-1	0	10	105	157	
CHINA													
China Non-Financials Investment Grade	119	176	178	147	97%		57	-2	-2	6	15	54	
China High Yield	413	792	896	607	78%		379	-104	-3	2	-58	350	
China Property IG	164	305	307	223	99%		141	-2	-2	9	16	132	
China Property HY	431	900	980	659	85%		469	-80	-7	-7	-18	442	

■ 1 stdev range | 1Y average ● current

Source: IBoxx, Morgan Stanley Research

Exhibit 3: Asia credit sector performance table summary as of December 2018

	1Y TIGHTS	CURRENT	1Y WIDES	1Y AVG	1Y% RANGE	1Y RANGE	ABOVE TIGHTS	BELOW WIDES	1D CHANGE	1W CHANGE	1M CHANGE	YTD CHANGE	1M PERFORMANCE
ASIA													
Asia IG	123	185	185	146	100%		62	0	3	7	15	54	
Asia HY	339	659	694	448	90%		320	-35	6	-18	19	255	
SOVEREIGN													
Philippines	53	83	106	81	57%		30	-23	3	7	9	13	
Indon Sov	103	166	169	136	95%		63	-3	5	6	18	46	
FINANCIALS													
Bank Capital	161	329	329	198	100%		168	0	7	94	103	157	
Senior Banks	105	133	135	121	93%		28	-2	1	0	5	21	
China AMC	125	177	179	151	96%		52	-2	0	-1	8	33	
China Leasing	105	135	137	122	94%		30	-2	-1	0	3	16	
SBLC	98	108	124	110	38%		10	-16	-2	-2	-8	-4	
IG CORP													
China Central SOE	89	116	123	106	79%		27	-7	1	0	7	17	
China LG SOE	144	283	359	189	65%		139	-76	0	2	17	120	
China Property	129	193	193	153	100%		64	0	1	5	9	55	
China Private Corp	86	168	168	113	100%		82	0	7	5	22	65	
India Corp	113	198	198	149	100%		85	0	2	0	6	74	
Indon SOE	148	254	261	192	94%		106	-7	5	1	23	84	
HY CORP													
China Industrials	453	1,815	1,815	740	100%		1,362	0	78	77	360	1,304	
China Property	339	833	918	522	85%		494	-85	-5	-38	-30	396	
China LG SOE	334	616	899	445	50%		282	-283	1	-8	-5	267	
Indon Corp	296	643	669	486	93%		347	-26	4	-17	18	319	
India Corp	269	610	631	372	94%		341	-21	3	-12	72	323	
Philip Corp	125	233	233	173	100%		108	0	1	0	14	83	

1 stdev range | 1Y average ● current

Source: IBoxx, Morgan Stanley Research

Asia Credit Excess and Total Returns

Exhibit 4: Asia credit excess and total returns (part 1)

Broad Credit Sectors				
	Excess Return (Nov)	Total Return (Nov)	Excess Return (YTD)	Total Return (YTD)
Asia Credit Universe	0.28%	0.50%	-1.31%	-0.77%
Sovereigns	0.45%	0.67%	-3.28%	-3.24%
Financials	0.21%	0.43%	0.74%	1.55%
Asia IG Non-Financials	0.27%	0.49%	-0.87%	-0.47%
Asia HY Non- Financials	0.37%	0.59%	-4.86%	-4.13%
Sovereign Sectors				
	Excess Return (Nov)	Total Return (Nov)	Excess Return (YTD)	Total Return (YTD)
Philippines Sovereign	1.40%	1.61%	-2.88%	-3.16%
Indonesia Sovereign	0.95%	1.17%	-2.84%	-2.91%
Frontier Sovereigns	-1.67%	-1.45%	-6.08%	-5.55%
Financials Sectors				
	Excess Return (Nov)	Total Return (Nov)	Excess Return (YTD)	Total Return (YTD)
Senior Financials	0.15%	0.37%	0.13%	0.87%
Banks	0.23%	0.45%	0.34%	1.14%
Non Banks	0.02%	0.24%	-0.12%	0.51%
SBLC	0.18%	0.40%	0.70%	1.88%
Bank Cap	0.41%	0.63%	2.31%	3.24%
B3T2	0.35%	0.57%	0.96%	1.55%
AT1	0.37%	0.59%	2.61%	3.65%
Asia IG Non-Financials Sectors				
	Excess Return (Nov)	Total Return (Nov)	Excess Return (YTD)	Total Return (YTD)
China SOE	0.30%	0.52%	-0.24%	0.20%
China Central SOE	0.35%	0.57%	-0.15%	0.21%
LG SOE	0.27%	0.49%	-0.98%	-0.17%
Indonesia SOE	0.66%	0.88%	-5.01%	-5.10%
India Corporates	0.49%	0.71%	-3.30%	-3.08%
Hong Kong Corp	0.18%	0.40%	-0.71%	-0.29%
China Property	0.36%	0.58%	-1.29%	-0.64%
China Private Sector	-0.13%	0.09%	-2.55%	-2.12%

Source: Bloomberg, Morgan Stanley Research

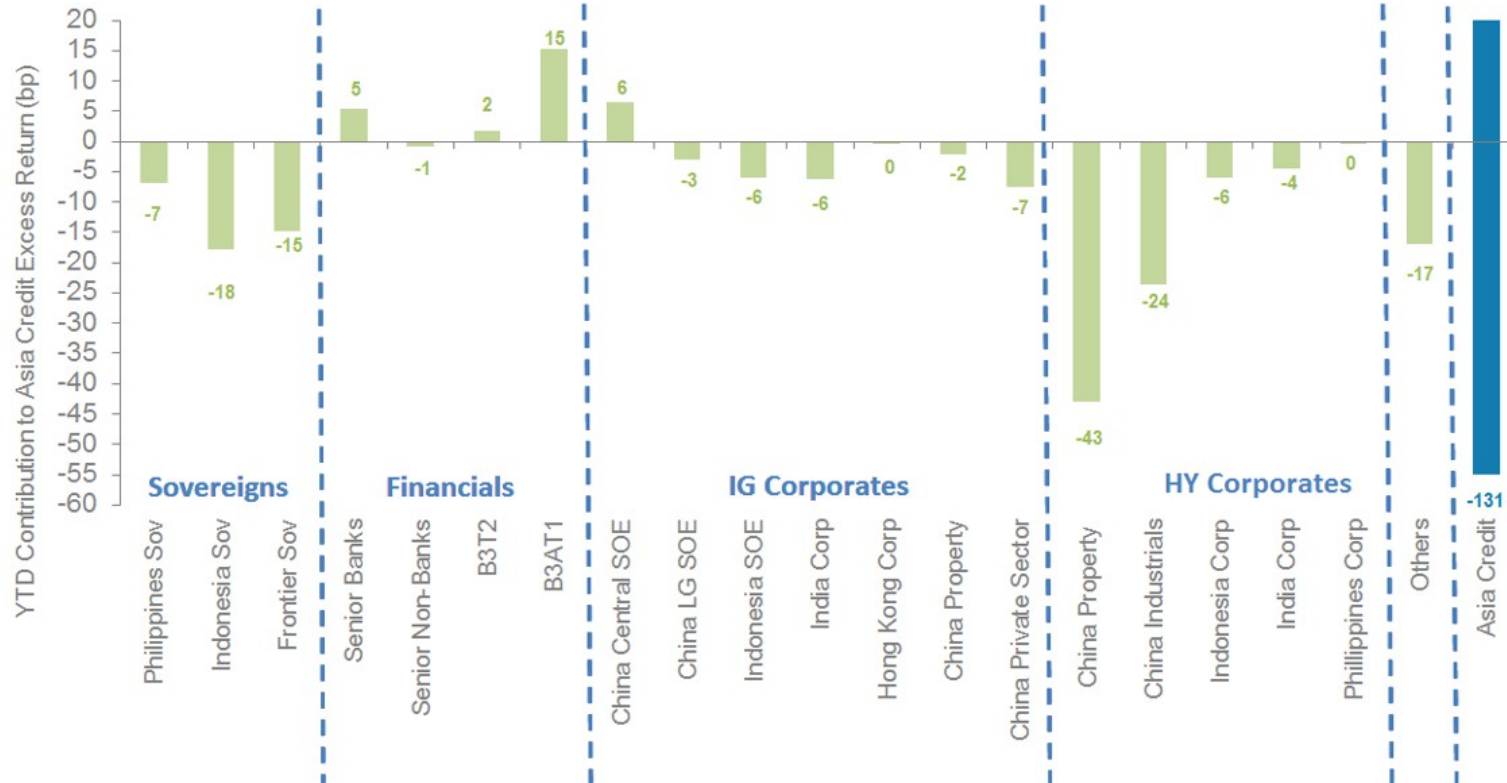
Exhibit 5: Asia credit excess and total returns (part 2)

Asia HY Non-Financials Sectors				
	Excess Return (Nov)	Total Return (Nov)	Excess Return (YTD)	Total Return (YTD)
China Property	1.61%	1.83%	-6.26%	-5.64%
China Industrials	-1.84%	-1.62%	-8.47%	-7.50%
Indonesia Corporates	0.21%	0.43%	-4.96%	-4.40%
India Corporates	-0.77%	-0.56%	-2.51%	-1.95%
Philippines Corporates	-0.01%	0.21%	-1.56%	-0.90%
Maturity Buckets				
	Excess Return (Nov)	Total Return (Nov)	Excess Return (YTD)	Total Return (YTD)
0-3y	0.05%	0.27%	0.16%	1.32%
3-5y	0.32%	0.54%	-1.06%	-0.54%
5-10y	0.46%	0.68%	-3.07%	-2.90%
10+	1.00%	1.22%	-3.63%	-4.45%
Maturity Buckets				
	Excess Return (Nov)	Total Return (Nov)	Excess Return (YTD)	Total Return (YTD)
AAA	0.34%	0.56%	-0.96%	-0.05%
AA	0.34%	0.56%	0.36%	0.94%
A	0.25%	0.47%	-0.25%	0.29%
BBB	0.41%	0.62%	-1.66%	-1.29%
BB	0.11%	0.33%	-1.29%	-0.38%
B	0.31%	0.53%	-4.71%	-4.03%
CCC	0.08%	0.30%	-2.12%	-1.19%
NR	0.06%	0.28%	-1.56%	-0.99%

Source: Bloomberg, Morgan Stanley Research

Excess Returns Contribution of Asia Credit (As of November 2018)

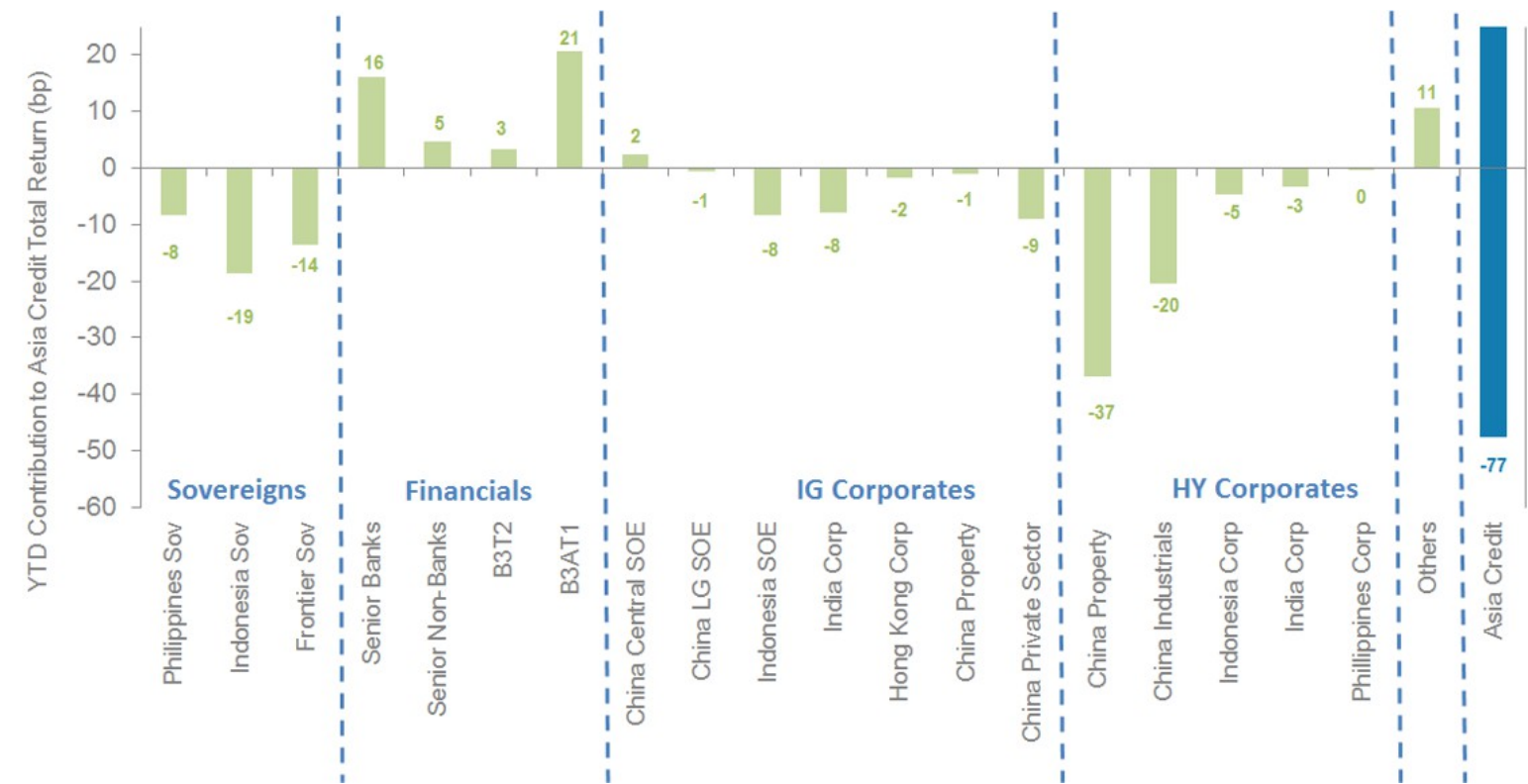
Exhibit 6: Excess returns contribution of Asia credit (As of November 2018)



Source: Bloomberg, Morgan Stanley Research

Total Returns Contribution of Asia Credit (As of November 2018)

Exhibit 7: Total returns contribution of Asia credit (As of November 2018)



Source: Bloomberg, Morgan Stanley Research

Global Markets Overview

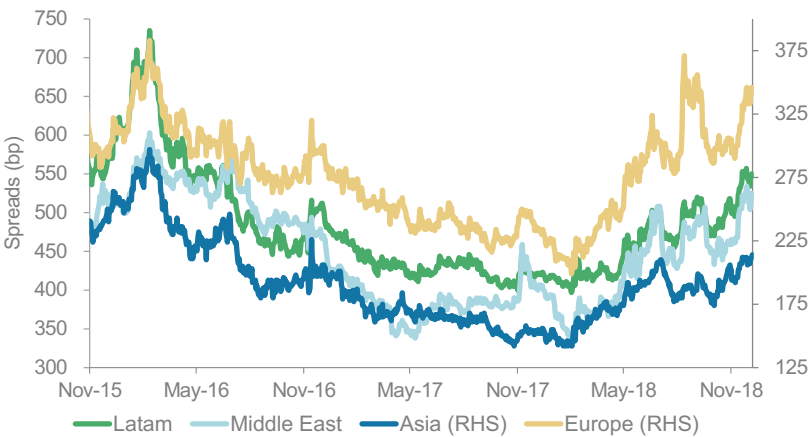
Global Credit Spreads

Exhibit 8: Asia spreads versus developed markets



Source: iBoxx, Yieldbook, Morgan Stanley Research

Exhibit 9: Asia sovereign versus EM sovereigns



Source: Datastream, Morgan Stanley Research

Exhibit 10: Global IG cash spreads



Source: iBoxx, Yieldbook, Morgan Stanley Research

Exhibit 11: Global HY cash spreads



Source: iBoxx, Yieldbook, Morgan Stanley Research

Global Credit Yields

Exhibit 12: Asia YTM versus developed markets



Source: iBoxx, Morgan Stanley Research

Exhibit 13: Asia sovereign versus EM sovereigns



Source: Datastream, Morgan Stanley Research

Exhibit 14: Global IG cash YTM



Source: iBoxx, YieldBook, Morgan Stanley Research

Exhibit 15: Global HY cash YTM

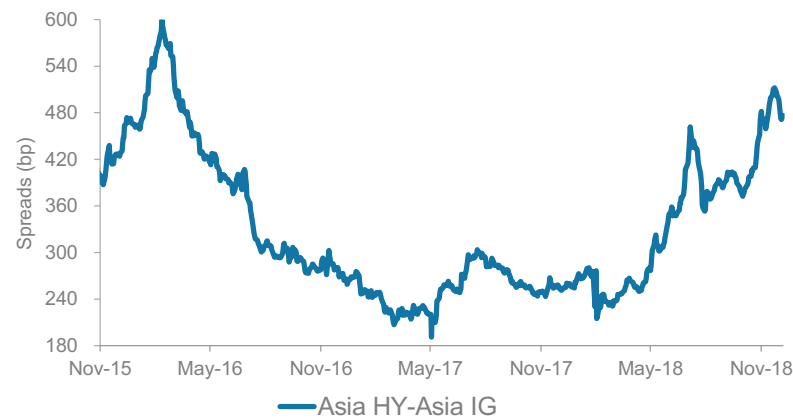


Source: iBoxx, YieldBook, Morgan Stanley Research

Asia Credit Relative Sector Performance

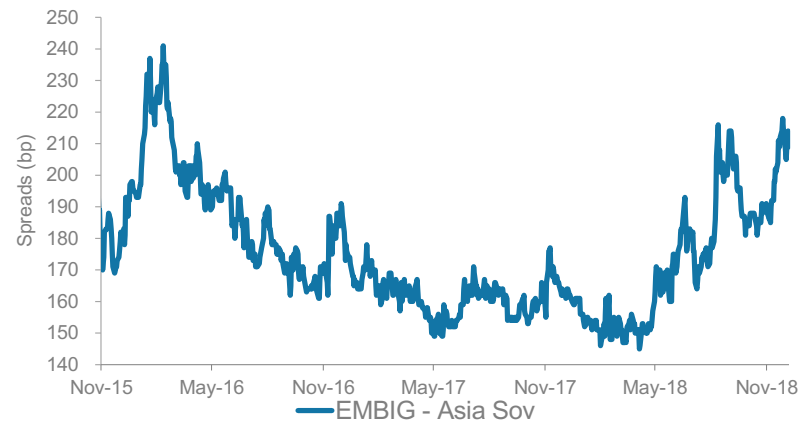
Broad Sector Relative Value Performance

Exhibit 16: Asia HY vs. Asia IG



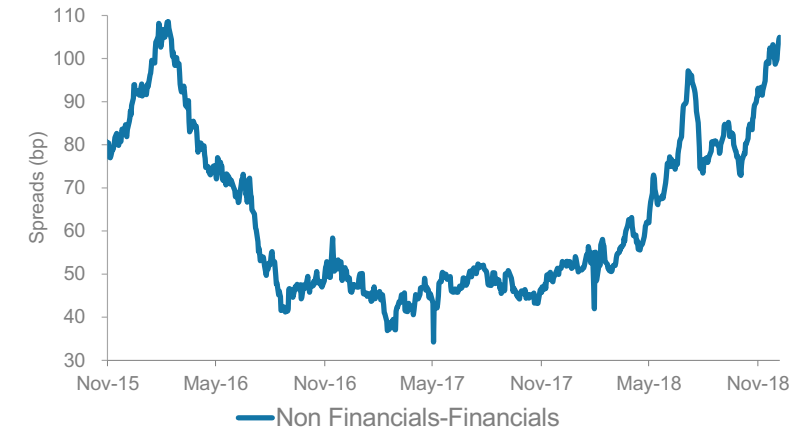
Source: IBoxx, Morgan Stanley Research

Exhibit 17: EMBIG vs. Asia sovereign



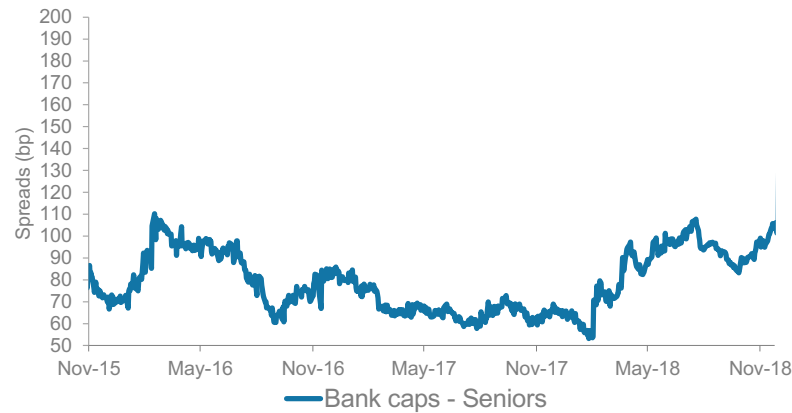
Source: Datastream, Morgan Stanley Research

Exhibit 18: Asia non-financials vs. Asia financials



Source: IBoxx, Morgan Stanley Research

Exhibit 19: Asia bank cap vs. Asia seniors



Source: IBoxx, Morgan Stanley Research

Non-Financials Sector Relative Value Performance

Exhibit 20: Asia corporates credit quality curve



Source: IBoxx, Morgan Stanley Research

Exhibit 21: IG sector relative spread performance



Source: Bloomberg, Morgan Stanley Research

Exhibit 22: HY sector relative spread performance



Source: Bloomberg, Morgan Stanley Research

Exhibit 23: China sector relative spread performance



Source: Bloomberg, Morgan Stanley Research

Financials Sector Relative Value Performance

Exhibit 24: Asia financials credit quality curve

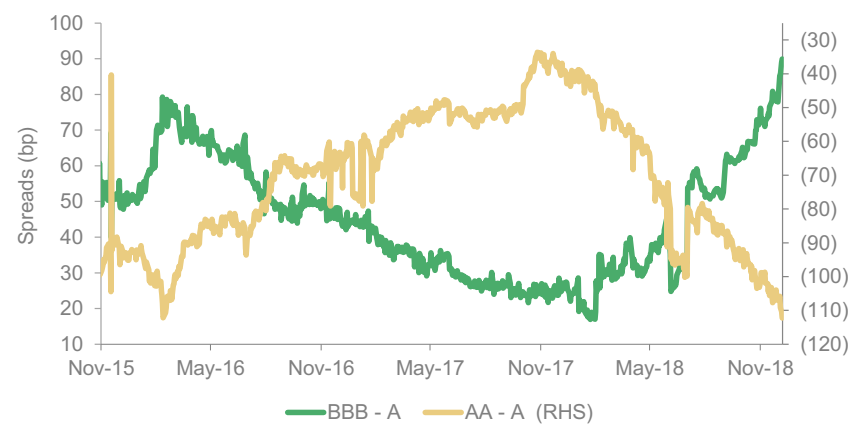


Exhibit 25: Asia senior financials vs. US vs. EUR

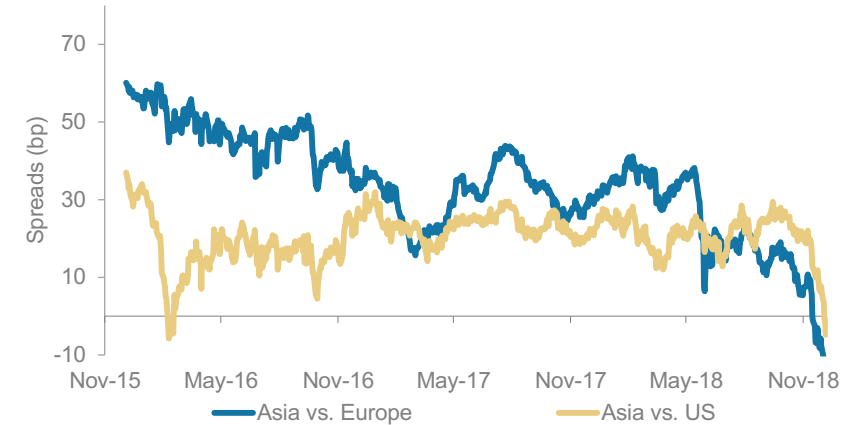
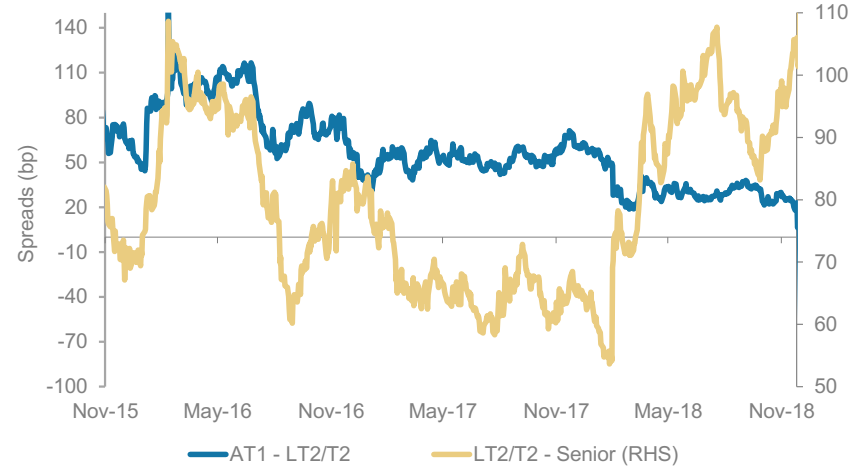


Exhibit 26: Asia Senior Relative Value



Exhibit 27: Asia AT1 versus LT2/T2 and LT2/T2 versus Senior



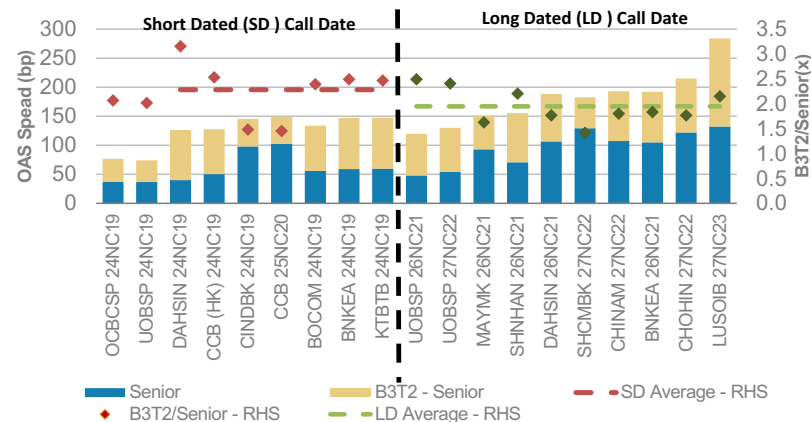
Financial Relative Value

Exhibit 28: Non-bank Chinese financials pick-up over Chinese banks senior



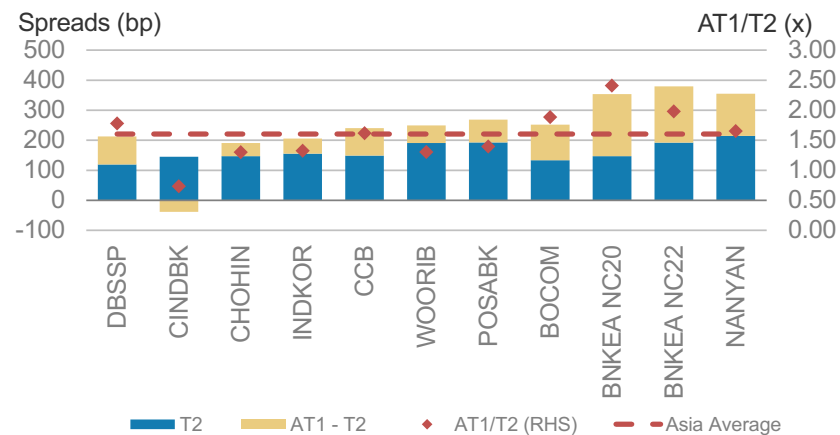
Source: Bloomberg, Morgan Stanley Research

Exhibit 29: Callable Asia T2 versus Senior



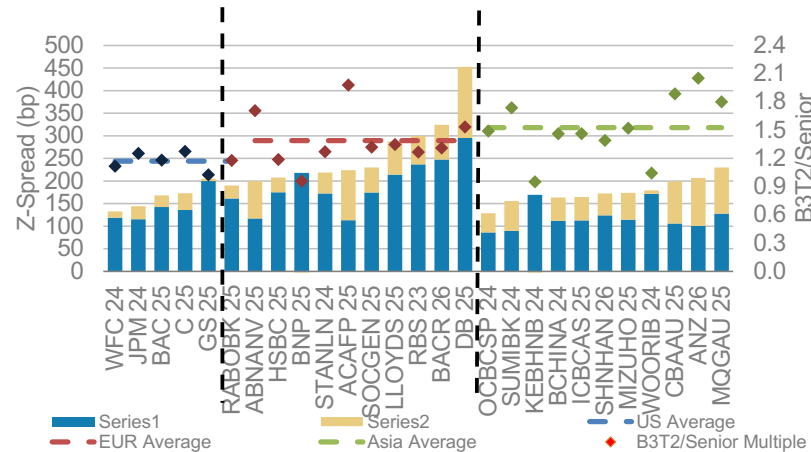
Source: Bloomberg, Morgan Stanley Research

Exhibit 30: Global AT1 pick-up over T2



Source: Bloomberg, Morgan Stanley Research

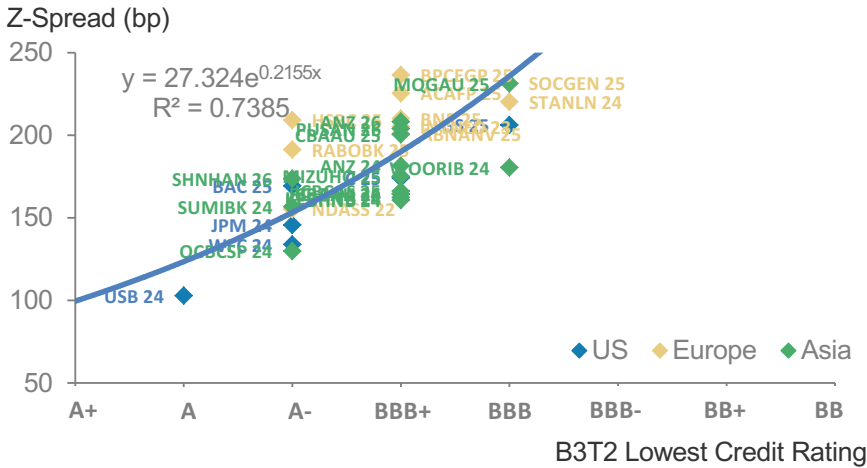
Exhibit 31: Global bullet T2 pick-up over senior



Source: Bloomberg, Morgan Stanley Research

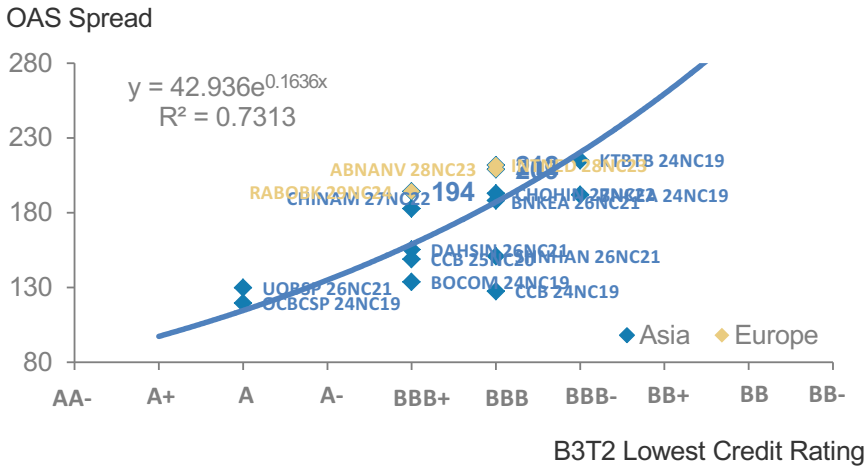
Financial Relative Value (II)

Exhibit 32: Bullet T2 Global RV



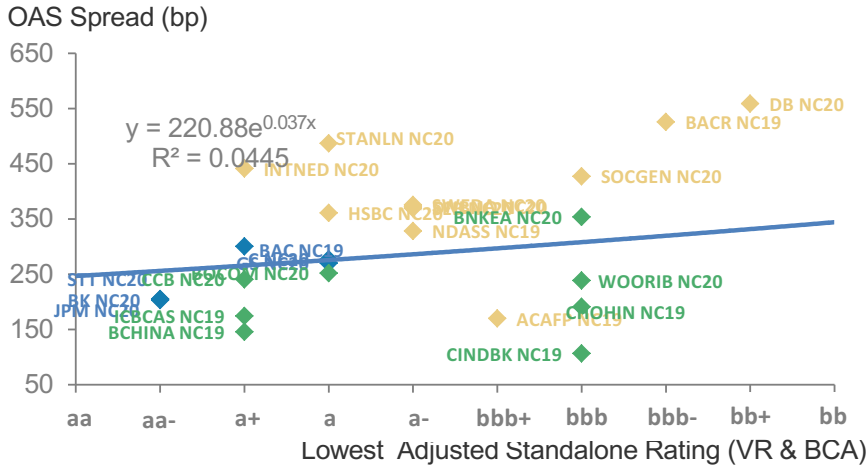
Source: Bloomberg, Morgan Stanley Research

Exhibit 33: Callable T2 Global RV



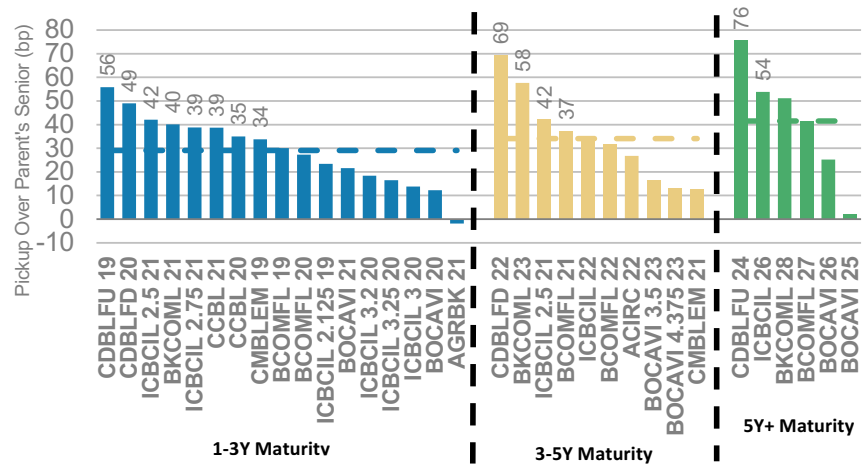
Source: Bloomberg, Morgan Stanley Research

Exhibit 34: Global AT1 Spread versus Adjusted Standalone Rating



Source: Bloomberg, Morgan Stanley Research

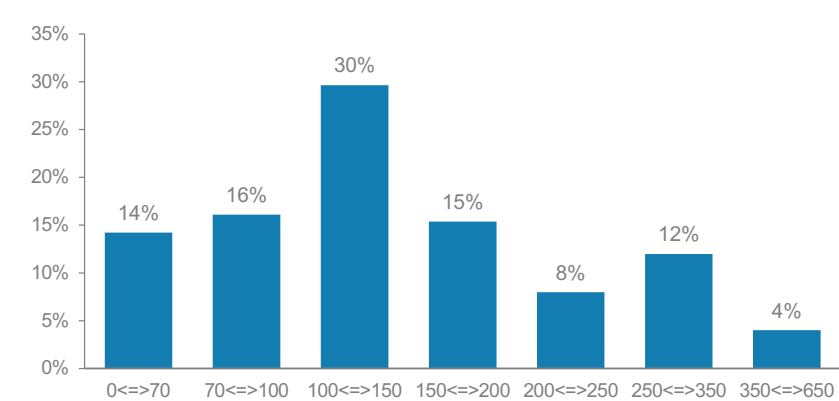
Exhibit 35: China leasing pick-up over senior



Source: Bloomberg, Morgan Stanley Research

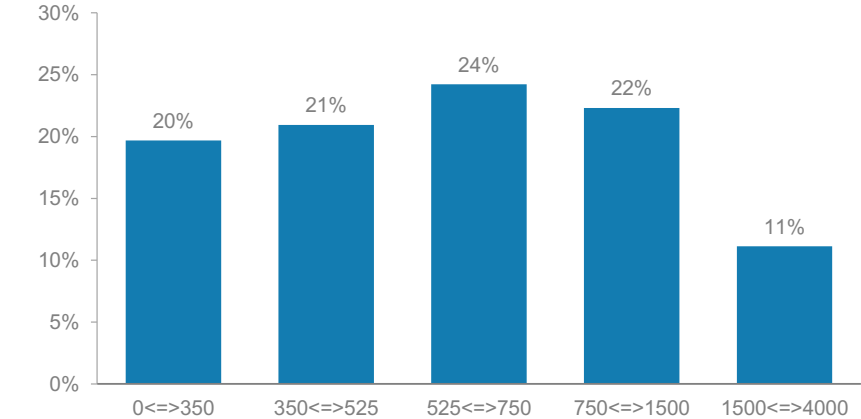
Asia Credit Spread, Yield and Price Distribution

Exhibit 36: Asia IG spread distribution



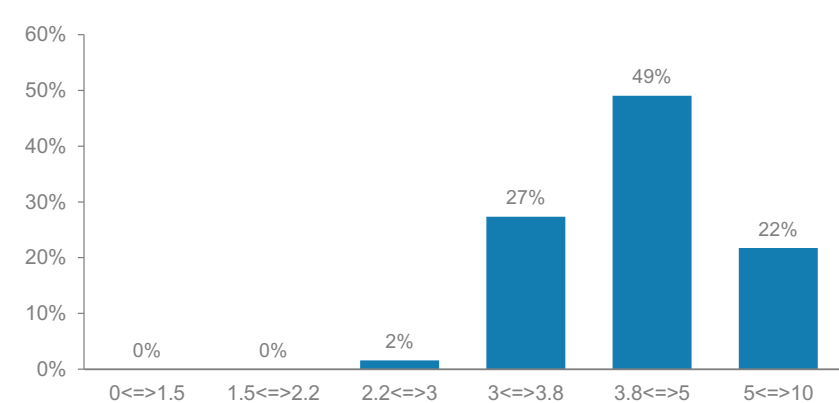
Source: Bloomberg, Morgan Stanley Research

Exhibit 37: Asia HY spread distribution



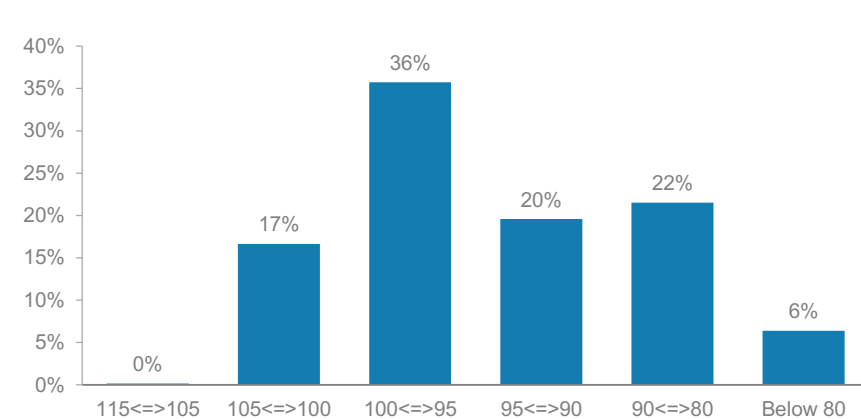
Source: Bloomberg, Morgan Stanley Research

Exhibit 38: Asia IG yield distribution



Source: Bloomberg, Morgan Stanley Research

Exhibit 39: Asia HY price distribution



Source: Bloomberg, Morgan Stanley Research

Global Macro Indicators

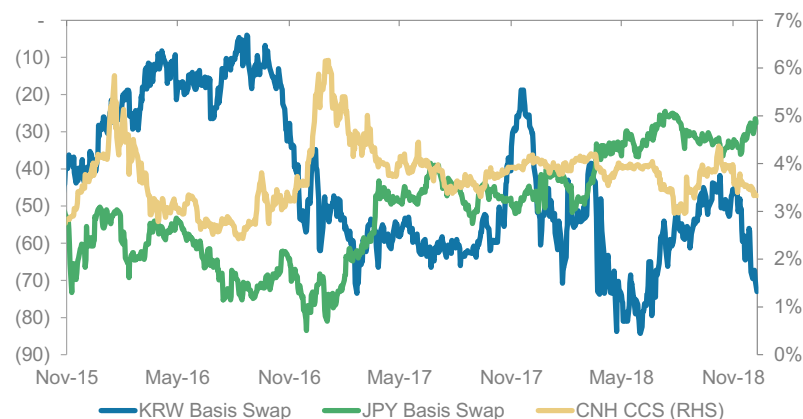
Global Liquidity Indicators

Exhibit 40: UST Libor-OIS spread



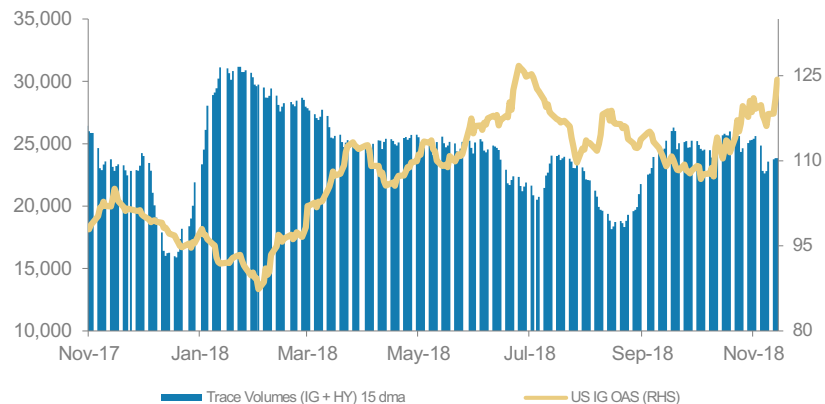
Source: Bloomberg, Morgan Stanley Research

Exhibit 41: Cross-currency swap



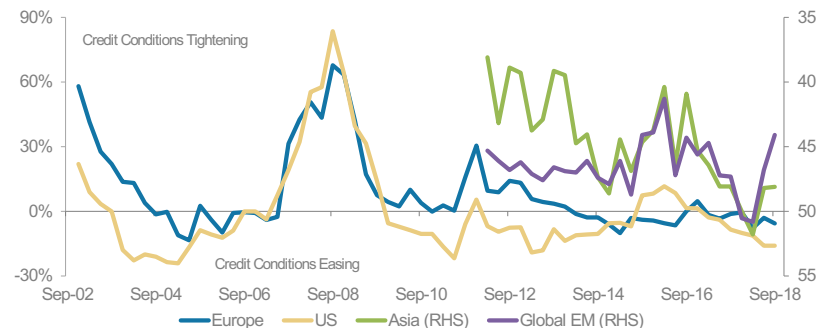
Source: Bloomberg, Morgan Stanley Research

Exhibit 42: Trading volumes (IG + HY) versus US IG OAS



Source: Bloomberg, Yieldbook Morgan Stanley Research

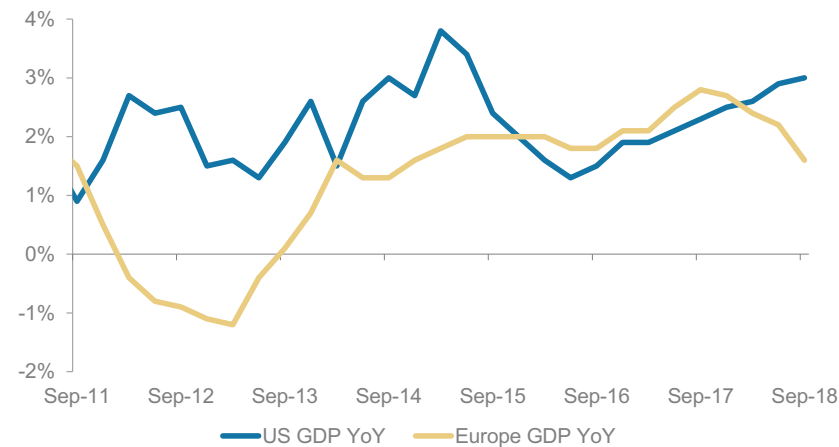
Exhibit 43: Global credit conditions



Eurozone Credit Conditions: Number of banks reporting tighter conditions – number of banks reporting easier conditions. US: Net Percentage of Domestic Respondents Tightening Standards for C&I Loans Asia & EM: A score above 50 shows easing conditions and below 50 reflects tightening conditions. A score of 50 reflects unchanged conditions. Source: Bloomberg, Fed, ECB, IIF, Morgan Stanley Research

Global Economic Indicators

Exhibit 44: Historical GDP growth for DM



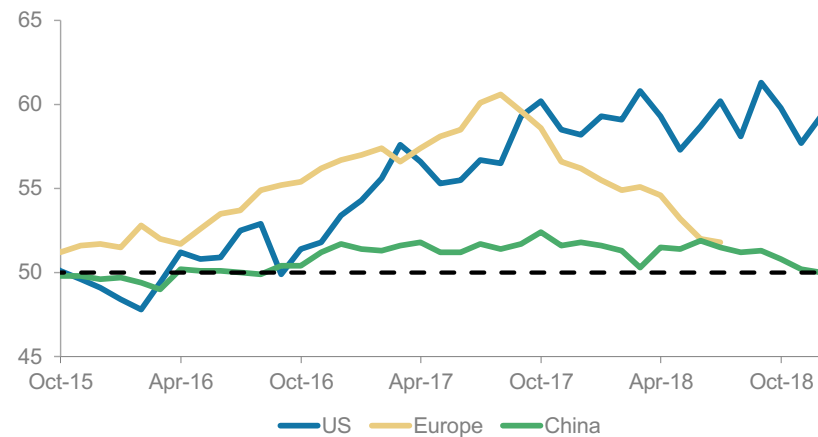
Source: Bloomberg, Morgan Stanley Research forecasts

Exhibit 45: US & Europe Economic Surprise Indices



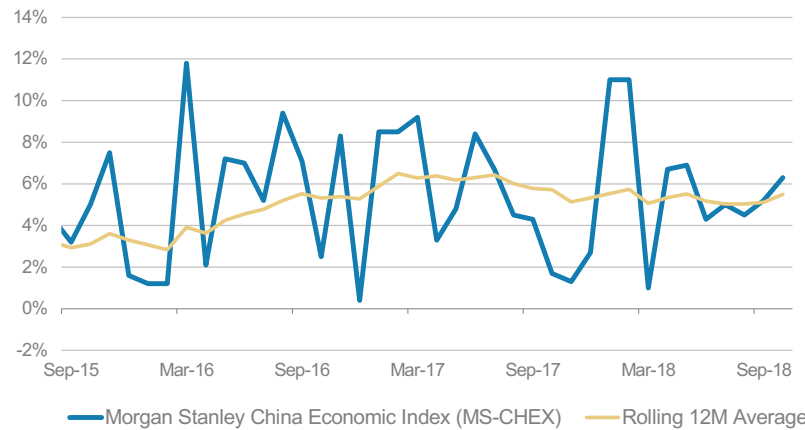
Source: Bloomberg, Morgan Stanley Research

Exhibit 46: Global PMI surveys



Source: Bloomberg, Morgan Stanley Research

Exhibit 47: Measure of China's growth



Source: Bloomberg, Morgan Stanley Research

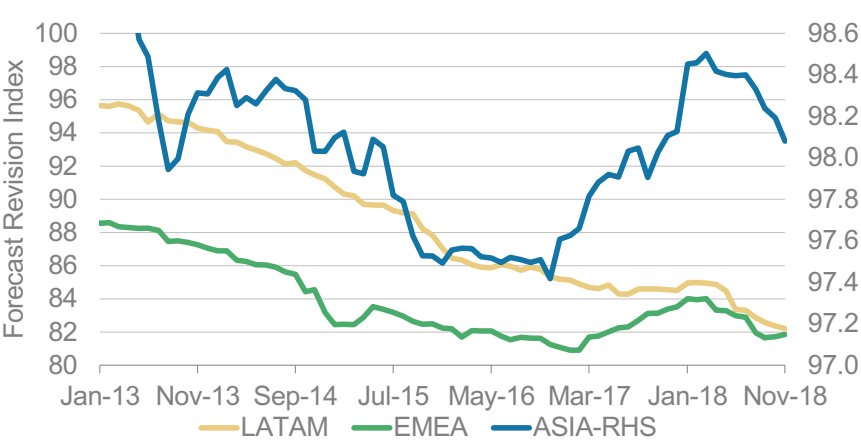
Asia Economic Indicators

Exhibit 48: Global GDP forecast revision index



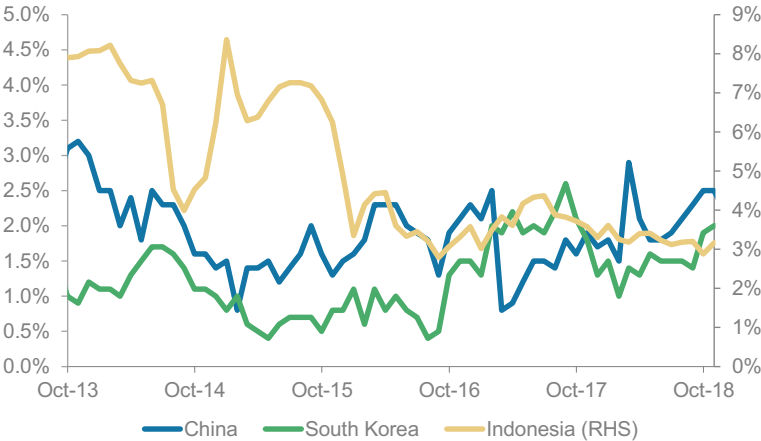
Source: Bloomberg, Morgan Stanley Research

Exhibit 49: Asia versus EM GDP forecast revision index



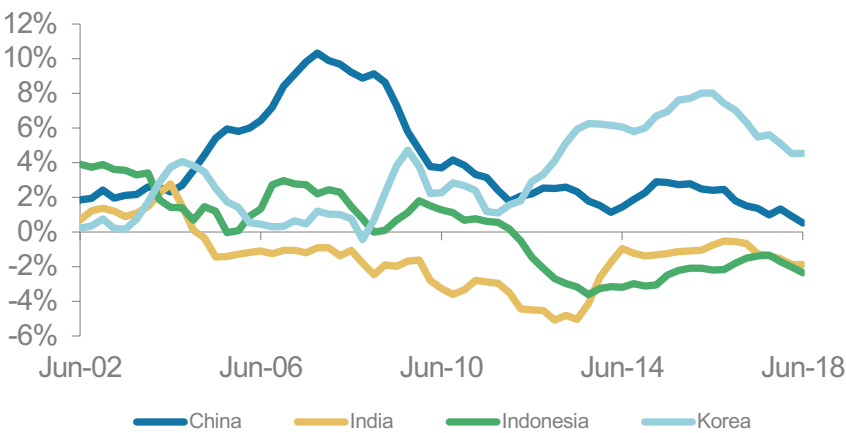
Source: Bloomberg, Morgan Stanley Research

Exhibit 50: Asia inflation (CPI % change YoY)



Source: Bloomberg, Morgan Stanley Research

Exhibit 51: AxJ current account balance (% of GDP)



Source: Bloomberg, Morgan Stanley Research

Technicals Indicators

Global Sentiment Indicator

Exhibit 52: VIX and FX VIX

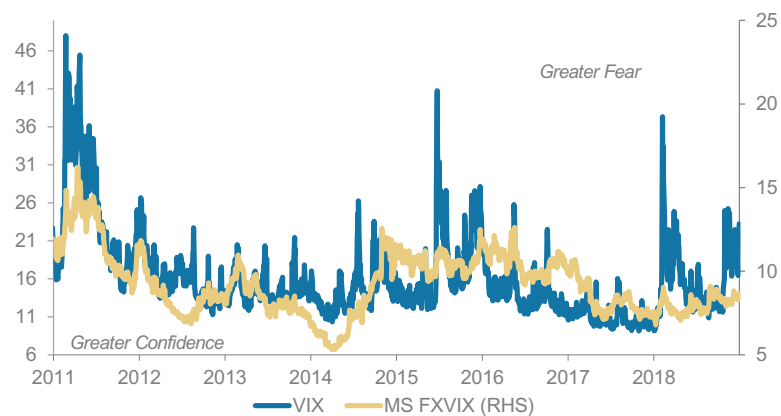


Exhibit 53: US equity put/call ratio

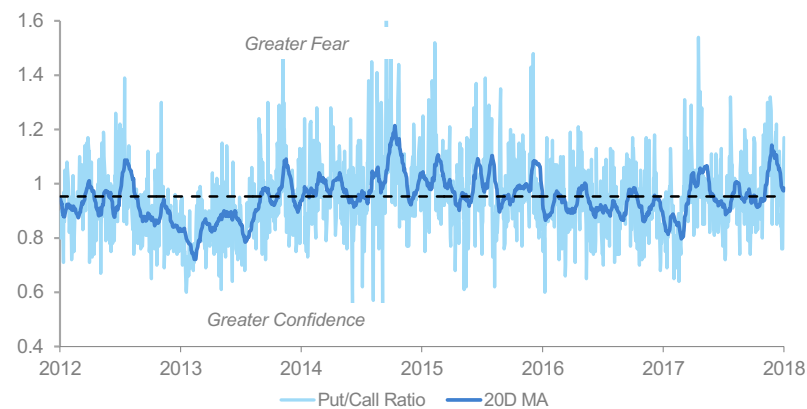


Exhibit 54: Retail investors sentiment (AAII Bulls - Bear)

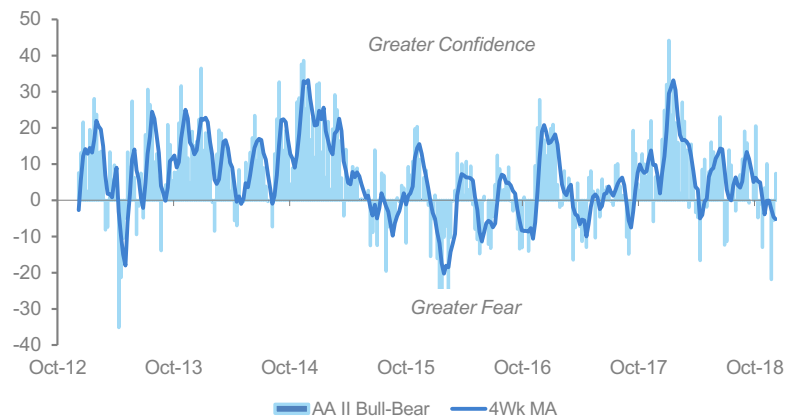
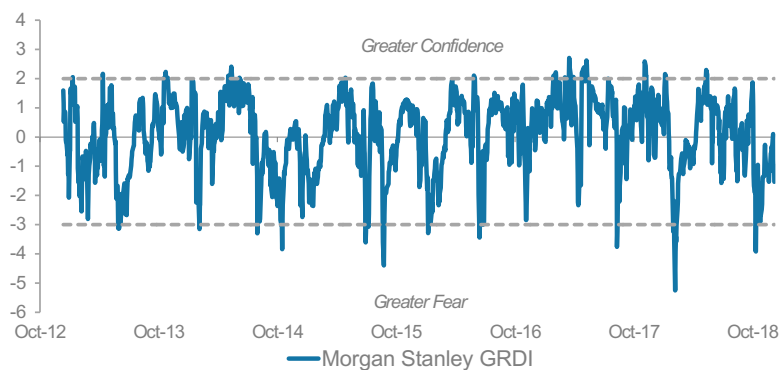
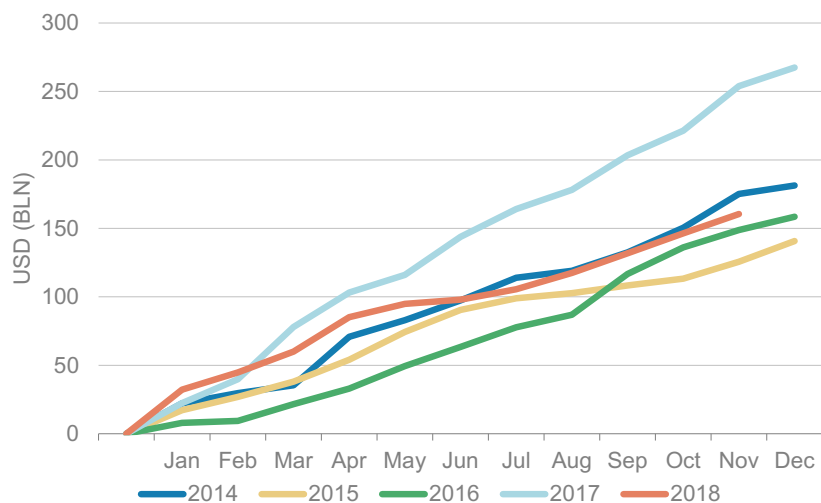


Exhibit 55: Morgan Stanley Global Risk Demand Index



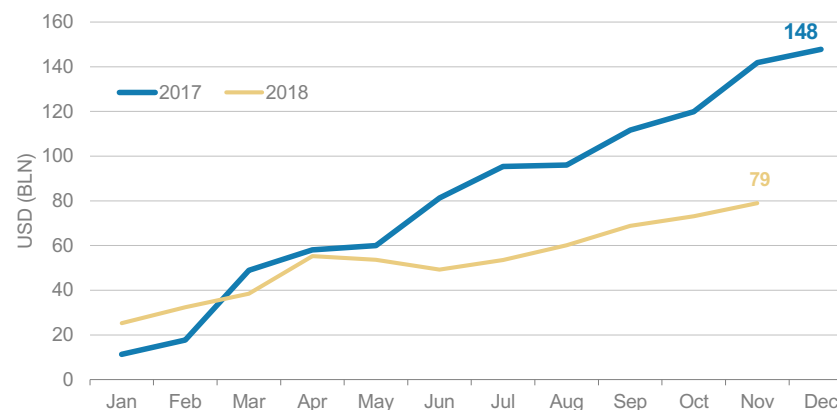
Asia Credit Supply Technicals

Exhibit 56: Asia credit MTD gross supply



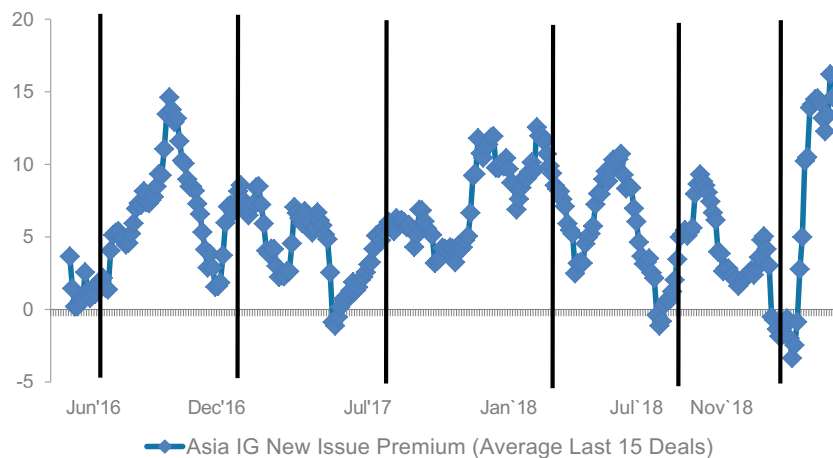
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 57: Asia credit MTD net supply



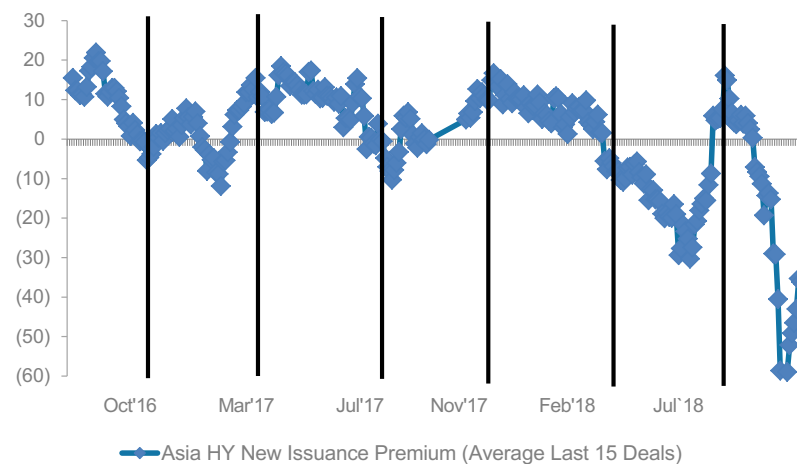
Source: Bloomberg, Morgan Stanley Research

Exhibit 58: Asia IG non-financials new issues premium



Note: New Issue Premium = End of day spread on first day of issuance - issuance spread + change in Asia IG spread Source: Bloomberg, iBoxx, Morgan Stanley Research

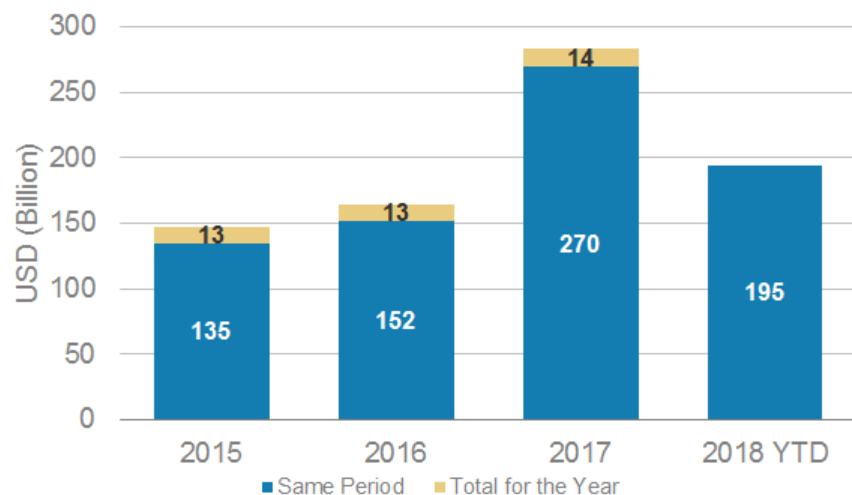
Exhibit 59: Asia HY non-financials new issues premium



Note: New Issue Premium = End of day spread on first day of issuance - issuance spread + change in Asia HY spread Source: Bloomberg, iBoxx Morgan Stanley Research

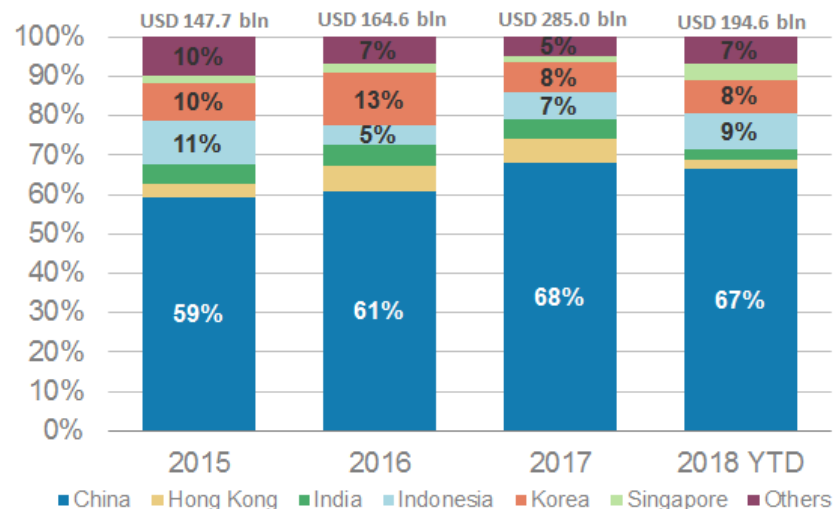
Asia Credit Supply Breakdown

Exhibit 60: Asia credit YTD gross supply comparison



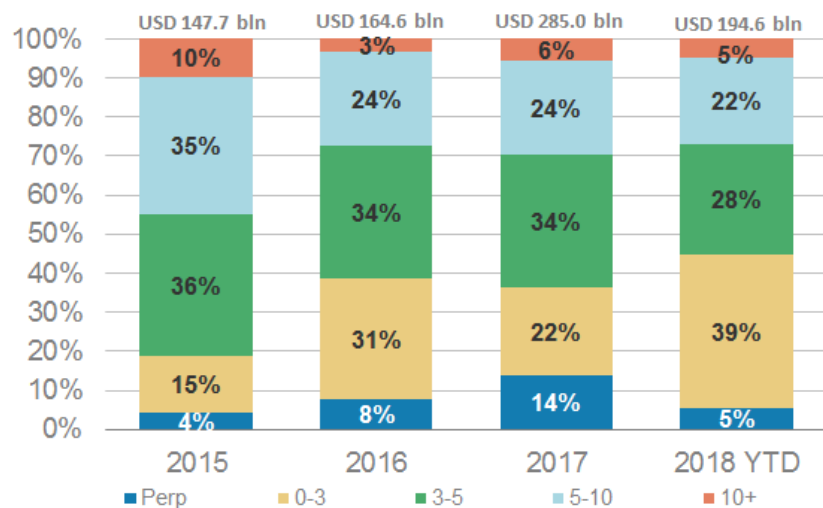
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 61: Asia credit supply breakdown by countries



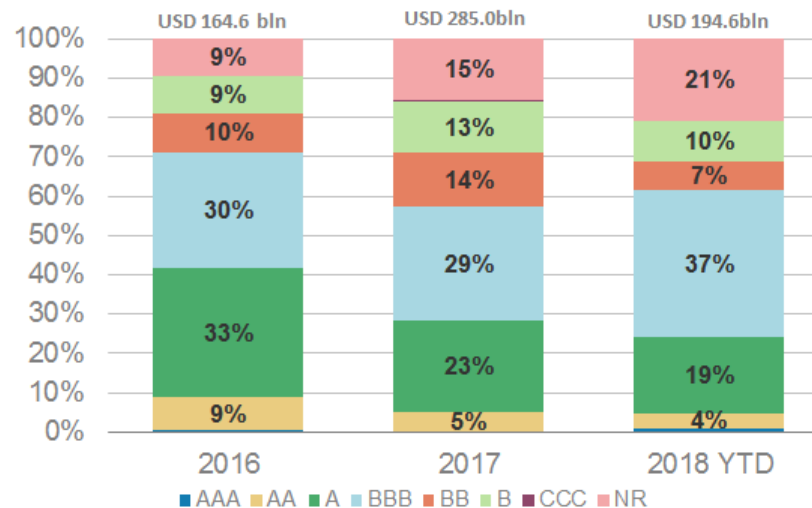
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 62: Asia credit supply breakdown by maturities

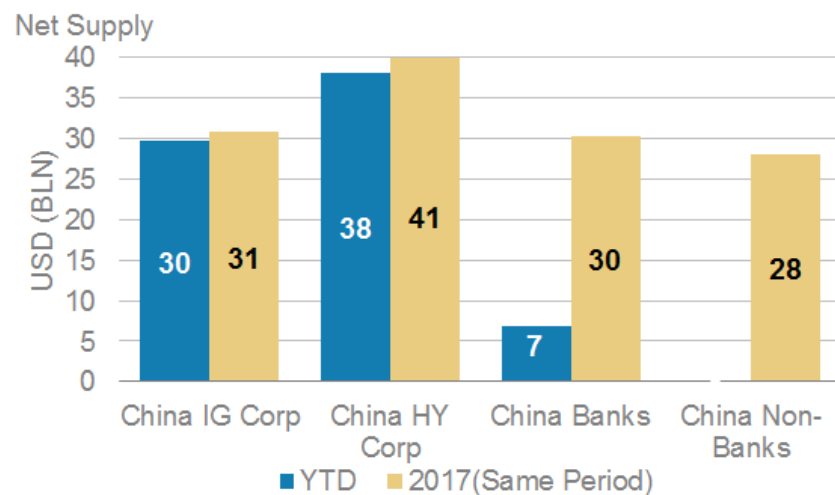


Source: EMDB, Bloomberg, Morgan Stanley Research

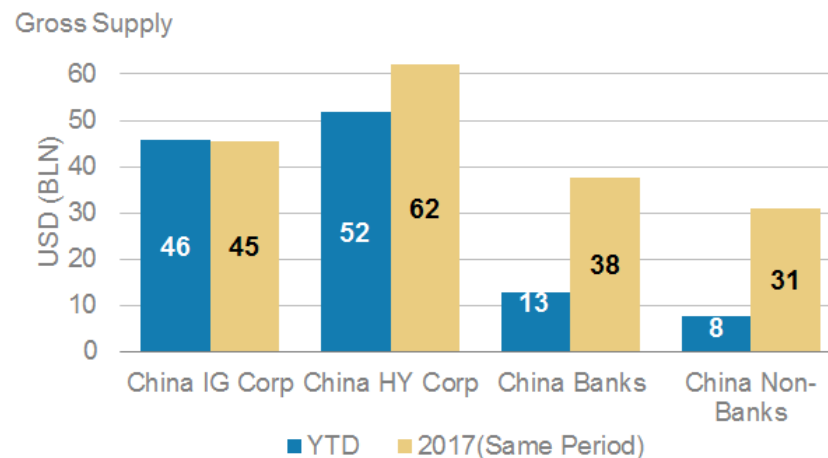
Exhibit 63: Asia credit supply breakdown by ratings



Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 64: Breakdown of China Net Supply


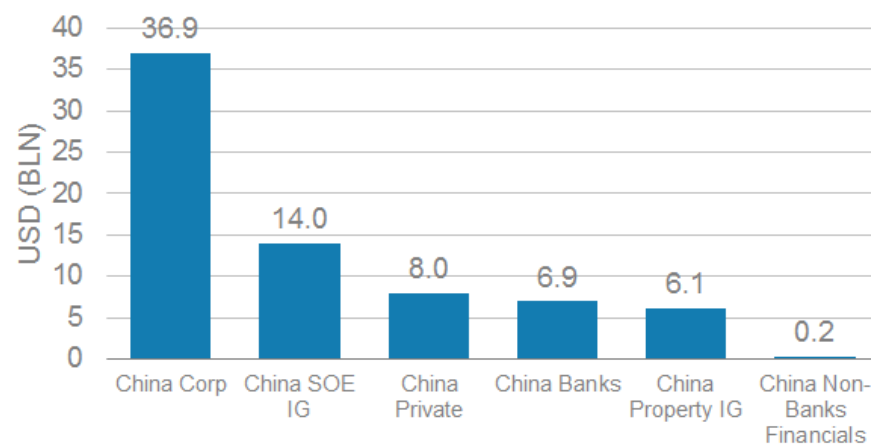
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 65: Breakdown of China Gross Supply


Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 66: China IG net supply by sectors

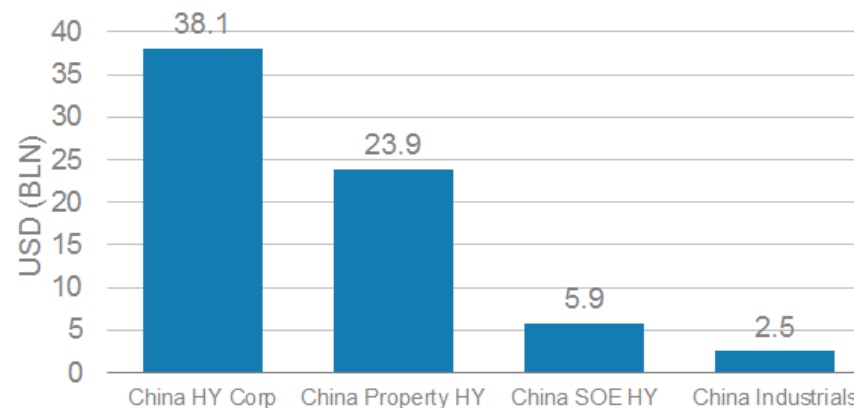
Net Supply in 2018



Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 67: China HY net supply by sectors

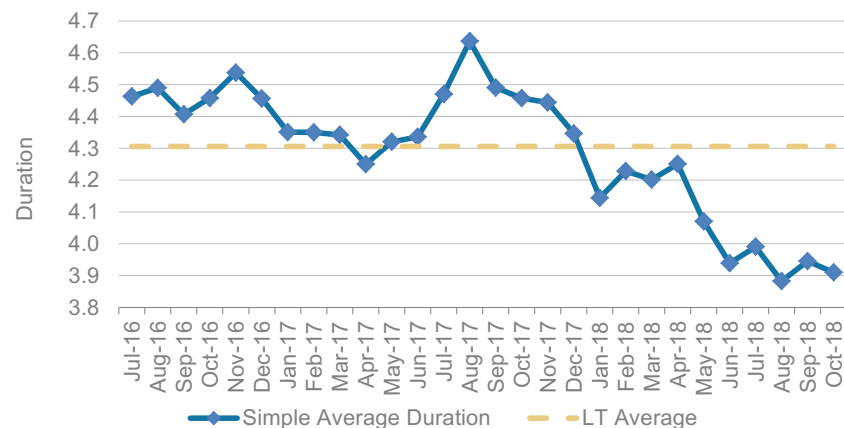
Net Supply in 2018



Source: EMDB, Bloomberg, Morgan Stanley Research

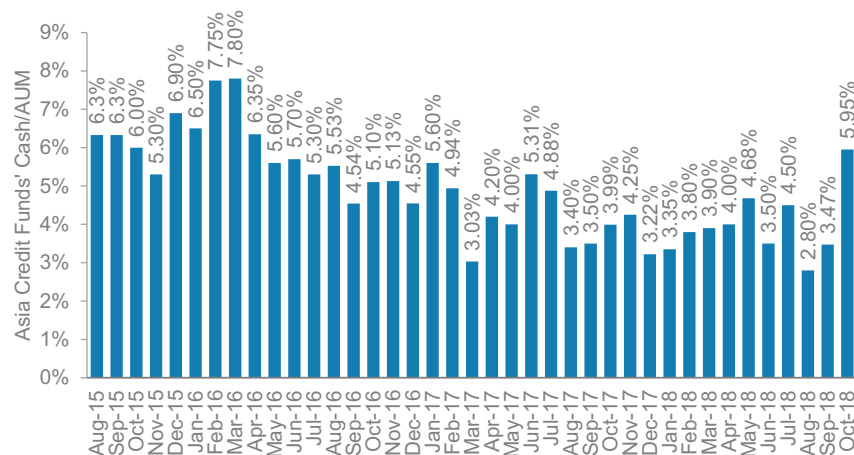
Asia Credit Demand

Exhibit 68: Duration of Asia credit funds



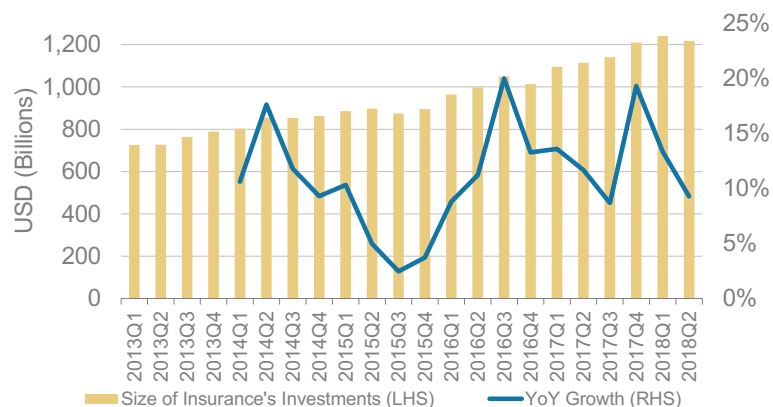
Note: 19 out of 21 funds had reported for October'18
Source: Funds fact sheets, Morgan Stanley Research

Exhibit 69: Cash/AUM of Asia credit funds



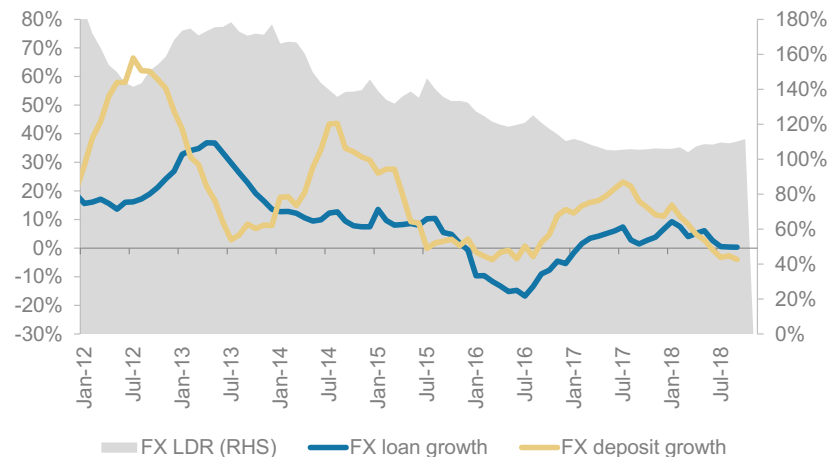
Note: 34 out of 35 funds had reported for October'18
Source: Funds fact sheets, Morgan Stanley Research

Exhibit 70: Asia insurance investment demand



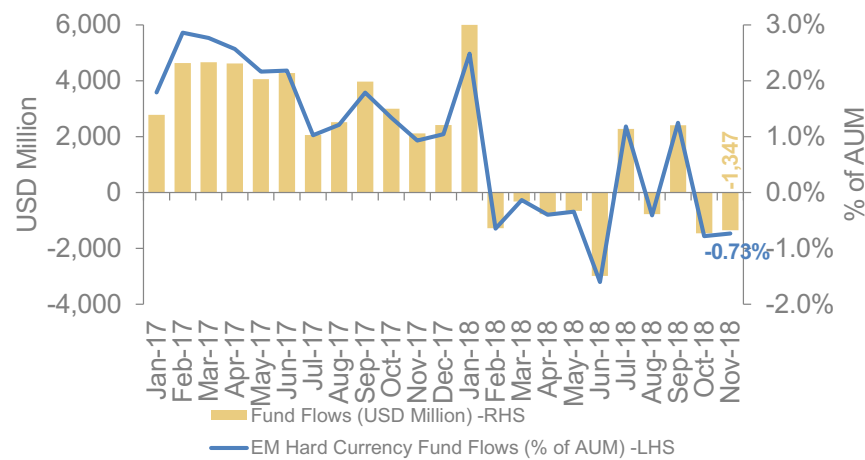
Source: SNL, Morgan Stanley Research

Exhibit 71: Onshore demand for Asia credit



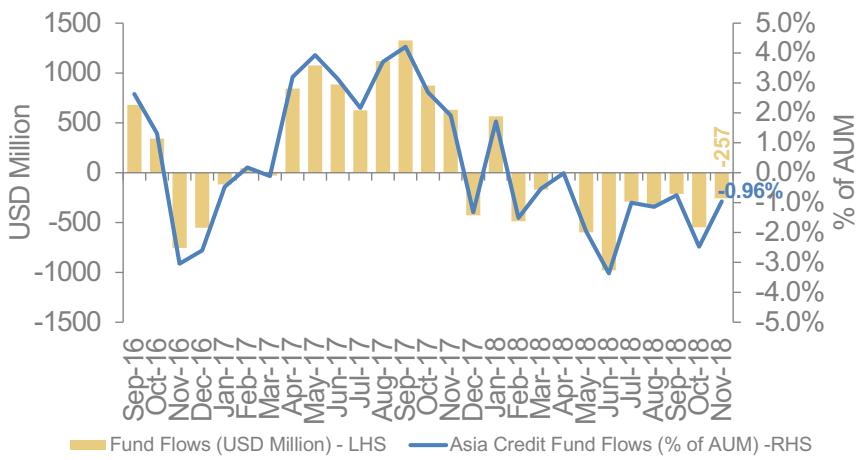
Source: CEIC, Morgan Stanley Research

Exhibit 72: Monthly EM hard currency funds' flow



Source: EPFR, Morgan Stanley Research

Exhibit 73: Monthly Asia credit funds' flow



Source: Bloomberg, Morgan Stanley Research

Asia New Issue Monitor – Outperformers

Exhibit 74: Asia IG new issuance outperformers in the past three months

Security Des	Ticker	Cpn	Maturity	Amt issued(mn)	Rating	Issue Spread	Current Spread	Change in Spread
IDASAL 6.53 11/15/28	IDASAL	6.530	15-Nov-28	1000	BBB-	364	320	-43
IDASAL 5.23 11/15/21	IDASAL	5.230	15-Nov-21	1000	BBB-	247	205	-42
IDASAL 6.757 11/15/48	IDASAL	6.757	15-Nov-48	750	BBB-	393	359	-34
IDASAL 5.71 11/15/23	IDASAL	5.710	15-Nov-23	1250	BBB-	292	277	-15
RECLIN 5 1/4 11/13/23	RECLIN	5.250	13-Nov-23	700	BBB-	240	235	-5
CHGDNU 4.8 09/11/48	CHGDNU	4.800	11-Sep-48	100	A-	173	171	-3
HIGHWY 3 5/8 10/22/21	HIGHWY	3.625	22-Oct-21	300	AA	80	78	-2

Source: Bloomberg, Morgan Stanley Research

Exhibit 75: Asia HY new issuance outperformers in the past three months

Security Des	Ticker	Cpn	Maturity	Amt issued(mn)	Rating	Issue Price	Current Price	Change in Price
TPHL 10.95 11/27/20	TPHL	10.950	27-Nov-20	300	BB-	100	104	3.97
AGILE 9 1/2 11/23/20	AGILE	9.500	23-Nov-20	400	BB-	100	104	3.51
ZHPRHK 12 1/2 01/02/21	ZHPRHK	12.500	2-Jan-21	350	B-	98	99	1.69
TIANHL 13 11/06/22	TIANHL	13.000	6-Nov-22	645	B	100	102	1.53
TIANHL 13 3/4 11/06/23	TIANHL	13.750	6-Nov-23	590	B	100	101	1.28
GRNLGR 9 1/8 05/27/20	GRNLGR	9.125	27-May-20	280	BB	100	101	1.10
REDSUN 13 1/2 12/03/20	REDSUN	13.500	3-Dec-20	180	B	100	101	0.78

Source: Bloomberg, Morgan Stanley Research

Asia New Issue Monitor – Underperformers

Exhibit 76: Asia IG new issuance underperformers in the past three months

Security Des	Ticker	Cpn	Maturity	Amt issued(mn)	Rating	Issue Spread	Current Spread	Change in Spread
PERTIJ 6 1/2 11/07/48	PERTIJ	6.500	7-Nov-48	750	BBB-	179	315	135
WFURCD 6 1/2 10/23/21	WFURCD	6.500	23-Oct-21	250	BBB-	355	471	115
YUNAEN 6 1/4 11/29/21	YUNAEN	6.250	29-Nov-21	200	BBB	334	424	90
BAORON 6 1/4 12/04/21	BAORON	6.250	4-Dec-21	230	BBB+	334	414	80
CDHIIN 6.28 11/14/21	CDHIIN	6.280	14-Nov-21	300	BBB-	324	398	74
CCUDIH 5.7 11/08/21	CCUDIH	5.700	8-Nov-21	400	BBB+	278	351	74
GEELSW 4 7/8 11/15/21	GEELSW	4.875	15-Nov-21	250	NR	185	255	70

Source: Bloomberg, Morgan Stanley Research

Exhibit 77: Asia HY new issuance underperformers in the past three months

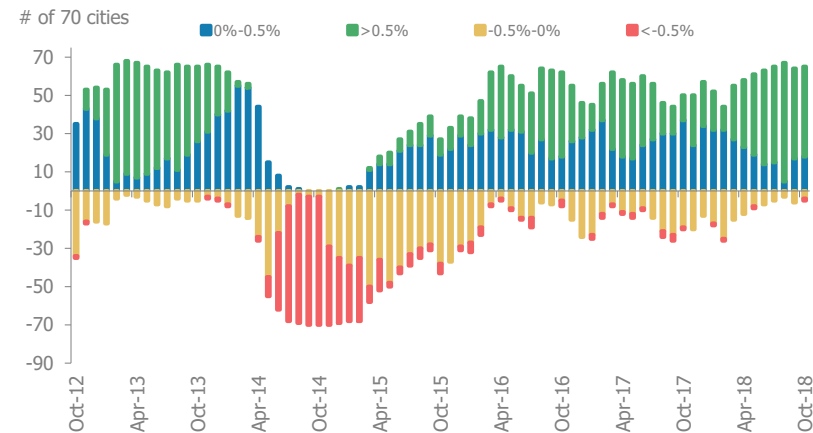
Security Des	Ticker	Cpn	Maturity	Amt issued(mn)	Rating	Issue Price	Current Price	Change in Price
CIFIHG 5 1/2 01/23/22	CIFIHG	5.500	23-Jan-22	585	B+	100	89	-11.34
MAOIH 13 1/4 09/27/20	MAOIH	13.250	27-Sep-20	250	NR	100	98	-2.16
SIDEVE 4.8 10/18/21	SIDEVE	4.800	18-Oct-21	500	A-	100	99	-1.09
LGUANG 11 09/20/20	LGUANG	11.000	20-Sep-20	250	B	98	97	-1.08
GZRFPR 8 7/8 09/27/21	GZRFPR	8.875	27-Sep-21	200	BB-	100	99	-0.99
FUTLAN 6 1/2 09/12/20	FUTLAN	6.500	12-Sep-20	300	BB-	99	98	-0.99
SNAGRP 7 1/2 09/11/21	SNAGRP	7.500	11-Sep-21	300	NR	100	99	-0.82

Source: Bloomberg, Morgan Stanley Research

Key Credit Themes

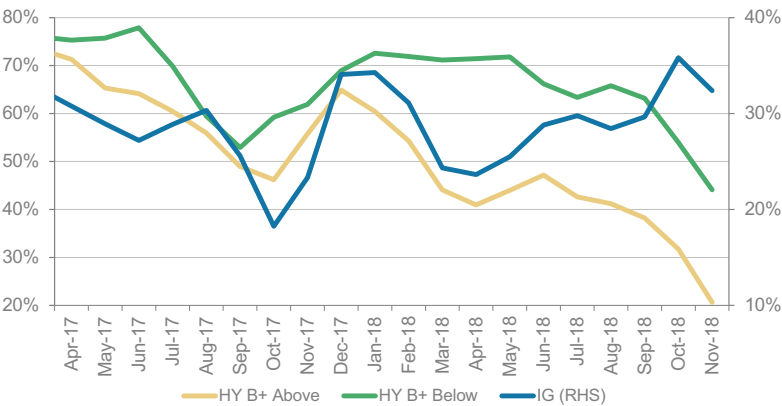
China Property Sector

Exhibit 78: 70 cities: number of cities with ASP rise/decline



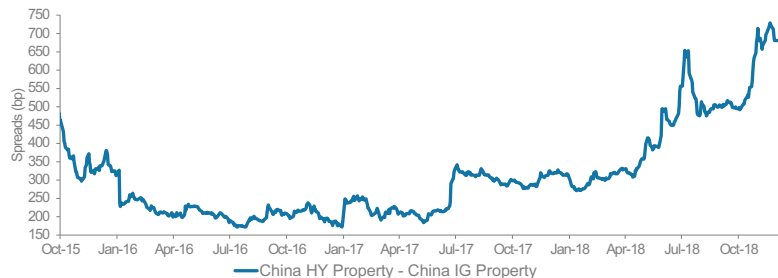
Note: The chart plots the number of cities that recorded a MoM rise or decline in sale prices as per the Property Price Index
Source: NBS,CEIC, Morgan Stanley Research

Exhibit 79: YoY China property corp contracted sales growth



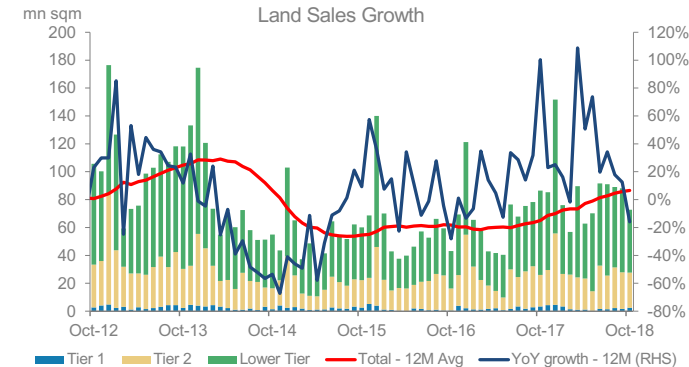
Source: Bloomberg, Morgan Stanley Research

Exhibit 80: China HY versus IG property spread



Source: Bloomberg, Morgan Stanley Research

Exhibit 81: Land sales growth in China



Source: Bloomberg, Morgan Stanley Research

Onshore Credit Monitor

Exhibit 82: Onshore versus offshore credit curve



Source: WIND, iBoxx, Morgan Stanley Research

Exhibit 83: China Onshore AAA and CGB Yield



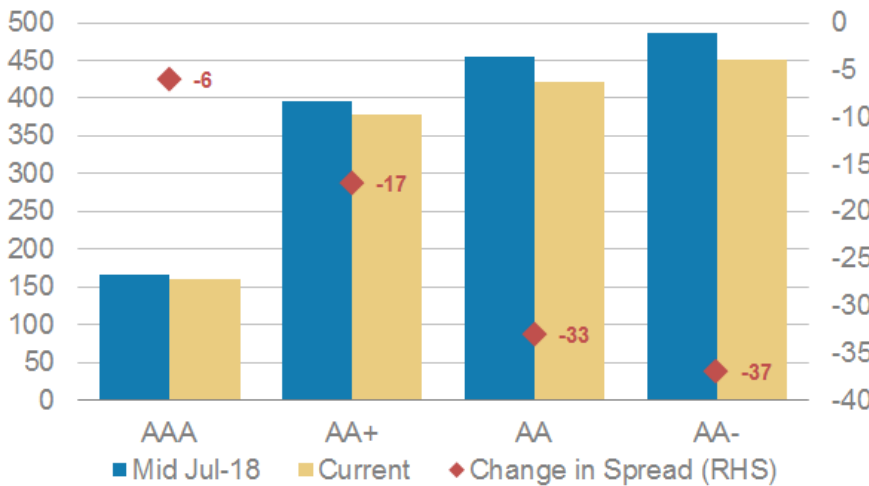
Source: WIND, Morgan Stanley Research

Exhibit 84: Onshore LGFV spreads performance

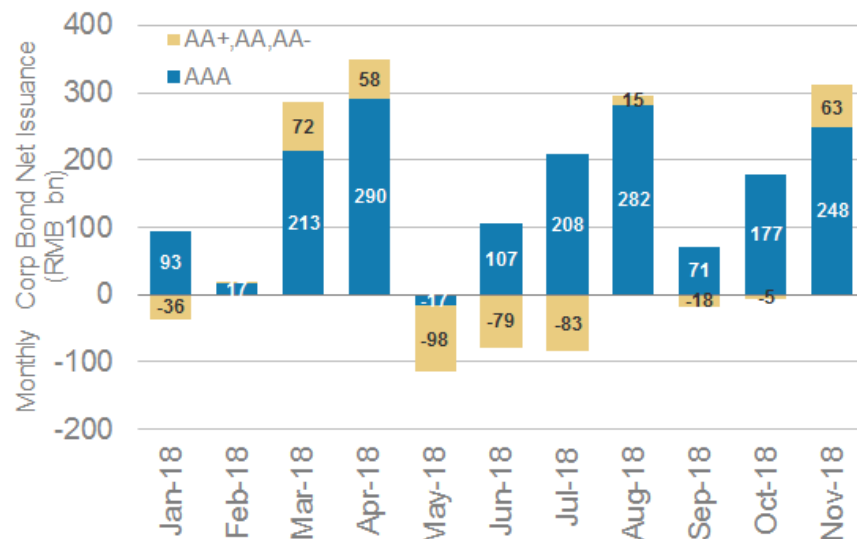


Source: WIND, Morgan Stanley Research

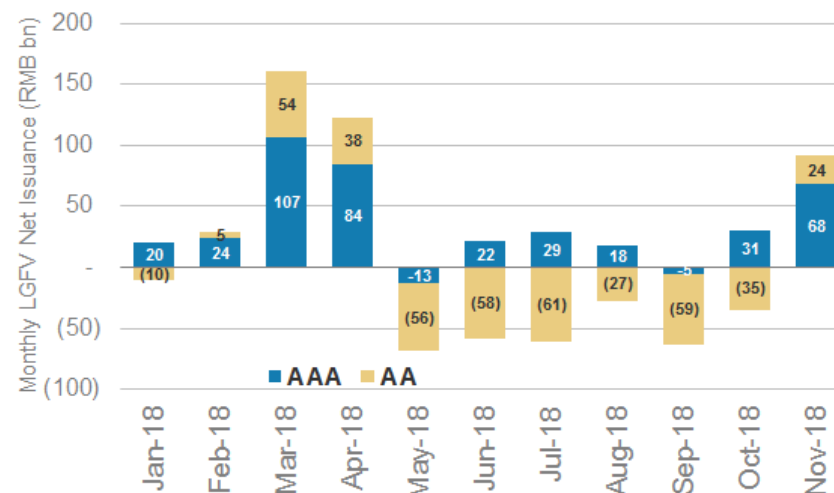
Exhibit 85: Onshore credit curve performance



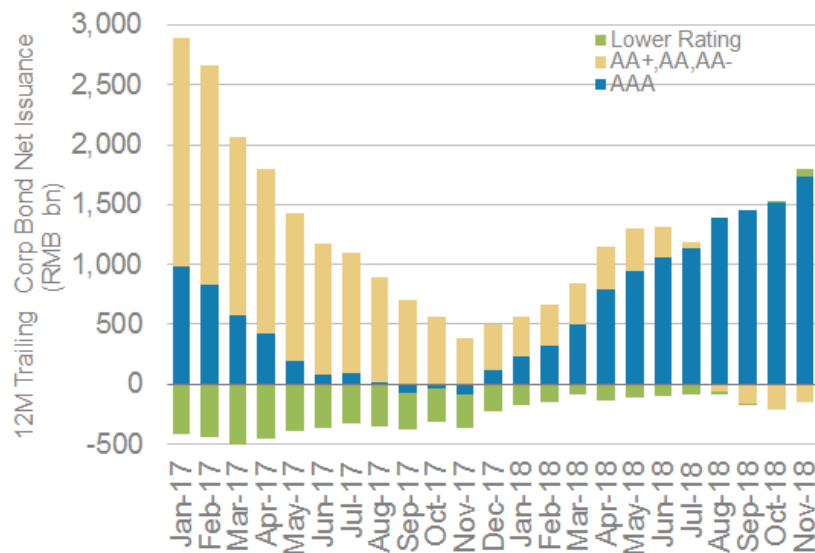
Source: Bloomberg, Morgan Stanley Research

Exhibit 86: Monthly onshore AAA & AA corporate bond issuance


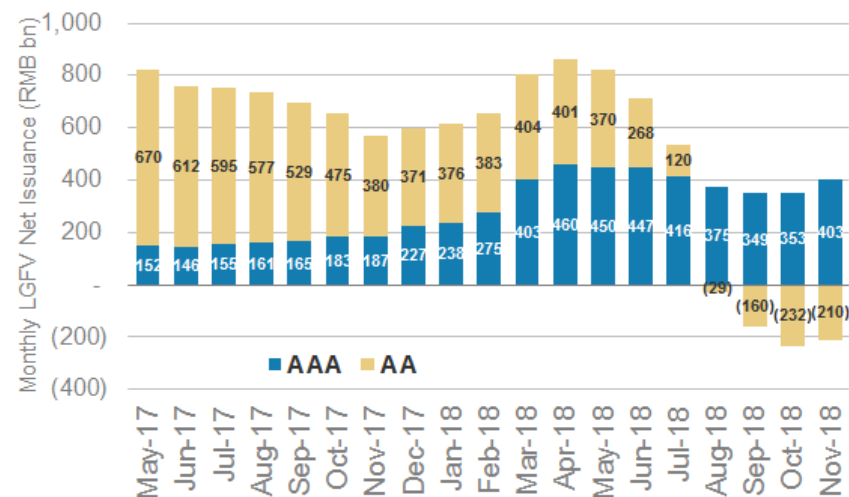
Source: WIND, Morgan Stanley Research

Exhibit 87: Monthly onshore AAA & AA corporate LGFV bond issuance


Source: WIND, Morgan Stanley Research

Exhibit 88: 12M trailing onshore corporate bond issuance


Source: WIND, Morgan Stanley Research

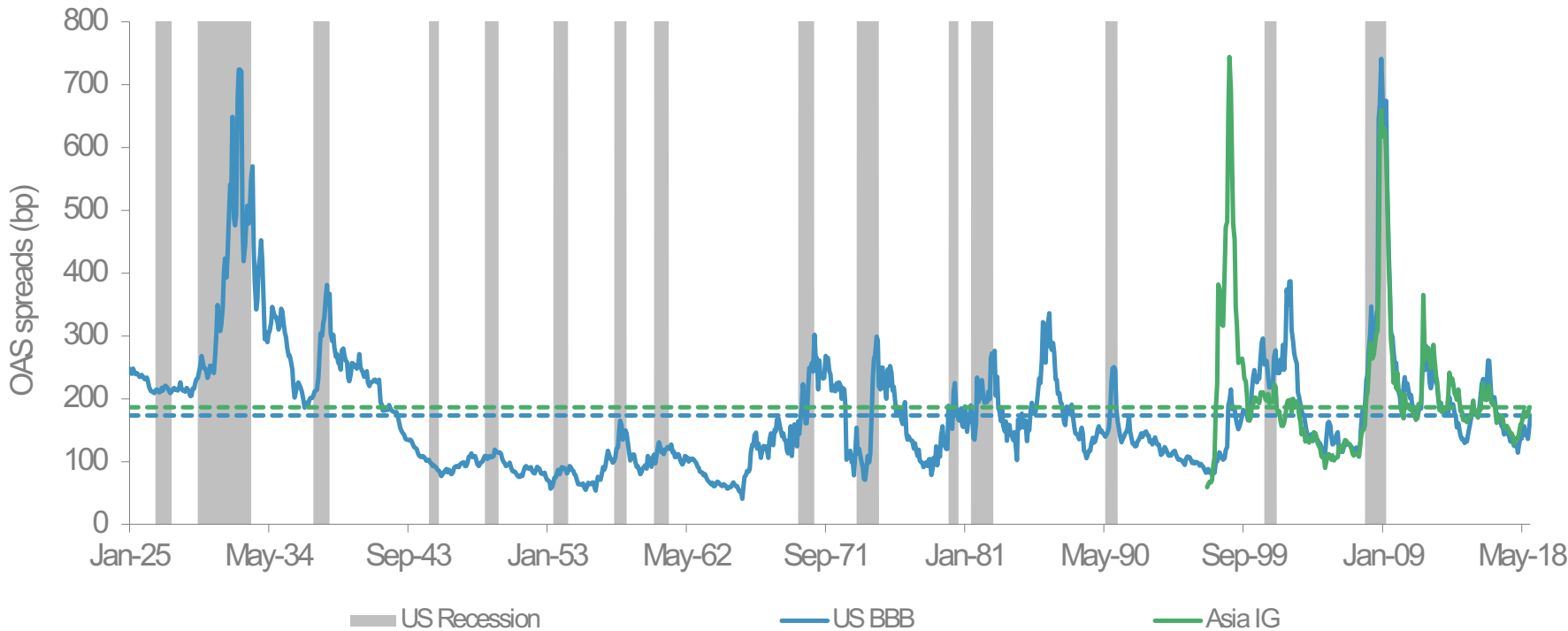
Exhibit 89: 12M trailing onshore AAA & AA corporate LGFV bond issuance


Source: WIND, Morgan Stanley Research

Valuations

Global Credit – The Long-Term View

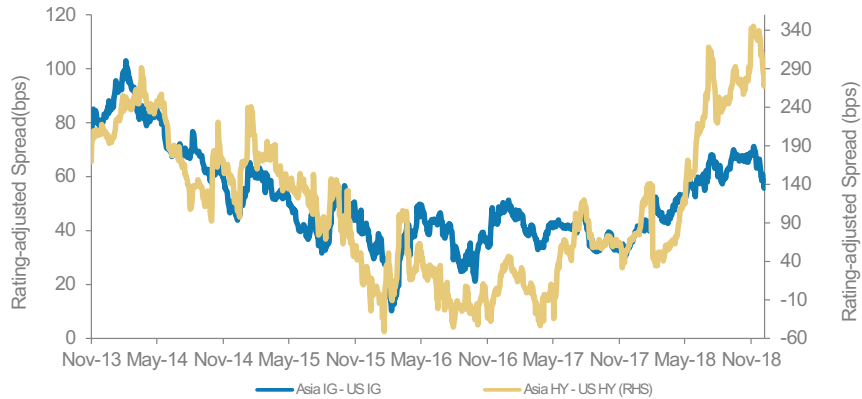
Exhibit 90: US BBB and Asia IG spreads



Source: Moody's, Yield Book, NBER, Bloomberg, iBoxx, Morgan Stanley Research

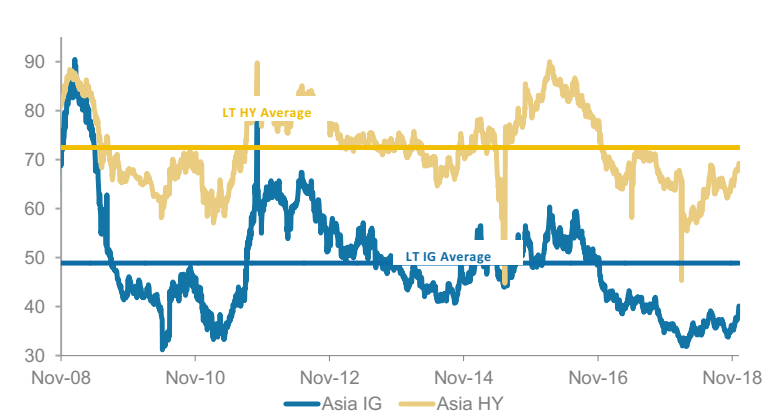
Asia Credit Valuations

Exhibit 91: Spread pick-up switching from US to Asia credit



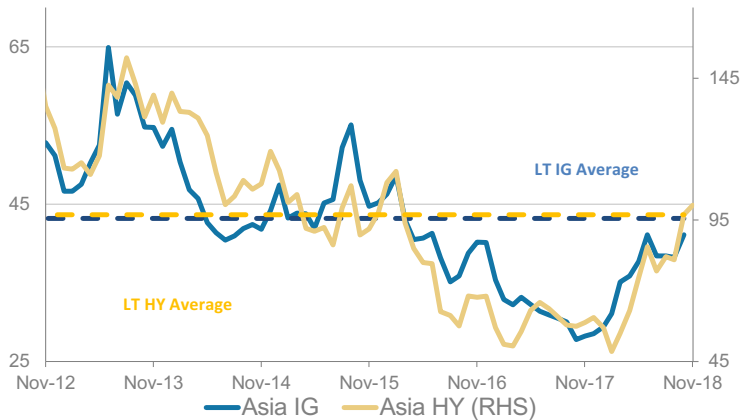
Source: iBoxx, Yieldbook, Morgan Stanley Research

Exhibit 92: Asia corporate cash spread as % of yield



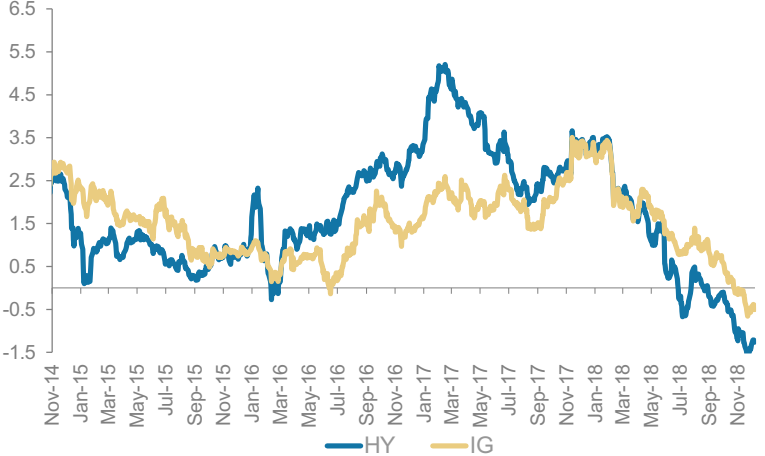
Source : iBoxx, Morgan Stanley Research

Exhibit 93: Asia corporate cash spread per gross leverage (SPL)



Note: The chart shows the Asian corporate cash spreads per unit. Gross leverage is defined as total debt/LTM EBITDA
Source: Bloomberg, iBoxx, Morgan Stanley Research

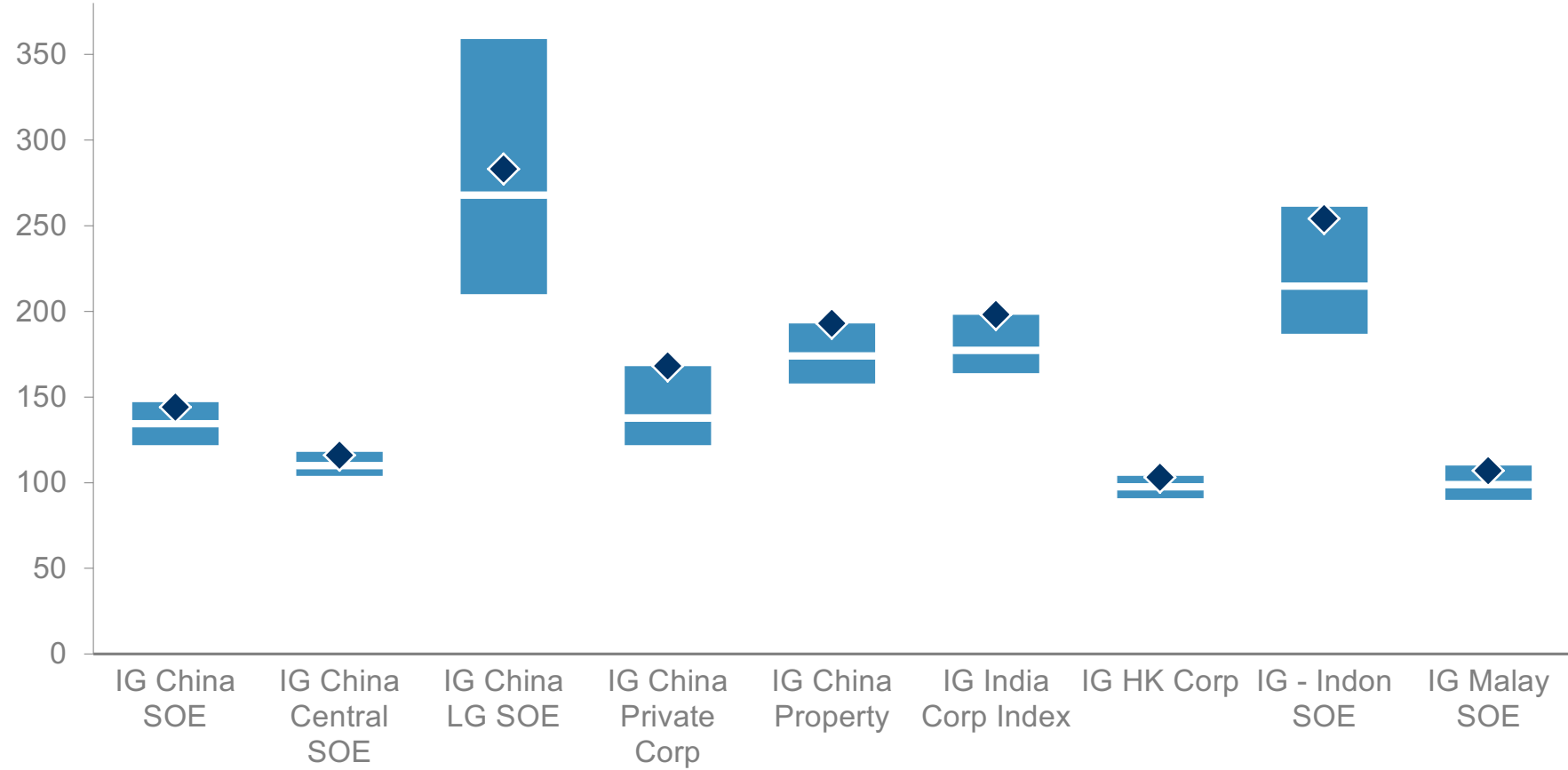
Exhibit 94: Asia IG and Asia HY rolling 1-year risk-adjusted return



Source: Bloomberg, Morgan Stanley Research

Asia IG Corp Sectors' Spread Range in the Past Six Months

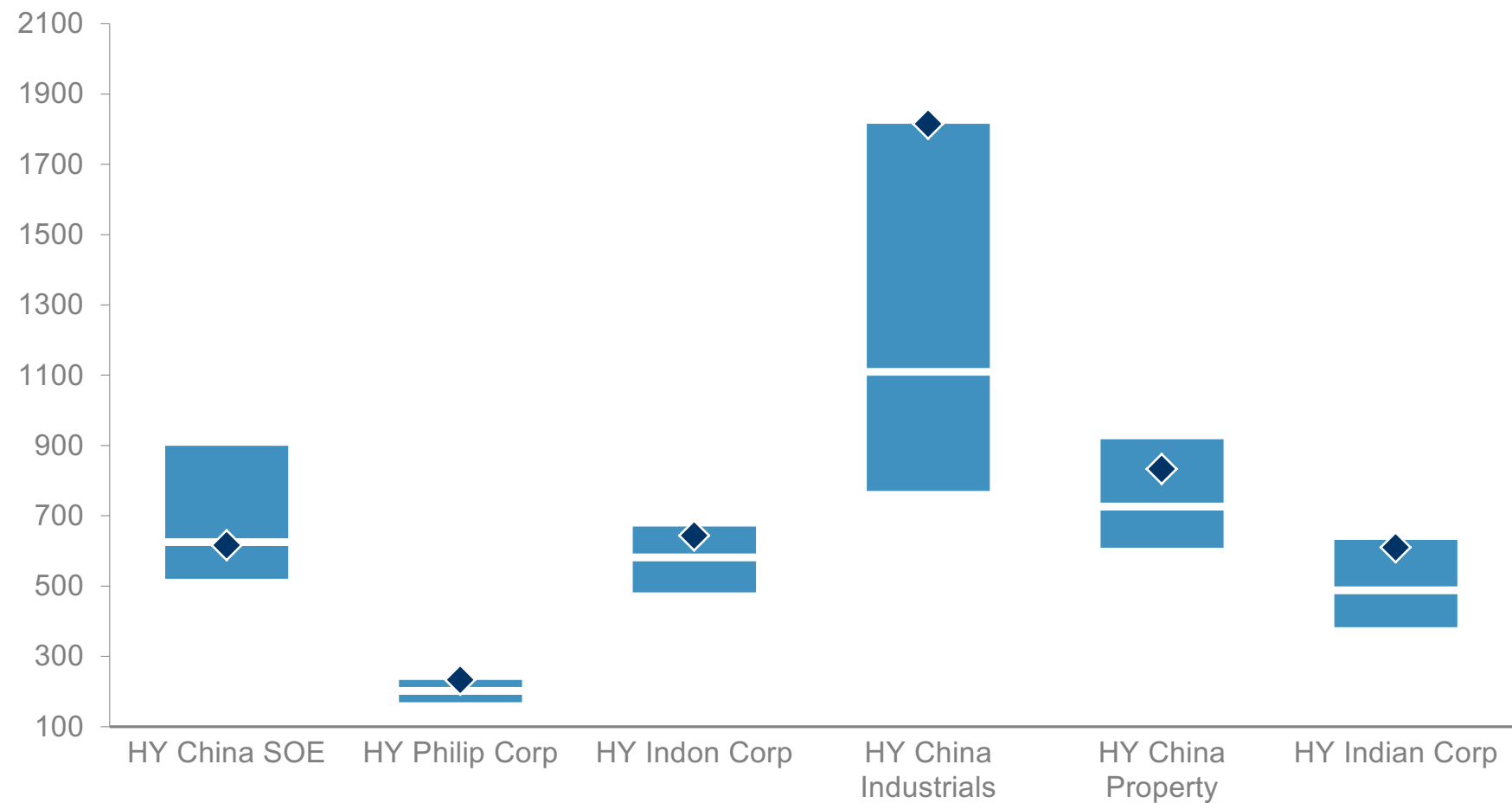
Exhibit 95:



Source: Bloomberg, Morgan Stanley Research

Asia HY Corp Sectors' Spread Range in the Past Six Months

Exhibit 96:



Source: Bloomberg, Morgan Stanley Research

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(as of November 30, 2018)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1156	37%	295	40%	26%	541	38%
Equal-weight/Hold	1405	44%	342	47%	24%	641	45%
Not-Rated/Hold	46	1%	7	1%	15%	7	0%
Underweight/Sell	555	18%	85	12%	15%	226	16%
TOTAL	3,162		729			1415	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of

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