

September 19, 2018 07:12 AM GMT

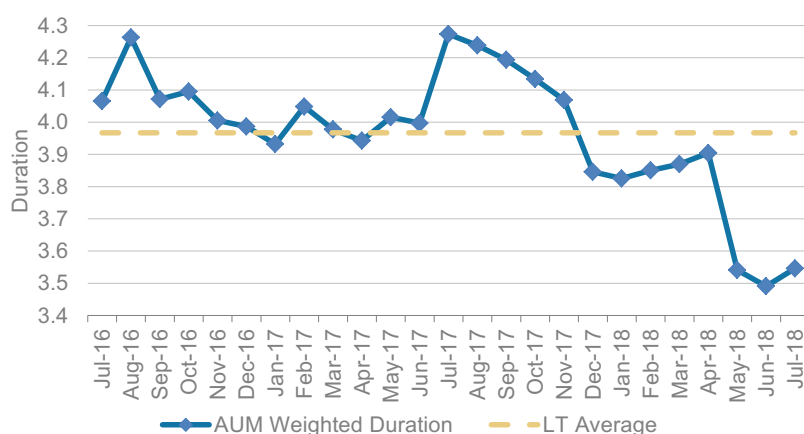
Asia Credit Strategy

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.

One key theme during our marketing trip in Hong Kong and Singapore this month was that clients had been very focused on reducing duration and increasing their exposure to the 1-3Y bucket this year. [Exhibit 1](#) shows that 17 Asia credit funds that we track had reduced their duration significantly, especially since April this year. Despite a modest pick-up in duration in July, Asia credit funds remained close to historical low duration. Not surprisingly, we can see that the supply this year has been very skewed towards the 1-3Y bucket ([Exhibit 62](#)). The 1-3Y bucket made up 36% of the YTD supply, which is the highest percentage for the 1-3Y bucket since 2015. We would think this is partly driven by strong HY issuance and IG corporate issuers finding it hard to issue in the long end due to weak demand ([Exhibit 31](#)). That said, we really don't think the value is in the 1-3y bucket in Asia IG non-financials. From a credit-neutral and carry plus roll-down perspective, our preference for overall Asia IG corporate remains to be in the 5-7Y and 3-5Y buckets for China central SOEs (for more details, see [Not Yet Time to Be Long Asia Credit](#)).

Exhibit 1: Asia credit funds duration remained close to historical lows



Source: Funds fact sheets, Morgan Stanley Research; Note: All 17 funds had reported for July 2018.

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Most recent research

[Asia Credit Strategy, Not Yet Time to Be Long Asia Credit](#)

We try to tackle a few key themes in our Asia credit back-to-school report: 1) Three myths on China's defensive easing; 2) Signposts we are monitoring for tail risk in China credit; 3) Not only about China; we expect volatility to pick up globally; and 4) An update on our How to Beat the Market framework.

[China Economics, Strategy, and Sectors – Impact of Rising Credit Risks](#)

China's corporate bond defaults could rise amid a reduction in non-standard financing, but remain idiosyncratic rather than systemic. Policy-makers could fine-tune to ensure a milder pace of credit tightening. We prefer China's A-shares (vs. offshore) and IG bonds (vs. HY).

[Finding Alpha in Asia Financials](#)

Given the increasing dispersion in Asia credit, we think investors should focus more on alpha than beta ideas. We believe that the recent decompression in Asia financials b spreads provides a good opportunity to screen for alpha trades.

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Asia Credit Performance Summary

Exhibit 2: Asia credit broad spread performance table summary as of August 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	223	242	186	79%		73	-19	-1	-2	5	63	
Non-Financials	149	213	231	181	78%		64	-18	-1	-2	5	51	
Financials	186	306	332	241	82%		120	-26	1	2	9	111	
Corporates	163	247	269	203	79%		84	-22	0	0	5	73	
Investment Grade	123	167	176	146	83%		44	-9	-1	-2	3	36	
High Yield	343	570	638	444	77%		227	-68	-1	-2	29	166	
Sovereigns	133	189	211	165	72%		56	-22	-4	-8	5	42	
Frontier	241	395	434	313	80%		154	-39	3	31	50	139	
CORPS													
IG non fin Corp	124	169	179	147	82%		45	-10	-1	-2	3	37	
AAA	90	108	116	105	69%		18	-8	0	-1	-2	8	
AA	103	133	140	121	81%		30	-7	0	0	2	19	
A	156	221	238	188	79%		65	-17	-1	-2	1	56	
BBB	240	452	515	328	77%		212	-63	4	0	39	184	
HY non fin Corp	324	541	605	435	77%		217	-64	2	-1	30	75	
BB	353	665	757	490	77%		312	-92	-2	-3	21	280	
B	719	1,497	10,674	3,338	8%		778	-9,177	-150	-11	-390	-6,063	
CCC	171	293	322	220	81%		122	-29	3	1	7	115	
CURVE													
1-3	151	242	266	196	79%		91	-24	0	-2	1	80	
3-5	141	247	270	192	82%		106	-23	0	-1	8	95	
5-7	139	193	216	170	70%		54	-23	-2	-3	6	44	
7-10	144	185	199	167	75%		41	-14	-2	-2	5	31	
10+	105	129	134	119	83%		24	-5	1	-1	-1	17	
FINANCIALS													
Banks Senior Debt	161	217	240	199	71%		56	-23	1	-4	-10	42	
Banks Subordinated Debt	110	158	167	137	84%		48	-9	0	-1	2	36	
CHINA													
China Non-Financials Investment Grade	137	213	224	172	87%		76	-11	0	0	12	67	
China High Yield	164	255	260	199	95%		91	-5	1	1	12	82	
China Property IG	431	755	893	572	70%		324	-138	3	12	42	297	
China Property HY	341	507	651	446	54%		166	-144	-14	-69	-13	122	

■ 1 std dev range | 1Y average ● current

Source: IBoxx, Morgan Stanley Research

Exhibit 3: Asia credit sector performance table summary as of August 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	168	176	141	85%		45	-8	1	-1	4	37	
Asia HY	339	571	638	421	78%		232	-67	3	4	30	167	
SOVEREIGN													
Philippines	53	76	106	81	43%		23	-30	-1	-7	-10	6	
Indon Sov	103	152	169	132	74%		49	-17	1	-3	9	32	
FINANCIALS													
Bank Capital	161	216	240	192	70%		55	-24	-1	-5	-11	44	
Senior Banks	105	128	135	119	76%		23	-7	-1	-1	-2	16	
China AMC	125	161	165	147	90%		36	-4	0	2	5	17	
China Leasing	105	135	135	119	100%		30	0	1	1	1	16	
SBLC	98	122	122	108	100%		24	0	2	2	4	10	
IG CORP													
China Central SOE	89	112	123	104	67%		23	-11	0	1	1	13	
China LG SOE	144	256	359	176	52%		112	-103	4	1	-6	93	
China Property	129	176	180	148	92%		47	-4	2	3	5	38	
China Private Corp	86	136	141	107	91%		50	-5	1	0	3	33	
India Corp	113	177	186	142	88%		64	-9	1	2	11	53	
Indon SOE	148	217	230	186	84%		69	-13	1	-2	14	47	
HY CORP													
China Industrials	555	1,092	1,255	693	77%		537	-163	-2	9	11	471	
China Property	339	705	794	481	80%		366	-89	5	12	31	265	
China LG SOE	351	736	1,009	439	59%		385	-273	23	30	32	373	
Indon Corp	296	644	664	468	95%		348	-20	-2	6	102	322	
India Corp	269	526	527	348	100%		257	-1	2	7	84	239	
Philip Corp	125	188	209	164	75%		63	-21	-2	-1	-3	38	

1 stdev range | 1Y average ● current

Source: IBox, Morgan Stanley Research

Asia Credit Excess and Total Returns

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

Broad Credit Sectors				
	Excess Return (Aug)	Total Return (Aug)	Excess Return (YTD)	Total Return (YTD)
Asia Credit Universe	-0.04%	0.56%	-0.04%	-0.50%
Sovereigns	-0.77%	0.12%	-1.00%	-2.26%
Financials	0.14%	0.58%	0.99%	0.95%
Asia IG Non-Financials	0.05%	0.74%	0.35%	-0.33%
Asia HY Non- Financials	-0.09%	0.37%	-2.22%	-2.36%
Sovereign Sectors				
	Excess Return (Aug)	Total Return (Aug)	Excess Return (YTD)	Total Return (YTD)
Philippines Sovereign	-0.82%	0.24%	-0.95%	-2.69%
Indonesia Sovereign	-0.57%	0.38%	-0.92%	-2.33%
Frontier Sovereigns	-1.76%	-1.12%	-2.11%	-2.62%
Financials Sectors				
	Excess Return (Aug)	Total Return (Aug)	Excess Return (YTD)	Total Return (YTD)
Senior Financials	0.12%	0.60%	0.70%	0.56%
Banks	0.18%	0.65%	0.68%	0.60%
Non Banks	0.07%	0.61%	0.84%	0.52%
SBLC	0.08%	0.38%	0.64%	1.13%
Bank Cap	0.15%	0.49%	1.75%	1.93%
B3T2	0.26%	0.83%	1.16%	0.77%
AT1	0.14%	0.41%	1.75%	2.10%
Asia IG Non-Financials Sectors				
	Excess Return (Aug)	Total Return (Aug)	Excess Return (YTD)	Total Return (YTD)
China SOE	0.20%	0.83%	0.53%	-0.07%
China Central SOE	0.15%	0.85%	0.76%	0.02%
LG SOE	0.55%	0.91%	-0.77%	-0.72%
Indonesia SOE	-1.14%	-0.13%	-1.61%	-3.11%
India Corporates	-0.22%	0.55%	-1.51%	-2.45%
Hong Kong Corp	0.11%	0.77%	0.29%	-0.35%
China Property	0.09%	0.67%	-0.14%	-0.48%
China Private Sector	0.00%	0.74%	-0.34%	-1.04%

Source: Bloomberg, Morgan Stanley Research

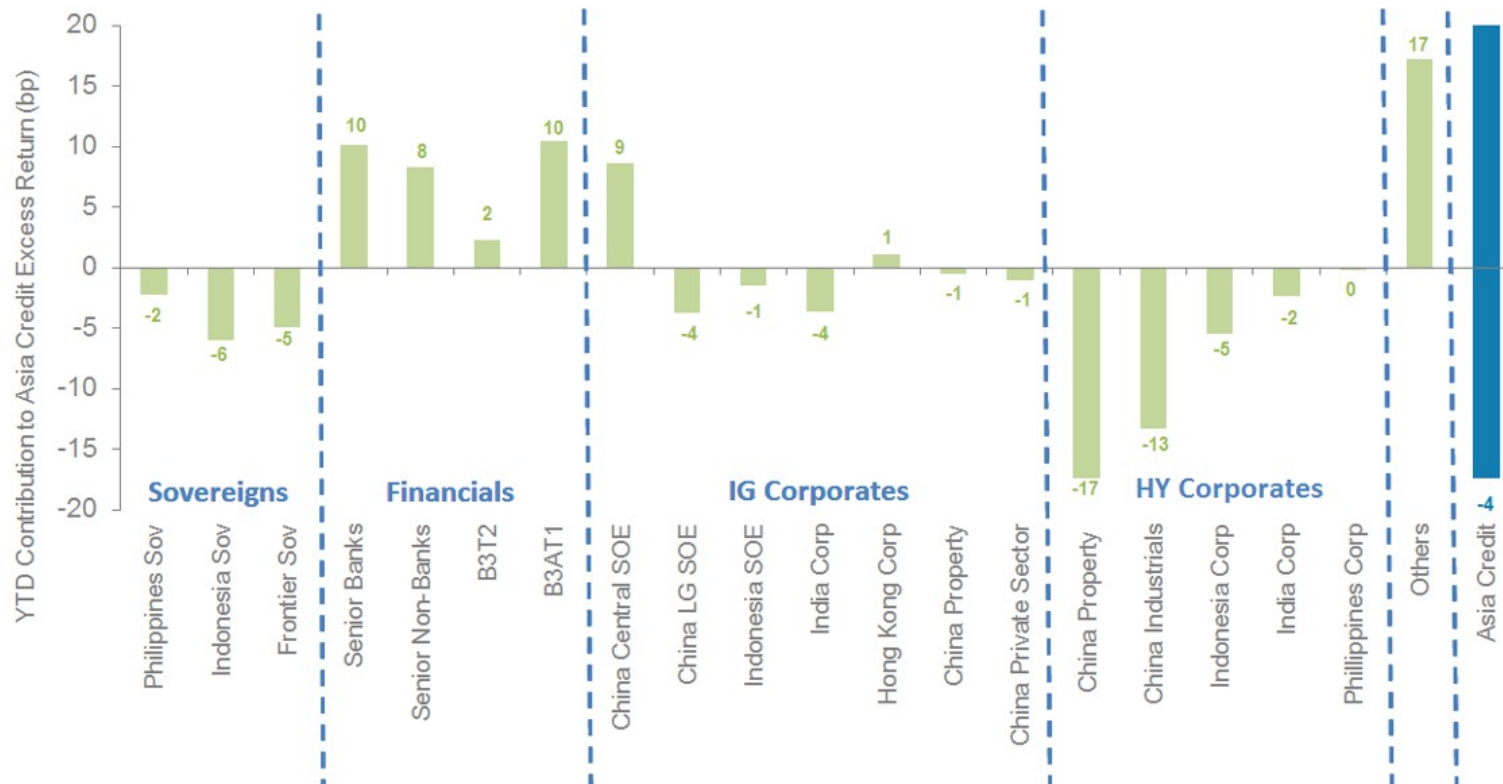
Exhibit 5: Asia credit excess and total returns (part 2)

Asia HY Non-Financials Sectors				
	Excess Return (Aug)	Total Return (Aug)	Excess Return (YTD)	Total Return (YTD)
China Property	0.12%	0.57%	-2.62%	-2.85%
China Industrials	0.59%	0.94%	-4.61%	-4.39%
Indonesia Corporates	-2.03%	-1.39%	-4.44%	-4.92%
India Corporates	-1.98%	-1.38%	-1.10%	-1.55%
Philippines Corporates	-0.11%	0.42%	-0.99%	-1.28%
Maturity Buckets				
	Excess Return (Aug)	Total Return (Aug)	Excess Return (YTD)	Total Return (YTD)
0-3y	0.18%	0.46%	0.49%	0.97%
3-5y	0.00%	0.56%	0.09%	-0.36%
5-10y	-0.34%	0.58%	-0.79%	-1.96%
10+	-0.48%	0.87%	-0.07%	-2.63%
Maturity Buckets				
	Excess Return (Aug)	Total Return (Aug)	Excess Return (YTD)	Total Return (YTD)
AAA	0.05%	0.69%	0.23%	0.09%
AA	0.24%	0.83%	0.88%	0.46%
A	0.13%	0.74%	0.62%	0.13%
BBB	-0.17%	0.53%	-0.28%	-1.01%
BB	-0.07%	0.31%	-0.19%	-0.10%
B	-0.61%	-0.10%	-1.89%	-2.11%
CCC	0.51%	0.80%	0.24%	0.48%
NR	0.26%	0.76%	-0.10%	-0.43%

Source: Bloomberg, Morgan Stanley Research

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

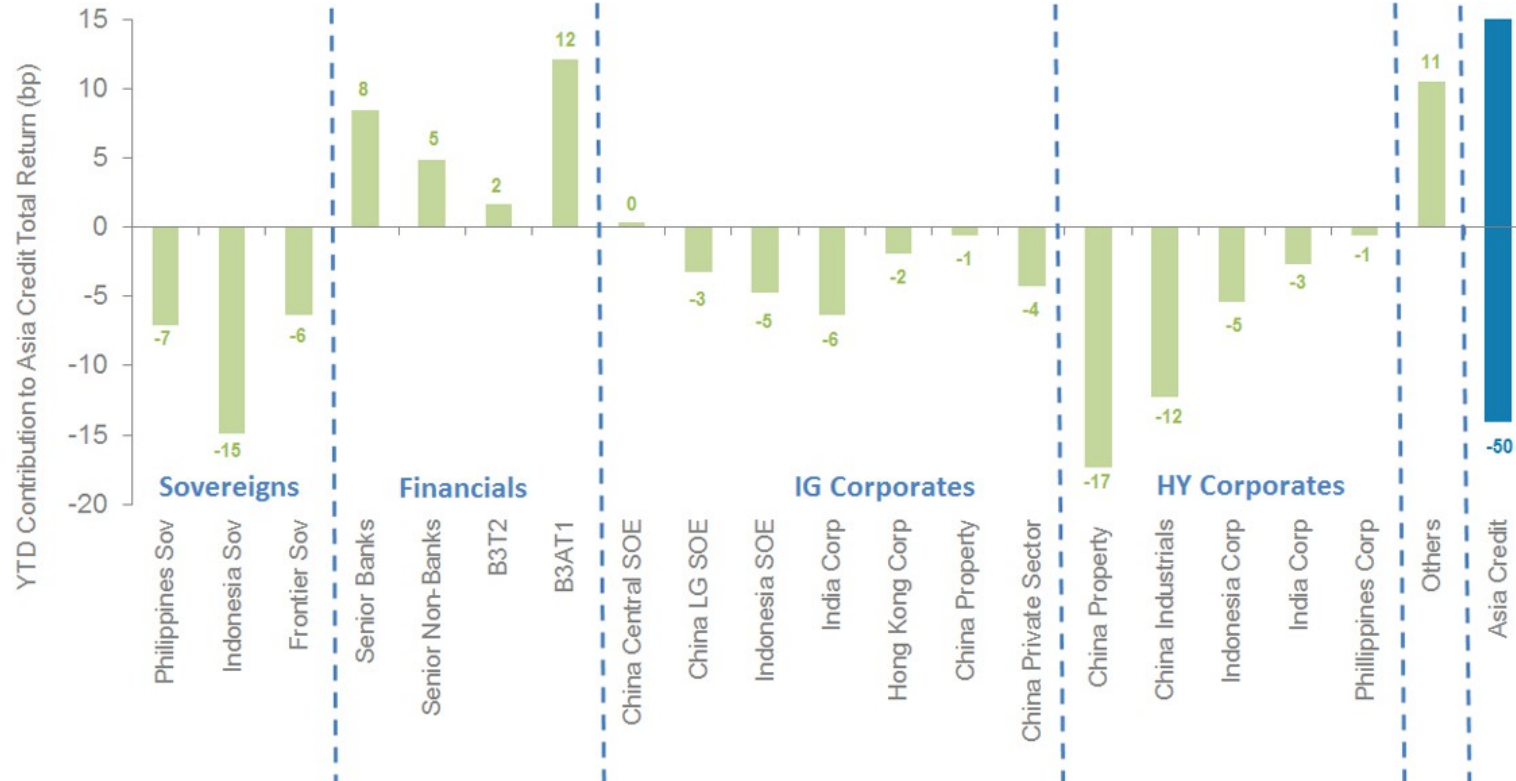
Exhibit 6: Excess returns contribution of Asia credit (As of August 2018)



Source: Bloomberg, Morgan Stanley Research

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

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



Source: Bloomberg, Morgan Stanley Research

Global Markets Overview

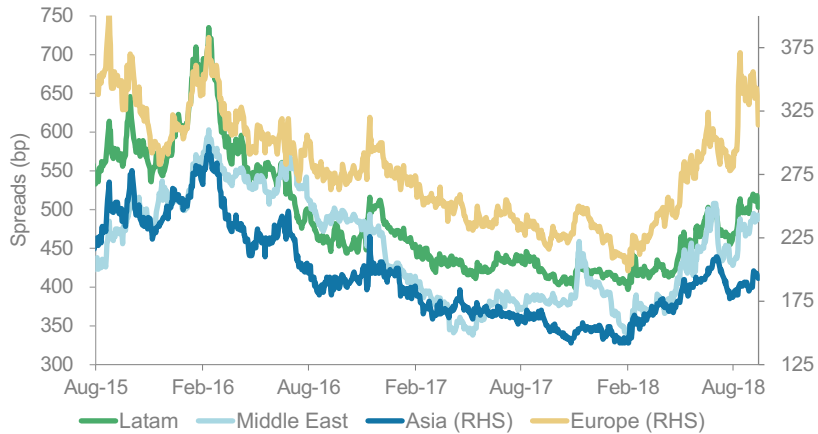
Global Credit Spreads

Exhibit 8: Asia spreads versus developed markets



Source: iBoxx, Yieldbook, Morgan Stanley Research

Exhibit 9: Asia sovereign versus EM sovereigns



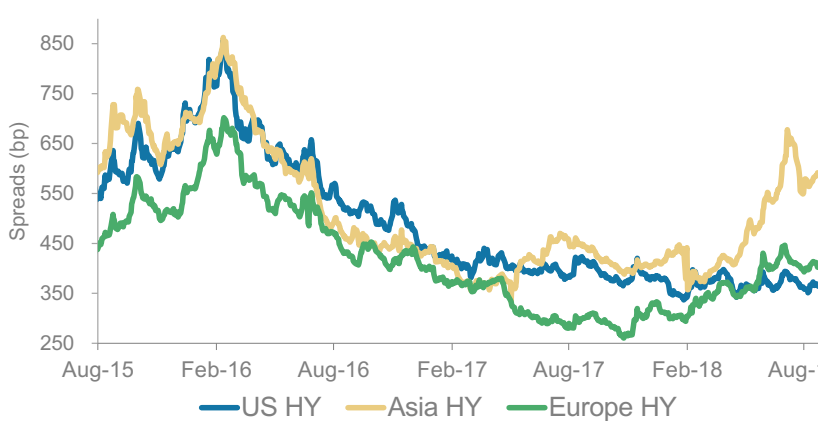
Source: Datastream, Morgan Stanley Research

Exhibit 10: Global IG cash spreads



Source: iBoxx, Yieldbook, Morgan Stanley Research

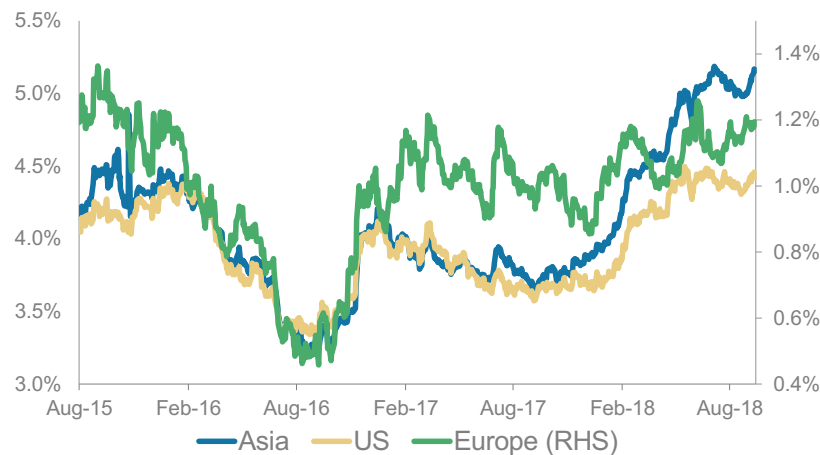
Exhibit 11: Global HY cash spreads



Source: iBoxx, Yieldbook, Morgan Stanley Research

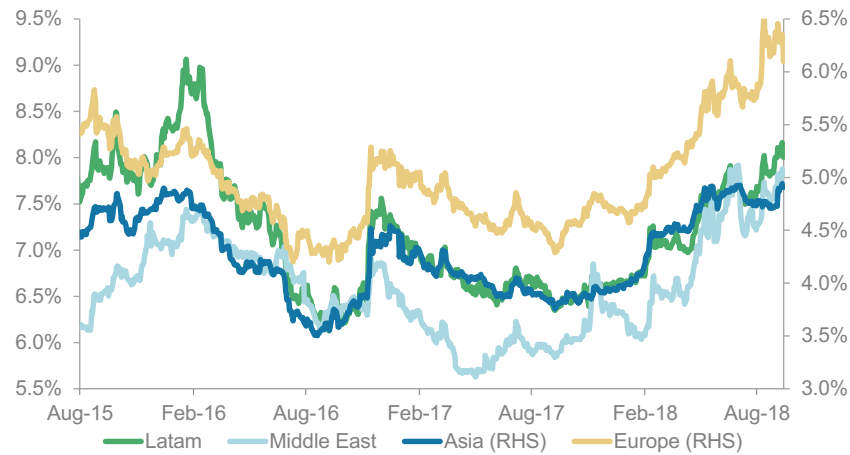
Global Credit Yields

Exhibit 12: Asia YTM versus developed markets



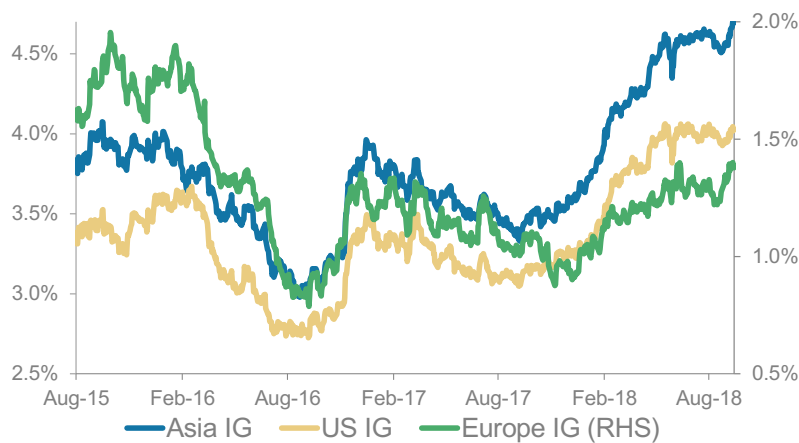
Source: iBoxx, Morgan Stanley Research

Exhibit 13: Asia sovereign versus EM sovereigns



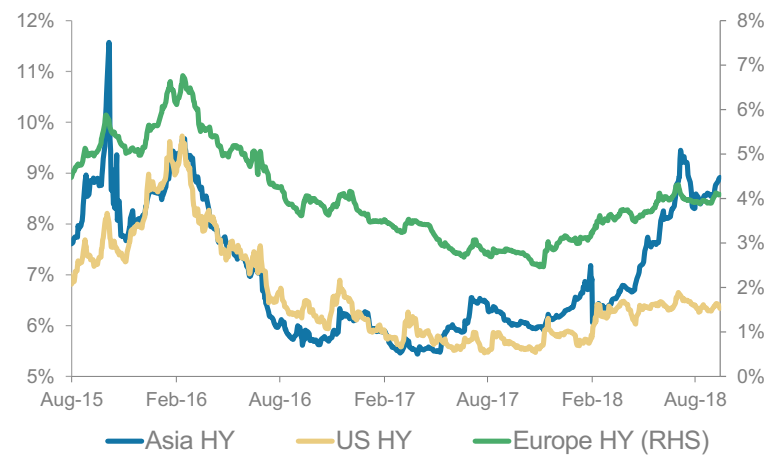
Source: Datastream, Morgan Stanley Research

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

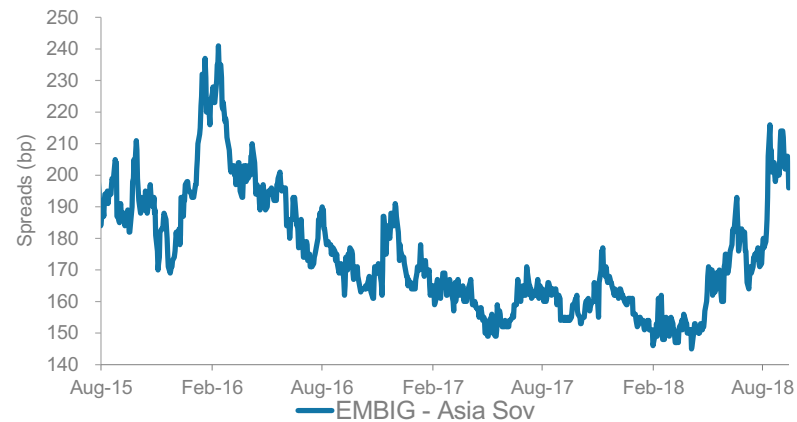
Broad Sector Relative Value Performance

Exhibit 16: Asia HY vs. Asia IG



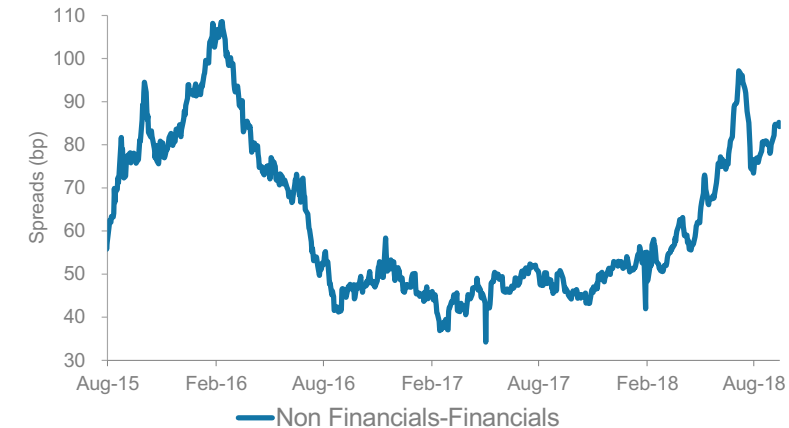
Source: iBoxx, Morgan Stanley Research

Exhibit 17: EMBIG vs. Asia sovereign



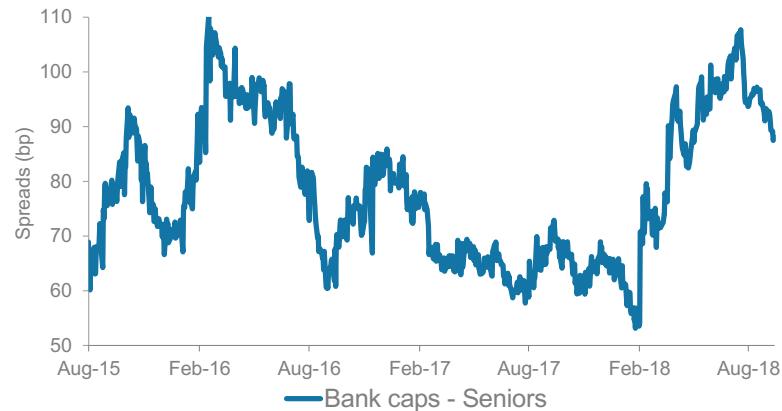
Source: Datastream, Morgan Stanley Research

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



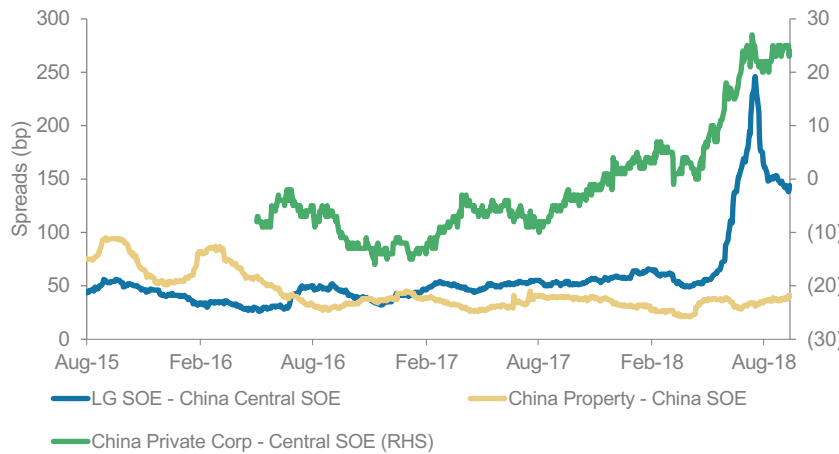
Source: Bloomberg, Morgan Stanley Research

Exhibit 22: HY sector relative spread performance



Source: Bloomberg, Morgan Stanley Research

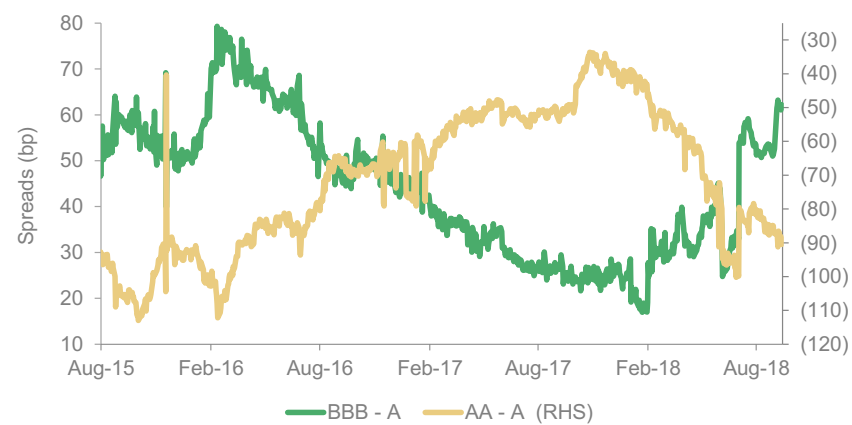
Exhibit 23: China sector relative spread performance



Source: Bloomberg, Morgan Stanley Research

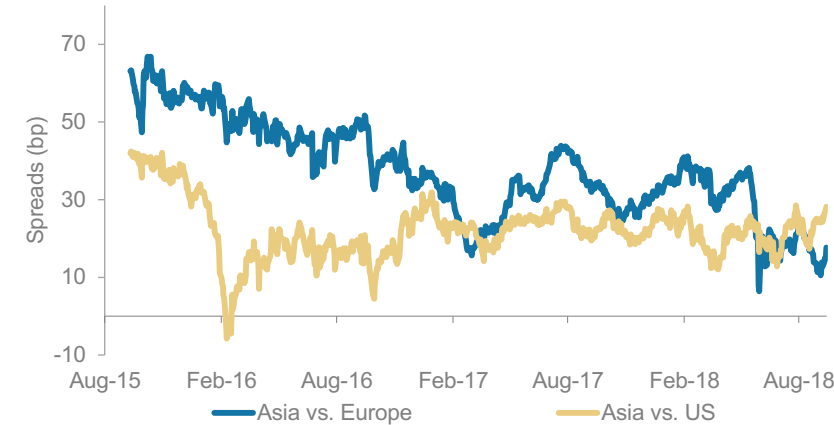
Financials Sector Relative Value Performance

Exhibit 24: Asia financials credit quality curve



Source: iBoxx, Morgan Stanley Research

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



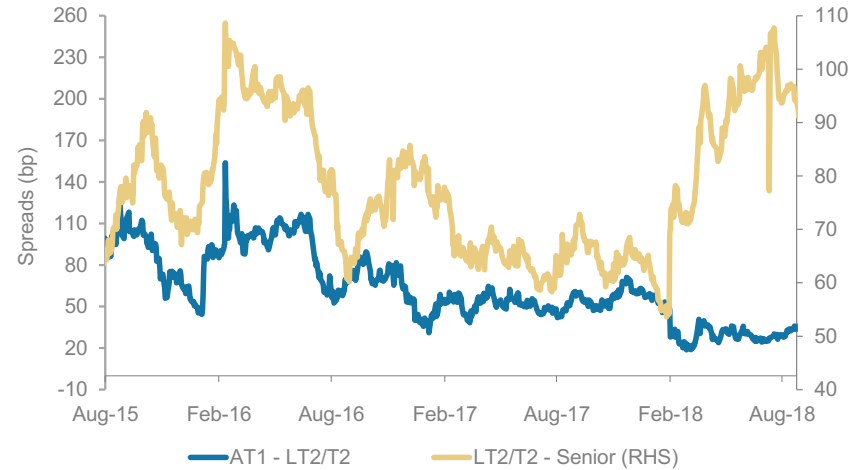
Source: iBoxx, Yield Book, Morgan Stanley Research

Exhibit 26: Asia Senior Relative Value



Source: Bloomberg, iBoxx, Morgan Stanley Research

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



Source: Bloomberg, iBoxx, Morgan Stanley Research

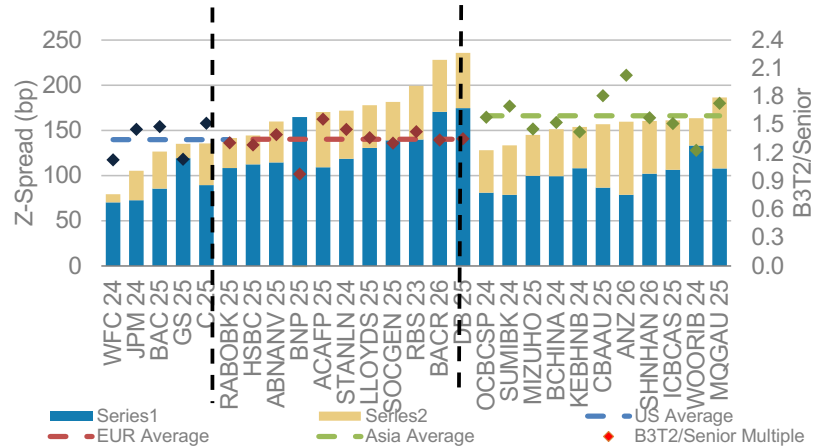
Financial Relative Value

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



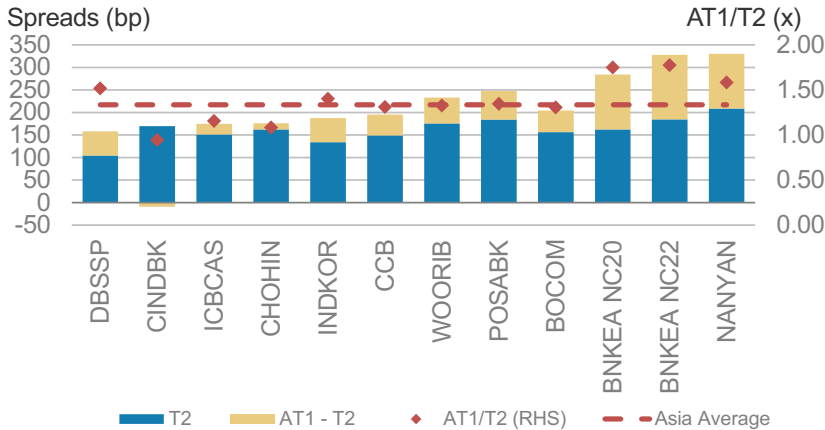
Source: Bloomberg, Morgan Stanley Research

Exhibit 29: Callable Asia T2 versus Senior



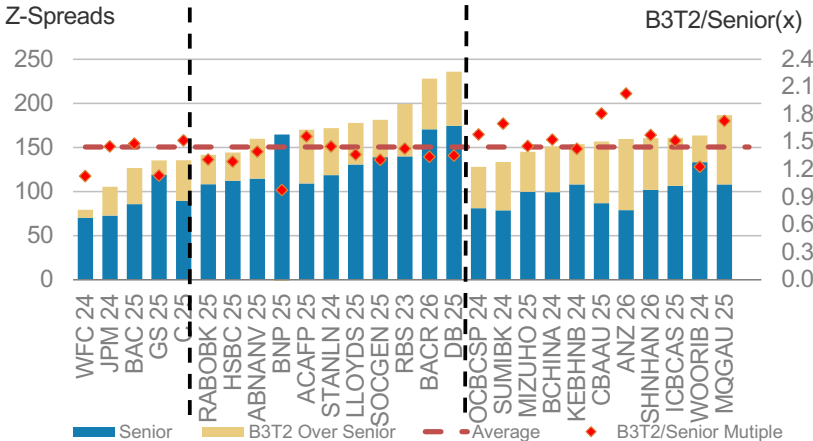
Source: Bloomberg, Morgan Stanley Research

Exhibit 30: Global AT1 pick-up over T2



Source: Bloomberg, Morgan Stanley Research

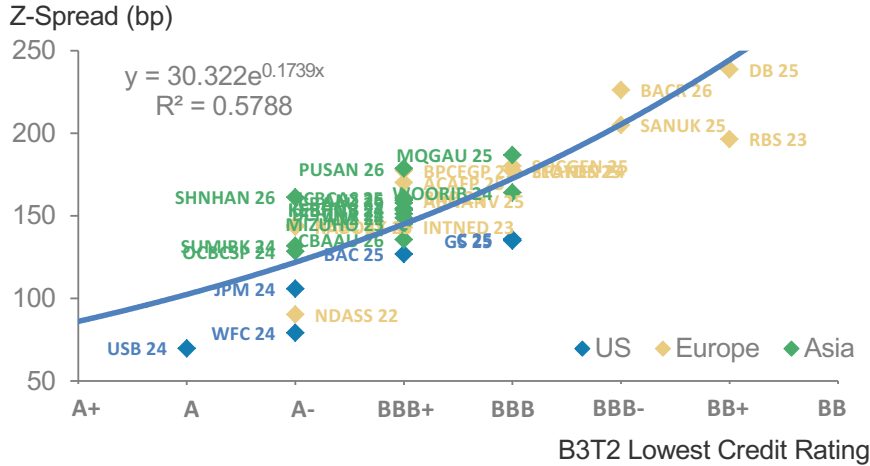
Exhibit 31: Global bullet T2 pick-up over senior



Source: Bloomberg, Morgan Stanley Research

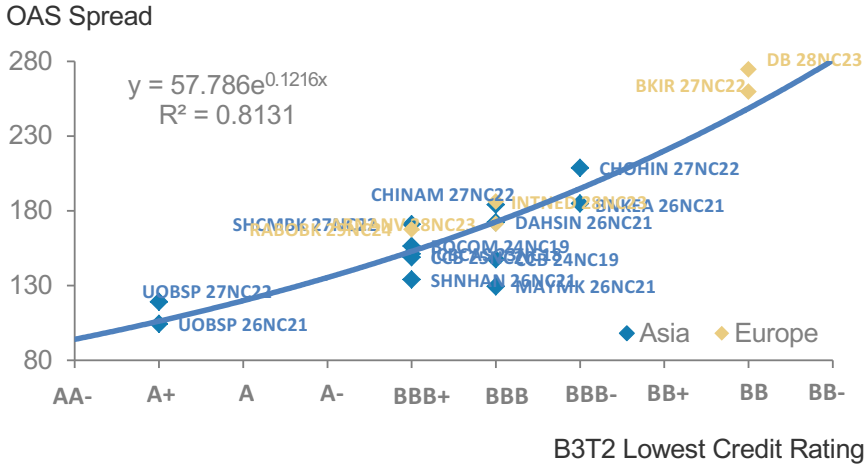
Financial Relative Value (II)

Exhibit 32: Bullet T2 Global RV



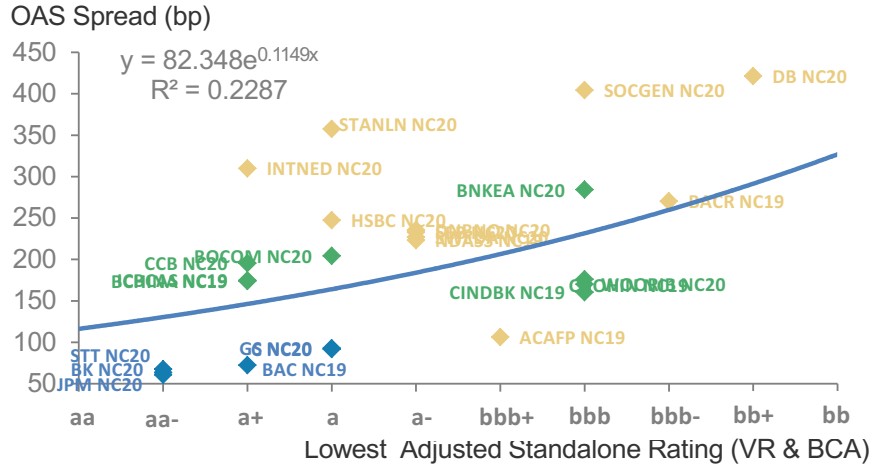
Source: Bloomberg, Morgan Stanley Research

Exhibit 33: Callable T2 Global RV



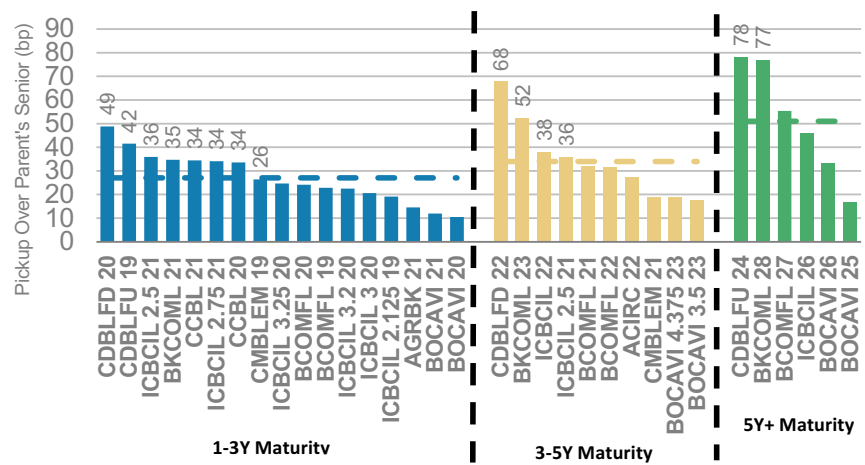
Source: Bloomberg, Morgan Stanley Research

Exhibit 34: Global AT1 Spread versus Adjusted Standalone Rating



Source: Bloomberg, Morgan Stanley Research

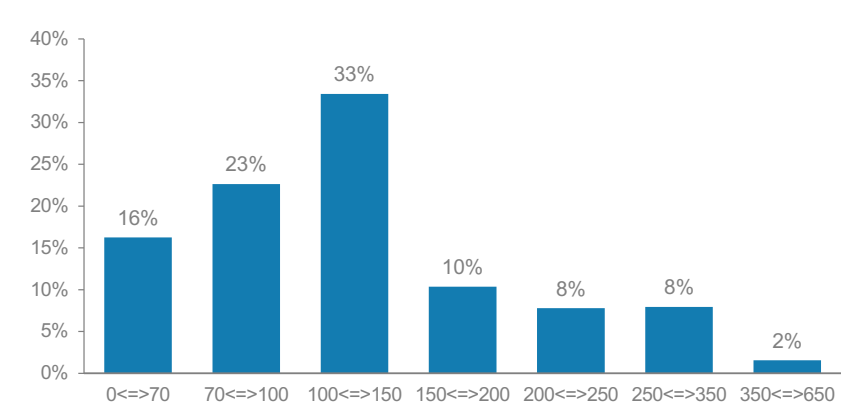
Exhibit 35: China leasing pick-up over senior



Source: Bloomberg, Morgan Stanley Research

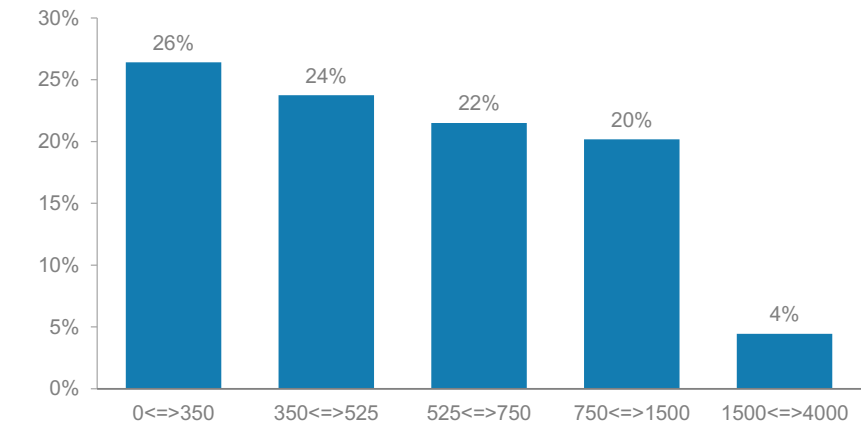
Asia Credit Spread, Yield and Price Distribution

Exhibit 36: Asia IG spread distribution



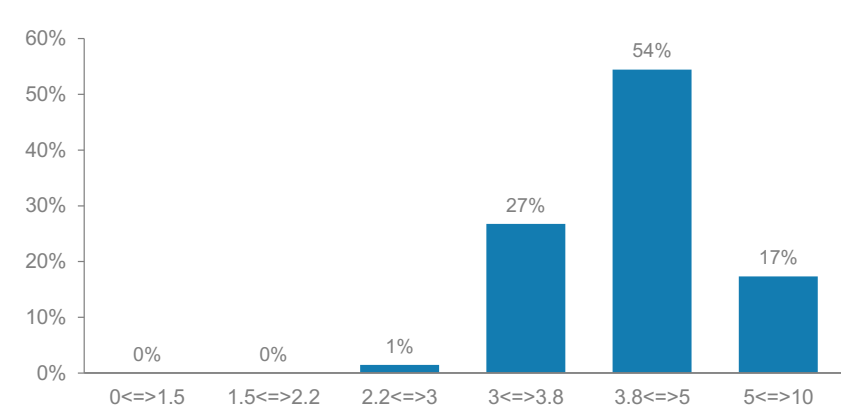
Source: Bloomberg, Morgan Stanley Research

Exhibit 37: Asia HY spread distribution



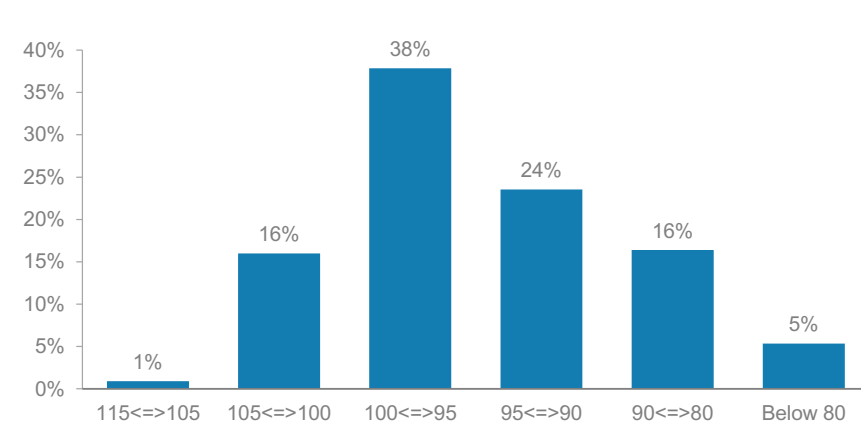
Source: Bloomberg, Morgan Stanley Research

Exhibit 38: Asia IG yield distribution



Source: Bloomberg, Morgan Stanley Research

Exhibit 39: Asia HY price distribution

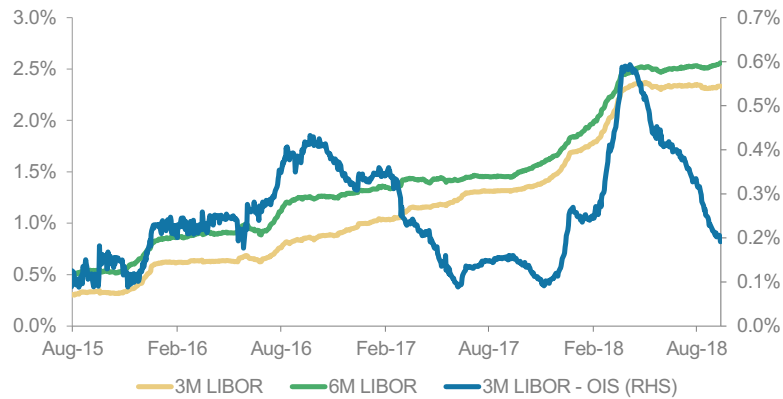


Source: Bloomberg, Morgan Stanley Research

Global Macro Indicators

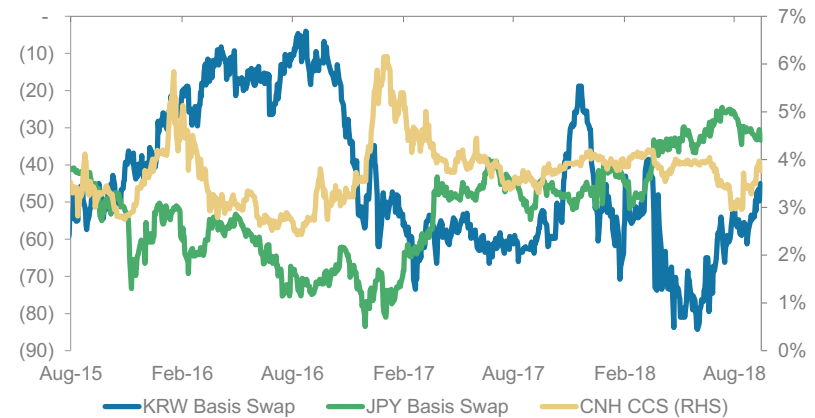
Global Liquidity Indicators

Exhibit 40: UST Libor-OIS spread



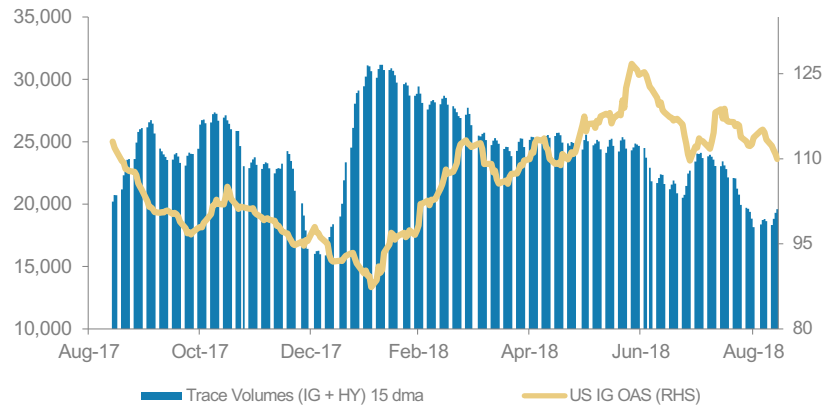
Source: Bloomberg, Morgan Stanley Research

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

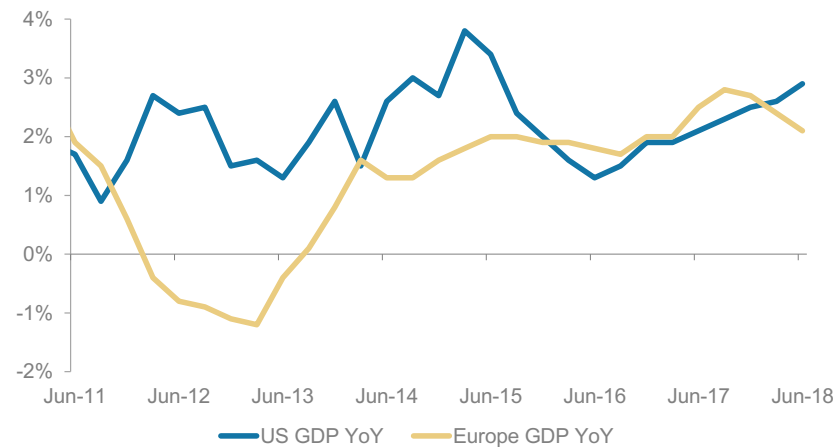
Exhibit 43: Global credit conditions



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



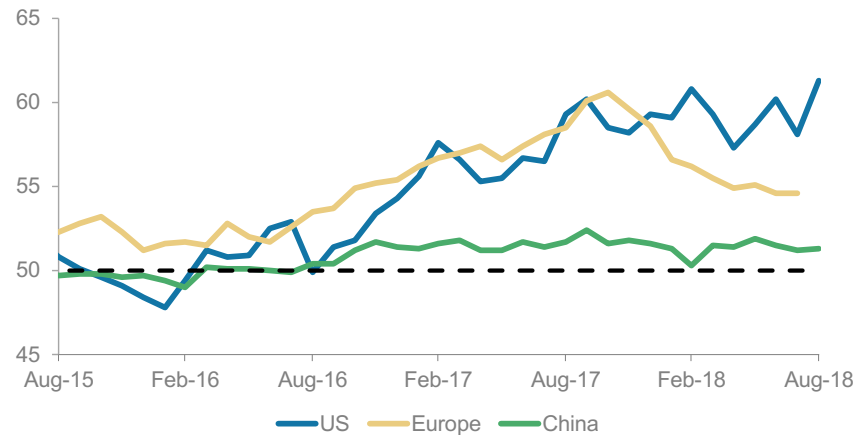
Source: Bloomberg, Morgan Stanley Research forecasts

Exhibit 45: US & Europe Economic Surprise Indices



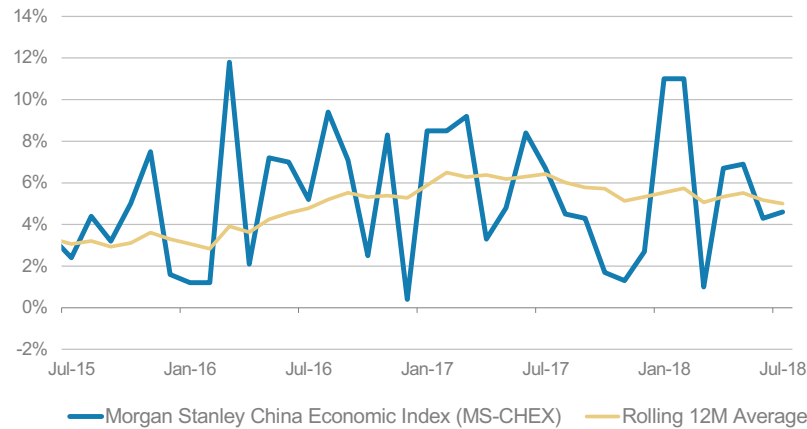
Source: Bloomberg, Morgan Stanley Research

Exhibit 46: Global PMI surveys



Source: Bloomberg, Morgan Stanley Research

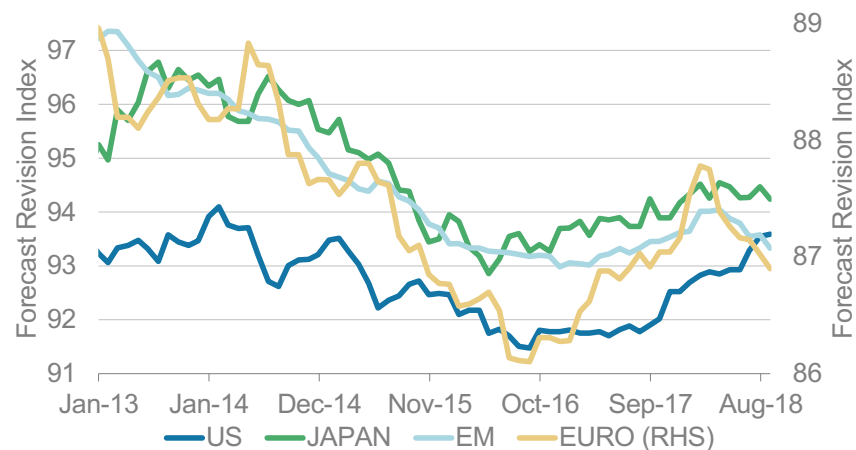
Exhibit 47: Measure of China's growth



Source: Bloomberg, Morgan Stanley Research

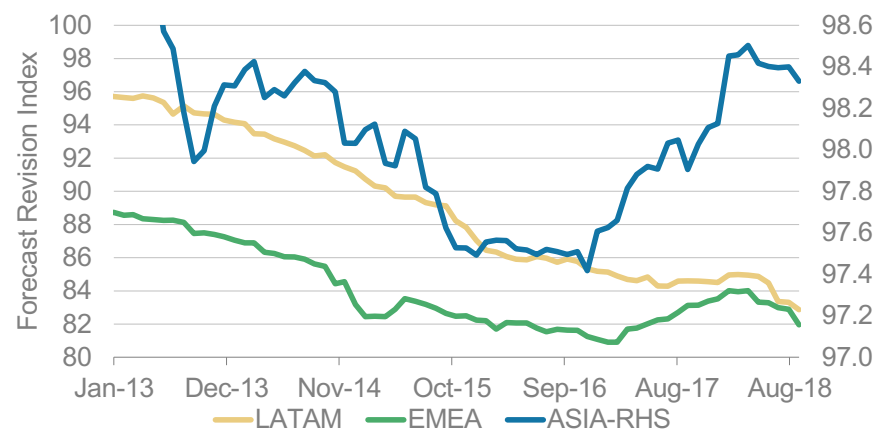
Asia Economic Indicators

Exhibit 48: Global GDP forecast revision index



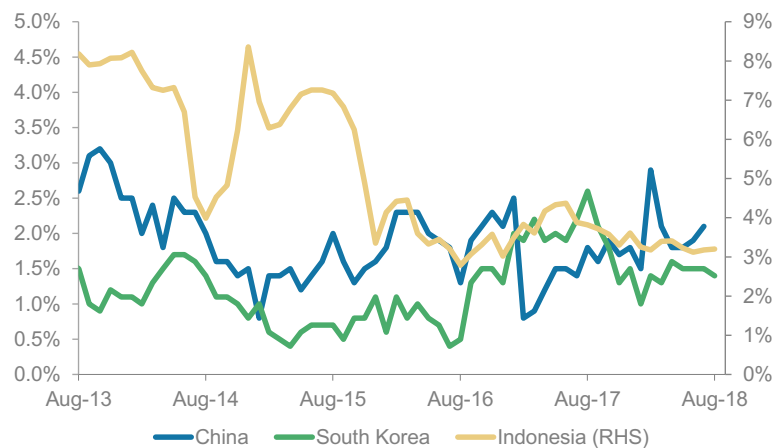
Source: Bloomberg, Morgan Stanley Research

Exhibit 49: Asia versus EM GDP forecast revision index



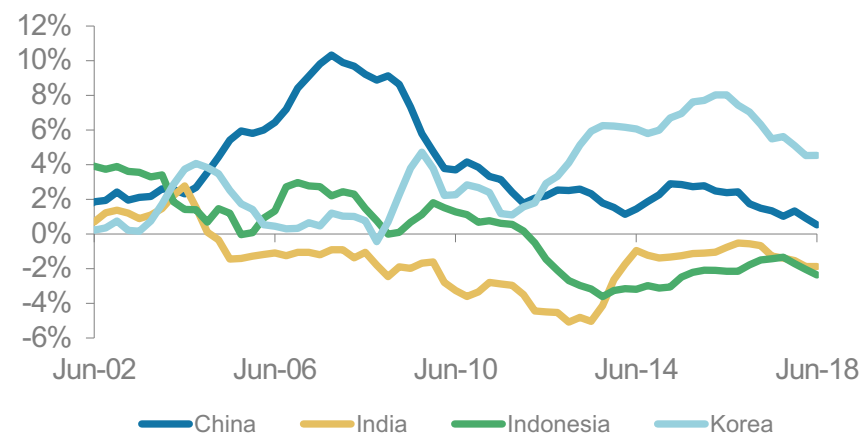
Source: Bloomberg, Morgan Stanley Research

Exhibit 50: Asia inflation (CPI % change YoY)



Source: Bloomberg, Morgan Stanley Research

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



Source: Bloomberg, Morgan Stanley Research

Technicals Indicators

Global Sentiment Indicator

Exhibit 52: VIX and FX VIX

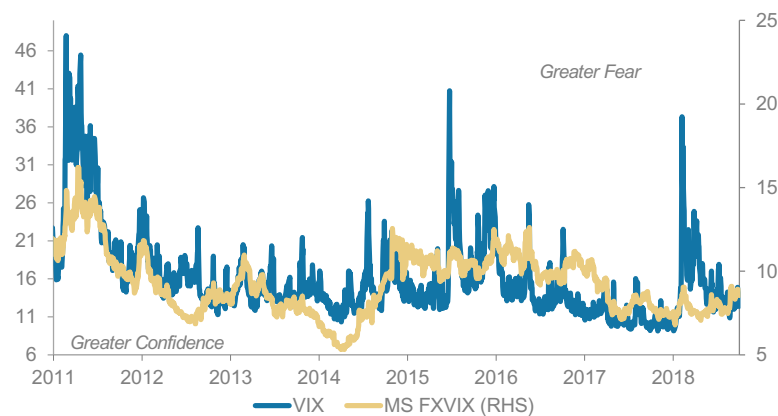


Exhibit 53: US equity put/call ratio

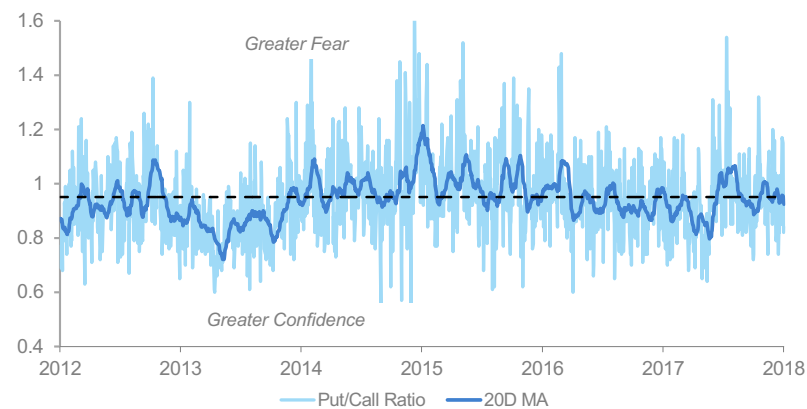


Exhibit 54: Retail investors sentiment (AAII Bulls - Bear)

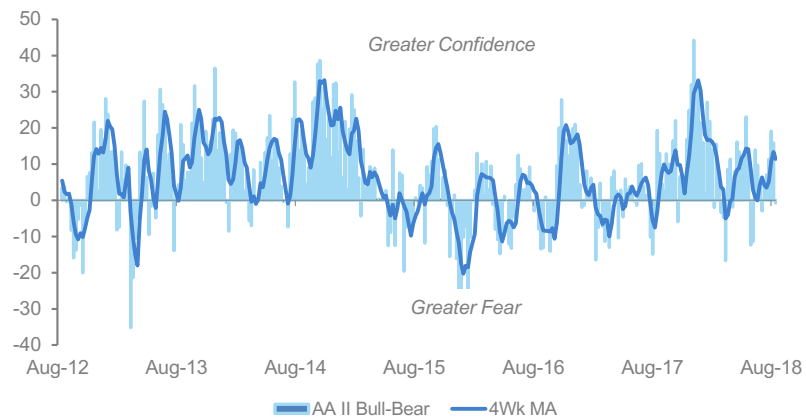
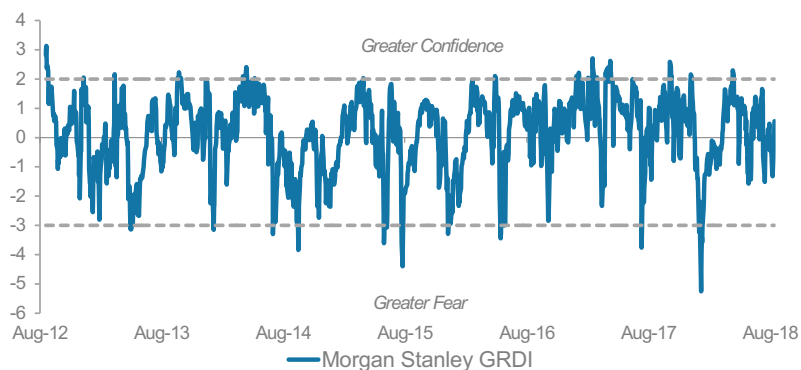
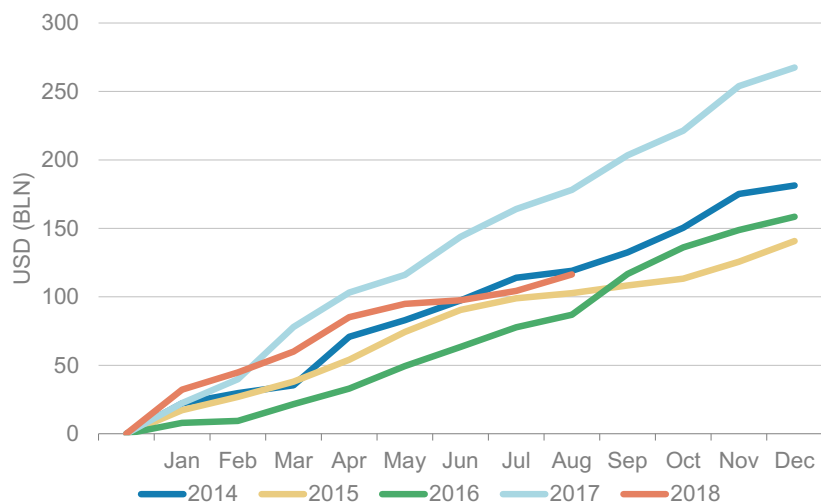


Exhibit 55: Morgan Stanley Global Risk Demand Index



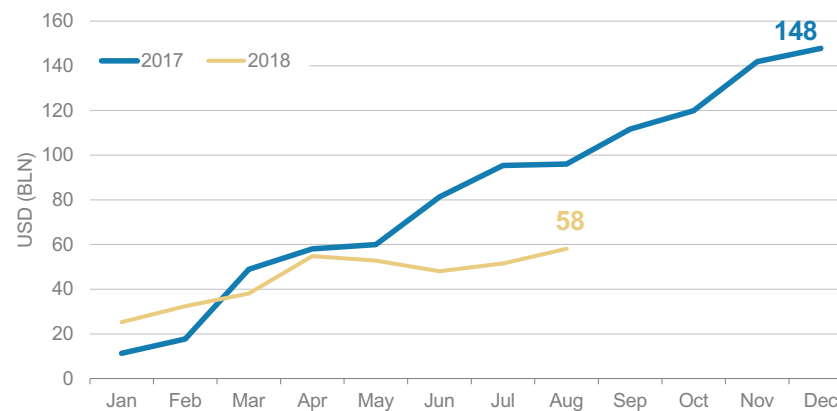
Asia Credit Supply Technicals

Exhibit 56: Asia credit MTD gross supply



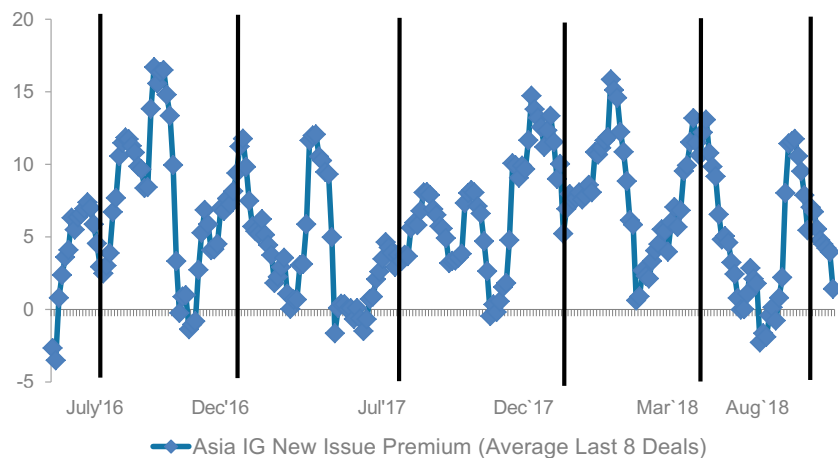
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 57: Asia credit MTD net supply



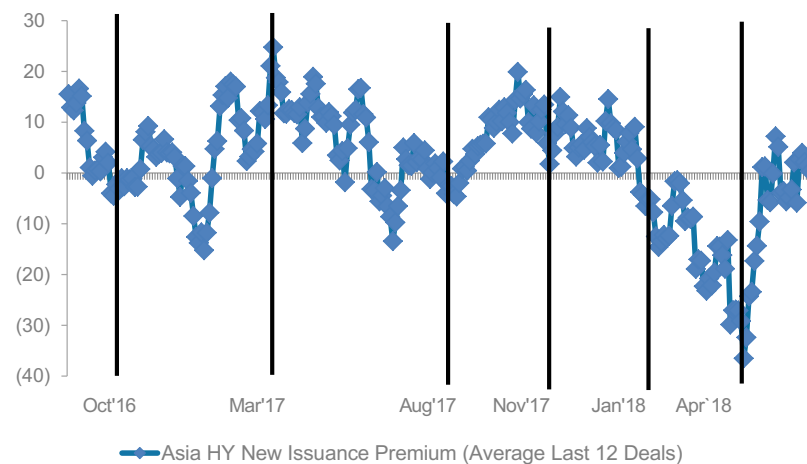
Source: Bloomberg, Morgan Stanley Research

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

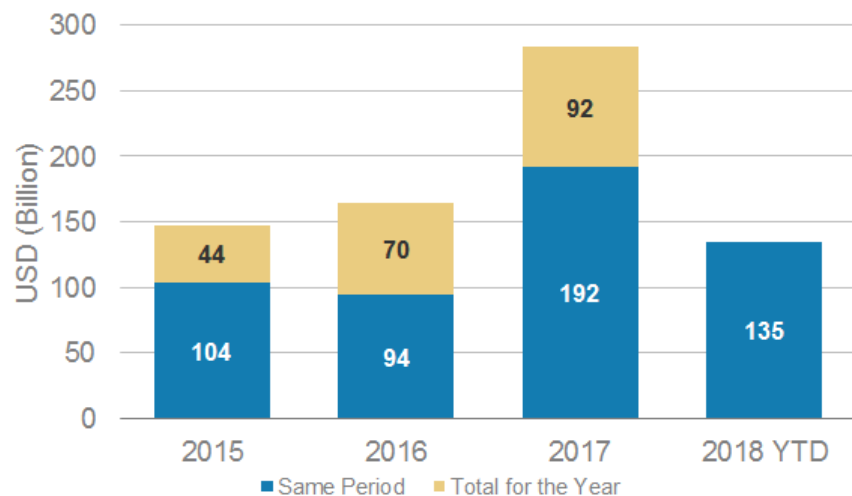
Exhibit 59: Asia HY non-financials new issues premium



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

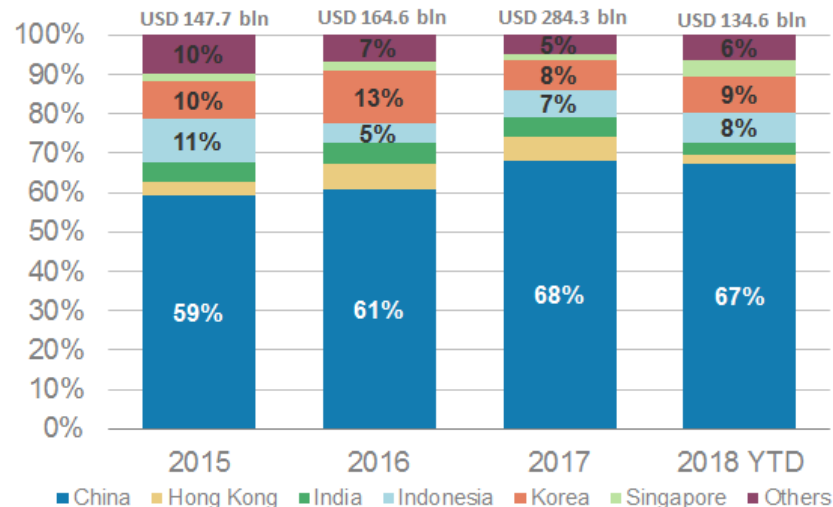
Asia Credit Supply Breakdown

Exhibit 60: Asia credit YTD gross supply comparison



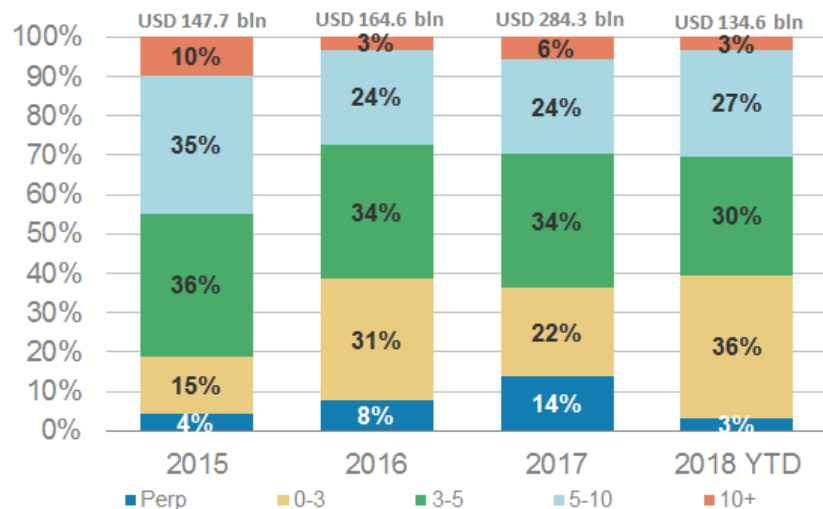
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 61: Asia credit supply breakdown by countries



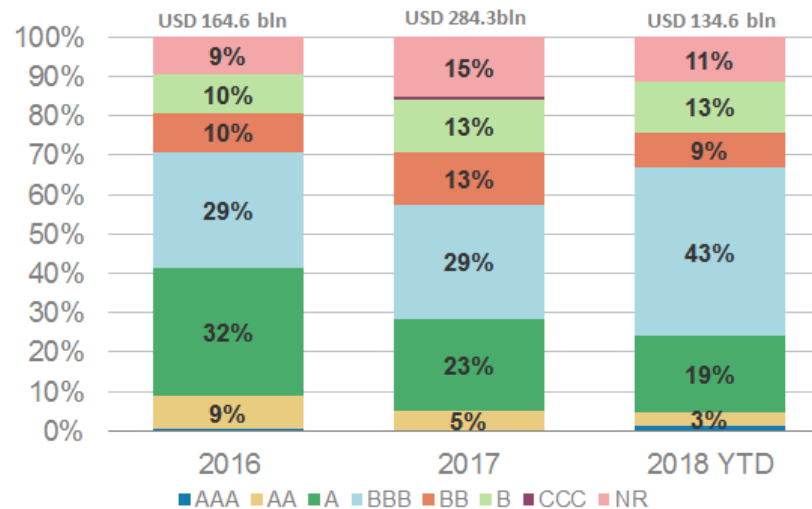
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 62: Asia credit supply breakdown by maturities

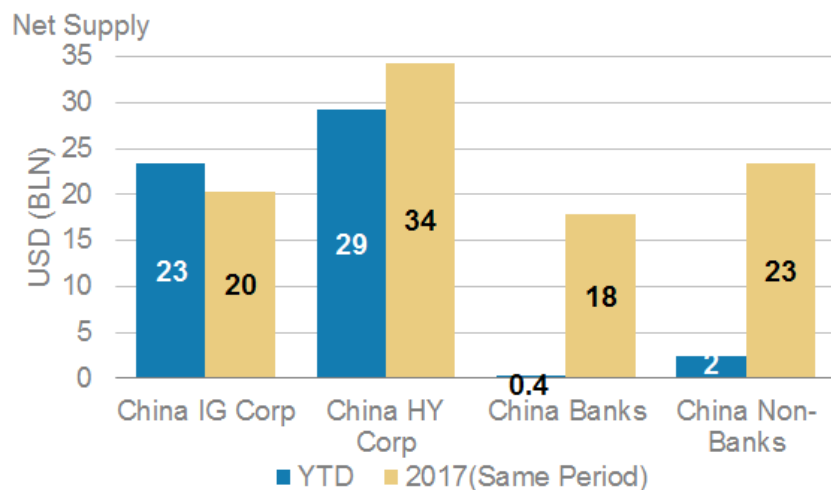


Source: EMDB, Bloomberg, Morgan Stanley Research

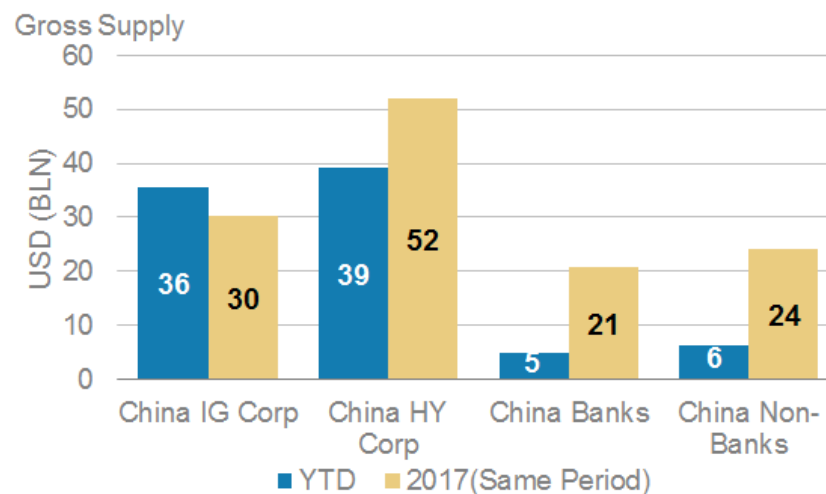
Exhibit 63: Asia credit supply breakdown by ratings



Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 64: Breakdown of China Net Supply


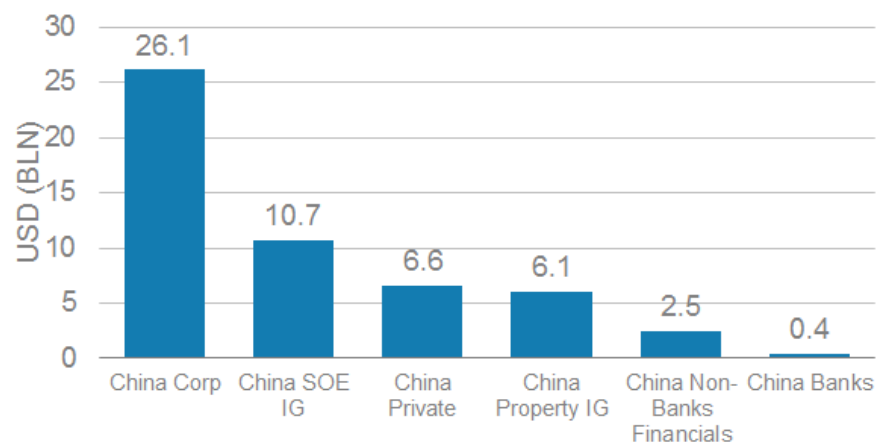
Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 65: Breakdown of China Gross Supply


Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 66: China IG net supply by sectors

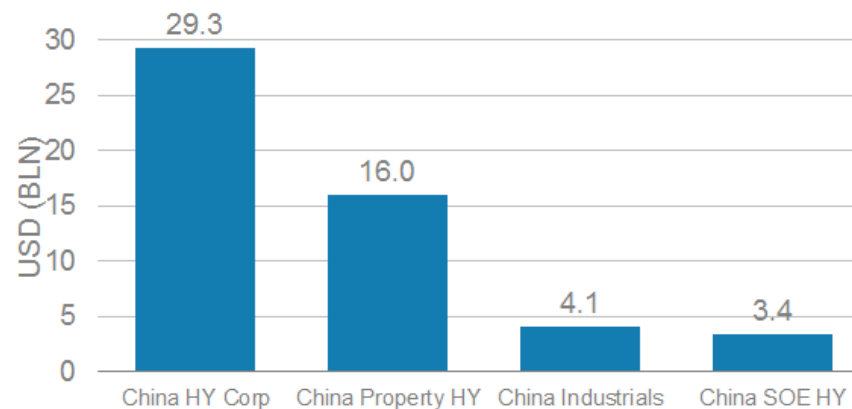
Net Supply in 2018



Source: EMDB, Bloomberg, Morgan Stanley Research

Exhibit 67: China HY net supply by sectors

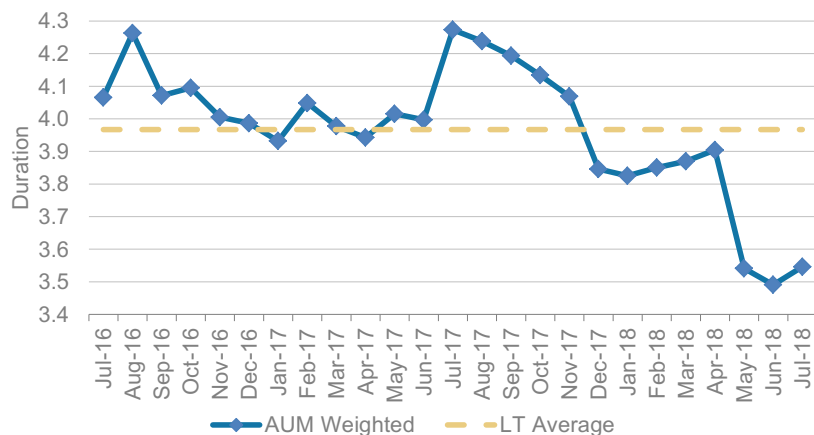
Net Supply in 2018



Source: EMDB, Bloomberg, Morgan Stanley Research

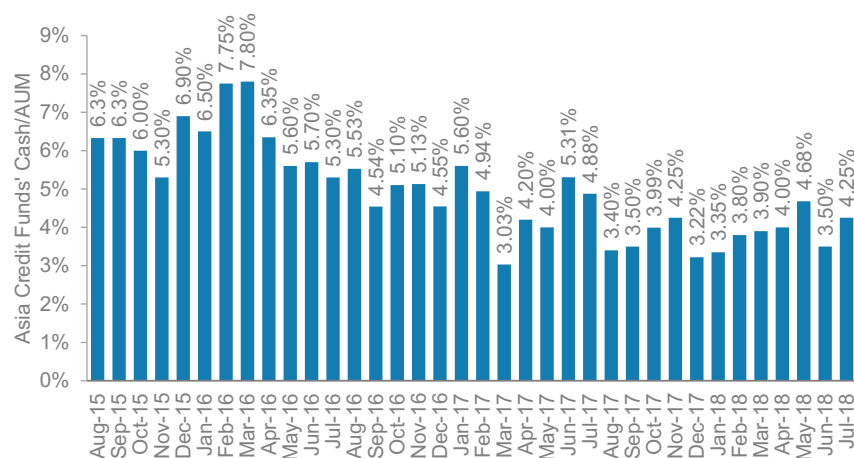
Asia Credit Demand

Exhibit 68: Duration of Asia credit funds



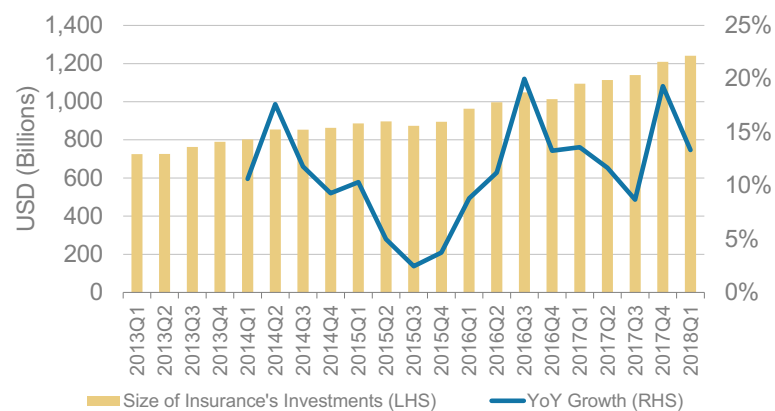
Note: 17 out of 17 funds had reported for Jul'18
Source: Funds fact sheets, Morgan Stanley Research

Exhibit 69: Cash/AUM of Asia credit funds



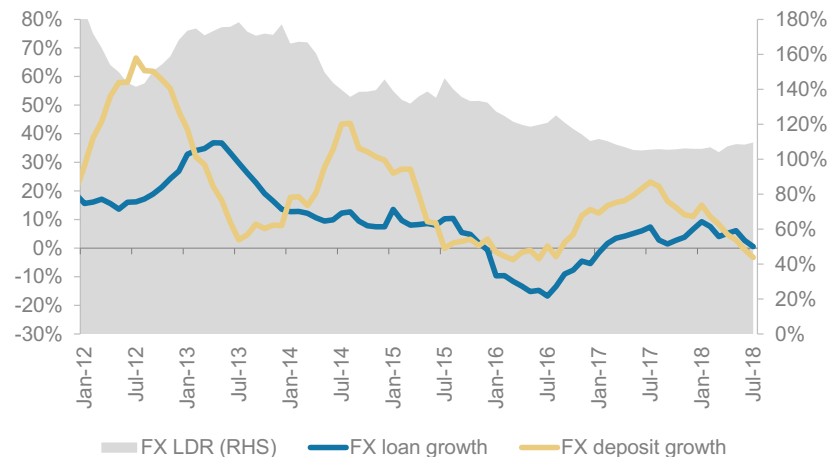
Note: 32 out of 35 funds had reported for Jul'18
Source: Funds fact sheets, Morgan Stanley Research

Exhibit 70: Asia insurance investment demand



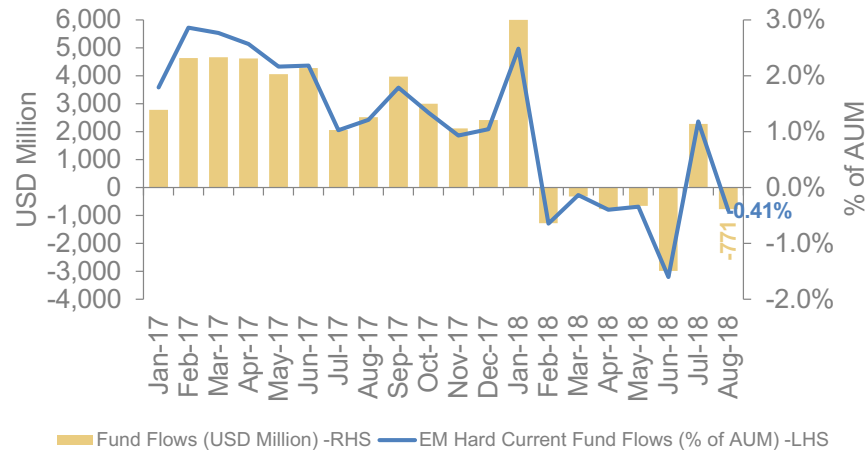
Source: SNL, Morgan Stanley Research

Exhibit 71: Onshore demand for Asia credit



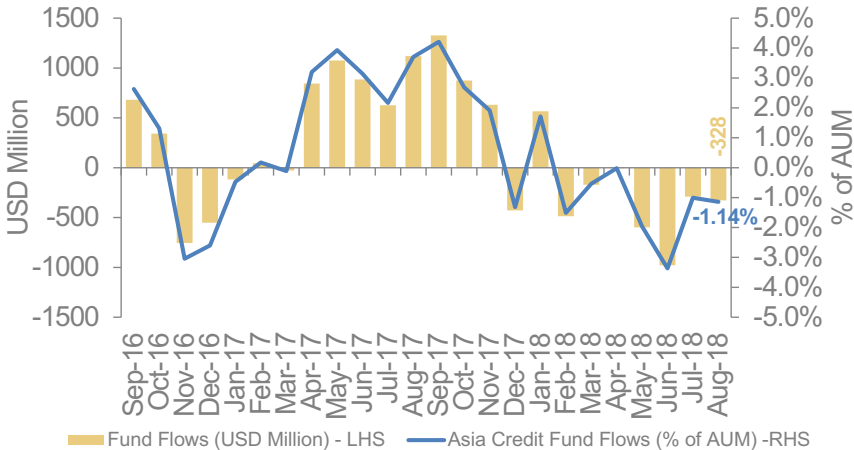
Source: CEIC, Morgan Stanley Research

Exhibit 72: Monthly EM hard currency funds' flow



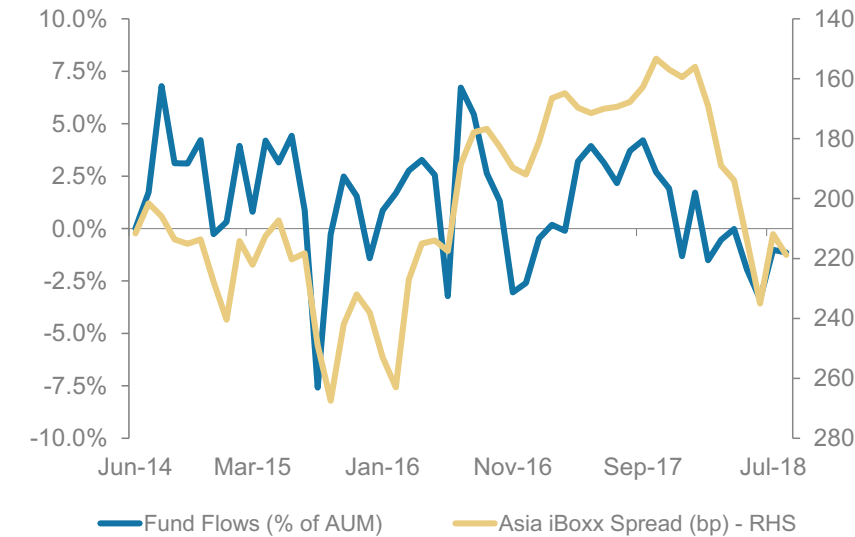
Source: EPFR, Morgan Stanley Research

Exhibit 73: Monthly Asia credit funds' flow



Source: Bloomberg, Morgan Stanley Research

Exhibit 74: Asia credit fund flows vs. Asia credit spread



Source: Bloomberg, iBoxx, Company data, Morgan Stanley Research

Asia New Issue Monitor – Outperformers

Exhibit 75: 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
GSHIAV 6 1/4 08/02/21	GSHIAV	6.250	2-Aug-21	350	BBB-	375	326	-49
SKENER 4 1/8 07/13/23	SKENER	4.125	13-Jul-23	500	BBB+	140	112	-28
CHALUM 4 7/8 09/07/21	CHALUM	4.875	7-Sep-21	400	BBB+	235	208	-27
KOEWPW 3 7/8 07/19/23	KOEWPW	3.875	19-Jul-23	500	AA	123	102	-20
POHANG 4 08/01/23	POHANG	4.000	1-Aug-23	500	BBB+	130	113	-17
FUFENG 5 7/8 08/28/21	FUFENG	5.875	28-Aug-21	350	BBB-	325	309	-16
AHTRHK 4 7/8 09/13/21	AHTRHK	4.875	13-Sep-21	350	BBB+	218	204	-14

Source: Bloomberg, Morgan Stanley Research

Exhibit 76: 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
AGILE 8 1/2 07/18/21	AGILE	8.500	18-Jul-21	600	BB	100	102	1.75
GRNLHK 7 7/8 06/25/19	GRNLHK	7.875	25-Jun-19	200	NR	100	101	0.78
SANLTD 5 1/8 08/08/25	SANLTD	5.125	8-Aug-25	1800	BBB-	100	100	0.42
SANLTD 4.6 08/08/23	SANLTD	4.600	8-Aug-23	1800	BBB-	100	100	0.37
MDLNIJ 10 3/4 08/30/21	MDLNIJ	10.750	30-Aug-21	150	B	100	100	0.37
SUNAC 8 5/8 07/27/20	SUNAC	8.625	27-Jul-20	400	B	100	100	0.35
ZHEBAR 6.8 08/27/21	ZHEBAR	6.800	27-Aug-21	200	NR'	100	100	0.30

Source: Bloomberg, Morgan Stanley Research

Asia New Issue Monitor – Underperformers

Exhibit 77: 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
NANFUN 5 09/05/28	NANFUN	5.000	5-Sep-28	500	BBB-	228	252	25
POWFIN 5 1/4 08/10/28	POWFIN	5.250	10-Aug-28	300	BBB-	235	255	20
CHMEDA 4 1/4 08/07/23	CHMEDA	4.250	7-Aug-23	500	BBB+	148	151	3
SHLGED 4 5/8 09/05/21	SHLGED	4.625	5-Sep-21	300	BBB+	189	191	2
ZHHFGR 5.4 09/07/21	ZHHFGR	5.400	7-Sep-21	500	BBB	267	267	1
CHGDNU 4.8 09/11/48	CHGDNU	4.800	11-Sep-48	100	A	173	174	0
POLYRE 4 3/4 09/17/23	POLYRE	4.750	17-Sep-23	500	BBB-	220	220	0

Source: Bloomberg, Morgan Stanley Research

Exhibit 78: 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
THSCPA 7.95 08/15/21	THSCPA	7.950	15-Aug-21	350	NR	99	96	-2.31
CHFOTN 9 07/31/21	CHFOTN	9.000	31-Jul-21	430	BB+	100	98	-1.59
ZHPRHK 10 1/2 06/28/20	ZHPRHK	10.500	28-Jun-20	250	B-	98	97	-1.30
KWGPRO 7 7/8 08/09/21	KWGPRO	7.875	9-Aug-21	350	BB-	100	99	-1.21
LOGPH 7 1/2 08/27/21	LOGPH	7.500	27-Aug-21	300	B+	99	98	-1.02
FUTLAN 6 1/2 09/12/20	FUTLAN	6.500	12-Sep-20	300	BB-	99	98	-0.77
YUZHOU 7.9 05/11/21	YUZHOU	7.900	11-May-21	625	B+	100	100	-0.32

Source: Bloomberg, Morgan Stanley Research

Key Credit Themes

China Property Sector

Exhibit 79: 70 cities: number of cities with ASP rise/decline

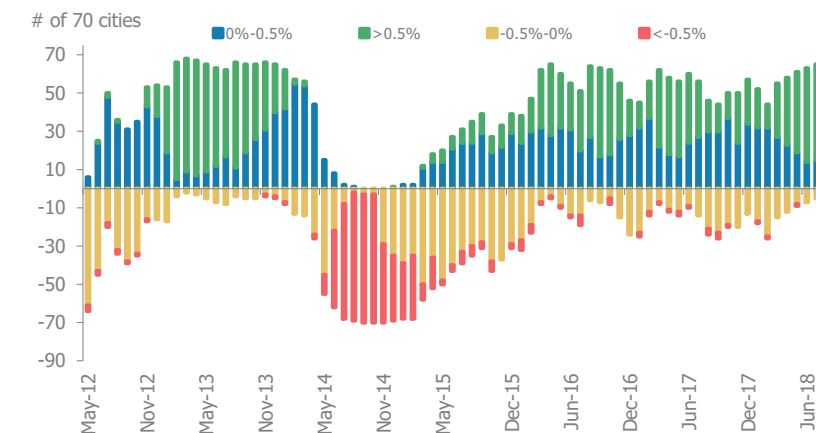


Exhibit 80: YoY China property corp contracted sales growth

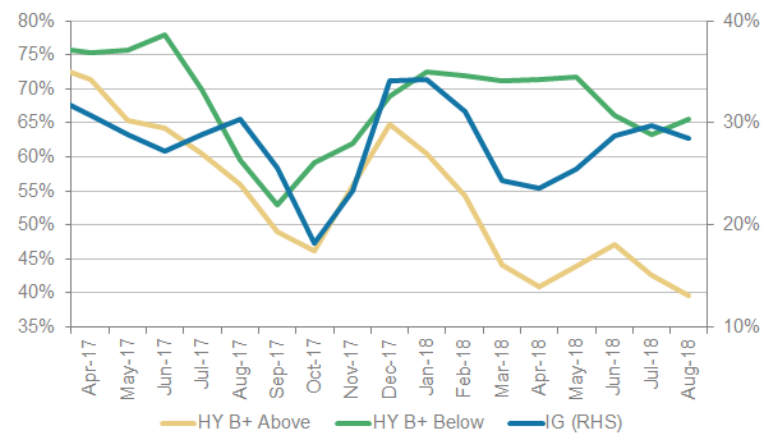


Exhibit 81: China HY versus IG property spread

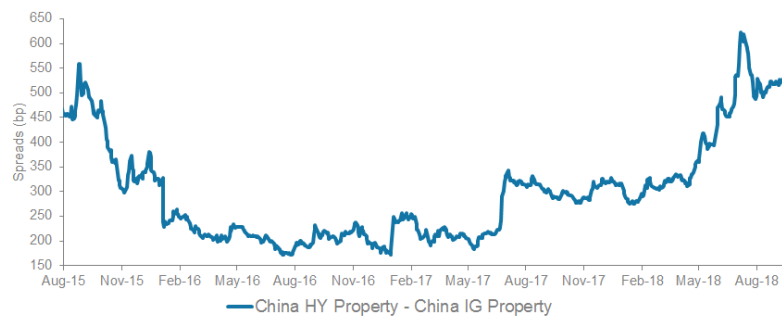
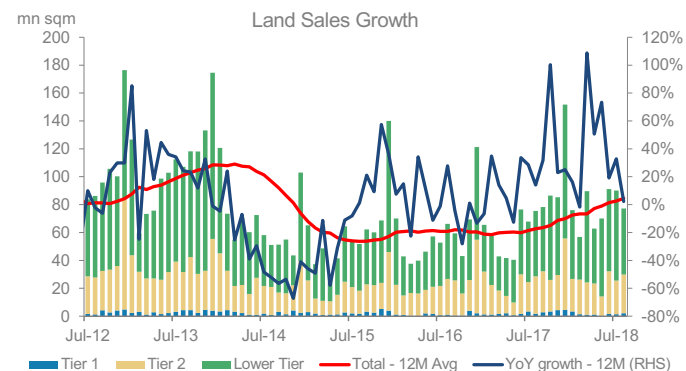
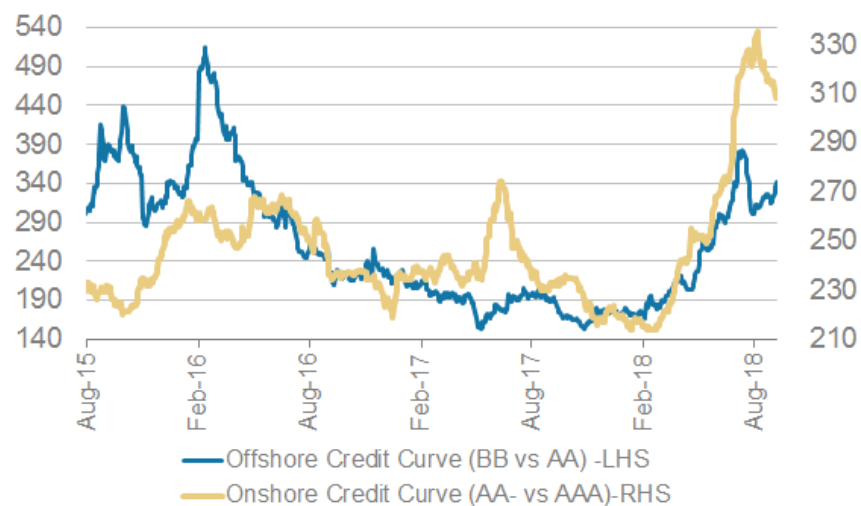


Exhibit 82: Land sales growth in China



Onshore Credit Monitor

Exhibit 83: Onshore versus offshore credit curve



Source: WIND, IBoxx, Morgan Stanley Research

Exhibit 84: China Onshore AAA and CGB Yield



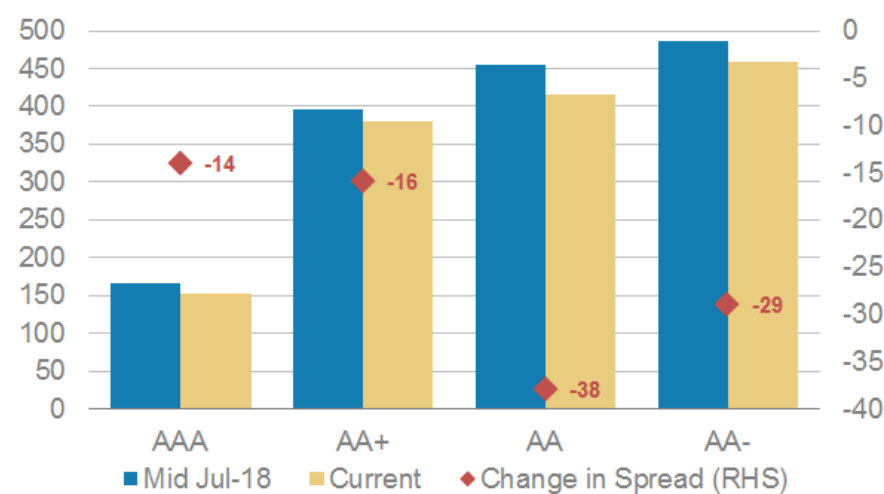
Source: WIND, Morgan Stanley Research

Exhibit 85: Onshore LGFV spreads performance

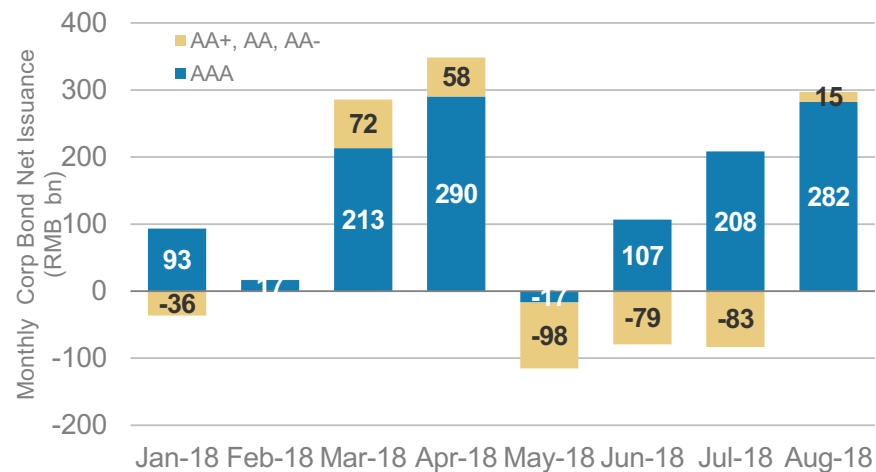


Source: WIND, Morgan Stanley Research

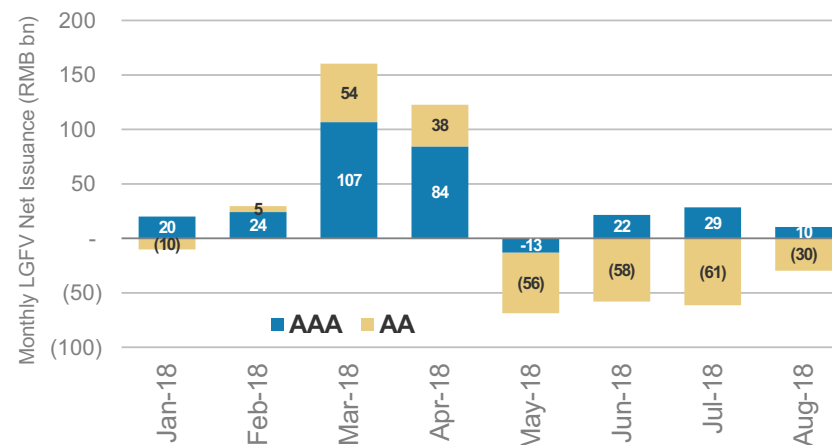
Exhibit 86: Onshore credit curve performance



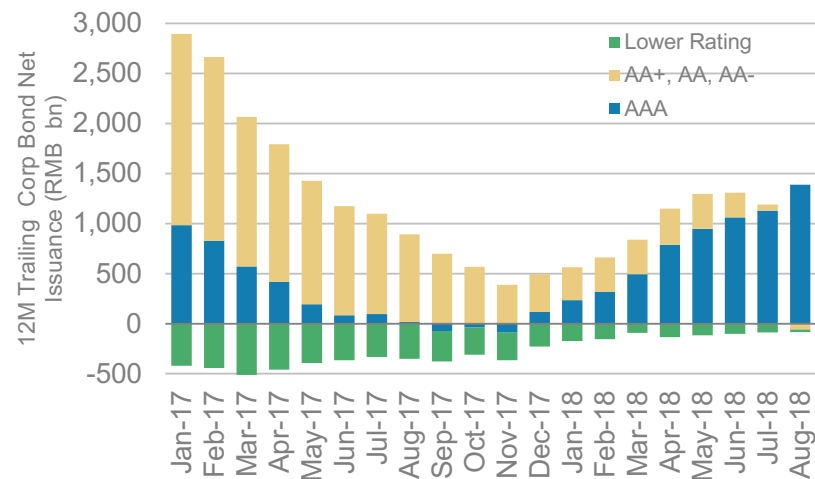
Source: Bloomberg, Morgan Stanley Research

Exhibit 87: Monthly onshore AAA & AA corporate bond issuance


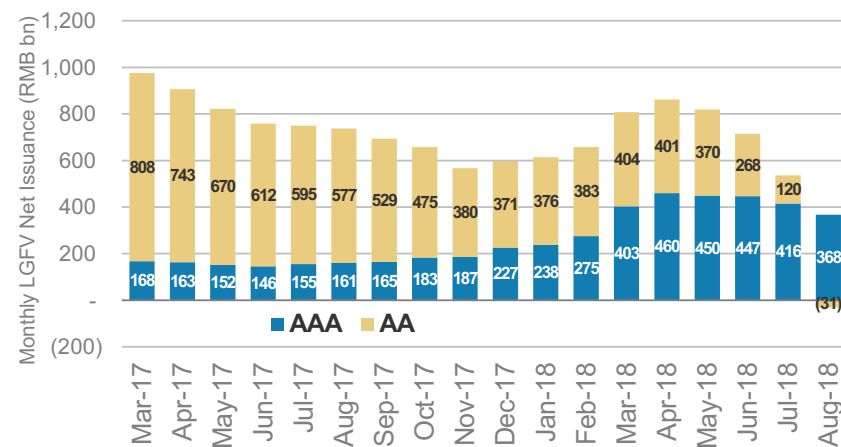
Source: WIND, Morgan Stanley Research

Exhibit 88: Monthly onshore AAA & AA corporate LGFV bond issuance


Source: WIND, Morgan Stanley Research

Exhibit 89: 12M trailing onshore corporate bond issuance


Source: WIND, Morgan Stanley Research

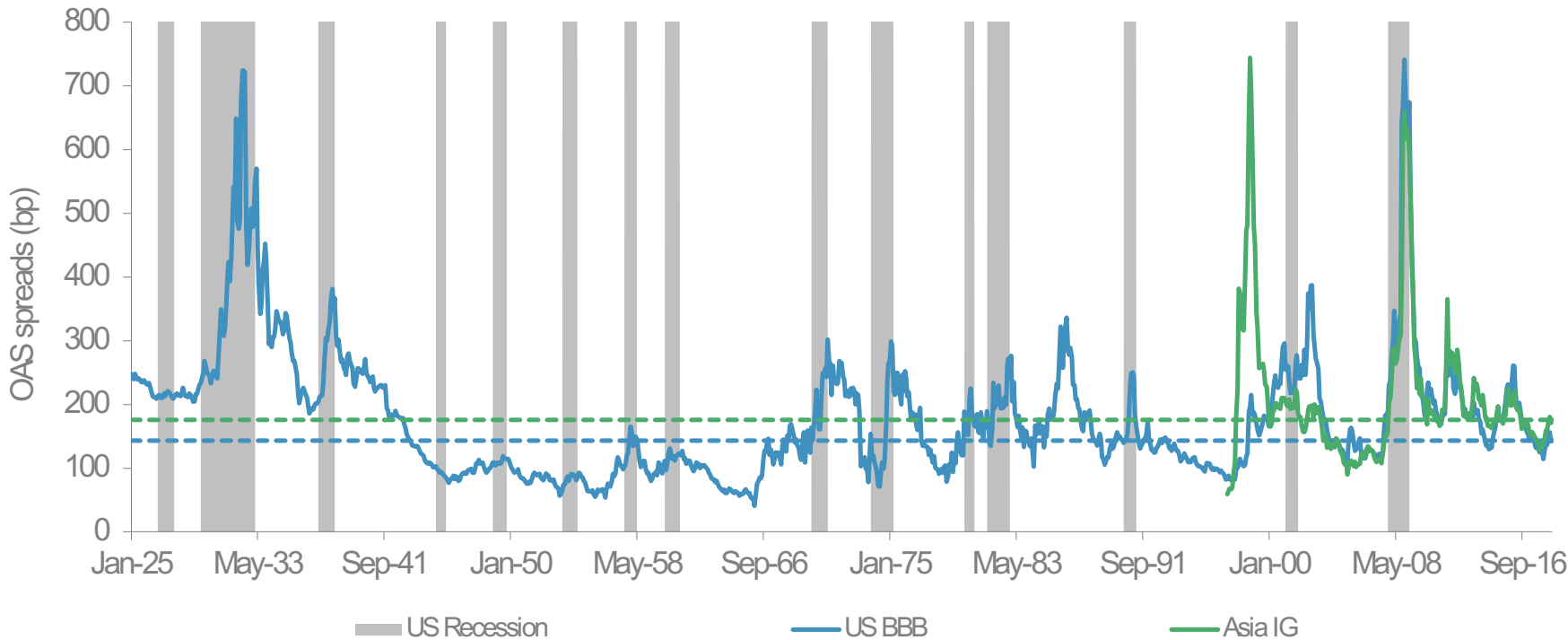
Exhibit 90: 12M trailing onshore AAA & AA corporate LGFV bond issuance


Source: WIND, Morgan Stanley Research

Valuations

Global Credit – The Long-Term View

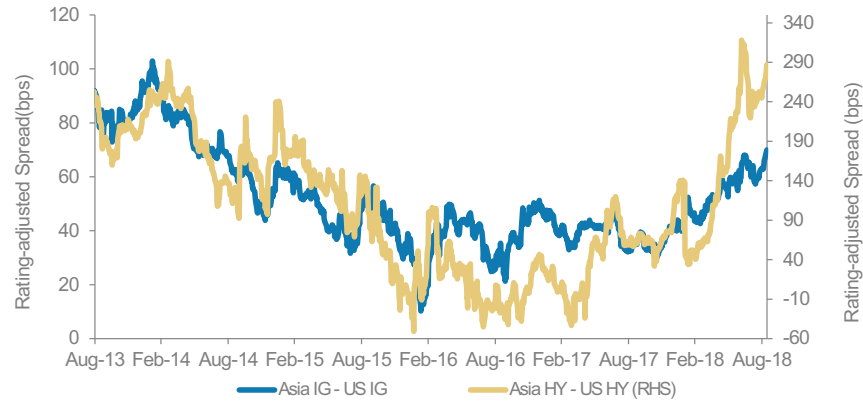
Exhibit 91: US BBB and Asia IG spreads



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

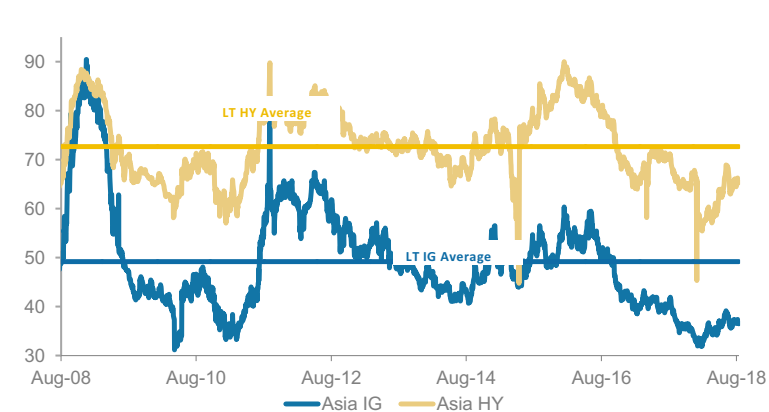
Asia Credit Valuations

Exhibit 92: Spread pick-up switching from US to Asia credit



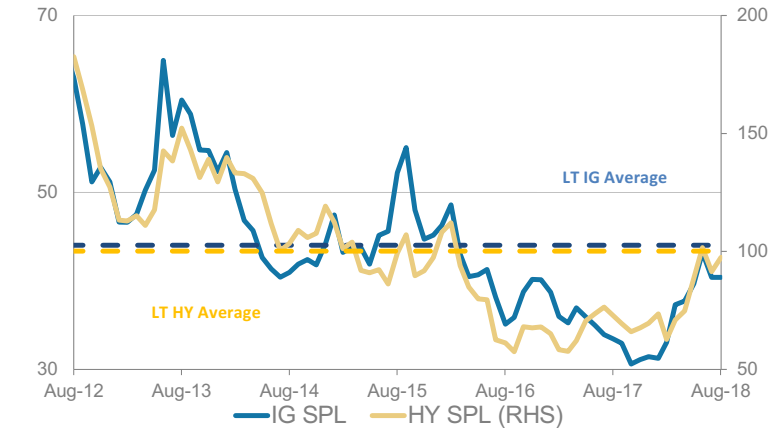
Source: iBoxx, Yieldbook, Morgan Stanley Research

Exhibit 93: Asia corporate cash spread as % of yield



Source : iBoxx, Morgan Stanley Research

Exhibit 94: 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

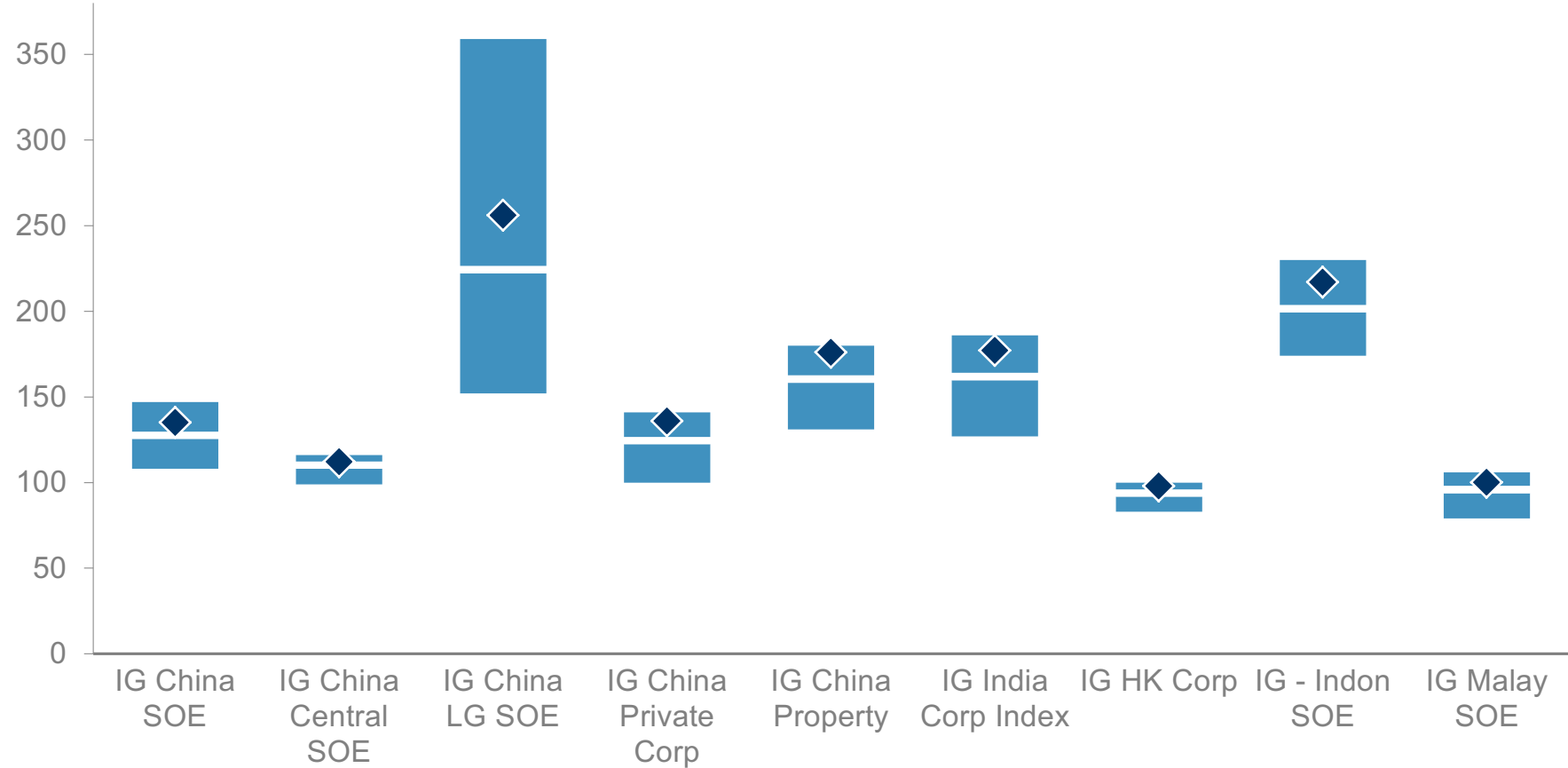
Exhibit 95: Asia IG and Asia HY rolling 1-year risk-adjusted return



Source: Bloomberg, Morgan Stanley Research

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

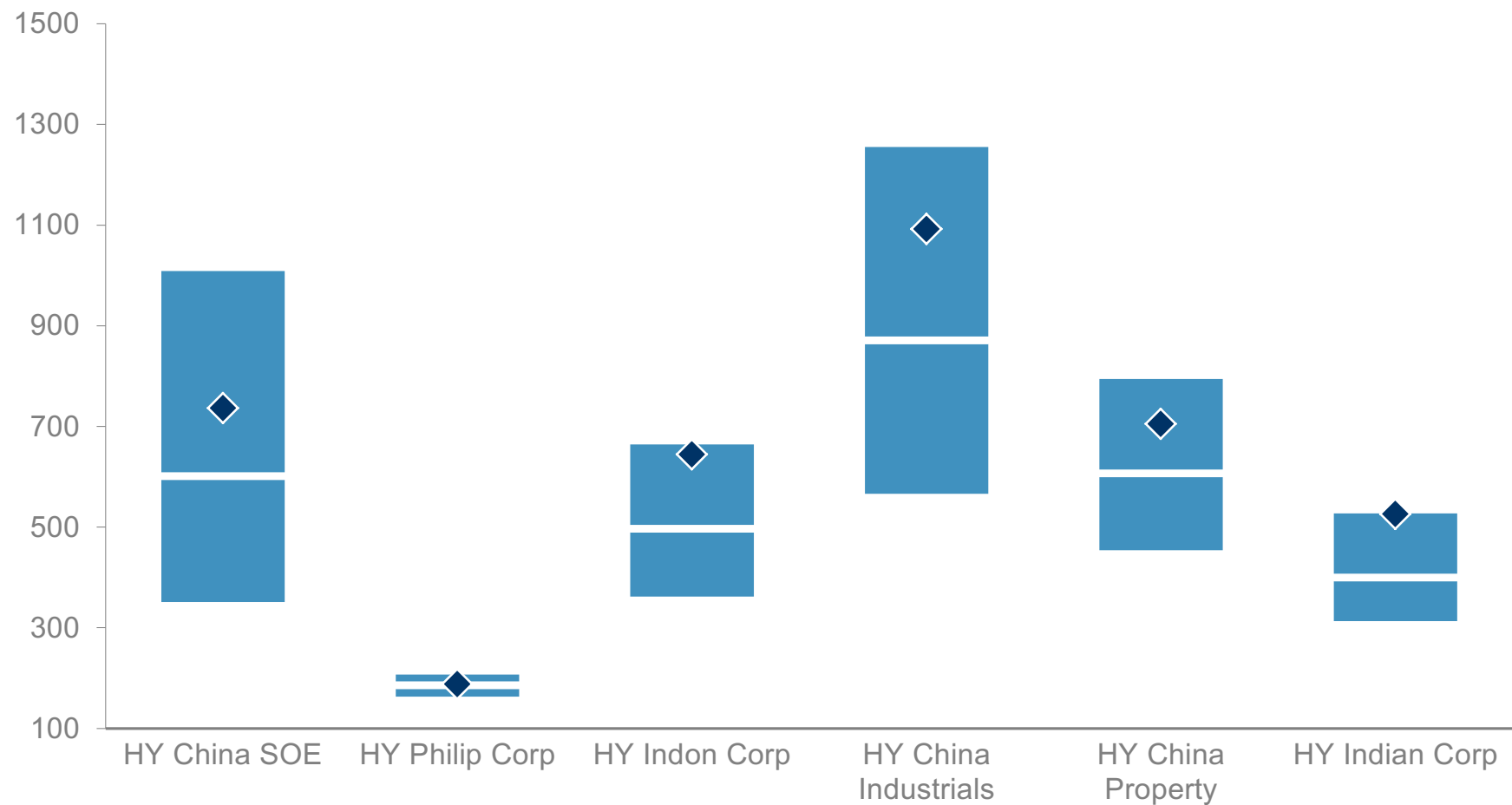
Exhibit 96:



Source: Bloomberg, Morgan Stanley Research

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

Exhibit 97:



Source: Bloomberg, Morgan Stanley Research

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(as of August 31, 2018)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MSC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MSC
Overweight/Buy	1156	37%	296	40%	26%	546	39%
Equal-weight/Hold	1363	44%	348	48%	26%	635	45%
Not-Rated/Hold	50	2%	5	1%	10%	7	0%
Underweight/Sell	553	18%	82	11%	15%	223	16%
TOTAL	3,122		731			1411	

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 decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

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