# APAC Credit Trading Strategies with Real-Time Examples

## 1. Investment Grade (IG) Bond: Z-Spread Mean Reversion

📌 Concept: Bonds tend to revert to their historical Z/OAS spread averages.

💡 Real-Time Example (May 2025):

As of April 7, 2025, the Z-spread of the investment grade (IG) part of the JP Morgan Asian Credit Index has widened by around 30bps since April 2, 2025, indicating a potential mean reversion opportunity. [Source: Eastspring Investments]

→ Trade: Buy the IG bond anticipating a tightening of the spread back to its historical average. Hedge duration with government bond futures.

🧰 Bloomberg Functions: YAS, HP, RV, SRCH

## 2. High Yield (HY) Bond: Relative Value Pair Trade

📌 Concept: Exploit spread dislocations between similar bonds (same currency, rating, sector).

💡 Real-Time Example (May 2025):

As of February 28, 2025, Asia HY spreads remained consolidated, with JP Morgan Asia Credit Index HY spreads widening +6bps to 76bps. [Source: Invesco]

→ Trade: Identify two HY bonds with similar risk profiles where one is trading at a higher spread than the other. Go long the higher spread bond and short the lower one.

🧰 Bloomberg Functions: RV, SRCH > 33, HP

## 3. CDS Curve Steepener: Macro Risk Play

📌 Concept: Trade steepening of CDS curve in response to macroeconomic risk.

💡 Real-Time Example (May 2025):

As of April 7, 2025, Asia iTraxx CDS spreads widened by 26bps, indicating elevated credit concerns and room for further steepening. [Source: Reuters]

→ Trade: Sell 1-year CDS protection and buy 5-year CDS protection on the same issuer, positioning for curve steepening.

🧰 Bloomberg Functions: GCDS, CDSW, CSDR