



Asia Credit: 2017 Outlook

Offense Wins Games, Defense Wins Championships

Global Markets

Asia Ex-Japan

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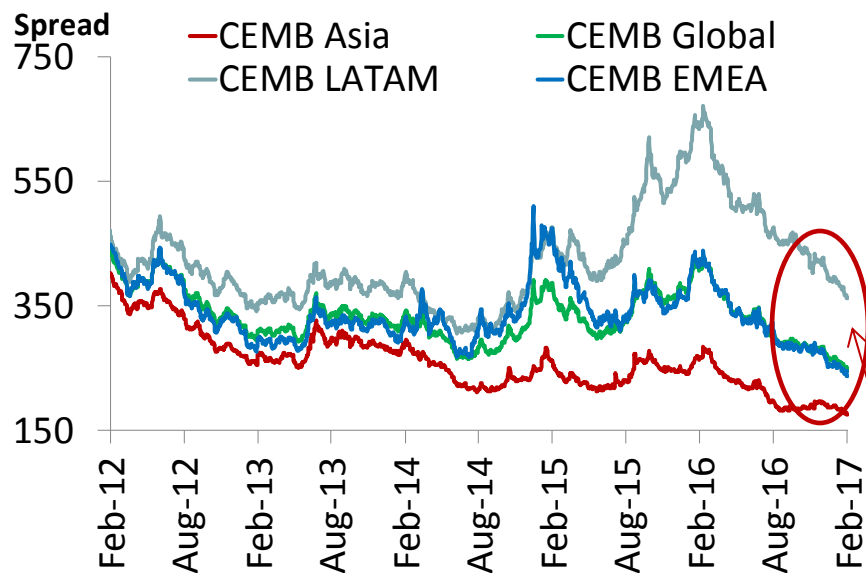
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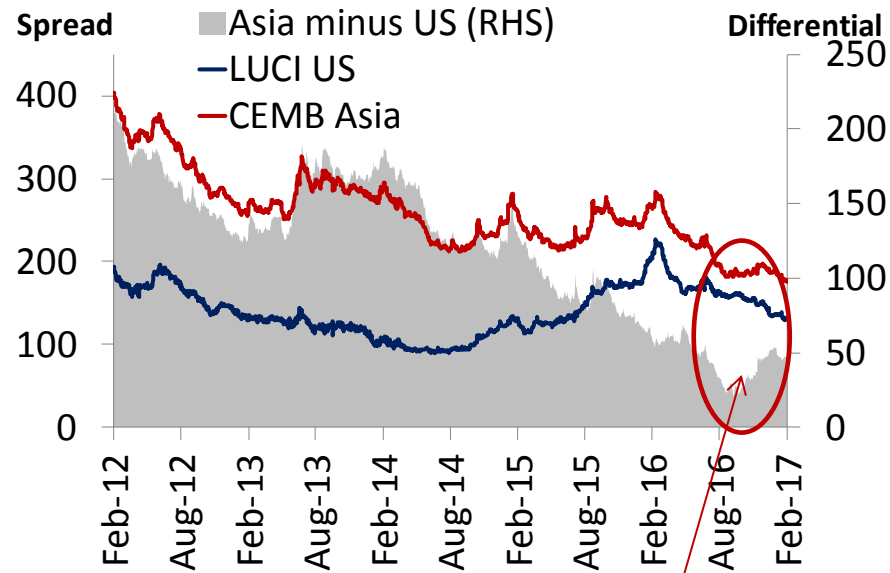
Corporate Cash Credit Spreads – 5 year History

Spread comparison across EM Corporates



Almost at 5 year lows

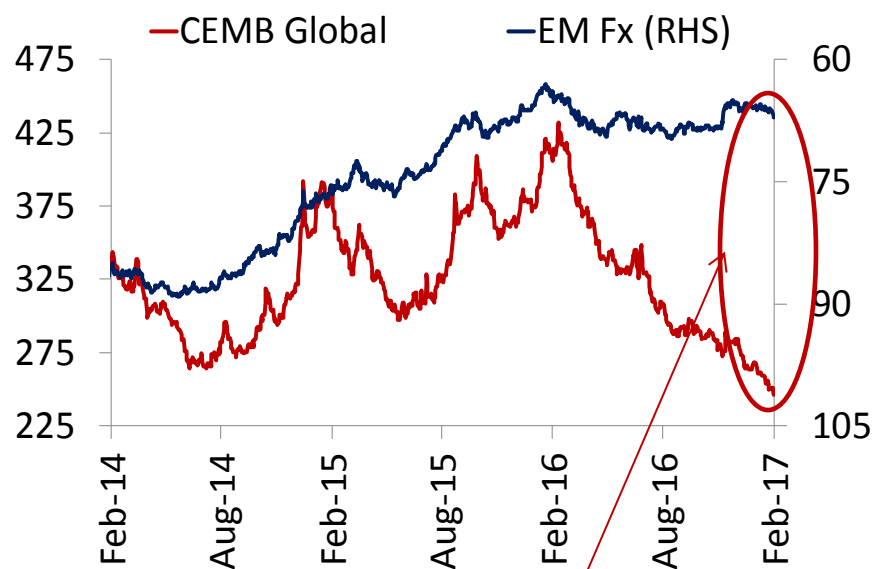
Asia vs US Corporate spreads



Asia Premium at the Lows Vs. US

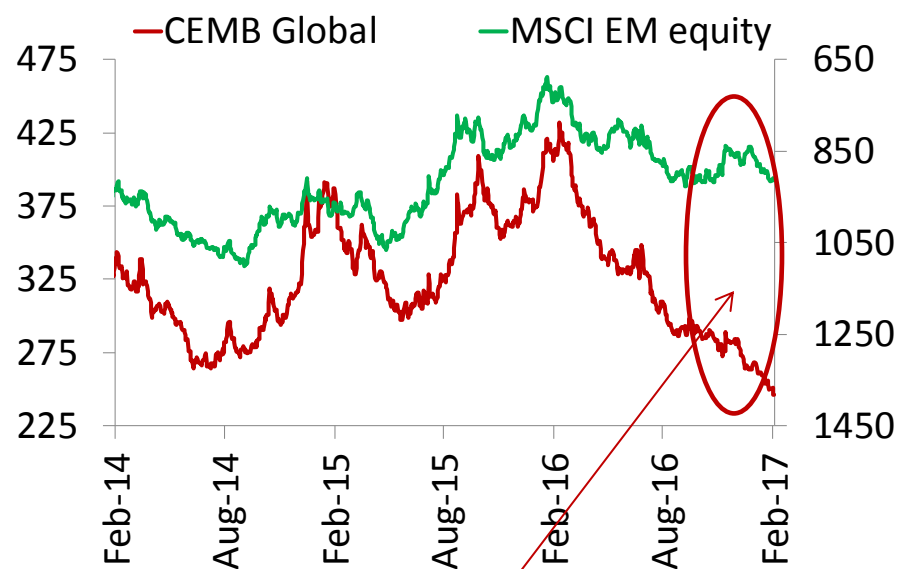
Cross Asset Comparison

EM Credit vs EM FX



Massively outperformed EM FX market

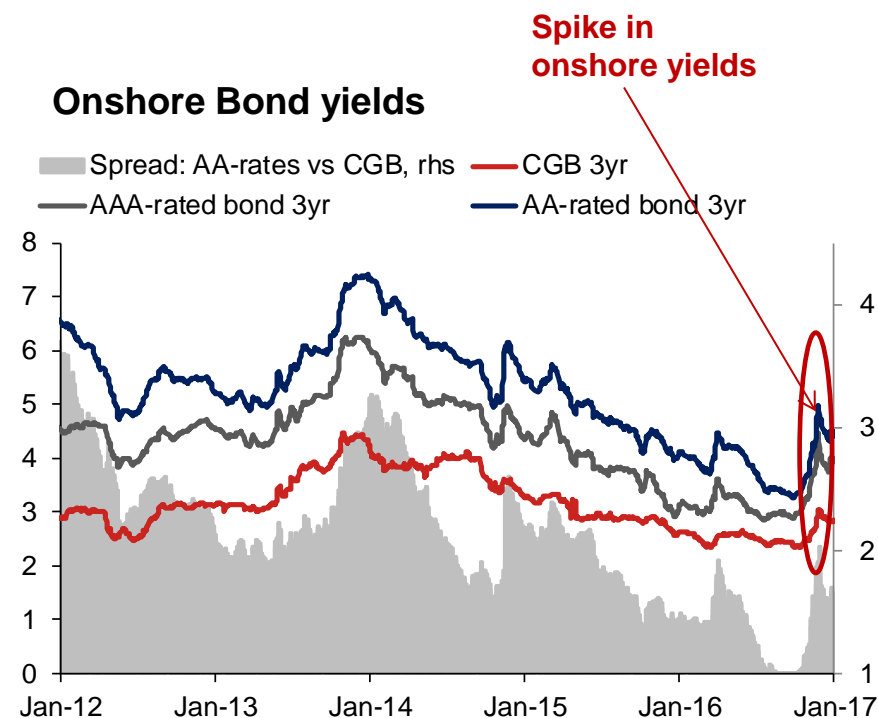
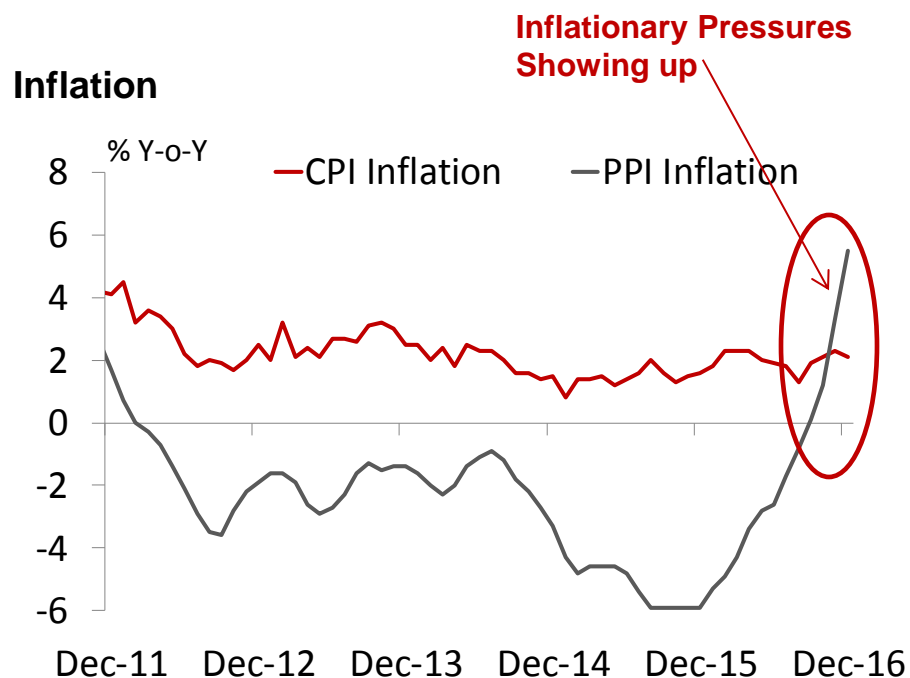
EM Credit vs EM Equity



Outperformed EM Equities as well

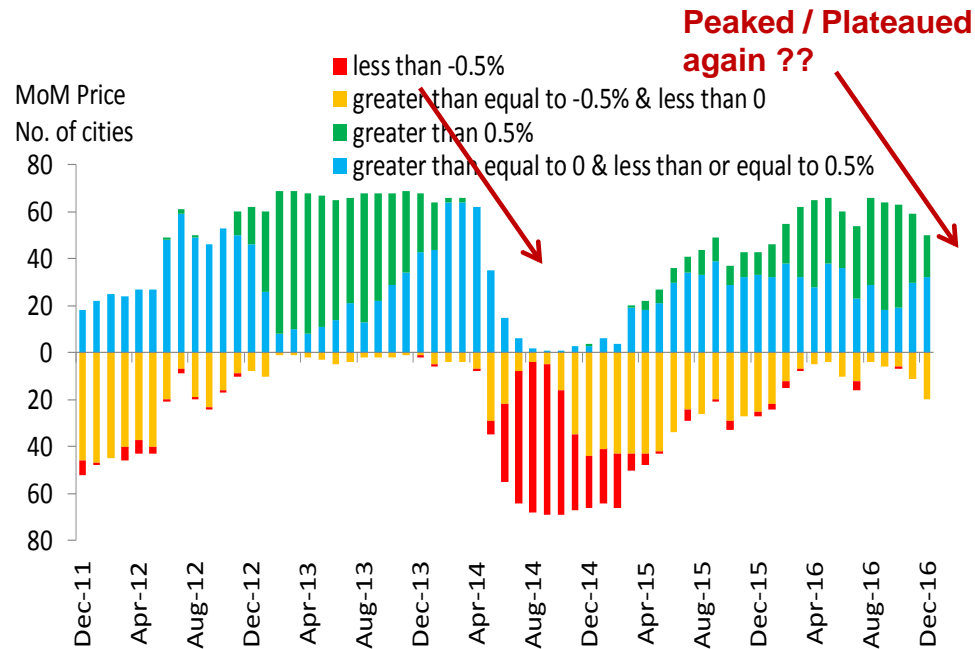
Monetary Policy Environment

- Fed – Tighter Monetary Policy
- ECB / BOJ - ??
- China – Concerns on CNY, Capital Outflows, Overheating = Tighter monetary policy

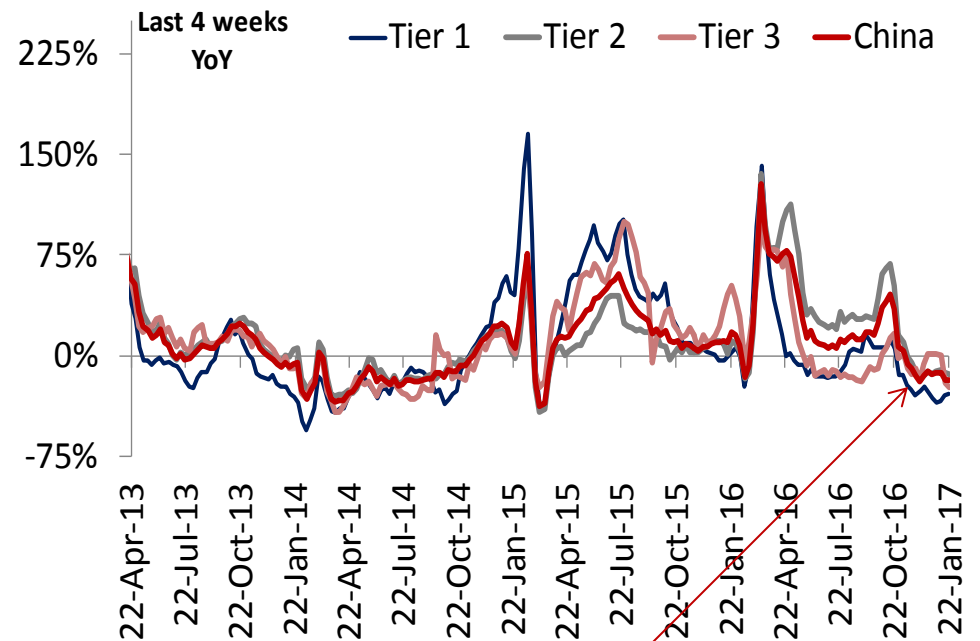


Peek into China Property Markets

China MoM Price: No. of cities



GFA Sales – 4 weeks YoY



In Summary

- Credit Valuation – Full (if not Stretched)
- Monetary policy environment – From Tailwind to Headwind
- Fundamentals – Economic Outlook?, EPS?
- Technical – Inflow Outlook for Fixed Income?, Supply Outlook?
 - Complacency – VIX, Sentiment for Risk Assets?
 - M&A, Leverage Seeking Behaviour?

We expect USD67bn of net supply in 2017

Supply Estimates	USDbn
Sovereigns	15
Financials	92
IG Corporates	56
HY Corporates	25
Gross Supply	188
Redemptions	121
Net supply	67

Please refer to our report “Offense Wins Games, Defense Wins Championships” dated November 28, 2016 for details.

Financials

- Underweight Chinese banks senior and AT1, Overweight senior of leasing companies and Korean and Singaporean T2

Investment Grade Corporates

- Switch from 10-yr to 5-yr bonds, Prefer commodities names, Switch from Korean to HK names, Prefer Indian private corporates to state-owned corporates.

High Yield Corporates

- Prefer short-dated callable China property bonds, Overweight selected Indian and Indonesian names, Underweight China HY industrials



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