

Indicator	26-Feb-19	Last week	%	Last month	%	Last year	%
2/10 UST spread (bps)	16.0	17.0	-6%	18.0	-11%	61.0	-74%
10-year US Treasury yield (%)	2.64	2.65	0%	2.70	-2%	2.86	-8%
3-month USD LIBOR (%)	2.7	2.7	-1%	2.8	-4%	1.9	37%
VIX index	15.2	14.9	2%	19.5	-22%	18.6	-18%
EM HY Corp yield (%)	7.1	7.1	0%	7.3	-2%	5.9	21%
EM HY over IG corp spread (bps)	303.0	302.0	0%	312.0	-3%	216.0	40%
Yield spread of COGARD 12/26s over INDON 1/26s (bps)	180.0	195.1	-8%	209.2	-14%	124.5	45%
Spread of 5-year Chinese AAA corp over China Develop	51.0	52.0	-2%	40.0	28%	55.0	-7%
Spread of 5-year Chinese AA+ corp over AAA corp bon	31.0	30.0	3%	30.0	3%	29.0	7%
BITCOIN/Gold (oz.)	2.9	3.0	-5%	2.6	10%	8.6	-66%
Baltic Dry Index	637.0	643.0	-1%	939.0	-32%	1,191.0	-47%
OPEC oil prices (USD)	65.4	66.6	-2%	61.0	7%	61.6	6%

Source: Quandl, BOAML, US Treasury, CBOE, Chinabond, Bloomberg, CNBC, Global-rates

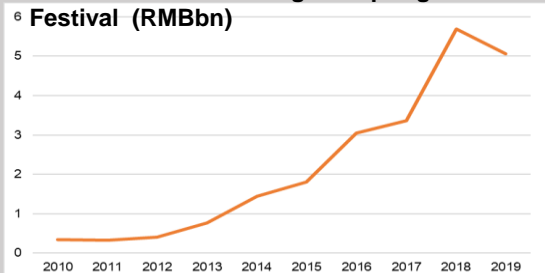
Our focus (Warut Promboon/Umesh Desai)

- ❖ Still a bullish Asian bond market with less potential rate hike (2/10 UST spread at 17bps vs. 63 bps last year). Baltic Dry Index dropped further to 634 and we see this as a signal of a potential global recession in the near term. Slowing China with debt problems tells us global economy will have less help. Low growth and low rates are a recipe for a bullish bond market but with rising defaults. 2019 will be a good “flight to quality” year for those who do careful bottom-up credit homework, to say the least. We prefer IG bonds and high-quality HY bonds through credit selections.
- ❖ Trump tweeted to delay the tariff deadline on China. (25-Feb) We see the trade war as a symptom of a distrust between the US and China which will not go away soon and we do not buy that the notion that a quick resolution will be reached soon.
- ❖ Qinghai Provincial Investment defaulted on a coupon on its USD300 bonds maturing 2020. The default was a surprise in our view and the sentiment toward LGFV and Chinese credits will be hurt. Qinghai is strategically important to China and this default means the default probability is not just about the support by the Chinese government. (22-Feb)
- ❖ HNA cut its stake in [Deutsche Bank](#) to 6.3% from 7.4% (17-Feb)
- ❖ Guangzhou R&F's 2018 profit warning on 2017's one-off gain. (17-Feb)
- ❖ Key bond issuance announcements:
 - ❖ [Ronshine China Holdings](#) (25-Feb)
 - ❖ [Golden Wheel Tiandi Holdings](#) (retap) (25-Feb)
 - ❖ [Redsun Properties](#) (25-Feb)
 - ❖ [Shui-On Land](#) (21Feb)
 - ❖ [KWG Group Holdings](#) (21Feb)
 - ❖ [Modern Land \(China\)](#) (retap) (20-Feb)
 - ❖ [Kaisa Group Holdings](#) (19-Feb)
 - ❖ [Logan Property's 3.5-yr NC2](#) (19-Feb)

China WATCH (Kerry Liu)

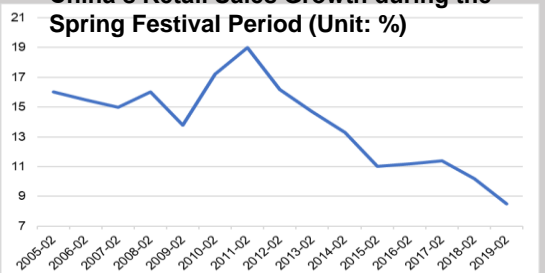
China's Spring Festival, a period for consumption and spending, indicates the year of Pig could be disappointing. The movie box office during this 7-day period experienced a negative growth, the first time since 2010. The retail sales growth during the period also dropped to a single-digit figure, also the first time since 2005. These two events show us that the Chinese consumption growth is slowing down as the result of the negative wealth effect from the sluggish property market as we previously argued. We expect 1Q'19 will still be difficult for the Chinese economy.

Movie Box Office during the Spring Festival (RMBbn)



Source: Wind

China's Retail Sales Growth during the Spring Festival Period (Unit: %)



Source: Wind

Notable rating changes					To	From		
Date	Agency	Description	Rating type	Rating action	Rating	Outlook/Credit Watch	Rating	Outlook/Credit Watch
18-Feb	S&P	SK E&S Co. Ltd.	Local currency/Foreign currency	Outlook change	BBB	negative	BBB	stable
18-Feb	S&P	Tungshu Group	Local currency/Foreign	Downgrade	B-	negative	B	stable
19-Feb	Moody's	Yida China Holdings	Corporate Family Rating	Downgrade	Caa1	negative	B3	negative
19-Feb	Moody's	Bumi Resources	Corporate Family Rating	Outlook change	B3	negative	B3	stable
19-Feb	Fitch	PT Indosat Tbk	LT foreign and local rating	Outlook change	BBB+	negative	BBB+	stable
19-Feb	S&P	GCL New Energy Holdin	Local currency/Foreign currency	Downgrade	B+	negative	BB-	Negative
20-Feb	Moody's	JSW Steel	Corporate Family Rating	Outlook change		positive		stable
20-Feb	Moody's	Tata Steel	Corporate Family Rating	Upgrade	Ba2	stable	Ba3	positive
20-Feb	Moody's	Yes Bank	Foreign currency issuer rating	Outlook change	Ba1	stable	Ba1	negative
20-Feb	S&P	eHi Car Services	Local currency/Foreign currency	Outlook change	BB-	negative	BB-	stable
20-Feb	S&P	Teesnabank	Local currency/Foreign currency	Upgrade	B-	stable	SD	
21-Feb	S&P	CAR Inc	Local currency/Foreign currency	Downgrade	BB-	negative	BB	stable
22-Feb	S&P	Chen Shing Rubber Ind.	Local currency/Foreign currency	Downgrade	BB+	stable	BBB-	negative

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