

Indicator	18-Mar-19	Last week	%	Last month	%	Last year	%
2/10 UST spread (bps)	15.0	16.0	-6%	17.0	-12%	47.0	-68%
10-year US Treasury yield (%)	2.60	2.60	0%	2.66	-2%	2.74	-5%
3-month USD LIBOR (%)	2.6	2.7	-2%	2.8	-5%	2.2	19%
VIX index	13.08	14.33	-9%	15.61	-16%	18.20	-28%
EM HY Corp yield (%)	7.0	7.2	-3%	7.2	-3%	5.9	19%
EM HY over IG corp spread (bps)	303	319	-5%	307	-1%	215	41%
Yield spread of COGARD 1/25s over INDON 1/27s (bps)	258.4	282.4	-8%	299.3	-14%	135.2	91%
5-year China Development Bank onshore bonds (%)	3.51	3.45	2%	3.32	6%	4.83	-27%
5-year AAA-rated Chinese corporate onshore bonds (%)	4.04	3.98	2%	3.81	6%	5.29	-24%
5-year AA+ - rated Chinese corporate onshore bonds (%)	4.34	4.29	1%	4.10	6%	5.57	-22%
BITCOIN/Gold (oz.)	3.1	3.1	0%	3.1	-2%	6.6	-54%
Baltic Dry Index	730	645	13%	622	17%	1,136	-36%
OPEC oil prices (USD)	66.9	64.8	3%	64.9	3%	62.7	7%

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

Our focus (Warut Promboon/Shrey Bhandari/Umesh Desai)

- ❖ Bond market continues to perform with 2/10 UST spread dipping even lower to 15 bps (vs. 16 bps last week). Baltic Dry Index recovered to 730 but remains 36% lower than last year's level. We prefer investment grade universe and remain selective on "BB" high-yield bonds and cautious on "B and lower" down the credit curve on rising default risk, especially in China. Country Garden bonds maturing 2025 rallied from about 10% YTM last November to 6.5% on 18-March. We note the YTM remains 110bps above last year's level. We believe there is not much "juice" left and believe the market will move on to a neutral stance soon.
- ❖ Bloomberg's GDP tracker points to 2.1% QoQ Global GDP growth for Q1, the lowest since 2009. The slowing global growth is per our expectation of rising defaults.
- ❖ [Fitch revised down potential growth for large EM economies](#)
- ❖ [S&P said we are set for the global credit downturn but the crisis will not be as bad as the global financial crisis in 2008](#)
- ❖ This year has pivotal elections in India, Indonesia, and Thailand which will have the first real election since 2011. The 250 appointed senators (in addition to 500 elected MPs) will play a key role to elect Thailand's next PM. We think either General Prayut or Abhisit will be chosen as PM but with a lame duck coalition that leads to the next election sooner than the market thinks. End of the day, we are talking more domestic spending in the near term and a (small) step toward more transparency in Thai politics. Credit positive for Thailand, in our view. The recent negative sentiment toward fossil fuels by the press and the competing political parties is credit and spread negative for PTT-related bonds, in our judgment.
- ❖ India-Pakistan conflict turned out to be a non-event and we expected power maneuvering behind the scene may have averted the crisis. However, the return to status quo was good news for the market.
- ❖ S&P placed Lippo Karawaci on CreditWatch Positive on improving liquidity.

China WATCH (Kerry Liu)

- ❖ The China-US trade war truce is a big positive for risky assets although it was through a preliminary agreement, in our view.
- ❖ At the beginning of the trade war, most analysts underestimated the seriousness of this trade conflict. After a series of escalations, we believe analysts tend to overestimate this conflict by exploring the possibility of a full-scale conflict between China and US including national security, military and economic competition, etc.
- ❖ China and US are in direct competition in almost every field and the trade war as a symptom of a distrust between the US and China, will not go away soon.
- ❖ However, in the short-term, we believe the trade war has become a political tool used by the Trump administration to deal with domestic issues including the Mueller investigation and the constant spars with the Democrats.
- ❖ Mr. Trump has not fared very well against his political opponents, in our view. It is safe to say that the Kim-Trump summit in Hanoi was a total failure. As a result, we believe he is keen to make a deal with China to calm the market a bit.
- ❖ We think Mr. Trump is in a weaker position than Mr. Xi. Although, at the beginning, Xi was under some criticism but his authority has no significant challenge. We think China's strategy of buying time through deliberate delays has worked in China's favor.
- ❖ That said, the development is credit positive for China and risky assets as demonstrated by strong EM performance.

Notable rating changes

Date	Agency	Description	Rating type	Rating action	Rating	To Outlook/Credit Watch	From Outlook/Cr edit Watch
4-Mar	Fitch	ME Holdings Corporation	Long-Term Issuer Default Rating	Downgrade	C		CC
6-Mar	S&P	SK Broadband Co. Ltd.	Long-term issuer and issue rating	Outlook change	A-	Negative Watch	A- Stable
5-Mar	S&P	Adani Transmission	Long-term issuer and issue rating	Watch Negative	BBB-	Negative	BBB-
8-Mar	Moody's	STATS ChipPAC Pte. Ltd	Corporate family rating	Upgrade	B2		B3
7-Mar	Moody's	Geo Energy Resources	Corporate family rating	Outlook change	B2	Positive	B2 Stable
6-Mar	Moody's	Frasers Centrepoint Trust	Issuer rating	Review for downgrade	Baa1	Review for downgrade	
11-Mar	Moody's	Central Bank of India	Long-term local and foreign currency deposit ratings	Upgrade	Ba2	Stable	Ba3 Stable
11-Mar	Moody's	Indian Overseas Bank	Long-term local and foreign currency deposit ratings	Upgrade	Ba2	Stable	Ba3 Stable
13-Mar	Moody's	Bank Permata Tbk	Baseline Credit Assessment	Upgrade	ba1	Stable	ba2 Stable
14-Mar	Moody's	Standard Chartered Bank (Singapore) Limited'	Long-term issuer and deposit ratings	Downgrade	A1	Stable	Aa3 Review for downgrade
14-Mar	Moody's	Standard Chartered Bank (Singapore) Limited'	Baseline Credit Assessment	Downgrade	a3		a2
14-Mar	Moody's	Lippo Karawaci Tbk	Corporate family rating	Outlook change	B3	Stable	B3 Negative
13-Mar	Moody's	Barrick Gold Corporation	Senior unsecured ratings	Outlook change	Baa2	Stable	Baa2 Developing
14-Mar	S&P	PT Lippo Karawaci Tbk.	Long-term issuer and issue rating	CreditWatch	CCC+	Watch positive	CCC+
14-Mar	S&P	LG Chem	Long-term issuer rating	Outlook change	A-	Negative	A- Stable

Source: S&P, Moody's, Fitch

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