

Indicator	8-Apr-19	Last week	%	Last month	%	Last year	%
2/10 UST spread (bps)	15.0	14.0	7%	17.0	-12%	50.0	-70%
10-year US Treasury yield (%)	2.50	2.41	4%	2.63	-5%	2.77	-10%
3-month USD LIBOR (%)	2.58	2.60	-1%	2.61	-1%	2.32	11%
VIX index	13.18	13.40	-2%	16.05	-18%	17.41	-24%
EM HY Corp yield (%)	6.9	7.0	-1%	7.2	-4%	5.8	19%
EM HY over IG corp spread (bps)	311	322	-3%	319	-3%	200	56%
Yield spread of COGARD 1/25s over INDON 1/27s (bps)	274.9	281.3	-2%	288.0	-5%	163.6	68%
5-year China Development Bank onshore bonds (%)	3.60	3.48	3%	3.40	6%	4.40	-18%
5-year AAA-rated Chinese corporate onshore bonds (%)	4.10	3.98	3%	3.98	3%	5.04	-19%
5-year AA+ - rated Chinese corporate onshore bonds (%)	4.42	4.30	3%	4.29	3%	5.32	-17%
BITCOIN/Gold (oz.)	3.9	3.2	23%	3.0	31%	5.2	-25%
Baltic Dry Index	714	685	4%	649	10%	974	-27%
OPEC oil prices (USD)	69.0	67.2	3%	64.8	7%	64.8	6%

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

The Market (Warut Promboon/Umesh Desai)

- Risk-on was back with Baltic Dry Index improving 4% in a week. VIX continued to dip further. 10-year UST remains above 2.5% with 2/10 spread stable at 15bps. EM HY Corp of 6.9% was close to that of the week before. Resilient market reflects stable rate environment and a lack of bad news in the market. US-China trade war talks have progressed in a positive way and indicators out of the US and China are encouraging. Some investors began to think the return to growth could be faster than the market had expected. We differ on this and pointed out to IMF's revised global growth forecast to 3.3% from 3.5% in 2019 .
- We remain risk-off as there is not much "juice" left in EM bonds. We expect the market to a neutral stance on supply overhang and rising default in China. A leveraged IG portfolio at this low rate remains ideal but we caution against chasing lowering yield in a rising default environment. Market is always correct but tends to overreact. We believe real money accounts are beginning to chase yields and it could end in tears.
- Thailand's election surprise includes Future Forward party (FFP) winning ~ 80 seats (out of 500). That leads to two factions for and against the junta at about 250 seats each. We are still awaiting official results on May 9th, before which ballot tallies may change. Future Forward's party leader and secretary have recently been charged with multiple counts including a plot against Thailand's political stability. The FFP surprise victory tipped the balance and creates a power vacuum, in our view. We believe the most likely scenarios include (1) General Prayut becoming a PM with minority lower house votes or (2) A brand new neutral PM (such as Anutin) with a weak coalition government. One certainty is that this government will not last long since neither faction won a decisive victory, and that could lead to a delay in investments in the near term. In the longer run, as long as there is no protest on the streets (which we do not expect) and, subsequently, another coup, we think Thailand is heading for a more transparent politics which is positive for the country.

China/ South Asia WATCH (Kerry Liu/ Shrey Bhandari)

- China's industrial profits for the first two months of 2019 dropped for the first time since 2016 when China began to implement the supply-side reform. We believe the event shows that the real economy in Q1 will be weak overall.
- However, Caixin PMI and official PMI in March have both rebounded, showing that China's manufacturing sector is expanding again. Specifically, the sub-indices of manufacturing, new orders including export orders, import and employment have all rebounded. While it is a little early to say whether this rebound is sustainable, it is one of few positive signs which may finally show that the Chinese economy has finally got out of trough.
- President Trump is out of the woods for now as the Mueller report did not find evidence to link him to the Russia collusion. That will give him more confidence going into the trade negotiation with China. While we think a short-term solution could be good news, we believe this is the beginning of a protracted argument with China and the US which is not good for the markets.
- The BSE hit a new lifetime high on 2nd April. Markets are optimistic ahead of the general election beginning on the 11th. In our opinion, markets are hopeful of political stability and continued reforms.
- Pakistan is on the verge of being blacklisted by the Financial Action Task Force (FATF) due to ineffectiveness against Money Laundering and Terror Finance. We believe the news is neutral.

Notable rating changes									
Date	Agency	Description	Rating type	Rating action	Rating	To Outlook/Credit Watch	From Rating	Outlook/Credit Watch	From Outlook/Credit Watch
1-Apr	S&P	Tata Steel Ltd	Long term issuer/issue rating	Outlook change	BB-	Positive	BB-	Stable	
1-Apr	S&P	Tianjin Infrastructure Construction & Investment Group Co. Ltd.	Long-term issuer/issue rating	Outlook change	BBB+	Negative	BBB+	Stable	
1-Apr	S&P	Tianjin Rail Transit Group Co. Ltd.	Long term issuer rating	Outlook change	A-	Negative	A-	Stable	
1-Apr	S&P	AEON Credit Service (Asia) Co Ltd	Long term/short term issuer rating	Outlook change	BBB+/A-2	Negative	BBB+/A-2	Stable	
1-Apr	S&P	Tianjin Binhai New Area Construction & Investment Group CO Ltd	Long term issuer/issue rating	Outlook change	BBB	Negative	BBB	Stable	
28-Mar	S&P	Renesas Electronics Corp. W	Long/short-term issuer credit ratings	Downgrade	BBB-/A-3	Negative		CreditWatch (negative)	
27-Mar	S&P	Tata Motors Ltd.	Long term issuer/issue rating	Downgrade	B+	CreditWatch (negative)	BB-	CreditWatch (negative)	
26-Mar	S&P	Shandong Sanxing Group Co. Ltd.	Long-term issuer/issue rating	Downgrade	B+	Stable	BB-	Stable	
25-Mar	S&P	G&C Mutual Bank Limited	Long term issuer rating	Outlook change	BBB-	Positive	BBB-	Stable	
19-Mar	S&P	Starhill Global Real Estate Investment Trust	Issuer credit rating	Outlook change	BBB+	Negative	BBB+	Stable	
17-Mar	S&P	Asset Finance Ltd.	Issuer credit rating	Downgrade	B-	Stable	B	Stable	
14-Mar	S&P	PT Lippo Karawaci Tbk.	Issuer credit rating	Watch Positive	CCC+	Watch Positive	CCC+	Negative	
14-Mar	S&P	Dr. Peng Telecom & Media Group	Long term issuer rating	Downgrade	B	Negative	B+	Negative	
29-Mar	Moody's	Lembaga Pembiayaan Ekspor	Baseline Credit Assessment	Downgrade	b2		ba3		
28-Mar	Moody's	R&F Properties (HK) Company Limited	Corporate family rating	Outlook change	B1	Stable	B1	Negative	
28-Mar	Moody's	Guangzhou R&F Properties Co., Ltd.	Corporate family rating	Outlook change	Ba3	Stable	Ba3	Negative	
21-Mar	Moody's	P.T. Indosat Tbk	Issuer credit rating	Outlook change	Baa3	Negative	Baa3	Stable	
18-Mar	Moody's	Yuexiu Property Company Limited	Issuer credit rating	Outlook change	Baa3	Stable	Baa3	Negative	
15-Mar	Moody's	Hamkorbank	Baseline Credit Assessment	Upgrade	b1		b2		
15-Mar	Moody's	Hamkorbank	Local Currency deposit rating	Upgrade	B1	Stable	B2	Positive	
15-Mar	Moody's	Ipoteka Bank (Uzbekistan)	Baseline Credit Assessment	Upgrade	b2		b3		
15-Mar	Moody's	Ipoteka Bank (Uzbekistan)	Local Currency deposit rating	Upgrade	B1		B2		
14-Mar	Moody's	Lippo Karawaci Tbk	Corporate family rating	Outlook change	B3	Stable	B3	Negative	
13-Mar	Moody's	Bank Permata Tbk	Baseline Credit Assessment	Upgrade	ba1		ba2		
1-Apr	Fitch	Sunac China Holdings Limited	Long-Term Foreign-Currency Issuer Default Rating	Upgrade	BB	Stable	BB-	Stable	
28-Mar	Fitch	Guorui Properties Limited	Long-Term Foreign-Currency Issuer Default Rating	Downgrade	B-	Stable	B	Stable	
28-Mar	Fitch	361 Degrees International Limited	Long-Term Issuer Default Rating	Downgrade	BB-	Stable	BB	Rating Watch (negative)	
27-Mar	Fitch	Jiangsu HanRui Investment Holding Co	Long term Issuer Rating	Downgrade	B	Negative	B+		
27-Mar	Fitch	Guangzhou R&F Properties Co	Long term issuer rating	Outlook change	BB-	Stable	BB-	Negative	
22-Mar	Fitch	PT Indosat Tbk	Long term issuer strength	Downgrade	BBB	Negative	BBB+		

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