




## ASIA CREDIT REPORT

### Third Quarter 2014

PREPARED IN PARTNERSHIP WITH

sifma



**ASIFMA** is an independent, regional trade association with over 60 member firms comprising a diverse range of leading financial institutions from both the buy and sell side including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the US and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

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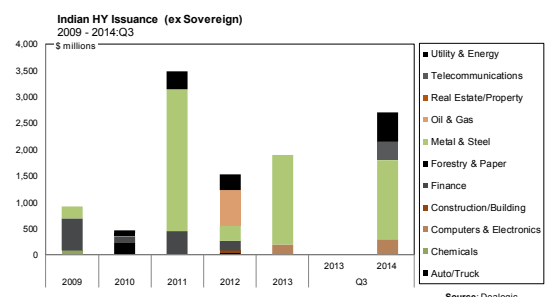
## 2. G3 Asia ex Developed Market Asia (Japan, Australia and New Zealand)

### Market Overview and Highlights of Asia (ex-Japan, Australia and New Zealand) debt issuance in Third Quarter 2014

Total issuance in 3Q'14 came in at a weaker USD 39.49 billion (bn) as of September 30 bringing YTD issuance of 2014 to USD 146.88bn; issuance is below quarter-over-quarter (qoq) from 2Q'14 (USD 67.47bn) but up 67.3% year-over-year (yoy), inclusive of high grade (HG), high yield (HY), and unrated deals. Despite issuance for the rest of the year weakening, FY'14 issuance has already reached a new all-time high.

Highlights of this quarter's issuance were as follows:

- 1) Qoq comparisons were always going to be challenging going into the third quarter, on account of the all-time record volume of Asian G3 debt issuance priced in 2Q'14. Even so, in absolute terms, the total volume of issuance seen in 3Q'14 remains impressive.
- 2) Just under half of Asian G3 debt issuance during the quarter was accounted for by financials - Bank capital transactions centered on Basel III-compliant subordinated debt, particularly out of China, were in the spotlight. The newest structure at the center of investor interest is Additional Tier 1 Capital (AT1) issuance – while a small USD 300mn deal by a Chinese issuer in April set the precedent for AT1 Asian G3 issuance, this has since been overshadowed by much larger deals priced in September, including the record USD 6.5bn deal priced by another Chinese bank issuer earlier this month.
- 3) The third quarter also saw the Indian HY sector come into its own, with a wide range of issues from sectors as diverse as steel, clean energy and internet access/telecommunications. Innovative structures incorporated by individual issuers, such as the provision of security to investors over specific subsidiaries/assets, coupled with the desire of investors to diversify away from the still dominant Chinese property component of the Asia ex-Japan HY bond market, drove investor interest in these Indian deals.



In terms of total return, both on a quarterly and YTD basis, Asian HG debt has outperformed Asian HY paper due to a combination of factors – while spreads in the HG space have traded flat to modestly tighter on a YTD basis, the strong rally in US treasuries has contributed to high single digit percentage gains of 7.9% on HG debt. On the other hand, renewed concerns around the China property sector (in particular the focus on individual issuers' ability to refinance large volumes of upcoming debt maturities) has resulted in YTD spread widening of 40-50 bps for the HY sector overall – nonetheless, total returns have still remained positive (in the mid single-digits) at 6.6% on a YTD basis, largely on account of the strong positive carry on HY bonds, which offset the spread widening.

Even more significantly, Asian G3 debt overall has not only outperformed European and US debt on a YTD total return basis but continues to offer value, on account of trading wider than comparable European and US indices across both HG and HY ratings classes, despite rallying more during the course of 2014. The ability of Asian paper to hold up as a "safe harbor" during turbulent times was also in evidence during the most recent period of market volatility. Yet another factor underpinning Asian credit has been the strong inflows into Asian bond funds during 3Q'14.

## State of the Asian leveraged loan market

Asia leveraged loan debt, excluding developed market Asia, reached USD 41.19bn in 3Q'14, a 32.3 percent decline qoq (USD 60.84bn) and a 35.1 percent decline yoy (USD 63.48bn). Year-to-date, loan issuance has reached \$160.68bn; at current pace of issuance, FY'14 will be shy of the USD 251.63bn reached in 2013. Leading sectors in 3Q'14 issuance are from metal & steel (USD 4.72bn), finance (USD 4.48bn), and leisure & recreation (USD 4.09bn). Sponsored loan deals ticked up slightly by dollar amount, but remain few and far in between, representing only 6.5% by dollar amount in the third quarter.

## Key trends in Asia (ex-Japan, Australia and New Zealand) G3 & LCY bond issuance

For the third quarter 2014, total G3 issuance stood at USD 39.49bn, with HG transactions accounting for USD 31.53bn, HY issues accounting for a total of USD 7.13bn, and unrated issues accounting for 825 million. China remains the largest issuing country in the third quarter, accounting for a total of USD 20.17bn, or a little over half, of G3 issuance seen so far in 3Q'14, with USD 16.51bn and USD 3.55bn in HG and HY deals, respectively, priced from China alone. India replaces South Korea to be second in issuance with USD 5.86bn, followed by South Korea with USD 4.30bn in issuance.

Overall G3 debt outstanding in the region stood at USD 634.06bn, a growth of 3.7% qoq. High grade debt accounted for the bulk of total outstanding debt at USD 404.38bn (a 3.2% growth qoq), followed by HY debt at USD 145.81bn (a growth of 1.4% qoq) and NR debt at USD 83.87bn (a growth of 10.6% qoq). China (with USD 169.5bn), South Korea (with USD 119.7bn) and Hong Kong (with USD 87.9bn) were the three countries with the largest shares of G3 debt outstanding, with growth in China and Hong Kong but declines in South Korea. In terms of ratings, within the HG space, deals rated A+ (USD 92.6bn) accounted for the largest share of debt outstanding, while NR deals (USD 83.9bn) and BB+ transactions (USD 60.9bn) dominated the deals outstanding in the HY space. By sector, financials with a total of USD 159.4bn accounted for more than a third of outstanding G3 paper, with sovereigns (USD 150.7bn) second. Finally, deals with remaining tenors of 5 years or less (USD 279.5bn) accounted for the bulk of total Asia (ex-Japan, Australia and NZ) debt outstanding.

During 3Q'14, three sectors between them accounted for the largest share of G3 issuance by sector: finance (USD 17.34bn), real estate (USD 4.07bn), and sovereigns (USD 3.87bn).

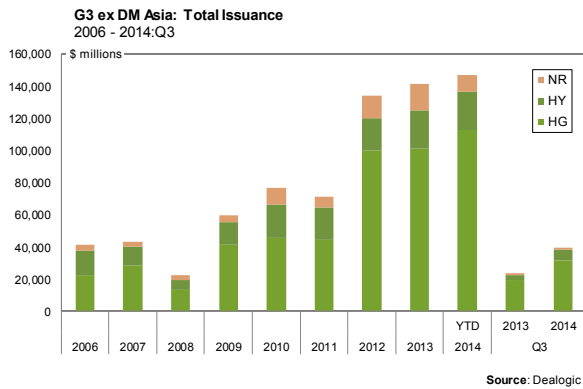
In terms of ratings, within the HG space, BBB- transactions accounted for the largest share of deals priced during the quarter, with USD 7.42bn in total issuance, followed by AA- transactions totaling USD 6.13bn and A- issuance with USD 4.87bn. As for HY issuance, the BB+ category dominated with USD 2.20bn of issuance, followed by BB- rated transactions (USD 1.70bn), then B rated transactions (USD 1.67bn).

In terms of tenor, Asia ex-Japan, Australia and NZ G3 deals with tenors of 5 years or less accounted for the bulk of issuance in 3Q'14, with a total of USD 20.87bn in short tenor issues being priced during the quarter. Of these, USD 15.39bn and USD 4.32bn were HG and HY deals, respectively, and the balance unrated.

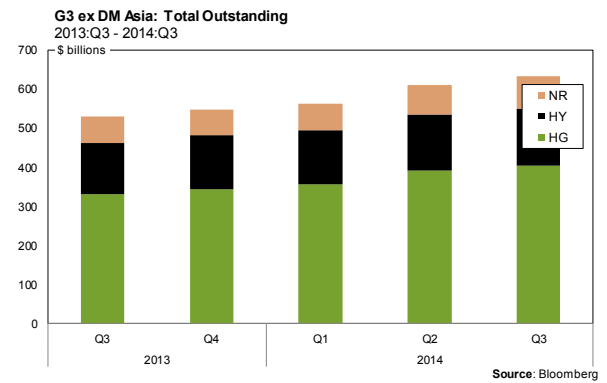
Finally, turning to the LCY debt markets, USD 205.67bn in total LCY-denominated debt was issued in Asia (ex-Japan, Australia & NZ) in 3Q'14, an decline of 6.4% and 30.1%, respectively, from 2Q'14 (USD 219.76bn) and from 3Q'13 (USD 294.13bn). Total LCY debt outstanding at the end of 3Q'14 in Asia (ex-Japan, Australia and NZ) stood at USD 9.70tn, growing by 3.2% qoq, although HG debt outstanding declined, while HY and non-rated debt grew. China continues to account for the bulk of total outstanding LCY debt at USD 5.21tn, followed by India (USD 1.42tn) and South Korea (USD 1.33bn).



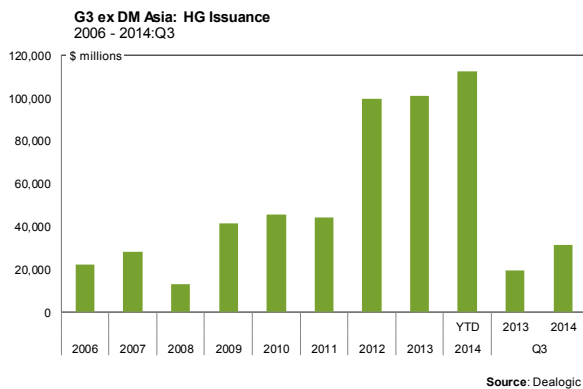
## 2.1. G3 ex DM Asia: Total Issuance



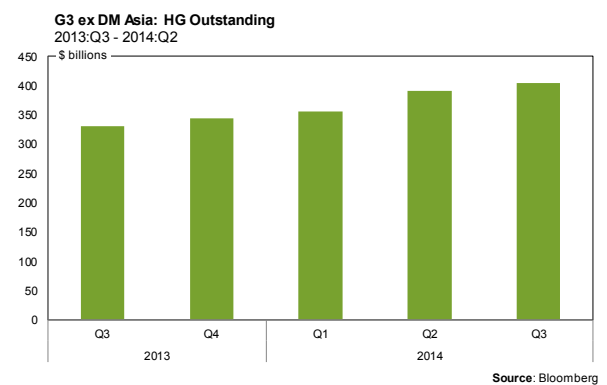
## 2.2. G3 ex DM Asia: Total Outstanding



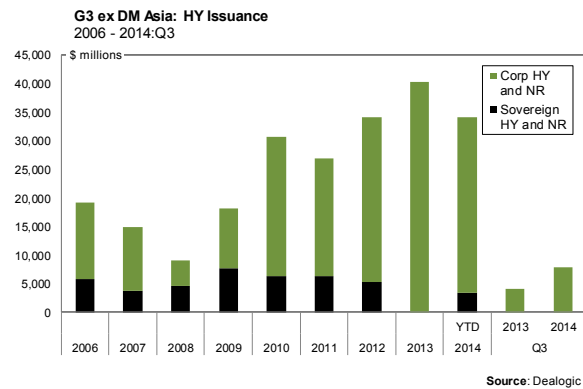
## 2.3. G3 ex DM Asia: HG Issuance



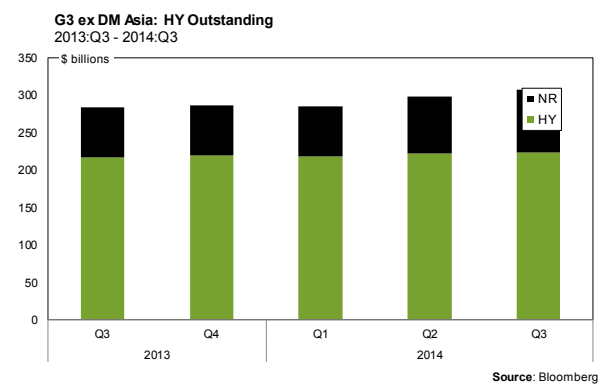
## 2.4. G3 ex DM Asia: HG Outstanding



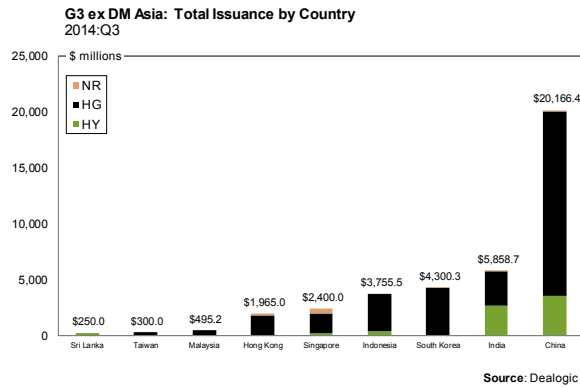
## 2.5. G3 ex DM Asia: HY Issuance



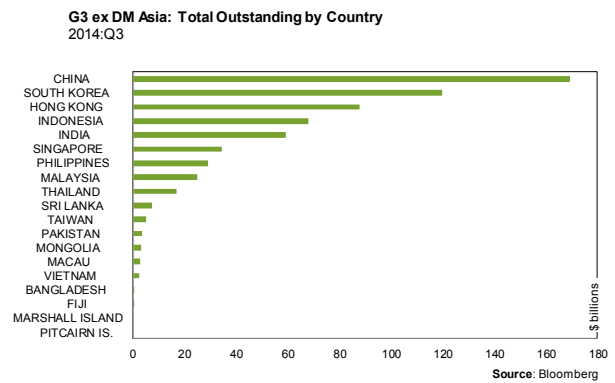
## 2.6. G3 ex DM Asia: HY Outstanding



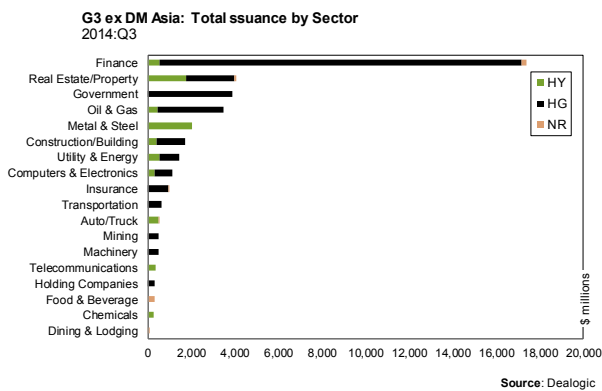
## 2.7. G3 ex DM Asia: Total Issuance by Country



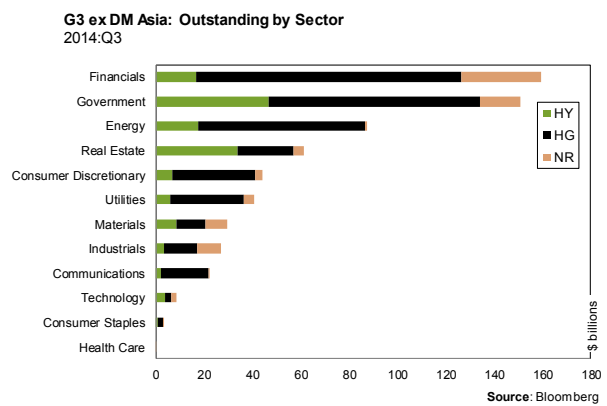
## 2.8. G3 ex DM Asia: Total Outstanding by Country



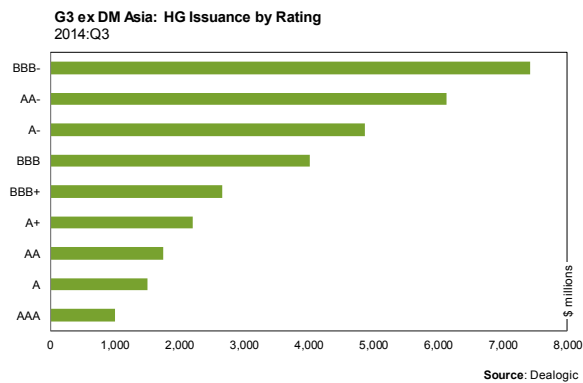
## 2.9. G3 ex DM Asia: Total Issuance by Sector



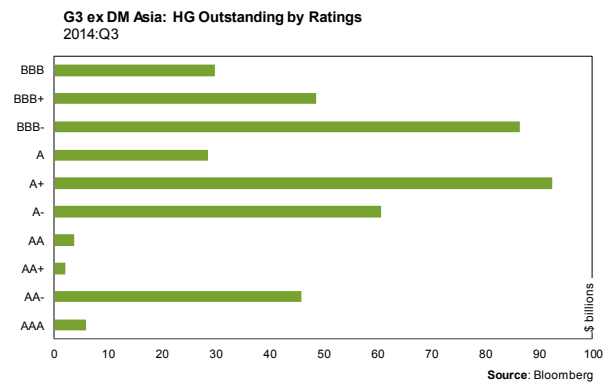
## 2.10. G3 ex DM Asia: Total Outstanding by Sector



## 2.11. G3 ex DM Asia: HG Issuance by Rating

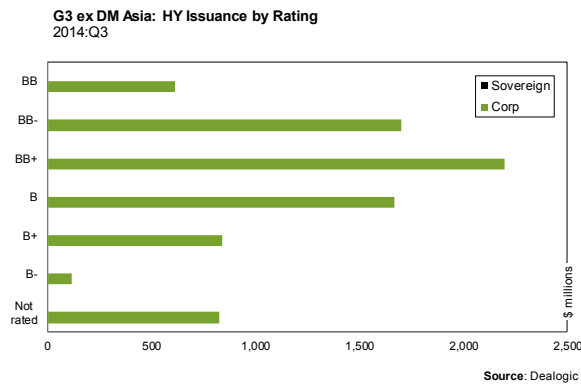


## 2.12. G3 ex DM Asia: HG Outstanding by Rating

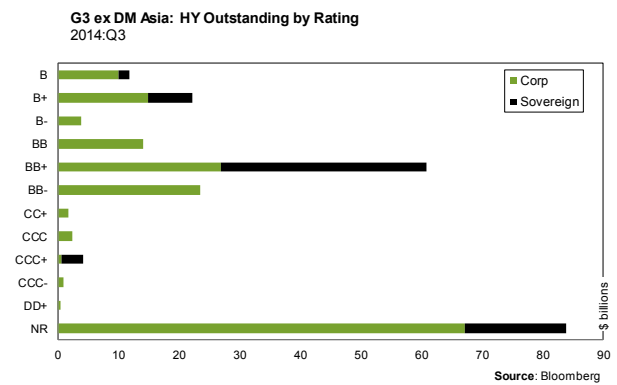




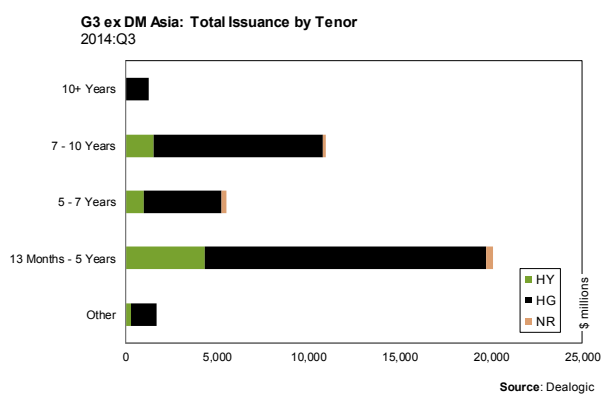
## 2.13. G3 ex DM Asia: HY Issuance by Rating



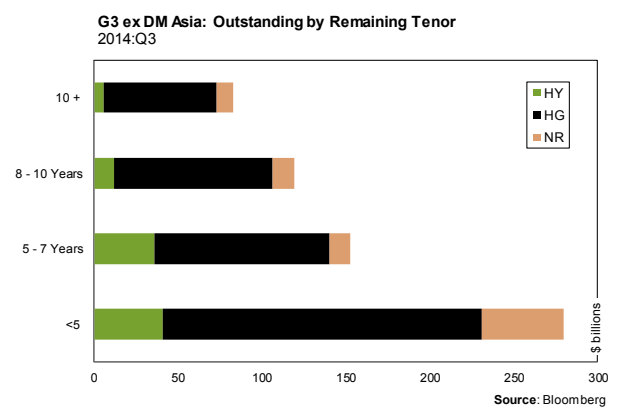
## 2.14. G3 ex DM Asia: HY Outstanding by Rating



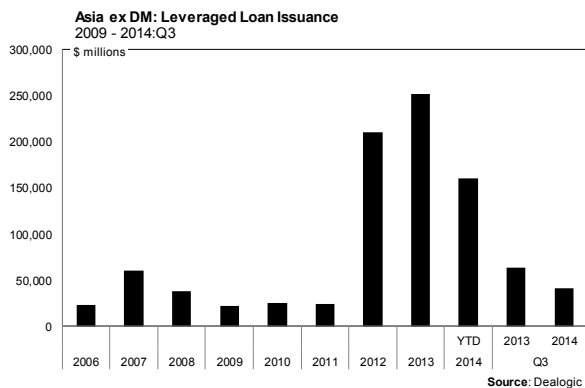
## 2.15. G3 ex DM Asia: Total Issuance by Tenor



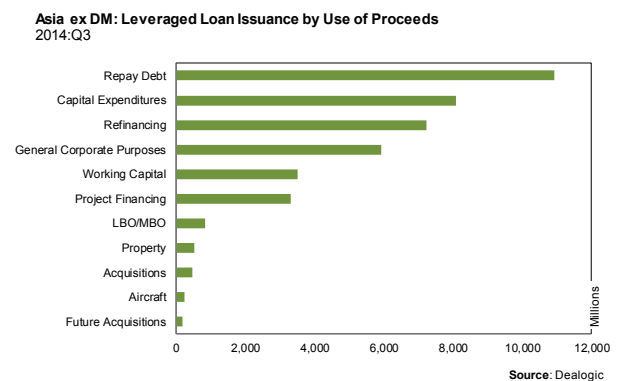
## 2.16. G3 ex DM Asia: Outstanding by Remaining Tenor



## 2.17. Asia ex DM: Total Leveraged Loan Issuance

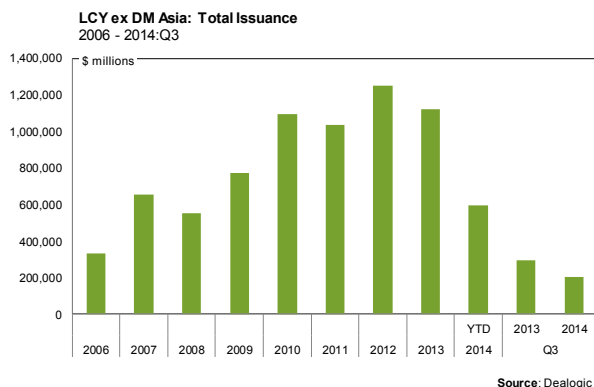


## 2.18. Asia ex DM: Total Leveraged Loan Issuance by Use of Proceeds

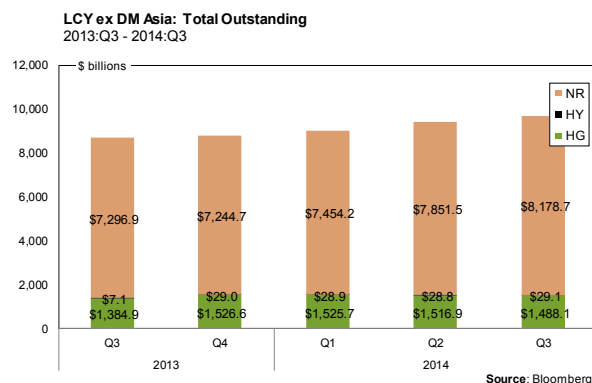


### 3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)

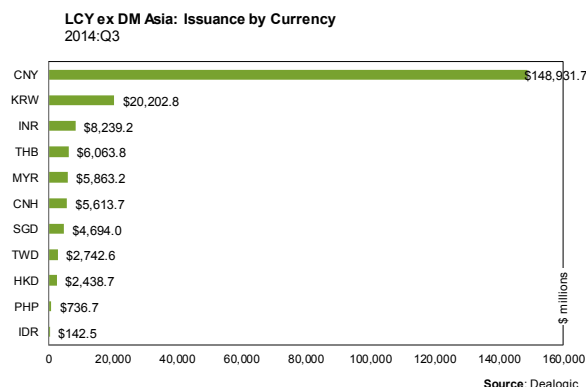
#### 3.1. LCY ex DM Asia: Total Issuance



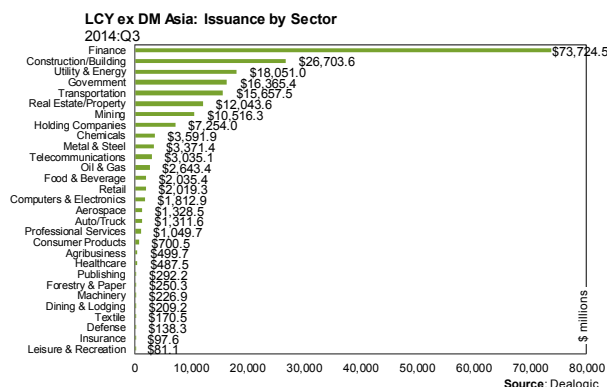
#### 3.2. LCY ex DM Asia: Total Outstanding



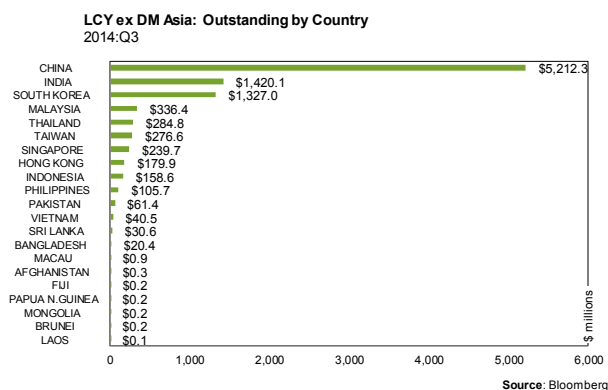
#### 3.3. LCY ex DM Asia: Issuance by Currency



#### 3.4. LCY ex DM Asia: Issuance by Sector



#### 3.5. LCY ex DM Asia: Outstanding by Country





## 4. All Asia

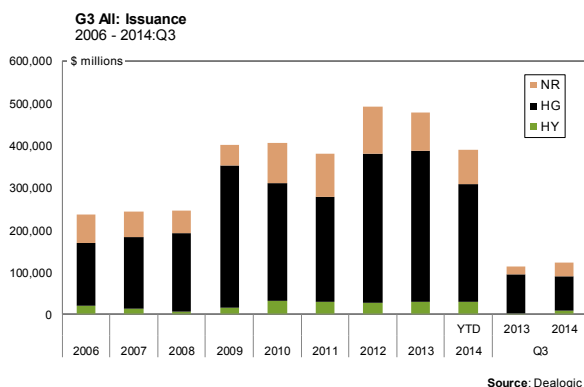
### Total Issuance & Outstanding – G3 and LCY for Asia (including Japan, Australia and New Zealand)

Total G3 issuance in Asia (including Japan, Australia and New Zealand) stood at USD 123.04bn in the third quarter of 2014, a decline of 17.6% qoq (USD 149.31bn) but a growth of 7.6% yoy (USD 114.30bn). Total HG G3 issuance in Asia (including Japan, Australia and New Zealand) was USD 81.04bn in the third quarter of 2014, a decline of 23.4% qoq and 13.0% yoy. HY issuance was USD 8.63bn in the third quarter of 2014, a decline of 27.9% qoq but a growth of 173.9% yoy. Unrated G3 issuance in Asia was USD 33.38bn in the third quarter of 2014, an increase of 5.8% qoq and 85.9% yoy. Outstanding G3 debt, including developed market Asia, stood at USD 12.09tn at the end of third quarter 2014, a growth of 1.3% qoq, with declines in HG debt (USD 8.46tn, 2.0% decline) but growth in HY debt (USD 191.42bn, 0.7% growth) and unrated debt (USD 3.44tn, 10.2% growth).

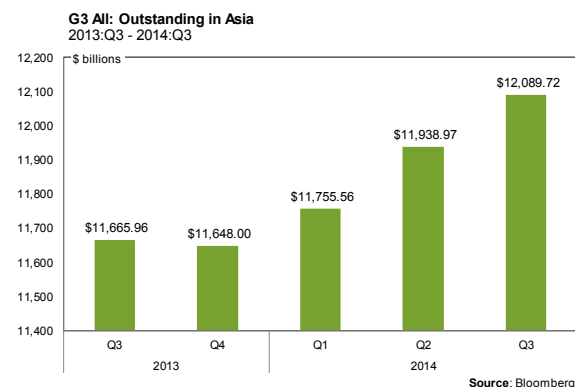
Finally, turning to LCY debt issuance, total HG issuance, including Japan, Australia, and New Zealand, stood at USD 318.43bn in the third quarter of 2014, while HY issuance and unrated issuance was USD 671.71mn and 225.83bn, respectively, over the same period.

Within the LCY markets, India continued to be in the spotlight as the supranational International Finance Corporation (IFC), an arm of the World Bank Group, priced a debut “Maharajah” bond offering (domestic INR issuance by a non-Indian offshore issuer) during the quarter (the IFC had already priced an offshore INR transaction earlier in the year), thus signaling the potential for further INR internationalization – if and when international corporate issuers (besides a supranational) also choose to issue into the domestic Indian market (for expansion capex or to acquire Indian assets), this will be a clear sign of the continued opening/liberalization of the Indian domestic capital markets.

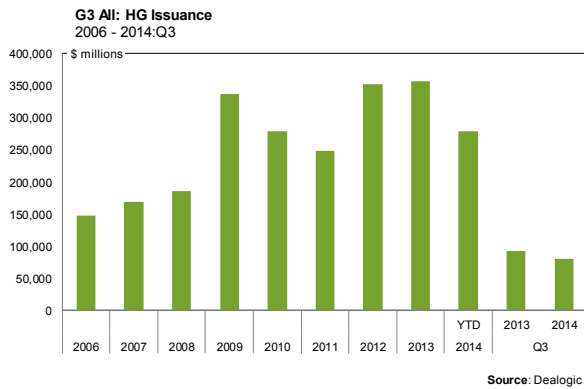
#### 4.1. G3 All: Total Issuance



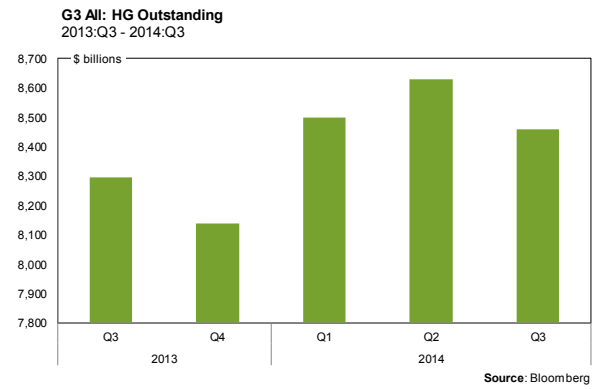
#### 4.2. G3 All: Total Outstanding



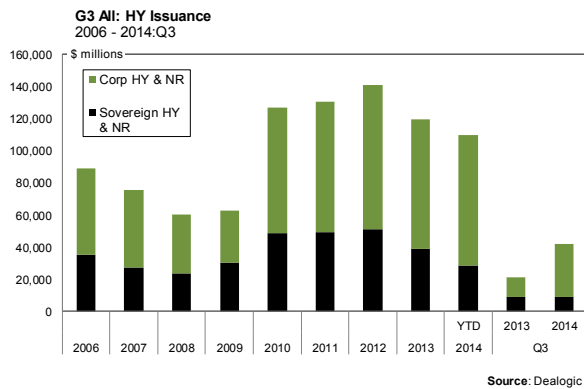
#### 4.3. G3 All: HG Issuance



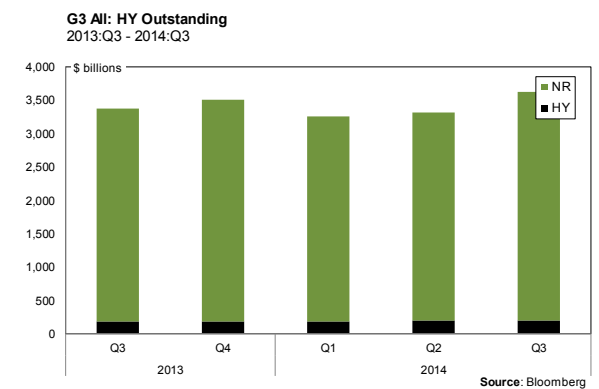
#### 4.4. G3 All: HG Outstanding



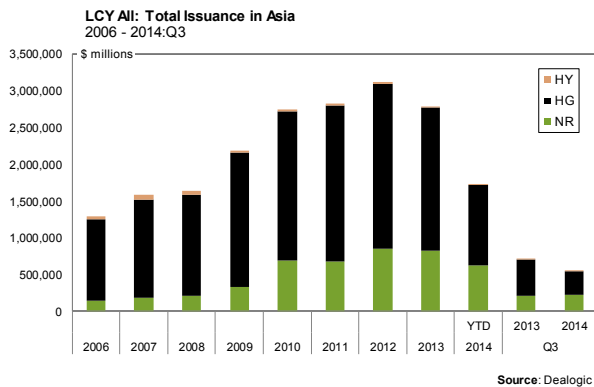
#### 4.5. G3 All: HY Issuance



#### 4.6. G3 All: HY Outstanding



#### 4.7. LCY All: Total Issuance



## 5. China – Domestic

### Total Issuance & Outstanding – Domestic CNY issuance

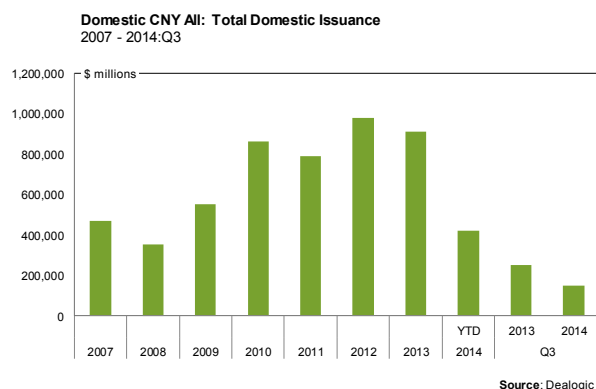
Total domestic CNY issuance stood at USD 148.93bn in the third quarter of 2014, a decline of 9.7 percent qoq (USD 164.86bn) and 41.0% yoy (USD 252.51bn). By tenor, 46.0% of third quarter issuance (USD 68.55bn) would mature in five years or less, followed by the 7 – 10 year bucket (USD 40.96bn). By sector, finance led issuance totals (USD 41.88bn), followed by construction (USD 24.61bn).

Outstanding domestic CNY debt stood at USD 5.09tn at the end of third quarter 2014, with sovereigns leading totals (USD 2.47tn), followed by financials (USD 1.37tn) and industrials (USD 484.46bn).

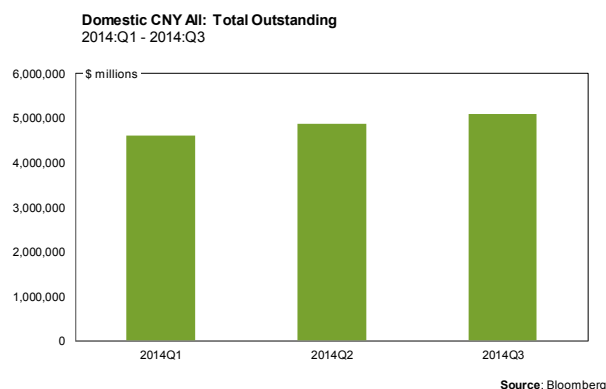
In terms of market developments onshore, a key issue is the possibility of increased “panda bond” issuance by overseas issuers (with investments/business operations in China) to issue LCY CNY bonds. While no panda issuance has taken place following the inaugural issue by a European corporate earlier in the year (despite the fact that at least one other European financial sector issuer has reportedly expressed interest), there could be such issuance at least within the Shanghai Free Trade Zone (FTZ); an official in the Shanghai FTZ indicated in early September that overseas parent companies of units registered in the FTZ would be allowed to issue panda bonds/notes.<sup>1</sup> Narrowing interest rate differentials between onshore and offshore funding costs (onshore funding costs are typically higher) could also help spur issuance.

Finally, yet another trend worth watching is the development of the onshore CNY securitization market – particularly in the areas of auto loans and Collateralized Loan Obligations (CLOs), with CNY 144.5 billion outstanding at the end of 2013.<sup>2</sup> With YTD 2014 securitization transaction volumes up between six and seven times compared to 2013, together with growing international investor interest (with one auto loan ABS deal, Hua Yu 2014-1, receiving international credit ratings), this is one area that should record strong growth, going forward.

#### 5.1. Domestic CNY All: Total Issuance



#### 5.2. Domestic CNY All: Total Outstanding

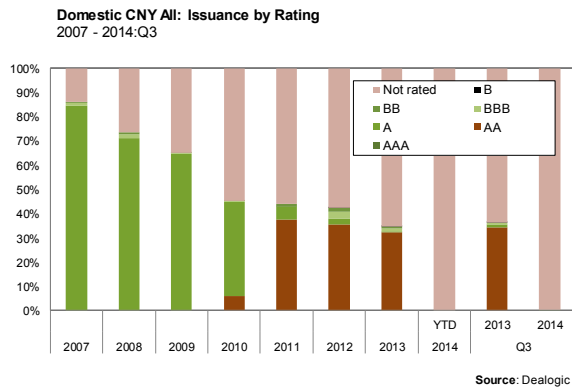


<sup>1</sup> Bloomberg, [HSBC Calls for More Panda Bonds on Onshore Yuan Demand](#), October 7, 2014.

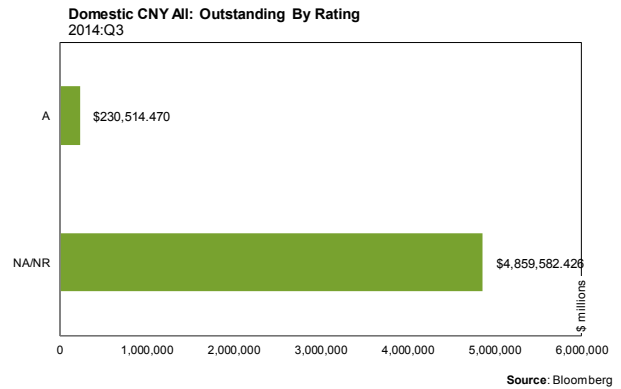
<sup>2</sup> IFR Asia, [China securitisation to add to record year](#), September 20, 2014.



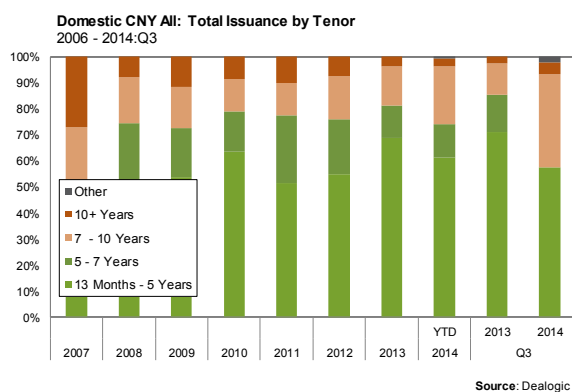
### 5.3. Domestic CNY All: Issuance by Rating



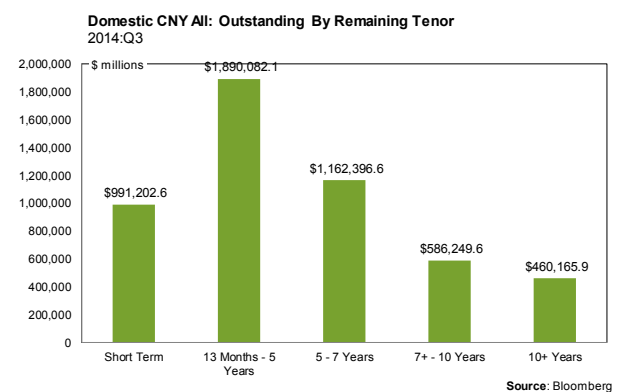
### 5.4. Domestic CNY All: Outstanding by Rating



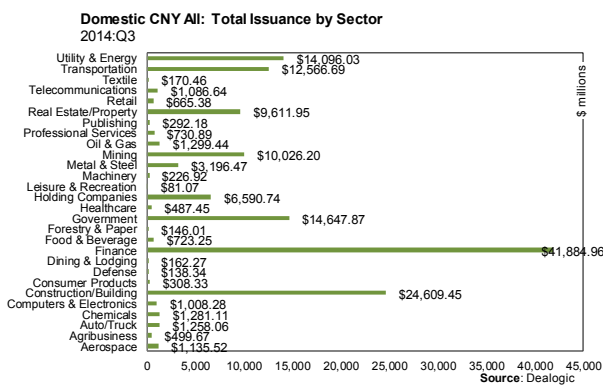
### 5.5. Domestic CNY All: Issuance by Tenor



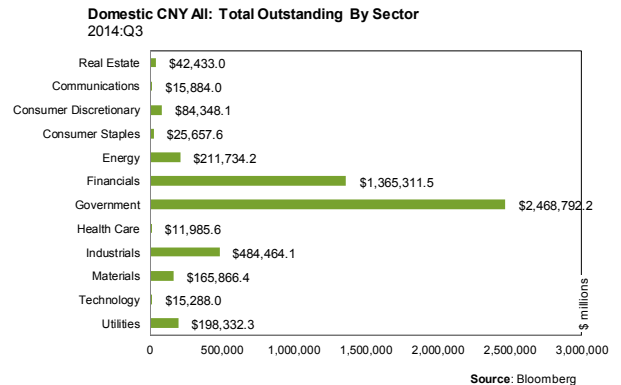
### 5.6. Domestic CNY All: Outstanding by Remaining Tenor



### 5.7. Domestic CNY All: Issuance by Sector



### 5.8. Domestic CNY All: Outstanding by Sector



## 6. China - CNH

### Key trends in offshore renminbi (CNH) and the dim sum bond markets

The CNH, or “dim sum”, bond market has grown rapidly over the last three years, as issuers from across the world have tapped this market to meet their financing needs, even as financial market liberalization in China continues apace. For the third quarter of 2014, an equivalent of USD 7.17bn in CNH bonds have been issued, a decline of 51.7% qoq and 24.7% yoy.

In terms of tenor, nearly all (86.1%) of third quarter 2014 issuance (USD 6.17bn) was accounted for by transactions with tenors of 5-year years or less, while HG deals rated A+ totaling USD 1.75bn had the highest share among rated deals (24.3%). In 3Q'14, finance sector transactions totaling USD 4.41bn accounted for the largest volume of deals by sector (61.51%), followed by telecommunications, totaling USD 567.9mn (7.92%).

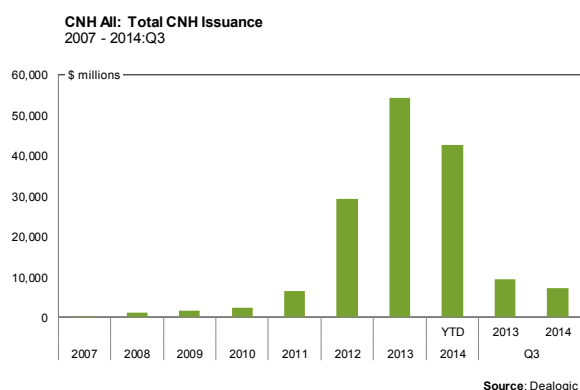
| CNH Deposit Base by Location | Amt (USD bn) | As of  |
|------------------------------|--------------|--------|
| Hong Kong                    | 152.99       | Aug-14 |
| Singapore                    | 41.5         | Jul-14 |
| Taiwan                       | 47.9         | Aug-14 |
| Korea, Republic of           | 19.9         | Jul-14 |
| Luxembourg                   | 11           | Jun-14 |

Sources: MAS (Singapore), Manulife Asset Management (Taiwan), Standard Chartered (Korea), RMB Luxembourg (Luxembourg)

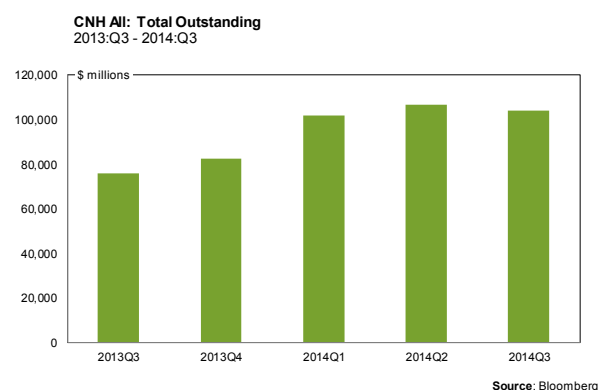
The total of dim sum bonds outstanding stands at USD 104.20bn, a decline of 2.4% qoq. The CNH deposit base in Hong Kong has also marginally declined to USD 152.99bn at the end of August 2014, down from USD 154.2bn at the end of May. Currency volatility earlier in the year has caused CNH deposit growth in Hong Kong to flatten out, although renewed stability in the CNH exchange rate (despite USD strength in recent weeks), could cause deposit growth to resume. In terms of sector, financial issues, excluding real estate, totaling USD 64.38bn dominate total CNH bonds outstanding, while deals with tenors of 5 years or less account for all dim sum bond issues that have yet to mature.

Other key developments in the offshore RMB market include the establishment of the first interest rate benchmark outside of Hong Kong in September (CNT TAIBOR in Taiwan – the offshore renminbi is referred to as the CNT in Taiwan) and the issuance of the first non-Chinese sovereign offshore RMB bond in London by the UK government in October.<sup>3</sup> Finally, the imminent launch of the Hong Kong-Shanghai Stock Connect initiative should attract a great deal of investor interest, although no firm date has been set for the Stock Connect program's initiation, as at the time of publication.

#### 6.1. CNH All: Total CNH Issuance

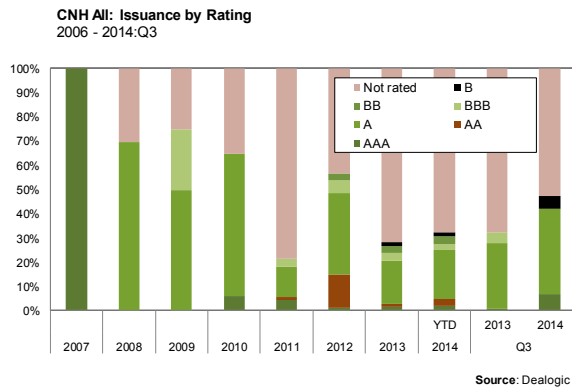


#### 6.2. CNH All: Total Outstanding

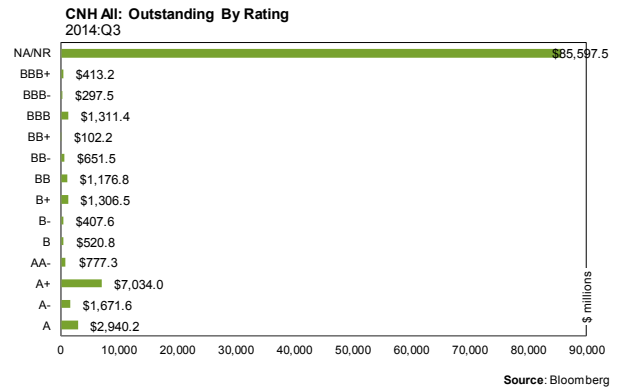


<sup>3</sup> HM Treasury, [Britain issues western world's first sovereign RMB bond, largest ever RMB bond by non-Chinese issuer](#), October 14, 2014.

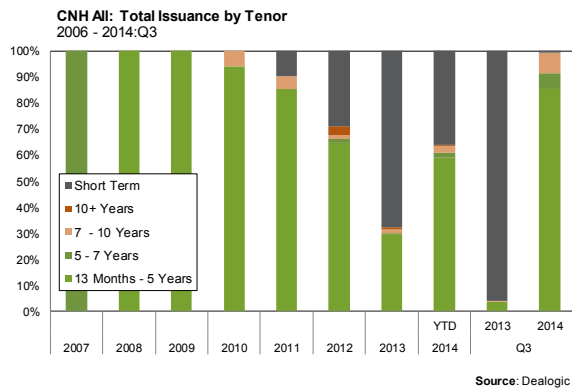
### 6.3. CNH All: Issuance by Rating



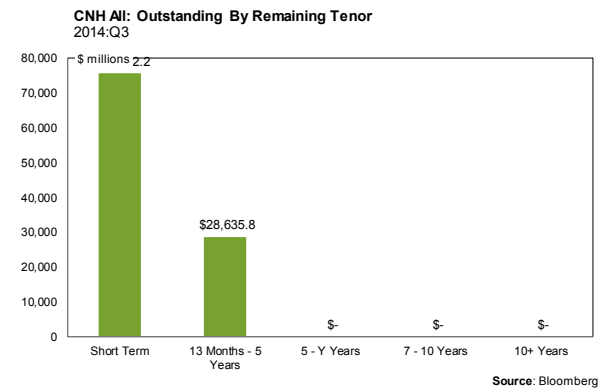
### 6.4. CNH All: Outstanding by Rating



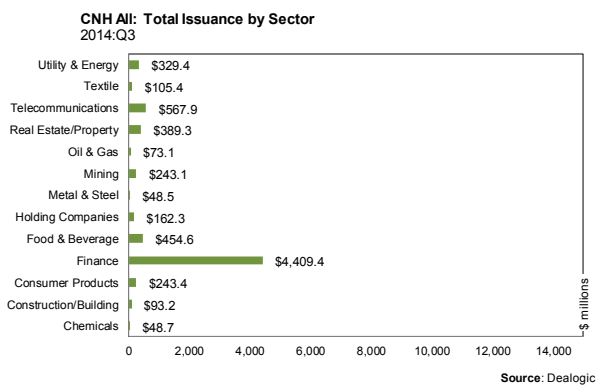
### 6.5. CNH All: Issuance by Tenor



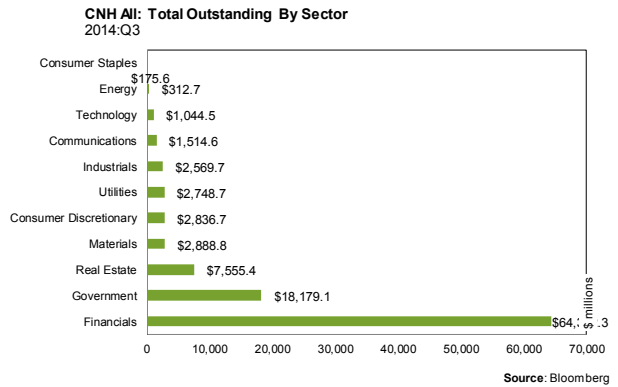
### 6.6. CNH All: Outstanding by Remaining Tenor



### 6.7. CNH All: Issuance by Sector



### 6.8. CNH All: Outstanding by Sector



## 7. Spreads, Credit & Total Return

### Relative Value and returns (Asia ex-Japan, Australia & New Zealand G3)

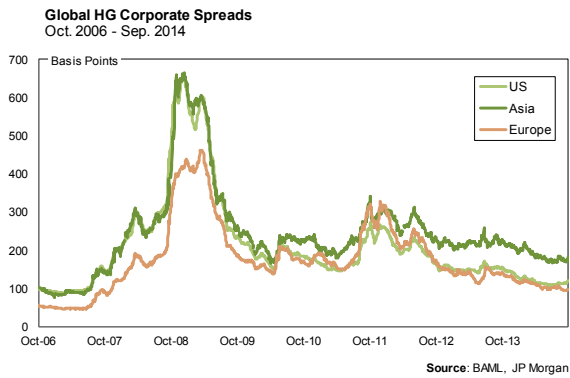
In a trend consistent with previous quarters, Asian bonds continue to trade wider than their US and European counterparts. At the end of 3Q'14, Asian HG bonds on a composite basis were quoted at an average spread of 180.5 basis points (bps), while US and European HG bond issues were quoted at average spreads of 120 bps and 98 bps respectively. Likewise, in the HY space, Asian HY corporates were quoted at a composite spread of 492.7 bps, but US and European HY bonds were tighter at 440 bps and 396 bps respectively.

In terms of total returns, Asian Dollar HG debt led returns, followed by a range of global corporate credit. As for Asian USD HG and HY indices, total returns of 6.7% and 0.96%, respectively, in 3Q'14 were among the few positive performers, in a weak quarter overall globally. Across the board, HY has tended to lag HG overall on renewed risk aversion that has gained momentum in recent weeks on account of a number of factors: clear signs of slowing in Europe and Japan, fears of the ebola virus spreading globally, the expanding conflict in the Middle East and continuing concerns around the Chinese property sector. This flight to safety has led to a strong rally in USTs, which has tended to buoy the higher-rated bonds relative to lower-rated issues.

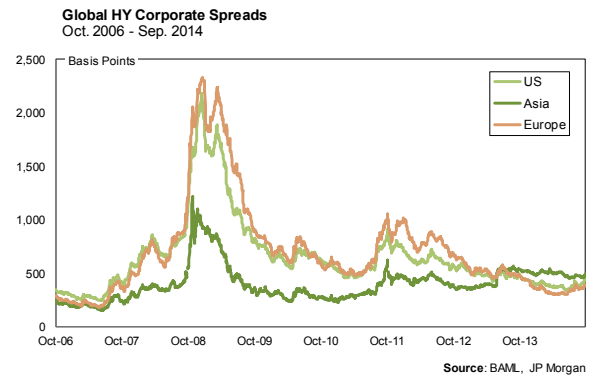
Looking ahead, the fact that in terms of economic growth, that Asia ex-Japan remains among the few bright spots globally (while China's growth has slowed, annual GDP growth rates in excess of 7% are still high in absolute terms) should continue to be supportive of Asian credit. While there could be some sector rotation out of some of the weaker HY names into other HY sectors or into the perceived safety of HG issues, Asian credit overall should deliver positive returns. While a further lift from USTs is unlikely given that the US 10y benchmark is yielding just north of 2.0%, credit selection and carry are likely to be the dominant considerations for investors going into 2015.



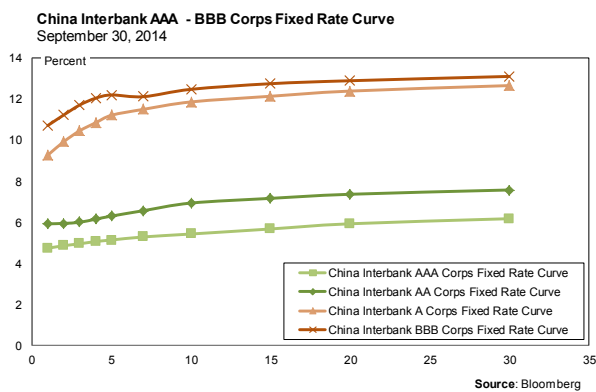
## 7.1. Global HG Corporate Spreads



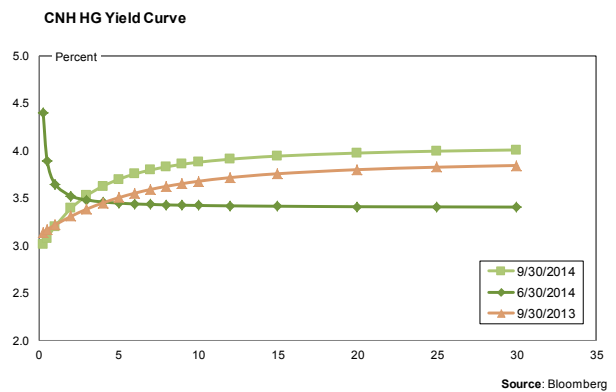
## 7.2. Global HY Corporate Spreads



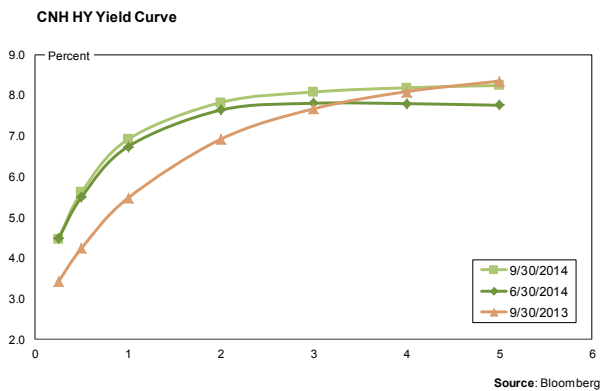
## 7.3. China Interbank AAA - BBB Corps Fixed Rate Curve



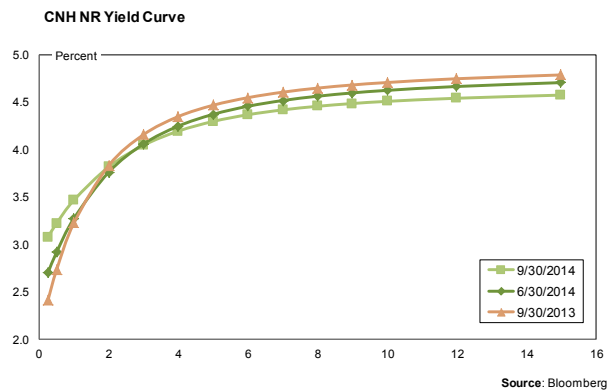
## 7.4. CNH HG Yield Curve



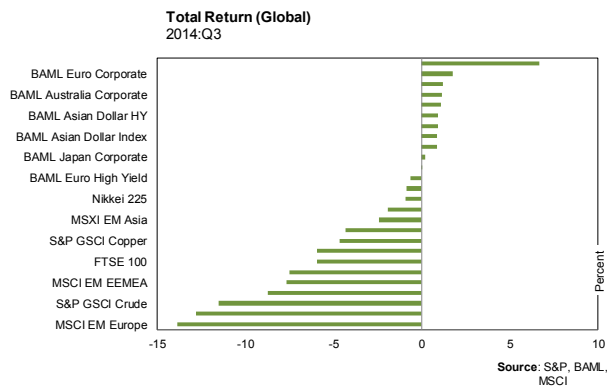
## 7.5. CNH HY Yield Curve



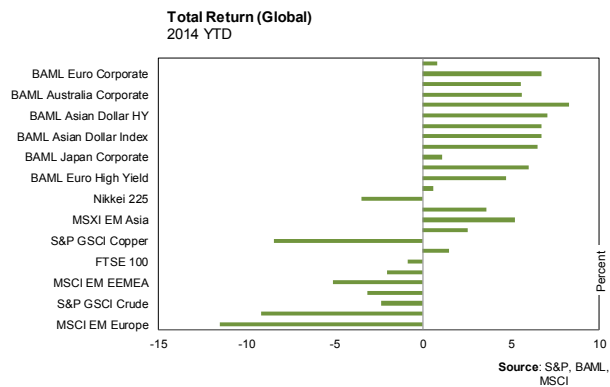
## 7.6. CNH NR Yield Curve



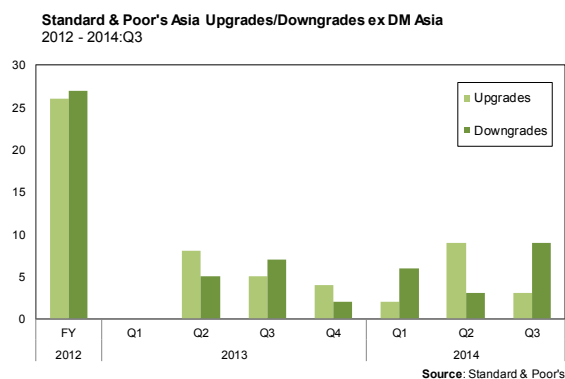
## 7.7. Global Returns, Quarter-End



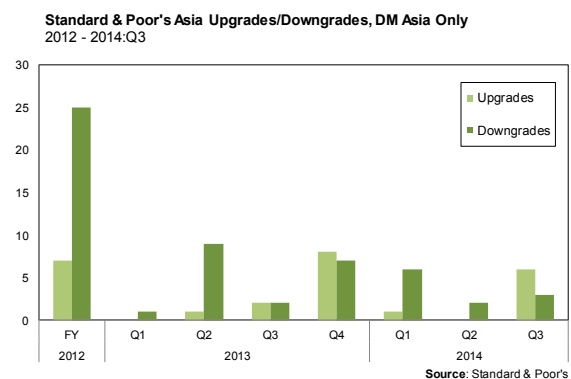
## 7.8. Global Returns, 2014 Year to Date



## 7.9. Asia Upgrades / Downgrades ex DM Asia



## 7.10. Asia Upgrades / Downgrades, DM Asia Only



## 7.11. Asian Upgrades & Downgrades, Standard & Poor's, Third Quarter 2014

| Upgrades   | Country            | Date      | Rating |
|--|--------------------|-----------|--------|
| Aurora Oil & Gas Ltd. (Baytex Energy Corp.)                          | Australia          | 7/10/2014 | BB     |
| Panasonic Corporation  | Japan              | 7/17/2014 | BBB+   |
| China South City Holdings Limited                                    | Hong Kong          | 7/25/2014 | BB-    |
| Envestra Ltd.  | Australia          | 8/11/2014 | BBB+   |
| Fortescue Metals Group Ltd.  | Australia          | 8/22/2014 | BB+    |
| Nissan Motor Co. Ltd.  | Japan              | 9/3/2014  | A-     |
| CITIC Ltd. (CITIC Group Corp.)                                       | Hong Kong          | 9/11/2014 | BBB+   |
| Alinta Energy Finance Pty. Ltd.                                      | Australia          | 9/30/2014 | BB-    |
| China Petrochemical Corp.  | China              | 9/30/2014 | AA-    |
| Downgrades   | Country            | Date      | Rating |
| PT Bumi Resources Tbk.   | Indonesia          | 7/4/2014  | SD     |
| Boart Longyear Ltd.  | Australia          | 7/18/2014 | CCC    |
| CTBC Financial Holding Co. Ltd.                                      | Taiwan             | 7/22/2014 | BBB    |
| PT Bumi Resources Tbk.   | Indonesia          | 8/13/2014 | SD     |
| China Fishery Group Ltd.   | Hong Kong          | 8/15/2014 | B      |
| MagnaChip Semiconductor Corp   | Korea, Republic of | 8/27/2014 | B+     |
| Fonterra Co-operative Group Ltd.                                     | New Zealand        | 8/29/2014 | A      |
| Gemdale Corporation  | China              | 9/3/2014  | BB     |
| Guangzhou R&F Properties Co. Ltd.                                    | China              | 9/15/2014 | BB-    |
| China Shanshui Cement Group Ltd.                                     | Hong Kong          | 9/15/2014 | B+     |
| Medical Securities Ltd. (Medical Assurance Society New Zealand Ltd.) | New Zealand        | 9/17/2014 | BBB+   |
| PT Berau Coal Energy Tbk   | Indonesia          | 9/25/2014 | B      |

## 7.12. Asian Defaults, Standard & Poor's, Third Quarter 2014

| Defaults               | Country   | Type                     |
|------------------------|-----------|--------------------------|
| PT Bumi Resources Tbk. | Indonesia | Distressed Exchange      |
| PT Bumi Resources Tbk. | Indonesia | Missed Principal Payment |

## 8. Summary of the Methodologies Adopted for this Report

### 2. G3 Asia ex Developed Market Asia (Japan, Australia, and New Zealand)

#### Issuance

Bond transactions are sourced primarily from Dealogic, with supplemental information sourced from Bloomberg. Unless otherwise noted, all issuance are long-term debt. High grade transactions are defined as transactions with a Dealogic “effective” rating of equal or greater than BBB-, and may include unrated transactions based on issuer and desk notes. High yield transactions are defined as transactions with a Dealogic “effective” rating of equal or less than BB+, and may also include unrated transactions based on issuer and desk notes. Unrated deals are those deals with no effective rating from Dealogic.

“All Asia” issuance are defined as being a corporate bond issue having a Dealogic “deal nationality” as within Asia, regardless of market, including domestic. Sovereign, sub-sovereign, medium-term notes, and agencies are also included from issuance, while supranational and ABS/MBS issuers are excluded from issuance. Loans are excluded from issuance as well.

“DM”, or Developed Market Asia, include those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand. “Ex DM Asia” will refer to all deals excluding those deals with a Dealogic deal nationality from Australia, Japan, and New Zealand.

G3 deals are defined a subset of deals in “All Asia” that are rank eligible, according to Dealogic’s rank eligibility guidelines, with a tranche currency in US dollar (USD), European euro (EUR), or Japanese yen (JPY). There may exist deals within “All Asia” issuance that are denominated in a G3 currency but are not rank eligible and therefore not included in G3 tables but may be included in all other non-G3 exclusive tables.

“LCY”, or local currency, are defined as a subset of deals in “All Asia” flagged by Dealogic local currency flag. G3 and LCY deals are not mutually exclusive and may overlap (e.g., in the case of Japanese JPY deals).

All issuance are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

#### Outstanding

Outstanding figures are sourced from Bloomberg and contain all bonds from its corporate securities database, including private placements. Structured notes and debt secured by assets are excluded. All other criteria hew closely to the criteria for issuance.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

Outstanding G3 deals are defined a subset of deals in “All Asia” that are rated with at least one rating by one of the four rating agencies: Fitch Ratings, Moody’s, Standard & Poor’s, or DBRS; and denominated in US dollar (USD), European euro (EUR), or Japanese yen (JPY). Deals that are not rated by one of the four rating agencies (those deals with a Bloomberg composite rating of “NA”) are excluded. The “NA” exclusion is due to overlap between rank ineligible deals and those deals with no rating; a close analysis of the data reveals that the figures for data excluding “rank ineligible” deals and the figures for data excluding data rated N.A. in Bloomberg are similar.

**2.1., 2.3, 2.5., 2.7., 2.9., 2.11., 2.13., 2.15., 2.17., 2.18.**

Data are sourced from Dealogic.



Issuance by country is determined by Dealogic's deal nationality.

Issuance by tenor is determined by years of maturity at issuance.

Issuance by sector is defined by Dealogic's General Industry Group ("GIG") groupings and are not analogous to Bloomberg's Sector grouping.

## **2.2., 2.4., 2.6., 2.8., 2.10., 2.12.**

Data are sourced from Bloomberg.

Outstanding by rating are by current composite rating assigned by Bloomberg. Composite ratings by Bloomberg are the average of ratings assigned by Moody's, Standard & Poor's, Fitch Ratings, and DBRS; a minimum of two ratings must be given to a bond before a composite rating is generated. "NR" denotes a bond with a single rating assigned by the four rating agencies, whereas "NA" denotes a bond with no rating from any of the four.

Outstanding by tenor are based on current tenor as quarter-end. "Other" includes those bonds with no listed maturity date and perpetuals.

## **3. LCY Asia ex Developed Market Asia (Japan, Australia and New Zealand)**

### **3.1. - 3.4.**

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

## **4. All Asia**

### **4.1. – 4.9.**

Issuance data are sourced from Dealogic according to the criteria outlined in Section 1. Outstanding data are sourced from Bloomberg according to the criteria outlined in Section 1.

## **5. Domestic CNY**

### **Issuance**

Bond transactions for CNY are sourced from Dealogic and are defined as all issued debt denominated in renminbi (CNY) and in the domestic debt markets. CNY-denominated deals issued in the euro, foreign, or international markets are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNY issuance, CNY-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

### **Outstanding**

Bond transactions for CNY are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the domestic or domestic MTN markets. CNY-denominated deals issued in the euro, foreign, or international debt markets are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

### **5.1. – 5.8.**

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 5. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 5.

## **6. CNH**

### **Issuance**

Bond transactions for CNH are sourced from Dealogic and are defined as all debt denominated in renminbi (CNY) issued and in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. There are no restrictions on deal type and will include supranationals, medium-term notes, money market notes, securitisations, and commercial paper debt. Due to the lower restrictions in CNH issuance, CNH-denominated deals outside of Section 5 and 6 are a subset of the deals contained in Section 5 and 6.

All issuance are denoted in USD equivalents based on exchange rates as of the issue date of the bond.

### **Outstanding**

Bond transactions for CNH are sourced from Bloomberg and are defined as debt denominated in CNY and issued in the euro, foreign, or international debt markets. CNY-denominated deals issued in the domestic market are excluded. Deals include corporate high grade bonds, high yield bonds, medium-term notes, money market, securitisations, and commercial paper debt. The combination of CNH and CNY debt exclude a small minority of dual-currency deals that are non-domestic, non-dim sum debt.

All outstandings are denoted in USD equivalent based on exchange rates as of quarter-end.

### **6.1. – 6.8.**

Issuance data are sourced from Dealogic in accordance to the criteria specified in Section 4. Outstanding data are sourced from Bloomberg in accordance to the criteria specified in Section 6.

## **7. Spreads, Credit Quality & Total Return**

### **7.1. – 7.2. Global Corporate Spreads**

High grade and high yield US and European corporate spreads are sourced from Bank of America-Merrill Lynch (BAML) indices. Spreads are over government debt.

US high grade spreads are sourced from BAML's US Corporate Index (C0A0) and tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at last 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of USD 250 million. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high grade spreads are sourced from BAML's Euro Corporate Index (ER00) and tracks the performance of EUR denominated investment grade corporate debt publicly issued in the Eurobond or Euro member domestic markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million. Original issue zero coupon bonds and pay-in-kind securities, including toggle notes, are included in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

US high yield spreads are sourced from BAML's US High Yield Index (H0A0) and tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities, including those with automatic principal write-down provisions, are included in the index provided they do not have an automatic common equity conversion, unless the conversion is activated by a regulatory authority in which case they are included. Other hybrid capital securities, such as those that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

European high yield spreads are sourced from BAML's Euro High Yield Index (HE00) and tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance. In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR 100 million. Original issue zero coupon bonds, "Global" securities (debt issued simultaneously in the Eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities are included in the index provided they do not have an automatic common equity conversion feature; these securities with triggers activated by a regulatory authority, including conversions into equity, qualify for inclusion. Also qualifying for

inclusion are contingent capital securities with principal write-down triggers. Hybrid capital securities qualify for the index, including those potentially converting into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms. Euro legacy currency, equity-linked and securities in legal default are excluded from the Index. Securities issued or marketed primarily to retail investments do not qualify for inclusion in the index.

Asian high grade and investment grade spreads are sourced from J.P. Morgan's Asia Credit Index (JACI) and tracks the performance of USD-denominated Asian debt in the Asian ex-Japan region. Qualifying countries are those Asian region excluding Japan, including: China, Hong Kong, Indonesia, India, South Korea, Sri Lanka, Mongolia, Macao, Malaysia, the Philippines, Pakistan, Singapore, Thailand, Taiwan and Vietnam. Minimum deal sizes are \$150 million and at least 12 months to final maturity at time of issuance. Fixed and floating rate instruments, and debt issued by sovereign, quasi-sovereign and corporate entities qualify for inclusion. Convertible bonds do not qualify for inclusion in the index.

### **7.3. China Interbank AAA Yield Curve**

The curve is comprised of yuan-denominated fixed-rate corporate bonds that are traded on the China Interbank exchange. The bonds are rated AAA by local rating agencies. The values for the points on the curve are contributed by China Government Securities Depository Trust & Clearing Co Ltd (CDC).

### **7.4. – 7.6. China CNH Yield Curves**

The securities underlying this curve are a subset of CNH data and sourced from Bloomberg; please see section 6 for more details regarding criteria. Ratings are determined by Bloomberg composite rating. Curves are fitted using Nelson-Siegel regression on mid-yield to maturity of underlying bonds.

### **7.7. – 7.8. Total Return (Quarter-End and YTD)**

Total return data are sourced from various global bond and equity, including, but not limited to: the Bank of America-Merrill Lynch, Standard & Poor's, J.P. Morgan, and MSCI,

### **7.9. – 7.11. Asian Issuer Rating Actions**

European issuer upgrades and downgrades are sourced from S&P. and are a combination of both emerging market, Japan, Australia, and New Zealand rating actions. Multiple upgrades or downgrades of a single issuer are counted separately. Rating actions are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign ratings.

Due to publication timing, these data set may run on a quarter lag.

### **7.12. Asian Issuer Defaults**

European issuer upgrades and downgrades are sourced from S&P and are a combination of both emerging market, Japan, Australia, and New Zealand defaults reported. Defaults are inclusive of both corporate (both credit, policy, or merger-related) as well as sovereign defaults.



## 9. Disclaimer

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## 10. Credit

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