

# ASIAN CREDIT INVESTMENT RETURNS

BLOOMBERG: CHIM<go>

November 2012

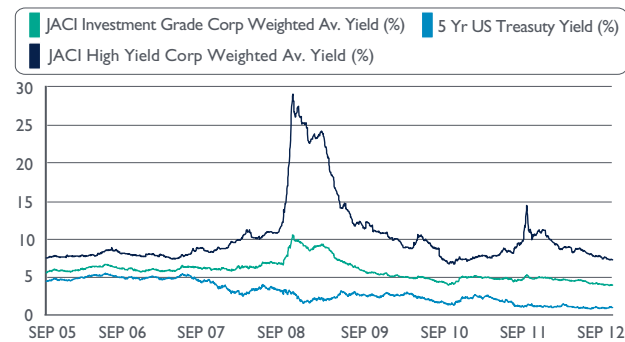
- Credit spreads were relatively unchanged in the Asian Investment Grade space in November. Asian High Yield continued to perform strongly driven largely by the Chinese Industrial sector which continues to recover its poor performance from late 2011. Falling US Treasury bond yields also contributed positively to returns during the month.
- Investment Grade USD Asian corporate credit fully hedged to AUD returned 0.86% largely driven by falling US Treasury Yields and the FX forward hedging uplift. The USD High Yield Asian Corporate segment was strongly positive returning 2.08% fully hedged into AUD. Continued credit spread contraction, higher running yield and falling Government yields were all positive contributors.
- Behind the headline numbers, the performance of the all major country groups was mixed. For November blended IG and HY credit spreads of Asian issuers grouped by country of domicile were: China (386bp vs UST, -7bp), Hong Kong (306, +10bp) Indonesia (247, +3bp), and South Korea (188, +3bp).
- Asian Blended IG and HY sector spreads of issuers across all regions versus UST: Quasi-Sovereigns (194, +6bp), Financials (272, +4bp), Industrials (422, -10bp), Oil and Gas (201, +1), Utilities (273, unch).
- Hutch Whampoa issued US\$1bn 5yr at 135 vs UST, and US\$500m 10yr at 162 vs UST, both came at the tighter end of the market range.
- Olam International's recently issued 5yr, traded at \$82 (10.6%) as allegations were levelled at the company by Muddy Waters LLC over its accounting practices. This bond has rebounded to around 8.5%YTM after trading circa %6 since its issuance in Sept 2012.
- The RBA held official rates at 3.25% in November. The cash futures market continues to indicate a strong probability of another 0.25% cut prior to year end. USD/AUD forward FX points were resilient during the month however, the AUD/USD 1 year Forward FX rates were around \$1.015 or 2.7% below month end spot rates.

Asian Credit Investment Returns									Annualised Returns			
	30/11/2012		1 Month %	3 Month %	YTD %	1 Year %	3 Year %	5 Year %	Since 30/09/2005	3 Year AGR %	5 Year AGR %	30/09/2005 AGR %
Asian High Yield	Total Return	USD	1.87%	6.25%	23.73%	25.42%	40.91%	66.05%	92.22%	12.10%	10.66%	9.54%
	Unhedged	AUD	1.40%	5.20%	21.28%	23.32%	23.28%	40.67%	40.78%	7.22%	7.06%	4.88%
	AUD Hedge Performance	AUD	0.68%	1.67%	4.67%	4.46%	23.44%	22.77%	42.46%	7.26%	4.18%	5.06%
	Hedged Return	AUD	2.08%	6.87%	25.95%	27.78%	46.72%	63.44%	83.24%	13.62%	10.31%	8.81%
Asian Investment Grade	Total Return	USD	0.64%	3.02%	11.89%	12.63%	26.74%	45.86%	60.99%	8.21%	7.83%	6.86%
	Unhedged	AUD	0.18%	2.00%	9.67%	10.74%	10.88%	23.57%	17.91%	3.50%	4.32%	2.32%
	AUD Hedge Performance	AUD	0.68%	1.67%	4.67%	4.46%	23.44%	22.77%	42.46%	7.26%	4.18%	5.06%
	Hedged Return	AUD	0.86%	3.67%	14.34%	15.20%	34.33%	46.34%	60.36%	10.33%	7.90%	6.81%
Australian Investment Grade	UBS Composite Bond Index	AUD	0.01%	1.00%	7.52%	8.35%	26.48%	48.23%	61.39%	8.14%	8.18%	6.90%
	UBS Australian Credit Index	AUD	0.24%	2.15%	9.18%	9.62%	27.84%	50.14%	63.58%	8.52%	8.46%	7.10%

	Weight %	Yield % (USD)	Est. Hedged Yield % (AUD)*	Duration (yrs)	Spread v UST. (bp)	
Asian Credit Market Statistics	Asian Investment Grade Corporate	70.9%	3.63%	6.30%	5.13	246
	Asian High Yield Corporate	29.1%	6.71%	9.39%	4.30	540
	Blended IG/HY Asian Corporate	100.0%	4.5%	7.2%	4.89	331

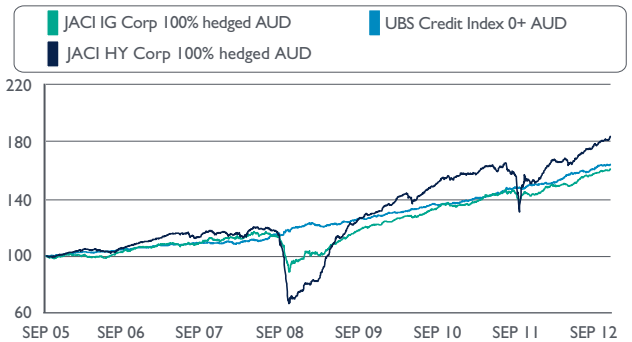
\* USD Yield + USD/ AUD 12mth forward pickup  
Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

## Asian Corporate Yields vs US Treasuries (USD)



Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

## UBS 0+ Credit Index vs Asian Credit Indices (% returns - AUD Hedged)



Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

## iboxx / iTraxx CDS Index Spreads



Source: UBSAustralia, JP Morgan, Chimaera Index Advisors, Bloomberg

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