

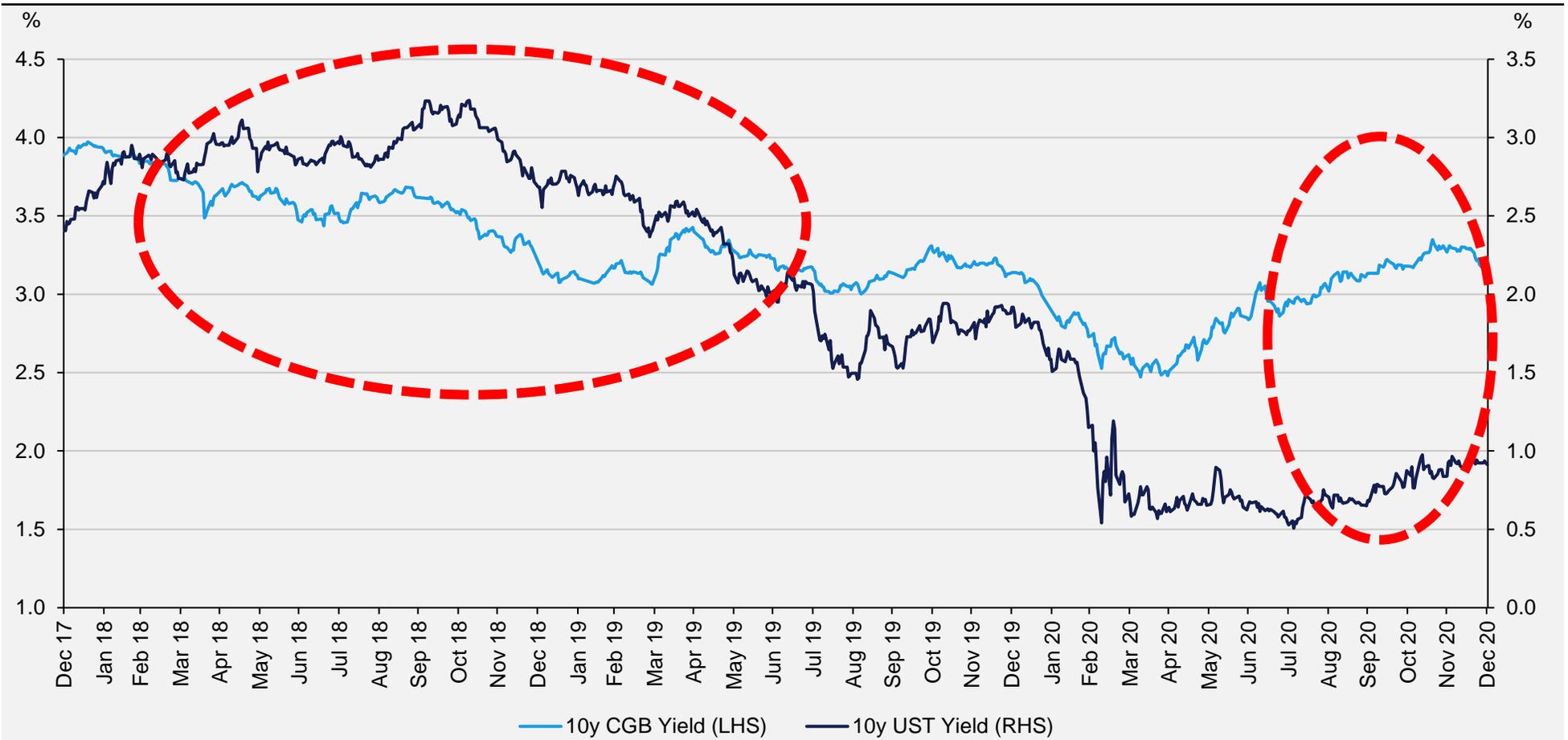
March 2021

Active decisions: Where to position along the risk curve in China?

Conexus Fixed Income and Private Credit Forum

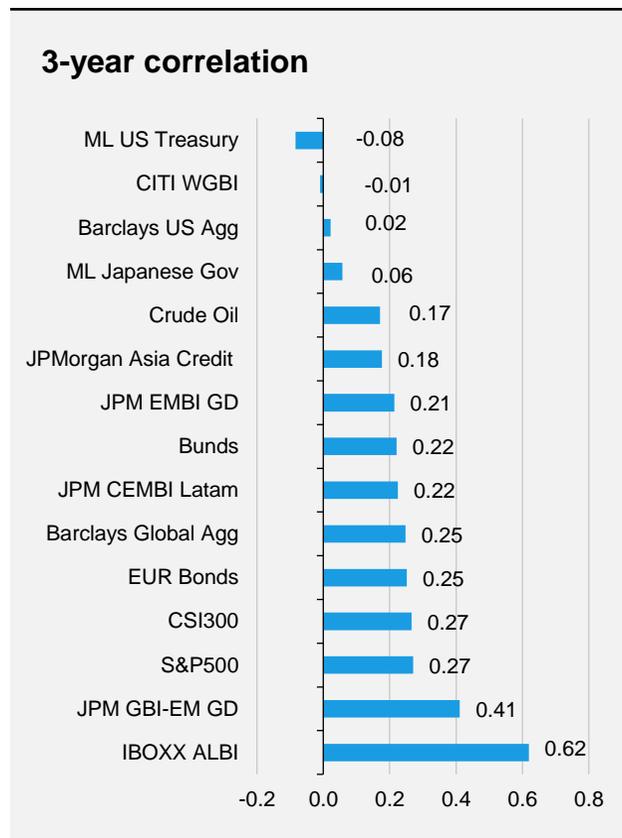
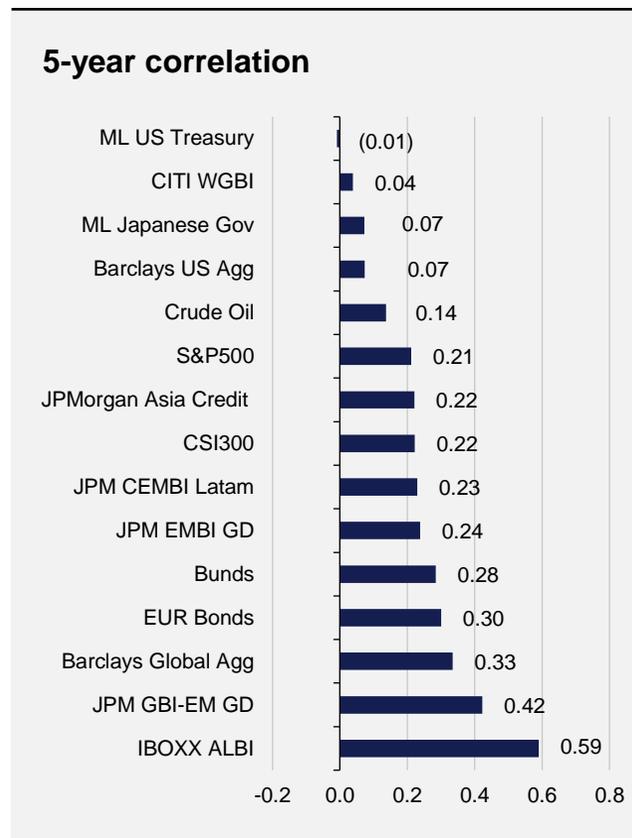


China and US interest rate cycles don't always coincide



Source: Bloomberg, 31 December 2020. For illustrative purposes only. Past performance is not a guide to future results

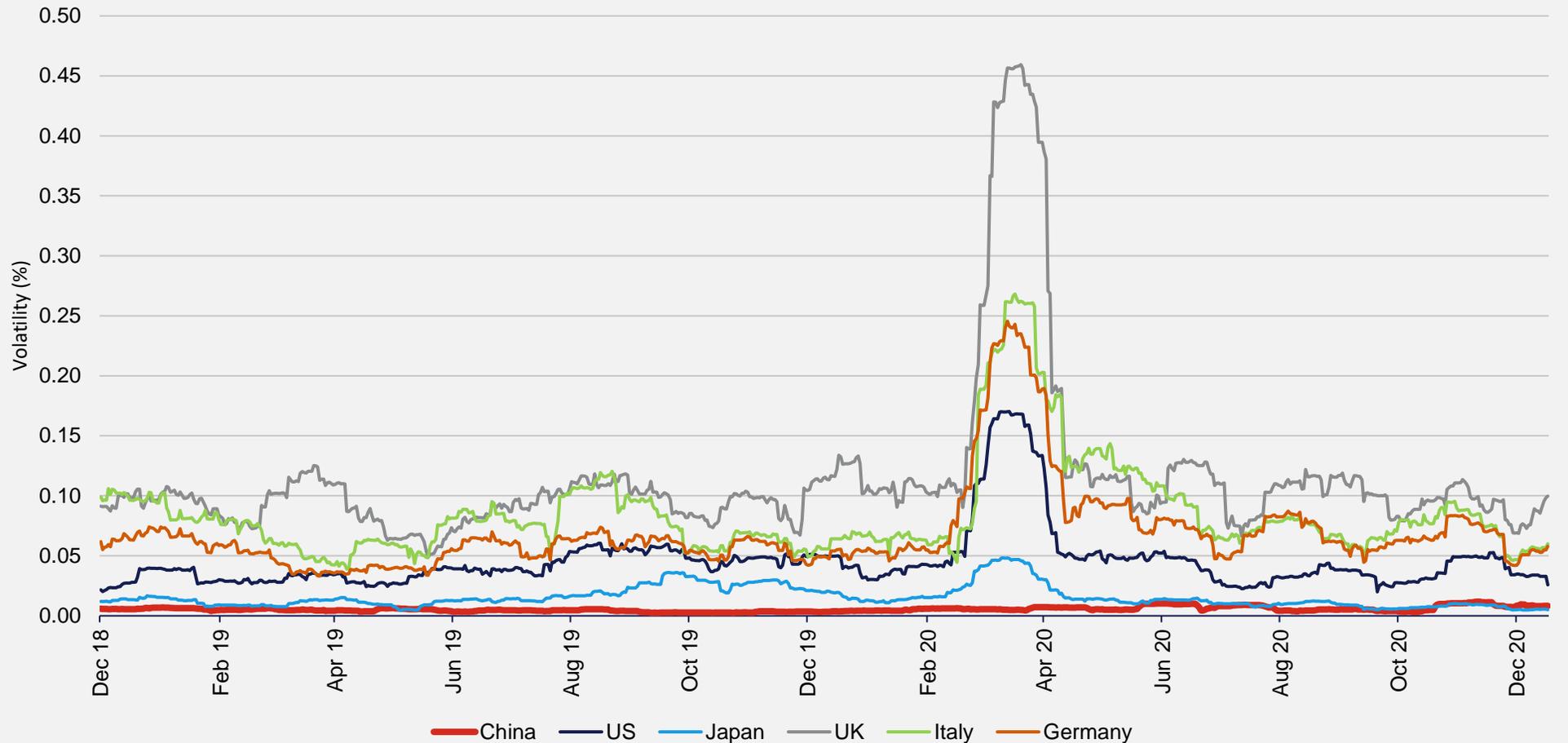
CNY bonds a great diversifier: low correlation* with other markets



* Denominated in USD, based on weekly returns of WGBI China 1-10y index

Source: Aberdeen Standard Investments, Bloomberg, 31 December 2020. For illustrative purposes only. Past performance is not a guide to future results

During the most recent panic in global markets, how did CNY bond market perform?



Source: Bloomberg, 31 December 2020. Past performance is not a guide to future results

How did CGBs perform when global bonds were gapping? –30y, 10y, 5y

Bid/ask spread

5y – 3bps

10y – 1bp

30y – 1bp

Key Tenors CGBs – traded levels

19 INTEREST-BEARING TREASURY BONDS 13 Time Remain... 4.5874Y
 190013.IB Peoples Republic of China Ministry of Finance Coupon Rate 2.94% (An
 Maturity Date 2024-10-1

Basic data Active10YTB ALLQ * Latest quotation Historical quotation Related bonds Same issuer Information | DES

2.4650 -1.58BP Best A... 2.45 3000
 Brokers Best Bid 2.47 * 3000

All	PATR	CCBG	CFIC	CCTS			Traded Only
Quoting Party	Vol Bid(10K)			Buy	Sell	Vol Oftr(10K)	Time
				2.475 *	2.44 +0	5000	17:14
				2.51	2.45	3000	17:07
				2.47 * *	2.45	5000	16:22
				2.49 *	2.45 *	5000	13:51

MOF 3.86% B490722 Time Remain... 29.3497Y
 190010.IB Peoples Republic of China Ministry of Finance Coupon Rate 3.86% (Se
 Maturity Date 2049-07-2

Basic data Active10YTB ALLQ * Latest quotation Historical quotation Related bonds Same issuer Information | DES

3.2725 -2.01BP Best A... 3.2725 5000
 Brokers Best Bid 3.28 * 1000

All	PATR	CCBG	CFIC	CCTS			Traded Only
Quoting Party	Vol Bid(10K)			Buy	Sell	Vol Oftr(10K)	Time
				3.28 *	3.27	2000+1000	17:26
				3.29	3.265 +0	2000	17:15
				3.28 * *	3.2725	5000	17:10
				3.29 *	3.2725	1000	17:09

MOF 3.86% B490722 Time Remain... 29.3497Y
 190010.IB Peoples Republic of China Ministry of Finance Coupon Rate 3.86% (Se
 Maturity Date 2049-07-2

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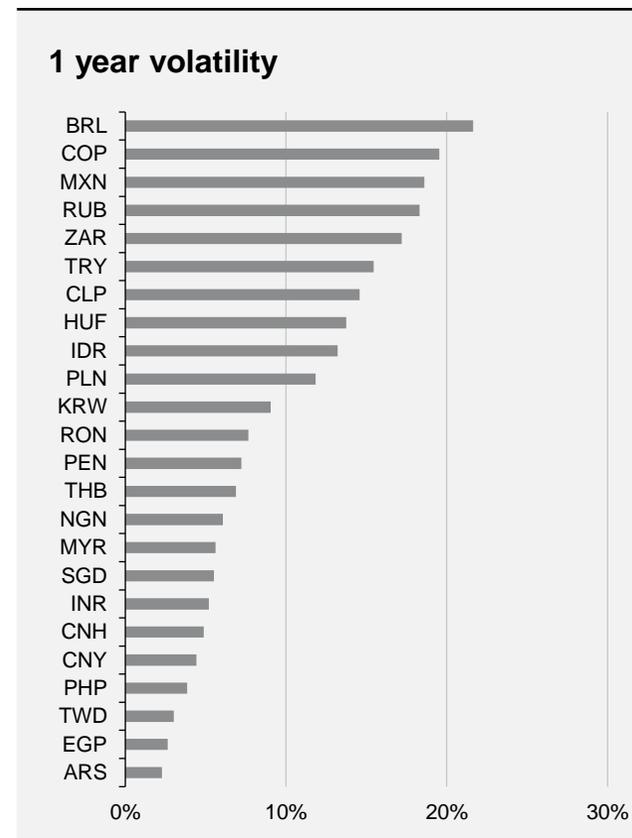
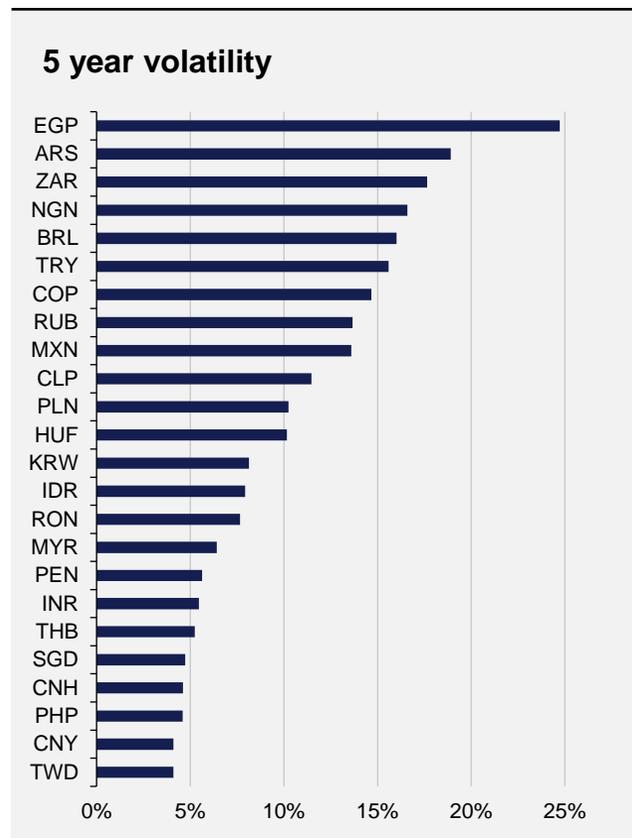
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Source: WIND, 16 March 2020

CNY currency has a low volatility vs other currencies

CNY historical volatility



Source: Aberdeen Standard Investments, Bloomberg, 31 December 2020. For illustrative purposes only. Past performance is not a guide to future results

USD China credit spread vs Onshore China credit spread



For illustrative purposes only. No assumptions regarding future performance should be made
Source: Bloomberg, 23 February 2021. **Past performance is not a guide to future results**

Why ASI discourages foreign investors from going down the CNY credit curve

Examples of relative valuation (onshore vs offshore); risk compensation

Central SOE

Currency	Name	Offshore Rating	Tenor	Spread against Treasury (bps)
USD	Sinopec	A+	3	120
CNY	Sinopec	A+	3	80

Local SOE

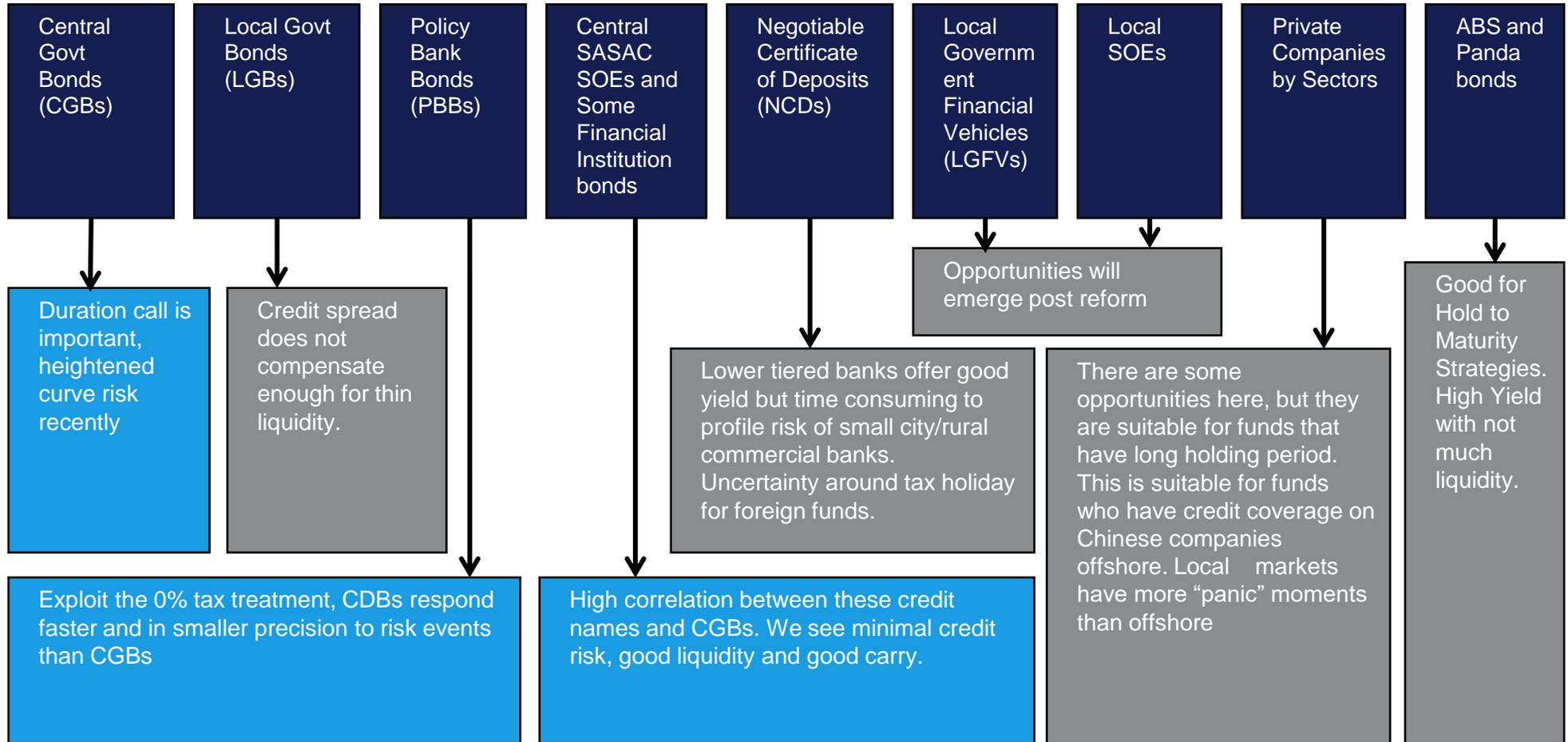
Currency	Name	Offshore Rating	Tenor	Spread against Treasury (bps)
USD	Qingdao Conson	BBB	0.5	300
CNY	Qingdao Conson	BBB	2.5	70
USD	Yunnan Energy	BBB	1.5	430
CNY	Yunnan Energy	BBB	3	130

High Yield

Currency	Name	Offshore Rating	Tenor	Spread against Treasury (bps)
USD	Evergrande	B	3	1380
CNY	Evergrande	B	3	600

The securities have been used for illustrative purposes only to demonstrate the investment management style and should not be considered as an investment recommendation
 Source: Aberdeen Standard Investments, Bloomberg, WIND, 08 June 2020. For illustrative purposes only. No assumptions regarding future performance should be made.

Where do we see opportunities/potential investment risk reward?



Source: Aberdeen Standard Investments

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