

Fixed Income Strategy:

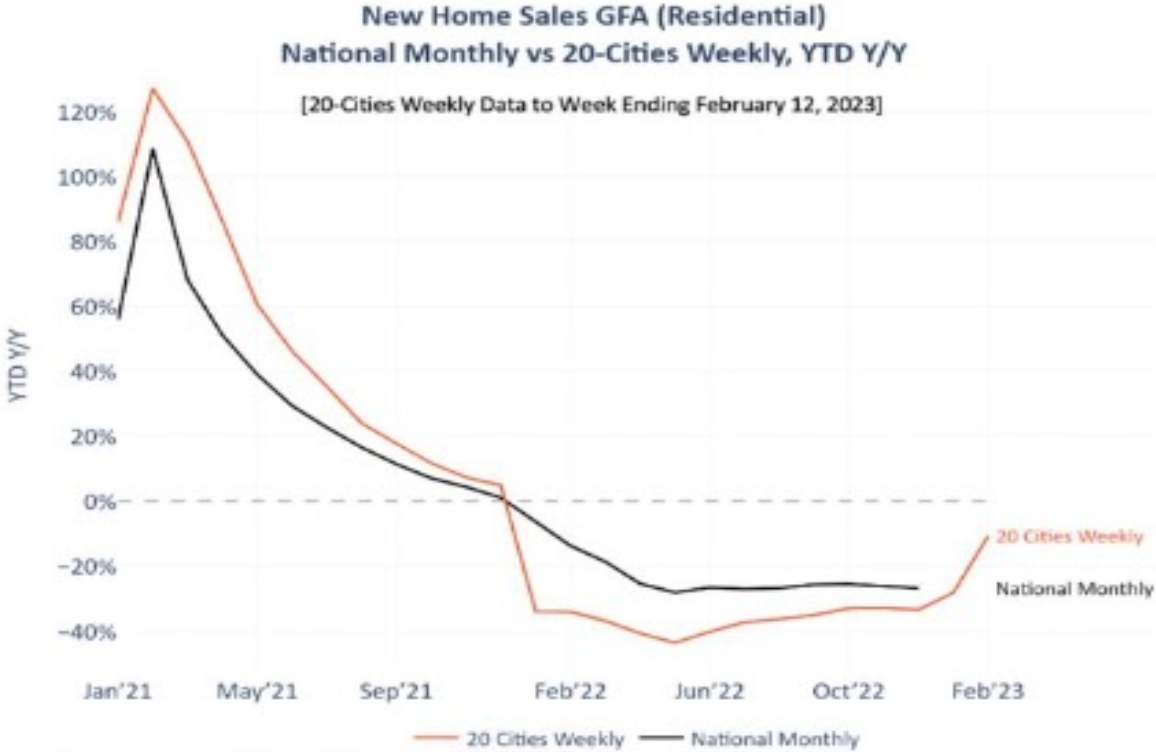
Chinese Macro / Property Sector

DISRUPTIVE * ACTIONABLE * LOCAL



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CHINESE REAL ESTATE: ON A DECLINE

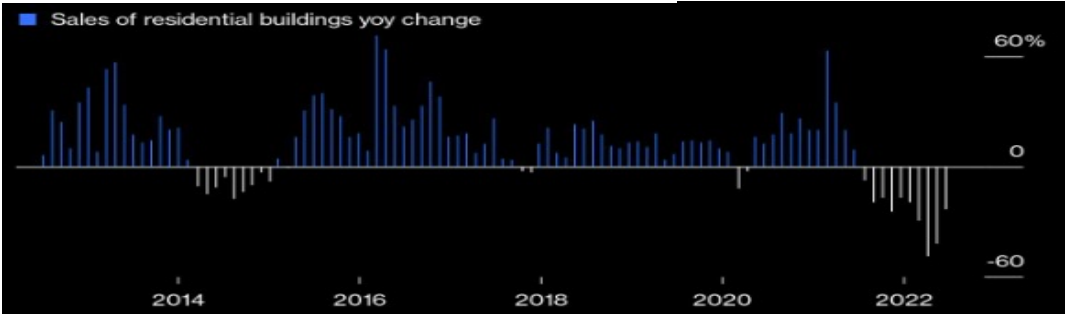


Source: Analysis by Real Estate Foresight based on data from CREIS and NBS

Note that both datasets (national and 20-cities weekly) are YTD Y/Y. For 20-cities weekly, we use the latest available week in the current month as a proxy for the end-of-month figure.

Source: Bloomberg

Source: Real Estate Foresight



WHY THAI REAL ESTATE IS ATTRACTIVE TO CHINESE BUYERS?

Politics

- ❖ “Relatively”-stable country for foreign investors
- ❖ “Neutral” political stance and friendly to Chinese tourists
- ❖ Far away from a crack down and questionable law enforcement
- ❖ Thailand as a place to benefit from the world splitting more into 2 sides

Macro

- ❖ Slowing inflation → More contained rate hikes → A bullish case for fixed income investments, including rental properties
- ❖ A lack of investment choices in China (but this factor will fade in time → Introduction of more foreign mutual funds in China)
- ❖ Skepticism in Chinese real estate sector (i.e. more defaults)

WHAT IS NEXT FOR CHINESE PROPERTY DEVELOPERS? (MY

SLIDE LAST AUGUST)

- ❖ L shape recovery (Slow rate of recovery)
- ❖ Government coming in to help with developers with “systemic importance” to the economy
- ❖ More bankruptcy and rating downgrades
- ❖ Artificially low onshore rates will keep the zombies stay afloat for longer,

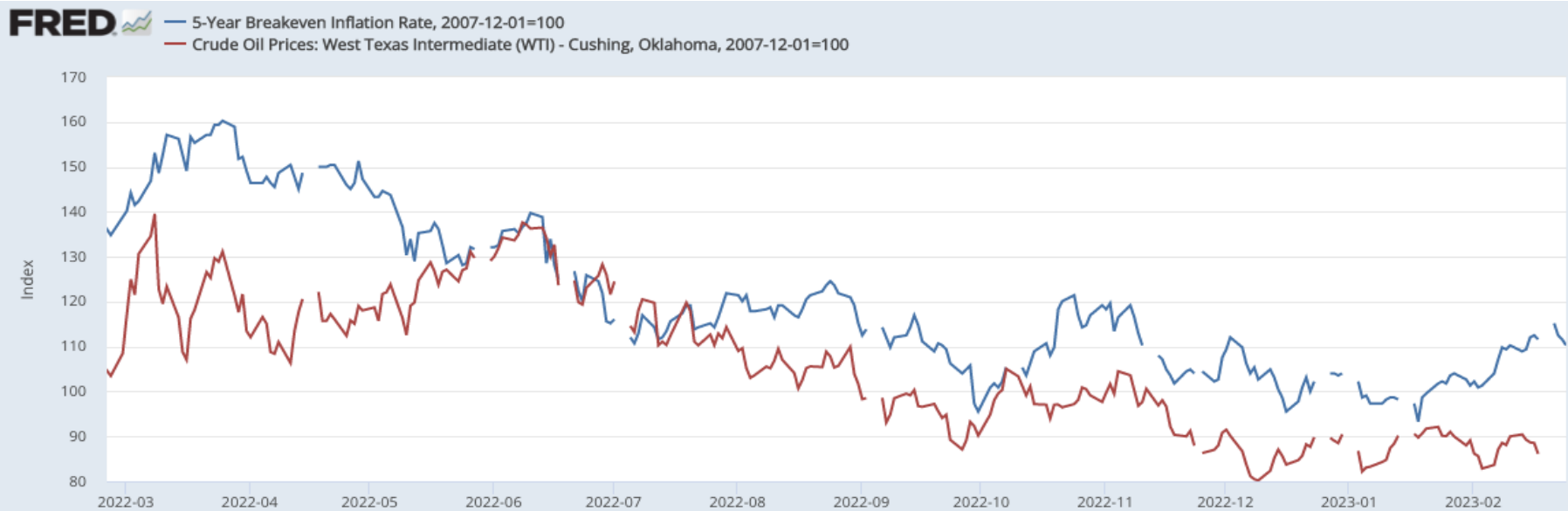
WHY CHINA REAL ESTATE WILL RECOVER?

- ❖ C. 1/3 of China's GDP
- ❖ Urbanization trend is still on.
- ❖ USD12-bn state guarantee program on new onshore bonds issued by a few select developers

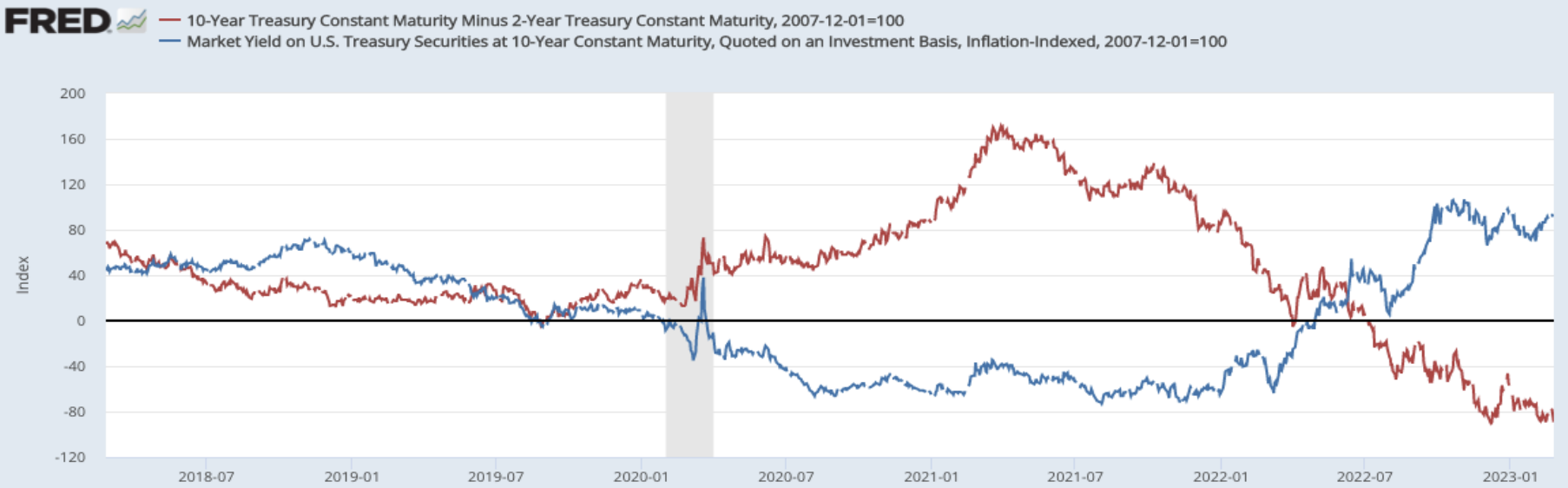
WHAT WILL HAPPEN IN CHINA IN THE NEXT 2 YEARS? (MY SLIDE LAST AUGUST)

- ❖ The Russia-Ukraine war will drag on.
- ❖ Potential war between the US and China via Taiwan
- ❖ Hostility between G7 and Russia/China will stay for a long time → the end of globalization (as we know it) and the start of the new cold war...
- ❖ Inflation is here to stay. (Energy and food prices will remain high.)
- ❖ Rising USD rates and refinancing risk (in USD)
- ❖ Limited bond issuance opportunities for Chinese High-yield bonds
- ❖ Slowing growth in China
 - ❖ Zero COVID policy
 - ❖ Rising default
 - ❖ Rising household debt in China
 - ❖ Potential unrest in China?
 - ❖ Would war be the answer to the slow growth discontent?
- ❖ Capital outflow will continue.

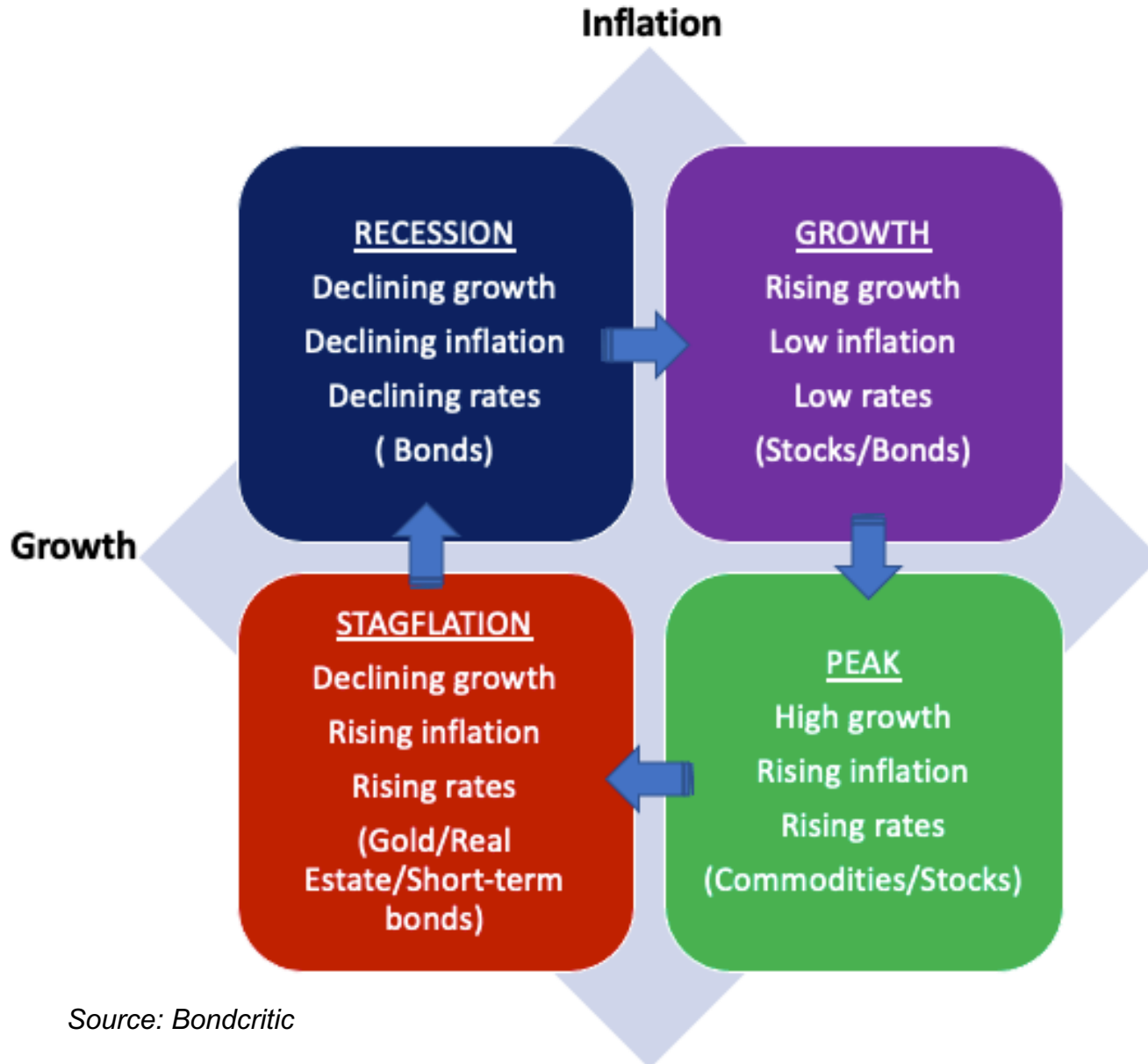
ELEVATED INFLATION V. UPCOMING RECESSION



Source: FRED



ECONOMIC CYCLE: → RECESSION



Source: Bondcritic