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**HASLINDA AMIN, BLOOMBERG:**

Let's get insights from my guest today. Annisa Lee, Head of Credit Research at PIMCO. She joins us here in the Lion's City. Good to have you with us, Annisa. I mean, what are your own expectations and markets of huge expectations of stimulus? That doesn't seem to be coming, but as it comes down to the Politburo meeting, are you expecting anything at all?

**ANNISA LEE, PIMCO:**

Well, it is our base case that we do not expect there will be a full package of stimulus to be announced by the Chinese government. However, we actually do expect there will be some easing into some targeted sectors that probably will be in line with the government's goal for quality growth and issuing some structural reforms. And I think this probably would pave the way for the government to achieve the 5% GDP growth target for this year. And this probably would be good for the markets.

**AMIN:**

Private investment is key. And just this morning we heard from the government calling for better financial support for private investment. Is that symbolic? Is that significant in changing and shaping the investment environment?

**LEE:**

I think it's definitely a good start. That the government officials are meeting with some company's management. But I think the key thing is really for the banks to still continue to be willing to lend to these POEs and SMEs so that they can actually create job opportunities. And that would be good for the economy.

**AMIN:**

What's the greatest risk right now?

**LEE:**

I think the key right now is the, there's a lot of job losses in China and income expectations coming lower. So that actually would weaken consumer spending. And we are also seeing consumption downgrades. So we think that this probably would be the near-term risk.

**RISHAAD SALAMAT, BLOOMBERG:**

So Annisa, where is the real kind of, I guess the crux was going on in China all stems from property. And how is that for you evolving? I mean, we see Wonder making probably this payment coming through. That's sending the right message through. So is this ailing side of the economy now actually on the mend or is it going to take a long time for it to fix itself?

**LEE:**

I think we're still relatively cautious on the China property sector. Many because it will probably take some time for sales to recover. So it will probably take another six months or so to clear inventory. So that's why for now we actually do see that there's still risk of some companies potentially defaulting.

**SALAMAT:**

Exactly. And again, we go back to the stimulus question. Is it worth saving some of these companies? And has the whole landscape for property and its importance in the psyche of the Chinese evolving?

**LEE:**

I do not really expect the government would come out to save these companies. I think so far what we have seen in the past 12, 18 months is that the companies have to deal with the offshore and onshore debt maturities on its own. But there could be potential, some specific easing issued or implemented by the local government. But I do not really think there will be a full-blown easing on the sector as a whole.

**AMIN:**

Is there a sense that we'll see more of these dead scares when it comes to Chinese developers in the real estate industry?

**LEE:**

As I said earlier, I do still think that there could be potential defaults within the sector. Just that we need to really be careful to pick and choose the names that we like and would like to invest in too.

**AMIN:**

And what are you personally doing in terms of the Chinese market? Where are you invested in? What's attractive? Where are the opportunities?

**LEE:**

I think we talk about the Chinese markets in the dollar-bound markets, right? We can actually see the different sectors like the SOEs, the banks, the property sector, industrial sector and the LGFEs. So we actually do think that the credit profile and also the bond performance of SOEs, banks, and some select industrial names will actually be quite decent. But then we are relatively cautious on China property and also LGFEs. One technical, which is very positive to the sector, is that there is a lot less issuances coming up from the Chinese names. So which would provide a positive technical backdrop for bonds to perform.

**SALAMAT:**

Annisa, I want to get a sense very quickly before we go to broader Asia credit about these local government finance vehicles that you've just been alluding to. They seem, you know, we can't tile them with one brush because some parts of the country are doing better than others. In those parts where they're pretty bad, it has this negative feedback loop because they can't refinance themselves. Where does that leave them and where does that then leave the economy overall?

**LEE:**

Well, the market has been concerned about this LGFE debt. And I think it is a valid concern given the size of the LGFE debt. That said, I don't think it would actually pose any systemic risks to the system, at least in the near term. Not all LGFE debt is actually coming from weak provinces. This is first and I think second, is that the local government would actually try its best to actually help out these LGFEs. And more importantly, I do think that the central government would coordinate with banks to help these LGFEs if it's needed.

**SALAMAT:**

So, when you look at the credit landscape in China, how does that compare with other parts of the region and how do you therefore invest, I suppose, look at the various credit markets and indeed indigenous or domestic debt and also dollar denominated debt, as you alluded to earlier.

**LEE:**

So, given right now, we're basically quite positive or constructive of SOEs and Chinese banks. However, the valuations are not particularly attractive. A lot of investors, including us, are also looking at non-Chinese names in the dollar bond market, such as Indian names or Indonesian names. So, we actually do see value in some select Triple B names, including quasi-sovereign names in Indonesia and some of the Triple B, PEO, industrial names in China and also in India and Indonesia too.

**AMIN:**

You were neutral on China-governed bonds last year, is there any reason for you to be overweight? Have you become more overweight now compared to before?

**LEE:**

Our focus is more, our focus is more on the dollar bond markets, you know, and so probably not really suitable to answer this question.

**AMIN:**

In terms of the rest of Asia, where do you see opportunities? I mean, some are liking the Indonesian bonds, do you see similar opportunities there as well?

**LEE:**

Yes, I actually- we are quite constructive on the overall Indonesian economy, and also that we are seeing a lot of quasi-sovereign, they're actually providing quite decent spread, which we actually do like. So, that's why in terms of our preference in non-Chinese space, I think we do see value in some of the quasi-sovereign names in Indonesia and also in India also.

**AMIN:**

Annisa, thanks so much for being with us. Annisa Lee from PIMCO.