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**DAVID INGLES, BLOOMBERG:**

Let's talk more about the fixed income side of things and credits specifically with the property and some of the risk premiums perhaps getting sucked out of this market, at least for now. Annisa Lee with us here on set, EVP and head of APAC Credit Research at PIMCO. Good morning.

**ANNISA LEE, PIMCO:**

Good morning.

**INGLES:**

This market's kind of funny because investors toss things out at the same time and then they just pick things up at the same time. There have been dislocations in the credit market. What seems unjustifiably cheap at this point in time, given the policy intent that we've seen from China?

**LEE:**

I think over the past few months, we have seen risk off-mode investors and everything including Chinese names or even some non-Chinese names have been sold off. So- but that's been some dislocations in some of the higher quality POE Chinese credits, which have been sold off, quite drastically. And even some of the risk off-mode is spread onto some Hong Kong names over the past two weeks. And we actually do like some of them. But you need to actually do your work and be more selective.

**RISHAAD SALAMAT, BLOOMBERG:**

So tell me, Annisa, how does it kind of work here with perhaps the Fed towards the end of the interest rate-hiking cycle- rates haven’t been this high for 22 years? And then you've got a China market where there's very easy money, if you will, cheap money anywhere, if you can get it. How does that play out into investment grade and even high yield here as well? And, you know, of course, we're looking at local and of course, dollar-denominated debt too.

**LEE:**

I think it is positive for the US dollar bond market in Asia with the Fed rate-hiking cycle is closer to an end. That, you know, investors could actually think about, okay, rates probably are at the peak, right? And if you buy IG bonds these days, you can still get five and a half, six percent all in yield, which I think is quite attractive and we have not seen this for a long time, okay? And we also do expect rates to actually come down debt early.

**SALAMAT:**

Annisa, I just got a drop for 10 seconds. I said, we've got Foxconn's former president, CEO, it's going to be seeking the presidency of the country as an independent here. This was something that we were looking for, but it has now just come out that he is seeking that presidency. We'll have more from Steve Engel, who's been on the ground there of late. Anyway, Annisa, please carry on.

**LEE:**

Yeah, so we actually do think that, you know, right now it's actually not a bad time to consider buying US dollar bonds, especially on the IG side, given that we are closer to the fat rate hike cycle.

**INGLES:**

That seems to be an expensive part of the market. It seems to be a part of the market that everyone still loves. At what point do you go, that looks a bit rich, right? IG.

**LEE:**

I think overall IG names may not look very cheap, but there's pockets of opportunities. As I said, some of the true B rated Chinese names, they actually trade quite wide. As compared to a lot of single A rated Chinese names, which are super tight. So I think there are pockets of opportunities that we can actually look into.

**INGLES:**

Yeah, it's fairly extreme. And then we were having a conversation right before we came on air, right? The other extreme end of this market, which is the junk space, has extremely cheap valuations. So my question is, how is liquidity in that part of the market right now?

**LEE:**

I think liquidity, traded liquidity among the Chinese names is pretty thin. But I think for non-Chinese names, like Indonesian names and Indian names, I actually still have a decent demand. And we are still seeing quite decent trading liquidity.

**SALAMAT:**

Property, any value there whatsoever, because this is a sector which has been absolutely pummeled?

**LEE:**

Well, we're still cautious overall towards the sector, given that I think sales recovery would take time to happen. And there's still a lot of offshore and onshore debt maturities among these POE developers that they need to face. So we have to be highly selective on names, which means that we need to actually assess how likely they will actually be able to repay their offshore and onshore debt maturities, whether they have access to sell, and whether they can actually get bank loans for them to actually refinance themselves. So overall, we are highly selective on the sector.

**INGLES:**

Has anything that's been announced recently, I know sometimes some of the announcements, lack details, stand out to you as potentially game changers?

**LEE:**

It's more than pieces of easing measures, than a broad-based, full-blown package of measures. So at this point in time, I don't see any game changer sort of policy that could potentially turn around the sector. It takes time for inventory to clear up for people to actually digest the economy.

**SALAMAT:**

Annisa, very quickly, we've got a lot of debt in this part of the world in terms- I think, 1.7 trillion dollars worth of, you know, how does this play out? Do you see a lot of defaults coming through in which sectors are most vulnerable?

**LEE:**

We still see that there could be more defaults among the Chinese property names, given that sales, as I said, is still pretty weak. And I think the dollar bond market has been shut down for the sector. So if they couldn't get assets to sell, or they can get banks to lend to them, I think we're going to see more defaults to come.

**INGLES:**

And broadly outlook for supplies?

**LEE:**

Supply? This very limited supply within the US dollar bond market, it's given the market volatility. But then, if they're coming, they're more resilient names. And they need to pay up the new issue premium. And we think there's an actually good investment opportunity for us to invest into some of them.

**INGLES:**

Fantastic. OK.

**SALAMAT:**

Thank you so much.

**LEE:**

Thank you.

**SALAMAT:**

That’s Annisa Lee there, the EVP and head of APAC Credit Research, at PIMCO.