

# iBoxx ALBI Monthly Commentary

## Contributor

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Director

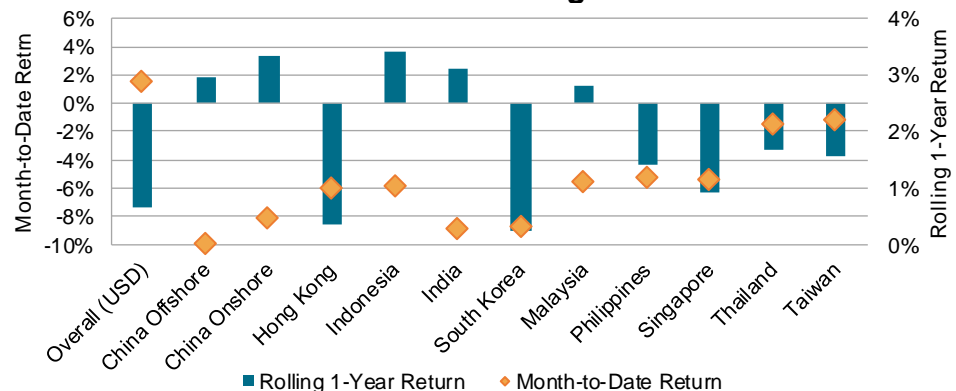
Fixed Income Indices

Asia Pacific

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## December 2022 Commentary

**Exhibit 1: iBoxx ALBI Overall and Single Market Returns**



Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

2022 started off with (somewhat) bullish market expectations, but soon after, rising inflation, interest rate hikes and recessionary fears took over, which made it a year to forget for both fixed income and equities. The [S&P 500®](#) lost 19.44% in 2022, recording its worst year since 2008. U.S. Treasuries—as represented by the iBoxx \$ Treasuries—also lost ground, falling 12.94% in 2022.

The People's Bank of China (PBOC) loosened its monetary policy in 2022, in contrast to central banks from other developed markets. Despite woes in the Real Estate sector, Chinese Government Bonds and Policy Bank bonds performed well in 2022—as represented by the iBoxx ALBI China Onshore—returning 3.30% (in local currency terms). Investors were also keeping a keen eye on how the recent pivot in China's COVID-19 strategy would play out and how it would affect regional and global markets in 2023.

In the broader Asian fixed income markets, the iBoxx Asian Local Bond Index (ALBI) (unhedged in USD) returned 2.90% in December 2022 but ended the full year down -7.39%. In 2022, one-half of the eligible markets recorded positive returns in local currency terms. Gains were led by Indonesia (up 3.63%), China Onshore (up 3.30%) and India (up 2.46%). Among the bottom performers were South Korea (-8.97%), Hong Kong (-8.51%) and Singapore (-6.37%).

Apart from China Onshore (-2.55%) and Indonesia (-1.87%), short-dated bonds (1-3 years) significantly outperformed long-dated ones (10+ years) in 2022. The difference in performance between short-and long-dated bonds was greatest in South Korea and Hong Kong, recording gaps of 18.38% and 18.95%, respectively (see Exhibit 11). Compared to last year, yields across iBoxx ALBI eligible markets rose across the board (except for China Onshore). Hong Kong saw its yield surge 282 bps to 4.80% as of Dec. 31, 2022, while the Philippines, South Korea and Singapore recorded increases of more than 100 bps. Combined with changes in the other markets, the overall index yield increased by 85 bps to 4.15%.

## Exhibit 2: iBoxx ALBI Overall and Single Market Returns

| Market         | December 2022 Index Level | Returns (%)   |       |            |
|----------------|---------------------------|---------------|-------|------------|
|                |                           | Month-to-Date | YTD   | Three-Year |
| Overall (USD)  | 114.16                    | 2.90          | -7.39 | -1.77      |
| China Offshore | 144.38                    | 0.06          | 1.77  | 8.60       |
| China Onshore  | 149.31                    | 0.50          | 3.30  | 12.40      |
| Hong Kong      | 113.03                    | 1.00          | -8.51 | -2.37      |
| India          | 217.06                    | 0.32          | 2.46  | 18.46      |
| Indonesia      | 189.33                    | 1.07          | 3.63  | 25.04      |
| South Korea    | 116.24                    | 0.34          | -8.97 | -10.57     |
| Malaysia       | 144.28                    | 1.12          | 1.23  | 7.07       |
| Philippines    | 135.95                    | 1.21          | -4.37 | 2.53       |
| Singapore      | 114.53                    | 1.17          | -6.37 | -3.11      |
| Taiwan         | 113.85                    | 2.23          | -3.72 | -2.91      |
| Thailand       | 136.22                    | 2.16          | -3.33 | -4.88      |

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Overall index performance based on total return in USD. All others based on total return in local currency. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 3: iBoxx ALBI Returns Attribution – December 2022**

| Market         | FX Return (%) | Accrual Return (%) | Capital Return (%) |
|----------------|---------------|--------------------|--------------------|
| Overall (USD)  | 1.98          | 0.32               | 0.58               |
| China Offshore | 2.51          | 0.28               | -0.22              |
| China Onshore  | 2.70          | 0.27               | 0.23               |
| Hong Kong      | 0.08          | 0.24               | 0.77               |
| India          | -1.49         | 0.60               | -0.28              |
| Indonesia      | 1.05          | 0.61               | 0.47               |
| Malaysia       | 1.43          | 0.35               | 0.77               |
| Philippines    | 1.49          | 0.35               | 0.86               |
| Singapore      | 2.05          | 0.23               | 0.94               |
| South Korea    | 4.30          | 0.22               | 0.12               |
| Taiwan         | 0.55          | 0.12               | 2.11               |
| Thailand       | 2.11          | 0.23               | 1.93               |

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

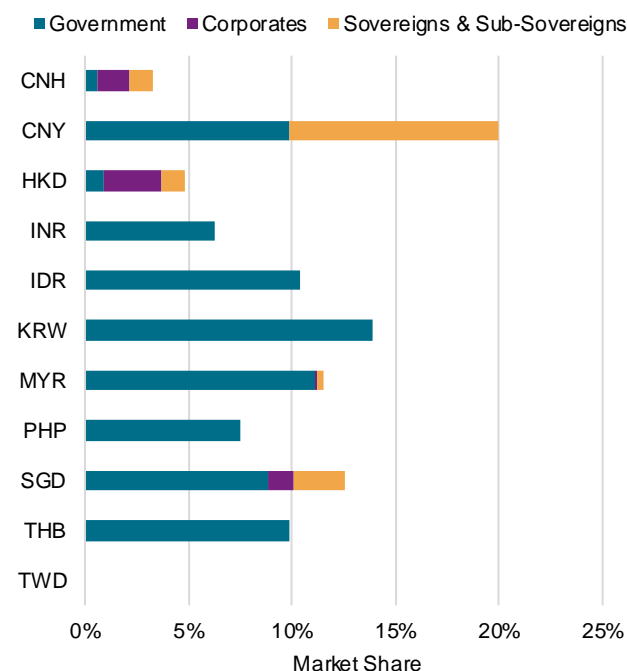
**Exhibit 4: iBoxx ALBI Returns by Maturity – December 2022**

| Market                   | Return (%) |          |          |           |          |
|--------------------------|------------|----------|----------|-----------|----------|
|                          | 1-3 Year   | 3-5 Year | 5-7 Year | 7-10 Year | 10+ Year |
| Overall (USD)            | 2.61       | 2.64     | 2.67     | 2.61      | 3.68     |
| Overall (Local Currency) | 0.47       | 0.68     | 0.74     | 0.63      | 1.76     |
| China Offshore           | 0.24       | -0.37    | -0.10    | -0.80     | -0.22    |
| China Onshore            | 0.32       | 0.37     | 0.34     | 0.52      | 1.24     |
| Hong Kong                | 0.92       | 1.05     | 1.21     | 0.94      | 1.34     |
| India                    | 0.41       | 0.37     | 0.43     | 0.37      | 0.22     |
| Indonesia                | 1.04       | 1.14     | 1.49     | 1.08      | 0.91     |
| Malaysia                 | 0.43       | 0.83     | 0.89     | 1.19      | 1.69     |
| Philippines              | 0.55       | 1.08     | 1.17     | 1.08      | 2.88     |
| Singapore                | 0.45       | 0.77     | 0.35     | 0.18      | 2.85     |
| South Korea              | 0.29       | 0.23     | 0.02     | -0.19     | 0.76     |
| Taiwan                   | 0.23       | 0.27     | 0.42     | 1.29      | 5.26     |
| Thailand                 | 0.50       | 1.20     | 1.41     | 1.26      | 4.42     |

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

# January 2023 Rebalance

## Exhibit 5: Market Breakdown and iBoxx ALBI Duration Changes



| Market         | Duration (Years)* |              |
|----------------|-------------------|--------------|
|                | Dec. 31, 2022     | Jan. 2, 2023 |
| Overall (USD)  | 6.49              | 6.54         |
| China Offshore | 2.65              | 2.66         |
| China Onshore  | 5.86              | 5.87         |
| Hong Kong      | 3.70              | 3.73         |
| India          | 6.67              | 6.74         |
| Indonesia      | 5.92              | 5.93         |
| South Korea    | 8.39              | 8.48         |
| Malaysia       | 6.84              | 6.98         |
| Philippines    | 4.78              | 4.79         |
| Singapore      | 7.40              | 7.38         |
| Thailand       | 7.92              | 8.15         |
| Taiwan         | 8.72              | 8.71         |

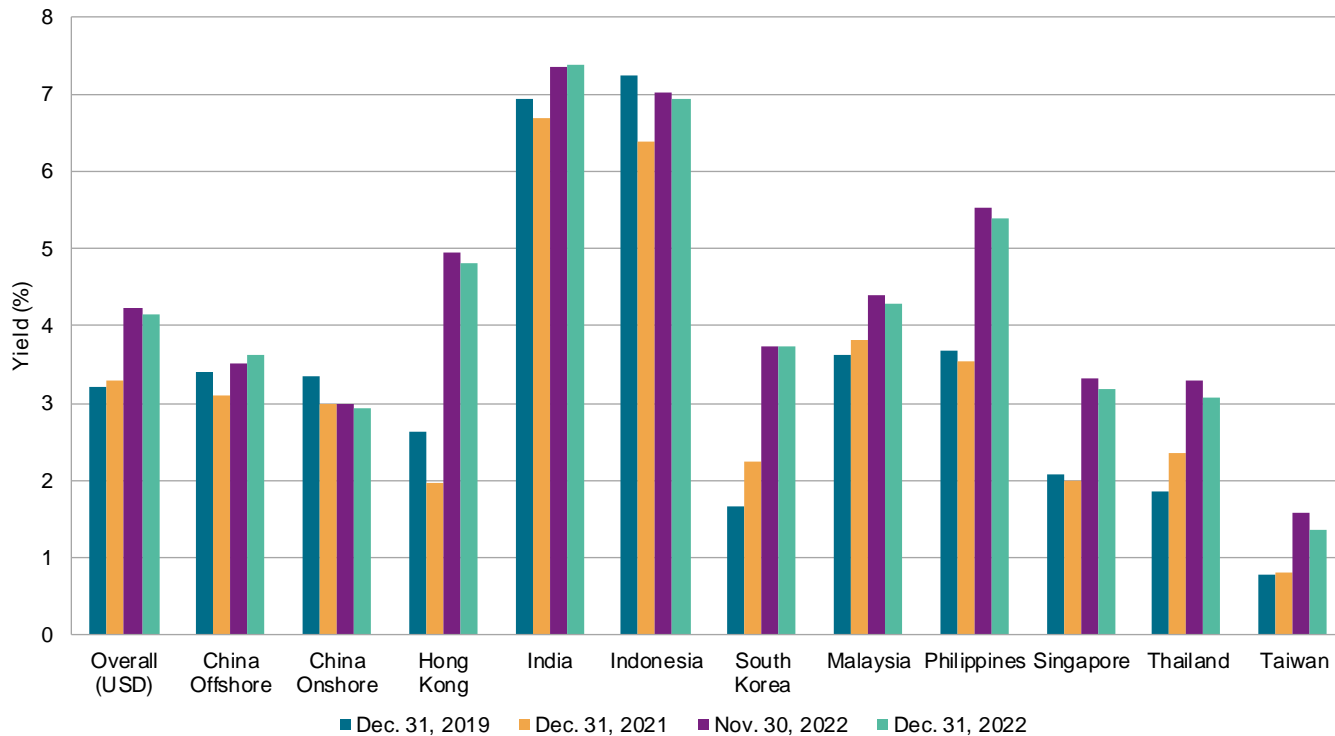
Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022 (and Dec. 1, 2022, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes. \*Semiannual modified duration.

The latest rebalance saw 20 bonds entering and 25 bonds leaving the overall index (please refer to the Appendix for a detailed breakdown of insertions and deletions).

Following the [results of the iBoxx Asia-Pacific Annual Index Review](#), the change in index weights were applied in the index rebalance on Nov. 30, 2022. According to the iBoxx ALBI methodology, the maximum permissible market weight change is 50 bps per quarter. As the change for China Offshore was 75 bps, the market weight changes in the index will take place over two quarters—on Nov. 30, 2022, and Feb. 28, 2023. The current weights are reflected in Exhibit 5 (following the first change on Nov. 30, 2022).

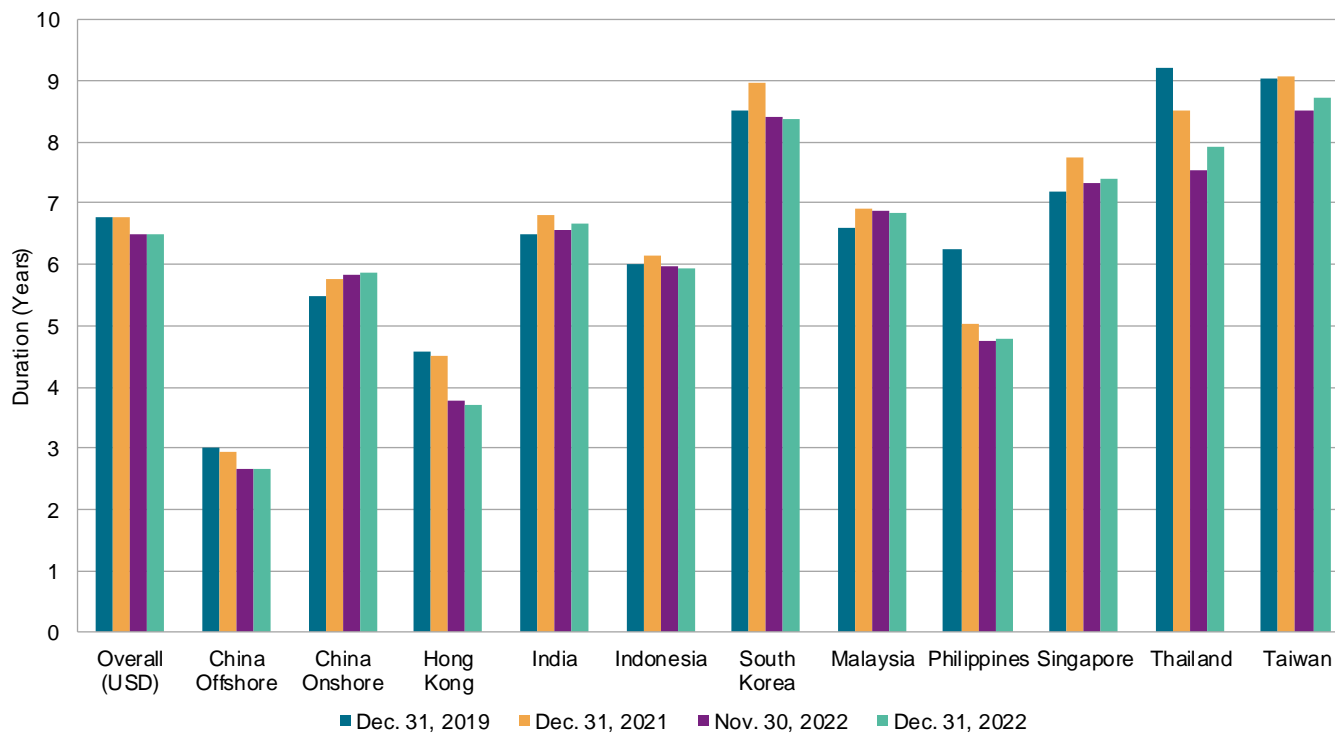
The index duration increased slightly to 6.54 years following the recent rebalance. Most markets saw their duration increase this month, with the largest increase coming from Thailand (up 0.23 years). Among the eligible markets, South Korea currently has the longest duration (8.48 years), while China Offshore remains the least sensitive to interest rates, with a duration of 2.66 years.

### Exhibit 6: iBoxx ALBI Yield



Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Semiannual yield. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

### Exhibit 7: iBoxx ALBI Duration



Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Semiannual yield. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

# Appendix

## Exhibit 8: iBoxx ALBI Overall – January 2023 Insertions

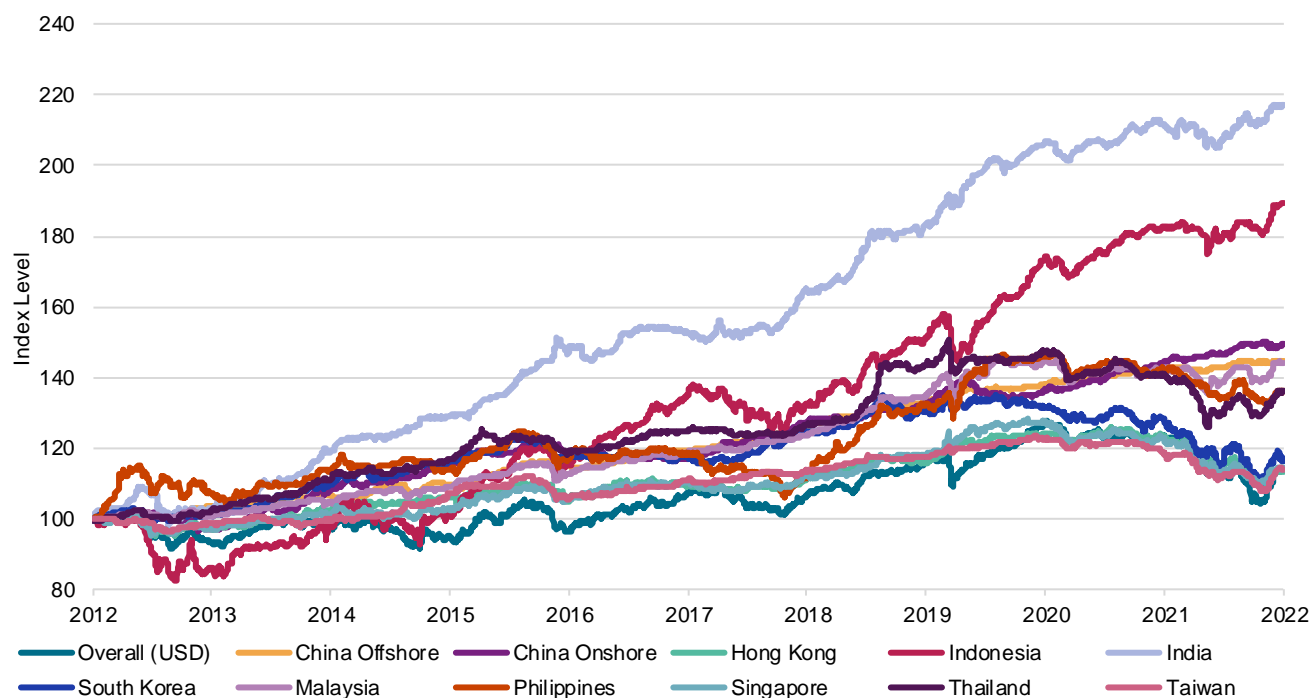
| Issue                    | Currency | Rating | Notional<br>(Local Currency, Millions) |
|--------------------------|----------|--------|--|
| ICBCAS 3.05% 2025-12-9   | CNH      | A      | 700                                    |
| JPM 3.55% 2024-6-21      | CNH      | AA     | 534                                    |
| BOCOM 2.8% 2024-12-14    | CNH      | A      | 500                                    |
| BOCOM 2.9% 2025-12-13    | CNH      | A      | 500                                    |
| CGB 2.79% 2029-12-15     | CNY      | A      | 60,330                                 |
| CGB 2.29% 2024-12-25     | CNY      | A      | 60,000                                 |
| ADBCH 2.6% 2025-12-1     | CNY      | A      | 12,000                                 |
| HKMTGC 4.8% 2024-12-13   | HKD      | AA     | 550                                    |
| MTRC 4.91% 2024-6-21     | HKD      | AA     | 500                                    |
| UOBSP 5.03% 2025-11-28   | HKD      | AA     | 500                                    |
| HKCGAS 4.815% 2025-12-1  | HKD      | A      | 380                                    |
| HKMTGC 4.745% 2024-12-16 | HKD      | AA     | 350                                    |
| HKMTGC 4.8% 2024-12-9    | HKD      | AA     | 300                                    |
| HKMTGC 4.78% 2024-12-16  | HKD      | AA     | 300                                    |
| IGB 7.41% 2036-12-19     | INR      | BBB    | 110,000                                |
| KTB 4.25% 2025-12-10     | KRW      | AA     | 1,651,000                              |
| KTB 4.25% 2024-12-10     | KRW      | AA     | 1,109,000                              |
| HDBSP 3.995% 2029-12-6   | SGD      | AAA    | 900                                    |
| PUBLSP 3.663% 2025-11-28 | SGD      | AA*    | 300                                    |
| THAIGB 4% 2072-6-17      | THB      | A      | 23,180                                 |

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. \* Implied rated bonds. Table is provided for illustrative purposes.

**Exhibit 9: iBoxx ALBI Overall – January 2023 Deletions**

| Issue                    | Currency | Rating | Notional<br>(Local Currency, Millions) |
|--------------------------|----------|--------|--|
| VW 3.4% 2023-12-8        | CNH      | A      | 1,000                                  |
| HKMTGC 3% 2023-12-20     | CNH      | AA     | 778                                    |
| EBRD 2.2% 2023-12-6      | CNH      | AAA    | 650                                    |
| IBRD 2.45% 2023-12-15    | CNH      | AAA    | 641                                    |
| BOCOM 0.95% 2023-12-13   | HKD      | A      | 1,200                                  |
| HKMTGC 0.92% 2023-12-15  | HKD      | AA     | 800                                    |
| HKGB 1.94% 2023-12-4     | HKD      | AA     | 795                                    |
| HKCGAS 0.88% 2023-12-7   | HKD      | A      | 710                                    |
| NAB 2.716% 2023-12-14    | HKD      | AA     | 500                                    |
| HKMTGC 2.65% 2023-11-30  | HKD      | AA     | 500                                    |
| HKMTGC 2.605% 2023-12-1  | HKD      | AA     | 500                                    |
| HKMTGC 2.6% 2023-12-1    | HKD      | AA     | 500                                    |
| HYSAN 4.1% 2023-12-1     | HKD      | A      | 404                                    |
| HKCGAS 3.55% 2023-12-13  | HKD      | A      | 400                                    |
| HKMTGC 2.51% 2023-12-15  | HKD      | AA     | 320                                    |
| ASIA 0.6% 2023-12-14     | HKD      | AAA    | 300                                    |
| ASIA 0.58% 2023-12-13    | HKD      | AAA    | 300                                    |
| HKMTGC 2.455% 2023-12-18 | HKD      | AA     | 300                                    |
| HKMTGC 2.495% 2023-12-13 | HKD      | AA     | 300                                    |
| HKE 3.4% 2023-12-19      | HKD      | A      | 300                                    |
| IGB 7.68% 2023-12-15     | INR      | BBB    | 822,302                                |
| KTB 0.875% 2023-12-10    | KRW      | AA     | 17,184,000                             |
| KTB 1.75% 2023-12-10     | KRW      | AA     | 2,501,000                              |
| MGII 4.094% 2023-11-30   | MYR      | A      | 11,500                                 |
| THAIGB 2.4% 2023-12-17   | THB      | A      | 176,229                                |

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Table is provided for illustrative purposes.

**Exhibit 10: iBoxx ALBI Overall and Single Market Returns**

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Total return index levels since index inception. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

**Exhibit 11: iBoxx ALBI Short-Dated and Long-Dated Returns – 2022**

| Market         | 1-3 Year (%) | 10+ Year (%) | Difference<br>(Short-dated–Long-dated, %) |
|----------------|--------------|--------------|---|
| Overall (USD)  | -5.02        | -10.51       | 5.49                                      |
| China Offshore | 2.05         | 0.58         | 1.47                                      |
| China Onshore  | 2.73         | 5.28         | -2.55                                     |
| Hong Kong      | -3.53        | -21.91       | 18.38                                     |
| India          | 3.36         | 2.54         | 0.82                                      |
| Indonesia      | 2.62         | 4.49         | -1.87                                     |
| Malaysia       | 1.88         | 0.98         | 0.90                                      |
| Philippines    | -0.85        | -12.30       | 11.45                                     |
| Singapore      | -1.49        | -10.16       | 8.66                                      |
| South Korea    | -0.03        | -18.98       | 18.95                                     |
| Taiwan         | -0.20        | -6.82        | 6.62                                      |
| Thailand       | 0.28         | -7.84        | 8.13                                      |

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.



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