

iBoxx Asian Local Currency Indices

iBoxx ALBI, iBoxx ABF and iBoxx SGD

January 2023 Commentary

Contributor

Kangwei Yang
Director
Fixed Income Indices
Asia Pacific
kangwei.yang@spglobal.com

Markets were off to a buoyant start in 2023, as the [S&P 500®](#) rallied 6.18% for the month, one of its strongest January returns in recent years. This was accompanied by a “less hawkish” tone from the U.S. Federal Reserve as inflation numbers eased. After the meeting on Jan. 31-Feb. 1, 2023, the Federal Open Market Committee (FOMC) announced a more conservative interest rate rise of 25 bps.

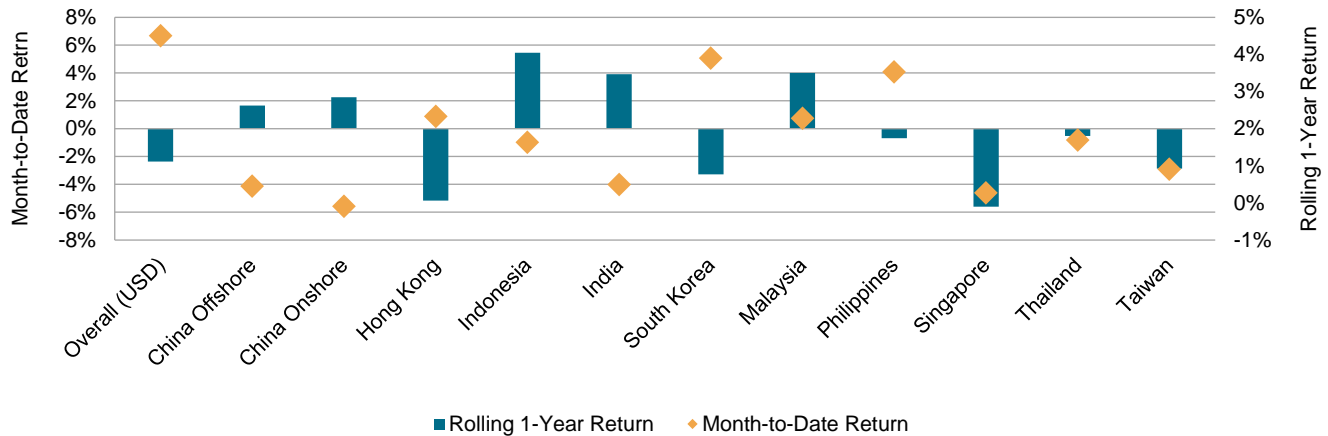
As investors continued to speculate on the likelihood of a recession in the U.S., Europe and the U.K. this year, there was more agreement among market participants that numerous significant rate hikes may be a thing of the past (at least for now). As interest rates begin to stabilize, U.S. Treasuries—as represented by the iBoxx \$ Treasuries—gained 2.81%, offering a yield of 3.75% at the end of January.

In Asia, markets were also optimistic that China’s reopening will spur market activities, which would especially benefit tourism-reliant economies that depend heavily on Chinese travelers. With the potential easing of shipping routes and resumption of supply chain normalcy, global trade may benefit from the reopening of the world’s second-largest economy.

iBoxx ALBI

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Exhibit 1: iBoxx ALBI Overall and Single Market Returns



Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

General optimism was observed in Asian bond markets, as the iBoxx Asian Local Bond Index (ALBI) (unhedged in USD) was up 4.51% in January. The gain was attributed to capital gains (except from China Onshore and India) and currency appreciation against the U.S. dollar (except for Hong Kong).

In local currency terms, gains were led by South Korea (up 3.90%), the Philippines (up 3.53%) and Hong Kong (up 2.33%). The only local market that saw a decline was China Onshore (-0.09%).

The largest gains were observed at the long end of the curve, with the Philippines 10+ (up 8.31%), South Korea 10+ (up 7.27%) and Hong Kong 10+ (up 6.49%) leading the pack. Losses across maturity buckets were relatively sporadic and subdued, as Singapore 10+ (-0.83%) and China Offshore 5-7 (-0.65%) accounted for the largest declines.

At the end of January, the overall index yield stood at 3.98%, declining 17 bps month-to-date. Yields across most local markets were down as well, except China Onshore (up 6 bps), India (up 2 bps) and Singapore (up 2 bps). India remained the highest-yielding bond market in the index, offering 7.41%, while Thailand (2.93%) overtook China Onshore as the lowest-yielding market.¹

¹ Taiwan has 0% weight in the index.

Exhibit 2: iBoxx ALBI Overall and Single Market Returns

Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall (USD)	3.98	6.58	4.51	4.51	2.32
China Offshore	3.55	2.58	0.45	0.45	8.34
China Onshore	3.00	5.79	-0.09	-0.09	11.40
Hong Kong	4.28	3.73	2.33	2.33	-1.72
India	7.41	6.69	0.49	0.49	18.39
Indonesia	6.78	5.91	1.63	1.63	23.77
South Korea	3.31	8.75	3.90	3.90	-8.00
Malaysia	4.02	7.02	2.28	2.28	7.05
Philippines	4.77	4.85	3.53	3.53	6.54
Singapore	3.19	7.26	0.27	0.27	-3.71
Taiwan	1.27	8.68	0.91	0.91	-3.02
Thailand	2.93	8.31	1.69	1.69	-4.33

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. 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 – January 2023

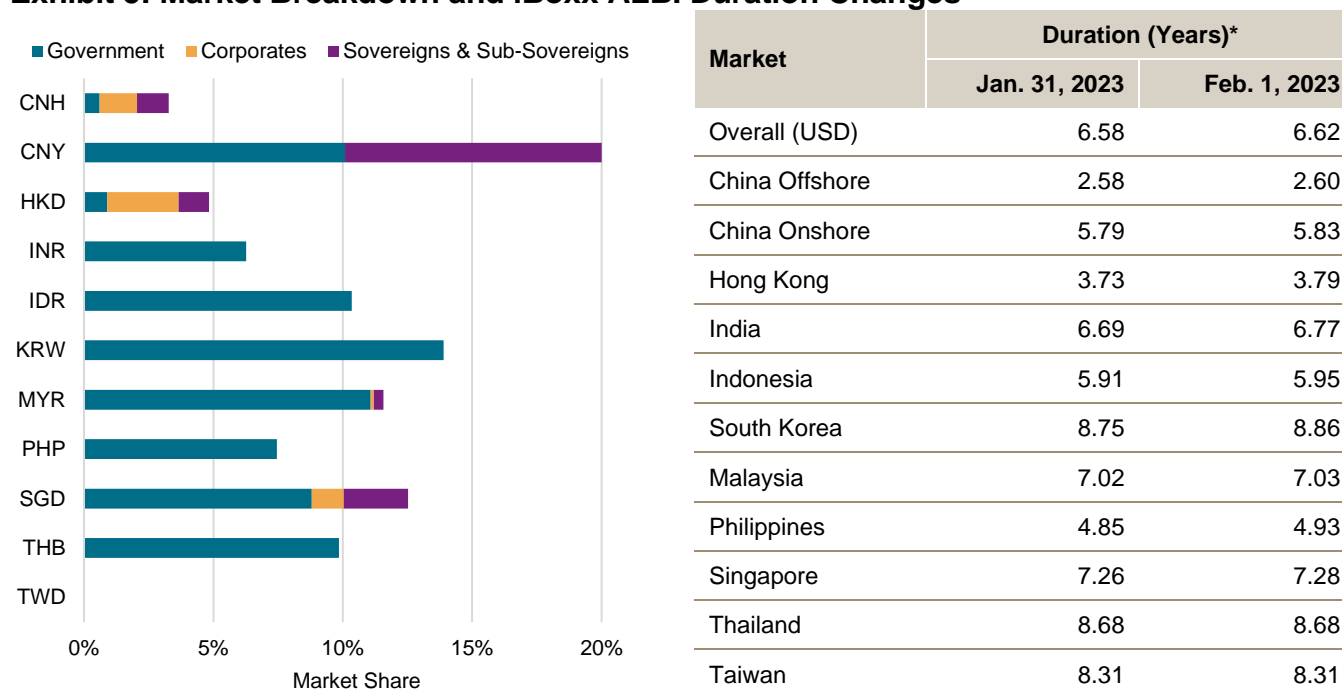
Market	FX Return (%)	Accrual Return (%)	Capital Return (%)
Overall (USD)	2.88	0.32	1.25
China Offshore	3.12	0.28	0.17
China Onshore	2.98	0.27	-0.36
Hong Kong	-0.54	0.24	2.09
India	1.27	0.60	-0.11
Indonesia	3.85	0.60	1.03
Malaysia	3.60	0.35	1.93
Philippines	2.01	0.35	3.17
Singapore	2.21	0.23	0.04
South Korea	2.65	0.23	3.67
Taiwan	2.37	0.12	0.80
Thailand	5.28	0.23	1.47

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 4: iBoxx ALBI Returns by Maturity – January 2023

Market	Return (%)				
	1-3 Year	3-5 Year	5-7 Year	7-10 Year	10+ Year
Overall (USD)	3.29	3.63	4.18	4.69	6.32
Overall (Local Currency)	0.57	0.85	1.22	1.75	3.15
China Offshore	0.47	0.73	-0.65	-0.14	-0.52
China Onshore	0.01	-0.09	0.03	-0.07	-0.53
Hong Kong	1.20	2.39	3.33	4.07	6.49
India	0.50	0.59	0.52	0.42	0.48
Indonesia	0.58	0.72	0.98	1.87	2.48
Malaysia	0.97	1.46	2.05	2.30	3.37
Philippines	1.52	2.04	2.81	5.31	8.31
Singapore	0.38	0.45	1.11	1.49	-0.83
South Korea	0.98	2.02	2.79	3.78	7.27
Taiwan	0.21	0.48	0.72	1.08	1.36
Thailand	-0.20	-0.47	0.06	0.75	4.80

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

January Month-End Rebalance**Exhibit 5: Market Breakdown and iBoxx ALBI Duration Changes**

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023 (and Feb. 1, 2023, 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 32 bonds entering and 19 bonds leaving the overall index.

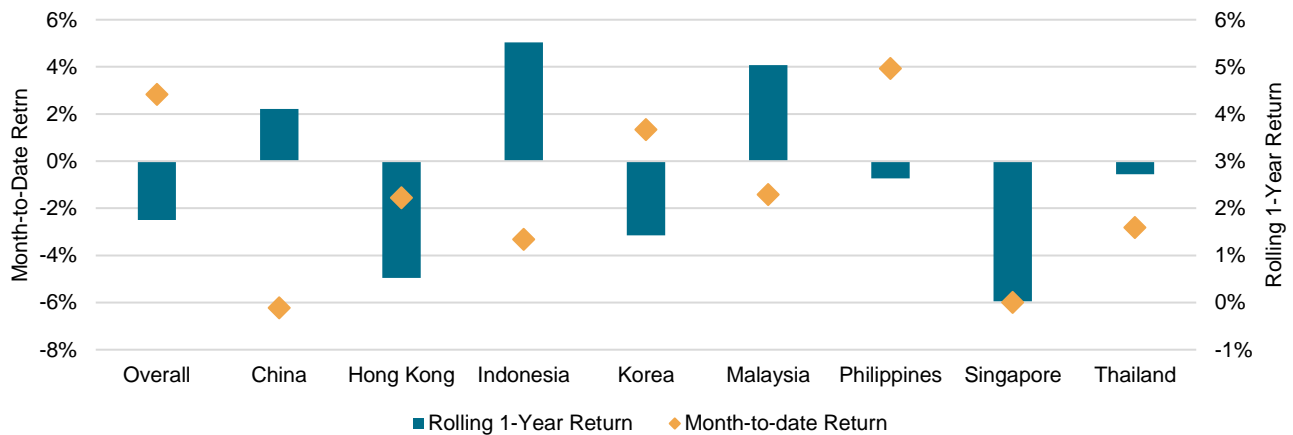
Following the [results of the iBoxx Asia-Pacific Annual Index Review](#), the change in index weights were applied in the index rebalance on Nov. 30, 2022. According to the iBoxx ALBI methodology, the maximum permissible market weight change is 50 bps per quarter. As the change for China Offshore was 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 6.62 years following the recent rebalance. All markets saw their duration increase this month, with the largest increase coming from South Korea (up 0.12 years). Among the eligible markets, South Korea currently has the longest duration (8.75 years), while China Offshore remains the least sensitive to interest rates, with a duration of 2.58 years.

iBoxx ABF

January 2023 Commentary

Exhibit 6: iBoxx ABF Overall and Single Market Returns



Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Consistent with iBoxx ALBI, our other local currency flagship bond index—iBoxx ABF Pan-Asia (unhedged in USD), which comprises government and sub-sovereign bonds—also had a positive month, up 4.42%. Unlike iBoxx ALBI, corporate bonds are not included in the iBoxx ABF Pan-Asia, and eligible markets differ. For more information, please refer to Exhibit 10.

The largest gain (in local currency terms) this month was contributed by the Philippines (up 4.97%), followed by South Korea (up 3.67%) and Malaysia (up 2.29%). China was the only market in the red this month (-0.11%).

Similar to iBoxx ALBI, the largest gains were seen in the 10+ maturity buckets, with the Philippines 10+ (up 9.49%), South Korea 10+ (up 7.38%) and Hong Kong 10+ (up 6.58%) rounding up the top three markets. Except for China, Singapore and Thailand, all other markets posted positive returns across maturity buckets.

At the end of January, iBoxx ABF Pan-Asia offered a yield of 3.76%. Indonesia was the highest-yielding bond market in the index, posting 6.82%, while Thailand (2.92%) was the lowest-yielding market.

Exhibit 7: iBoxx ABF Overall and Single Market Returns

Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall (USD)	3.76	6.68	4.42	4.42	2.02
China	3.02	6.23	-0.11	-0.11	11.22
Hong Kong	3.71	3.59	2.23	2.23	-2.45
Indonesia	6.82	5.91	1.34	1.34	23.76
South Korea	3.37	7.79	3.67	3.67	-7.43
Malaysia	4.05	7.12	2.29	2.29	7.06
Philippines	6.00	5.36	4.97	4.97	7.61
Singapore	3.06	7.67	0.01	0.01	-4.43
Thailand	2.92	8.06	1.60	1.60	-4.18

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. 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 8: iBoxx ABF Returns Attribution – January 2023

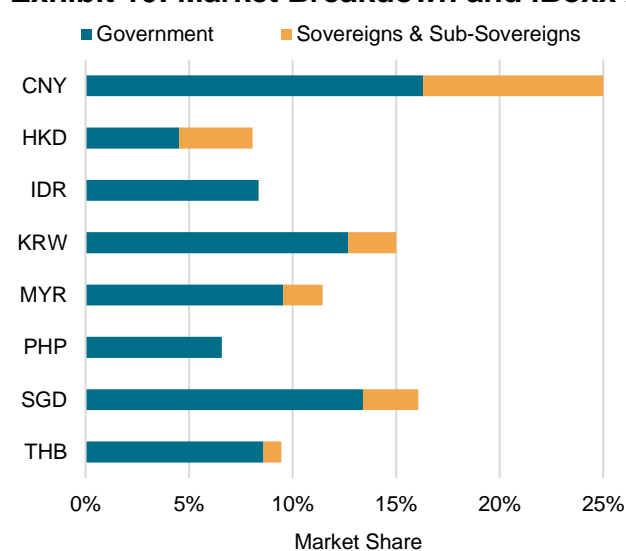
Market	FX Return (%)	Accrual Return (%)	Capital Return (%)
Overall (USD)	2.82	0.29	1.26
China	2.98	0.26	-0.37
Hong Kong	-0.54	0.21	2.02
Indonesia	3.85	0.59	0.75
South Korea	2.65	0.23	3.45
Malaysia	3.60	0.35	1.94
Philippines	2.01	0.48	4.49
Singapore	2.21	0.22	-0.21
Thailand	5.28	0.22	1.37

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 9: iBoxx ABF Returns by Maturity – January 2023

Market	Return (%)				
	1-3 Year	3-5 Year	5-7 Year	7-10 Year	10+ Year
Overall (USD)	3.07	3.57	4.28	4.88	6.19
Overall (Local Currency)	0.59	0.86	1.27	1.92	2.96
China	0.03	-0.08	0.05	-0.07	-0.58
Hong Kong	1.18	2.26	3.28	4.23	6.58
Indonesia	0.13	0.57	0.91	1.77	2.05
South Korea	1.14	2.23	2.91	3.92	7.38
Malaysia	0.94	1.45	2.02	2.29	3.38
Philippines	1.99	2.38	3.58	6.29	9.49
Singapore	0.26	0.21	0.79	1.14	-0.99
Thailand	-0.19	-0.44	0.03	0.71	4.75

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

January Month-End Rebalance**Exhibit 10: Market Breakdown and iBoxx ABF Duration Changes**

Market	Duration (Years)*	
	Jan. 31, 2023	Feb. 1, 2023
Overall	6.68	6.71
China	6.23	6.23
Hong Kong	3.59	3.67
Indonesia	5.91	5.93
South Korea	7.79	7.90
Malaysia	7.12	7.14
Philippines	5.36	5.46
Singapore	7.67	7.69
Thailand	8.06	8.07

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023 (and Feb. 1, 2023, 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 23 bonds entering and 25 bonds leaving the overall index.

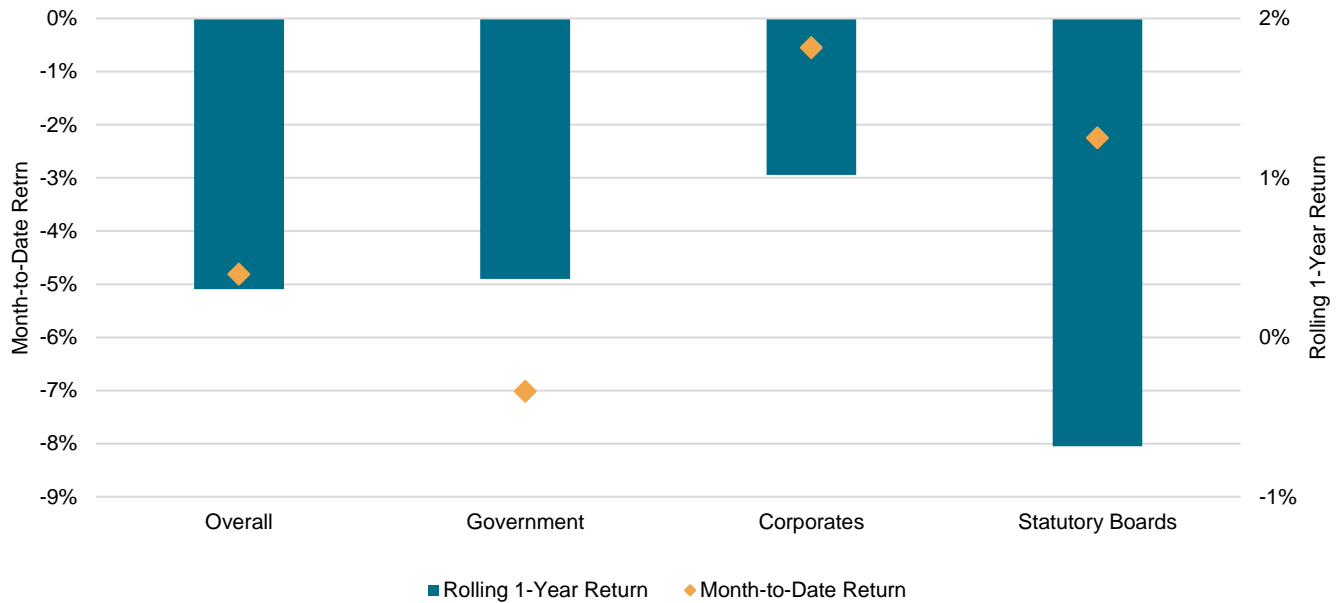
Following the [results of the iBoxx Asia-Pacific Annual Index Review](#), the change in index weights were applied in the index rebalance on Oct. 31, 2022.

The index duration increased slightly to 6.71 years following the recent rebalance. Most markets saw their duration increase this month, with the largest increase coming from South Korea (up 0.11 years). Thailand currently has the longest duration (8.07 years), while Hong Kong is the least sensitive to interest rates, with a duration of 3.67 years.

iBoxx SGD

January 2023 Commentary

Exhibit 11: iBoxx SGD Overall and Key Sector Returns



Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Singapore bonds—as represented by iBoxx SGD Overall—were up 0.40% in January, with non-government bonds contributing positively to returns despite a small loss from Singapore Government Securities (SGS) (-0.34%).

Gains were observed across almost all rating subindices, with the best relative performance coming from the high yield segment (up 2.48%). Looking across the yield curve, the highest gains and losses were largely concentrated toward the long end—7-10 years and 10+ years.

Corporate spreads of Singapore bonds tightened in January after four consecutive months of widening. The spreads of the investment grade and high yield segments dropped 31 bps and 77 bps, respectively, as both bond and equity markets rallied in the past month.

Exhibit 12: iBoxx SGD Overall and Key Sector Returns

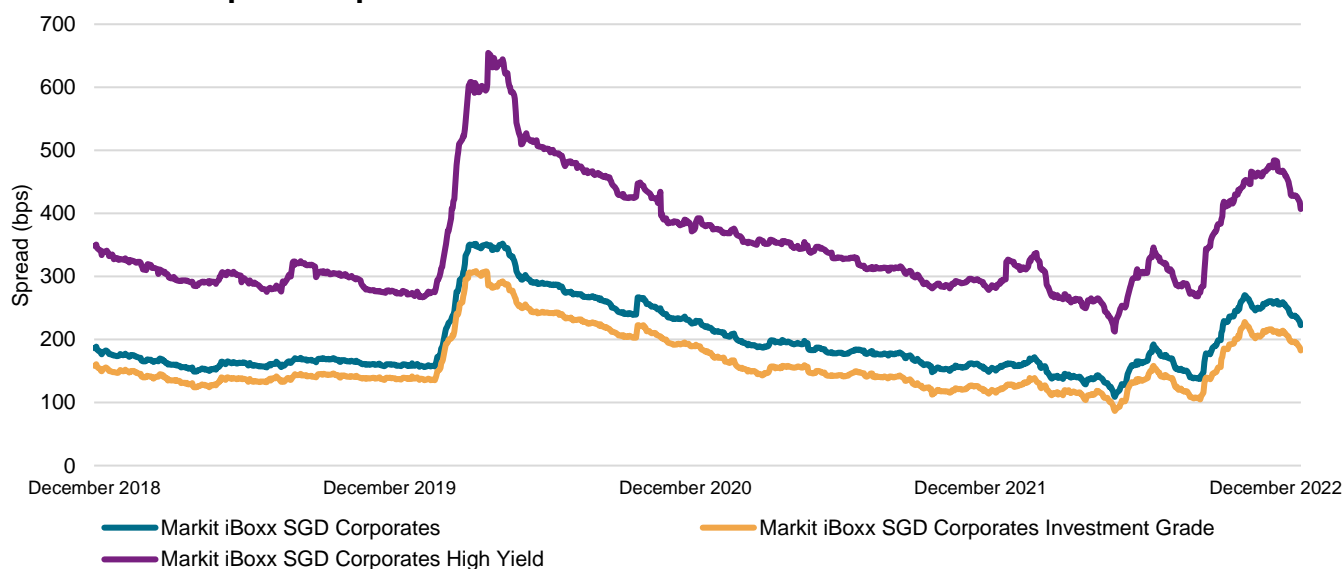
Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall	3.28	6.76	0.40	0.40	-2.67
Government	2.86	7.62	-0.34	-0.34	-3.56
Statutory Boards	3.89	6.23	1.82	1.82	3.22
Corporates	5.12	3.71	1.25	1.25	-6.12
Financials	5.28	3.39	1.79	1.79	4.17
Non-Financials	4.69	5.00	1.93	1.93	0.41

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 13: iBoxx SGD Rating and Maturity Month-to-Date Performance

Index/Rating	Overall (%)	1-3 Years (%)	3-5 Years (%)	5-7 Years (%)	7-10 Years (%)	10+ Years (%)
iBoxx SGD Investment Grade	0.30	0.43	0.51	1.06	1.44	-0.87
iBoxx SGD AAA	-0.01	0.26	0.24	0.83	1.05	-1.18
iBoxx SGD AA	1.26	0.75	0.59	1.49	1.95	2.34
iBoxx SGD A	2.07	1.07	1.03	2.71	3.57	2.62
iBoxx SGD BBB	1.55	0.99	1.46	2.48	3.32	-1.54
iBoxx SGD High Yield	2.48	-	-	-	-	-

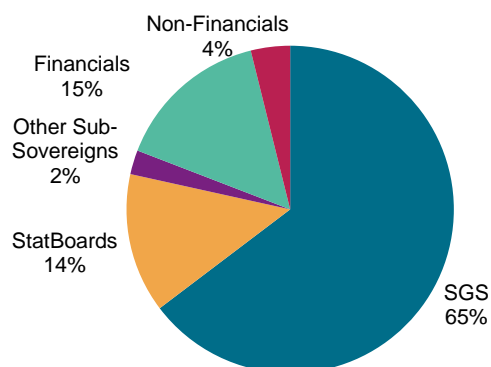
Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in SGD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 14: Corporate Spreads

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Spread refers to semiannual spread to benchmark curve in basis points. The data shown is from Dec. 31, 2018, to Jan. 31, 2023. Past performance is no guarantee of future results.

January Month-End Rebalance

Exhibit 15: Sector Breakdown, Duration and Rating Changes



Sector	Duration (Years)*	
	Jan. 31, 2023	Feb. 1, 2023
Overall	6.76	6.78
Government	7.62	7.63
Corporates	6.23	6.25
Statutory Boards	3.71	3.76
Financials	3.39	3.44
Non-Financials	5.00	5.00

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023 (and Feb. 1, 2023, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes. *Semiannual modified duration. Implied rated bonds denoted by (^) are included in the index at 50% of their full market notional amounts. Table is provided for illustrative purposes.

This rebalance, SGD 850 million of new notional was inserted into the iBoxx SGD Overall Index via one bond issued by United Overseas Bank.

Concurrently, three bonds left the index, removing SGD 850 million of notional. All three of the departing bonds left the index due to their expected remaining durations falling below one year.

Exhibit 16: iBoxx SGD Overall – Rating Changes

Issue	Dec. 31, 2022	Jan. 1, 2023
CTRAIJ 6% 2026-02-02	B	BB

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

Additionally, there was one bond rating change in the index this month.

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