

iBoxx USD Asia ex-Japan Monthly Commentary

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January 2023 Commentary

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.

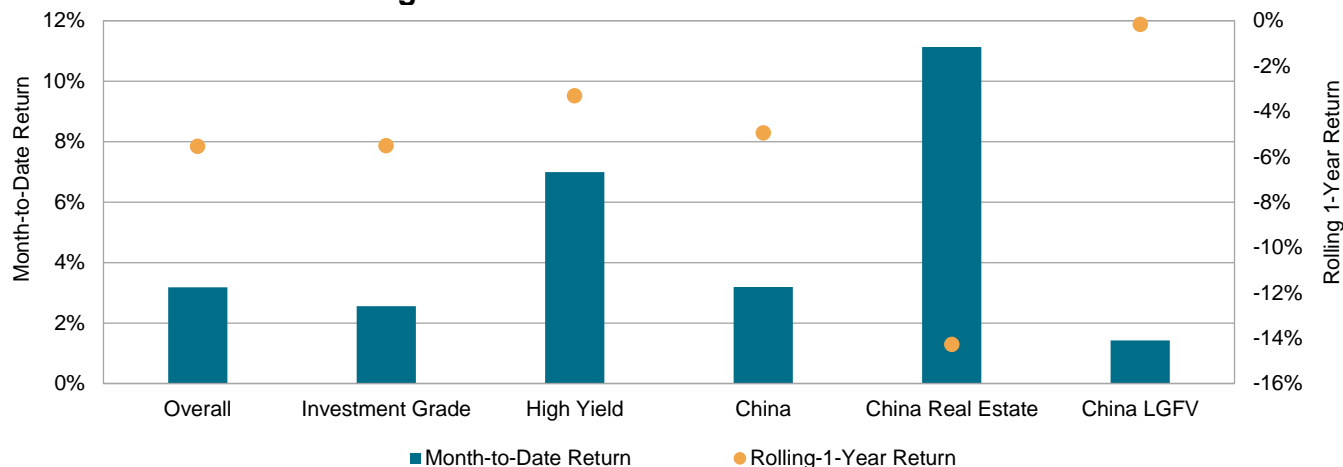
As investors continued to speculate on the likelihood of a recession in the U.S., Europe and the U.K. this year, there was more agreement among market participants that numerous significant rate hikes may be a thing of the past (at least for now). As interest rates begin to stabilize, U.S. Treasuries—as 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.

As shown in Exhibit 1, after falling 10.43% in 2022, January posted a healthy 3.18% return. The index yield fell 0.63 percentage points to 5.74% and the index spread narrowed by 27 bps to 199 bps.

High yield bonds returned close to 7% and investment grade bonds posted 2.56%. On a rolling one-year basis, all indices were still in negative territory, with China LGFVs being the closest to breaking even.

Exhibit 1: Recent and Long-Term Index Performance



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

In January, returns were positive across all rating and maturity categories (the only exception was the 7-10 year band of BB rated bonds). Longer-dated bonds, in particular, benefited from the downward shift in the yield.

Exhibit 2: Rating and Maturity Month-to-Date Index Performance

Rating	0-1 Year (%)	1-3 Year (%)	3-5 Years (%)	5-7 Years (%)	7-10 Years (%)	10+ Years (%)	Overall (%)
Investment Grade	0.81	1.48	2.06	3.15	3.79	6.13	2.56
AAA	0.26	0.65	1.38	2.63	3.11	6.62	3.37
AA	0.60	1.13	1.60	3.02	3.93	7.59	2.26
A	0.74	1.10	1.77	2.97	4.08	7.56	2.42
BBB	0.89	1.85	2.50	3.32	3.61	5.15	2.70
High Yield	3.63	6.74	8.42	6.56	15.20	12.12	6.99
BB	2.78	5.11	8.12	6.13	15.41	-1.84	5.94
B	5.93	8.79	7.49	6.09	6.65	0.00	7.60
CCC	6.19	16.12	14.94	16.21	19.75	20.74	14.48

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

The seven largest markets in the index were in positive territory this month. Indonesia, Hong Kong and Singapore were the best performers, all posting gains greater than 3%.

Exhibit 3: Top Seven Largest Markets Month-to-Date Performance and Changes

Market	Δ MTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	3.19	-0.81	-47	0.07
Indonesia	4.19	-0.85	-49	0.09
South Korea	2.09	-0.41	-6	0.10
Hong Kong	3.41	-0.40	-2	0.21
India	2.44	-0.42	-6	0.28
Philippines	1.77	-0.44	-10	-0.01
Singapore	3.06	-0.41	-3	0.13

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Δ Yield refers to change in semiannual yield for the month in percent. Δ Spread refers to change in semiannual spread to benchmark curve for the month in bps. Δ Duration refers to change in semiannual modified duration for the month. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

China U.S. dollar bonds continued their rally into January 2023. This month, China corporate bonds (3.27%) outperformed sovereign bonds (2.33%), driven by the second consecutive month of double-digit returns from the Real Estate sector. The positive momentum was backed by more positive messages from the regulators, who vowed to support the bruised property sector.

China LGFV bonds edged up 1.42% in January, with both the investment grade and high yield segments logging gains.

Exhibit 4: Performance of Mainland China and Its Subindices

Index	Index Level	Δ MTD (%)	Δ YTD (%)	Δ 3-Year (%)	Market Value (USD Billions)	Yield (%)	Spread (bps)	Duration (Years)	Number of Bonds
Mainland China	218.65	3.19	3.19	-7.85	494	6.11	229	3.24	948
Sovereigns	151.20	2.33	2.33	-2.19	17	3.87	17	4.91	15
Non-Sovereigns	219.03	3.22	3.22	-7.96	477	6.24	241	3.19	933
Sub-Sovereigns	193.52	1.74	1.74	0.26	16	4.50	72	3.76	29
Corporates	222.59	3.27	3.27	-8.27	461	6.31	248	3.17	904
Financials	259.82	3.67	3.67	-12.62	259	7.82	386	2.26	568
Real Estate	206.57	11.13	11.13	-38.58	56	14.75	1086	2.27	155
Non-Financials	211.71	2.78	2.78	-1.22	202	5.29	154	4.33	336
Investment Grade	208.07	2.33	2.33	-1.35	424	5.28	147	3.44	782
High Yield	246.60	8.70	8.70	-21.82	70	14.31	1035	2.05	166
LGFV	126.64	1.42	1.42	6.82	50	7.02	290	1.78	144
Investment Grade	121.63	1.40	1.40	3.17	44	6.96	286	1.85	126
High Yield	142.33	1.58	1.58	21.27	6	7.54	330	1.37	18

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in bps. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

January Month-End 2023 Rebalance

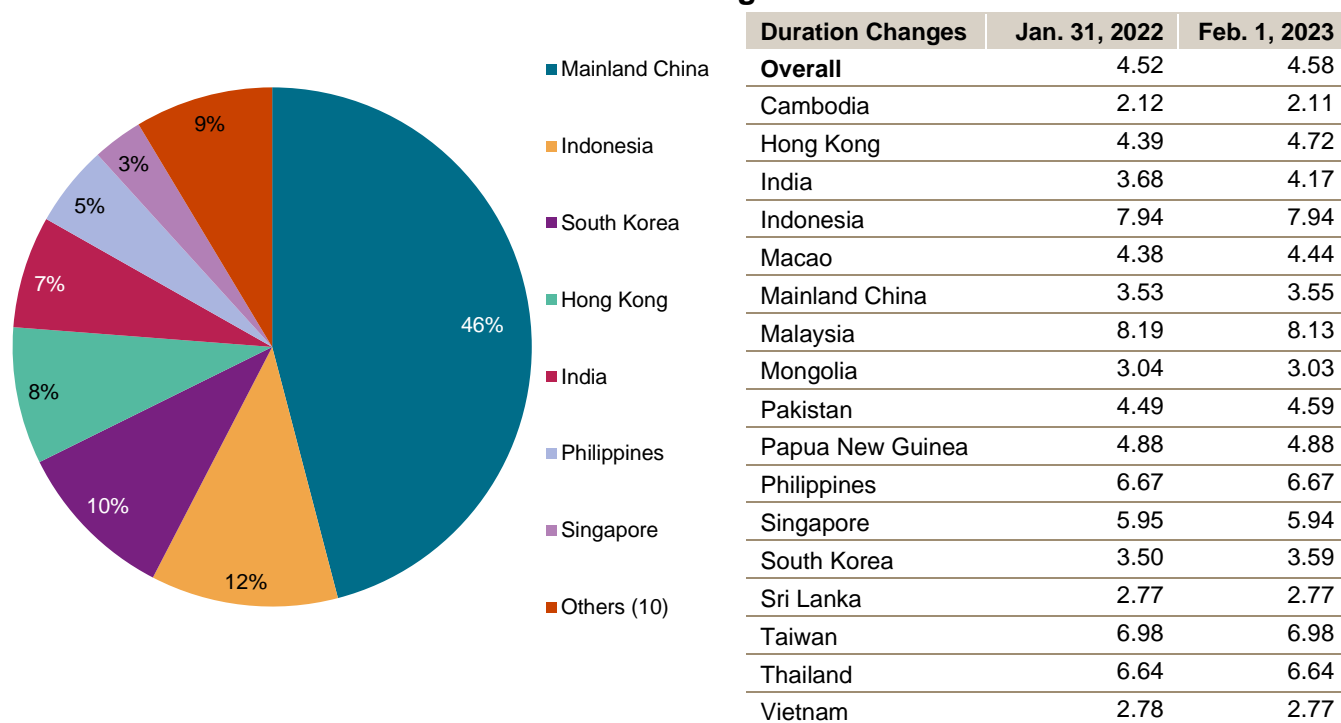
This rebalance, the iBoxx USD Asia ex-Japan Index added 30 eligible bonds, bringing in about USD 24 billion of new notional.

The investment grade subindex saw approximately USD 23 billion of new notional, raised from 28 issues, while the high yield subindex received USD 800 million notional from 2 issues.

Of the 36 bonds removed from the index this month, six traded flat of accrued (all from the China Real Estate sector), and four were prematurely redeemed, either in full or partially, and became ineligible for the index.

Please refer to the Appendix for a breakdown of this month's insertions and deletions and a list of fallen angels and rising stars recognized in 2023.

Exhibit 5: Market Breakdown and Duration Changes of Overall Index Post Rebalance



Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023, for the chart (left) and Feb. 1, 2023, for the table (right). Index performance based on total return in USD. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes.

Post-rebalance, the overall index duration remained extended by 0.06 years. Duration changes at the individual market level were mostly small, the exception being Hong Kong whose duration extended by 0.34 years. As of Jan. 31, 2023, China, Indonesia and South Korea were ranked the top three USD bond markets in the index by market value, each holding a weight of greater than 10%.

Appendix

Exhibit 6: Key Analytics of Overall Index and Credit Rating and Maturity Subindices

Index	Index Level	Δ MTD (%)	Market Value (USD Billions)	Yield (%)	Spread (bps)	Duration (Years)	Number of Bonds
Overall	206.71	3.18	1073	5.75	200	4.19	1918
Credit Rating							
AAA	180.80	3.37	10	4.30	66	9.46	16
AA	180.86	2.26	101	4.55	82	4.38	177
A	199.06	2.42	341	4.93	118	4.33	575
BBB	219.90	2.70	466	5.58	184	4.57	818
BB	260.82	5.94	109	8.90	500	2.37	203
B	175.05	7.60	33	10.78	693	2.52	72
CCC	69.11	14.48	14	37.29	3339	1.86	50
Maturity							
Year 0-1	162.12	1.28	114	11.92	735	0.44	246
Year 1-3	178.46	2.39	373	6.91	267	1.76	705
Year 3-5	208.84	3.29	251	6.10	234	3.39	467
Year 5-7	226.11	3.64	91	5.55	196	5.00	139
Year 7-10	224.90	4.08	116	5.22	168	6.78	191
Year 10+	257.65	6.16	128	5.24	157	13.28	170

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in bps. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 7: iBoxx USD Asia ex-Japan Overall Index – Insertions

Issue	Market	iBoxx Rating	Notional (USD Millions)
DALWAN 11% 2025-01-20	CHN	BB	400
HFIGCZ 3.2% 2025-07-16	CHN	BBB	260
ICBCAS 4.5% 2026-01-19	CHN	A	900
SUNOTG 5.95% 2026-07-17	CHN	BBB	400
HKAA 4.875% 2026-01-12	HKG	AA	500
HKAA 4.75% 2028-01-12	HKG	AA	1000
HKAA 4.875% 2030-01-12	HKG	AA	700
HKAA 4.875% 2033-01-12	HKG	AA	800
HKINTL 4.375% 2026-01-11	HKG	AA	500
HKINTL 4.5% 2028-01-11	HKG	AA	1000
HKINTL 4.625% 2033-01-11	HKG	AA	1000
HKINTL 5.25% 2053-01-11	HKG	AA	500
EXIMBK 5.5% 2033-01-18	IND	BBB	1000
INDON 4.55% 2028-01-11	IDN	BBB	1000
INDON 4.85% 2033-01-11	IDN	BBB	1250
INDON 5.65% 2053-01-11	IDN	BBB	750
EIBKOR 4.875% 2026-01-11	KOR	AA	1000
EIBKOR 5% 2028-01-11	KOR	AA	1500
EIBKOR 5.125% 2033-01-11	KOR	AA	1000
HYUELE 6.25% 2026-01-17	KOR	BBB	750
HYUELE 6.375% 2028-01-17	KOR	BBB	1000
HYUELE 6.5% 2033-01-17	KOR	BBB	750
POHANG 5.625% 2026-01-17	KOR	BBB	700
POHANG 5.75% 2028-01-17	KOR	BBB	1000
POHANG 5.875% 2033-01-17	KOR	BBB	300
WOORIB 4.875% 2028-01-26	KOR	A	600
MONGOL 8.65% 2028-01-19	MNG	B	450
PHILIP 4.625% 2028-07-17	PHL	BBB	500
PHILIP 5% 2033-07-17	PHL	BBB	1250
PHILIP 5.5% 2048-01-17	PHL	BBB	1250

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Unrated bonds with ratings based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 8: iBoxx USD Asia ex-Japan Overall Index – Deletions

Issue	Market	iBoxx Rating	Notional (USD Millions)
BKCOML 3.75% 2023-01-25	CHN	A	950
CHJMAO 4%^	CHN	BBB	500
CHMETL 3.5%^	CHN	BBB	600
CHPWCN 4.25%^	CHN	BBB	500
CITLTD 6.8% 2023-01-17	CHN	BBB	1400
COSCCH 4.375% 2023-01-31	CHN	BBB*	300
FOSUNI 5.95% 2023-01-29	CHN	B	450
GCLNE 10% 2024-01-30^	CHN	B*	375
GEELY 3.625% 2023-01-25	CHN	BBB	300
LAIENG 5.65% 2023-01-18	CHN	B	350
MERSEC 2.625% 2023-01-21	CHN	BBB	300
SHRIHG 4.3% 2023-01-16	CHN	BBB	500
SUNOTG 3.75% 2023-01-23	CHN	BBB	600
TENCNT 2.985% 2023-01-19	CHN	A	1000
TPHL 6.6% 2023-03-02†	CHN	CCC	300
TPHL 6.75% 2023-07-16†	CHN	CCC	500
TPHL 6.75% 2025-07-08†	CHN	CCC	550
TPHL 6.2% 2026-03-22†	CHN	CCC	450
TPHL 5.75% 2027-01-14†	CHN	CCC	350
XIANGY 4.5% 2023-01-30	CHN	BB*	500
YUEXIU 4.5% 2023-01-24	CHN	BBB	500
ZHLGHD 9.75% 2023-12-31†	CHN	C*	474
CPREIT 3.75% 2023-01-17	HKG	BBB	400
HYSAN 3.5% 2023-01-16	HKG	A	300
SUNHUN 3.625% 2023-01-16	HKG	A	500
INDON 2.95% 2023-01-11	IDN	BBB	1000
EXIMBK 4% 2023-01-14	IND	BBB	750
MGFLIN 5.9% 2023-01-13	IND	BB	300

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Unrated bonds with ratings that are based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Bonds that were either called, exchanged, redeemed or repurchased (either partially or as a whole) are denoted with (^) in the Issue column. Bonds that were traded flat of accrued interest or are given a rating of D by rating agencies are denoted with (†) in the Issue column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 8: iBoxx USD Asia ex-Japan Overall Index – Deletions (cont.)

Issue	Market	iBoxx Rating	Notional (USD Millions)
PWGRIN 3.87 % 2023-01-17	IND	BBB	500
HANKTI 3.5% 2023-01-30	KOR	BBB	300
POHANG 2.375% 2023-01-17	KOR	BBB	500
ICTPM 4.625% 2023-01-16	PHL	BBB*	394
JGSPM 4.375% 2023-01-23	PHL	BBB*	611
OLAMSP 4.375% 2023-01-09	SGP	BBB*	300
TEMASE 2.375% 2023-01-23	SGP	AAA	1200
TOPTB 3.625% 2023-01-23	THA	BBB	284

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Unrated bonds with ratings that are based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Bonds that were either called, exchanged, redeemed or repurchased (either partially or as a whole) are denoted with (^) in the Issue column. Bonds that were traded flat of accrued interest or are given a rating of D by rating agencies are denoted with (†) in the Issue column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 9a: Fallen Angels in the iBoxx USD Asia ex-Japan Overall Index in 2023

Rebalance	Issue	Market	Past iBoxx Rating	Current iBoxx Rating
Jan. 31, 2023	CFGSP 10% 2032-11-07	HKG	BBB*	BB*
Jan. 31, 2023	FWDGRP 6.375%	HKG	BBB*	BB*
Jan. 31, 2023	ACNRGY 4.75% 2024-01-29	PHL	A*	BB*
Jan. 31, 2023	ACNRGY 5.1%	PHL	BBB*	BB*
Jan. 31, 2023	ACPM 5.125%	PHL	BBB*	BB*
Jan. 31, 2023	ACPM 4.85%	PHL	BBB*	BB*
Jan. 31, 2023	ACPM 3.9%	PHL	BBB*	BB*

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Unrated bonds with ratings based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 9b: Rising Stars in the iBoxx USD Asia ex-Japan Overall Index in 2023

Rebalance	Issue	Market	Past iBoxx Rating	Current iBoxx Rating
Jan. 31, 2023	HACOMM 5.5% 2025-07-15	CHN	BB*	BBB*
Jan. 31, 2023	BOBIN 3.875% 2024-04-04	IND	BB	BBB
Jan. 31, 2023	CBKIN 3.875% 2024-03-28	IND	BB	BBB

Source: IHS Markit, part of S&P Global. Data as of Jan. 31, 2023. Index performance based on total return in USD. Unrated bonds with ratings based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 9c: Bonds Excluded from the iBoxx USD Asia ex-Japan Overall Index Due to U.S. Executive Order 13959

Rebalance	Issuer	Market	ISIN	Notional (USD Millions)
Jan. 31, 2021	Semiconductor Manufacturing International Corp	CHIN	XS2101828452	600
July 31, 2021	Proven Glory Capital Ltd	CHIN	XS1567423766	500
July 31, 2021	Proven Honour Capital Limited	CHIN	XS1233275194	1,000
July 31, 2021	Proven Honour Capital Limited	CHIN	XS1401816761	2,000

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

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