

iBoxx USD Asia ex-Japan Monthly Commentary

Contributor

Randolf Tantzsch

Managing Director
Head of APAC Fixed Income
Product Management

randolf.tantzsch@spglobal.com

February 2023 Commentary

February saw losses across major equity and fixed income markets, a reversal of the gains made in January. The [S&P 500®](#) dropped 2.61% as market participants fret about the possibility of higher interest rates backed by persistent inflation and a strong labor market. At the same time, the 10-2 Year Treasury Yield Spread¹—a recession indicator—fell to -0.89%, its lowest level since the 1980s, sending mixed signals to the market.

Against this backdrop, U.S. Treasuries—represented by the iBoxx \$ Treasuries—also gave up most of its January gains and lost 2.44% in February.

In Asia, the reopening story of China continued to unfold as the National Bureau of Statistics of China reported that its official manufacturing purchasing managers' index rose to 52.6 in February, (up from 50.1 in January), its highest in more than 10 years. In Hong Kong, it was also recently announced that the mask mandate would end effective March 1, 2023, a move that might attract more visitors and businesses back into Hong Kong.

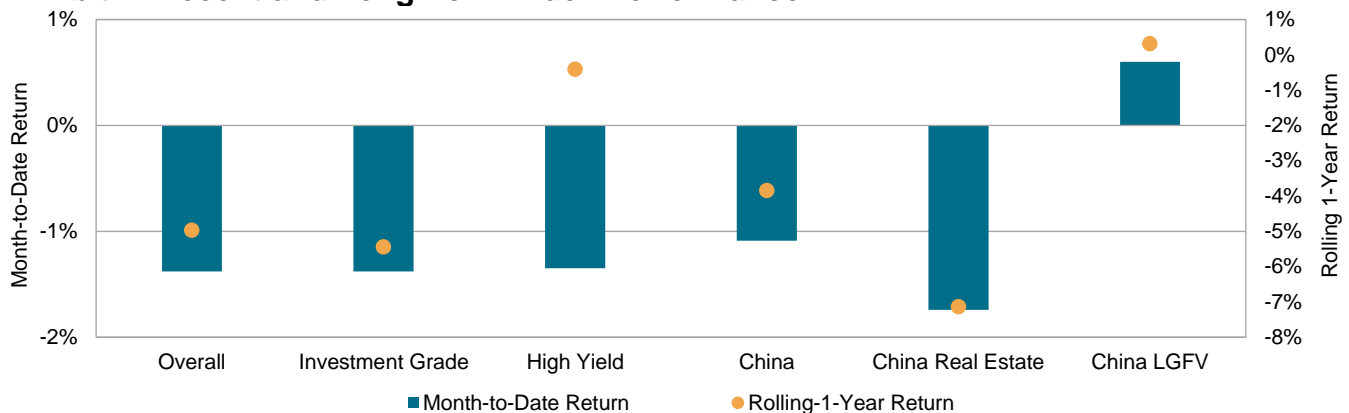
As shown in Exhibit 1, the strong positive performance of 3.18% in January was pared back in February, with the overall index falling 1.38%. Losses were spread across all rating categories, with

¹ Source: Federal Reserve Bank of St. Louis.

investment grade retreating 1.38% and high yield declining 1.35%. The index yield rose 0.42 percentage points to 6.16%, and the index spread continued to narrow by 4 bps to 195 bps.

Despite the generally negative returns across most markets in February, high yield bonds and China LGFVs have moved into positive territory on a one-year rolling basis; the other categories remain in negative territory.

Exhibit 1: Recent and Long-Term Index Performance



Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The upward shift in the USD yield curve caused returns to be negative across all rating and maturity categories of one or more years (the only exception was the 10+ year band of CCC rated bonds). In contrast, the very short end of the curve saw gains across almost all rating categories.

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

Rating	0-1 Year (%)	1-3 Years (%)	3-5 Years (%)	5-7 Years (%)	7-10 Years (%)	10+ Years (%)	Overall (%)
Investment Grade	0.14	-0.47	-1.37	-2.23	-2.52	-3.30	-1.38
AAA	0.00	-0.54	-1.03	-2.88	-2.18	-3.93	-2.61
AA	0.07	-0.74	-1.45	-2.27	-2.52	-3.86	-1.53
A	0.04	-0.51	-1.39	-2.42	-2.32	-3.64	-1.35
BBB	0.24	-0.38	-1.34	-2.08	-2.64	-3.02	-1.34
High Yield	1.37	-1.07	-2.41	-3.40	-3.55	-1.65	-1.35
BB	0.43	-0.71	-2.34	-3.90	-5.36	-5.21	-1.37
B	0.97	-0.69	-2.30	-2.36	-2.23	0.00	-1.20
CCC	7.58	-5.24	-3.44	-4.59	-0.43	0.13	-2.26

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

All seven of the largest markets in the index were in negative territory this month, affected by the higher yield curve. Spreads contracted slightly in all markets except South Korea, which saw its average spread increase by 7 bps.

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

Market	Δ MTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	-1.09	0.49	-1	-0.10
Indonesia	-1.57	0.35	-11	0.02
South Korea	-1.75	0.56	7	-0.03
Hong Kong	-1.92	0.32	-8	-0.15
India	-1.53	0.39	-8	-0.15
Philippines	-0.90	0.43	-8	0.02
Singapore	-1.39	0.27	-15	0.06

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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.

In line with the overall market, China U.S. dollar bonds declined by slightly more than 1% in February 2023. Losses were observed across most sectors, with sovereigns (-1.91%) and real estate (-1.74%) retreating more than 1.5%. China LGFVs edged up 0.60% in February, with both the investment grade (IG) and high yield (HY) 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	216.27	-1.09	2.07	-9.74	484	6.60	228	3.14	930
Sovereigns	148.32	-1.91	0.38	-6.30	17	4.33	17	4.74	15
Non-Sovereigns	216.71	-1.06	2.13	-9.80	468	6.73	240	3.09	915
Sub-Sovereigns	191.17	-1.22	0.51	-2.63	16	4.93	63	3.65	29
Corporates	220.24	-1.05	2.18	-10.07	452	6.80	247	3.07	886
Financials	257.80	-0.78	2.86	-13.95	254	8.40	388	2.20	558
Real Estate	202.98	-1.74	9.20	-40.04	52	16.02	1159	2.25	147
Non-Financials	208.72	-1.41	1.33	-3.74	198	5.71	151	4.17	328
Investment Grade	205.89	-1.05	1.26	-3.72	418	5.72	141	3.32	774
High Yield	243.30	-1.34	7.25	-22.95	67	15.53	1098	2.01	156
LGFV	127.40	0.60	2.03	6.88	50	6.99	230	1.74	144
Investment Grade	122.32	0.56	1.97	3.16	44	6.94	227	1.80	127
High Yield	143.61	0.90	2.49	21.79	6	7.42	261	1.32	17

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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.

March 2023 Rebalance

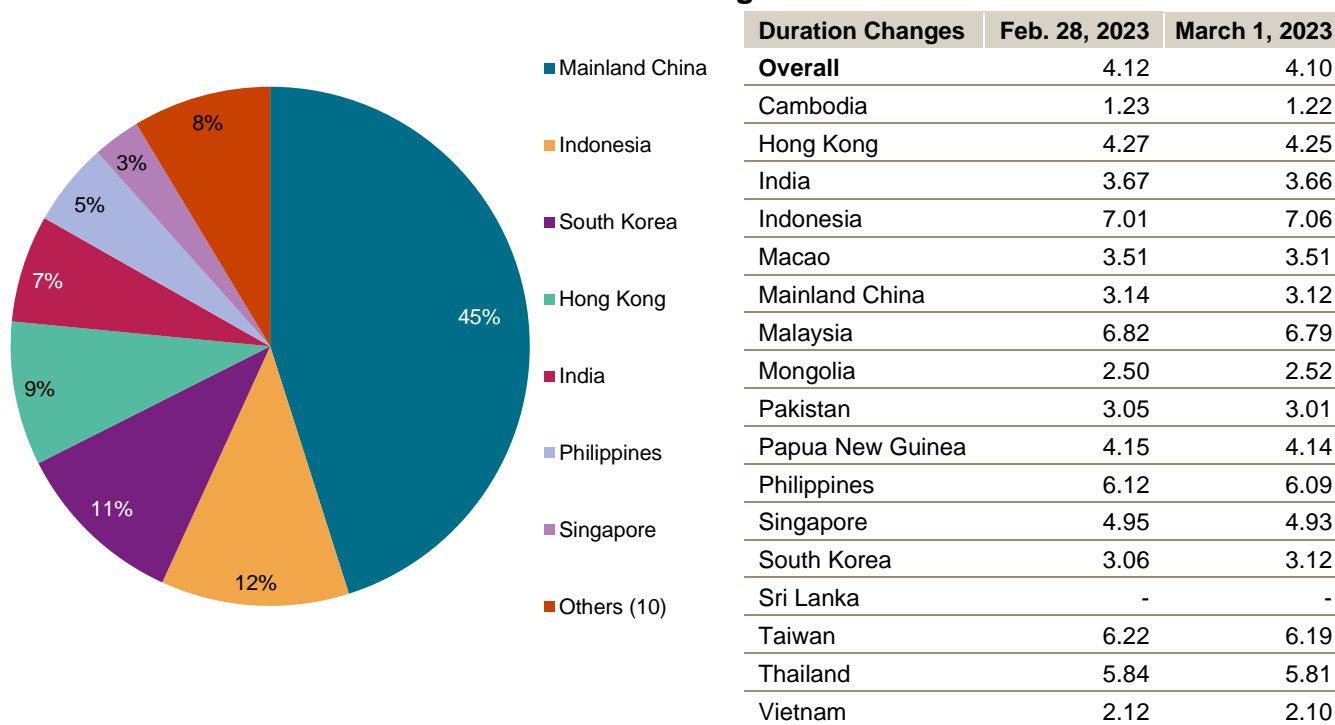
This rebalance, the iBoxx USD Asia ex-Japan Index added 10 eligible bonds, with USD 6.2 billion of new notional.

The IG subindex saw USD 4.5 billion of new notional raised from seven issues, while the HY subindex received USD 1.73 billion notional from two issues.

Ten matured bonds were removed from the index this month.

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 Feb. 28, 2023, for the chart (left) and March 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 contracted slightly by 0.02 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	203.87	-1.38	1074	6.16	195	4.12	1912
Credit Rating							
AAA	176.08	-2.61	9	4.63	58	9.23	15
AA	178.09	-1.53	108	4.93	73	4.38	187
A	196.36	-1.35	336	5.34	113	4.18	574
BBB	216.95	-1.34	468	5.94	175	4.50	809
BB	257.25	-1.37	101	9.71	524	2.35	198
B	172.94	-1.20	38	11.83	739	2.37	79
CCC	67.55	-2.26	12	40.53	3611	1.84	44
Maturity							
0-1 Year	162.72	0.37	127	11.98	716	0.45	243
1-3 Years	177.43	-0.58	376	7.41	263	1.79	716
3-5 Years	205.54	-1.58	244	6.59	223	3.42	453
5-7 Years	220.68	-2.40	85	6.11	198	5.04	136
7-10 Years	219.17	-2.55	115	5.60	159	6.78	190
10+ Years	249.16	-3.29	127	5.52	151	12.98	174

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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)
BOCOM 4.875% 2026-02-28	CHN	A	600
CNDATA 10.5% 2026-02-23	CHN	BBB	300
DALWAN 11% 2026-02-13	CHN	BB	300
GZHRCB 5.9%	CHN	BB*	1430
SHCMBK 6.375% 2033-02-28	HKG	BBB	350
KDB 4.375% 2028-02-15	KOR	AA	1000
KDB 4.375% 2033-02-15	KOR	AA	1000
KHFC 4.625% 2028-02-24	KOR	AA	1000
KHFC 4.625% 2033-02-24	KOR	AA	300

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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)
BEIPRO 5.95% 2023-2-27	CHN	BB*	750
CCAMCL 3.875% 2023-2-8	CHN	A	800
CHRAIL 3.85% 2023-2-5	CHN	BBB	500
HRINTH 2.5% 2023-2-24	CHN	BBB	400
KNMIDI 6.1% 2023-2-25	CHN	BB*	300
POLYRE 3.95% 2023-2-5	CHN	BBB	500
ROADKG 7.875% 2023-2-1	CHN	BB	380
ZGCINT 2.875% 2023-2-3	CHN	A	300
GRNKEN 6.25% 2023-2-21	IND	BB	435
YESIN 3.75% 2023-2-6	IND	BB	277

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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
Feb. 28, 2023	TSIVMG 1.55% 2029-12-17	CHN	BBB*	BB*
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 Feb. 28, 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, 2022	HACOMM 5.5% 2025-07-15	CN	BB*	BBB*
Jan. 31, 2022	BOBIN 3.875% 2024-04-04	IN	BB	BBB
Jan. 31, 2022	CBKIN 3.875% 2024-03-28	IN	BB	BBB

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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	CN	XS2101828452	600
July 31, 2021	Proven Glory Capital Ltd	CN	XS1567423766	500
July 31, 2021	Proven Honour Capital Limited	CN	XS1233275194	1,000
July 31, 2021	Proven Honour Capital Limited	CN	XS1401816761	2,000

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

General Disclaimer

© 2023 S&P Dow Jones Indices. All rights reserved. S&P, S&P 500, SPX, SPY, The 500, US500, US 30, S&P 100, S&P COMPOSITE 1500, S&P 400, S&P MIDCAP 400, S&P 600, S&P SMALLCAP 600, S&P GIVI, GLOBAL TITANS, DIVIDEND ARISTOCRATS, Select Sector, S&P MAESTRO, S&P PRISM, S&P STRIDE, GICS, SPIVA, SPDR, INDEXOLOGY, iTraxx, iBoxx, ABX, ADBI, CDX, CMBX, LCDX, MBX, MCDX, PRIMEX, TABX, HHPI, IRXX, I-SYND, SOVX, CRITS, CRITR are registered trademarks of S&P Global, Inc. ("S&P Global") or its affiliates. DOW JONES, DJIA, THE DOW and DOW JONES INDUSTRIAL AVERAGE are trademarks of Dow Jones Trademark Holdings LLC ("Dow Jones"). These trademarks together with others have been licensed to S&P Dow Jones Indices LLC. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, S&P Global, Dow Jones or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. Except for certain custom index calculation services, all information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties and providing custom calculation services. Past performance of an index is not an indication or guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. S&P Dow Jones Indices is not an investment adviser, commodity trading advisor, commodity pool operator, broker dealer, fiduciary, promoter" (as defined in the Investment Company Act of 1940, as amended), "expert" as enumerated within 15 U.S.C. § 77k(a) or tax advisor. Inclusion of a security, commodity, crypto currency or other asset within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, commodity, crypto currency or other asset, nor is it considered to be investment advice or commodity trading advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global keeps certain activities of its various divisions and business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions and business units of S&P Global may have information that is not available to other business units. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.