

iBoxx USD Asia ex-Japan Monthly Commentary

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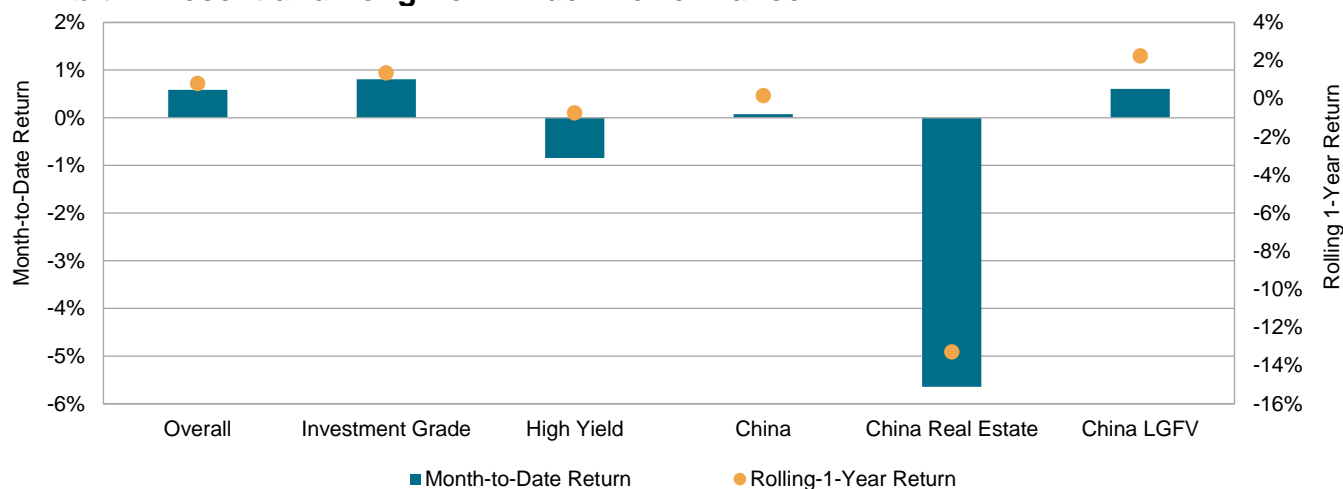
April 2023 Commentary

As markets recover from the short-term volatility caused by a few high-profile collapses of troubled banks in March, April saw the [S&P 500®](#) inch up 1.46%, its second consecutive positive month. The spread of investment grade corporate bonds—represented by the iBoxx \$ Corporates—was relatively unchanged, a mere drop of 2 bps from the end of March, to 167 bps. At the same time, U.S. Treasuries, represented by the iBoxx \$ Treasuries, gained 0.56%.

On May 1, the financial health of U.S. regional banks was questioned again, as regulators seized the assets of First Republic Bank—a commercial bank that also offered wealth management services, headquartered in San Francisco—which was the bought by JPMorgan Chase.

This announcement came a day ahead of the Federal Reserve meeting on May 2-3, as market participants anticipated its next move against signs of a slowing economy (at the time of publication, the Fed has announced a quarter-point increase of 25 bps, its 10th consecutive hike).

As shown in Exhibit 1, the index posted a second month of gains in April. The gains were driven by a strong performance of investment grade bonds. The index yield stood at 5.84% while spreads remained at similar levels to March, at 214 bps.

Exhibit 1: Recent and Long-Term Index Performance

Source: IHS Markit, part of S&P Global. Data as of April 30, 2023. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Investment grade bonds showed positive returns across all rating and maturity segments in April. The overall index advanced 0.81%, driven by positive performances in the longer end of the maturity spectrum. In contrast, high yield bonds posted a loss of 0.84% driven by losses in the BB and CCC segments.

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	0.42	0.46	0.89	1.29	1.13	1.32	0.81
AAA	0.00	0.33	1.19	0.91	0.88	2.23	1.43
AA	0.33	0.27	0.55	0.89	0.90	1.02	0.56
A	0.39	0.40	0.65	1.03	0.81	0.93	0.61
BBB	0.45	0.56	1.22	1.53	1.41	1.52	1.00
High Yield	-0.04	-0.98	-1.01	-0.19	-3.93	1.29	-0.84
BB	-1.07	-0.65	-1.17	-1.38	-7.24	4.64	-1.01
B	2.90	0.48	-0.10	1.84	3.31	0.00	0.83
CCC	-0.07	-7.40	-2.91	-0.89	-0.87	-0.60	-4.15

Source: IHS Markit, part of S&P Global. Data as of April 30, 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 again in positive territory this month. India (up 1.74%) and the Philippines (up 1.29%) were the two best-performing markets—supported by a small contraction in spreads in both markets.

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

Market	Δ MTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	0.07	-0.03	1	-0.02
Hong Kong	0.68	-0.03	2	-0.04
India	1.74	-0.30	-24	-0.03
Indonesia	1.04	-0.11	-8	0.07
Singapore	0.86	-0.10	-6	-0.02
South Korea	0.56	-0.05	0	0.00
Philippines	1.29	-0.14	-10	0.06

Source: IHS Markit, part of S&P Global. Data as of April 30, 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.

Focusing on U.S. dollar bonds from Chinese issuers, the overall index remained flat throughout April, lagging behind the other large markets. Similar to March, investment grade bonds advanced slightly, by 0.67%, but losses in the Real Estate sector (-5.64%) and subsequently high yield (-3.86%) dragged the overall index performance down. China LGFVs edged up 0.61% in April, 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	217.79	0.07	2.79	-7.17	480	6.42	266	3.11	915
Sovereigns	153.06	0.63	3.58	-4.00	17	3.81	16	4.70	15
Non-Sovereigns	218.04	0.05	2.76	-7.27	463	6.57	280	3.06	900
Sub-Sovereigns	196.03	0.46	3.06	0.31	16	4.45	73	3.55	29
Corporates	221.45	0.04	2.75	-7.54	446	6.66	289	3.04	871
Financials	255.18	-0.47	1.82	-12.78	249	8.73	486	2.11	548
Real Estate	181.89	-5.64	-2.15	-44.42	43	20.07	1625	2.22	140
Non-Financials	214.10	0.68	3.94	0.75	197	5.32	162	4.20	323
Investment Grade	210.15	0.67	3.35	-0.26	420	5.35	161	3.30	765
High Yield	224.46	-3.86	-1.06	-26.43	60	19.06	1518	1.85	150
LGFV	129.03	0.61	3.34	9.82	50	6.89	284	1.62	141
Investment Grade	123.93	0.61	3.31	6.30	44	6.72	269	1.66	125
High Yield	145.07	0.58	3.53	23.81	6	8.55	437	1.29	16

Source: IHS Markit, part of S&P Global. Data as of April 30, 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.

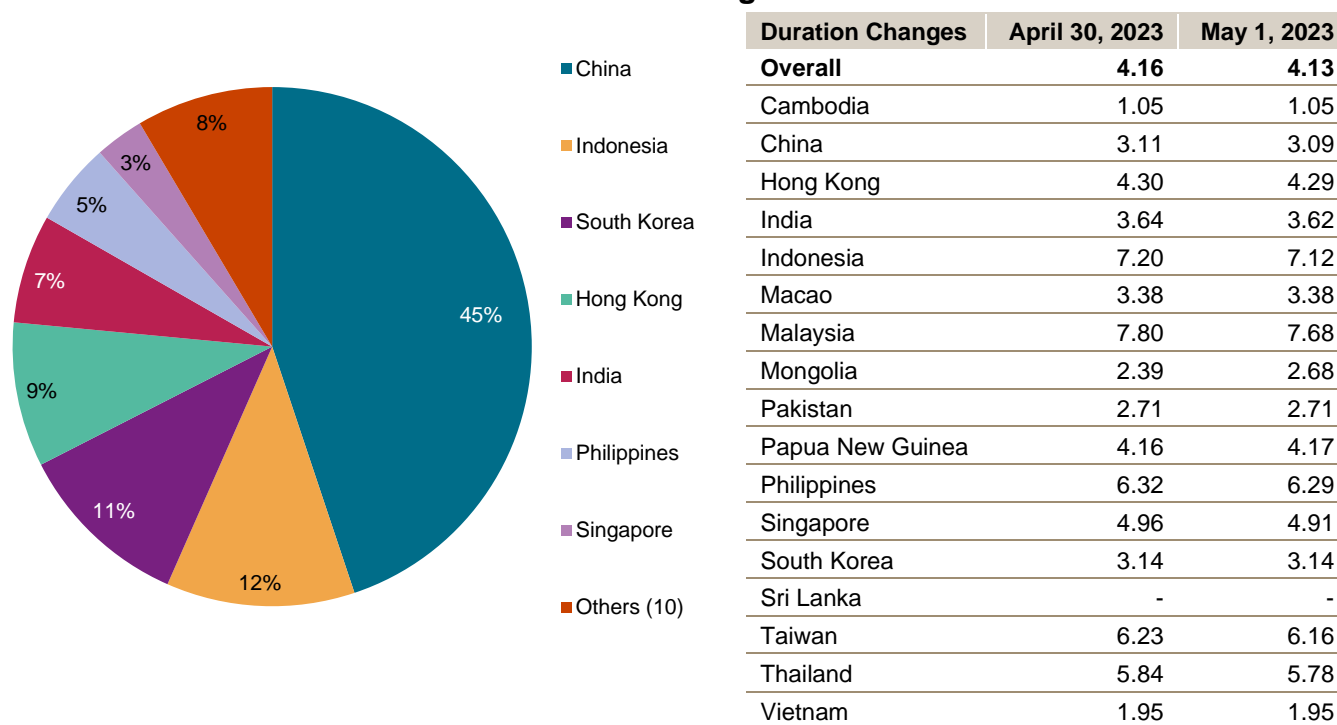
April Month-End Rebalance

This rebalance, the iBoxx USD Asia ex-Japan Index added 13 eligible bonds, with USD 7.8 billion of new notional. A total of USD 7 billion of new notional entered the investment grade index via 11 bonds, while the high yield subindex received USD 800 million notional from two issues.

With an aggregate notional of close to USD 13 billion, 23 bonds were removed from the index this month. Three fallen angels and one rising star were added to the 2023 list.

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 April 30, 2023, for the chart (left) and May 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 reduced slightly to 4.13 years. As of April 30, 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	207.48	0.59	1069	5.84	214	4.16	1889
Credit Rating							
AAA	185.09	1.43	10	4.17	52	9.42	15
AA	183.23	0.56	113	4.46	81	4.38	188
A	201.57	0.61	334	4.91	121	4.22	563
BBB	222.21	1.00	473	5.60	191	4.53	808
BB	250.42	-1.01	93	10.88	708	2.28	185
B	171.85	0.83	36	12.15	838	2.31	78
CCC	59.20	-4.15	10	52.78	4894	1.66	47
Maturity							
Year 0-1	163.96	0.35	125	11.80	715	0.46	259
Year 1-3	178.76	0.21	374	7.34	324	1.75	708
Year 3-5	208.38	0.54	243	6.18	255	3.40	434
Year 5-7	226.90	1.08	85	5.69	220	5.10	135
Year 7-10	226.65	1.01	111	5.16	171	6.77	179
Year 10+	260.43	1.32	132	5.23	153	13.14	174

Source: IHS Markit, part of S&P Global. Data as of April 30, 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)
AIA 4.95 2033-4-4	HKG	A	600
CKHH 4.75 2028-4-21	HKG	A	1250
RECLIN 5.625 2028-4-11	IND	BBB	750
RNW 7.95 2026-7-28	IND	BB	400
BMRIIJ 5.5 2026-4-4	IDN	BBB	300
NICAU 11.25 2028-10-21	IDN	B	400
PGEIJJ 5.15 2028-4-27	IDN	BBB	400
CITNAT 4.625 2028-4-21	KOR	A	500
HYNMTR 5.5 2026-3-30	KOR	BBB	1200
KOMRMR 5.375 2028-5-11	KOR	A	500
KOROIL 4.875 2028-4-3	KOR	AA	450
KOROIL 4.75 2026-4-3	KOR	AA	550
SHNHAN 4.5 2028-4-12	KOR	A	500

Source: IHS Markit, part of S&P Global. Data as of April 30, 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)
CDBALF 3 2023-4-24	CHN	A	500
CENCHI 7.25 2023-4-24^	CHN	CC	300
CENCHI 7.65 2023-8-27^	CHN	C	400
CHINSC 7.25 2023-4-19	CHN	CCC	500
CHIOLI 4.25 2023-4-26	CHN	BBB	750
CNPCCH 3.4 2023-4-16	CHN	A	750
HKIQCL 3.99 2023-4-27	CHN	BBB	300
SINOPC 3.125 2023-4-24	CHN	A	1250
VNKRLE 4.15 2023-4-18	CHN	BBB	971
YLLGSP 6.75 2023-4-23	CHN	B	350
CFGSP 10 2032-11-7^	HKG	BB	300
CHINLP 2.875 2023-4-26	HKG	A	300
FIRPAC 4.5 2023-4-16	HKG	BBB	358.835
INDON 3.375 2023-4-15	IDN	BBB	1260.95
NICAU 6.5 2024-4-1^	IDN	B	325
IIFOIN 5.875 2023-4-20	IND	B	273.992
VEDLN 8 2023-4-23	IND	CCC	400
HLINSU 4.7^	KOR	BBB	1000
KIAMTR 3 2023-4-25	KOR	BBB	600
KOMRMR 4 2023-4-18	KOR	A	500
SKM 3.75 2023-4-16	KOR	A	500
MEGPM 4.25 2023-4-17	PHL	BBB	250
PNBPM 4.25 2023-4-27	PHL	BBB	300

Source: IHS Markit, part of S&P Global. Data as of April 30, 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
April 30, 2023	QDJZWD 3.2 2025-3-3	CHN	BBB	BB
April 30, 2023	QDJZWD 4.9 2025-6-16	CHN	BBB	BB
April 30, 2023	WFURCD 2.6 2024-9-27	CHN	BBB	BB
March 31, 2023	MINMET 4.95 2026-7-22	CHN	BBB*	BB*
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 April 30, 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
April 30, 2023	XIANGY 5.7 2025-9-23	CHN	BB*	BBB*
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 April 30, 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 April 30, 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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