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iBoxx USD Asia ex-Japan Monthly Commentary

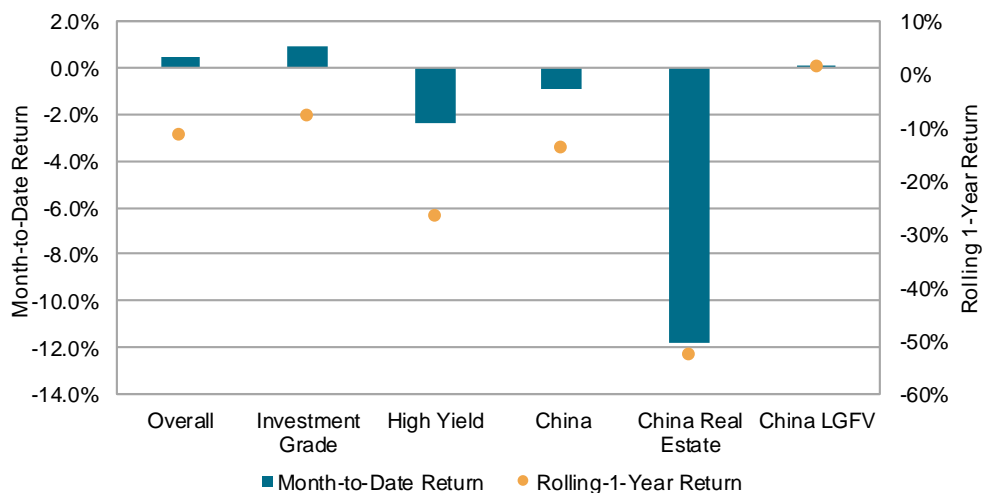
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July 2022 Commentary

Several central banks raised their policy rates in July, as inflationary impulses accelerated and became more broad-based globally. In the U.S., the Federal Reserve (Fed) delivered another 75 bps rate hike at the July meeting. Recently released data indicated that the U.S. economy may have hit a technical recession after consecutive quarters of negative GDP growth. Subsequently, stocks and bonds rallied moderately on the assumption of a Fed pivot toward a more gradual monetary tightening policy. But the visibility of the near-term path of inflation and growth remained uncertain due to external factors such as supply chain disruptions and geopolitical tensions. However, the path of the Fed policy, as emphasized by Fed Chair Jerome Powell, should be dependent on economic data.

Exhibit 1: Recent and Long-Term Index Performance



Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Note: Details of the latest rebalance start on page 3.

Returns of Asian USD bonds turned positive in July, with the iBoxx USD Asia ex-Japan Index gaining 0.44%, the first positive monthly index performance since December last year. The index yield fell 0.25 bps to 5.58%, and the index spread narrowed 2 bps to 271 bps.

This month, the investment grade (IG) subindex considerably outperformed the high yield (HY) subindex by 2.11%. In the IG segments, significant gains were seen in long maturity buckets. In the HY segments, losses were generally observed across the curve, except for the 5-7 year maturity bucket.

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	-0.28	-0.25	0.51	1.76	2.27	3.86	0.95
AAA	0.22	0.34	1.52	2.28	2.56	3.10	2.06
AA	0.26	0.37	1.25	1.80	2.76	2.38	1.29
A	-0.92	0.24	0.97	1.32	2.42	2.06	0.84
BBB	0.08	-0.69	-0.18	2.10	2.05	5.15	0.93
High Yield	-2.39	-3.06	-2.75	3.44	-0.17	-15.79	-2.35
BB	-0.54	-1.68	-2.82	6.85	1.78	-1.77	-1.34
B	-4.64	-3.75	-1.57	1.10	-3.07	-20.93	-2.86
CCC	-18.08	-11.03	-14.89	-38.69	0.00	0.00	-14.51

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

In China, home buyer sentiment remained weak, as home sales declined 39.7% in July from the same period last year. The mortgage boycott crisis added more bad news to the beleaguered property sector, which slumped 11.84% this month (as gauged by the China Real Estate subindex). Four property developer issuers were removed from the index, as their bonds traded flat this month.

The USD China LGFV subindex outperformed the broader USD China market (-0.95%), returning a loss of 0.03%. As of the end of July, it offered a yield of 5.05% with a duration of 1.73 years.

Exhibit 3: 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	210	-0.95	-10.59	-8.24	539	6.29	343	3.28	1,067
Sovereigns	154	1.51	-5.77	3.93	20	3.08	24	4.85	17
Non-Sovereigns	210	-1.04	-10.76	-8.57	519	6.47	361	3.22	1,050
Sub-Sovereigns	195	1.21	-3.92	5.22	19	3.56	73	3.61	34
Corporates	213	-1.12	-11.01	-9.06	499	6.60	374	3.20	1,016
Financials	242	-2.45	-14.04	-15.55	283	9.14	632	2.27	663
Real Estate	155	-11.84	-40.47	-52.04	52	26.41	2,358	2.23	220
Non-Financials	210	0.67	-6.65	1.13	216	4.86	197	4.42	353
Investment Grade	206	-0.12	-6.80	1.49	461	4.94	208	3.55	834
High Yield	194	-5.49	-26.50	-36.95	78	22.34	1,953	1.68	233
Mainland China LGFV	127	-0.03	-3.34	6.24	49	5.05	220	1.73	143
Investment Grade	122	0.12	-0.26	10.09	41	4.91	207	1.82	117
High Yield	138	-0.05	-1.53	6.67	8	6.07	322	1.22	26

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. Index performance based on total return in USD. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in basis points. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

August 2022 Rebalance

This rebalance, the iBoxx USD Asia ex-Japan Index added 20 eligible bonds, bringing in about USD 8.7 billion new notional.

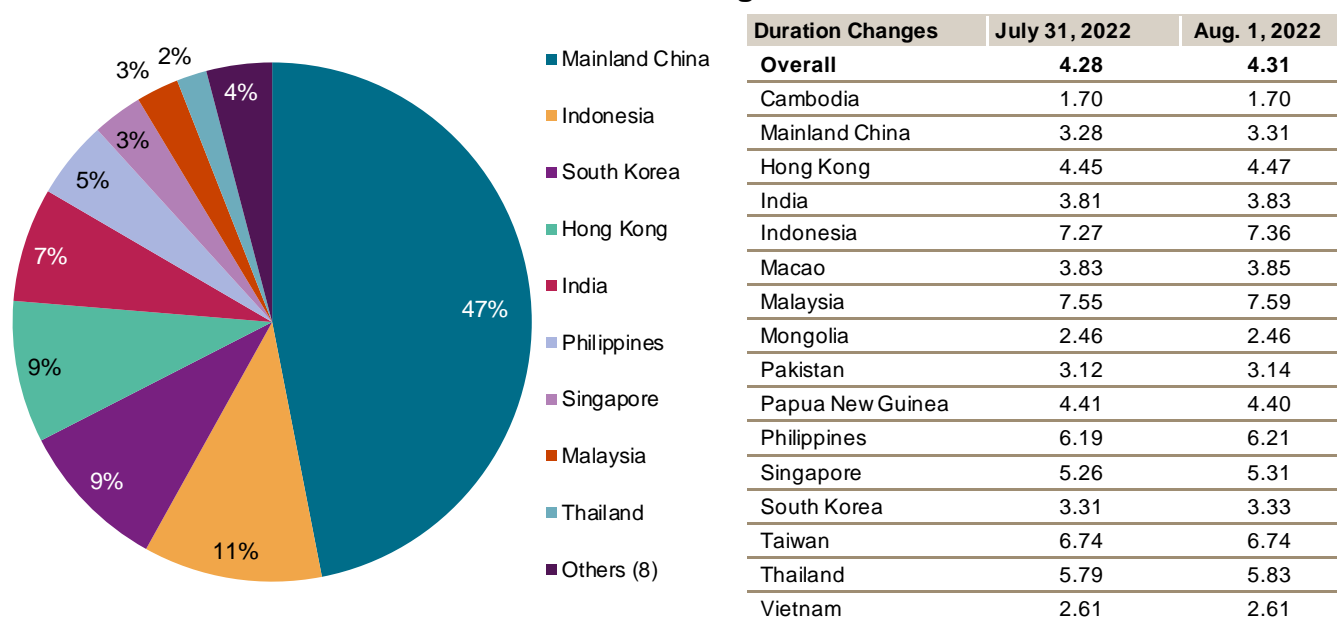
The IG subindex saw about USD 8.45 billion of notional, raised from 19 new issues, while the HY subindex received USD 263 million worth of notional from one issue.

Of the 50 bonds removed from the index this month:

- 17 traded flat of accrued interest, including one bond from a consumer retailer in India and the rest from issuers in the China real estate sector; and
- Four were either partially repurchased or exchanged.

Two rising stars were captured this month based on the iBoxx implied credit rating methodology. Both were senior USD bonds from the Chinese market, with one being issued by a local government financing vehicle.

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 2022.

Exhibit 4: Market Breakdown and Duration Changes of Overall Index Post Rebalance

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022, for the chart (left) and Aug. 1, 2022, 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 rose slightly to 4.31 years. Markets with the most noticeable change in duration were Indonesia (up 0.09 years), Malaysia (up 0.04 years) and Singapore (up 0.04 years).

The majority of bonds that were added to the iBoxx USD Asia ex-Japan China this month were short dated, with the exception of two bonds issued by Lenovo Group Ltd, which have an issuance size of USD 625 million each and have maturities beyond 2027.

The additions to the iBoxx USD Asia ex-Japan South Korea were also short dated, all of which will mature before the end of 2027, and most of which are small issuance of USD 300 million.

In Taiwan, TSMC Global Ltd issued two AA rated senior bonds in late July, with a combined notional size of USD 1.0 billion. The issuer now has 16 bonds in the Taiwan subindex and an aggregated notional of USD 15.5 billion.

Appendix

Exhibit 5: 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	202	0.44	1148	5.58	271	4.28	2,082
Credit Rating							
AAA	186	2.06	12	3.71	75	8.72	17
AA	184	1.29	98	3.74	90	4.78	169
A	200	0.84	367	4.30	142	4.53	605
BBB	217	0.93	501	5.36	247	4.60	866
BB	230	-1.34	121	10.13	734	2.23	238
B	152	-2.86	41	20.10	1,731	2.49	119
CCC	47	-14.51	5	114.03	11,118	1.02	52
Maturity							
Year 0-1	156	-0.86	147	17.89	1,519	0.40	314
Year 1-3	172	-0.70	360	6.88	398	1.86	706
Year 3-5	204	-0.18	276	5.80	303	3.51	519
Year 5-7	221	1.95	100	5.31	260	5.00	157
Year 7-10	224	2.17	134	4.90	221	7.00	218
Year 10+	258	3.72	131	5.00	192	13.63	168

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. Index performance based on total return in USD. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in basis points. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 6: Top Seven Largest Markets Month-to-Date Performance and Changes

Markets	Δ MTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	-0.95	-0.13	8	0.01
Hong Kong	0.15	0.02	27	0.03
India	1.83	-0.39	-14	0.02
Indonesia	3.43	-0.44	-22	0.17
Singapore	1.40	-0.19	4	0.05
South Korea	0.33	-0.14	9	0.02
Philippines	2.70	-0.39	-15	0.17

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. Index performance based on total return in USD. ΔYield refers to change in semiannual yield for the month in percent. ΔSpread refers to change in semiannual spread to benchmark curve for the month in basis points. ΔDuration refers to change in semiannual modified duration for the month. 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	Rating	Notional (USD Millions)
CHRAIL 4% 2027-07-06	CHN	A	500
GXCMIN 3.95% 2025-07-12	CHN	BBB	300
HKIQCL 4.8% 2025-07-08	CHN	BBB	750
LENOVO 5.83% 2028-01-27	CHN	BBB	625
LENOVO 6.54% 2032-07-27	CHN	BBB	625
PWRLNG 7.13% 2024-01-15	CHN	CCC	263
SHANPU 3.25% 2025-07-14	CHN	BBB	400
YANTZE 3.63% 2025-07-28	CHN	A	300
ZHANLO 4.8% 2025-06-20	CHN	BBB	500
ZHAPIE 4.7% 2025-07-27	CHN	BBB	500
BNKEA 5.13% 2028-07-07	HKG	BBB	250
GSCCOR 4.5% 2026-01-05	KOR	BBB	300
HWEUHC 4.13% 2025-07-05	KOR	AA	300
KOHNPW 4.25% 2027-07-27	KOR	AA	700
KORGAS 3.88% 2027-07-13	KOR	AA	500
LGCHM 4.38% 2025-07-14	KOR	BBB	300
NACF 4% 2026-01-06	KOR	A	300
NACF 4.25% 2027-07-06	KOR	A	300
TAISEM 4.38% 2027-07-22	TWN	AA	400
TAISEM 4.63% 2032-07-22	TWN	AA	600

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. 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	Rating	Notional (USD Millions)
BEIJHK 2.8% 2022-07-15	CHN	A	300
BIDU 2.88% 2022-07-06	CHN	A	900
CHCONS 2.9% 2022-07-05	CHN	A	500
CHILOV 3.35% 2027-07-27	CHN	A	250
CHOHEC 6.3% 2022-07-18	CHN	BB	300
CHRAIL 2.88% 2022-07-25	CHN	A	500
CJIANT 3.38% 2022-07-25	CHN	A	500
COGARD 4.75% 2022-07-25	CHN	BB	272
DALWAN 7.5% 2022-07-24	CHN	B*	550
DLDETA 5.95% 2022-07-29	CHN	BB	300
FOSUNI 5.5% 2023-08-17 [^]	CHN	BB	380
GSHIAV 3.88% 2022-07-05	CHN	BBB	300
GZRFPR 5.88% 2023-02-13 [†]	CHN	C	600
GZRFPR 9.13% 2022-07-28 [†]	CHN	C	300
GZRFPR 8.13% 2023-02-27 [†]	CHN	C	875
GZRFPR 8.63% 2024-02-27 [†]	CHN	C	375
GZRFPR 8.13% 2024-07-11 [†]	CHN	C	450
GZRFPR 8.63% 2024-03-05 [†]	CHN	C	400
GZRFPR 12.38% 2022-11-18 [†]	CHN	C	360
GZRFPR 11.75% 2023-08-02 [†]	CHN	C	675
GZRFPR 11.63% 2024-09-03 [†]	CHN	C	325
HAOHUA 3.5% 2022-07-19	CHN	A	1,500
HONGQI 7.13% 2022-07-22	CHN	BB	300
LNGFOR 3.88% 2022-07-13	CHN	BBB	450
PWRLNG 7.13% 2022-11-08 [^]	CHN	CCC	300
RONXIN 8.95% 2023-01-22 [†]	CHN	CCC	415
RONXIN 8.1% 2023-06-09 [†]	CHN	CCC	316
RONXIN 7.35% 2023-12-15 [†]	CHN	CCC	410
RONXIN 7.1% 2025-01-25 [†]	CHN	CCC	251

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. 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 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	Rating	Notional (USD Millions)
SHGUOH 4.37% 2022-07-09	CHN	BBB	800
SININT 3.13% 2022-07-25	CHN	BBB	300
SKYFAM 13% 2023-12-16 [†]	CHN	CCC*	292
SLSCCI 6.5% 2022-07-18	CHN	BB	500
XIN 14.5% 2023-09-17 [†]	CHN	C*	261
XIN 14% 2024-01-25 [†]	CHN	C*	270
XINAOG 3.25% 2022-07-24	CHN	BBB	600
CHOHIN 3.88% 2027-07-26	HKG	BB	383
GZGETH 3.75% 2022-07-18	HKG	BBB	500
FRETAI 5.6% 2025-01-22 [†]	IND	C	500
VEDLN 6.38% 2022-07-30	IND	B	531
BSDEIJ 5.5% 2023-10-18 [^]	IDN	BB	270
SAWSST 7.75% 2023-01-23 [^]	IDN	CCC	300
HWEUHC 2.38% 2022-07-30	KOR	AA	300
INDKOR 3.9% Perp	KOR	BB	300
KORGAS 2.75% 2022-07-20	KOR	AA	400
KOWEPW 2.38% 2022-07-22	KOR	AA	300
KYOBOL 3.95% 2047-07-24	KOR	A	500
NACF 2.88% 2022-07-17	KOR	A	500
SCBTB 3.2% 2022-07-26	THA	BBB	400
VIPRJS 6.25% 2022-07-17	VNM	BB	300

Source: IHS Markit, part of S&P Global. Data as of July 31, 2022. 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 are denoted with (†) in the Issue column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 9: iBoxx USD Asia ex-Japan Overall Index

Fallen Angels in 2022				
Rebalance	Issue	Market	Past Rating	Current Rating
April 30, 2022	TLINVT 4.45% 2023-06-10	CHN	BBB	BB
May 31, 2022	ACENPM 4%	PHL	BBB*	BB*
May 31, 2022	UPLLIN 4.5% 2028-03-08	IND	BBB	BB
June 30, 2022	COGARD 5.625% 2026-12-15	CHN	BBB	BB
June 30, 2022	COGARD 4.75% 2022-07-25	CHN	BBB	BB
June 30, 2022	COGARD 3.125% 2025-10-22	CHN	BBB	BB
June 30, 2022	COGARD 3.875% 2030-10-22	CHN	BBB	BB
June 30, 2022	COGARD 2.7% 2026-07-12	CHN	BBB	BB
June 30, 2022	COGARD 3.3% 2031-01-12	CHN	BBB	BB
Rising Stars in 2022				
Rebalance	Issue	Market	Past Rating	Current Rating
Feb. 28, 2022	HRINTH 4%	CHIN	BB	BBB
Feb. 28, 2022	HZLJDV 5.3% 2022-12-04	CHIN	BB*	BBB*
March 31, 2022	FWDGRP 5.75% 2024-07-09	HKG	BB*	BBB*
March 31, 2022	SHDOIS 6.85% 2022-09-25	CHN	BB*	BBB*
March 31, 2022	SHDOIS 6.5% 2023-11-05	CHN	BB*	BBB*
March 31, 2022	SHDOIS 4.8% 2024-07-28	CHN	BB*	BBB*
April 30, 2022	ZJXCID 3.9% 2024-02-04	CHN	BB*	BBB*
June 30, 2022	UPLLIN 4.5% 2028-03-08	IND	BB	BBB
July 31, 2022	JNCCIH 4.5% 2024-03-12	CHN	BB*	BBB*
July 31, 2022	TIANFS 4% 2024-03-15	CHN	BB*	BBB*
Bonds Excluded from iBoxx USD Asia ex-Japan (Restricted) 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 July 31, 2022. 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.

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