

iBoxx USD Asia ex-Japan Monthly Commentary

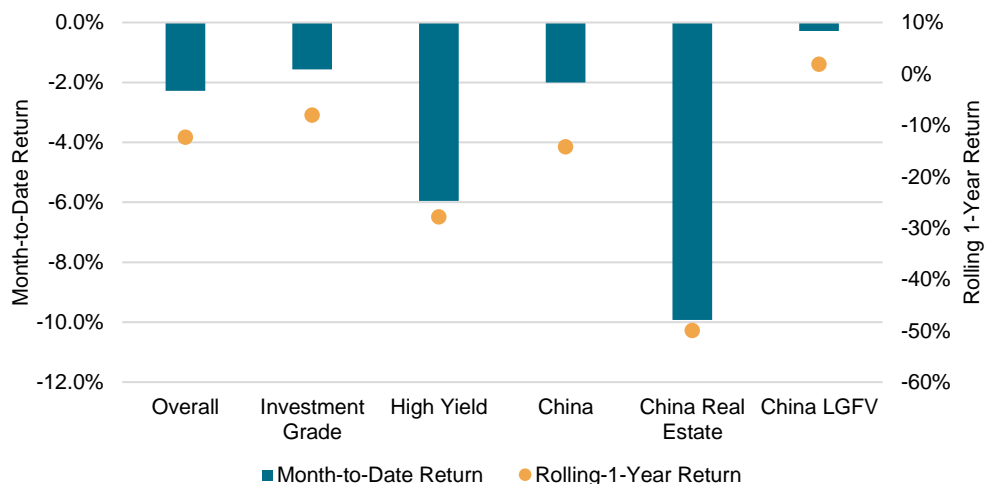
Contributor

Wilson Mak
Analyst
Indices Research and Design
Asia Pacific
wilson.mak@spglobal.com

June 2022 Commentary

Economic headwinds from high inflation and the impact of monetary contraction policies continued to pressure financial markets in June. In the U.S., investor sentiment shifted after the Federal Reserve delivered a rate hike of 75 bps, a significant increase not seen since 1994. The underlying narrative has broadened from concerns around high inflation and aggressive rate hikes to also include growth worries and recession anxiety. The 2s10s spread¹ of the U.S. Treasury curve flattened dramatically in June, perhaps reflecting an outlook for weaker economic growth on the horizon. Both stocks and bonds in developed markets declined this month.

Exhibit 1: Recent and Long-Term Index Performance



Source: IHS Markit, part of S&P Global. Data as of June 30, 2022. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

¹ The spread narrowed from 32 bps at the end of May to 6 bps by the end of June.

The iBoxx USD Asia ex-Japan Index dropped 2.28% in June and 10.2% YTD. Moreover, the index yield rose 0.52 bps to 5.83%, and the index spread widened 32 bps to 273 bps. Additionally, the cost of hedging this market from credit defaults, as tracked by iTraxx Asia ex-Japan Index (5Y), has risen to levels² last seen in April 2020.

This month, negative performances were generally observed across maturity buckets. While the investment-grade (IG) and high-yield (HY) subindices fell in the red, the IG subindex outperformed its HY counterpart by 0.75%. Notably, losses increased in severity when descending from the BBB segment into the HY rating segments.

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

	0-1 Year (%)	1-3 Year (%)	3-5 Years (%)	5-7 Years (%)	7-10 Years (%)	10+ Years (%)	Overall (%)
Investment Grade	0.01	-0.92	-1.49	-1.64	-2.39	-3.70	-1.56
AAA	-0.04	-0.83	-0.91	-1.14	-1.12	-2.07	-1.23
AA	0.10	-0.68	-0.95	-1.07	-1.29	-1.84	-0.94
A	0.02	-0.66	-0.75	-0.85	-0.94	-1.04	-0.70
BBB	-0.01	-1.15	-2.32	-2.44	-3.60	-5.52	-2.31
High Yield	-2.00	-6.64	-7.25	-9.21	-10.22	-6.30	-5.95
BB	-0.80	-3.97	-5.83	-7.91	-10.00	-7.94	-4.12
B	-4.44	-10.80	-11.05	-11.12	-9.61	-5.69	-9.58
CCC	-15.99	-18.23	-14.17	-2.21	-25.59	0.0	-16.88

Source: IHS Markit, part of S&P Global. Data as of June 30, 2022. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Optimism around the reopening in China and a series of measures by the Chinese authorities to support the country's property sector have offered little help to rekindle the China USD bond market thus far. As a result, the China USD subindex, the largest country subindex by market value in the iBoxx USD Asia ex-Japan Index, retreated again in June, this time by 2.0%. Meanwhile, two more issuers—Jingrui Holdings Ltd and Shimao Group Holdings Ltd—were removed from the China Real Estate subindex (-9.93%) as their bonds traded flat this month.

The USD China LGFV subindex outperformed the broader USD China market, returning a loss of 1.08%. As of the end of June, it offered a yield of 4.87% with a duration of 1.71 years.

² The highest spread of the iTraxx Asia ex-Japan Index (5Y) in April 2020 was 150.79 bps. At the end of June 2022, the spread was 141.79 bps.

Exhibit 3: Performance of Mainland China and its Subindices

	Index Level	Δ MTD (%)	Δ YTD (%)	Δ 3 Year (%)	MV (USD Billions)	Yield (%)	Spread (bps)	Duration (Years)	Number of Bonds
Mainland China	212	-2.00	-9.73	-6.98	551	6.42	335	3.27	1,088
Sovereigns	151	-0.68	-7.17	2.34	20	3.33	25	4.87	17
Non-Sovereigns	212	-2.05	-9.82	-7.22	531	6.59	352	3.21	1,071
Sub-Sovereigns	193	-0.51	-5.07	4.08	20	3.81	75	3.55	34
Corporates	216	-2.11	-9.99	-7.63	511	6.71	364	3.20	1,037
Financials	248	-3.11	-11.88	-12.93	293	9.19	619	2.31	681
Real Estate	176	-9.93	-32.48	-45.27	62	24.59	2,157	2.25	234
Non-Financials	208	-0.72	-7.27	0.71	219	4.93	182	4.38	356
Investment Grade	206	-1.11	-6.68	1.98	468	4.95	188	3.55	843
High Yield	205	-6.58	-22.23	-32.93	83	23.09	2,013	1.67	245
Mainland China LGFV	126	-1.08	-3.31	6.86	49	4.87	191	1.71	147
Investment Grade	122	-0.28	-0.38	10.58	40	4.66	169	1.85	117
High Yield	137	-0.40	-1.48	7.32	8	6.74	389	1.00	30

Source: IHS Markit, part of S&P Global. Data as of June 30, 2022. Index performance based on total return in USD. MV refers to market value in USD billions. 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.

July 2022 Rebalance

This rebalance, the iBoxx USD Asia ex-Japan Index added 23 eligible bonds, bringing in nearly USD 13.3 billion new notional.

The IG subindex saw about USD 12.0 billion of notional raised from 20 new issues, while the HY subindex received USD 1.3 million worth of notional from three issues.

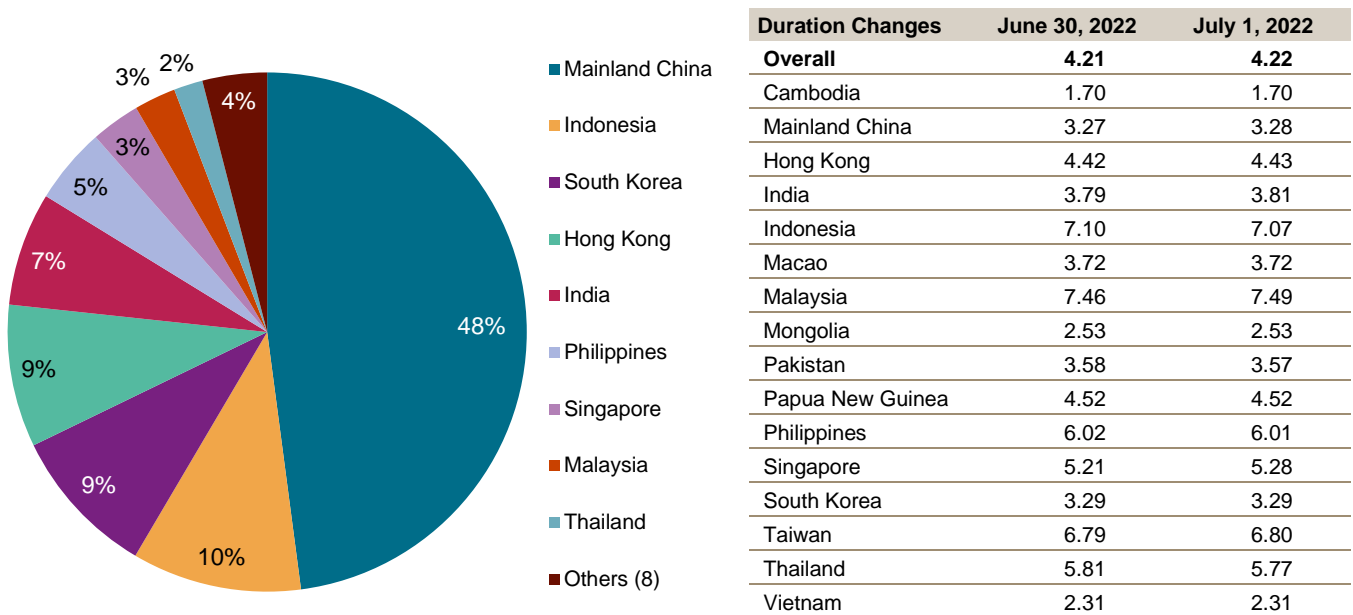
Of the 41 bonds removed from the index this month:

- Ten traded flat of accrued interest, all issued by Jingrui Holdings Ltd and Shimao Group Holdings Ltd from the China Real Estate sector; and
- Two were called.

This month, 6 of the 16 senior bonds from Country Garden Holdings Co Ltd from the Chinese market were captured as fallen angels, while one rising star was identified from the Indian market.

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 June 30, 2022 for the chart (left) and July 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 stayed virtually flat. Markets with the most noticeable change in duration were Singapore (up 0.07 years), Malaysia (up 0.03 years), Indonesia (-0.03 years) and Thailand (-0.04 years).

The iBoxx USD Asia ex-Japan China added 10 short-dated corporate bonds with an aggregated notional of USD 4.85 billion, all of which will mature before the end of 2025.

In Singapore, Oversea-Chinese Banking Corp Ltd issued a 10-year subordinated, fixed-to-float bond of USD 750 million. This bond was included in the Singapore subindex this month, replacing a callable perpetual bond of USD 500 million that was called in June.

In Indonesia, the government issued two BBB-rated, medium-to-long-dated bonds with a combined notional size of USD 3.25 million in June. These bonds were the only sovereign issuance introduced to the index from the recent rebalance.

Appendix

Exhibit 5: Key Analytics of Overall Index and Credit Rating and Maturity Subindices

	Index Level	Δ MTD (%)	MV (USD Billions)	Yield (%)	Spread (bps)	Duration (Years)	Number of Bonds
Overall	200.84	-2.28	1,150	5.83	273	4.21	2,100
Credit Rating							
AAA	182	-1.23	12	3.90	74	8.63	17
AA	181	-0.94	96	3.94	85	4.78	166
A	198	-0.70	365	4.44	133	4.52	602
BBB	215	-2.31	499	5.59	247	4.48	875
BB	233	-4.12	123	9.52	653	2.23	245
B	157	-9.58	46	21.01	1799	2.40	133
CCC	55	-16.88	5	86.18	8323	1.12	46
Maturity							
Year 0-1	157	-0.58	157	17.09	1473	0.42	330
Year 1-3	173	-1.93	348	7.20	421	1.86	688
Year 3-5	204	-2.71	286	5.84	281	3.51	533
Year 5-7	217	-2.68	98	5.64	259	4.96	156
Year 7-10	219	-2.74	134	5.22	218	6.98	225
Year 10+	249	-3.72	127	5.25	200	13.44	168

Source: IHS Markit, part of S&P Global. Data as of June 30, 2022. Index performance based on total return in USD. MV refers to market value in USD billions. 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 7 Largest Markets Month-to-Date Performance and Changes

Markets	Δ MTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	-2.00	0.46	21	-0.03
Hong Kong	-1.18	0.38	17	0.05
India	-3.33	0.96	73	-0.09
Indonesia	-3.69	0.56	43	-0.32
Singapore	-1.34	0.31	12	-0.10
South Korea	-0.83	0.34	8	-0.07
Philippines	-2.67	0.51	36	-0.22

Source: IHS Markit, part of S&P Global. Data as of June 30, 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)
BCHINA 3.13% 2025-06-16	CHN	A	500
CHAECO 6.3% 2025-06-28	CHN	BB	300
CNSHAN 4.1% 2025-06-15	CHN	A	500
HEFIND 3.9% 2025-06-08	CHN	BBB	500
ICBCAS 2.95% 2025-06-01	CHN	A	1,200
LIANYU 5% 2025-06-16	CHN	BBB	250
LYCDIN 5.2% 2025-06-24	CHN	BBB	300
QDJZWD 4.9% 2025-06-16	CHN	BBB	300
SHGUOH 4.7% 2025-06-15	CHN	BBB	500
ZZTRAN 4.98% 2025-06-01	CHN	BB	500
CMHI 4% 2027-06-01	HKG	BBB	500
NWDEVL 6.15% Perp	HKG	BB*	500
INDOIS 4.4% 2027-06-06	IDN	BBB	1,750
INDOIS 4.7% 2032-06-06	IDN	BBB	1,500
OCBCSP 4.6% 2032-06-15	SGP	A	750
KBFING 4% 2025-06-09	KOR	A	400
KDB 3.13% 2025-06-07	KOR	AA	300
KORELE 3.63% 2025-06-14	KOR	AA	500
KORELE 4% 2027-06-14	KOR	AA	300
KOWEPW 4.13% 2025-06-28	KOR	AA	300
KYOBOL 5.9% Perp	KOR	A	500
BBLTB 4.3% 2027-06-15	THA	BBB	750
EXIMTH 3.9% 2027-06-02	THA	BBB	350

Source: IHS Markit, part of S&P Global. Data as of May 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)
CCB 2.75% 2022-06-13	CHN	A	600
CHPWCN 3.5% Perp	CHN	BBB	500
CHPWCN 3% 2022-06-20	CHN	BBB	300
CQNANA 5.88% 2022-06-18	CHN	BBB	300
DIANCH 6.6% 2022-06-26	CHN	BB*	300
FRESHK 4.35% Perp	CHN	BBB	300
FUTLAN 6.45% 2022-06-11	CHN	BB	400
GEMDAL 5.6% 2022-06-14	CHN	BB	250
HAOHUA 3.13% 2022-06-19	CHN	BBB	300
HUAHK 6.9% 2022-06-25	CHN	BB	300
JINGRU 12% 2022-07-25 [†]	CHN	CCC	260
JINGRU 14.5% 2023-02-19 [†]	CHN	CCC	350
KMCMIN 6.2% 2022-06-27	CHN	BB	300
LSHSID 7% 2022-06-27	CHN	BB	300
NANHAI 2.9% 2022-06-11	CHN	BBB	350
PINGRE 4% 2022-06-12	CHN	BBB*	378
QDJZWD 5.8% 2022-06-28	CHN	BBB*	300
SCRAII 3.8% 2022-06-27	CHN	A	300
SHIMAO 4.75% 2022-07-03 [†]	CHN	CCC*	999
SHIMAO 5.2% 2025-01-30 [†]	CHN	CCC*	500
SHIMAO 6.13% 2024-02-21 [†]	CHN	CCC*	1,000
SHIMAO 5.6% 2026-07-15 [†]	CHN	CCC*	1,000
SHIMAO 4.6% 2030-07-13 [†]	CHN	CCC*	300
SHIMAO 3.45% 2031-01-11 [†]	CHN	CCC*	872
SHIMAO 3.98% 2023-09-16 [†]	CHN	CCC*	300
SHIMAO 5.2% 2027-01-16 [†]	CHN	CCC*	748
SHUION 6.4% Perp	CHN	BB*	600
XANCON 4% 2022-06-24	CHN	BBB	500
XJZHTA 7% 2022-06-06	CHN	B	380
YANGZH 5.5% 2022-06-27	CHN	BB	300
ZZTRAN 6.5% 2022-06-26	CHN	BB	500
HKLSP 4.5% 2022-06-01	HKG	A	500
HLPY 4.75% 2022-06-25	HKG	A*	500
NANYAN 5% Perp	HKG	BB	1,200
SWIPRO 4.38% 2022-06-18	HKG	A	500
RPVIN 6.67% 2024-03-12 [^]	IND	BB	525
IOIMK 4.38% 2022-06-27	MYS	BBB	305
VLLPM 7.38% 2022-06-18	PHL	BB*	370
PARKPT 4.25% Perp [^]	SGP	BBB*	500
GSCCOR 3% 2022-06-12	KOR	BBB	400
KOEWPW 2.63% 2022-06-19	KOR	AA	500

Source: IHS Markit, part of S&P Global. Data as of June 30, 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
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	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*
April 30, 2022	ZJXCID 3.9% 2024-02-04	CHN	BB*	BBB*
June 30, 2022	UPLLIN 4.5% 2028-03-08	IND	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	1000
July 31, 2021	Proven Honour Capital Limited	CHIN	XS1401816761	2000

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

General Disclaimer

© 2022 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.