

iBoxx Asian Local Currency Indices

iBoxx ALBI, iBoxx ABF and iBoxx SGD

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December 2023 Commentary

As 2023 drew to a close, the debate over hard landing versus soft landing continued, although market consensus shifted toward a softer landing as the year progressed. This conversation looks likely to carry on into 2024.

In December, the final FOMC meeting of 2023 was held and the predictions of most analysts held true as U.S. interest rates stayed in the 5.25%-5.5% range. The 10-2 Year Treasury Yield Spread remained relatively unchanged as well at -0.35%.¹ At the same time, U.S. Treasuries—as represented by the iBoxx \$ Treasuries—gained 3.48% in December and 4.12% for the full year.

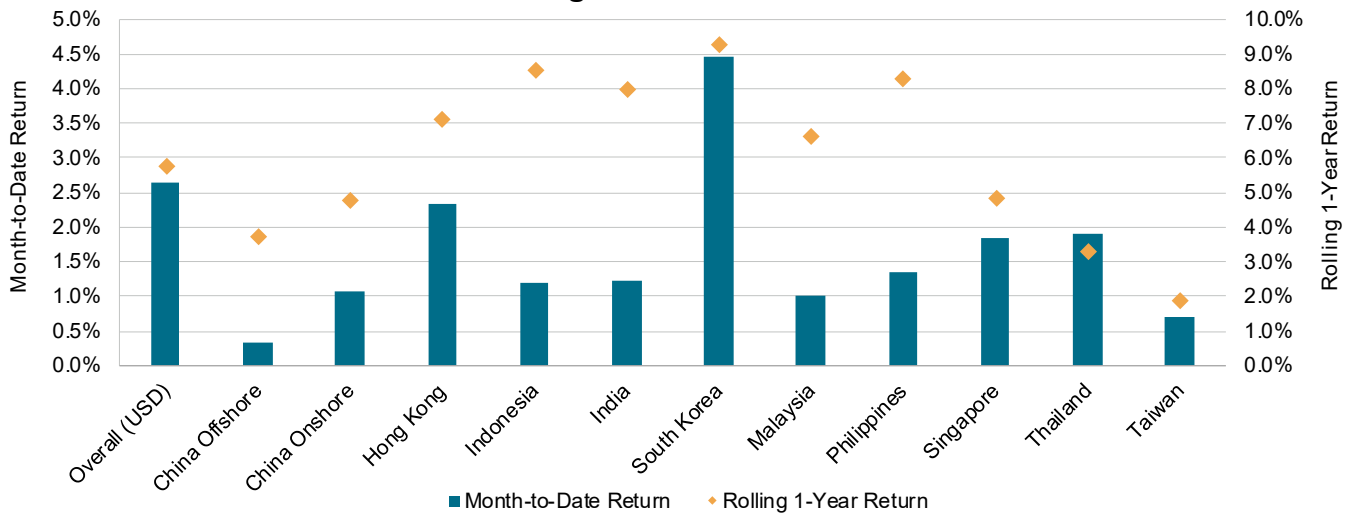
In the U.S. equity market, the [S&P 500®](#) had a stellar year with a return of 24.23%, wiping away 2022 losses and ending the year within reach of the all-time high set on Jan. 3, 2022. Other equity markets lagged the S&P 500, notably, Chinese stocks—as represented by the [S&P China 500 \(USD\)](#)—were down 14.25% in 2023, while broader Asian markets—as represented by the [S&P Pan Asia Ex-Japan LargeMidCap \(USD\)](#)—fared better, up 5.99% for the year.

¹ Source: Federal Reserve Bank of St. Louis

iBoxx Asian Local Bond Index (ALBI)

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Exhibit 1: iBoxx ALBI Overall and Single Market Returns



Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

In Asian fixed income, Asian local currency bonds—as represented by the iBoxx Asian Local Bond Index (ALBI) (USD Unhedged)—gained 2.64% in December on the back of both capital gains as well as FX gains in most markets (except the Hong Kong dollar which is pegged to the U.S. dollar). For the full year, the index returned 5.81% (compared to -7.39% in 2022), outperforming U.S. Treasuries.

For the second month running, all local markets posted positive returns. South Korea and Hong Kong, in local currency terms, led the gains in December, up 4.48% and 2.32%, respectively. At the other end of the spectrum were China Offshore (0.35%) and Malaysia (1.01%). In 2023, South Korea (9.27%), Indonesia (8.55%) and the Philippines (8.33%) were the top-performing local markets.

Gains were observed across the yield curve, with clear investor preference for longer-dated bonds. South Korea 10+ stood out as the best-performing segment, returning 8.48%, while Hong Kong 10+, Singapore 10+ and Thailand 10+ all recorded gains exceeding 3%.

At the end of 2023, the overall index yield decreased by another 30 bps to 3.85%. India remained the highest-yielding bond market in the index, posting 7.31%, while China Onshore (2.62%) represented the lowest-yielding market.²

² Taiwan has 0% weight in the index.

Exhibit 2: iBoxx ALBI Overall and Single Market Returns

Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall (USD)	3.85	6.76	2.64	5.81	-5.13
China Offshore	3.27	2.57	0.35	3.76	8.80
China Onshore	2.62	5.81	1.08	4.78	14.44
Hong Kong	4.10	3.86	2.32	7.13	-2.54
India	7.31	6.80	1.23	8.03	13.64
Indonesia	6.69	6.03	1.20	8.55	17.92
South Korea	3.13	9.14	4.48	9.27	-3.26
Malaysia	3.97	7.32	1.01	6.65	6.38
Philippines	4.79	4.99	1.34	8.33	0.82
Singapore	2.98	7.71	1.86	4.89	-5.79
Taiwan	1.28	8.35	0.69	1.93	-5.18
Thailand	3.08	8.33	1.91	3.34	-4.45

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Overall index performance based on total return in USD. All others based on total return in local currency. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 3: iBoxx ALBI Returns Attribution – December 2023

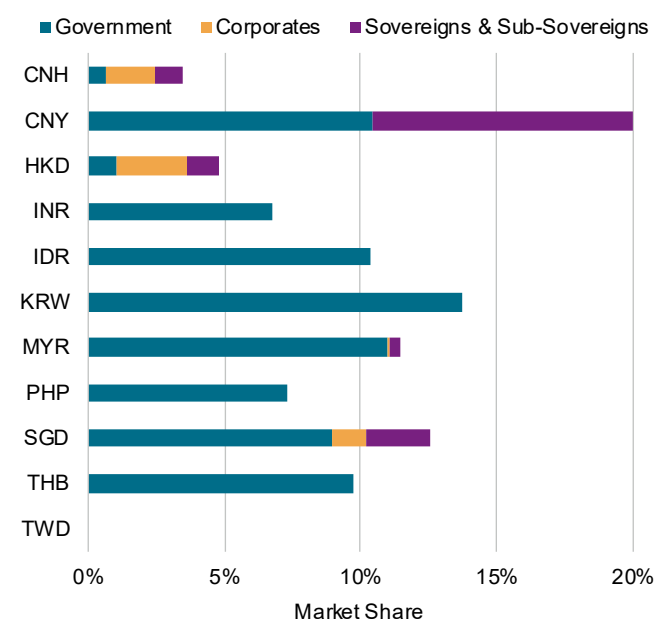
Market	FX Return (%)	Accrual Return (%)	Capital Return (%)
Overall (USD)	0.84	0.33	1.46
China Offshore	0.58	0.27	0.08
China Onshore	0.52	0.25	0.82
Hong Kong	(0.06)	0.27	2.05
India	0.29	0.60	0.64
Indonesia	0.73	0.59	0.61
Malaysia	1.55	0.34	0.66
Philippines	0.21	0.37	0.97
Singapore	1.14	0.23	1.63
South Korea	0.17	0.24	4.23
Taiwan	1.79	0.11	0.58
Thailand	2.70	0.24	1.67

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 4: iBoxx ALBI Returns by Maturity – December 2023

Market	Return (%)				
	1-3 Year	3-5 Year	5-7 Year	7-10 Year	10+ Year
Overall (USD)	1.38	1.87	2.13	2.57	4.57
Overall (Local Currency)	0.68	1.05	1.29	1.74	3.61
China Offshore	0.32	0.41	0.48	0.45	0.39
China Onshore	0.71	1.01	0.95	0.90	2.47
Hong Kong	1.23	2.27	3.21	4.04	5.74
India	0.96	1.20	1.15	1.34	1.30
Indonesia	0.73	0.79	0.92	1.30	1.55
Malaysia	0.34	0.61	0.81	1.04	1.54
Philippines	0.57	0.99	1.21	1.57	2.73
Singapore	0.55	0.92	1.25	1.87	3.97
South Korea	0.85	1.84	2.89	3.79	8.48
Taiwan	0.04	0.15	0.24	0.43	1.64
Thailand	0.34	1.83	1.13	2.07	3.33

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

December Month-End Rebalance**Exhibit 5: Market Breakdown and iBoxx ALBI Duration Changes**

Market	Duration (Years)*	
	Dec. 31, 2023	Jan. 1, 2024
Overall (USD)	6.76	6.81
China Offshore	2.57	2.59
China Onshore	5.81	5.86
Hong Kong	3.86	3.90
India	6.80	6.82
Indonesia	6.03	6.03
South Korea	9.14	9.28
Malaysia	7.32	7.30
Philippines	4.99	4.99
Singapore	7.71	7.71
Thailand	8.33	8.66
Taiwan	8.35	8.36

*Semiannual modified duration.

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023 (and Jan. 1, 2024, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes.

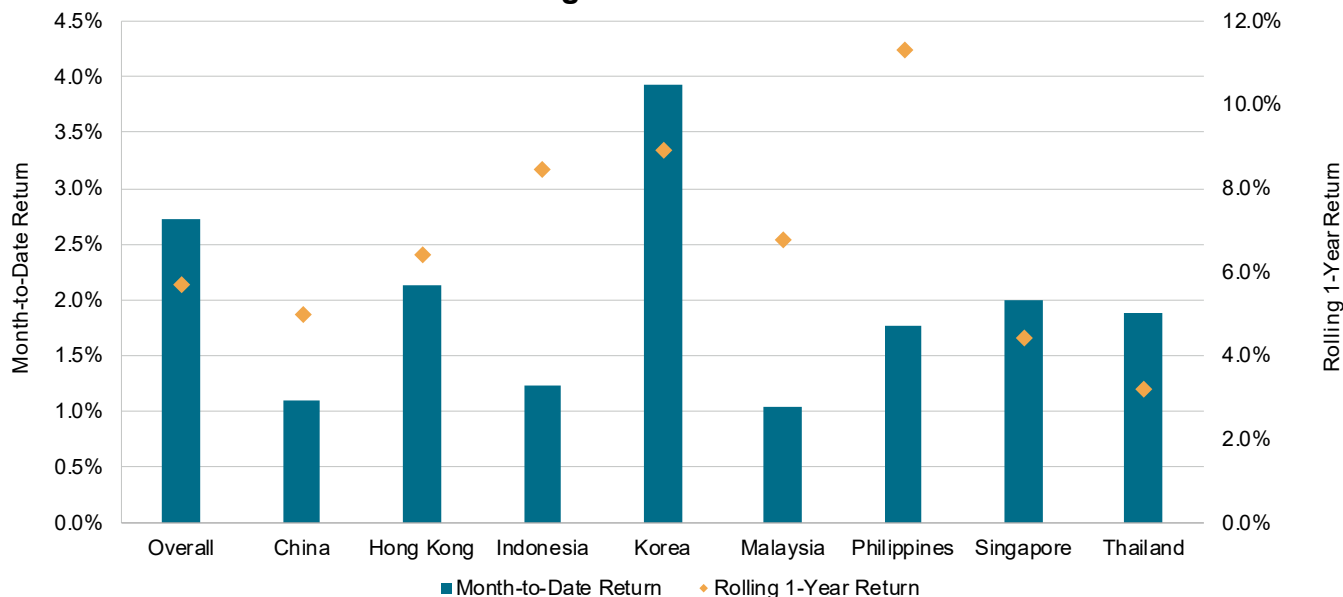
The latest rebalance saw 29 bonds entering and 25 bonds leaving the overall index. The existing underlying market weights are reflected in Exhibit 5. Note that the underlying market weights were updated at the November 2023 month-end index rebalance, and the next change will be at month-end February 2024. For more details, please refer to the [iBoxx Asia-Pacific Annual Index Review 2023 Results](#).

Following the recent rebalance, the index duration increased by 0.05 years to 6.81 years. Most markets saw a small duration increase this month, with the largest increase coming from South Korea (up 0.14 years). Among the eligible markets, South Korea continued to have the longest duration (9.28 years), while China Offshore (2.59 years) remained the least sensitive to interest rates.

iBoxx Asian Bond Fund (ABF) Pan-Asia

December 2023 Commentary

Exhibit 6: iBoxx ABF Overall and Single Market Returns



Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

It was a similar story for the iBoxx ABF Pan-Asia (USD Unhedged), which consists of Asian local currency sovereign and sub-sovereign bonds. The index returned 2.73% in December, to which both capital and FX gains in most local markets contributed. For 2023, the index returned 5.70%, compared to a 7.31% loss in 2022.

South Korea (up 3.94%) and Hong Kong (up 2.13%) were the best performers this month, while Malaysia (up 1.05%) and China (up 1.09%) were the bottom two markets on the chart despite

positive returns. In 2023, the best-performing local market in the iBoxx ABF Pan-Asia was the Philippines (up 11.31%).

Longer-dated bonds outperformed shorter-dated ones in December, even as gains were observed across the yield curve. South Korea 10+ and Hong Kong 10+ recorded the highest returns, up 8.49% and 5.18%, respectively.

Exhibit 7: iBoxx ABF Overall and Single Market Returns

Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall (USD)	3.58	6.86	2.73	5.70	-5.30
China	2.64	6.24	1.09	4.95	14.92
Hong Kong	3.54	3.84	2.13	6.40	-3.14
Indonesia	6.71	6.04	1.23	8.43	18.11
South Korea	3.17	7.99	3.94	8.91	-2.92
Malaysia	3.99	7.41	1.05	6.78	6.56
Philippines	5.99	5.29	1.77	11.31	0.24
Singapore	2.89	8.13	2.00	4.42	-7.18
Thailand	3.08	8.13	1.89	3.19	-4.41

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Overall index performance based on total return in USD. All others based on total return in local currency. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 8: iBoxx ABF Returns Attribution – December 2023

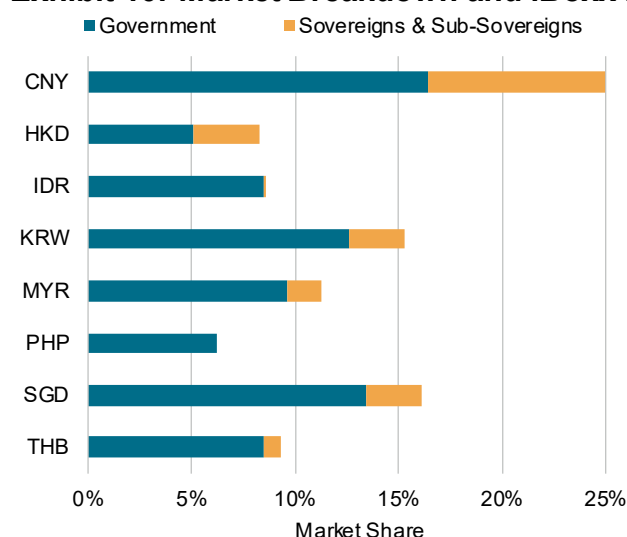
Market	FX Return (%)	Accrual Return (%)	Capital Return (%)
Overall (USD)	0.83	0.29	1.59
China	0.52	0.25	0.84
Hong Kong	-0.06	0.22	1.90
Indonesia	0.73	0.58	0.65
South Korea	0.17	0.24	3.69
Malaysia	1.55	0.34	0.70
Philippines	0.21	0.48	1.29
Singapore	1.14	0.22	1.78
Thailand	2.70	0.24	1.65

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 9: iBoxx ABF Returns by Maturity – December 2023

Market	Return (%)				
	1-3 Year	3-5 Year	5-7 Year	7-10 Year	10+ Year
Overall (USD)	1.40	1.99	2.18	2.64	4.86
Overall (Local Currency)	0.74	1.14	1.33	1.74	3.81
China	0.71	1.03	0.88	0.73	2.53
Hong Kong	1.13	2.08	3.01	3.98	5.18
Indonesia	0.71	0.79	0.91	1.27	1.67
South Korea	0.88	1.87	2.90	3.80	8.49
Malaysia	0.34	0.62	0.83	1.08	1.58
Philippines	0.72	1.26	1.48	1.88	3.18
Singapore	0.56	1.00	1.32	2.06	3.96
Thailand	0.34	0.72	1.13	2.06	3.37

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

December Month-End Rebalance**Exhibit 10: Market Breakdown and iBoxx ABF Duration Changes**

Market	Duration (Years)*	
	Dec. 31, 2023	Jan. 1, 2024
Overall	6.86	6.91
China	6.24	6.29
Hong Kong	3.84	3.92
Indonesia	6.04	6.04
South Korea	7.99	8.11
Malaysia	7.41	7.39
Philippines	5.29	5.30
Singapore	8.13	8.12
Thailand	8.13	8.45

*Semiannual modified duration.

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023 (and Jan. 1, 2024, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes.

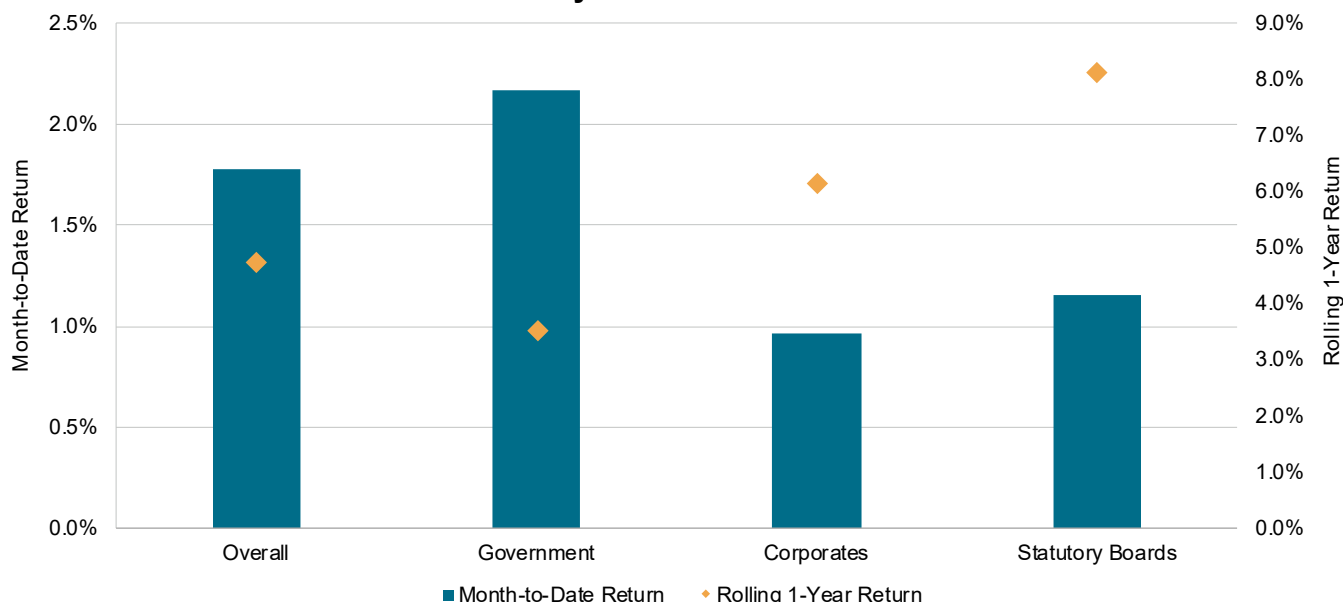
The latest rebalance saw 33 bonds entering and 42 bonds leaving the overall index. The annual weight change for the underlying markets was implemented at the October 2023 month-end rebalance as per the [iBoxx Asia-Pacific Annual Index Review 2023 Results](#). The latest weights are reflected in Exhibit 10.

The overall [iBoxx ABF](#) duration decreased by 0.05 years to 6.91 years following the recent rebalance, with Thailand having the largest increase of 0.28 years. After the index rebalance, Thailand has the longest duration (8.45 years), while Hong Kong was the least sensitive to interest rates, with a duration of 3.92 years.

iBoxx SGD

December 2023 Commentary

Exhibit 11: iBoxx SGD Overall and Key Sector Returns



Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Singapore bonds, as represented by the [iBoxx SGD](#), ended the year on a positive note as well, gaining 1.78% in December. For the full year, the index was up 4.73%, erasing some of the losses (-5.92%) incurred in 2022. Gains across both government (3.49%) and non-government (7.22%) bonds contributed to the performance. Sub-sovereign bonds outperformed corporate bonds, returning 8.09% and 6.12%, respectively.

In December, similar to other Asian markets, long-dated bonds performed better than short-dated bonds, with the SGD BBB 10+ (up 5.94%) being the best of the bunch. Gains were also observed in all parts of the yield curve this month.

Additionally, credit spreads in both investment grade and high yield widened marginally this month, both by 8 bps. Compared to the same time last year, SGD investment grade and high yield spreads have tightened by 65 bps and 40 bps, respectively, a sign of lower perceived risk in the SGD bond market as 2023 came to a close.

Exhibit 12: iBoxx SGD Overall and Key Sector Returns

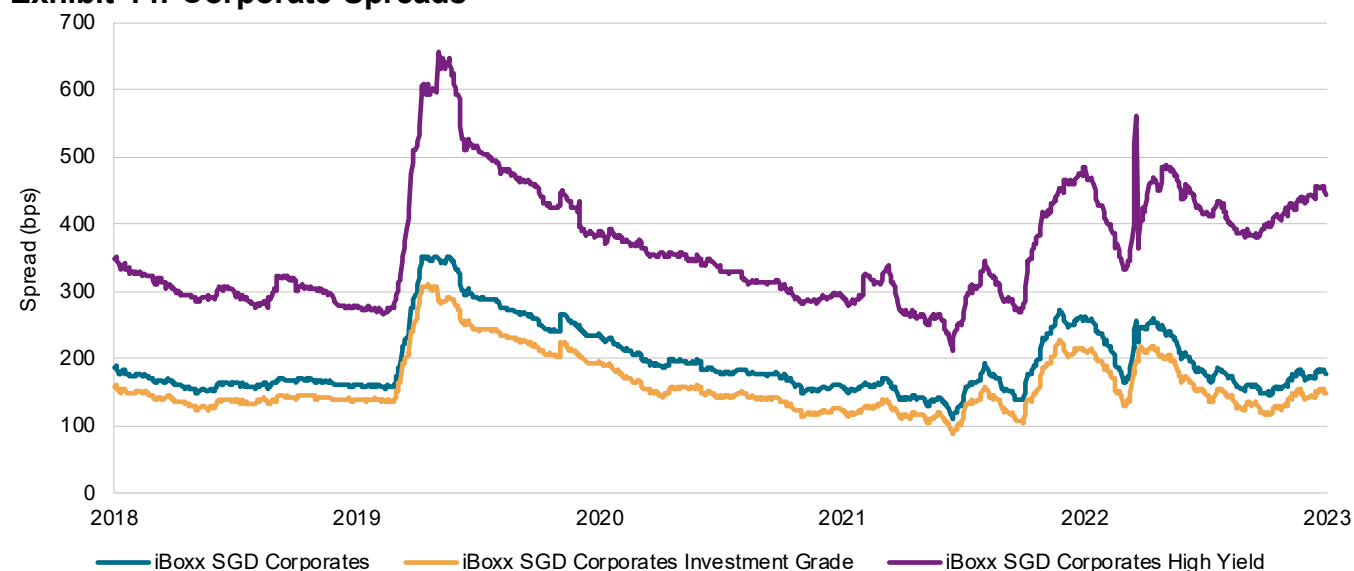
Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall	3.06	7.17	1.78	4.73	-4.61
Government	2.77	8.16	2.17	3.49	-6.37
Statutory Boards	3.39	6.31	1.15	8.09	-6.47
Corporates	4.54	3.79	0.97	6.12	3.07
Financials	4.58	3.53	1.12	5.87	3.34
Non-Financials	4.42	4.90	0.34	6.96	2.33

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 13: iBoxx SGD Rating and Maturity Month-to-Date Performance

Index/Rating	Overall (%)	1-3 Years (%)	3-5 Years (%)	5-7 Years (%)	7-10 Years (%)	10+ Years (%)
iBoxx SGD Investment Grade	1.79	0.58	0.98	1.32	1.86	3.97
iBoxx SGD AAA	1.94	0.56	0.97	1.29	1.94	4.07
iBoxx SGD AA	0.75	0.35	0.36	0.41	2.60	0.00
iBoxx SGD A	1.44	0.55	0.83	1.66	1.18	2.58
iBoxx SGD BBB	1.11	0.71	1.06	1.32	1.45	5.94
iBoxx SGD High Yield	1.17	-	-	-	-	-

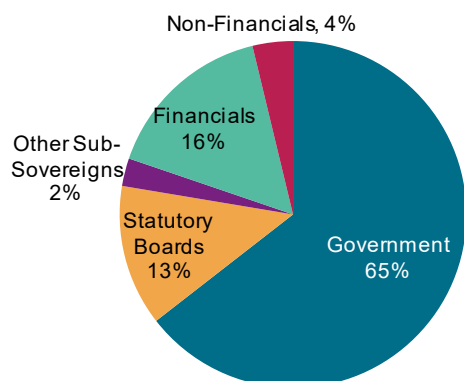
Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023. Index performance based on total return in SGD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 14: Corporate Spreads

Source: IHS Markit, part of S&P Global. Data from Dec. 31, 2018, to Dec. 31, 2023. Spread refers to semiannual spread to benchmark curve in basis points. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

December Month-End Rebalance

Exhibit 15: Sector Breakdown, Duration and Rating Changes



Sector	Duration (Years)*	
	Dec. 31, 2023	Jan. 1, 2024
Overall	7.17	7.17
Government	8.16	8.16
Corporates	6.31	6.31
Statutory Boards	3.79	3.79
Financials	3.53	3.53
Non-Financials	4.90	4.90

*Semiannual modified duration.

Source: IHS Markit, part of S&P Global. Data as of Dec. 31, 2023 (and Jan. 1, 2024, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes.

This rebalance, 1 unrated non-sovereign bond entered the index, adding over SGD 85 million. Meanwhile, no bonds left the index. There were also no rating changes observed.

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