

iBoxx USD Asia ex-Japan Monthly Commentary

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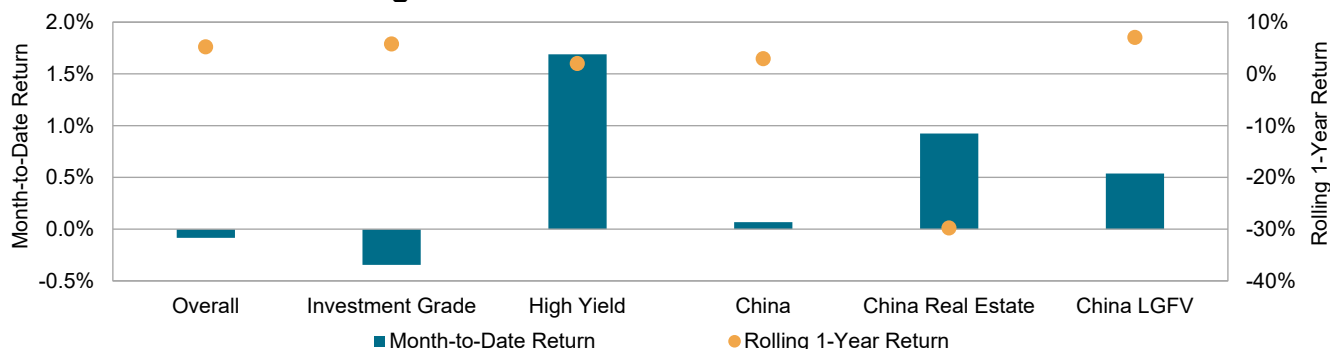
February 2024 Commentary

Global central banks continued to hold rates steady in the month of February, and it has been close to half a year since most monetary policymakers, including the European Central Bank and U.S. Federal Reserve, introduced any interest rate changes. In Asia, central banks have been paying close attention to their currencies' strength against the U.S. dollar when assessing their countries' economic conditions and interest rate policies. Most Asian currencies have depreciated against the dollar since the start of the year.

February 2024 was the second consecutive month the [S&P 500[®]](#) broke its all-time high, as it rallied by 5.17%. U.S. 10-year Treasuries, as represented by the iBoxx \$ Treasuries 10Y+, continued to give up their 2023 gains, retreating 2.39%. This brings their YTD return to -4.14% and yield to 4.53%.

In China, following the fall of new home prices in January despite stimulative policy changes, the People's Bank of China (PBoC) persisted in its efforts to revive the property market by unveiling its largest ever reduction in benchmark mortgage rate, slashing the five-year loans prime rate by 25 bps (to 3.95%). This would reduce the cost of new residential purchases and ease repayment pressure on existing home loans. For the month of February, Chinese-issued U.S. dollar bonds—as represented by the iBoxx USD Asia ex-Japan China—returned 0.07%, while Chinese stocks—as represented by the [S&P China 500 \(USD\)](#)—fell to their eight-year low before rebounding and gaining 9.08% during the month.

Exhibit 1: Recent and Long-Term Index Performance



Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The Asian U.S. dollar bond market’s second month of the year ended with a 0.08% loss, supported by a 1.69% rise in the high yield index and a 0.35% loss in the investment grade index. In terms of the rolling one-year returns, China Real Estate remained the worst-performing segment, at -29.80%, while China LGFVs was one of the best-performing segments, with a return of 7.03%.

Aside from the 0-1 year segment, which posted modest gains (except CCC bonds), there was a rather stark contrast in the performance of the investment grade and high yield rated bonds this month. The investment grade bonds retreated slightly, as the AAA 10+ years segment posted the second-worst performance at -2.07%. On the flipside, high yield bonds mostly climbed, especially the 7-10 years and 10+ years segments, returning 4.62% and 5.64%, respectively.

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	0.37	-0.06	-0.63	-0.90	-0.83	-0.80	-0.35
AAA	0.22	-0.44	-0.85	-1.82	-1.20	-2.07	-1.26
AA	0.24	-0.27	-0.78	-1.28	-1.19	-1.30	-0.58
A	0.35	-0.17	-0.64	-1.00	-0.91	-0.33	-0.33
BBB	0.41	0.10	-0.57	-0.74	-0.61	-0.96	-0.27
High Yield	0.83	1.71	2.09	1.62	4.62	5.64	1.69
BB	0.93	1.34	1.04	1.37	-1.69	2.85	1.20
B	2.29	2.63	1.61	1.32	-0.44	0.00	2.14
CCC	-2.41	3.19	8.23	4.37	9.50	7.87	4.23

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Half of the top seven largest markets by market value in the index posted negative returns. Spreads across all seven markets narrowed, while duration shortened across all markets except for South Korea, which experienced no change.

Exhibit 3: Top Seven Largest Markets Performance and Changes

Market	Δ MTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	0.07	0.11	-22	-0.04
Hong Kong	0.12	0.12	-20	-0.09
India	0.28	0.08	-25	-0.03
Indonesia	-0.58	0.13	-12	-0.05
Singapore	-0.59	0.23	-7	-0.12
South Korea	-0.42	0.29	-8	0.00
Philippines	-0.50	0.16	-12	-0.10

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. 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. 2023 Δ Yield refers to change in semiannual yield for the year in percent. 2023 Δ Spread refers to change in semiannual spread to benchmark curve for the year in bps. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Investment grade U.S. dollar bonds from Chinese issuers outperformed the broad Asian USD investment grade market by 0.24%, while the high yield U.S. dollar bonds from Chinese issuers underperformed the broad Asian USD high yield market by 0.28% in February.

Combining the PBoC's aggressive benchmark mortgage rate cut with previous months' stimulative policies, China's Financials and Real Estate sectors posted positive returns for the fourth consecutive month, with 0.30% and 0.92%, respectively. This was despite the liquidation ruling for China Evergrande and liquidation lawsuit against Country Garden. Similar to last month, China Sovereign bonds remained the worst-performing segment in February. China's local government financing vehicles (LGFVs) posted positive returns for the 16th month in a row—up 0.54% in February—bringing their three-year return to 10.49%.

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	222.56	0.07	0.93	-10.29	421	6.08	160	2.86	779
Sovereigns	154.96	-0.95	-0.90	-3.96	14	4.45	5	4.60	13
Non-Sovereigns	222.89	0.10	0.99	-10.45	407	6.17	169	2.80	766
Sub-Sovereigns	200.52	-0.43	-0.10	-0.11	17	4.93	45	2.87	29
Corporates	226.38	0.13	1.04	-10.82	390	6.23	174	2.80	737
Financials	256.90	0.30	1.55	-18.18	215	7.64	306	1.76	448
Real Estate	142.49	0.92	5.73	-60.27	24	19.31	1479	1.99	77
Non-Financials	223.18	-0.09	0.41	1.15	176	5.48	104	4.07	289
Investment Grade	218.05	-0.11	0.41	-0.67	370	5.46	99	3.02	671
High Yield	203.89	1.41	5.21	-39.02	51	14.14	952	1.66	108
LGFV	136.36	0.54	1.50	10.49	44	6.87	214	1.32	125
Investment Grade	130.52	0.44	1.32	6.45	38	6.51	180	1.35	106
High Yield	156.46	1.14	2.57	27.63	7	9.23	437	1.15	19

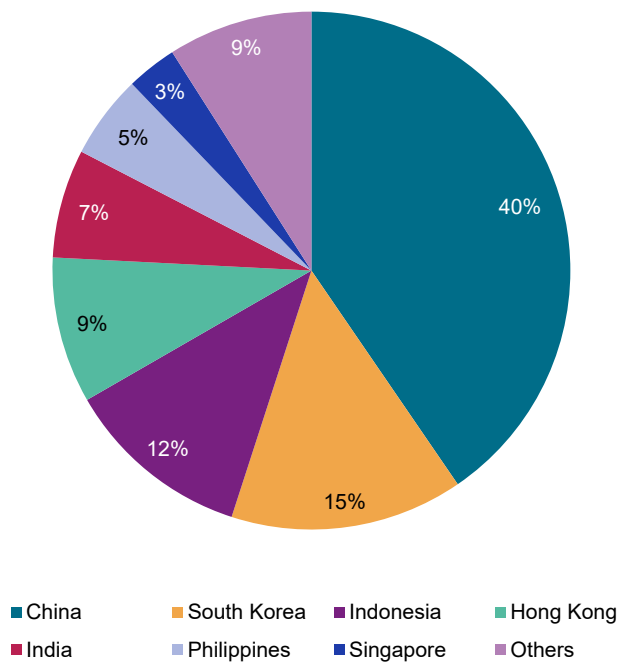
Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. Index performance based on total return in USD. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in bps. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

February Month-End Rebalance

This rebalance, the iBoxx USD Asia ex-Japan Index added 10 eligible bonds, with USD 6.48 billion of new notional. With an aggregate notional of more than USD 7.32 billion, 15 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 2024.

Exhibit 5: Market Breakdown and Duration Changes of Overall Index Post Rebalance



Duration Changes	Feb. 29, 2023	March 1, 2024
Overall	3.89	3.89
Cambodia	0.35	0.35
China	2.86	2.86
Hong Kong	4.11	4.14
India	3.42	3.43
Indonesia	7.00	7.01
Macao	2.88	2.88
Malaysia	6.90	6.92
Mongolia	3.49	3.49
Pakistan	3.18	3.22
Papua New Guinea	3.57	3.56
Philippines	5.89	5.89
Singapore	4.28	4.29
South Korea	2.84	2.86
Sri Lanka	-	-
Taiwan	5.66	5.67
Thailand	5.91	5.92
Vietnam	1.32	1.32

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024, for the chart (left) and March 1, 2024, 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, there was no change in the overall index duration as it remained at 3.89 years. As of Feb. 29, 2024, China, South Korea and Indonesia remained as the top three USD bond markets in the index by market value, each holding a weight 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	214.48	-0.08	1041	5.81	138	3.89	1785
Credit Rating							
AAA	185.87	-1.26	10	4.56	16	8.01	17
AA	187.03	-0.58	125	4.91	49	3.82	211
A	207.56	-0.33	313	5.24	81	4.02	531
BBB	230.01	-0.27	457	5.66	124	4.27	759
BB	255.81	1.20	90	8.79	425	1.97	161
B	186.58	2.14	32	10.63	616	2.21	67
CCC	68.59	4.23	13	24.16	1975	2.43	35
Maturity							
Year 0-1	171.53	0.44	171	10.44	536	0.44	337
Year 1-3	184.97	0.26	374	6.59	191	1.75	682
Year 3-5	215.70	-0.24	187	5.94	159	3.38	299
Year 5-7	233.93	-0.68	108	5.50	123	5.17	178
Year 7-10	232.90	-0.67	73	5.41	114	6.65	115
Year 10+	266.61	-0.74	128	5.46	103	12.82	174

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. 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)
GZDZCD 6.8% 2025-08-05	CN	BBB	400
HDFCB 5.18% 2029-02-15	IN	BBB	450
HDFCB 5.2% 2027-02-15	IN	BBB	300
HYUCAP 5.13% 2027-02-05	KR	BBB	500
HYUCAP 5.13% 2029-02-05	KR	BBB	500
KDB 4.63% 2027-02-15	KR	AA	1,750
KDB 4.5% 2029-02-15	KR	AA	1,250
KHFC 4.88% 2027-08-27	KR	AA	500
ORIEAS 5.5% 2027-02-01	CN	BBB	550
QDHTCO 6.8% 2027-02-07	CN	BBB	280

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. 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)
BCHINA 1.63% 2024-02-16	CN	A	300
CCB 4.25% 2029-02-27	CN	BBB	1,850
CINDBK 4.63% 2029-02-28	CN	BBB	500
CISIFG 2% 2024-02-09	HK	A*	265
CRHZCH 6% 2024-02-27	CN	BBB	700
CSCHCN 9% 2024-04-12	CN	CCC*	348
GLPCHI 4.97% 2024-02-26	CN	BB*	500
HKCGAS 4.75% 1900-01-00	CN	BBB	300
HNFARM 3% 2024-02-03	CN	BBB	300
JINCHU 4% 2024-02-10	CN	BBB	280
KORGAS 3.88% 2024-02-12	KR	AA	500
RHBCMK 3.77% 2024-02-19	MY	A	300
SCBTB 3.9% 2024-02-11	TH	BBB	500
YLLGSP 6.8% 2024-02-27	CN	B	379
ZJXCID 3.9% 2024-02-04	CN	AA*	300

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. 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 2024

Rebalance	Issue	Market	Past iBoxx Rating	Current iBoxx Rating
Feb. 29, 2024	LUSOIB 7.2% 2033-06-30	MO	BBB*	BB*
Feb. 29, 2024	LUSOIB 7.5% 2034-05-29	MO	BBB*	BB*
Feb. 29, 2024	UPLLIN 4.5% 2028-03-08	IN	BBB	BB
Feb. 29, 2024	UPLLIN 4.625% 2030-06-16	IN	BBB	BB
Jan. 31, 2024	CNBG 3.1% 1900-01-00	CN	BBB	BB
Jan. 31, 2024	HRINTH 4.75% 2027-04-27	CN	BBB	BB
Jan. 31, 2024	HRINTH 4.25% 2027-11-07	CN	BBB	BB
Jan. 31, 2024	HRINTH 4.95% 2047-11-07	CN	BBB	BB
Jan. 31, 2024	HRINTH 3.75% 2024-05-29	CN	BBB	BB
Jan. 31, 2024	HRINTH 4.5% 2029-05-29	CN	BBB	BB
Jan. 31, 2024	HRINTH 3.25% 2024-11-13	CN	BBB	BB
Jan. 31, 2024	HRINTH 3.375% 2030-02-24	CN	BBB	BB
Jan. 31, 2024	LYURBN 7.4% 2026-08-17	CN	BBB	BB
Jan. 31, 2024	SHDOIS 4.8% 2024-07-28	CN	BBB*	BB*

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. 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: 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: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2024. 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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