

# iBoxx USD Asia ex-Japan Monthly Commentary

## Contributor

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## March 2024 Commentary

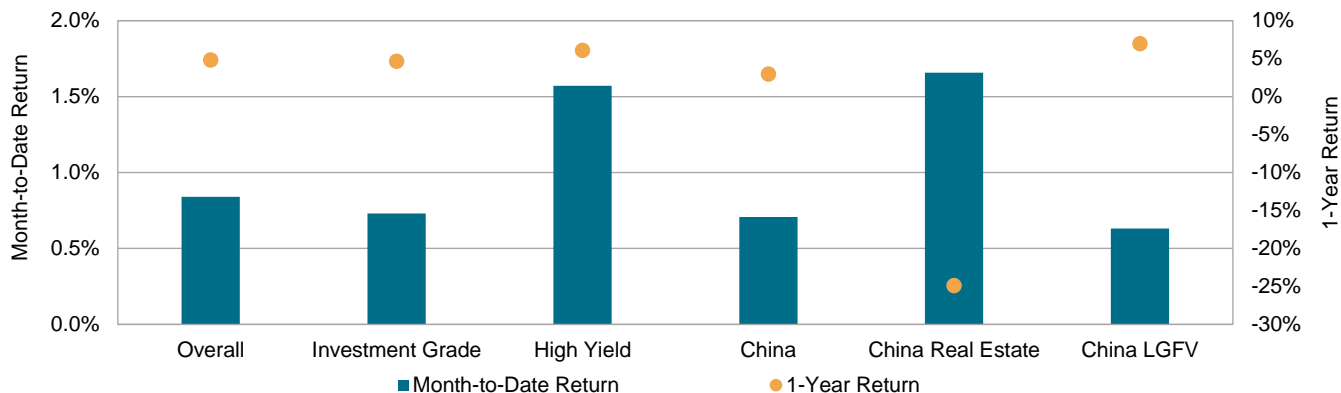
The U.S. Federal Reserve, alongside the European Central Bank (ECB) and most Asian economies, maintained interest rates in March. Swiss National Bank (SNB) became the first major central bank to cut interest rates, after having implemented multiple rate hikes in the past two years as other central banks did globally to battle inflation. On the other hand, Japan introduced its first interest rate hike in 17 years and ended its negative interest rate regime. Regardless of the opposing direction of interest rate changes, the U.S. dollar strengthened and appreciated against the Swiss franc, Japanese yen and most Asian currencies.

On the equities front, the [\*\*S&P 500\*\*](#)<sup>®</sup> surpassed its all-time high for the third month in a row as it rallied by 3.10%. This brings the QTD return to 10.16%. U.S. 10-year Treasuries, as represented by the iBoxx USD Treasuries Current 10 Year, gained 0.75% after two consecutive months of losses, and its yield decreased by 7 bps to 4.24%. Despite the gain in March, the QTD return was -1.56%.

With an accommodative monetary policy, the Chinese yuan was no exception as it weakened against the U.S. dollar and declined to a four-month low in March, before state-owned banks came in to defend the yuan. There was no change in benchmark lending rates after previous months of benchmark mortgage rate cuts and stimulative policy changes. Chinese-issued U.S. dollar bonds—as represented by the iBoxx USD Asia ex-Japan China—returned

0.71%, while Chinese stocks—as represented by the [S&P China 500 \(USD\)](#)—climbed by 0.58%, bringing their QTD returns to 1.64% and -0.83%, respectively.

### Exhibit 1: Recent and Long-Term Index Performance



Source: S&P Dow Jones Indices LLC. Data as of March 31, 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 ended the month with a 0.84% gain, supported by a 1.57% rise in the high yield segment and a 0.73% rise in investment grade bonds. The overall market gained 1.17% in the first quarter of the year. While China Real Estate had a good month in March (up 1.66%), it remained the worst-performing segment in the past year (down 24.85%). In contrast, China LGFVs was one of the best-performing segments, with a return of 6.99%.

Along with U.S. Treasuries, almost all rating and maturity segments rallied this month, with the 7-10 years and 10+ years high yield buckets performing the best. Since the start of the year, the high yield segments performed relatively better than the investment grade segments, with Asian high yield bonds gaining 6.08% while their investment grade counterparts gained only 0.48%.

### Exhibit 2: Overall and Key Sector Returns

Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall	5.72	3.89	0.84	1.17	-4.53
Sovereigns	5.25	6.72	1.20	-0.43	-3.92
Non-Sovereigns	5.88	3.40	0.78	1.45	-4.59
Sub-Sovereigns	5.11	4.33	0.77	0.18	-1.10
Corporates	6.06	3.24	0.78	1.67	-4.92
Financials	7.10	2.09	0.78	2.12	-12.03
Real Estate	12.91	2.60	1.70	5.46	-48.14
Non-Financials	5.66	4.11	0.78	1.32	2.47
Investment Grade	5.33	4.17	0.73	0.48	-0.74
High Yield	10.71	2.07	1.57	6.08	-15.88

Source: S&P Dow Jones Indices LLC. Data as of March 31, 2024. Yield refers to semiannual yield in percent. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 3: 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	0.48	0.52	0.57	0.81	1.12	1.49	0.73
AAA	0.44	0.47	0.47	0.59	0.99	1.13	0.74
AA	0.40	0.41	0.52	0.72	1.04	1.04	0.58
A	0.43	0.44	0.56	0.79	1.23	1.29	0.65
BBB	0.54	0.61	0.60	0.84	1.11	1.66	0.83
High Yield	0.89	1.24	1.90	2.11	10.18	6.95	1.57
BB	0.59	1.07	1.80	2.20	6.64	-0.22	1.24
B	0.99	1.26	1.40	1.69	1.76	0.00	1.27
CCC	1.79	2.82	2.91	-24.23	14.40	12.42	4.34

Source: S&P Dow Jones Indices LLC. Data as of March 31, 2024. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

All top seven largest markets by market value in the index posted positive returns in March. With a 1.23% gain, Indonesia was the top performer of the month, but it was also the worst performer of the quarter, with a -0.73% loss. Additionally, spreads across all seven markets narrowed, except for India.

**Exhibit 4: Top Seven Largest Markets Performance and Changes**

Market	Δ MTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	0.71	-0.07	-4	0.00
Hong Kong	1.06	-0.16	-11	-0.04
India	0.38	0.02	6	0.05
Indonesia	1.23	-0.10	-5	0.04
Singapore	0.67	-0.06	-3	-0.06
South Korea	0.56	-0.05	-2	-0.05
Philippines	1.08	-0.10	-4	-0.05

Source: S&P Dow Jones Indices LLC. Data as of March 31, 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.

Both investment grade and high yield U.S. dollar bonds from Chinese issuers underperformed the broad Asian USD investment grade and high yield markets by 0.07% and 0.50% in March. On a QTD basis, both investment grade and high yield U.S. dollar bonds from Chinese issuers outperformed the broad Asian USD investment grade and high yield markets by 0.60% and 0.26%.

After a slew of stimulative policies from the People’s Bank of China to aid the property sector, new home prices in China experienced the biggest rise in March since July 2021. China’s Financials (up 0.69%) and Real Estate (up 1.66%) sectors continued their streak of positive returns for the fifth month. Year-to-date, China Real Estate was also the best-performing segment, with a gain of 7.49%, while China Sovereign bonds lagged, with a small decline of 0.40%. China’s local government financing vehicles (LGFVs) posted positive returns for the 17<sup>th</sup> month in a row—up 0.63% in March—bringing their three-year return to 12.79%.

### Exhibit 5: 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
<b>Mainland China</b>	<b>224.13</b>	<b>0.71</b>	<b>1.64</b>	<b>-9.22</b>	<b>415</b>	<b>6.01</b>	<b>156</b>	<b>2.86</b>	<b>770</b>
Sovereigns	155.75	0.51	-0.40	-2.79	14	4.42	7	4.53	13
Non-Sovereigns	224.48	0.71	1.71	-9.38	400	6.11	165	2.80	757
Sub-Sovereigns	201.66	0.57	0.47	0.73	17	4.88	42	2.81	29
Corporates	228.01	0.72	1.77	-9.74	383	6.16	170	2.80	728
Financials	258.68	0.69	2.25	-17.24	209	7.60	302	1.75	442
Real Estate	144.86	1.66	7.49	-59.37	23	19.13	1464	2.04	73
Non-Financials	224.86	0.75	1.17	2.47	175	5.41	102	4.06	286
Investment Grade	219.48	0.66	1.07	0.50	363	5.39	96	3.04	664
High Yield	206.08	1.08	6.34	-38.12	51	14.19	957	1.60	106
<b>LGFV</b>	<b>137.22</b>	<b>0.63</b>	<b>2.14</b>	<b>12.79</b>	<b>44</b>	<b>6.84</b>	<b>208</b>	<b>1.27</b>	<b>125</b>
Investment Grade	131.33	0.62	1.95	8.73	37	6.46	173	1.31	105
High Yield	157.51	0.67	3.26	30.04	7	9.33	442	1.06	20

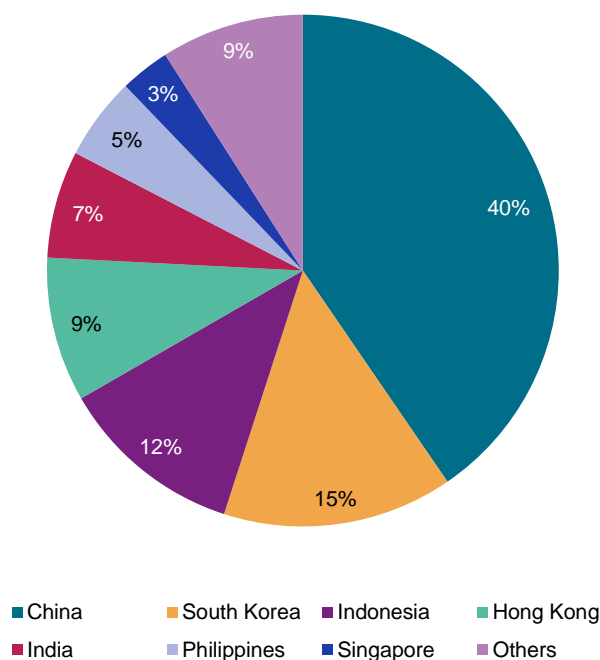
Source: S&P Dow Jones Indices LLC. Data as of March 31, 2024. Index performance based on total return in USD. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in bps. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

# March Month-End Rebalance

This rebalance, the iBoxx USD Asia ex-Japan Index added 15 eligible bonds, with USD 7.36 billion of new notional. With an aggregate notional of more than USD 15.63 billion, 33 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 6: Market Breakdown and Duration Changes of Overall Index Post Rebalance



Duration Changes	March 31, 2024	April 1, 2024
<b>Overall</b>	<b>3.89</b>	<b>3.87</b>
Cambodia	0.27	0.26
China	2.86	2.84
Hong Kong	4.07	4.04
India	3.47	3.51
Indonesia	7.04	7.03
Macao	2.81	2.80
Malaysia	6.85	6.78
Mongolia	3.42	3.42
Pakistan	3.32	3.32
Papua New Guinea	3.49	3.49
Philippines	5.84	5.83
Singapore	4.22	4.22
South Korea	2.79	2.79
Sri Lanka	-	-
Taiwan	5.87	5.83
Thailand	6.10	6.07
Vietnam	1.24	1.24

Source: S&P Dow Jones Indices LLC. Data as of March 31, 2024, for the chart (left) and April 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, the overall index duration was reduced by 0.02 years. As of March 31, 2024, China, South Korea and Indonesia remained the top three USD bond markets in the index by market value, each holding a weight greater than 10%.

# Appendix

## Exhibit 7: 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
<b>Overall</b>	216.29	0.84	1039	5.72	133	3.89	1775
<b>Credit Rating</b>							
AAA	187.25	0.74	11	4.51	16	7.98	17
AA	188.11	0.58	128	4.86	49	3.77	208
A	208.91	0.65	312	5.19	79	3.99	530
BBB	231.91	0.83	451	5.58	120	4.32	751
BB	258.97	1.24	95	8.27	377	2.04	166
B	188.94	1.27	28	11.46	697	2.02	63
CCC	71.57	4.34	14	21.91	1752	2.46	36
<b>Maturity</b>							
Year 0-1	172.46	0.54	169	9.67	438	0.43	341
Year 1-3	186.18	0.66	380	6.49	182	1.74	687
Year 3-5	217.32	0.75	184	5.87	155	3.42	290
Year 5-7	236.11	0.93	108	5.47	126	5.21	179
Year 7-10	236.23	1.43	69	5.30	109	6.63	105
Year 10+	270.73	1.54	129	5.38	101	12.85	173

Source: S&P Dow Jones Indices LLC. Data as of March 31, 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 8: iBoxx USD Asia ex-Japan Overall Index – Insertions

Issue	Market	iBoxx Rating	Notional (USD Millions)
ADGREG 6.7% 2042-03-12	IN	BB	409
AVIILC 5.15% 2027-03-18	CN	A	500
BNKEA 6.63% 2027-03-13	HK	BBB	500
BPIPM 5.25% 2029-03-26	PH	BBB	400
EHICAR 12% 2027-09-26	CN	CCC*	325
GZINFU 5.95% 2026-03-21	CN	A	250
HYNMTR 5.3% 2027-03-19	KR	BBB	800
HYNMTR 5.35% 2029-03-19	KR	BBB	500
IRBIN 7.11% 2032-03-11	IN	BB	540
MBTPM 5.5% 2034-03-06	PH	BBB	500
MBTPM 5.38% 2029-03-06	PH	BBB	500
SHINCA 5.5% 2029-03-12	KR	A	300
SIASP 5.25% 2034-03-21	SG	A*	500
SKBTAM 4.88% 2027-01-23	KR	AA	1,000
TIANFS 6.5% 2026-03-05	CN	BBB	340

Source: S&P Dow Jones Indices LLC. Data as of March 31, 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 9: iBoxx USD Asia ex-Japan Overall Index – Deletions**

Issue	Market	iBoxx Rating	Notional (USD Millions)
ADGREG 6.25% 2024-12-10	IN	BB	500
AGRBK 0.75% 2024-03-02	CN	A	300
AVIILC 1.75% 2024-03-30	CN	A	500
BAICM 2% 2024-03-16	CN	BBB	350
BBLTB 4.05% 2024-03-19	TH	BBB	600
BBRIJ 3.95% 2024-03-28	ID	BBB	500
BUMAIJ 7.75% 2026-02-10	ID	BB	380
CBKIN 3.88% 2024-03-28	IN	BBB	400
CCAMCL 4.1% 2024-03-09	CN	BBB	700
CDBLFD 1.38% 2024-03-04	CN	A	500
CHEVBK 0.93% 2024-03-11	CN	BBB	550
EHICAR 7.75% 2024-11-14	CN	CCC*	382
EXIMBK 3.88% 2024-03-12	IN	BBB	500
FRESHK 2.63% 2024-03-03	CN	BBB	442
GEELZ 1.38% 2024-03-25	CN	A	400
GZDZCD 2.95% 2024-03-30	CN	BBB	400
HONHAI 3.75% 2024-03-12	TW	A	700
ICBCIL 3.75% 2024-03-05	CN	A	800
INRCIN 3.73% 2024-03-29	IN	BBB	500
JNCCIH 4.5% 2024-03-12	CN	A*	270
KDB 0.4% 2024-03-09	KR	AA	400
MSFLCZ 3.15% 2024-03-10	CN	BBB	300
ORIEAS 3.88% 2024-03-20	CN	BBB	400
POLYRE 3.88% 2024-03-25	CN	BBB	500
QDHTCO 2.98% 2024-03-04	CN	BBB	600
RDHGCL 7.8% 2024-03-20	CN	CCC	300
SHFLIN 4.4% 2024-03-13	IN	BB	725
SKBTAM 4.88% 2027-01-23	KR	AA	500
SNRSKY 5.25% 2024-03-11	CN	BBB	500
SYSTIO 2.95% 2024-03-16	CN	BBB	300
TIANFS 4% 2024-03-15	CN	BBB*	301
VNKRLE 5.35% 2024-03-11	CN	BBB	630
ZHESHG 1.1% 2024-03-16	CN	BBB	500

Source: S&P Dow Jones Indices LLC. Data as of March 31, 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 10a: Fallen Angels in the iBoxx USD Asia ex-Japan Overall Index in 2024**

Rebalance	Issue	Market	Past iBoxx Rating	Current iBoxx Rating
March 31, 2024	VNKRLE 3.975% 2027-11-09	CN	BBB	BB
March 31, 2024	VNKRLE 4.2% 2024-06-07	CN	BBB	BB
March 31, 2024	VNKRLE 3.15% 2025-05-12	CN	BBB	BB
March 31, 2024	VNKRLE 3.5% 2029-11-12	CN	BBB	BB
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 March 31, 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 10b: 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 March 31, 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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