

iBoxx USD Asia ex-Japan Monthly Commentary

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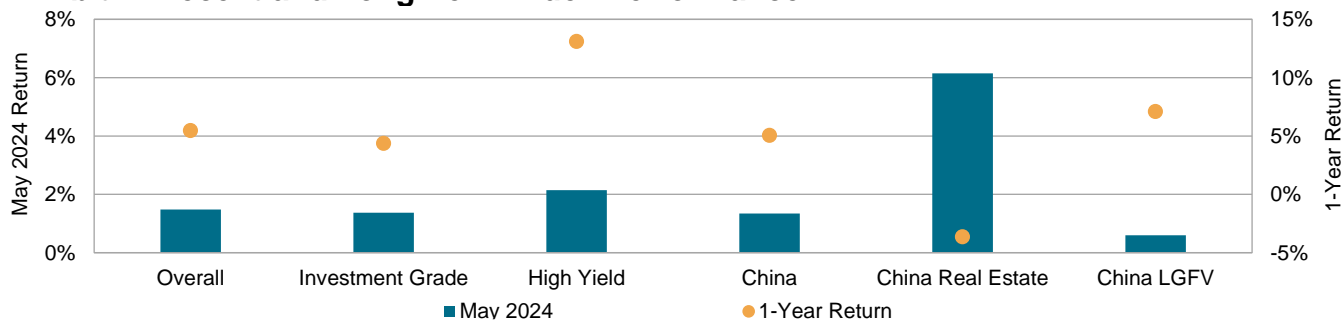
May 2024 Commentary

On June 6, 2024, the European Central Bank (ECB) announced an anticipated first interest rate cut, with a 25 bps drop to 3.75%. Other central banks have also made moves to lower their key rates in May, including Sweden, Czech Republic and Brazil. The only change in Asia came from Mongolia (down 100 bps to 11%). The FOMC will meet on June 11 and 12 to discuss its next course of action.

In the U.S., the [S&P 500®](#) gained 4.80% in May, recovering its losses from the prior month. U.S. Treasuries—as represented by the iBoxx \$ Treasuries—gained 1.51%, while its yield dropped by 19 bps to 4.71%.

In China, the first batch of CNY1 trillion ultra-long-term special treasury bonds was issued this month; the proceeds of this bond will be used for some specific areas, including science and technology innovation and food and energy security.¹ At the same time, there were no changes to the loan prime rate in China, which was last changed in August 2023. So far this year, China-issued U.S. dollar bonds—as represented by the iBoxx USD Asia ex-Japan China—gained 2.61%, with high yield bonds (10.37%) outperforming investment grade bonds (up 1.60%). Chinese stocks—as represented by the [S&P China 500 \(USD\)](#)—were also up in May (0.64%), extending their gains from April.

¹ Source: The State Council of the People's Republic of China

Exhibit 1: Recent and Long-Term Index Performance

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

It was positive month for Asian U.S. dollar bonds, with gains across most segments of the market. The overall index clawed back its losses from April and ended the month gaining 1.48%. High yield bonds (up 2.14%) outperformed their investment grade counterparts (up 1.37%) again. Year-to-date, the disparity is even clearer, as Asian high yield bonds returned 8.30% compared to 0.60% from investment grade. Within Asian U.S. dollar bonds, investors had a clear preference for credit over sovereigns thus far in 2024, as non-sovereigns gained 2.00% while sovereigns retreated 0.98%.

The China Real Estate segment continued its momentum from the past couple of months, and gained another 6.15% in May, while China local government financing vehicles (LGFVs) inched up by 0.60%. Overall, China USD bonds gained 1.34% this month (and 5.04% over the past 12 months).

Across the yield curve, only the CCC 0-1 Year sleeve saw a pullback (of 1.26%). All other parts of the yield curve by maturity and rating segments posted gains, with the largest concentrated in high yield, notably in the high yield 5-7 Year (up 3.91%), CCC 1-3 Year (up 5.72%) and CCC 7-10 Year (up 5.50%) segments.

Exhibit 2: Overall and Key Sector Returns

Market	Yield (%)	Duration (Years)	Returns (%)		
			May 2024	YTD	Three-Year
Overall	5.85	3.83	1.48	1.56	-5.00
Investment Grade	5.51	4.11	1.37	0.60	-1.15
High Yield	9.97	2.07	2.14	8.30	-15.84
Sovereigns	5.48	6.58	1.96	-0.98	-6.66
Non-Sovereigns	5.97	3.36	1.40	2.00	-4.71
Sub-Sovereigns	5.30	4.23	1.35	0.15	-2.18
Corporates	6.12	3.21	1.40	2.33	-4.92
Financials	6.81	2.08	1.36	3.26	-11.02
Real Estate	10.80	2.54	4.38	9.31	-47.05
Non-Financials	5.86	4.06	1.44	1.62	1.40

Source: S&P Dow Jones Indices LLC. Data as of May 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 Index Performance for May 2024

Rating	Overall (%)	0-1 Year (%)	1-3 Year (%)	3-5 Years (%)	5-7 Years (%)	7-10 Years (%)	10+ Years (%)
Investment Grade	1.37	0.56	0.78	1.27	1.78	2.17	3.28
AAA	1.70	0.54	0.68	1.11	1.75	1.84	3.05
AA	1.15	0.55	0.76	1.18	1.71	1.96	3.06
A	1.27	0.53	0.75	1.23	1.75	1.95	3.08
BBB	1.50	0.58	0.81	1.32	1.81	2.37	3.43
High Yield	2.14	0.87	2.11	3.17	3.91	2.80	1.71
BB	1.73	0.63	1.53	3.54	3.84	2.49	0.50
B	2.85	2.84	2.54	3.28	4.51	1.78	0.00
CCC	3.57	-1.26	5.72	3.43	3.42	5.50	3.08

Source: S&P Dow Jones Indices LLC. Data as of May 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 of the top seven markets (by market value) in the index posted gains in May, with Indonesia (up 2.20%) leading the pack, followed by Hong Kong, which returned 1.66%. Credit spread tightened across all seven markets as well, with China-issued USD bonds witnessing a compression of 23 bps.

Exhibit 4: Top Seven Largest Markets Performance and Changes

Market	Δ May 2024 (%)	Δ YTD (%)	Δ Yield (%)	Δ Spread (bps)	Δ Duration
Mainland China	1.34	2.61	-0.40	-23	0.03
Hong Kong	1.66	1.50	-0.28	-9	0.09
India	1.50	2.87	-0.25	-6	-0.02
Indonesia	2.20	-1.35	-0.25	-8	0.12
Singapore	1.31	0.45	-0.19	-1	0.03
South Korea	1.07	0.99	-0.22	-3	-0.02
Philippines	1.55	-0.79	-0.19	-1	0.03

Source: S&P Dow Jones Indices LLC. Data as of May 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. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

China USD bonds—as represented by the iBoxx USD Asia ex-Japan China—returned 1.34% in May but underperformed the broader Asia ex-Japan market by 10 bps. High yield bonds (up 2.87%) fared better than investment grade bonds (up 1.10%), and China USD sovereigns outperformed non-sovereigns, posting 1.36% and 1.34%, respectively.

The Real Estate segment of China USD bonds saw another positive month, returning 6.15% in May and 15.59% YTD in 2024, a stark contrast to the past couple of years. However, it might

still take some time to make up for the losses of more than 50% suffered over the past three years.

On a positive note, China LGFVs have been on a good run, boasting returns of 3.33% YTD and 12.36% over the past three years. Interestingly, the high yield segment of China LGFVs posted a positive performance of more than 25% over the past three years, in contrast to the wider China USD high yield space.

Exhibit 5: Performance of iBoxx USD Asia ex-Japan China and Its Subindices

Index	Index Level	Δ May 2024 (%)	Δ YTD (%)	Δ 3-Year (%)	Market Value (USD Billions)	Yield (%)	Spread (bps)	Duration (Years)	Number of Bonds
China USD	226.25	1.34	2.61	-8.61	399	5.93	122	2.82	743
Investment Grade	220.63	1.10	1.60	1.33	344	5.48	78	3.03	630
High Yield	213.90	2.87	10.37	-36.92	55	11.39	657	1.53	113
Sovereigns	155.53	1.36	-0.53	-4.06	14	4.62	-1	4.35	13
Non-Sovereigns	226.69	1.34	2.72	-8.71	385	6.00	129	2.77	730
Sub-Sovereigns	202.19	0.88	0.73	0.07	13	5.05	33	2.80	23
Corporates	230.33	1.36	2.80	-9.03	371	6.04	133	2.77	707
Financials	262.63	1.37	3.81	-15.65	201	6.92	213	1.70	418
Real Estate	155.79	6.15	15.59	-56.96	23	13.00	828	2.09	68
Non-Financials	225.80	1.34	1.59	1.66	170	5.59	93	4.03	289
China LGFV	138.82	0.60	3.33	12.36	44	6.80	188	1.17	124
Investment Grade	132.69	0.56	3.01	9.04	37	6.48	157	1.21	103
High Yield	160.44	0.81	5.18	27.31	7	8.81	379	0.97	21

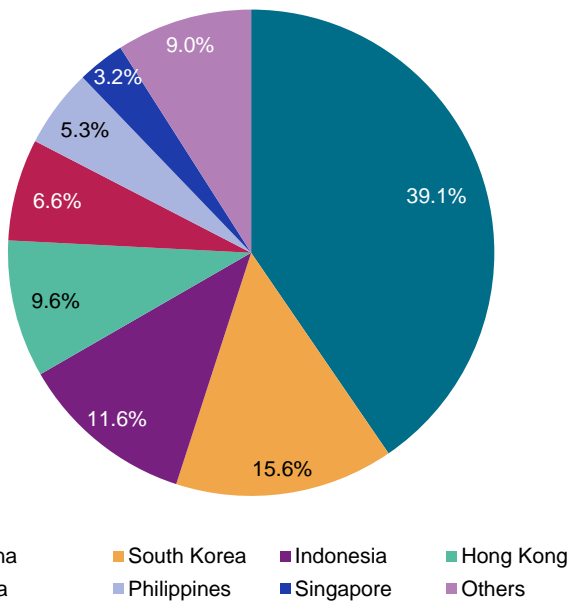
Source: S&P Dow Jones Indices LLC. Data as of May 31, 2024. Index performance based on total return in USD. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in bps. Duration refers to semiannual modified duration. Past performance is no guarantee of future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

May Month-End Rebalance

This rebalance, the iBoxx USD Asia ex-Japan Index added 30 eligible bonds, with more than USD 16 billion of new notional. With an aggregate notional close to USD 17 billion, 32 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 Post Rebalance



Duration Changes	May 31, 2024	June 3, 2024
Overall	3.72	3.75
Investment Grade	4.00	4.03
High Yield	1.98	2.01
Top 7 Markets		
China	2.75	2.77
Hong Kong	3.91	3.91
India	3.39	3.41
Indonesia	6.76	6.84
Philippines	5.57	5.72
Singapore	4.05	4.08
South Korea	2.64	2.65

Source: S&P Dow Jones Indices LLC. Data as of May 31, 2024, for the chart (left) and June 3, 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 lengthened by 0.03 years. As of May 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 May 2024 (%)	Market Value (USD Billions)	Yield (%)	Spread (bps)	Duration (Years)	Number of Bonds
Overall	217.13	1.48	1019	5.85	119	3.83	1748
Credit Rating							
AAA	184.71	1.70	10	4.79	15	7.63	17
AA	188.19	1.15	127	5.07	43	3.62	207
A	209.27	1.27	301	5.37	71	4.03	526
BBB	232.24	1.50	439	5.73	108	4.23	720
BB	262.19	1.73	93	7.67	294	2.00	162
B	196.28	2.85	33	11.69	696	2.10	74
CCC	74.15	3.57	14	17.37	1270	2.58	35
Maturity							
Year 0-1	174.34	0.61	174	7.99	294	0.44	341
Year 1-3	188.00	1.04	371	6.40	152	1.75	677
Year 3-5	218.25	1.53	178	6.10	150	3.43	281
Year 5-7	236.40	1.98	106	5.62	111	5.23	176
Year 7-10	235.25	2.19	65	5.49	99	6.61	100
Year 10+	266.09	3.26	125	5.60	93	12.66	173

Source: S&P Dow Jones Indices LLC. Data as of May 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)
BOCAVI 5.25% 2030-01-14	CN	A	500
CCAMCL 5.75% 2029-05-28	CN	BBB	800
CNSHAN 6.5% Perp	CN	BBB*	900
JIUJDV 6.55% 2027-05-08	CN	BBB	300
PHIN 6.75% 2029-04-15	CN	BB	525
PINGIN 6.13% 2034-05-16	CN	BBB	300
TIANFS 6.25% 2026-05-31	CN	BBB	300
MGFLIN 7.38% 2028-05-12	IN	BB	300
MUTHIN 7.13% 2028-02-14	IN	BB	650
INDYIJ 8.75% 2029-05-07	ID	BB	350
LVS 3.2% 2024-08-08	MO	BBB	1,750
LVS 6% 2029-08-15	MO	BBB	500
LVS 3.5% 2026-08-18	MO	BBB	1,000
LVS 6.2% 2034-08-15	MO	BBB	500
LVS 2.9% 2025-06-25	MO	BBB	500
LVS 3.9% 2029-08-08	MO	BBB	750
LVS 5.9% 2027-06-01	MO	BBB	750
GLMTMO 11% 2027-05-20	MN	B	300
PHILIP 5.6% 2049-05-14	PH	BBB	1,000
PHILIP 5.25% 2034-05-14	PH	BBB	1,000
SECBPM 5.5% 2029-05-14	PH	BBB	400
OCBCSP 5.52% 2034-05-21	SG	A	500
CITNAT 5.25% 2029-05-08	KR	A	300
CITNAT 5.38% 2027-05-08	KR	A	300
HIGHWY 5% 2027-05-14	KR	AA	500
KOBCOP 5.25% 2029-05-02	KR	AA	300
KOBCOP 5.38% 2027-05-02	KR	AA	300
KOGRGF 5.36% 2027-05-29	KR	AA	300
EXIMTH 5.35% 2029-05-16	TH	BBB	400
SHLFNS 9.88% 2028-11-22	TH	B*	315

Source: S&P Dow Jones Indices LLC. Data as of May 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)
AGILE 13.48% Perp	CN	CC	500
AGILE 15.51% Perp	CN	CC	700
AGILE 7.88% Perp	CN	CC	500
AGILE 5.75% 2025-01-02	CN	CCC	500
AGILE 6.05% 2025-10-13	CN	CCC	483
AGILE 5.5% 2026-05-17	CN	CCC	450
AGILE 5.5% 2025-04-21	CN	CCC	314
AGRBK 0.8% 2024-05-18	CN	A	300
BIDU 4.38% 2024-05-14	CN	A	850
CCAMCL 5.63% 2024-05-14	CN	BBB	500
CCBL 3.5% 2024-05-16	CN	A	800
CDNFNA 4.65% 2024-05-07	CN	BBB	300
CHGRID 4.13% 2024-05-07	CN	A	1,600
CHIOLI 5.95% 2024-05-08	CN	BBB	700
EXIMCH 2.7% 2024-05-06	CN	A	250
GZFINH 2.15% 2024-05-06	CN	A	300
HPDLF 7% 2024-05-18	CN	B	300
HRINTH 3.75% 2024-05-29	CN	BB	900
HUADIA 4% Perp	CN	A	500
NNCOMM 3.5% 2024-05-27	CN	BBB	300
PINGIN 3.63% 2024-05-28	CN	BBB	300
SDIC 3.25% 2024-05-21	CN	A	500
SHGANG 4% 2024-05-23	CN	A	500
HKINTL 2.5% 2024-05-28	HK	AA	1,000
BHARTI 5.35% 2024-05-20	IN	BBB	550
GERSP 8.5% 2027-11-28	ID	B	346
INDYIJ 8.25% 2025-10-22	ID	BB	534
INDYIJ 5.88% 2024-11-09	ID	BB	294
PGASIJ 5.13% 2024-05-16	ID	BBB	397
MGMCHI 5.38% 2024-05-15	MO	B	750
ICTPM 4.88% Perp	PH	A*	290
DAESEC 3.38% 2024-05-07	KR	BBB	300

Source: S&P Dow Jones Indices LLC. Data as of May 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
June 30, 2024	CPDEV 4.65% 2026-01-19	CN	BBB	BB
May 31, 2024	GEELY 4% Perp	CN	BBB	BB
May 31, 2024	NWDEV 4.75% 2027-01-23	HK	BBB*	B*
May 31, 2024	POLHON 4% 2025-11-10	CN	BBB*	BB*
May 31, 2024	SHDCOM 7% 2024-11-29	CN	BBB*	BB*
May 31, 2024	VLLPM 5.75% 2024-11-28	PH	BBB*	BB*
May 31, 2024	VLLPM 7.25% 2027-07-20	PH	BBB*	BB*
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% Perp	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 May 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: Rising Stars in the iBoxx USD Asia ex-Japan Overall Index in 2024

Rebalance	Issue	Market	Past iBoxx Rating	Current iBoxx Rating
Jan. 31, 2024	SHLTIG 2.8% 2024-09-24	CN	BB	AA

Source: S&P Dow Jones Indices LLC. Data as of May 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 10c: 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 May 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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