

# iBoxx Asian Local Currency Indices

## iBoxx ALBI, iBoxx ABF and iBoxx SGD

### February 2023 Commentary

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February saw losses across major equity and fixed income markets, a reversal of the gains made in January. The [S&P 500®](#) dropped 2.61% as market participants fret about the possibility of higher interest rates backed by persistent inflation and a strong labor market. At the same time, the 10-2 Year Treasury Yield Spread<sup>1</sup>—a recession indicator—fell -0.89%, its lowest level since the 1980s, sending mixed signals to the market.

Against this backdrop, U.S. Treasuries—represented by the iBoxx \$ Treasuries—also gave up most of its January gains and lost 2.44% in February.

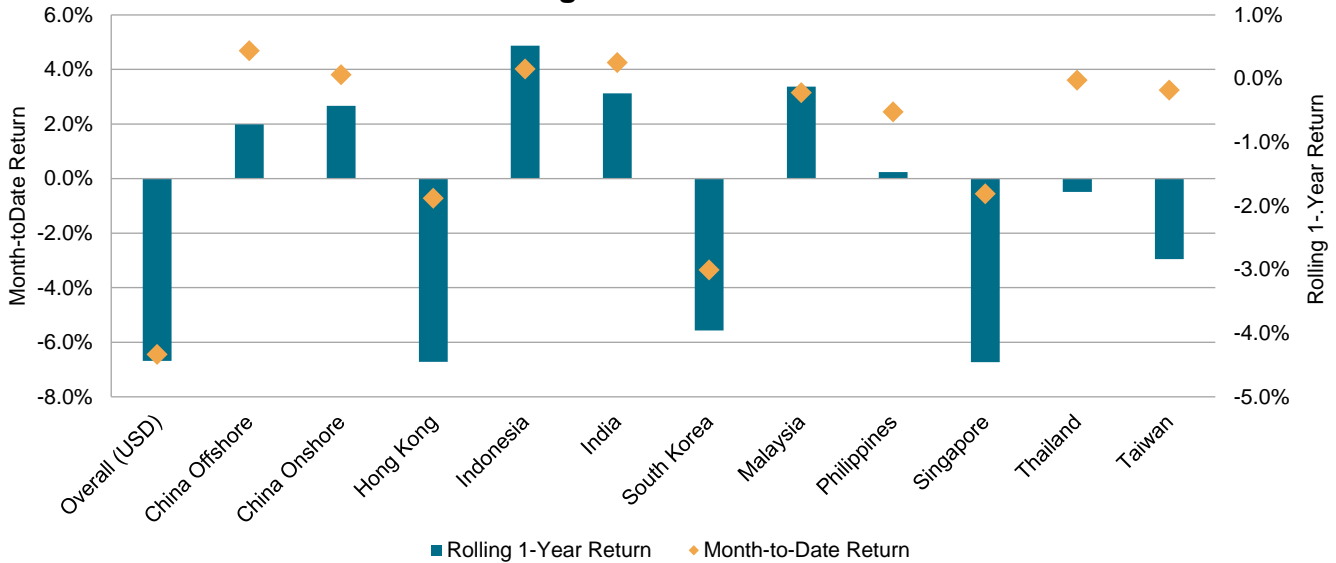
In Asia, the re-opening story of China continued to unfold as the National Bureau of Statistics of China reported that its official manufacturing purchasing managers' index rose to 52.6 in February, (up from 50.1 in January), its highest in more than 10 years. In Hong Kong, it was also recently announced that the mask mandate would end effective March 1, 2023, a move that might attract more visitors and businesses back into Hong Kong.

<sup>1</sup> Source: Federal Reserve Bank of St. Louis

# iBoxx ALBI

## February 2023 Commentary

**Exhibit 1: iBoxx ALBI Overall and Single Market Returns**



Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Similar to the U.S., Asian local currency bond markets—as represented by the iBoxx Asian Local Bond Index (ALBI) (unhedged in USD)—declined 4.33% in February, effectively erasing gains from January. Losses were widespread across numerous markets, and at the same time, the U.S. dollar appreciated against all underlying currencies.

Modest gains were observed (in local currency terms) in China Off- and Onshore, India and Indonesia, with China Offshore leading the pack at 0.44%. At the other end, South Korea (-3.01%) and Hong Kong (-1.88%) posted the biggest losses.

The largest losses were concentrated at the long end of the curve, with both Hong Kong 10+ and South Korea reporting losses of more than 5%. The only market with gains across the yield curve was China Offshore, with its medium-to-long-term bonds leading the gains last month.

At the end of February, the overall index yield increased by 19 bps to 3.98%. Except for China Offshore (down 0.12 bps), yields across all other markets rose with Hong Kong topping the chart (up 60 bps). India remained the highest-yielding bond market in the index, offering 7.45%, while Thailand (2.97%) remained the lowest-yielding market.<sup>2</sup>

<sup>2</sup> 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)	4.17	6.47	-4.33	-0.02	-1.99
China Offshore	3.43	2.53	0.44	0.89	7.92
China Onshore	3.02	5.77	0.06	-0.03	9.77
Hong Kong	4.88	3.65	-1.88	0.41	-5.45
India	7.45	6.73	0.25	0.74	15.67
Indonesia	6.84	5.89	0.15	1.79	23.77
South Korea	3.70	8.52	-3.01	0.77	-12.55
Malaysia	4.09	6.95	-0.22	2.05	4.69
Philippines	4.96	4.85	-0.53	2.98	4.39
Singapore	3.47	7.13	-1.81	-1.54	-7.22
Taiwan	1.30	8.62	-0.18	0.73	-3.67
Thailand	2.97	8.27	-0.03	1.67	-6.41

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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 – February 2023**

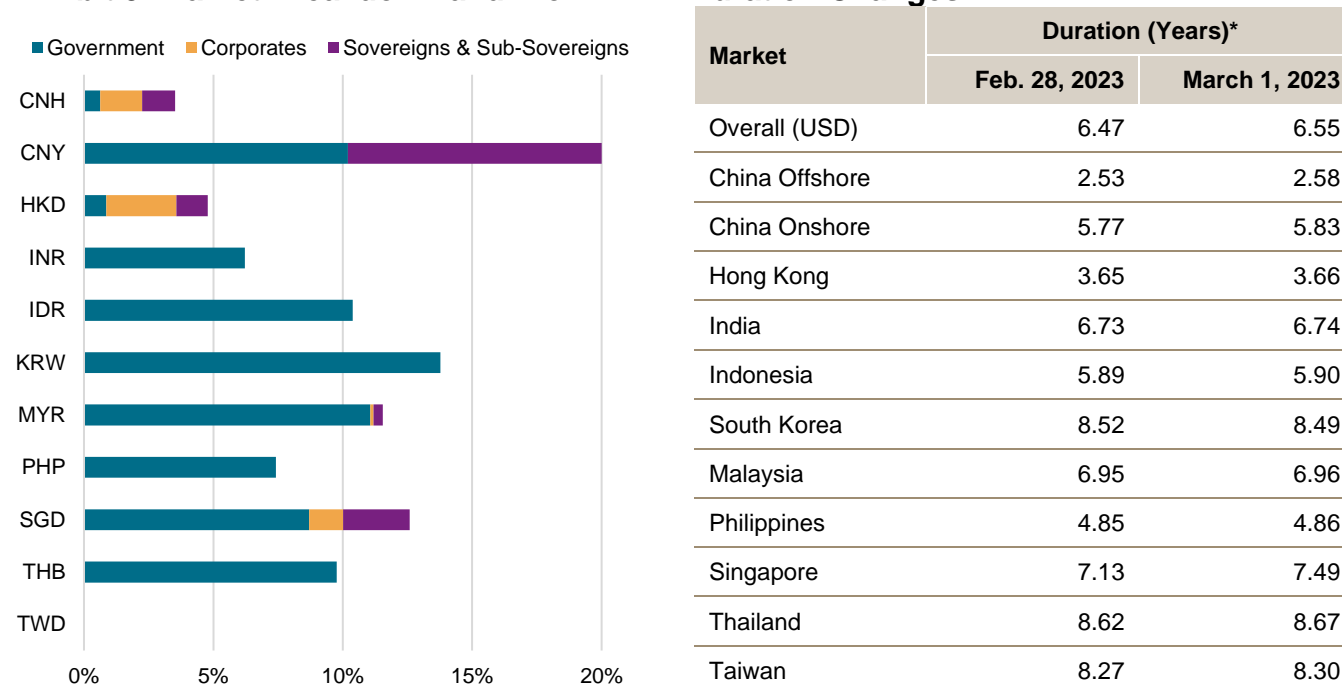
Market	FX Return (%)	Accrual Return (%)	Capital Return (%)
Overall (USD)	-3.62	0.29	-1.03
China Offshore	-2.99	0.25	0.19
China Onshore	-2.76	0.24	-0.18
Hong Kong	-0.12	0.21	-2.09
India	-1.20	0.56	-0.31
Indonesia	-1.70	0.54	-0.39
Malaysia	-5.26	0.31	-0.53
Philippines	-1.31	0.32	-0.85
Singapore	-2.65	0.21	-2.01
South Korea	-6.91	0.20	-3.21
Taiwan	-1.46	0.10	-0.29
Thailand	-7.32	0.20	-0.23

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 4: iBoxx ALBI Returns by Maturity – February 2023**

Market	Return (%)				
	1-3 Year	3-5 Year	5-7 Year	7-10 Year	10+ Year
Overall (USD)	-3.65	-3.84	-4.11	-4.13	-5.52
Overall (Local Currency)	-0.18	-0.51	-0.61	-0.81	-1.48
China Offshore	0.38	0.43	1.24	0.84	0.89
China Onshore	0.04	0.10	0.19	0.03	-0.04
Hong Kong	-0.50	-2.21	-3.15	-4.09	-6.20
India	0.09	-0.12	-0.02	-0.02	0.60
Indonesia	0.02	-0.10	0.37	0.41	0.06
Malaysia	0.18	0.07	-0.10	-0.23	-0.58
Philippines	-0.14	-0.14	-0.51	-1.07	-1.10
Singapore	-0.70	-1.61	-1.54	-1.90	-2.98
South Korea	-0.54	-1.59	-2.47	-3.27	-5.33
Taiwan	0.07	-0.05	-0.11	-0.08	-0.46
Thailand	-0.08	-0.13	-0.58	-0.24	0.34

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

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

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023 (and March 1, 2023, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes. \*Semiannual modified duration.

The latest rebalance saw 60 bonds entering and 21 bonds leaving the overall index.

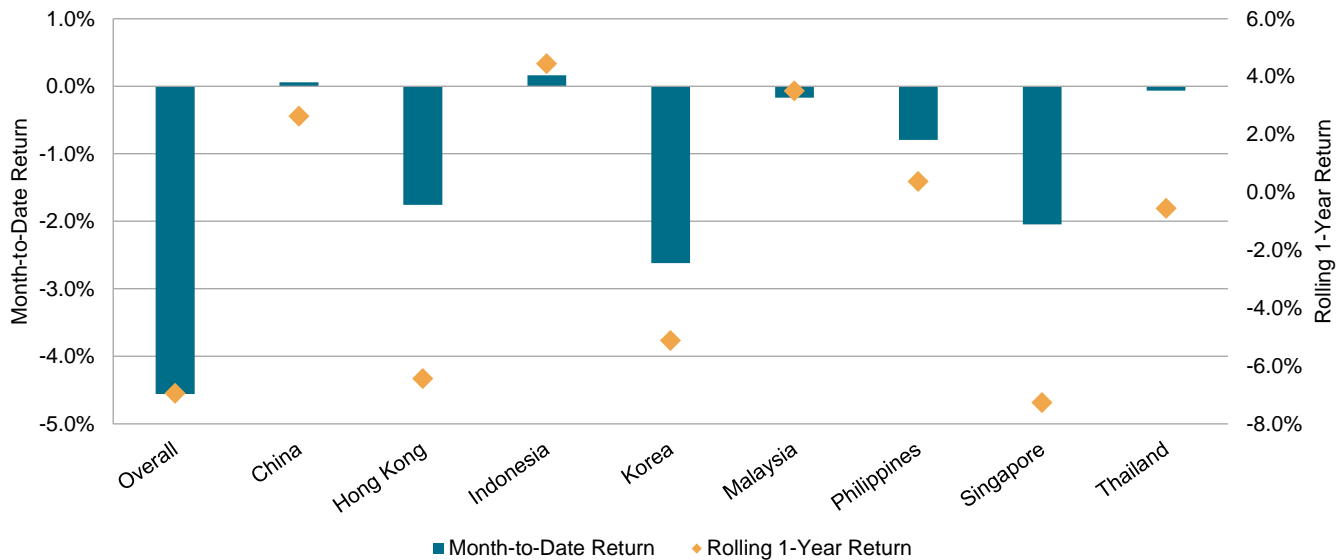
Following the [results of the iBoxx Asia-Pacific Annual Index Review](#), the second change in index weights was applied in the index rebalance on Feb. 28, 2023. The current weights are reflected in Exhibit 5 (following the final change on Feb. 28, 2023).

The index duration increased to 6.55 years following the recent rebalance. Most markets (except South Korea) saw their duration increase last month, with the largest increase coming from Singapore (up 0.36 years). Among the eligible markets, South Korea currently has the longest duration (8.52 years), while China Offshore remains the least sensitive to interest rates, with a duration of 2.53 years.

# iBoxx ABF

## February 2023 Commentary

**Exhibit 6: iBoxx ABF Overall and Single Market Returns**



Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Similar to the iBoxx ALBI, the iBoxx ABF Pan-Asia (unhedged in USD) was also deep in negative territory, posting -4.56%. Apart from Indonesia (up 0.17%) and China (up 0.06%), all other markets were in the red last month. Among the top losers were South Korea (-2.62%) and Singapore (-2.04%).

In the overall index, all maturity buckets across the yield curve lost more than 3%. Apart from capital losses, FX played a major part as the U.S. dollar appreciated against all underlying local

currencies. In local currency terms, Hong Kong 10+ (-6.07%) and South Korea 10+ (-5.24%) posted the worst returns last month.

At the end of January, the iBoxx ABF Pan-Asia offered a yield of 3.96%. Indonesia was the highest-yielding bond market in the index, posting 6.88%, while Thailand (2.96%) was the lowest-yielding market.

### Exhibit 7: iBoxx ABF Overall and Single Market Returns

Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall (USD)	3.96	6.56	-4.56	-0.34	-2.61
China	3.04	6.17	0.06	-0.05	9.30
Hong Kong	4.29	3.51	-1.76	0.43	-5.93
Indonesia	6.88	5.88	0.17	1.51	23.59
South Korea	3.75	7.58	-2.62	0.95	-11.55
Malaysia	4.12	7.05	-0.17	2.12	4.72
Philippines	6.25	5.37	-0.79	4.13	4.65
Singapore	3.36	7.53	-2.04	-2.04	-8.44
Thailand	2.96	8.02	-0.06	1.53	-6.28

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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 – February 2023

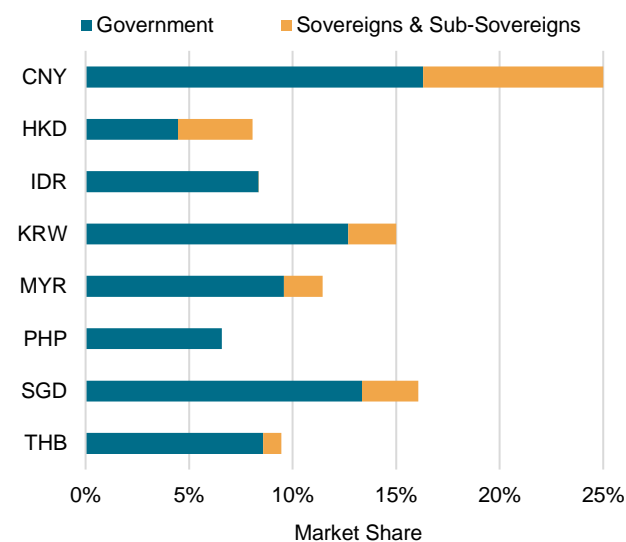
Market	FX Return (%)	Accrual Return (%)	Capital Return (%)
Overall (USD)	-3.68	0.26	-1.18
China	-2.76	0.24	-0.18
Hong Kong	-0.12	0.19	-1.95
Indonesia	-1.70	0.53	-0.37
South Korea	-6.91	0.20	-2.82
Malaysia	-5.26	0.31	-0.48
Philippines	-1.31	0.43	-1.22
Singapore	-2.65	0.20	-2.24
Thailand	-7.32	0.20	-0.26

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 9: iBoxx ABF Returns by Maturity – February 2023**

Market	Return (%)				
	1-3 Year	3-5 Year	5-7 Year	7-10 Year	10+ Year
Overall (USD)	-3.67	-4.30	-4.30	-4.42	-5.82
Overall (Local Currency)	-0.28	-0.69	-0.72	-1.01	-1.74
China	0.06	0.12	0.18	0.00	-0.04
Hong Kong	-0.50	-2.57	-3.25	-4.40	-6.07
Indonesia	0.07	-0.04	0.36	0.41	0.09
South Korea	-0.50	-1.46	-2.39	-3.16	-5.24
Malaysia	0.20	0.09	-0.08	-0.15	-0.48
Philippines	-0.24	-0.19	-0.66	-1.24	-1.28
Singapore	-0.84	-1.96	-1.81	-2.28	-2.99
Thailand	-0.07	-0.16	-0.58	-0.26	0.27

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

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

Market	Duration (Years)*	
	Feb. 28, 2023	March 1, 2023
Overall	6.56	6.68
China	6.17	6.19
Hong Kong	3.51	3.53
Indonesia	5.88	5.88
South Korea	7.58	7.60
Malaysia	7.05	7.06
Philippines	5.37	5.39
Singapore	7.53	8.00
Thailand	8.02	8.06

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023 (and March 1, 2023, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes. \*Semiannual modified duration

The latest rebalance saw 43 bonds entering and 32 bonds leaving the overall index.

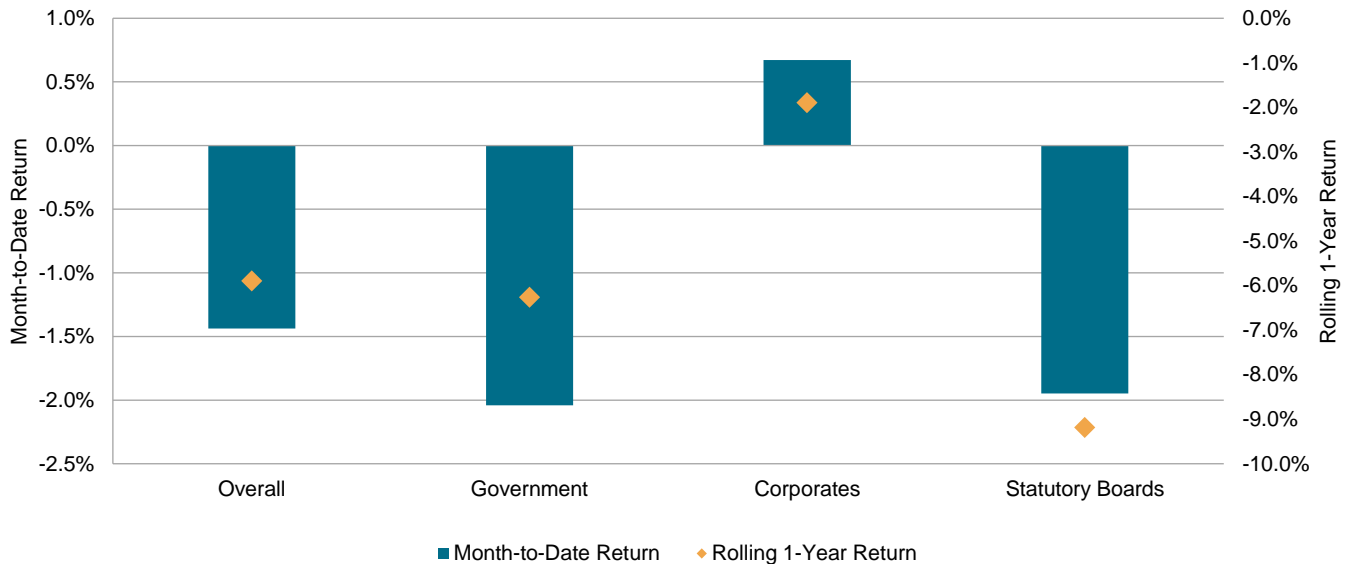
Following the [results of the iBoxx Asia-Pacific Annual Index Review](#), the latest change in index weights was applied in the index rebalance on Oct. 31, 2022.

The index duration increased slightly to 6.68 years following the recent rebalance. All markets saw their duration increase last month, with the largest increase coming from Singapore (up 0.47 years). Thailand currently has the longest duration (8.02 years), while Hong Kong is the least sensitive to interest rates, with a duration of 3.51 years.

# iBoxx SGD

## February 2023 Commentary

**Exhibit 11: iBoxx SGD Overall and Key Sector Returns**



Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Singapore bonds—as represented by the iBoxx SGD Overall—were down 1.44% in February. Investors generally preferred corporate bonds (up 0.67%) with higher credit risk over safer government issues (down 2.04%) last month. This observation was consistent in the rating subindices, as lower-rated bonds outperformed their higher-grade counterparts (see Exhibit 13).

Corporate spreads of Singapore bonds continued to tighten in February. Spreads of the investment grade and high yield segments dropped 53 bps and 75 bps, respectively, despite equity and bond markets both losing steam last month.



**Exhibit 12: iBoxx SGD Overall and Key Sector Returns**

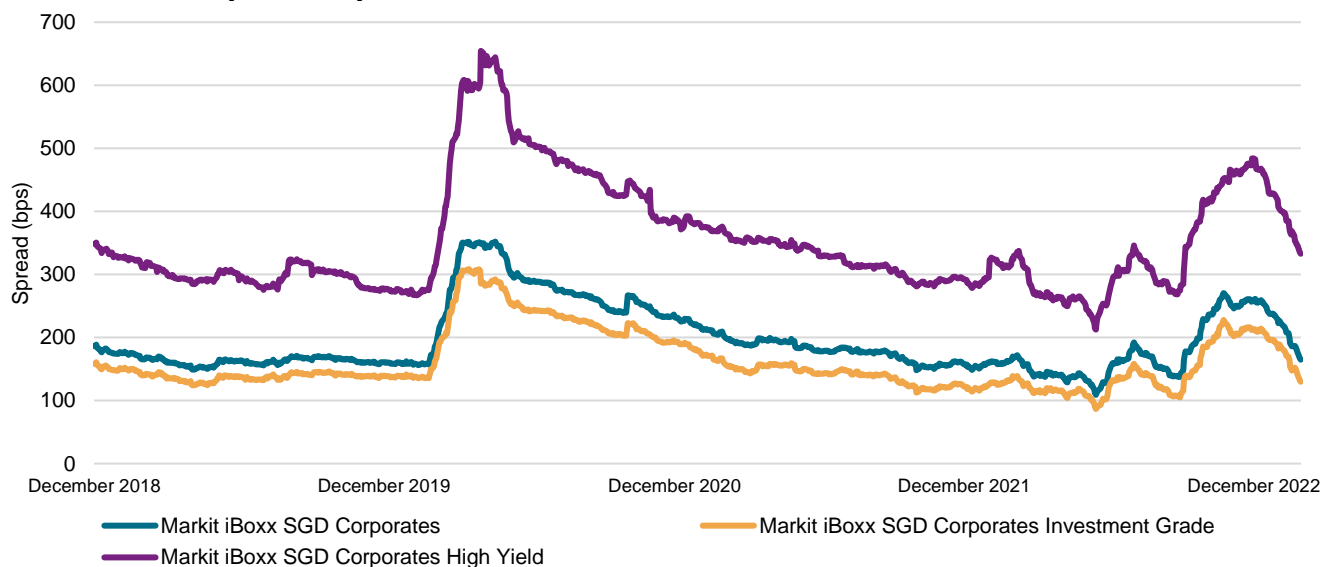
Market	Yield (%)	Duration (Years)	Returns (%)		
			Month-to-Date	YTD	Three-Year
Overall	3.55	6.64	-1.44	-1.05	-5.64
Government	3.17	7.51	-2.04	-2.37	-7.43
Statutory Boards	4.26	6.03	-1.95	-0.72	-9.51
Corporates	5.03	3.70	0.67	2.50	3.48
Financials	5.20	3.38	0.60	2.40	4.29
Non-Financials	4.57	4.94	0.96	2.90	1.17

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 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	-1.56	-0.59	-1.34	-1.54	-1.58	-2.69
iBoxx SGD AAA	-1.87	-0.84	-1.96	-1.85	-2.23	-2.54
iBoxx SGD AA	-1.11	-0.40	-0.26	0.51	0.47	-5.11
iBoxx SGD A	-1.10	0.01	1.17	-0.60	1.43	-4.44
iBoxx SGD BBB	0.61	0.48	0.37	0.93	1.87	1.67
iBoxx SGD High Yield	1.00	-	-	-	-	-

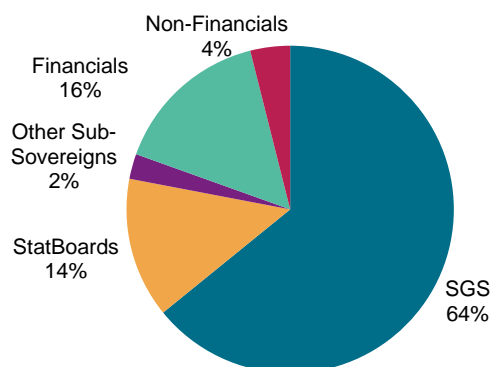
Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Index performance based on total return in SGD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 14: Corporate Spreads**

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Spread refers to semiannual spread to benchmark curve in basis points. The data shown is from Dec. 31, 2018, to Feb. 28, 2023. Past performance is no guarantee of future results.

## February Month-End Rebalance

### Exhibit 15: Sector Breakdown, Duration and Rating Changes



Sector	Duration (Years)*	
	Feb. 28, 2023	March 1, 2023
Overall	6.64	6.95
Government	7.51	8.04
Corporates	6.03	6.04
Statutory Boards	3.70	3.76
Financials	3.38	3.47
Non-Financials	4.94	4.94

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023 (and March 1, 2023, for duration). Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes. \*Semiannual modified duration. Implied rated bonds denoted by (^) are included in the index at 50% of their full market notional amounts. Table is provided for illustrative purposes.

This rebalance, SGD 1.7 billion of new notional was inserted into the iBoxx SGD Overall Index via four bonds in the financial sector.

Concurrently, two bonds left the index, removing more than SGD 10 billion of notional, including a large SGS with SGD 9.9 billion notional. The two departing bonds left the index due to their expected remaining life falling below one year.

### Exhibit 16: iBoxx SGD Overall – Rating Changes

Issue	Jan. 31, 2023	Feb. 28, 2023
KPLDSP 2% 2026-05-28	BBB*	A*

Source: IHS Markit, part of S&P Global. Data as of Feb. 28, 2023. Table is provided for illustrative purposes.  
\*Implied rated bonds

Additionally, there was one bond rating change in the index at the February month-end rebalance.

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