



IHS Markit™

iBoxx Asian Annual Index Review 2016

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iBoxx ABF Pan-Asia Indices	3
Methodology update – Market weights	3
2016 Market weights.....	3
Identifier change for exchange-listed Chinese bonds that also trade on the China Interbank markets	5
iBoxx Asia Indices	6
Methodology update – Market weights	6
Exclusion of Taiwan from the iBoxx Asia indices.....	6
2016 Market weights.....	7
Identifier change for exchange-listed Chinese bonds that also trade on the China Interbank markets	8
iBoxx ALBI Indices	9
Methodology update – ALBI fundamental weights assessment ..	9
Target weight calculation.....	9
Implementation of the target weights	10
Forecast of the annual target weights	10
Exclusion of Taiwan from the iBoxx ALBI indices.....	10
2016 Market weights.....	11
New iBoxx ALBI sub-indices.....	13
Bond selection rules change – iBoxx ALBI India	13
Bond selection rules change – iBoxx ALBI Malaysia.....	13
New sub-index for iBoxx ALBI Hong Kong	14
Identifier change for exchange-listed Chinese bonds that also trade on the China Interbank markets	15
iBoxx ADBI Indices	16
New iBoxx ADBI sub-indices	16
Changed rebalancing process for the Asian close of the iBoxx ADBI and AHBI indices	16
Other Asian iBoxx Indices	17
Hang Seng Markit iBoxx Offshore RMB Bond Indices	17
iBoxx SGD Indices	17
iBoxx USD Asia ex-Japan Indices	17

IHS Markit announces results of the 2016 iBoxx Asian Annual Index Review

Following the IHS Markit iBoxx Annual Index Review for the Asian indices in July and August 2016, IHS Markit is pleased to announce the 2016 market weights for the Markit iBoxx ABF, ALBI and Asia indices as well as the below changes and clarifications to the index rules for the Asian iBoxx indices. All changes, including the 2016 market weights have been reviewed by the iBoxx Asian Oversight Committee.

iBoxx ABF Pan-Asia Indices

Methodology update – Market weights

As part of the 2016 Annual Index Review, the methodology to calculate the annual weights for the 8 ABF markets in the iBoxx ABF Pan-Asia index has been amended.

Under the new rules, the methodology allocates a smaller baseline weight to those markets that are significantly smaller relative to the others. The baseline weight for small bond markets is set at 50% of the weight allocated to the larger markets. For this purpose, the size of each market is defined as the size of the domestic government bond market comprising all government bonds with a remaining time to maturity of 1 year or more. Markets with a size of less than US\$ 50bn are considered small. Currently Hong Kong is the only market within the iBoxx ABF indices which falls into the “small” category.

The new methodology is effective immediately as part of the 2016 Annual Index Review.

Comparison of the new and old rules:

Comparison	New rules	Old rules
Baseline weight methodology	Equal weight across regular markets. Small markets are allocated 50% of the weight of regular markets.	Equal weight across all markets
Current actual baseline weight	Regular markets: 13.33% Small markets: 6.67%	12.5%

2016 Market weights

As part of the 2016 Asian Annual Index Review, IHS Markit has calculated the 2016 weights of the eight markets included in the iBoxx ABF indices. The new weights are effective from 31st October 2016 and will be implemented in six equal monthly steps.

2016 market weights for the 8 ABF markets are:

Results	2016 market weights	2015 market weights	Total Annual change	Monthly change (implemented over six months in equal steps)
China	23.17 %	21.05 %	2.12 %	0.353%
Hong Kong	8.73 %	14.60 %	-5.87 %	-0.978%
Indonesia	7.73 %	6.80 %	0.93 %	0.155%
Malaysia	11.21 %	10.82 %	0.39 %	0.065%
Philippines	6.09 %	5.44 %	0.65 %	0.108%
Singapore	16.09 %	15.20 %	0.89 %	0.148%
South Korea	17.23 %	16.95 %	0.28 %	0.047%
Thailand	9.75 %	9.14 %	0.61 %	0.102%

The values for each of the factors used in the calculation of the market weights are:

Data	Bond market size (US\$ bn)	Credit Rating	GEMLOC Investability Indicator	Government bond market size (US\$ bn)
China	6,904	AA-	50	1,171
Hong Kong	226	AAA	84	13
Indonesia	152	BBB-	60	119
Malaysia	289	A	73	133
Philippines	99	BBB	46	81
Singapore	233	AAA	90	72
South Korea	1,792	AA	83	541
Thailand	295	A-	65	113

The weights for each month of the 6-monthly implementation are:

Results	31-Oct-2016	30-Nov-2016	31-Dec-2016	31-Jan-2017	28-Feb-2017	31-Mar-2017
China	21.403 %	21.756 %	22.109 %	22.462 %	22.815 %	23.17 %
Hong Kong	13.622 %	12.644 %	11.666 %	10.688 %	9.710 %	8.73 %
Indonesia	6.955 %	7.110 %	7.265 %	7.420 %	7.575 %	7.73 %
Malaysia	10.885 %	10.950 %	11.015 %	11.080 %	11.145 %	11.21 %
Philippines	5.548 %	5.656 %	5.764 %	5.872 %	5.980 %	6.09 %
Singapore	15.348 %	15.496 %	15.644 %	15.792 %	15.940 %	16.09 %
South Korea	16.997 %	17.044 %	17.091 %	17.138 %	17.185 %	17.23 %
Thailand	9.242 %	9.344 %	9.446 %	9.548 %	9.650 %	9.75 %

Identifier change for exchange-listed Chinese bonds that also trade on the China Interbank markets

A significant number of Chinese government bonds are currently listed to trade on both the China Interbank market and the Shanghai or Shenzhen Stock Exchanges. For these bonds, the ISIN for the Interbank listing and the exchange listing is different.

IHS Markit currently displays the ISIN corresponding to the exchange listing in the daily underlyings and monthly components files. Effective from the beginning of the 3rd quarter of 2017, the ISIN for these bonds will be switched to reflect the Interbank listing. The vast majority of the trading in these bonds is conducted on the Interbank market.

iBoxx Asia Indices

Methodology update – Market weights

As part of the 2016 Annual Index Review, the methodology to calculate the annual weights for the economies comprising the iBoxx Asia index has been amended.

Under the new rules, the methodology allocates a smaller baseline weight to those markets that are significantly smaller relative to the others. The baseline weight for small bond markets is set at 50% of the weight allocated to the larger markets. For this purpose, the size of each market is defined as the size of the domestic government bond market comprising all government bonds with a remaining time to maturity of 1 year or more. Markets with a size of less than US\$ 50bn are considered small. Currently Hong Kong is the only market within the iBoxx Asia indices which falls into the “small” category.

The new methodology is effective immediately as part of the 2016 Annual Index Review.

Comparison of the new and old rules

Comparison	New rules	Old rules
Baseline weight methodology	Equal weight across all regular markets. Small markets are only allocated 50% of the weight of regular markets.	Equal weight across all markets
Current actual baseline weight*	Regular markets: 11.76% Small markets: 5.88%	11.11%

* After the exclusion of Taiwan from the iBoxx Asia indices (see below).

Exclusion of Taiwan from the iBoxx Asia indices

Due to persistence of capital controls that severely limit the ability of fixed income investors from investing in the Taiwan fixed income market, Taiwan will be excluded from the iBoxx Asia Overall index with effect from 31st October 2016. For details of the capital control measure, see Order no. – “Financial-Supervisory-Securities-Firms-0990064095” - issued by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan (available at www.sfb.gov.tw). The single currency iBoxx Asia Taiwan index including any sub-indices continues to be calculated on a stand-alone basis as per the index rules.

2016 Market weights

As part of the 2016 Asian Annual Index Review, IHS Markit has calculated the 2016 weights of the nine markets included in the iBoxx Asia Indices. The new weights are effective from 31st October 2016 and will be implemented in six equal monthly steps.

2016 market weights for the 9 markets are:

Results	2016 market weights	2015 market weights	Total Annual change	Monthly change (implemented over six months in equal steps)
China	10.68 %	9.12 %	1.56 %	0.260 %
Hong Kong	10.19 %	15.43 %	-5.24 %	-0.874 %
India	3.99 %	3.49 %	0.50 %	0.084 %
Indonesia	8.33 %	7.11 %	1.22 %	0.203 %
Malaysia	12.35 %	11.38 %	0.97 %	0.162 %
Philippines	6.53 %	5.69 %	0.84 %	0.141 %
Singapore	18.04 %	16.07 %	1.97 %	0.327 %
South Korea	19.20 %	18.05 %	1.16 %	0.193 %
Taiwan	0.00 %	4.05 %	-4.05 %	-0.675 %
Thailand	10.69 %	9.61 %	1.08 %	0.179 %

The values for each of the factors used in the calculation of the market weights are:

Data	Bond market size (US\$ bn)	Credit Rating	GEMLOC Investability Indicator	GEMLOC Securities Market Access	Government bond market size (US\$ bn)
China	6,904	AA-	50	50	1,171
Hong Kong	226	AAA	84	100	13
India	884	BBB-	58	50	699
Indonesia	152	BBB-	60	87.5	119
Malaysia	289	A	73	87.5	133
Philippines	99	BBB	46	75	81
Singapore	233	AAA	90	100	72
South Korea	1,792	AA	83	100	541
Thailand	295	A-	65	75	112

The weights for each month of the 6-monthly implementation are:

Results	31-Oct-2016	30-Nov-2016	31-Dec-2016	31-Jan-2017	28-Feb-2017	31-Mar-2017
China	9.380 %	9.640 %	9.900 %	10.160 %	10.420 %	10.68 %
Hong Kong	14.556 %	13.682 %	12.808 %	11.934 %	11.060 %	10.19 %
India	3.574 %	3.658 %	3.742 %	3.826 %	3.910 %	3.99 %
Indonesia	7.313 %	7.516 %	7.719 %	7.922 %	8.125 %	8.33 %
Malaysia	11.542 %	11.704 %	11.866 %	12.028 %	12.190 %	12.35 %
Philippines	5.831 %	5.972 %	6.113 %	6.254 %	6.395 %	6.53 %
Singapore	16.397 %	16.724 %	17.051 %	17.378 %	17.705 %	18.04 %
South Korea	18.243 %	18.436 %	18.629 %	18.822 %	19.015 %	19.20 %
Taiwan	3.375 %	2.700 %	2.025 %	1.350 %	0.675 %	0.00 %
Thailand	9.789 %	9.968 %	10.147 %	10.326 %	10.505 %	10.69 %

Identifier change for exchange-listed Chinese bonds that also trade on the China Interbank markets

A significant number of Chinese government bonds are currently listed to trade on both the China Interbank market and the Shanghai or Shenzhen Stock Exchanges. For these bonds, the ISIN for the Interbank listing and the exchange listing is different.

IHS Markit currently displays the ISIN corresponding to the exchange listing in the daily underlyings and monthly components files. Effective from the beginning of the 3rd quarter of 2017, the ISIN for these bonds will be switched to reflect the Interbank listing. The vast majority of the trading in these bonds is conducted on the Interbank market.

iBoxx ALBI Indices

Methodology update – ALBI fundamental weights assessment

As part of the 2016 Annual Index Review, IHS Markit has updated the methodology to calculate the weights for each currency in the iBoxx ALBI index. The current methodology has used the fundamental weights determined by HSBC for the HSBC ALBI indices.

The new methodology has been developed both with regards to the approach adopted by HSBC for the HSBC ALBI indices and the experience from the annual fundamental weighting review conducted for the iBoxx ABF and iBoxx Asia indices. The methodology takes the specific nature of the iBoxx ALBI into account.

Target weight calculation

The methodology has the following main components:

1. Baseline weight for each market
 - The methodology distinguishes between small and regular markets. Small markets are markets where the domestic government bond market (remaining time to maturity 1 year or longer) is less than US\$ 50 bn. All other markets are regular markets.
 - The baseline weights for each regular market and each smaller market are respectively identical, with smaller markets having half the baseline weight of regular markets.
2. Calculation of the target weights
 - The baseline weights are adjusted for two factors, (i) market size and (ii) market accessibility
 - Market size is measured by the index market capitalization of all bonds qualifying for iBoxx ALBI in the respective currency
 - Market accessibility is measured by the GEMLOC Investability Indicator
 - The fundamental adjustments from each factor are calculated as the z-score of each market's data with respect to the other markets.
 - The target weights is calculated as follows:
$$\text{Baseline Weight} + \frac{1}{3} \times \text{z-score}(\text{market size}) + \frac{2}{3} \times \text{z-score}(\text{accessibility})$$
3. Cap for markets with significant capital controls and maximum weight per market
 - The weight of markets with a GEMLOC Securities Markets Access Score of 50 or lower is capped by 50%.
 - The weight of any single market is capped at 20%.
 - The excess weight is distributed amongst the remaining markets in relation to their target weight
4. Calculation of the final target weight
 - The target weights are rounded to 4 decimal places (i.e. 1 basis point)
 - In case that the sum of the rounded weights are above or below 100%, the weight(s) of the largest market(s) are adjusted by $\pm 0.01\%$ each until the sum of the weights is exactly 100%.

Implementation of the target weights

The target fundamental weights for iBoxx ALBI are assessed annually as part of the Annual Index Review and become effective on 30th November each year. The publication of the new target weights occurs in late September/ early October each year.

To limit the market impact of one-off large changes to the weight of an individual market, the maximum change per market is 0.5%. In case the difference between the new target weight and the current weight is larger than 0.5% for any market, the implementation will be carried out in successive quarterly adjustments starting on 30th November until the target weights have been reached.

Forecast of the annual target weights

In addition to the calculation of the target weights as part of the Annual Index Review, IHS Markit will also publish a forecast for the upcoming annual review at the beginning of December, March and June each year. The forecast will be based on the updated index market capitalization and GEMLOC Investability Indicator for each market.

The new methodology is effective immediately.

Exclusion of Taiwan from the iBoxx ALBI indices

Due to persistence of capital controls that severely limit the ability of fixed income investors from investing in the Taiwan fixed income market, Taiwan will be excluded from the iBoxx Asia Overall index with effect from 30th November 2016. For details of the capital control measure, see Order no. – “Financial-Supervisory-Securities-Firms-0990064095” – issued by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan (available at www.sfb.gov.tw). The single currency iBoxx ALBI Taiwan index including any sub-indices continues to be calculated on a stand-alone basis as per the index rules.

The removal of Taiwan from the index is subject to the maximum quarterly weight change per single currency. Changes to the capital control measures and the eligibility of Taiwan and a potential re-inclusion into the indices will be monitored as part of the annual index reviews.

2016 Market weights

As part of the 2016 Asian Annual Index Review, Markit has calculated the 2016 weights of the ten markets eligible for the iBoxx ALBI Indices. The new weights are effective from 30th November 2016 and will be implemented in quarterly steps subject to a maximum change of $\pm 5\%$ for any single market.

2016 market weights for the 10 markets are:

Results	2016 market weights	2015 market weights	Annual change	Quarterly change
China – onshore	9.44 %	8.8416 %	0.60 %	0.0514%
China – offshore	2.94 %	4.3105 %	-1.37 %	-0.1177%
Hong Kong	5.38 %	11.2042 %	-5.82 %	-0.5000%
India	7.25 %	7.2825 %	-0.03 %	-0.0028%
Indonesia	10.32 %	9.5032 %	0.82 %	0.0701%
Malaysia	12.38 %	8.7460 %	3.63 %	0.3120%
Philippines	8.25 %	6.1822 %	2.07 %	0.1775%
Singapore	13.94 %	14.1019 %	-0.16 %	-0.0139%
South Korea	19.13 %	19.8358 %	-0.71 %	-0.0606%
Taiwan	0.00 %	2.1107 %	-2.11 %	-0.1812%
Thailand	10.97 %	7.8814 %	3.09 %	0.2652%

The values for each of the factors used in the calculation of the market weights are:

Data	Index market cap (US\$ bn)	Credit Rating	GEMLOC Investability Indicator	GEMLOC Securities Market Access	Government bond market size (US\$ bn)
China – onshore	1,171	AA-	50	50	1,171
China – offshore	34	AA-	65	100	12
Hong Kong	43	AAA	84	100	13
India	699*	BBB-	58	50	699
Indonesia	105	BBB-	60	87.5	119
Malaysia	145	A	73	87.5	133
Philippines	81	BBB	46	75	81
Singapore	104	AAA	90	100	72
South Korea	541	AA	83	100	541
Thailand	112	A-	65	75	112

* Index market cap calculated as if the index rule change for India is already effective

The weights for each month of the quarterly implementation are:

Results	30-Nov-2016	28-Feb-2017	31-May-2017	31-Aug-2017
China – onshore	8.8930%	8.9444%	8.9958%	9.0472%
China – offshore	4.1928%	4.0751%	3.9574%	3.8397%
Hong Kong	10.7042%	10.2042%	9.7042%	9.2042%
India	7.2797%	7.2769%	7.2741%	7.2713%
Indonesia	9.5733%	9.6434%	9.7135%	9.7836%
Malaysia	9.0580%	9.3700%	9.6820%	9.9940%
Philippines	6.3597%	6.5372%	6.7147%	6.8922%
Singapore	14.0880%	14.0741%	14.0602%	14.0463%
South Korea	19.7752%	19.7146%	19.6540%	19.5934%
Taiwan	1.9295%	1.7483%	1.5671%	1.3859%
Thailand	8.1466%	8.4118%	8.6770%	8.9422%

New iBoxx ALBI sub-indices

As part of the 2016 Annual Index Review, IHS Markit will introduce additional sector and maturity sub-indices to the iBoxx ALBI index family:

Maturity Indices	Sector indices	
1-3	Government	Sovereigns & Sub-sovereigns
3-5	Non-government	Corporates
5-7		
7-10		
10+		

The new sub-indices will be calculated for the iBoxx ALBI Overall index as well as for each single currency. The indices will be available from 01st December 2016 and will carry historical data from 31st December 2012 onwards.

Bond selection rules change – iBoxx ALBI India

The inclusion rules for INR-denominated bonds will be changed to include all fixed-rate Indian government bonds with a minimum size of INR 50bn. The new rule removes the current restriction of selecting 14 bonds based on the maturity profile and relative liquidity of the bonds.

The new rule provides a broader and more stable representation of the Indian government bond market and will become effective on 30th November 2016.

Bond selection rules change – iBoxx ALBI Malaysia

As part of the 2016 Annual Index Review, IHS Markit has reviewed the liquidity rules used in the selection of MYR-denominated non-government bonds in the iBoxx ALBI indices.

IHS Markit will implement two small changes to the liquidity criteria:

- To reflect the fact a significant number of Malaysian bonds are issued in the second half of the month, the monitoring period for the liquidity screen will be extended from the **first two** to the **first three** rebalancings following the issue of a bond.
- Since late 2015, re-openings of existing bonds have started to occur in the Malaysian non-government bond market. Re-openings of bonds tend to be positive for liquidity as they lead to a smaller number of large and more liquid issues. To reflect this, the liquidity monitoring period will be extended to cover the first three rebalancings after a re-opening in addition to the monitoring period at the initial issuance currently in place.

The target launch date for the new sub-index is Q2/2017. The exact launch date will be communicated in Q1/2017.*

*The original announcement posted on 28 September 2016 indicated an implementation date of November 30th 2016. The implementation of these changes will take longer than initially anticipated. The implementation date has been revised.

Please find below a comparison of the old and new liquidity rules:

Comparison		New rules	Old rules
Liquidity requirement		5 days with aggregate trading volume of MYR 5m or higher in the month prior to the rebalancing	5 days with aggregate trading volume of MYR 5m or higher in the month prior to the rebalancing
	Start date	First rebalancing after the first settlement date; and First rebalancing date after each re-opening date	First rebalancing after the first settlement date
Monitoring period	Length	3 months	2 months

As of 31st August 2016, the following additional bonds would have qualified for the indices had the new rules been effective on that date:

ISIN	Ticker	Issuer	Coupon	Maturity	Notional size (MYR m)
MYBVS1400569	KNBZMK	Rantau	0	26/03/2029	1,000
MYBVS1500020	KNZBMK	Danga	4.88	29/01/2030	1,500
MYBVI1502712	CAGA	Cagamas	4.45	25/11/2020	500
MYBUG1500886	CAGA	Cagamas	4.2	22/10/2018	1,500
MYBUI1301091	CAGA	Cagamas	3.9	16/11/2018	800
MYBVI1303483	CAGA	Cagamas	4.05	20/12/2018	520

New sub-index for iBoxx ALBI Hong Kong

IHS Markit will launch a new MPF-compliant iBoxx ALBI Hong Kong index. The new sub-index has been designed to closely reflect the investment guidelines issued by the Hong Kong MPFA. The MPF sub-index follows the standard rules of the iBoxx ALBI Hong Kong index with the exception of the rating requirement. The MPF sub-index only accepts unrated senior bonds if the issuer has a debt class rating of A- or above. Issuer ratings are not considered.

An overview over the differences between the iBoxx ALBI Hong Kong index and the new sub-index are shown below:

Comparison		iBoxx ALBI Hong Kong (MPF) index	iBoxx ALBI Hong Kong Index
Rated bonds		A- or above	A- or above
	Senior	Issuer rating not accepted Debt class rating of A- and above	Issuer rating of A- or above
Unrated bonds			
	Subordinated	Not eligible	Not eligible

The target launch date for the new sub-index is Q2/2017. The exact launch date will be communicated in Q1/2017.

Identifier change for exchange-listed Chinese bonds that also trade on the China Interbank markets

A significant number of Chinese government bonds are currently listed to trade on both the China Interbank market and the Shanghai or Shenzhen Stock Exchanges. For these bonds, the ISIN for the Interbank listing and the exchange listing is different.

IHS Markit currently displays the ISIN corresponding to the exchange listing in the daily underlyings and monthly components files. Effective from the beginning of the 3rd quarter of 2017, the ISIN for these bonds will be switched to reflect the Interbank listing. The vast majority of the trading in these bonds is conducted on the Interbank market.

iBoxx ADBI Indices

New iBoxx ADBI sub-indices

As part of the 2016 Annual Index Review, IHS Markit will introduce additional rating and maturity sub-indices to the iBoxx ADBI:

Maturity Indices		Rating indices
1-3	High Yield	BBB
3-5	AAA	BB
5-7	AA	B
7-10	A	CCC
10+		

The indices will be available from 1st February 2017 and will carry historical data from 31st December 2012 onwards.

Changed rebalancing process for the Asian close of the iBoxx ADBI and AHBI indices

Currently the rebalancing calculations for the iBoxx ADBI and AHBI indices are performed using the prices at the close of business New York for the rebalancing of the US as well as Asian close (FE_EOD).

To match the timing of the daily and rebalancing calculations for the Asian close, IHS Markit will change the price snapshot used in the rebalancing from the US_EOD to the FE_EOD prices for the rebalancing of the Asian close of the iBoxx ADBI and AHBI indices. The US close continues to be rebalanced using the New York closing prices.

The new rebalancing process for the Asian close of the iBoxx ADBI and AHBI indices will become effective on 31st January 2017.

Other Asian iBoxx Indices

Hang Seng Markit iBoxx Offshore RMB Bond Indices

No changes.

iBoxx SGD Indices

No changes.

iBoxx USD Asia ex-Japan Indices

No changes.