

iBoxx Asian Annual Index Review 2017 Results

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IHS Markit announces results of the 2017 iBoxx Asian Annual Index Review

Following the iBoxx Annual Index Review for the Asian indices in July and August 2017, IHS Markit is pleased to announce the 2017 market weights for the 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 2017 market weights have been reviewed by the iBoxx Asian Oversight Committee.

iBoxx ABF Pan-Asia Indices

2017 Market weights

IHS Markit has calculated the 2017 weights of the eight markets included in the iBoxx ABF indices. The new weights are effective from 31 October 2017:

Results	2017 market weights	2016 market weights	Change
China	24.26 %	23.17 %	1.09 %
Hong Kong	8.92 %	8.73 %	0.19 %
Indonesia	7.75 %	7.73 %	0.02 %
Malaysia	11.15 %	11.21 %	-0.06 %
Philippines	5.83 %	6.09 %	-0.26 %
Singapore	15.63 %	16.09 %	-0.46 %
South Korea	16.55 %	17.23 %	-0.68 %
Thailand	9.91 %	9.75 %	0.16 %

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	7,658	AA-	60	1,270
Hong Kong	239	AAA	89	12
Indonesia	175	BBB-	63	137
Malaysia	290	A	76	132
Philippines	102	BBB	46	57
Singapore	252	AAA	89	74
South Korea	1,869	AA	82	575
Thailand	323	A-	72	128

iBoxx Asia Indices

2017 Market weights

IHS Markit has calculated the 2017 weights of the ten markets included in the iBoxx Asia Indices. The GEMLOC Securities Market Access Score for China has been increased to 62.5 in light of the Bond Connect and CIBM Direct access programmes. The higher score removes capping for significant access restriction applied to the theoretical weight of China in the index. As a result, the 2017 theoretical weight of China would move to 20%. The move from 10.68% to 20% will be implemented across several annual reviews to take the overall size of the weight shift as well as overall improvements in access and liquidity into account. For the 2017 weights review, the weight of China has been revised from 10.68% to 13%. The new weights are effective from 31 October 2017.

Results	2017 market weights	2016 market weights	Total Annual change
China	13.00 %	10.68 %	2.32 %
Hong Kong	10.15 %	10.19 %	-0.04 %
India	4.85 %	3.99 %	0.86 %
Indonesia	8.16 %	8.33 %	-0.17 %
Malaysia	12.01 %	12.35 %	-0.34 %
Philippines	6.11 %	6.53 %	-0.42 %
Singapore	17.15 %	18.04 %	-0.89 %
South Korea	17.96 %	19.20 %	-1.24 %
Taiwan	0.00 %	0.00 %	0.00 %
Thailand	10.61 %	10.69 %	-0.08 %

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	7,658	AA-	60	62.5	1,270
Hong Kong	239	AAA	89	100	12
India	1286	BBB-	62	50	804
Indonesia	175	BBB-	63	87.5	137
Malaysia	290	A	76	87.5	132
Philippines	102	BBB	46	75	57
Singapore	252	AAA	89	100	74
South Korea	1,869	AA	82	100	575
Thailand	323	A-	72	75	128

iBoxx ALBI Indices

2017 Market weights

IHS Markit has calculated the 2017 weights of the eleven markets eligible for the iBoxx ALBI Indices. The new target weights are effective from 30th November 2017 and will be implemented in quarterly steps subject to a maximum change of ±.5% for any single market.

2017 market weights for the 10 markets are:

Results	2017 target weights	2016 target weights	Annual change	Current weights	Quarterly change
China – onshore	20.00 %	9.44 %	10.56 %	9.0472 %	0.5000%
China – offshore	2.49 %	2.94 %	-0.45 %	3.8397 %	-0.0616%
Hong Kong	4.93 %	5.38 %	-0.45 %	9.2042 %	-0.1951%
India	7.69 %	7.25 %	0.44 %	7.2713 %	0.0191%
Indonesia	9.26 %	10.32 %	-1.06 %	9.7836 %	-0.0239%
Malaysia	10.85 %	12.38 %	-1.53 %	9.9940 %	0.0391%
Philippines	6.91 %	8.25 %	-1.34 %	6.8922 %	0.0008%
Singapore	11.88 %	13.94 %	-2.06 %	14.0463 %	-0.0989%
South Korea	16.01 %	19.13 %	-3.12 %	19.5934 %	-0.1636%
Taiwan	0.00 %	0.00 %	0.00 %	1.3859 %	-0.0633%
Thailand	9.98 %	10.97 %	-0.99 %	8.9422 %	0.0474%

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

Data	Index market cap (US$ bn)	GEMLOC Investability Indicator	GEMLOC Securities Market Access	Government bond market size (US$ bn)
China – onshore	1,265	60	62.5	1,270
China – offshore	25	68	100	12
Hong Kong	43	89	100	12
India	788	62	50	804
Indonesia	121	63	87.5	137
Malaysia	144	76	87.5	132
Philippines	73	46	75	57
Singapore	109	89	100	74
South Korea	538	82	100	575
Thailand	177	72	75	128

The weights for each month of the quarterly implementation are:

Results	30-Nov-2017	28-Feb-2018	31-May-2018	31-Aug-2018
China – onshore	9.5472 %	10.0472 %	10.5472 %	11.0472 %
China – offshore	3.7781 %	3.7165 %	3.6549 %	3.5933 %
Hong Kong	9.0091 %	8.8140 %	8.6189 %	8.4238 %
India	7.2904 %	7.3095 %	7.3286 %	7.3477 %
Indonesia	9.7597 %	9.7358 %	9.7119 %	9.6880 %
Malaysia	10.0331 %	10.0722 %	10.1113 %	10.1504 %
Philippines	6.8930 %	6.8938 %	6.8946 %	6.8954 %
Singapore	13.9474 %	13.8485 %	13.7496 %	13.6507 %
South Korea	19.4298 %	19.2662 %	19.1026 %	18.9390 %
Taiwan	1.3226 %	1.2593 %	1.1960 %	1.1327 %
Thailand	8.9896 %	9.0370 %	9.0844 %	9.1318 %

iBoxx ADBI and iBoxx AHBI Indices

As part of the iBoxx Asian Annual Index review 2017, IHS Markit reviewed the bond selection rules across the different Asian dollar bonds indices. As a result of the review, the following changes are made to the index rules for the iBoxx ADBI and iBoxx AHBI indices. All changes become effective on 31 January 2018.

Bond types

The following bond types become eligible for iBoxx ADBI and iBoxx AHBI:

- Zero coupon bonds
- Loan participation notes

In addition, the following bonds become eligible for the iBoxx ADBI:

- Callable bonds whose first call date is less than one year from its maturity date. Other callable bonds remain excluded from iBoxx ADBI

Issuer domicile

The list of eligible domiciles is changed to include all East Asian and South Asian economies. In addition to the current list eligible economies, outstanding bonds issued by issuers from Bangladesh and Pakistan become eligible for iBoxx ADBI and iBoxx AHBI.

Rating methodology

The rating methodology for split rated bonds is changed to average rating. For all bonds that are rated by more than one agency the average rating is assigned to the bond. The change brings the rating methodology for iBoxx ADBI and iBoxx AHBI in line with the methodology used across iBoxx indices globally.

Amount outstanding

The minimum outstanding amount for all bonds included the iBoxx AHBI is raised to USD 250m. The minimum outstanding amount for iBoxx ADBI remains at USD 250m.

iBoxx USD Asia ex-Japan Indices

As part of the Annual Index review 2017, IHS Markit reviewed the bond selection rules across the different Asian dollar bonds indices. As a result of the review, the following changes are made to the index rules for the iBoxx Asia Ex-Japan indices. All changes become effective on 31 January 2018.

Bond types

IHS Markit has reviewed the eligibility of subordinated debt and senior perpetuals and fixed-to-floater bonds, in light of the increased issuance of these instruments.

Bond type		Current rules	From 31 January 2018
Subordinated bank and insurance fixed-to-floater and perpetuals	First reset date at or after the first call date	Eligible	Eligible
	First reset date prior to the first call date	Not eligible	Not eligible
Other subordinated perpetual and fixed-to-floater debt (non-financials, real estate etc.)	First reset date at or after the first call date	Not eligible	Eligible
	First reset date prior to the first call date	Not Eligible	Not eligible
Contingent convertibles and other Basel III compliant AT1 and T2 capital with mandatory write-downs	Pre-specified objective trigger for conversion/write-down	Not eligible	Eligible
	Write-down/conversion at point of no viability	Eligible	Eligible
Senior perpetuals and fixed-to-floater bonds	First reset date at or after the first call date	Not eligible	Eligible
	First reset date prior to the first call date	Not eligible	Not eligible

As a result or the changes approximately 40 perpetuals/fixed-to-floaters and 5 contingent convertibles will become eligible for the iBoxx USD Asia ex-Japan indices.

Rating methodology

Currently, unrated bonds are not eligible for the iBoxx USD Asia ex-Japan indices. Unrated issuers continue to from a significant part of the dollar corporate bond issuance in the Philippines, China, Hong Kong and Singapore.

Unrated bonds will become eligible for the iBoxx USD Asia ex-Japan indices. For unrated senior bonds, issuer ratings will be considered in the absence of bond ratings, and for unrated subordinated bonds and unrated issuers, an implied rating will be assigned to each bond to determine whether a bond is investment grade or high yield and which rating category it falls in to. The implied rating is calculated according the Implied Credit Quality Methodology already used for the iBoxx ADBI and iBoxx AHBI indices.

Approximately 100 bonds from more than 50 unrated issuers become eligible for the index as a result of this change.

Amount outstanding

The minimum outstanding amount for sovereign bonds is lowered to USD 250m. This change brings the minimum size for sovereign bonds in line with the minimum amount outstanding for non-sovereigns which is already set at USD 250m.

International tradability

iBoxx USD Asia ex-Japan will adopt the methodology used for iBoxx ADBI. Currently iBoxx USD Asia ex-Japan uses the ISIN code to identify internationally tradable bonds. Going forward, international tradability is defined via clearing venues. Only bonds clearable via Clearstream, Euroclear or Hong Kong CMU will be eligible for the iBoxx USD Asia ex-Japan indices.

New iBoxx USD Asia ex-Japan sub-indices

As part of the 2017 iBoxx Asian Annual Index Review, IHS Markit will introduce a number of new sub-indices to reflect the index rule changes above:

Category	New indices	
Rated-only indices	Indices containing only bonds with a bond or applicable issuer rating	
	Sectors: overall, sovereigns, non-sovereigns, sub-sovereigns and corporates	Granularity: overall, investment grade and high yield
Sub-ordinated debt indices	Sub-indices for bank capital	T1, LT2, AT1, T2 and T2 dated, T2 perpetual
	Sub-indices excluding contingent convertibles	Overall, non-sovereigns, corporates & financials

The following additional sub-indices are introduced as well:

Category	New indices
Small country rating breakdown	Investment grade and high yield corporates sub-indices across all economies
Covered sub-indices	Overall and maturity indices for covered bonds
Financials ex-Real Estate	New sub-indices covering traditional financials. Overall index and investment grade and high yield breakdown Country level indices (overall, investment Grade and high Yield) for China and Hong Kong

The indices will be available from 1 February 2018 and will carry historical data from 31 December 2005 onwards.

Other Asian iBoxx Indices

Hang Seng Markit iBoxx Offshore RMB Bond Indices

No changes.

iBoxx SGD Indices

As part of the 2017 iBoxx Asian Annual Index Review, IHS Markit will introduce additional maturity sub-indices for the iBoxx SGD Overall covering the 1-3, 3-5, 5-7, 7-10, 10-15, 3+, 10+ and 15+ maturity segments effective 30 November 2017.