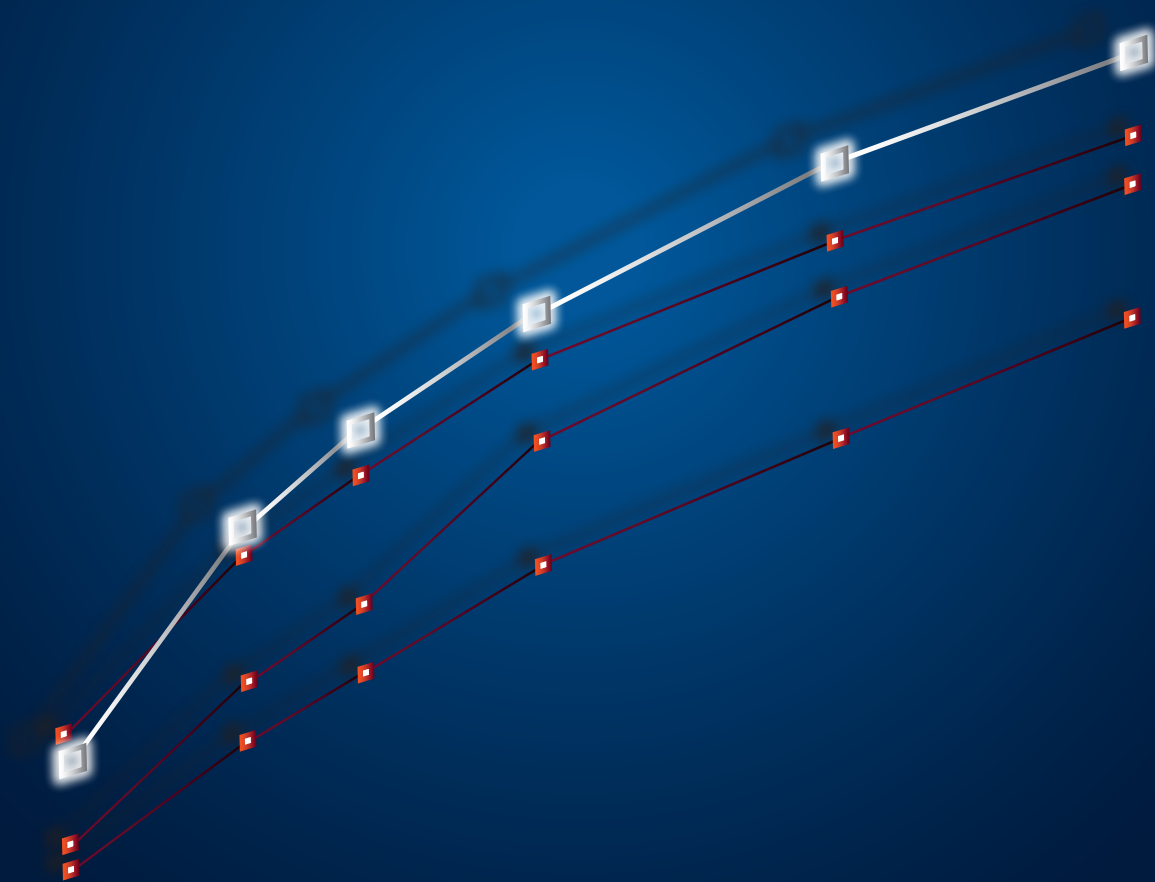


# ABM SUMMER ISSUE



# Bond Market Developments in the First Quarter of 2010

## Size and Composition

**The total amount of bonds outstanding in emerging East Asia's local currency (LCY) market at the end of 1Q10 rose to USD4.6 trillion, a year-on-year (y-o-y) increase of 17.1%.**

The total amount of bonds outstanding in emerging East Asia's LCY bond market grew by 17.1% y-o-y in 1Q10 to reach USD4.6 trillion (**Table 1**). However, y-o-y growth excluding the People's Republic of China (PRC) was lower at 12.4%. This was mainly due to a sharply lower 6.6% y-o-y growth rate for the bond market in the Republic of Korea (Korea), which is the second largest bond market in emerging East Asia. Furthermore, the Philippine and Malaysian markets grew by broadly similar rates of 11.1% and 11.0%, respectively, while Viet Nam's market had the lowest growth rate in the region at 3.4% y-o-y (**Figure 1**). Besides the PRC, the three markets that made the greatest contribution in 1Q10 to the 17.1% y-o-y growth rate for the emerging East Asian market as a whole were Hong Kong, China (53.3%); Thailand (18.1%); and Singapore (17.8%).

The quarter-on-quarter (q-o-q) growth rate in 1Q10 for emerging East Asia's LCY bond market was at 2.3%, and represented a decline from 4.4% q-o-q growth in 4Q09. The individual LCY bond markets with the highest q-o-q growth rates in 1Q10 were Hong Kong, China (7.8%); Indonesia (6.0%); Singapore (5.2%); and Thailand (4.7%). The bond markets of Korea and Viet Nam recorded negative growth rates in 1Q10 on a q-o-q basis. The slowdown in 1Q10 for the region's LCY bond market as a whole, however, was primarily the result of a negative q-o-q growth rate of -0.7% for the region's corporate bond market, which was impacted by the sharp 9.0% q-o-q decline of the Korean LCY corporate bond market as well as a slowdown in the q-o-q growth rate of the PRC corporate bond

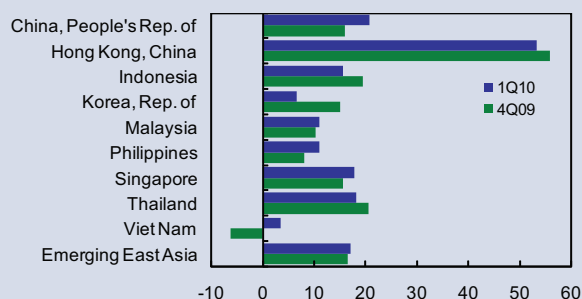
market. The PRC corporate bond market's q-o-q growth rate fell from 12.5% in 3Q09 and 13.6% in 4Q09 to 8.2% in 1Q10. Finally, total bonds outstanding in emerging East Asia—measured as a percentage of gross domestic product (GDP)—fell to 57.4% in 1Q10 from 58.0% in 4Q09. This is still higher than the 53.1% in 1Q09 (**Table 2**).

## Issuance

**LCY bond issuance in emerging East Asia in 1Q10 totaled USD1.07 trillion, an 80.1% y-o-y increase over issuance in 1Q09.**

Central bank issuance for 1Q10 in emerging East Asia was USD774 billion, or 72.3% of

**Figure 1: Growth of Emerging East Asian Local Currency Bond Markets in 4Q09 and 1Q10 (y-o-y %)**



y-o-y = year on year.

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from local currency (LCY) base and do not include currency effects.
3. Emerging East Asia growth figure is based on end-December 2009 currency exchange rates and do not include currency effects.

Source:

China, People's Republic of (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Indonesia Stock Exchange and Bank Indonesia); Korea, Republic of (Bank of Korea and *KoreaBondWeb*); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Singapore Government Securities, Monetary Authority of Singapore, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

**Table 1: Size and Composition of Emerging East Asian Local Currency Bond Markets**

	1Q09		4Q09		1Q10		Growth Rate (LCY-base %)			
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	1Q09		1Q10	
							q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of (PRC)										
Total	2,192	100.0	2,567	100.0	2,648	100.0	(0.9)	13.1	3.1	20.7
Government	1,899	86.6	2,113	82.3	2,157	81.4	(2.9)	8.0	2.1	13.5
Corporate	293	13.4	454	17.7	492	18.6	14.7	63.2	8.2	67.5
Hong Kong, China										
Total	101	100.0	144	100.0	155	100.0	9.7	8.1	7.8	53.3
Government	28	27.9	70	48.3	80	51.8	38.8	52.8	15.7	185.1
Corporate	73	72.1	74	51.7	75	48.2	1.4	(2.8)	0.5	2.4
Indonesia										
Total	73	100.0	98	100.0	108	100.0	9.5	7.6	6.0	15.6
Government	67	91.4	89	90.5	98	90.6	10.4	10.0	6.2	14.6
Corporate	6	8.6	9	9.5	10	9.4	0.4	(12.8)	4.2	25.8
Korea, Rep. of										
Total	796	100.0	1,021	100.0	1,027	100.0	5.9	10.3	(1.9)	6.6
Government	365	45.8	446	43.7	490	47.8	7.4	5.5	7.2	11.2
Corporate	432	54.2	575	56.3	536	52.2	4.6	14.6	(9.0)	2.7
Malaysia										
Total	160	100.0	185	100.0	199	100.0	1.3	0.8	2.0	11.0
Government	88	55.1	101	54.6	111	55.9	2.8	(6.4)	4.4	12.7
Corporate	72	44.9	84	45.4	88	44.1	(0.4)	11.2	(0.9)	9.0
Philippines										
Total	56	100.0	63	100.0	66	100.0	0.1	7.8	2.9	11.1
Government	51	91.2	56	87.9	58	88.1	(0.9)	5.1	3.1	7.3
Corporate	5	8.8	8	12.1	8	11.9	11.9	49.2	1.5	51.0
Singapore										
Total	124	100.0	150	100.0	159	100.0	3.3	2.5	5.2	17.8
Government	71	57.4	88	58.7	90	57.0	3.4	4.6	2.3	17.0
Corporate	53	42.6	62	41.3	68	43.0	3.0	(0.3)	9.4	18.9
Thailand										
Total	147	100.0	177	100.0	191	100.0	6.8	6.5	4.7	18.1
Government	119	80.5	141	79.8	153	80.4	8.1	5.6	5.4	17.9
Corporate	29	19.5	36	20.2	38	19.6	1.8	10.6	2.0	19.0
Viet Nam										
Total	12	100.0	12	100.0	11	100.0	(9.7)	4.9	(0.3)	3.4
Government	11	95.4	11	92.6	11	92.6	(10.1)	3.5	(0.3)	0.4
Corporate	0.5	4.6	0.9	7.4	0.8	7.4	0.0	44.9	0.0	66.8
Total Emerging Asia										
Total	3,661	100.0	4,417	100.0	4,564	100.0	1.8	10.7	2.3	17.1
Government	2,698	73.7	3,114	70.5	3,249	71.2	0.1	7.1	3.5	15.0
Corporate	963	26.3	1,303	29.5	1,315	28.8	6.3	21.5	(0.7)	22.7
Less PRC:										
Total	1,470	100.0	1,850	100.0	1,916	100.0	5.3	7.8	1.0	12.4
Government	800	54.4	1,001	54.1	1,093	57.0	6.9	5.4	6.4	18.1
Corporate	670	45.6	849	45.9	823	43.0	3.5	10.8	(5.3)	5.8
Japan										
Total	8,700	100.0	9,608	100.0	9,754	100.0	0.1	0.2	1.8	5.4
Government	7,811	89.8	8,645	90.0	8,797	90.2	(0.0)	0.1	2.1	5.9
Corporate	889	10.2	963	10.0	957	9.8	1.2	1.8	(0.4)	1.2

q-o-q = quarter-on-quarter; y-o-y = year-on-year.

Notes:

1. For Singapore, corporate bonds outstanding quarterly figures are based on AsianBondsOnline estimates.
2. Corporate bonds include issues by financial institutions.
3. Bloomberg, LP end-of-period LCY—USD rates are used.
4. For LCY base, total emerging East Asia growth figures are based on end-December 2009 currency exchange rates and do not include currency effects.
5. Emerging East Asia comprises China, People's Republic of; Hong Kong, China; Indonesia; Korea, Republic of; Malaysia; Philippines; Singapore; Thailand; and Viet Nam.

Source:

China, People's Republic of (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Indonesia Stock Exchange and Bank Indonesia); Korea, Republic of (Bank of Korea and *KoreaBondWeb*); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Singapore Government Securities, Monetary Authority of Singapore and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

**Table 2: Size and Composition of Emerging East Asian Local Currency Bond Markets (% of GDP)**

	1Q09	4Q09	1Q10
<b>China, People's Rep. of</b>			
<b>Total</b>	47.3	51.5	51.3
Government	41.0	42.4	41.8
Corporate	6.3	9.1	9.5
<b>Hong Kong, China</b>			
<b>Total</b>	47.7	68.4	72.2
Government	13.3	33.1	37.4
Corporate	34.4	35.4	34.8
<b>Indonesia</b>			
<b>Total</b>	16.5	16.6	17.0
Government	15.1	15.0	15.4
Corporate	1.4	1.6	1.6
<b>Korea, Rep. of</b>			
<b>Total</b>	106.4	111.3	106.4
Government	48.7	48.6	50.8
Corporate	57.7	62.6	55.6
<b>Malaysia</b>			
<b>Total</b>	80.9	93.5	91.7
Government	44.6	51.0	51.3
Corporate	36.3	42.4	40.4
<b>Philippines</b>			
<b>Total</b>	36.0	37.9	38.0
Government	32.9	33.3	33.5
Corporate	3.2	4.6	4.5
<b>Singapore</b>			
<b>Total</b>	70.5	79.6	80.7
Government	40.5	46.7	46.1
Corporate	30.0	32.9	34.7
<b>Thailand</b>			
<b>Total</b>	58.2	65.2	65.5
Government	46.9	52.1	52.7
Corporate	11.3	13.1	12.9
<b>Viet Nam</b>			
<b>Total</b>	13.7	13.2	12.8
Government	13.0	12.2	11.8
Corporate	0.6	1.0	1.0
<b>Total Emerging East Asia</b>			
<b>Total</b>	53.1	58.0	57.4
Government	39.1	40.9	40.9
Corporate	14.0	17.1	16.5
<b>Japan</b>			
<b>Total</b>	174.9	188.7	191.5
Government	157.0	169.8	172.7
Corporate	17.9	18.9	18.8

**Note:**

1. Data for GDP is from CEIC.

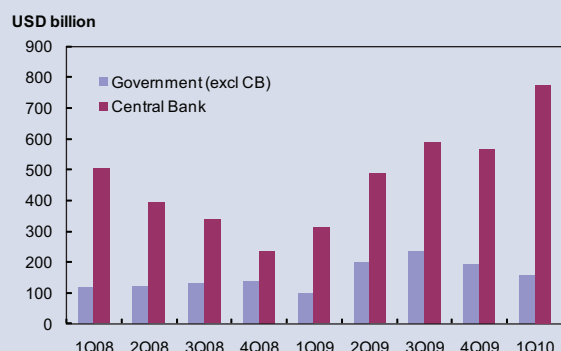
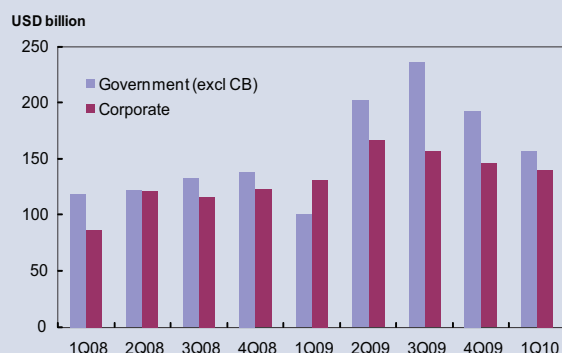
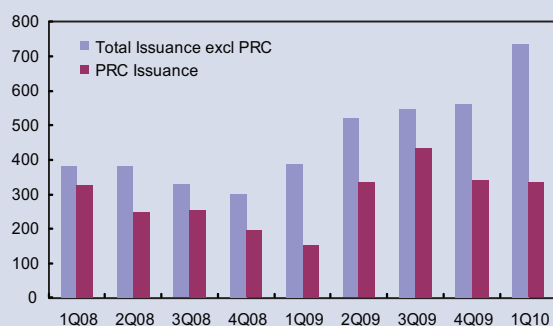
## Source:

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total issuance for the quarter. Government bond issuance—defined to exclude issuance by central banks and monetary authorities—was USD157 billion, or 14.6% of the total, and corporate bond issuance was USD140 billion, or 13.1% of the total. Government bond issuance (excluding central banks and monetary authorities) grew by 42.3% y-o-y in 1Q10, while central bank issuance grew at a much faster rate of 127.5%. Corporate bond issuance for the region as a whole fell 2.8% y-o-y in 1Q10. Of the total USD774 billion in central bank issuance in the region in 1Q10, 71% originated in the PRC and Hong Kong, China (**Appendix 1**).

Issuance by government entities (excluding central banks and monetary authorities) in 1Q10 was driven mainly by government bond issuance in the PRC, which grew 138.7% y-o-y. Indonesia and Viet Nam also reported very high growth rates for government bond issuance of 65.5% and 690.5%, respectively, albeit from a relatively small base. Korean government bond issuance expanded 17.9% y-o-y in 1Q10, which was down significantly from a growth rate of 25.6% in 4Q09. Finally, LCY government bond issuance growth rates fell on a yearly basis in Malaysia, the Philippines, and Thailand in 1Q10 by 24.2%, 1.8%, and 19.6%, respectively. Many of the trends described above are summarized in **Figure 2a**, which compares annual issuance by central banks and government entities (excluding central banks and monetary authorities); **Figure 2b**, which compares issuance by governments (excluding central banks and monetary authorities) and corporates; and **Figure 2c**, which compares total issuance in the region with issuance by entities in the PRC.

LCY corporate bond issuance in the PRC grew by only 7.1% y-o-y in 1Q10, compared with 24.9% in 4Q09, while issuance in the next two largest LCY corporate bond markets, Korea and Malaysia, fell by 11.6% and 39.4% y-o-y, respectively. Even corporate bond issuance in the Philippines, which had been growing almost exponentially last year, fell by 85.1% y-o-y in 1Q10. On the other hand, corporate bond issuance in Indonesia rose by 270% y-o-y in 1Q10 and by 328% y-o-y in Singapore in

**Figure 2a: Government and Central Bank Bond Issuance**<sup>1</sup>**Figure 2b: Government (excluding Central Bank) and Corporate Bond Issuance**<sup>1</sup>**Figure 2c: Total Local Currency Bond Issuance**

CB = Central Bank, PRC = People's Republic of China.

<sup>1</sup> These data include both bonds and bills issued by governments and central banks as well as commercial paper issued by corporate entities.

Source:

China, People's Republic of (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Indonesia Debt Management Office, Bank Indonesia, and Bloomberg LP); Korea, Republic of (Bank of Korea and *KoreaBondWeb*); Malaysia (Bloomberg LP); Philippines (Bloomberg LP); Singapore (Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

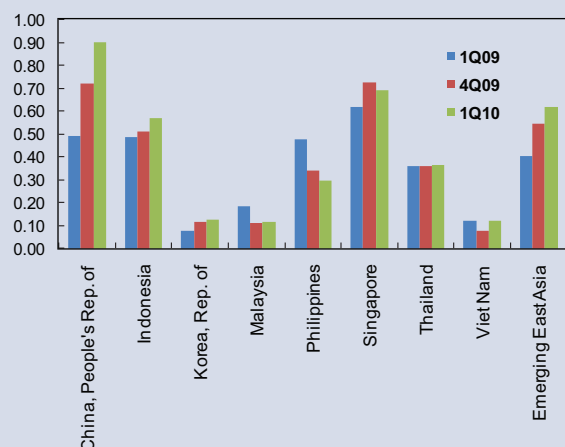
1Q10. The decline of corporate issuance growth in several of these markets reflected a slowdown in government economic stimulus programs, given the heavy corporate involvement in infrastructure and energy, which have been important focal points for economic stimulus programs in the region over the last year.

## Money Market Trends and Bills-To-Bonds Ratios

**The bills-to-bonds ratio for most emerging East Asian markets rose in 1Q10 from 4Q09, mainly due to a rise in the ratio of central bank bills to bonds.**

Total bills-to-bonds ratios rose for most emerging East Asian markets in 1Q10 (**Figure 3**). This trend reflected very high growth rates for central bank bills on both a y-o-y and q-o-q basis in most markets that issue central bank bills, including the PRC; Hong Kong, China; Indonesia; Korea; and Thailand. The rise in the central-bank-bills-to-bonds ratio was most dramatic in the PRC, where it rose from 3.34 in 4Q09 to 9.88 in 1Q10. The only market to see an overall decline in its growth rate for central bank bills in 1Q10 was Malaysia, where the stock of central bank bills fell by 27.1% y-o-y (**Appendix 2**).

The region's overall ratio of treasury bills to treasury bonds was virtually unchanged on a q-o-q basis at 0.14 in 4Q09, but then declined in 1Q10, as governments in the region began easing up on their fiscal stimulus programs. The sharp rise of the central-bank-bills-to-bonds ratio in 4Q09 and 1Q10 suggests that central banks and monetary authorities in the region stepped up sterilization efforts as their economies and export sectors recovered, resulting in a new wave of investment inflows.

**Figure 3: Total Bills-to-Bonds Ratios****Note:**

Total bills comprise central bank bills plus treasury bills. Bonds comprise long-term bonds (more than 1 year in maturity) issued by central governments and central banks.

Source: AsianBondsOnline.

## Bond Yield Curves

**Yield curves on LCY government bonds in emerging East Asia have generally flattened since the end of 2009.**

Demand for the safety of LCY government bonds has risen and yields on these bonds are falling (**Figure 4**), although the exact path of the overall compression of yields in 1Q10 differed from market to market:

- (i) Government bond yield curves for the PRC, Malaysia, and Thailand flattened from the belly to the long end of the curve. The Philippine curve flattened very slightly at its longer end.
- (ii) The Indonesian curve also flattened from the short end up to the 10-year maturity, but steepened modestly for maturities beyond 10 years.
- (iii) The yield curves for Hong Kong, China and Korea have simply shifted downward, except at their very short ends.

(iv) Yields for the Singapore bond market actually steepened from the very short end to the belly of the curve, while flattening at the very long end of the curve.

(v) The Vietnamese yield curve also steepened at the very short end, but steepened modestly from the belly to the long end so that the negative sloping curve at year end-2009 rose to an almost horizontal position.

This underlying trend of overall declining yields since the end of 2009 has resulted in a decline in the yield spread between 2- and 10-year government bonds in most emerging East Asian bond markets in 2010 (**Figure 5**).

## Foreign Holdings

**Foreign investors' holdings in the region's bond markets are rising.**

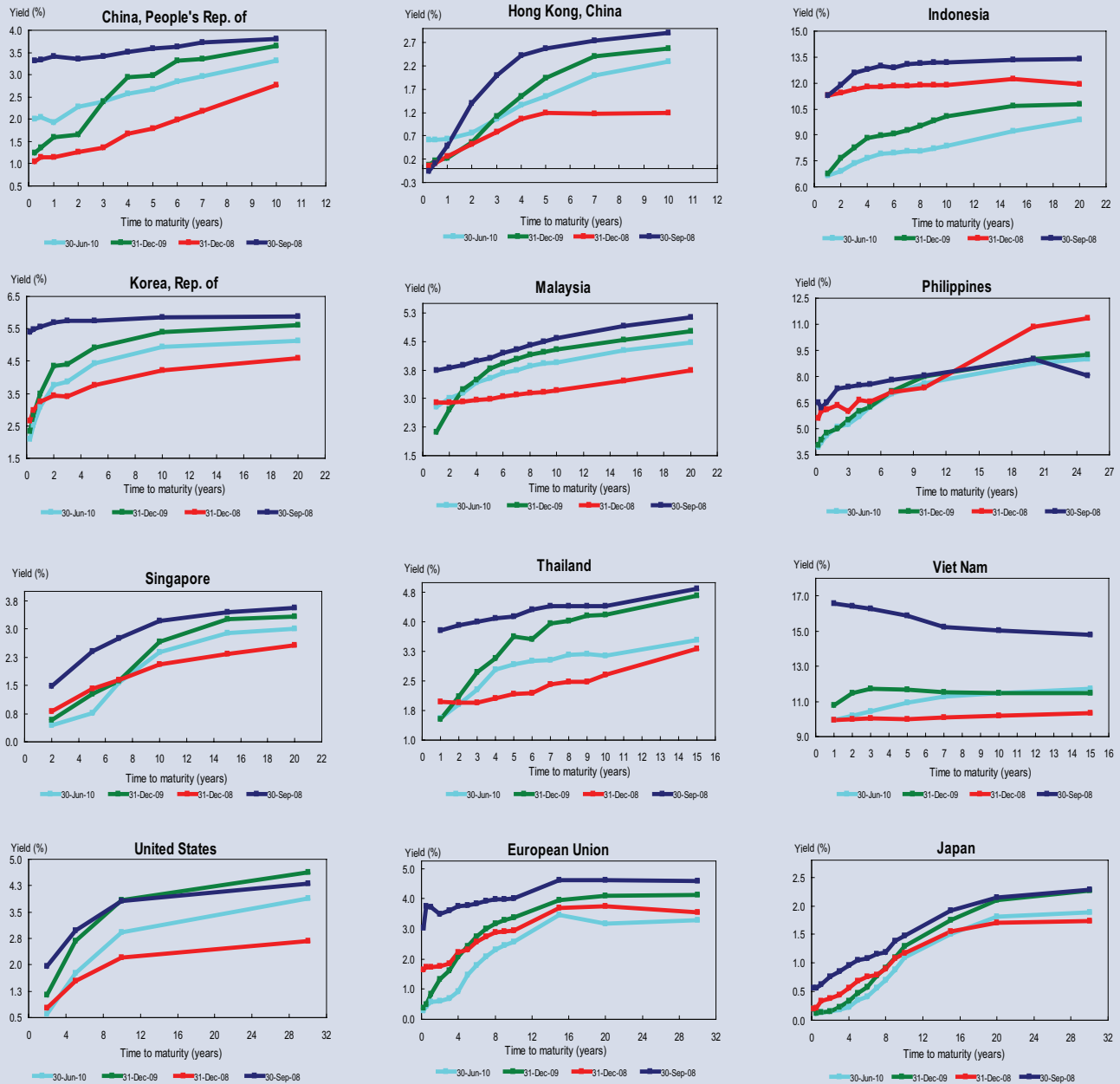
Foreign investors have increased their share in the region's bond markets to (i)participate in the region's growth, (ii)benefit from the likelihood that Asian currencies will appreciate in 2010, and (iii)receive higher returns in some markets such as Indonesia (**Figure 6**).

## Foreign Currency Bonds

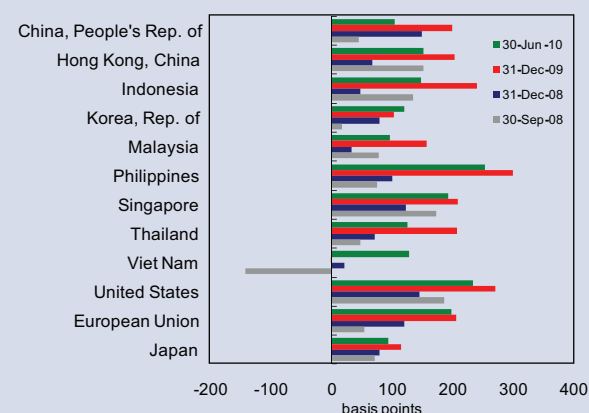
**Foreign currency (FCY) bonds outstanding in emerging East Asia at the end of 1Q10 totaled USD268 billion, a 6.7% increase over 4Q09.**

The largest market for FCY bonds in emerging East Asia remains Korea, with total bonds outstanding in the Korean market amounting to USD77 billion. Korea accounted for 28.9% of the region's total FCY market at the end of 1Q10 (**Table 4**), as the Korean market grew by 24.5% y-o-y in 1Q10. Government bonds accounted for only 12.8% of total FCY bonds in Korea, bonds issued by banks and other financial institutions amounted to 42.7%, and the corporate share was the highest portion of the total market at 44.5%. The next



**Figure 4: Benchmark Yield Curves—Local Currency Bonds**

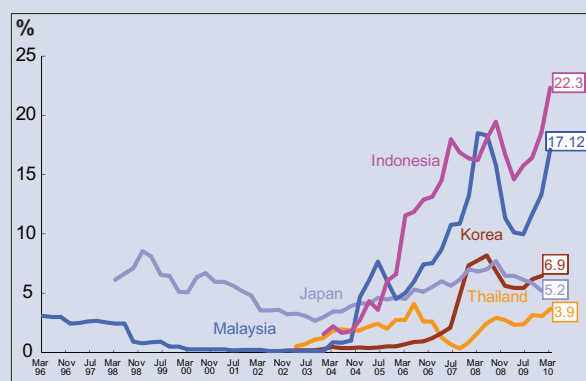
Source: Based on data from Bloomberg LP.

**Figure 5: Yield Spread Between the 2- and 10-Year Government Bonds**

Source: Based on data from Bloomberg LP.

markets in 1Q10 were Malaysia and Indonesia at USD24 billion and USD21 billion, respectively. Of these two markets, Indonesia had the higher y-o-y growth rate in 1Q10 at 31.5%. While the Indonesian government's FCY bonds outstanding grew by 21.3% y-o-y, FCY corporate bonds outstanding in Indonesia grew by 178.2% in a case of very rapid growth from a small base. As a result, Indonesia's FCY corporate bonds outstanding reached USD3 billion in 1Q10.

In East Asia as a whole, new issuance in G3 currencies reached USD15.1 billion in 1Q10 and added an additional USD6.8 billion in April and May for a total of USD21.9 billion for the first 5 months of 2010 (**Table 5**).

**Figure 6: Foreign Holdings of Local Currency Government Bonds (% of Total)**

Note: Data for the Republic of Korea and Japan as of December 2009. Source: AsianBondsOnline.

three largest FCY markets in 1Q10 were the PRC at USD46 billion (17.1% of the total emerging East Asian FCY bond market); the Philippines at USD39 billion (14.5% of the total emerging East Asian FCY bond market) and Singapore at USD33 billion (12.2%).

The Philippine FCY market consists mostly of government bonds, although the corporate sector has been growing rapidly from a small base. The Singapore market consists of bonds issued by banks, other financial institutions, and corporates. The next two largest FCY bond

## Bond Market Returns

**Returns on LCY government bonds for most markets have declined since the end of 2009, reflecting the flight-to-safety behavior of investors.**

The Asian Bond Fund (ABF) Pan-Asian Bond Index (**Table 6**) rose to 5.0% at the end of 2009 from 4.14% at the end of 2008, and was much higher than the almost negligible return of 0.15% for the first half of 2009. In 2010, however, the ABF Index has expanded at a much slower rate, with growth falling to 3.27% for 1Q10 and before rising modestly to 4.44% for the 6-month period between January and end-June.

The returns of the ABF Index thus far in 2010 are modestly positive, compared with the overall negative returns of Asia's equity markets (**Table 7**). The only examples of positive equity market returns in the first half of 2010 were Indonesia, Malaysia, the Philippines, and Thailand. Of these markets, Indonesia and Thailand were two of the strongest performers in the ABF Index.



**Table 4: FCY-Denominated Bonds Outstanding** (USD billion)

	1Q09	% share	4Q09	% share	1Q10	% share
<b>China, People's Rep. of (PRC)</b>						
<b>Total</b>	39	100.0	43	100.0	46	100.0
Government	16	40.3	15	34.3	15	32.3
Banks and FIs	5	13.2	6	13.8	6	13.7
Corporate	18	46.5	22	51.9	25	53.9
<b>Hong Kong, China</b>						
<b>Total</b>	15	100.0	17	100.0	19	100.0
Government	2	10.7	2	9.6	2	8.4
Banks and FIs	10	64.5	12	69.2	15	78.2
Corporate	4	24.8	4	21.3	3	13.4
<b>Indonesia</b>						
<b>Total</b>	16	100.0	19	100.0	21	100.0
Government	14	88.8	15	81.2	17	81.9
Banks and FIs	1	4.0	1	3.4	1	2.8
Corporate	1	7.2	3	15.3	3	15.3
<b>Korea, Rep. of</b>						
<b>Total</b>	62	100.0	75	100.0	77	100.0
Government	6	9.9	10	12.8	10	12.8
Banks and FIs	24	38.7	30	40.5	33	42.7
Corporate	32	51.4	35	46.7	34	44.5
<b>Malaysia</b>						
<b>Total</b>	20	100.0	22	100.0	24	100.0
Government	4	19.3	2	7.9	2	7.4
Banks and FIs	6	29.7	6	25.5	6	24.1
Corporate	10	51.0	15	66.6	16	68.5
<b>Philippines</b>						
<b>Total</b>	33	100.0	38	100.0	39	100.0
Government	30	90.4	34	90.5	35	89.3
Banks and FIs	0	1.0	1	1.7	1	2.0
Corporate	3	8.6	3	7.8	3	8.7
<b>Singapore</b>						
<b>Total</b>	33	100.0	30	100.0	33	100.0
Government	0	0.0	0	0.0	0	0.0
Banks and FIs	17	51.8	18	59.5	19	58.5
Corporate	16	48.2	12	40.5	14	41.5
<b>Thailand</b>						
<b>Total</b>	8	100.0	7	100.0	6	100.0
Government	1	19.3	1	19.6	1	17.5
Banks and FIs	2	29.8	2	24.0	2	24.2
Corporate	4	50.9	4	56.4	4	58.3
<b>Viet Nam</b>						
<b>Total</b>	1	100.0	2	100.0	3	100.0
Government	1	100.0	2	94.7	3	96.4
Banks and FIs	0	0.0	0	0.0	0	0.0
Corporate	0	0.0	0	5.3	0	3.6
<b>Total Emerging East Asia</b>						
<b>Total</b>	228	100.0	251	100.0	268	100.0
Government	74	32.7	80	31.9	84	31.3
Banks and FIs	65	28.7	74	29.4	82	30.6
Corporate	88	38.6	97	38.7	102	38.1
<b>Less PRC:</b>						
<b>Total</b>	189	100.0	208	100.0	222	100.0
Government	59	31.1	65	31.4	69	31.1
Banks and FIs	60	31.9	68	32.6	76	34.1
Corporate	70	37.0	75	36.0	77	34.8

FCY = foreign currency, FIs = financial institutions

Note: For PRC, FCY bond data includes offshore issuance.

Source: Indonesia Debt Management Office for Indonesian FCY government bonds; and Bloomberg LP.

**Table 5: G3 Currency Bond Issuance** (January 2010 to May 2010)

Issued in 1Q10			Issued between 01 April and 31 May 2010		
Issuer	USD million	Issue Date	Issuer	USD million	Issue Date
<b>China, People's Rep. of</b>	<b>750</b>		<b>China, People's Rep. of</b>	<b>300</b>	
Evergrande 13% 2015	750	27-Jan-10	Yanlord Land 9.5% 2017	300	4-May-10
<b>Hong Kong, China</b>	<b>2,336</b>		<b>Hong Kong, China</b>	<b>916</b>	
Bank of China (Hong Kong) 5.55% 2020	1,600	11-Feb-10	Bank of China (Hong Kong) 5.55% 2020	900	19-Apr-10
CLP Power 4.75% 2020	500	19-Mar-10	Others	16	
Others	236				
			<b>Indonesia</b>	<b>521</b>	
<b>Indonesia</b>	<b>3,585</b>		Sigma Capital 9.0% 2015	271	11-May-10
Indonesia Sovereign 5.875% 2020	2,000	19-Jan-10	Bakrie Telecom 11.5% 2015	250	7-May-10
Star Energy 11.5% 2015	350	12-Feb-10			
Cikarang Listrindo 9.25% 2015	300	29-Jan-10	<b>Korea, Rep. of</b>	<b>3,827</b>	
Garuda 0.0% 2018	289	21-Jan-10	Hana Bank 4.5% 2015	500	30-Apr-10
Others	645		Hynix Semiconductor 2.65% 2015	500	14-May-10
			Hyundai Motor 4.5% 2015	500	15-Apr-10
<b>Korea, Rep. of</b>	<b>4,498</b>		Woori Bank 4.5% 2015	500	7-Apr-10
Export-Import Bank of Korea 4.125% 2015	1,000	9-Mar-10	Korea Resources 4.125% 2015	300	19-May-10
Korea Development Bank 4.375% 2015	750	10-Feb-10	Korea Hydro & Nuclear Power 1.36469% 2013	200	20-May-10
Shinhan Bank 4.375% 2015	700	15-Mar-10	Korea Water Resources 1.25313% 2013	130	6-May-10
Industrial Bank of Korea 4.375% 2015	350	4-Feb-10	Others	1,197	
Kookmin Bank (Samurai) 1.9% 2012	285	3-Feb-10			
Korea Gas 1.60194% 2013	150	26-Feb-10	<b>Malaysia</b>	<b>300</b>	
Others	1,263		Axiata SPV1 (Labuan) 5.375% 2020	300	28-Apr-10
<b>Malaysia</b>	<b>350</b>		<b>Philippines</b>	<b>350</b>	
YTL Corp. Finance (Labuan) 1.875% 2015	350	18-Mar-10	Philippines Sovereign 2.875% 2013	200	29-Apr-10
			Others	150	
<b>Philippines</b>	<b>2,283</b>				
Philippines Sovereign (Samurai) 2.32% 2020	1,070	2-Mar-10	<b>Singapore</b>	<b>609</b>	
Philippines Sovereign 6.5% 2020	650	13-Jan-10	Capitamall Trust 4.321% 2015	500	8-Apr-10
International Container Terminal 7.375% 2020	250	17-Mar-10	Others	109	
Rizal Commercial Banking Corp 6.25% 2015	250	8-Feb-10			
Land Bank 3.65% 2013	63	16-Feb-10	<b>Emerging East Asia</b>	<b>6,823</b>	
<b>Singapore</b>	<b>89</b>		<b>Memo Item:</b>		
			<b>India</b>	<b>835</b>	
<b>Thailand</b>	<b>200</b>		Bank of Baroda 4.75% 2015	350	7-Apr-10
Export-Import Bank of Thailand 0.9% 2015	200	14-Jan-10	Export-Import Bank of India 4.40% 2015	200	21-Apr-10
			Others	285	
<b>Viet Nam</b>	<b>1,000</b>				
Viet Nam Sovereign 6.75% 2020	1,000	29-Jan-10			
<b>Emerging East Asia</b>	<b>15,090</b>				
<b>Memo Item:</b>					
<b>India</b>	<b>1,856</b>				
Bank of India 4.75% 2015	500	30-Mar-10			
Indian Oil Corp 4.75% 2015	500	22-Jan-10			
Axis Bank 5.25% 2015	350	30-Mar-10			
Others	506				

Source: Compilation from newspaper and wire reports.

**Table 6: iBoxx Asia Bond Fund Index Family Returns**

Market	Modified Duration (years)	2009 Returns (%)		1Q10 Returns (%)		2Q10 Returns (%)	
		LCY Total Return Index	USD Unhedged Total Return Index	LCY Total Return Index	USD Unhedged Total Return Index	LCY Total Return Index	USD Unhedged Total Return Index
China, People's Rep. of	6.06	(0.64)	(0.69)	1.85	1.87	3.18	3.73
Hong Kong, China	3.72	(0.76)	(0.82)	0.48	0.36	2.17	1.79
Indonesia	5.29	20.22	35.61	6.83	10.02	11.80	15.50
Korea, Rep. of	3.60	1.94	9.73	3.37	6.30	4.36	(0.40)
Malaysia	4.63	0.48	1.64	1.34	5.96	2.87	8.15
Philippines	4.13	9.00	11.88	2.42	4.50	4.54	4.27
Singapore	5.28	0.48	3.06	0.11	0.01	3.52	3.68
Thailand	4.96	(3.47)	0.73	2.20	5.09	5.85	8.60
Pan-Asian Index	4.75	—	5.00	—	3.27	—	4.44
HSBC ALBI	8.02	—	6.13	—	3.80	—	4.61
US Govt 1-10 years	3.93	—	(1.38)	—	1.17	—	4.76

— = not applicable, ALBI = Asian Local Bond Index, LCY = local currency, US = United States.

Notes:

1. The Asian Bond Fund (ABF) indices contain only government debt and government-guaranteed debt obligations.

2. Market bond indices are from iBoxx Index Family. 2Q10 returns are year-to-date as of 30 June 2010.

3. Annual return is computed for each year using natural logarithm of end-of-year index value/beginning year index value.

4. Duration is as of 30 June 2010.

Source: *AsianBondsOnline* and Bloomberg/EFFAS for US Government Bond Index.

**Table 7: MSCI Index Returns**

Market	2008 Returns (%)		2009 Returns (%)		2010 YTD Returns (%)	
	LCY terms	USD terms	LCY terms	USD terms	LCY terms	USD terms
China, People's Rep. of	(52.23)	(51.94)	58.89	58.80	(7.29)	(7.68)
Hong Kong, China	(53.16)	(52.88)	55.28	55.20	(4.82)	(5.23)
Indonesia	(50.76)	(57.57)	90.27	120.75	9.62	13.61
Korea, Republic of	(40.62)	(55.87)	56.63	69.42	(0.38)	(5.07)
Malaysia	(40.77)	(43.39)	46.25	47.78	2.04	7.91
Philippines	(46.77)	(53.79)	55.79	60.24	6.00	5.71
Singapore	(49.50)	(49.55)	63.02	67.29	(3.35)	(2.81)
Thailand	(48.72)	(50.34)	63.00	70.04	5.83	8.93
Far East ex-Japan Index	(48.14)	(51.96)	60.32	65.01	(4.80)	(5.62)
MSCI USA	—	(38.58)	—	24.20	—	(7.66)

— = not applicable, LCY= local currency.

Notes:

1. Market indices are from MSCI country indexes. 2010 returns are year-to-date as of 30 June 2010.

2. Far East ex Japan includes: China, People's Republic of; Hong Kong, China; Indonesia; Korea, Rep. of; Malaysia; Philippines; Singapore; Taipei, China; and Thailand.

Source: *AsianBondsOnline* and Bloomberg, LP.

## Policy and Regulatory Developments

### People's Republic of China

#### China Securities Regulatory Commission Issues Rules on Margin Trading

In January, the China Securities Regulatory

Commission (CSRC) issued rules on a pilot program for margin trading and short-selling. According to the regulations, securities companies engaging in margin trading and short selling should have net assets of at least CNY5 billion. Additionally, such firms must have stocks of their own, and must have undergone test runs or trials on the trading network for margin trading and short selling. For the initial phase of the program, the CSRC will

select up to seven domestic brokers from the eleven brokers that were chosen by the CSRC to participate in trial runs in 2008.

### **PRC Stock Index Futures Launched**

In February, the CSRC approved the final regulations to enable trading of stock index futures, including investor eligibility requirements for the opening of trading accounts. The CSRC gave the green light for the contracts to be traded and approved the revised trading rules put forward by the China Financial Futures Exchange, the venue for index futures trading. Applications for futures trading accounts began to be accepted on 22 February. To open such accounts investors are required to have a minimum of CNY500,000 deposited into their accounts. The index futures are based on the CSI 300 Index, which comprises the 300 largest A-shares on the Shanghai and Shenzhen exchanges. Trading of the futures began on 16 April.

## **Hong Kong, China**

### **Hong Kong, China and Indonesia Launch a New Cross-Border Payment-versus-Payment Link**

In February, the Hong Kong Monetary Authority (HKMA) and Bank Indonesia (BI) launched the new cross-border payment-versus-payment link between Hong Kong, China's US dollar real time gross settlement (RTGS) system and Indonesia's rupiah RTGS system. The new link also allows safer and more efficient settlement by eliminating risk arising from the delivery of two currencies in different time zones.

## **Indonesia**

### **BI Holds Monthly Auctions of SBIs**

In June, BI began holding monthly auctions of Sertifikat Bank Indonesia (SBI) instead of on a weekly basis. BI also has extended SBI maturity by issuing long-dated tenors (3-months and 6-months) rather than the popular one-month bills. This new policy pushes banks to manage liquidity

over a longer period and is meant to encourage transactions in the inter-bank money market.

### **Policy Package to Strengthen Monetary Management and Develop Financial Markets**

In June, BI announced a policy package that aims to boost the effectiveness of monetary policy transmission, shore up financial system stability, and encourage financial market deepening. Among the more important measures in this package, BI widened the range of its overnight inter-bank money market rate from 6.0%-7.0% to 5.5%-7.5%, it announced that the net open position holding limit of foreign exchange by banks will be capped at 20% of capital, and effective 7 July a minimum 1-month holding period is required for investors of SBI with 1-month maturities.

## **Republic of Korea**

### **Korea Announces Macro-Prudential Measures to Mitigate Capital Flow Volatility**

In June, the Republic of Korea (Korea) announced macro-prudential measures that aim to curb the volatility of capital flows. These include (i) establishing limits on foreign exchange derivatives contracts of domestic banks and foreign bank branches, (ii) tightening prudential regulations on FCY liquidity of banks, and (iii) tightening regulations on the use of FCY-denominated bank loans. In addition, Korea plans to establish global financial safety nets and an office that will monitor capital flows. These measures are expected to be implemented in mid-July 2010.

### **Amendments to the Enforcement Decree of Korea's FSCMA**

Amendments to the enforcement decree of the Financial Investment Services and Capital Markets Act (FSCMA) were passed at the Vice-Ministerial Meeting held on 3 June. These amendments include (i) raising from 40% to 100% the upper limit on bond funds to reinvest their assets into government exchange traded funds, (ii) prohibiting of executives and employees who are engaged in collective investment businesses to have concurrent

job positions in domestic financial institutions, and (iii) specifying the level of punitive measures affecting the authorization of financial investment institutions.

## Malaysia

### Malaysia's Corporate Debt Restructuring Committee Revises Eligibility Criteria

The Corporate Debt Restructuring Committee (CDRC) has revised its eligibility criteria to allow more companies to seek assistance from the CDRC in restructuring their debt obligations. Under the revised eligibility criteria, companies seeking to resolve their debt obligations under the CDRC must (i) have aggregate indebtedness of MYR30 million or more; (ii) have at least two financial creditors; (iii) not be in receivership or liquidation, except in cases where receivers have been appointed over certain specified assets and the directors remain in control of the company's overall operations; and (iv) be experiencing difficulties in servicing debt obligations, but which may not include having already defaulted.

## Philippines

### BSP Withdraws Crisis Relief Measures

Banko Sentral ng Pilipinas' (BSP) Monetary Board decided to reduce the peso rediscounting budget from PHP60 billion to PHP40 billion effective 15 March. In April, BSP further reduced the peso rediscounting budget from PHP40 billion to the pre-crisis level of PHP20 billion effective 3 May. BSP also decided to restore the pre-crisis guidelines relating to access to the rediscounting facility, such as restoring the loan value of all eligible rediscounting papers to 80% from 90%, and reverting to the pre-crisis nonperforming loan (NPL) ratio requirement for access to the facility of 2 percentage points, instead of 10, above the industry average.

### Philippine SEC Approves Implementing Rules for new REIT Law

The Philippine Securities and Exchange Commission (SEC) approved on 13 May the implementing

rules and regulations of Republic Act 9856, or the Real Estate Investment Trust (REIT) Act of 2009. REIT seeks to promote the development of capital markets, broaden the participation of Filipinos in the ownership of real estate companies in the Philippines, use capital markets as an instrument to help finance and develop infrastructure projects, and protect the investing public.

## Singapore

### Amendments to Singapore's Government Securities Act Provides More Power to MAS

On 11 January, the Parliament passed the Government Securities (Amendment) Bill 2009 to provide the Monetary Authority of Singapore (MAS) more regulatory powers and the flexibility to manage the government bond market. When in force, the bill will provide MAS with regulatory powers over the primary dealers of bonds, namely, the power to inspect, suspend, and revoke the appointments of primary dealers. The amendment will authorize MAS to redeem its Singapore Government Securities (SGS) before maturity at market price, if it deems necessary. MAS will also be allowed to enter into securities lending arrangements involving SGS with primary dealers. The amount MAS can lend, however, is limited to its own holdings. When MAS holdings are not enough to meet primary dealers' demand for SGS, the government can issue new SGS to MAS, which MAS can lend on an overnight basis.

## Thailand

### PDMO Plans Further Development of Thai Bond Market

The Public Debt Management Office of Thailand (PDMO) plans to increase liquidity in the Thai government bond market, particularly for 5- and 10-year bonds, to help establish a benchmark for the market. PDMO also plans to develop the longer end of the yield curve by issuing 20- and 30- year bonds. PDMO will continue to issue public savings bonds and plans to issue index-linked bonds and floating rate notes.

### **SEC Approval and Credit Rating Required From State Enterprises and Government Agencies**

The Securities and Exchange Commission (SEC) of Thailand released a regulation that requires state enterprises and government agencies to secure SEC approval and a credit rating before issuing bonds. This is the same rule private companies comply with when issuing debt instruments. The Thai Finance Ministry has been reducing the financial dependency of state enterprises and state agencies on the central government by trimming down guaranteed debts and encouraging them to take responsibility for their own financing instead of relying on the government.

one and a half times the benchmark rate. However, several banks have been demanding higher rates than the cap of 12%. The deregulation caused rates to increase to an average of 16%–18% per annum, and as high as 20% in some cases.

### **Thai SEC Allows FX Bonds**

Thailand's SEC has approved in principle the issuance of FCY-denominated bonds by both Thai and foreign issuers to domestic investors. Existing rules allow only foreign issuers to issue USD bonds to Thai commercial banks. Issuers are keen on issuing USD bonds domestically as this helps lower the cost of funding. Among these issuers are PTT Exploration and Production, Bangkok Bank, and Siam Commercial Bank.

## **Viet Nam**

### **Viet Nam's Tax on Foreign Investors Rises in June**

The Finance Ministry of Viet Nam amended Circular No 134/2008/TT-BTC, issued on 31 December 2008, on guiding the implementation of tax payment of foreign institutions and individuals doing business in Viet Nam. Effective 7 June 2010, foreign investors were made subject to a 10% income tax on interest derived from certificates of deposit (CDs) and bonds, except government bonds.

### **SBV Deregulates Interest Rates**

The State Bank of Viet Nam (SBV) released a circular in April removing the interest rate caps on loans by commercial banks, allowing them to lend at negotiated or market interest rates. Previous regulations had capped interest rates on loans at



## Appendix 1: LCY-Denominated Bond Issuance (Gross)

	LCY billion		USD billion		Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	1Q10	% share	1Q10	% share	1Q10		1Q10	
					q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of (PRC)								
Total	2,287	100.0	335	100.0	(2.6)	118.5	(2.5)	118.7
Government	1,886	82.5	276	82.5	0.5	180.5	0.5	180.8
Central Bank	1,427	62.4	209	62.4	30.0	197.3	30.0	197.6
Treasury and Other Govt	459	20.1	67	20.1	(41.0)	138.7	(41.0)	139.0
Corporate	401	17.5	59	17.5	(14.8)	7.1	(14.8)	7.2
Hong Kong, China								
Total	2,693	100.0	347	100.0	56.2	306.7	55.9	305.9
Government	2,646	98.2	341	98.2	56.7	333.8	56.5	333.0
Central Bank	2,640	98.0	340	98.0	56.5	332.9	56.3	332.0
Treasury and Other Govt	6	0.2	1	0.2	200.0	—	199.6	—
Corporate	47	1.8	6	1.8	30.2	(9.5)	30.0	(9.7)
Indonesia								
Total	746,556	100.0	82	100.0	21.7	68.4	26.9	116.6
Government	738,414	98.9	81	98.9	23.0	67.4	28.2	115.3
Central Bank	689,620	92.4	76	92.4	17.7	67.5	22.7	115.5
Treasury and Other Govt	48,795	6.5	5	6.5	239.1	65.5	253.4	112.9
Corporate	8,141	1.1	1	1.1	(36.3)	270.1	(33.7)	376.1
Korea, Rep. of								
Total	184,027	100.0	163	100.0	10.9	9.4	13.6	32.3
Government	115,247	62.6	102	62.6	10.2	27.6	12.9	54.3
Central Bank	83,830	45.6	74	45.6	7.2	31.7	9.8	59.3
Treasury and Other Govt	31,417	17.1	28	17.1	19.3	17.9	22.2	42.5
Corporate	68,780	37.4	61	37.4	12.1	(11.6)	14.8	6.8
Malaysia								
Total	68	100.0	21	100.0	(11.3)	(28.8)	(6.5)	(20.4)
Government	56	82.3	17	82.3	7.6	(26.0)	13.5	(17.3)
Central Bank	35	52.0	11	52.0	6.5	(27.1)	12.2	(18.5)
Treasury and Other Govt	21	30.3	6	30.3	9.7	(24.2)	15.7	(15.3)
Corporate	12	17.7	4	17.7	(51.3)	(39.4)	(48.7)	(32.3)
Philippines								
Total	298	100.0	7	100.0	113.9	(10.2)	118.2	(4.2)
Government	293	98.3	6	98.3	200.4	(1.8)	206.4	4.8
Central Bank	0	0.0	0	0.0	—	—	—	—
Treasury and Other Govt	293	98.3	6	98.3	200.4	(1.8)	206.4	4.8
Corporate	5	1.7	0.1	1.7	(88.0)	(85.1)	(87.8)	(84.1)
Singapore								
Total	50	100.0	36	100.0	(11.9)	22.7	(11.5)	33.5
Government	45	89.7	32	89.7	(17.5)	13.4	(17.1)	23.4
Central Bank	0	0.0	0	0.0	—	—	—	—
Treasury and Other Govt	45	89.7	32	89.7	(17.5)	13.4	(17.1)	23.4
Corporate	5	10.3	4	10.3	115.6	327.9	116.5	365.7
Thailand								
Total	2,589	100.0	80	100.0	19.1	(13.7)	22.9	(5.3)
Government	2,388	92.2	74	92.2	24.6	(15.0)	28.6	(6.7)
Central Bank	2,081	80.4	64	80.4	25.4	(14.2)	29.4	(5.9)
Treasury and Other Govt	307	11.9	9	11.9	19.7	(19.6)	23.5	(11.8)
Corporate	201	7.8	6	7.8	(21.9)	4.6	(19.4)	14.7
Viet Nam								
Total	22,926	100.0	1.2	100.0	174.4	690.5	165.7	637.2
Government	22,926	100.0	1.2	100.0	382.1	690.5	366.8	637.2
Central Bank	0	0.0	0.0	0.0	—	—	—	—
Treasury and Other Govt	22,926	100.0	1.2	100.0	382.1	690.5	366.8	637.2
Corporate	0	0.0	0.0	0.0	(100.0)	—	(100.0)	—
Total Emerging East Asia								
Total	—	—	1,071	100.0	17.1	80.1	18.3	96.9
Government	—	—	931	86.9	21.3	106.6	22.5	125.3
Central Bank	—	—	774	72.3	35.1	127.5	36.5	147.8
Treasury and Other Govt	—	—	157	14.6	(19.3)	42.3	(18.7)	55.6
Corporate	—	—	140	13.1	(5.0)	(2.8)	(3.7)	7.1
Less PRC:								
Total	—	—	736	100.0	28.9	66.7	31.0	88.3
Government	—	—	655	88.9	32.9	86.0	35.0	108.0
Central Bank	—	—	565	76.8	37.1	109.3	39.1	133.4
Treasury and Other Govt	—	—	90	12.2	11.7	9.1	13.7	23.3
Corporate	—	—	82	11.1	3.5	(8.9)	6.2	6.9
Japan								
Total	51,202	100.0	548	100.0	7.5	20.7	7.2	28.3
Government	48,101	93.9	515	93.9	10.1	26.8	9.8	34.8
Central Bank	0	0.0	0	0.0	—	—	—	—
Treasury and Other Govt	48,101	93.9	515	93.9	10.1	26.8	9.8	34.8
Corporate	3,101	6.1	33	6.1	(21.4)	(30.9)	(21.6)	(26.5)

— = data not applicable, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Corporate bonds include issues by financial institutions.
2. Bloomberg LP end-of-period LCY—USD rates are used.
3. For LCY-base, total emerging East Asia growth figures are based on end-March 2010 currency exchange rates and do not include currency effects.

Source:

China, People's Republic of (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Indonesia Debt Management Office, Bank Indonesia and Bloomberg LP); Korea, Republic of (Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bloomberg LP); Singapore (Singapore Government Securities and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

## Appendix 2: Government Bills-to-Bonds Ratios in Emerging East Asian Local Currency Bond Markets

	1Q09		4Q09		1Q10		Government Bills-to-Bonds Ratio			Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share				1Q10		1Q10	
							1Q09	4Q09	1Q10	q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of													
TOTAL	1,339.4	100.0	1,400.2	100.0	1,418.6	100.0				1.3	5.8	1.3	5.9
Total Bills	438.4	32.7	588.2	42.0	670.5	47.3	0.49	0.72	0.90	14.0	52.8	14.0	53.0
Treasury Bills	85.0	6.3	111.7	8.0	88.6	6.2	0.14	0.17	0.13	(20.7)	4.2	(20.7)	4.3
Central Bank Bills	353.4	26.4	476.6	34.0	581.9	41.0	1.26	3.34	9.88	22.1	64.5	22.1	64.7
Total Bonds	901.0	67.3	812.0	58.0	748.0	52.7				(7.9)	(17.1)	(7.9)	(17.0)
Treasury Bonds	619.5	46.3	669.4	47.8	689.1	48.6				2.9	11.1	2.9	11.2
Central Bank Bonds	281.5	21.0	142.5	10.2	58.9	4.2				(58.7)	(79.1)	(58.7)	(79.1)
Hong Kong, China													
TOTAL	28.2	100.0	69.6	100.0	80.4	100.0				15.7	185.1	15.5	184.6
Total Bills	19.5	69.0	59.9	86.1	69.9	86.9	2.22	6.18	6.65	16.8	259.2	16.6	258.6
Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	—	—	—	—	—	—	—
Central Bank Bills	19.5	69.0	59.9	86.1	69.9	86.9	2.22	6.66	7.74	16.8	259.2	16.6	258.6
Total Bonds	8.8	31.0	9.7	13.9	10.5	13.1				8.5	20.2	8.4	20.0
Treasury Bonds	0.0	0.0	0.7	1.0	1.5	1.8				109.1	—	108.8	—
Central Bank Bonds	8.8	31.0	9.0	12.9	9.0	11.2				0.6	3.2	0.4	3.0
Indonesia													
TOTAL	66.6	100.0	88.8	100.0	98.2	100.0				6.2	14.6	10.6	47.5
Total Bills	21.7	32.6	30.0	33.8	35.6	36.3	0.48	0.51	0.57	13.9	27.5	18.7	64.0
Treasury Bills	1.8	2.8	2.6	2.9	2.6	2.7	0.04	0.04	0.04	(3.8)	10.4	0.2	42.0
Central Bank Bills	19.9	29.9	27.4	30.9	33.0	33.6	—	—	—	15.5	29.0	20.4	66.0
Total Bonds	44.9	67.4	58.8	66.2	62.6	63.7				2.2	8.4	6.5	39.5
Treasury Bonds	44.9	67.4	58.8	66.2	62.6	63.7				2.2	8.4	6.5	39.5
Central Bank Bonds	0.0	0.0	0.0	0.0	0.0	0.0				—	—	—	—
Korea, Rep. of													
TOTAL	282.1	100.0	373.1	100.0	418.6	100.0				9.5	22.7	12.2	48.4
Total Bills	20.4	7.2	38.1	10.2	46.2	11.0	0.08	0.11	0.12	18.5	87.2	21.4	126.4
Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	—	—	—	—	—	—	—
Central Bank Bills	20.4	7.2	38.1	10.2	46.2	11.0	0.31	0.41	0.48	18.5	87.2	21.4	126.4
Total Bonds	261.7	92.8	335.1	89.8	372.3	89.0				8.5	17.6	11.1	42.3
Treasury Bonds	195.1	69.2	242.5	65.0	275.1	65.7				10.7	16.6	13.4	41.0
Central Bank Bonds	66.6	23.6	92.6	24.8	97.3	23.2				2.6	20.8	5.1	46.0
Malaysia													
TOTAL	85.8	100.0	99.6	100.0	110.5	100.0				5.2	15.2	10.9	28.7
Total Bills	13.4	15.6	10.0	10.0	11.3	10.2	0.18	0.11	0.11	7.1	(24.7)	13.0	(15.8)
Treasury Bills	1.2	1.4	1.3	1.3	1.3	1.2	0.02	0.01	0.01	0.0	0.0	5.4	11.8
Central Bank Bills	12.2	14.2	8.7	8.8	9.9	9.0	—	—	—	8.2	(27.1)	14.0	(18.5)
Total Bonds	72.5	84.4	89.6	90.0	99.3	89.8				5.0	22.6	10.7	37.0
Treasury Bonds	72.5	84.4	89.6	90.0	99.3	89.8				5.0	22.6	10.7	37.0
Central Bank Bonds	0.0	0.0	0.0	0.0	0.0	0.0				—	—	—	—
Philippines													
TOTAL	49.3	100.0	53.4	100.0	55.9	100.0				2.7	6.3	4.8	13.4
Total Bills	15.9	32.3	13.5	25.3	12.8	22.9	0.48	0.34	0.30	(6.9)	(24.6)	(5.1)	(19.5)
Treasury Bills	15.9	32.3	13.5	25.3	12.8	22.9	0.48	0.34	0.30	(6.9)	(24.6)	(5.1)	(19.5)
Central Bank Bills	0.0	0.0	0.0	0.0	0.0	0.0	—	—	—	—	—	—	—
Total Bonds	33.4	67.7	39.9	74.7	43.1	77.1				6.0	21.0	8.1	29.2
Treasury Bonds	33.4	67.7	39.9	74.7	43.1	77.1				6.0	21.0	8.1	29.2
Central Bank Bonds	0.0	0.0	0.0	0.0	0.0	0.0				—	—	—	—

Continued on next page

## Appendix 2 continued

	1Q09		4Q09		1Q10		Government			Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Bills-to-Bonds Ratio			1Q10		1Q10	
							1Q09	4Q09	1Q10	q-o-q	y-o-y	q-o-q	y-o-y
Singapore													
TOTAL	71.1	100.0	88.1	100.0	90.5	100.0				2.3	17.0	2.8	27.4
Total Bills	27.1	38.2	37.1	42.1	37.0	40.8	0.62	0.73	0.69	(0.8)	25.2	(0.3)	36.3
Treasury Bills	27.1	38.2	37.1	42.1	37.0	40.8	0.62	0.73	0.69	(0.8)	25.2	(0.3)	36.3
Central Bank Bills	0.0	0.0	0.0	0.0	0.0	0.0	—	—	—	—	—	—	—
Total Bonds	43.9	61.8	51.0	57.9	53.5	59.2				4.6	12.0	5.1	21.9
Treasury Bonds	43.9	61.8	51.0	57.9	53.5	59.2				4.6	12.0	5.1	21.9
Central Bank Bonds	0.0	0.0	0.0	0.0	0.0	0.0				—	—	—	—
Thailand													
TOTAL	104.5	100.0	125.2	100.0	137.4	100.0				6.3	19.8	9.7	31.4
Total Bills	27.5	26.3	33.1	26.5	36.5	26.6	0.36	0.36	0.36	6.8	21.0	10.2	32.7
Treasury Bills	6.6	6.3	6.2	4.9	6.4	4.7	0.12	0.10	0.09	0.7	(11.1)	3.9	(2.5)
Central Bank Bills	20.9	20.0	27.0	21.5	30.1	21.9	0.95	0.98	0.97	8.2	31.1	11.7	43.8
Total Bonds	77.0	73.7	92.1	73.5	100.8	73.4				6.1	19.4	9.5	30.9
Treasury Bonds	55.0	52.6	64.6	51.5	70.0	50.9				5.0	15.9	8.4	27.1
Central Bank Bonds	22.0	21.0	27.5	22.0	30.9	22.5				8.6	28.1	12.1	40.5
Viet Nam													
TOTAL	5.9	100.0	5.0	100.0	4.9	100.0				0.7	(11.1)	(2.5)	(17.1)
Total Bills	0.6	10.9	0.3	7.0	0.5	10.9	0.12	0.08	0.12	56.1	(11.7)	51.1	(17.7)
Treasury Bills	0.6	10.9	0.3	5.1	0.5	10.6	0.12	0.06	0.12	109.4	(13.5)	102.7	(19.3)
Central Bank Bills	0.0	0.0	0.1	1.9	0.0	0.2	—	—	—	(88.5)	—	(88.8)	—
Total Bonds	5.2	89.1	4.6	93.0	4.3	89.1				(3.5)	(11.0)	(6.6)	(17.0)
Treasury Bonds	5.2	89.1	4.6	93.0	4.3	89.1				(3.5)	(11.0)	(6.6)	(17.0)
Central Bank Bonds	0.0	0.0	0.0	0.0	0.0	0.0				—	—	—	—
Total Emerging East Asia													
TOTAL	2032.9	100.0	2303.0	100.0	2414.9	100.0				3.8	12.7	4.9	18.8
Total Bills	584.6	28.8	810.3	35.2	920.4	38.1	0.40	0.54	0.62	13.0	52.6	13.6	57.4
Treasury Bills	138.3	6.8	172.6	7.5	149.3	6.2	0.13	0.14	0.11	(13.9)	4.3	(13.5)	7.9
Central Bank Bills	446.3	22.0	637.7	27.7	771.1	31.9	1.18	2.35	3.93	20.3	67.6	20.9	72.8
Total Bonds	1448.3	71.2	1492.7	64.8	1494.5	61.9				(1.2)	(2.9)	0.1	3.2
Treasury Bonds	1069.5	52.6	1221.1	53.0	1298.5	53.8				4.9	13.6	6.3	21.4
Central Bank Bonds	378.8	18.6	271.6	11.8	196.1	8.1				(28.6)	(50.4)	(27.8)	(48.2)
Less PRC:													
TOTAL	693.6	100.0	902.8	100.0	996.3	100.0				7.6	24.4	10.4	43.6
Total Bills	146.2	21.1	222.0	24.6	249.8	25.1	0.27	0.33	0.33	10.5	52.0	12.5	70.8
Treasury Bills	53.3	7.7	60.9	6.7	60.7	6.1	0.12	0.11	0.10	(1.7)	4.5	(0.4)	13.8
Central Bank Bills	92.9	13.4	161.2	17.9	189.2	19.0	0.95	1.25	1.38	15.0	77.9	17.4	103.6
Total Bonds	547.4	78.9	680.7	75.4	746.5	74.9				6.6	17.2	9.7	36.4
Treasury Bonds	450.0	64.9	551.6	61.1	609.3	61.2				7.3	16.4	10.5	35.4
Central Bank Bonds	97.3	14.0	129.1	14.3	137.2	13.8				3.8	21.0	6.3	40.9
Japan													
TOTAL	6813.6	100.0	7525.9	100.0	7665.2	100.0				2.2	5.8	1.9	12.5
Total Bills	211.4	3.1	273.2	3.6	352.1	4.6	0.03	0.04	0.05	29.3	56.7	28.9	66.6
Treasury Bills	211.4	3.1	273.2	3.6	352.1	4.6	0.03	0.04	0.05	29.3	56.7	28.9	66.6
Central Bank Bills	0.0	0.0	0.0	0.0	0.0	0.0	—	—	—	—	—	—	—
Total Bonds	6602.3	96.9	7252.6	96.4	7313.1	95.4				1.2	4.2	0.8	10.8
Treasury Bonds	6602.3	96.9	7252.6	96.4	7313.1	95.4				1.2	4.2	0.8	10.8
Central Bank Bonds	0.0	0.0	0.0	0.0	0.0	0.0				—	—	—	—

— = not applicable, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

## Notes:

1. Bloomberg LP end-of-period LCY—USD rates are used
2. For LCY-base, total emerging East Asia growth figures are based on end-March 2010 currency exchange rates and do not include currency effects.
3. Total figures per market refer to bills and bonds issued by the central government and the central bank. It excludes bonds issued by policy banks and state-owned enterprises. Bills are defined as securities with original maturities of less than one year.

## Source:

China, People's Republic of (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Indonesia Stock Exchange and Bank Indonesia); Korea, Republic of (Bloomberg LP); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury); Singapore (Monetary Authority of Singapore); Thailand (Bloomberg LP); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

## Asia Bond Monitor Summer Issue

The Asia Bond Monitor (ABM) reviews recent developments in East Asian local currency bond markets along with the outlook, risks, and policy options. The ABM covers the 10 Association of Southeast Asian Nations member countries plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

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