

Key Developments in Asian Local Currency Markets

A number of positive news items came out of Indonesia last week. The government announced that spending for its economic stimulus program would be reduced in 2010 to less than 1.0% of GDP. The total amount of programmed spending for the stimulus program this year is IDR73.3 trillion, which is equivalent to 1.4% of GDP. The World Bank has revised Indonesia's economic growth outlook upward to 4.3% and 5.6% for 2009 and 2010, respectively, due to strong domestic consumption and improved trade performance. Finally, Moody's Investors Service has upgraded the country's FCY and LCY debt ratings to Ba2 from Ba3, with a stable outlook.

Several local and foreign financial institutions, and government agencies, have revised their economic growth forecasts for the Republic of Korea (Korea) in 2009. The Bank of Korea recently revised its projected growth rate to -1.6% from -2.4% in July and the Korea Development Institute raised its projection to -0.7% from -2.3% earlier in the year. Also, the International Monetary Fund changed its growth forecast for Korea to -1.8% from -4.0% in April.

Thailand's merchandise exports fell in August at the slowest year-on-year (y-o-y) rate in 6 months, dropping 18.4% to USD13.3 billion after a 25.7% decline in July. Singapore's non-oil domestic exports fell by 7.1% y-o-y in August—the smallest drop in 11 months—after contracting a revised 8.7% in July. Malaysia's manufacturing sales decreased 22.4% y-o-y in July. The Korea Customs Service reported last week that Korea recorded a trade surplus amounting to USD1.7 billion in August—the seventh straight month of a trade surplus.

This week also saw a number of successful bond issuances in the Philippines. SM Investment Corp. (SMIC) successfully issued a 5-year bond worth USD500 million priced at a fixed rate of 6.0% per annum. The central government received an overwhelming response to its sale of PHP25 billion worth of retail treasury bonds on 15 September as total demand reached PHP70.38 billion. Meanwhile, National Treasurer Roberto Tan announced that the planned samurai bond issue worth USD500 million to pre-fund 2010 financing needs may push through in 4Q09. The Philippine Dealing & Exchange Corporation (PDEX) reported that the trading volume of government and corporate bonds climbed 39.4% to PHP1.839 trillion in the first 8 months of the year.

There were also several planned bond issuances announced last week, including

Asian Bond Monitor September 2009

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10-Year Selected LCY Government Security Yields Close of 18 September 2009
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-09*
US	3.46	7.96	11.62	125.09
EU	3.38	1.10	14.00	42.60
Japan	1.35	0.00	3.80	17.40
PRC	3.47	1.00	-1.00	71.00
Hong Kong, China	2.36	-5.30	1.80	117.20
India	7.08	-7.70	-28.40	183.30
Indonesia	10.32	0.10	-16.20	-157.40
Malaysia	4.18	-0.50	0.70	96.30
Korea, Rep. of	5.32	-3.00	-11.00	110.00
Philippines	7.80	0.00	-5.00	42.50
Singapore	2.42	3.00	1.00	37.00
Thailand	3.96	0.40	21.00	130.00
Viet Nam	10.29	14.90	10.20	10.90

- TABLES & GRAPHS**
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 - ▶ Benchmark Yield Curves - Local Currency Government Bonds
 - ▶ 2-versus-10 Yield Spread Chart
 - ▶ Policy Rate versus Inflation Rate Charts
 - ▶ Credit Default Swap Spreads & Exchange Rate Indexes
 - ▶ Selected Debt Security Issuances
 - ▶ Selected Asia Data Releases

Thailand's Finance Ministry and corporations in Malaysia and the People's Republic of China (PRC). The Finance Ministry of Thailand plans to issue THB170 billion of savings bonds starting in October. Malaysia-based MISC Bhd. announced a total of MYR1 billion (USD285 million) of Islamic bonds. In the PRC, Country Garden reported that it would issue an additional USD75 million of 5-year senior notes with an 11.75% coupon to finance its current real estate projects.

Yield curves for most countries in the region remained largely unchanged last week except for the Indonesian, Korean, Vietnamese and Thai curves. The Indonesian and Korean curves tightened across most maturities, while Vietnamese yields rose throughout their curve. Thai yields rose for maturities above 5 years.

Summary Text of News Articles

Indonesia's 2010 Fiscal Stimulus Spending Will be Less Than 1.0% of GDP; World Bank Sees Indonesia's Economy Growing 4.3% in 2009; Moody's Upgrades FCY and LCY Sovereign Debt Ratings

A number of positive news items came out of Indonesia last week. The government announced that it would reduce spending for its economic stimulus program in 2010 to less than 1.0% of GDP. According to the Head of Fiscal Policy Agency at the Department of Finance, the government would have a smaller budget than in 2009. For 2009, the total amount allotted by the government for fiscal stimulus was equivalent to 1.4% of GDP.

The World Bank has revised its economic growth outlook for Indonesia. It sees the economy growing 4.3% in 2009 and 5.6% in 2010. According to the World Bank, Indonesia had been able to recover earlier than other countries due to strong domestic consumption and an improvement in trade performance.

Meanwhile, Moody's Investors Service (Moody's) upgraded Indonesia's foreign (FCY) and local currency (LCY) sovereign debt ratings to Ba2 from Ba3 on 16 September 2009. The outlook was stable. According to Moody's, the ratings upgrade was prompted by Indonesia's relatively strong resilience to the global recession as well as its healthy medium-term growth prospects.

Republic of Korea's GDP Growth Outlook Revised Upwards

Local and foreign financial institutions, and government agencies, have revised their 2009 economic projections for the Republic of Korea (Korea) upwards. The Bank of Korea revised its projected economic growth to -1.6% from an earlier projection of -2.4% in July. The Korea Development Institute raised its projection to -0.7% from -2.3%. The Korean government's outlook has also improved over expectations in the beginning of the year that the economy would shrink by 1.5%. Also, the International Monetary Fund revised its growth forecast for Korea to -1.8% from the -4.0% projection made in April.

Lastly, the Ministry of Finance and Strategy announced that it plans to buy back Korea Treasury Bonds worth KRW1 trillion on 29 September by using idle funds in the Public Capital Management Fund.

Thailand's Exports Recover in August; Singapore's Export Decline Eases in August; Malaysia's Manufacturing Index Down in July; Republic of Korea Reports Seventh Straight Trade Monthly Surplus in August;

Thailand's merchandise exports fell in August at the slowest year-on-year (y-o-y) rate in 6 months—dropping by 18.4% to USD13.3 billion following a 25.7% decline in July. The value of August merchandise exports was the highest in the last 10 months. This improvement is attributable to a recovery in Thai shipments of agricultural goods, auto parts, and electronics products.

Merchandise imports dropped by 32.8% y-o-y in August compared to a 32.5% y-o-y decline in July. The trade surplus expanded to USD2.08 billion in August from USD706 million in July.

Singapore's non-oil domestic exports (NODX) fell by 7.1% y-o-y in August after contracting a revised 8.7% in July. It was the smallest drop in 11 months as signs emerged that the global economy is pulling out of recession. On a month-on-month and seasonally adjusted basis, NODX increased by 1.3% in August 2009 after the previous month's 5.9% increase.

According to Malaysia's Department of Statistics, the country's manufacturing sales decreased 22.4% y-o-y in July due to the sharp fall in the performance of the iron and steel sector, and the computer industry.

The Korea Customs Service reported that the country recorded a trade surplus amounting to USD1.7 billion in August. It was the seventh straight month that Korea has recorded a trade surplus. The surplus, however, was less than the USD4.4 billion surplus recorded in July.

 Summary Text of News Articles

SM Investment Corp. Issues 5-year Bonds; Philippine Retail Treasury Bond Sales Reach PHP25 billion; PDEX Trade Volume Up 39.4% from January to August

SM Investment Corp. (SMIC) in the Philippines has successfully issued a 5-year bond worth USD500 million and priced it at a fixed rate of 6.0% per annum. SMIC plans to use the proceeds of the bond issue for general corporate purposes, which include refinancing for some of its maturing obligations. Moreover, the Philippine government received an overwhelming response from investors when it sold PHP25 billion worth of retail treasury bonds on 15 September. Total demand reached PHP70.38 billion in an indication of strong market appetite for these bonds. The 3-year retail bond fetched a coupon of 5.25% for the PHP10 billion offer, 5-year paper yielded a coupon rate of 6.25% for the PHP10 billion offer, and the 10-year bond worth PHP5 billion had a coupon of 7.0%. Meanwhile, National Treasurer Roberto Tan said that the planned samurai bond issue worth USD500 million to pre-fund 2010 financing needs may push through in 4Q09.

The volume of trades involving government and corporate debt securities on the Philippine Dealing & Exchange Corp. (PDEX) platform climbed 39.4% to PHP1.839 trillion in the first 8 months of the year, which is already approaching the value of total transactions in 2008 of PHP1.935 trillion. Government securities transactions continued to dominate trading. The January–August level amounted to PHP1.838 trillion, while trades involving corporate debt papers reached PHP980 million. However, trades for the month of August, which totaled PHP172.3 billion, dropped 28.0% y-o-y due to the rejection of bids for government securities during regular auctions.

Thai Finance Ministry to Issue Savings Bonds; More Planned Corporate Issuances in the People's Republic of China and Malaysia

The Finance Ministry of Thailand has announced plans to issue THB170 billion in savings bonds starting in October—the first month of fiscal year 2010. These bonds are expected to have a maturity of 5 years or longer. The planned savings bond issuance is in line with the Thai government's target of raising THB801 billion to fund the (i) estimated government budget deficit of THB350 billion, (ii) debt of the Financial Institutions Development Fund worth THB180 billion, (iii) and public investment programs under the Thai Khemkaeng costing THB270 billion.

Malaysia-based MISC Bhd.—a leading provider of maritime transportation and logistics services, and the largest owner/operator of liquefied natural gas (LNG) tankers in the world—is reported to have priced a total of MYR1 billion (USD285million) of Islamic bonds. These Islamic bonds include a MYR400 million 1-year bond with a yield of 2.57%, MYR300 million in 2-year bonds with a 3.08% yield, and MYR300 million of 3-year bonds at 3.48%.

Finally, in the People's Republic of China (PRC), Country Garden reported that it would issue an additional USD75 million of 5-year senior notes with an 11.75% coupon to finance its real estate projects.

Selected Government Security Yields

Tip: Zoom-in on the table using the Acrobat zoom tool

3-Month Selected LCY Government Security Yields

Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-09*
US	0.08	-0.81	-5.58	0.81
EU	0.36	-0.30	0.10	-130.00
Japan	0.15	0.00	0.50	-4.80
PRC	1.25	0.00	-2.00	33.00
Hong Kong, China	0.11	0.00	0.00	6.00
India	3.42	1.00	0.00	-108.00
Malaysia	1.97	0.10	-0.30	-95.80
Korea, Rep. of	2.33	0.00	3.00	-32.00
Philippines	4.10	-2.50	0.00	-152.50
Singapore	0.31	-1.00	-2.00	-26.00
Thailand	1.24	-0.29	0.14	-85.58

Close of 18 September 2009

10-Year Selected LCY Government Bond Yields

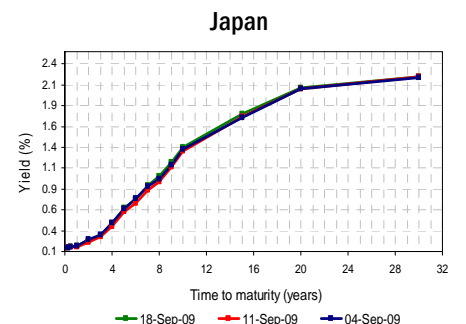
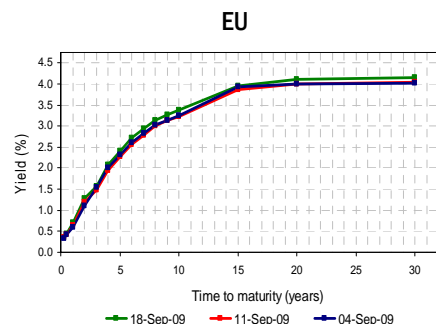
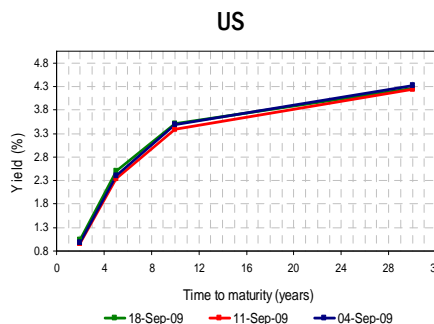
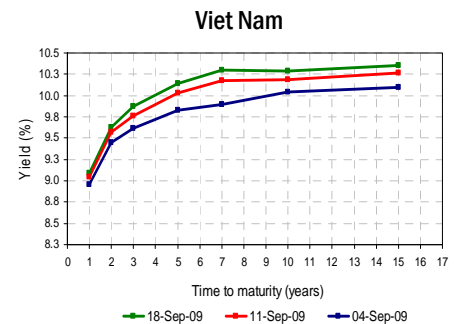
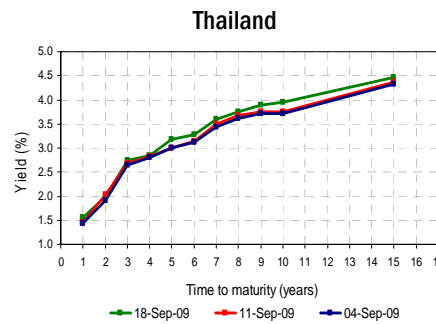
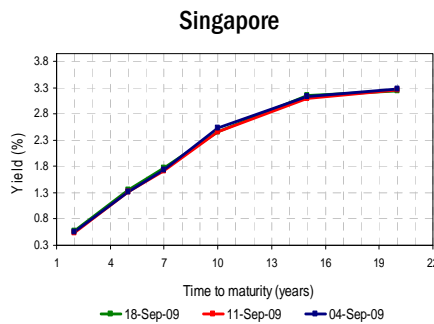
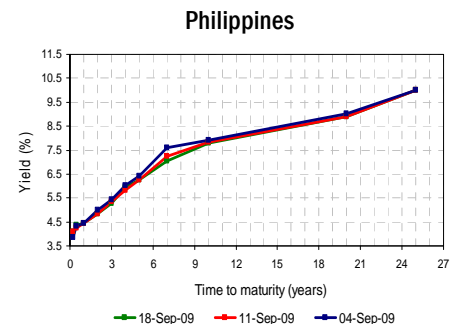
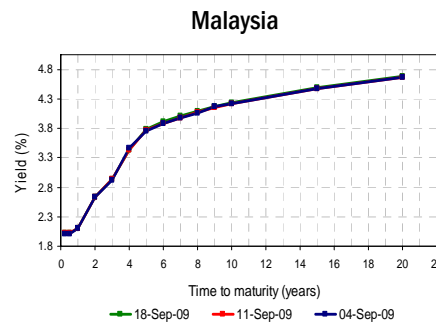
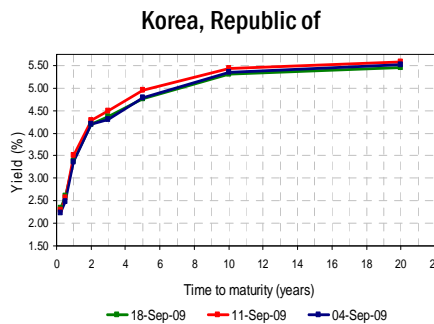
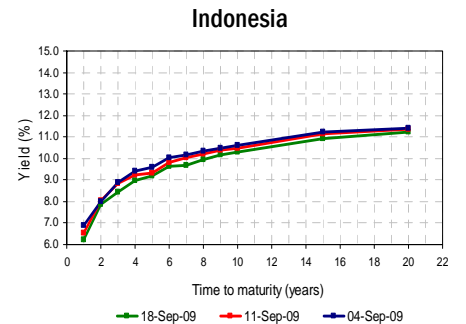
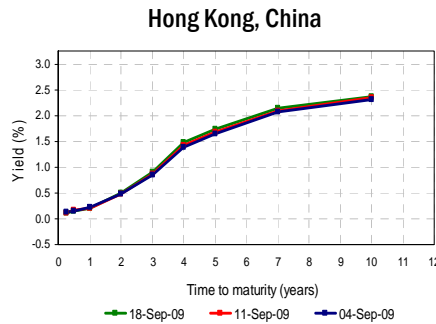
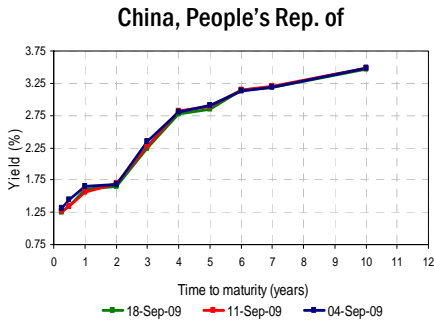
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Viet Nam	10.29	14.90	10.20	10.90

Close of 18 September 2009

Source: Based on data from Bloomberg, LP.

Benchmark Yield Curves – Local Currency Government Bonds

Tip: Zoom-in on the table using the Acrobat zoom tool

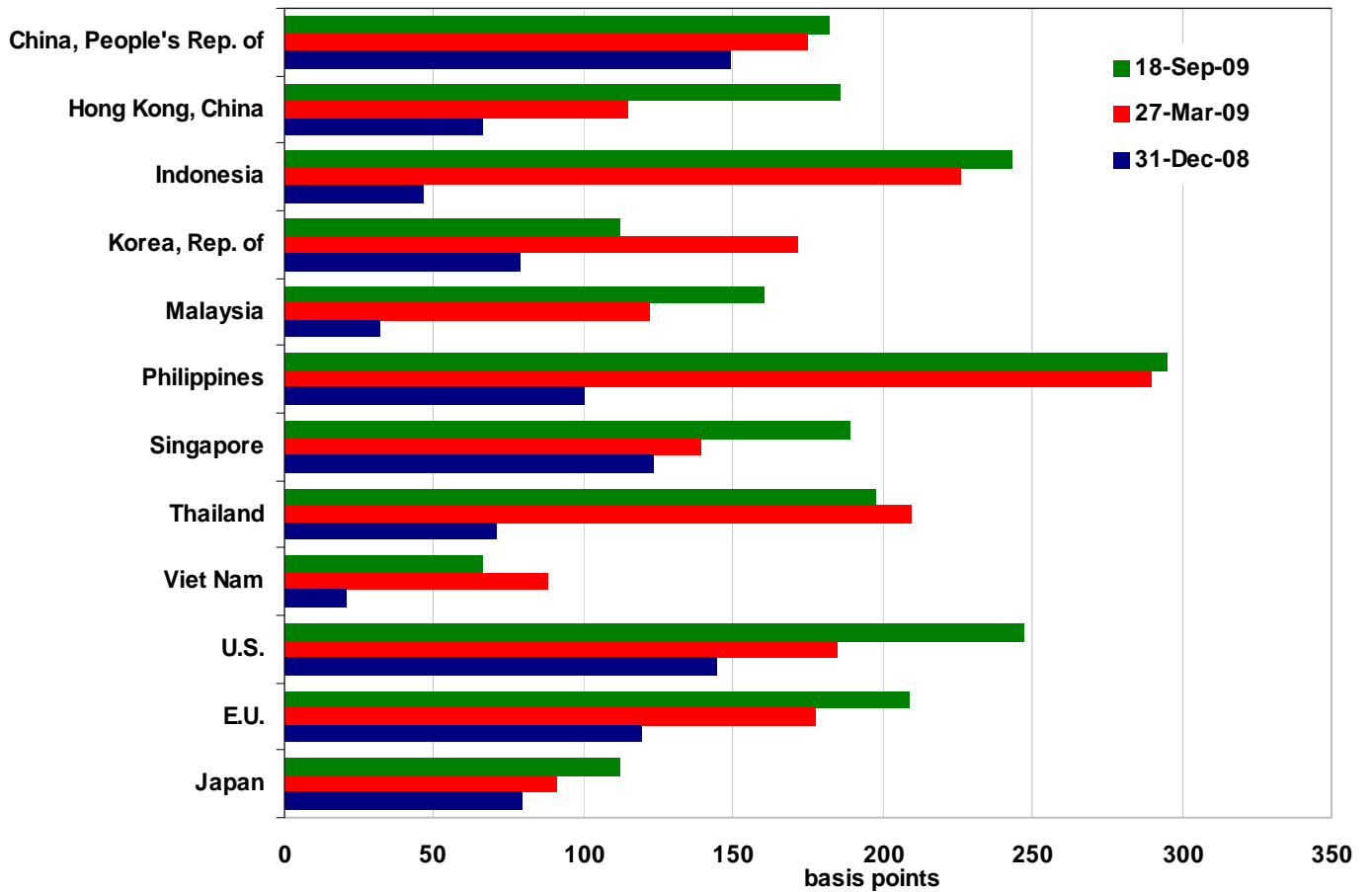


Source: Based on data from Bloomberg.

2-versus-10 Yield Spread Chart

Tip: Zoom-in on the table using the Acrobat zoom tool

Yield Spread between the Two- and Ten-Year Government Bonds

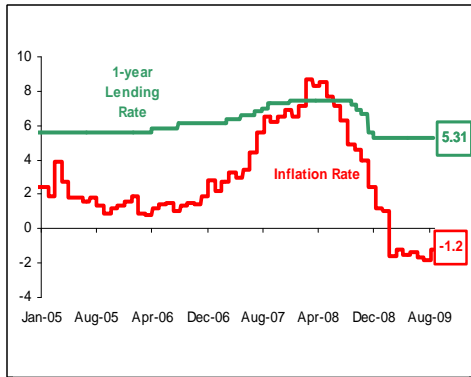


Source: Based on data from Bloomberg.

Policy Rate versus Inflation Rate Charts

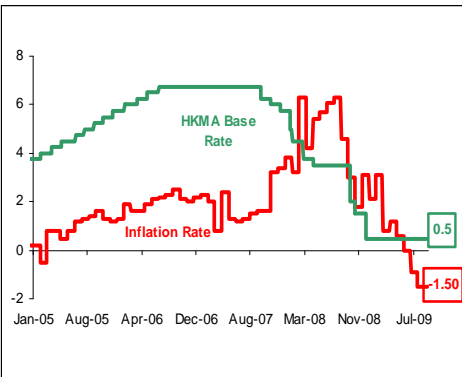
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



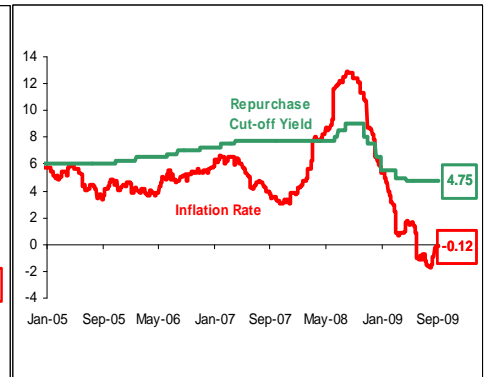
PRC uses 1-year lending rate as one of its policy rates. Source: Bloomberg, LP.

Hong Kong, China



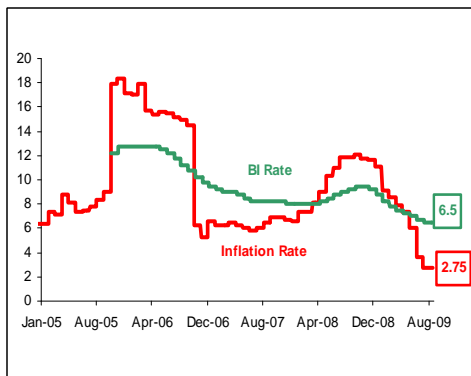
The Hong Kong Monetary Authority maintains a Discount Window Base Rate. Source: Bloomberg, LP.

India



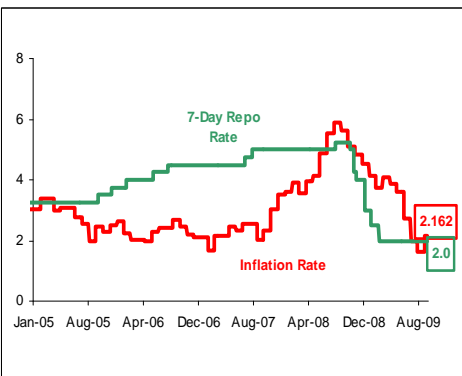
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate. Source: Bloomberg, LP.

Indonesia



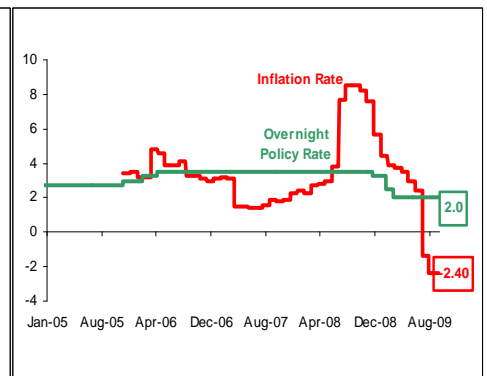
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate. Source: Bloomberg, LP.

Korea, Republic of



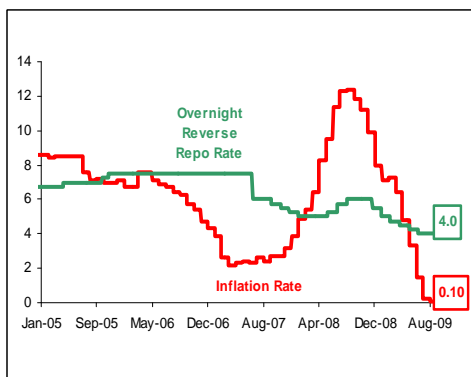
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008. Source: Bloomberg, LP.

Malaysia



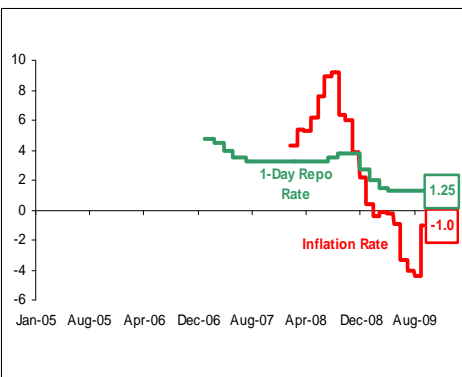
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate. Source: Bloomberg, LP.

Philippines



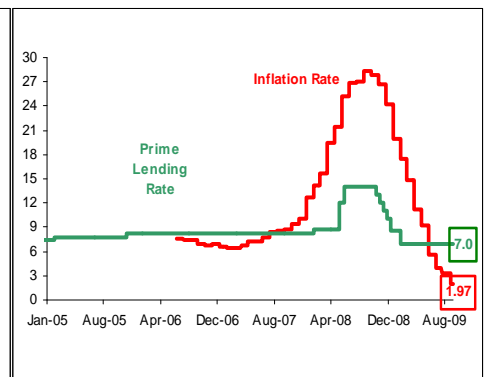
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg, LP.

Thailand



The Bank of Thailand replaced the 14-day repurchase rate with the 1-day repurchase rate in January 2007 as its policy rate. Source: Bloomberg, LP.

Viet Nam



The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate. Source: Bloomberg, LP.

