

Key Developments in Asian Local Currency Markets

Issuance activity remained strong in the People's Republic of China (PRC) last week, with large bond sales from the Ministry of Railways, China Development Bank (CDB), and Agricultural Development Bank of China (ADBC). The Ministry of Railways issued CNY20 billion of 10-year bonds and CNY10 billion of 15-year bonds at coupon rates of 4.8% and 5.0%, respectively. CDB sold a total of CNY40 billion in long-dated bonds and floating rate notes (FRNs). The CDB issues comprised CNY30 billion of 15-year bonds with a 5.0% coupon, CNY7 billion of 12-year FRNs, and CNY3 billion of 10-year FRNs. Finally, ADBC sold CNY30 billion of 5-year bonds with a 3.40% coupon.

The PRC's benchmark money market rate—the 7-day repurchase rate—rose last week on the back of the deadline for investing in IPO's that will be listed on the country's newly established "start-up" board. The board is hosted on the Shenzhen Stock Exchange. The 7-day repurchase rate rose to 1.85%, before falling back to somewhat lower levels after the deadline had passed.

Fiscal performance has improved in several of the region's economies. The Republic of Korea's (Korea) fiscal deficit fell sharply in July as the government reduced expenditure. As of July, Korea's cumulative fiscal deficit had reached KRW17.65 trillion (USD14.75 billion), according to the Ministry of Strategy and Finance. This was KRW10.3 trillion less than the cumulative deficit as of end-June. The Philippine Bureau of the Treasury reported on 17 September that the Philippines' January–August fiscal deficit totaled PHP210 billion, which is PHP40 billion below the deficit ceiling for all of 2009.

The Philippine and Japanese governments are discussing a samurai bond issue later this year. Philippine Finance Secretary Margarito Teves has also raised the possibility of issuing an additional eurobond later this year to pre-fund the government's 2010 budget.

Singapore's Department of Statistics reported last week that its consumer price index fell 0.3% year-on-year due to lower costs for housing, recreation, and transport and communication. On a month-on-month basis, the CPI rose 0.4% in August due to higher costs for transport and communication, education, clothing and housing. This turn around in inflation trends is beginning to be felt in other Asian countries as well. Vietnam, reported a 2.4% year-on-year increase of consumer prices for September, its first year-on-year rise of consumer price inflation in more than a year.

Asian Bond Monitor September 2009

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10-Year Selected LCY Government Security Yields Close of 25 September 2009
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-09*
US	3.32	-6.29	-14.48	110.61
EU	3.26	-4.90	-12.00	30.60
Japan	1.32	-1.00	-3.00	14.40
PRC	3.50	0.00	3.00	74.00
Hong Kong, China	2.36	-3.60	0.00	117.20
India	7.13	4.10	5.50	188.80
Indonesia	10.12	-9.10	-19.70	-177.10
Malaysia	4.18	0.20	-0.50	95.80
Korea, Rep. of	5.35	-1.00	3.00	113.00
Philippines	7.95	10.00	15.00	57.50
Singapore	2.39	0.00	-3.00	34.00
Thailand	4.03	0.90	7.20	137.20
Viet Nam	10.23	6.70	-6.10	4.80

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 - ▶ Benchmark Yield Curves - Local Currency Government Bonds
 - ▶ 2-versus-10 Yield Spread Chart
 - ▶ Policy Rate versus Inflation Rate Charts
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 - ▶ Selected Asia Data Releases

Bond market yield trends in the region were mixed for the week. Yields fell for all maturities in Indonesia and for most maturities in Hong Kong, China; Malaysia; Singapore; and Viet Nam. They rose for all maturities in Korea and PRC and for most maturities in the Philippines and Thailand. Yield spreads for 2-10 year maturities widened in Hong Kong, China; the Philippines; PRC; and Viet Nam, while they narrowed in Indonesia, Korea, Malaysia, Singapore, and Thailand.

Finally, some of the more interesting data points on the data release calendar for next week will include the PRC's PMI index and Japan's industrial production numbers on Wednesday, September 30; inflation numbers for Indonesia, Korea and Thailand on Thursday October 1; as well as the Philippine policy rate announcement on Thursday.

Summary Text of News Articles

Notable Issues in the People's Republic of China

Issuance activity in the People's Republic of China (PRC) remained strong last week, with large bond sales from the Ministry of Railways, China Development Bank (CDB), and Agricultural Development Bank of China (ADBC).

The Ministry of Railways issued CNY20 billion of 10-year bonds and CNY10 billion of 15-year bonds with coupon rates of 4.8% and 5.0%, respectively. CDB sold a total of CNY40 billion in long-dated bonds and floating rate notes (FRNs). The CDB issues were made up of CNY30 billion of 15-year bonds with a 5.0% coupon, CNY7 billion of 12-year FRNs, and CNY3 billion of 10-year FRNs. Finally, ADBC sold CNY30 billion of 5-year bonds with a 3.40% coupon.

Last week's issues are examples of a trend of increasing issuance from the region's infrastructure companies and banks, which is discussed in detail in the Corporate Bond section of the latest issue of the [Asia Bond Monitor](#).

For more information on PRC's issuance data, go to: [AsianBondsOnline: China, People's Rep. Of: Data](#)

The People's Republic of China's Money Market Rate Rises Ahead of IPOs on New Start-Up Board

The People's Republic of China's (PRC) benchmark money market rate—the 7-day repurchase rate—rose last week as investor demand for cash increased ahead of initial public offerings (IPOs) on the PRC's newly established start-up board on 25 September. The board is hosted on the Shenzhen Stock Exchange.

The 7-day repurchase rate increased seven basis points to 1.61% in late afternoon trading on 21 September in Shanghai. In mid-day trading on 24 September, the rate rose 22 basis points to 1.78% for its largest rise since 11 September.

At the end of last week, ten companies were set to launch IPOs on the start-up board. Based on recent filings with the Shenzhen Stock Exchange, these ten companies will likely raise a total of CNY6.68 billion—more than double the CNY3.16 billion previously estimated.

The start-up board, which has fewer listing requirements, was established as part of the PRC's effort to spur the development of growth companies. In mid-September, the China Securities Regulatory Commission issued approvals for the listing of 13 companies on the board.

For more information on PRC's money market rates, go to: [AsianBondsOnline: China, People's Rep. Of: Data](#)

Republic of Korea's Fiscal Deficit Narrows in July; Philippines' January–August Fiscal Deficit at PHP210 Billion

The Republic of Korea's (Korea) fiscal deficit fell sharply in July as the government reduced expenditure. As of July, Korea's cumulative fiscal deficit for the first 8 months of the year was KRW17.65 trillion (USD14.75 billion), according to the Ministry of Strategy and Finance. This amount was KRW10.3 trillion less than the cumulative deficit one month earlier.

The Philippines' Bureau of the Treasury reported on 17 September that the government's January–August fiscal deficit totaled PHP210 billion, which is PHP40 billion below the deficit ceiling for the entire year. Total revenue reached PHP739.1 billion, of which 48.0% was from tax collections. Total expenditure for the first 8 months of the year amounted to PHP949.1 billion, which is 15.5% higher than the previous year. On a monthly basis, the government registered a deficit in August amounting to PHP22.0 billion. However, the government is confident that it will balance its budget by 2013 through improved tax administration and enforcement.

For more information on Republic of Korea's macroeconomic indicators, go to: [AsianBondsOnline: Korea, Rep. Of: Data](#)

For more information on the Philippines' macroeconomic indicators, go to: [AsianBondsOnline: Philippines: Data](#)

Summary Text of News Articles

Singapore Consumer Price Index Falls by 0.3% Year-on-Year in August

The Singapore Department of Statistics reported that the consumer price index fell 0.3% year-on-year (YOY) due to the lower costs for housing, recreation, and transport and communication. On a month-on-month basis, the CPI rose 0.4% in August due to higher costs for transport and communication, education and stationery, clothing and footwear, and housing.

For more information on Singapore's macroeconomic indicators, go to: [AsianBondsOnline: Singapore: Data](#)

Bank of Thailand Expects Bank Lending To Rise in 4Q09

According to the Bank of Thailand (BOT), bank lending is expected to pick up strongly in 4Q09 as companies boost production and rebuild inventories in light of the improving global economy. BOT Deputy Governor Bandid Nijathaworn said that outstanding credit in the financial sector fell by 3.68% YOY to THB212 billion for the first 7 months of the year. However, preliminary data for August show that demand for credit, particularly working capital, is picking up.

For more information on Thailand's macroeconomic indicators, go to: [AsianBondsOnline: Thailand: Data](#)

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	0.10	0.71	1.72	2.53
EU	0.38	0.10	2.00	-128.00
Japan	0.15	0.00	0.00	-4.80
PRC	1.26	0.00	1.00	34.00
Hong Kong, China	0.07	0.00	-4.00	2.00
India	3.42	0.00	0.00	-108.00
Malaysia	1.97	-0.30	-0.50	-96.30
Korea, Rep. of	2.42	3.00	9.00	-23.00
Philippines	4.20	10.00	10.00	-142.50
Singapore	0.33	0.00	2.00	-24.00
Thailand	1.24	-0.14	0.15	-85.43

Close of 25 September 2009

10-Year Selected LCY Government Bond Yields

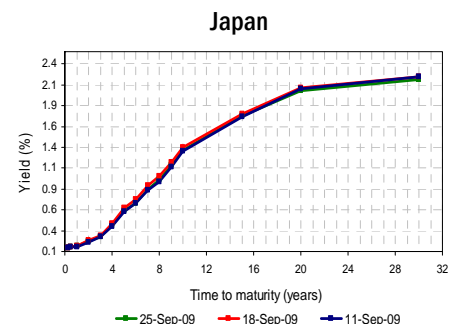
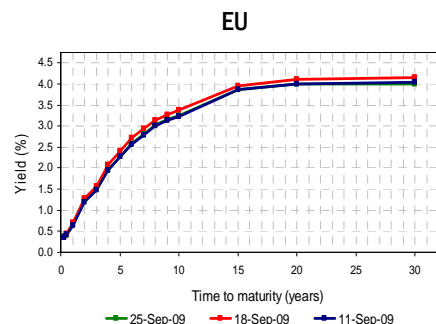
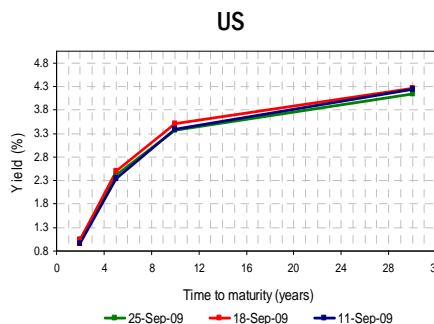
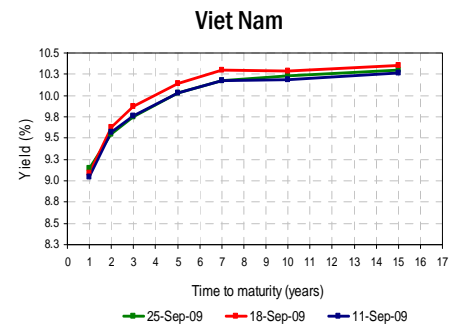
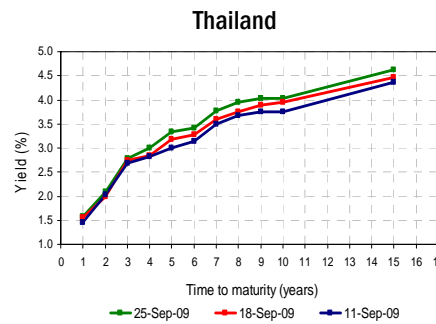
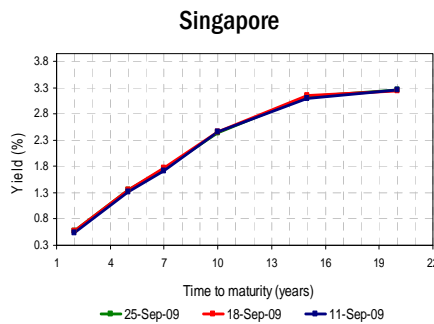
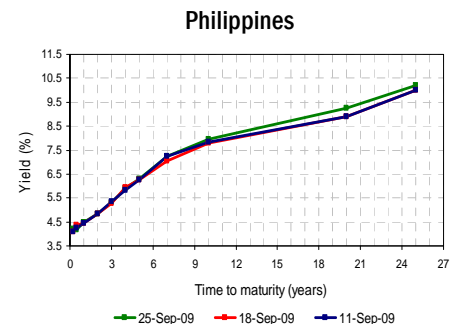
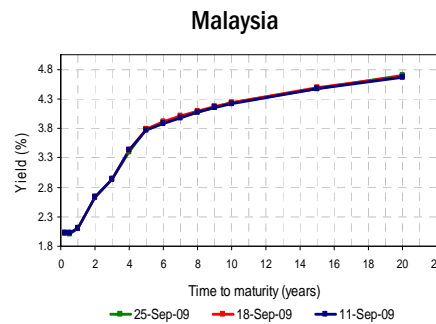
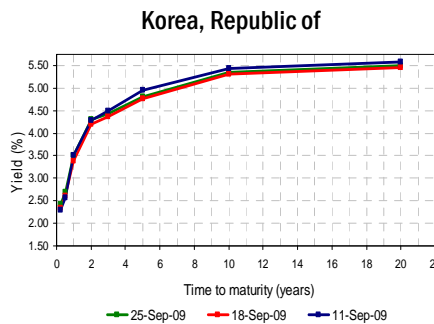
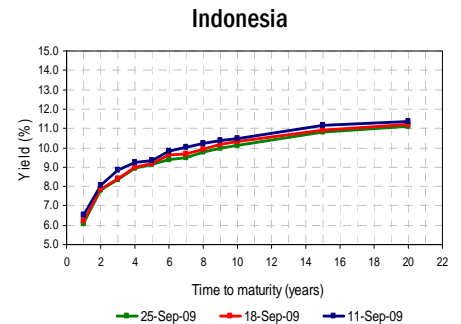
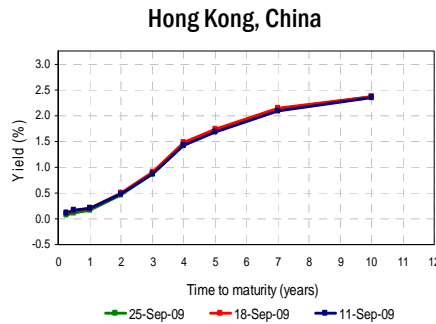
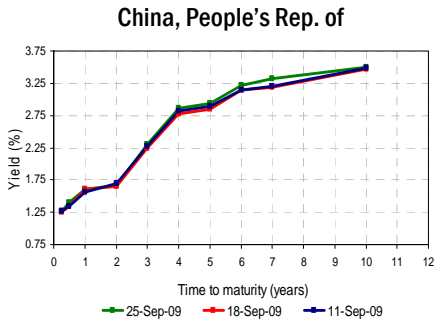
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Viet Nam	10.23	6.70	-6.10	4.80

Close of 25 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

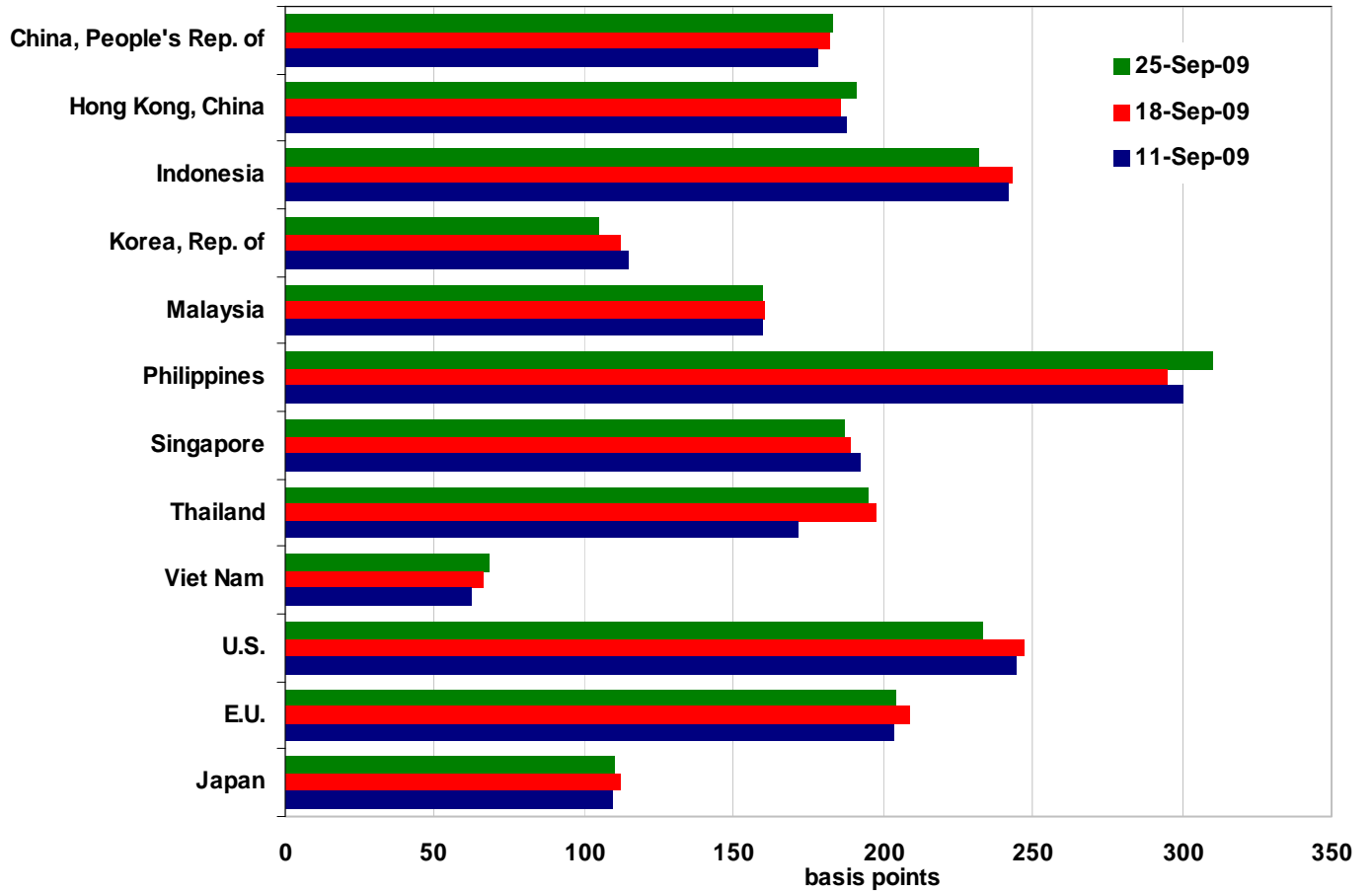


Source: Based on data from Bloomberg.

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

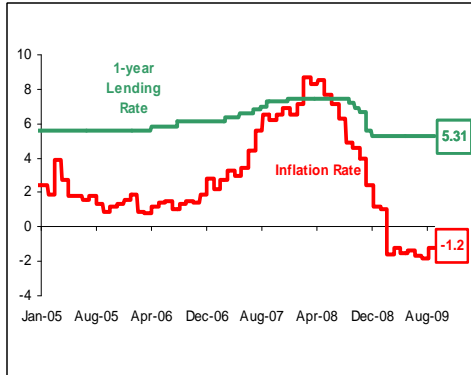


Source: Based on data from Bloomberg.

Policy Rate versus Inflation Rate Charts

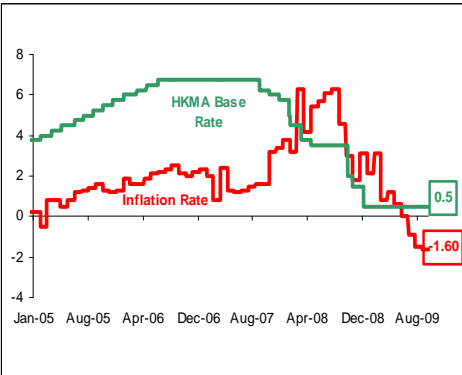
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



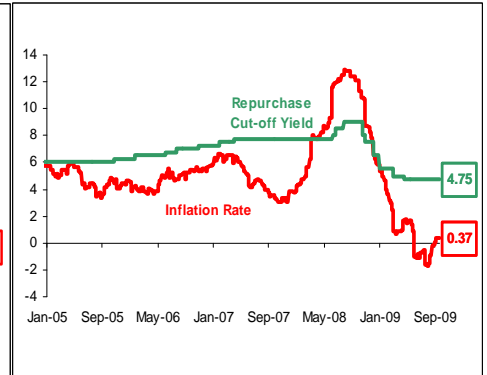
PRC uses 1-year lending rate as one of its policy rates. Source: Bloomberg, LP.

Hong Kong, China



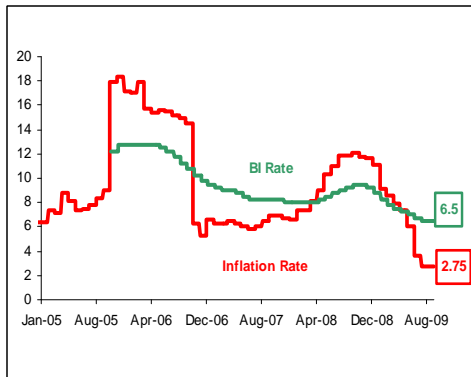
The Hong Kong Monetary Authority maintains a Discount Window Base Rate. Source: Bloomberg, LP.

India



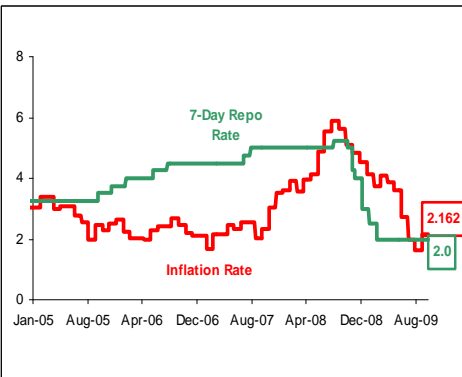
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate. Source: Bloomberg, LP.

Indonesia



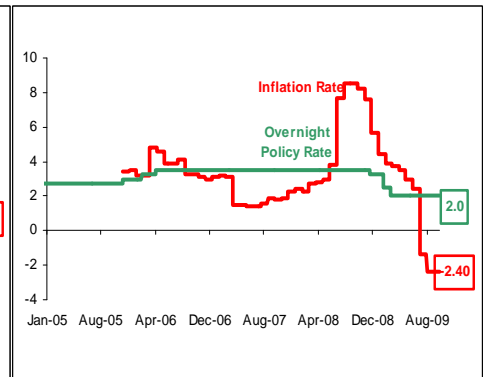
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate. Source: Bloomberg, LP.

Korea, Republic of



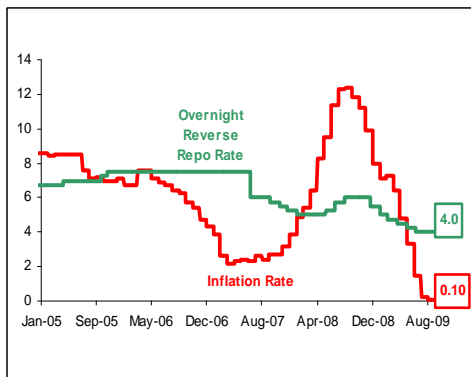
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008. Source: Bloomberg, LP.

Malaysia



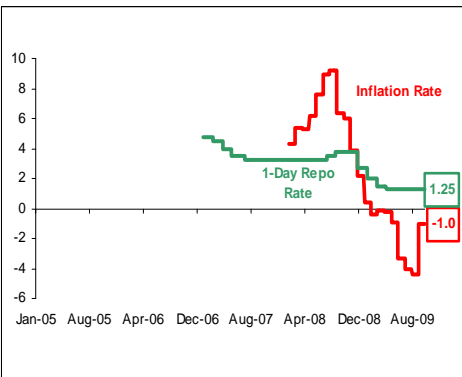
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate. Source: Bloomberg, LP.

Philippines



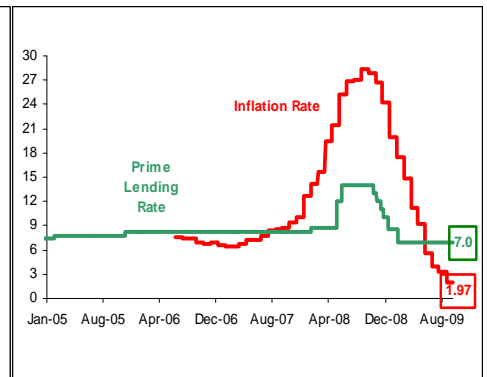
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg, LP.

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.

