

Key Developments in Asian Local Currency Markets

Last week saw several East Asian markets leaving their benchmark rates unchanged from previous levels. Bank Indonesia has decided to keep its benchmark rate steady at 6.5% for the second consecutive month since August of this year. Bank of Korea (BOK) has also kept its base rate unchanged at 2.0%. Bangko Sentral ng Pilipinas (BSP) in its meeting held on 01 October retained its overnight borrowing rate at 4.0% and overnight lending rate at 6.0%. The Reserve Bank of Australia's (RBA) move to raise its cash rate by 25 basis points to 3.25% effective 07 October has raised expectations that Asian central banks may follow suit later this year or in early 2010.

Bank Indonesia has revised upwards its 2009 economic growth outlook to between 4.0% and 4.5% from an earlier estimate of 3.5% to 4.0%. The growth outlook for 2010 was also revised to between 5.0% and 5.5% from the 4.0% to 5.0% projection made in June. In Viet Nam, the government is targeting a fourth quarter economic growth rate of 6.8%, in order to achieve an annual gross domestic product (GDP) growth target of 5% for 2009. For the first nine months of the year, Viet Nam recorded a GDP growth rate of 4.56%.

Significant new bond issues are being planned in Malaysia and the Philippines. The Philippines may sell USD250 million more of dollar-denominated bonds and increase local borrowing to help fund its budgetary shortfall this year. Finally, last week, Singapore's Optus Finance issued a USD500 million 10-year bond.

Indonesia's budget deficit as of end-September reached IDR33.23 trillion, equivalent to about 25.4% of the government's 2009 full year deficit target in the amount of IDR129.8 trillion. Meanwhile, Viet Nam's budget deficit is estimated to reach VND55.6 billion in mid-September.

Bond yield trends were mixed in Asia last week. Yields fell for most maturities in Hong Kong, China; Indonesia; Korea; Malaysia; and the Philippines, while they rose for most maturities in the People's Republic of China (PRC), Singapore, Thailand, and Viet Nam. Yield spreads for 2- vs 10-year maturities widened in Indonesia, Malaysia, and Singapore, while they narrowed in Hong Kong, China; Korea; the Philippines; Thailand; and Viet Nam.

WHAT'S NEW: Starting this week, AsianBondsOnline has begun to post the most recent monthly data available for LCY bonds outstanding on the Macroeconomic and Credit

Asia Bond Monitor September 2009

[read more](#)

10-Year Selected LCY Government Security Yields Close of 09 October 2009
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-09*
US	3.38	13.25	16.14	116.79
EU	3.20	8.90	8.20	25.40
Japan	1.29	2.00	3.00	11.60
PRC	3.52	1.00	1.00	76.00
Hong Kong, China	2.21	2.60	-4.20	101.50
India	7.28	7.50	7.10	204.20
Indonesia	9.93	-0.30	-1.70	-195.90
Malaysia	4.14	0.20	0.60	92.30
Korea, Rep. of	5.28	-7.00	-4.00	106.00
Philippines	7.77	-12.81	-15.31	39.69
Singapore	2.44	3.00	6.00	39.00
Thailand	4.09	0.10	14.40	143.10
Viet Nam	10.30	7.10	2.30	11.30

- TABLES & GRAPHS**
- ▶ Selected Government Security Yields
 - ▶ 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

Indicators table of the Credit Risk Watch (CRW) section. The CRW tables can be found by entering the data section under a given market heading (Malaysia, for example), and scrolling down to the CRW section, which is the last item in the data page.

We have posted the most recent monthly total LCY bonds outstanding this week for the PRC (USD2.4 trillion equivalent in August), Indonesia (USD87.6 billion in July), Malaysia (USD180.7 billion in September), the Philippines (USD37.3 billion in August), and Thailand (USD164.5 billion in July). These amounts represent month-on-month growth rates (in LCY terms) of 1.4% for the PRC, 1.0% for Indonesia, 0.2% for Malaysia, -1.3% for the Philippines, and 3.3% for Thailand.

Summary Text of News Articles

Key Policy Rates Unchanged for Indonesia, Republic of Korea and the Philippines; Australia Raises Its Cash Rate by 25 Basis Points to 3.25%

Last week saw several East Asian markets leaving their benchmark rates unchanged from previous levels.

In Indonesia, Bank Indonesia decided to keep its key benchmark rate steady at 6.5% in its meeting on 05 October. This was the second consecutive month Bank Indonesia left its key rate unchanged since August.

In the Republic of Korea (Korea), the Bank of Korea (BOK) decided to keep its BOK base rate unchanged at 2.0% amid concerns the currency's appreciation may threaten Korea's export-led economic recovery. The BOK base rate has been at a record low level since February of this year.

In the Philippines, the Bangko Sentral ng Pilipinas (BSP) kept its overnight borrowing rate at 4% while the overnight lending rate remained at 6% based on its assessment that current monetary settings remain appropriate. BSP has kept interest rates unchanged for two straight meetings after slashing the policy rate by a total of 200 basis points since December 2008. BSP said it will remain committed to adopting an exit strategy but will continue to be mindful of the impact of the global developments on the domestic economy. The September inflation stood at 0.7% year-on-year from 0.1% in August due to the increase in prices for meat, fruits and vegetables.

The week also witnessed the Reserve Bank of Australia's move to increase its cash rate by 25 basis points to 3.25% effective 07 October. The Australian central bank reported that the country's economic conditions have been stronger than expected and measures of confidence have recovered. It added that "unemployment has not risen as far as had been expected"; that "underlying inflation should continue to moderate in the near term, but now will probably not fall as far as earlier thought".. RBA also noted that housing credit growth has been solid and dwelling prices have risen appreciably over the past six months.

For Indonesia's historical trends on policy rate, kindly refer to this link:

http://asianbondsonline.adb.org/indonesia/data/marketwatch.php?code=policy_rate_and_inflation_trends

For Republic of Korea's historical trends on policy rate, kindly refer to this link:

http://asianbondsonline.adb.org/korea/data/marketwatch.php?code=policy_rate_and_inflation_trends

For the Philippines' historical trends on policy rate, kindly refer to this link:

http://www.asianbondsonline.adb.org/philippines/data/marketwatch.php?code=policy_rate_and_inflation_trends

Bank Indonesia Revises Growth Outlook Upwards, Viet Nam Targets 6.8% GDP Growth in 4Q09

Bank Indonesia revised upwards its economic growth outlook to between 4.0% and 4.5% this year from an earlier estimate of 3.5% to 4.0%. The growth outlook for 2010 was also revised to between 5.0% and 5.5% from the 4.0% to 5.0% projection made in June. The upward revisions reflected the ongoing global economic recovery, strong domestic consumption, and increasing investment. Indonesia's gross domestic product (GDP) growth rate in the first and second quarters was reported at 4.4% and 4.0%, respectively. Bank Indonesia sees third quarter GDP growth at 4.2%, an upward revision from an earlier estimate of 3.9%.

Meanwhile, the Vietnamese government is targeting an economic growth rate of 6.8% in the fourth quarter of 2009, in order to achieve a 5% GDP growth target for 2009. The government will continuously track the monetary market and adapt measures to curb inflation and stabilize the economy. Also, key projects that use funding from foreign aid, foreign direct investment and the state budget will be accelerated. For the first nine months of the year, Viet Nam recorded a growth of 4.56%.

For more information on Indonesia's growth statistics, refer to this link:

http://asianbondsonline.adb.org/indonesia/data/macroeconomic_credit.php

For more information on Viet Nam's growth statistics, refer to this link:

http://asianbondsonline.adb.org/vietnam/data/macroeconomic_credit.php

Summary Text of News Articles

**Planned Bond Issuance Announcements for Malaysia and the Philippines;
Singapore's Optus Finance Issues USD500 million 10-year Note**

Several markets announced new bond issuance plans last week.

In Malaysia, water management firm Pengurusan Aset Air Bhd (PAAB) plans to issue MYR2 billion worth of Islamic bonds within the year. About 10% of the proceeds will be used to refinance its existing debt and the rest will be used as working capital and to fund projects. Port of Tanjung Pelepas (PTP) also plans to issue MYR1-2 billion government-guaranteed Islamic bonds by year-end to fund expansion projects. The planned *sukuk* issuance will have maturities of up to 10 years. Genting Bhd., through its wholly-owned subsidiary Genting Services, is preparing a MYR1.6 billion medium-term notes program. The notes will be issued over a period of 15 years and the proceeds will be used to fund its operations.

The Philippines may sell more than USD250 million of dollar-denominated bonds and increase local borrowing to help fund this year's budgetary shortfall. The Department of Budget and Management (DBM) said that this year's deficit ceiling of PHP250 billion may exceed by PHP10 billion as it spends on relief efforts and rebuilding after the country's recent series of severe storms.

Last week, Singapore's Optus Finance has issued a USD500 million 10-year bond. The non-call issue carries a semi-annual coupon of 4.625% and will mature on October 15, 2019. The issue was part of the company's euro medium-term note program and was guaranteed by Singtel Optus. Singtel is rated Aa2 by Moody's and A+ by Standard & Poor's.

For statistics on Malaysia's issuance volume of LCY bond market, refer to this link:

http://asianbondsonline.adb.org/malaysia/data/bondmarket.php?code=Issuance_Volume_LCY

For statistics on Philippines' issuance volume of LCY bond market, refer to this link:

http://asianbondsonline.adb.org/philippines/data/bondmarket.php?code=Issuance_Volume_LCY

**Indonesia's Budget Deficit Reaches IDR33.23 Trillion as of end-September;
Viet Nam's Budget Deficit to Reach VND55.6 Billion in mid-September**

Indonesia's budget deficit as of end-September reached IDR33.23 trillion, equivalent to about 25.4% of the government's target of IDR129.8 trillion for 2009. To help fund the deficit, the government has issued a total of IDR85.55 trillion worth of state bonds to-date. This represents about 86% of its targeted IDR99.26 trillion bond issuance for the year.

Meanwhile, Viet Nam's budget deficit is estimated to reach VND55.6 billion in mid-September, as crude oil prices decrease sharply and local government tax concessions spur the economy, according to the Ministry of Planning and Investment (MPI). The total state budget collection decreased 12.1% year-on-year to VND274.4 trillion, which represents 70.4% of the full year estimate.

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	0.06	0.61	-2.43	-0.71
EU	0.41	1.00	4.90	-124.30
Japan	0.15	0.00	0.00	-5.30
PRC	1.30	0.00	0.00	25.00
Hong Kong, China	0.02	-1.00	-3.00	-3.00
India	3.10	-12.00	0.00	-140.00
Malaysia	1.93	1.30	0.30	-100.30
Korea, Rep. of	2.39	-5.00	-4.00	-26.00
Philippines	3.93	-7.11	-15.61	-169.61
Singapore	0.39	0.00	5.00	-18.00
Thailand	1.20	-0.29	-1.86	-89.15

Close of 09 October 2009

10-Year Selected LCY Government Bond Yields

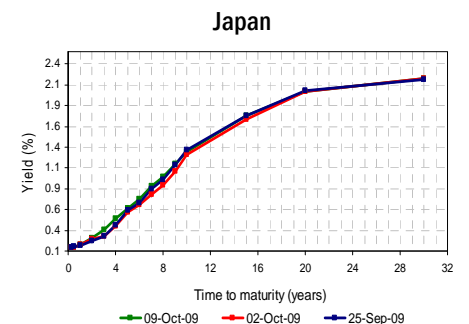
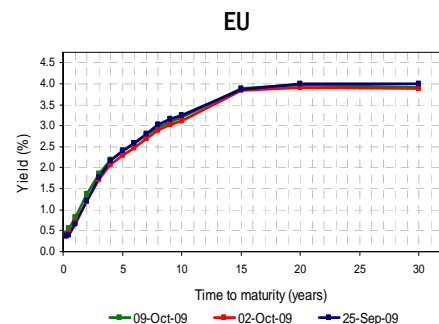
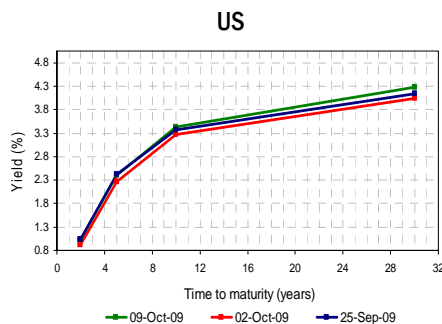
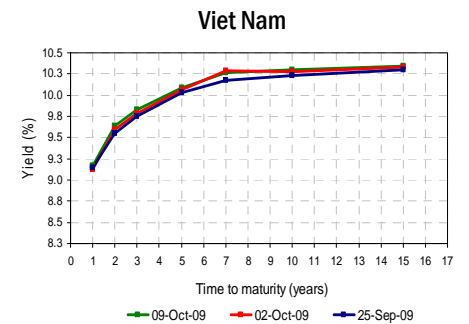
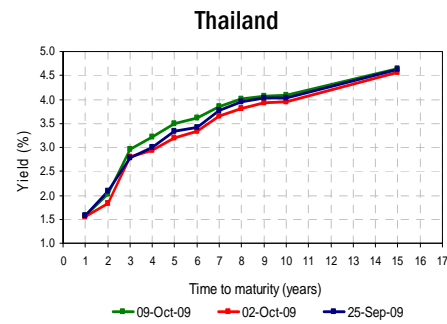
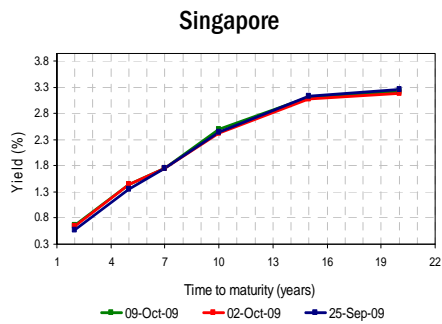
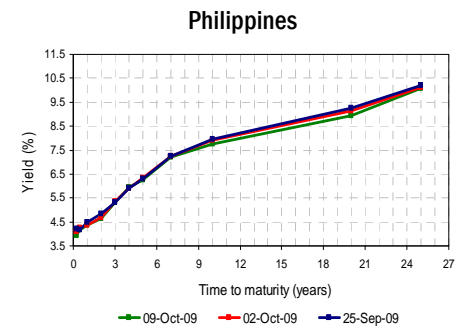
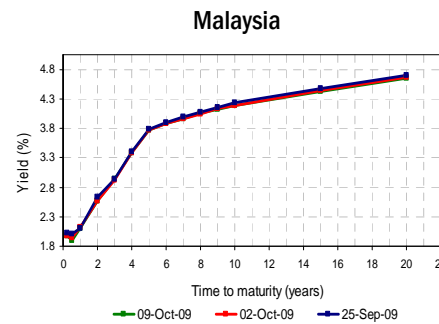
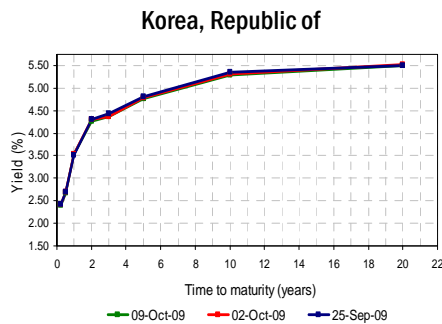
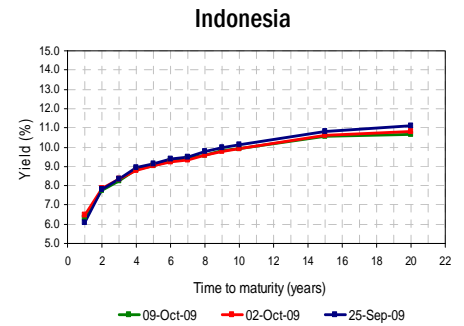
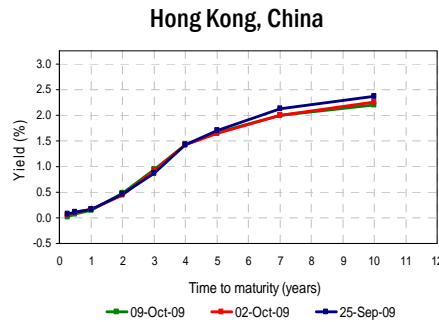
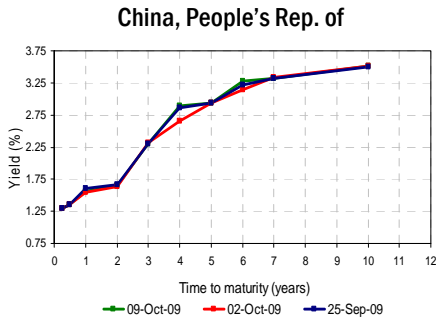
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-09*
US	3.38	13.25	16.14	116.79
EU	3.20	8.90	8.20	25.40
Japan	1.29	2.00	3.00	11.60
PRC	3.52	1.00	1.00	76.00
Hong Kong, China	2.21	2.60	-4.20	101.50
India	7.28	7.50	7.10	204.20
Indonesia	9.93	-0.30	-1.70	-195.90
Malaysia	4.14	0.20	0.60	92.30
Korea, Rep. of	5.28	-7.00	-4.00	106.00
Philippines	7.77	-12.81	-15.31	39.69
Singapore	2.44	3.00	6.00	39.00
Thailand	4.09	0.10	14.40	143.10
Viet Nam	10.30	7.10	2.30	11.30

Close of 09 October 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

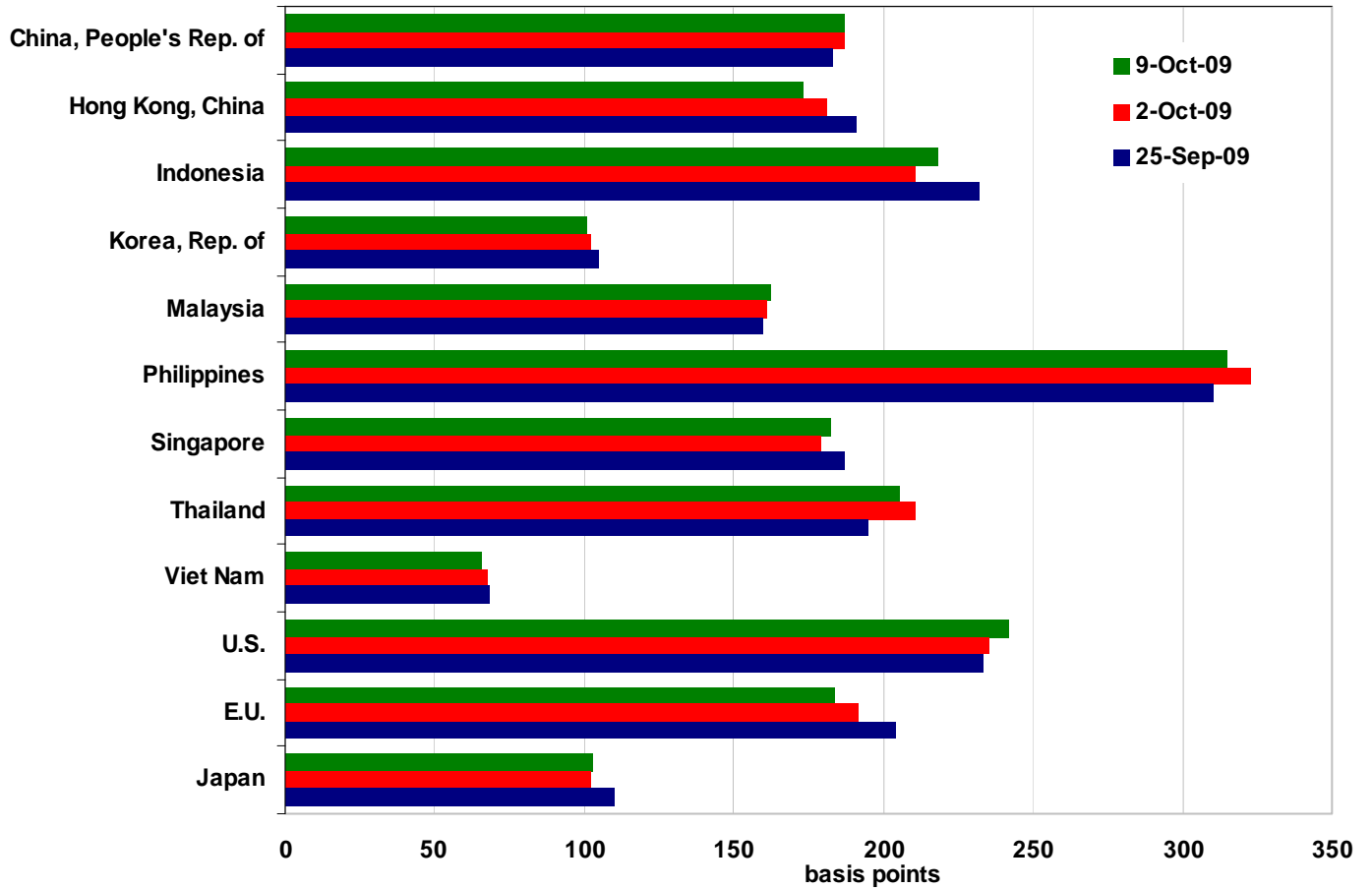


Source: Based on data from Bloomberg.

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

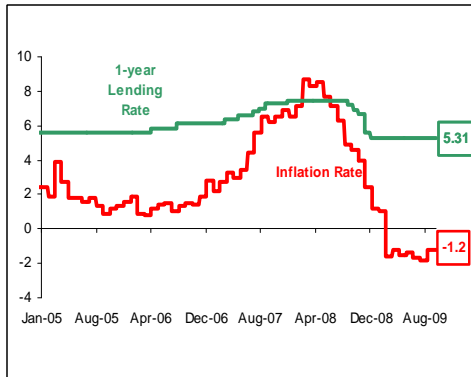


Source: Based on data from Bloomberg.

Policy Rate versus Inflation Rate Charts

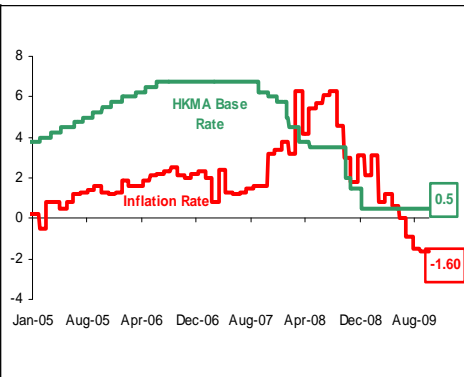
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



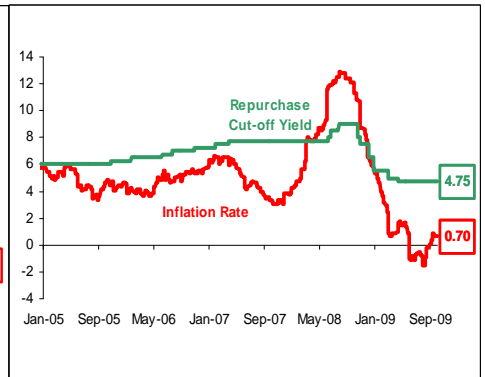
PRC uses 1-year lending rate as one of its policy rates. Source: Bloomberg, LP.

Hong Kong, China



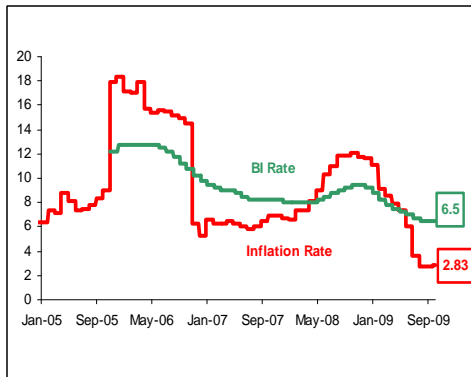
The Hong Kong Monetary Authority maintains a Discount Window Base Rate. Source: Bloomberg, LP.

India



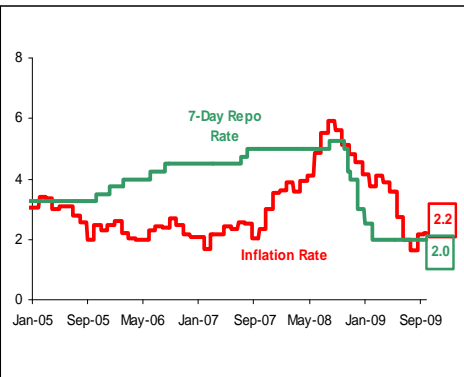
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate. Source: Bloomberg, LP.

Indonesia



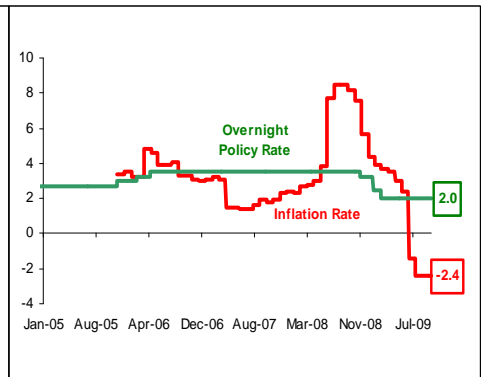
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate. Source: Bloomberg, LP.

Korea, Republic of



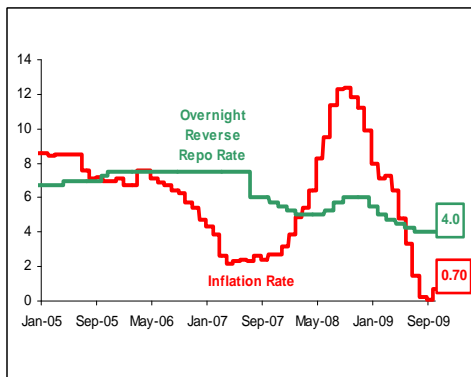
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008. Source: Bloomberg, LP.

Malaysia



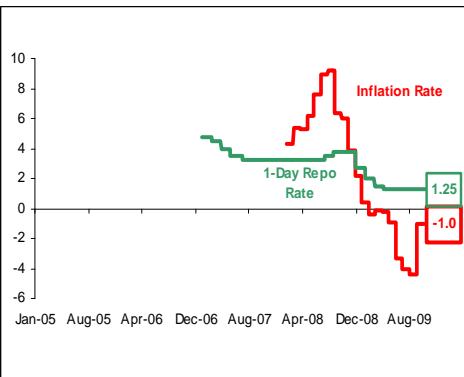
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate. Source: Bloomberg, LP.

Philippines



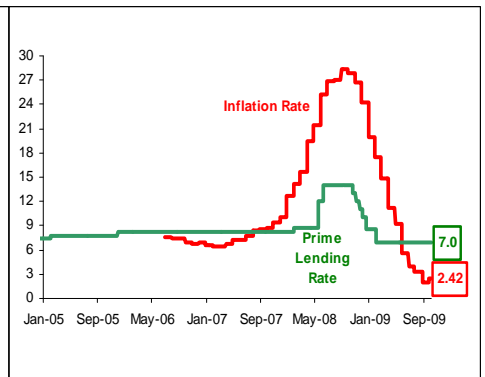
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg, LP.

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.

