

Key Developments in Asian Local Currency Markets

New loans in the People's Republic of China (PRC) surged in September, reaching CNY516.7 billion, which is significantly higher than the August figure of CNY410 billion. In the same month, broad money, as measured by M2, grew by 29.3% year-on-year (y-o-y). Other significant PRC economic data for September included 15.2% (y-o-y) export growth and an 18.9% (y-o-y) increase in foreign direct investment (FDI) inflows to a level of USD7.9 billion. Foreign-exchange reserves in September climbed to USD2.273 trillion, due to a still substantial monthly trade surplus and inflows of foreign capital.

Singapore reported that its 3Q09 gross domestic product (GDP) grew by 0.8% y-o-y, while its 2009 GDP growth target was revised to a range of -2.0% to -2.5%, compared to a previous range of -4.0% to -6.0%. In Indonesia, 3Q09 annual GDP growth is likely to range between 4.1% and 4.3%, while the 4Q09 GDP growth rate is expected to rise to 4.5% y-o-y. Meanwhile, the Republic of Korea (Korea) reported that its GDP growth rate for 2009 is likely to hover between -1.0% and 0.0%. In Malaysia, manufacturing activity appears to have improved as the rate of decline for industrial production over the last year slowed in August.

Japan has held its policy interest rate at 0.1%, citing indications that the domestic economy has begun to pick up. Also, Singapore maintained its monetary policy stance of zero percent appreciation of the Singapore dollar's nominal effective exchange rate.

The Philippines sold USD1 billion of 25-year bonds last Friday. It also plans to issue PHP50 billion of reconstruction bonds for typhoon-affected areas. Malaysia's Sime Darby plans to issue MYR4.5 billion of Islamic bonds. In Indonesia, more corporate bond issues are expected; prospective issuers include Bank Mandiri (IDR3 trillion), PT Indosat (IDR1 trillion in conventional bonds and IDR500 billion in shari'a bonds), Otomobil Artha (IDR600 billion), and Mitra Adi Perkas (IDR500 billion). In Viet Nam, FPT Joint Stock Company issued VND1.8 trillion worth of 3-year corporate bonds while Saigon Telecommunication Technology (SGT) announced plans to issue VND300 billion worth of 5-year bonds.

Yields fell for all maturities in Viet Nam and for most maturities in Indonesia. They rose for all maturities in Malaysia and Singapore, and for most maturities in Hong Kong, China; Korea; the PRC; and Thailand. Yield spreads

Asia Bond Monitor September 2009

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10-Year Selected LCY Government Security Yields Close of 16 October 2009
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-09*
US	3.41	-4.50	3.13	119.92
EU	3.29	-1.10	8.20	33.60
Japan	1.34	1.50	4.50	16.10
PRC	3.76	4.00	24.00	100.00
Hong Kong, China	2.22	1.20	1.60	103.10
India	7.41	3.50	12.10	216.30
Indonesia	9.89	-2.80	-3.90	-199.80
Malaysia	4.26	7.80	11.80	104.10
Korea, Rep. of	5.52	9.00	24.00	130.00
Philippines	7.78	-10.00	0.31	40.00
Singapore	2.65	7.00	21.00	60.00
Thailand	4.27	12.30	17.50	160.60
Viet Nam	10.17	-8.50	-13.10	-1.80

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between 2- and 10-year maturities widened in Hong Kong, China; Indonesia; Korea; Malaysia; the PRC; Singapore; and Thailand, while they narrowed in the Philippines and Viet Nam.

WHAT'S NEW: Starting this week, AsianBondsOnline (ABO) has begun to post the most recent monthly data available for Malaysia's LCY Islamic bonds outstanding, as well as a list of the top corporate issuers of Islamic bonds, on the Islamic Finance Section of Regional Markets. These tables can be found by entering the Regional section of the ABO website, selecting the "guide" tab, and then selecting the data tab in the Islamic Finance section.

Data from Bank Negara Malaysia (BNM) show that as of end-September, outstanding Government Investment Issues reached MYR64 billion (13.8% of Malaysia's total LCY government bonds), while outstanding corporate-issued Islamic bonds totaled MYR71.87 billion (27.8% of total LCY corporate bonds). Among the top corporations with outstanding LCY Islamic bonds are Khazanah Nasional (MYR12 billion), PLUS Expressway Bhd (MYR7.12 billion), and KL International Airport (MYR5.26 billion).

Summary Text of News Articles

September New Loans Surge, Exports Improve, FDI Inflows Rise, and Foreign Exchange Reserves Climb in the PRC

New loans extended for the People's Republic of China (PRC) in September totaled CNY516.7 billion, up from the CNY410 billion loan figure for August. In the same month, broad money, as measured by M2, increased by 29.3% year-on-year (y-o-y). The September new loan data was above the median forecast of CNY440 billion in a recent Bloomberg survey of economists. M2 growth also exceeded economists' forecast of 28.5% growth.

Last week, the PRC's statistics bureau reported that in September, house prices in 70 cities rose by 2.8% y-o-y, the highest increase in a year. For the first three quarters of 2009, the value of home sales increased by 73.4% y-o-y to CNY2.75 trillion. Housing prices increased the most in the southern city of Shenzhen, with the Shenzhen housing price index increasing by 11.1% y-o-y.

Other significant economic data released last week showed that in September, the PRC's exports declined at a slowing rate, inflows of foreign direct investment (FDI) increased, and the country's foreign exchange reserves climbed to a record level.

Exports declined by 15.2% y-o-y, the lowest rate of decline in 9 months, while imports declined at their slowest pace in 11 months. FDI inflows, which began to rise in August, increased by 18.9% y-o-y to USD7.9 billion in September. On a cumulative basis, FDI inflows over the first nine months of the year dropped by 14.2% y-o-y to USD63.8 billion. The country's foreign-exchange reserves climbed to USD2.273 trillion, due to a still substantial trade balance and inflows of foreign capital.

For more information on PRC's macroeconomic statistics, refer to this link:

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

Positive 3Q09 Annual Growth for Singapore; Indonesia's 3Q09 Annual Growth To Range Between 4.1% and 4.3%; Republic of Korea's 2009 Contraction to Slow; Manufacturing Activity Improves in Malaysia

Singapore's economy expanded in 3Q09 as its gross domestic product (GDP) for the period grew by 0.8% year-on-year (y-o-y), based on advance estimates released last week by the Ministry of Trade and Industry (MTI). The growth was driven by the expansion of the manufacturing output, particularly the electronics and biomedical sectors. The Monetary Authority of Singapore (MAS) has revised its 2009 GDP forecast to a range of -2.0% to -2.5%, compared to a previous range of -4.0% to -6.0%.

The Finance Ministry of Indonesia reported that 3Q09 annual GDP growth is likely to range from 4.1% to 4.3%, while 4Q09 GDP growth is expected to accelerate to 4.5% y-o-y as government spending is expected to pick up. The 2009 GDP growth target for Indonesia is at 4.3%. Meanwhile, Bank of Korea (BOK) expects that the economy of Republic of Korea (Korea) is likely to contract at a much slower pace compared with its earlier forecast. The 2009 GDP growth rate for the Korean economy is expected to be between -1.0% and 0.0%, while for 2010, it is projected to be between 3.0% and 4.0%.

In Malaysia, manufacturing activity appears to be improving as the annual declines in the industrial production and manufacturing indices of 5.7% and 6.6%, respectively, in August, have slowed compared to recent months.

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

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

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 Korea's growth statistics, refer to this link:

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

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

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

Summary Text of News Articles

Policy Rates Remain Steady in Japan and Singapore

The Bank of Japan (BOJ) held its key interest rate, i.e., overnight call rate, at 0.1% in its 14 October meeting. In a monetary policy statement, the BOJ said that "Japan's economy has started to pick up". It further reported that based on its baseline scenario through 2010, "expectations of medium- to long-term growth are assumed to remain generally unchanged" and that the economy will recover.

Meanwhile, Monetary Authority of Singapore (MAS) announced no changes in its current policy stance of a zero percent appreciation of the Singapore dollar's nominal effective exchange rate (NEER), reporting that "the Singapore economy is likely to settle at a more gradual pace of expansion."

For more information on Japan's policy rate, refer to this link:

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

Philippine Government to Issue Reconstruction Bonds; Malaysian Firm to Issue Islamic Bond; Corporate Bond Issues in Indonesia and Viet Nam

The Philippine government plans to raise PHP50 billion, through issuance of reconstruction bonds as well as through foreign loans and grants, for the purpose of rebuilding typhoon-affected areas. The reconstruction bonds, which would have a maturity of 5 and 10 years, may be issued in local currency or US dollars.

In Malaysia, Sime Darby, a conglomerate with interests in palm oil, has tapped three banks, Maybank Investment Bank, CIMB Group Holdings Bhd and Public Investment Bank Bhd, as lead arrangers for its planned MYR4.5 billion Islamic debt issue. Sime Darby's Islamic Medium Term Note Programme and Islamic Commercial Paper/MTN Programme were approved by the Securities Commission. The proceeds of the issue will be used to fund the company's working capital requirements, acquisition and capital expenditures, as well as to refinance debt obligations.

In Indonesia, corporate bond issuance is expected to reach IDR23.21 trillion (USD2.46 billion) for 2009. According to the Capital Market and Financial Institutions Supervisory Agency (Bapepam), this estimate is higher than its initial target of IDR15 trillion. Bapepam has provided a list of firms that plan to issue bonds within the next three months. Prospective issuers include: Bank Mandiri (IDR3 trillion), PT Indosat (IDR1 trillion in conventional bonds and IDR500 billion in shari'a bonds), Otomobil Artha (IDR600 billion); and Mitra Adi Perkas (IDR500 billion).

In Viet Nam, FPT Joint Stock Company has successfully issued VND1.8 trillion worth of 3-year corporate bonds at a coupon rate of 7.0%. Proceeds of the bond issue will finance the business and production activities of the company. Finally, Viet Nam's Saigon Telecommunication Technology Joint Stock Company (SGT) announced plans to issue VND300 billion worth of 5-year bonds at a coupon rate of 12.5%. The bonds will be offered to banks, financial institutions, investment funds and securities companies. SGT aims to increase its working capital.

For statistics on the Philippines' issuance volume, refer to this link:

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

For statistics on Indonesia's issuance volume, refer to this link:

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

For statistics on Malaysia's issuance volume, refer to this link:

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

For statistics on Viet Nam's issuance volume, refer to this link:

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

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	0.41	-0.71	-1.42
EU	0.41	-0.20	-0.90	-125.20
Japan	0.15	0.00	0.50	-4.80
PRC	1.45	-5.00	-5.00	45.00
Hong Kong, China	0.03	0.00	1.00	-2.00
India	3.22	12.00	12.00	-128.00
Malaysia	1.99	0.60	6.40	-93.90
Korea, Rep. of	2.25	1.00	-14.00	-40.00
Philippines	3.93	-2.50	-0.39	-170.00
Singapore	0.41	1.00	2.00	-16.00
Thailand	1.20	-0.54	-0.54	-89.69

Close of 16 October 2009

10-Year Selected LCY Government Bond Yields

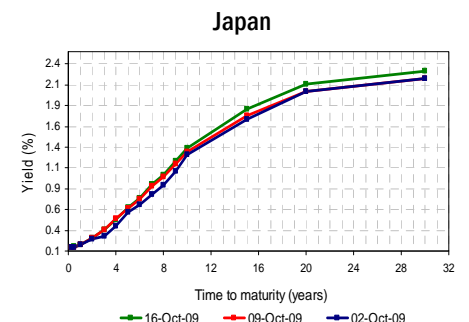
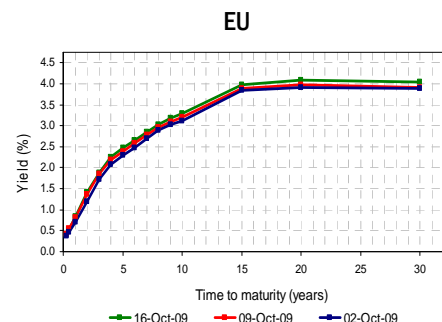
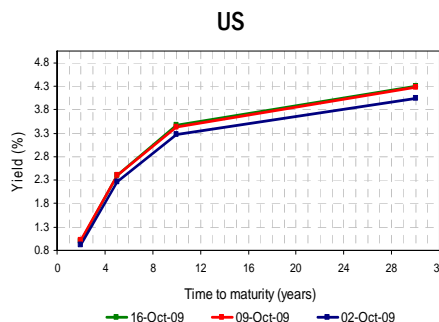
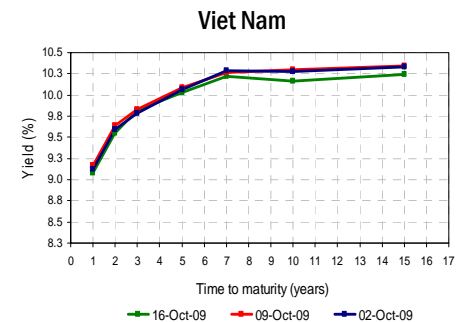
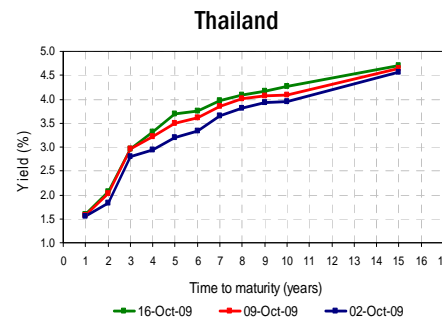
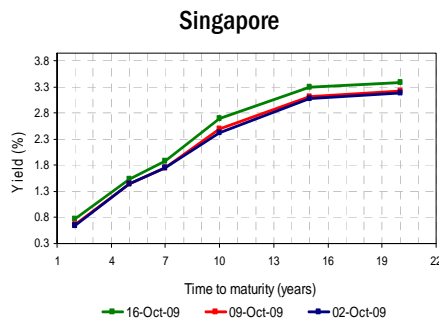
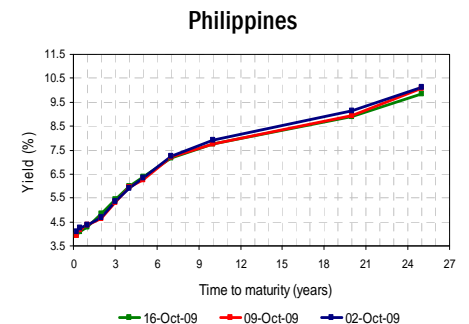
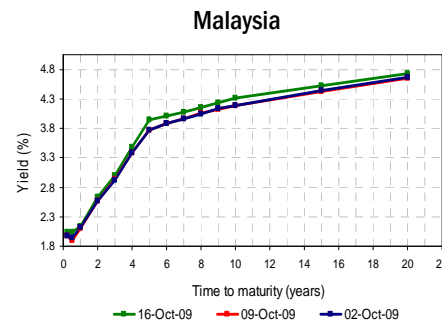
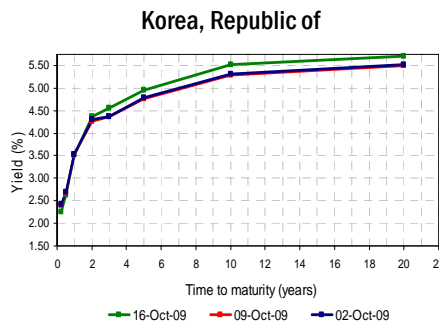
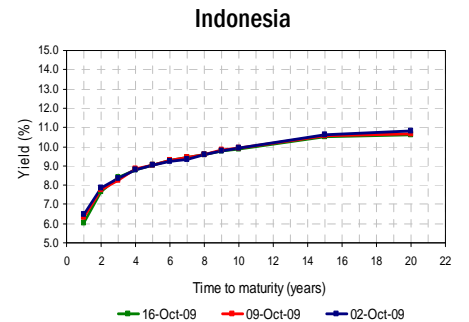
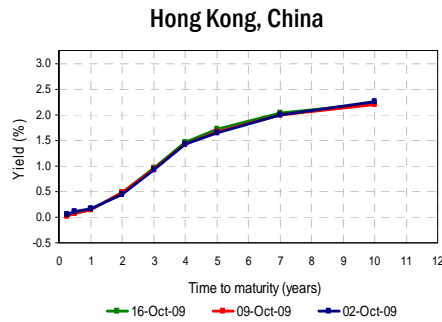
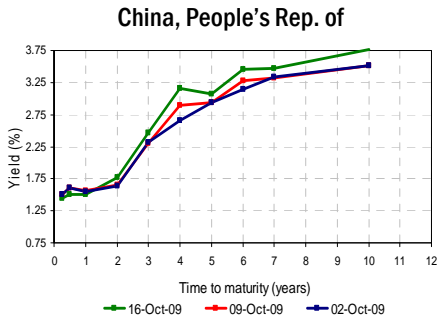
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Close of 16 October 2009

Source: Based on data from Bloomberg, LP.

Benchmark Yield Curves – Local Currency Government Bonds

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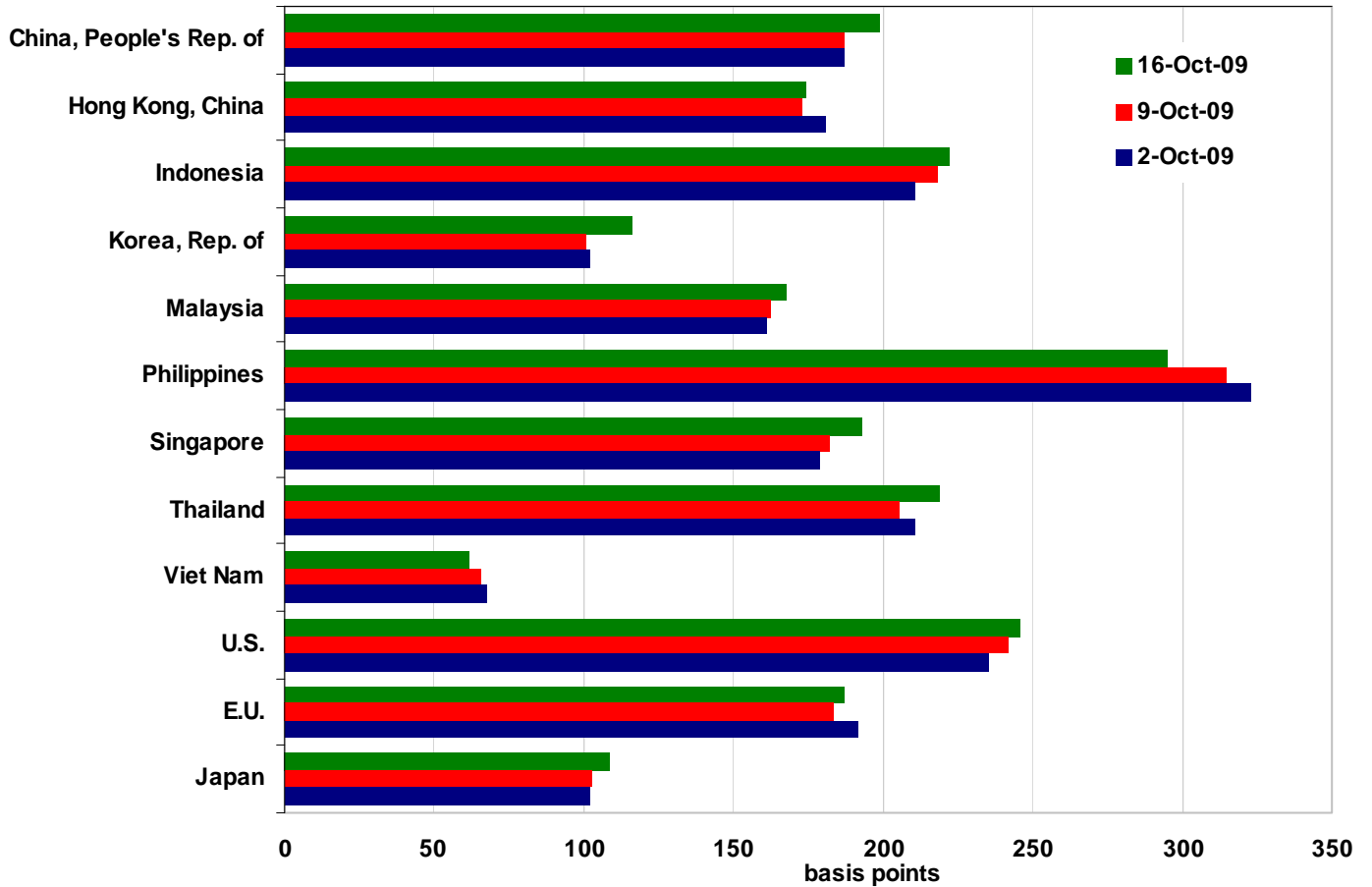


Source: Based on data from Bloomberg.

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.

