

Key Developments in Asian Local Currency Markets

In the third quarter, the People's Republic of China (PRC) posted its fastest economic growth rate this year, on the back of continued credit expansion and stimulus spending. The country's third quarter gross domestic product (GDP) increased 8.9% year-on-year (y-o-y)—well above the GDP growth rates of 6.11% and 7.9% registered in the first and second quarters of the year, respectively. Industrial production in September rose 13.9% y-o-y, the most in over a year, while September retail sales increased 15.5% y-o-y. GDP growth in the Republic of Korea (Korea) is also rebounding. Korean GDP in 3Q09 rose 2.9% quarter-on-quarter (0.6% y-o-y), leading to market speculation that the Bank of Korea may be considering an increase in its policy rate.

➤ The PRC's Ministry of Finance (MOF) reported on 20 October that its CNY6 billion Treasury bond offering in Hong Kong, China attracted subscriptions totaling CNY18 billion—three times the offered amount. The issue, which is MOF's first outside of the PRC mainland, is part of the PRC's efforts to broaden the use of the yuan internationally.

➤ Last week, Singapore's Temasek Holdings issued a USD1.5-billion 10-year bond, the second offering under its USD5 billion medium-term note programme, and Lumena Resources, a chemicals company based in the PRC, issued a USD250 million high-yield bond issue carrying a 12% coupon.

➤ Malaysia announced its budget for 2010 on Friday, forecasting GDP growth of 2% to 3% in 2010, as well as a reduction of the budget deficit – as a percentage of GDP – from 7.4% in 2009 to 5.6% in 2010.

➤ The Government of Viet Nam has projected that GDP will grow by 6.5% in 2010. It added that the services sector is expected to expand by 7.5% y-o-y in 2010, followed by construction and industry with 7.0% growth, while agriculture is likely to grow by 2.8%.

➤ Government bond yields fell for all maturities in Malaysia and for most maturities in Hong Kong, China; the PRC; and Singapore. They rose for most maturities in other emerging East Asian markets. Yield spreads between 2- and 10-year maturities narrowed in Malaysia, the PRC, Thailand, and Viet Nam, while they widened in most other markets.

➤ **WHAT'S NEW:** Starting October 12, AsianBondsOnline (ABO) has begun posting the most recent monthly data available for LCY bonds outstanding on the Macroeconomic and Credit Indicators table of the Credit Risk Watch (CRW) section. The CRW tables can be found by entering the data section under a given

Asia Bond Monitor September 2009

[read more](#)

10-Year Selected LCY Government Security Yields Close of 23 October 2009

Markets	Latest Closing	basis point change from			1-Jan-09*
		Previous Day*	Previous Week*	1-Jan-09*	
US	3.49	7.68	7.85	127.77	
EU	3.35	4.30	6.20	39.80	
Japan	1.37	-0.20	3.40	19.50	
PRC	3.70	-1.00	-6.00	94.00	
Hong Kong, China	2.21	1.80	-0.90	102.20	
India	7.45	9.60	4.80	221.10	
Indonesia	10.11	18.60	21.50	-178.30	
Malaysia	4.22	-0.20	-4.40	99.70	
Korea, Rep. of	5.60	5.00	8.00	138.00	
Philippines	7.83	3.00	5.00	45.00	
Singapore	2.65	1.00	0.00	60.00	
Thailand	4.25	0.00	-1.40	159.20	
Viet Nam	10.20	-11.90	3.00	1.20	

- 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

market, and scrolling down to the CRW section. On October 12, we posted the most recent monthly data for the PRC, Indonesia, Malaysia, the Philippines, and Thailand.

This week we have begun to post the most recent monthly total LCY bonds outstanding available for Japan (USD 9.6 trillion in August), Korea (USD 1.0 trillion equivalent in September), and Viet Nam (USD 12 billion equivalent in September), as well as for Singapore and Hong Kong, China. Only government bond data is available on a monthly basis in Singapore (USD 84 billion in August) and Hong Kong, China (USD 50.5 billion in August). These amounts represent month-on-month growth rates (in LCY terms) of 0.89% for Japan, 1.66% for Korea, -1.76% for Viet Nam, 1.74% for Singapore government bonds, and 11.66% for Hong Kong, China government bonds.

Selected Government Security Yields

PRC Posts 8.9% GDP Growth in 3Q09

In the third quarter, the People's Republic of China posted its fastest economic growth rate this year, on the back of continued credit expansion and stimulus spending. The country's third quarter gross domestic product (GDP) increased 8.9% year-on-year (y-o-y)—well above the GDP growth rates of 6.11% and 7.9% registered in the first and second quarters of the year, respectively.

Industrial production in September rose 13.9% y-o-y, the most in over a year, while September retail sales increased 15.5% y-o-y. Over the first nine months of 2009, cumulative urban fixed asset investment—which primarily consists of investment in infrastructure—soared 33.3% compared to the same period last year. September CPI inflation dropped to -0.8% y-o-y, the lowest rate of decline since CPI inflation dipped into negative territory in February.

The country's strong economic performance has led to calls for the government to begin unwinding the extraordinary measures it has taken to counter the global crisis.

The chairman of the China Banking Regulatory Commission (CBRC), Liu Mingkang, in a statement issued on 21 October, warned that the country's banks, which have extended massive amounts of loans in support of the government's stimulus program, face increasing credit risks, and urged them take steps to address these risks. Last week the State Council also said that it would focus on containing inflationary pressure while continuing with policies aimed at maintaining growth.

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

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

PRC Treasury bonds in Hong Kong, China 3 Times Oversubscribed; Corporate Bond Issues in the PRC and Singapore

The People's Republic of China's (PRC) Ministry of Finance (MOF) reported on 20 October that its CNY 6 billion Treasury bond offering in Hong Kong, China attracted subscriptions totaling CNY18 billion—three times the offered amount. The issue, which is MOF's first outside of the PRC mainland, is part of the PRC's efforts to broaden the use of the yuan internationally, as well as to help develop the Hong Kong, China bond market. The bonds, which were sold from 28 September to 20 October, pay annual interest of 2.25%, 2.7%, and 3.3% for 2-, 3-, and 5-year bonds, respectively.

Last week, Singapore's Temasek Holdings issued a USD1.5-billion 10-year bond, the second offering under its USD5-billion medium-term note programme. The first issue was in September 2005 when the company issued USD1.75 billion 10-year bonds. The bond issue is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. It carries a coupon of 4.3% (95 basis points over the 10-year US Treasury yield) and will mature on October 25, 2019. US investors were allocated 62%, while European and Asian investors bought 25% and 13%, respectively.

Lumena Resources, a chemicals company based in the PRC priced a USD250 million high-yield bond issue on 21 October in Hong Kong, China. The bonds give investors a rare opportunity to invest in a relatively unknown sector. The company is the world's number two producer of thenardite, a key ingredient in detergents, textiles, glass, pharmaceuticals, and other products. The Lumena bonds carry a 12% coupon rate and will mature in 5 years. Around half of the proceeds of the issue will be used for the repayment of a one-year bridge loan used by Lumena to complete the acquisition of a mining company. The Lumena bonds are rated B1 and BB- by Moody's and Standard & Poor's (S&P), respectively. US investors bought 41% of the offering; European investors bought 33%; and Asian investors bought the remaining 26%.

Selected Government Security Yields

Philippines to issue a list of government bonds; Indonesia and Thailand plan to sell corporate bonds

The Philippines' Home Guaranty Corp. (HGC) plans to issue PHP5.5 billion of 10-year bonds in the fourth quarter of the year or early 2010. HGC is the government-owned-and-controlled-corporation (GOCC) mandated by law to promote sustainable home ownership by providing risk coverage or guarantees and tax/fiscal incentives to banks and financial institutions/investors granting housing development loans / credits, and home financing. Aside from HGC, Pag-IBIG Fund also plans to issue bonds worth P12.5 billion while the National Food Authority (NFA) is scheduled to sell PHP5.5 billion in 10-year bonds this week.

Meanwhile, a number of Indonesian corporates are planning to issue USD-denominated bonds worth a total of USD2.58 billion in the next two weeks. Coal mining contractor, PT Bukit Makmur Mandiri Utama (Buma) would issue bonds worth USD350 million. PT Chandra Asri Petrochemical Center would conduct a roadshow offering bonds worth USD250 million. PT Indika Energy would also be in roadshow to offer bonds worth USD230 million. State electricity company, PLN is set to issue bonds up to USD1.25 billion in 10-year bonds. Lastly, PT Bumi Resources is also set to issue bonds. Proceeds from these bond issuances will mostly be used to finance business expansion and refinance existing debt.

Finally, a list of Thai corporate bond issues is expected this October. The Thai Military Bank and Krung Thai Bank plan to issue THB10 billion and THB13 billion, respectively, of both 10-year subordinated bonds. The bonds will be sold to existing bondholders, institutional investors and the public. Also, Regional Container Lines plans to issue 3-year worth of THB2.5 billion bonds; Ch Karnchang would sell THB3 billion bonds of 2- and 4-year bonds; and Thai Airways International plans to sell bonds worth THB7.5 billion. Proceeds of these bond issuances are mostly aimed at debt repayment and general investments. A list of bond issues is also scheduled in November and December 2009 as well as in 2010.

Viet Nam's Growth Target for 2010

The Government of Viet Nam reported that the country's gross domestic product (GDP) for 2010 is projected to climb to VND1,931 trillion, with 2010 GDP growth targeted at 6.5% year-on-year (y-o-y). It added that the services sector is expected to expand by 7.5% y-o-y in 2010, followed by construction and industry with 7.0% growth, while agricultural growth is likely to be at 2.8%.

Viet Nam expects that the consumer price inflation for 2010 will be at 7.0% from a year ago, while total exports is likely to rebound in the same year with projected annual growth of 6.0%. Furthermore, the budget deficit for 2010 is targeted at VND125.5 trillion, or 6.5% of GDP.

For statistics on Viet Nam's macroeconomic indicators, refer to this link:

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

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	0.05	0.71	-0.61	-2.03
EU	0.41	0.20	0.50	-124.70
Japan	0.15	0.00	0.00	-4.80
PRC	1.30	0.00	0.00	25.00
Hong Kong, China	0.04	0.00	1.00	-1.00
India	3.17	0.00	-5.00	-133.00
Malaysia	2.01	-0.10	1.50	-92.40
Korea, Rep. of	2.21	0.00	-4.00	-44.00
Philippines	4.00	5.00	7.50	-162.50
Singapore	0.41	0.00	0.00	-16.00
Thailand	1.23	0.00	3.11	-86.58

Close of 23 October 2009

10-Year Selected LCY Government Bond Yields

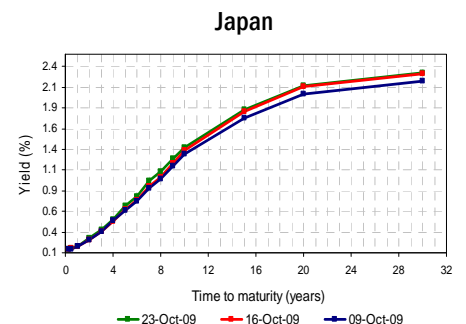
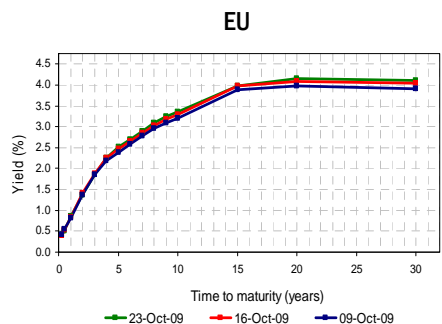
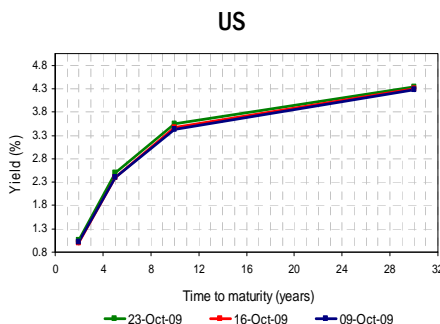
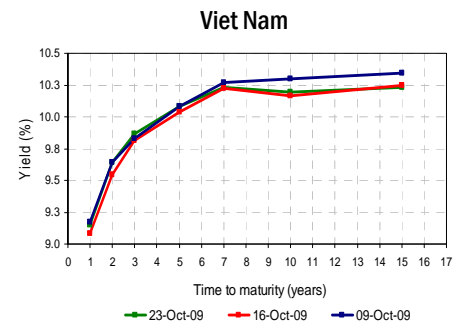
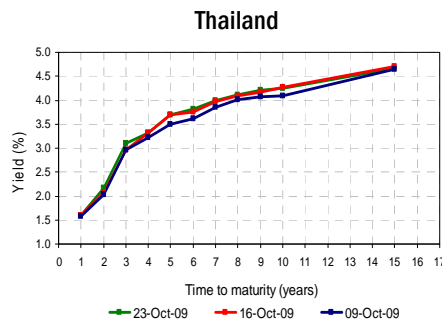
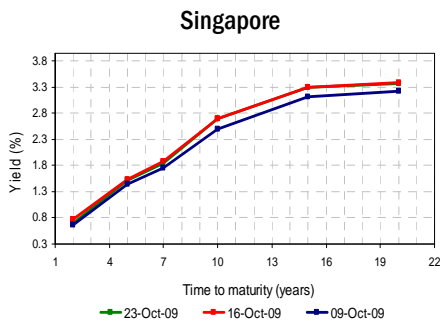
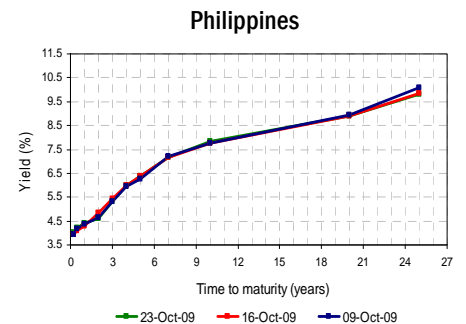
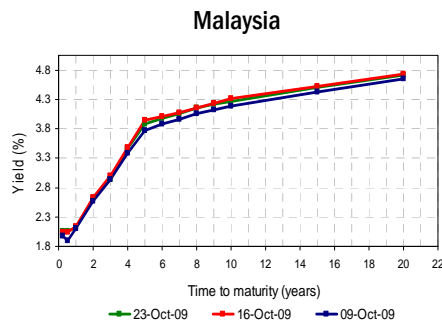
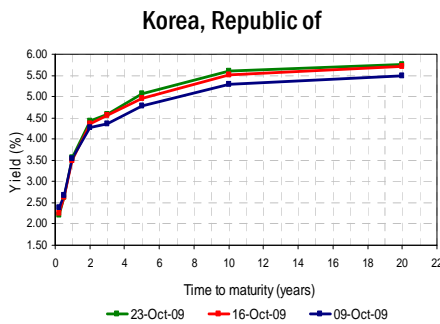
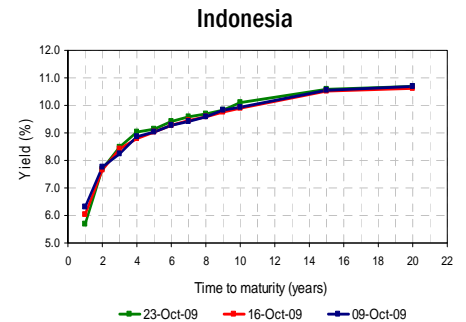
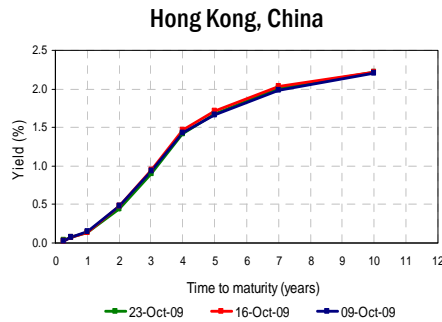
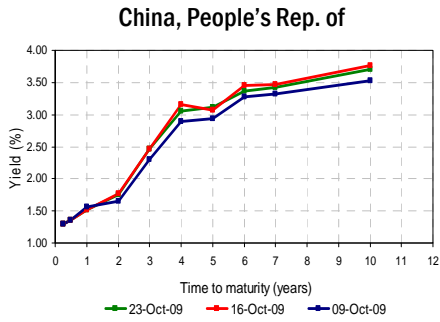
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Korea, Rep. of	5.60	5.00	8.00	138.00
Philippines	7.83	3.00	5.00	45.00
Singapore	2.65	1.00	0.00	60.00
Thailand	4.25	0.00	-1.40	159.20
Viet Nam	10.20	-11.90	3.00	1.20

Close of 23 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

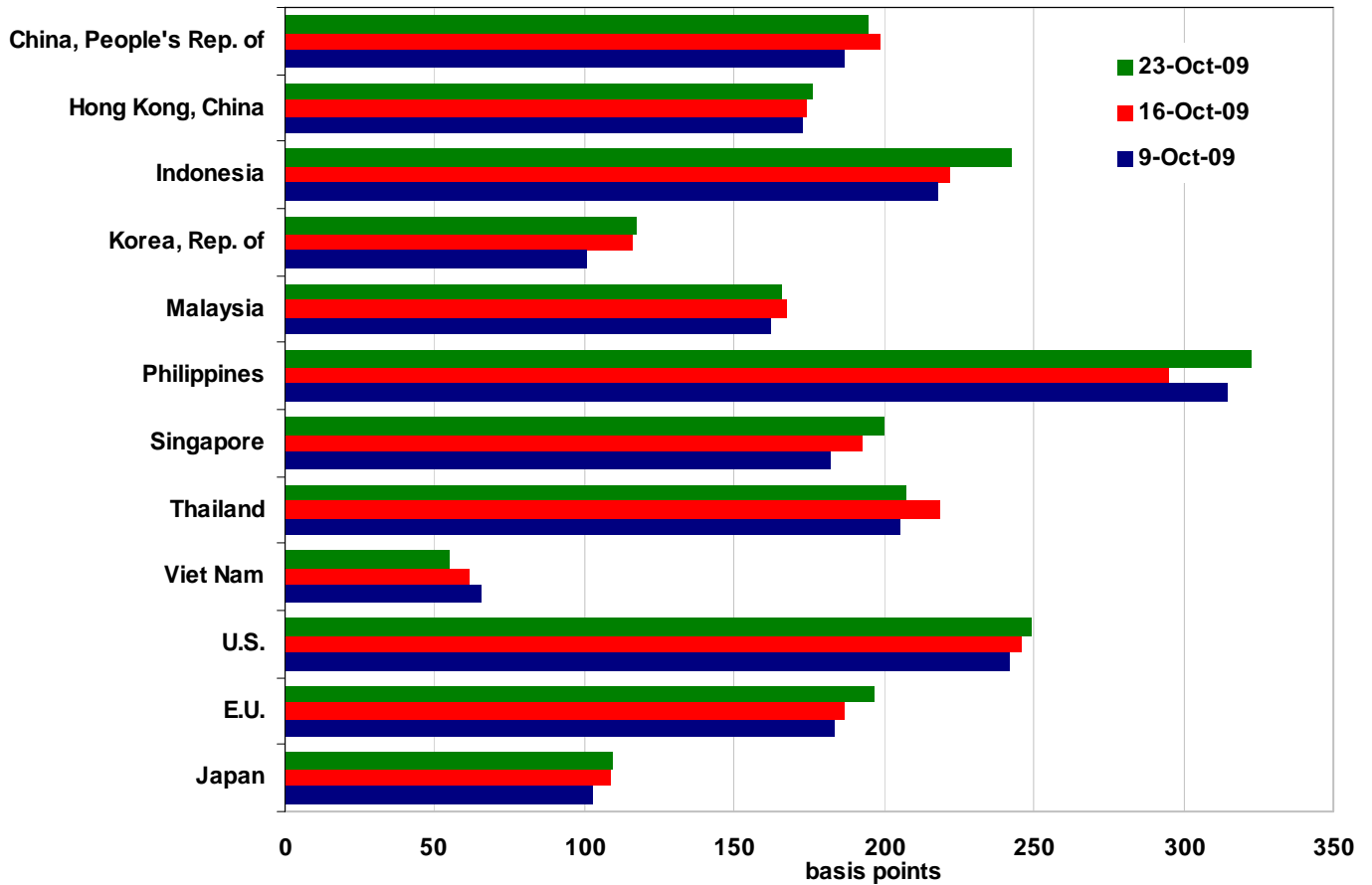


Source: Based on data from Bloomberg.

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

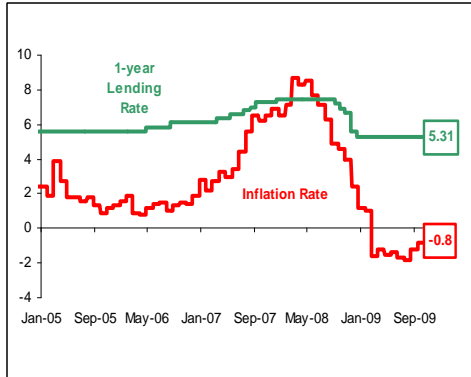


Source: Based on data from Bloomberg.

Policy Rate versus Inflation Rate Charts

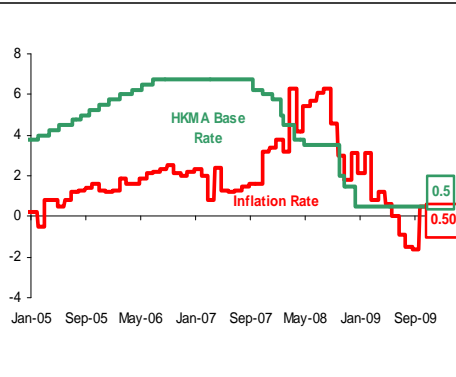
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



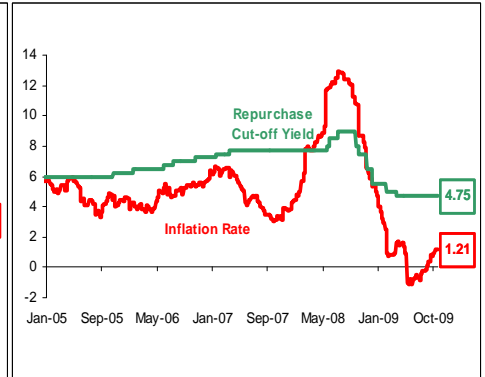
PRC uses 1-year lending rate as one of its policy rates. Source: Bloomberg, LP.

Hong Kong, China



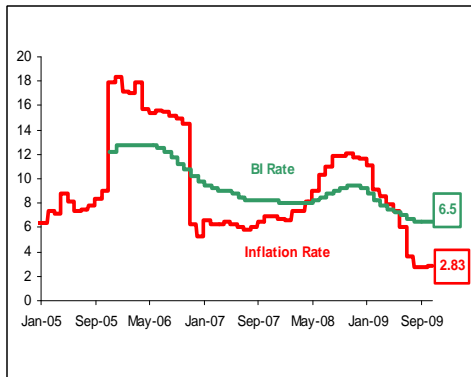
The Hong Kong Monetary Authority maintains a Discount Window Base Rate. Source: Bloomberg, LP.

India



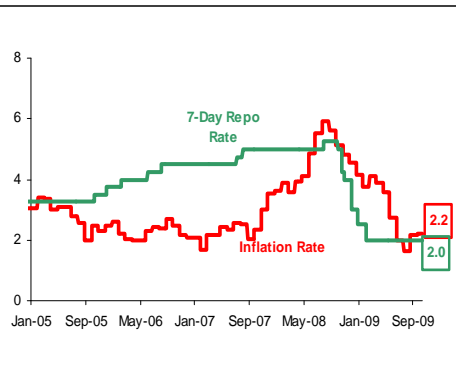
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate. Source: Bloomberg, LP.

Indonesia



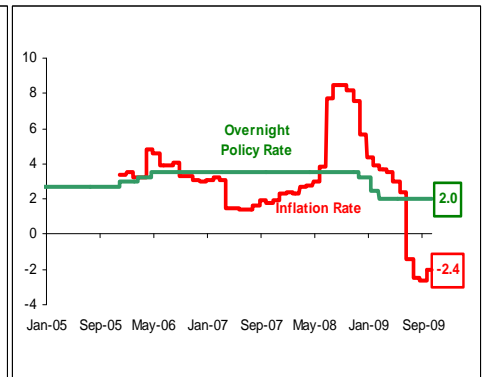
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate. Source: Bloomberg, LP.

Korea, Republic of



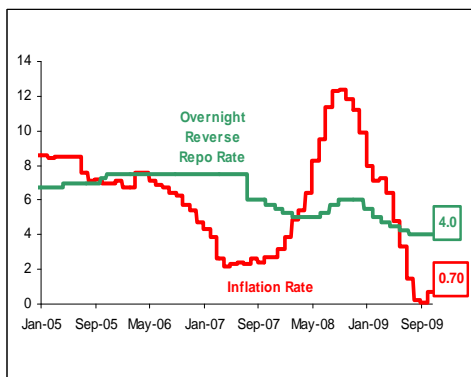
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008. Source: Bloomberg, LP.

Malaysia



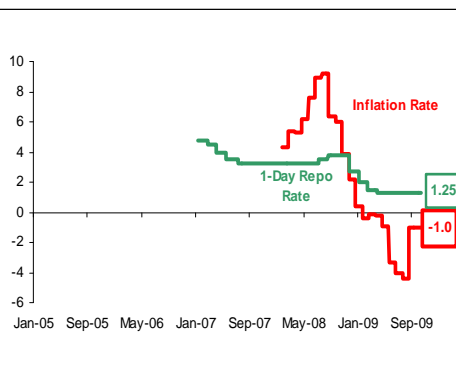
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate. Source: Bloomberg, LP.

Philippines



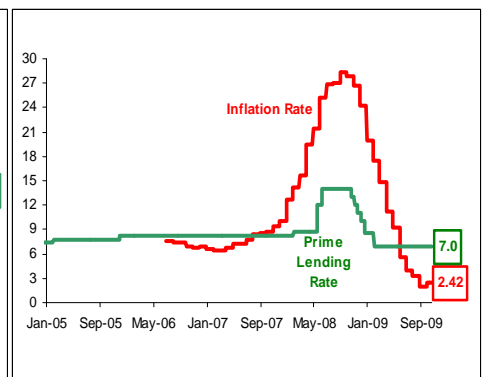
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg, LP.

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

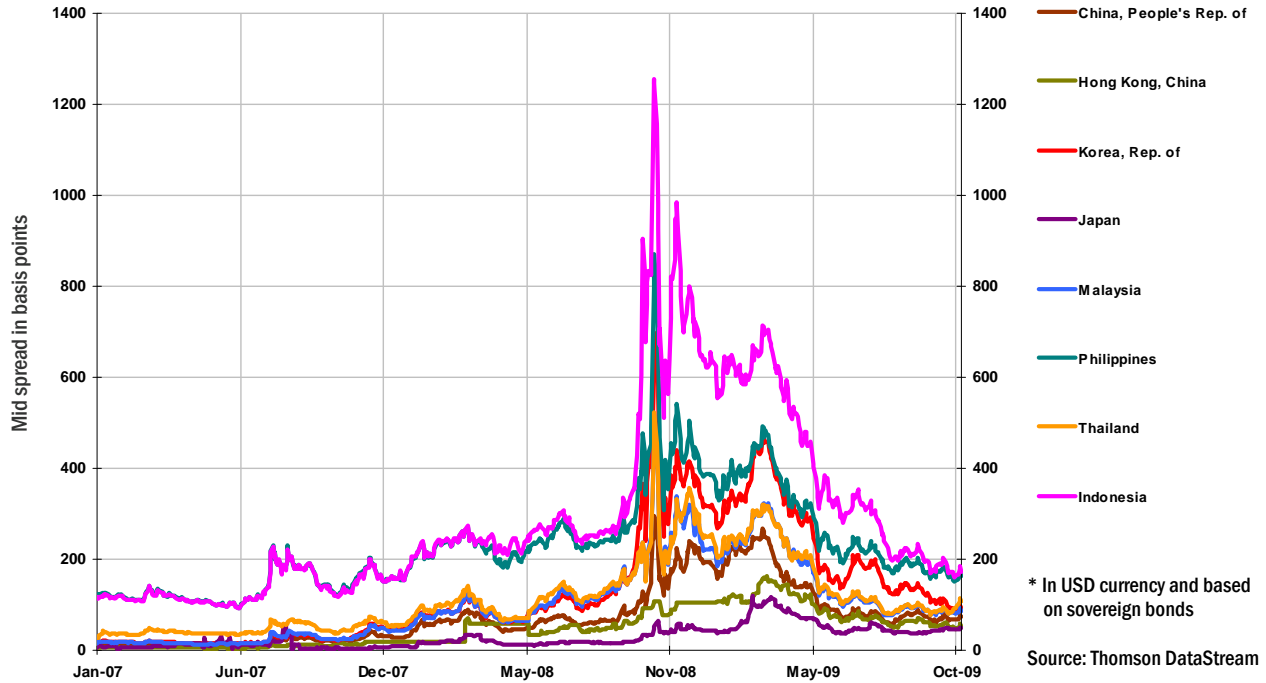


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate. Source: Bloomberg, LP.

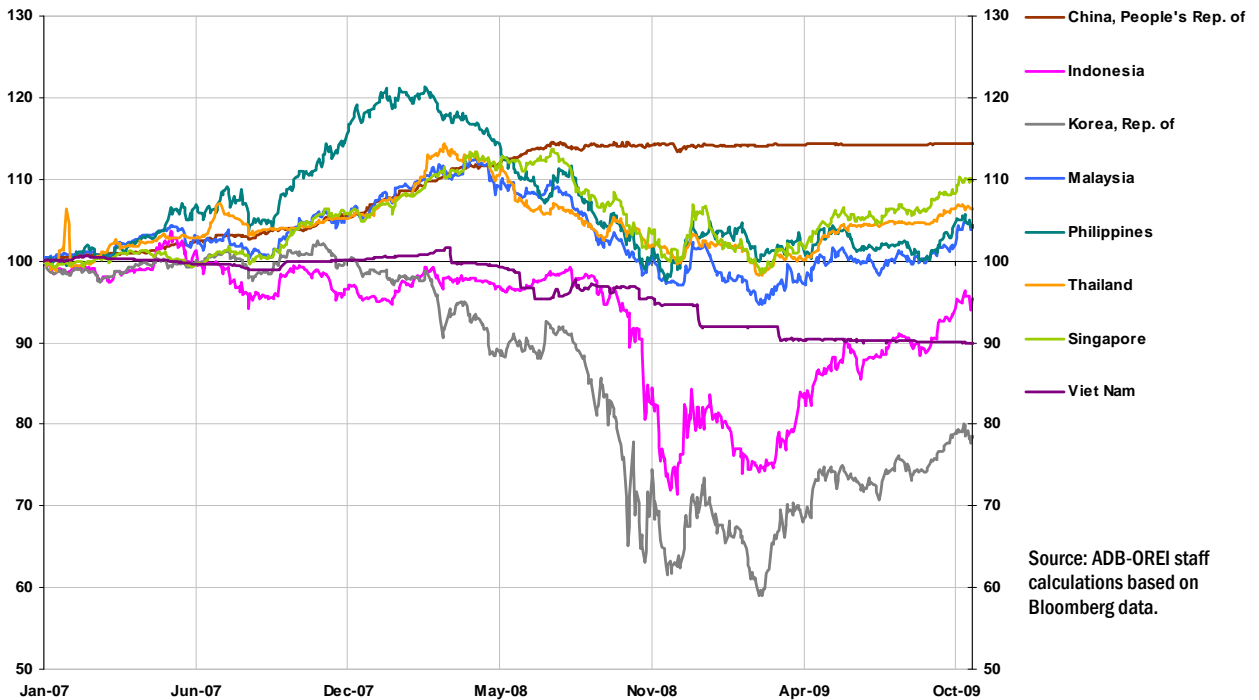
Credit Default Swap Spreads & Exchange Rate Indexes

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

Credit Default Swap Spreads - Senior 5-year*



Exchange Rate Indexes (vis-à-vis US\$, 2 January 2007=100)



Selected Debt Security Issuances (Week of October 19 - 23, 2009)

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

Markets	Auction Date	Type of Security	Average Yield (%)	Coupon (in %)	Amount Offered LCY Billions	Amount Issued LCY Billions
PRC	20-Oct	1-year PBOC Bills	1.76		45.0	45.0
	21-Oct	1-year China Development Bank Bonds		2.04	20.0	40.0
		10-year Ministry of Railway Bonds		4.70	15.0	15.0
		15-year Ministry of Railway Bonds		4.95	5.0	5.0
		7-year Treasury Bonds		3.40	26.0	26.0
	22-Oct	91-day PBOC Bills	1.33		90.0	90.0
HK	20-Oct	182-day Exchange Fund Bills	0.09		8.0	8.0
		91-day Exchange Fund Bills	0.04		20.0	20.0
ID	20-Oct	364-day Treasury Bills	6.87			350.0
		16-year Treasury Bonds	10.50		* 3,000.0	2,500.0
		21-year Treasury Bonds	10.60			1,650.0
	21-Oct	28-day SBI	6.48			38,361.9
		28-day Shari'a SBI	6.48		* 50,000.0	522.5
		91-day SBI	6.59			878.8
		182-day SBI	6.68			57.8
KR	19-Oct	28-day Monetary Stabilization Bonds	2.08		3,500.0	3,170.0
		91-day Monetary Stabilization Bonds	2.20		1,500.0	1,200.0
		10-year Treasury Bonds	5.54		1,400.0	1,700.0
JP	20-Oct	20-year Government Bonds	2.09		1,100.0	1,011.7
	21-Oct	3-month Treasury Discount Bills	0.15		5,700.0	5,277.5
SG	19-Oct	91-day Treasury Bills	0.34		3.5	3.5
TH	19-Oct	28-day Treasury Bills	1.06		2.0	2.0
		91-day Treasury Bills	1.20		5.0	5.0
		182-day Treasury Bills	1.36		5.0	5.0
	20-Oct	12-year Bangkok Mass Transit Authority bonds	4.85		1.0	1.0

Source: Local market sources and Bloomberg, LP.

* - Overall indicative target for Indonesia's treasury bills and bonds auction was at IDR3 trillion; target for SBI auction was at IDR50 trillion.

Selected Asia Data Releases (27 October – 03 November 2009)

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

Country Variable	Release Date	Historical Data	Recent Trends
Viet Nam CPI% YOY% OCT	10/22 to 10/29	09/08: 27.9% 10/08: 26.7% 08/09: 2.0% 09/09: 2.4%	Viet Nam's consumer price inflation rose to 2.4% in September 2009, its first acceleration since August 2008.
Philippines Total Imports YOY% AUG	10/27	07/08: 16.7% 08/08: 1.1% 06/09: -22.8% 07/09: -31.6%	Philippine imports in July plunged 31.6% year-on-year, amounting to USD4.025 billion. Imports for the first seven months of the year were USD24.39 billion, a 31.2% decline from the same period in 2008.
Republic of Korea Current Account USD billion SEP	10/27 to 10/30	08/08: -4.70 09/08: -1.35 07/09: 4.36 08/09: 2.04	The Republic of Korea has continued to post a current account surplus since February of this year. Revised estimates by the government show the current account surplus exceeding USD30 billion for the full year 2009.
Malaysia Overnight Policy Rate % OCT 28	10/28	09/08: 3.5% 10/08: 3.5% 08/09: 2.0% 09/09: 2.0%	Bank Negara Malaysia's Monetary Policy Committee is expected to maintain the overnight policy rate at 2.0% when it meets on October 28.
Japan Industrial Production YOY% SEP	10/29	08/08: -7.2% 09/08: 0.4% 07/09: -22.7% 08/09: -19.0%	Japan's industrial output in August was 19% lower from a year earlier.
Hong Kong, China M2 YOY % SEP	10/30	08/08: 0.1% 09/08: -7.6% 07/09: 14.0% 08/09: 13.6%	Hong Kong, China's M2 money supply increased 13.6% in August, compared to 14.0% in the previous month. The double-digit growth of Hong Kong, China's M2 was due mainly to capital inflows into the Special Administrative Region.
Japan BOJ Target Rate % OCT 30	10/30	09/08: 0.5% 10/08: 0.3% 08/09: 0.1% 09/09: 0.1%	The Bank of Japan (BOJ) has kept the overnight call rate steady at 0.1% since December 2008.
Malaysia Money Supply (M3) YOY% SEP	10/30	08/08: 12.8% 09/08: 13.5% 07/09: 5.3% 08/09: 7.6%	Malaysia's M3 money supply rose 7.6% in August and has recorded single digit growth each month since January.
Singapore Money Supply (M2) YOY% SEP	10/30	08/08: 8.7% 09/08: 10.5% 07/09: 11.9% 08/09: 12.6%	Singapore's M2 money supply rose 12.9% in August after rising 11.9% in July.
Hong Kong, China Retail Sales-Value YOY % SEP	11/02	08/08: 10.2% 09/08: 7.0% 07/09: -5.3% 08/09: -0.2%	Hong Kong, China's retail sales in August decreased 0.2% y-o-y, a marked improvement over the decline of 5.3% in the previous month.
Indonesia CPI YOY% OCT	11/02	09/08: 12.14% 10/08: 11.77% 08/09: 2.75% 09/09: 2.83%	Consumer price inflation in Indonesia recorded a slight uptick in September to 2.83% y-o-y.
Republic of Korea CPI YOY% OCT	11/02	09/08: 5.1% 10/08: 4.8% 08/09: 2.2% 09/09: 2.2%	Consumer price inflation in the Republic of Korea was unchanged at 2.2% y-o-y in August.
Thailand CPI YOY% OCT	11/02	09/08: 6.0% 10/08: 3.9% 08/09: -1.0% 09/09: -1.0%	Thailand's consumer price inflation remained at -1.0% for both August and September 2009.

Source: AsianBondsOnline, Bloomberg LP, and Reuters.

News Articles: Sources for Further Reading

Tip: Click on link to open a new browser (Acrobat Reader 8); for lower versions right-click to open a new browser)

PRC Posts 8.9% GDP Growth in 3Q09

- [Credit Risk at China's Banks Is Growing on Loan Surge](#)
Bloomberg News (21 October 2009)
- [China's Economy Grows 8.9%, Fastest Pace in a Year](#)
Bloomberg (22 October 2009)
- [China growth underlines rapid rebound](#)
Financial Times (22 October 2009)
- [China's GDP growth accelerates to 8.9% in Q3](#)
China View (22 October 2009)

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