

Key Developments in Asian Local Currency Markets

Policy rates remained unchanged in most emerging East Asian markets last week. Indonesia maintained its Bank Indonesia (BI) rate, which has been at record low since July, at 6.5%. The Philippines held steady its policy interest rates—the overnight borrowing rate and overnight lending rate—at 4.0% and 6.0%, respectively. Viet Nam reported that its base interest rate would remain at 7.0%. On the other hand, Australia raised its cash rate to 3.50% from 3.25%, reflecting a view that inflation is not likely to fall as was previously expected. Australia also reported that it will gradually reduce the degree of its monetary stimulus as the risk of a serious contraction in the domestic economy has passed.

Consumer price inflation for the Republic of Korea (Korea) was 2.0% year-on-year (y-o-y) in October, compared to 2.2% y-o-y in September. Indonesia reported a consumer price inflation rate of 2.57% y-o-y in October, while its September inflation was higher at 2.83% y-o-y. Thailand's annual inflation rate became positive for the first time in 10 months, reaching 0.4% in October. The Philippines registered inflation of 1.6% y-o-y in October, higher than the 0.7% annual inflation rate recorded in September. In Viet Nam, consumer price inflation was 2.99% y-o-y in October compared to 2.4% in the previous month.

The People's Republic of China (PRC) reported that its Purchasing Managers Index (PMI), which is a measure of manufacturing activity, rose to 55.2 in October from 54.3 in the previous month. October was the eighth consecutive month that the PMI registered a level above 50, which indicates an expansion of manufacturing activity.

In the PRC, two large state-owned enterprises, State Grid of China and State Development Investment, won approval for shelf registrations of medium-term notes (MTNs) amounting to CNY30 billion and CNY17.3 billion, respectively. PT Perusahaan Listrik Negara (PLN), an Indonesian state-owned electric firm, raised USD1.25 billion of senior unsecured 10-year bonds with a 7.75% coupon through a Singaporean special purpose vehicle, Majapahit Holding BV. Viet Nam's third-largest joint stock bank, Techcombank, issued 3-year senior unsecured bonds worth VND2.1 trillion (USD118 million), which is the largest single-tranche VND bond issue by a joint stock bank since 2007.

Yields rose for all maturities in Indonesia and for most maturities in Hong Kong, China; Thailand; and Viet Nam, while they were mixed in most other Asian markets. Yield spreads

Asia Bond Monitor September 2009 [read more](#)

10-Year Selected LCY Government Security Yields Close of 06 November 2009
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-09*
US	3.50	-2.65	11.43	128.48
EU	3.36	2.00	13.30	41.40
Japan	1.45	0.40	3.90	28.00
PRC	3.74	1.00	3.00	98.00
Hong Kong, China	2.28	1.00	2.30	109.00
India	7.31	4.50	1.00	207.00
Indonesia	10.27	0.00	10.40	-162.20
Malaysia	4.27	0.40	-0.60	104.70
Korea, Rep. of	5.47	4.00	5.00	125.00
Philippines	7.85	-2.50	0.00	47.50
Singapore	2.55	0.00	0.00	50.00
Thailand	4.44	-1.50	9.80	178.20
Viet Nam	10.45	0.60	3.30	26.70

- 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

between 2- and 10-year maturities widened in Hong Kong, China; Korea; Malaysia; the PRC; and Thailand, due to a fall in short-term yields and a rise in long-term yields in most of these markets. Yield spreads between 2- and 10-year maturities narrowed in Indonesia, the Philippines, Singapore, and Viet Nam, reflecting the relatively large increase in short-term yields compared to long-term yields.

Finally, the more interesting data points this week include: gross domestic product (GDP) for Japan; Hong Kong, China; and Indonesia; the government's budget deficit for the Philippines; consumer price inflation and M2 growth for the PRC; industrial production for Malaysia and the PRC; and Korea's policy rate.

Summary Text of News Articles

No Change in Policy Interest Rates in Indonesia, the Philippines, and Viet Nam; Australia Raises Its Cash Rate to 3.5%

Bank Indonesia (BI) held its benchmark interest rate steady at 6.5%. According to the central bank, the BI rate remains consistent with the government's 2010 inflation target of 4.0%–6.0%. The BI rate has been at a record low of 6.5% since July. On 5 November, the Bangko Sentral ng Pilipinas (BSP) kept its overnight borrowing rate at 4.0% and overnight lending rate at 6.0%. BSP said that its current policy posture supports domestic demand and economic activity in the near term, although it noted a slight increase in inflation forecasts for 2009 and 2010. The State Bank of Viet Nam (SBV) said it will maintain the base interest rate at 7.0% until early 2010. The refinancing rate and the discount rate were also maintained at 7.0% and 5.0%, respectively.

On the other hand, the Reserve Bank of Australia (RBA) raised its cash rate by 25 basis points to 3.50% from 3.25%, effective 4 November. In explaining its decision to raise its benchmark interest rate, the RBA noted that the global economy has resumed growth and sentiments in global financial markets are now more positive than in early 2009. Also, the RBA recognized that Australia's economic conditions are "stronger than expected" and noted recovery in certain confidence measures. It expects that inflation is now not likely to "fall as far as earlier thought" and will instead "moderate in the near term." The RBA also sees inflation in 2010 as being consistent with its target.

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

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

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

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

For historical trends on Viet Nam's policy interest rate, please refer to this link:

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

October Consumer Prices Rise in the Republic of Korea, Indonesia, Thailand, Philippines, and Viet Nam

The Republic of Korea (Korea) registered consumer price inflation of 2.0% year-on-year (y-o-y) in October, which was lower than inflation of 2.2% recorded in August and September. The annual inflation rate slowed in October on account of the decline in prices of agro-fishery products and the appreciation of the Korean won, which resulted in cheaper costs for imported items.

Consumer price inflation in Indonesia was 2.57% y-o-y in October, which was lower than September's 2.83%. According to the Central Statistics Agency, the cost of food and transportation dropped after rising during the Ramadan and the Idul Fitri holidays. BI sees consumer price inflation for 2009 to be at the lower end of its 3.5%–5.5% target.

Consumer price inflation in Thailand in October was 0.4% y-o-y, or 0.2% month-on-month (m-o-m), as food and beverage prices increased, as well as utility and construction material prices. It represented the first time in 9 months that consumer price inflation turned positive in Thailand.

In the Philippines, consumer price inflation rose to 1.6% y-o-y in October from 0.7% in September. The rise in October consumer prices was mainly a result of price hikes in fruits and vegetables in the wake of recent typhoons. According to BSP, the uptick in consumer prices would largely be temporary and inflation remains manageable.

In Viet Nam, the consumer price inflation rate reached 2.99% y-o-y, or 0.37% m-o-m, in October. It was the second straight month of an increasing rate of inflation. The General Statistics Office (GSO) of Viet Nam sees annual consumer price inflation of 7.0% in 2009, reflecting the effectiveness of the government's economic stimulus package, among other factors.

For historical trends on Korea's inflation rate and other macroeconomic statistics, please refer to this link:

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

For historical trends on Indonesia's inflation rate and other macroeconomic statistics, please refer to this link:

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

Summary Text of News Articles

For historical trends on Thailand's inflation rate and other macroeconomic statistics, please refer to this link:

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For historical trends on the Philippines' inflation rate and other macroeconomic statistics, please refer to this link:

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For historical trends on Viet Nam's inflation rate and other macroeconomic statistics, please refer to this link:

http://asianbondsonline.adb.org/vietnam/data/macroeconomic_credit.php?src=wdh

The People's Republic of China's Purchasing Managers Index Rises in October

In the People's Republic of China (PRC), the China Federation of Logistics and Purchasing reported that the country's manufacturing Purchasing Managers Index (PMI) rose to 55.2 in October from 54.3 in the previous month. October was the eighth consecutive month that the PRC has registered a PMI above 50, which indicates an expansion of manufacturing activity. The PRC's PMI data is based on a survey of purchasing and supply managers from 700 companies across the country.

PRC's State-Owned Enterprises Set To Issue Medium-Term Notes; Indonesia's PLN Raises USD1.25 Billion of 10-Year Bonds; Viet Nam's Techcombank Issues VND2.1 Trillion of Bonds

Two large state-owned enterprises in the PRC, State Grid of China and State Development Investment, won approval for shelf registrations of medium-term notes (MTNs) amounting to CNY30 billion and CNY17.3 billion, respectively. The shelf registrations were approved by the National Association of Financial Market Institutional Investors (NAFMII), which regulates MTN issuance. State Grid of China and State Development Investment both have AAA ratings from PRC rating agencies.

PT Perusahaan Listrik Negara (PLN), an Indonesian state-owned electric firm, raised USD1.25 billion of senior unsecured 10-year bonds through a Singaporean special purpose vehicle, Majapahit Holding BV, which served as the bond's issuer. The coupon for the bond is 7.75%. This is PLN's second foreign bond issue for the year.

On 22 October, Viet Nam's third-largest joint stock bank, the Technological and Commercial Joint Stock Bank (Techcombank), issued 3-year senior unsecured bonds worth VND2.1 trillion—the largest single-tranche VND bond issue by a joint stock bank since 2007.

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	0.04	0.81	-0.30	-2.94
EU	0.40	-0.40	0.40	-125.60
Japan	0.16	0.00	0.50	-3.80
PRC	1.30	0.00	0.00	25.00
Hong Kong, China	0.11	8.00	8.00	6.00
India	3.17	0.00	0.00	-133.00
Malaysia	2.02	0.20	0.40	-91.20
Korea, Rep. of	2.17	0.00	-1.00	-48.00
Philippines	3.93	-2.50	-7.50	-170.00
Singapore	0.43	0.00	0.00	-14.00
Thailand	1.25	-0.20	0.43	-84.29

Close of 06 November 2009

10-Year Selected LCY Government Bond Yields

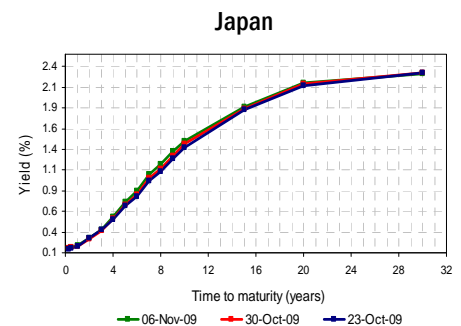
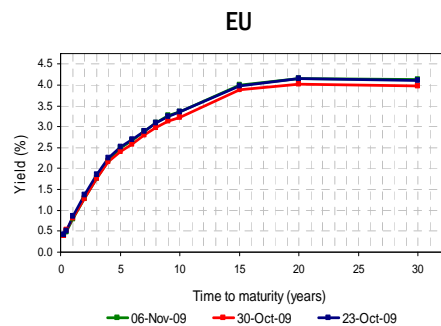
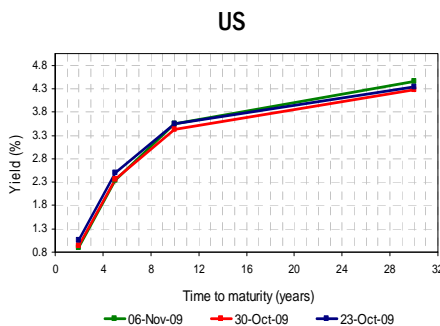
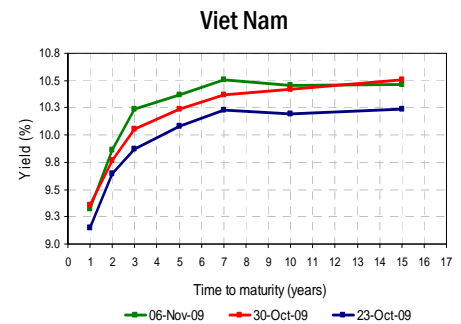
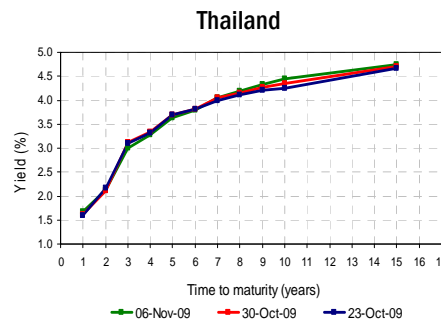
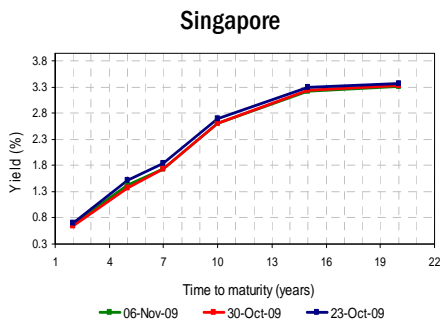
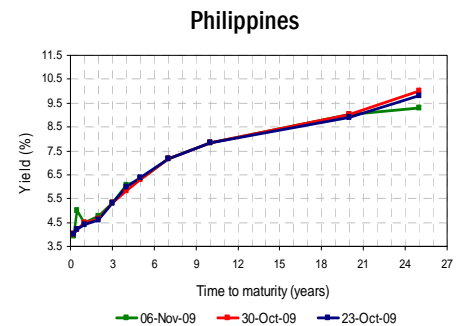
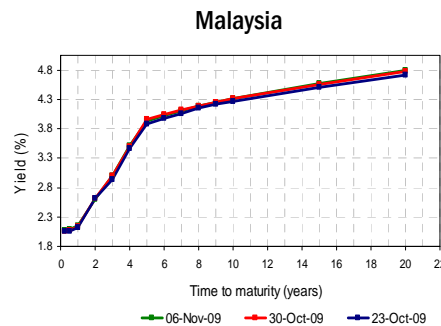
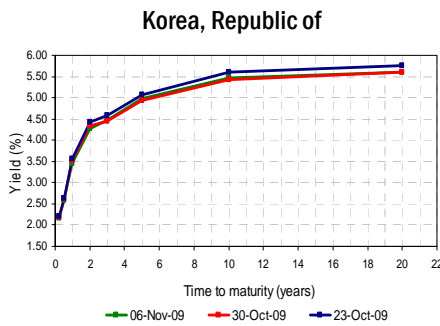
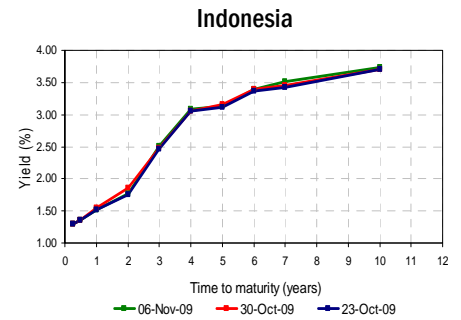
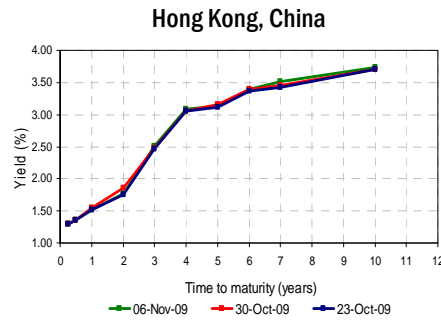
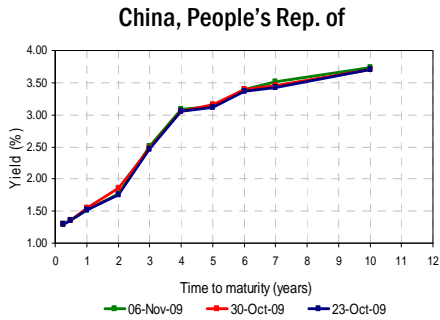
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Thailand	4.44	-1.50	9.80	178.20
Viet Nam	10.45	0.60	3.30	26.70

Close of 06 November 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

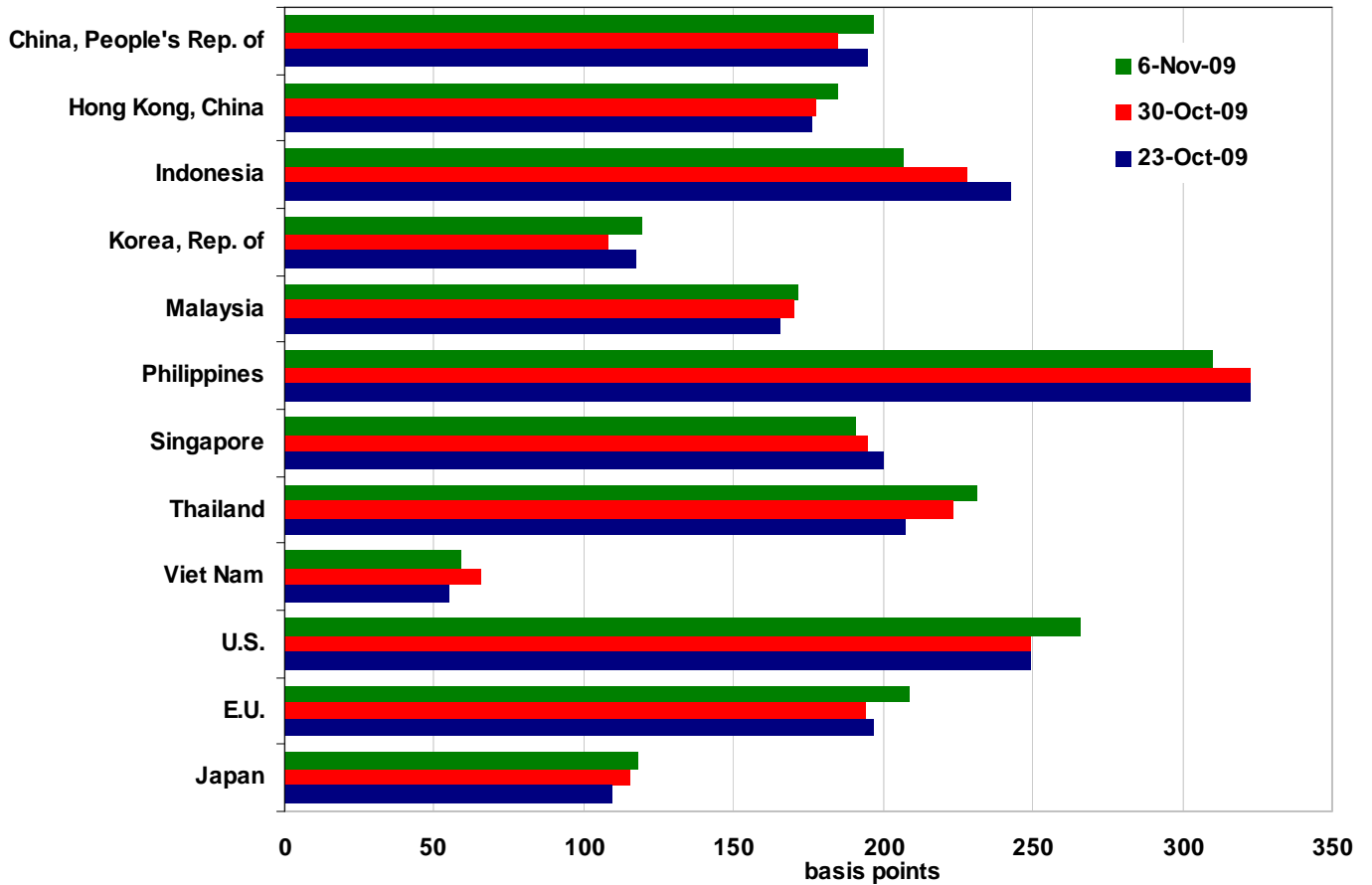


Source: Based on data from Bloomberg.

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

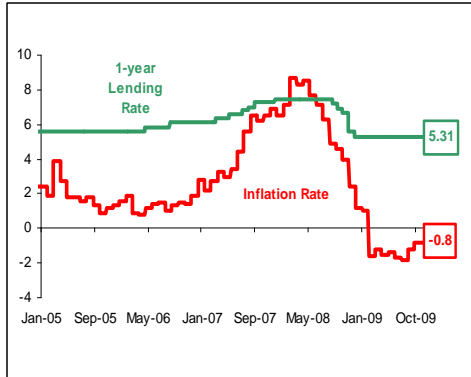


Source: Based on data from Bloomberg.

Policy Rate versus Inflation Rate Charts

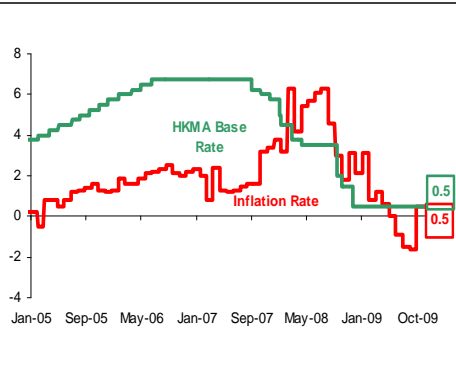
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



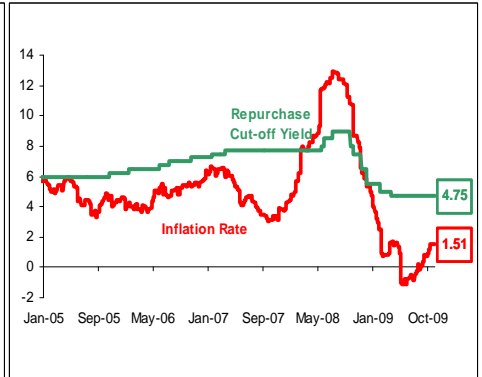
PRC uses 1-year lending rate as one of its policy rates. Source: Bloomberg, LP.

Hong Kong, China



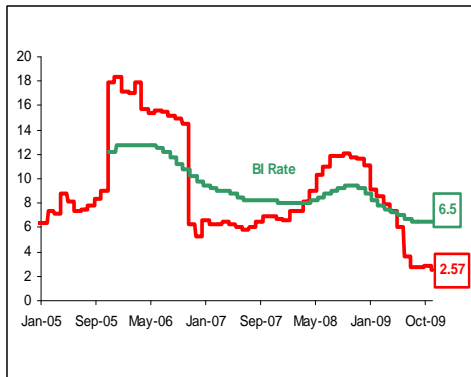
The Hong Kong Monetary Authority maintains a Discount Window Base Rate. Source: Bloomberg, LP.

India



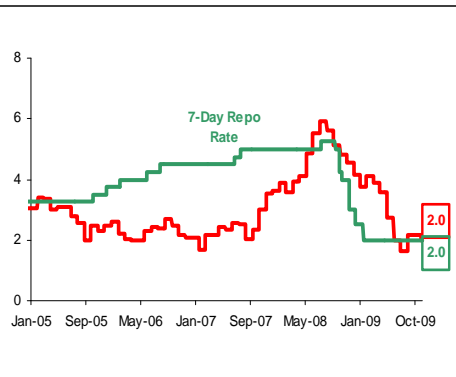
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate. Source: Bloomberg, LP.

Indonesia



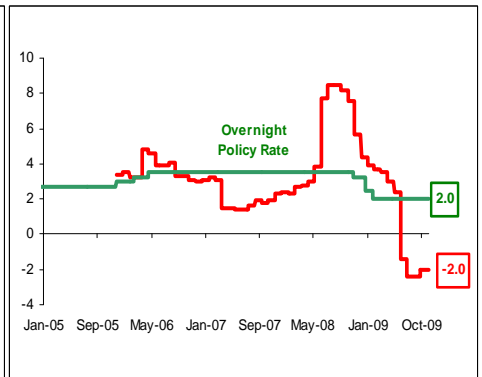
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate. Source: Bloomberg, LP.

Korea, Republic of



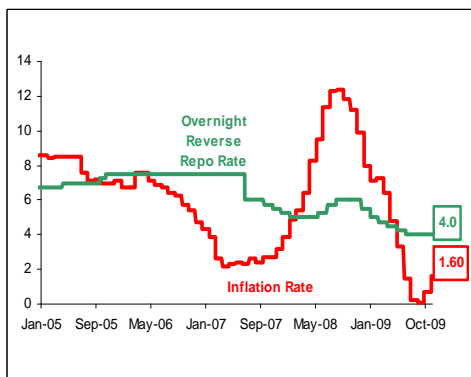
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008. Source: Bloomberg, LP.

Malaysia



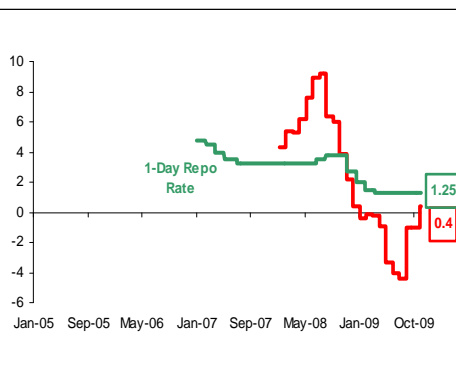
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate. Source: Bloomberg, LP.

Philippines



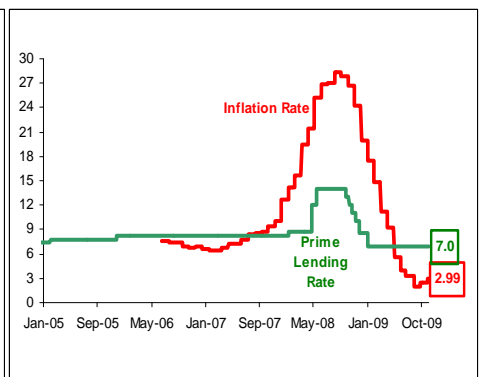
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg, LP.

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.

