

Key Developments in Asian Local Currency Markets

The People's Republic of China's (PRC) gross domestic product (GDP) grew 9.1% year-on-year (y-o-y) in 3Q11, down from 9.5% growth in 2Q11. This is the slowest quarterly GDP growth rate since 2009. The slowdown was due largely to weaker exports. Domestic demand held up relatively well, buoyed by strong industrial production and retail sales growth.

The Bank of Thailand decided on 19 October to leave its policy rate unchanged at 3.5%. Bangko Sentral ng Pilipinas likewise kept its overnight borrowing and lending rates steady last week at 4.5% and 6.5%, respectively.

Hong Kong, China's consumer price inflation (CPI) accelerated slightly in September to 5.8% y-o-y from 5.7% in August, after a cooling down from a 15-year high in July. Meanwhile, Malaysia's CPI slightly increased to 3.4% y-o-y in September from 3.3% in the previous month.

In the PRC, the industrial production growth rate rose to 13.8% y-o-y in September from 13.5% in August, while retail sales grew 17.7% y-o-y in September from 17.0% in August. Meanwhile, department store sales in Japan declined for the third consecutive month in September.

Remittances to the Philippines from overseas workers grew 11.1% y-o-y in August to reach US\$1.7 billion. From January through August, cumulative remittances rose 6.9% y-o-y to reach US\$13.0 billion.

Last week, China National Petroleum Corporation (CPNC) priced CNH3 billion of bonds, which were issued through CNPC's offshore entity CNPC Golden Autumn. The Korea National Oil Corporation issued US\$1.0 billion worth of 5-year bonds at a yield of 4.137%. The proceeds from the sale will be used to finance overseas oil projects. Malaysia's Khazanah Nasional Bhd. issued its first Islamic CNH bond amounting to CNH500 million through its special purpose vehicle, Danga Capital Bhd. The issue had a tenor of 3 years and was priced at 2.90%.

The Philippine Bureau of the Treasury issued PHP110 billion worth of Retail Treasury Bonds (RTBs). Of the total amount, PHP54.97 billion were 10-year bonds and PHP55.12 billion were 15-year bonds. The 10- and 15-

Asia Bond Monitor September 2011

10-Year Selected LCY Government Security Yields Close of 21 October 2011
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-11*
US	2.22	3.04	-2.85	-107.43
EU	2.11	10.80	-9.30	-85.70
Japan	1.01	0.00	-0.90	-11.80
PRC	3.73	0.00	-5.00	-18.00
Hong Kong, China	1.39	1.50	6.80	-146.30
India	8.82	1.50	3.00	90.10
Indonesia	6.39	6.40	4.00	-121.40
Malaysia	3.74	1.20	4.40	-30.00
Korea, Rep. of	3.90	5.00	13.00	-62.00
Philippines	5.76	-0.18	-0.79	-12.83
Singapore	1.69	0.00	7.00	-102.00
Thailand	3.39	-5.80	-9.60	-33.40
Viet Nam	12.55	0.00	0.00	80.00

- 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

year RTBs have coupon rates of 5.75% and 6.25%, respectively.

The PRC's Baosteel was given approval last week to issue CNH bonds in Hong Kong, China. Baosteel is the first non-financial entity from the mainland given approval to issue CNH bonds. Non-financial mainland entities were previously not allowed to issue CNH bond unless they were issued via an offshore vehicle or subsidiary. Meanwhile, Hong Kong, China's property developer Wharf Holdings plans to issue at least SGD100 million worth of bonds with tenors of 7 years and yield guidance at 4.3%-4.4%.

Government bond yields fell last week for most tenors in the PRC, Indonesia, the Philippines and Thailand, while yields rose for all tenors in the Republic of Korea and Singapore and for most tenors in Malaysia and Viet Nam. Yield movements were mixed in Hong Kong, China. Yield spreads between 2- and 10- year maturities widened in Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; and Singapore, while spreads narrowed in other emerging East Asian markets.

Summary Text of News Articles

GDP Growth Slows in the PRC in 3Q11

The People's Republic of China's (PRC) gross domestic product (GDP) expanded at its slowest pace since 2009 in 3Q11 at 9.1% year-on-year (y-o-y). Down from 9.5% y-o-y growth in 2Q11, the slowdown was largely due to weaker exports. For the first 9 months of the year, GDP grew 9.4% y-o-y driven by secondary industry (primarily manufacturing companies) with growth of 10.8% and tertiary industry (primarily services) with growth of 9.0%. The Central Party Committee and State Council said economic developments were positive, despite challenging international and domestic environments, due to proactive fiscal policy and prudent monetary policy.

For historical data on the PRC's GDP, refer to this link:

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

The Philippines and Thailand Keep Policy Rates Steady Amid Slowing Growth

The Bank of Thailand (BOT) left its policy rate unchanged at 3.5% on 19 October. The pause in rate hikes followed six consecutive increases in the benchmark rate earlier this year. The Monetary Policy Committee of the BOT voted 6-to-1 to hold the rate at its current level, which it deemed appropriate to address inflationary pressures and support economic adjustments amid heightened uncertainty in the global economy.

The Bangko Sentral ng Pilipinas (BSP) retained its overnight policy rate as growth eased and inflation conditions and the economic outlook remained manageable. The decision was in line with market expectations. Headline inflation from January through September averaged 4.8% y-o-y, while GDP growth slid to 3.4% y-o-y in 2Q11. BSP's overnight borrowing facility is currently set at 4.5% and the overnight lending facility is at 6.5%. In arriving at its decision, BSP noted uncertainties in the global economic outlook as well as financial market vulnerability due to interlocking sovereign debt and banking concerns in Europe.

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

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

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

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

CPI Accelerates in Hong Kong, China and Malaysia

Hong Kong, China's consumer prices accelerated slightly in September to 5.8% y-o-y from 5.7% in August after a cooling from a 15-year high in July, on the back of rising costs in alcoholic drinks and tobacco (up 20.3% y-o-y), housing rentals (up 8.3% y-o-y), and food (up 7.8% y-o-y).

Malaysia's consumer price inflation slightly increased to 3.4% y-o-y in September from 3.3% in August. During the first 9 months, consumer price index increased by 3.2% y-o-y compared to the same period last year. On a month-on-month basis, consumer prices increased by 0.2% in September. The increase in the index for food and non-alcoholic beverages accelerated to 5.0% y-o-y in September from 4.6% in the previous month, while that for transportation eased to 3.9% y-o-y in September from 4.0% in August.

For inflation trends in Hong Kong, China, refer to this link:

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

For inflation trends in Malaysia, refer to this link:

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

The PRC's Industrial Production and Retail Sales Growth Accelerate in September; Japan's Retail Sales Fall Again in September

Industrial production in the PRC grew slightly faster at 13.8% y-o-y in September from 13.5% in August. Output increased the most at companies producing nonmetal products (18.0%); followed by communications equipment, computers, and other electronic equipment (17.7%). Meanwhile, retail sales growth rose to 17.7% y-o-y in September

Summary Text of News Articles

The PRC's Industrial Production and Retail Sales Growth Accelerate in September; Japan's Retail Sales Fall Again in September (cont...)

from 17.0% in August. The fastest growing sales were in petroleum products (38.7%); followed by gold, silver, and jewelry (38.5%). In the first 9 months of the year, retail sales grew 17.0% y-o-y.

Department store sales in Japan fell 2.4% y-o-y in September-the third consecutive monthly decline-according to data released by the Japan Department Stores Association. Autumn clothing sales shrank in September after the country was hit by two major typhoons and experienced relatively high temperatures during the rest of the month. The September sales figure followed contractions in August and July, respectively, of 1.7% and 0.1% y-o-y.

Remittances to the Philippines Reach US\$1.7 Billion in August

Remittances to the Philippines from overseas workers grew 11.1% y-o-y in August-the first double-digit growth rate in 2011-to reach US\$1.7 billion as demand for skilled Filipinos abroad remained robust. Cumulative remittances through August reached US\$13.0 billion for y-o-y growth of 6.9% despite lingering global economic uncertainties. Processed job orders in January-September rose 8.6% y-o-y for deployments to Saudi Arabia; United Arab Emirates; Taipei, China; Qatar; Kuwait; and Hong Kong, China; among other destinations. Furthermore, an additional batch of licensed Filipino nurses and caregivers are expected to be deployed to Japan next year as part of the continuing hiring program under the Japan-Philippines Economic Partnership Agreement (JPEPA).

For historical trends on workers' remittances to the Philippines, refer to this link:

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

Issuances from the PRC, the Republic of Korea, Malaysia, and the Philippines

Last week, China National Petroleum Corp (CNPC) priced its first issue of renminbi bonds. A total of CNH3 billion - CNH2.5 billion to yield 2.6% maturing 2013 and CNH0.5 billion to 2.95% maturing 2014 - were issued through CNPC's offshore entity CNPC Golden Autumn and guaranteed by CNPC Finance (HK). The four banks appointed as joint lead managers are BOC International, HSBC, Deutsche Bank and ICBC. Fitch has an AA- rating on the issue to reflect the state ownership of CNPC.

The Korea National Oil Corporation issued US\$1.0 billion worth of 5-year bonds at a yield of 4.137%. Proceeds from the bond sale will be used to finance overseas oil projects.

Malaysia's Khazanah Nasional Bhd. issued the first Islamic CNH bond last week through its special purpose vehicle, Danga Capital Bhd. Khazanah sold CNH500 million worth of 3-year *sukuk* (Islamic bond), an upsize from the planned CNH300 million issuance. The *sukuk* was priced at 2.90% and is part of Danga Capital's multi-currency Islamic Securities Program.

The Philippine Bureau of the Treasury (BTR) issued PHP110 billion of 10- and 15-year Retail Treasury Bonds (RTBs). Of the total amount, PHP54.97 billion of 10-year RTBs were issued and P55.12 billion of 15-year RTB were sold. BTR's bond sinking fund purchased PHP53 billion of the total amount to secure the government's maturing obligations. The 10-year and 15-year RTBs carry coupons of 5.75% and 6.25%, respectively.

The PRC's Baosteel to Issue CNH Bonds; Hong Kong, China's Wharf Holdings to Issue SGD Bonds

The PRC's National Development Reform Commission announced last week that Baosteel Group had been approved to issue CNH bonds, making it the first non-financial entity from the mainland given approval to issue CNH bonds. Non-financial mainland entities were previously not allowed to issue CNH bonds except through an offshore vehicle or subsidiary.

Meanwhile, Hong Kong, China's property developer Wharf Holdings plans to issue at least SGD100 million worth of bonds with tenors of 7 years and yield guidance at 4.3%-4.4%.

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-11*
US	0.02	0.00	0.52	-10.44
EU	0.71	2.40	30.10	30.90
Japan	0.10	0.00	0.00	-2.40
PRC	3.04	4.00	-13.00	-14.00
Hong Kong, China	0.10	0.00	0.00	-18.00
India	8.62	1.00	15.00	152.00
Malaysia	2.97	-0.10	-0.50	19.50
Korea, Rep. of	3.32	1.00	2.00	81.00
Philippines	1.55	-5.00	105.00	35.50
Singapore	0.26	0.00	3.00	-13.00
Thailand	3.43	-0.03	-1.31	146.40

Close of 21 October 2011

10-Year Selected LCY Government Bond Yields

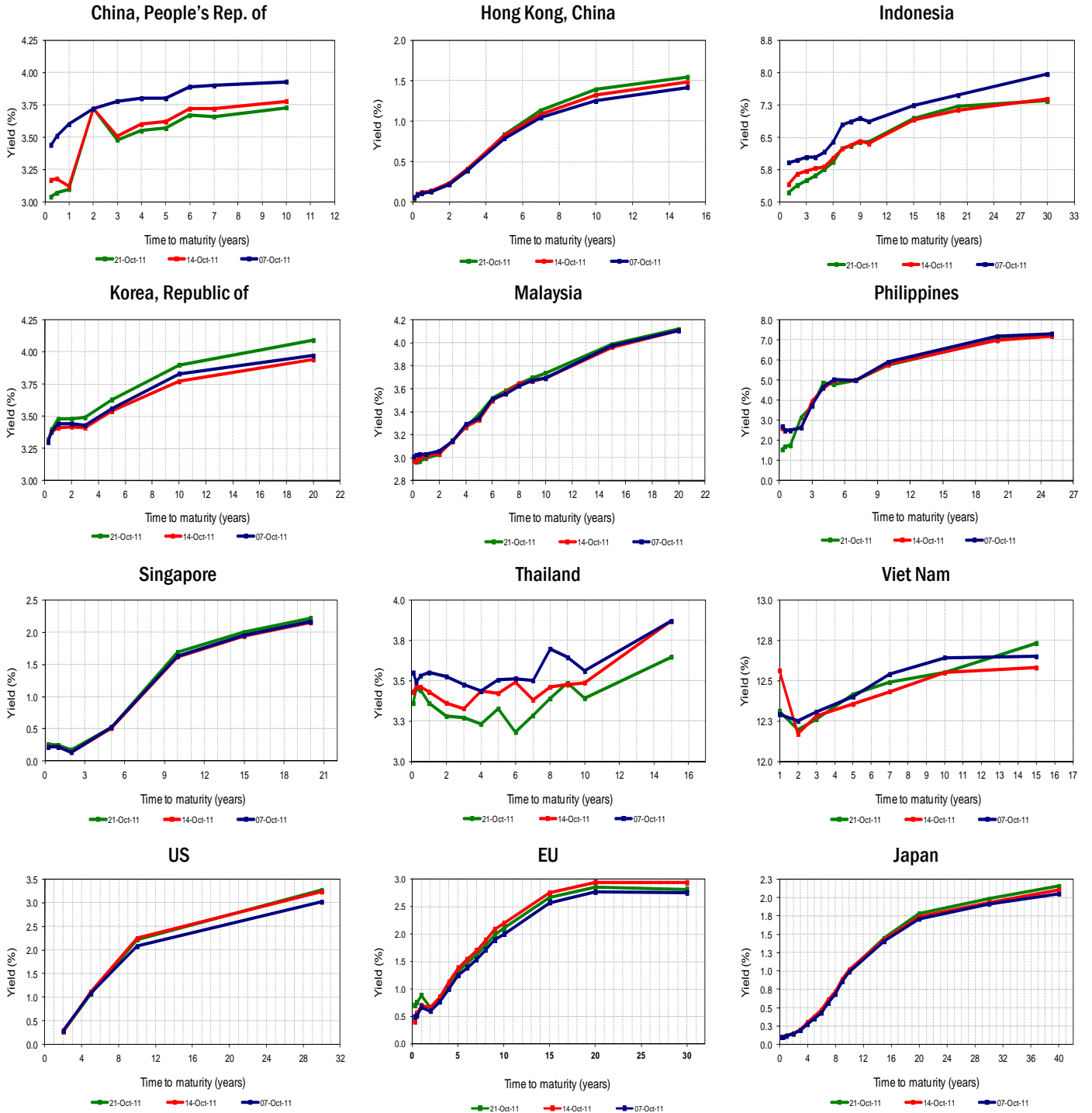
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-11*
US	2.22	3.04	-2.85	-107.43
EU	2.11	10.80	-9.30	-85.70
Japan	1.01	0.00	-0.90	-11.80
PRC	3.73	0.00	-5.00	-18.00
Hong Kong, China	1.39	1.50	6.80	-146.30
India	8.82	1.50	3.00	90.10
Indonesia	6.39	6.40	4.00	-121.40
Malaysia	3.74	1.20	4.40	-30.00
Korea, Rep. of	3.90	5.00	13.00	-62.00
Philippines	5.76	-0.18	-0.79	-12.83
Singapore	1.69	0.00	7.00	-102.00
Thailand	3.39	-5.80	-9.60	-33.40
Viet Nam	12.55	0.00	0.00	80.00

Close of 21 October 2011

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

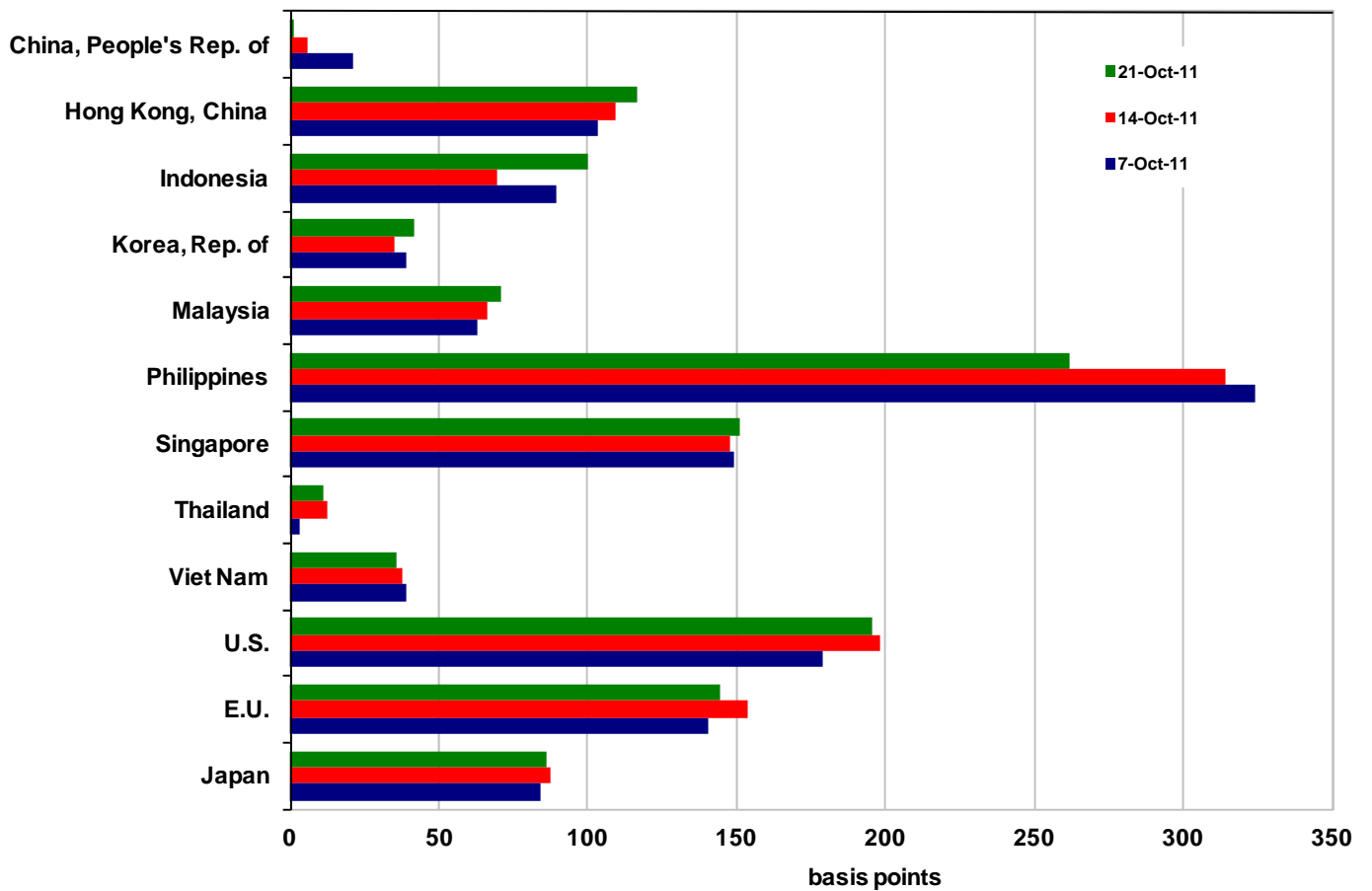


Source: Based on data from Bloomberg.

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

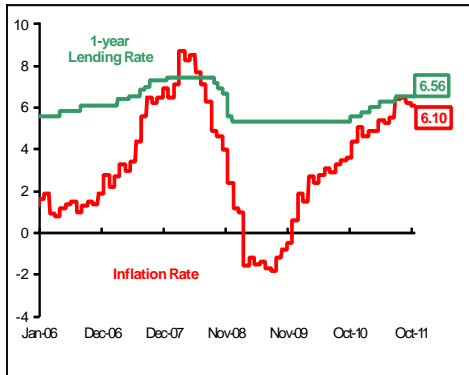


Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate Charts

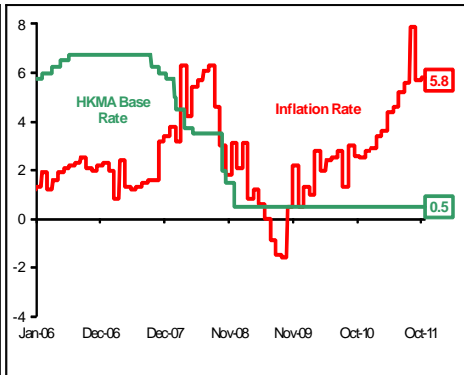
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



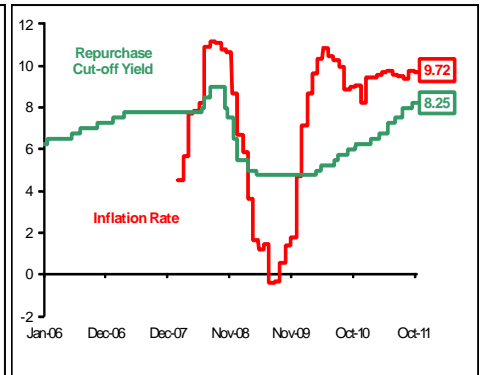
PRC uses 1-year lending rate as one of its policy rates. Source: Bloomberg LP.

Hong Kong, China



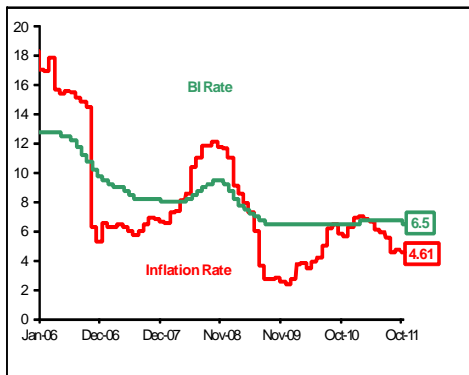
The Hong Kong Monetary Authority maintains a Discount Window Base Rate. Source: Bloomberg LP.

India



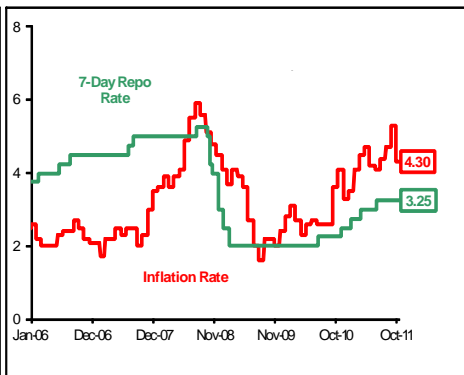
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate. Source: Bloomberg LP.

Indonesia



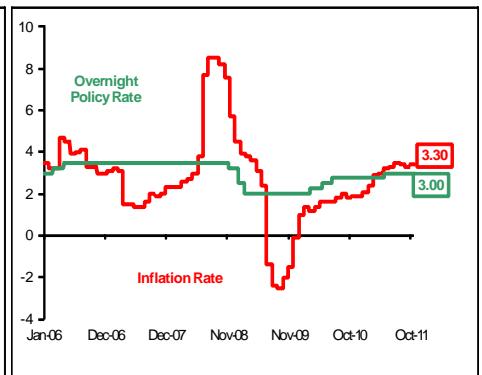
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate. Source: Bloomberg LP.

Korea, Republic of



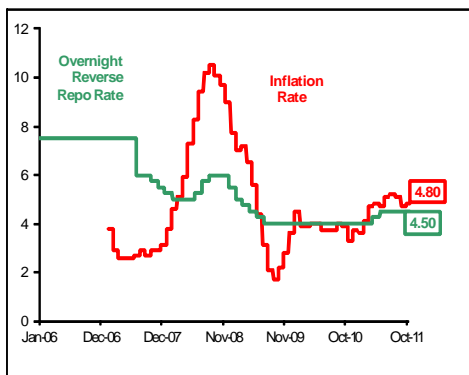
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008. Source: Bloomberg LP.

Malaysia



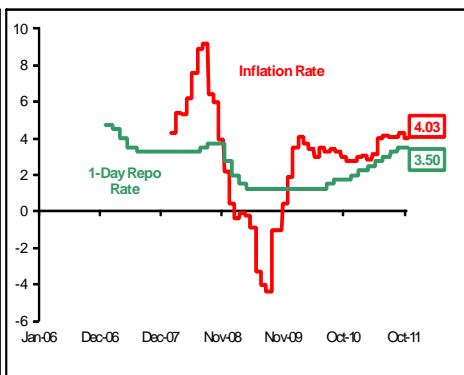
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate. Source: Bloomberg LP.

Philippines



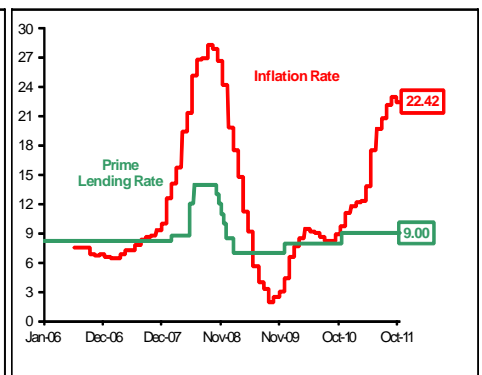
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg LP.

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

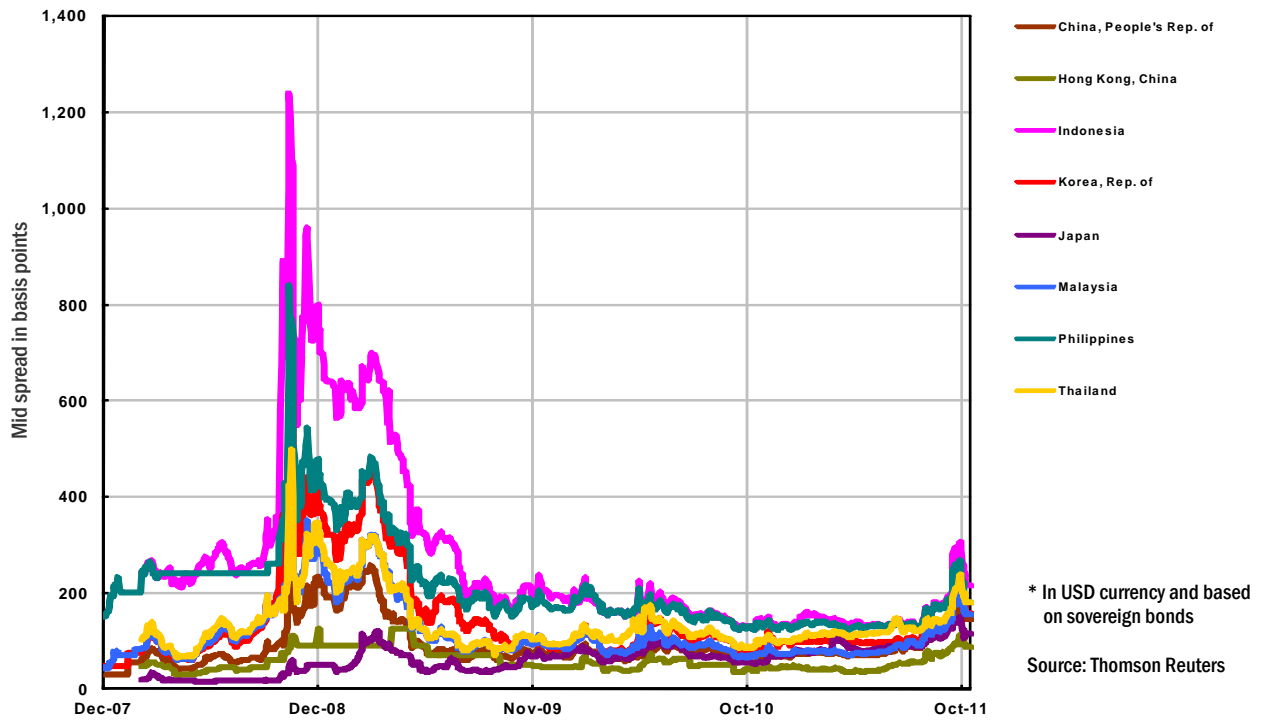


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate. Source: Bloomberg LP.

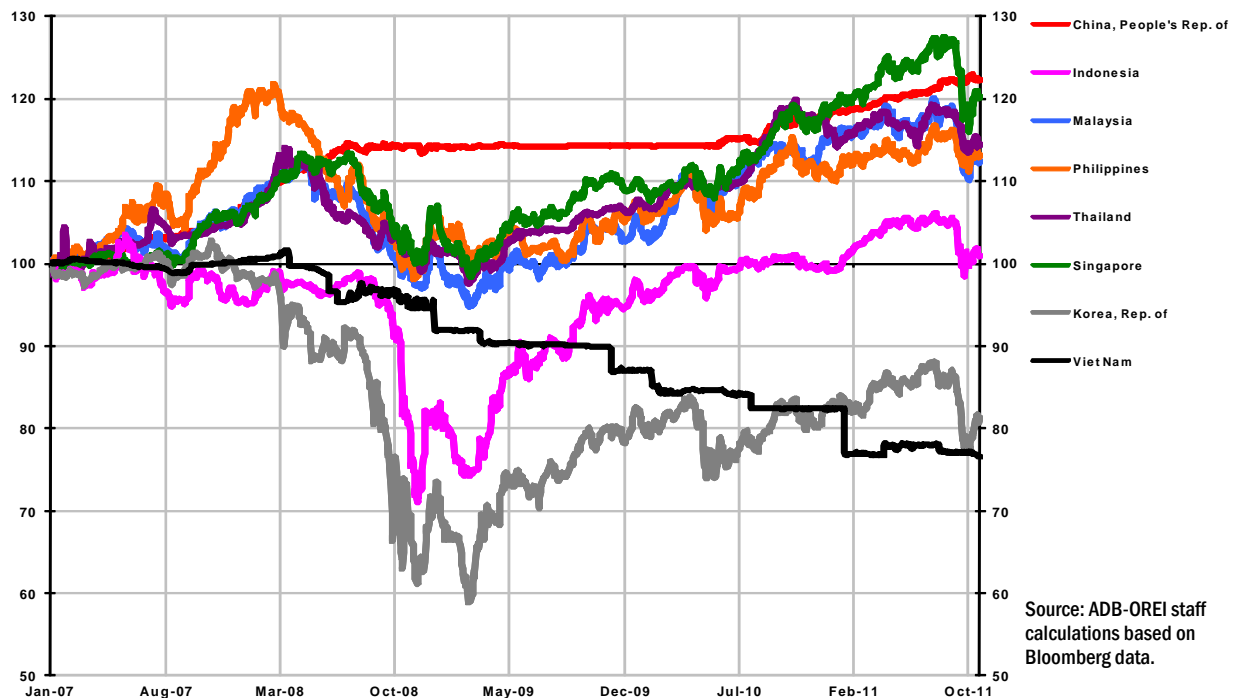
Credit Default Swap Spreads & Exchange Rate Indexes

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 (17 – 21 October 2011)

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	18-Oct	1-year PBOC Bills	3.58		10.00	10.00
	19-Oct	5-year China Government Bonds	3.55		29.30	29.30
	20-Oct	3-month PBOC Bills	3.16		1.00	1.00
		3-year PBOC Notes	3.96		20.00	20.00
HK	18-Oct	91-day Exchange Fund Bills	0.13		25.22	25.22
		182-day Exchange Fund Bills	0.15		7.00	8.00
ID	18-Oct	3-month Treasury Bills	4.81			200.00
		1-year Treasury Bills	4.90			1,100.00
		6-year Treasury Bonds	5.75		6,000.00	1,800.00
		11-year Treasury Bonds	6.45			2,200.00
		16-year Treasury Bonds	6.80			700.00
JP	17-Oct	1-year Treasury Discount Bills	0.11		2,500.00	2,499.91
	18-Oct	5-year Japan Government Bonds	0.38	0.40	2,400.00	2,398.81
	19-Oct	3-month Treasury Discount Bills	0.10		5,100.00	5,059.89
	20-Oct	20-year Japan Government Bonds	1.76	1.80	1,100.00	1,098.90
KR	17-Oct	182-day Monetary Stabilisation Bills	3.47		500.00	450.00
		10-year Korea Government Bonds	3.83		1,600.00	1,600.00
MY	17-Oct	91-day BNM notes	2.90		1.50	1.50
		154-day BNM Islamic Notes	2.92		1.00	1.00
PH	18-Oct	364-day Treasury Bills	1.75		4.00	4.00
SG	17-Oct	91-day Treasury Bills	0.20		4.00	4.00
TH	18-Oct	28-day BOT Bills	3.44		17.00	17.00
		91-day BOT Bills	3.43		17.00	17.00
		182-day BOT Bills	3.43		15.00	15.00

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (25 - 31 October 2011)

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

Country / Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China Exports y-o-y, % SEP	10/25	08/10: 36.0% 09/10: 24.1% 07/11: 9.3% 08/11: 6.8%	Hong Kong, China's export growth rate fell to 6.8% year-on-year (y-o-y) in August from 9.3% in July due to weakened demand from developed economies.
Philippines Total Imports y-o-y, % AUG	10/25	07/10: 16.4% 08/10: 23.3% 06/11: 6.6% 07/11: 6.6%	Philippine import growth remained steady at 6.6% y-o-y in both June and July.
Singapore Industrial Production y-o-y, % SEP	10/25	08/10: 6.9% 09/10: 26.0% 07/11: 7.6% 08/11: 21.7%	Singapore's industrial production growth accelerated to 21.7% y-o-y in August from 7.6% in July.
Japan BOJ Target Rate % OCT 27	10/27	09/10: 0.10% 10/10: 0.10% 08/11: 0.10% 09/11: 0.10%	The Bank of Japan has kept its target rate between zero and 0.10% to revive the country's economy.
Republic of Korea GDP y-o-y, % 3Q11	10/27	2Q10: 7.5% 3Q10: 4.4% 1Q11: 4.2% 2Q11: 3.4%	Gross domestic product (GDP) growth in the Republic of Korea eased to 3.4% y-o-y in 3Q11 from 4.2% in 1Q11.
Japan CPI y-o-y, % SEP	10/28	08/10: -0.9% 09/10: -0.6% 07/11: 0.2% 08/11: 0.2%	Japan's consumer price inflation was 0.2% y-o-y in both July and August.
Japan Industrial Production— Preliminary y-o-y, % SEP	10/28	08/10: 15.5% 09/10: 12.1% 07/11: -3.0% 08/11: 0.4%	Industrial production in Japan posted marginal growth of 0.4% y-o-y in August after falling 3.0% in July.
Republic of Korea Industrial Production y-o-y, % SEP	10/31	08/10: 15.9% 09/10: 2.9% 07/11: 4.0% 08/11: 4.8%	The Republic of Korea's industrial production expanded 4.8% y-o-y in August from 4.0% in July.
Thailand Current Account Balance US\$ billion SEP	10/31	08/10: 2.0 09/10: 2.6 07/11: 3.4 08/11: -0.7	Thailand posted a US\$0.7 billion current account deficit in August in a turnaround from a surplus of US\$3.4 billion in July.
Thailand Trade Balance US\$ billion SEP	10/31	08/10: 2.4 09/10: 4.7 07/11: 4.6 08/11: 0.7	Thailand's trade surplus fell to US\$0.7 billion in August from US\$4.6 billion in July.
Hong Kong, China M2 Money Supply y-o-y, % SEP	10/31	08/10: 5.3% 09/10: 8.9% 07/11: 9.4% 08/11: 7.0%	Growth in Hong Kong, China's M2 money supply slowed in August to 7.0% y-o-y from 9.4% in July.
Malaysia M3 Money Supply y-o-y, % SEP	10/31	08/10: 7.8% 09/10: 8.2% 07/11: 11.6% 08/11: 10.6%	Growth in Malaysia's M3 money supply eased slightly in August to 10.6% y-o-y from 11.6% in July.
Singapore Unemployment Rate % 3Q11	10/31	2Q10: 2.2% 3Q10: 2.1% 1Q11: 1.9% 2Q11: 2.1%	The unemployment rate in Singapore rose to 2.1% in 2Q11 from 1.9% in 1Q11.

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)

GDP Growth Slows in the PRC in 3Q11

- [National Economy Maintained Steady and Fast Development in the First Three Quarters of 2011](#)
National Bureau of Statistics of China
(18 October 2011)

The Philippines and Thailand Keep Policy Rates Steady Amid Slowing Growth

- [Monetary Board Keeps Policy Rates and Reserve Requirements Unchanged](#)
Bangko Sentral ng Pilipinas (20 October 2011)
- [Monetary Policy Committee's Decision on 19 October 2011](#)
Bank of Thailand (19 October 2011)

CPI Accelerates in Hong Kong , China and Malaysia

- [Consumer Price Indices for September 2011](#)
Census and Statistics Department (21 October 2011)
- [Consumer Price Index Malaysia, September 2011](#)
Department of Statistics Malaysia (21 October 2011)

The PRC's Industrial Production and Retail Sales Growth Accelerate in September; Japan's Retail Sales Fall Again in September

- [Industrial Production Operation in September 2011](#)
National Bureau of Statistics (18 October 2011)
- [Total Retail Sales of Consumer Goods in September 2011](#)
National Bureau of Statistics of China (18 October 2011)
- [Japan Sept Department Store Sales -2.4% Y/Y, 3rd Drop In Row](#)
Forexlive (18 October 2011)

Remittances to the Philippines Reach US\$1.7 Billion in August

- [OF Remittances Hit US\\$1.7 Billion in August; January-August Level Climbs to US\\$13 Billion](#)
Bangko Sentral ng Pilipinas (17 October 2011)

Issuances from the PRC, the Republic of Korea, Malaysia, and the Philippines

- [CNPC dim sum bond reflects new pricing levels](#)
FinanceAsia (21 October 2011)
- [KNOC issues US\\$1 bln bonds](#)
YONHAP News (20 October 2011)
- [Khazanah Issues Inaugural Offshore RMB Denominated Sukuk of RMB500 million](#)
Malaysian International Islamic Financial Centre
(17 October 2011)

- [Press Statement](#)
Bureau of the Treasury (18 October 2011)

The PRC's Baosteel to Issue CNH Bonds; Hong Kong, China's Wharf Holdings to Issue SGD Bonds

- [BONDS: Baosteel to issue Rmb6.5bn first Dim Sum from onshore entity](#)
IFR Asia (20 October 2011)
- [BONDS: Wharf eyes seven-year bonds with guidance at 4.3%–4.4%](#)
IFR Asia (17 October 2011)

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