

Key Developments in Asian Local Currency Markets

Consumer price inflation in the People's Republic of China (PRC) moderated to 3.0% year-on-year (y-o-y) in November from 3.2% in October. Indonesia's consumer price inflation inched up to 8.4% y-o-y in November from 8.3% in October amid price hikes for electricity, processed food, and healthcare. In the Philippines, consumer price inflation accelerated to 3.3% y-o-y in November from 2.9% in October on the back of higher annual price increases for food and non-alcoholic beverages, housing, transport, and utilities. In Thailand, consumer price inflation rose to 1.9% y-o-y in November from 1.5% in October amid faster annual price increases for both food and non-food items.

The Republic of Korea's real gross domestic product (GDP) growth stood at 1.1% quarter-on-quarter (q-o-q) and 3.3% y-o-y in 3Q13, based on preliminary estimates from The Bank of Korea.

The PRC's trade surplus widened to US\$33.8 billion in November from US\$31.1 billion in October. Indonesia posted a trade surplus of US\$42 million in October, a turnaround from a revised US\$803 million trade deficit in September. Malaysia's trade surplus narrowed to MYR8.2 billion in October from MYR8.7 billion in September. Viet Nam's trade surplus narrowed to US\$50 million in November from US\$101 million in October.

Singapore's Purchasing Managers Index (PMI) stood at 50.8 in November, down from its October level of 51.2. In Viet Nam, industrial production expanded 5.7% y-o-y in November, while retail sales grew 12.6% y-o-y in January-November.

Last week BCA Finance priced a IDR300 billion 3-year medium-term note (MTN) carrying a coupon rate of 8.2%. This was the first Indonesian corporate bond to be issued with a guarantee from the Credit Guarantee and Investment Facility (CGIF). Meanwhile, Thailand auctioned an inflation-linked bond last week worth THB5 billion. The 15-year bond carries a coupon rate of 1.25% with current average yield of 2.4%.

Local currency (LCY) corporate bond issuance in the Republic of Korea soared 36.4% month-on-month (m-o-m) in October led by monthly increases in issuance of asset-backed securities, bank debentures, and bonds issued by non-bank financial companies.

The BIS and Tier 1 capital ratios of bank holding companies in the Republic of Korea stood at 13.3% and 10.5%, respectively, at

Asia Bond Monitor November 2013

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10-Year Selected LCY Government Security Yields Close of 6 December 2013
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-13*
US	2.86	-1.64	11.08	109.79
EU	1.84	-1.90	14.90	52.60
Japan	0.67	3.50	6.40	-12.20
PRC	4.52	0.00	7.00	93.00
Hong Kong, China	2.25	2.70	20.80	165.10
India	8.86	7.10	11.70	86.20
Indonesia	8.79	6.40	12.40	359.90
Korea, Rep. of	3.73	-2.00	6.00	57.00
Malaysia	4.11	2.30	2.90	60.20
Philippines	3.46	4.74	4.04	-69.11
Singapore	2.51	3.00	11.00	121.00
Thailand	4.08	1.60	-2.40	57.20
Viet Nam	9.50	0.00	0.00	-70.00

- 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

end-September, higher than the end-June ratios of 13.0% and 10.4%.

Last week, Hong Kong Exchanges and Clearing Limited (HKEx) and Singapore Exchange (SGX) signed a memorandum of understanding, agreeing to cooperate in several areas of common interest, including promoting the internationalization of the renminbi.

Government bond yields rose for most tenors in the PRC; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam last week. Yield spreads between 2- and 10-year tenors widened in Hong Kong, China; the Republic of Korea; the Philippines; Singapore; and Viet Nam, while spreads narrowed in the PRC, Indonesia, Malaysia, and Thailand.

Summary Text of News Articles

Consumer Price Inflation Rises in Indonesia, the Philippines, and Thailand in November

Consumer price inflation rose slightly in Indonesia to 8.37% year-on-year (y-o-y) in November from 8.32% in October. The slight uptick in inflation was due mainly to increases in the prices of electricity, processed foods, and healthcare. Between October and November, consumer prices rose 0.12%. For the January-November period, inflation stood at 7.9%, which is consistent with government estimates for full-year 2013 inflation to average less than 9.0%.

In the Philippines, consumer price inflation accelerated to 3.3% y-o-y in November—the highest level in 9 months—following a 2.9% rise in October. The expansion was led by higher prices for food and non-alcoholic beverages, which climbed 3.9% in November following a 3.2% gain in October. The annual adjustment in the food index rose to 4.0% in November from 3.4% a month earlier. Meanwhile, housing, water, electricity, gas and other fuel costs inched up 1.9%; costs of furnishing, household equipment, and routine home maintenance grew 2.3%; and the price index for transport increased 0.7%. The average year-to-date inflation was 2.8%, which is below Bangko Sentral ng Pilipinas' (BSP) target range of 3.0%-5.0% for 2013.

In Thailand, consumer price inflation accelerated to 1.9% y-o-y in November from 1.5% in October led by higher annual increases in both food and non-food prices. The y-o-y increase in the price index for food and non-alcoholic beverages rose to 3.9% in November from 2.9% in October, while the non-food and beverage index climbed 0.9% after gaining 0.7% in the previous month.

For inflation trends in Indonesia, refer to this link:

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

For inflation trends in the Philippines, refer to this link:

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

For inflation trends in Thailand, refer to this link:

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

The Republic of Korea's Real GDP Expands 3.3% y-o-y and 1.1% q-o-q in 3Q13

The Bank of Korea reported last week its preliminary estimates for the Republic of Korea's real gross domestic product (GDP) growth in 3Q13, which showed the economy expanding 1.1% quarter-on-quarter (q-o-q) and 3.3% y-o-y, the same rates as the advance estimates released on 25 October. Quarterly GDP growth was bolstered by relatively strong growth in domestic capital formation on the demand side and in manufacturing and construction on the production side. Annual GDP growth was spearheaded by more rapid growth in domestic investment and on the supply side by agriculture, forestry, and fishing; construction; and manufacturing.

**The PRC's Trade Surplus Widens in November;
Indonesia Posts a Trade Surplus in October;
Malaysia's Trade Surplus Narrows in October;
Viet Nam's Trade Surplus Narrows in November**

The People's Republic of China's (PRC) trade surplus widened to US\$33.8 billion in November from US\$31.1 billion in October. On a y-o-y basis, export growth accelerated to 12.7% in November from 5.6% in October while import growth moderated to 5.3% in November from 7.6% in October.

Indonesia reported a US\$42 million trade surplus in October, a turnaround from a revised US\$803 million trade deficit in September. The Central Statistics Agency (BPS) noted that the weakening rupiah helped to boost the competitiveness of Indonesia's exports overseas and discouraged local companies from purchasing imported goods. Exports from Indonesia rose 2.6% y-o-y in October to US\$15.7 billion after contracting a revised 7.5% y-o-y in September. On the other hand, imports declined 8.9% y-o-y in October to US\$15.6 billion compared with revised 1.1% y-o-y growth a month earlier.

Summary Text of News Articles

**The PRC's Trade Surplus Widens in November;
Indonesia Posts a Trade Surplus in October;
Malaysia's Trade Surplus Narrows in October;
Viet Nam's Trade Surplus Narrows in November (cont...)**

Malaysia's exports grew 9.6% y-o-y in October to MYR67.1 billion following 5.6% growth in September on larger shipment of manufactured goods. Exports of electrical and electronic products drove the increase, rising 12.7% y-o-y to MYR22.4 billion followed by mining goods which rose 19.6% to MYR16 billion. Exports of agricultural goods, however, declined 10.8% y-o-y to MYR6.4 billion. Imports surged 13.9% y-o-y to MYR58.9 billion on higher imports of intermediate goods. As a result, trade surplus fell to MYR8.2 billion in October from MYR8.7 billion a month earlier.

Viet Nam's exports grew 18.9% y-o-y in November to US\$12.3 billion following 22.2% growth in October. The increase was driven by increased shipments of telephones and parts, and textiles, which rose 79.4% and 32.2%, respectively. Exports in January-November were up 16.2% y-o-y. Meanwhile, imports soared 23.1% y-o-y in November to US\$12.2 billion. As a result, the trade surplus narrowed to US\$50 million in November from US\$101 million in the previous month, bringing the year-to-date trade deficit to US\$96 million.

**Singapore's Manufacturing Expansion Slows in November;
Viet Nam's Industrial Production Grows 5.7% y-o-y in November, Retail Sales Climb 12.6% y-o-y in January-November**

In November, Singapore's manufacturing activity continued to expand as the Purchasing Managers Index (PMI) reached 50.8 for the month; however, this was down from 51.2 in October. (A reading above 50 points indicates that the manufacturing economy is generally expanding.) The electronics PMI rose 0.2 points to 51.2 in November, supported by gains in new orders in both domestic and overseas markets.

In Viet Nam, industrial production rose 5.7% y-o-y in November, with three sectors posting increases: water supply and waste treatment soared 9.8%, manufacturing increased 8.4%, and power generation and supply rose 8.2%. Mining and quarrying output, on the other hand, fell 4.2%. Meanwhile, retail sales of consumer goods and services in Viet Nam grew 12.6% year-to-date-similar growth compared with the same period a year earlier. Retail sales reached VND2,386.2 trillion, with trade accounting for 76.8% of the total and posting growth of 12.2%. Hotel and restaurant sales were up 15.3%, services gained 13.4%, and tourism rose 1.8%.

**LCY Corporate Bond Issuance in the Republic of Korea Surges 36.4% m-o-m in October;
Rising Capital Adequacy Ratios among Bank Holding Companies in the Republic of Korea**

Local currency (LCY) corporate bond issuance in the Republic of Korea soared 36.4% month-on-month (m-o-m) to KRW14.7 trillion in October, based on Financial Supervisory Service (FSS) data. The monthly increase stemmed from a 281.6% m-o-m surge in the issuance of asset-backed securities (ABS), which reached KRW3.0 trillion; 57.7% growth in the bond issues of non-bank financial firms, which amounted to KRW3.5 trillion; and a 30.4% expansion in issuance of bank debentures, which leveled off at KRW3.1 trillion. In contrast, bond issuance by non-financial companies was down 5.7% to KRW5.1 trillion in October.

FSS reported that October's ABS issuance came from three telecommunication companies, an airline company, and an ABS backed by automobile installment loans. The monthly increase in bond issuance from non-bank financial firms was mostly driven by credit card companies. FSS added that the m-o-m spike in bond issuance from banks was a reflection of increasing demand for bank debentures in preparation of the implementation of Basel III capital regulations, which became effective on 1 December.

Meanwhile, FSS also reported that the consolidated Bank for International Settlements (BIS) capital ratio and the Tier 1 capital ratio of bank holding companies in the Republic of Korea rose at end-September from end-June levels. Specifically, the BIS capital ratio stood at 13.3% at end-September versus 13.0% at end-June, and the Tier 1 capital ratio rose to 10.5% at end-September from 10.4% at end-June.

➔ **Summary Text of News Articles**

**BCA Finance Prices IDR300 Billion 3-Year MTNs with CGIF Guarantee;
Thailand Auctions THB5 Billion Inflation-Linked Bond**

Last week BCA Finance priced IDR300 billion worth of 3-year medium term notes (MTNs) with a 8.2% coupon. The bond sale included the participation of the Dai-ichi Life Insurance Company, and was the first Indonesian corporate bond to be issued with a guarantee from the Credit Guarantee and Investment Facility (CGIF).

Thailand issued THB5 billion worth of 15-year inflation-linked bonds at a coupon rate of 1.25% and current average yield of 2.4%.

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-13*
US	0.06	0.00	0.00	1.52
EU	0.08	0.80	-0.80	5.20
Japan	0.06	0.60	0.80	-4.50
PRC	3.26	0.00	0.00	41.00
Hong Kong, China	0.12	0.00	0.00	7.00
India	8.55	0.00	-29.83	42.00
Korea, Rep. of	2.54	0.00	1.00	-20.00
Malaysia	2.97	0.00	0.30	-6.40
Philippines	0.30	2.50	12.50	0.00
Singapore	0.30	-1.00	-1.00	7.00
Thailand	2.32	0.00	2.14	-43.55

Close of 6 December 2013

10-Year Selected LCY Government Bond Yields

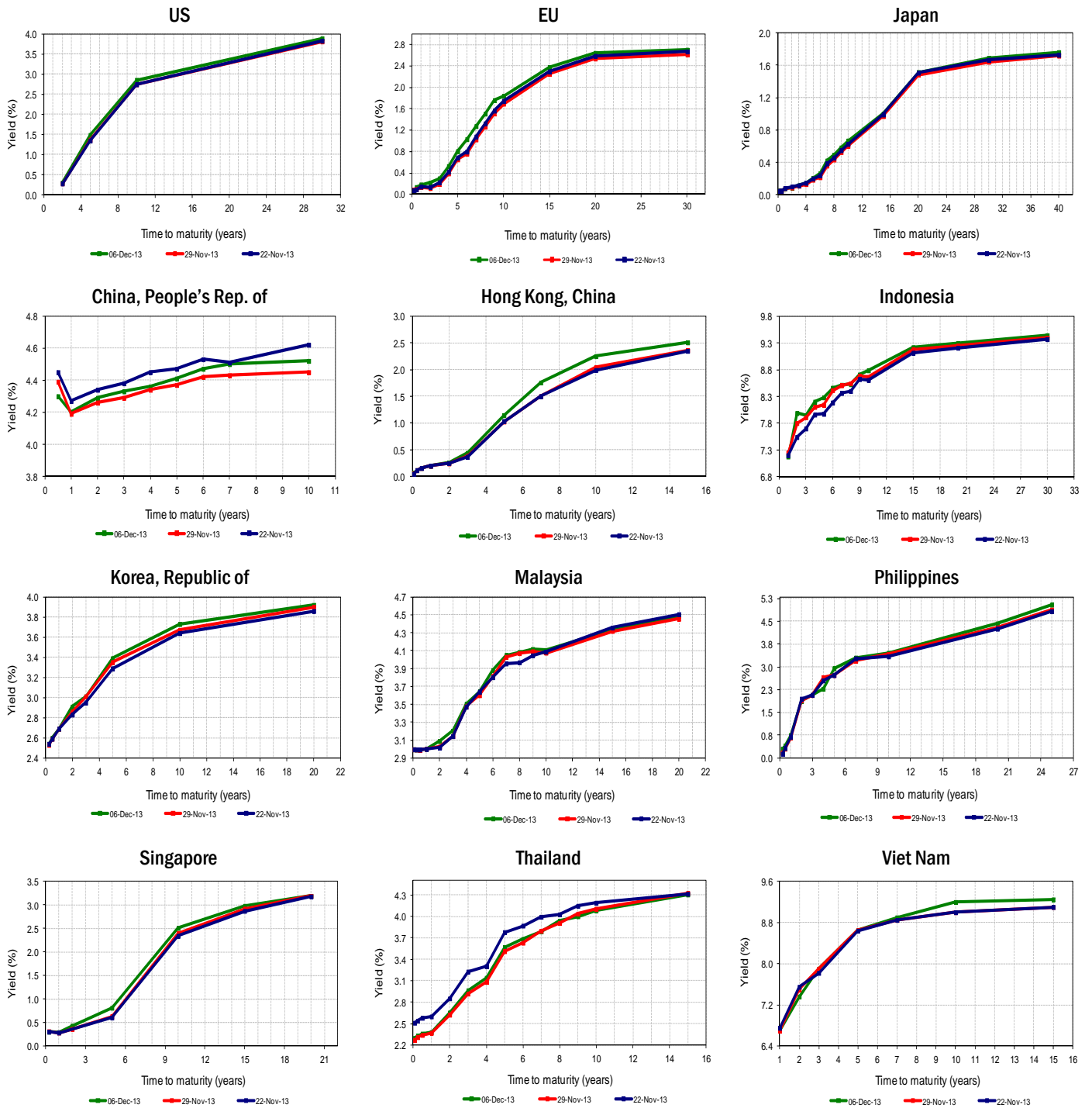
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-13*
US	2.86	-1.64	11.08	109.79
EU	1.84	-1.90	14.90	52.60
Japan	0.67	3.50	6.40	-12.20
PRC	4.52	0.00	7.00	93.00
Hong Kong, China	2.25	2.70	20.80	165.10
India	8.86	7.10	11.70	86.20
Indonesia	8.79	6.40	12.40	359.90
Korea, Rep. of	3.73	-2.00	6.00	57.00
Malaysia	4.11	2.30	2.90	60.20
Philippines	3.46	4.74	4.04	-69.11
Singapore	2.51	3.00	11.00	121.00
Thailand	4.08	1.60	-2.40	57.20
Viet Nam	9.50	0.00	0.00	-70.00

Close of 6 December 2013

EU = European Union, LCY = local currency, PRC = People's Republic of China, US = United States.
 Source: Based on data from Bloomberg, LP.

Benchmark Yield Curves – LCY Government Bonds

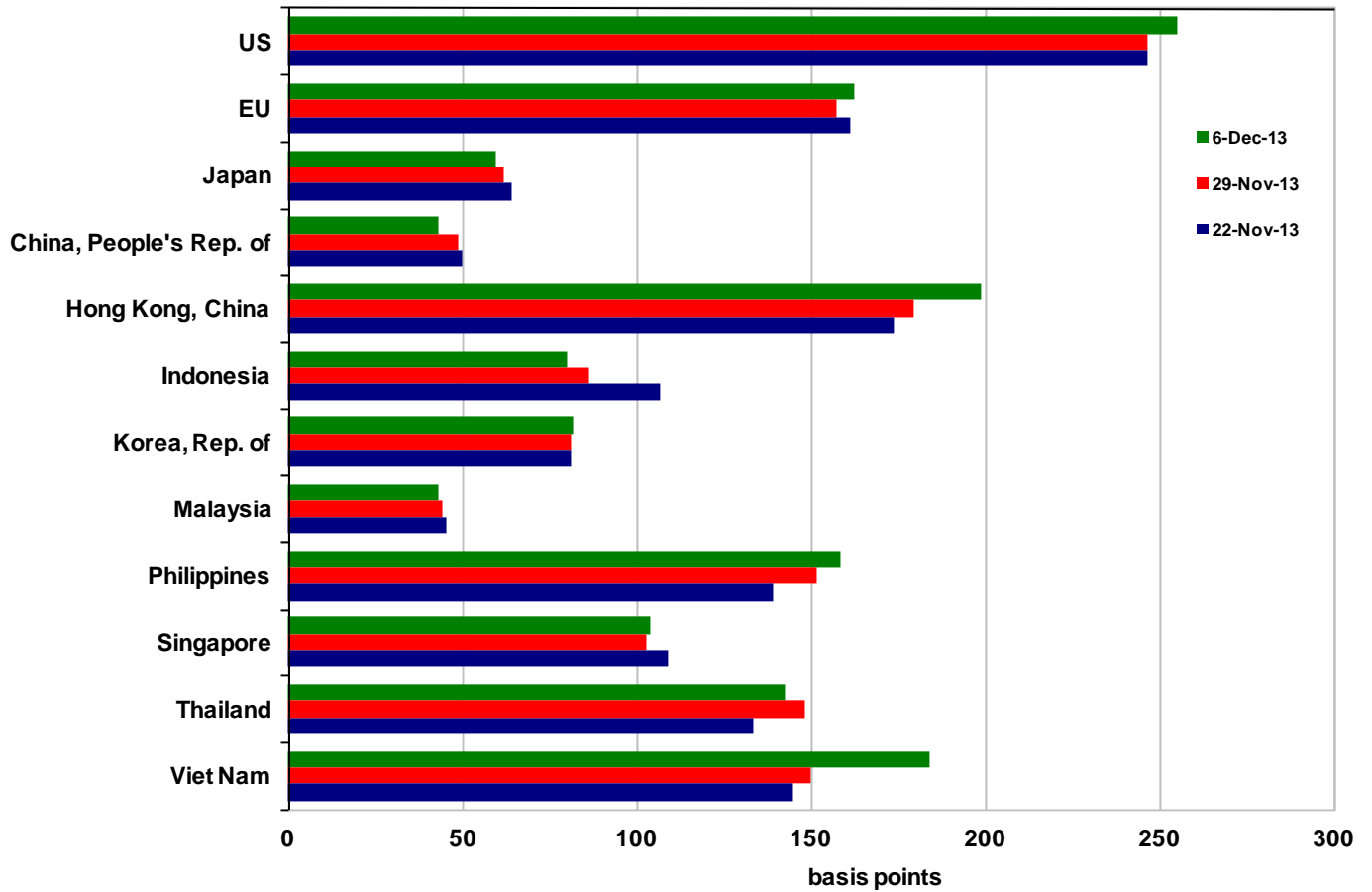
Tip: Zoom-in on the table using the Acrobat zoom tool



EU = European Union, LCY = local currency US = United States.
 Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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

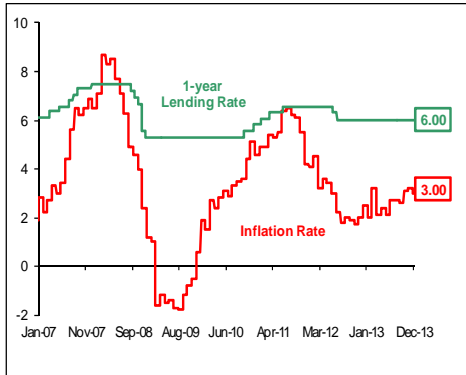


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

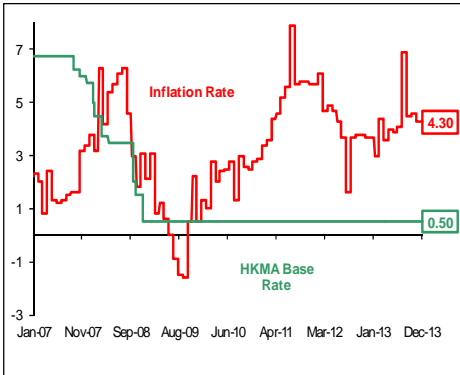
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China, People's Rep. of



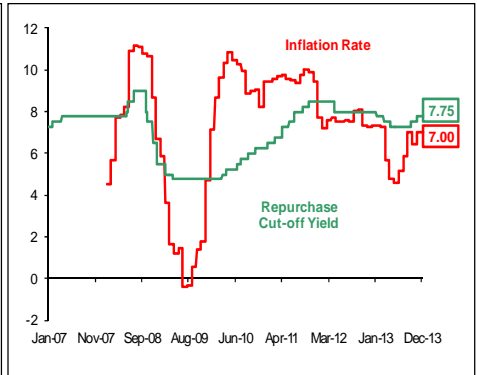
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



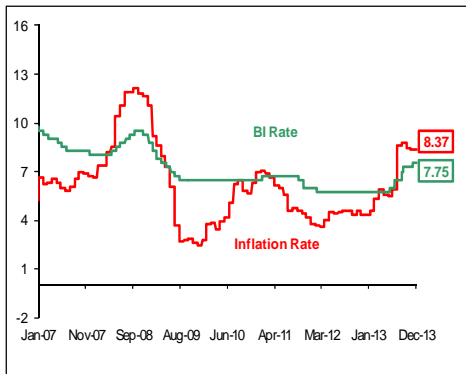
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

India



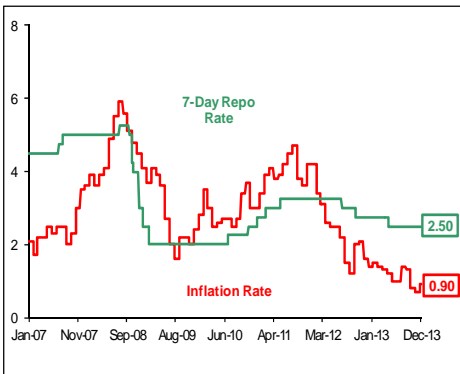
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate.
Source: Bloomberg LP.

Indonesia



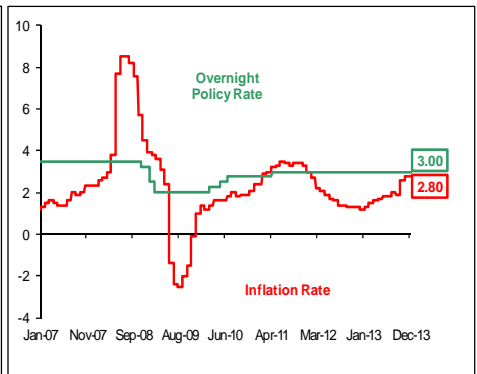
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



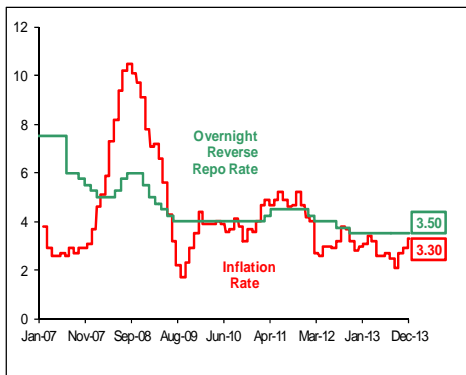
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



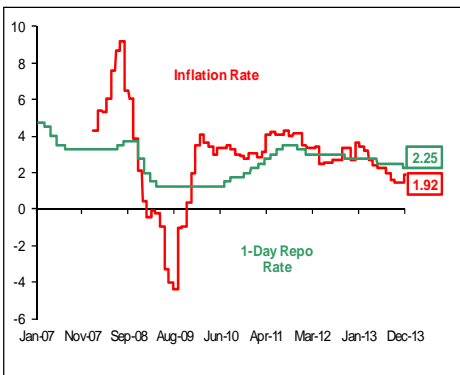
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



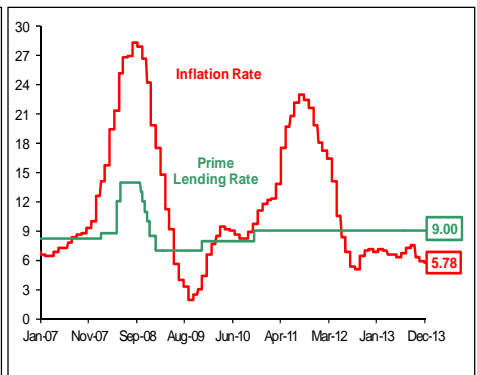
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

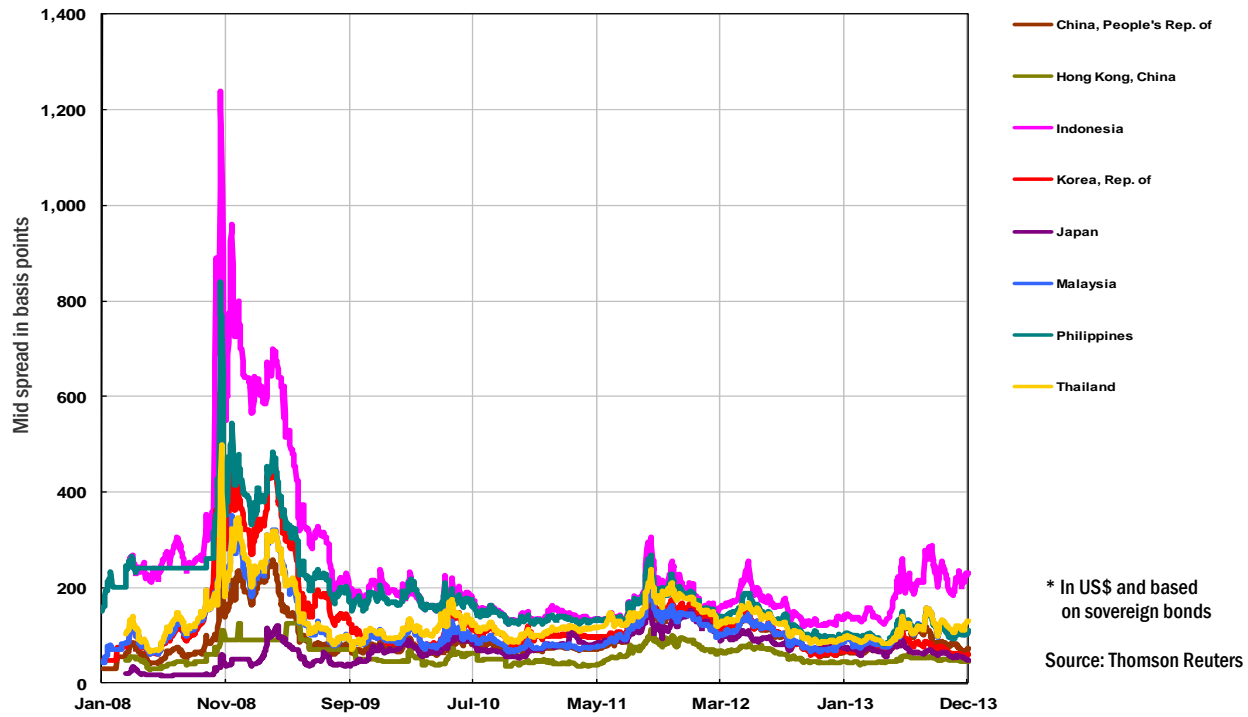


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

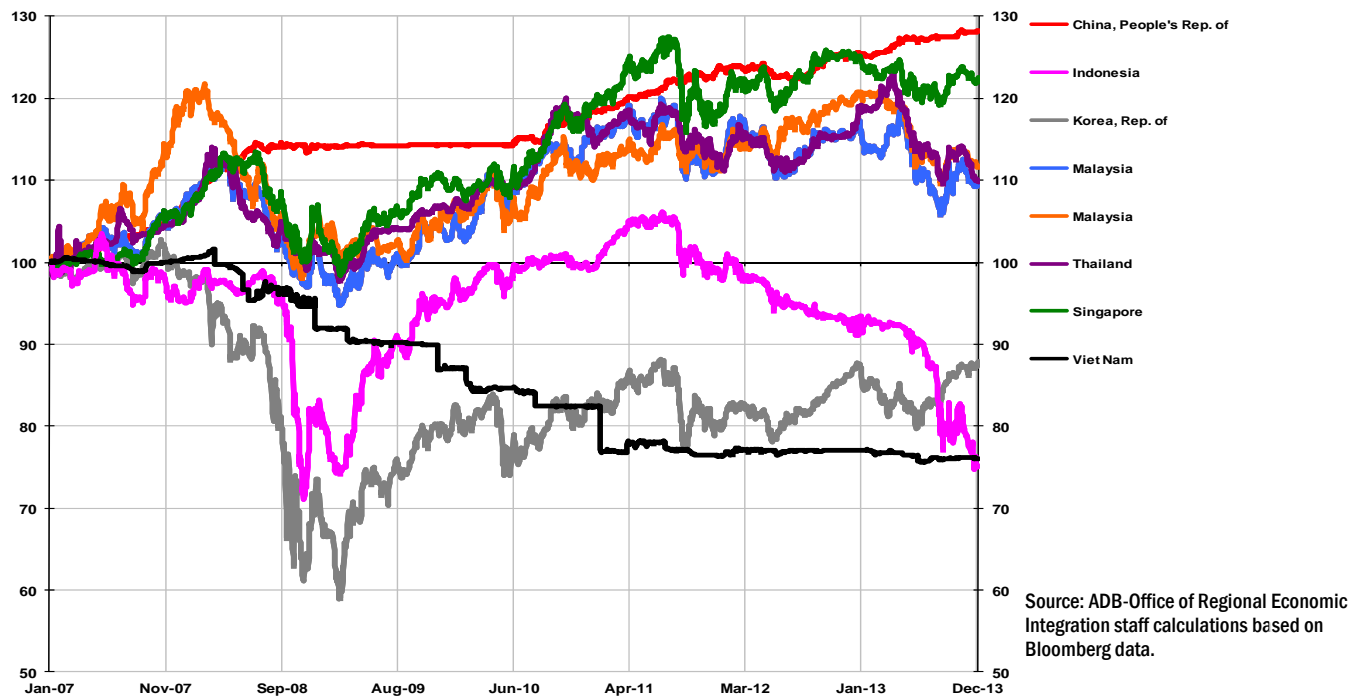
Credit Default Swap Spreads and Exchange Rate Indexes

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 (2 – 6 December 2013)

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

Markets	Auction Date	Type of Security	Average Yield (%)	Coupon (%)	Amount Offered (LCY billion)	Amount Issued (LCY billion)
HK	3-Dec	91-day Exchange Fund Bills	0.13		31.95	91.48
		182-day Exchange Fund Bills	0.17		9.00	9.00
		364-day Exchange Fund Bills	0.21		5.00	5.00
ID	3-Dec	6-year Treasury Bonds	8.26			650.00
		11-year Treasury Bonds	8.58		4,000.00	950.00
		21-year Treasury Bonds	9.11			2,400.00
JP	5-Dec	3-month Treasury Bills	0.05		33,741.70	5,669.97
		10-year Government Bonds	0.65	0.60	8,727.00	2,390.50
KR	2-Dec	91-day Monetary Stabilization Bonds	2.55		1,300.00	1,420.00
		182-day Monetary Stabilization Bonds	2.64		700.00	730.00
		3-year Treasury Bonds	3.04	3.00	1,750.00	1,770.00
		30-year Treasury Bonds	4.04		650.00	650.58
MY	5-Dec	15-year Government Islamic Bonds	4.94		2.00	2.00
TH	3-Dec	90-day BOT Bills	2.32		28.00	28.00
		181-day BOT Bills	2.35		28.00	24.22
		328-day BOT Bills	2.38		30.00	21.42
		15-year Government Bonds	2.43	1.25	5.00	5.00

BOT = Bank of Thailand, LCY = local currency.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (10 – 16 December 2013)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
People's Republic of China Industrial Production y-o-y, % NOV	12/10	10/12: 9.6% 11/12: 10.1% 09/13: 10.2% 10/13: 10.3%	Industrial production growth in the People's Republic of China (PRC) rose slightly to 10.3% year-on-year (y-o-y) in October from 10.2% in September.
People's Republic of China Retail Sales y-o-y, % NOV	12/10	10/12: 14.5% 11/12: 14.9% 09/13: 13.2% 10/13: 13.3%	Retail sales growth accelerated to 13.3% y-o-y in October from 13.2% in September.
Malaysia Industrial Production y-o-y, % OCT	12/11	09/12: 5.0% 10/12: 6.7% 08/13: 2.7% 09/13: 1.0%	Industrial production growth in Malaysia slowed to 1.0% y-o-y in September from 2.7% in August.
Malaysia Manufacturing Sales y-o-y, % OCT	12/11	09/12: 3.5% 10/12: 3.2% 08/13: 5.5% 09/13: 1.5%	Malaysia's manufacturing sales growth fell to 1.5% y-o-y in September from 5.5% in August.
Hong Kong, China Industrial Production y-o-y, % 3Q13	12/12	2Q12: -2.9% 3Q12: -0.1% 1Q13: 0.5% 2Q13: 0.3%	Industrial production growth in Hong Kong, China fell to 0.3% y-o-y in 2Q13 from 0.5% in 1Q13.
Hong Kong, China PPI y-o-y, % 3Q13	12/12	2Q12: -0.6% 3Q12: -1.4% 1Q13: 0.6% 2Q13: -2.4%	Producer prices fell 2.4% in Hong Kong, China in 2Q13, reversing 1Q13's gain of 0.6%.
Indonesia BI Rate % 12-Dec	12/12	11/12: 5.75% 12/12: 5.75% 10/13: 7.25% 11/13: 7.50%	Bank Indonesia's Board of Governors decided to raise its benchmark interest rate by 25 basis points to 7.50% on 12 November.
Republic of Korea 7-Day Repurchase Rate % 12-Dec	12/12	11/12: 2.75% 12/12: 2.75% 10/13: 2.50% 11/13: 2.50%	The Bank of Korea's Monetary Policy Committee decided on 14 November to keep the base rate—the 7-day repurchase rate—steady at 2.50%.
Japan Industrial Production y-o-y, % OCT Final	12/13	10/12: -4.7% 11/12: -5.5% 09/13: 5.1% 10/13: 4.7%	Japan's industrial production rose 4.7% y-o-y in October following a 5.1% gain in August.
Singapore Retail Sales y-o-y, % OCT	12/13	09/12: 2.7% 10/12: -1.2% 08/13: -7.7% 09/13: -5.9%	Singapore's retail sales contracted 5.9% y-o-y in September following a 7.7% contraction in the previous month.

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 older versions right-click to open a new browser)

Consumer Price Inflation Rises in Indonesia, the Philippines, and Thailand in November

- [Inflation and Balance of Trade improving](#)
Bank Indonesia (2 December 2013)
- [Summary Inflation Report Consumer Price Index \(2006=100\): November 2013](#)
National Statistics Office (5 December 2013)
- [Consumer Price Index and Core Consumer Price Index: November 2013](#)
Ministry of Commerce (2 December 2013)
- [Consumer Price Index and Core Consumer Price Index: October 2013](#)
Ministry of Commerce (1 November 2013)

The Republic of Korea's Real GDP Expands 3.3% y-o-y and 1.1% q-o-q in 3Q13

- [Gross National Income: 3rd Quarter of 2013](#)
The Bank of Korea (5 December 2013)

The PRC's Trade Surplus Widens in November; Indonesia Posts a Trade Surplus in October; Malaysia's Trade Surplus Narrows in October; Viet Nam's Trade Surplus Narrows in November

- [China Trade Surplus Hits Four-Year High as Exports Rise](#)
Bloomberg (9 December 2013)
- [Inflation and Balance of Trade improving](#)
Bank Indonesia (2 December 2013)
- [Trade balance boosted by weak rupiah](#)
The Jakarta Post (3 December 2013)
- [Preliminary Release Malaysia External Trade Statistics October 2013](#)
Department of Statistics Malaysia (6 December 2013)
- [Social and economic status for eleven months of 2013](#)
General Statistics Office of Vietnam (28 November 2013)

Singapore's Manufacturing Expansion Slows in November; Viet Nam's Industrial Production Grows 5.7% y-o-y in November, Retail Sales Climb 12.6% y-o-y in January-November

- [Singapore's manufacturing activity expands in November but at slower pace](#)
Channel NewsAsia (4 December 2013)
- [Social and economic status for eleven months of 2013](#)
General Statistics Office of Vietnam

LCY Corporate Bond Issuance in the Republic of Korea Surges 36.4% m-o-m in October; Rising Capital Adequacy Ratios among Bank Holding Companies in the Republic of Korea

- [Corporate Debt and Equity Issues, October 2013](#)
Financial Supervisory Service (29 November 2013)
- [Bank Holding Companies' BIS Capital Ratios, September 2013](#)
Financial Supervisory Service (6 December 2013)

BCA Finance Prices IDR300 Billion 3-Year MTNs with CGIF Guarantee; Thailand Auctions THB5 Billion Inflation-Linked Bond

- [CGIF issues its 1st Guarantee in Indonesia](#)
Credit Guarantee and Investment Facility (2 December 2013)
- [ILB Auction Results](#)
ThaiBMA (3 December 2013)

HKEx and SGX Sign MOU To Cooperate in Promoting Internationalization of Renminbi & Connectivity

- [HKEx and SGX cooperate on RMB internationalisation and connectivity](#)
Hong Kong Exchanges and Clearing Limited & Singapore Exchange (4 December 2013)

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