

17 March 2014

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Key Developments in Asian Local Currency Markets

The Bank of Thailand's Monetary Policy Committee decided on 12 March to reduce the policy rate by 25 basis points (bps) to 2.00%. Bank Indonesia's Board of Governors decided to keep its benchmark rate steady at 7.50%. Bank Indonesia also left the lending facility rate unchanged at 7.50% and the deposit facility rate at 5.75%. Meanwhile, The Bank of Korea's Monetary Policy Committee decided to keep its base rate steady at 2.50%. The Bank of Japan (BOJ) announced that it would maintain its monetary easing measures.

➤ The People's Bank of China (PBOC) on 15 March, widened the daily trading band by which the renminbi can trade against the US dollar. The renminbi can now trade 2% above or below the daily reference rate. Previously the trading limit was set at 1%.

➤ Consumer prices in the People's Republic of China (PRC) rose at a slower pace in February, gaining 2.0% year-on-year (y-o-y) compared with 2.5% in January.

➤ In February the PRC reported its first trade deficit since April 2013 due to the Lunar New Year holiday. Exports in February fell 18.1% y-o-y while imports rose 10.1%. As a result, the PRC reported a trade deficit of US\$23.0 billion in February.

➤ Exports from Malaysia rose 12.2% y-o-y to MYR64.0 billion in January, following 14.4% y-o-y growth in December. Imports rose 7.2% y-o-y in January to MYR57.6 billion. As a result, the trade surplus reached MYR6.4 billion. In the Philippines, merchandise exports rose 9.3% y-o-y in January to US\$4.3 billion. Singapore's non-oil domestic exports (NODX) increased 9.1% y-o-y in February. On a seasonally adjusted basis, NODX increased 7.2% m-o-m.

➤ Retail sales growth in the PRC slowed to 11.8% y-o-y in January-February from 13.6% in December. On a seasonally adjusted m-o-m basis, Singapore's retail sales slightly increased by 0.6% in January.

➤ Malaysia's industrial production index (IPI) rose 3.6% y-o-y in January following a 1.7% rise in the previous month.

➤ Beijing Infrastructure Investment issued a US\$300 million 5-year bond last week. The bond was issued at a coupon rate of 3.625% and priced to yield 3.705%.

➤ The Indonesian government raised US\$350 million from the sale of US\$-denominated bonds for the domestic market. The bonds

Asia Bond Monitor November 2013

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10-Year Selected LCY Government Security Yields Close of 14 March 2014

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-14*
US	2.65	0.97	-13.36	-37.39
EU	1.55	0.50	-10.70	-38.30
Japan	0.63	-1.70	-0.10	-11.40
PRC	4.45	-3.00	-3.00	-17.00
Hong Kong, China	2.18	-7.70	-8.20	-12.90
India	8.80	5.70	-1.80	-5.30
Indonesia	7.99	-4.70	-7.80	-42.30
Korea, Rep. of	3.47	-6.00	-10.60	-11.20
Malaysia	4.10	-0.40	-0.90	-2.50
Philippines	3.90	-5.00	-15.00	30.00
Singapore	2.42	-6.00	-1.00	-14.00
Thailand	3.69	-1.60	-3.70	-20.90
Viet Nam	9.50	0.00	0.00	0.00

TABLES & GRAPHS

- Selected Government Security Yields
- Benchmark Yield Curves — Local Currency Government
- 2- versus 10- Year Yield Spread Chart
- Policy Rate versus Inflation Rate Charts
- Credit Default Swap Spreads and Exchange Rate Indexes
- Selected Debt Security Issuances
- Selected Asia Data Releases

carried a maturity of 3 years and a coupon of 3.5%. The bonds were priced to yield 2.77%. Singapore's United Overseas Bank (UOB) raised US\$800 million from the sale of its first Basel III-compliant US\$-denominated subordinated bond. The 10.5-year bond carries a coupon rate of 3.75% and is callable after 5.5 years.

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

➤ The upcoming issue of the Asia Bond Monitor (ABM) will be released on 20 March in Jakarta, Indonesia and will be available for download on the AsianBondsOnline website.

Summary Text of News Articles

Policy Rate Lowered in Thailand; Bank Indonesia Rate Kept Steady at 7.50%; Bank of Japan Maintains Monetary Policy Easing Measures; Policy Rate Kept Steady in the Republic of Korea

The Bank of Thailand's Monetary Policy Committee decided on 12 March to reduce the policy rate 25 basis points (bps) to 2.00%. The committee said that the policy rate cut was made to provide more support to Thailand's economic growth, which slowed in 4Q13 and faces higher downside risks because of ongoing political uncertainty.

In its meeting held on 13 March, Bank Indonesia's Board of Governors decided to keep its benchmark rate steady at 7.50%. Bank Indonesia also left the lending facility rate unchanged at 7.50% and the deposit facility rate at 5.75%. According to Bank Indonesia, the current rates remain consistent with efforts to (i) bring inflation back toward its target range of between 3.5% and 5.5% for full-year 2014 and (ii) reduce the current account deficit to a more sustainable level.

At its monetary policy meeting on 10-11 March, the Bank of Japan (BOJ) announced that it would maintain its monetary easing measures. BOJ stated that the domestic economy is continuing to recover moderately and that it observed an increase in demand prior to the hike in the consumption tax. Overseas economies are also starting to recover, although a lackluster performance in external demand was still noted. Inflation, excluding the effect of the consumption tax hike, is expected to remain at around 1.25% y-o-y. BOJ will continue with the quantitative and qualitative monetary easing measures announced at its last policy meeting on 4 April 2013 as it aims to achieve a 2.0% price stability target.

Meanwhile, The Bank of Korea's Monetary Policy Committee decided on 13 March to keep the base rate steady at 2.50%. The committee noted that the Republic of Korea's economic recovery is in line with its growth trend, and that it expects the domestic economy to continue exhibiting a negative output gap for the time being.

For policy rate trends in Thailand, refer to this link:

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

For policy rate trends in Indonesia, refer to this link:

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

For policy rate trends in Japan, refer to this link:

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

For policy rate trends in the Republic of Korea, refer to this link:

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

Consumer Price Inflation Slows in the PRC in February

Consumer prices in the People's Republic of China (PRC) rose at a slower pace in February, gaining 2.0% year-on-year (y-o-y) versus a 2.5% increase in January. The bulk of the increase in consumer prices was driven by rising food prices, which rose 2.7% y-o-y and 1.7% month-on-month (m-o-m). Housing and rental prices and utilities rose 2.8% y-o-y but only 0.3% on a m-o-m basis. Clothing prices rose 2.2% y-o-y but fell 0.4% m-o-m.

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

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

The PRC Reports Trade Deficit for February; Malaysia's Exports Rise in January; Philippine Merchandise Exports Gain in January

The PRC reported its first trade deficit since April 2013 in February due to the Lunar New Year holiday. Exports in February fell 18.1% y-o-y while imports rose 10.1%. As a result, the PRC reported a trade deficit of US\$23.0 billion in February following a surplus of US\$31.9 billion in January. The government said that companies tend to push exports in the month prior to the New Year holiday and that imports tend to rise after the holiday. However, in January-February, exports fell 1.8% y-o-y while imports rose 10.0%.

 Summary Text of News Articles

**The PRC Reports Trade Deficit for February;
 Malaysia's Exports Rise in January; Philippine Merchandise Exports Gain in January (cont...)**

Exports from Malaysia rose 12.2% y-o-y to MYR64.0 billion in January, following 14.4% growth in December, led by higher shipments of electrical and electronic products and natural gas. It was the seventh consecutive month of rising exports. Demand was driven by the PRC; the European Union; Hong Kong, China; Australia; and the Republic of Korea. On a seasonally adjusted m-o-m basis, exports rose 10.7%. Imports rose 7.2% y-o-y to MYR57.6 billion. As a result, the trade surplus reached MYR6.4 billion, posting an increase of 95.0% from MYR3.3 billion a year earlier. However, compared with the previous month, the trade surplus declined 33.7% from MYR9.6 billion.

In the Philippines, merchandise exports rose 9.3% y-o-y in January to US\$4.3 billion, supported by growth in seven major commodity groups. Electronic products, the country's top export (accounting for a 40.9% share of total exports), increased 22.1% y-o-y in January. However, on a m-o-m basis, electronic exports decreased 6.0%. Japan remained the top destination for Philippine exports in January with a 26.3% share of the total. Exports to Japan increased 49.6% y-o-y in February to US\$1.2 billion. On a m-o-m basis, total exports decreased 4.7%.

**Retail Sales Growth Slows in the PRC in January-February;
 Singapore's Retail Sales Slightly Increases in January**

Retail sales growth in the PRC slowed to 11.8% y-o-y in January-February from 13.6% in December. Retail goods purchased in the rural sector rose 12.8% y-o-y versus a 11.7% gain in urban areas.

On a seasonally adjusted basis, Singapore's retail sales slightly increased 0.6% m-o-m in January from revised growth of 1.5% in the previous month. On a y-o-y basis, retail sales slightly increased 0.1% in January following a 5.5% contraction in December 2013. Retail sales of food and beverages posted the highest rate of growth among all categories in January (44.9%) and motor vehicles sales saw the largest decline (-33.2%).

**The PRC's Industrial Value-Added Growth Slows in January-February;
 Industrial Production Growth Recovers in Hong Kong, China in 4Q13;
 Malaysia's Industrial Output Expands in January**

The PRC's industrial value-added growth rate slowed to 8.6% y-o-y in January-February from 9.7% in December. Meanwhile, the industrial value-added of the manufacturing sector rose 9.8% in January-February, while that of the mining sector rose 3.5% in the same period.

In Hong Kong, China, the index of industrial production rose 0.5% y-o-y in 4Q13 following a decline of 0.9% in 3Q13. The largest increase came from miscellaneous manufacturing industries, which posted an increase of 6.9%, followed by food, beverages, and tobacco, which rose 2.4%. In contrast, metal, computer, electronic, and optical products, machinery, and equipment fell 12.4%. Textiles also declined 11.7%.

Malaysia's industrial production index (IPI) rose 3.6% y-o-y in January, following a 1.7% gain in the previous month, on increases in manufacturing (4.7%), mining (1.5%), and electricity (0.2%).

**Beijing Infrastructure Investment Sells US\$300 Million Bond;
 Indonesian Government Sells US\$-Denominated Bond in the Domestic Market;
 UOB Sells US\$800 Million Subordinated Bond**

Beijing Infrastructure Investment issued a US\$300 million 5-year bond last week. The bond was issued at a coupon rate of 3.625% and priced to yield 3.705%. Total orders reached US\$1.5 billion and 41% of the bond was purchased by fund managers, banks purchased 35%, and insurance companies 19%.

The Indonesian government raised US\$350 million from the sale of US\$-denominated bonds targeted for the domestic market last week. The bond sale was an upsize from the original target of US\$250 million. The bonds carried a maturity of 3 years and a coupon of 3.5%. The bonds were priced to yield 2.77%. The bond sale was a re-opening of bonds

Summary Text of News Articles

**Beijing Infrastructure Investment Sells US\$300 Million Bond;
Indonesian Government Sells US\$-Denominated Bond in the Domestic Market;
UOB Sells US\$800 Million Subordinated Bond (cont...)**

issued in November that were priced to yield 3.52% and carried a maturity of 3.5 years. The government, however, only raised US\$190 million in November, falling short of its US\$450 million target.

Last week, Singapore's United Overseas Bank (UOB) raised US\$800 million from the sale of its first US\$-denominated subordinated bond in compliance with Basel III capital requirements. The 10.5-year bond carries a coupon rate of 3.75% and is callable after 5.5 years. Institutional investors accounted for 91% of the issue, while the rest were bought by private banks.

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			1-Jan-14*
		Previous Day*	Previous Week*		
US	0.05	0.50	0.00		-2.03
EU	0.19	0.00	-0.40		2.40
Japan	0.04	1.00	1.00		-2.50
PRC	3.26	0.00	0.00		0.00
Hong Kong, China	0.14	0.00	0.00		3.00
India	9.15	2.50	2.50		40.00
Korea, Rep. of	2.59	-0.70	1.00		2.50
Malaysia	2.98	0.00	0.30		0.90
Philippines	0.95	0.00	10.19		62.50
Singapore	0.29	0.00	1.00		-2.00
Thailand	2.06	-1.49	-12.38		-24.88

Close of 14 March 2014

10-Year Selected LCY Government Bond Yields

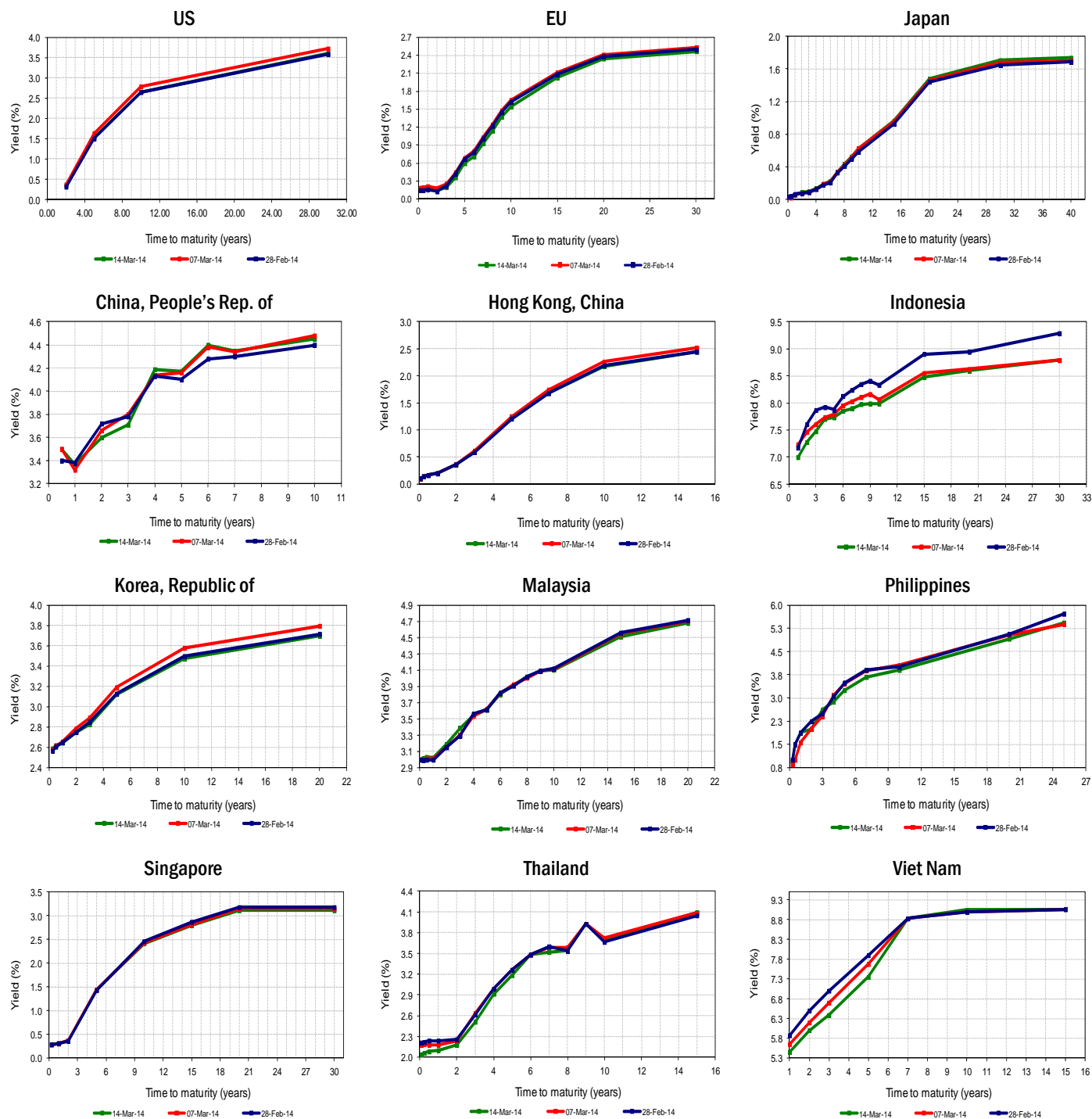
Markets	Latest Closing	basis point change from			1-Jan-14*
		Previous Day*	Previous Week*		
US	2.65	0.97	-13.36		-37.39
EU	1.55	0.50	-10.70		-38.30
Japan	0.63	-1.70	-0.10		-11.40
PRC	4.45	-3.00	-3.00		-17.00
Hong Kong, China	2.18	-7.70	-8.20		-12.90
India	8.80	5.70	-1.80		-5.30
Indonesia	7.99	-4.70	-7.80		-42.30
Korea, Rep. of	3.47	-6.00	-10.60		-11.20
Malaysia	4.10	-0.40	-0.90		-2.50
Philippines	3.90	-5.00	-15.00		30.00
Singapore	2.42	-6.00	-1.00		-14.00
Thailand	3.69	-1.60	-3.70		-20.90
Viet Nam	9.50	0.00	0.00		0.00

Close of 14 March 2014

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

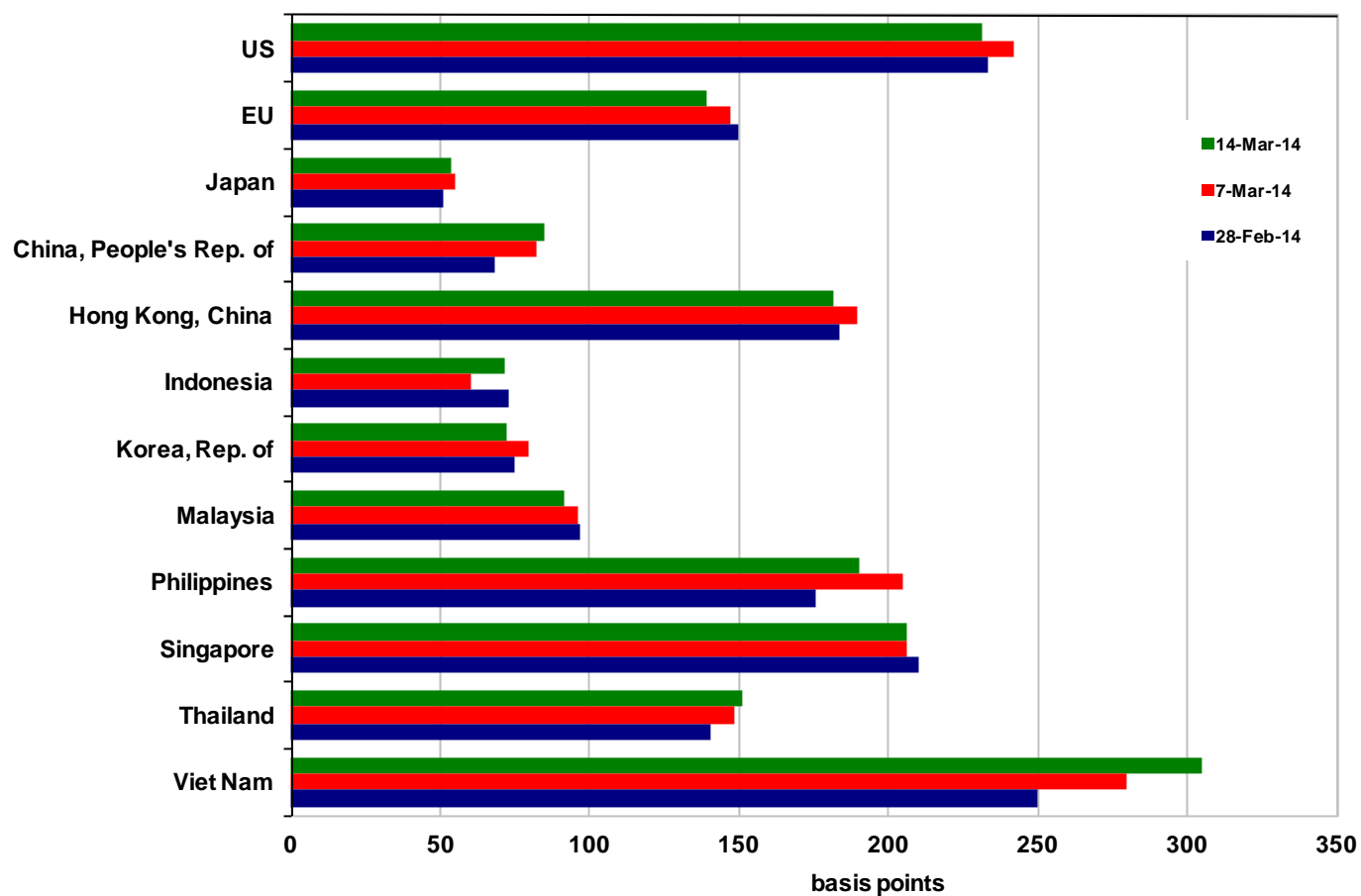


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



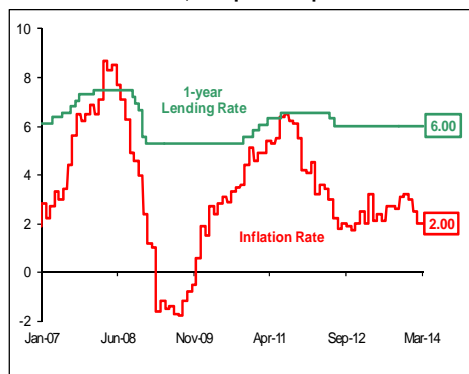
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

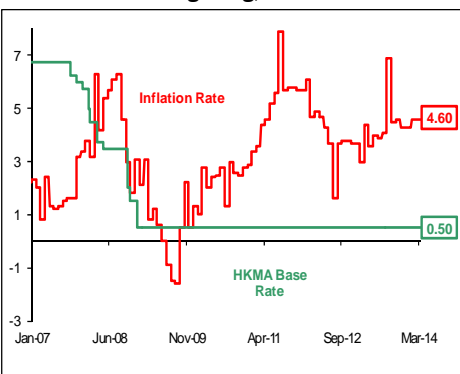
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



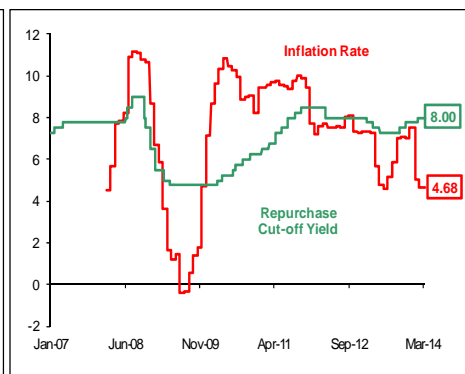
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



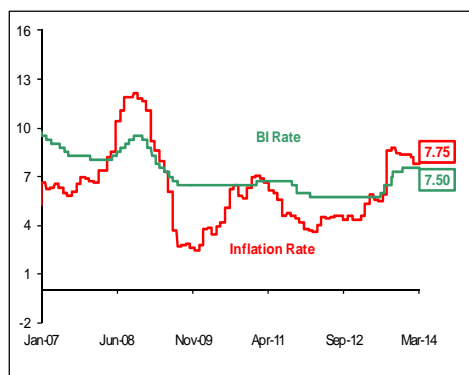
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

India



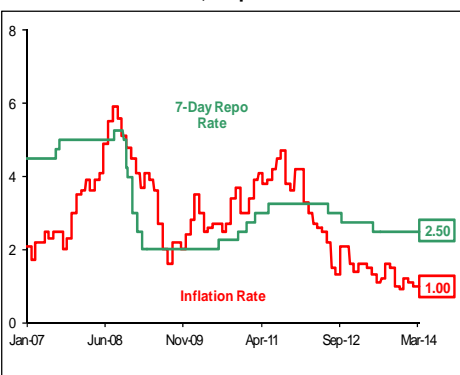
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate.
Source: Bloomberg LP.

Indonesia



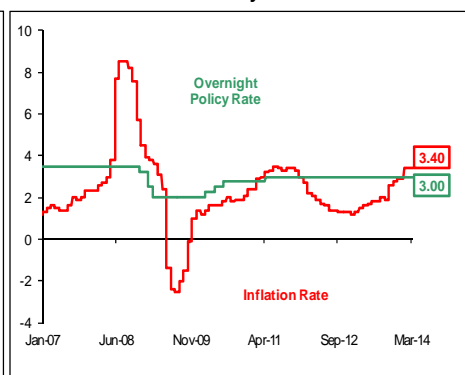
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



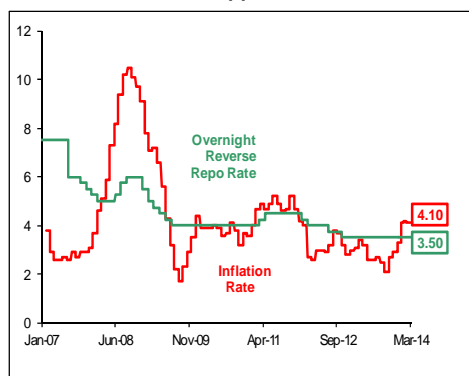
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



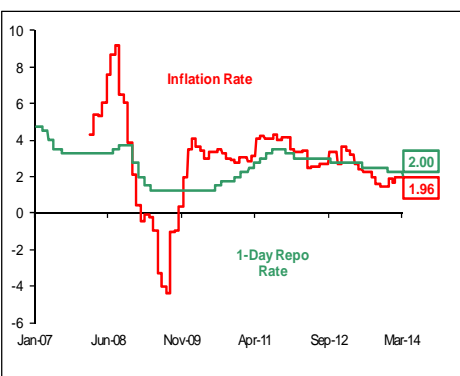
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



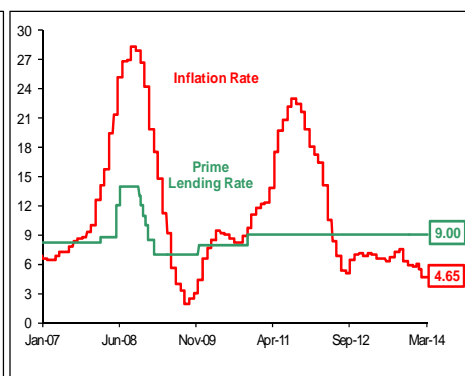
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

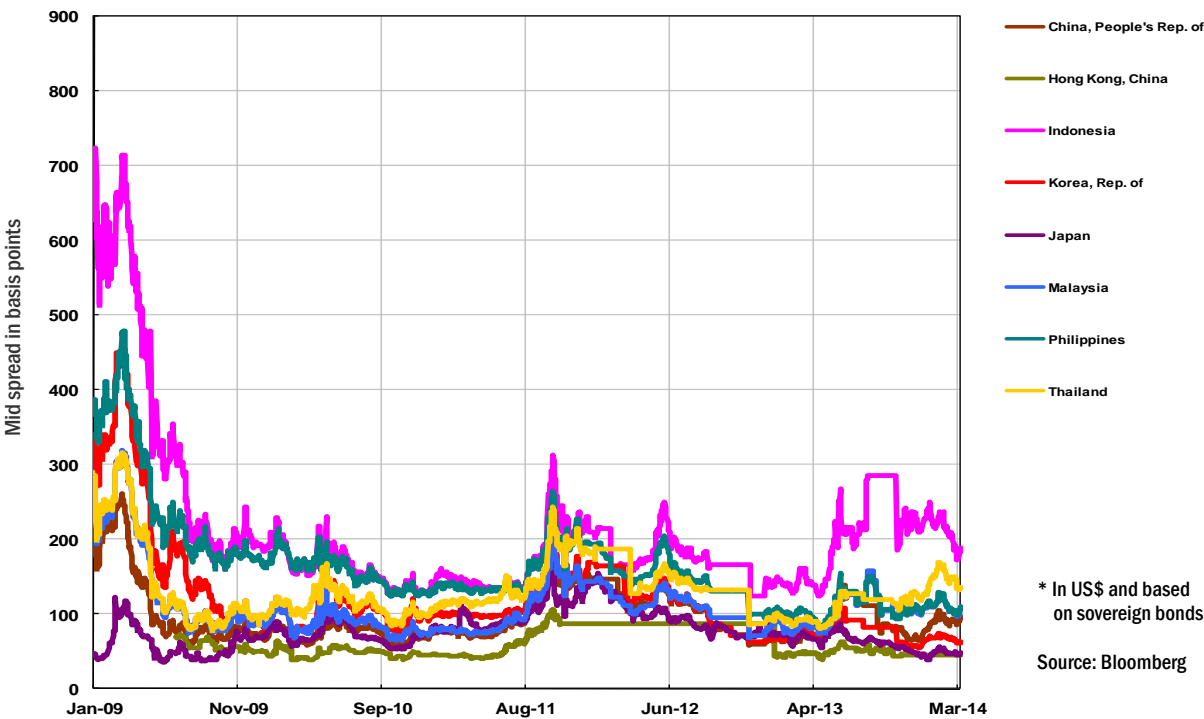


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

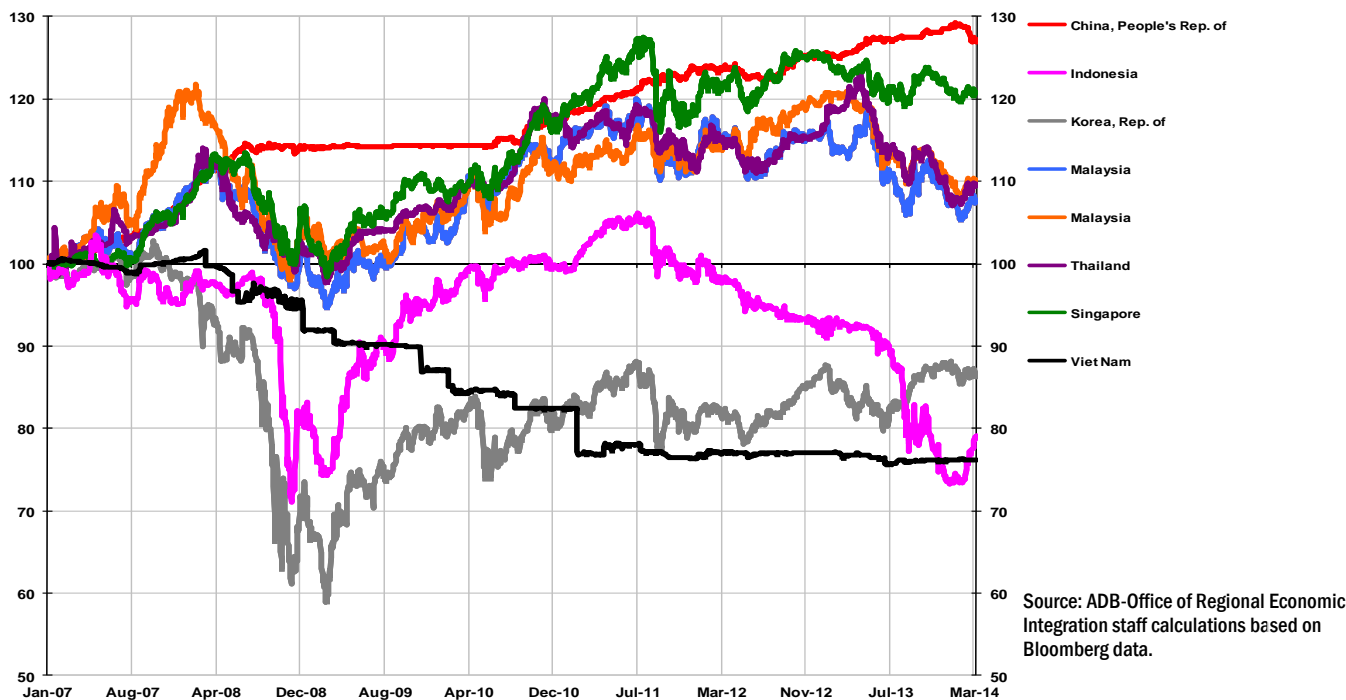
Credit Default Swap Spreads and Exchange Rate Indexes

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 (10 – 14 March 2014)

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)
CN	12-Mar	3-year Treasury Bond	3.66		28.00	28.00
HK	11-Mar	91-day Exchange Fund Bills	0.15		28.23	28.23
		182-day Exchange Fund Bills	0.16		9.00	9.00
ID	11-Mar	6-month Islamic Treasury Bills	6.12			700.00
		6-year Islamic Treasury Bonds	8.05		1,500.00	20.00
		7-year Islamic Treasury Bonds	8.73			28.00
		29-year Islamic Treasury Bonds	8.98			525.00
JP	13-Mar	3-month Treasury Discount Bills	0.03		5,700.00	5,669.97
	14-Mar	5-year Japanese Government Bonds	0.20	0.20	2,700.00	3,097.70
KR	10-Mar	91-day Monetary Stabilization Bonds	2.63		1,400.00	1,430.00
		1-year Monetary Stabilization Bonds		2.69	1,000.00	1,100.00
		5-year Treasury Bonds	3.22	3.13	2,000.00	2,020.00
MY	12-Mar	105-day BNM Islamic Notes	2.94		1.00	1.00
		1-year BNM Notes	2.90		1.00	1.00
SG	11-Mar	4-week MAS Bill	0.17		1.00	1.00
		12-week MAS Bill	0.20		4.00	4.00
	13-Mar	24-week MAS Bill	0.26		2.00	2.00
TH	10-Mar	28-day Treasury Bills	2.13		15.00	15.00
	11-Mar	91-day BOT Bills	2.14		28.00	28.00
VN	13-Mar	2-year Treasury Bonds	5.97		3,000.00	3,000.00
		3-year Treasury Bonds	6.30		3,000.00	3,000.00
		5-year Treasury Bonds	7.63		2,000.00	2,000.00
		15-year Treasury Bonds	8.88		2,000.00	2,000.00

BNM = Bank Negara Malaysia, BOT = Bank of Thailand, LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (18 – 24 March 2014)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Republic of Korea	03/19	01/13: -1.6% 02/13: -1.6% 12/13: -0.4% 01/14: -0.3%	The Republic of Korea's producer price index (PPI) fell at a slower annual pace in January, dropping 0.3% year-on-year (y-o-y) following a 0.4% decrease in December.
PPI y-o-y, % FEB			
Japan	03/19	01/13: -1,633.5 02/13: -781.3 12/13: -1,304.2 01/14: -2,791.7	Japan's trade deficit widened to JPY2.8 trillion in January from JPY1.3 trillion in December.
Trade Balance JPY billion FEB			
Philippines	03/19	01/13: 2,043 02/13: -960 12/13: 419 01/14: -4,480	The Philippines posted a balance of payment deficit of US\$4.5 billion in January, a reversal from the US\$419 million surplus in December.
Balance of Payment US\$ million FEB			
Hong Kong, China	03/20	01/13: 3.0% 02/13: 4.4% 12/13: 4.3% 01/14: 4.6%	Hong Kong, China's inflation rose slightly to 4.6% y-o-y in January from 4.3% in December.
CPI y-o-y, % FEB			
Malaysia	03/21	01/13: 1.3% 02/13: 1.5% 12/13: 3.2% 01/14: 3.4%	Consumer price inflation in Malaysia climbed to 3.4% y-o-y in January from 3.2% in December due to higher prices for transportation and food.
CPI y-o-y, % FEB			
Singapore	03/24	01/13: 3.6 % 02/13: 4.9% 12/13: 1.5% 01/14: 1.4%	Singapore's consumer price inflation slightly eased to 1.4% y-o-y in January from 1.5% in December.
CPI y-o-y, % FEB			
Viet Nam	03/24	02/13: 7.0% 03/13: 6.6% 01/14: 5.5% 02/14: 4.7%	Viet Nam's consumer price inflation slowed to 4.7% in February from 5.5% in January.
CPI y-o-y, % MAR			

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)

Policy Rate Lowered in Thailand; Bank Indonesia Rate Kept Steady at 7.50%; Bank of Japan Maintains Monetary Policy Easing Measures; Policy Rate Kept Steady in the Republic of Korea

- [Monetary Policy Committee's Decision on 12 March 2014](#)
Bank of Thailand (12 March 2014)
- [BI Rate Maintained at 7.50%](#)
Bank Indonesia (13 March 2014)
- [Statement on Monetary Policy](#)
Bank of Japan (11 March 2014)
- [Monetary Policy Decision \(March 13, 2014\)](#)
The Bank of Korea (13 March 2014)

Consumer Price Growth Slows in the PRC in February

- [Consumer Prices for February 2014](#)
National Bureau of Statistics of China (13 March 2014)

The PRC Reports Trade Deficit for February; Malaysia's Exports Rise in January; Philippine Merchandise Exports Gain in January

- [China sees first trade deficit in 11 months](#)
Xinhua (8 March 2014)
- [Malaysia External Trade Statistics January 2014 \(Updated: 07/03/2014\)](#)
Department of Statistics Malaysia (07 March 2014)
- [Merchandise Export Performance : January 2014](#)
National Statistics Office (11 March 2014)

Retail Sales Growth Slows in the PRC in January-February; Singapore's Retail Sales Slightly Increases in January

- [Chinese Jan-Feb retail sales growth slows](#)
Xinhua (13 March 2014)
- [Retail Sales Index Food & Beverage Services Index January 2014](#)
Singapore Department of Statistics (14 March 2014)

The PRC's Industrial Value-Added Growth Slows in January-February; Industrial Production Growth Recovers in Hong Kong, China in 4Q13; Malaysia's Industrial Output Expands in January

- [China's Jan.-Feb. industrial added value up 8.6 pct](#)
Xinhua (14 March 2014)
- [Provisional statistics on index of industrial production and producer price index for industrial sector for the fourth quarter of 2013 and whole year of 2013 \[13 Mar 2014\]](#)
Census and Statistics Department (13 March 2014)
- [Industrial Production Malaysia January 2014](#)
Department of Statistics Malaysia (13 March 2014)

Beijing Infrastructure Investment Sells US\$300 Million Bond; Indonesian Government Sells US\$-Denominated Bond in the Domestic Market; UOB Sells US\$800 Million Subordinated Bond

- [BONDS: Buyers drawn to Beijing Infra on hopes of state support](#)
IFRAsia (14 March 2014)
- [Hasil Lelang Surat Utang Negara \(SUN\) dalam Mata Uang Dolar Amerika Serikat Di Pasar Perdana Domestik Seri USDFROOOI \(reopening\) Pada hari Senin, 10 Maret 2014](#)
Indonesia Debt Management Office (10 March 2014)
- [UOB launches \\$800m Basel III debut](#)
Finance Asia (12 March 2014)

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