

Key Developments in Asian Local Currency Markets

Real gross domestic product (GDP) growth in Japan accelerated to 1.5% quarter-on-quarter (q-o-q) in 1Q14, up from 0.1% in the previous quarter. Growth was mainly attributed to the q-o-q increase in private demand (2.2%), particularly private consumption, which rose 2.1% in 1Q14 compared with a 0.4% increase in the previous quarter. Malaysia's GDP growth climbed to 6.2% year-on-year (y-o-y) in 1Q14—the fastest rate in more than a year—from 5.1% in 4Q13. On the demand side, the growth was buoyed by strong exports (7.9%) and consumer spending (7.1%). Meanwhile, Hong Kong, China's GDP growth fell to 2.5% y-o-y in 1Q14 from 2.9% in 4Q13. The lower growth was largely due to a slower increase in domestic consumption (2.0%).

➤ Economic data releases last week from the People's Republic of China (PRC) pointed to a moderation in growth. Retail sales in the PRC rose 11.9% y-o-y in April versus 12.2% in March. For the period January-April, investments in fixed assets rose 17.3% y-o-y versus a 20.6% gain in the same period a year earlier. Industrial production, based on industrial value-added, rose 8.7% y-o-y in April versus an 8.8% increase in March.

➤ Malaysia's industrial production index (IPI) grew at a slower pace in March, rising 4.3% y-o-y compared with 6.7% in February. On a seasonally adjusted month-on-month (m-o-m) basis, the IPI declined 2.6%.

➤ In the Philippines, personal remittances from overseas Filipinos rose 6.9% y-o-y in March to reach US\$2.1 billion. The United States; Saudi Arabia; United Arab Emirates; United Kingdom; Singapore; Japan; and Hong Kong, China remained the top sources of cash remittances coursed through banks.

➤ Singapore's retail sales contracted 4.0% m-o-m in March following revised growth of 2.7% in February, mainly driven by a 19.1% drop in motor vehicles sales.

➤ Singapore's non-oil domestic exports (NODX) increased marginally by 0.9% y-o-y in April, a reversal from a 6.6% contraction in the previous month. On a seasonally adjusted basis, NODX climbed 9.0% m-o-m in April, up substantially from an 8.9% contraction in the previous month, driven by both electronic and non-electronic exports.

➤ The average Basel III-compliant capital ratio of all domestic banks in the Republic of Korea fell to 14.1% at end-March from 14.5% at end-December 2013, as bank capital declined and risk-weighted assets rose, according to a Financial Supervisory Service (FSS) report released last week. In 1Q14, the total capital of

Asia Bond Monitor March 2014 [read more](#)

10-Year Selected LCY Government Security Yields Close of 16 May 2014
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-14*
US	2.52	3.38	-10.02	-50.51
EU	1.33	2.40	-12.50	-59.90
Japan	0.58	-1.10	-2.40	-15.70
PRC	4.21	1.00	-3.00	-41.00
Hong Kong, China	1.94	-3.10	-7.80	-36.80
India	8.83	4.70	8.50	-1.40
Indonesia	7.88	-7.10	-16.70	-53.80
Korea, Rep. of	3.39	0.70	-3.50	-19.80
Malaysia	4.01	-0.30	-5.40	-12.20
Philippines	4.00	-7.50	-5.00	40.00
Singapore	2.24	-1.00	-10.00	-32.00
Thailand	3.40	-7.50	-8.30	-50.20
Viet Nam	9.50	0.00	0.00	0.00

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

domestic banks decreased 1.4% (KRW2.5 trillion) while risk-weighted assets of these banks climbed 1.3% (KRW16.0 trillion).

➤ Cinda Asset Management, one of the PRC's four state-owned asset management companies, issued a US\$1.5 billion dual-tranche bond last week. The US\$1.0 billion 5-year tranche was priced to yield 4.0% and the US\$0.5 billion 10-year tranche was priced to yield 5.625%. China Construction Bank issued a 2-year CNH2 billion bond through its Sydney, Australia branch. In Thailand, real estate developer Ananda Development sold a 3-year bond worth THB4.0 billion at a coupon rate of 5.4% last week.

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

Summary Text of News Articles

Japan's Real GDP Growth Accelerates to 1.5% q-o-q in 1Q14; Malaysia's GDP Expands 6.2% y-o-y in 1Q14; Hong Kong, China GDP Grows 2.5% y-o-y in 1Q14

Real gross domestic product (GDP) growth in Japan accelerated to 1.5% quarter-on-quarter (q-o-q) in 1Q14 from 0.1% in the previous quarter. Growth was mainly attributed to the q-o-q increase in private demand (2.2%), particularly private consumption, which rose 2.1% in 1Q14 compared with a 0.4% increase in the previous quarter. Meanwhile, public demand decreased 0.4% q-o-q as public investment declined 2.4%. On an annualized basis, GDP growth stood at 5.9%.

Malaysia's GDP growth climbed 6.2% year-on-year (y-o-y) in 1Q14—the fastest rate in more than a year—from 5.1% in 4Q13. On the demand side, the growth was buoyed by strong exports (7.9%) and consumer spending (7.1%). On the production side, services (6.6%), manufacturing (6.8%) and construction (18.9%) drove the positive y-o-y growth.

Meanwhile, Hong Kong, China's GDP growth fell to 2.5% y-o-y in 1Q14 from 2.9% in 4Q13. The lower growth was largely due to a slower increase in domestic consumption. Domestic consumption grew 2.0% y-o-y in 1Q14 versus 3.6% in 4Q13, mostly due to a high base last year. The gross domestic capital formation growth also fell to 3.0% in 1Q14 versus 5.3% in 4Q13. Exports hardly grew in 1Q14, rising 0.5% y-o-y versus 5.7% in 4Q13. The government expects that GDP growth should be stable in 2014 given improving conditions in the US and the eurozone. However, there are risks to the outlook due to uncertainty regarding US monetary policy as well as potential tensions in Eastern Europe.

Retail Sales Growth in the PRC Falls in April; Fixed Asset Investment in the PRC Rises 20.6% in January-April; The PRC's Industrial Production Growth Rose 8.7% y-o-y in April

Retail sales in the People's Republic of China (PRC) rose 11.9% y-o-y in April, down slightly from 12.2% in March. By type of good, retail sales of phones increased at the fastest y-o-y pace, rising 28.8%, followed by sales of building and decoration materials, which rose 16.7%.

In January-April, investment in fixed assets in the PRC rose 17.3% y-o-y compared with 20.6% growth in the same period a year earlier. The January–April 2014 y-o-y growth rate was also lower than the 17.6% growth rate in January–March 2014. By type of industry, investments in primary industry increased at the fastest y-o-y pace, rising 21.2% in January–April, followed by tertiary industry, which rose 19.2%. Meanwhile, fixed asset investment in secondary industry rose 14.5% in the same period.

The PRC's industrial production, based on industrial value-added, rose 8.7% y-o-y in April compared with an 8.8% gain in March. By sector, industrial production in the mining and quarrying sector rose 4.5%, while the manufacturing sector gained 9.8%. The utilities sector rose only 3.4% in April. By industry, the fastest-growing industry was manufacturing of non-ferrous metals, which grew 14.1%, followed by the manufacturing of medicines, which rose 12.0%.

Malaysia's Industrial Output Slows to 4.3% y-o-y in March

Malaysia's Industrial Production Index (IPI) grew at a slower y-o-y pace in March, rising 4.3% versus 6.7% in February. Growth in the manufacturing and electricity sectors came in at 6.4% and 4.6%, respectively, compared with 9.8% and 8.7% in the previous month. On a seasonally adjusted month-on-month (m-o-m) basis, the IPI declined 2.6%.

Personal Remittances from Overseas Filipinos Rise in March

In the Philippines, personal remittances from overseas Filipinos rose 6.9% y-o-y in March to reach US\$2.1 billion. The United States; Saudi Arabia; United Arab Emirates; United Kingdom; Singapore; Japan; and Hong Kong, China remained the top sources of cash remittances coursed through banks. Personal remittances to the Philippines in 1Q14 totaled US\$6.1 billion, up 6.6% y-o-y.

Summary Text of News Articles

Singapore's Retail Sales Contract in March

On a seasonally adjusted basis, Singapore's retail sales contracted 4.0% m-o-m in March, following a revised increase of 2.7% in February, mainly driven by a 19.1% drop in motor vehicles sales. Excluding motor vehicles, retail sales declined 1.0% m-o-m in March. On an annual basis, retail sales decreased 3.9% y-o-y in March, compared with a revised contraction of 9.7% in the previous month, also driven by a significant drop in sales of motor vehicles.

Singapore's NODX Increase in April

Singapore's non-oil domestic exports (NODX) increased marginally by 0.9% y-o-y in April, a reversal from a 6.6% contraction in the previous month. The growth was driven by an increase in exports of non-electronic products, which increased 5.5%. On a seasonally adjusted basis, NODX climbed 9.0% m-o-m in April, up substantially from an 8.9% contraction in the previous month, driven by both electronic and non-electronic exports.

Domestic Banks' Average Capital Ratio Decreases in the Republic of Korea in 1Q14

The average Basel III-compliant capital ratio of domestic banks in the Republic of Korea fell to 14.1% at end-March from 14.5% at end-December, as bank capital declined and risk-weighted assets rose, according to a Financial Supervisory Service (FSS) report released last week. In 1Q14, the total capital of domestic banks decreased 1.4% (KRW2.5 trillion) while risk-weighted assets climbed 1.3% (KRW16.0 trillion).

**Cinda Issues US\$1.5 Billion Dual-Tranche Bond;
CCB Sydney Issues 2-year CNH Bond;
Ananda Development Issues THB4.0 Billion 3-Year Bond**

Cinda Asset Management, one of the PRC's four state-owned asset management companies, issued a US\$1.5 billion dual-tranche bond last week. The US\$1.0 billion 5-year tranche was priced to yield 4.0% and the US\$0.5 billion 10-year tranche was priced to yield 5.625%.

China Construction Bank issued a 2-year CNH2 billion bond through its Sydney, Australia branch.

In Thailand, real estate developer Ananda Development sold a 3-year bond worth THB4.0 billion at a coupon rate of 5.4% last week. The bond received a rating of BBB- from TRIS Rating.

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-14*
US	0.02	-0.51	-0.51	-5.07
EU	0.13	1.20	-3.70	-2.70
Japan	0.04	0.00	-1.00	-2.00
PRC	3.36	16.00	-2.00	-80.00
Hong Kong, China	0.10	0.00	0.00	-1.00
India	8.78	1.50	0.00	2.50
Korea, Rep. of	2.57	-0.50	-0.30	0.70
Malaysia	2.97	-0.10	-0.10	-0.30
Philippines	1.13	-2.50	8.73	80.00
Singapore	0.33	0.00	2.00	2.00
Thailand	2.02	-0.03	-0.35	-28.29

Close of 16 May 2014

10-Year Selected LCY Government Bond Yields

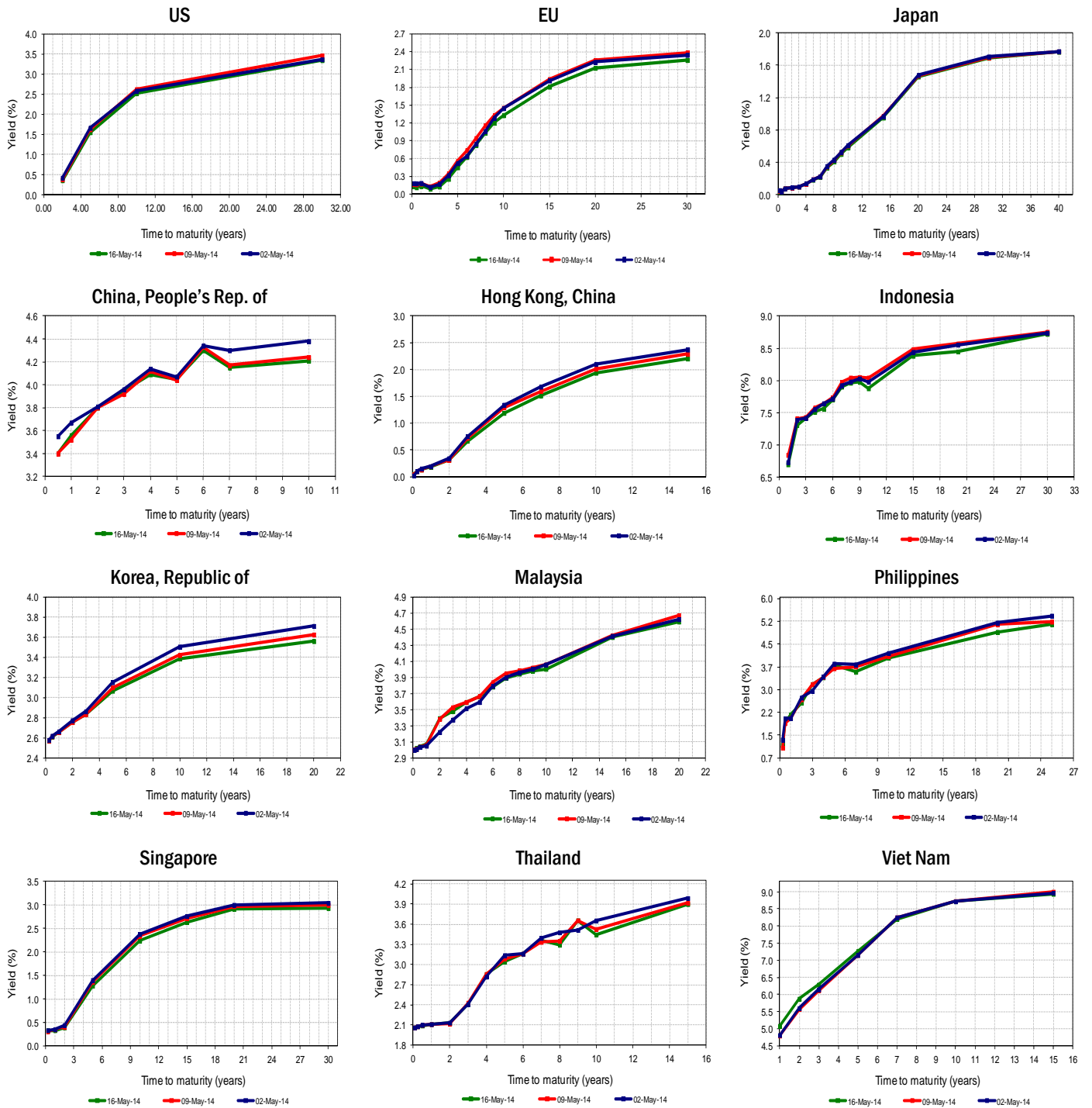
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-14*
US	2.52	3.38	-10.02	-50.51
EU	1.33	2.40	-12.50	-59.90
Japan	0.58	-1.10	-2.40	-15.70
PRC	4.21	1.00	-3.00	-41.00
Hong Kong, China	1.94	-3.10	-7.80	-36.80
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Indonesia	7.88	-7.10	-16.70	-53.80
Korea, Rep. of	3.39	0.70	-3.50	-19.80
Malaysia	4.01	-0.30	-5.40	-12.20
Philippines	4.00	-7.50	-5.00	40.00
Singapore	2.24	-1.00	-10.00	-32.00
Thailand	3.40	-7.50	-8.30	-50.20
Viet Nam	9.50	0.00	0.00	0.00

Close of 16 May 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

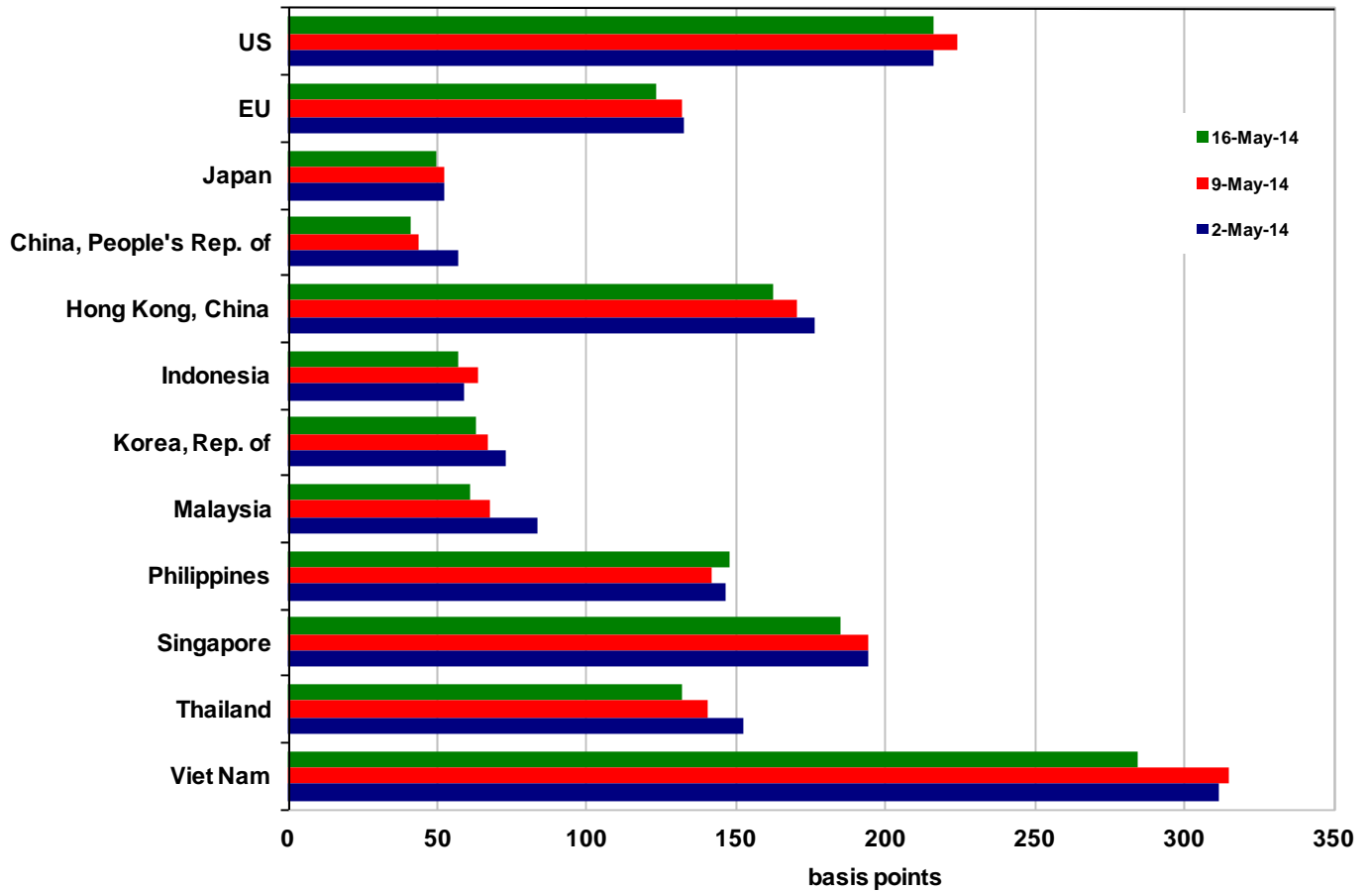
Tip: Zoom-in on the table using the Acrobat zoom tool



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

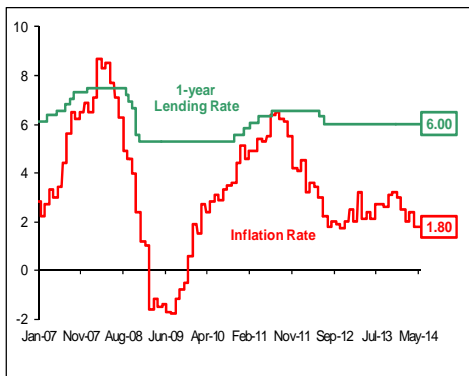


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

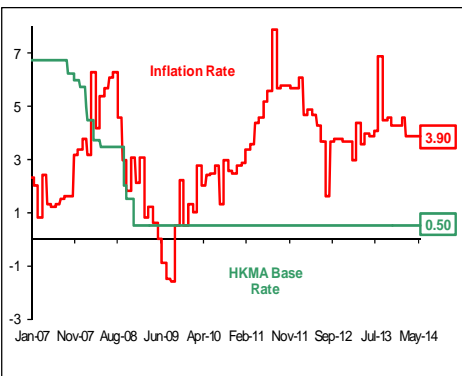
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



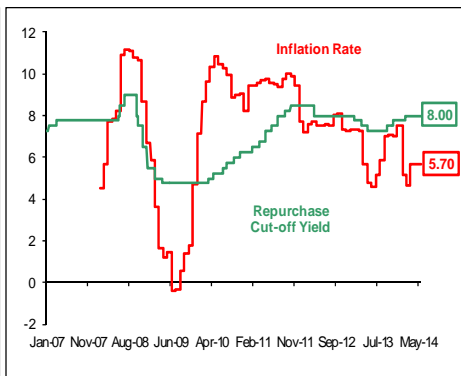
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



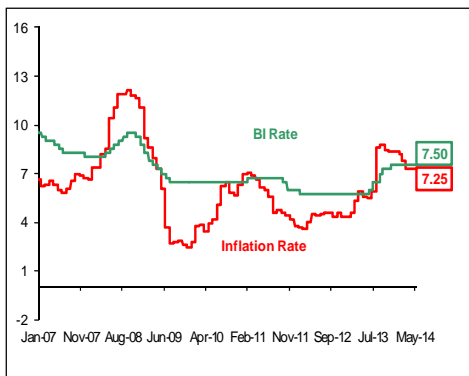
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

India



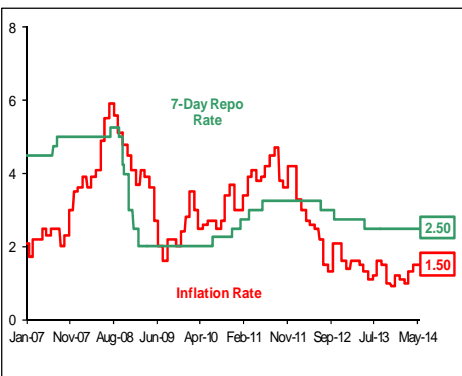
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate.
Source: Bloomberg LP.

Indonesia



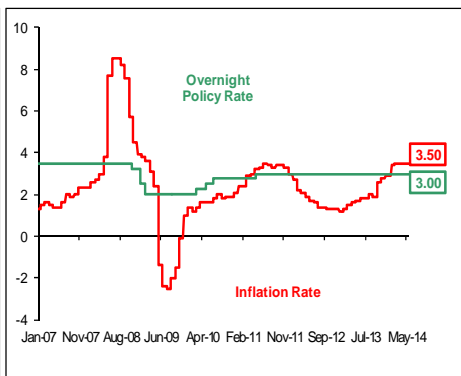
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



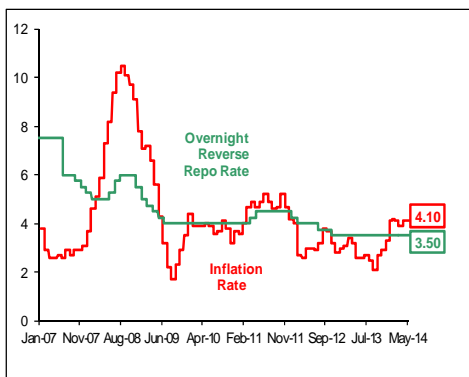
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



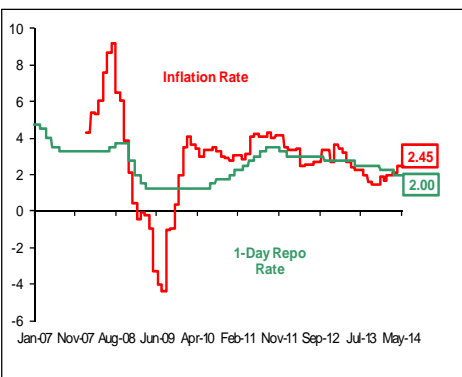
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



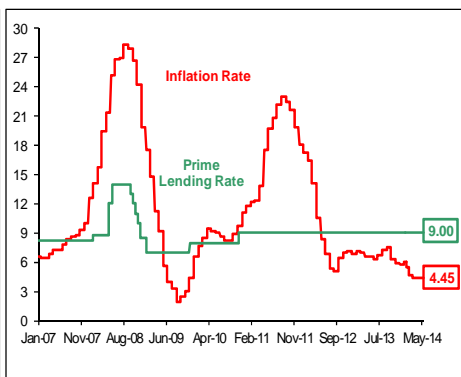
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

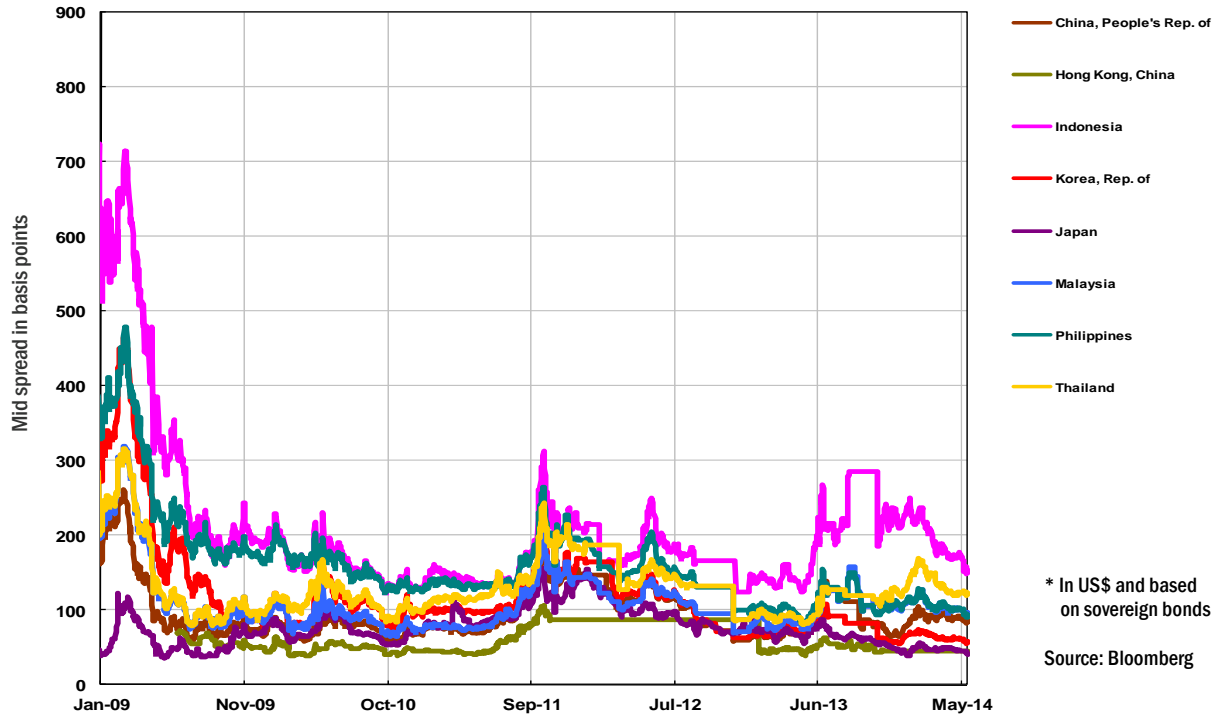


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

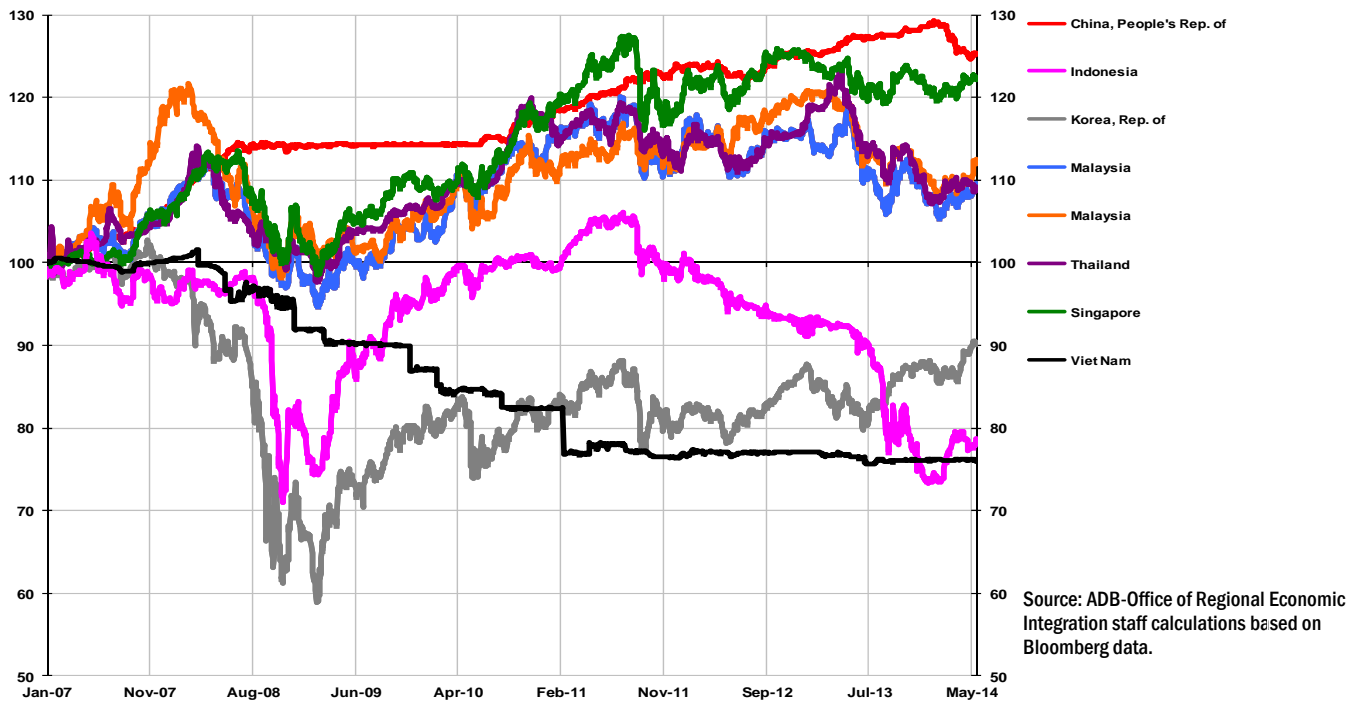
Credit Default Swap Spreads and Exchange Rate Indexes

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 (12 – 16 May 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)
HK	13-May	91-day Exchange Fund Bills	0.12		25.84	25.84
		182-day Exchange Fund Bills	0.15		9.00	9.00
ID	12-May	9-months Treasury Bills	6.27			1,000.00
		1-year Treasury Bills	6.44			1,000.00
		10-year Treasury Bonds	8.01		8,000.00	2,850.00
		15-year Treasury Bonds	8.47			3,950.00
		20-year Treasury Bonds	8.57			1,200.00
JP	13-May	30-year Japanese Government Bonds	1.71	1.70	600.00	635.80
		3-month Treasury Discount Bills	0.04		5,700.00	5,669.93
	15-May	5-year Japanese Government Bonds	0.19	0.20	2,700.00	2,467.30
KR	12-May	91-day Monetary Stabilization Bonds	2.63		1,400.00	1,520.00
		1-year Monetary Stabilization Bonds	2.67	2.67	1,000.00	1,090.00
		5-year Treasury Bonds	3.12	3.13	1,900.00	1,912.00
	14-May	63-day Treasury Bills			1,500.00	1,500.00
MY	14-May	91-day BNM Islamic Notes	2.94		1.00	1.00
		182-day BNM Islamic Notes	2.96		0.20	0.20
		364-day BNM Islamic Notes	2.97		0.75	0.75
SG	12-May	4-week MAS Bills	0.13		1.00	1.00
		12-week MAS Bills	0.25		5.70	5.70
TH	12-May	91-day BOT Bonds	2.01		28.00	28.00
		182-day BOT Bonds	2.03		28.00	28.00
		329-day BOT Bonds	2.05		45.00	41.45
	14-May	23.59-year Government Bonds	4.14	4.26	15.00	15.00
VN	14-May	2-year Treasury Bonds	5.58		300.00	300.00
		3-year Treasury Bonds	6.07		1,050.00	1,050.00
		5-year Treasury Bonds	7.10		850.00	850.00

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 (20 – 26 May 2014)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Republic of Korea PPI y-o-y, % APR	05/20	03/13: -2.4% 04/13: -2.8% 02/14: -0.9% 03/14: -0.5%	The Producer Price Index (PPI) in the Republic of Korea dropped on a year-on-year (y-o-y) basis for the 18th consecutive month in March, falling 0.5% y-o-y.
Singapore GDP - Final y-o-y, % 1Q14	05/20	4Q12: 2.2% 1Q13: 0.6% 4Q13: 5.5% 1Q14: 5.1%	Based on advanced estimates, Singapore's economy expanded 5.1% y-o-y in 1Q14 following 5.5% growth in the previous quarter.
Republic of Korea Short-Term External Debt US\$ billion 1Q14	05/21	4Q12: 127.2 1Q13: 123.5 3Q13: 111.5 4Q13: 112.8	The short-term external debt of the Republic of Korea inched up to US\$112.8 billion in 4Q13 from US\$111.5 billion in the previous quarter, but was lower compared with 4Q12's US\$127.2 billion.
Japan Trade Deficit JPY billion APR	05/21	03/13: -356.9 04/13: -877.4 02/14: -804.7 03/14: -1,446.0	Japan's trade deficit widened to JPY 1,446.0 billion in March from JPY 804.7 billion in February.
Japan BOJ Target Rate % 21-May	05/21	04/13: 0.1% 05/13: 0.1% 03/14: 0.1% 04/14: 0.1%	The Bank of Japan (BOJ) kept its target rate—the uncollateralized overnight call rate—unchanged at between zero and 0.1% in its Monetary Policy Meeting held on 30 April.
Hong Kong, China CPI y-o-y, % APR	05/22	03/13: 3.6% 04/13: 4.0% 02/14: 3.9% 03/14: 3.9%	Hong Kong, China's consumer price inflation rose 3.9% y-o-y in March, the same pace as in February.
Malaysia CPI y-o-y, % APR	05/22	03/13: 1.6% 04/13: 1.7% 02/14: 3.5% 03/14: 3.5%	Consumer price inflation in Malaysia remained unchanged at 3.5% in March.
Singapore CPI y-o-y, % APR	05/23	03/13: 3.5% 04/13: 1.5% 02/14: 0.4% 03/14: 1.2%	Singapore's consumer price inflation accelerated to 1.2% y-o-y in March from 0.4% in February.
Viet Nam CPI y-o-y, % MAY	05/24	04/13: 6.6% 05/13: 6.4% 03/14: 4.4% 04/14: 4.5%	Viet Nam's consumer price inflation quickened to 4.5% y-o-y in April from 4.4% in March.
Philippines Budget Balance PHP billion APR	05/26	03/13: -35.2 04/13: -36.8 02/14: -9.7 03/14: -40.2	The Philippines' budget deficit widened to PHP40.2 billion in March from PHP9.7 billion in February.
Singapore Industrial Production y-o-y, % APR	05/26	03/13: -3.6% 04/13: 5.1% 02/14: 13.1% 03/14: 12.1%	Singapore's industrial production expansion eased to 12.1% y-o-y in March from 13.1% in February.
Viet Nam Exports YTD y-o-y, % MAY	05/26 to 05/30	04/13: 16.9% 05/13: 15.1% 03/14: 14.1% 04/14: 16.9%	Viet Nam's exports grew 16.9% y-o-y in January–April, following 14.1% growth in January–March, led by increased shipments of coffee and chemicals.
Viet Nam Retail Sales YTD y-o-y, % APR	05/26 to 05/30	04/13: 11.8% 05/13: 11.9% 03/14: 10.2% 04/14: 10.5%	Viet Nam's retail sales growth accelerated slightly to 10.5% y-o-y in January–April from 10.2% in the first 3 months of the year.

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)

Japan's Real GDP Growth Accelerates to 1.5% q-o-q in 1Q14; Malaysia's GDP Expands 6.2% y-o-y in 1Q14; Hong Kong, China GDP Grows 2.5% y-o-y in 1Q14

- [Quarterly Estimates of GDP: January - March 2014 \(The First preliminary\)](#)
Cabinet Office (15 May 2014)
- [Gross Domestic Product First Quarter 2014](#)
Department of Statistics Malaysia (16 May 2014)
- [Gross Domestic Product for 1st Quarter 2014](#)
Census and Statistics Department (16 May 2014)

Retail Sales Growth in the PRC Falls in April; Fixed Asset Investment in the PRC Rises 20.6% in January-April; The PRC's Industrial Production Growth Rose 8.7% y-o-y in April

- [Total Retail Sales of Consumer Goods in April 2014](#)
National Bureau of Statistics (13 May 2014)
- [Investment in Fixed Assets for January to April 2014](#)
National Bureau of Statistics (13 May 2014)
- [Industrial Production Operation in April 2014](#)
National Bureau of Statistics (13 May 2014)

Malaysia's Industrial Output Slows to 4.3% y-o-y in March

- [Index of Industrial Production Malaysia March 2014](#)
Department of Statistics Malaysia (12 May 2014)

Personal Remittances from Overseas Filipinos Rise in March

- [Personal Remittances Post Stronger Growth in March 2014; First Quarter Level Reaches US\\$6.1 Billion](#)
Bangko Sentral ng Pilipinas (15 May 2014)

Singapore's Retail Sales Contract in March

- [Retail Sales Index Food & Beverage Services Index March 2014](#)
Singapore Department of Statistics (15 May 2014)

Singapore's NODX Increase in April

- [Singapore's External Trade - April 2014](#)
International Enterprise Singapore (16 May 2014)

Domestic Banks' Average Capital Ratio Decreases in the Republic of Korea in 1Q14

- [Domestic Banks' Capital Ratios, March 2014](#)
Financial Supervisory Service (14 May 2014)

Cinda Issues US\$1.5 Billion Dual-Tranche Bond; CCB Sydney Issues 2-year CNH Bond; Ananda Development Issues THB4.0 Billion 3-Year Bond

- [State links help Cinda's debut](#)
IFRAsia (10 May 2014)
- [CCB Sydney prices Australian CNH; SPDB seeks dim sum](#)
Global Capital (13 May 2014)
- [ANAN175A is registered with ThaiBMA on May 12, 2014](#)
ThaiBMA (12 May 2014)

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