

Key Developments in Asian Local Currency Markets

The Monetary Board of the Bangko Sentral ng Pilipinas (BSP) decided to keep its key policy rates—the overnight borrowing and lending rates—steady at 3.50% and 5.50%, respectively. The reverse repurchase rate and repurchase rate were also kept steady. However, the Special Deposit Account (SDA) facility interest rate was raised by 25 basis points (bps) to 2.25% across all tenors, effective immediately. The Bank of Thailand’s Monetary Policy Committee decided on 18 June to keep the policy rate steady at 2.00%. Meanwhile, the State Bank of Viet Nam (SBV) devalued the Vietnamese dong by 1% against the United States (US) dollar for the first time in 12 months in a move to boost exports. SBV re-set its exchange rate for the US currency to VND21,246 per dollar from VND21,036.

Consumer price inflation in Malaysia slowed to 3.2% year-on-year (y-o-y) in May from 3.4% in April led by price increases in food and housing costs. Japan’s merchandise trade deficit narrowed to JPY909.0 billion in May from JPY991.3 billion in the same month last year. Singapore’s non-oil domestic exports (NODX) contracted 6.6% y-o-y in May, following a 0.9% increase in April, due to lower exports of both electronic and non-electronic products.

Last week, the People’s Bank of China assigned China Construction Bank’s London branch and Bank of China’s Frankfurt branch as clearings bank for offshore renminbi payments. Direct trading between the renminbi and the sterling was also authorized.

In the Philippines, personal remittances from overseas Filipinos rose 5.2% y-o-y in April to reach US\$2.1 billion. Personal remittances to the Philippines in the first 4 months of the year totaled US\$8.2 billion, up 6.2% y-o-y.

The Producer Price Index (PPI) for the Republic of Korea remained unchanged in May on both a month-on-month (m-o-m) and year-on-year (y-o-y) basis.

21Vianet Group last week issued a CNH2.0 billion 3-year bond priced to yield 6.875%. At the same time, the company launched a tender offer to buy back its existing CNH bond that matures in 2016. eSun Holdings, a Hong Kong, China media company, also sold a CNH650 million 4-year bond at a coupon rate of 8.375%.

In Hong Kong, China, Wheelock and Company priced a US\$500 million 3-year bond at a coupon rate of 4.75%, while Cheung Kong Infrastructure sold a US\$300 million 3-year bond with a floating rate coupon. The coupon rate was set at the 3-month LIBOR plus 70 bps. The Noble Group issued a US\$350 million

Asia Bond Monitor June 2014

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10-Year Selected LCY Government Security Yields Close of 20 June 2014
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-14*
US	2.61	-1.54	0.19	-42.30
EU	1.34	2.20	-2.00	-58.60
Japan	0.59	-0.40	-1.60	-15.40
PRC	4.07	-2.00	-3.00	-55.00
Hong Kong, China	2.07	2.90	0.60	-23.80
India	8.72	3.00	12.80	-12.70
Indonesia	8.13	2.30	10.80	-28.20
Korea, Rep. of	3.21	-3.90	-9.90	-37.40
Malaysia	4.05	0.20	-0.40	-7.80
Philippines	3.90	-5.00	0.00	30.00
Singapore	2.40	3.00	0.00	-16.00
Thailand	3.81	0.00	0.00	-9.00
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

perpetual bond at a coupon rate of 6.0%. In Thailand, Thanachart Bank issued THB13.0 billion worth of Basel III-compliant Tier 2 debenture with a tenor of 10.5 years and a coupon rate of 6.0% last week.

Government bond yields fell last week for all tenors in the Republic of Korea and for most tenors in Hong Kong, China, Japan, and Malaysia. Yields rose for most tenors in the Philippines and for most tenors in Indonesia and Philippines-following BSP’s hike of SDA rates. Yield movements fell in the long-end in Thailand, Singapore, and rose at the longer end and for the PRC. Yield spreads between 2- and 10-year maturities fell in all emerging East Asian markets except Hong Kong, China; Indonesia; and Viet Nam.

Summary Text of News Articles

**BSP Maintains Policy Rates, Raises SDA Rate;
Policy Rate Remains Steady in Thailand;
Viet Nam Dong Devalued by 1% vs. US Dollar**

The Monetary Board of the Bangko Sentral ng Pilipinas (BSP) decided to keep its key policy rates—the overnight borrowing and lending rates—steady at 3.50% and 5.50%, respectively. The reverse repurchase rate and repurchase rate were also kept steady. The BSP noted that the future inflation path continues to be broadly in line with BSP's target ranges of 3.0%–5.0% for 2014 and 2.0%–4.0% for 2015. However, inflation is forecast to settle within the upper half of the 2014 target range, based on May's price increases and the potential impact of an El Nino weather event on food and utility prices. Meanwhile, the Special Deposit Account (SDA) facility interest rate was raised by 25 basis points (bps) to 2.25% across all tenors, effective immediately, to protect the country's financial stability against potential risks brought about by continued strong liquidity growth and increased credit expansion.

The Bank of Thailand's Monetary Policy Committee decided on 18 June to keep the policy rate steady at 2.00%. The committee noted in its monetary policy decision that the global economic recovery was retaining momentum and that it expects Thailand's economic recovery to accelerate given a more active fiscal policy, an ongoing accommodative monetary policy stance, and tempered domestic political uncertainty.

The State Bank of Viet Nam (SBV) devalued the Vietnamese dong by 1% against the United States (US) dollar for the first time in 12 months in a move to boost exports. SBV set its exchange rate for the US currency to VND21,246 per dollar from VND21,036. The change also allows the dong to fluctuate by 1% above or below the central bank's rate.

For policy rate trends in the Philippines, refer to this link:

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

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

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

**Japan's Merchandise Trade Deficit Narrows in May;
Singapore's NODX Contracts in May**

Japan's merchandise trade deficit narrowed to JPY909.0 billion in May from JPY991.3 billion in the same month a year earlier as imports declined at a faster pace than exports. Goods exports declined 2.7% year-on-year (y-o-y) to JPY5.6 trillion, while imported goods declined 3.6% to JPY6.5 trillion.

Singapore's non-oil domestic exports (NODX) contracted 6.6% y-o-y in May, following a 0.9% increase in April, due to lower exports of both electronic and non-electronic products, which contracted 15.3% and 2.4%. On a seasonally adjusted basis, NODX declined 7.5% month-on-month (m-o-m) to reach SGD13.3 billion in May, following an increase of 9.0% in the previous month.

**Renminbi Clearing Banks in Frankfurt and London Announced;
The PRC Launches Direct Trading of Renminbi and Sterling**

Last week, China Construction Bank's London branch was assigned as a clearing bank for renminbi payments by the People's Bank of China (PBOC), helping expand London's role as a renminbi offshore center. Bank of China's Frankfurt branch was likewise assigned as a clearing bank for renminbi payments. The designation of the two branches as clearing banks follows a Memorandum of Understanding between the PBOC and central banks of the United Kingdom (UK) and Germany. Direct trading between the renminbi and the sterling was also authorized by the Government of the People's Republic of China (PRC).

Summary Text of News Articles

Personal Remittances from Overseas Filipinos Rise in April

In the Philippines, personal remittances from overseas Filipinos rose 5.2% y-o-y in April to reach US\$2.1 billion. The US; Saudi Arabia; United Arab Emirates (UAE); UK; Singapore; Japan; and Hong Kong, China remained the top sources of cash remittances coursed through banks. Personal remittances to the Philippines in the first 4 months of the year totaled US\$8.2 billion, up 6.2% y-o-y.

Producer Prices Unchanged in the Republic of Korea in May

The Producer Price Index (PPI) for the Republic of Korea remained unchanged in May on both a m-o-m and y-o-y basis. By major product item, manufacturing industry products inched up 0.1% m-o-m but fell 1.4% y-o-y; the price index for services rose 0.1% m-o-m and 1.6% y-o-y; the price index for electric power, gas, and water supply remained unchanged from the previous month but was up 5.7% y-o-y; and the price index for agricultural, forestry, and marine products dropped 3.5% m-o-m but climbed 0.5% y-o-y.

FSC Announces Roadmap for Derivatives Market Development in the Republic of Korea

The Republic of Korea's Financial Services Commission (FSC) introduced last week a roadmap for the further development of the country's derivatives market. The plan calls for developing the exchange-traded derivatives market into a "risk-managed market" by promoting greater autonomy in market operations and introducing new derivatives products, among other steps. The roadmap also calls for the over-the-counter (OTC) derivatives market to utilize a central counterparty for a wider range of derivatives contracts, and to introduce the trade repository system. Finally, in the derivatives-linked securities market, the roadmap calls for listing exchange-traded notes, enhancing the public disclosure and sales of equity-linked securities and derivatives-linked securities, and standardizing the issuance of equity-linked warrants.

21Vianet and eSun Holdings Price CNH Bonds

21Vianet Group last week issued a CNH2.0 billion 3-year bond priced to yield 6.875%. At the same time, the company launched a tender offer to buy back its existing CNH bond that matures in 2016. The old bond was originally priced at a coupon of 7.875% with a size of CNH1.0 billion. 21Vianet is offering to buy back the bonds at a price of 103.175. As of last week, 75% of the existing investors agreed to subscribe to the tender offer.

eSun Holdings, a Hong Kong, China media company, sold a CNH650 million 4-year bond at a coupon rate of 8.375%. The funds will be used to construct a theme park.

**Wheelock and Company and Cheung Kong Infrastructure Price 3-Year US\$ Bonds;
Noble Group Issues Perpetual Bond;
Thanachart Bank Issues Basel III-Compliant Tier 2 Bond**

In Hong Kong, China, Wheelock and Company priced a US\$500 million 3-year bond at a coupon rate of 4.75%, while Cheung Kong Infrastructure sold a US\$300 million 3-year bond with a floating rate coupon. The coupon rate was set at the 3-month LIBOR plus 70 bps. The Noble Group issued a US\$350 million perpetual bond at a coupon rate of 6.0%.

In Thailand, Thanachart Bank issued THB13.0 billion worth of Basel III-compliant Tier 2 debenture with a tenor of 10.5 years and a coupon rate of 6.0% last week. The bond received a rating of A 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	0.01	0.00	-2.03	-5.58
EU	0.01	0.50	0.10	-15.20
Japan	0.03	-0.40	-0.50	-3.40
PRC	3.74	54.00	60.00	-42.00
Hong Kong, China	0.07	1.00	-1.00	-4.00
India	8.58	0.00	10.00	-17.50
Korea, Rep. of	2.56	0.00	-0.30	-0.30
Malaysia	2.96	0.00	0.40	-0.70
Philippines	1.26	15.64	25.41	93.14
Singapore	0.32	0.00	1.00	1.00
Thailand	2.04	0.02	0.43	-27.08

Close of 20 June 2014

10-Year Selected LCY Government Bond Yields

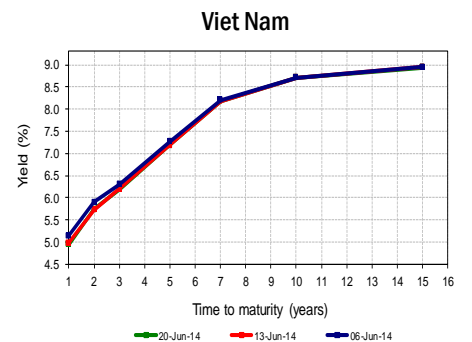
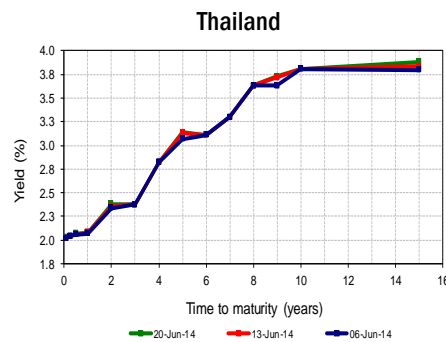
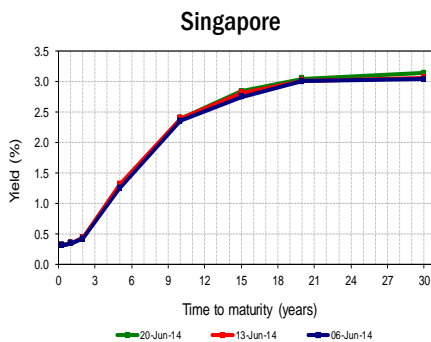
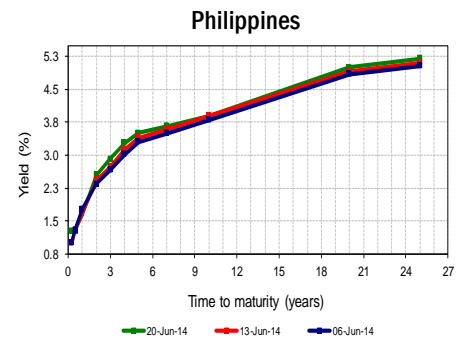
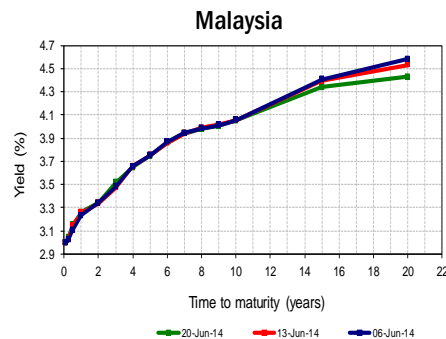
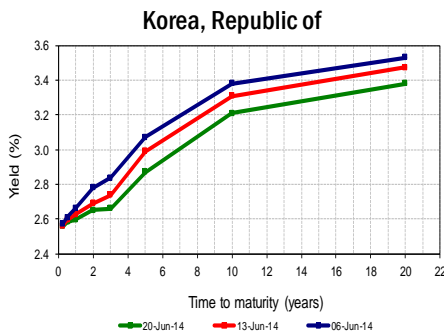
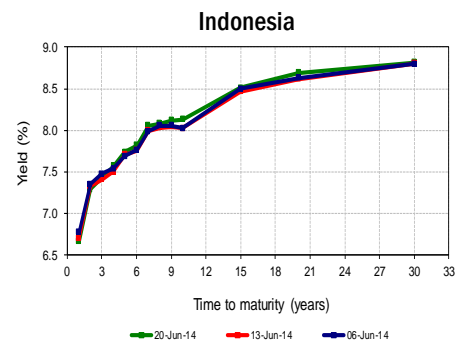
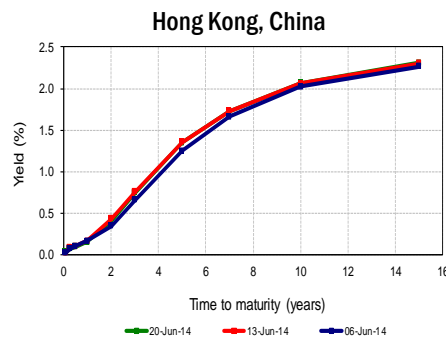
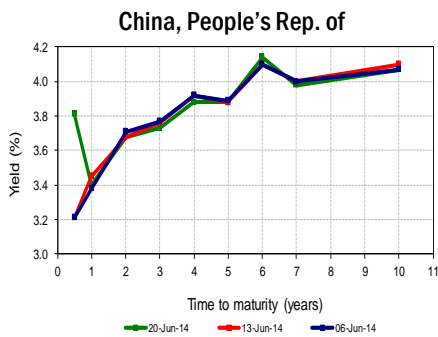
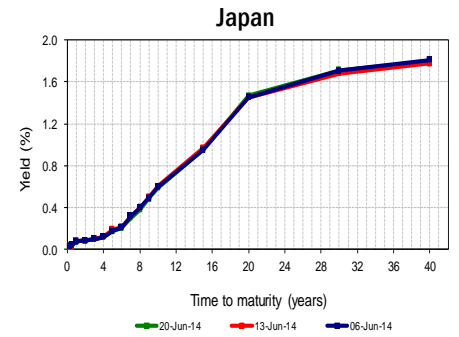
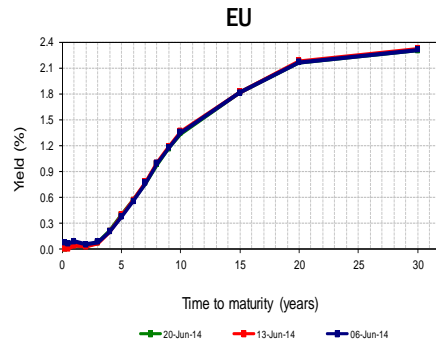
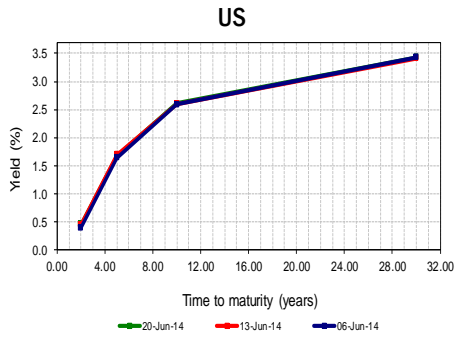
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PRC	4.07	-2.00	-3.00	-55.00
Hong Kong, China	2.07	2.90	0.60	-23.80
India	8.72	3.00	12.80	-12.70
Indonesia	8.13	2.30	10.80	-28.20
Korea, Rep. of	3.21	-3.90	-9.90	-37.40
Malaysia	4.05	0.20	-0.40	-7.80
Philippines	3.90	-5.00	0.00	30.00
Singapore	2.40	3.00	0.00	-16.00
Thailand	3.81	0.00	0.00	-9.00
Viet Nam	9.50	0.00	0.00	0.00

Close of 20 June 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

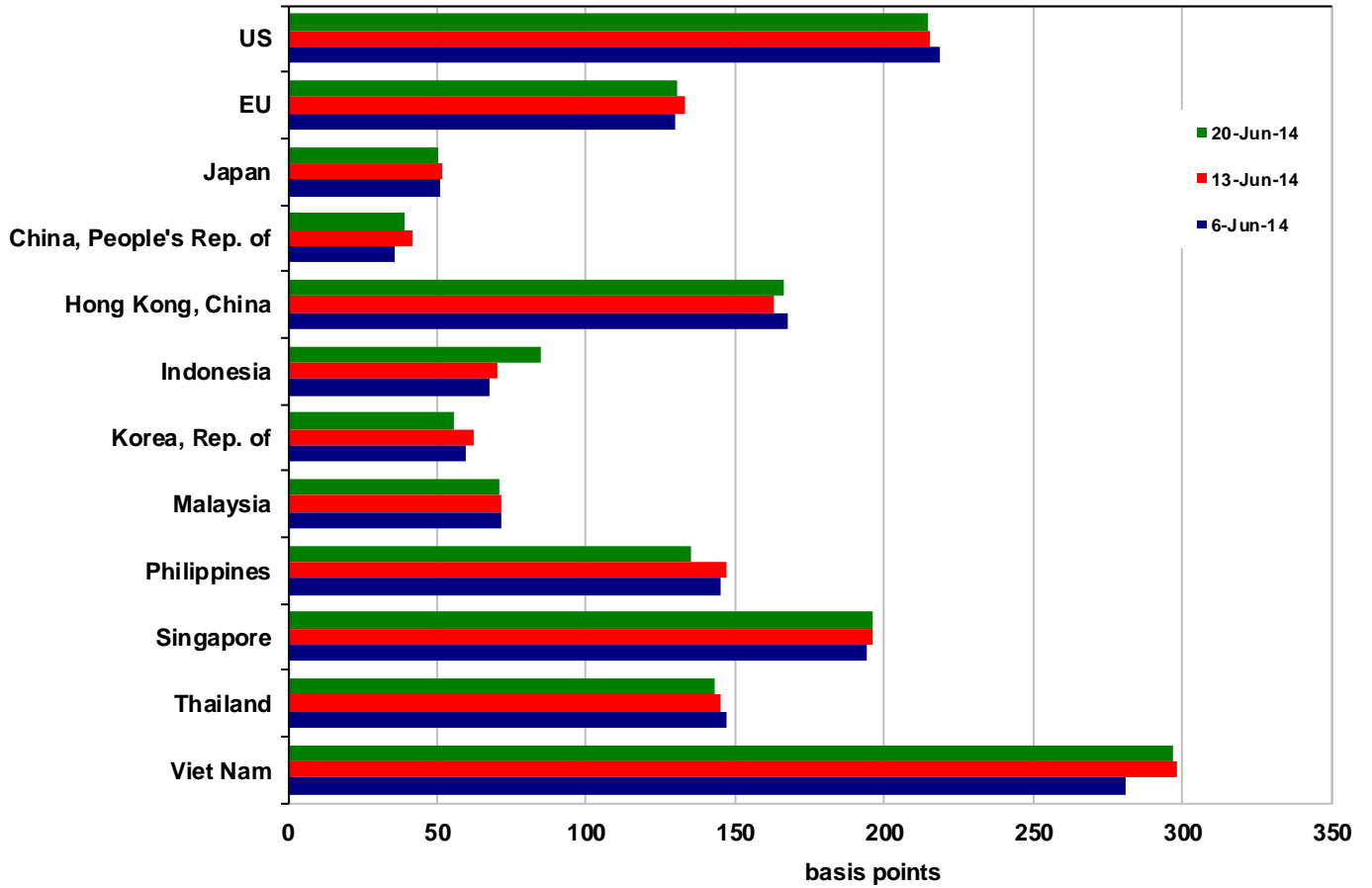
Tip: Zoom-in on the table using the Acrobat zoom tool



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

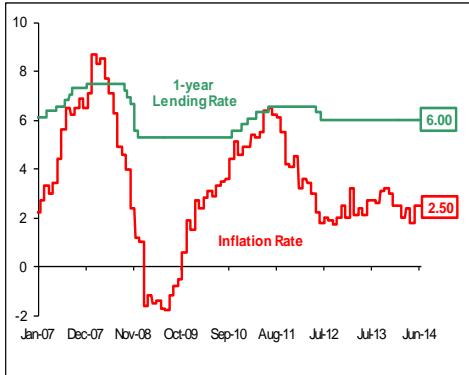


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

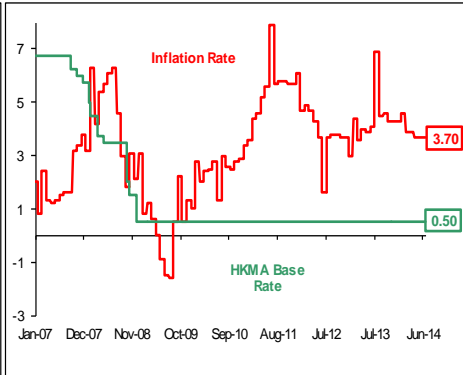
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



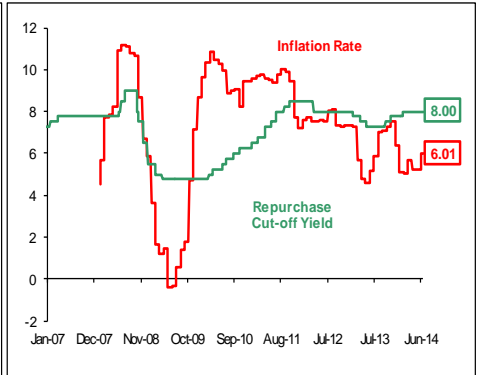
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



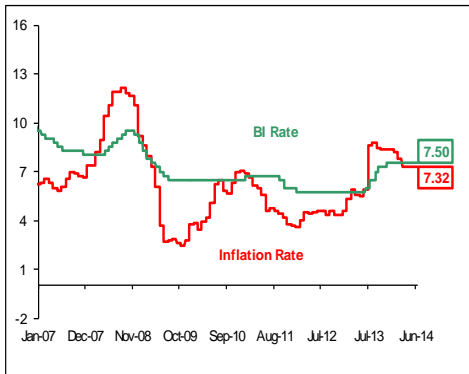
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

India



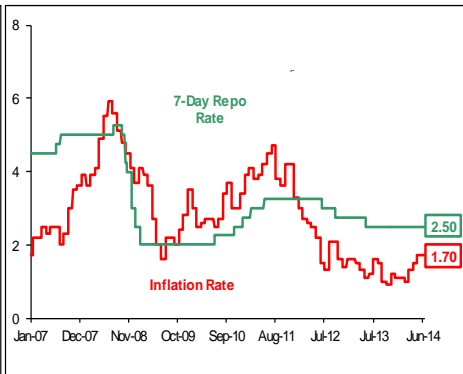
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate.
Source: Bloomberg LP.

Indonesia



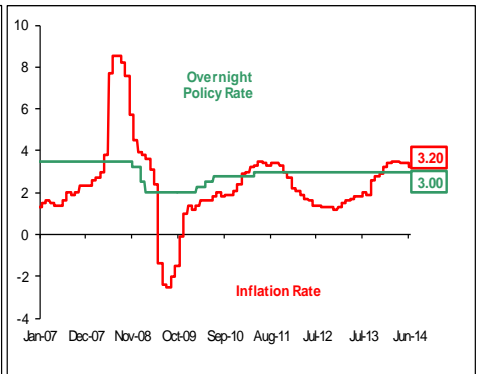
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



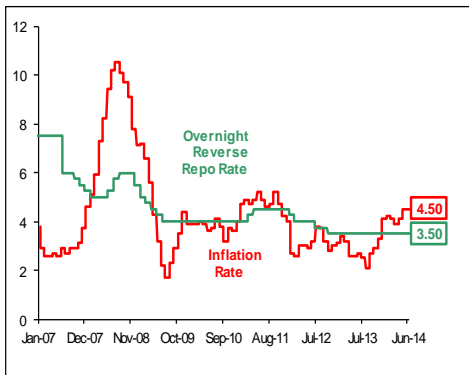
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



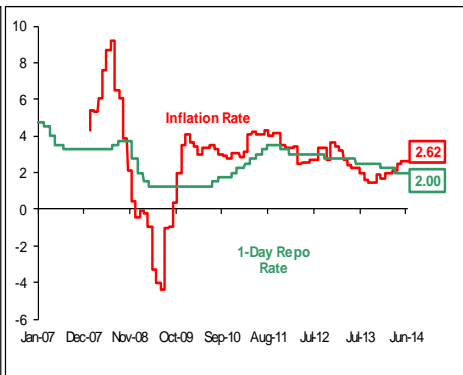
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



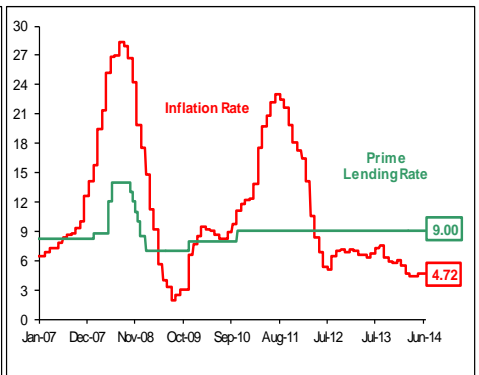
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

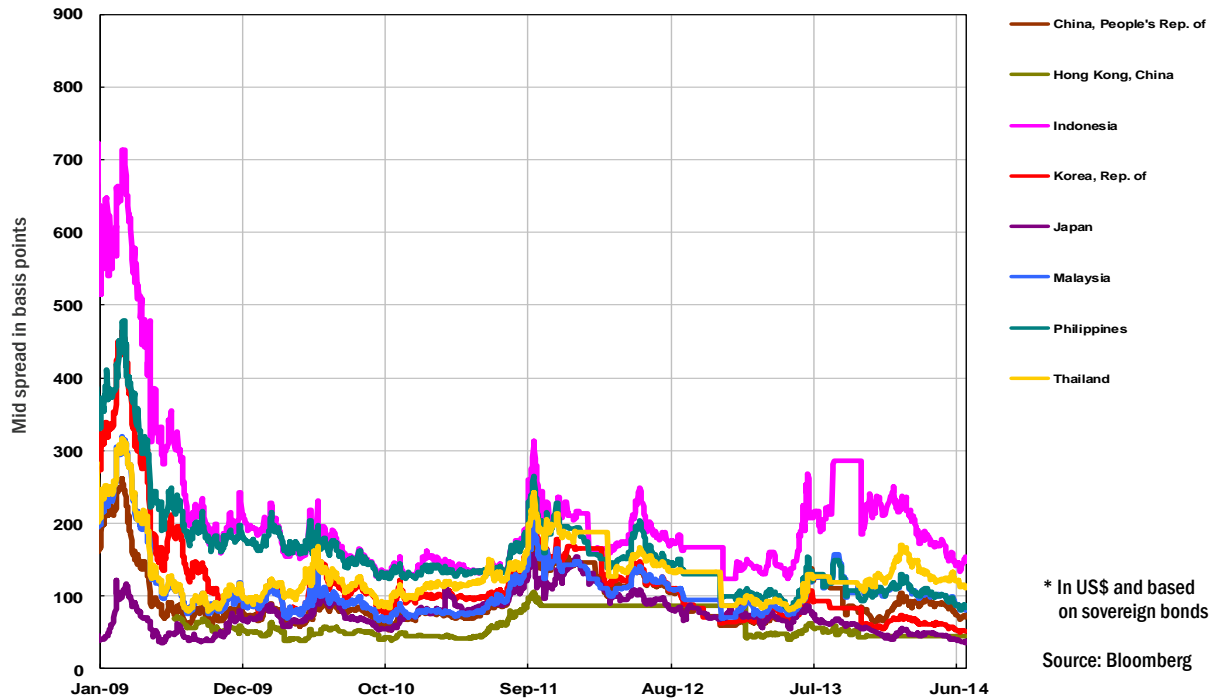


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

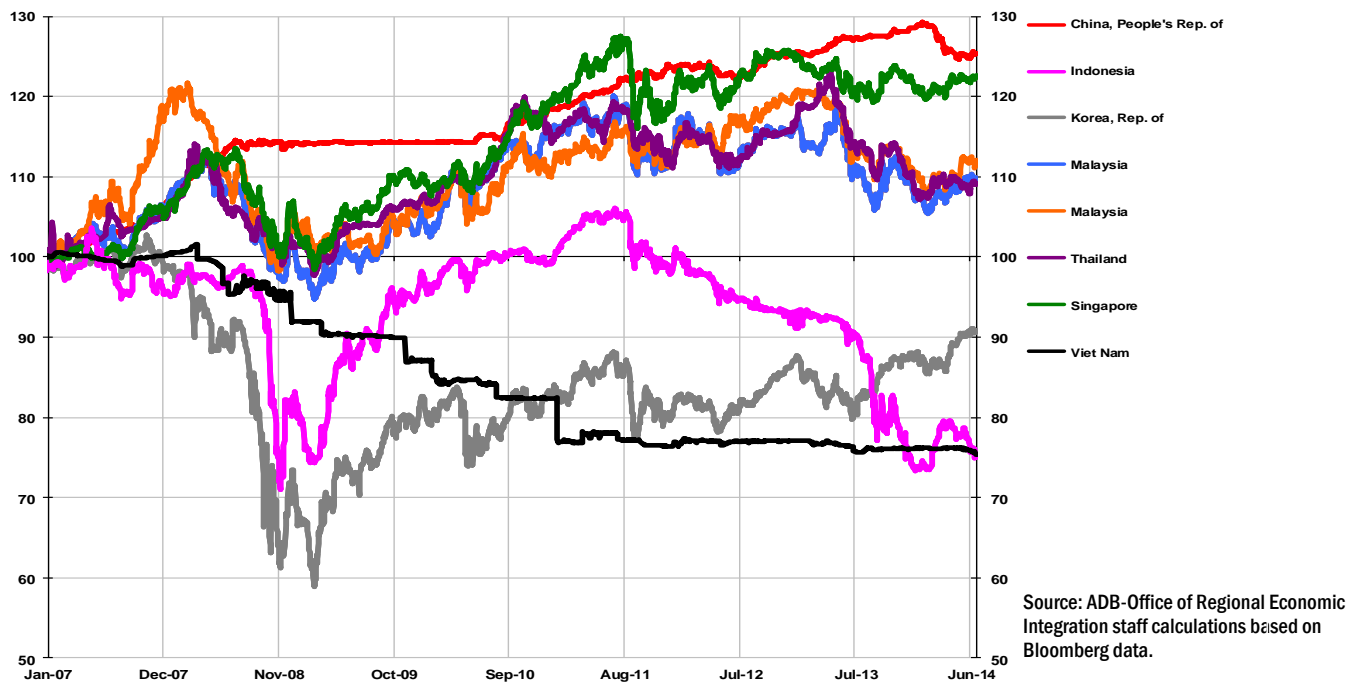
Credit Default Swap Spreads and Exchange Rate Indexes

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 (16 – 20 June 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	17-Jun	91-day Exchange Fund Bills	0.09		32.64	32.64
		182-day Exchange Fund Bills	0.11		9.00	9.00
		364-day Exchange Fund Bills	0.16		3.00	3.00
	20-Jun	5-year Exchange Fund Bills	1.40	1.34	1.00	1.00
ID	17-Jun	6-month Islamic Treasury Bills	5.97		1,500.00	185.00
JP	17-Jun	20-year Japanese Government Bonds	1.46	1.50	1,200.00	1,364.30
	18-Jun	1-year Treasury Discount Bills	0.04		2,500.00	2,499.92
	19-Jun	3-month Treasury Discount Bills	0.04		5,700.00	5,709.94
KR	16-Jun	91-day Monetary Stabilization Bonds	2.61		1,400.00	1,400.00
		182-day Monetary Stabilization Bonds	2.61		700.00	700.00
		10-year Treasury Bonds	3.32	3.50	2,050.00	2,113.00
MY	16-Jun	86-day BNM Islamic Notes	2.94		2.00	2.00
		364-day BNM Notes	3.22		0.50	0.50
PH	17-Jun	6-year Treasury Bonds	3.51	3.88	25.00	18.85
SG	17-Jun	4-week MAS Bills	0.12		1.00	1.00
		12-week MAS Bills	0.25		5.30	5.30
TH	17-Jun	91-day Bank of Thailand Bonds	2.03		28.00	28.00
		182-day Bank of Thailand Bonds	2.07		28.00	28.00
	19-Jun	2-year Bank of Thailand Bonds	2.26	2.45	20.00	20.00
	20-Jun	14-day Bank of Thailand Bonds	2.00		30.00	30.00
VN	19-Jun	2-year Treasury Bonds	5.60		1,000.00	1,000.00
		3-year Treasury Bonds	6.13		2,000.00	1,950.00
		5-year Treasury Bonds	7.18		2,000.00	1,000.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (24 – 30 June 2014)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Viet Nam CPI y-o-y, % JUN	06/24	05/13: 6.4% 06/13: 6.7% 04/14: 4.5% 05/14: 4.7%	Consumer price inflation in Viet Nam quickened to 4.7% year-on-year (y-o-y) in May from 4.5% in April.
Philippines Trade Balance US\$ million APR	06/25	03/13: -253 04/13: -647 02/14: -131 03/14: -146	The Philippines' trade deficit widened to US\$146 million in March from US\$131 million in February.
Viet Nam Industrial Production y-o-y, % JUN	6/25 to 6/30	05/13: 6.7% 06/13: 6.5% 04/14: 6.0% 05/14: 5.9%	Viet Nam's industrial production growth eased to 5.9% y-o-y in May from 6.0% in April.
Viet Nam Trade Balance US\$ million JUN	6/25 to 6/30	05/13: -1,200 06/13: 286 04/14: 811 05/14: -400	Viet Nam's trade balance shifted to a deficit of US\$400 million in May from US\$811 million in April. Exports slowed to 2.8% y-o-y in May from 30.3% in the previous month.
Hong Kong, China Trade Balance HKD billion MAY	06/26	04/13: -42.7 05/13: -44.3 03/14: -50.4 04/14: -55.3	Hong Kong, China's trade deficit worsened in April, rising to HKD55.3 billion from 50.4 billion in March.
Singapore Industrial Production y-o-y, % MAY	06/27	04/13: 5.1% 05/13: 2.6% 03/14: 12.1% 04/14: 4.6%	Singapore's industrial production expanded at a slower pace of 4.6% y-o-y in April from an increase of 12.1% in the previous month.
Korea, Rep. of Current Account US\$ billion MAY	06/27	04/13: 4,552.9 05/13: 9,752.2 03/14: 7,286.3 04/14: 7,124.7	The Republic of Korea's current account surplus slipped to US\$7.1 billion in April from US\$7.3 billion in March due to monthly increases in the deficit positions of both the services account and secondary income account, as well as a reversal in the primary income account from a surplus to a deficit.
Korea, Rep. of Industrial Production y-o-y, % MAY	06/27	04/13: 2.15% 05/13: -0.45% 03/14: 2.56% 04/14: 2.40%	Growth in the Republic of Korea's industrial production—which combines production in manufacturing, mining, and electricity and gas—slowed to 2.4% y-o-y in April from 2.6% in March.
Thailand Trade Balance US\$ billion MAY	06/30	04/13: -1,929 05/13: 385 03/14: 3,480 04/14: 559	Thailand's merchandise trade surplus narrowed sharply to US\$559 million in April from US\$3.5 billion in March as exports of goods contracted 13.5% month-on-month (m-o-m) and merchandise imports inched up 1.5% m-o-m.

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)

BSP Maintains Policy Rates, Raises SDA Rate; Policy Rate Remains Steady in Thailand; Viet Nam Dong Devalued by 1% vs. US Dollar

- [Monetary Board Keeps Policy Rates Steady, Raises SDA Rate](#)
Bangko Sentral ng Pilipinas (19 June 2014)
- [Monetary Policy Committee's Decision on 18 June 2014](#)
Bank of Thailand (18 June 2014)
- [Vietnam Devalues Dong for First Time in a Year to Spur Exports](#)
Bloomberg (19 June 2014)

Japan's Merchandise Trade Deficit Narrows in May; Singapore's NODX Contracts in May

- [Value of Exports and Imports May 2014 \(Provisional\)](#)
Ministry of Finance (18 June 2014)
- [SINGAPORE'S EXTERNAL TRADE – May 2014](#)
International Enterprise Singapore (17 June 2014)

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- [BOC authorized as RMB clearing bank in Frankfurt](#)
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- [China Construction Bank granted RMB clearing status in London](#)
Xinhua (18 June 2014)
- [China starts direct yuan-sterling trade](#)
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Personal Remittances from Overseas Filipinos Rise in April

- [Personal Remittances Rise by 5.2 Percent in April 2014; Reach US\\$8.2 Billion in January-April](#)
Bangko Sentral ng Pilipinas (16 June 2014)

Producer Prices Unchanged in the Republic of Korea in May

- [Producer Price Index during April 2014](#)
The Bank of Korea (19 June 2014)
- [FSC Roadmap for Further Development of Korea's Derivatives Market](#)
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- [BONDS: eSun offers rare theme park development play](#)
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- [BONDS: Hong Kong issuers find strong three-year following](#)
IFRAsia (19 June 2014)
- [BONDS: Noble raises just enough to cover call amid tepid response](#)
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