

Key Developments in Asian Local Currency Markets

Hong Kong, China's overall consumer prices, based on the Composite Consumer Price Index (CPI), increased 3.6% year-on-year (y-o-y) in June, compared with a 3.7% gain in May, amid a moderate hike in private housing rentals. In Japan, consumer price inflation slowed to 3.6% y-o-y in June from 3.7% in May, due to slower increase in the prices of food and utilities. Consumer price inflation eased in Singapore to 1.8% y-o-y in June after reaching a 14-month high of 2.7% in May. In Viet Nam, consumer price inflation eased to 4.9% y-o-y in July from 5.0% in June amid slower annual hikes in food prices and transportation costs.

Real gross domestic product (GDP) growth in the Republic of Korea moderated to 0.6% quarter-on-quarter (q-o-q) in 2Q14 from 0.9% in 1Q14, and to 3.6% from 3.9% y-o-y, based on advance estimates of The Bank of Korea released last week.

The merchandise trade deficit of Hong Kong, China narrowed to HKD43.1 billion in June from HKD49.7 billion a year earlier. Merchandise exports climbed 11.4% y-o-y in June following a 4.9% increase in May, due to improved performance from major trading partners. The biggest effect came from increased demand for Hong Kong, China's exports in the People's Republic of China (PRC) (13.9%) and the US (5.7%). The government said that recovery in developed economies should provide further support in trade in the future but noted that uncertainties over the US monetary policy and eurozone performance can pose risks. In Japan, merchandise trade deficit widened to JPY822.2 billion in June from JPY180.5 billion in the same month last year.

The Philippines' merchandise trade balance shifted to a surplus of US\$718 million in May from a deficit of US\$141 million a year on positive export growth due to increased demand from the PRC, the US and Japan. On the other hand, imports contracted 9.6% y-o-y in May. Viet Nam's merchandise trade balance reversed to a deficit position of US\$250 million in July from a surplus of US\$379 million a year earlier. Export growth decelerated to 6.9% y-o-y in July from 12.4% in June led by y-o-y declines in shipment of petroleum products, rubber, and electronics and computer parts.

Manufacturing production in Singapore rebounded in June, rising 0.4% y-o-y for the month following a contraction of 1.9% y-o-y in May, led by growth in the output of biomedical manufacturing, chemicals, general

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

10-Year Selected LCY Government Security Yields Close of 25 July 2014
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-14*
US	2.47	-3.70	-1.54	-56.27
EU	1.15	-3.00	-0.80	-78.20
Japan	0.54	1.00	-1.00	-20.50
PRC	4.27	-5.00	-5.00	-35.00
Hong Kong, China	1.97	0.90	1.90	-34.00
India	8.67	2.40	-9.70	-17.40
Indonesia	8.04	-1.00	-1.50	-37.60
Korea, Rep. of	3.00	-1.20	2.70	-58.30
Malaysia	3.88	0.10	0.10	-24.50
Philippines	4.00	0.00	0.00	40.00
Singapore	2.27	3.00	2.00	-29.00
Thailand	3.71	0.00	0.00	-18.90
Viet Nam	9.50	0.00	0.00	0.00

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- ▶ 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
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manufacturing, and precision engineering clusters.

Local currency (LCY) corporate bond issuance in the Republic of Korea stood at KRW55.2 trillion in 1H14, down 5.2% from 1H13, amid annual decreases in issuance of bank debentures and non-financial corporate bonds, according to a Financial Supervisory Service (FSS) report released last week.

Hyflux, a Singapore-based water treatment service provider sold a SGD175 million subordinated perpetual bond last week. The bond carried a coupon of 4.8%, which will be reset every 2 years using the 2-year Singapore dollar swap-offer rate as reference rate, and a step-up margin of 200 bps.

Government bond yields fell last week for most tenors in Indonesia, the Republic of Korea, Malaysia, and Viet Nam. Yields were mixed in the PRC. Singapore; and Thailand while it rose for most tenors in Hong Kong, China; and the Philippines. The spread between 2- and 10-year bonds widened for most markets except for the PRC, the Philippines, and Thailand.

Summary Text of News Articles

Inflation Eases in Hong Kong, China; Japan; and Singapore in June; Inflation Slows in Viet Nam in July

Hong Kong, China's overall consumer prices, based on the Composite Consumer Price Index (CPI), rose 3.6% year-on-year (y-o-y) in June, compared with a 3.7% hike in May. According to the Census and Statistics Department, the slower y-o-y increase in the Composite CPI in June was brought about easing private housing rental price increases and modest imported inflation.

Consumer price inflation in Japan fell to 3.6% y-o-y in June from 3.7% in May. In June, the price index for goods rose at a faster y-o-y pace (5.6%) than that for services (1.7%). Among the products that registered relatively high y-o-y price increases were fuel, light, and water (8.1%); and food (5.1%). On a month-on-month (m-o-m) basis, consumer prices fell 0.1%.

Consumer price inflation eased in Singapore to 1.8% y-o-y in June after reaching a 14-month high of 2.7% in May. The lower inflation rate was due mainly to slower price increases in most sectors, including transport costs, which rose only 2.7% in June compared with 6.9% a month earlier. Between May and June, consumer price inflation fell 0.7%.

In Viet Nam, consumer price inflation eased to 4.9% y-o-y in July from 5.0% in June. The rise in food and transportation costs eased to 4.7% and 3.3%, respectively, in July from 5.0% and 4.3% in the previous month. On a m-o-m basis, consumer price inflation stood at 0.2% in July.

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

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

For inflation trends in Japan, refer to this link:

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

For inflation trends in Viet Nam, refer to this link:

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

The Republic of Korea's Real GDP Growth Moderates in 2Q14

Real gross domestic product (GDP) growth in the Republic of Korea moderated to 0.6% quarter-on-quarter (q-o-q) in 2Q14 from 0.9% in 1Q14, and to 3.6% from 3.9% y-o-y, based on advance estimates of The Bank of Korea. The drop in the q-o-q growth rate between 1Q14 and 2Q14 arose from declines in both private consumption and gross fixed capital formation on the demand side, and slower q-o-q growth in manufacturing and construction on the supply side.

Merchandise Trade Deficit Narrows in Hong Kong, China and Widens in Japan in June; Philippine Merchandise Trade Shifts to Surplus in May; Viet Nam Records Merchandise Trade Deficit in July

Hong Kong, China's merchandise exports rose at a faster y-o-y pace in June, climbing 11.4% following a 4.9% increase in May, due to improved performance from its major trading partners. The biggest effect came from increased demand for Hong Kong, China's exports in the People's Republic of China (PRC) (13.9%) and the US (5.7%). However, exports grew in all markets, with the exception of Japan, which fell 2.4% y-o-y. The government said that recovery in developed economies should provide further support in trade in the future but uncertainties over the US monetary policy and eurozone performance may pose risks. Also, merchandise import growth accelerated to 7.6% y-o-y in June from 3.7% in May. As a result, the merchandise trade deficit narrowed to HKD43.1 billion in June from HKD49.7 billion a year earlier.

Japan's merchandise trade deficit widened to JPY822.2 billion in June from JPY180.5 billion in the same month last year. In June, merchandise exports fell 2.0% y-o-y to JPY5.9 trillion and merchandise imports rose 8.4% y-o-y to JPY6.8 trillion.

Summary Text of News Articles

Merchandise Trade Deficit Narrows in Hong Kong, China and Widens in Japan in June; Philippine Merchandise Trade Shifts to Surplus in May; Viet Nam Records Merchandise Trade Deficit in July (cont...)

The Philippines' merchandise trade balance shifted to a surplus of US\$718 million in May from a deficit of US\$141 million in the same month last year. Merchandise export growth accelerated to 6.9% y-o-y in May from 4.1% a year earlier due to increased demand from the PRC (+51.3%), the US (+9.2%), and Japan (+6.1%). Exports to Japan accounted for 20.4% of the country's May 2014 exports while exports to the PRC comprised 17.5%. The US was in 3rd place, with a 13.7% share. Meanwhile, merchandise imports contracted 9.6% y-o-y in May, a sharper drop compared with the 2.1% decline in May 2013.

Viet Nam posted a merchandise trade deficit of US\$250 million in July, larger than the deficit of US\$52 million in June and a reversal from the surplus of US\$379 million in July 2013. Export growth decelerated to 6.9% y-o-y in July from 12.4% in June led by y-o-y declines in shipment of petroleum products, rubber, and electronics and computer parts. Also, merchandise imports rose at a slower y-o-y rate in July, climbing 12.7% for the month compared with growth of 15.9% in June.

Manufacturing Production in Singapore Rebounds in June

Manufacturing production in Singapore rebounded in June, rising 0.4% y-o-y for the month following a contraction of 1.9% in May. Four out of six clusters recorded output growth in June: biomedical manufacturing, chemicals, general manufacturing, and precision engineering, with y-o-y growth rates of 1.6%, 10.5%, 0.8%, and 4.8%, respectively. In contrast, output from the electronics and transport engineering clusters contracted 4.8% and 0.4%, respectively.

LCY Corporate Bond Issuance Down in the Republic of Korea in 1H14

Local currency (LCY) corporate bond issuance in the Republic of Korea stood at KRW55.2 trillion in 1H14, down 5.2% from 1H13, according to the Financial Supervisory Service (FSS). The y-o-y drop stemmed from a 29.5% fall in the issuance of LCY bank debentures, which leveled off at KRW10.1 trillion in 1H14, and a 2.4% decline in LCY non-financial corporate bond issuance, which reached KRW21.3 trillion. In contrast, issuance of LCY financial bonds rose 7.1% y-o-y to KRW13.2 trillion in 1H14, while asset-backed securities (ABS) issuance climbed 8.5% y-o-y to KRW10.7 trillion in the same period.

Hyflux Sells SGD175 Million Perpetual Bond

Last week, Hyflux, a Singapore-based water treatment service provider sold a SGD175 million subordinated perpetual bond, with a coupon of 4.8%. The bond was oversubscribed and received an order book of SGD350 million.

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	0.03	0.50	1.52	-4.06
EU	0.01	-0.50	-1.30	-15.60
Japan	0.03	0.90	1.20	-2.90
PRC	3.50	-18.00	0.00	-66.00
Hong Kong, China	0.08	0.00	0.00	-3.00
India	8.63	0.00	5.00	-12.50
Korea, Rep. of	2.41	-1.10	-4.40	-15.60
Malaysia	3.00	0.00	0.00	3.30
Philippines	1.25	4.94	7.50	92.50
Singapore	0.30	0.00	0.00	-1.00
Thailand	2.01	-0.14	-2.49	-29.60

Close of 25 July 2014

10-Year Selected LCY Government Bond Yields

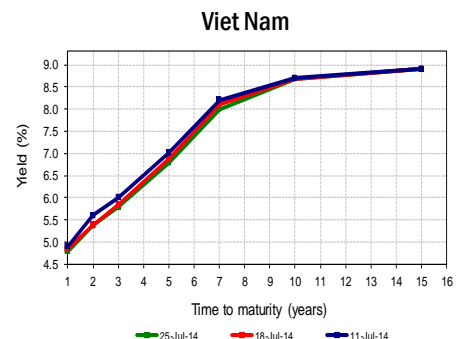
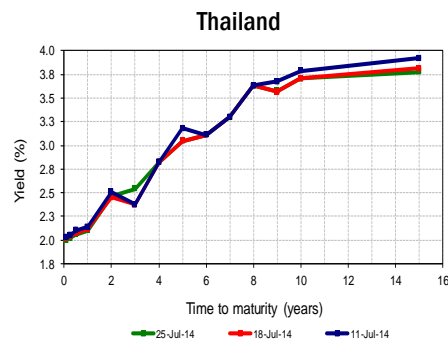
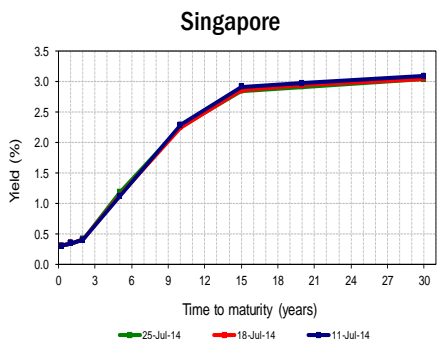
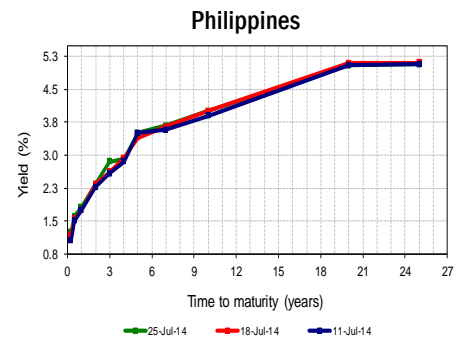
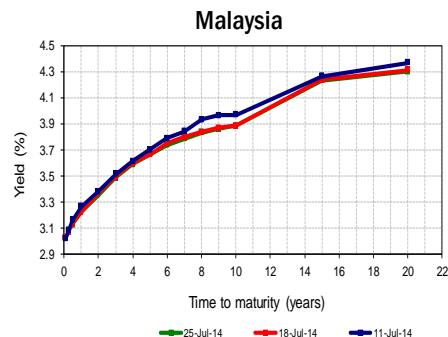
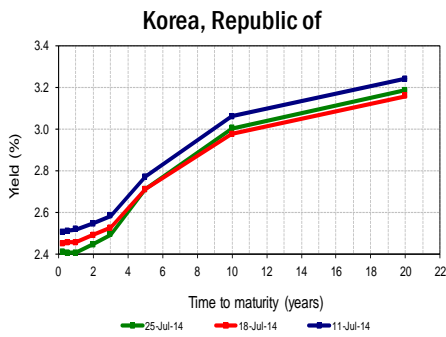
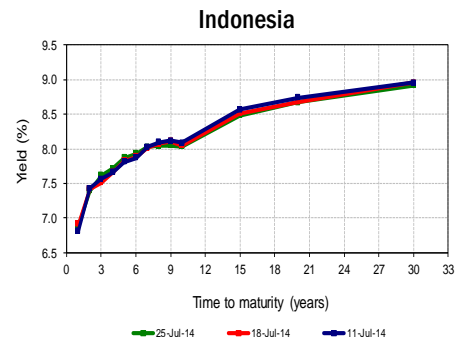
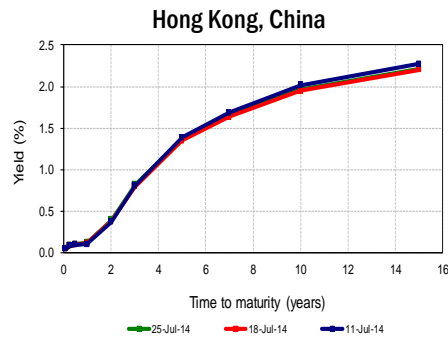
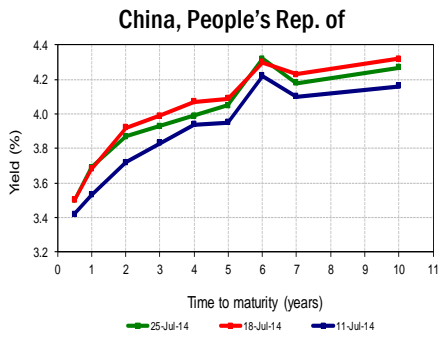
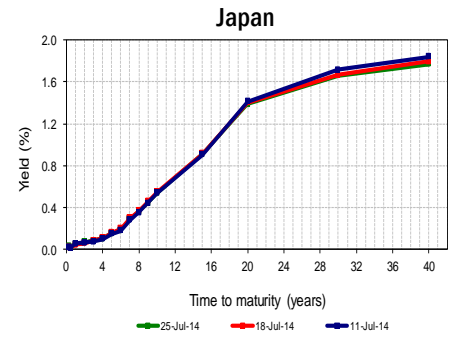
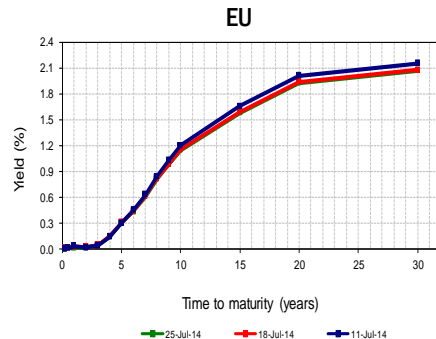
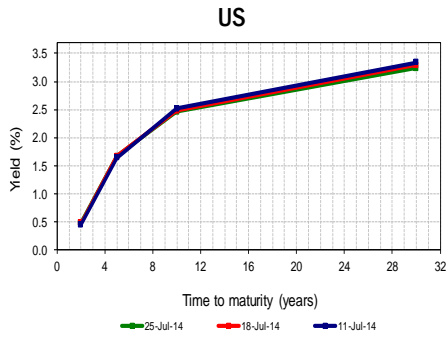
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-14*
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EU	1.15	-3.00	-0.80	-78.20
Japan	0.54	1.00	-1.00	-20.50
PRC	4.27	-5.00	-5.00	-35.00
Hong Kong, China	1.97	0.90	1.90	-34.00
India	8.67	2.40	-9.70	-17.40
Indonesia	8.04	-1.00	-1.50	-37.60
Korea, Rep. of	3.00	-1.20	2.70	-58.30
Malaysia	3.88	0.10	0.10	-24.50
Philippines	4.00	0.00	0.00	40.00
Singapore	2.27	3.00	2.00	-29.00
Thailand	3.71	0.00	0.00	-18.90
Viet Nam	9.50	0.00	0.00	0.00

Close of 25 July 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

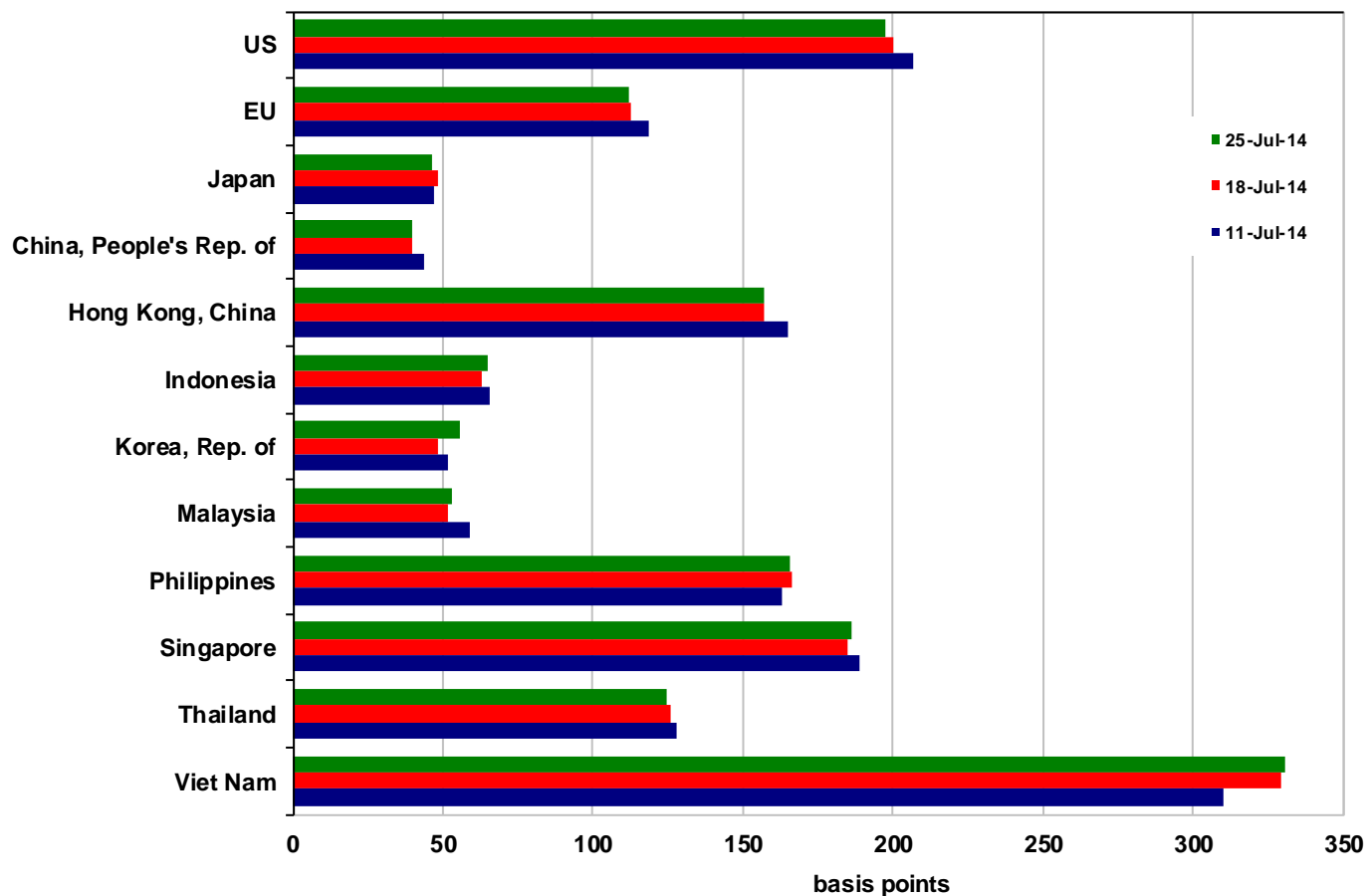
Tip: Zoom-in on the table using the Acrobat zoom tool



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

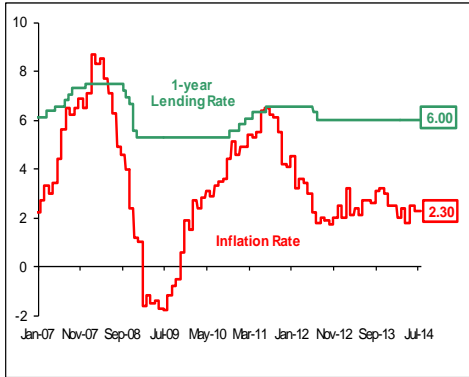


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

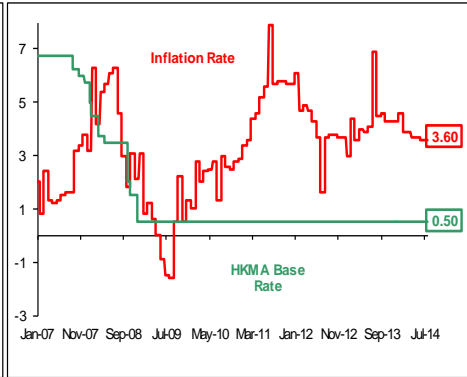
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



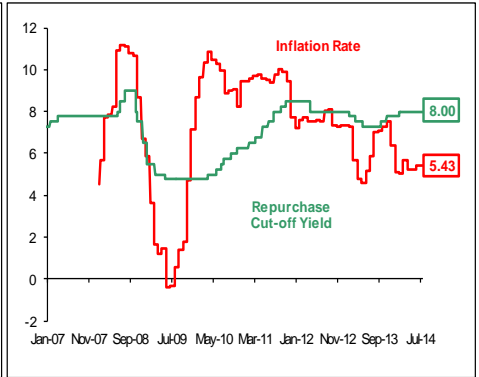
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



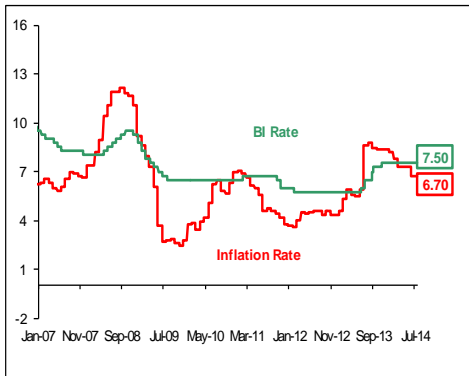
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

India



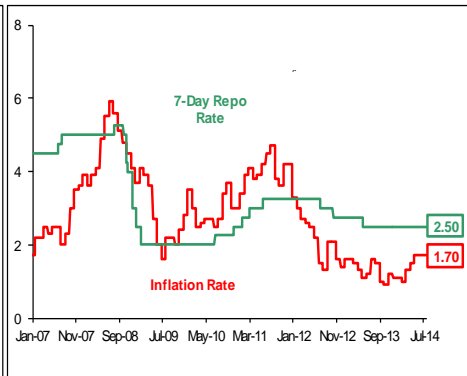
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate.
Source: Bloomberg LP.

Indonesia



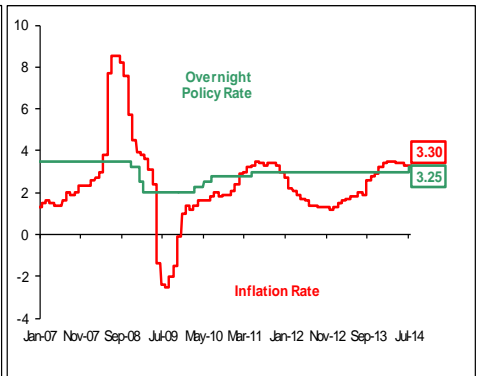
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



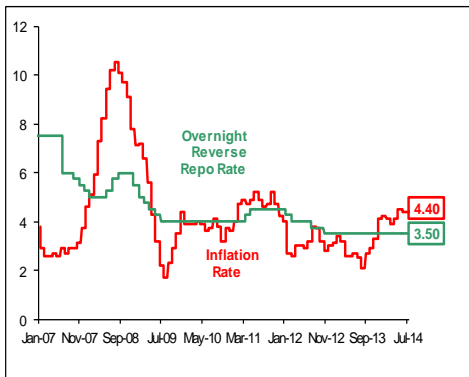
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



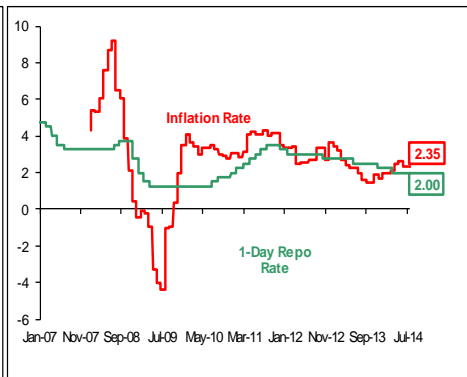
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



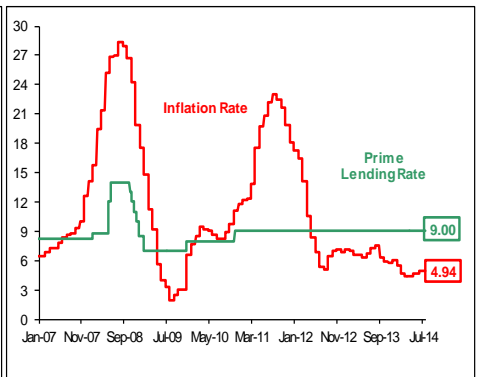
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

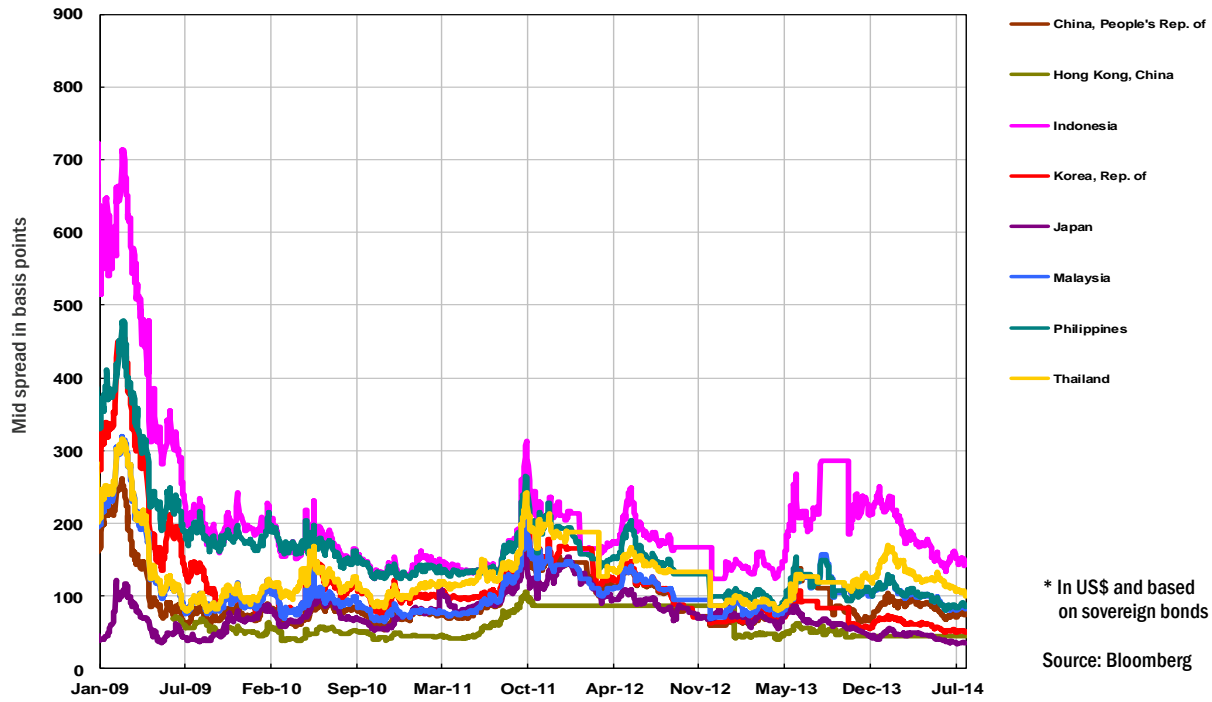


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

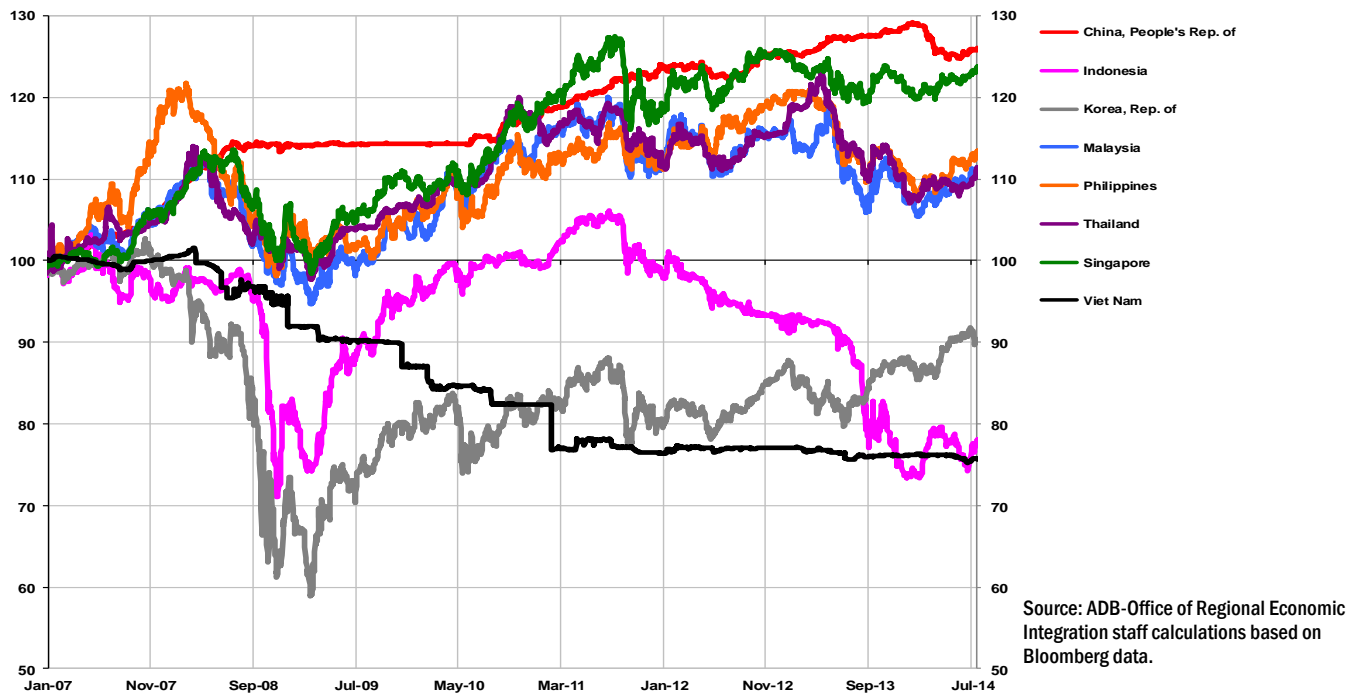
Credit Default Swap Spreads and Exchange Rate Indexes

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 (21 – 25 July 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	23-Jul	30-year Treasury Bonds	4.76	4.76	26.00	26.00
	25-Jul	182-day Treasury Bills	3.90		15.00	15.00
HK	22-Jul	91-day Exchange Fund Bills	0.09		32.22	32.22
		182-day Exchange Fund Bills	0.11		11.00	11.00
ID	22-Jul	9-month Treasury Bills	6.72			350.00
		1-year Treasury Bills	6.99			800.00
		5-year Treasury Bonds	7.88	7.88	10,000.00	1,550.00
		10-year Treasury Bonds	8.05	8.38		5,050.00
JP	23-Jul	20-year Japanese Government Bonds	1.41	1.50	1,200.00	1,351.00
		3-month Treasury Discount Bills	0.03		5,700.00	5,709.93
KR	21-Jul	91-day Monetary Stabilization Bonds	2.49		1,400.00	1,220.00
		182-day Monetary Stabilization Bonds	2.45		700.00	700.00
		10-year Treasury Bonds	3.00	3.50	2,000.00	1,906.00
MY	23-Jul	84-day BNM Islamic Notes	2.99		1.50	1.50
		182-day BNM Notes	3.07		2.00	2.00
PH	22-Jul	7-year Treasury Bonds	3.74	3.50	25.00	25.00
SG	22-Jul	28-day MAS Bills	0.08		1.00	1.00
		84-day MAS Bills	0.21		5.50	5.50
TH	21-Jul	28-day Treasury Bills	1.98		15.00	15.00
	22-Jul	92-day BOT Bonds	1.99		25.00	25.00
		182-day BOT Bonds	2.05		25.00	25.00
	23-Jul	13.64-year Government Bonds	1.97		5.00	5.00

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 (29 July – 4 August 2014)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Republic of Korea Current Account Balance US\$ million JUN	07/29	05/13: 9,752.2 06/13: 6,499.6 04/14: 7,124.7 05/14: 9,300.3	The Republic of Korea's current account surplus widened to US\$9.3 billion in May from US\$7.1 billion in April despite a monthly drop in the merchandise trade surplus, as both the services and secondary income accounts recorded narrower deficits, while the primary income account reversed from a deficit to a surplus.
Hong Kong, China Retail Sales Value y-o-y, % JUN	07/31	05/13: 12.9% 06/13: 14.7% 04/14: -9.9% 05/14: -4.1%	Hong Kong, China's retail sales fell 4.1% year-on-year (y-o-y) in May following April's decline of 9.9%
Hong Kong, China Budget Balance HKD billion JUN	07/31	05/13: -7.8 06/13: -16.7 04/14: 4.8 05/14: -15.4	Hong Kong, China reported a budget deficit of HKD15.4 billion in May in a reversal from April's surplus of HKD4.8 billion.
Philippines Overnight Borrowing Rate % 31-Jul	07/31	06/13: 3.50% 07/13: 3.50% 05/14: 3.50% 06/14: 3.50%	The Monetary Board of the Bangko Sentral ng Pilipinas (BSP) decided to keep its overnight borrowing rate at 3.50% in its monetary policy meeting held on 19 June. However, the Special Deposit Account (SDA) facility interest rate was raised 25 basis points (bps) to 2.25% across all tenors.
Thailand Exports y-o-y, % JUN	07/31	05/13: -5.1% 06/13: -3.5% 04/14: -0.9% 05/14: -1.2%	Thailand's merchandise exports contracted for the third consecutive month in May, falling 1.2% y-o-y.
PRC Manufacturing PMI index JUL	08/01	06/13: 50.1 07/13: 50.3 05/14: 50.8 06/14: 51.0	The People's Republic of China's (PRC) manufacturing Purchasing Managers Index (PMI) rose to 51.0 in June from 50.8 in May.
Republic of Korea CPI y-o-y, % JUL	08/01	06/13: 1.2% 07/13: 1.6% 05/14: 1.7% 06/14: 1.7%	The Republic of Korea's Consumer Price Index (CPI) rose 1.7% y-o-y in June, the same rate of increase as in May.
Republic of Korea Exports y-o-y, % JUL	08/01	06/13: -1.0% 07/13: 2.6% 05/14: -1.4% 06/14: 2.5%	Merchandise exports from the Republic of Korea grew 2.5% y-o-y in June in a reversal from a 1.4% decline in May.
Thailand CPI y-o-y, % JUL	08/04	06/13: 2.3% 07/13: 2.0% 05/14: 2.6% 06/14: 2.4%	Thailand's consumer price inflation moderated to 2.4% y-o-y in June from 2.6% in May.
Indonesia CPI y-o-y, % JUL	08/04	06/13: 5.4% 07/13: 8.0% 05/14: 7.3% 06/14: 6.7%	Consumer price inflation slowed in Indonesia to 6.7% y-o-y in June from 7.3% in May.
Indonesia Trade Balance US\$ million JUN	08/04	05/13: -527.1 06/13: -877.2 04/14: -1,962.5 05/14: 69.9	Indonesia recorded a trade surplus of US\$69.9 million in May, reversing a deficit of US\$1,962.5 million recorded in April.
Singapore PMI Index JUL	08/04	06/13: 51.7 07/13: 51.8 05/14: 50.8 06/14: 50.5	Singapore's PMI fell to 50.5 in June from 50.8 in May, but remained above the threshold of 50.0, indicating an expansion.

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)

Inflation Eases in Hong Kong, China; Japan; and Singapore in June; Inflation Slows in Viet Nam in July

- [Consumer Price Indices for June 2014](#)
Census and Statistics Department (21 July 2014)
- [Japan June 2014, Ku-area of Tokyo July 2014 \(preliminary\)](#)
Statistics Bureau, Ministry of Internal Affairs and Communication (25 July 2014)
- [Singapore Consumer Price Index](#)
Department of Statistics Singapore (23 July 2014)
- [Consumer price index, gold and USD price indexes, July 2014](#)
General Statistics Office of Viet Nam (24 July 2014)

The Republic of Korea's Real GDP Growth Moderates in 2Q14

- [Real Gross Domestic Product: 2nd Quarter of 2014 \(Advance estimate\)](#)
The Bank of Korea (24 July 2014)

Merchandise Trade Deficit Narrows in Hong Kong, China and Widens in Japan in June; Philippine Merchandise Trade Shifts to Surplus in May; Viet Nam Records Merchandise Trade Deficit in July

- [External merchandise trade statistics for June 2014](#)
Census and Statistics Department (24 July 2014)
- [Value of Exports and Imports June 2014](#)
Ministry of Finance (24 July 2014)
- [External Trade Performance: May 2014](#)
Philippine Statistical Authority (25 July 2014)

Manufacturing Production in Singapore Rebounds in June

- [Index of Industrial Production Malaysia May 2014](#)
Department of Statistics Malaysia (10 July 2014)

LCY Corporate Bond Issuance Down in the Republic of Korea in 1H14

- [Corporate Debt and Equity Issues, First Half 2014](#)
Financial Supervisory Service (21 July 2014)

Hyflux Sells SGD175 Million Perpetual Bond

- [Hyflux tries to revive Singapore perpetuals](#)
Finance Asia (22 July 2014)

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