

Key Developments in Asian Local Currency Markets

Hong Kong, China's gross domestic product (GDP) growth rose to 2.7% year-on-year (y-o-y) in 3Q14 from 1.8% in 2Q14. The improvement in GDP growth was driven by private consumption expenditure and net services exports. Private consumption expenditure rose 3.2% y-o-y in 3Q14 versus 1.2% in the prior quarter, and growth in services exports rebounded to 2.0% y-o-y in 3Q14 from -2.0% in 2Q14. In Malaysia, real GDP growth slowed to 5.6% y-o-y in 3Q14 from 6.5% y-o-y in the previous quarter. The easing expansion was mainly due to slower y-o-y growth in the services (6.1% from 6.2%), manufacturing (5.3% from 7.3%), and construction (9.6% from 9.9%) sectors.

➤ The People's Republic of China's (PRC) industrial production growth rate fell to 7.7% y-o-y in October from 8.0% in September. In Malaysia, industrial production growth slowed to 5.4% y-o-y in September from 6.5% in August as manufacturing and electricity output growth eased.

➤ Last week, key policy rates were held steady in Indonesia (7.5%) and the Republic of Korea (2.0%).

➤ Indonesia's current account deficit narrowed to US\$6.8 billion (equivalent to 3.1% of GDP) in 3Q14 from US\$8.7 billion (equivalent to 4.1% of GDP) in the previous quarter. In Malaysia, the current account surplus declined to MYR7.6 billion in 3Q14 from a surplus of MYR16.0 billion posted in 2Q14. Meanwhile, merchandise exports from the Philippines increased 15.7% y-o-y to US\$5.8 billion in September.

➤ Last week, Bank Negara Malaysia and the People's Bank of China signed a memorandum of understanding (MOU) regarding the establishment of renminbi clearing services in Malaysia. Under the MOU, both central banks agreed to work together on the regulation of renminbi trading in Malaysia. The MOU is a first step in the establishment of an official renminbi clearing bank in Malaysia.

➤ On 13 November, Fitch Ratings affirmed Indonesia's sovereign credit ratings at BBB-. The outlook on the rating is stable.

➤ Foreign net bond investment in the Republic of Korea climbed to KRW1.3 trillion in October from KRW0.5 trillion in September on the back of bond purchases by investors from Asia and Europe, according to Financial Supervisory Service data released last week. By country of investor, France recorded the largest net bond investment inflows for the month of October at KRW0.5 trillion, followed by Singapore at

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

10-Year Selected LCY Government Security Yields Close of 14 November 2014
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-14*
US	2.32	-1.95	2.28	-70.78
EU	0.79	-1.40	-3.20	-114.40
Japan	0.48	-1.90	0.00	-25.80
PRC	3.64	2.00	0.00	-98.00
Hong Kong, China	1.86	-2.30	-0.70	-45.00
India	8.22	-0.60	0.70	-63.10
Indonesia	7.94	-4.10	-7.70	-47.70
Korea, Rep. of	2.78	-0.20	10.00	-81.00
Malaysia	3.86	0.60	6.70	-26.50
Philippines	3.92	-0.97	-4.19	31.82
Singapore	2.32	-0.69	-0.01	-23.64
Thailand	3.30	0.00	0.00	-59.30
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

KRW0.2 trillion. In contrast, the United States (US) posted the largest net bond outflows at KRW0.3 trillion in October.

➤ ICICI Bank last week issued a 3-year dim sum bond at a coupon rate of 4.0% and a size of CNY600 million. Bank of East Asia last week announced that it will issue a Basel III-compliant Tier 2 bond with a maturity of 10 years (non-callable in the first 5 years). The planned issue size is US\$500 million.

➤ Government bond yields rose last week for all tenors in the Republic of Korea, Malaysia, and Viet Nam. In the Republic of Korea, the policy rate was held steady, while Malaysian yields tracked US bond yield movements. Yields fell for all tenors in Hong Kong, China and for most tenors in Indonesia and Thailand, while yields were mixed in the PRC, the Philippines, and Singapore. The spread between the 2- and 10-year maturities narrowed in Indonesia, the Philippines, Singapore, and Viet Nam, while widening for most other markets in emerging East Asia.

Summary Text of News Articles

**Hong Kong, China GDP Growth Rises in 3Q14;
Malaysia's Real GDP Growth Eases in 3Q14**

Hong Kong, China's gross domestic product (GDP) growth rose to 2.7% year-on-year (y-o-y) in 3Q14 from 1.8% in 2Q14. The improvement in GDP growth was driven by private consumption expenditure and net services exports. Private consumption expenditure rose 3.2% y-o-y in 3Q14 versus a 1.2% gain in the prior quarter. Growth in exports of services rebounded to 2.0% y-o-y in 3Q14 from a decline of -2.0% in 2Q14. On the other hand, the growth of services imports fell to 1.8% y-o-y in 3Q14 from 5.0% in 2Q14. The government said that 4Q14 GDP growth will be hampered by the effects of the Occupy movement, which has been ongoing since September.

Malaysia's real GDP growth slowed to 5.6% y-o-y in 3Q14 from 6.5% in the previous quarter. This was mainly due to lower y-o-y growth in the services (6.1% from 6.2%), manufacturing (5.3% from 7.3%), and construction (9.6% from 9.9%) sectors. On the demand side, growth was supported by government spending, which increased 5.3% y-o-y following a contraction of -0.5% y-o-y in 2Q14, and private spending, which increased 6.7% after a 6.5% gain in 2Q14. Meanwhile, investment growth decelerated to 1.1% y-o-y in 3Q14 from 7.2% in the previous quarter. On a quarter-on-quarter basis, the economy grew 0.9% in 3Q14.

**The PRC's Industrial Production Growth Slows in October;
Malaysia's Industrial Production Growth Eases in September**

The People's Republic of China's (PRC) industrial production growth rate fell to 7.7% y-o-y in October from 8.0% in September. On a month-on-month (m-o-m) basis, industrial production rose 0.5% in October from 0.9% in September. The slowdown was driven by a fall in growth in the telecommunication and computer sector, which rose 12.2% y-o-y in October compared with a 16.6% gain in September. Power generation growth also slowed to 1.9% y-o-y in October from 4.1% in September.

Malaysia's industrial production growth slowed to 5.4% y-o-y in September from 6.5% in August as manufacturing and electricity output growth eased. Between August and September, the y-o-y increase in electricity production moderated from 8.4% to 6.2%, and manufacturing output growth decelerated from 7.4% to 4.7%. Meanwhile, mining production posted a higher y-o-y increase of 7.1% in September compared with a 3.6% gain in August.

Policy Rates Held Steady in Indonesia and the Republic of Korea

In its meeting on 13 November, Bank Indonesia's Board of Governors decided to keep its benchmark interest rate steady at 7.50%, where it has been since November 2013. Bank Indonesia also kept the lending facility rate steady at 7.50% and the deposit facility rate at 5.75%. At current levels, these rates are deemed to be consistent with efforts to bring inflation within Bank Indonesia's target range of 3.5%–5.5% in 2014, and to lower the current account deficit to a more sustainable level. Bank Indonesia also noted that it will remain vigilant in monitoring rising inflation expectations relating to the government's fuel subsidy policy.

The Bank of Korea's Monetary Policy Committee decided on 13 November to keep the base rate steady at 2.00%. In its monetary policy decision, the committee noted its assessment of, among others, (i) a sustained recovery in the United States (US) economy, but sluggish economic activity in the eurozone; (ii) a favorable pattern in exports, but a mixed performance in domestic demand; and (iii) consumer price inflation in the domestic economy remaining low at the moment. The committee also stated that it expects a gradual narrowing in the negative output gap of the domestic economy and a gradual rise in inflation next year.

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 the Republic of Korea, refer to this link:

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

Summary Text of News Articles

Indonesia's Current Account Deficit Narrows to US\$6.8 Billion in 3Q14; Malaysia's Current Account Surplus Declines in 3Q14; The Philippines' Merchandise Exports Increase in September

Indonesia recorded a current account deficit amounting to US\$6.8 billion (equivalent to 3.1% of GDP) in 3Q14, compared with a deficit of US\$8.7 billion (equivalent to 4.1% of GDP) in the previous quarter. The decline in the current account deficit was driven by the trade surplus, particularly the non-oil and gas trade. Meanwhile, the capital and financial account registered a surplus amounting to US\$13.7 billion in 3Q14. As a result, the balance of payments surplus reached US\$6.5 billion in 3Q14.

Malaysia posted a MYR7.6 billion current account surplus in 3Q14, lower than the MYR16.0 billion surplus posted in 2Q14. The surplus in the goods account narrowed to MYR28.7 billion in 3Q14 from MYR30.1 billion in 2Q14. Meanwhile, the services account, primary income account, and secondary income account posted expanding deficits of MYR6.4 billion, MYR9.4 billion, and MYR5.3 billion, respectively, in 3Q14.

In the Philippines, merchandise exports increased 15.7% y-o-y to US\$5.8 billion in September. Electronics exports, which accounted for the largest share of total monthly merchandise exports (41.8% of the total), increased 13.6% y-o-y. Japan remained the Philippines' largest export market, accounting for a 29.6% share of total merchandise exports, followed by the US (13.6%); the People's Republic of China (PRC) (10.5%); Hong Kong, China (9.2%); and Singapore (7.4%). In January–September, merchandise exports increased 9.9% y-o-y to US\$46.6 billion.

BNM and PBOC Sign MOU on Renminbi Clearing Arrangements in Malaysia

Last week, Bank Negara Malaysia (BNM) and the People's Bank of China (PBOC) signed a Memorandum of Understanding (MOU) regarding the establishment of renminbi clearing services in Malaysia. Under the MOU, both central banks agreed to work together on the regulation of renminbi trading in Malaysia. The MOU is considered to be the first step in the establishment of an official renminbi clearing bank in Malaysia.

Fitch Ratings Affirms Indonesia's Sovereign Credit Rating at BBB–

On 13 November, Fitch Ratings affirmed Indonesia's sovereign credit ratings at BBB– with a stable outlook. In making its decision, Fitch cited the following factors: (i) Indonesia's consistent implementation of its stabilization policy in response to external and domestic pressures; (ii) higher and more stable economic growth; (iii) an improvement in the current account deficit; (iv) the commitment of the new government to implementing structural reforms and improving the investment climate; (v) a strong fiscal balance and improvement in external balances; and (vi) the well-capitalized and strong asset quality of the banking sector.

Foreign Net Bond Investment in the Republic of Korea Rises in October

Foreign net bond investment in the Republic of Korea climbed to KRW1.3 trillion in October from KRW0.5 trillion in September on the back of bond purchases by investors from Asia and Europe, according to Financial Supervisory Service data released last week. By country of investor, France recorded the largest net bond investment inflow for the month of October at KRW0.5 trillion, followed by Singapore at KRW0.2 trillion. In contrast, US investors posted the largest net bond outflow in October at KRW0.3 trillion. As of end-October, US investor holdings of Korean bonds remained the largest at KRW19.0 trillion, constituting 19.0% of the total value of Korean bonds held by foreign investors.

ICICI Bank Issues 3-Year Dim Sum Bond; Bank of East Asia Plans Basel III-Compliant Tier 2 Bond

ICICI Bank last week issued a 3-year dim sum bond at a coupon rate of 4.0% and a size of CNY600 million. By investor type, fund managers bought 47% of the issue, while insurance companies purchased 42% and banks took 11%. Investors were mostly from Taipei, China, who bought up 49% of the issue; Singapore, who took 24% of the deal; and Hong Kong, China, who purchased 17% of the bond.

Summary Text of News Articles

**ICICI Bank Issues 3-Year Dim Sum Bond;
Bank of East Asia Plans Basel III-Compliant Tier 2 Bond (cont...)**

Bank of East Asia last week announced that it will issue a Basel III-compliant Tier 2 bond with a maturity of 10 years (non-callable in the first 5 years). The planned issue size is US\$500 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	0.01	0.00	-1.52	-6.08
EU	-0.02	-0.20	0.40	-17.60
Japan	-0.05	-5.10	-5.50	-11.40
PRC	3.40	-1.00	-2.00	-76.00
Hong Kong, China	0.02	0.00	-1.00	-9.00
India	8.35	4.00	5.00	-40.50
Korea, Rep. of	2.02	-0.70	4.00	-54.10
Malaysia	3.26	0.30	1.30	29.30
Philippines	1.38	2.50	10.04	105.00
Singapore	0.36	0.00	2.90	5.10
Thailand	2.04	0.08	-0.08	-26.99

Close of 14 November 2014

10-Year Selected LCY Government Bond Yields

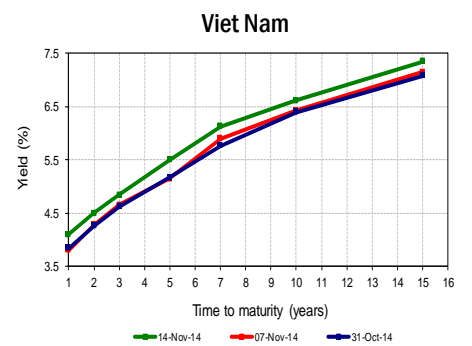
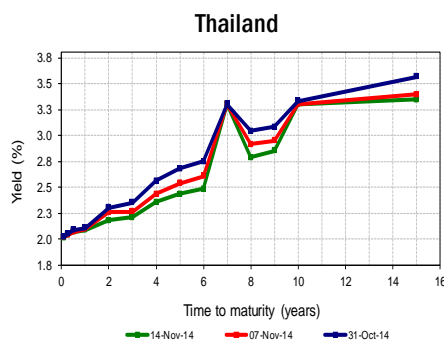
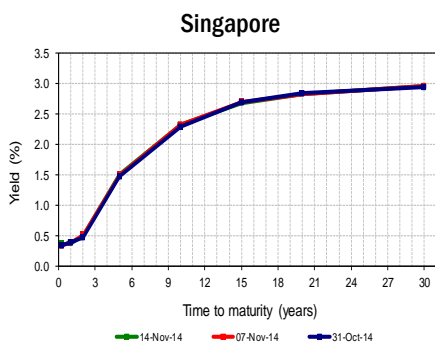
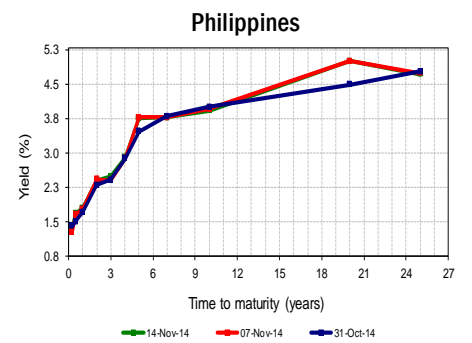
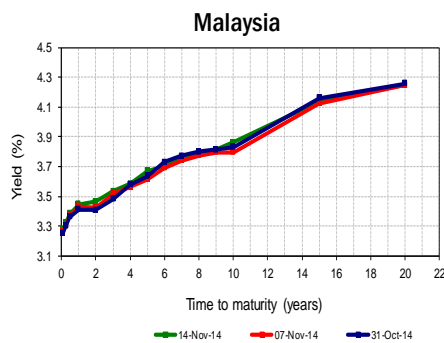
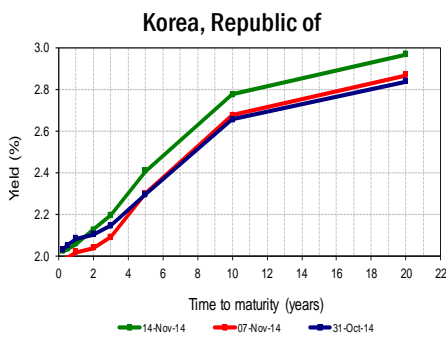
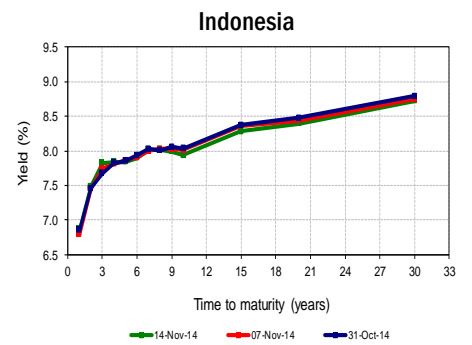
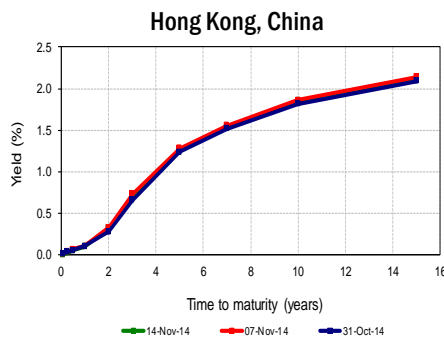
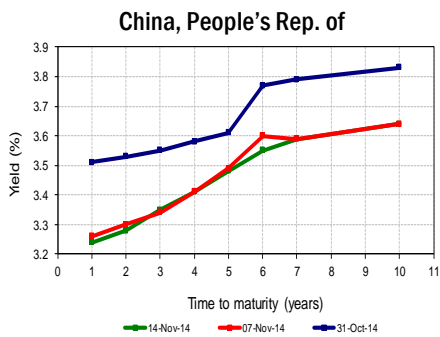
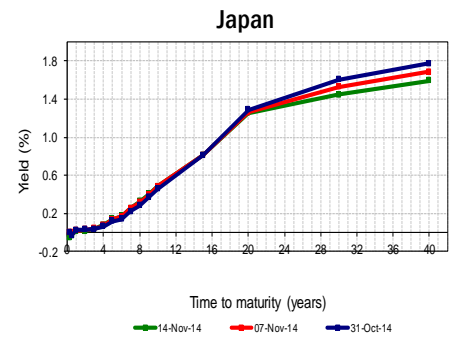
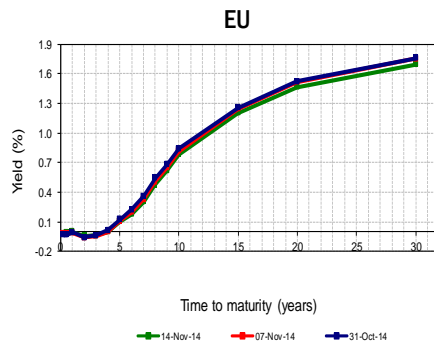
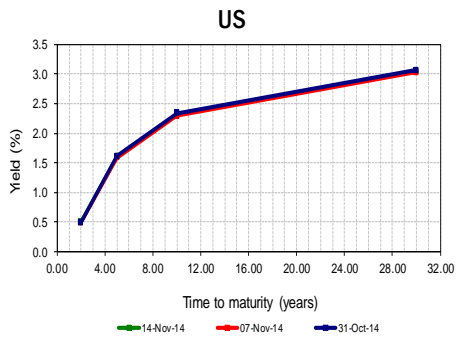
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-14*
US	2.32	-1.95	2.28	-70.78
EU	0.79	-1.40	-3.20	-114.40
Japan	0.48	-1.90	0.00	-25.80
PRC	3.64	2.00	0.00	-98.00
Hong Kong, China	1.86	-2.30	-0.70	-45.00
India	8.22	-0.60	0.70	-63.10
Indonesia	7.94	-4.10	-7.70	-47.70
Korea, Rep. of	2.78	-0.20	10.00	-81.00
Malaysia	3.86	0.60	6.70	-26.50
Philippines	3.92	-0.97	-4.19	31.82
Singapore	2.32	-0.69	-0.01	-23.64
Thailand	3.30	0.00	0.00	-59.30
Viet Nam	9.50	0.00	0.00	0.00

Close of 14 November 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

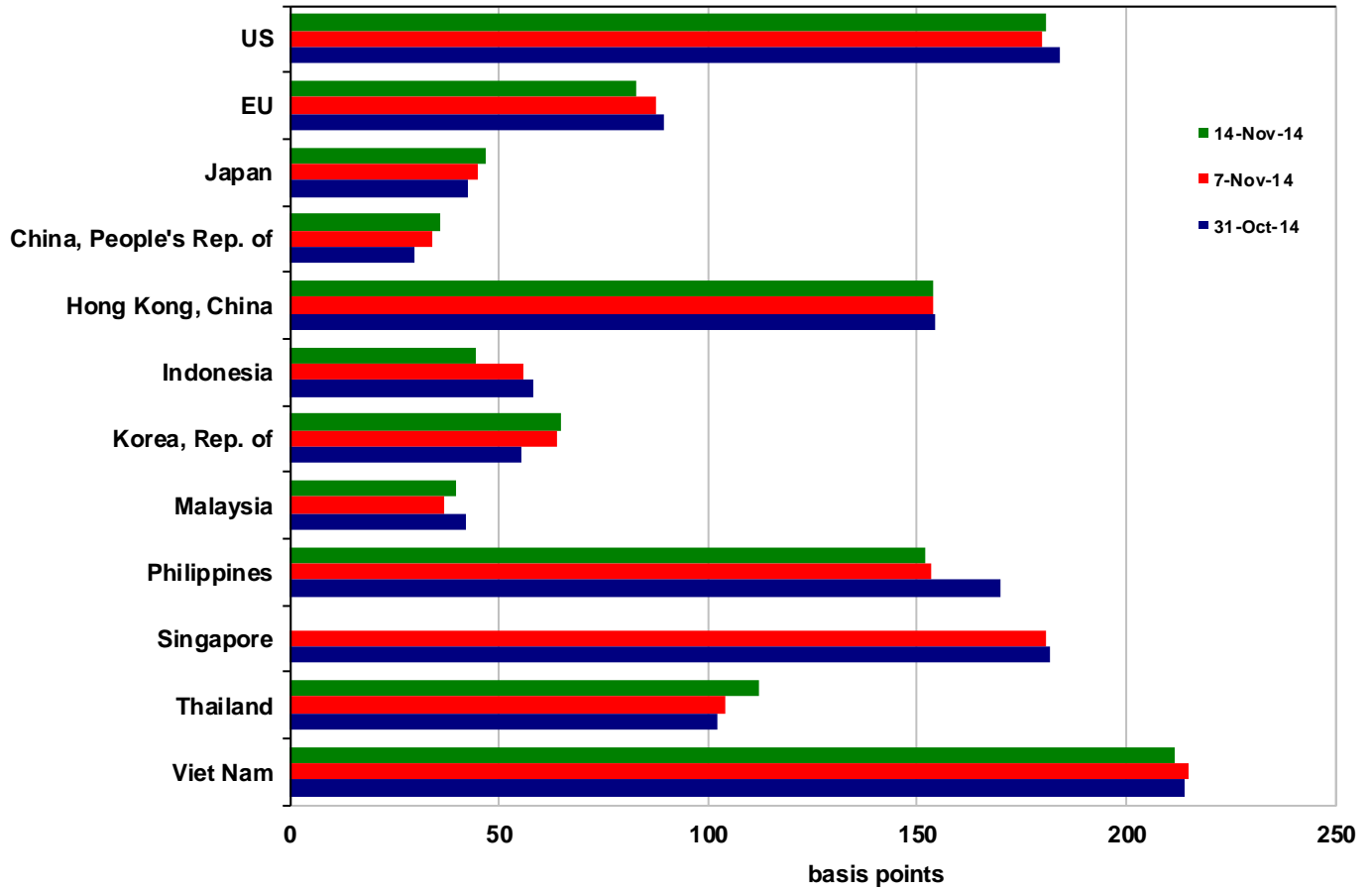
Tip: Zoom-in on the table using the Acrobat zoom tool



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

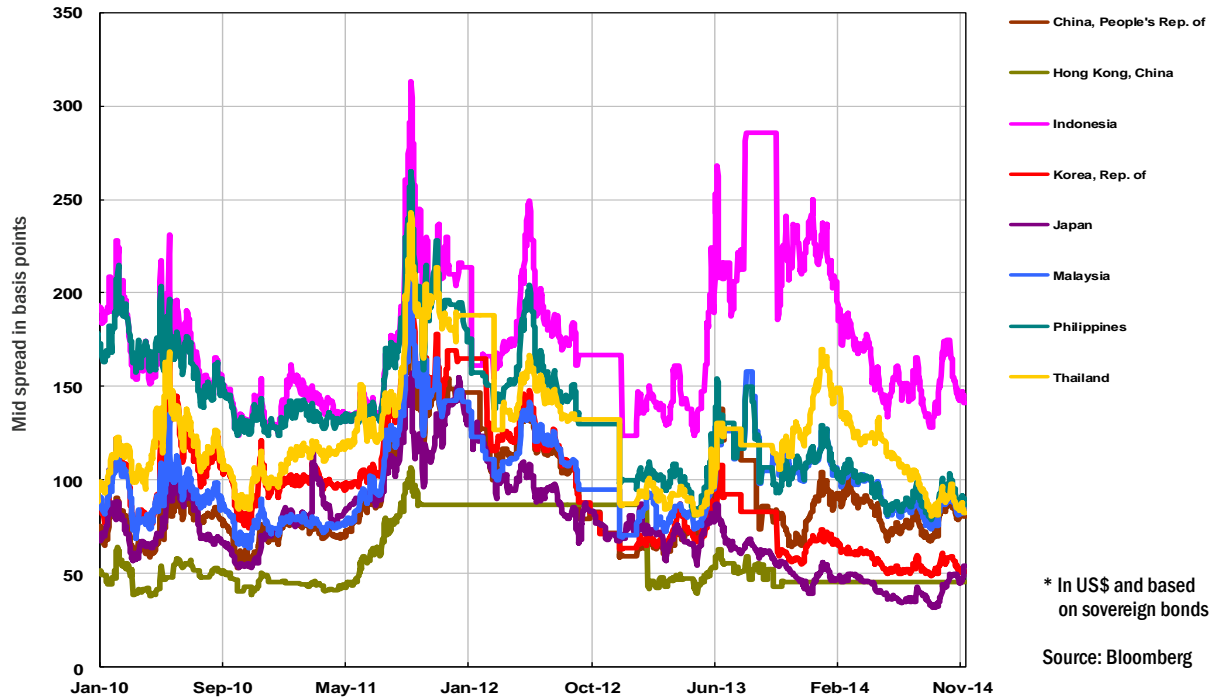


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

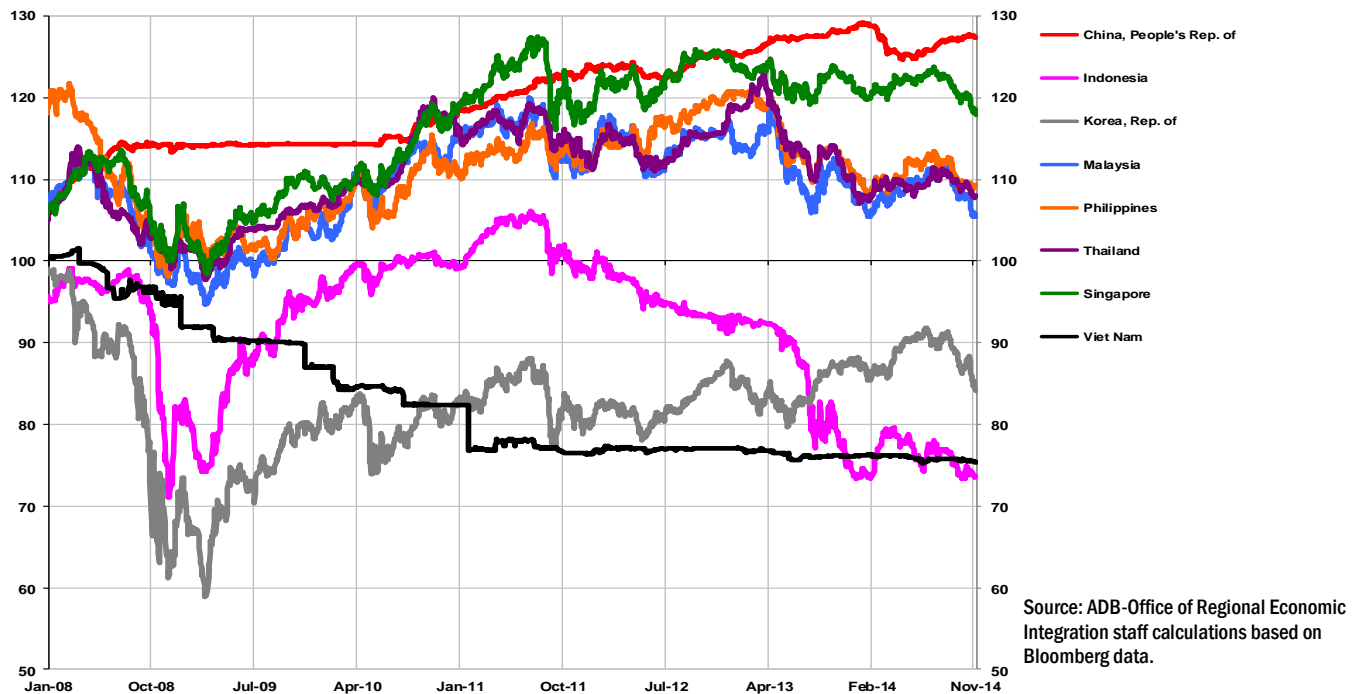
Credit Default Swap Spreads and Exchange Rate Indexes

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

Credit Default Swap Spreads – Senior 5-Year*



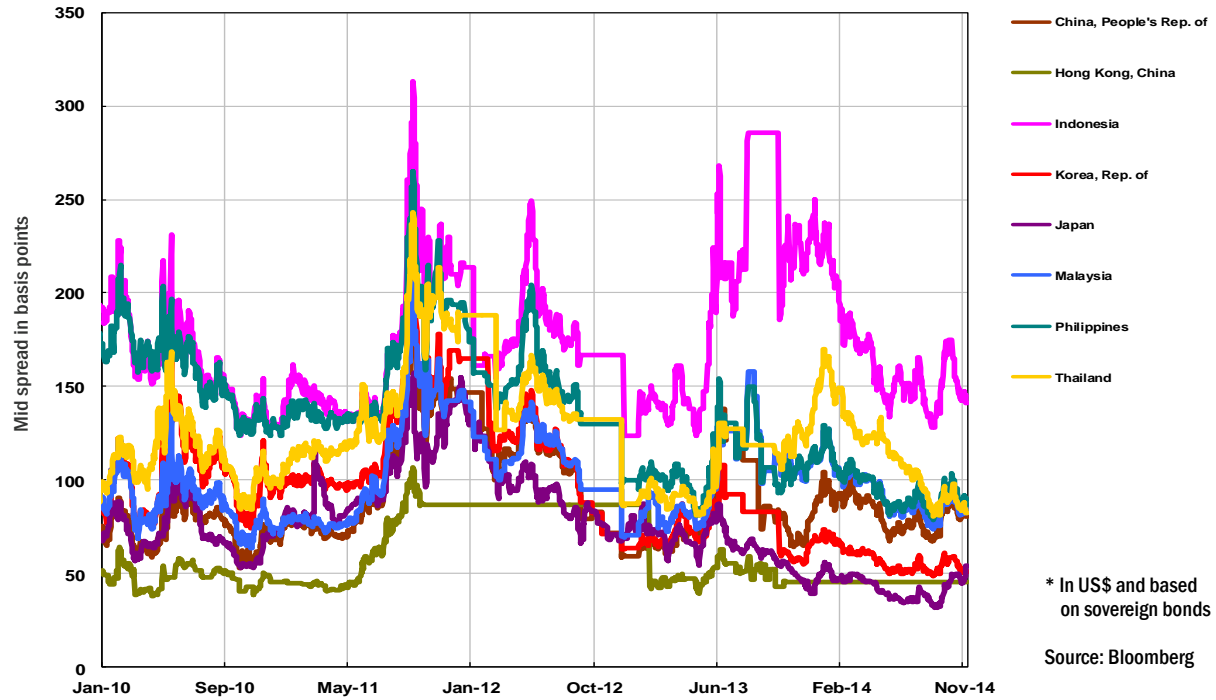
Exchange Rate Indexes (vis-à-vis US\$, 2 January 2007=100)



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 November 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	14-Nov	7-year Treasury Bonds	3.70	3.70	28.00	28.00
HK	11-Nov	91-day Exchange Fund Bills	0.04		25.86	25.86
		182-day Exchange Fund Bills	0.07		9.00	9.00
JP	11-Nov	10-year Japanese Government Bonds	1.48	1.70	600.00	599.50
KR	10-Nov	91-day Monetary Stabilization Bonds	2.03		1,300.00	1,300.00
		1-year Monetary Stabilization Bonds	2.01	2.01	1,000.00	1,000.00
		5-year Treasury Bonds	2.31	2.75	1,650.00	1,650.00
MY	10-Nov	182 day Islamic Notes	3.36		2.00	2.00
		91-day BNM Notes	3.30		1.50	1.50
	12-Nov	364-day BNM Notes	3.37		1.50	1.50
SG	11-Nov	28-day MAS Bills	0.16		1.00	1.00
		84-day MAS Bills	0.24		5.30	5.30
TH	10-Nov	29-day Treasury Bills	2.01		15.00	15.00
	11-Nov	91-day Bank of Thailand Bonds	2.03		25.00	25.00
		182-day Bank of Thailand Bonds	2.08		28.00	28.00
		350-day Bank of Thailand Bonds	2.09		35.00	35.00
	12-Nov	13.33-year Government Bonds	1.99	1.25	4.00	4.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (18 – 24 November 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, % OCT	11/19	09/13: -1.8% 10/13: -1.4% 08/14: -0.2% 09/14: -0.4%	The Republic of Korea's Producer Price Index (PPI) fell for the second consecutive month in September, dipping 0.4% year-on-year (y-o-y) following a 0.2% decline in August. The decline in September largely stemmed from a 1.9% fall in manufacturing product prices.
Philippines BOP Overall US\$ million OCT	11/19	09/13: 465 10/13: 5 08/14: 114 09/14: 98	The Philippines' balance of payments surplus narrowed to US\$98 million in September from US\$114 million in August.
Hong Kong, China CPI y-o-y, % OCT	11/20	09/13: 4.6% 10/13: 4.3% 08/14: 3.9% 09/14: 6.6%	Consumer price inflation in Hong Kong, China accelerated to 6.6% y-o-y in September from 3.9% in August.
Japan Trade Balance JPY billion OCT	11/20	09/13: -943.3 10/13: -1,100.4 08/14: -952.7 09/14: -960.6	Japan's trade deficit slightly widened to JPY960.6 billion in September from JPY952.7 billion in August.
Malaysia CPI y-o-y, % OCT	11/21	09/13: 2.6% 10/13: 2.8% 08/14: 3.3% 09/14: 2.6%	Malaysia's consumer price inflation eased to 2.6% y-o-y in September from 3.3% in August.
Philippines Budget Balance PHP billion OCT	11/24 to 11/28	09/13: -18.6 10/13: -11.2 08/14: 29.9 09/14: -5.2	The Philippines posted a PHP5.2 billion budget deficit in September in a reversal from the PHP29.9 billion surplus posted in August.
Singapore GDP y-o-y, % 3Q14 final	11/24	2Q13: 4.0% 3Q13: 5.0% 2Q14: 2.4% 3Q14: 2.4%	Singapore's economy expanded 2.4% y-o-y in 3Q14 based on advanced estimates released by the Ministry of Trade and Industry.
Singapore CPI y-o-y, % OCT	11/24	09/13: 1.6% 10/13: 2.0% 08/14: 0.9% 09/14: 0.6%	Consumer price inflation in Singapore slowed to 0.6% y-o-y in September from 0.9% in August.
Viet Nam CPI y-o-y, % OCT	11/24	10/13: 5.9% 11/13: 5.8% 09/14: 3.6% 10/14: 3.2%	Viet Nam's consumer price inflation eased to 3.2% y-o-y in October from 3.6% in September.

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)

Hong Kong, China GDP Growth Rises in 3Q14; Malaysia's Real GDP Growth Eases in 3Q14

- [Gross Domestic Product for the 3rd Quarter of 2014](#)
Census and Statistics Department (14 November 2014)
- [Press Release Gross Domestic Product \(GDP\) Third Quarter of 2014](#)
Department of Statistics Malaysia (14 November 2014)

The PRC's Industrial Production Growth Slows in October; Industrial Production Malaysia's Industrial Production Growth Eases in September

- [China's October industrial output slows to 7.7%](#)
Xinhua (13 November 2014)
- [Index of Industrial Production, Malaysia September 2014](#)
Department of Statistics Malaysia (11 November 2014)

Policy Rates Held Steady in Indonesia and the Republic of Korea

- [BI Rate Maintained at 7.50%](#)
Bank Indonesia (13 November 2014)
- [Monetary Policy Decision \(November 13, 2014\)](#)
The Bank of Korea (13 November 2014)

Indonesia's Current Account Deficit Narrows to US\$6.8 Billion in 3Q14; Malaysia's Current Account Surplus Declines in 3Q14; The Philippines' Merchandise Exports Increase in September

- [Current Account Performance Improved](#)
Bank Indonesia (14 November 2014)
- [Quarterly Balance of Payments Performance July - September, 2014](#)
Department of Statistics Malaysia (14 November 2014)
- [Merchandise Exports Performance: September 2014](#)
National Statistics Office (11 November 2014)

BNM and PBOC Sign MOU on Renminbi MB Clearing Arrangements in Malaysia

- [Bank Negara Malaysia and People's Bank of China Sign Memorandum of Understanding on Renminbi Clearing Arrangements in Malaysia](#)
Bank Negara Malaysia (10 November 2014)

Fitch Ratings Affirms Indonesia's Sovereign Credit Ratings at BBB—

- [Fitch Ratings Affirmed Indonesia Sovereign Credit Rating](#)
Bank Indonesia (13 November 2014)

Foreign Investors' Bond Investment into the Republic of Korea Rises in October

- [Foreign Investors' Stock and Bond Investment, October 2014](#)
Financial Supervisory Service (10 November 2014)

ICICI Bank Issues 3-Year Dim Sum Bond; Bank of East Asia Plans Basel III3-Compliant Tier 2 Bond

- [ICICI Bank returns to capture favourable funding level](#)
IFR Asia (14 November 2014)
- [BEA Tier 2 guidance at plus 300bp area](#)
IFR Asia (13 November 2014)

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