

2 March 2015

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Key Developments in Asian Local Currency Markets

Consumer prices in Hong Kong, China rose 4.1% year-on-year (y-o-y) in January following December's price increase of 4.9% y-o-y. The items with prices rising the fastest were electricity, gas, and water (21.7% y-o-y); and housing (8.3% y-o-y). The government said that while inflation was down in January, it was partly due to the timing of the Lunar New Year, which was in January last year. In Japan, consumer price inflation remained unchanged at 2.4% y-o-y in January. Singapore recorded deflation for the third month in a row in January as consumer prices posted a 0.4% y-o-y decline following a 0.1% dip in December. The accelerating pace of deflation was due mainly to a steep decline in the prices of oil-related products as well as slower increases in food prices. The Monetary Authority of Singapore expects inflation to further slowdown in the first half of the year.

➤ The People's Republic of China (PRC) reduced its key policy rates by 25 bps, bringing the 1-year benchmark lending rate to 5.35% and the benchmark 1-year deposit rate to 2.50%.

➤ Hong Kong, China's gross domestic product (GDP) growth slowed to 2.2% y-o-y in 4Q14 from 2.7% y-o-y in the prior quarter. The lower growth rate was mostly due to slowing growth in goods exports, which rose 0.6% y-o-y in 4Q14 after a 1.0% y-o-y gain in 3Q14, and an uptick in the growth rate of goods imports to 1.2% y-o-y from 0.5% y-o-y over the same period. Private consumption growth also slowed to 3.8% y-o-y in 4Q14 from 4.1% y-o-y in 3Q14, and government expenditure growth slowed to 3.3% y-o-y from 3.7% y-o-y. Gross domestic capital formation growth rebounded to 4.0% y-o-y in 4Q14 from a 3.3% y-o-y decline in 3Q14. For the full-year 2014, GDP grew 2.3% after rising 2.9% in 2013.

➤ Hong Kong, China's exports grew 2.8% y-o-y in January after rising 0.6% y-o-y in December. Import growth also rose to 7.9% y-o-y from 1.9% y-o-y in the prior month. A trade deficit of HKD37 billion was recorded in January. The Republic of Korea's current account surplus slipped to US\$6.9 billion in January from US\$7.0 billion in December. The Philippines' merchandise trade deficit narrowed to US\$68 million in December from US\$233 million in November. Thailand's current account surplus narrowed to US\$2.5 billion in January from US\$5.5 billion in December.

➤ Industrial production in Japan increased 4.0% m-o-m in December, but declined 2.6% y-o-y. In Singapore, industrial production growth rebounded to 0.9% y-o-y in January after a 1.9% y-o-y decline a month earlier. Meanwhile, manufacturing production in Thailand posted a

Asia Bond Monitor November 2014

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10-Year Selected LCY Government Security Yields Close of 27 February 2015 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	1.99	-3.65	-11.87	-17.82
EU	0.33	3.00	-3.90	-21.30
Japan	0.34	-0.80	-5.60	0.60
PRC	3.37	0.00	1.00	-28.00
Hong Kong, China	1.42	0.00	0.00	-44.20
India	7.73	-1.10	3.30	-15.30
Indonesia	7.06	-4.20	-14.40	-76.10
Korea, Rep. of	2.36	-1.00	-2.50	-25.00
Malaysia	3.87	1.40	-1.90	-27.80
Philippines	3.98	-8.75	-11.95	12.00
Singapore	2.23	-2.42	-10.27	-4.55
Thailand	2.65	1.10	-13.60	-7.80
Viet Nam	6.56	-1.70	-2.50	-66.70

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

1.3% y-o-y dip in January following a 0.1% y-o-y decline in December.

➤ The Capital Market Supervisory Board approved the revision of investment rules governing mutual funds, provident funds, and private funds for retail investors to encourage investment in derivatives and structured notes.

➤ Government bond yields fell in Indonesia, the Republic of Korea and Malaysia while falling for most tenors in the PRC, Philippines, Singapore, Thailand and Viet Nam. The fall in yields for most markets was driven by Federal Reserve (Fed) Chairwoman Janet Yellen's testimony to Congress that while the Fed could start to raise rates this year if the economy improves, the timing still largely depends on the performance of the economy.

Summary Text of News Articles

Hong Kong, China's Consumer Price Inflation Slows in January; Consumer Price Inflation in Japan Remains Unchanged in January; Deflation in Singapore Accelerates in January

Consumer prices in Hong Kong, China rose 4.1% year-on-year (y-o-y) in January following December's 4.9% y-o-y inflation. The items with prices that increased that fastest were electricity, gas, and water (21.7% y-o-y), which rose due to the prior of utilization of a one-time subsidy; and housing (8.3% y-o-y), which rose due to expiration of a rates concession. Durable goods prices showed a decline of -5.5% y-o-y while clothing and footwear prices fell 1.9% y-o-y. The government said that slowing inflation in January was partly due to the timing of the Lunar New Year last year when it fell in January.

In Japan, consumer price inflation remained unchanged at 2.4% y-o-y in January. The y-o-y uptick in the food sub-index (4.2% in January vs. 3.1% in December) was offset by slowing price increases for fuel, light, and water (3.9% vs. 4.7%); and transportation and communications (0.4% and 2.0%). On a month-on-month (m-o-m) basis, consumer prices showed a 0.2% decline.

Singapore recorded deflation for the third month in a row in January, accelerating to -0.4% y-o-y from -0.1% y-o-y in December. The accelerating pace of deflation was due mainly to a steep decline in the prices of oil-related products and slower increases in food prices. Between December and January, deflation of -0.2% m-o-m was recorded. The Monetary Authority of Singapore expects inflation to further slowdown in the first half of the year.

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 rate trends in Singapore, refer to this link:

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

Hong Kong, China's GDP Growth Slows in 4Q14

Hong Kong, China's gross domestic product (GDP) growth slowed to 2.2% y-o-y in 4Q14 from 2.7% in the prior quarter. The lower growth rate was mostly due to slowing growth in goods exports, which rose 0.6% y-o-y in 4Q14 after a 1.0% y-o-y gain in 3Q14, and an uptick in the growth rate of goods imports to 1.2% y-o-y from 0.5% y-o-y over the same period. Private consumption growth also slowed to 3.8% y-o-y in 4Q14 from 4.1% y-o-y in 3Q14, and government expenditure growth slowed to 3.3% y-o-y from 3.7% y-o-y. Gross domestic capital formation growth rebounded to 4.0% y-o-y in 4Q14 from a 3.3% y-o-y decline in 3Q14. For the full-year 2014, GDP grew 2.3% after rising 2.9% in 2013. The government said that Hong Kong, China's external sector will be challenged in 2015 given weaknesses in advanced economies. However, domestic demand is expected to be robust given strong labor market conditions. Inflationary pressures are expected to be moderate in 2015. Average annual inflation of 3.0% is forecast for 2016-2019, while trend GDP growth is expected to be 3.5% over the same period.

Hong Kong, China's Exports Rise in January; The Philippines Posts a Merchandise Trade Deficit in December; Thailand's Current Account Surplus Narrows in January

Hong Kong, China's exports grew 2.8% y-o-y in January after rising 0.6% in December; import growth also accelerated to 7.9% y-o-y from 1.9% y-o-y. A trade deficit of HKD37 billion was recorded for the month. Export performance in January was driven by demand from Asia. Exports to Asia as a whole rose 7.1% y-o-y. Within Asia, exports to Viet Nam recorded the largest increase at 35.1% y-o-y, followed by the Philippines at 20.7% y-o-y. Exports to the People's Republic of China (PRC) rose 9.2% y-o-y. Exports to the United Kingdom rose 3.8% y-o-y, while exports to Germany fell 11.2%, and exports to the United States fell -6.4%. The government said that future export performance is likely to be constrained given the weak recovery in advanced markets.

Summary Text of News Articles

Hong Kong, China's Exports Rise in January; The Philippines Posts a Merchandise Trade Deficit in December; Thailand's Current Account Surplus Narrows in January (cont...)

The Philippines' merchandise trade deficit narrowed to US\$68 million in December from US\$233 in November, due to a steeper m-o-m decline in imports compared with exports. Total merchandise imports registered an 11.4% m-o-m decline in December to US\$4.8 billion, while total merchandise exports dipped 8.8% m-o-m to US\$4.9 billion. For full-year 2014, the trade deficit narrowed to US\$2.0 billion from US\$6.0 billion in 2013, as exports gained 9.0% y-o-y to US\$61.8 billion and imports rose 2.4% y-o-y to US\$63.9 billion.

Thailand's current account surplus narrowed to US\$2.5 billion in January from US\$5.5 billion in December as the merchandise trade surplus fell on a monthly basis amid a drop in exports and an increase in imports, according to the Bank of Thailand. Between December and January, exports of goods slipped from US\$18.7 billion to US\$17.2 billion and merchandise imports climbed from US\$15.1 billion to US\$15.8 billion, leading to a decrease in the trade-in-goods surplus from US\$3.6 billion to US\$1.4 billion. The monthly drop in merchandise exports, according to the Bank of Thailand, stemmed from falling export prices of oil-related products and anemic demand from major export markets, specifically, members of the Association of Southeast Asian Nations and the PRC.

Japan's Industrial Production Posts Monthly Increase and Annual Decrease in December; Singapore's Manufacturing Output Rises in January; Thailand's Manufacturing Production Contracts in January

Industrial production in Japan increased 4.0% m-o-m, but declined 2.6% y-o-y, in December. Industries that contributed the most to the monthly increase were general purpose, production, and business-oriented machinery; transport equipment; and electrical machinery. The shipment index increased 5.8% m-o-m while the inventories index posted a 0.6% m-o-m decline.

In Singapore, industrial production growth rebounded to 0.9% y-o-y in January after a 1.9% y-o-y dip a month earlier. Both the biomedical manufacturing cluster and the precision engineering cluster reported positive growth in January at 5.3% y-o-y and 4.1% y-o-y, respectively. Negative y-o-y growth rates were recorded for the general manufacturing industries cluster, chemicals cluster, and transport engineering cluster. On a seasonally adjusted m-o-m basis, industrial production growth declined 4.7% in January.

Meanwhile, manufacturing production in Thailand fell -1.3% y-o-y in January after dipping 0.1% y-o-y in December, according to Bank of Thailand data, which also reported that Thailand's manufacturing output remained low because most businesses had excess capacity.

Household Loans Rise in the Republic of Korea in 4Q14

The outstanding size of household loans in the Republic of Korea expanded 6.9% y-o-y in 4Q14 to level off at KRW1,029.3 trillion at end-December, according to data from The Bank of Korea. Depository corporations' loans to the household sector climbed 8.5% y-o-y in 4Q14 to reach KRW745.8 billion at end-December, while household loans of other financial corporations increased 2.8% y-o-y to KRW283.5 billion.

Capital Ratio of Domestic Banks Falls in the Republic of Korea in 4Q14

In the Republic of Korea the total capital ratio of domestic banks under Basel III fell in 4Q14 to 13.9% at end-December from 14.3% at end-September and 14.5% at end-December 2013. The decline in the ratio, according to the Financial Supervisory Service, emanated from a relatively faster increase in risk-weighted assets vis-à-vis bank capital.

Thailand Revises Investment Rules Governing Funds to Promote Derivatives and Structured Notes

The Capital Market Supervisory Board approved the revision of investment rules governing mutual funds, provident funds, and private funds for retail investors to encourage investment in derivatives and structured notes. One of the revisions involves expanding the underlying assets for derivatives and structured notes.

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-15*
US	0.01	-0.51	-0.51	-2.54
EU	-0.12	-0.10	-1.80	-8.30
Japan	0.00	0.80	0.00	0.00
PRC	3.06	-39.00	-2.00	-60.00
Hong Kong, China	0.01	0.00	-2.00	-3.00
India	8.31	0.00	0.00	0.00
Korea, Rep. of	2.00	0.00	-0.20	-6.90
Malaysia	3.27	0.00	-0.80	-9.40
Philippines	1.91	1.33	-24.44	-46.25
Singapore	0.77	-1.40	3.90	9.10
Thailand	1.99	-0.12	-0.81	-5.61

Close of 27 February 2015

10-Year Selected LCY Government Bond Yields

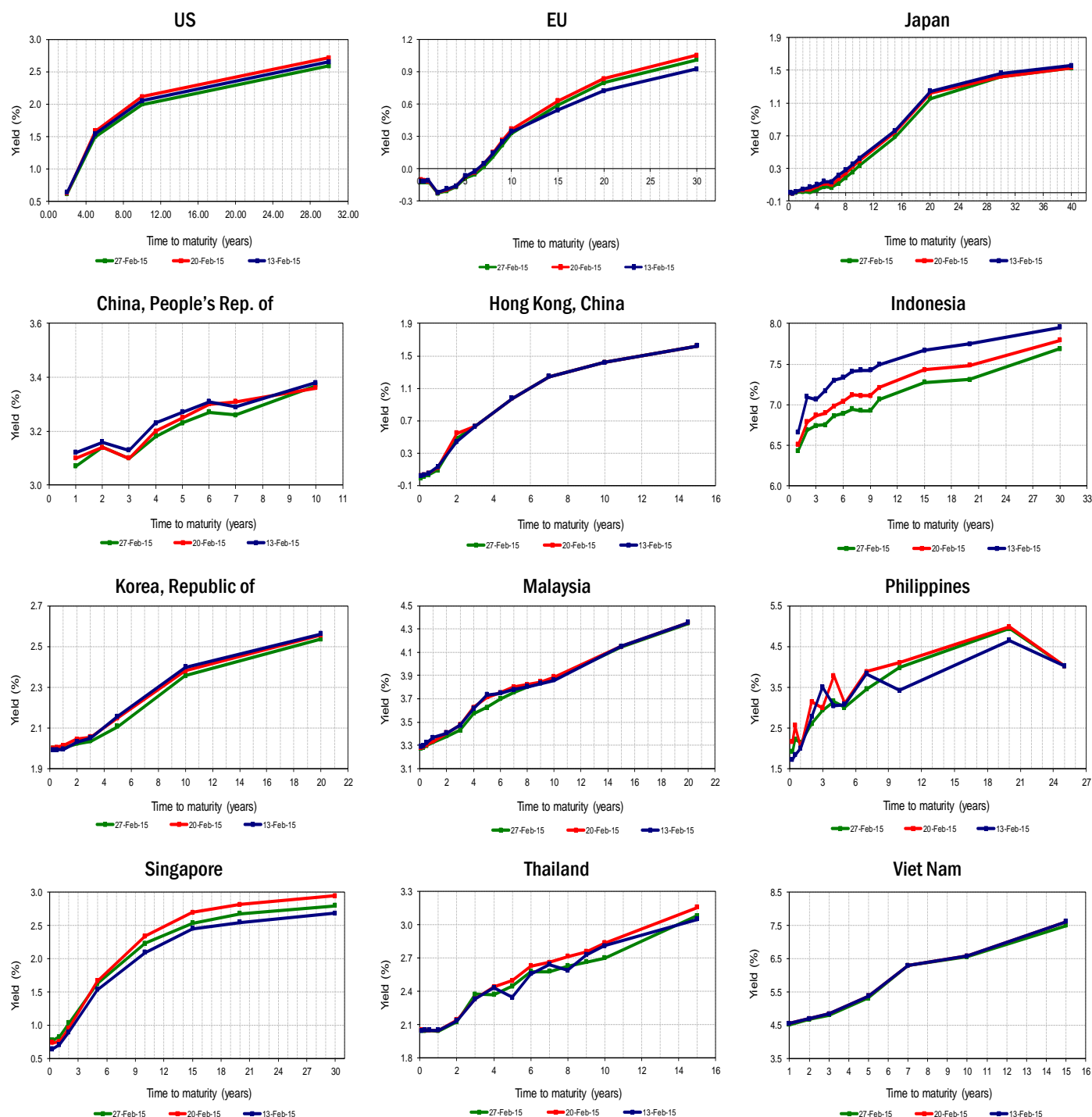
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-15*
US	1.99	-3.65	-11.87	-17.82
EU	0.33	3.00	-3.90	-21.30
Japan	0.34	-0.80	-5.60	0.60
PRC	3.37	0.00	1.00	-28.00
Hong Kong, China	1.42	0.00	0.00	-44.20
India	7.73	-1.10	3.30	-15.30
Indonesia	7.06	-4.20	-14.40	-76.10
Korea, Rep. of	2.36	-1.00	-2.50	-25.00
Malaysia	3.87	1.40	-1.90	-27.80
Philippines	3.98	-8.75	-11.95	12.00
Singapore	2.23	-2.42	-10.27	-4.55
Thailand	2.65	1.10	-13.60	-7.80
Viet Nam	6.56	-1.70	-2.50	-66.70

Close of 27 February 2015

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

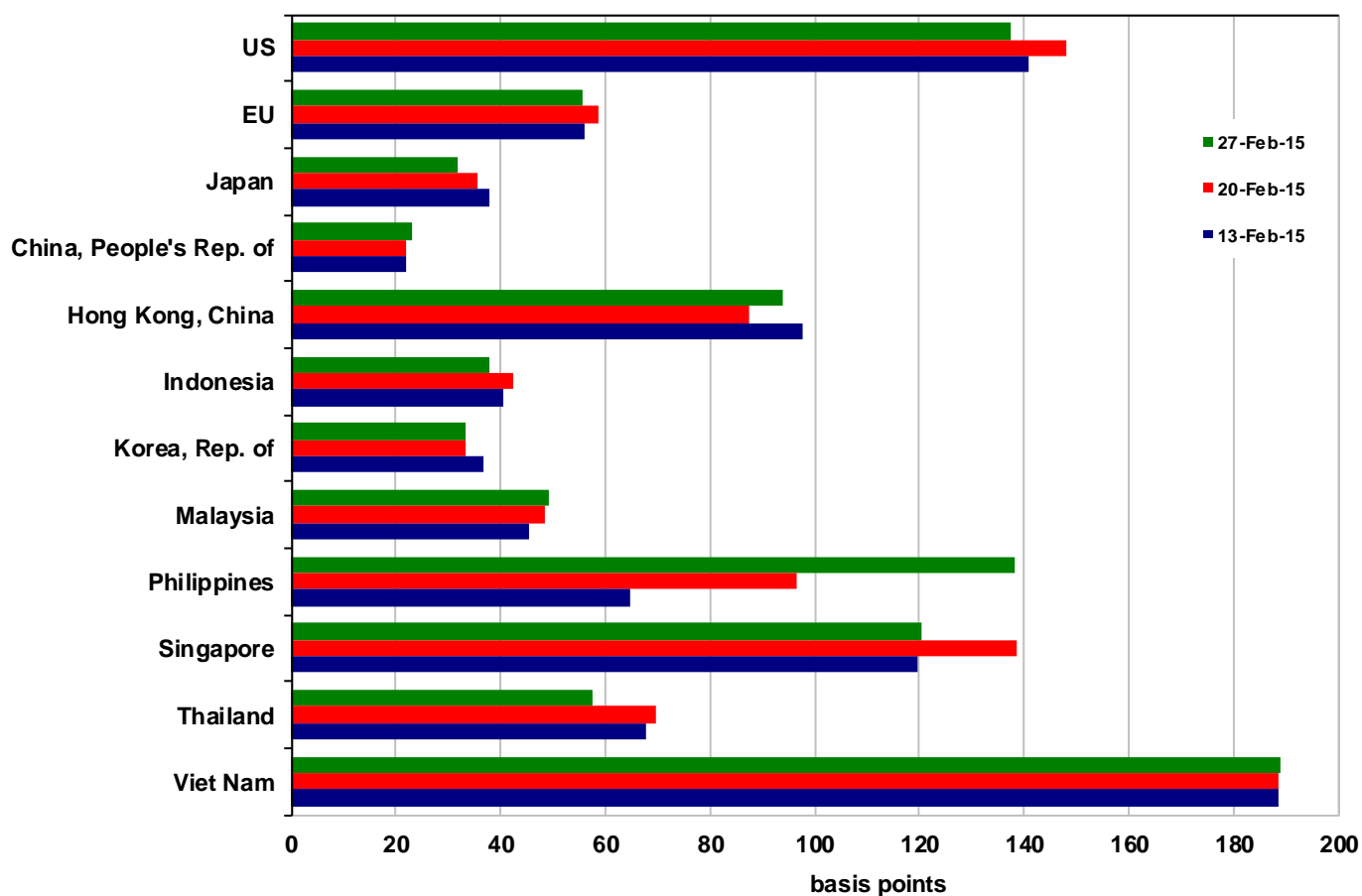


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



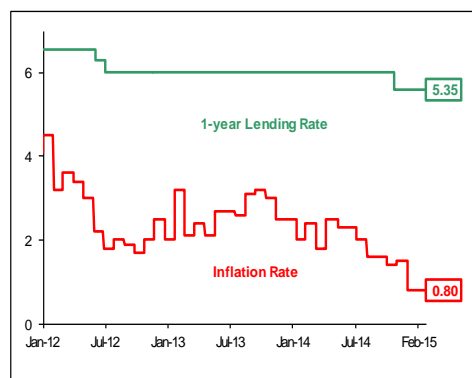
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

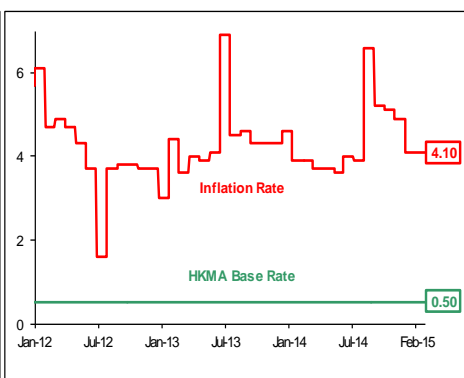
China, People's Rep. of



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

Source: Bloomberg LP.

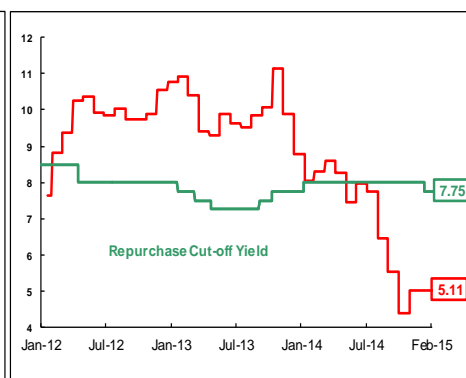
Hong Kong, China



The Hong Kong Monetary Authority maintains a Discount Window Base Rate.

Source: Bloomberg LP.

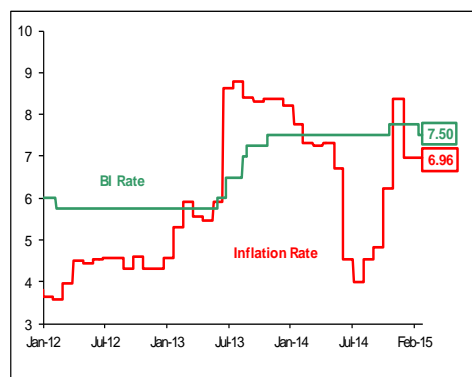
India



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

Source: Bloomberg LP.

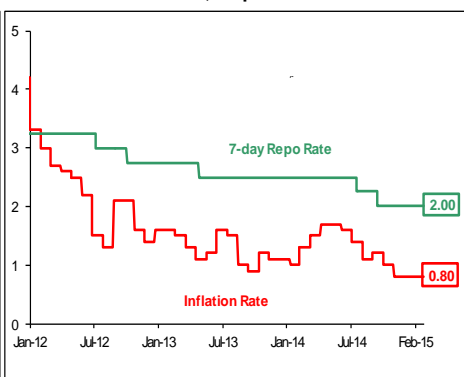
Indonesia



Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.

Source: Bloomberg LP.

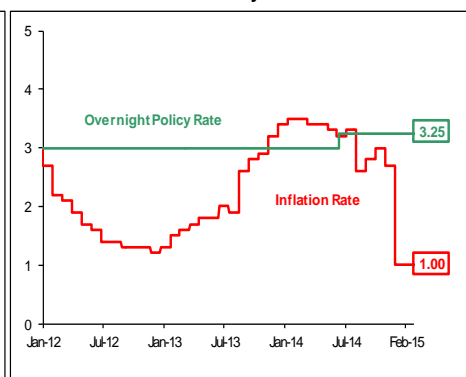
Korea, Republic of



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.

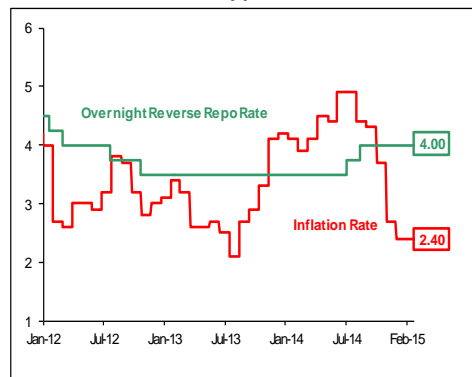
Malaysia



Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.

Source: Bloomberg LP.

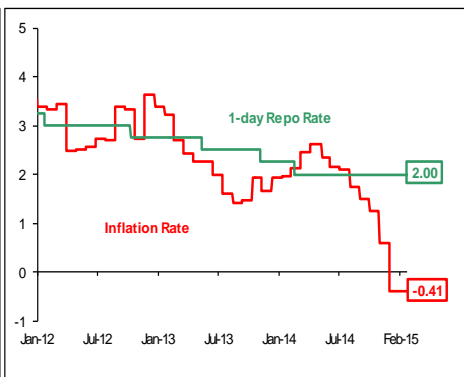
Philippines



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

Source: Bloomberg LP.

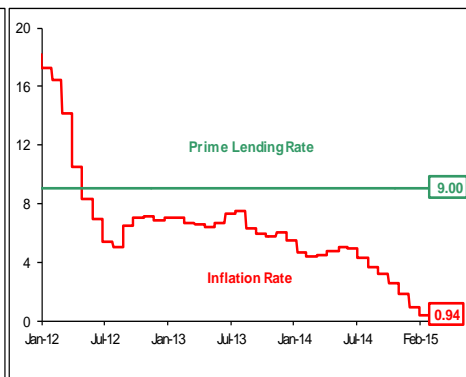
Thailand



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



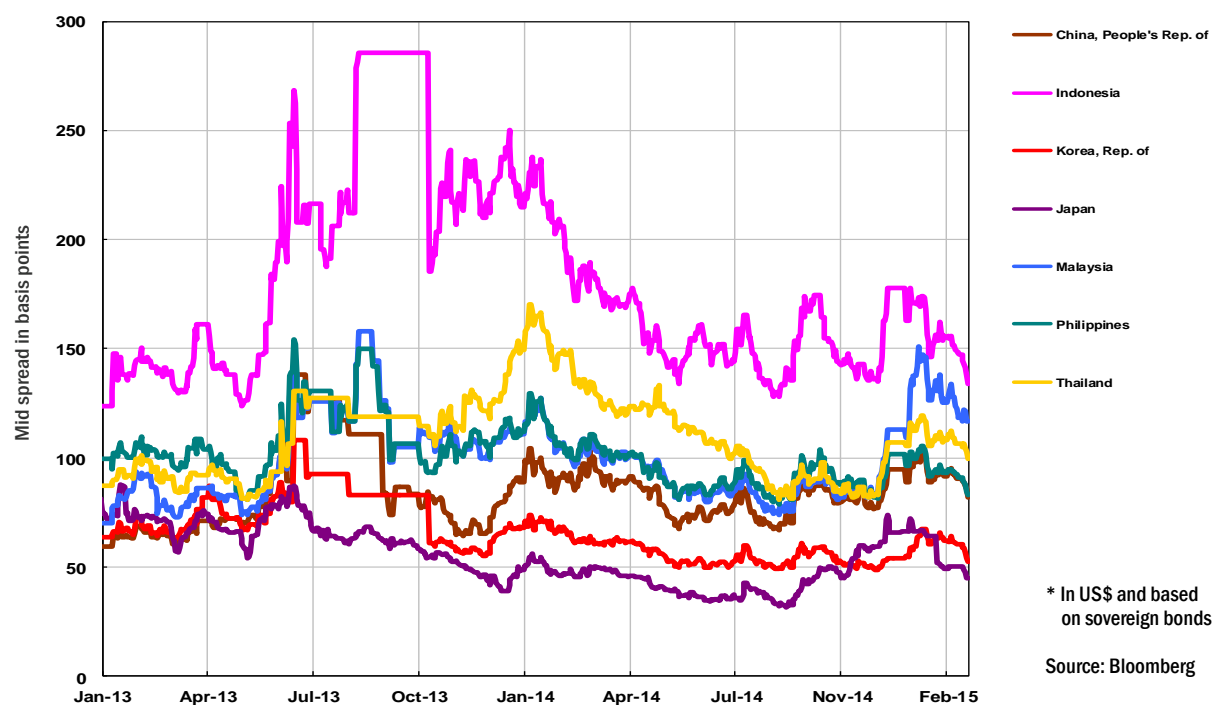
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

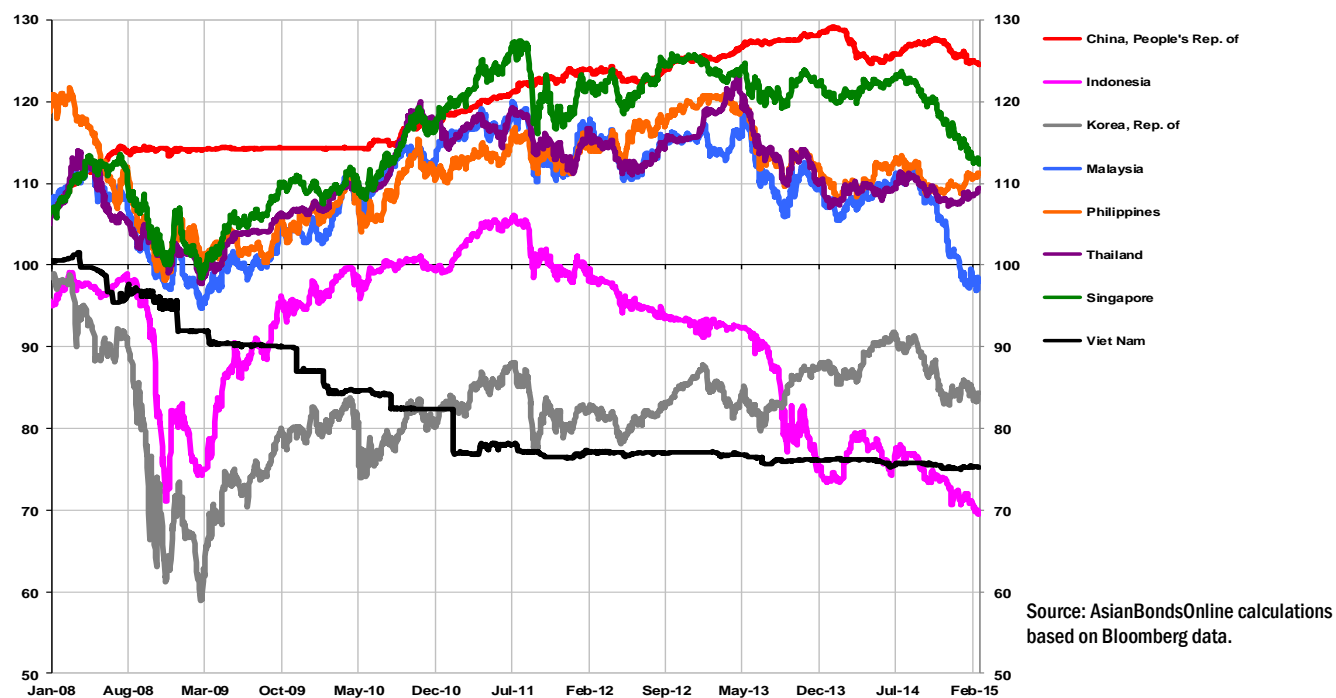
Credit Default Swap Spreads and Exchange Rate Indexes

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 (23 – 27 February 2015)

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	25-Feb	7-year Treasury Bonds	3.18	3.36	20.00	20.00
HK	24-Feb	91-day Exchange Fund Bills	0.04		29.90	29.90
		182-day Exchange Fund Bills	0.05		9.00	9.00
		364-day Exchange Fund Bills	0.10		1.30	1.30
ID	24-Feb	6-month Islamic Treasury Bills	5.86			500.00
		1.25-year Project-Based Sukuk	6.86		2,000.00	600.00
		5-year Project-Based Sukuk	7.20			940.00
		25-year Project-Based Sukuk	7.94			530.00
JP	24-Feb	40-year Japanese Government Bonds	1.55	1.70	400.00	458.40
	26-Feb	3-month Treasury Discount Bills	0.00		5,700.00	5,659.92
		2-year Japanese Government Bonds	0.03	0.10	2,700.00	2,698.60
KR	23-Feb	91-day Monetary Stabilization Bonds	2.04		1,300.00	1,300.00
		1-year Monetary Stabilization Bonds	2.05	1.97	1,200.00	1,200.00
		20-year Treasury Bonds	2.59	3.75	859.00	859.00
MY	26-Feb	5.5 year Government Islamic Issue	3.80	3.80	4.00	4.00
SG	24-Feb	28-day MAS Bills	0.64		0.80	0.80
		84-day MAS Bills	0.49		5.60	5.60
	25-Feb	30-year SGS Bonds	2.62	2.75	1.80	1.80
	26-Feb	168-day MAS Bills	0.70		2.30	2.30
TH	23-Feb	28-day Treasury Bills	1.97		15.00	15.00
		91-day Treasury Bills	1.98		10.00	10.00
	24-Feb	91-day Bank of Thailand Bonds	1.97		32.00	32.00
		182-day Bank of Thailand Bonds	1.99		32.00	32.00
	25-Feb	6.81-year Government Bonds	2.63	3.65	20.00	20.00

LCY = local currency, MAS = Monetary Authority of Singapore, SGS = Singapore Government Securities.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (3 – 9 March 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China Retail Sales y-o-y, % JAN	03/03	12/13: 5.7% 01/14: 14.4% 11/14: 4.2% 12/14: -3.9%	Retail sales in Hong Kong, China contracted -3.9% year-on-year (y-o-y) in December after rising 4.2% y-o-y in November.
Korea, Rep. of CPI y-o-y, % FEB	03/03	01/14: 1.1% 02/14: 1.0% 12/14: 0.8% 01/15: 0.8%	The y-o-y rate of increase in the Consumer Price Index (CPI) of the Republic of Korea remained unchanged from the previous month at 0.8% in January.
Philippines CPI y-o-y, % FEB	03/03	01/14: 4.2% 02/14: 4.1% 12/14: 2.7% 01/15: 2.4%	Consumer price inflation in the Philippines eased to 2.4% y-o-y in January from 2.7% y-o-y in December.
Singapore PMI index FEB	03/03	01/14: 50.5 02/14: 50.9 12/14: 49.6 01/15: 49.9	Singapore's Purchasing Managers Index (PMI) fell below the 50-point threshold for the second consecutive month in January to a reading of 49.9.
Korea, Rep. of Short-Term External Debt US\$ billion 4Q14	03/05	3Q13: 114.1 4Q13: 115.3 2Q14: 131.8 3Q14: 126.1	The Republic of Korea's short-term external debt stood at US\$126.1 billion in 3Q14, down from its 2Q14 level of US\$131.8 billion and up from 3Q13's US\$114.1 billion.
Malaysia BNM Overnight Policy Rate % 5-Mar	03/05	02/14: 3.00% 03/14: 3.00% 01/15: 3.25% 02/15: 3.25%	Bank Negara Malaysia (BNM) has kept its overnight policy rate steady at 3.25% since July of last year.
Malaysia Exports y-o-y, % JAN	03/06	12/13: 14.7% 01/14: 12.1% 11/14: 2.1% 12/14: 2.7%	Exports from Malaysia rose marginally to 2.7% y-o-y in December after a 2.1% gain in November
People's Republic of China Trade Balance US\$ billion FEB	03/08	01/14: 32.0 02/14: -22.6 12/14: 49.6 01/15: 60.0	The People's Republic of China's (PRC) trade surplus climbed to US\$60.0 billion in January from US\$49.6 billion in December.

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's Consumer Price Inflation Falls in January; Consumer Price Inflation in Japan Remains Unchanged in January; Singapore Consumer Price Inflation Falls to -0.4% in January

- [Consumer Price Indices for January 2015](#)
Census and Statistics Department (28 February 2015)
- [Japan January 2015, Ku-area of Tokyo February 2015 \(preliminary\)](#)
Statistics Japan (27 February 2015)
- [Consumer Price Developments in January 2015](#)
Monetary Authority of Singapore (23 February 2015)

Hong Kong, China GDP Growth Falls in 4Q14

- [Gross Domestic Product, Fourth Quarter 2014](#)
Census and Statistics Department (28 February 2015)
- [2014 economic background and 2015 prospects](#)
Census and Statistics Department (28 February 2015)

Hong Kong, China's Exports Rise in January; The Philippines Posts Merchandise Trade Deficit in December; Thailand's Current Account Surplus Narrows

- [Consumer Price Index Malaysia January 2015](#)
Department of Statistics Malaysia (18 February 2015)
- [Producer Price Index during January 2015](#)
The Bank of Korea (17 February 2015)
- [Press Release on Economic and Monetary Conditions in January 2015](#)
Bank of Thailand (27 February 2015)
- [Table Attached to Press Release on Economic and Monetary Conditions in January 2015](#)
Bank of Thailand (27 February 2015)

Japan's Industrial Production Increases in December; Singapore Manufacturing Output Rises 0.9% y-o-y in January; Thailand Manufacturing Production Contracts in January

- [January 2015 Trade Balance a Surplus, The Indices of Industrial Production](#)
Ministry of Economy, Trade and Industry (27 February 2015)
- [Press Release on Economic and Monetary Conditions in January 2015](#)
Bank of Thailand (27 February 2015)
- [Table Attached to Press Release on Economic and Monetary Conditions in January 2015](#)
Bank of Thailand (27 February 2015)

Household Loans Rise in the Republic of Korea in 4Q14

- [Household Credit in Q4 2014](#)
The Bank of Korea (26 February 2015)

January Capital Ratio of Domestic Banks in the Republic of Korea Fall in 4Q14

- [Domestic Banks' Capital Ratios, 2014](#)
Financial Supervisory Service (24 February 2015)

Thailand Revises Investment Rules Governing Funds to Promote Derivatives & Structured Notes

- [Thailand Set to Boost Derivatives Sales as Rules Expand Choice](#)
Bloomberg (27 February 2015)
- [SEC lifts up funds' investment rules in line with international practices](#)
Securities and Exchange Commission (19 February 2015)

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