

Key Developments in Asian Local Currency Markets

Emerging East Asia's local currency (LCY) bond markets are broadly holding up well, but widening credit spreads, a strong United States dollar, Greece's debt crisis, and plunging oil prices all pose risks to the region's bond markets, says the latest Asia Bond Monitor report. The amount of outstanding LCY bonds in the region continued to expand in 4Q14 to reach US\$8.2 trillion at end-December. Government bonds outstanding totaled US\$4.9 trillion while corporate bonds stood at US\$3.3 trillion. The People's Republic of China's LCY bond market continued to dominate the region in terms of size, accounting for 63.4% of the region's total bonds at end-December. The next largest bond markets were those of the Republic of Korea and Malaysia. For a copy of the full report please click on the following link: http://asianbondsonline.adb.org/documents/abm_mar_2015.pdf.

➤ In a meeting on 17 March, the Board of Governors of Bank Indonesia decided to keep the benchmark interest rate steady at 7.5%. Also on 17 March, the Policy Board of the Bank of Japan decided to continue with its quantitative and qualitative easing in order to achieve the central bank's inflation target of 2.0%.

➤ Consumer prices in Hong Kong, China rose 4.6% year-on-year (y-o-y) in February after gaining 4.1% y-o-y in January. The largest increase came from utilities prices, which rose 21.8% y-o-y in February, due to the expiration of a one-off government subsidy. Consumer prices in Malaysia rose 0.1% y-o-y in February following a 1.0% y-o-y increase in January. The fall in consumer price inflation was due to a decline in transport prices, which fell 16.8% y-o-y, driven by lower oil prices.

➤ The Producer Price Index in the Republic of Korea fell 3.6% y-o-y in February, the same decline as in January, largely due to falling prices of manufacturing products. On a month-on-month (m-o-m) basis, the index inched up 0.1% in February following a 1.2% decrease in January.

➤ Indonesia recorded a trade surplus for the third month in a row in February at US\$738 million, following a surplus of US\$744 million in January. Japan's merchandise trade deficit narrowed to JPY424.6 billion in February as exports of goods rose 2.4% y-o-y to JPY5,941.1 billion, while importable items fell 3.6% y-o-y to JPY6,365.7 billion, according to Ministry of Finance data. In Singapore, non-oil domestic exports fell 9.7% y-o-y in February after posting 4.3% y-o-y growth in January.

➤ Overseas workers remitted a total of US\$2.0 billion to the Philippines in January, up 0.2% y-o-y. The bulk of the remittances came

Asia Bond Monitor March 2015 [read more](#)

10-Year Selected LCY Government Security Yields Close of 20 March 2015
basis point change from

| Markets | Latest Closing | Previous Day* | Previous Week* | 1-Jan-15* |
|------------------|----------------|---------------|----------------|-----------|
| US | 1.93 | -3.82 | -18.37 | -24.09 |
| EU | 0.18 | -0.30 | -7.30 | -35.70 |
| Japan | 0.33 | -0.80 | -8.10 | 0.00 |
| PRC | 3.55 | 1.00 | 10.00 | -10.00 |
| Hong Kong, China | 1.48 | 2.20 | -16.00 | -41.50 |
| India | 7.75 | -1.00 | -5.20 | -13.50 |
| Indonesia | 7.43 | 9.20 | 7.40 | -39.00 |
| Korea, Rep. of | 2.21 | -0.30 | -15.00 | -39.80 |
| Malaysia | 3.90 | 0.40 | -4.40 | -24.80 |
| Philippines | 4.15 | -5.66 | -1.11 | 29.09 |
| Singapore | 2.46 | 6.48 | 3.15 | 18.17 |
| Thailand | 2.74 | 1.60 | 1.70 | 1.20 |
| Viet Nam | 6.55 | 7.00 | 12.50 | -68.00 |

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- ▶ 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

from workers in the United States, Saudi Arabia, United Arab Emirates, and the United Kingdom.

➤ Last week, Ratings and Investment affirmed Indonesia's sovereign credit ratings at BBB- with a stable outlook. Also last week, Fitch Ratings affirmed its BBB- long-term foreign currency issuer default rating and BBB long-term local currency issuer default rating for the Philippines. Both ratings were given a stable outlook.

➤ Government bond yields rose last week for all tenors in the People's Republic of China (PRC) and Viet Nam, and for most maturities in Indonesia and Singapore. On the other hand, yields fell for all tenors in the Republic of Korea following the policy rate cut in the earlier week, and Malaysia on subdued inflation. Yield spreads between 2- and 10-year tenors narrowed in all markets except for the PRC, Indonesia, and Thailand.

Summary Text of News Articles

Bank Indonesia Holds Policy Rate Steady; Bank of Japan Maintains Money Market Operations and Asset Purchase Program

In a meeting held on 17 March, the Board of Governors of Bank Indonesia decided to keep the benchmark interest rate steady at 7.5%. Bank Indonesia also left unchanged the deposit facility rate at 5.5% and the lending facility rate at 8.0%. Bank Indonesia believes that current interest rates are consistent with efforts to keep inflation within its target range of 3.0%–5.0% for the year, as well as to lower the current account deficit to a more sustainable level (equivalent to 2.5%–3.0% of gross domestic product). Also, Bank Indonesia expects economic growth to improve in 2015 to 5.4%–5.8%, buoyed by higher investment, strong domestic consumption, and rising exports.

The Policy Board of the Bank of Japan decided on 17 March to continue with its quantitative and qualitative easing measures in order to achieve its inflation target of 2.0%. The central bank will maintain its money market operations to raise the monetary base by about JPY80 trillion annually and will continue its asset purchase program, which includes purchases of Japanese Government Bonds, exchange-traded funds, and Japan Real Estate Investment Trusts at current annual amounts of JPY80 trillion, JPY3 trillion, and JPY90 billion, respectively.

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 Japan, refer to this link:

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

February Consumer Price Inflation Rises in Hong Kong, China, Falls in Malaysia

Consumer price inflation in Hong Kong, China rose to 4.6% year-on-year (y-o-y) in February from 4.1% y-o-y in January. The largest increase came from utilities prices, which rose 21.8% y-o-y in February, due to the expiration of a one-off government subsidy. Housing prices rose 8.2% y-o-y due to the end of concessions in rental prices in October. Alcoholic drinks and tobacco prices rose 6.3% y-o-y. The government said that the accelerated pace of inflation in February consumer prices was due to the timing of the Lunar New Year.

Consumer prices in Malaysia rose 0.1% y-o-y in February after gaining 1.0% y-o-y in January. The fall in consumer price inflation was due to a fall in transport prices, which declined 16.8% y-o-y, on account of lower oil prices. Communications prices, which fell 0.9% y-o-y, and clothing prices, which fell 0.6% y-o-y, also showed declines. On the other hand, alcoholic beverages had a 10.6% y-o-y price increase and restaurants and hotels showed a 2.9% y-o-y increase.

For inflation rate 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 rate trends in Malaysia, refer to this link:

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

The Republic of Korea's PPI Falls y-o-y, Rises m-o-m in February

The Producer Price Index (PPI) in the Republic of Korea fell 3.6% y-o-y in February, the same rate of decline as in January, largely due to falling prices of manufacturing products. The PPI's sub-index for manufacturing industry products decreased 6.5% y-o-y in February, compared with a 6.3% y-o-y decline in January. Similarly, the sub-index for electric power, gas, and water supply slipped 2.6% y-o-y in February, following a 2.7% y-o-y decline in January. On the other hand, the sub-index for agricultural, forestry, and marine products increased 1.7% y-o-y in February after posting a 1.6% y-o-y decline in January. On a month-on-month (m-o-m) basis, the PPI inched up 0.1% in February following a 1.2% decrease in January.

Summary Text of News Articles

**Indonesia Records US\$738 Million Trade Surplus in February;
Japan's Merchandise Trade Deficit Narrows in February;
Singapore's NODX Falls 9.7% y-o-y in February**

Indonesia recorded a trade surplus for the third month in a row in February at US\$738 million, after posting a surplus of US\$744 million in January. The oil and gas trade recorded a surplus of US\$174 billion, while the non-oil and gas trade posted a surplus of US\$565 billion. Bank Indonesia expects the trade performance in February to positively affect the current account performance in 1Q15. Meanwhile, exports and imports continued to slump in February as exports contracted 16.0% y-o-y and imports fell 16.2% y-o-y.

Japan's merchandise trade deficit narrowed to JPY424.6 billion in February as exports of goods rose 2.4% y-o-y to JPY5,941.1 billion and imports fell 3.6% y-o-y to JPY6,365.7 billion, according to Ministry of Finance data.

In Singapore, non-oil domestic exports (NODX) fell 9.7% y-o-y in February after posting 4.3% growth in January. Both electronic and non-electronic NODX contributed to the overall decline. Six out of the top 10 NODX markets recorded negative growth in February, led by Japan (-24.6%); the People's Republic of China (-22.7%); and Taipei, China (-22.3%). On a m-o-m and seasonally adjusted basis, NODX declined 9.4% in February.

Remittances to the Philippines Hit US\$2 Billion in January

Overseas workers remitted a total of US\$2 billion to the Philippines in January, up 0.2% y-o-y. A majority of the remittances came from land-based workers with contracts of 1 year or longer, who remitted a total of US\$1.5 billion. Sea-based workers and land-based workers with contracts of less than 1 year remitted US\$0.5 billion. The bulk of the remittances came from workers in the United States, Saudi Arabia, United Arab Emirates, and the United Kingdom.

**R&I Affirms Indonesia's Sovereign Credit Ratings;
Fitch Affirms the Philippines' Issuer Default Ratings**

Last week, Ratings and Investments (R&I) affirmed Indonesia's sovereign credit ratings at BBB- with a stable outlook. R&I cited the following factors to support its ratings decision: (i) Indonesia's expanded fiscal space, (ii) the government's commitment to implementing structural reforms, and (iii) fading concerns over foreign currency liquidity.

Also last week, Fitch Ratings (Fitch) affirmed its BBB- long-term foreign currency issuer default ratings and BBB long-term local currency issuer default ratings for the Philippines. Both ratings were given a stable outlook. Fitch cited the Philippines' strong macroeconomic performance as the reason for its ratings decision.

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 | 0.00 | -0.51 | -2.03 | -3.55 |
| EU | -0.20 | 1.50 | -3.90 | -16.40 |
| Japan | 0.01 | 0.60 | 0.60 | 0.60 |
| PRC | 3.10 | 1.00 | -6.00 | -56.00 |
| Hong Kong, China | 0.07 | 0.00 | 3.90 | -0.80 |
| India | 8.31 | 0.00 | 0.00 | 0.00 |
| Korea, Rep. of | 1.75 | -0.40 | -2.00 | -31.90 |
| Malaysia | 3.22 | 0.00 | -1.90 | -13.80 |
| Philippines | 2.56 | -48.97 | 92.67 | 18.32 |
| Singapore | 0.89 | 0.90 | 2.20 | 21.40 |
| Thailand | 1.77 | -0.18 | -0.49 | -27.95 |

Close of 20 March 2015

10-Year Selected LCY Government Bond Yields

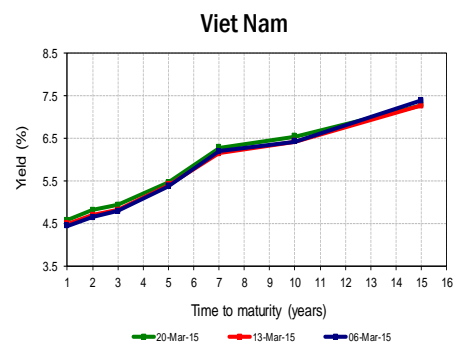
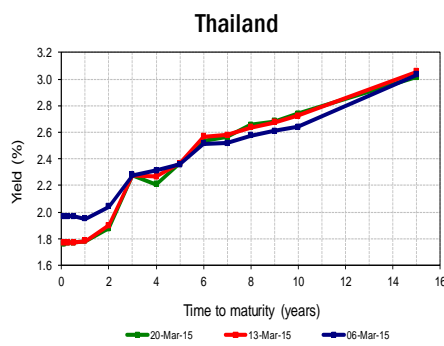
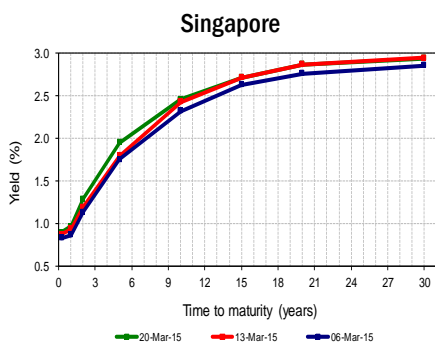
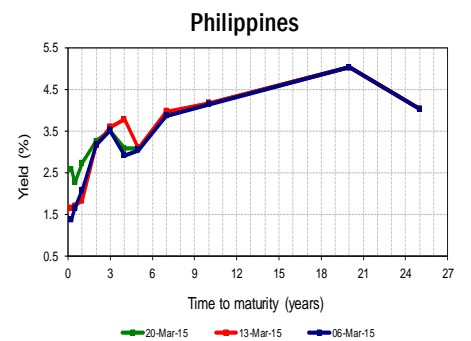
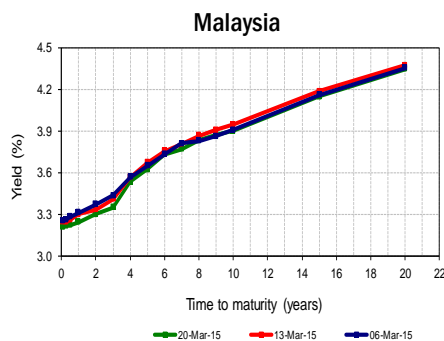
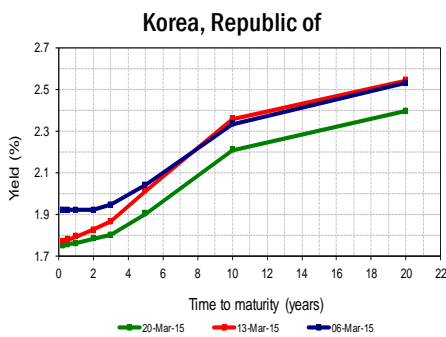
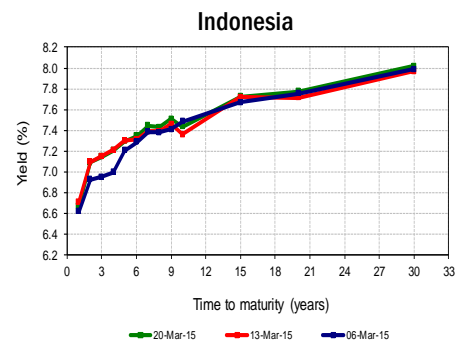
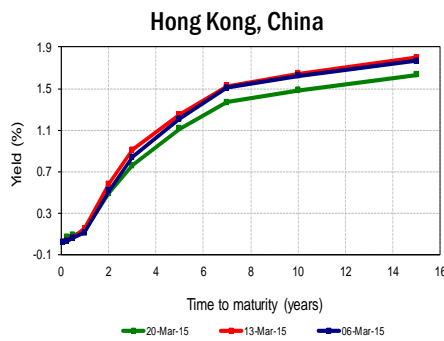
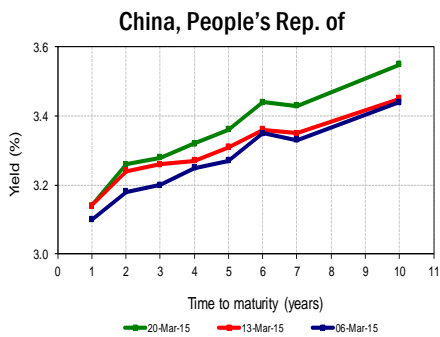
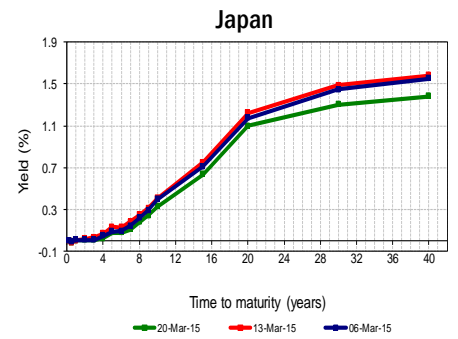
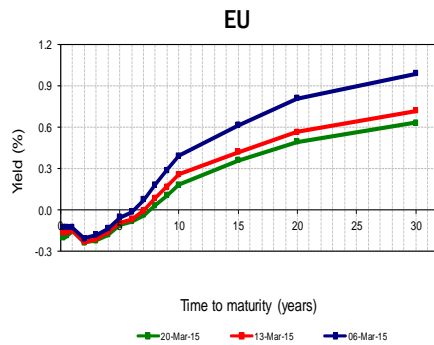
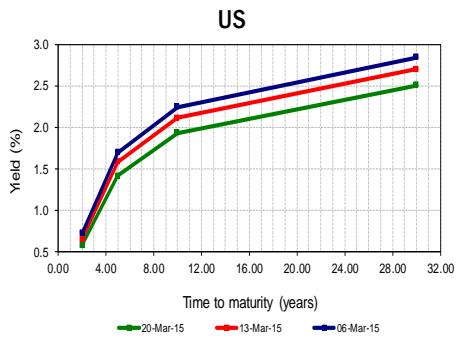
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| Japan | 0.33 | -0.80 | -8.10 | 0.00 |
| PRC | 3.55 | 1.00 | 10.00 | -10.00 |
| Hong Kong, China | 1.48 | 2.20 | -16.00 | -41.50 |
| India | 7.75 | -1.00 | -5.20 | -13.50 |
| Indonesia | 7.43 | 9.20 | 7.40 | -39.00 |
| Korea, Rep. of | 2.21 | -0.30 | -15.00 | -39.80 |
| Malaysia | 3.90 | 0.40 | -4.40 | -24.80 |
| Philippines | 4.15 | -5.66 | -1.11 | 29.09 |
| Singapore | 2.46 | 6.48 | 3.15 | 18.17 |
| Thailand | 2.74 | 1.60 | 1.70 | 1.20 |
| Viet Nam | 6.55 | 7.00 | 12.50 | -68.00 |

Close of 20 March 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

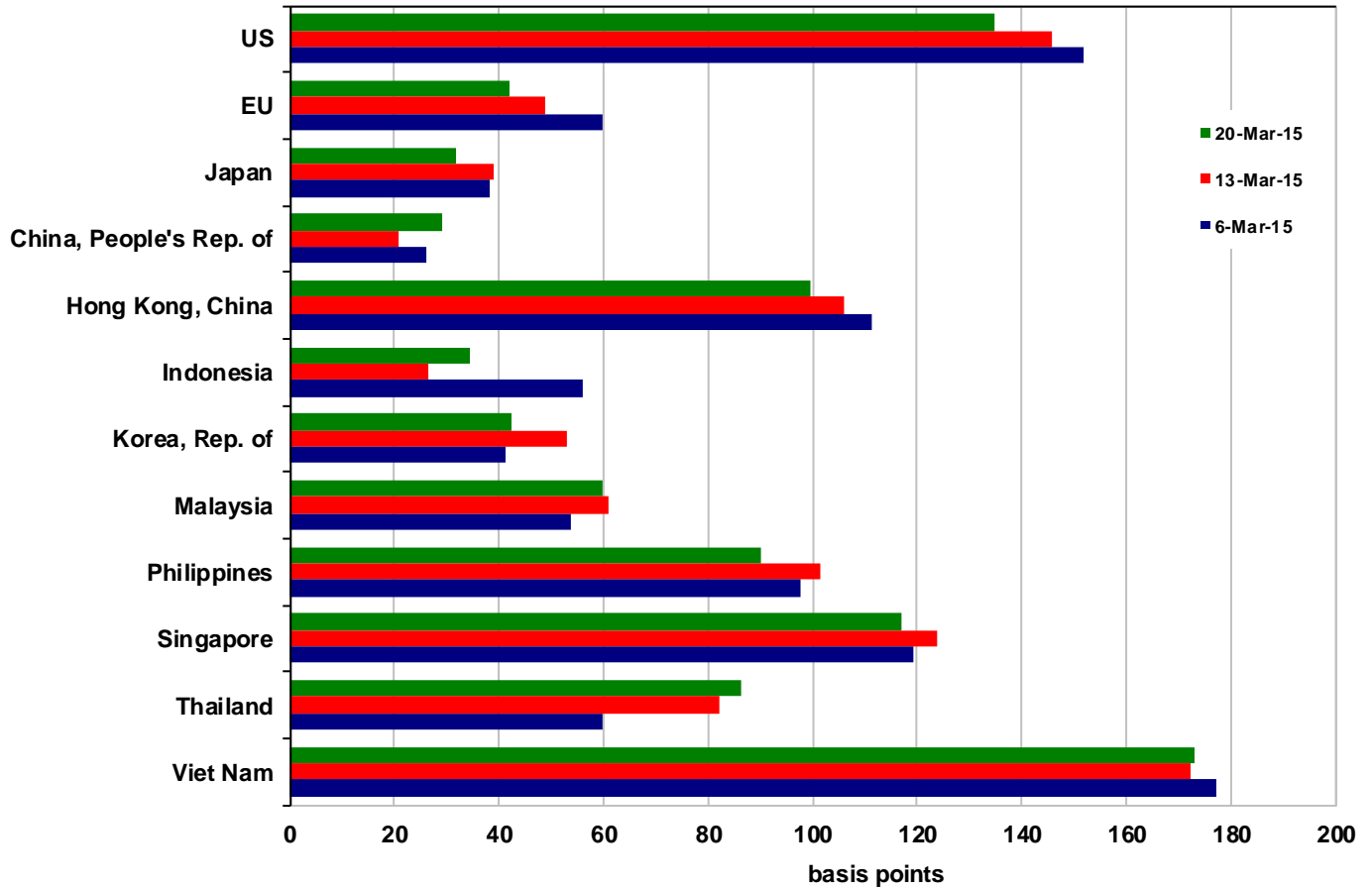
Tip: Zoom-in on the table using the Acrobat zoom tool



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

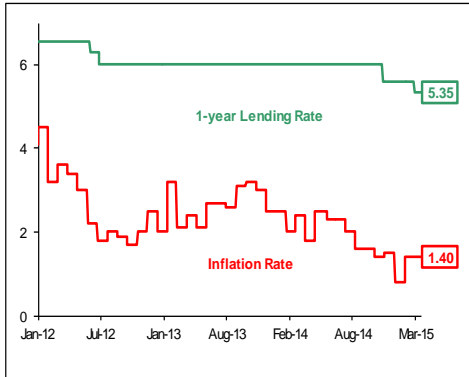


EU = European Union, US = United States.
Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

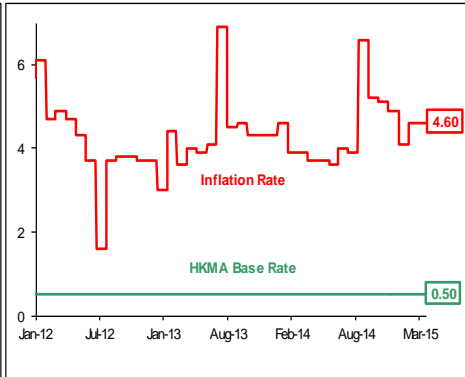
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



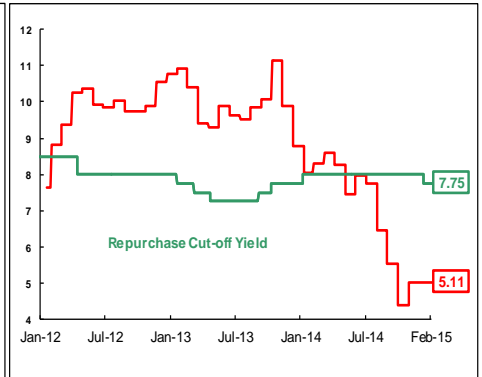
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



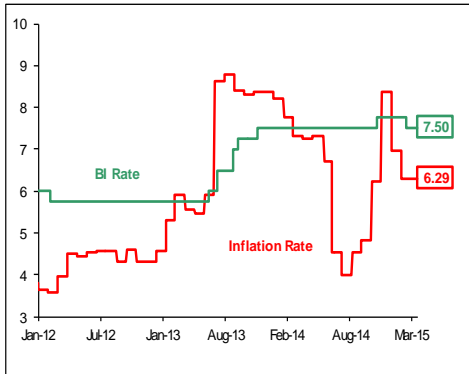
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

India



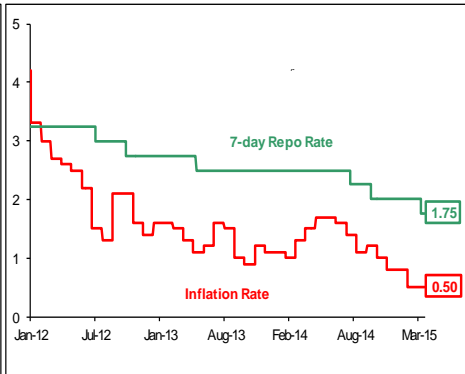
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate.
Source: Bloomberg LP.

Indonesia



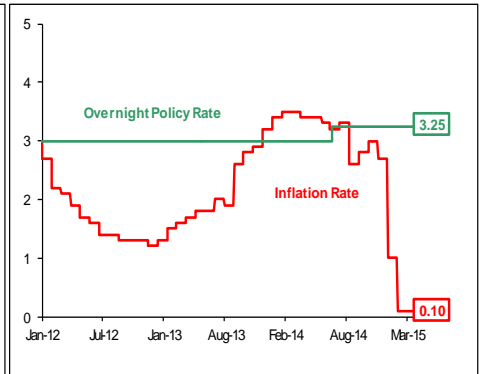
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



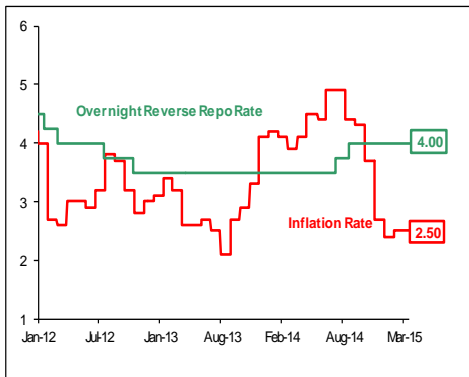
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



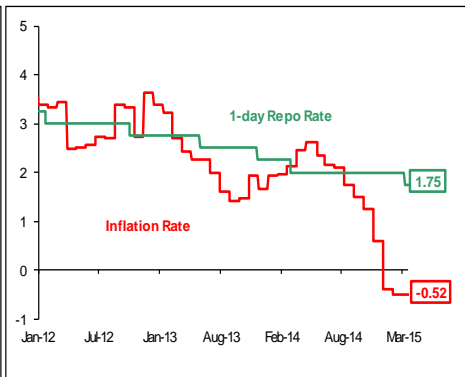
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



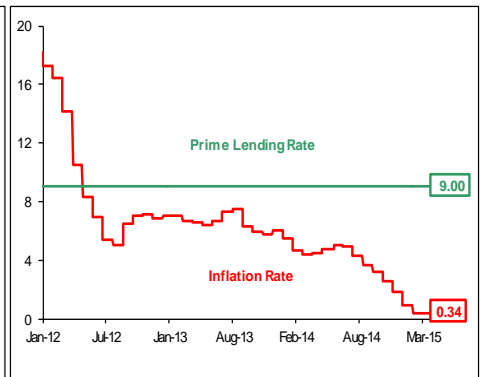
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

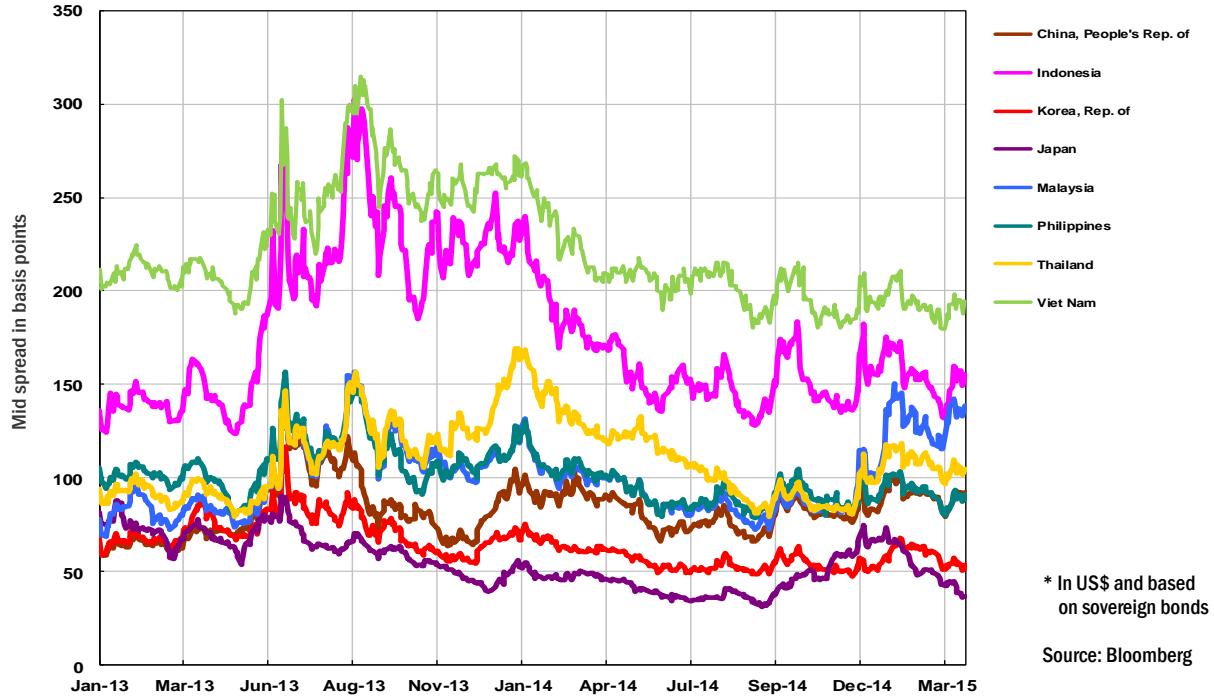


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

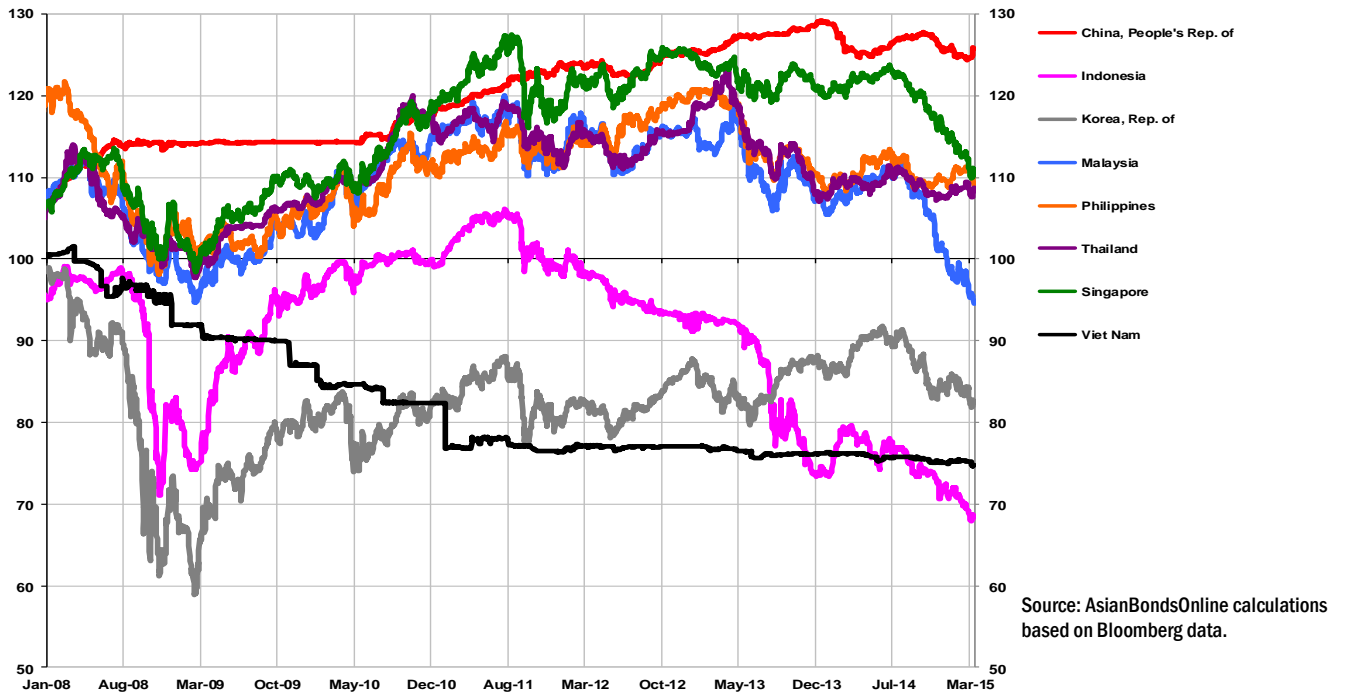
Credit Default Swap Spreads and Exchange Rate Indexes

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 (16 – 20 March 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 | 18-Mar | 7-year Treasury Bonds | 3.36 | 3.36 | 20.00 | 20.00 |
| HK | 17-Mar | 91-day Exchange Fund Bills | 0.05 | | 32.70 | 32.70 |
| | | 182-day Exchange Fund Bills | 0.07 | | 11.00 | 11.00 |
| | 20-Mar | 30-day Exchange Fund Bills | 0.02 | | 2.20 | 2.20 |
| ID | 17-Mar | 1-year Treasury Bills | 5.92 | | | 3,000.00 |
| | | 4-year Treasury Bonds | 7.28 | 7.88 | 10,000.00 | 1,150.00 |
| | | 14-year Treasury Bonds | 7.63 | 9.00 | | 1,700.00 |
| | | 29-year Treasury Bonds | 8.03 | 8.75 | | 900.00 |
| JP | 18-Mar | 1-year Treasury Discount Bills | 0.0019 | | 2,500.00 | 2,499.90 |
| | | 20-year JGB | 1.20 | 1.20 | 1,200.00 | 1,199.20 |
| KR | 16-Mar | 91-day Monetary Stabilization Bonds | 1.75 | | 1,300.00 | 1,300.00 |
| | | 182-day Monetary Stabilization Bonds | 1.77 | | 800.00 | 800.00 |
| | | 10-year Treasury Bonds | 2.35 | 3.00 | 1,050.00 | 1,050.00 |
| MY | 19-Mar | 364-day Treasury Bills | 3.00 | | 0.10 | 0.10 |
| | | 15.5 year Government Islamic Issue | 4.25 | | 1.50 | 1.50 |
| PH | 17-Mar | 7-year Treasury Bonds | 3.46 | 3.50 | 25.00 | 25.00 |
| SG | 17-Mar | 28-day MAS Bills | 0.25 | | 0.60 | 0.60 |
| | | 84-day MAS Bills | 0.57 | | 5.00 | 5.00 |
| TH | 16-Mar | 29-day Treasury Bills | 1.75 | | 20.00 | 20.00 |
| | 17-Mar | 91-day Bank of Thailand Bonds | 1.76 | | 30.00 | 30.00 |
| | | 182-day Bank of Thailand Bonds | 1.77 | | 30.00 | 30.00 |
| VN | 18-Mar | 10-year Treasury Bonds | 6.39 | | 2,500.00 | 200.00 |

LCY = local currency, JGB = Japanese Government Bond, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (24 – 30 March 2015)

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, % MAR | 03/24 | 02/14: 4.7% 03/14: 4.4% 01/15: 0.9% 02/15: 0.3% | Consumer price inflation in Viet Nam eased to 0.3% year-on-year (y-o-y) in February from 0.9% y-o-y in January. |
| Viet Nam Exports YTD y-o-y, % MAR | 03/24 | 02/14: 12.3% 03/14: 14.1% 01/15: 9.7% 02/15: 8.6% | Year-to-date (YTD) export growth for January–February slipped to 8.6% y-o-y in Viet Nam after posting 9.7% y-o-y growth in January. |
| Philippines Trade Balance US\$ million JAN | 03/25 | 12/13: -485 01/14: -1,576 11/14: -233 12/14: -68 | The Philippines' trade deficit narrowed to US\$68 million in December from US\$233 million in November. |
| Republic of Korea GDP—Final y-o-y, % 4Q14 | 03/25 | 3Q13: 3.4% 4Q13: 3.7% 3Q14: 3.2% 4Q14: 2.7% | Real gross domestic product (GDP) growth in the Republic of Korea stood at 2.7% y-o-y in 4Q14, down from 3.2% growth in 3Q14, based on advance estimates of The Bank of Korea released on 23 January. On a quarter-on-quarter (q-o-q) basis, real GDP growth was 0.4%. |
| Viet Nam GDP y-o-y, % 1Q15 | 03/25 | 3Q13: 5.1% 4Q13: 5.4% 3Q14: 5.6% 4Q14: 6.0% | Economic growth in Viet Nam reached 6.0% y-o-y in 2014 compared with the government's target of 5.8%. |
| Hong Kong, China Exports y-o-y, % FEB | 03/26 | 01/14: -0.4% 02/14: -1.3% 12/14: 0.6% 01/15: 2.8% | Export growth in Hong Kong, China rose to 2.8% y-o-y in January from only 0.6% y-o-y in December. |
| Philippines Overnight Borrowing Rate % 26-Mar | 03/26 | 02/14: 3.50% 03/14: 3.50% 01/15: 4.00% 02/15: 4.00% | The Monetary Board of the Bangko Sentral ng Pilipinas decided to keep its overnight borrowing rates steady at 4.0% in its meeting held on 12 February. |
| Singapore Exports y-o-y, % FEB | 03/26 | 01/14: 3.5% 02/14: 13.1% 12/14: -1.9% 01/15: 0.9% | Exports from Singapore rebounded in January, rising 0.9% y-o-y, after contracting 1.9% y-o-y in December. |
| Japan CPI y-o-y, % FEB | 03/27 | 01/14: 1.4% 02/14: 1.5% 12/14: 2.4% 01/15: 2.4% | Consumer price inflation in Japan stood at 2.4% y-o-y in January for the second month in a row. |

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)

Bank Indonesia Holds Policy Rate Steady; Bank of Japan Maintains Money Market Operations and Asset Purchase Program

- [BI Rate Unchanged at 7.50%](#)
Bank Indonesia (17 March 2015)
- [Statement on Monetary Policy](#)
Bank of Japan (17 March 2015)

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