

20 April 2015

asianbondsonline.adb.org

Key Developments in Asian Local Currency Markets

Gross domestic product (GDP) growth in the People's Republic of China (PRC) slowed to 7.0% year-on-year (y-o-y) in 1Q15 from 7.3% in 4Q14. GDP growth was driven by gains in the tertiary sector, which rose 7.9% y-o-y. The secondary sector grew 6.4% y-o-y and the primary sector rose 3.2% y-o-y. Meanwhile, the PRC's industrial production growth slowed to 5.6% y-o-y in March from 6.8% y-o-y in the January–February period and from 8.8% y-o-y in March 2014. In Singapore, the economy expanded 2.1% y-o-y in 1Q15 based on advance estimates released last week by the Ministry of Trade and Industry. Both the construction and services sector recorded gains in 1Q15 with y-o-y growth of 3.3% and 3.1%, respectively. The manufacturing sector, however, contracted 3.4% y-o-y in 1Q15 as output in the transport engineering, electronics, and precision engineering clusters declined.

✎ The People's Bank of China cut by 100 basis points (bps) the reserve requirement ratio for all banks. There is an additional 100 bps cut for rural cooperative banks, and an additional 200 bps cut for the Agricultural Development Bank of China. The reduced reserve requirement ratios come into effect on 20 April.

✎ In its meeting held on 14 April, the Board of Governors of Bank Indonesia decided to hold its benchmark interest rate steady at 7.50%, Bank Indonesia also left unchanged the deposit facility at 5.50% and the lending facility at 8.00%. In its Monetary Policy Statement last week, the Monetary Authority of Singapore said that it will keep its policy of modest and gradual appreciation of the S\$NEER policy band and left unchanged its slope and width, and the level at which the band is centered.

✎ The PRC's trade surplus in March narrowed to CNY18.2 billion from CNY370.5 billion in February. In Indonesia, a trade surplus of US\$1,132 million was recorded in March, nearly double the US\$663 million trade surplus in February, on the back of a growing non-oil and gas surplus. In Singapore, non-oil domestic exports (NODX) rebounded strongly in March, posting 18.5% y-o-y growth after contracting 9.7% y-o-y in February.

✎ In the Philippines, personal remittances from overseas Filipinos rose 4.0% y-o-y in February to reach US\$2.1 billion.

✎ Foreign investors' net bond investment in the Republic of Korea rose to KRW1,370 billion in March, according to the Financial Supervisory Service. The largest net foreign bond investment in March came from the PRC at KRW743 billion. By the end of 1Q15, US investors remained the largest foreign holder of Korean bonds.

✎ Hong Kong, China issued an additional HKD3.2 billion in HKSAR bonds last week via a reopening of existing HKSAR bonds that mature in 2020. The new issuance has a tenor of 5 years

Asia Bond Monitor March 2015

[read more](#)

10-Year Selected LCY Government Security Yields Close of 17 April 2015 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	1.87	-2.44	-8.20	-30.59
EU	0.08	-0.70	-7.70	-46.30
Japan	0.31	-2.10	-3.70	-2.10
PRC	3.70	0.00	0.00	5.00
Hong Kong, China	1.39	-0.40	-8.40	-50.70
India	7.80	-0.40	-0.20	-8.50
Indonesia	7.53	1.80	28.50	-29.00
Korea, Rep. of	2.12	-4.00	4.00	-49.00
Malaysia	3.89	0.00	2.70	-25.40
Philippines	4.11	-0.67	-4.50	24.67
Singapore	2.14	3.04	6.75	-14.18
Thailand	2.64	-1.50	-2.00	-8.60
Viet Nam	6.61	-3.10	-5.40	-61.70

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

and a coupon rate of 1.06%. The Government of Malaysia priced US\$1.5 billion worth of dual-tranche US dollar *sukuk* (Islamic bonds) via a special purpose vehicle, Malaysia Sovereign *Sukuk*. The issue comprised a US\$1.0 billion 10-year tranche and a US\$500 million 30-year tranche. The 10-year and 30-year *sukuk* were priced at 155 bps and 170 bps over US Treasuries, respectively.

✎ Government bond yields rose for all tenors in Indonesia buoyed by strong trade figures released last week. Yields for most tenors rose in Hong Kong, China; Malaysia, and Viet Nam. In contrast, yields fell for most tenors in the Philippines and Thailand. The yield spread between the 2- and 10-year yields widened for Indonesia, the Republic of Korea, Malaysia, and Singapore while it narrowed for other emerging East Asian markets.

Summary Text of News Articles

The PRC's GDP Grows 7.0% in 1Q15, Industrial Production Falls in March Singapore's GDP Grows 2.1% in 1Q15

Gross domestic product (GDP) growth in the People's Republic of China (PRC) slowed to 7.0% year-on-year (y-o-y) in 1Q15 from 7.3% y-o-y in 4Q14. Growth was driven by gains in the tertiary sector, which expanded 7.9% y-o-y. The secondary sector grew 6.4% y-o-y while the primary sector grew 3.2% y-o-y. The government said that economic growth was stable despite external and domestic challenges.

Meanwhile, the PRC's industrial production growth rose to 5.6% y-o-y in March from 6.8% y-o-y in the January–February period and from 8.8% y-o-y in March 2014. Growth was dragged down by a decline in the production of electricity, water, and gas, which fell 1.1% y-o-y in March. Mining and quarrying was also weak, growing only 1.4% y-o-y. The manufacturing sector rose 6.7% y-o-y.

In Singapore, economic growth expanded 2.1% y-o-y in 1Q15 based on advance estimates released last week by the Ministry of Trade and Industry. Both the construction and services sectors recorded gains with y-o-y growth of 3.3% and 3.1%, respectively. The manufacturing sector, however, contracted by 3.4% y-o-y in 1Q15 as output in the transport engineering, electronics, and precision engineering clusters declined. On a seasonally adjusted and quarter-on-quarter (q-o-q) basis, economic growth slowed to 1.1% in 1Q15 from 4.9% growth in 4Q14.

Bank Indonesia Keeps Policy Rate Steady at 7.50%; MAS Keeps Policy of Modest and Gradual Appreciation of the S\$NEER

In its meeting held on 14 April, the Board of Governors of Bank Indonesia decided to hold its benchmark interest rate steady at 7.50%, Bank Indonesia also left unchanged the deposit facility at 5.50% and the lending facility at 8.00%. The decision to keep these rates steady was in line with efforts to bring inflation toward its target range of 3.0%–5.0% for 2015 and 2016, and to reduce the current account deficit to a healthier level of 2.5% of GDP. Bank Indonesia said it would remain vigilant in monitoring domestic and external risks, and is committed to stabilizing the rupiah to maintain macroeconomic and financial system stability.

In its Monetary Policy Statement last week, the Monetary Authority of Singapore (MAS) said that it will keep its policy of modest and gradual appreciation of the S\$NEER policy band. MAS also left unchanged the slope and the width of the policy band, and the level at which it is centered. MAS noted that the economy is on track to grow 2.0%–4.0% in 2015, and inflation is expected to remain contained.

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

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

The PRC's Trade Weakens in March; Indonesia Posts Trade Surplus in March; Singapore NODX Climb 18.5% y-o-y in March

Exports from the PRC fell 14.6% y-o-y in March following February's 48.9% y-o-y rise. Imports fell 12.3% y-o-y in March after February's 20.1% decline. The trade surplus in March narrowed to CNY18.2 billion from CNY370.5 billion in February. The government said that the poor trade performance was due to seasonal factors as well as weak external and domestic demand.

Indonesia recorded a US\$1,132 million trade surplus in March, nearly double the US\$663 million trade surplus in February, on the back of a higher non-oil and gas surplus, which climbed to US\$1.4 billion from US\$0.6 billion. The oil and gas account posted a deficit of US\$0.3 billion in March on higher import volumes and rising prices for imported crude oil and oil derivatives. Bank Indonesia noted that the trade surplus in the first 3 months of the year would result in a lower current account deficit in 1Q15 compared with 4Q14.

Summary Text of News Articles

**The PRC's Trade Weakens in March;
Indonesia Posts Trade Surplus in March;
Singapore NODX Climb 18.5% y-o-y in March (cont...)**

In Singapore, non-oil domestic exports (NODX) rebounded strongly in March, posting 18.5% y-o-y growth after contracting 9.7% y-o-y in February. Both electronic and non-electronic NODX recorded positive growth in March. Excluding Indonesia and Japan, all of the top 10 NODX markets recorded gains in March, led by the European Union (EU 28), the Republic of Korea, and the United States. On a seasonally adjusted and month-on-month basis, NODX surged 23.0% in March.

Remittances from Overseas Filipinos Rise in February

In the Philippines, personal remittances from overseas Filipinos rose 4.0% y-o-y in February to reach US\$2.1 billion. The United States (US); Saudi Arabia; United Arab Emirates; United Kingdom; Singapore; Japan; Hong Kong, China; and Canada remained the top sources of cash remittances coursed through banks. Personal remittances into the Philippines in the first 2 months of the year reached US\$4.1 billion, up 2.1% y-o-y.

Foreign Bond Investment in the Republic of Korea Rises in March

Foreign investors' net bond investment in the Republic of Korea rose to KRW1,370 billion in March from KRW642 billion in February, according to the Financial Supervisory Service. The largest net foreign bond investment in March came from the PRC at KRW743 billion. By the end of 1Q15, US investors remained as the largest holder of Korean bonds with cumulative holdings amounting to KRW18,850 billion, which accounted for 18.4% of the total.

**Hong Kong, China Issues HKD3.2 Billion in 5-Year HKSAR Bonds;
Malaysia Prices US\$1.5 Billion Dual-Tranche Sovereign *Sukuk***

Hong Kong, China issued an additional HKD3.2 billion in HKSAR bonds last week via a reopening of existing HKSAR bonds that mature in 2020. The new issuance has a tenor of 5 years and a coupon rate of 1.06%. The bonds were issued at an average price of 99.6, which is equivalent to a 1.149% yield.

Last week, the Government of Malaysia priced US\$1.5 billion worth of dual-tranche US dollar *sukuk* (Islamic bonds) via a special purpose vehicle, Malaysia Sovereign *Sukuk*. The issue comprised a US\$1.0 billion 10-year tranche and a US\$500 million 30-year tranche. The 10-year and 30-year *sukuk* were priced at 155 basis points (bps) and 170 bps over US Treasuries, respectively. For the 10-year tranche, Malaysian investors were the largest buyers, accounting for a 28% share, followed by Asian (ex-Malaysia) investors with a share of 22%. For the 30-year tranche, Asian (ex-Malaysia) investors were the largest buyers with a 35% share, followed by US investors with a 29% share.

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			1-Jan-15*
		Previous Day*	Previous Week*		
US	0.02	0.00	0.00		-2.03
EU	-0.18	0.40	0.50		-14.50
Japan	-0.02	-1.10	-1.10		-2.00
PRC	3.06	-19.00	2.00		-60.00
Hong Kong, China	0.07	0.00	0.00		-0.80
India	8.31	0.00	0.00		0.00
Korea, Rep. of	1.67	-0.50	0.00		-39.50
Malaysia	3.19	0.00	-0.30		-17.00
Philippines	2.70	35.83	22.09		32.83
Singapore	0.84	-1.30	-14.40		16.10
Thailand	1.74	-0.56	-1.21		-30.96

Close of 17 April 2015

10-Year Selected LCY Government Bond Yields

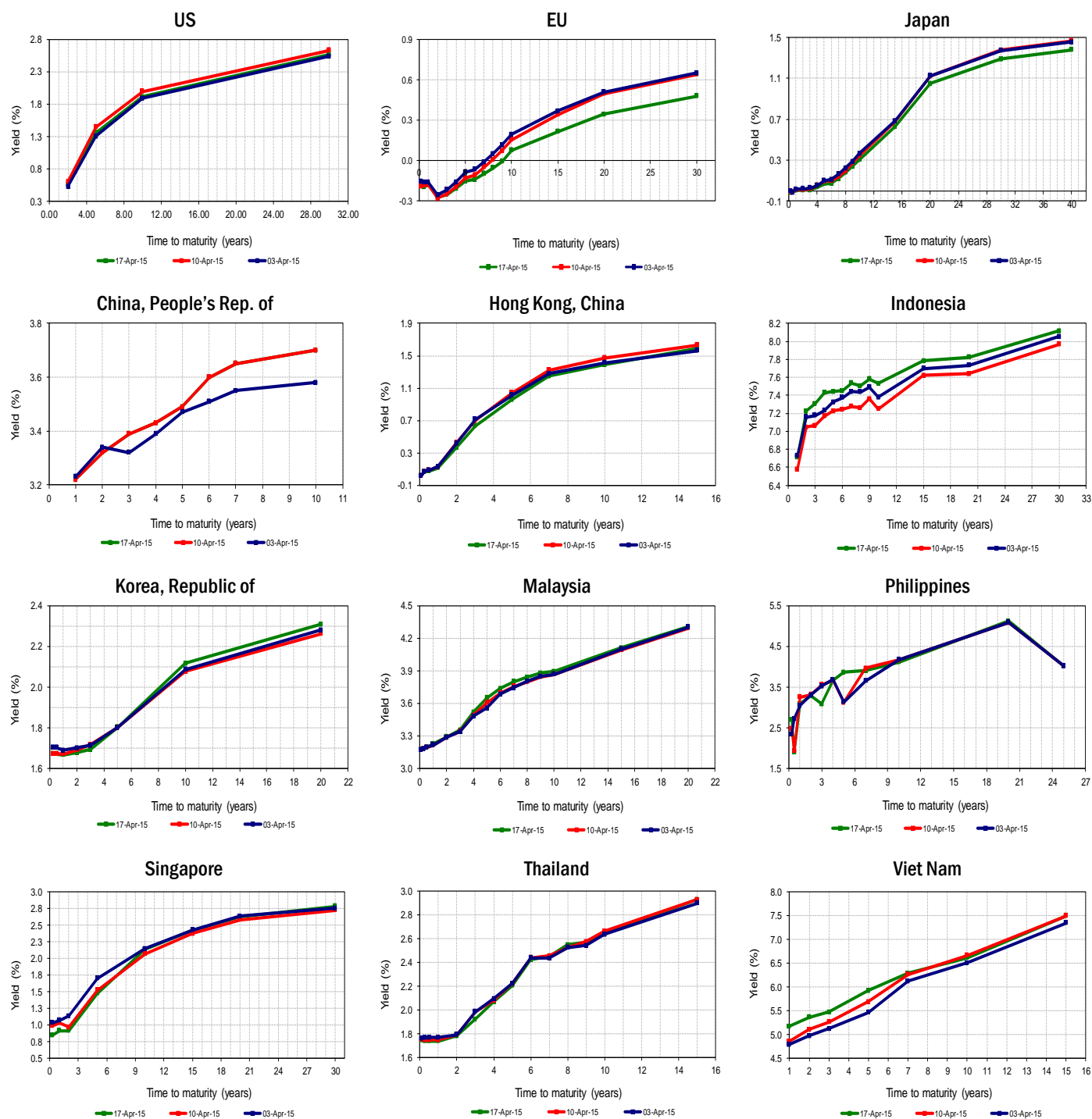
Markets	Latest Closing	basis point change from			1-Jan-15*
		Previous Day*	Previous Week*		
US	1.87	-2.44	-8.20		-30.59
EU	0.08	-0.70	-7.70		-46.30
Japan	0.31	-2.10	-3.70		-2.10
PRC	3.70	0.00	0.00		5.00
Hong Kong, China	1.39	-0.40	-8.40		-50.70
India	7.80	-0.40	-0.20		-8.50
Indonesia	7.53	1.80	28.50		-29.00
Korea, Rep. of	2.12	-4.00	4.00		-49.00
Malaysia	3.89	0.00	2.70		-25.40
Philippines	4.11	-0.67	-4.50		24.67
Singapore	2.14	3.04	6.75		-14.18
Thailand	2.64	-1.50	-2.00		-8.60
Viet Nam	6.61	-3.10	-5.40		-61.70

Close of 17 April 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

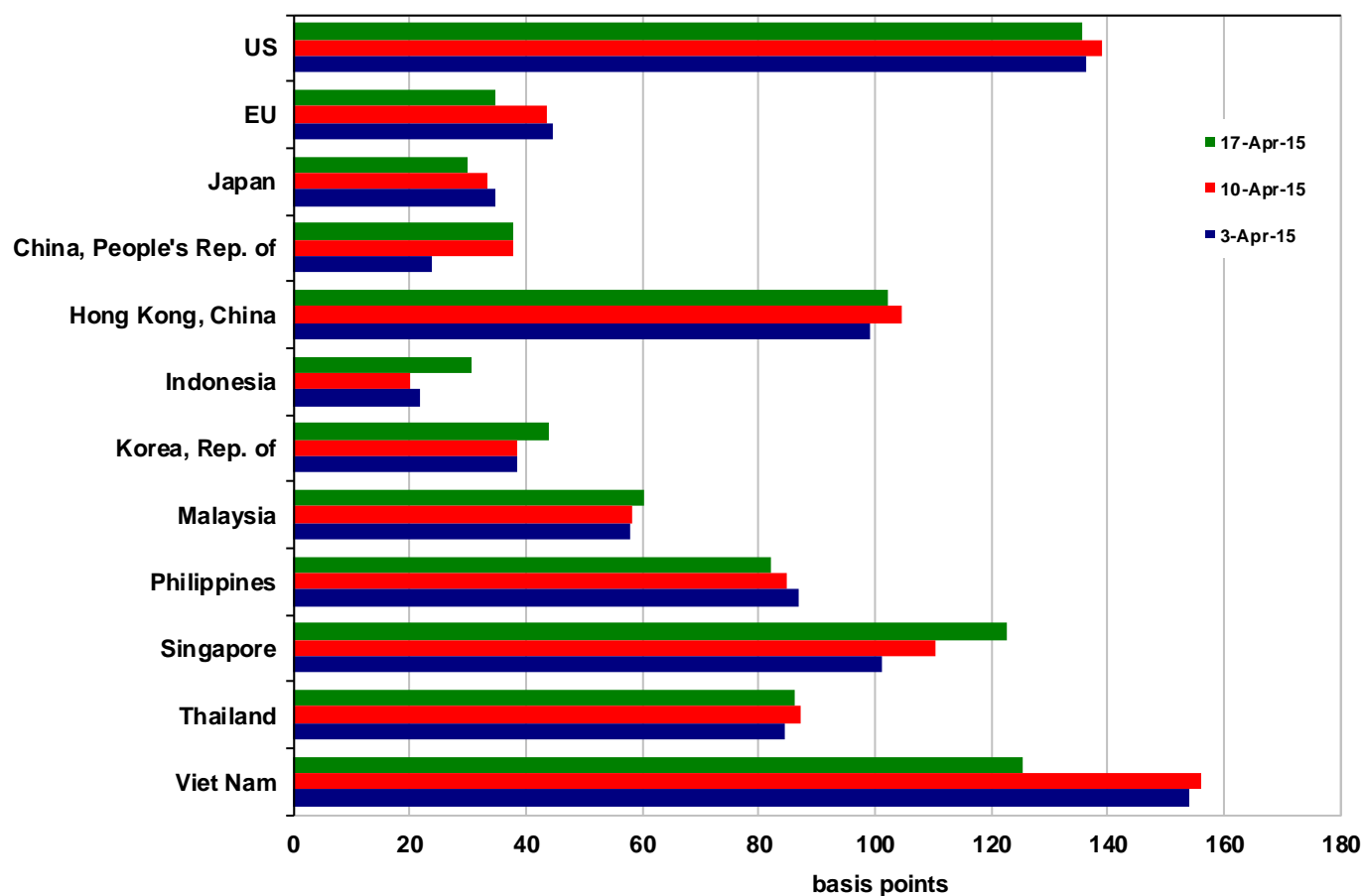


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



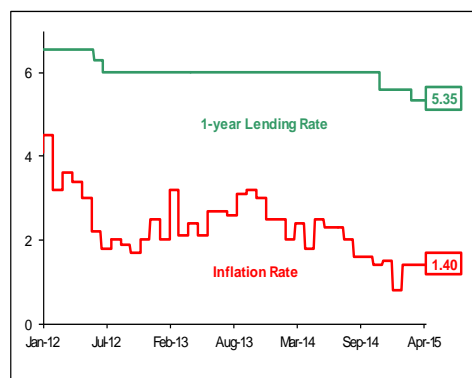
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

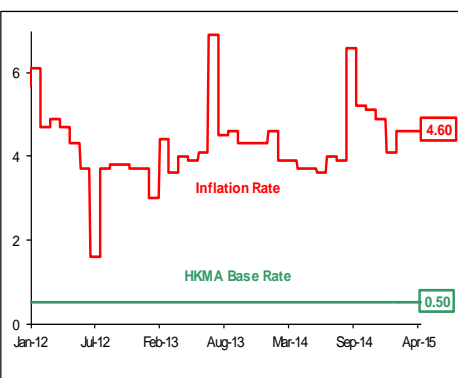
China, People's Rep. of



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

Source: Bloomberg LP.

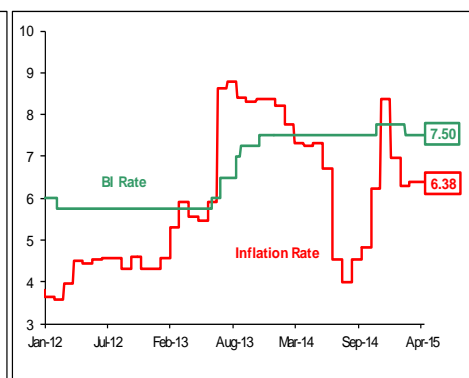
Hong Kong, China



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

Source: Bloomberg LP.

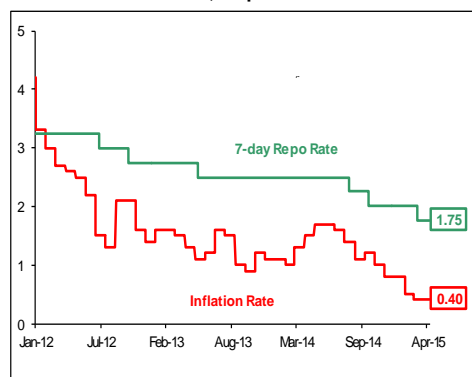
Indonesia



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

Source: Bloomberg LP.

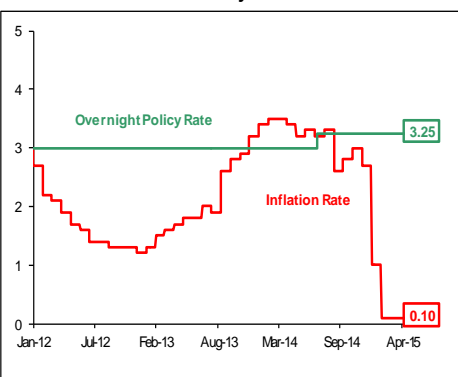
Korea, Republic of



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.

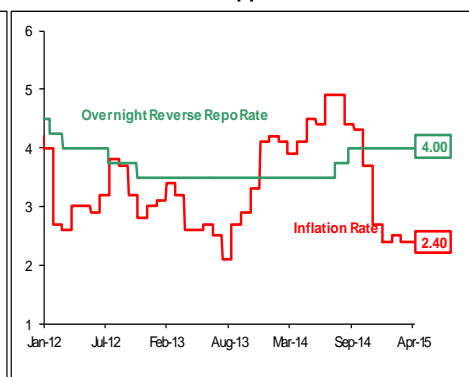
Malaysia



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

Source: Bloomberg LP.

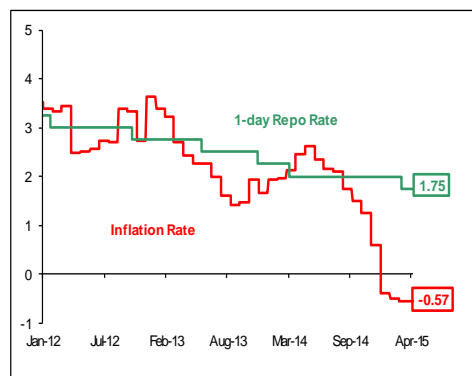
Philippines



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

Source: Bloomberg LP.

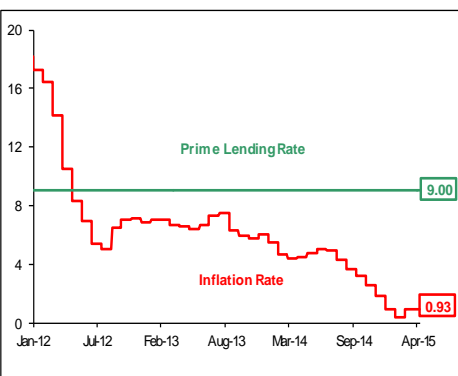
Thailand



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



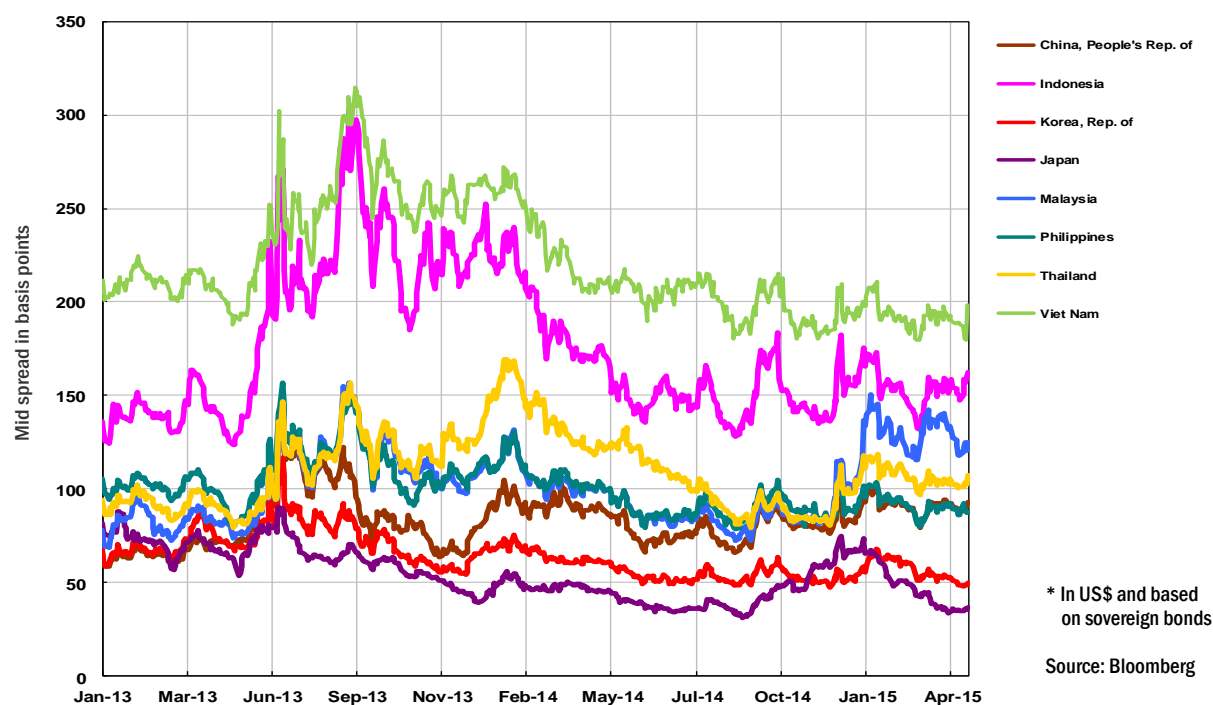
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

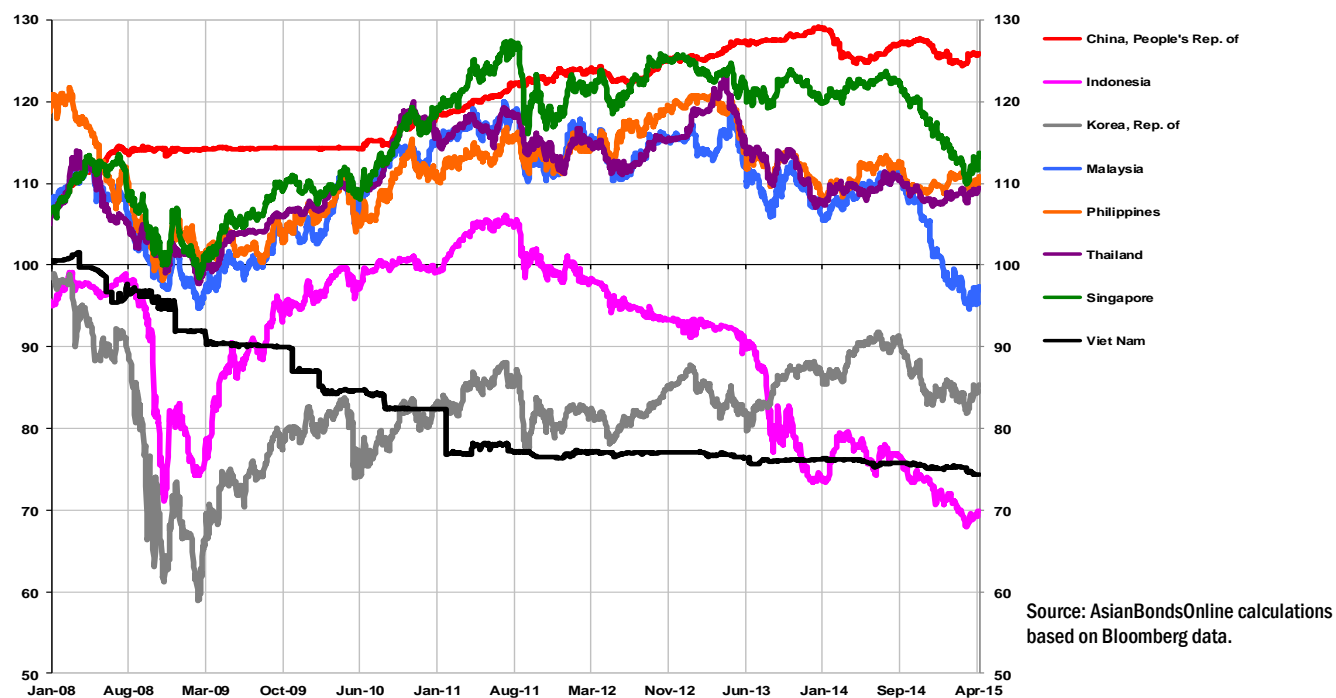
Credit Default Swap Spreads and Exchange Rate Indexes

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 (13 – 17 April 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	15-Apr	7-year Treasury Bonds	3.54	3.54	30.00	30.00
	17-Apr	3-year Treasury Bonds	3.22	3.22	30.00	30.00
HK	14-Apr	91-day Exchange Fund Bills	0.05		30.49	30.49
		182-day Exchange Fund Bills	0.06		8.00	8.00
	15-Apr	5-year HKSAR Bonds	1.15	1.06	3.20	3.20
ID	14-Apr	9-month Treasury Bills	5.99			1,750.00
		4-year Treasury Bonds	7.24	7.88	10,000.00	3,100.00
		14-year Treasury Bonds	7.51	9.00		3,810.00
JP	14-Apr	5-year Japanese Government Bonds	0.08	0.10	2,500.00	2,779.30
	15-Apr	1-year Treasury Discount Bills	-0.01		2,500.00	2,499.93
	16-Apr	20-year Japanese Government Bonds	1.07	1.20	1,200.00	1,331.40
KR	13-Apr	91-day Monetary Stabilization Bonds	1.70		1,300.00	1,300.00
		1-year Monetary Stabilization Bonds	1.69	1.69	1,300.00	1,300.00
		5-year Treasury Bonds	1.83	2.00	1,850.00	1,850.00
	15-Apr	2-year Monetary Stabilization Bonds	1.71	1.71	2,500.00	2,500.00
		63-day Treasury Bills	1.73		1,500.00	1,500.00
MY	14-Apr	5.5-year Treasury Bonds	3.66	3.66	4.00	4.00
SG	14-Apr	28-day MAS Bills	0.05		0.50	0.50
		84-day MAS Bills	0.68		5.50	5.50
TH	16-Apr	1.85-year Bank of Thailand Bonds	1.76	2.05	35.00	35.00
	17-Apr	15-day Bank of Thailand Bonds	1.70		35.00	35.00
VN	13-Apr	5-year Treasury Bonds	5.40		3,000.00	30.00
	16-Apr	15-year Treasury Bonds	7.40		2,000.00	270.00

HKSAR = Hong Kong Special Administrative Region, LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (21 – 27 April 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China CPI y-o-y, % MAR	04/21	02/14: 3.9% 03/14: 3.9% 01/15: 4.1% 02/15: 4.6%	Consumer price inflation in Hong Kong, China climbed to 4.6% year-on-year (y-o-y) in February from 4.1% y-o-y in January.
Japan Trade Balance JPY billion APR	04/22	02/14: -806.1 03/14: -1,450.1 01/15: -1,173.8 02/15: -425.0	Japan's trade deficit narrowed to JPY425 billion in February from JPY1.2 trillion in January.
Malaysia CPI y-o-y, % MAR	04/22	02/14: 3.5% 03/14: 3.5% 01/15: 1.0% 02/15: 0.1%	Malaysia's consumer price inflation decelerated to 0.1% y-o-y in February from 1.0% y-o-y in January.
Hong Kong, China Unemployment Rate % FEB	04/23	02/14: 3.1% 03/14: 3.1% 01/15: 3.3% 02/15: 3.3%	The unemployment rate in Hong Kong, China stood at 3.3% in February, the same rate as in January.
Republic of Korea GDP—Preliminary y-o-y, % 1Q15	04/23	4Q13: 3.5% 1Q14: 3.9% 3Q14: 3.3% 4Q14: 2.7%	Real gross domestic product (GDP) growth of the Republic of Korea moderated to 2.7% y-o-y in 4Q14 from 3.2% y-o-y in 3Q14. On a quarter-on-quarter (q-o-q) and seasonally adjusted basis, GDP growth slowed to 0.4% in 4Q14 from 0.9% in the previous quarter amid weaker growth in household consumption and government spending, and negative growth in investments and exports.
Singapore CPI y-o-y, % MAR	04/23	02/14: 0.4% 03/14: 1.2% 01/15: -0.4% 02/15: -0.3%	Singapore reported deflation for the fourth month in a row in February at -0.3% y-o-y, which followed a posting of -0.4% y-o-y in January.
Singapore Industrial Production y-o-y, % MAR	04/24	02/14: 13.1% 03/14: 12.2% 01/15: 1.3% 02/15: -3.6%	Industrial production in Singapore contracted 3.6% y-o-y in February after expanding 1.3% y-o-y in January.
Viet Nam CPI y-o-y, % APR	04/24	03/14: 4.4% 04/14: 4.5% 02/15: 0.3% 03/15: 0.9%	Consumer price inflation in Viet Nam inched up to 0.9% y-o-y in March from 0.3% y-o-y in February.
Viet Nam Trade Balance US\$ million APR	4/25 to 4/30	03/14: -196 04/14: 811 02/15: -967 03/15: -600	Viet Nam's trade deficit narrowed to US\$600 million in March from US\$967 million in February.
Viet Nam Industrial Production - YTD y-o-y, % APR	4/25 to 4/30	03/14: 4.7% 04/14: 6.0% 02/15: 7.0% 03/15: 9.1%	Viet Nam's industrial production grew 9.1% y-o-y in January–March, higher compared with 4.7% y-o-y growth in the same period a year earlier.

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)

The PRC's GDP Grows 7.0% in 1Q15, Industrial Production Falls in March

- [China's Economy Showed Steady Growth In the First Quarter of 2015](#)
National Bureau of Statistics of China (15 April 2015)
- [Growth slows but 'remains stable'](#)
Shanghai Daily (16 April 2015)
- [Industrial Production Operation in March 2015](#)
National Bureau of Statistics (15 April 2015)
- [Singapore's GDP Grew by 2.1 Per Cent in the First Quarter of 2015](#)
Ministry of Trade and Industry Singapore (14 April 2015)

Bank Indonesia Keeps Policy Rate Steady at 7.50%; MAS Keeps Policy of Modest and Gradual Appreciation of the S\$NEER

- [BI Rate Maintained at 7.50%](#)
Bank Indonesia (14 April 2015)
- [MAS Monetary Policy Statement](#)
Monetary Authority of Singapore (14 April 2015)

The PRC's Trade Weakens in March; Indonesia Posts Trade Surplus in March; Singapore NODX Climb 18.5% y-o-y in March

- [China's trade slumps as slowdown lingers](#)
Shanghai Daily (14 April 2015)
- [Indonesia Trade Surplus grows in March 2015](#)
Bank Indonesia (15 April 2015)
- [Singapore's External Trade – March 2015](#)
International Enterprise Singapore (17 April 2015)

Remittances from Overseas Filipinos Rise in February

- [January-February 2015 Personal Remittances Reach US\\$4.1 Billion](#)
Bangko Sentral ng Pilipinas (17 April 2015)

Foreign Bond Investment in the Republic of Korea Rises in March

- [Foreign Investors' Stock and Bond Investment, March 2015](#)
Financial Supervisory Service (13 April 2015)

Hong Kong, China Issues HKD3.2 Billion in 5-Year HKSAR Bonds; Malaysia Prices US\$1.5 Billion Dual-Tranche Sovereign Sukuk

- [Tender results of the re-opening of 5-year Government Bonds under the Institutional Bond Issuance Programme](#)
Hong Kong Monetary Authority (15 April 2015)
- [Malaysia ends four-year hiatus with \\$1.5b sukuk](#)
Finance Asia (15 April 2015)

Disclaimer: *AsianBondsOnline* Newsletter is available to users free of charge. ADB provides no warranty or undertaking of any kind with respect to the information and materials found on, or linked to, the *AsianBondsOnline* Newsletter. ADB accepts no responsibility for the accuracy of the material posted or linked to in the publication, or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any material or information so provided. Views expressed in articles marked with *AsianBondsOnline* are those of the authors and not ADB. This disclaimer does not derogate from, and is in addition to, the general terms and conditions regarding the use of the *AsianBondsOnline* website, which also apply.