

Key Developments in Asian Local Currency Markets

The Bank of Korea's Monetary Policy Committee decided on 11 June to lower the base rate by 25 basis points to 1.50%. In its monetary policy decision, the committee took into account a sluggish export performance and the adverse impacts of the Middle East Respiratory Syndrome (MERS) on household consumption. On 10 June, the Bank of Thailand's Monetary Policy Committee decided to keep its 1-day repurchase rate steady at its current level of 1.50%. The committee's decision was based on softening economic momentum in January-April and continuing negative headline inflation.

Real gross domestic product (GDP) growth in Japan was revised upward to 1.0% quarter-on-quarter (q-o-q) in 1Q15 from a preliminary estimate of 0.6% q-o-q, and remained higher than the 0.3% q-o-q growth posted in 4Q14. The increase in 1Q15 was mainly due to a revised gain in domestic demand of 1.1% q-o-q compared with a preliminary estimate of 0.7% q-o-q. On an annualized basis, Japan's real GDP grew 3.9% in 1Q15.

The People's Republic of China's (PRC) industrial output growth rose to 6.1% year-on-year (y-o-y) in May from 5.9% y-o-y in April. Industrial production growth in Malaysia decelerated to 4.0% y-o-y in April from revised 7.1% y-o-y growth in March on slower annual price increases in all sub-indices.

The PRC's exports contracted 2.5% y-o-y and imports fell 17.6% y-o-y. A trade surplus amounting to US\$59.5 billion was recorded in May. In the Philippines, export growth contracted 4.1% y-o-y in April after rising 2.1% y-o-y in March.

Japan's current account surplus shrank to JPY1,326 billion in April from JPY2,795 billion in March, mainly due to a goods and services deficit in April of JPY671 billion compared with a surplus of JPY839 billion in March.

Consumer prices in the PRC rose 1.2% y-o-y in May, compared with a 1.5% y-o-y increase in April, driven mostly by lower food prices. On a month-on-month (m-o-m) basis, food prices fell 0.9% m-o-m in May.

Net foreign investment in the Republic of Korea's local currency bond market rose to KRW3,197 billion in May from KRW143 billion in April on the back of increased bond purchases from Europe. According to data from the Financial Supervisory Service (FSS), the net bond purchases of European investors reached KRW2,135 billion in May. At end-May, United States (US) investors remained the

Asia Bond Monitor March 2015

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10-Year Selected LCY Government Security Yields Close of 12 June 2015
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.39	1.46	-1.58	22.06
EU	0.83	-5.00	-1.00	29.30
Japan	0.52	-1.80	2.70	18.90
PRC	3.64	2.00	2.00	-1.00
Hong Kong, China	1.86	-8.10	4.50	-4.00
India	7.89	0.90	9.80	0.60
Indonesia	8.70	-6.00	16.90	87.20
Korea, Rep. of	2.46	-7.60	-1.00	-14.90
Malaysia	4.12	-0.30	6.70	-2.90
Philippines	4.37	0.00	-1.17	51.00
Singapore	2.69	-4.09	0.87	41.22
Thailand	3.07	-1.80	9.40	33.60
Viet Nam	6.76	2.20	2.40	-46.80

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- Selected Government Security Yields
 - Benchmark Yield Curves - Local Currency Government Bonds
 - 2-versus-10 Yield Spread Chart
 - Policy Rate versus Inflation Rate Charts
 - Credit Default Swap Spreads & Exchange Rate Indexes
 - Selected Debt Security Issuances
 - Selected Asia Data Releases

largest foreign investor group in the Republic of Korea's domestic bond market, accounting for 17.8% of total foreign bond holdings.

Indonesian financing firm Toyota Astra Financial Services raised IDR1,509 billion in a dual-tranche bond sale last week. The bonds consisted of IDR698 billion of 370-day bonds with a coupon of 8.50% and IDR811 billion of 3-year bonds with a coupon of 9.25%, issued at par. Mandiri Tunas Finance listed a 3-year bond worth IDR150 billion on the Indonesia Stock Exchange last week. The bond was issued at par and with a coupon of 9.75%.

Government bond yields rose for all tenors for Viet Nam and for most tenors in Indonesia and Malaysia, Yields dropped for most tenors in the Republic of Korea following a policy rate cut. Yields for most tenors also fell in Singapore. Yields were mixed for the PRC, Hong Kong, China; the Philippines, and Thailand. The spread between the 2- and 10-year maturities widened for all emerging East Asian markets except for Indonesia, the Republic of Korea, the Philippines, and Viet Nam.

Summary Text of News Articles

Policy Rate Lowered in the Republic of Korea, Kept Steady in Thailand

The Bank of Korea's Monetary Policy Committee decided on 11 June to lower the base rate by 25 basis points to 1.50%. In its monetary policy decision, the committee took into account a sluggish export performance and the adverse impacts of the Middle East Respiratory Syndrome (MERS) on household consumption. Moreover, the committee assessed that consumer price inflation would remain low, largely due to low oil prices, and that both the drop in domestic stock prices and the Korean won's depreciation have been influenced by rising market expectations of a policy rate hike in the United States (US).

Meanwhile, the Bank of Thailand's Monetary Policy Committee decided on 10 June to retain the 1-day repurchase rate at its current level of 1.50%. The committee's decision was based on softening economic momentum in January–April and continuing negative headline inflation. The committee, however, expects a gradual improvement in the Thai economy, and for inflation to pick up in 2H15. It also stated that Thailand's monetary conditions have eased as a result of monetary policy.

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

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

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

Japan's 1Q15 Real GDP Growth Revised Upward

Real gross domestic product (GDP) growth in Japan was revised upward to 1.0% quarter-on-quarter (q-o-q) in 1Q15 from a preliminary estimate of 0.6% q-o-q, and remained higher than 0.3% q-o-q growth in 4Q14. The increase in 1Q15 was mainly due to rising domestic demand, which was revised to growth of 1.1% q-o-q from a preliminary estimate of 0.7% q-o-q, led by a 2.7% q-o-q rise in private non-residential investment. Meanwhile, the decrease in public demand stood at 0.2% q-o-q, and the increases in exports and imports at 2.4% q-o-q and 2.9% q-o-q, respectively. On an annualized basis, Japan's real GDP grew 3.9% in 1Q15, up from a preliminary estimate of 2.4%.

Industrial Production Growth in the PRC Rises in May; Industrial Production Growth Decelerates in Malaysia in April

The PRC's industrial output growth rose to 6.1% year-on-year (y-o-y) in May from 5.9% y-o-y in April. The slightly higher growth was driven by increases in manufacturing, which grew 5.7% y-o-y. The mining industry grew 3.9% y-o-y, while the electricity, heating, gas, and water sector rose 2.2% y-o-y.

Industrial production growth in Malaysia decelerated to 4.0% y-o-y in April from revised 7.1% y-o-y growth in March due to slower y-o-y increases in three sub-indices: growth in the manufacturing sub-index moderated to 4.1% y-o-y in April from 6.3% y-o-y in March, growth in the electricity sub-index slowed to 3.0% y-o-y from 3.8% y-o-y, and growth in the mining sub-index fell to 3.9% y-o-y from 9.9% y-o-y.

Consumer Price Inflation Falls in the PRC

Consumer price inflation in the PRC eased to 1.2% y-o-y in May from 1.5% y-o-y in April. The slower inflation rate in May was driven mostly by slowing increases in food prices, which rose 1.6% y-o-y in May compared with a 2.7% gain y-o-y in April. Non-food prices rose 1.0% y-o-y in May, which was little changed from a 0.9% y-o-y gain in April. On a month-on-month (m-o-m) basis, food prices fell 0.9% after rising 0.2% in the previous month.

For inflation rate trends in the People's Republic of China, refer to this link:

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

Summary Text of News Articles

The PRC's Exports and Imports Fall in May; Philippine Export Growth Contracts in April

The PRC's exports contracted in May for the third straight month on a y-o-y basis: exports fell 2.5% in May after declining 6.5% in April. Meanwhile, imports fell 17.6% y-o-y in May after dipping 16.2% y-o-y in April. A trade surplus amounting to US\$59.5 billion was recorded in May.

In the Philippines, export growth contracted 4.1% y-o-y in April after rising 2.1% y-o-y in March on total exports of US\$4,376 million. The drop was mainly due to decreases in eight export commodities including (i) mineral products; (ii) other manufactures; (iii) woodcrafts and furniture; (iv) metal components; (v) chemicals; (vi) ignition wiring sets and other wiring sets used in vehicles, aircrafts, and ships; (vii) articles of apparel and clothing accessories; and (viii) machinery and transport equipment. Only coconut oil and electronic products posted positive y-o-y growth rates at 30.3% and 17.8%, respectively. Electronic products remained the country's top export product, accounting for 50.6% of total export revenue for the month.

Japan's Current Account Surplus Shrinks in April

Japan's current account surplus shrank to JPY1,326 billion in April from JPY2,795 billion in March, due mainly to a goods and services deficit in April of JPY671 billion compared with a surplus of JPY839 billion in the previous month. Moreover, the primary income account surplus decreased to JPY2,197 billion in April from JPY2,327 billion in March. Meanwhile, the secondary income account deficit narrowed to JPY200 billion in April from JPY370 billion in March.

Foreign Investment in the Republic of Korea's Bond Market Rebounds in May

Net foreign investment in the Republic of Korea's local currency (LCY) bond market rose to KRW3,197 billion in May from KRW143 billion in April on the back of increased bond purchases coming from Europe. According to the Financial Supervisory Service, net bond purchases by European investors reached KRW2,135 billion in May, a reversal from net bond sales of KRW323 billion in April. The two largest foreign investor groups in the LCY bond market in May were those from Switzerland and Luxembourg with net bond investments totaling KRW1,126 billion and KRW1,002 billion, respectively. At end-May, United States (US) investors remained the largest foreign investor group in the Republic of Korea's domestic bond market, holding KRW18,891 billion worth of Korean LCY bonds, or 17.8% of total foreign bond holdings. Investors from the PRC were next with KRW17,095 billion, or 16.1% of total.

Toyota Astra Financial Services Raises IDR1,509 billion in Dual-Tranche Bond Sale; Mandiri Tunas Finance Lists IDR150 Billion of 3-Year Bonds on IDX

Last week, Toyota Astra Financial Services raised IDR1,509 billion in dual-tranche bond sale. The sale consisted of IDR698 billion of 370-day bonds with a coupon of 8.50% and IDR811 billion of 3-year bonds with a coupon of 9.25%. The bonds were rated AAA and given a stable outlook by Fitch Ratings.

Mandiri Tunas Finance listed IDR150 billion worth of 3-year bonds on the Indonesia Stock Exchange (IDX) last week. The bonds carried a coupon of 9.75%. The bond issuance was rated idAA by Pemeringkat Efek Indonesia (Pefindo).

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	-1.02	-3.04
EU	-0.18	0.00	0.50	-14.30
Japan	0.00	-0.10	-0.20	0.00
PRC	1.98	16.00	2.00	-168.00
Hong Kong, China	0.07	0.00	0.00	-0.80
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.55	-1.30	-11.30	-52.20
Malaysia	3.12	0.00	-0.90	-23.60
Philippines	2.21	0.00	1.87	-16.58
Singapore	0.90	0.00	-0.90	22.20
Thailand	1.49	0.01	-0.10	-55.95

Close of 12 June 2015

10-Year Selected LCY Government Bond Yields

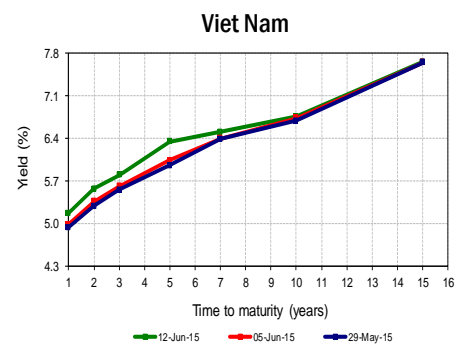
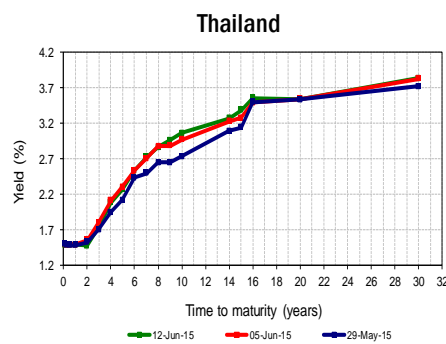
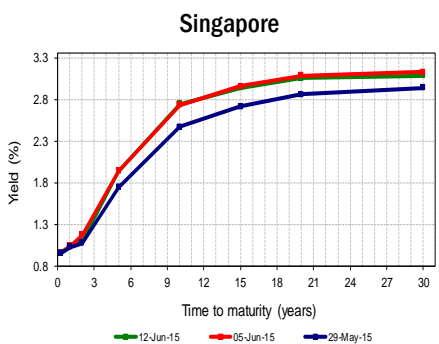
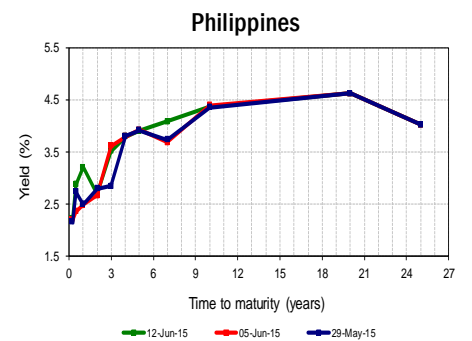
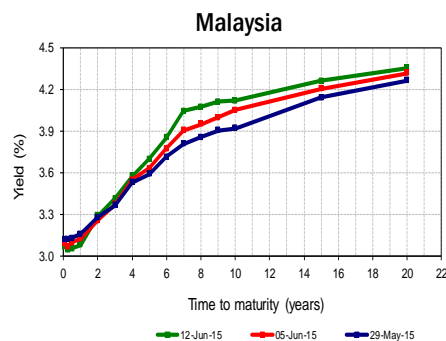
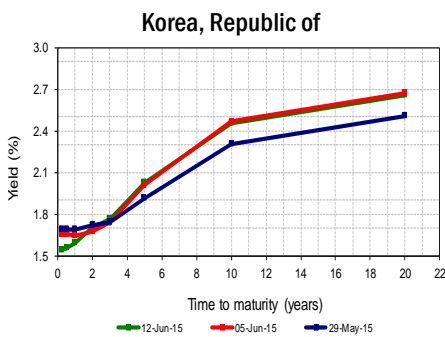
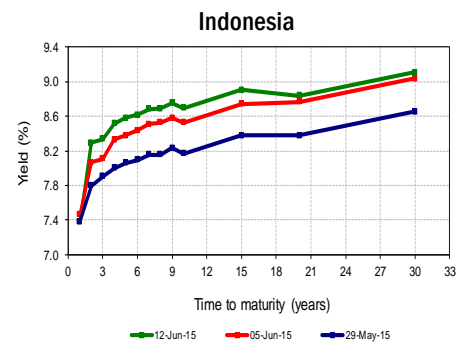
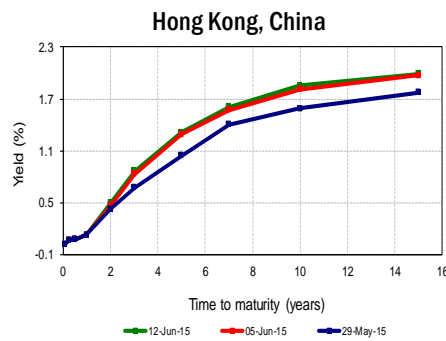
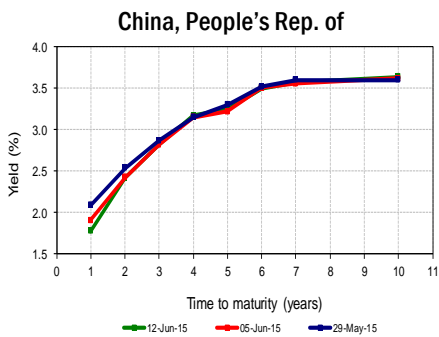
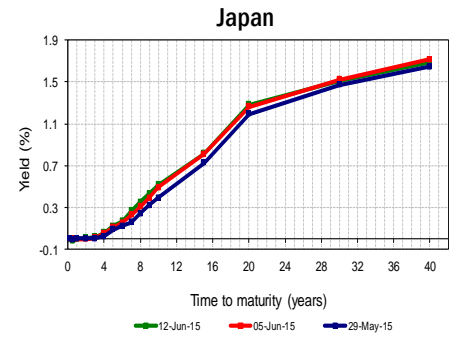
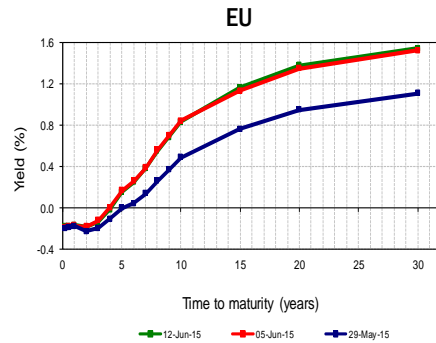
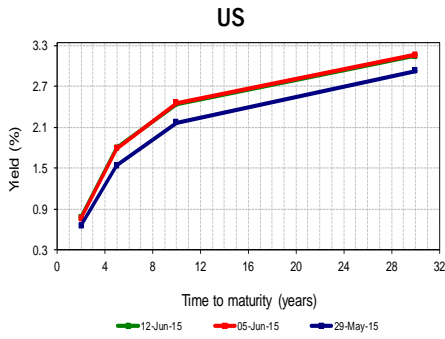
Markets	Latest Closing	basis point change from		
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Japan	0.52	-1.80	2.70	18.90
PRC	3.64	2.00	2.00	-1.00
Hong Kong, China	1.86	-8.10	4.50	-4.00
India	7.89	0.90	9.80	0.60
Indonesia	8.70	-6.00	16.90	87.20
Korea, Rep. of	2.46	-7.60	-1.00	-14.90
Malaysia	4.12	-0.30	6.70	-2.90
Philippines	4.37	0.00	-1.17	51.00
Singapore	2.69	-4.09	0.87	41.22
Thailand	3.07	-1.80	9.40	33.60
Viet Nam	6.76	2.20	2.40	-46.80

Close of 12 June 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

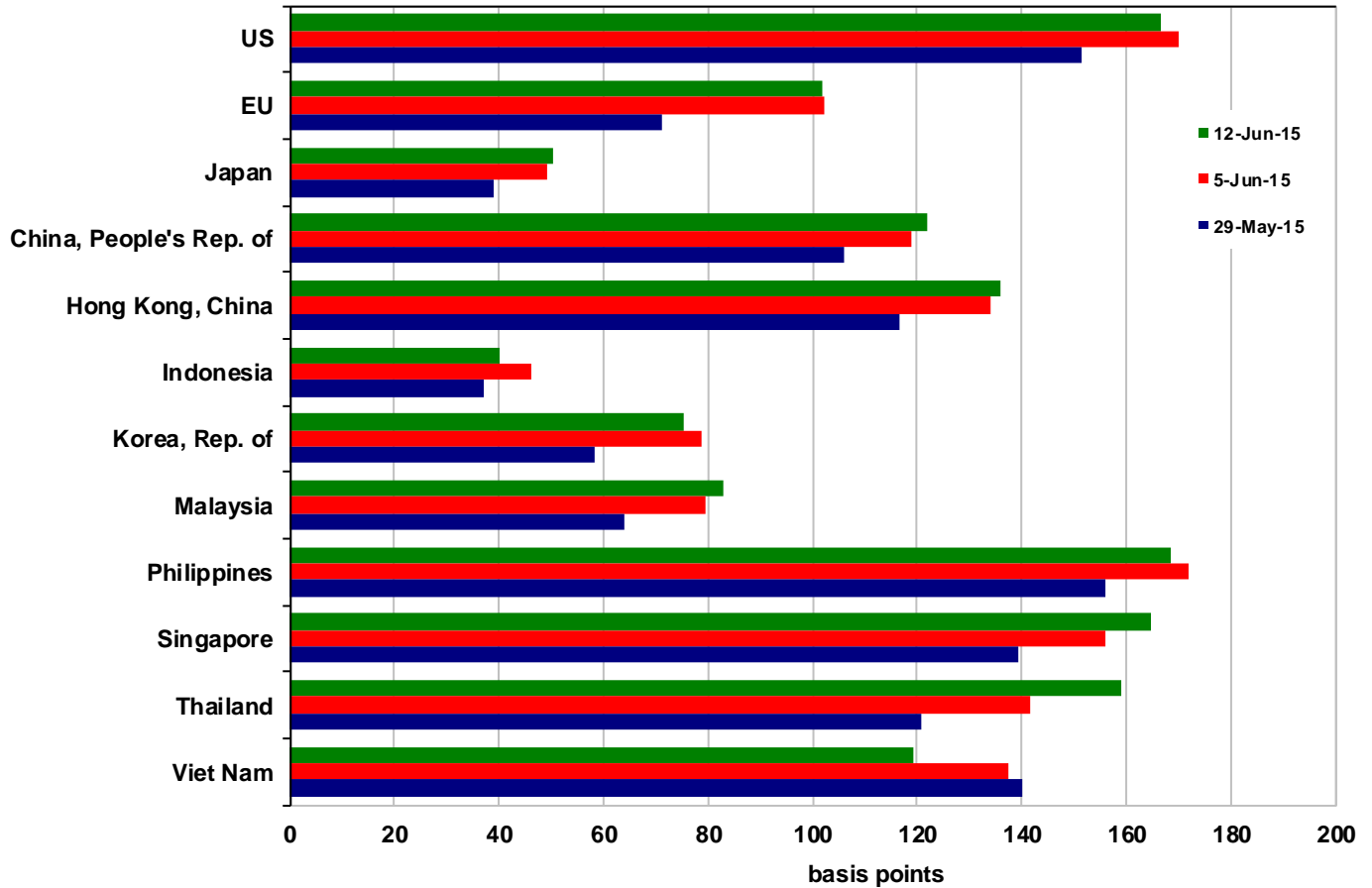
Tip: Zoom-in on the table using the Acrobat zoom tool



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

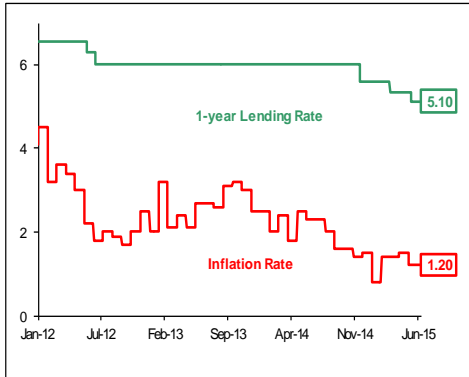


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

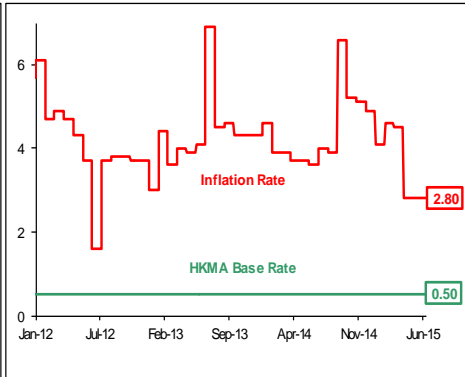
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



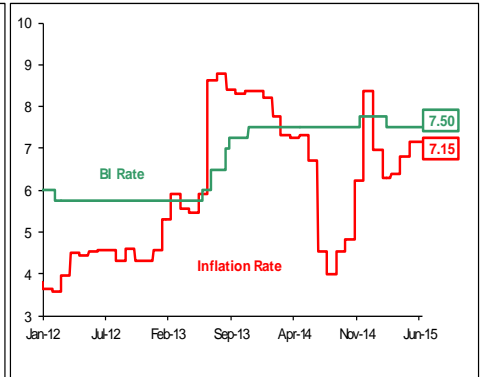
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



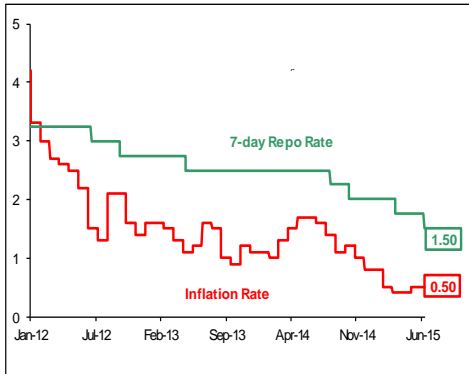
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



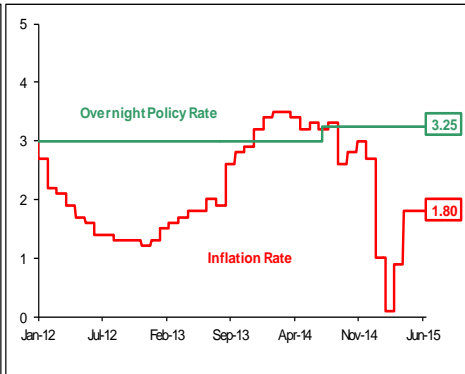
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



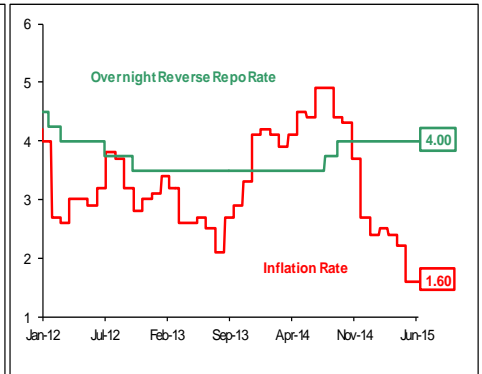
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



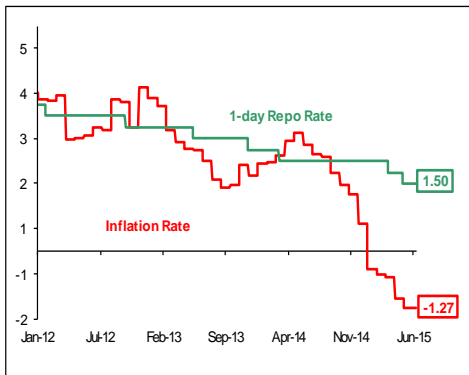
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



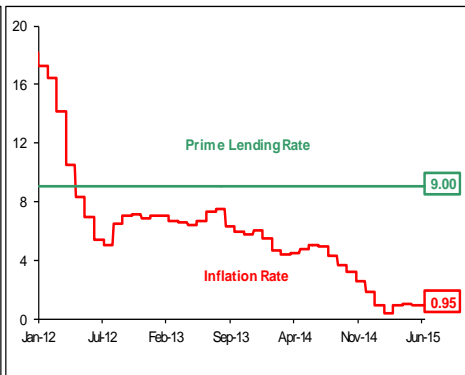
Banko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

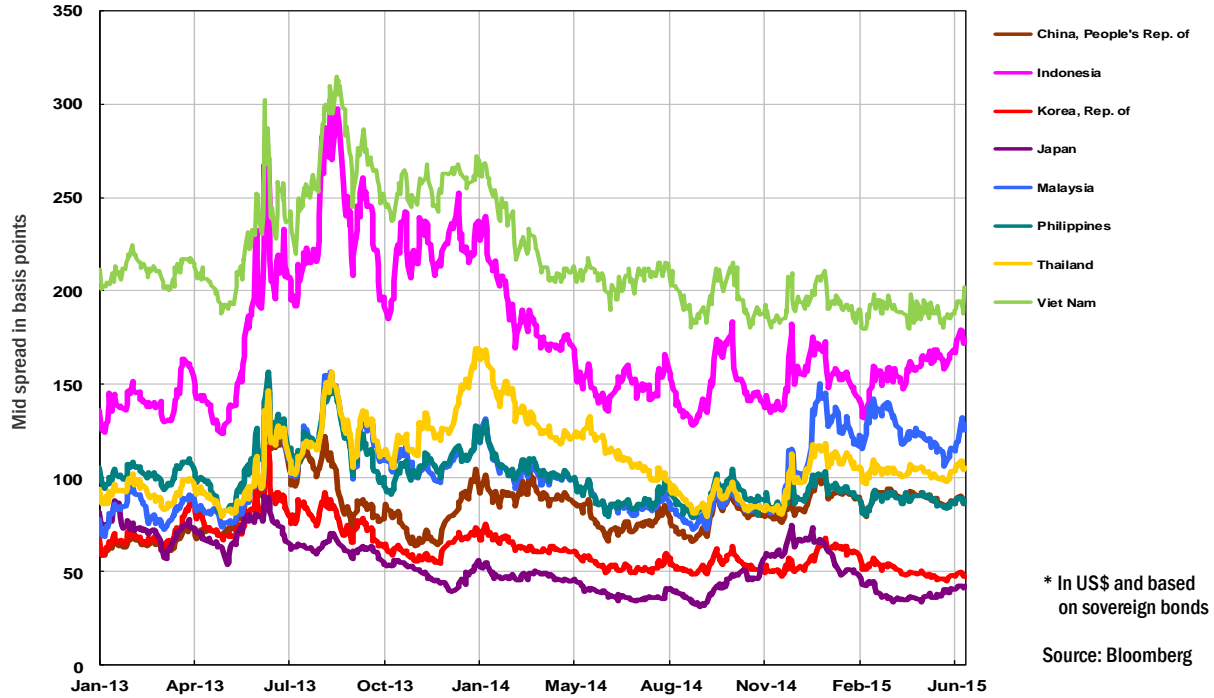


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

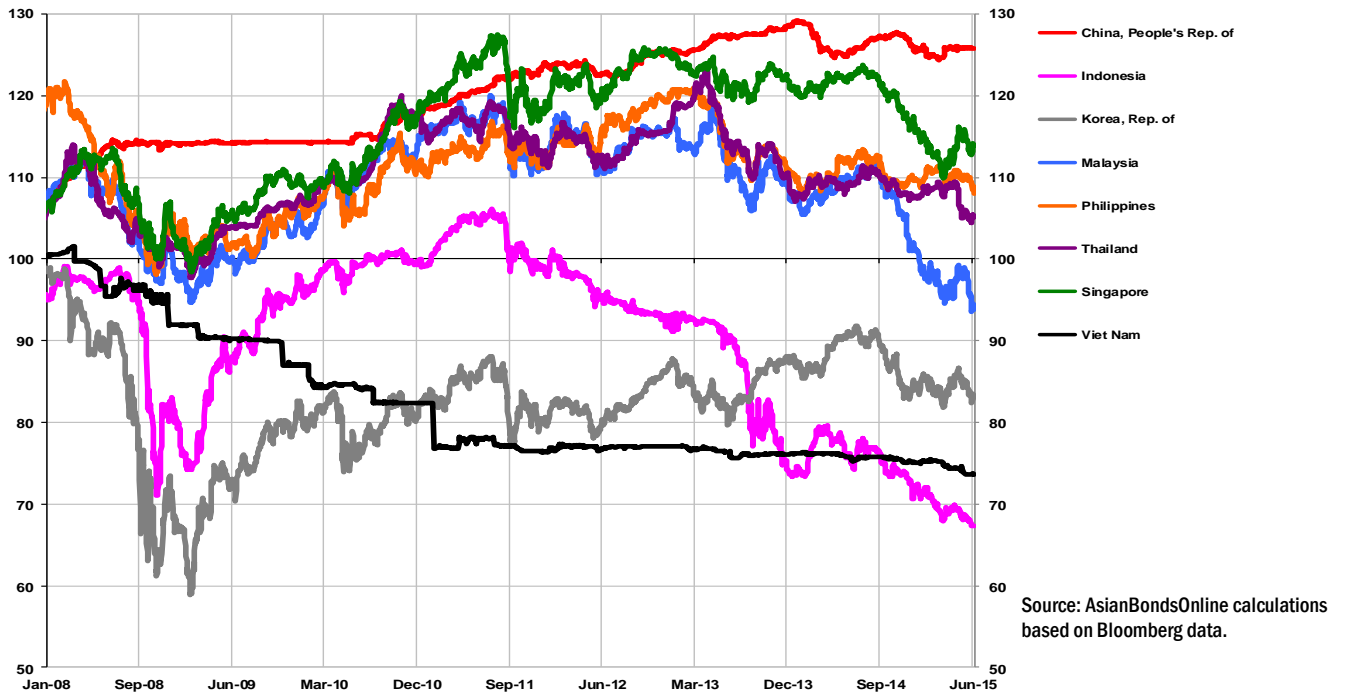
Credit Default Swap Spreads and Exchange Rate Indexes

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 (8 – 12 June 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	10-Jun	3-year Treasury Bonds	2.73	2.73	30.00	30.00
HK	9-Jun	92-day Exchange Fund Bills	0.00		28.48	28.48
		182-day Exchange Fund Bills	0.04		9.00	9.00
	12-Jun	30-day Exchange Fund Bills	0.01		2.20	2.20
ID	9-Jun	3-month Treasury Bills	6.32			1,000.00
		1-year Treasury Bonds	6.93			900.00
		6-year Treasury Bonds	8.59	8.25	10,000.00	5,450.00
		14-year Treasury Bonds	8.88	9.00		7,650.00
JP	8-Jun	6-month Treasury Discount Bills	-0.01		3,500.00	3,499.96
	11-Jun	3-month Treasury Discount Bills	0.0004		5,400.00	5,349.92
		20-year Japanese Government Bonds	1.29	1.30	1,200.00	1,221.60
KR	8-Jun	91-day Monetary Stabilization Bonds	1.60		1,300.00	1,300.00
		1-year Monetary Stabilization Bonds		1.62	1,300.00	1,300.00
		5-year Korea Treasury Bonds	2.05	2.00	1,100.00	1,100.00
	10-Jun	63-day Treasury Bills	1.69		1,000.00	1,000.00
SG	9-Jun	4-wk MAS bills	0.54		0.60	0.60
		12-wk MAS bills	0.59		5.00	5.00
TH	8-Jun	28-day Treasury Bills	1.46		15.00	15.00
		182-day Treasury Bills	1.47		10.00	10.00
	9-Jun	91-day Bank of Thailand Bonds	1.46		28.00	28.00
		183-day Bank of Thailand Bonds	1.46		28.00	28.00
VN	11-Jun	5-year Treasury Bonds	6.20		1,000.00	500.00
		15-year Treasury Bonds	7.64		1,500.00	1,240.00

LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (16 – 22 June 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Japan Trade Balance JPY billion MAY	06/17	4/14: -825.5 5/14: -917.2 3/15: 222.6 4/15: -55.8	Japan posted a trade deficit of JPY55.8 billion in April, a reversal from the JPY222.6 billion surplus posted in March.
Malaysia CPI y-o-y, % MAY	06/17	04/14: 3.4% 05/14: 3.2% 03/15: 0.9% 04/15: 1.8%	Malaysia's consumer price inflation rose to 1.8% year-on-year (y-o-y) in April from 0.9% y-o-y in March.
Singapore Non-Oil Domestic Exports y-o-y, % MAY	06/17	03/14: -6.6 % 04/14: 0.9% 03/15: 18.5% 04/15: 2.2%	Singapore's non-oil domestic export growth fell to 2.2% y-o-y in April after soaring 18.5% y-o-y in March.
Indonesia BI Rate % 18-Jun	06/18	04/14: 7.5% 05/14: 7.5% 04/15: 7.5% 05/15: 7.5 %	Bank Indonesia's (BI) Board of Governors held steady its benchmark interest rate at 7.50% in its meeting held on 19 May.
Korea, Rep. of PPI y-o-y, % MAY	06/19	04/14: -0.3% 05/14: 0.0% 03/15: -3.7% 04/15: -3.6%	The Republic of Korea's Producer Price Index (PPI) fell 3.6% y-o-y in April, the ninth consecutive month of decline, amid decreases in producer prices in the manufacturing and utility sectors.
Philippines BOP US\$ million MAY	06/19	03/14: -340 04/14: -19 03/15: -244 04/15: 380	The Philippines posted a balance of payments (BOP) surplus of US\$380 million in April, a reversal from a deficit of US\$244 million in March.
Korea, Rep. of Discount Store Sales y-o-y, % MAY	6/22 to 6/26	04/14: -4.1% 05/14: 1.0 03/15: -6.5% 04/15: 0.0%	Discount store sales in the Republic of Korea recorded zero y-o-y growth in April following a 6.5% y-o-y contraction in March.
Korea, Rep. of Department Store Sales y-o-y, % MAY	6/22 to 6/26	04/14: -1.4% 05/14: 0.8% 03/15: -5.7% 04/15: 1.3%	Department store sales in the Republic of Korea rebounded in April, posting 1.3% y-o-y growth after contracting 5.7% y-o-y in the preceding month.
Hong Kong, China CPI y-o-y, % MAY	06/22	4/14: 3.7% 5/14: 3.7% 3/15: 4.5% 4/15: 2.8%	Consumer price inflation in Hong Kong, China eased to 2.8% y-o-y in April after accelerating 4.5% y-o-y in March.
Hong Kong, China BOP Current Account Balance HKD billion 1Q15	06/22	4Q/13: 28.1 1Q/14: -4.8 3Q/14: 39.7 4Q/14: 16.7	Hong Kong, China's current account surplus narrowed to HKD16.7 billion in 4Q14 from HKD39.7 billion in 3Q14.

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)

Policy Rate Lowered in the Republic of Korea, Kept Steady in Thailand

- [Monetary Policy Decision](#)
The Bank of Korea (11 June 2015)
- [Monetary Policy Committee's Decision on 10 June 2015](#)
Bank of Thailand (10 June 2015)

Japan's 1Q15 Real GDP Growth Revised Upward

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