

Key Developments in Asian Local Currency Markets

Consumer prices rose 1.4% year-on-year (y-o-y) in the People’s Republic of China (PRC) in June, up from 1.2% y-o-y inflation in May. The slightly higher increase in June was driven mostly by food prices, which rose 1.9% y-o-y in June compared with 1.6% y-o-y in May. In the Philippines, consumer price inflation stood at 1.2% y-o-y in June, down from 1.6% y-o-y in May, largely due to a slower annual increase in the price index for food and non-alcoholic beverages of 2.1% y-o-y in June versus 3.2% y-o-y in May.

The Bank of Korea’s Monetary Policy Committee decided on 9 July to maintain the base rate at 1.50%. Last week, the Monetary Policy Committee of Bank Negara Malaysia decided to maintain the overnight policy rate at 3.25%.

The Bank of Korea announced last week that it has reduced its 2015 real gross domestic product growth forecast for the Republic of Korea to 2.8% from a previous projection of 3.1% reported in April. Meanwhile, the central bank maintained its 2015 inflation forecast of 0.9%.

Philippine merchandise exports contracted 17.4% y-o-y in May, following a 4.1% y-o-y decrease in April. May exports totaled US\$4.9 billion, from US\$4.4 billion in April.

Japan’s current account surplus expanded to JPY1.9 trillion in May from JPY1.3 trillion in April, mainly due to a reversal in the services account to a surplus of JPY104 billion from a deficit of JPY525 billion.

Growth in the Industrial Production Index in Malaysia inched up to 4.5% y-o-y in May from 4.0% y-o-y in April. By category, growth in the Manufacturing Index moderated to 3.2% y-o-y in May from 4.2% y-o-y in April, growth in the Electricity Index declined to 1.2% y-o-y from 3.0% y-o-y, and growth in the Mining Index accelerated to 9.0% y-o-y from 3.9% y-o-y.

The Producer Price Index in the People’s Republic of China fell 4.8% y-o-y in June after declining 4.6% y-o-y in May. In Japan, the Produce Price Index decreased 2.4% y-o-y in June after a decline of 2.2% y-o-y in May.

Household loans made by depository corporations in the Republic of Korea expanded 9.8% y-o-y in May to reach KRW768.2 trillion, according to the Bank of Korea. The outstanding stock of household loans made by commercial and specialized banks rose 10.6% y-o-y to KRW537.8 trillion, while that for non-

Asia Bond Monitor June 2015

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

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.40	7.61	1.49	22.60
EU	0.90	17.90	10.70	35.70
Japan	0.45	-0.10	-4.10	11.80
PRC	3.48	2.00	-16.00	-17.00
Hong Kong, China	1.86	8.70	-1.40	-4.00
India	7.81	1.60	0.20	-7.50
Indonesia	8.33	-8.90	8.80	50.20
Korea, Rep. of	2.50	1.50	-1.80	-10.30
Malaysia	4.03	-1.60	6.30	-12.10
Philippines	4.39	1.83	3.83	53.00
Singapore	2.59	7.89	-13.31	31.12
Thailand	2.80	-0.40	-13.20	7.00
Viet Nam	6.86	2.30	0.00	-36.70

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bank depository corporations increased 8.0% y-o-y to KRW230.4 trillion.

China Overseas Land International last week issued a EUR600 million 4-year bond at a coupon rate of 1.75% and priced to yield 1.858%. It marked the first EUR-denominated bond issued by a property company in the People’s Republic of China.

Last week, government bond yields fell for all tenors in Singapore and the Republic of Korea and for most tenors in the PRC; Hong Kong, China; Thailand; Viet Nam. Yields were mixed for the Philippines. Yields rose for all tenors in Indonesia and for most tenors in Malaysia. Spreads between the 2 and 10 year tenors narrowed for the PRC; Hong Kong, China; Singapore; and Thailand. Meanwhile, spreads widened in Indonesia, Malaysia, the Philippines, and Viet Nam. In the Republic of South Korea, spreads were unchanged.

Summary Text of News Articles

Consumer Price Inflation Rises in the People's Republic of China, Slows in the Philippines in June

Consumer price inflation rose to 1.4% year-on-year (y-o-y) in the People's Republic of China (PRC) in June from 1.2% y-o-y in May. The uptick in June was driven mostly by food prices, which rose 1.9% y-o-y in June compared with 1.6% y-o-y in May. Prices for tobacco and alcoholic products also contributed to rising inflation, gaining 3.5% y-o-y in June versus 1.7% y-o-y in May.

In the Philippines, consumer price inflation stood at 1.2% y-o-y in June, down from 1.6% y-o-y in May, largely due to a slower annual increase in the price index for food and non-alcoholic beverages, which gained 2.1% y-o-y in June compared with 3.2% y-o-y in May. Meanwhile, the index for housing, water, electricity, gas, and other fuels had a lower rate of decline of 1.3% y-o-y in June compared with a 1.5% y-o-y decrease in May.

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

For inflation rate trends in the Philippines, refer to this link:

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

The Republic of Korea and Malaysia Maintain Policy Rates

The Bank of Korea's Monetary Policy Committee decided on 9 July to maintain the base rate at 1.50%. In its monetary policy decision, the committee reported sluggishness in the Republic of Korea's export performance and the dampening effects of the Middle East Respiratory Syndrome (MERS) outbreak on household consumption and economic sentiment. The central bank also reported that domestic stock prices have decreased as the Korean won has depreciated vis-à-vis the United States (US) dollar and Japanese yen, largely due to the Greek debt crisis. However, the committee predicts that the domestic economy will eventually recover as the Government of the Republic of Korea is pursuing an expansionary macroeconomic policy and the shock from MERS is subsiding. The committee also reported that consumer price inflation will remain low amid subdued oil prices.

Last week, the Monetary Policy Committee of Bank Negara Malaysia (BNM) decided to maintain the overnight policy rate at 3.25%. BNM stated that while the global economy is continuing to grow moderately, there are still risks to the global economic outlook, including concerns over developments in Europe. Meanwhile, Malaysia's economy is expected to continue to grow moderately, supported by domestic demand. Private consumption is expected to be slower due to the effects of the implementation of the Goods and Services Tax (GST), but will continue to be supported by stable domestic labor market conditions. Inflation is expected to increase in the short-term due to implementation of the GST and adjustments in fuel prices, but will moderate in the second half of 2016.

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 Malaysia, refer to this link:

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

The Bank of Korea Revises 2015 GDP Outlook Downward

The Bank of Korea announced last week that it has reduced its 2015 real gross domestic product (GDP) growth forecast for the Republic of Korea to 2.8% from 3.1% reported in April. The central bank estimated real GDP growth for 1H15 to be 2.4% y-o-y, compared with an earlier forecast of 2.7% y-o-y. For 2H15, the Bank of Korea now forecasts GDP growth of 3.1% y-o-y, down from April's projection of 3.4% y-o-y. Meanwhile, the central bank maintained its 2015 inflation forecast at 0.9%.

Summary Text of News Articles

**Japan's Current Account Surplus Expands in May;
Philippine Merchandise Exports Contract in May**

Japan's current account surplus expanded to JPY1.9 trillion in May from JPY1.3 trillion in April, mainly due to a reversal in the services account to a surplus of JPY104 billion from a deficit of JPY525 billion. Moreover, the goods account deficit narrowed to JPY47 billion from JPY146 billion, and the secondary income account deficit fell to JPY189 billion from JPY200 billion. Meanwhile, the primary income account surplus narrowed to JPY2.0 trillion in May from JPY2.2 trillion in April.

Philippine merchandise exports contracted 17.4% y-o-y in May, following a 4.1% y-o-y decrease in April. May exports totaled US\$4.9 billion, from US\$4.4 billion in April. The decline was largely due to a decrease in seven major commodities: (i) mineral products; (ii) machinery and transport equipment; (iii) woodcrafts and furniture; (iv) other manufactures; (v) electronic products; (vi) articles of apparel and clothing accessories; and (vii) ignition wiring sets and other wiring sets used in vehicles, aircrafts, and ships. Japan was the top export destination with a 24.6% share of the total value of exported goods, followed by the United States and PRC at 14.2% and 10.8%, respectively.

Industrial Production Growth Inches Up in Malaysia in May

Growth in the Industrial Production Index in Malaysia inched up to 4.5% y-o-y in May from 4.0% y-o-y in April. By category, growth in the Manufacturing Index moderated to 3.2% y-o-y in May from 4.2% y-o-y in April, growth in the Electricity Index declined to 1.2% y-o-y from 3.0% y-o-y, and growth in the Mining Index accelerated to 9.0% y-o-y from 3.9% y-o-y.

Producer Prices Fall in the PRC and Japan in June

The PRC's producer prices fell 4.8% y-o-y in June after declining 4.6% y-o-y in May, led by price decreases for raw materials of 8.5% y-o-y in June versus a 7.9% y-o-y decline in May. Processing prices also declined, falling 4.1% y-o-y in June after declining 3.8% y-o-y in May.

In Japan, the Producer Price Index (PPI) fell 0.2% month-on-month (m-o-m) in June following an increase of 0.2% m-o-m in May. The commodity groups that contributed the most to the m-o-m decrease include electric power, gas, and water; nonferrous metals; and electrical machinery and equipment. On a y-o-y basis, the PPI decreased 2.4% y-o-y in June following a decline of 2.2% y-o-y in May. Meanwhile, the Export Price Index and the Import Price Index increased 1.6% m-o-m and 3.1% m-o-m, respectively.

Household Loans by Depository Corporations Expand in the Republic of Korea in May

Household loans made by depository corporations in the Republic of Korea expanded 9.8% y-o-y in May, leveling off at KRW768.2 trillion, according to the Bank of Korea. The outstanding stock of household loans made by commercial and specialized banks rose 10.6% y-o-y to KRW537.8 trillion, while that for non-bank depository corporations increased 8.0% y-o-y to KRW230.4 trillion.

China Overseas Land International Issues EUR-Denominated Bond

China Overseas Land International last week issued a EUR600 million 4-year bond at a coupon rate of 1.75% and priced to yield 1.858%. It marked the first EUR-denominated bond issued by a PRC-based property company. The bond was rated Baa1, BBB+, and BBB+ by Moody's, Fitch, and S&P, respectively.

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	-3.04
EU	-0.20	-0.30	-0.60	-15.60
Japan	-0.08	-7.10	-7.30	-7.70
PRC	1.86	-16.00	-14.00	-180.00
Hong Kong, China	0.07	0.00	0.00	-0.80
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.52	-0.10	-3.00	-54.50
Malaysia	3.15	0.00	3.30	-20.60
Philippines	1.99	-2.41	-8.89	-38.88
Singapore	0.80	0.00	-6.10	12.20
Thailand	1.47	-0.24	-0.92	-57.29

Close of 10 July 2015

10-Year Selected LCY Government Bond Yields

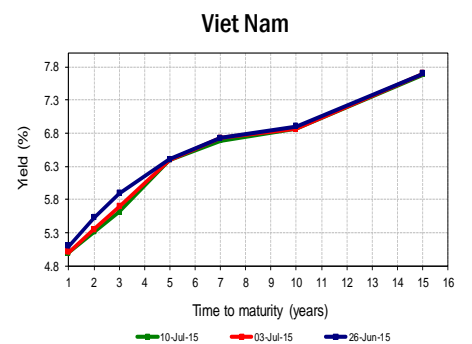
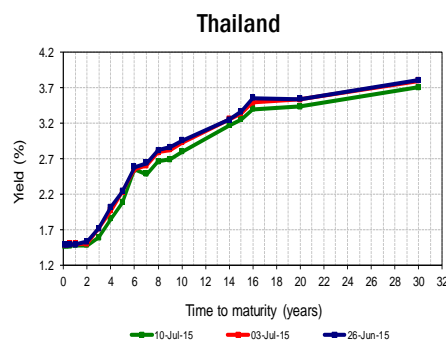
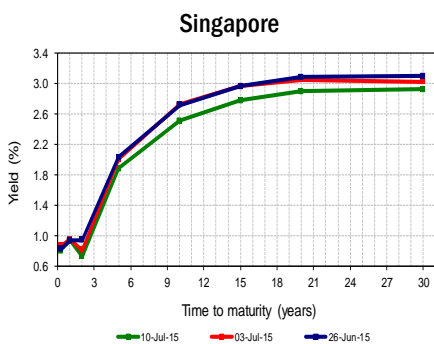
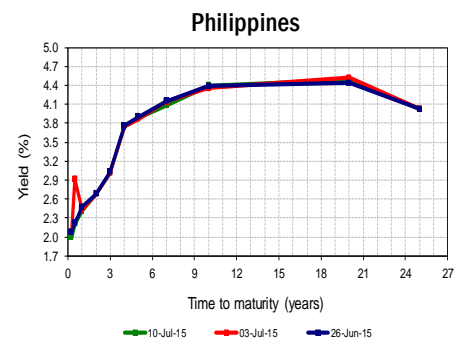
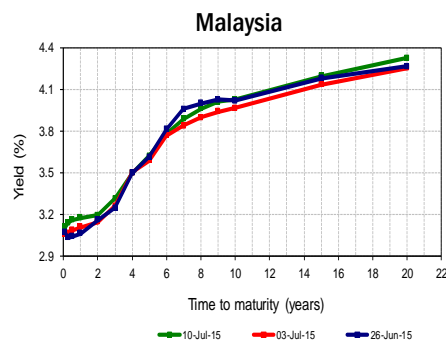
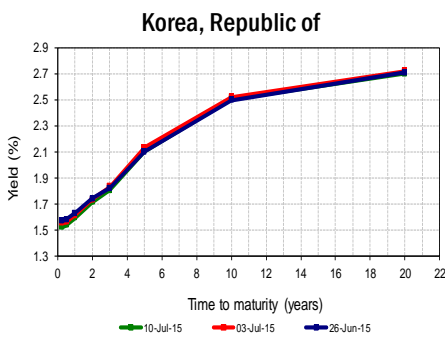
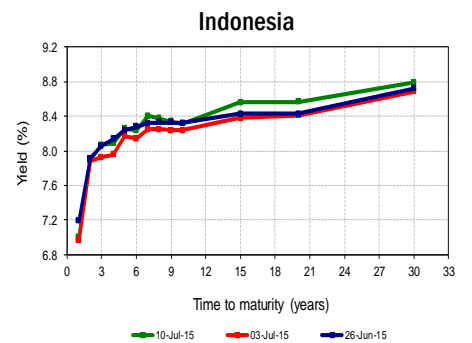
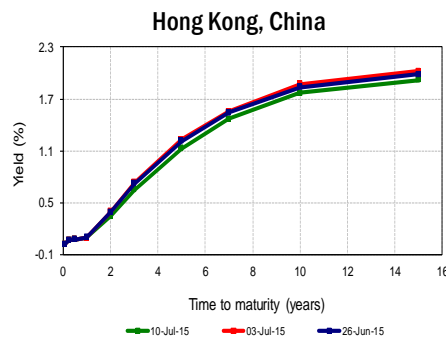
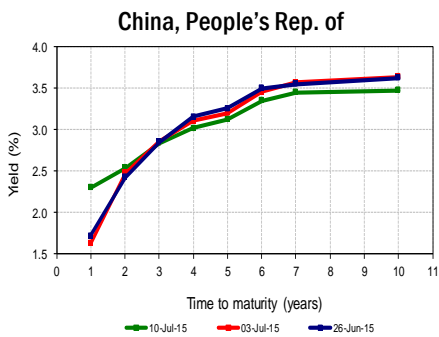
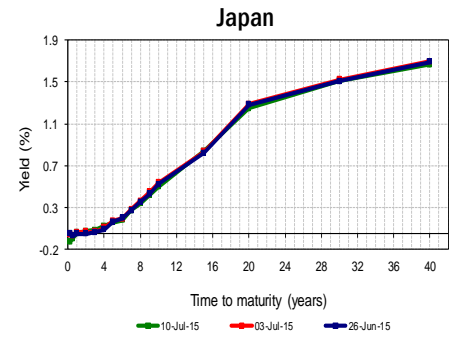
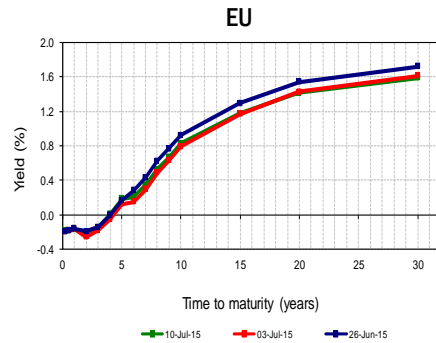
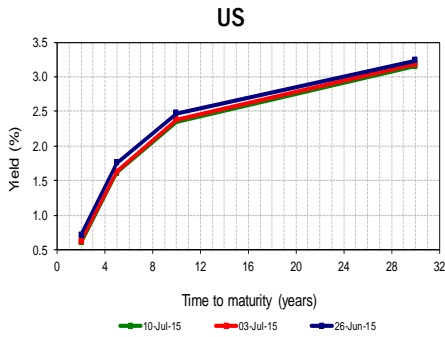
Markets	Latest Closing	basis point change from		
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Japan	0.45	-0.10	-4.10	11.80
PRC	3.48	2.00	-16.00	-17.00
Hong Kong, China	1.86	8.70	-1.40	-4.00
India	7.81	1.60	0.20	-7.50
Indonesia	8.33	-8.90	8.80	50.20
Korea, Rep. of	2.50	1.50	-1.80	-10.30
Malaysia	4.03	-1.60	6.30	-12.10
Philippines	4.39	1.83	3.83	53.00
Singapore	2.59	7.89	-13.31	31.12
Thailand	2.80	-0.40	-13.20	7.00
Viet Nam	6.86	2.30	0.00	-36.70

Close of 10 July 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

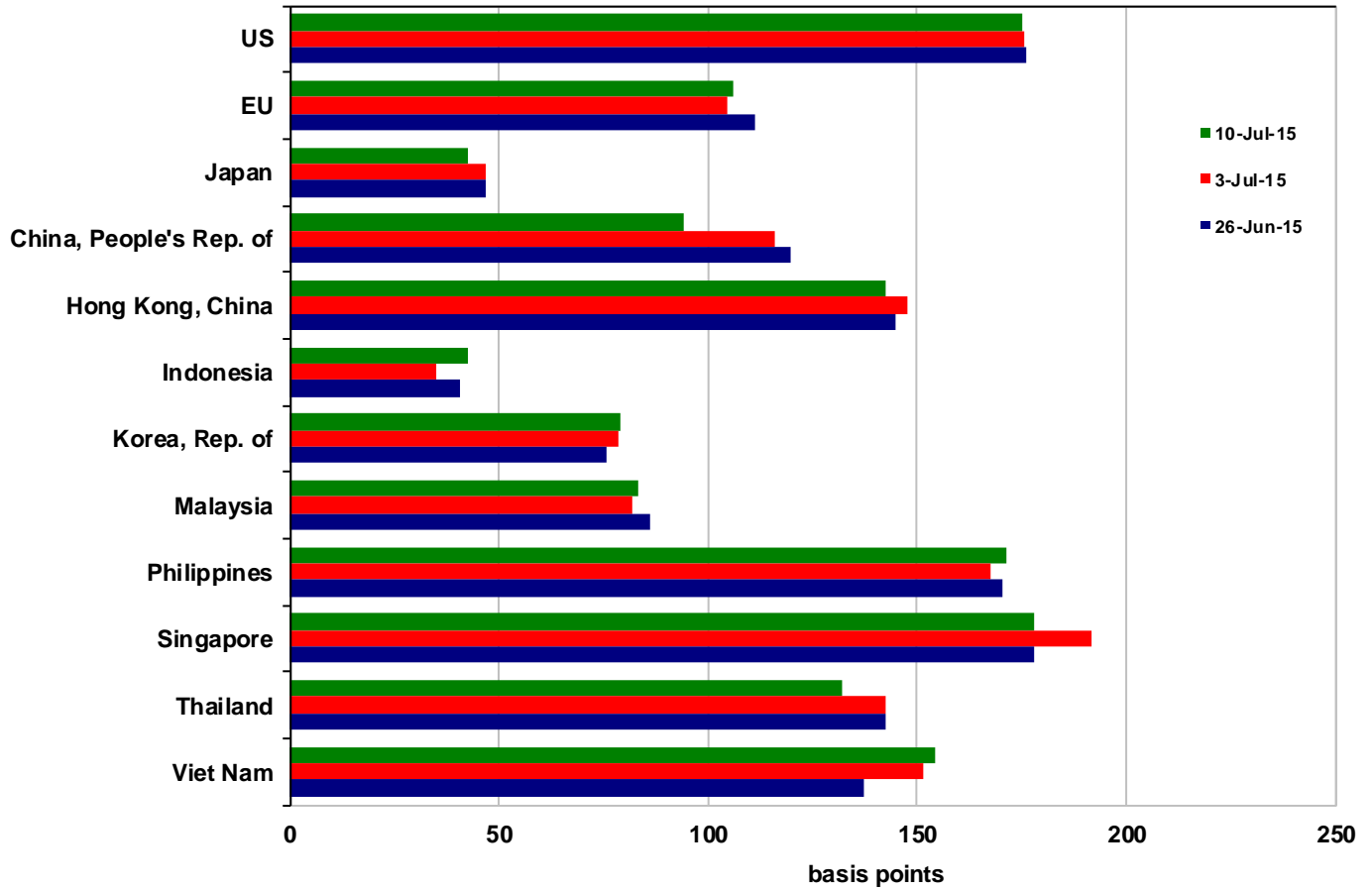
Tip: Zoom-in on the table using the Acrobat zoom tool



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

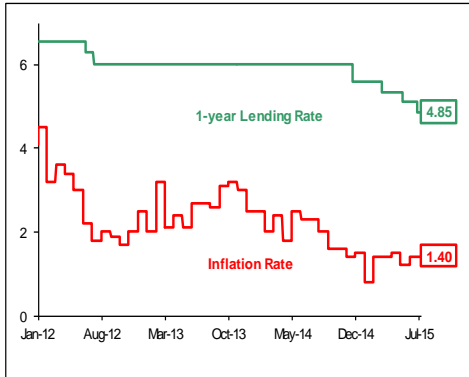


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

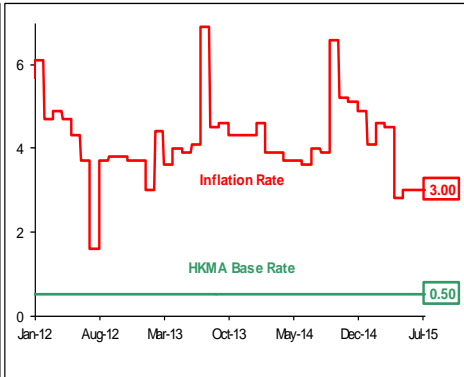
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



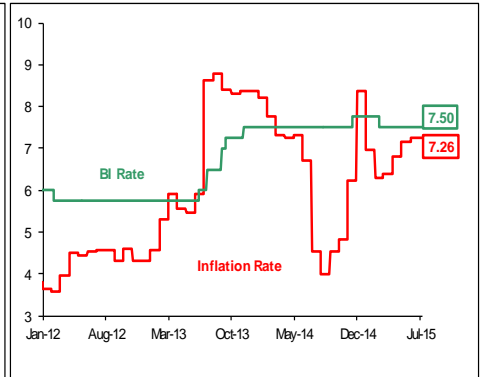
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



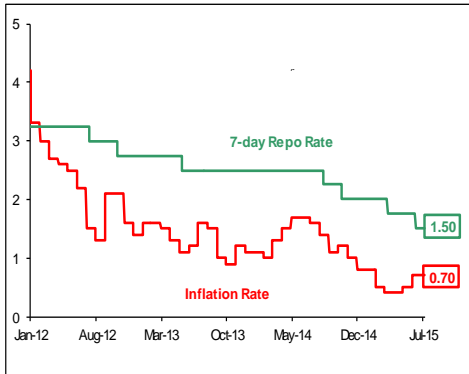
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



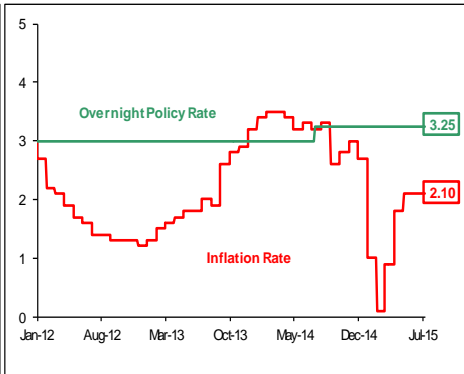
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



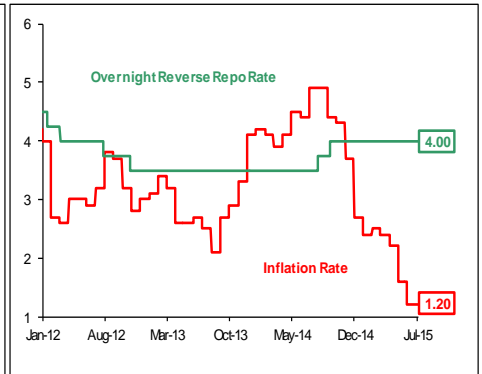
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



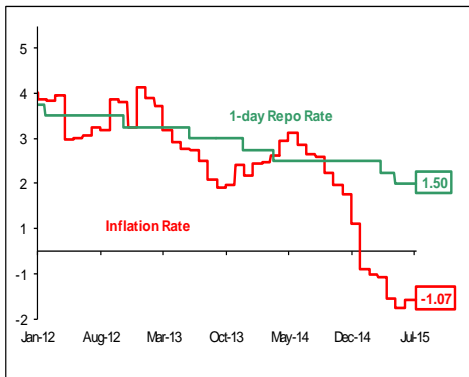
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



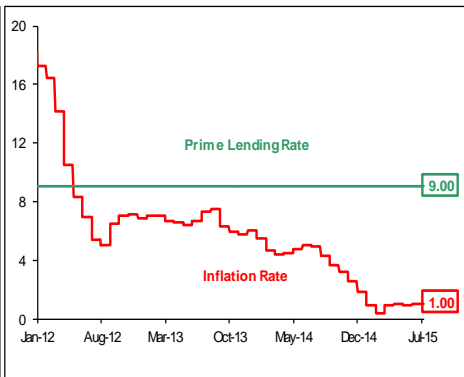
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

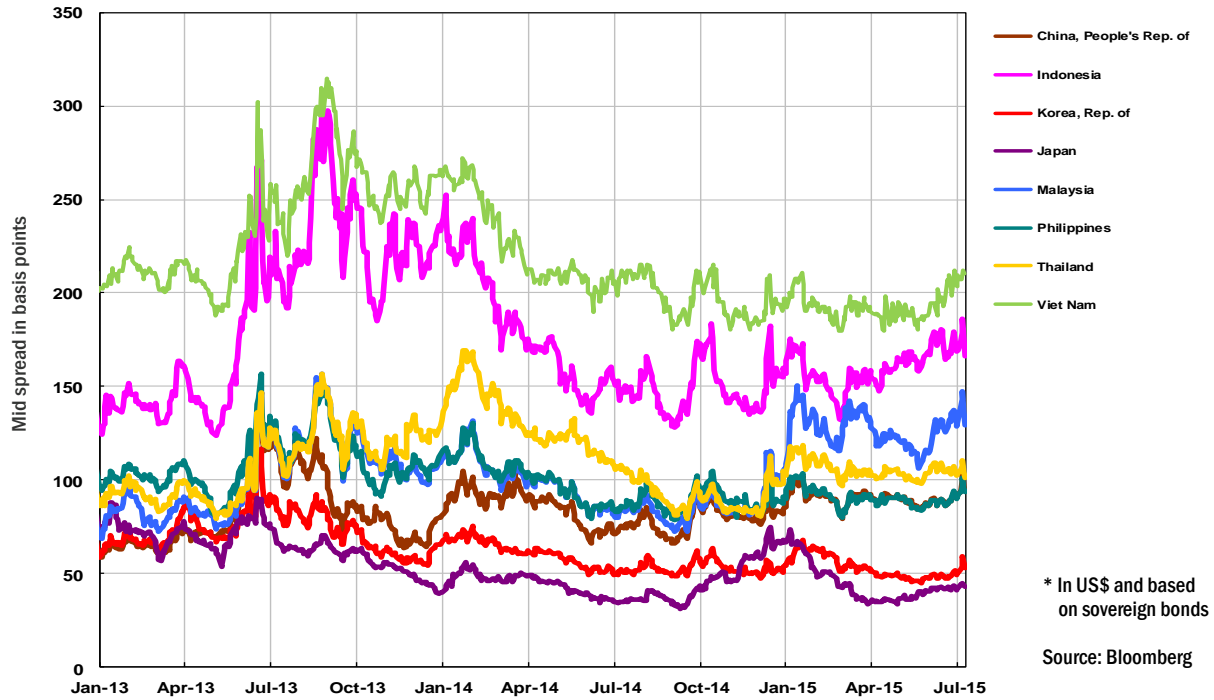


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

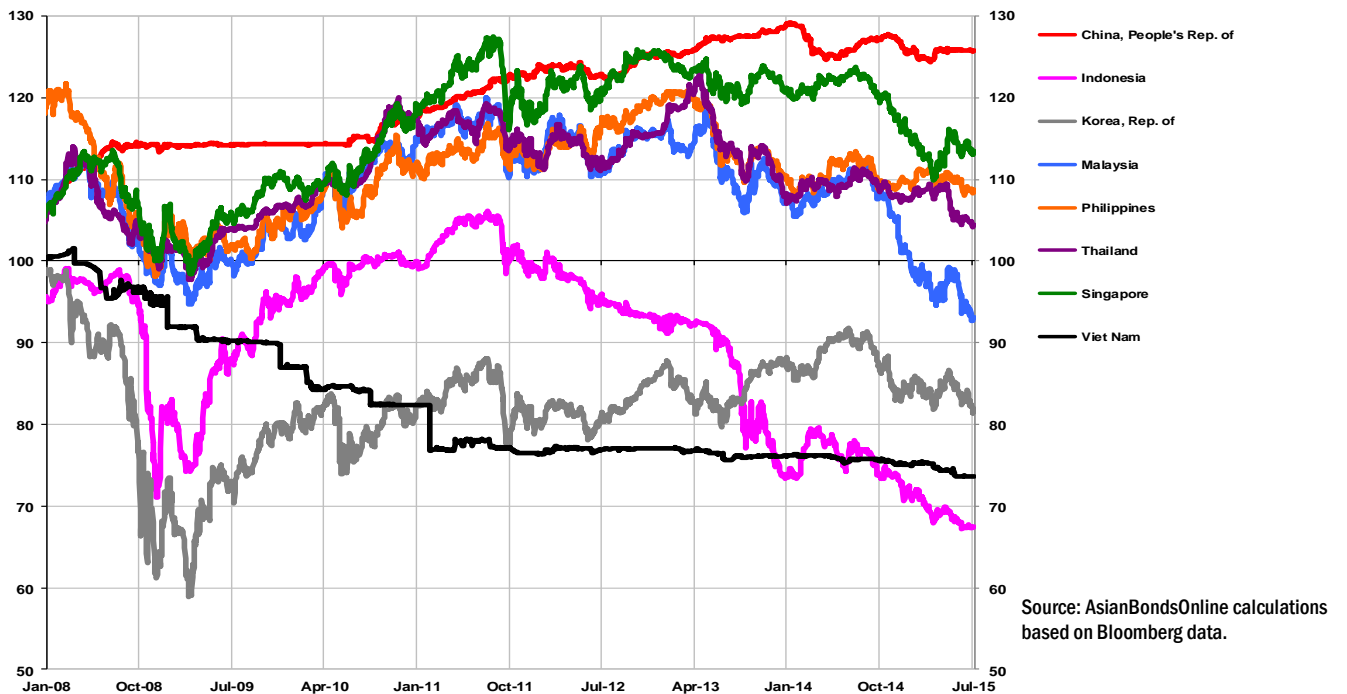
Credit Default Swap Spreads and Exchange Rate Indexes

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 (6 – 10 July 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	8-Jul	7-year Treasury Bonds	3.30	3.30	30.00	30.00
HK	7-Jul	91-day Exchange Fund Bills	0.02		31.52	31.52
		182-day Exchange Fund Bills	0.04		9.00	9.00
ID	7-Jul	91-day Treasury Bills	6.20			1,000.00
		365-day Treasury Bills	6.88			2,000.00
		11-year Treasury Bonds	8.12	8.38	10,000.00	4,100.00
		21-year Treasury Bonds	8.37	8.25		7,900.00
JP	8-Jul	6-month Treasury Discount Bills	-0.02		3,500.00	3,499.96
	9-Jul	3-month Treasury Discount Bills	-0.01		5,100.00	5,089.95
		30-year Japanese Government Bonds	1.43	1.60	800.00	799.20
KR	6-Jul	91-day Monetary Stabilization Bonds	1.55		1,200.00	1,200.00
		182-day Monetary Stabilization Bonds	1.56		800.00	800.00
		3-year Korea Treasury Bonds	1.83	1.63	2,100.00	2,100.00
	7-Jul	30-year Korea Treasury Bonds	2.75	2.77	850.00	850.00
	8-Jul	63-day Treasury Bills	1.53		1,000.00	1,000.00
PH	6-Jul	91-Day Treasury Bills	2.08		8.00	8.00
		182-Day Treasury Bills	2.33		6.00	6.00
		364-Day Treasury Bills	2.55		6.00	2.95
SG	7-Jul	4-Week MAS Bills	0.42		0.60	0.60
		12-Week MAS Bills	0.65		5.00	5.00
TH	6-Jul	28-day Treasury Bills	1.46		15.00	15.00
	7-Jul	91-day Bank of Thailand Bonds	1.46		35.00	35.00
		182-day Bank of Thailand Bonds	1.46		35.00	35.00
	8-Jul	4.97-year Government Bonds	2.26	2.55	20.00	19.70
		28.99-year Government Bonds	3.76	4.68	9.00	8.50

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (14 – 20 July 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Indonesia BI Rate % 14-Jul	07/14	6/14: 7.50% 7/14: 7.50% 5/15: 7.50% 6/15: 7.50%	In a meeting held on 18 June, Bank Indonesia's Board of Governors left the benchmark interest rate unchanged at 7.50%.
Singapore GDP Advanced Estimate y-o-y, % 2Q15	07/14	1Q14: 4.6% 2Q14: 2.3% 4Q14: 2.1% 1Q15: 2.6%	Singapore's economy grew 2.6% year-on-year (y-o-y) in 1Q15, following growth of 2.1% y-o-y in 4Q14.
China, People's Republic of Retail Sales y-o-y, % JUN	07/15	5/14: 12.5% 6/14: 12.4% 4/15: 10.0% 5/15: 10.1%	Retail sales growth in the People's Republic of China (PRC) inched up to 10.1% y-o-y in May from 10.0% y-o-y in April.
China, People's Republic of GDP y-o-y, % JUN	07/15	1Q14: 7.4% 2Q14: 7.5% 4Q14: 7.3% 1Q15: 7.0%	Economic growth in the PRC eased to 7.0% y-o-y in 1Q15 from 7.3% y-o-y growth in 4Q14.
China, People's Republic of Industrial Production y-o-y, % JUN	07/15	5/14: 8.8% 6/14: 9.2% 4/15: 5.9% 5/15: 6.1%	Industrial production in the PRC rose 6.1% y-o-y in May, following 5.9% y-o-y growth in April.
Indonesia Trade Balance US\$ million JUN	07/15	5/14: 53.3 6/14: -288.3 4/15: 477.4 5/15: 955.0	Indonesia reported a trade surplus amounting to US\$955.0 million in May, up from US\$477.4 million in April.
Korea, Republic of PPI y-o-y, % JUN	07/15	5/14: 0.0% 6/14: 0.1% 4/15: -3.6% 5/15: -3.5%	The Producer Price Index (PPI) in the Republic of Korea fell 3.5% y-o-y in May, the 10th consecutive month of y-o-y decline.
Malaysia CPI y-o-y, % JUN	07/15	5/14: 3.2% 6/14: 3.3% 4/15: 1.8% 5/15: 2.1%	Consumer price inflation in Malaysia inched up to 2.1% y-o-y in May from 1.8% y-o-y in April.
Philippines OFW Remittances y-o-y, % MAY	07/15	4/14: 5.4% 5/14: 5.6% 3/15: 11.3% 4/15: 5.1%	The Philippines posted an increase in remittances from overseas workers of 5.1% y-o-y in April, following an increase of 11.3% y-o-y in March.
Singapore Retail Sales y-o-y, % MAY	07/15	4/14: -8.0% 5/14: -6.6% 3/15: 1.9% 4/15: 5.0%	Retail sales in Singapore rose 5.0% y-o-y in April, compared with a smaller increase of 1.9% y-o-y in March.
Singapore Non-Oil Domestic Exports y-o-y, % JUN	07/16	5/14: -6.6% 6/14: -4.6% 4/15: 2.2% 5/15: -0.2%	Singapore's non-oil domestic exports (NODX) declined 0.2% y-o-y in May, a turnaround from the previous month's 2.2% y-o-y increase.
Hong Kong, China Unemployment Rate % JUN	07/20	5/14: 3.1% 6/14: 3.2% 4/15: 3.2% 5/15: 3.2%	Unemployment in Hong Kong, China stood at 3.2% in May, the same rate as in April.
Philippines BOP US\$ million JUN	07/20	5/14: 373 6/14: -24 4/15: 380 5/15: -58	The Philippines recorded a balance of payments deficit of US\$58 million in May, a reversal from a balance of payments surplus of US\$380 million in April.

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)

Consumer Price Inflation Rises in the People's Republic of China, Slows in the Philippines in June

- [Consumer Prices for June 2015](#)
National Bureau of Statistics (9 July 2015)
- [Consumer Prices for May 2015](#)
National Bureau of Statistics (9 June 2015)
- [Major Sources of Inflation in June](#)
Bangko Sentral ng Pilipinas (7 July 2015)
- [Seasonally Adjusted Consumer Price Index \(2006=100\) : June 2015](#)
Philippine Statistics Authority (7 July 2015)

The Republic of Korea and Malaysia Maintain Policy Rates

- [Monetary Policy Decision](#)
The Bank of Korea (9 July 2015)
- [Monetary Policy Statement](#)
Bank Negara Malaysia (9 July 2015)

The Bank of Korea Revises 2015 GDP Outlook Downward

- [Economic Outlook for Second Half of 2015](#)
The Bank of Korea (9 July 2015)

Japan's Current Account Surplus Expands in May; Philippine Merchandise Exports Contract in May; Japan's Current Account Surplus Expands in May

- [Balance of Payments Statistics, May 2015 \(Preliminary\)](#)
Ministry of Finance Japan (8 July 2015)
- [Merchandise Exports Performance : May 2015](#)
Philippine Statistics Authority (10 July 2015)

Industrial Production Growth Inches Up in Malaysia in May

- [Index Of Industrial Production, Malaysia May 2015](#)
Department of Statistics Malaysia (10 July 2015)

Producer Prices Fall in the PRC and Japan in June

- [Producer Prices for the Industrial Sector for May 2015](#)
National Bureau of Statistics (9 June 2015)
- [Monthly Report on the Corporate Goods Price Index](#)
Bank of Japan (10 July 2015)

Household Loans by Depository Corporations Expand in the Republic of Korea in May

- [Household Loans by Depository Corporations during May 2015](#)
The Bank of Korea (7 July 2015)

China Overseas Land International Issues EUR-Denominated Bond

- [COLI lays euro base for China property companies](#)
Finance Asia (8 July 2015)

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