

13 June 2017

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Key Developments in Asian Local Currency Markets

The People's Republic of China's (PRC) consumer price inflation rose to 1.5% year-on-year (y-o-y) in May from 1.2% y-o-y in April. The rise in inflation was due to an increase in nonfood prices, while food prices fell. Producer prices in the PRC rose 5.5% y-o-y in May, following an increase of 6.4% y-o-y in April. The slower producer price inflation was due to accelerating declines in the prices of ferrous metal mining and nonferrous smelting goods.

Japan's real gross domestic product growth (GDP) in the first quarter (Q1) of 2017 was revised downward to 0.3% quarter-on-quarter (q-o-q) from the preliminary estimate of 0.5% q-o-q. Based on the revised figures, the Q1 2017 growth was unchanged from the previous quarter. On an annualized basis, Japan's economy grew 1.0% in Q1 2017, down from the preliminary estimate of 2.2% and lower than the 1.4% annualized growth posted in the fourth quarter of 2016.

The PRC's exports rose 15.5% y-o-y in renminbi-denominated terms in May after rising 14.3% y-o-y in April. Imports also grew faster, rising 22.1% y-o-y from 18.6% y-o-y in the same period. For the month of May, the PRC recorded a trade surplus of CNY281.6 billion. Exports from Malaysia continued their strong growth momentum, gaining 20.6% y-o-y to MYR74.0 billion. Import also remained strong, rising 24.7% y-o-y to MYR65.2 billion. Malaysia posted a MYR8.8 billion trade surplus in May. In the Philippines, total exports grew 12.1% y-o-y to USD4.8 billion, while imports slightly declined 0.1% y-o-y to USD6.9 billion. The Philippines posted a trade deficit of USD2.1 billion in April.

Japan's current account surplus narrowed to JPY1.95 trillion in April from JPY2.91 trillion in March. The lower surplus was primarily driven by the reversal of the services account to a deficit of JPY295 billion in April from a surplus of JPY180 billion in March. The Republic of Korea's current account surplus narrowed to USD4.0 billion in April from USD5.8 billion in March. The lower surplus was largely due to the widening of the primary income account deficit to USD5.0 billion in April from USD0.6 billion in March.

Malaysia's Index of Industrial Production growth eased to 4.2% y-o-y in April from 4.6% y-o-y in March.

Asia Bond Monitor March 2017

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10-Year Selected LCY Government Security Yields Close of 9 June 2017 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.20	1.20	4.14	-24.38
EU	0.26	0.80	-1.00	5.60
Japan	0.06	-1.30	0.10	1.00
PRC	3.63	-2.00	-3.00	61.00
Hong Kong, China	1.30	7.50	-1.30	-67.80
India	6.50	-2.90	-12.40	-1.20
Indonesia	6.90	-3.50	-5.20	-107.00
Korea, Rep. of	2.17	-0.20	-2.70	7.80
Malaysia	3.86	-1.40	-2.00	-36.70
Philippines	4.94	-0.71	21.12	30.94
Singapore	2.11	2.21	1.69	-36.38
Thailand	2.51	0.70	-7.20	-14.20
Viet Nam	5.92	-0.40	-3.00	-45.50

- 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

On 5 June, the Bank of Thailand relaxed its foreign exchange regulations to enhance the ease of doing business by the private sector through a reduction in compliance costs.

FWD Group, a Hong Kong, China-based insurance company issued an unusual perpetual bond callable after 5 years. The bond has an issue size of USD500 million and a zero-coupon for the first 5 years. The bond is initially priced to yield 6.625%.

We are pleased to invite you to attend the conference for the release of the June edition of the Asia Bond Monitor, which will be launched at a conference held in partnership with the Asian Development Bank Institute on 23 June in Tokyo, Japan. For further details, please check the [invitation](#) and [meeting agenda](#).

Local currency government bond yields fell for most tenors in Hong Kong, China; Indonesia; Malaysia; Philippines; Thailand; and Viet Nam. Yields rose for most tenors in Singapore. Meanwhile, yield movements were mixed in the PRC and the Republic of Korea. Yield spreads between the 2-year and 10-year tenors narrowed in all markets except in Indonesia, the Philippines, Singapore, and Viet Nam.

 Summary Text of News Articles

**The PRC's Consumer Price Inflation Accelerates and Producer Price Inflation Decelerates in May;
 Consumer Price Inflation in the Philippines Decelerates in May**

The People's Republic of China's (PRC) consumer price inflation rose to 1.5% year-on-year (y-o-y) in May from 1.2% y-o-y in April. The rise in inflation was due to an increase in nonfood prices, which rose 2.3% y-o-y, while food prices fell 1.6% y-o-y in May. Producer prices rose 5.5% y-o-y in May, following an increase of 6.4% y-o-y in April. The slower producer price inflation was due to accelerating declines in the prices of ferrous metal mining and nonferrous smelting goods.

Consumer price inflation in the Philippines decelerated to 3.1% y-o-y in May from 3.4% y-o-y in April, but was up from 1.6% y-o-y in May 2016. The May inflation rate was lower than the market expectation of 3.3% y-o-y. The deceleration is due to the slower pace of price adjustments for food and nonfood commodities. Specifically, improved vegetable production and a better fish harvest contributed to lower food price inflation of 3.8% y-o-y in May versus 4.3% y-o-y in April. Nonfood price inflation slowed to 2.5% y-o-y from 2.7% y-o-y, caused by slower annual changes in clothing and footwear; furnishing, household equipment, and routine maintenance of the house; health; transport; communications; and recreation and culture commodities. Core inflation, which excludes volatile food and energy items, also slowed to 2.9% y-o-y in May from 3.0% y-o-y in the previous month. Average inflation during January–May was 3.1%, which was still within the Bangko Sentral ng Pilipinas' target range of 2.0%–4.0% for 2017.

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

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

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

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

Japan's Q1 2017 Real GDP Growth Revised Downward to 0.3% q-o-q and 1.4% Annualized

Japan's real gross domestic product growth (GDP) in the first quarter (Q1) of 2017 was revised downward to 0.3% quarter-on-quarter (q-o-q) from a preliminary estimate of 0.5% q-o-q. The revision was driven by slower q-o-q growth posted in private consumption, private residential investment, private nonresidential investment, and government consumption. Based on the revised figures, the 0.3% q-o-q growth in Q1 2017 was unchanged from the previous quarter. On an annualized basis, Japan's economy grew 1.0% in Q1 2017, down from a preliminary estimate of 2.2% and lower than the 1.4% annualized growth rate posted in the fourth quarter of 2016.

**The PRC's Export and Import Growth Accelerate in May;
 Malaysia's Trade Performance Remains Strong in April;
 Exports Increase, Imports Decrease in the Philippines in April**

The PRC's exports rose 15.5% y-o-y in renminbi-denominated terms in May after rising 14.3% y-o-y in April. Imports also grew at a faster pace, rising 22.1% y-o-y from 18.6% y-o-y in previous month. For the month of May, the PRC recorded a trade surplus of CNY281.6 billion. For the first 5 months of the year, exports grew 14.8% y-o-y. In the 5-month period, exports to the European Union grew 16.1% y-o-y while exports to the United States grew 21.1% y-o-y.

Exports from Malaysia continued their strong growth momentum even if easing in April, gaining 20.6% y-o-y compared with 24.1% y-o-y growth in the preceding month. The solid growth was underpinned by strong export performance of electrical and electronic products, which grew 22.2% y-o-y. Exports have been growing at a double-digit pace since December 2016. Import growth also remained strong in April, while expanding at a slower pace, gaining 24.7% y-o-y in versus 39.4% y-o-y in March. The growth was supported by robust y-o-y increases in the import of intermediate goods, capital goods, and consumption goods. Export revenue and import receipts amounted to MYR74.0 billion and MYR65.2 billion in April, respectively, resulting in a trade surplus of MYR8.8 billion, 62.1% higher than in March but 3.3% lower than in April 2016.

Summary Text of News Articles

The PRC's Export and Import Growth Accelerate in May; Malaysia's Trade Performance Remains Strong in April; Exports Increase, Imports Decrease in the Philippines in April (cont...)

Total exports from the Philippines grew 12.1% y-o-y to USD4.8 billion in April from USD4.3 billion in April 2016. Export of electronic products, which accounted for half of export revenue, grew 6.8% y-o-y. Meanwhile, total imports of the Philippines slightly declined by 0.1% y-o-y to USD6.9 billion in April due to the decline in the import of all major commodity groups except for raw materials and intermediate goods, which increased by 8.2% y-o-y. The Philippines posted a trade deficit of USD2.1 billion in April, lower than the deficit of USD2.6 billion in April 2016.

Current Account Surpluses in Japan and the Republic of Korea Narrow in April

Japan's current account surplus narrowed to JPY1.95 trillion in April from JPY2.91 trillion in March. The lower surplus was primarily driven by the reversal of the services account to a deficit of JPY295 billion in April from a surplus of JPY180 billion in March. The primary income account surplus also declined to JPY1.85 trillion from JPY2.19 trillion during the period in review. The goods account surplus narrowed in April as exports declined at a faster pace than imports on a month-on-month basis. Meanwhile, the secondary income account deficit narrowed in April from the previous month.

The Republic of Korea's current account surplus narrowed to USD4.0 billion in April from USD5.8 billion in March. The lower surplus was largely due to the widening of the primary income account deficit to USD5.0 billion in April from USD0.6 billion in March, and the USD0.5 billion deficit posted in the secondary income account. Meanwhile, the goods account surplus widened to USD11.9 billion in April from USD9.6 billion in March. The services account deficit narrowed in April from the previous month.

Malaysia's Industrial Production Growth Eases in April

Growth in Malaysia's Index of Industrial Production eased to 4.2% y-o-y in April from 4.6% y-o-y in March. The growth was supported by the manufacturing sector, which advanced by 6.7% y-o-y, offsetting the output contraction in the mining and electricity sectors of 2.0% y-o-y and 1.5% y-o-y, respectively.

BOT Eases Regulations on Foreign Exchange

On 5 June, the Bank of Thailand (BOT) relaxed its foreign exchange regulations to enhance the ease of doing business in the private sector through a reduction in compliance costs. According to the BOT, the goal of the reform is to give the private sector the flexibility to conduct foreign exchange transactions and hedging based on their own internal risk management and control policies within the framework set by the central bank. The BOT highlighted four main points underlining the loosening of foreign exchange rules: (i) streamline the process, reduce documents, and encourage use of electronic forms; (ii) enhance flexibility in foreign exchange risk management; (iii) allow more alternatives in foreign exchange services, especially in retail cross-border transactions; and (iv) allow more investment options for investors and companies based in Thailand.

FWD Group Issues Perpetual Bond

FWD Group, a Hong Kong, China-based insurance company, issued a perpetual bond callable after 5 years. The bond has an issue size of USD500 million and a zero-coupon for the first 5 years. The bond is initially priced to yield 6.625%. If the bond is not called, coupons will begin to be paid, with the rate reset based on a spread of 486.5 basis points to the current market rates. The coupons can be deferred at the discretion of the issuer.

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-17*
		Previous Day*	Previous Week*		
US	1.00	0.50		2.55	49.86
EU	-0.60	0.10	-0.60		30.60
Japan	-0.10	-0.90		1.30	28.70
PRC	3.48	4.00		11.00	75.00
Hong Kong, China	0.33	0.00		0.00	0.00
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.28	0.00		1.10	-3.60
Malaysia	3.05	-0.10	-0.10		1.80
Philippines	2.01	0.71	-42.74		-6.18
Singapore	0.96	0.00		2.20	-10.00
Thailand	1.35	0.00		0.00	0.00

Close of 9 June 2017

10-Year Selected LCY Government Bond Yields

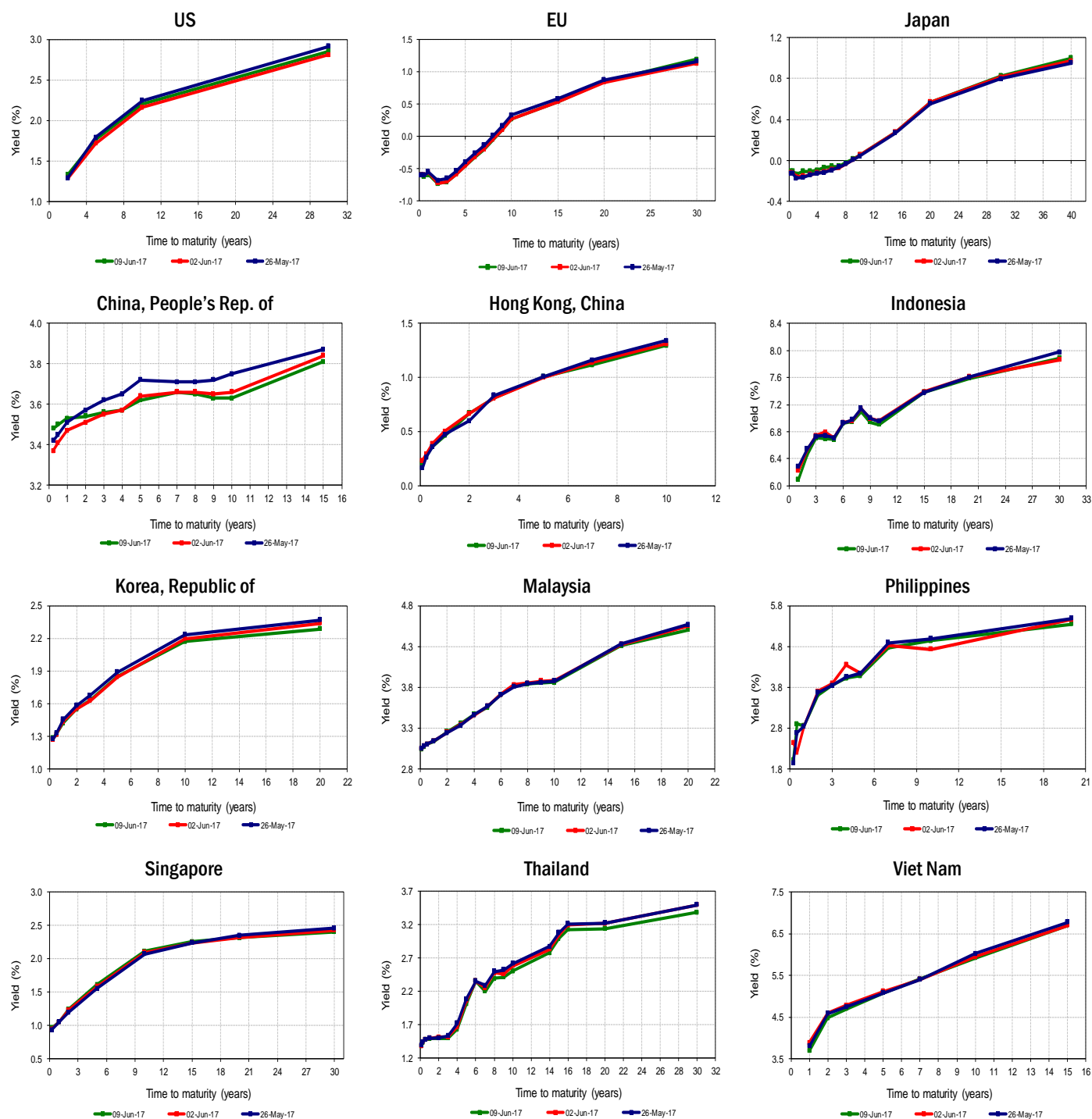
Markets	Latest Closing	basis point change from			1-Jan-17*
		Previous Day*	Previous Week*		
US	2.20	1.20		4.14	-24.38
EU	0.26	0.80	-1.00		5.60
Japan	0.06	-1.30		0.10	1.00
PRC	3.63	-2.00	-3.00		61.00
Hong Kong, China	1.30	7.50	-1.30		-67.80
India	6.50	-2.90	-12.40		-1.20
Indonesia	6.90	-3.50	-5.20		-107.00
Korea, Rep. of	2.17	-0.20	-2.70		7.80
Malaysia	3.86	-1.40	-2.00		-36.70
Philippines	4.94	-0.71		21.12	30.94
Singapore	2.11	2.21		1.69	-36.38
Thailand	2.51	0.70	-7.20		-14.20
Viet Nam	5.92	-0.40	-3.00		-45.50

Close of 9 June 2017

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

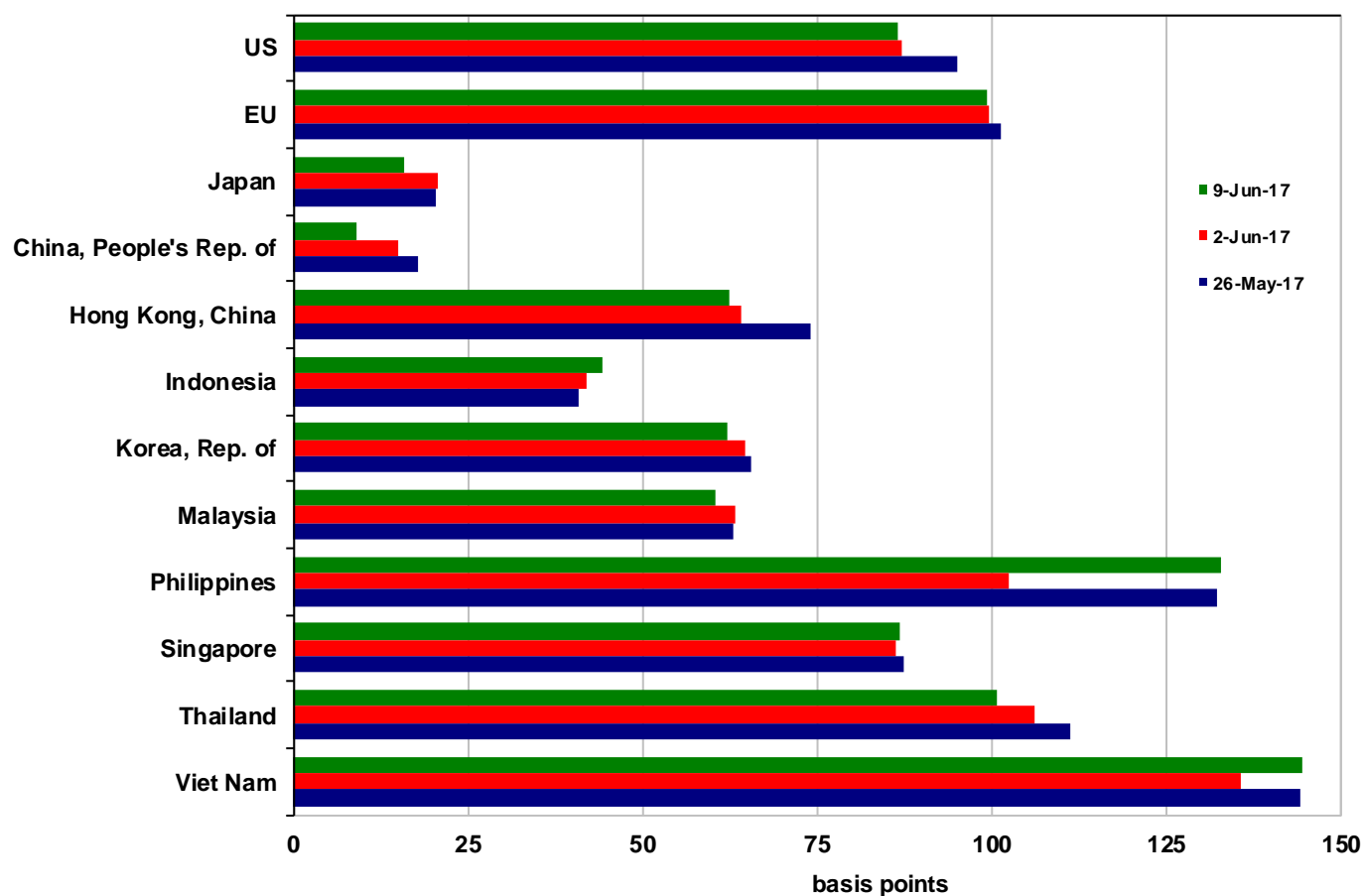


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



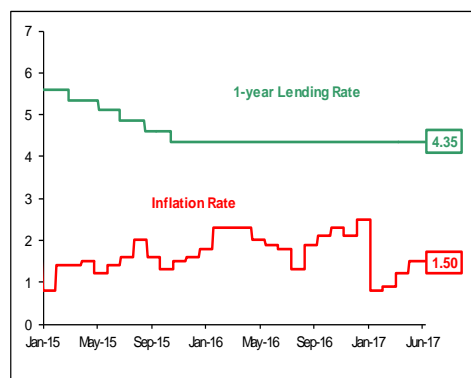
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

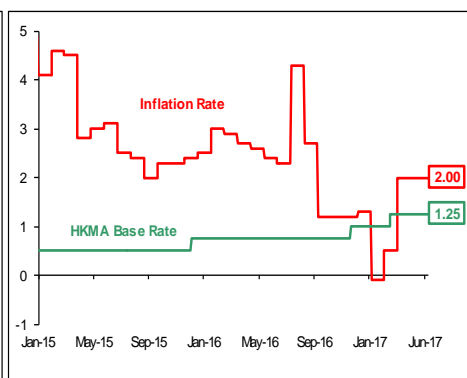
China, People's Rep. of



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

Source: Bloomberg LP.

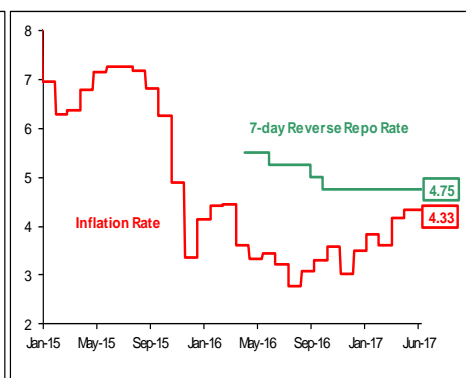
Hong Kong, China



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

Source: Bloomberg LP.

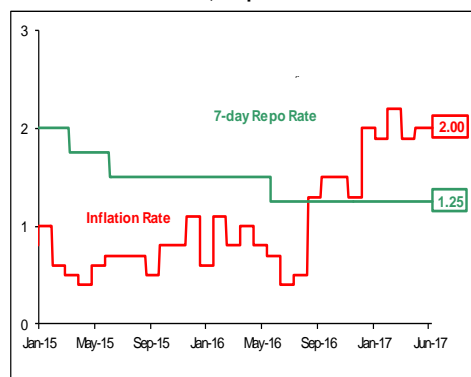
Indonesia



Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.

Source: Bloomberg LP.

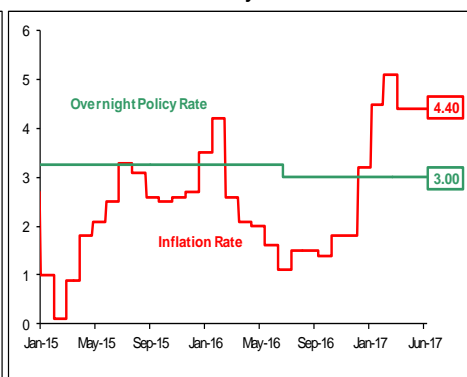
Korea, Republic of



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.

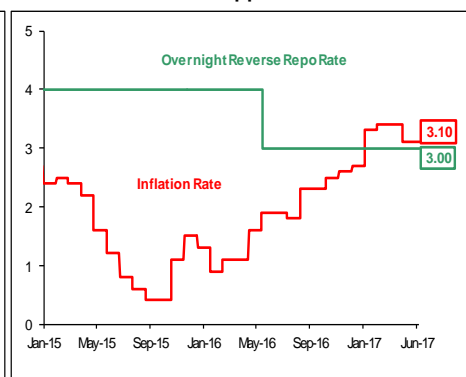
Malaysia



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

Source: Bloomberg LP.

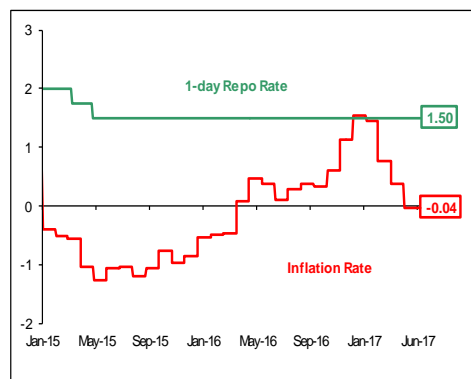
Philippines



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

Source: Bloomberg LP.

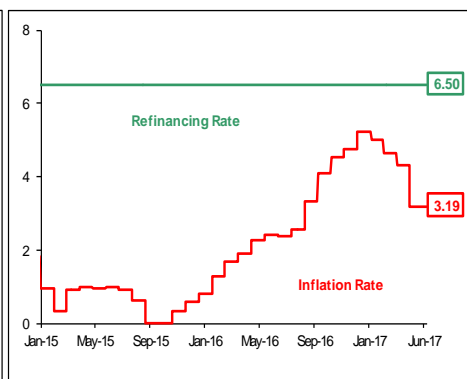
Thailand



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



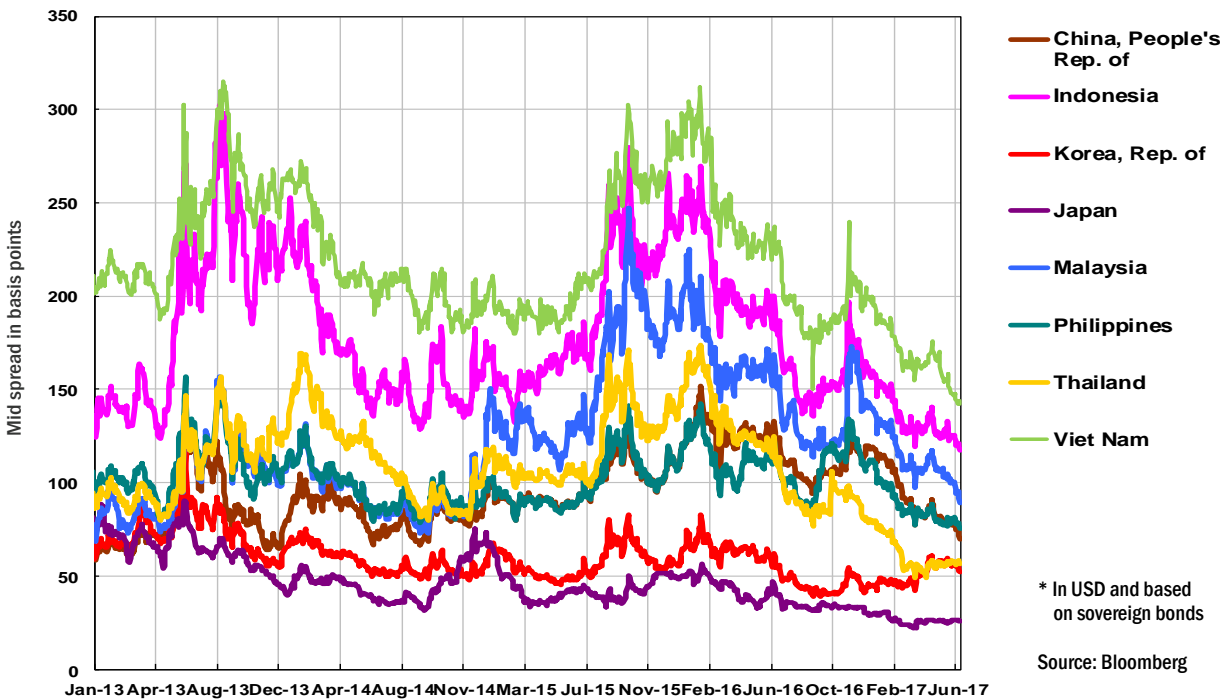
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

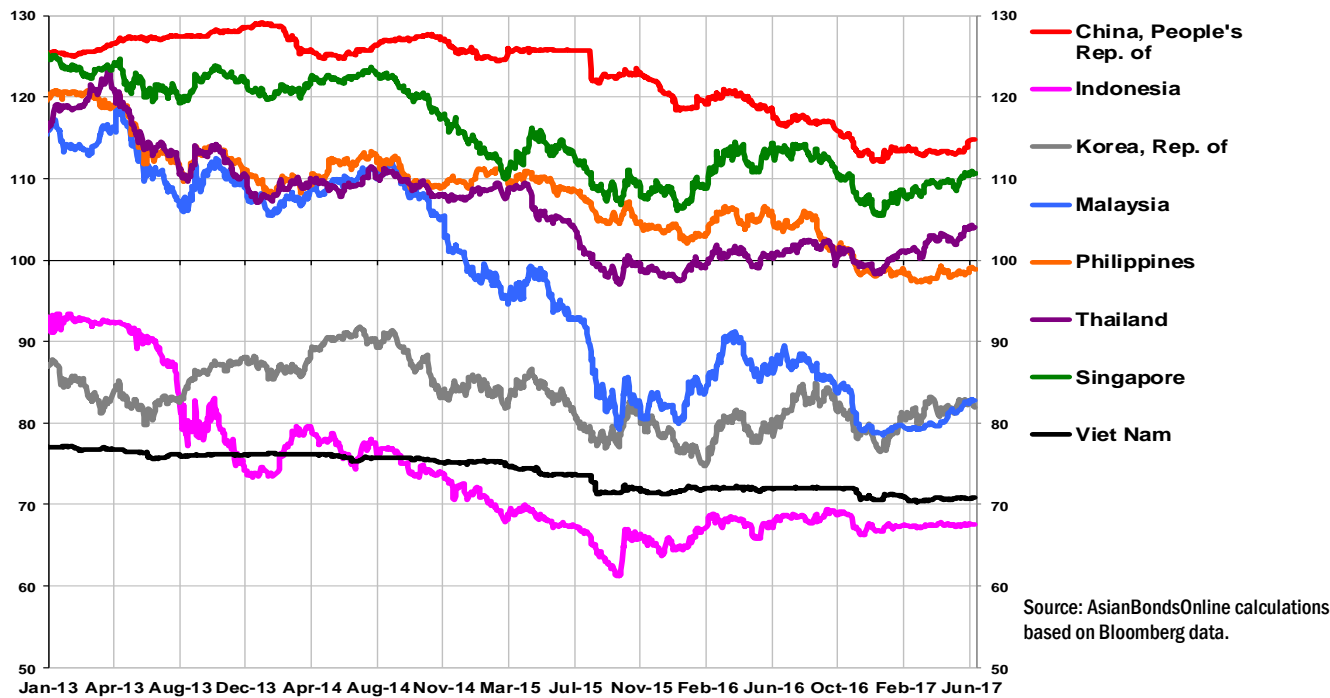
Credit Default Swap Spreads and Exchange Rate Indexes

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

Credit Default Swap Spreads – Senior 5-Year*



Exchange Rate Indexes (vis-à-vis USD, 2 January 2007=100)



Selected Debt Security Issuances (5 – 9 June 2017)

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	7-Jun	1-year China Government Bond	3.67	3.32	40.00	40.17
		10-year China Government Bond	3.70	3.52	40.00	41.22
HK	6-Jun	91-day Exchange Fund Bills	0.32		39.98	39.98
		182-day Exchange Fund Bills	0.41		15.00	15.00
ID	8-Jun	91-day Treasury Bill	4.95			5,000.00
		1-year Treasury Bill	5.83			2,550.00
		5-year Treasury Bond	6.67	7.00	14,000.00	2,200.00
		10-year Treasury Bond	6.93	7.00		2,050.00
		15-year Treasur Bond	7.39	7.50		2,200.00
JP	6-Jun	30-year Japanese Government Bonds	0.82	0.80	800.00	804.70
	7-Jun	6-month Treasury Discount Bills	-0.10		2,900.00	2,899.96
	8-Jun	3-month Treasury Discount Bills	-0.10		4,400.00	4,369.96
		5-year Japanese Government Bonds	-0.07	0.10	2,200.00	2,411.80
KR	5-Jun	3-year Korea Treasury Bonds	1.65	1.75	1,810.00	1,810.00
	7-Jun	2-year Monetary Stabilization Bonds	1.58		2,840.00	2,840.00
		30-year Korea Treasury Bonds	2.33	2.13	1,471.00	1,471.00
MY	6-Jun	20-year Government Bonds	4.56	4.76	2.50	2.50
PH	5-Jun	91-day Treasury Bills	2.10		6.00	6.00
		182-day Treasury Bills	2.46		5.00	5.00
		364-day Treasury Bills	2.85		4.00	4.00
SG	6-Jun	87-day MAS Bills	0.62		5.00	5.00
		28-day MAS Bills	0.67		1.40	1.40
TH	6-Jun	91-day Bank of Thailand Bonds	1.39		30.00	30.00
		182-day Bank of Thailand Bonds	1.46		30.00	30.00
		364-day Bank of Thailand Bonds	1.49		40.00	40.00
	7-Jun	29.04-year Government Bonds	3.43	2.88	11.00	11.00
VN	7-Jun	5-year Treasury Bonds	5.05		1,500.00	6,151.00
		7-year Treasury Bonds	5.33		1,500.00	1,950.00
		20-year Treasury Bonds	7.00		1,000.00	1,300.00
		30-year Treasury Bonds	7.50		1,000.00	1,028.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (13 – 19 June 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
People's Rep. of China Industrial Production y-o-y, % MAY	06/14	04/16: 6.0% 05/16: 6.0% 03/17: 7.5% 04/17: 6.5%	The People's Republic of China's (PRC) industrial production growth rate fell to 6.5% year-on-year (y-o-y) in April from 7.5% y-o-y in March.
People's Rep. of China Retail Sales y-o-y, % MAY	06/14	04/16: 10.1% 05/16: 10.0% 03/17: 10.9% 04/17: 10.7%	Retail sales in the PRC grew 10.7% y-o-y in April after rising 10.9% y-o-y in March.
Rep. of Korea Unemployment Rate % MAY	06/14	04/16: 3.7% 05/16: 3.7% 03/17: 3.7% 04/17: 4.0%	The unemployment rate in the Republic of Korea inched up to 4.0% in April from 3.7% in March.
Indonesia 7-Day Reverse Repo Rate % 15 June	06/15	05/16: 5.50% 06/16: 5.25% 04/17: 4.75% 05/17: 4.75%	Indonesia kept its policy rate unchanged at 4.75% in its last monetary policy meeting in May.
Indonesia Exports y-o-y, % MAY	06/15	04/16: -10.8% 05/16: -9.7% 03/17: 24.3% 04/17: 12.6%	Indonesia's exports grew 12.6% y-o-y in April after growing 24.3% y-o-y in March.
Indonesia Trade Balance USD million MAY	06/15	04/16: 876.1 05/16: 373.6 03/17: 1,395.4 04/17: 1,238.3	Indonesia's trade surplus fell to USD1,238.3 in April from USD1,395.4 in March.
Singapore Non-Oil Domestic Exports y-o-y, % MAY	06/16	04/16: -7.9% 05/16: 11.6% 03/17: 16.5% 04/17: -0.7%	Singapore's non-oil domestic exports contracted 0.7% y-o-y in April, following growth of 16.5% y-o-y in March.
Japan Exports y-o-y, % MAY	06/19	04/16: -10.1% 05/16: -11.3% 03/17: 12.0% 04/17: 7.5%	Japan's exports rose 7.5% y-o-y in April, slower than the 12.0% y-o-y growth posted in March.
Japan Trade Balance JPY billion MAY	06/19	04/16: 811 05/16: -47 03/17: 610 04/17: 481	Japan's trade surplus narrowed to JPY481 billion in April from JPY610 billion in March.
Rep. of Korea PPI y-o-y, % MAY	06/19	04/16: -3.0% 05/16: -3.0% 03/17: 4.3% 04/17: 4.0%	The Republic of Korea's producer prices rose 4.0% y-o-y in April, slower than the 4.3% y-o-y increase posted in March.

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 Consumer Price Inflation Accelerates and Producer Price Inflation Decelerates in May; Consumer Price Inflation in the Philippines Decelerates in May

- [China's May consumer inflation quickens to 1.5 pct](#)
Xinhua (9 June 2017)
- [China factory-gate inflation continues to ease](#)
Xinhua (9 June 2017)
- [Summary Inflation Report Consumer Price Index \(2006=100\): May 2017](#)
Philippine Statistical Authority (06 June 2017)
- [May Inflation Lower at 3.1 Percent](#)
Bangko Sentral ng Pilipinas (6 June 2017)

Japan's Q1 2017 Real GDP Growth Revised Downward to 0.3% q-o-q and 1.4% Annualized

- [Quarterly Estimates of GDP for January - March 2017 \(Second Preliminary Estimates\)](#)
Cabinet Office Japan (8 June 2017)

The PRC's Export and Import Growth Accelerate in May; Malaysia's Trade Performance Remains Strong in April; Exports Increase, Imports Decrease in the Philippines in April

- [Economic Watch: China's May trade growth beats expectations](#)
Xinhua (8 June 2017)
- [Monthly External Trade Statistics April 2017](#)
Department of Statistics Malaysia (05 June 2017)
- [Philippine Exports and Imports Performance: April 2017](#)
Philippine Statistics Authority (9 June 2017)

Current Account Surpluses in Japan and the Republic of Korea Narrow in April

- [Balance of Payments Statistics, April 2017 \(Preliminary\)](#)
Ministry of Finance (8 June 2017)
- [Balance of Payments during April 2017 \(preliminary\)](#)
Bank of Korea (5 June 2017)

Malaysia's Industrial Production Growth Eases in April

- [Index of Industrial Production, Malaysia April 2017](#)
Department of Statistics Malaysia (09 June 2017)

BOT Eases Regulations on Foreign Exchange

- [Foreign Exchange Regulation Reform](#)
Bank of Thailand (5 June 2017)

FWD Group Issues Perpetual Bond

- [FWD brings audacious zero-coupon perp](#)
IFRAsia (9 June 2017)

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