

# Bond Market Developments in the First Quarter of 2013

## Size and Composition

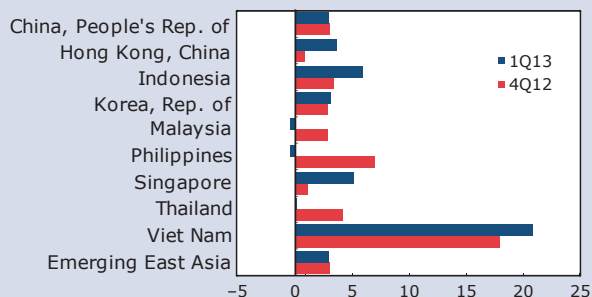
**Total bonds outstanding in emerging East Asia's LCY bond market grew 2.9% q-o-q and 12.1% y-o-y to reach US\$6.7 trillion at the end of 1Q13, reflecting continued robust q-o-q growth in the corporate bond market and modest improvement in the government sector.<sup>4</sup>**

The quarter-on-quarter (q-o-q) growth rate for emerging East Asia's local currency (LCY) bond market in 1Q13 was 2.9%, slightly less than the 3.0% posted in 4Q12 (**Figure 1a**). The most rapidly growing markets on a q-o-q basis in 1Q13 were in Viet Nam (20.8%); Indonesia (5.9%); Singapore (5.1%); Hong Kong, China (3.6%); the Republic of Korea (3.1%); and the People's Republic of China (PRC) (3.0%) (**Table 1**).

The size of Viet Nam's LCY bond market, although small by regional standards, almost tripled from US\$12.3 billion in 1Q10 to US\$30.2 billion in 1Q13. This growth, however, came entirely from the government sector as the corporate bond sector has declined in size in recent years to only US\$1.1 billion.

The growth of the Indonesian bond market has been more balanced, with the government and corporate bond sectors rising 6.2% and 4.8% q-o-q, respectively, in 1Q13. The Indonesian government has estimated that its 2013 budget deficit will be the equivalent of 1.6% of gross domestic product (GDP), but the government still needs to reduce gasoline subsidies to reach its deficit target. The growth of the Singapore bond market in 1Q13 was driven primarily by a 22.8% q-o-q rise in Monetary Authority of Singapore (MAS) bills outstanding, which reached US\$30 billion. Singapore's central

**Figure 1a: Growth of LCY Bond Markets in 4Q12 and 1Q13 (q-o-q, %)**



LCY = local currency, q-o-q = quarter-on-quarter.

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-March 2013 currency exchange rates and do not include currency effects.
4. For the Philippines, 1Q13 government bonds outstanding data carried over from February 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

government bills and bonds rose 2.9% q-o-q to reach US\$118 billion, while corporate bonds grew 3.4% q-o-q to reach US\$104 billion.

A q-o-q growth rate of 3.1% in the Republic of Korea's bond market in 1Q13 was driven primarily by 3.7% growth in its corporate bond market, compared with growth of only 2.2% in the government bond market. The q-o-q growth rate of the government bond market, however, could rise later this year if a supplementary spending bill that would raise the budget deficit to 1.8% of GDP, from an original estimate of 0.3%, is successfully implemented.

Growth in the Hong Kong, China bond market in 1Q13 was driven mainly by the government sector, while the PRC's 3.0% q-o-q growth rate was driven primarily by its robust corporate sector, which grew 6.4% in 1Q13. In addition, the PRC government recently exempted the corporate

<sup>4</sup> Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

Table 1: Size and Composition of LCY Bond Markets

	1Q12		4Q12		1Q13		Growth Rate (LCY-base %)				Growth Rate (US\$-base %)			
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	1Q12		1Q13		1Q12		1Q13	
							q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
<b>China, People's Rep. of (PRC)</b>														
<b>Total</b>	3,448	100.0	3,811	100.0	3,937	100.0	1.7	8.2	3.0	12.6	1.7	12.5	3.3	14.2
Government	2,575	74.7	2,772	72.7	2,827	71.8	1.4	4.5	1.7	8.2	1.4	8.7	2.0	9.8
Corporate	874	25.3	1,040	27.3	1,110	28.2	2.6	20.6	6.4	25.3	2.5	25.4	6.8	27.1
<b>Hong Kong, China</b>														
<b>Total</b>	171	100.0	177	100.0	184	100.0	1.6	3.0	3.6	7.2	1.7	3.1	3.5	7.2
Government	91	53.0	93	52.7	100	54.7	0.3	3.5	7.6	10.5	0.3	3.7	7.4	10.5
Corporate	80	47.0	84	47.3	83	45.3	3.2	2.3	(0.7)	3.5	3.3	2.5	(0.9)	3.5
<b>Indonesia</b>														
<b>Total</b>	111	100.0	111	100.0	119	100.0	2.0	(1.6)	5.9	13.9	1.1	(6.3)	6.6	7.1
Government	94	84.7	92	82.8	98	83.0	1.4	(5.5)	6.2	11.6	0.5	(10.0)	6.8	4.9
Corporate	17	15.3	19	17.2	20	17.0	5.3	27.8	4.8	26.9	4.4	21.6	5.4	19.2
<b>Korea, Rep. of</b>														
<b>Total</b>	1,290	100.0	1,471	100.0	1,453	100.0	3.2	10.0	3.1	10.5	4.9	6.4	(1.2)	12.7
Government	531	41.2	572	38.9	560	38.6	2.4	4.6	2.2	3.5	4.2	1.2	(2.1)	5.6
Corporate	759	58.8	899	61.1	893	61.4	3.7	14.1	3.7	15.4	5.5	10.4	(0.7)	17.6
<b>Malaysia</b>														
<b>Total</b>	298	100.0	327	100.0	322	100.0	9.5	16.6	(0.4)	9.0	13.2	15.1	(1.5)	8.0
Government	179	60.2	196	59.9	190	59.1	10.2	16.7	(1.7)	7.1	13.9	15.2	(2.8)	6.1
Corporate	119	39.8	131	40.1	132	40.9	8.6	16.5	1.6	12.1	12.2	15.0	0.4	11.0
<b>Philippines</b>														
<b>Total</b>	83	100.0	99	100.0	99	100.0	5.1	12.8	(0.3)	13.7	7.4	14.0	0.1	19.6
Government	73	87.5	86	87.1	86	86.9	5.6	13.2	(0.6)	12.8	7.9	14.3	(0.1)	18.7
Corporate	10	12.5	13	12.9	13	13.1	1.9	10.4	1.1	19.8	4.1	11.5	1.6	25.9
<b>Singapore</b>														
<b>Total</b>	212	100.0	243	100.0	252	100.0	7.7	19.7	5.1	17.3	11.0	20.0	3.6	18.9
Government	129	60.8	142	58.2	148	58.9	5.4	21.4	6.4	13.7	8.7	21.7	4.8	15.3
Corporate	83	39.2	102	41.8	104	41.1	11.5	17.3	3.4	22.9	14.9	17.5	1.9	24.7
<b>Thailand</b>														
<b>Total</b>	250	100.0	279	100.0	294	100.0	8.4	13.1	1.1	11.8	11.0	11.1	5.7	17.8
Government	200	79.8	221	79.3	232	78.7	7.1	12.3	0.3	10.2	9.6	10.3	4.8	16.1
Corporate	51	20.2	58	20.7	63	21.3	14.0	16.5	4.4	17.9	16.6	14.5	9.1	24.3
<b>Viet Nam</b>														
<b>Total</b>	20	100.0	25	100.0	30	100.0	12.8	20.1	20.8	53.3	13.8	20.4	20.3	52.7
Government	18	89.9	24	95.7	29	96.5	14.8	23.7	21.8	64.6	15.8	23.9	21.3	63.9
Corporate	2	10.1	1	4.3	1	3.5	(2.3)	(4.1)	(1.6)	(47.2)	(1.5)	(3.9)	(2.0)	(47.4)
<b>Emerging East Asia (EEA)</b>														
<b>Total</b>	5,883	100.0	6,544	100.0	6,689	100.0	3.0	9.3	2.9	12.1	3.7	10.7	2.2	13.7
Government	3,888	66.1	4,198	64.2	4,272	63.9	2.4	5.9	2.0	8.3	3.0	7.8	1.7	9.9
Corporate	1,994	33.9	2,346	35.8	2,418	36.1	4.0	16.7	4.6	19.5	5.0	16.9	3.1	21.2
<b>EEA excl. PRC</b>														
<b>Total</b>	2,434	100.0	2,733	100.0	2,753	100.0	4.8	10.9	2.9	11.4	6.7	8.4	0.7	13.1
Government	1,314	54.0	1,426	52.2	1,445	52.5	4.5	8.6	2.6	8.4	6.4	6.2	1.3	10.0
Corporate	1,121	46.0	1,306	47.8	1,308	47.5	5.1	13.8	3.2	15.0	7.1	11.1	0.1	16.7
<b>Japan</b>														
<b>Total</b>	11,897	100.0	11,663	100.0	10,832	100.0	0.9	3.1	0.9	3.5	(6.4)	3.4	(7.1)	(9.0)
Government	10,826	91.0	10,672	91.5	9,934	91.7	0.9	3.6	1.1	4.3	(6.3)	3.9	(6.9)	(8.2)
Corporate	1,072	9.0	991	8.5	898	8.3	0.3	(1.6)	(1.6)	(4.7)	(7.0)	(1.2)	(9.4)	(16.2)
<b>Memo Item: CNH</b>														
<b>Total</b>	53	100.0	53	100.0	55	100.0	19.6	273.5	3.3	2.9	19.5	288.4	3.6	4.4
Government	7	14.0	12	22.9	13	23.4	13.4	55.0	5.9	72.0	13.4	61.1	6.3	74.4
Corporate	45	86.0	41	77.1	42	76.6	20.7	385.1	2.5	(8.4)	20.6	404.3	2.9	(7.1)

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

- For the Philippines, 1Q13 government bonds outstanding data carried over from February 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.
- Corporate bonds include issues by financial institutions.
- CNH bonds are renminbi-denominated bonds issued in Hong Kong, China. Data include certificates of deposits and bonds issued by foreign companies.
- Bloomberg LP end-of-period LCY-US\$ rates are used.
- For LCY base, emerging East Asia growth figures based on end-March 2013 currency exchange rates and do not include currency effects.
- Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam. Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

bond sector from taxation, which should further contribute to its growth in 2013.

The regional bond market's y-o-y growth rate in 1Q13 was 12.1%, almost the same as in 4Q12 (**Figure 1b**). The y-o-y growth rate for the region's government bond sector was 8.3%, down slightly from 8.8% in 4Q12, while the corporate sector's y-o-y growth rate of 19.5% was slightly higher than the 18.8% recorded in 4Q12. Viet Nam retained its position as the most rapidly growing bond market on a y-o-y basis (53.3%), followed by Singapore (17.3%) and Indonesia (13.9%). The fourth most rapidly growing market on a y-o-y basis was the Philippines (13.7%), reflecting an expected budget deficit equivalent to 2.0% of GDP in 2013.

The two most rapidly growing corporate bond markets on a y-o-y basis in 1Q13 were those of the PRC and Indonesia, which are the largest (US\$1.1 trillion) and one of the smallest (US\$20 billion) corporate bond markets in the

region, respectively. Both corporate bond markets, however, are part of rapidly growing economies, whose banks may be constrained by the imposition of the more stringent Basel III capital adequacy requirements in coming years. Meanwhile, the corporate sectors of these two economies have also become active issuers in the US\$ bond market.

## CNH Market Trends<sup>5</sup>

CNH bonds outstanding rose 3.3% q-o-q in 1Q13. Growth was higher for CNH government bonds at 5.9%, compared with 2.5% for corporate bonds. Two of the more important CNH bonds issued in 1Q13 were (i) a CNH3 billion bond with a 5-year maturity and a 5.5% yield issued by New World Land Limited on 6 February; and (ii) a CNH2.5 billion bond issued on 28 March by China Minmetals, a state-owned metallurgical company. The China Minmetals bond has a 3-year maturity and pays a coupon of 3.65%.

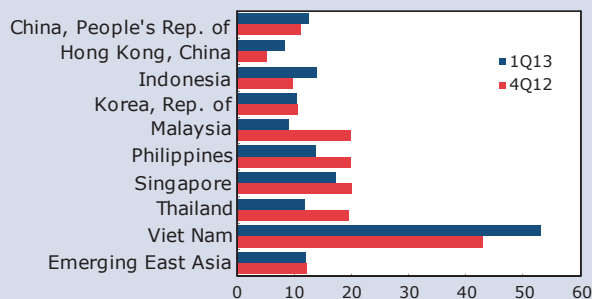
## Ratio of Bonds Outstanding

### The ratio of bonds outstanding to GDP in emerging East Asia rose slightly to 54.8% of GDP in 1Q13 from 54.6% in 4Q12.

The ratio of bonds outstanding to GDP in emerging East Asia rose slightly to 54.8% of GDP in 1Q13 from 54.6% in 4Q12 (**Table 2**). The ratio of government bonds to GDP remained flat in 1Q13 at 35.0% of GDP, while the ratio of corporate bonds outstanding to GDP rose marginally from 19.6% in 4Q12 to 19.8% in 1Q13.

The two markets with the largest ratios of LCY bonds outstanding to GDP in 1Q13 were the Republic of Korea and Malaysia, with ratios of 121.5% and 105.0%, respectively. These ratios reflect not only large and well-developed government bond markets that are equivalent to 46.9% and 62.1% of GDP, respectively, but also large and well-developed corporate bond sectors

**Figure 1b: Growth of LCY Bond Markets in 4Q12 and 1Q13 (y-o-y, %)**



LCY = local currency, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-March 2013 currency exchange rates and do not include currency effects.
4. For the Philippines, 1Q13 government bonds outstanding data carried over from February 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (*EDAILY BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

<sup>5</sup> CNH bonds are renminbi-denominated bonds issued in Hong Kong, China.

**Table 2: Size and Composition of LCY Bond Markets**  
(% of GDP)

	1Q12	4Q12	1Q13
<b>China, People's Rep. of</b>			
<b>Total</b>	44.9	45.7	46.2
Government	33.5	33.3	33.1
Corporate	11.4	12.5	13.0
<b>Hong Kong, China</b>			
<b>Total</b>	68.0	67.5	69.9
Government	36.0	35.6	38.2
Corporate	31.9	32.0	31.7
<b>Indonesia</b>			
<b>Total</b>	13.3	13.2	13.7
Government	11.2	11.0	11.4
Corporate	2.0	2.3	2.3
<b>Korea, Rep. of</b>			
<b>Total</b>	117.1	123.0	121.5
Government	48.2	47.9	46.9
Corporate	68.9	75.2	74.7
<b>Malaysia</b>			
<b>Total</b>	101.9	106.6	105.0
Government	61.3	63.9	62.1
Corporate	40.5	42.8	42.9
<b>Philippines</b>			
<b>Total</b>	35.9	38.5	38.5
Government	31.5	33.5	33.5
Corporate	4.5	5.0	5.1
<b>Singapore</b>			
<b>Total</b>	79.1	86.0	89.0
Government	48.1	50.0	52.4
Corporate	31.0	35.9	36.6
<b>Thailand</b>			
<b>Total</b>	72.8	75.0	79.3
Government	58.1	59.5	62.4
Corporate	14.7	15.5	16.9
<b>Viet Nam</b>			
<b>Total</b>	15.6	17.7	20.5
Government	14.1	17.0	19.8
Corporate	1.6	0.8	0.7
<b>Emerging East Asia</b>			
<b>Total</b>	52.8	54.6	54.8
Government	34.9	35.0	35.0
Corporate	17.9	19.6	19.8
<b>Japan</b>			
<b>Total</b>	208.3	212.6	215.0
Government	189.6	194.6	197.2
Corporate	18.8	18.1	17.8

GDP = gross domestic product, LCY = local currency.

Notes:

1. Data for GDP is from CEIC. 1Q13 GDP figures carried over from 4Q12 except for the People's Republic of China, Indonesia, Viet Nam, and Japan.
2. For the Philippines, 1Q13 government bonds outstanding data carried over from February 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

that are equivalent to 74.7% and 42.9% of GDP, respectively.

Singapore, the market with the third-highest ratio of bonds to GDP, increased its ratio in 1Q13 to 89% from 86% in 4Q12 and 79.1% in 1Q12. This increase reflects a steady rise in the size of its government and corporate bond sectors over the last year, both in nominal terms and as a share of GDP.

The PRC bond market, the largest market in emerging East Asia, increased its ratio of bonds to GDP in 1Q13 to 46.2% from 45.7% in 4Q12. This increase was driven by a rise in its ratio of corporate bonds to GDP to 13.0% from 12.5% in 4Q12, while its government bond sector experienced a slight decline to 33.1% in 1Q13 from 33.3% in 4Q12. The ratio of PRC government bonds to GDP is in a range similar to those of the Philippines and Hong Kong, China, but is much less than those of the Republic of Korea, Malaysia, Singapore, and Thailand.

## Issuance

**LCY bond issuance in 1Q13 totaled US\$803 billion, a 2.2% increase over 4Q12 driven by a 9.9% increase in issuance by the region's central banks and monetary authorities, while issuance by central governments saw a modest 0.6% increase and corporate sector issuance declined.**

LCY bond issuance in 1Q13 totaled US\$803 billion, a 2.2% increase over 4Q12 (**Table 3**). This q-o-q increase, however, stemmed entirely from a 9.9% increase in issuance by central banks and monetary authorities, especially issuance by the Hong Kong Monetary Authority (HKMA). HKMA's issuance in 1Q13 amounted to US\$222 billion, equivalent to 57% of the region's total issuance by central banks and monetary authorities of US\$387 billion. The Bank of Thailand issued US\$54 billion of bills and bonds. The next largest issues from central banks and monetary authorities came from The Bank of

**Table 3: LCY-Denominated Bond Issuance (gross)**

	Amount (LCY billion)		Amount (US\$ billion)		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	1Q13	% share	1Q13	% share	1Q13		1Q13	
					q-o-q	y-o-y	q-o-q	y-o-y
<b>China, People's Rep. of (PRC)</b>								
<b>Total</b>	1,275	100.0	205	100.0	(9.7)	8.7	(9.4)	10.3
Government	724	56.8	117	56.8	(1.6)	(2.9)	(1.3)	(1.5)
Central Bank	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	724	56.8	117	56.8	(1.6)	(2.9)	(1.3)	(1.5)
Corporate	551	43.2	89	43.2	(18.5)	29.1	(18.3)	30.9
<b>Hong Kong, China</b>								
<b>Total</b>	1,795	100.0	231	100.0	18.4	21.7	18.2	21.8
Government	1,734	96.6	223	96.6	18.3	25.4	18.1	25.4
Central Bank	1,727	96.2	222	96.2	18.0	25.3	17.8	25.3
Treasury and Other Govt.	7	0.4	1	0.4	133.3	40.0	132.9	40.0
Corporate	61	3.4	8	3.4	22.0	(33.3)	21.8	(33.3)
<b>Indonesia</b>								
<b>Total</b>	113,036	100.0	12	100.0	29.7	15.6	30.5	8.6
Government	98,118	86.8	10	86.8	50.1	12.8	51.0	6.0
Central Bank	29,134	25.8	3	25.8	(23.8)	9.5	(23.4)	2.9
Treasury and Other Govt.	68,984	61.0	7	61.0	154.5	14.3	156.0	7.4
Corporate	14,918	13.2	2	13.2	(31.5)	38.1	(31.1)	29.8
<b>Korea, Rep. of</b>								
<b>Total</b>	163,971	100.0	148	100.0	(3.7)	(8.7)	(7.7)	(7.0)
Government	66,249	40.4	60	40.4	(7.5)	(2.3)	(11.4)	(0.3)
Central Bank	43,090	26.3	39	26.3	(0.9)	1.9	(5.1)	3.9
Treasury and Other Govt.	23,159	14.1	21	14.1	(17.7)	(9.2)	(21.2)	(7.4)
Corporate	97,722	59.6	88	59.6	(0.9)	(12.7)	(5.1)	(11.0)
<b>Malaysia</b>								
<b>Total</b>	134	100.0	43	100.0	(3.8)	(27.5)	(4.9)	(28.2)
Government	104	78.1	34	78.1	(1.8)	(22.0)	(3.0)	(22.7)
Central Bank	77	57.9	25	57.9	(7.1)	(27.9)	(8.2)	(28.6)
Treasury and Other Govt.	27	20.2	9	20.2	17.3	2.1	16.0	1.2
Corporate	29	21.9	9	21.9	(10.2)	(42.1)	(11.2)	(42.6)
<b>Philippines</b>								
<b>Total</b>	215	100.0	5	100.0	37.2	(25.9)	37.9	(22.1)
Government	196	90.9	5	90.9	39.0	(27.8)	39.6	(24.0)
Central Bank	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	196	90.9	5	90.9	39.0	(27.8)	39.6	(24.0)
Corporate	20	9.1	0.5	9.1	21.9	0.0	22.5	5.1
<b>Singapore</b>								
<b>Total</b>	93	100.0	75	100.0	4.4	(6.0)	2.8	(4.6)
Government	89	95.6	72	95.6	2.5	(4.8)	1.0	(3.5)
Central Bank	47	50.4	38	50.4	14.9	29.1	13.2	30.9
Treasury and Other Govt.	42	45.2	34	45.2	(8.5)	(26.4)	(9.8)	(25.4)
Corporate	4	4.4	3	4.4	71.2	(25.5)	68.6	(24.5)
<b>Thailand</b>								
<b>Total</b>	2,198	100.0	75	100.0	(0.2)	(25.5)	4.4	(21.5)
Government	1,819	82.7	62	82.7	(2.1)	(28.2)	2.3	(24.4)
Central Bank	1,594	72.5	54	72.5	(5.9)	(31.5)	(1.6)	(27.8)
Treasury and Other Govt.	225	10.2	8	10.2	36.5	8.8	42.7	14.7
Corporate	380	17.3	13	17.3	10.2	(9.3)	15.2	(4.5)

continued on next page

Table 3 continued

	Amount (LCY billion)		Amount (US\$ billion)		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	1Q13	% share	1Q13	% share	1Q13		1Q13	
					q-o-q	y-o-y	q-o-q	y-o-y
<b>Viet Nam</b>								
<b>Total</b>	191,518	100.0	9	100.0	68.8	134.7	68.1	133.8
Government	191,518	100.0	9	100.0	69.1	134.7	68.3	133.8
Central Bank	112,857	58.9	5	58.9	92.7	270.3	91.8	268.8
Treasury and Other Govt.	78,661	41.1	4	41.1	43.7	53.9	43.1	53.3
Corporate	0	0.0	0	0.0	-	-	-	-
<b>Emerging East Asia (EEA)</b>								
<b>Total</b>	-	-	803	100.0	2.2	0.2	1.6	1.6
Government	-	-	591	73.6	6.5	1.3	6.2	2.6
Central Bank	-	-	387	48.2	9.9	6.5	9.8	7.9
Treasury and Other Govt.	-	-	204	25.4	0.6	(7.4)	0.02	(6.1)
Corporate	-	-	212	26.4	(8.1)	(2.6)	(9.3)	(1.0)
<b>EEA excl. PRC</b>								
<b>Total</b>	-	-	598	100.0	7.1	(2.4)	6.0	(1.0)
Government	-	-	475	79.4	8.7	2.3	8.2	3.7
Central Bank	-	-	387	64.7	9.9	6.5	9.8	7.9
Treasury and Other Govt.	-	-	88	14.7	3.6	(12.8)	1.8	(11.7)
Corporate	-	-	124	20.6	1.2	(17.2)	(1.6)	(15.7)
<b>Japan</b>								
<b>Total</b>	50,910	100.0	540	100.0	1.3	3.3	(6.7)	(9.2)
Government	48,183	94.6	511	94.6	2.7	5.3	(5.4)	(7.4)
Central Bank	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	48,183	94.6	511	94.6	2.7	5.3	(5.4)	(7.4)
Corporate	2,727	5.4	29	5.4	(18.2)	(22.7)	(24.7)	(32.0)

- = not applicable, ( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Corporate bonds include issues by financial institutions.

2. Bloomberg LP end-of-period LCY-US\$ rates are used.

3. For LCY base, emerging East Asia growth figures are based on end-March 2013 currency exchange rates and do not include currency effects.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia, Indonesia Debt Management Office, and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bloomberg LP); Singapore (Singapore Government Securities and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

Korea (US\$39 billion) and the Monetary Authority of Singapore (US\$38 billion).

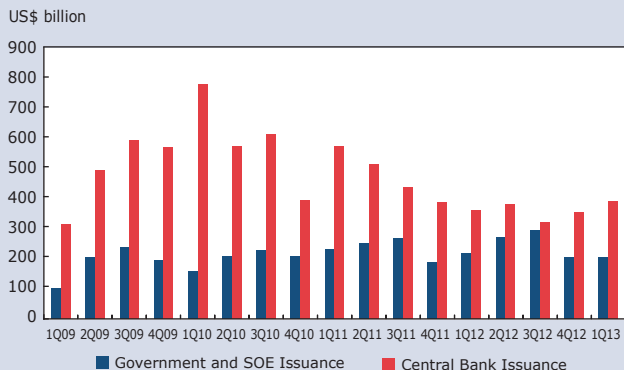
Issuance of treasury bills, bonds, and other central government paper rose only 0.6% in 1Q13, while issuance of corporate bonds fell 8.1%. The PRC continued to issue the largest portion of treasury bills and bonds in the region, accounting for US\$117 billion out of a regional total of US\$204 billion worth of treasury bills, bonds, and other central government paper in 1Q13. The next largest issuers of treasuries and other central government bonds in 1Q13 were Singapore (US\$34 billion) and the Republic of Korea (US\$21 billion). Thailand, Indonesia, and the Philippines issued US\$8 billion, US\$7 billion, and

US\$5 billion, respectively, of central government bills and bonds during the quarter, resulting in a 154.5% q-o-q issuance growth rate for Indonesian government bonds, 39.0% for the Philippines, and 36.5% for Thailand. (Indonesia typically frontloads its issuance program each year.)

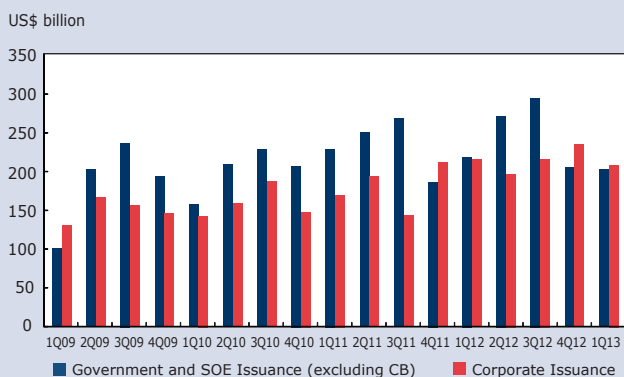
The two largest issuers of corporate bonds in 1Q13 were the PRC and the Republic of Korea, which issued nearly identical amounts of US\$89 billion and US\$88 billion, respectively, and accounted for US\$177 billion out of the region's total corporate issuance of US\$212 billion in 1Q13.

These developments in 2013 have been put into their historical perspective in **Figures 2a, 2b,**

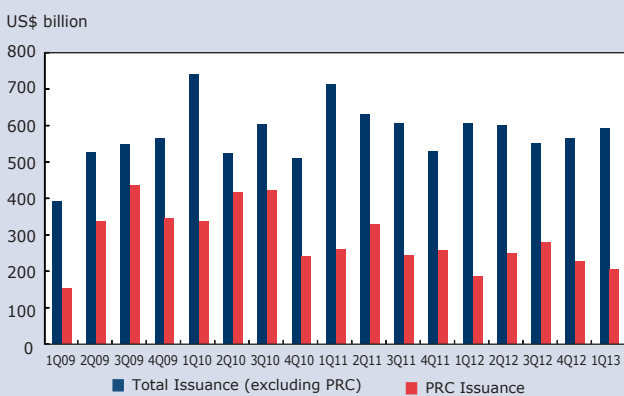
**Figure 2a: Government (including SOE) and Central Bank Bond Issuance**



**Figure 2b: Government (including SOE) and Corporate Bond Issuance**



**Figure 2c: Total LCY Bond Issuance**



CB = central bank, LCY = local currency, PRC = People's Republic of China, SOE = state-owned enterprise.

Notes:

1. Includes data for the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
2. Bonds issued by state-owned entities are categorized as government bonds for the Philippines, Thailand, and Viet Nam.
3. For the PRC, government issuance includes policy bank bonds, local government bonds, and savings bonds.
4. For the Republic of Korea, government issuance includes bonds issued by Korea Development Bank, Korea National Housing Corp., and Seoul Metro (formerly Seoul Metropolitan Subway Corp.).

Source: *AsianBondsOnline*.

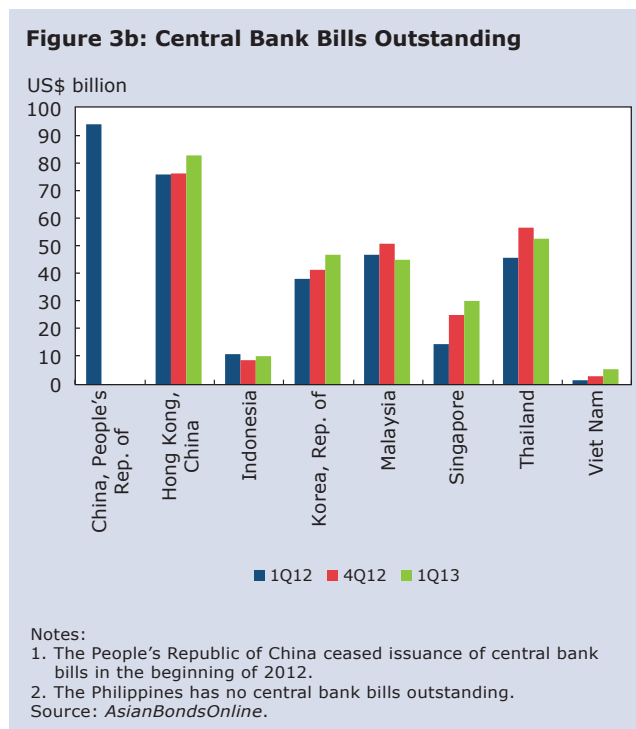
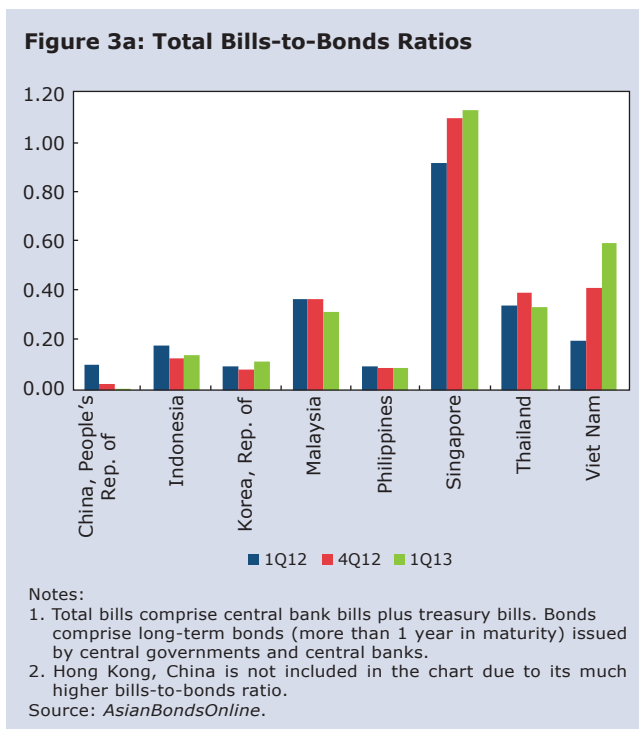
**and 2c.** Issuance by governments and state-owned enterprises (SOEs) was roughly the same in 1Q13 as it was in 4Q12, after having risen to somewhat higher levels in the first 3 quarters of 2012 (Figure 2a). Issuance by central banks and monetary authorities continued to rise in 1Q13, following a previous rise in 4Q12 off of a low reached in 3Q12. Corporate issuance, however, declined in 1Q13 after having risen for 2 quarters in the second half of 2012 (Figure 2b). Finally, total issuance (excluding the PRC) and issuance from the PRC are contrasted in Figure 2c, which shows that in 1Q13 total issuance (excluding the PRC) rose slightly and issuance from the PRC declined for the second quarter in a row. The PRC did not issue any central bank bills or bonds in 1Q13, continuing a trend in place since the beginning of last year, while issuance of government bonds fell 1.6% q-o-q and issuance of corporate bonds fell a more substantial 18.5% due to a decline in issuance from commercial banks, mainly in the form of subordinated debt.

In early May, the People's Bank of China (PBOC) resumed issuance of short-term 3-month bills for the first time in 17 months by issuing CNY10 billion of 3-month bills with an average coupon rate of 2.9%.

## Bills-to-Bonds Ratios

**The ratio of bills to bonds rose in five of the nine markets in emerging East Asia in 1Q13.**

The ratio of bills to bonds issued by governments, central banks, and monetary authorities rose in Indonesia, the Republic of Korea, Singapore, and Viet Nam in 1Q13 (**Figure 3a**). This ratio also rose in Hong Kong, China, whose bills-to-bonds ratio of 4.60 at the end of 1Q13 was up from 4.34 at the end of 4Q12, putting it on a different scale than is depicted in Figure 3a. The major factor driving the rise in the bills-to-bonds ratios for these other markets was the significant issuance of bills by central banks and monetary authorities, as shown by the stocks of central bank and monetary authority bills outstanding in **Figure 3b**.



The trends in Figure 3b are consistent with the issuance data for central banks and monetary authorities presented earlier in Table 3. Hong Kong, China; the Republic of Korea; and Singapore issued significant amounts of central bank and monetary authority securities in 1Q13, while Indonesia and Viet Nam issued smaller amounts that nevertheless contributed to a significant rise in the stock of central bank bills in these two countries. Viet Nam's small stock of central bank bills outstanding is explained by the fact that it only started issuing central bank bills last year.

Meanwhile, Indonesia has significantly reduced its stock of *Sertifikat Bank Indonesia* (SBI) in recent years. The stock of SBI hit a low of US\$7 billion outstanding in September and October 2012 before rising as Bank Indonesia resumed issuance. SBI issued since February 2011 have a maturity of 9 months, compared with previous maturities of 1, 3, and 6 months. Thus, SBI now have an average maturity that is longer than most other central bank bills.

## Foreign Holdings

### Foreign holdings of East Asian LCY government bonds rose in most markets in 1Q13.<sup>6</sup>

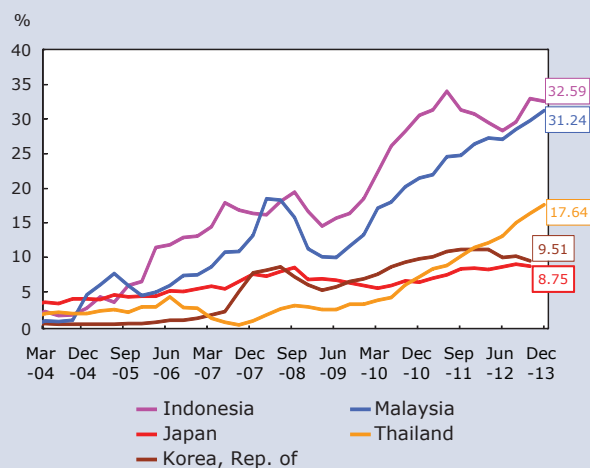
Foreign holdings of East Asian LCY government bonds rose in most markets in 1Q13 (**Figure 4**). The only exceptions were foreign holdings of Japanese government bonds (JGBs), which fell to 8.8% of total JGBs in December 2012 from 9.1% in September, and the Republic of Korea, where foreign holdings as a percentage of the total have trended downward since the middle of 2011. The largest increase of foreign holdings of government bonds over the past year was in Thailand, where the foreign share rose from 12.2% in March 2012 to 17.6% a year later.

Indonesia remains the emerging East Asian economy with the largest share of foreign holdings of its LCY government bonds. Foreign holdings of Indonesian government bonds stood at 32.6% of

<sup>6</sup> East Asia refers to the nine economies of emerging East Asia plus Japan.



**Figure 4: Foreign Holdings of LCY Government Bonds in Select Asian Economies (% of total)**



LCY = local currency.

Note: Data as of end-March 2013 except for the Republic of Korea and Japan as of end-December 2012.

Source: *AsianBondsOnline*.

the total in March, a slight decline from 33.0% in December 2012. Meanwhile, foreign holdings of Malaysian government bonds have risen over the last year to reach 31.2% in March, a level that is very close to the share of foreign holdings of government bonds in Indonesia.

These trends are not only the result of modestly higher yields than are currently available in the United States (US) or many European government bond markets, but also a perception that Asian credit quality is in many cases at least comparable—and in some cases even superior—to the credit quality of government bonds issued in advanced economies.

## Government Bond Yield Curves

**Most government yield curves have shifted downward since the end of 2012 on the back of moderating inflation and stable central bank policy rates.**

Most government bond yield curves have shifted downward since the end of 2012 (**Figure 5**) on the back of inflation rates that have generally fallen since the middle of 2011 (**Figures 6a, 6b**);

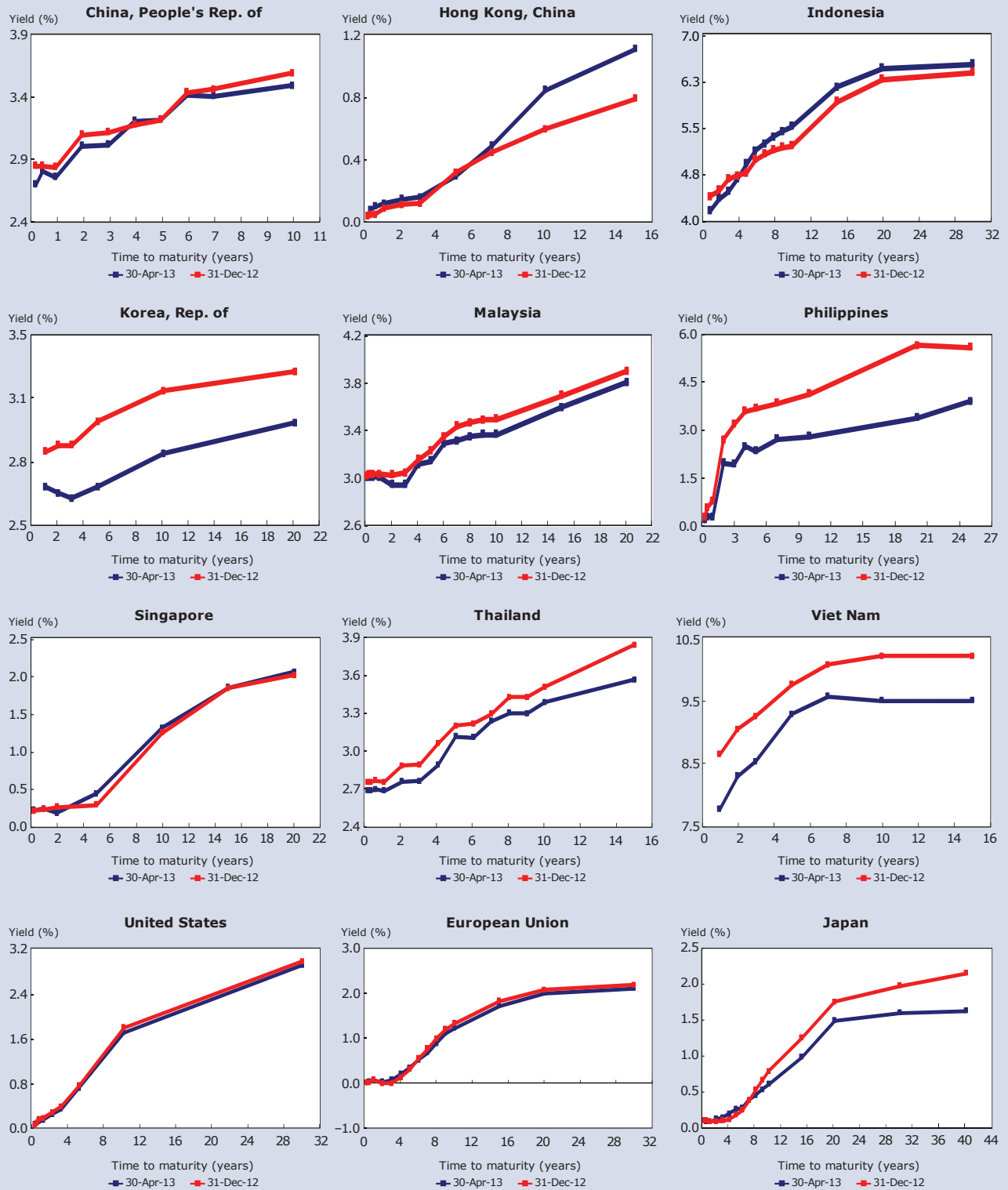
a continued commitment to monetary easing policies in Europe, Japan, and the US; and mostly unchanged policy rates at central banks and monetary authorities in emerging East Asia (**Figures 7a, 7b**). The most important change in monetary policy among industrialized countries since the beginning of 2013 has been the Bank of Japan's (BOJ) adoption of a more aggressive stance toward monetary easing, which has resulted in a dramatic downward shift of the Japanese yield curve. At its monetary policy meeting held on 22 May, BOJ announced that it will conduct money market operations targeting an increase in the monetary base of JPY60–JPY70 trillion annually, with a view toward returning the economy to sustainable growth and 2.0% annual inflation.

The yield curves of the Republic of Korea, Philippines, Thailand, Viet Nam, and (to a lesser extent) Malaysia have shifted downward. Among the central banks in these markets, only The Bank of Korea and the Bank of Thailand have changed their policy rates since the beginning of the year. The Bank of Korea reduced its 7-day repurchase rate by 25 basis points (bps) to 2.5% on 9 May, and the Bank of Thailand lowered its 1-day repurchase rate by 25 bps to 2.5% in meetings on 28–29 May. The State Bank of Viet Nam's (SBV) prime lending rate—its official policy rate—has remained unchanged, but SBV did reduce other key rates on 13 May. SBV reduced its refinance rate, discount rate, and overnight interbank lending rate by 100 bps each to 7.0%, 5.0%, and 8.0%, respectively.

Bangko Sentral ng Pilipinas (BSP) kept its policy rates—the overnight borrowing rate and the lending rate—unchanged at its meeting on 25 April, but it did lower interest rates on its Special Deposit Account facility by 50 bps to 2.0% across all tenors.

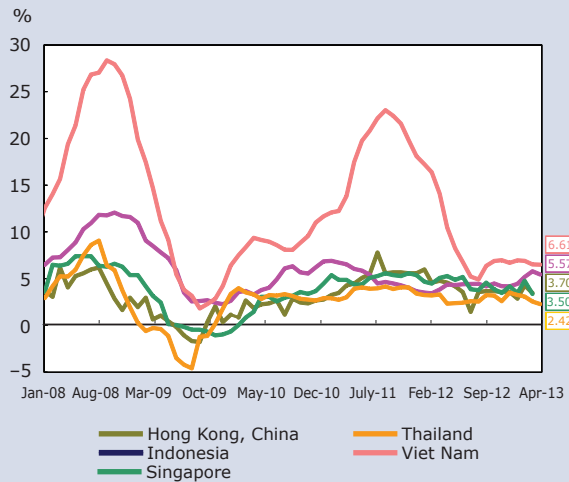
The yield curves for Indonesia and Singapore, on the other hand, shifted upward in 1Q13 for most maturities as Indonesia and (to a lesser extent) Singapore have been facing rising inflationary pressures. Indonesia's policy rate is currently the

**Figure 5: Benchmark Yield Curves—LCY Bonds**



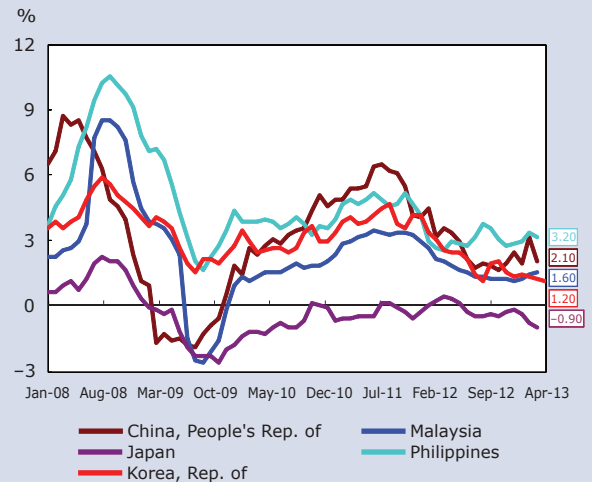
LCY = local currency.  
Source: Based on data from Bloomberg LP.

**Figure 6a: Headline Inflation Rates**



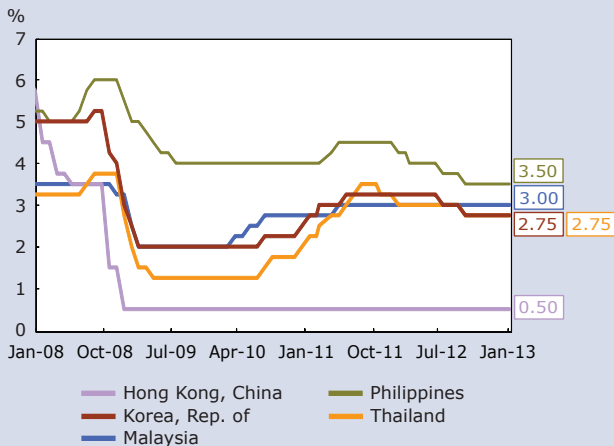
Note: Data as of end-April 2013 except for Hong Kong, China and Singapore as of end-March 2013.  
Source: Bloomberg LP.

**Figure 6b: Headline Inflation Rates**



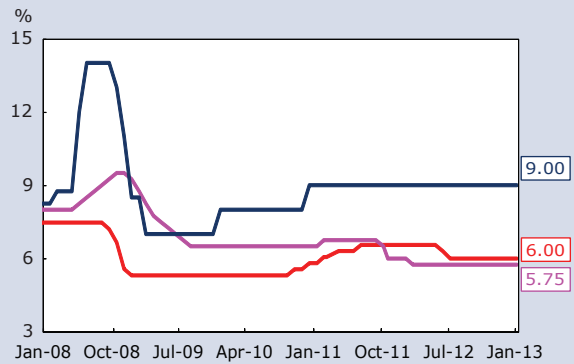
Note: Data as of end-March 2013 except for the Republic of Korea as of end-April 2013.  
Source: Bloomberg LP.

**Figure 7a: Policy Rates**



Note: Data as of end-April 2013.  
Source: Bloomberg LP.

**Figure 7b: Policy Rates**



Note: Data as of end-April 2013.  
Source: Bloomberg LP except for Viet Nam (State Bank of Viet Nam).

highest in the region after Viet Nam's, although Indonesian consumer price inflation moderated to 5.6% in April from 5.9% in March, following an uptick earlier this year. Indonesian authorities remain reluctant to raise their policy interest rate, which is currently at a historic low of 5.75%. Singapore does not have an official policy rate, but the growth of MAS bills has been very brisk since MAS first began issuing bills as part of its money market operations in April 2011.

The yield curve of the PRC has tightened at its longer- and shorter-ends since the end of 2012, while remaining largely unchanged in the belly of the curve. The PRC's annual inflation rate rose slightly in April to 2.4% from 2.1% in March, but remains well below a high of nearly 6.5% in mid-2011. Furthermore, the PRC's monetary authorities remain concerned about excessive investment in housing and other speculative sectors, as well as capital inflows. Thus, after

modest reductions in the middle of 2012, they have left the key policy rates—the 1-year lending rate and the 1-year deposit rate—unchanged since then.

As mentioned earlier, the PBOC resumed issuance of short-term 3-month bills in May. Prior to this, the PBOC had been relying on reverse repurchase agreements to manage liquidity. Furthermore, the State Administration of Foreign Exchange (SAFE) issued new rules in early May to manage capital inflows, linking banks' lower limit on the net open position (NOP) to the reference loan-to-deposit ratio (LDR); a bank's lower limit on the NOP will be adjusted if its LDR exceeds the reference LDR.

The Hong Kong, China yield curve shifted upward at its longer-end in 1Q13. This seems to reflect the fact that annual inflation in Hong Kong, China has settled in a range between 3.0% and 4.5%. Consumer price inflation in Hong Kong, China fell to 3.6% y-o-y in March from 4.4% in February due to a decline in food prices.

Finally, changes in spreads between 2- and 10-year yields since the end of December reflect the yield trends in most markets described above (**Figure 8**). In the Republic of Korea, Malaysia, and the Philippines, the spread between 2- and 10-year bond yields fell sharply, as 10-year yields fell to levels closer to those of 2-year yields. In Thailand, the 2- versus 10-year spread widened a bit, while it widened dramatically in Indonesia and Hong Kong, China.

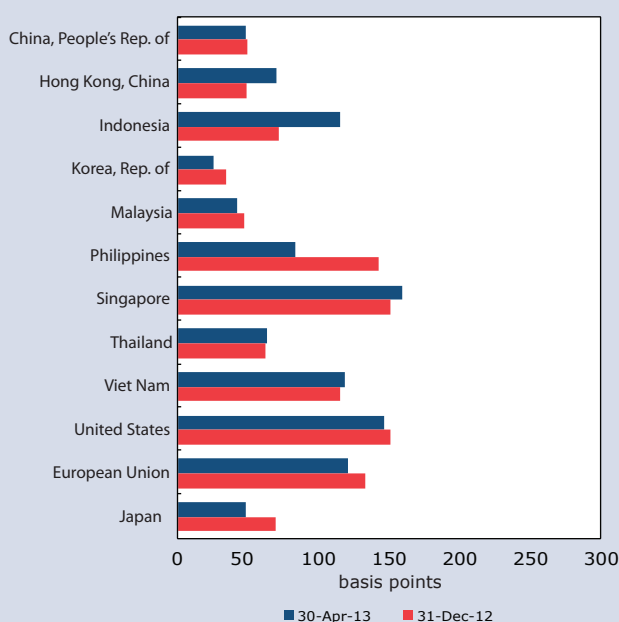
### G3 Currency Issuance

**Emerging East Asia's year-to-date G3 currency issuance as of 5 May was US\$60.9 billion, suggesting that G3 currency issuance for 2013 as a whole may reach or surpass last year's record of US\$131 billion.**

G3 currency bond issuance in emerging East Asia reached US\$39.3 billion in 1Q13, followed by another US\$21.6 billion between 1 April and 5 May (**Table 4**), totaling US\$60.9 billion and suggesting that G3 currency issuance in emerging East Asia could reach or surpass the record level of US\$131 billion reached in 2012. More than one-third of year-to-date G3 currency issuance, a total of US\$22.2 billion, has come from the PRC. Including US\$4 billion of bonds from the China National Offshore Oil Corporation (CNOOC), which were issued after 5 May, the PRC's issuance amounts to US\$26.2 billion. This is equal to more than 80% of the US\$31.1 billion of G3 currency bonds issued by PRC companies and financial institutions in all of 2012. However, the PRC's G3 currency issuance year-to-date in 2013 is still small compared with LCY corporate issuance in 1Q13, which is equivalent to US\$89 billion.

The next largest year-to-date amounts of G3 currency issuance come from Hong Kong, China (US\$11.9 billion), the Republic of Korea (US\$8.4 billion), and Indonesia (US\$5.6 billion). In Indonesia, US\$3.0 billion of G3 issuance came in the form of two US\$1.5 billion government

**Figure 8: Yield Spreads Between 2- and 10-Year Government Bonds**



Source: Based on data from Bloomberg LP.

Table 4: G3 Currency Bond Issuance

1Q13			1 April–5 May 2013		
Issuer	US\$ (million)	Issue Date	Issuer	US\$ (million)	Issue Date
<b>China, People's Rep. of</b>	<b>11,645</b>		<b>China, People's Rep. of</b>	<b>10,590</b>	
MCE Finance 5.00% 2021	1,000	7-Feb-13	Sinopec Capital 3.125% 2023	1,250	24-Apr-13
Bestgain Real Estate 2.625% 2018	800	13-Mar-13	Sinopec Capital 1.875% 2018	1,000	24-Apr-13
Country Garden 7.5% 2023	750	10-Jan-13	Citic Securities 2.5% 2018	800	3-May-13
Agile Property 8.25% Perpetual	700	18-Jan-13	CNPC General Capital 1.45% 2016	750	16-Apr-13
Greentown China Holdings 8.50% 2018	700	4-Feb-13	CNPC General Capital 3.40% 2023	750	16-Apr-13
Others	7,695		Sinopec Capital 1.25% 2016	750	24-Apr-13
<b>Hong Kong, China</b>	<b>9,398</b>		Sinochem 5.00% Perpetual	600	2-May-13
Shimao Property 6.625% 2020	800	14-Jan-13	China State Construction Finance 3.125% 2018	500	2-Apr-13
Sun Hung Kai Properties 3.625% 2023	500	16-Jan-13	Citic Pacific 6.375% 2020	500	10-Apr-13
Swire Properties 2.75% 2020	500	7-Mar-13	CNPC General Capital 1.95% 2018	500	16-Apr-13
Wheelock Finance 3.00% 2018	500	19-Mar-13	Parkson Retail Group 4.5% 2018	500	3-May-13
Others	7,098		Sinopec Capital 4.25% 2043	500	24-Apr-13
<b>Indonesia</b>	<b>2,085</b>		Sunac China Holdings 9.375% 2018	500	5-Apr-13
Bank Rakyat Indonesia 2.95% 2018	500	28-Mar-13	Others	1,690	
Gajah Tunggal 7.75% 2018	500	6-Feb-13	<b>Hong Kong, China</b>	<b>2,520</b>	
Indo Energy Finance 6.375% 2023	500	24-Jan-13	Yingde Gases Investment 8.125% 2018	425	22-Apr-13
Others	585		FPC Treasury 4.50% 2023	400	16-Apr-13
<b>Korea, Rep. of</b>	<b>5,461</b>		New Cotai Capital 10.625% 2019	380	19-Apr-13
Hana Bank 1.375% 2016	500	5-Feb-13	China Oil and Gas Group 5.25% 2018	350	25-Apr-13
Korea Development Bank 1.00% 2016	500	22-Jan-13	Others	965	
Korea Development Bank 1.50% 2018	500	22-Jan-13	<b>Indonesia</b>	<b>3,525</b>	
Korea Eximbank 1.75% 2018	500	27-Feb-13	Indonesia (Sovereign) 3.375% 2023	1,500	15-Apr-13
Korea Housing Finance Corp. 1.625% 2018	500	7-Mar-13	Indonesia (Sovereign) 4.625% 2043	1,500	15-Apr-13
Others	2,961		TBG Global 4.625% 2018	300	3-Apr-13
<b>Malaysia</b>	<b>3,845</b>		Comfeed Finance 6.00% 2018	225	2-May-13
1MDB Global Investments 4.40% 2023	3,000	19-Mar-13	<b>Korea, Rep. of</b>	<b>2,954</b>	
Sime Darby 2.053% 2018	400	29-Jan-13	Korea Eximbank 2.00% 2020	988	30-Apr-13
Others	445		Korea Resources 2.125% 2018	500	2-May-13
<b>Philippines</b>	<b>1,900</b>		Korea Development Bank 0.607% 2014	395	30-Apr-13
JG Summit 4.375% 2023	750	23-Jan-13	Korea Exchange Bank 2.00% 2018	350	2-Apr-13
Petron Corporation 7.50% Perpetual	750	6-Feb-13	Daegu Bank 2.25% 2018	300	29-Apr-13
ICTSI 4.625% 2023	400	16-Jan-13	Others	421	
<b>Singapore</b>	<b>3,196</b>		<b>Malaysia</b>	<b>20</b>	
Olam International 6.75% 2018	750	29-Jan-13	<b>Philippines</b>	<b>1,350</b>	
Global A&T Electronics 10.00% 2019	625	7-Feb-13	San Miguel Corporation 4.875% 2023	800	26-Apr-13
Stats Chippac 4.50% 2018	611	20-Mar-13	Filinvest Dev't Cayman Islands 4.25% 2020	300	2-Apr-13
Others	1,210		Megaworld Corporation 4.25% 2023	250	17-Apr-13
<b>Thailand</b>	<b>1,795</b>		<b>Singapore</b>	<b>450</b>	
Krung Thai Bank 2.25% 2018	500	11-Mar-13	DBS Bank 0.3111% 2014	250	5-Apr-13
Thai Oil 3.625% 2023	500	23-Jan-13	Keppel GMTN 1.1711% 2020	200	5-Apr-13
Thai Oil 4.875% 2043	500	23-Jan-13	<b>Thailand</b>	<b>150</b>	
Others	295		Banpu 3.99% 2023	150	4-Apr-13
<b>Viet Nam</b>	<b>0</b>		<b>Viet Nam</b>	<b>0</b>	
<b>Emerging East Asia Total</b>	<b>39,325</b>		<b>Emerging East Asia Total</b>	<b>21,559</b>	
<b>Memo Items:</b>			<b>Memo Items:</b>		
<b>India</b>	<b>5,932</b>		<b>India</b>	<b>1,466</b>	
Bharti Airtel International 5.125% 2023	1,500	11-Mar-13	State Bank of India 3.25% 2018	1,000	18-Apr-13
Reliance Industries 5.875% Perpetual	800	5-Feb-13	Union Bank of India 3.625% 2018	350	25-Apr-13
Others	3,632		Export-Import Bank of India 1.00% 2019	116	22-Apr-13
<b>Sri Lanka</b>	<b>281</b>		<b>Sri Lanka</b>	<b>500</b>	

Source: Bloomberg LP, newspaper and wire reports.

bonds issued on 15 April: a 10-year bond carrying a coupon of 3.375% and a 30-year bond carrying a coupon of 4.625%.

In 2012, the Indonesian government issued a 10-year bond worth US\$2 billion and carrying a coupon of 3.75%, and a 30-year bond worth US\$1.75 billion with a coupon of 5.25%. Additionally, the Indonesian government last year issued a 10-year samurai bond in 2012, equivalent to US\$692 million, at a coupon of 1.13%. The Indonesian government was able to issue its most recent US\$ bonds in 2013 at significantly lower interest rates.

The more interesting aspect of Indonesia's US\$12.1 billion of G3 currency issuance in 2012 was that most of it (US\$ 7.7 billion) was issuance by corporates rather than the government. Indonesia's foreign currency (FCY) corporate issuance in 2012 was, in fact, larger than its LCY corporate issuance of US\$7.1 billion, a trend that has continued into 2013. In 1Q13, Indonesia's FCY issuance came entirely from corporates at a total of US\$2.1 billion, compared with LCY corporate issuance of US\$1.5 billion. Thus far in 2Q13, Indonesian corporates have issued US\$ bonds amounting to US\$525 million.

In the Philippines, the government has been a frequent issuer of US\$ bonds in past years, but the Philippine government recently announced its intention not to issue any FCY bonds in the international market this year. The Philippine government last issued a US\$500 million bond in December 2012 for the stated purpose of absorbing excess US\$ liquidity in the domestic market, and, more recently, announced its intention to issue another US\$500–US\$750 million in the domestic market later this year.

G3 currency issuance from Philippine corporates, however, has risen sharply this year, with US\$1.9 billion of new US\$ corporate bonds issued in 1Q13 and US\$1.35 billion issued between

1 April and 5 May. G3 corporate issuance in 1Q13 was almost four times as large as LCY issuance from Philippine corporates in 1Q13 (US\$478 million). This relationship between the volume of Philippine peso and US\$ issuance from the corporate sector will be interesting to watch in the remaining months of 2013.

## Market Returns

**Market returns in the bond and equity markets of emerging East Asia were much weaker in the first 4 months of 2013 than they were for 2012 as a whole.**

The strongest performer in the iBoxx Asian Bond Fund Index in the first 4 months of 2013 was the Philippines with a return of 15.7% on a US\$ unhedged total return basis (**Table 5**). The only other markets with positive returns during this period were Thailand (6.0%), the PRC (2.9%), and Malaysia (2.3%). All other markets reported negative returns on a US\$ unhedged total return basis, although the Republic of Korea did post a 2.8% return on an LCY total return basis. Meanwhile, the region as a whole posted a US\$ unhedged total return of 2.1%.

The performance of the Far East ex-Japan Index was also weak during the first 4 months of 2013, producing a US\$ return of only 0.8% (**Table 6**). This primarily reflects declines in the Korean and PRC equity markets on both a US\$ and LCY basis. The performances of other Asian markets were stronger. The Philippines' equity market yielded returns of 20.7% and 21.0% on a US\$ and LCY basis, respectively. Indonesia's equity market was the second-best performing market in the region, generating a US\$ return of 15.2% and an LCY return of 16.2%. The Thai equity market also performed well in the first 4 months of the year, generating a US\$ return of 11.9%, while the equity markets of Singapore and Hong Kong, China delivered returns of between 5.0% and 7.0% on both a US\$ and LCY basis.

**Table 5: iBoxx Asian Bond Fund Index Family Returns**

Market	Modified Duration (years)	2011 Returns (%)		2012 Returns (%)		Jan to Apr 2013 Returns (%)	
		LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index
China, People's Rep. of	6.58	5.6	10.4	2.4	3.6	1.8	2.9
Hong Kong, China	4.18	5.3	5.4	3.5	3.8	0.1	(0.04)
Indonesia	7.02	21.7	20.2	13.1	7.0	0.5	(0.4)
Korea, Rep. of	4.93	6.4	4.8	6.4	14.5	2.8	(0.1)
Malaysia	5.07	4.9	1.8	4.2	8.2	1.5	2.3
Philippines	8.18	15.9	15.8	10.4	17.9	16.0	15.7
Singapore	6.29	6.5	5.1	3.9	10.6	0.4	(0.7)
Thailand	5.08	5.0	0.3	3.3	6.5	1.9	6.0
Pan-Asian Index	5.71	-	7.0	-	7.9	-	2.1
HSBC ALBI	7.76	-	5.0	-	8.9	-	2.1
US Govt. 1-10 years	3.96	-	7.0	-	1.9	-	0.7

- = not applicable, ( ) = negative, ALBI = Asian Local Bond Index, LCY = local currency, US = United States, YTD = year-to-date.

Notes:

1. Asian Bond Fund (ABF) indices contain only government debt and government-guaranteed debt obligations.
2. Market bond indices are from the iBoxx Index Family. January to April 2013 returns reflect changes between end-December 2012 and end-April 2013 values.
3. Duration as of end-April 2013.

Source: *AsianBondsOnline* and Bloomberg LP.

**Table 6: MSCI Equity Index Returns**

Market	2011 Returns (%)		2012 Returns (%)		Jan to Apr 2013 Returns (%)	
	LCY terms	US\$ terms	LCY terms	US\$ terms	LCY terms	US\$ terms
China, People's Rep. of	(20.4)	(20.3)	18.7	19.0	(3.3)	(3.5)
Hong Kong, China	(18.5)	(18.4)	24.2	24.4	5.8	5.6
Indonesia	4.7	4.0	8.8	2.4	16.2	15.2
Korea, Rep. of	(11.5)	(12.8)	11.7	20.2	(3.8)	(6.4)
Malaysia	(0.2)	(2.9)	6.8	10.8	2.2	2.7
Philippines	(3.1)	(3.2)	34.7	43.9	21.0	20.7
Singapore	(20.0)	(21.0)	19.2	26.4	6.5	5.6
Thailand	(1.2)	(5.6)	26.9	30.9	7.4	11.9
Far East ex-Japan Index	(15.6)	(16.8)	15.5	19.0	1.6	0.8
MSCI US	-	(0.1)	-	13.5	-	12.1

- = not applicable, ( ) = negative, LCY = local currency, MSCI = Morgan Stanley Capital International, US = United States, YTD = year-to-date.

Notes:

1. Market indices are from MSCI country indexes. January to April 2013 returns reflect changes between end-December 2012 and end-April 2013 values.
2. Far East ex-Japan includes the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Taipei, China; and Thailand.

Source: *AsianBondsOnline* and Bloomberg LP.