

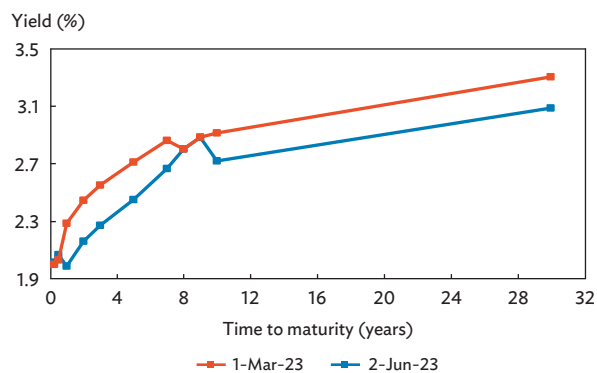
Market Summaries

People's Republic of China

Yield Movements

Between 1 March and 2 June, local currency (LCY) government bond yields in the People's Republic of China (PRC) fell for all maturities except tenors of less than 1 year, which rose slightly, and the 8-year and 9-year tenors, which were unchanged (Figure 1). Yields for all remaining tenors showed a strong decline, particularly longer tenors, over economic growth concerns in the PRC. While sentiment was initially positive in 2023, concerns that the growth momentum may be fading have since risen. Gross domestic product growth accelerated in the first quarter (Q1) of 2023 to 4.5% year-on-year (y-o-y) from 2.9% y-o-y in the fourth quarter (Q4) of 2022. But concerns over the sustainability of the economic recovery increased after industrial production and retail sales growth in April came in lower than expected. Declining yields were also influenced by the People's Bank of China's cut in the reserve requirement ratio for financial institutions by 25 basis points, effective 27 March, to support economic growth. The government also announced that it would develop measures to boost the property sector. In June, the central bank reduced by 10 basis points each the 7-day reverse repurchase rate and the 1-year medium-term lending facility rate.

Figure 1: The People's Republic of China's Benchmark Yield Curve—Local Currency Government Bonds



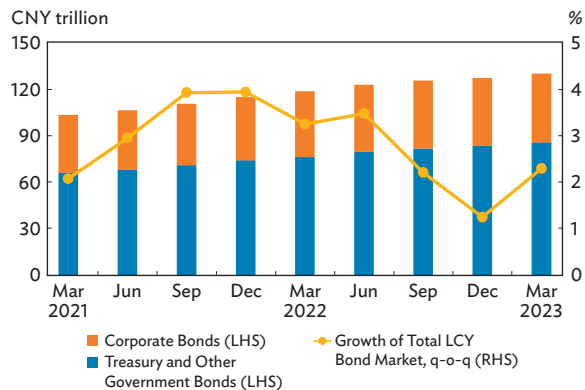
Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The PRC continued to dominate the LCY bond market in emerging East Asia. LCY bonds outstanding in the PRC reached CNY130.3 trillion (USD19.0 trillion) at the end of March, representing 79.8% of the regional bond market. Growth quickened to 2.3% quarter-on-quarter (q-o-q) in Q1 2023 from 1.3% q-o-q in Q4 2022 as issuance rebounded during the quarter (Figure 2). Much of the growth came from Treasury and other government bonds, which were buoyed by the frontloading of local governments' annual bond quotas at the start of the year. Treasury and other government bonds accounted for a 65.9% share of the PRC's overall LCY bond market at the end of March, while corporate bonds had a 34.1% share. As a share of regional markets, the PRC's bonds outstanding comprised 84.8% of Treasury and other government bonds and 76.0% of corporate bonds at the end of March.

LCY bond sales in the PRC totaled CNY10.1 trillion in Q1 2023, accounting for 63.1% of emerging East Asia's issuance total during the quarter. Issuance of Treasury

Figure 2: Composition of Local Currency Bonds Outstanding in the People's Republic of China

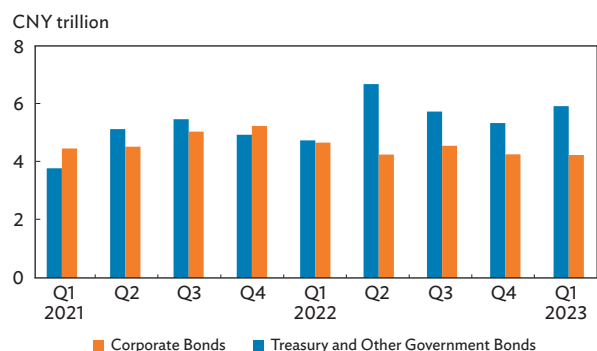


CNY = Chinese yuan, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.
Source: CEIC Data Company.

and other government bonds climbed 10.8% q-o-q in Q1 2023, after contracting 6.8% q-o-q in Q4 2022, to reach CNY5.9 trillion (Figure 3). In line with measures to prop up the economy, the bond quota for issuing local government bonds in 2023 was announced at the start of the year; local governments were authorized to issue bonds amounting to CNY3.8 trillion beginning in January. Meanwhile, corporate bond issuance contracted at a slower pace of 0.6% q-o-q in Q1 2023 versus 6.5% q-o-q

in the prior quarter. Among corporate bond types, commercial paper posted the largest uptick during the quarter, rising 27.2% q-o-q from a 7.6% q-o-q decline in Q4 2022 (Figure 4). Issuance of listed corporate enterprise bonds and medium-term notes accelerated in Q1 2023 versus Q4 2022, while issuance of financial bonds and asset-backed securities slowed during the same period. The largest corporate bond issuances during the quarter came from the Bank of Communications, Industrial Bank, and Agricultural Bank of China. Most corporate bond issuances in Q1 2023 were from financial institutions as they beefed up funding for their lending activities.

Figure 3: Composition of Local Currency Bond Issuance in the People’s Republic of China

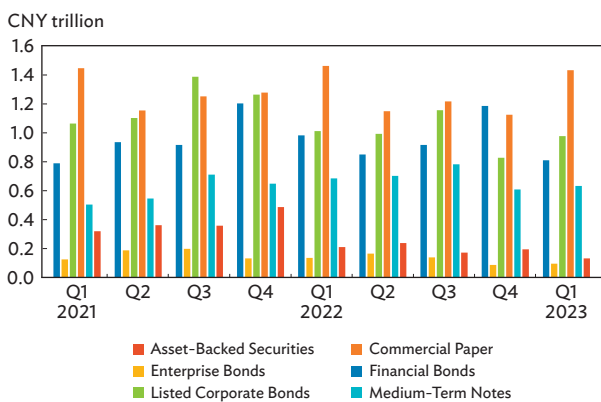


CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: CEIC Data Company.

Investor Profile

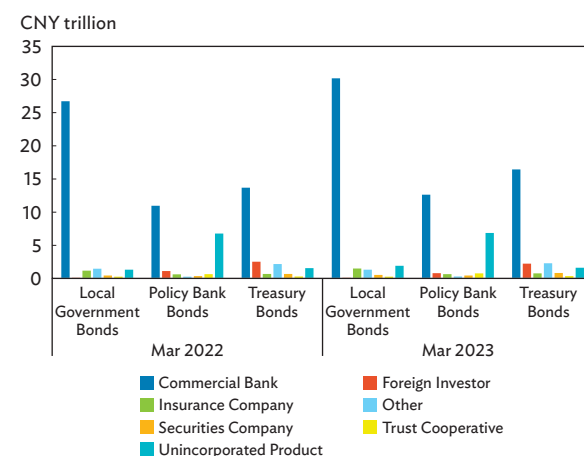
Among domestic investors, commercial banks remained the largest holder of government bonds at the end of March (Figure 5). Commercial banks were the largest holder of government bonds at the end of March with a total share of 73.1%, slightly higher than their share of 71.1% a year earlier. Commercial banks also held the largest share of local government bonds at the end of March with 85.7%.

Figure 4: Corporate Bond Issuance Breakdown



CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: CEIC Data Company.

Figure 5: Investor Profile of Local Government Bonds, Policy Bank Bonds, and Treasury Bonds



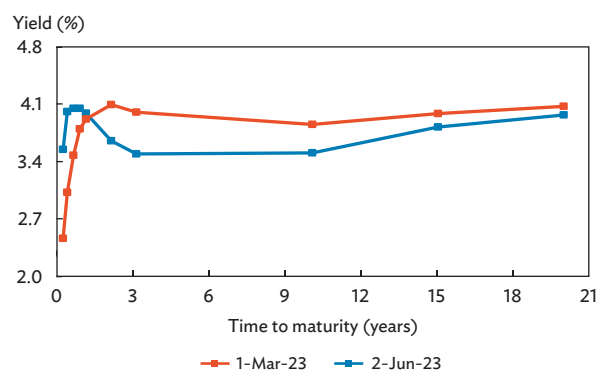
CNY = Chinese yuan.
Source: CEIC Data Company.

Hong Kong, China

Yield Movements

Hong Kong, China's local currency (LCY) government bond yields showed mixed movements between 1 March and 2 June. Yields jumped at the short-end but rose for all tenors longer than 1 year (**Figure 1**). The rise at the short end of the yield curve reflected tightened liquidity conditions. Several interventions by the Hong Kong Monetary Authority (HKMA) to defend the Hong Kong dollar's peg to the United States (US) dollar drained liquidity from the banking system. The aggregate balance—a measure of interbank liquidity—was down to HKD44.8 billion on 2 June from HKD77.0 billion on 1 March. The uptick in short-term bond yields was also influenced by the rise in the HKMA's policy rate. The HKMA adjusts its base rate in line with the US Federal Reserve's policy rate decisions to maintain the Hong Kong dollar's peg to the US dollar. On 4 May, the HKMA increased its base rate by 25 basis points to 5.50% after the Federal Reserve raised the target range for its policy rate by a quarter percentage point to a range of 5.00% to 5.25%. Meanwhile, the decline in yields for tenors longer than 1 year largely tracked yield movements of US Treasuries, which fell amid expectations that the Federal Reserve would pause its monetary policy tightening during its June meeting.

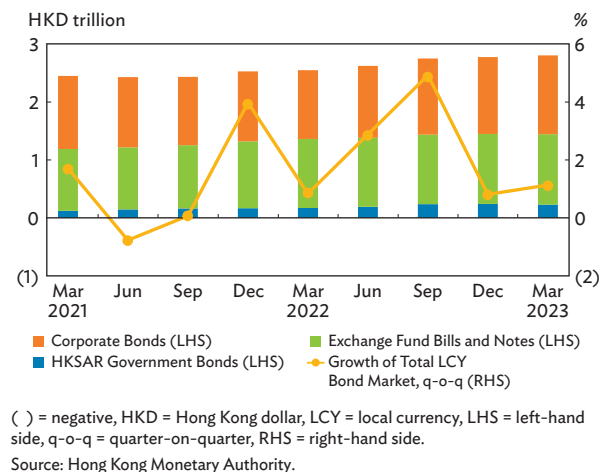
Figure 1: Hong Kong, China's Benchmark Yield Curve—Exchange Fund Bills and Notes



Local Currency Bond Market Size and Issuance

Hong Kong, China's LCY bond market reached a size of HKD2.8 trillion (USD356.9 billion) at the end of March. Total LCY bonds outstanding rose 1.1% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2023, up from 0.8% q-o-q in the preceding quarter (**Figure 2**). Growth was largely driven by the corporate bond segment, which expanded faster in Q1 2023 amid the recovery of the domestic economy. Hong Kong, China's gross domestic product rebounded, rising 2.7% year-on-year in Q1 2023 after recording 4 quarters of contraction in 2022. Corporate bonds dominated the LCY bond market, with the outstanding corporate bond stock of HKD1.4 trillion comprising 48.5% of total LCY bonds at the end of March. Exchange Fund Bills and Exchange Fund Notes together accounted for 43.4% of total LCY bonds, while Hong Kong Special Administrative Region (HKSAR) bonds had a smaller share of 8.1%. Exchange Fund Bills and Exchange Fund Notes are utilized as liquidity management instruments, hence their relatively larger share in Hong Kong, China's bond market.

Figure 2: Composition of Local Currency Bonds Outstanding in Hong Kong, China



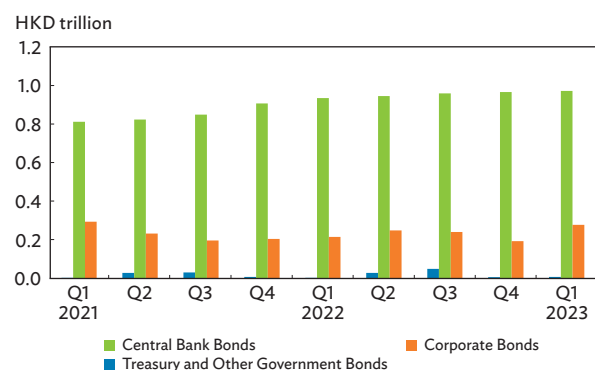
New issuance of LCY bonds jumped 7.8% q-o-q to HKD1.3 trillion in Q1 2023. Growth in HKSAR bond issuance rebounded, rising 30.0% q-o-q in Q1 2023 after posting an 87.8% q-o-q contraction in the prior quarter (**Figure 3**). HKSAR government bonds issued in Q1 2023 tallied HKD7.8 billion, including HKD0.8 billion of

institutional green bonds and HKD1.5 billion of floating-rate notes indexed to the Hong Kong Dollar Overnight Index Average.

The world's first tokenized government green bonds were issued in Hong Kong, China in February. A total of HKD0.8 billion worth of 365-day government green bonds were issued using distributed ledger technology, which shortened the settlement cycle. The same technology will be applied for the bond's coupon payment, settlement of secondary trading, and maturity redemption. The landmark issuance was part of Hong Kong, China's initiatives to promote innovation in financial technology and green and sustainable finance.

Issuance of corporate debt totaled HKD278.1 billion in Q1 2022, rising 43.3% q-o-q in Q1 2023 after contracting 19.7% q-o-q in the preceding quarter. The reopening of borders with the People's Republic of China and the return of business activities revived investor confidence and boosted demand for corporate bonds in Q1 2023. The largest nonbank corporate bond issuer was Hong Kong Mortgage Corporation with total issuances amounting to HKD28.2 billion in Q1 2023.

Figure 3: Composition of Local Currency Bond Issuance in Hong Kong, China



HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

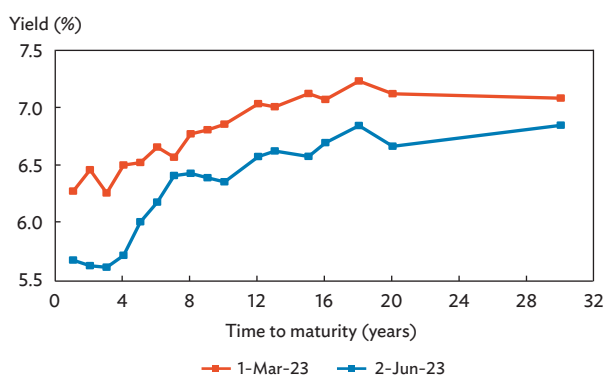
Source: Hong Kong Monetary Authority.

Indonesia

Yield Movements

Local currency (LCY) government bond yields in Indonesia declined for all maturities from 1 March to 2 June, resulting in the yield curve's shift downward (Figure 1). Bond yields trended down as Bank Indonesia held steady its 7-day reverse repurchase rate at 5.75% for a fourth straight month in May after raising rates by a cumulative 225 basis points from August 2022 to January 2023, as inflation gradually declined. Consumer price inflation slipped to 4.0% year-on-year in May from 4.3% year-on-year in April, hitting the central bank's target range of 2.0%–4.0% for 2023 earlier than expected. The central bank had previously forecasted inflation to return to its target range by the third quarter of 2023. Declining yields were also fueled by expectations that the United States (US) Federal Reserve would hold rates steady in its June Federal Open Market Committee meeting. Investors were pricing a 74.7% chance of a pause in monetary tightening by the US Federal Reserve, based on the CME FedWatch Tool, as of 2 June.

Figure 1: Indonesia's Benchmark Yield Curve—Local Currency Government Bonds

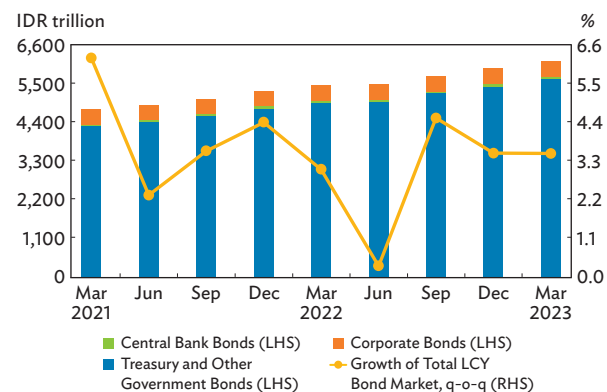


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

LCY bonds outstanding in Indonesia reached IDR6,161.1 trillion (USD410.9 billion) at the end of March. Overall bond market growth was steady at 3.5% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2023 (Figure 2). Growth was largely driven by Treasury and other government bonds as the government continued to adopt a frontloading policy for the issuance

Figure 2: Composition of Local Currency Bonds Outstanding in Indonesia



IDR = Indonesian rupiah, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Note: Data includes *sukuk* (Islamic bonds). Data for Treasury and other government bonds comprised of tradable and nontradable central government bonds.

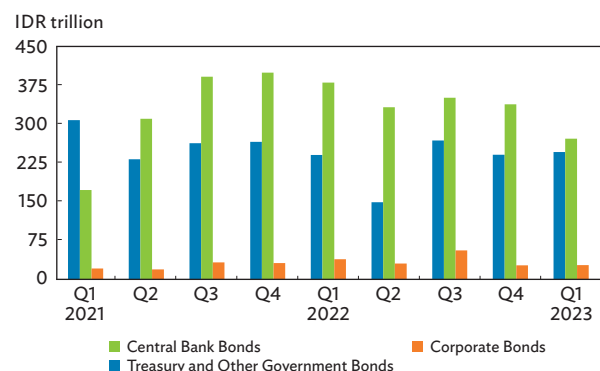
Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

of Treasury bonds during the first half of the year. Treasury and other government bonds dominate Indonesia's LCY bond market, accounting for 91.8% of total bonds outstanding at the end of March, the highest share among its emerging East Asian peers. In contrast, Indonesia's corporate bonds account for only 7.3% of the total LCY bond market, the smallest LCY corporate bond market in the region by share of the overall market.

Total LCY bond issuance reached IDR544.1 trillion in the first quarter (Q1) of 2023, as issuance of Treasury bonds rebounded. Issuance of Treasury bonds totaled IDR245.4 trillion on modest growth of 2.2% q-o-q, a reversal from the 10.3% q-o-q contraction in the fourth quarter of 2022 (Figure 3). In addition to weekly Treasury auctions, the government raised a total of IDR22.2 trillion from its offering of Savings Bond Ritel, a nontradable retail savings bond for Indonesian citizens. The bonds comprised a 2-year and a 4-year tranche and were structured to provide individuals with a short- to medium-term investment option. Meanwhile, corporate bond issuance tallied IDR27.5 trillion in Q1 2023, up by 1.8% q-o-q. The largest corporate bond issuers during the quarter were Federal International Finance and Professional Telekomunikasi Indonesia, with total issuances of IDR3.0 trillion and IDR2.9 trillion, respectively.

***Sukuk* (Islamic bonds) account for a relatively small share of Indonesia's LCY bond market.** The overall

Figure 3: Composition of Local Currency Bond Issuance in Indonesia



IDR = Indonesian rupiah, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Note: Data includes *sukuk* (Islamic bonds). Data for Treasury and other government bonds comprise tradable and nontradable central government bonds.

Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

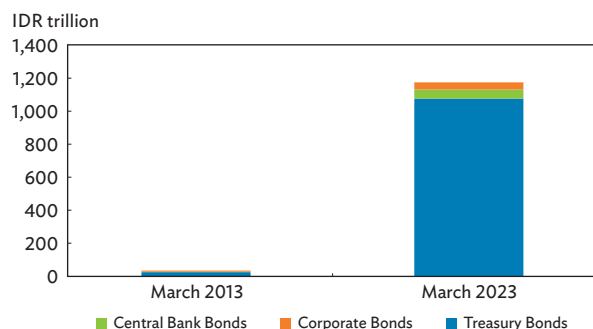
amount of *sukuk* outstanding in Indonesia reached IDR1,172.0 trillion at the end of March, which is equivalent to a 19.0% share of the total LCY bond market size (Figure 4). The *sukuk* market, however, saw substantial gains from a size of only IDR37.0 trillion in March 2013. By market segment, Treasury *sukuk* accounted for a 19.0% share of total Treasury bonds outstanding, while corporate *sukuk* comprised an even smaller share of 9.6% of the corporate bonds outstanding by the end of March 2023.

Investor Profile

Among domestic investors, central bank holdings gained the most, accounting for an 18.3% share of total central government bonds at the end of March.

Since the pandemic, Bank Indonesia has beefed up its holdings of Treasury bonds to support bond

Figure 4: Sukuk Outstanding

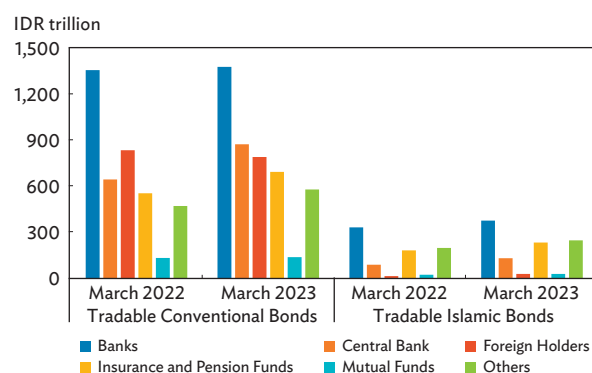


IDR = Indonesian rupiah, *sukuk* = Islamic bonds.

Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

market stability. In contrast, bank holdings of central government bonds declined, with its holdings' share falling to 31.9% at the end of March 2023 from 35.0% a year earlier. Nonetheless, banks remained the largest investor in both conventional and Islamic bonds at the end of Q1 2023 (Figure 5). The foreign holdings' share also dipped to 14.9% amid aggressive monetary rate hikes by the Federal Reserve, which led to capital outflows from the Indonesian bond market for most of 2022. While capital inflows were recorded in Q1 2023, they were more than offset by the capital outflows in the prior year. Holdings of offshore investors remained concentrated in medium- to longer-term tenors at the end of March (Figure 6). Bonds with maturities of over 5 years to 10 years accounted for a 45.9% share of foreign holdings, while bonds with tenors of over 10 years had a 23.7% share.

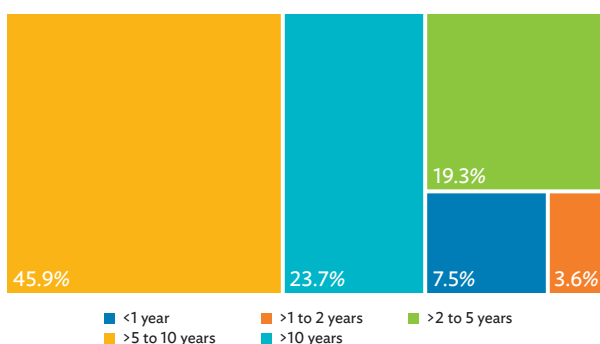
Figure 5: Investor Profile of Tradable Central Government Bonds



IDR = Indonesian rupiah.

Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

Figure 6: Foreign Holdings of Local Currency Tradable Central Government Bonds by Maturity at the End of March 2023



IDR = Indonesian rupiah.

Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

Republic of Korea

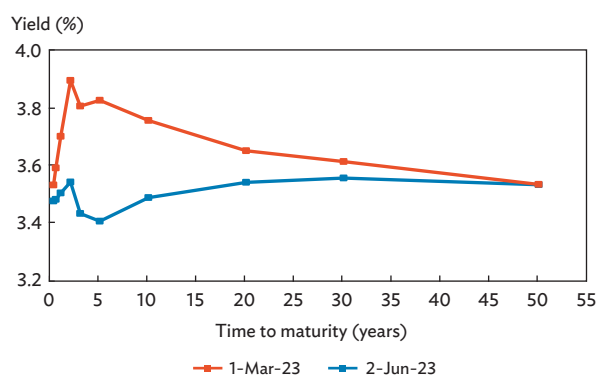
Yield Movements

The Republic of Korea's local currency (LCY) government bond yield curve flattened between 1 March and 2 June, with the drop in yields most pronounced for medium-term bonds (Figure 1).

Bond yields fell due to the Bank of Korea's decision to maintain the base rate at 3.50% in its monetary policy meetings in April and May, amid slowing inflation and economic growth and on increased expectations that the US Federal Reserve would hold rates steady in its June monetary policy meeting.

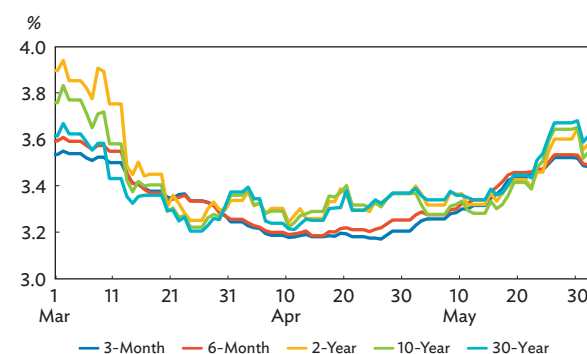
Yields fell sharply for all tenors in March, with tenors between 1-year and 10-year posting the largest declines, as they tracked the decline in United States (US) Treasury yields following the collapse of Silicon Valley Bank. However, in April, domestic bond yields remained range-bound amid easing concerns over the US banking system and as market participants awaited further signals from the Federal Reserve on the timing as to the end of the rate-hike cycle (Figure 2). Also in April, the Bank of Korea maintained the base rate at 3.50%, as both inflation and economic growth were observed to have slowed. Subsequently, in its 25 May monetary policy meeting, the Bank of Korea again maintained the base rate; and lowered its 2023 and 2024 growth forecasts to 1.4% year-on-year (y-o-y) and 2.3% y-o-y, respectively, from January forecasts of 1.6% y-o-y and 2.4% y-o-y. Meanwhile, the inflation forecast for 2023

Figure 1: The Republic of Korea's Benchmark Yield Curve—Local Currency Government Bonds



Source: Based on data from Bloomberg LP.

Figure 2: Local Currency Government Bond Yields—Selected Tenors



Note: Data coverage is from 1 March to 2 June 2023.

Source: Based on data from Bloomberg LP.

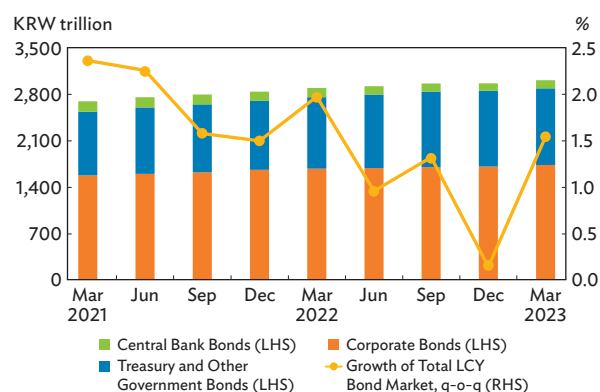
was maintained at 3.5%, while for 2024 it was lowered to 2.4% from 2.6%. In May, domestic bond yields started to pick up again, largely for the short- and long-term bonds tracking the rise in US Treasury yields, as market participants awaited the result of the debt ceiling deal negotiations in the US.

Local Currency Bond Market Size and Issuance

The Republic of Korea's LCY bond market reached a size of **KRW3,014.2 trillion (USD2.3 trillion)** at the end of March. Overall growth accelerated to 1.5% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2023 from 0.1% q-o-q in the previous quarter, and was mainly driven by the 1.3% q-o-q increase in the stock of corporate bonds. Meanwhile, the stock of Treasury and other government bonds rose at a slightly slower pace of 1.2% q-o-q on increased issuance during the quarter. Corporate bonds continued to comprise 57.4% of the Republic of Korea's LCY bond market at the end of March, declining somewhat from a share of 58.4% at the end of Q1 2021 (Figure 3). Meanwhile, the share of Treasury and other government bonds had been steadily increasing to 38.5% at the end of March.

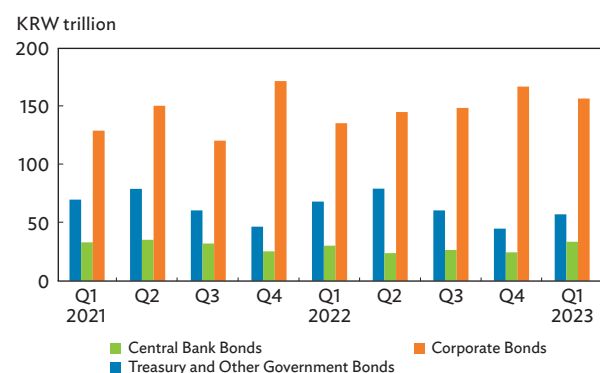
LCY bond issuance rose 4.7% q-o-q to KRW247.2 trillion in Q1 2023. Growth was largely driven by the increase in issuance of Treasury and other government bonds as corporate bond issuance fell during the quarter (Figure 4).

Figure 3: Composition of Local Currency Bonds Outstanding in the Republic of Korea



KRW = Korean won, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.
Sources: Bank of Korea and KG Zeroin Corp.

Figure 4: Composition of Local Currency Bond Issuance in the Republic of Korea



KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Sources: Bank of Korea and KG Zeroin Corp.

Issuance of Treasury and other government bonds rose 27.2% q-o-q, in line with the frontloading policy of the Government of the Republic of Korea, under which it plans to release 65% of its 2023 budget in the first half of the year.

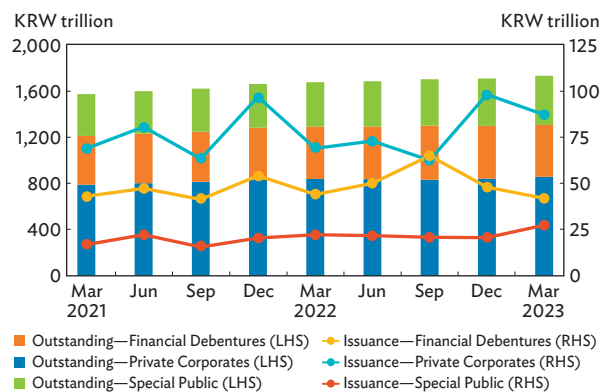
Half of all outstanding corporate bonds comprised bonds issued by private companies at the end of March, while financial debentures and special public bonds accounted for a quarter share each. Total corporate bond issuance in Q1 2023 fell 6.2% q-o-q, led by the decline in issuances from private companies and financial institutions; only special public bonds posted a q-o-q increase in Q1 2023 (Figure 5). The quarterly decline

was mostly due to a high base of issuances from private companies in December 2022 as firms refinanced their maturing debts. One of the notable corporate bond issuances in Q1 2023 included the KRW1,210 trillion 3-year and 5-year bond issuances by SK hynix, the second-largest memory chipmaker in the world.

Investor Profile

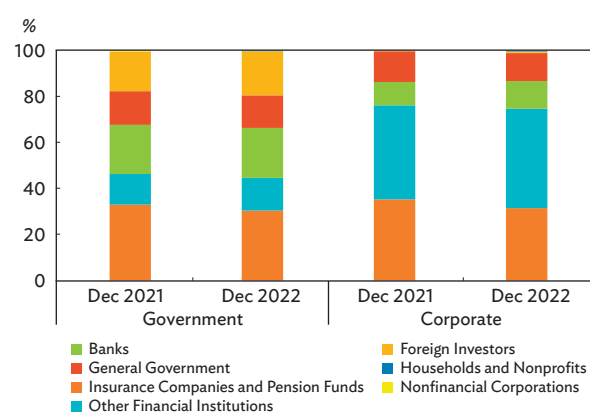
Insurance companies and pension funds continued to be among the largest investor groups in the Republic of Korea’s LCY bond market. In the government bond segment, insurance companies and pension funds held the largest share at the end of

Figure 5: Composition of Local Currency Corporate Bonds Outstanding and Issuance in the Republic of Korea



KRW = Korean won, LHS = left-hand side, RHS = right-hand side.
Source: KG Zeroin Corp.

Figure 6: Local Currency Bonds Outstanding Investor Profile

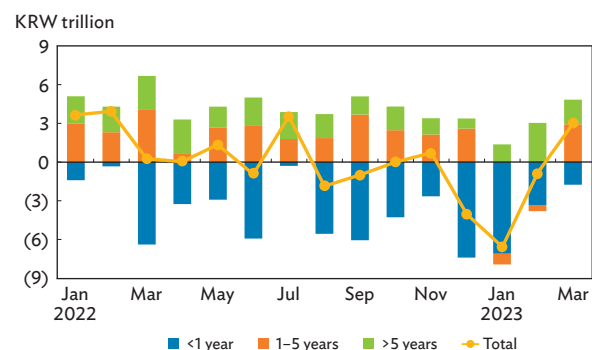


Sources: AsianBondsOnline and Bank of Korea.

December 2022 with 30.4% of the total (**Figure 6**). Banks and foreign investors followed with shares of 21.7% and 19.1%, respectively. In the Republic of Korea's LCY corporate bond market, insurance companies and pension fund holdings' share of 31.5% was second to that of other financial institutions at 43.3%. The foreign holdings of domestic corporate bonds remained negligible at the end of December 2022.

Aggregate net foreign flows into the Republic of Korea's LCY bond market remained negative in Q1 2023. A record KRW6.6 trillion of net foreign outflows was registered in January, with foreign investors selling and taking profits on their short-term investments, as short-term yields dropped during the month following an upward trend in 2022. The bulk of the foreign selling in January was in securities with tenors of less than 1 year (**Figure 7**). Net foreign outflows continued in February but at a smaller amount of KRW0.8 trillion, as net buying of long-term bonds increased, nearly offsetting the selling in short-term and medium-term bonds. This trend was reversed in March, with the domestic bond market posting net inflows of KRW3.1 trillion, the highest net inflows since July 2022. Foreign demand rose in March on increased expectations that the Bank of Korea would start cutting interest rates this year as inflation decelerates, providing an upside to foreign investors. However, the net foreign inflows in March were not enough to offset the massive net outflows in January, resulting in aggregate net foreign outflows of KRW4.3 trillion in Q1 2023.

Figure 7: Net Foreign Investment in Local Currency Bonds in the Republic of Korea by Remaining Maturity



KRW = Korean won.

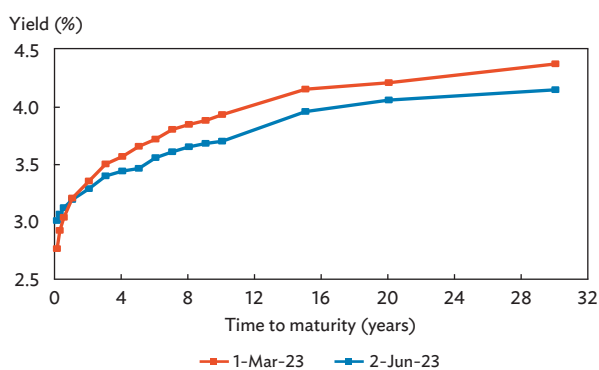
Source: Financial Supervisory Service.

Malaysia

Yield Movements

The local currency (LCY) government bond yield curve of Malaysia flattened between 1 March and 2 June (Figure 1). The movement of the yield curve of Malaysian fixed-income securities largely tracked the movement of the yield curve of United States (US) Treasury bonds, wherein short-term yields increased while long-term yields fell. Malaysian LCY government bonds benefited from the renewed attractiveness of emerging markets as the US Federal Reserve signaled that it would soon halt its interest rate hikes. On 9 March, Bank Negara Malaysia decided to keep its overnight policy rate unchanged amid strong economic growth in 2022 and moderating but still elevated consumer price inflation. The Malaysian central bank had a surprise rate hike on 3 May, increasing the overnight policy rate by 25 basis points to 3.00%, as a precautionary measure against potential financial risks.

Figure 1: Malaysia's Benchmark Yield Curve—Local Currency Government Bonds

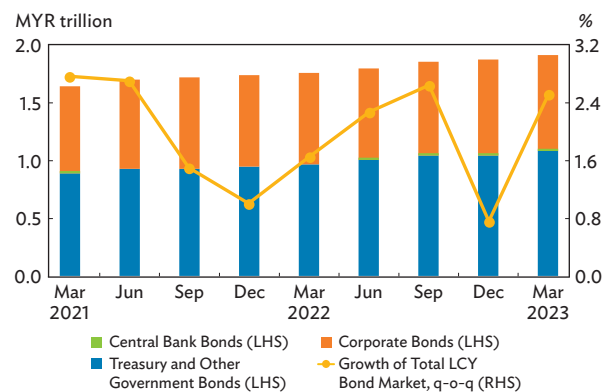


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The Malaysian LCY bond market expanded 2.5% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2023, reaching MYR1.9 trillion (USD433.5 billion) at the end of March; growth was hindered somewhat by declining maturities (Figure 2). This extended the growth of 0.8% q-o-q posted in the previous quarter, with an expansion in all outstanding LCY bond types

Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia



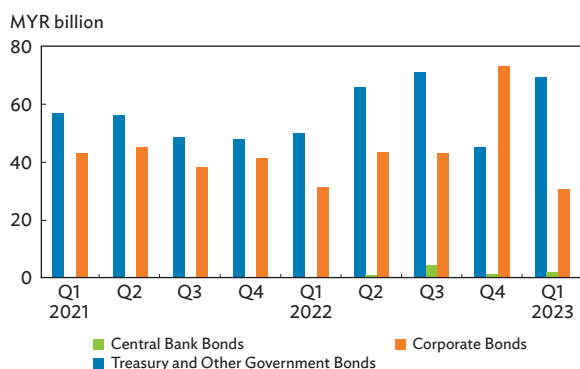
LCY = local currency, LHS = left-hand side, MYR = Malaysian ringgit, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

contributing to the Q1 2023 growth. Outstanding Treasury and other government securities increased at a faster pace than in the fourth quarter (Q4) of 2022, continuing to be the main drivers of growth in the Malaysian LCY bond market. Outstanding fixed-income securities of the Government of Malaysia constituted a majority of the LCY bond market. Meanwhile, growth in Bank Negara Malaysia bills outstanding rebounded from Q4 2022. Corporate bonds outstanding also expanded in Q1 2023, but at a slower pace than in the prior quarter as issuers reduced their issuance amid uncertainties in global financial markets due to the turmoil in the banking industry in the US. Government-owned finance company DanaInfra Nasional continued to top all corporate bond issuers with total outstanding LCY bonds worth MYR82.3 billion at the end of March 2023.

Malaysian LCY bond issuance contracted 14.4% q-o-q in Q1 2023 due to a decline in the issuance of LCY corporate bonds (Figure 3). Aside from uncertainties in the financial market, the reduced issuance of LCY corporate bonds in Q1 2023 was also the result of a high base from the previous quarter. This offset the rebound in issuance of Treasury and other government bonds and central bank bills. Malaysian Government Securities (conventional bonds) and Government Investment Issues (*sukuk* or Islamic bonds) drove the 54.4% q-o-q growth in Treasury and other government bonds. During the

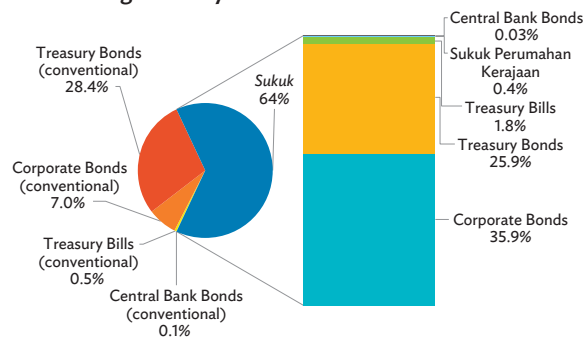
Figure 3: Composition of Local Currency Bond Issuance in Malaysia



MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Figure 4: Composition of Local Currency Islamic Bonds Outstanding in Malaysia



MYR = Malaysian ringgit.

Note: Sukuk Perumahan Kerajaan are Islamic bonds issued by the Government of Malaysia to refinance funding for housing loans to government employees and to extend new housing loans.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

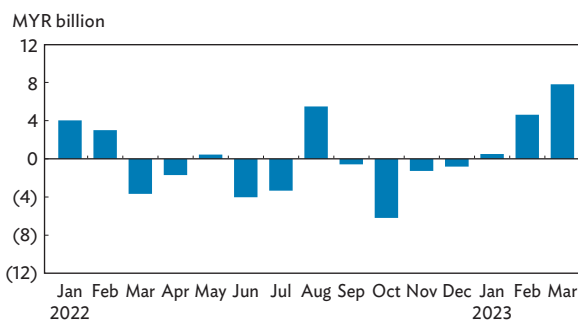
review period, Maybank Islamic had the largest aggregate issuance with eight Islamic commercial paper issuances totaling MYR4.0 billion.

Outstanding sukuk comprised 64.0% of Malaysia’s LCY bond market in Q1 2023 (Figure 4). Islamic bonds outstanding amounted to MYR1.2 trillion at the end of March, growing 3.6% q-o-q. Outstanding corporate sukuk continued to drive the Islamic bond market as they comprised a majority of LCY corporate bonds outstanding at the end of Q1 2023.

Capital Flows

Capital inflows worth MYR13.0 billion were recorded in Q1 2023 (Figure 5). Foreign investors turned to emerging markets after the Federal Reserve signaled that it would soon halt its interest rate hikes. Foreign holdings of LCY government bonds slightly increased to 22.7% at the end of March from 22.4% at the end of December.

Figure 5: Capital Flows in the Malaysian Local Currency Government Bond Market



() = negative, MYR = Malaysian ringgit.

Notes:

1. Figures exclude foreign holdings of central bank bonds.
2. Month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.

Source: Bank Negara Malaysia Monthly Statistical Bulletin.

Philippines

Yield Movements

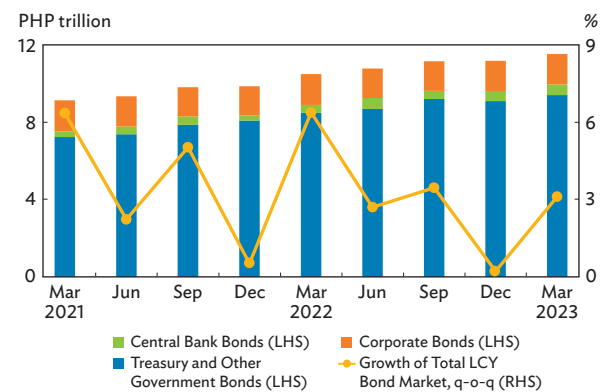
The local currency (LCY) government bond yield curve of the Philippines rose for shorter tenors and shifted downward for longer tenors between 1 March and 2 June (Figure 1). The increase in yields at the short-end of the curve was in line with the Bangko Sentral ng Pilipinas’ (BSP) monetary tightening, with a total increase of 425 basis points (bps) from nine rate hikes between May 2022 and March 2023. On the other hand, the decline in yields at the longer end was influenced by expectations of a slowdown in domestic inflation. This allowed the BSP to moderate the pace of its rate hike by 25 bps in its 23 March policy meeting before holding rates steady at 6.25% on 18 May. On a year-on-year basis, consumer price inflation eased further to 6.1% in May from 6.6% in April, 7.6% in March, and 8.6% in February. In addition, the falling yields at the longer end were influenced by market expectations of the United States Federal Reserve’s rate-hike cycle nearing its end.

Local Currency Bond Market Size and Issuance

The outstanding amount of LCY bonds in the Philippines grew 3.1% quarter-on-quarter (q-o-q) to PHP11.5 trillion (USD212.4 billion) in the first quarter (Q1) of 2023. The LCY q-o-q growth was driven by an expansion of government bonds amid increased issuances driven by the government’s frontloading policy. On the

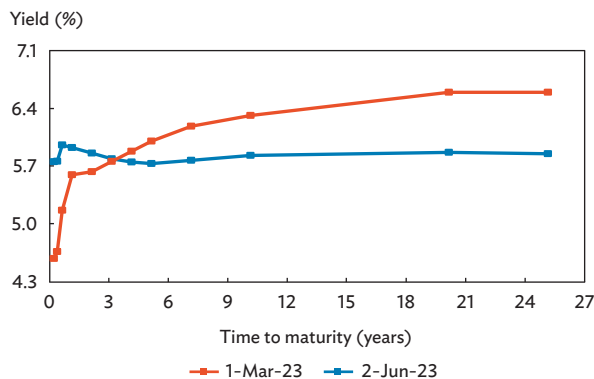
other hand, corporate bonds contracted 2.2% q-o-q as maturities exceeded issuances in Q1 2023. Treasury and other government bonds remained dominant in the Philippines’ LCY bond market, accounting for 81.6% of the total debt stock at the end of March, while corporate bonds and central bank securities accounted for 13.6% and 4.8%, respectively (Figure 2). Banking, property, and holding firms were the three sectors that dominated the Philippine corporate bond market, accounting for a collective share of 80.6% of total corporate bonds outstanding at the end of March 2023 (Figure 3).

Figure 2: Composition of Local Currency Bonds Outstanding in the Philippines



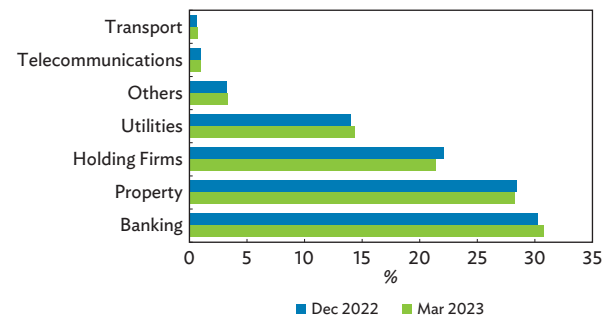
LCY = local currency, LHS = left-hand side, PHP = Philippine peso, q-o-q = quarter-on-quarter, RHS = right-hand side.
 Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management and the National Food Authority, among others.
 Source: Bureau of the Treasury and Bloomberg LP.

Figure 1: The Philippines’ Benchmark Yield Curve—Local Currency Government Bonds



Source: Based on data from Bloomberg LP.

Figure 3: Local Currency Corporate Bonds Outstanding by Sector

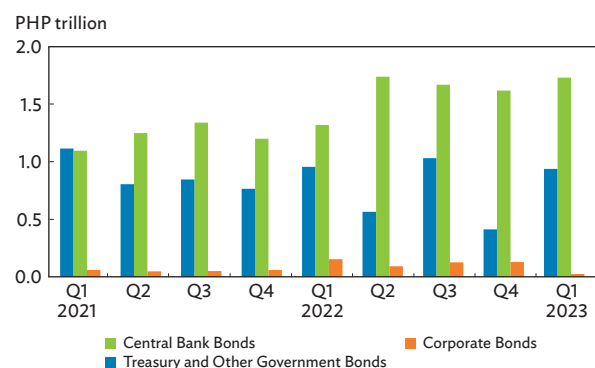


Source: Bureau of the Treasury.

Among corporate issuers, only property firms and holding firms posted a q-o-q decline in their respective market shares during the quarter. The transport and telecommunications sectors remained the smallest issuers of corporate bonds with marginal market shares of less than 1.0% each at the end of Q1 2023.

The Philippines' total LCY bond issuance in Q1 2023 expanded 24.7% q-o-q to reach PHP2.7 trillion, buoyed by the government's issuance of Retail Treasury Bonds (RTBs) in February. RTBs were issued by the Government of the Philippines carrying a tenor of 5.5 years and a 6.125% coupon rate (with exchange offer). Through this offering, the government raised PHP283.7 billion, of which PHP162.2 billion was awarded at the rate-setting auction and an additional PHP121.5 billion was raised during the 1-week offer period (PHP89.9 billion via new money and PHP31.7 billion through a bond exchange). Treasury and other government bonds accounted for 34.8% of all LCY bonds issued during the quarter. In contrast, corporate bond issuance contracted 81.7% q-o-q in Q1 2023 amid higher interest rates (Figure 4). Corporate bond issuance reached PHP23.3 billion during the quarter and comprised a 0.9% share of the issuance total. Central bank securities comprised the largest share of fixed-income securities issuance in the Philippine LCY bond market in Q1 2023, accounting for 64.3% of the total quarterly issuance volume.

Figure 4: Composition of Local Currency Bond Issuance in the Philippines



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, PHP = Philippine peso.

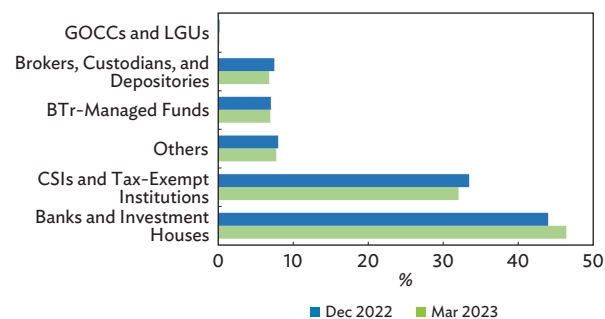
Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management and the National Food Authority, among others.

Sources: Bureau of the Treasury and Bloomberg LP.

Investor Profile

Nearly half of the total LCY government debt stock was held by banks and investment houses at the end of March (Figure 5). Banks and investment houses comprise the only investor group that posted a q-o-q increase in its holdings share in Q1 2023, rising to 46.4% from 44.0% in the previous quarter. The holdings share of contractual savings institutions and tax-exempt institutions, the second-largest investor group in the Philippine LCY government bond market, slightly decreased to 32.0% in Q1 2023 from 33.5% in the previous quarter. Government-owned or -controlled corporations remained the smallest investor group with a holdings share of less than 1.0% at the end of March.

Figure 5: Investor Profile of Local Currency Government Bonds



BTr = Bureau of the Treasury, CSI = contractual savings institution, GOCC = government-owned or -controlled corporation, LGU = local government unit. Source: Bureau of the Treasury.

Singapore

Yield Movements

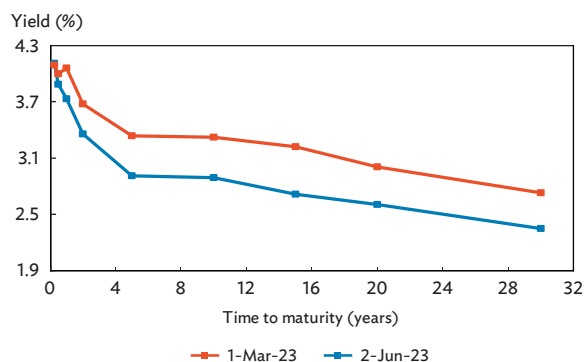
The local currency (LCY) government bond yields of Singapore declined for all tenors, except the 3-month yield, between 1 March and 2 June (Figure 1). Investors remained concerned about long-term financial conditions due to uncertainties in the path of monetary tightening in the United States. On 14 April, the Monetary Authority of Singapore (MAS) decided to keep the rate of appreciation of its Singapore dollar nominal effective exchange rate steady amid the appreciation of the Singapore dollar since its last monetary policy

tightening on 14 October 2022 (Figure 2). Tepid economic growth and declining consumer price inflation prompted the Singapore central bank to keep its monetary policy unchanged.

Local Currency Bond Market Size and Issuance

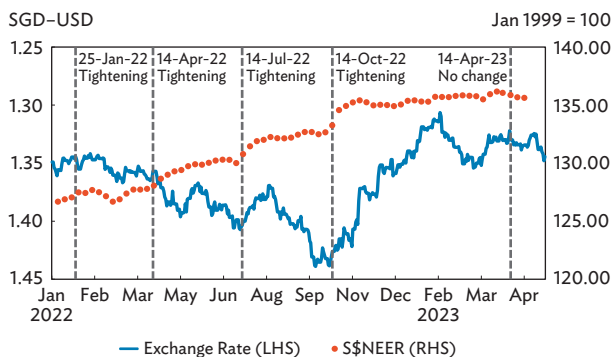
The Singapore LCY bond market expanded 1.3% quarter-on-quarter (q-o-q) to SGD670.3 billion (USD503.7 billion) in the first quarter (Q1) of 2023, supported by increased central bank securities outstanding. MAS securities extended their growth to 4.2% q-o-q from the 3.8% q-o-q expansion posted in the prior quarter. MAS bills continued to comprise the largest chunk of Singapore’s LCY bond market during the review period as the central bank uses these securities to manage liquidity in Singapore’s financial market (Figure 3). The LCY bond market’s growth at the end of March, however, was hampered by the decline in Singapore Government Securities bills and bonds and LCY corporate bonds outstanding of 0.4% q-o-q and 0.5% q-o-q, respectively. These contractions were a reversal from the growth of 1.8% q-o-q and 1.2% q-o-q, respectively, recorded in the fourth quarter (Q4) of 2022. Government-owned Housing & Development Board continued to top all issuers with SGD28.2 billion worth of outstanding bonds at the end of March 2023.

Figure 1: Singapore’s Benchmark Yield Curve—Local Currency Government Bonds



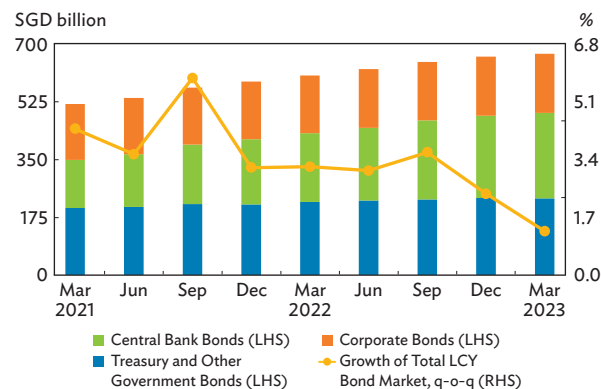
Source: Based on data from Bloomberg LP.

Figure 2: Exchange Rate and Monetary Policy Rates in Singapore



LHS = left-hand side, RHS = right-hand side, S\$NEER = Singapore dollar nominal effective exchange rate, SGD = Singapore dollar, USD = United States dollar. Note: Data for S\$NEER are as of 2 May 2023. Source: Monetary Authority of Singapore.

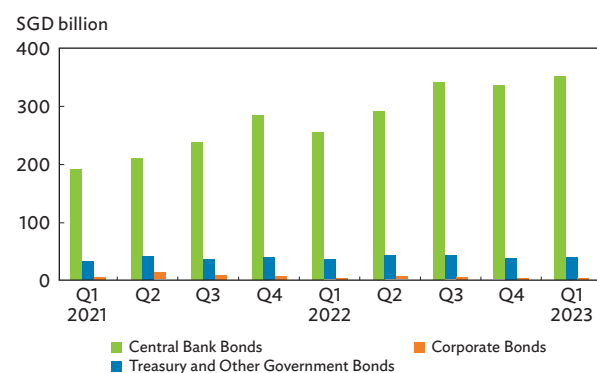
Figure 3: Composition of Local Currency Bonds Outstanding in Singapore



LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, SGD = Singapore dollar. Note: Corporate bonds are based on AsianBondsOnline estimates. Sources: Monetary Authority of Singapore and Bloomberg LP.

Singapore's total LCY bond issuance rebounded in Q1 2023, expanding 5.0% q-o-q as issuance in all bond segments rebounded (Figure 4). MAS securities continued to dominate LCY bond issuance during the quarter. The bills are regularly offered by the Government of Singapore for liquidity management. LCY corporate bond issuance increased in Q1 2023 but remained tepid amid uncertainties in global financial markets spurred by the turmoil in the banking industry in the United States. Despite this, United Overseas Bank raised SGD850.0 million from a perpetual bond issuance in January. The issuance was the largest corporate issue during the quarter, with the fixed-income security also qualifying as part of the bank's additional tier 1 capital.

Figure 4: Composition of Local Currency Bond Issuance in Singapore



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, SGD = Singapore dollar.

Note: Corporate bonds are based on *AsianBondsOnline* estimates.

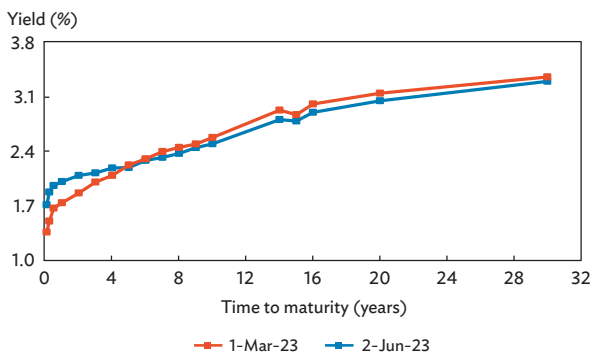
Sources: Monetary Authority of Singapore and Bloomberg LP.

Thailand

Yield Movements

Between 1 March and 2 June, Thailand’s local currency (LCY) government bond yield curve flattened, with yields rising at the shorter end but falling for all tenors longer than 4 years (Figure 1). The flattening of the yield curve reflected elevated short-term uncertainties following the general election in May. Bank of Thailand’s (BOT) policy rate hikes also drove the rise at the shorter-end of the yield curve. The BOT has been among the more aggressive central banks in the region this year in the fight against inflation. To keep inflation in check, the BOT raised its benchmark rate by 25 basis points each during its 25 January, 29 March, and 31 May meetings, bringing the key rate to 2.00%. Consumer price inflation has been on a downward trend since January, with the April reading of 2.7% year-on-year (y-o-y) falling within the BOT’s target range of 1.0% to 3.0%. Nonetheless, the central bank noted that core inflation remained elevated and increased demand amid economic recovery and possible higher spending by the new government could create additional upward pressure on prices. Meanwhile, the decline in yields of most mid-to long-term bonds followed regional yield movements, which trended down on expectations that the United States Federal Reserve would pause its monetary policy tightening during its June meeting.

Figure 1: Thailand’s Benchmark Yield Curve—Local Currency Government Bonds

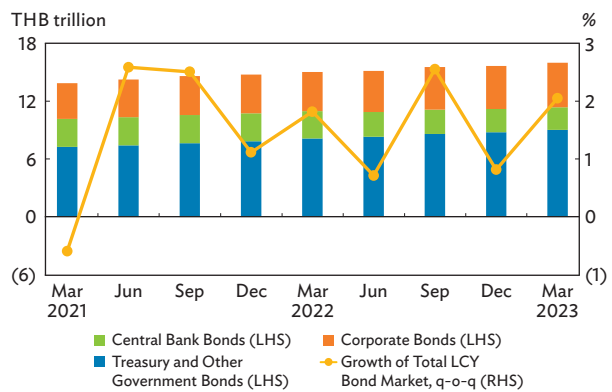


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Thailand’s LCY bond market continued to expand, reaching a size of THB15.9 trillion (USD466.4 billion) at the end of March. Growth picked up by 2.1% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2023 from 0.8% q-o-q in the previous quarter, driven primarily by rapid expansion in the corporate bond market amid continued economic recovery. Thailand’s gross domestic product growth accelerated to 2.7% y-o-y in Q1 2023, driven by the sustained resurgence of domestic demand and tourism. Growth in Treasury and other government bonds also contributed to the overall LCY bond market expansion. With an outstanding stock of THB9.0 trillion, Treasury and other government bonds accounted for 56.5% of the total LCY bond market (Figure 2). Outstanding corporate bonds (THB4.6 trillion) and BOT bonds (THB2.3 trillion) comprised the remaining shares of 28.9% and 14.6%, respectively.

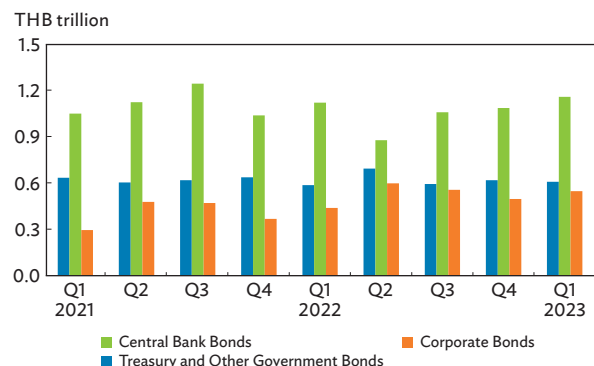
Figure 2: Composition of Local Currency Bonds Outstanding in Thailand



() = negative, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, THB = Thai baht.
Source: Bank of Thailand.

LCY bond issuance tallied THB2.3 trillion in Q1 2023, driven by a rebound in corporate bond issuance. New issuances of LCY bonds rose 5.1% q-o-q in Q1 2023, reversing the 0.3% q-o-q contraction posted in the previous quarter (**Figure 3**). Growth stemmed primarily from corporate bond issuance, which rose 10.2% q-o-q in Q1 2023 following a 10.9% q-o-q decline in the preceding quarter. Total issuance of new corporate debt reached THB546.9 billion in Q1 2023. The rebound in corporate bond issuance was influenced by improved investor confidence amid sustained economic recovery. The largest corporate issuer in Q1 2023 was True Corporation with a total issuance volume of THB20.8 billion. Meanwhile, issuance of Treasury and other government bonds totaled THB608.1 billion, down 1.7% q-o-q in Q1 2023. The decline in Treasury issuance was mainly due to a high base as the previous quarter saw a record issuance of THB46.1 billion of savings bonds.

Figure 3: Composition of Local Currency Bond Issuance in Thailand



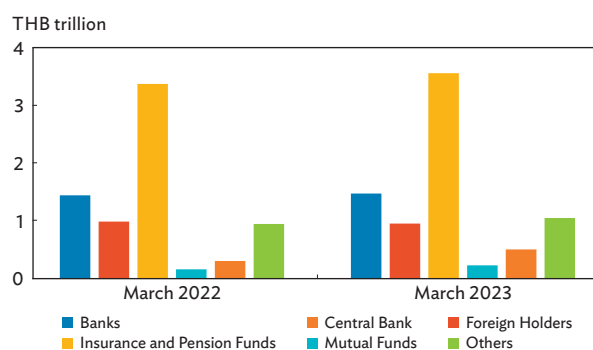
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht.
Source: Bank of Thailand.

Investor Profile

Insurance and pension funds remained the primary holders of Thailand’s LCY government bonds.

Nonetheless, their share of LCY government bond holdings slipped to 45.9% at the end of March 2023 from 46.9% a year earlier (**Figure 4**). Foreign holdings also eased to 12.3% from 13.7% during the same period. In contrast, the BOT’s holdings of LCY government bonds rose to 6.4% at the end of March from 4.2% a year prior. To help stabilize the government bond market, the BOT purchased a total of THB85.7 billion of government bonds between March 2022 and March 2023.

Figure 4: Investor Profile of Government Bonds in Thailand



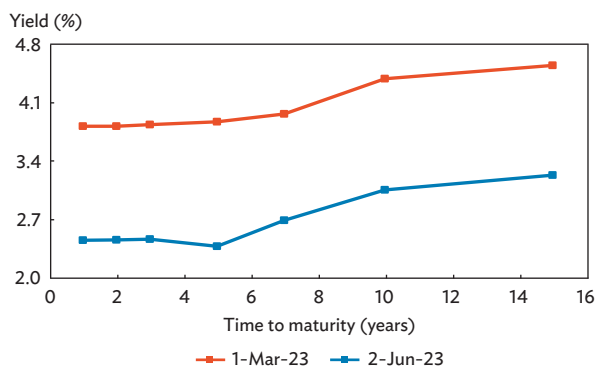
THB = Thai baht.
Source: Bank of Thailand.

Viet Nam

Yield Movements

Viet Nam's local currency (LCY) government bond yields declined for all maturities between 1 March and 2 June (Figure 1). Declining yields were mainly driven by the State Bank of Vietnam's (SBV) monetary easing stance, as it reduced the refinancing rate by 50 basis points (bps) each in its meetings on 31 March and 23 May, bringing the main policy rate to 5.00%. Prior to this, in its 14 March meeting, the SBV lowered the discount rate and overnight lending rate by 100 bps. The rate cuts were taken to spur economic growth amid cooling inflation. In May, Viet Nam's year-on-year (y-o-y) consumer price inflation decelerated to 2.4% from 2.8% in April, while Viet Nam's economic growth slowed to 3.3% y-o-y in the first quarter (Q1) of 2023 from 5.9% y-o-y in the fourth quarter of 2022. As inflation continues to be under the government's target of 4.5%, and the United States (US) Federal Reserve moves toward a dovish monetary stance, SBV is keeping its monetary policy flexible with room for further rate cuts to support Viet Nam's economic growth and foster financial stability especially in the real estate industry. The SBV further reduced by 50 bps the refinancing rate (4.50%), rediscount rate (3.00%), and overnight lending rate (5.00%) on 16 June.

Figure 1: Viet Nam's Benchmark Yield Curve—Local Currency Government Bonds

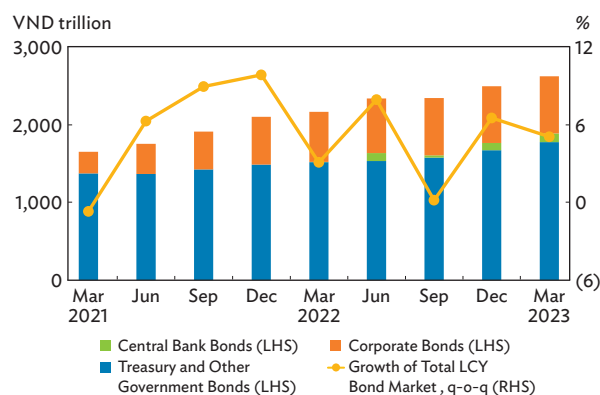


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The LCY bond market in Viet Nam grew 5.1% quarter-on-quarter (q-o-q) to reach a size of VND2,626.1 trillion (USD111.9 billion) at the end of March. Growth can be attributed to expansions in both the government and corporate bond segments amid increased issuance during the quarter. Corporate bond market growth rebounded as the government eased some regulations, leading to the resurgence of issuance during the quarter. At the end of March, Viet Nam's LCY bond market remained dominated by Treasury and other government bonds, which together accounted for 67.8% of the total bonds outstanding, while a 28.0% share was attributable to corporate bonds and a 4.2% share was attributable to central bank securities (Figure 2). Financial institutions and property firms are the largest issuers of corporate bonds in Viet Nam's LCY corporate bond market, accounting for 53.8% and 25.5%, respectively, of the total corporate bond stock at the end of March.

Figure 2: Composition of Local Currency Bonds Outstanding in Viet Nam



LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, VND = Vietnamese dong.

Note: Other government bonds comprise government-guaranteed and municipal bonds.

Sources: Vietnam Bond Market Association and Bloomberg LP.

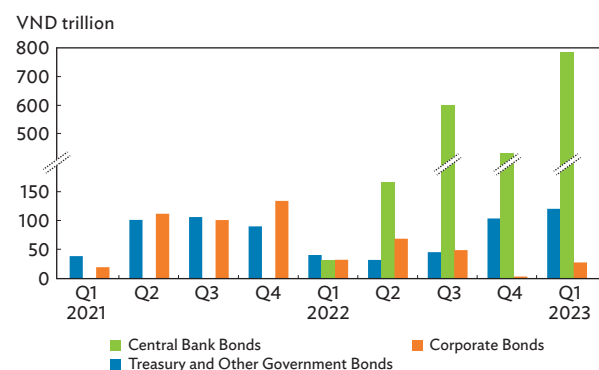
LCY bond issuance in Viet Nam climbed 73.0% q-o-q in Q1 2023 to reach VND938.4 trillion. Issuance of Treasury and other government bonds grew 15.9% q-o-q to VND121.4 trillion in Q1 2023, from VND104.8 trillion in the fourth quarter of 2022, accounting for 12.9% of the issuance total during the quarter. Issuance of corporate bonds expanded significantly in Q1 2023 (639.3% q-o-q), as activity in the corporate bond market picked up following the government's issuance of Decree No. 8 in March, after which 93.0% of the quarter's corporate bond issuance occurred.⁷ Furthermore, 85.3% of the corporate issuances in Q1 2023 were issued by seven firms in the property sector. Decree No. 8 was issued amid a slow recovery in Viet Nam's corporate bond market due to the government's credit tightening policies, high interest rates, and declining bond issuance volumes, which stifled bond issuers' funding sources and hampered their ability to meet their bond obligations. Based on the FiiRatings report released in April, total default value of corporate bonds reached VND94.4 trillion as of 17 March from 69 issuer companies. The real estate industry accounted for the largest share of 83.6% (VND78.9 trillion) of

the total default value. Defaulted bonds continued to increase to a total of VND128.5 trillion as of 4 May. During the quarter, total corporate bond issuance reached VND28.4 trillion, equivalent to 3.0% of the total LCY issued bonds in Q1 2023 (**Figure 3**). Hung Yen Investment and Development, a company engaged in real estate business, was the largest corporate bond issuer during the quarter, with aggregate issuance of VND7.2 trillion. Meanwhile, central bank securities comprised the largest share of issuance volume in the overall LCY bond market, accounting for 84.0% of the issuance total in Q1 2023.

Investor Profile

The combined holdings of insurance companies and banks continued to account for nearly all outstanding LCY government bonds in Viet Nam at the end of March (Figure 4). Insurance companies remained the largest investor group with an investment share of 57.8% by the end of Q1 2023, a slight decline from 58.9% in the previous quarter. Meanwhile, banks' holdings of government bonds increased to 41.7% at the end of March. Security companies and investment funds, as well as offshore investors, continued to hold a marginal share of less than 1.0% each at the end of March 2023.

Figure 3: Composition of Local Currency Bond Issuance in Viet Nam

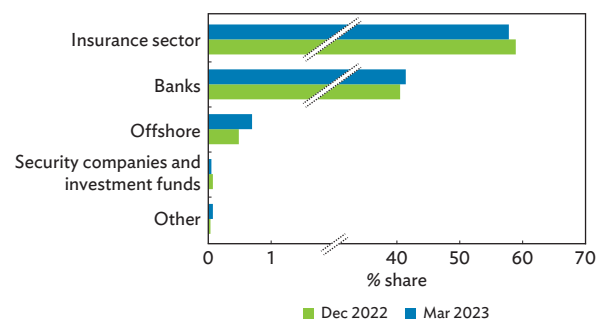


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, VND = Vietnamese dong.

Note: Other government bonds comprise government-guaranteed and municipal bonds.

Sources: Vietnam Bond Market Association and Bloomberg LP.

Figure 4: Investor Profile of Local Currency Government Bonds



Source: Vietnam Ministry of Finance.

⁷ Decree No. 8 issued by the government on 5 March eased corporate bond regulations by amending the following provisions previously stipulated in Decree No. 65: (i) payment by assets other than cash is now accepted for domestically issued bonds; (ii) issuers can extend payments by a maximum of 2 years if holders agree, and; (iii) requirements for professional investor status, credit ratings, and the rule on 30-day distribution period for each private placement are now postponed to 1 January 2024.