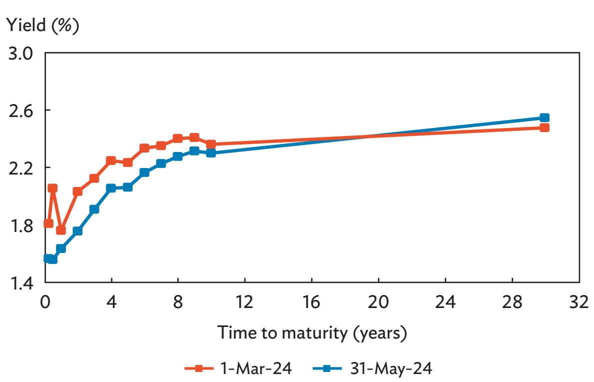
Market Summaries

People's Republic of China

Yield Movements

Local currency (LCY) government bond yields in the People's Republic of China (PRC) fell for nearly all maturities between 1 March and 31 May amid continued weakness in the domestic economy as well as low inflation. The PRC's yields experienced a decline, averaging 19 basis points across all maturities that declined. However, the 30-year tenor bucked this trend and saw a 7 basis points increase during the same period, driven by concerns about economic growth despite a higher growth rate of 5.3% year-on-year (y-o-y) in the first quarter (Q1) of 2024 compared to the previous quarter (5.2% y-o-y) (**Figure 1**). Other economic indicators, however, present a different picture. Retail sales fell from 5.1% y-o-y in January–February to 3.1% y-o-y in March, and further to 2.3% y-o-y in April. Weak demand has also dampened inflation, with consumer price inflation hovering near zero at 0.3% y-o-y in April and 0.1% y-o-y in March. Producer price inflation has been in deflation since October 2022. On the other hand, the rise in yields at the long-end of the curve is due to expectations of increased government debt as the government seeks to stimulate the economy. The government announced the planned issuance of CNY1.0 trillion worth of long-term special Treasury bonds as part of its measures to mitigate the impact of weakness in the property market and the economic slowdown. In April, Fitch Ratings revised the PRC's outlook to negative due to economic uncertainties and rising government debt.

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

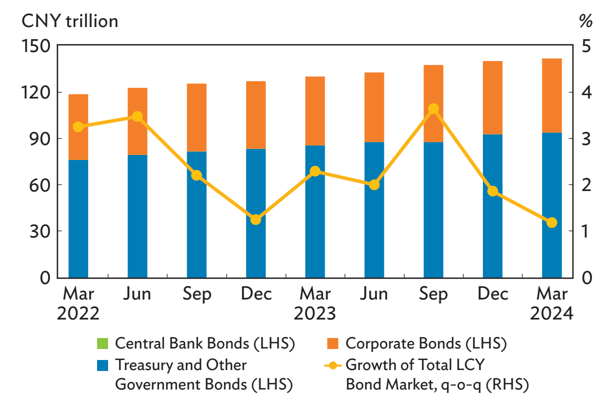


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The PRC's LCY bonds outstanding grew at a slower quarterly pace in Q1 2024 as government issuance contracted. Total LCY bonds outstanding grew 1.2% quarter-on-quarter (q-o-q) in Q1 2024, down from 1.9% q-o-q in Q4 2023 (**Figure 2**). Growth in government bonds slowed to 1.2% q-o-q in Q1 2024 from 5.7% q-o-q in the previous quarter due to reduced issuance during the period. In contrast, corporate bond growth reached 1.2% q-o-q in Q1 2024, up from –4.9% q-o-q in Q4 2023, on easing measures by the PRC government.

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.

This market summary was written by Russ Jason Lo, consultant, Economic Research and Development Impact Department, ADB, Manila.

The PRC's LCY bond sales reached CNY9.6 trillion in Q1 2024, a 13.3% q-o-q decline from the previous quarter due to reduced issuance from government entities (Figure 3). Overall government issuance declined 24.4% q-o-q in Q1 2024, largely due to a high base effect as efforts by the government to enact stimulus measures led to frontloading of some 2024 issuance quotas in the preceding quarter. Corporate bond issuance, however, rose 3.8% q-o-q in Q1 2024 after a contraction of 12.6% q-o-q in the prior quarter, buoyed by lower borrowing costs following easing measures by the government.

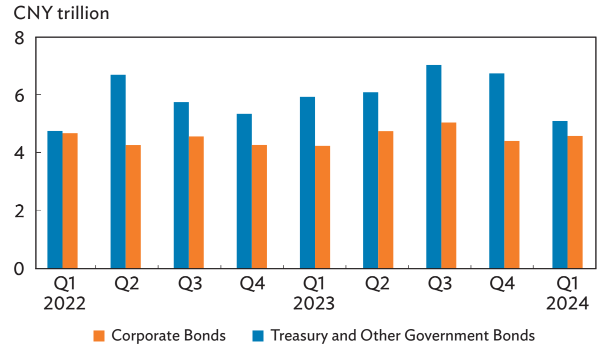
Investor Profile

Commercial banks remained the largest holder of government bonds at the end of March 2024. Commercial banks are the largest investor in the PRC's government bond market, with an overall holdings share of 73.2% at the end of March 2024 (**Figure 4**). Commercial banks are also the dominant holder among all different government bond types, including local government bonds with an 84.8% holdings share.

Sustainable Bond Market

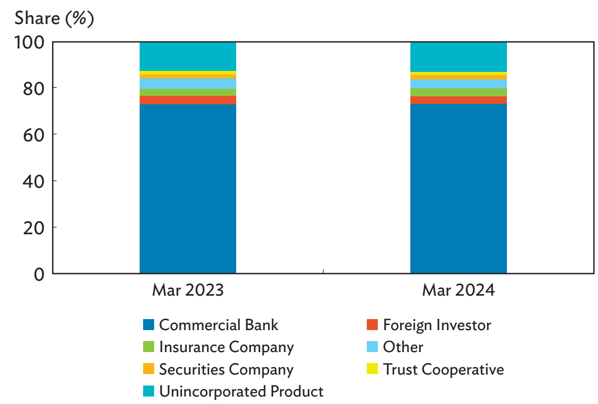
Sustainable bonds in the PRC are mainly green bond instruments, issued by the private sector, and carry shorter-term tenors. The sustainable bond market in the PRC reached a size of USD345.2 billion at the end of March, growing 16.7% from the same period last year. Green bonds comprised 90.4% of total outstanding sustainable bonds at the end of March (**Figure 5**). The majority of sustainable bonds outstanding were issued by private companies, with corporate bonds making up 93.9% of the PRC's sustainable bond market. Corporate issuers tend to issue shorter-tenors compared to the public sector. As a result, 87.1% of the PRC's outstanding sustainable bonds carried tenors of 5 years or less.

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



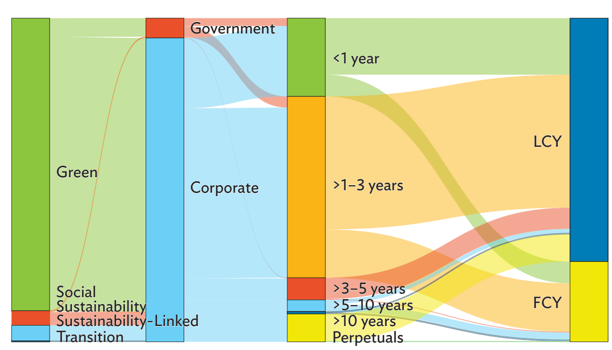
CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: CEIC Data Company.

Figure 4: Investor Profile of Government Bonds



Note: Government bonds include bonds issued by local governments, policy banks, and the central government.
Source: CEIC Data Company.

Figure 5: Market Profile of Outstanding Sustainable Bonds in the People's Republic of China at the End of March 2024



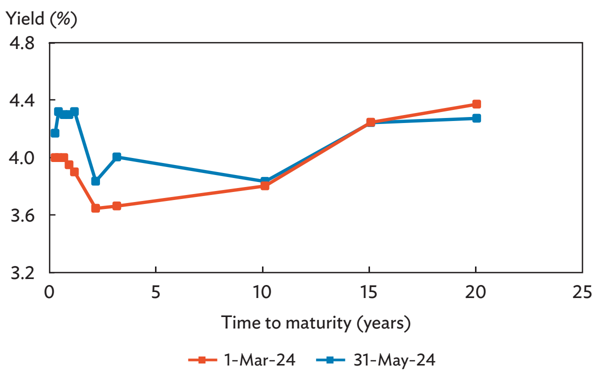
FCY = foreign currency, LCY = local currency.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Hong Kong, China

Yield Movements

Between 1 March and 31 May, local currency (LCY) government bond yields in Hong Kong, China rose for most tenors, driven largely by the delay in the United States Federal Reserve's expected rate cut. Bond yields gained an average of 27 basis points for maturities up to 10 years on market expectations of higher-for-longer interest rates (**Figure 1**). Meanwhile, longer-term bond yields edged down by an average of 5 basis points for tenors of 15–20 years amid a slowdown in domestic economic growth and easing inflation. Hong Kong, China's gross domestic product growth decelerated to 2.7% year-on-year (y-o-y) in the first quarter (Q1) of 2024 from 4.3% y-o-y in the previous quarter. Inflation dropped to 1.1% y-o-y in April from 2.0% y-o-y in March and 2.1% y-o-y in February.

Figure 1: Hong Kong, China's Benchmark Yield Curve—Local Currency Government Bonds

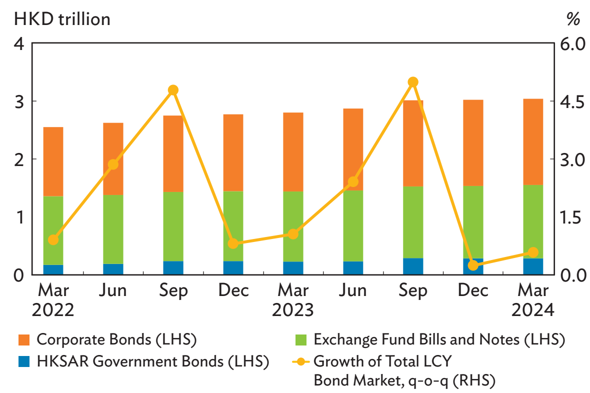


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Hong Kong, China's LCY bonds outstanding expanded 0.6% quarter-on-quarter (q-o-q) in Q1 2024, led by growth in corporate bonds. By the end of March, outstanding LCY bonds reached HKD3.0 trillion, driven by a rebound in corporate bonds outstanding, which was supported by large issuances by state-owned entities during the quarter (**Figure 2**). Meanwhile, Hong Kong Special Administrative Region (HKSAR) government bonds recorded modest growth due to small volume of maturities during the quarter. Corporate bonds outstanding (HKD1.5 trillion) comprised 48.9% of Hong Kong, China's LCY bond market at the end of March 2024, while outstanding Exchange Funds Bills and Notes (HKD1.3 trillion) and HKSAR government bonds (HKD0.3 trillion) comprised the remaining 41.7% and 9.4% shares, respectively.

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



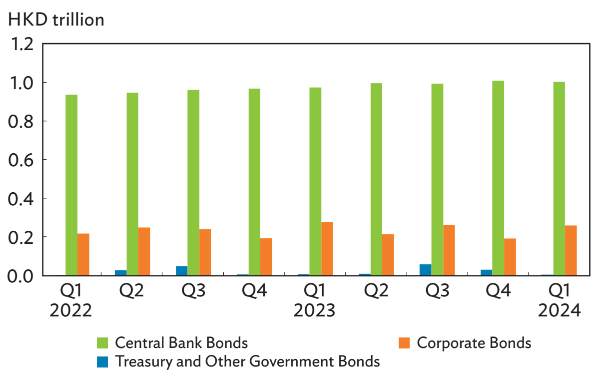
HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Hong Kong Monetary Authority.

This market summary was written by Debbie Gundaya, consultant, Economic Research and Development Impact Department, ADB, Manila.

LCY bond issuance in Hong Kong, China rebounded in Q1 2024 from a contraction in the preceding quarter due to a recovery in corporate bond sales. Total LCY bond issuance tallied HKD1.3 trillion in Q1 2024, posting 2.9% q-o-q growth, a reversal from the decline in the fourth quarter of 2023 (**Figure 3**). Growth was driven solely by the robust issuance of corporate bonds, which expanded 34.8% q-o-q, on increased debt issuance by several state-owned entities. These issuances included the Airport Authority Hong Kong's inaugural retail bonds worth HKD5.0 billion and Hong Kong Mortgage Corporation's benchmark bonds totaling HKD12.0 billion. Meanwhile, issuance of HKSAR government bonds and Exchange Fund Bills and Notes contracted in Q1 2024. HKSAR government bond sales included HKD2.0 billion of 2-year digital green bonds issued to global institutional investors in February.[14]

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

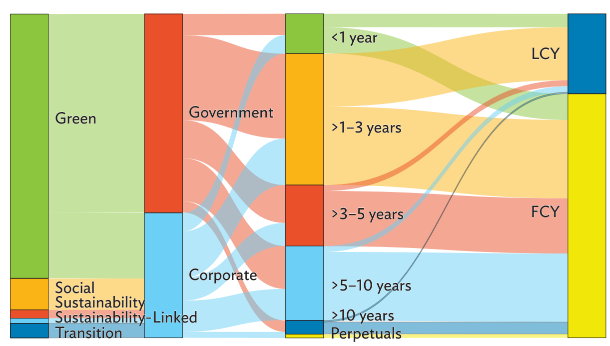


HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: Hong Kong Monetary Authority.

Sustainable Bond Market

Outstanding sustainable bonds in Hong Kong, China are dominated by green bonds and public sector issuances. These bonds typically have short-term maturities and are denominated in foreign currency. Hong Kong, China's sustainable bonds outstanding reached a size of USD43.4 billion at the end of March, of which about 80% were green bonds and about 10% were social bonds (**Figure 4**). Outstanding sustainable bonds posted a nominal 0.3% q-o-q contraction in Q1 2024 as issuance declined 62.2% q-o-q to USD1.1 billion. Only green bond instruments were issued in Q1 2024. Most sustainable bonds are primarily issued by the government (61.4%) and have maturities of up to 5 years (71.7%). A large share of both government (42.8%) and private (37.2%) sustainable bonds are concentrated in tenors of 1–3 years. As a result, the size-weighted average tenor of Hong Kong, China's sustainable bonds at the end of Q1 2024 was 4.4 years, one of the lowest averages among all ASEAN+3 economies.[15] Foreign-currency-denominated instruments comprised over three-quarters of Hong Kong, China's sustainable bonds at the end of March.

Figure 4: Market Profile of Outstanding Sustainable Bonds in Hong Kong, China at the End of March 2024



FCY = foreign currency, LCY = local currency.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

[14] The HKD2.0 billion tranche of HKD-denominated bonds was part of a multicurrency digital green bond issuance, which also included CNY1.5 billion, USD200.0 million, and EUR80.0 million tranches.

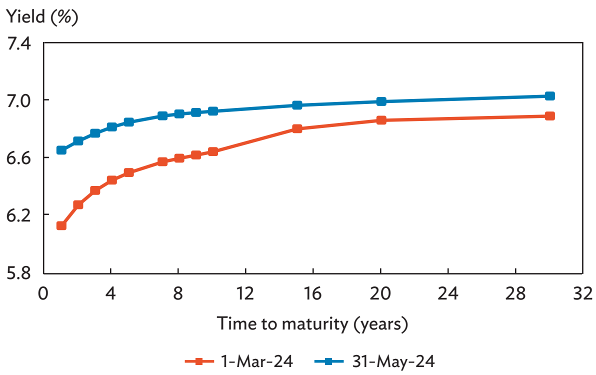
[15] ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Indonesia

Yield Movements

Local currency (LCY) sovereign bond yields in Indonesia climbed an average of 31 basis points from 1 March to 31 May (**Figure 1**). The uptick in yields was largely driven by Bank Indonesia's 25 basis points policy rate hike to 6.25% on 24 April to safeguard the currency and ensure inflation remained within the target range of 1.5%–3.5% in 2024. Foreign bond outflows from Indonesia's bond market also pushed up yields amid a delay in the United States Federal Reserve's expected policy rate cut. In the first 4 months of the year, bond outflows reached USD3.2 billion, with March (USD1.6 billion) and April (USD1.3 billion) recording the largest outflows so far this year.

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

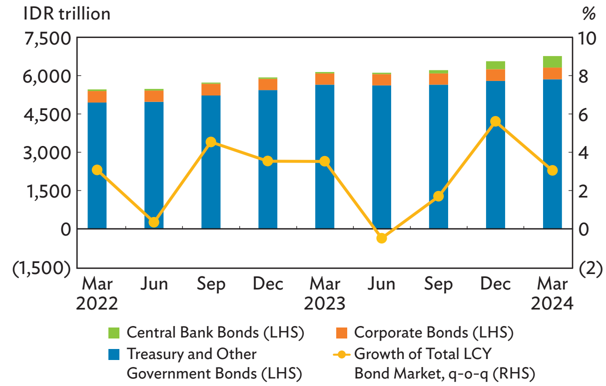


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Growth in Indonesia's LCY bond market was capped by a high volume of maturities in the first quarter (Q1) of 2024. The LCY bond market in Indonesia reached a size of IDR6,786.5 trillion at the end of March, representing 19.4% of ASEAN's LCY bond market (**Figure 2**). Overall growth moderated to 3.1% quarter-on-quarter (q-o-q) in Q1 2024 from 5.6% q-o-q in the previous quarter due to a high volume of maturities. Government bonds, which comprised 86.5% of Indonesia's LCY bond market, grew by only 1.1% q-o-q in Q1 2024 despite robust issuance during the quarter. On the other hand, corporate bonds, which accounted for 6.8% of total bonds at the end of March, posted a marginal contraction of 0.2% q-o-q due to a slowdown in issuance.

Figure 2: Composition of Local Currency Bonds Outstanding in Indonesia



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

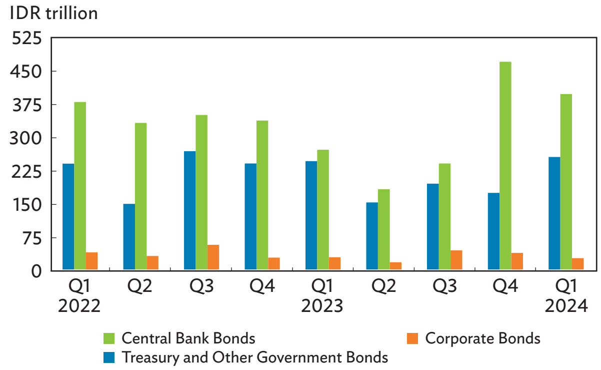
Notes: Data include *sukuk* (Islamic bonds). Data for Treasury and other government bonds comprise tradable and nontradable central government bonds.

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

LCY bond issuance in Indonesia marginally contracted in Q1 2024 due to slower issuance by the central bank and corporates. Total issuance tallied IDR677.4 trillion in Q1 2024 for a 0.6% q-o-q contraction, reversing the 42.7% q-o-q hike in the preceding quarter (**Figure 3**). Government bond issuance surged 46.8% q-o-q as the government normally frontloads issuance in the first half of the year. In contrast, corporate bond issuance contracted amid still elevated interest rates. The three largest corporate bond issuers during the quarter were Tower Bersama Infrastructure, Sarana Multigriya Finansial, and Bank Rakyat Indonesia, which accounted for 10.6%, 10.4%, and 9.8%, respectively, of corporate bond issuance in Q1 2024.

This market summary was written by Roselyn Regalado, consultant, Economic Research and Development Impact Department, ADB, Manila.

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.

Notes: Data include *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.

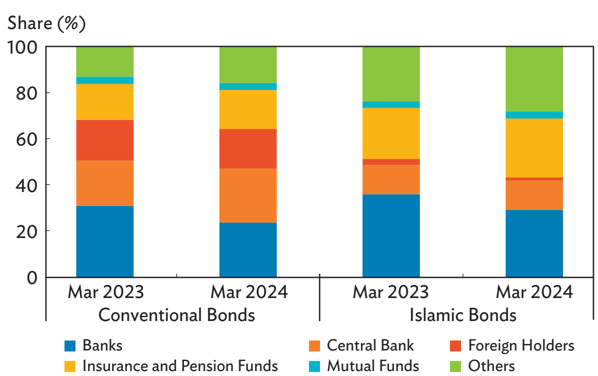
Investor Profile

The majority of LCY tradable government bonds in Indonesia were held by domestic investors, who accounted for a collective share of 85.8% at the end of March 2024. Domestic investors held 82.7% of conventional bonds outstanding, while their holdings share was much higher for Islamic bonds at 98.7% (**Figure 4**). Banking institutions remained the largest domestic investor group in both conventional and Islamic bonds, holding an overall share of 24.8%, albeit down from 31.9% a year earlier. The decline was partly driven by the expansion in the central bank's holdings share from 18.3% to 21.3% during the same period, reflecting Bank Indonesia's ongoing support for the LCY bond market amid market volatility and portfolio outflows. Foreign investors exited Indonesia's bond market over a strengthening United States dollar, leading to a decline in their shareholdings from 14.9% at the end of March 2023 to 14.2% at the end of March 2024.

Sustainable Bond Market

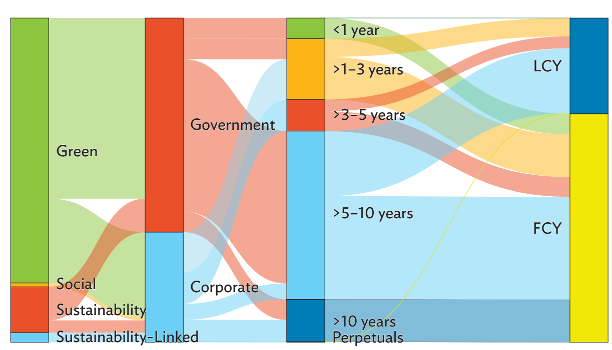
A majority of sustainable bonds in Indonesia were green bond instruments, issued by the public sector, and carried long-term tenors. Green bonds comprised 81.7% of Indonesia's USD11.8 billion sustainable bonds outstanding at the end of March (**Figure 5**). The size of sustainable bond market, however, contracted a marginal 1.3% q-o-q as issuance declined by three-fold to USD0.4 billion in Q1 2024. The public sector played a significant role in Indonesia's sustainable bond market, representing 66.0% of its total sustainable bonds outstanding, and its active participation has contributed toward a longer maturity structure for sustainable bonds in the market. About 80.7% of the public sector's sustainable bonds carried maturities of over 5 years, while the corresponding share was only 34.7% for the private sector. As a result, the size-weighted average tenor of Indonesia's outstanding sustainable bonds stood at 7.5 years versus a size-weighted average of 4.2 years for ASEAN+3 economies.[16]

Figure 4: Investor Profile of Tradable Central Government Bonds



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

Figure 5: Market Profile of Outstanding Sustainable Bonds in Indonesia at the End of March 2024



FCY = foreign currency, LCY = local currency.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

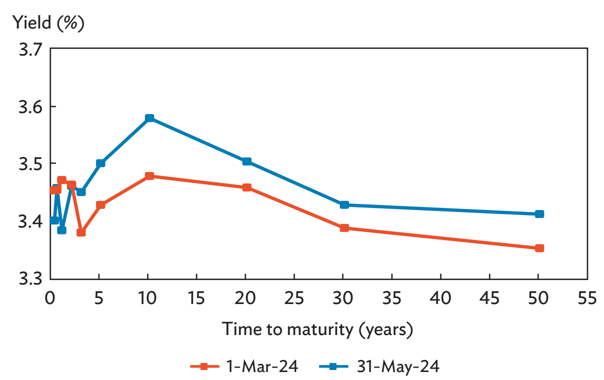
[16] ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Republic of Korea

Yield Movements

Local currency (LCY) government bond yields in the Republic of Korea rose for most tenors between 1 March and 31 May due to a delay in the expected rate cut by the Bank of Korea (BOK) and the United States Federal Reserve. Yields rose a marginal 6 basis points on average for maturities of 3 years and longer, but fell at the short-end of the curve (with the exception of the 6-month tenor), during the review period (**Figure 1**). Market expectations of a rate cut this year were tempered following the BOK's 24 May monetary policy meeting when it left the base rate unchanged at 3.50% for an 11th straight meeting, stating that the increased upside risks to inflation still do not justify a rate cut. While inflation has slowed, upside risks have increased due to an improvement in economic growth and heightened foreign exchange volatility. Consequently, the BOK, in its 24 May meeting, raised the 2024 annual growth forecast to 2.5% from the February forecast of 2.1%, but maintained its inflation forecast at 2.6%. The delay in the United States Federal Reserve's rate cut also contributed to the rise in yields in the Republic of Korea's government bond market during the review period.

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

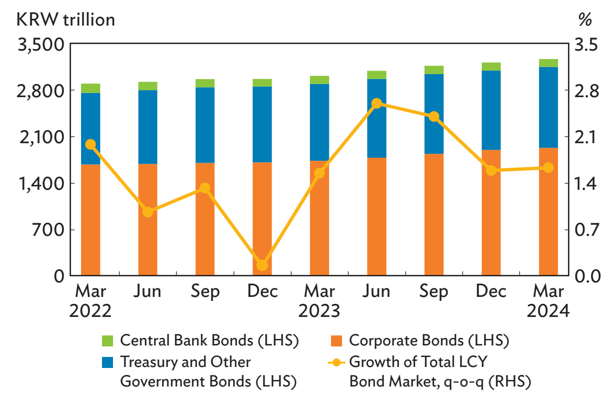


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

LCY bonds outstanding in the Republic of Korea rose 1.6% quarter-on-quarter (q-o-q) to reach KRW3,269.3 trillion at the end of March, driven by growth in both the government and corporate bond segments. The Republic of Korea's government bond market rose 1.6% q-o-q in the first quarter (Q1) of 2024, a rebound from the 0.3% q-o-q decline in the previous quarter, driven by increased issuance of Treasury bonds (**Figure 2**). Meanwhile, corporate bonds outstanding grew 1.8% q-o-q, despite the decline in issuance, due to a small volume of maturities.

Figure 2: Composition of Local Currency Bonds Outstanding in the Republic of Korea



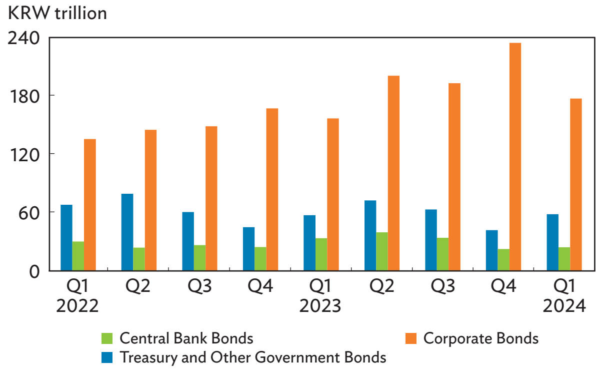
KRW = Korean won, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Sources: Bank of Korea and KG Zeroin Corp.

Total LCY bond issuance fell 13.0% q-o-q to KRW259.8 trillion in Q1 2024, dragged down by a contraction in the corporate bond segment. Issuance of corporate bonds dropped 24.4% q-o-q in Q1 2024 due to the rise in domestic yields being driven by the delay in the Federal Reserve's expected rate cut (**Figure 3**). Meanwhile, issuance of government bonds jumped 39.6% q-o-q due to the government's plan to finance the spending of more than 65% of the 2024 budget during the first half of the year.

This market summary was written by Angelica Andrea Cruz, consultant, Economic Research and Development Impact Department, ADB, Manila.

Figure 3: Composition of Local Currency Bond Issuance in the Republic of Korea



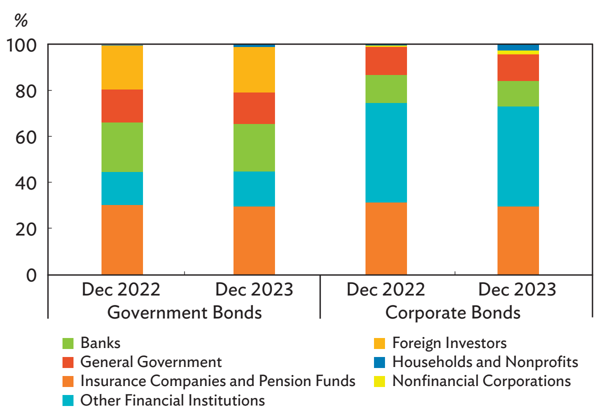
KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Sources: Bank of Korea and KG Zeroin Corp.

Investor Profile

Insurance companies and pension funds remained the largest investor group in the Republic of Korea's LCY bond market in 2023. The group held a collective share of 29.8% of total LCY bonds outstanding at the end of December, slightly lower than the 30.8% share in December 2022. In the government bond market, insurance companies and pension funds held a share of 29.8%, while banks and foreign investors were the next two largest investor groups with shares of 20.5% and 19.7%, respectively (**Figure 4**). The corporate bond market has a less diverse investor profile, with two major investor groups—other financial institutions (43.5%) and insurance companies and pension funds (29.6%)—continuing to hold almost three-quarters of total LCY corporate bonds outstanding. Foreign holdings in the LCY corporate bond market remained negligible at the end of December 2023.

Figure 4: Local Currency Bonds Outstanding Investor Profile

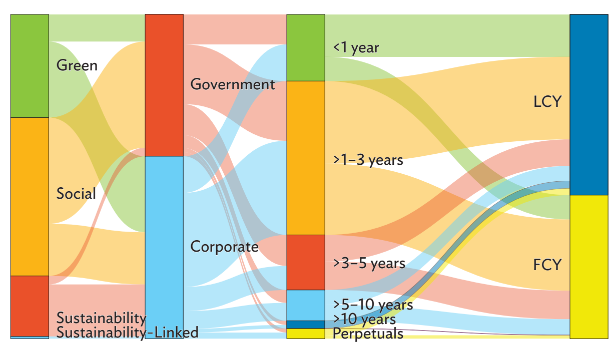


Sources: *AsianBondsOnline* and Bank of Korea.

Sustainable Bond Market

Nearly half of sustainable bonds outstanding in the Republic of Korea were social bonds, while bonds issued by the corporate sector and those carrying tenors of over 1 year to 3 years comprised a majority of total sustainable bonds outstanding at the end of March (Figure 5). The Republic of Korea's sustainable bond market reached a size of USD172.8 billion at the end of March, making it the second-largest sustainable bond market in emerging East Asia.[17] Social bonds comprised 48.9% of the sustainable bond market, followed by green bonds with a 31.8% share. Over half (56.3%) of the overall sustainable bond market comprised issuances by the corporate sector, while the government was the primary issuer of social bonds. About two-thirds of the sustainable bond stock had maturities of 3 years or less, resulting in a weighted average tenor of 3.0 years.

Figure 5: Market Profile of Outstanding Sustainable Bonds in the Republic of Korea at the End of March 2024



FCY = foreign currency, LCY = local currency.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

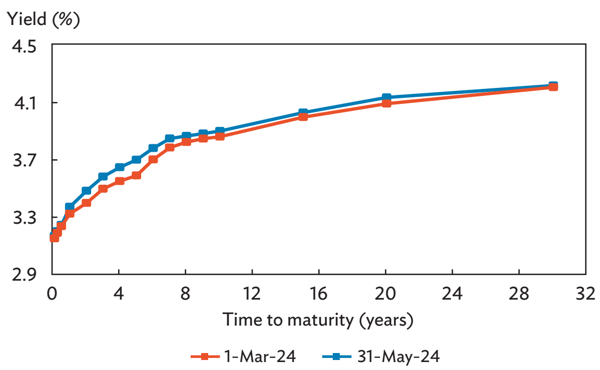
[17] Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

Malaysia

Yield Movements

Between 1 March and 31 May, the local currency (LCY) government bond yield curve of Malaysia shifted upward largely due to a delay in the expected rate cut by the United States Federal Reserve this year (**Figure 1**). In addition, Bank Negara Malaysia left its overnight policy rate unchanged at 3.00% on 9 May amid expectations of strong economic growth and moderate inflationary pressures. Malaysia's economy recorded 4.2% year-on-year (y-o-y) growth in the first quarter (Q1) of 2024, accelerating from 3.0% y-o-y in the previous quarter. Consumer price inflation in April remained stable at 1.8% y-o-y, the same rate as in February and March.

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

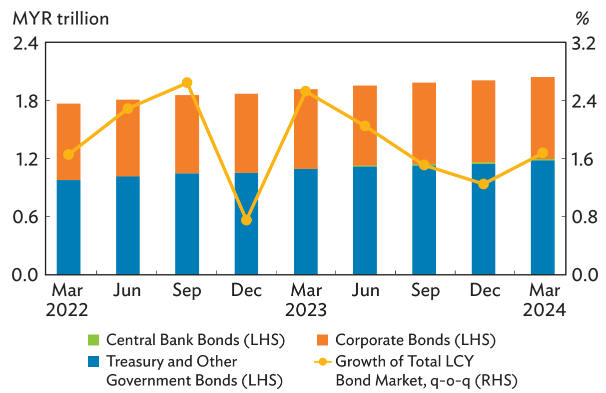


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

At the end of March, Malaysia's LCY bond market was valued at MYR2.0 trillion, an expansion of 1.7% quarter-on-quarter (q-o-q), supported by growth in Treasury and other government bonds, and corporate bonds (**Figure 2**)**.** Malaysia saw a 3.2% q-o-q increase in outstanding Treasury and other government bonds in Q1 2024, led mainly by an expansion in the stock of government bonds. Meanwhile, outstanding corporate bonds increased slightly by 0.2% q-o-q due to less maturities during the quarter. By the end of March, DanaInfra Nasional remained the leading issuer of corporate securities with outstanding bonds amounting to MYR83.0 billion. *Sukuk* (Islamic bonds) increased 1.6% q-o-q and continued to comprise a majority of Malaysia's LCY bond market.

Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia

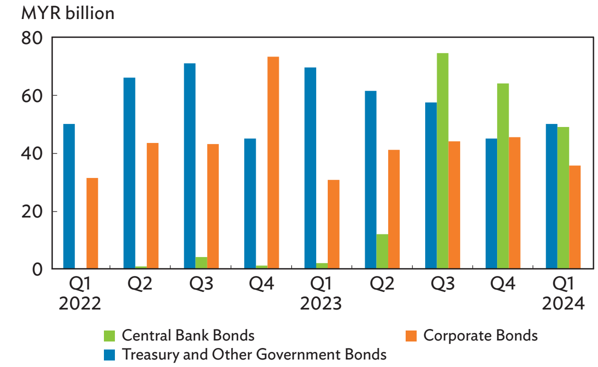


LCY = local currency, LHS = left-hand side, MYR = Malaysian ringgit, q-o-q = quarter-on-quarter, RHS = right-hand side.
Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

This market summary was written by Patrick Vincent Lubenia, consultant, Economic Research and Development Impact Department, ADB, Manila.

Issuance of LCY bonds in Malaysia contracted 12.8% q-o-q in Q1 2024 on less issuance by corporates and the central bank (Figure 3). This marked the second consecutive quarterly contraction in issuance of Malaysian LCY bonds after recording a 12.2% q-o-q decline in the previous quarter. Issuance of corporate bonds fell 21.5% q-o-q, while Government Investment Issues (Islamic bonds) fell 2.4% q-o-q. On the other hand, Malaysian Government Securities (conventional bonds) increased 22.0% q-o-q, a rebound from the contraction of 24.0% q-o-q in the fourth quarter of 2023. During the review period, Maybank Islamic issued the largest amount of LCY bonds with eight Islamic commercial paper issuances totaling MYR4.0 billion.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia



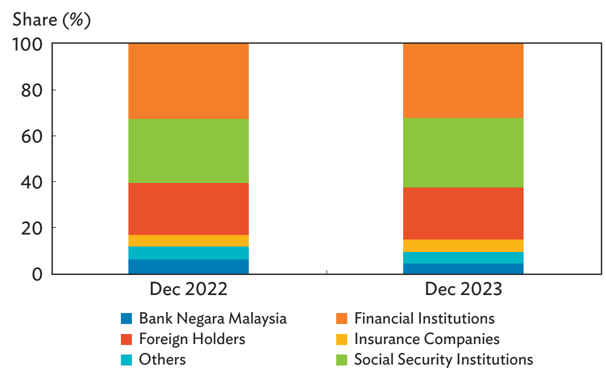
MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

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

Investor Profile

Malaysia's LCY government bonds' investor profile remained stable in 2023. Financial institutions, social security institutions, insurance companies, and foreign holders continued to dominate the LCY government bond market in 2023, collectively accounting for 90.2% of the total holdings at the end of December (**Figure 4**).

Figure 4: Local Currency Government Bonds Investor Profile



MYR = Malaysian ringgit.

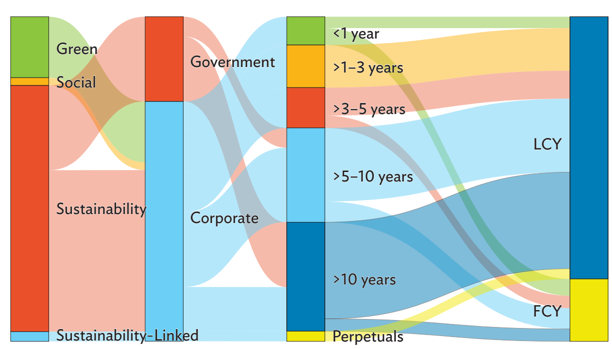
Note: "Others" include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.

Source: Bank Negara Malaysia.

Sustainable Bond Market

At the end of March, corporate bonds dominated Malaysia's sustainable bond market, which mainly comprises sustainability bonds and long-term securities. Outstanding sustainable bonds in Malaysia totaled USD13.1 billion at the end of March, 75.9% of which were sustainability bonds amounting to USD9.9 billion, followed by green bonds at 18.8% and worth USD2.5 billion (**Figure 5**). However, this was lower compared with the sustainable bond stock at the end of December due to a contraction in issuance in Q1 2024. At the end of March, 73.9% of sustainable bonds were issued by private corporations, a majority of which carried tenors greater than 5 years. Meanwhile, all sustainable bonds from the public sector were in maturities longer than 5 years at the end of March. This led to a size-weighted average tenor of 8.8 years for all outstanding sustainable bonds in the Malaysian market. About four-fifths of the sustainable bonds outstanding in Malaysia were denominated in ringgit.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Malaysia at the End of March 2024



FCY = foreign currency, LCY = local currency.

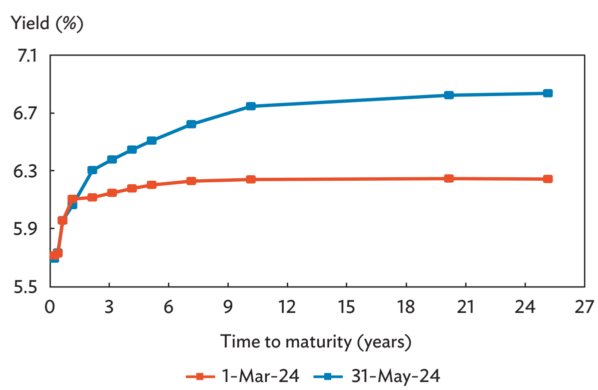
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Philippines

Yield Movements

Local currency (LCY) government bond yields in the Philippines rose for most tenors between 1 March and 31 May, influenced by higher-for-longer interest rates—due to the United States Federal Reserve delaying its rate cut—and an uptick in domestic inflation (Figure 1). Year-on-year inflation continued to rise from 3.7% in March to 3.8% in April and 3.9% in May. While inflation had settled within the government's target range of 2%–4% for 6 consecutive months, the Bangko Sentral ng Pilipinas (BSP), in its 16 May policy meeting, opted to keep its overnight reverse repurchase rate steady at a 17-year high of 6.50%. The central bank's decision aims to firmly anchor inflation expectations within the target range amid persistent potential price pressures linked to higher costs of transportation, food, and energy, as well as rising global oil prices. In a press event on 16 May, BSP Governor Eli M. Remolona Jr. hinted at a possible rate cut in August.

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

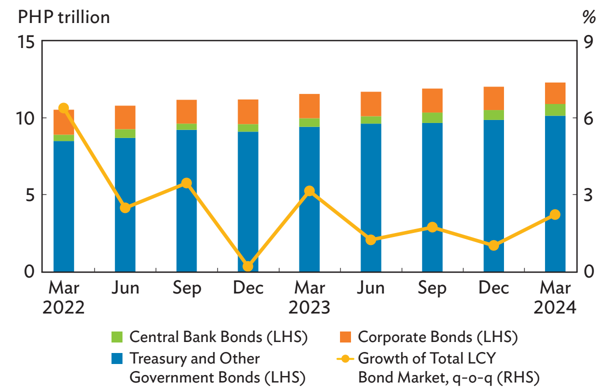


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Growth in the Philippines' LCY bond market picked up in the first quarter (Q1) of 2024, with bonds outstanding reaching a size of PHP12.3 trillion at the end of March. Overall growth climbed 2.2% quarter-on-quarter (q-o-q) in Q1 2024 from 1.0% q-o-q in the fourth quarter of 2023 due to increased issuance from the government and the BSP (**Figure 2**). Treasury and other government bonds outstanding posted growth of 2.7% q-o-q and the stock of central bank securities rose 20.2% q-o-q in Q1 2024. However, corporate bonds outstanding continued to decline in Q1 2024 at a pace of 8.2% q-o-q due to a large number of maturities and a low volume of issuance during the quarter.

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.

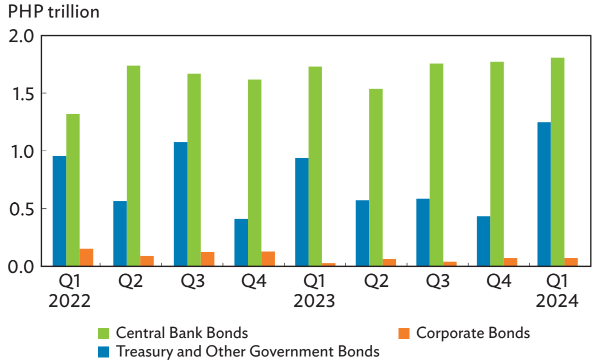
Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management and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

Sources: Bureau of the Treasury and Bloomberg LP.

LCY bond issuance rebounded with growth of 37.3% q-o-q in Q1 2024 for a total of PHP3.1 trillion, reversing a contraction of 4.4% q-o-q in the fourth quarter of 2023. The increase in overall issuance was largely driven by Treasury and other government bonds, whose issuance expanded almost threefold to PHP1.2 trillion from the previous quarter's PHP0.4 trillion, as the government frontloaded its issuance for the year (**Figure 3**). Issuance of government bonds in Q1 2024 was further buoyed by the sale of Retail Treasury Bonds in February amounting to PHP584.9 billion. On the other hand, due to the elevated interest rate environment, corporate bond issuance dipped 0.1% q-o-q during the quarter, with only two firms tapping the bond market: BDO Unibank (PHP63.3 billion) and Filinvest Development Corporation (PHP10.0 billion).

This market summary was written by Jeremy Grace Ilustrisimo, consultant, Economic Research and Development Impact Department, ADB, Manila.

Figure 3: Composition of Local Currency Bond Issuance in the Philippines



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

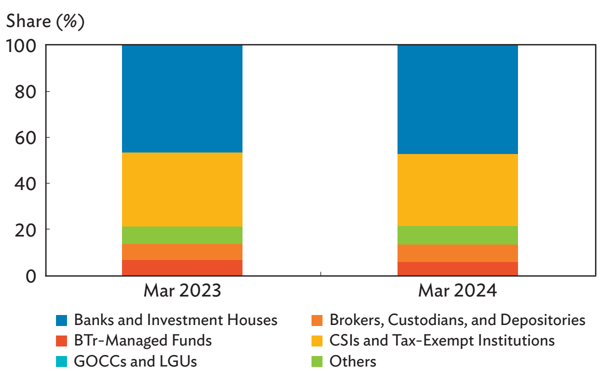
Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management and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

Sources: Bureau of the Treasury and Bloomberg LP.

Investor Profile

Banks and investment houses, as well as contractual savings institutions and tax-exempt institutions, remained the primary holders of LCY government bonds at the end of March 2024. Their combined bond holdings comprised about 80% of the market's total LCY government debt stock (**Figure 4**). Banks and investment houses remained the single-largest investor group, with investment holdings inching up to a share of 47.0% from 46.4% in March 2023, followed by contractual savings institutions (31.4%). Overall, the investor landscape in the Philippines' LCY government bond market at the end of March 2024 was largely unchanged from a year earlier.

Figure 4: 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.

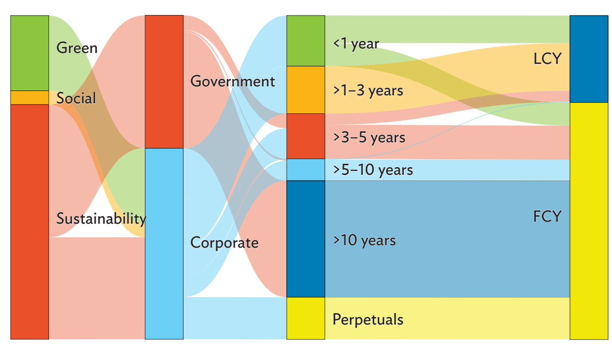
Note: At the end of March 2024, government-owned or -controlled corporations and local government units' holdings share was 0.02%, amounting to PHP2.2 billion.

Source: Bureau of the Treasury.

Sustainable Bond Market

Sustainable bonds in the Philippines are mainly sustainability bond instruments issued by the government and corporates (Figure 5). Sustainability bonds accounted for 72.5% of the economy's total sustainable bonds at the end of March, with most denominated in foreign currency and carrying a tenor of over 5 years. Due to the resumption of issuance by corporates, the amount of sustainable bonds outstanding grew 2.0% q-o-q in Q1 2024 to USD8.5 billion, more than half of which came from the corporate sector. About 89.1% of sustainable bonds from the government carried maturities of over 5 years, while the corporate sector's corresponding share was only 32.6%, resulting in a size-weighted average tenor of 11.1 years.

Figure 5: Market Profile of Outstanding Sustainable Bonds in the Philippines at the End of March 2024



FCY = foreign currency, LCY = local currency.

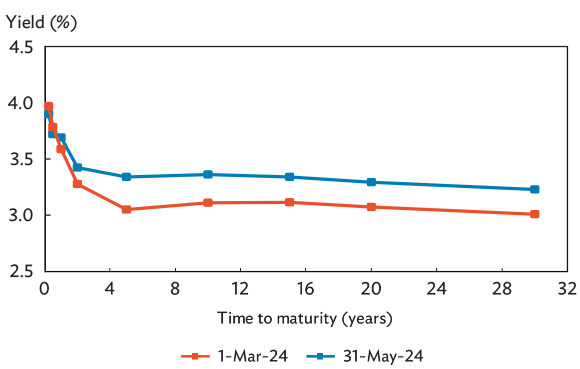
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Singapore

Yield Movements

Between 1 March and 31 May, government bond yields in Singapore increased by 21 basis points on average, except for short-end tenors, due to delays in the expected rate cuts by the United States Federal Reserve (Figure 1). Yields with tenors 1 year and above rose, tracking the yield curve movement of United States Treasuries, while yields on short-term tenors were slightly down. In April, the Monetary Authority of Singapore kept its monetary policy stance unchanged by maintaining the rate of appreciation of the Singapore dollar's nominal effective exchange rate amid a positive economic growth outlook and easing inflationary pressure. Singapore's economy grew 2.7% year-on-year (y-o-y) in the first quarter (Q1) of 2024, accelerating from 2.2% y-o-y in the prior quarter, and consumer price inflation remained at 2.7% y-o-y in March and April, down from 3.4% y-o-y in February.

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

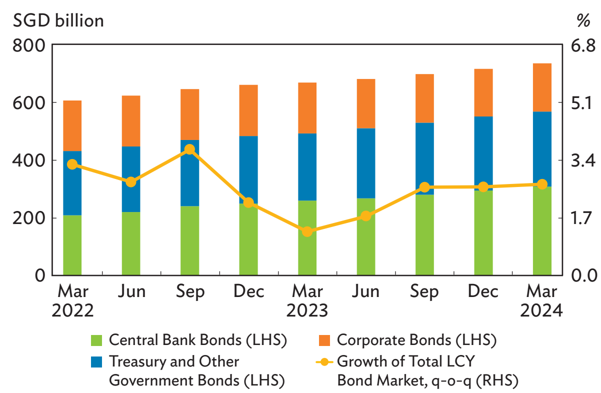


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The local currency (LCY) bond market of Singapore expanded 2.7% quarter-on-quarter (q-o-q), reaching SGD734.8 billion at the end of March (Figure 2). Central bank bills, which continued to dominate the LCY bond market in Singapore, grew 4.7% q-o-q due to fewer securities maturing during the quarter. Corporations also contributed to the quarterly growth of Singapore's LCY bond market as the stock of outstanding LCY corporate bonds increased 1.6% q-o-q. Government-owned Housing & Development Board had the most outstanding LCY corporate bonds at the end of March, amounting to SGD28.6 billion.

Figure 2: Composition of Local Currency Bonds Outstanding in Singapore

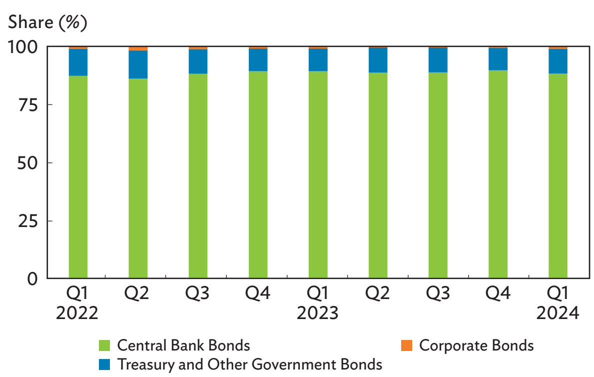


LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, SGD = Singapore dollar.
Note: Corporate bonds are based on *AsianBondsOnline* estimates.
Sources: Monetary Authority of Singapore and Bloomberg LP.

This market summary was written by Patrick Vincent Lubenia, consultant, Economic Research and Development Impact Department, ADB, Manila.

LCY bond issuance contracted 1.1% q-o-q in Q1 2024 on declining issuance of central bank bills (Figure 3). The issuance of Monetary Authority of Singapore bills and notes declined 2.6% q-o-q in Q1 2024. However, this was slightly offset by a rebound in the issuance of Treasury and other government bonds, which jumped 8.0% q-o-q. Issuance of LCY corporate bonds in Q1 2024 doubled from the previous quarter, albeit from a low base. Government-owned Housing & Development Board was the largest issuer during Q1 2024 with two fixed-income securities totaling SGD1.5 billion.

Figure 3: Composition of Local Currency Bond Issuance in Singapore



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

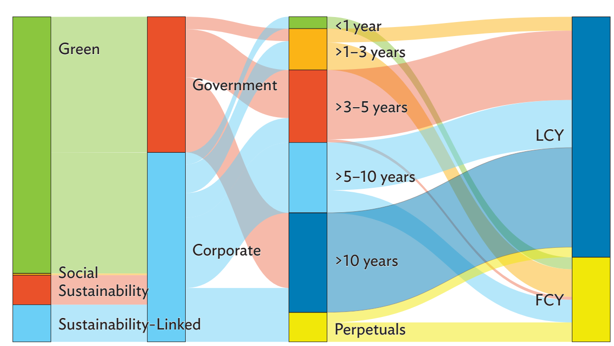
Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

Sustainable Bond Market

At the end of March, corporate issuances comprised most of Singapore's outstanding sustainable bonds, which were dominated by green bonds and longer-tenor securities. Of the total USD19.2 billion of sustainable bonds outstanding at the end of March, green bonds comprised the largest share by bond type at 79.0% (USD15.2 billion) (**Figure 4**). This was followed by sustainability-linked bonds at 11.4% (USD2.2 billion). Increased issuance of green and sustainability-linked bonds in Q1 2024 contributed to the 4.0% q-o-q expansion of Singapore's sustainable bond market by the end of March. Private sector bonds made up 58.3% of the outstanding sustainable bonds. The 41.7% share issued by public entities were purely green bonds. The Housing & Development Board issued the largest LCY corporate bond in Q1 2024 with an SGD800.0 million 5-year green bond that will be used to finance projects under the company's Green Finance Framework. About three-quarters of the outstanding sustainable bonds at the end of March were LCY-denominated. About 40% carried a tenor of more than 10 years, resulting in Singapore's outstanding sustainable bonds having a size-weighted average tenor of 16.6 years.

Figure 4: Market Profile of Outstanding Sustainable Bonds in Singapore at the End of March 2024



FCY = foreign currency, LCY = local currency.

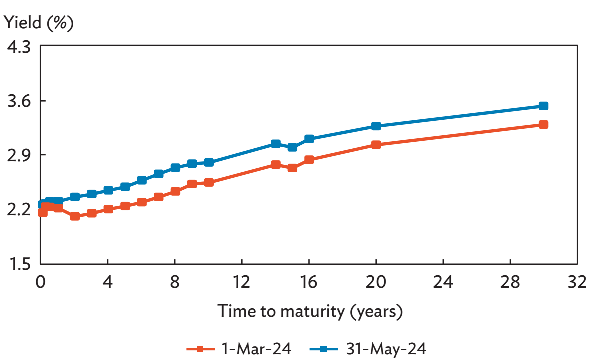
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Thailand

Yield Movements

Local currency (LCY) government bond yields in Thailand rose for all maturities between 1 March and 31 May (Figure 1). Bond yields increased by an average of 22 basis points across all tenors as both the United States (US) Federal Reserve and the Bank of Thailand (BOT) maintained tight monetary policies during the review period. In its 30 April–1 May meeting, the Federal Reserve left its policy rate unchanged at 5.25%–5.50%, hinting that rates would remain elevated until inflation in the US sufficiently trended down toward its 2.0% target. Meanwhile, the BOT kept its policy rate at 2.50% at its 10 April meeting despite political pressure to lower rates, noting that monetary policy will have limited impact on structural issues affecting economic growth. Both central banks subsequently held their policy rates unchanged during their June monetary policy meetings.

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

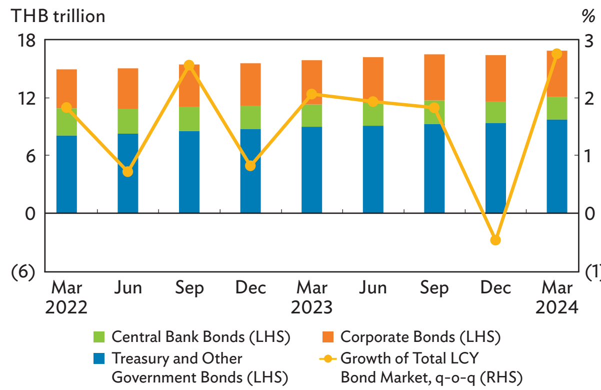


Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Local Currency Bond Market Size and Issuance

Thailand's LCY bond market rebounded in the first quarter (Q1) of 2024, led by faster growth in government bonds. Outstanding LCY bonds totaled THB16.9 trillion at the end of March (**Figure 2**). This marked a 2.8% quarter-on-quarter (q-o-q) increase

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.

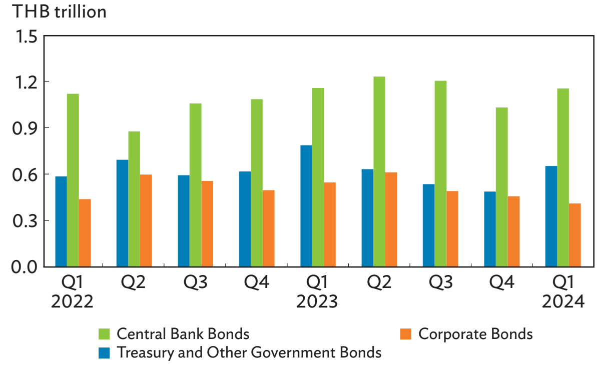
Source: Bank of Thailand.

in Q1 2024, following a 0.5% q-o-q contraction in the fourth quarter (Q4) of 2023. Growth in Treasury and other government bonds edged up to 3.9% q-o-q in Q1 2024 from 1.0% q-o-q in Q4 2023 due to a rebound in issuances. BOT bonds outstanding also recovered, growing 5.7% q-o-q in Q1 2024. In contrast, outstanding corporate bonds fell 0.9% q-o-q, as issuance continued to contract amid elevated interest rates. At the end of March, Treasury and other government bonds (57.7%) remained a majority of Thailand's LCY bond market, followed by corporate bonds (28.3%) and BOT bonds (13.9%).

LCY bond issuance in Thailand rebounded in Q1 2024, fueled by a recovery in government bond sales. LCY bond issuance (THB2.2 trillion) posted strong growth of 12.2% q-o-q in Q1 2024, recovering from an 11.3% q-o-q contraction in Q4 2023 (**Figure 3**). The growth was led by Treasury and other bond issuance, which expanded 33.9% q-o-q to THB654.0 billion in Q1 2024, as the government increased debt issuance to help finance the budget deficit for fiscal year 2024. BOT bond issuance also increased 11.9% q-o-q to THB1.2 trillion in Q1 2024. However, corporate bond sales contracted 10.3% q-o-q in Q1 2024 due to high borrowing rates and weak investor confidence amid the slow economic recovery.

This market summary was written by Debbie Gundaya, consultant, Economic Research and Development Impact Department, ADB, Manila.

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.

Thai Beverage, Global Power Synergy, and CP ALL were the top three issuers of corporate debt in Q1 2024, with total issuances of THB22.0 billion, THB15.0 billion, and THB15.0 billion, respectively.

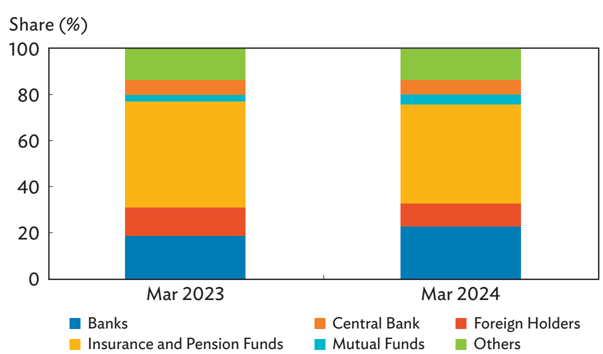
Investor Profile

Domestic investors held a majority of Thai LCY government bonds, with foreign holders' share falling below 10% at the end of March 2024. Domestic investors' share of LCY government bonds increased to 90.1% at the end of March, up from 87.7% a year earlier, driven by increased holdings among banks and mutual funds. Meanwhile, foreign investors' holdings of Thai LCY government bonds declined to 9.9% from 12.3% during the same period, as interest rate differentials between US Treasury bonds and Thai bonds remained wide (**Figure 4**). The BOT's share of LCY government bond holdings was steady at 6.4% between March 2023 and March 2024.

Sustainable Bond Market

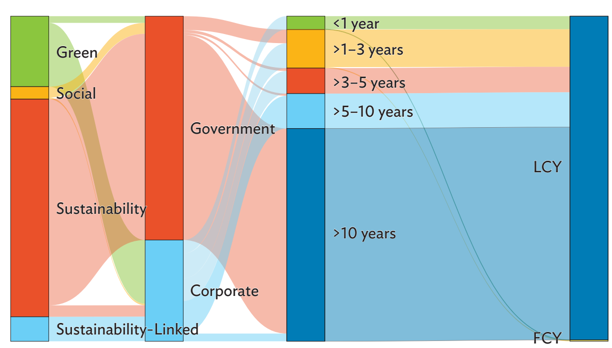
At the end of March, the sustainable bond market in Thailand primarily comprised sustainability bonds issued by the government. Government-issued sustainability bonds generally have long-term tenors and are denominated in Thai baht (**Figure 5**). The size of the sustainable bond market fell to USD19.4 billion at the end of March, contracting 1.9% q-o-q due to a slowdown in issuance during the quarter. Sustainability bonds comprised 67.0% of total sustainable bonds outstanding at the end of March, followed by green bonds (21.7%). Thailand's sustainable bond market is dominated by government bonds (68.9%), and over three-quarters (76.2%) carry maturities longer than 5 years. Over 90% of government sustainable bonds carry maturities longer than 10 years, while the largest share (32.3%) of corporate sustainable bonds have tenors of over 5 years to 10 years. As a result, the size-weighted average tenor of Thai sustainable bonds stood at 9.5 years at the end of March, the third-longest average among ASEAN+3 markets.[18] The majority of sustainable bonds are denominated in Thai baht, with only 0.4% denominated in a foreign currency.

Figure 4: Investor Profile of Government Bonds in Thailand



Source: Bank of Thailand.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Thailand at the End of March 2024



FCY = foreign currency, LCY = local currency.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

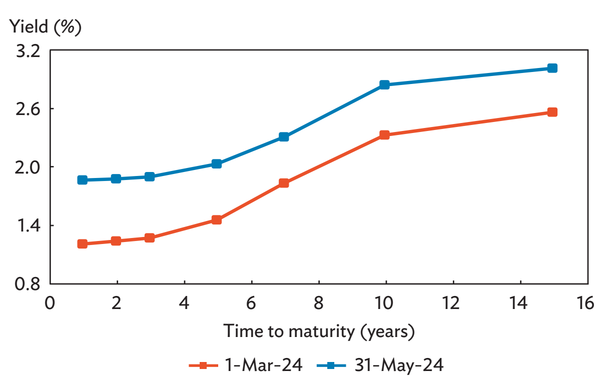
[18] ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

Viet Nam

Yield Movements

Local currency (LCY) government bond yields in Viet Nam rose for all tenors between 1 March and 31 May. Bond yields increased an average of 56 basis points due to the United States Federal Reserve's delay in cutting its policy rate and rising domestic inflation (**Figure 1**). Viet Nam's year-on-year (y-o-y) consumer price inflation inched up to 4.44% in May, driven by elevated energy and pork meat prices, edging closer to the government's 2024 ceiling of 4.50%. The May inflation reading was up from 4.40% y-o-y in April and 3.97% y-o-y in March, and was also the highest level since January 2023. While inflation remained within the government's target, mounting inflationary pressures loom due to wage hikes; soaring gold prices; the depreciation of the Vietnamese dong; and elevated costs in the healthcare, education, and electricity sectors.

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

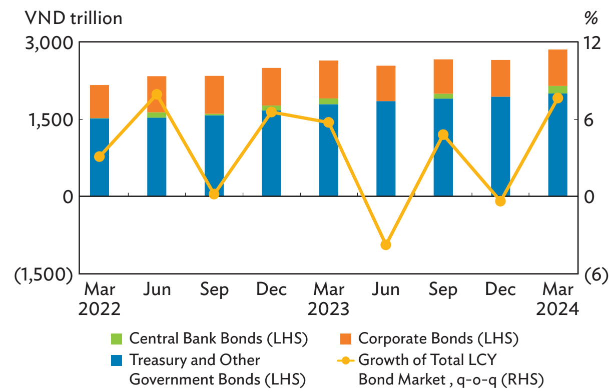


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Growth in Viet Nam's LCY bond market rebounded to 7.7% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2024. The LCY bond market's overall growth was driven by increased issuance from the government and the State Bank of Vietnam's resumption of central bank bills issuance in March to support the Vietnamese dong. Treasury and other government bonds (VND2,004.2 trillion), which accounted for the majority of Viet Nam's total debt stock, grew 3.3% q-o-q in Q1 2024 on increased issuance to support the government's funding requirements (**Figure 2**). On the other hand, corporate bonds (VND709.7 trillion), which comprised 24.8% of the total LCY bond market at the end of March, contracted 0.9% q-o-q due to a large number of maturities and a low volume of issuance during the quarter.

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



( ) = negative, 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.

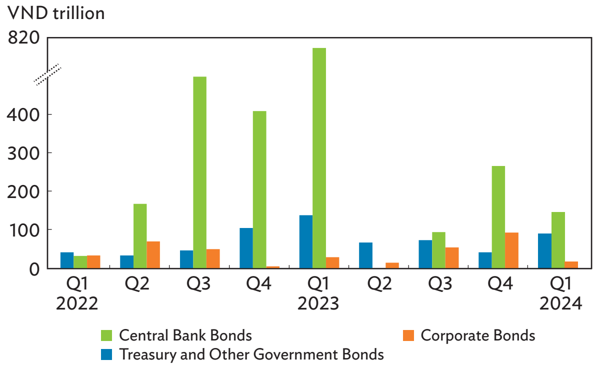
Sources: Vietnam Bond Market Association and Bloomberg LP.

LCY bond issuance fell 36.7% q-o-q in Q1 2024 on lower issuance from corporates and central bank (Figure 3). Corporate bond issuance contracted 81.3% q-o-q in Q1 2024, a reversal from the previous quarter's expansion of 74.5% q-o-q. This was due to the reinstitution of several provisions under Decree No. 65 at the beginning of 2024, following a period of suspension and postponement under Decree No. 8.[19] This change created challenges for corporate issuers due to difficulties in meeting the requirements of Decree No. 65. Meanwhile, central bank bill issuance contracted

This market summary was written by Jeremy Grace Ilustrisimo, consultant, Economic Research and Development Impact Department, ADB, Manila.

[19] Decree No. 8, which was issued by the Government of Viet Nam on 5 March 2023, suspended the following provisions under Decree No. 65 until 1 January 2024: (i) professional investor status requirement: an investor must hold a portfolio of securities valued at least VND2.0 billion for a minimum of 180 consecutive days; (ii) issuer credit ratings: an issuer's credit rating must be included in the bond issuance plan; and (iii) distribution of bonds must be completed within 30 days from the date of public disclosure of the issuance.

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.

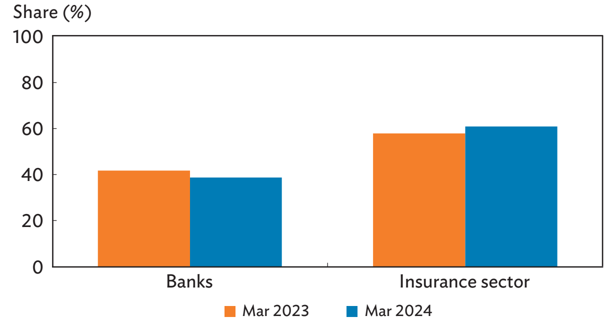
Sources: Vietnam Bond Market Association and Bloomberg LP.

45.2% q-o-q since the State Bank of Vietnam only resumed issuance during the last month of the quarter. At the same time, the issuance of Treasury and other government bonds increased more than twofold from the previous quarter to VND90.5 trillion.

Investor Profile

Nearly all government securities outstanding at the end of March 2024 were held by insurance firms and banks, accounting for a combined holdings share of 99.5%. Insurance companies remained the single-largest investor group, with their holdings share increasing to 60.8% in March 2024 from 57.8% a year earlier (**Figure 4**). Meanwhile, banks' holdings share decreased to 38.7% from 41.7% during the same period. The LCY government bond market in Viet Nam remained dominated by only two investor groups; as a result, Viet Nam continued to have the highest Herfindahl–Hirschman Index score among its regional peers.[20] Meanwhile, the cumulative holdings share of offshore investors, securities companies and investment funds, and other investors totaled 0.5%.

Figure 4: Profile of Two Dominant Investors for Local Currency Government Bonds

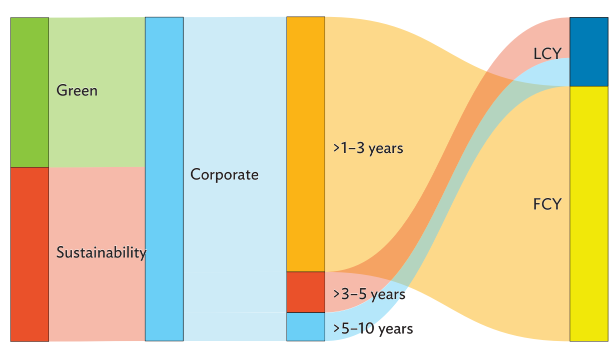


Source: Viet Nam Ministry of Finance.

Sustainable Bond Market

The sustainable bond market in Viet Nam comprises green bonds and sustainable bond instruments issued solely by corporates and mostly carrying short-term tenors (Figure 5). Due to the absence of issuance during the quarter, the total stock of sustainable bonds contracted 0.5% q-o-q to a size of USD0.8 billion at the end of Q1 2024. More than half (53.4%) of the sustainable bond stock comprised sustainability bonds carrying maturities of 3 years or less, and the remaining 46.6% were green bonds, about 54.0% of which carried tenors of 3 years or less, resulting in a size-weighted average tenor of 3.2 years. Foreign-currency-denominated instruments comprised over 70.0% of the economy's total sustainable bonds at the end of March.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Viet Nam at the End of March 2024



FCY = foreign currency, LCY = local currency.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

[20] The Herfindahl–Hirschman Index is a commonly accepted measure of market concentration. In this case, the index is used to measure the investor profile diversification of the LCY bond market and is calculated by summing the squared share of each investor group in the bond market.