

Bond Market Developments in the Fourth Quarter of 2013

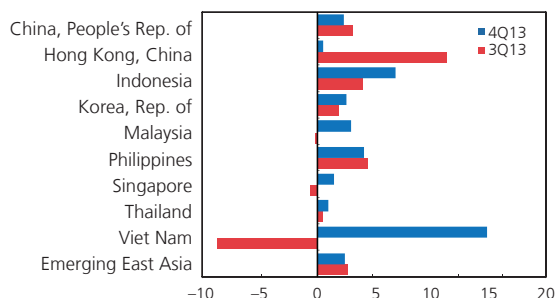
The emerging East Asian local currency bond market continued to expand in 4Q13 to reach US\$7.4 trillion at end-2013, albeit with growth at a slightly slower pace as bond issuance declined.⁴

The size of the emerging East Asian local currency (LCY) bond market climbed to US\$7.4 trillion at end-December 2013 from US\$7.1 trillion at end-September 2013. The region's bond market grew 2.4% quarter-on-quarter (q-o-q) in 4Q13 compared with 2.6% growth in 3Q13 (Figure 1a). The fastest-growing market on a q-o-q basis was in Viet Nam (14.8%), though this represented rapid growth from a low base, followed by Indonesia (6.8%) and the Philippines (4.0%). Other markets posted q-o-q growth rates of 2.9% or less.

On a year-on-year (y-o-y) basis, however, the emerging East Asian bond market grew more rapidly in 4Q13, rising 11.7%. However, the pace of growth in 4Q13 was down from 12.4% in the previous quarter (Figure 1b). Double-digit y-o-y growth rates were observed in most markets, including Indonesia (20.1%), Viet Nam (15.6%), the PRC (13.6%), the Philippines (10.2%), and the Republic of Korea (10.0%).

Growth in the region's LCY bond market was driven by both the government and corporate bond sectors, which recorded broadly comparable q-o-q increases. In 4Q13, the LCY government bond market in emerging East Asia grew 2.0% q-o-q and 7.2% y-o-y (Table 1). The government sector continued to dominate the LCY bond market in the region, accounting for 61.7%

Figure 1a: Growth of LCY Bond Markets in 3Q13 and 4Q13 (q-o-q, %)



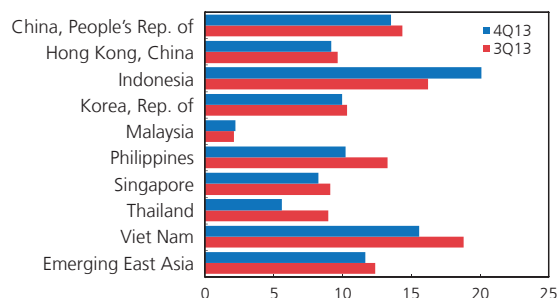
LCY = local currency, q-o-q = quarter-on-quarter.

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-December 2013 currency exchange rates and do not include currency effects.
4. For Hong Kong, China, 4Q13 corporate bonds outstanding based on *AsianBondsOnline* estimates. For the Philippines, 4Q13 government bonds outstanding data carried over from November 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 4Q13 corporate bonds outstanding data based on Bank of Thailand's November 2013 estimate.

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

Figure 1b: Growth of LCY Bond Markets in 3Q13 and 4Q13 (y-o-y, %)



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

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-December 2013 currency exchange rates and do not include currency effects.
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⁴ Emerging East Asia refers to the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

Table 1: Size and Composition of LCY Bond Markets

	4Q12		3Q13		4Q13		Growth Rate (LCY-base %)				Growth Rate (US\$-base %)			
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	4Q12		4Q13		4Q12		4Q13	
							q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of (PRC)														
Total	3,811	100.0	4,307	100.0	4,454	100.0	3.0	11.2	2.3	13.6	3.9	12.4	3.4	16.9
Government	2,772	72.7	2,960	68.7	3,050	68.5	0.9	8.0	1.9	6.9	1.8	9.1	3.0	10.0
Corporate	1,040	27.3	1,347	31.3	1,405	31.5	9.3	20.8	3.1	31.3	10.2	22.0	4.3	35.1
Hong Kong, China														
Total	177	100.0	193	100.0	194	100.0	0.9	5.1	0.5	9.2	0.9	5.3	0.5	9.2
Government	93	52.7	108	56.0	108	56.0	0.5	3.0	0.4	16.1	0.5	3.2	0.5	16.1
Corporate	84	47.3	85	44.0	85	44.0	1.3	7.6	0.5	1.6	1.3	7.8	0.5	1.5
Indonesia														
Total	111	100.0	108	100.0	108	100.0	3.3	9.7	6.8	20.1	1.2	1.6	0.1	(3.3)
Government	92	82.8	89	82.5	90	83.3	2.2	6.6	7.9	20.9	0.1	(1.3)	1.1	(2.7)
Corporate	19	17.2	19	17.5	18	16.7	9.4	27.6	1.5	16.4	7.2	18.1	(4.8)	(6.3)
Korea, Rep. of														
Total	1,471	100.0	1,564	100.0	1,641	100.0	2.8	10.5	2.5	10.0	7.4	19.7	4.9	11.6
Government	572	38.9	601	38.4	626	38.2	0.9	3.7	1.9	7.9	5.4	12.3	4.3	9.4
Corporate	899	61.1	963	61.6	1,015	61.8	4.1	15.4	2.9	11.4	8.7	24.9	5.3	12.9
Malaysia														
Total	327	100.0	305	100.0	312	100.0	2.8	19.9	2.9	2.2	2.9	24.2	2.4	(4.5)
Government	196	59.9	179	58.8	182	58.5	2.2	20.0	2.4	(0.2)	2.2	24.3	1.9	(6.8)
Corporate	131	40.1	126	41.2	130	41.5	3.9	19.8	3.7	5.9	3.9	24.1	3.2	(1.1)
Philippines														
Total	99	100.0	99	100.0	101	100.0	6.9	19.9	4.0	10.2	8.9	28.2	1.9	1.8
Government	86	87.1	87	87.4	88	86.8	7.7	19.8	3.4	9.9	9.6	28.1	1.2	1.5
Corporate	13	12.9	13	12.6	13	13.2	2.3	20.7	8.7	12.4	4.1	29.1	6.4	3.9
Singapore														
Total	231	100.0	240	100.0	242	100.0	2.2	14.1	1.4	8.3	2.7	21.1	0.8	4.8
Government	142	61.3	149	62.1	150	61.9	1.2	12.6	1.1	9.3	1.7	19.5	0.5	5.7
Corporate	89	38.7	91	37.9	92	38.1	3.9	16.4	1.9	6.7	4.4	23.6	1.3	3.2
Thailand														
Total	279	100.0	286	100.0	275	100.0	4.1	19.8	0.9	5.7	4.9	23.6	(3.6)	(1.2)
Government	221	79.3	224	78.5	214	77.7	3.6	17.7	(0.1)	3.5	4.4	21.4	(4.6)	(3.2)
Corporate	58	20.7	61	21.5	61	22.3	6.3	28.8	4.8	14.0	7.2	32.8	0.1	6.6
Viet Nam														
Total	25	100.0	25	100.0	29	100.0	18.0	43.1	14.8	15.6	18.2	44.4	14.9	14.2
Government	24	95.7	24	97.1	28	97.6	22.1	55.1	15.4	17.9	22.4	56.5	15.5	16.5
Corporate	1	4.3	0.7	2.9	0.7	2.4	(33.2)	(47.6)	(6.8)	(36.0)	(33.1)	(47.1)	(6.7)	(36.7)
Emerging East Asia (EEA)														
Total	6,532	100.0	7,126	100.0	7,355	100.0	3.0	11.9	2.4	11.7	4.6	15.1	3.2	12.6
Government	4,198	64.3	4,420	62.0	4,535	61.7	1.3	8.7	2.0	7.2	2.6	11.2	2.6	8.0
Corporate	2,333	35.7	2,706	38.0	2,820	38.3	6.3	18.1	3.0	19.7	8.5	22.9	4.2	20.9
Japan														
Total	11,656	100.0	10,593	100.0	10,050	100.0	1.0	3.5	1.7	4.7	(9.3)	(8.3)	(5.1)	(13.8)
Government	10,668	91.5	9,751	92.0	9,260	92.1	1.1	4.1	1.8	5.4	(9.1)	(7.7)	(5.0)	(13.2)
Corporate	988	8.5	843	8.0	790	7.9	(0.6)	(3.2)	0.4	(3.0)	(10.7)	(14.2)	(6.3)	(20.1)
Memo Item: India														
Total	1,024	100.0	924	100.0	988	100.0	1.6	23.4	5.5	8.5	(2.3)	19.1	6.9	(3.5)
Government	804	78.5	707	76.5	761	77.0	0.7	23.5	6.2	6.4	(3.2)	19.2	7.6	(5.3)
Corporate	220	21.5	217	23.5	227	23.0	5.2	23.2	3.33	15.8	1.1	18.9	4.7	3.0

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

Notes:

1. For Hong Kong, China, 4Q13 corporate bonds outstanding based on *AsianBondsOnline* estimates. For the Philippines, 4Q13 government bonds outstanding data carried over from November 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 4Q13 corporate bonds outstanding data based on Bank of Thailand's November 2013 estimate. For Japan, 4Q13 government and corporate bonds outstanding data carried over from November 2013.

2. Corporate bonds include issues by financial institutions.

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

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

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

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

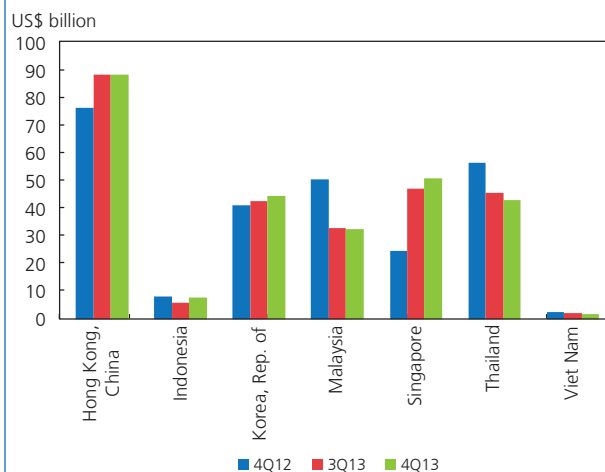
of total LCY bonds at end-December. All markets in emerging East Asia reported increases in their stock of government bonds in 4Q13 on a q-o-q and y-o-y basis, except for a marginal decline in Thailand on a q-o-q basis and in Malaysia on a y-o-y basis.

Growth in the government sector came mostly from increases in the stock of central bank bills and treasury bonds. In 4Q13, the stock of central bank bills rose in Indonesia, the Republic of Korea, and Singapore **(Figure 2)**. (Central bank and monetary authorities issue central bank bills and bonds as part of their open market operations to contain inflation and manage liquidity.) The notable increase in Singapore's stock of Monetary Authority of Singapore (MAS) bills was partly due to changes initiated by MAS to its issuance of short-term securities. Effective 12 June 2013, MAS ceased issuance of 3-month Singapore Government Securities (SGSs) and shifted to the issuance of 12-week MAS bills. MAS also stopped issuing 6-month SGSs and replaced them with 6-month MAS bills beginning in January of this year. These changes were initiated to improve liquidity management. In Indonesia, there was increased issuance of *Sertifikat Bank Indonesia* (SBI) in 4Q13, as part of measures to rein in inflation and mop-up excess liquidity, lifting the stock of central bank bills to US\$8.0 billion at end-2013, the same level as a year earlier.

At the end of 2013, the outstanding amount of treasury bonds in the region stood at US\$2.1 trillion, accounting for 47% of total government bonds in emerging East Asia. On a q-o-q basis, the stock of treasury bonds climbed in 4Q13 for all markets except in the Republic of Korea. Meanwhile, both the stock of treasury bills and central bank bonds declined for the region as a whole.

The LCY corporate bond market in emerging East Asia grew 3.0% q-o-q and 19.7% y-o-y in 4Q13. The corporate bond segment grew in all of the region's bond markets except in Viet Nam, which saw a decline on both a q-o-q and y-o-y basis. Many corporates across the region decided to raise funds by issuing bonds in anticipation of higher borrowing costs in the future resulting from the United States (US) Federal Reserve's decision to taper its monthly purchase of securities. The PRC's corporate bond sector grew significantly in 4Q13, due mainly to increases in the stock of medium-term notes and local corporate bonds. A spike in issuance of medium-term notes in 4Q13 also contributed to the uptick in Malaysia's

Figure 2: Central Bank Bills Outstanding



Notes:

1. The People's Republic of China ceased issuance of central bank bills in 3Q13.
2. The Philippines has no central bank bills outstanding.

Source: *AsianBondsOnline*.

corporate bond stock. In the Philippines, quite a number of corporate firms issued bonds in 4Q13 to take advantage of the relatively low interest rates.

The PRC remained home to the largest LCY bond market in the region with outstanding bonds amounting to US\$4.4 trillion. It accounted for 61% of total outstanding LCY bonds in emerging East Asia at end-2013. The PRC was followed by the Republic of Korea with a bond market size of US\$1.6 trillion, driven by its large corporate bond market. Malaysia took the third spot with total bonds outstanding of US\$312 billion.

The region's ratio of LCY bonds outstanding to gross domestic product (GDP) was relatively stable at 56.5% in 4Q13 compared with 56.2% in 3Q13, but up from 54.4% in 4Q12 **(Table 2)**. The Republic of Korea and Malaysia had the highest ratios of bonds to GDP in the region at end-2013.

The maturity structures of LCY government bond markets in the region are mostly concentrated in medium- to long-dated tenors, except in Hong Kong, China; the Republic of Korea; Thailand; and Viet Nam.

The maturity structures of LCY government bond markets in emerging East Asia are mostly concentrated

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

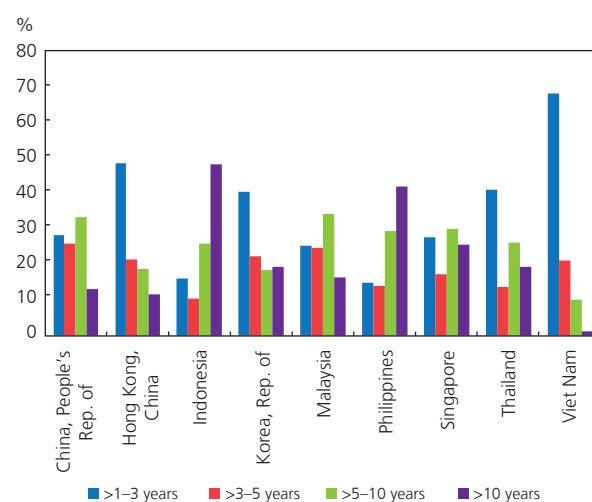
	4Q12	3Q13	4Q13
China, People's Rep. of			
Total	45.7	47.7	47.4
Government	33.2	32.8	32.5
Corporate	12.5	14.9	15.0
Hong Kong, China			
Total	67.4	71.0	71.4
Government	35.5	39.8	39.9
Corporate	31.9	31.2	31.4
Indonesia			
Total	13.2	13.9	14.4
Government	11.0	11.5	12.0
Corporate	2.3	2.4	2.4
Korea, Rep. of			
Total	123.0	128.9	135.2
Government	47.9	49.5	51.6
Corporate	75.2	79.4	83.6
Malaysia			
Total	106.2	103.2	105.7
Government	63.6	60.6	61.8
Corporate	42.6	42.6	43.9
Philippines			
Total	38.5	38.2	38.8
Government	33.5	33.4	33.7
Corporate	5.0	4.8	5.1
Singapore			
Total	81.6	84.3	85.0
Government	50.0	52.3	52.6
Corporate	31.6	32.0	32.4
Thailand			
Total	74.9	75.3	72.6
Government	59.4	59.2	56.4
Corporate	15.5	16.2	16.2
Viet Nam			
Total	16.1	14.3	16.9
Government	15.4	13.9	16.5
Corporate	0.7	0.4	0.4
Emerging East Asia			
Total	54.4	56.2	56.5
Government	34.9	34.9	34.8
Corporate	19.4	21.3	21.7
Japan			
Total	213.4	218.9	221.2
Government	195.3	201.5	203.8
Corporate	18.1	17.4	17.4

GDP = gross domestic product, LCY = local currency.

Notes:

1. Data for GDP is from CEIC. 4Q13 GDP figures carried over from 3Q13 except for the People's Republic of China, Indonesia, Japan, the Philippines, and Viet Nam.
2. For Hong Kong, China, 4Q13 corporate bonds outstanding based on *AsianBondsOnline* estimates. For the Philippines, 4Q13 government bonds outstanding data carried over from November 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 4Q13 corporate bonds outstanding data based on Bank of Thailand's November 2013 estimate. For Japan, 4Q13 government and corporate bonds outstanding data carried over from November 2013.

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

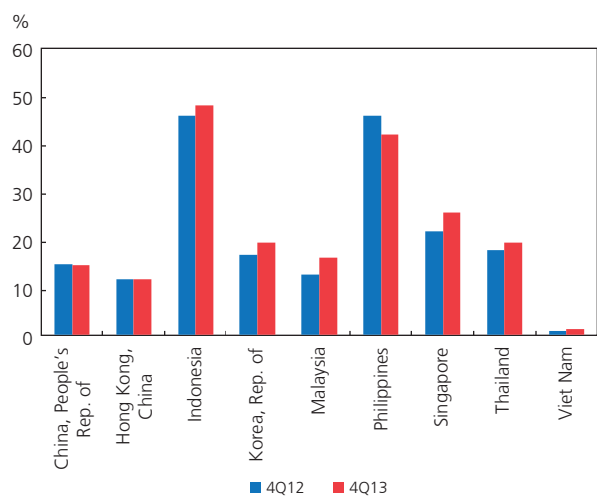
Figure 3: Government Bond Maturity Profiles
(individual maturities as % of total)Source: *AsianBondsOnline*.

in medium- to long-dated tenors, except in Hong Kong, China; the Republic of Korea; Thailand; and Viet Nam. These four markets have at least 40% of their bonds carrying remaining maturities of more than 1 year to 3 years (**Figure 3**). The PRC and Malaysia's government bonds are mostly concentrated in medium-dated tenors, which are those with remaining maturities of more than 3 years to 10 years.

On the other hand, Indonesia and the Philippines have 42% or more of their bonds with remaining maturities of more than 10 years (**Figure 4**). In Indonesia, three out of four benchmark series carry maturities of more than 10 years, and thus its bond curve is mostly long-term in structure. In addition, the Government of Indonesia has been conducting debt buyback and debt switch transactions as part of its government securities operational plan, allowing it to extend its maturity structure toward the longer-end of the yield curve.

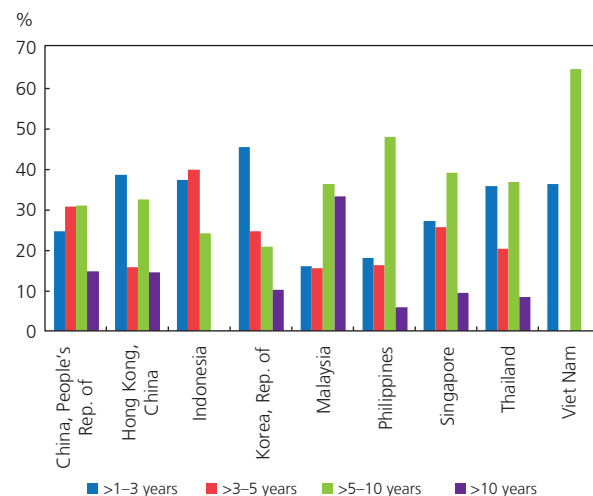
In the corporate sector, bonds with remaining maturities of more than 5 years to 10 years are the dominant maturity range in the PRC, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam (**Figure 5**). In Hong Kong, China and the Republic of Korea, corporate bonds are mostly concentrated in remaining maturities of more than 1 year to 3 years, while maturities of between 3 years and 5 years are the most common tenor for Indonesian corporate bonds.

Figure 4: Government Bonds—Maturities of More than 10 Years (% of total)



Source: AsianBondsOnline.

Figure 5: Corporate Bond Maturity Profiles (individual maturities as % of total)



Source: AsianBondsOnline.

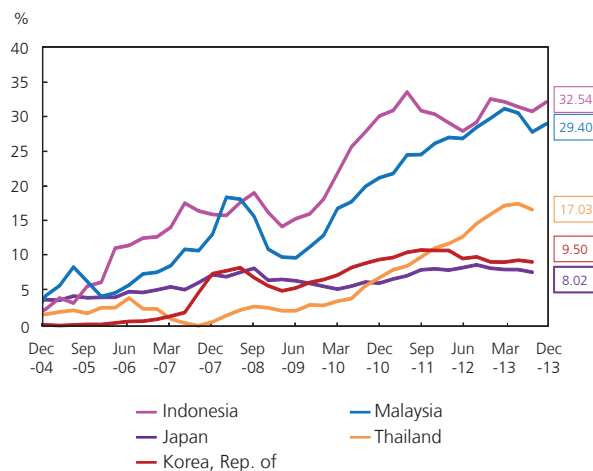
Foreign holdings of LCY government bonds have remained relatively stable.

Foreign investor holdings in the region’s LCY government bond markets remained relatively stable in 4Q13. Slight declines in the share of foreign ownership were noted in the Republic of Korea and Thailand at end-September, as well as in Japan (Figure 6). On the other hand, the share of foreign holdings in Indonesian government debt rose to 32.5% at end-2013, while the share of foreign holdings inched up to 29.4% in Malaysia.

Foreign inflows into emerging East Asian bond markets were volatile in 2013.

Foreign inflows into selected emerging East Asian bond markets were volatile in 2013 amid uncertainties relating to the US Federal Reserve’s tapering of its asset purchase program.⁵ From January through April, foreign bond inflows increased on the back of positive investor sentiment, but this trend reversed itself when the Federal Reserve began discussing tapering in May (Figure 7). Net foreign inflows into the region’s bond market were observed in September and October when the initiation of tapering was put on hold, but bond outflows were recorded again in December when the

Figure 6: Foreign Holdings of LCY Government Bonds (as % of total)

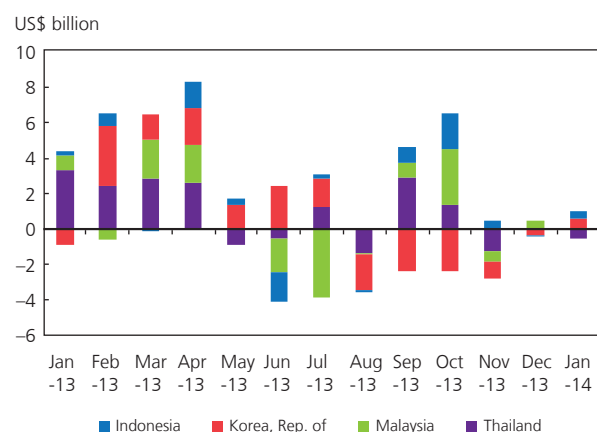


LCY = local currency.
 Note: Data as of end-December 2013, except for Japan, Thailand, and the Republic of Korea as of end-September 2013.
 Source: AsianBondsOnline.

US decided to reduce its asset purchasing program by US\$10 billion per month beginning in January 2014. Data in January, however, showed a slight recovery from the bond outflows seen in the second half of 2013.

In the Republic of Korea, net foreign bond investment turned positive in January, following 5 consecutive months of outflows, on account of a larger volume of

⁵ The Republic of Korea and Thailand provide data on bond flows. For Indonesia and Malaysia, month-on-month (m-o-m) changes in foreign holdings are used as a proxy for bond flows.

Figure 7: Foreign Inflows in Select Emerging East Asian Bond Markets**Notes:**

1. Data for Malaysia only up to December 2013.
 2. Based on end-December 2013 exchange rates to avoid currency effects.
- Sources: Indonesia Debt Management Office, Financial Supervisory Service, Bank Negara Malaysia, and Thai Bond Market Association.

bond purchases than redemptions. Investor interest in the Republic of Korea has been largely driven by its sound economic fundamentals and the country has been dubbed a new safe haven for foreign investors.

In Thailand, foreign investors were net bond buyers in the first 4 months of 2013 before becoming net sellers in May and June amid expectations of US Federal Reserve tapering. In the second half of 2013, foreign investor net purchases of Thai bonds were positive for all months except August and November. In January, Thailand incurred a net outflow of foreign capital from its LCY bond market amid concerns over the domestic political environment.

In Indonesia, foreign inflows into the bond market resumed in January 2014 after slight outflows were recorded in December, partly a result of improving

domestic factors. However, negative global sentiment for emerging market assets continues to dampen bond prices and put pressure on Indonesian bond yields.

CNH bond issuance remains robust.

Demand for CNH bonds remains robust, with outstanding CNH deposits in Hong Kong, China reaching CNH860 billion in December from CNH730 billion in September. Total outstanding bonds reached CNH358 billion at end-2013 (**Table 3**).

The CNH market still offers lower borrowing costs for issuers from the PRC versus comparable onshore bonds. The PRC government issued CNH10 billion worth of 2-, 3-, and 5-year bonds in 4Q14. The coupon of the bonds averaged 158 basis points (bps) lower than prevailing onshore yields.

There have been a number of efforts by the PRC to expand the availability of renminbi financing in other offshore financial centers. For example, the development of the Singapore CNH bond market accelerated with the announcement in February 2013 that the Singapore branch of Industrial and Commercial Bank of China would act as the renminbi clearing bank in Singapore. In addition, a memorandum of understanding on renminbi business cooperation was signed by PBOC and MAS.

In July, the PRC government widened participation in the Renminbi Qualified Institutional Investor Program (RQFII) to include other offshore financial centers such as London; Singapore; and Taipei, China. RQFII allows financial institutions to invest offshore renminbi in the PRC's financial markets subject to quotas. On 22 October, it was announced that Singapore was given a CNY50 billion RQFII quota.

Table 3: CNH Bonds Outstanding

	4Q12		3Q13		4Q13		Growth Rate (%)			
	Amount (CNH billion)	% share	Amount (CNH billion)	% share	Amount (CNH billion)	% share	3Q13		4Q13	
							q-o-q	y-o-y	q-o-q	y-o-y
Total	309	100.0	359	100.0	358	100.0	0.2	49.2	(0.5)	15.8
Government	76	24.5	89	24.9	93	26.0	(7.9)	84.1	4.0	23.0
Corporate	233	75.5	270	75.1	265	74.0	3.1	40.6	(1.9)	13.5

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

Note: CNH bonds are renminbi-denominated bonds issued in Hong Kong, China. Data includes certificates of deposits and bonds issued by foreign companies.
Source: Central Money Markets Unit, Hong Kong Monetary Authority.

Table 4: LCY-Denominated Bond Issuance (gross)

	4Q12		3Q13		4Q13		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	4Q13		4Q13	
							q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of (PRC)										
Total	227	100.0	328	100.0	225	100.0	(32.2)	(3.5)	(31.5)	(0.7)
Government	118	52.1	264	80.4	149	66.4	(44.0)	23.0	(43.4)	26.6
Central Bank	0	0.0	65	19.9	4	1.6	(94.7)	–	(94.6)	–
Treasury and Other Govt.	118	52.1	198	60.4	146	64.8	(27.3)	20.1	(26.5)	23.6
Corporate	109	47.9	64	19.6	76	33.6	16.3	(32.2)	17.5	(30.3)
Hong Kong, China										
Total	196	100.0	171	100.0	127	100.0	(25.8)	(35.0)	(25.7)	(35.1)
Government	189	96.7	163	95.4	119	93.8	(27.0)	(37.0)	(27.0)	(37.0)
Central Bank	189	96.5	162	94.9	119	93.5	(26.8)	(37.1)	(26.8)	(37.1)
Treasury and Other Govt.	0	0.2	1	0.5	0	0.3	(57.1)	0.0	(57.1)	(0.0)
Corporate	6	3.3	8	4.6	8	6.2	0.0	23.1	0.0	23.0
Indonesia										
Total	9	100.0	10	100.0	8	100.0	(7.6)	16.6	(13.4)	(6.2)
Government	7	75.0	9	89.2	7	89.0	(7.8)	38.3	(13.6)	11.3
Central Bank	4	43.9	2	18.5	2	20.2	1.4	(46.2)	(5.0)	(56.7)
Treasury and Other Govt.	3	31.1	7	70.7	6	68.7	(10.2)	157.6	(15.8)	107.3
Corporate	2	25.0	1	10.8	1	11.0	(5.9)	(48.6)	(11.8)	(58.6)
Korea, Rep. of										
Total	160	100.0	145	100.0	173	100.0	16.1	6.6	18.9	8.1
Government	67	42.1	69	47.7	74	42.6	3.8	8.0	6.2	9.5
Central Bank	41	25.5	39	26.6	43	25.1	9.3	4.7	11.9	6.2
Treasury and Other Govt.	26	16.5	31	21.0	30	17.5	(3.3)	13.0	(1.0)	14.6
Corporate	93	57.9	76	52.3	99	57.4	27.4	5.7	30.4	7.1
Malaysia										
Total	45	100.0	32	100.0	42	100.0	29.9	(0.9)	29.3	(7.5)
Government	35	76.6	26	80.1	28	66.1	7.3	(14.4)	6.8	(20.1)
Central Bank	27	60.0	17	51.2	19	45.8	16.2	(24.3)	15.7	(29.4)
Treasury and Other Govt.	8	16.6	9	28.9	9	20.3	(8.5)	21.4	(9.0)	13.3
Corporate	11	23.4	6	19.9	14	33.9	120.7	43.1	119.6	33.6
Philippines										
Total	4	100.0	9	100.0	5	100.0	(44.8)	29.6	(45.9)	19.7
Government	3	88.9	8	91.4	3	62.3	(62.4)	(9.2)	(63.2)	(16.1)
Central Bank	0	0.0	0	0.0	0	0.0	–	–	–	–
Treasury and Other Govt.	3	88.9	8	91.4	3	62.3	(62.4)	(9.2)	(63.2)	(16.1)
Corporate	0	11.1	1	8.6	2	37.7	141.9	341.5	136.9	307.8
Singapore										
Total	73	100.0	80	100.0	87	100.0	8.8	22.5	8.2	18.5
Government	71	97.3	77	95.8	83	95.4	8.3	20.0	7.7	16.1
Central Bank	33	45.8	61	75.6	66	76.6	10.3	104.9	9.6	98.2
Treasury and Other Govt.	38	51.5	16	20.2	16	18.7	1.0	(55.4)	0.4	(56.9)
Corporate	2	2.7	3	4.2	4	4.6	21.0	110.2	20.3	103.3
Thailand										
Total	72	100.0	66	100.0	63	100.0	(1.2)	(7.2)	(5.6)	(13.2)
Government	61	84.4	56	84.8	51	81.1	(5.5)	(10.7)	(9.7)	(16.5)
Central Bank	55	76.9	46	70.1	37	59.8	(15.8)	(27.8)	(19.6)	(32.5)
Treasury and Other Govt.	5	7.5	10	14.6	13	21.4	44.1	164.8	37.6	147.7
Corporate	11	15.6	10	15.2	12	18.9	22.4	12.1	16.9	4.9

continued on next page

Table 4 *continued*

	4Q12		3Q13		4Q13		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	4Q13		4Q13	
							q-o-q	y-o-y	q-o-q	y-o-y
Viet Nam										
Total	5	100.0	3	100.0	4	100.0	48.0	(22.2)	48.1	(23.1)
Government	5	99.9	3	100.0	4	100.0	48.0	(22.1)	48.1	(23.0)
Central Bank	3	51.6	2	77.8	2	39.4	(25.0)	(40.6)	(25.0)	(41.3)
Treasury and Other Govt.	3	48.2	1	22.2	3	60.6	303.7	(2.2)	304.0	(3.4)
Corporate	0	0.1	0	0.0	0	0.0	–	–	–	–
Emerging East Asia (EEA)										
Total	791	100.0	845	100.0	733	100.0	(13.5)	(6.9)	(13.2)	(7.3)
Government	557	70.4	675	79.9	518	70.6	(23.4)	(6.0)	(23.3)	(7.0)
Central Bank	352	44.6	394	46.7	292	39.8	(25.8)	(15.5)	(25.9)	(17.2)
Treasury and Other Govt.	204	25.8	280	33.2	226	30.8	(20.0)	10.1	(19.5)	10.5
Corporate	234	29.6	170	20.1	216	29.4	25.3	(8.9)	26.7	(7.9)
Japan										
Total	579	100.0	541	100.0	509	100.0	0.9	6.8	(5.8)	(12.0)
Government	541	93.4	511	94.5	482	94.6	1.0	8.1	(5.8)	(10.9)
Central Bank	0	0.0	0	0.0	0	0.0	–	–	–	–
Treasury and Other Govt.	541	93.4	511	94.5	482	94.6	1.0	8.1	(5.8)	(10.9)
Corporate	38	6.6	29	5.5	28	5.4	0.7	(12.5)	(6.0)	(27.9)

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

Notes:

1. For Hong Kong, China, 4Q13 corporate bond issuance data carried over from 3Q13. For Japan, 4Q13 government bond issuance data based on *AsianBondsOnline* estimates. For Thailand, 4Q13 government and corporate bond issuance data taken from ThaiBMA.

2. Corporate bonds include issues by financial institutions.

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

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

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

On 4 December, Hong Kong Exchanges and Clearing Limited (HKEx) and Singapore Exchange (SGX) agreed to work together to develop cross-border trading and promote the internationalization of the renminbi. On 24 January 2014, MAS announced that all Singapore-incorporated financial institutions that have been approved to conduct fund management activities may apply for an RQFII license from the China Securities Regulatory Commission (CSRC) via approved custodian banks.

LCY bond issuance falls to US\$733 billion in 4Q13 and US\$3.2 trillion in 2013.

LCY bond issuance in emerging East Asia stood at US\$733 billion in 4Q13, down 13.5% q-o-q and 6.9% y-o-y, due in part to lower bond sales in the PRC and less government bond issuance in the region in general (**Table 4**). The PRC bond market—which recorded the

region's highest level of issuance for government bonds and the second-highest for corporate bonds—posted declines in total bond issuance of 32.2% q-o-q and 3.5% y-o-y in 4Q13. For full-year 2013, emerging East Asian LCY bond issuance totaled US\$3.2 trillion, which was US\$42 billion lower than in 2012.

National governments and central banks and monetary authorities in emerging East Asia raised a combined US\$518 billion from the LCY bond market in 4Q13; this amount, however, fell short by 23.4% from the previous quarter and 6.0% from a year earlier. The quarterly decline was largely brought about by double-digit q-o-q reductions in government bond sales in the PRC; Hong Kong, China; and the Philippines. Meanwhile, the y-o-y fall in the region's government bond issuance was a reflection of reduced issuance in Hong Kong, China; Malaysia; the Philippines; Thailand; and Viet Nam.

Central banks and monetary authorities in the region issued US\$292 billion worth of bills and bonds in 4Q13, led by the Hong Kong Monetary Authority (HKMA), whose issuance of bills and bonds accounted for 41% of all those issued by central banks and monetary authorities in the region. However, HKMA's issuance of bills and bonds was lower in 4Q13 compared with 3Q13 and 4Q12, pulling down the region's quarterly growth figures for issuance by central banks and monetary authorities. The quarterly downturn was partly due to HKMA's reduced sterilization efforts in response to capital flow volatility.

Issuance of treasury bonds and government agency bonds—which include state-owned enterprise (SOE) bonds—stood at US\$226 billion in 4Q13. Demonstrating mixed trends, issuance of treasury and government agency bonds plunged 20.0% q-o-q due to negative growth in the PRC; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; and the Philippines; but rose 10.1% y-o-y, buoyed by growth in the PRC, Indonesia, the Republic of Korea, Malaysia, and Thailand.

Emerging East Asian LCY corporate bond issuance had a mixed performance in 4Q13—rising 25.3% q-o-q but falling 8.9% y-o-y to US\$216 billion. The quarterly upswing was bolstered by relatively large increases in corporate bonds sold in the PRC, the Republic of Korea, and Malaysia; and modest hikes in the Philippines, Singapore, and Thailand. Conversely, the annual drop in the region's LCY corporate bond issuance during 4Q13 mainly stemmed from the PRC registering a 32.2% y-o-y fall in corporate bond sales to US\$76 billion due to tightening liquidity conditions.

LCY bond issuance by the region's governments and SOEs in 4Q13 was the second-lowest quarterly total of the year, but still at par with the average quarterly issuance figure between 1Q10 and 4Q13. However, in the case of central banks and monetary authorities, issuance in 4Q13 was at its lowest level of the entire 4-year period (**Figure 8a**). Moreover, issuance of LCY central government and SOE bonds still eclipsed that for corporate bonds in 4Q13, but the margin was relatively smaller compared with the previous 2 quarters (**Figure 8b**). Finally, the PRC's LCY bond issuance as a share of the total for emerging East Asia slipped to 31% in 4Q13 from 39% in 3Q13 (**Figure 8c**).

Figure 8a: Government (including SOE) and Central Bank Bond Issuance

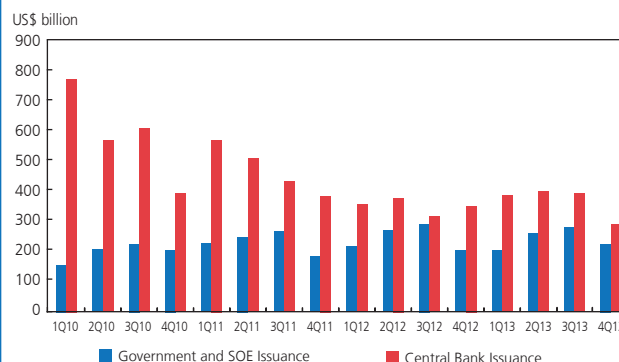


Figure 8b: Government (including SOE) and Corporate Bond Issuance

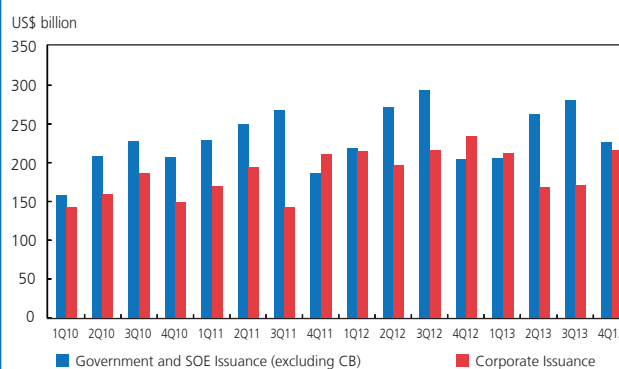
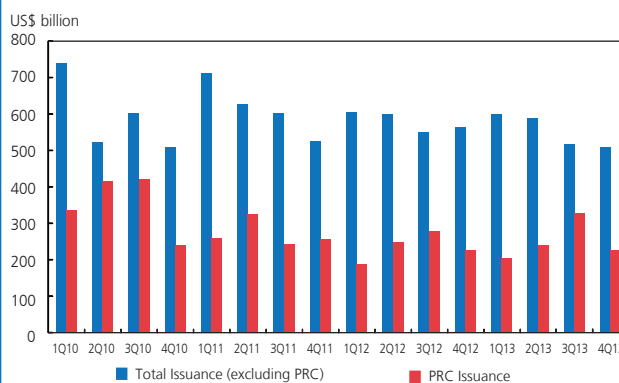


Figure 8c: Total LCY Bond Issuance



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

Notes:

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

Source: *AsianBondsOnline*.

Emerging East Asian G3 currency bond issuance soars to a record-high US\$141.5 billion in 2013.

Emerging East Asian G3 currency bond issuance soared to US\$141.5 billion in 2013, which was another record year for the region's G3 bond market, surpassing its 2012

amount of US\$130.8 billion amid relatively low interest rates in G3 economies and the desire of emerging East Asian issuers of G3 debt to lock in these rates (Table 5). About 58% of the region's G3 currency bond issuance was generated in the first 5 months of 2013 before the tapering announcement by the US Federal Reserve. Issuance in the second half of the year was considerably less.

Table 5: G3 Currency Bond Issuance, 2012 and 2013

2012			2013		
Issuer	US\$ (million)	Issue Date	Issuer	US\$ (million)	Issue Date
China, People's Rep. of	31,115		China, People's Rep. of	56,709	
CNOOC Finance 3.875% 2022	1,500	2-May-12	CNOOC Finance 3.0% 2023	2,000	9-May-13
Sinopec 2.75% 2017	1,000	17-May-12	Evergrande Real Estate 8.75% 2018	1,500	30-Oct-13
Sinopec 3.9% 2022	1,000	17-May-12	Sinopec Group 4.375% 2023	1,500	17-Oct-13
Sinopec 4.875% 2042	1,000	17-May-12	CNOOC Curtis Funding 4.5% 2023	1,300	3-Oct-13
COSL Finance 3.25% 2022	1,000	6-Sep-12	Sinopec Capital 3.125% 2023	1,250	24-Apr-13
Others	25,615		Others	49,159	
Hong Kong, China	27,942		Hong Kong, China	24,011	
Hutchison Whampoa 2.5% 2017	1,649	6-Jun-12	Hutchison Whampoa 3.75% Perpetual	2,367	10-May-13
Hutchison Whampoa 4.625% 2022	1,500	13-Jan-12	Shimao Property 6.625% 2020	800	14-Jan-13
Others	24,793		Others	20,844	
Indonesia	12,136		Indonesia	12,270	
Indonesia (Sovereign) 3.75% 2022	2,000	25-Apr-12	Pertamina 4.3% 2023	1,625	20-May-13
Indonesia (Sovereign) 5.25% 2042	1,750	17-Jan-12	Pertamina 5.625% 2043	1,625	20-May-13
Pertamina 4.875% 2022	1,250	3-May-12	Indonesia (Sovereign) 3.375% 2023	1,500	15-Apr-13
Pertamina 6.0% 2042	1,250	3-May-12	Indonesia (Sovereign) 4.625% 2043	1,500	15-Apr-13
PLN 5.25% 2042	1,000	24-Oct-12	Perusahaan Penerbit SBSN 6.125% 2019	1,500	17-Sep-13
Others	4,886		Others	4,520	
Korea, Rep. of	30,911		Korea, Rep. of	30,400	
Korea Eximbank 4.0% 2017	1,250	11-Jan-12	Korea Eximbank 2.0% 2020	1,369	30-Apr-13
Korea National Oil 3.125% 2017	1,000	3-Apr-12	The Republic of Korea (Sovereign) 3.875% 2023	1,000	11-Sep-13
Samsung Electronics 1.75% 2017	1,000	10-Apr-12	Korea Development Bank 3.0% 2019	750	17-Sep-13
Others	27,661		Others	27,281	
Malaysia	6,778		Malaysia	4,065	
1MDB Energy 5.99% 2022	1,750	21-May-12	1MDB Global Investments 4.40% 2023	3,000	19-Mar-13
Malayan Banking 3.25% 2022	800	20-Sep-12	Sime Darby 2.053% 2018	400	29-Jan-13
SSG Resources 4.25% 2022	800	4-Oct-12	Sime Darby 3.29% 2023	400	29-Jan-13
Others	3,428		Others	265	
Philippines	3,625		Philippines	3,858	
Philippines (Sovereign) 5.0% 2037	1,500	13-Jan-12	San Miguel 4.875% 2023	800	26-Apr-13
Philippines (Sovereign) 2.75% 2023	500	4-Dec-12	JG Summit 4.375% 2023	750	23-Jan-13
SM Investments 4.25% 2019	500	17-Oct-12	Petron 7.50% Perpetual	750	6-Feb-13
Others	1,125		Others	1,558	
Singapore	12,755		Singapore	5,925	
Temasek Financial 2.375% 2023	1,200	23-Jul-12	Olam International 6.75% 2018	750	29-Jan-13
DBS Bank 2.35% 2017	1,000	28-Feb-12	Global A&T Electronics 10.00% 2019	625	7-Feb-13
OCBC Bank 1.625% 2015	1,000	13-Mar-12	Stats Chippac 4.5% 2018	611	20-Mar-13
OCBC Bank 3.15% 2023	1,000	11-Sep-12	Flextronics International 5.0% 2023	500	20-Feb-13
Others	8,555		Others	3,439	
Thailand	5,000		Thailand	3,445	
PTT Global Chemical 4.25% 2022	1,000	19-Mar-12	PTT Exploration & Production 3.707% 2018	500	16-Sep-13
Others	4,000		Others	2,945	
Viet Nam	550		Viet Nam	827	
Emerging East Asia Total	130,814		Emerging East Asia Total	141,510	
Memo Items:			Memo Items:		
India	11,217		India	14,053	
Reliance Holdings 5.4% 2022	1,500	14-Feb-12	Bharti Airtel International 5.125% 2023	1,500	11-Mar-13
State Bank of India 4.125% 2017	1,250	1-Aug-12	V danta Resources 6.0% 2019	1,200	3-Jun-13
Others	8,467		Others	11,353	
Sri Lanka	2,434		Sri Lanka	2,441	

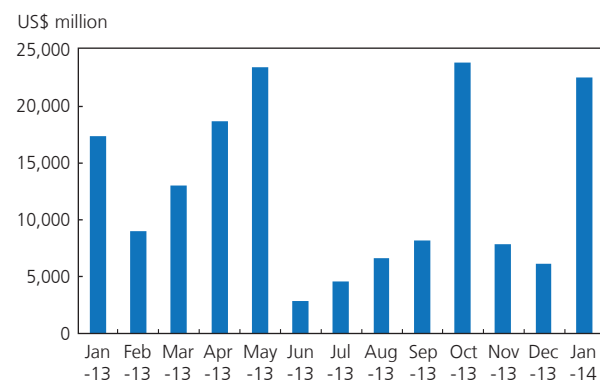
Sources: Bloomberg LP, newspaper and wire reports.

The PRC issued the largest value of G3 currency bonds in the region at US\$56.7 billion, almost double the figure it recorded in 2012, spurred by relatively huge bond sales from oil, gas, and petrochemical companies, such as CNOOC and Sinopec, and real estate developers, such as Country Garden and Evergrande. The Republic of Korea stood as the second-largest source of G3 currency bonds in emerging East Asia, tallying an issuance size of US\$30.4 billion in 2013, about US\$500 million lower than what it posted in the previous year. State-owned banks were the dominant Korean sellers of G3 currency bonds, in particular, Korea Development Bank (KDB) and Korea Eximbank. G3 currency bond issuers in Hong Kong, China sold a total of US\$24 billion in 2013, with almost one-quarter of the amount coming from real estate companies such as Shimao Property.

G3 currency bond issuance by members of the Association of Southeast Asian Nations (ASEAN) totaled US\$30.4 billion in 2013, almost three-fourths the amount of issuance in 2012. Indonesia was the largest source of ASEAN G3 bonds for the year, surpassing Singapore, which topped all ASEAN members in G3 issuance in 2012. The two largest G3 issuers from Indonesia were the national government, which sold a total of US\$5.7 billion worth of bonds, and Pertamina, which raised US\$3.3 billion from a dual-tranche bond sale. Singaporean G3 currency bond issuance fell 54% from a year earlier—leveling off at US\$5.9 billion—with just over one-third of total bond sales coming from Flextronics International. Malaysia recorded US\$4.1 billion in G3 currency bond issues in 2013, with a large chunk reflecting 1MDB Global Investment's US\$3.0 billion 10-year bond issued in March. Philippine G3 currency bond sales totaled US\$3.9 billion in 2013, up 6% from 2012, with the bond issuers all being corporates. G3 currency bond issuance from Thailand leveled off at US\$3.4 billion in 2013, down 31% from the previous year, with banks and energy companies as the only two issuer groups with volumes of US\$1.8 billion and US\$1.7 billion, respectively. In Viet Nam, two financial companies tapped the G3 bond market, raising a combined US\$827 million in 2013: (i) state-owned Debt and Asset Trading sold US\$627 million of 12-year bonds at a coupon rate of 1.0%, and (ii) property developer Vingroup issued a US\$200 million 5-year bond carrying an 11.625% coupon.

G3 currency bond issuance from emerging East Asia was robust in January 2014, totaling US\$22.5 billion, which

Figure 9: G3 Currency Bond Issuance



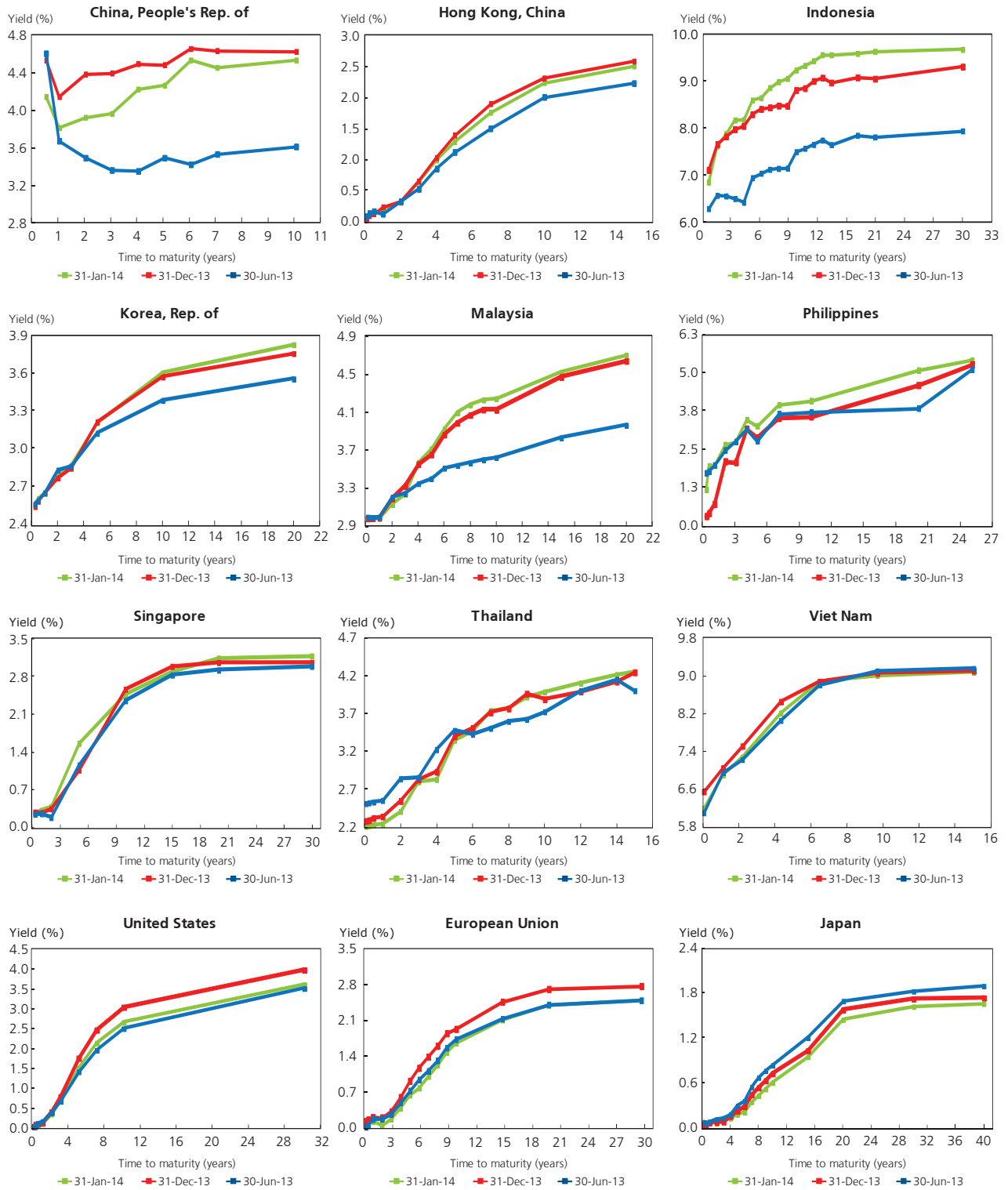
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

was the highest monthly figure since November 2013 (**Figure 9**). The PRC and the Republic of Korea were the two largest sources of G3 currency bonds in the region in January. The largest PRC G3 currency bond issuer in January was Bank of China (Hong Kong), which issued a US\$750 million 3-year bond with a 2.125% coupon and a US\$500 million 5-year bond carrying a 3.125% coupon. KDB and Korea Eximbank remained the two largest Korean G3 currency bond issuers in January. Meanwhile, other relatively big G3 currency bond issuers during the month included the Government of Indonesia, which issued US\$2.0 billion worth of 10-year bonds at a coupon rate of 5.875% and another US\$2.0 billion worth of 30-year bonds offering a 6.75% coupon, and the Philippine government, which raised US\$1.5 billion from selling a 10-year bond with a coupon rate of 4.2%.

Bond yields in emerging East Asia rose in response to the US Federal Reserve's tapering of its asset purchase program.

By the end of 2013, yields for most tenors in most markets in emerging East Asia had risen in response to the Federal Reserve's decision on 18 December to taper its monthly bond purchases by US\$10 billion beginning in January 2014 (**Figure 10**). Between end-June and end-December, yields rose the most in the PRC, Indonesia, and Malaysia, with 10-year yields gaining 101 bps in the PRC, 132 bps in Indonesia, and 50 bps in Malaysia. Domestic conditions contributed to the much stronger rise in yields in the PRC and Indonesia. In the PRC, yields were higher due to tight liquidity conditions. In

Figure 10: Benchmark Yield Curves—LCY Bonds

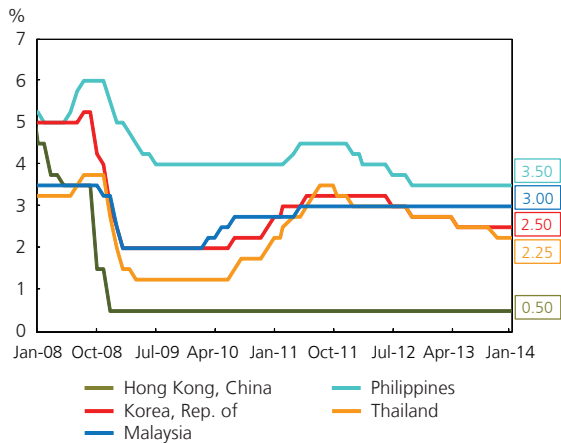


LCY = local currency.
Source: Based on data from Bloomberg LP.

Indonesia, the central bank has been raising policy rates to contain the widening current account deficit, which in turn has put pressure on the rupiah (**Figures 11a, 11b**). Bank Indonesia raised its benchmark rate by a total of 175 bps between June and November. Indonesia's inflation rate has been the highest in emerging East Asia since July of last year after the government reduced fuel subsidies (**Figures 12a, 12b**).

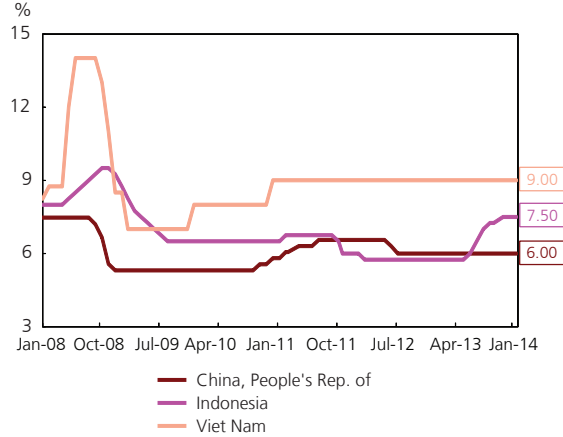
Yields for most tenors in the Philippines and Thailand fell in 4Q13. In the Philippines, yields fell for most tenors in response to the positive sentiment generated by Moody's upgrade of the Philippines' credit rating to investment grade in October. Meanwhile, in Thailand, yields on tenors of less than 6 years fell as GDP growth slowed, prompting the central bank to cut policy rates by 25 bps in November.

Figure 11a: Policy Rates



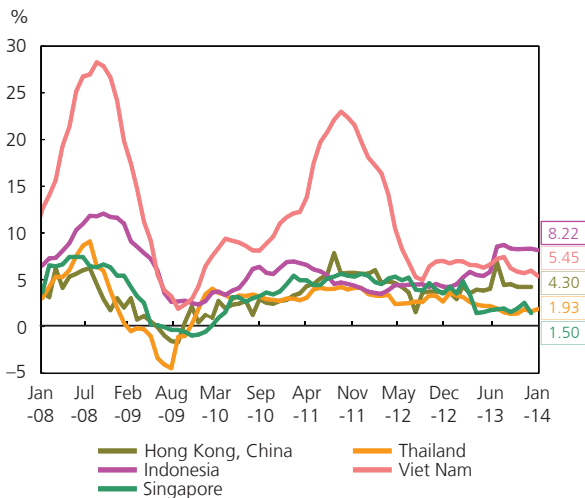
Note: Data as of 31 January 2014.
Source: Bloomberg LP.

Figure 11b: Policy Rates



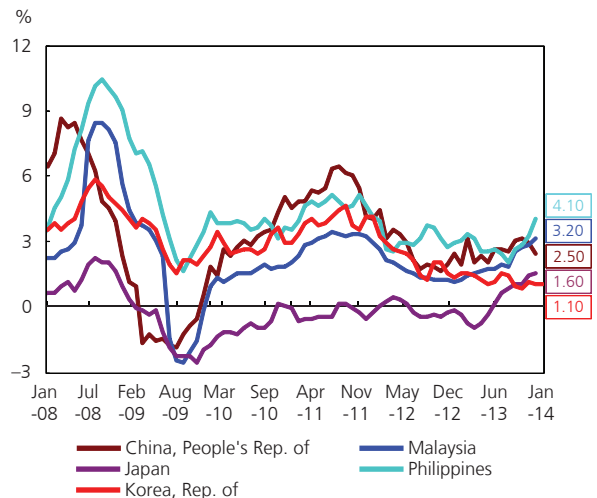
Notes:
1. Data as of 31 January 2014.
2. For Viet Nam, base interest rate was used.
Source: Bloomberg LP.

Figure 12a: Headline Inflation Rates



Note: Data as of end-January 2014 except for Hong Kong, China and Singapore as of end-December 2013.
Source: Bloomberg LP.

Figure 12b: Headline Inflation Rates



Note: Data as of end-December 2013 except for the Republic of Korea as of end-January 2014.
Source: Bloomberg LP.

By end-January 2014, the Federal Reserve had decided to cut its bond purchasing program by an additional US\$10 billion per month. Yields rose strongly for most tenors in Indonesia and the Philippines as a result, with the 10-year yield rising 58 bps in Indonesia and 52 bps in the Philippines. In Indonesia, negative sentiment continued to prevail amid persistently high inflation. Bank Indonesia stated that inflation is expected to remain elevated given the recent supply shocks due to flooding.

In the Philippines, yields reacted on expectations of a power rate hike and concerns over the peso's further depreciation. On the other hand, yields fell strongly in the PRC, particularly at the shorter-end of the curve, with 1-year interest rates falling 33 bps. Yield movements were driven by easing concerns over liquidity as the central bank injected liquidity through the use of reverse repos as the Chinese New Year holiday approached.

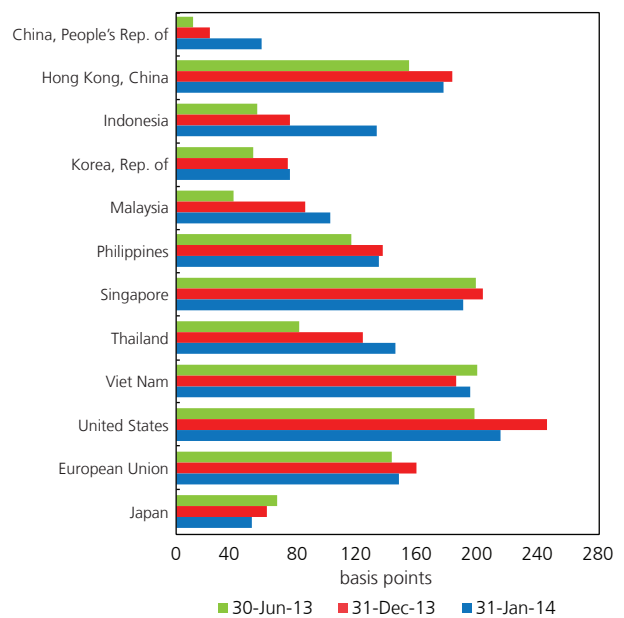
Yields for tenors of 1 year or more fell in Hong Kong, China in January in line with declines in US yields. Meanwhile, the 10-year yield in Singapore also fell 10 bps in January. (Yields in Hong Kong, China and Singapore are closely correlated with movements in the US due to the linking of their currencies with the US dollar.) Yields declined in the US due to risk aversion as investors concerned about an emerging market slowdown sought a safe haven in US assets.

The yield spread between 2- and 10-year government bonds in most markets in emerging East Asia widened between end-June 2013 and end-January 2014, with the exception of Singapore and Viet Nam, as yields on the longer-end of government bond curves rose more than on the shorter-end in response to US Federal Reserve tapering (**Figure 13**).

Corporate yields widened versus government yields.

Credit spreads between AAA-rated corporate bonds and government bonds in the PRC widened for most

Figure 13: Yield Spreads Between 2- and 10-Year Government Bonds

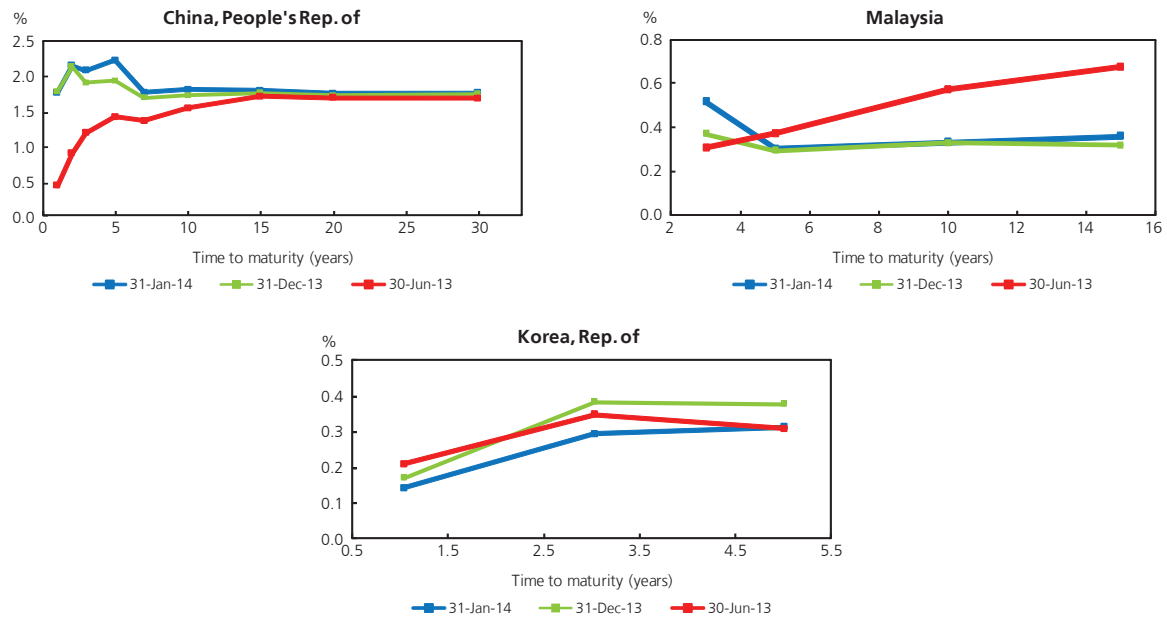


Source: Based on data from Bloomberg LP.

tenors, particularly for tenors of 15 years or less, due to tighter monetary policy in the PRC between end-June 2013 and end-January 2014. At the start of June, the 1-week repo rate was at 3.5%, but by end-January the rate had risen to 4.95%. The People's Bank of China (PBOC) has released statements saying it will maintain tight control over liquidity. In the Republic of Korea, credit premiums also widened on the back of higher net bond redemptions in December, reducing demand for corporate bonds. In Malaysia, credit spreads between AAA-rated corporate bonds and government bonds fell between end-June 2013 and end-January 2014 (**Figure 14a**).

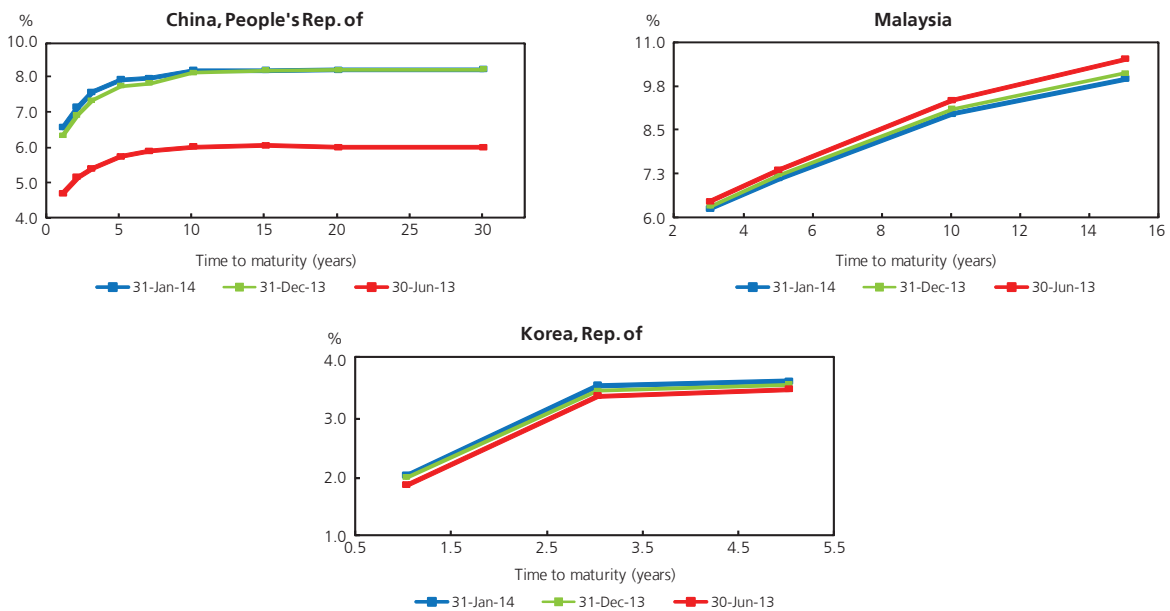
Credit spreads between AAA-rated and lower-rated corporate bonds were roughly unchanged over the same period in all markets, with the exception of the PRC where liquidity concerns led to widening spreads (**Figure 14b**).

Figure 14a: Credit Spreads—LCY Corporates Rated AAA vs. Government Bonds



LCY = local currency.
 Note: Credit spreads are obtained by subtracting government yields from corporate indicative yields.
 Sources: People's Republic of China (*Wind*), Republic of Korea (*EDAILY BondWeb*), and Malaysia (*Bank Negara Malaysia*).

Figure 14b: Credit Spreads—Lower-Rated LCY Corporates vs. LCY Corporates Rated AAA



LCY = local currency.
 Notes:
 1. For the People's Republic of China and the Republic of Korea, credit spreads are obtained by subtracting corporate indicative yields rated AAA from corporate indicative yields rated BBB.
 2. For Malaysia, credit spreads are obtained by subtracting corporate indicative yields rated AAA from corporate indicative yields rated BBB.
 Sources: People's Republic of China (*Wind*), Republic of Korea (*EDAILY BondWeb*), and Malaysia (*Bank Negara Malaysia*).