

Bond Market Developments in the Fourth Quarter of 2019

Size and Composition

Emerging East Asia's local currency bonds outstanding reached USD16.0 trillion at the end of December despite a slowdown in growth in most markets in the region in Q4 2019.

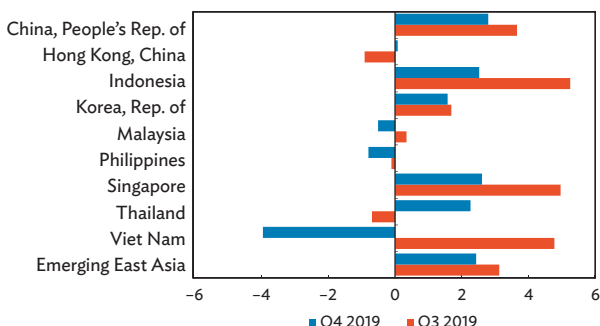
The outstanding amount of local currency (LCY) bonds in emerging East Asia totaled USD16.0 trillion at the end of December.⁴ While remaining positive, overall growth softened to 2.4% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2019 from 3.1% q-o-q in the third (Q3) quarter (Figure 1a). Growth was capped by a slowdown in the issuance of government bonds in Q4 2019 as a number of governments had already completed their borrowing plans for the year. The q-o-q growth rate of bonds outstanding moderated between

Q3 2019 and Q4 2019 in seven out of the region's nine bond markets. Only the bond markets of Thailand and Hong Kong, China saw faster q-o-q expansions in Q4 2019.

Emerging East Asia's bond market growth also moderated on a year-on-year (y-o-y) basis, easing to 12.5% in Q4 2019 from 13.0% in Q3 2019 (Figure 1b). Excluding the bond markets of the Republic of Korea, Singapore, and Viet Nam, all emerging East Asian bond markets posted a slowdown in y-o-y growth in Q4 2019 versus the preceding quarter.

The People's Republic of China (PRC) remained the region's leader in terms of size, with its outstanding bond stock expanding to USD12,090.0 billion at the end of December. The PRC's LCY bond market accounted

Figure 1a: Growth of Local Currency Bond Markets in the Third and Fourth Quarters of 2019 (q-o-q, %)

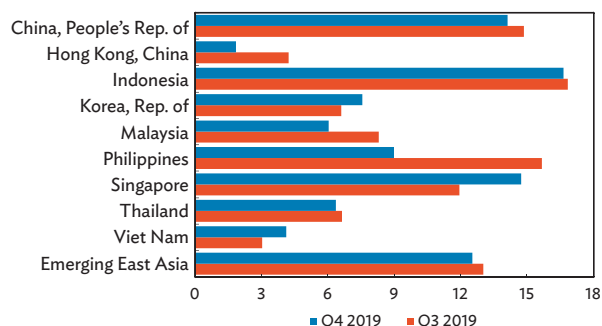


q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter.

Notes:

1. Calculated using data from national sources.
 2. Growth rates are calculated from local currency base and do not include currency effects.
 3. Emerging East Asia growth figures are based on 31 December 2019 currency exchange rates and do not include currency effects.
 4. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.
 5. For Hong Kong, China, the data series for corporate bonds outstanding was revised starting in 2018 to include more short-term debt securities.
- Sources: People's Republic of China (CEIC); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; 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 and Vietnam Bond Market Association).

Figure 1b: Growth of Local Currency Bond Markets in the Third and Fourth Quarters of 2019 (y-o-y, %)



Q3 = third quarter, Q4 = fourth quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
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 3. Emerging East Asia growth figures are based on 31 December 2019 currency exchange rates and do not include currency effects.
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- Sources: People's Republic of China (CEIC); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; 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 and Vietnam Bond Market Association).

⁴ 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.

for a 75.4% share of emerging East Asian total bonds outstanding at the end of December, up from 75.2% at the end of September. Growth in the PRC's bond market eased to 2.8% q-o-q in Q4 2019 from 3.6% q-o-q in the preceding quarter.

Overall growth in the PRC's bond market was pulled down by government bonds, which grew 2.0% q-o-q in Q4 2019 versus 3.5% q-o-q in Q3 2019. In particular, growth in the stock of local government bonds plunged to 0.4% q-o-q in Q4 2019 from 5.1% q-o-q in Q3 2019. Quotas for issuing local government bonds had been mostly met by the end of September, resulting in a relatively small volume of issuance in Q4 2019. In the first 3 quarters of the year, local government bonds were the major growth driver in the PRC's government bond segment.

On the other hand, the corporate bond segment grew at a slightly faster pace of 4.1% q-o-q in Q4 2019, up from 3.9% q-o-q in the prior quarter. The growth in the corporate bond stock was fueled by increased bond issuance from private enterprises and offerings of asset-backed securities, as institutions sought to clean up their asset portfolios. On an annual basis, growth in the LCY bond market of the PRC decelerated to 14.1% y-o-y in Q4 2019 from 14.9% y-o-y in the prior quarter.

The next largest bond market in emerging East Asia was the Republic of Korea's, whose outstanding bonds totaled USD2,083.0 billion at the end of December. The Republic of Korea accounted for 13.0% of the region's aggregate bond stock at the end of the review period. Overall growth was clipped by a 0.2% q-o-q contraction in government bonds as the decline in the stock of central bank bonds exceeded the expansion in the stocks of central government bonds and other government bonds. In contrast, corporate bonds contributed to much of the growth in the Republic of Korea's LCY bond market, with growth picking up to 2.7% q-o-q in Q4 2019 from 2.3% q-o-q in Q3 2019. On an annual basis, the Republic of Korea's bond market growth accelerated to 7.6% y-o-y in Q4 2019 from 6.6% y-o-y in Q3 2019.

Hong Kong, China's LCY bond market inched up to a size of USD290.8 billion at the end of December on a marginal 0.1% q-o-q hike in Q4 2019, reversing a 0.9% q-o-q decline in the preceding quarter.

Hong Kong, China's government bond market was one of the two government bond markets in the region that posted faster q-o-q growth in Q4 2019 than in Q3 2019, as growth quickened to 1.0% q-o-q from 0.5% q-o-q. The stocks of both Exchange Fund Bills and Hong Kong Special Administrative Region bonds increased in Q4 2019. On the other hand, the stock of Exchange Fund Notes continued to decline with issuances, which have been limited to the 2-year tenor, occurring only once per quarter. The stock of corporate bonds also continued to decline, but with growth contracting at a slower pace of 0.9% q-o-q in Q4 2019 versus 2.4% q-o-q in the previous quarter. On an annual basis, growth in the LCY bond market of Hong Kong, China fell to 1.8% y-o-y in Q4 2019 from 4.2% y-o-y in Q3 2019.

At the end of December, the aggregate LCY bonds outstanding of member economies of the Association of Southeast Asian Nations (ASEAN) reached USD1,571.8 billion, with its share of the regional total holding broadly steady at 9.8%.⁵ Growth on a q-o-q basis moderated to 1.2% in Q4 2019 from 1.8% in Q3 2019. Similar trends were observed on a y-o-y basis, as overall growth slipped to 9.6% from 10.2% during the review period. The stock of government bonds was down to USD1,076.8 billion at the end of December from USD1,064.5 billion at the end of September. Corporate bonds outstanding tallied USD495.0 billion at the end of December and accounted for a 31.5% share of the ASEAN total. All ASEAN bond markets experienced slower q-o-q and y-o-y growth in Q4 2019 than in Q3 2019, except for Thailand on a q-o-q basis and Singapore and Viet Nam on a y-o-y basis. The LCY bond markets of Thailand, Malaysia, and Singapore remained the largest in ASEAN at the end of December.

The outstanding amount of LCY bonds in Thailand totaled USD445.6 billion at the end of December. It was the only ASEAN market that posted faster q-o-q growth in Q4 2019 than in Q3 2019. Overall growth of the LCY bond market in Thailand rebounded to 2.2% q-o-q from a 0.7% q-o-q decline in Q3 2019. Much of the growth was contributed by increases in the stock of government bonds and, to a lesser extent, central bank bonds and state-owned enterprise bonds. Similarly, corporate bond market growth quickened to 1.6% q-o-q in Q4 2019 from 0.2% q-o-q in Q3 2019. On a y-o-y basis, Thai LCY bond

⁵ LCY bond statistics for ASEAN include the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

market growth slipped to 6.4% in Q4 2019 from 6.6% in Q3 2019.

In Malaysia, total LCY bonds outstanding reached USD363.1 billion at the end of December. Growth contracted 0.5% q-o-q in Q4 2019, reversing the 0.3% q-o-q gain in the preceding quarter. The contraction stemmed largely from a decline in the stock of government bonds, which fell 1.6% q-o-q. The stocks of both central government bonds and central bank bills posted declines during the review period on account of low issuance volume for Treasury bonds and a relatively higher volume of maturities of central bank bills during the quarter. On the other hand, corporate bonds grew 0.7% q-o-q in Q4 2019, rebounding from a 0.2% q-o-q contraction posted in Q3 2019. The q-o-q increase in issuance of corporate bonds in Q4 2019 buoyed growth. On a y-o-y basis, Malaysia's bond market growth ebbed to 6.0% from 8.3% during the review period. Malaysia remained the region's largest *sukuk* (Islamic bond) market, with *sukuk* accounting for a 63.1% share of the Malaysian LCY bond market.

Singapore's LCY bonds outstanding totaled USD339.6 billion at the end of December, with growth moderating to 2.6% q-o-q in Q4 2019 from 4.9% q-o-q in the previous quarter. Growth was largely buoyed by government bonds on account of an increase in the stock of Singapore Government Securities bills and bonds, which more than offset the decline in the stock of Monetary Authority of Singapore (MAS) bills. Corporate bonds also contributed to overall growth, albeit to a lesser extent, with the stock of corporate bonds rising 1.7% q-o-q in Q4 2019. On a y-o-y basis, Singapore LCY bond market growth climbed to 14.7% in Q4 2019 from 11.9% in Q3 2019.

In Indonesia, the LCY bond market expanded to a size of USD238.8 billion at the end of December. Overall growth moderated to 2.5% q-o-q in Q4 2019 from 5.2% q-o-q in Q3 2019 amid a slowdown in issuance of both government and corporate bonds during the quarter. Government bonds continued to drive much of the growth, even with a decline in issuance as the government met its issuance needs earlier than planned by following a frontloading policy and accepting higher-than-targeted amounts during scheduled auctions. The government also complemented its LCY bond issuance with foreign-currency (FCY)-denominated issuance, allowing it to tap a bigger and more diversified investor

base. The stock of central bank bonds contracted in Q4 2019 due to a relatively higher volume of maturities than issuance as Bank Indonesia limited new issuance of Sertifikat Bank Indonesia to *sukuk*. The corporate bond segment also contributed to the growth despite posting slower growth of 1.7% q-o-q in Q4 2019 versus 4.9% q-o-q in the previous quarter. On an annual basis, growth in Indonesia's LCY bond market slid to 16.6% y-o-y in Q4 2019 from 16.8% y-o-y in Q3 2019.

The Philippines' LCY bonds outstanding leveled off at USD131.2 billion at the end of December. Overall growth further weakened in Q4 2019, posting a decline of 0.8% q-o-q in Q4 2019 after contracting 0.1% q-o-q in Q3 2019. A huge volume of Treasury bills and bonds matured in Q4 2019, reducing the stock of government bonds outstanding despite a hefty issuance volume during the quarter. The stock of corporate bonds rose 4.0% q-o-q in Q4 2019 amid strong issuance. Annual bond market growth in the Philippines retreated to 9.0% y-o-y in Q4 2019 from 15.7% y-o-y in the preceding quarter.

At the end of December, Viet Nam's LCY bond market remained the smallest in emerging East Asia with bonds outstanding of USD53.6 billion. Overall bond market growth contracted 3.9% q-o-q due mainly to a decline in government bonds outstanding, which were pulled down by the maturation of all outstanding central bank bills, which were largely short-term in nature. The weak q-o-q growth of government bonds was further exacerbated by a 4.9% q-o-q contraction in the corporate bond stock. On a y-o-y basis, growth in Viet Nam's LCY bond market rose 4.1% in Q4 2019, up from 3.0% in the prior quarter.

Emerging East Asia's LCY bond market remained dominated by government bonds in Q4 2019. The region's government bond stock reached USD9,805.2 billion and accounted for a 61.1% share of the region's bond total at the end of December (**Table 1**). Government bond market growth moderated to 1.7% q-o-q and 11.4% y-o-y in Q4 2019 from 3.0% q-o-q and 11.6% y-o-y in Q3 2019. Five out of the nine markets in the region posted positive q-o-q growth in government bonds in Q4 2019. Those that posted q-o-q contractions were the government bond markets of the Republic of Korea, Malaysia, the Philippines, and Viet Nam.

At the end of December, the LCY government bond markets of the PRC and the Republic of Korea were

Table 1: Size and Composition of Local Currency Bond Markets

	Q4 2018		Q3 2019		Q4 2019		Growth Rate (LCY-base %)				Growth Rate (USD-base %)			
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q4 2018		Q4 2019		Q4 2018		Q4 2019	
							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														
Total	10,725	100.0	11,459	100.0	12,090	100.0	3.4	14.6	2.8	14.1	3.3	8.5	5.5	12.7
Government	6,961	64.9	7,402	64.6	7,753	64.1	2.2	14.1	2.0	12.7	2.0	7.9	4.7	11.4
Corporate	3,763	35.1	4,057	35.4	4,337	35.9	5.9	15.7	4.1	16.7	5.7	9.5	6.9	15.2
Hong Kong, China														
Total	284	100.0	289	100.0	291	100.0	2.4	16.7	0.1	1.8	2.4	16.4	0.7	2.4
Government	149	52.5	149	51.7	152	52.2	1.2	1.3	1.0	1.2	1.2	1.1	1.6	1.7
Corporate	135	47.5	140	48.3	139	47.8	3.7	40.2	(0.9)	2.6	3.7	39.9	(0.3)	3.1
Indonesia														
Total	197	100.0	228	100.0	239	100.0	2.7	13.7	2.5	16.6	6.3	7.1	4.9	21.1
Government	169	85.5	197	86.5	207	86.6	3.5	15.0	2.6	18.1	7.1	8.3	5.1	22.6
Corporate	29	14.5	31	13.5	32	13.4	(1.7)	6.3	1.7	8.1	1.8	0.2	4.1	12.2
Korea, Rep. of														
Total	2,015	100.0	1,982	100.0	2,083	100.0	0.7	3.8	1.6	7.6	0.5	(0.2)	5.1	3.4
Government	823	40.8	797	40.2	824	39.5	(1.5)	3.5	(0.2)	4.2	(1.7)	(0.5)	3.3	0.1
Corporate	1,192	59.2	1,184	59.8	1,259	60.5	2.2	4.0	2.7	9.9	2.1	(0.04)	6.3	5.6
Malaysia														
Total	339	100.0	357	100.0	363	100.0	1.6	8.9	(0.5)	6.0	1.7	6.6	1.8	7.1
Government	179	52.7	188	52.6	189	52.1	1.9	9.8	(1.6)	4.7	2.0	7.5	0.7	5.8
Corporate	160	47.3	169	47.4	174	47.9	1.3	8.0	0.7	7.6	1.5	5.7	3.1	8.7
Philippines														
Total	116	100.0	129	100.0	131	100.0	5.3	11.4	(0.8)	9.0	8.2	5.6	1.5	13.1
Government	91	78.4	101	78.4	101	77.4	4.1	7.4	(2.1)	7.5	7.1	1.8	0.2	11.5
Corporate	25	21.6	28	21.6	30	22.6	9.7	28.9	4.0	14.5	12.8	22.3	6.5	18.8
Singapore														
Total	292	100.0	322	100.0	340	100.0	0.1	7.2	2.6	14.7	0.4	5.0	5.3	16.2
Government	179	61.3	200	62.2	212	62.5	1.5	10.2	3.1	16.9	1.8	8.0	5.9	18.4
Corporate	113	38.7	122	37.8	127	37.5	(2.1)	2.7	1.7	11.3	(1.8)	0.6	4.4	12.7
Thailand														
Total	385	100.0	423	100.0	446	100.0	2.5	10.3	2.2	6.4	25.7	38.5	5.3	15.7
Government	278	72.2	301	71.2	318	71.4	3.3	9.6	2.5	5.2	23.0	33.6	5.6	14.5
Corporate	107	27.8	122	28.8	127	28.6	0.5	12.2	1.6	9.4	33.4	53.2	4.7	19.1
Viet Nam														
Total	51	100.0	56	100.0	54	100.0	(4.9)	10.4	(3.9)	4.1	(4.4)	8.1	(3.8)	4.1
Government	47	90.8	51	91.9	49	91.9	(6.1)	7.9	(3.9)	5.4	(5.6)	5.7	(3.7)	5.4
Corporate	5	9.2	5	8.1	4	8.1	8.8	43.1	(4.9)	(8.9)	9.4	40.2	(4.8)	(8.9)
Emerging East Asia														
Total	14,405	100.0	15,244	100.0	16,036	100.0	2.9	12.6	2.4	12.5	3.3	7.8	5.2	11.3
Government	8,875	61.6	9,387	61.6	9,805	61.1	1.8	12.4	1.7	11.4	2.3	7.5	4.5	10.5
Corporate	5,529	38.4	5,857	38.4	6,231	38.9	4.6	13.0	3.5	14.3	5.0	8.1	6.4	12.7
Japan														
Total	10,684	100.0	10,963	100.0	10,966	100.0	0.8	1.8	0.5	1.6	4.5	4.6	0.02	2.6
Government	9,961	93.2	10,187	92.9	10,180	92.8	0.7	1.8	0.4	1.2	4.4	4.6	(0.1)	2.2
Corporate	723	6.8	776	7.1	786	7.2	1.4	1.7	1.8	7.7	5.1	4.5	1.3	8.7
Memo Item: India														
Total	1,466	100.0	1,623	100.0	1,569	100.0	1.5	13.1	(2.7)	9.5	5.4	3.6	(3.4)	7.0
Government	1,044	71.2	1,188	73.2	1,129	71.9	0.5	13.8	(4.3)	10.6	4.5	4.2	(5.0)	8.1
Corporate	423	28.8	436	26.8	441	28.1	3.9	11.4	1.8	6.7	7.9	2.0	1.1	4.2

(-) = negative, LCY = local currency, q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

- For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.
- For Hong Kong, China, the data series for corporate bonds outstanding was revised starting in 2018 to include more short-term debt securities.
- Corporate bonds include issues by financial institutions.
- Bloomberg LP end-of-period LCY-USD rates are used.
- For LCY base, emerging East Asia growth figures are based on 31 December 2019 currency exchange rates and do not include currency effects.
- Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam. Sources: People's Republic of China (CEIC); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; 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 Vietnam Bond Market Association); Japan (Japan Securities Dealers Association); and India (Securities and Exchange Board of India and Bloomberg LP).

the region's leaders in terms of size. Together, these two markets accounted for 87.5% of emerging East Asia's aggregate bond stock, while ASEAN economies accounted for 11.0% of the regional government bond total. Among ASEAN members, the largest government bond markets were in Thailand, Singapore, and Indonesia.

The region's LCY corporate bond stock stood at USD6,230.5 billion at the end of December, accounting for a 38.9% share of the region's total LCY bond stock. On a q-o-q basis, growth in corporate bonds inched up to 3.5% in Q4 2019 from 3.2% in Q3 2019; on a y-o-y basis, growth eased to 14.3% from 15.5%. Except for Hong Kong, China and Viet Nam, all emerging East Asian markets saw positive q-o-q gains in their respective corporate bond markets. The corporate bond markets of the PRC and the Republic of Korea accounted for a combined 89.8% share of emerging East Asia's corporate bond stock. The corporate bond markets of ASEAN member economies had a 7.9% share of the region's corporate bond total. Among ASEAN members, the largest corporate bond markets were in Malaysia, Thailand, and Singapore.

As a percentage of the region's gross domestic product (GDP), emerging East Asia's LCY bond market climbed to an 83.3% share at the end of December from 82.6% at the end of September (**Table 2**). The region's government bonds-to-GDP ratio held steady at 50.9% between Q3 2019 and Q4 2019, while the corporate bonds-to-GDP ratio inched up to 32.4% from 31.7%. The Republic of Korea (130.5%) and Malaysia (104.6%) had the highest bonds-to-GDP ratios in the region.

Foreign Investor Holdings

Foreign investor holdings of LCY government bonds were largely stable in the Q4 2019.

Emerging East Asia's foreign investor holdings were stable in Q4 2019 in most markets for which data are available (**Figure 2**).

The PRC's foreign holdings' share showed steady growth in each quarter of 2019, as foreign investors continued to be attracted to the PRC's bond market amid the gradual opening up of its capital market to foreigners.

In contrast, the share of foreign holdings in the Philippine LCY bond market peaked in December 2018

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

	Q4 2018	Q3 2019	Q4 2019
China, People's Rep. of			
Total	80.2	84.3	85.0
Government	52.1	54.5	54.5
Corporate	28.2	29.8	30.5
Hong Kong, China			
Total	78.3	78.4	79.0
Government	41.1	40.5	41.2
Corporate	37.2	37.9	37.8
Indonesia			
Total	19.1	20.7	20.9
Government	16.4	17.9	18.1
Corporate	2.8	2.8	2.8
Korea, Rep. of			
Total	123.8	129.3	130.5
Government	50.6	52.0	51.6
Corporate	73.3	77.3	78.9
Malaysia			
Total	102.9	106.1	104.6
Government	54.3	55.8	54.4
Corporate	48.6	50.3	50.1
Philippines			
Total	35.0	36.7	35.7
Government	27.4	28.7	27.6
Corporate	7.5	7.9	8.1
Singapore			
Total	79.1	87.3	90.1
Government	48.6	54.3	56.3
Corporate	30.6	33.0	33.8
Thailand			
Total	76.0	77.1	78.4
Government	54.9	54.9	56.0
Corporate	21.1	22.2	22.4
Viet Nam			
Total	21.5	22.0	20.6
Government	19.5	20.2	18.9
Corporate	2.0	1.8	1.7
Emerging East Asia			
Total	79.3	82.6	83.3
Government	48.9	50.9	50.9
Corporate	30.4	31.7	32.4
Japan			
Total	214.2	214.2	214.8
Government	199.7	199.0	199.4
Corporate	14.5	15.2	15.4

GDP = gross domestic product, Q3 = third quarter, Q4 = fourth quarter.

Notes:

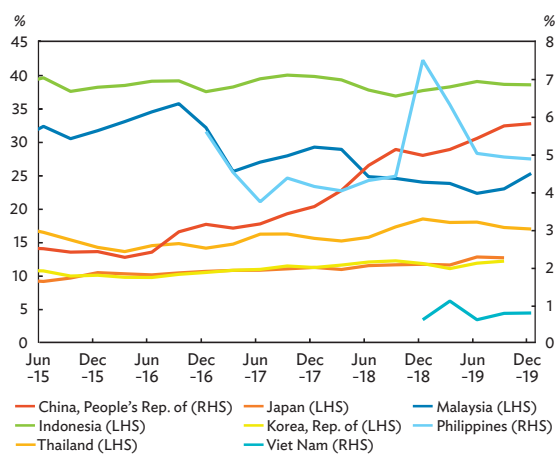
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Figure 2: Foreign Holdings of Local Currency Government Bonds in Select Asian Economies (% of total)



LHS = left-hand side, RHS = right-hand side.

Note: Data as of 31 December 2019 except for Japan and the Republic of Korea (30 September 2019).

Source: AsianBondsOnline.

and has since been on a downward trend despite a series of policy rate cuts by the Bangko Sentral ng Pilipinas (BSP) in 2019. Foreign investors took profits and reduced their holdings on expectations that inflation would trend upward again.

In Malaysia, there was a significant spike in the foreign holdings' share to 25.3% at the end of December from 23.0% at the end of September on the back of improved investor confidence as the government assured market participants that it would reach its budget deficit target of 3.4% of GDP for 2019, down from 3.7% in 2018.

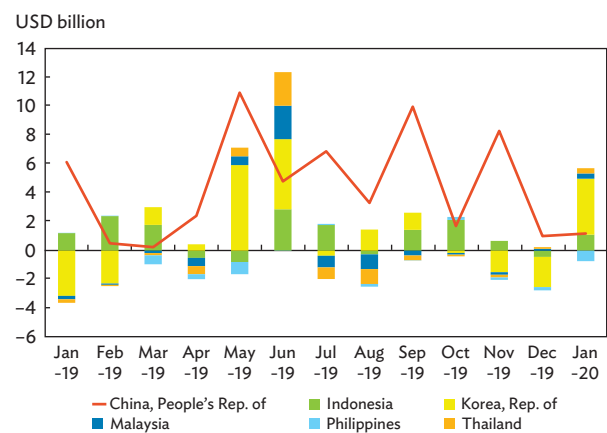
In Indonesia, the share of foreign holdings was largely stable in Q4 2019, dipping marginally to 38.57% at the end of December from 38.64% at the end of September. In the Republic of Korea, the foreign holdings' share increased to 12.2% at the end of September from 11.9% at the end of June.

Foreign Bond Flows

Improved investor sentiment led to net bond inflows in January in all markets in the region except for the Philippines.

Trends in foreign bond flows were similar in Q4 2019 to the previous quarter for all economies in the region for which data are available except the Republic of Korea.

Figure 3: Foreign Bond Flows in Select Emerging East Asian Economies



USD = United States dollar.

Notes:

1. The Republic of Korea and Thailand provided data on bond flows. For the People's Republic of China, Indonesia, Malaysia, and the Philippines, month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.
2. Data as of 31 January 2020.
3. Figures were computed based on 31 January 2020 exchange rates to avoid currency effects.

Sources: People's Republic of China (*Wind Information*); Indonesia (Directorate General of Budget Financing and Risk Management, Ministry of Finance); Republic of Korea (Financial Supervisory Service); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury); and Thailand (Thai Bond Market Association).

The PRC, Indonesia, and Malaysia recorded foreign bond inflows in Q4 2019, while the Republic of Korea, the Philippines, and Thailand posted outflows (**Figure 3**).

In the PRC, the LCY bond market continued to attract foreign investors, with total inflows reaching USD11.0 billion in Q4 2019, although this was lower than inflows in Q3 2019 of USD20.2 billion.

In Indonesia, foreign bond flows into the government bond market declined to USD2.4 billion in Q4 2019 from USD3.0 billion in Q3 2019. In Malaysia, strong inflows were recorded in November and December, leading to net inflows of USD3.5 billion in Q4 2019 versus USD1.6 billion in Q3 2019, as investor confidence improved on the government's strengthened finances.

The Philippines and Thailand experienced roughly similar net outflows in Q4 2019 of USD0.2 billion each. In the Philippines, the outflows were mostly related to investors taking profits. In Thailand, the outflows were largely related to political uncertainty over the delayed passage of the government's budget.

The Republic of Korea was the only market to post outflows in each month of Q4 2019, leading to net outflows of USD3.7 billion, reversing the previous quarter's USD2.3 billion inflows, largely due to profit-taking.

News of the Phase 1 trade deal between the PRC and the United States (US), which was signed on 18 January, helped lift investor sentiment. Except for the Philippines, all markets in the region reported net bond inflows in January.

LCY Bond Issuance

Emerging East Asia's aggregate LCY bond issuance fell 9.5% q-o-q to USD1.4 trillion in Q4 2019, dragged down by lower debt sales in the PRC and weak issuance growth in the majority of the region.

Emerging East Asia's total LCY bond issuance declined 9.5% q-o-q to USD1,438.4 billion in Q4 2019 (Table 3). The contraction followed tepid 0.7% q-o-q growth in the previous quarter. Total government bond issuance in the region dropped 20.5% q-o-q, offsetting the modest 4.9% q-o-q growth in corporate debt issuance. The region's largest bond market in the PRC experienced a sharp decline in issuance of 17.2% q-o-q. Indonesia (-15.2%); Thailand (-2.1%); Hong Kong, China (-2.0%); and Malaysia (-1.2%) also registered q-o-q contractions in debt sales. The Republic of Korea, which is home to the region's second-largest bond market, posted strong issuance growth of 15.3% q-o-q. The Philippines, Singapore, and Viet Nam showed modest issuance growth of 8.8% q-o-q, 2.8% q-o-q, and 1.1% q-o-q, respectively. The contractions in issuance in five out of the region's nine economies, particularly the PRC and Indonesia, offset relatively weak issuance growth in the rest of emerging East Asia. On an annual basis, total LCY issuance rose 12.5% y-o-y, buoyed by strong growth in both the government and corporate segments. With the exception of Malaysia, all markets registered positive y-o-y growth in Q4 2019.

The region's total LCY bond issuance in the government sector dropped to USD715.7 billion in Q4 2019. The 20.5% q-o-q contraction in Q4 2019 followed a 5.8% q-o-q drop in Q3 2019, as most governments tapered their frontloading issuance policies during the

last half of the year. The PRC posted a 38.0% q-o-q contraction in government borrowing in Q4 2019 as many local governments had met their issuance targets in the previous quarter. Indonesia, the Republic of Korea, Malaysia, the Philippines, and Thailand also registered declines in government bond issuance in Q4 2019. Only Hong Kong, China; Singapore; and Viet Nam posted modest gains in government debt issuance during the quarter, with Singapore showing the largest increase in government bond sales at 4.5% q-o-q.

Central bank bond issuance in emerging East Asia rose 1.6% q-o-q in Q4 2019, while Treasury and other government bond issuance contracted sharply by 33.0% q-o-q. Government bonds comprised 49.8% of total issuance in emerging East Asia in Q4 2019, down from 56.7% in Q3 2019. On an annual basis, the region's government debt issuance rose 9.1% y-o-y in Q4 2019.

The region's LCY corporate debt issuance continued its uptrend in Q4 2019, albeit at a slower pace than in Q3 2019. Total corporate bond issuance in Q4 2019 reached USD722.7 billion, rising 4.9% q-o-q following a 10.7% q-o-q expansion in the previous quarter. The Republic of Korea, the second-largest bond market in the region, saw a 30.5% q-o-q increase in corporate debt sales following the Bank of Korea's policy rate reduction in October. Similarly, corporate bond issuance in the Philippines surged 42.4% q-o-q in Q4 2019 as companies took advantage of low borrowing costs. The PRC and Malaysia recorded muted growth in corporate debt sales in Q4 2019 at 1.7% and 2.6% q-o-q, respectively. Hong Kong, China; Indonesia; Singapore; Thailand; and Viet Nam saw contractions in corporate debt during the quarter. On an annual basis, the region's LCY corporate debt issuance rose 16.2% y-o-y in Q4 2019, down from the robust 31.8% y-o-y growth posted in the previous quarter.

The PRC's LCY bond issuance in Q4 2019 fell 17.2% q-o-q to USD833.6 billion, dragged down by a 38.0% q-o-q contraction in government debt sales that offset the weak 1.7% q-o-q growth in corporate debt issuance. The decline in the government bonds segment was mostly driven by reduced issuance of local government bonds intended for infrastructure financing to help boost economic growth. Local governments were required to complete nearly all of their bond issuance quotas by September, and allocate proceeds by October, resulting in reduced issuance

Table 3: Local-Currency-Denominated Bond Issuance (gross)

	Q4 2018		Q3 2019		Q4 2019		Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q4 2019		Q4 2019	
							q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of										
Total	760	100.0	981	100.0	834	100.0	(17.2)	11.1	(15.0)	9.7
Government	299	39.4	467	47.6	297	35.7	(38.0)	0.7	(36.3)	(0.6)
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	299	39.4	467	47.6	297	35.7	(38.0)	0.7	(36.3)	(0.6)
Corporate	461	60.6	514	52.4	536	64.3	1.7	17.9	4.4	16.4
Hong Kong, China										
Total	126	100.0	130	100.0	128	100.0	(2.0)	1.3	(1.4)	1.8
Government	106	84.4	107	82.1	109	85.2	1.7	2.3	2.3	2.8
Central Bank	105	83.4	106	81.8	109	84.6	1.4	2.7	2.0	3.2
Treasury and Other Govt.	1	1.0	0.5	0.4	0.8	0.6	71.1	(31.6)	72.1	(31.2)
Corporate	20	15.6	23	17.9	19	14.8	(18.9)	(4.2)	(18.4)	(3.7)
Indonesia										
Total	11	100.0	24	100.0	21	100.0	(15.2)	87.5	(13.2)	94.6
Government	10	91.3	21	87.2	19	88.3	(14.1)	81.4	(12.1)	88.3
Central Bank	2	15.4	8	33.5	8	44.3	(1.0)	375.4	1.3	393.4
Treasury and Other Govt.	8	75.9	13	53.7	10	49.2	(22.3)	21.5	(20.5)	26.1
Corporate	0.9	8.7	3	12.8	2	11.7	(22.6)	151.8	(20.8)	161.4
Korea, Rep. of										
Total	182	100.0	164	100.0	196	100.0	15.3	12.1	19.3	7.7
Government	60	32.9	63	38.6	60	30.5	(9.0)	3.9	(5.8)	(0.2)
Central Bank	33	17.9	30	18.3	29	14.6	(8.1)	(8.5)	(4.9)	(12.0)
Treasury and Other Govt.	27	15.0	33	20.3	31	15.9	(9.8)	18.6	(6.6)	14.0
Corporate	122	67.1	101	61.4	136	69.5	30.5	16.1	35.1	11.6
Malaysia										
Total	25	100.0	20	100.0	20	100.0	(1.2)	(18.2)	1.2	(17.4)
Government	14	57.7	9	45.6	9	43.5	(5.7)	(38.3)	(3.5)	(37.7)
Central Bank	7	30.0	2	10.2	3	14.6	41.9	(60.3)	45.2	(59.8)
Treasury and Other Govt.	7	27.7	7	35.4	6	28.9	(19.3)	(14.5)	(17.4)	(13.6)
Corporate	10	42.3	11	54.4	12	56.5	2.6	9.2	5.0	10.3
Philippines										
Total	7	100.0	7	100.0	7	100.0	8.8	0.1	11.3	3.9
Government	5	65.4	5	78.5	5	71.9	(0.4)	10.1	1.9	14.2
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	5	65.4	5	78.5	5	71.9	(0.4)	10.1	1.9	14.2
Corporate	2	34.6	1	21.5	2	28.1	42.4	(18.7)	45.8	(15.6)
Singapore										
Total	100	100.0	124	100.0	130	100.0	2.8	28.2	5.6	29.8
Government	97	96.9	120	96.8	128	98.4	4.5	30.2	7.3	31.9
Central Bank	94	93.2	94	75.9	103	79.3	7.6	9.2	10.4	10.5
Treasury and Other Govt.	4	3.7	26	21.0	25	19.1	(6.4)	556.9	(3.9)	565.2
Corporate	3	3.1	4	3.2	2	1.6	(48.9)	(34.6)	(47.6)	(33.8)
Thailand										
Total	70	100.0	78	100.0	79	100.0	(2.1)	3.2	0.9	12.3
Government	59	84.3	65	82.8	66	83.7	(0.9)	2.5	2.1	11.6
Central Bank	53	75.7	59	75.7	59	74.8	(3.3)	2.0	(0.4)	11.0
Treasury and Other Govt.	6	8.6	5	7.0	7	8.9	24.3	7.2	28.1	16.6
Corporate	11	15.7	13	17.2	13	16.3	(7.6)	7.0	(4.8)	16.4

continued on next page

Table 3 continued

	Q4 2018		Q3 2019		Q4 2019		Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q4 2019		Q4 2019	
							q-o-q	y-o-y	q-o-q	y-o-y
Viet Nam										
Total	4	100.0	22	100.0	22	100.0	1.1	440.6	1.3	440.6
Government	4	86.8	22	99.4	22	99.7	1.4	520.8	1.5	520.9
Central Bank	0.7	16.1	19	89.7	20	88.9	0.2	2879.4	0.3	2879.7
Treasury and Other Govt.	3	70.7	2	9.7	2	10.8	12.4	(17.3)	12.6	(17.3)
Corporate	0.5	13.2	0.1	0.6	0	0.3	(44.8)	(86.3)	(44.7)	(86.2)
Emerging East Asia										
Total	1,285	100.0	1,550	100.0	1,438	100.0	(9.5)	12.5	(7.2)	11.9
Government	654	50.9	879	56.7	716	49.8	(20.5)	9.1	(18.6)	9.4
Central Bank	294	22.9	319	20.6	330	23.0	1.6	10.3	3.6	12.3
Treasury and Other Govt.	360	28.0	560	36.1	385	26.8	(33.0)	8.1	(31.2)	7.0
Corporate	631	49.1	671	43.3	723	50.2	4.9	16.2	7.7	14.5
Japan										
Total	417	100.0	389	100.0	373	100.0	(3.6)	(11.3)	(4.0)	(10.4)
Government	382	91.7	357	91.9	356	95.4	0.1	(7.7)	(0.4)	(6.8)
Central Bank	15	3.5	0	0.0	0	0.0	-	(100.0)	-	(100.0)
Treasury and Other Govt.	367	88.2	357	91.9	356	95.4	0.1	(4.1)	(0.4)	(3.1)
Corporate	35	8.3	31	8.1	17	4.6	(44.8)	(50.6)	(45.0)	(50.1)

(-) = negative, - = not applicable, LCY = local currency, q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

1. Corporate bonds include issues by financial institutions.
2. For Hong Kong, China, the data series for corporate bond issuance was revised starting in 2018 to include more short-term debt securities.
3. Bloomberg LP end-of-period LCY-USD rates are used.
4. For LCY base, emerging East Asia growth figures are based on 31 December 2019 currency exchange rates and do not include currency effects.

Sources: People's Republic of China (CEIC); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; 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 and ThaiBMA); Viet Nam (Bloomberg LP and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

in Q4 2019. Government bonds comprised 35.7% of total issuance in the PRC during the quarter. Corporate issuance in Q4 2019 amounted to USD536.3 billion, registering a modest 4.9% rise from the previous quarter. Despite the decline in total bond issuance during the quarter, the PRC remained the region's largest issuer, accounting for 58.0% of emerging East Asia's total LCY bond issuance in Q4 2019.

The Republic of Korea's LCY bond issuance rose 15.3% q-o-q to reach USD196.1 billion in Q4 2019. The growth in the Republic of Korea's debt issuance helped offset weak issuance in other economies in the region. With 13.6% of the region's total issuance, the Republic of Korea remained the second-most active bond market in emerging East Asia in terms of issuance. Government issuance totaled USD59.8 billion, down 9.0% q-o-q in Q4 2019 following a 6.6% decline in the previous quarter. Declining issuance in the second half of the year resulted from the frontloading of government debt

sales in the first half. Central bank issuance contracted 8.1% q-o-q in Q4 2019, while Treasury and other bond issuance dropped 9.8% q-o-q. Strong corporate debt sales, which surged 30.5% q-o-q, offset the weak growth in the government bond sector. Taking advantage of low borrowing costs after the Bank of Korea lowered its policy rate to 1.25% in October, corporates issued a total of USD136.3 billion in Q4 2019. The Republic of Korea's corporate bond issuance accounted for 18.9% of the regional total in Q4 2019.

Hong Kong, China's LCY bond issuance contracted 2.0% in Q4 2019, the same pace of contraction posted in the previous quarter. Government bond issuance amounted to USD109.5 billion, with growth rising slightly to 1.7% q-o-q in Q4 2019 from the previous quarter's modest 0.5% q-o-q gain. Issuance of Exchange Fund Bills and Notes by the Hong Kong Monetary Authority rose 1.4% q-o-q, while issuance of Hong Kong Special Administrative Region bonds expanded 71.1% q-o-q as the

government issued 3-year and 5-year bonds in October and November. Corporate bond sales continued to decline in Q4 2019, falling 18.9% q-o-q after a 12.1% q-o-q drop in Q3 2019. Months of prolonged political protests and the ensuing economic recession curtailed appetite for corporate borrowing during the quarter.

ASEAN member economies issued a total of USD280.2 billion of LCY bonds in Q4 2019, accounting for 19.5% of the region's total issuance. Singapore remained the largest issuer of LCY bond debt within ASEAN, while the Philippines was the smallest issuer during the quarter. Half of ASEAN markets—the Philippines, Singapore, and Viet Nam—experienced a q-o-q expansion in issuance, while the other half—Indonesia, Malaysia, and Thailand—saw declines in issuance during the quarter. ASEAN economies' total government debt issuance amounted to USD249.2 billion, comprising 88.9% of their total issuance. Corporate debt issuance comprised the remaining 11.1%, amounting to USD31.1 billion.

In Indonesia, LCY bond issuance dropped 15.2% q-o-q in Q4 2019 following 45.0% q-o-q growth in the previous quarter. Total issuance during the quarter amounted to USD21.1 billion, comprising USD18.7 billion in government bonds and USD2.5 billion in corporate debt. Government bond issuance dropped 14.1% q-o-q, reversing the 43.8% q-o-q rise in the preceding quarter. The reduced issuance in Q4 2019 was due to the government's completion of its financing plans ahead of schedule, resulting in the cancelation of auctions previously scheduled in December. Corporate bond issuance was also less active in Q4 2019, declining 22.6% q-o-q. Issuance in the corporate sector comprised 11.7% of total issuance in Q4 2019, slightly down from 12.8% in the previous quarter.

Malaysia's LCY bond issuance dipped 1.2% q-o-q to USD20.4 billion in Q4 2019, recovering from a 25.2% q-o-q contraction posted in Q3 2019. Government bond issuance dropped 5.7% q-o-q during the quarter. While central bank issuance expanded 41.9% q-o-q, the growth was partly offset by a 19.3% q-o-q fall in Treasury and other government bond issuance. The government tapered its bond issuance during the quarter, with the smallest amount of bond issuance in December. Corporate bond issuance posted 2.6% q-o-q growth in Q4 2019, recovering from a 36.0% q-o-q drop in the previous quarter.

In the Philippines, total bond issuance rose 8.8% q-o-q to USD7.5 billion in Q4 2019. The growth was driven by strong corporate bond issuance, which surged 42.4% q-o-q during the quarter. Meanwhile, government bond issuance dipped 0.4% q-o-q as the Bureau of the Treasury had already met its annual issuance target during the preceding 3 quarters. Reduced government bond issuance was also partly due to lower spending in the first half of 2019 as a result of the late approval of the government's budget. In contrast, corporate debt sales amounted to USD2.1 billion in Q4 2019. Firms took advantage of low borrowing costs after the BSP lowered its policy rate to 4.00% in September, the third policy rate cut of the year.

Singapore's total LCY bond issuance amounted to USD130.4 billion in Q4 2019 on growth of 2.8% q-o-q and 28.2% y-o-y. Issuance during the quarter was dominated by government bonds, particularly MAS bills, which rose 7.6% q-o-q to USD103.5 billion. The 6.4% q-o-q drop in the issuance of Singapore Government Securities bills and bonds partly offset issuance growth for MAS bills. Issuance of corporate debt was less active in Q4 2019, amounting to USD2.1 billion, which was about half of the level of issuance in the previous quarter.

In Thailand, total LCY bond issuance fell 2.1% q-o-q to USD78.8 billion in Q4 2019, due to contractions in both government and corporate debt issuance. Government bond issuance showed a marginal decline of 0.9% q-o-q, driven by a 3.3% q-o-q drop in Bank of Thailand bond sales, which offset the 24.3% q-o-q growth in Treasury and other bond issuance. Q4 2019 saw a rise in issuance of long-dated government bonds, as the government issued two 30-year tenors and one 48-year tenor. Corporate bond issuance declined 7.6% q-o-q in Q4 2019, reflecting a slight recovery from the 20.9% q-o-q contraction in issuance posted in Q3 2019. The Bank of Thailand lowered its policy rate to 1.25% in November, the second policy rate reduction of the year. Low borrowing costs gave rise to the issuance of several perpetual corporate bonds during the quarter: Indorama Ventures, Thai Union Group, Bangchak, and B Grimm Power issued a total of USD1.3 billion of perpetual bonds in Q4 2019.

Viet Nam's total bond issuance rose 1.1% q-o-q to USD21.9 billion in Q4 2019, recovering from an 8.1% q-o-q drop in the previous quarter. Government

bond issuance rose 1.4% q-o-q, driven by issuance of government-guaranteed bonds. Central bank bond issuance in Q4 2019 was roughly at par with the previous quarter, while the issuance of Treasury and other bonds rose 12.4% q-o-q. Viet Nam's bond issuance consisted almost entirely of government bonds, which comprised a 99.7% share of total bond issuance in Q4 2019. Corporate bond issuance amounted to USD0.1 billion, falling 44.8% q-o-q in Q4 2019. At only 0.3%, the corporate segment's share of total bond issuance in Viet Nam was the lowest in the region.

Cross-Border Bond Issuance

Intraregional bond issuance in emerging East Asia totaled USD2.2 billion in Q4 2019.

Emerging East Asia's total intraregional bond issuance reached USD2.2 billion in Q4 2019, declining 33.8% q-o-q from the USD3.3 billion raised in Q3 2019 and 59.5% y-o-y from Q4 2018. Institutions from only four economies issued cross-border bonds in Q4 2019, down from six economies in Q3 2019. The slowdown in cross-border issuance may be attributed to the growth slowdown in most economies in the region, particularly in the PRC, which lessened demand for capital expenditure funding and borrowing requirements. The PRC continued to dominate the cross-border market as it accounted for 62.0% of the regional aggregate (**Figure 4**). The Republic of Korea

followed next accounting for a regional share of 16.3%. Other economies that issued cross-border bonds were Hong Kong, China and Singapore.

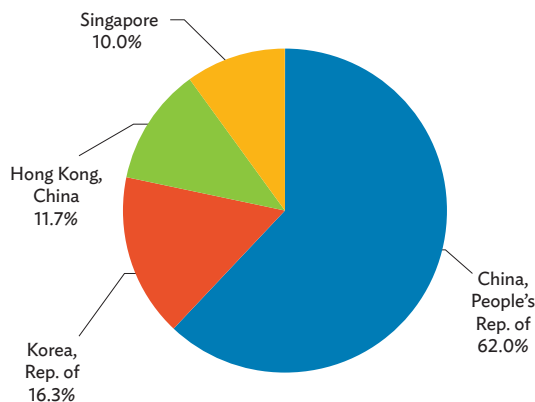
Cross-border bond issuance in the PRC declined in Q4 2019 to USD1.4 billion, down 42.4% q-o-q from USD2.4 billion in Q3 2019. Half of the region's 18 cross-border bond issuers during the quarter were from the PRC. This includes government-owned China Development Bank, which remained the top issuer, raising USD590.4 million worth of bonds denominated in Hong Kong dollars. The second-largest cross-border issuer was China Yuhua, which issued USD268.0 million of 5-year Hong Kong dollar bonds. Eastern Air, the third-largest cross-border issuer in the region, raised USD259.5 million worth of 3-year bonds denominated in Korean won. The remaining six companies that issued cross-border bonds from the PRC raised an aggregate USD232.1 million worth of bonds denominated in Hong Kong dollars and Malaysian ringgit.

In Q4 2019, the Republic of Korea surpassed Hong Kong, China as the economy with the second-largest volume of cross-border bond issuances. Four institutions raised funds totaling USD357.7 million. The Export-Import Bank of Korea raised USD133.4 million via issuance of 5-year and 1-year bonds denominated in Indonesian rupiah and Hong Kong dollars. State-owned Korea Development Bank issued USD81.2 million worth of 5-year bonds. Other companies that issued cross-border bonds were POSCO International (USD126.3 million) and Woori Bank (USD16.7 million).

In Hong Kong, China, cross-border bond issuances declined by more than half to USD257.2 million in Q4 2019 from USD590.6 million in the previous quarter. The companies that issued cross-border bonds in Q4 2019 were Hebei New Co-Op International (USD114.9 million), Hong Kong Land Treasury (USD111.4 million), and KGI International (USD30.9 million). Cross-border bonds issued in Hong Kong, China were denominated in Chinese yuan and Singapore dollars.

Only two companies in Singapore issued cross-border bonds, with the total funds raised reaching USD219.9 million, all of which was denominated in Chinese yuan. China Construction Bank Singapore issued USD143.6 million of 2-year bonds, while Nomura

Figure 4: Origin Economies of Intra-Emerging East Asian Bond Issuance in the Fourth Quarter of 2019



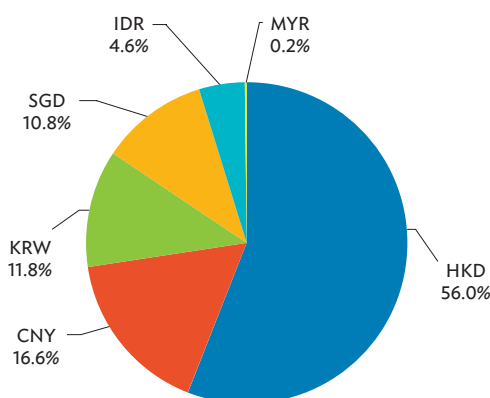
Source: AsianBondsOnline calculations based on Bloomberg LP data.

International Funding issued USD76.3 million worth of bonds with tenors of 9.5 years and 10 years.

The top 10 issuers in the region had an aggregate issuance volume of USD2.0 billion and comprised 89.0% of the regional total for the quarter. Five of the leading issuers were from the PRC, issuing bonds denominated in Hong Kong dollars, Korean won, and Singapore dollars. Three were from the Republic of Korea; the remaining two were from Hong Kong, China and Singapore. The top three issuers were from the PRC: China Development Bank, China Yuhua, and Eastern Air.

The Hong Kong dollar remained the predominant currency of cross-border bond issuance in Q4 2019 with an aggregate volume of USD1.2 billion, which comprised 56.0% of the regional total (**Figure 5**). Firms from the PRC and the Republic of Korea issued bonds denominated in Hong Kong dollars. The second-most widely used currency was the Chinese yuan with total cross-border issuance from firms in Hong Kong, China and Singapore reaching USD365.7 million and comprising a regional share of 16.6% of the total. Other currencies include the Korean won (11.8%, USD259.6 million); Singapore dollar (10.8%, USD237.8 million); Indonesian rupiah (4.6%, USD101.3 million); and Malaysian ringgit (0.2%, USD4.0 million).

Figure 5: Currency Shares of Intra-Emerging East Asian Bond Issuance in the Fourth Quarter of 2019



CNY = Chinese yuan, HKD = Hong Kong dollar, IDR = Indonesian rupiah, KRW = Korean won, MYR = Malaysian ringgit, SGD = Singapore dollar.
Source: AsianBondsOnline calculations based on Bloomberg LP data.

G3 Currency Bond Issuance

Total G3 currency bond issuance in emerging East Asia amounted to USD346.6 billion in 2019.

G3 currency bonds issued in emerging East Asia in 2019 totaled USD346.6 billion, an increase of 17.9% y-o-y from USD294.0 billion in 2018 (**Table 4**).^{6,7} The growth was driven by increased G3 issuance in all economies in emerging East Asia except Cambodia, Indonesia, the Republic of Korea, and Singapore.

During the review period, 91.3% of all G3 currency bonds issued were denominated in US dollars, 6.4% were in euros, and 2.2% were in Japanese yen. In 2019, a total of USD316.6 billion worth of bonds denominated in US dollars were issued in emerging East Asia, representing an increase of 19.6% y-o-y. The equivalent of USD22.2 billion of EUR-denominated bonds were issued during the review period, a decline of 3.8% y-o-y. Bonds issued in Japanese yen totaled USD7.8 billion, an increase of 23.7% y-o-y, spurred by Malaysia's samurai bond issuance in March.

The PRC continued to dominate all economies in the issuance of G3 currency bonds, totaling USD225.2 billion in 2019, which mainly comprised issuance in US dollars. This was followed by Hong Kong, China with USD31.9 billion and the Republic of Korea with USD29.4 billion, both issuing mainly in US dollars as well.

In 2019, G3 currency bond issuance increased on a y-o-y basis in Malaysia (371.3%); Hong Kong, China (45.8%); Viet Nam (41.8%); the PRC (22.6%); Thailand (9.8%); and the Philippines (9.6%). Issuance of G3 currency bonds in 2019 declined on a y-o-y basis in Singapore (-39.8%), Indonesia (-14.1%), and the Republic of Korea (-3.3%). The Lao People's Democratic Republic issued G3 currency bonds in 2019 but not in 2018. On the other hand, Cambodia issued G3 currency bonds in 2018 but not in 2019.

The PRC accounted for 65.0% of all G3 currency issuance in emerging East Asia in 2019, issuing USD211.8 billion in US dollars, the equivalent of USD13.2 billion in euros,

⁶ For the discussion on G3 issuance, emerging East Asia comprises Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; the Lao People's Democratic Republic; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

⁷ G3 currency bonds are denominated in either euros, Japanese yen, or US dollars.

Table 4: G3 Currency Bond Issuance

2018			2019		
Issuer	Amount (USD billion)	Issue Date	Issuer	Amount (USD billion)	Issue Date
Cambodia	0.3		Cambodia	0.0	
China, People's Rep. of	183.6		China, People's Rep. of	225.2	
Tencent Holdings 3.595% 2028	2.5	19-Jan-18	Tencent Holdings 3.975% 2029	3.0	11-Apr-19
CNAC (HK) Finbridge Company 5.125% 2028	1.8	14-Mar-18	People's Republic of China (Sovereign) 0.125% 2026	2.2	12-Nov-19
Scenery Journey 11.000% 2020	1.6	6-Nov-18	People's Republic of China (Sovereign) 1.950% 2024	2.0	3-Dec-19
Others	177.8		Others	218.0	
Hong Kong, China	21.9		Hong Kong, China	31.9	
CHMT Peaceful Development Asia Property 7.5% 2019	3.3	25-Apr-18	Celestial Miles 5.75% Perpetual	1.0	31-Jan-19
Bank of China (Hong Kong) 5.9% Perpetual	3.0	14-Sep-18	Hong Kong, China (Sovereign) 2.50% 2024	1.0	28-May-19
ICBC (Asia) 4.9% Perpetual	2.5	21-Mar-18	AIA Group 3.60% 2029	1.0	9-Apr-19
Others	13.0		Others	28.9	
Indonesia	26.1		Indonesia	22.4	
Perusahaan Penerbit SBSN Sukuk 4.40% 2028	1.8	1-Mar-18	Perusahaan Penerbit SBSN Sukuk 4.45% 2029	1.3	20-Feb-19
Indonesia Asahan Aluminium 5.71% 2023	1.3	15-Nov-18	Indonesia (Sovereign) 1.40% 2031	1.1	30-Oct-19
Indonesia (Sovereign) 4.75% 2029	1.3	11-Dec-18	Indonesia (Sovereign) 3.70% 2049	1.0	30-Oct-19
Others	21.8		Others	19.0	
Korea, Rep. of	30.4		Korea, Rep. of	29.4	
Hanwha Life Insurance 4.700% 2048	1.0	23-Apr-18	Republic of Korea (Sovereign) 2.500% 2029	1.0	19-Jun-19
Korea Development Bank 0.625% 2023	0.9	17-Jul-18	Export-Import Bank of Korea 0.375% 2024	0.8	26-Mar-19
Export-Import Bank of Korea 0.625% 2023	0.9	11-Jul-18	LG Display 1.500% 2024	0.7	22-Aug-19
Others	27.6		Others	26.8	
Lao People's Democratic Rep.	0.0		Lao People's Democratic Rep.	0.2	
Malaysia	2.9		Malaysia	13.7	
TNB Global Ventures Capital 4.85100% 2028	0.8	1-Nov-18	Malaysia (Sovereign) 0.530% 2029	1.8	15-Mar-19
Maybank 3.51813% 2023	0.3	10-Aug-18	Resorts World Las Vegas 4.625% 2029	1.0	16-Apr-19
Others	1.9		Others	10.9	
Philippines	6.2		Philippines	6.7	
Philippines (Sovereign) 3.00% 2028	2.0	1-Feb-18	Philippines (Sovereign) 3.750% 2029	1.5	14-Jan-19
Philippines (Sovereign) 0.38% 2021	1.0	15-Aug-18	Philippines (Sovereign) 0.875% 2027	0.8	17-May-19
Others	3.2		Others	4.4	
Singapore	16.1		Singapore	9.7	
Temasek Financial 3.625% 2028	1.4	1-Aug-18	DBS Group 2.85% 2022	0.8	16-Apr-19
DBS Bank 3.300% 2021	1.3	27-Nov-18	BOC Aviation 3.50% 2024	0.8	10-Apr-19
Others	13.5		Others	8.2	
Thailand	5.9		Thailand	6.4	
Bangkok Bank/Hong Kong 4.45% 2028	0.6	19-Sep-18	Bangkok Bank/Hong Kong 3.733% 2034	1.2	25-Sep-19
Bangkok Bank/Hong Kong 4.05% 2024	0.6	19-Sep-18	Kasikornbank 3.343% 2031	0.8	2-Oct-19
Others	4.7		Others	4.4	
Viet Nam	0.7		Viet Nam	1.0	
Emerging East Asia Total	294.0		Emerging East Asia Total	346.4	
Memo Items:			Memo Items:		
India	6.4		India	21.9	
Export-Import Bank of India 3.875% 2028	1.0	1-Feb-18	Indian Oil Corporation 4.75% 2024	0.9	16-Jan-19
Others	5.4		Others	21.0	
Sri Lanka	3.9		Sri Lanka	4.9	
Sri Lanka (Sovereign) 5.75% 2023	1.3	18-Apr-18	Sri Lanka (Sovereign) 7.55% 2030	1.5	28-Jun-19
Others	2.7		Others	3.4	

USD = United States dollar.

Notes:

- Data exclude certificates of deposits.
- G3 currency bonds are bonds denominated in either euros, Japanese yen, or US dollars.
- Bloomberg LP end-of-period rates are used.
- Emerging East Asia comprises Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; the Lao People's Democratic Republic; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
- Figures after the issuer name reflect the coupon rate and year of maturity of the bond.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

and the equivalent of USD0.2 billion in Japanese yen. In Q4 2019, the Government of the PRC issued three tranches of EUR-denominated bonds and four tranches of bonds denominated in US dollars. The FCY-denominated bonds were issued amid a low-interest-rate environment, with the EUR-denominated issuance diversifying the PRC's holdings of FCY-denominated bonds. These G3 issuances provided benchmarks for Chinese corporations seeking to fundraise in a foreign currency. In November, oil and gas enterprise Sinopec Group issued a triple-tranche, callable, USD-denominated bond with varying tenors and coupon rates to refinance debt and for other general purposes.

The Republic of Korea accounted for an 8.5% share of all G3 currency bonds issued in emerging East Asia during the review period: USD24.4 billion in US dollars, the equivalent of USD3.7 billion in euros, and the equivalent of USD1.2 billion in Japanese yen. Korea Development Bank issued USD1.0 billion worth of USD-denominated bonds in two tranches. Proceeds will be used for general purposes, including the extension of FCY-denominated loans and the repayment of maturing obligations. The Export-Import Bank of Korea issued a USD0.2 billion 5-year bond denominated in euros.

Hong Kong, China accounted for a 9.2% share of the region's G3 currency bond issuance in 2019. By currency, USD30.7 billion was issued in US dollars, while JPY-denominated bonds amounted to USD1.2 billion. Haitong International issued a 6-year USD0.4 billion bond denominated in US dollars, proceeds of which will be used for refinancing debt and other general purposes. Melco Resorts' USD-denominated bond worth USD0.9 billion had a tenor of 10 years and a coupon rate of 5.375%. Proceeds will be used as full repayment of the principal outstanding under Melco Resort's 2015 revolving credit facility and partial prepayment under its 2015 term loan facility.

G3 currency bond issuance among ASEAN member economies increased 3.7% y-o-y to USD60.0 billion in 2019 from USD57.8 billion in the previous year. As a share of emerging East Asia's total, ASEAN's G3 currency bond issuance accounted for 17.3% in 2019, down from 19.7% in 2018, as Indonesia and Singapore experienced decreased issuance. Nevertheless, Indonesia issued the most G3 currency bonds among ASEAN members in 2019, totaling USD22.4 billion, followed by Malaysia and

Singapore, with issuances amounting to USD13.7 billion and USD9.7 billion, respectively.

Indonesia's G3 currency bond issuance in 2019 accounted for 6.5% of the total in emerging East Asia, comprising USD18.0 billion in US dollars, the equivalent of USD2.5 billion in euros, and the equivalent of USD1.9 billion in Japanese yen. The Government of Indonesia issued a 12-year EUR-denominated bond worth USD1.1 billion and with a 1.4% coupon rate. It also issued a 30-year USD-denominated bond worth USD1.0 billion and with a 3.7% coupon rate. The Government of Indonesia took advantage of stable financial market conditions in October via its dual-currency issuance to aid in maintaining the economy's liquidity position. Perusahaan Listrik Negara issued three bonds, two of which were denominated in US dollars and one in euros. Proceeds from the global bonds will be used for capital expenditures to accelerate infrastructure projects and for general corporate purposes.

G3 currency bonds issued in Malaysia accounted for 4.0% of emerging East Asia's total, including USD-denominated bonds worth USD11.4 billion and USD2.3 billion worth of bonds denominated in Japanese yen. Maybank issued four 40-year callable, zero-coupon bonds denominated in US dollars. Sukuk II issued a USD-denominated callable bond worth USD0.2 billion and with a tenor of 5 years and a coupon rate 6.9965%. Proceeds will be used to fund capital expenditure and working capital requirements for its projects.

Singapore's share of G3 currency bond issuance in emerging East Asia was 2.8% in 2019, comprising USD8.3 billion issued in US dollars, USD1.4 billion in euros, and USD0.1 billion in Japanese yen. Totaling USD1.1 billion, Temasek Financial issued two tranches of callable EUR-denominated bonds with tenors of 12 years and 30 years. Proceeds will be used to fund the company's daily operations. DBS Bank issued a 30-year callable, zero-coupon bond denominated in US dollars and worth USD0.1 billion.

The Philippines accounted for a 1.9% share of total G3 currency bonds issued in emerging East Asia during 2019 with bonds denominated in US dollars, Japanese yen, and euros amounting to USD5.1 billion, USD0.8 billion, and USD0.8 billion, respectively. SMC Global and AC Energy issued USD-denominated callable perpetual bonds in Q4 2019. SMC Global's USD0.5 billion

bond had a coupon rate of 5.95%, the proceeds of which will be used for the development of battery energy storage system projects and for other general purposes. Meanwhile, AC Energy's green USD0.4 billion bond had a 5.65% coupon rate, proceeds of which will be used for renewable energy expansion across Asia and the Pacific.

During the review period, 1.9% of all G3 currency bonds issued in the region were from Thailand, comprising USD5.9 billion and USD0.6 billion worth of bonds denominated in US dollars and euros, respectively. Kasikornbank issued a USD0.8 billion 12-year callable bond denominated in US dollars. The bonds were issued under the bank's USD2.5 billion medium-term note program. PTTEP Treasury issued a 40-year USD-denominated bond worth USD0.7 billion and with a coupon rate of 3.903%. Proceeds from the issuance will be used to lend to members of the PTTEP Group for liquidity management.

Issuing entirely in US dollars, Viet Nam's share of G3 currency bond issuance in emerging East Asia was 0.3% in 2019, all of which was issued in Q3 2019.

The Lao People's Democratic Republic accounted for the smallest share of G3 currency bond issuance in emerging East Asia at 0.04%, all of which was issued in US dollars.

The proceeds from its issuance of a 2-year USD0.2 billion callable bond with a coupon rate of 6.875% will be used for general budgetary purposes.

Monthly G3 currency issuance trends from January 2018 to December 2019 show a recovery to a monthly average of about USD30.0 billion in the last 4 months of 2019 after a huge drop to USD15.7 billion in August 2019 (**Figure 6**). The uptick in G3 currency issuance in September–December 2019 was spurred by issuances in the PRC, Singapore, and Thailand.

Government Bond Yield Curves

Government bond yields fell for nearly all tenors in all emerging East Asian markets except the Philippines and Viet Nam, where a rise was noted in short-term tenors.

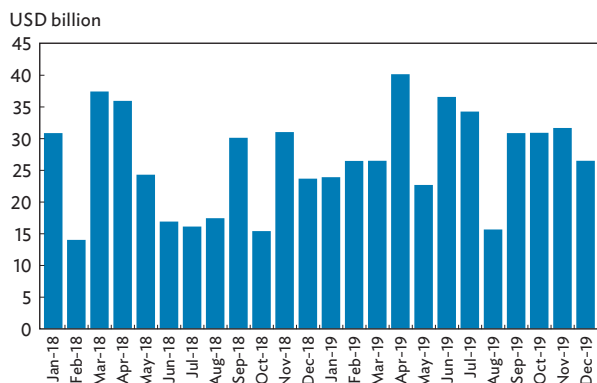
From 31 December 2019 to 29 February 2020, continued moderation in global economic growth led to a downward movement in yields in advanced economies. The potential impact of the spread of the coronavirus disease 2019 (COVID-19) is also weighing on policy makers and financial markets. While some policy makers have said that it is still too early to assess the full economic impact, governments remain vigilant over the possible effects, while rising uncertainty has largely increased risk aversion among investors.

In the US, the Federal Reserve left its policy rate unchanged on 28–29 January 2020, noting that the US economy continues to post gains and the labor market remains resilient. The Federal Reserve also hinted at a slight dovishness, citing concerns that it has been unable to meet its inflation target. Subsequently, the economic outlook for the US worsened following the spread of COVID-19, resulting in an emergency rate cut of 50 bps on 3 March and another 100 bps on 15 March.

In other advanced economies, such as the euro area and Japan, policy makers left their monetary policy stances unchanged at their respective policy meetings on 23 January and 21 January, respectively. Japan, however, did enact a special budget measure in December 2019 to help prop up its economy.

As a result, yields in advanced economies largely fell during the review period. For the US, declining trends were noted for its 2-year and 10-year yields (**Figures 7a, 7b, 8a, and 8b**). Emerging East Asian economies largely

Figure 6: G3 Currency Bond Issuance in Emerging East Asia

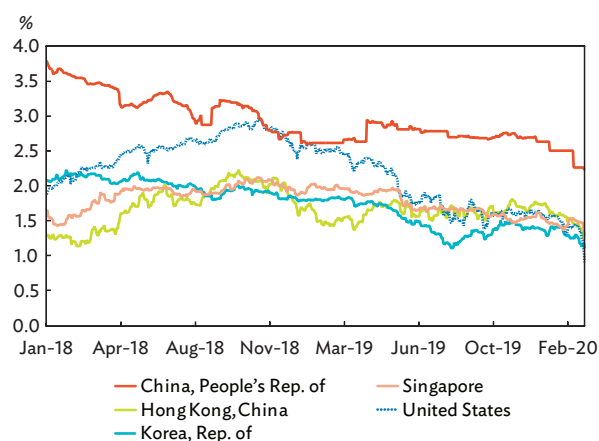


USD = United States dollar.

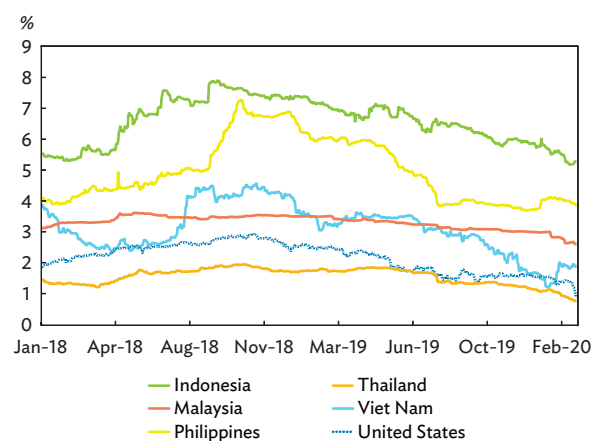
Notes:

1. Emerging East Asia comprises Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; the Lao People's Democratic Republic; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
2. G3 currency bonds are bonds denominated in either euros, Japanese yen, or US dollars.
3. Figures were computed based on 31 December 2019 currency exchange rates and do not include currency effects.

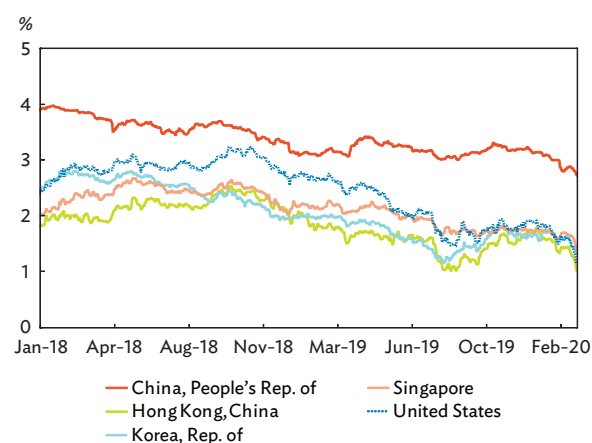
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Figure 7a: 2-Year Local Currency Government Bond Yields

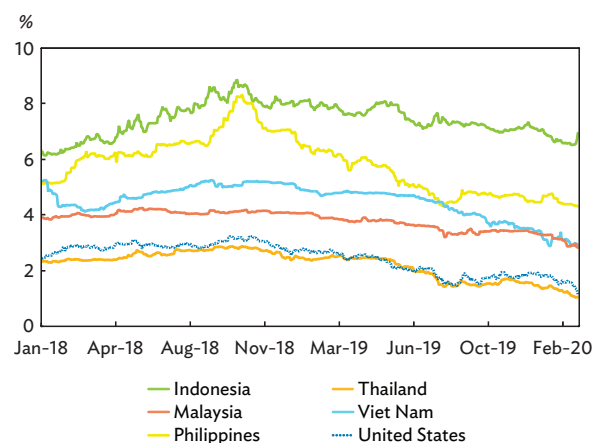
Note: Data as of 29 February 2020.
Source: Based on data from Bloomberg LP.

Figure 7b: 2-Year Local Currency Government Bond Yields

Note: Data as of 29 February 2020.
Source: Based on data from Bloomberg LP.

Figure 8a: 10-Year Local Currency Government Bond Yields

Note: Data as of 29 February 2020.
Source: Based on data from Bloomberg LP.

Figure 8b: 10-Year Local Currency Government Bond Yields

Note: Data as of 29 February 2020.
Source: Based on data from Bloomberg LP.

followed suit. However, a spike in the 2-year yield was noted in the Philippines, Singapore, and Viet Nam before it trended downward for the remainder of the review period.

Emerging East Asia's 10-year yields also generally trended downward. However, a slight spike was noted in the PRC and Hong Kong, China following a boost in investor sentiment after the People's Bank of China (PBOC) intervened in markets to inject liquidity in support of economic growth. The impact of COVID-19, which

originated in the PRC, has weighed on investors and raised concerns over economic growth. The Government of the PRC's efforts to limit the spread of the virus, such as quarantines and the closing of factories, could potentially further slow the economy. Investors are closely eyeing steps being taken by the government to help calm financial markets.

Uncertainty over the potential economic impact of COVID-19 has affected emerging East Asian markets through their linkages with the PRC. While yields were

already being pressured downward amid the potential moderation of economic growth, the COVID-19 outbreak has generated greater uncertainty, as evidenced by the downward shift of yield curves in emerging East Asian economies (**Figure 9**). The largest downward shifts in yield curves were seen in the PRC; Hong Kong, China; and Malaysia. The downward shifts in the PRC and Hong Kong, China were largely due to expectations of further weakening in the economy. In the case of the PRC, negative sentiment is being driven by the potential impact of COVID-19, while in Hong Kong, China, the impact of COVID-19 has the potential to further weaken an economy already buffeted by domestic political concerns. In Malaysia, yield declines were largely due to slowing economic growth as economic data released in February showed a weakening economy.

Most yield curves in emerging East Asia shifted downward during the review period, with the two exceptions being the Philippines and Viet Nam. In the Philippines, yield movements were mixed on expectations that inflation would trend upward in 2020. In Viet Nam, yield movements rose at the short-end of the curve largely due to increased funding demand prior to the Tet holiday.

While economic growth has moderated in most of emerging East Asia, inflation has largely been stable. Spikes in inflation were noted in some economies, largely due to either supply shocks or seasonal factors. The most significant rise was seen in Viet Nam where inflation reached a 7-year high of 6.4% in January, driven by the celebration of the Tet holiday (**Figure 10a**).

The PRC also recorded a rise in inflation (**Figure 10b**), exacerbated by both the celebration of the Lunar New Year and supply-side shocks emanating from the spread of COVID-19. Other markets such as the Republic of Korea and the Philippines noted supply-side driven inflation as well.

There were signs of moderating GDP growth throughout the region in Q4 2019. The most significant decline occurred in Malaysia, where Q4 2019 GDP growth fell to 3.6% y-o-y from 4.4% y-o-y in the previous quarter. In Thailand, GDP growth fell to 1.6% y-o-y from 2.6% y-o-y during the same period over delays in the budget's passage. Viet Nam's GDP growth also slowed in Q4 2019, dipping to 7.0% y-o-y from 7.5% y-o-y in the previous quarter. Despite the economic headwinds, the PRC managed to maintain GDP growth of 6.0% y-o-y in Q4 2019, the same rate as in Q3 2019 but lower than in

the first half of 2019. Indonesia also roughly maintained its GDP growth in Q4 2019, posting growth of 4.97% y-o-y versus 5.02% y-o-y in the previous quarter.

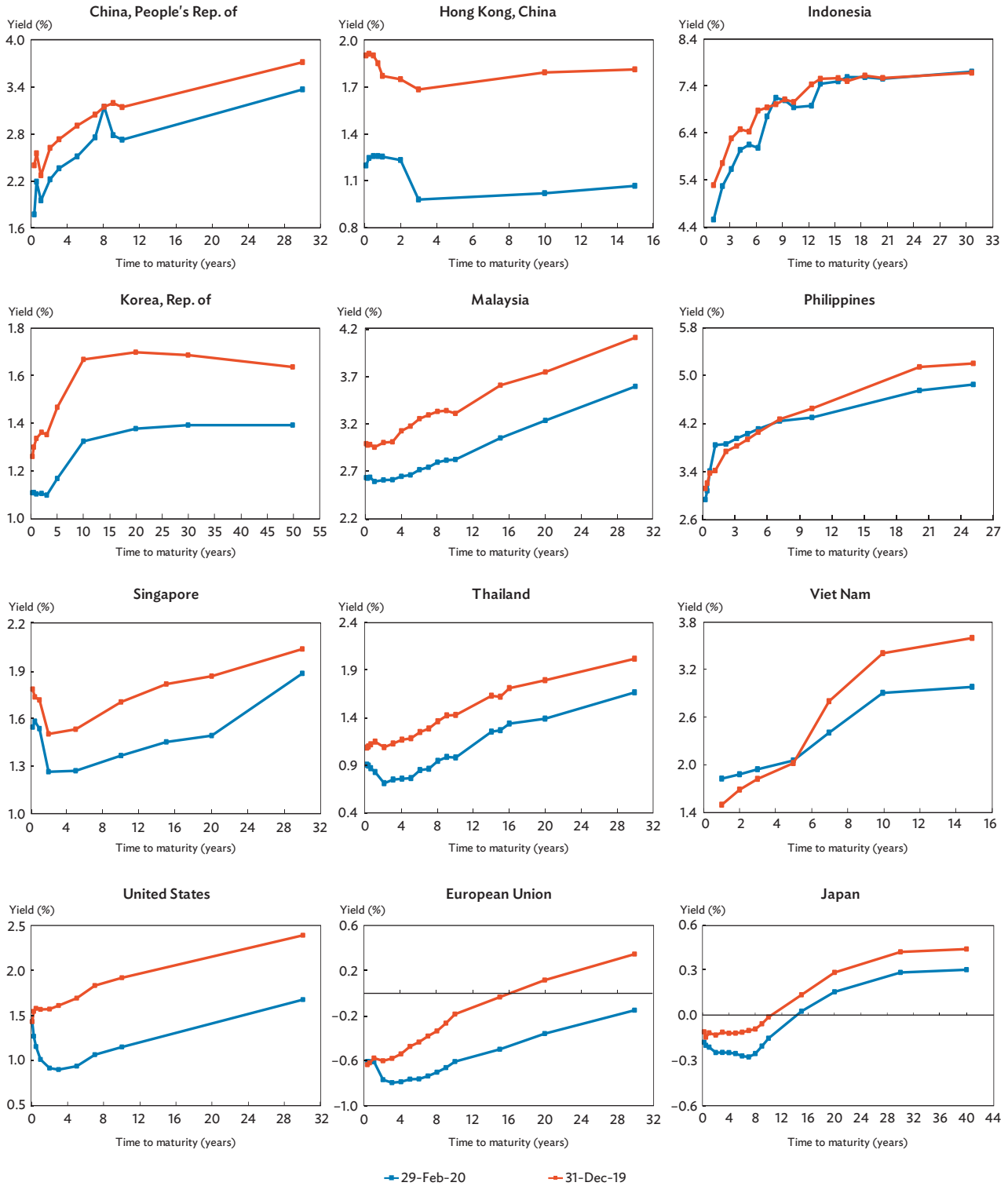
The Philippines and Singapore were the only two markets to experience accelerating GDP growth during the review period. In the Philippines, GDP growth climbed to 6.4% y-o-y in Q4 2019 from 6.0% y-o-y in the previous quarter. In Singapore, GDP growth improved to 1.0% y-o-y in Q4 2019 from 0.7% y-o-y in Q3 2019.

While GDP growth somewhat moderated and inflation remained stable in Q4 2019 and early 2020, policy makers in emerging East Asia were confronted by a number of events in January and February that led to increased cautiousness and dovishness. The biggest factor currently weighing on policy makers in the first 2 months of 2020 was the ongoing spread of COVID-19.

Most governments in emerging East Asia that adjusted monetary policy and/or pursued fiscal stimulus cited the potential impact of COVID-19 as a consideration. One exception was Malaysia, where Bank Negara Malaysia was the first central bank in emerging East Asia to cut policy rates in 2020, surprising the market with a 25 bps cut on 22 January to 2.75% (**Figure 11a**). Bank Negara Malaysia said the move was largely preemptive to help sustain the current trajectory of the economy amid potential downside risks.

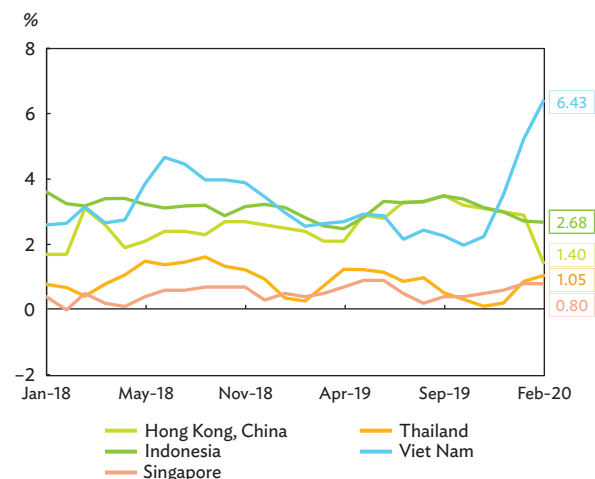
The Bank of Thailand reduced its policy rate by 25 bps to 1.00% on 5 February, citing a downgraded economic forecast for 2020. While reasons for the downgrade include the budget's delayed passage and adverse weather impacts on agriculture, COVID-19 was also cited. In the Philippines, the BSP reduced policy rates by 25 bps on 6 February, largely due to global uncertainties while also noting that COVID-19 could potentially impact the domestic economy. Bank Indonesia also reduced its policy rate by 25 bps on 20 February, citing it as a preemptive move over the possible effect of COVID-19 on global growth (**Figure 11b**). Following worsening financial conditions and the more rapid spread of COVID-19 globally, central banks in the region became more aggressive. On 3 March, Bank Negara Malaysia cuts its policy rate by another 25 bps this year. The Bank of Korea reduced its base rate by 50 bps on 16 March to 0.75%. Also, the State Bank of Vietnam lowered its refinancing rate by 100 bps to 5.00% effective 17 March. Bank Indonesia and Bangko Sentral ng Pilipinas further reduced their respective policy rates on 19 March.

Figure 9: Benchmark Yield Curves—Local Currency Government Bonds



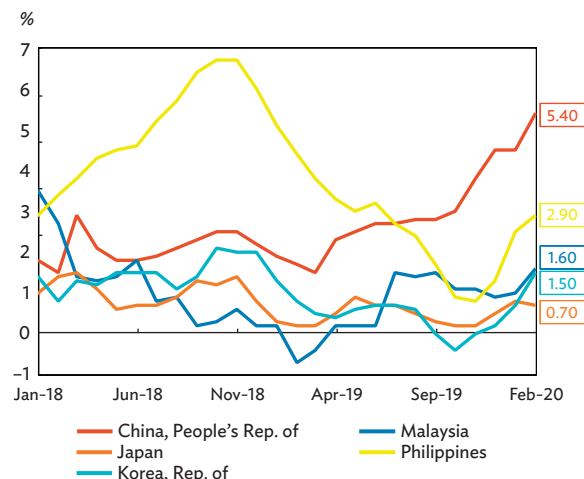
Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Figure 10a: Headline Inflation Rates



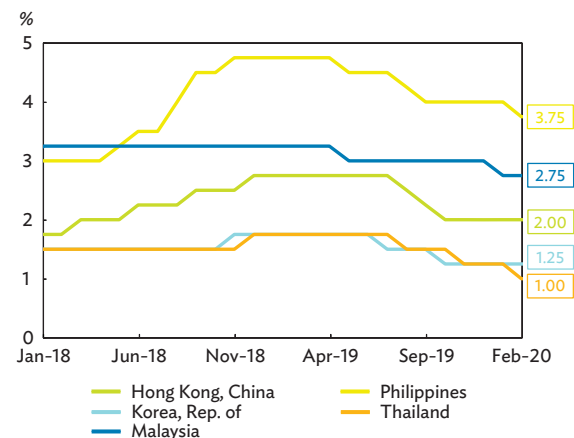
Note: Data as of 31 January 2020.
Source: Based on data from Bloomberg LP.

Figure 10b: Headline Inflation Rates



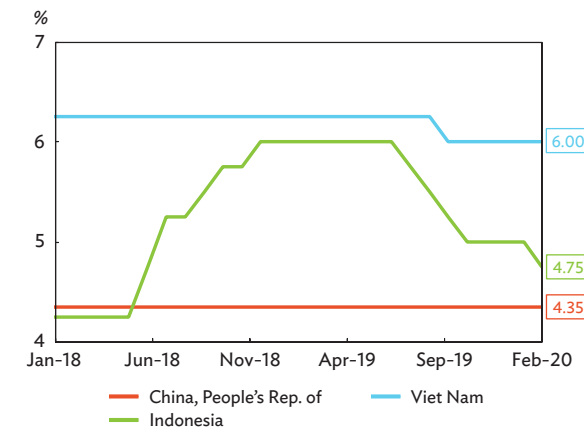
Note: Data as of 31 January 2020.
Source: Based on data from Bloomberg LP.

Figure 11a: Policy Rates



Note: Data as of 29 February 2020.
Source: Based on data from Bloomberg LP.

Figure 11b: Policy Rates



Note: Data as of 29 February 2020.
Source: Based on data from Bloomberg LP.

In the PRC, a number of easing measures have been enacted, due both to an already weakening economy prior to the spread of COVID-19 as well as to curtail the outbreak's negative impact on economic growth. On 31 December 2019, the PBOC reduced the reserve requirement ratios of financial institutions by 50 bps, effective 6 January 2020. On 16 February, the PBOC also reduced the rate on its medium-term lending facility by 10 bps to 3.15%. The PBOC also subsequently reduced the rate on the 1-year loan prime rate by 10 bps to 4.15% and on the 5-year loan prime rate by 5 bps to 4.75%.

In markets that have not engaged in monetary easing, other measures have been enacted to buttress their respective economies. In Singapore, where the MAS's next policy meeting is in April 2020, the government said during its 2020 budget speech that it had downgraded its economic forecast following the COVID-19 outbreak from a range of between 0.5% and 2.5% to between -0.5% and 1.5%. The government also announced a SGD5.6 billion special budget package to prop up the economy. Hong Kong, China likewise announced on 26 February a HKD120 billion package of countercyclical measures to stimulate the economy.

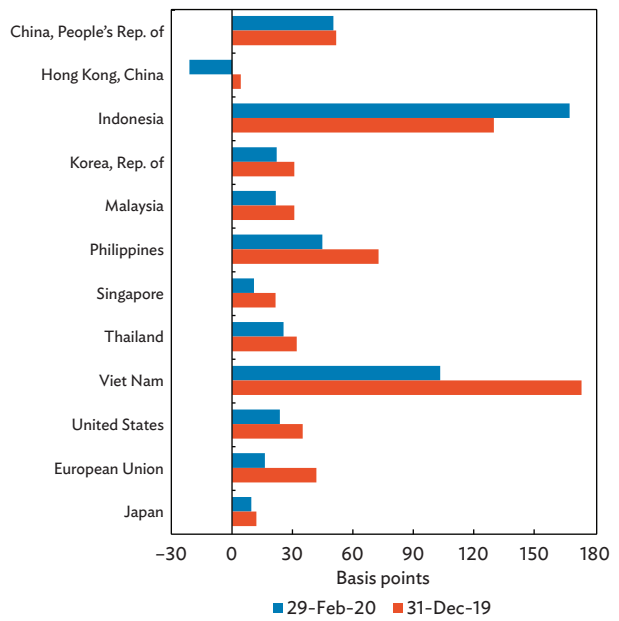
Amid ongoing monetary easing and financial markets bracing for the potential negative effects of the COVID-19 outbreak, the 2-year versus 10-year yield spread fell in all markets in emerging East Asia except Indonesia (Figure 12).

The AAA-rated corporate versus government yield fell in the PRC and the Republic of Korea but rose in Malaysia.

In the PRC, the AAA-rated corporate versus government yield spread fell on demand for higher-grade but better-yielding paper, and on hopes that the government would help industries weather ongoing economic challenges (Figure 13a). In the Republic of Korea, the spread fell due to an expected recovery in the technology sector. In Malaysia, a rise was noted due to the economic slowdown.

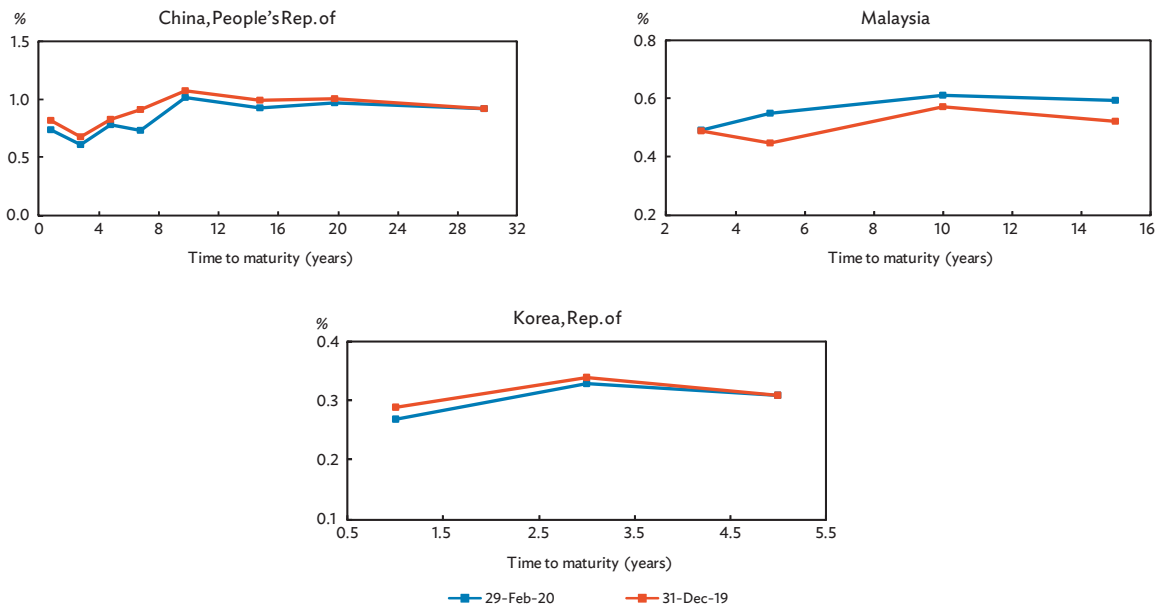
The lower-rated credit spread was largely unchanged in the PRC as investors continued to shun riskier credit (Figure 13b). In Malaysia, the spread declined during the review period.

Figure 12: Yield Spreads between 2-Year and 10-Year Government Bonds



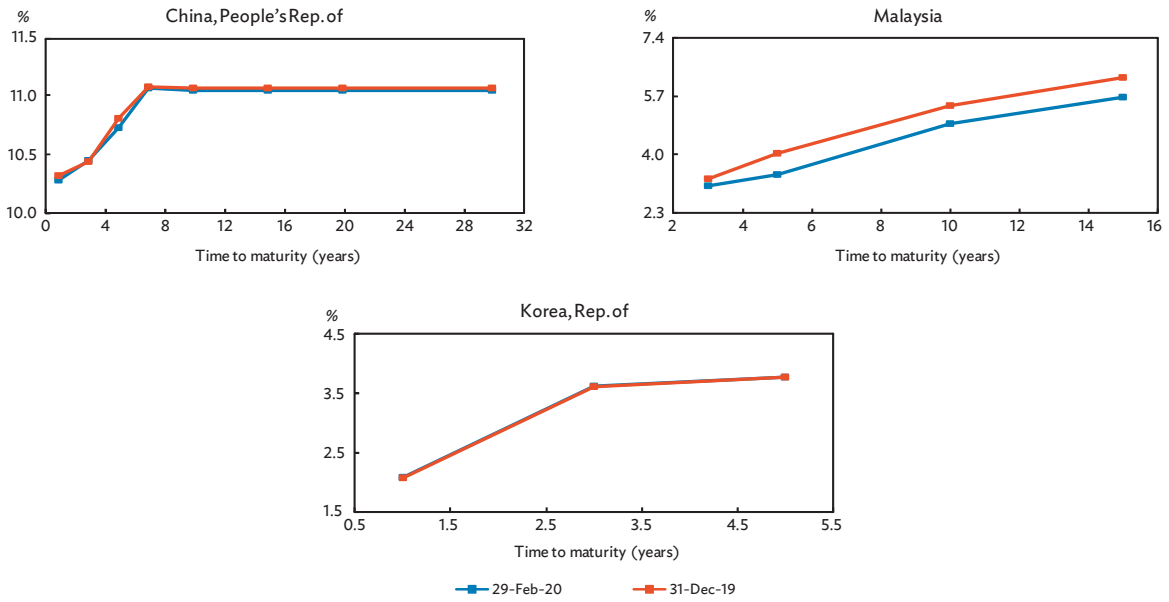
Source: Based on data from Bloomberg LP.

Figure 13a: Credit Spreads—Local Currency Corporates Rated AAA vs. Government Bonds



Note: Credit spreads are obtained by subtracting government yields from corporate indicative yields. Sources: People's Republic of China (Bloomberg LP), Republic of Korea (EDAILY BondWeb), and Malaysia (Bank Negara Malaysia).

Figure 13b: Credit Spreads—Lower-Rated Local Currency Corporates vs. AAA



Note: 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+.
 Sources: People's Republic of China (Bloomberg LP), Republic of Korea (EDAILY BondWeb), and Malaysia (Bank Negara Malaysia).