

# Bond Market Developments in the Third Quarter of 2013

## Size and Composition

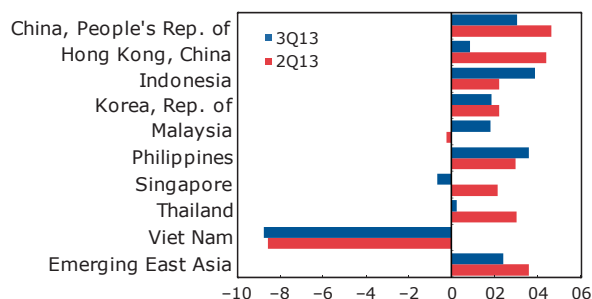
**Total bonds outstanding in emerging East Asian bond markets grew 2.4% q-o-q and 12.5% y-o-y to reach US\$7.1 trillion at the end of 3Q13, driven by growth in the region's government and corporate bond sectors.<sup>5</sup>**

The quarter-on-quarter (q-o-q) growth rate for the emerging East Asian local currency (LCY) bond market in 3Q13 was 2.4%, down from 3.6% in 2Q13 (**Figure 1a**). The region's most rapidly growing markets on a q-o-q basis in 3Q13 were Indonesia (3.9%), the Philippines (3.6%), the People's Republic of China (PRC) (3.0%), and the Republic of Korea and Malaysia (1.8% each) (**Table 1**). Indonesia's growth was evenly balanced between rapid q-o-q growth in both its government (3.7%) and corporate (4.6%) bond sectors. This was also the case in the PRC, where the government bond market grew 2.7% and the corporate bond market grew 3.9%. Growth in the Philippine market was driven primarily by its government bond sector (4.0%), while growth in the bond markets of the Republic of Korea and Malaysia was driven primarily by their corporate bond sectors.

Quarterly growth in the LCY bond markets of Hong Kong, China and Thailand in 3Q13 was only 0.8% and 0.2%, respectively, while the Singapore market contracted 0.7%, reflecting a 1.3% decline in its corporate bond sector. Viet Nam's bond market shrank 8.8%, reflecting steep declines in the size of both its government and corporate bond markets.

The rank order for year-on-year (y-o-y) growth in the region's LCY bond markets was somewhat different, with the most rapidly growing markets on a y-o-y basis being Viet Nam (18.8%),

**Figure 1a: Growth of LCY Bond Markets in 2Q13 and 3Q13 (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 an LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-September 2013 currency exchange rates and do not include currency effects.
4. For Hong Kong, China, 3Q13 corporate bonds outstanding based on *AsianBondsOnline* estimates. For the Philippines, 3Q13 government bonds outstanding data carried over from August 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 3Q13 corporate bonds outstanding data based on Bank of Thailand's August 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).

Indonesia (16.3%), the PRC (14.4%), the Philippines (12.5%), and the Republic of Korea (10.4%) (**Figure 1b**). Indonesia's y-o-y ranking was only one notch below its q-o-q ranking due to the vibrant growth of both its government and corporate bond sectors on both a q-o-q and y-o-y basis. The PRC held a third place ranking on both a q-o-q basis and y-o-y basis, due to substantive growth in both its government and corporate bond sectors. The Philippines' corporate sector grew much more rapidly on a y-o-y basis than on a q-o-q basis in 3Q13, but its government sector's y-o-y growth, while high at 13.6%, was still less than that of Viet Nam and Indonesia.

The Republic of Korea fell to a ranking of fifth on a y-o-y basis due the weaker performance of its government bond sector compared with its peers. The performance of the Hong Kong, China bond market was more vigorous on a y-o-y basis than on a q-o-q basis, due to the 16.2% y-o-y growth

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

Table 1: Size and Composition of LCY Bond Markets

	3Q12		2Q13		3Q13		Growth Rate (LCY-base %)				Growth Rate (US\$-base %)			
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	3Q12		3Q13		3Q12		3Q13	
							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	3,667	100.0	4,168	100.0	4,307	100.0	4.6	11.2	3.0	14.4	5.7	12.9	3.3	17.5
Government	2,724	74.3	2,875	69.0	2,960	68.7	4.4	8.4	2.7	5.8	5.6	10.1	3.0	8.7
Corporate	943	25.7	1,294	31.0	1,347	31.3	5.0	20.2	3.9	39.1	6.1	22.0	4.1	42.9
Hong Kong, China														
Total	176	100.0	192	100.0	194	100.0	1.4	3.3	0.8	10.1	1.4	3.8	0.8	10.0
Government	93	52.9	107	56.0	108	55.8	0.1	3.4	0.5	16.2	0.1	3.8	0.5	16.2
Corporate	83	47.1	84	44.0	86	44.2	3.0	3.3	1.3	3.2	3.0	3.7	1.3	3.2
Indonesia														
Total	110	100.0	118	100.0	108	100.0	0.4	7.4	3.9	16.3	(1.2)	(0.6)	(8.9)	(2.2)
Government	92	83.8	97	82.6	89	82.5	(0.1)	4.2	3.7	14.5	(1.7)	(3.6)	(9.0)	(3.7)
Corporate	18	16.2	21	17.4	19	17.5	3.1	27.2	4.6	25.4	1.4	17.7	(8.2)	5.5
Korea, Rep. of														
Total	1,370	100.0	1,445	100.0	1,564	100.0	2.1	9.6	1.8	10.4	5.2	16.2	8.2	14.1
Government	543	39.6	558	38.6	601	38.4	0.4	2.2	1.3	6.9	3.5	8.4	7.6	10.6
Corporate	827	60.4	887	61.4	963	61.6	3.3	15.1	2.2	12.6	6.4	22.0	8.6	16.5
Malaysia														
Total	318	100.0	314	100.0	310	100.0	4.1	15.7	1.8	4.1	8.1	20.7	(1.3)	(2.3)
Government	192	60.3	186	59.1	181	58.3	4.8	16.1	0.5	0.7	8.9	21.0	(2.6)	(5.5)
Corporate	126	39.7	128	40.9	129	41.7	2.9	15.3	3.8	9.1	6.9	20.2	0.6	2.4
Philippines														
Total	91	100.0	96	100.0	98	100.0	4.2	16.1	3.6	12.5	5.3	21.8	2.8	8.0
Government	79	86.5	83	86.9	86	87.3	4.3	14.7	4.0	13.6	5.3	20.3	3.2	9.0
Corporate	12	13.5	13	13.1	13	12.7	3.9	26.1	0.6	5.8	4.9	32.3	(0.2)	1.6
Singapore														
Total	225	100.0	239	100.0	240	100.0	4.4	12.0	(0.7)	9.2	7.6	19.3	0.3	6.7
Government	139	61.9	148	61.8	149	62.1	4.7	12.1	(0.3)	9.4	7.9	19.4	0.7	7.0
Corporate	86	38.1	91	38.2	91	37.9	3.9	11.9	(1.3)	8.7	7.1	19.1	(0.4)	6.2
Thailand														
Total	265	100.0	286	100.0	285	100.0	1.9	14.5	0.2	8.8	4.4	15.8	(0.4)	7.4
Government	212	79.8	226	78.9	224	78.7	1.3	12.1	(0.04)	7.3	3.7	13.4	(0.6)	5.9
Corporate	54	20.2	60	21.1	61	21.3	4.6	24.9	1.3	14.7	7.1	26.3	0.7	13.2
Viet Nam														
Total	21	100.0	27	100.0	25	100.0	(2.7)	21.4	(8.8)	18.8	(2.6)	21.1	(8.4)	17.6
Government	20	92.5	26	97.0	24	97.1	(1.7)	27.0	(8.7)	24.8	(1.7)	26.7	(8.3)	23.4
Corporate	2	7.5	0.8	3.0	0.7	2.9	(12.7)	(21.4)	(10.0)	(54.1)	(12.6)	(21.6)	(9.6)	(54.6)
Emerging East Asia (EEA)														
Total	6,243	100.0	6,886	100.0	7,131	100.0	3.7	11.0	2.4	12.5	5.4	13.9	3.6	14.2
Government	4,093	65.6	4,307	62.5	4,421	62.0	3.5	8.1	2.1	6.6	5.1	10.5	2.7	8.0
Corporate	2,150	34.4	2,579	37.5	2,709	38.0	4.0	17.0	2.9	23.7	6.2	21.0	5.1	26.0
EEA excl. PRC														
Total	2,576	100.0	2,717	100.0	2,823	100.0	2.4	10.7	1.4	9.7	5.1	15.4	3.9	9.6
Government	1,369	53.1	1,432	52.7	1,461	51.8	1.7	7.5	0.9	8.1	4.1	11.4	2.1	6.7
Corporate	1,207	46.9	1,285	47.3	1,362	48.2	3.3	14.6	2.0	11.5	6.2	20.3	6.0	12.8
Japan														
Total	12,847	100.0	10,408	100.0	10,660	100.0	0.7	2.9	1.5	4.6	3.1	1.8	2.4	(17.0)
Government	11,741	91.4	9,567	91.9	9,811	92.0	0.9	3.6	1.6	5.3	3.3	2.4	2.5	(16.4)
Corporate	1,106	8.6	840	8.1	848	8.0	(1.0)	(3.4)	0.1	(3.3)	1.3	(4.5)	1.0	(23.3)
Memo Item: CNH														
Total	49	100.0	57	100.0	61	100.0	(0.6)	64.4	6.0	20.6	0.5	66.9	6.3	23.9
Government	13	26.6	14	25.2	14	22.5	10.8	86.4	(5.4)	2.1	12.0	89.2	(5.1)	4.8
Corporate	36	73.4	43	74.8	47	77.5	(4.2)	57.7	9.9	27.3	(3.2)	60.1	10.2	30.8

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

Notes:

1. For Hong Kong, China, 3Q13 corporate bonds outstanding based on *AsianBondsOnline* estimates. For the Philippines, 3Q13 government bonds outstanding data carried over from August 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 3Q13 corporate bonds outstanding data based on Bank of Thailand's August 2013 estimate. For Japan, 3Q13 government and corporate bonds outstanding data carried over from August 2013.

2. Corporate bonds include issues by financial institutions.

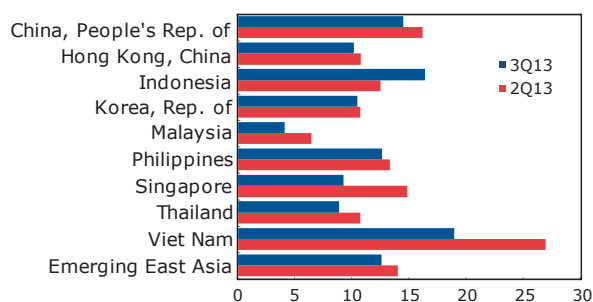
3. CNH bonds are renminbi-denominated bonds issued in Hong Kong, China. Data includes certificates of deposits and bonds issued by foreign companies.

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

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

6. 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).

**Figure 1b: Growth of LCY Bond Markets in 2Q13 and 3Q13 (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-September 2013 currency exchange rates and do not include currency effects.
4. For Hong Kong, China, 3Q13 corporate bonds outstanding data based on *AsianBondsOnline* estimates. For the Philippines, 3Q13 government bonds outstanding data carried over from August 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 3Q13 corporate bonds outstanding data based on Bank of Thailand's August 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).

rate of its government bond sector. Hong Kong, China's overall y-o-y growth rate of 10.1% was, nevertheless, slightly less than that of the Republic of Korea.

Singapore and Thailand grew at broadly comparable y-o-y rates of 9.2% and 8.8%, respectively. This reflected balanced growth in Singapore's government and corporate bond sectors at high single-digit levels. Thailand's government sector grew at a y-o-y rate of only 7.3%, while its much smaller corporate bond sector grew at a more rapid rate of 14.7% y-o-y. Malaysia's bond market y-o-y growth rate was in the low single digits, due to almost negligible growth in its government bond market.

**Total government bonds outstanding in emerging East Asia grew 2.1% q-o-q in 3Q13, up from 1.1% growth in 2Q13, to reach US\$4.4 trillion.**

The region's two most rapidly growing government bond markets on a q-o-q basis in 3Q13 were the

Philippines (4.0%) and Indonesia (3.7%). Total Philippine government bonds outstanding reached PHP3.7 trillion (US\$86 billion) at end-August. Treasury bills rose 0.3% q-o-q and 18.1% y-o-y to stand at PHP309.3 billion at end-August. Treasury bonds expanded 4.6% q-o-q and 14.1% y-o-y to reach PHP3.3 trillion. Meanwhile, fixed-income instruments issued by government-controlled companies registered a decline of 8.8% y-o-y to PHP113.5 billion at the end of 3Q13. In terms of issuance in 3Q13, PHP210 billion worth of treasury bonds and PHP130 billion of treasury bills were sold. More specifically, the Bureau of the Treasury sold PHP100 billion worth of 10-year Retail Treasury Bonds (RTBs) in August.

Growth in the Indonesian government bond market in 3Q13 was driven by central government bonds, consisting of treasury bills and bonds, which grew 6.1% q-o-q. The stock of central bank bills, or *Sertifikat Bank Indonesia* (SBI), fell 20.8% q-o-q to IDR68.6 trillion (US\$6 billion) at the end of 3Q13.

The stock of Indonesian central government bonds climbed 6.1% q-o-q to IDR942.9 trillion at end-September. Conventional fixed-rate bonds, which account for the bulk of the central government bond stock, continued to drive growth, rising 6.8% q-o-q, while short-term instruments such as treasury bills, or *Surat Perbendaharaan Negara* (SPN), and Islamic treasury bills also contributed to growth, albeit from a low base. In 3Q13, new issuance of treasury bills and treasury bonds rose 64.0% q-o-q on the back of six auctions of conventional bonds and five auctions of *sukuk* (Islamic bonds). The high demand for treasuries was reflected in bids reaching IDR173.5 trillion in 3Q13 for an initial issuance target of IDR54 trillion.

The PRC had the third most rapidly growing government bond sector in 3Q13 with growth of 2.7% q-o-q, followed by the Republic of Korea at 1.3%. The PRC's government bond sector grew considerably more rapidly than it did in 2Q13 due to a 5.4% q-o-q increase in treasury bonds outstanding (defined to include savings bonds and local government bonds), while policy bank bonds

grew 3.1% for the second consecutive quarter. At the end of 2Q13, the amounts of PRC treasury bonds and policy bank bonds outstanding were almost identical at CNY8.4 trillion (US\$1.4 trillion), but treasury bonds rose to CNY8.9 trillion at the end of 3Q13, while policy bank bonds rose to CNY8.7 trillion. The PRC's stock of central bank bonds, on the other hand, fell 30.3% q-o-q as the People's Bank of China (PBOC) sharply reduced its issuance of bonds and did not issue any bills in 3Q13.

The government bond market in the Republic of Korea grew a modest 1.3% q-o-q in 3Q13. The largest component of the government sector in the Republic of Korea is central government bonds (68.9% of total government bonds at end-September), which amounted to KRW444.6 trillion (US\$414 billion) and grew 1.3% q-o-q in 3Q13. The most rapidly growing segment of the government bond sector consisted of the industrial finance debentures issued by the Korean Development Bank, which grew 9.3% q-o-q, yet only amounted to KRW35.9 trillion at the end of 3Q13. The rapid growth of industrial finance debentures, however, offset the 0.3% q-o-q decline in the much larger stock of central bank bonds to KRW164.9 trillion, leading the overall government bond sector to grow at the same 1.3% q-o-q rate as that of central government bonds.

The other government bond markets in the region experienced little or no growth in 3Q13. The government bond markets of both Malaysia and Hong Kong, China, grew only 0.5% q-o-q in 3Q13, the government bond markets of Singapore, Thailand, and Viet Nam shrunk—by small amounts in the cases of Singapore and Thailand—and by 8.7% q-o-q in Viet Nam.

**The LCY corporate bond market in emerging East Asia grew 2.9% q-o-q in 3Q13, significantly less than the 8.0% growth rate recorded in 2Q13, to reach US\$2.7 trillion.**

Indonesia's corporate bond market expanded 4.6% q-o-q to become the most rapidly growing

corporate bond market in emerging East Asia in 3Q13, despite its small size of only US\$19 billion. This growth was driven by 4.9% growth in conventional corporate bonds and 6.9% growth among subordinated bonds. The dominant issuer class for both types of bonds was banks and other financial institutions.

The largest stocks of corporate bonds outstanding at the end of 3Q13 were those of state power firm PLN, with bonds outstanding of IDR15.2 trillion, and two of Indonesia's most important financial institutions—Indonesia Eximbank with bonds outstanding of IDR12.6 trillion and Astra Sedaya Finance—with bonds outstanding of IDR10.6 trillion. The next most rapidly growing corporate bond markets on a q-o-q basis were the PRC (3.9%) and Malaysia (3.8%).

The PRC's corporate bond market remained the largest in region at US\$1.3 trillion at the end of 3Q13, compared with a size of only US\$19 billion for Indonesia. Even Malaysia's corporate bond market at US\$129 billion greatly outstrips Indonesia in size. The largest sectors of the PRC corporate bond market at the end of 3Q13 were medium-term notes (MTNs) at CNY3.7 trillion and local corporate bonds at CNY1.6 trillion. MTNs grew 5.6% q-o-q in 3Q13, followed by local corporate bonds at 2.9%. Commercial bank bonds fell 2.2% q-o-q, even though they rose 17.5% y-o-y. The outstanding bonds of state-owned enterprises (SOEs) fell on both a q-o-q (−0.9%) and y-o-y basis (−34.7%) as PRC government support for SOEs has declined since the change in national political leadership in March. The financial conditions of local governments have also come under greater public scrutiny of late. The central government has promised to issue an update of its 2010 review of the financial conditions of local governments sometime in the coming months, with particular attention being paid to corporate entities owned by local governments.

Malaysia's LCY corporate bonds outstanding reached MYR421.6 billion (US\$129 billion) at end-September, rising 3.8% q-o-q and 9.1% y-o-y.

The share between *sukuk* and conventional bonds remained constant, with *sukuk* accounting for 67% of the total and conventional bonds comprising 33%. The largest corporate LCY issuer in 3Q13 was Kapar Energy Ventures with issuance of Islamic MTNs totaling MYR2 billion. SOEs such as Cagamas and Prasarana were the next largest issuers in 3Q13, with issuances of MYR1.2 billion and MYR1 billion, respectively. Public Bank issued the single largest note in 3Q13 amounting to MYR1 billion. The subordinated MTN is the first tranche of Public Bank's MYR10 billion bond issue under its Basel III-compliant Tier 2 program. The bonds have a tenor of 10 years (5-year non-callable) and carry a coupon of 4.8%.

Malaysia's corporate bond sector was followed by that of the Republic of Korea, which grew 2.2% y-o-y. The outstanding size of LCY corporate bonds in the Republic of Korea stood at KRW1,035 trillion (US\$963 billion) at end-September. Private sector corporate bonds, which occupied 46% of the corporate bond market, grew 1.6% q-o-q and 16.0% y-o-y; special public bonds, which accounted for 33% of total corporate bonds outstanding, increased 2.8% q-o-q and 13.0% y-o-y; and financial debentures (excluding KDB bonds), which comprised 21% of the corporate bond market, were up 2.6% q-o-q and 5.3% y-o-y.

The region's remaining corporate bond markets experienced little or no q-o-q growth in 3Q13. The corporate bond markets of Hong Kong, China and Thailand grew 1.3% each, and the Philippine corporate bond market grew 0.6%, while the corporate bond markets of Singapore and Viet Nam shrank. The Singapore market declined 1.3% q-o-q due to a sharp reduction in issuance from large government-linked companies and private sector blue chips. However, a number of mid-sized companies have come to market this year, offering much more attractive yields to investors, mostly in the form of private banking clients.

## CNH Market Trends

Market appetite for CNH bonds was stable in 3Q13.<sup>6</sup> Total issuance in 3Q13 was CNH51 billion (US\$8.3 billion) versus CNH56 billion in 2Q13 and CNH42 billion in 3Q12. Certificates of deposit again comprised the bulk of issuances (CNH44 billion) in 3Q13 and exceeded 2Q13's level (CNH27 billion). However, issuances from corporates have declined, with issuances from non-banks falling to only CNH3 billion in 3Q13 from CNH14 billion in 2Q13.

As a result of the issuances, outstanding CNH bonds reached CNH371 billion (US\$61 billion) in 3Q13 from CNH350 billion in 2Q13.

The ongoing liberalization of the PRC's financial markets is offering alternatives to CNH investments. In addition to the Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) programs, a free trade zone in Shanghai has recently been established. While relatively new, there are expectations that the free trade zone will allow some capital account liberalization and provide another alternative to the CNH bond market.

## Ratio of Bonds Outstanding to GDP

**The ratio of LCY bonds outstanding to GDP in emerging East Asia rose slightly to 55.6% in 3Q13 from 55.1% in 2Q13.**

The ratio of LCY bonds outstanding to gross domestic product (GDP) in emerging East Asia rose slightly to 55.6% in 3Q13 from 55.1% in 2Q13 (**Table 2**). This rise was driven by a rise in the ratio of corporate bonds to GDP to 21.1% from 20.6% in 2Q13, while the ratio of government bonds to GDP remained unchanged at 34.5% of GDP. The ratio of total bonds to GDP rose in five markets in the region—the PRC; Hong Kong, China; the Republic of Korea; the Philippines; and Singapore—and fell in four markets—Indonesia, Malaysia, Thailand, and Viet Nam. The largest ratios of total LCY

<sup>6</sup> CNH bonds are renminbi-denominated bonds issued in Hong Kong, China.



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

	2Q12	1Q13	2Q13
<b>China, People's Rep. of</b>			
<b>Total</b>	45.7	47.5	47.8
Government	33.9	32.7	32.8
Corporate	11.7	14.7	14.9
<b>Hong Kong, China</b>			
<b>Total</b>	68.1	71.5	72.1
Government	36.0	40.0	40.2
Corporate	32.1	31.5	31.9
<b>Indonesia</b>			
<b>Total</b>	13.1	13.8	12.6
Government	10.9	11.4	10.4
Corporate	2.1	2.4	2.2
<b>Korea, Rep. of</b>			
<b>Total</b>	120.1	120.3	130.2
Government	47.6	46.5	50.0
Corporate	72.5	73.9	80.2
<b>Malaysia</b>			
<b>Total</b>	105.2	105.3	103.9
Government	63.4	62.2	60.6
Corporate	41.8	43.0	43.3
<b>Philippines</b>			
<b>Total</b>	36.8	37.4	38.5
Government	31.8	32.5	33.6
Corporate	5.0	4.9	4.9
<b>Singapore</b>			
<b>Total</b>	80.5	86.4	86.7
Government	49.8	53.4	53.8
Corporate	30.6	33.0	32.9
<b>Thailand</b>			
<b>Total</b>	75.3	75.8	75.5
Government	60.1	59.8	59.4
Corporate	15.2	16.0	16.1
<b>Viet Nam</b>			
<b>Total</b>	15.9	14.8	9.4
Government	14.7	14.4	9.1
Corporate	1.2	0.4	0.3
<b>Emerging East Asia</b>			
<b>Total</b>	53.9	55.1	55.6
Government	35.3	34.5	34.5
Corporate	18.6	20.6	21.1
<b>Japan</b>			
<b>Total</b>	210.4	217.1	222.3
Government	192.3	199.5	204.6
Corporate	18.1	17.5	17.7

GDP = gross domestic product, LCY = local currency.

Notes:

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

bonds outstanding to GDP at the end of 3Q13 were in the Republic of Korea (130.2%) and Malaysia (103.9%).

## Issuance

**LCY bond issuance in 3Q13 totaled US\$843 billion, a marginal 0.9% q-o-q increase that reflected sharp decreases in issuance by central banks and the corporate sector.**

LCY bond issuance in 3Q13 totaled US\$843 billion, a marginal increase on both a q-o-q (0.9%) and y-o-y (1.4%) basis (**Table 3**). The 0.9% q-o-q increase in total issuance reflected a 6.6% increase in issuance by treasuries and other government agencies, as well as a 2.1% decrease in issuance by central banks and monetary authorities and a 0.6% decrease in corporate issuance. In nominal terms, the largest component of bond market issuance in 3Q13 remained that of central banks and monetary authorities at US\$394 billion, which accounted for 46.8% of the total.

Central bank issuance was driven by US\$162 billion worth of Hong Kong Monetary Authority (HKMA) Exchange Fund Notes (EFNs) and Exchange Fund Bills (EFBs), followed by US\$61 billion of bills from the Monetary Authority of Singapore (MAS). HKMA's EFBs and EFNs accounted for 41.2% of total issuance by central banks and monetary authorities, while issuance of MAS bills accounted for 15.4%. HKMA's issuance of EFBs and EFNs, however, declined 22.9% from 2Q13, while issuance of MAS bills rose 6.1%. Issuance by the PBOC rose to US\$65 billion in 3Q13 from US\$19 billion in 2Q13 and zero in 3Q12. The PBOC had ceased issuing short-term bills in 2011, and only resumed issuance during the SHIBOR crisis in June to rollover its short-term bills that were maturing at various commercial banks. The PBOC's issuance in 3Q13 consisted exclusively of 3-year notes, and its stock of short-term bills has returned to zero. Meanwhile, the central banks of Thailand, the Republic of Korea, and Malaysia issued amounts of US\$46 billion, US\$39 billion, and US\$17 billion, respectively, in 3Q13.

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

	3Q12		2Q13		3Q13		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	3Q13		3Q13	
							q-o-q	y-o-y	q-o-q	y-o-y
China, People’s Rep. of (PRC)										
Total	277	100.0	240	100.0	328	100.0	36.2	15.6	36.5	18.7
Government	191	69.2	194	80.9	264	80.4	35.3	34.3	35.7	37.9
Central Bank	0	0.0	19	7.7	65	19.9	251.6	–	252.5	–
Treasury and Other Govt.	191	69.2	176	73.1	198	60.4	12.5	1.0	12.8	3.7
Corporate	85	30.8	46	19.1	64	19.6	39.7	(26.5)	40.0	(24.5)
Hong Kong, China										
Total	167	100.0	220	100.0	172	100.0	(22.0)	2.7	(22.0)	2.7
Government	159	94.8	212	96.1	163	95.0	(22.9)	2.9	(22.9)	2.9
Central Bank	157	93.7	210	95.3	162	94.4	(22.7)	3.5	(22.7)	3.5
Treasury and Other Govt.	2	1.1	2	0.8	1	0.5	(46.2)	(51.7)	(46.2)	(51.7)
Corporate	9	5.2	9	3.9	9	5.0	0.0	0.1	0.0	0.1
Indonesia										
Total	8	100.0	9	100.0	10	100.0	27.6	37.5	11.9	15.6
Government	7	87.6	7	77.2	9	89.2	47.3	40.0	29.2	17.7
Central Bank	3	36.9	2	22.2	2	18.5	5.9	(31.2)	(7.2)	(42.1)
Treasury and Other Govt.	4	50.7	5	55.0	7	70.7	64.0	91.7	43.9	61.2
Corporate	1	12.4	2	22.8	1	10.8	(39.4)	19.5	(46.8)	0.5
Korea, Rep. of										
Total	144	100.0	146	100.0	145	100.0	(6.5)	(2.4)	(0.7)	1.0
Government	57	39.6	67	45.6	69	47.7	(2.3)	17.7	3.9	21.7
Central Bank	35	24.4	39	26.7	39	26.6	(6.9)	6.8	(1.0)	10.4
Treasury and Other Govt.	22	15.2	28	18.8	31	21.0	4.3	35.1	10.8	39.8
Corporate	87	60.4	80	54.4	76	52.3	(10.1)	(15.5)	(4.5)	(12.6)
Malaysia										
Total	60	100.0	39	100.0	33	100.0	(12.6)	(41.8)	(15.3)	(45.4)
Government	46	77.3	32	83.0	26	80.2	(15.7)	(39.7)	(18.2)	(43.4)
Central Bank	37	61.3	24	61.7	17	51.0	(27.8)	(51.6)	(30.0)	(54.6)
Treasury and Other Govt.	10	16.0	8	21.4	10	29.2	19.2	5.9	15.6	(0.6)
Corporate	14	22.7	7	17.0	6	19.8	2.2	(49.0)	(0.9)	(52.2)
Philippines										
Total	6	100.0	3	100.0	9	100.0	175.9	59.2	173.7	52.9
Government	5	88.3	3	89.6	8	91.4	181.3	64.8	179.1	58.3
Central Bank	0	0.0	0	0.0	0	0.0	–	–	–	–
Treasury and Other Govt.	5	88.3	3	89.6	8	91.4	181.3	64.8	179.1	58.3
Corporate	1	11.7	0	10.4	1	8.6	128.6	16.7	126.8	12.1
Singapore										
Total	86	100.0	88	100.0	80	100.0	(10.0)	(4.7)	(9.2)	(6.9)
Government	78	90.5	85	96.6	77	95.8	(10.8)	0.9	(9.9)	(1.3)
Central Bank	32	36.8	56	64.1	61	75.6	6.1	95.9	7.2	91.4
Treasury and Other Govt.	46	53.7	29	32.5	16	20.2	(44.1)	(64.1)	(43.5)	(64.9)
Corporate	8	9.5	3	3.4	3	4.2	10.7	(58.4)	11.8	(59.4)
Thailand										
Total	78	100.0	79	100.0	63	100.0	(19.2)	(18.0)	(19.6)	(19.1)
Government	67	86.0	57	72.7	53	83.4	(7.3)	(20.6)	(7.8)	(21.6)
Central Bank	55	69.8	51	64.6	46	73.2	(8.3)	(14.1)	(8.9)	(15.2)
Treasury and Other Govt.	13	16.2	6	8.1	6	10.1	1.3	(48.7)	0.7	(49.4)
Corporate	11	14.0	22	27.3	11	16.6	(50.8)	(2.5)	(51.1)	(3.7)

continued on next page

Table 3 continued

	3Q12		2Q13		3Q13		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	3Q13		3Q13	
							q-o-q	y-o-y	q-o-q	y-o-y
Viet Nam										
Total	1	100.0	3	100.0	3	100.0	10.6	250.5	11.1	246.7
Government	1	95.0	3	100.0	3	100.0	10.6	269.0	11.1	265.0
Central Bank	0	0.0	0	0.0	2	77.8	–	–	–	–
Treasury and Other Govt.	1	95.0	3	100.0	1	22.2	(75.4)	(18.0)	(75.3)	(18.9)
Corporate	0	5.0	0	0.0	0	0.0	–	–	–	–
Emerging East Asia (EEA)										
Total	827	100.0	827	100.0	843	100.0	0.9	1.4	1.9	1.9
Government	611	73.9	659	79.7	671	79.7	1.3	9.8	1.8	9.8
Central Bank	318	38.5	401	48.5	394	46.8	(2.1)	25.1	(1.7)	24.0
Treasury and Other Govt.	293	35.5	259	31.3	277	32.9	6.6	(6.5)	7.3	(5.5)
Corporate	216	26.1	168	20.3	171	20.3	(0.6)	(21.9)	2.2	(20.5)
EEA excl. PRC										
Total	550	100.0	587	100.0	514	100.0	(13.4)	(5.9)	(12.3)	(6.5)
Government	420	76.3	465	79.3	408	79.2	(12.9)	(1.8)	(12.4)	(3.0)
Central Bank	318	57.8	382	65.2	329	63.9	(14.4)	4.3	(14.0)	3.4
Treasury and Other Govt.	102	18.6	83	14.1	79	15.3	(5.8)	(21.3)	(4.5)	(22.7)
Corporate	130	23.7	122	20.7	107	20.8	(15.3)	(18.9)	(12.2)	(17.9)
Japan										
Total	671	100.0	546	100.0	553	100.0	0.3	3.9	1.2	(17.6)
Government	628	93.7	503	92.1	513	92.8	1.1	2.9	2.0	(18.4)
Central Bank	0	0.0	0	0.0	0	0.0	–	–	–	–
Treasury and Other Govt.	628	93.7	503	92.1	513	92.8	1.1	2.9	2.0	(18.4)
Corporate	42	6.3	43	7.9	40	7.2	(9.4)	18.2	(8.6)	(6.3)

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

Notes:

1. For Hong Kong, China, 3Q13 corporate bond issuance data carried over from 2Q13. For Japan, 3Q13 government bond issuance data based on *AsianBondsOnline* estimates. For Thailand, 3Q13 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-September 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).

Issuance by treasuries and central government agencies rose 6.6% q-o-q to US\$277 billion in 3Q13, accounting for 32.9% of total issuance in the region. The largest q-o-q increases in issuance of treasuries and other central government bonds came from the Philippines (181.3%), Indonesia (64.0%), and Malaysia (19.2%). However, these issuances were in amounts of US\$10 billion or less, and thus relatively small compared with the US\$198 billion of treasuries and policy bank bonds issued in the PRC, or even the US\$31 billion of government bonds issued in the Republic of Korea. Issuance of treasuries and other government sector bonds rose 12.5% q-o-q in the PRC and 4.3% in the Republic of Korea.

Issuance of government sector bonds in other markets was either flat or sharply negative on a q-o-q basis. Issuance for government sector bonds rose only 1.3% in Thailand on a q-o-q basis, but fell sharply in Singapore (44.1%); Viet Nam (75.4%); and Hong Kong, China (46.2%). The unusually sharp decline in issuance in Viet Nam during 3Q13 reflected very high market interest rates of 8.0% or more, and a pattern of sharply reduced acceptance of market bids in Viet Nam's government bond auctions. Issuance of central government bonds had risen sharply in late 2012 and 1Q13. Issuance of Thai government bonds also fell sharply on a y-o-y basis in 3Q13, but this represented a return to a more normal issuance



pattern after large increases in government bond issuance in 2012 that provided financing for the government's rehabilitation program following the severe flooding that occurred in late 2011.

Corporate issuance in emerging East Asia amounted to US\$171 billion in 3Q13, or 20.3% of total issuance during the quarter. Corporate issuance declined 0.6% on a q-o-q basis in 3Q13 and by a much larger 21.9% on a y-o-y basis. The largest amount of corporate issuance in 3Q13 was US\$76 billion in the Republic of Korea, although this actually represented a 10.1% q-o-q and 15.5% y-o-y decline. The next largest amount of corporate issuance—US\$64 billion—came from the PRC, representing a 39.7% increase on a q-o-q basis, but a 26.5% decline on a y-o-y basis.

The third largest amount of corporate issuance in the region during 3Q13 came from Thailand at US\$11 billion, representing a 50.8% decline on a q-o-q basis and a 2.5% decline on a y-o-y basis. The fourth largest amount of corporate issuance came from Hong Kong, China at US\$9 billion, an amount that was virtually identical to issuance amounts in both 2Q13 and 3Q12. The fifth largest corporate issuer was Malaysia, where corporate issuance rose 2.2% on a q-o-q basis to US\$6 billion, but fell 49.0% on a y-o-y basis. Corporate issuance in the remaining markets in 3Q13 ranged between US\$1 billion and US\$3 billion.

Singapore's US\$3 billion of corporate issuance in 3Q13 demonstrated a good deal of diversity in issuers and product types. Almost US\$2 billion of Singapore's corporate bond issuance consisted of SGD1.97 billion of bonds issued by the Housing and Development Bank—with yields of 1.17% for a 3-year maturity and 3.37% for a 5-year maturity—and a SGD850 million perpetual bond issued by United Overseas Bank. The remaining US\$1 billion or so consisted of much smaller bonds issued by mid-sized companies with coupons of between 3.9% and 6.5%, providing a meaningful higher-yield segment to the Singapore corporate bond market.

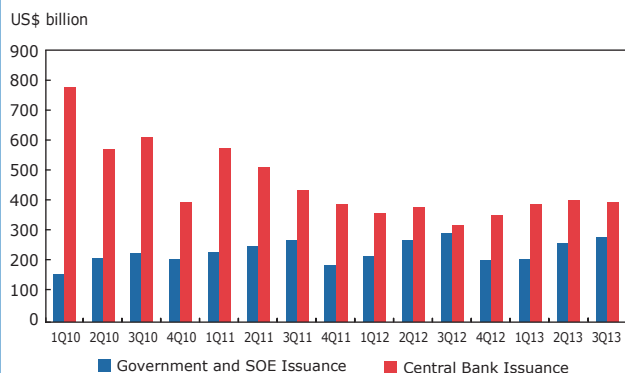
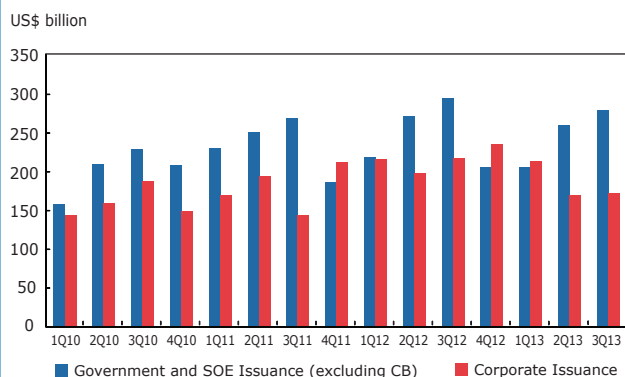
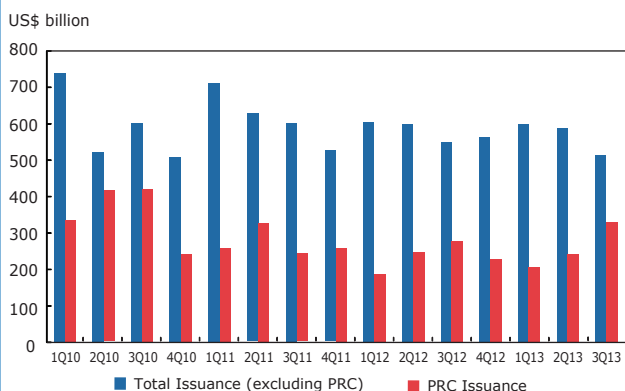
These trends are summarized in **Figures 2a, 2b, and 2c**, which detail issuance in recent years in the region's government, corporate, and overall bond markets, as well as total LCY bond issuance in the PRC.

## Bills-to-Bonds Ratios

### The ratio of bills to bonds issued by governments fell in five out of the nine markets of emerging East Asia in 3Q13.

The ratio of bills to bonds issued by governments, central banks, and monetary authorities rose in Singapore and Viet Nam, remained unchanged in Indonesia and Thailand, and fell in the remaining five markets of the region in 3Q13 (**Figure 3a**). The ratio of bills to bonds rose in Singapore because of the continued rapid growth of bills issued by MAS (**Figure 3b**), even as the stock of bills issued on behalf of the Singapore Government declined. This resulted in the total ratio of bills to bonds for Singapore rising to 1.24 in 3Q13 from 1.17 in 2Q13. In Viet Nam, the stock of both treasury bills and central bank bills remained relatively stable between 2Q13 and 3Q13, but the stock of treasury bonds fell, resulting in a modest rise in the ratio of bills (both central and government) to treasury bonds.

In Indonesia, the stock of treasury bills nearly doubled between 2Q13 and 3Q13, albeit from a small base of only US\$2 billion, which nevertheless offset a US\$3 billion decline in SBI and resulted in the ratio of total bills to bonds remaining unchanged at 0.13 in 3Q13 (**Table 4**). The stock of treasury bills in Thailand rose from zero to US\$3 billion between 2Q13 and 3Q13, while the stock of central bank bills fell by US\$4 billion, resulting in the total ratio of bills to bonds remaining unchanged at 0.32 in 3Q13. In the remaining markets, a combination of falling stocks of central bank and treasury bills and rising stocks of bonds resulted in declines in the ratio of bills to bonds. In Malaysia, the decline in the stock of central bank bill was especially pronounced, reflecting greatly reduced need for

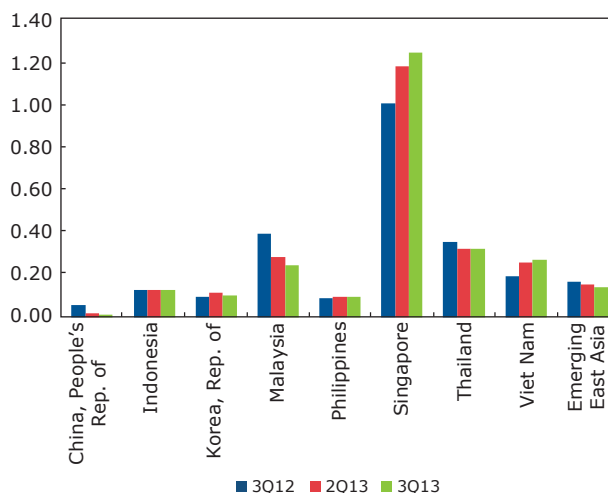
**Figure 2a: Government (including SOE) and Central Bank Bond Issuance****Figure 2b: Government (including SOE) and Corporate Bond Issuance****Figure 2c: Total LCY Bond Issuance**

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

**Notes:**

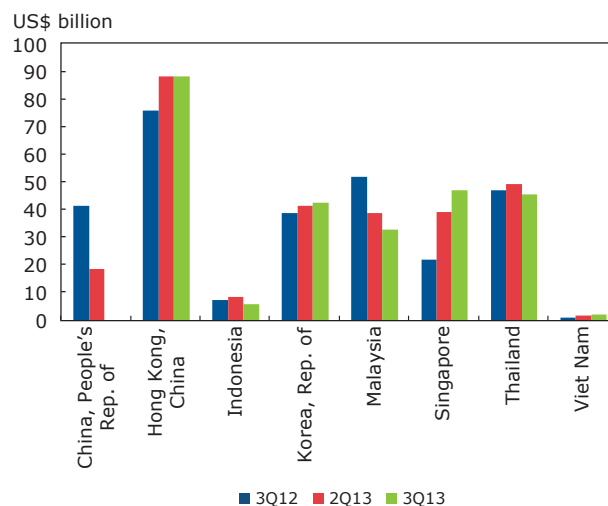
- Includes data for the People's Republic of China; Hong Kong, China; Indonesia; Republic of Korea; Malaysia; Philippines; Singapore; Thailand; and Viet Nam.
- Bonds issued by state-owned entities are categorized as government bonds for the Philippines, Thailand, and Viet Nam.
- For the PRC, government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

Source: *AsianBondsOnline*.

**Figure 3a: Total Bills-to-Bonds Ratios****Notes:**

- Total bills comprise central bank bills plus treasury bills. Bonds comprise long-term bonds (more than 1 year in maturity) issued by central governments and central banks.
- Hong Kong, China is not included in the chart due to its much higher bills-to-bonds ratio.
- Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

Source: *AsianBondsOnline*.

**Figure 3b: Central Bank Bills Outstanding****Notes:**

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

Source: *AsianBondsOnline*.

Table 4: Government Bills-to-Bonds Ratios in LCY Bond Markets

	3Q12		2Q13		3Q13		Government Bills-to-Bonds Ratio			Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share				3Q13		3Q13	
							3Q12	2Q13	3Q13	q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of (PRC)													
Total	1,354	100.0	1,338	100.0	1,333	100.0				(0.6)	(4.1)	(0.4)	(1.5)
Total Bills	69	5.1	23	1.7	13	1.0	0.05	0.02	0.01	(41.4)	(81.1)	(41.3)	(80.6)
Treasury Bills	28	2.1	4	0.3	13	1.0	0.03	0.00	0.01	215.3	(53.4)	216.2	(52.1)
Central Bank Bills	41	3.0	19	1.4	0	0.0	0.19	0.16	0.00	-	(100.0)	-	(100.0)
Total Bonds	1,285	94.9	1,315	98.3	1,320	99.0				0.1	0.1	0.4	2.8
Treasury Bonds	1,072	79.2	1,202	89.8	1,228	92.1				1.9	11.6	2.1	14.6
Central Bank Bonds	213	15.7	113	8.5	92	6.9				(18.9)	(57.9)	(18.7)	(56.7)
Hong Kong, China													
Total	93	100.0	107	100.0	108	100.0				0.5	16.2	0.5	16.2
Total Bills	76	81.5	88	81.8	88	81.4	4.42	4.49	4.39	0.1	16.0	0.1	16.0
Treasury Bills	0	0.0	0	0.0	0	0.0	-	-	-	-	-	-	-
Central Bank Bills	76	81.5	88	81.8	88	81.4	8.52	9.97	9.97	0.1	16.0	0.1	16.0
Total Bonds	17	18.5	20	18.2	20	18.6				2.3	16.8	2.3	16.8
Treasury Bonds	8	8.9	11	10.0	11	10.4				4.2	35.9	4.2	35.9
Central Bank Bonds	9	9.6	9	8.2	9	8.2				0.0	(0.9)	0.01	(0.9)
Indonesia													
Total	92	100.0	97	100.0	89	100.0				3.7	14.5	(9.0)	(3.7)
Total Bills	10	11.3	11	11.3	10	11.1	0.13	0.13	0.13	2.2	13.0	(10.4)	(5.0)
Treasury Bills	3	3.3	2	2.4	4	4.4	0.04	0.03	0.05	85.5	51.7	62.7	27.5
Central Bank Bills	7	8.0	9	8.9	6	6.8	-	-	-	(20.8)	(3.0)	(30.5)	(18.4)
Total Bonds	82	88.7	86	88.7	79	88.9				3.9	14.7	(8.8)	(3.6)
Treasury Bonds	82	88.7	86	88.7	79	88.9				3.9	14.7	(8.8)	(3.6)
Central Bank Bonds	0	0.0	0	0.0	0	0.0				-	-	-	-
Korea, Rep. of													
Total	497	100.0	516	100.0	551	100.0				0.4	7.2	6.7	10.9
Total Bills	43	8.6	52	10.0	49	9.0	0.09	0.11	0.10	(10.3)	11.9	(4.6)	15.7
Treasury Bills	4	0.8	11	2.0	7	1.2	0.01	0.03	0.02	(40.2)	60.1	(36.4)	65.6
Central Bank Bills	39	7.8	41	8.0	43	7.7	0.37	0.40	0.38	(2.6)	6.8	3.5	10.5
Total Bonds	454	91.4	464	90.0	502	91.0				1.6	6.8	8.0	10.4
Treasury Bonds	350	70.5	362	70.1	388	70.4				0.9	7.2	7.3	10.8
Central Bank Bonds	104	21.0	103	19.9	114	20.6				4.0	5.5	10.6	9.1
Malaysia													
Total	191	100.0	184	100.0	176	100.0				(1.1)	(1.5)	(4.1)	(7.6)
Total Bills	53	28.0	40	21.8	34	19.4	0.39	0.28	0.24	(12.1)	(31.7)	(14.8)	(35.9)
Treasury Bills	1	0.7	1	0.7	1	0.8	0.01	0.01	0.01	0.0	0.0	(3.0)	(6.2)
Central Bank Bills	52	27.3	39	21.1	33	18.7	-	-	-	(12.5)	(32.6)	(15.2)	(36.7)
Total Bonds	137	72.0	144	78.2	142	80.6				1.9	10.2	(1.2)	3.5
Treasury Bonds	137	72.0	144	78.2	142	80.6				1.9	10.2	(1.2)	3.5
Central Bank Bonds	0	0.0	0	0.0	0	0.0				-	-	-	-
Philippines													
Total	76	100.0	81	100.0	83	100.0				4.2	14.5	3.4	9.9
Total Bills	6	8.3	7	8.9	7	8.5	0.09	0.10	0.09	0.3	18.1	(0.4)	13.4
Treasury Bills	6	8.3	7	8.9	7	8.5	0.09	0.10	0.09	0.3	18.1	(0.4)	13.4
Central Bank Bills	0	0.0	0	0.0	0	0.0	-	-	-	-	-	-	-
Total Bonds	69	91.7	73	91.1	76	91.5				4.6	14.1	3.7	9.6
Treasury Bonds	69	91.7	73	91.1	76	91.5				4.6	14.1	3.7	9.6
Central Bank Bonds	0	0.0	0	0.0	0	0.0				-	-	-	-

continued on next page

Table 4 continued

	3Q12		2Q13		3Q13		Government Bills-to-Bonds Ratio			Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Government Bills-to-Bonds Ratio			3Q13		3Q13	
							3Q12	2Q13	3Q13	q-o-q	y-o-y	q-o-q	y-o-y
Singapore													
Total	139	100.0	148	100.0	149	100.0				(0.3)	9.4	0.7	7.0
Total Bills	70	50.1	80	54.0	82	55.3	1.00	1.17	1.24	2.2	20.9	3.2	18.2
Treasury Bills	48	34.3	41	27.5	35	23.8	0.69	0.60	0.53	(14.0)	(24.2)	(13.1)	(25.9)
Central Bank Bills	22	15.7	39	26.5	47	31.6	-	-	-	19.0	119.3	20.1	114.4
Total Bonds	69	49.9	68	46.0	66	44.7				(3.1)	(2.1)	(2.2)	(4.3)
Treasury Bonds	69	49.9	68	46.0	66	44.7				(3.1)	(2.1)	(2.2)	(4.3)
Central Bank Bonds	0	0.0	0	0.0	0	0.0				-	-	-	-
Thailand													
Total	192	100.0	204	100.0	201	100.0				(0.6)	6.3	(1.2)	4.9
Total Bills	50	26.2	49	24.2	49	24.2	0.35	0.32	0.32	(0.4)	(1.6)	(1.0)	(2.9)
Treasury Bills	3	1.7	0	0.0	3	1.6	0.04	0.00	0.03	-	-	-	-
Central Bank Bills	47	24.4	49	24.2	45	22.6	0.97	0.97	0.95	(7.1)	(1.7)	(7.7)	(3.0)
Total Bonds	142	73.8	155	75.8	153	75.8				(0.7)	9.1	(1.3)	7.6
Treasury Bonds	94	48.7	104	51.0	105	52.0				1.2	13.3	0.6	11.8
Central Bank Bonds	48	25.1	51	24.8	48	23.8				(4.5)	0.8	(5.0)	(0.5)
Viet Nam													
Total	12	100.0	17	100.0	15	100.0				(14.5)	30.5	(14.2)	29.1
Total Bills	2	16.0	4	20.2	3	21.2	0.19	0.25	0.27	(10.2)	72.7	(9.8)	70.8
Treasury Bills	0.8	6.9	1.4	8.3	1.0	6.4	0.08	0.10	0.08	(34.0)	22.5	(33.7)	21.2
Central Bank Bills	1	9.2	2	11.9	2	14.8	-	-	-	6.5	110.3	6.9	108.0
Total Bonds	10	84.0	14	79.8	12	78.8				(15.6)	22.4	(15.3)	21.1
Treasury Bonds	10	84.0	14	79.8	12	78.8				(15.6)	22.4	(15.3)	21.1
Central Bank Bonds	0	0.0	0	0.0	0	0.0				-	-	-	-
Emerging East Asia (EEA)													
Total	2,645	100.0	2,693	100.0	2,706	100.0				(0.2)	1.6	0.5	2.3
Total Bills	379	14.3	353	13.1	336	12.4	0.17	0.15	0.14	(5.2)	(10.4)	(4.9)	(11.4)
Treasury Bills	95	3.6	68	2.5	72	2.7	0.05	0.03	0.03	5.1	(23.0)	6.2	(23.9)
Central Bank Bills	285	10.8	286	10.6	264	9.8	0.76	1.04	1.01	(7.6)	(6.2)	(7.5)	(7.3)
Total Bonds	2,266	85.7	2,339	86.9	2,370	87.6				0.6	3.6	1.3	4.6
Treasury Bonds	1,891	71.5	2,064	76.7	2,107	77.9				1.6	10.6	2.1	11.4
Central Bank Bonds	374	14.1	275	10.2	263	9.7				(6.8)	(31.4)	(4.7)	(29.8)
EEA excl. PRC													
Total	1,291	100.0	1,355	100.0	1,372	100.0				0.2	7.8	1.3	6.3
Total Bills	310	24.0	331	24.4	323	23.5	0.32	0.32	0.31	(2.7)	6.1	(2.3)	4.0
Treasury Bills	67	5.2	64	4.7	59	4.3	0.08	0.07	0.07	(8.8)	(9.6)	(7.8)	(12.0)
Central Bank Bills	244	18.9	267	19.7	264	19.3	1.51	1.65	1.55	(1.2)	10.3	(1.0)	8.4
Total Bonds	981	76.0	1,024	75.6	1,050	76.5				1.2	8.3	2.5	7.0
Treasury Bonds	820	63.5	862	63.6	879	64.1				1.1	9.3	2.0	7.3
Central Bank Bonds	161	12.5	162	12.0	170	12.4				1.3	3.8	5.1	5.7
Japan													
Total	10,208	100.0	8,326	100.0	8,545	100.0				1.7	5.5	2.6	(16.3)
Total Bills	385	3.8	303	3.6	305	3.6	0.04	0.04	0.04	0.0006	0.002	0.9	(20.7)
Treasury Bills	385	3.8	303	3.6	305	3.6	0.04	0.04	0.04	0.0006	0.002	0.9	(20.7)
Central Bank Bills	0	0.0	0	0.0	0	0.0	-	-	-	-	-	-	-
Total Bonds	9,823	96.2	8,023	96.4	8,240	96.4				1.8	5.7	2.7	(16.1)
Treasury Bonds	9,823	96.2	8,023	96.4	8,240	96.4				1.8	5.7	2.7	(16.1)
Central Bank Bonds	0	0.0	0	0.0	0	0.0				-	-	-	-

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

Notes:

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

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

3. Total figures per market refer to bills and bonds issued by the central government and the central bank. They exclude bonds issued by policy banks and state-owned enterprises.

Bills are defined as securities with original maturities of 1 year or less.

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 (Bloomberg LP); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury); Singapore (Monetary Authority of Singapore); Thailand (Bank of Thailand and Bloomberg LP); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

central banks throughout the region to issue bills for sterilization purposes, as a combination of fears—that the US Federal Reserve will begin to tighten its highly accommodative monetary policy and that the current political environment in the US could produce at least a temporary default on US government debt—has drained funds out of emerging markets.

In the PRC, both treasury bill and PBOC bill stocks have been very small compared with the stock of treasury bonds. The ratio of total bills to bonds fell to only 0.01 at the end of 3Q13, as the PBOC wound down its stock of bills to zero. In any case, the total stock of treasury bills in the region is very tiny, amounting to only US\$72 billion at the end of 3Q13, or 2.7% of the region's LCY government bond market. The stock of central bank bills was much larger at US\$264 billion, or 9.8% of the total. Treasury bonds are the most common type of central government or central bank security in the region, amounting to US\$2.1 trillion at the end of 3Q13, or 77.9% of the total. More than half of these treasury bonds were found in the PRC, which had US\$1.2 trillion of treasury bonds outstanding at the end of 3Q13. The next two largest stocks of treasury bonds were in the Republic of Korea (US\$388 billion) and Malaysia (US\$142 billion).

The region's largest stock of central bank bills or monetary authority bills at the end of 3Q13 were those of HKMA at US\$88 billion. The next largest stocks of central bank bills or monetary authority bills were those of Singapore (US\$47 billion), Thailand (US\$45 billion), the Republic of Korea (US\$43 billion), and Malaysia (US\$33 billion). Central bank bonds of any amount at the end of 3Q13 were only found in three markets: the PRC (US\$92 billion), the Republic of Korea (US\$114 billion), and Thailand (US\$48 billion). Additionally, EFNs of the HKMA amounted to US\$9 billion at the end of 3Q13.

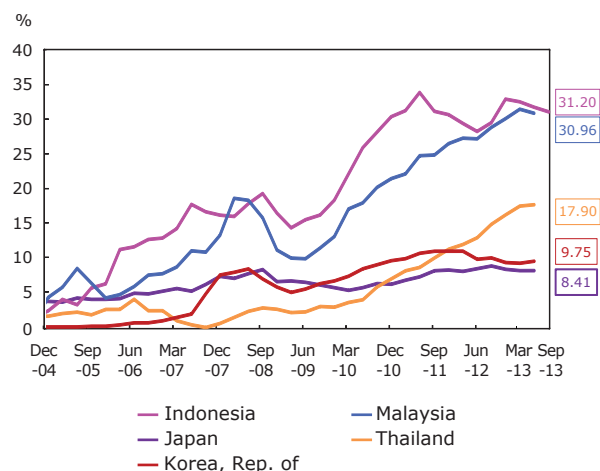
## Foreign Holdings

### The share of foreign holdings of Asian LCY government bonds has fluctuated greatly since the end of 2012.

Since end-December 2012, the share of foreign holdings of the government bonds of the Republic of Korea, Malaysia, and Thailand has increased, while the share of foreign holdings of Indonesian and Japanese government bonds has decreased (**Figure 4**). The share of foreign holdings of Indonesian bonds fell to 31.2% at the end of September 2013. However, in nominal terms, foreign holdings of Indonesian government bonds have continued to rise, reaching an all-time high of IDR294.1 trillion at the end of 3Q13.

The share of foreign holdings of Malaysian government bonds had been closely tracking trends in the Indonesian bond market—with the possibility that the share of foreign holdings of Malaysian government bonds might overtake the foreign ownership share of Indonesian bonds. However, by end-June, the share of foreign holdings of Malaysian bonds suddenly dropped to 31.0% from

**Figure 4: Foreign Holdings of LCY Government Bonds (% of total)**



LCY = local currency.

Note: Data as of end-June 2013 except for Indonesia as of end-September 2013.

Source: AsianBondsOnline.



31.6% in the previous quarter. Foreign holdings of Malaysian government bonds, however, continued to rise in nominal terms in 2Q13, reaching an all-time high at end-June of MYR140.7 billion. The overall increase of foreign holdings in recent years for Malaysian government bonds reflects not only a positive outlook for the Malaysian economy, but also a highly constructive environment for both domestic and foreign investors in Malaysia's LCY bond market.

The share of foreign holdings of Thai government bonds has proceeded to grow—albeit at a slower pace—through 2Q13, undeterred by the various issues that have clouded the global financial and economic outlook to reach 17.9% of total holdings at end-June. The foreign holdings share of Korean government bonds increased slightly from 9.5% at end-December 2012 to 9.8% at end-June. However, the foreign holdings share of the Korean government bond market at end-June (9.8%) was well below levels reached in 2011 and the middle of 2012.

## Government Bond Yield Curves

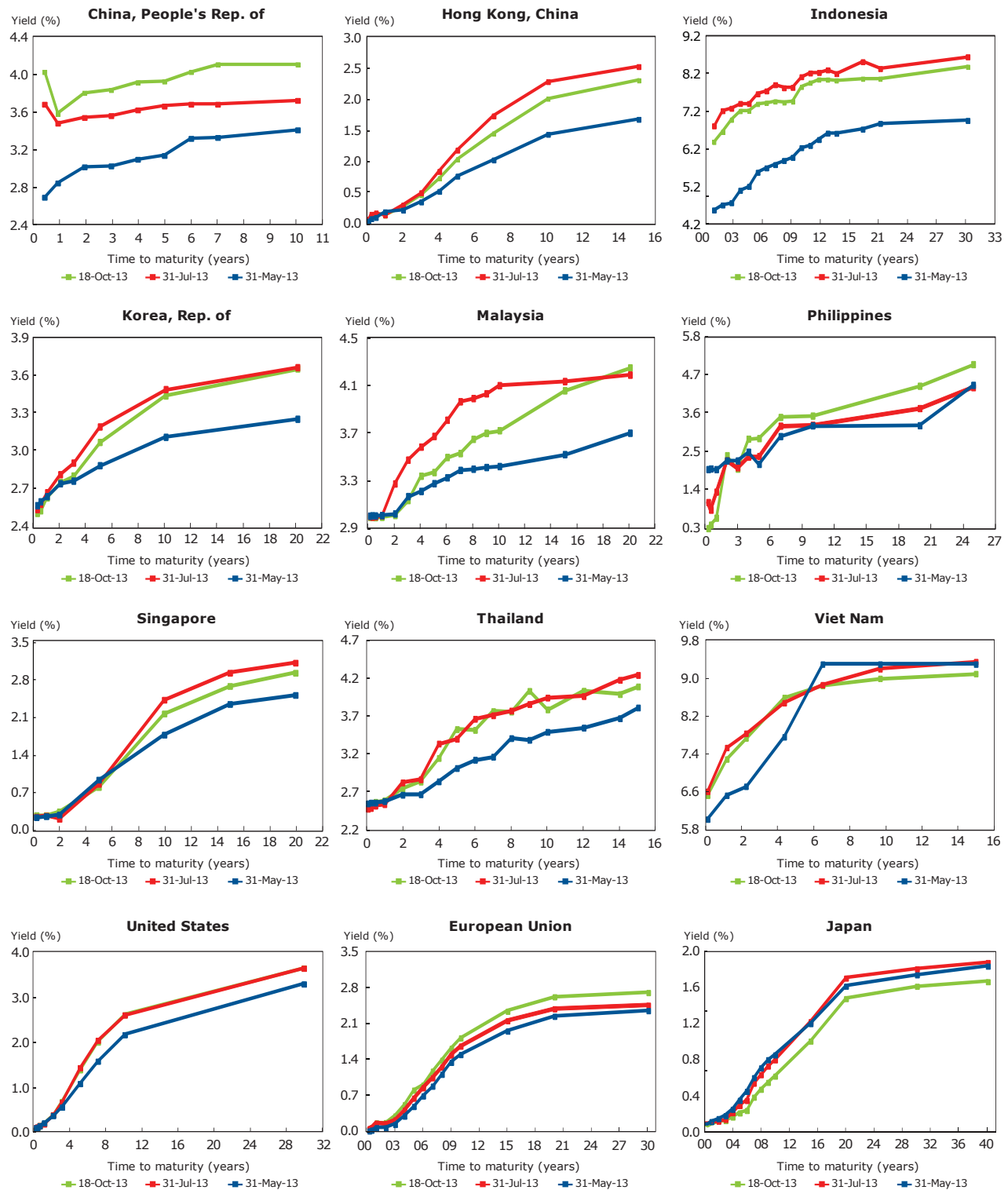
**Most government bond yield curves in emerging East Asia have shifted downward since the US Federal Reserve decided in mid-September not to taper its asset purchase program in the near-term.**

The statement of the US Federal Reserve on 19 June that it may begin to taper its bond purchase program toward the latter part of this year resulted in a dramatic steepening of yield curves between end-May and end-July in Hong Kong, China; the Republic of Korea; Malaysia; Singapore; and Thailand. In the case of Indonesia, a dramatic shift upward of the entire curve occurred over the same period (**Figure 5**). Yields on the Viet Nam curve rose for some shorter-dated maturities, but remained more or less unchanged at the longer-end of the curve. Yields on the Philippine curve fell for some maturities under 5 years, but rose slightly for longer-dated maturities.

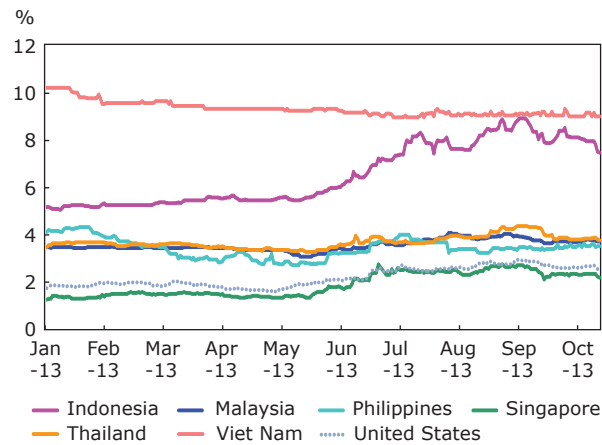
The PRC yield curve, however, shifted dramatically upward between end-May and end-July, reflecting the SHIBOR shock event in the first week of June when liquidity demands pushed the SHIBOR rate to 7.5% and the 7-day repo rate to 7.8%. Markets expected the PBOC to step in and provide additional liquidity but instead, for the first time since 2011, it issued central bank bills on 18 June. The PBOC issuance sent a signal to markets regarding the central bank's stance toward liquidity. As a result, the SHIBOR overnight rate rose to a high of 13.4% on 20 June and the 7-day repo rate rose to 11.2%. The PBOC released a statement on 26 June that sought to clarify its actions. The PBOC stated that the rise in money market rates was due to temporary seasonal factors and rapid loan growth, but overall liquidity in the system was sufficient. The PBOC also said that banks needed to be more prudent in their liquidity management.

The movements of yields for 10-year benchmark government bonds in the region since the beginning of the year are presented in **Figures 6a and 6b**. Figure 6a shows that yields for six members of the Association of Southeast Asian Nations (ASEAN), collectively known as ASEAN-6, were relatively stable until the 22 May statement of Federal Reserve Chairman Ben Bernanke, then rose moderately until the Federal Reserve's statement on June 19, after which they rose much more rapidly to reach individual highs in late August and early September. Philippine government 10-year bond yields, however, declined slightly on 31 July after an auction for RTBs in which the coupon was set at 3.25%. Philippine 10-year bonds had been trading at a yield of 3.7% preceding the auction, but then fell to trade in a range of between 3.38% and 3.43% in the weeks following the auction.

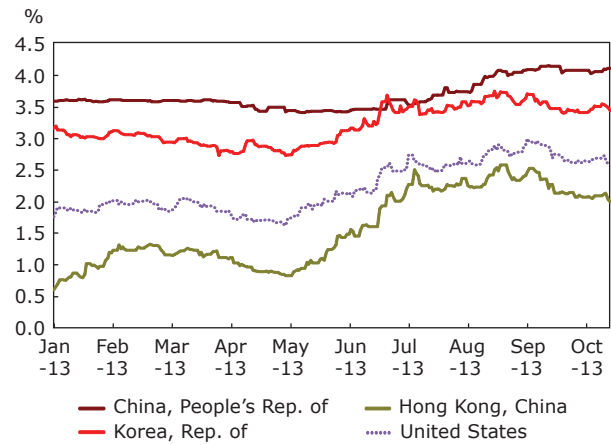
In August and early September, 10-year yields continued to rise in most other ASEAN-6 markets, until declining slightly after the US Federal Reserve's decision to continue with its quantitative easing program on 18 September, and then declined further after the US Congress reached an agreement to extend the federal government's

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

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

**Figure 6a: 10-Year LCY Bond Yields**

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

**Figure 6b: 10-Year LCY Bond Yields**

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

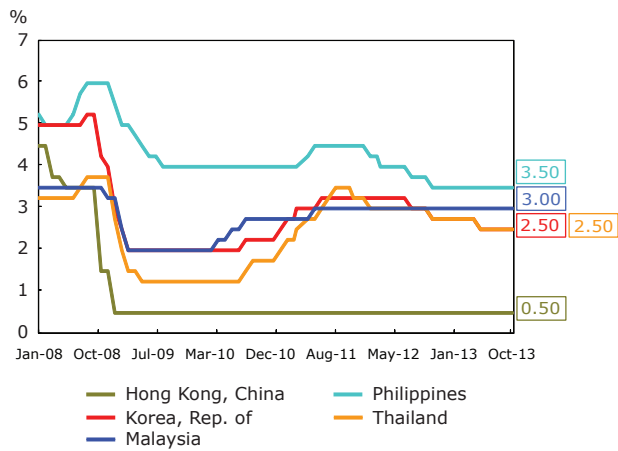
borrowing authority by raising the borrowing limit on 16 October. This agreement resulted in a shift downward in most of the yield curves in ASEAN-6 markets, except in the Philippines (Figure 5). Bangko Sentral ng Pilipinas (BSP) released a circular in late September that amended rules on the valuation of government securities held by banks and non-bank financial institutions. This led to the anticipation of negative mark-to-market valuations and induced a sell-off on the longer-end of the curve in the latter part of September.

Indonesia's 10-year yields followed an upward trend from June until early September, reflecting not only concern about the impact of financial policy developments in the US on the Indonesian bond market, but also domestic concerns, particularly the rise of inflation and a worsening current account deficit. Bank Indonesia (BI) responded with a series of policy rate hikes that began on 14 June (25 bps to 6.00%) and included hikes on 11 July (50 bps to 6.50%), 29 August (50 bps to 7.00%), and 12 September (25 bps to 7.25%). Policy rates elsewhere in the region have remained unchanged since the beginning of the year, except in the Republic of Korea and Thailand (**Figures 7a and 7b**). The Bank of Korea reduced its 7-day repurchase rate 25 bps to 2.50% on 9 May, while the Bank of Thailand lowered its 1-day

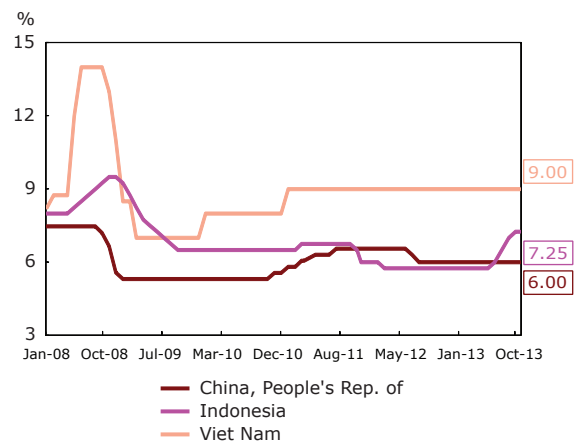
repurchase rate 25 bps to 2.50% in meetings on 28–29 May.

The main reason for the overall stability in policy rates thus far in 2013 is that inflation has generally been moderate in most markets, with the exception of Indonesia and Viet Nam, while consumer price levels have rose only slightly in the Philippines and the PRC in September (**Figures 8a and 8b**). On 8 October, the meeting of BI's Board of Governors left the benchmark rate steady at 7.25%.

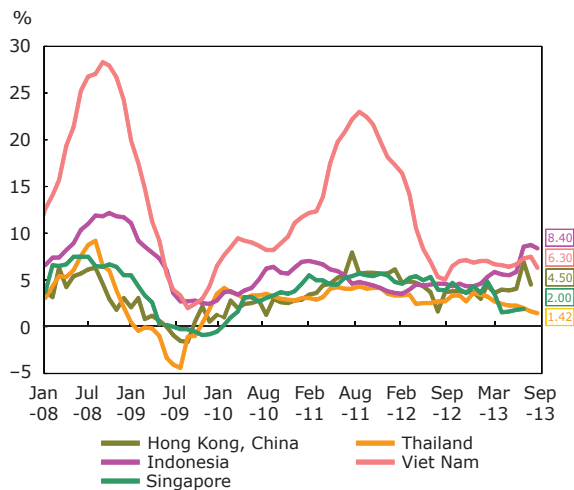
Yields on Viet Nam's 10-year government bonds, however, have not followed the trends described above. Instead, they have trended downward since the beginning of the year to 9.0% as of 18 October. These high yields have still not been sufficient to attract adequate market participation in many government bond auctions in 3Q13, resulting in the decline in Vietnamese government bond issuance described earlier. Inflation remains high in Viet Nam, although the monthly y-o-y inflation rate fell to 6.3% in September from a 15-month high of 7.5% in August. The State Bank of Vietnam (SBV) has not made any changes in its base interest rate this year, although it reduced both its discount and refinancing rates by 1% each in March and May and devalued the reference rate for the Vietnamese dong versus the US dollar by 1% in June. This had the effect of depreciating the

**Figure 7a: Policy Rates**

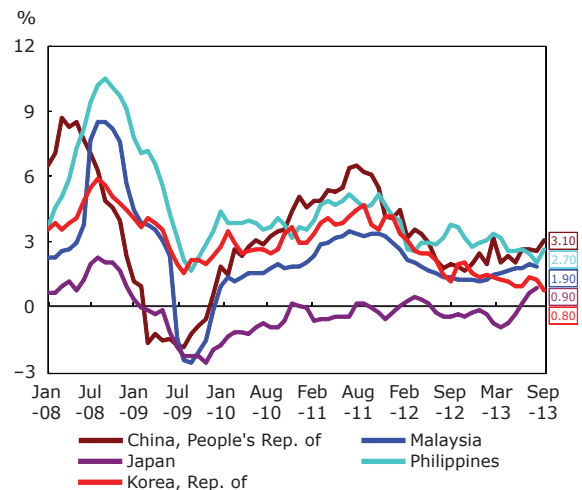
Note: Data as of 18 October 2013.  
Source: Bloomberg LP.

**Figure 7b: Policy Rates**

Notes:  
1. Data as of 18 October 2013.  
2. For Viet Nam, base interest rate was used.  
Source: Bloomberg LP.

**Figure 8a: Headline Inflation Rates**

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

**Figure 8b: Headline Inflation Rates**

Note: Data as of end-September 2013 except for Japan and Malaysia as of end-August 2013.  
Source: Bloomberg LP.

done but had little noticeable effect on Viet Nam's 10-year bonds yields. The slight fluctuations that have occurred in the downward trend of Viet Nam's 10-year yield curve seem to mostly reflect policy developments in the US and their impact on global financial markets.

The overall trends described above for most ASEAN markets—except Viet Nam—generally also apply to 10-year yields for government bonds in

the PRC; Hong Kong, China; and the Republic of Korea (Figure 6b). Yields in the PRC, however, have risen due to both regulatory factors and, more recently, money market trends. In May, the government launched a crackdown on illegal bond trading activities, causing a reduction in trading volumes. The government targeted individual traders, placing some traders under arrest. Policy measures were also taken including the removal of the interbank trading accounts of non-financial

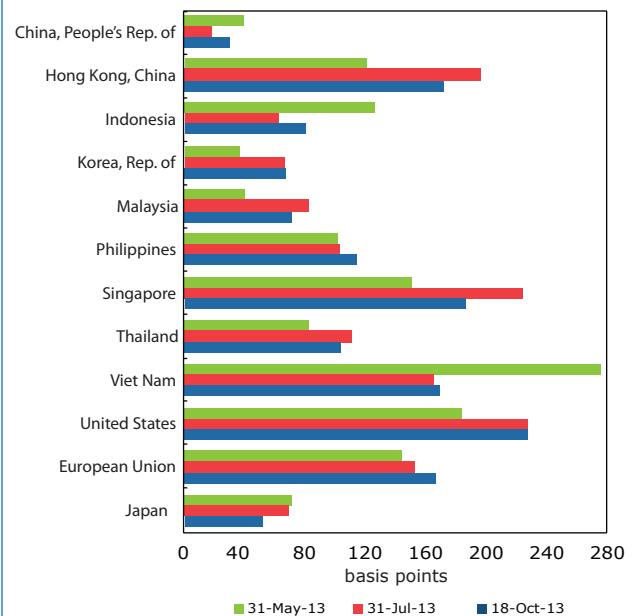
companies. The government said that some traders were guilty of skimming profits by trading with connected third parties.

More recently, the PRC experienced a sudden tightening of its money market. The PBOC suspended the selling of reverse repurchase contracts on 17 October, leading to a net withdrawal of CNY44.5 billion from the financial system in the following week. The 7-day repurchase rate rose to 5.2% on 25 October from 3.5% on 18 October. In order to help temper the rise in money market rates and calm markets, the PBOC resumed offering reverse repurchase agreements on 29 October. On 31 October, the 7-day repo rate fell to 5.0% from 5.7% on the previous day.

Yield curves have generally shifted downward since the US Federal Reserve decided in mid-September not to taper its asset purchase program in the near-term. The Thai curve, however, has shifted downward only at some select points. However, two yields curves—those of the Philippines and the PRC—continued to shift upward. This can be explained by current financial trends in the PRC and the Philippines. However, besides the change in rules for the revaluation of bond prices in the Philippines, investors in the Philippines remain concerned about the future path of US fiscal and monetary policies. The US Congress' recent extension of the federal government's borrowing authority is not a solution to the problem. It is only a postponement of an ongoing political conflict that is likely to re-emerge in late January or early February when the borrowing authority of the US Treasury has to be approved again.

The movement of yield spreads between 2- and 10-year yields between 31 July and 18 October was mixed across the region (**Figure 9**). Yield spreads rose in the PRC, Indonesia, the Republic of Korea, the Philippines, and Viet Nam, but fell in all other markets. This mixed trend primarily reflected the diverse impact of uncertainty about US Federal Reserve policy—and whether or not the US Congress would raise the federal government's borrowing limit—on the region's government bond yield curves.

**Figure 9: Yield Spreads Between 2- and 10-Year Government Bonds**



Source: Based on data from Bloomberg LP.

## Corporate Bond Credit Spreads

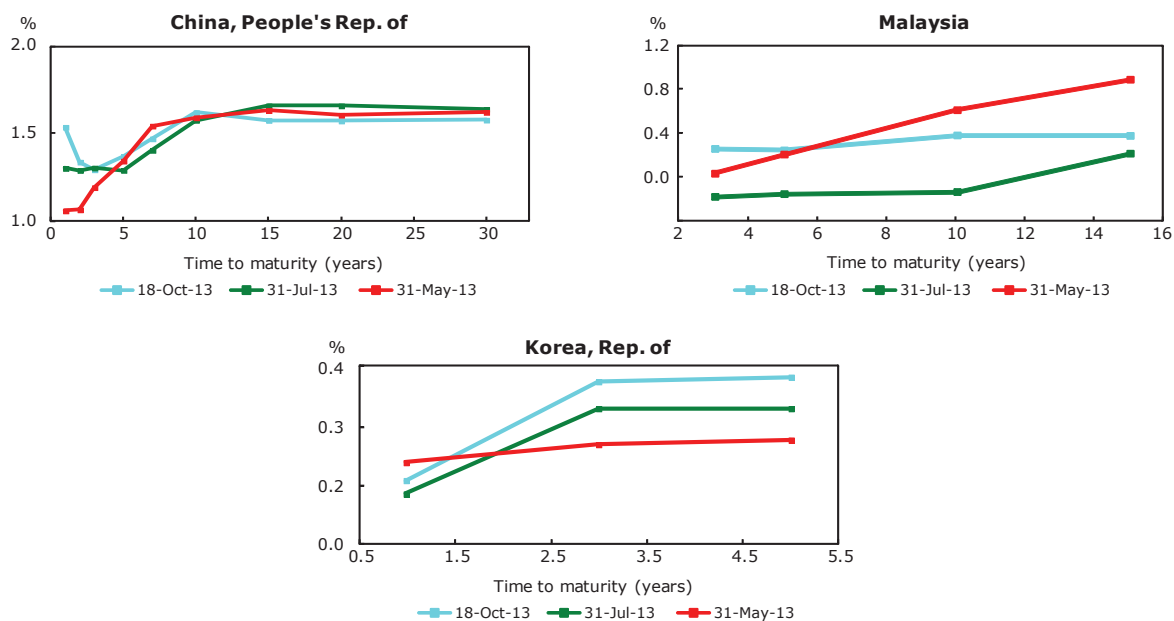
**The movements of corporate credit spreads since end-May have varied across the region.**

Credit spreads of high-grade corporate bonds have continued to demonstrate greater movement than those for lower-rated corporate bonds, which were largely unchanged between end-July and 18 October.

Credit spreads for shorter-dated maturities in the PRC's high-grade corporate market shifted upward between end-May and end-July, while tightening for longer-dated maturities, except at the longer-end of the curve (**Figure 10a**). These credit spreads then tightened at the longer-end of the curve between end-July and 18 October.

Movements for high-grade corporate bonds in Malaysia were much simpler. The whole curve shifted downward between end-May and end-July, and then shifted upward again between end-July and 18 October, although this movement between



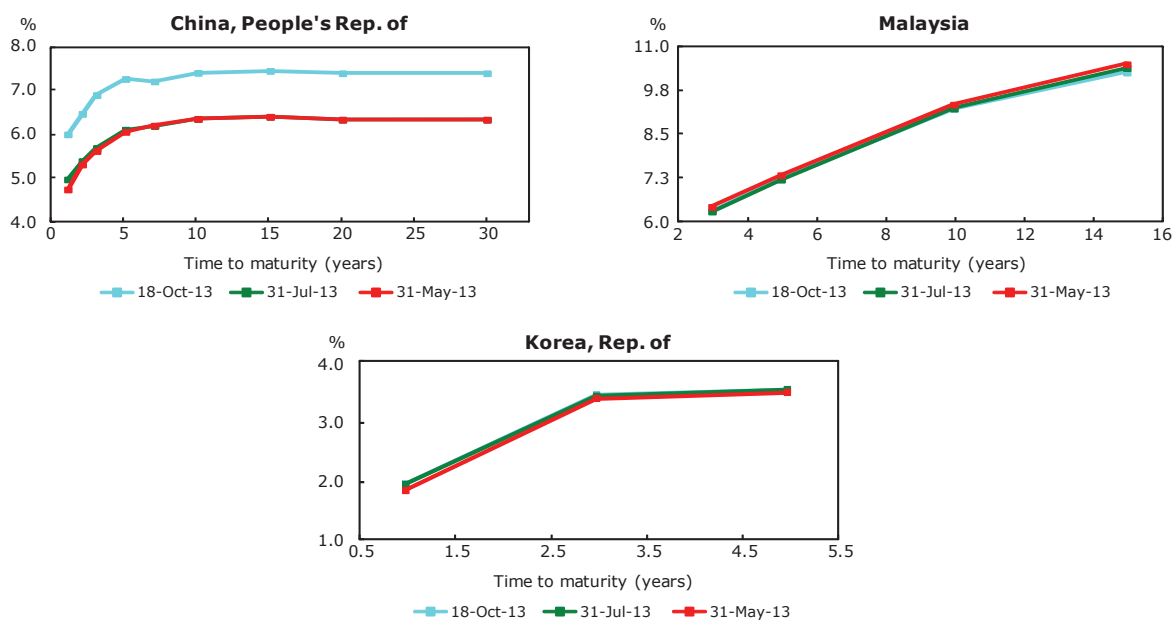
**Figure 10a: Credit Spreads—LCY Corporates Rated AAA vs. Government Bonds**

LCY = local currency.

Notes:

1. Credit spreads are obtained by subtracting government yields from corporate indicative yields.

2. Malaysia corporate yields as of 21 October 2013.

Sources: People's Republic of China (*ChinaBond*), Republic of Korea (*EDAILY BondWeb*), and Malaysia (Bank Negara Malaysia).**Figure 10b: 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 (*ChinaBond*), Republic of Korea (*EDAILY BondWeb*), and Malaysia (Bank Negara Malaysia).

end-July and 18 October was much greater for maturities of 10 years or less than for the 15-year maturity.

The movement of the high-grade credit spread curve for the Republic of Korea was even simpler. It first shifted upward from end-May until end-July, except at the very short-end of the curve. Following this, the whole curve shifted upward again between end-July and 18 October.

Credit spreads for lower-rated corporate bonds in Malaysia and the Republic of Korea hardly moved over the entire period between end-May and 18 October. Credit spreads for lower-rated bonds in the PRC also hardly moved between end-May and end-July. However, the entire credit spread curve for lower-rated PRC bonds shifted upward between end-July and 18 October (**Figure 10b**).

## G3 Currency Issuance

**Emerging East Asian G3 currency issuance between 1 January and 18 October was US\$121 billion, or approximately 93% of the record-breaking US\$131 billion issued in 2012.**

Emerging East Asian G3 currency issuance between 1 January and 18 October was US\$121 billion, suggesting that issuance in 2013 may well exceed the record-breaking amount of US\$131 billion issued in 2012 (**Table 5**). The three largest G3 currency issuers were the PRC (US\$47.8 billion); the Republic of Korea (US\$24.1 billion); and Hong Kong, China (US\$20 billion). It is interesting to note that the PRC and the Republic of Korea issued roughly similar amounts in 2012, but this year the PRC may end up issuing twice as much as the Republic of Korea.

The largest issue out of the PRC thus far in 2013 remains the US\$2 billion bond of CNOOC Finance that was issued in May with a coupon of 3.0%. The second and third largest issues were the Sinopec Group bond for US\$1.5 billion and the CNOOC Curtis Funding bond for US\$1.3 billion,

both of which were issued in October, suggesting that additional G3 currency bonds may still come to market from PRC corporates in the remaining months of the year. Furthermore, the Sinopec and CNOOC Curtis Funding bonds came to market with significantly higher coupons of 4.375% and 4.5%, respectively. One of the interesting aspects of the PRC segment of the G3 currency market is that it contains a sector offering higher-yield bonds.

The two largest G3 currency issues out of Hong Kong, China were from earlier this year: (i) Hutchison Whampoa's US\$2.4 billion perpetual bond issued in May with a coupon of 3.75%, and (ii) Shimao Property's US\$800 million bond issued in January with a coupon of 6.625%. The largest G3 bond out of the Republic of Korea was a US\$1.4 billion bond from Korea Eximbank issued in April with a coupon of only 2.0%. The next two largest issues took place in September and had somewhat larger coupons: the Republic of Korea's US\$1 billion bond with a coupon of 3.875% and a US\$750 million bond from Korea Development Bank with a coupon of 3.0%.

The PRC's G3 currency bonds have been entirely US\$-denominated in 2012, as were most of the G3 currency bonds issued in Hong Kong, China. However, a significant number of EUR-denominated bonds (20) and JPY-denominated bonds (22) were issued in the Republic of Korea between 1 January and 18 October. The great majority of G3 currency bonds issued in the Republic of Korea (105 out of 147), however, were issued in US dollars.

Indonesia was the fourth largest issuer of G3 currency bonds between 1 January and 18 October, with issuance of US\$11.9 billion. Much of Indonesia's G3 currency issuance came from the government (US\$5.5 billion), including a *sukuk* issue on 17 September that carried a much higher coupon (6.125%) than previous sovereign issues this year. Pertamina, the state oil company, issued two bonds in May, one for 10 years and another for 20 years, for a total of US\$3.3 billion.

Table 5: G3 Currency Bond Issuance

2012			1 January–18 October 2013		
Issuer	US\$ (million)	Issue Date	Issuer	US\$ (million)	Issue Date
<b>China, People's Rep. of</b>	<b>31,115</b>		<b>China, People's Rep. of</b>	<b>47,801</b>	
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	Sinopec Group 4.375% 2023	1,500	17-Oct-13
Sinopec 3.9% 2022	1,000	17-May-12	CNOOC Curtis Funding 4.5% 2023	1,300	3-Oct-13
Sinopec 4.875% 2042	1,000	17-May-12	Sinopec Capital 3.125% 2023	1,250	24-Apr-13
COSL Finance 3.25% 2022	1,000	6-Sep-12	MCE Finance 5.0% 2021	1,000	7-Feb-13
Others	25,615		Others	40,751	
<b>Hong Kong, China</b>	<b>27,942</b>		<b>Hong Kong, China</b>	<b>19,952</b>	
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	16,785	
<b>Indonesia</b>	<b>12,136</b>		<b>Indonesia</b>	<b>11,925</b>	
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 6.0% 2042	1,250	3-May-12	Indonesia (Sovereign) 3.375% 2023	1,500	15-Apr-13
Others	7,136		Indonesia (Sovereign) 4.625% 2043	1,500	15-Apr-13
<b>Korea, Rep. of</b>	<b>30,911</b>		Indonesia (Sovereign - Sukuk) 6.125% 2019	1,500	17-Sep-13
Korea Eximbank 4.0% 2017	1,250	11-Jan-12	Others	4,175	
Korea Eximbank 5.0% 2022	1,000	11-Jan-12	<b>Korea, Rep. of</b>	<b>24,084</b>	
Korea Eximbank 1.25% 2015	1,000	20-Nov-12	Korea Eximbank 2.0% 2020	1,353	30-Apr-13
Korea National Oil Corp. 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	25,661		Others	20,981	
<b>Malaysia</b>	<b>6,778</b>		<b>Malaysia</b>	<b>4,065</b>	
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	
<b>Philippines</b>	<b>3,625</b>		<b>Philippines</b>	<b>3,808</b>	
Philippines (Sovereign) 5.0% 2037	1,500	13-Jan-12	San Miguel Corporation 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 Corporation 7.50% Perpetual	750	6-Feb-13
Others	1,125		Others	1,508	
<b>Singapore</b>	<b>12,755</b>		<b>Singapore</b>	<b>5,302</b>	
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 10.0% 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	2,816	
<b>Thailand</b>	<b>5,000</b>		<b>Thailand</b>	<b>3,445</b>	
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	
<b>Viet Nam</b>	<b>550</b>		<b>Viet Nam</b>	<b>627</b>	
<b>Emerging East Asia Total</b>	<b>130,814</b>		<b>Emerging East Asia Total</b>	<b>121,009</b>	
<b>Memo Items:</b>			<b>Memo Items:</b>		
<b>India</b>	<b>11,217</b>		<b>India</b>	<b>11,400</b>	
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	Vedanta Resources 6.0% 2019	1,200	3-Jun-13
Others	8,467		Others	8,700	
<b>Sri Lanka</b>	<b>2,434</b>		<b>Sri Lanka</b>	<b>2,341</b>	

Sources: Bloomberg LP, newspaper and wire reports.

## Market Returns

### East Asian bond and equity markets had trimmed some of this year's losses by mid-October.

Market returns in emerging East Asia have improved somewhat in recent months. Year-to-date returns on the Pan-Asian index for LCY bonds through 18 October were still negative on a US\$ unhedged total return basis at -1.6% (**Table 6**). However, this was an improvement over returns of -3.5% through end-July, reflecting a modest recovery in recent months.<sup>7</sup>

Meanwhile, four markets had a positive return on an LCY total return basis between 1 January and 18 October: the Philippines (7.9%), Malaysia (1.8%), the Republic of Korea (1.3%), and Thailand (1.3%). However, only two of these four markets had a positive return on a US\$ unhedged total return basis: the Philippines (2.9%) and the Republic of Korea (2.3%). The PRC also

had a positive return on a US\$ unhedged total return basis (1.9%), but a negative return on an LCY total return basis (-0.3%). This reflects a weakening of the PHP-US\$ exchange rate, while the CNY-US\$ and KRW-US\$ exchange rates have strengthened modestly in recent months.

A somewhat stronger performance over the 1 January–October 18 period was seen in East Asian equity markets (**Table 7**). The Far East ex-Japan index for January–July had a return of -2.5% in LCY terms and -5.0% in US\$ terms. The comparable returns for 1 January–18 October were 4.2% in LCY terms and 3.1% in US\$ terms. The strongest performer in LCY terms between 1 January and 18 October was the Philippines at 14.5%, followed by Hong Kong, China at 8.6% and Malaysia at 8.1%. Returns in US\$ terms were lower at 9.1% in the Philippines and 4.8% in Malaysia, but returns in Hong Kong, China in US\$ terms were identical to LCY returns of 8.6%. Meanwhile, the return on the MSCI index for the US equity market over the same period was 22.8%.

**Table 6: iBoxx Asian Bond Fund Index Family Returns**

Market	Modified Duration (years)	2011 Returns (%)		2012 Returns (%)		1 Jan–18 Oct 2013 Returns (%)	
		LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index
China, People's Rep. of	6.1	5.6	10.4	2.4	3.6	(0.3)	1.9
Hong Kong, China	3.8	5.3	5.4	3.5	3.8	(2.3)	(2.4)
Indonesia	6.4	21.7	20.2	13.1	7.0	(9.3)	(22.7)
Korea, Rep. of	4.9	6.4	4.8	6.4	14.5	1.3	2.3
Malaysia	5.3	4.9	1.8	4.2	8.2	1.8	(1.1)
Philippines	7.1	15.9	15.8	10.4	17.9	7.9	2.9
Singapore	6.1	6.5	5.1	3.9	10.6	(2.5)	(3.8)
Thailand	5.1	5.0	0.3	3.3	6.5	1.3	(0.1)
Pan-Asian Index	5.5	–	7.0	–	7.9	–	(1.6)
HSBC ALBI	7.7	–	5.0	–	8.9	–	(3.0)
US Govt. 1–10 years	3.9	–	7.0	–	1.9	–	(0.8)

( ) = negative, – = not applicable, ALBI = Asian Local Bond Index, LCY = local currency, US = United States.

Notes:

1. Asian Bond Fund (ABF) indices contain only government debt and government-guaranteed debt obligations.

2. Market bond indices are from iBoxx Index Family. 1 January to 18 October 2013 returns reflect changes between end-December 2012 and 18 October 2013 values.

3. Duration as of end-18 October 2013.

Sources: *AsianBondsOnline* and Bloomberg LP.

<sup>7</sup> ADB. 2013. *Asia Bond Monitor*. Manila: ADB. (Tables 7 and 8).

**Table 7: MSCI Equity Index Returns**

Market	2011 Returns (%)		2012 Returns (%)		1 Jan–18 Oct 2013 Returns (%)	
	LCY terms	US\$ terms	LCY terms	US\$ terms	LCY terms	US\$ terms
China, People's Rep. of	(20.4)	(20.3)	18.7	19.0	(0.3)	(0.3)
Hong Kong, China	(18.5)	(18.4)	24.2	24.4	8.6	8.6
Indonesia	4.7	4.0	8.8	2.4	2.5	(12.8)
Korea, Rep. of	(11.5)	(12.8)	11.7	20.2	4.1	5.1
Malaysia	(0.2)	(2.9)	6.8	10.8	8.1	4.8
Philippines	(3.1)	(3.2)	34.7	43.9	14.5	9.1
Singapore	(20.0)	(21.0)	19.2	26.4	2.0	0.7
Thailand	(1.2)	(5.6)	26.9	30.9	2.6	1.2
Far East ex-Japan Index	(15.6)	(16.8)	15.5	19.0	4.2	3.1
MSCI US	–	(0.1)	–	13.5	–	22.8

( ) = negative, – = not applicable, LCY = local currency, MSCI = Morgan Stanley Capital International, US = United States.

Notes:

1. Market indices are from MSCI country indexes. 1 January to 18 October 2013 returns reflect changes between end-December 2012 and 18 October 2013 values.
2. Far East ex-Japan includes the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Taipei, China; and Thailand.

Sources: *AsianBondsOnline* and Bloomberg LP.