

Bond Market Developments in the Third Quarter of 2014

Size and Composition

The outstanding size of emerging East Asia's local currency bond market hit US\$8.2 trillion at end-September.⁴

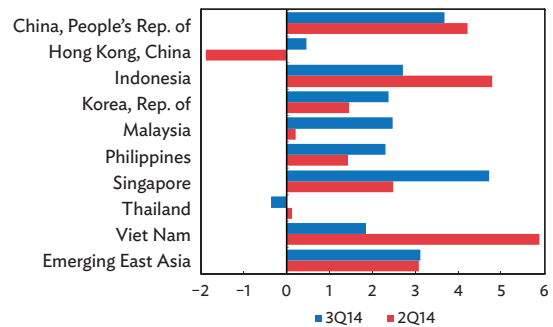
Emerging East Asia's local currency (LCY) bond market continued to expand in 3Q14, reaching a size of US\$8.2 trillion at end-September. Growth was relatively modest, with the market expanding 3.1% quarter-on-quarter (q-o-q) in 3Q14, the same pace of growth as in the previous quarter (**Figure 1a**).

The fastest growing bond market in the region on a q-o-q basis was Singapore, with growth of 4.7% and outstanding bonds amounting to US\$252 billion at end-September. Growth in Singapore's bond market was led by increases in its stocks of Monetary Authority of Singapore (MAS) bills and corporate bonds. Singapore Government Securities (SGS) bonds also contributed to q-o-q growth. The stock of SGS bills, however, saw a decline as MAS ceased issuance of 6-month SGS bills earlier this year, shifting its issuance of short-term instruments to MAS bills. MAS has conducted only two auctions of 1-year SGS bills so far this year.

The People's Republic of China's (PRC) bond market followed next in terms of q-o-q growth, with an expansion of 3.7% in 3Q14. The PRC's LCY bond market was the largest in the region at US\$5.1 trillion in 3Q14, accounting for 63% of the total bond stock in emerging East Asia. Growth in the PRC's bond market was broadly balanced between its government and corporate bond segments. There was a rise in local government bonds as local government funding demands increased due to a weak property market and the planned urbanization of shantytowns. In addition, the government enacted a program allowing local governments to issue bonds directly. At the same time, the government banned local governments from issuing bonds through local government financing vehicles and other corporate vehicles. As a result, local government bonds rose 25.0% q-o-q to US\$193 billion at end-September.

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.

Figure 1a: Growth of LCY Bond Markets in 2Q14 and 3Q14 (q-o-q, %)



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

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-September 2014 currency exchange rates and do not include currency effects.
4. For Hong Kong, China, 3Q14 corporate bonds outstanding data carried over from 2Q14. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 3Q14 government bonds outstanding based on *AsianBondsOnline* estimates using Bank of Thailand data, while corporate bonds outstanding based on Bank of Thailand data as of end-August 2014.

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 (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)

Local government bonds comprised 5.8% of the total government bond market at end-September, up from 4.8% at end-June.

On a q-o-q basis, the third most rapidly growing bond market in 3Q14 was Indonesia, posting 2.7% growth and an outstanding bond stock amounting to US\$124 billion at end-September. Growth in 3Q14 was largely driven by the government having to increase its bond issuance volume to fund an expanding budget deficit equivalent to 2.4% of gross domestic product (GDP). The deficit in the 2014 revised budget was up from only 1.7% of GDP in the original budget. The corporate bond sector also contributed to growth, although at a much slower pace as some corporate firms chose to delay their planned borrowings ahead of the results of the presidential elections.

Malaysia's LCY bond market expanded 2.5% q-o-q to reach an outstanding size of US\$329 billion at end-September. Growth in Malaysia's bond market was largely driven by an increase in the stock of central bank bills, possibly due to Bank Negara Malaysia adopting a tighter monetary stance to address inflation, which has remained elevated since December 2013. Further pressure on inflation is expected as the government raised fuel prices again in early October, following a previous increase in 2013.

The Republic of Korea, which has the second-largest LCY bond market in emerging East Asia, grew 2.4% q-o-q to reach a size of US\$1.7 trillion at end-September. Growth was led mainly by an expanding government bond sector, particularly increases in the stocks of Treasury bonds, central bank bonds, and industrial finance debentures. The increase in central bank bonds was due to efforts by The Bank of Korea to sterilize excess liquidity resulting from the country's trade surpluses. The corporate bond segment of the Republic of Korea also contributed to growth in 3Q14, albeit to a lesser degree than government bonds.

In the Philippines, the LCY bond market saw 2.3% q-o-q growth in 3Q14, with the outstanding stock of bonds reaching US\$102 billion at end-September. Growth in the Philippine LCY bond market was buoyed by the large increase in the stock of corporate bonds. The government bond sector also recorded positive growth, although at a much slower pace. Aside from the government's regular auction of Treasury bonds, the Bureau of the Treasury conducted a bond exchange in August as part of its debt liability management program.

On a q-o-q basis, Viet Nam's LCY bond market grew 1.8% in 3Q14, with outstanding bonds climbing to US\$38 billion at end-September. The growth in Viet Nam's bond market was driven mainly by increases in the stock of central bank bills. Viet Nam's bond market is the smallest in emerging East Asia.

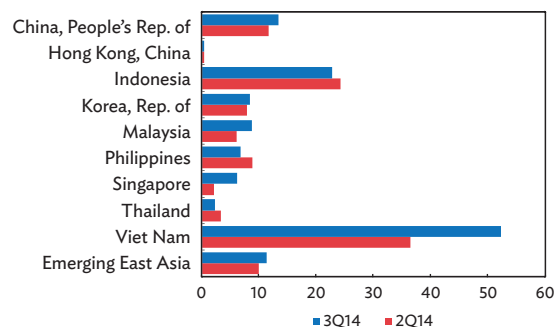
Hong Kong, China's LCY bond market rose a marginal 0.5% q-o-q in 3Q14 to US\$193 billion at end-September. On the other hand, Thailand's LCY bond market contracted 0.4% q-o-q, as declines in central bank and state-owned enterprise bonds more than offset the modest increase in the stock of corporate bonds.

On a year-on-year (y-o-y) basis, LCY bond markets in emerging East Asia grew at a pace of 11.3% in 3Q14 compared with 9.9% growth recorded in the previous quarter (**Figure 1b**). Viet Nam was the fastest growing bond market on a y-o-y basis, with 52.2% growth in 3Q14, although this rapid growth was generated from a low base. Viet Nam was followed by Indonesia (22.7%) and the PRC (13.4%). All other markets recorded y-o-y growth rates ranging from 6.1% to 8.7%. The only exceptions were Thailand and Hong Kong, China, with y-o-y growth rates of 2.3% and 0.3%, respectively.

Emerging East Asia's LCY bond market remains dominated by government bonds, which accounted for about 60% of total bonds outstanding at the end of 3Q14 (**Table 1**). Growth in the region's government bonds and corporate bonds was broadly similar on both a q-o-q and y-o-y basis.

At end-September, government bonds climbed to US\$4.9 trillion on growth of 3.2% q-o-q and 11.3% y-o-y.

Figure 1b: Growth of LCY Bond Markets in 2Q14 and 3Q14 (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 2014 currency exchange rates and do not include currency effects.
4. For Hong Kong, China, 3Q14 corporate bonds outstanding data carried over from 2Q14. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 3Q14 government bonds outstanding based on *AsianBondsOnline* estimates using Bank of Thailand data, while corporate bonds outstanding based on Bank of Thailand data as of end-August 2014.

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 (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).

Table 1: Size and Composition of LCY Bond Markets

	3Q13		2Q14		3Q14		Growth Rate (LCY-base %)				Growth Rate (US\$-base %)			
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	3Q13		3Q14		3Q13		3Q14	
							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	4,550	100.0	4,911	100.0	5,143	100.0	2.1	13.6	3.7	13.4	2.4	16.7	4.7	13.0
Government	2,960	65.0	3,164	64.4	3,315	64.5	1.6	5.8	3.7	12.3	1.9	8.6	4.8	12.0
Corporate	1,591	35.0	1,747	35.6	1,828	35.5	3.0	31.7	3.6	15.3	3.3	35.2	4.7	14.9
Hong Kong, China														
Total	193	100.0	193	100.0	193	100.0	0.5	9.7	0.5	0.3	0.5	9.7	0.3	0.2
Government	108	56.0	110	56.8	110	57.0	0.5	16.2	0.8	2.2	0.5	16.2	0.6	2.0
Corporate	85	44.0	83	43.2	83	43.0	0.5	2.4	0.0	(2.0)	0.5	2.3	(0.2)	(2.2)
Indonesia														
Total	108	100.0	123	100.0	124	100.0	3.9	16.3	2.7	22.7	(8.9)	(2.2)	0.1	14.9
Government	89	82.5	105	85.2	105	85.4	3.7	14.5	2.9	27.1	(9.0)	(3.7)	0.3	18.9
Corporate	19	17.5	18	14.8	18	14.6	4.6	25.4	1.3	2.5	(8.2)	5.5	(1.3)	(4.1)
Korea, Rep. of														
Total	1,564	100.0	1,759	100.0	1,726	100.0	1.8	10.4	2.4	8.4	8.2	14.1	(1.8)	10.4
Government	601	38.4	692	39.4	685	39.7	1.3	6.9	3.2	12.0	7.6	10.6	(1.0)	14.1
Corporate	963	61.6	1,066	60.6	1,041	60.3	2.2	12.6	1.8	6.1	8.6	16.5	(2.4)	8.0
Malaysia														
Total	305	100.0	328	100.0	329	100.0	(0.04)	2.2	2.5	8.7	(3.1)	(4.1)	0.3	8.0
Government	179	58.8	191	58.1	193	58.6	(0.7)	(0.4)	3.4	8.4	(3.7)	(6.5)	1.2	7.7
Corporate	126	41.2	138	41.9	136	41.4	0.9	6.1	1.1	9.0	(2.2)	(0.4)	(1.0)	8.3
Philippines														
Total	99	100.0	103	100.0	102	100.0	4.3	13.3	2.3	6.7	3.5	8.8	(0.7)	3.2
Government	87	87.4	87	85.0	86	83.7	4.9	14.5	0.7	2.2	4.1	9.9	(2.2)	(1.2)
Corporate	13	12.6	15	15.0	17	16.3	0.6	5.8	11.3	37.6	(0.2)	1.6	8.1	33.1
Singapore														
Total	241	100.0	247	100.0	252	100.0	0.6	9.9	4.7	6.1	1.6	7.4	2.3	4.5
Government	149	61.6	152	61.6	153	60.5	(0.3)	9.4	2.8	4.2	0.7	7.0	0.4	2.5
Corporate	93	38.4	95	38.4	100	39.5	2.2	10.7	7.8	9.3	3.1	8.2	5.3	7.6
Thailand														
Total	286	100.0	283	100.0	282	100.0	0.6	9.1	(0.4)	2.3	(0.05)	7.7	(0.4)	(1.5)
Government	224	78.4	216	76.4	213	75.5	(0.02)	7.3	(1.5)	(1.5)	(0.6)	5.9	(1.5)	(5.1)
Corporate	62	21.6	67	23.6	69	24.5	2.7	16.3	3.4	16.0	2.1	14.8	3.4	11.8
Viet Nam														
Total	25	100.0	37	100.0	38	100.0	(8.8)	18.8	1.8	52.2	(8.4)	17.6	2.3	51.4
Government	24	97.1	36	98.4	37	98.5	(8.7)	24.8	1.9	54.5	(8.3)	23.4	2.4	53.7
Corporate	1	2.9	0.6	1.6	0.6	1.5	(10.0)	(54.1)	(4.4)	(23.0)	(9.6)	(54.6)	(4.0)	(23.5)
Emerging East Asia														
Total	7,371	100.0	7,983	100.0	8,189	100.0	1.8	12.0	3.1	11.3	2.9	13.8	2.6	11.1
Government	4,420	60.0	4,753	59.5	4,897	59.8	1.3	6.5	3.2	11.3	1.9	8.0	3.0	10.8
Corporate	2,951	40.0	3,230	40.5	3,292	40.2	2.5	21.4	2.9	11.3	4.5	23.8	1.9	11.6
Japan														
Total	10,593	100.0	10,496	100.0	9,839	100.0	0.9	3.9	1.4	3.6	1.8	(17.5)	(6.3)	(7.1)
Government	9,751	92.0	9,689	92.3	9,097	92.5	1.0	4.7	1.6	4.1	1.9	(17.0)	(6.1)	(6.7)
Corporate	843	8.0	807	7.7	742	7.5	(0.6)	(4.0)	(0.5)	(1.8)	0.3	(23.8)	(8.1)	(12.0)

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

Notes:

1. For Hong Kong, China, 3Q14 corporate bonds outstanding data carried over from 2Q14. For Japan, 3Q14 government and corporate bonds outstanding data carried over from August 2014. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 3Q14 government bonds outstanding based on *AsianBondsOnline* estimates using Bank of Thailand data while corporate bonds outstanding based on Bank of Thailand data as of end-August 2014.

2. Corporate bonds include issues by financial institutions.

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

4. For LCY base, emerging East Asia growth figures based on end-September 2014 currency exchange rates and do not include currency effects.

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

Sources: People's Republic of China (*ChinaBond* and *Wind*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia, Indonesia Debt Management Office, 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).

All markets recorded positive growth in government bonds on both a q-o-q and y-o-y basis, except for Thailand. The largest government bond market at the end of 3Q14 was that of the PRC, followed by the Republic of Korea and Thailand.

Emerging East Asia's LCY corporate bond market totaled US\$3.3 trillion at end-September on growth of 2.9% q-o-q and 11.3% y-o-y. The Philippines posted the largest growth in corporate bonds on both a q-o-q and y-o-y basis, partially due to a low base. Meanwhile, the corporate bond markets of the PRC, the Republic of Korea, and Malaysia were the largest in the region at the end of 3Q14.

As a percentage of GDP, the size of emerging East Asia's LCY bond market was broadly unchanged at 59.4% in 3Q14 compared with 59.2% in 2Q14 (**Table 2**). Among all markets in the region, the Republic of Korea and Malaysia had the highest shares of bonds to GDP at 119.9% and 102.1%, respectively. In contrast, the smaller markets of Indonesia (15.3%), Viet Nam (20.9%), and the Philippines (37.0%) had the smallest shares of bonds to GDP in emerging East Asia.

Foreign investor holdings in LCY government bond markets in emerging East Asia were generally stable in 3Q14.

Foreign investor holdings were stable in most LCY government bond markets in emerging East Asia in 3Q14, with increases in Indonesia and Malaysia (**Figure 2**). In Indonesia, the share of foreign holdings in the LCY government bond market continued its upward trend, reaching record highs in recent months as demand from foreign investors remained strong. Indonesian LCY government bonds continued to attract interest from offshore funds due to attractive yields, which are the highest among emerging East Asian markets. At end-September, the share of foreign investors in Indonesia's LCY government bond market climbed to 37.3%, up from 35.7% at end-June.

The share of foreign holdings in the LCY government bond market in Malaysia rose to 32.0% at end-June from 30.8% at end-March. On the other hand, foreign holdings' share in the Thailand's government bond market slightly declined to 15.8% at end-June from 16.1% at end-March.

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

	3Q13	2Q14	3Q14
China, People's Rep. of			
Total	50.4	51.6	52.5
Government	32.8	33.3	33.8
Corporate	17.6	18.4	18.7
Hong Kong, China			
Total	71.3	68.6	68.8
Government	39.9	39.0	39.2
Corporate	31.4	29.6	29.6
Indonesia			
Total	13.9	15.2	15.3
Government	11.5	13.0	13.0
Corporate	2.4	2.3	2.2
Korea, Rep. of			
Total	118.9	122.1	119.9
Government	45.6	48.1	47.6
Corporate	73.2	74.0	72.3
Malaysia			
Total	102.9	101.8	102.1
Government	60.5	59.1	59.8
Corporate	42.4	42.7	42.2
Philippines			
Total	38.2	37.3	37.0
Government	33.4	31.7	31.0
Corporate	4.8	5.6	6.0
Singapore			
Total	82.2	81.1	83.0
Government	50.7	50.0	50.2
Corporate	31.5	31.1	32.8
Thailand			
Total	75.4	76.3	76.1
Government	59.1	58.3	57.4
Corporate	16.3	18.0	18.6
Viet Nam			
Total	14.3	21.1	20.9
Government	13.9	20.8	20.6
Corporate	0.4	0.3	0.3
Emerging East Asia			
Total	57.6	59.2	59.4
Government	34.6	35.2	35.5
Corporate	23.1	23.9	23.9
Japan			
Total	218.9	219.7	205.9
Government	201.5	202.8	190.4
Corporate	17.4	16.9	15.5

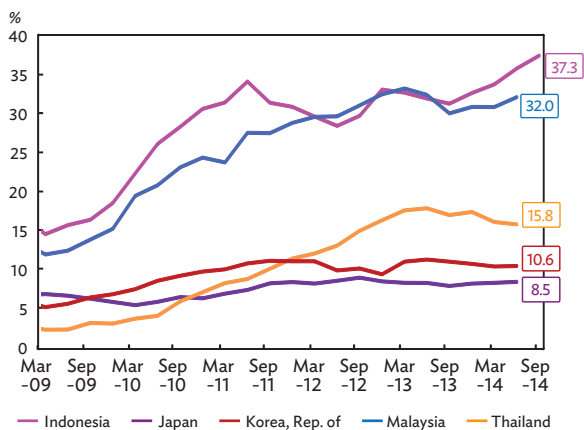
GDP = gross domestic product, LCY = local currency.

Notes:

1. Data for GDP is from CEIC. 3Q14 GDP figures carried over from 2Q14 except for the People's Republic of China and Viet Nam.
2. For Hong Kong, China, 3Q14 corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Japan, 3Q14 government and corporate bonds outstanding data carried over from August 2014. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates. For Thailand, 3Q14 government bonds outstanding based on *AsianBondsOnline* estimates using Bank of Thailand data while corporate bonds outstanding based on Bank of Thailand data as of end-August 2014.

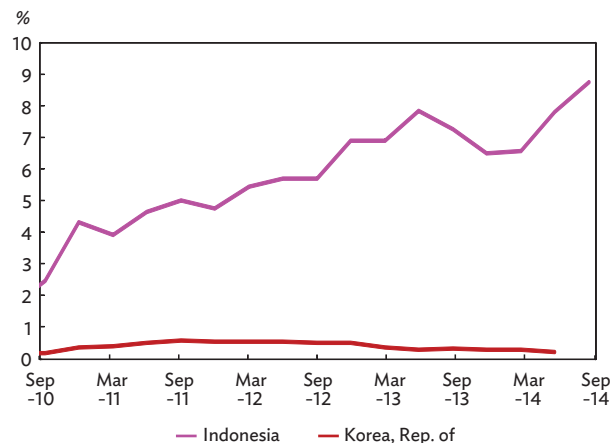
Sources: People's Republic of China (*ChinaBond* and *Wind*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia, Indonesia Debt Management Office, and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (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 2: Foreign Holdings of LCY Government Bonds in Select Asian Economies (% of total)



LCY = local currency.
 Note: Data as of end-June 2014, except for Indonesia as of end-September 2014.
 Source: AsianBondsOnline.

Figure 3: Foreign Holdings of LCY Corporate Bonds in Indonesia and the Republic of Korea (% of total)



LCY = local currency.
 Note: For Indonesia, data as of 27 June 2014. For the Republic of Korea, data as of end-June 2014.
 Sources: Based on data from Otoritas Jasa Keuangan and The Bank of Korea.

The shares of foreign holdings in LCY corporate bond markets pale in comparison with those in government bond markets in Indonesia and the Republic of Korea (**Figure 3**). The share of foreign holdings in the LCY corporate bond market in Indonesia rose 1 percentage point in 3Q14 to 8.8%, while this share remained negligible in the Republic of Korea at less than 1% in 2Q14.

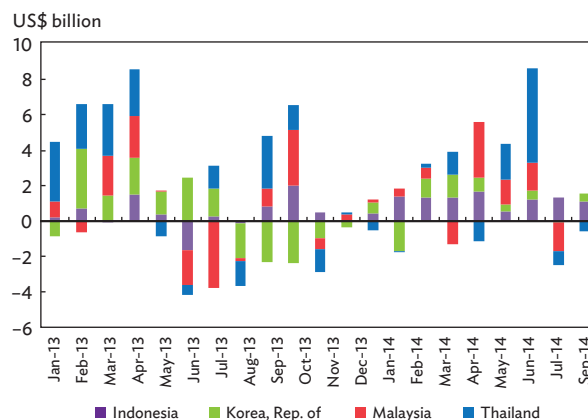
Foreign capital flows into a number of the region’s bond markets were positive but smaller in September compared with recent months.⁵

Indonesia is the only market where foreign capital flows have been consistently positive in 2014, reflecting the rising share of foreign holdings in the LCY government bond market (**Figure 4**). Meanwhile, the Republic of Korea reported net foreign fund inflows into its bond market in September. In contrast, Malaysia (August) and Thailand (September) recorded foreign capital outflows from their respective bond markets in the latest month for which data are available.

Emerging East Asia’s LCY bond issuance climbed in 3Q14.

Emerging East Asia’s LCY bond issuance climbed on a q-o-q basis to US\$1.12 trillion in 3Q14 from

Figure 4: Foreign Bond Flows in Select Emerging East Asian Markets



LCY = local currency.
 Notes:
 1. The Republic of Korea and Thailand provide data on bond flows. For Indonesia and Malaysia, month-on-month changes in foreign holdings of LCY government bonds were used as a proxy for bond flows.
 2. Data provided as of end-September 2014, except for Malaysia as of end-August 2014.
 3. Figures were computed based on end-September 2014 exchange rates to avoid currency effects.
 Sources: Indonesia Debt Management Office, Financial Supervisory Service, Bank Negara Malaysia, and Thai Bond Market Association.

US\$1.10 trillion in 2Q14. On a y-o-y basis, LCY bond issuance rose 21.2% in 3Q14 from US\$930 billion in 3Q13 (**Table 3**). In 3Q14, LCY government bond issuance was up 3.1% q-o-q and 16.0% y-o-y to reach US\$778 billion, constituting 69.3% of the region’s total. LCY bond sales by central banks and monetary authorities totaled

⁵ Foreign capital flows were assessed in Indonesia, the Republic of Korea, Malaysia, and Thailand.

Table 3: LCY-Denominated Bond Issuance (gross)

	3Q13		2Q14		3Q14		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	3Q14		3Q14	
							q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of										
Total	413	100.0	456	100.0	432	100.0	(6.3)	4.7	(5.3)	4.4
Government	264	63.8	209	46.0	212	49.2	0.3	(19.3)	1.3	(19.6)
Central Bank	65	15.8	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	198	48.0	209	46.0	212	49.2	0.3	7.3	1.3	7.0
Corporate	150	36.2	246	54.0	219	50.8	(11.8)	47.1	(10.9)	46.6
Hong Kong, China										
Total	171	100.0	292	100.0	307	100.0	5.5	79.8	5.3	79.6
Government	163	95.4	285	97.6	300	97.7	5.6	84.2	5.4	84.0
Central Bank	162	94.9	284	97.4	298	97.0	5.1	84.0	4.9	83.7
Treasury and Other Govt.	1	0.5	0.5	0.2	2	0.7	334.2	135.7	333.4	135.4
Corporate	8	4.6	7	2.4	7	2.3	0.0	(11.4)	(0.2)	(11.5)
Indonesia										
Total	10	100.0	10	100.0	10	100.0	11.3	15.9	8.5	8.5
Government	9	89.2	8	85.3	10	94.7	23.5	23.1	20.3	15.2
Central Bank	2	18.5	2	24.6	2	19.6	(11.2)	23.2	(13.5)	15.3
Treasury and Other Govt.	7	70.7	6	60.7	8	75.0	37.5	23.0	34.0	15.1
Corporate	1	10.8	1	14.7	0.6	5.3	(59.5)	(42.8)	(60.5)	(46.5)
Korea, Rep. of										
Total	145	100.0	144	100.0	167	100.0	21.3	12.9	16.3	15.0
Government	69	47.7	82	57.1	78	46.8	(0.6)	10.8	(4.7)	12.8
Central Bank	39	26.6	47	32.6	46	27.6	2.7	17.0	(1.5)	19.2
Treasury and Other Govt.	31	21.0	35	24.5	32	19.2	(5.0)	2.9	(8.9)	4.8
Corporate	76	52.3	62	42.9	89	53.2	50.4	14.9	44.2	17.0
Malaysia										
Total	32	100.0	37	100.0	42	100.0	17.0	31.5	14.5	30.7
Government	26	80.1	29	77.7	32	76.0	14.5	24.9	12.1	24.1
Central Bank	17	51.2	19	52.2	25	58.9	32.0	51.3	29.2	50.3
Treasury and Other Govt.	9	28.9	9	25.5	7	17.1	(21.5)	(22.1)	(23.1)	(22.6)
Corporate	6	19.9	8	22.3	10	24.0	25.8	58.3	23.1	57.3
Philippines										
Total	9	100.0	5	100.0	7	100.0	37.6	(13.1)	33.6	(16.0)
Government	8	91.4	4	75.3	6	79.5	45.3	(24.4)	41.1	(26.9)
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	8	91.4	4	75.3	6	79.5	45.3	(24.4)	41.1	(26.9)
Corporate	0.7	8.6	1	24.7	1	20.5	14.2	106.9	10.8	100.0
Singapore										
Total	80	100.0	86	100.0	85	100.0	1.4	8.5	(1.0)	6.8
Government	77	95.8	83	96.0	81	94.8	0.1	7.4	(2.2)	5.7
Central Bank	61	75.6	75	87.4	76	88.6	2.8	27.1	0.4	25.1
Treasury and Other Govt.	16	20.2	7	8.6	5	6.2	(26.9)	(66.5)	(28.6)	(67.0)
Corporate	3	4.2	3	4.0	4	5.2	32.0	35.4	29.0	33.2
Thailand										
Total	66	100.0	65	100.0	60	100.0	(6.5)	(5.4)	(6.5)	(8.8)
Government	56	84.8	50	77.5	47	78.6	(5.3)	(12.3)	(5.2)	(15.5)
Central Bank	46	70.1	39	60.5	35	58.4	(9.7)	(21.2)	(9.7)	(24.1)
Treasury and Other Govt.	10	14.6	11	17.1	12	20.2	10.6	30.4	10.6	25.6
Corporate	10	15.2	15	22.5	13	21.4	(10.8)	33.0	(10.8)	28.1

continued on next page

Table 3 continued

	3Q13		2Q14		3Q14		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	Amount (US\$ billion)	% share	3Q14		3Q14	
							q-o-q	y-o-y	q-o-q	y-o-y
Viet Nam										
Total	3	100.0	9	100.0	11	100.0	18.2	283.8	18.8	281.7
Government	3	100.0	9	100.0	11	100.0	18.2	283.8	18.8	281.7
Central Bank	2	77.8	7	79.4	10	88.2	31.3	335.2	31.9	332.9
Treasury and Other Govt.	0.6	22.2	2	20.6	1	11.8	(32.3)	103.5	(32.0)	102.4
Corporate	0	0.0	0	0.0	0	0.0	-	-	-	-
Emerging East Asia										
Total	930	100.0	1,103	100.0	1,123	100.0	2.2	21.2	1.8	20.8
Government	675	72.6	760	68.8	778	69.3	3.1	16.0	2.4	15.3
Central Bank	394	42.4	475	43.0	492	43.8	4.7	25.6	3.6	24.8
Treasury and Other Govt.	280	30.2	285	25.8	286	25.5	0.4	2.5	0.4	2.0
Corporate	255	27.4	344	31.2	345	30.7	0.4	34.9	0.3	35.1
Japan										
Total	541	100.0	522	100.0	471	100.0	(2.3)	(2.9)	(9.7)	(12.9)
Government	511	94.5	480	91.9	439	93.2	(1.0)	(4.3)	(8.5)	(14.2)
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	511	94.5	480	91.9	439	93.2	(1.0)	(4.3)	(8.5)	(14.2)
Corporate	29	5.5	42	8.1	32	6.8	(17.4)	21.3	(23.6)	8.8

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

Notes:

1. Corporate bonds include issues from financial institutions.

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

3. For LCY-base, emerging East Asia growth figures are based on end-September 2014 currency exchange rates and do not include currency effects.

Sources: People's Republic of China (*ChinaBond*); 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 and ThaiBMA); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

US\$492 billion, and Treasury bond and other government bond sales were US\$286 billion. LCY corporate bond issues amounted to US\$345 billion in 3Q14, recording growth of 0.4% q-o-q and 34.9% y-o-y.

Hong Kong, China continued to dominate LCY government bond issuance in emerging East Asia, as its government sector registered issuance of US\$300 billion in 3Q14, up on both a q-o-q and y-o-y basis, led by increased bond sales from the Hong Kong Monetary Authority (HKMA). The second-largest LCY government bond issuance total in the region belonged to the PRC, which sold Treasury and other government bonds totaling US\$212 billion in 3Q14, up on a q-o-q basis but down on a y-o-y basis. The People's Bank of China (PBOC) did not issue LCY bonds in 3Q14.

Singapore was next with LCY government bond issuance in 3Q14 at US\$81 billion, up on both a quarterly and an annual basis, with 93% of the total comprising MAS bills. This was followed by the Republic of Korea's US\$78 billion worth of LCY government bond sales—the majority of

which comprised Monetary Stabilization Bonds (MSBs) from The Bank of Korea. Government bond issuance in the Republic of Korea was down on a q-o-q basis but up on a y-o-y basis.

In other LCY government bond markets in emerging East Asia, issuance was US\$32 billion in Malaysia and US\$10 billion in Indonesia, with both markets registering positive q-o-q and y-o-y growth rates in 3Q14; Philippine government bond sales were US\$6 billion, up on a q-o-q basis but down on a y-o-y basis; and Viet Nam's government bond issuance totaled US\$11 billion, up on both a quarterly and an annual basis.

LCY corporate bond issuance in emerging East Asia in 3Q14 was led by the PRC, which contributed 64% of the regional total, followed by the Republic of Korea, which accounted for 26%. In the PRC, LCY corporate bond issuance was down in 3Q14 compared with the previous quarter, due to declines in issuance in local corporate bonds and medium-term notes. Meanwhile, issuance was up on a y-o-y basis due to increases in issuance

of commercial bank bonds, local corporate bonds, and state-owned corporate bonds.

In the Republic of Korea's LCY corporate bond market, issuance was up in 3Q14 on both a q-o-q and y-o-y basis—the former buoyed by larger quarterly issuance in special public bonds, financial debentures, and private corporate bonds; and the latter induced by annual growth in issuance of private corporate bonds.

As for the other LCY corporate bond markets in the region, issuance growth in 3Q14 was (i) positive on both a q-o-q and y-o-y basis in Malaysia, the Philippines, and Singapore; (ii) unchanged on a q-o-q basis but negative on a y-o-y basis in Hong Kong, China; (iii) negative on a q-o-q basis but positive on a y-o-y basis in Thailand; and (iv) negative on both a q-o-q and y-o-y basis in Indonesia. Viet Nam had no LCY corporate bond issues in 3Q14.

Meanwhile, cross-border bond issuance in emerging East Asia remained active in 3Q14. PRC-based corporate issuers were among those that sold a relatively large number of securities denominated in other emerging East Asian currencies—specifically Hong Kong dollars and Singapore dollars. Among the relatively large cross-border issues from the PRC were (i) Industrial and Commercial Bank of China's HKD2.5 billion 6-month zero-coupon paper, and (ii) China Coal Solution's SGD180 million 2-year bond carrying a 7.5% coupon.

Corporates from Hong Kong, China also issued several debt instruments denominated in other emerging East Asian currencies—particularly Chinese renminbi and Singapore dollars. The largest bond transactions included (i) Charter Style International's CNY2.0 billion 10-year bond carrying a 5.8% coupon, and (ii) Pacific Andes Resources Development's SGD200 million 3-year bond with an 8.5% coupon.

Bond issuers from the Republic of Korea that sold debt securities in other emerging East Asian currencies in 3Q14 included (i) Korea Eximbank, which sold, among others, an IDR500 billion 3.75-year bond at an 8.0% coupon, and an HKD300 million 3-year bond at 1.5% coupon; (ii) Korea Development Bank (KDB), which issued CNY250 million of 6-month, zero-coupon paper from its Singapore office; and (iii) Kolao Holdings, which raised SGD60 million from the sale of a 3-year bond at a 2.0% coupon.

Several other entities in emerging East Asia issued bonds in 3Q14 that were denominated in currencies other than the domestic currency. An Indonesian oil plantation company, Bumitama Agri, raised MYR500 million from the sale of a 5-year bond with a 5.0% coupon. Malaysian entities sold CNY-, HKD-, and SGD-denominated bonds: (i) Cagamas issued a CNY1.5 billion 3-year bond with a 3.7% coupon; (ii) CIMB Bank raised HKD150 million from a 5-year bond sale at 2.47% coupon; (iii) Maybank sold a HKD707 million 10-year bond at a 3.35% coupon; and (iv) Nam Cheong issued a SGD200 million 5-year bond at a 5.05% coupon. Singaporean bond issuers included (i) Golden Assets International Finance with a MYR375 million 5-year bond carrying a 5.35% coupon; (ii) Oversea-Chinese Banking Corporation via an HKD1.35 billion 3-year bond with a 1.67% coupon; and (iii) Swiber Holdings with a CNY450 million 3-year note offering a 7.75% coupon. Also, a corporate entity from Thailand—CIMB Thai Bank—raised MYR400 million from the sale of 10-year bonds that offered a coupon rate of 5.6%.

In October, the Government of the Lao People's Democratic Republic tapped the LCY bond market of Thailand, selling three THB-denominated bonds, including a THB1.8 billion 3-year bond at a 4.76% coupon, a THB1.8 billion 5-year bond offering a 5.2% coupon, and a THB1.5 billion 7-year bond carrying a 5.5% coupon.

G3 currency bond issuance in emerging East Asia in the first 9 months of 2014 surpassed the full-year total in 2013.

Emerging East Asia's G3 currency bond issuance in the first 9 months of 2014 reached a record high of US\$143.5 billion, surpassing the previous year's 12-month total (**Table 4**). Issuers in the region continued taking advantage of low G3 borrowing costs amid expectations that the planned policy rate hike by the US Federal Reserve might be delayed further because of a sluggish global economic recovery.

The PRC remained the largest source of G3 currency bonds in emerging East Asia in January–September as its issuance reached US\$65.9 billion, which exceeded its full-year 2013 level and accounted for 46% of the region's total. Financial institutions were the largest issuer group from the PRC, accounting for 55% of total issuance, followed by energy companies with a 17% share. Sinopec stood as the largest PRC-based issuer of G3 bonds, selling

Table 4: G3 Currency Bond Issuance

2013			1 January–30 September 2014		
Issuer	US\$ (million)	Issue Date	Issuer	US\$ (million)	Issue Date
China, People's Rep. of	56,709		China, People's Rep. of	65,874	
CNOOC Finance 3.0% 2023	2,000	9-May-13	CNOOC Finance 4.25% 2024	2,250	30-Apr-14
Evergrande Real Estate 8.75% 2018	1,500	30-Oct-13	Tencent 3.375% 2019	2,000	29-Apr-14
Sinopec Group 4.375% 2023	1,500	17-Oct-13	Sinopec 1.0136% 2017	1,800	10-Apr-14
CNOOC Curtis Funding 4.5% 2023	1,300	3-Oct-13	State Grid Overseas Investment 4.125% 2024	1,600	7-May-14
Sinopec Capital 3.125% 2023	1,250	24-Apr-13	Sinopec 1.75% 2017	1,550	10-Apr-14
Others	49,159		Others	56,674	
Hong Kong, China	24,011		Hong Kong, China	21,484	
Hutchison Whampoa 3.75% Perpetual	2,367	10-May-13	Hong Kong, China (Sovereign) 2.005% 2019	1,000	18-Sep-14
Shimao Property 6.625% 2020	800	14-Jan-13	New World Development 5.25% 2021	750	26-Feb-14
Others	20,844		Others	19,734	
Indonesia	12,270		Indonesia	10,976	
Pertamina 4.3% 2023	1,625	20-May-13	Indonesia (Sovereign) 5.875% 2024	2,000	15-Jan-14
Pertamina 5.625% 2043	1,625	20-May-13	Indonesia (Sovereign) 6.75% 2044	2,000	15-Jan-14
Indonesia (Sovereign) 3.375% 2023	1,500	15-Apr-13	Pertamina 6.45% 2044	1,500	30-May-14
Indonesia (Sovereign) 4.625% 2043	1,500	15-Apr-13	Indonesia (Sovereign) 4.35% 2024	1,350	10-Sep-14
Perusahaan Penerbit SBSN 6.125% 2019	1,500	17-Sep-13	Perusahaan Gas Negara (PGN) 5.125% 2024	1,350	16-May-14
Others	4,520		Others	2,776	
Korea, Rep. of	30,400		Korea, Rep. of	26,272	
Korea Eximbank 2.0% 2020	1,369	30-Apr-13	Republic of Korea (Sovereign) 4.125% 2044	1,000	10-Jun-14
The Republic of Korea (Sovereign) 3.875% 2023	1,000	11-Sep-13	Woori Bank 4.75% 2024	1,000	30-Apr-14
Korea Development Bank 3.0% 2019	750	17-Sep-13	Republic of Korea (Sovereign) 2.125% 2024	947	10-Jun-14
Others	27,281		Others	23,325	
Malaysia	4,065		Malaysia	2,332	
1MDB Global Investments 4.40% 2023	3,000	19-Mar-13	Cahaya Capital 0.162% 2021	500	18-Sep-14
Sime Darby 2.053% 2018	400	29-Jan-13	AmBank 3.125% 2019	400	3-Jul-14
Sime Darby 3.29% 2023	400	29-Jan-13	EXIM Sukuk Malaysia 2.874% 2019	300	19-Feb-14
Others	265		Others	1,132	
Philippines	3,858		Philippines	2,675	
San Miguel Corporation 4.875% 2023	800	26-Apr-13	Philippines (Sovereign) 4.2% 2024	1,500	21-Jan-14
JG Summit 4.375% 2023	750	23-Jan-13	SM Investments 4.875% 2024	350	10-Jun-14
Petron Corporation 7.50% Perpetual	750	6-Feb-13	SMC Global Power 7.5% Perpetual	350	7-May-14
Others	1,558		Others	475	
Singapore	5,925		Singapore	10,406	
Olam International 6.75% 2018	750	29-Jan-13	OCBC Bank 4% 2024	1,000	15-Apr-14
Global A&T Electronics 10.00% 2019	625	7-Feb-13	OCBC Bank 4.25% 2024	1,000	19-Jun-14
Stats Chippac 4.5% 2018	611	20-Mar-13	Avago Technologies 2% 2021	1,000	6-May-14
Flextronics International 5.0% 2023	500	20-Feb-13	United Overseas Bank 3.75% 2024	800	19-Mar-14
Others	3,439		Others	6,606	
Thailand	3,445		Thailand	3,465	
PTT Exploration & Production 3.707% 2018	500	16-Sep-13	PTT Exploration & Production 4.875% Perpetual	1,000	18-Jun-14
Others	2,945		Others	2,465	
Viet Nam	827		Viet Nam	0	
Emerging East Asia Total	141,510		Emerging East Asia Total	143,485	
Memo Items:			Memo Items:		
India	14,053		India	14,697	
Bharti Airtel International 5.125% 2023	1,500	11-Mar-13	Bharti Airtel 3.375% 2021	1,004	20-May-14
Vedanta Resources 6.0% 2019	1,200	3-Jun-13	Abja Investment 5.95% 2024	1,000	31-Jul-14
Others	11,353		Others	12,693	
Sri Lanka	2,441		Sri Lanka	2,165	

Sources: Bloomberg LP, newspaper and wire reports.

five US\$-denominated bonds with a combined value of US\$7.0 billion.

G3 currency bond issuance in the Republic of Korea in January–September was the second largest in the region and totaled US\$26.3 billion, of which 56% was sold by financial institutions. The two largest Korean

issuers of G3 currency bonds were Korea Eximbank and Korea Development Bank, with issuances of US\$4.7 billion and US\$4.4 billion, respectively. Meanwhile, Hong Kong, China was the third-largest source of G3 currency bond issuance in the region in the first 9 months of the year at US\$21.5 billion, of which 70% came from financial institutions. Notably,

the Government of the Special Administrative Region of Hong Kong, China sold its first Islamic bond in September, a 5-year US\$-denominated *sukuk* worth US\$1.0 billion and priced at 2.005%.

G3 currency bond issuance from members of the Association of Southeast Asian Nations (ASEAN) was US\$29.9 billion in the first 9 months of the year. Of this amount, Indonesia accounted for the largest share (37%), followed by Singapore (35%), Thailand (12%), the Philippines (9%), and Malaysia (8%). The largest Indonesian issuer of G3 currency bonds was the government, raising US\$6.8 billion from the sale of three US\$-denominated bonds—a US\$2.0 billion 10-year bond with a 5.875% coupon, a US\$2.0 billion 30-year bond with a 6.75% coupon, and a US\$1.5 billion 10-year *sukuk* priced at 4.35%—and one EUR-denominated 7-year bond worth EUR1.0 billion (US\$1.3 billion) offering a 2.875% coupon.

Five Malaysian companies—all financial institutions—sold a combined US\$2.3 billion worth of G3 currency bonds in January–September. Five Philippine entities tapped the US dollar bond market, with the government posting the largest bond sale—a US\$1.5 billion 10-year bond issued in January.

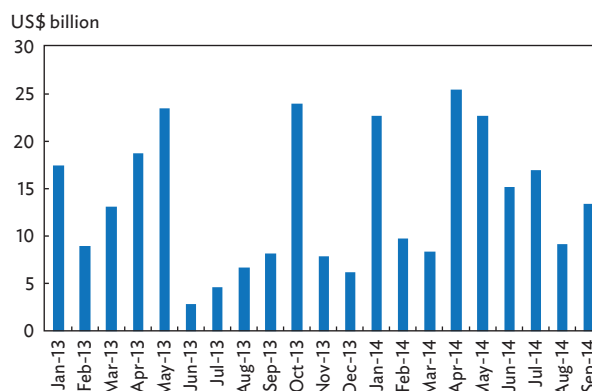
Of Singapore’s US\$10.4 billion worth of G3 currency bonds sold in January–September, about 75% came from financial institutions—led by DBS, OCBC Bank, and United Overseas Bank. In the same 9-month period, seven Thai institutions tapped the G3 currency bond market, raising a total of US\$3.5 billion, which exceeded 2013’s full-year total.

The first 9 months of the year saw fluctuations in emerging East Asia’s aggregate G3 currency bond issuance amid uncertainty earlier in the year over the US Federal Reserve’s stance on its asset purchase program (**Figure 5**). Issuance in 3Q14 was valued at US\$39.4 billion, down from the previous quarter’s US\$63.0 billion, but higher than 3Q13’s US\$19.4 billion.

Government bond yields fell for most tenors in emerging East Asian markets.

In its 29 October policy meeting, as widely expected, the US Federal Reserve ended its quantitative easing program. The continued tapering and eventual end of

Figure 5: G3 Currency Bond Issuance



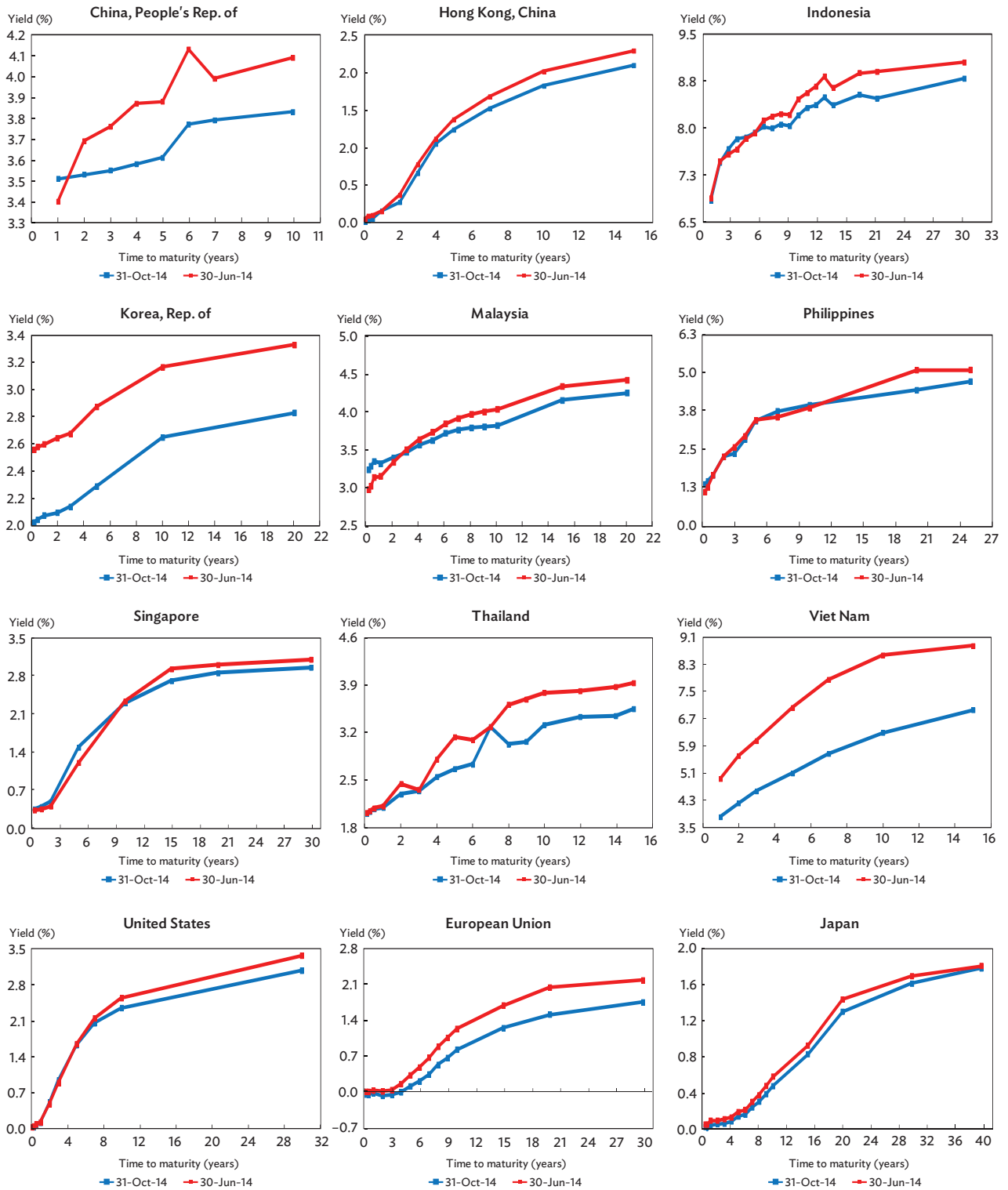
Source: AsianBondsOnline calculations based on Bloomberg LP data.

the program this year has already been largely priced in by investors in most markets. However, even after the 16 September Federal Reserve meeting indicated that the US was on track to end quantitative easing, US yields fell due to demand for safe haven assets caused by global financial market volatility. Only at end-October, when the program ended, did US yields begin rising again, owing to improved labor market conditions in the US.

From end-June to end-October, US Treasury yields showed a decline, with the exception of the 2-year and 3-year tenors. This affected emerging East Asian markets whose yields closely track those of the US (**Figure 6**). For example, Hong Kong, China’s yield curve fell for all tenors during the period under review, with the exception of the 1-year tenor. Hong Kong, China’s 10-year yield fell 19 basis points (bps) from end-June to end-October. In contrast, Singapore’s yield curve fell at the longer-end, with the 10-year yield declining 3 bps and the 15-year yield dipping 22 bps. Malaysia’s 10-year yields fell 21 bps in the same period.

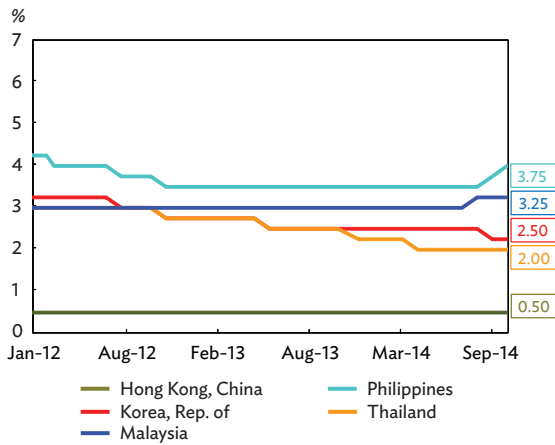
In other markets, yield movements were mostly driven by domestic factors. In the Republic of Korea, the country’s economic slowdown led to a fall in the yield curve for all tenors. The 10-year yield fell 52 bps in the same period. Economic growth in the Republic of Korea remained subdued in 3Q14, growing 0.9% q-o-q versus 0.6% in 2Q14. The Bank of Korea cut its base rate by 25 bps to 2.25% in August (**Figures 7a, 7b**), followed by another 25 bps cut to 2.0% in October. Inflation also fell to 1.1% y-o-y in September.

Figure 6: Benchmark Yield Curves—LCY Government Bonds



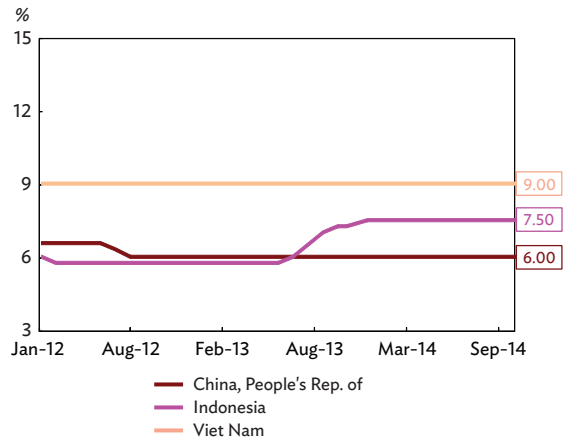
LCY = local currency.
Source: Based on data from Bloomberg LP.

Figure 7a: Policy Rates



Note: Data as of end-September 2014.
Source: Bloomberg LP.

Figure 7b: Policy Rates



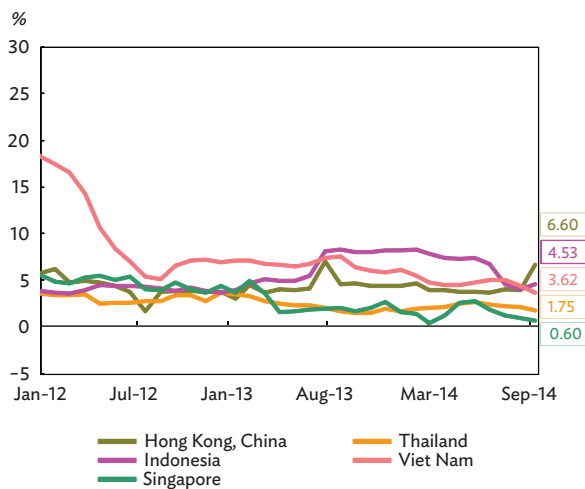
Note: Data as of end-September 2014.
Source: Bloomberg LP.

In the PRC, the yield curve fell for tenors longer than 1 year as economic data showed that the domestic economy is slowing. The PRC reported 3Q14 GDP growth of 7.3% y-o-y, down from 7.5% in 2Q14. Consumer price inflation in the PRC fell to 1.6% y-o-y in September. Markets are concerned that the slowing PRC economy might affect other economies in the region. Inflation in emerging East Asia has been manageable and most economies have shown a downward trend in inflation in 3Q14 (Figures 8a, 8b).

In Indonesia, the yield curve mostly shifted downward between end-June and end-October, with the exception of 3- to 6-year tenors, due to a smooth political transition and expectations of a reduced supply of government bond issuances in 4Q14 since the government has mostly met its funding requirements for the year.

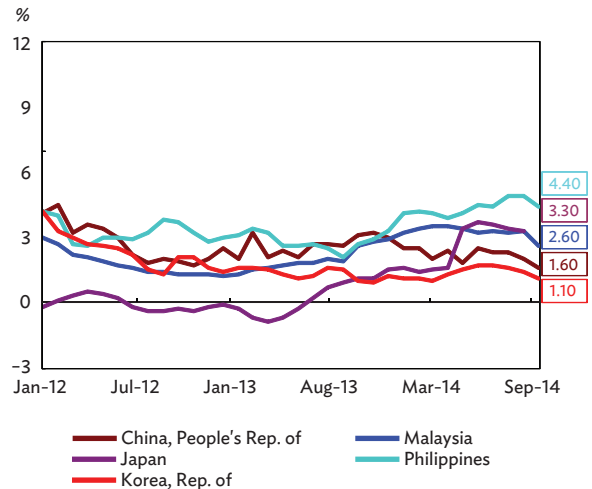
The Philippines is distinct in emerging East Asia as the only economy with significantly rising inflation since 1Q14, owing to supply-side pressures. However, inflation

Figure 8a: Headline Inflation Rates



Note: Data as of end-September 2014.
Source: Bloomberg LP.

Figure 8b: Headline Inflation Rates



Note: Data as of end-September 2014, except for Japan as of end-August 2014.
Source: Bloomberg LP.

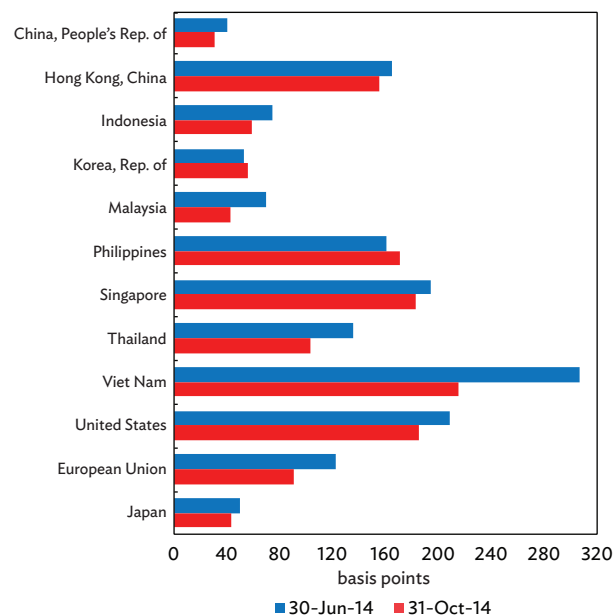
in the Philippines moderated in September, prompting the central bank to pause its tightening in the last monetary meeting in October after raising policy rates in September. Bangko Sentral ng Pilipinas' assessment is that inflation has now become more manageable. These developments have resulted in largely mixed yield curve movements, with the 10-year yield rising 10 bps and the 3-year yield falling 20 bps.

In Thailand, the central bank kept its policy rate unchanged at 2.0% in its September policy meeting, maintaining its accommodative policy stance as inflation continues to moderate. Markets expect the central bank to continue with this accommodative stance as its monetary policy begins to take effect. Thailand's GDP recovered in 2Q14, rising 0.4% y-o-y after a decline of 0.5% in the prior quarter. As a result, Thailand's yield curve shifted downward for nearly all tenors, with the 10-year yield falling 48 bps between end-June and end-October.

In Viet Nam, the entire yield curve shifted sharply downward, with the 10-year yield falling 235 bps. The downward shift in yields in Viet Nam was driven by falling inflation, with September inflation at 3.2% y-o-y. The low inflation rate allowed the State Bank of Viet Nam to cut its deposit rate cap to 5.5% from 6.0% in October. In addition, Fitch upgraded Viet Nam's credit rating to BB- from B+ on 3 November.

As a result of the drop in longer-term yields, the 2-year versus 10-year spread fell in most markets between end-June and end-October (**Figure 9**), largely on the back of benign inflation and expectations of further easing, with the exception of the Philippines and the Republic of Korea. In the Philippines, the rise in the 2-year versus 10-year spread was due to the yield curve's mixed performance, while in the Republic of Korea, the shorter-end of the curve fell more sharply due to a policy rate cut.

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



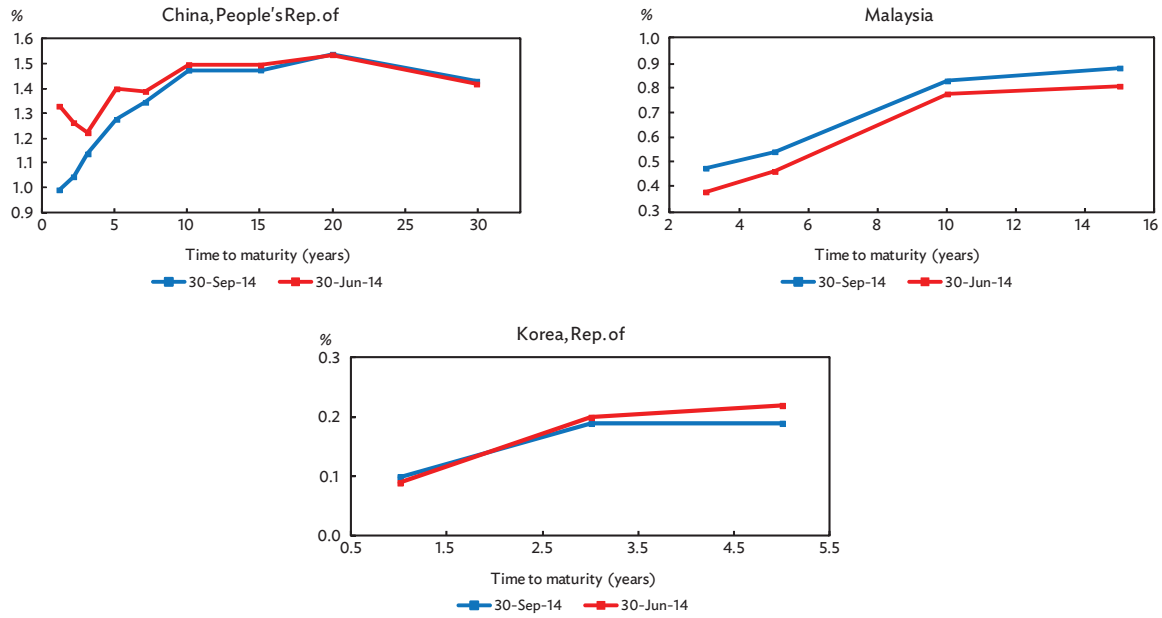
Source: Based on data from Bloomberg LP.

Corporate spreads were mixed at end-September.

Credit spreads between AAA-rated corporate bonds and government bonds tightened in the PRC between end-June and end-September, particularly at the shorter-end of the curve, mostly due to declining demand for short-tenored government bonds, which raised yields. In contrast, the spread widened in Malaysia, particularly for longer tenors, owing to higher demand for government bonds. Meanwhile, the spread in the Republic of Korea was mostly unchanged (**Figure 10a**).

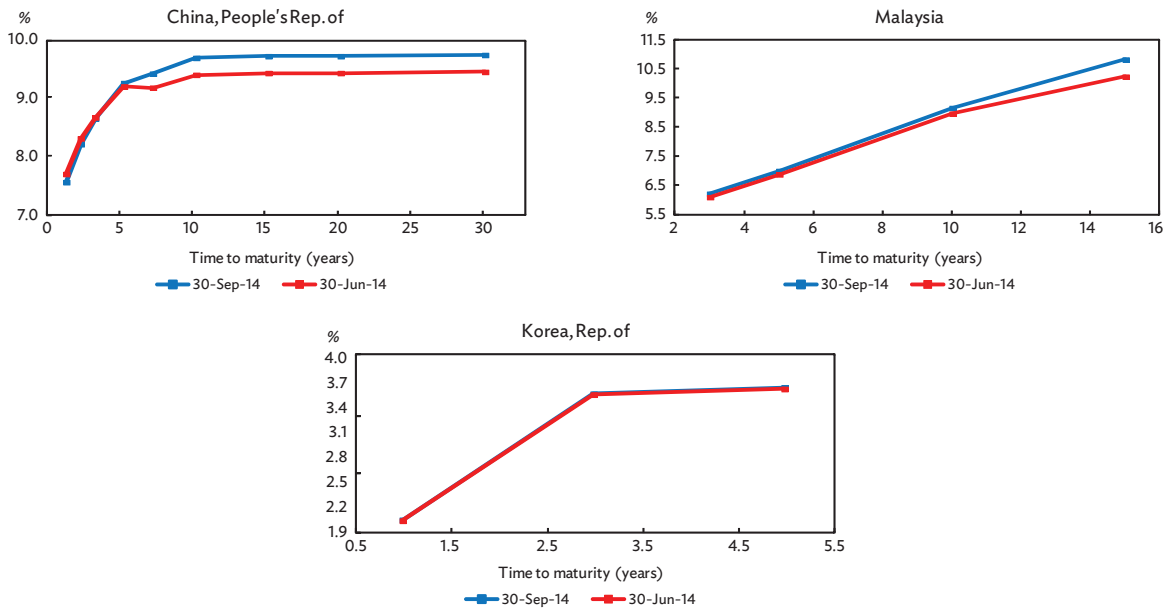
Credit spreads between AAA-rated and lower-rated corporate bonds were roughly unchanged in all markets over the same period, with the exception of the PRC, due to increased risk aversion related to slowing economic growth and the weak property market (**Figure 10b**).

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



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

Figure 10b: Credit Spreads—Lower-Rated LCY Corporates vs. 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*).