Market Summaries

People's Republic of China

Yield Movements

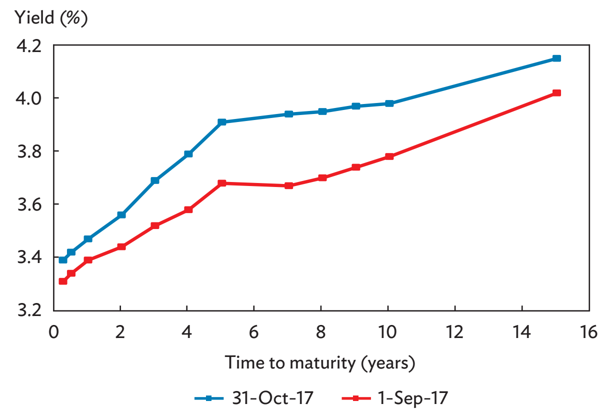
The government bond yield curve of the People's Republic of China (PRC) shifted upward for all tenors between 1 September and 31 October (**Figure 1**). Excluding the 15-year tenor, the pick-up in yields was most pronounced at the long-end of the curve. Yields for tenors of 3 years or less rose an average of 11 basis points (bps), while yields rose an average of 23 bps for the 4-year through 10-year tenor. The 15-year tenor rose 13 bps.

The rise in the PRC's yields has been largely driven by concerns over the ongoing deleveraging campaign being conducted by the government to reduce debt levels. As a result of the bigger gains at the long-end of the curve, the 2-year versus 10-year yield spread rose to 42 bps on 31 October from 34 bps on 1 September.

There was a temporary inversion in the PRC's yield curve as the government's deleveraging campaign pushed yields at the short-end to levels higher than those at the long-end. Yields at the long-end, such as the 10-year yield, declined in September after economic data releases showed weaker growth. For example, August industrial production (released in September) grew 6.0% year-on-year (y-o-y) after gaining 6.4% y-o-y in July. Growth in investment in fixed assets slowed to 7.8% y-o-y in January–August from 8.3% y-o-y in January–July.

Data on economic growth released since September indicate that the PRC will continue its relatively modest economic growth. The PRC's gross domestic product grew 6.8% y-o-y in the third quarter (Q3) of 2017, marginally down from second quarter (Q2) growth of 6.9% y-o-y. Industrial profits grew 22.8% y-o-y in January–September after gaining 21.6% y-o-y in January–August. Industrial production growth also picked up to 6.6% y-o-y in September from 6.0% y-o-y in August. In addition, while consumer price inflation remains benign, slowing to 1.6% y-o-y in September from 1.8% y-o-y in August, producer prices rose 6.9% y-o-y in September after climbing 6.3% y-o-y in August, reflecting strengthening in the manufacturing sector.

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



Source: Based on data from Bloomberg LP.

Yields at the long-end of the curve trended upward in October more rapidly than yields at the short-end. In addition to better economic data, the market was also concerned that the Government of the PRC would impose additional deleveraging measures. On 15 October, the People's Bank of China (PBOC) Governor Zhou Xiaochuan said that corporate debt remains too high and that there was a need to focus more effort on deleveraging and policies that promote financial stability.

Size and Composition

The PRC's local currency (LCY) bonds outstanding rose 5.3% quarter-on-quarter (q-o-q) and 14.2% y-o-y in Q3 2017 to reach CNY54.7 trillion at the end of September. The q-o-q growth rate accelerated from 4.1% in the previous quarter due to faster increases in the amount of both government and corporate bonds outstanding (**Table 1**).

Government bonds. Growth in the PRC's bond market was driven by increases in the government bond segment. Government bonds outstanding increased 6.1% q-o-q in Q3 2017, up from 5.8% q-o-q growth in the previous quarter, mainly led by local government bonds

Table 1: Size and Composition of the Local Currency Bond Market in the People's Republic of China

	Outstanding Amount (billion)						Growth Rates (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	CNY	USD	CNY	USD	CNY	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**47,980**	**7,178**	**51,931**	**7,658**	**54,693**	**8,221**	**4.2**	**113.3**	**5.3**	**14.2**
Government	33,154	4,969	37,159	5,480	39,438	5,928	6.0	35.1	6.1	19.0
Treasury Bonds and Local Government Bonds	20,912	3,134	24,405	3,599	26,340	3,959	10.3	57.7	7.93	26.0
Central Bank Bonds	27	4	0	0	0	0	(93.6)	(93.6)	0.0	(100.0)
Policy Bank Bonds	12,215	1,831	12,755	1,881	13,098	1,969	2.6	12.5	2.7	7.2
Corporate	14,736	2,209	14,771	2,178	15,255	2,293	0.3	256.0	3.3	3.5
Policy Bank Bonds										
China Development Bank	7,051	1,057	7,183	1,059	7,331	1,102	1.1	6.7	2.1	4.0
Export–Import Bank of China	2,028	304	2,217	327	2,280	343	2.0	11.6	2.9	12.4
Agricultural Devt. Bank of China	3,136	470	3,355	495	3,488	524	6.7	29.1	4.0	11.2

( ) = negative, CNY = Chinese yuan, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Treasury bonds include savings bonds and local government bonds.
3. Bloomberg LP end-of-period LCY–USD rates are used.
4. Growth rates are calculated from an LCY base and do not include currency effects.
Sources: *ChinaBond*, *Wind Info*, and Bloomberg LP.

outstanding, which grew 11.9% q-o-q in Q3 2017 versus 13.0% q-o-q in Q2 2017.

Local government bonds again registered the highest growth rate among all government bond categories as local governments continued their debt swap program and issued new debt amid the setting of 2017 issuance quotas by the Government of the PRC. Total local government debt has been capped at CNY18.8 trillion. However, as part of the deleveraging efforts of the PRC, local government bond growth in Q3 2017 was not as strong as it was in 2016. Local government bonds grew 43.2% y-o-y in Q3 2017 versus 50.0% y-o-y growth in the same period last year.

Issuance of local government bonds in Q3 2017 grew 20.5% q-o-q as local governments sought to fill their respective quotas. For 2017, the PRC set quotas of CNY1.6 trillion for the issuance of local government bonds and CNY3.0 trillion for debt swaps. The target completion date for the local government debt swap program is in 2018.

Treasury bonds outstanding grew only 3.9% q-o-q in spite of an 83.1% q-o-q increase in issuance as the new bonds mostly replaced maturing bonds. In particular, CNY600 billion of special Treasury bonds were issued in August as part of the refinancing program.

There were no central bank bonds outstanding in Q3 2017 as the PBOC no longer issues such bonds.

Corporate bonds. The PRC's corporate bonds outstanding grew 3.3% q-o-q in Q3 2017 after declining 0.1% q-o-q in the previous quarter. Growth was driven by the capital-raising efforts of banks as outstanding commercial bank bonds and Tier 2 notes gained 7.4% q-o-q (**Table 2**). Local corporate bonds and medium-term notes also showed stronger growth, rising 4.4% q-o-q and 3.3% q-o-q, respectively. The deleveraging efforts and subsequent rise in interest rates at the short-end of the curve discouraged the issuance of short-term debt, leading to a 6.5% q-o-q decline in outstanding commercial paper. State-owned enterprise bonds also fell 2.1% q-o-q.

Total issuance of corporate bonds increased 45.1% q-o-q in Q3 2017 to CNY1.6 trillion, largely to finance maturing bonds as corporate bonds outstanding grew only 3.3% q-o-q. By category, the fastest growth came from local corporate bonds, which more than doubled, followed by medium-term notes, which grew 68.4% q-o-q (**Figure 2**).

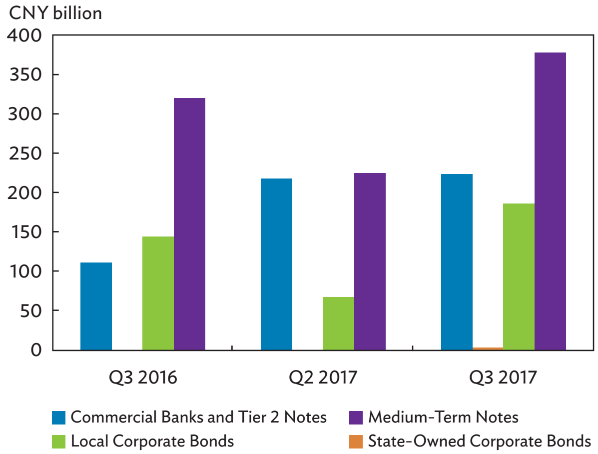
The PRC's corporate bond market continues to be dominated by a few big issuers (**Table 3**). At the end of Q3 2017, the top 30 corporate bond issuers accounted for CNY6.1 trillion worth of corporate bonds outstanding, or about 40.2% of the total market. Of the top 30, the 10 largest issuers accounted for CNY3.9 trillion. China Railway, the top issuer, has more than three times the outstanding amount of bonds as State Grid Corporation of China, the second largest

Table 2: Corporate Bonds Outstanding in Key Categories

	Amount (CNY billion)			Growth Rate (%)			
				Q3 2016		Q3 2017	
	Q3 2016	Q2 2017	Q3 2017	q-o-q	y-o-y	q-o-q	y-o-y
Commercial Bank Bonds and Tier 2 Notes	2,372	2,713	2,915	1.0	27.6	7.4	22.9
SOE Bonds	560	519	508	1.0	(3.7)	(2.1)	(9.2)
Local Corporate Bonds	2,911	2,932	3,060	1.0	16.8	4.4	5.1
Commercial Paper	2,380	1,657	1,549	0.9	(4.8)	(6.5)	(34.9)
Medium-Term Notes	4,604	4,662	4,816	1.0	7.4	3.3	4.6

( ) = negative, CNY = Chinese yuan, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, SOE = state-owned enterprise, y-o-y = year-on-year.
Sources: *ChinaBond* and *Wind Info*.

Figure 2: Corporate Bond Issuance in Key Sectors



CNY = Chinese yuan, Q2 = second quarter, Q3 = third quarter.
Sources: *ChinaBond* and *Wind Info*.

issuer. The top 30 issuer includes 14 banks, which continue to dominate the list as they generate funding in order to beef up their capital bases and liquidity, and lengthen their maturity profiles.

Table 4 lists the largest corporate bond issuances in Q3 2017. All of the companies on the list are financial firms except for China Railway Corporation.

Investor Profile

Treasury bonds and policy bank bonds. Banks were the single largest holder of Treasury bonds and policy bank bonds at the end of September, though this share had declined to 66.8% from 68.4% a year earlier (**Figure 3**). In contrast, the share held by funds institutions rose to 16.2% from 13.6% in the same period.

Corporate bonds. Funds institutions were the largest holders of corporate bonds at the end of September with a share of 48.2% of outstanding corporate bonds, up from a 44.9% share at the end of September 2016 (**Figure 4**). The share held by banks declined to 15.8% from 18.1% during the review period. **Figure 5** presents investor profiles across different corporate bond categories at the end of September. Funds institutions are the dominant buyers in the PRC of both local corporate bonds and medium-term notes, while banks and insurance companies are the dominant holders of commercial bank bonds.

Liquidity

The volume of interest rate swaps declined 9.7% q-o-q in Q3 2017. The 7-day repurchase remained the most used interest rate swap, comprising a 73.6% share of the total interest rate swap volume during the quarter (**Table 5**).

The trading volume of government bonds rose in Q3 2017; however, turnover ratios were still lower than in Q3 2016, owing to the ongoing deleveraging of the government (**Figure 6**).

Ratings Update

In September, S&P Global downgraded the PRC's long-term foreign currency rating to A+ from AA– with a stable outlook. In its decision, S&P Global cited the PRC's rising debt levels as a reason for the downgrade.

Table 3: Top 30 Issuers of Local Currency Corporate Bonds in the People's Republic of China

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (CNY billion)	LCY Bonds (USD billion)			
1.	China Railway	1,456.5	218.93	Yes	No	Transportation
2.	State Grid Corporation of China	401.8	60.40	Yes	No	Public Utilities
3.	China National Petroleum	325.0	48.85	Yes	No	Energy
4.	Bank of China	288.9	43.42	Yes	Yes	Banking
5.	Agricultural Bank of China	278.0	41.79	Yes	Yes	Banking
6.	Industrial and Commercial Bank of China	268.0	40.28	Yes	Yes	Banking
7.	Bank of Communications	245.0	36.83	Yes	Yes	Banking
8.	China Construction Bank	212.0	31.87	Yes	Yes	Banking
9.	Shanghai Pudong Development Bank	204.6	30.75	No	Yes	Banking
10.	China Everbright Bank	188.9	28.39	Yes	Yes	Banking
11.	Industrial Bank	185.0	27.81	No	Yes	Banking
12.	China Minsheng Banking	170.1	25.57	No	Yes	Banking
13.	China CITIC Bank	157.5	23.67	No	Yes	Banking
14.	State Power Investment	142.0	21.35	Yes	Yes	Energy
15.	Bank of Beijing	137.9	20.73	Yes	Yes	Banking
16.	PetroChina	137.0	20.59	Yes	Yes	Energy
17.	Huaxia Bank	130.4	19.60	Yes	Yes	Banking
18.	Central Huijin Investment	109.0	16.38	Yes	Yes	Asset Management
19.	China Huarong Asset Management	106.0	15.93	Yes	Yes	Asset Management
20.	Tianjin Infrastructure Construction and Investment Group	96.3	14.48	Yes	No	Construction
21.	China Three Gorges	95.5	14.35	Yes	Yes	Public Utilities
22.	CITIC Securities	95.3	14.32	Yes	Yes	Brokerage
23.	Dalian Wanda Commercial Properties	93.0	13.98	No	Yes	Real Estate
24.	China Cinda Asset Management	91.0	13.68	Yes	Yes	Asset Management
25.	China Merchants Bank	89.0	13.38	Yes	Yes	Banking
26.	Guotai Junan Securities	87.3	13.12	No	Yes	Brokerage
27.	Haitong Securities	87.1	13.09	No	Yes	Brokerage
28.	China Guangfa Bank	86.5	13.00	Yes	Yes	Banking
29.	Shenhua Group	82.5	12.40	Yes	Yes	Mining
30.	China Datang Corporation	79.7	11.98	Yes	Yes	Energy
Total Top 30 LCY Corporate Issuers		**6,126.79**	**920.93**			
Total LCY Corporate Bonds		**15,254.99**	**2,293.02**			
Top 30 as % of Total LCY Corporate Bonds		**40.2%**	**40.2%**			

CNY = Chinese yuan, LCY = local currency, USD = United States dollar.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Table 4: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (CNY billion)
China Railway Corporation		
5-year bond	4.30	13
5-year bond	4.31	15
10-year bond	4.48	5
10-year bond	4.61	7
China Everbright Bank		
3-year bond	4.20	22
10-year bond	4.70	12
Bank of China		
10-year bond	4.45	30
Central Huijin Investment		
5-year bond	4.38	26
Huaxia Bank		
3-year bond	4.30	22

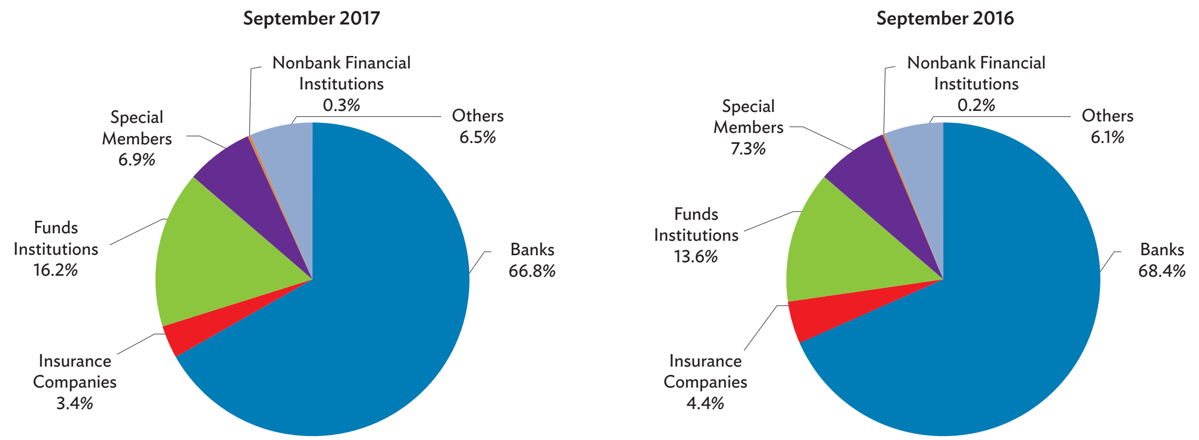
CNY = Chinese yuan.
Source: Based on data from Bloomberg LP.

Policy, Institutional, and Regulatory Developments

People's Bank of China Reduces Reserve Requirement Ratio for Select Institutions

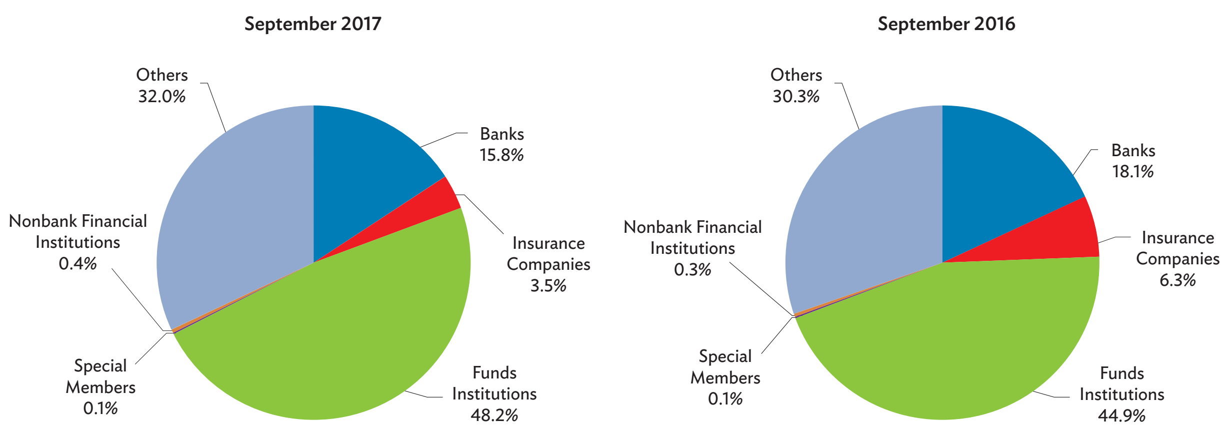
In September, the PBOC announced that it would reduce the reserve requirement ratio for banks that meet established lending metrics to small and medium-sized enterprises, and to the agriculture sector. Banks will receive a 50-bps reduction in their ratio if their loans to the abovementioned sectors meet or exceed either 1.5% of new lending in 2017 or 1.5% of outstanding loans. Banks can receive a 150-bps reduction if the loans to these sectors comprise 10% or more of either new lending in 2017 or outstanding loans. Alternatively, banks will qualify for the 150-bps reduction if 10% or more of their

Figure 3: Local Currency Treasury Bonds and Policy Bank Bonds Investor Profile



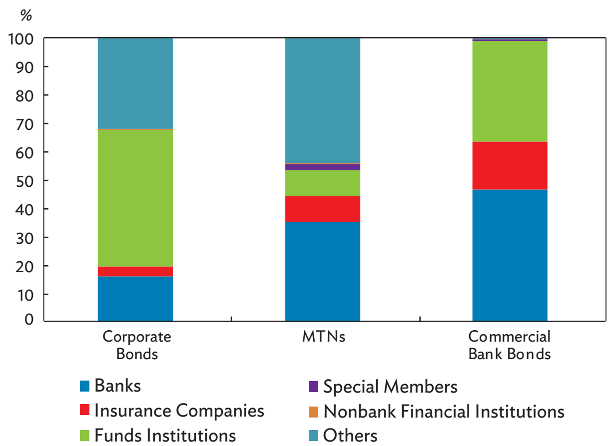
Source: *ChinaBond*.

Figure 4: Local Currency Corporate Bonds Investor Profile



Source: *ChinaBond*.

Figure 5: Investor Profile across Bond Categories



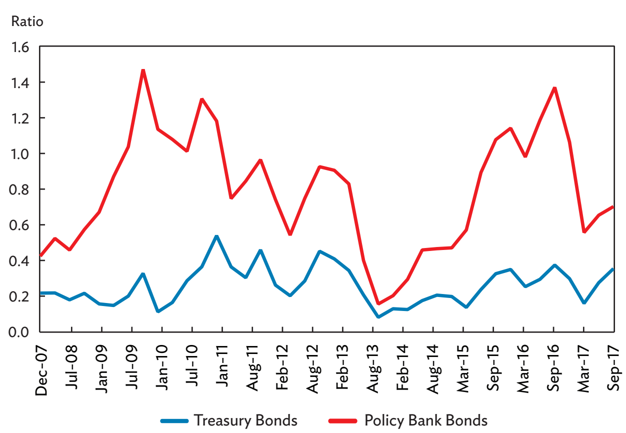
MTNs = medium-term notes.
Note: Data as of end-September 2017.
Source: *ChinaBond*.

Table 5: Notional Values of the People's Republic of China's Interest Rate Swap Market in the Third Quarter of 2017

Interest Rate Swap Benchmarks	Notional Amount (CNY billion)	Share of Total Notional Amount (%)	Growth Rate (%)
	Q3 2017		q-o-q
7-Day Repo Rate	2,690.3	73.64	6.78
Overnight SHIBOR	12.0	0.33	38.34
3-Month SHIBOR	941.9	25.78	201.09
1-Year Lending Rate	1.7	0.05	191.01
3-Year Lending Rate	1.4	0.04	13.45
5-Year Lending Rate	0.1	0.002	0.00
Depository Institution 7-day Repo Rate	6.1	0.17	(75.31)
Total	**3,653.5**	**100.00**	**(9.71)**

( ) = negative, CNY = Chinese yuan, q-o-q = quarter-on-quarter, Q3 = third quarter, Repo = repurchase, SHIBOR = Shanghai Interbank Offered Rate.
Note: Growth rate computed based on notional amounts.
Sources: *AsianBondsOnline* and *ChinaMoney*.

Figure 6: Turnover Ratios for Government Bonds



Source: *ChinaBond*.

outstanding loans are made to the specially designated "inclusive finance" sector. Rural banks can get a 100-bps reduction if 10% or more of new loans are made to local entities. The reductions will take effect in 2018.

People's Bank of China Removes Reserve Requirement Ratio on Forward Transactions

In September, the PBOC removed reserve requirements imposed on the trading of foreign currency forwards. Previously, the ratio was set at 20%.

China Securities Regulatory Commission Imposes Limits on Money Market Funds

The China Securities Regulatory Commission tightened regulations on money market funds in September. Under the new guidelines, money market funds are limited in their lending to a single institution. The rules require money market funds to limit their holdings of deposits, bonds, and other assets from a single bank to no more than 10% of the bank's net assets. Additionally, assets from a single bank cannot exceed 2% of the outstanding assets of the mutual fund. Money market funds also cannot hold investments issued by institutions with a credit rating lower than AAA.

Hong Kong, China

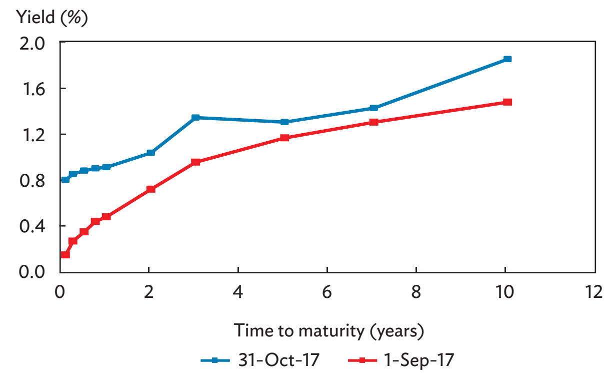
Yield Movements

Hong Kong, China's local currency (LCY) bond yield curve shifted upward for all tenors between 1 September and 31 October (**Figure 1**). The rise in yields was much larger at the short-end and the very long-end of the curve, with yields rising an average of 48 basis points (bps) for tenors of 3 years or less and an average of 40 bps for the 10-year and 15-year tenors. Yields rose an average of 13 bps for the 5-year and 7-year tenors. As a result, the 2-year versus 10-year yield spread rose to 81 bps on 31 October from 75 bps on 1 September.

Hong Kong, China's government bond yield movements largely tracked rate movements in the United States (US) as the Hong Kong dollar is pegged to the US dollar.

Hong Kong, China's inflation has been relatively stable, largely due to a lack of cost pressures from both domestic and imported goods. The inflation rate fell to 1.4% year-on-year (y-o-y) in September from 1.9% y-o-y in August.

Figure 1: Hong Kong, China's Benchmark Yield Curve—Exchange Fund Bills and Notes



Source: Based on data from Bloomberg LP.

Size and Composition

Hong Kong, China's outstanding LCY bonds rose 2.2% quarter-on-quarter (q-o-q) and 4.0% y-o-y to reach HKD1,904 billion (USD244 billion) at the end of the third quarter (Q3) of 2017 (**Table 1**). Growth accelerated from 0.6% q-o-q in the second quarter (Q2) of 2017.

The growth in outstanding bonds was largely driven by increases in Hong Kong, China's outstanding government bonds, which rose 3.7% q-o-q in Q3 2017 from 0.8% q-o-q in Q2 2017.

Among Hong Kong, China's government bonds, gains were noted in Exchange Fund Bills (EFBs). The q-o-q growth of 5.5% in EFBs was largely due to strong demand from financial institutions amid high interbank liquidity. The Hong Kong Monetary Authority issued additional EFBs in Q3 2017 beyond its original planned issuance in order to accommodate banks' liquidity.

Table 1: Size and Composition of the Local Currency Bond Market in Hong Kong, China

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	HKD	USD	HKD	USD	HKD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**1,831**	**236**	**1,862**	**239**	**1,904**	**244**	**4.3**	**18.0**	**2.2**	**4.0**
Government	1,067	138	1,076	138	1,116	143	5.4	21.8	3.7	4.6
Exchange Fund Bills	911	117	923	118	974	125	6.0	28.0	5.5	6.9
Exchange Fund Notes	51	7	43	6	41	5	(4.1)	(16.9)	(5.1)	(20.3)
HKSAR Bonds	105	14	111	14	101	13	4.8	2.0	(8.5)	(3.8)
Corporate	764	98	786	101	788	101	2.9	13.1	0.2	3.2

( ) = negative, HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–USD rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
Sources: Hong Kong Monetary Authority and Bloomberg LP.

Exchange Fund Notes (EFNs) and Hong Kong Special Administrative Region (HKSAR) bonds both registered q-o-q declines in Q3 2017. EFNs fell 5.1% q-o-q and HKSAR bonds fell 8.5% q-o-q. EFNs have declined owing to a lack of issuance as EFB issuance is now solely limited to the 2-year tenor.

HKSAR bonds declined in Q3 2017 as the government only issued a single 15-year HKSAR bond valued at HKD600 million under the Institutional Bond Issuance Programme.

The amount of corporate bonds outstanding rose 0.2% q-o-q and 3.2% y-o-y in Q3 2017. Hong Kong, China's top 30 nonbank issuers had outstanding LCY bonds amounting to HKD148.4 billion at the end of June, comprising 18.8% of total corporate bonds outstanding. A majority of the top 30 issuers were the financing vehicles of large Hong Kong, China-based companies (**Table 2**). The Hong Kong Mortgage Corporation remained the top issuer with outstanding bonds of HKD26.7 billion, followed by Sung Hung Kai Properties (Capital Market) with HKD12.4 billion and MTR Corporation (C.I.) with HKD10.0 billion. Among the top 30 nonbank issuers at the end of June, six were state-owned companies and six were Hong Kong Exchange-listed firms.

Among the top five nonbank issuances in Q3 2017, the majority came from the financing vehicles of a number of Hong Kong, China companies with the exception of MTR Corporation (**Table 3**).

Ratings Update

S&P Global lowered Hong Kong, China's credit rating to AA+, citing Hong Kong, China's connections with the People's Republic of China as the reason for the downgrade.

Policy, Institutional, and Regulatory Developments

Hong Kong, China Includes US Dollar Bonds Issued by the People's Republic of China as Collateral for Renminbi Liquidity Facility

In November, the Hong Kong Monetary Authority declared that the USD-denominated bonds issued by the People's Republic of China in October will be allowable as collateral for the Renminbi Liquidity Facility that Hong Kong, China banks can tap as a source of renminbi liquidity.

Table 2: Top 30 Nonbank Corporate Issuers of Local Currency Corporate Bonds in Hong Kong, China

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (HKD billion)	LCY Bonds (USD billion)			
1.	The Hong Kong Mortgage Corporation	26.7	3.4	Yes	No	Finance
2.	Sun Hung Kai Properties (Capital Market)	12.4	1.6	No	No	Real Estate
3.	MTR Corporation (C.I.)	10.0	1.3	Yes	Yes	Transportation
4.	Swire Pacific MTN Financing	8.9	1.1	No	No	Finance
5.	HKCG (Finance)	8.5	1.1	No	No	Finance
6.	CLP Power Hong Kong Financing	7.8	1.0	No	No	Finance
7.	The Link Finance (Cayman) 2009	7.8	1.0	No	No	Finance
8.	Hongkong Electric Finance	7.4	0.9	No	No	Finance
9.	NWD (MTN)	7.3	0.9	No	Yes	Finance
10.	Swire Properties MTN Financing	5.9	0.8	No	No	Finance
11.	Wharf Finance	5.7	0.7	No	No	Finance
12.	CK Property Finance (MTN)	4.2	0.5	No	No	Finance
13.	Vanke Real Estate (Hong Kong)	3.7	0.5	No	No	Real Estate
14.	Kowloon-Canton Railway	3.4	0.4	Yes	No	Transportation
15.	Urban Renewal Authority	2.8	0.4	Yes	No	Real Estate
16.	Cathay Pacific MTN Financing	2.4	0.3	No	Yes	Finance
17.	Leading Affluence	2.3	0.3	No	No	Real Estate
18.	Tencent Holdings	2.2	0.3	No	Yes	Comunications
19.	Bohai International Capital	2.0	0.3	No	No	Iron and Steel
20.	China Energy Reserve and Chemicals Group Overseas	2.0	0.3	No	No	Oil
21.	Emperor International Holdings	1.9	0.2	No	Yes	Real Estate
22.	Hong Kong Science and Technology Parks	1.7	0.2	Yes	No	Real Estate
23.	Wheelock Finance	1.7	0.2	No	No	Finance
24.	Value Success International	1.5	0.2	No	No	Finance
25.	Cheung Kong Finance (MTN)	1.5	0.2	No	No	Finance
26.	Airport Authority Hong Kong	1.5	0.2	Yes	No	Transportation
27.	Hysan (MTN)	1.4	0.2	No	Yes	Real Estate
28.	Wharf Finance (No. 1)	1.3	0.2	No	No	Finance
29.	Nan Fung Treasury	1.3	0.2	No	No	Finance
30.	Henderson Land MTN	1.2	0.2	No	No	Finance
Total Top 30 Nonbank LCY Corporate Issuers		**148.4**	**19.0**			
Total LCY Corporate Bonds		**787.8**	**100.9**			
Top 30 as % of Total LCY Corporate Bonds		**18.8%**	**18.8%**			

LCY = local currency.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Hong Kong Monetary Authority data.

Table 3: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)
CK Property Finance (MTN)		
5-year bond	1.88	1.45
10-year bond	2.95	0.90
Sun Hung Kai Properties (Capital Market)		
7-year bond	2.55	0.35
7-year bond	2.55	0.30
7-year bond	2.50	0.30
10-year bond	2.68	0.38
10-year bond	2.70	0.36
10-year bond	2.65	0.30
10-year bond	2.70	0.30
MTR Corporation		
15-year bond	2.46	0.72
30-year bond	2.99	0.70
30-year bond	2.83	0.32
HKCD (Finance)		
10-year bond	2.65	0.70
Swire Properties MTN Financing		
7-year bond	2.55	0.20
8-year bond	2.60	0.20
10-year bond	2.65	0.20

HKD = Hong Kong dollar.
Source: Central Moneymarkets Unit, Hong Kong Monetary Authority.

Indonesia

Yield Movements

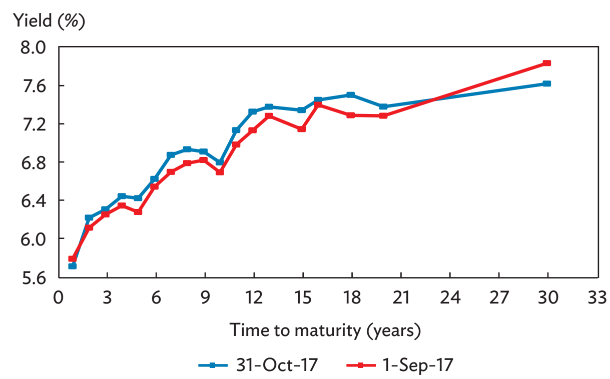
Between 1 September and 31 October, all local currency (LCY) government bond yields climbed in Indonesia except for the 1-year and 30-year maturities (**Figure 1**). Bond yields rose an average of 12 basis points (bps) from the 2-year through the 20-year tenors, while shedding 8 bps and 21 bps, respectively, at the short-end and long-end of the curve. The spread between the 2-year and 10-year tenors slipped from 58 bps on 1 September to 57 bps on 31 October.

The overall rise in yields was due largely to a sell-off as investor sentiment turned negative. In September, the United States (US) Federal Reserve signaled further tightening and the beginning of its balance sheet normalization in October. In addition, the European Central Bank also announced that it will taper its asset purchases beginning in January 2018.

Compared to its regional peers, a relatively large share of Indonesia's bonds are held by foreign investors, making its bond market sensitive to capital flight risks. At the end of September, the share of foreign investors hit 40.0%, up from the end-June level of 39.5%. This share had reached a high of 40.5% earlier in September after Bank Indonesia's policy rate cut. However, as monetary policy direction in most advanced economies became hawkish, investors turned cautious and took profits. At the end of October, nonresident holdings of Indonesian government bonds had fallen to 38.4% of the total. The Ministry of Finance, however, stated that this decline was just a temporary market reaction. Meanwhile, onshore demand continues to support the market.

Bank Indonesia lowered its policy rate by 25 bps each in August and again in September. Low inflation provided the central bank room for easing monetary policy to boost growth. In its meeting on 18–19 October, the central bank took a pause and maintained the 7-day reverse repurchase rate at 4.25%. The deposit facility rate and the lending facility rate were also maintained at 3.50% and 5.00%, respectively. The central bank deems that current rates are consistent with holding inflation within its target range and keeping the current account deficit at a manageable level. Consumer price inflation trended lower in July–October and has remained within

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



Source: Based on data from Bloomberg LP.

Bank Indonesia's full-year 2017 target range of between 3.0% and 5.0%.

Real gross domestic product (GDP) growth inched up to 5.06% year-on-year (y-o-y) in the third quarter (Q3) of 2017 compared with 5.01% from the prior quarter, falling below Bank Indonesia and analysts' expectations. Growth in household consumption continued to weaken, rising 4.93% y-o-y in Q3 2017 versus 4.95% in the previous quarter. Government spending rebounded, posting growth of 3.5% after contracting in the previous 2 quarters. Also, contributing to the overall y-o-y growth in Q3 2017 were investments (7.1%) and exports (17.3%). Based on the revised state budget for 2017, full-year economic growth is estimated at 5.2%.

Size and Composition

The LCY bond market in Indonesia continued to expand to reach a size of IDR2,426.1 trillion (USD180 billion) at the end of September. Growth was up 4.1% quarter-on-quarter (q-o-q) in Q3 2017 from 1.8% in the second quarter (Q2) of 2017 (**Table 1**). On a y-o-y basis, growth moderated to 12.7% from 16.4% in the same review period. Both the government and corporate bond segments contributed to overall growth during the quarter.

At the end of September, government bonds accounted for 85.2% of Indonesia's total LCY bond stock. The

Table 1: Size and Composition of the Local Currency Bond Market in Indonesia

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	IDR	USD	IDR	USD	IDR	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**2,153,035**	**165**	**2,331,240**	**175**	**2,426,060**	**180**	**7.5**	**27.2**	**4.1**	**12.7**
Government	1,866,325	143	1,998,689	150	2,066,296	153	7.7	29.4	3.4	10.7
Central Govt. Bonds	1,749,384	134	1,952,234	146	2,046,933	152	6.2	25.6	4.9	17.0
of which: *Sukuk*	239,868	18	297,424	22	329,039	24	9.6	59.5	10.6	37.2
Central Bank Bills	116,941	9	46,455	3	19,363	1	35.8	132.3	(58.3)	(83.4)
of which: *Sukuk*	9,442	0.7	9,421	0.7	12,626	0.9	26.4	22.3	34.0	33.7
Corporate	286,710	22	332,550	25	359,763	27	6.2	14.9	8.2	25.5
of which: *Sukuk*	10,744	0.8	13,385	1	13,958	1	12.4	29.7	4.3	29.9

( ) = negative, IDR = Indonesian rupiah, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–USD rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
4. The total stock of nontradable bonds as of end-September stood at IDR233.4 trillion.
Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; Indonesia Stock Exchange; and Bloomberg LP.

remaining share of 14.8% was accounted for by corporate bonds. In the same period, conventional bonds dominated the LCY bond market with a share of 85.3% of the total. Nonetheless, the share of *sukuk* (Islamic bonds) has been slowly but steadily rising. *Sukuk* accounted for 14.7% of the aggregate bond stock at the end of September, up from 13.7% at the end of June and 12.1% at the end of September 2016.

Government bonds. The outstanding amount of LCY government bonds rose 3.4% q-o-q in Q3 2017 and 10.7% y-o-y at the end of September. Growth was solely driven by central government bonds, which comprise Treasury bills and bonds issued by the Ministry of Finance. The outstanding size of central bank bills, or Sertifikat Bank Indonesia (SBI), which are issued by Bank Indonesia, continued to fall during the review period.

Central government bonds. At the end of September, central government bonds outstanding reached IDR2,046.9 trillion on growth of 4.9% q-o-q and 17.0% y-o-y. Increased demand for bonds allowed the government to accept more than its targeted amount in 11 out of 13 auctions during the quarter. Only one auction was partially awarded in Q3 2017. New issuance of Treasury instruments in Q3 2017 reached IDR153.2 trillion on growth of 32.3% q-o-q and 28.9% y-o-y.

Central bank bills. The outstanding amount of central bank bills contracted to IDR19.4 trillion at the end of September on declines of 58.3% q-o-q and 83.4% y-o-y. The decline in the stock of central bank bills was due to Bank Indonesia's cessation of issuance of conventional SBI at the beginning of 2017. Bank Indonesia, however, continues to issue shariah-compliant SBI, the issuance volume of which is relatively small compared with previous issuance of conventional SBI.

New issuance of shariah-compliant SBI climbed from a low base of IDR1.1 trillion in Q2 2017 to IDR6.8 trillion in Q3 2017. While issuance was higher during the quarter, the size of central bank certificates declined, as maturities exceeded new issuance.

Corporate bonds. At the end of September, LCY corporate bonds outstanding rose to IDR359.8 trillion on higher growth of 8.2% q-o-q and 25.5% y-o-y in Q3 2017 compared with 3.6% q-o-q and 23.1% y-o-y in the previous quarter. The q-o-q expansion in corporate bonds was due to more active issuance during the quarter.

Corporate bonds in Indonesia lagged in terms of growth vis-à-vis the government segment, which is consistent with the findings of our annual bond market liquidity survey as bond market participants cited some of the factors deterring growth. Among these are the lengthy issuance process for issuing bonds, absence of market makers, and need for greater diversity in the investor base.

At the end of September, 111 corporate firms were tapping the bond market for their funding requirements. Of which, the top 30 largest issuers had outstanding bonds

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in Indonesia

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (IDR billion)	LCY Bonds (USD billion)			
1.	Indonesia Eximbank	33,538	2.49	Yes	No	Banking
2.	Bank Rakyat Indonesia	24,175	1.79	Yes	Yes	Banking
3.	Bank Tabungan Negara	17,950	1.33	Yes	Yes	Banking
4.	Indosat	14,113	1.05	No	Yes	Telecommunications
5.	Bank Pan Indonesia	12,085	0.90	No	Yes	Banking
6.	Bank Mandiri	11,000	0.82	Yes	Yes	Banking
7.	PLN	10,883	0.81	Yes	No	Energy
8.	Federal International Finance	10,780	0.80	No	No	Finance
9.	Adira Dinamika Multifinance	9,833	0.73	No	Yes	Finance
10.	Telekomunikasi Indonesia	8,995	0.67	Yes	Yes	Telecommunications
11.	Astra Sedaya Finance	8,215	0.61	No	No	Finance
12.	Bank Maybank Indonesia	8,121	0.60	No	Yes	Banking
13.	Hutama Karya	7,115	0.53	Yes	No	Non-Building Construction
14.	Medco-Energi International	7,000	0.52	No	Yes	Petroleum and Natural Gas
15.	Bank CIMB Niaga	6,850	0.51	No	Yes	Banking
16.	Sarana Multigriya Finansial	6,714	0.50	Yes	No	Finance
17.	Waskita Karya	6,557	0.49	Yes	Yes	Building Construction
18.	Sarana Multi Infrastruktur	5,900	0.44	Yes	No	Finance
19.	Bank Permata	5,810	0.43	No	Yes	Banking
20.	Perum Pegadaian	5,140	0.38	Yes	No	Finance
21.	Permodalan Nasional Madani	4,933	0.37	Yes	No	Finance
22.	Toyota Astra Financial Services	4,864	0.36	No	No	Finance
23.	Pupuk Indonesia	4,701	0.35	Yes	No	Chemical Manufacturing
24.	Bank OCBC NISP	4,400	0.33	No	Yes	Banking
25.	Indofood Sukses Makmur	4,000	0.30	No	Yes	Food and Beverages
26.	Adhi Karya	3,997	0.30	Yes	Yes	Building Construction
27.	Surya Artha Nusantara Finance	3,862	0.29	No	No	Finance
28.	Mandiri Tunas Finance	3,675	0.27	No	No	Finance
29.	BFI Finance indonesia	3,350	0.25	No	Yes	Finance
30.	Bank Bukopin	3,305	0.25	No	Yes	Banking
Total Top 30 LCY Corporate Issuers		**261,861**	**19.44**			
Total LCY Corporate Bonds		**359,763**	**26.70**			
Top 30 as % of Total LCY Corporate Bonds		**72.8%**	**72.8%**			

IDR = Indonesian rupiah, LCY = local currency, USD = United States dollar.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Indonesia Stock Exchange data.

of IDR261.9 trillion, representing 72.8% of the aggregate corporate bond stock (**Table 2**). The top 30 list is dominated by banking and financial institutions. The list also includes 14 state-owned corporations, though state-owned firms Pupuk Indonesia and Adhi Karya were not among the top 30 corporate issuers at the end of June.

The top three firms on the list were state-owned banks. Maintaining its top spot was state-owned lender Indonesia Eximbank with outstanding bonds amounting to IDR33.5 trillion at the end of September. Next was another state-owned lender, Bank Rakyat Indonesia, whose total bonds increased to IDR24.2 trillion after it issued an aggregate of IDR5.2 trillion in new bonds in August. Climbing to the third spot at the end of September (from the fourth spot at the end of June) was Bank Tabungan Negara, which issued IDR5.0 trillion of new bonds in July.

In Q3 2017, corporate bond issuance reached IDR46.9 trillion, up 36.4% q-o-q and 71.7% y-o-y. A total of 27 firms tapped the bond market in Q3 2017 versus 18 issuers in Q2 2017. There were 71 new corporate bond series issued during the quarter, with issuance coming mostly from bank and financial institutions.

Table 3 presents the largest corporate bond issuances in Q3 2017. Leading the list were two state-owned banks, Bank Rakyat Indonesia and Bank Tabungan Negara, with aggregate bond issuance amounting to IDR5.2 trillion and IDR5.0 trillion, respectively. Third on the list was state-owned chemical manufacturing company, Pupuk Indonesia, whose dual-tranche issuance amounting to IDR3.6 trillion placed it among the top 30 corporate issuers at the end of September.

Table 3: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (IDR billion)
Bank Rakyat Indonesia		
3-year bond	7.50	981
5-year bond	8.00	1,653
7-year bond	8.25	2,517
Bank Tabungan Negara		
3-year bond	8.30	1,466
5-year bond	8.50	1,295
7-year bond	8.70	853
10-year bond	8.90	1,386
Pupuk Indonesia		
3-year bond	7.90	1,485
7-year bond	8.60	2,085
Hutama Karya		
5-year bond	7.80	1,165
10-year bond	8.40	2,367
Indonesia Eximbank		
3-year bond	7.80	1,000
5-year bond	7.90	436
7-year bond	8.25	1,786
Bank Negara Indonesia		
5-year bond	8.00	3,000
Adhi Karya		
5-year bond	9.25	2,997

IDR = Indonesian rupiah.
Source: Indonesia Stock Exchange.

Investor Profiles

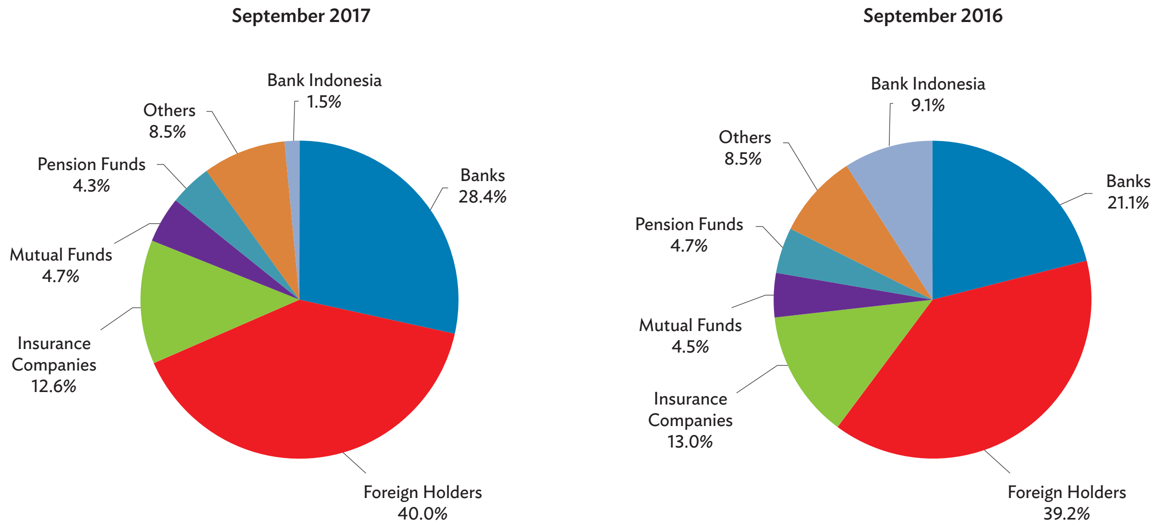
Offshore investors continued to comprise the largest investor group in Indonesia's LCY government bond market. The foreign holdings share climbed to 40.0% at the end of September from 39.5% at the end of June and from 39.2% in the same period a year earlier (**Figure 2**). In nominal terms, foreign investor holdings of LCY government bonds climbed to IDR819.4 trillion from IDR770.6 trillion at the end of June and from IDR685 trillion at the end of September 2016. While bond yields have declined since the start of the year, nonresident investors are still attracted to Indonesia's LCY government bonds as they offer the highest yields in the region.

In terms of maturity, foreign investors are mostly invested in longer-dated bonds (maturities of 10 years or more), which represent 36.0% of aggregate bond holdings, while 35.3% of offshore holdings are in bonds with maturities of 5 years to 10 years (**Figure 3**). At the end of September, bonds with maturities of 1 year or less comprised 6.1% of the total holdings of foreign investors.

Among domestic investors, banking institutions were the largest holder of government bonds. At the end of September, their holdings had risen significantly to a 28.4% share from 21.1% a year earlier. Banks have been increasing their holdings of government bonds as they seek alternative higher-yielding investments in which to park their excess funds.

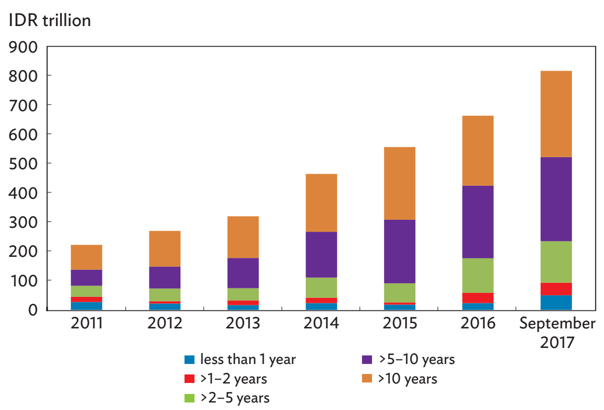
The only other domestic investor group that saw an increase in its holdings was mutual funds, whose share of

Figure 2: Local Currency Central Government Bonds Investor Profile



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

Figure 3: Foreign Holdings of Local Currency Central Government Bonds by Maturity



IDR = Indonesian rupiah.
Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

the total inched up to 4.7% at the end of September from 4.5% in the same period a year earlier. All other investor groups recorded marginal declines in their respective holdings of government bonds except for Bank Indonesia, whose holdings slipped to a share of 1.5% at the end of September from 9.1% in September 2016.

Policy, Institutional, and Regulatory Developments

Bank Indonesia Allows Euro Swaps

In October, Bank Indonesia allowed hedging transactions involving the euro. The minimum transaction size for euro swaps is EUR1 million with terms of 3 months and 6 months. Earlier in July, the central bank allowed hedging transactions for Japanese yen swaps. These measures are expected to reduce dependence on the US dollar for trade and investment activities.

Indonesia's 2018 State Budget Bill Approved

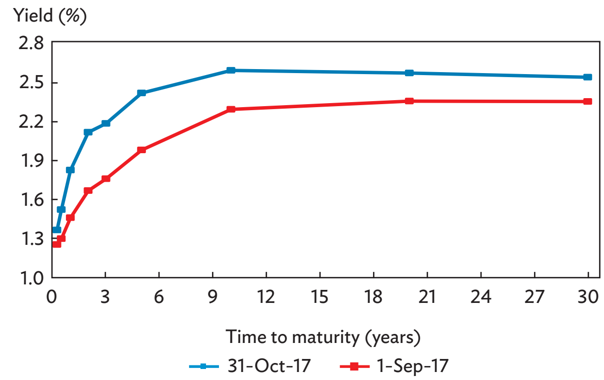
In October, the House of Representatives approved the government's proposed 2018 state budget, which estimates revenue amounting to IDR1,894.7 trillion and expenditure of IDR2,220 trillion. The budget deficit is projected to reach an equivalent of 2.2% of GDP. The underlying macroeconomic assumptions for the 2018 state budget include (i) annual GDP growth of 5.4%, (ii) annual inflation of 3.5%, (iii) an exchange rate of IDR13,400 per USD1, (iv) a 3-month Treasury bill annual rate of 5.3%, and (v) an Indonesian crude oil price of USD48 per barrel.

Republic of Korea

Yield Movements

Between 1 September and 31 October, local currency (LCY) government bond yields in the Republic of Korea rose for all tenors (**Figure 1**). The rise was most pronounced in the belly of the curve, with medium-term tenors of 2, 3, and 5 years gaining 43 basis points (bps) on average. At the short-end of the curve, the yield for the 1-year bond rose 36 bps and yields for 3-month and 6-month tenors rose 11 bps and 22 bps, respectively. The yields for tenors of 10 years and longer rose 23 bps on average. The spread between the 2-year and 10-year yields narrowed to 47 bps on 31 October from 62 bps on 1 September.

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



Source: Based on data from Bloomberg LP.

Yields rose during the period in review on increased expectations of a rate hike by the Bank of Korea in response to tighter monetary stances in advanced economies and given current accommodative domestic conditions. This view was further supported following the 19 October Monetary Policy Board meeting when the central bank again raised its 2017 gross domestic product growth forecast. At this meeting, one board member also voted for a policy rate hike. These developments have fueled speculation of a rate hike sooner than expected, with the market anticipating a hike as early as the next monetary policy meeting in November. Yields rose further the week upon the release of the Bank of Korea's advance estimate of accelerated economic growth in the third quarter (Q3) of 2017.

The last week of September also saw an uptick in yields due to a sell-off by major foreign investment funds reducing their holdings of Korean domestic bonds. September saw the largest net foreign bond investment outflows for the year at KRW3.7 trillion.

In its Monetary Policy Board meeting on 19 October, the Bank of Korea decided to maintain the base rate at 1.25%. The central bank also raised its 2017 gross domestic product growth forecast to 3.0% from July's projection of 2.8%, while the 2018 growth forecast of 2.9% was maintained. The central bank stated that growth will continue to improve, supported by strong exports and facilities investments amid the global recovery. Consumption is recovering moderately. Full-year 2017 inflation is expected to average 2.0% before dipping to 1.8% in full-year 2018 due to weakening energy prices.

In line with a higher growth rate forecast, the Republic of Korea's gross domestic product growth accelerated to 3.6% year-on-year (y-o-y) in Q3 2017 from 2.9% y-o-y in the second quarter (Q2), based on advance estimates from the Bank of Korea. The faster growth was driven by a rebound in exports and larger annual increases in both private and government consumption. Exports grew 5.0% y-o-y in Q3 2017 after posting no growth in the previous quarter. Private consumption also rose 2.4% y-o-y in Q3 2017, slightly up from the 2.3% y-o-y growth posted in Q2 2017. Government consumption expanded 4.6% y-o-y, up from 3.1% y-o-y, mainly a result of higher spending from the supplementary budget. Meanwhile, gross fixed capital formation posted slightly lower growth in Q3 2017. By industry, the accelerated growth was driven by higher growth rates posted in manufacturing; electricity, gas, and water supply; and services. Growth in the construction sector eased in Q3 2017, while output in the agriculture sector contracted. On a quarter-on-quarter (q-o-q) basis, the Republic of Korea's economy grew 1.4% following a 0.6% expansion in Q2 2017.

Consumer price inflation in the Republic of Korea saw an uptick in Q3 2017 with the quarterly average rising to 2.3% y-o-y from 1.9% y-o-y in Q2 2017. Inflation rose to 2.6% y-o-y in August, the highest level in 5 years, from 2.2% y-o-y in July, before easing to 2.1% y-o-y in September. In October, inflation eased further to 1.8% y-o-y due to slower increases in food and utility prices.

Size and Composition

The Republic of Korea's LCY bond market posted growth of 1.4% q-o-q to reach KRW2,169 trillion (USD1,894 billion) at the end of September (**Table 1**). Government bonds increased 1.3% q-o-q to KRW904 trillion, primarily driven by growth in central government bonds. Corporate bonds rose 1.5% q-o-q to KRW1,265 trillion. On a y-o-y basis, the LCY bond market expanded 4.4%.

Government bonds. LCY government bonds outstanding posted modest growth of 1.3% q-o-q to reach KRW904 trillion at the end of September. The growth was led by a rise in the outstanding stock of central government bonds, composed largely of Korea Treasury Bonds (KTBs), which were up 2.2% q-o-q to KRW564 trillion. Meanwhile, the outstanding stocks of central bank bonds and other government bonds were almost unchanged from Q2 2017 at KRW174 trillion and KRW165 trillion, respectively.

Government bond issuance in Q3 2017 fell 1.3% q-o-q to KRW88 trillion due to lower issuance of central bank bonds and KTBs. The planned issuance of KTBs was lower in Q3 2017 versus Q2 2017 due to the more frequent auctions in Q2 2017 as part of the government's frontloading policy in the first half of 2017.

Corporate bonds. LCY corporate bonds outstanding also posted minimal growth in Q3 2017, rising 1.5% q-o-q to KRW1,265 trillion. **Table 2** provides a breakdown of the top 30 LCY corporate bond issuers in the Republic of Korea at the end of September, with aggregate LCY bonds outstanding of KRW808 trillion, representing 64% of the LCY corporate bond market. Financial companies such as banks and securities and investment firms continued to comprise a majority of the 30 largest corporate bond issuers. Korea Housing Finance Corporation remained the largest issuer with outstanding bonds valued at KRW116 trillion.

The marginal increase in the outstanding amount of corporate bonds was due to fewer new corporate issues in Q3 2017. Issuance fell 8.3% q-o-q to KRW103 trillion as some companies waited out the uncertainty in the market being generated by increased geopolitical risks and the subsequent uptick in yields. **Table 3** lists the notable corporate bond issuances in Q3 2017, which were mostly from banks. Doosan Infracore, a company that manufactures heavy machinery, had the single largest bond issuance (5-year bond) worth KRW500 billion.

Investor Profile

Insurance companies and pension funds remained the largest investor group in the LCY government bond market in the Republic of Korea at the end of June with

Table 1: Size and Composition of the Local Currency Bond Market in the Republic of Korea

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	KRW	USD	KRW	USD	KRW	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**2,076,602**	**1,886**	**2,138,183**	**1,869**	**2,168,965**	**1,894**	**0.6**	**3.9**	**1.4**	**4.4**
Government	855,763	777	892,171	780	903,697	789	0.3	5.2	1.3	5.6
Central Government Bonds	517,267	470	552,288	483	564,414	493	0.1	9.0	2.2	9.1
Central Bank Bonds	179,680	163	174,810	153	174,460	152	(1.0)	(3.6)	(0.2)	(2.9)
Others	158,816	144	165,073	144	164,823	144	2.4	4.0	(0.2)	3.8
Corporate	1,220,839	1,109	1,246,012	1,089	1,265,268	1,105	0.8	3.0	1.5	3.6

( ) = negative, KRW = Korean won, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Data for government bonds as of end-August 2017.
2. Calculated using data from national sources.
3. Bloomberg LP end-of-period LCY–USD rates are used.
4. Growth rates are calculated from local currency (LCY) base and do not include currency effects.
5. "Others" comprise Korea Development Bank Bonds, National Housing Bonds, and Seoul Metro Bonds.
6. Corporate bonds include equity-linked securities and derivatives-linked securities.
Sources: The Bank of Korea and *EDAILY BondWeb*.

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in the Republic of Korea

	Issuers	Outstanding Amount		State-Owned	Listed on		Type of Industry
		LCY Bonds (KRW billion)	LCY Bonds (USD billion)		KOSPI	KOSDAQ	
1.	Korea Housing Finance Corporation	115,566	100.9	Yes	No	No	Housing Finance
2.	NH Investment & Securities	65,223	56.9	Yes	Yes	No	Securities
3.	Mirae Asset Daewoo Co.	59,693	52.1	No	Yes	No	Securities
4.	Korea Investment and Securities	52,790	46.1	No	No	No	Securities
5.	Korea Land & Housing Corporation	42,002	36.7	Yes	No	No	Real Estate
6.	Industrial Bank of Korea	37,364	32.6	Yes	Yes	No	Banking
7.	Hana Financial Investment	36,056	31.5	No	No	No	Securities
8.	KB Securities	31,090	27.1	No	No	No	Securities
9.	Mirae Asset Securities	29,067	25.4	No	Yes	No	Securities
10.	Samsung Securities	24,247	21.2	No	Yes	No	Securities
11.	Korea Deposit Insurance Corporation	23,510	20.5	Yes	No	No	Insurance
12.	Korea Electric Power Corporation	22,550	19.7	Yes	Yes	No	Electricity, Energy, and Power
13.	Shinhan Bank	21,872	19.1	No	No	No	Banking
14.	Korea Expressway	21,440	18.7	Yes	No	No	Transport Infrastructure
15.	Kookmin Bank	20,876	18.2	No	No	No	Banking
16.	Woori Bank	20,265	17.7	Yes	Yes	No	Banking
17.	Korea Rail Network Authority	19,360	16.9	Yes	No	No	Transport Infrastructure
18.	Daishin Securities	16,323	14.3	No	Yes	No	Securities
19.	Yhe Export-Import Bank of Korea	15,620	13.6	Yes	No	No	Banking
20.	NongHyup Bank	15,540	13.6	Yes	No	No	Banking
21.	KEB Hana Bank	15,260	13.3	No	No	No	Banking
22.	Korea Gas Corporation	13,279	11.6	Yes	Yes	No	Gas Utility
23.	Hyundai Capital Services	12,076	10.5	No	No	No	Consumer Finance
24.	Small & Medium Business Corporation	12,000	10.5	Yes	No	No	SME Development
25.	Shinhan Card	11,857	10.4	No	No	No	Credit Card
26.	Korea Student Aid Foundation	11,250	9.8	Yes	No	No	Student Loan
27.	Shinyoung Securities	11,049	9.6	No	Yes	No	Securities
28.	Standard Charted Bank Korea	10,740	9.4	No	No	No	Banking
29.	Korea Railroad Corporation	10,190	8.9	Yes	No	No	Transport Infrastructure
30.	Nonghyup	10,160	8.9	Yes	No	No	Financial
Total Top 30 LCY Corporate Issuers		**808,314**	**706**				
Total LCY Corporate Bonds		**1,265,268**	**1,105**				
Top 30 as % of Total LCY Corporate Bonds		**63.9%**	**63.9%**				

KOSDAQ = Korean Securities Dealers Automated Quotations, KOSPI = Korea Composite Stock Price Index, KRW = Korean won, LCY = local currency, SME = small and medium enterprise, USD = United States dollar.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
3. Corporate bonds include equity-linked securities and derivatives-linked securities.
Sources: *AsianBondsOnline* calculations based on Bloomberg LP and *EDAILY BondWeb* data.

Table 3: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
Doosan Infracore		
5-year bond	2.00	500
Woori Bank		
3-year bond	2.00	370
Industrial Bank of Korea		
3-year bond	1.90	370
Kookmin Bank		
3-year bond	1.90	350
Shinhan Bank		
3-year bond	1.95	300
Hyundai Steel		
5-year bond	2.60	220
NongHyup Financial Group		
3-year bond	2.10	200

KRW = Korean won.
Source: Based on data from Bloomberg LP.

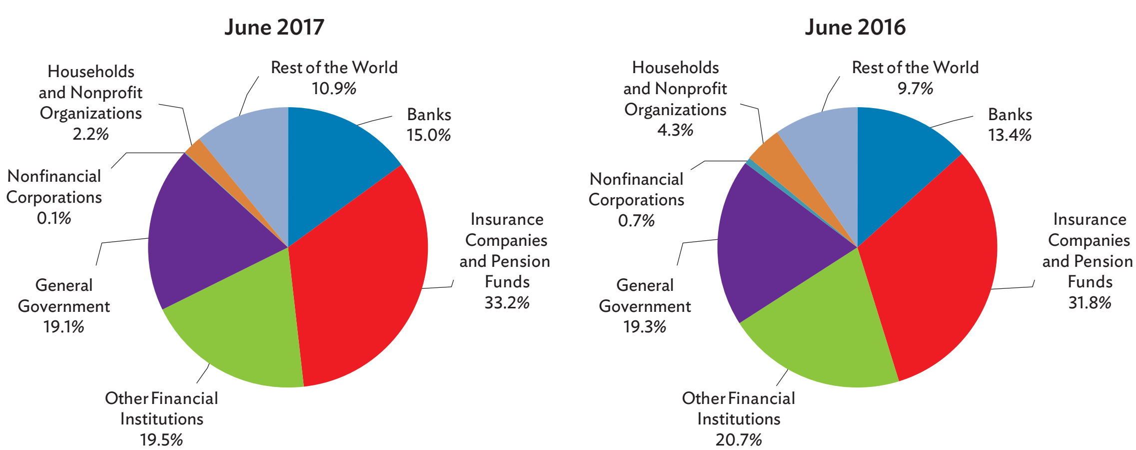
an aggregate share of 33.2%, up slightly from 31.8% in June 2016 (**Figure 2**). Other financial institutions and the general government held shares of 19.5% and 19.1%, respectively. The shares of banks and foreign investors inched up during the review period to 15.0% and 10.9%, respectively.

Insurance companies and pension funds also continued to comprise the largest share of the LCY corporate bond market at the end of June at 38.4% (**Figure 3**). The share of other financial institutions rose to 33.9% from 32.7% a year earlier; the share of the general government inched up to 13.0%. Meanwhile, the shares of banks, households and nonprofit institutions, and nonfinancial corporations fell slightly during the review period. The share of foreign investors in the Republic of Korea's LCY corporate bond market continued to be negligible.

Following consistent and strong net foreign investment inflows into the Republic of Korea's LCY bond market in the first half of 2017, Q3 2017 saw a massive sell-off (**Figure 4**). July saw the second highest monthly net foreign investment inflows of KRW2,755 billion before 2 consecutive months of net foreign outflows. In August, foreign investors sold a net KRW2,168 billion worth of LCY bonds. The outflows can be attributed to increased geopolitical tensions with the Democratic People's Republic of Korea. There was also a sizable amount of maturing Monetary Stabilization Bonds issued by the Bank of Korea, particularly those with tenors of 2 years or less.

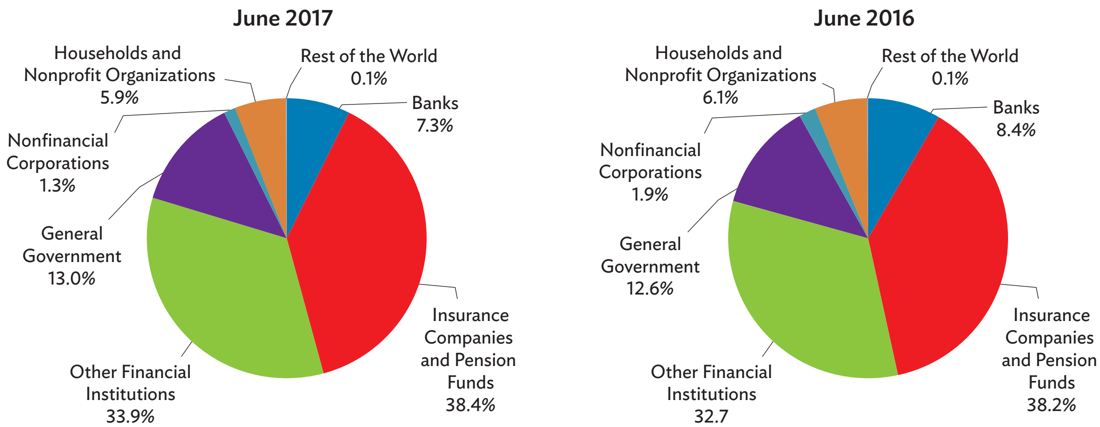
Foreign outflows accelerated in September as investors sold a net KRW3,732 billion of bonds. The bulk of the outflows occurred in the last week of September when major foreign funds withdrew from the local bond market, particularly bonds with medium-term tenors, and redeemed maturing commercial paper (**Figure 5**). Aside from heightened geopolitical risks, the outflows can be attributed to the decreasing real returns of investing in the Republic of Korea's bond market given an uptick in inflation as well as narrowing interest rate differentials with advanced economies.

Figure 2: Local Currency Government Bonds Investor Profile



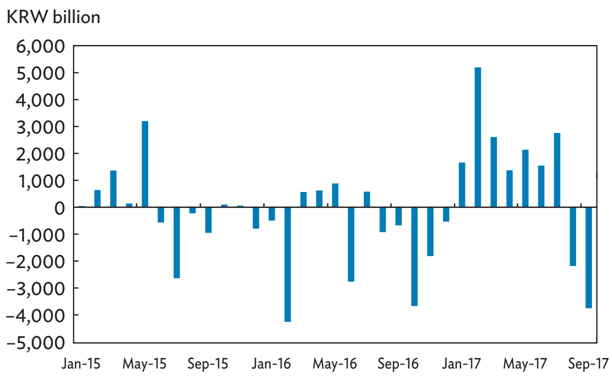
Sources: *AsianBondsOnline* and the Bank of Korea.

Figure 3: Local Currency Corporate Bonds Investor Profile



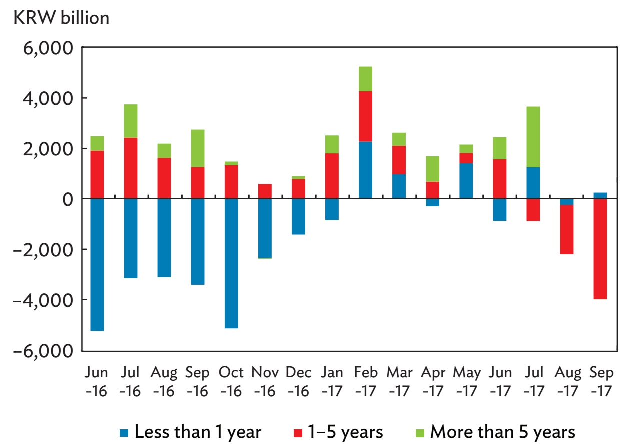
Sources: *AsianBondsOnline* and the Bank of Korea.

Figure 4: Net Foreign Investment in Local Currency Bonds in the Republic of Korea



KRW = Korean won.
Source: Financial Supervisory Service.

Figure 5: Net Foreign Investment in Local Currency Bonds in the Republic of Korea, by Tenor



KRW = Korean won.
Source: Financial Supervisory Service.

Policy, Institutional, and Regulatory Developments

Financial Services Commission Announces Comprehensive Measures for Household Debt Management

In October, the Financial Services Commission announced new measures to manage the Republic of Korea's growing household debt. These measures are intended to "reduce financial risks in the short-term; and to strengthen macroeconomic soundness and household income and repayment ability in the mid- to long-term."

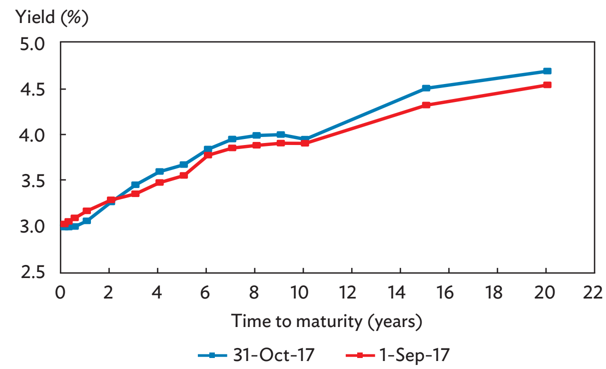
The measures include providing tailored assistance based on a borrower's capacity to repay debt. To manage risks affecting consumption and economic growth, the government will manage the household debt aiming to bring down and maintain its growth rate over the next 5 years at below 8.2%. The government will also adjust the calculation of debt-to-income ratios and introduce a debt service ratio to evaluate the credit risk profiles of borrowers more accurately. Lastly, the government will take measures to manage household debt from sectors that are more vulnerable to financial risk.

Malaysia

Yield Movements

Between 1 September and 31 October, yields for local currency (LCY) government bonds in Malaysia rose for most tenors (**Figure 1**). Yields for bonds with maturities of 2 years or less fell between 2 basis points (bps) and 11 bps. Yields for all maturities between 3 years and 20 years rose 11 bps on average. Among this group, 15-year maturities had the largest increase at 18 bps and 10-year maturities had the smallest increase at 4 bps. The yield spread between the 2-year and 10-year tenors widened during the review period from 61 bps to 68 bps.

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



Source: Based on data from Bloomberg LP.

The concentration of yield declines at the short-end of the curve reflects investors' preference for short-term tenors as the United States (US) Federal Reserve rate hike in December is highly likely even amid subdued inflation. The Federal Reserve recently assessed the US economy to be expanding at a solid pace and the labor market continues to strengthen. Investor cautiousness and the Federal Reserve's hawkish tone has possibly diminished buying interest for Malaysia's longer-tenor LCY government bonds, causing yields at the long-end of the curve to edge higher. However, yield increases were not substantial, suggesting onshore investor support for the local bond market. On the domestic front, the upward trend in domestic inflation may have contributed to rising yields even.

BNM decided to maintain its overnight policy rate at 3.00% during its monetary policy meeting on 9 November given the vibrant domestic economy supported by spillovers from the external sector, stable financial markets, and broadly upbeat prospects for global economic growth despite some risks coming from geopolitical concerns and monetary policy developments in advanced economies. However, amid strong local and global economic conditions and with inflation for full-year 2017 expected to be at the upper end of the forecast range, BNM stated that its Monetary Policy Committee may consider reviewing its accommodative monetary policy stance.

Consumer price inflation in Malaysia continued to trend upward, climbing to 4.3% y-o-y in September from 3.7% y-o-y in August and 1.5% y-o-y in September 2016. Price increases were observed in most major components of the Consumer Price Index. The transport group registered the most rapid y-o-y price advance, gaining 15.8% y-o-y in September. Inflation for the January–September period was 4.0% y-o-y, while core inflation remained unchanged at 2.4% y-o-y in September.

The Malaysian ringgit strengthened by 6.0% against the US dollar year-to-date through 31 October, spiking in September at MYR4.19 to USD1. The strength of the Malaysian ringgit is supported by a vibrant economy, the influx of foreign funds into the local bond market, the continued expansion of exports, and firmer oil prices.

Malaysia's gross domestic product expanded 5.8% in the second quarter of 2017, its fastest pace of growth since the first quarter of 2015. The economy's strength was underpinned by domestic demand and a pickup in global trade spilled over into the domestic economy. With faster growth rates in the first 2 quarter of 2017, BNM expects the economy to grow more rapidly than its initial forecast of 4.8% for full-year 2017.

Size and Composition

Malaysia's LCY bonds outstanding increased 1.4% q-o-q and 8.1% y-o-y to reach MYR1,263 billion (USD299 billion) at the end of September (**Table 1**). The buoyant Malaysian bond market was driven by both

Table 1: Size and Composition of the Local Currency Bond Market in Malaysia

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	MYR	USD	MYR	USD	MYR	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**1,168**	**282**	**1,246**	**290**	**1,263**	**299**	**0.4**	**8.6**	**1.4**	**8.1**
Government	632	153	670	156	671	159	(1.9)	4.9	0.1	6.2
Central Government Bonds	592	143	634	148	637	151	(1.3)	8.0	0.5	7.5
of which: *Sukuk*	236	57	263	61	266	63	1.9	14.6	1.1	12.7
Central Bank Bills	11	3	7	2	5	1	(29.5)	(56.7)	(27.2)	(50.2)
of which: *Sukuk*	0	0	0	0	0	0	–	(100.0)	–	–
Sukuk Perumahan Kerajaan	28	7	28	7	28	7	0.0	0.0	0.0	0.0
Corporate	537	130	576	134	593	140	3.3	13.3	2.9	10.4
of which: *Sukuk*	393	95	425	99	439	104	4.9	15.5	3.4	11.7

( ) = negative, – = not applicable, MYR = Malaysian ringgit, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–USD rates are used.
3. Growth rates are calculated from local currency base and do not include currency effects.
4. Sukuk Perumahan Kerajaan are Islamic bonds issued by the Government of Malaysia to refinance funding for housing loans to government employees and to extend new housing loans.
Sources: Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST) and Bloomberg LP.

the government and corporate segments, with much of the growth coming from corporates. Government bonds outstanding summed to MYR671 billion and comprised 53.1% of the total, while corporate bonds outstanding summed to MYR593 billion and comprised 46.9%.

Total *sukuk* outstanding amounted to MYR733.7 billion at the end of September, an increase of 2.4% q-o-q and 11.5% y-o-y. *Sukuk* as a share of total LCY outstanding bonds increased to 58.1% at the end of September from 57.5% at the end of June. The larger proportion of *sukuk* than conventional bonds in Malaysia' LCY bond market is due to a broad investor base; most Malaysian fund managers are encouraged to invest in *sukuk*. The strong demand for *sukuk* results in high levels of liquidity, which translates to lower borrowing costs and encourages issuers to borrow via *sukuk* issuance. There is also a government-led push to develop Malaysia as a global center of Islamic finance, especially with the growing interest in using *sukuk* for financing and rising investor demand.

Government bonds. Total LCY government outstanding bonds in Malaysia amounted to MYR671 at the end of September on increases of 0.1% q-o-q and 6.2% y-o-y. Among the government bond segment's components, only central government bonds increased during the third quarter (Q3) of 2017. Central bank bills continued to fall amid maturing debt and sparse issuance, while the amounts of Sukuk Perumahan Kerajaan outstanding was unchanged at MYR28 billion.

The issuance of government securities increased 9.8% q-o-q to MYR33.5 billion in Q3 2017, reversing the 21.5% q-o-q drop in Q2 2017. The expansion during the quarter was supported mainly by increases in the issuances of Malaysian Government Securities and Treasury bills while the issuances of Government Investment Issues and central bank bills fell.

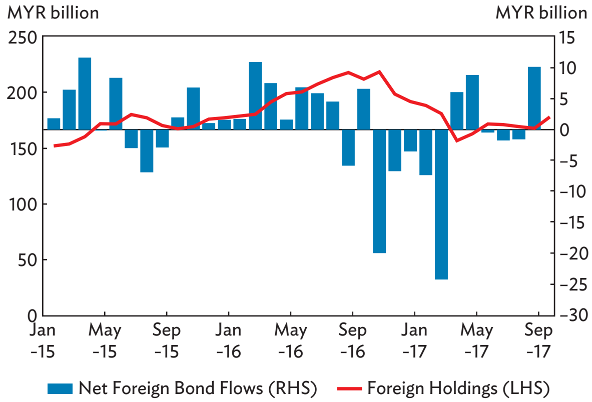
Foreign holdings of LCY government bonds totaled MYR177.9 billion at the end of September, climbing to its highest level since February (**Figure 2**).[20] The amount was 4.0% higher than at the end of June but 16.0% lower than at the end of September 2016.

In June–August, net outflows resulted from the maturing of foreign investments and profit taking, and the lingering effects of BNM's barring of Malaysian ringgit offshore trading which negatively affected foreign investor sentiment and consequently the inflow of funds.

In September, net inflows of MYR10.1 billion were recorded, the highest level since March 2016, after

[20] Excluding Bank Negara Malaysia bills.

Figure 2: Foreign Holdings and Capital Flows of Local Currency Government Bonds in Malaysia



LHS = left-hand side, MYR = Malaysian ringgit, RHS = right-hand side.
Notes:
1. Figures exclude foreign holdings of Bank Negara Malaysia bills.
2. Month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.
Source: Bank Negara Malaysia Monthly Statistical Bulletin.

3 consecutive months of net outflows. The reversal appeared to reflect renewed confidence among foreign investors seeking long-term returns in the Malaysian bond market on the back of strong economic fundamentals and an improving growth outlook. Positive flows were seen in all components of government securities, with Malaysian Government Securities having the biggest increase.

Year-to-date through September, foreign holdings of LCY government bonds registered net outflows of MYR13.9 billion, while foreign holdings as a percentage of total outstanding LCY government bonds fell to 27.9% at the end of September from 35.8% a year earlier. Market participants from our annual bond market liquidity survey indicated that these developments should not concern local regulators and that the Malaysian bond market investor base remains diverse. Most foreign investors who remained in the local market are “sticky” investors—such as central banks, governments, and pension funds—who are less swayed by shifting sentiments, thus reducing the risk of volatile outflows. In addition, measures from BNM to deepen the financial market have helped slow the pace and moderate the magnitude of foreign fund outflows. Survey participants also noted that the foreign holdings share is normalizing at around 25%–27% and it is unlikely to return to its pre-November 2016 levels. Survey participants further noted that with the lower level of foreign holdings, Malaysia will be less susceptible to volatility arising from speculative capital flight.

Corporate bonds. Outstanding LCY bonds in the corporate sector at the end of September showed faster growth rates than government bonds on both a q-o-q and y-o-y basis. Corporate bonds rose 2.9% q-o-q and 10.4% y-o-y, bringing the total outstanding amount to MYR593 billion. The share of *sukuk* in the Malaysia corporate bond market was 74.1 % at the end of Q3 2017, up from 73.7% in the preceding quarter. By instrument type, most corporate outstanding bonds are medium-term notes.

The bonds outstanding of the top 30 corporate issuers totaled MYR336.5 billion at the end of September, comprising 56.8% of the LCY corporate bond market (**Table 2**). By industry, financial firms were the biggest debt issuers with MYR158.4 billion, while telecommunications firms were the smallest with MYR4.5 billion. Danainfra Nasional remained the largest issuer with MYR36.9 billion of outstanding bonds at the end of September.

Corporate bond issuance continued to rise in Q3 2017, with issuances totaling MYR43.2 billion. The bulk of corporate bond issuance during the quarter came in September when the monthly total of MYR22.5 billion almost doubled the amount in August and more than tripled issuances in July. The growing amount of corporate bonds outstanding can be traced to the increase in government-guaranteed corporate bonds issued to finance infrastructure projects of the government as well as issuers seeking to lock in favorable rates ahead of further monetary tightening in advanced economies. *Sukuk* continue to comprise a higher proportion of corporate issuances than conventional bonds, accounting for 63.6% of the total in Q3 2017. *Sukuk* are more liquid than conventional bonds in Malaysia’s corporate market, which induces issuers to borrow via *sukuk*. BNM is also encouraging corporates to promote deeper liquidity and offerings in the *sukuk* market to attract a more diverse group of foreign investors to Malaysia.

Table 3 shows the notable bond issuers in Q3 2017. In September, Prasarana Malaysia issued six tranches of government-guaranteed *murabahah sukuk* (Islamic bonds backed by a commodity mark-up sale transaction) totaling MYR4 billion, with maturities between 5 years and 30 years. Lembaga Pembiayaan Perumahan Sektor Awam again tapped the debt market during the quarter, raising MYR3.5 billion via multitranche sales; in Q2 2017, the property firm raised MYR3.25 billion.

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in Malaysia

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (MYR billion)	LCY Bonds (USD billion)			
1.	Danainfra Nasional	36.9	8.7	Yes	No	Finance
2.	Project Lebuhraya Usahasama	30.4	7.2	No	No	Transport, Storage, and Communications
3.	Cagamas	28.6	6.8	Yes	No	Finance
4.	Prasarana	22.7	5.4	Yes	No	Transport, Storage, and Communications
5.	Perbadanan Tabung Pendidikan Tinggi Nasional	18.5	4.4	Yes	No	Finance
6.	Khazanah	18.0	4.3	Yes	No	Finance
7.	Maybank	16.4	3.9	No	Yes	Banking
8.	Pengurusan Air	14.4	3.4	Yes	No	Energy, Gas, and Water
9.	Lembaga Pembiayaan Perumahan Sektor Awam	12.8	3.0	Yes	No	Property and Real Estate
10.	CIMB Bank	12.5	2.9	Yes	No	Finance
11.	Sarawak Energy	9.5	2.3	Yes	No	Energy, Gas, and Water
12.	Jimah East Power	9.0	2.1	Yes	No	Energy, Gas, and Water
13.	GOVCO Holdings	8.8	2.1	Yes	No	Finance
14.	Bank Pembangunan Malaysia	7.4	1.7	Yes	No	Banking
15.	YTL Power International	7.3	1.7	No	Yes	Energy, Gas, and Water
16.	Rantau Abang Capital	7.0	1.7	Yes	No	Finance
17.	Sarawak Hidro	6.5	1.5	Yes	No	Energy, Gas, and Water
18.	Danga Capital	6.5	1.5	Yes	No	Finance
19.	Public Bank	6.4	1.5	No	No	Banking
20.	ValueCap	6.0	1.4	Yes	No	Finance
21.	CIMB Group Holdings	5.7	1.4	Yes	No	Finance
22.	Aman Sukuk	5.5	1.3	Yes	No	Construction
23.	Putrajaya Holdings	5.4	1.3	Yes	No	Property and Real Estate
24.	Turus Pesawat	5.3	1.3	Yes	No	Transport, Storage, and Communications
25.	RHB Bank	5.2	1.2	No	No	Banking
26.	1Malaysia Development	5.0	1.2	Yes	No	Finance
27.	Celcom Networks	5.0	1.2	No	No	Transport, Storage, and Communications
28.	GENM Capital	5.0	1.2	No	No	Finance
29.	Jambatan Kedua	4.6	1.1	Yes	No	Transport, Storage, and Communications
30.	Telekom Malaysia	4.5	1.1	No	Yes	Telecommunications
Total Top 30 LCY Corporate Issuers		**336.5**	**79.7**			
Total LCY Corporate Bonds		**592.7**	**140.4**			
Top 30 as % of Total LCY Corporate Bonds		**56.8%**	**56.8%**			

LCY = local currency, MYR = Malaysian ringgit, USD = United States dollar.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST) data.

Table 3: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

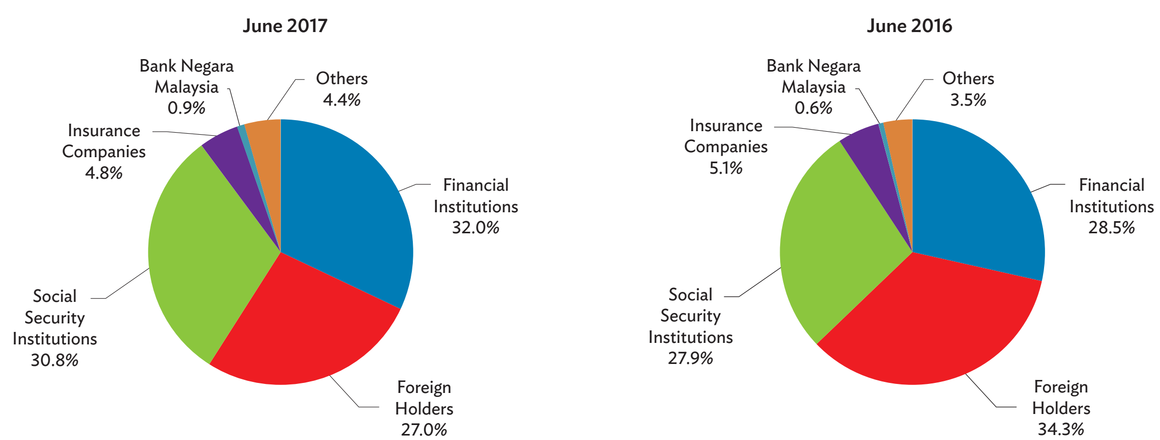
Corporate Issuers	Coupon Rate (%)	Issued Amount (MYR million)
Prasarana Malaysia		
5-year Islamic MTN	4.08	500
7-year Islamic MTN	4.28	800
8-year Islamic MTN	4.34	850
20-year Islamic MTN	5.01	650
25-year Islamic MTN	5.11	600
30-year Islamic MTN	5.23	600
Lembaga Pembiayaan Perumahan Sektor Awam		
3-year Islamic MTN	3.95	300
5-year Islamic MTN	4.08	500
7-year Islamic MTN	4.28	700
20-year Islamic MTN	5.05	1,000
30-year Islamic MTN	5.26	1,000
Cagamas		
1-year Islamic MTN	3.78	230
1-year Islamic MTN	3.78	180
5-year Islamic MTN	4.09	1,000

MYR = Malaysian ringgit.
Source: Bank Negara Malaysia Bond Info Hub.

Investor Profile

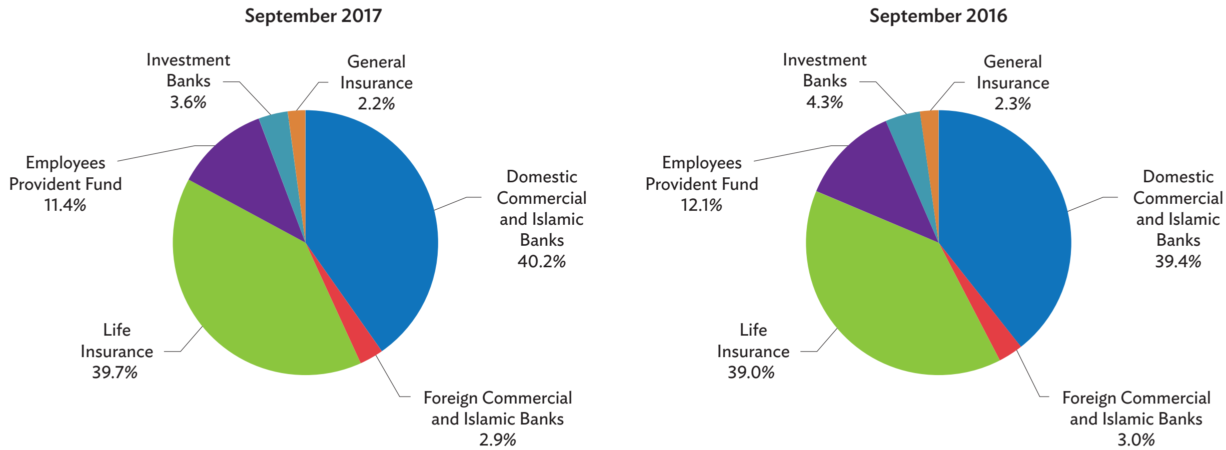
Foreign investors' share of LCY government bonds declined considerably to 27.0% at the end of June from 34.3% a year earlier (**Figure 3**). The drop was due to a sell-off by foreign investors after BNM strictly reinforced the prohibition on offshore trading of the Malaysian ringgit, which left the foreign investors with limited avenues to hedge risks, thus discouraging them to hold local bonds. This led to financial institutions having the highest share of government bond holdings among all investor groups in the Malaysian LCY bond market, accounting for a 32.0% share at the end of June, up from 28.5% a year earlier. Social security institutions were the second largest holders of government bonds at 30.8%. (Financial institutions such as banks and social security institutions such as pension funds are also known to be sticky investors.) Investor groups with smaller holdings as a share of the total LCY government bond market include insurance companies (4.8%), other investors (4.4%), and BNM (0.9%).

Figure 3: Local Currency Government Bonds Investor Profile



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

Figure 4: Local Currency Corporate Bonds Investor Profile



Note: The Employees Provident Fund's bond holdings data are as of end-December 2016.
Sources: Bank Negara Malaysia and the Employees Provident Fund.

The investor profile of the LCY corporate bond market was little changed in September from a year earlier (**Figure 4**). Domestic commercial and Islamic banks and life insurance companies remained the dominant corporate bond holders. Domestic commercial and Islamic banks had the largest share at the end of September at 40.2% while life insurance companies were second with a 39.7% share. The two investor groups saw slight increases in their shares from 39.4% and 39.0% at the end of September 2016, respectively. On the other hand, the rest of the investor groups saw slightly decreases in their shares of corporate bond holdings.

Policy, Institutional, and Regulatory Developments

Bank Negara Malaysia Sets Out Additional Hedging Flexibility for Foreign Exchange

On 11 September, BNM set out additional hedging flexibility to further facilitate foreign exchange risk management as part of its measures to promote development of the Malaysian financial market. In its Supplementary Notice No. 3 on Foreign Exchange Administration Rules, BNM allows registered nonbank, nonresident market participants to forward hedge crude palm oil futures and options on crude palm oil futures for the purpose of managing ringgit exposure arising from such contracts.

Malaysian Government Sets Budget for 2018

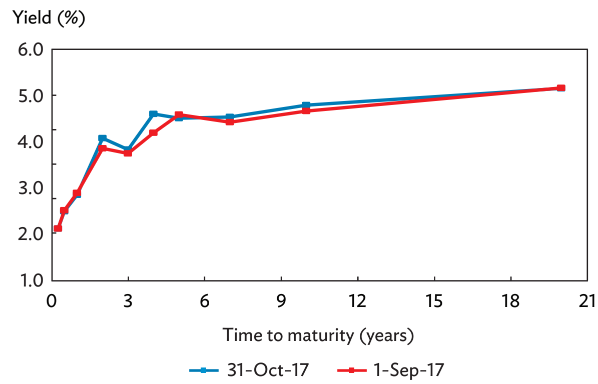
Prime Minister Najib Razak announced Malaysia's 2018 budget on 27 October, which amounted to MYR280.3 billion, or 7.5% higher than in 2017. A total of MYR234.3 billion will be allotted for operating expenditure and MYR46 billion for development. While the spending plan has increased, revenue collection is also projected to expand 6.4% to MYR239.9 billion in 2018, allowing the government to maintain its fiscal consolidation target. Also announced was a cut of 2 percentage points to the personal income tax for those earning between MYR20,000 and MYR70,000 annually.

Philippines

Yield Movements

Between 1 September and 31 October, yields movements for Philippine local currency (LCY) government bonds were mixed (**Figure 1**). Yields at the short-end of the curve (maturities of 1 year or less) fell by an average of 2.1 basis points (bps). Yields for all maturities between 2 years and 20 years rose except for the 5-year and 20-year tenors, which fell 7.8 bps and 0.8 bps, respectively. Those tenors with increases in yields rose by 19.1 bps on average, with the largest increase in 4-year tenor of 40.8 bps. The yield spread between the 2-year and 10-year tenors narrowed from 81 bps to 71 bps during the review period.

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



Source: Based on data from Bloomberg LP.

The decline in yields at the short-end of the curve and the rise in yields of most long-tenor bonds suggests that market participants are being cautious ahead of widely expected interest rate hike from the United States (US) Federal Reserve in December. In its Federal Open Market Committee meeting on 31 October–1 November, the Federal Reserve stated that the US economy is expanding at a solid rate while the labor market continues to improve, which will likely pave the way for a rate hike before the end of the year even if inflation remains low. Therefore, investors buying long-term government securities are bidding for higher yields and are being more cautious in taking positions along that segment of the yield curve. The increase in yields observed during the review period is also reflective of the local market looking to movements in US Treasury yields as a guide. Nonetheless, ample liquidity in the market could absorb any sell-off that might curb further yield advances.

The Bangko Sentral ng Pilipinas (BSP) kept the overnight reverse repurchase interest rate unchanged at 3.00% during its monetary policy meeting on 09 November. The central bank assessed that inflation remained manageable and that expectations remained anchored within the government's target range of 2.0%–4.0%. Domestic economic activities remained firm, while an improvement in the economy's absorptive capacity seems to have mitigated inflationary pressures from credit expansion. The global economy continued to improve but lingering risks emanating from the advanced economies' policy directions and geopolitical concerns may negatively growth.

Consumer price inflation in the Philippines accelerated to 3.5% year-on-year (y-o-y) in October from 3.4% y-o-y in September, driven by faster price adjustments for food items and fuel. The October inflation rate is the highest since posting 3.7% in November 2014. Average inflation for January–September was 3.1%. While this is within the government's full-year target of 2.0%–4.0%, the National Economic Development Authority cited several upside risks to inflation in the near term such as higher domestic fuel prices and a weaker peso.

The Philippine peso lost 3.8% against the US dollar year-to-date through 31 October. According to the BSP, the weak peso can be attributed to the effects of higher corporate demand for imports and trade financing. Moreover, continued expectations of another rate hike from the Federal Reserve and expectations of a new chairperson when Janet Yellen's term ends in February have also contributed to the peso's weakness. Despite this, the BSP said the depreciation of the local currency remains manageable.

The gross domestic product of the Philippines expanded 6.5% y-o-y in the second quarter (Q2) of 2017, up from 6.4% y-o-y in the previous quarter, helped by the acceleration of government spending. The government's growth target range for full-year 2017 is 6.5%–7.5%. The BSP has said that the target is attainable given the Philippines' strong macroeconomic fundamentals and upbeat domestic economic activity backed by the implementation of key infrastructure projects and a rebound in exports.

Size and Composition

The Philippines' LCY bonds outstanding expanded in the third quarter (Q3) of 2017 at rates of 0.8% q-o-q and 8.5% y-o-y, which were down from 4.6% q-o-q and 10.2% y-o-y in Q2 2017 (**Table 1**). The LCY bond market reached a size of PHP5,210 billion (USD102 billion) at the end of September, lifted by both the government and corporate segments, which comprised 80.8% and 19.2% of the total, respectively.

Government bonds. Total LCY government bonds outstanding amounted to PHP4,212 billion at the end of September, barely unchanged on a q-o-q basis but up 6.5% y-o-y. Treasury bonds amounted to PHP3,822 billion, reflecting an increase on a y-o-y basis but a slight decrease on a q-o-q basis as bonds that matured in Q3 2017 exceeded issuances. On the other hand, Treasury bills outstanding grew 7.0% q-o-q and 16.0% y-o-y on the back of increased issuance during the quarter.

The government issued a total of PHP270.2 billion in Q3 2017, lower than in Q2 2017, which was largely lifted by the issuance of Retail Treasury Bonds.[21] The issuance of Treasury bonds amounted to PHP75 billion in Q3 2017, falling short of the PHP90 billion target set by the Bureau of the Treasury (BTr) as it rejected bids in one of its auctions during the quarter. Treasury bill issuance amounted to PHP95.2 billion in Q3 2017, also falling short from the PHP105 billion target as some auctions were partially awarded by the BTr. Even so, Treasury bills issued in Q3 2017 were higher compared with Q2 2017 as a result of more auctions during the quarter.

The Government of the Philippines is targeting its initial issuance of Chinese renminbi-denominated bonds, or panda bonds, in November. The bond sale is in its final regulatory preparation and the government has tapped the assistance of the Bank of China for government approval in the People's Republic of China. The government plans to issue USD200 million in 3-year and 5-year tenors. The BTr is timing its issuance based on the pricing environment, demand, and geopolitical developments that might affect investor sentiments.

Market players expect that the government's ambitious infrastructure plan will increase the supply of local government bonds in the market given the need to borrow more to fund these projects. However, the increase in issuance also partly depends on the outcome of the government's tax reform package. If the revenue-generating provisions are passed close to the original version of the Department of Finance, the government may not need to borrow more as its revenue will already be augmented, thus limiting the impact of infrastructure

Table 1: Size and Composition of the Local Currency Bond Market in the Philippines

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	PHP	USD	PHP	USD	PHP	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**4,800**	**99**	**5,168**	**102**	**5,210**	**102**	**2.4**	**1.6**	**0.8**	**8.5**
Government	3,955	82	4,211	83	4,212	83	1.9	0.4	0.04	6.5
Treasury Bills	293	6	318	6	340	7	1.8	3.7	7.0	16.0
Treasury Bonds	3,587	74	3,842	76	3,822	75	2.0	0.3	(0.5)	6.6
Others	76	2	51	1	50	1	0.0	(5.6)	(0.6)	(33.5)
Corporate	845	17	957	19	998	20	4.6	7.7	4.2	18.1

( ) = negative, LCY = local currency, PHP = Philippine peso, q-o-q = quarter-on-quarter, Q1 = first quarter, Q2 = second quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg end-of-period LCY–USD rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
4. "Others" comprise bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management (PSALM) and the National Food Authority, among others.
5. Peso Global Bonds (PHP-denominated bonds payable in US dollars) are not included.
Sources: Bloomberg LP and Bureau of the Treasury.

[21] Government bond issuance includes issuance of special bills.

development on the local bond market. Otherwise, the government may need to issue additional debt securities to ensure sufficient funds for its spending

Corporate bonds. The LCY corporate bond market remained upbeat in Q3 2017, with bonds outstanding increasing 4.2% q-o-q and 18.1% y-o-y to reach PHP998 billion at the end of September. Growth in the corporate segment was faster than in the government segment on both a q-o-q and y-o-y basis.

The property sector continued to comprise the largest share of total outstanding corporate bonds at the end of September at 28.4% (**Figure 2**). This was followed by banks (27.7%) and holding firms (21.1%). Media and communications, transport, utilities, and other sectors saw declines in shares at the end of September from a year earlier.

The combined outstanding bonds of the top 30 corporate issuers amounted to PHP853.8 billion or the equivalent of 85.6% of total LCY corporate bonds outstanding. The top 30 issuers comprise 26 listed firms and 4 unlisted firms, and are led by firms in the property sector (**Table 2**). Property giant Ayala Land occupied the top spot with bonds outstanding reaching PHP91.6 billion at the end of September, up from PHP87.3 billion at the end of June.

In Q3 2017, issuers from the corporate sector raised a total of PHP49.8 billion from the bond market, which was less than the amount issued in Q2 2017. BDO Unibank had the largest issuance during the quarter with a PHP11.8 billion 6-year bond carrying a coupon rate of 3.63%. Other notable issuances in Q3 2017 are listed in **Table 3**.

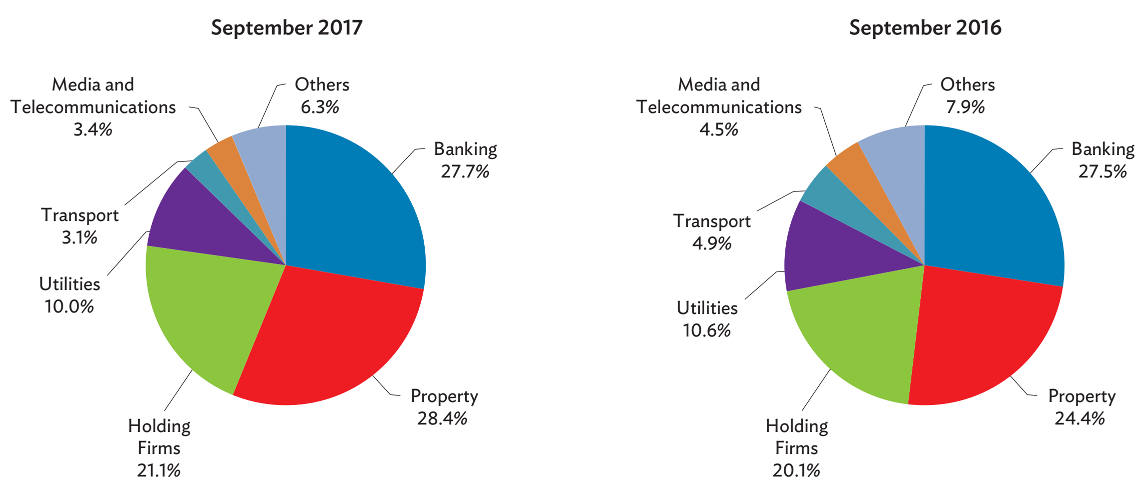
Investor Profile

Banks and investment houses remained the largest holder group of LCY government bonds among all investor groups, with holdings comprising 39.7% of the total market at the end of September, up from 37.0% a year earlier (**Figure 3**). Contractual savings and tax-exempt institutions were the second largest holders of government bonds with a 31.6% share of the total at the end of September, marginally up from 31.4% a year earlier. On the other hand, the holding shares of BTr-managed funds; brokers, custodians, and depositories; and government-owned or -controlled corporations and local government units each saw declines at the end of September from a year earlier.

Ratings Update

On 6 September, RAM Ratings revised its outlook on the Philippines' global and ASEAN-scale sovereign ratings from stable to positive on the back of stronger-than-expected economic growth in 2016 and the sustained inflow of foreign direct investment. The Philippines holds a global rating of $_{g}$BBB$_{3}$(pi) and an ASEAN-scale rating

Figure 2: Local Currency Corporate Bonds Outstanding by Sector



Source: Based on data from Bloomberg LP.

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in the Philippines

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (PHP billion)	LCY Bonds (USD billion)			
1.	Ayala Land	91.6	1.8	No	Yes	Property
2.	SM Prime	73.8	1.5	No	Yes	Property
3.	Metrobank	59.2	1.2	No	Yes	Banking
4.	BDO Unibank	49.3	1.0	No	Yes	Banking
5.	SM Investments	47.3	0.9	No	Yes	Holding Firms
6.	Ayala Corporation	40.0	0.8	No	Yes	Holding Firms
7.	Philippine National Bank	35.1	0.7	No	Yes	Banking
8.	San Miguel Brewery	34.8	0.7	No	No	Brewery
9.	San Miguel	30.0	0.6	No	Yes	Holding Firms
10.	JG Summit Holdings	30.0	0.6	No	Yes	Holding Firms
11.	Filinvest Land	29.0	0.6	No	Yes	Property
12.	East West Bank	26.8	0.5	No	Yes	Banking
13.	Aboitiz Equity Ventures	24.0	0.5	No	Yes	Holding Firms
14.	Meralco	23.5	0.5	No	Yes	Electricity, Energy, & Power
15.	Security Bank	23.0	0.5	No	Yes	Banking
16.	GT Capital	22.0	0.4	No	Yes	Holding Firms
17.	Rizal Commercial Banking Corporation	20.8	0.4	No	Yes	Banking
18.	Vista Land and Lifescapes	20.0	0.4	No	Yes	Property
19.	Petron	18.6	0.4	No	Yes	Electricity, Energy, & Power
20.	China Bank	15.9	0.3	No	Yes	Banking
21.	Maynilad Water Services	15.7	0.3	No	No	Water
22.	Double Dragon Properties	15.0	0.3	No	Yes	Property
23.	MCE Leisure (Philippines)	15.0	0.3	No	No	Casinos & Gaming
24.	Philippine Long Distance Telephone Company	15.0	0.3	No	Yes	Telecommunications
25.	SMC Global Power Holdings	15.0	0.3	No	No	Electricity, Energy, & Power
26.	Union Bank of the Philippines	14.0	0.3	No	Yes	Banking
27.	Aboitiz Power	13.0	0.3	No	Yes	Electricity, Energy, & Power
28.	Globe Telecom	12.5	0.2	No	Yes	Telecommunications
29.	Megaworld	12.0	0.2	No	Yes	Property
30	Robinsons Land	12.0	0.2	No	Yes	Property
Total Top 30 LCY Corporate Issuers		**853.8**	**16.8**			
Total LCY Corporate Bonds		**997.9**	**19.6**			
Top 30 as % of Total LCY Corporate Bonds		**85.6%**	**85.6%**			

LCY = local currency, PHP = Philippine peso, USD = United States dollar.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

of $_{\text{sea}}$A1(pi) from RAM. Continued economic growth and the successful implementation of growth-supporting measures such as a tax reform package and infrastructure projects, as well as the streamlining of business processes, could lead to a ratings upgrade. On the other hand, the deterioration of domestic finances and external position, as well as the failure of growth-enhancing initiatives, could trigger a ratings downgrade.

Table 3: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (PHP billion)
BDO Unibank		
6-year bond	3.63	11.80
Double Dragon Properties		
7-year bond	6.10	9.70
Cyberzone Properties		
6-year bond	5.05	6.00

PHP = Philippine peso.
Source: Bloomberg LP.

Policy, Institutional, and Regulatory Developments

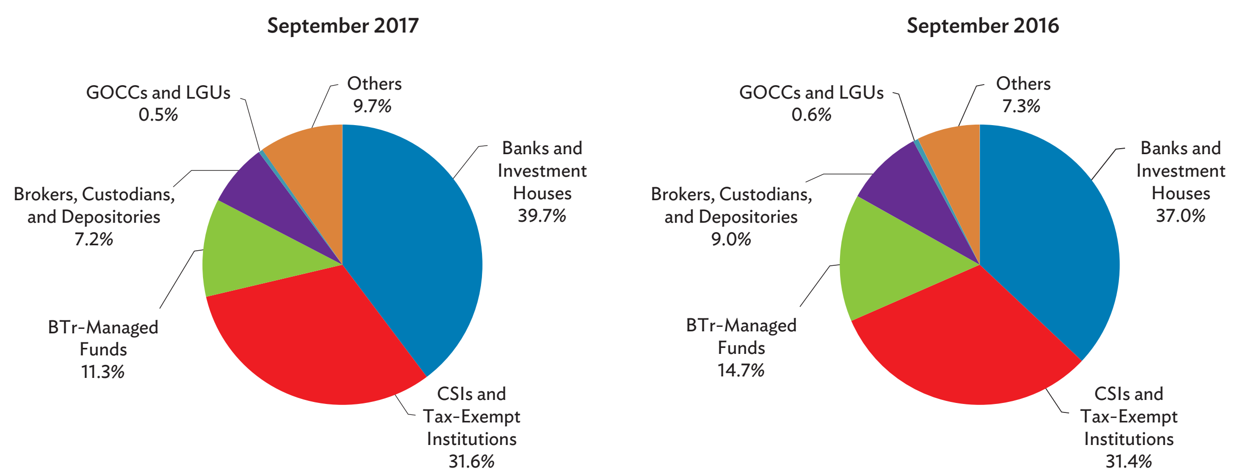
Bangko Sentral ng Pilipinas Streamlines Regulations on Bank and Quasi-Bank Bond Issuance

On 6 October, BSP amended its regulations on the issuance of bonds and commercial paper by banks and quasi-banks in order to streamline requirements and provide greater flexibility in tapping the capital market as an alternative funding source. According to the central bank, the amendments include removal of the minimum bond features, such as the requirement on eligible collateral, which can constrain banks and quasi-banks from issuing debt securities. The revised regulations reiterate compliance with the securities law and its implementing rules and regulations.

Bangko Sentral ng Pilipinas, Bureau of the Treasury, and the Securities and Exchange Commission Set to Launch a Repurchase Market for Banks in November

In October, BSP announced the rollout of the repurchase market for banks in November. Together with the BTr and the Securities and Exchange Commission, this initiative forms part of the capital market road map presented by government agencies in August with the goal of deepening the domestic debt market. These agencies are targeting to implement a series of financial reforms within 18 months. According to the BSP, the initial phase would focus on improving benchmark markets as this is critical for pricing risk assets and other capital market instruments. In addition, the BTr has also been assessing the performance of Government Securities Eligible Dealers in the primary and secondary markets, which will be the basis for recognizing market-makers. The BTr will announce the preliminary market-makers and launch the enhanced Government Securities Eligible Dealers program early next year.

Figure 3: Local Currency Government Bonds Investor Profile



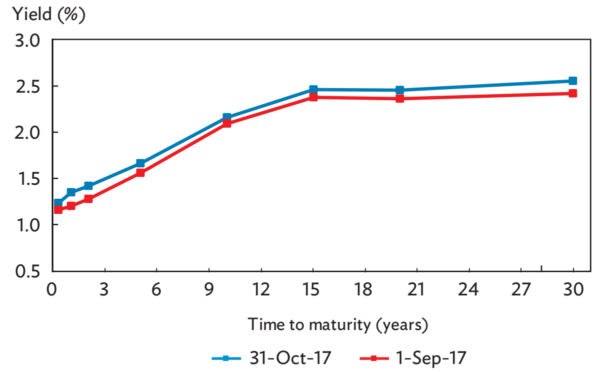
BTr = Bureau of the Treasury, CSIs = contractual savings institutions, GOCCs = government-owned or -controlled corporations, LGUs = local government units.
Source: Bureau of the Treasury.

Singapore

Yield Movements

Between 1 September and 31 October, yields for Singapore's local currency (LCY) government bonds rose for all tenors (**Figure 1**). Yields of Singapore Government Securities (SGS) with 1-year, 2-year, and 30-year maturities gained the most, rising 15, 14, and 13 basis points (bps), respectively. In the belly of the curve between the 5-year and 20-year tenors, bond yields rose an average of 9 bps. At the short-end, bonds with 3-month maturities rose 7 bps. The 2-year and 10-year yield spread narrowed to 74 bps on 31 October from 81 bps on 1 September.

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



Source: Based on data from Bloomberg LP.

The rise in Singapore bond yields largely tracked the rise in the United States (US) Treasury yields. Factors contributing to the rise include the US Federal Reserve's positive outlook on the US economy, as reflected in its policy meeting on 31 October–1 November, as well as from its balance sheet normalization, which began in October. Despite leaving the policy rate on hold, the Federal Reserve expects inflation and employment to progress, among other economic conditions, making it conducive to gradually hike the federal funds rate.

Given the improving global outlook for 2017 and 2018, a robust domestic economy, and stable core inflation, the Monetary Authority of Singapore (MAS) decided on 13 October to maintain the rate of appreciation of the Singapore dollar nominal effective exchange rate policy band at zero. It also kept steady the policy band width and the level at which it is centered. However, unlike in the previous monetary policy guidance, MAS' latest policy statement gave no indication that the neutral policy stance would be maintained for an extended period, signaling a possible tightening as domestic economic conditions continue to improve.

Based on advance estimates, Singapore's economy grew 4.6% year-on-year (y-o-y) in the third quarter (Q3) of 2017 from 2.9% y-o-y in the second quarter (Q2) of 2017. Both the manufacturing and service industries supported the expansion with growth of 8.2% y-o-y and 2.6% y-o-y, respectively. On the other hand, the construction sector contracted 6.3% y-o-y in Q3 2017. Gross domestic product is forecast to grow 2%–3% in full-year 2017, an improvement from MAS' forecast of 1%–3% in May. Based on the MAS' survey in September, Singapore's economic growth will likely be supported by expansion in the electronics sector, export growth, and regional economic growth.

Singapore's inflation remains stable. According to MAS, cost pressures from wages will be relatively subdued as improving labor market conditions begin to absorb the previous labor market slack. A mild increase in food prices is expected in the short-term, while increasing commodity prices due to rising global demand will also contribute to a slight rise in inflation. Inflation is projected to come in around 0.5% for full-year 2017 while it is projected to remain in the 0%–1% range in 2018. Meanwhile, MAS core inflation is forecast at 1.5% in 2017 and between 1% and 2% in 2018.

In September, consumer price inflation was unchanged from August at 0.4% y-o-y. The increase in the price of services in September was offset by lower road transport prices, while food inflation remained largely unchanged.

Size and Composition

At the end of September, Singapore's LCY bonds outstanding reached SGD360 billion (USD265 billion), reflecting a rise of 3.8% quarter-on-quarter (q-o-q) and 10.4% y-o-y (**Table 1**). The rise came from increases in MAS bills and SGS bonds and bills outstanding.

Table 1: Size and Composition of the Local Currency Bond Market in Singapore

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**326**	**239**	**347**	**252**	**360**	**265**	**0.4**	**0.4**	**3.8**	**10.4**
Government	183	134	207	150	220	162	0.6	(2.6)	6.7	20.6
SGS Bills and Bonds	107	78	112	82	117	86	(2.0)	4.0	4.4	9.4
MAS Bills	76	56	94	69	103	76	4.6	(10.5)	9.4	36.3
Corporate	143	105	140	102	139	103	0.1	4.4	(0.4)	(2.6)

( ) = negative, LCY = local currency, MAS = Monetary Authority of Singapore, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, SGD = Singapore dollar, SGS = Singapore Government Securities, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Government bonds are calculated using data from national sources. Corporate bonds are based on *AsianBondsOnline* estimates.
2. SGS bills and bonds do not include the special issue of Singapore Government Securities held by the Singapore Central Provident Fund.
3. Bloomberg LP end-of-period LCY–USD rates are used.
4. Growth rates are calculated from an LCY base and do not include currency effects.
Sources: Bloomberg LP, Monetary Authority of Singapore, and Singapore Government Securities.

Government bonds. A 6.7% q-o-q increase in the outstanding stock of LCY government bonds brought the total to SGD220 billion at the end of September. Compared to the same period in 2016, LCY government bonds rose 20.6% y-o-y. SGS bills and bonds rose to SGD117 billion, reflecting an increase of 4.4% q-o-q and 9.4% y-o-y, while MAS bills rose to SGD103 billion, reflecting a rise of 9.4% q-o-q and 36.3% y-o-y.

SGS bills and bonds logged an increase of SGD4.9 billion as there were no redemptions in Q3 2017. Meanwhile, newly issued MAS bills rose 14.5% q-o-q and 39.6% y-o-y to SGD110.6 billion at the end of September.

Corporate bonds. Based on *AsianBondsOnline* estimates, total outstanding LCY corporate bonds in Singapore declined marginally by 0.4% q-o-q to SGD139 billion at the end of September. On a y-o-y basis, total outstanding LCY corporate bonds declined 2.6%.

At the end of September, bonds issued by the top 30 largest LCY corporate bond issuers comprised 50.0% of Singapore's total LCY corporate bonds. The three companies with the most bonds outstanding were all state-owned: Housing and Development Board (SGD23.1 billion), Temasek Financial I (SGD3.6 billion), and Land Transportation Authority (SGD3.5 billion). In the fourth spot was United Overseas Bank with SGD3.4 billion of total bonds outstanding. **Table 2** presents the corporate entities from various industries making up the list of the top 30 issuers.

Based on *AsianBondsOnline* estimates, newly issued corporate bonds amounted to SGD4.2 billion in Q3 2017. The largest issuance came from Singapore Airlines with a SGD700 million 10-year bond sold at a coupon rate of 3.13% (**Table 3**). The next largest was state-owned Housing and Development Board's 5-year bond sale worth SGD600 million at a 1.83% coupon rate. FCL Treasury and Olam International each issued perpetual bonds amounting to SGD350 million with coupon rates of 3.95% and 5.50%, respectively. In Q3 2017, new corporate bond issues contracted 9.6% q-o-q, but expanded 2.9% y-o-y.

Policy, Institutional, and Regulatory Developments

Monetary Authority of Singapore Simplifies Regulations for Venture Capital Funds

On 20 October, MAS simplified the authorization process for managers of venture capital funds. It exempted venture capital fund managers from the capital requirements and business conduct rules imposed on other fund managers, and cancelled the requirement for 5 years of relevant experience in fund management for shareholders and representatives of the venture capital fund. In order to qualify for the simplified regime, the venture capital manager must (i) only offer to accredited and/or institutional investors, (ii) invest at least 80% of the committed capital in securities issued by nonlisted start-up firms that are no more than 10 years old, and

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in Singapore

Issuers		Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (SGD billion)	LCY Bonds (USD billion)			
1.	Housing & Development Board	23.1	17.0	Yes	No	Real Estate
2.	Temasek Financial I	3.6	2.7	Yes	No	Finance
3.	Land Transport Authority	3.5	2.6	Yes	No	Transportation
4.	United Overseas Bank	3.4	2.5	No	Yes	Banking
5.	FCL Treasury	3.2	2.4	No	No	Finance
6.	Singapore Airlines	2.8	2.1	No	Yes	Transportation
7.	Capitaland	2.8	2.1	No	Yes	Real Estate
8.	Mapletree Treasury Services	2.2	1.6	No	No	Finance
9.	SP Powerassets	1.9	1.4	No	No	Utilities
10.	Olam International	1.8	1.4	No	Yes	Consumer Goods
11.	Keppel Corporation	1.7	1.3	No	Yes	Diversified
12.	DBS Group Holdings	1.5	1.1	No	Yes	Banking
13.	Oversea-Chinese Banking Corporation	1.5	1.1	No	Yes	Banking
14.	Public Utilities Board	1.4	1.0	Yes	No	Utilities
15.	DBS Bank	1.3	1.0	No	Yes	Banking
16.	National University of Singapore	1.3	0.9	No	No	Education
17.	City Developments Limited	1.2	0.9	No	Yes	Real Estate
18.	Hyflux	1.2	0.9	No	Yes	Utilities
19.	Capitaland Treasury	1.1	0.8	No	No	Finance
20.	Sembcorp Industries	1.0	0.7	No	Yes	Shipbuilding
21.	Ascendas REIT	1.0	0.7	No	Yes	Finance
22.	GLL IHT	1.0	0.7	No	No	Real Estate
23.	CMT MTN	0.9	0.7	No	No	Finance
24.	Singtel Group Treasury	0.9	0.7	No	No	Finance
25.	Neptune Orient Lines	0.9	0.6	No	Yes	Transportation
26.	Sembcorp Financial Services	0.9	0.6	No	No	Engineering
27.	SMRT Capital	0.8	0.6	No	No	Transportation
28.	Mapletree Commercial Trust	0.7	0.5	No	No	Real Estate
29.	Starhub	0.7	0.5	Yes	Yes	Telecommunications
30.	PSA Corporation	0.7	0.5	Yes	No	Marine Services
Total Top 30 LCY Corporate Issuers		**69.8**	**51.4**			
Total LCY Corporate Bonds		**139.5**	**102.7**			
Top 30 as % of Total LCY Corporate Bonds		**50.0%**	**50.0%**			

LCY = local currency, SGD = Singapore dollar, USD = United States dollar.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Table 3: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Singapore Airlines		
10-year bond	3.13	700
Housing and Development Board		
5-year bond	1.83	600
FCL Treasury		
Perpetual bond	3.95	350
Olam International		
Perpetual bond	5.50	350
Mapletree Treasury Services		
8-year bond	2.85	300

SGD = Singapore dollar.
Source: Bloomberg LP.

(iii) allow redemptions only at the end of the fund's life and bar issuance of new subscriptions for units of the fund after the close of fund-raising.

Singapore and the People's Republic of China Strengthen Capital Market Cooperation

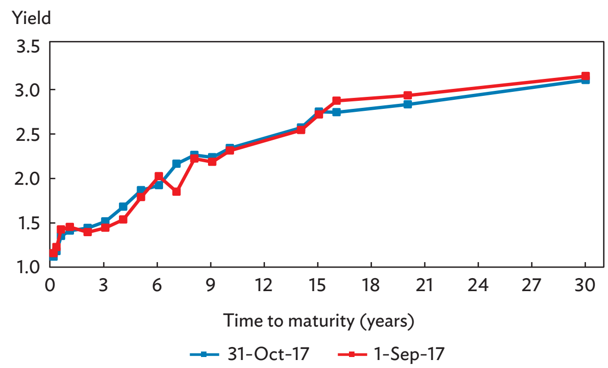
In a second supervisory roundtable held on 3 November, MAS and the China Securities Regulatory Commission strengthened cooperation on capital market development and supervision. In particular, both sides agreed to collaborate on facilitating the development of their derivatives markets, set up a framework in supervising fund managers, and support qualified companies based in the People's Republic of China to list in Singapore. The roundtable meeting aimed to allow for future collaboration by enabling MAS and the China Securities Regulatory Commission to have a greater understanding of each other's regulatory framework.

Thailand

Yield Movements

Yields for Thailand's local currency (LCY) bonds mostly rose between 1 September and 31 October (**Figure 1**). Except for the 6- and 7-year bonds, yields for tenors of between 2 years and 15 years rose 3–14 basis points (bps). The yield for the 7-year bond had the largest gain at 31 bps. Bond yields for short-term bills of 1-year and below fell by an average of 5 bps. Yields for bonds with maturities of 6 years and for between 16 and 30 years fell by an average of 9 bps. The yield spread between the 2-year and 10-year maturities narrowed to 88 bps in 31 October from 90 bps in 1 September.

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



Sources: Based on data from Bloomberg LP.

Prior to the United States (US) Federal Reserve's rosier assessment of the US economy, net foreign inflows to Thailand's LCY bond market had risen progressively since July, peaking in September. Thailand's strong currency—backed by large current account surpluses, its improving economy, and weak inflation—is drawing foreign investors into the bond market. However, in the month leading up to the Federal Reserve's policy announcement on 31 October–1 November meeting, the positive net flows began to reverse at the end of September and gained momentum from mid-October as reflected in the continued rise for most tenors. Moreover, despite leaving its policy rate unchanged, the European Central Bank's decision on 26 October to cut its monthly net asset purchases to EUR30 billion from EUR60 billion beginning in January 2018 may also have indicated an improving outlook for the global economy, leading to the rise in most of Thailand's LCY bond yields.

In view of easing the upward pressure on the Thai baht, Thailand's Ministry of Finance called for a policy rate cut of 50 bps in September. The Bank of Thailand (BOT), however, maintained its independence and in a unanimous vote opted to keep its 1-day repurchase rate at 1.50% in its monetary policy meeting held on 27 September. The BOT maintained that investor confidence in the economy remains strong and noted interest rate cuts alone would not deter capital inflows that have been causing the local currency to appreciate. Moreover, the central bank expects improvement in exports and domestic demand to propel economic growth. The BOT deems its current accommodative monetary policy stance as supportive of economic growth and will guide inflation back to its target range of 1.0%–4.0%.

In January–October, inflation averaged only 0.6%, with deflation in May and June. Inflation in October was at 0.9% year-on-year (y-o-y), unchanged from September. The BOT expects headline inflation to come in at 0.6% for full-year 2017.

Thailand's economy expanded in the second quarter (Q2) of 2017 by 3.7% y-o-y after growing 3.3% y-o-y in the first quarter of 2017. Gains in merchandise exports and tourism, and improvement in private consumption and investments, continued to support Thailand's economy. Consequently, in its 27 September monetary policy meeting, the BOT revised its economic growth estimate to 3.8% for both 2017 and 2018 from previous estimates of 3.5% and 3.7%, respectively.

Size and Composition

Thailand's LCY bond market rose 0.2% quarter-on-quarter (q-o-q) to THB10,996 billion (USD330 billion) at the end of September from THB10,973 billion at the end of June (**Table 1**). On a y-o-y basis, the LCY bond market expanded 3.8%.

Table 1: Size and Composition of the Local Currency Bond Market in Thailand

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**10,593**	**306**	**10,973**	**323**	**10,996**	**330**	**2.1**	**8.4**	**0.2**	**3.8**
Government	7,819	226	7,964	235	7,976	239	1.3	6.9	0.1	2.0
Government Bonds and Treasury Bills	4,035	117	4,103	121	4,295	129	3.9	9.1	4.7	6.4
Central Bank Bonds	2,961	86	3,080	91	2,887	87	(2.3)	3.5	(6.3)	(2.5)
State-Owned Enterprise and Other Bonds	822	24	781	23	793	24	1.9	9.4	1.6	(3.5)
Corporate	2,775	80	3,009	89	3,021	91	4.6	13.0	0.4	8.9

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q2 = third quarter, THB = Thai baht, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–USD rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
4. Q3 2017 data for government bonds outstanding are based on *AsianBondsOnline* estimates; corporate bonds outstanding are as of August 2017.
Sources: Bank of Thailand and Bloomberg LP.

Government bonds. The total outstanding stock of LCY government bonds rose to THB7,976 billion at the end of September, reflecting a rise of 0.1% q-o-q and 2.0% y-o-y. Government bonds and Treasury bills rose 4.7% q-o-q to THB4,295 billion at the end of September from THB4,103 at the end of June. However, this was offset by a corresponding decline in the outstanding stock of total central bank bonds, which contracted 6.3% q-o-q to THB2,887 billion at the end of September from THB3,080 billion at the end of June. The contraction was due to the reduced issuance of BOT bills since April in order to limit foreign fund flows into the short-term bond market. Meanwhile, state-owned enterprise and other bonds rose 1.6% q-o-q to THB793 billion at the end of September.

New securities issued by the BOT reached THB1,337 billion in the third quarter (Q3) of 2017, a decline of 0.6% q-o-q compared to THB1,345 billion in the previous quarter. Of this amount, BOT bonds amounted to THB1,195 billion, accounting for 89.4% of aggregate issuance during the period. Meanwhile, issuance of government bonds and Treasury bills declined 47.8% q-o-q and 14.9% y-o-y to THB229 billion in Q3 2017.

Corporate bonds. As of the end of September, the outstanding stock of Thailand's LCY corporate bonds had risen 0.4% q-o-q to THB3,021 billion. The q-o-q increase in corporate bonds came as new issuance exceeded maturing bonds despite a 39.6% q-o-q decline in new corporate debt issuance in Q3 2017 to THB274 billion.

The total outstanding bonds of Thailand's top 30 corporate bond issuers amounted to THB1,722 billion, making up 57% of the total corporate bonds stock as of the end of September (**Table 2**). The top five corporate entities in the list maintained their rankings from Q2 2017, with each having outstanding LCY bonds exceeding THB100 billion. The majority of the top 30 corporate bond issuers are companies listed on the stock exchange, six of which are state-owned corporations.

Table 3 presents the notable corporate bond issuances in Q3 2017. Bangkok Commercial Asset Management, the largest bad-debt management firm in Thailand, had the largest issuance with a multitranche bond sale worth THB17 billion. CP All, a Thailand-based operator of convenience stores, was the next largest issuer with THB13 billion in total sales of 10-year bonds and perpetual bonds. The next largest issuers were two state-owned firms: PTT, Thailand's oil and gas company, which sold THB10 billion worth of 4-year bonds with a 3.05% coupon rate, and Siam Cement, which sold THB10 billion of 7-year bonds with a 2.97% coupon rate.

Investor Profile

Central government bonds. As of the end of September, the largest holders of Thailand's LCY government bonds were financial corporations, other depository corporations, nonresidents, and the central government. These four groups accounted for a 90.3% share of total central government bonds outstanding. Holdings of financial corporations (not including commercial banks)

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in Thailand

Issuers		Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (THB billion)	LCY Bonds (USD billion)			
1.	CP All	187.7	5.6	No	Yes	Commerce
2.	Siam Cement	176.5	5.3	Yes	Yes	Construction Materials
3.	PTT	134.8	4.0	Yes	Yes	Energy and Utilities
4.	Berli Jucker	122.0	3.7	No	Yes	Food and Beverage
5.	Bank of Ayudhya	101.9	3.1	No	Yes	Banking
6.	Charoen Pokphand Foods	93.0	2.8	No	Yes	Food and Beverage
7.	True Move H Universal Communication	68.2	2.0	No	No	Communications
8.	Thai Airways International	66.1	2.0	Yes	Yes	Transportation and Logistics
9.	Tisco Bank	52.3	1.6	No	No	Banking
10.	Indorama Ventures	49.4	1.5	No	Yes	Petrochemicals and Chemicals
11.	Toyota Leasing Thailand	47.5	1.4	No	No	Finance and Securities
12.	Banpu	47.3	1.4	No	Yes	Energy and Utilities
13.	Krungthai Card	43.9	1.3	Yes	Yes	Banking
14.	Land & Houses	39.3	1.2	No	Yes	Property and Construction
15.	Bangkok Commercial Asset Management	39.2	1.2	No	No	Finance and Securities
16.	Mitr Phol Sugar	34.9	1.0	No	No	Food and Beverage
17.	Thai Union Group	33.8	1.0	No	Yes	Food and Beverage
18.	TPI Polene	33.0	1.0	No	Yes	Property and Construction
19.	Thanachart Bank	32.5	1.0	No	No	Banking
20.	PTT Exploration and Production Company	32.1	1.0	Yes	Yes	Energy and Utilities
21.	True Corp	31.6	0.9	No	Yes	Communications
22.	DTAC Trinet	31.5	0.9	No	Yes	Communications
23.	Advanced Wireless	31.2	0.9	No	Yes	Communications
24.	CPF Thailand	29.0	0.9	No	Yes	Food and Beverage
25.	CH. Karnchang	28.5	0.9	No	Yes	Property and Construction
26.	Bangkok Expressway and Metro	28.2	0.8	No	Yes	Transportation and Logistics
27.	Bangkok Dusit Medical Services	28.0	0.8	No	Yes	Medical
28.	Kasikorn Bank	28.0	0.8	No	Yes	Banking
29.	Minor International	26.0	0.8	No	Yes	Food and Beverage
30.	PTT Global Chemical	24.7	0.7	Yes	Yes	Petrochemicals and Chemicals
Total Top 30 LCY Corporate Issuers		**1,722.0**	**51.7**			
Total LCY Corporate Bonds		**3,020.7**	**90.7**			
Top 30 as % of Total LCY Corporate Bonds		**57.0%**	**57.0%**			

LCY = local currency, THB = Thai baht, USD = United States dollar.
Notes:
1. Data as of end-September 2017. Total corporate bonds outstanding are as of August 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Table 3: Notable Local Currency Corporate Bond Issuance in the Third Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB million)
Bangkok Commercial Asset Management		
1.5-year bond	2.03	4,000
4-year bond	2.53	1,000
6-year bond	3.44	3,800
8-year bond	3.73	3,200
10-year bond	3.91	5,000
CP All		
10-year bond	3.96	3,000
Perpetual bond	5.00	10,000
PTT Global Chemical		
4-year bond	3.05	10,000
Siam Cement		
7-year bond	2.97	10,000
Betagro		
3-year bond	2.40	2,000
5-year bond	2.95	3,000
7-year bond	3.37	1,000
UOB Thai		
10-year bond	3.56	6,000
DTAC Trinet Co.		
3.5-year bond	2.25	1,500
10-year bond	3.58	2,000
12-year bond	3.78	2,500

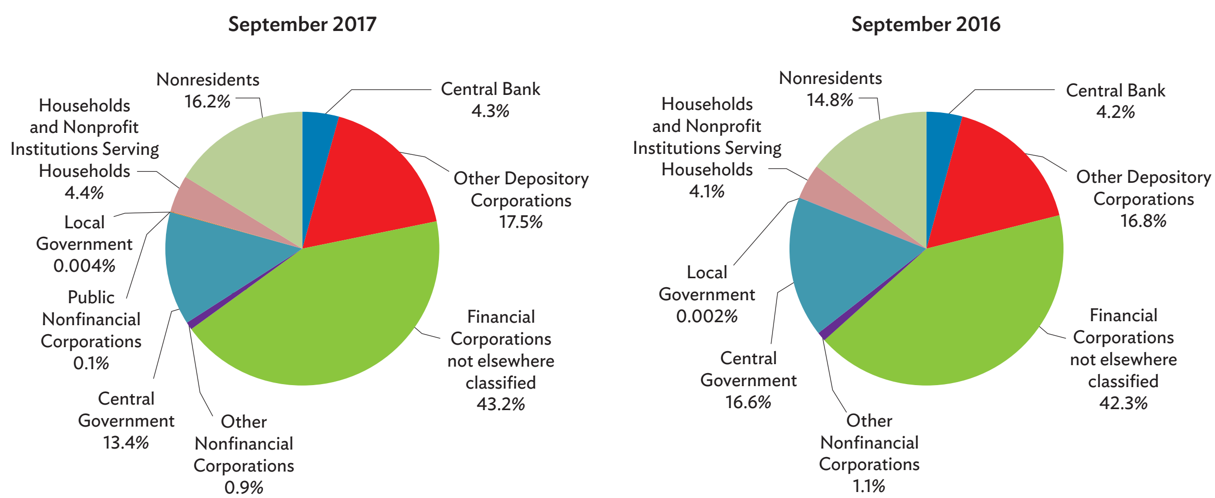
THB = Thai baht.
Source: Bloomberg LP.

increased to 43.2% of the total at the end of September from 42.3% in the same period a year earlier (**Figure 2**). In the same period, the share of other depository corporations (including commercial banks) increased to 17.5% from 16.8%. Notably, nonresidents became the third largest investor group, holding a 16.2% share at the end of September versus a 14.8% a year earlier, due to increased foreign fund inflows. The share of central government dropped from 16.6% to 13.4%.

Central bank bonds. At the end of September, commercial banks and other depository corporations were the largest holders of central bank bonds at a share of 41.6% (**Figure 3**). This was higher from its share of 35.6% in the same period a year earlier. The central government also posted an increase in its holdings of central bank securities during the review period. All other investor group posted either declines or remained unchanged in their respective holdings of central bank bonds at the end of September compared with the same period a year earlier.

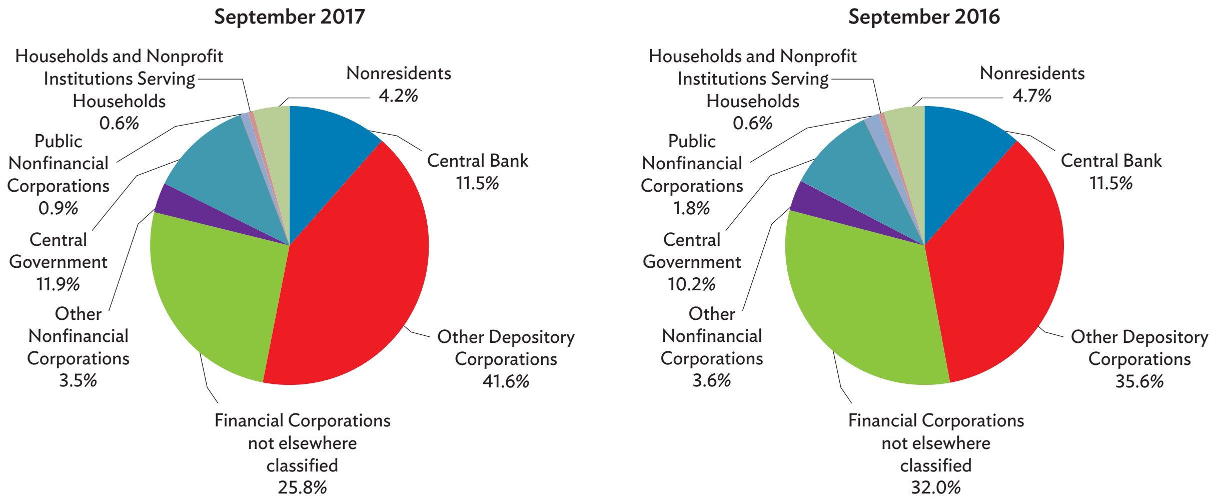
Foreign investor holdings of central bank bonds accounted for only a 4.2% share at the end of September. While their overall holdings remain relatively small compared with other investor groups, it has risen significantly from about 2.0% over the past 3 quarters (**Figure 4**).

Figure 2: Local Currency Government Bonds Investor Profile



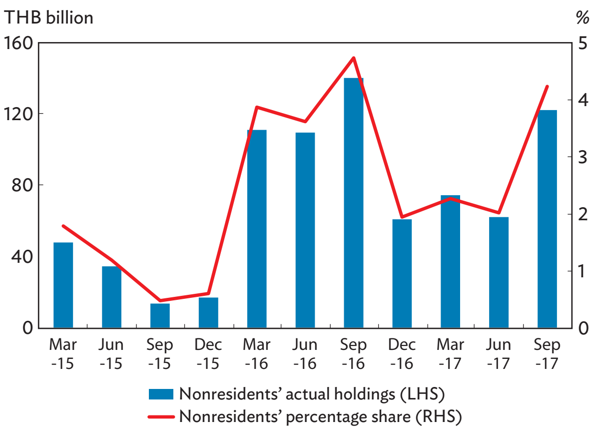
Note: Government bonds exclude central bank bonds and state-owned enterprise bonds.
Sources: *AsianBondsOnline* and Bank of Thailand.

Figure 3: Local Currency Central Bank Securities Investor Profile



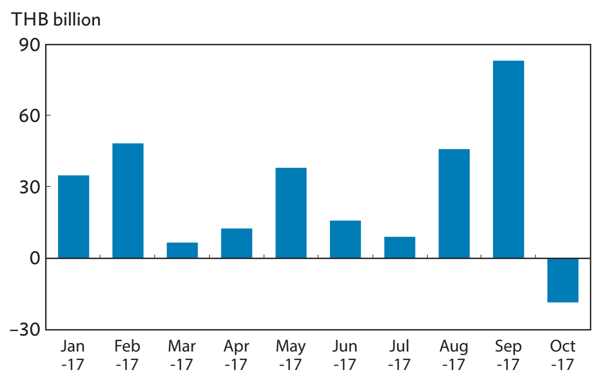
Source: Bank of Thailand.

Figure 4: Foreign Holdings of Local Currency Central Bank Securities



LHS = left-hand side, RHS = right-hand side, THB = Thai baht.
Source: Bank of Thailand.

Figure 5: Foreign Investor Net Trading of Local Currency Bonds in Thailand



THB = Thai baht.
Source: Thai Bond Market Association.

Since January, foreign investment flows into Thailand's LCY bond market remained positive, peaking in September at THB137 billion (**Figure 5**). Foreign investment inflows rose significantly in August and September due to improving investor confidence in Thailand's economy. Also, rising geopolitical risks in the Republic of Korea may have led foreign investors to shift their portfolios to Thailand's bond market. In October, Thailand's bond market experienced a net foreign investment outflow of THB18 billion as a result of global monetary tightening. The US Federal Reserve started its balance sheet normalization in the same month. Moreover, the European Central Bank announced it would taper its asset purchases starting January 2018.

Policy, Institutional, and Regulatory Developments

Bank of Thailand Eases Capital Outflow Regulations

On 4 September, the Bank of Thailand eased its capital outflow regulations. It approved the maximum quota for overseas indirect investments set by the Securities and Exchange Commission to USD100 billion from the previous USD75 billion. It also relaxed rules governing money changers to allow the buying and selling of foreign-currency-denominated banknotes with foreign banks and other money changers. In loosening its capital outflow regulations, the Bank of Thailand aims to curb the appreciation of the Thai baht while increasing the opportunity for Thai investors to invest in foreign securities and giving money changers additional room to streamline their business.

Public Debt Management Office Allots Special Period to Foreign Entities for THB-Denominated Bond Issuance Applications

The Public Debt Management Office (PDMO) regularly accepts applications for Thai baht bond issuance by foreign firms three times a year in March, July, and November. In a measure to further ease the appreciation of the Thai baht, the PDMO in September opened an additional period (6 September–6 October) for foreign entities to apply for permission to issue THB-denominated bonds. Upon approval, foreign entities must comply with the conditions that (i) issued bonds must carry a tenor of 3 years or less, (ii) the issue date must fall between 1 November 2017 and 31 March 2018, and (iii) proceeds must be used for either domestic transactions in baht or onshore USD–THB spot exchange.

Public Debt Management Office Announces Funding Plan for Fiscal Year 2018

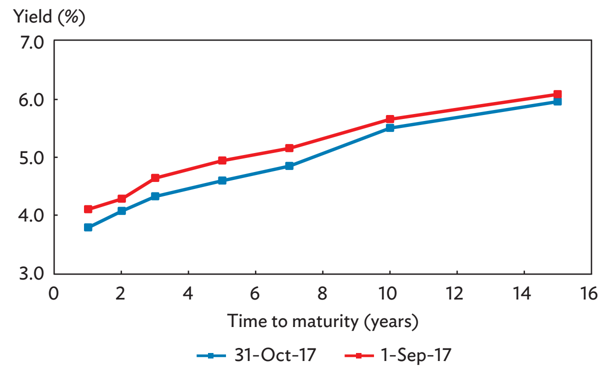
In September, PDMO conducted a public dialogue and announced its funding plan for fiscal year 2018, which will help finance its budget deficit projected at THB450 billion. About 56.0% of the borrowing plan will be financed through the issuance of benchmark bonds with maturities of 5, 10, 15, 20, 30, and 50 years. PDMO also plans to issue savings bonds and short-term debt securities, and conduct a debt switch program.

Viet Nam

Yield Movements

Local currency (LCY) government bond yields in Viet Nam fell across all tenors between 1 September and 31 October, which led the entire yield curve to shift downward (**Figure 1**). Yields shed an average of 30 basis points (bps) from the 1-year through the 7-year maturities, and declined an average of 14 bps for maturities of 10 years and above. As a result, the spread between the 2-year and 10-year tenors widened from 136 bps on 1 September to 142 bps on 31 October.

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



Source: Based on data from Bloomberg LP.

Bucking the trend among its emerging East Asian peers, Viet Nam saw declining bond yields during the review period. The rise in yields in advanced economies had little impact on Viet Nam's yields since domestic investors are the major participants in its bond market. However, the unwinding of quantitative easing measures by the United States (US) Federal Reserve and the European Central Bank, may push bond yields up in the medium-term.

The decline in yields was also driven by the State Bank of Vietnam easing its monetary policy. In July, the central bank reduced its policy rates by 25 bps each, which brought the refinancing rate to 6.25% and the discount rate to 4.25%. The rate cut was aimed at boosting economic growth following slowing growth in the first half of the year. Subsequently, in September, the government has requested the State Bank of Vietnam to lower interest rates by 0.5% and to boost lending to achieve the credit growth target of 21%-22% for this year. Other central government and line agencies, including the Ministry of Planning and Investment and Ministry of Finance were also directed to speed up the release of funds for public investments. The government believes that its economic growth target of 6.7% for this year can be achieved given these additional measures.

In the third quarter (Q3) of 2017, real gross domestic product (GDP) growth climbed to 7.5% year-on-year (y-o-y) from a revised 6.3% y-o-y hike in the second quarter (Q2) of 2017. As a result of the strong economic expansion during the quarter, real GDP growth for the January–September period rose to 6.4% y-o-y from 5.7% y-o-y in the first half of the year, closing the gap with the government's full-year 2017 economic growth target.

The industrial and construction sector and the services sector posted growth of more than 7.0% each during the first 9 months of the year.

Consumer price inflation trended higher in July, August, and September before easing in October. Consumer prices rose 3.0 % y-o-y in October, down from 3.4% y-o-y from a month earlier due to slower increase in food prices. Among the subindexes, medical and healthcare posted the highest inflation rate at 32.1% y-o-y in October. On a month-on-month basis, consumer price inflation eased 0.4% in October.

Size and Composition

Viet Nam continues to have the smallest LCY bond market in emerging East Asia. At the end of September, Viet Nam's LCY bonds outstanding reached VND1,044.2 trillion (USD46 billion) (**Table 1**). Growth was higher on a quarter-on-quarter (q-o-q) basis in Q3 2017 at 2.4%, up from 1.9% q-o-q in Q2 2017. On a y-o-y basis, however, growth eased to 0.2% from 5.0% during the same period. Much of the growth during the quarter came from an increase in the stock of central bank bills.

Government bonds. At the end of September, the LCY government bond market rose to VND1,001.2 trillion, with growth up 2.7% q-o-q and 0.2% y-o-y. The overall

Table 1: Size and Composition of the Local Currency Bond Market in Viet Nam

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2016		Q2 2017		Q3 2017		Q3 2016		Q3 2017	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,041,724	47	1,019,554	45	1,044,229	46	7.2	22.5	2.4	0.2
Government	999,630	45	974,757	43	1,001,162	44	7.2	21.4	2.7	0.2
Treasury Bonds	719,847	32	780,707	34	786,957	35	0.2	34.3	0.8	9.3
Central Bank Bills	69,999	3	0	0	21000	1	600.0	(22.5)	–	(70.0)
State-Owned Enterprise and Municipal Bonds	209,784	9	194,050	9	193,205	9	2.9	6.4	(0.4)	(7.9)
Corporate	42,094	2	44,797	2	43,067	2	8.5	57.2	(3.9)	2.3

– = not applicable, ( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, VND = Vietnamese dong, y-o-y = year-on-year.
Notes:
1. Bloomberg LP end-of-period LCY–USD rates are used.
2. Growth rates are calculated from an LCY base and do not include currency effects.
Sources: Bloomberg LP and Vietnam Bond Market Association.

growth in government bonds came largely from increases in the stock of central bank bills issued by the State Bank of Vietnam. The central bank resumed issuance of bills in July after its last issuance in March as it aims to increase its foreign exchange reserves.

The stock of Treasury bonds also contributed to the growth, although to a lesser extent. The policy rate cut in July drove yields lower. As the government does not want to allow yields to go higher, most auctions for government bonds were only partially awarded during the quarter.

Corporate bonds. The outstanding stock of LCY corporate bond market slipped to VND43.1 trillion at the end of September. Growth contracted 3.9% q-o-q but rose 2.3% y-o-y in Q3 2017. There was only one corporate bond issuance from Viet Nam during the quarter, from Loc Troi Group, which issued via private placement. (A number of corporate bonds in Viet Nam are issued through private placements and some of the relevant data are not publicly available.)

At the end of September, a total of 26 firms comprise Viet Nam's entire corporate bond segment (**Table 2**). The largest issuer was Masan Consumer Holdings, whose outstanding bonds of VND11.1 trillion accounted for a 25.8% share of the aggregate corporate bond stock at the end of September. Real estate firm Vingroup JSC maintained the second spot with outstanding bonds valued at VND7.0 trillion. Asia Commercial Joint Stock rounded out the top three with bonds amounting to VND4.6 trillion.

Policy, Institutional, and Regulatory Developments

Government Approves Road Map for Bond Market Development

In August, the Government of Viet Nam approved a 3-year road map for bond market development, with the aim of aligning the bond market with the money market and capital market. Under the road map, the share of bonds to GDP is expected to increase to 45% by 2020 and to 65% by 2030.

Table 2: Corporate Issuers of Local Currency Corporate Bonds in Viet Nam

Issuers		Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (VND billion)	LCY Bonds (USD billion)			
1.	Masan Consumer Holdings	11,100	0.49	No	No	Diversified Operations
2.	Vingroup JSC	7,000	0.31	No	Yes	Real Estate
3.	Asia Commercial Joint Stock	4,600	0.20	No	No	Finance
4.	Hoang Anh Gia Lai	4,000	0.18	No	Yes	Real Estate
5.	Techcom Bank	3,000	0.13	No	No	Banking
6.	Vietcombank	2,000	0.09	Yes	Yes	Banking
7.	Vietnam Electrical Equipment	1,800	0.08	No	Yes	Manufacturing
8.	No Va Land Investment Group	1,450	0.06	No	Yes	Real Estate
9.	Agro Nutrition International	1,300	0.06	No	No	Agriculture
10.	Ho Chi Minh City Infrastructure	1,033	0.05	No	Yes	Infrastructure
11.	DIC Corporation	1,000	0.04	Yes	No	Chemicals
12.	Saigon-Hanoi Securities Corporation	700	0.03	No	Yes	Finance
13.	Sai Gon Thuong Tin Real Estate	600	0.03	No	Yes	Real Estate
14.	Khang Dien House Trading and Investment	534	0.02	No	Yes	Building and Construction
15.	Tasco Corporation	500	0.02	No	Yes	Engineering and Construction
16.	An Phat Plastic & Green Environment	450	0.02	No	Yes	Industrial
17.	Sotrans Corporation	400	0.02	No	No	Logistics
18.	Vietnam Investment Construction and Trading	350	0.02	No	Yes	Building and Construction
19.	Hung Vuong Corporation	300	0.01	No	Yes	Food
20.	Loc Troi Group	220	0.01	No	Yes	Manufacturing
21.	Ha Do Corporation	200	0.01	No	Yes	Construction
22	Saigon Securities	200	0.01	No	Yes	Finance
23.	Son Ha International	110	0.005	No	Yes	Building and Construction
24.	Dongnai Plastic	100	0.004	No	Yes	Industrial
25.	Fecon	70	0.003	No	Yes	Engineering and Construction
26.	Construction Joint Stock Company No. 3	50	0.002	No	Yes	Real Estate
Total LCY Corporate Issuers		43,067	**1.89**			

LCY = local currency, USD = United States dollar, VND = Vietnamese dong.
Notes:
1. Data as of end-September 2017.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg LP and Vietnam Bond Market Association data.