

# Bond Market Developments in the Third Quarter of 2019

## Size and Composition

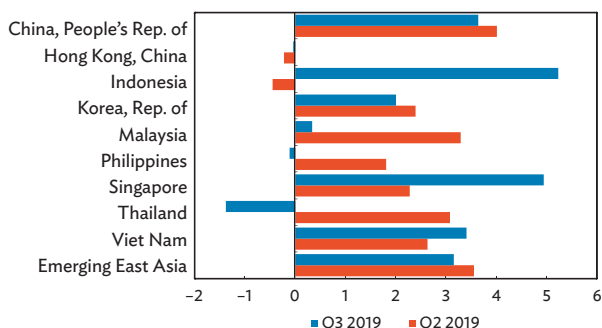
Local currency bonds outstanding in emerging East Asia reached USD15.2 trillion at the end of September amid growth moderation in most of the region's bond markets in the third quarter of 2019.

The size of emerging East Asia's local currency (LCY) bond market reached USD15.2 trillion at the end of September.<sup>3</sup> Growth moderated to 3.1% quarter-on-quarter (q-o-q) in the third quarter (Q3) of 2019, down from the 3.5% q-o-q expansion posted in the second quarter (Q2) (Figure 1a). The size of the region's overall bond market was capped by slower q-o-q expansions

in the bond markets of the People's Republic of China (PRC) and the Republic of Korea, the two largest bond markets in emerging East Asia. Other bond markets that posted a slowdown in q-o-q growth were Malaysia, the Philippines, and Thailand. In contrast, faster q-o-q expansions were noted in the bond markets of Indonesia, Singapore, and Viet Nam. While growth in the bond market of Hong Kong, China remained negative, the pace of contraction slowed from Q2 2019 to Q3 2019.

Similarly, the regional bond market's year-on-year (y-o-y) growth for Q3 2019 softened to 13.0% from 14.1% in Q2 2019 (Figure 1b). While all of the region's bond markets posted positive y-o-y growth in Q3 2019, six out of nine markets recorded a slowdown compared with

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



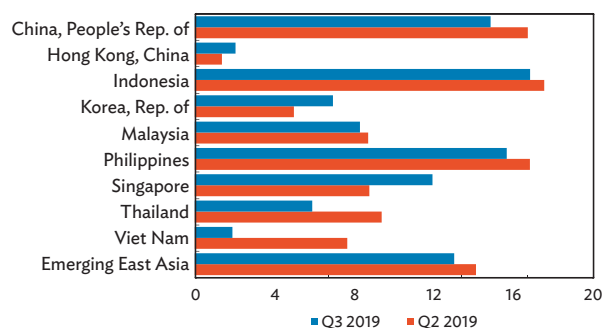
q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter.

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. Emerging East Asia growth figures are based on 30 September 2019 currency exchange rates and do not include currency effects.
4. For Hong Kong, China, Q3 2019 corporate bonds outstanding are based on *AsianBondsOnline* estimates. For the Republic of Korea, government bonds outstanding is as of August 2019. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates. For Thailand, Q3 2019 bonds outstanding are based on *AsianBondsOnline* estimates.

Sources: People's Republic of China (CEIC); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (EDAILY BondWeb and the Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP and Vietnam Bond Market Association).

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



Q2 = second quarter, Q3 = third quarter, y-o-y = year-on-year.

Notes:

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<sup>3</sup> Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

the previous quarter. In particular, y-o-y growth rates moderated in the bond markets of the PRC, Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam in Q3 2019 versus Q2 2019. On the other hand, faster annual growth was seen in the bond markets of Hong Kong, China; the Republic of Korea; and Singapore.

Among all emerging East Asian economies, the PRC remained home to the largest LCY bond market at a size of USD11.5 trillion at the end of September. It accounted for a 75.4% share of the region's aggregate bond stock at the end of the review period, with its share inching up from 75.0% at the end of June. The PRC's bond market growth moderated to 3.6% q-o-q in Q3 2019 from 4.0% q-o-q in Q2 2019, pulled down by the slower expansion in the government bond market.

Growth in the PRC's government bond segment eased on a q-o-q basis to 3.5% from 4.2% in Q2 2019, tempered by a slowdown in issuance. In nominal terms, however, the volume of government bond issuance was still hefty, leading to the expansion of the government bond stock during the review period. Local government bonds continued to drive growth as the government pushed for a September deadline for local governments to utilize their bond quotas as part of measures to spur economic growth and boost infrastructure spending. At the end of September, these quotas had been mostly fulfilled.

In the same period, the stock of corporate bonds grew 3.9% q-o-q, up from 3.6% q-o-q in Q2 2019, buoyed by higher issuance volume in Q3 2019. Growth in corporate bonds was driven by increases in the stock of commercial bank bonds, listed corporate bonds, and medium-term notes. Commercial bank bond gains were driven by banks' need to replenish capital following the write-off of bad assets. On a y-o-y basis, bond market growth in the PRC fell to 14.9% in Q3 2019 from 16.7% in Q2 2019.

At the end of September, the Republic of Korea's LCY bond stock of nearly USD2.0 trillion was the second-largest in emerging East Asia. The Republic of Korea's share of the regional bond total slipped to 13.1% in Q3 2019 from 13.2% in Q2 2019 and 13.8% in Q3 2018. Overall growth declined to 2.0% q-o-q in Q3 2019 from 2.4% q-o-q in the preceding quarter. Government bonds contributed to the growth, albeit to a lesser extent than that of corporate bonds. The stock of government

bonds grew 1.6% q-o-q, driven largely by an increase in central government bonds. The government maintained its pace of issuance during the first 3 quarters of 2019 as part of stimulus efforts to boost the economy. In August, the Parliament passed a supplemental budget bill worth KRW5.8 trillion, more than half of which will be funded through the issuance of bonds. As in the past, the corporate bond segment fueled much of the growth in the overall bond stock. Corporate bonds rose 2.3% q-o-q amid a still substantial issuance volume, despite it being lower than in the previous quarter. On a y-o-y basis, the LCY bond market of the Republic of Korea rose 6.9% in Q3 2019.

LCY bonds outstanding in Hong Kong, China leveled off at USD249.4 billion at the end of September, posting a marginal decline of 0.04% q-o-q. While tallying negative growth in Q3 2019, the pace of contraction was an improvement from a decline of 0.2% q-o-q in Q2 2019. The contraction in corporate bonds exceeded growth in government bonds, resulting in slightly negative growth during the period. Growth in government bonds inched up to 0.5% q-o-q in Q3 2019 from 0.2% q-o-q in the prior quarter, buoyed by increases in the stocks of Exchange Fund Bills and Hong Kong Special Administrative Region Bonds. The stock of Exchange Fund Notes contracted as issuance remained limited to the 2-year maturity. The stock of corporate bonds also contracted 0.9% q-o-q in Q3 2019. On a y-o-y basis, Hong Kong, China's bond market growth picked up to 2.1% in Q3 2019 from 1.4% in Q2 2019.

On an aggregate basis, the outstanding size of LCY bonds among member economies of the Association of Southeast Asian Nations (ASEAN) totaled USD1,510.9 billion.<sup>4</sup> Overall growth in ASEAN bond markets slowed in Q3 2019, moderating to 1.6% q-o-q from 2.3% q-o-q in the prior quarter. On an annual basis, growth slipped to 9.9% during the review period. At the end of September, government bonds totaled USD1,039.6 billion, representing 68.8% of the aggregate ASEAN bond total. The remaining USD471.4 billion was accounted for by corporate bonds for a share of 31.2%. The bond markets of Thailand, Malaysia, and Singapore remained the largest in ASEAN.

The outstanding amount of LCY bonds in Thailand tallied USD420.1 billion at the end of September as

<sup>4</sup> LCY bond statistics for ASEAN include the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

growth contracted 1.4% q-o-q in Q3 2019, reversing the 3.1% q-o-q gain posted in Q2 2019. The stock of government bonds declined 0.5% q-o-q as increases in government bonds and state-owned enterprise bonds were more than offset by the decline in the stock of central bank bonds. Beginning in July, the Bank of Thailand (BOT) reduced the supply of 3-month and 6-month BOT bills to limit foreign fund inflows and arrest the Thai baht's strong appreciation. Corporate bonds also declined 3.5% q-o-q in Q3 2019, as the volume of bond maturities exceeded new issuance during the quarter. On an annual basis, Thailand's bond market growth decelerated to 5.9% in Q3 2019 from 9.4% in the preceding quarter.

Malaysia's LCY bonds outstanding reached USD356.5 billion at the end of September, with growth plummeting to 0.3% q-o-q in Q3 2019 from 3.3% q-o-q in Q2 2019. The decline in overall growth stemmed from the weak q-o-q growth in government bonds that was exacerbated by a contraction in corporate bonds. The stock of government bonds rose 0.8% q-o-q in Q3 2019 on slower expansions of central government bonds and central bank bills, and a contraction in the stock of Sukuk Perumahan Kerajaan, which are Islamic bonds issued by the Government of Malaysia to refinance funding for housing loans to government employees and to extend new housing. The corporate bond segment contracted 0.2% q-o-q in Q3 2019, following a relatively strong 5.0% q-o-q hike in the prior quarter, dampened by a huge volume of maturities and a significant decline in issuance volume. On a y-o-y basis, growth in the Malaysian LCY bond market slipped to 8.3% in Q3 2019 from 8.7% in Q2 2019.

Malaysia's LCY bond market continued to be dominated by *sukuk* (Islamic bonds), making it the largest *sukuk* market in emerging East Asia. At the end of September, about 61.6% of its LCY bond stock was structured following Islamic principles. *Sukuk* comprised 46.0% of the government bond total and an even larger share of 79.0% of the corporate bond stock.

Singapore's LCY bond market comprised bonds outstanding of USD322.4 billion at the end of September on faster growth of 4.9% q-o-q in Q3 2019 versus 2.3% q-o-q in Q2 2019. Government bond market growth picked up to 5.6% q-o-q from 2.7% q-o-q, buoyed by the three-fold increase in the issuance of Singapore Government Securities (SGS) bills and bonds during the

quarter. In contrast, the stock of Monetary Authority of Singapore (MAS) bills contracted in Q3 2019. The stock of corporate bonds also climbed 3.8% q-o-q in Q3 2019, up from 1.7% q-o-q in the prior quarter. On a y-o-y basis, Singapore's LCY bond market expanded 11.9% in Q3 2019.

In Q3 2019, the region's fastest-growing LCY bond market on a q-o-q basis was that of Indonesia. Total LCY bonds climbed to USD227.5 billion at the end of September, with growth rebounding strongly to 5.2% q-o-q in Q3 2019 after contracting 0.5% q-o-q in the preceding quarter. Government bond market growth surged to 5.3% q-o-q in Q3 2019 after a decline of 0.3% q-o-q in the previous quarter, largely lifted by an expansion in the stock of central government bonds. The government took advantage of strong demand for bonds and accepted more than its targeted amount during its weekly Treasury bond auctions. In addition, the government was looking to raise more funds as the budget deficit was estimated to be wider than expected due to the tax collection shortfall. Corporate bond market growth also rebounded, rising 4.9% q-o-q after a decline of 1.6% q-o-q in Q2 2019. Corporate bond issuance was quite active in Q3 2019 as firms took advantage of low borrowing costs driven by the policy rate cuts of Bank Indonesia. On a y-o-y basis, Indonesia's LCY bond market growth slipped to 16.8% in Q3 2019 from 17.6% in Q2 2019.

The outstanding size of the Philippines' LCY bond market totaled USD129.2 billion at the end of September. Overall growth of the market contracted 0.1% q-o-q, driven largely by a decline in the stock of government bonds. Government bond market growth contracted 0.7% q-o-q in Q3 2019 as the government reduced its borrowing program in Q3 2019 due to underspending resulting from the delay in the approval of the 2019 national budget and increased borrowing in the first half of the year. Corporate bond market growth moderated to 2.1% q-o-q in Q3 2019 from 2.3% q-o-q in the previous quarter due to a significant decline in the volume of new issuance. On a y-o-y basis, bond market growth in the Philippines eased to 15.7% in Q3 2019 from 16.8% in Q2 2019.

Viet Nam continued to account for the smallest LCY bond market in the region with outstanding bonds of USD55.1 billion at the end of September. Overall growth climbed to 3.4% q-o-q in Q3 2019 from 2.6% q-o-q in Q2 2019. Growth came mainly from government bonds, which rose 4.0% q-o-q, driven largely by an increase in central bank bills. The State Bank of Vietnam continued

issuing bills to mop up excess liquidity in the market. The stock of Treasury bonds also increased, albeit to a smaller extent on reduced issuance. In August, the State Treasury reduced the frequency of its government bond auctions to once every 2 weeks from the previously scheduled weekly auctions due to slow government disbursements. Corporate bonds contracted 2.8% q-o-q in Q3 2019. On an annual basis, bond market growth in Viet Nam eased to 1.9% in Q3 2019 after expanding 7.7% in Q2 2019.

At the end of September, the region's bond market was largely dominated by government bonds, with an outstanding amount of USD9.4 trillion and a 61.8% share of the aggregate LCY bond stock (**Table 1**). Government bond market growth eased to 3.1% q-o-q and 11.6% y-o-y in Q3 2019 from 3.7% q-o-q and 13.6% y-o-y in Q2 2019. The region's government bond market leaders were the PRC and the Republic of Korea, with regional shares of 78.8% and 8.6%, respectively. Except for the bond markets of the Philippines and Thailand, all government bond markets tallied positive q-o-q growth in Q3 2019.

Collectively, the government bonds outstanding of ASEAN member economies accounted for 11.1% of the regional government bond total at the end of September. Among ASEAN markets, the government bond markets of Thailand (USD302.9 billion), Singapore (USD200.4 billion), and Indonesia (USD196.7 billion) were the largest. Malaysia was next with government bonds outstanding of USD187.6 billion. The government bond markets of the Philippines and Viet Nam remained the smallest.

Emerging East Asia's aggregate corporate bond total reached USD5.8 trillion at the end of September, accounting for a 38.2% share of the regional bond market total. Growth in corporate bonds slipped to 3.2% q-o-q in Q3 2019 from 3.3% q-o-q in Q2 2019. On a y-o-y basis, however, corporate bond market growth inched up to 15.3% in Q3 2019 from 15.0% in Q2 2019. The bond markets of the PRC and the Republic of Korea accounted for a combined 90.2% share of the region's corporate bond total at the end of September. Most markets in the region reported positive q-o-q growth, while q-o-q declines were observed in Hong Kong, China; Malaysia; Thailand; and Viet Nam.

At the end of September, the corporate bond markets of ASEAN member economies comprised an aggregate

8.1% share of emerging East Asia's corporate bond total. The corporate bond markets of Malaysia, Singapore, and Thailand remained the largest in ASEAN.

As a percentage of regional gross domestic product (GDP), emerging East Asia's LCY bond market accounted for an 83.7% share at the end of September (**Table 2**). This was up from 82.7% at the end of June and 80.0% at the end of September 2018. The GDP shares of both government and corporate bonds increased in Q3 2019 from the prior quarter. The government bonds-to-GDP share inched up to 51.7% in Q3 2019 from 51.1% in Q2 2019, while the corporate bonds-to-GDP share rose to 32.0% from 31.6% during the same period. Among emerging East Asian markets, the Republic of Korea continued to have the largest bonds-to-GDP share at 129.7%. Next was Malaysia at 105.8%. All other emerging East Asian markets had a bonds-to-GDP share of 88.1% or lower.

## Foreign Investor Holdings

### Movements in the shares of foreign investor holdings in emerging East Asian economies were largely stable in Q3 2019.

Emerging East Asia's foreign investor holdings were largely unchanged at the end of September compared with the previous quarter (**Figure 2**). The share of foreign holdings rose slightly in both the PRC, Malaysia, and Viet Nam in Q3 2019.

In the PRC, the share of foreign holdings rose from 5.4% at the end of June to 5.8% at the end of September, as the government continued to open its bond market to foreign investors. Foreign demand increased following the inclusion of PRC government bonds in the Bloomberg Barclays Global Aggregate Index. They will also be included in JP Morgan's Government Bond Index–Emerging Markets Global Diversified Index. The PRC also removed investment quotas under the Renminbi Qualified Foreign Institutional Investor and Qualified Foreign Institutional Investor programs.

In Malaysia, the share of foreign holdings rose to 23.0% at the end of September from 22.3% at the end of June over news that its government bonds would remain in the FTSE World Government Bond Index. However, uncertainty remains as the inclusion of Malaysian government bonds will be up for review again in March 2020.

Table 1: Size and Composition of Local Currency Bond Markets

	Q3 2018		Q2 2019		Q3 2019		Growth Rate (LCY-base %)				Growth Rate (USD-base %)			
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q3 2018		Q3 2019		Q3 2018		Q3 2019	
							q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
<b>China, People's Rep. of</b>														
<b>Total</b>	10,383	100.0	11,512	100.0	11,459	100.0	5.3	15.4	3.6	14.9	1.5	11.8	(0.5)	10.4
Government	6,823	65.7	7,447	64.7	7,402	64.6	6.2	16.6	3.5	12.9	2.4	12.9	(0.6)	8.5
Corporate	3,560	34.3	4,065	35.3	4,057	35.4	3.6	13.1	3.9	18.6	(0.2)	9.6	(0.2)	14.0
<b>Hong Kong, China</b>														
<b>Total</b>	245	100.0	250	100.0	249	100.0	(0.7)	1.5	(0.04)	2.1	(0.5)	1.3	(0.4)	1.9
Government	147	60.3	149	59.5	149	59.9	(0.4)	3.4	0.5	1.4	(0.1)	3.2	0.2	1.2
Corporate	97	39.7	101	40.5	100	40.1	(1.2)	(1.2)	(0.9)	3.1	(1.0)	(1.5)	(1.3)	2.9
<b>Indonesia</b>														
<b>Total</b>	185	100.0	217	100.0	228	100.0	5.9	13.9	5.2	16.8	1.8	3.0	4.7	22.7
Government	157	84.8	188	86.4	197	86.5	6.2	13.5	5.3	19.1	2.1	2.6	4.8	25.0
Corporate	28	15.2	30	13.6	31	13.5	4.1	16.5	4.9	4.4	0.1	5.3	4.4	9.6
<b>Korea, Rep. of</b>														
<b>Total</b>	2,005	100.0	2,019	100.0	1,988	100.0	0.1	3.6	2.0	6.9	0.6	7.0	(1.5)	(0.8)
Government	837	41.7	820	40.6	804	40.4	(1.0)	5.4	1.6	3.6	(0.5)	8.9	(1.9)	(4.0)
Corporate	1,168	58.3	1,200	59.4	1,184	59.6	0.9	2.4	2.3	9.4	1.4	5.7	(1.3)	1.4
<b>Malaysia</b>														
<b>Total</b>	333	100.0	360	100.0	357	100.0	0.7	9.1	0.3	8.3	(1.7)	11.3	(1.0)	7.0
Government	175	52.6	189	52.4	188	52.6	0.4	8.1	0.8	8.3	(2.0)	10.3	(0.5)	7.1
Corporate	158	47.4	172	47.6	169	47.4	1.1	10.2	(0.2)	8.3	(1.4)	12.4	(1.6)	7.0
<b>Philippines</b>														
<b>Total</b>	107	100.0	131	100.0	129	100.0	0.9	11.2	(0.1)	15.7	(0.3)	4.6	(1.2)	20.6
Government	85	79.3	103	78.9	101	78.4	0.04	9.0	(0.7)	14.4	(1.2)	2.7	(1.8)	19.2
Corporate	22	20.7	28	21.1	28	21.6	4.3	20.1	2.1	20.7	3.0	13.0	1.0	25.8
<b>Singapore</b>														
<b>Total</b>	291	100.0	314	100.0	322	100.0	2.0	9.8	4.9	11.9	1.6	9.1	2.7	10.7
Government	176	60.5	194	61.8	200	62.2	1.6	9.3	5.6	15.0	1.3	8.5	3.4	13.8
Corporate	115	39.5	120	38.2	122	37.8	2.5	10.7	3.8	7.2	2.1	9.9	1.7	6.1
<b>Thailand</b>														
<b>Total</b>	376	100.0	425	100.0	420	100.0	1.9	10.0	(1.4)	5.9	22.6	35.2	(1.1)	11.9
Government	269	71.7	304	71.5	303	72.1	0.8	9.0	(0.5)	6.6	19.1	29.4	(0.3)	12.6
Corporate	106	28.3	121	28.5	117	27.9	4.8	12.7	(3.5)	4.2	32.7	52.4	(3.3)	10.1
<b>Viet Nam</b>														
<b>Total</b>	54	100.0	53	100.0	55	100.0	9.2	17.7	3.4	1.9	7.5	14.8	3.8	2.4
Government	49	91.9	48	91.2	51	91.8	8.9	14.7	4.0	1.7	7.2	11.9	4.4	2.2
Corporate	4	8.1	5	8.8	5	8.2	13.1	67.2	(2.8)	4.2	11.3	63.0	(2.3)	4.7
<b>Emerging East Asia</b>														
<b>Total</b>	13,979	100.0	15,281	100.0	15,208	100.0	4.1	12.8	3.1	13.0	1.8	11.1	(0.5)	8.8
Government	8,720	62.4	9,441	61.8	9,395	61.8	4.9	14.5	3.1	11.6	2.4	12.3	(0.5)	7.7
Corporate	5,259	37.6	5,841	38.2	5,813	38.2	2.8	10.3	3.2	15.3	0.7	9.2	(0.5)	10.5
<b>Japan</b>														
<b>Total</b>	10,228	100.0	10,948	100.0	11,068	100.0	0.5	1.6	1.3	2.9	(2.1)	0.6	1.1	8.2
Government	9,540	93.3	10,191	93.1	10,302	93.1	0.4	1.7	1.3	2.6	(2.2)	0.7	1.1	8.0
Corporate	688	6.7	757	6.9	766	6.9	2.2	0.04	1.5	5.9	(0.4)	(1.0)	1.2	11.4

(-) = negative, 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:

- For Hong Kong, China, Q3 2019 corporate bonds outstanding are based on *AsianBondsOnline* estimates. For Japan and the Republic of Korea, government bonds outstanding are as of August 2019. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates. For Thailand, Q3 2019 bonds outstanding are based on *AsianBondsOnline* estimates.
  - Corporate bonds include issues by financial institutions.
  - Bloomberg LP end-of-period LCY-USD rates are used.
  - For LCY-base, emerging East Asia growth figures are based on 30 September 2019 currency exchange rates and do not include currency effects.
  - Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
- Sources: People's Republic of China (*CEIC*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (*EDAILY BondWeb* and the Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

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

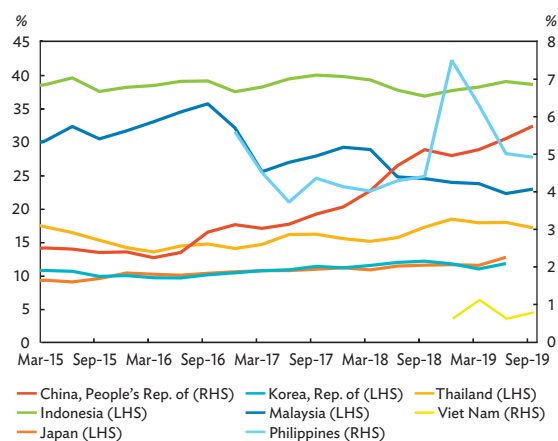
	Q3 2018	Q2 2019	Q3 2019
<b>China, People's Rep. of</b>			
Total	81.1	84.6	86.1
Government	53.3	54.7	55.6
Corporate	27.8	29.9	30.5
<b>Hong Kong, China</b>			
Total	68.2	67.6	67.3
Government	41.1	40.2	40.3
Corporate	27.1	27.4	27.0
<b>Indonesia</b>			
Total	19.0	20.0	20.7
Government	16.1	17.2	17.9
Corporate	2.9	2.7	2.8
<b>Korea, Rep. of</b>			
Total	123.9	127.8	129.7
Government	51.7	51.9	52.4
Corporate	72.2	75.9	77.3
<b>Malaysia</b>			
Total	102.5	106.9	105.8
Government	53.9	55.9	55.7
Corporate	48.6	50.9	50.1
<b>Philippines</b>			
Total	34.2	37.3	36.6
Government	27.1	29.4	28.7
Corporate	7.1	7.9	7.9
<b>Singapore</b>			
Total	81.6	85.7	88.1
Government	49.4	53.0	54.8
Corporate	32.2	32.8	33.3
<b>Thailand</b>			
Total	75.3	78.4	77.5
Government	54.0	56.0	55.9
Corporate	21.4	22.4	21.6
<b>Viet Nam</b>			
Total	23.4	21.5	21.7
Government	21.5	19.6	19.9
Corporate	1.9	1.9	1.8
<b>Emerging East Asia</b>			
Total	80.0	82.7	83.7
Government	49.9	51.1	51.7
Corporate	30.1	31.6	32.0
<b>Japan</b>			
Total	211.8	213.8	216.2
Government	197.6	199.1	201.2
Corporate	14.3	14.8	15.0

GDP = gross domestic product, Q2 = second quarter, Q3 = third quarter.

Notes:

1. Data for GDP are from CEIC. Q3 2019 GDP figures carried over from Q2 2019 for Hong Kong, China; Japan; Malaysia; Singapore; and Thailand.
2. For Hong Kong, China, Q3 2019 corporate bonds outstanding are based on *AsianBondsOnline* estimates. For Japan and the Republic of Korea, government bonds outstanding are as of August 2019. For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates. For Thailand, Q3 2019 bonds outstanding are based on *AsianBondsOnline* estimates.

Sources: People's Republic of China (CEIC); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (*EDAILY BondWeb* and the Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

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

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

Note: Data as of end-September 2019 except for Japan and the Republic of Korea (end-June 2019).

Source: *AsianBondsOnline*.

The Philippines saw a marginal decline in its foreign holdings share from 5.0% at the end of June to 4.9% at the end of September. The decline was mainly due to foreign investors taking profits amid expectations that the Bangko Sentral ng Pilipinas (BSP) was nearing the end of its easing cycle.

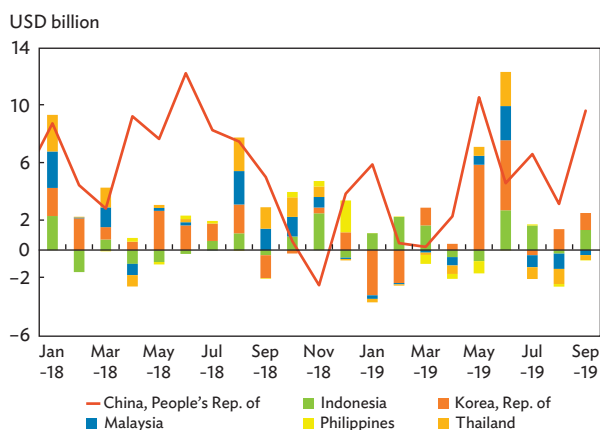
Indonesia's foreign holdings share fell during the review period from 39.1% to 38.6% as foreign investors grew cautious over concerns of slowing economic growth and weak trade figures.

## Foreign Bond Flows

### Foreign flows into the region's bond markets were positive in Q3 2019.

Foreign bond flows in most emerging East Asian markets were positive in Q3 2019. While flows fluctuated in most markets during the review period, the PRC had consistent net inflows in all 3 months during the quarter. The size of the PRC's inflows in July, August, and September were USD6.7 billion, USD3.2 billion, and USD9.7 billion, respectively, which exceeded the monthly cumulative fund flows into all other emerging East Asian markets (**Figure 3**). The PRC continued to attract bond inflows on increased participation from foreign investors following the inclusion of PRC government bonds in major global bond indices.

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



USD = United States dollar.

Notes:

1. The Republic of Korea and Thailand provided data on bond flows. For the People's Republic of China, Indonesia, Malaysia, and the Philippines, month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.

2. Data as of 30 September 2019.

3. Figures were computed based on 30 September 2019 exchange rates to avoid currency effects.

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

Thailand experienced negative outflows in each month during the quarter as the BOT sought to limit capital flows in order to curb the appreciation of the Thai baht.

In Malaysia, foreign investors returned to the bond market in September, after exiting in August, following news that Malaysia would remain in the FTSE World Government Bond Index.

In Indonesia, outflows were observed in August, but investors subsequently returned in September. The Philippines saw outflows in both August and September as foreign investors took profits, having largely priced in an expected BSP rate cut in September.

In contrast, the Republic of Korea saw inflows in August and September due to the appreciation of the Korean won as trade tensions between the PRC and the US eased.

## Issuance

### LCY bond issuance in emerging East Asia totaled USD1.5 trillion in Q3 2019.

In Q3 2019, aggregate LCY bond issuance in emerging East Asia amounted to USD1.5 trillion on growth of 0.9% q-o-q and 5.2% y-o-y (**Table 3**). The pace of growth was weaker compared with gains of 12.2% q-o-q and 16.4% y-o-y in Q2 2019. On a q-o-q basis, Hong Kong, China; the Republic of Korea; Malaysia; the Philippines; Thailand; and Viet Nam each experienced contractions in issuance during the quarter. The PRC, Indonesia, and Singapore all recorded growth in issuance in Q3 2019.

Despite a decline in issuance in the majority of markets, the PRC's issuance of USD980.5 billion lifted the regional total as its aggregate bonds comprise 63.8% of emerging East Asia's total bond market. Indonesia posted the most rapid issuance growth at 45.0% q-o-q, which also helped offset the decline in issuance in the other markets. On a y-o-y basis, all markets registered an increase in issuance in Q3 2019 with the exception of Malaysia.

Issuance of LCY government bonds in emerging East Asia contracted 5.5% q-o-q and 8.6% y-o-y to fall to USD881.4 billion in Q3 2019. The decline in government issuance, which reversed the 13.3% q-o-q and 12.5% y-o-y growth posted in Q2 2019, was driven by contractions in issuance in most markets. The PRC, the largest issuer of government bonds in the region, posted a 9.9% q-o-q drop in issuance as local governments met their issuance target ahead of schedule. Only Hong Kong, China; Indonesia; and Singapore posted growth in government bond issuance in Q3 2019. Hong Kong, China's government issuance growth was modest at 0.5% q-o-q. Indonesia's government bond issuance rose 43.8% q-o-q as the government sought funds to finance its budget deficit. Singapore's 8.5% q-o-q growth in government bond issues stemmed from issuance of 6-month SGS bills starting in July, which were intended to gradually replace the 24-week MAS bills and meet the demand for short-term, rated instruments denominated in Singapore dollars.

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

	Q3 2018		Q2 2019		Q3 2019		Growth Rate (LCY-base %)		Growth Rate (USD-base %)	
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q3 2019		Q3 2019	
							q-o-q	y-o-y	q-o-q	y-o-y
<b>China, People's Rep. of</b>										
<b>Total</b>	998	100.0	982	100.0	981	100.0	3.9	2.2	(0.2)	(1.8)
Government	612	61.3	540	54.9	467	47.6	(9.9)	(20.6)	(13.5)	(23.7)
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	612	61.3	540	54.9	467	47.6	(9.9)	(20.6)	(13.5)	(23.7)
Corporate	386	38.7	442	45.1	514	52.4	20.9	38.4	16.1	33.0
<b>Hong Kong, China</b>										
<b>Total</b>	112	100.0	117	100.0	114	100.0	(2.1)	1.9	(2.4)	1.7
Government	104	92.9	107	91.7	107	94.0	0.5	3.1	0.1	2.9
Central Bank	104	92.7	106	90.8	106	93.6	1.0	2.9	0.6	2.7
Treasury and Other Govt.	0.2	0.2	1	0.9	0.5	0.4	(52.5)	111.1	(52.7)	110.8
Corporate	8	7.1	10	8.3	7	6.0	(30.0)	(14.4)	(30.3)	(14.5)
<b>Indonesia</b>										
<b>Total</b>	15	100.0	17	100.0	24	100.0	45.0	55.4	44.3	63.2
Government	13	85.0	15	87.9	21	87.2	43.8	59.4	43.1	67.4
Central Bank	2	13.9	4	24.8	8	33.5	96.4	275.1	95.5	293.8
Treasury and Other Govt.	11	71.1	11	63.2	13	53.7	23.2	17.3	22.6	23.1
Corporate	2	15.0	2	12.1	3	12.8	53.7	32.6	53.0	39.2
<b>Korea, Rep. of</b>										
<b>Total</b>	170	100.0	187	100.0	169	100.0	(6.3)	7.3	(9.6)	(0.6)
Government	78	46.1	70	37.7	68	40.2	(0.2)	(6.5)	(3.7)	(13.3)
Central Bank	34	20.3	32	17.1	31	18.1	(0.8)	(4.6)	(4.3)	(11.5)
Treasury and Other Govt.	44	25.7	38	20.6	37	22.1	0.3	(8.0)	(3.2)	(14.7)
Corporate	91	53.9	116	62.3	101	59.8	(10.0)	19.0	(13.1)	10.3
<b>Malaysia</b>										
<b>Total</b>	22	100.0	27	100.0	20	100.0	(25.2)	(8.1)	(26.2)	(9.2)
Government	14	61.7	10	36.4	9	45.6	(6.3)	(32.0)	(7.6)	(32.8)
Central Bank	6	28.8	2	7.2	2	10.2	4.9	(67.5)	3.5	(67.9)
Treasury and Other Govt.	7	32.9	8	29.2	7	35.4	(9.1)	(1.0)	(10.3)	(2.2)
Corporate	9	38.3	17	63.6	11	54.4	(36.0)	30.5	(36.8)	29.0
<b>Philippines</b>										
<b>Total</b>	5	100.0	9	100.0	7	100.0	(20.7)	32.0	(21.5)	37.6
Government	4	81.8	6	71.2	5	78.5	(12.5)	26.7	(13.4)	32.0
Central Bank	0	0.0	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	4	81.8	6	71.2	5	78.5	(12.5)	26.7	(13.4)	32.0
Corporate	0.9	18.2	2	28.8	1	21.5	(40.9)	56.0	(41.6)	62.6
<b>Singapore</b>										
<b>Total</b>	106	100.0	116	100.0	124	100.0	8.4	17.3	6.1	16.1
Government	102	95.5	113	96.7	120	96.8	8.5	19.0	6.3	17.7
Central Bank	95	89.7	104	89.7	94	75.9	(8.4)	(0.8)	(10.3)	(1.8)
Treasury and Other Govt.	6	5.8	8	7.0	26	21.0	225.5	326.2	218.6	321.6
Corporate	5	4.5	4	3.3	4	3.2	4.8	(18.0)	2.6	(18.9)
<b>Thailand</b>										
<b>Total</b>	72	100.0	93	100.0	78	100.0	(16.1)	2.0	(15.9)	7.8
Government	58	80.4	76	81.7	64	82.8	(15.0)	5.1	(14.7)	11.0
Central Bank	50	69.7	65	70.4	59	76.2	(9.3)	11.5	(9.0)	17.8
Treasury and Other Govt.	8	10.7	10	11.3	5	6.6	(50.7)	(36.7)	(50.6)	(33.1)
Corporate	14	19.6	17	18.3	13	17.2	(21.4)	(10.5)	(21.2)	(5.5)

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Table 3 continued

	Q3 2018		Q2 2019		Q3 2019		Growth Rate (LCY-base %)		Growth Rate (USD-base %)		
	Amount (USD billion)	% share	Amount (USD billion)	% share	Amount (USD billion)	% share	Q3 2019		Q3 2019		
							q-o-q	y-o-y	q-o-q	y-o-y	
<b>Viet Nam</b>											
<b>Total</b>	8	100.0	23	100.0	20	100.0	(13.3)	167.3	(12.9)	168.6	
Government	7	93.4	23	100.0	20	99.3	(13.8)	184.3	(13.5)	185.7	
Central Bank	5	62.7	22	94.0	19	96.1	(11.3)	310.0	(10.9)	311.9	
Treasury and Other Govt.	2	30.7	1	6.0	0.7	3.2	(53.4)	(72.0)	(53.2)	(71.8)	
Corporate	0.5	6.6	0	0.0	0.1	0.7	-	(73.4)	-	(73.2)	
<b>Emerging East Asia</b>											
<b>Total</b>	1,508	100.0	1,570	100.0	1,536	100.0	0.9	5.2	(2.2)	1.9	
Government	991	65.7	959	61.1	881	57.4	(5.5)	(8.6)	(8.1)	(11.1)	
Central Bank	297	19.7	335	21.4	320	20.8	(3.7)	7.9	(4.7)	7.6	
Treasury and Other Govt.	694	46.0	624	39.7	562	36.6	(6.5)	(15.9)	(9.9)	(19.0)	
Corporate	517	34.3	611	38.9	654	42.6	11.1	32.0	7.1	26.6	
<b>Japan</b>											
<b>Total</b>	397	100.0	398	100.0	265	100.0	(33.4)	(36.5)	(33.6)	(33.2)	
Government	359	90.5	355	89.2	238	89.8	(33.0)	(37.1)	(33.1)	(33.8)	
Central Bank	3	0.8	0	0.0	0	0.0	-	(100.0)	-	(100.0)	
Treasury and Other Govt.	356	89.7	355	89.2	238	89.8	(33.0)	(36.5)	(33.1)	(33.2)	
Corporate	38	9.5	43	10.8	27	10.2	(36.8)	(31.5)	(36.9)	(28.0)	

(-) = negative, - = not applicable, 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. Corporate bonds include issues by financial institutions.

2. Bloomberg LP end-of-period LCY-USD rates are used.

3. For LCY-base, emerging East Asia growth figures are based on 30 September 2019 currency exchange rates and do not include currency effects.

4. For Hong Kong, China, Q3 2019 corporate bond data are based on *AsianBondsOnline* estimates. For the Republic of Korea, Q3 2019 government bond data are based on *AsianBondsOnline* estimates. For Thailand, Q3 2019 issuance data are based on *AsianBondsOnline* estimates.

5. For Japan, data for Q3 2019 are based on issuance data for the first two months of the quarter.

Sources: People's Republic of China (CEIC); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Republic of Korea (*EDAILY BondWeb* and the Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bloomberg LP); Singapore (Singapore Government Securities and Bloomberg LP); Thailand (Bank of Thailand and Thai Bond Market Association); Viet Nam (Bloomberg LP and Vietnam Bond Market Association); and Japan (Japan Securities Dealers Association).

Central bank bond issuance in emerging East Asia dropped 3.7% q-o-q in Q3 2019, while Treasury and other government bond issuance contracted 6.5% q-o-q. Government bonds comprised 57.4% of the total issuance in emerging East Asia in Q3 2019, down from 66.0% in the previous quarter.

The growth of LCY corporate bond issuance in emerging East Asia edged up to 11.1% q-o-q in Q3 2019 from 10.5% q-o-q in Q2 2019 to reach USD654.4 billion. Hong Kong, China; the Republic of Korea; Malaysia; the Philippines; and Thailand saw contractions in corporate debt issuance due to a high base effect from the previous quarter. Slowing growth prospects in the region tempered the demand for corporate debt in many economies despite the prevailing low-interest-rate environment. The surge in corporate bond issuance in the PRC, Indonesia, and Singapore more than offset the declines in other markets. The strong growth in the

PRC, where companies raised a total of USD513.7 billion, boosted total bond issuance in the region. The PRC's share accounted for 78.5% of the region's corporate bond issuance total in Q3 2019. On an annual basis, the 38.4% y-o-y growth in the PRC's corporate debt issuance in Q3 2019 was up from 27.5% y-o-y in Q2 2019.

The PRC's LCY bond issuance remained the largest in the region in Q3 2019 at USD980.5 billion, comprising 63.8% of the regional total. Growth during the quarter fell to 3.9% q-o-q from 15.6% q-o-q in Q2 2019. On an annual basis, growth dropped considerably to 2.2% y-o-y from 20.0% y-o-y in the previous quarter. Debt issuance from the government fell 9.9% q-o-q in Q3 2019, reversing the 24.7% q-o-q growth seen in the previous quarter. The issuance of local government bonds, which are intended to boost the PRC's slowing growth through infrastructure financing, eased during the quarter. Local government borrowing spiked at the end of the previous quarter,

leading to lower issuance in Q3 2019. Issuance of Treasury and policy bank bonds also contracted considerably during the quarter. Strong issuance of corporate debt, which rose 20.9% q-o-q in Q3 2019, more than offset the decline in government bond issuance.

The Republic of Korea, the second-largest issuer in the region, issued a total of USD168.7 billion in LCY bonds in Q3 2019, comprising 11.0% of the regional total. Total issuance declined 6.3% q-o-q in Q3 2019, reversing the 16.5% growth in Q2 2019. Both the government and corporate segments posted declines in issuance during the quarter. The 0.2% q-o-q drop in government bond issuance was driven by an 0.8% q-o-q contraction in central bank bond issuance, which offset the 0.3% q-o-q growth in Treasury and other government bonds. Growth in Treasury and other bonds was broadly unchanged compared with previous quarters. Corporate bond issuance in Q3 2019 was also less active than in the prior quarter. At 59.8%, the corporate segment's share of total bond issuance in the Republic of Korea was the largest in emerging East Asia.

In Hong Kong, China, total issuance contracted 2.1% q-o-q to USD113.7 billion in Q3 2019. Government bond issuance posted modest growth of 0.5% q-o-q to reach USD107.0 billion in Q3 2019, reversing the 2.6% q-o-q growth in the prior quarter. Issuance of Exchange Fund Bills and Notes by the Hong Kong Monetary Authority rose 1.0% q-o-q, while issuance of Hong Kong Special Administrative Region bonds contracted 52.5% q-o-q from a high base in the previous quarter. Political unrest worsened during the quarter, weakening business sentiment. Corporate bond issuance dropped 30.0% q-o-q to USD6.8 billion as heightened risk aversion and weakened growth prospects dampened the demand for corporate debt.

The aggregate LCY bond issuance of ASEAN member economies reached USD272.9 billion in Q3 2019, accounting for 17.8% of the total issuance in emerging East Asian economies. Four of the six markets posted negative q-o-q growth in total issuance, with Malaysia registering the largest q-o-q decline from a high base in the previous quarter. Indonesia and Singapore posted positive issuance growth during the quarter, driven by strong expansions in both the government and corporate segments. Total LCY bond issuance among ASEAN economies in Q3 2019 comprised 87.9% government bonds and 12.1% corporate bonds.

Total issuance in Indonesia rose 45.0% q-o-q to reach USD24.3 billion in Q3 2019, reversing the 36.8% q-o-q decline in the previous quarter. Issuance growth recovered during the quarter, as both the government and corporations resumed market activities after the long holiday in celebration of Eid'l Fitr. Government bond issuance rose 43.8% q-o-q as the government took advantage of increased demand and accepted more than the targeted amount for auctioned bonds during the quarter. Government bonds accounted for 87.2% of total issuance in Q3 2019. Corporate bond issuance was also more active, with growth rising to 53.7% q-o-q in Q3 2019 from 30.9% in Q2 2019. On a y-o-y basis, total LCY bond issuance in Indonesia rose 55.4% in Q3 2019.

Malaysia's LCY bond issuance dropped to USD20.2 billion in Q3 2019 due to contractions in debt sales from both the government and corporations. The contractions in total issuance of 25.2% q-o-q and 8.1% y-o-y in Q3 2019 reversed the growth of 9.8% q-o-q and 24.5% y-o-y in Q2 2019. Government issuance slid 6.3% q-o-q as the decline in Malaysia Government Securities and Government Investment Issues outpaced the growth in central bank bonds. Corporate debt issuance dropped 36.0% q-o-q in Q3 2019 from a high base in Q2 2019, which saw a large amount of corporate debt issuance amid a low-interest-rate environment. Corporate bonds comprised 54.4% of Malaysia's total issuance in Q3 2019.

In the Philippines, total bond issuance contracted 20.7% q-o-q to USD6.7 billion in Q3 2019. Issuance of government bonds fell 12.5% q-o-q to USD5.3 billion, driven by a decline in the issuance of Treasury bonds and other government bonds. The government scheduled a lower volume of issuance in Q3 2019 since it had raised sufficient funds in the previous quarters. Issuance of corporate bonds plunged 40.9% q-o-q to USD1.4 billion due to lower seasonal demand during the quarter.

Singapore's total bond issuance amounted to USD123.5 billion in Q3 2019. Growth in total bond issuance more than doubled, rising to 8.4% q-o-q in Q3 2019 from 4.0% q-o-q in Q2 2019. Government issuance increased 8.5% q-o-q in Q3 2019, driven by strong issuance of SGS bills and bonds as the government began issuing 6-month SGS bills in July to eventually replace 24-week MAS bills. Corporate bond issuance increased 4.8% q-o-q in Q3 2019, up from 4.0% q-o-q in Q2 2019.

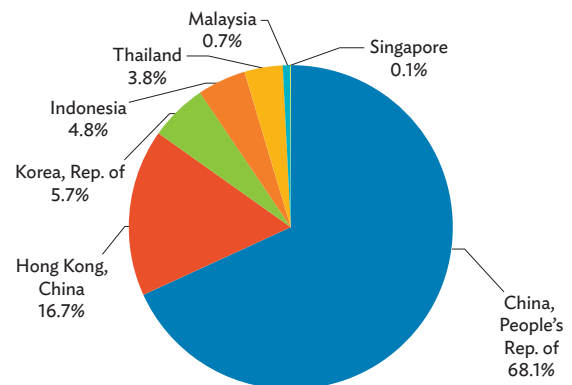
In Thailand, total bond issuance dropped 16.1% q-o-q to USD77.9 billion in Q3 2019 due to contractions in government and corporate debt issuance. Government bond issuance declined 15.0% q-o-q, reaching USD64.5 billion at the end of September. Starting in July, the BOT lowered its supply of short-term bills to curtail speculative capital flows and stem the appreciation of the Thai baht, resulting in a 9.3% q-o-q decline in central bank bond issuance. Issuance of Treasury and other government bonds also dropped significantly by 50.7% q-o-q. Corporate bond issuance contracted 21.4% q-o-q in Q3 2019, reversing the 11.6% q-o-q growth in Q2 2019. Corporate borrowing was tempered by weakened growth prospects for the Thai economy amid the continuing PRC-US trade war. On an annual basis, growth in total bond issuance dropped considerably to 2.0% from 30.6% in Q2 2019. Government bond issuance represented 82.8% of total issuance in Q3 2019.

Viet Nam's total bond issuance fell 13.3% q-o-q to USD20.2 billion in Q3 2019. Government bond issuance dropped 13.8% q-o-q due to declines in the issuance of central bank and Treasury and other government bonds. Issuance of State Bank of Vietnam bonds declined 11.3% q-o-q, while Treasury and other government bond issuance contracted 53.4% q-o-q. The issuance of Treasury bonds was capped by the reduction in scheduled auctions beginning in August. Corporate debt issuance totaled USD0.1 billion. Corporate bond issuance as a share of total issuance was lower in Viet Nam in Q3 2019 than in any other regional economy at 0.7%. On an annual basis, total issuance rose 167.3% in Q3 2019, up from 122.2% growth in the previous quarter.

## Cross-Border Bond Issuance

Total intra-regional bond issuance in emerging East Asia declined 5.5% q-o-q in Q3 2019 to USD3.4 billion from USD3.6 billion in Q2 2019. Intra-regional issuance was also down 16.3% y-o-y from the USD4.1 billion raised in Q3 2018. The PRC continued to comprise the largest share of the regional aggregate at 68.1%, with total issuance of USD2.3 billion in Q3 2019 (Figure 4). Hong Kong, China followed with issuance of USD575.3 million, accounting for almost one-fifth of the regional total. Other economies that issued cross-border bonds in Q3 2019 include the Republic of Korea (USD197.3 million), Indonesia (USD167.2 million),

**Figure 4: Origin Economy of Intra-Emerging East Asian Bond Issuance in the Third Quarter of 2019**



Source: AsianBondsOnline calculations based on Bloomberg LP data.

Thailand (USD131.3 million), Malaysia (USD25.5 million), and Singapore (USD1.8 million).

In the PRC, intra-regional bond issuance reached USD2.3 billion in Q3 2019 on 23.4% q-o-q growth from the USD1.9 billion raised in the previous quarter. Government-owned China Development Bank, the top issuer in the PRC and the entire region, issued 2-year bonds worth USD1.0 billion in Q3 2019. The bonds were issued in different tranches in July and September, and were denominated in Hong Kong dollars. Another five companies issued HKD-denominated bonds amounting to USD1.1 billion. A sole company issued SGD-denominated bonds worth USD144.7 million, while two companies issued MYR-denominated bonds worth USD13.7 million.

Hong Kong, China had the second most cross-border issuance in the region in Q3 2019, with aggregate issuance of USD575.3 million. Most of the bonds issued in Q3 2019 were denominated in Chinese renminbi (USD564.5 million), with the remaining amount in Singapore dollars. RK Junyu Real Estate was the largest issuer from Hong Kong, China, selling bonds with tenors of 3 years and 5 years amounting to a total of USD314.8 million.

In the Republic of Korea, two financial institutions issued cross-border bonds in Q3 2019 totaling USD197.3 million. The Export-Import Bank of Korea raised USD147.5 million via bonds denominated in both Hong Kong dollars

and Indonesian rupiah. The other issuer was Kookmin Bank, which raised USD49.8 million via a 1-year HKD-denominated bond.

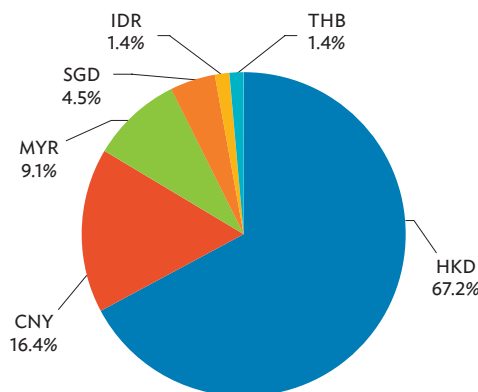
The sole bond issuer from Indonesia in Q3 2019 was Bumitama Agri, an Indonesian oil palm plantation company. The firm issued two MYR-denominated 5-year and 7-year bonds worth a total of USD167.2 million.

Other regional economies that issued cross-border bonds in Q3 2019 were Malaysia, Thailand, and Singapore. CIMB Bank Berhad from Malaysia issued USD25.5 million in HKD-denominated bonds, while CIMB Bank from Thailand issued cross-border bonds worth USD131.3 million. Nomura International Fund was the sole issuer from Singapore, with bonds amounting to USD1.8 million.

The top 10 issuers in the region had an aggregate issuance volume of USD3.1 billion and accounted for 88.8% of the regional total in Q3 2019. Five out of the top ten issuers were from the PRC, issuing bonds denominated in both Hong Kong dollars and Singapore dollars. The remaining five issuers among the top ten were from Hong Kong, China; Indonesia; the Republic of Korea; and Thailand. The top three issuers were all financial firms from the PRC: government-owned China Development Bank (USD1.0 billion); ICBC Hong Kong (USD510.3 million); and China Overseas Finance (USD314.8 million), which was also the largest single issuance during the quarter.

The majority of the cross-border bonds issued in Q3 2019 were denominated in Hong Kong dollars, totaling USD2.3 billion and comprising 67.2% of the regional total (**Figure 5**). HKD-denominated cross-border issuances came from firms based in the PRC, the Republic of Korea, and Malaysia. The Chinese renminbi was the next most popular currency, with cross-border issuances worth USD566.3 million and comprising 16.4% of the regional total. CNY-denominated cross-border issuances came from firms based in Hong Kong, China and Singapore. The region's other cross-border issuances in Q3 2019 were denominated in Malaysian ringgit (9.1%, USD312.2 million); Singapore dollars (4.5%, USD155.6 million); Indonesian rupiah (1.4%, USD49.3 million); and Thai baht (1.4%, USD49.0 million).

**Figure 5: Currency Share of Intra-Emerging East Asian Bond Issuance in the Third Quarter of 2019**



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

## G3 Currency Issuance

### Total G3 currency bond issuance in emerging East Asia amounted to USD257.1 billion in January–September.

Total G3 currency bonds issued in emerging East Asia from January to September totaled USD257.1 billion, an increase of 14.9% y-o-y from USD223.7 billion in the same period in 2018 (**Table 4**).<sup>5</sup> The growth was driven by increased G3 issuance in all economies in emerging East Asia except the Republic of Korea, the Philippines, Singapore, and Thailand.

During the review period, 92.9% of all G3 currency bonds issued were denominated in US dollars, while 4.2% were in euros, and 2.9% were in Japanese yen. In January–September, a total of USD238.9 billion worth of bonds denominated in US dollars were issued in emerging East Asia, representing an increase of 19.1% y-o-y. The equivalent of USD10.7 billion of EUR-denominated bonds were issued during the review period, a decline of 39.8% y-o-y, as most economies that issued EUR-denominated bonds during January–September 2018 reduced such issuance in 2019. Bonds issued in Japanese yen totaled USD7.5 billion, a surge of 38.1% y-o-y, spurred by Malaysia's samurai bond issuance in March.

<sup>5</sup> G3 currency bonds are denominated in either euros, Japanese yen, or US dollars.

Table 4: G3 Currency Bond Issuance

2018			January to September 2019		
Issuer	Amount (USD billion)	Issue Date	Issuer	Amount (USD billion)	Issue Date
<b>Cambodia</b>	<b>0.3</b>		<b>Cambodia</b>	<b>0.0</b>	
<b>China, People's Rep. of</b>	<b>183.6</b>		<b>China, People's Rep. of</b>	<b>164.5</b>	
Tencent Holdings 3.595% 2028	2.5	19-Jan-18	Tencent Holdings 3.975% 2029	3.0	11-Apr-19
CNAC (HK) Finbridge Company 5.125% 2028	1.8	14-Mar-18	China Construction Bank 4.250% 2029	1.9	27-Feb-19
Scenery Journey 11.000% 2020	1.6	6-Nov-18	Guangzhou Bank 5.900% Perpetual	1.4	20-Jun-19
Others	177.8		Others	158.2	
<b>Hong Kong, China</b>	<b>21.9</b>		<b>Hong Kong, China</b>	<b>26.1</b>	
CHMT Peaceful Development Asia Property 7.5% 2019	3.3	25-Apr-18	AIA Group 3.60% 2029	1.0	9-Apr-19
Bank of China (Hong Kong) 5.9% Perpetual	3.0	14-Sep-18	Hong Kong, China (Sovereign) 2.50% 2024	1.0	28-May-19
ICBC (Asia) 4.9% Perpetual	2.5	21-Mar-18	Celestial Miles 5.75% Perpetual	1.0	31-Jan-19
Others	13.0		Others	23.1	
<b>Indonesia</b>	<b>26.1</b>		<b>Indonesia</b>	<b>15.7</b>	
Perusahaan Penerbit SBSN Sukuk 4.40% 2028	1.8	1-Mar-18	Perusahaan Penerbit SBSN Sukuk 4.450% 2029	1.3	20-Feb-19
Indonesia Asahan Aluminium 5.71% 2023	1.3	15-Nov-18	Indonesia (Sovereign) 1.450% 2026	0.8	18-Jun-19
Indonesia (Sovereign) 4.75% 2029	1.3	11-Dec-18	LLPL Capital 6.875% 2039	0.8	4-Feb-19
Others	21.8		Others	12.9	
<b>Korea, Rep. of</b>	<b>30.4</b>		<b>Korea, Rep. of</b>	<b>22.5</b>	
Hanwha Life Insurance 4.700% 2048	1.0	23-Apr-18	Republic of Korea (Sovereign) 2.500% 2029	1.0	19-Jun-19
Korea Development Bank 0.625% 2023	0.9	17-Jul-18	Export-Import Bank of Korea 0.375% 2024	0.8	26-Mar-19
Export-Import Bank of Korea 0.625% 2023	0.9	11-Jul-18	LG Display 1.500% 2024	0.7	22-Aug-19
Others	27.6		Others	20.0	
<b>Malaysia</b>	<b>2.9</b>		<b>Malaysia</b>	<b>10.8</b>	
TNV Global Ventures Capital 4.85100% 2028	0.8	1-Nov-18	Malaysia (Sovereign) 0.530% 2029	1.9	15-Mar-19
Malayan Banking Berhad 3.51813% 2023	0.3	10-Aug-18	Resorts World Las Vegas 4.625% 2029	1.0	16-Apr-19
Others	1.9		Others	8.0	
<b>Philippines</b>	<b>6.2</b>		<b>Philippines</b>	<b>5.4</b>	
Philippines (Sovereign) 3.00% 2028	2.0	1-Feb-18	Philippines (Sovereign) 3.750% 2029	1.5	14-Jan-19
Philippines (Sovereign) 0.38% 2021	1.0	15-Aug-18	Philippines (Sovereign) 0.875% 2027	0.8	17-May-19
Others	3.2		Others	3.1	
<b>Singapore</b>	<b>16.1</b>		<b>Singapore</b>	<b>8.2</b>	
Temasek Financial 3.625% 2028	1.4	1-Aug-18	BOC Aviation 3.50% 2024	0.8	10-Apr-19
DBS Bank 3.300% 2021	1.3	27-Nov-18	DBS Group Holdings 2.85% 2022	0.8	16-Apr-19
Others	13.5		Others	6.7	
<b>Thailand</b>	<b>5.9</b>		<b>Thailand</b>	<b>2.8</b>	
Bangkok Bank (Hong Kong) 4.45% 2028	0.6	19-Sep-18	Bangkok Bank (Hong Kong) 3.733% 2034	1.2	25-Sep-19
Bangkok Bank (Hong Kong) 4.05% 2024	0.6	19-Sep-18	Siam Commercial Bank 3.900% 2024	0.5	11-Feb-19
Others	4.7		Others	1.1	
<b>Viet Nam</b>	<b>0.7</b>		<b>Viet Nam</b>	<b>1.0</b>	
<b>Emerging East Asia Total</b>	<b>294.0</b>		<b>Emerging East Asia Total</b>	<b>257.1</b>	
<b>Memo Items:</b>			<b>Memo Items:</b>		
<b>India</b>	<b>6.4</b>		<b>India</b>	<b>17.9</b>	
Export-Import Bank of India 3.875% 2028	1.0	1-Feb-18	Indian Oil Corporation 4.75% 2024	0.9	16-Jan-19
Others	5.4		Others	17.0	
<b>Sri Lanka</b>	<b>3.9</b>		<b>Sri Lanka</b>	<b>4.9</b>	
Sri Lanka (Sovereign) 5.75% 2023	1.3	18-Apr-18	Sri Lanka (Sovereign) 7.55% 2030	1.5	28-Jun-19
Others	2.7		Others	3.4	

USD = United States dollar.

Notes:

1. Data exclude certificates of deposit.

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

3. Bloomberg LP end-of-period rates are used.

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

The PRC continued to dominate all economies in the issuance of G3 currency bonds, totaling USD164.5 billion during the January–September period, supported by its issuance in US dollars. This was followed by Hong Kong, China with USD26.1 billion and the Republic of Korea with USD22.5 billion, both issuing mainly in US dollars as well.

In the first 9 months of 2019, G3 currency bond issuance increased on a y-o-y basis in Malaysia (810.0%); Viet Nam (41.8%); Hong Kong, China (36.1%); the PRC (18.5%); and Indonesia (2.1%). Issuance of G3 currency bonds in January–September declined on a y-o-y basis in Singapore (–42.6%), Thailand (–30.3%), the Philippines (–11.1%), and the Republic of Korea (–4.8%). Cambodia issued G3 currency bonds in January–September 2018 but not in January–September 2019.

The PRC accounted for 64.0% of all G3 currency issuance in emerging East Asia in January–September, issuing USD158.3 billion in US dollars, the equivalent of USD6.0 billion in euros, and the equivalent of USD0.2 billion in Japanese yen. In September, financial services company ICBC (Hong Kong) issued USD-denominated green bonds, two of which had tenors of 3 years (USD0.5 billion and USD1.0 billion with coupon rates of 2.25% and 2.7885%, respectively) and one of 5 years (USD1.0 billion with a coupon rate of 2.8985%). Proceeds from the green bonds will be used to finance environmentally sustainable assets in the PRC. Property developer Country Garden issued a USD0.5 billion 6-year callable bond with a 6.15% coupon rate. Proceeds from the issuance will be used for refinancing maturing offshore liabilities. Special purpose entity Coastal Emerald issued two bonds in August: a USD0.5 billion 3-year bond with a coupon rate of 3.95% and a USD0.9 billion callable perpetual bond with a 4.3% coupon rate. Proceeds will be used for refinancing and general corporate purposes.

The Republic of Korea accounted for an 8.8% share of all G3 currency bonds issued during the review period: USD18.4 billion in US dollars, the equivalent of USD2.9 billion in euros, and the equivalent of USD1.2 billion in Japanese yen. The Export–Import Bank of Korea increased its issuance of USD-denominated bonds in August and September with three bonds totaling USD0.12 billion with tenors of 3–5 years and varying coupon rates. In August, commercial bank KEB Hana Bank issued a USD0.05 billion 1-year USD-denominated bond with a coupon rate of 2.66563%.

Hong Kong, China accounted for a 10.2% share of G3 currency bond issuance in January–September. By currency, USD25.1 billion was issued in US dollars, while JPY-denominated bonds amounted to USD1.0 billion. In September, Joy Treasure Assets Holdings, which provides investment management services through its subsidiaries, issued two USD-denominated bonds: a USD0.4 billion 5-year bond with a 2.875% coupon rate and a USD0.5 billion 10-year callable bond with a coupon rate of 3.5%. Proceeds will be used to refinance existing liabilities. Insurance company FWD Group issued a bond denominated in US dollars: a USD0.6 billion perpetual bond with a 6.375% coupon rate. Proceeds from the issuance are for general corporate purposes.

G3 currency bond issuance among ASEAN member economies increased 5.3% y-o-y to USD44.0 billion in January–September from USD41.8 billion in the same period in 2018. As a share of emerging East Asia's total, ASEAN's G3 currency bond issuance accounted for 17.1% during the review period, down from 18.7% during the same period in 2018. Indonesia issued the most G3 currency bonds among ASEAN members, totaling USD15.7 billion, followed by Malaysia and Singapore, with issuances amounting to USD10.8 billion and USD8.2 billion, respectively.

Indonesia's G3 currency bond issuance in January–September accounted for 6.1% of the total in emerging East Asia, comprising USD13.1 billion in US dollars, the equivalent of USD1.9 billion in Japanese yen, and the equivalent of USD0.8 billion in euros. Government-owned power company Perusahaan Listrik Negara issued three tranches of JPY-denominated bonds with tenors ranging from 3 years to 10 years and coupon rates ranging from 0.43% to 1.05%. Proceeds from the issuance will be used to fund the government's electricity infrastructure development.

G3 currency bonds issued in Malaysia accounted for 4.2% of emerging East Asia's total, including USD-denominated bonds worth USD8.5 billion, and USD2.4 billion worth of bonds denominated in Japanese yen. Malaysian bank Malayan Banking Berhad issued a 5-year bond worth USD0.85 billion and with a coupon rate of 2.96838%. The proceeds will be used for the bank's working capital and other general purposes. The Government of Indonesia's sovereign wealth fund, Khazanah Nasional, through financial services firm Cerah Capital, issued

a USD0.5 billion zero coupon 5-year bond. The debt issuance is convertible to CIMB Bank shares currently held by Khazanah Nasional.

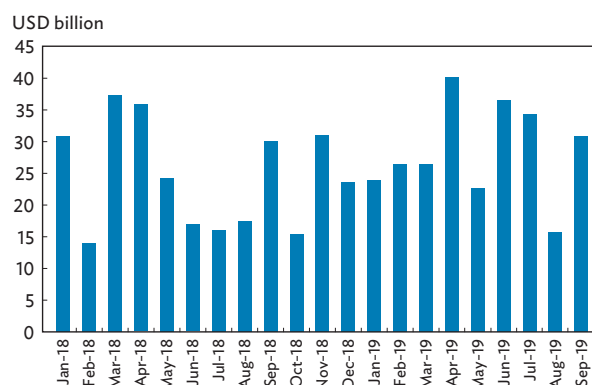
Singapore's share of G3 currency bond issuance in emerging East Asia was 3.2% in January–September, comprising USD8.0 billion issued in US dollars and USD0.2 billion in euros. Global aircraft operating company BOC Aviation expanded its US dollar issuances with a USD0.5 billion 10-year callable bond with a coupon rate of 3.0%. Proceeds from the issuance will be used for funding new capital expenditures, general purposes, and refinancing debt. United Overseas Bank issued USD-denominated covered bonds worth USD0.5 billion with a 3-year tenor and a 1.625% coupon rate. The issuance is part of the bank's USD8.0 billion global covered bond program.

The Philippines accounted for a 2.1% share of total G3 currency bonds issued in emerging East Asia during the January–September period, comprising bonds denominated in US dollars, Japanese yen, and euros amounting to USD3.8 billion, USD0.9 billion, and USD0.8 billion, respectively. In August, the Government of the Philippines issued four tranches of samurai bonds with tenors ranging from 3 years to 10 years and coupon rates between 0.18% and 0.59%. The proceeds will be used to fund the government's infrastructure projects and human capital development.

During the January–September period, 1.1% of all G3 currency bonds issued in the region were from Thailand, comprising USD2.8 billion worth of bonds denominated in US dollars. Bangkok Bank (Hong Kong) issued a USD1.2 billion 15-year callable bond with a 3.733% coupon as part of its global medium-term note program. The debt issuance will be included in the Tier 2 capital of the bank. Chemical holding company Indorama Corporation issued a USD0.3 billion 5-year bond with a coupon rate of 4.375%. Proceeds will be used to refinance and support the company's investment plans.

Viet Nam accounted for the smallest share of G3 currency bond issuance in emerging East Asia at 0.4%, all of which was issued in US dollars. Mong Duong Power Company, though its finance entity, Mong Duong Finance, issued in August a USD0.68 billion 10-year bond with a coupon rate of 5.125%. Proceeds from the issuance will be used to purchase the power company's project loan from existing lenders.

**Figure 6: G3 Currency Bond Issuance in Emerging East Asia**



USD = United States dollar.

Notes:

1. Emerging East Asia comprises Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
2. G3 currency bonds are bonds denominated in either euros, Japanese yen, or US dollars.
3. Figures were computed based on 30 September 2019 currency exchange rates and do not include currency effects.

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

Monthly G3 currency issuance trends from January 2018 to September 2019 show a huge drop in August 2019 to USD15.7 billion from an average of USD35.4 billion per month in the preceding 2 months (**Figure 6**). The slowdown in G3 currency issuance resulted from declines in the PRC; Hong Kong, China; and Indonesia; mainly led by the respective financial sectors of the PRC and Hong Kong, China.

## Government Bond Yield Curves

### Government bond yield curves rose at the longer end in most markets in emerging East Asia between 31 August and 15 October.

For most of the review period between 31 August and 15 October, yields in advanced economies trended downward as global economic growth weakened and central banks eased monetary policy.

In the US, the Federal Reserve eased policy rates on 17–18 September and 29–30 October by 25 bps each due to rising uncertainty, while the European Central Bank (ECB) reduced its deposit facility rate by 10 bps on 12 September. The ECB also resumed its asset purchase program at a monthly pace of EUR20 billion on 1 November.

The Federal Reserve released updated economic forecasts in September, which were mostly unchanged from June, except for a slight increase in the 2019 and 2021 annualized GDP growth rates to 2.2% (from 2.1%) and 1.9% (from 1.8%), respectively. Inflation forecasts were unchanged. In the euro area, ECB economic forecasts for September showed a downgrade in 2019 GDP growth to 1.1% from 1.2% and in 2020 to 1.2% from 1.4%. The biggest revision was a downgrade in inflation for 2020 to 1.0% from 1.4%.

Despite these developments, yields in advanced economies started trending upward toward the end of the review period amid a softening in the trade dispute between the PRC and the US. In the case of Japan, rising yields were caused by concerns over rates at the longer end of the curve remaining too low. The Bank of Japan scaled back bond purchases at the longer end of the curve, despite reaffirming its commitment to loose monetary policy on 19 September.

In emerging East Asia, 2-year yields in most markets generally followed movements in advanced economies, with the exceptions largely resulting from individual monetary policies. Yields trended upward in the Republic of Korea and Hong Kong, China (Figure 7a). Yields trended lower in the PRC and Singapore, but the declines were marginal. Indonesia and Viet Nam also saw their 2-year yields trending downward during the review

period, while Malaysia's 2-year yield movements were roughly stable (Figure 7b).

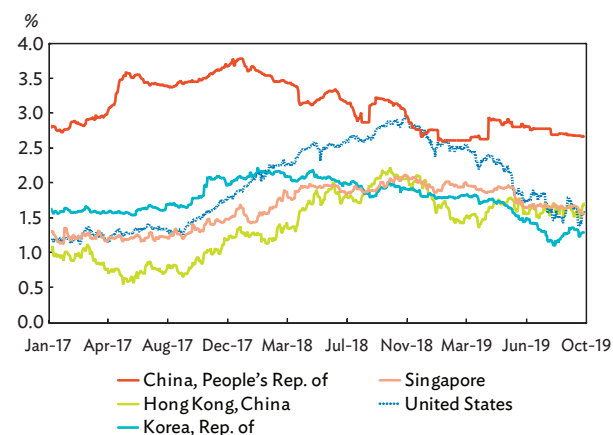
The trends for 10-year yields in emerging East Asia mirrored movements in the 2-year yields. The only exceptions were the PRC and Malaysia, whose 10-year yields trended upward (Figures 8a and 8b).

Yield curves for all markets in emerging East Asia steepened during the review period, with the exception of Hong Kong, China (with an inverted yield curve) and Viet Nam (Figure 9). The drivers of the steepening varied across different markets.

In the PRC, the Republic of Korea, Malaysia, and the Philippines, the steepening yield curve was mostly due to a rise in yields at the longer end of the curve. At the shorter end of the yield curves for these markets, yields either fell or the gains were outpaced by movements at the longer end.

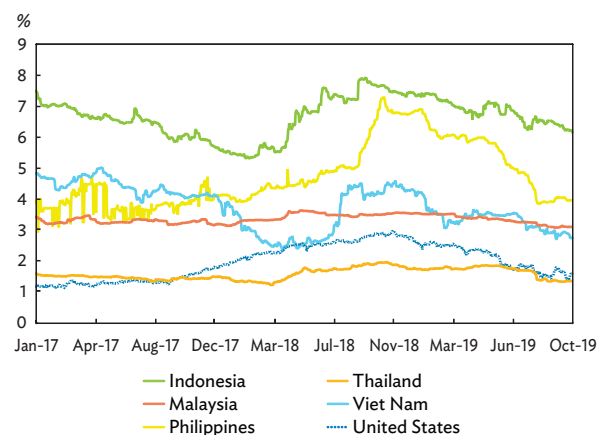
The rise in yields in both the PRC and the Republic of Korea was mainly driven by news of progress in negotiations between the PRC and the US in their ongoing trade dispute. In the case of the PRC, yields also gained on the People's Bank of China (PBOC) not being as dovish as markets had expected. In the Republic of Korea and Hong Kong, China, yields were pushed up on announcements of fiscal stimulus measures to boost the domestic economy.

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



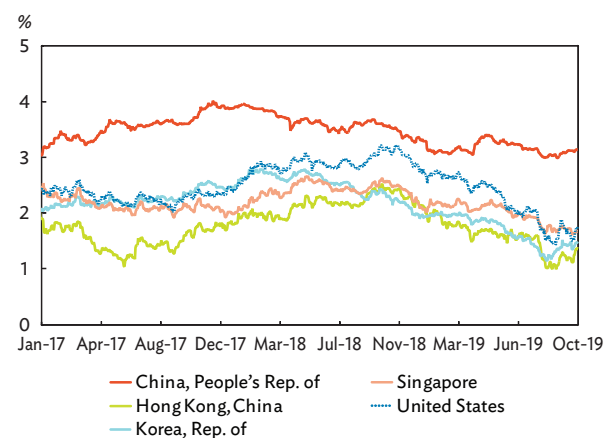
Note: Data as of 15 October 2019.  
Source: Based on data from Bloomberg LP.

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

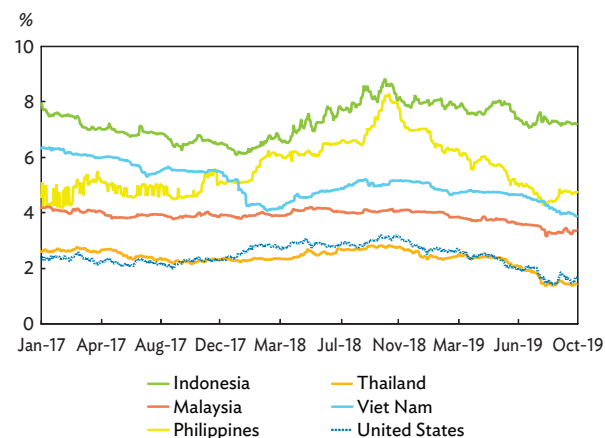


Note: Data as of 15 October 2019.  
Source: Based on data from Bloomberg LP.



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

Note: Data as of 15 October 2019.  
Source: Based on data from Bloomberg LP.

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

Note: Data as of 15 October 2019.  
Source: Based on data from Bloomberg LP.

In the Philippines, the overall rise in yields was due to expectations that there would be no further easing by the BSP, leading to investors taking profits.

In Malaysia, yields rose prior to the release of FTSE Russell's decision to keep Malaysian government bonds on its watchlist until the next review in March 2020.

In Indonesia and Singapore, steepening yield curves were primarily due to relatively faster declines in short-term yields. In Indonesia, the decline in yields was driven both by continued easing by Bank Indonesia, in response to slowing growth, and worsening trade data. In Singapore, yields fell as MAS adjusted the slope of the Singapore dollar nominal effective exchange rate band on 14 October to help strengthen the economy.

The slowdown in global economic growth led to a decline in inflation rates for most markets in emerging East Asia. The exceptions to this trend included Indonesia and Hong Kong, China (**Figure 10a**), where inflation was largely stable. In addition, the PRC's inflation trended upward during the review period, largely due to supply shocks stemming from the African swine flu and its impact on pork prices (**Figure 10b**).

Lower inflation and a decline in the growth outlook for most economies in emerging East Asia led most central banks in the region to reduce policy rates. From August to October, all central banks in the region except for

Bank Negara Malaysia and the PBOC reduced policy rates at least once.

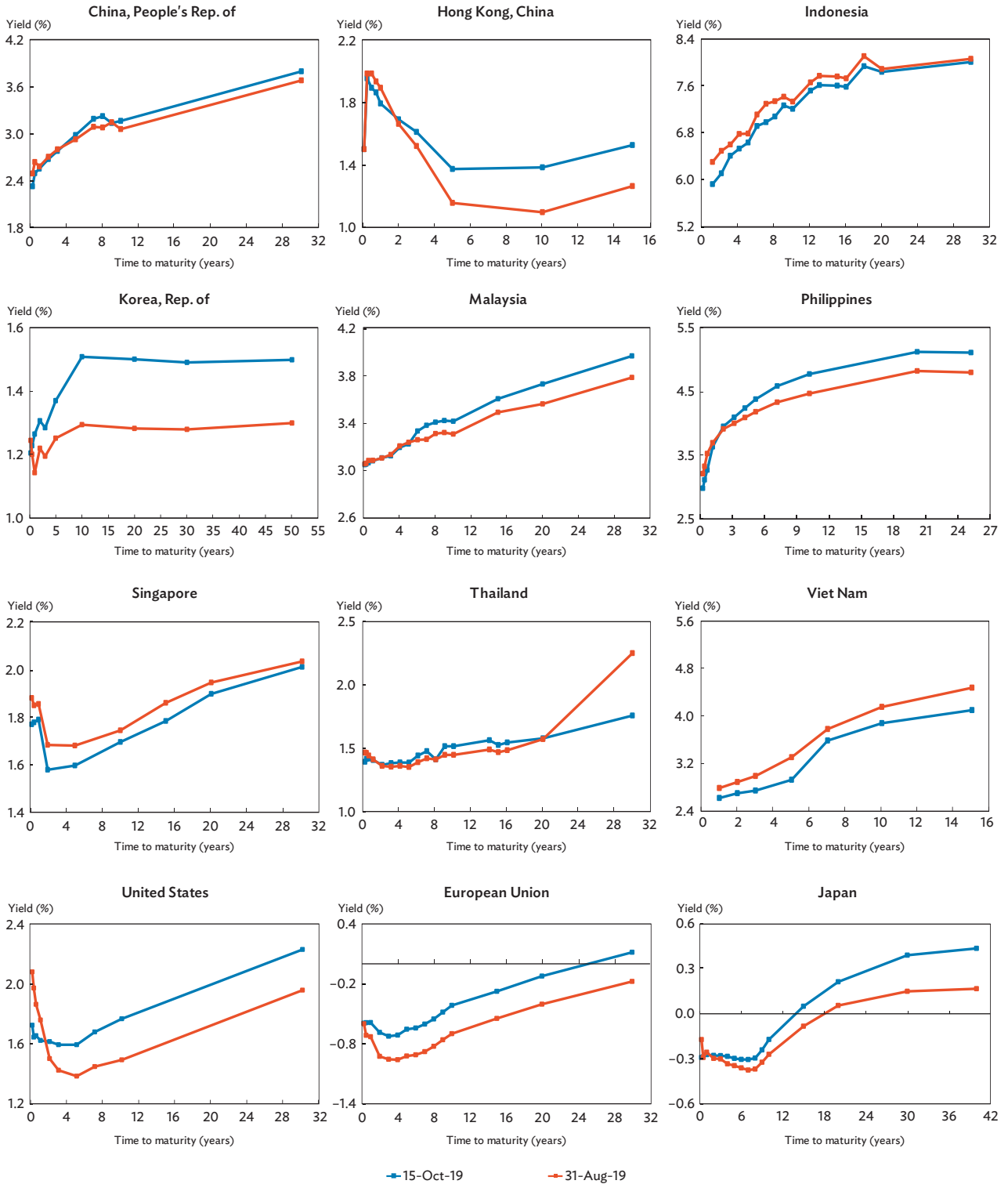
While GDP figures for Q3 2019 have not yet been released, there are indications of reduced growth throughout the region. One exception is Malaysia, where the central bank last reduced policy rates on 7 May (**Figure 11a**). During its 12 September meeting, Bank Negara Malaysia left policy rates unchanged, noting that Q2 2019 GDP growth was strong at 4.9% y-o-y, up from 4.5% y-o-y in the previous quarter, and that forecasts for the second half of 2019 remain unchanged.

While the BSP also reduced policy rates in the Philippines on 26 September by 25 bps, it noted that inflation risks are on the upside in 2020. However, in a surprise to markets, the BSP reduced reserve requirement ratios by 100 bps on 24 October.

In the Republic of Korea, the central bank reduced policy rates on 16 October by 25 bps and indicated that updated economic forecasts were lower than those made in July.

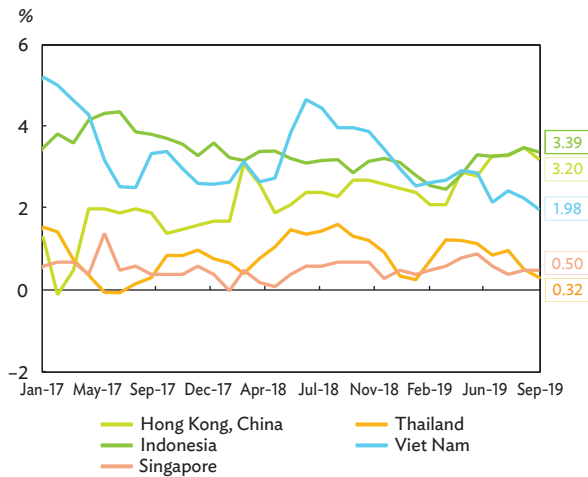
During the August–October period, Bank Indonesia was the most aggressive in reducing policy rates, with a cut in each of the 4 months, the last coming on 24 October due to benign inflation and slowing economic growth (**Figure 11b**). The International

Figure 9: Benchmark Yield Curves—Local Currency Government Bonds



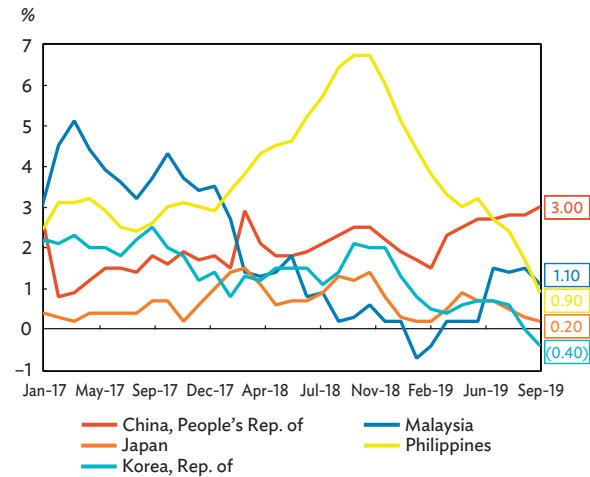
Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Figure 10a: Headline Inflation Rates



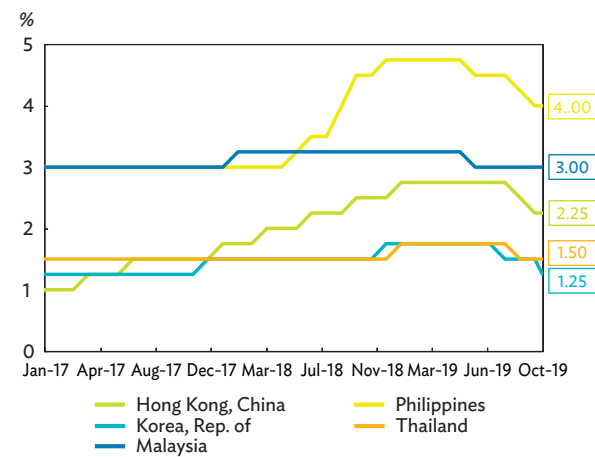
Note: Data as of September 2019.  
Source: Based on data from Bloomberg LP.

Figure 10b: Headline Inflation Rates



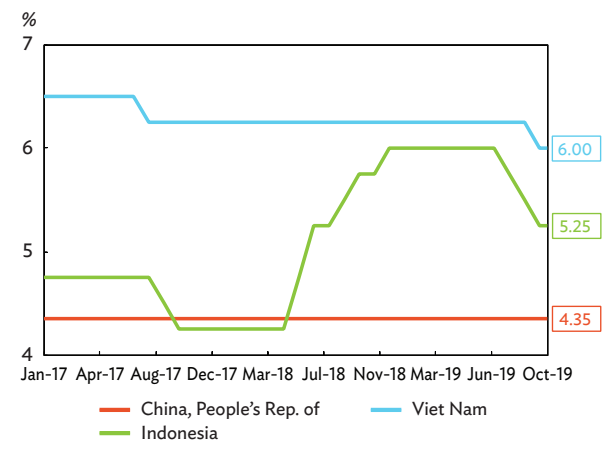
Note: Data as of September 2019.  
Source: Based on data from Bloomberg LP.

Figure 11a: Policy Rates



Note: Data as of 15 October 2019.  
Source: Based on data from Bloomberg LP.

Figure 11b: Policy Rates



Note: Data as of 15 October 2019.  
Source: Based on data from Bloomberg LP.

Monetary Fund on 19 October downgraded its 2019 GDP forecast for Indonesia to 5.0% from the 5.2% forecast made in July.

In Viet Nam, markets reacted to the State Bank of Vietnam's 25 bps rate cut in September, which followed monetary easing in advanced economies. It was the first rate cut in Viet Nam since August 2017. This led to a steep decline in yields in Viet Nam, with the yield curve falling an average of 26 bps. In comparison, Indonesia's

yield curve shifted downward an average of 19 bps during the review period.

The PRC has yet to significantly adjust policy rates despite a decline in Q3 2019 GDP growth to 6.0% y-o-y from 6.2% y-o-y in the previous quarter. The PBOC did reduce reserve requirement ratios by 50 bps on 9 September, with an additional 100 bps cut for select banks. On 19 September, the PBOC reduced its 1-year loan prime rate a marginal 5 bps to 4.20%.

The 2-year versus 10-year yield spread steepened in all markets except Viet Nam and Hong Kong, China (Figure 12).

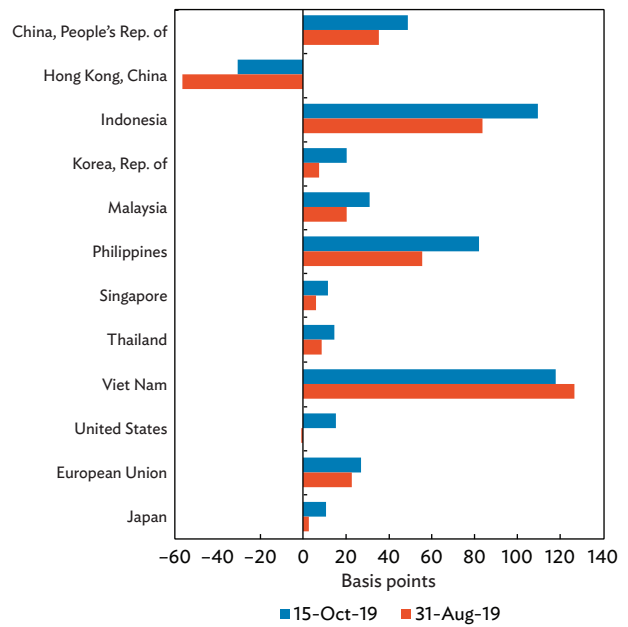
## Corporate Bond Credit Spreads

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

In the PRC, the AAA-rated corporate versus government bond yield spread fell, as the improved sentiment surrounding PRC-US trade relations led to increased demand for corporate bonds (Figure 13a). In Malaysia, the fall was driven largely by enduring positive sentiment over Malaysia's economic prospects. On the other hand, the spread worsened in the Republic of Korea over concerns about the domestic economy.

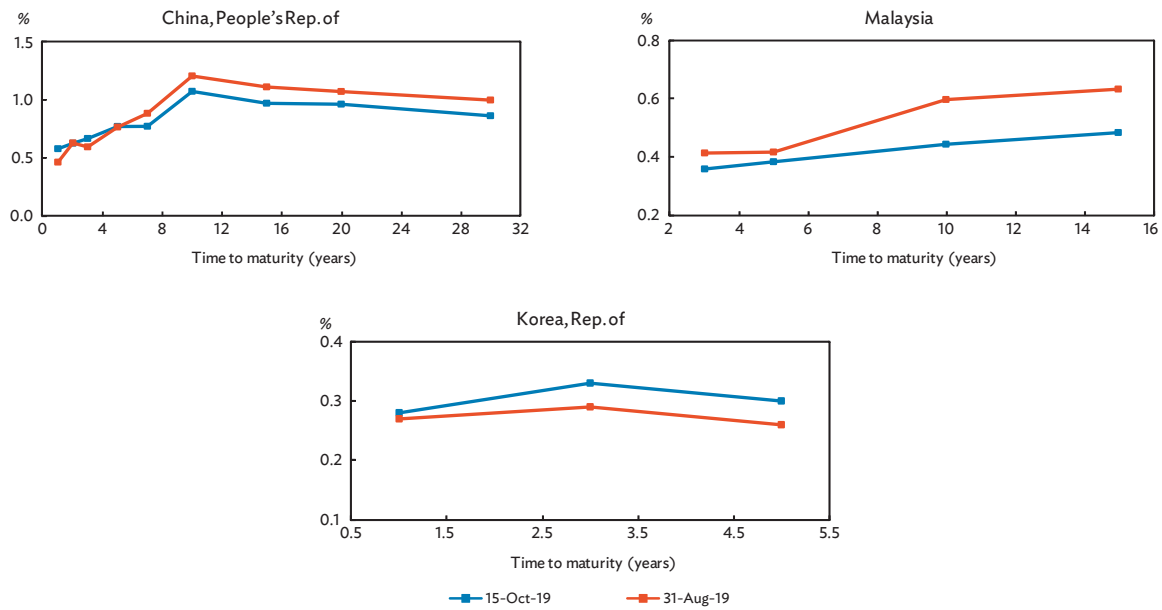
For lower-rated versus AAA-rated corporates, the credit spread was largely unchanged in the PRC, where investors continued to shun riskier credit, and in the Republic of Korea (Figure 13b). In Malaysia, the spread declined.

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



Source: Based on data from Bloomberg LP.

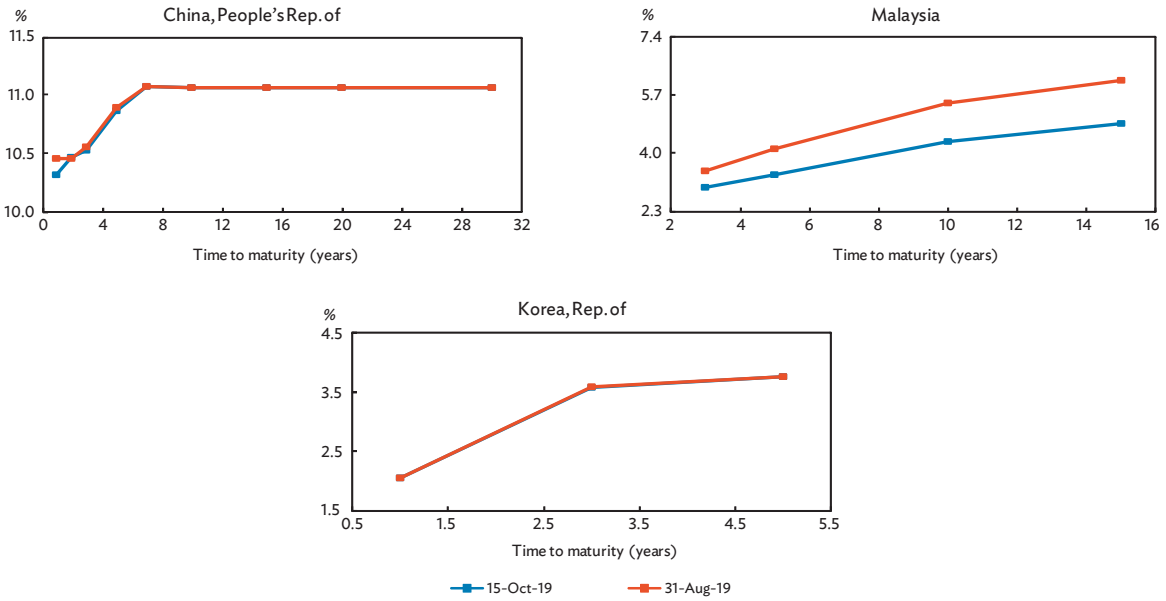
Figure 13a: Credit Spreads—Local Currency Corporates Rated AAA vs. Government Bonds



Notes:

- Credit spreads are obtained by subtracting government yields from corporate indicative yields.
  - For the Republic of Korea and Malaysia, data on corporate bonds yields are as of 31 August 2019 and 14 October 2019.
- Sources: People's Republic of China (*Wind Information*), Republic of Korea (*EDAILY BondWeb*), and Malaysia (Bank Negara Malaysia).

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



Notes:

1. For the People's Republic of China and the Republic of Korea, credit spreads are obtained by subtracting corporate indicative yields rated AAA from corporate indicative yields rated BBB+.

2. For the Republic of Korea and Malaysia, data on corporate bonds yields are as of 31 August 2019 and 14 October 2019.

Sources: People's Republic of China (*Wind Information*), Republic of Korea (*EDAILY BondWeb*), and Malaysia (*Bank Negara Malaysia*).