Market Summaries

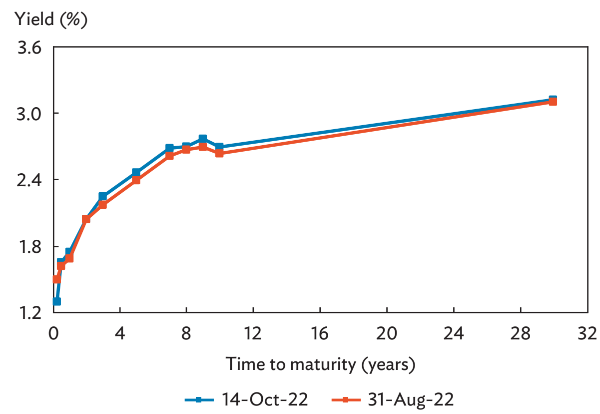
People's Republic of China

Yield Movements

Between 31 August and 14 October, the People's Republic of China's (PRC) local currency (LCY) government bond yields rose for nearly all tenors (**Figure 1**). The rise, however, was marginal, with tenors of longer than 3 months rising between 0.2 and 8.0 basis points (bps). The spread of the 10-year over 2-year tenor rose slightly to 65 bps on 14 October from 59 bps on 31 August.

In contrast to other regional markets, the PRC's yield curve was only marginally changed during the review period, with many other emerging East Asian markets pressured by tightening monetary policy in the United States (US) and throughout the region. In contrast, external pressure on the PRC's yields was offset by persistent weakness in the domestic economy. The PRC's continued pandemic containment measures have led to concerns that they will continue to stifle the economy. However, there was some recovery in the third quarter (Q3) of 2022, with gross domestic product expanding 3.9% year-on-year (y-o-y) after a 0.4% y-o-y gain in the second quarter (Q2). All sectors grew, with secondary industry expanding the fastest at 5.2% y-o-y, followed by tertiary industry at 3.2% y-o-y and primary industry at 2.4% y-o-y. Economic growth, however, continued to fall below the full-year target of the government set at 5.5%. Inflation also continued to be muted in the PRC, with inflation easing to 2.1% y-o-y in October from 2.8% y-o-y in September and 2.5% y-o-y in August.

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



Source: Based on data from Bloomberg LP.

Size and Composition

The LCY bond market in the PRC grew to a size of CNY125.8 trillion (USD17.7 trillion) at the end of September (**Table 1**). Growth decelerated to 2.2% quarter-on-quarter (q-o-q) in Q3 2022 from 3.5% q-o-q in Q2 2022. While weaknesses were noted in both the government and corporate bond segments, the biggest contributor to slowing growth was softness in the government bond sector. On a y-o-y basis, however, bond market growth reached 13.5% in Q3 2022. The PRC remained the largest LCY bond market in emerging East Asia, accounting for 80.2% of the region's aggregate bond stock at the end of September.

Government bonds. The share of government bonds as a percentage of total LCY bonds outstanding slightly increased to 65.1% at the end of September from 64.8% at the end of June. Total government bonds outstanding reached CNY81.9 trillion, with growth slowing to 2.8% q-o-q in Q3 2022 from 4.3% q-o-q in Q2 2022 as local government bond issuance weakened following the massive issuance spree in previous months in order to meet annual bond quotas.

Local government bonds outstanding grew only 0.8% q-o-q in Q3 2022 after expanding 7.5% q-o-q in Q2 2022. The growth of Treasury and other government bonds rose to 4.9% q-o-q from 3.1% q-o-q in the same period, while policy bank bonds gained 3.8% q-o-q in Q3 2022, up from 0.5% q-o-q growth in Q2 2022.

Corporate bonds. The PRC's corporate bond market growth moderated to 1.2% q-o-q from 2.0% q-o-q in

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

	Outstanding Amount (billion)						Growth Rates (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	CNY	USD	CNY	USD	CNY	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**110,784**	**17,190**	**123,050**	**18,368**	**125,779**	**17,676**	**3.9**	**12.8**	**2.2**	**13.5**
Government	71,171	11,043	79,710	11,898	81,918	11,512	4.1	13.4	2.8	15.1
Treasury Bonds and Other Government Bonds	22,370	3,471	24,092	3,596	25,261	3,550	3.8	15.7	4.9	12.9
Central Bank Bonds	15	2	15	2	15	2	0.0	0.0	0.0	0.0
Policy Bank Bonds	19,253	2,987	20,213	3,017	20,984	2,949	3.2	10.1	3.8	9.0
Local Government Bonds	29,533	4,583	35,390	5,283	35,658	5,011	4.9	14.0	0.8	20.7
Corporate	39,613	6,146	43,340	6,469	43,861	6,164	3.7	11.8	1.2	10.7

CNY = Chinese yuan, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Other government bonds include savings bonds and local government bonds.
2. Bloomberg LP end-of-period local currency–USD rates are used.
3. Growth rates are calculated from local currency base and do not include currency effects.

Sources: CEIC Data Company and Bloomberg LP.

Q2 2022. Corporate bond issuers remained cautious over domestic market conditions. Corporate bonds outstanding reached CNY43.9 trillion at the end of September, comprising roughly 76.7% of emerging East Asia's corporate bond total.

Among the different categories of corporate bonds, listed corporate bonds comprise the largest share of the market, hitting CNY12.5 trillion at the end of September on growth of 1.9% q-o-q and 9.1% y-o-y (**Table 2**). The fastest growth in the LCY corporate bond market came from financial bonds, which expanded 3.8% q-o-q to CNY10.0 trillion at the end of September. Medium-term notes also continued to grow, rising 3.1% q-o-q. The remaining bond types either posted declines or only marginal growth rates during Q3 2022.

Overall corporate bond issuance gained 7.2% q-o-q in Q3 2022, as corporates largely refinanced existing maturities. The fastest issuance came from listed corporate bonds, which gained 16.6% q-o-q, and medium-term notes, which gained 11.4% q-o-q (**Figure 2**).

At the end of September, the top 30 issuers of corporate bonds in the PRC had an outstanding bond stock of CNY12.5 trillion, representing 28.6% of the corporate bond total (**Table 3**). State-owned China Railway continued to account for the largest amount of bonds outstanding at CNY3.2 trillion. Next was Agricultural Bank of China with bonds outstanding of CNY900.0 billion. The top 30 list comprised 14 state-owned firms and 23 listed firms.

The largest corporate bond issuances in the PRC during Q3 2022 are listed in **Table 4**. Three banks and one state-owned institution had the largest aggregate issuance amounts. Banks continued to be major issuers of bonds as they beefed up their capital and funding for lending activities by issuing perpetual and subordinated debt. The State Grid Corporation issued only 5-year bonds during the quarter. Among the issuances in the list, the shortest-dated tenor was a 5-year bond, and the longest-dated tenor was a perpetual bond.

Investor Profile

Government bonds. At the end of September, banking institutions remained the largest investor group in the PRC's government bond market (**Figure 3**). The shares of bank holdings of Treasury bonds, policy bank bonds, and local government bonds stood at 86.4%, 65.3%, and 71.1%, respectively. However, all of these shares declined compared with the same month a year earlier except for policy bank bonds.

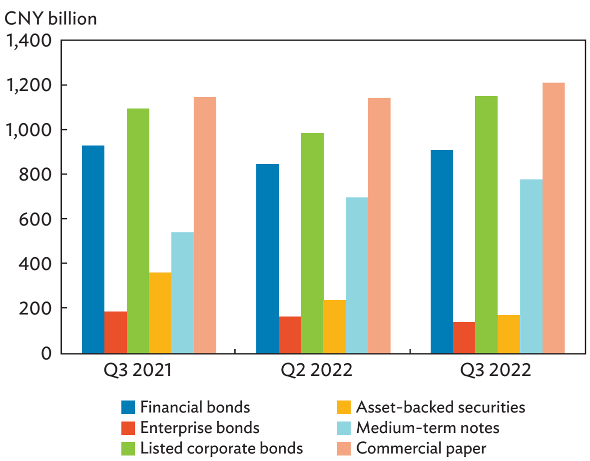
The PRC managed to attract net foreign bond inflows in July and August totaling USD0.8 billion. However, the inflows were marginal, especially compared to the USD15.8 billion of net outflows recorded in Q2 2022 as the US continued to tighten monetary policy, making the PRC's LCY bonds less attractive. In September, the PRC posted outflows of USD5.0 billion.

Table 2: Corporate Bonds Outstanding in Key Categories

	Amount (CNY billion)			Growth Rate (%)			
				Q3 2021		Q3 2022	
	Q3 2021	Q2 2022	Q3 2022	q-o-q	y-o-y	q-o-q	y-o-y
Financial Bonds	8,448	9,671	10,038	1.1	24.2	3.8	18.8
Enterprise Bonds	3,897	3,961	3,991	1.0	3.3	0.8	2.4
Listed Corporate Bonds	11,464	12,282	12,511	1.0	27.4	1.9	9.1
Commercial Paper	2,249	2,840	2,613	1.0	(20.4)	(8.0)	16.2
Medium-Term Notes	7,693	8,549	8,811	1.0	5.4	3.1	14.5
Asset-Backed Securities	3,238	3,400	3,282	1.1	34.6	(3.5)	1.4

( ) = negative, CNY = Chinese yuan, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, y-o-y = year-on-year.
Source: CEIC Data Company.

Figure 2: Corporate Bond Issuance in Key Sectors



CNY = Chinese yuan, Q2 = second quarter, Q3 = third quarter.
Source: CEIC Data Company.

Policy, Institutional, and Regulatory Developments

People's Bank of China Eases Foreign Borrowing Limits

In October, the People's Bank of China raised the ratio for the cross-border borrowing of firms and banks from 1.00 to 1.25. The move will allow companies to issue more foreign debt.

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	3,223.5	452.99	Yes	No	Transportation
2.	Agricultural Bank of China	900.0	126.48	Yes	Yes	Banking
3.	Industrial and Commercial Bank of China	881.0	123.81	Yes	Yes	Banking
4.	Bank of China	858.1	120.59	Yes	Yes	Banking
5.	China Construction Bank	603.0	84.74	Yes	No	Asset Management
6.	Bank of Communications	569.9	80.09	Yes	Yes	Banking
7.	Shanghai Pudong Development Bank	522.2	73.38	Yes	Yes	Banking
8.	Industrial Bank	407.6	57.28	No	Yes	Banking
9.	Central Huijin Investment	373.0	52.42	No	Yes	Banking
10.	China Citic Bank	355.0	49.89	No	Yes	Banking
11.	State Grid Corporation of China	293.0	41.17	No	Yes	Power
12.	China Minsheng Bank	280.3	39.38	Yes	No	Energy
13.	State Power Investment	260.1	36.55	Yes	No	Power
14.	China Everbright Bank	254.3	35.73	No	Yes	Banking
15.	Huaxia Bank	250.0	35.13	No	Yes	Banking
16.	Postal Savings Bank of China	240.0	33.73	Yes	Yes	Banking
17.	China Merchants Bank	217.8	30.61	Yes	Yes	Banking
18.	Shaanxi Coal and Chemical Industry Group	180.5	25.37	Yes	No	Coal
19.	Ping An Bank	180.0	25.30	No	Yes	Banking
20.	China National Petroleum	174.3	24.49	No	Yes	Banking
21.	China Merchants Securities	173.6	24.39	Yes	Yes	Brokerage
22.	Tianjin Infrastructure Investment Group	166.1	23.34	No	No	Holding Company
23.	China Southern Power Grid	159.3	22.39	No	Yes	Energy
24.	Bank of Beijing	155.9	21.91	No	Yes	Banking
25.	Huatai Securities	152.5	21.42	No	No	Brokerage
26.	CITIC Securities	149.8	21.05	Yes	Yes	Brokerage
27.	Shenwan Hongyuan Securities	145.2	20.40	No	Yes	Brokerage
28.	China Galaxy Securities	143.2	20.12	No	Yes	Brokerage
29.	Guotai Junan Securities	139.2	19.56	No	Yes	Brokerage
30.	GF Securities	136.8	19.22	No	Yes	Brokerage
Total Top 30 LCY Corporate Issuers		**12,545.1**	**1,762.94**			
Total LCY Corporate Bonds		**43,861.36**	**6,163.8**			
Top 30 as % of Total LCY Corporate Bonds		**28.6%**	**28.6%**			

CNY = Chinese yuan, LCY = local currency, USD = United States dollar.
Notes:
1. Data as of 30 September 2022.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

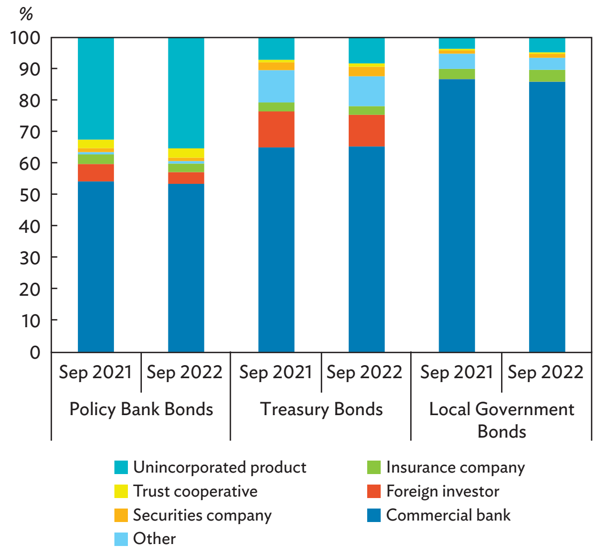
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Table 4: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (CNY billion)
Agricultural Bank of China		
10-year bond	3.03	7.0
15-year bond	3.34	2.8
Perpetual bond	3.17	4.3
China Reform Holdings[a]		
5-year bond	2.65	4.3
5-year bond	2.80	2.8
China Everbright Bank		
10-year bond	3.10	5.8
15-year bond	3.35	0.7
Industrial and Commercial Bank		
10-year bond	3.02	4.4
15-year bond	3.32	1.5
State Grid Corporation[a]		
5-year bond	2.88	1.0
5-year bond	3.04	1.0
5-year bond	3.05	0.9
5-year bond	2.88	0.9
5-year bond	3.05	0.8
5-year bond	2.92	0.7
5-year bond	2.92	0.4
5-year bond	3.05	0.2

CNY = Chinese yuan.
[a] Multiple issuance of the same tenor indicates issuance on different dates.
Source: Based on data from Bloomberg LP.

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



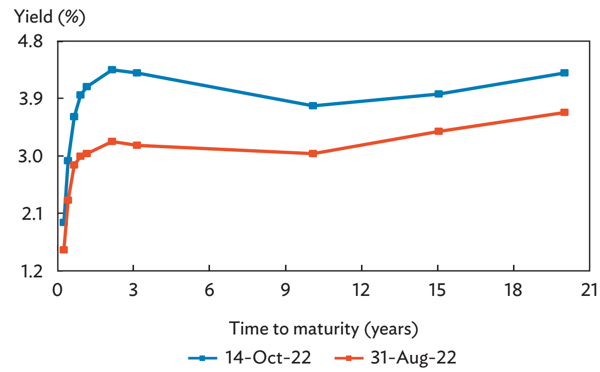
Source: CEIC Data Company.

Hong Kong, China

Yield Movements

Between 31 August and 14 October, Hong Kong, China's local currency (LCY) government bond yield curve shifted upward, with yields rising for all tenors (**Figure 1**). Yields rose an average of 80 basis points (bps) across the curve. Bonds with maturities between 1 year and 3 years posted the biggest yield gains, rising 110 bps on average. Yields for bonds with maturities of less than 1 year jumped an average of 69 bps, while yields for bonds with maturities of 10 years or longer rose 65 bps on average. The yield curve remained inverted during the review period. The negative spread between the 10-year and 2-year yields deepened from –19 bps on 31 August to –57 bps on 14 October.

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



Source: Based on data from Bloomberg LP.

The movements of Hong Kong, China's LCY bond yields during the review period tracked those of United States (US) Treasury yields, owing to the Hong Kong dollar's peg to the US dollar. US Treasury yields jumped an average of 89 bps across all tenors during the review period, with the 2-year Treasury yield posting the highest gain at 100 bps. The US Treasury yield curve remained inverted during the review period, with the negative spread between the 10-year and 2-year yields widening from –30 bps on 31 August to –48 bps on 14 October.

The rise in US Treasury yields was primarily due to the Federal Reserve's continuing aggressive monetary policy tightening to arrest mounting inflation. In its September policy rate meeting, the Federal Reserve increased the target range for its policy rate by 75 bps to a range of 3.00%–3.25%. From March to September, the Federal Reserve had raised its policy rate by a total of 300 bps. To maintain the Hong Kong dollar's peg to the US dollar, the Hong Kong Monetary Authority (HKMA) increased its base rate by 75 bps to 2.75% on 28 July and by another 75 bps to 3.50% on 22 September.[10] The relentless monetary policy tightening by the US and the consequent base rate adjustment by the HKMA continued to create upward pressure on yields at the shorter-end of the government bond yield curves of the US and Hong Kong, China, respectively. Investors priced in the rate hikes as well as expectations that the Federal Reserve would maintain its hawkish monetary policy stance for an extended period.

The inverted yield curve in Hong Kong, China also reflected expectations of a prolonged economic downturn. Hong Kong, China has recorded 3 consecutive quarters of economic contractions in 2022: gross domestic product (GDP) plunged 4.5% year-on-year (y-o-y) in the third quarter (Q3) following contractions of 1.3% year-on-year (y-o-y) in the second quarter (Q2) and 3.9% y-o-y in the first quarter. The GDP decline in Q3 2022 was primarily due to sharp contractions in exports and investment expenditure. Merchandise exports fell 15.6% y-o-y in Q3 2022, following an 8.4% y-o-y drop in Q2 2022 amid weakened global demand and continued cross-border disruptions. Domestic fixed capital formation dropped 14.3% y-o-y in Q3 2022 due to tightened financial conditions brought about by rising interest rates. Hong Kong, China's economy continues to face downside risks from persistent global inflation, continued monetary policy tightening by global central banks, heightened geopolitical tensions, and the uncertain trajectory of the pandemic. In October, the Census and Statistics Department revised downward its full-year 2022 GDP growth forecast to –3.2% from its August projection of –0.5% to 0.5%.

[10] The Hong Kong dollar is pegged to a narrow band of between HKD7.75 and HKD7.85 versus the US dollar. The base rate is set at either 50 bps above the lower end of the prevailing target range of the US Federal Reserve rate or the average of the 5-day moving averages of the overnight and 1-month Hong Kong Interbank Offered Rate, whichever is higher.

Hong Kong, China's consumer price inflation remained relatively moderate compared with that of neighboring economies. Inflation jumped to 4.4% y-o-y in September from 1.9% y-o-y in August, mainly due to a low base as a waiver of public housing rentals subdued prices in September 2021. Inflation was relatively low in the prior months at 1.9% y-o-y in July and 1.8% y-o-y in June. In October, the Census and Statistics Department revised its full-year 2022 forecast for headline inflation to 1.9%, down from 2.1% as announced in August.

During the review period, the HKMA intervened multiple times in the currency market to defend the Hong Kong dollar's peg to the US dollar. As a result, the aggregate balance—a measure of liquidity in the local banking system—dropped to HKD106.6 billion on 14 October from HKD125.0 billion on 31 August.

Size and Composition

Hong Kong, China's LCY bond market reached a size of HKD2,748.2 billion (USD350.1 billion) at the end of September after rising 4.9% quarter-on-quarter (q-o-q) and 13.2% y-o-y in Q3 2022 (**Table 1**). Growth accelerated from 2.9% q-o-q and 7.9% y-o-y in Q2 2022 primarily due to faster expansions in both the government and corporate bond segments. Growth in government bonds outstanding more than doubled to 3.7% q-o-q in Q3 2022 from 1.5% q-o-q in the previous quarter. Meanwhile, the stock of outstanding corporate bonds rose 6.2% q-o-q in Q3 2022, up from 4.4% q-o-q in the previous quarter. Government bonds comprised 52.1% of Hong Kong, China's LCY bond market, while corporate bonds represented the remaining 47.9% at the end of September.

Government bonds. Outstanding LCY government bonds amounted to HKD1,432.8 billion at the end of September. Quarterly growth in outstanding government bonds was driven by robust growth in Hong Kong Special Administrative Region (HKSAR) bonds and Exchange Fund Bills (EFBs). Exchange Fund Notes (EFNs) continued to contract. On an annual basis, LCY government bonds outstanding rose 14.4% y-o-y in Q3 2022, up from 13.6% y-o-y growth in the prior quarter. At the end of September, LCY government bonds outstanding comprised 82.0% EFBs, 1.5% EFNs, and 16.5% HKSAR bonds.

Total issuance of new government bonds reached HKD1,001.4 billion in Q3 2022 after expanding 3.5% q-o-q and 14.6% y-o-y. Growth was supported by robust issuance of HKSAR bonds and EFBs, which rose 71.9% q-o-q and 1.5% q-o-q, respectively, during the review period.

Exchange Fund Bills. The stock of outstanding EFBs reached HKD1,174.3 billion at the end of September on growth of 0.6% q-o-q and 10.3% y-o-y. New EFBs issued in Q3 2022 totaled HKD961.2 billion. EFB issuance growth picked up, rising to 1.5% q-o-q in Q3 2022 from 1.1% q-o-q in the preceding quarter.

Exchange Fund Notes. Outstanding EFNs totaled HKD22.0 billion at the end of September, down from HKD22.6 billion at the end of June. The HKMA

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	HKD	USD	HKD	USD	HKD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**2,429**	**312**	**2,619**	**334**	**2,748**	**350**	**0.1**	**6.1**	**4.9**	**13.2**
Government	1,252	161	1,381	176	1,433	183	3.0	8.2	3.7	14.4
Exchange Fund Bills	1,064	137	1,168	149	1,174	150	1.9	2.1	0.6	10.3
Exchange Fund Notes	24	3	23	3	22	3	0.0	(6.2)	(2.7)	(9.1)
HKSAR Bonds	164	21	191	24	236	30	11.1	82.8	24.0	44.5
Corporate	1,176	151	1,238	158	1,315	168	(2.9)	4.1	6.2	11.8

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

issued HKD1.2 billion of 2-year EFNs in August with a record-high coupon of 2.84%.

HKSAR bonds. The outstanding stock of HKSAR bonds reached HKD236.5 billion at the end of September after expanding 24.0% q-o-q. HKSAR bond issuance totaled HKD49.0 billion in Q3 2022. Issuances under the Institutional Bond Programme included HKD1.5 billion of 10-year HKSAR bonds issued in July, HKD1.5 billion of 1-year floating rate notes indexed to the Hong Kong Overnight Index Average issued in August, and HKD1.0 billion of 15-year bonds issued in September. In September, the government issued HKD45.0 billion of 3-year Silver Bonds under its Retail Bond Issuance Programme. Due to strong demand, the issuance amount of the Silver Bonds, which are intended for senior citizens, was higher than the target issuance of HKD35.0 billion.

Corporate bonds. Hong Kong, China's LCY corporate bond market reached a size of HKD1,315.4 billion at the end of September. Growth accelerated to 6.2% q-o-q in Q3 2022 from 4.4% q-o-q in the previous quarter.

The outstanding LCY bonds of the top 30 nonbank issuers in Hong Kong, China totaled HKD311.2 billion at the end of September, representing 23.7% of the total LCY corporate bond market (**Table 2**). Hong Kong Mortgage Corporation remained the largest issuer, with an outstanding debt stock of HKD86.5 billion at the end of September. Sun Hung Kai & Co. and the Hong Kong and China Gas Company were the next largest issuers with outstanding debt stocks of HKD20.5 billion and HKD18.6 billion, respectively. Firms in the finance, real estate, and transportation sectors dominated the top 30 nonbank issuers list. Only four of the top 30 nonbank issuers were state-owned firms, while the majority were listed on the Hong Kong Stock Exchange.

Corporate bond issuance in Q3 2022 amounted to HKD241.6 billion. Issuance contracted 3.3% q-o-q in Q3 2022 amid rising borrowing costs and heightened uncertainties. Continued monetary policy tightening by the US Federal Reserve and the consequent base rate adjustments by the HKMA raised borrowing costs. Meanwhile, the extended economic downturn soured investor confidence, resulting in less corporate borrowing during the quarter.

Table 3 shows notable nonbank corporate bond issuances in Q3 2022. Hong Kong Mortgage Corporation was the largest issuer with a total of HKD10.6 billion from 27 issuances of bonds with maturities ranging from 91 days to 3 years. The state-owned Airport Authority was the second-largest issuer in Q3 2022, with four issuances totaling HKD1.8 billion. The next largest issuers during the quarter were the Hong Kong and China Gas Company and MTR, which raised a total of HKD1.5 billion and HKD1.3 billion, respectively. The longest tenor issued in Q3 2022 was a 10-year bond with a 4.10% coupon issued by the Hong Kong and China Gas Company.

Policy, Institutional, and Regulatory Developments

Hong Kong Monetary Authority Announces Tentative Issuance for Hong Kong Special Administrative Region Government Bonds

On 30 September, the HKMA announced the tentative issuance schedule for HKSAR bonds under the Institutional Bond Issuance Programme for the period between October 2022 and March 2023. The issuance schedule included planned issuances of bonds with tenors ranging from 1 year to 20 years. Of note are two planned switch tenders. The first such switch tender will involve the issuance of a 3-year HKSAR bond in exchange for the early redemption of a 15-year HKSAR bond with an original maturity of March 2032. The other switch tender will involve the issuance of a 3-year bond in exchange for the early redemption of a 15-year bond with an original maturity of March 2036. Switch tender operations are intended to promote liquidity in the bond market by allowing market participants to switch bonds with different maturities through a competitive tender.

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.	Hong Kong Mortgage Corporation	86.5	11.0	Yes	No	Finance
2.	Sun Hung Kai & Co.	20.5	2.6	No	Yes	Finance
3.	The Hong Kong and China Gas Company	18.6	2.4	No	Yes	Utilities
4.	New World Development	15.3	1.9	No	Yes	Diversified
5.	Airport Authority	15.2	1.9	Yes	No	Transportation
6.	Henderson Land Development	14.7	1.9	No	Yes	Real Estate
7.	Hang Lung Properties	12.7	1.6	No	Yes	Real Estate
8.	Hongkong Land	12.0	1.5	No	No	Real Estate
9.	Wharf Real Estate Investment Company	11.2	1.4	No	Yes	Finance
10.	MTR	10.7	1.4	Yes	Yes	Transportation
11.	Link Holdings	9.3	1.2	No	Yes	Finance
12.	Cathay Pacific	8.9	1.1	No	Yes	Transportation
13.	Swire Pacific	8.7	1.1	No	Yes	Diversified
14.	CK Asset Holdings	8.5	1.1	No	Yes	Real Estate
15.	Hongkong Electric	8.5	1.1	No	No	Utilities
16.	AIA Group	7.6	1.0	No	Yes	Insurance
17.	Swire Properties	7.3	0.9	No	Yes	Diversified
18.	CLP Power Hong Kong Financing	6.6	0.8	No	No	Finance
19.	Hysan Development Corporation	5.9	0.8	No	Yes	Real Estate
20.	Lerthai Group	3.0	0.4	No	Yes	Real Estate
21.	Haitong International	2.8	0.4	No	Yes	Finance
22.	Wheelock and Company	2.8	0.4	No	Yes	Real Estate
23.	Ev Dynamics Holdings	2.4	0.3	No	Yes	Diversified
24.	South Shore Holdings	2.2	0.3	No	Yes	Industrial
25.	Future Days	2.2	0.3	No	No	Transportation
26.	IFC Development	2.0	0.3	No	No	Finance
27.	Champion REIT	1.7	0.2	No	Yes	Real Estate
28.	Asia Standard Hotel Group	1.2	0.2	No	Yes	Finance
29.	Yuexiu REIT	1.1	0.1	No	Yes	Real Estate
30.	Urban Renewal Authority	1.1	0.1	Yes	No	Industrial Services
Total Top 30 Nonbank LCY Corporate Issuers		**311.2**	**39.6**			
Total LCY Corporate Bonds		**1,315.4**	**167.6**			
Top 30 as % of Total LCY Corporate Bonds		**23.7%**	**23.7%**			

HKD = Hong Kong dollar, LCY = local currency, REIT = real estate investment trust, USD = United States dollar.
Notes:
1. Data as of 30 September 2022.
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 Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD million)
Hong Kong Mortgage Corporation[a]		
91-day bond	0.00	1,000
91-day bond	0.00	1,000
1-year bond	3.40	900
2-year bond	3.00	804
3-year bond	3.09	300
Airport Authority[a]		
5-year bond	3.20	335
5-year bond	3.20	365
5-year bond	3.20	574
5-year bond	3.30	575
The Hong Kong and China Gas Company[a]		
2-year bond	3.81	400
3-year bond	3.76	380
3-year bond	3.83	400
10-year bond	4.10	350

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD million)
MTR[a]		
2-year bond	4.20	300
2-year bond	3.25	500
3-year bond	3.11	250
3-year bond	3.05	251
Henderson Land[a]		
2-year bond	4.10	150
2-year bond	3.70	500
Wharf Real Estate Investment Company		
3-year bond	4.00	300
Cathay Pacific		
2-year bond	5.00	200

HKD = Hong Kong dollar.
[a] Multiple issuance of the same tenor indicates issuance on different dates.
Source: Bloomberg LP.

Indonesia

Yield Movements

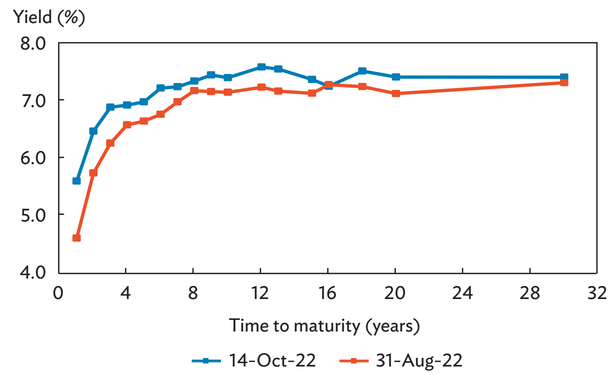
Between 31 August and 14 October, Indonesia's local currency (LCY) government bond yields edged up for all maturities except the 16-year maturity (**Figure 1**). Bond yields gained the most for maturities of 3 years or less, rising an average of 77 basis points (bps). Except for the 16-year bond, which shed a marginal 3 bps, yields for all tenors of 4 years or longer climbed an average of 29 bps during the review period. As yields rose much faster at the shorter-end than the longer-end of the curve, the spread between the 10-year and 2-year maturity narrowed from 139 bps on 31 August to 92 bps on 14 October.

The overall rise in yields was largely driven by the monetary policy tightening of Bank Indonesia. After keeping the policy rate steady at 3.50% since February 2021, the central bank raised the 7-day reverse repurchase rate by 25 bps on 23 August, which was followed by a 50 bps hike each on 22 September, 20 October, and 17 November. This lifted the 7-day reverse repurchase rate to 5.25%, the deposit facility rate to 4.50%, and the lending facility rate to 6.00%. Bank Indonesia had raised the policy rate by a cumulative 175 bps from August through November. The policy rate hikes were taken as a preemptive measure to help quell inflationary pressure and maintain the stability of the Indonesian rupiah amid uncertainties in global financial markets and the broad strengthening of the US dollar.

Consumer price inflation trended upward, rising to 6.0% year-on-year (y-o-y) in September from 4.7% y-o-y in August and 4.9% y-o-y in July, largely due to fuel price adjustments. While inflation moderated to 5.7% y-o-y in October, it remained above Bank Indonesia's target range of 2.0%-4.0% for 2022. Bank Indonesia expects inflation for the year to exceed the upper limit of its inflation target range.

Also contributing to the rise in yields was Indonesia's economic recovery, which continued to gain traction. Real gross domestic product (GDP) growth in the third quarter (Q3) of 2022 rose to 5.7% y-o-y from 5.4% y-o-y in the second quarter (Q2). Domestic consumption continued to support growth, expanding 5.4% y-o-y in Q3 2022, albeit slower than the 5.5% y-o-y growth in the earlier quarter. Gross fixed capital formation also grew

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



Source: Based on data from Bloomberg LP.

5.0% y-o-y in Q3 2022. Exports continued to perform strongly, rising 21.6% y-o-y on increased demand from trading partners, and imports climbed 23.0% y-o-y. For the year as a whole, Bank Indonesia estimates GDP growth to lean toward the upper end of its target range of 4.5%–5.3%.

Size and Composition

Indonesia's LCY bond market expanded to a size of IDR5,746.8 trillion (USD377.4 billion) at the end of September, buoyed by a rebound in issuance across all bond types during the quarter (**Table 1**). Growth of the bond market accelerated to 4.5% quarter-on-quarter (q-o-q) in Q3 2022, up from 0.3 q-o-q in Q2 2022. Indonesia was the second-fastest growing LCY bond market on a q-o-q basis in emerging East Asia in Q3 2022, next to Hong Kong, China (4.9% q-o-q). On an annual basis, the LCY bond market of Indonesia expanded 12.9% y-o-y in Q3 2022, up from 11.9% y-o-y in the prior quarter.

Indonesia's *sukuk* (Islamic bond) market remained the second-largest in emerging East Asia next to Malaysia's. The outstanding amount of *sukuk* climbed 7.1% q-o-q in Q3 2022, exceeding the 4.0% q-o-q growth of conventional bonds. This led to an increase in the share of *sukuk* in the total market to 18.7% at the end of September from 18.2% at the end of June. Conventional bonds continued to dominate the LCY bond market in Indonesia with a share of 81.3% at the end of Q3 2022.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	IDR	USD	IDR	USD	IDR	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**5,089,510**	**356**	**5,497,153**	**369**	**5,746,803**	**377**	**3.6**	**23.9**	**4.5**	**12.9**
Government	4,667,501	326	5,057,678	339	5,289,292	347	4.0	27.3	4.6	13.3
Central Govt. Bonds	4,460,456	312	4,848,083	325	5,101,415	335	4.2	28.9	5.2	14.4
of which: *Sukuk*	834,323	58	874,110	59	961,562	63	12.7	35.1	10.0	15.3
Nontradable Bonds	146,334	10	144,435	10	141,668	9	(1.3)	(12.7)	(1.9)	(3.2)
of which: *Sukuk*	31,161	2	26,374	2	26,412	2	(5.9)	(18.5)	0.1	(15.2)
Central Bank Bonds	60,712	4	65,160	4	46,209	3	3.5	58.0	(29.1)	(23.9)
of which: *Sukuk*	60,712	4	65,160	4	46,209	3	3.5	58.0	(29.1)	(23.9)
Corporate	422,008	29	439,474	29	457,511	30	(0.2)	(4.2)	4.1	8.4
of which: *Sukuk*	36,143	3	37,273	3	39,660	3	14.1	16.9	6.4	9.7

( ) = negative, IDR = Indonesian rupiah, q-o-q = quarter-on-quarter, Q2 =second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Bloomberg LP end-of-period local currency–USD rates are used.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. *Sukuk* refers to Islamic bonds.

Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; Indonesia Stock Exchange; and Bloomberg LP.

Government bonds. At the end of September, the LCY government bond market expanded to a size of IDR5,289.3 trillion. Growth accelerated to 4.6% q-o-q and 13.3% y-o-y in Q3 2022 from 0.6% q-o-q and 12.7% y-o-y in the preceding quarter. Government bonds account for a dominant share (92.0%) of Indonesia's LCY bond market. This marked the largest share of government bonds to total bonds among regional peers.

Central government bonds and nontradable bonds. A majority of government bonds are central government bonds, comprising tradable Treasury bills and bonds. The outstanding amount of central government bonds climbed to IDR5,101.4 trillion, as growth surged 5.2% q-o-q and 14.4% y-o-y in Q3 2022 from 0.4% q-o-q and 13.2% y-o-y in Q2 2022. In contrast, the nontradable bond stock contracted 1.9% q-o-q and 3.2% y-o-y to IDR141.7 trillion as maturities exceeded issuance.

In Q3 2022, issuance of central government bonds and nontradable bonds nearly doubled to reach IDR267.7 trillion on growth of 80.4% q-o-q. On an annual basis, central government and nontradable bond issuance growth moderated to 2.1% y-o-y. Issuances during the quarter were offered via regular Treasury bill and bond auctions (both for conventional and Islamic bonds), private placements, and bookbuilding. The greenshoe option was again tapped to raise funds in July as an auction fell short of the target amount. In addition, the government raised IDR27.0 trillion from the sale of *sukuk ritel* (Islamic retail bonds) in September.

Central bank bonds. The outstanding amount of central bank bonds contracted 29.1% q-o-q to reach IDR46.2 trillion at the end of September. In Q3 2022, issuance of Sukuk Bank Indonesia climbed 5.4% q-o-q, after contracting 12.5% q-o-q in Q2 2022, amid rising inflationary pressure. Issuances of Sukuk Bank Indonesia were concentrated in short-term maturities ranging from 7 days to 12 months.

Corporate bonds. The LCY corporate bond market of Indonesia expanded 4.1% q-o-q in Q3 2022 after contracting 2.3% q-o-q in the prior quarter. The total outstanding corporate bond stock rose to IDR457.5 trillion and accounted for 8.0% of the LCY bond total at the end of September, marking the lowest market share of corporate bonds in emerging East Asia.

The 30 largest corporate bond issuers in Indonesia accounted for an aggregate IDR315.0 trillion of outstanding bonds at the end of September, representing 68.9% of the corporate total (**Table 2**). The top 30 list comprised 16 state-owned firms, eight of which landed in the top 10. More than half of the firms on the list were also listed in the Indonesia Stock Exchange (17 firms). The top 30 list comprised firms from the banking and financial sectors and other highly capitalized industries such as energy, construction, telecommunications, and manufacturing.

Leading the list was state-owned energy firm Perusahaan Listrik Negara with outstanding bonds of

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

	Issuers	Outstanding Amount LCY Bonds (IDR billion)	Outstanding Amount LCY Bonds (USD billion)	State-Owned	Listed Company	Type of Industry
1.	Perusahaan Listrik Negara	30,694	2.02	Yes	No	Energy
2.	Indah Kiat Pulp & Paper	19,993	1.31	No	Yes	Pulp and Paper Manufacturing
3.	Bank Rakyat Indonesia	18,849	1.24	Yes	Yes	Banking
4.	Indonesia Eximbank	17,717	1.16	Yes	No	Finance
5.	Sarana Multi Infrastruktur	14,806	0.97	Yes	No	Finance
6.	Pegadaian	13,297	0.87	Yes	No	Finance
7.	Sarana Multigriya Finansial	12,803	0.84	Yes	No	Finance
8.	Permodalan Nasional Madani	12,614	0.83	Yes	No	Finance
9.	Merdeka Copper Gold	12,318	0.81	No	Yes	Mining
10.	Bank Mandiri	11,900	0.78	Yes	Yes	Banking
11.	Waskita Karya	11,395	0.75	Yes	Yes	Building Construction
12.	Astra Sedaya Finance	11,142	0.73	No	No	Finance
13.	Wijaya Karya	10,000	0.66	Yes	Yes	Building Construction
14.	Pupuk Indonesia	9,046	0.59	Yes	No	Chemical Manufacturing
15.	Tower Bersama Infrastructure	8,663	0.57	No	Yes	Telecommunications Infrastructure Provider
16.	Chandra Asri Petrochemical	8,500	0.56	No	Yes	Petrochemicals
17.	Bank Tabungan Negara	8,182	0.54	Yes	Yes	Banking
18.	Hutama Karya	8,148	0.54	Yes	No	Nonbuilding Construction
19.	Sinar Mas Agro Resources and Technology	8,103	0.53	No	Yes	Food
20.	Bank Pan Indonesia	7,802	0.51	No	Yes	Banking
21.	Lontar Papyrus Pulp & Paper Industry	7,000	0.46	No	No	Pulp and Paper Manufacturing
22.	Medco Energi Internasional	6,795	0.45	No	Yes	Energy
23.	Bank Pembangunan Daerah Jawa Barat Dan Banten	6,413	0.42	Yes	Yes	Banking
24.	Adira Dinamika Multi Finance	6,296	0.41	No	Yes	Finance
25.	Kereta Api Indonesia	6,000	0.39	No	No	Transportation and Logistics
26.	Indosat	5,803	0.38	No	Yes	Telecommunications
27.	OKI Pulp & Paper Mills	5,485	0.36	No	No	Pulp and Paper Manufacturing
28.	Federal International Finance	5,267	0.35	No	No	Finance
29.	Bank Negara Indonesia	5,000	0.33	Yes	Yes	Banking
30.	Adhi Karya	4,987	0.33	Yes	Yes	Building Construction
Total Top 30 LCY Corporate Issuers		**315,018**	**20.69**			
Total LCY Corporate Bonds		**457,511**	**30.04**			
Top 30 as % of Total LCY Corporate Bonds		**68.9%**	**68.9%**			

IDR = Indonesian rupiah, LCY = local currency, USD = United States dollar.
Notes:
1. Data as of 30 September 2022.
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.

IDR30.7 trillion, which accounted for a 6.7% share of the total corporate bond stock at the end of September. Taking over the second spot was manufacturing firm Indah Kiat Pulp & Paper with IDR20.0 trillion of bonds for a 4.4% share. State-owned Bank Rakyat Indonesia climbed to the third spot with outstanding bonds of IDR18.8 trillion and a 4.1% share of the corporate total. State-owned financing firm Indonesia Eximbank dropped to the fourth spot (previously in the second spot) at a share of 3.9%, while state-owned financing firm Sarana Multi Infrastruktur held on to the fifth spot for a 3.2% share. All other corporate issuers accounted for a share of 2.9% or less of the corporate bond total at the end of September.

Indonesia's corporate bond segment saw robust issuance activities in Q3 2022, rebounding from the contraction in the prior quarter. Total corporate bond sales nearly doubled to IDR55.8 trillion in Q3 2022, rising 83.3% q-o-q and 71.0% y-o-y. Firms rushed to raise funds from the bond market while rates were still low. Indonesia was among the last few markets in the region to tighten its policy rate in August.

A total of 37 firms issued bonds during the quarter, adding 111 new corporate bond series to the outstanding corporate stock. Of these new bonds, 27 series were structured as *sukuk* including two series of *sukuk wakalah* (Islamic bonds in which the bondholder nominates another party to act on the bondholder's behalf). A majority of the corporate *sukuk* (15 series) issued during the quarter were structured as *sukuk ijarah* (Islamic bonds backed by lease agreements), while there were 10 series of *sukuk mudharabah* (Islamic bonds backed by a profit-sharing scheme from a business venture or partnership).

In terms of maturity, corporate bonds issued during the quarter were largely concentrated in short- to medium-dated tenors. There were 39 series of 3-year bonds, 31 series of 367/370-day bonds, and 30 series of 5-year bonds. The longest dated bonds issued in Q3 2022 were for 10 years, issued by Chandra Asri Petrochemical in August and XL Axiata's conventional and *sukuk ijarah* issues in September.

Table 3 presents five of the largest corporate bond issuances during the quarter. The largest issuance for Q3 2022 came from state-owned Bank Rakyat Indonesia, which raised a total of IDR5.0 trillion from a triple-tranche offering of conventional bonds in July. Next was Merdeka Copper Gold with aggregate bond issuance of IDR4.0 trillion in September, also in three tranches of conventional bonds.

Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (IDR billion)
Bank Rakyat Indonesia		
370-day bond	3.70	2,500
3-year bond	5.75	2,000
5-year bond	6.45	500
Merdeka Copper Gold		
367-day bond	5.50	1,473
3-year bond	8.25	1,729
5-year bond	9.50	798
Medco Energi Internasional		
2.5 year bond	7.00	1,892
5-year bond	8.10	521
7-year bond	9.00	586

Corporate Issuers	Coupon Rate (%)	Issued Amount (IDR billion)
Pegadaian		
370-day bond	3.95	1,601
370-day *sukuk mudharabah*	3.95	878
3-year bond	5.75	276
3-year *sukuk mudharabah*	5.75	245
XL Axiata		
3-year bond	6.75	735
3-year *sukuk ijarah*	6.75	681
5-year bond	7.40	412
5-year *sukuk ijarah*	7.40	421
7-year bond	7.90	178
7-year *sukuk ijarah*	7.90	135
10-year bond	8.25	175
10-year *sukuk ijarah*	8.25	263

IDR = Indonesian rupiah.
Notes:
1. *Sukuk mudharabah* are Islamic bonds backed by a profit-sharing scheme from a business venture or partnership.
2. *Sukuk ijarah* are Islamic bonds backed by lease agreement.
Source: Indonesia Stock Exchange.

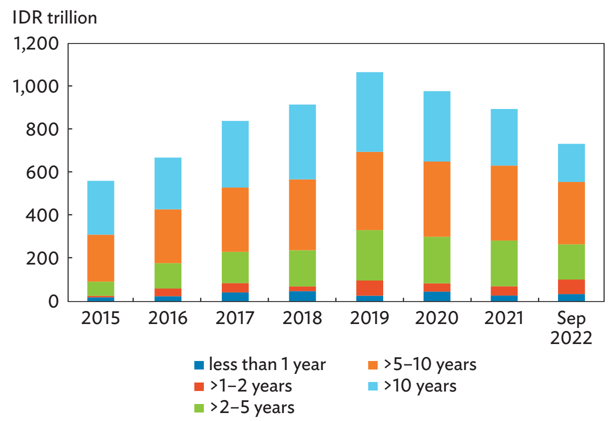
Investor Profiles

Amid a dimming economic outlook and weakening financial conditions that soured investment sentiments, Indonesia continued to experience net foreign outflows from its bond market in Q3 2022. Aggressive monetary policy tightening by the United States (US) Federal Reserve and the broad strengthening of the US dollar made emerging market assets less attractive. Offshore investors continued to shy away from the Indonesian bond market, with net foreign outflows reaching USD3.3 billion in Q3 2022. As a result, the foreign holdings share further declined to 14.3% at the end of September from 21.6% a year earlier (**Figure 2**). Foreign ownership of IDR-denominated bonds substantially declined by 24.1% y-o-y to IDR730.3 trillion at the end of September.

In terms of maturity, offshore investor holdings of bonds remained largely concentrated in longer-dated tenors. About 63.8% of nonresident investments in bonds were in maturities of over 5 years or longer at the end of September (**Figure 3**). This, however, was down from the 68.4% share recorded at the end of December 2021, but was slightly up from the 63.1% at the end of June 2022. Offshore holdings of bonds for maturities of over 2 years to 5 years slipped to a 22.3% share at the end of September from 23.8% at the end of December 2021. In contrast, foreign holdings of bonds with maturities of 2 years or less continued to rise, climbing to a 13.9% share of nonresident bond holdings at the end of September. This reflected investor preference for shorter-dated maturities amid uncertainties over the global and regional outlooks.

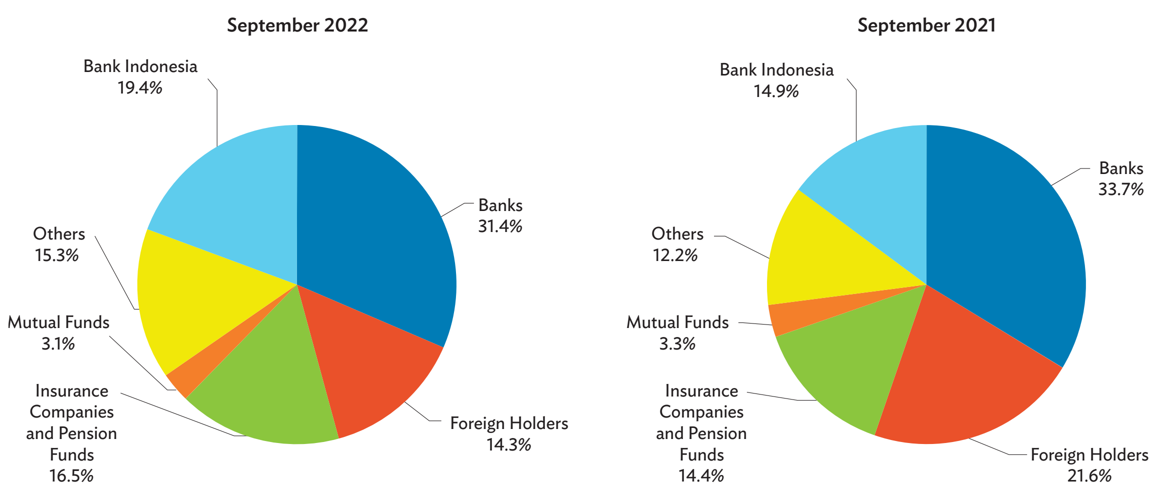
Domestic investors were active players in the Indonesian bond market, with banking institutions accounting for the largest holdings at a share of 31.4% at the end

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.

Figure 2: Local Currency Central Government Bonds Investor Profile



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

of September. This was slightly lower compared with their 33.7% share a year earlier. Next largest were the holdings of the central bank, as its burden-sharing agreement with the government that was set in place during the pandemic allowed it to purchase bonds to help stabilize bond prices and support government financing. Bank Indonesia's holdings of government bonds rose sharply to 19.4% from 14.9% a year earlier. For the period 1 January to 15 November, Bank Indonesia purchased a total of IDR142.4 trillion of government bonds. Insurance institutions also increased their holdings of government bonds, accounting for a 16.5% share in September, up from 14.4% a year earlier.

Other investor groups, largely comprising individuals and corporations, saw their bond holdings increase to 15.3% of government bond holdings at the end of September from 12.2% a year earlier. In contrast, mutual funds saw a slight dip in their holdings of governments bonds to a share of 3.1% in September from 3.3% a year earlier.

Policy, Institutional, and Regulatory Developments

Bank Indonesia and Bank Negara Malaysia Renew Local Currency Bilateral Swap Agreement

On 23 September, Bank Indonesia and Bank Negara Malaysia agreed to renew their LCY bilateral swap agreement, which both parties initially entered into in 2019. The bilateral agreement comprised up to an equivalent of MYR8.0 billion or IDR28.0 trillion in local currency that will be used for bilateral transactions between Indonesia and Malaysia. The new agreement will be effective for a period of 3 years.

Indonesian Parliament Approves the 2023 State Budget

In September, the Indonesian Parliament approved the government's proposed budget for 2023, setting the deficit at IDR598.2 trillion or the equivalent of 2.8% of GDP. The 2023 state budget estimates state revenues at IDR2,463.0 trillion and state expenditures at IDR3,061.2 trillion. Debt financing was projected to reach IDR696.3 trillion. The following macroeconomic assumptions, among others, were used as reference for the budget: (i) an economic growth of 5.3%, (ii) an inflation rate of 3.6%, (iii) a 10-year bond yield of 7.9%, (iv) an exchange rate of IDR14,800 per USD1.0, and (v) an Indonesia crude price per barrel of USD90.0.

Republic of Korea

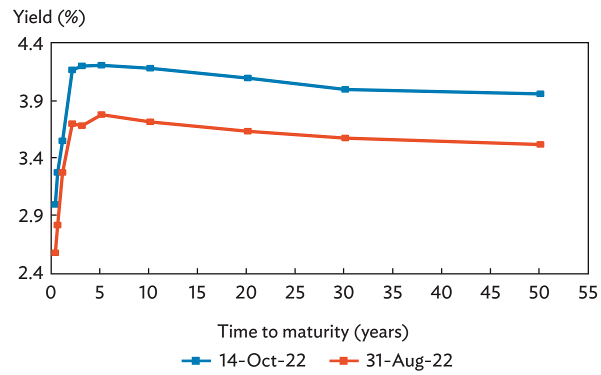
Yield Movements

The Republic of Korea's LCY government bond yield curve shifted upward between 31 August and 14 October (**Figure 1**). Yields for the 3-month and 6-month tenors rose 44 basis points (bps) on average, while the 1-year tenor rose 28 bps. Yields for tenors between 2-year and 10-year rose 47 bps on average, with the 3-year tenor posting the biggest increase of 52 bps. Meanwhile, yields for 20-year to 50-year tenors rose 44 bps on average. The spread between the 10-year and 2-year tenors remained almost negligible at 1 bp on 14 October, little changed from 2 bps on 31 August.

Yields rose sharply across the curve during the review period, tracking the rise in United States (US) Treasury yields, on expectations of further rate hikes by both the US Federal Reserve and the Bank of Korea. Following speculation of a possible slowdown in its aggressive monetary tightening, Chair Jerome Powell, in his Jackson Hole speech in late August, sent a clear signal that the Federal Reserve had no intentions of slowing the pace of rate hikes in the near term. He also reiterated the Federal Reserve's commitment to fight high inflation even as the US economy slows. Subsequently, at its 20–21 September meeting, the Federal Reserve raised the federal funds rate target range by 75 bps to between 3.00% and 3.25%, while also lowering its gross domestic product (GDP) growth forecast and raising its inflation forecast.

On the domestic front, the Bank of Korea, in its 12 October monetary policy meeting, raised the base rate by another 50 bps to 3.0%, following a 25 bps rate hike in August. This brought total policy rate hikes year-to-date to 200 bps. The Bank of Korea continued with its monetary policy tightening stance, despite a slowdown in inflation, as inflationary pressure remained high and in order to provide support to the foreign exchange market. Inflation peaked at 6.3% year-on-year (y-o-y) in July before easing to 5.7% y-o-y in August and 5.6% y-o-y in September, and slightly inching up to 5.7% y-o-y in October. Meanwhile, the Korean won fell sharply during the review period, reaching a more-than-a-decade low of KRW1,440.2 to USD1.0 on 28 September, and falling 16.8% year-to-date as of 14 October to

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



Source: Based on data from Bloomberg LP.

KRW1,429.0 per USD1.0. This was largely due to the continued strengthening of the US dollar and concerns of an economic slowdown in the People's Republic of China, which is one of the Republic of Korea's major trading partners. The Bank of Korea has been actively intervening in the foreign exchange market to support the Korean won, with its foreign exchange reserves posting a large monthly drop of USD19.7 billion in September to USD416.8 billion at the end of the month. In efforts to stabilize the sharp rise in domestic yields, the Bank of Korea purchased KRW3.0 billion worth of government bonds on 29 September.

The Republic of Korea's economic growth inched up to 3.1% y-o-y in the third quarter (Q3) of 2022 from 2.9% y-o-y in the second quarter (Q2) of 2022, remaining above the Bank of Korea's 2.6% full-year growth forecast for 2022. The higher growth was primarily driven by the rebound in gross fixed capital formation, which expanded 1.0% q-o-q in Q3 2022 following a 2.9% y-o-y contraction in Q2 2022. Private consumption also posted higher growth of 5.9% y-o-y in Q3 2022 from 3.9% y-o-y in the previous quarter. Meanwhile, public consumption growth slowed to 2.4% y-o-y from 3.7% during the same period. Export growth held steady on an annual basis at 4.6% y-o-y in Q3 2022. However, on a quarter-on-quarter (q-o-q) basis, GDP growth slowed to 0.3% q-o-q in Q3 2022 from 0.7% q-o-q in the previous quarter.

Foreign investors returned to the Republic of Korea's LCY bond market in July, registering net foreign inflows of KRW3,561 billion following net outflows of KRW934 million in June. The reversal can be attributed to expectations at the time of a pending slowdown in the Federal Reserve's policy tightening. However, the impact was only temporary as the Federal Reserve, in the release of the minutes of its July Federal Open Market Committee meeting and Chair Jerome Powell's subsequent Jackson Hole speech in August, clarified that it would continue with its aggressive monetary tightening. Narrowing yield premiums between Korean bonds and US Treasuries, with periods of reversals, and the sharp depreciation of the Korean won drove foreign fund outflows of KRW1,852 billion and KRW980 billion from the LCY bond market in August and September, respectively.

Size and Composition

The Republic of Korea's LCY bond market grew 1.3% q-o-q to reach KRW2,964.4 trillion (USD2.1 trillion) at the end of September, which was slightly higher than the 1.0% q-o-q growth posted in the previous quarter (**Table 1**). On an annual basis, growth slowed to 5.9% y-o-y from 6.1% y-o-y in Q3 2021.

Government bonds. The Republic of Korea's LCY government bond market reached a size of KRW1,264.0 trillion at the end of September, posting 1.8% q-o-q growth in Q3 2022, up slightly from 1.6% q-o-q in Q2 2022. Growth was largely driven by the 2.1% q-o-q rise in the stock of central government bonds in Q3 2022 to KRW933.1 trillion; however, this was a slowdown from the 3.4% q-o-q growth in the previous quarter. Bonds of government-owned entities also posted growth of 3.0% q-o-q, up from 1.9% q-o-q in Q2 2022. Meanwhile, the stock of Monetary Stabilization Bonds issued by the Bank of Korea fell 2.3% q-o-q in Q3 2022.

Issuance of government bonds fell 15.5% q-o-q to KRW86.9 trillion in Q3 2022, driven by the 37.3% q-o-q drop in the issuance of central government bonds. This was due to a high issuance volume in Q2 2022 in line with the government's debt frontloading policy in the first half of the year. Meanwhile, issuance of bonds by government-owned entities and central bank bonds rose 10.7% q-o-q and 11.7% q-o-q, respectively, in Q3 2022.

Corporate bonds. The Republic of Korea's LCY corporate bond market inched up 1.0% q-o-q to KRW1,700.4 trillion at the end of September, slightly higher than the 0.5% q-o-q growth posted in the previous quarter. **Table 2** lists the top 30 LCY corporate bond issuers in the Republic of Korea, which had an aggregate outstanding bond stock of KRW1,015.4 trillion and accounted for 59.7% of the total LCY corporate bond market. Financial institutions, particularly banks and securities firms, comprised 63.0% of the top 30 list. Korea Housing Finance Corporation, a government-related institution providing financial assistance for social housing, remained the largest corporate issuer in the market with total bonds outstanding of

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	KRW	USD	KRW	USD	KRW	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**2,799,920**	**2,365**	**2,925,746**	**2,253**	**2,964,362**	**2,071**	**1.6**	**7.6**	**1.3**	**5.9**
Government	1,179,746	996	1,241,968	956	1,263,967	883	1.9	10.4	1.8	7.1
Central Government Bonds	831,745	703	914,183	704	933,074	652	3.0	17.5	2.1	12.2
Central Bank Bonds	151,050	128	125,910	97	123,020	86	(2.1)	(9.4)	(2.3)	(18.6)
Others	196,951	166	201,875	155	207,874	145	0.3	1.2	3.0	5.5
Corporate	1,620,174	1,369	1,683,778	1,296	1,700,395	1,188	1.4	5.7	1.0	5.0

( ) = negative, KRW = Korean won, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Bloomberg LP end-of-period local currency–USD rates are used.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. "Others" comprise Korea Development Bank Bonds, National Housing Bonds, and Seoul Metro Bonds.
4. Corporate bonds include equity-linked securities and derivatives-linked securities.
Sources: The Bank of Korea and KG Zeroin Corporation.

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	152,099	106.3	Yes	No	No	Housing Finance
2.	Industrial Bank of Korea	74,500	52.1	Yes	Yes	No	Banking
3.	Meritz Securities	61,783	43.2	No	Yes	No	Securities
4.	Korea Electric Power Corporation	52,380	36.6	Yes	Yes	No	Electricity, Energy, and Power
5.	Korea Investment and Securities	50,247	35.1	No	No	No	Securities
6.	Hana Securities	48,288	33.7	No	No	No	Securities
7.	Shinhan Investment Corporation	46,635	32.6	No	No	No	Securities
8.	Mirae Asset Securities	46,565	32.5	No	Yes	No	Securities
9.	KB Securities	43,129	30.1	No	No	No	Securities
10.	NH Investment & Securities	34,502	24.1	Yes	Yes	No	Securities
11.	Korea Land & Housing Corporation	32,421	22.7	Yes	No	No	Real Estate
12.	Shinhan Bank	31,795	22.2	No	No	No	Banking
13.	The Export-Import Bank of Korea	28,280	19.8	Yes	No	No	Banking
14.	Korea Expressway	27,600	19.3	Yes	No	No	Transport Infrastructure
15.	Woori Bank	25,170	17.6	Yes	Yes	No	Banking
16.	KEB Hana Bank	24,611	17.2	No	No	No	Banking
17.	Samsung Securities	23,793	16.6	No	Yes	No	Securities
18.	Kookmin Bank	22,484	15.7	No	No	No	Banking
19.	NongHyup Bank	21,290	14.9	Yes	No	No	Banking
20.	Korea SMEs and Startups Agency	21,178	14.8	Yes	No	No	SME Development
21.	Korea National Railway	19,060	13.3	Yes	No	No	Transport Infrastructure
22.	Shinhan Card	17,100	11.9	No	No	No	Credit Card
23.	Hyundai Capital Services	15,930	11.1	No	No	No	Consumer Finance
24.	Shinyoung Securities	15,783	11.0	No	Yes	No	Securities
25.	KB Kookmin Bank Card	14,515	10.1	No	No	No	Consumer Finance
26.	Standard Chartered Bank Korea	14,070	9.8	No	No	No	Banking
27.	Hanwha Investment and Securities	13,991	9.8	No	No	No	Securities
28.	NongHyup	12,670	8.9	Yes	No	No	Banking
29.	Samsung Card Co.	11,848	8.3	No	Yes	No	Credit Card
30.	Korea Railroad Corporation	11,720	8.2	Yes	No	No	Transport Infrastructure
Total Top 30 LCY Corporate Issuers		**1,015,435**	**709.5**				
Total LCY Corporate Bonds		**1,700,395**	**1,188.1**				
Top 30 as % of Total LCY Corporate Bonds		**59.7%**	**59.7%**				

KOSDAQ = Korean Securities Dealers Automated Quotations, KOSPI = Korea Composite Stock Price Index, KRW = Korean won, LCY = local currency, SMEs = small and medium-sized enterprises, USD = United States dollar.
Notes:
1. Data as of 30 September 2022.
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 KG Zeroin Corporation data.

KRW152.1 trillion at the end of Q3 2022. The Industrial Bank of Korea and Korea Investment and Securities were the next largest issuers at KRW74.5 trillion and KRW61.8 trillion, respectively.

Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
Industrial Bank of Korea[a]		
2-month bond	–	720
2.5-month bond	–	710
6-month bond	3.02	620
1-year bond	4.03	660
1-year bond	–	630
1-year bond	–	610
Kookmin Bank[a]		
1-year bond	3.58	920
1-year bond	3.65	900
1-year bond	3.68	600
Shinhan Bank[a]		
6-month bond	3.60	560
1-year bond	3.86	510
1.5-year bond	3.60	650
1.5-year bond	3.90	600
KDIC Special Account Bond		
3-year bond	3.70	720
NongHyup Bank		
3-year bond	4.04	650

– = not available, KRW = Korean won.
[a] Multiple issuance of the same tenor indicates issuance on different dates.
Source: Based on data from Bloomberg LP.

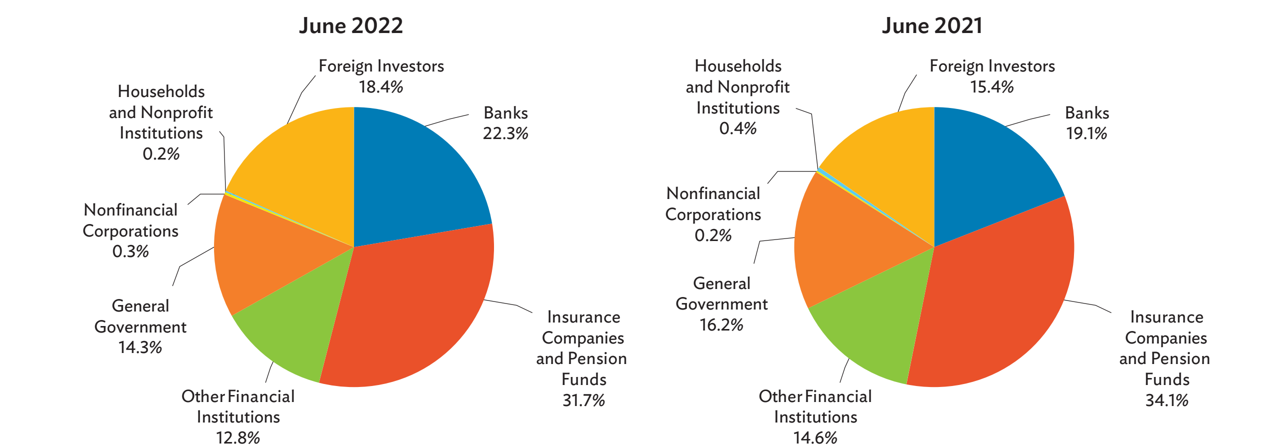
The marginal growth in the Republic of Korea's LCY corporate bond market was driven by the 2.4% q-o-q growth in issuance, which was slower than the 7.1% q-o-q increase in Q2 2022. Issuance remained relatively low in Q3 2022 due to continued yield volatility in the market. **Table 3** lists the notable corporate bond issuances in Q3 2022, including those from financial firms such as Industrial Bank of Korea, Kookmin Bank, and Shinhan Bank.

Investor Profile

Government Bonds. Insurance companies and pension funds remained the largest investor group in the Republic of Korea's LCY government bond market at the end of June (**Figure 2**). However, this group also posted the largest decline in terms of market share, falling to 31.7% from 34.1% a year earlier. Banks were the second-largest investor group with a share of 22.3%, up from 19.1% in Q2 2021. The share of foreign investors' holdings also posted a large increase from 15.4% to 18.4% during the same period due to foreign net inflows in the LCY government bond market during most of the review period. Meanwhile, the shares of the general government and other financial institutions declined in between June 2021 and June 2022.

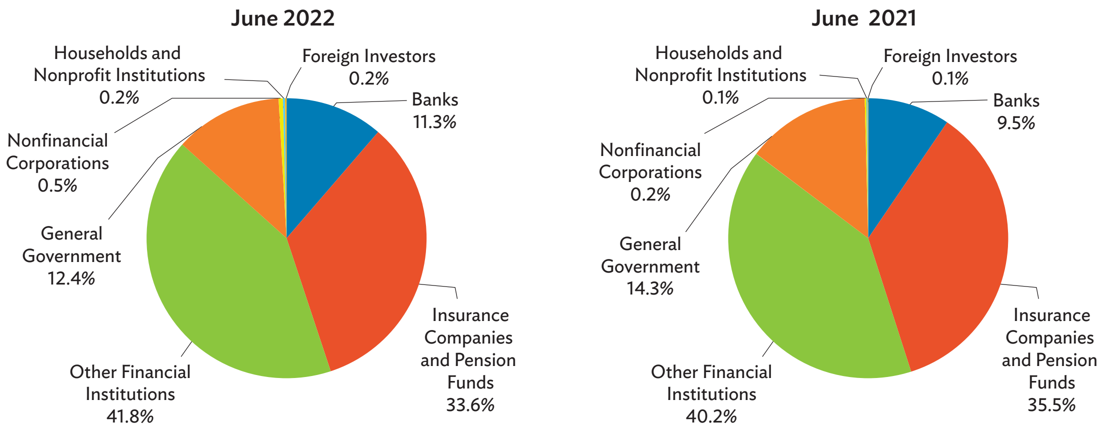
Corporate bonds. Other financial institutions held the largest share of the Republic of Korea's LCY corporate bonds at the end of June, with their share rising to 41.8% from 40.2% a year earlier (**Figure 3**).

Figure 2: Local Currency Government Bonds Investor Profile



Source: *AsianBondsOnline* and The Bank of Korea.

Figure 3: Local Currency Corporate Bonds Investor Profile

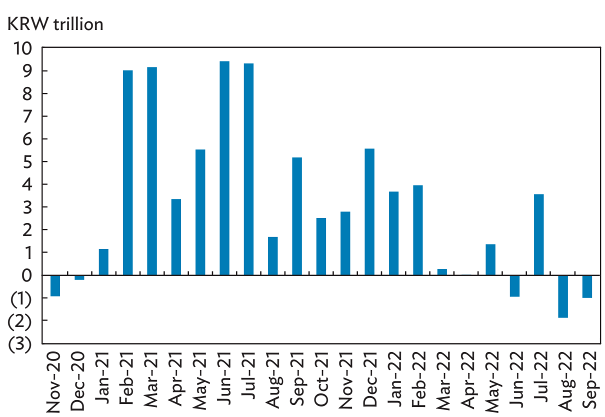


Source: *AsianBondsOnline* and The Bank of Korea.

Meanwhile, the shares of insurance companies and pension funds and the general government fell at the end of June to 33.6% and 12.4%, respectively, from 35.5% and 14.3% a year earlier. The share of foreign holders continued to remain negligible.

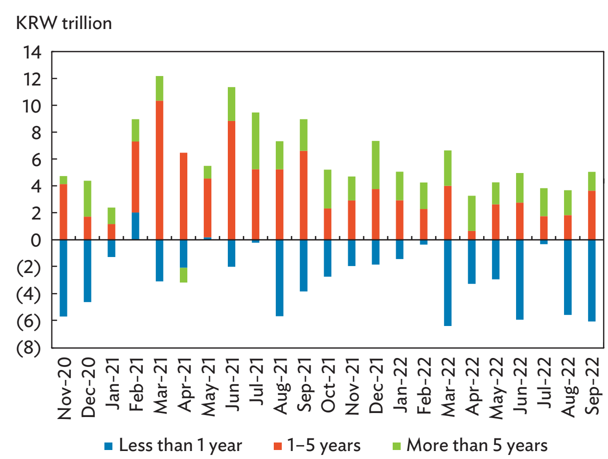
Foreign fund flows. Net foreign flows into the Republic of Korea's LCY bond market turned positive in July, posting KRW3,561 billion following net outflows of KRW0.9 billion in June (**Figure 4**). This was largely due to expectations of a slowdown in monetary policy tightening by the Federal Reserve. However, the Republic of Korea registered net foreign outflows of KRW1.9 billion in August as US Treasury yields rose once again following the release of the minutes of the July Federal Open Market Committee meeting in which the Federal Reserve highlighted its resolve in fighting high inflation via aggressive monetary policy tightening. Chair Jerome Powell's Jackson Hole speech in late August confirmed this sentiment. Subsequently, the Federal Reserve raised the federal funds rate target range by an additional 75 bps in September. This move resulted in KRW980 billion of net foreign outflows from the Republic of Korea's LCY bond market in September. The foreign sell-off during Q3 2022 was most significant in bonds with remaining maturities of less than 1 year (**Figure 5**).

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



( ) = negative, KRW = Korean won.
Source: Financial Supervisory Service.

Figure 5: Net Foreign Investment in Local Currency Bonds in the Republic of Korea by Remaining Maturity



( ) = negative, KRW = Korean won.
Source: Financial Supervisory Service.

Ratings Update

On 28 September, Fitch Ratings affirmed the Republic of Korea's sovereign credit ratings of AA– with a stable outlook. The rating agency cited the Republic of Korea's robust external finances, resilient macroeconomic performance, and dynamic export sector as some of the reasons behind the rating affirmation. It also highlighted the Republic of Korea's sufficient fiscal space to accommodate the government's rising debt-to-GDP ratio in the near term, following the recently announced consolidation plans. The rating agency forecast that GDP growth would slow to 2.6% in 2022 amid a slowdown in global growth as well as in domestic exports and facilities investment.

Policy, Institutional, and Regulatory Developments

The Government Announces 2023 Budget Proposal

On 30 August, the Government of the Republic of Korea announced its 2023 budget proposal totaling KRW639 trillion. This represented a 5.2% increase from the original 2022 budget, which is less than the average yearly increase of 8.7% over the last 5 years. The proposed 2023 budget is also 5.9% less than the 2022 final budget, which includes the supplementary budget. The smaller annual increase in the budget is in line with government efforts to reduce spending as part of its 2022–2026 fiscal management plan to improve fiscal sustainability. The proposed budget is projected to result in a 0.6% fiscal-deficit-to-GDP ratio, which is lower than the 2.5% ratio for 2022. Priorities in the budget include the expansion of protections for low-income and vulnerable households, support for the private-sector-led economy, and improvements to national safety and security.

Fiscal Rules Introduced

In its 13 September emergency ministerial meeting on economic affairs, the Government of the Republic of Korea announced its plans to introduce rules to improve the government's fiscal soundness. This includes the use of the managed fiscal balance as a standard for fiscal rules instead of the consolidated fiscal balance. In addition, the managed fiscal balance shall have an upper limit of 3% of GDP, and it will be reduced to 2% when government debt exceeds 60% of GDP. However, this shall not be applied in the case of exceptional situations such as wars, national disasters, and economic downturns. The rules shall be established on a legal basis via inclusion of fiscal rule management standards in the National Finance Act and will be used in the design of the 2024 budget proposal.

Malaysia

Yield Movements

Malaysia's local currency (LCY) government bond yield curve moved upward for all tenors between 31 August and 14 October (**Figure 1**). Yields of short-term bonds (from 1 month to 1 year) jumped an average of 19 basis points (bps), while yields of longer-term, fixed-income securities (2–30 years) soared an average of 45 bps. The yield spread between the 10-year and 2-year government bonds expanded from 70 bps to 78 bps during the review period.

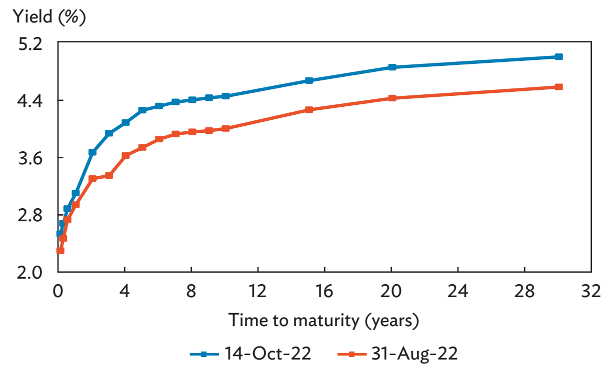
Yields of government securities went up as Bank Negara Malaysia (BNM) raised its overnight policy rate in September to combat inflationary pressure. Investors also sold Malaysian fixed-income securities as the yields on United States (US) Treasuries became more attractive due to the series of interest rate hikes by the Federal Reserve.

On 8 September, BNM's Monetary Policy Committee hiked its overnight policy rate to 2.50% from 2.25%. The increase was meant to temper rising inflation as the economy of Malaysia continued to reopen, with demand-driven inflationary pressure creating a high-cost environment. BNM's decision also factored in its expectation that central banks around the world would continue adjusting their monetary policies to combat inflation. On 3 November, BNM raised the policy rate by another 25 bps.

Prices of basic goods and services in Malaysia remained elevated during the third quarter (Q3) of 2022. Consumer price inflation logged 4.4% year-on-year (y-o-y) in July, accelerating to 4.7% y-o-y in August before slightly slowing to 4.5% y-o-y in September. Average inflation for the first 9 months of 2022 was 3.3% y-o-y, higher than the upper limit of the central bank's inflation forecast of between 2.2% and 3.2% for full-year 2022.

Malaysia's gross domestic product jumped 14.2% y-o-y in Q3 2022, an extension of the 8.9% y-o-y growth recorded in the second quarter (Q2) of 2022 due to improved performance across all sectors of the economy. In the first 3 quarters of 2022, economic growth in Malaysia averaged 9.4% y-o-y, exceeding BNM's expected growth rate of 5.3%–6.3% for full-year 2022.

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



Source: Based on data from Bloomberg LP.

Size and Composition

The LCY bond market of Malaysia expanded 2.6% quarter-on-quarter (q-o-q) in Q3 2022, reaching a size of MYR1,853.0 billion (USD399.6 billion) at the end of September (**Table 1**). This growth was faster than the 2.3% q-o-q increase recorded in the prior quarter. On an annual basis, Malaysia's bond market rose 7.8% y-o-y, accelerating from the 6.6% y-o-y expansion in Q2 2022. The growth was due to increases in both outstanding government and corporate bonds, which comprised 56.6% and 43.4%, respectively, of total outstanding bonds at the end of the review period. Total outstanding *sukuk* (Islamic bonds) grew 3.9% q-o-q in Q3 2022, extending the 1.5% q-o-q expansion logged in Q2 2022. This growth was spurred by expanding stocks of both government and corporate *sukuk*.

Issuance of LCY bonds in Q3 2022 grew 7.2% q-o-q on increased issuance of government bonds. However, this was slower than the 35.5% q-o-q growth registered in the previous quarter.

Government bonds. The LCY government bond market of Malaysia rose 3.2% q-o-q in Q3 2022, a deceleration from the expansion of 4.1% q-o-q recorded in Q2 2022. The growth was due to a 3.9% q-o-q rise in central government bonds outstanding, which comprised 98.7% of total government bonds outstanding at the end of September. Outstanding BNM bills at the end of Q3 2022 were more than four times the amount in the previous

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	MYR	USD	MYR	USD	MYR	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**1,719**	**411**	**1,805**	**410**	**1,853**	**400**	**1.5**	**8.5**	**2.6**	**7.8**
Government	938	224	1,016	230	1,049	226	1.5	10.6	3.2	11.8
Central Government Bonds	914	218	997	226	1,035	223	1.6	11.5	3.9	13.3
of which: *Sukuk*	435	104	470	107	507	109	4.8	15.2	7.9	16.7
Central Bank Bills	0	0	0.9	0.2	4	0.9	–	(100.0)	388.2	–
of which: *Sukuk*	0	0	0.2	0.05	1	0.2	–	–	400.0	–
Sukuk Perumahan Kerajaan	24	6	18	4	9	2	0.0	0.0	(49.7)	(62.2)
Corporate	780	186	790	179	804	173	1.4	6.1	1.9	3.1
of which: *Sukuk*	638	152	651	148	666	144	1.9	7.8	2.3	4.4

( ) = 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. Bloomberg LP end-of-period local currency–USD rates are used.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. *Sukuk* refers to Islamic bonds.
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 and Bloomberg LP.

quarter. The amount of outstanding Sukuk Perumahan Kerajaan at the end of September was about half of the amount in the previous quarter.

Issuance of LCY government bonds in Q3 2022 expanded 12.4% q-o-q, spurred by increased issuance of Treasury and central bank bills. Malaysian Government Securities (conventional bonds) issuance decreased from the prior quarter, while issuance of Government Investment Issues (Islamic bonds) rose in Q3 2022. The increased Islamic bond issuance was supported by the Government of Malaysia's September issuance of its inaugural sustainability *sukuk* worth MYR4.5 billion.

Corporate bonds. LCY corporate bonds outstanding increased 1.9% q-o-q in Q3 2022, extending the marginal growth of 0.1% q-o-q recorded in Q2 2022. Outstanding corporate *sukuk* rose 2.3% q-o-q at the end of September, which was faster than the 0.2% q-o-q growth in the prior quarter.

Malaysia's 30 largest corporate bond issuers had a combined MYR476.3 billion worth of outstanding LCY corporate bonds at the end of Q3 2022. This was equivalent to a share of 59.2% of total corporate bonds outstanding (**Table 2**). Government-owned company DanaInfra Nasional continued to have the largest amount of outstanding corporate bonds at the end of September at MYR80.9 billion. In terms of sector, the largest share comprised financial institutions (50.4%) with MYR239.8 billion worth of corporate bonds outstanding at the end of Q3 2022.

Issuance of LCY corporate bonds in Q3 2022 declined 0.7% q-o-q, a reversal from the 38.3% q-o-q growth logged in the prior quarter. Corporate entities refrained from issuing fixed-income securities as it became more expensive to raise funds through corporate bonds due to the high-interest-rate environment brought about by the central bank's rate hikes.

In Q3 2022, Lembaga Pembiayaan Perumahan Sektor Awam (Public Sector Home Financing Board) and Sarawak Petchem each issued MYR4.0 billion worth of bonds (**Table 3**). The Public Sector Home Financing Board issued nine Islamic medium-term notes (MTNs) in August, with tenors ranging from 3 years to 30 years. In July, Sarawak Petchem, a state-owned oil and gas company, issued 13 Islamic MTNs with tenors from 3 years to 15 years. Proceeds from the issuance will be used to fund the Sarawak Methanol Project. National mortgage company Cagamas issued MYR3.7 billion worth of conventional and Islamic MTNs in Q3 2022. Most notable of which was the issuance in July of a 1-year floating-rate MTN, the first bond in Malaysia to be priced using the Malaysia Overnight Rate, Malaysia's new alternative reference rate.

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

	Issuers	Outstanding Amount LCY Bonds (MYR billion)	Outstanding Amount LCY Bonds (USD billion)	State-Owned	Listed Company	Type of Industry
1.	DanaInfra Nasional	80.9	17.5	Yes	No	Finance
2.	Lembaga Pembiayaan Perumahan Sektor Awam	40.3	8.7	Yes	No	Property and Real Estate
3.	Prasarana	40.2	8.7	Yes	No	Transport, Storage, and Communications
4.	Cagamas	32.9	7.1	Yes	No	Finance
5.	Project Lebuhraya Usahasama	28.2	6.1	No	No	Transport, Storage, and Communications
6.	Urusharta Jamaah	27.3	5.9	Yes	No	Finance
7.	Perbadanan Tabung Pendidikan Tinggi Nasional	21.1	4.5	Yes	No	Finance
8.	Pengurusan Air	19.0	4.1	Yes	No	Energy, Gas, and Water
9.	Tenaga Nasional	17.0	3.7	No	Yes	Energy, Gas, and Water
10.	CIMB Group Holdings	15.0	3.2	Yes	No	Finance
11.	Maybank Islamic	13.0	2.8	No	Yes	Banking
12.	Malayan Banking	12.6	2.7	No	Yes	Banking
13.	CIMB Bank	12.1	2.6	Yes	No	Finance
14.	Sarawak Energy	10.8	2.3	Yes	No	Energy, Gas, and Water
15.	Danum Capital	10.1	2.2	No	No	Finance
16.	Danga Capital	10.0	2.2	Yes	No	Finance
17.	Khazanah	9.4	2.0	Yes	No	Finance
18.	Jimah East Power	8.7	1.9	Yes	No	Energy, Gas, and Water
19.	Malaysia Rail Link	7.9	1.7	Yes	No	Construction
20.	Public Bank	6.9	1.5	No	No	Banking
21.	Sapura TMC	6.4	1.4	No	No	Finance
22.	Kuala Lumpur Kepong	5.6	1.2	No	Yes	Energy, Gas, and Water
23.	YTL Power International	5.5	1.2	No	Yes	Energy, Gas, and Water
24.	Bank Pembangunan Malaysia	5.5	1.2	Yes	No	Banking
25.	Turus Pesawat	5.3	1.1	Yes	No	Transport, Storage, and Communications
26.	Bakun Hydro Power Generation	5.1	1.1	No	No	Energy, Gas, and Water
27.	1Malaysia Development	5.0	1.1	Yes	No	Finance
28.	EDRA Energy	4.9	1.1	No	Yes	Energy, Gas, and Water
29.	Infracap Resources	4.9	1.0	Yes	No	Finance
30.	PNB Merdeka Ventures	4.8	1.0	No	No	Finance
Total Top 30 LCY Corporate Issuers		**476.3**	**102.7**			
Total LCY Corporate Bonds		**804.2**	**173.4**			
Top 30 as % of Total LCY Corporate Bonds		**59.2%**	**59.2%**			

LCY = local currency, MYR = Malaysian ringgit, USD = United States dollar.
Notes:
1. Data as of 30 September 2022.
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 data.

Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (MYR million)
Lembaga Pembiayaan Perumahan Sektor Awam		
3-year Islamic MTN	3.69	385
4-year Islamic MTN	3.90	675
5-year Islamic MTN	3.94	100
7-year Islamic MTN	4.12	480
8-year Islamic MTN	4.16	400
10-year Islamic MTN	4.20	910
12-year Islamic MTN	4.28	300
16-year Islamic MTN	4.46	300
30-year Islamic MTN	4.81	450
Sarawak Petchem		
3-year Islamic MTN	4.38	190
4-year Islamic MTN	4.71	200
5-year Islamic MTN	4.83	305
6-year Islamic MTN	5.01	400
7-year Islamic MTN	5.05	415
8-year Islamic MTN	5.09	350
9-year Islamic MTN	5.11	325
10-year Islamic MTN	5.11	400
11-year Islamic MTN	5.19	250
12-year Islamic MTN	5.27	260
13-year Islamic MTN	5.34	275
14-year Islamic MTN	5.42	280
15-year Islamic MTN	5.50	350
Cagamas[a]		
1-year Islamic MTN	3.45	25
1-year MTN	Floating	200
1-year MTN	3.45	85
1-year Islamic MTN	3.41	560
1-year MTN	3.49	30
2-year Islamic MTN	3.75	285
2-year Islamic MTN	3.77	115
2-year MTN	3.75	110
2-year MTN	3.76	205
2-year MTN	3.74	45
2-year MTN	3.89	40
3-year MTN	3.85	250
3-year Islamic MTN	3.93	100
3-year MTN	3.93	390
3-year MTN	4.00	30
5-year MTN	4.25	1,000
5-year MTN	4.18	200

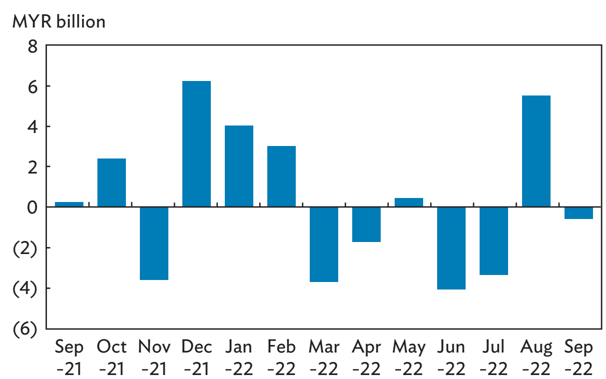
MTN = medium-term note, MYR = Malaysian ringgit.
[a] Multiple issuance of the same tenor indicates issuance on different dates.
Source: Bank Negara Malaysia Bond Info Hub.

Investor Profile

Capital amounting to MYR3.3 billion flowed out of Malaysia in July. This was more than offset in August with net capital inflows of MYR5.5 billion due to positive economic data in the US easing risk-off sentiments among global investors (**Figure 2**). In September, however, funds flowed out of Malaysia again, this time worth MYR0.6 billion due to the Federal Reserve's hawkish stance in hiking interest rates. For Q3 2022, Malaysia experienced net capital inflows of MYR1.6 billion, a reversal from the net outflows of MYR5.3 billion experienced in Q2 2022, due to the high volume of capital that entered the economy in August.

Foreign investors held a 23.4% share of Malaysian LCY government bonds outstanding at the end of July, which increased to 23.7% in August before falling back to 23.3% in September (**Figure 3**). The spread between the yields of the 10-year US Treasury and the 10-year Malaysian Government Security narrowed between the end of August and the end of September, making MYR-denominated bonds less attractive to foreign investors. At the end of Q3 2022, foreign investors held

Figure 2: Capital Flows into the Malaysian Local Currency Government Bond Market

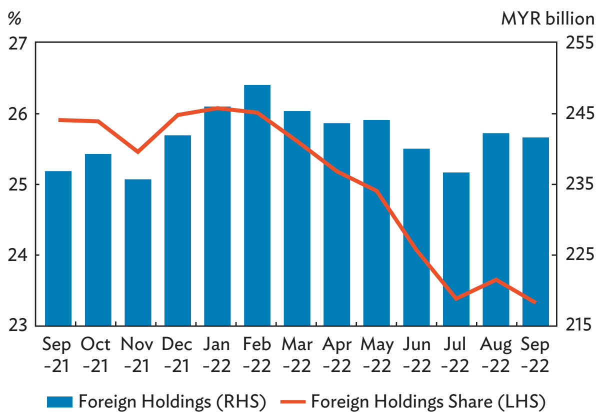


( ) = negative, MYR = Malaysian ringgit.
Notes:
1. Figures exclude foreign holdings of Bank Negara Malaysia bills.
2. Month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.
Source: Bank Negara Malaysia Monthly Statistical Bulletin.

MYR241.5 billion worth of LCY government bonds, which was less than the MYR239.9 billion held at the end of the previous quarter.

By the end of the first half of 2022, financial institutions and social security institutions were the largest investors in LCY government bonds, holding 35.2% and 27.4%, respectively, of total bonds outstanding (**Figure 4**). Shares of financial and social security institutions increased from 34.7% and 27.2%, respectively, compared to the same period in 2021. On the other hand, the share of foreign holders declined to 24.0% at the end of Q3 2022 from 25.7% in the previous year. Insurance companies' holdings were the same at 4.8%, while the BNM's share rose from 1.9% to 2.7% between June 2021 and June 2022.

Figure 3: Foreign Holdings of Malaysian Local Currency Government Bonds



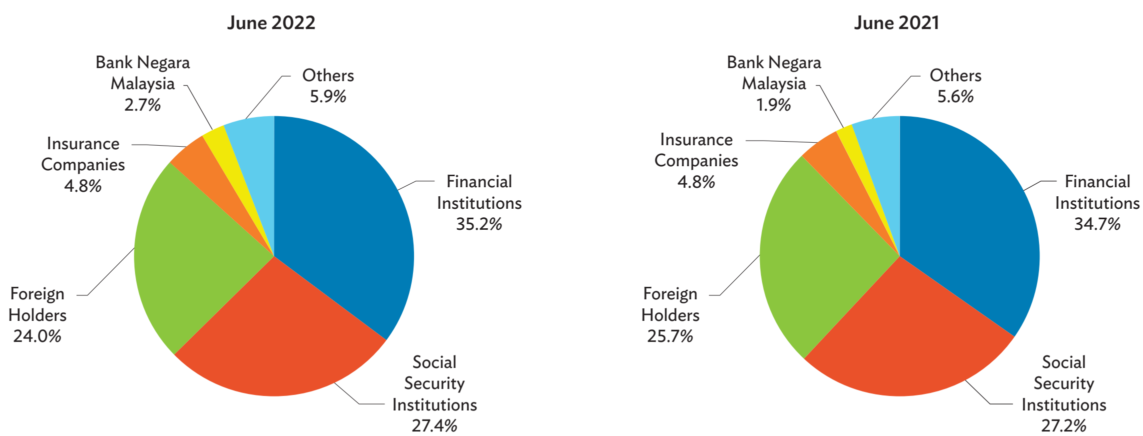
LHS = left-hand side, MYR = Malaysian ringgit, RHS = right-hand side.
Note: Figures exclude foreign holdings of Bank Negara Malaysia bills.
Source: Bank Negara Malaysia Monthly Statistical Bulletin.

Policy, Institutional, and Regulatory Developments

Government of Malaysia Issues First Sustainability *Sukuk*

On 30 September, the Government of Malaysia raised funds through its inaugural Sustainability Government Investment Issues, worth MYR4.5 billion and with a tenor of 15 years. The issuance showed Malaysia's commitment to develop a sustainable economy. The sustainable bond served as a new benchmark bond in Malaysia's Islamic bond market. The proceeds will be used to fund the government's social and green projects under its Sustainable Development Goals Sukuk Framework.

Figure 4: Local Currency Government Bonds Investor Profile



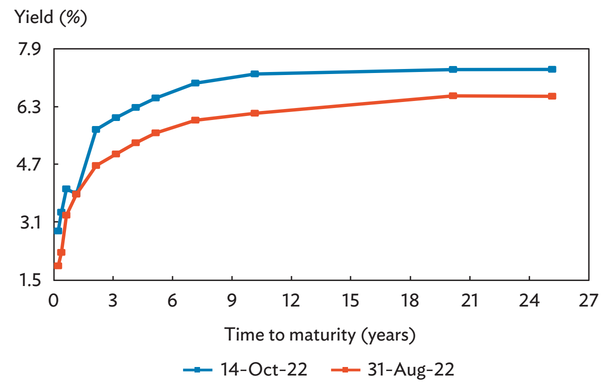
Note: "Others" include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.
Source: Bank Negara Malaysia.

Philippines

Yield Movements

The Philippines' local currency (LCY) government bond yields rose across all tenors between 31 August and 14 October, gaining an average of 86 basis points (bps) (**Figure 1**). Yields on the shorter end of the curve (from 1-month to 6-month tenors) inched up an average of 94 bps, with the largest increase seen in the 3-month tenor at 112 bps. Yields for the 2-year through 10-year tenors climbed an average of 101 bps, while yields at the longer-end of the curve (from 20-year to 25-year tenors) increased an average of 74 bps. The smallest increase in yields was seen for the 1-year tenor at only 1 bp. The spread between the 10-year and 2-year maturities widened from 145 bps on 31 August to 154 bps on 14 October.

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



Source: Based on data from Bloomberg LP.

The large uptick in bond yields across the curve was propelled by the Bangko Sentral ng Pilipinas' (BSP) aggressive monetary tightening stance to ease rising inflationary pressure. The BSP raised its policy rates consecutively each month from May through September, followed by the recent hike of 75 bps in November, for a total of 300 bps, lifting the overnight reverse repurchase facility rate to 5.00% starting 18 November. The BSP has become the most aggressive central bank in the region in terms of tightening monetary policy this year through 18 November.

Consumer price inflation accelerated to 7.7% year-on-year (y-o-y) in October, marking its fastest pace in nearly 14 years and the highest rate among major emerging East Asian peers that have released October inflation data thus far. October inflation also exceeded the BSP's target of 4.0% y-o-y for the year. Amid persistent domestic inflation and the United States (US) Federal Reserve maintaining its aggressive monetary stance, the market expects further BSP rate hikes before the year ends.

Meanwhile, the Philippines' seasonally adjusted gross domestic product (GDP) grew 2.9% quarter-on-quarter (q-o-q) in the third quarter (Q3) of 2022. On a y-o-y basis, GDP growth slightly crept up to 7.6% from 7.5% in the second quarter (Q2) of 2022. Soaring inflation, particularly in those sectors impacted by fuel and food prices, mainly contributed to the GDP slowdown in Q3 2022. The Philippine economy continued to be dragged down by headwinds and uncertainties in the global and regional outlook. From March through October, the equity market consistently posted monthly net foreign investor outflows, reflecting investors' negative sentiment toward the stock market. The bond market, on the other hand, faced marginal foreign capital inflows during Q3 2022. During the review period of 31 August and 14 October, the Philippine peso weakened 4.7% against the US dollar.

Size and Composition

During Q3 2022, the Philippines' LCY bond market grew a modest 3.6% q-o-q, reaching a total size of PHP11,063.1 billion (USD188.6 billion) at the end of September and reflecting faster growth compared to the 2.4% q-o-q expansion in Q2 2022 (**Table 1**). The upswing in q-o-q growth was caused by a decent rise in Treasury bonds and slight growth in the corporate bond segment.

Government bonds. The outstanding amount of LCY government bonds inched up to PHP9,635.7 billion at the end of September, displaying growth of 3.9% q-o-q in Q3 2022 after a 4.1% q-o-q increase in the previous quarter. The marginal decline in the q-o-q growth was due to the declining stock of Treasury bills, central bank securities, and other government bonds. However, Treasury bonds continued to dominate the government bond segment and showed the largest growth during the quarter, offsetting the contraction of all three components of the government bond segment.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	PHP	USD	PHP	USD	PHP	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**9,762**	**191**	**10,680**	**194**	**11,063**	**189**	**4.4**	**20.0**	**3.6**	**13.3**
Government	8,322	163	9,273	169	9,636	164	6.2	28.0	3.9	15.8
Treasury Bills	943	18	544	10	509	9	(7.9)	7.5	(6.5)	(46.0)
Treasury Bonds	6,880	135	8,108	147	8,669	148	8.3	24.3	6.9	26.0
Central Bank Securities	440	9	567	10	410	7	10.0	780.0	(27.7)	(6.8)
Others	60	1	54	1	48	0.8	(0.01)	50.2	(10.5)	(19.7)
Corporate	1,440	28	1,408	26	1,427	24	(5.1)	(11.9)	1.4	(0.9)

( ) = negative, PHP = Philippine peso, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, y-o-y = year-on-year.
Notes:
1. Bloomberg end-of-period local currency–USD rates are used.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. "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 and the National Food Authority, among others.
4. Peso Global Bonds (PHP-denominated bonds payable in USD) are not included.

Sources: Bloomberg LP and Bureau of the Treasury.

At the end of September, the outstanding size of Treasury bills plunged to PHP509.1 billion, exhibiting a drop of 6.5% q-o-q and 46.0% y-o-y. Issuance of Treasury bills declined during the quarter as investors sought higher yields that the government was not willing to accept.

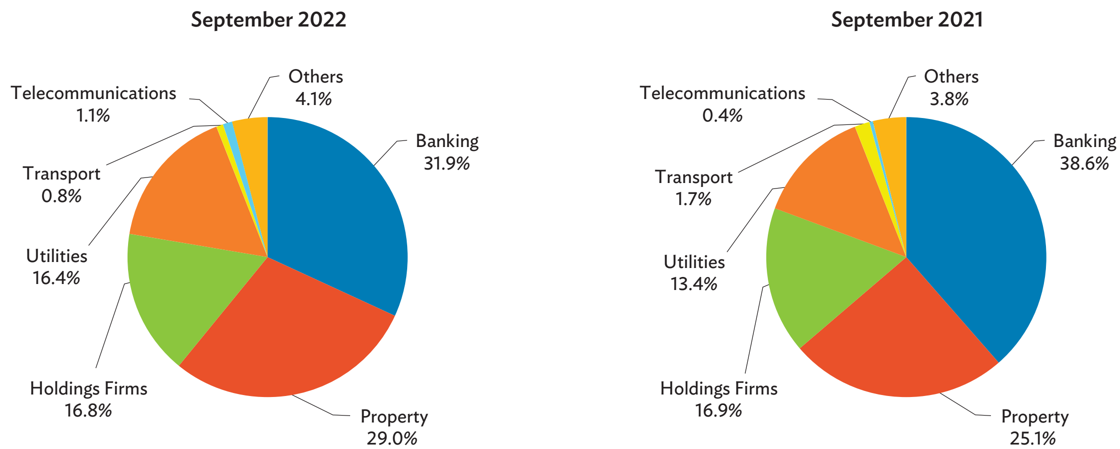
On the contrary, the outstanding amount of Treasury bonds rose to PHP8,668.6 billion at the end of September, posting a faster 6.9% q-o-q growth in Q3 2022 versus 3.9% q-o-q in Q2 2022. On a y-o-y basis, however, growth in outstanding Treasury bonds slipped to 26.0% in Q3 2022 from 27.7% in Q2 2022. Treasury bond issuance during the quarter rose 167.8% q-o-q, buoyed by the issuance of the 28th series of the Philippine government's Retail Treasury Bonds (RTB-28) on 7 September amounting to PHP420.4 billion. The issuance also included PHP108.5 billion from a bond exchange offer embedded in the issued RTB-28, where holders of the two retail bonds and two fixed-rate bonds that are set to mature later this year and early next year can switch to RTB-28, which bears a longer tenor of 5.5 years and a higher coupon rate of 5.75%. The exchange offer is intended to reduce the refinancing risk in the government's debt portfolio and the bond proceeds will be used to finance the government's infrastructure projects and development programs that aim to build an inclusive, broad-based, and sustainable economy.

Central bank securities, on the other hand, decreased by 27.7% q-o-q compared with 38.3% q-o-q growth in Q2 2022. Issuance of central bank bills totaled PHP1,670.2 in Q3 2022, down 4.1% q-o-q. The BSP opted to raise rates actively to help contain inflationary pressure.

Corporate bonds. In Q3 2022, the corporate bond segment's outstanding size grew to PHP1,427.4 billion, posting an increase of 1.4% q-o-q and a marginal decline of 0.9% y-o-y. Total corporate bond issuance during the quarter increased 37.7% q-o-q, reaching a total amount of PHP125.5 billion versus PHP91.2 billion in the previous quarter. Corporates rushed to sell bonds ahead of expected higher borrowing costs.

Banking and property institutions largely dominate the corporate bond market in the Philippines (**Figure 2**). Collectively, their outstanding bond stock accounted for 60.9% of the outstanding corporate total at the end of September. The banking sector remained the largest issuer of LCY corporate bonds with 31.9% of all outstanding debt in Q3 2022, reflecting a decline of 6.7 percentage points from Q3 2021, which was the most significant drop among all corporate bond sectors during the review period. On the other hand, property institutions' share in the corporate bond market increased to 29.0% from 25.1% in the previous year, while holding firms remained the third-largest issuer with outstanding debt slightly dipping to 16.8% at the end of September from 16.9% in the prior year.

Figure 2: Local Currency Corporate Bonds Outstanding by Sector



Source: Based on data from Bloomberg LP.

At the end of September, 80% of the top 30 corporate bond issuers in the Philippines comprised banks, holding firms, and property institutions. The top 30 firms had aggregate debt of PHP1,278.3 billion at the end of Q3 2022, which corresponded to 89.6% of the total corporate bond stock (**Table 2**). At the end of the quarter, the top issuer was a holding firm, SM Prime Holdings, with outstanding debt of PHP119.6 billion, or 8.4% of the total Philippine corporate bond stock. The second-largest corporate bond issuer was a property firm, Ayala Land, with bonds amounting to PHP118.3 billion, which corresponded to 8.3% of the total corporate bond stock at the end of September.

In Q3 2022, seven companies turned to the LCY corporate bond market for funding (**Table 3**). These companies were from the banking, property, and utility industries with total corporate bond issuance amounting to PHP125.5 billion and comprising 13 new bond series. During the quarter, SMC Global Power posted the largest aggregate issuance at PHP40.0 billion from the sale of its 3-, 5.8-, and 10-year bonds. The second-largest aggregate issuance came from Ayala Land, which raised a total of PHP33.0 billion from multiple tranches. Meanwhile, Security Bank issued the shortest-dated bond with a tenor of 1.5 years, and the longest-dated bond was issued by SMC Global Power with a tenor of 10 years.

Investor Profile

A majority of LCY government bonds were still held by banks and investment houses, whose holdings moderately increased to 44.5% at the end of September 2022 from 39.4% in the previous year (**Figure 3**). Others' investment share also posted a marginal increase to 8.3% from 8.1% during the review period. Contractual savings institutions and tax-exempt institutions remained the second-largest investor in the government bond segment; however, their investment share decreased to 32.9% in September 2022 from 35.1% in September 2021. Government-owned or -controlled corporations and local government units' investment share remained constant, while all other investors' holdings showed a downward trend from their previous investment percentage shares a year earlier.

Ratings Update

On 27 October, Fitch Ratings affirmed the Philippines' long-term foreign-currency debt rating at BBB with a negative outlook. The investment-grade credit rating reflects the sovereign's strong economic growth, sound external finances, and credible economic policy framework amid monetary tightening and domestic inflationary pressures. However, the rating agency maintained the negative outlook, citing risk from headwinds and uncertainties in the global economy—particularly higher interest rates, soaring commodity prices, and weaker external demand—that could affect the Philippines' medium-term growth prospects, fiscal adjustment path, and external buffers.

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.	SM Prime Holdings	119.6	2.0	No	Yes	Holding Firms
2.	Ayala Land	118.3	2.0	No	Yes	Property
3.	San Miguel	103.3	1.8	No	Yes	Holding Firms
4.	SMC Global Power	100.0	1.7	No	No	Electricity, Energy, and Power
5.	BDO Unibank	86.5	1.5	No	Yes	Banking
6.	Metropolitan Bank	76.3	1.3	No	Yes	Banking
7.	China Bank	51.6	0.9	No	Yes	Banking
8.	Aboitiz Power	51.0	0.9	No	Yes	Electricity, Energy, and Power
9.	Security Bank	50.8	0.9	No	Yes	Banking
10.	Rizal Commercial Banking Corporation	46.2	0.8	No	Yes	Banking
11.	Ayala Corporation	45.0	0.8	No	Yes	Holding Firms
12.	Petron	45.0	0.8	No	Yes	Electricity, Energy, and Power
13.	Vista Land	42.7	0.7	No	Yes	Property
14.	Bank of the Philippine Islands	42.4	0.7	No	Yes	Banking
15.	Filinvest Land	35.4	0.6	No	Yes	Property
16.	Union Bank of the Philippines	29.8	0.5	No	Yes	Banking
17.	Robinsons Land	29.6	0.5	No	Yes	Property
18.	Aboitiz Equity Ventures	27.6	0.5	No	Yes	Holding Firms
19.	SM Investments	25.0	0.4	No	Yes	Holding Firms
20.	Philippine National Bank	22.9	0.4	No	Yes	Banking
21.	Maynilad	18.5	0.3	No	No	Water
22.	Doubledragon	15.0	0.3	No	Yes	Property
23.	San Miguel Food and Beverage	15.0	0.3	No	Yes	Food and Beverage
24.	Philippine Savings Bank	12.7	0.2	No	Yes	Banking
25.	Bank of Commerce	12.5	0.2	No	Yes	Banking
26.	Megaworld	12.0	0.2	No	Yes	Property
27.	Puregold	12.0	0.2	No	Yes	Whole and Retail Trading
28.	Metro Pacific Investments	11.4	0.2	No	Yes	Holding Firms
29.	GT Capital	10.1	0.2	No	Yes	Holding Firms
30.	ACEN Corp	10.0	0.2	No	Yes	Electric
Total Top 30 LCY Corporate Issuers		**1,278.3**	**21.8**			
Total LCY Corporate Bonds		**1,427.4**	**24.3**			
Top 30 as % of Total LCY Corporate Bonds		**89.6%**	**89.6%**			

LCY = local currency, PHP = Philippine peso, USD = United States dollar.
Notes:
1. Data as of 30 September 2022.
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 Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (PHP billion)
SMC Global Power		
3-year bond	5.91	5.00
5.8-year bond	7.11	25.00
10-year bond	8.03	10.00
Ayala Land Inc.		
2-year bond	4.40	12.00
5-year bond	6.21	7.00
7-year bond	6.80	14.00
Security Bank		
1.5-year bond	3.74	16.00
Robinsons Land		
3-year bond	5.38	6.00
5-year bond	5.94	9.00
Bank of Commerce		
2-year bond	5.03	7.50
Megawide Construction		
3.5-year bond	6.95	1.60
5-year bond	7.97	2.40
ACEN Corp		
5-year bond	6.05	10.00

PHP = Philippine peso.
Source: Based on data from Bloomberg LP.

Policy, Institutional, and Regulatory Developments

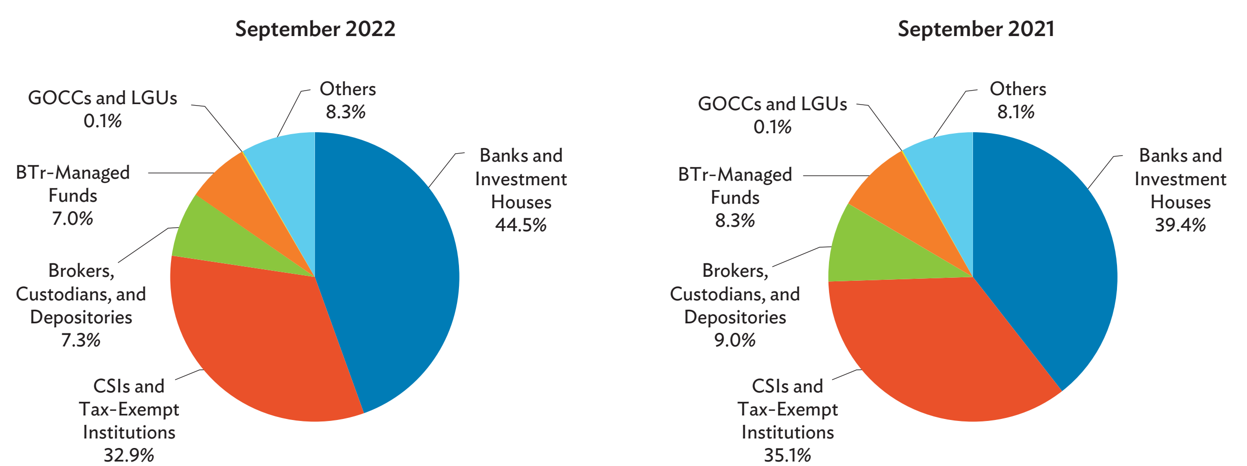
Bureau of the Treasury Releases Borrowing Program for October 2022

The Bureau of the Treasury intends to borrow PHP200 billion from local creditors in October by offering PHP60 billion worth of Treasury bills and PHP140 billion worth of Treasury bonds with tenors of 3, 6, 10, and 13 years. The borrowing program for October is the same as September's planned borrowing, which the Bureau of the Treasury failed to meet due to investors' demand for higher yield in anticipation of a continued rise in interest rates. However, the government remains confident that funding requirements for its various programs remain adequate against current market circumstances.

Government of the Philippines Taps the Global Bond Market a Third Time in 2022, Sells 25-Year Sustainable Bonds

In October, the Government of the Philippines tapped the global bond market for the third time this year, successfully raising a total of USD2 billion from a

Figure 3: Local Currency Government Bonds Investor Profile



BTr = Bureau of the Treasury, CSI = contractual savings institution, GOCC = government-owned or -controlled corporation, LGU = local government unit.
Source: Bureau of the Treasury.

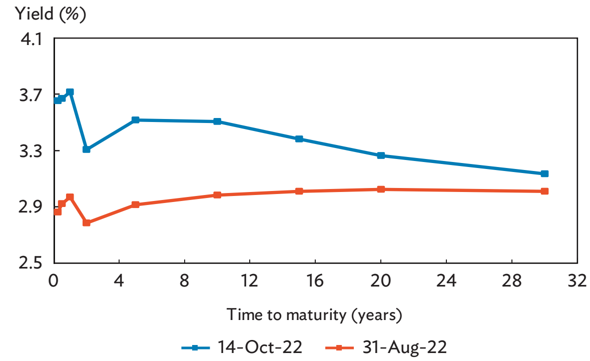
triple-tranche bond deal comprising a USD500 million 5-year bond, USD750 million 10.5-year bond, and USD750 million 25-year green bond. The total amount raised was a little less than the USD2.3 billion collected in the previous issuance in March, but the bonds carry higher interest rates. The new 5- and 10.5-year tranches were priced at 5.170% and 5.609%, respectively, and proceeds will be used for the government's budget financing. The 25-year tranche was priced at 6.10%, bearing a coupon of 5.95%, and was issued under the Sustainable Finance Framework of the Philippines, which marked the economy's third environmental, social, and governance G3 currency bond offering.

Singapore

Yield Movements

Between 31 August and 14 October, Singapore's local currency (LCY) government bond yield curve rose for all tenors (**Figure 1**). Government securities with short-term tenors (from 3 months to 1 year) soared 76 basis points (bps) on average. The belly of the curve (2 years to 15 years) increased 50 bps, while longer-term tenors (20 years and 30 years) jumped 18 bps. The yield spread between 10-year and 2-year government bonds marginally increased from 19.8 bps to 20.0 bps during the review period.

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



Source: Based on data from Bloomberg LP.

Yields increased as the Monetary Authority of Singapore (MAS) tightened its monetary policy in October to combat persistent inflationary pressure. The movement of the curve largely tracked the yield curve movements of United States (US) Treasuries, which rose for all tenors amid continued rate hikes by the US Federal Reserve.

On 14 October, the MAS decided to tighten its monetary policy for the fifth straight time since October 2021, moving the center of the Singapore dollar nominal effective exchange rate policy band to its prevailing level as the Singapore dollar had appreciated against the US dollar since July. The slope and width of the central bank's policy rate band was kept unchanged. This was the third time the center of the policy band was recentered following similar actions taken in April and July. The measure seeks to temper the impact of inflationary pressure in succeeding quarters.

Elevated prices for basic goods and services in Singapore were recorded in the third quarter (Q3) of 2022. Consumer price inflation in July was 7.0% year-on-year (y-o-y) before accelerating to 7.5% y-o-y in both August and September. In the first 9 months of 2022, the average inflation rate was 5.9% y-o-y, falling within the MAS full-year 2022 inflation forecast of around 6.0%.

Advance estimates showed that Singapore's gross domestic product jumped 4.4% y-o-y in Q3 2022, decelerating from the 4.5% y-o-y increase recorded in the previous quarter. The slower expansion was due to the lower growth logged in the manufacturing sector. Average economic growth in the first 3 quarters of 2022 was 4.2% y-o-y, which was above the Ministry of Trade and Industry's projection of 3.0%–4.0% for Singapore's 2022 annual economic growth. However, the MAS also projected the economy would grow at a slower pace in 2023.

Size and Composition

The LCY bond market of Singapore expanded 3.5% quarter-on-quarter (q-o-q) in Q3 2022, totaling SGD666.4 billion (USD464.3 billion) at the end of Q3 2022 and slightly accelerating from the 3.0% q-o-q gain in the second quarter (Q2) of 2022 (**Table 1**). On an annual basis, Singapore's bonds outstanding rose 14.1% y-o-y at the end of September, decelerating from the 17.3% y-o-y surge logged in the previous quarter. Singapore's bond market expansion was driven by growth in the government bond segment, which comprised 70.4% of total outstanding LCY bonds at the end of Q3 2022.

LCY bonds issued in Q3 2022 climbed 14.4% q-o-q, spurred by increased issuance of government bonds and extending the 16.1% q-o-q uptick logged in Q2 2022.

Government bonds. Outstanding LCY government bonds grew 5.1% q-o-q in Q3 2022, accelerating from the 3.8% q-o-q growth registered in the prior quarter. Outstanding Treasury fixed-income securities, which comprised 48.9% of Singapore's total outstanding

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**584**	**430**	**644**	**463**	**666**	**464**	**6.4**	**21.6**	**3.5**	**14.1**
Government	395	291	446	321	469	327	8.0	26.3	5.1	18.6
SGS Bills and Bonds	216	159	226	163	230	160	4.3	12.7	1.4	6.5
MAS Bills	180	132	220	158	240	167	12.9	47.7	8.8	33.2
Corporate	189	139	198	142	197	138	3.0	12.8	(0.03)	4.7

( ) = negative, 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. Corporate bonds are based on *AsianBondsOnline* estimates.
2. SGS bills and bonds do not include the special issue of SGS held by the Singapore Central Provident Fund.
3. Bloomberg LP end-of-period local currency–USD rates are used.
4. Growth rates are calculated from local currency base and do not include currency effects.

Sources: Bloomberg LP, Monetary Authority of Singapore, and Singapore Government Securities.

government bonds at the end of the quarter, rose 1.4% q-o-q. Central bank bills, which comprised the other 51.1%, expanded 8.8% q-o-q.

Issuance of LCY government bonds expanded 15.0% q-o-q during Q3 2022, slower than the 15.2% q-o-q expansion registered in Q2 2022. The amount of MAS securities and Singapore Government Securities issued during the quarter grew 17.1% q-o-q and 0.5% q-o-q, respectively. In August, Singapore's first sovereign green bond worth SGD2.4 billion was issued. With a tenor of 50 years, the issuance also extended the LCY government bond yield curve of Singapore.

Corporate bonds. Outstanding LCY corporate bonds showed a marginal decline of 0.03% q-o-q at the end of September. This was a reversal from the expansion of 1.4% q-o-q logged at the end of June.

The 30 largest issuers of LCY corporate bonds in Singapore had aggregate outstanding bonds worth SGD107.4 billion, or 54.4% of the total LCY corporate bond market, at the end of September (**Table 2**). The Housing & Development Board, a state-owned corporation, continued to be the biggest issuer in Q3 2022 with SGD28.0 billion of corporate bonds outstanding. By sector, real estate companies (40.3%) had the largest share with SGD43.2 billion of the total at the end of the review period.

LCY corporate bonds issued in Q3 2022 dropped 25.2% q-o-q, a reversal from the 113.0% q-o-q expansion logged in the previous quarter. Many companies chose not to raise funds through a bond issuance due to the high-interest-rate environment brought about by the monetary policy tightening of Singapore's central bank, which was meant to combat inflationary pressure in the economy.

In Q3 2022, the state-owned Housing & Development Board raised a total of SGD2.1 billion from the issuance of 5-year and 7-year bonds with coupon rates of 2.940% and 3.437%, respectively (**Table 3**). The 5-year tenor was the largest LCY corporate issuance in Singapore in Q3 2022. It was also a green bond with proceeds to be used to fund the statutory board's green building projects. The state-owned Public Utilities Board issued a green bond with the longest nonperpetual tenor in Singapore: a 30-year bond worth SGD800.0 million. Proceeds from the bond will be used to finance projects under the company's Green Financing Framework. United Overseas Bank raised SGD400.0 million through a floating-rate perpetual bond. Funds raised will be considered as tier 1 capital of the bank, as required by the MAS. Toward the end of August, real estate company Perennial Holdings sold a 2-year bond worth SGD44.3 million and with a periodic distribution rate of 6.5%. This was the highest coupon rate of any LCY corporate bond issuance in Singapore during Q3 2022.

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	28.0	19.5	Yes	No	Real Estate
2.	Singapore Airlines	14.7	10.3	Yes	Yes	Transportation
3.	Land Transport Authority	8.9	6.2	Yes	No	Transportation
4.	Temasek Financial	5.1	3.6	Yes	No	Finance
5.	CapitaLand	4.6	3.2	Yes	Yes	Real Estate
6.	United Overseas Bank	4.4	3.1	No	Yes	Banking
7.	Sembcorp Industries	4.1	2.9	No	Yes	Diversified
8.	Frasers Property	3.8	2.7	No	Yes	Real Estate
9.	Mapletree Treasury Services	3.3	2.3	No	No	Finance
10.	DBS Bank	2.9	2.0	No	Yes	Banking
11.	Oversea-Chinese Banking Corporation	2.2	1.5	No	Yes	Banking
12.	Keppel Corporation	2.2	1.5	No	Yes	Diversified
13.	CapitaLand Mall Trust	2.0	1.4	No	No	Finance
14.	City Developments Limited	2.0	1.4	No	Yes	Real Estate
15.	Singapore Technologies Telemedia	1.7	1.2	Yes	No	Utilities
16.	National Environment Agency	1.7	1.1	Yes	No	Environmental Services
17.	Shangri-La Hotel	1.5	1.0	No	Yes	Real Estate
18.	Public Utilities Board	1.4	1.0	Yes	No	Utilities
19.	Ascendas Real Estate Investment Trust	1.3	0.9	No	Yes	Finance
20.	PSA Treasury	1.3	0.9	Yes	No	Transportation
21.	Singtel Group Treasury	1.3	0.9	No	No	Finance
22.	Ascott Residence	1.2	0.8	No	Yes	Real Estate
23.	Suntec Real Estate Investment Trust	1.1	0.8	No	Yes	Real Estate
24.	Olam International	1.1	0.8	No	Yes	Consumer Goods
25.	GuocoLand Limited IHT	1.1	0.7	No	No	Real Estate
26.	Keppel Infrastructure Trust	1.1	0.7	No	No	Diversified
27.	Olam Group	1.0	0.7	No	Yes	Consumer Goods
28.	Singapore Press Holdings	1.0	0.7	No	Yes	Communications
29.	Singapore Post	1.0	0.7	No	Yes	Transportation
30.	Hyflux	0.9	0.6	No	Yes	Utilities
Total Top 30 LCY Corporate Issuers		**107.4**	**74.8**			
Total LCY Corporate Bonds		**197.4**	**137.6**			
Top 30 as % of Total LCY Corporate Bonds		**54.4%**	**54.4%**			

LCY = local currency, SGD = Singapore dollar, USD = United States dollar.
Notes:
1. Data as of 30 September 2022.
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 Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing & Development Board		
5-year bond	2.940	1,100.0
7-year bond	3.437	1,000.0
Public Utilities Board		
30-year bond	3.433	800.0
United Overseas Bank		
Perpetual bond	Floating	400.0
Perennial Holdings		
2-year bond	6.500	44.3

SGD = Singapore dollar.
Source: Bloomberg LP.

Policy, Institutional, and Regulatory Developments

Monetary Authority of Singapore Lays Out Vision for 2025

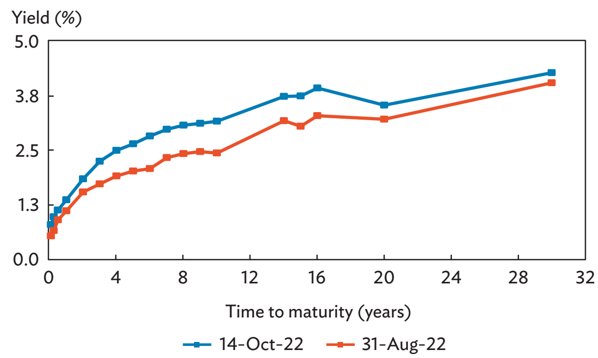
On 15 September, the MAS launched its Financial Services Industry Transformation Map 2025, which details Singapore's plans to be the chief financial center in the region. Under its key strategy of digitalizing financial infrastructure, the MAS aims to develop its bond market infrastructure by making the processes for listing, issuance, and settlement more efficient. This will allow investors to choose Singapore as their preferred destination for bond listing and issuance.

Thailand

Yield Movements

Between 31 August and 14 October, yields for Thailand's local currency (LCY) government bonds rose across all tenors, shifting the yield curve upward (**Figure 1**). The rise in yields was most pronounced along the belly of the curve, with yields for bonds with maturities from 3 years to 10 years posting an average gain of 64 basis points (bps). Meanwhile, yields for bonds with maturities of less than 3 years rose 27 bps on average, while bonds with maturities longer than 10 years registered an average yield increase of 49 bps. The 2-year yield rose 30 bps, while the 10-year yield jumped 73 bps. As a result, the spread between the 10-year and 2-year yields widened from 89 bps on 31 August to 132 bps on 14 October.

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



Sources: Based on data from Bloomberg LP.

The rise in Thai LCY government bond yields followed a global trend of rising sovereign bond yields in response to aggressive monetary policy tightening by the United States (US) Federal Reserve. Domestic factors—particularly monetary policy normalization by the Bank of Thailand (BOT), elevated inflation, and a stable bond supply in the near-term—also contributed to the rise in Thai bond yields.

The BOT increased its benchmark policy rate by 25 bps to 0.75% on 10 August, and by another 25 bps to 1.00% on 28 September, noting that monetary policy normalization would be gradual to support sustainable economic recovery. The rise in the policy rate pushed up bond yields, as market participants priced in expected rate hikes in the future.

Thailand's consumer price inflation eased to 6.0% year-on-year (y-o-y) in October from 6.4% y-o-y in September and 7.9% y-o-y in August, but remained among the highest in emerging East Asia. The BOT expects inflation for full-year 2022 to reach 6.3% y-o-y before declining to 2.6% y-o-y in 2023 as global oil prices and supply chain bottlenecks ease.

On 27 September, the Thai government approved the public debt management plan for fiscal year 2023, which covers the period from October 2022 to September 2023. The borrowing plan included a maximum bond issuance amount of THB273.0 billion in October–December 2022 and a total of THB1.05 trillion of government debt issuance for fiscal year 2023. The announcement of the new borrowing plan assured an ample supply of LCY bonds in the near-term, which contributed to the decline in bond prices and the rise in yields.

The Thai economy continued to recover, with gross domestic product (GDP) growth accelerating to 4.5% y-o-y in the third quarter (Q3) of 2022 from 2.5% y-o-y in the second quarter (Q2) 2.2% y-o-y in the first quarter. The return of tourists amid the relaxation of travel restrictions continued to underpin Thailand's economic recovery. The National Economic and Social Development Council expects the Thai economy to expand at a rate of 3.2% in 2022 and within a range of 3.0% to 4.0% y-o-y in 2023 on the back of the continued tourism revival and private consumption growth.

The Thai baht depreciated 4.3% against the US dollar between 31 August and 14 October, trading at THB38.01 to USD1.0 on 14 October. From 1 January to 14 October, the Thai baht depreciated 12.3% against the US dollar, in line with the weakening of regional currencies against the US dollar amid continued monetary policy tightening by the US Federal Reserve.

Size and Composition

The outstanding stock of LCY bonds in Thailand totaled THB15,494.7 billion (USD410.7 billion) at the end of September (**Table 1**). Quarterly growth accelerated

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	THB	USD	THB	USD	THB	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**14,563**	**430**	**15,108**	**427**	**15,495**	**411**	**2.5**	**3.9**	**2.6**	**6.4**
Government	10,552	312	10,860	307	11,105	294	2.2	2.8	2.3	5.2
Government Bonds and Treasury Bills	6,683	198	7,327	207	7,603	201	3.1	16.5	3.8	13.8
Central Bank Bonds	2,926	86	2,571	73	2,522	67	0.3	(21.0)	(1.9)	(13.8)
State-Owned Enterprise and Other Bonds	943	28	962	27	980	26	2.4	14.5	1.9	4.0
Corporate	4,011	119	4,247	120	4,390	116	3.4	6.7	3.4	9.5

( ) = negative, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = 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 local currency–USD rates are used.
3. Growth rates are calculated from local currency base and do not include currency effects.
Source: Bank of Thailand.

to 2.6% in Q3 2022 from 0.7% in Q2 2022. The faster growth was driven by a rebound in the government bond segment, which outpaced the slowdown in the corporate bond segment. On an annual basis, Thailand's outstanding stock of LCY bonds rose 6.4% y-o-y in Q3 2022, the same rate of growth recorded in the prior quarter. Thailand's LCY bond market continued to be dominated by government bonds. At the end of September, government bonds accounted for 71.7% of the total LCY bond market, while corporate bonds comprised the remaining 28.3%.

Government bonds. The stock of outstanding LCY government bonds amounted to THB11,104.8 billion at the end of September. The government bond market expanded 2.3% q-o-q in Q3 2022, reversing the 0.7% q-o-q contraction in the previous quarter. Growth was driven by expansions in government bonds and Treasury bills (3.8% q-o-q) and state-owned enterprise and other bonds (1.9% q-o-q). Meanwhile, the stock of outstanding BOT bonds continued to decline, dropping 1.9% q-o-q in Q3 2022 after recording a contraction of 8.9% q-o-q in Q2 2022. On a y-o-y basis, Thailand's LCY government bonds outstanding rose 5.2% in Q3 2022, the same rate of expansion posted in the previous quarter.

Outstanding government bonds and Treasury bills reached THB7,602.6 billion at the end of September, accounting for 68.5% of the Thai LCY government bond market. Outstanding BOT bonds (THB2,521.9 billion) and state-owned enterprise and other bonds (THB980.3 billion) comprised 22.7% and 8.8%, respectively, of the total government bond stock at the end of September.

Issuance of new LCY government bonds totaled THB1,654.4 billion in Q3 2022. Issuance expanded 5.2% q-o-q, reversing the 5.9% q-o-q decline in Q2 2022. Growth in issuance was mainly driven by a rebound in BOT bond issuance. Meanwhile, issuance of government bonds and Treasury bills, as well as state-owned enterprise and other bonds, recorded contractions in Q3 2022, as the central government and state-owned agencies had already frontloaded borrowing during the first half of the year. On an annual basis, government bond issuance continued to decline, falling 11.3% y-o-y in Q3 2022 after a 9.1% y-o-y drop in the previous quarter. The government continued to ease coronavirus disease (COVID-19)-related borrowing as economic recovery gained ground with the revival of tourism.

The Thai government issued its second sustainability bond in Q3 2022—a 14-year and 9-month bond amounting to THB35.0 billion. The original target size for the sustainability bond was THB20.0 billion, but the government upsized the issuance in response to high demand. Proceeds from the bond will be used to fund the government's measures for COVID-19 relief as well as capital expenditures for agricultural water resources development and management.

Corporate bonds. Thailand's LCY corporate bond market expanded 3.4% q-o-q and 9.5% y-o-y in Q3 2022 to reach a size of THB4,389.8 billion at the end of September. Growth eased from 4.6% q-o-q and 9.5% y-o-y in the previous quarter due to maturities and a contraction in issuance.

At the end of September, the outstanding stock of LCY bonds of Thailand's top 30 issuers amounted to THB2,500.2 billion, comprising 57.0% of the Thai LCY corporate bond market (**Table 2**). CP ALL, True Corporation, and PTT remained the top three corporate issuers with an outstanding bond stock of THB241.1 billion, THB177.1 billion, and THB158.4 billion, respectively. The top 30 corporate issuers were predominantly firms in the energy and utilities, commerce, and communication sectors. The total outstanding

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	241.1	6.4	No	Yes	Commerce
2.	True Corporation	177.1	4.7	No	Yes	Communications
3.	PTT	158.4	4.2	Yes	Yes	Energy and Utilities
4.	Siam Cement	135.0	3.6	Yes	Yes	Construction Materials
5.	Charoen Pokphand Foods	131.5	3.5	No	Yes	Food and Beverage
6.	Thai Beverage	129.2	3.4	No	No	Food and Beverage
7.	Berli Jucker	107.4	2.8	No	Yes	Commerce
8.	Gulf Energy Development	104.5	2.8	No	Yes	Energy and Utilities
9.	True Move H Universal Communication	97.1	2.6	No	No	Communications
10.	CPF Thailand	89.2	2.4	No	No	Food and Beverage
11.	PTT Global Chemical	86.7	2.3	No	Yes	Petrochemicals and Chemicals
12.	Indorama Ventures	80.6	2.1	No	Yes	Petrochemicals and Chemicals
13.	Banpu	79.4	2.1	No	Yes	Energy and Utilities
14.	Bangkok Commercial Asset Management	68.6	1.8	No	Yes	Finance and Securities
15.	Bank of Ayudhya	68.4	1.8	No	Yes	Banking
16.	Minor International	62.4	1.7	No	Yes	Hospitality and Leisure
17.	Krung Thai Bank	62.1	1.6	Yes	Yes	Banking
18.	Muangthai Capital	60.9	1.6	No	Yes	Finance and Securities
19.	Toyota Leasing Thailand	56.7	1.5	No	No	Finance and Securities
20.	BTS Group Holdings	54.8	1.5	No	Yes	Transportation and Logistics
21.	Global Power Synergy	53.5	1.4	No	Yes	Energy and Utilities
22.	dtac TriNet	50.4	1.3	No	Yes	Communications
23.	Bangchak	46.5	1.2	No	Yes	Energy and Utilities
24.	Magnolia Quality Development	45.6	1.2	No	No	Property Development
25.	Krungthai Card	45.4	1.2	No	Yes	Finance and Securities
26.	Sansiri	45.4	1.2	No	Yes	Property Development
27.	TPI Polene	42.7	1.1	No	Yes	Construction Materials
28.	Bangkok Expressway & Metro	41.6	1.1	No	Yes	Transportation and Logistics
29.	B Grimm Power	40.7	1.1	No	Yes	Energy and Utilities
30.	Land & Houses	37.8	1.0	No	Yes	Property Development
Total Top 30 LCY Corporate Issuers		**2,500.2**	**66.3**			
Total LCY Corporate Bonds		**4,389.8**	**116.3**			
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 30 September 2022.
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.

bond stock of the energy and utilities firms among the top 30 list comprised 11.3% of the total LCY corporate bond market. A majority of the top 30 were listed on the Stock Exchange of Thailand, while only three were state-owned firms.

Issuance of new corporate debt totaled THB556.8 billion in Q3 2022. Corporate debt issuance declined 6.9% q-o-q amid rising borrowing costs as the Bank of Thailand raised its policy rate twice during the review period. To rein in record-high inflation, the BOT raised its benchmark rate by 25 bps in August and by another 25 bps in September.

A total of 83 companies tapped the LCY bond market for their financing needs in Q3 2022. Notable issuers in Q3 2022 are listed in **Table 3**. Gulf Energy was the top issuer during the review period, raising a total of THB35.0 billion from seven tranches, including the single largest issue in Q3 2022—a 4-year bond worth THB15.9 billion. SCG Chemicals was the next largest issuer, with total issuance of THB30.0 billion from a quintuple-tranche bond with maturities ranging from 3 years to 12 years. True Corporation raised a total of THB17.0 billion from bonds with maturities ranging from 1 year to 5 years. Three companies issued perpetual bonds during the quarter. Minor International, Siam Piwat, and Dusit Thani issued perpetual bonds amounting to THB13.0 billion, THB4.0 billion, and THB1.5 billion, respectively.

Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
Gulf Energy[a]		
3-year bond	3.26	7.0
4-year bond	3.50	15.9
4-year bond	3.50	2.2
5-year bond	3.57	1.0
7-year bond	3.90	5.1
7-year bond	3.90	0.8
10-year bond	4.31	3.0
SCG Chemicals		
3-year bond	2.77	10.2
5-year bond	3.25	11.8
6-year bond	3.39	1.8
10-year bond	4.00	4.1
12-year bond	4.14	2.1
True Corporation		
1-year bond	3.00	3.7
2-year bond	3.25	0.6
3.3-year bond	4.00	4.0
4-year bond	4.25	1.7
5-year bond	4.90	7.0
Minor International		
Perpetual bond	6.10	13.0
Siam Piwat		
Perpetual bond	5.50	4.0
Dusit Thani		
Perpetual bond	8.00	1.5

THB = Thai baht.
[a] Multiple issuance of the same tenor indicates issuance on different dates.
Source: Bloomberg LP.

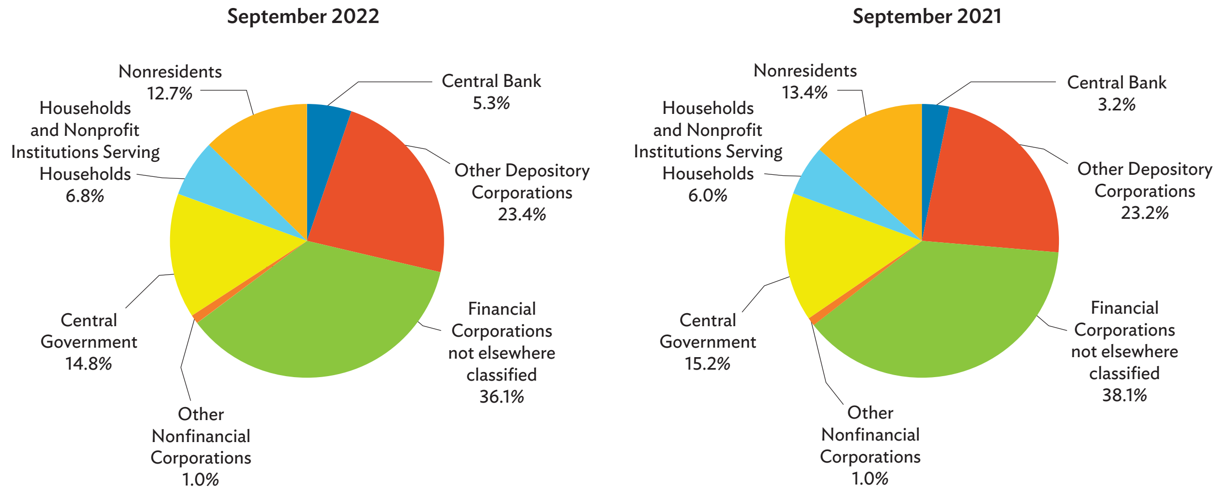
Investor Profiles

Central government bonds. Financial corporations, other depository corporations, the central government, and nonresidents were the primary holders of government bonds at the end of September 2022 (**Figure 2**). These four investor groups collectively held 86.9% of Thai government bonds outstanding at the end of the review period. Financial corporations held the highest share of government bonds at 36.1%, down from 38.1% a year earlier. The share of other depository corporations, which include commercial banks and finance companies, was little changed at 23.4% at the end of September from 23.2% a year prior. The central government, including state-owned nonprofit enterprises and the Social Security Office, had a 14.8% share at the end of September, while nonresidents' holdings of Thai government bonds slid to 12.7% from 13.4% a year earlier.

Central bank bonds. Other depository corporations and financial corporations remained the primary holders of BOT bonds, with combined holdings amounting to 78.2% of BOT bonds outstanding at the end of September (**Figure 3**). The share of other depository corporations increased to 45.9% at the end of September from 41.7% a year prior. Meanwhile, financial corporations' holdings rose to 32.3% at the end of September from 30.6% a year earlier. The BOT's holdings of its own bonds slipped to 10.3% from 13.6% during the same period. Nonresidents' holdings of BOT bonds remained negligible at 0.2% at the end of September, down from 0.3% at year earlier.

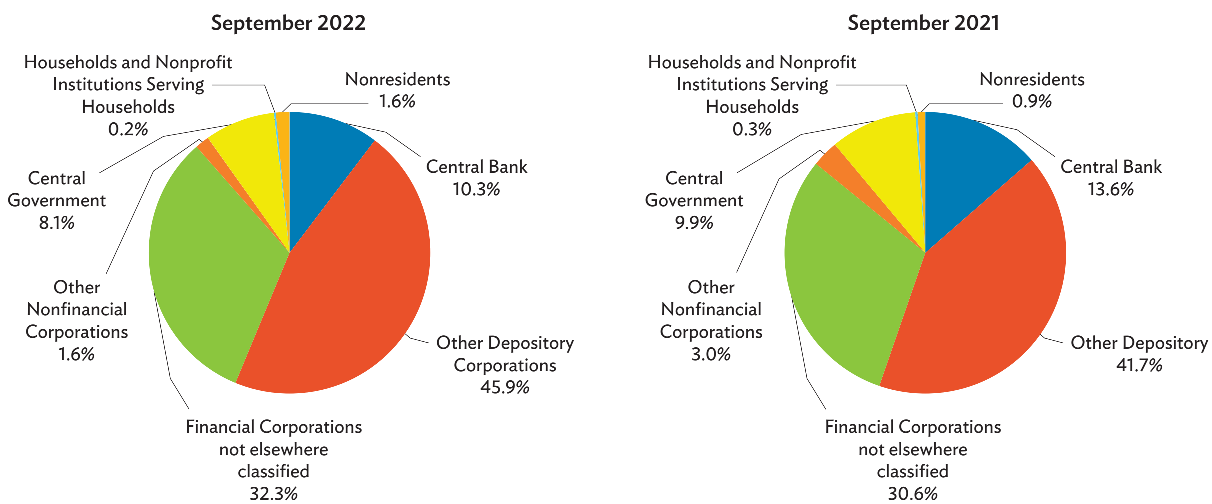
In Q3 2022, the Thai LCY bond market recorded net outflows of THB0.7 billion from foreign investors (**Figure 4**). Capital flows in the Thai bond market were highly influenced by the Federal Reserve's rate hikes during the review period. The Thai bond market

Figure 2: Local Currency Government Bonds Investor Profile



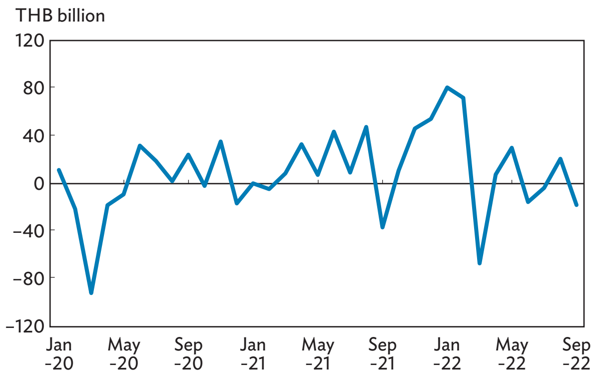
Note: Government bonds include Treasury bills and bonds.
Source: *AsianBondsOnline* and Bank of Thailand.

Figure 3: Local Currency Central Bank Securities Investor Profile



Source: Bank of Thailand.

Figure 4: Foreign Investor Net Trading of Local Currency Bonds in Thailand



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

recorded net outflows of THB3.6 billion in July, net inflows of THB20.8 billion in August, and net outflows of THB17.9 billion in September. The Federal Reserve's rate hikes in July and September increased the rate differential between Treasury and Thai sovereign bonds, resulting in net outflows from the Thai bond market.

Policy and Regulatory Developments

Thai Cabinet Approves Public Debt Management Plan for Fiscal Year 2023

On 27 September, the Thai cabinet approved the public debt management plan for fiscal year 2023, which started on 1 October. The plan puts the ceiling for government borrowing for fiscal year 2023 at THB1.05 trillion, of which THB820.0 billion was allotted for new central government debt to offset the annual budget deficit, manage liquidity in the Treasury, and invest in infrastructure projects. The remaining THB233.0 billion was allocated for new debt for state enterprises and other government agencies to finance investments in transport infrastructure, power transmission systems, and other general operations. Under the new plan, the ratio of public debt-to-GDP will reach 60.4% by the end of fiscal year 2023, which is within the public debt ceiling of 70.0% of GDP.

Public Debt Management Offices Plans to Issue THB130.0 Billion of Government Savings Bonds in Fiscal Year 2023

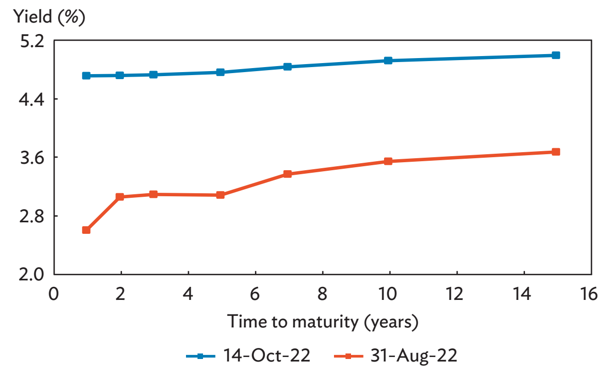
On 12 October, the Public Debt Management Office (PDMO) announced that it plans to sell THB130.0 billion of government savings bonds in fiscal year 2023. The PDMO assessed that there is ample liquidity in the Thai bond market for government bond issuance. In fiscal year 2023, the PDMO will focus on issuing medium-term bonds with maturities of 10–20 years in response to high market demand for such tenors. The government plans to borrow up to THB30.0 billion from international lenders such as the Asian Development Bank and the Japan International Cooperation Agency, and it will not issue USD-denominated bonds unless necessary.

Viet Nam

Yield Movements

Between 31 August and 14 October, Viet Nam's local currency (LCY) government bond yields climbed across the curve, resulting in the yield curve shifting upward (**Figure 1**). Bond yields gained the most at the shorter-end, with the 1-year maturity rising 212 basis points (bps), and rose the least at the longer-end, with the 15-year bond gaining 132 bps. Yield upticks for the 2-year to 5-year maturities averaged 166 bps, while those for tenors of 7 years to 10 years climbed 143 bps on average. As yields rose more at the shorter-end than the longer-end, the yield curve flattened during the review period, leading the spread between the 10-year and 2-year bonds to narrow from 49 bps on 31 August to 20 bps on 14 October.

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



Source: Based on data from Bloomberg LP.

Viet Nam posted the largest upticks in both the 10-year and 2-year tenors among all emerging East Asian markets during the review period. Higher bond yields were largely driven by the surprise 100 bps rate hike by the State Bank of Vietnam (SBV) on 23 September. Subsequently, the SBV raised rates by another 100 bps on 25 October, lifting the refinancing rate to 6.0%. The rate hikes were taken to contain inflationary pressure and lead inflation below the government's target of 4.0% for 2022. Year-to-date consumer price inflation soared to 4.0% in September and climbed further to 4.2% in October. In addition, the rate hike also aimed to help stabilize the Vietnamese dong (VND) amid the broad strengthening of the United States (US) dollar due to the aggressive pace of monetary tightening by the Federal Reserve. Next to the Hong Kong dollar, the dong depreciated the least among regional currencies during the review period, weakening by only 2.8% against the US dollar.

Also contributing to the yield gains in Viet Nam was its strong economic performance thus far in 2022. Economic growth, as measured by real gross domestic product (GDP) accelerated to 13.7% year-on-year (y-o-y) in the third quarter (Q3) of 2022 after rising 7.7% y-o-y in the second quarter (Q2). GDP growth for Q3 2022 was buoyed by strong performances in manufacturing and exports, but was also due in part to a low-base effect from a year earlier. GDP growth in Q3 2022 was the second-fastest print among all regional markets that have released Q3 data at the time of writing. Since Q2 2022, Viet Nam's GDP growth has returned to pre-pandemic levels as economic activities rebounded. In the first 9 months of the year, GDP grew 8.8% y-o-y, the fastest pace since 2011, exceeding the revised 7.0% target by the Ministry of Planning and Investment for full-year 2022.

Size and Composition

At the end of Q3 2022, Viet Nam's LCY bond market showed a marginal contraction of 0.2% quarter-on-quarter (q-o-q) to a size of VND2,323.5 trillion (USD97.4 billion), reversing the previous quarter's rapid growth of 8.0% q-o-q (**Table 1**). The decline was mainly due to a contraction in the government bond segment and a slowdown in the corporate bond segment. Compared with the same quarter in the previous year, Viet Nam's bond market grew 21.1% y-o-y in Q3 2022, slowing from the 31.4% y-o-y expansion in Q2 2022. At the end of September, government bonds remained prevalent in Viet Nam's LCY bond market, accounting for a 69.1% share of the total bond stock. The remaining 30.9% share was attributable to corporate bonds.

Government bonds. Viet Nam's LCY government bond market contracted 2.0% q-o-q to a size of VND1,604.9 trillion at the end of September. Much of the decline can be attributed to central bank bills, whose outstanding bond stock fell significantly by 70.3% q-o-q in Q3 2022. In contrast to the previous quarter's aggressive expansion, central bank bills displayed the largest decline

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,919,434	84	2,327,764	100	2,323,523	97	8.3	23.7	(0.2)	21.1
Government	1,427,691	63	1,637,409	70	1,604,918	67	4.3	9.8	(2.0)	12.4
Treasury Bonds	1,284,678	56	1,392,934	60	1,434,693	60	4.5	11.0	3.0	11.7
Central Bank Bills	0	0	102,410	4	30,400	1	–	–	(70.3)	–
Government-Guaranteed and Municipal Bonds	143,014	6	142,066	6	139,826	6	2.3	(0.3)	(1.6)	(2.2)
Corporate	491,743	22	690,355	30	718,606	30	22.0	96.1	4.1	46.1

( ) = negative, – = not applicable, 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 local currency–USD rates are used.
2. Growth rates are calculated from local currency base and do not include currency effects.
Sources: Bloomberg LP and Vietnam Bond Market Association.

among all bond segments during Q3 2022. At the end of September, the total stock of central bank bills slumped to VND30.4 trillion from VND102.4 trillion at the end of June. While issuance of central bank bills in Q3 2022 surged more than threefold, it had no significant impact on the outstanding stock due to the short-term nature of the bills' maturity profile.

At the end of September, Treasury bonds expanded to VND1,434.7 trillion in Q3 2022, continuing to dominate the government bond segment in Viet Nam. Growth picked up to 3.0% q-o-q in Q3 2022 from 0.8% q-o-q in Q2 2022 on increased issuance during the quarter. Treasury bond issuance rose 64.3% q-o-q to reach USD45.7 trillion in Q3 2022. Issuance of Treasury bonds was concentrated in long-term maturities, with 10-year bonds comprising 56.5% of the total issuance during the quarter. The remaining 43.5% share was accounted for by newly issued 15-year Treasury bonds.

In Q3 2022, the outstanding size of government-guaranteed and municipal bonds showed a slight drop of 1.6% q-o-q compared with the modest growth of 2.3% q-o-q in Q2 2022. The total size decreased to VND139.8 trillion at the end of September from VND142.1 trillion at the end of June, as issuance exceeded maturities. The sole issuance of government-guaranteed bonds during the quarter came from the Vietnam Bank for Social Policies' issuance of 3-year bonds amounting to VND500.0 billion.

Corporate bonds. Growth in the corporate bond segment moderated to 4.1% q-o-q in Q3 2022 from 9.5% q-o-q in Q2 2022. At the end of September, the total outstanding corporate bond stock climbed to VND718.6 trillion and was mainly dominated by the banking and property industries, which collectively accounted for 75.3% of the aggregate corporate bond stock.

Viet Nam's top 30 corporate issuers largely comprised firms from the banking and property sectors, including a few finance and energy firms. The top 30 firms had an aggregate bond stock amounting to VND448.6 trillion at the end of September, which was equivalent to 62.4% of the total LCY corporate bond market (**Table 2**). The top corporate issuer remained the state-owned Bank for Investment and Development of Vietnam, with an outstanding bond stock of VND58.4 trillion at the end of Q3 2022, or the equivalent of 8.1% of the total corporate bond stock of Viet Nam.

In Q3 2022, bond issuance activities from the corporate segment slowed, with total debt sales amounting to VND48.5 trillion. This represented a contraction of 29.8% q-o-q in Q3 2022, reversing the strong 120.5% gain posted in the preceding quarter. Issuance was dragged down by the implementation of tighter regulations for the issuance and trading of private placement issues. The majority of corporate bonds in Viet Nam are issued via private placement.

The five largest corporate bond issuances in Q3 2022 are presented in **Table 3**, all of which were from banking institutions. Orient Commercial Joint Stock Bank was the top corporate issuer during the review period with aggregate issuance amounting to VND5.6 trillion in multiple tranches of 3-year bonds. The top issuer in the previous quarter, state-owned Bank for Investment and

Table 2: Top 30 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.	Bank for Investment and Development of Vietnam	58,422	2.45	Yes	Yes	Banking
2.	Vietnam Prosperity Joint Stock Commercial Bank	30,600	1.28	No	Yes	Banking
3.	Orient Commercial Joint Stock Bank	29,535	1.24	No	No	Banking
4.	Vietnam International Joint Stock Commercial Bank	28,950	1.21	No	Yes	Banking
5.	Asia Commercial Joint Stock Bank	28,700	1.20	No	Yes	Banking
6.	Ho Chi Minh City Development Joint Stock Commercial Bank	28,182	1.18	No	Yes	Banking
7.	Lien Viet Post Joint Stock Commercial Bank	25,090	1.05	No	Yes	Banking
8.	Masan Group	18,800	0.79	No	Yes	Finance
9.	Military Commercial Joint Stock Bank	18,646	0.78	No	Yes	Banking
10.	Tien Phong Commercial Joint Stock Bank	17,949	0.75	No	Yes	Banking
11.	Vietnam Joint Stock Commercial Bank for Industry and Trade	17,589	0.74	Yes	Yes	Banking
12.	Vietnam Technological and Commercial Joint Stock Bank	14,600	0.61	No	Yes	Banking
13.	An Binh Commercial Joint Stock Bank	11,300	0.47	No	No	Banking
14.	NoVa Real Estate Investment Corporation JSC	10,981	0.46	No	Yes	Property
15.	Saigon - Ha Noi Commercial Joint Stock Bank	10,150	0.43	No	Yes	Banking
16.	Vinhomes JSC	9,935	0.42	No	Yes	Property
17.	Vietnam Maritime Joint Stock Commercial Bank	9,399	0.39	No	Yes	Banking
18.	Sovico Group Joint Stock Company	8,550	0.36	No	Yes	Property
19.	Bank for Foreign Trade of Vietnam JSC	8,240	0.35	No	Yes	Banking
20.	Saigon Glory Company Limited	8,000	0.34	No	No	Property
21.	Southeast Asia Commercial Joint Stock Bank	7,826	0.33	No	Yes	Banking
22	Bac A Commercial Joint Stock Bank	7,535	0.32	No	Yes	Banking
23.	Golden Hill Real Estate JSC	5,701	0.24	No	No	Property
24.	Vietnam Bank for Agriculture and Rural Development	5,688	0.24	Yes	No	Banking
25.	Vingroup	5,425	0.23	No	Yes	Property
26.	Sai Gon Thuong Tin Commercial Joint Stock Bank	4,800	0.20	No	Yes	Banking
27.	Thai Son - Long An JSC	4,600	0.19	No	No	Property
28.	VPBank SMBC Finance Company Limited	4,500	0.19	No	No	Finance
29.	Phu My Hung Corporation	4,497	0.19	No	No	Property
30.	Trung Nam Dak Lak 1 Wind Power JSC	4,440	0.19	No	No	Energy
Total Top 30 LCY Corporate Issuers		**448,629**	**18.80**			
Total LCY Corporate Bonds		**718,606**	**30.12**			
Top 30 as % of Total LCY Corporate Bonds		**62.4%**	**62.4%**			

LCY = local currency, USD = United States dollar, VND = Vietnamese dong.
Notes:
1. Data as of 30 September 2022.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Sources: *AsianBondsOnline* calculations based on Bloomberg LP and Vietnam Bond Market Association data.

Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)
Orient Commercial Joint Stock Bank[a]		
3-year bond	4.50	1,000
3-year bond	-	1,000
3-year bond	-	1,000
3-year bond	-	500
3-year bond	-	300
3-year bond	-	300
3-year bond	-	1,000
3-year bond	-	500
Bank for Investment and Development of Vietnam[a]		
8-year bond	0.9% + average interest rate for 12-month deposit	1,000
1.75-year bond	4.60	1,500
1.75-year bond	4.60	1,500
8-year bond	0.9% + reference rate	370
7-year bond	0.75% + reference rate	124
15-year bond	-	60
7-year bond	-	500
Vietnam Joint Stock Commercial Bank for Industry and Trade[a]		
8-year bond	0.9% + average interest rate for 12-month deposit	195
15-year bond	6.80	185
8-year bond	0.9% + reference rate	50
8-year bond	0.9% + average interest rate for 12-month deposit	50
15-year bond	-	100
8-year bond	-	230
10-year bond	-	90
8-year bond	1.1% + interest rate for 12-month deposit	3,000
Asia Commercial Joint Stock Bank[a]		
1-year bond	4.50	500
1-year bond	-	150
1-year bond	-	150
1-year bond	-	500
1-year bond	-	1,000
2-year bond	-	1,500
Military Commercial and Joint Stock Bank[a]		
3-year bond	4.80	3,000
3-year bond	-	500
7-year bond	-	100

– = not available, VND = Vietnamese dong.
[a] Multiple issuance of the same tenor indicates issuance on different dates.
Source: Vietnam Bond Market Association.

Development of Vietnam came in as the second-largest issuer in Q3 2022, with bonds totaling VND5.1 trillion in multiple issuances of varied tenors. In Q3 2022, 83 new corporate bonds issued by 34 companies were added to the corporate bond stock. Of the total issuance amount, 75.1% was from firms in the banking sector.

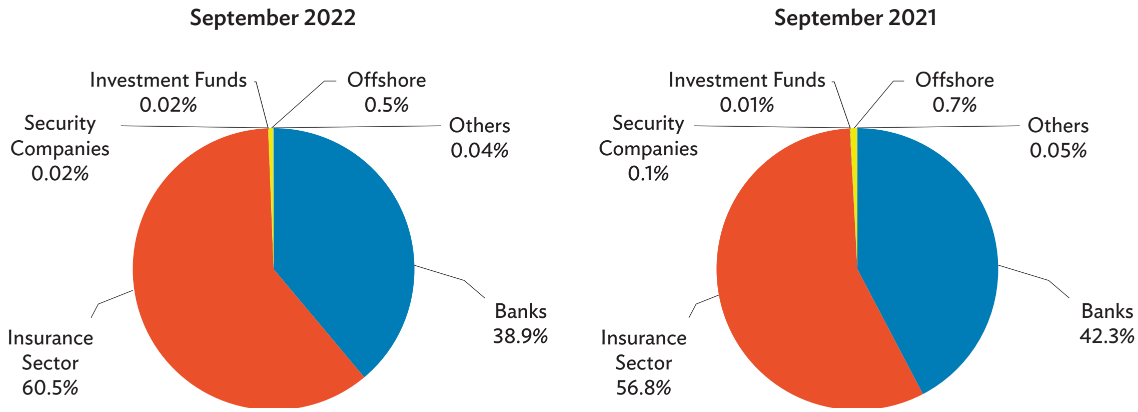
Investor Profile

Viet Nam's LCY government bonds are largely held by insurance and banking institutions (**Figure 2**). At the end of September 2022, 60.5% of outstanding government bonds were held by insurance companies, up from a 56.8% holdings share in September 2021. During the same review period, banking institutions' holdings share in the LCY government bond market dropped to 38.9% from 42.3%. Offshore investors continued to account for a marginal share of less than 1.0% at the end of Q3 2022.

Ratings Update

On 28 October, Fitch Ratings affirmed Viet Nam's long-term foreign currency credit rating at BB with a positive outlook. The rating affirmation was an indication of Viet Nam's strong medium-term growth prospects, favorable external debt profile, and lower government debt compared to its peers. The positive outlook was also retained in anticipation of continued medium-term growth in Viet Nam's exports stemming from its cost competitiveness, trade diversion from the People's Republic of China, and implementation of key trade agreements despite the vulnerability of Viet Nam's economy to external shocks due to the high degree of its trade openness.

Figure 2: Local Currency Government Bonds Investor Profile



Source: Ministry of Finance, Government of Viet Nam.

Policy, Institutional, and Regulatory Developments

Government Releases Guidance on Offering and Trading Privately Issued Corporate Bonds

In September, the Government of Viet Nam promulgated Decree No. 65/2022/ND-CP (Decree 65) to amend the existing regulations on the offering and trading of privately issued bonds. Decree 65 aims to enhance transparency and sustainability in the bond market by tightening disclosure requirements and imposing more stringent conditions on bonds' private placements. It was developed to protect investors in several key areas, such as limiting the purpose of bond proceeds, implementing new requirements on the issuer's credit rating, and mandating additional disclosures by the issuers. Decree 65 also launches the centralized bond exchange system for bond registration and trading, which is expected to be operational by June 2023.

State Bank of Vietnam Regulates Bank Guarantees

In September, the SBV issued Circular No. 11/2022/TT-NHNN regulating bank guarantees. The circular presents the legal framework and the practical requirements to ensure consistency with international practices and conformity with the applicable laws and regulations. It also aims to resolve the current gaps in regulation while still ensuring the effectiveness, safety, and smooth operations of bank guarantees performed by local and foreign credit institutions. The new circular will take effect on 1 April 2023 and will replace previous circulars regulating bank guarantees that were issued in 2015 and 2017.

State Bank of Vietnam Releases Guidance on Foreign Exchange Management for Foreign Borrowing and Foreign Debt Repayment

At the end of September, Circular No. 12/2022/TT-NHNN was issued by the SBV to provide guidelines on foreign exchange administration relating to institutions' foreign borrowings and foreign debt repayments, which are not guaranteed by the government. The new circular focuses on public administrative reform, supplementing related processes and procedures, and improving the reporting mechanism to sustain enterprises' practical needs to borrow and pay off foreign debts and meet the SBV's management objectives. The circular seeks to improve the legal framework for companies' borrowing and repayment of foreign loans, reflect the targets of public administrative reform through simplification and application of information technology in providing public services, and support companies to mobilize foreign financial resources for their business operations.