

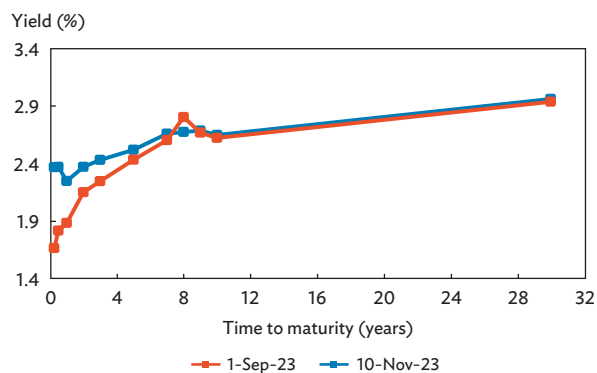
Market Summaries

People’s Republic of China

Yield Movements

Between the review period of 1 September and 10 November, local currency (LCY) government bond yields in the People’s Republic of China (PRC) rose for most maturities following cues from the United States Federal Reserve that it would leave policy rates elevated for an extended period (Figure 1). Yields rose more at the shorter-end, with the 2-year yield rising 22 basis points while the 10-year yield rose only 2 basis points, capped by nonexistent inflation of 0.0% year-on-year (y-o-y) from 0.1% y-o-y in September, as well as a decline in gross domestic product growth from 6.3% y-o-y in the second quarter of 2023 to 4.9% y-o-y in the third quarter (Q3), which was still higher than expected. Also dragging on the economic outlook were continued property market woes. Country Garden declared a default on 25 October, triggering a payout of its credit default swaps. Evergrande is also still in ongoing talks regarding the restructuring of its debt.

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

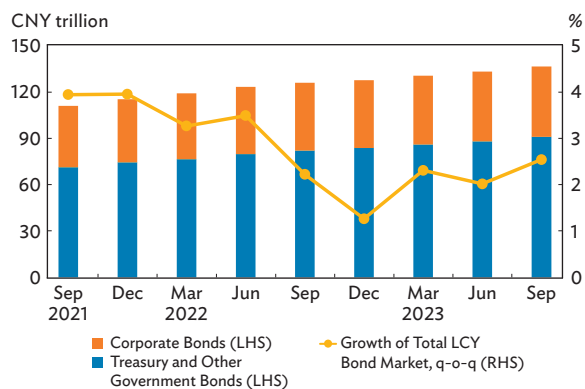


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

LCY bonds outstanding in the PRC posted a modest expansion in Q3 2023 as the government urged local governments to complete their bond quotas by September 2023 (Figure 2). Overall LCY bonds outstanding in the PRC rose 2.5% quarter-on-quarter (q-o-q) to CNY136.3 trillion at the end of September. By sector, government bonds outstanding grew 3.3% q-o-q to CNY90.8 trillion as local governments sought to completely utilize their bond quota by the end of September. Corporate bonds outstanding grew 1.1% q-o-q to CNY45.5 trillion.

Figure 2: Composition of Local Currency Bonds Outstanding in the People’s Republic of China

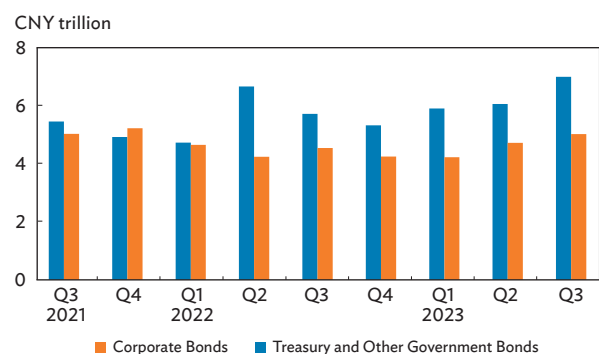


CNY = Chinese yuan, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: CEIC Data Company.

LCY bond sales in the PRC totaled CNY12.0 trillion in Q3 2023, growing 11.5% q-o-q largely due to local government bond issuance (Figure 3). Issuance of Treasury and other government bonds climbed 15.5% q-o-q in Q3 2023 to CNY7.0 trillion. Corporate bond issuance growth moderated to 6.5% q-o-q to CNY5.0 trillion from 11.8% q-o-q in the second quarter as bond defaults weighed on investor sentiment.

Figure 3: Composition of Local Currency Bond Issuance in the People's Republic of China



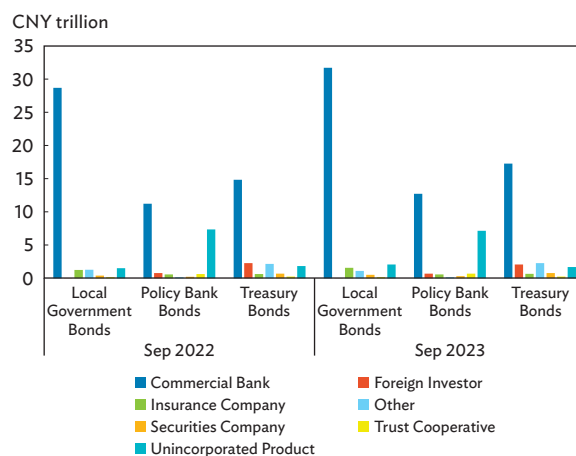
CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: CEIC Data Company.

Investor Profile

Commercial banks remained the largest holder of government bonds at the end of September (Figure 4). Commercial banks are the dominant investor in the PRC with such a high share that the PRC has the second-highest Herfindahl–Hirschman Index score in emerging East Asia.⁹ Commercial banks held nearly 80% of total government bonds outstanding at the end of September and were the most active in local government bond purchases with a share of 85.4%.

Figure 4: Investor Profile of Local Government Bonds, Policy Bank Bonds, and Treasury Bonds



CNY = Chinese yuan.

Source: CEIC Data Company.

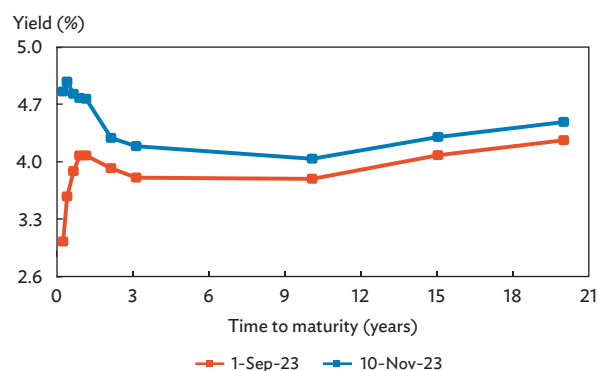
⁹ The Herfindahl–Hirschman Index is a commonly accepted measure of market concentration. In this case, the index was used to measure the investor profile diversification of the local currency bond market and is calculated by summing the squared share of each investor group in the bond market.

Hong Kong, China

Yield Movements

Between 1 September and 10 November, local currency (LCY) government bond yields in Hong Kong, China rose across all tenors (Figure 1). The average yield increase was 70 basis points, with more pronounced increases for short-term bonds. The rise in yields was primarily driven by expectations that the United States Federal Reserve will maintain higher interest rates longer than previously expected as well as growing uncertainty stemming from the impacts on the domestic economy of a global economic slowdown and geopolitical tensions.

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

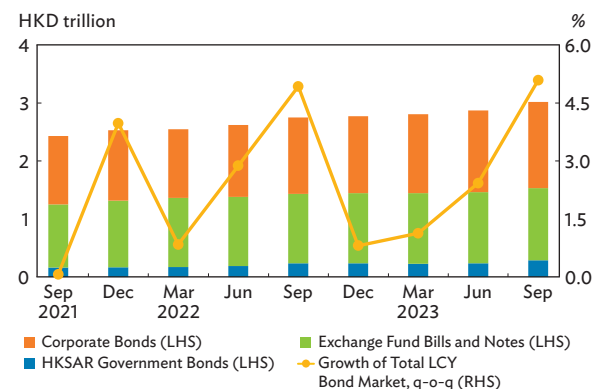


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

LCY bonds outstanding in Hong Kong, China expanded to HKD3.0 trillion at the end of September, posting 5.1% quarter-on-quarter (q-o-q) growth. This was driven by the increase in both government and corporate outstanding bonds (Figure 2). Hong Kong Special Administrative Region (HKSAR) bonds outstanding reached HKD0.3 trillion, growing by 23.2% q-o-q due to a large issuance of retail government bonds in the third quarter (Q3) of 2023. Meanwhile, the LCY corporate bonds outstanding rose 5.6% q-o-q to reach HKD1.5 trillion, and they maintained a share of nearly half of Hong Kong, China's total LCY bond market. Exchange Fund Bills and Exchange Fund Notes (HKD1.2 trillion) comprised 41.1% of total outstanding LCY bonds at the end of September, while HKSAR bonds accounted for the remaining 9.6% share.

Figure 2: Composition of Local Currency Bonds Outstanding in Hong Kong, China

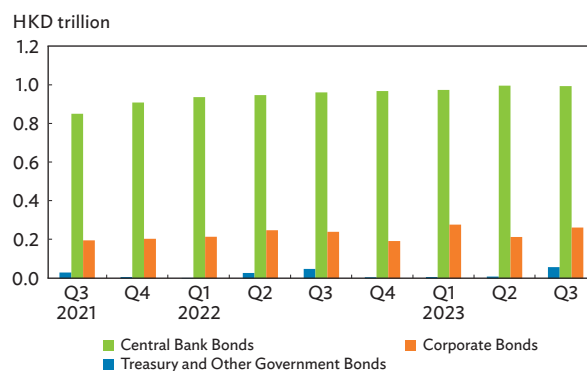


HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Hong Kong Monetary Authority.

LCY bond issuance in Hong Kong, China picked up in Q3 2023 due largely to a rebound in corporate bond sales (Figure 3). Total bond issuance registered HKD1.3 trillion in Q3 2023, up 7.8% from the previous quarter. Corporate debt sales recovered, rising 22.9% q-o-q to HKD263.3 billion due to improved investor sentiment amid sustained economic growth. Hong Kong Mortgage Corporation was the top nonbank corporate issuer during the quarter with total issuance amounting to HKD14.7 billion. Meanwhile, HKSAR bond issuance jumped to HKD58.5 billion in Q3 2023 from HKD9.5 billion in the previous quarter, driven primarily by a HKD55.0 billion Silver Bond issuance in August.¹⁰ Issuance of Exchange Fund Bills and Exchange Fund Notes totaled HKD994.6 billion in Q3 2023, down 0.3% from the previous quarter.

Figure 3: Composition of Local Currency Bond Issuance in Hong Kong, China



HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Hong Kong Monetary Authority.

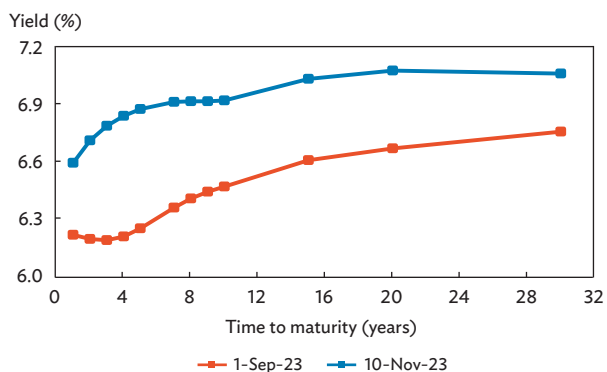
¹⁰ Silver Bonds are 3-year inflation-linked government bonds intended for purchase by citizens 60 years and older.

Indonesia

Yield Movements

Local currency (LCY) government bond yields in Indonesia rose for all maturities from 1 September to 10 November (Figure 1). Yields climbed an average of 48 basis points across the curve, largely driven by the United States Federal Reserve hinting that it would keep rates elevated for an extended period and the unexpected rate hike by Bank Indonesia on its 18–19 October Board of Governors meeting. Bank Indonesia raised the 7-day reverse repurchase rate by 25 basis points to support rupiah stability and avert further capital outflows from its financial market. In addition, the government programmed a higher bond issuance target in the fourth quarter of 2023 to support increased government spending in the latter part of the year.

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



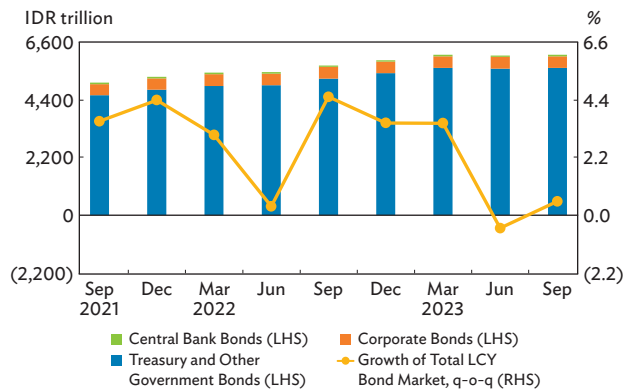
Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

LCY bond market growth in Indonesia rebounded in the third quarter (Q3) of 2023, buoyed by increased issuance of government bonds during the quarter.

The LCY bond market posted growth of 0.5% quarter-on-quarter (q-o-q), after a 0.5% q-o-q contraction in the second quarter, with the market's size reaching IDR6,163.4 trillion at the end of September (Figure 2). Growth was largely generated by an increase in the stock of outstanding government bonds due to higher issuance volume in Q3 2023. On the other hand, the outstanding stock of corporate bonds posted a marginal decline as the volume of issuance was more than offset by maturities during the quarter.

Figure 2: Composition of Local Currency Bonds Outstanding in Indonesia



() = negative, IDR = Indonesian rupiah, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

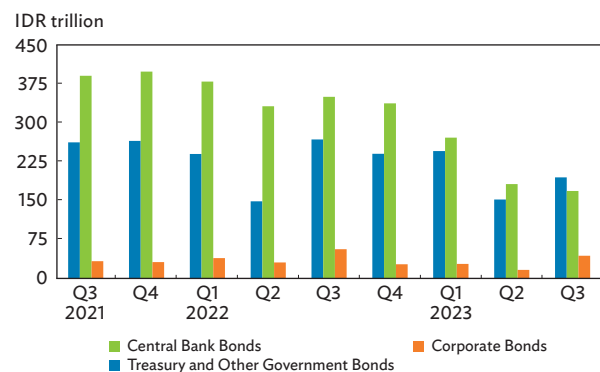
Note: Data includes *sukuk* (Islamic bonds). Data for Treasury and other government bonds comprise tradable and nontradable central government bonds.

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

LCY bond issuance in Indonesia tallied IDR406.0 trillion in Q3 2023 on growth of 16.1% q-o-q amid still elevated interest rates (Figure 3).

Treasury bond issuance rose 27.9% q-o-q following tepid issuance in the previous quarter. However, some Treasury auctions during the quarter were not fully awarded as investors sought higher rates. Corporate bond issuance also grew more than two-fold during the quarter. The largest corporate bond issuances during the quarter came from Indah Kiat Pulp & Paper, Bank Mandiri, and Lontar Papyrus, which accounted for 14.9%, 11.6%, and 6.9%, respectively, of the Q3 2023 corporate issuance total.

Figure 3: Composition of Local Currency Bond Issuance in Indonesia

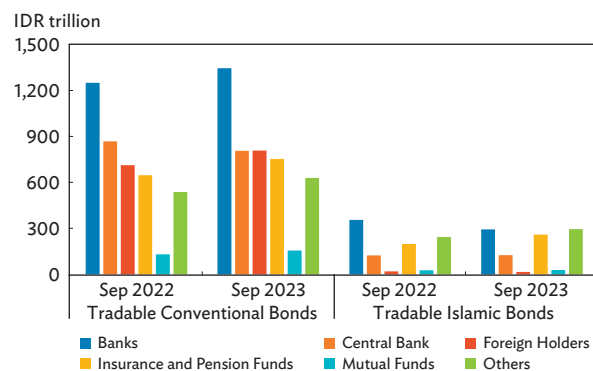


IDR = Indonesian rupiah, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Note: Data includes *sukuk* (Islamic bonds). Data for Treasury and other government bonds comprise tradable and nontradable central government bonds.
 Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

Investor Profile

Domestic investors remained the largest holder of tradable central government bonds in Indonesia. By the end of September, local investor holdings comprised 82.4% of conventional bonds and an even larger share of 98.2% for Islamic bonds (Figure 4). Overall, banking institutions were the largest holders of government bonds, accounting for about a third of the total tradable bonds at the end of September. All other investor groups accounted for an average holdings share of 16.7%, except for mutual funds (3.3%). Among regional peers, Indonesia had the most diverse investor holdings, as measured by its score on the Herfindahl–Hirschman Index.¹¹

Figure 4: Investor Profile of Tradable Central Government Bonds



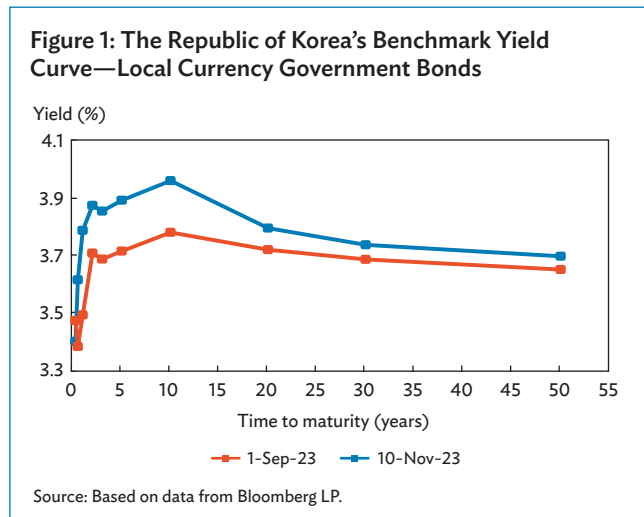
IDR = Indonesian rupiah.
 Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

¹¹ The Herfindahl–Hirschman Index is a common measure of market concentration. The index was used to measure the investor profile diversification of the local currency bond market and is calculated by summing the squared share of each investor group in the bond market.

Republic of Korea

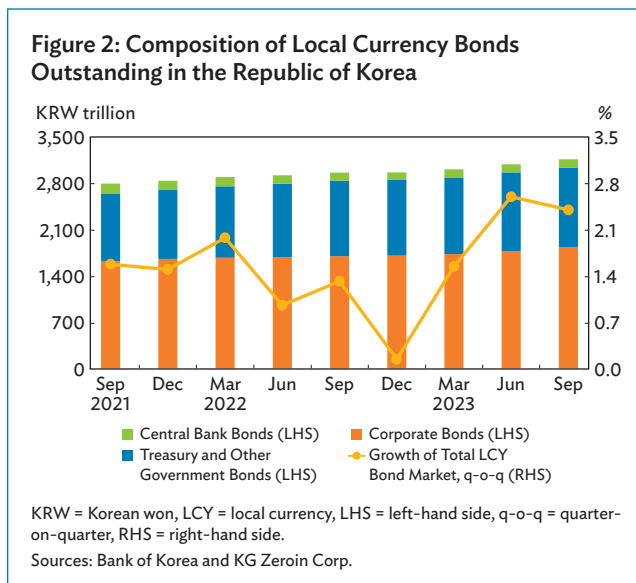
Yield Movements

Local currency (LCY) government bond yields in the Republic of Korea rose for most tenors between 1 September and 10 November on expectations of a prolonged tight monetary stance from the United States Federal Reserve (Figure 1). The Bank of Korea (BOK) at its 19 October monetary policy meeting kept the base rate at 3.50% amid higher inflation and growth uncertainties due to the Federal Reserve’s signal of an extended period of elevated rates, rising household debt in the domestic market, and recent geopolitical tensions. These factors pushed up the yields during the review period. Market expectations of the BOK’s continued restrictive monetary policy for the rest of the year also pushed up yields. The BOK stated that although inflation is expected to slow, it may remain above 3.0% for the remainder of the year, which is still higher than the 2.0% target.



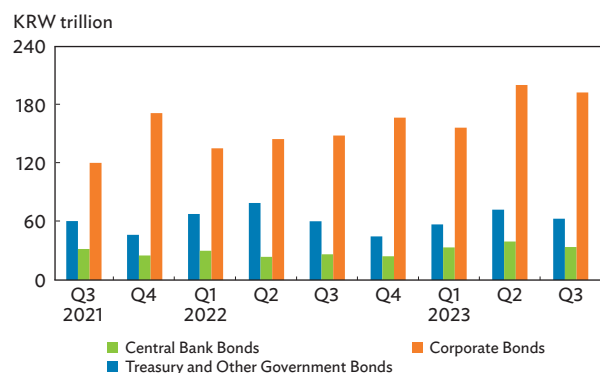
Local Currency Bond Market Size and Issuance

LCY bonds outstanding in the Republic of Korea rose 2.4% quarter-on-quarter (q-o-q) to KRW3,166.8 trillion at the end of the third quarter (Q3) of 2023, driven by growth in both the government and corporate bond segments. Corporate bonds continued to comprise more than half of total bonds outstanding in Q3 2023 and posted growth of 3.3% q-o-q, while government bonds outstanding rose at a slower pace of 1.2% q-o-q in Q3 2023 (Figure 2). Overall growth in Q3 2023 moderated from 2.6% q-o-q in the previous quarter due to a decline in quarterly issuances across all types of bonds.



Total LCY bond issuance fell 7.2% q-o-q to KRW290.2 trillion in Q3 2023 as issuance declined for all bond segments. Government bonds issuance in Q3 2023 declined 12.9% q-o-q from a relatively high base in the second quarter of 2023 as the government had pursued a frontloading policy of releasing 65% of the 2023 budget in the first half of the year (**Figure 3**). Issuance of corporate bonds also fell, but at a slower pace of 3.8% q-o-q, due to higher borrowing costs amid a prolonged high-interest-rate environment. Corporate bond issuance in Q3 2023 continued to be dominated by banks and financial institutions.

Figure 3: Composition of Local Currency Bond Issuance in the Republic of Korea

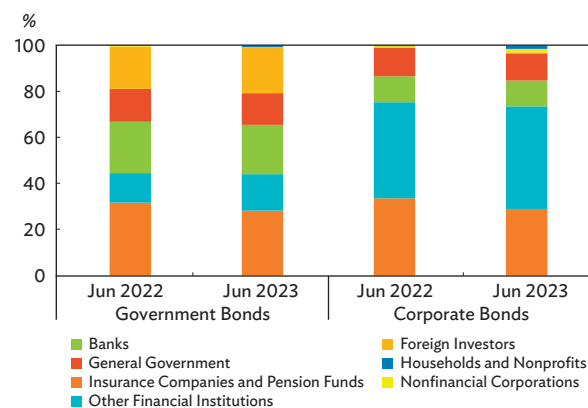


KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Sources: Bank of Korea and KG Zeroin Corp.

Investor Profile

Insurance companies and pension funds remained the largest investor group in the Republic of Korea’s LCY bond market at the end of June 2023. They held a collective 28.4% share of the LCY bond market, but this was lower than their 32.3% share from a year ago. Insurance companies and pension funds accounted for more than 25% of all holdings in both the government and corporate bond markets (**Figure 4**). However, other financial institutions collectively had the largest holdings share in the corporate bond market at the end of June with 44.6% of the total. Foreign holdings in the LCY corporate bond market remained negligible in the second quarter of 2023, but foreign holdings in the LCY government bond market increased to 20.0% at the end of June from 18.4% a year earlier. Foreign holdings of LCY government bonds may have declined in Q3 2023 as bonds registered smaller net foreign inflows in July and reversed to net outflows in August and September. Foreign investors sold domestic bonds in recent months due to the weakening of the Korean won and the widening interest rate differential with US Treasuries, whose yields rose at a more rapid pace, making returns on Korean yields less attractive.

Figure 4: Local Currency Bonds Outstanding Investor Profile

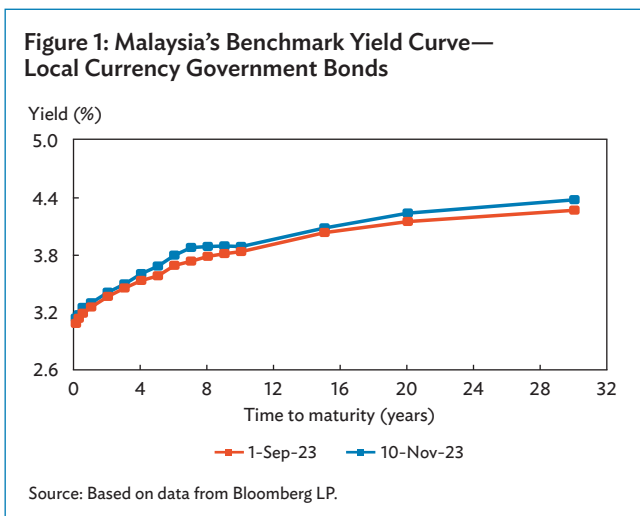


Sources: AsianBondsOnline and Bank of Korea.

Malaysia

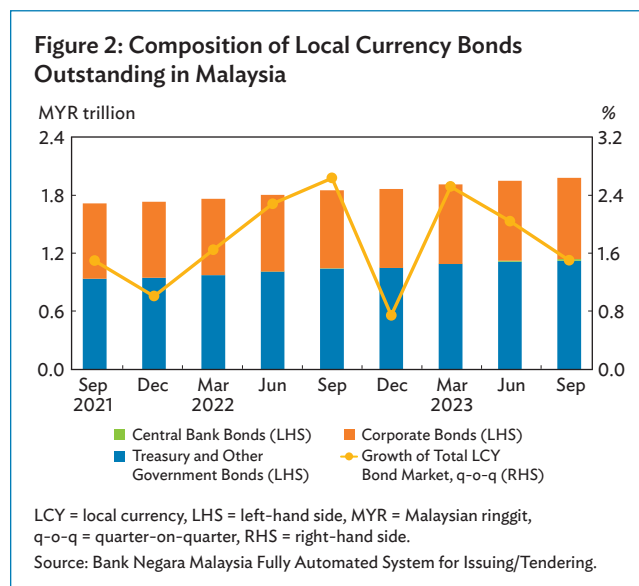
Yield Movements

Malaysia’s local currency (LCY) government bond yields increased between 1 September and 10 November (Figure 1). The yield curve of Malaysia shifted upward, broadly mirroring the movement in United States Treasury yields during the review period. At its 2 November meeting, Bank Negara Malaysia kept its overnight policy rate steady at 3.00%. Investors remained cautious as the United States Federal Reserve indicated that it would keep interest rates elevated longer than previously forecast.



Local Currency Bond Market Size and Issuance

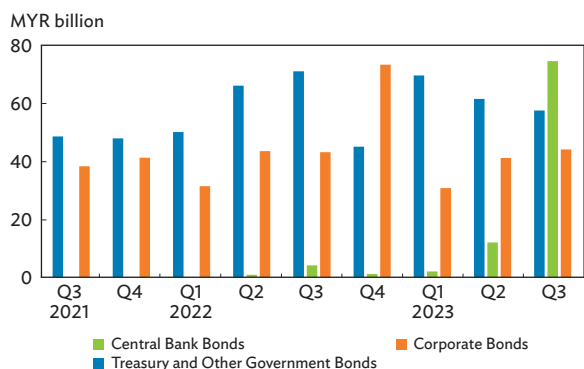
The size of Malaysia’s LCY bond market increased in the third quarter (Q3) of 2023. LCY bonds outstanding grew 1.5% quarter-on-quarter (q-o-q), reaching MYR1,982.6 billion at the end of September (Figure 2). All LCY bond types expanded in Q3 2023—led by Bank Negara Malaysia bills, which grew 29.2% q-o-q—as the stock of fixed-income securities increased and corporate bonds grew 1.7% q-o-q on higher supply. Government-owned finance company Danalinfra Nasional remained the top corporate bond issuer at the end of September 2023, with a total of MYR82.2 billion of outstanding corporate bonds.



LCY bonds issued in Malaysia expanded during the review period. Issuance of LCY bonds grew 53.7% q-o-q, supported by increased issuance of central bank bills and corporate bonds (Figure 3). The level of issuance of Malaysian Government Securities (conventional bonds) and Government Investment Issues (*sukuk*, or Islamic bonds) was the same compared with the previous quarter. Cagamas remained the top issuer with a total of MYR5.8 billion in new issuance in Q3 2023.

Outstanding LCY *sukuk* increased to MYR1.3 trillion at the end of September on quarterly growth of 1.0%. *Sukuk* comprised 63.8% of Malaysia’s LCY bonds outstanding at the end of Q3 2023, with Treasury and corporate *sukuk* driving the expansion of the Islamic bond market.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia

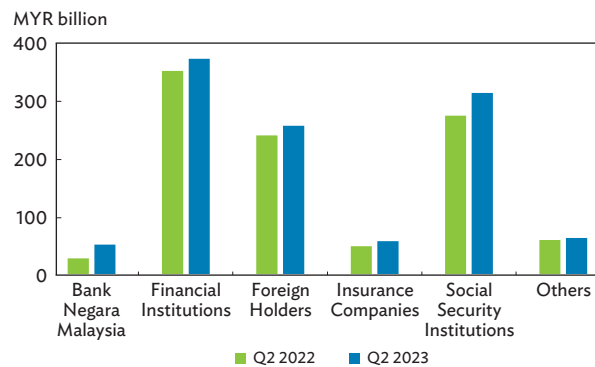


MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Investor Profile

Domestic investors held 76.9% of total LCY government bonds at the end of the second quarter of 2023, up slightly from the 76.0% holdings in the same period in the previous year (Figure 4). Financial institutions had the largest share among investors, holding 33.5% of total LCY government bonds, which was less than the 35.2% share in the same period last year. The share of social security institutions, insurance companies, and Bank Negara Malaysia increased during the review period. On the other hand, foreign investors’ share declined due to the hawkish stance of the Federal Reserve, which in September signaled that it would keep interest rates elevated for an extended period.

Figure 4: Local Currency Government Bonds Investor Profile



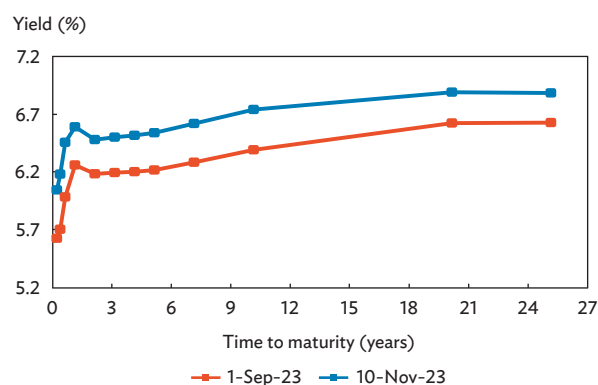
Q2 = second quarter.
 Note: “Others” include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.
 Source: Bank Negara Malaysia.

Philippines

Yield Movements

Between 1 September and 10 November, local currency (LCY) government bond yields in the Philippines rose for all maturities amid persistent elevated inflation (Figure 1). The increase in yields was driven by the Bangko Sentral ng Pilipinas' (BSP) hawkish monetary policy stance to bring inflation down within its target range of 2.0%–4.0%. Consumer price inflation accelerated in August to 5.3% year-on-year (y-o-y) from 4.7% y-o-y in July and further climbed to 6.1% y-o-y in September, driven by high food and energy prices. In an off-cycle meeting on 26 October, the BSP raised by 25 basis points the overnight reverse repurchase rate to 6.50%. The central bank is expected to keep its monetary tightening policy until inflation is brought down within the government's target even though inflation slowed to 4.9% y-o-y in October.

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

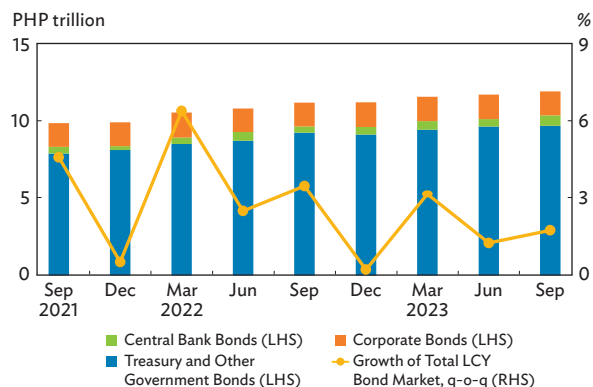


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

In the third quarter (Q3) of 2023, the Philippines' LCY bond market increased 1.8% quarter-on-quarter (q-o-q), driven by higher issuances from the government and central bank. Outstanding central bank securities grew 44.8% q-o-q as issuance increased during the quarter to mop up excess liquidity in the market brought about by the BSP's reduction of the reserve requirement ratio and the expiration of pandemic-related relief measures on 30 June (Figure 2). Treasury and other government bonds outstanding posted slower growth of 0.3% q-o-q versus 2.3% q-o-q in the previous quarter, as the government failed to meet its borrowing plan for the quarter due to investors' demand for higher yields. Meanwhile, the corporate bond stock contracted 2.4% q-o-q to a size of PHP1.6 trillion, driven by reduced issuance during the quarter. Total corporate bonds outstanding were dominated by the property sector with a 31.9% share of the total LCY corporate bonds outstanding in Q3 2023.

Figure 2: Composition of Local Currency Bonds Outstanding in the Philippines



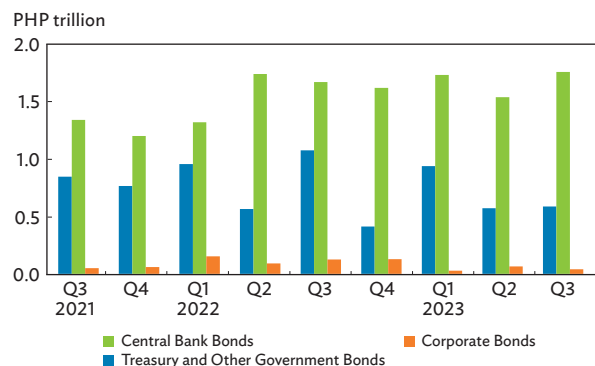
LCY = local currency, LHS = left-hand side, PHP = Philippine peso, q-o-q = quarter-on-quarter, RHS = right-hand side.

Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and 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.

Sources: Bureau of the Treasury and Bloomberg LP.

LCY bond issuance grew 9.6% q-o-q on an expansion of government bonds and central bank securities (Figure 3). Growth of 14.3% q-o-q in the issuance of central bank securities was buoyed by the new 56-day BSP bill that was launched on 30 June as an additional tenor under the BSP Securities Facility to effectively manage changing liquidity conditions in the economy. Issuance of Treasury and other government bonds grew 2.5% q-o-q in Q3 2023 as the government increased its borrowing plan by 25% in August from PHP180.0 billion in July due to a large volume of government bond maturities in August 2023. Meanwhile, elevated borrowing costs pushed corporate bond issuance to contract 38.8% q-o-q, or 68.5% compared to the same period in the previous year. During the quarter, only three firms tapped the bond market for funding with the largest issuance coming from Security Bank with debt sales amounting to PHP18.5 billion.

Figure 3: Composition of Local Currency Bond Issuance in the Philippines



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, PHP = Philippine peso.

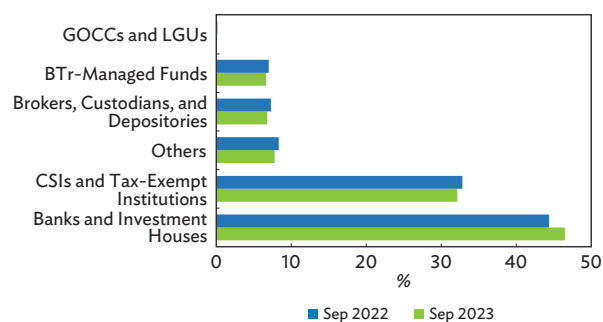
Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management and the National Food Authority, among others.

Sources: Bureau of the Treasury and Bloomberg LP.

Investor Profile

Banks and investment houses remained the largest investor group in the economy’s LCY government bond market constituting 46.6% of the total in Q3 2023 (Figure 4). Among all other investor groups, only banks and investment houses posted an increase in their bond holdings at the end of September 2023, adding PHP400.7 billion worth of government bonds to their holdings from September 2022. Contractual savings institutions and tax-exempt institutions remained the second-largest investor group, with their holdings share dipping to 32.2% in September 2023 from 32.9% in the prior year. The holdings’ share of all other investor groups stayed below 10%, while government-owned or -controlled corporations and local government units consistently held the smallest share of less than 1.0%.

Figure 4: Investor Profile of Local Currency Government Bonds



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

Note: At the end of September 2023, government-owned or -controlled corporations and local government units’ holdings share is 0.02% amounting to PHP2.4 billion.

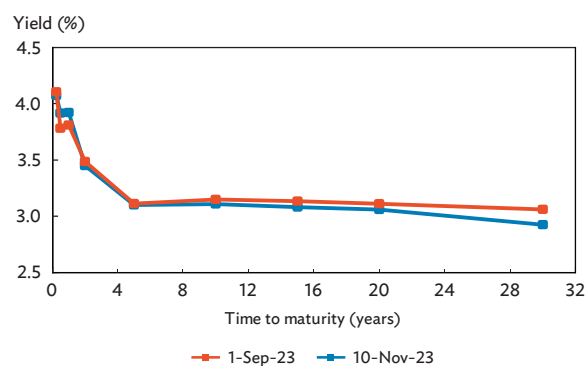
Source: Bureau of the Treasury.

Singapore

Yield Movements

The local currency (LCY) government bond yields of Singapore declined for all maturities except the 6-month and 1-year yields between 1 September and 10 November (Figure 1). Singapore was the only emerging East Asian market whose yield curve shifted downward during the review period. However, the bulk of the decline in yields came after the Federal Open Market Committee meeting on 1–2 November when the Federal Reserve hinted it may not raise rates anymore. Singapore's declining core inflation also contributed to the downward pressure on yields. The Monetary Authority of Singapore (MAS) kept the appreciation rate of its Singapore dollar nominal effective exchange rate unchanged at its October meeting.

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

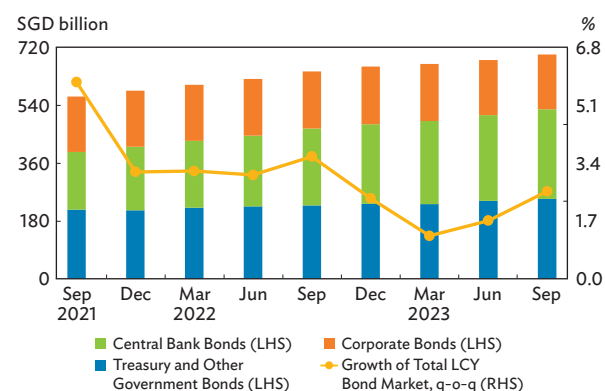


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Singapore's LCY bond market expanded in the third quarter (Q3) of 2023 (Figure 2). Total outstanding LCY bonds increased 2.6% quarter-on-quarter (q-o-q) to SGD699.6 billion. The growth was driven by central bank securities, which increased by 4.4% q-o-q, dominating Singapore's LCY bond market as MAS securities are auctioned regularly for liquidity management purposes in the financial market. Singapore Government Securities bills and bonds expanded from the previous quarter. However, LCY corporate outstanding bonds remained subdued, contracting by 0.5% q-o-q during the review period. The Housing & Development Board remained the top corporate issuer at the end of September with a total of SGD26.8 billion of outstanding corporate bonds.

Figure 2: Composition of Local Currency Bonds Outstanding in Singapore



LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, SGD = Singapore dollar.

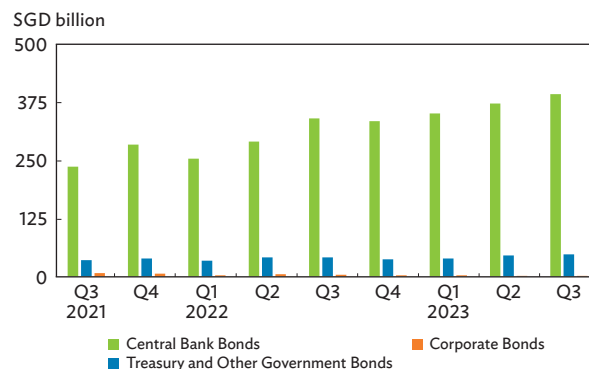
Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

Total LCY bonds issued in Singapore grew in Q3 2023, albeit at a slower pace than in the previous quarter.

Growth in LCY bond issuance decelerated to 5.4% q-o-q as the expansion in Treasury and other government bonds and central bank bills was offset by the contraction in corporate bond issuance (**Figure 3**). LCY corporate bond issuance declined by 17.3% q-o-q due to the persistently high-interest-rate environment in Singapore. Despite this, Oversea-Chinese Banking Corporation was able to raise SGD550.0 million from a perpetual callable floating-rate bond issued in August.

Figure 3: Composition of Local Currency Bond Issuance in Singapore



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, SGD = Singapore dollar.

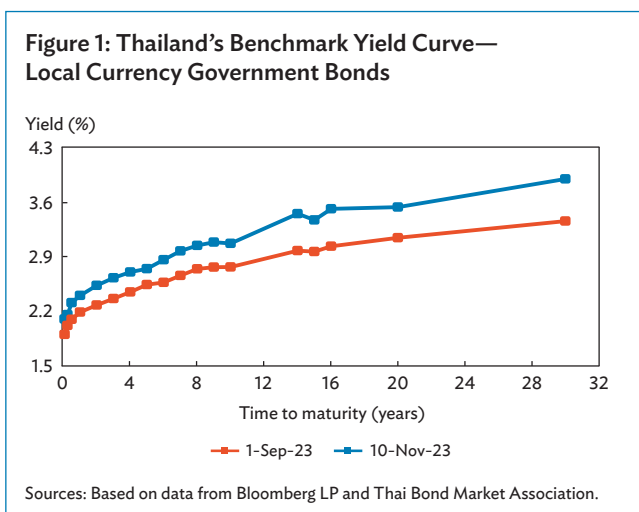
Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

Thailand

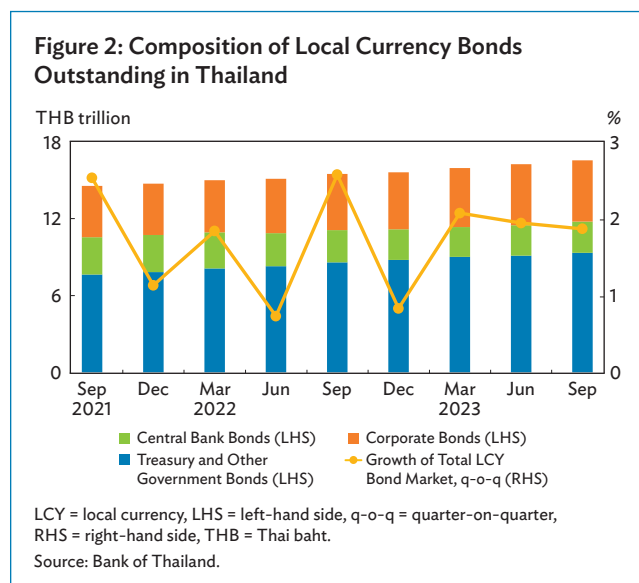
Yield Movements

Thailand’s local currency (LCY) government bond yields rose for all tenors between 1 September and 10 November (Figure 1). This was due to the Bank of Thailand’s (BOT) continued monetary policy tightening to ward off inflation. The BOT has raised its policy rate by a total of 175 basis points over seven consecutive meetings between August 2022 and August 2023. At the 27 September monetary policy meeting, the BOT again raised its benchmark rate by 25 basis points to 2.50% to guard against inflationary pressures from the new government’s stimulus programs. The new administration has since announced plans to boost the economy through handouts to eligible citizens¹² totaling around THB500 billion to be distributed through digital wallets.



Local Currency Bond Market Size and Issuance

Thailand’s LCY bond market posted steady growth in the third quarter (Q3) of 2023, reaching a size of THB16.6 trillion at the end of September. Thailand’s outstanding LCY bonds registered 1.9% quarter-on-quarter (q-o-q) growth in Q3 2023, roughly unchanged from the previous quarter (Figure 2). Outstanding Treasury and other government bonds and corporate bonds posted modest growth of 2.3% q-o-q and 0.4% q-o-q, respectively, due to subdued issuance during the quarter. Treasury and other government bonds outstanding (THB9.3 trillion) comprised over half of Thailand’s LCY bond market at the end of September. Outstanding corporate bonds (THB4.8 trillion) and BOT bonds (THB2.4 trillion) represented the remaining 28.9% and 14.8%, respectively.



¹² Thai citizens aged 16 and above earning less than THB70,000 per month or with total bank deposits less than THB500,000 qualify for the cash handout.

LCY bond issuance declined in Q3 2023 as bond sales contracted in both the public and corporate bond markets. LCY bond issuance in Q3 2023 tallied THB2.2 trillion, down 10.0% from the second quarter of 2023 (**Figure 3**). Issuance of Treasury and other government bonds declined 15.4% q-o-q to THB535.8 billion as the government had previously frontloaded borrowing during preceding quarters. Meanwhile, corporate debt issuance totaled THB490.7 billion, down 19.9% q-o-q amid tighter BOT regulation of bond rollovers following an uptick in bond defaults. True Corporation was the largest issuer during the quarter with debt sales totaling THB29.1 billion.

Investor Profile

Domestic investors continued to hold a dominant share of Thai government bonds (Figure 4). At the end of September, domestic investors' holdings accounted for nearly 90% of outstanding government bonds, up from 87.3% a year earlier. The sizable share of domestic investors contributes to Thai sovereign bonds' resilience to external shocks. During the same period, foreign investors' holdings of Thai government bonds declined slightly to 10.9% from 12.7%. Meanwhile, the BOT's holdings of government bonds increased from 5.3% to 6.6% from September 2022 to September 2023, as the central bank purchased a total of THB89.7 billion of government bonds to help stabilize the LCY bond market.

Figure 3: Composition of Local Currency Bond Issuance in Thailand

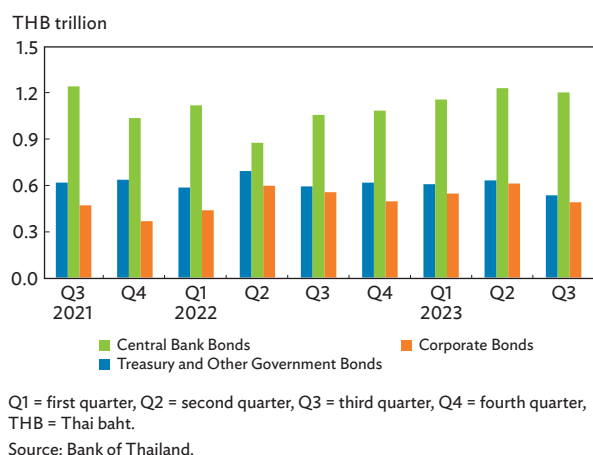
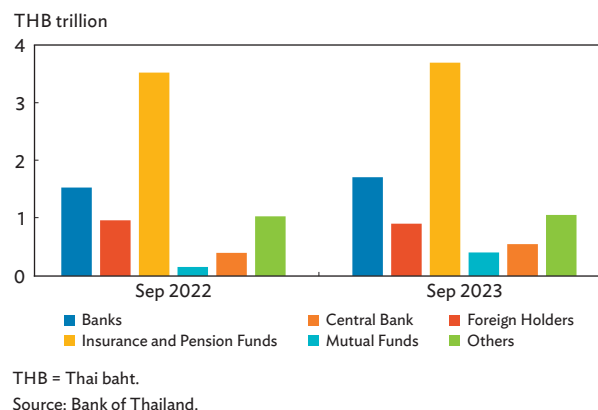


Figure 4: Investor Profile of Government Bonds in Thailand

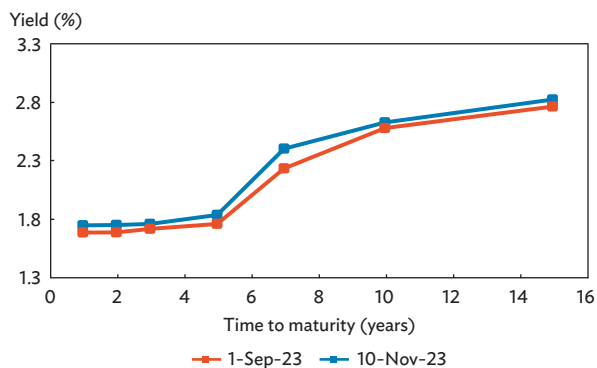


Viet Nam

Yield Movements

Viet Nam’s local currency (LCY) government bond yields climbed across all tenors between 1 September and 10 November due to an uptick in inflation and the United States Federal Reserve’s decision to keep interest rates at a 22-year high in its September and November meetings (Figure 1). Due to rising food and fuel prices, Viet Nam’s year-on-year consumer price inflation, increased to 3.6% in October from 2.1% in July. However, it remained below the government’s target of 4.5%.

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

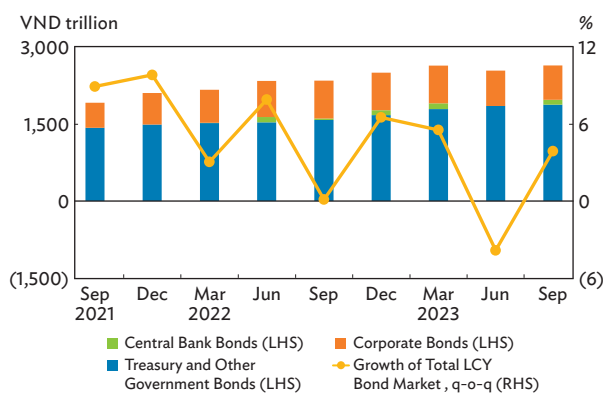


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The LCY bond market in Viet Nam grew 3.9% quarter-on-quarter (q-o-q) in the third quarter (Q3) of 2023, driven by the State Bank of Vietnam’s (SBV) resumption of central bank securities issuance (Figure 2). Amid slow credit growth, the SBV resumed issuance of central bank securities to mop up excess liquidity in the banking system. Growth in outstanding government bonds slowed to 1.5% q-o-q in Q3 2023 from the 3.3% q-o-q growth in the previous quarter due to the low volume of maturities and a decline in issuance. Meanwhile, corporate bonds contracted 3.1% q-o-q, driven by large volume of maturities in Q3 2023 despite strong corporate bond issuance. Per a news release from *The Investor*, Vietnamese broker VNDirect estimated that corporate bond maturities in August and September exceeded VND27.9 trillion and VND25.8 trillion, respectively, marking them among the largest monthly maturity values in 2023.

Figure 2: Composition of Local Currency Bonds Outstanding in Viet Nam



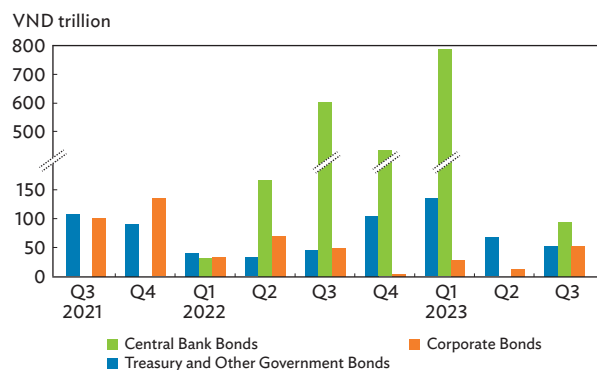
LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, VND = Vietnamese dong.

Note: Other government bonds comprise government-guaranteed and municipal bonds.

Sources: Vietnam Bond Market Association and Bloomberg LP.

Increased issuance from corporates drove total LCY bond issuance to expand 144.6% q-o-q to VND198.1 trillion in Q3 2023 (Figure 3). Corporate bond issuance climbed more than threefold in Q3 2023 from the previous quarter as Vietnamese banks increased their issuance after the government issued circulars No. 2 and 3 in April, which removed some bottlenecks in debt payment rescheduling and bond repurchases. Bond issuance from the banking sector accounted for 59.0% of the economy’s total LCY corporate bonds issued in Q3 2023, with the largest issuance coming from Asia Joint Stock Commercial Bank on aggregated debt sales of VND13.5 trillion. On the other hand, issuance of government bonds contracted 21.6% q-o-q as the government moderated issuance during the quarter, with some auctions not fully awarded. To help stabilize the foreign exchange market, the SBV resumed its issuance of central bank securities in September (VND93.8 trillion) since its last issuance in March 2023.

Figure 3: Composition of Local Currency Bond Issuance in Viet Nam

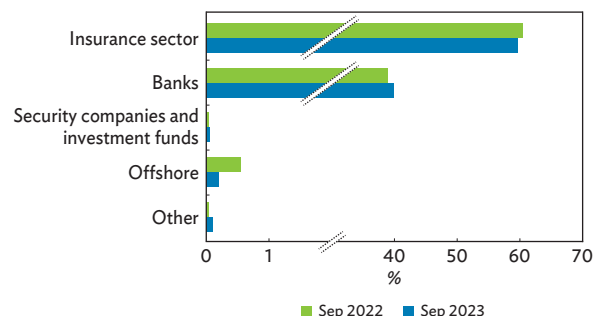


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, VND = Vietnamese dong.
 Note: Other government bonds comprise government-guaranteed and municipal bonds.
 Sources: Vietnam Bond Market Association and Bloomberg LP.

Investor Profile

At the end of September, insurance firms and banks continued to hold nearly all outstanding LCY government bonds in Viet Nam’s market (Figure 4). Collectively, their bond holdings accounted for 99.6% of the total, up from 99.4% in the same period a year earlier. Viet Nam had the highest Herfindahl–Hirschman Index score among its regional peers as the market has only two dominant investors.¹³ Insurance companies remained the single-largest investor group with their holdings share declining to 59.7% at the end of September from 60.5% a year earlier, while the holdings share of banks increased to 39.9% from 38.9% in the same period. At the end of September 2023, securities companies and investment funds, nonresidents, and other investors held a marginal aggregate share of 0.4%.

Figure 4: Investor Profile of Local Currency Government Bonds



Note: At the end of September 2023, the holdings share of securities companies and investment funds was 0.06%, while other investors’ holdings share was 0.1%.
 Source: Viet Nam Ministry of Finance.

¹³ The Herfindahl–Hirschman Index is a commonly accepted measure of market concentration. In this case, the index is used to measure the investor profile diversification of the LCY bond market and is calculated by summing the squared share of each investor group in the bond market.