

# Market Summaries

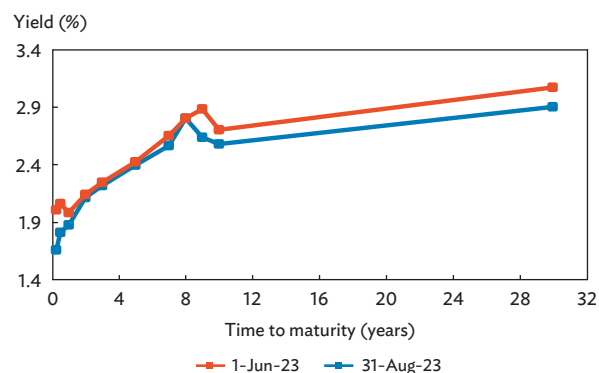
## People's Republic of China

### Yield Movements

Between 1 June and 31 August, local currency (LCY) government bond yields in the People's Republic of China (PRC) declined for most maturities after a series of interest rate cuts intended to spur economic growth (Figure 1). The People's Bank of China (PBOC) reduced the 7-day reverse repo rate by 10 basis points (bps) to 1.90% on 13 June, which was followed by a 10 bps reduction of the 1-year medium-term lending facility rate to 2.65% on 15 June. On 20 June, the PBOC reduced the 1-year loan prime rate and the 5-year loan prime rate by 10 bps each to 3.55% and 4.20%, respectively. On 15 August, the PBOC reduced again the 1-year medium-term lending rate by 15 bps to 2.50% and the 7-day reverse repo rate by 10 bps to 1.80%. It also reduced by 10 bps the 1-year loan prime rate to 3.45% on 21 August.

In addition, the PRC unveiled a series of property easing measures. These include an extension of some measures enacted last November 2022 to December 2024 in June, as well as a reduction in interest rates on existing mortgages and lower downpayments on home purchases in August. This was done to support the flagging property sector that has been hit by a number of defaults, with Sino-Ocean and Country Garden Holdings among the most recent.

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

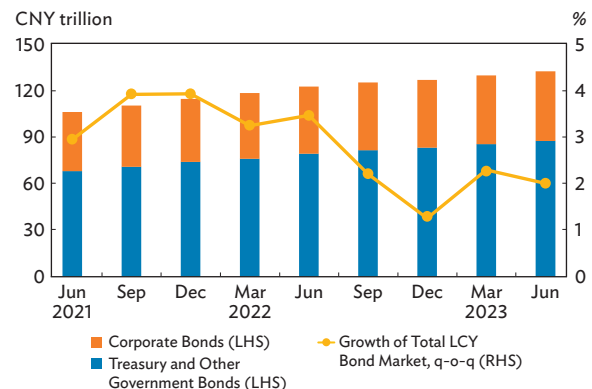


Source: Based on data from Bloomberg LP.

### Local Currency Bond Market Size and Issuance

The PRC's LCY bonds outstanding grew at a slightly slower pace as the government maintained its issuance levels in the second quarter (Q2) of 2023 to provide economic support (Figure 2). LCY bonds outstanding in the PRC grew 2.0% quarter-on-quarter (q-o-q) to CNY132.9 trillion at the end of Q2 2023. Government bonds outstanding grew 2.4% q-o-q to CNY87.9 trillion, with growth largely driven by local government bonds as local governments continued to issue to meet their targeted bond quotas by the end of the third quarter of 2023. Corporate bonds outstanding grew 1.2% q-o-q to CNY44.9 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.

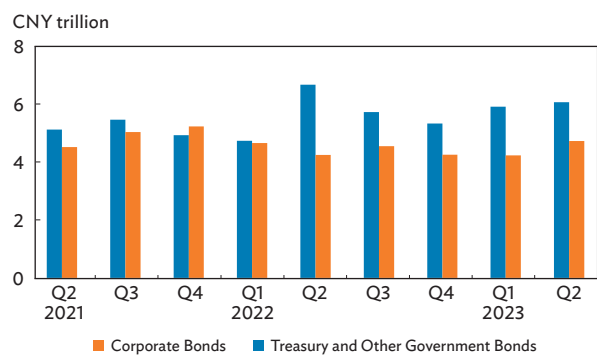
Source: CEIC Data Company.

LCY bond sales in the PRC totaled CNY10.8 trillion in Q2 2023, growing 6.5% q-o-q on increased issuance of both government and corporate bonds (Figure 3). Issuance of Treasury and other government bonds climbed 2.7% q-o-q in Q2 2023 after local governments received their new yearly bond quotas for full-year 2023. Issuance of corporate bonds gained as financial institutions replenished their capital and funding needs in Q2 2023.

## Investor Profile

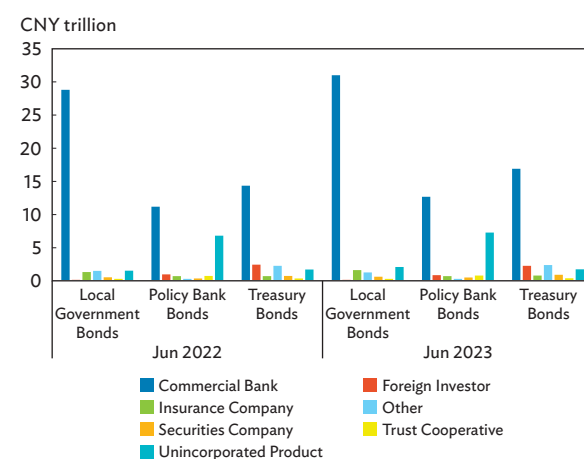
Commercial banks remained the largest investor group in the government bond market at the end of June (Figure 4). Commercial banks maintained their lead as the dominant holder of government bonds with a share of nearly 80.0% for all government bonds outstanding at the end of June. Commercial banks also held the largest share of local government bonds at the end of June with 78.8%.

**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.

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



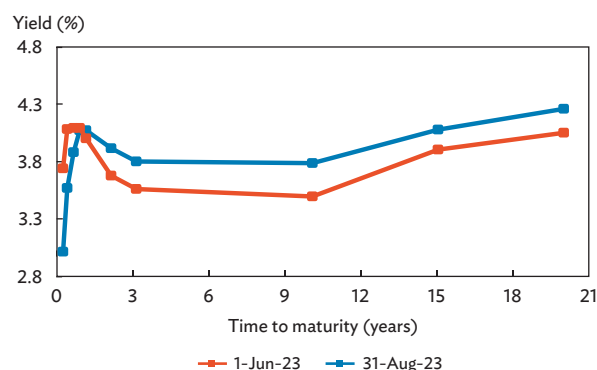
CNY = Chinese yuan.  
Source: CEIC Data Company.

# Hong Kong, China

## Yield Movements

Between 1 June and 31 August, Hong Kong, China’s local currency (LCY) bond yields showed mixed movements (Figure 1). Yields fell for bonds with maturities of less than 1 year, but rose for bonds with maturities of 1 year or longer. The decline in short-term yields was influenced by market expectations of a pause in the United States (US) Federal Reserve’s rate hikes at its upcoming September meeting amid easing inflation in the US. Consumer price inflation in Hong Kong, China also decelerated to 1.8% year-on-year (y-o-y) in July from 1.9% y-o-y in June and 2.0% y-o-y in May. Meanwhile, the rise in yields for medium- to longer-term bonds was mostly driven by elevated interest rates due to the Federal Reserve’s previous monetary policy tightening and the Hong Kong Monetary Authority’s (HKMA) consequent rate hikes. The HKMA raised its base rate by 25 bps to a record high of 5.75% on 27 July after the Federal Reserve raised interest rates by 25 bps to a range of 5.25%–5.50% during its 25–26 July meeting. The HKMA adjusts its base rate in lockstep with Federal Reserve monetary policy changes to maintain the Hong Kong dollar’s peg to the US dollar.

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

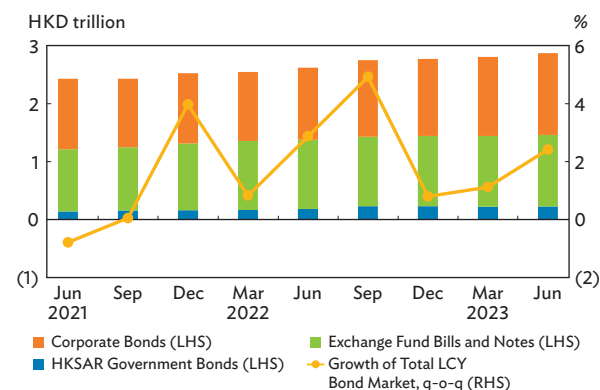


Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

Hong Kong, China’s LCY bond market reached a size of HKD2.9 trillion at the end of June (Figure 2). Growth in Hong Kong, China’s LCY bond market picked up 2.4% quarter-on-quarter (q-o-q) in the second quarter (Q2) of 2023, driven in part by a rebound in the issuance of Hong Kong Special Administrative Region (HKSAR) government bonds. LCY corporate bonds outstanding totaled HKD1.4 trillion at the end of June, representing nearly half of total outstanding LCY bonds. Outstanding Exchange Fund Bills and Exchange Fund Notes (HKD1.2 trillion) and HKSAR government bonds (HKD234.5 billion) comprised the remaining 42.8% and 8.2%, respectively, of Hong Kong, China’s LCY bond market.

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

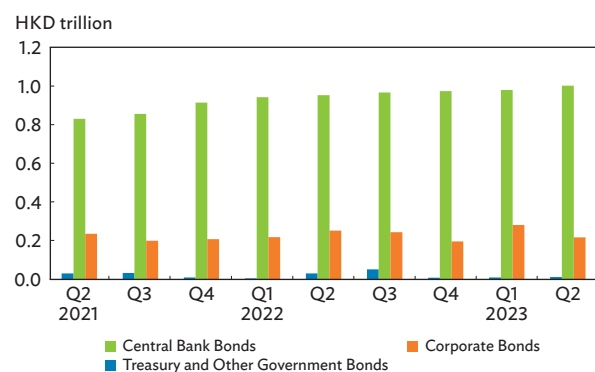


( ) = negative, HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Hong Kong Monetary Authority.

**Issuance of LCY bonds in Hong Kong, China contracted in Q2 2023, driven by a decline in corporate debt issuance (Figure 3).** Issuance of new corporate bonds fell 22.9% q-o-q to HKD214.3 billion in Q2 2023 amid elevated borrowing costs. Hong Kong Mortgage Corporation continued to be the largest nonbank issuer of LCY corporate bonds, with total issuances worth HKD17.9 billion in Q2 2023. Meanwhile, new issuance of HKSAR government bonds tallied HKD9.5 billion in Q2 2023, up 21.8% from Q1 2023 due to a relatively large issuance (HKD5.0 billion) of 3-year bonds in April.

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

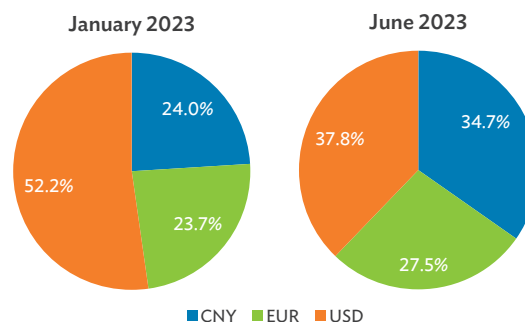


HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Hong Kong Monetary Authority.

**Hong Kong, China raised USD6.0 billion worth of multicurrency green bonds in June.** The issuance—denominated in US dollars, euros, and Chinese yuan—met strong demand with almost USD30 billion equivalent in orders. Increased access through Southbound Bond Connect supported significant participation from international investors. The triple-currency issuance comprised USD2.3 billion, EUR1.5 billion, and CNY15.0 billion worth of bonds with maturities of 2–10 years. Compared to a similar triple-currency green bond issuance in January, the June green bond issuance had a larger share of CNY-denominated bonds, as the Chinese yuan tranche was expanded to include a 10-year green bond to cater to investor demand and extend the offshore Chinese yuan yield curve (Figure 4). Hong Kong, China continues to develop its green bond portfolio to promote sustainable finance.

**Figure 4: Currency Breakdown of Institutional Green Bond Issuance in Hong Kong, China**



CNY = Chinese yuan, EUR = euro, USD = United States dollar.

Note: Figures were computed based on 30 June 2023 currency exchange rates and do not include currency effects.

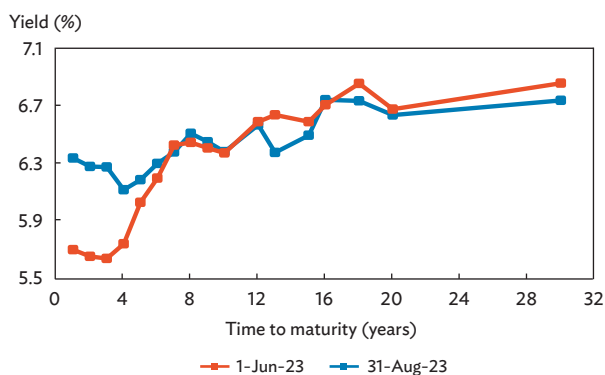
Source: AsianBondsOnline calculations based on Hong Kong Monetary Authority data.

## Indonesia

### Yield Movements

Between 1 June and 31 August, local currency (LCY) government bond yields in Indonesia rose for most tenors. Bond yields climbed for most maturities of 10 years or less but fell for longer-end tenors (12 years or more) during the review period (Figure 1). The uptick in yields for most tenors was driven by the continued monetary tightening stance of the United States Federal Reserve. Also pressuring yields were expectations that Bank Indonesia would hold rates steady for the rest of the year. In contrast, yields declined at the long-end of the curve as inflation returned to within the central bank's target range of 2.0%–4.0% in May, which was earlier than previously projected. Bank Indonesia remains confident inflation will stay within the target range for the rest of the year.

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



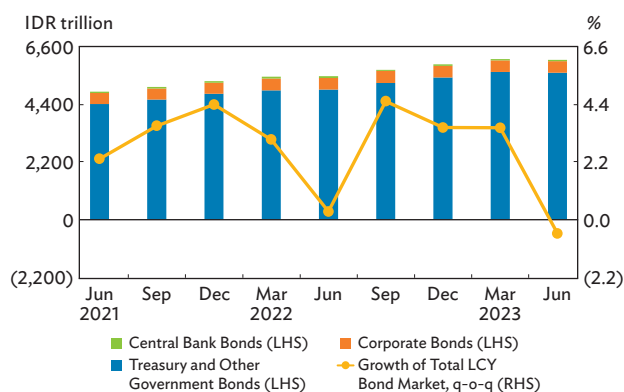
Source: Based on data from Bloomberg LP.

### Local Currency Bond Market Size and Issuance

The LCY bond market in Indonesia contracted in the second quarter (Q2) of 2023 due to a slowdown in both government and corporate bond issuances.

Indonesia's outstanding bonds dropped 0.5% quarter-on-quarter (q-o-q), amounting to IDR6,130.6 trillion compared with the previous quarter's total of IDR6,161.1 trillion (Figure 2). Outstanding government bonds dipped 0.5% q-o-q to IDR5,632.9 trillion as the government tapered its planned bond issuances for the year amid expected higher revenue collections. The government also plans to use excess cash generated from 2022 to partially fund fiscal spending for 2023. The stock of corporate bonds declined on a q-o-q basis as maturities exceeded issuances. Corporate bond issuance in Q2 2023 declined 41.3% q-o-q (IDR16.1 trillion) amid reduced refinancing needs by corporates as interest rates remained elevated.

**Figure 2: Composition of Local Currency Bonds Outstanding in Indonesia**



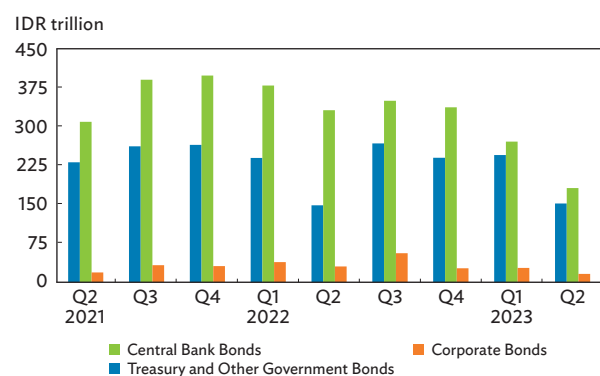
( ) = negative, IDR = Indonesian rupiah, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Note: Data includes *sukuk* (Islamic bonds). Data for Treasury and other government bonds comprised of 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 slowed in Q2 2023, posting q-o-q contractions across all bond types (Figure 3). Total bond issuance fell 35.7% q-o-q to IDR349.8 trillion. Treasury bond issuance, which accounted for 43.4% of total LCY bond issuance during the quarter, declined 38.1% q-o-q after the government had frontloaded funding in the prior quarter. Corporate bond issuance also slowed by 41.3% q-o-q, with only 12 firms tapping the bond market for fundraising versus 21 companies in the preceding quarter. Corporate bond issuance in Q2 2023 was dominated by financing companies, with the largest issuances coming from Sarana Multi Infrastruktur, BFI Finance Indonesia, and Pegadaian. Meanwhile, central bank bond issuance declined amid slowing inflation.

**Figure 3: Composition of Local Currency Bond Issuance in Indonesia**

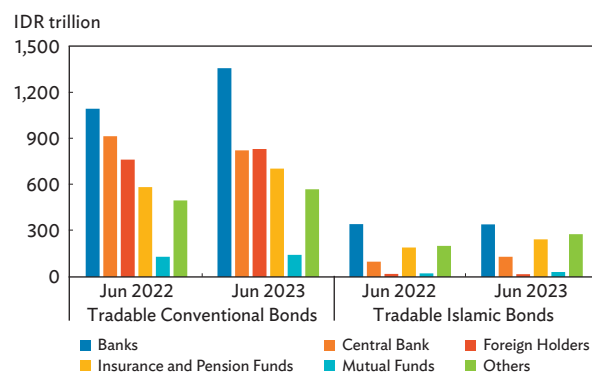


IDR = Indonesian rupiah, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.  
 Note: Data includes *sukuk* (Islamic bonds). Data for Treasury and other government bonds comprise tradable and nontradable central government bonds.  
 Sources: Bank Indonesia; Directorate General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

## Investor Profile

Domestic investors collectively accounted for 84.5% of the total tradable central government bonds at the end of June, up from 83.9% in the same period a year earlier. Similar with its emerging East Asian peers, banking institutions were the largest investor group in Indonesia’s LCY bond market, collectively adding IDR263.2 trillion worth of government bonds to their holdings in Q2 2023 from the prior year (Figure 4). However, unlike regional peers, central bank holdings of government bonds in Indonesia are quite substantial, making it the second-largest domestic investor group. Bank Indonesia’s holdings of government bonds significantly rose during the pandemic period as part of macroprudential measures to support bond market stability.

**Figure 4: Investor Profile of Tradable Central Government Bonds**



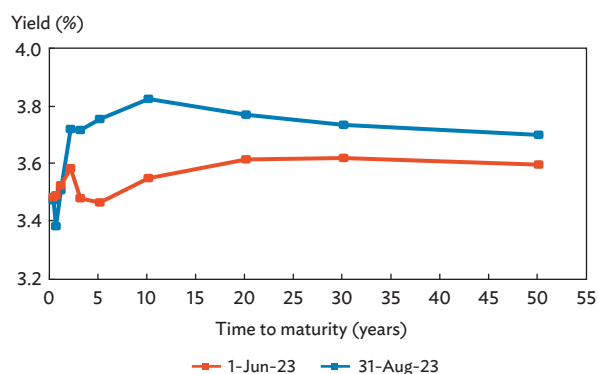
IDR = Indonesian rupiah.  
 Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

## Republic of Korea

### Yield Movements

The Republic of Korea's local currency (LCY) government bond yields rose for most tenors between 1 June and 31 August, tracking the rise in United States Treasury yields on continued Federal Reserve monetary tightening and solid economic conditions (Figure 1). Upward pressure on yields also stemmed from expectations that the Bank of Korea (BOK) will keep the base rate at 3.50% in the near term as it forecasts inflation to start picking up again. In its 13 July and 24 August monetary policy meetings, the BOK stated that although inflation has slowed, it is expected to rise again and remain above the target level for a considerable time. Also in its August monetary policy meeting, the BOK maintained its May inflation forecasts for 2023 and 2024 at 3.5% year-on-year (y-o-y) and 2.4% y-o-y, respectively. Moreover, the growth forecast for 2023 was maintained at 1.4% y-o-y, while that for 2024 was lowered to 2.2% y-o-y from 2.3% y-o-y.

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



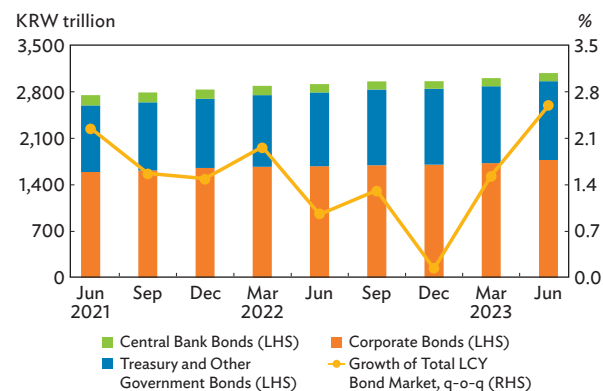
Source: Based on data from Bloomberg LP.

### Local Currency Bond Market Size and Issuance

The Republic of Korea's LCY bonds outstanding grew 2.6% quarter-on-quarter (q-o-q) in the second quarter (Q2) of 2023, driven by both the government and corporate bond segments. The Republic of Korea's

LCY bond market reached a size of KRW3,092.6 trillion at the end of June. Corporate bonds, which comprise over half of the total LCY bond market, posted growth of 2.7% q-o-q in Q2 2023, up from 1.3% q-o-q in the first quarter (Q1) of 2023, due to a rebound in issuance during the quarter (Figure 2). The stock of Treasury and other government bonds increased 2.5% q-o-q to KRW1,191.2 trillion, exceeding the 1.2% q-o-q growth posted in Q1 2023. Treasury and other government bonds accounted for 38.5% of the Republic of Korea's LCY bond market at the end of June, unchanged from its share in Q1 2023.

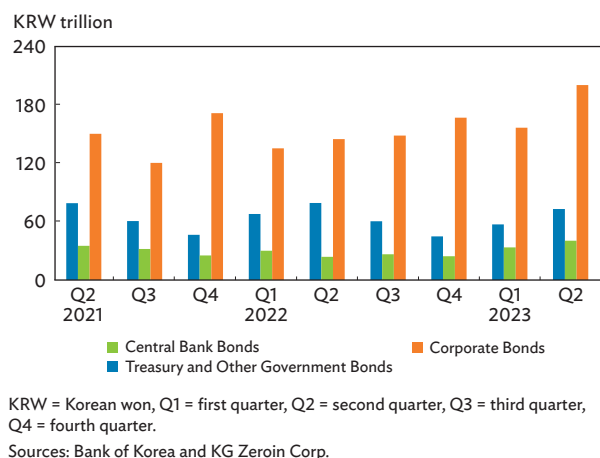
**Figure 2: Composition of Local Currency Bonds Outstanding in the Republic of Korea**



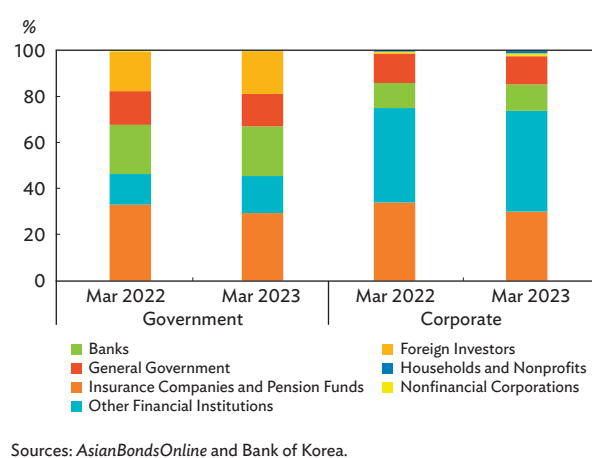
KRW = Korean won, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.  
Sources: Bank of Korea and KG Zeroin Corp.

**Total LCY bond issuance jumped 26.6% q-o-q to KRW312.9 trillion in Q2 2023, up from 4.7% q-o-q in Q1 2023, driven by higher issuance volumes in both the corporate and government bond market segments.** Corporate bond issuance rebounded in Q2 2023, posting a 28.0% q-o-q increase in Q2 2023, following a 6.2% q-o-q contraction in Q1 2023 (Figure 3). The gains were led by the higher quarterly issuance volumes of private companies and financial debentures. Firms also took advantage of the favorable environment to issue bonds in anticipation of a rise in yields as the Federal Reserve was expected to implement another set of rate hikes before the end of the year. One of the largest corporate bond issuances

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



**Figure 4: Local Currency Bonds Outstanding Investor Profile**



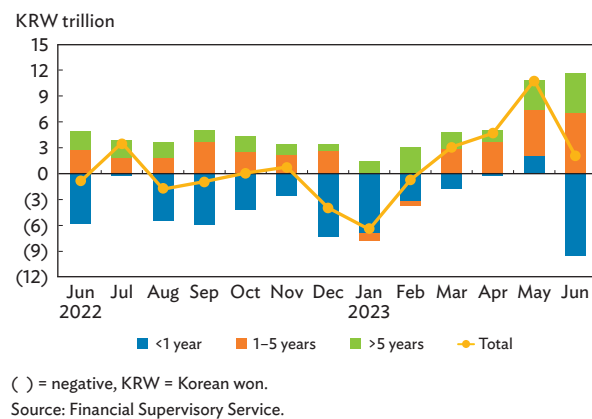
in Q2 2023 was the KRW1.0 trillion multitranche bond issued by LG Energy Solutions in June. Issuance of Treasury and other government bonds posted rapid growth of 27.2% q-o-q in Q2 2023. The Government of the Republic of Korea continued to issue a high volume of Treasury bonds during the quarter to fund its frontloading policy of expending 65% of its 2023 budget in the first half of the year to help prop up the economy.

## Investor Profile

**Insurance companies and pension funds continued to hold the largest share of the Republic of Korea’s LCY bonds outstanding at the end of March.** The investor group held 29.4% of government bonds outstanding at the end of Q1 2023, which reflected a decline from its share of 33.0% a year earlier (Figure 4). Banks were the second-largest investor group with a share of 21.6%, while the share of foreign investors rose to 18.6% from 17.2% during the same period. In the corporate bond market, other financial institutions were the largest investor group with a share of 43.9%, followed by insurance companies and pension funds at 30.0%. The foreign holdings share of LCY corporate bonds remained negligible at 0.4% at the end of March.

**Foreign investors returned to the Republic of Korea’s LCY bond market in Q2 2023.** Aggregate net foreign bond inflows reached a record high of KRW17.6 trillion in Q2 2023, a reversal from the KRW4.3 trillion of net bond outflows in Q1 2023 and the highest quarterly net

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



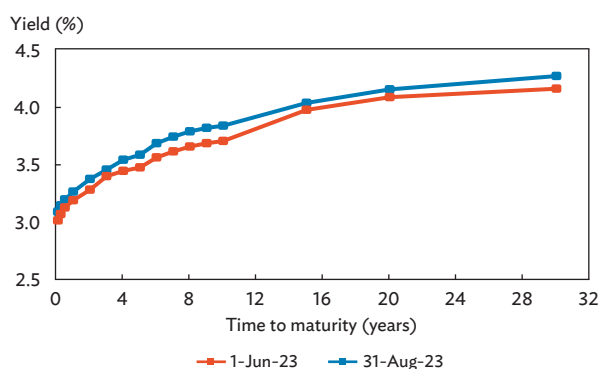
bond inflows since Q2 2021. Net foreign bond inflows to the Republic of Korea’s LCY bond market totaled KRW15.6 trillion in April and May as market participants were expecting the Bank of Korea to cut its policy rate before the end of the year due to slowing domestic inflation and the Federal Reserve continuing to ease the pace of its monetary policy tightening (Figure 5). In June, however, net foreign bond inflows slowed to KRW2.1 trillion following a Bank of Korea statement on 8 June that it would continue its current monetary policy as upward pressure on inflation remained. Foreign demand declined as the Bank of Korea’s statement was seen as lowering the chance of another rate cut this year.

## Malaysia

### Yield Movements

The local currency (LCY) government bond yield curve of Malaysia shifted upward between 1 June and 31 August (Figure 1). The yield curve's movement largely tracked that of the United States (US), whose Treasury bond yields increased for all tenors during the review period. On 6 July, Bank Negara Malaysia decided to keep its overnight policy rate unchanged at 3.00% after a surprise 25-basis-points rate hike on 3 May. Investors remain cautious as the US Federal Reserve hiked its interest rates during its July meeting to contain consumer price inflation and maintain a high employment rate.

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

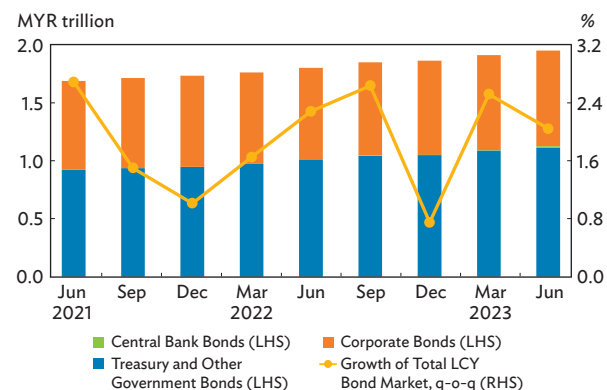


Source: Based on data from Bloomberg LP.

### Local Currency Bond Market Size and Issuance

The LCY bond market of Malaysia expanded 2.0% to reach MYR1,953.1 billion in the second quarter (Q2) of 2023 on increased outstanding securities for all LCY bond types (Figure 2). Fixed-income securities of the Government of Malaysia remained the main drivers of expansion in the Malaysian LCY bond market. Treasury and other government securities outstanding grew, albeit at a slower pace compared to the first quarter (Q1) of 2023, due to reduced issuance during the review period. Partially contributing to the LCY bond market's growth was a continued increase in outstanding Bank Negara Malaysia bills, which constituted just 0.6%

**Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia**



LCY = local currency, LHS = left-hand side, MYR = Malaysian ringgit, q-o-q = quarter-on-quarter, RHS = right-hand side.

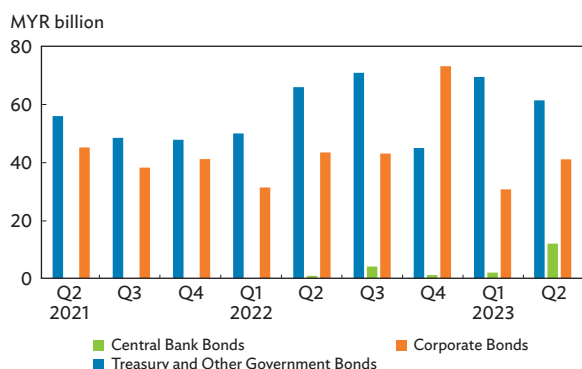
Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

of total LCY bonds. In Q2 2023, outstanding corporate bonds also jumped. DanaInfra Nasional, a government-owned finance company, continued to be the top corporate bond issuer at the end of June 2023, with total LCY bonds outstanding totaling MYR82.9 billion.

**Issuance of LCY bonds in Malaysia rebounded in Q2 2023, rising 12.1% quarter-on-quarter (q-o-q) due to increased issuance from the central bank and corporate entities (Figure 3).** This expansion was slightly offset by a decline in the issuance of Treasury and other government bonds. Malaysian Government Securities (conventional bonds) issuance dipped 10.0% q-o-q, while the issuance of Government Investment Issues (*sukuk*, or Islamic bonds) was steady from the previous quarter. During the quarter, Cagamas, or the National Mortgage Corporation of Malaysia, was the leading issuer in the market with seven issuances of Islamic commercial paper, five *sukuk*, and nine conventional bonds all totaling MYR6.1 billion.

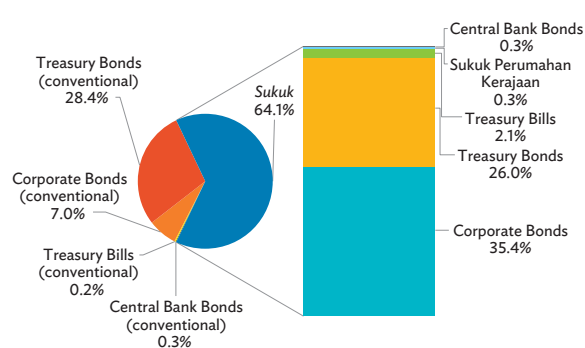
**In Q2 2023, 64.1% of Malaysia's LCY bonds outstanding were Islamic bonds (Figure 4).** Outstanding Islamic bonds totaled MYR1.3 trillion at the end of June, equivalent to growth of 2.3% q-o-q. Comprising most of the outstanding LCY corporate bonds, corporate *sukuk* continued to drive the Islamic bond market's growth in Q2 2023.

**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.

**Figure 4: Composition of Local Currency Islamic Bonds Outstanding in Malaysia**



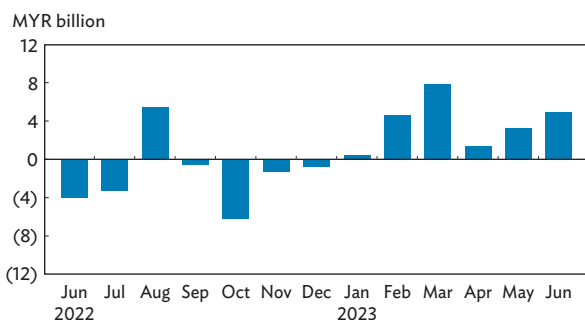
Note: Sukuk Perumahan Kerajaan are Islamic bonds issued by the Government of Malaysia to refinance funding for housing loans to government employees and to extend new housing loans.  
Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

## Capital Flows

Foreign portfolio flows into the Malaysian bond market amounted to MYR9.8 billion in Q2 2023 (Figure 5).

For the second consecutive quarter, the Malaysian market recorded net portfolio inflows. Foreign holdings of LCY government bonds rose to 23.1% of this market segment at the end of June, up from 22.7% at the end of March, due to easing consumer price inflation in Malaysia and as the yields of Malaysian fixed-income securities were relatively more attractive than those of US Treasuries.

**Figure 5: Capital Flows in the Local Currency Government Bond Market in Malaysia**



( ) = negative, MYR = Malaysian ringgit.

Notes:

- Figures exclude foreign holdings of central bank bonds.
- Month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.

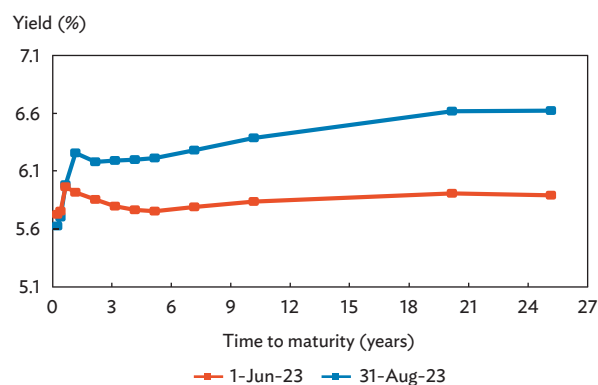
Source: Bank Negara Malaysia Monthly Statistical Bulletin.

# Philippines

## Yield Movements

**Local currency (LCY) government bond yields in the Philippines increased for most tenors between 1 June and 31 August (Figure 1).** Only the 1-month and 3-month tenors posted declines during the review period. The increase in yields was influenced by the Bangko Sentral ng Pilipinas' hawkish tone amid persistent elevated inflation despite a continued decline since February. Consumer price inflation steadily eased to 4.7% y-o-y in July from a peak of 8.7% y-o-y in January but remains above the government's target range of 2.0%–4.0%, leading to the monetary board's decision to keep the main policy rate at 6.25% at its past three policy meetings on 18 May, 22 June, and 17 August. In addition, an increase in yields was also influenced by dampened investor sentiment due to the economy's slower-than-expected growth of 4.3% year-on-year (y-o-y) in the second quarter (Q2) of 2023, down from 6.4% y-o-y in the previous quarter.

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

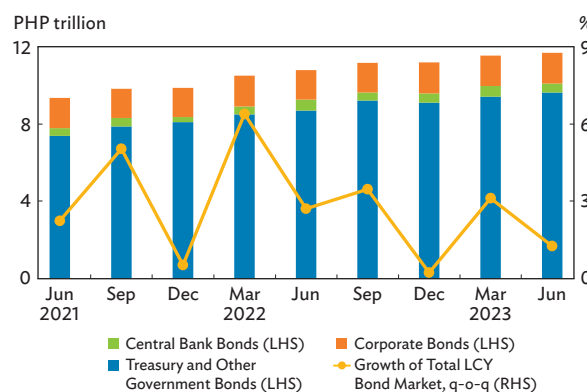


Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

**In Q2 2023, total LCY bonds outstanding increased on expansions in both the corporate and government bond markets.** Total LCY bonds outstanding reached PHP11.7 trillion at the end of June on growth of 1.3% quarter-on-quarter (q-o-q). Treasury and other government bonds, which account for 82.4% of the total debt stock, grew 2.3% q-o-q in Q2 2023 as issuances exceeded maturities, while central bank securities contracted 15.8% q-o-q due to a decline in issuance in Q2 2023 amid easing inflation (Figure 2). The corporate bond market, which accounts for 13.6% of the total debt stock, rebounded 1.2% q-o-q in Q2 2023 due to the large volume of issuances during the quarter, a reversal from the 2.2% q-o-q contraction in the first quarter of 2023. The Philippine corporate bond market remained dominated by the property, banking, and holding firms sectors, which accounted for a collective share of 81.0% of total corporate bonds outstanding at the end of Q2 2023 (Figure 3).

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

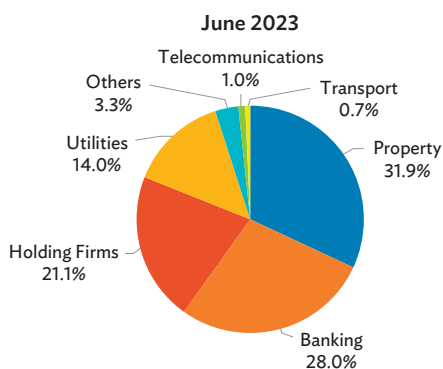


LCY = local currency, LHS = left-hand side, PHP = Philippine peso, q-o-q = quarter-on-quarter, RHS = right-hand side.

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.

**Figure 3: Local Currency Corporate Bonds Outstanding by Sector**

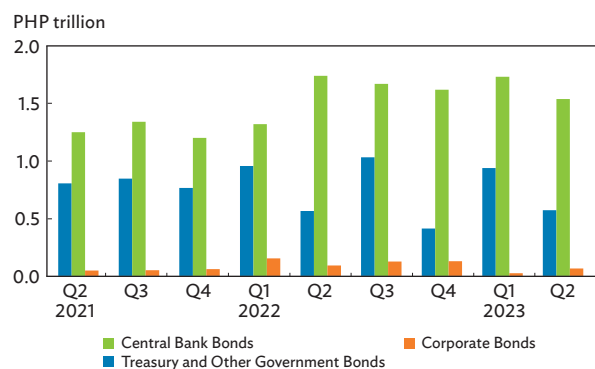


Source: Bureau of the Treasury.

**Total LCY bond issuance contracted 19.2% q-o-q in Q2 2023 on reduced issuance from the government.**

During the quarter, a contraction of 39.0% q-o-q in the issuance of Treasury and other government bonds was mainly driven by a relatively high base in the preceding quarter brought about by the Government of the Philippines’ issuance of Retail Treasury Bonds in February amounting to PHP283.7 billion (Figure 4). Issuance of central bank securities, which comprised 70.7% of total

**Figure 4: 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.

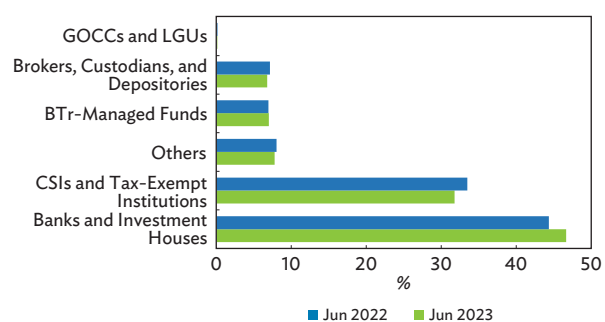
Sources: Bureau of the Treasury and Bloomberg LP.

issuance in Q2 2023, contracted 11.2% q-o-q as inflation continued a downtrend for six consecutive months. After a contraction of 81.7% q-o-q in the first quarter of 2023, corporate bond issuance rebounded in Q2 2023 with an expansion of 117.6% q-o-q due to a relatively low base in the previous quarter.

**Investor Profile**

**In June 2023, the investor landscape for LCY government bonds in the Philippines was relatively the same from a year earlier as banks and investment houses continued to hold nearly half of the total LCY government debt stock.** Banks and investment houses’ market share climbed to 46.7% in June 2023 from 44.4% in the same period of the previous year. Contractual savings institutions and tax-exempt institutions remained the second-largest investor group in the economy’s LCY government bond market, with shareholdings that decreased to 31.8% in June from 33.5% a year earlier. All other investor holdings shares remained below 10% and showed a downward trend from their previous investment percentage shares a year earlier, except for Bureau of the Treasury-managed funds, whose holdings share remained constant at around 7.0% in Q2 2023 (Figure 5).

**Figure 5: 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. Source: Bureau of the Treasury.

# Singapore

## Yield Movements

Singapore's local currency (LCY) government bond yields increased for most tenors between 1 June and 31 August, largely tracking the movement in the yield curve of United States (US) Treasury yields (Figure 1).

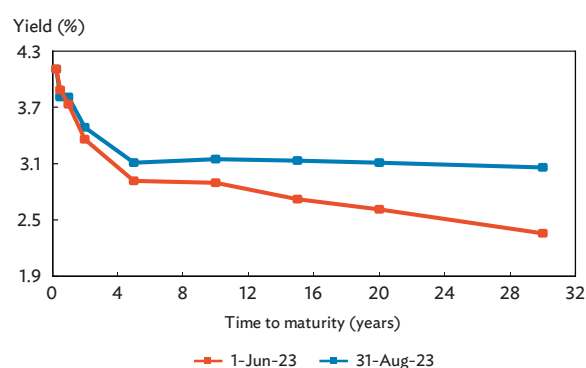
Only the 6-month tenor posted a decline during the review period as investors opted for short-term securities amid uncertainties in the financial market. The Singapore dollar nominal effective exchange rate has been broadly stable since the Monetary Authority of Singapore (MAS)

kept its monetary policy unchanged at its last meeting on 14 April (Figure 2). However, US Treasury yields jumped as the US Federal Reserve raised interest rates in its July meeting to keep consumer price inflation under control while maintaining a high employment rate.

## Local Currency Bond Market Size and Issuance

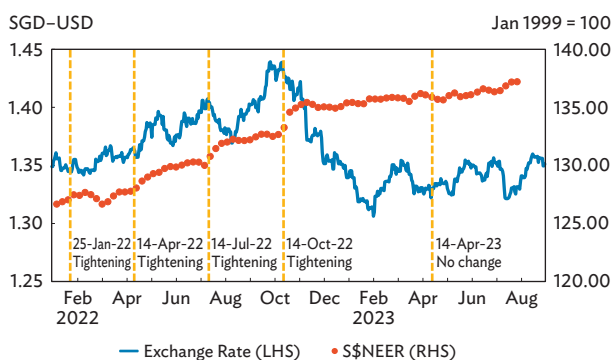
In the second quarter (Q2) of 2023, the LCY bond market of Singapore grew 1.7% quarter-on-quarter (q-o-q) to SGD681.9 billion. This growth was supported by higher outstanding government securities. An expansion of 3.1% q-o-q was recorded for central bank securities, extending the 4.2% q-o-q growth recorded in the first quarter of 2023. Singapore's LCY bond market was dominated by securities issued by the MAS during the review period (Figure 3). Growth in Singapore Government Securities bills and bonds recovered in Q2 2023, rebounding 4.4% q-o-q from a decline of 0.4% q-o-q in the prior quarter. The LCY bond market's growth, however, was dampened by the 3.8% q-o-q contraction in outstanding LCY corporate bonds due to tepid issuance during Q2 2023. Among all issuers, government-owned Housing & Development Board had the most outstanding LCY bonds, totaling SGD28.2 billion at the end of June.

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



Source: Based on data from Bloomberg LP.

**Figure 2: Exchange Rate and Monetary Policy Rates in Singapore**

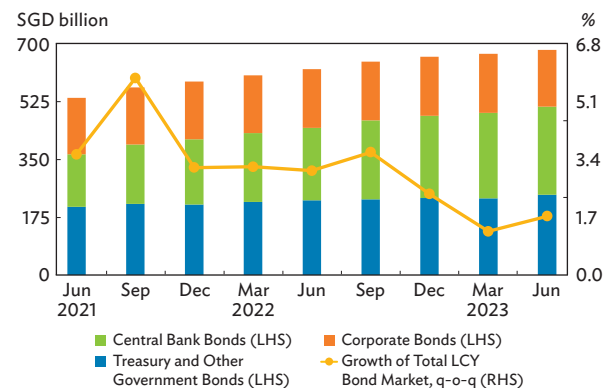


LHS = left-hand side, RHS = right-hand side, S\$NEER = Singapore dollar nominal effective exchange rate, SGD = Singapore dollar, USD = United States dollar.

Note: Data for S\$NEER are as of 28 July 2023.

Source: Monetary Authority of Singapore.

**Figure 3: Composition of Local Currency Bonds Outstanding in Singapore**



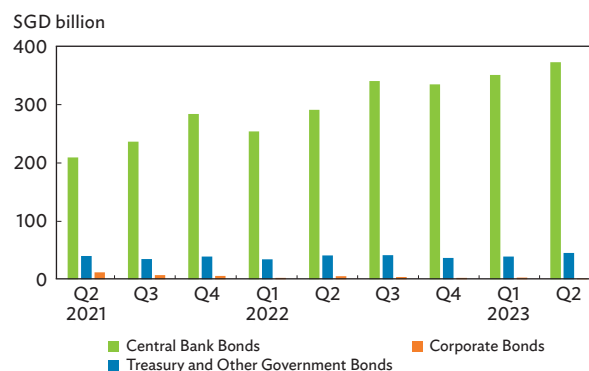
LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, SGD = Singapore dollar.

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

Sources: Monetary Authority of Singapore and Bloomberg LP.

**Total issuance of LCY bonds in Singapore accelerated 6.9% q-o-q in Q2 2023 due to growth in issuances of LCY government securities (Figure 4).** As in the preceding quarter, the majority of LCY bond issuances were from the central bank since MAS securities are regularly auctioned to manage liquidity in Singapore's financial market. A decrease of 43.9% q-o-q was recorded for LCY corporate bond issuance in Q2 2023 due to the high interest rate environment. City Developments Limited, a real estate company, raised SGD470.0 million from a 5-year bond issuance in April. The issuance was the largest corporate issue during the quarter, with the fixed-income security offering a 4.139% coupon rate. Proceeds from the issuance will be used as the company's general working capital.

**Figure 4: 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.

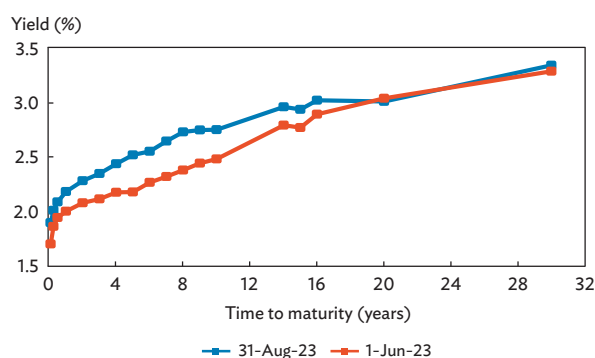
Sources: Monetary Authority of Singapore and Bloomberg LP.

# Thailand

## Yield Movements

Between 1 June and 31 August, Thailand’s local currency (LCY) government bond yields rose for all maturities except the 20-year tenor, which fell slightly (Figure 1). The increase in bond yields was primarily driven by the Bank of Thailand’s (BOT) continued monetary policy tightening. The BOT has raised its benchmark policy rate by a total of 100 basis points since January to keep inflation in check amid a sustained domestic economic recovery. Heightened risks, driven by a delay in the formation of a new government following the general election in May, also contributed to the uptick in bond yields.

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

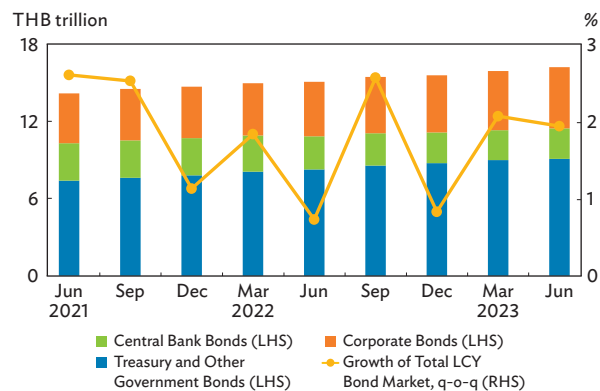


Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

Thailand’s LCY bond market expansion moderated to 1.9% quarter-on-quarter (q-o-q) in the second quarter (Q2) of 2023. The size of the LCY bond market reached THB16.3 trillion in Q2 2023, driven by slower expansions in Treasury and other government bonds due to a relatively high volume of maturities. Treasury and other government bonds continued to dominate the Thai LCY bond market at THB9.1 trillion of bonds outstanding, representing 56.0% of total LCY bonds outstanding at the end of June (Figure 2). Outstanding corporate bonds (THB4.8 trillion) and BOT bonds (THB2.4 trillion) comprised 29.3% and 14.6%, respectively, of the Thai bond market.

**Figure 2: Composition of Local Currency Bonds Outstanding in Thailand**

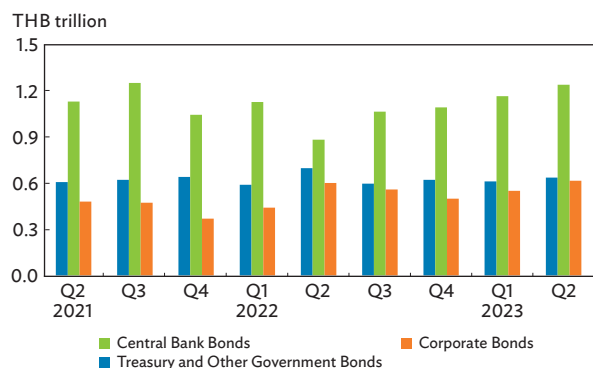


LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, THB = Thai baht.

Source: Bank of Thailand.

**Issuance of new LCY bonds accelerated to 7.1% q-o-q in Q2 2023.** Total issuance of LCY bonds in Q2 2023 reached THB2.5 trillion, driven by robust issuance of Treasury and other government bonds and corporate bonds amid continued economic recovery (**Figure 3**). Treasury and other government bond issuance rose 4.1% q-o-q to THB633.5 billion in Q2 2023 following a 1.7% q-o-q contraction in the preceding quarter. Meanwhile, corporate debt issuance grew 12.0% q-o-q to THB612.7 billion in Q2 2023, as business activities gained pace amid improved economic conditions. Siam Commercial Bank was the largest corporate issuer of LCY bonds during the quarter, with total issuance of THB50.0 billion. Nonetheless, the BOT is monitoring the rollover of corporate bonds following an uptick in bond defaults. The first half of 2023 saw three corporate bonds defaults, accounting for 0.3% of corporate bonds outstanding.<sup>6</sup>

**Figure 3: Composition of Local Currency Bond Issuance in Thailand**

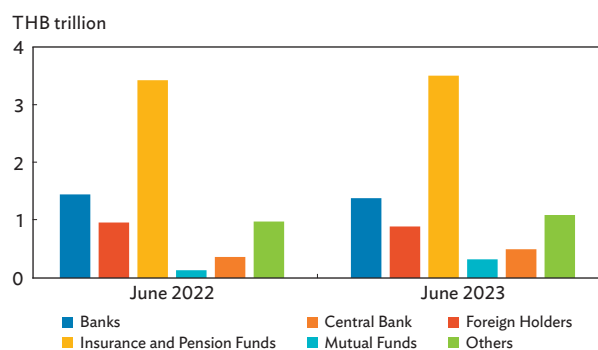


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht. Source: Bank of Thailand.

## Investor Profile

**Insurance and pensions funds and banking institutions remained the two largest investor groups in the Thai government bond market (Figure 4).** Together, the two investor groups held 63.6% of total LCY government bonds at the end of June, slightly lower than their combined 66.7% share a year earlier. Foreign holdings also declined to 11.6% at the end of June from 13.2% a year prior. Meanwhile, the BOT's holdings of LCY government bonds increased from 5.0% to 6.4% during the same period. Between June 2022 and June 2023, the BOT purchased a total of THB87.5 billion of government bonds to help stabilize the bond market.

**Figure 4: Investor Profile of Government Bonds in Thailand**



THB = Thai baht. Source: Bank of Thailand.

<sup>6</sup> Bangkok Post. 2023. BoT Keeps Wary Eye on Bond Rollovers. 14 August.

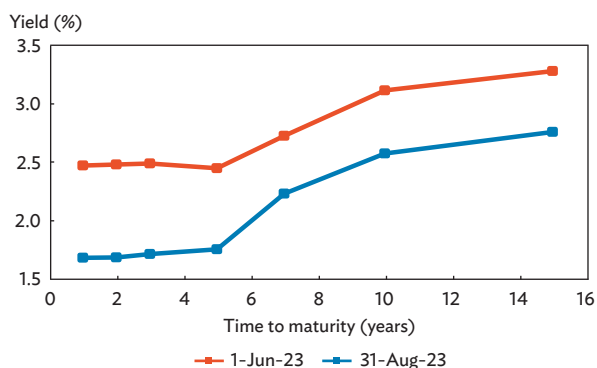
# Viet Nam

## Yield Movements

The local currency (LCY) government bond yield curve in Viet Nam shifted downward as rates declined for all tenors between 1 June and 31 August (Figure 1).

Bond yields trended down as the State Bank of Vietnam continued its policy of easing and further reduced the refinancing rate to 4.50% at its policy meeting on 16 June. This followed two consecutive rate cuts in April and May, by a total of 100 basis points, to pump up its faltering economy amid easing inflation. Viet Nam’s year-to-date consumer price inflation inched up to 2.0% in August from 1.1% in July but remained below the government’s target of 4.5%, while its economy expanded 4.1% year-on-year in the second quarter (Q2) of 2023, accelerating from the 3.3% year-on-year growth posted in the previous quarter. Despite the faster economic growth recorded in Q2 2023, a slowdown looms as Viet Nam struggles to hit its 2023 growth target of 6.5% due to the persistent crisis in the domestic real estate industry, a slump in exports amid weak global demand, and higher lending rates that hamper business activities.

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



Source: Based on data from Bloomberg LP.

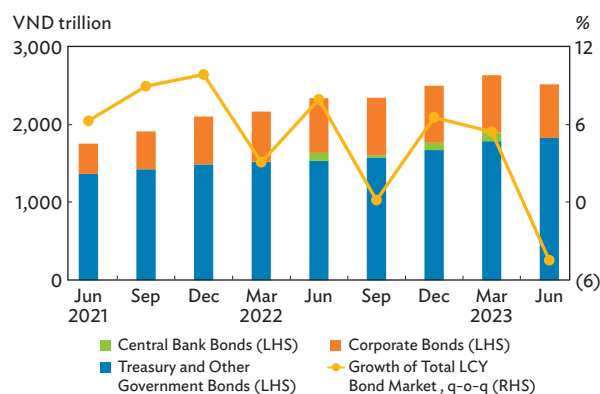
## Local Currency Bond Market Size and Issuance

Outstanding LCY bonds in Viet Nam declined 4.5% quarter-on-quarter (q-o-q) in Q2 2023 due to a contraction in the corporate bond market.

Corporate bonds contracted 6.6% q-o-q due to the maturation of bonds amid low issuance volume during the quarter combined with banks’ increased activity in early redemptions of corporate bonds (Figure 2). Based on the report released by FiiRatings on 17 May, the total value of early redeemed bonds reached nearly VND11.3 trillion in April 2023. The banking sector, whose total value of early redemptions increased by 5.64 times compared to March 2023, accounted for the largest share at 61% of the total value of early redeemed bonds.

Corporate bonds outstanding reached VND688.3 trillion at the end of June, comprising 27.3% of total bonds outstanding in Q2 2023. The LCY corporate bond market in Viet Nam remained dominated by banks and property companies, accounting for 54.0% and 25.8%, respectively, of the total corporate debt stock at the end of June. There were no outstanding central bank securities at the end of Q2 2023 as the government continued to support liquidity in the economy. Meanwhile, growth in Treasury

**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.

and other government bonds slowed to 2.3% q-o-q from 6.8% q-o-q in the previous quarter due to lower issuance volume in Q2 2023. Treasury and other government bonds outstanding reached VND1,830.0 trillion, accounting for 72.7% of the total debt stock at the end of June.

**Viet Nam's total LCY bond issuance reached VND62.9 trillion in Q2 2023, a contraction of 93.4% q-o-q as issuances of government and corporate bonds declined during the quarter (Figure 3).**

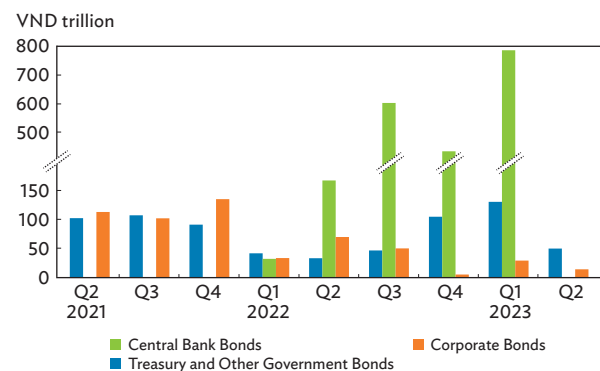
Issuance of Treasury and other government bonds contracted 62.0% q-o-q during Q2 2023 to VND49.5 trillion as the State Treasury reduced its weekly auction target in June. In the same quarter, corporate bond issuance contracted 52.9% q-o-q, following sizeable issuance in March, due to negotiations in April arising from the recently enforced Decree No. 8, which allows issuers to negotiate with bondholders to restructure and extend bond payments. Despite the government's recent policy interventions, headwinds in Viet Nam's corporate bond market persist, especially for problematic real estate companies, as defaults increased to a total of VND128.5 trillion (98 issuing companies) as of 4 May, up from VND94.4 trillion (69 issuer companies) on

17 March, based on the report released by FiiRatings on 17 May. During the quarter, 13 companies issued 19 bonds totaling VND13.4 trillion, 27.9% of which were issued by firms in the property sector. Nui Phao Mining was the largest corporate bond issuer in Q2 2023, with aggregate issuance of VND2.6 trillion, followed by Construction Business Development, a company engaged in the real estate business, with issuance of a single-tranche bond amounting to VND2.3 trillion. Masan Group was the third-largest issuer of corporate bonds and had the only issuance via public offering during the quarter, with debt sales amounting to VND2.0 trillion.

## Investor Profile

**Insurance firms and banks remained the largest holders of LCY government bonds in Viet Nam at the end of June, together accounting for 99.5% of the total holdings (Figure 4).** Insurance companies, whose investment share inched up to 58.1% in Q2 2023 from 57.8% in the previous quarter, remained the single-largest investor group at the end of June. On the other hand, bank holdings of government bonds slightly decreased to 41.4% from 41.7% in the first quarter of 2023. Among all investor groups, only banks and offshore investors posted a q-o-q decrease in their respective holdings in Q2 2023. Security companies and investment funds, as well as offshore investors, continued to hold a marginal share of less than 1.0% each at the end of June 2023.

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

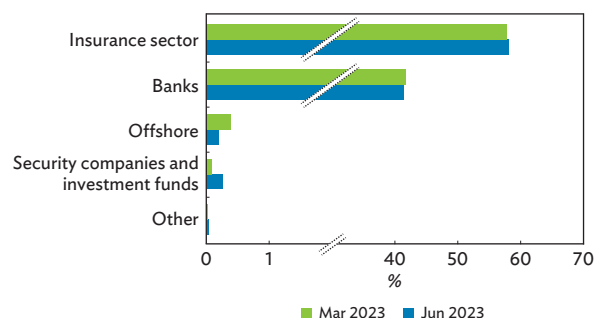


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, VND = Vietnamese dong.

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

Sources: Vietnam Bond Market Association and Bloomberg LP.

**Figure 4: Investor Profile of Local Currency Government Bonds**



Source: Vietnam Ministry of Finance.