

Market Summaries

People’s Republic of China

Yield Movements

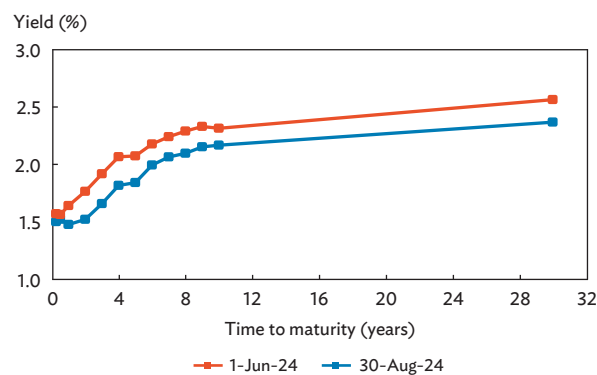
The People’s Republic of China’s (PRC) local currency (LCY) government bond yield curve experienced a bullish flattening between 1 June and 30 August as economic growth slowed and the central bank reduced key interest rates amid low inflation. The PRC’s yield decline averaged 18 basis points (bps) across all maturities (Figure 1). The decline was largely due to softening economic growth, with the PRC’s second quarter (Q2) gross domestic product growth rate falling to 4.7% year-on-year (y-o-y) from 5.3% y-o-y in the previous quarter. This, coupled with subdued inflation of 0.5% y-o-y in July (up slightly from 0.2% y-o-y in June), led to the People’s Bank of China (PBOC) unexpectedly cutting a series of interest rates in July. The PBOC reduced by 10 bps each the 7-day repurchase rate, the 1-year loan prime rate, and the 5-year loan prime rate on 22 July. On 25 July, the PBOC lowered the 1-year medium-term lending facility rate by 20 bps to 2.3%. The PBOC has also recently expressed concern that rising government bond prices

are generating an asset bubble. In response, the central bank has discussed the importance of an upward sloping yield curve and considered discouraging or limiting further bond trades.

Local Currency Bond Market Size and Issuance

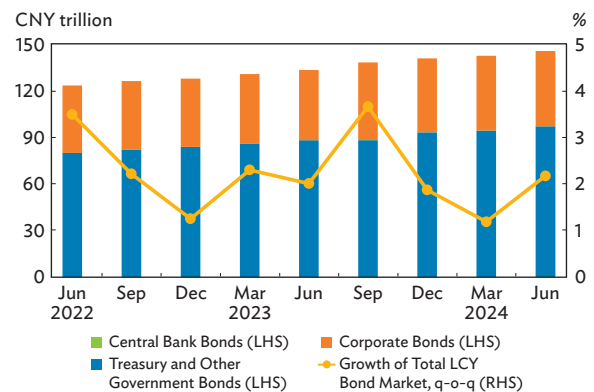
Growth in the PRC’s LCY bond market accelerated in Q2 2024 on robust issuance by the government. Total LCY bonds outstanding grew 2.2% quarter-on-quarter (q-o-q) in Q2 2024, up from 1.2% q-o-q in the first quarter (Q1), to a reach size of CNY145.1 trillion (Figure 2). While both types of bonds grew in Q2 2024, gains in government bonds quickened to 2.8% q-o-q from 1.2% q-o-q in Q1 2024 as the government began issuing special long-term Treasury bonds to support the economy. In contrast, corporate bond market growth slowed to 0.9% q-o-q in Q2 2024 from 1.2% q-o-q in the previous quarter.

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



Source: Based on data from Bloomberg LP.

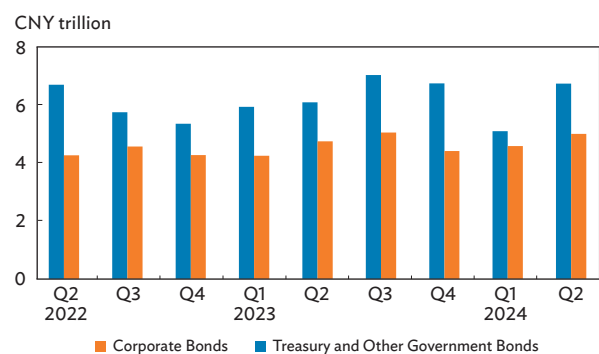
Figure 2: Composition of Local Currency Bonds Outstanding in the People’s Republic of China



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

The PRC's LCY bond sales rose to CNY11.7 trillion in Q2 2024 due to robust government bond issuance (Figure 3). Government bond issuance rose 32.2% q-o-q in Q2 2024, after declining 24.4% q-o-q in Q1 2024, as the government began issuing special long-term Treasury bonds to support stimulus measures. While corporate bond issuance also grew in Q2 2024, it expanded at a slower pace compared to government bonds but at a faster rate than in the previous quarter, rising 9.2% as banks issued additional bonds to help shore up regulatory capital.

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



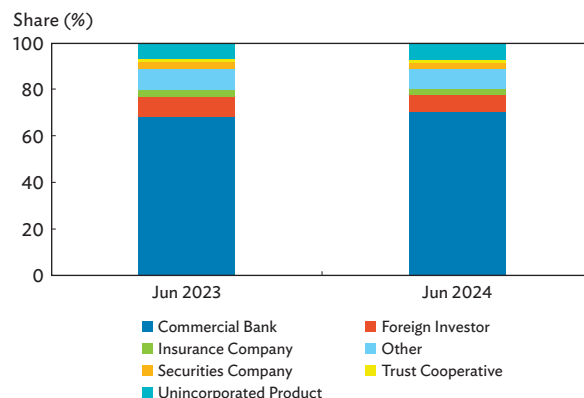
CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: CEIC Data Company.

Investor Profile

Commercial banks remained the largest holder of Treasury bonds in the PRC at the end of June.

Commercial banks shored up their holdings of Treasury bonds following an increase in bond prices, resulting in their holdings share to rising to 70.4% at the end of June from 68.5% a year earlier (Figure 4). This led to concerns of an asset bubble in the domestic bond market and, in response, the government sought to limit speculative activities.

Figure 4: Investor Profile of Treasury Bonds



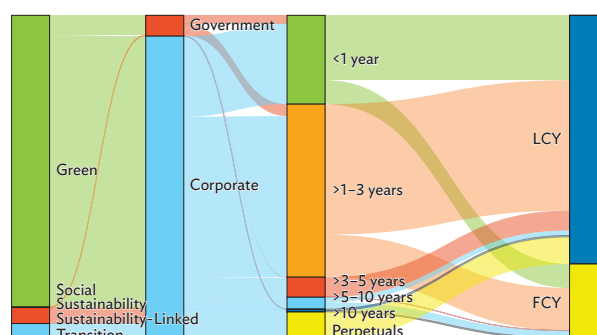
Source: CEIC Data Company.

Sustainable Bond Market

In the PRC, green bonds comprised 90.0% of total outstanding sustainable bonds at the end of June.

Corporate bonds comprise the bulk (93.6%) of the PRC's total sustainable bond market (Figure 5). Corporate issuers tend to issue shorter-tenors compared to the public sector. As a result, 87.0% of the PRC's outstanding sustainable bonds carried tenors of 5 years or less.

Figure 5: Market Profile of Outstanding Sustainable Bonds in the People's Republic of China at the End of June 2024



FCY = foreign currency, LCY = local currency.

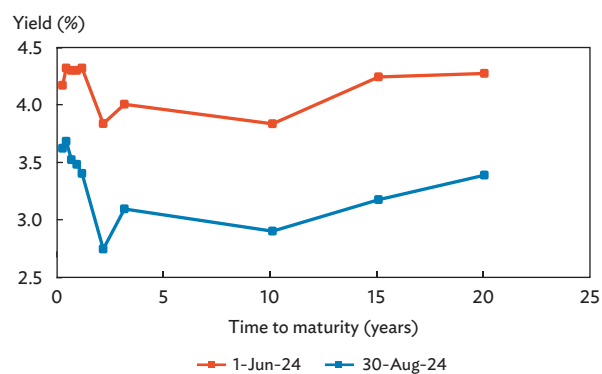
Source: AsianBondsOnline calculations based on Bloomberg LP data.

Hong Kong, China

Yield Movements

Local currency (LCY) government bond yields in Hong Kong, China fell for all tenors between 1 June and 30 August on market expectations of policy easing in the United States (US). Bond yields dropped an average of 86 basis points across all maturities, with the 2-year tenor posting the steepest decline at 110 basis points (**Figure 1**). Softening inflation and weak July employment figures in the US prompted markets to anticipate a rate cut by the Federal Reserve in September, driving down government bond yields globally. The decline in government bond yields was more pronounced in Hong Kong, China compared to its regional peers since the Hong Kong Monetary Authority’s monetary policy moves in lockstep with that of the US, owing to the Hong Kong dollar’s peg to the US dollar. Domestic inflation in Hong Kong, China remained moderate, but rose to 2.5% year-on-year in July from 1.5% year-on-year in June, largely due to the end of property rate concessions in June.

Figure 1: Hong Kong, China’s Benchmark Yield Curve—Local Currency Government Bonds

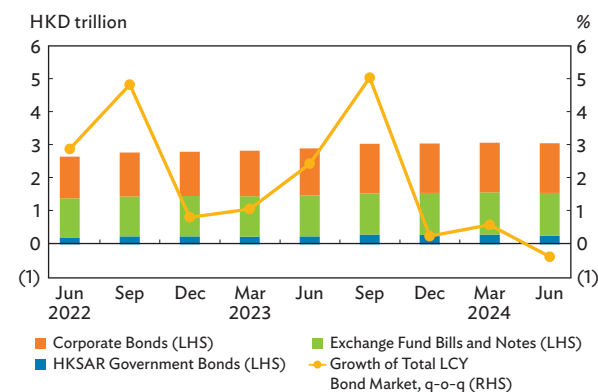


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Hong Kong, China’s LCY bonds outstanding posted a nominal 0.4% quarter-on-quarter (q-o-q) contraction in the second quarter (Q2) of 2024 due to a large volume of maturities in government bonds. LCY bonds outstanding totaled HKD3,033.6 billion at the end of June, down from HKD3,045.1 billion at the end of March, as a decline in outstanding Hong Kong Special Administrative Region (HKSAR) government bonds outstripped modest expansions in Exchange Fund Bills and Notes and corporate bonds (**Figure 2**). The stock of HKSAR government bonds fell 9.9% q-o-q due to a relatively large volume of maturities and a contraction in issuance during the quarter. Outstanding Exchange Fund Bills and Notes rose 1.0% q-o-q, while corporate bonds outstanding inched up 0.2% q-o-q. At the end of June, corporate bonds outstanding (HKD1,493.2 billion) comprised nearly half of total LCY bonds, while Exchange Fund Bills and Notes (HKD1,281.7 billion) and HKSAR government bonds (HKD258.7 billion) accounted for the remaining 42.2% and 8.5% shares, respectively.

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



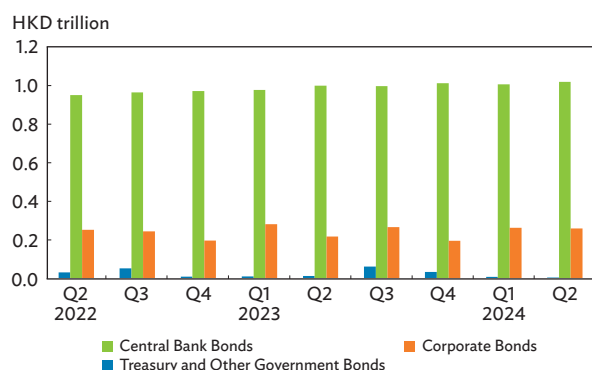
() = negative, HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Hong Kong Monetary Authority.

LCY bond issuance in Hong Kong, China posted modest growth in Q2 2024, supported solely by increased issuance of Exchange Fund Bills and Notes.

Total LCY bond sales amounted to HKD1,275.2 billion in Q2 2024, up 0.4% from the previous quarter (Figure 3). Growth was driven by a 1.3% q-o-q rise in Exchange Fund Bills and Notes issuance. Meanwhile, issuance of new HKSAR government bonds contracted 72.7% q-o-q amid plans to gradually replace the existing Government Bond Program with the Infrastructure Bond and Sustainable Bond Programs. Corporate bond sales in Q2 2024 tallied HKD256.4 billion, down 1.3% q-o-q as borrowing costs remained elevated. Hong Kong Mortgage Corporation was the top nonbank corporate issuer during the quarter, with cumulative issuance of HKD11.8 billion that represented 71.7% of total nonbank issuance.

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

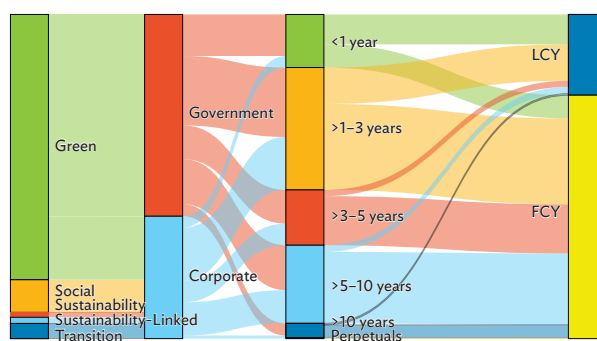


HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: Hong Kong Monetary Authority.

Sustainable Bond Market

At the end of June, sustainable bonds outstanding in Hong Kong, China were predominantly green bond instruments issued by the public sector. Sustainable bonds outstanding totaled USD41.6 billion at the end of Q2 2024, contracting 4.0% q-o-q due to a decline in issuance. Green bonds dominate the sustainable bond market in Hong Kong, China, comprising over 80% of outstanding instruments at the end of June, followed by social bonds with a share of more than 10% (Figure 4). Government-issued green bonds comprised nearly two-thirds of outstanding sustainable bonds. Outstanding sustainable bonds are concentrated in short- to medium-term maturities—over 70% of outstanding instruments had remaining maturities of up to 5 years, and the size-weighted average tenor of sustainable bonds outstanding was 4.3 years at the end of June. Over three-quarters of outstanding sustainable bonds at the end of June were denominated in foreign currencies, primarily US dollars. New issuance in Q2 2024 totaled USD385.5 million, comprising green and sustainability-linked instruments issued by the private sector.

Figure 4: Market Profile of Outstanding Sustainable Bonds in Hong Kong, China at the End of June 2024



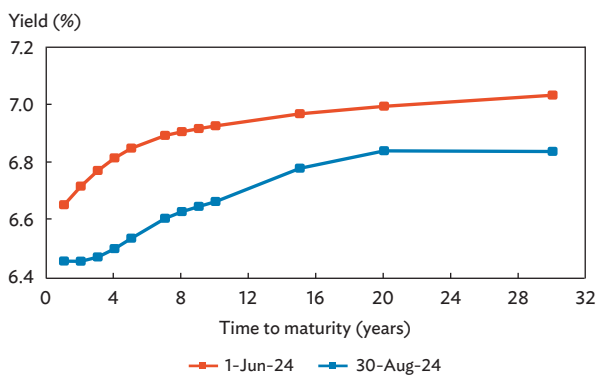
FCY = foreign currency, LCY = local currency.
Source: AsianBondsOnline calculations based on Bloomberg LP data.

Indonesia

Yield Movements

Between 1 June and 30 August, local currency (LCY) sovereign bond yields in Indonesia fell an average of 25 basis points across the curve, leading the yield curve to shift downward (Figure 1). The decline in yields was largely supported by easing inflation and expectations of a policy rate cut by Bank Indonesia. Inflation has ticked down and stayed within the target range of 1.5%–3.5% thus far in 2024. The yield declines were also fueled by expectations of the end of monetary policy tightening by the United States Federal Reserve, which was hinted at the 30–31 July Federal Open Market Committee meeting. Since then, emerging East Asian currencies collectively appreciated against the United States dollar, with the Indonesian rupiah strengthening by 5.1% during the review period.¹⁴

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

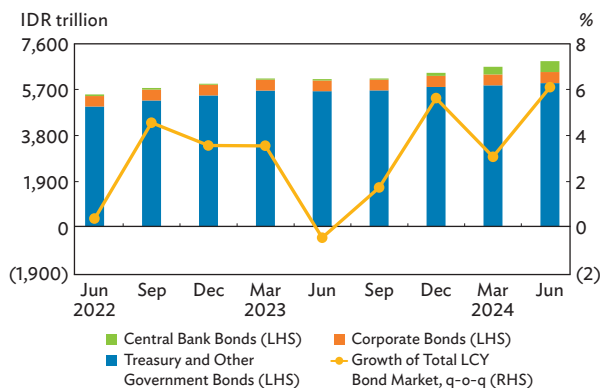


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The LCY bond market in Indonesia recorded a faster quarter-on-quarter (q-o-q) expansion in the second quarter (Q2) of 2024 with all bond types posting positive growth. The outstanding size of the market totaled IDR7,200.3 trillion at the end of June, with growth

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.

Notes: Data include *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.

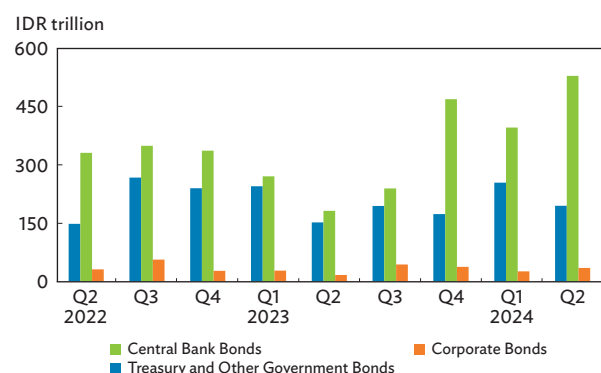
accelerating to 6.1% q-o-q in Q2 2024 from 3.1% q-o-q in the first quarter (Figure 2). Central government bonds, which comprised 82.9% of total LCY bonds, grew 1.6% q-o-q despite reduced issuance during the quarter. Corporate bonds accounted for 6.4% of the bond total at the end of Q2 2024, expanding 1.1% q-o-q as issuance picked up. Central bank bonds recorded the fastest q-o-q growth (69.1%) across all bond types. Bank Indonesia continued to optimize issuance of various central bank instruments as part of measures to strengthen monetary operations and attract capital inflows to help stabilize the rupiah.

LCY bond issuance rebounded in Q2 2024, buoyed by robust growth in central bank and corporate bonds. Aggregate issuance reached IDR760.3 trillion in Q2 2024 on growth of 12.3% q-o-q, reversing the 0.6% q-o-q contraction in the previous quarter (Figure 3). Central bank bond issuance grew 33.6% q-o-q in Q2 2024, as Bank Indonesia strengthened monetary operations to support the rupiah. Corporate bond issuance also rose 35.8% q-o-q amid declining funding costs, albeit its contribution to total issuance remained

This market summary was written by Roselyn Regalado, consultant, Economic Research and Development Impact Department, ADB, Manila.

¹⁴ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

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.

Notes: Data include *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.

relatively small (4.5% of the total). Manufacturing firm Indah Kiat Pulp & Paper Mills was the largest corporate bond issuer during the quarter, raising bonds worth IDR4.7 trillion and accounting for 13.5% of the corporate issuance total.

Investor Profile

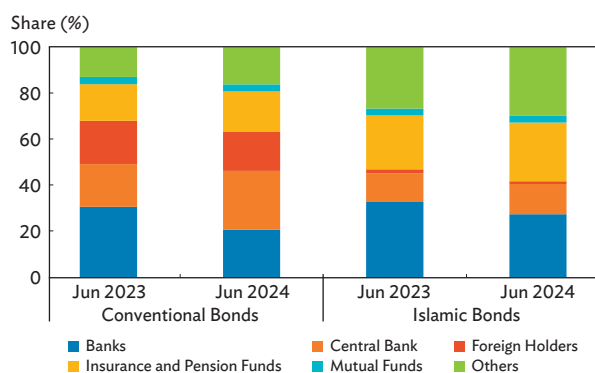
Domestic investors continued to account for a majority of Indonesia’s LCY tradable government bonds with holdings share of 86.1% at the end of June. Among domestic investors, the largest investor group was

the central bank, whose collective holdings climbed to 23.1% at the end of June from 17.4% a year earlier, largely due to Bank Indonesia’s continued support to ensure bond market stability, particularly during market selloffs when the holdings of foreign investors decline. The Indonesian bond market has the largest share of central bank holdings in emerging East Asia. Bank Indonesia’s holdings share of conventional bonds stood at 25.5%, while the corresponding share for Islamic bonds was much lower at 13.1% (Figure 4). Insurance and pension funds also increased their bond holdings to an aggregate share of 19.0% at the end of June, up from 17.3% a year earlier.

Sustainable Bond Market

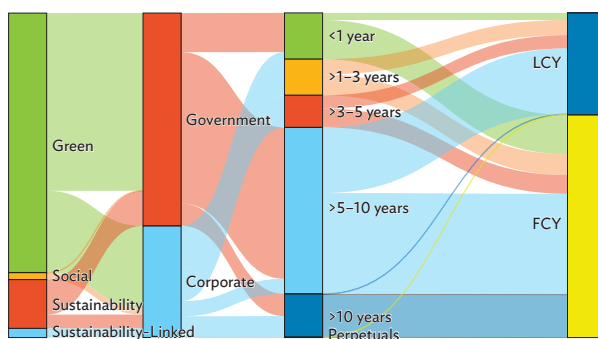
The sustainable bond market of Indonesia is dominated by green bond instruments and long-term financing (Figure 5). Green bonds were the more prevalent sustainable bond type, accounting for 80.0% of the sustainable bond total at the end of June. About 65% of sustainable bond financing was in longer tenors (over 5 years), owing to the strong participation of the public sector. Long-term financing comprised 81.6% of public sector sustainable bonds, while short-term maturities (less than 5 years) were more common for the private sector at a 67.4% share. Indonesia’s sustainable bond market had a size-weighted average tenor of 7.3 years at the end of June. Meanwhile, outstanding sustainable bonds in the Indonesian market tallied USD12.4 billion on growth of 3.5% q-o-q in Q2 2024.

Figure 4: Investor Profile of Tradable Central Government Bonds



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

Figure 5: Market Profile of Outstanding Sustainable Bonds in Indonesia at the End of June 2024



FCY = foreign currency, LCY = local currency.

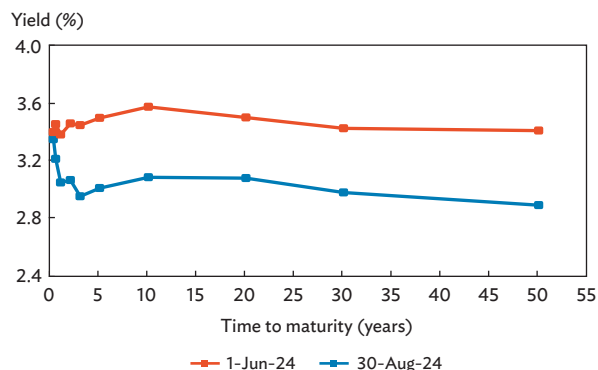
Source: AsianBondsOnline calculations based on Bloomberg LP data.

Republic of Korea

Yield Movements

Local currency (LCY) government bond yields in the Republic of Korea fell for all tenors between 1 June and 30 August, driven by expected rate cuts from the Bank of Korea and the United States Federal Reserve. On average, yields fell 39 basis points during the review period (Figure 1). The expectations of a rate cut by the Bank of Korea at its upcoming October meeting—and as market participants priced in a rate cut by the Federal Reserve in its September meeting—pulled down yields. While the Bank of Korea left the base rate unchanged at its 11 July and 22 August meetings, the central bank indicated that the timing of a rate cut depends on the path of inflation and gross domestic product growth, as well as the impact of rising household debt on financial stability. The recent 0.2% quarter-on-quarter (q-o-q) contraction in the Republic of Korea's economy in the second quarter (Q2) of 2024 also contributed to market participants pricing in a rate cut in October. Furthermore, in its 22 August meeting, the Bank of Korea lowered its 2024 economic growth and inflation forecasts by 0.1 percentage point each to 2.4% year-on-year and 2.5% y-o-y, respectively, from its May forecasts.

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

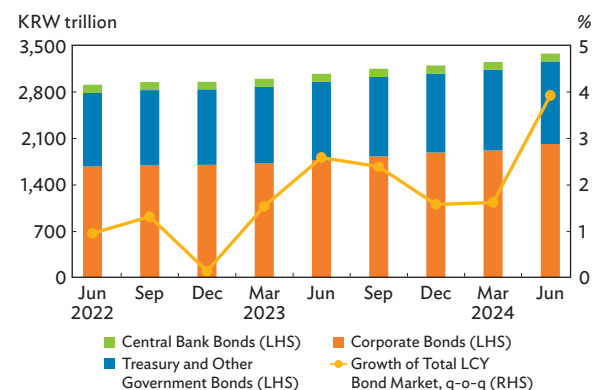


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The Republic of Korea's LCY bonds outstanding grew at a faster pace in Q2 2024 as the stock of both government and corporate bonds increased during the quarter. The size of the Republic of Korea's LCY bond market rose 3.9% q-o-q to reach KRW3,398.3 trillion at the end of June (Figure 2). The Republic of Korea's government bond market increased 2.7% q-o-q in Q2 2024 due to higher quarterly issuance of Treasury bonds. Meanwhile, corporate bonds outstanding grew 5.0% q-o-q because of the smaller volume of maturities, despite a contraction in issuance.

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

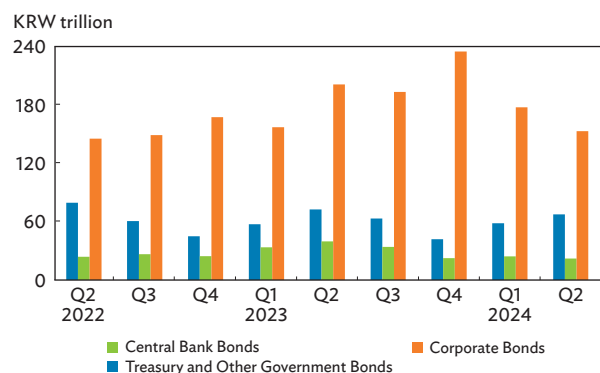


KRW = Korean won, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Sources: Bank of Korea and KG Zeroin Corp.

LCY bond issuance fell 6.8% q-o-q to KRW242.0 trillion in Q2 2024, driven by a contraction in the corporate bond segment. Corporate bond issuance dropped 13.9% q-o-q in Q2 2024 due to lower corporate funding requirements amid a slowdown in domestic and global economic growth. Meanwhile, issuance of government bonds rose 15.4% q-o-q in Q2 2024, which was still in line with the government's frontloading policy in the first half of the year (Figure 3).

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

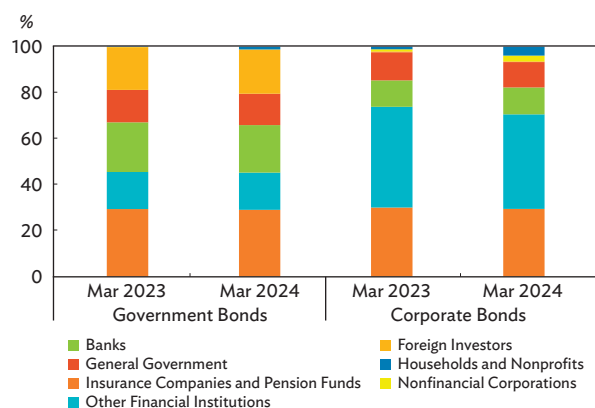


KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Sources: Bank of Korea and KG Zeroin Corp.

Investor Profile

The Republic of Korea’s LCY government bond market continued to have one of the most diverse investor bases in emerging East Asia at the end of March.¹⁵ The Republic of Korea had the second-lowest Herfindahl–Hirschman Index score in the region at the end of March.¹⁶ Insurance companies and pension funds remained the largest investor group in the LCY government

Figure 4: Local Currency Bonds Outstanding Investor Profile



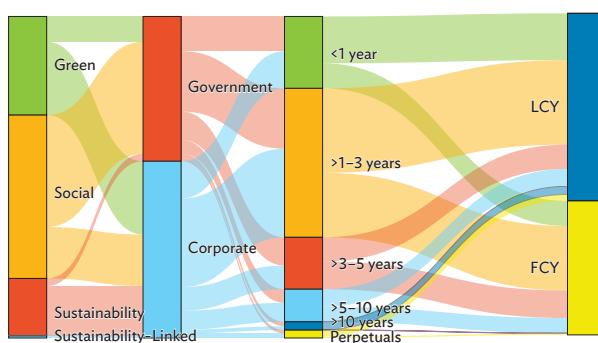
Sources: AsianBondsOnline and Bank of Korea.

bond market with a share of 29.0%; followed by banks and foreign investors with shares of 20.7% and 19.2%, respectively (Figure 4). Meanwhile, the corporate bond market has a less diverse investor base and is largely held by two major investor groups. Other financial institutions held a share of 41.1%, followed by insurance companies and pension funds at 29.4%. Foreign holdings of the LCY corporate bond market remained negligible at the end of March.

Sustainable Bond Market

Sustainable bonds outstanding in the Republic of Korea at the end of June were mostly social bonds and carried tenors of 3 years or less. The Republic of Korea was the second-largest sustainable bond market in the region with outstanding bonds worth USD177.6 billion at the end of June on marginal contraction of 1.3% q-o-q. Social bonds comprised 50.8% of the sustainable bond market, of which the majority were issued by the government (Figure 5). This was followed by green bonds at 30.7%, mostly coming from the private sector. Almost 70% of the sustainable bonds outstanding carried maturities of less than 3 years, resulting in an overall size-weighted average tenor of 3.1 years. In terms of currency denomination, about 60% of sustainable bonds outstanding at the end of June were denominated in Korean won.

Figure 5: Market Profile of Outstanding Sustainable Bonds in the Republic of Korea at the End of June 2024



FCY = foreign currency, LCY = local currency.
Source: AsianBondsOnline calculations based on Bloomberg LP data.

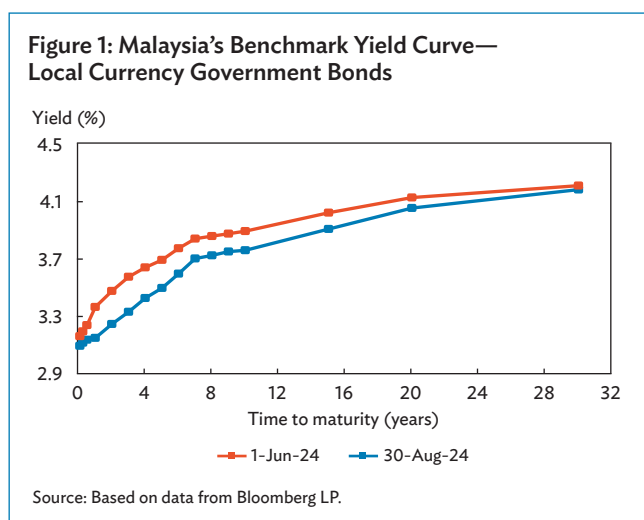
¹⁵ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea

¹⁶ The Herfindahl–Hirschman Index is a common measure of market concentration. The index is used to measure the investor profile diversification of the local currency bond market by summing the squared share of each investor group in the bond market.

Malaysia

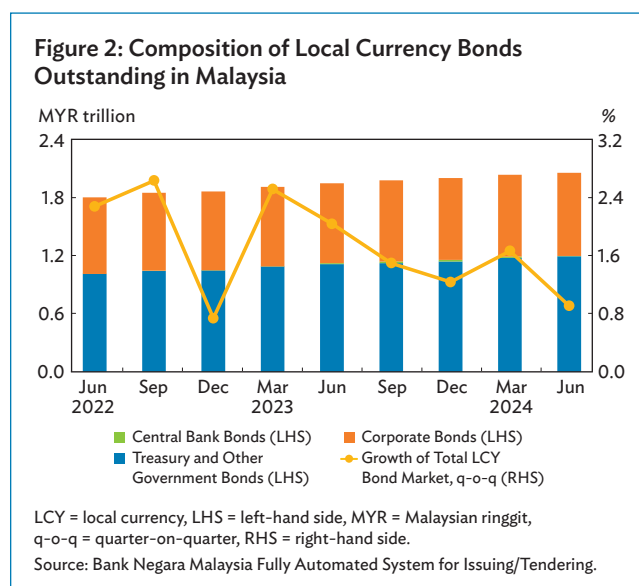
Yield Movements

Local currency (LCY) government bond yields in Malaysia fell for all tenors between 1 June and 30 August on expectations of policy rate cuts by the United States Federal Reserve. Yields fell an average of 14 basis points across the curve during the review period (Figure 1). Yields fell on increased expectations of a policy rate cut by the Federal Reserve in its September meeting amid moderating inflation and weak labor data. The drop in yields was further supported by continued foreign bond inflows in the domestic bond market. With Bank Negara Malaysia expected to maintain its policy rate for the rest of the year, domestic bonds are deemed even more attractive by investors as the Federal Reserve signals impending rate cuts. On 11 July, Bank Negara Malaysia held its policy rate steady at 3.50% amid stable inflation and sustained economic growth.



Local Currency Bond Market Size and Issuance

Growth in Malaysia's LCY bonds outstanding moderated in the second quarter (Q2) of 2024 amid reduced issuance of central bank bills. The LCY bond market reached a size of MYR2.1 trillion at the end of June on 0.9% quarter-on-quarter (q-o-q) growth, supported by both the government and corporate bond segments. However, the reduced stock of central bank bills led to a slowdown in overall growth (Figure 2). Government bond market grew 1.6% q-o-q in Q2 2024, driven by increased issuance of Treasury bills. Meanwhile, corporate bonds outstanding rose 1.3% q-o-q in Q2 2024 due to a rebound in issuance during the quarter. *Sukuk* (Islamic bonds) continued to comprise a majority of the total LCY bond market in Q2 2024 with a share of 63.4% at the end of June.



Total LCY bond issuance in Malaysia was dragged down by a contraction in issuance of central bank bills. In 2023, Bank Negara Malaysia increased its issuance of central bank bills as part of efforts to manage excess liquidity in the market. However, the central bank curtailed its issuance starting in the first quarter of 2024 as liquidity conditions stabilized (**Figure 3**). Meanwhile, issuance of government bonds rose 25.0% q-o-q in Q2 2024, primarily due to higher issuance of Treasury bills. Corporate bond issuances also increased 17.1% q-o-q, as companies took advantage of lower borrowing costs amid declining bond yields. Despite these increases, LCY bond issuance fell 13.6% q-o-q to MYR116.4 billion in Q2 2024, again largely due to the reduction in central bank bill issuance.

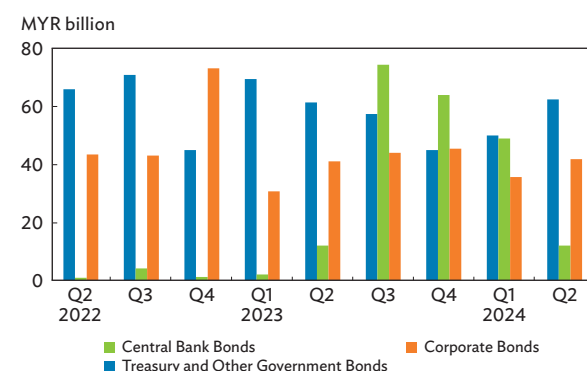
Investor Profile

Bond holdings in Malaysia remained unchanged from a year earlier. Nearly 80% of Malaysia’s LCY government bonds outstanding were held by domestic investors at the end of March. Among these domestic investors, financial institutions and social security institutions held the largest shares at 33.2% and 29.8%, respectively (**Figure 4**). Meanwhile, foreign holdings in Malaysia’s domestic government bond market slightly decreased to 21.2% at the end of March from 22.7% a year earlier.

Sustainable Bond Market

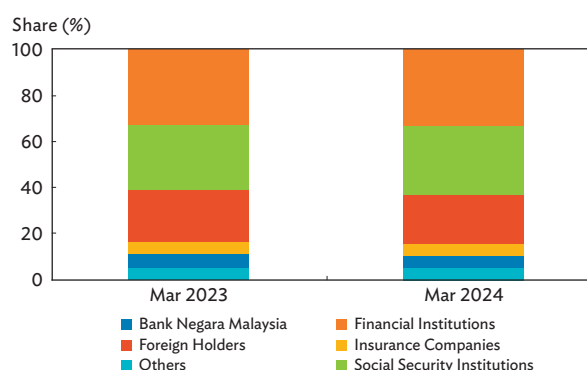
At the end of June, Malaysia’s sustainable bond market largely comprised long-term sustainability bonds issued by the corporate sector. The size of Malaysia’s sustainable bond market reached USD14.2 billion at the end of June on 3.5% q-o-q growth. Sustainability bonds comprised almost three-fourths of the sustainable bond market, with green bonds the next most common bond type (**Figure 5**). A majority of sustainable bonds outstanding at the end of June were issued by private corporations and carried maturities of more than 5 years. Sustainable bonds issued by the government were also only longer-term securities. Consequently, the size-weighted average tenor of sustainable bonds in Malaysia at the end of June was 8.7 years. Over 80% of the sustainable bonds outstanding in Malaysia at the end of Q2 2024 were denominated in ringgit.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia



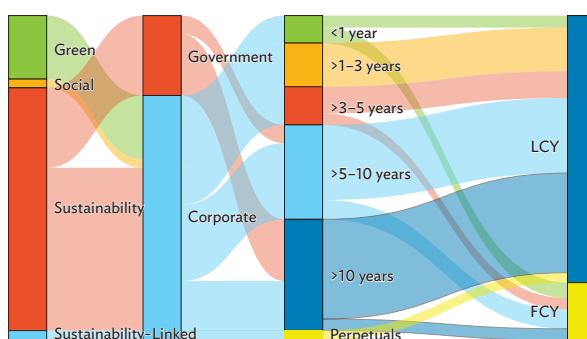
MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Figure 4: Local Currency Government Bonds Investor Profile



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

Figure 5: Market Profile of Outstanding Sustainable Bonds in Malaysia at the End of June 2024



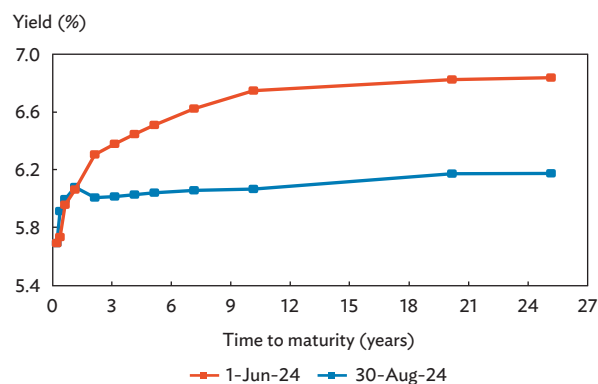
FCY = foreign currency, LCY = local currency.
Source: AsianBondsOnline calculations based on Bloomberg LP data.

Philippines

Yield Movements

Between 1 June and 30 August, local currency (LCY) government bond yields in the Philippines declined across most tenors. Yields fell by an average of 52 basis points for tenors of 2 years and longer, largely driven by the Bangko Sentral ng Pilipinas' (BSP) monetary policy easing (Figure 1). On 15 August, the BSP reduced its overnight reverse repurchase rate by 25 basis points to 6.25%, citing that inflation was consistent with its target path and is expected to trend downward for the rest of 2024. Year-on-year inflation slowed to 3.3% in August from 4.4% in July, settling within the government's target range of 2.0%–4.0%. Rising expectations of a policy rate cut by the United States Federal Reserve also contributed to the fall in domestic yields during the review period.

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

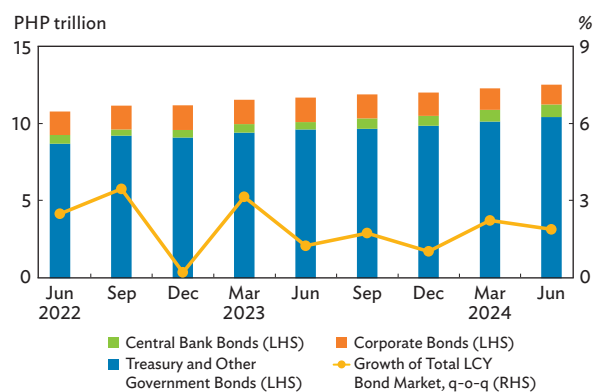


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

In the second quarter (Q2) of 2024, LCY bond market growth moderated on reduced issuance from both the corporate and government segments. Total LCY bonds outstanding reached PHP12.5 trillion at the end of June, with growth moderating to 1.9% quarter-on-quarter (q-o-q) from 2.2% q-o-q in the previous quarter (Figure 2). Treasury and other government bonds increased 2.8% q-o-q due to a lower volume of bond maturities during the quarter. Conversely, the total corporate debt stock contracted 7.7% q-o-q in Q2 2024, following the previous quarter's 8.2% q-o-q decline.

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



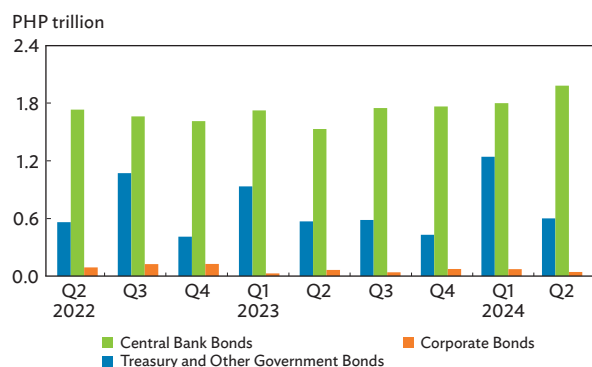
LCY = local currency, LHS = left-hand side, PHP = Philippine peso, q-o-q = quarter-on-quarter, RHS = right-hand side.

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.

Bond issuances contracted in Q2 2024 amid high interest rates. Total LCY bond issuance contracted 15.7% q-o-q to PHP2.6 trillion in Q2 2024, a reversal from the previous quarter's 37.3% q-o-q expansion (Figure 3). Issuance of Treasury and other government bonds declined 51.7% q-o-q in Q2 2024 mainly due to the exceptionally high issuance volume in the previous quarter, driven by the sale of Retail Treasury bonds in February. Similarly, corporate bond issuance fell 41.2% q-o-q amid persistently elevated interest rates as corporates postponed bond issuances in anticipation of an interest rate cut from the BSP in August. The largest corporate bond issuances during the quarter came from SM Prime Holdings and Energy Development Corporation, which accounted for 58.0% and 23.2%, respectively, of the Q2 2024 corporate issuance total.

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

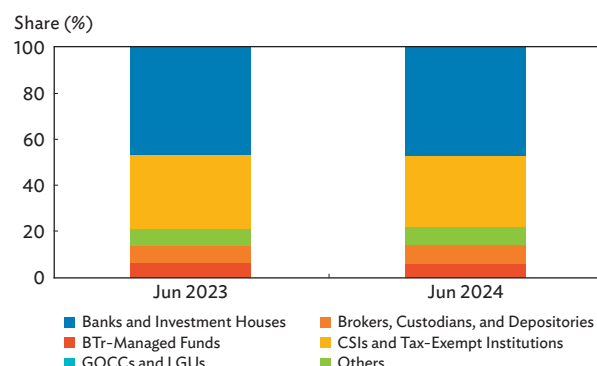


PHP = Philippine peso, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government 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

The investor landscape of the LCY government bond market at the end of June was largely unchanged from a year earlier. Banks and investment houses continued to be the largest investor group, holding nearly 50% of the total LCY government debt stock at the end of June (Figure 4). This was followed by contractual savings institutions and tax-exempt institutions with investment holdings dipping to 30.9% from 31.8% from the previous year.

Figure 4: Investor Profile of Local Currency Government Bonds

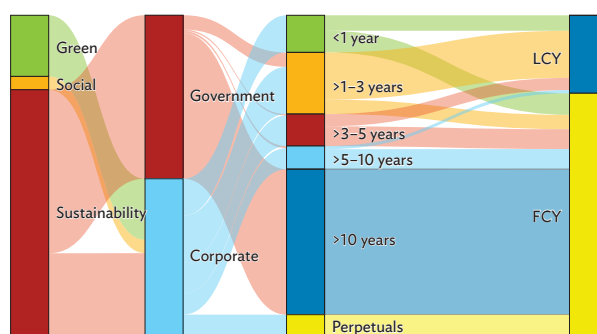


BTr = Bureau of the Treasury, CSI = contractual savings institution, GOCC = government-owned or -controlled corporation, LGU = local government unit.
 Note: At the end of June, the aggregate holdings share for government-owned or -controlled corporations and local government units was 0.02%, amounting to PHP2.2 billion.
 Source: Bureau of the Treasury.

Sustainable Bond Market

At the end of June, foreign-currency-denominated sustainability bond instruments dominated the sustainable bond market in the Philippines. Sustainability bond instruments comprised 77.0% of the total sustainable bonds at the end of June (Figure 5). The total size of sustainable bond market reached USD9.0 billion in Q2 2024, with the government and corporate segments each comprising a roughly equal share of the market. The government sector tends to issue longer tenors that are denominated in foreign currencies, while the private sector is inclined to issue sustainable bonds with tenors of less than 10 years. At the end of June, the size-weighted average tenor in the Philippines' sustainable bond market was 12.7 years.

Figure 5: Market Profile of Outstanding Sustainable Bonds in the Philippines at the End of June 2024



FCY = foreign currency, LCY = local currency.
 Source: AsianBondsOnline calculations based on Bloomberg LP data.

Singapore

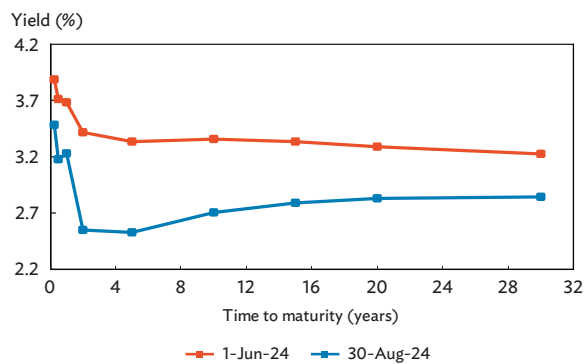
Yield Movements

Local currency (LCY) government bond yields in Singapore declined for all tenors between 1 June and 30 August, largely tracking the yield curve movements of United States Treasuries. Yields declined by an average of 57 basis points on increased expectations of a policy rate cut by the United States Federal Reserve in September and easing domestic inflation (**Figure 1**). On 26 July, the Monetary Authority of Singapore kept its monetary policy stance unchanged and maintained the rate of appreciation of the Singapore dollar’s nominal effective exchange rate, citing sustained positive economic growth prospects and easing inflation. Consumer price inflation in July remained unchanged at 2.4% year-on-year from June, slower than 3.1% year-on-year inflation in May.

Local Currency Bond Market Size and Issuance

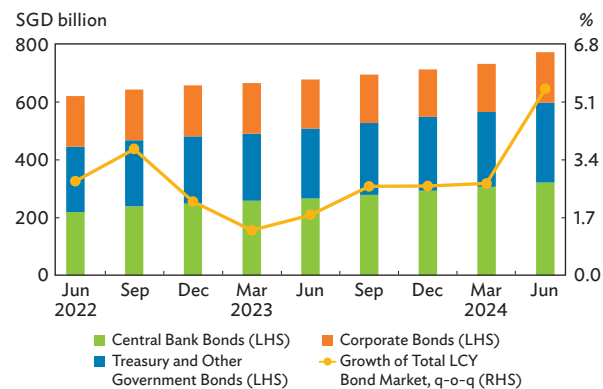
Growth in the LCY bond market accelerated in the second quarter (Q2) of 2024, supported by robust expansion in all bond segments. Outstanding LCY bonds grew 5.5% quarter-on-quarter (q-o-q) to SGD775.2 billion, faster than the previous quarter’s 2.7% q-o-q increase (**Figure 2**). Treasury and other government bonds posted the largest q-o-q growth (7.2%) among all bond instrument types due to a high volume of issuance and relatively few bonds maturing during the quarter. Growth in the corporate bond segment also accelerated to 4.3% q-o-q in Q2 2024 from 1.6% q-o-q in the first quarter, while central bank securities grew at a steady pace of 4.7% q-o-q.

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



Source: Based on data from Bloomberg LP.

Figure 2: Composition of Local Currency Bonds Outstanding in Singapore



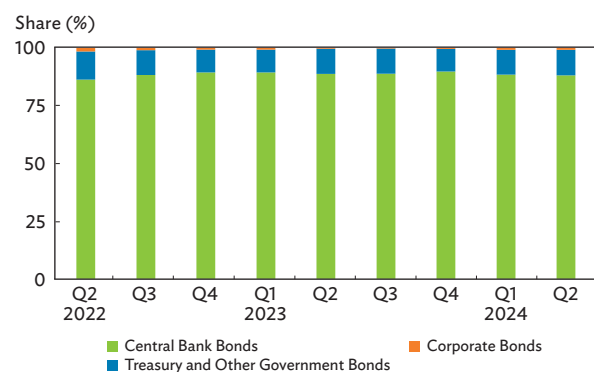
LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, SGD = Singapore dollar.

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

Sources: Monetary Authority of Singapore and Bloomberg LP.

LCY bond issuance rebounded strongly in Q2 2024 amid market optimism on the domestic economic outlook. Total LCY bond issuance grew 23.2% q-o-q, reversing the preceding quarter's 1.1% q-o-q decline (Figure 3). The issuance of Monetary Authority of Singapore bills bounced back from a 2.6% q-o-q decline in the first quarter of 2024 to 22.8% q-o-q growth in Q2 2024. Issuance of Treasury and other government bonds and corporate bonds also posted q-o-q growth of 27.3% and 17.7%, respectively, during the quarter. The Housing & Development Board—a state-owned real estate company—was the largest issuer of corporate bonds in Q2 2024, with the sale of two fixed-income securities totaling SGD1.7 billion, comprising 36.8% of the total corporate issuance during the quarter.

Figure 3: Composition of Local Currency Bond Issuance in Singapore



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

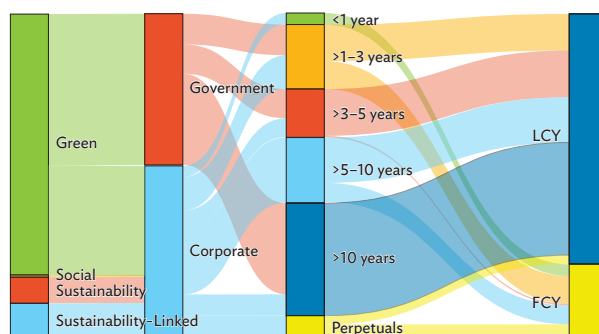
Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

Sustainable Bond Market

At the end of June, the sustainable bond market in Singapore was dominated by government and corporate green bond instruments. Green bonds accounted for 81.0% of the economy's total sustainable debt stock at the end of Q2 2024, mostly denominated in local currency and carrying a tenor of over 5 years (Figure 4). Total outstanding sustainable bonds reached USD22.0 billion at the end of June, almost half of which were green bonds issued by the government, while corporate issuances accounted for 53.1%, a majority of which were green bond instruments. At the end of June, over 40.0% of total sustainable bonds outstanding carried a tenor of more than 10 years, resulting in a size-weighted average tenor of 16.7 years. LCY-denominated instruments accounted for about 78.0% of the total. The Government of Singapore had the single-largest issuance during the quarter: a 30-year green bond amounting to USD1.9 billion.

Figure 4: Market Profile of Outstanding Sustainable Bonds in Singapore at the End of June 2024



FCY = foreign currency, LCY = local currency.

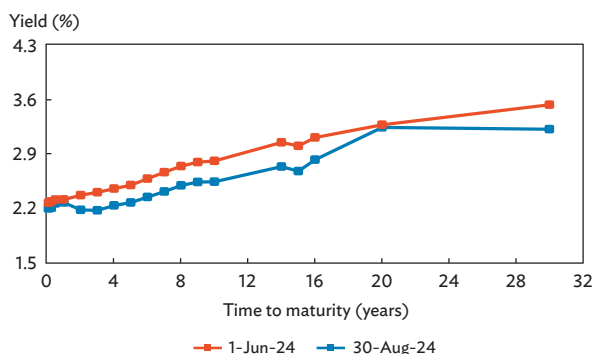
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Thailand

Yield Movements

Between 1 June and 30 August, local currency (LCY) government bond yields in Thailand fell for all maturities amid heightened expectations of monetary policy easing in the United States (US). Yields fell an average of 20 basis points across all tenors during the review period (Figure 1). The decline in yields followed trends in US Treasuries and other regional government bond yields, as markets priced in a rate cut by the Federal Reserve at its forthcoming September meeting amid slowing inflation and weak employment data in the US. Meanwhile, the Bank of Thailand (BOT) held its policy rate steady for a fifth straight meeting on 21 August, stating that the current rate was consistent with the economy's growth potential. Thailand's consumer price inflation eased to 0.4% year-on-year in August from 0.8% year-on-year in July. The BOT expects inflation to rise to its target range of 1.0%–3.0% by the end of 2024.

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

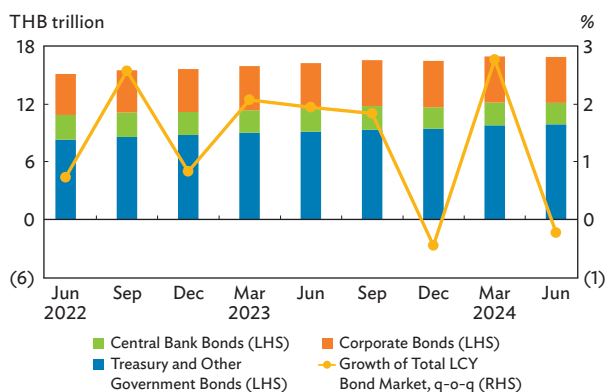


Sources: Based on data from Bloomberg LP and Thai Bond Market Association.

Local Currency Bond Market Size and Issuance

Thailand's LCY bond market posted a nominal contraction in the second quarter (Q2) of 2024 due to declines in the stocks of BOT bonds and corporate bonds. LCY bonds outstanding fell 0.2% quarter-on-

Figure 2: Composition of Local Currency Bonds Outstanding in Thailand



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

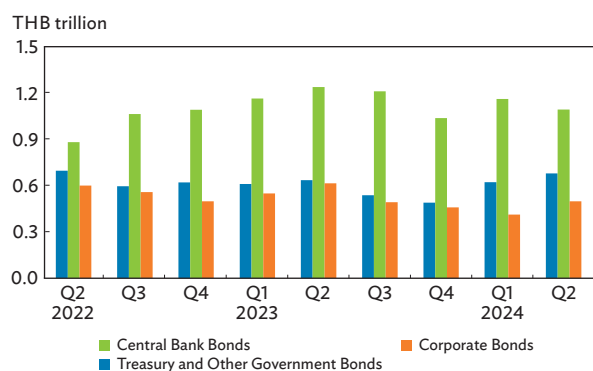
Source: Bank of Thailand.

quarter (q-o-q) in Q2 2024, amounting to THB16.9 trillion at the end of June (Figure 2). Treasury and other government bonds outstanding rose 1.1% q-o-q to THB9.9 trillion, supported by increased issuance as the delayed fiscal year 2024 budget came into effect in April. Meanwhile, outstanding BOT bonds fell 5.3% q-o-q to THB2.2 trillion due to a contraction in issuance. The stock of corporate bonds inched down 0.4% q-o-q to THB4.8 trillion despite a rebound in issuance, owing to a high volume of maturities. Treasury and other government bonds continued to comprise a majority (58.5%) of Thailand's LCY bond market at the end of June.

Thailand's LCY bond issuance gained pace in Q2 2024, supported by increased issuance of Treasury and corporate bonds.

Issuance of LCY bonds tallied THB2.3 trillion in Q2 2024, rising 3.5% q-o-q (Figure 3). Treasury and other government bond issuance rose 9.1% q-o-q to THB677.1 billion, as the government continued to accelerate debt issuance to fund its budget deficit. Corporate bond issuance rebounded to THB497.2 billion in Q2 2024, expanding 21.1% q-o-q after a 10.3% q-o-q contraction in the previous quarter. Improving economic conditions fueled by a revival of tourism and domestic demand boosted investor confidence, leading to increased corporate debt sales in

Figure 3: Composition of Local Currency Bond Issuance in Thailand



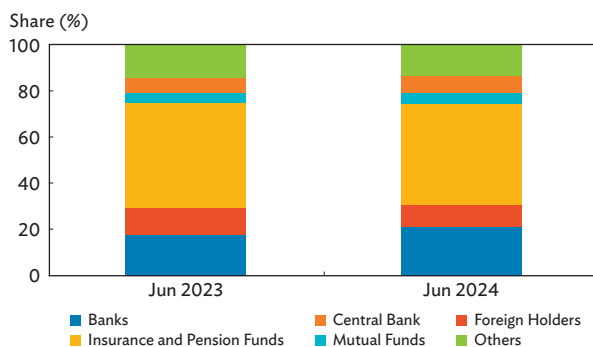
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht. Source: Bank of Thailand.

Q2 2024. Siam Commercial Bank was the top corporate bond issuer in Q2 2024 with cumulative issuance of THB42.0 billion (8.4% of total corporate issuance). Siam Cement and Gulf Energy Development were the next largest issuers, each with cumulative issuance of THB20.0 billion (4.0% of total corporate issuance).

Investor Profile

Domestic investors held over 90% of Thailand’s government bonds at the end of June. Domestic holders’ share of LCY government bonds rose to 90.4%

Figure 4: Investor Profile of Government Bonds in Thailand



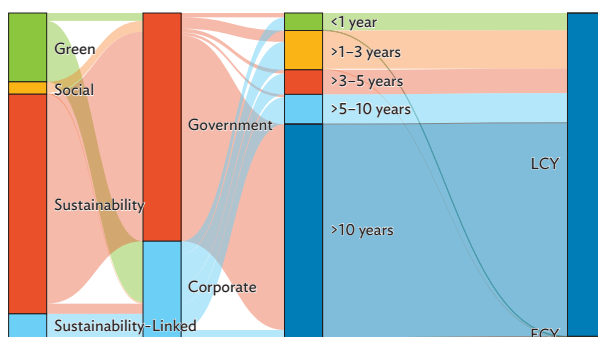
Source: Bank of Thailand.

at the end of June from 88.4% a year earlier (**Figure 4**). The increase was largely driven by increased holdings among banks, which rose to a 21.4% share in June from 18.0% in the prior year. In contrast, foreign investors’ holdings of Thai sovereign bonds fell to 9.6% from 11.6% during the same period, as interest rates differentials between US Treasury bonds and Thai sovereign bonds remained high.

Sustainable Bond Market

A majority of Thailand’s outstanding sustainable bonds are sustainability bonds issued by the government. At the end of June, total sustainable bonds outstanding tallied USD21.1 billion (**Figure 5**). Sustainability bonds comprised a majority of outstanding sustainable bonds (67.6%), followed by green bonds (21.2%). Government-issued instruments accounted for over 70% of outstanding sustainable bonds. Thailand’s sustainable bonds outstanding are primarily long-term instruments denominated in baht. At the end of June, the size-weighted average tenor of outstanding sustainable bonds was 9.3 years, among the longest in emerging East Asia.¹⁷ Over 65% of outstanding sustainable bonds had remaining maturities over 10 years, while over 99% of outstanding sustainable bonds were denominated in Thai baht. In Q2 2024, issuance of sustainable bonds amounted to USD244.8 million worth of sustainability and green bonds.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Thailand at the End of June 2024



FCY = foreign currency, LCY = local currency. Source: AsianBondsOnline calculations based on Bloomberg LP data.

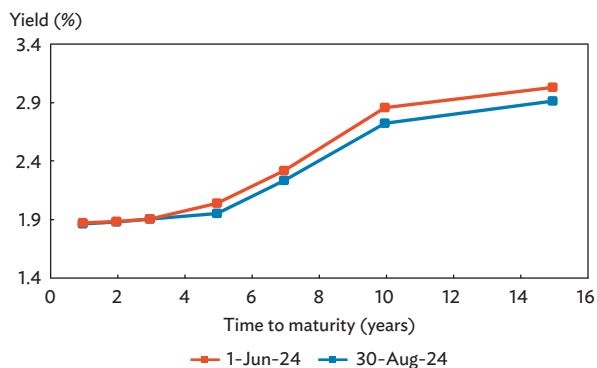
¹⁷ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.

Viet Nam

Yield Movements

Between 1 June and 30 August, local currency (LCY) government bond yields in Viet Nam declined for most tenors. Yields decreased by an average of 6 basis points, with the 10-year tenor posting the largest decline of 13 basis points (Figure 1). The decline in yields was influenced by heightened expectations of a policy rate cut by the United States Federal Reserve in September, as signaled in its Federal Open Market Committee meeting on 30–31 July. Furthermore, to support liquidity in the economy, the State Bank of Vietnam, on 28 August, reduced the interest rate on central bank bills for the third time in August to 4.15%. Previously, the central bank cut the bills' interest rate from 4.50% to 4.25% on 5 August and was then further reduced to 4.20% on 20 August.

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

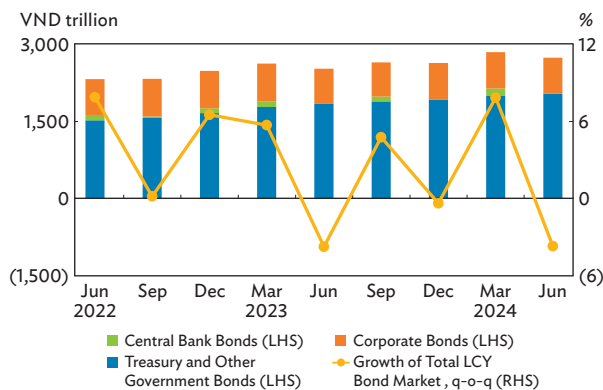


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Viet Nam's LCY bond market contracted in the second quarter (Q2) of 2024 on a high volume of maturities during the quarter. Total outstanding LCY bonds dropped 3.7% quarter-on-quarter (q-o-q) in Q2 2024, mainly driven by a large amount of maturities

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



(-) = negative, 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.

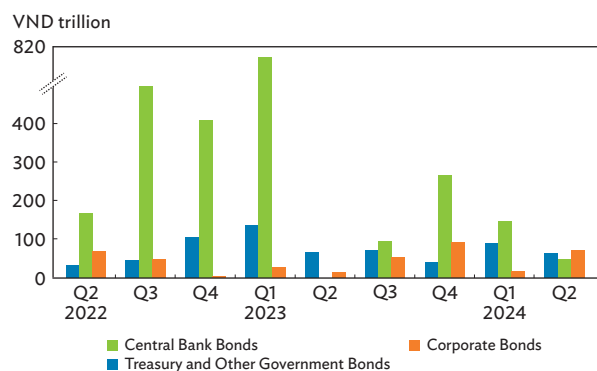
Sources: Vietnam Bond Market Association and Bloomberg LP.

for corporate bonds and central bank securities, which outpaced total issuance during the quarter (Figure 2). Due to the large amount of corporate bond maturities, the total corporate debt stock dipped 0.8% q-o-q even with increased issuance during the quarter. In contrast, despite weak issuance, outstanding Treasury and other government bonds grew 2.2% q-o-q in Q2 2024 due to a small volume of maturing bonds.

LCY bond issuance declined 29.4% q-o-q in Q2 2024 on tepid issuance from the government and central bank.

Issuance of Treasury and other government bonds contracted 33.8% q-o-q, reversing the first quarter's 136.9% q-o-q growth, due to several auctions not being fully awarded during the quarter as investors sought higher rates (Figure 3). Central bank securities issuance declined 67.7% q-o-q amid tightened liquidity due to elevated interest rates in the interbank market. Conversely, issuance of corporate bonds in Q2 2024 grew more than four-fold from VND17.6 trillion in the preceding quarter. The increase was mainly driven by the banking sector, as financial institutions raised capital to accelerate credit growth and ensure compliance with the prescribed safety ratios of the State Bank of Vietnam. The

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



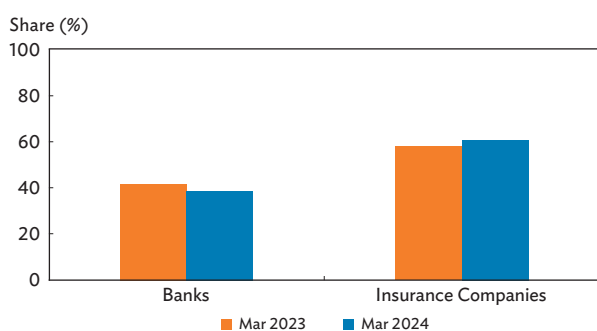
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, VND = Vietnamese dong.
 Note: Other government bonds comprise government-guaranteed and municipal bonds.
 Sources: Vietnam Bond Market Association and Bloomberg LP.

property sector was the second-largest issuer of corporate bonds in Q2 2024, as property companies sought funding for debt restructuring after the central bank extended its policy on debt rescheduling until the end of 2024 amid the rising level of bad debts.

Investor Profile

Insurance companies and banks collectively held 99.5% of outstanding government bonds at the end of March. Viet Nam’s LCY government bond market had the least diversified investor profile in the region as bond holdings was highly concentrated in these two investor groups only (Figure 4). Insurance companies, whose holdings

Figure 4: Profile of the Two Dominant Investors for Local Currency Government Bonds



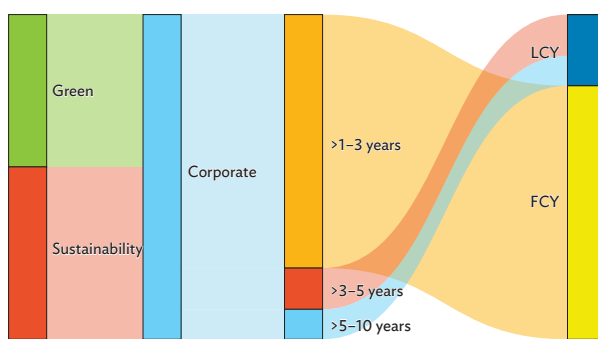
Source: Viet Nam Ministry of Finance.

share increased to 60.8% in March from 57.8% a year earlier, remained the single-largest investor group. This was followed by banks, whose holdings share decreased to 38.7% from 41.7% during the same period.

Sustainable Bond Market

At the end of June, the corporate sector remained the sole issuer of sustainable bonds in Viet Nam. The economy’s sustainable bond market comprised green and sustainability bond instruments in Q2 2024, most of which were foreign-currency-denominated and carrying tenors of 1–3 years (Figure 5). The total stock of sustainable bonds at the end of Q2 2024 remained at USD0.8 billion, more than half of which comprised sustainability bonds, while the remaining 46.9% were green bonds. Over 78.0% of total sustainable bonds outstanding at the end of June were denominated in foreign currency and nearly 80.0% carried maturities of 3 years or less, resulting in a size-weighted average tenor of 2.9 years.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Viet Nam at the End of June 2024



FCY = foreign currency, LCY = local currency.
 Source: AsianBondsOnline calculations based on Bloomberg LP data.