ASIA BOND MONITOR

March 2015

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The Asia Bond Monitor (ABM) is part of the Asian Bond Markets Initiative (ABMI), an ASEAN+3 initiative supported by the Asian Development Bank. This report is part of the implementation of a technical assistance project funded by the Investment Climate Facilitation Fund of the Government of Japan under the Regional Cooperation and Integration Financing Partnership Facility.

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Printed in the Philippines.

ISBN 978-92-9254-885-8 (Print), 978-92-9254-886-5 (e-ISBN)
ISSN 2219-1518 (Print), 2219-1526 (e-ISSN)
Publication Stock No. RPS157120-2

Cataloging-In-Publication Data

Asian Development Bank.
Asia Bond Monitor—March 2015.
Mandaluyong City, Philippines: Asian Development Bank, 2015.

1. Regionalism. 2. Subregional cooperation. 3. Economic development. 4. Asia.
I. Asian Development Bank.

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Emerging East Asian Local Currency Bond Markets: A Regional Update

Highlights

Bond Market Outlook

Local currency (LCY) bond markets in emerging East Asia started the year well despite uncertainties over the Greek debt crisis and the end of quantitative easing in the United States (US).[1] Bond yields in most emerging East Asian economies were pushed down by a reduction in inflationary expectations amid a fall in oil prices.

Most of the region's currencies weakened against the US dollar between end-December 2014 and mid-February 2015. The decline was led by the Indonesian rupiah and Malaysian ringgit as the oil and gas sectors in these economies were adversely affected by lower global oil prices. Credit default swaps (CDSs) in the region have remained relatively stable, reflecting continued investor confidence, while CDSs in the eurozone are rising amid concerns over the possibility of Greece leaving the monetary union.

Bond yield trends in advanced economies were mixed, due to divergent monetary policies between the US on one hand and the eurozone and Japan on the other, between end-December 2014 and mid-February 2015. At the same time, risk premiums decreased in all emerging East Asian economies except Malaysia.

Tighter US monetary policy could signal increasing risks to emerging East Asia's LCY bond markets: (i) credit spreads might widen ahead of the US Federal Reserve raising interest rates, (ii) the stronger US dollar is making it more costly to service foreign currency (FCY) debts, and (iii) falling oil prices might hurt highly-leveraged oil and gas companies in the region.

LCY Bond Market Growth in Emerging East Asia

The amount of LCY bonds outstanding in emerging East Asia continued to grow in 4Q14 to reach US$8.2 trillion at end-December. Government bonds outstanding totaled US$4.9 trillion, growing 2.4% quarter-on-quarter (q-o-q) and 10.9% year-on-year (y-o-y). Corporate bonds reached US$3.3 trillion, increasing 1.5% q-o-q and 10.0% y-o-y.

The People's Republic of China's (PRC) bond market dominated the region in terms of size, accounting for 63.4% of the region's total bonds at end-December. The next largest bond markets were those of the Republic of Korea and Malaysia.

As a share of gross domestic product (GDP) the size of emerging East Asia's LCY bond market slipped to 57.8% in 4Q14 from 58.1% in 3Q14. The Republic of Korea and Malaysia have the largest bond markets relative to GDP with shares of over 100%. Indonesia has the smallest market in terms of share of GDP at 15.2%.

LCY bond issuance totaled US$1.0 trillion in 4Q14, less than the US$1.1 trillion issued in 3Q14 but more than the issuance in 4Q13. A total of US$709 billion was issued by governments, central banks, and monetary authorities in 4Q14; corporate entities sold US$323 billion worth of bonds in 4Q14.

Structural Developments in LCY Bond Markets

The maturity structures of government bonds were mostly concentrated at the short-end of the yield curve at end-December. Five out of the nine markets had the largest share of their government bonds at the short-end of the curve. Most government bonds in Malaysia and Singapore carried medium-dated tenors, while bonds in Indonesia and the Philippines were more concentrated at the long-end.

The region's corporate bonds were also mostly at the short-end of the curve. The fixed-income corporate debt markets of Indonesia and the Republic of Korea had the largest proportion of bonds with short-term maturities. In contrast, Malaysia's corporate bond market was mostly concentrated in the middle and at the long-end of the curve. Corporate bonds in the Philippines and Viet Nam were mostly medium-dated maturities.

[1] Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

The share of foreign holdings in the LCY government bond market rose in Indonesia and Thailand in 4Q14, and remained stable in the Republic of Korea. Foreign holdings of LCY-denominated government bonds declined in Malaysia in 4Q14.

Foreign ownership of corporate debt is significantly lower compared with that of government bonds. Foreign holdings' share in the Indonesian LCY corporate bond market climbed to 9.6% at end-December, while the share of foreign holdings of the Republic of Korea's corporate bonds remained negligible at less than 0.5%.

Most LCY bond markets in emerging East Asia recorded foreign capital outflows in December as investors took profits amid the weakening of most local currencies against the US dollar. However, this trend reversed in January in Indonesia and the Republic of Korea as foreign capital flows turned positive.

LCY Bond Yields

Between end-December 2014 and mid-February 2015, LCY government bond yields fell for most tenors in emerging East Asia on falling inflation. Slower global growth and falling oil prices have led to reduced inflationary expectations in the region. Two economies, Singapore and Thailand, are flirting with deflation as both posted negative inflation rates in January. A number of central banks in the region either reduced policy rates or held back from raising rates. For example, the PRC, the Republic of Korea, and Viet Nam have reduced their policy rates within the past few months. Indonesia and the Philippines have held their policy rates steady due to weaker inflationary pressures.

The 2-year versus 10-year spread declined in all markets, except Indonesia and Thailand, in line with declining inflation in the region.

Special Section: Oil and Gas Corporate Bonds in Asia

Bond issuance from the region's oil and gas industry has expanded for much of the past decade, peaking at US$118 billion in 2012 before slowing to US$63 billion in 2014. Despite the recent decline in bond issuance volumes, the share of FCY-denominated debt within the industry increased to a record 66% in 2014. The proportion of oil and gas corporate bonds to total bonds outstanding is generally small across Asia, except in Kazakhstan where the ratio stands at 20.2%

Global and Regional Market Developments

Emerging East Asian bond markets started the year well despite uncertainties over the Greek debt crisis and the end of quantitative easing in the United States (US).[2] The fall in oil prices also helped reduce inflationary expectations in the region, which pushed down bond yields in most of the region's economies.

While the global economic outlook is generally weakening, the US has continued to sustain its growth momentum. The US economy created 257,000 jobs in January, marking 11 straight months of over 200,000 jobs gained. This has bolstered perceptions of an economy gaining strength and heightened expectations of an interest rate increase in the middle of the year. As a result, the US dollar strengthened against most of the region's currencies.

On the other hand, the eurozone's economic recovery is barely gathering pace as the region continues to flirt dangerously with deflation. To push up growth and stave off deflation, the European Central Bank (ECB) unveiled its version of quantitative easing in January, undertaking monthly purchases of EUR60 billion of government bonds for at least 19 months. Japan is also on an expansionary path, continuing with its plan to purchase JPY80 trillion worth of assets annually. Hence, there is a divergence in monetary policy stances among the major economies. The European and Japanese central banks' expansionary monetary policy actions could help offset some of the impacts of tighter US monetary policy.

Local currency (LCY) 10-year bond yields in emerging East Asia generally declined between end-December 2014 and mid-February 2015 **(Table A)**. Weaker inflationary pressures resulting from lower fuel prices in the region contributed to the lower yields. The biggest drop in yields was in Viet Nam, where the 10-year bond shed 64 basis points (bps). Other economies with large declines in 10-year bond yields were the Philippines and Hong Kong, China, where yields fell 45 bps and 44 bps, respectively. Most other emerging East Asian markets recorded drops in 10-year bond yields ranging from 19 bps to 30 bps, with the exception of Thailand where yields gained 3 bps during the period under review.

[2] Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

Most of the region's currencies weakened against the US dollar between end-December 2014 and mid-February 2015. The Indonesian rupiah and Malaysian ringgit had the largest depreciations at 3.3% and 2.4%, respectively. These two currencies were hardest hit likely because they have large oil and gas sectors, which are being adversely affected by lower global oil prices. The Singapore dollar depreciated 2.2% over the same period due to the government's announcement that it would slow the appreciation of its currency against the US dollar. On the other hand, currencies in the Philippines and Thailand appreciated against the US dollar by 1.0% and 0.9%, respectively. Being net oil importers, these countries' current account balances are likely to improve as a result of lower oil prices.

The region's credit default swaps (CDSs) remained stable, reflecting continued investor confidence in the region **(Figure A)**. In contrast, CDSs in the eurozone increased over concerns about the possibility of Greece leaving the monetary union following the election of a new government in January **(Figure B)**. Overall, global financial market conditions have been relatively calm in 2015, with emerging market spreads narrowing and the volatility index falling **(Figure C)**.

Bond yield trends in the advanced economies were mixed due to divergent monetary policies between the US on one hand and the eurozone and Japan on the other. US bond yields rose as a series of strong job reports suggests that the Federal Reserve may soon start raising rates. That said, yields are still below levels seen at the beginning of 2014 **(Figure D)**. Yields in Japan are also picking up as the economy improves. In contrast, eurozone rates were trending down as the ECB unveiled its asset purchase program. However, bond yields in Greece rose amid uncertainties over the new government's plan to restructure the nation's huge public debt. In emerging East Asia, risk premiums were declining in all of the region's economies except Malaysia **(Figure E)**. Investors are concerned about the large reliance of the Malaysian government on oil- and gas-based revenues amid falling oil prices.

Foreign holdings of Indonesian LCY government bonds rose in 4Q14 as investors continued to be attracted to their relatively higher yields. Furthermore, the Government of

Table A: Changes in Global Financial Conditions

	2-Year Government Bond (bps)	10-Year Government Bond (bps)	5-Year Credit Default Swap Spread (bps)	Equity Index (%)	FX Rate (%)
Major Advanced Economies					
United States	(2)	(12)	–	1.9	–
United Kingdom	(6)	(8)	(1)	4.7	1.2
Japan	7	10	(16)	3.5	0.9
Germany	(12)	(20)	0.3	11.8	5.8
Emerging East Asia					
China, People's Rep. of	(26)	(27)	5	(1.0)	(0.6)
Hong Kong, China	(14)	(35)	–	4.6	(0.01)
Indonesia	(40)	(30)	(6)	2.8	(3.3)
Korea, Rep. of	(6)	(21)	7	2.2	(0.5)
Malaysia	(15)	(29)	21	2.3	(2.4)
Philippines	2	(45)	2	7.5	1.0
Singapore	26	(19)	–	1.8	(2.2)
Thailand	(2)	3	10	7.9	0.9
Viet Nam	(34)	(64)	(8)	7.6	0.3
Select European Markets					
Greece	47	(37)	265	8.2	5.8
Ireland	(8)	(25)	0.5	9.3	5.8
Italy	(16)	(26)	(4)	11.5	5.8
Portugal	(13)	(46)	(23)	11.2	5.8
Spain	(9)	(4)	11	4.5	5.8

( ) = negative, – = not available, bps = basis points, FX = foreign exchange.
Notes:
1. Data reflect changes between 31 December 2014 and 13 February 2015.
2. For emerging East Asian markets, a positive (negative) value for the FX rate indicates the appreciation (depreciation) of the local currency against the US dollar.
3. For European markets, a positive (negative) value for the FX rate indicates the depreciation (appreciation) of the local currency against the US dollar.
Sources: Bloomberg LP, Institute of International Finance (IIF), and Thomson Reuters.

Indonesia's move to reform its fuel subsidies scheme is likely to strengthen fiscal sustainability. As of 20 February, the foreign-held share of the LCY government bond market in Indonesia had risen to 39.6% from 38.1% at end-December 2014. In contrast, foreign holdings of LCY government bonds in Malaysia declined to 30.9% at end-December 2014 from 31.8% at end-September 2014. The share of foreign holdings of LCY government bonds in Thailand picked up slightly from 17.6% at end-September 2014 to 18.3% at end-December 2014. Indonesia and Malaysia remain the economies with the largest share of foreign holdings of LCY government bonds **(Figure F)**. Meanwhile, in Japan and the Republic of Korea, foreign holdings stayed relatively unchanged.

Tighter US monetary policy could signal rising risks for the region's LCY bond markets:

Credit spreads could widen ahead of the Federal Reserve raising interest rates. Days of easy liquidity for the region's bond markets look set to end with the Federal Reserve expected to start raising interest rates. There is likely to be a reduction in the flow of funds searching for yields. Furthermore, foreign investors are likely to become more discerning in their choice of investment destinations in the region. The result could be wider spreads between high-quality and low-quality bonds. While economies with strong fundamentals are not likely to be affected, those with large fiscal and current account deficits could find themselves less attractive to foreign investors and at risk from a pullback.

The stronger US dollar is making it more costly to service foreign debts. In 2014, foreign currency issuance in emerging East Asia surged to a record of almost US$200 billion. The recent strength of the US dollar has highlighted the risk of borrowing in foreign currency. Issuers will find that the cost of servicing US$-denominated debt has increased, especially unhedged debt. Refinancing those debts will likely become more difficult. The default of a Chinese property company has also put the spotlight on risks in the real estate sector in the People's Republic of China (PRC), which was a large issuer of US dollar bonds in 2014.

Figure A: Credit Default Swap Spreads[a, b] (senior 5-year)

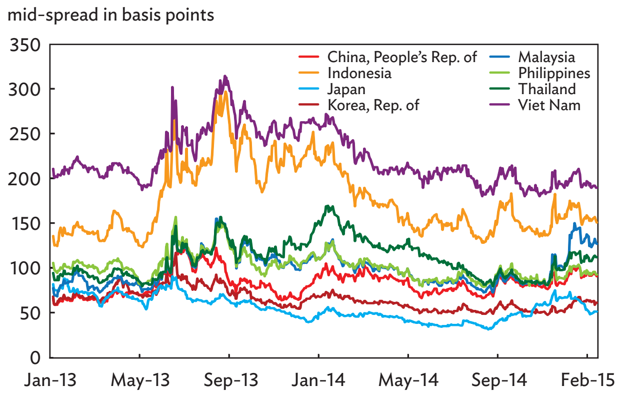


Figure B: Credit Default Swap Spreads for Select European Markets[a, b] (senior 5-year)

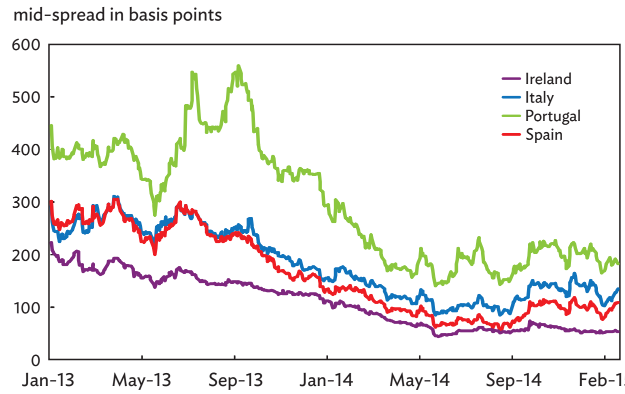


Figure C: US Equity Volatility and Emerging Market Sovereign Bond Spreads[b] (% per annum)

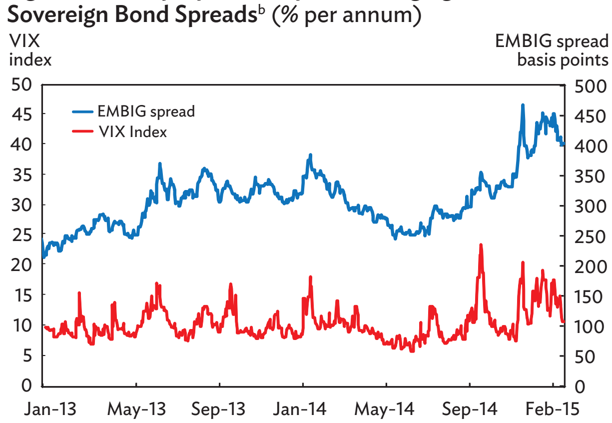


Figure D: 10-Year Government Bond Yields[b] (% per annum)

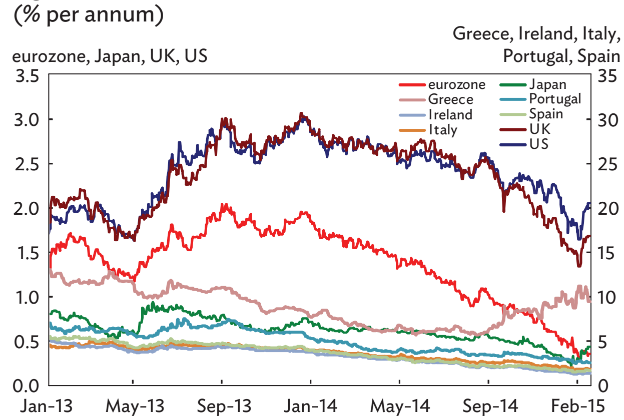


Figure E: JPMorgan EMBI Sovereign Stripped Spreads[a, b]

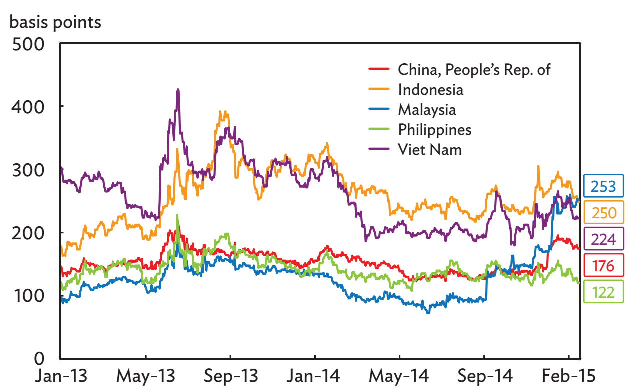
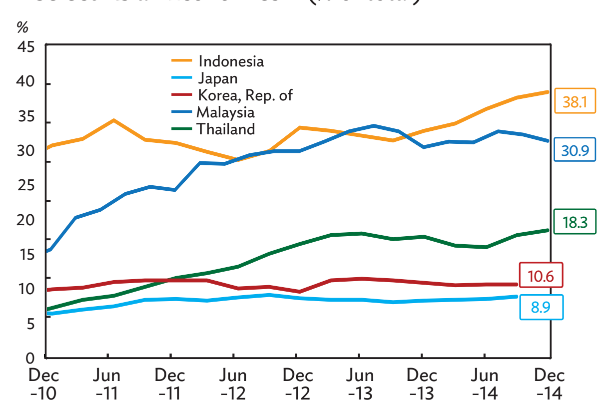


Figure F: Foreign Holdings of LCY Government Bonds in Select Asian Economies[c, d] (% of total)



EMBI = Emerging Markets Bond Index, EMBIG = Emerging Markets Bond Index Global, LCY = local currency, UK = United Kingdom, US = United States, VIX = Chicago Board Options Exchange Volatility Index.

Notes:

[a] In US$ and based on sovereign bonds.

[b] Data as of 15 February 2015.

[c] Data as of end-December 2014 except for Japan and the Republic of Korea as of end-September 2014.

[d] Data for Malaysia based on *AsianBondsOnline* estimates.

Sources: *AsianBondsOnline* and Bloomberg LP.

Plunging oil prices could hurt highly leveraged oil and gas companies. The sharp fall in oil prices has drawn attention to the debt obligations of oil and gas companies in the region. Oil exploration and production companies have been hit by cutbacks in capital spending. Refining and marketing companies are nursing losses on their inventories due to falling oil prices. The decline in revenues from lower oil prices could hamper oil and gas companies' ability to service their debts, particularly those companies with high leverage. Oil and gas companies that are increasingly turning to US dollar financing could also find the environment for refinancing more difficult. The Special Section on Oil and Gas Corporate Bonds in Asia in this edition of the Asia Bond Monitor will examine the issue in greater depth.

Bond Market Developments in the Fourth Quarter of 2014

Size and Composition

Emerging East Asia's local currency bond market reached a size of US$8.2 trillion at end-December.[3]

The local currency (LCY) bond market in emerging East Asia reached US$8.2 trillion at end-December. Growth was modest in 4Q14 at 2.0% quarter-on-quarter (q-o-q), and down from the 3.0% q-o-q expansion in 3Q14 **(Figure 1a)**.

At end-December, the largest bond market in the region was that of the People's Republic of China (PRC), which had an outstanding size of US$5.2 trillion on an increase of 2.0% q-o-q. The PRC's bond market accounted for 63.4% of the total LCY bond stock in the region at end-December. It leads the region in terms of size for both government and corporate bonds. Growth in the PRC's bond market in 4Q14 was largely driven by Treasury bonds and local corporate bonds. On the other hand, the stock of central bank bonds continued to decline as the People's Bank of China (PBOC) ceased issuance of PBOC bills and bonds in 2013, instead opting to use other tools for managing liquidity.

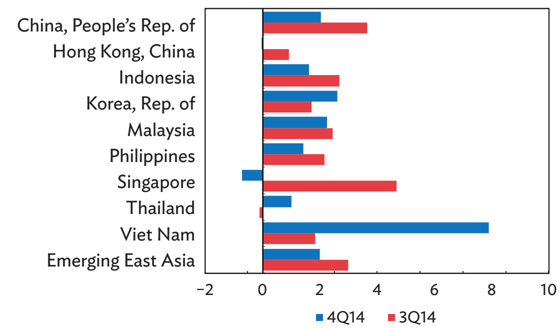
The Republic of Korea followed with outstanding bonds of US$1.7 trillion at end-December, posting 2.6% q-o-q growth. Growth in 4Q14 came mainly from government bonds on the back of increases in the stocks of both Treasury bonds and industrial finance debentures. On the other hand, central bank bonds and corporate bonds both fell slightly on a q-o-q basis.

Malaysia, with the third largest LCY bond market in emerging East Asia, recorded an increase of 2.3% q-o-q as the size of the bond market reached US$316 billion at end-December. Growth stemmed mostly from increases in the stocks of central government bonds and corporate bonds. Central bank bills marginally fell on a q-o-q basis in 4Q14 while *Sukuk Perumahan Kerajaan* posted a 20.0% q-o-q rise, albeit this growth was coming from a low base.[4]

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

[4] *Sukuk Perumahan Kerajaan* raises funds through the issuance of *sukuk* (Islamic bonds) to help fund the Malaysian government's housing loan program for public employees.

Figure 1a: Growth of LCY Bond Markets in 3Q14 and 4Q14 (q-o-q, %)



LCY = local currency, q-o-q = quarter-on-quarter.
Notes:
1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-December 2014 currency exchange rates and do not include currency effects.
4. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

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

The majority of Malaysia's bond market is composed of *sukuk* (Islamic bonds), representing 52% of the total bond stock at end-December. In 4Q14, *sukuk* accounted for a 38.7% share of the government bond sector and a 70.8% share of the corporate bond sector. Malaysia is home to the largest *sukuk* market in emerging East Asia.

In Thailand, the bond market saw growth of 1.0% q-o-q in 4Q14 to reach US$282 billion at end-December. The corporate sector grew more strongly than the government sector.

At end-December, Singapore's bond market stood at US$241 billion, declining by 0.7% q-o-q. The stocks of Singapore Government Securities (SGS) and corporate bonds both recorded declines on a q-o-q basis. As Singapore does not rely on debt issuance to fund its expenditure requirements, its issuance of SGS is quite limited. Monetary Authority of Singapore (MAS) bills are issued instead to avoid hitting the debt ceiling limit. In 4Q14, the stock of MAS bills rose slightly.

Hong Kong, China's bond market fell by 0.04% q-o-q to US$194 billion at end-December. The marginal q-o-q decline resulted from less issuance of HKSAR bonds in 4Q14.

The outstanding size of the LCY bond market In Indonesia reached US$123 billion at end-December, up 1.6% q-o-q. Indonesia's government bond market continued to climb, posting a 1.7% q-o-q gain in 4Q14. Growth in central government bonds was quite subdued, expanding only 0.9% q-o-q as the government had completed most of its annual financing requirements prior to 4Q14.

In 4Q14, central bank bills, known as *Sertifikat* Bank Indonesia (SBI), climbed 13.3% q-o-q. SBI are issued as a monetary policy tool for mopping up excess liquidity. The Indonesian government decided to raise fuel prices in November, and subsequently removed gasoline subsidies beginning in 2015. Corporate bonds also contributed to the q-o-q growth as some companies prefunded their capital requirements in anticipation of higher rates in 2015.

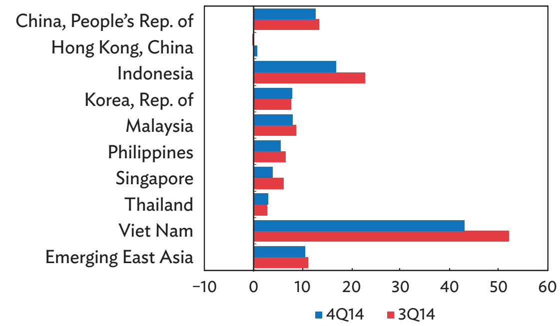
In the Philippines, the bond market's total size climbed to US$104 billion at end-December, up 1.4% q-o-q. Outstanding fixed-income securities issued by the Philippine government and government-controlled companies rose 1.3% q-o-q. All Treasury auctions were awarded in full in 4Q14, unlike in 3Q14.

At end-December, Treasury bills declined 1.2% q-o-q and Treasury bonds increased 1.9% q-o-q. Outstanding fixed-income instruments issued by government-controlled companies fell 10.8% q-o-q as some of them matured in 4Q14. Total outstanding LCY corporate bonds in the Philippines increased 2.3% q-o-q in 4Q14. About 85% of total new corporate debt issuance in 4Q14 was issued by banks.

In Viet Nam, the LCY bond market expanded 7.9% q-o-q to reach US$41 billion at end-December, buoyed by growth in government bonds. While Viet Nam was the fastest growing bond market in 4Q14 on both a q-o-q and year-on-year (y-o-y) basis in emerging East Asia, its growth occurs from a low base. Meanwhile, corporate bonds are still shut out of the Vietnamese market.

On a y-o-y basis, emerging East Asia's LCY bond market saw growth of 10.6% in 4Q14, down from the 11.2% y-o-y growth recorded in the previous quarter **(Figure 1b)**. Three out of the nine markets in the region recorded double-digit y-o-y growth rates, led by Viet Nam (43.1%). Double-digit growth was also posted in Indonesia (16.8%) and the PRC (12.7%). Most other emerging East Asian bond markets posted y-o-y growth rates of between 2.9% to 8.0%. It was only in Hong Kong, China where bond market growth was negative (–0.2% y-o-y).

Figure 1b: Growth of LCY Bond Markets in 3Q14 and 4Q14 (y-o-y, %)



LCY = local currency, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-December 2014 currency exchange rates and do not include currency effects.
4. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

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

On a q-o-q and y-o-y basis, growth in government bonds outpaced that of corporate bonds in emerging East Asia.

Government bonds continued to dominate emerging East Asia's LCY bond market in 4Q14, climbing to US$4.9 trillion at end-December **(Table 1)**. This accounted for a 60.0% share of the region's total outstanding bonds at end-December. The government bond markets of the PRC, the Republic of Korea, and Thailand were the largest in the region at end-December. All markets in the region, except the Republic of Korea, have a larger government bond market than corporate bond market. (Corporate bonds account for almost 60% of the total bond stock in the Republic of Korea.)

At end-December, the aggregate size of corporate bonds in the region reached US$3.3 trillion. The PRC ($1,858 billion), the Republic of Korea ($1,002 billion),

Table 1: Size and Composition of LCY Bond Markets

	4Q13		3Q14		4Q14		Growth Rate (LCY-base %)				Growth Rate (US$-base %)			
	Amount (US$ billion)	% share	Amount (US$ billion)	% share	Amount (US$ billion)	% share	4Q13		4Q14		4Q13		4Q14	
							q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of (PRC)														
Total	4,724	100.0	5,143	100.0	5,192	100.0	2.7	12.5	2.0	12.7	3.8	15.8	1.0	9.9
Government	3,073	65.0	3,315	64.5	3,335	64.2	2.7	7.7	1.7	11.2	3.8	10.8	0.6	8.5
Corporate	1,652	35.0	1,828	35.5	1,858	35.8	2.7	22.6	2.7	15.3	3.8	26.2	1.6	12.5
Hong Kong, China														
Total	195	100.0	194	100.0	194	100.0	0.9	9.7	(0.04)	(0.2)	0.9	9.7	0.1	(0.2)
Government	108	55.7	110	56.8	109	56.4	0.4	16.1	(0.8)	0.9	0.5	16.1	(0.6)	0.9
Corporate	86	44.3	84	43.2	85	43.6	1.5	2.6	0.9	(1.7)	1.6	2.6	1.1	(1.7)
Indonesia														
Total	108	100.0	124	100.0	123	100.0	6.8	20.1	1.6	16.8	0.1	(3.3)	(0.01)	14.8
Government	90	83.3	105	85.4	106	85.4	7.9	20.9	1.7	19.8	1.1	(2.7)	0.1	17.7
Corporate	18	16.7	18	14.6	18	14.6	1.5	16.4	1.2	2.1	(4.8)	(6.3)	(0.4)	0.3
Korea, Rep. of														
Total	1,641	100.0	1,715	100.0	1,703	100.0	2.5	10.0	2.6	7.8	4.9	11.6	(0.7)	3.8
Government	626	38.2	674	39.3	701	41.2	1.9	7.9	7.5	16.4	4.3	9.4	4.0	12.0
Corporate	1,015	61.8	1,041	60.7	1,002	58.8	2.9	11.4	(0.5)	2.6	5.3	12.9	(3.8)	(1.3)
Malaysia														
Total	312	100.0	329	100.0	316	100.0	2.9	2.2	2.3	8.0	2.4	(4.5)	(4.1)	1.1
Government	182	58.5	193	58.6	185	58.6	2.4	(0.2)	2.2	8.3	1.9	(6.8)	(4.1)	1.4
Corporate	130	41.5	136	41.4	131	41.4	3.7	5.9	2.3	7.5	3.2	(1.1)	(4.1)	0.7
Philippines														
Total	99	100.0	102	100.0	104	100.0	2.4	8.5	1.4	5.5	0.3	0.3	2.0	4.8
Government	86	86.6	86	83.8	87	83.7	1.5	8.0	1.3	2.0	(0.6)	(0.3)	1.8	1.2
Corporate	13	13.4	17	16.2	17	16.3	8.7	12.4	2.3	28.5	6.4	3.9	2.8	27.6
Singapore														
Total	244	100.0	252	100.0	241	100.0	1.5	9.1	(0.7)	3.8	0.9	5.6	(4.4)	(1.1)
Government	150	61.4	153	60.5	147	60.8	1.1	9.3	(0.3)	2.8	0.5	5.7	(4.0)	(2.1)
Corporate	94	38.6	100	39.5	95	39.2	2.2	8.9	(1.4)	5.5	1.6	5.3	(5.1)	0.5
Thailand														
Total	275	100.0	283	100.0	282	100.0	0.8	5.6	1.0	2.9	(3.7)	(1.2)	(0.5)	2.3
Government	214	77.7	213	75.4	211	75.1	(0.2)	3.4	0.6	(0.5)	(4.7)	(3.3)	(0.9)	(1.1)
Corporate	62	22.3	70	24.6	70	24.9	4.4	14.3	2.4	14.9	(0.2)	6.9	0.9	14.1
Viet Nam														
Total	29	100.0	38	100.0	41	100.0	14.8	15.6	7.9	43.1	14.9	14.2	7.1	41.2
Government	28	97.6	37	98.5	40	98.5	15.4	17.9	7.9	44.4	15.5	16.5	7.1	42.5
Corporate	0.7	2.4	0.6	1.5	0.6	1.5	(6.8)	(36.0)	9.5	(9.6)	(6.7)	(36.7)	8.7	(10.9)
Emerging East Asia														
Total	7,627	100.0	8,180	100.0	8,196	100.0	2.6	11.1	2.0	10.6	3.5	12.1	0.2	7.5
Government	4,557	59.7	4,887	59.7	4,921	60.0	2.4	7.7	2.4	10.9	3.1	8.5	0.7	8.0
Corporate	3,070	40.3	3,293	40.3	3,275	40.0	2.8	16.6	1.5	10.0	4.0	18.0	(0.6)	6.7
Japan														
Total	9,990	100.0	9,742	100.0	8,972	100.0	1.1	4.0	0.6	2.1	(5.7)	(14.3)	(7.9)	(10.2)
Government	9,203	92.1	8,998	92.4	8,292	92.4	1.1	4.7	0.7	2.5	(5.6)	(13.7)	(7.8)	(9.9)
Corporate	787	7.9	744	7.6	680	7.6	0.04	(3.4)	(0.2)	(1.7)	(6.6)	(20.4)	(8.6)	(13.6)
Memo Item: India														
Total	988	100.0	1,064	100.0	1,063	100.0	5.5	8.5	2.0	9.7	6.9	(3.5)	(0.1)	7.6
Government	761	77.0	810	76.1	801	75.4	6.2	6.4	1.0	7.4	7.6	(5.3)	(1.1)	5.3
Corporate	227	23.0	254	23.9	261	24.6	3.3	15.8	5.2	17.5	4.7	3.0	3.0	15.2

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.
2. Corporate bonds include issues by financial institutions.
3. Bloomberg LP end-of-period LCY—US$ rates are used.
4. For LCY base, emerging East Asia growth figures based on end-December 2014 currency exchange rates and do not include currency effects.
5. Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

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

and Malaysia ($131 billion) were the largest corporate bond markets in emerging East Asia. All other markets had corporate bonds outstanding valued at less than US$100 billion.

As a share of gross domestic product (GDP), the size of emerging East Asia's LCY bond market dropped to 57.8% at end-December from 58.1% at end-September **(Table 2)**. Government bonds accounted for a 34.7% share of the region's aggregate GDP, while corporate bonds had a share of 23.1%. The Republic of Korea and Malaysia had the largest bond markets relative to GDP with shares of over 100%. In contrast, Indonesia remained the smallest bond market with only a 15.2% share of GDP.

The maturity profiles of LCY government and corporate bonds are weighed toward the short-end for most markets in emerging East Asia.

Emerging East Asia's LCY government bonds were mostly weighed toward short-term maturities at end-December. Five out of the nine markets in the region had a larger share of their bonds at the short-end of the curve (maturities of more than 1 year to 3 years) **(Figure 2)**. In Hong Kong, China, almost 50% of government bonds were short-dated. In Malaysia and Singapore, government bonds were mostly medium-dated tenors (maturities of more than 5 years to 10 years), while bonds in Indonesia and the Philippines were more weighed toward the long-end of the curve (those with maturities of more than 10 years).

The region's corporate bonds were also mostly concentrated at the short-end of the curve at end-December **(Figure 3)**. Corporate debt in Indonesia and the Republic of Korea had the largest proportion of bonds with short-term maturities. In Indonesia, more than 50% of corporate bonds were short-dated. Notably, there were no IDR-denominated corporate bonds carrying a maturity of beyond 10 years. In the Republic of Korea, about 46% of corporate bonds carried maturities of more than 1 year to 3 years.

In contrast, Malaysia had a high share of corporate debt with medium- and long-dated tenors. The corporate bond markets of the Philippines and Viet Nam were concentrated at maturities of more than 5 years to

Table 2: Size and Composition of LCY Bond Markets (% of GDP)

	4Q13	3Q14	4Q14
China, People's Rep. of			
Total	48.6	50.8	50.6
Government	31.6	32.7	32.5
Corporate	17.0	18.0	18.1
Hong Kong, China			
Total	71.0	68.3	68.4
Government	39.6	38.8	38.6
Corporate	31.4	29.5	29.8
Indonesia			
Total	14.4	15.3	15.2
Government	12.0	13.0	12.9
Corporate	2.4	2.2	2.2
Korea, Rep. of			
Total	120.6	123.2	122.3
Government	46.0	48.4	50.4
Corporate	74.6	74.8	71.9
Malaysia			
Total	103.6	102.2	103.1
Government	60.6	60.0	60.5
Corporate	43.0	42.3	42.7
Philippines			
Total	38.2	37.3	36.8
Government	33.1	31.2	30.8
Corporate	5.1	6.0	6.0
Singapore			
Total	81.4	82.8	81.9
Government	50.0	50.1	49.8
Corporate	31.4	32.7	32.1
Thailand			
Total	75.6	76.0	76.3
Government	58.7	57.3	57.3
Corporate	16.9	18.7	19.0
Viet Nam			
Total	16.9	20.9	22.0
Government	16.5	20.6	21.7
Corporate	0.4	0.3	0.3
Emerging East Asia			
Total	56.5	58.1	57.8
Government	33.8	34.7	34.7
Corporate	22.8	23.4	23.1
Japan			
Total	219.1	219.8	220.1
Government	201.9	203.0	203.4
Corporate	17.3	16.8	16.7

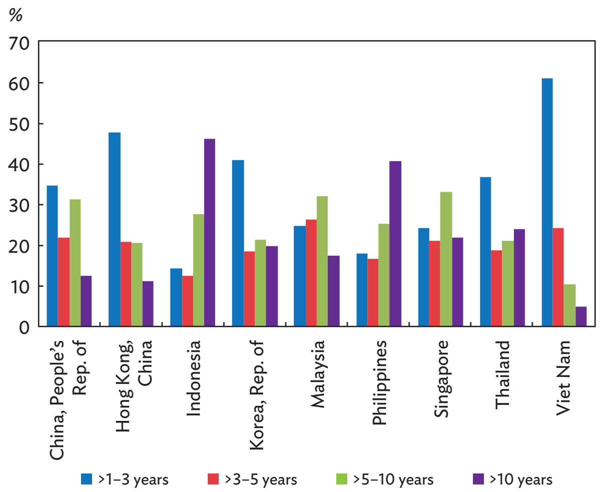
GDP = gross domestic product, LCY = local currency.

Notes:

1. Data for GDP is from CEIC. 4Q14 GDP figures carried over from 3Q14 for Hong Kong, China and the Republic of Korea.
2. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

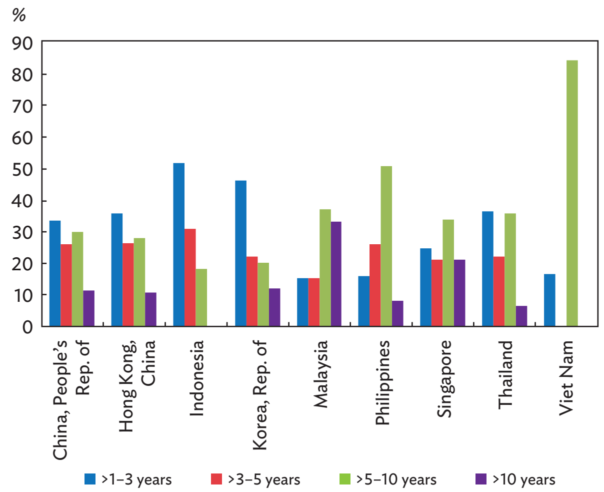
Sources: People's Republic of China (*ChinaBond* and *Wind*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia, Directorate General of Financing and Risk Management Office Ministry of Finance, and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of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

Figure 2: Government Bond Maturity Profiles
(individual maturities as % of total)



Source: *AsianBondsOnline*.

Figure 3: Corporate Bond Maturity Profiles
(individual maturities as % of total)



Notes:
1. Indonesia has no corporate bonds with maturities of more than 10 years.
2. Viet Nam has no corporate bonds with maturities of more than 3 years to 5 years, and more than 10 years.
Source: *AsianBondsOnline*.

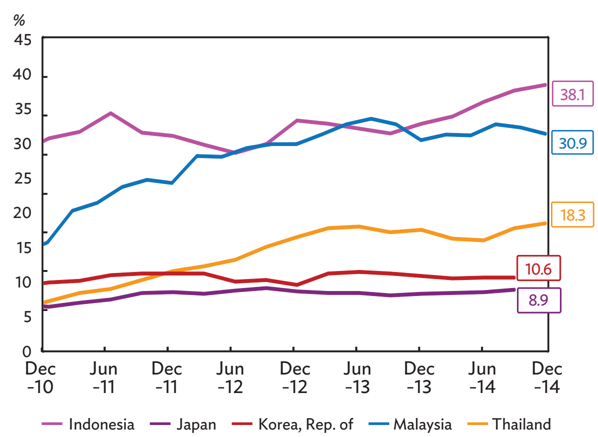
10 years. Singapore's maturity distribution for corporate bonds was broadly balanced.

Emerging East Asia's LCY government bonds continued to attract interest from foreign investors in 4Q14.

Foreign holdings of LCY government bonds remained strong in most government bond markets in emerging East Asia in 4Q14, as shares climbed in Indonesia and Thailand, and held steady in the Republic of Korea **(Figure 4)**. The only exception was Malaysia where foreign holdings of MYR-denominated bonds declined in 4Q14.

At end-December, foreign investors were the largest investor group in Indonesia, accounting for a 38.1% share. Foreign funds remain attracted to IDR-denominated government bonds, which offer the highest yields in the region. For example, Indonesia's 10-year government bond fetched a yield of 7.8% at end-December. In addition, foreign investors welcomed fuel-related policy reforms as the government raised fuel prices in November and subsequently removed the gasoline subsidy and provided a fixed diesel subsidy in January. These reforms are expected to provide the government additional fiscal space for infrastructure spending.

Figure 4: Foreign Holdings of LCY Government Bonds in Select Asian Economies (% of total)



LCY = local currency.
Notes:
1. Data as of end-December 2014 except for Japan and the Republic of Korea as of end-September 2014.
2. Data for Malaysia based on *AsianBondsOnline* estimates.
Source: *AsianBondsOnline*.

Foreign holdings' share of government bonds in Indonesia continued to rise in the last week of January 2015 and through the first week of February as inflation eased and trade figures improved. As of 20 February, the IDR-denominated bond holdings of offshore investors stood at 39.6% of total government bonds.

In Thailand, foreign holdings' share of government bonds climbed to 18.3% at end-December from 17.6% at end-September on renewed confidence in its economic recovery. In contrast, the share of foreign holdings in the LCY government bond market of Malaysia slipped to 30.9% at end-December from 31.8% at end-September. Meanwhile, foreign holdings' share in the Republic of Korea's government bond market was stable in 4Q14 at 10.6%.

The share of foreign holdings in the region's LCY corporate bonds remained subdued in 4Q14 as foreign ownership of LCY corporate debt is significantly lower than that of government bonds. At the same time, the share of foreign holdings of Indonesian corporate debt slightly rose to 9.6% at end-December **(Figure 5)**. Foreign investor holdings of IDR-denominated corporate bonds have steadily risen since end-December 2013. In the Republic of Korea, the share of foreign holdings of corporate bonds remained negligible in 4Q14 at less than 0.5%.

Foreign capital outflows were recorded in most bond markets in December, with inflows returning in January for some markets.

Most LCY bond markets in emerging East Asia recorded capital outflows in December as investors took profits amid the weakening of most local currencies against the US dollar. Indonesia recorded the largest outflows from its LCY government bond market in December **(Figure 6)**. However, it recovered strongly in January as investor appetite for emerging market assets returned.

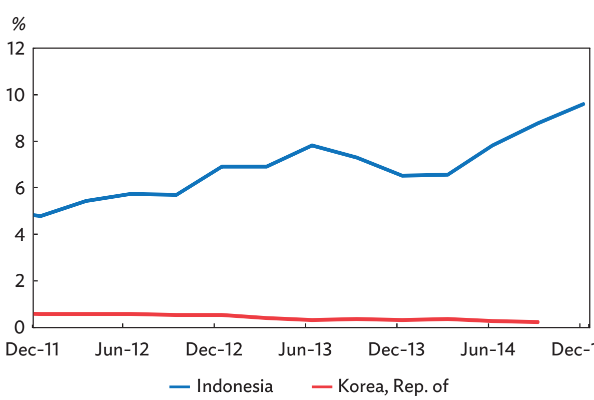
Foreign capital flows in the Republic of Korea's bond market were also negative in December as redemptions of maturing bonds by foreign investors exceeded bond purchases. However, this trend reversed in January as foreign capital flows turned positive. Meanwhile, Malaysia reported foreign capital outflows for 5 consecutive months through December.

Bucking the regional trend was Thailand, which recorded foreign capital inflows in December and net outflows in January.

Emerging East Asia's LCY bond issuance exhibited a mixed performance in 4Q14.

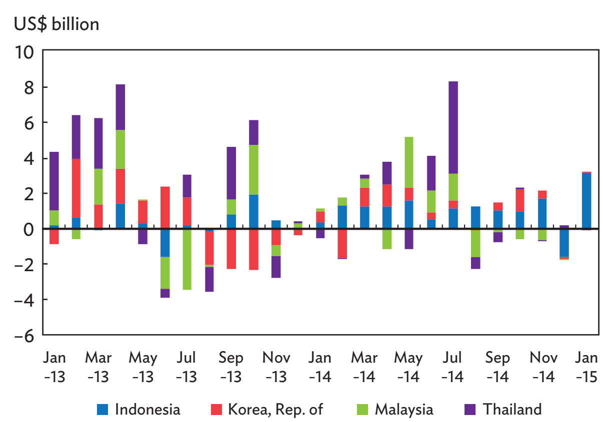
LCY bond issuance in emerging East Asia exhibited a mixed performance in 4Q14. The quarterly amount of US$1,032 billion was larger than the 4Q13 total, but smaller than 3Q14's **(Table 3)**. Governments in the region issued LCY bonds worth US$709 billion in 4Q14, down 8.2% q-o-q amid a quarterly drop in Treasury bond issues,

Figure 5: Foreign Holdings of LCY Corporate Bonds in Indonesia and the Republic of Korea (% of total)



LCY = local currency.
Note: For Indonesia data as of 24 December 2014. For the Republic of Korea data as of end-September 2014.
Source: Based on data from Otoritas Jasa Keuangan and The Bank of Korea.

Figure 6: Foreign Bond Flows in Select Emerging East Asian Markets



Notes:
1. The Republic of Korea and Thailand provide data on bond flows. For Indonesia and Malaysia month-on-month changes in foreign holdings of LCY government bonds were used as a proxy for bond flows.
2. Data provided as of end-January 2015 except for Malaysia as of end-December 2014.
3. Figures were computed based on end-January 2015 exchange rates to avoid currency effects.

Sources: Directorate General of Financing and Risk Management Ministry of Finance, Financial Supervisory Service, Bank Negara Malaysia, and Thai Bond Market Association.

Table 3: LCY-Denominated Bond Issuance (gross)

	4Q13		3Q14		4Q14		Growth Rate (LCY-base %)		Growth Rate (US$-base %)	
							4Q14		4Q14	
	Amount (US$ billion)	% share	Amount (US$ billion)	% share	Amount (US$ billion)	% share	q-o-q	y-o-y	q-o-q	y-o-y
China, People's Rep. of (PRC)										
Total	297	100.0	432	100.0	320	100.0	(24.9)	10.5	(25.7)	7.8
Government	149	50.2	212	49.2	140	43.6	(33.5)	(4.1)	(34.2)	(6.4)
Central Bank	4	1.2	0	0.0	0	0.0	–	–	–	–
Treasury and Other Govt.	146	49.0	212	49.2	140	43.6	(33.5)	(1.8)	(34.2)	(4.2)
Corporate	148	49.8	219	50.8	181	56.4	(16.7)	25.2	(17.6)	22.2
Hong Kong, China										
Total	238	100.0	309	100.0	335	100.0	8.3	41.0	8.5	41.0
Government	232	97.6	300	97.2	327	97.6	8.8	40.9	8.9	40.9
Central Bank	232	97.4	298	96.5	327	97.5	9.4	41.0	9.5	41.0
Treasury and Other Govt.	0.4	0.2	2	0.7	0.4	0.1	(81.8)	0.0	(81.8)	(0.01)
Corporate	6	2.4	9	2.8	8	2.4	(6.7)	42.9	(6.6)	42.8
Indonesia										
Total	8	100.0	10	100.0	8	100.0	(18.6)	2.2	(19.9)	0.4
Government	7	89.0	10	94.7	7	83.3	(28.4)	(4.4)	(29.5)	(6.1)
Central Bank	2	20.2	2	19.6	3	41.7	73.2	110.6	70.4	106.9
Treasury and Other Govt.	6	68.7	8	75.0	3	41.6	(54.9)	(38.2)	(55.6)	(39.3)
Corporate	0.9	11.0	0.6	5.3	1	16.7	154.9	55.0	150.7	52.3
Korea, Rep. of										
Total	173	100.0	168	100.0	179	100.0	10.1	7.4	6.4	3.4
Government	74	42.6	79	47.0	71	39.7	(7.0)	0.04	(10.1)	(3.7)
Central Bank	43	25.1	47	27.9	42	23.3	(8.1)	(0.2)	(11.2)	(3.9)
Treasury and Other Govt.	30	17.5	32	19.0	29	16.4	(5.4)	0.3	(8.5)	(3.4)
Corporate	99	57.4	89	53.0	108	60.3	25.2	12.9	21.1	8.6
Malaysia										
Total	42	100.0	42	100.0	34	100.0	(14.4)	(14.3)	(19.7)	(19.7)
Government	28	66.1	32	76.8	26	75.8	(15.6)	(1.7)	(20.8)	(8.0)
Central Bank	19	45.8	25	59.6	18	54.2	(22.1)	1.4	(26.9)	(5.0)
Treasury and Other Govt.	9	20.3	7	17.3	7	21.6	6.9	(8.9)	0.3	(14.6)
Corporate	14	33.9	10	23.2	8	24.2	(10.7)	(38.8)	(16.3)	(42.7)
Philippines										
Total	5	100.0	7	100.0	4	100.0	(38.9)	(3.8)	(38.5)	(4.5)
Government	3	62.3	6	79.5	3	75.9	(41.6)	17.2	(41.3)	16.4
Central Bank	0	0.0	0	0.0	0	0.0	–	–	–	–
Treasury and Other Govt.	3	62.3	6	79.5	3	75.9	(41.6)	17.2	(41.3)	16.4
Corporate	2	37.7	1	20.5	1	24.1	(28.2)	(38.6)	(27.8)	(39.0)
Singapore										
Total	87	100.0	85	100.0	82	100.0	(0.8)	(1.1)	(4.5)	(5.7)
Government	83	95.4	81	94.8	79	96.9	1.4	0.5	(2.4)	(4.3)
Central Bank	66	76.6	76	88.6	74	90.5	1.3	16.8	(2.5)	11.3
Treasury and Other Govt.	16	18.7	5	6.2	5	6.4	1.5	(66.3)	(2.3)	(67.9)
Corporate	4	4.6	4	5.2	3	3.1	(40.0)	(32.9)	(42.2)	(36.0)
Thailand										
Total	63	100.0	61	100.0	58	100.0	(4.5)	(7.2)	(5.9)	(7.8)
Government	51	80.9	48	79.0	45	77.9	(5.8)	(10.7)	(7.2)	(11.2)
Central Bank	37	59.8	35	57.6	34	59.1	(2.1)	(8.3)	(3.5)	(8.9)
Treasury and Other Govt.	13	21.1	13	21.4	11	18.8	(15.9)	(17.3)	(17.1)	(17.8)
Corporate	12	19.1	13	21.0	13	22.1	0.6	7.3	(0.9)	6.7

continued on next page

Table 3 *continued*

	4Q13		3Q14		4Q14		Growth Rate (LCY-base %)		Growth Rate (US$-base %)	
	Amount (US$ billion)	% share	Amount (US$ billion)	% share	Amount (US$ billion)	% share	4Q14 q-o-q	4Q14 y-o-y	4Q14 q-o-q	4Q14 y-o-y
Viet Nam										
Total	5	100.0	14	100.0	12	100.0	(18.4)	155.2	(19.1)	151.7
Government	5	100.0	14	100.0	11	99.1	(19.1)	153.0	(19.7)	149.5
Central Bank	2	41.9	12	83.1	10	84.3	(17.3)	413.4	(17.9)	406.3
Treasury and Other Govt.	3	58.1	2	16.9	2	14.9	(28.1)	(34.7)	(28.6)	(35.6)
Corporate	0	0.0	0	0.0	0.1	0.9	–	–	–	–
Emerging East Asia (EEA)										
Total	917	100.0	1,129	100.0	1,032	100.0	(7.3)	15.2	(8.6)	12.6
Government	631	68.8	783	69.4	709	68.7	(8.2)	14.7	(9.5)	12.4
Central Bank	405	44.2	495	43.8	508	49.2	3.9	27.3	2.6	25.3
Treasury and Other Govt.	226	24.6	288	25.5	201	19.5	(29.1)	(8.3)	(30.1)	(10.8)
Corporate	286	31.2	346	30.6	323	31.3	(5.0)	16.4	(6.7)	12.9
Japan										
Total	500	100.0	464	100.0	427	100.0	0.4	(2.9)	(8.1)	(14.6)
Government	470	94.1	433	93.2	401	94.1	1.4	(2.9)	(7.2)	(14.6)
Central Bank	0	0.0	0	0.0	0	0.0	–	-	–	–
Treasury and Other Govt.	470	94.1	433	93.2	401	94.1	1.4	(2.9)	(7.2)	(14.6)
Corporate	30	5.9	32	6.8	25	5.9	(13.5)	(3.5)	(20.8)	(15.2)

( ) = negative, – = not applicable, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Corporate bonds include issues by financial institutions.
2. Bloomberg LP end-of-period LCY—US$ rates are used.
3. For LCY base, emerging East Asia growth figures are based on end-December 2014 currency exchange rates and do not include currency effects.
Sources: People's Republic of China (*ChinaBond* and Wind); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia, Directorate General of Financing and Risk Management Ministry of Finance, and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bloomberg LP); Singapore (Singapore Government Securities and Bloomberg LP); Thailand (Bank of Thailand and *ThaiBMA*); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

but up 14.7% y-o-y on larger bond issuances from central banks and monetary authorities. Meanwhile, the region's corporates sold a total of US$323 billion of bonds in 4Q14, down 5.0% q-o-q, but up 16.4% y-o-y.

Hong Kong, China again had the largest LCY bond issuance among all emerging East Asian markets in 4Q14, totaling US$335 billion (HKD2,600 billion), of which 97% came from the Hong Kong Monetary Authority (HKMA). HKMA's 4Q14 bond issuance eclipsed both 3Q14 and 4Q13 totals amid larger issues of Exchange Fund Bills.

The second largest LCY bond issuance in the region in 4Q14 was seen in the PRC, which sold bonds worth US$320 billion (CNY1,989 billion), of which 56% were corporate bonds. On a q-o-q basis, the PRC's issuance of LCY bonds was down 24.9% amid decreases in both the government and corporate sectors. However, issuance in 4Q14 was up on a y-o-y basis as the annual increase in LCY corporate bond issuance more than offset the drop in LCY government bond sales.

The Republic of Korea had LCY bond issuance of US$179 billion (KRW194,976 billion) in 4Q14, up 10.1% q-o-q and 7.4% y-o-y, amid relatively fast growth in corporate bond issues. The uptick in issuance of LCY corporate bonds was led by positive growth in the issuance of financial debentures and corporate bonds issued by the private sector. Meanwhile, government bond issuance was down on a q-o-q basis due to less Korea Treasury Bond and Monetary Stabilization Bond issuance than in 3Q14, but was marginally higher on a y-o-y basis on the back of more issues of industrial finance debentures compared with 4Q13.

Association of Southeast Asian Nations (ASEAN) member country markets—Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam—saw LCY bond issuance reach a combined US$197 billion in 4Q14, down from US$221 billion in 3Q14 and US$209 billion in 4Q13 due to smaller bond sales in both the government and corporate sectors. Singapore recorded the largest LCY bond issuance among ASEAN markets in 4Q14, with a total of US$82 billion (SGD108 billion), of which 90% were MAS bills. Overall, Singapore's 4Q14 issuance volume was down slightly due to a drop in LCY corporate bond issues.

In Indonesia, LCY bond issuance amounted to US$8 billion (IDR103,794 billion) in 4Q14, of which 83% were government bond sales; this amount was lower on a q-o-q basis due to a decrease in issuance of Treasury bonds, but was higher on a y-o-y basis because of growth in LCY corporate bond issuance. Malaysia's LCY bond sales fell to US$34 billion (MYR118 billion) in 4Q14; the negative growth was triggered by lower bond issuance in its government and corporate sectors. Philippine LCY bond issuance decreased to US$4 billion (PHP198 billion) in 4Q14 largely due to smaller proceeds from sales of corporate bonds. LCY bond sales in Thailand dropped to US$58 billion (THB1,897 billion) in 4Q14, driven by lower bond issuance in the government sector. Viet Nam's LCY bond issuance in 4Q14 stood at US$12 billion (VND246,955 billion), of which 84% were central bank bonds; this amount was smaller than 3Q14's total, but larger compared with 4Q13.

Meanwhile, cross-border bond issuance in emerging East Asia continued to expand, increasing to US$11.3 billion in 4Q14 from US$11.2 billion in 3Q14 and US$10.3 billion in 4Q13. The increase was led by issuers from the PRC, whose bonds denominated in other emerging East Asian currencies reached US$6.8 billion in 4Q14, an uptick from US$6.5 billion in 3Q14 and US$3.8 billion in 4Q13. The majority of bonds sold by PRC issuers in 4Q14 were denominated in Hong Kong dollars, with the biggest deal being a HKD3.5 billion (US$451 million) 15-year bond carrying a coupon of 6.1% sold by China Resources Land.

Issuers from Hong Kong, China had the second largest amount of issuance denominated in other emerging East Asian currencies in 4Q14 at US$3.1 billion, about the same amount as in 3Q14, but down from 4Q13's US$5 billion. The majority of bonds sold by entities based in Hong Kong, China were denominated in renminbi.

From the Republic of Korea, two domestic banks—Korea Eximbank and Woori Bank—issued a total of six bonds in other emerging East Asian markets in 4Q14; four of the bonds were denominated in renminbi, one in Hong Kong dollars, and one in Indonesian rupiah. The 4Q14 total stood at US$345 million, which is larger than both 3Q14's US$247 million and 4Q13's US$273 million.

Two companies from Indonesia—Astra Sedaya Finance and Protelindo Finance—issued SGD-denominated bonds in 4Q14 worth SGD100 million and SGD180 million, respectively, for a bined total of SGD280 million (US$215 million); this marked an increase in Indonesian cross-border bond issuance from US$157 million in 3Q14.

Malaysian issuers' intra-emerging East Asian bond issuance in 4Q14 totaled US$347 million, down from 3Q14 and 4Q13 totals of US$515 million and US$762 million, respectively. In 4Q14, there were four bonds—three in Hong Kong dollars and one in renminbi—sold by three Malaysian entities—Cagamas, CIMB Bank, and Maybank.

Singaporean issuers' cross-border bond issuance in emerging East Asia summed to US$451 million in 4Q14, a smaller amount than in both 3Q14 (US$566 million) and 4Q13 (US$526 million). Total cross-border issuance in 4Q14 comprised three bonds, one each denominated in renminbi, Hong Kong dollars, and Malaysian ringgit.

From 1 January to mid-February 2015, intra-emerging East Asian bond issuance remained active, led again by PRC issuers, who raised US$2.3 billion from the sale of bonds in other emerging East Asian markets, followed by cross-border issuers in Hong Kong, China (US$807 million); Singapore (US$354 million); the Republic of Korea (US$181 million); Indonesia (US$85 million); and Malaysia (US$79 million).

Emerging East Asia's G3 currency bond issuance reached a record-high in 2014.[5]

Emerging East Asia's G3 currency bond issuance reached a record-high US$198.4 billion in 2014 **(Table 4)**. The US dollar was the main currency used in G3-denominated emerging East Asian bonds in 2014, accounting for 94% of the regional total. The euro accounted for 5% of the total and Japanese yen comprised the remainder. The relatively large volume of G3 currency bond issues in 2014 can be ascribed to issuers continuing to take advantage of

[5] G3 currency bonds are bonds denominated in either euros, Japanese yen, or US dollars.

Table 4: G3 Currency Bond Issuance

2013			2014		
Issuer	Amount (US$ million)	Issue Date	Issuer	Amount (US$ million)	Issue Date
China, People's Rep. of	**56,709**		**China, People's Rep. of**	**98,227**	
CNOOC Finance 3.0% 2023	2,000	9-May-13	Bank of China 5% 2024	3,000	13-Nov-14
Evergrande Real Estate 8.75% 2018	1,500	30-Oct-13	ICBC 6% Perpetual	2,940	10-Dec-14
Sinopec Group 4.375% 2023	1,500	17-Oct-13	Alibaba 2.5% 2019	2,250	28-Nov-14
CNOOC Curtis Funding 4.5% 2023	1,300	3-Oct-13	Alibaba 3.6% 2024	2,250	28-Nov-14
Sinopec Capital 3.125% 2023	1,250	24-Apr-13	CNOOC Finance 4.25% 2024	2,250	30-Apr-14
Others	49,159		Others	85,537	
Hong Kong, China	**24,011**		**Hong Kong, China**	**34,530**	
Hutchison Whampoa 3.75% Perpetual	2,367	10-May-13	Hutchison Whampoa 1.625% 2017	2,000	31-Oct-14
Shimao Property 6.625% 2020	800	14-Jan-13	Hutchison Whampoa 1.375% 2021	1,815	31-Oct-14
Others	20,844		Others	30,715	
Indonesia	**12,270**		**Indonesia**	**11,423**	
Pertamina 4.3% 2023	1,625	20-May-13	Indonesia (Sovereign) 5.875% 2024	2,000	15-Jan-14
Pertamina 5.625% 2043	1,625	20-May-13	Indonesia (Sovereign) 6.75% 2044	2,000	15-Jan-14
Indonesia (Sovereign) 3.375% 2023	1,500	15-Apr-13	Pertamina 6.45% 2044	1,500	30-May-14
Indonesia (Sovereign) 4.625% 2043	1,500	15-Apr-13	Indonesia (Sovereign) 4.35% 2024	1,350	10-Sep-14
Perusahaan Penerbit SBSN 6.125% 2019	1,500	17-Sep-13	Perusahaan Gas Negara (PGN) 5.125% 2024	1,350	16-May-14
Others	4,520		Others	3,223	
Korea, Rep. of	**30,400**		**Korea, Rep. of**	**31,714**	
Korea Eximbank 2.0% 2020	1,369	30-Apr-13	Republic of Korea (Sovereign) 4.125% 2044	1,000	10-Jun-14
The Republic of Korea (Sovereign) 3.875% 2023	1,000	11-Sep-13	Woori Bank 4.75% 2024	1,000	30-Apr-14
Korea Development Bank 3.0% 2019	750	17-Sep-13	Republic of Korea (Sovereign) 2.125% 2024	947	10-Jun-14
Others	27,281		Others	28,766	
Malaysia	**4,065**		**Malaysia**	**3,567**	
1MDB Global Investments 4.40% 2023	3,000	19-Mar-13	Cahaya Capital 0.162% 2021	500	18-Sep-14
Sime Darby 2.053% 2018	400	29-Jan-13	AmBank 3.125% 2019	400	3-Jul-14
Sime Darby 3.29% 2023	400	29-Jan-13	EXIM Sukuk Malaysia 2.874% 2019	300	19-Feb-14
Others	265		Others	2,367	
Philippines	**3,858**		**Philippines**	**2,675**	
San Miguel Corporation 4.875% 2023	800	26-Apr-13	Philippines (Sovereign) 4.2% 2024	1,500	21-Jan-14
JG Summit 4.375% 2023	750	23-Jan-13	SM Investments 4.875% 2024	350	10-Jun-14
Petron Corporation 7.50% Perpetual	750	6-Feb-13	SMC Global Power 7.5% Perpetual	350	7-May-14
Others	1,558		Others	475	
Singapore	**5,925**		**Singapore**	**11,661**	
Olam International 6.75% 2018	750	29-Jan-13	OCBC Bank 4% 2024	1,000	15-Apr-14
Global A&T Electronics 10.00% 2019	625	7-Feb-13	OCBC Bank 4.25% 2024	1,000	19-Jun-14
Stats Chippac 4.5% 2018	611	20-Mar-13	Avago Technologies 2% 2021	1,000	6-May-14
Flextronics International 5.0% 2023	500	20-Feb-13	United Overseas Bank 3.75% 2024	800	19-Mar-14
Others	3,439		Others	7,861	
Thailand	**3,445**		**Thailand**	**3,565**	
PTT Exploration & Production 3.707% 2018	500	16-Sep-13	PTT Exploration & Production 4.875% Perpetual	1,000	18-Jun-14
Others	2,945		Others	2,565	
Viet Nam	**827**		**Viet Nam**	**1,000**	
Emerging East Asia Total	**141,510**		**Emerging East Asia Total**	**198,362**	
Memo Items:			**Memo Items:**		
India	**14,053**		**India**	**18,323**	
Bharti Airtel International 5.125% 2023	1,500	11-Mar-13	Bharti Airtel 5.35% 2024	1,000	20-May-14
Vedanta Resources 6.0% 2019	1,200	3-Jun-13	Abja Investment 5.95% 2024	1,000	31-Jul-14
Others	11,353		Others	16,323	
Sri Lanka	**2,441**		**Sri Lanka**	**2,165**	

Note: Data excludes certificate of deposit.
Sources: Bloomberg LP, newspaper and wire reports.

low borrowing costs with expectations of a looming policy rate increase in US.

The largest source of G3 currency bond issuance in emerging East Asia in 2014 was the PRC, with G3 issuance amounting to US$98.2 billion, surpassing 2013's total of US$56.7 billion. Financial institutions topped all other categories in the PRC in issuing G3 currency bonds, selling a combined 55% of the PRC's total G3 currency bonds in 2014. Alibaba Group, an e-commerce company, stood as the single largest issuer with a total of US$8 billion from its multi-tranche bond sale in November. The second largest PRC-based issuer of G3 currency bonds in 2014 was Sinopec, which raised

US$7 billion from its multi-tranche bond sale in April and June.

G3 currency bond issuance from Hong Kong, China totaled US$34.5 billion in 2014—higher than 2013's total of US$24 billion and the second highest for the year across the region's markets. Of the total, 56% was issued by financial institutions. Hutchison Whampoa raised the largest sum in 2014, selling in October a US$2 billion 3-year bond at a coupon rate of 1.625%, a US$1.5 billion 10-year bond at 3.625%, and a EUR1.5 billion 7-year bond at 1.325%. Notably, the Government of the Special Administrative Region of Hong Kong, China launched its first Islamic bond—a US$1 billion 5-year bond with a 2.005% coupon—in September.

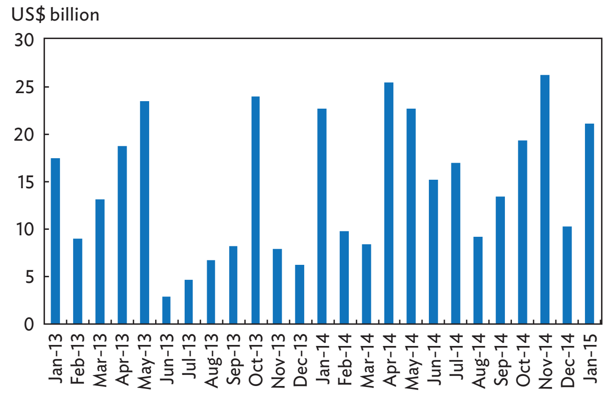
Issuers in the Republic of Korea had a total of US$31.7 billion worth of G3 currency bond issues in 2014, up slightly from US$30.4 billion in 2013. Almost half (49%) of this issuance came from financial institutions, led by Korea Eximbank and Korea Development Bank with currency issues of US$5.7 billion and US$4.8 billion, respectively.

ASEAN member economies garnered a combined total of US$33.9 billion of G3 currency bonds issued in 2014, up from a 2013 total of US$30.4 billion. Indonesian issuers accumulated US$11.4 billion worth of G3 currency bond issues in 2014, down from US$12.3 billion in 2013, with the central government accounting for 59% of the total. G3 currency bond issuance from Malaysia slipped to US$3.6 billion in 2014 from US$4.1 billion in 2013, with all bonds sold in 2014 coming from financial institutions, mostly banks. Philippine G3 currency bond issuance was valued at US$2.7 billion in 2014, down from 2013's total of US$3.9 billion. There were five Philippine issuers of G3 currency bonds in 2014, with the government selling the largest bond worth US$1.5 billion and carrying a 10-year tenor and a coupon of 4.2%.

Singaporean issues had the largest amount of G3 currency issuance among ASEAN members at US$11.7 billion, up from US$5.9 billion in 2013. Financial institutions continued to dominate the issuance of G3 currency bonds in Singapore, accounting for 74% of the 2014 total, led by DBS, OCBC Bank, and United Overseas Bank. Thai issuers posted US$3.6 billion of G3 currency bond issues in 2014, up slightly from 2013, with 55% of the total coming from banks. Finally, Viet Nam tapped the G3 bond market in November with a US$1 billion 10-year sovereign bond carrying a 4.8% coupon.

Issuance of emerging East Asian G3 currency bonds exhibited a relatively strong start in 2015, with the monthly value reaching US$21 billion in January, up from $10.2 billion in December and higher than the 2014 monthly average of US$16.5 billion **(Figure 7)**. The PRC remained the region's largest market for G3 currency bond issuance in January, accounting for 38% of the region's total.

Figure 7: G3 Currency Bond Issuance



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

EUR-denominated bond issuance from emerging East Asia increased between the beginning of January and mid-February 2015. This appeared to be motivated by expectations of falling borrowing costs in the eurozone, especially in light of the European Central Bank's announcement on 22 January of an expansion of its asset purchase program to include sovereign bonds in addition to existing purchases of bonds issued by the private sector. Issuance of EUR-denominated bonds sold by emerging East Asian entities during this period stood at US$1.7 billion, which constituted 6% of the region's overall G3 currency bond issuance. The biggest EUR-denominated bond issuance came from the State Grid Corporation of China, which raised EUR1 billion from a dual-tranche bond sale in late January.

Government bond yields fell for most tenors in emerging East Asia due to easing inflation.

Despite the end of the US Federal Reserve's asset purchase program in September 2014 and the continued strength of the US economy, the outlook for the world economy continues to be weak due to vulnerabilities in other major economies such as the European Union. This soft growth has also contributed to falling oil prices. At end-September, the WTI crude oil spot price was US$91.17, but by the second half of February it had fallen to US$52.66.

Weak global growth and plummeting oil prices have led to expectations that the Federal Reserve might delay raising interest rates. In addition, slower growth and declining oil prices have also led to reduced inflation expectations for emerging East Asia.

The yield curves fell for almost all tenors in most emerging East Asian markets between end-December 2014 and mid-February 2015 **(Figure 8)**. The market with the biggest average decline in yields was Indonesia, where the yield curve shifted downward between 29 basis points (bps) and 68 bps. This was despite Bank Indonesia raising its policy rate in November by 25 bps to 7.75%. While the removal of fuel subsidies raised inflation expectations, since then, falling oil prices and a higher GDP growth target prompted Indonesia to cut policy rates by 25 bps to 7.50% on 17 February. Indonesia's GDP grew 5.0% in 2014 and is targeted to expand 5.7% in 2015.

With the exception of Indonesia, all other markets have shown a declining trend in their inflation rates **(Figures 9a, 9b)**. Two economies, Thailand and Singapore, are flirting with deflation: Thailand reported an inflation rate of –0.4% in January and Singapore reported a rate of –0.2% in December. As a result, Thailand's yield curve shifted downward for most tenors. Singapore's yields have also generally fallen along with declining US yields. The 20-year tenor fell the most at 23 bps. Singapore's response to its negative inflation was to reduce the slope by which the S$NEER band is set to appreciate.

In Thailand, while inflation is negative and the yield curve has mostly fallen—the 14-year tenor plunged 21 bps—the Thai central bank's last rate cut was on 12 March 2014 **(Figure 10a)**. The Bank of Thailand has signaled that surveys indicate expectations are for negative inflation to be temporary. The central bank forecasts inflation to turn positive in 3Q15.

Similar to Indonesia, the Philippines experienced a change in inflation expectations. Since its last rate hike on 11 September 2014, the Bangko Sentral ng Pilipinas (BSP) has kept its policy rate steady. Inflation in the Philippines was elevated for most of 2014, but since September inflation has plunged. The Philippines reported an inflation rate of 2.4% in January versus a rate of 4.9% in August. In its Monetary Board meeting on 12 February, the BSP also noted that inflation pressures had abated. As a result, most tenors in the Philippines showed declining yields, with the 25-year tenor shedding 46 bps.

In the PRC, inflation hit a 5-year low in January, with prices rising 0.8% y-o-y. For most of 2014, the PRC avoided any broad-based stimulus, preferring targeted measures to stimulate the agricultural and small-sized industrial sectors. But on 24 November 2014, the PRC reduced its benchmark lending rates by 40 bps to 5.6% and its benchmark deposit rates by 25 bps to 2.75% **(Figure 10b)**.

In the Republic of Korea, the central bank reduced its policy rate by 25 bps on 15 October to 2.0%. Inflation in the Republic of Korea fell to 0.8% y-o-y in December from 1.0% y-o-y in November. The Bank of Korea also cut its inflation forecast from 2.4% to 1.9% in 2015, and the GDP growth rate to 3.4% from 3.9%. Yields have fallen in the Republic of Korea between 5 bps and 26 bps, between end-December 2014 and mid-February 2015.

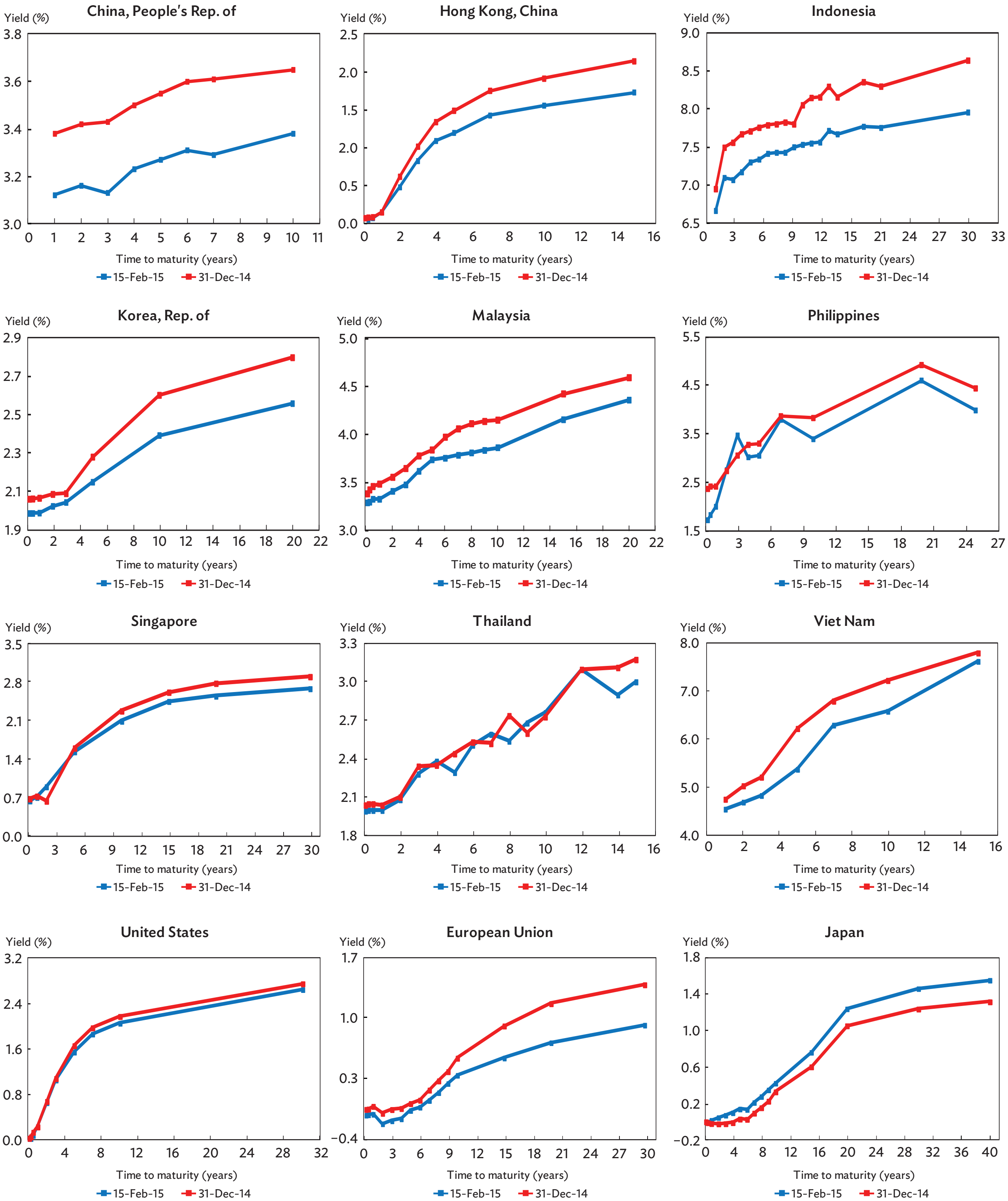
In Viet Nam, the yield curve shifted downward between 18 bps and 85 bps between end-December 2014 and mid-February 2015. Inflation in Viet Nam has been falling steadily since June 2014, with January inflation at only 0.9% y-o-y. The government is also seeking to boost bank lending by targeting an annual lending growth rate of 12%–14%. Viet Nam's central bank reduced its deposit rate cap by 50 bps to 5.5% on 28 October 2014. For full-year 2015, the government set an inflation target of 5.0% and a GDP growth target of 6.0%. (GDP growth in 2014 also stood at 6.0%).

The 2-year versus 10-year spread declined in almost all markets in the region, except Indonesia and Thailand, in line with declining inflation in the region **(Figure 11)**.

Corporate yields tightened versus government yields in 4Q14 everywhere in the region except in Malaysia.

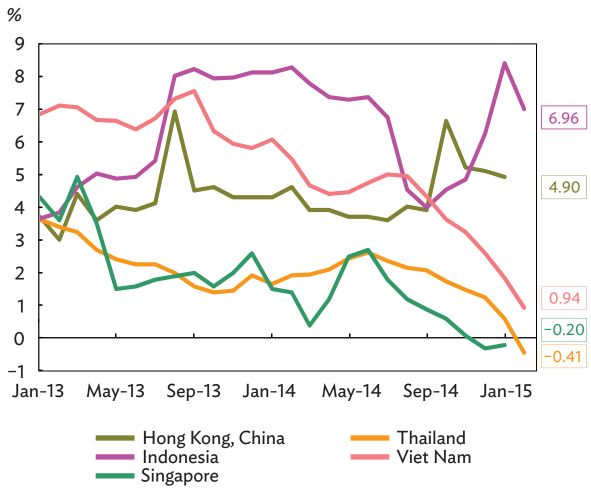
Credit spreads between AAA-rated corporate bonds and government bonds tightened in the PRC and the

Figure 8: Benchmark Yield Curves—LCY Government Bonds



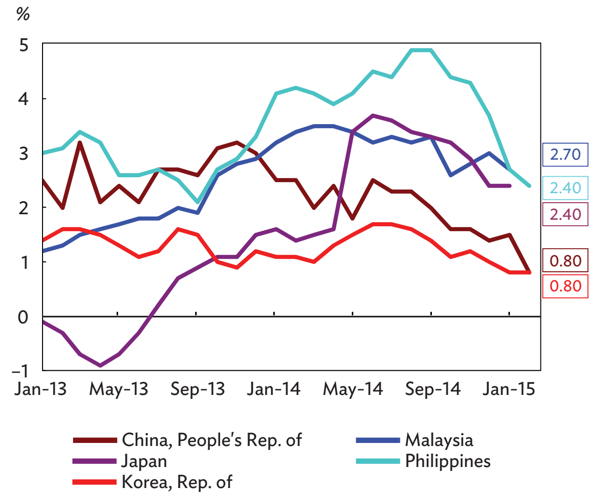
LCY = local currency.
Source: Based on data from Bloomberg LP.

Figure 9a: Headline Inflation Rates



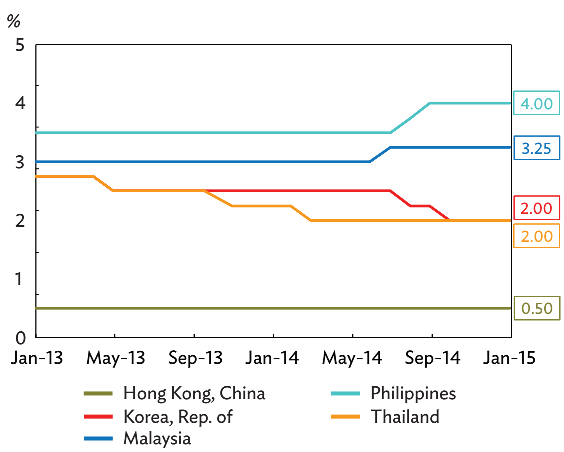
Note: Data as of end-January 2015 except for Hong Kong, China and Singapore as of end-December 2014.
Source: Bloomberg LP.

Figure 9b: Headline Inflation Rates



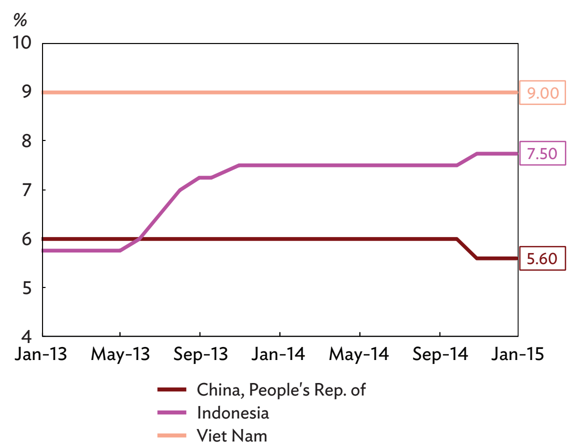
Note: Data as of end-January 2015 except for Japan and Malaysia as of end-December 2014.
Source: Bloomberg LP.

Figure 10a: Policy Rates



Note: Data as of end-January 2015.
Source: Bloomberg LP.

Figure 10b: Policy Rates

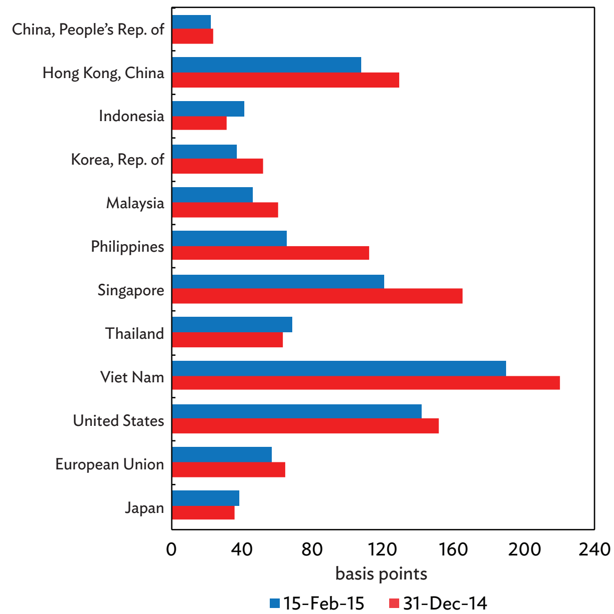


Notes:
1. Data as of end-January 2015.
2. For Viet Nam base interest rate was used.
Source: Bloomberg LP.

Republic of Korea in 4Q14, due to increased corporate demand on the back of yield pick-up as interest rates fell. In contrast, the spread widened in Malaysia, as corporate bond issuance declined in 4Q14 on a y-o-y basis, demonstrating slowing demand **(Figure 12a)**. RAM ratings released a report showing that in the first half of 2014 the downgrade-to-upgrade ratio in Malaysia increased.

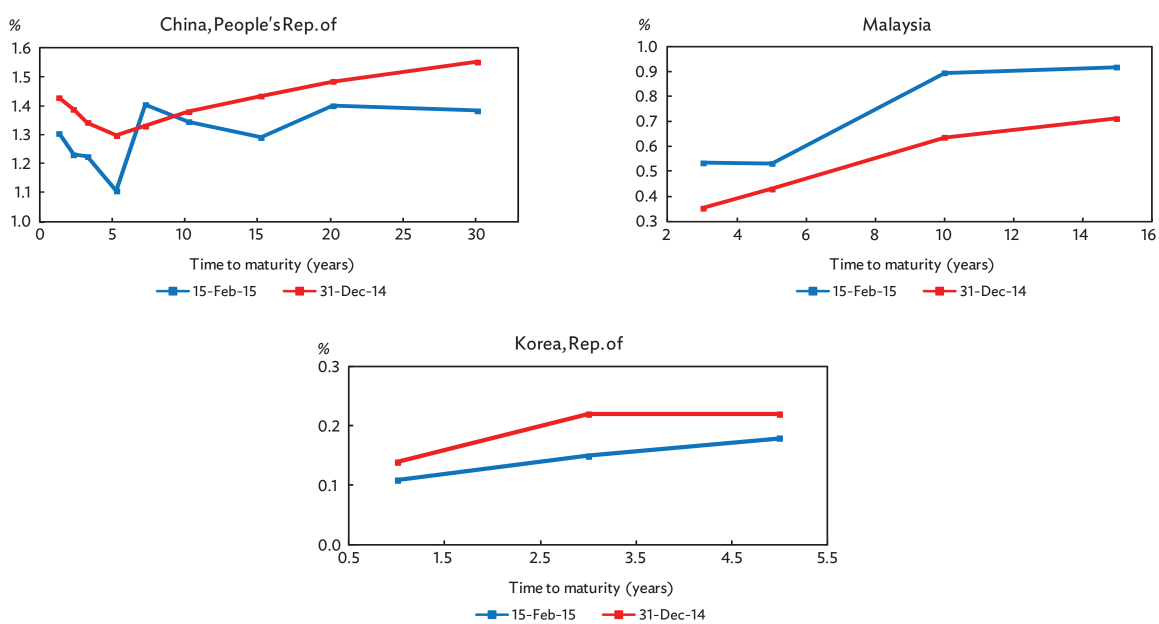
Credit spreads between AAA-rated and lower-rated corporate bonds were roughly unchanged in all markets with the exception of Malaysia **(Figure 12b)**.

Figure 11: Yield Spreads Between 2- and 10-Year Government Bonds



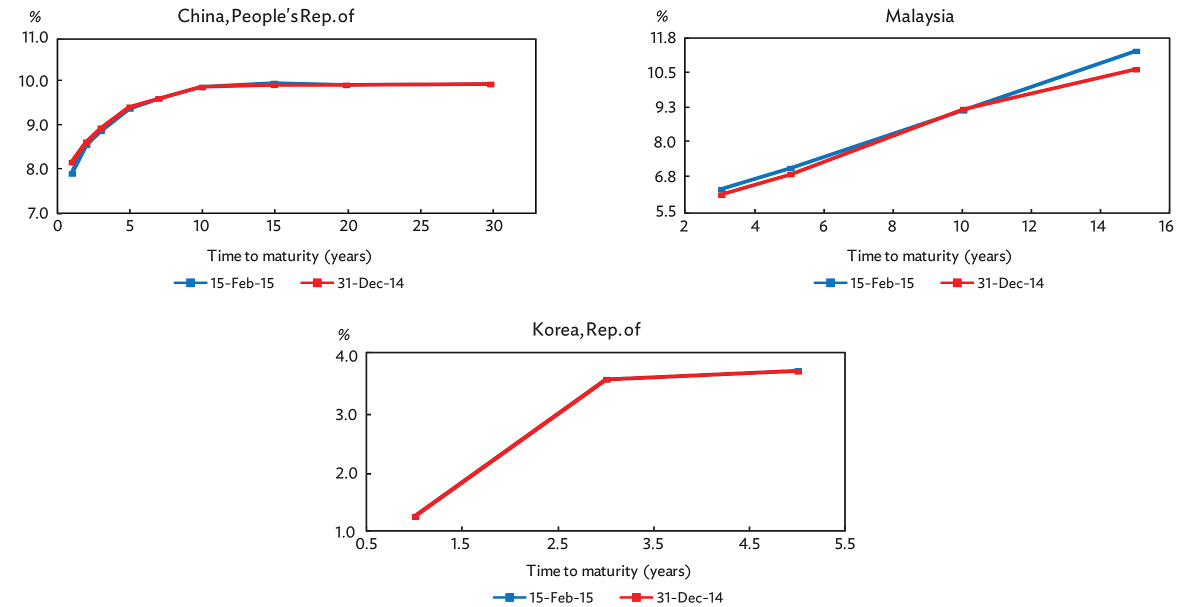
Source: Based on data from Bloomberg LP.

Figure 12a: Credit Spreads—LCY Corporates Rated AAA vs. Government Bonds



LCY = local currency.
Note: Credit spreads are obtained by subtracting government yields from corporate indicative yields.
Sources: People's Republic of China (*ChinaBond*), Republic of Korea (EDAILY *BondWeb*), and Malaysia (Bank Negara Malaysia).

Figure 12b: Credit Spreads—Lower-Rated LCY Corporates vs. AAA



LCY = local currency.
Notes:
1. For the People's Republic of China and the Republic of Korea, credit spreads are obtained by subtracting corporate indicative yields rated AAA from corporate indicative yields rated BBB+.
2. For Malaysia, credit spreads are obtained by subtracting corporate indicative yields rated AAA from corporate indicative yields rated BBB.

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

Policy and Regulatory Developments

People's Republic of China

PBOC Eases Commercial Bank Rules on Property Development Loans

In October, the People's Bank of China (PBOC) relaxed rules on property loans made by commercial banks. Previously, property development loans were capped at 10% of total loans. The new rules allow commercial banks to extend property development loans subject to their own discretion.

The PRC and Hong Kong, China Launch Stock Connect

In November, the People's Republic of China (PRC) and Hong Kong, China linked their stock exchanges, allowing investors in the Hong Kong Stock Exchange (HKEx) and the Shanghai Stock Exchange (SSE) to trade shares in each other's market. While the program will allow all HKEx participants and foreign investors to trade on the SSE via Stock Connect, participants from the PRC will be limited to institutional investors and individuals with a minimum balance of CNY500,000. Stock Connect has quotas of CNY250 billion of net purchases for investments in the SSE and CNY300 billion for investments in the HKEx.

PBOC Reduces Required Reserve Ratios

In February, the PBOC reduced the required reserve ratio for all financial institutions by 50 basis points (bps). It also lowered the required reserve ratio of city commercial banks and qualified noncounty level rural commercial banks by an additional 50 bps. In addition, the PBOC lowered the reserve requirement ratio of the Agricultural Development Bank of China by another 400 bps. The PBOC said that the required reserve ratio adjustment would help boost micro- and small-sized enterprises, and support the agricultural sector and major water conservation projects.

Hong Kong, China

HKMA Introduces Intraday CNY Repo Facility

In November, the Hong Kong Monetary Authority (HKMA) introduced an intraday repo facility to provide CNY-denominated funds to financial institutions conducting renminbi business in Hong Kong, China. The old facility had tenors of overnight, 1 day, and 1 week. The new facility will provide greater flexibility in managing renminbi transactions and provide support for the recently launched Stock Connect.

HKMA Designates Seven Dim Sum Bond Liquidity Providers

In November, the HKMA designated seven banks as primary liquidity providers for CNY-denominated bonds traded in Hong Kong, China. The liquidity providers will be given a dedicated repo facility of CNY2 billion to assist in their transactions. The seven banks are Bank of China (Hong Kong), BNP Paribas, China Construction Bank Corporation (Asia), Citibank N.A, HSBC, the Industrial and Commercial Bank of China (Asia), and Standard Chartered Bank (Hong Kong).

HKMA to Promote Government Bond Liquidity

In December, the HKMA announced two measures to promote the Hong Kong dollar bond market. The first will streamline bonds issued under the Exchange Fund Programme and the Government Bond Programme (HKSAR bonds). Under the new rules, the HKMA will no longer issue Exchange Fund Notes with tenors of 3 years or above; maturing Exchange Fund Notes will be replaced with Exchange Fund Bills of similar size; and the HKMA will no longer issue HKSAR bonds with maturities of 2 years, it will only issue HKSAR bonds with maturities of 3 years and above.

The HKMA will also provide a discount facility for HKSAR bonds to provide greater liquidity.

Indonesia

Bank Indonesia Issues New Rules on US$ Loans for Nonbank Corporations

In October, Bank Indonesia announced new regulations to mitigate the risks of foreign loans undertaken by nonbank corporations. According to the new regulations, Indonesian firms that plan to borrow in US dollars should meet three indicators: (i) liquidity strength, (ii) hedging ratio, and (iii) credit ratings. Effective January 2015, companies planning to undertake foreign loans are required to hedge at least 20% of short-term dollar debt and have a minimum liquidity ratio of 50%. By 2016, the hedging ratio will be raised to 25% and the liquidity ratio to 70%, and only firms with an international rating of BB or above will be allowed to tap foreign loans. The rating rule, however, does not apply to firms borrowing for infrastructure-related projects. Noncompliance would lead to Bank Indonesia issuing a reprimand letter to overseas creditors and Indonesian-based regulators.

In January, Bank Indonesia issued another regulation on reporting foreign currency borrowings. Indonesian residents and corporates are now required to disclose and provide a report on significant overseas borrowings. The new rule requires disclosure when the difference between foreign liabilities and foreign assets surpasses US$100,000. The disclosure includes details of offshore borrowings and a foreign debt management plan.

IBPA, OJK, and IDX Launch New Local Bond Index

In November, the Indonesia Bond Pricing Agency (IBPA), Otoritas Jasa Keuangan (OJK), and the Indonesia Stock Exchange (IDX) jointly launched INDOBeX, a local benchmark bond reference index designed to improve liquidity in the bond market by providing investors with data on bond prices and performance. INDOBeX has three component indices: (i) composite index, (ii) government bond index, and (iii) corporate bond index.

Government Plans to Expand Underlying Assets for *Sukuk*

In February, the Government of Indonesia disclosed plans to expand underlying assets for *sukuk* (Islamic bonds) to help improve liquidity in the Islamic bond market. It is considering the inclusion of state-owned goods and services as collateral backing *sukuk*. Currently, the government is using infrastructure projects as an underlying asset for *sukuk* issuance.

Republic of Korea

2015 Financial Policy Announced

The Financial Services Commission of the Republic of Korea announced in January its 2015 financial policy. The policy direction has three goals: (i) creative finance, (ii) consumer trust, and (iii) financial stability. Each policy goal has three tasks. For creative finance, the tasks are to (i) enhance the role of finance in supporting the real economy by promoting venture capital investments, (ii) improve the competitiveness of the financial sector by continuing financial regulatory reform, and (iii) facilitate the convergence of the financial sector and the information technology sector. The tasks under consumer trust are to (i) enhance consumer protection in the financial sector, (ii) restore trust in financial markets, and (iii) improve access to financial services for marginalized groups. For financial stability, the tasks are to (i) have a preemptive response to potential risks in household debt, (ii) conduct corporate restructuring continually, and (iii) ensure financial stability by addressing domestic and external risks.

2015 Economic Policy Announced

The Republic of Korea's Ministry of Strategy and Finance introduced in December its 2015 economic policy identifying four basic economic policy directions: (i) improving economic fundamentals via structural reform in order to promote economic recovery, (ii) revitalizing the domestic economy consistent with structural reform, (iii) having a preemptive response to risk factors, and (iv) establishing the groundwork for reunification by instilling "inter-Korean trust."

Malaysia

BNM and PBOC to Establish Renminbi Clearing Arrangements in Malaysia

In November, Bank Negara Malaysia (BNM) and the PBOC entered into an agreement to establish renminbi clearing arrangements in Malaysia. The agreement calls for both central banks to coordinate their supervision of business conducted in renminbi, exchange information, and work to improve the arrangement.

BNM, Bank Indonesia, and OJK Sign Agreement on ASEAN Banking Integration Framework

In December, BNM, Bank Indonesia, and OJK signed an agreement for the bilateral implementation of the Association of Southeast Asian Nations (ASEAN) Banking Integration Framework between Malaysia and Indonesia. The agreement defines Qualified ASEAN Banks and calls for the presence of Malaysian and Indonesian banks in each other's jurisdiction.

Philippines

BSP Approves Expanded Role for Foreign Banks in the Philippines

In November, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) approved the implementing rules and regulations of Republic Act No. 10641, which outline an expanded role for foreign banks in the Philippines. Under the law, a foreign bank that is widely owned and publicly listed in its home country can operate in the Philippines either as a branch or a wholly owned subsidiary, and own up to 100% of the voting stock of an existing domestic bank (up from 60%). In addition, foreign banks can now control a combined 40% of the total assets of the banking system (up from 30%).

BSP Allows Qualified Thrift Banks to Act as Dealers of Deliverable Foreign Exchange Forwards

In November, the BSP approved thrift banks that are authorized to issue foreign letters of credit, and deal with import and export drafts or bills of exchange, to act as dealers of deliverable foreign exchange forwards. Qualified thrift banks may apply for a Type 2 limited dealers license, subject to certain criteria and the existing licensing process. The minimum criteria include having adequate capital proportional to the risk of dealing with derivatives and a risk management system in place that is compliant with the risk management guidelines for derivatives.

Singapore

MAS and PBOC Strengthen Financial Cooperation

In October, the Monetary Authority of Singapore (MAS) and the PBOC agreed to strengthen financial cooperation in the areas of the offshore renminbi market, capital markets, and insurance. Two initiatives have been agreed on: (i) direct CNY–SGD currency trading (effective 28 October), and (ii) PRC-incorporated financial institutions being permitted to issue renminbi bonds in Singapore directly. Plans to enhance collaboration between the derivatives markets of Singapore and the PRC are under consideration. Also, MAS and the China Insurance Regulatory Commission are looking at initiatives in catastrophic risk insurance.

SGX to Launch a Bond Trading Platform

In November, Singapore Exchange (SGX) announced plans to launch a bond trading platform that will be operational by mid-2015. The trading platform will initially be used to trade G3 currency bonds issued by Asian corporates. Subsequently, it will handle the trading of Asian local currency bonds. As part of this initiative, SGX has created SGX Bond Trading, a trading platform that aims to become an Asian liquidity center for high-yield and investment grade corporate bonds.

MAS and CBM Strengthen Bilateral Cooperation

On 3 February, MAS and the Central Bank of Myanmar (CBM) entered into an agreement to strengthen bilateral cooperation between the two parties. The Memorandum of Understanding calls for cooperation on banking supervision and capacity building between MAS and CBM.

Thailand

Rules on Fund Investments in Derivatives and Structured Notes Revised

The Securities and Exchange Commission (SEC) in Thailand stated in February that the Capital Market Supervisory Board has approved the revision of the rules governing mutual funds, provident funds, and private funds for retail investors with respect to their investment in derivatives and structured notes. Approved changes include the broadening of the underlying assets for derivatives and structured notes, and the revision of the definition of a structured note and its underlying assets under the category of credit risk to be consistent with international standards. The revisions aim to encourage funds to invest in derivatives and structured notes.

2015 Strategic Plan Launched

In December, Thailand's SEC launched its strategic plan for 2015. One of the thrusts of the plan is to broaden and deepen Thailand's capital markets, and promote Thailand as a "regional financial connector."

Viet Nam

CGIF Closes First VND-Denominated Guaranteed Bond

The Credit Guarantee and Investment Facility (CGIF) closed its first guarantee of a VND-denominated bond with Masan Consumer Holdings. The company is a subsidiary of Masan Group Corporation. The bond is a VND2.1 trillion 10-year issuance, the first 10-year bond issued by a nonbank corporation in Viet Nam.

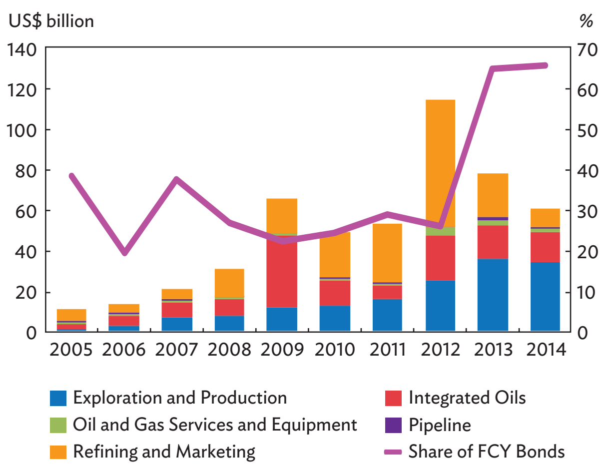
Oil and Gas Corporate Bonds in Asia

Oil and gas companies in Asia have significantly increased the amount of funds raised through bond markets over the past decade **(Figure 13)**.[6,7] Even against the backdrop of the global financial crisis and the eurozone debt crisis, bond issuances from the region's oil and gas industry have continued to exhibit an upward trend, buoyed by a positive outlook for Asia. The amount of oil and gas corporate bond issuance peaked at US$118 billion in 2012 before slowing to US$63 billion in 2014.

Within the oil and gas industry, the exploration and production subindustry has grown steadily through the years. In contrast, although issuance in the integrated oils subindustry jumped to US$36 billion in 2009, and issuance in the refining and marketing subindustry rose to US$64 billion in 2012, the growth in bond issuances in other subindustries has shown no consistent trend overall.

Amid rising levels of corporate debt, the region has displayed an increasing trend toward foreign-currency (FCY)-denominated debt since 2010. In 2014, the share of FCY-denominated bond issuance reached a record-high of 66%. The swing to FCY bonds, mainly US dollar bonds, was largely due to low borrowing costs caused by a weaker dollar and accompanied by excess liquidity in global capital markets as a consequence of expansionary monetary policies in advanced economies. However, a shift to more FCY-denominated bonds greatly increased the currency risk exposure of borrowers.

Figure 13: Oil and Gas Bond Issuance in Asia



FCY = foreign currency.
Source: Bloomberg LP.

Looking at individual economies in Asia, the largest issuer of oil and gas industry bonds is the People's Republic of China (PRC) with over US$160 billion worth of bonds outstanding **(Table 5)**. The corporate bond obligations of the region's other economies are much smaller in nominal terms. Although as a share of total bonds outstanding, Kazakhstan's oil and gas industry has the region's largest share at over 20%. The share in all other economies is much smaller, ranging between 1% and 7%.

With growing bond issuance from the oil and gas industry in the region over the past decade and the recent plunge in oil prices, concerns have arisen over the vulnerability of some companies. Oil exploration and production companies have been hit by cutbacks in capital spending. Refining and marketing companies are nursing losses on their inventories due to falling oil prices. These factors will likely constrain the companies' earnings and cash flow, and thus their capacity to meet debt obligations. Further, declining values of oil and gas assets will decrease collateral values, which would affect their lines of credit.

Table 5: Oil and Gas Bonds Outstanding by Economy

Economy	Amount Outstanding (US$ billion)	Share of Oil and Gas Industry Bonds to Total Bonds Outstanding (%)
People's Republic of China	163	1.8
Hong Kong, China	13	3.9
India	20	1.6
Indonesia	19	6.6
Kazakhstan	22	20.2
Republic of Korea	20	1.2
Malaysia	11	2.8
Philippines	2	1.4
Singapore	6	2.0
Taipei,China	7	2.4
Thailand	22	6.5

Note: As of 28 January 2015.
Source: Bloomberg LP.

[6] This includes all oil and gas industry bonds issued under Bloomberg Industry Classification System codes 3410 (integrated oils), 3412 (exploration and production), 3413 (oil and gas services and equipment), 3414 (refining and marketing), and 3415 (pipeline).

[7] In this Special Section, Asia refers to the People's Republic of China; Hong Kong, China; India; Indonesia; Kazakhstan; the Republic of Korea; Malaysia; the Philippines; Singapore; Taipei,China; and Thailand.

Moreover, the adoption by banks of Basel III standards may further limit the industry's access to financing as banks are constrained in lending by requirements to hold more capital and liquidity. Banks' risk appetite for lending to the oil and gas industry, which has assets that cannot be easily liquidated and usually requires loans with longer tenors to fund high capital expenditures, may be reduced.

Downgrades from major credit rating agencies have risen since the price of oil began to tumble in June 2014. In Asia there have already been 16 ratings downgrades in the oil and gas industry in 2015, following eight downgrades between June 2014 and December 2014.

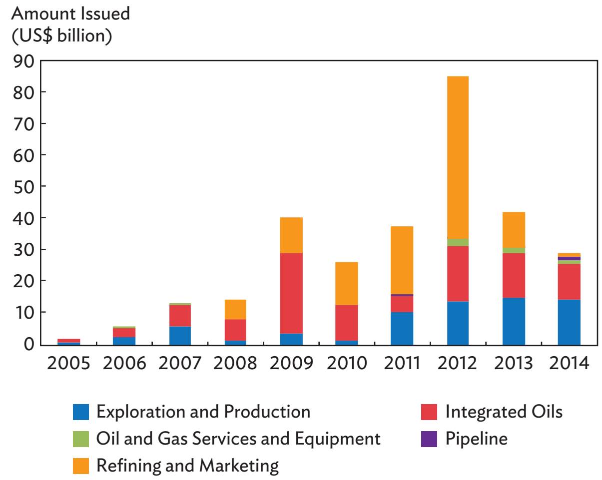
This Special Section of the Asia Bond Monitor will examine the bond-issuing segment of the region's oil and gas industry on an economy-by-economy basis, and review their capacities to service debt obligations. Using the latest financial data available,[8] the (i) leverage level (debt-to-capital ratio),[9] and ability to meet (ii) short-term debt (short-term-debt-to-EBITDA ratio),[10] and (iii) interest payment obligations (interest coverage ratio)[11] are analyzed.

People's Republic of China

Bond issuances from oil and gas companies in the PRC peaked in 2012 at US$85 billion. As of 28 January 2015, the industry's share of total bonds outstanding was 1.8% and spanned several subindustries, including refining and marketing (37% of oil and gas industry bonds outstanding), exploration and production (31%), integrated oils (27%), oil and gas services and equipment (3%), and pipeline (1%). The share of the top five obligors in the overall industry, all of which are state-owned entities, stood at 87%.

Figure 14 shows that the integrated oils subindustry accounted for a significant share of bond issuances over the past decade. Meanwhile, issuances in the exploration and production subindustry have been on an upward trend since 2011. The refining and marketing subindustry has displayed robust growth in bond issuances since

Figure 14: People's Republic of China Oil and Gas Bonds Issuance by Sector



Source: Bloomberg LP.

2008, peaking at US$51.5 billion in 2012 before tapering off in recent years. Figure 14 also shows the PRC as the main driver of growth in issuances in the region since 2005.

The oil and gas industry on the whole is not highly leveraged in the PRC, with the average debt-to-capital ratio at 0.38. The majority of firms also have a relatively low short-term-debt-to-EBITDA ratio, with the median being 0.74. However, a few smaller private companies may encounter difficulties in meeting short-term obligations and interest payments as their short-term-debt-to-EBITDA ratios are greater than 2.5 and their interest coverage ratios were low even before oil prices started to fall.

While a significant portion of the bonds outstanding have time to maturity of less than 3 years, most of these bonds are denominated in renminbi so there is minimal exchange rate risk in meeting short-term obligations **(Figure 15)**. In contrast, the bulk of the bonds with a longer time to maturity is almost equally divided between local currency (LCY) and FCY.

Hong Kong, China

Bond issuances in the oil and gas sector in Hong Kong, China set a new record of US$5 billion in 2014. As of 28 January 2015, the ratio of oil and gas industry bonds to total bonds outstanding was 3.9%. The top issuer, CNPC Finance HK Ltd., is a wholly owned

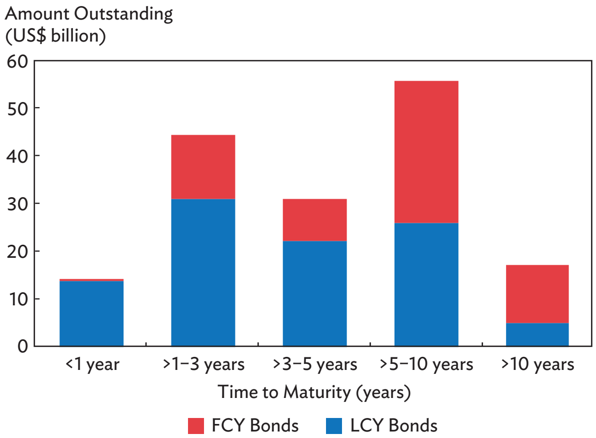
[8] Data from latest company annual reports as retrieved from Bloomberg LP or oil and gas company websites.

[9] debt-to-capital ratio = (total debt)/(total debt + total stockholders' equity).

[10] short-term–debt-to-EBITDA = (short-term debt)/(earnings before interest, taxes, depreciation, and amortization).

[11] interest coverage ratio = (earnings before interest and taxes)/(interest expense).

Figure 15: People's Republic of China Oil and Gas Bonds by Maturity and Currency

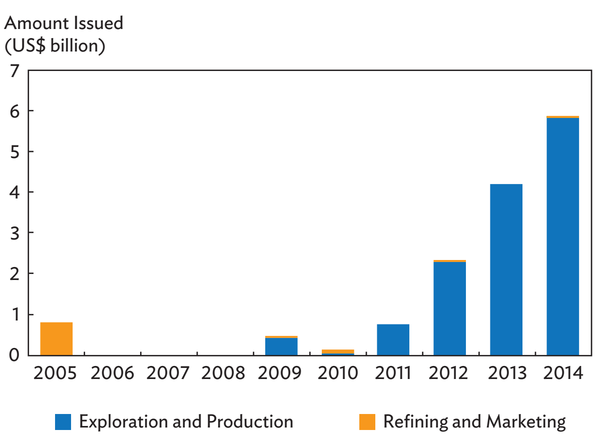


FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

subsidiary of China Petroleum Finance Co., Ltd. and is the offshore treasury center of China National Petroleum Corporation.[12] **Figure 16** illustrates how issuances from the exploration and production subindustry have notably accelerated since 2010. This solid growth is mainly driven by CNPC Finance HK Ltd.

While the median debt-to-capital ratio of the industry is 0.43, several firms encountered financial challenges in 2013. A few small firms have high or negative short-term-debt-to-EBITDA ratios, and very low or negative interest coverage ratios. This situation is exacerbated in cases where the debt is FCY-denominated.

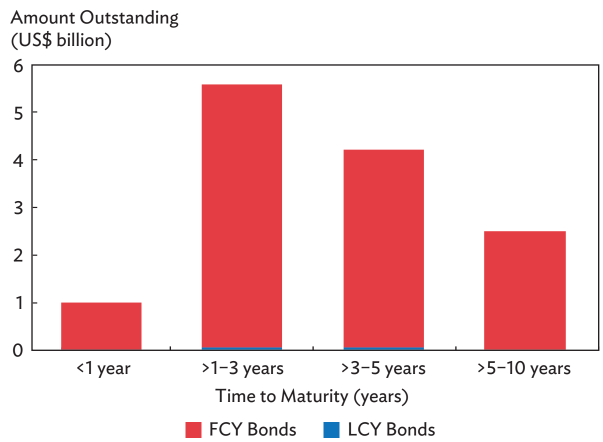
Figure 16: Hong Kong, China Oil and Gas Bonds Issuance by Sector



Source: Bloomberg LP.

As illustrated in **Figure 17**, almost all bonds outstanding are in US dollars, with a large chunk coming due in 1–3 years. The FCY debt due in less than 1 year is mainly attributable to Titan Petrochemicals Group Ltd., which defaulted on some of its payment obligations before the oil price began declining in June 2014.[13]

Figure 17: Hong Kong, China Oil and Gas Bonds by Maturity and Currency



FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

India

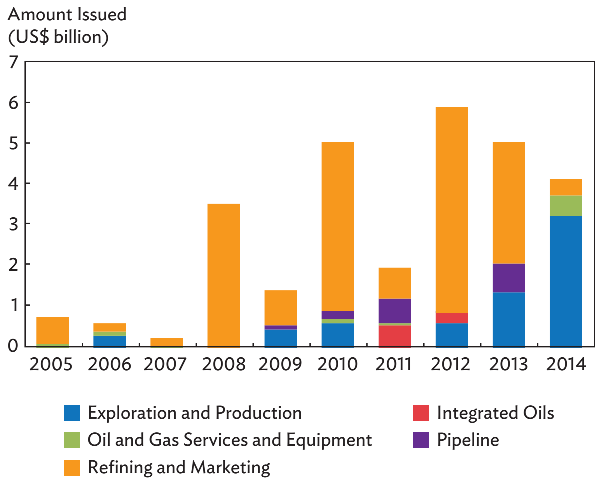
Oil and gas industry bond issuances in India totaled a record-setting US$5.8 billion in 2012. As of 28 January 2015, the ratio of oil and gas industry bonds to total bonds outstanding was 1.6%. The top five obligors, three of which are government-owned, accounted for 82% of the industry's bonds outstanding. Meanwhile, bond issuance is concentrated in two subindustry categories: refining and marketing (65%), and exploration and production (25%).

The value of issuances from the refining and marketing subindustry increased, albeit inconsistently, over the past decade. Another notable trend can be seen in the issuances of the exploration and production subindustry, which have grown significantly since 2012 **(Figure 18)**.

[12] http://cpf.cnpc.com.cn/cpf/xggsnb/201406/47a0c2e036514f5eb793dc918ff03d91/files/391f20664e4f42858b4bf61d0f08df79.pdf

[13] http://file.irasia.com/listco/hk/titan/annual/2013/ar2013.pdf

Figure 18: India Oil and Gas Bonds Issuance by Sector

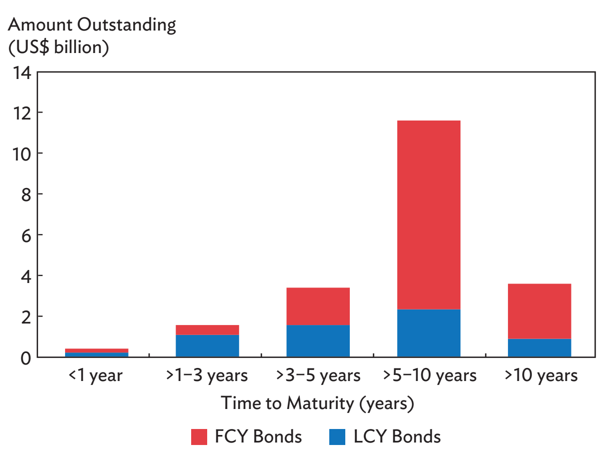


Source: Bloomberg LP.

The oil and gas sector in India has high average and median debt-to-capital ratios. Several state-owned and private oil and gas companies had high leverage ratios, high short-term-debt-to-EBITDA ratios, and interest coverage ratios below 2.0 even before oil prices began faltering in 2014. Challenges in meeting obligations may be encountered, especially by these private companies.

While 71% of the bonds outstanding are FCY-denominated, a large portion of these bonds have remaining maturities of more than 5 years **(Figure 19)**.

Figure 19: India Oil and Gas Bonds by Maturity and Currency



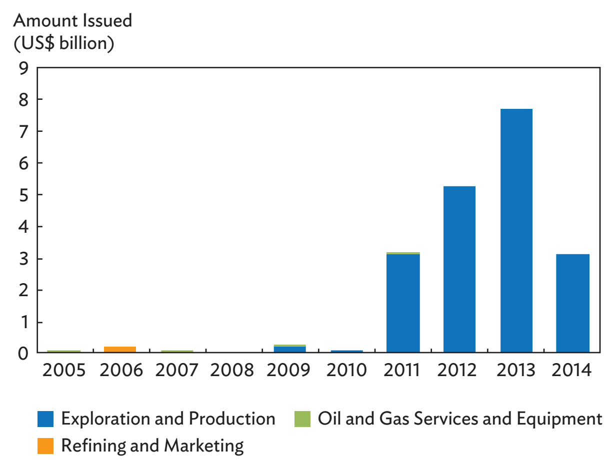
FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

Indonesia

The value of bond issuances from the oil and gas industry in Indonesia climbed to a high of US$7.6 billion in 2013. While there are only three such issuers in the country, the ratio of oil and gas industry bonds to total bonds outstanding stood at 6.6% as of 28 January 2015, led by state-owned Pertamina Persero PT, which accounted for 92% of oil and gas industry bonds outstanding.

Figure 20 shows that there was a huge jump in bond issuances in the exploration and production subindustry between 2011 and 2013 before growth fell by more than half in 2014.

Figure 20: Indonesia Oil and Gas Bonds Issuance by Sector

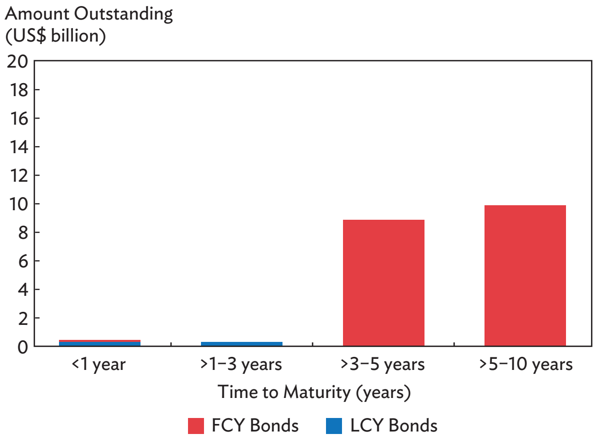


Source: Bloomberg LP.

Indonesian oil and gas bond issuers are moderately leveraged, with an average debt-to-capital ratio of 0.51. The average short-term-debt-to-EBITDA ratio is also below 1.0, indicating relatively good capacity to meet short-term obligations. In terms of meeting interest payments, however, one of the firms may encounter difficulty as its interest coverage ratio is below 0.5.

Most of the bonds outstanding have remaining time to maturity of more than 3 years. However, foreign exchange risk is significant as 98% of all bonds outstanding are in US dollars **(Figure 21)**.

Figure 21: Indonesia Oil and Gas Bonds by Maturity and Currency



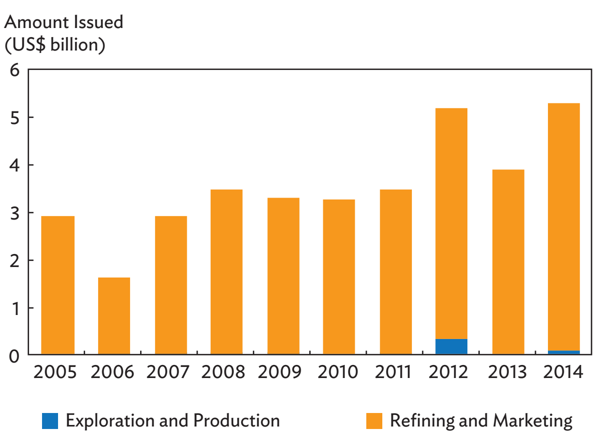
FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

Republic of Korea

Bond issuances from the oil and gas industry in the Republic of Korea reached a high of US$5.2 billion in 2014. The industry's share of total bonds outstanding was 1.2% as of 28 January 2015. Almost all bond issuances in 2014 were from the refining and marketing subindustry, which has dominated issuances over the past decade **(Figure 22)**.

The industry is not highly leveraged as the average debt-to-capital ratio is 0.46. However, several firms may have difficulties in meeting short-term debt and interest payment obligations as they had negative or high short-term-debt-to-EBITDA ratios, and negative or low interest coverage ratios, prior to oil prices plummeting.

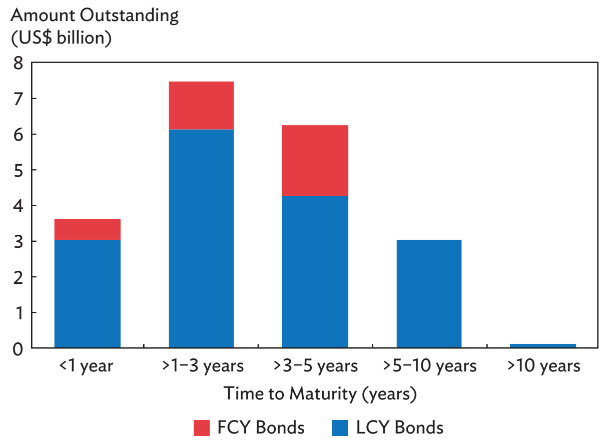
Figure 22: Republic of Korea Oil and Gas Bonds Issuance by Sector



Source: Bloomberg LP.

Of total industry bonds outstanding, 54% have remaining time to maturity of less than 3 years. However, a majority of these bonds are LCY-denominated and thus currency risk is reduced **(Figure 23)**.

Figure 23: Republic of Korea Oil and Gas Bonds by Maturity and Currency



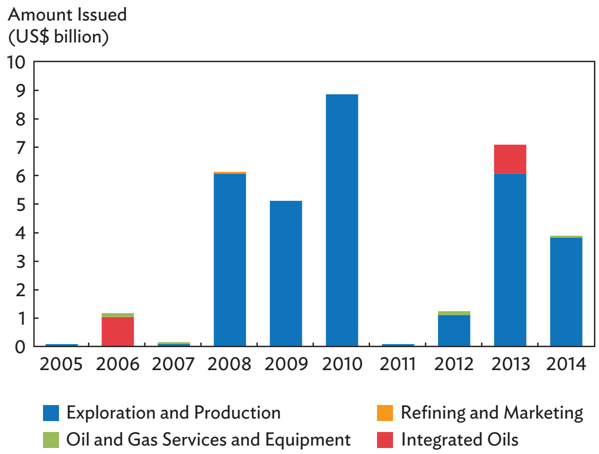
FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

Kazakhstan

Oil and gas industry bond issuance in Kazakhstan peaked at US$8.8 billion in 2010. As of 28 January 2015, the industry's share of total bonds outstanding was 20.2%. Being an oil-exporting economy, the industry's most significant amount of bonds outstanding (95%) belongs to the exploration and production subindustry. State-owned KazMunayGas National Co. JSC alone accounts for 86% of the total amount of industry bonds outstanding. KazMunayGas National Co. JSC has been the growth driver in bond issuances over much of the past decade **(Figure 24)**.

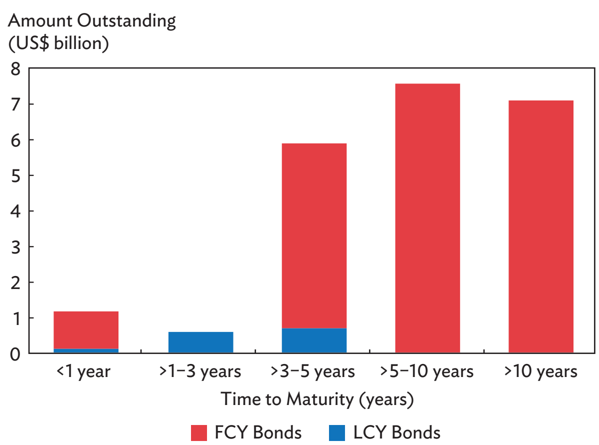
Overall, the oil and gas industry has a low debt-to-capital ratio, low short-term-debt-to-EBITDA ratio, and a high interest coverage ratio, implying good capacity in servicing debt. Despite most of the bonds outstanding having a relatively long tenor, most are also FCY-denominated **(Figure 25)**. Thus, the industry is highly exposed to currency risk.

Figure 24: Kazakhstan Oil and Gas Bonds Issuance by Sector



Source: Bloomberg LP.

Figure 25: Kazakhstan Oil and Gas Bonds by Maturity and Currency

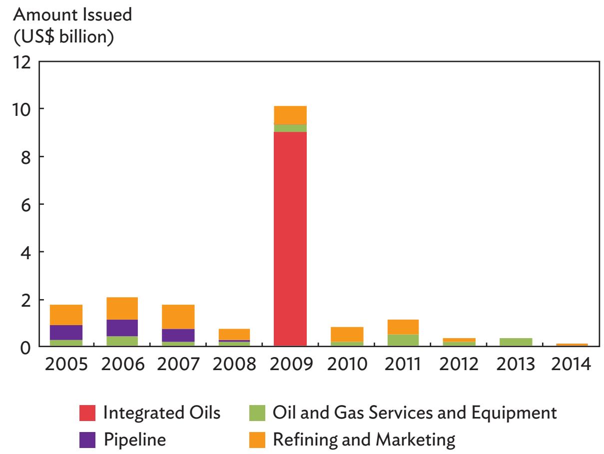


FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

Malaysia

In 2009, Malaysia recorded its highest level of oil and gas industry bond issuance (US$10 billion) of the past 10 years. As of 28 January 2015, the ratio of oil and gas industry bonds to total bonds outstanding was 2.8% as bond issuances in the sector continued to shrink in recent years. Petroliam Nasional Berhad (Petronas), a major issuer and the firm responsible for the record issuance in 2009, is a state-owned integrated oil and gas company **(Figure 26)**.

Figure 26: Malaysia Oil and Gas Bonds Issuance by Sector

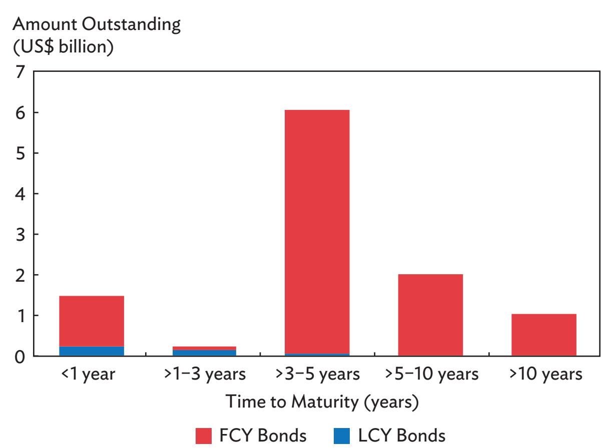


Source: Bloomberg LP.

Overall, the industry has a low debt-to-capital ratio, especially government-owned Petronas. The smaller oil firms are not highly leveraged, but a few may experience problems in meeting short-term debt and interest payment obligations.

Figure 27 illustrates that most of Malaysia's oil and gas industry bonds have time to maturity of more than 3 years. However, since these bonds are largely FCY-denominated, the sector is highly exposed to currency risk.

Figure 27: Malaysia Oil and Gas Bonds by Maturity and Currency



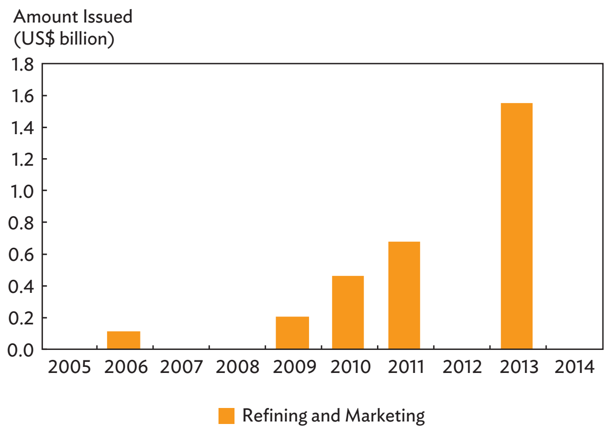
FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

Philippines

The largest issuances of bonds from the oil and gas industry in the Philippines over the last 10 years occurred in 2013 with capital raised amounting to US$1.5 billion. The industry's share of total bonds outstanding stood at 1.4% on 28 January 2015 and was concentrated in the refining and marketing subindustry **(Figure 28)**.

The Philippine oil and gas industry is quite leveraged as the average debt-to-capital ratio is 0.62. One of the obligors also has a high short-term-debt-to-EBITDA ratio.

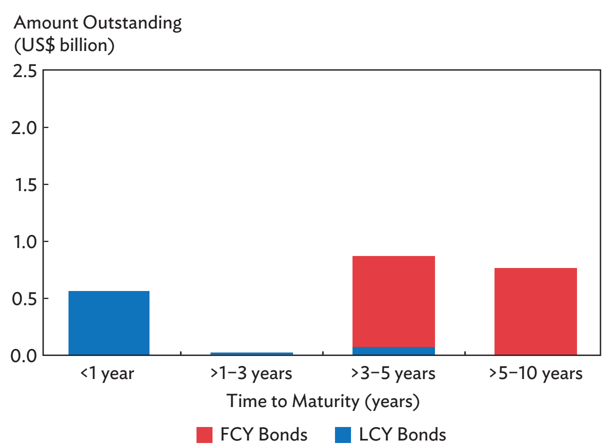
Figure 28: Philippines Oil and Gas Bonds Issuance by Sector



Source: Bloomberg LP.

Of the oil and gas industry's bonds outstanding, 71% are denominated in US dollars **(Figure 29)**. Nevertheless, the majority of bonds due in less than 1 year are LCY-denominated. Thus, currency risk is reduced, at least in the short-term.

Figure 29: Philippines Oil and Gas Bonds by Maturity and Currency



FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

Singapore

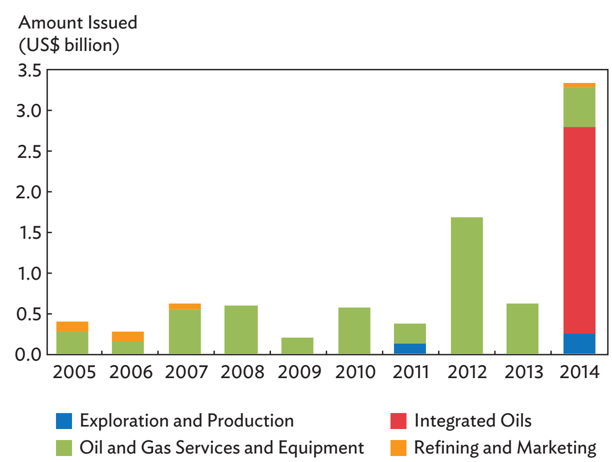
Bond issuances from the oil and gas industry in Singapore totaled a record-setting US$3.3 billion in 2014. The ratio of oil and gas industry bonds to total bonds outstanding was 2.0% as of 28 January 2015, of which the bulk of the exposure was in the oil and gas services and equipment (57%), and integrated oils (38%) subindustries.

Figure 30 illustrates that, in contrast with other economies in the region, bonds from the oil and gas industry in Singapore are heavily concentrated in the oil and gas services and equipment sector. A notable exception occurred in 2014 when there was a sizeable issuance from the integrated oils subindustry.

The industry is not highly leveraged in Singapore but the median debt-to-capital ratio is 0.52. Also, several companies had limited capacity to meet their short-term debt and interest payment obligations even before oil prices started to fall in 2014.

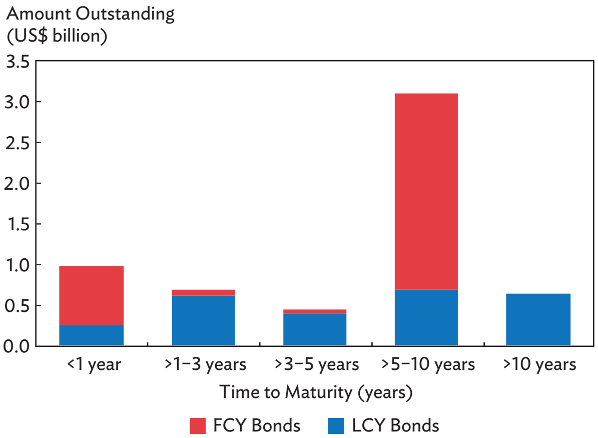
Figure 31 shows that there is high exposure to foreign exchange risk as a large proportion of short- and medium-term bonds are denominated in US dollars.

Figure 30: Singapore Oil and Gas Bonds Issuance by Sector



Source: Bloomberg LP.

Figure 31: Singapore Oil and Gas Bonds by Maturity and Currency

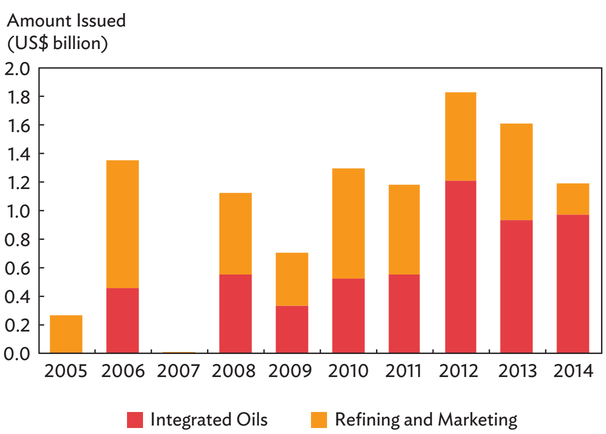


FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

Taipei,China

The highest level of bond issuances from the oil and gas industry in Taipei,China over the past decade (US$1.8 billion) was posted in 2012. As of 28 January 2015, the ratio of oil and gas industry bonds as a share of the total bond market was 2.4%. State-owned CPC Corporation, which accounts for 66% of the industry's bonds outstanding, is active in the integrated oils subindustry, while the rest of the issuers fall under the category of refining and marketing **(Figure 32)**.

Figure 32: Taipei,China Oil and Gas Bonds Issuance by Sector

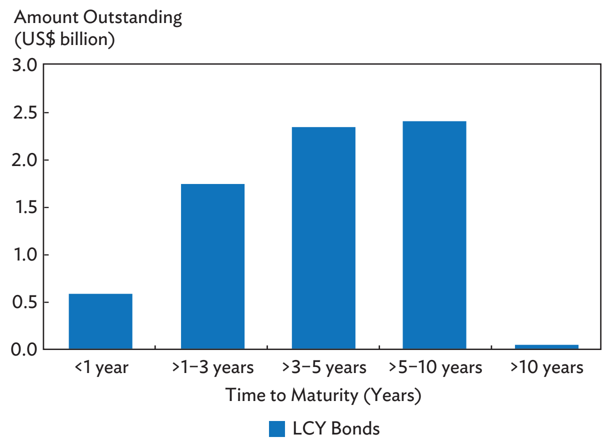


Source: Bloomberg LP.

The oil and gas industry has a median debt-to-capital ratio of 0.37 and a median interest coverage ratio of 3.86. However, there was one major issuer that posted a high leverage ratio, high short-term-debt-to-EBITDA ratio, and low interest coverage ratio in 2013.

Figure 33 shows that all bonds outstanding are LCY-denominated.

Figure 33: Taipei,China Oil and Gas Bonds by Maturity and Currency



FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

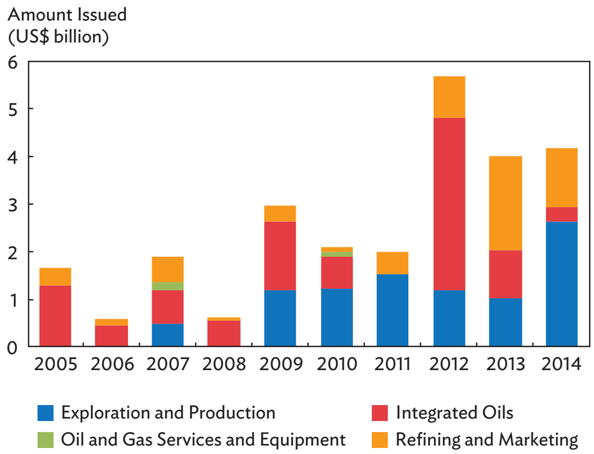
Thailand

In 2012, Thailand logged its highest level of issuance of bonds from the oil and gas industry ($1.8 billion) of the past decade. As of 28 January 2015, the industry's share of total bonds outstanding was 6.5%. Government-owned PTT is involved in the integrated oils subindustry, while the rest of the issuers fall under the refining and marketing, and oil and gas services and equipment subindustries.

The exploration and production subindustry has traditionally accounted for a moderate share of bond issuances. Meanwhile, the integrated oils subindustry's share has fluctuated through the years **(Figure 34)**.

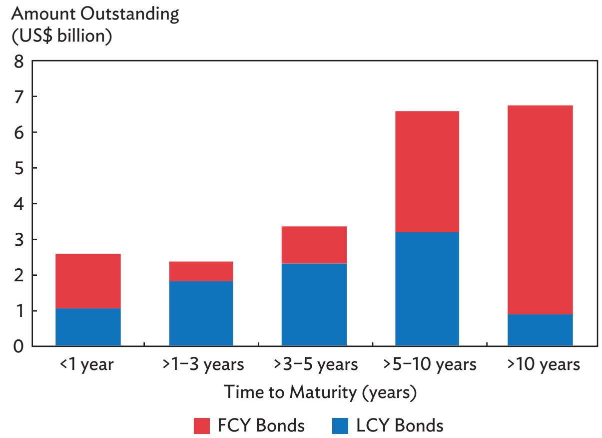
The oil and gas industry in Thailand is not highly leveraged. The average debt-to-capital ratio for the top five issuers, which account for 99% of the industry's bonds outstanding, is below 0.41. Almost all issuers

Figure 34: Thailand Oil and Gas Bonds Issuance by Sector



Source: Bloomberg LP.

Figure 35: Thailand Oil and Gas Bonds by Maturity and Currency



FCY = foreign currency, LCY = local currency.
Source: Bloomberg LP.

have very low short-term-debt-to-EBITDA ratios, which suggests the industry has the capacity to meet short-term obligations. Meanwhile, the median interest coverage ratio is 3.81, signaling the industry's ability to meet interest payments.

Given that a large portion of bonds outstanding with time to maturity of less than 1 year and more than 5 years, were issued in US dollars, currency risk is significant **(Figure 35)**.

Market Summaries

People's Republic of China

The amount of local currency (LCY) bonds outstanding in the People's Republic of China (PRC) reached CNY32.2 trillion (US$5.2 trillion) at end-December on growth of 2.0% quarter-on-quarter (q-o-q) and 12.7% year-on-year (y-o-y). The bond market's growth in 4Q14 was primarily driven by increasing stocks of Treasury bonds and corporate bonds. Meanwhile, the amount of central bank bonds outstanding continued to fall, owing to declining issuance in 2014 as the People's Bank of China largely used other means to manage liquidity.

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

	Outstanding Amount (billion)						Growth Rates (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	CNY	US$	CNY	US$	CNY	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**28,602**	**4,724**	**31,578**	**5,143**	**32,222**	**5,192**	**2.7**	**12.5**	**2.0**	**12.7**
Government	18,602	3,073	20,354	3,315	20,693	3,335	2.7	7.7	1.7	11.2
Treasury Bonds	9,178	1,516	10,015	1,631	10,308	1,661	3.2	13.7	2.92	12.3
Central Bank Bonds	552	91	468	76	428	69	(2.1)	(58.9)	(8.5)	(22.5)
Policy Bank Bonds	8,872	1,465	9,870	1,608	9,957	1,605	2.5	12.9	0.9	12.2
Corporate	10,000	1,652	11,224	1,828	11,529	1,858	2.7	22.6	2.7	15.3
Policy Bank Bonds										
China Development Bank	5,764	952	6,240	1,016	6,266	1,010	1.5	9.4	0.4	8.7
Export–Import Bank of China	1,339	221	1,542	251	1,583	255	4.9	20.5	2.7	18.2
Agricultural Devt. Bank of China	1,769	292	2,088	340	2,108	340	3.8	19.8	1.0	19.2

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Treasury bonds include savings bonds and local government bonds.
3. Bloomberg LP end-of-period LCY–US$ rate is used.
4. Growth rates are calculated from LCY base and do not include currency effects.
Sources: Bloomberg LP, *ChinaBond,* and *Wind*.

Corporate bond issuance totaled CNY1.1 trillion in 4Q14, slightly lower than in 3Q14 when banks conducted most of their subordinated issuances. The decline was somewhat offset by an increase in the issuance of medium-term notes.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (CNY billion)
China Petroleum & Chemical		
25-day short-term commercial paper	3.70	20
China Railway		
5-year bond	4.40	10
5-year bond	4.73	10
10-year bond	4.53	15
Beijing State-Owned Assets Operation & Management Center		
5-year bond	5.10	10
China Huarong Asset Management		
3-year bond	4.60	10
5-year bond	4.80	10
State Grid Corp of China		
3-year bond	4.38	10

LCY = local currency.
Source: Bloomberg LP.

LCY corporate bonds outstanding among the top 30 corporate bond issuers in the PRC reached CNY5.1 trillion at end-December, accounting for about 49% of the total LCY corporate bond market. The largest issuer remained China Railways, with CNY1.1 trillion of bonds outstanding.

Table 3: Top 30 Issuers of LCY Corporate Bonds in the People's Republic of China

Issuers		Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (CNY billion)	LCY Bonds (US$ billion)			
1.	China Railway	1,058.5	170.57	Yes	No	Transportation
2.	State Grid Corporation of China	435.5	70.18	Yes	No	Public Utilities
3.	China National Petroleum	370.0	59.62	Yes	No	Energy
4.	Bank of China	298.8	48.15	Yes	Yes	Banking
5.	Industrial and Commercial Bank of China	296.5	47.78	Yes	Yes	Banking
6.	Agricultural Bank of China	229.0	36.90	Yes	Yes	Banking
7.	Industrial Bank	206.3	33.24	No	Yes	Banking
8.	China Construction Bank	199.5	32.15	Yes	Yes	Banking
9.	Shanghai Pudong Development Bank	167.0	26.92	No	Yes	Banking
10.	China Minsheng Bank	136.2	21.95	No	Yes	Banking
11.	Bank of Communications	126.8	20.43	No	Yes	Banking
12.	China Citic Bank	121.9	19.64	No	Yes	Banking
13.	China Power Investment	116.9	18.84	Yes	No	Public Utilities
14.	Central Huijin Investment	109.0	17.57	Yes	No	Diversified Financial
15.	China Merchants Bank	105.3	16.97	No	Yes	Banking
16.	China Everbright Bank	101.9	16.42	Yes	Yes	Banking
17.	Senhua Group	101.5	16.36	Yes	No	Energy
18.	Petrochina	91.0	14.66	Yes	Yes	Energy
19.	China Southern Power Grid	81.5	13.13	Yes	No	Public Utilities
20.	China Petroleum & Chemical	79.5	12.81	Yes	Yes	Energy
21.	China Guodian	77.9	12.55	Yes	No	Public Utilities
22.	China Datang	72.7	11.72	Yes	No	Energy
23.	Tianjin Infrastructure Investment Group	72.1	11.62	Yes	No	Capital Goods
24.	Beijing State-owned Assets Operation & Management Center	71.5	11.52	Yes	No	Diversified Financial
25.	China Three Gorges Project	69.5	11.20	Yes	No	Public Utilities
26.	China Life	68.0	10.96	Yes	Yes	Insurance
27.	Shananxi Coal and Chemical Industry Group	62.0	9.99	No	Yes	Energy
28.	Bank of Beijing	60.6	9.77	No	Yes	Banking
29.	China Huaneng Group	59.1	9.52	Yes	No	Public Utilities
30.	Shanghai Pudong Development Bank	51.9	8.36	No	Yes	Banking
Total Top 30 LCY Corporate Issuers		**5,097.97**	**821.52**			
Total LCY Corporate Bonds		**11,528.67**	**1,857.81**			
Top 30 as % of Total LCY Corporate Bonds		**44.2%**	**44.2%**			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg data.

Hong Kong, China

The amount of local currency (LCY) bonds outstanding in Hong Kong, China declined in 4Q14, reaching HKD1.5 trillion (US$194 billion) at end-December. The bond market posted a decline of 0.04% quarter-on-quarter (q-o-q) and 0.2% year-on-year (y-o-y). The q-o-q decline was driven mostly by a decrease in HKSAR bonds, while the y-o-y contraction was due to a decline in corporate bonds outstanding, with corporates increasingly using bank loans rather than bonds for funding.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	HKD	US$	HKD	US$	HKD	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**1,509**	**195**	**1,507**	**194**	**1,506**	**194**	**0.9**	**9.7**	**(0.04)**	**(0.2)**
Government	841	108	856	110	849	109	0.4	16.1	(0.8)	0.9
Exchange Fund Bills	683	88	684	88	684	88	0.1	16.0	0.01	0.1
Exchange Fund Notes	68	9	68	9	69	9	(0.4)	(0.9)	0.4	0.9
HKSAR Bonds	90	12	104	13	97	12	3.4	34.3	(6.8)	7.2
Corporate	668	86	651	84	657	85	1.5	2.6	0.9	(1.7)

( ) = negative, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–US$ rates are used.
3. Growth rates are calculated from LCY base and do not include currency effects.
Sources: Hong Kong Monetary Authority and Bloomberg LP.

Corporate bond issuance totaled HKD63.1 billion in 4Q14, slightly lower than 3Q14's HKD67.6 billion. Corporate bond issuance remained weak as corporates preferred the better rates on offer from banks.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)
Yue Xiu Property		
15-year bond	6.10	2.30
Hong Kong Mortage Corporation		
1-year bond	0.33	0.75
3-year bond	0.32	0.23
CLP Power Hong Kong Financing		
12-year bond	3.25	0.20
15-year bond	3.50	0.15
Swire Properties		
10-year bond	3.10	0.30
Wharf Finance		
10-year bond	3.75	0.19

LCY = local currency.
Source: Central Moneymarkets Unit (CMU) HKMA.

LCY corporate bonds outstanding of the top 30 nonbank corporate bond issuers in Hong Kong, China reached HKD116.5 billion at end-December, accounting for about 18% of the total LCY corporate bond market. The largest issuer remained Hong Kong Mortgage Corporation, with HKD14.6 billion of bonds outstanding.

Table 3: Top 30 Nonbank Issuers of LCY Corporate Bonds in Hong Kong, China

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (HKD billion)	LCY Bonds (US$ billion)			
1.	The Hong Kong Mortgage Corporation	14.60	1.88	Yes	No	Finance
2.	CLP Power Hong Kong Financing	10.00	1.29	No	No	Electric
3.	Sun Hung Kai Properties (Capital Market)	9.91	1.28	No	No	Real Estate
4.	Wharf Finance	6.14	0.79	No	No	Finance
5.	The Link Finance (Cayman) 2009	5.75	0.74	Yes	Yes	Transportation
6.	MTR Corporation (C.I.)	5.75	0.74	No	No	Gas
7.	HKCG (Finance)	5.53	0.71	No	Yes	Diversified
8.	Swire Pacific	7.22	0.93	No	No	Diversified
9.	Hongkong Electric Finance	5.05	0.65	No	Yes	Real Estate
10.	NWD (MTN)	5.01	0.65	No	No	Electric
11.	Cheung Kong Bond Finance	4.60	0.59	Yes	No	Real Estate
12.	Urban Renewal Authority	4.04	0.52	No	No	Diversified
13.	Kowloon-Canton Railway	3.40	0.44	Yes	No	Transportation
14.	Wheelock Finance	3.00	0.39	No	No	Diversified
15.	Yue Xiu Enterprises (Holdings)	2.80	0.36	Yes	No	Transportation
16.	Airport Authority Hong Kong	2.30	0.30	No	Yes	Real Estate
17.	Hysan (MTN)	2.23	0.29	No	No	Finance
18.	Cathay Pacific MTN Financing	4.36	0.56	No	Yes	Real Estate
19.	Emperor International Holdings	1.71	0.22	No	No	Commercial Services
20.	Nan Fung Treasury	1.70	0.22	No	Yes	Airlines
21.	Henderson Land MTN	1.65	0.21	No	Yes	Real Estate
22.	AIA Group	1.40	0.18	No	No	Real Estate
23.	Swire Properties MTN Financing	1.31	0.17	No	No	Real Estate
24.	Dragon Drays	1.20	0.15	No	Yes	Communications
25.	K. Wah International	1.19	0.15	No	Yes	Finance
26.	Citic Limited	1.16	0.15	No	Yes	Insurance
27.	R-Reit International Finance	1.00	0.13	No	Yes	Real Estate
28.	Wing Tai Properties (Finance)	0.92	0.12	No	Yes	Diversified
29.	HLP Finance	0.88	0.11	No	No	Real Estate
30.	The Hongkong Land Notes Company	0.78	0.10	No	No	Real Estate
Total Top 30 Nonbank LCY Corporate Issuers		**116.54**	**15.04**			
Total LCY Corporate Bonds		**657.18**	**84.79**			
Top 30 as % of Total LCY Corporate Bonds		**17.7%**	**17.7%**			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Hong Kong Monetary Authority data.

Indonesia

The outstanding amount of local currency (LCY) bonds in Indonesia reached IDR1,530 trillion (US$123 billion) in 4Q14 on growth of 1.6% quarter-on-quarter (q-o-q) and 16.8% year-on-year (y-o-y). Growth was driven largely by increases in the stocks of central bank bills and corporate bonds. Central government bonds only grew 0.9% q-o-q as the government fulfilled most of its funding requirements in the first 3 quarters of the year.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	IDR	US$	IDR	US$	IDR	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**1,309,576**	**108**	**1,505,261**	**124**	**1,529,810**	**123**	**6.8**	**20.1**	**1.6**	**16.8**
Government	1,091,356	90	1,285,060	105	1,306,990	106	7.9	20.9	1.7	19.8
Central Govt. Bonds	995,252	82	1,199,395	98	1,209,961	98	5.6	21.3	0.9	21.6
of which: *Sukuk*	87,174	7	109,444	9	110,704	9	(0.6)	38.3	1.2	27.0
Central Bank Bills	96,104	8	85,665	7	97,029	8	40.1	16.7	13.3	1.0
of which: *Sukuk*	4,712	0.4	6,490	0.5	8,130	0.7	30.5	36.4	25.3	72.5
Corporate	218,220	18	220,202	18	222,820	18	1.5	16.4	1.2	2.1
of which: *Sukuk*	7,553	0.6	6,958	0.6	7,391	0.6	8.3	9.7	6.2	(2.1)

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–US$ rates are used.
3. Growth rates are calculated from LCY base and do not include currency effects.
4. The total stock of nontradable bonds as of end-December stood at IDR264.6 trillion.
5. 4Q14 data for outstanding corporate *sukuk* (Islamic bonds) carried over from November 2014.
Sources: Bank Indonesia, Directorate General of Financing and Risk Management Ministry of Finance, Otoritas Jasa Keuangan, and Bloomberg LP.

Corporate bond issuance totaled IDR17.4 trillion in 4Q14, almost triple the volume of bonds issued in 3Q14. Fifteen companies, mainly banking and financing institutions, issued new corporate debt in 4Q14.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (IDR billion)
Indonesia Eximbank		
370-day bond	8.25	393
3-year bond	9.25	1,485
5-year bond	9.75	828
Astra Sedaya Finance		
370-day bond	9.60	1,000
3-year bond	10.50	1,500
Indosat		
3-year bond	10.00	950
3-year *Sukuk Ijarah*	10.00	64
5-year bond	10.30	750
5-year *Sukuk Ijarah*	10.30	16
7-year bond	10.50	250
7-year *Sukuk Ijarah*	10.50	110
10-year bond	10.70	360

Corporate Issuers	Coupon Rate (%)	Issued Amount (IDR billion)
Adira Finance		
370-day bond	9.60	607
370-day *Sukuk Mudharabah*	9.60	88
3-year bond	10.50	808
3-year bond *Sukuk Mudharabah*	10.50	45
5-year bond	10.75	88
Sarana Multigriya Finansial		
373-day bond	9.60	701
3-year bond	10.00	753
Summarecon Agung		
5-year bond	11.50	800
5-year *Sukuk Ijarah*	11.50	300
SAN Finance		
3-year bond	10.50	1,000

LCY = local currency.
Notes:
1. *Sukuk Ijarah* refers to Islamic bonds backed by lease agreements.
2. *Sukuk Mudharabah* refers to Islamic bonds backed by a profit-sharing scheme from a business venture or partnership.
Source: Indonesia Stock Exchange.

LCY corporate bonds outstanding among the top 30 corporate bond issuers in Indonesia reached IDR166.9 trillion at end-December, accounting for 74.9% of the total LCY corporate bond market. Indonesia Eximbank emerged as the top corporate bond issuer, supplanting PLN in the top spot.

Table 3: Top 30 Issuers of LCY Corporate Bonds in Indonesia

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (IDR billion)	LCY Bonds (US$ billion)			
1.	Indonesia Eximbank	15,612	1.26	Yes	No	Banking
2.	PLN	14,073	1.14	Yes	No	Energy
3.	Astra Sedaya Finance	12,705	1.03	No	No	Finance
4.	Adira Dinamika Multifinance	11,189	0.90	No	Yes	Finance
5.	Bank Internasional Indonesia	8,360	0.67	No	Yes	Banking
6.	Indosat	7,962	0.64	No	Yes	Telecommunications
7.	Bank Tabungan Negara	7,950	0.64	Yes	Yes	Banking
8.	Bank CIMB Niaga	7,750	0.63	No	Yes	Banking
9.	Bank Permata	7,178	0.58	No	Yes	Banking
10.	Bank Pan Indonesia	6,000	0.48	No	Yes	Banking
11.	Jasa Marga	5,900	0.48	Yes	Yes	Toll Roads, Airports, and Harbors
12.	Perum Pegadaian	5,569	0.45	Yes	No	Finance
13.	Sarana Multigriya Finansial	4,955	0.40	Yes	No	Finance
14.	Federal International Finance	4,875	0.39	No	No	Finance
15.	Agung Podomoro Land	4,476	0.32	No	Yes	Property, Real Estate, and Building Construction
16.	Bank Tabungan Pensiunan Nasional	4,420	0.36	No	Yes	Banking
17.	Indofood Sukses Makmur	4,000	0.32	No	Yes	Food and Beverages
18.	Bank Mandiri	3,500	0.28	Yes	Yes	Banking
19.	Medco-Energi International	3,500	0.39	No	Yes	Petroleum and Natural Gas
20.	Antam	3,000	0.24	Yes	Yes	Petroleum and Natural Gas
21.	Telekomunikasi Indonesia	3,000	0.24	Yes	Yes	Telecommunications
22.	Bank OCBC NISP	2,907	0.23	No	Yes	Banking
23.	Bumi Serpong Damai	2,750	0.22	No	Yes	Property, Real Estate, and Building Construction
24.	Indomobil Finance Indonesia	2,608	0.21	No	No	Finance
25.	Toyota Astra Financial Services	2,311	0.19	No	No	Finance
26.	SAN Finance	2,198	0.18	No	No	Finance
27.	BCA Finance	2,100	0.17	No	No	Finance
28.	WOM Finance	2,020	0.16	No	Yes	Finance
29.	Garuda Indonesia	2,000	0.16	Yes	Yes	Infrastructure, Utilities, and Transportation
30.	Permodalan Nasional Madani	2,000	0.16	Yes	No	Finance
Total Top 30 LCY Corporate Issuers		**166,867**	**13.47**			
Total LCY Corporate Bonds		**222,820**	**17.99**			
Top 30 as % of Total LCY Corporate Bonds		**74.9%**	**74.9%**			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Indonesia Stock Exchange data.

Republic of Korea

Local currency (LCY) bonds outstanding in the Republic of Korea grew 2.6% quarter-on-quarter (q-o-q) and 7.8% year-on-year (y-o-y) in 4Q14, leveling off at KRW1,858 trillion (US$1.7 trillion) at end-December. The outstanding amount of LCY government bonds expanded 7.5% q-o-q and 16.4% y-o-y in 4Q14 to reach KRW765 trillion at end-December. Meanwhile, outstanding LCY corporate bonds were down 0.5% q-o-q, but recorded positive y-o-y growth of 2.6% to reach KRW1,093 trillion at end-December.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	KRW	US$	KRW	US$	KRW	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**1,722,720**	**1,641**	**1,810,149**	**1,715**	**1,857,739**	**1,703**	**2.5**	**10.0**	**2.6**	**7.8**
Government	657,309	626	711,726	674	765,008	701	1.9	7.9	7.5	16.4
Central Bank Bonds	163,670	156	180,580	171	178,000	163	(0.7)	0.4	(1.4)	8.8
Central Government Bonds	455,858	434	488,180	463	495,016	454	2.5	9.6	1.4	8.6
Industrial Finance Debentures	37,781	36	42,967	41	91,992	84	5.4	26.6	114.1	143.5
Corporate	1,065,411	1,015	1,098,423	1,041	1,092,731	1,002	2.9	11.4	(0.5)	2.6

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–US$ rates are used.
3. Growth rates are calculated from LCY base and do not include currency effects.
4. Central government bonds include Korea Treasury Bonds, National Housing Bonds, and Seoul Metro Bonds.
5. Industrial finance debentures include Korea Development Bank (KDB) bonds.
Sources: EDAILY *BondWeb* and The Bank of Korea.

LCY corporate bond issuance climbed 25.2% q-o-q and 12.9% y-o-y in 4Q14 to reach KRW117.6 trillion. The five largest corporate bond issues during the quarter were made by banks.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
Industrial Bank of Korea		
1-year bond	2.14	600
1-year bond	2.14	470
10-year bond	3.10	800
Woori Bank		
1-year bond	2.15	550
NongHyup Bank		
10-year bond	3.40	500

LCY = local currency.
Note: Coupon rates for 1-year bonds of Industrial Bank of Korea and Woori Bank are indicative yields as of end-December 2014.
Source: Bloomberg LP.

The combined bonds outstanding of the top 30 corporate issuers in the Republic of Korea amounted to KRW673.9 trillion at the end of 2014, representing 61.7% of the total value of all LCY corporate bonds. Korea Land & Housing Corporation remained the largest LCY corporate issuer.

Table 3: Top 30 Issuers of LCY Corporate Bonds in the Republic of Korea

	Issuers	Outstanding Amount		State-Owned	Listed on		Type of Industry
		LCY Bonds (KRW billion)	LCY Bonds (US$ billion)		KOSPI	KOSDAQ	
1.	Korea Land & Housing Corp.	57,171	52.4	Yes	No	No	Real Estate
2.	Korea Housing Finance Corp.	56,385	51.7	Yes	No	No	Financial
3.	KDB Daewoo Securities	45,062	41.3	Yes	Yes	No	Securities
4.	Woori Investment and Securities	41,581	38.1	Yes	Yes	No	Securities
5.	Korea Investment and Securities	41,318	37.9	No	No	No	Securities
6.	Korea Deposit Insurance Corp.	40,650	37.3	Yes	No	No	Insurance
7.	Industrial Bank of Korea	32,639	29.9	Yes	Yes	No	Bank
8.	Hana Daetoo Securities	29,552	27.1	No	No	No	Securities
9.	Mirae Asset Securities	29,501	27.0	No	Yes	No	Securities
10.	Korea Electric Power Corp.	29,280	26.8	Yes	Yes	No	Utilities
11.	Korea Expressway	21,250	19.5	Yes	No	No	Infrastructure
12.	Hyundai Securities	18,747	17.2	No	Yes	No	Securities
13.	Woori Bank	18,662	17.1	Yes	No	No	Bank
14.	Kookmin Bank	18,460	16.9	No	No	No	Bank
15.	Korea Rail Network Authority	18,030	16.5	Yes	No	No	Infrastructure
16.	Korea Gas Corp.	15,634	14.3	Yes	Yes	No	Utilities
17.	Shinhan Bank	14,724	13.5	No	No	No	Bank
18.	Small & Medium Business Corp.	14,695	13.5	Yes	No	No	Financial
19.	Shinhan Investment	13,708	12.6	No	No	No	Securities
20.	Samsung Securities	12,188	11.2	No	Yes	No	Securities
21.	Daishin Securities	12,031	11.0	No	Yes	No	Securities
22.	Standard Chartered First Bank Korea	11,540	10.6	No	No	No	Bank
23.	Korea Railroad Corp.	11,350	10.4	Yes	No	No	Infrastructure
24.	Korea Student Aid Foundation	10,710	9.8	Yes	No	No	Financial
25.	Korea Water Resources Corp.	10,600	9.7	Yes	Yes	No	Utilities
26.	Hana Bank	10,302	9.4	No	No	No	Bank
27.	Yuanta Securities Korea	10,133	9.3	No	Yes	No	Securities
28.	Shinhan Card	9,360	8.6	No	No	No	Financial
29.	Korea Eximbank	9,350	8.6	Yes	No	No	Bank
30.	Hyundai Capital Services	9,251	8.5	No	No	No	Financial
Total Top 30 LCY Corporate Issuers		**673,863.8**	**617.7**				
Total LCY Corporate Bonds		**1,092,731.0**	**1,001.6**				
Top 30 as % of Total LCY Corporate Bonds		**61.7%**	**61.7%**				

KOSDAQ = Korean Securities Dealers Automated Quotations, KOSPI = Korea Composite Stock Price Index, LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Sources: *AsianBondsOnline* calculations based on Bloomberg and EDAILY *BondWeb* data.

Malaysia

The local currency (LCY) bond market in Malaysia continued to expand in 4Q14, posting growth of 2.3% quarter-on-quarter (q-o-q) and 8.0% year-on-year (y-o-y). Total bonds outstanding climbed to MYR1,103 billion (US$316 billion), with growth driven largely by increases in the stocks of central government bonds and corporate bonds.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	MYR	US$	MYR	US$	MYR	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**1,022**	**312**	**1,079**	**329**	**1,103**	**316**	**2.9**	**2.2**	**2.3**	**8.0**
Government	597	182	633	193	647	185	2.4	(0.2)	2.2	8.3
Central Government Bonds	482	147	508	155	519	149	3.1	9.5	2.3	7.8
of which: *sukuk*	175	53	187	57	188	54	5.4	19.9	0.5	7.4
Central Bank Bills	107	33	108	33	107	31	(0.5)	(30.8)	(0.7)	0.4
of which: *sukuk*	40	12	42	13	43	12	(2.5)	(35.3)	0.4	6.8
Sukuk Perumahan Kerajaan	9	3	17	5	20	6	0.0	97.8	20.0	129.2
Corporate	425	130	446	136	457	131	3.7	5.9	2.3	7.5
of which: *sukuk*	286	87	314	96	323	92	4.2	8.2	3.0	13.2

( ) = negative, – = not applicable, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–US$ rate is used.
3. Growth rates are calculated from LCY base and do not include currency effects.
Sources: Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST) and Bloomberg LP.

In 4Q14, total corporate bond issuance declined to MYR28.5 billion from MYR31.9 billion in the prior quarter. Islamic corporate debt issues accounted for nearly 60% of the total issuance volume in 4Q14.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (MYR million)
Danainfra Nasional		
7-year Islamic MTN	4.16	700
15-year Islamic MTN	4.67	300
20-year Islamic MTN	4.79	500
25-year Islamic MTN	4.98	400
30-year Islamic MTN	5.16	500
CIMB		
370-day MTN	4.30	1,130
MAHB		
Perpetual Subordinated Sukuk	5.75	1,000
PTPTN		
10-year Islamic MTN	4.55	700
20-year Islamic MTN	4.88	300
Sabah State		
5-year bonds	4.28	1,000
YTL Power		
7-year MTN	4.70	300
10-year MTN	4.95	700

LCY = local currency, MTN = medium-term note.
Source: Bank Negara Malaysia Bond Info Hub and Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST).

The aggregate amount of bonds outstanding among Malaysia's top 30 LCY corporate issuers totaled MYR250.6 billion at end-December, representing 54.9% of the LCY corporate bond market.

Table 3: Top 30 Issuers of LCY Corporate Bonds in Malaysia

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (MYR billion)	LCY Bonds (US$ billion)			
1.	Project Lebuhraya Usahasama	30.60	8.75	No	Yes	Transport, Storage, and Communications
2.	Cagamas	23.28	6.66	Yes	No	Finance
3.	Khazanah	20.00	5.72	Yes	No	Quasi-Government
4.	Danainfra Nasional	14.10	4.03	Yes	No	Finance
5.	Prasarana	13.91	3.98	Yes	No	Transport, Storage, and Communications
6.	Pengurusan Air	11.73	3.35	Yes	No	Energy, Gas, and Water
7.	Maybank	11.36	3.25	No	Yes	Finance
8.	Perbadanan Tabung Pendidikan Tinggi Nasional	10.50	3.00	Yes	No	Quasi-Government
9.	CIMB Bank	8.05	2.30	No	No	Finance
10.	Public Bank	7.55	2.16	No	No	Finance
11.	Sarawak Energy	7.00	2.00	Yes	No	Energy, Gas, and Water
12.	Aman Sukuk	6.26	1.79	Yes	No	Construction
13.	BGSM Management	6.02	1.72	No	No	Transport, Storage, and Communications
14.	Bank Pembangunan	5.90	1.69	No	No	Finance
15.	RHB Bank	5.60	1.60	No	No	Finance
16.	Turus Pesawat	5.31	1.52	Yes	No	Quasi-Government
17.	Cagamas MBS	5.04	1.44	Yes	No	Finance
18.	1Malaysia Development	5.00	1.43	Yes	No	Quasi-Government
19.	Celcom Transmission	5.00	1.43	No	No	Transport, Storage, and Communications
20.	Malakoff Power	4.88	1.40	No	No	Energy, Gas, and Water
21.	Manjung Island Energy	4.85	1.39	No	No	Energy, Gas, and Water
22.	Rantau Abang	4.80	1.37	Yes	No	Quasi-Government
23.	YTL Power International	4.77	1.36	No	Yes	Energy, Gas, and Water
24.	Hong Leong Bank	4.70	1.34	No	Yes	Finance
25.	AM Bank	4.44	1.27	No	No	Finance
26.	KL International Airport	4.36	1.25	Yes	No	Transport, Storage, and Communications
27.	Putrajaya Holdings	4.13	1.18	No	No	Property and Real Estate
28.	Tanjung Bin Power	4.05	1.16	No	Yes	Energy, Gas, and Water
29.	CIMB Group Holdings	3.76	1.08	No	Yes	Finance
30.	TNB Western Energy	3.66	1.05	No	No	Construction
Total Top 30 LCY Corporate Issuers		**250.59**	**71.65**			
Total LCY Corporate Bonds		**456.54**	**130.54**			
Top 30 as % of Total LCY Corporate Bonds		**54.9%**	**54.9%**			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST) data.

Philippines

Total local currency (LCY) bonds outstanding in the Philippines reached PHP4,655 billion (US$104 billion) in 4Q14, increasing 1.4% quarter-on-quarter (q-o-q) and 5.5% year-on-year (y-o-y). Outstanding fixed-income securities issued by the Philippine government and government-controlled companies increased 1.3% q-o-q and 2.0% y-o-y to close at PHP3,895 billion at end-December. Growth in the corporate bond market outpaced growth in the government bond market in 4Q14 on both a q-o-q and y-o-y basis.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	PHP	US$	PHP	US$	PHP	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**4,412**	**99**	**4,589**	**102**	**4,655**	**104**	**2.4**	**8.5**	**1.4**	**5.5**
Government	3,820	86	3,846	86	3,895	87	1.5	8.0	1.3	2.0
Treasury Bills	321	7	285	6	282	6	3.6	16.8	(1.2)	(12.2)
Treasury Bonds	3,383	76	3,445	77	3,510	78	1.3	7.4	1.9	3.7
Others	116	3	116	3	103	2	2.1	2.1	(10.8)	(10.8)
Corporate	592	13	743	17	760	17	8.7	12.4	2.3	28.5

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg end-of-period LCY–US$ rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
4. "Others" comprises 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 (PSALM) and the National Food Authority, among others.
5. Peso Global Bonds (PHP-denominated bonds payable in US$) and multi-currency Retail Treasury Bonds (RTBs) are not included. As of end-December 2014, the Government of the Philippines and Petron Corporation had PHP129.7 billion and PHP20.0 billion of outstanding Peso Global Bonds, respectively. There were a total of PHP6.3 billion of outstanding multi-currency RTBs as of end-December 2014.
Sources: Bureau of the Treasury and Bloomberg LP.

Corporate bond issuance in the Philippines totaled PHP47.6 billion in 4Q14, 85% of which was issued by banks (Table 2).

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (PHP billion)
BDO Unibank		
10-year Tier 2 Notes	5.188	10.00
Metrobank		
5.5-year LTNCD	4.000	8.00
7-year LTNCD	4.250	6.25
Philippine National Bank		
5.5-year LTNCD	4.125	7.00
RCBC		
5.5-year LTNCD	4.125	2.10
Union Bank of the Philippines		
10-year Tier 2 Notes	5.375	7.20
Filinvest Land		
7-year bond	5.400	5.30
10-year bond	5.639	1.70

LCY = local currency, LTNCD = long-term negotiable certificate of deposit.
Source: Bloomberg LP.

LCY bonds outstanding among the top 30 corporate bond issuers in the Philippines reached PHP675.2 billion at the end of 4Q14, representing 89% of total corporate bonds outstanding.

Table 3: Top 30 Issuers of LCY Corporate Bonds in the Philippines

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (PHP billion)	LCY Bonds (US$ billion)			
1.	Ayala Land	57.9	1.3	No	Yes	Real Estate
2.	Metrobank	46.8	1.0	No	Yes	Banking
3.	SM Investments	42.0	0.9	No	Yes	Diversified Operations
4.	Ayala Corporation	40.0	0.9	No	Yes	Diversified Operations
5.	San Miguel Brewery	37.9	0.8	No	No	Brewery
6.	Philippine National Bank	34.6	0.8	No	Yes	Banking
7.	BDO Unibank	30.0	0.7	No	Yes	Banking
8.	JG Summit Holdings	30.0	0.7	No	Yes	Diversified Operations
9.	RCBC	27.1	0.6	No	Yes	Banking
10.	SM Prime	25.0	0.6	No	Yes	Real Estate
11.	Filinvest Land	24.0	0.5	No	Yes	Real Estate
12.	Meralco	23.5	0.5	No	Yes	Electricity Distribution
13.	Security Bank	23.0	0.5	No	Yes	Banking
14.	GT Capital Holdings	22.0	0.5	No	Yes	Investment Companies
15.	Energy Development Corporation	19.0	0.4	No	Yes	Electricity Generation
16.	Globe Telecom	17.0	0.4	No	Yes	Telecommunications
17.	Maynilad Water Services	16.5	0.4	No	No	Water
18.	MCE Leisure Philippines	15.0	0.3	No	No	Casino Services
19.	Philippine Long Distance Telephone	15.0	0.3	No	Yes	Telecommunications
20.	SM Development	14.3	0.3	No	Yes	Real Estate
21.	United Coconut Planters Bank	14.0	0.3	No	No	Banking
22.	Union Bank of the Philippines	14.0	0.3	No	Yes	Banking
23.	Manila North Tollways	13.0	0.3	No	No	Transport Services
24.	First Metro Investment	12.0	0.3	No	No	Investment Banking
25.	MTD Manila Expressway	11.5	0.3	No	No	Transport Services
26.	South Luzon Tollway	11.0	0.2	No	No	Transport Services
27.	Vista Land	10.7	0.2	No	Yes	Real Estate
28.	Aboitiz Power	10.5	0.2	No	Yes	Electricity Generation
29.	East West Bank	9.3	0.2	No	Yes	Banking
30.	Filinvest Development	8.8	0.2	No	Yes	Real Estate
Total Top 30 LCY Corporate Issuers		**675.2**	**15.1**			
Total LCY Corporate Bonds		**760.4**	**17.0**			
Top 30 as % of Total LCY Corporate Bonds		**88.8%**	**88.8%**			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. Petron Corporation has PHP20 billion of Global Peso Bonds outstanding that are not included in this table.
3. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg data.

Singapore

The outstanding amount of local currency (LCY) bonds in Singapore stood at SGD320 billion (US$241 billion) in 4Q14, declining 0.7% quarter-on-quarter (q-o-q), but rising 3.8% year-on-year (y-o-y). On a q-o-q basis, the stocks of Singapore Government Securities (SGS) bills and bonds, and corporate bonds contracted in 4Q14. Only the stock of Monetary Authority of Singapore bills recorded a q-o-q increase in 4Q14.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	SGD	US$	SGD	US$	SGD	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**308**	**244**	**322**	**252**	**320**	**241**	**1.5**	**9.1**	**(0.7)**	**3.8**
Government	189	150	195	153	194	147	1.1	9.3	(0.3)	2.8
SGS Bills and Bonds	125	99	101	79	98	74	(2.4)	(12.5)	(3.1)	(21.4)
MAS Bills	64	51	94	73	96	73	8.8	111.9	2.8	49.7
Corporate	119	94	127	100	125	95	2.2	8.9	(1.4)	5.5

( ) = negative, LCY = local currency, MAS = Monetary Authority of Singapore, q-o-q = quarter-on-quarter, SGS = Singapore Government Securities, y-o-y = year-on-year.
Notes:
1. Government bonds are calculated using data from national sources. Corporate bonds are based on *AsianBondsOnline* estimates.
2. SGS bills and bonds do not include the special issue of SGS held by the Singapore Central Provident Fund (CPF).
3. Bloomberg LP end-of-period LCY–US$ rates are used.
4. Growth rates are calculated from LCY base and do not include currency effects.
Sources: Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP.

In 4Q14, corporate bond issuance totaled SGD3.4 billion, down on both a q-o-q and y-o-y basis.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing and Development Board		
12-year bond	3.22	600
Sembcorp Financial Services		
7-year bond	2.94	100
12-year bond	3.59	150
FCL Treasury		
7-year bond	3.95	200
SMRT Capital		
3-year bond	1.39	200
Ascott Residence Trust		
Perpetual bond	5.00	150
Chip Eng Seng		
3-year bond	4.25	150
Ezion Holdings		
Perpetual bond	7.00	150
Tata International Singapore		
Perpetual bond	6.65	150

LCY = local currency.
Source: Bloomberg LP.

The aggregate outstanding bond size of the top 31 corporate bond issuers in Singapore reached SGD66.1 billion at end-December, comprising a 52.8% share of the total LCY corporate bond market.

Table 3: Top 31 Issuers of LCY Corporate Bonds in Singapore

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (SGD billion)	LCY Bonds (US$ billion)			
1.	Housing and Development Board	20.9	15.8	Yes	No	Real Estate
2.	United Overseas Bank	4.1	3.1	No	Yes	Banking
3.	Temasek Financial I	3.6	2.7	No	No	Financing
4.	CapitaLand	3.3	2.5	No	Yes	Real Estate
5.	DBS Bank	3.3	2.5	No	Yes	Banking
6.	SP PowerAssets	2.4	1.8	No	No	Utilities
7.	Land Transport Authority	1.8	1.3	Yes	No	Transportation
8.	Olam International	1.8	1.3	No	Yes	Consumer Goods
9.	Public Utilities Board	1.8	1.3	Yes	No	Utilities
10.	GLL IHT	1.7	1.3	No	No	Financing
11.	City Developments	1.7	1.3	No	Yes	Real Estate
12.	Keppel	1.5	1.1	No	Yes	Diversified
13.	Hyflux	1.4	1.0	No	Yes	Utilities
14.	Singapore Airlines	1.3	1.0	No	No	Transportation
15.	Neptune Orient Lines	1.3	1.0	No	Yes	Logistics
16.	Keppel Land	1.2	0.9	No	Yes	Real Estate
17.	CapitaLand Treasury	1.2	0.9	No	No	Financing
18.	CapitaMalls Asia Treasury	1.0	0.8	No	No	Financing
19.	Oversea-Chinese Banking	1.0	0.8	No	Yes	Banking
20.	PSA	1.0	0.8	No	No	Port Operator
21.	Mapletree Treasury Services	1.0	0.7	No	No	Financing
22.	Sembcorp Financial Services	1.0	0.7	No	No	Financing
23.	FCL Treasury	0.9	0.6	No	No	Real Estate
24.	CMT MTN	0.9	0.7	No	No	Financing
25.	Singtel Group Treasury	0.9	0.6	No	No	Telecommunications
26.	DBS Group	0.8	0.6	No	Yes	Banking
27.	Global Logistic Properties	0.8	0.6	No	Yes	Real Estate
28.	SMRT Capital	0.8	0.5	No	No	Transportation
29.	Joynote	0.7	0.5	No	No	Financing
30.	Ezion Holdings	0.7	0.5	No	Yes	Marine Services
31.	Overseas Union Enterprise	0.7	0.5	No	Yes	Real Estate
Total Top 31 LCY Corporate Issuers		**66.1**	**49.9**			
Total LCY Corporate Bonds		**125.3**	**94.5**			
Top 31 as % of Total LCY Corporate Bonds		**52.8%**	**52.8%**			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg data.

Thailand

Thailand's overall LCY bond market had a total value of THB9.3 trillion (US$282 billion) at the end of 2014, up 1.0% quarter-on-quarter (q-o-q) and 2.9% year-on-year (y-o-y). The increase in the size of the bond market was largely driven by relatively strong growth in outstanding corporate bonds that outpaced that of government bonds.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	THB	US$	THB	US$	THB	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**9,001**	**275**	**9,172**	**283**	**9,264**	**282**	**0.8**	**5.6**	**1.0**	**2.9**
Government	6,989	214	6,916	213	6,954	211	(0.2)	3.4	0.6	(0.5)
Government Bonds and Treasury Bills	3,414	104	3,454	106	3,413	104	1.3	12.9	(1.2)	(0.03)
Central Bank Bonds	2,843	87	2,700	83	2,743	83	(2.6)	(8.9)	1.6	(3.5)
State-Owned Enterprise and Other Bonds	732	22	763	24	798	24	2.5	18.8	4.7	9.1
Corporate	2,011	62	2,256	70	2,310	70	4.4	14.3	2.4	14.9

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. 4Q14 data are *AsianBondsOnline* estimates.
3. Bloomberg end-of-period LCY–US$ rates are used.
4. Growth rates are calculated from an LCY base and do not include currency effects.
Sources: Bank of Thailand (BOT).

The five largest LCY corporate bond issues in Thailand in 4Q14 had a combined total of THB55 billion and came from a diverse group of corporate entities.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
Indorama Ventures		
Perpetual bond	7.00	15.00
Kasikorn Bank		
10.5-year bond	5.00	14.00
PTT		
6.9-year bond	4.00	10.00
Siam Cement		
4-year bond	3.90	10.00
CP All		
3-year bond	3.45	6.00

LCY = local currency.
Source: Bloomberg LP.

The top 30 issuers of LCY corporate bonds in Thailand had a combined outstanding amount of THB1.4 trillion at the end of 2014, which comprised 58.5% of the total value of outstanding LCY corporate bonds.

Table 3: Top 30 Issuers of LCY Corporate Bonds in Thailand

Issuers		Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (THB billion)	LCY Bonds (US$ billion)			
1.	PTT	189.9	5.8	Yes	Yes	Energy and Utilities
2.	The Siam Cement	151.5	4.6	Yes	Yes	Construction Materials
3.	CP All	140.0	4.3	No	Yes	Commerce
4.	Charoen Pokphand Foods	63.1	1.9	No	Yes	Food and Beverage
5.	Bank of Ayudhya	60.1	1.8	No	Yes	Banking
6.	Thai Airways International	44.6	1.4	Yes	Yes	Transportation and Logistics
7.	Kasikorn Bank	43.5	1.3	No	Yes	Banking
8.	Indorama Ventures	42.6	1.3	No	Yes	Petrochemicals and Chemicals
9.	The Siam Commercial Bank	40.0	1.2	No	Yes	Banking
10.	Toyota Leasing Thailand	38.6	1.2	No	No	Finance and Securities
11.	Thanachart Bank	36.5	1.1	No	No	Banking
12.	True Corporation	36.5	1.1	No	Yes	Communications
13.	Banpu	35.4	1.1	No	Yes	Energy and Utilities
14.	Mitr Phol Sugar	34.4	1.0	No	No	Food and Beverage
15.	Krung Thai Bank	34.2	1.0	Yes	Yes	Banking
16.	TMB Bank	33.4	1.0	No	Yes	Banking
17.	PTT Exploration and Production Company	32.1	1.0	Yes	Yes	Energy and Utilities
18.	Thai Oil	28.0	0.9	Yes	Yes	Energy and Utilities
19.	IRPC	27.6	0.8	Yes	Yes	Energy and Utilities
20.	Ayudhya Capital Auto Lease	25.2	0.8	No	No	Finance and Securities
21.	ICBC Thai Leasing	24.7	0.7	No	No	Finance and Securities
22.	Krung Thai Card	23.8	0.7	Yes	Yes	Finance and Securities
23.	Quality Houses	22.5	0.7	No	Yes	Property Development
24.	DAD SPV	22.5	0.7	Yes	No	Finance and Securities
25.	Bangkok Dusit Medical Services	21.1	0.6	No	Yes	Health Care
26.	Kiatnakin Bank	20.7	0.6	No	Yes	Banking
27.	PTT Global Chemical	20.3	0.6	No	Yes	Petrochemicals and Chemicals
28.	Bangkok Bank	20.0	0.6	No	Yes	Banking
29.	Pruksa Real Estate	20.0	0.6	No	Yes	Property Development
30.	Bangkok Expressway	19.4	0.6	No	Yes	Transportation and Logistics
Total Top 30 LCY Corporate Issuers		1,352.1	41.1			
Total LCY Corporate Bonds		2,310.1	70.2			
Top 30 as % of Total LCY Corporate Bonds		58.5%	58.5%			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg data.

Viet Nam

The outstanding size of local currency (LCY) bonds in Viet Nam continued to grow to reach VND866 trillion (US$41 billion) in 4Q14 for growth of 7.9% quarter-on-quarter (q-o-q) and 43.1% year-on-year (y-o-y). Q-o-q growth was driven largely by increases in the stocks of Treasury bonds and corporate bonds. Central bank bonds fell 22.3% q-o-q as the government tried to increase liquidity.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	VND	US$	VND	US$	VND	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**605,204**	**29**	**802,796**	**38**	**866,348**	**41**	**14.8**	**15.6**	**7.9**	**43.1**
Government	590,884	28	790,976	37	853,408	40	15.4	17.9	7.9	44.4
Treasury Bonds	336,920	16	408,560	19	495,187	23	25.8	32.1	21.2	47.0
Central Bank Bonds	38,499	2	173,038	8	134,396	6	(17.0)	(34.3)	(22.3)	249.1
State-Owned Enterprise Bonds	215,466	10	209,377	10	223,825	10	9.0	14.9	6.9	3.9
Corporate	14,320	0.7	11,820	0.6	12,940	0.6	(6.8)	(36.0)	9.5	(9.6)

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Bloomberg LP end-of-period LCY–US$ rates are used.
2. Growth rates are calculated from LCY base and do not include currency effects.
Source: Bloomberg LP.

LCY corporate bond issuance in 4Q14 consisted entirely of a 10-year bond worth VND2.1 trillion issued by Masan Consumer Holdings and backed by the Credit Guarantee and Investment Facility.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuer	Coupon Rate (%)	Issued Amount (VND billion)
Masan Consumer Holdings		
10-year bond	8.00	2,100

LCY = local currency.
Source: Bloomberg LP.

Nine LCY corporate issuers with a combined amount of VND12.9 trillion of bonds outstanding at end-December comprised the country's entire corporate bond market.

Table 3: Corporate Issuers of LCY Corporate Bonds in Viet Nam

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (VND billion)	LCY Bonds (US$ billion)			
1. Asia Commercial Joint Stock	3,000.00	0.14	No	Yes	Finance
2. Techcom Bank	3,000.00	0.14	No	No	Finance
3. Masan Consumer Holdings	2,100.00	0.10	No	No	Food
4. HAGL JSC	1,980.00	0.09	No	Yes	Real Estate
5. Vincom	1,000.00	0.05	No	Yes	Real Estate
6. Ocean Group	980.00	0.05	No	Yes	Consulting Services
7. Ho Chi Minh City Securities	600.00	0.03	No	No	Finance
8. Binh Chanh Construction	150.00	0.01	No	Yes	Building and Construction
9. Tan Tao Investment	130.00	0.01	No	No	Real Estate
Total LCY Corporate Issuers	**12,940.00**	**0.61**			

LCY = local currency.
Notes:
1. Data as of end-December 2014.
2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.
Source: *AsianBondsOnline* calculations based on Bloomberg data.

Asia Bond Monitor
March 2015

This publication reviews recent developments in East Asian local currency bond markets along with the outlook, risks, and policy options. It covers the 10 members of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

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