

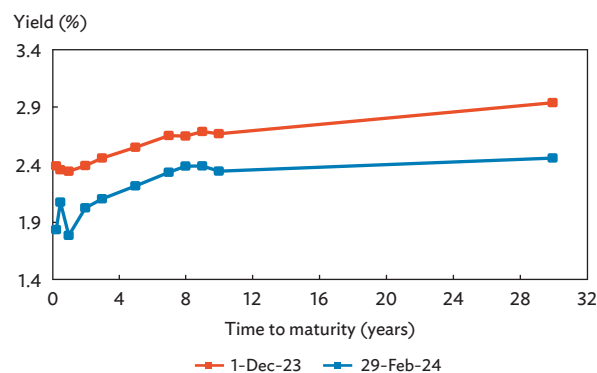
Market Summaries

People’s Republic of China

Yield Movements

Local currency (LCY) government bond yields in the People’s Republic of China (PRC) fell for all maturities between 1 December 2023 and 29 February 2024 due to expectations of monetary policy easing in the United States (US) and a slowdown in the domestic economy. The PRC’s yields fell for all tenors by an average of 38 basis points (bps) on rising expectations that the US Federal Reserve would soon ease its monetary policy (Figure 1). Despite uncertainties over US monetary policy, yields continued to fall in January and February as the People’s Bank of China eased monetary policy to help lower funding costs and support the economy. On 24 January, the People’s Bank of China reduced the reserve requirement ratio of financial institutions by 50 bps. This was followed by a 25 bps reduction in the 5-year loan prime rate to 3.95% on 20 February. Yields were also depressed due to the persistence of deflation in the PRC, which dipped further to –0.8% year-on-year in January from –0.3% year-on-year in December.

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

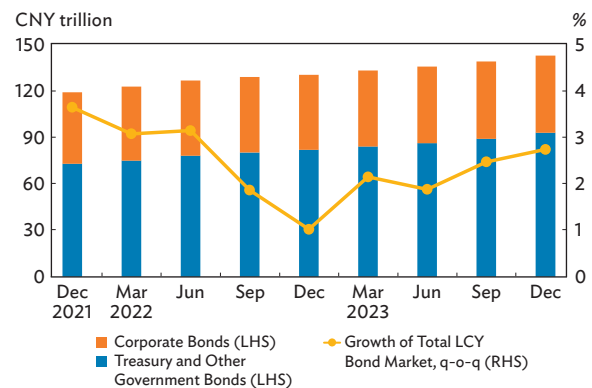


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The PRC’s LCY bonds outstanding grew at an accelerated pace in the fourth quarter (Q4) of 2023 as the government sought to support the domestic economy. Total LCY bonds outstanding grew 2.7% quarter-on-quarter (q-o-q) in Q4 2023 to CNY142.7 trillion, up from 2.5% q-o-q in the third quarter (Figure 2). Despite a contraction in issuance during the quarter, outstanding government bonds rose 4.5% q-o-q, compared with 3.2% q-o-q in the third quarter of 2023, due to reduced maturities. In contrast, corporate bonds outstanding declined 0.4% q-o-q in Q4 2023 over weakened economic conditions.

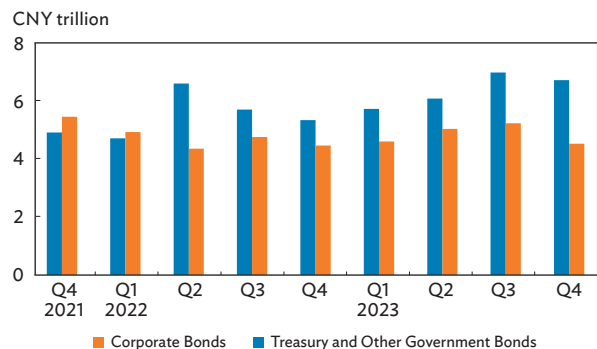
Figure 2: Composition of Local Currency Bonds Outstanding in the People’s Republic of China



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

The PRC’s LCY bond sales totaled CNY11.2 trillion in Q4 2023, a 7.9% q-o-q decline from the previous quarter on reduced sales from both government and corporate issuers (Figure 3). Government issuance declined 3.8% q-o-q in Q4 2023 largely due to a decline in local government bond issuance, which fell 16.2% q-o-q, and policy bank bonds, which fell 38.5% q-o-q. The decline in local government bonds was due to local governments having completed 2023 bond quotas at the end of September, although there was also some frontloading of 2024 issuance quotas in Q4 2023. Treasury bond issuance increased 18.0% q-o-q on increased fiscal spending. Heightened investor concerns over economic conditions and the property market led to a drop in corporate bond issuance of 13.4% q-o-q.

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

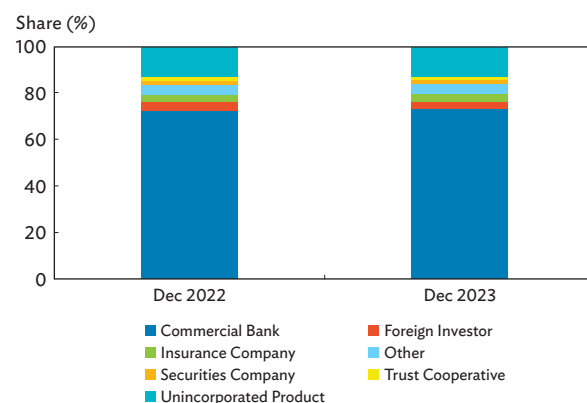


CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Source: CEIC Data Company.

Investor Profile

Commercial banks remained the largest holder of the PRC’s LCY government bonds at the end of December 2023 (Figure 4). Commercial banks are the largest investor in the PRC’s government bond market. Commercial banks had an overall share of 79.1% at the end of December and were also the dominant holder for all different government bond types, including an 85.1% share of local government bonds outstanding.

Figure 4: Investor Profile of Government Bonds



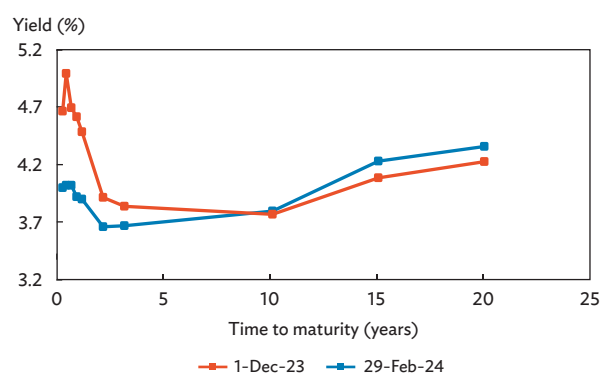
Note: Government bonds include bonds issued by local governments, policy banks, and the central government.
Source: CEIC Data Company.

Hong Kong, China

Yield Movements

Local currency (LCY) government bond yields in Hong Kong, China fell for most tenors between 1 December 2023 and 29 February 2024, driven primarily by expectations that the Federal Reserve would cut its policy rate during the second half of the year (Figure 1). Bond yields declined by an average of 58 basis points for bonds with short-term maturities but rose an average of 10 basis points for 10-year to 20-year tenors as the longer-term yields tracked US yields. Moderating inflation also contributed to the decline in bond yields. Hong Kong, China's consumer price inflation eased further to 1.7% year-on-year (y-o-y) in January from 2.4% y-o-y in December and 2.6% y-o-y in November.

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

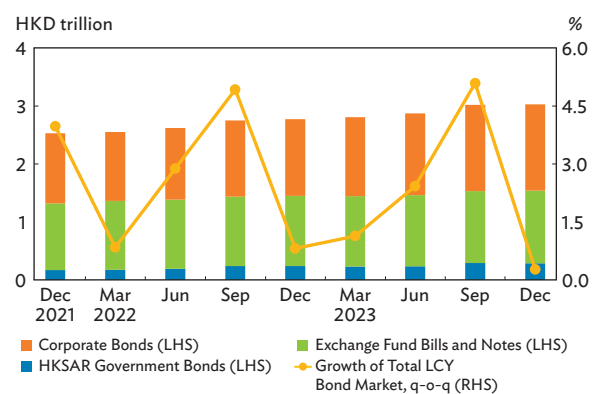


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

LCY bonds outstanding in Hong Kong, China saw modest growth of 0.3% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2023, reaching a size of HKD3.0 trillion at the end of December (Figure 2). Growth in the LCY bond market in Q4 2023 was driven primarily by an expansion in outstanding Exchange Fund Bills and Notes, while both Hong Kong Special Administrative Region (HKSAR) bonds and corporate bonds posted q-o-q contractions due to weaker issuance. Corporate bonds (HKD1.5 trillion) comprised 49.1% of Hong Kong, China's total LCY bond market at the end of December. Exchange Fund Bills and Notes (HKD1.3 trillion) and HKSAR bonds (HKD0.3 trillion) accounted for the remaining 41.5% and 9.4% shares, respectively.

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

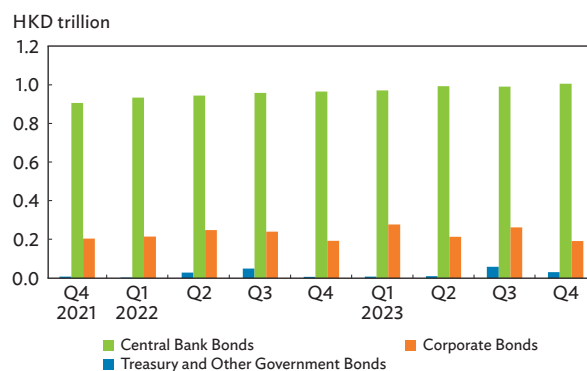


HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Hong Kong Monetary Authority.

LCY debt sales in Hong Kong, China fell 6.3% q-o-q to HKD1.2 trillion in Q4 2023 due to weaker issuance of HKSAR and corporate bonds (Figure 3). HKSAR bond issuance totaled HKD30.5 billion, including HKD20.0 billion of retail green bonds issued in October.⁷ Nonetheless, HKSAR bond sales fell 47.9% q-o-q in Q4 2023, as there was a relatively large volume of Silver Bond issuance in the prior quarter.⁸ Corporate bond issuance tallied HKD192.8 billion in Q4 2023, contracting 26.8% q-o-q as interest rates remained elevated and uncertainties lingered regarding the impact of slowing global growth on the domestic economy. Meanwhile, the issuance of Exchange Fund Bills and Exchange Fund Notes posted a modest increase of 1.6% q-o-q, totaling HKD1.0 trillion in Q4 2023.

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



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

Source: Hong Kong Monetary Authority.

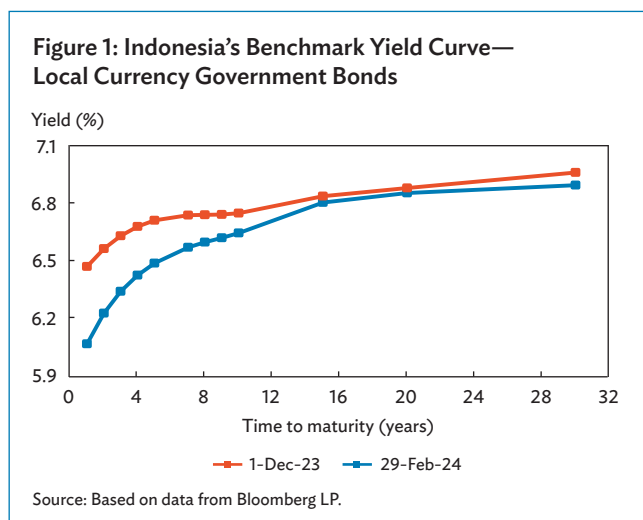
⁷ This was the second batch of retail green bonds issued by the Government of the Hong Kong Special Administrative Region of the People's Republic of China following an inaugural issuance worth HKD20.0 billion in May 2022. Proceeds of the 3-year bonds go to Hong Kong, China's Capital Works Reserve Fund to finance public works projects with environmental benefits.

⁸ Silver Bonds are 3-year inflation-linked government bonds restricted for purchase by citizens aged 60 years and older.

Indonesia

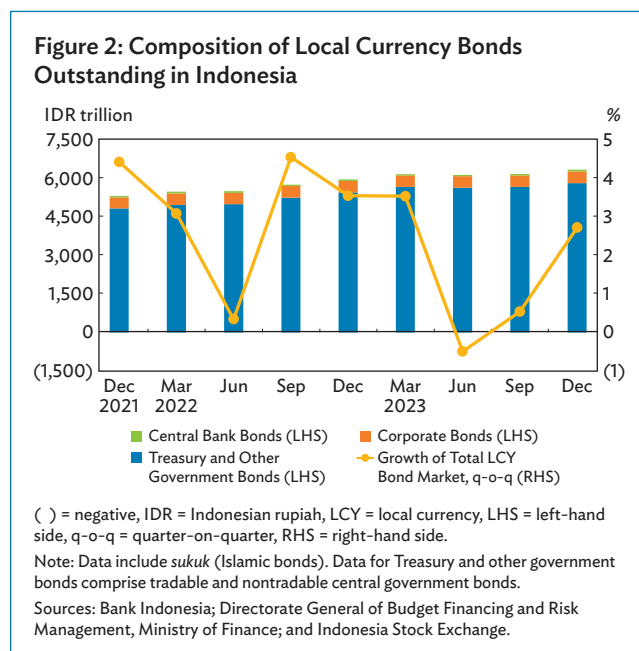
Yield Movements

Between 1 December 2023 and 29 February 2024, local currency (LCY) government bond yields in Indonesia edged down for all maturities (Figure 1). Bond yields declined an average of 18 basis points across the curve amid signals that the United States Federal Reserve would cut rates later this year. While the timing of the Federal Reserve rate cut remained uncertain, subdued inflation contributed to the overall decline in bond yields during the review period. This has led Bank Indonesia to keep its policy rate unchanged at 6.00% since October 2023. However, at its 20–21 February meeting, Bank Indonesia Governor [Perry Warjiyo](#) noted that a rate cut is likely in the second half of the year.



Local Currency Bond Market Size and Issuance

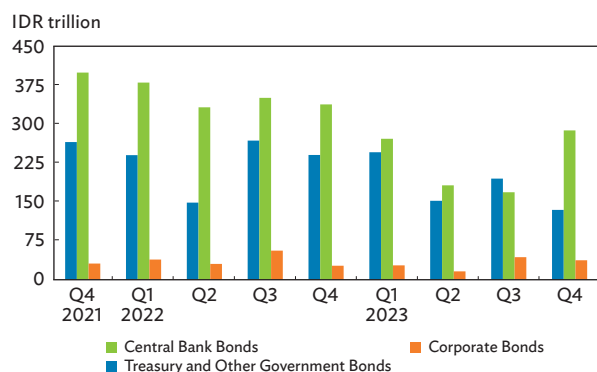
Indonesia's LCY bond market growth picked up in the fourth quarter (Q4) of 2023, with bonds outstanding reaching a size of IDR6,331.0 trillion at the end of December. Despite a contraction in the issuance of government and corporate bonds, overall growth climbed to 2.7% quarter-on-quarter (q-o-q) in Q4 2023 from 0.5% q-o-q in the third quarter (Q3), due to a low volume of maturities in Q4 2023 (Figure 2). Government bonds outstanding, which account for a 91.7% share of Indonesia's total LCY bond market, recorded a 2.6% q-o-q hike, up from only 0.5% q-o-q growth in Q3 2023. Corporate bonds expanded 3.5% q-o-q, reversing the marginal 0.02% q-o-q contraction in Q3 2023.



LCY bond issuance in Indonesia totaled IDR459.1 trillion in Q4 2023 on growth of 13.1% q-o-q that was largely driven by central bank issuance (Figure 3).

Overall issuance growth in Q4 2023 was dragged down by declines in the issuance of government bonds and corporate bonds. Issuance of government bonds contracted as the government had mostly fulfilled its annual borrowing requirements in prior quarters. While corporate bond issuance was still substantial in Q4 2023, it was down 13.5% q-o-q following a high volume of issuance in Q3 2023 when the Federal Reserve halted its rate-hiking cycle. Among the largest corporate bond issuers during the quarter were Bank Rakyat Indonesia, OKI Pulp & Paper Mills, and Sarana Multigriya Finansial, representing 16.1%, 14.8%, and 7.4% of the Q4 2023 issuance total, respectively.

Figure 3: Composition of Local Currency Bond Issuance in Indonesia



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

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

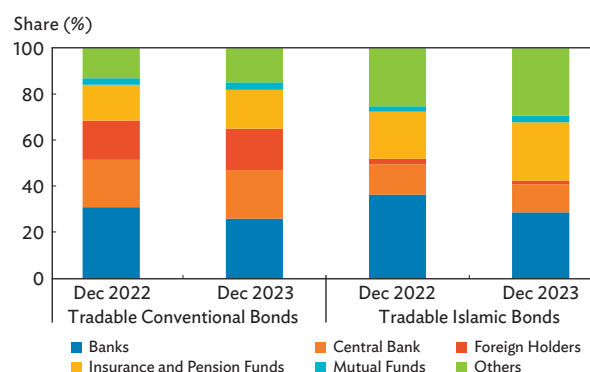
Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

Investor Profile

At the end of December 2023, domestic investors still dominated holdings of both conventional and Islamic tradable government bonds in Indonesia.

However, the shareholdings of domestic investors in Islamic bonds (98.4%) remained higher compared with conventional bonds (82.0%). Collectively, domestic investors held an 85.1% share of tradable government bonds in Indonesia at the end of December 2023, slightly down from their 85.6% share a year earlier. While banks remained the largest holder of government bonds, their holdings share slipped to 26.5% from 32.0% in the previous year (Figure 4). The second-largest domestic investor group was the central bank with a 19.4% share, the highest among its regional peers. Meanwhile, foreign investors increased their holdings share of Indonesian government bonds to 14.9% at the end of December 2023 from 14.4% at the end of December 2022 on positive sentiment over expectations the Federal Reserve would begin easing its policy rate in 2024. Nonetheless, Indonesia continued to be the region's most diverse market in terms of investor holdings, as it scored the lowest in emerging East Asia in terms of the Herfindahl–Hirschman Index.⁹

Figure 4: Investor Profile of Tradable Central Government Bonds



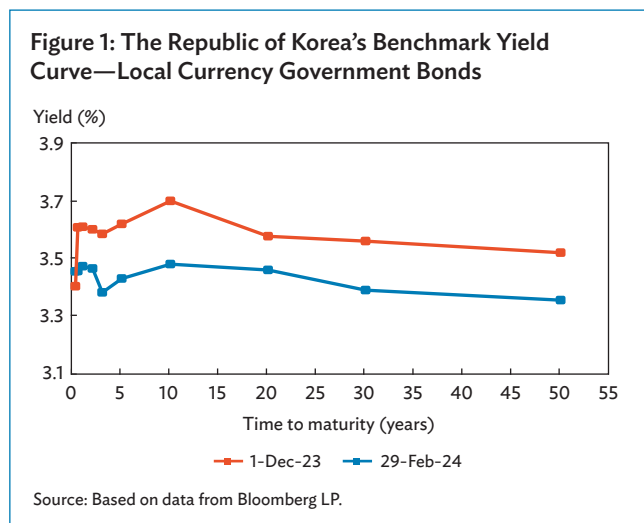
Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

⁹ The Herfindahl–Hirschman Index is a common measure of market concentration. The index is used to measure the investor profile diversification of the local currency bond market by summing the squared share of each investor group in the bond market.

Republic of Korea

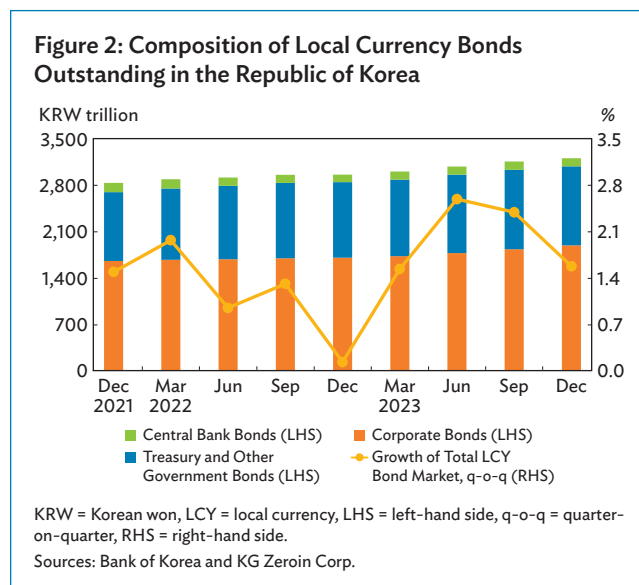
Yield Movements

Local currency (LCY) government bond yields in the Republic of Korea fell for almost all tenors between 1 December 2023 and 29 February 2024 (Figure 1). Bond yields largely fell in December following the Federal Reserve meeting at which it lowered its quarterly median federal funds rate projections for 2024, boosting expectations that it will start easing this year. However, yields picked up again in January as the timing of the Federal Reserve’s rate cuts remained uncertain. The decline in yields was also limited by the Bank of Korea’s decision at its 11 January and 22 February monetary policy meetings to maintain its current restrictive monetary policy stance, lowering expectations of an early rate cut. The central bank deemed that even as inflation continued to slow, uncertainties regarding the inflation outlook remained. These include movements of global oil and agricultural product prices and the direction of domestic and global economic growth.



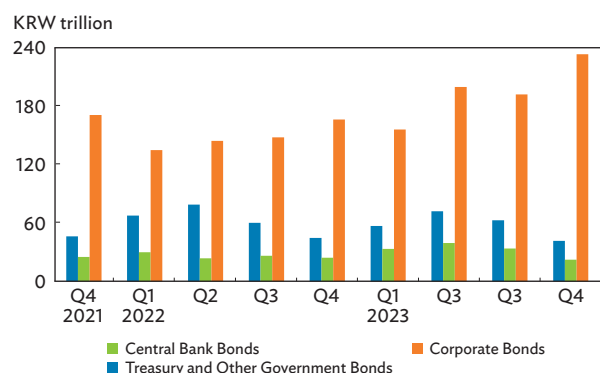
Local Currency Bond Market Size and Issuance

The Republic of Korea’s total LCY bonds outstanding grew 1.6% quarter-on-quarter (q-o-q) to reach KRW3,217.0 trillion at the end of the fourth quarter (Q4) of 2023, led by an expansion in the corporate bond segment. Overall growth in the LCY bond market in Q4 2023 moderated from 2.4% q-o-q in the previous quarter as the stocks of government bonds and central bank bonds fell (Figure 2). Corporate bonds grew 3.1% q-o-q and continued to account for over half of the total LCY bond market in Q4 2023 due to a surge in issuance during the quarter. Meanwhile, government bonds outstanding declined 0.3% q-o-q due to reduced issuance during the quarter.



Total LCY bond issuance rose 2.9% q-o-q to KRW298.7 trillion in Q4 2023, driven solely by the rebound in the corporate bond segment. Corporate bond issuance in the Republic of Korea surged 21.4% q-o-q in Q4 2023, a reversal from the 3.8% q-o-q decline in the third quarter (Q3) (Figure 3). Issuance rose during the quarter as companies refinanced maturing debt. Meanwhile, issuance of government bonds continued to fall in Q4 2023, declining 33.8% q-o-q, following a 12.9% q-o-q contraction in Q3 2023. This was the result of the government’s frontloading policy of releasing 65% of the budget in the first half of the year and fulfilling most of its borrowing requirements by the end of Q3 2023.

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

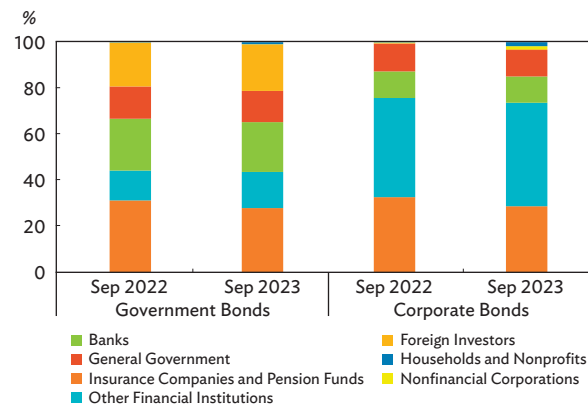


KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
Sources: Bank of Korea and KG Zeroin Corp.

Investor Profile

Insurance companies and pension funds continued to hold the largest share of the Republic of Korea’s LCY bonds outstanding. Insurance companies and pension funds held 27.8% of LCY government bonds outstanding at the end of September 2023, which was lower than their 31.2% share a year earlier. Banks and foreign investors were also among the top investor groups in the LCY government bond market with holdings shares of 21.6% and 20.3%, respectively, at the end of September 2023 (Figure 4). Meanwhile, other financial institutions held 45.0% of all LCY corporate bonds outstanding, up from a 43.1% share in September 2022. Insurance companies and pension funds were the second-largest investor group with a holdings share of 28.6%, which was a notable decline from 32.6% a year earlier. Foreign holdings in the LCY corporate bond market remained negligible at the end of September 2023.

Figure 4: Local Currency Bonds Outstanding Investor Profile



Sources: AsianBondsOnline and Bank of Korea.

Lao People's Democratic Republic

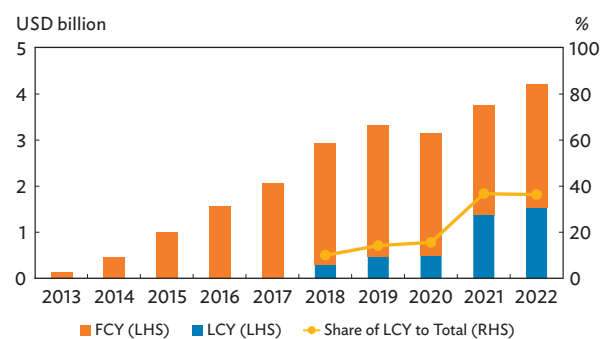
Size and Composition

The Lao People's Democratic Republic's (PDR) bond market has grown significantly in the past decade, reaching a size of USD4.2 billion at the end of December 2022, up from USD0.1 billion in 2013, based on available data. In terms of relative size, the Lao PDR's bond market was equivalent to 34.0% of its gross domestic product (GDP) at the end of December 2022, slightly higher than that of Viet Nam (27.3%) (Figure 1). After the coronavirus disease (COVID-19) pandemic, the Lao PDR's local currency (LCY) bond market witnessed rapid expansion, with LCY bonds' share of the total bond market increasing from 10.0% in 2018 to 36.3% in 2022 (Figure 2).¹⁰ In the same period, the ratio of share of foreign currency (FCY) bonds outstanding to GDP increased relatively less.

The Government of the Lao PDR has been able to raise both LCY and FCY financing from the domestic capital market. The government has been able to issue bonds through the Lao Securities Exchange in both

Lao kip and United States dollars to support cashflow management and strengthen debt management (Figure 3).

Figure 2: Composition of Total Bonds Outstanding in the Lao People's Democratic Republic



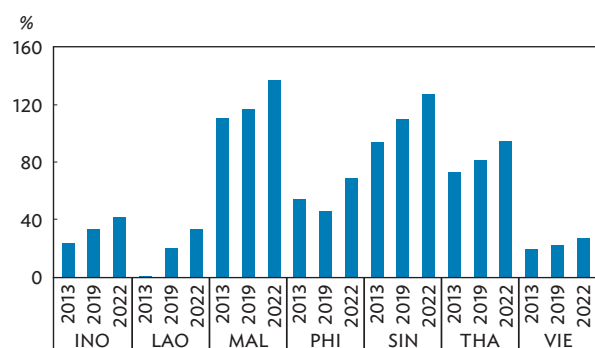
FCY = foreign-currency denominated, LCY = local-currency denominated, LHS = left-hand side, RHS = right-hand side, USD = United States dollar.

Notes:

1. FCY data include bonds issued in the Lao Securities Exchange, Singapore Exchange, and the Thai Bond Market Association.
2. Figures were computed based on 31 December 2022 currency exchange rates to remove currency effects.

Sources: Lao Securities Exchange, Ministry of Finance Lao PDR, Singapore Exchange, and Thai Bond Market Association.

Figure 1: Bond Market as Share of GDP in ASEAN Economies

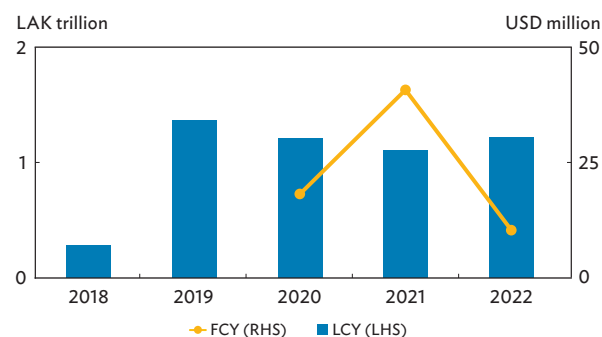


ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, INO = Indonesia, LAO = Lao People's Democratic Republic, MAL = Malaysia, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam.

Note: Data for GDP is from CEIC Data Company.

Source: AsiaBondsOnline calculations based on various sources.

Figure 3: Government Bonds Issued through the Lao Securities Exchange



FCY = foreign currency, LAK = Lao kip, LCY = local currency, LHS = left-hand side, RHS = right-hand side, USD = United States dollar.

Source: Ministry of Finance Lao People's Democratic Republic.

This market summary was written by Emma Allen of the Lao PDR Resident Mission, ADB, Vientiane; and Angelica Andrea Cruz, consultant, Economic Research and Development Impact Department, ADB, Manila.

¹⁰ Local currency bonds are bonds denominated in Lao kip, while foreign currency bonds are denominated in currencies other than the Lao kip. Definitions do not take into account where the bonds were issued (onshore or offshore).

Local Currency Bond Market Size and Issuance

The Lao PDR's LCY government bond market has grown since 2018, driven by LCY bond financing to support fiscal needs. Total LCY government bonds outstanding reached LAK26.6 trillion at the end of 2022, up from LAK24.0 trillion in 2021, due to the issuance of investment bonds and triangular bonds to finance domestic public investment (Figure 4).¹¹ By the end of 2022, investment bonds accounted for 56.9% (LAK15.1 trillion) of total LCY bonds outstanding, followed by triangular bonds (24.6%, LAK6.5 trillion). Treasury bills issued via the Lao Securities Exchange and the Bank of the Lao PDR collectively accounted for 18.5% (LAK4.9 trillion).

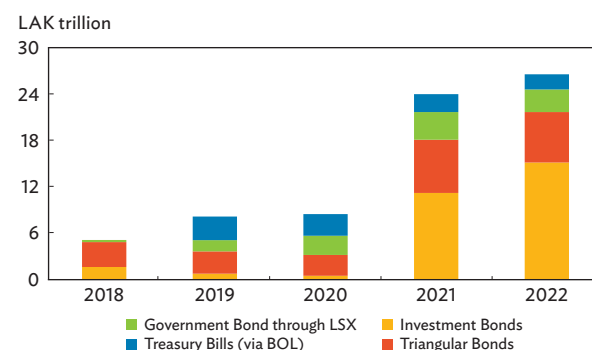
Foreign Currency Bond Market Size and Issuance

FCY bonds outstanding issued by the Government of the Lao PDR and the corporate sector grew from USD0.1 billion in 2013 to USD2.7 billion by the end of December 2022. This left the Lao PDR with the second-highest FCY-bonds-to-GDP share in ASEAN at 21.6% (Figure 5). Central government bonds used to dominate the Lao PDR's FCY bond market until 2018, with their share of the total declining from 56.3% in 2018 to 42.2% by the end of December 2022 as corporate bond issuances increased. In particular, hydropower companies—such as EDL Generation, Xayaburi Power, and Nam Ngum 2 Power—tapped the Thai bond market for financing. Thai baht (THB)-denominated bonds comprised 78.3% and 79.9% of the outstanding FCY government and corporate bonds, respectively, at the end of December 2022 (Figure 6). Meanwhile, USD-denominated bonds accounted for 21.7% of government bonds and 20.1% of corporate bonds outstanding during the same period.

The average maturity of outstanding FCY government bonds in the Lao PDR has been declining since 2017.

At the end of December 2022, 38.8% of total FCY bonds outstanding had remaining tenors of more than 1 year to 3 years, 31.6% had tenors of more than 3 years to 5 years, and 27.7% had a tenor of more than 5 years to 10 years.

Figure 4: Composition of Local Currency Bonds Outstanding in the Lao People's Democratic Republic

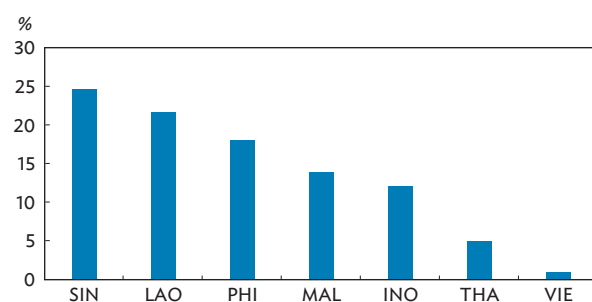


BOL = Bank of the Lao People's Democratic Republic, LAK = Lao kip, LSX = Lao Securities Exchange.

Note: There are no available data for local currency corporate bonds.

Source: Ministry of Finance Lao People's Democratic Republic.

Figure 5: Foreign Currency Bonds Outstanding as Share of GDP in ASEAN, December 2022



ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, INO = Indonesia, LAO = Lao People's Democratic Republic, MAL = Malaysia, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam.

Note: Data for GDP are from CEIC Data Company.

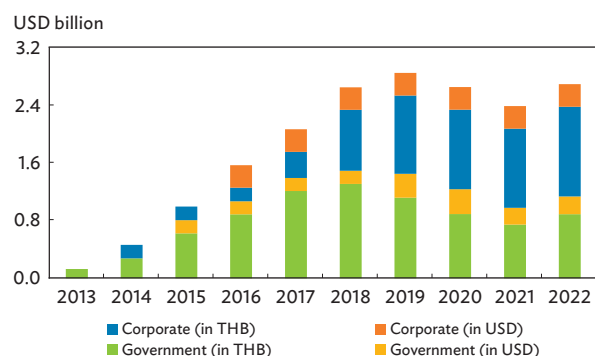
Source: AsiaBondsOnline calculations based on various sources.

(Figure 7). The average size-weighted tenor of FCY bonds outstanding in the Lao PDR declined from 6.8 years in 2017 to 4.0 years at the end of 2022. The shortened maturity profile will have implications for refinancing needs over the next few years.

The issuance of FCY bonds and their average tenor have both declined in recent years. During the pandemic, tightened liquidity conditions in international markets and weaker economic growth, both locally and

¹¹ Ministry of Finance of the Lao PDR. 2023. *Public and Publicly Guaranteed Debt Statistic Bulletin: 2022—Volume 4*. Vientiane.

Figure 6: Composition of Foreign Currency Bonds Outstanding by the Lao People's Democratic Republic

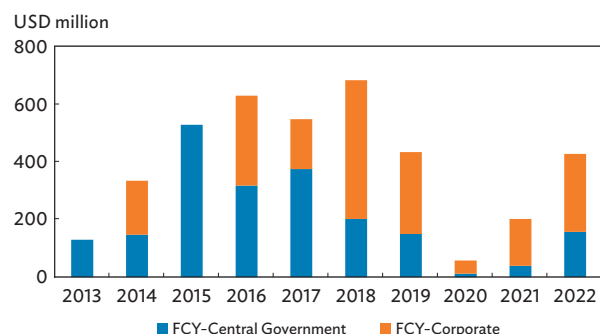


THB = Thai baht, USD = United States dollar.

Note: Figures were computed based on 31 December 2022 exchange rates to remove currency effects.

Sources: Lao Securities Exchange, Singapore Exchange, and Thai Bond Market Association.

Figure 8: Composition of Foreign Currency Bond Issuance in the Lao People's Democratic Republic's Bond Market

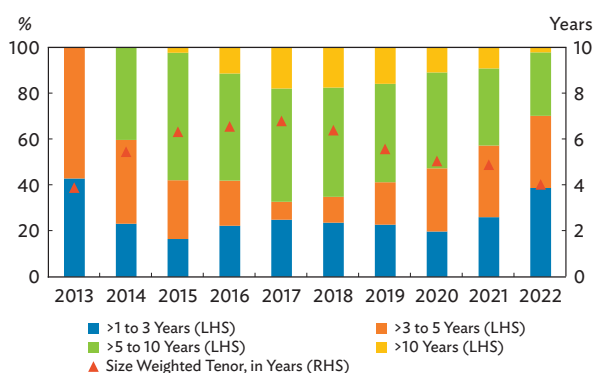


FCY = foreign currency, USD = United States dollar.

Note: Figures were computed based on 31 December 2022 currency exchange rates to remove currency effects.

Sources: Lao Securities Exchange, Singapore Exchange, and Thai Bond Market Association.

Figure 7: Maturity Structure of Foreign Currency Bonds Outstanding Issued in the Lao People's Democratic Republic's Bond Market

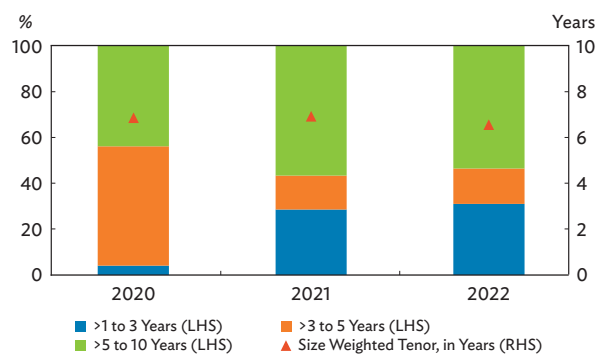


LHS = left-hand side, RHS = right-hand side.

Note: Figures were computed based on 31 December 2022 currency exchange rates to remove currency effects.

Sources: Lao Securities Exchange, Singapore Exchange, and Thai Bond Market Association.

Figure 9: Maturity Structure of Foreign Currency Bonds Issued by the Lao Securities Exchange



LHS = left-hand side, RHS = right-hand side.

Note: All bonds were issued in United States dollar.

Source: Lao Securities Exchange.

abroad, constrained the ability of Lao PDR issuers to tap FCY financing. The government has also reduced its external borrowing to improve its debt sustainability and fiscal position (**Figure 8**). Since then, the Lao PDR's total FCY government bond issuance volume has fallen. FCY bonds in United States dollars have been issued onshore by the Lao Securities Exchange since 2020. Tenors of these bonds ranged from 1 to 10 years and their coupon rates ranged from 5.0% to 8.0%. The average

size-weighted tenor of these bonds was 6.9 years in 2020, 7.0 years in 2021, and 6.6 years in 2022 (**Figure 9**).

Recent Developments

The Government of the Lao PDR is taking steps to further develop its domestic bond market, including issuance of bonds in a broader range of currencies, developing the corporate bond market, and expanding the investor base. In June 2023, the Souvanny Home Center, a distributor of construction materials and home products, became the first corporate issuer to sell USD3.0 million, equivalent

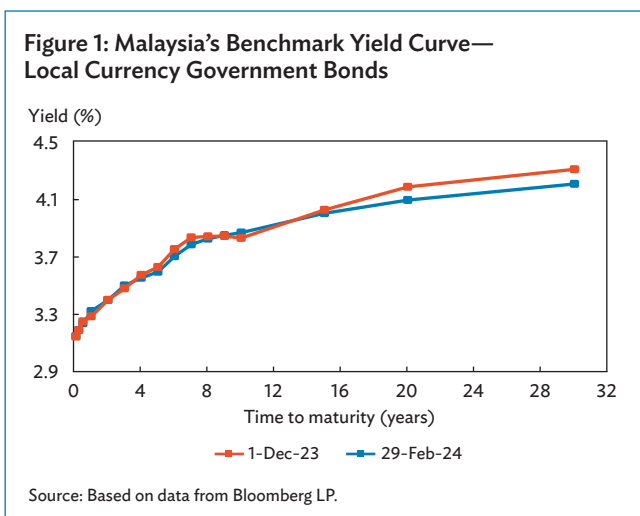
to LAK57.2 billion, of USD-denominated bonds via the Lao Securities Exchange. In September 2023, the Government of the Lao PDR expanded the currencies of bond offerings in the domestic market and successfully sold its first bond denominated in Thai baht, worth THB3.0 billion, in its home market. The full subscription of these offerings is a reflection of investors' confidence in onshore issuance of both foreign and local currency bonds in the Lao PDR.

The Lao PDR's domestic bond market represents an important source of alternative funding for both the public and private sectors. It is therefore important to continue to invest in its medium- to long-term development. In the future, the Government of the Lao PDR plans to continue with domestic bond market development, including development of the secondary bond market, enhancing transparency and governance, and piloting use of auction mechanisms and signaling tools to strengthen communication with market participants for supporting cashflow management and enhancing debt management.

Malaysia

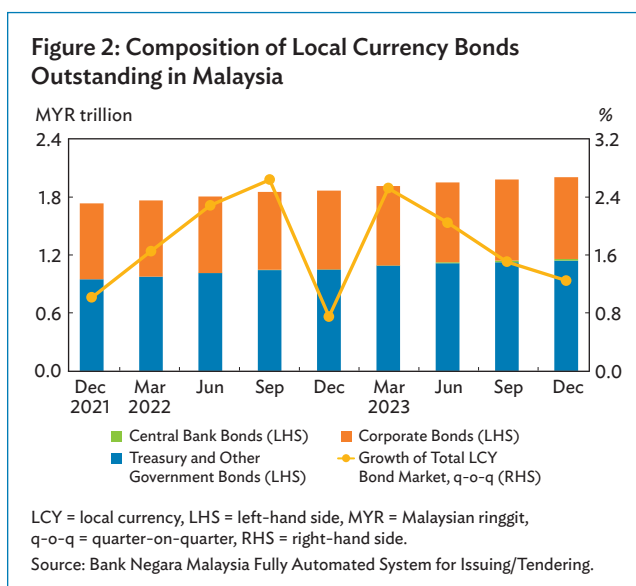
Yield Movements

Between 1 December 2023 and 29 February 2024, movements in the local currency (LCY) government bond yields of Malaysia were mixed as the timing of monetary policy easing by the United States Federal Reserve remained uncertain (Figure 1). Yields for most tenors declined an average of 4 basis points while those that increased jumped an average of 2 basis points. On 24 January, Bank Negara Malaysia decided to keep the overnight policy rate unchanged at 3.00%.



Local Currency Bond Market Size and Issuance

The LCY bond market of Malaysia grew in the fourth quarter (Q4) of 2023 as all bond segments recorded quarter-on-quarter (q-o-q) expansions. Outstanding LCY bonds increased 1.2% q-o-q to a value of MYR2.0 trillion at the end of 2023 (Figure 2). Bank Negara Malaysia bills led the growth among all LCY bond types, jumping 11.0% q-o-q as few of these securities matured during the review period. LCY corporate bonds outstanding also showed an uptick of 0.8% q-o-q due to increased issuance during the quarter. By the end of 2023, Malaysia's LCY bonds outstanding comprised 63.8% *sukuk*, with central bank and corporate *sukuk* leading the growth of the Islamic bond market. Growth in LCY *sukuk* marginally increased 0.4% q-o-q to MYR1.3 trillion. At the end of 2023, DanalInfra Nasional, a finance company owned by the government, had the most outstanding LCY corporate bonds at MYR82.8 billion.

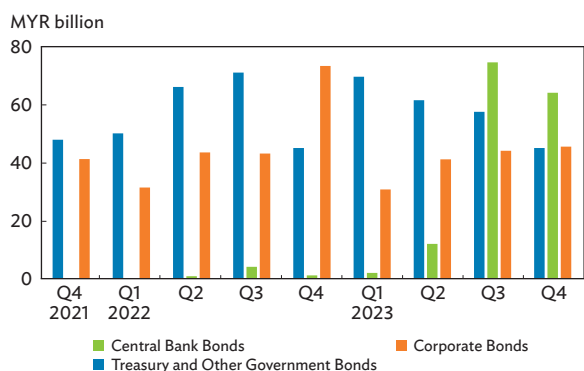


Issuance of LCY bonds in Malaysia declined during the review period due to reduced issuance of government securities. LCY bond sales dropped 12.2% q-o-q as fewer Treasury and other government bonds, and central bank bills, were issued during the quarter (**Figure 3**). The issuance of Malaysian Government Securities (conventional bonds) and Government Investment Issues, which are *sukuk* (Islamic bonds), likewise contracted in Q4 2023. LCY corporate bonds, on the other hand, increased 3.2% q-o-q. Cagamas, the mortgage corporation of Malaysia, continued to dominate all LCY corporate bond issuers in Q4 2023 with issuances totaling MYR8.1 billion.

Investor Profile

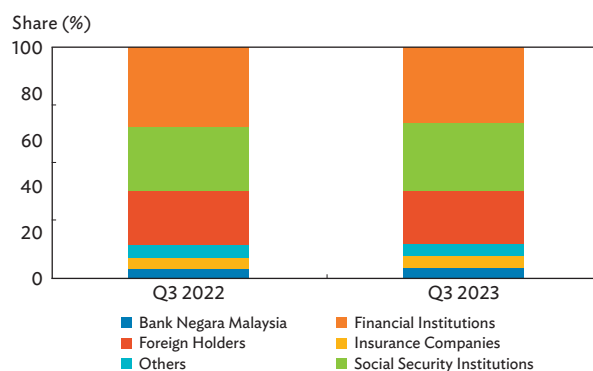
At the end of the third quarter of 2023, domestic investors held almost 80% of LCY government bonds outstanding (Figure 4). The largest holdings share belonged to financial institutions with 32.6% of total LCY government bonds. This was, however, lower than the 34.6% share they collectively held at the end of the third quarter of 2022. Increases in holdings shares were recorded for social security institutions, insurance companies, and Bank Negara Malaysia during the review period, while the share of foreign investors decreased.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia



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

Figure 4: Local Currency Government Bonds Investor Profile



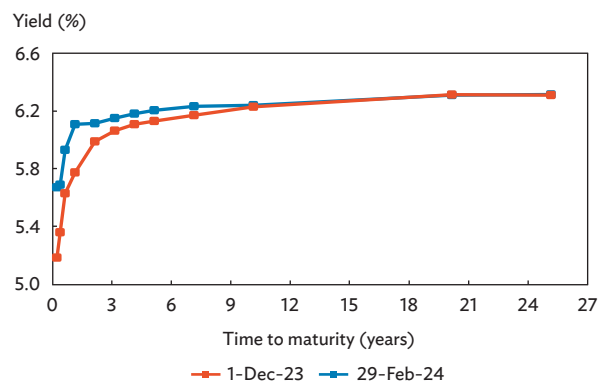
MYR = Malaysian ringgit, Q3 = third quarter.
 Note: "Others" include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.
 Source: Bank Negara Malaysia.

Philippines

Yield Movements

Local currency (LCY) government bond yields in the Philippines rose for nearly all tenors between 1 December 2023 and 29 February 2024 as the Bangko Sentral ng Pilipinas held its policy rate near a 17-year high (Figure 1). Despite improvements in domestic inflation conditions, the Bangko Sentral ng Pilipinas, in its 14 February policy meeting, kept its overnight reverse repurchase rate steady at 6.50% to firmly anchor inflation expectations within the target range amid risks brought about by elevated fuel prices and the “El Niño” climate phenomenon’s impact on food prices. The increase in yields was also influenced by the government’s retail bond offering during 13–23 February amid upward market adjustments based on the Retail Treasury Bond rate.

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

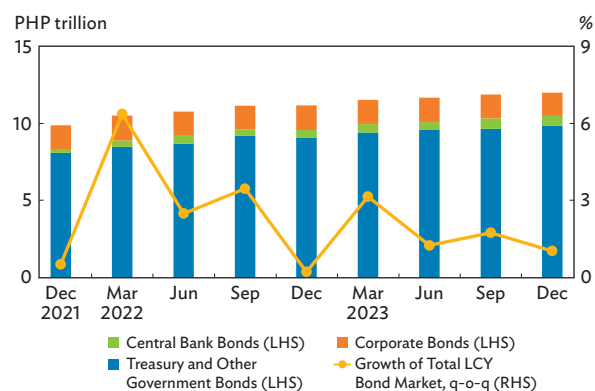


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The Philippines’ LCY bond market expanded 1.0% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2023, driven by growth in government bonds (Figure 2). Treasury and other government bonds outstanding, which accounted for 82.1% of the total LCY debt stock at the end of December, grew 2.1% q-o-q in Q4 2023, up from 0.3% q-o-q in the previous quarter. Despite a contraction in issuance, government bonds grew due to a low volume of maturities during the quarter. On the other hand, outstanding central bank securities contracted 6.2% q-o-q due to a large volume of maturities in Q4 2023 that exceeded total issuance. The LCY corporate bond stock contracted 2.6% q-o-q, falling to PHP1.5 trillion at the end of December, driven by a large number of bond maturities during the quarter. Corporate bonds accounted for 12.6% of the total LCY debt stock at the end of December, with the largest share coming from the property sector accounting for 31.6% of this total.

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



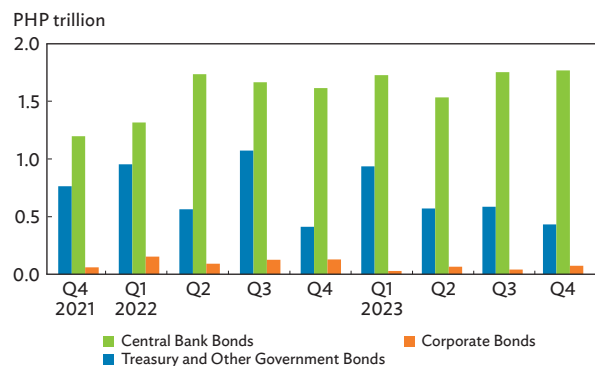
LCY = local currency, LHS = left-hand side, PHP = Philippine peso, q-o-q = quarter-on-quarter, RHS = right-hand side.

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

Sources: Bureau of the Treasury and Bloomberg LP.

A decline in government bond issuance drove the market’s LCY bond issuance to contract 4.4% q-o-q in Q4 2023 (Figure 3). Issuance of Treasury and other government bonds contracted 26.2% q-o-q in Q4 2023, as the government reduced borrowing by 73% to PHP60.0 billion in December amid a shrinking budget deficit that eased pressure on the government’s debt financing. In addition, the Bureau of the Treasury met its domestic funding requirements for 2023 at its 5 December auction, resulting in the cancellation of the year’s remaining auction scheduled on 11 December. Meanwhile, central bank securities issuance grew 0.9% q-o-q in Q4 2023 as the government mopped up excess liquidity in the economy to control inflation. Corporate bond issuance grew 85.5% q-o-q in Q4 2023 from a relatively low base in the previous quarter. However, total LCY corporate bond issuance in 2023 only reached PHP205.5 billion, which was 58.6% lower than in 2022 amid the uncertain environment triggered by the aggressive rate hikes of the Bangko Sentral ng Pilipinas beginning in May 2022. Consequently, only five firms tapped the bond market for funding during the quarter, with the largest issuance coming from the Bank of the Philippine Islands whose debt sales amounted to PHP36.6 billion.

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

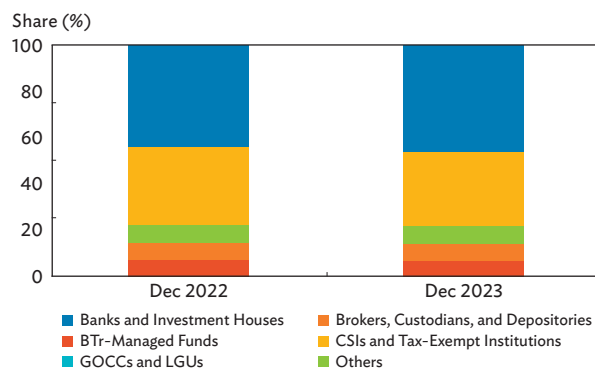


PHP = Philippine peso, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management and the National Food Authority, among others.
 Sources: Bureau of the Treasury and Bloomberg LP.

Investor Profile

The investor landscape in the Philippines’ LCY government bond market remained mostly unchanged in 2023 (Figure 4). The Philippines’ LCY government bond market remains consistently dominated by two investor groups: (i) banks and investment houses, and (ii) contractual savings institutions and tax-exempt institutions. These two investor groups comprised a combined bond holdings equivalent to 78.1% of total LCY government bonds outstanding at the end of December 2023. Banks and investment houses remained the single-largest investor group, constituting 46.2% of total LCY bonds outstanding. Among all other investor groups, only banks and investment houses posted an increase (2.2%) in their bond holdings share in 2023. Contractual savings institutions and tax-exempt institutions remained the second-largest investor group, with their holdings share edging down to 31.9% in December 2023 from 33.5% in the prior year.

Figure 4: Investor Profile of Local Currency Government Bonds



BTr = Bureau of the Treasury, CSI = contractual savings institution, GOCC = government-owned or -controlled corporation, LGU = local government unit.
 Note: At the end of December 2023, government-owned or -controlled corporations and local government units’ holdings share was 0.02%, amounting to PHP2.4 billion.
 Source: Bureau of the Treasury.

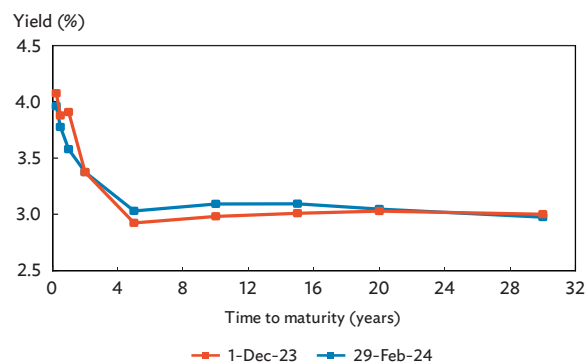
Singapore

Yield Movements

Between 1 December 2023 and 29 February 2024, movements in Singapore's local currency (LCY) government bond yields were mixed (Figure 1).

The mixed movement was due to uncertainties in the timing of monetary policy easing by the United States Federal Reserve. Yields from 2 years to 20 years increased an average of 6 basis points, while yields at both ends of the curve declined an average of 14 basis points. The uptick in the yields of intermediate tenors tracked the movement in yields of United States Treasuries, which generally rose during the review period. The Monetary Authority of Singapore left its monetary policy stance unchanged at its 29 January meeting, maintaining the rate of appreciation of the Singapore dollar nominal effective exchange rate.

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

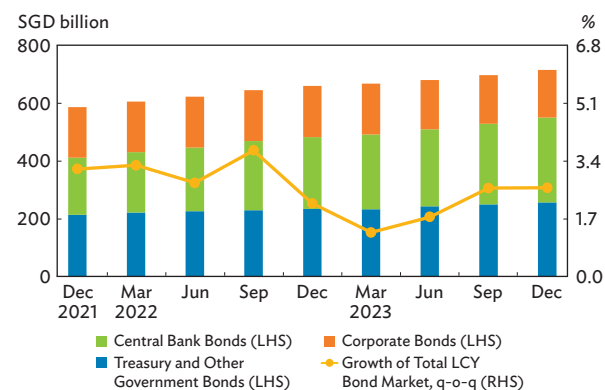


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

By the end of Q4 2023, growth in the LCY bond market of Singapore was led by an increase in government bonds outstanding. LCY bonds outstanding jumped 2.6% quarter-on-quarter (q-o-q) to reach SGD715.6 billion (Figure 2). This expansion was due to the increase in outstanding Treasury and other government securities, and central bank securities, which climbed 2.9% q-o-q and 5.3% q-o-q, respectively. On the other hand, outstanding LCY corporate bonds declined 2.3% q-o-q by the end of December. The government-owned Housing & Development Board continued to have the most LCY corporate bonds outstanding by the end of 2023 at SGD27.1 billion.

Figure 2: Composition of Local Currency Bonds Outstanding in Singapore



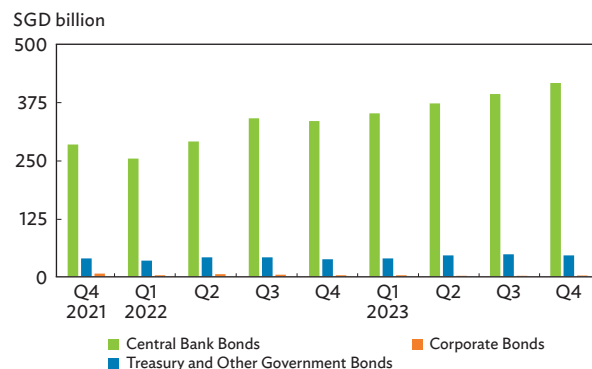
LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, SGD = Singapore dollar.

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

Sources: Monetary Authority of Singapore and Bloomberg LP.

In Q4 2023, growth in the issuance of LCY bonds decelerated from the previous quarter as Treasury issuance dropped. LCY bond issuance in Q4 2023 increased 4.9% q-o-q, driven by growth in central bank bills and corporate bonds. However, this was offset by a decline in issuance of Treasury and other government bonds, which fell 5.0% q-o-q (**Figure 3**). Corporate bond issuance reached SGD1.9 billion during the quarter on growth of 46.2% q-o-q. The Housing & Development Board had the single-largest issuance during the quarter with a SGD740.0 million 5-year bond issued in November.

Figure 3: Composition of Local Currency Bond Issuance in Singapore



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

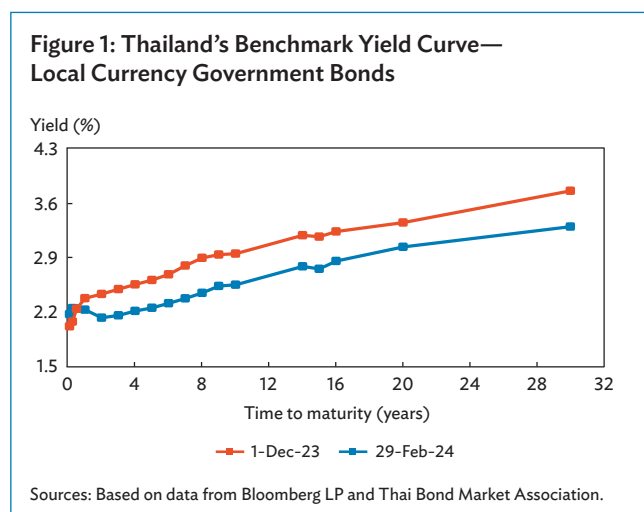
Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

Thailand

Yield Movements

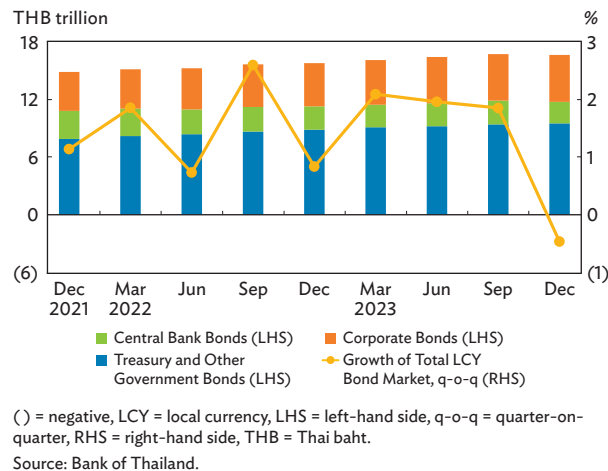
Between 1 December 2023 and 29 February 2024, Thailand's local currency (LCY) government bond yields fell for all tenors except short-term bonds (Figure 1). The decline in yields for most bonds followed the regional trend of falling bond yields amid moderating inflation and market expectations that the United States Federal Reserve would start cutting interest rates in the second half of 2024. Meanwhile, short-term bond yields in Thailand increased as interest rates remained elevated in the near term, with the Bank of Thailand (BOT) holding its policy rate unchanged at a record high of 2.50% during its 7 February meeting. Weak inflation also contributed to the decline in bond yields. Thailand's headline inflation was -0.8% year-on-year in February, marking the fourth consecutive month of deflation.



Local Currency Bond Market Size and Issuance

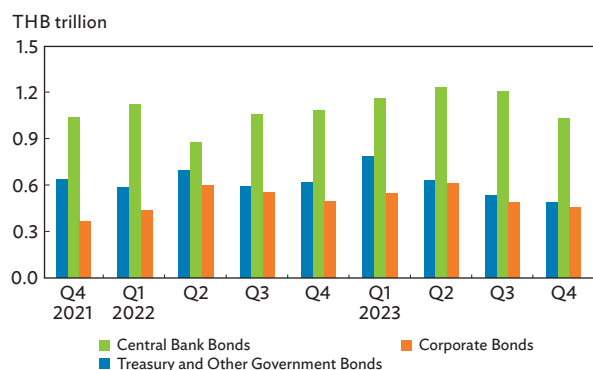
Thailand's LCY bond market contracted 0.5% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2023, totaling THB16.5 trillion at the end of December (Figure 2). Due to weak issuance and a high volume of maturities, outstanding BOT bonds contracted 8.9% q-o-q in Q4 2023, outweighing tepid growth in outstanding Treasury and other government bonds (1.0% q-o-q) and corporate bonds (1.1% q-o-q). At the end of December, Treasury and other government bonds (THB9.4 trillion) comprised 57.1% of Thailand's LCY bond market. Corporate bonds (THB4.8 trillion) and BOT bonds (THB2.2 trillion) accounted for the remaining shares of 29.4% and 13.5%, respectively.

Figure 2: Composition of Local Currency Bonds Outstanding in Thailand



LCY bond issuance fell 11.3% q-o-q to THB2.0 trillion in Q4 2023 as bond sales contracted for all bond market segments. Treasury and other government bond issuance declined 8.9% q-o-q to THB488.3 billion in Q4 2023, partly due to the delayed approval of the fiscal year 2024 budget (**Figure 3**). Meanwhile, BOT bond issuance totaled THB1.0 trillion in Q4 2023, down 14.3% q-o-q. Corporate debt issuance also fell 6.7% q-o-q to THB457.8 billion in Q4 2023 amid elevated borrowing rates. BTS Group was the top issuer in Q4 2023, with a total of THB15.1 billion in new issuance.

Figure 3: Composition of Local Currency Bond Issuance in Thailand

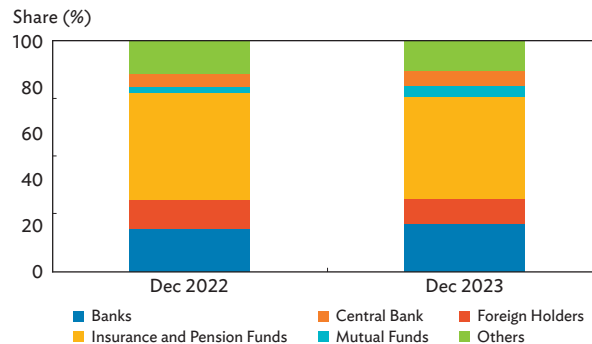


Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht.
Source: Bank of Thailand.

Investor Profile

Domestic investors still dominate the Thai LCY government bond market. The share of Thai LCY government bonds held by domestic investors rose to 89.3% at the end of December 2023 from 87.2% a year earlier, driven primarily by increased holdings among banks, and insurance and pension funds (**Figure 4**). In contrast, foreign holders' share decreased to 10.7% from 12.8% during the same period, largely due to relatively higher returns in developed markets like the United States as global rates remained elevated. Meanwhile, the BOT's holdings of LCY government bonds increased from 5.8% to 6.5% from December 2022 to December 2023, as the central bank purchased a total of THB76.5 billion of government bonds in 2023 to help stabilize the LCY bond market. Among investor groups, insurance and pension funds held the largest share of LCY government bonds at 44.5% at the end of December 2023.

Figure 4: Investor Profile of Government Bonds in Thailand



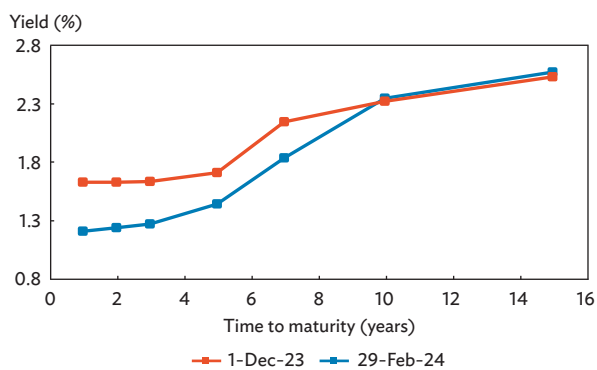
Source: Bank of Thailand.

Viet Nam

Yield Movements

Local currency (LCY) government bond yields in Viet Nam declined for most tenors between 1 December 2023 and 29 February 2024 amid uncertainties in the timing of policy rate cuts by the United States Federal Reserve (Figure 1). The decline in yields was also driven by the central bank holding rates steady since July 2023 to help prop up economic growth. In 2023, the central bank reduced its refinancing rate by a cumulative total of 150 basis points from April to June 2023. Per a news release from *Vietnamnet Global*, the State Bank of Vietnam (SBV), early this year, expressed its intention to not increase the policy rate in 2024 to support economic growth. Viet Nam's economy grew 5.1% year-on-year in 2023, lower than the government's target growth of 6.5%.

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

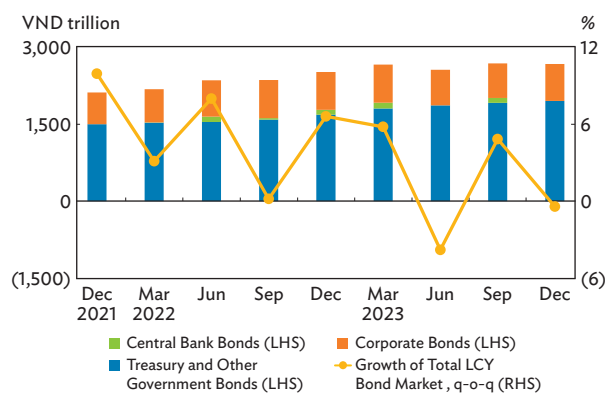


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Viet Nam's LCY bond market contracted 0.4% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2023 due to a large volume of maturities of central bank securities (Figure 2). In Q4 2023, a total of VND360.3 trillion of central bank securities matured, while the SBV ceased issuing securities on 9 November. The central bank decided to halt its securities issuance—as overnight interbank interest rates climbed amid adjustments to the banking system's short-term liquidity—providing indirect support to the foreign exchange rate. Growth in outstanding government bonds moderated to 2.0% q-o-q from 2.6% q-o-q growth in the third quarter of 2023 on reduced issuance. Corporate bonds outstanding rebounded in Q4 2023, posting an increase of 6.8% q-o-q compared with a decline of 2.9% q-o-q in the previous quarter, as issuers returned amid improved investor sentiment following reforms in the corporate bond market.

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



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

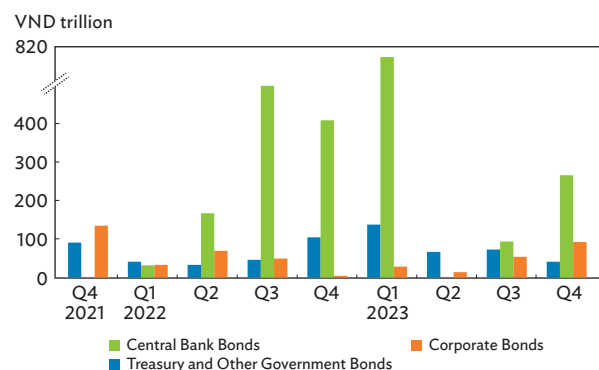
Note: Other government bonds comprise government-guaranteed and municipal bonds.

Sources: Vietnam Bond Market Association and Bloomberg LP.

Total LCY bond issuance grew 81.6% q-o-q in Q4 2023 on increased issuance from corporates and the central bank (Figure 3).

Corporate bond issuance expanded 72.1% q-o-q in Q4 2023 to reach VND92.6 trillion amid a gradual recovery in Viet Nam's corporate bond market. The government's implementation of strict regulations for the issuance of corporate bonds, combined with banks' low deposit interest rates, provided support for corporate bond issuance. The banking sector remained the largest issuer of corporate bonds in Viet Nam, accounting for 64.6% of all LCY corporate bonds issued in Q4 2023, with Orient Commercial Joint Stock Bank as the top issuer during the quarter on aggregated debt sales of VND9.3 trillion. To adjust short-term liquidity in the banking system, which is expected to lift the LCY-denominated interest rates in the interbank market and support the Vietnamese dong, the SBV's securities issuance in October increased to VND225.3 trillion, more than double the issuance volume of VND93.8 trillion in September. On the other hand, issuance of government bonds contracted 43.5% q-o-q as the State Treasury of Vietnam reduced issuance in Q4 2023 while closely monitoring market movements to ensure the government's debt servicing.

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



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

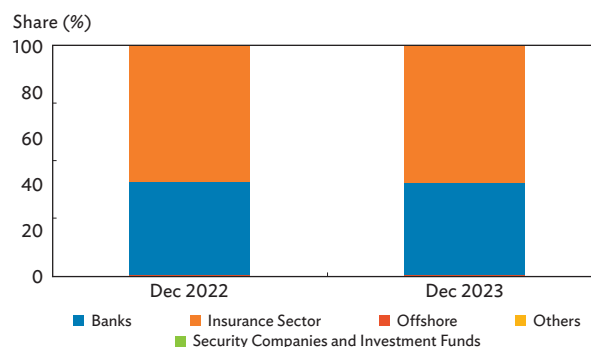
Note: Other government bonds comprise government-guaranteed and municipal bonds.

Sources: Vietnam Bond Market Association and Bloomberg LP.

Investor Profile

A majority of Viet Nam's LCY government bonds outstanding were held by insurance firms and banks at the end of December 2023 (Figure 4). Similar to December 2022, the collective holdings shares of insurance firms and banks accounted for 99.4% of the LCY government bond market. Insurance companies remained the single-largest investor group, with their holdings share inching up to 59.7% at the end of December 2023 from 58.9% a year earlier. On the other hand, banks' holdings share edged down to 39.6% from 40.5% in the same period. Due to having only two dominant investor groups in its LCY government bond market, Viet Nam continued to have the highest Herfindahl-Hirschman Index score among its regional peers at the end of December 2023.¹²

Figure 4: Investor Profile of Local Currency Government Bonds



Note: At the end of December 2022 and 2023, the combined holdings share of security companies and investment funds, as well as offshore and other investors, totaled 0.6%.

Source: Viet Nam Ministry of Finance.

¹² The Herfindahl-Hirschman Index is a commonly accepted measure of market concentration. The index is used to measure the investor profile diversification of the local currency bond market and is calculated by summing the squared share of each investor group in the bond market.