

## Key Trends

- Local currency (LCY) bond yields in emerging East Asia diverged due to disparate monetary policy stances across the region and global economic uncertainties.
- In the People's Republic of China (PRC), yields fell as the central bank reduced the reserve requirement ratios for some banks on 24 June.
- Yields rose in Indonesia in response to monetary tightening by Bank Indonesia. Between May and August, Bank Indonesia raised its policy rate by a total of 125 basis points (bps).
- Yields also rose in the Philippines, where the Bangko Sentral ng Pilipinas raised policy rates in May and June by a total of 100 bps.
- Among advanced economies, the United States (US) continued to post the strongest growth, prompting the Federal Reserve to raise the federal funds rate target range by 25 bps at its 13–14 June meeting.
- The European Central Bank announced on 14 June that its quantitative easing program would end in December. The Bank of Japan has left its monetary policy unchanged.
- Continued monetary tightening in the US and signs that the euro area will begin tightening contributed to the depreciation of most emerging East Asian currencies.
- Foreign flows into the region's LCY bond markets were mixed in the second quarter of 2018.
- Emerging East Asia's local currency bond market grew to a size of USD12.6 trillion at the end of June, posting moderate growth of 3.2% quarter-on-quarter.

## Risks to the Bond Market

- Recent financial turbulence in Argentina, Turkey, and other emerging markets has raised concerns of spillover effects in emerging East Asia.
- Escalating global trade tensions, in particular PRC–US trade tensions, pose a major risk to the region.
- The region's private debt may become a source of financial instability, especially since global financial conditions are now tightening.
- Another risk comes from global oil price volatility.

## Special Boxes

- This issue of the Asia Bond Monitor includes three special discussion boxes:
  - Box 1 discusses the impact of ongoing global trade tensions, in particular PRC–US trade tensions, on regional financial markets.
  - Box 2 discusses green bond issuance in Asia.
  - Box 3 takes a look at the rising popularity of cryptocurrencies and their potential effect on financial stability.