

Key Developments in Asian Local Currency Markets

The People’s Bank of China decided last week to lower its policy rates by 25 basis points (bps), bringing the 1-year lending rate and the 1-year deposit rate to 4.60% and 1.75%, respectively. It was the fifth time this year that policy rates in the People’s Republic of China (PRC) were lowered. In addition, the central bank decided that, effective 6 September, the reserve requirement ratio (RRR) of financial institutions will be reduced by 50 basis points.

➤ Consumer price inflation in Japan eased to 0.2% year-on-year (y-o-y) in July from 0.4% y-o-y in June, partly due to bigger y-o-y price decreases in energy, private transportation, and utilities. Singapore’s Consumer Price Index (CPI) fell 0.4% y-o-y in July, marking the ninth consecutive month of y-o-y decline, as five out of 10 product items in CPI the recorded price decreases. Consumer price inflation in Viet Nam decelerated to 0.6% y-o-y in August from 0.9% y-o-y in July due to slower y-o-y price hikes in most product categories in the CPI.

➤ Real gross domestic product in the Philippines grew 5.6% y-o-y in 2Q15, higher than 1Q15’s y-o-y growth rate of 5.0%, but lower than 2Q14’s 6.7%. Growth in the second quarter was bolstered by household spending and capital formation on the demand side and industry and services on the supply side.

➤ Hong Kong, China’s trade deficit was HKD28.4 billion in July, down from a year earlier as exports fell 1.6% y-o-y and imports fell 5.2% y-o-y. The Philippines’ trade balance shifted to a deficit of US\$555 million in June from a surplus a year earlier as exports decreased 1.8% y-o-y and imports soared 22.6% y-o-y. Viet Nam’s trade deficit in the January–August period widened from a year earlier to reach US\$3.6 billion on export and import growth rates of 9.0% y-o-y and 16.4% y-o-y, respectively.

➤ Industrial production in the Republic of Korea contracted 3.3% y-o-y in July after posting 1.4% y-o-y growth in June. In Japan, industrial production growth eased to 0.2% y-o-y in July from 2.3% y-o-y in June. Manufacturing output in Singapore contracted 6.1% y-o-y in July, the sixth consecutive month of y-o-y decline. In Viet Nam, industrial production growth moderated to 9.0% y-o-y in August from 11.3% y-o-y in July.

➤ Corporate debt issuance in the Republic of Korea fell to KRW12.9 trillion in July from

Asia Bond Monitor June 2015

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10-Year Selected LCY Government Security Yields Close of 28 August 2015
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.18	-0.35	14.41	0.94
EU	0.74	0.00	17.80	20.10
Japan	0.38	-1.40	1.30	5.00
PRC	3.47	0.00	-8.00	-18.00
Hong Kong, China	1.84	1.50	14.40	-6.10
India	7.78	0.80	-1.00	-10.40
Indonesia	8.79	-7.50	-14.90	96.90
Korea, Rep. of	2.29	3.40	3.50	-31.80
Malaysia	4.40	-3.90	5.60	24.90
Philippines	4.36	0.00	9.83	49.67
Singapore	2.76	5.26	18.43	48.01
Thailand	2.80	1.10	15.80	6.90
Viet Nam	7.09	-8.50	6.00	-14.00

- TABLES & GRAPHS**
- Selected Government Security Yields
 - Benchmark Yield Curves - Local Currency Government Bonds
 - 2-versus-10 Yield Spread Chart
 - Policy Rate versus Inflation Rate Charts
 - Credit Default Swap Spreads & Exchange Rate Indexes
 - Selected Debt Security Issuances
 - Selected Asia Data Releases

KRW14.4 trillion in June due to lower monthly issues in bank debentures, the bonds of financial companies, and non-financial corporate bonds.

➤ In the Philippines, the Bureau of the Treasury launched a domestic liability management transaction that invites holders of certain eligible government bonds to exchange their securities for new benchmark 10-year and 25-year government bonds. The transaction aims to promote liquidity by establishing benchmarks.

➤ Government bond yields fell last week for most tenors in the PRC, Indonesia, and Malaysia. Yields rose for all tenors in the Republic of Korea, Singapore, and Thailand, and for most maturities in Hong Kong, China; the Philippines; and Viet Nam. Yield spreads between 2- and 10-year tenors widened in Hong Kong, China; the Republic of Korea; Malaysia; Singapore; Thailand; and Viet Nam, while spreads narrowed in the PRC, Indonesia, and the Philippines.

Summary Text of News Articles

The PRC Lowers Policy Rates and Reserve Requirement Ratios

The People's Bank of China decided last week to lower its policy rates by 25 basis points (bps), bringing the 1-year lending rate to 4.60% and the 1-year deposit rate to 1.75%. It was the fifth time this year that policy rates in the People's Republic of China (PRC) were lowered. In addition, the central bank decided that, effective 6 September, the reserve requirement ratio (RRR) of financial institutions will be reduced by 50 bps.

For policy rate trends in the People's Republic of China, refer to this link:

http://asianbondsonline.adb.org/china/data/marketwatch.php?code=policy_rate_and_inflation_trends

Consumer Price Inflation in July Eases in Japan, Remains Negative in Singapore; Consumer Price Inflation Moderates in Viet Nam in August

Consumer price inflation in Japan eased to 0.2% year-on-year (y-o-y) in July from 0.4% y-o-y in June, according to data from Statistics Japan. The decline in the inflation rate was partly induced by bigger y-o-y price decreases in energy, private transportation, and utilities. On a month-on-month (m-o-m) basis, Japan's Consumer Price Index (CPI) slipped 0.1% in July.

Singapore's CPI fell 0.4% y-o-y in July, marking the ninth consecutive month of y-o-y decline, according to data from the Department of Statistics Singapore. Five out of 10 items in the CPI recorded y-o-y price decreases in July. Between June and July, the CPI decreased 0.4%.

Consumer price inflation in Viet Nam decelerated to 0.6% y-o-y in August from 0.9% y-o-y in July due to slower price hikes in most product categories in the CPI, based on data from the General Statistics Office of Viet Nam. Between July and August, the CPI fell 0.1%.

For inflation rate trends in Japan, refer to this link:

http://asianbondsonline.adb.org/japan/data/marketwatch.php?code=policy_rate_and_inflation_trends

For inflation rate trends in Viet Nam, refer to this link:

http://asianbondsonline.adb.org/vietnam/data/marketwatch.php?code=policy_rate_and_inflation_trends

The Philippine Economy Grows 5.6% y-o-y in 2Q15

Real gross domestic product (GDP) in the Philippines grew 5.6% y-o-y in 2Q15, higher than 1Q15's growth rate of 5.0% y-o-y but lower than 2Q14's 6.7% y-o-y, according to the Philippine Statistics Authority. GDP growth in 2Q15 was driven by positive growth in household spending and domestic investment on the demand side and robust performances in the industry and services sectors on the supply side. In 2Q15, household spending and capital formation rose 6.2% y-o-y and 17.4% y-o-y, respectively, while other expenditure types also exhibited positive growth, including government spending (3.9% y-o-y), total exports of goods and services (3.7% y-o-y), and total imports of goods and services (12.7% y-o-y). The industry and services sectors expanded 6.1% y-o-y and 6.2% y-o-y, respectively, while the agriculture, hunting, forestry, and fishing sector contracted 0.5% y-o-y.

Hong Kong, China's Trade Deficit Narrows in July; The Philippines' Balance of Trade Shifts to a Deficit in June; Viet Nam's Trade Deficit Widens in January–August

Hong Kong, China's merchandise trade deficit in July was HKD28.4 billion, down from its July 2014 level of HKD42.1 billion, as exports of goods fell 1.6% y-o-y and merchandise imports declined 5.2% y-o-y, based on trade data released last week by the Census and Statistics Department.

The Philippines posted a deficit in its balance of trade in goods amounting to US\$555 million in June, a reversal from its surplus of US\$633 million a year earlier, as merchandise exports slipped 1.8% y-o-y to US\$5.4 billion and imported goods rose 22.6% y-o-y to US\$5.9 billion, according to the Philippine Statistics Authority. The economy's merchandise trade deficit in June was also a reversal from its May's surplus of US\$507 million as monthly import growth outpaced export growth.

Summary Text of News Articles

**Hong Kong, China's Trade Deficit Narrows in July;
The Philippines' Balance of Trade Shifts to a Deficit in June;
Viet Nam's Trade Deficit Widens in January–August (cont...)**

Viet Nam's merchandise trade deficit in the January–August period widened from a year earlier to reach US\$3.6 billion. Exports of goods increased 9.0% y-o-y to US\$106.2 billion in the first 8 months of the year and merchandise imports climbed 16.4% y-o-y to US\$109.8 billion in the same period.

Manufacturing Production in Singapore Contracts in July

Manufacturing output in Singapore contracted 6.1% y-o-y in July, the sixth consecutive month of y-o-y decline, based on data from Singapore Economic Development Board. Five out of six clusters experienced decreased output in July, including biomedical manufacturing (-13.4% y-o-y), electronics (-5.8% y-o-y), general manufacturing industries (-3.2% y-o-y), precision engineering (-6.2% y-o-y), and transport engineering (-6.1% y-o-y). In contrast, production by the chemicals cluster was up 4.4% y-o-y in July.

Corporate Debt Issuance in the Republic of Korea Falls in July

Corporate debt issuance in the Republic of Korea fell to KRW12.9 trillion in July from KRW14.4 trillion in June due to lower monthly issues of bank debentures, the bonds of financial companies, and non-financial corporate bonds, according to data from the Financial Supervisory Service. Between June and July, issuance of bank debentures fell from KRW3.1 trillion to KRW2.5 trillion, financial companies' bond sales decreased from KRW4.7 trillion to KRW3.8 trillion, and non-financial corporate bond issues dropped from KRW5.0 trillion to KRW4.4 trillion. In contrast, asset-backed securities issuance rose from KRW1.6 trillion to KRW2.3 trillion in the same period.

The Philippines Launches a Domestic Liability Management Transaction

In the Philippines, the Bureau of the Treasury launched a domestic liability management transaction that invites holders of certain eligible government bonds to exchange their securities for new benchmark 10-year and 25-year government bonds. The transaction aims to promote liquidity by establishing benchmarks. The offer started on 26 August and will end on 4 September. The government aims to raise a minimum of PHP50 billion for each of the new benchmark securities.

Selected Government Security Yields

Tip: Zoom-in on the table using the Acrobat zoom tool

3-Month Selected LCY Government Security Yields

Markets	Latest Closing	basis point change from			
		Previous Day*	Previous Week*	1-Jan-15*	
US	0.05	0.00		3.05	1.53
EU	-0.20	0.00		1.70	-16.40
Japan	0.00	0.80		1.30	-0.10
PRC	2.11	-2.00		0.00	-155.00
Hong Kong, China	0.07	0.00		0.00	-0.80
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.53	0.90		2.90	-53.50
Malaysia	3.18	-3.00	-6.30		-18.10
Philippines	1.75	-2.33	-43.59		-63.00
Singapore	0.93	0.90		2.20	25.30
Thailand	1.45	0.08		1.21	-59.92

Close of 28 August 2015

10-Year Selected LCY Government Bond Yields

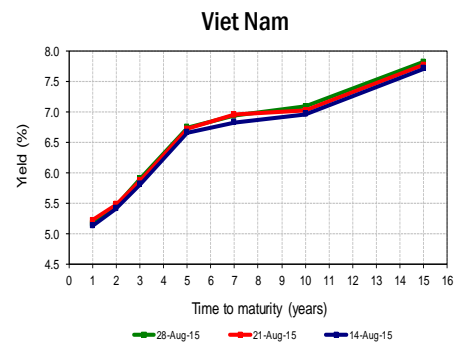
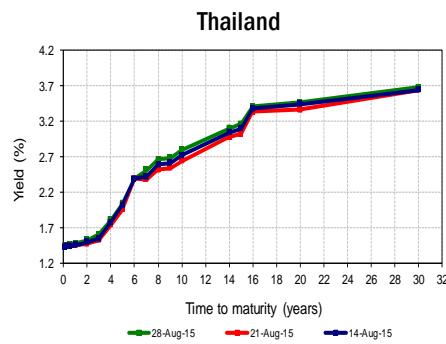
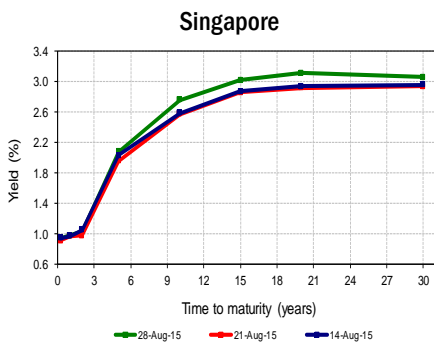
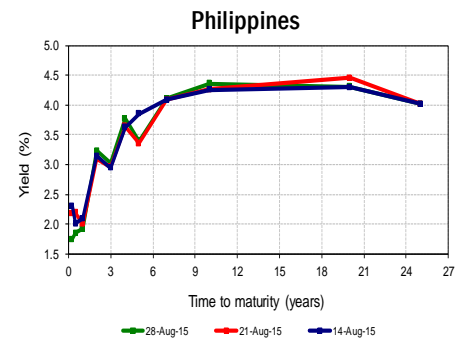
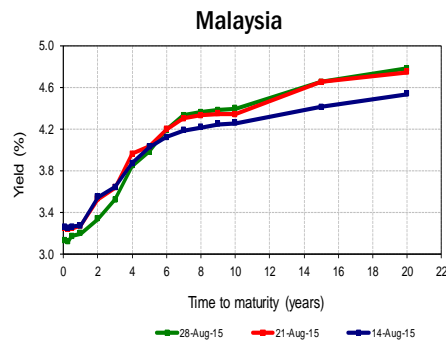
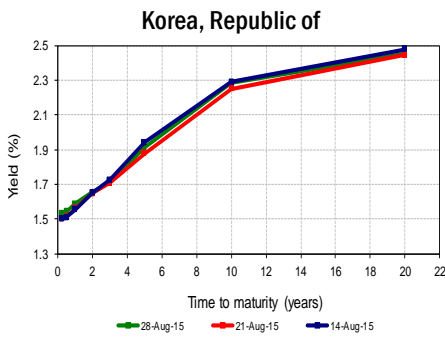
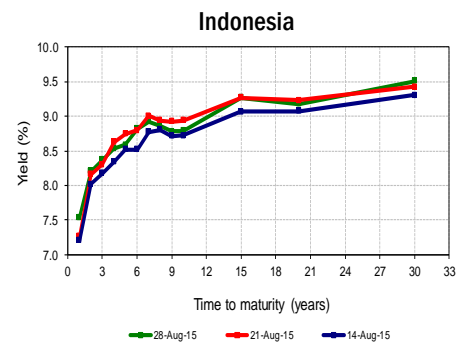
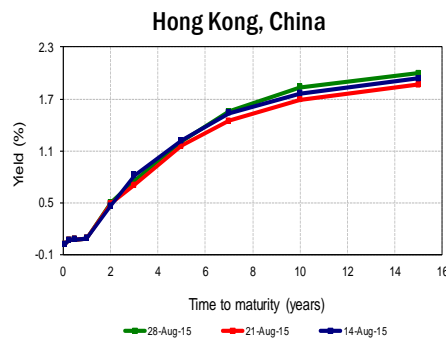
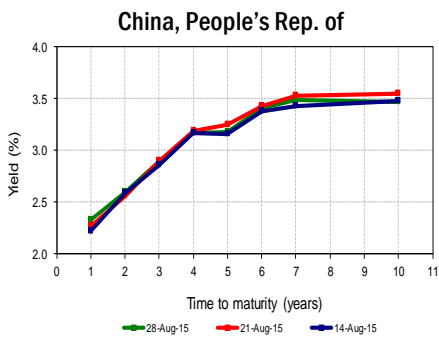
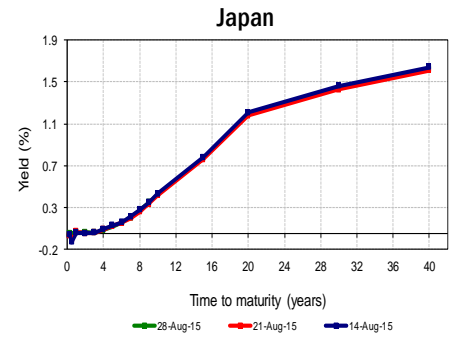
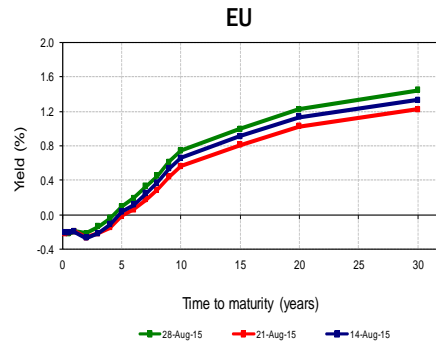
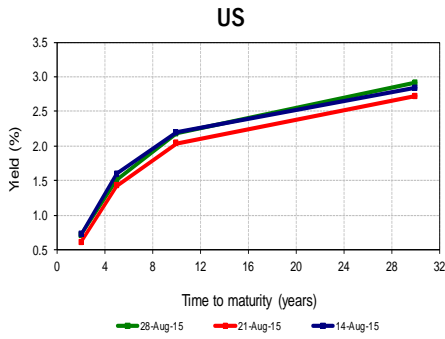
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PRC	3.47	0.00	-8.00	-18.00
Hong Kong, China	1.84	1.50	14.40	-6.10
India	7.78	0.80	-1.00	-10.40
Indonesia	8.79	-7.50	-14.90	96.90
Korea, Rep. of	2.29	3.40	3.50	-31.80
Malaysia	4.40	-3.90	5.60	24.90
Philippines	4.36	0.00	9.83	49.67
Singapore	2.76	5.26	18.43	48.01
Thailand	2.80	1.10	15.80	6.90
Viet Nam	7.09	-8.50	6.00	-14.00

Close of 28 August 2015

EU = European Union, LCY = local currency, PRC = People's Republic of China, US = United States.
 Source: Based on data from Bloomberg, LP.

Benchmark Yield Curves – LCY Government Bonds

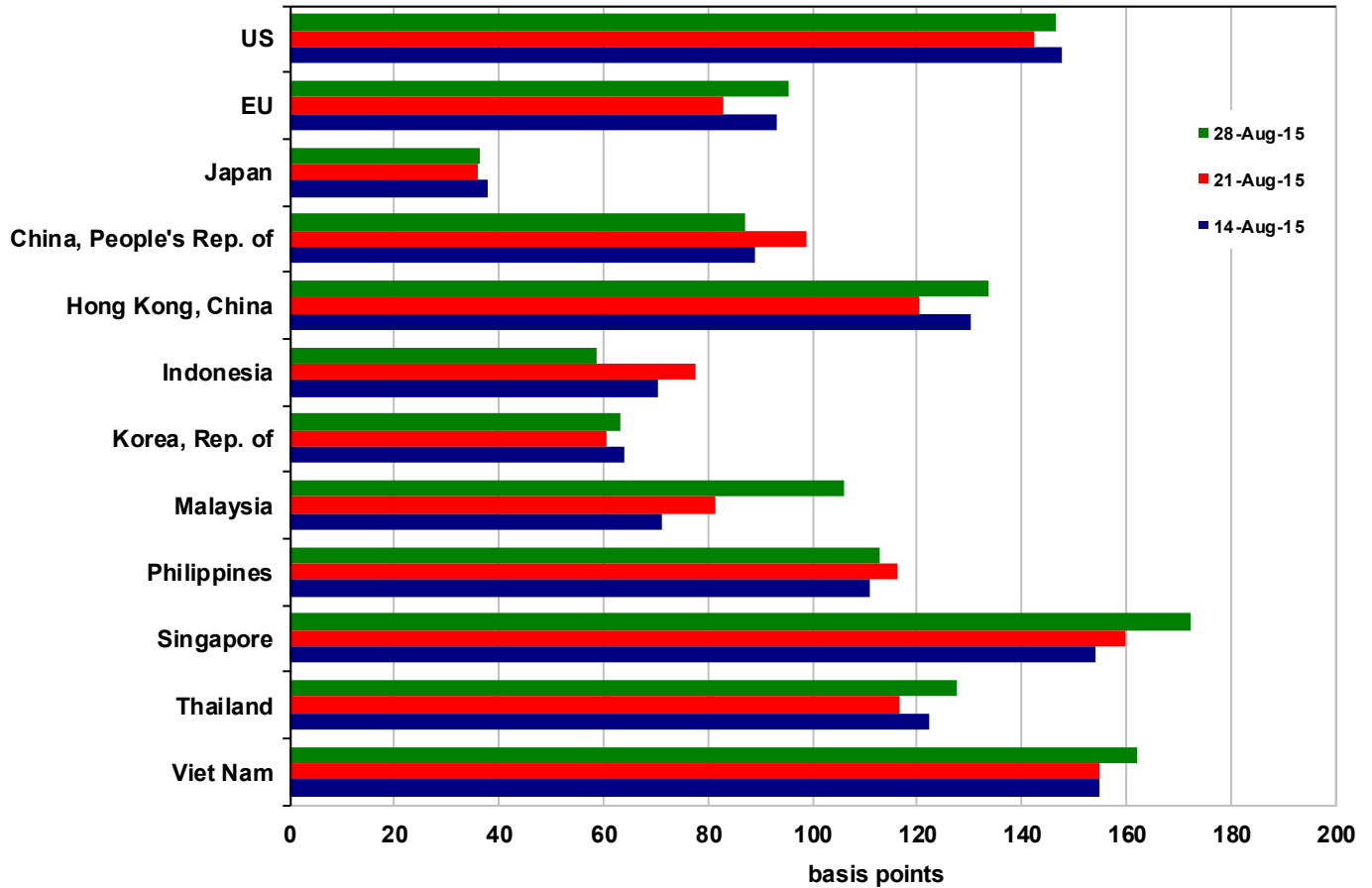
Tip: Zoom-in on the table using the Acrobat zoom tool



EU = European Union, LCY = local currency US = United States.
Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

Tip: Zoom-in on the table using the Acrobat zoom tool

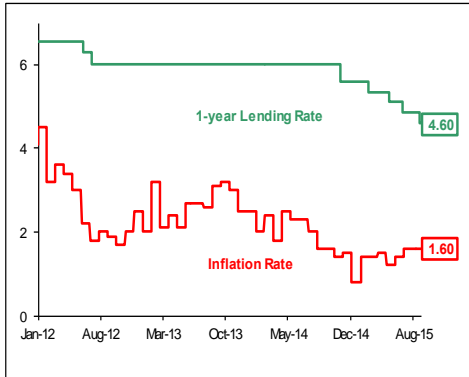


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

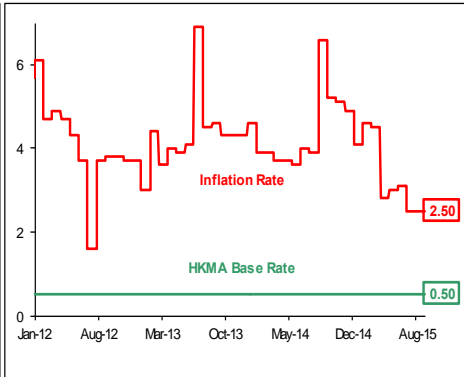
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



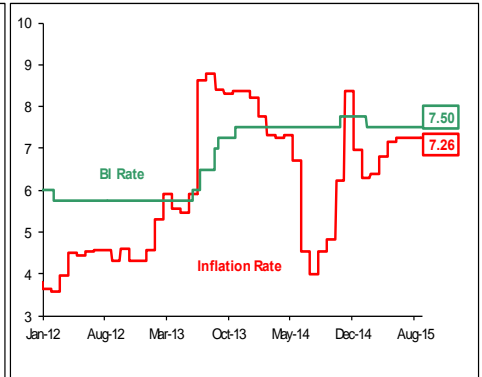
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



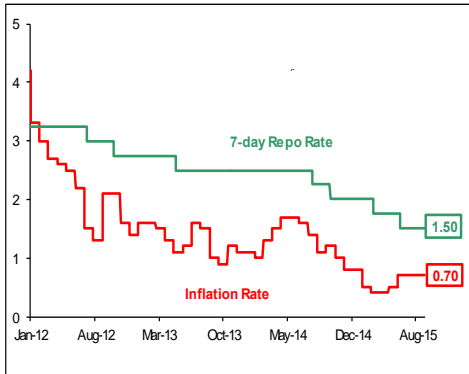
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



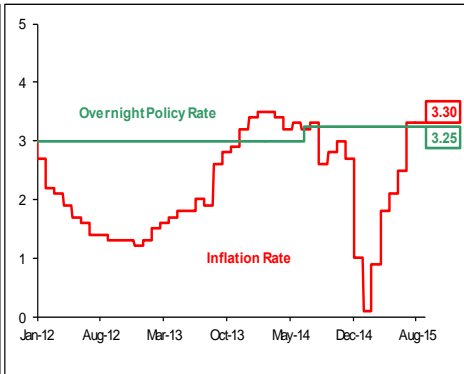
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



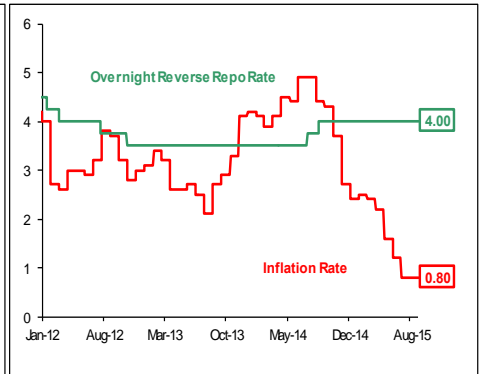
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



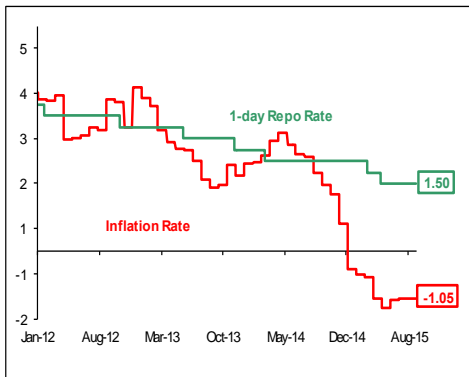
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



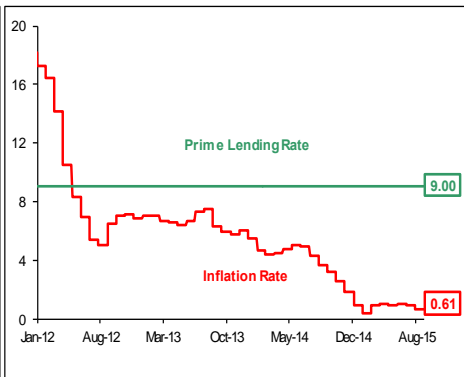
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

Thailand



The Bank of Thailand replaced the 14-day repurchase rate with the 1-day repurchase rate in January 2007 as its policy rate.
Source: Bloomberg LP.

Viet Nam

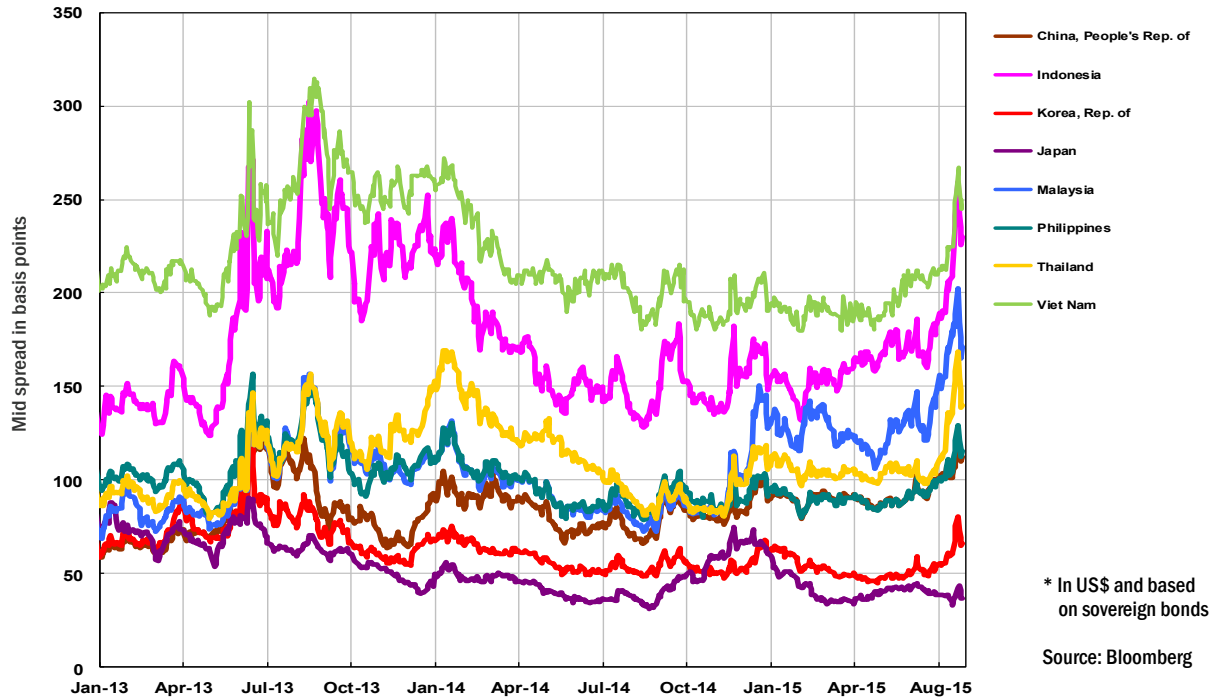


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

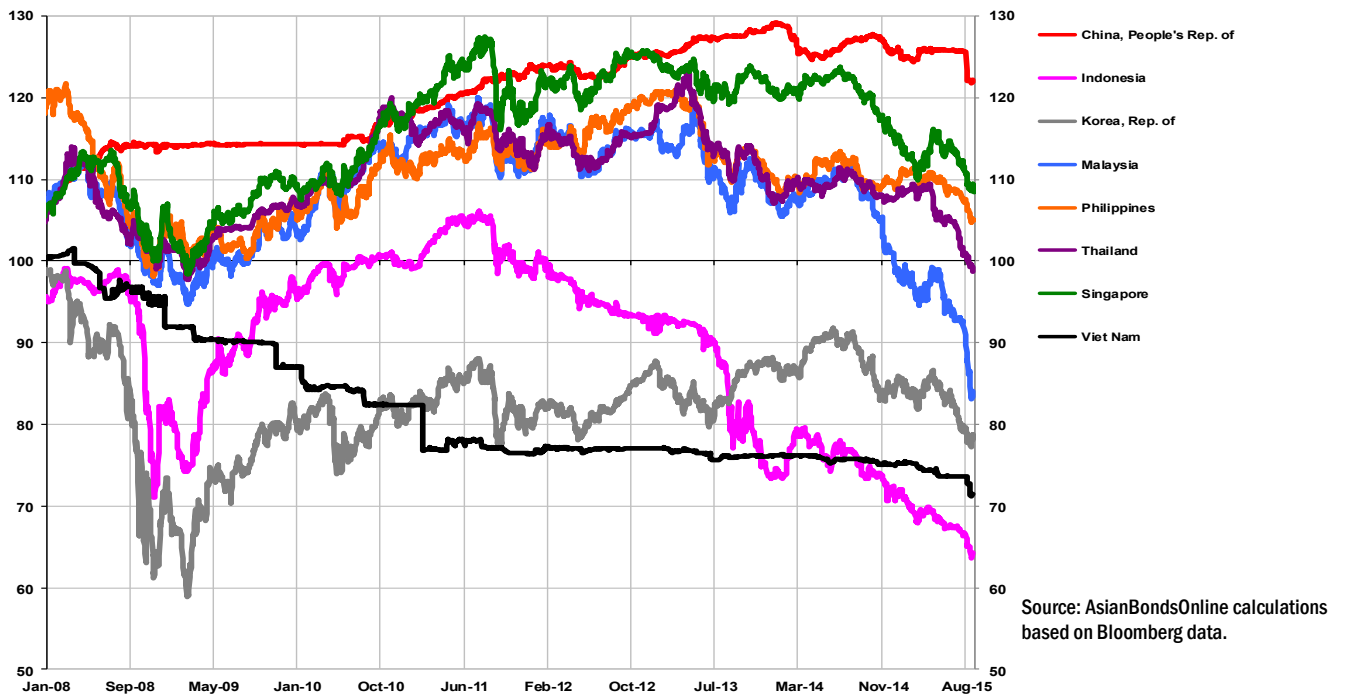
Credit Default Swap Spreads and Exchange Rate Indexes

Tip: Zoom-in on the table using the Acrobat zoom tool

Credit Default Swap Spreads – Senior 5-Year*



Exchange Rate Indexes (vis-à-vis US\$, 2 January 2007=100)



Selected Debt Security Issuances (24 – 28 August 2015)

Tip: Zoom-in on the table using the Acrobat zoom tool

Markets	Auction Date	Type of Security	Average Yield (%)	Coupon (%)	Amount Offered (LCY billion)	Amount Issued (LCY billion)
CN	25-Aug	3-year Treasury Bonds	2.86		30.00	30.00
	26-Aug	2-year Treasury Bonds	2.73	2.73	30.00	30.00
HK		91-day Exchange Fund Bills	0.02		32.92	32.92
		182-day Exchange Fund Bills	0.04		11.00	11.00
ID	25-Aug	6-month Islamic Treasury Bills	6.75			560.00
		1-year Project-Based <i>Sukuk</i>	7.35	7.00	2,500.00	460.00
		3-year Project-Based <i>Sukuk</i>	8.23	7.75		950.00
		5-year Project-Based <i>Sukuk</i>	8.76	8.25		530.00
JP	25-Aug	40-year Japanese Government Bonds	1.54	1.40		400.00
KR	24-Aug	91-day Monetary Stabilization Bonds	1.54		1,200.00	1,200.00
		1-year Monetary Stabilization Bonds	1.56	1.56	1,100.00	1,100.00
		20-year Korea Treasury Bonds	2.40	3.75	503.00	503.00
		20-year Korea Treasury Bonds	2.44	2.63	300.00	300.00
MY	27-Aug	10-year Malaysia Government Securities	4.45	3.96	3.00	3.00
SG	25-Aug	28-day MAS Bills	0.45		0.50	0.50
		84-day MAS Bills	0.58		4.20	4.20
TH	24-Aug	28-day Treasury Bills	1.40		15.00	15.00
	25-Aug	91-day Bank of Thailand Bonds	1.42		32.00	30.58
		182-day Bank of Thailand Bonds	1.44		32.00	28.79
	26-Aug	45.84-year Government Bonds	3.97	4.85	7.00	6.50
	28-Aug	14-day Bank of Thailand Bonds	1.43		30.00	30.00

LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (1 – 7 September 2015)

Tip: Zoom-in on the table using the Acrobat zoom tool

Economy and Variable	Release Date	Historical Data	Recent Trends
China, People's Rep. of Manufacturing PMI Index AUG	09/01	07/14: 51.7 08/14: 51.1 06/15: 50.2 07/15: 50.0	The manufacturing Purchasing Managers Index (PMI) in the People's Republic of China stood at 50.0 in July, down from 50.2 in June.
Indonesia CPI y-o-y, % AUG	09/01	07/14: 4.5% 08/14: 4.0% 06/15: 7.3% 07/15: 7.3%	The Consumer Price Index (CPI) in Indonesia rose 7.3% year-on-year (y-o-y) for the second month in a row in July.
Korea, Rep. of CPI y-o-y, % AUG	09/01	07/14: 1.6% 08/14: 1.4% 06/15: 0.7% 07/15: 0.7%	The Republic of Korea's CPI rose 0.7% y-o-y in July, the same rate of increase as in June. Eight out of 12 expenditure categories in the CPI registered y-o-y hikes in July.
Korea, Rep. of Exports y-o-y, % AUG	09/01	07/14: 5.2% 08/14: -0.4% 06/15: -2.6% 07/15: -3.4%	The Republic of Korea's merchandise exports fell 3.4% y-o-y in July, a faster pace of annual decline compared to June's 2.6% y-o-y drop.
Thailand CPI y-o-y, % AUG	09/01	07/14: 2.2% 08/14: 2.1% 06/15: -1.1% 07/15: -1.1%	Thailand's CPI fell 1.0% in July, marking the seventh consecutive month of a y-o-y decrease. July's decline was brought about by y-o-y decreases in energy prices and transport costs.
Korea, Rep. of Current Account US\$ million JUL	09/02	06/14: 7,958.1 07/14: 7,881.7 05/15: 8,618.1 06/15: 12,186.5	The current account surplus of the Republic of Korea climbed to US\$12.2 billion in June from US\$8.6 billion in May, led by monthly increases in the merchandise trade surplus and primary income surplus.
Singapore PMI Index AUG	09/02	07/14: 51.5 08/14: 49.7 06/15: 50.4 07/15: 49.7	Singapore's PMI fell to 49.7 in July from 50.4 in June. The Singapore Institute of Purchasing and Materials Management attributed the decrease in the PMI to a decline in new orders, production, and new export orders.
Korea, Rep. of GDP y-o-y, % 2Q15 (Final)	09/03	2Q14: 3.4% 3Q14: 3.3% 1Q15: 2.5% 2Q15: 2.2%	Real gross domestic product growth (GDP) in the Republic of Korea decelerated to 2.2% y-o-y in 2Q15 from 2.5% y-o-y in 1Q15 per the Bank of Korea's advance estimates. The slower y-o-y growth in 2Q15 was partly caused by a contraction in total exports and agriculture, forestry, and fishing production.
Korea, Rep. of Short-Term External Debt US\$ billion 2Q15	09/03	1Q14: 120.7 2Q14: 128.6 4Q14: 115.3 1Q15: 112.8	The short-term external debt of the Republic of Korea amounted to US\$112.8 billion in 1Q15, down from 4Q14 and 1Q14 levels of US\$115.3 billion and US\$120.7 billion, respectively.
Malaysia Exports y-o-y, % JUL	09/04	06/14: 8.1% 07/14: 0.8% 05/15: -6.7% 06/15: 5.0%	Malaysia's exports rose 5.0% y-o-y in June, a reversal from the contraction of 6.7% y-o-y in May.
Philippines CPI y-o-y, % AUG	09/04	07/14: 4.9% 08/14: 4.9% 06/15: 1.2% 07/15: 0.8%	Malaysia's exports rose 5.0% y-o-y in June, a reversal from the contraction of 6.7% y-o-y in May.

Source: AsianBondsOnline, Bloomberg LP, and Reuters.

News Articles: Sources for Further Reading

Tip: Click on link to open a new browser (Acrobat Reader 8); for older versions right-click to open a new browser)

The PRC Lowers Policy Rates and Reserve Requirement Ratios

- [PBC Decides to Cut RMB Benchmark Loan and Deposit Interest Rates and Reduce Reserve Requirement Ratio](#)
The People's Bank of China (28 August 2015)

Consumer Price Inflation in July Eases in Japan, Remains Negative in Singapore; Consumer Price Inflation Moderates in Viet Nam in August

- [Japan July 2015, Ku-area of Tokyo August 2015](#)
Statistics Bureau, Ministry of Internal Affairs and Communications (Statistics Japan) (28 August 2015)
- [Consumer Price Developments in July 2015](#)
Monetary Authority of Singapore and Ministry of Trade and Industry Singapore (24 August 2015)
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