

7 September 2015

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Key Developments in Asian Local Currency Markets

Consumer price inflation in Indonesia eased to 7.2% year-on-year (y-o-y) in August from 7.3% y-o-y in July. Between July and August, consumer price inflation declined 0.4%, as prices normalized following the Ramadan and Idul Fitri celebrations. Consumer price inflation in the Republic of Korea was 0.7% y-o-y for the third consecutive month in August. In the Philippines, consumer price inflation eased further to 0.6% y-o-y in August from 0.8% y-o-y in July, mainly due to accelerating annual decreases in the transport and utilities indices, and slower annual price increases in most commodity groups. Thailand's Consumer Price Index dropped 1.2% y-o-y in August, the eighth consecutive month of a y-o-y decline, largely due to falling energy prices.

Real gross domestic product growth in the Republic of Korea stood at 0.3% quarter-on-quarter (q-o-q) and 2.2% y-o-y in 2Q15, according to the Bank of Korea's preliminary estimates announced last week; these figures remained unchanged from the central bank's advance estimates released in July.

The current account surplus in the Republic of Korea narrowed to US\$10.1 billion in July from US\$12.1 billion in June, mainly due to monthly decreases in the merchandise trade surplus and primary income surplus. Malaysia's trade surplus narrowed to MYR2.4 billion in July from MYR8.0 billion in June as exports contracted and imports (led by capital goods) rose. Thailand's current account surplus widened to US\$2.1 billion in July from US\$0.9 billion in June, due to a monthly increase in the merchandise trade surplus and a monthly decrease in the deficit position in the net services, primary income, and secondary income account, according to Bank of Thailand data.

Last week, the People's Republic of China (PRC) removed the 75% loan-to-deposit cap for commercial banks. The new regulation will take effect on 1 October.

The PRC's manufacturing Purchasing Managers Index (PMI) fell to 49.7 in August from 50.0 in July, indicating a contraction in manufacturing activity. The PRC's non-manufacturing PMI likewise fell to 53.4 from 53.9 in the same period. The PMI in Singapore fell to 49.3 from 49.7 in July. The electronics PMI also fell below the 50-point threshold to a reading of 49.0 in August. Thailand's manufacturing production contracted 5.3% y-o-y in July, the fifth consecutive month of decline.

The Republic of Korea's external debt rose to US\$420.6 billion at end-June from US\$418.9

Asia Bond Monitor June 2015

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10-Year Selected LCY Government Security Yields Close of 4 September 2015 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.12	-3.52	-5.62	-4.68
EU	0.67	-5.60	-7.40	12.70
Japan	0.36	-4.10	-1.90	3.10
PRC	3.40	0.00	-7.00	-25.00
Hong Kong, China	1.82	-1.10	-1.10	-7.20
India	7.75	0.70	-2.30	-12.70
Indonesia	8.93	5.20	14.10	111.00
Korea, Rep. of	2.24	-4.20	-4.90	-36.70
Malaysia	4.21	-4.60	-18.50	6.40
Philippines	4.26	-21.83	-10.00	39.67
Singapore	2.77	-3.97	1.27	49.28
Thailand	2.86	-0.10	5.90	12.80
Viet Nam	7.14	-6.60	5.20	-8.80

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- 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

billion at end-March, due to a quarterly increase in short-term external debt. Short-term external debt climbed by US\$8.4 billion in 2Q15 to level off at US\$121.2 billion at end-June, offsetting the US\$6.7 billion quarterly decrease in long-term external debt, which stood at US\$299.4 billion at end-March.

Government bond yields fell last week for all tenors in the Republic of Korea and Malaysia and at the longer-end in Hong Kong, China, following US yield movements, and for most tenors in the PRC, following additional stimulus and in the Philippines, following a decline in inflation. Yields rose for most tenors in Thailand and Viet Nam but were mixed in Singapore. The 2-year versus 10-year yield rose in all markets except the PRC, Malaysia and the Philippines.

Summary Text of News Articles

Consumer Price Inflation Eases Slightly in Indonesia and the Philippines in August; Consumer Price Inflation Unchanged in August in the Republic of Korea; Thailand's Consumer Price Deflation Worsens in August

Consumer price inflation in Indonesia slightly eased to 7.2% year-on-year (y-o-y) in August from 7.3% y-o-y in July. Between July and August, consumer prices declined 0.4%, as prices normalized following the Ramadan and Idul Fitri celebrations.

Consumer price inflation in the Republic of Korea was 0.7% y-o-y for the third consecutive month in August, according to data from Statistics Korea. Eight out of 12 expenditure categories in the Consumer Price Index (CPI) recorded y-o-y price increases in August, while the other four posted y-o-y price decreases. On a month-on-month (m-o-m) basis, consumer price inflation in August remained unchanged from the previous month at 0.2%.

In the Philippines, consumer price inflation eased further to 0.6% y-o-y in August from 0.8% y-o-y in July, mainly due to accelerating annual decreases in the transport and utilities indices, and slower annual price increases for most commodity groups. The transport index decreased 0.6% y-o-y in August following a decline of 0.5% y-o-y in July; the housing, water, electricity, gas, and other fuels index also registered a contraction of 1.7% y-o-y following a 1.1% y-o-y decline in the previous month.

Thailand's CPI dropped 1.2% y-o-y in August, the eighth consecutive month of a y-o-y decline, largely due to falling energy prices, according to data from the Ministry of Commerce. The price index for food and non-alcoholic beverages rose 1.3% y-o-y in August, while falling 2.5% y-o-y for non-food and beverages—with energy prices decreasing 17.0% y-o-y. Between July and August, the CPI fell 0.2%.

For inflation trends in Indonesia, refer to this link:

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

For inflation trends in the Republic of Korea, refer to this link:

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

For inflation trends in the Philippines, refer to this link:

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

For inflation trends in Thailand, refer to this link:

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

Real GDP Growth in the Republic of Korea at 0.3% q-o-q and 2.2% y-o-y in 2Q15

Real gross domestic product (GDP) growth in the Republic of Korea stood at 0.3% quarter-on-quarter (q-o-q) and 2.2% y-o-y in 2Q15, according to the Bank of Korea's preliminary estimates announced last week; these figures remained unchanged from the central bank's advance estimates released in July.

Current Account Surplus Narrows in Malaysia and the Republic of Korea, Widens in Thailand in July

The current account surplus in the Republic of Korea narrowed to US\$10.1 billion in July from US\$12.1 billion in June, mainly due to monthly decreases in the merchandise trade surplus and primary income surplus, according to the Bank of Korea. The trade surplus in goods contracted to US\$10.9 billion in July from US\$13.1 billion in June as merchandise exports decreased 2.1% m-o-m to US\$48.2 billion and imports rose 3.5% m-o-m to US\$37.3 billion. Also, the primary income surplus declined to US\$1.3 billion in July from US\$1.7 billion in June. In contrast, the services account deficit narrowed to US\$1.9 billion in July from US\$2.5 billion in June, while the secondary income deficit fell to US\$0.1 billion from US\$0.2 billion.

Malaysia's trade surplus narrowed to MYR2.4 billion in July from MYR8.0 billion in June as exports contracted and imports rose. Exports contracted 1.6% m-o-m in July to MYR63.2 billion from MYR64.3 billion in June. Exports of refined petroleum products, liquefied natural gas, and crude petroleum all posted m-o-m decreases in July. Meanwhile, imports rose 8.1% m-o-m to MYR60.9 billion from MYR56.3 billion in June, due to m-o-m increases in imports of intermediate goods and capital goods.

Summary Text of News Articles

Current Account Surplus Narrows in Malaysia and the Republic of Korea, Widens in Thailand in July (cont...)

Thailand's current account surplus widened to US\$2.1 billion in July from US\$0.9 billion in June, due to a monthly increase in the merchandise trade surplus and a monthly decrease in the deficit position in the net services, primary income, and secondary income account, according to Bank of Thailand data. The merchandise trade surplus rose to US\$2.7 billion in July from US\$2.0 billion in June on the back of a 2.5% m-o-m increase in exports of goods and a 1.8% m-o-m decrease in merchandise imports. The deficit in the net services, primary income, and secondary income account narrowed to US\$0.6 billion in July from US\$1.1 billion in June.

The PRC Removes Loan-to-Deposit Cap

Last week, the People's Republic of China (PRC) removed the 75% loan-to-deposit cap for commercial banks. In making the announcement, the China Banking Regulatory Commission said that there are other tools available to monitor the liquidity of banks and that banks have diversified their assets and funding sources, making the limit outdated. The new regulation will take effect on 1 October.

The PRC's Manufacturing and Non-Manufacturing PMI Fall in August; Singapore's PMI below 50 in August; Thailand's Manufacturing Production Contracts 5.3% y-o-y in July

The PRC's manufacturing Purchasing Managers Index (PMI) fell to 49.7 in August from 50.0 in July, indicating a contraction in manufacturing activity. The PRC's non-manufacturing PMI fell to 53.4 from 53.9 in the same period, though it remained above the 50-point demarcation.

The PMI in Singapore was below the 50-point mark for the second month in a row in August, falling to a reading of 49.3 from 49.7 in July. The continued weakness in the overall PMI was due mainly to lower volumes of new orders, new export orders, and production output. The electronics PMI also fell below the 50-point threshold to a reading of 49.0 in August.

Thailand's manufacturing production contracted 5.3% y-o-y in July, the fifth consecutive month of decline, according to Bank of Thailand data. The central bank stated that manufacturing production was low due to weak domestic and global demand, which has undermined business confidence.

The Republic of Korea's Short-Term External Debt Rises in 2Q15

The Republic of Korea's external debt rose to US\$420.6 billion at end-June from US\$418.9 billion at end-March due to a quarterly increase in short-term external debt, based on data from the Bank of Korea. Short-term external debt climbed by US\$8.4 billion in 2Q15 to level off at US\$121.2 billion at end-June, offsetting the US\$6.7 billion quarterly decrease in long-term external debt, which stood at US\$299.4 billion at end-March.

Korea Eximbank Sells THB10 Billion 3-Year Bond

Korea Eximbank raised THB10 billion from its sale of a 3-year THB-denominated bond with a 2.18% coupon last week. The sale marked the bank's first issuance in Thailand's local currency bond market since March 2013.

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			1-Jan-15*
		Previous Day*	Previous Week*		
US	0.03	1.01	-2.54		-1.01
EU	-0.20	0.20		0.20	-16.20
Japan	0.00	0.00		0.00	-0.10
PRC	2.12	0.00		0.00	-156.00
Hong Kong, China	0.07	0.00		0.00	-0.80
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.50	-1.30	-2.90		-56.40
Malaysia	3.17	0.40	-0.60		-18.70
Philippines	1.25	-42.83	-49.50		-112.50
Singapore	0.93	-0.90		0.00	25.30
Thailand	1.45	0.00		0.03	-59.89

Close of 4 September 2015

10-Year Selected LCY Government Bond Yields

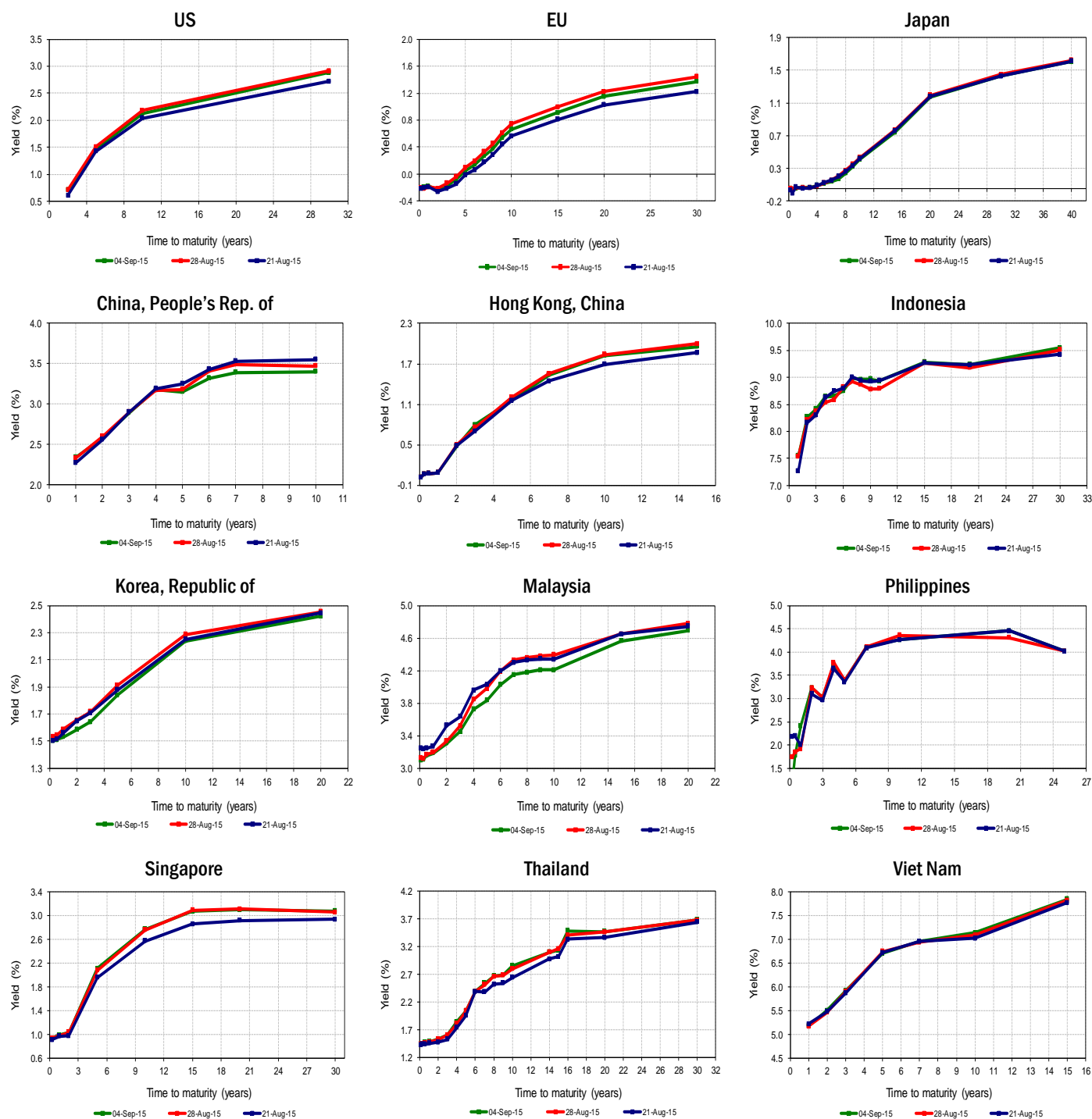
Markets	Latest Closing	basis point change from			1-Jan-15*
		Previous Day*	Previous Week*		
US	2.12	-3.52	-5.62		-4.68
EU	0.67	-5.60	-7.40		12.70
Japan	0.36	-4.10	-1.90		3.10
PRC	3.40	0.00	-7.00		-25.00
Hong Kong, China	1.82	-1.10	-1.10		-7.20
India	7.75	0.70	-2.30		-12.70
Indonesia	8.93	5.20		14.10	111.00
Korea, Rep. of	2.24	-4.20	-4.90		-36.70
Malaysia	4.21	-4.60	-18.50		6.40
Philippines	4.26	-21.83	-10.00		39.67
Singapore	2.77	-3.97		1.27	49.28
Thailand	2.86	-0.10		5.90	12.80
Viet Nam	7.14	-6.60		5.20	-8.80

Close of 4 September 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

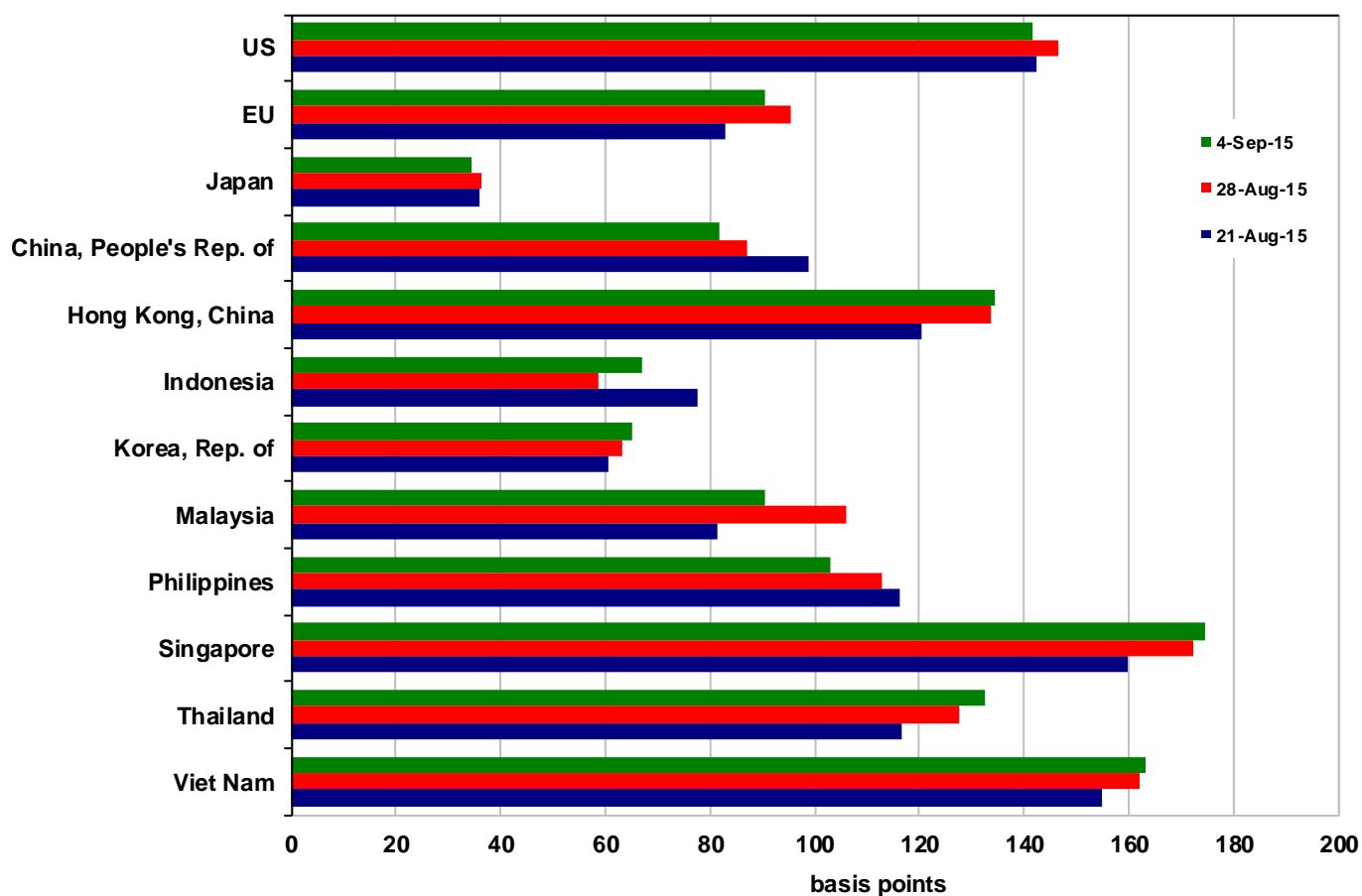


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



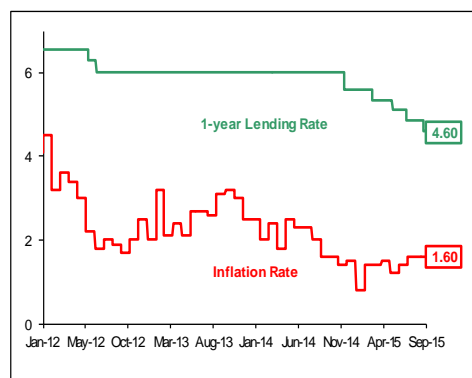
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

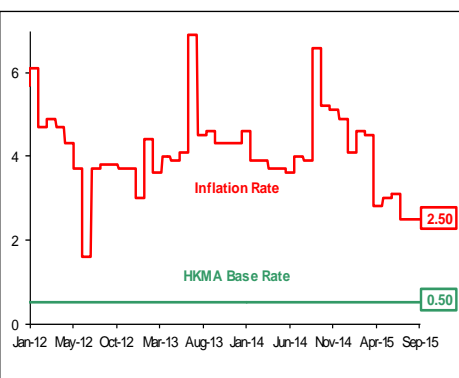
China, People's Rep. of



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

Source: Bloomberg LP.

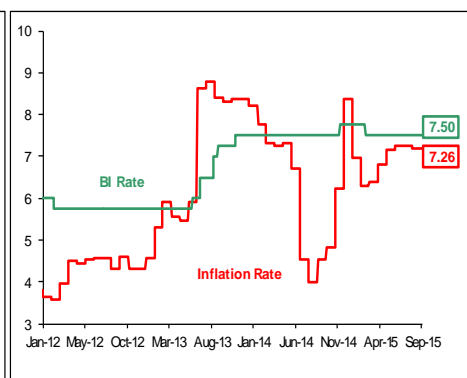
Hong Kong, China



The Hong Kong Monetary Authority maintains a Discount Window Base Rate.

Source: Bloomberg LP.

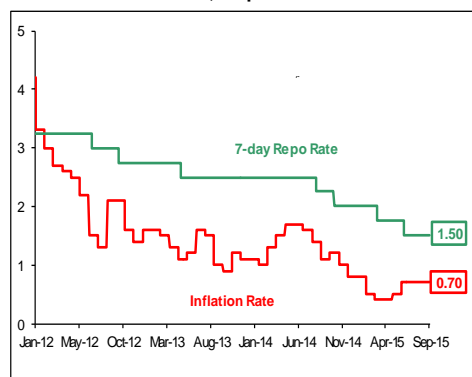
Indonesia



Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.

Source: Bloomberg LP.

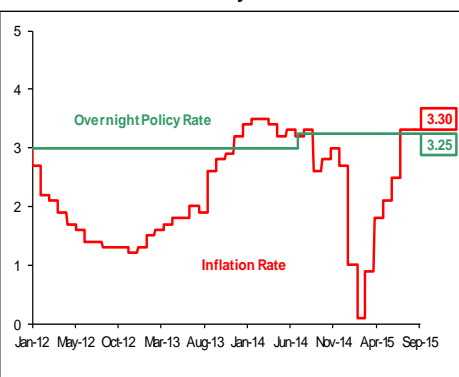
Korea, Republic of



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.

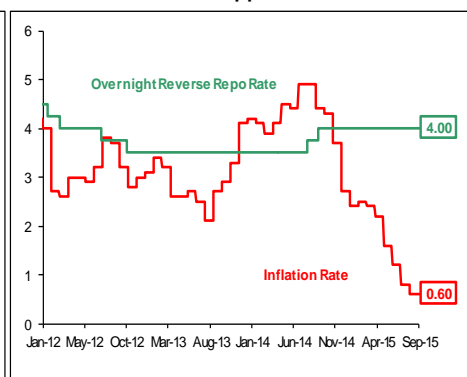
Malaysia



Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.

Source: Bloomberg LP.

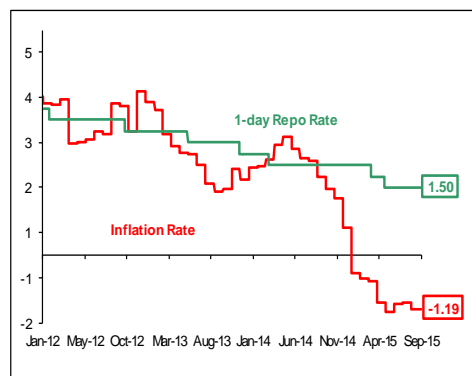
Philippines



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

Source: Bloomberg LP.

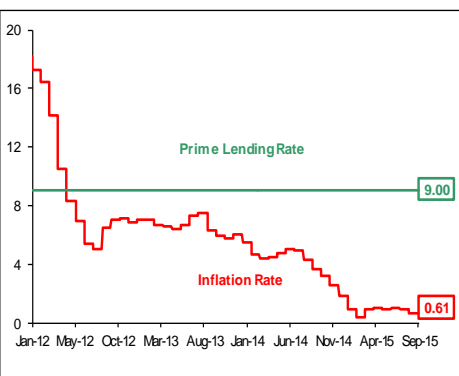
Thailand



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



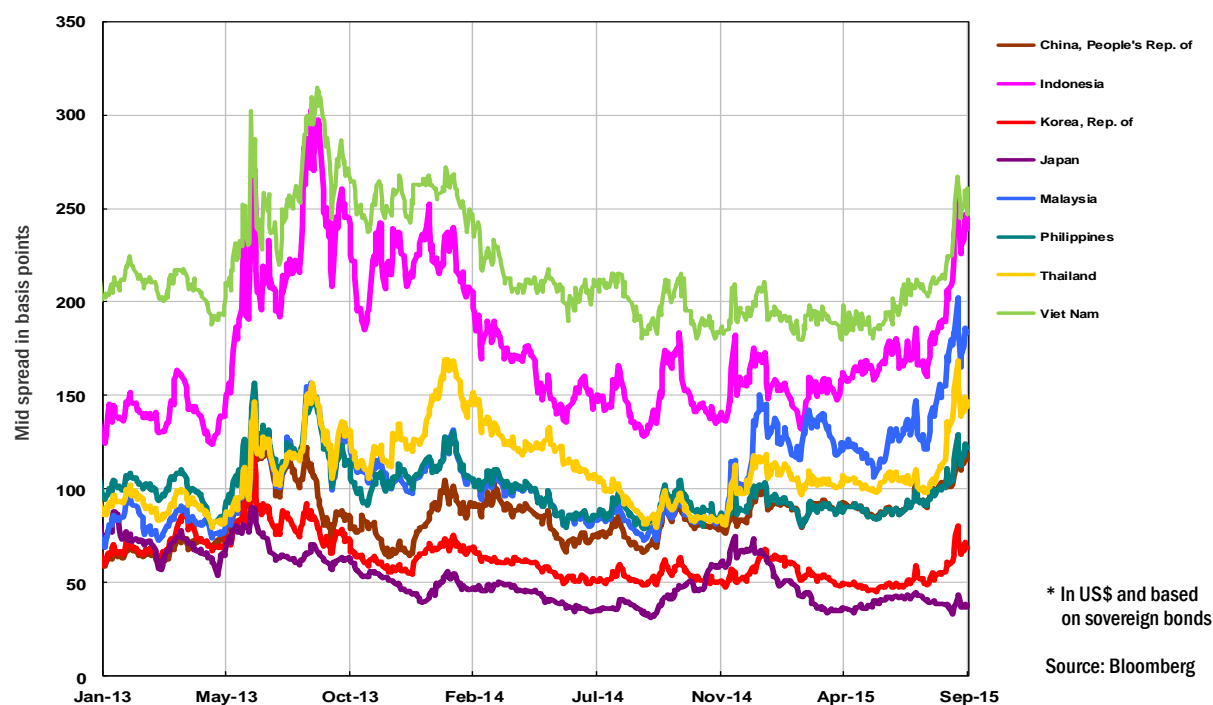
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

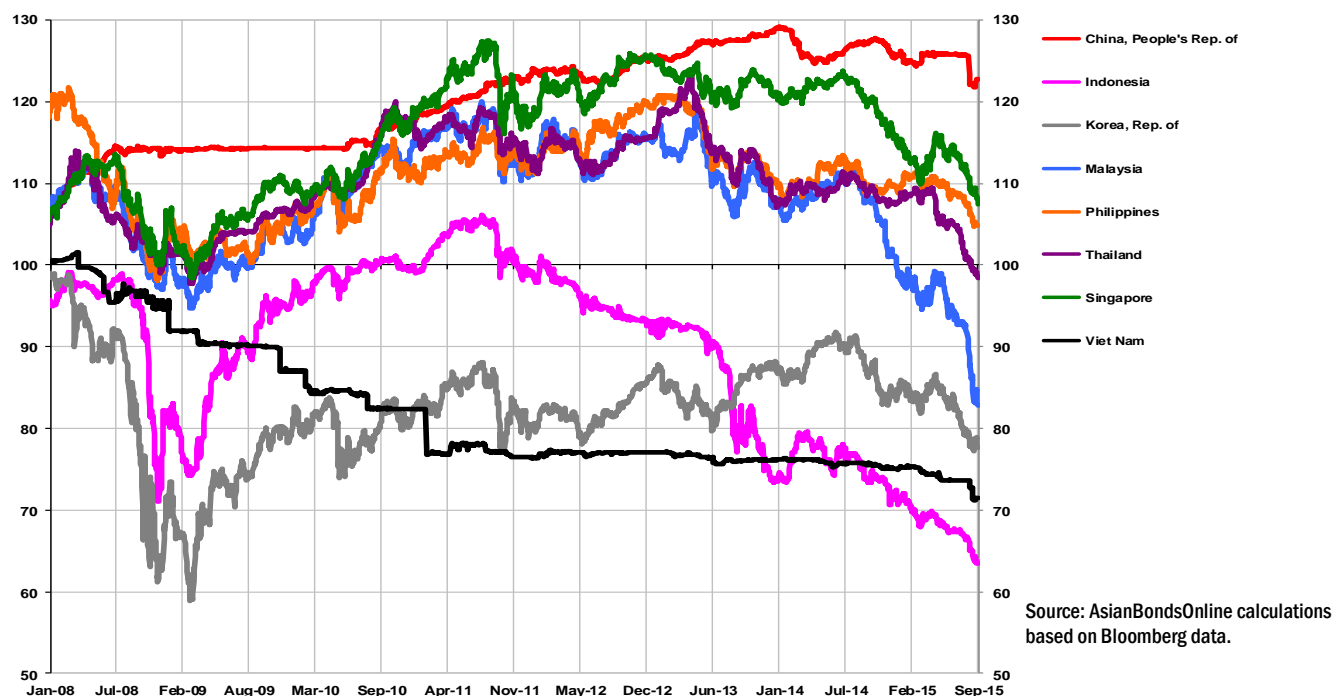
Credit Default Swap Spreads and Exchange Rate Indexes

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 (31 August – 4 September 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)
HK	1-Sep	91-day Exchange Fund Bills	0.01		35.08	35.08
		182-day Exchange Fund Bills	0.03		10.00	10.00
ID	1-Sep	3-month Treasury Bills	5.87			1,000.00
		1-year Treasury Bills	6.73			1,500.00
		5-year Treasury Bonds	8.50	8.25	10,000.00	3,800.00
		10-year Treasury Bonds	8.73	8.38		2,900.00
		21-year Treasury Bonds	9.08	8.25		800.00
JP	1-Sep	10-year Japanese Government Bonds	0.42	0.40	2,400.00	2,737.30
	3-Sep	3-month Treasury Discount Bills	-0.003		5,100.00	5,099.90
KR	31-Aug	91-day Monetary Stabilization Bonds	1.57		1,200.00	1,200.00
		3-year Korea Treasury Bonds	1.74	1.63	1,300.00	1,300.00
	1-Sep	30-year Korea Treasury Bonds	2.56	2.75	850.00	871.00
	2-Sep	2-year Monetary Stabilization Bonds	1.70	1.70	2,200.00	2,200.00
		63-day Treasury Bills	1.54		1,000.00	1,000.00
MY	3-Sep	91-day Treasury Bills	3.02		1.00	1.00
SG	1-Sep	28-day MAS Bills	0.52		0.50	0.50
		84-day MAS Bills	0.63		4.20	4.20
TH	31-Aug	28-day Treasury Bills	1.43		15.00	15.00
	1-Sep	91-day Bank of Thailand Bonds	1.43		30.00	30.00
		182-day Bank of Thailand Bonds	1.46		30.00	30.00
		301-day Bank of Thailand Bonds	1.48		30.00	30.00
	2-Sep	10.28-year Government Bonds	2.83	3.85	10.00	10.00
		28.84-year Government Bonds	3.69	4.68	5.00	4.26
	4-Sep	14-day Bank of Thailand Bonds	1.42		35.00	35.00
VN	3-Sep	5-year Treasury Bonds	6.45		2,000.00	800.00
		15-year Treasury Bonds	7.65		1,000.00	150.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (8 – 14 September 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
People's Republic of China Exports y-o-y, % AUG	09/08	7/14: 14.4% 8/14: 9.4% 6/15: 2.8% 7/15: -8.3%	Exports from the People's Republic of China (PRC) contracted 8.3% year-on-year (y-o-y) in July after climbing 2.8% y-o-y in June.
Japan BOP Current Account JPY billion JUL	09/08	6/14: -363.9 7/14: 403.6 5/15: 1,880.9 6/15: 558.6	Japan's current account surplus narrowed to JPY558.6 billion in June from JPY1.9 trillion in May.
People's Republic of China CPI y-o-y, % AUG	09/10	7/14: 2.3% 8/14: 2.0% 6/15: 1.4% 7/15: 1.6%	Consumer price inflation in the PRC rose to 1.6% y-o-y in July from 1.4% y-o-y in June.
People's Republic of China PPI y-o-y, % AUG	09/10	7/14: -0.9% 8/14: -1.2% 6/15: -4.8% 7/15: -5.4%	Producer prices in the PRC fell 5.4% y-o-y in July after contracting 4.8% y-o-y in June.
Japan GDP-Final y-o-y, % 2Q15	09/10	1Q14: 4.5% 2Q14: -7.5% 1Q15: 4.5% 2Q15: -1.6%	Japan's economy contracted 1.6% y-o-y in 2Q15, based on advanced estimates, a reversal from 4.5% y-o-y growth in 1Q15.
Republic of Korea BOK 7-Day Repo Rate % 10-Sep	09/10	8/14: 2.25% 9/14: 2.25% 7/15: 1.50% 8/15: 1.50%	The Bank of Korea's Monetary Policy Committee decided on 13 August to keep the base rate unchanged at 1.50%.
Malaysia Industrial Production y-o-y, % JUL	09/10	6/14: 7.0% 7/14: 0.6% 5/15: 4.5% 6/15: 4.3%	Malaysia's industrial production growth slowed to 4.3% y-o-y in June from 4.5% y-o-y in May.
Philippines Exports y-o-y, % JUL	09/10	6/14: 21.6% 7/14: 11.7% 5/15: -17.4% 6/15: -1.8%	The Philippines' exports contracted 1.8% y-o-y in June, following a decline of 17.4% y-o-y in May.
Malaysia BNM Overnight Policy Rate % 11-Sep	09/11	8/14: 3.25% 9/14: 3.25% 7/15: 3.25% 8/15: 3.25%	Bank Negara Malaysia maintained its overnight policy rate at 3.25% during its most recent monetary policy meeting on 9 July.
People's Republic of China Industrial Production y-o-y, % AUG	09/13	7/14: 9.0% 8/14: 6.9% 6/15: 6.8% 7/15: 6.0%	Industrial production growth in the PRC eased to 6.0% y-o-y in July from 6.9% y-o-y in June.

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)

Consumer Price Inflation Eases Slightly in Indonesia and the Philippines in August; August Consumer Price Inflation Positive in the Republic of Korea; Thailand Consumer Price Deflation Worsens in August

- [Post-Eid-ul-Fitr Inflation Slows](#)
Bank Indonesia (1 September 2015)
- [Consumer Price Index in August 2015](#)
Statistics Korea (1 September 2015)
- [Summary Inflation Report Consumer Price Index \(2006=100\) : August 2015](#)
Philippine Statistics Authority (4 September 2015)
- [Consumer Price Index and Core Consumer Price Index: August 2015](#)
Ministry of Commerce (1 September 2015)

Real GDP Growth of the Republic of Korea at 0.3% q-o-q and 2.2% y-o-y in 2Q15

- [Gross National Income: 2nd Quarter of 2015 \(Preliminary\)](#)
The Bank of Korea (3 September 2015)

Current Account Surplus Narrows Malaysia and in the Republic of Korea, Widens in Thailand in July

- [Balance of Payments during July 2015 \(preliminary\)](#)
The Bank of Korea (2 September 2015)
- [Table Attached to Press Release on Economic and Monetary Conditions in July 2015](#)
Bank of Thailand (31 August 2015)
- [Balance of Payments \(Summary\) \(US\\$\)](#)
Bank of Thailand (31 August 2015)
- [Monthly External Trade Statistics July 2015](#)
Department of Statistics Malaysia (4 September 2015)
- [Monthly External Trade Statistics June 2015](#)
Department of Statistics Malaysia (5 August 2015)

PRC Removes Loan-to-Deposit Cap

- [China removes regulation on loan-to-deposit ratio](#)
Xinhua (29 August 2015)

PRC's Manufacturing and Non-manufacturing PMI Fall in August; Singapore PMI at 49.3 in August; Thailand's Manufacturing Production Contracts 5.3% y-o-y in July

- [China Aug official PMI shrinks to 3-year low of 49.7, in line with forecasts](#)
Reuters (1 September 2015)
- [China official services PMI falls to 53.4 in August](#)
Reuters (1 September 2015)
- [Singapore's manufacturing economy contracts in August](#)
Channel News Asia (2 September 2015)
- [Press Release on Economic and Monetary Conditions for July 2015](#)
Bank of Thailand (31 August 2015)

- [Table Attached to Press Release on Economic and Monetary Conditions in July 2015](#)
Bank of Thailand (31 August 2015)

The Republic of Korea's Short-Term External Debt Rises in 2Q15

- [International Investment Position \(IIP\) at the end of June 2015 \(preliminary\)](#)
The Bank of Korea (1 September 2015)

Korea Eximbank Sells THB10 Billion 3-year Bond

- [Kexim back in baht](#)
FinanceAsia (1 September 2015)

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