

14 September 2015

asianbondsonline.adb.org

Key Developments in Asian Local Currency Markets

The Bank of Korea's Monetary Policy Board decided on 11 September to keep the base rate unchanged at 1.50%. The board assessed that the global economy's moderate recovery would be maintained, while the domestic economy's recovery would also continue, buoyed by domestic demand despite falling exports. In Malaysia, the Monetary Policy Committee of Bank Negara Malaysia decided to maintain the overnight policy rate at 3.25%. The committee expects Malaysia's economy to continue to grow moderately, supported by domestic demand. Meanwhile, inflation is expected to rise in early 2016 and moderate thereafter.

➤ In the People's Republic of China, consumer price inflation rose to 2.0% year-on-year (y-o-y) in August from 1.6% y-o-y in July. On a month-on-month basis, consumer prices rose 0.5%.

➤ The contraction in Japan's real gross domestic product (GDP) was revised to -0.3% quarter-on-quarter (q-o-q) in 2Q15 from a preliminary estimate of -0.4% q-o-q. On an annualized basis, Japan's real GDP contraction slowed to -1.2% from a preliminary estimate of -1.6%. Industrial production growth in Malaysia rose to 6.1% y-o-y in July from 4.3% y-o-y in June, mainly due to accelerating growth in the mining index from 4.0% y-o-y in June to 14.0% y-o-y in July.

➤ Japan's current account surplus widened to JPY1.8 trillion in July from JPY559 billion in June, mainly due to the rise in the primary income account surplus to JPY2.2 trillion from JPY657 billion. In the Philippines, merchandise exports contracted 1.8% y-o-y to US\$5.3 billion in July, due to decreases in exports in eight major commodity product categories.

➤ In the Philippines, the Bureau of the Treasury concluded its most recent domestic liability management exercise via a bond swap, accepting total exchange offers of eligible bonds worth approximately PHP237 billion and new subscription offers of about PHP9.6 billion. As a result, the Bureau of the Treasury raised PHP121 billion worth of new 10-year benchmark bonds and PHP142 billion worth of new 25-year benchmark bonds, which were priced 3.625% and 4.625%, respectively.

➤ Korea Development Bank last week priced a US\$750 million 10-year bond with a 3.375% coupon to yield 115 basis points above US Treasuries.

➤ Government bond yields rose last week for all tenors in Indonesia, Singapore, and

Asia Bond Monitor June 2015

[read more](#)

10-Year Selected LCY Government Security Yields Close of 11 September 2015 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.19	-3.37	6.39	1.71
EU	0.65	-4.20	-1.50	11.20
Japan	0.35	-0.50	-1.50	1.60
PRC	3.35	0.00	-5.00	-30.00
Hong Kong, China	1.74	-0.20	-8.60	-15.80
India	7.77	-0.20	1.90	-10.80
Indonesia	9.27	4.30	33.80	144.80
Korea, Rep. of	2.23	1.00	-0.50	-37.20
Malaysia	4.18	-1.40	-2.70	3.70
Philippines	3.73	1.64	-53.02	-13.35
Singapore	2.88	0.00	10.46	59.74
Thailand	3.08	0.60	22.40	35.20
Viet Nam	7.10	-8.00	-4.60	-13.40

- 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

Thailand; and for most tenors in the Republic of Korea. Yields fell for most tenors in the PRC; Hong Kong, China; and Viet Nam. Meanwhile, yield movements were mixed in Malaysia and the Philippines. Yield spreads between the 2- and 10-year tenors narrowed for all markets except for Indonesia and Thailand.

➤ The upcoming issue of the Asia Bond Monitor will be released on 16 September and will be available for download on the AsianBondsOnline website.

Summary Text of News Articles

Policy Rates Kept Unchanged in the Republic of Korea and Malaysia

The Bank of Korea's Monetary Policy Board decided on 11 September to keep the base rate unchanged at 1.50%. The board assessed that the global economy's moderate recovery would be maintained, while the domestic economy's recovery would also continue, buoyed by domestic demand despite falling exports. The board projects that consumer price inflation in the Republic of Korea will remain at a low level due to low oil prices.

Last week, the Monetary Policy Committee of Bank Negara Malaysia decided to maintain the overnight policy rate at 3.25%. The central bank stated that while the global economy was continuing to grow moderately, there were still downside risks to the global economic outlook, including concerns over growth momentum in major emerging market economies and volatile commodity prices and financial markets. The committee expects Malaysia's economy to continue to grow moderately, supported by domestic demand. Meanwhile, inflation is expected to rise in early 2016 and moderate thereafter.

For policy rate 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 policy rate trends in Malaysia, refer to this link:

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

Consumer Price Inflation in the PRC Rises in August

In the People's Republic of China (PRC), consumer price inflation rose to 2.0% year-on-year (y-o-y) in August from 1.6% y-o-y in July. On a month-on-month basis, consumer prices rose 0.5%. The rise was driven by increasing food prices, notably vegetable and pork prices.

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

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

Japan's Real GDP Contracts in 2Q15; Industrial Production in Malaysia Rises in July

The contraction in Japan's real gross domestic product (GDP) was revised to -0.3% quarter-on-quarter (q-o-q) in 2Q15 from a preliminary estimate of -0.4% q-o-q. This was primarily due a smaller q-o-q decline in private demand of -0.3% compared with a preliminary estimate of -0.4%. Meanwhile, the increase in public demand eased to 0.7% q-o-q from 0.8% q-o-q. Declines in exports and imports were -4.4% and -2.6%, respectively, for the second quarter in a row. On an annualized basis, the contraction in Japan's real GDP slowed to -1.2% from a preliminary estimate of -1.6%.

Industrial production growth in Malaysia rose to 6.1% y-o-y in July from 4.3% y-o-y in June, mainly due to growth in the mining index accelerating to 14.0% y-o-y from 4.0% y-o-y in June and the contraction in the electricity index slowing to -1.2% y-o-y from -2.3% y-o-y. Meanwhile, growth in the manufacturing index eased to 4.2% y-o-y from 4.9% y-o-y.

Japan's Current Account Surplus Widens in July; Philippine Merchandise Exports Contract in July

Japan's current account surplus widened to JPY1.8 trillion in July from JPY559 billion in June, mainly due to a rise in the primary income account surplus to JPY2.2 trillion from JPY657 billion. The goods account posted a deficit of JPY108 billion, a reversal from the JPY103 billion surplus in June. Moreover, the deficits in the services account and secondary income account widened to JPY184 billion and JPY131 billion from JPY171 billion and JPY30 billion, respectively.

In the Philippines, merchandise exports contracted 1.8% y-o-y to US\$5.3 billion in July, due to y-o-y decreases in exports of eight major commodity product categories: other mineral products; machinery and transport equipment; articles of apparel and clothing accessories; metal components; chemicals; coconut oil; ignition wiring set and other wiring sets used in vehicles, aircrafts, and ships; and other manufactures. Exports of electronic products, which accounted for the largest share of total monthly merchandise exports in July (52.9%), increased 34.6% y-o-y. Japan

Summary Text of News Articles

**Japan's Current Account Surplus Widens in July;
Philippine Merchandise Exports Contract in July (cont...)**

remained the Philippines' largest export market, accounting for a 19.3% share of total merchandise exports; followed by the PRC (16.3%); United States (US) (14.8%); Hong Kong, China (9.8%); and Singapore (5.6%).

The Philippine's Bureau of the Treasury Issues New 10-Year and 25-Year Benchmarks via Bond Swap

In the Philippines, the Bureau of the Treasury concluded its most recent domestic liability management exercise via bond swap, accepting total exchange offers of eligible bonds worth approximately PHP237 billion and new subscription offers of about PHP9.6 billion. As a result, the BTr raised PHP121 billion worth of new 10-year benchmark bonds and PHP142 billion worth of new 15-year benchmark bonds, which were priced 3.625% and 4.625%, respectively.

KDB Prices US\$750 Million 10-Year Bond

Korea Development Bank (KDB) last week priced a US\$750 million 10-year US\$-denominated bond with a 3.375% coupon to yield 115 basis points above US Treasuries. By investor origin, 73% of the KDB bond went to Asia; 17% to the US; and 10% to Europe, the Middle East, and Africa. By investor type, the largest investor group were insurance companies and pension funds, which bought a combined 56%.

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	-0.01		-1.02
EU	-0.19	0.20	0.70		-15.50
Japan	0.00	-0.20	-0.20		-0.30
PRC	2.03	-8.00	-8.00		-163.00
Hong Kong, China	0.07	0.00	0.00		-0.80
India	8.31	0.00	0.00		0.00
Korea, Rep. of	1.51	1.00	0.40		-56.00
Malaysia	3.19	0.60	1.30		-17.40
Philippines	1.34	3.08	8.95		-103.55
Singapore	1.09	0.00	16.10		41.40
Thailand	1.46	0.32	1.37		-58.53

Close of 11 September 2015

10-Year Selected LCY Government Bond Yields

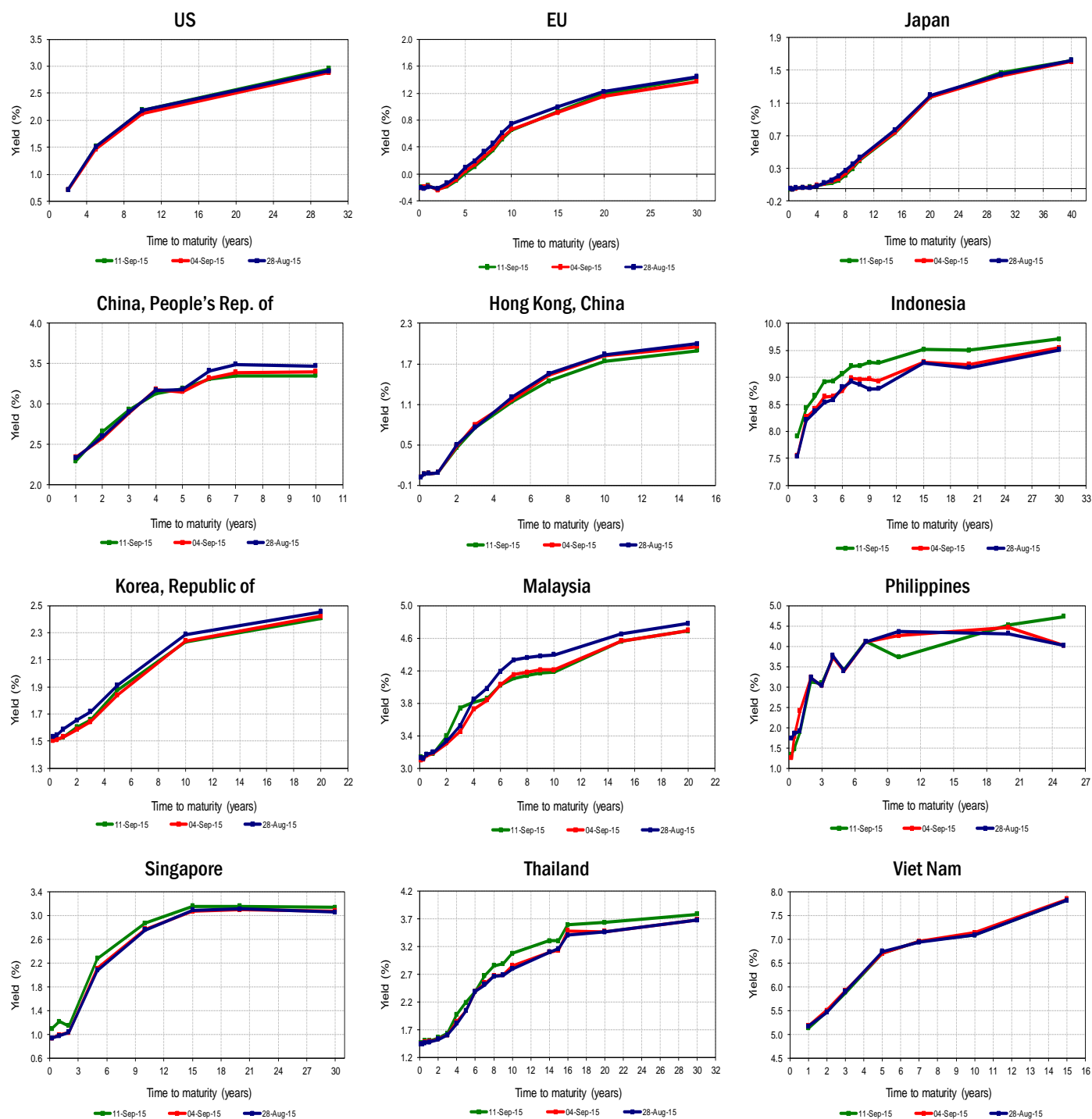
Markets	Latest Closing	basis point change from			1-Jan-15*
		Previous Day*	Previous Week*		
US	2.19	-3.37	6.39		1.71
EU	0.65	-4.20	-1.50		11.20
Japan	0.35	-0.50	-1.50		1.60
PRC	3.35	0.00	-5.00		-30.00
Hong Kong, China	1.74	-0.20	-8.60		-15.80
India	7.77	-0.20	1.90		-10.80
Indonesia	9.27	4.30	33.80		144.80
Korea, Rep. of	2.23	1.00	-0.50		-37.20
Malaysia	4.18	-1.40	-2.70		3.70
Philippines	3.73	1.64	-53.02		-13.35
Singapore	2.88	0.00	10.46		59.74
Thailand	3.08	0.60	22.40		35.20
Viet Nam	7.10	-8.00	-4.60		-13.40

Close of 11 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

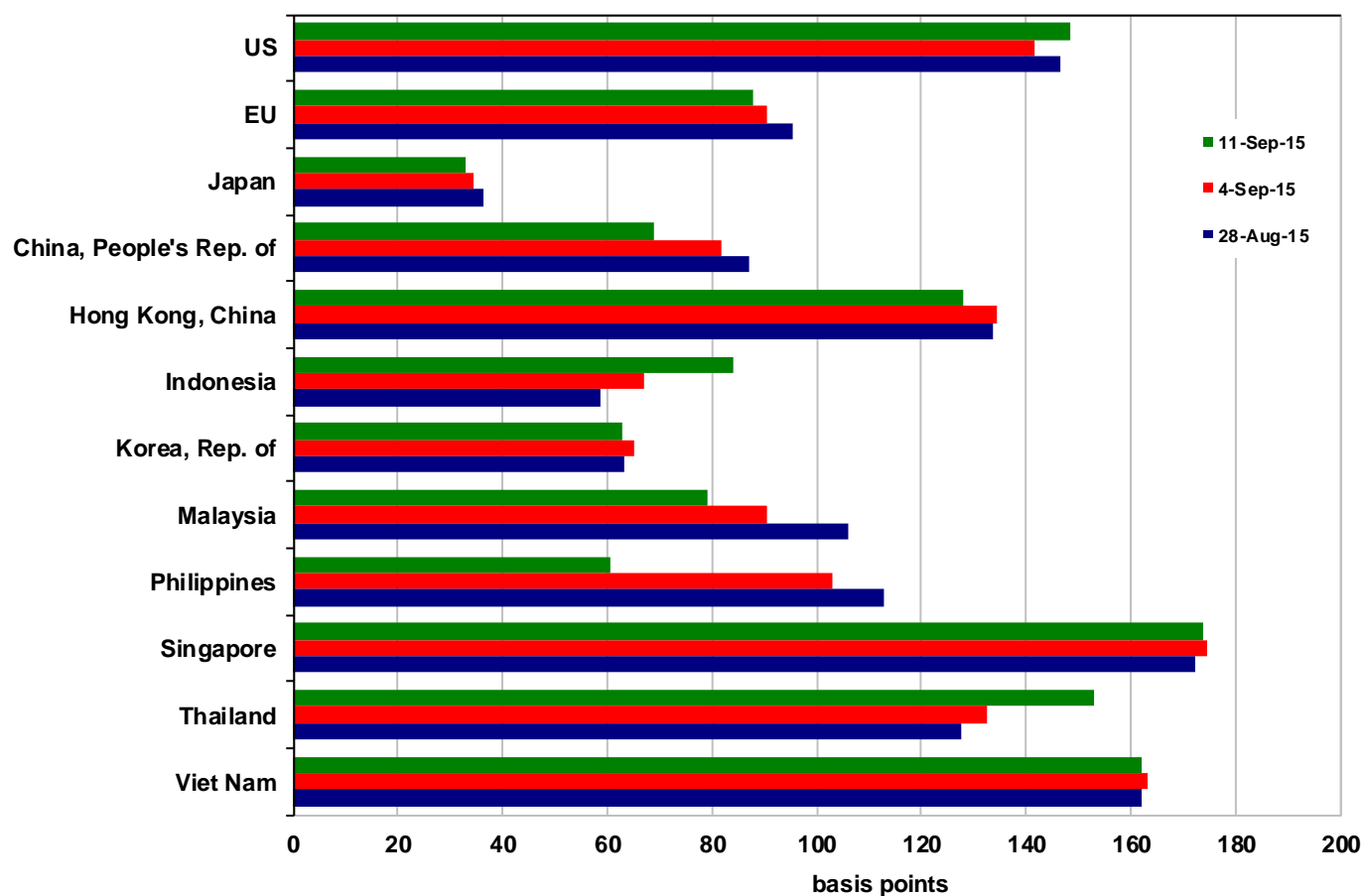


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



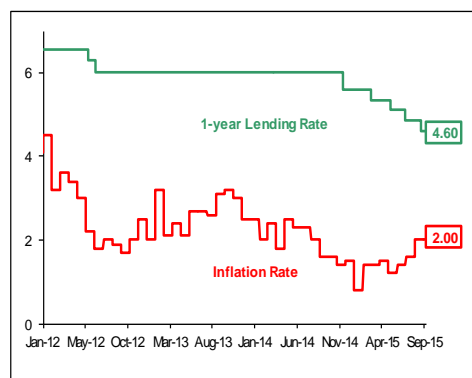
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

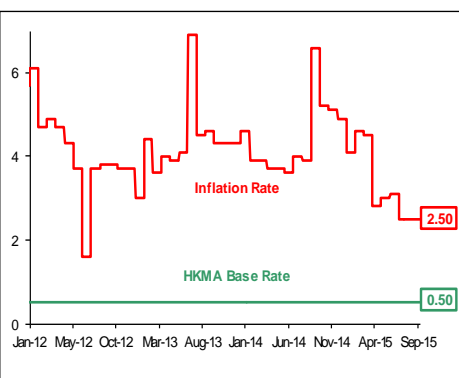
China, People's Rep. of



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

Source: Bloomberg LP.

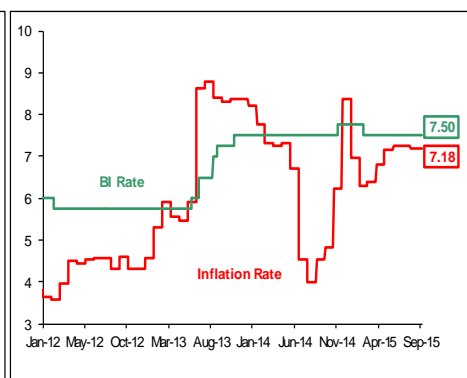
Hong Kong, China



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

Source: Bloomberg LP.

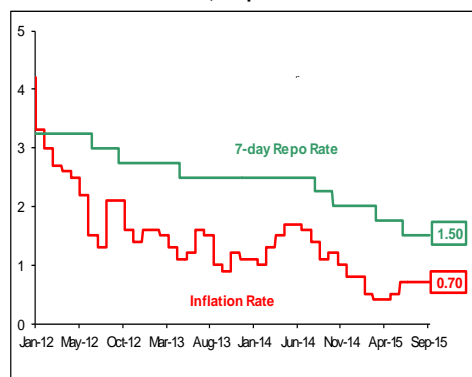
Indonesia



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

Source: Bloomberg LP.

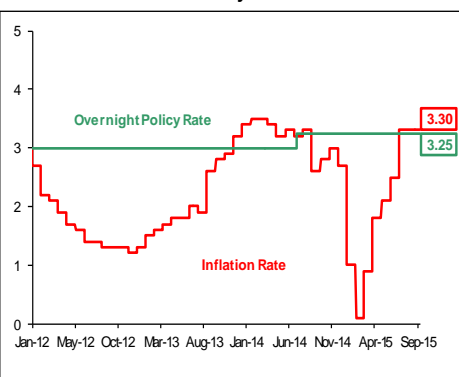
Korea, Republic of



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.

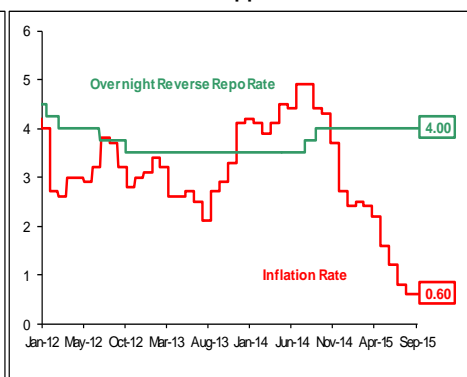
Malaysia



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

Source: Bloomberg LP.

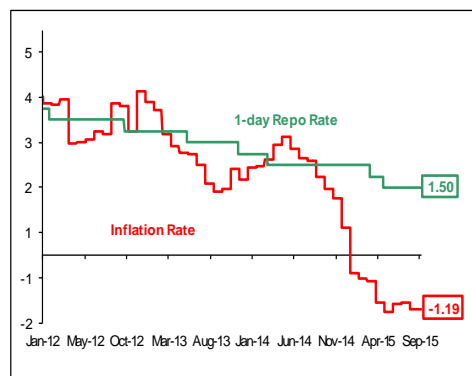
Philippines



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

Source: Bloomberg LP.

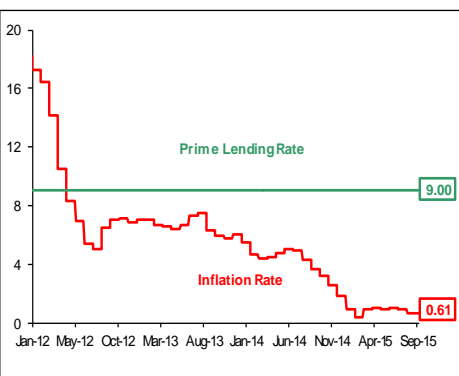
Thailand



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



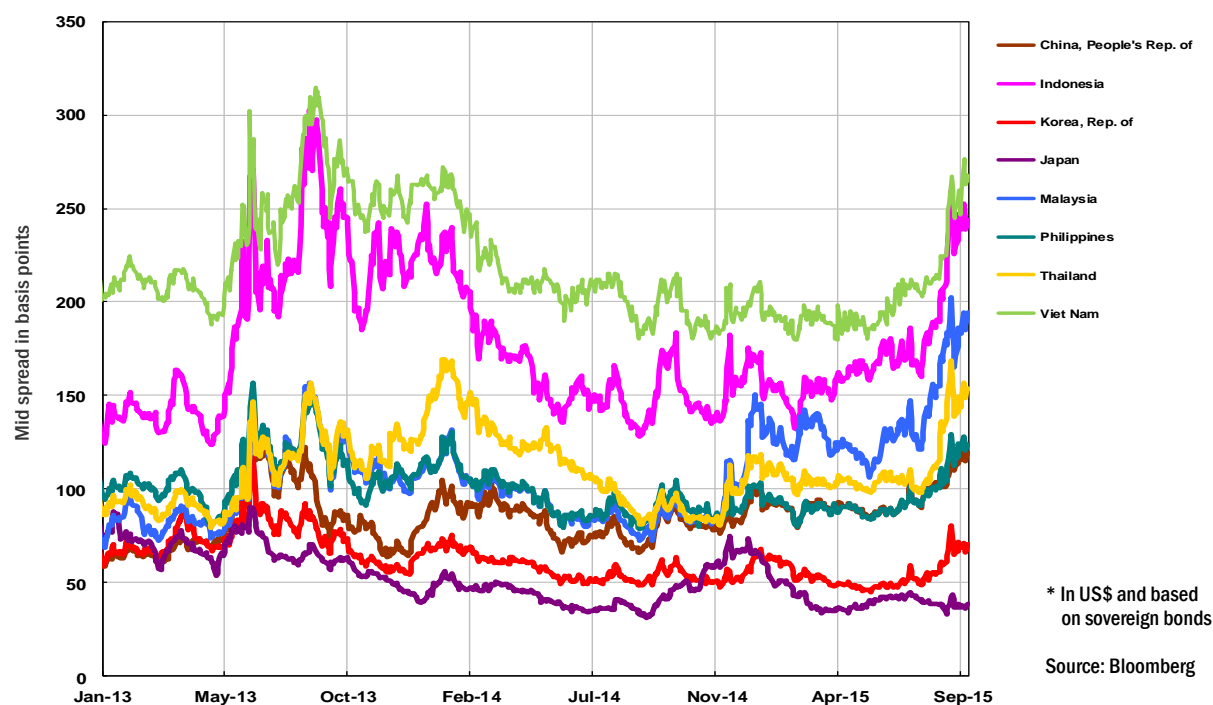
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

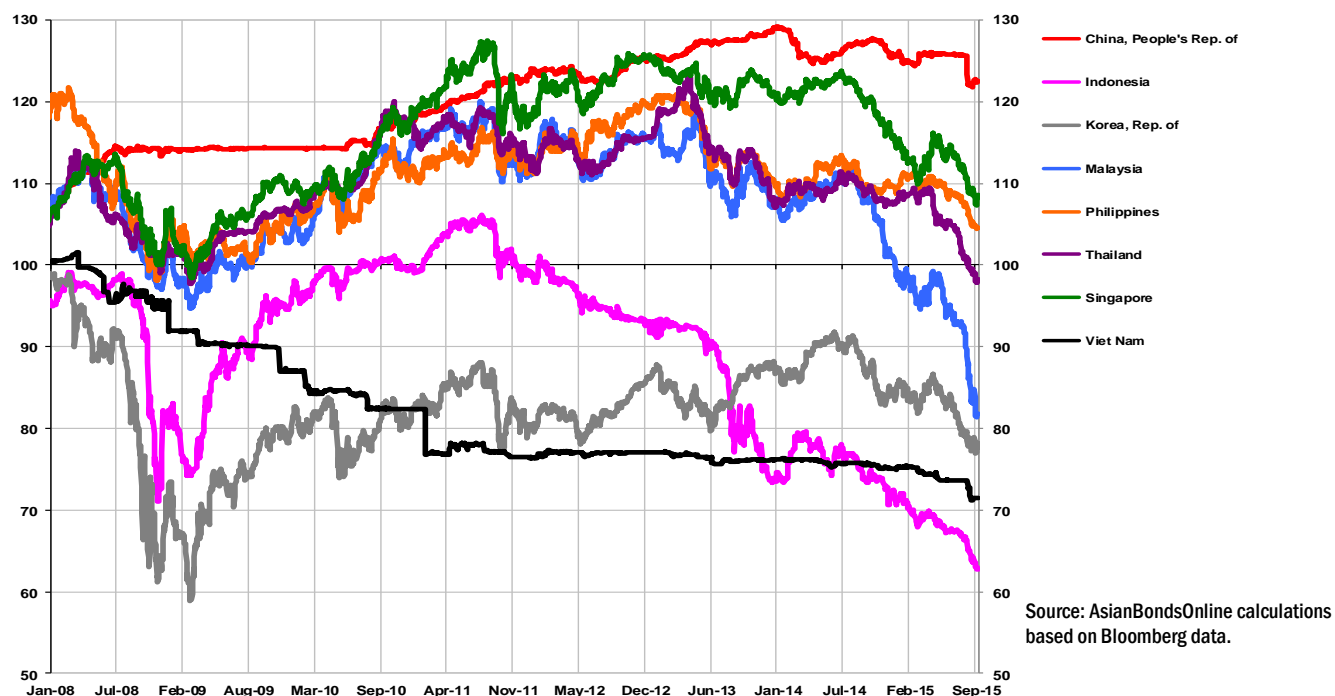
Credit Default Swap Spreads and Exchange Rate Indexes

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 (7 – 11 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)
CN	7-Sep	5-year Treasury Bonds	3.14	3.14	30.00	30.00
	9-Sep	10-year Treasury Bonds	3.32	3.51	30.00	30.00
HK	8-Sep	91-day Exchange Fund Bills	0.02		28.46	28.46
		182-day Exchange Fund Bills	0.03		9.00	9.00
		364-day Exchange Fund Bills	0.08		5.00	5.00
ID	8-Sep	6-month Islamic Treasury Bills	6.81			810.00
		1-year Project-Based Sukuk	7.51	7.00	2,500.00	200.00
		3-year Project-Based Sukuk	8.32	7.75		960.00
		5-year Project-Based Sukuk	8.91	8.25		530.00
JP	8-Sep	6-month Treasury Discount Bills	-0.01		3,500.00	3,499.94
		30-year Japanese Government Bonds	1.41	1.40	800.00	916.70
	10-Sep	3-month Treasury Discount Bills	0.00		5,100.00	5,049.92
		5-year Japanese Government Bonds	0.07	0.10	2,500.00	2,829.90
KR	7-Sep	91-day Monetary Stabilization Bonds	1.52		1,200.00	1,200.00
		182-day Monetary Stabilization Bonds	1.52		600.00	600.00
		5-year Korea Treasury Bonds	1.88	2.00	2,200.00	2,220.00
	9-Sep	63-day Treasury Bills	1.53		1,000.00	1,000.00
MY	10-Sep	91-day Treasury Bills	3.17		1.00	1.00
PH	7-Sep	91-day Treasury Bills	1.51		8.00	8.00
		182-day Treasury Bills	1.53		6.00	6.00
		364-day Treasury Bills	1.92		6.00	6.00
SG	8-Sep	25-day MAS Bills	0.45		0.50	0.50
		81-day MAS Bills	0.61		4.20	4.20
	10-Sep	168-day MAS Bills	1.19		2.00	2.00
TH	7-Sep	28-day Treasury Bills	1.42		25.00	25.00
	8-Sep	92-day Bank of Thailand Bonds	1.44		30.00	30.00
		182-day Bank of Thailand Bonds	1.49		30.00	29.05
	9-Sep	22.27-year Government Bonds	3.77	4.26	10.00	10.00
VN	10-Sep	5-year Treasury Bonds	6.45		2,000.00	230.00
		10-year Treasury Bonds	6.90		1,000.00	70.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (15 – 21 September 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Philippines OFW Remittances y-o-y, % JUL	9/14 to 9/15	6/14: 6.1% 7/14: 6.2% 5/15: 5.8% 6/15: 6.1%	Remittances from overseas Filipino workers rose 6.1% year-on-year (y-o-y) in June following an increase of 5.8% y-o-y in May.
Indonesia Trade Balance US\$ million AUG	09/15	7/14: 42 8/14: -312 6/15: 528 7/15: 1,332	Indonesia's trade surplus rose to US\$1,332 million in July compared with US\$528 million in June.
Singapore Retail Sales y-o-y, % JUL	09/15	6/14: -1.6% 7/14: 3.3% 5/15: 5.9% 6/15: 6.9%	Retail sales in Singapore climbed 6.9% y-o-y in June after rising 5.9% y-o-y in May.
Japan Trade Balance JPY billion AUG	09/16	7/14: -967 8/14: -953 6/15: -74 7/15: -268	Japan's trade deficit widened to JPY268 billion in July from JPY74 billion in June.
Singapore Non-Oil Domestic Exports y-o-y, % AUG	09/16	7/14: -3.3% 8/14: 6.0% 6/15: 4.5% 7/15: -0.8%	Singapore's non-oil domestic exports contracted 0.8% y-o-y in July after climbing 4.5% y-o-y in June.
Thailand BOT Benchmark Rate % 16-Sep	09/16	8/14: 2.00% 9/14: 2.00% 7/15: 1.50% 8/15: 1.50%	The Bank of Thailand's Monetary Policy Committee decided on 5 August to maintain the policy rate at its current level of 1.50%. The committee noted that Thailand is expected to maintain its gradual pace of economic recovery the rest of the year, and that headline inflation is expected to rise gradually in 2H15.
Hong Kong, China Unemployment Rate % AUG	09/17	7/14: 3.3% 8/14: 3.3% 6/15: 3.2% 7/15: 3.3%	The unemployment rate in Hong Kong, China rose to 3.3% in August from 3.2% in June.
Indonesia BI Rate % 17-Sep	09/17	8/14: 7.50% 9/14: 7.50% 7/15: 7.50% 8/15: 7.50%	Bank Indonesia kept its benchmark interest rate steady at 7.50% in a meeting held on 18 August.
Korea, Republic of PPI y-o-y, % AUG	09/17	7/14: 0.2% 8/14: -0.2% 6/15: -3.6% 7/15: -4.0%	The Republic of Korea's overall producer prices fell at a faster pace in July, as its Producer Price Index (PPI) posted a 4.0% y-o-y decline in July following a 3.6% y-o-y decrease in June. July's y-o-y decrease in the PPI marked the index's 12th consecutive month of decline.
Philippines BOP US\$ million AUG	9/17 to 9/18	7/14: 501 8/14: 114 6/15: 485 7/15: 354	The Philippines' balance of payment surplus narrowed to US\$354 million in July from US\$485 million in June.
Hong Kong, China Composite CPI % AUG	09/21	7/14: 4.0% 8/14: 3.9% 6/15: 3.1% 7/15: 2.5%	Inflation in Hong Kong, China, as measured by the Consumer Price Index, eased to 2.5% y-o-y in July from 3.1% 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)

Policy Rates Kept Unchanged in the Republic of Korea and Malaysia

- [Monetary Policy Decision](#)
The Bank of Korea (11 September 2015)
- [Monetary Policy Statement](#)
Bank Negara Malaysia (15 September 2015)

Consumer Price Inflation in the PRC Rises in August

- [China's consumer inflation continues to grow in August](#)
Xinhua (11 September 2015)

Japan's Real GDP Contracts in 2Q15; Industrial Production in Malaysia Rises in July

- [Quarterly Estimates of GDP: Apr. ~ Jun. 2015 \(The 2nd Preliminary Estimates\)](#)
Cabinet Office, Government of Japan (8 September 2015)
- [Index Of Industrial Production, Malaysia July 2015](#)
Department of Statistics Malaysia (10 September 2015)

Japan's Current Account Surplus Widens in July; Philippine Merchandise Exports Contract in July

- [Balance of Payments Statistics, July 2015 \(Preliminary\)](#)
Ministry of Finance Japan (8 September 2015)
- [Merchandise Export Performance : July 2015](#)
Philippine Statistics Authority (10 September 2015)

The Philippine's Bureau of the Treasury Issues New 10-Year and 25-Year Benchmarks via Bond Swap

- [Republic of the Philippines Executes Domestic Liability Management Exercise](#)
Bureau of the Treasury (8 September 2015)

KDB Prices US\$750 Million 10-Year Bond

- [KDB brings second dollar benchmark of the year](#)
FinanceAsia (10 September 2015)

Disclaimer: *AsianBondsOnline* Newsletter is available to users free of charge. ADB provides no warranty or undertaking of any kind with respect to the information and materials found on, or linked to, the *AsianBondsOnline* Newsletter. ADB accepts no responsibility for the accuracy of the material posted or linked to in the publication, or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any material or information so provided. Views expressed in articles marked with *AsianBondsOnline* are those of the authors and not ADB. This disclaimer does not derogate from, and is in addition to, the general terms and conditions regarding the use of the *AsianBondsOnline* website, which also apply.