

Key Developments in Asian Local Currency Markets

Emerging East Asia’s bond markets came under pressure in 2Q15 amid concerns over softer growth, depreciating currencies, and United States (US) interest rates, according to the Asian Development Bank’s latest *Asia Bond Monitor*. The report notes that the region’s local currency (LCY) bond market grew to US\$8.6 trillion at end-June from US\$8.3 trillion at end-March. It also notes that the region’s *sukuk* (Islamic bond) market held firm despite headwinds from developments in the global economy. For a copy of the full report, please click on the following link: https://asianbondsonline.adb.org/documents/abm_sep_2015.pdf.

Bank Indonesia’s Board of Governors decided on 17 September to keep its benchmark interest rate steady at 7.50% and to maintain the deposit facility rate and the lending facility rate at their current levels of 5.50% and 8.00%, respectively. The Bank of Thailand’s Monetary Policy Committee decided on 16 September to hold the policy rate at 1.50%.

The Bank of Japan’s Policy Board decided on 15 September to continue with the central bank’s asset purchase program—which involves purchasing Japanese Government Bonds to increase its outstanding amount at an annual rate of JPY80 trillion—and with its money market operations of increasing the monetary base by JPY80 trillion per year.

The Republic of Korea’s Producer Price Index fell 4.4% year-on-year (y-o-y) and 0.5% month-on-month (m-o-m) in August, a faster pace of decline compared with decreases of 4.0% y-o-y and 0.4% m-o-m in July.

Indonesia’s merchandise trade surplus narrowed to US\$0.4 billion in August from US\$1.4 billion in July. In Japan, exports of goods grew 3.1% y-o-y to JPY5.9 trillion in August and merchandise imports contracted 3.1% y-o-y to JPY6.5 trillion in the same month. Singapore’s non-oil domestic exports dropped 8.4% y-o-y in August, following a 0.7% y-o-y fall in July.

In the Philippines, the current account surplus stood at US\$2.8 billion in 2Q15, down from its 2Q14 level of US\$3.1 billion, due to a y-o-y widening in the trade-in-goods deficit. Personal remittances from overseas Filipinos rose 0.5% y-o-y in July and 4.6% y-o-y in January–July.

Foreign investor net bond sales in the Republic of Korea amounted to KRW0.2 trillion in August, down from KRW2.6 trillion in July.

Asia Bond Monitor September 2015

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10-Year Selected LCY Government Security Yields Close of 18 September 2015
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.13	-5.67	-5.47	-3.76
EU	0.66	-11.80	1.00	12.20
Japan	0.31	-5.10	-3.10	-1.50
PRC	3.34	0.00	-1.00	-31.00
Hong Kong, China	1.64	-10.00	-9.50	-25.30
India	7.70	-5.80	-7.60	-18.40
Indonesia	9.00	-32.60	-26.80	118.00
Korea, Rep. of	2.19	-7.80	-4.10	-41.30
Malaysia	4.14	-2.20	-4.90	-1.20
Philippines	3.73	-4.90	-0.22	-13.57
Singapore	2.72	-10.47	-16.21	43.53
Thailand	2.77	-10.20	-31.50	3.70
Viet Nam	7.16	1.00	6.40	-7.00

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

Swire Pacific, based in Hong Kong, China, priced last week a US\$500 million 10-year bond with a 3.875% coupon to yield 3.888%.

Standard & Poor’s raised its foreign currency long-term issuer credit rating for the Republic of Korea to AA- from A+, and lowered its foreign currency long-term issuer credit rating for Japan to A+ from AA-.

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

Summary Text of News Articles

Policy Rates Kept Unchanged in Indonesia and Thailand

Bank Indonesia's Board of Governors decided on 17 September to keep its benchmark interest rate steady at 7.50% and to maintain the deposit facility rate and the lending facility rate at their current levels of 5.50% and 8.00%, respectively. According to the central bank, its decision to hold interest rates unchanged is consistent with efforts to control inflation and meet the 2015–2016 target corridor of 4±1%.

The Bank of Thailand's Monetary Policy Committee decided on 16 September to keep the policy rate steady at 1.50%. This marked the third consecutive time that the Thai central bank maintained the policy rate. In its monetary policy decision, the committee stated that the economy of Thailand recovered gradually in 2Q15 and in July, and that inflationary pressures had fallen due to relatively low oil prices. The committee assessed that negative factors like a moderating global economy and heightened volatility in international financial markets continue to hound the Thai economy.

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

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

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

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

Bank of Japan Continues Monetary Easing

The Bank of Japan's Policy Board decided on 15 September to continue with the central bank's asset purchase program—which involves purchasing Japanese Government Bonds to increase its outstanding amount at an annual rate of JPY80 trillion—and with its money market operations of increasing the monetary base by JPY80 trillion per year.

Decline in the Republic of Korea's PPI Accelerates in August

The Republic of Korea's overall producer prices fell at a faster pace in August, according to data from the Bank of Korea. On a year-on-year (y-o-y) basis, the Producer Price Index (PPI) dropped 4.4% in August, following a 4.0% decrease in July, largely due to sharper declines in the prices of manufacturing industry products and utilities. On a month-on-month (m-o-m) basis, the PPI fell 0.5% in August after slipping 0.4% in July.

Indonesia's Merchandise Trade Surplus Narrows in August; Japan's Trade-in-Goods Deficit Falls in August; Singapore's Non-Oil Domestic Exports Contract in August

Indonesia's merchandise trade surplus narrowed to US\$0.4 billion in August from US\$1.4 billion in July, according to Bank Indonesia data. Oil and gas exports rose 7.7% m-o-m, while oil and gas imports fell 8.1% m-o-m in August, resulting in a monthly drop in the oil and gas trade deficit. Meanwhile, non-oil and gas exports climbed 11.2% m-o-m, which was less than the 30.5% m-o-m jump in non-oil and gas imports, resulting in the non-oil and gas trade surplus falling in August from the previous month.

In Japan, exports of goods grew 3.1% y-o-y in August to JPY5.9 trillion and merchandise imports contracted 3.1% y-o-y to JPY6.5 trillion in the same month, according to Ministry of Finance data. As a result, the economy's trade-in-goods deficit narrowed to JPY0.6 trillion in August from JPY1.0 trillion in the same month in the previous year.

Singapore's non-oil domestic exports dropped 8.4% y-o-y in August, following a 0.7% y-o-y fall in July, according to International Enterprise Singapore. On a m-o-m and seasonally adjusted basis, non-oil domestic exports fell 4.6% in August, a reversal from 2.5% growth in July. The y-o-y and m-o-m declines in August were brought about by decreases in exports of both electronic and non-electronic non-oil domestic products.

Summary Text of News Articles

The Philippines Recorded a Current Account Surplus in 2Q15, Personal Remittances Rise in July and January–July

The current account surplus of the Philippines stood at US\$2.8 billion in 2Q15, down from US\$3.1 billion in 2Q14, according to data from the Bangko Sentral ng Pilipinas released last week. The y-o-y drop in the current account surplus was mainly due to the widening in the trade-in-goods deficit, which outweighed the increases in the net receipt positions of the primary income and secondary income accounts, and the shift to net receipts from net payments in the trade-in-services account. Meanwhile, personal remittances from overseas Filipinos to the Philippines rose 0.5% y-o-y to US\$2.3 billion in July, per central bank data. In January–July, personal remittances totaled US\$15.7 billion, up 4.6% from the same period in 2014.

Foreign Investors' Net LCY Bond Sales in the Republic of Korea Total KRW0.2 Trillion in August

Foreign investor net bond sales in the Republic of Korea amounted to KRW0.2 trillion in August, down from KRW2.6 trillion in July, based on data from the Financial Supervisory Service. By investor origin, the two largest sources of net bond sales in August were France and Luxembourg, and the two largest sources of net bond investment were Japan and the People's Republic of China. By bond type, Monetary Stabilization Bonds were the most commonly sold bond by foreign investors in August.

Swire Pacific Prices US\$500 Million 10-Year Bond

Swire Pacific, based in Hong Kong, China, priced last week a US\$500 million 10-year bond with a 3.875% coupon to yield 3.888%. By investor origin, Asia took 92% of the total and Europe accounted for 8%. By investor type, the two largest investor groups were banks (40%) and fund managers (38%).

S&P Raises the Republic of Korea's Credit Rating, Downgrades Japan

Standard & Poor's (S&P) raised its foreign currency long-term issuer credit rating for the Republic of Korea to AA- from A+. The credit rating agency stated that its rating upgrade for the Republic of Korea was due to a relatively superior economic performance, sound fiscal position, and decline in domestic banks' external debt. In contrast, S&P downgraded its foreign currency long-term issuer credit rating for Japan to A+ from AA-. According to the credit rating agency, its rating for Japan reflected the country's relatively diversified and wealthy economy, solid external balance, stable political environment, and financial markets, as well as a "very weak fiscal position."

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	-0.02	-1.01	-4.05	-5.07
EU	-0.19	-0.10	0.10	-15.40
Japan	-0.02	-0.70	-1.30	-1.60
PRC	2.51	0.00	0.00	-153.00
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	-0.10	-0.50	-56.50
Malaysia	3.11	0.00	-7.90	-25.30
Philippines	1.42	-0.27	8.29	-95.26
Singapore	1.19	-6.10	10.10	51.50
Thailand	1.48	0.00	2.24	-56.29

Close of 18 September 2015

10-Year Selected LCY Government Bond Yields

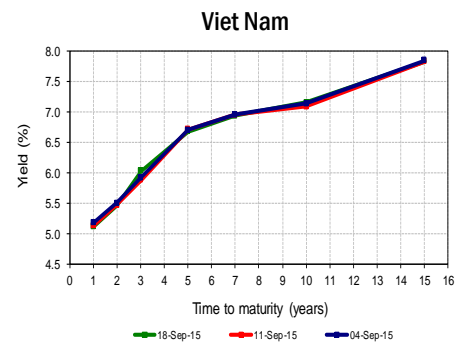
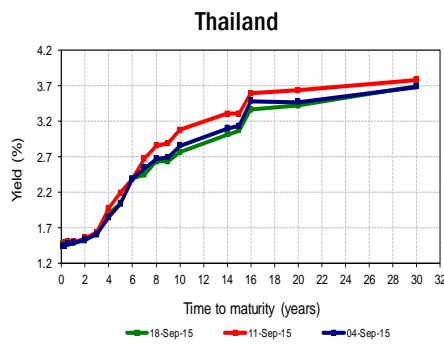
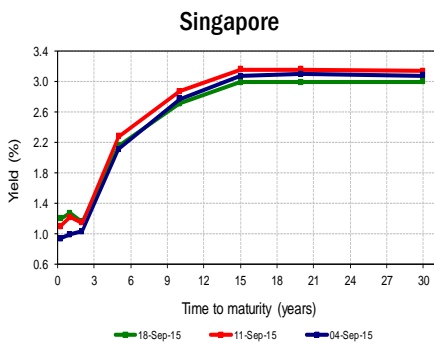
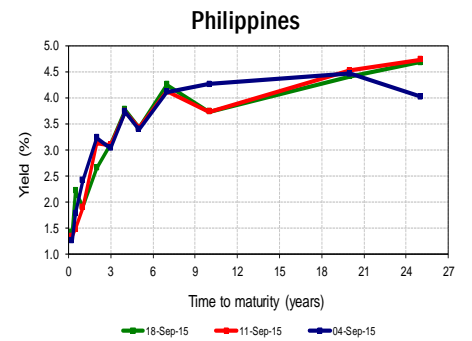
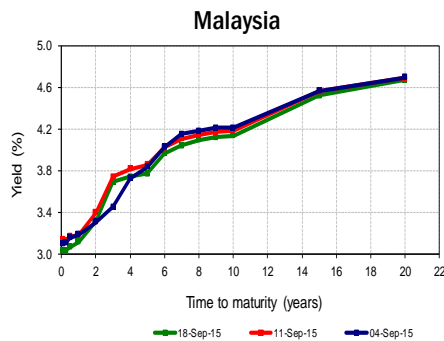
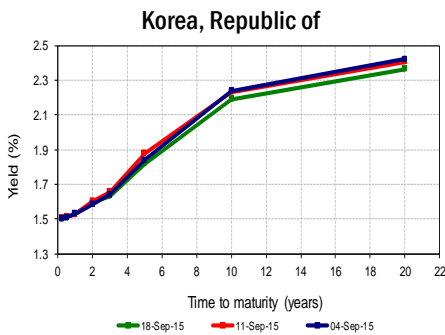
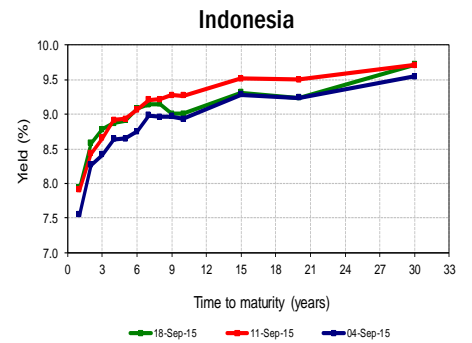
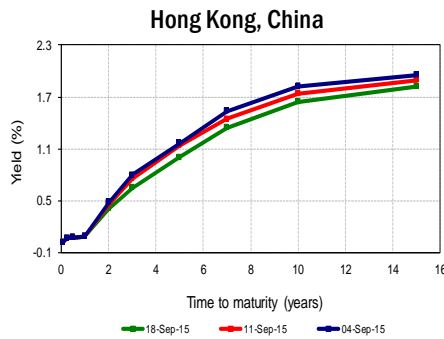
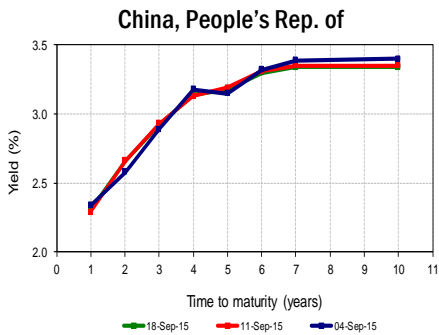
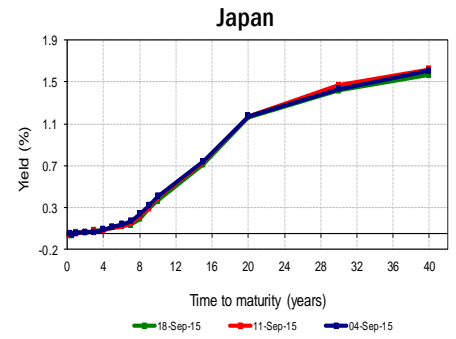
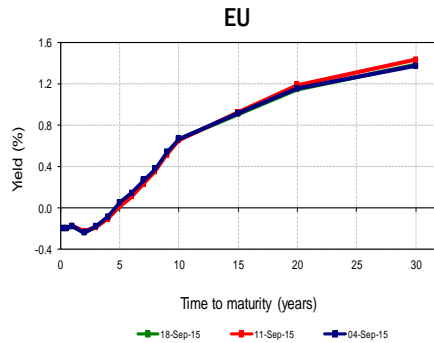
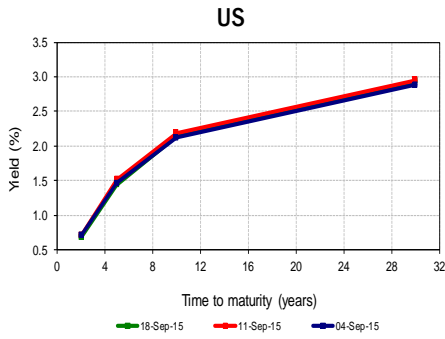
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-15*
US	2.13	-5.67	-5.47	-3.76
EU	0.66	-11.80	1.00	12.20
Japan	0.31	-5.10	-3.10	-1.50
PRC	3.34	0.00	-1.00	-31.00
Hong Kong, China	1.64	-10.00	-9.50	-25.30
India	7.70	-5.80	-7.60	-18.40
Indonesia	9.00	-32.60	-26.80	118.00
Korea, Rep. of	2.19	-7.80	-4.10	-41.30
Malaysia	4.14	-2.20	-4.90	-1.20
Philippines	3.73	-4.90	-0.22	-13.57
Singapore	2.72	-10.47	-16.21	43.53
Thailand	2.77	-10.20	-31.50	3.70
Viet Nam	7.16	1.00	6.40	-7.00

Close of 18 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

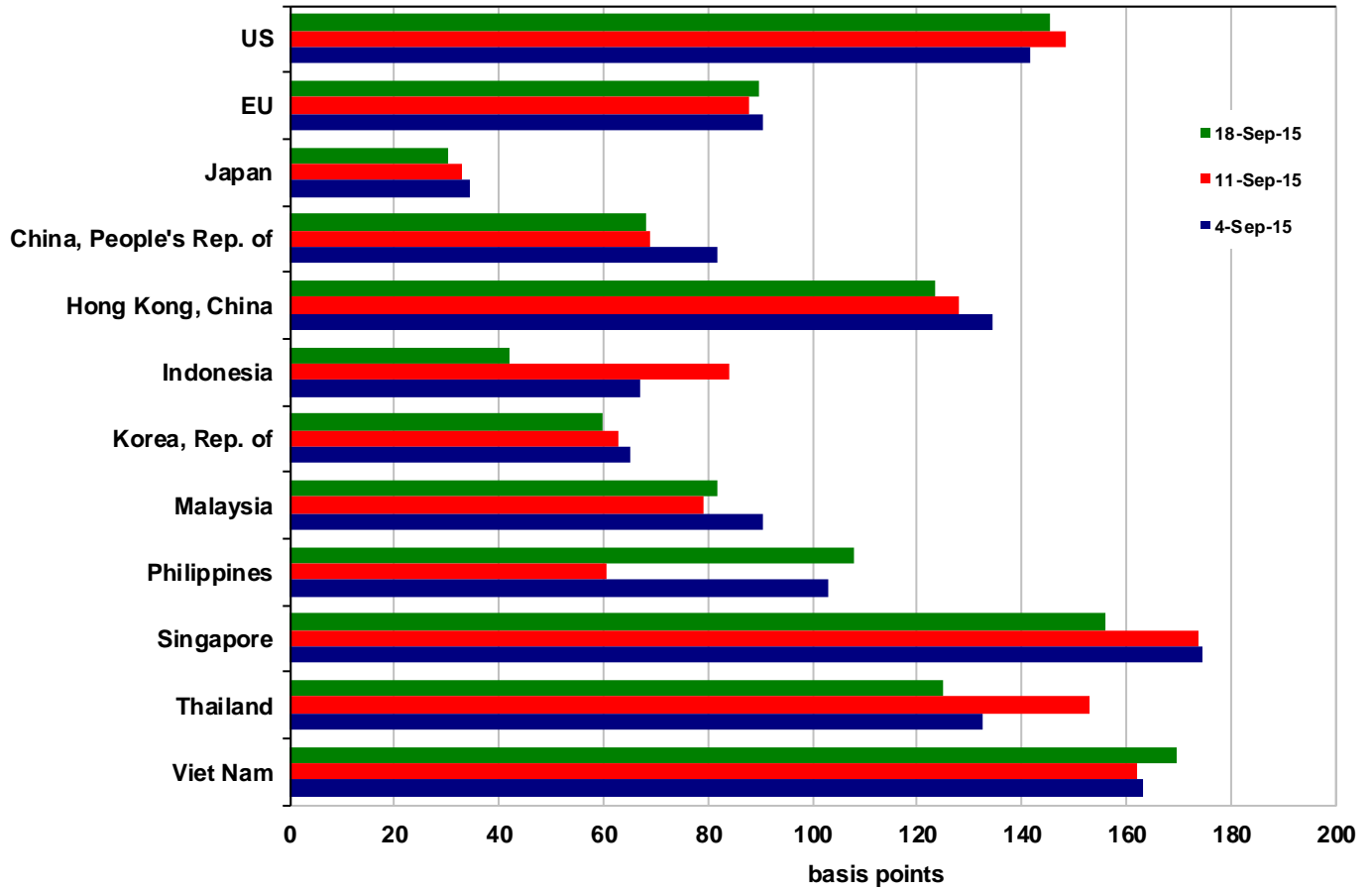
Tip: Zoom-in on the table using the Acrobat zoom tool



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

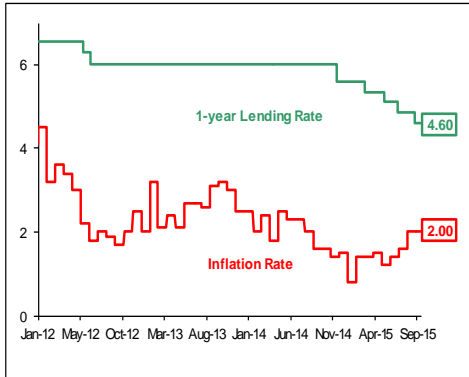


EU = European Union, US = United States.
Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

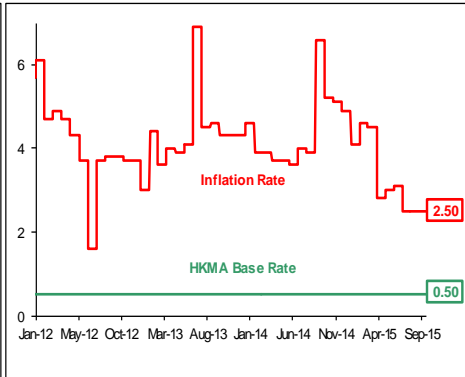
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



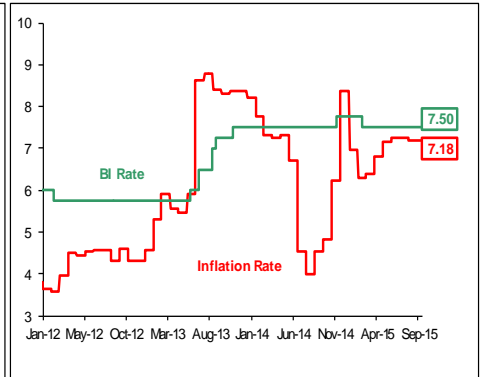
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



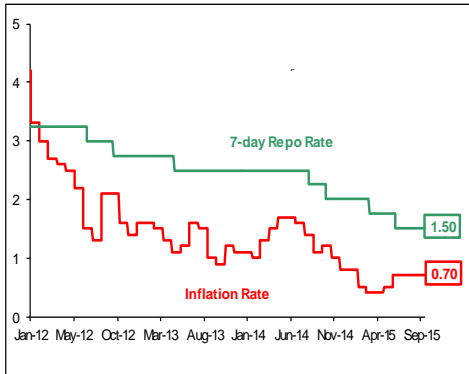
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



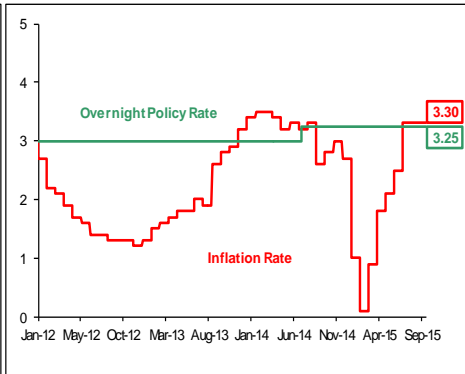
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



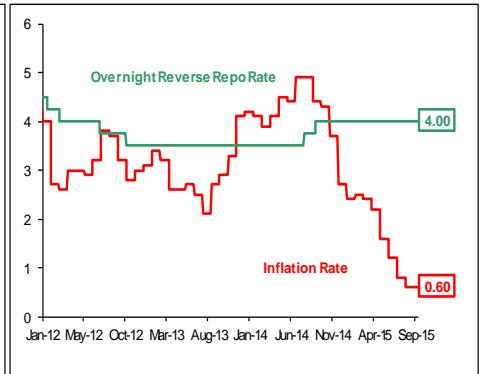
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



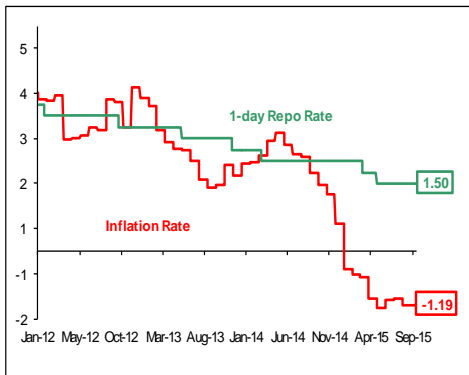
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



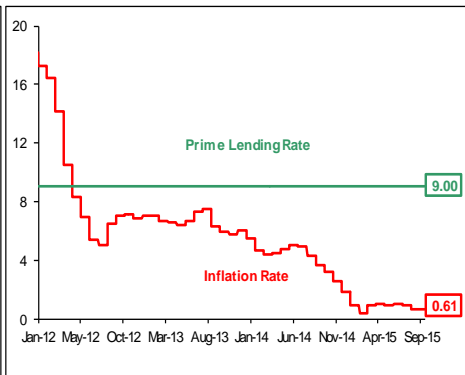
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

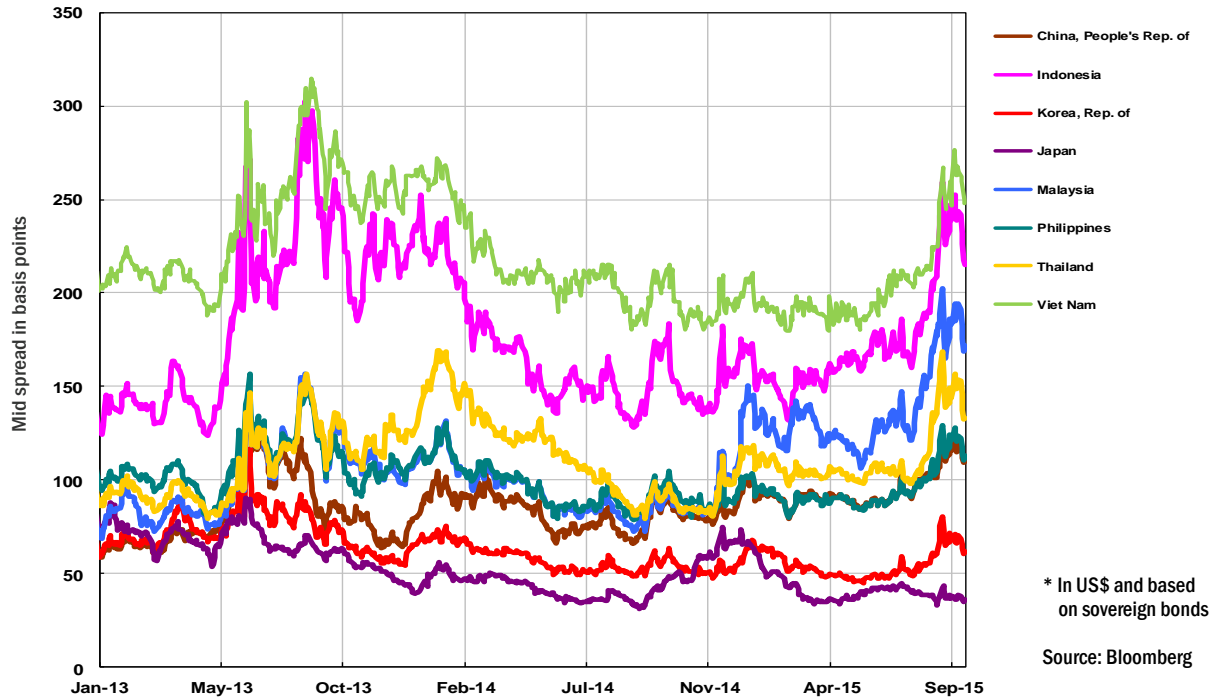


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

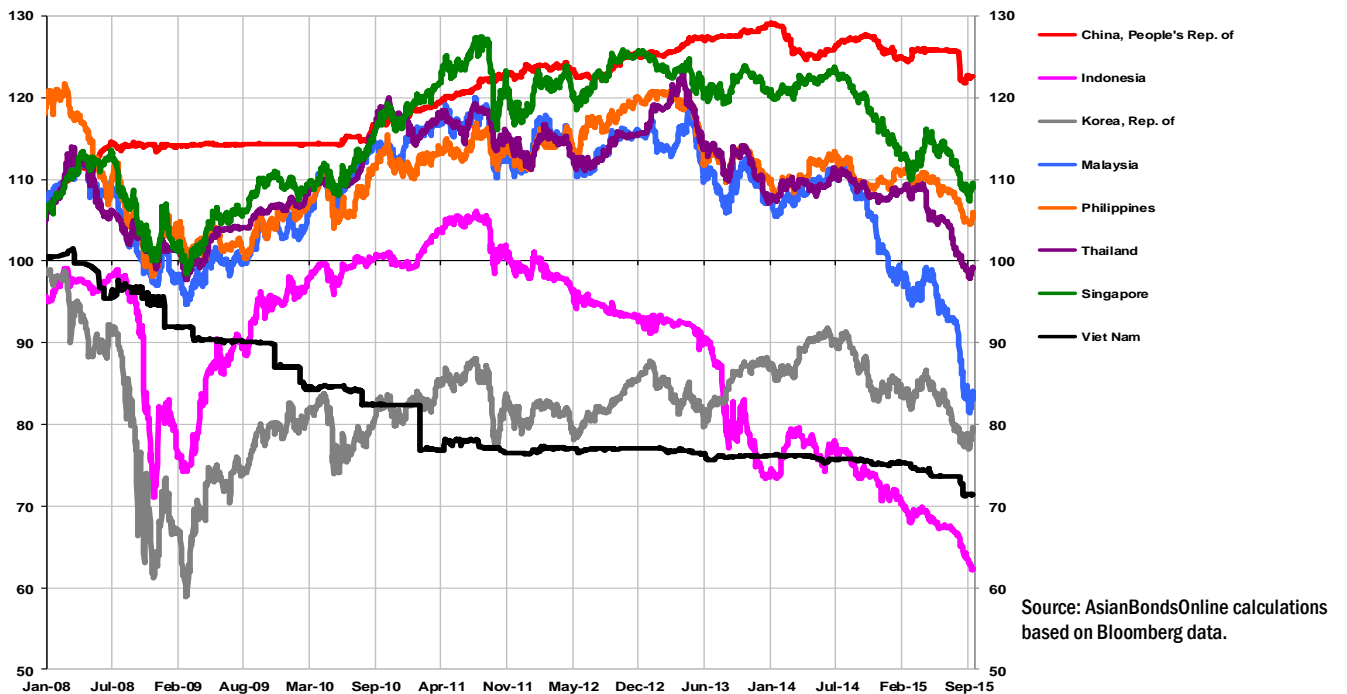
Credit Default Swap Spreads and Exchange Rate Indexes

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 (14 – 18 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	14-Sep	2-year Treasury Bonds	2.65		26.00	26.00
	16-Sep	7-year Treasury Bonds	3.29	3.30	30.00	30.04
	18-Sep	1-year Treasury Bonds	2.31	2.31	26.00	26.00
HK	15-Sep	91-day Exchange Fund Bills	0.02		32.74	32.74
		182-day Exchange Fund Bills	0.03		11.00	11.00
ID	15-Sep	9-month Treasury Bills	6.86			1,450.00
		5-year Treasury Bonds	8.99	8.25	8,000.00	1,000.00
		15-year Treasury Bonds	9.48	8.75		750.00
		30-year Treasury Bonds	9.65	8.75		2,000.00
JP	16-Sep	1-year Treasury Discount Bills	-0.03		2,500.00	2,499.96
		20-year Japanese Government Bonds	1.16	1.20	1,200.00	1,199.40
	17-Sep	3-month Treasury Discount Bills	-0.02		5,100.00	5,089.96
KR	14-Sep	91-day Monetary Stabilization Bonds	1.51		1,200.00	1,200.00
		1-year Monetary Stabilization Bonds	1.52		1,000.00	1,000.00
		10-year Korea Treasury Bonds	2.26	2.25	1,250.00	1,250.00
	16-Sep	2-year Monetary Stabilization Bonds	1.62	1.70	2,200.00	2,200.00
		63-day Treasury Bills	1.54		1,000.00	1,000.00
MY	14-Sep	3.5-year Malaysia Government Securities	3.76	3.76	4.00	4.00
SG	15-Sep	28-day MAS Bills	0.29		0.50	0.50
		84-day MAS Bills	0.64		4.20	4.20
TH	14-Sep	28-day Treasury Bills	1.46		15.00	14.89
	15-Sep	91-day Bank of Thailand Bonds	1.49		30.00	30.00
		182-day Bank of Thailand Bonds	1.50		30.00	30.00
	18-Sep	14-day Bank of Thailand Bonds	1.49		35.00	29.85
VN	16-Sep	15-year Treasury Bonds	7.65		1,000.00	613.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (22 – 28 September 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Malaysia CPI y-o-y, % AUG	09/23	7/14: 3.2% 8/14: 3.3% 6/15: 2.5% 7/15: 3.3%	Malaysia's consumer price inflation rose to 3.3% year-on-year (y-o-y) in July from 2.5% y-o-y in June.
Philippines Trade Balance USD million JUL	09/23	6/14: 633 7/14: -139 5/15: 507 6/15: -555	The Philippines posted a trade deficit of US\$555 million in June, a reversal from the US\$507 million surplus posted in May.
Singapore CPI y-o-y, % AUG	09/23	7/14: 1.3% 8/14: 1.0% 6/15: -0.3% 7/15: -0.4%	Singapore reported deflation for the ninth consecutive month in July as consumer prices fell 0.4% y-o-y after contracting 0.3% y-o-y in June.
Hong Kong, China Exports y-o-y, % AUG	09/24	7/14: 6.8% 8/14: 6.4% 6/15: -3.1% 7/15: -1.6%	Exports from Hong Kong, China slipped 1.6% y-o-y in July after declining 3.1% y-o-y in June.
Hong Kong, China Trade Balance HKD billion AUG	09/24	7/14: -42.1 8/14: -31.5 6/15: -45.8 7/15: -28.4	Hong Kong, China's trade deficit narrowed to US\$28.4 billion in July from US\$45.8 billion in June.
Philippines Overnight Borrowing Rate % 24-Sep	09/24	8/14: 3.75% 9/14: 4.00% 7/15: 4.00% 8/15: 4.00%	The Bangko Sentral ng Pilipinas decided to keep its overnight borrowing rate at 4.00% in its most recent monetary policy meeting on 13 August.
Viet Nam CPI y-o-y, % SEP	09/24	8/14: 4.3% 9/14: 3.6% 7/15: 0.9% 8/15: 0.6%	Consumer prices in Viet Nam rose 0.6% y-o-y in August after climbing 0.9% y-o-y in July.
Japan CPI y-o-y, % AUG	09/25	7/14: 3.4% 8/14: 3.3% 6/15: 0.4% 7/15: 0.2%	Japan's consumer price inflation eased to 0.2% y-o-y in July from 0.4% y-o-y in June.
Singapore Industrial Production y-o-y, % AUG	09/25	7/14: 2.6% 8/14: 3.8% 6/15: -4.0% 7/15: -6.1%	Industrial production growth in Singapore contracted 6.1% y-o-y in July compared with a decline of 4.0% y-o-y in June.
Thailand Manufacturing Production y-o-y, % AUG	9/25 to 9/30	7/14: -5.3% 8/14: -2.6% 6/15: -7.7% 7/15: -5.3%	Thailand's manufacturing production contracted 5.3% y-o-y in July, the fifth consecutive month of decline.
Viet Nam GDP YTD y-o-y, % 3Q15	9/25 to 9/30	2Q14: 5.2% 3Q14: 5.6% 1Q15: 6.0% 2Q15: 6.3%	Viet Nam's economy grew 6.3% y-o-y in 2Q15 after expanding 5.2% y-o-y a year earlier.
Viet Nam Exports YTD y-o-y, % SEP	9/25 to 9/30	8/14: 14.1% 9/14: 14.1% 7/15: 9.5% 8/15: 9.0%	Export growth in Viet Nam eased to 9.0% y-o-y in January–August from 14.1% y-o-y growth a year earlier.

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 Indonesia and Thailand

- [BI Rate Held at 7.50%](#)
Bank Indonesia (17 September 2015)
- [Monetary Policy Committee's Decision on 16 September 2015](#)
Bank of Thailand (16 September 2015)

Bank of Japan Continues Monetary Easing

- [Statement on Monetary Policy](#)
Bank of Japan (15 September 2015)

Decline in the Republic of Korea's PPI Accelerates in August

- [Producer Price Index during August 2015](#)
The Bank of Korea (18 September 2015)

Indonesia's Merchandise Trade Surplus Narrows in August; Japan's Trade-in-Goods Deficit Falls in August; Singapore's Non-Oil Domestic Exports Contract in August

- [Indonesia's Trade Balance Records Surplus](#)
Bank Indonesia (15 September 2015)
- [Value of Exports and Imports August 2015 \(Provisional\)](#)
Ministry of Finance (17 September 2015)
- [Singapore's External Trade – August 2015](#)
International Enterprise (IE) Singapore (17 September 2015)

The Philippines Recorded a Current Account Surplus in 2Q15, Personal Remittances Rise in July and January–July

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