

Key Developments in Asian Local Currency Markets

Consumer price inflation in Hong Kong, China eased to 2.4% year-on-year (y-o-y) in August from 2.5% y-o-y in July. In Malaysia, consumer price inflation slowed to 3.1% y-o-y in August from 3.3% y-o-y in July, mainly due to the contraction in the transportation sub-index of 1.2% y-o-y, a reversal from the 1.6% y-o-y increase in July. Singapore’s Consumer Price Index (CPI) fell 0.8% year-on-year (y-o-y) in August, its 10th consecutive month of y-o-y decline. Seven out of 10 product items in the CPI recorded y-o-y decreases in their price indices. Consumer price inflation in Japan remained unchanged in August at 0.2% y-o-y. Consumer price inflation in Viet Nam was flat in September after rising 0.6% y-o-y in August.

➤ Hong Kong, China’s exports declined 6.1% y-o-y in August after falling 1.6% y-o-y in July. Imports likewise fell 7.4% y-o-y in August after a decline of 5.2% y-o-y in July, resulting in a trade deficit of HKD25.1 billion in August. The Philippines’ merchandise trade deficit widened to US\$1.2 billion in July from US\$555 million in June as imports increased while exports contracted.

➤ In the Philippines, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) decided to keep its key policy rate—the overnight borrowing and lending rates—steady at 4.0% and 6.0%, respectively. The BSP noted risks to inflation, including the effects of El Nino, on food and utility prices, as well as pending adjustments in power rates.

➤ Singapore’s manufacturing production contracted 7.0% y-o-y in August, marking its seventh consecutive month of y-o-y decline. Five out of six industry clusters posted negative y-o-y production growth in August, including biomedical manufacturing, electronics, general manufacturing industries, precision engineering, and transport engineering.

➤ Last week, Fitch Ratings affirmed the Philippines’ long-term foreign currency issuer default rating and long-term local currency issuer default rating at BBB- and BBB, respectively. The outlook on both ratings was also revised to positive from stable.

➤ Local currency (LCY) corporate debt issuance in the Republic of Korea amounted to KRW7.6 trillion in August, down from its May total of KRW12.9 trillion but higher compared with KRW6.7 trillion in August 2014. The drop in LCY corporate debt issues between July and August stemmed from lower month-on-month issuances of asset-backed securities, bank debentures, and financial and non-financial corporate bonds.

Asia Bond Monitor September 2015

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10-Year Selected LCY Government Security Yields Close of 25 September 2015
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.16	3.57	2.87	-0.89
EU	0.65	4.60	-1.40	10.80
Japan	0.32	-0.70	1.00	-0.50
PRC	3.35	0.00	1.00	-30.00
Hong Kong, China	1.66	0.40	2.00	-23.30
India	7.72	-0.10	1.80	-16.60
Indonesia	9.55	6.00	55.00	173.00
Korea, Rep. of	2.13	-2.50	-6.00	-47.30
Malaysia	4.31	7.90	17.50	16.30
Philippines	3.74	0.00	0.95	-12.62
Singapore	2.70	1.69	-1.50	42.03
Thailand	2.80	4.30	3.70	7.40
Viet Nam	7.15	4.00	-1.00	-8.00

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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

➤ Korea National Oil Corporation priced last week a US\$600 million 10-year bond on a 3.25% coupon to yield 3.291%. By investor origin, Asian investors bought 88% of the bonds, while European and United States investors took 9% and 3% of the total, respectively.

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

Summary Text of News Articles

Consumer Price Inflation Eases in Hong Kong, China and Malaysia in August; Consumer Price Inflation Remains Negative in Singapore, Unchanged in Japan in August; Consumer Price Inflation Falls in Viet Nam in September

Consumer price inflation in Hong Kong, China eased to 2.4% year-on-year (y-o-y) in August from 2.5% y-o-y in July. The rise in prices in August came from increases in (i) housing rents, which rose 4.4% y-o-y; (ii) the price of meals purchased away for home, which rose 4.3% y-o-y; and (iii) food prices, which rose 4.1% y-o-y. Utility prices fell 4.6% y-o-y due to a special August rebate. The government said that it expects inflation pressures to be contained given weak commodity prices and minimal domestic cost pressures.

In Malaysia, consumer price inflation eased to 3.1% y-o-y in August from 3.3% y-o-y in July, mainly due to the 1.2% y-o-y contraction in the transportation sub-index, a reversal from the 1.6% y-o-y increase in July. Meanwhile, the food and non-alcoholic beverages sub-index, which accounts for the single largest weight in the inflation index at 30.3%, rose 4.2% y-o-y in August following a 3.8% y-o-y increase in July.

Singapore's Consumer Price Index (CPI) fell 0.8% y-o-y in August, its 10th consecutive month of y-o-y decline, according to the latest CPI data released last week by the Singapore Department of Statistics. Seven out of 10 product items in the CPI recorded y-o-y decreases in their respective price indices. On a month-on-month (m-o-m) basis, however, the CPI inched up 0.1% in August.

Consumer price inflation in Japan remained unchanged in August at 0.2% y-o-y. The food index posted a higher annual increase of 2.7% in August, up from 2.5% in July. Meanwhile, the fuel, light, and water charges, and transportation and communication sub-indices posted accelerating y-o-y declines of -5.9% and -2.7% in August, respectively, from -4.7% and -2.3% in July. On a m-o-m basis, consumer prices rose 0.2%, a reversal from the 0.1% contraction posted in July.

Consumer price inflation in Viet Nam was flat in September after rising 0.6% y-o-y in August, according to the latest CPI data of the General Statistics Office of Viet Nam. Nine out of 11 product categories in the CPI recorded y-o-y increases in their price indices during September, while the other two product categories—which cover consumer prices for housing, utilities, and construction materials, and transport—exhibited y-o-y reductions. Between August and September, the CPI of Viet Nam slipped 0.2%.

For inflation rate trends in Hong Kong, China refer to this link:

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

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

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

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

Hong Kong, China's Exports and Imports Fall in August; The Philippines' Merchandise Trade Deficit Widens in July

Hong Kong, China's exports declined 6.1% y-o-y in August after falling 1.6% y-o-y in July. Imports likewise fell 7.4% y-o-y in August after a decline of 5.2% y-o-y in July, resulting in a trade deficit of HKD25.1 billion for August. The decline in exports in August was driven mostly by lower demand from Asia, with exports to the region falling 7.0% y-o-y. Demand from the United Kingdom and Germany was also lower, with exports to these economies falling 13.5% y-o-y and 4.3% y-o-y, respectively. Exports to the United States (US), on the other hand, rose 0.7% y-o-y. The government said future export performance will continue to be negatively affected by weak global demand.

The Philippines' merchandise trade deficit widened to US\$1.2 billion in July from US\$555 million in June as imports increased while exports declined. Total merchandise imports rose 9.9% m-o-m in July to US\$6.5 billion from US\$5.9 billion in June. Meanwhile, total merchandise exports contracted 0.7% m-o-m to US\$5.3 billion from US\$5.4 billion in June.

Summary Text of News Articles

Policy Rates Kept Steady in the Philippines

In the Philippines, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) decided to keep its key policy rates—the overnight borrowing and lending rates—steady at 4.0% and 6.0%, respectively. The rates on its term reverse repurchase rate, repurchase rate, and special deposit account facility were also kept steady. The BSP noted risks to inflation, including the effects of El Nino, on food prices and utility prices, as well as pending adjustments in power rates.

For policy rate trends in the Philippines, refer to this link:

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

Singapore's Manufacturing Production Contracts in August

Singapore's manufacturing production contracted 7.0% y-o-y in August, marking the seventh consecutive month of y-o-y decline, according to the Singapore Economic Development Board. Five out of six industry clusters posted negative y-o-y production growth in August, including biomedical manufacturing, electronics, general manufacturing industries, precision engineering, and transport engineering. On a seasonally adjusted and m-o-m basis, manufacturing output fell 3.7% in August after gaining 0.7% in July.

LCY Corporate Debt Issuance in the Republic of Korea Falls m-o-m and Rises y-o-y in August

Local currency (LCY) corporate debt issuance in the Republic of Korea amounted to KRW7.6 trillion in August, down from KRW12.9 trillion in May, but up from KRW6.7 trillion in August 2014, based on data from the Financial Supervisory Service released last week. The drop in LCY corporate debt issues between July and August stemmed from lower m-o-m issuances of asset-backed securities, bank debentures, and financial and non-financial corporate bonds. Meanwhile, the y-o-y uptick in LCY corporate debt issuance was supported by larger annual issuances of bank debentures and non-financial corporate bonds.

Korea National Oil Corporation Prices a US\$600 Million 10-Year Bond

Korea National Oil Corporation priced last week a US\$600 million 10-year bond on a 3.25% coupon to yield 3.291%. By investor origin, Asian investors bought 88% of the bonds, while European and US investors took 9% and 3% of the total, respectively. By type of investor, 56% went to insurers and pension funds, 25% to fund managers, and 19% to banks, including private banks.

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	-2.03	-0.51	-5.58
EU	-0.22	-1.20	-2.80	-18.20
Japan	-0.04	-1.90	-1.90	-3.50
PRC	2.04	-7.00	-4.00	-162.00
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	0.00	0.50	-56.00
Malaysia	3.12	0.30	1.20	-24.10
Philippines	1.59	0.00	16.26	-79.00
Singapore	1.17	-1.30	-2.20	49.30
Thailand	1.49	0.22	1.23	-55.27

Close of 25 September 2015

10-Year Selected LCY Government Bond Yields

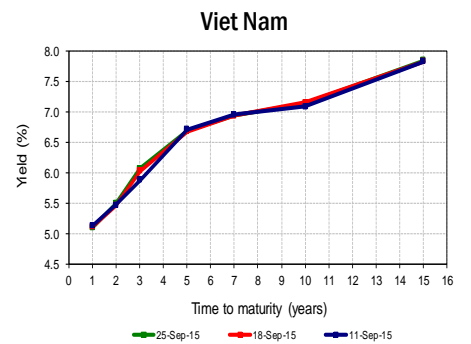
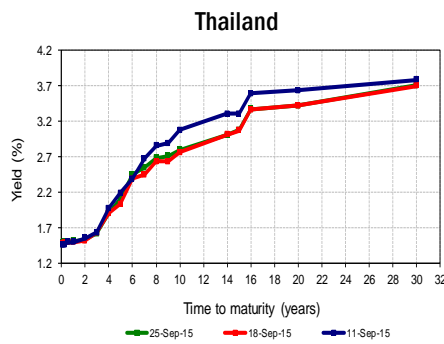
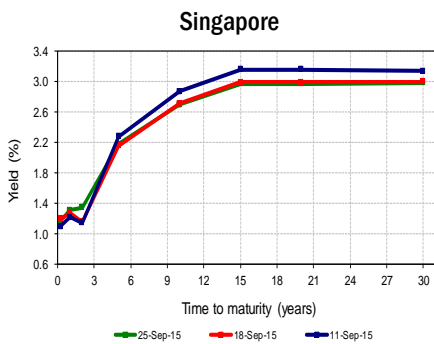
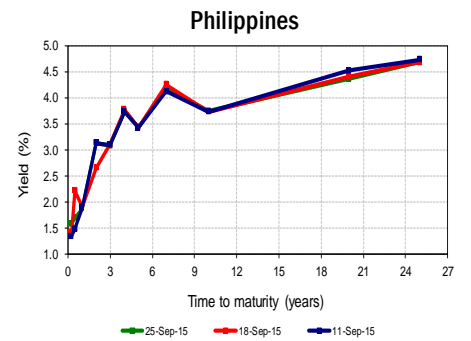
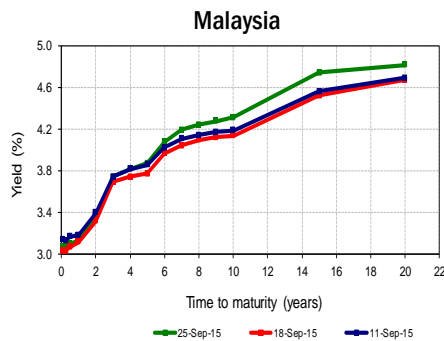
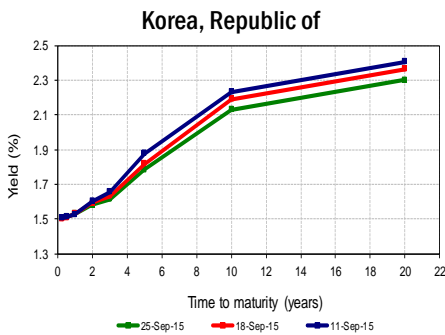
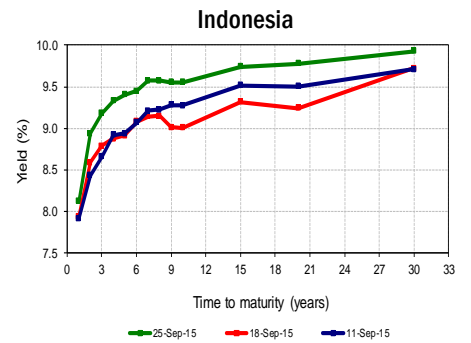
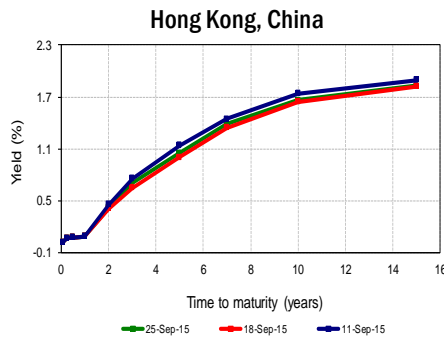
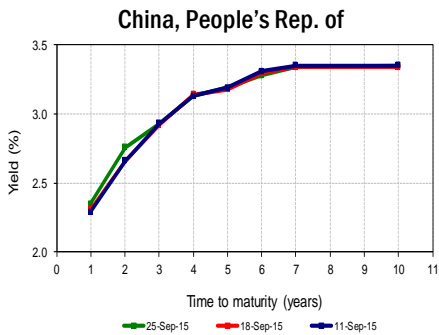
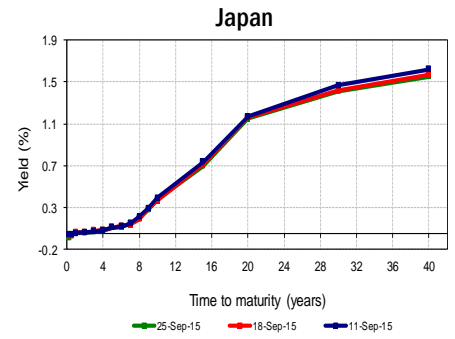
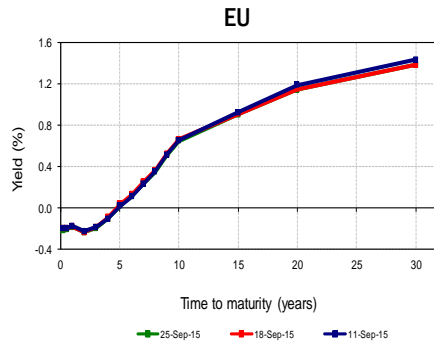
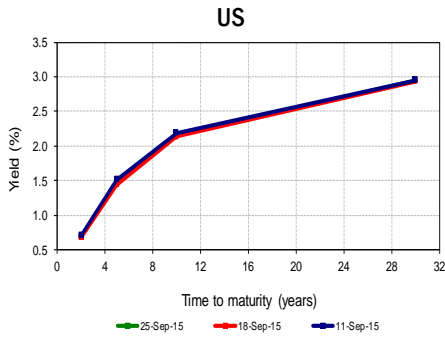
Markets	Latest Closing	basis point change from		
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EU	0.65	4.60	-1.40	10.80
Japan	0.32	-0.70	1.00	-0.50
PRC	3.35	0.00	1.00	-30.00
Hong Kong, China	1.66	0.40	2.00	-23.30
India	7.72	-0.10	1.80	-16.60
Indonesia	9.55	6.00	55.00	173.00
Korea, Rep. of	2.13	-2.50	-6.00	-47.30
Malaysia	4.31	7.90	17.50	16.30
Philippines	3.74	0.00	0.95	-12.62
Singapore	2.70	1.69	-1.50	42.03
Thailand	2.80	4.30	3.70	7.40
Viet Nam	7.15	4.00	-1.00	-8.00

Close of 25 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

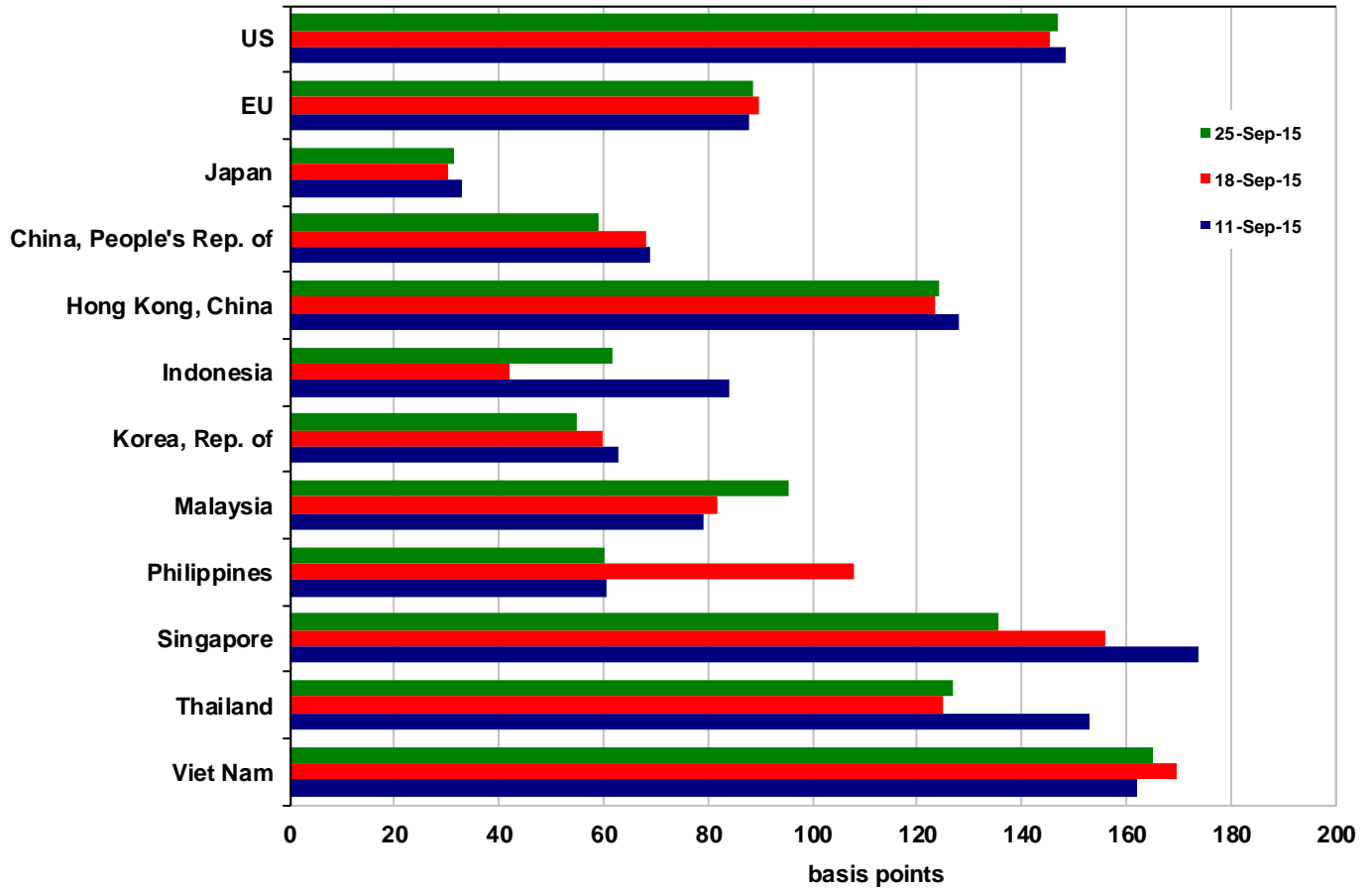
Tip: Zoom-in on the table using the Acrobat zoom tool



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

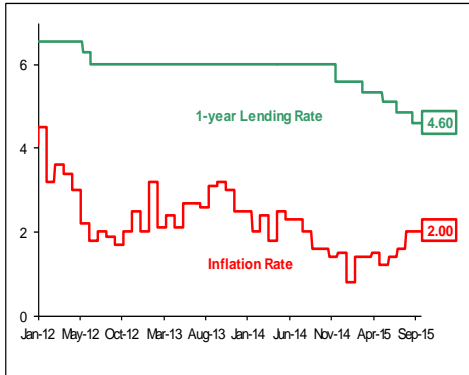


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

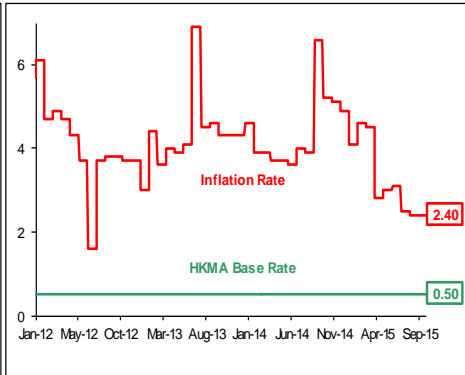
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



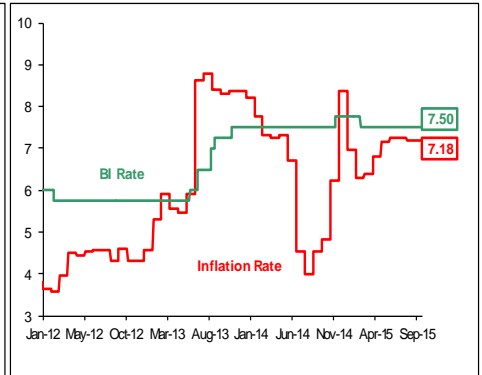
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



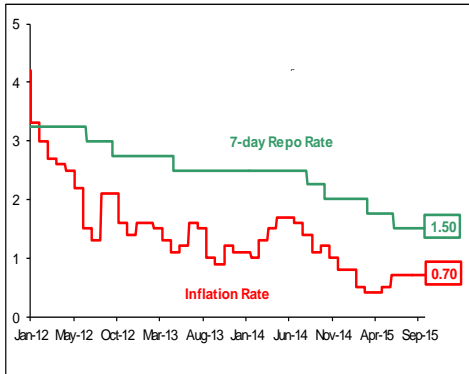
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



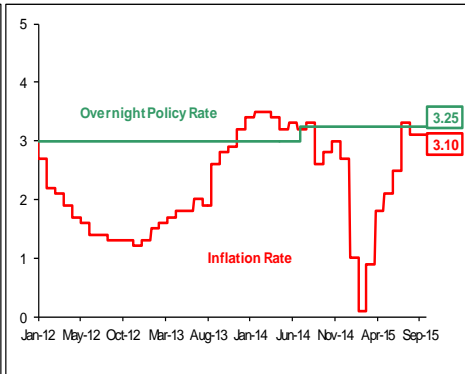
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



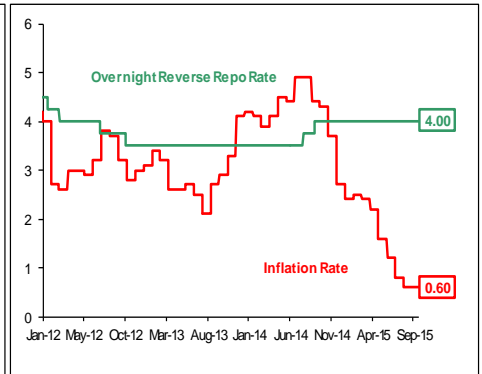
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



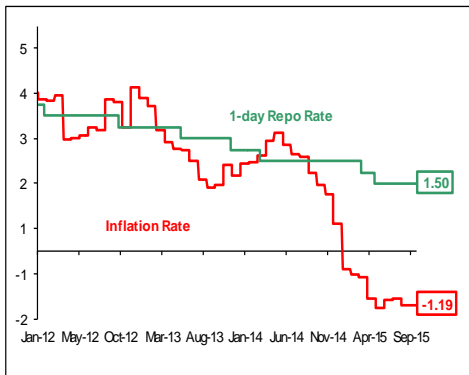
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



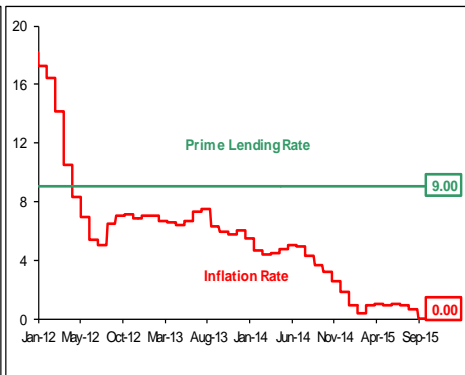
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

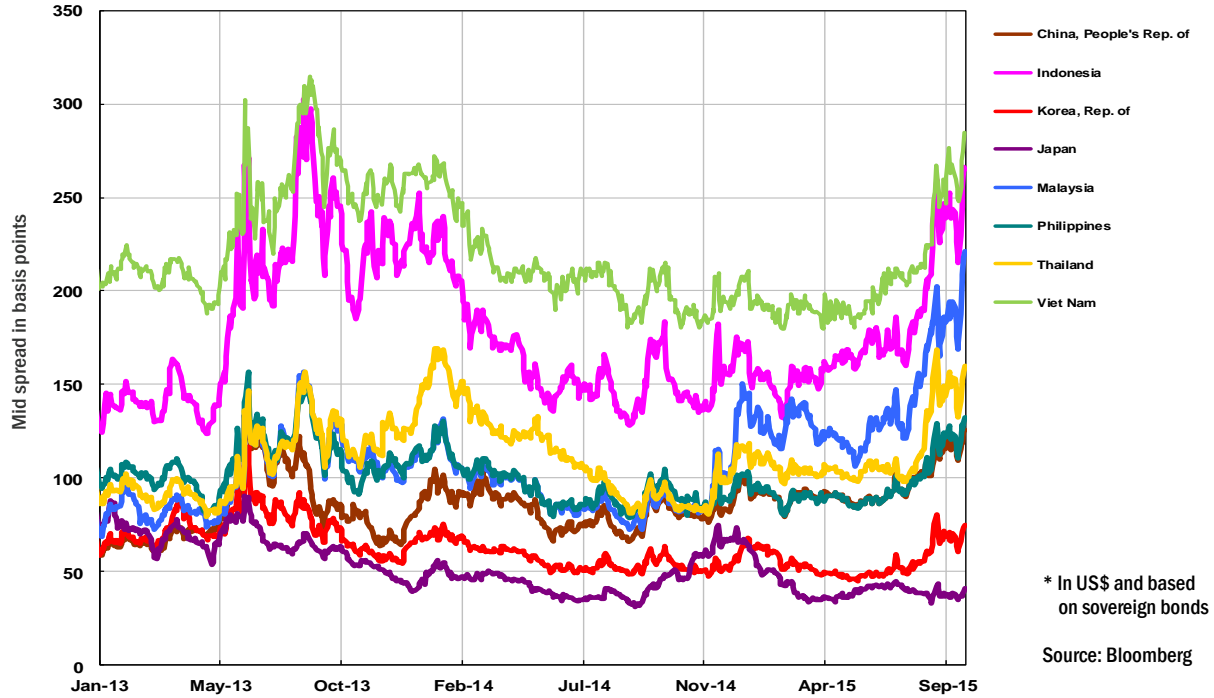


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

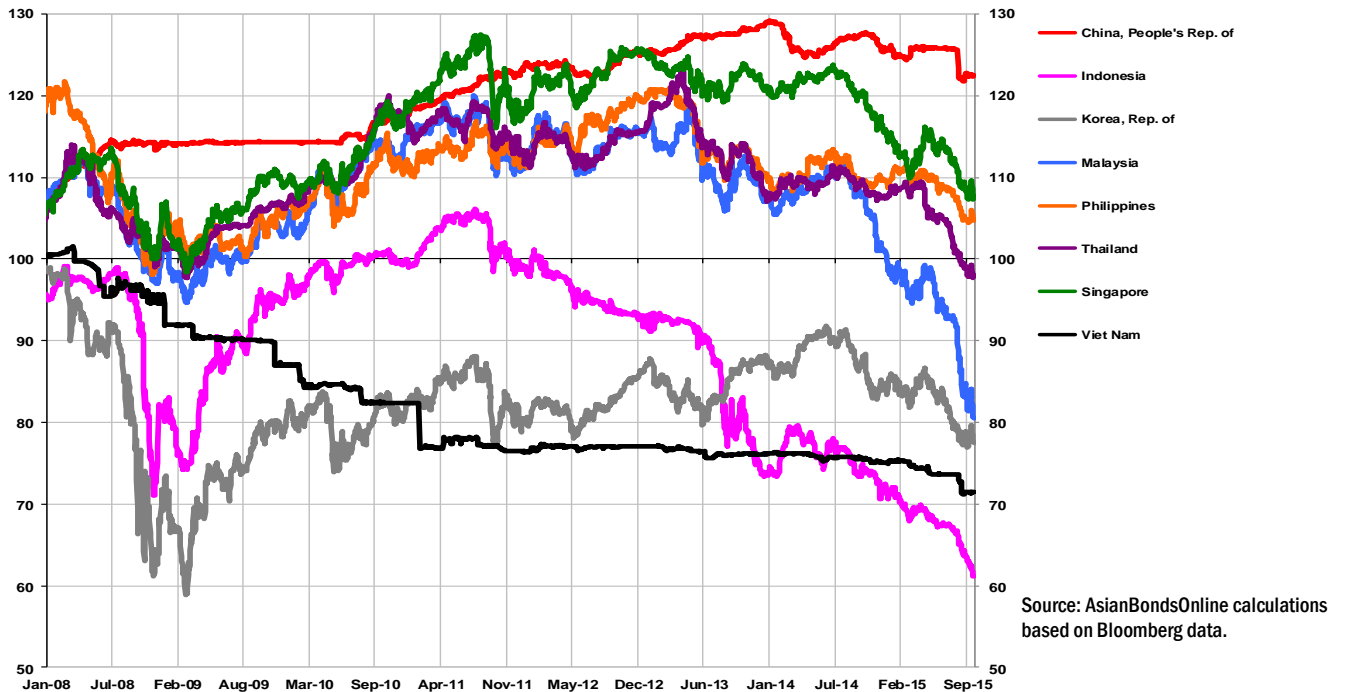
Credit Default Swap Spreads and Exchange Rate Indexes

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 (21 – 25 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	21-Sep	20-year Treasury Bond	3.74	3.74	26.00	26.00
HK	21-Sep	91-day Exchange Fund Bills	0.02		33.16	33.16
		182day Exchange Fund Bills	0.03		11.00	11.00
ID	22-Sep	6-month Islamic Treasury Bills	6.94			445.00
		1-year Project-Based <i>Sukuk</i>	7.61			425.00
		2-year Project-Based <i>Sukuk</i>	8.45		2,500.00	1,050.00
		5-year Project-Based <i>Sukuk</i>	9.06			580.00
JP	24-Sep	3-month Treasury Discount Bills	-0.03		5,100.00	5,109.97
KR	21-Sep	91-day Monetary Stabilization Bonds	1.50		1,200.00	1,200.00
		182-day Monetary Stabilization Bonds	1.52		600.00	600.00
		20-year Korea Treasury Bonds	2.33	2.63	800.00	800.00
	23-Sep	63-day Treasury Bills	1.54		1,000.00	1,000.00
MY	21-Sep	7-year Government investment Issue	4.22	4.19	3.00	3.00
SG	22-Sep	28-day MAS Bills	0.90		0.50	0.50
		84-day MAS Bills	0.79		4.00	4.00
TH	21-Sep	28-day Treasury Bills	1.49		20.50	20.50
	22-Sep	91-day Bank of Thailand Bonds	1.50		30.00	30.00
		182-day Bank of Thailand Bonds	1.50		30.00	30.00
		13.75-year Government Bonds	3.11	4.88	6.00	6.00
	24-Sep	3-year Bank of Thailand Bonds	1.70	1.55	30.00	30.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (29 September – 5 October 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Japan IPI y-o-y, % AUG	09/30	07/14: -0.5 % 08/14: -3.0% 06/15: 2.3% 07/15: 0.0%	Japan's Industrial Production Index (IPI) remained unchanged in July, following a 2.3% year-on-year (y-o-y) increase in June.
Thailand Exports y-o-y, % AUG	09/30	07/14: -0.5 % 08/14: -6.7% 06/15: -8.9% 07/15: -3.1%	Thailand's exports of goods dipped 3.1% y-o-y in July following an 8.9% y-o-y decline in June.
Thailand Current Account US\$ million AUG	09/30	07/14: -527 08/14: 548 06/15: 893 07/15: 2,116	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 month-on-month (m-o-m) decrease in the deficit position in the combined net services, primary income, and secondary income account.
China, People's Rep. of Manufacturing PMI Index SEP	10/01	08/14: 51.1 09/14: 51.1 07/15: 50.0 08/15: 49.7	The Manufacturing Purchasing Managers Index (PMI) in the People's Republic of China fell below the 50-point threshold to a reading of 49.7 in August from 50.0 in July.
Indonesia CPI y-o-y, % SEP	10/01	08/14: 4.0% 09/14: 4.5% 07/15: 7.3% 08/15: 7.2%	Consumer price inflation, as measured by the Consumer Price Index (CPI), in Indonesia slightly eased to 7.2% y-o-y from 7.3% y-o-y in July.
Korea, Rep. of Industrial Production y-o-y, % AUG	10/01	07/14: 4.0% 08/14: -2.8% 06/15: 2.0% 07/15: -3.3%	Industrial production in the Republic of Korea contracted 3.3% y-o-y in July following 2.0% y-o-y growth in June.
Korea, Rep. of Exports y-o-y, % SEP	10/01	08/14: -0.4% 09/14: 6.3% 07/15: -3.4% 08/15: -14.7%	Merchandise exports from the Republic of Korea fell 14.7% y-o-y in August after recording a 3.4% y-o-y decrease in July.
Singapore PMI Index SEP	10/01	08/14: 49.7 09/14: 50.5 07/15: 49.7 08/15: 49.3	Singapore's PMI fell below the 50-point threshold for the second month in a row in August to a reading of 49.3.
Thailand CPI y-o-y, % SEP	10/01	08/14: 2.1% 09/14: 1.8% 07/15: -1.2% 08/15: -1.2%	Thailand's CPI fell 1.2% y-o-y in August, the eighth consecutive month of a y-o-y decline, largely due to low energy prices.
Korea, Rep. of CPI y-o-y, % SEP	10/02	08/14: 1.4% 09/14: 1.1% 07/15: 0.7% 08/15: 0.7%	Consumer price inflation in the Republic of Korea was 0.7% y-o-y for the third consecutive month in August.
Korea, Rep. of Current Account US\$ million AUG	10/02	07/14: 7,881.7 08/14: 7,235.1 07/15: 12,109.2 07/15: 10,114.8	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 and primary income surpluses.
Singapore GDP y-o-y, % 3Q15	10/05	2Q14: 2.3% 3Q14: 2.8% 1Q15: 2.8% 2Q15: 1.8%	Economic growth in Singapore eased to 1.8% y-o-y in 2Q15 from 2.8% y-o-y in 1Q15.

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 in Hong Kong, China and Malaysia in August; Consumer Price Inflation Remains Negative in Singapore, Unchanged in Japan in August; Consumer Price Inflation Falls in Viet Nam in September

- [Consumer Price Indices for August 2015](#)
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- [Consumer Price Index Malaysia August 2015](#)
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- [Consumer price index, gold and USD price indexes, whole country, September 2015](#)
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