

7 December 2015

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## Key Developments in Asian Local Currency Markets

**C**onsumer price inflation in Indonesia eased to 4.9% year-on-year (y-o-y) in November from 6.3% y-o-y in October. On a month-on-month (m-o-m) basis, however, inflation rose to 0.2% in November from -0.08% a month earlier, due largely to higher food prices. In the Republic of Korea, consumer price inflation inched up to 1.0% y-o-y in November from 0.9% y-o-y in October. In the Philippines, inflation rate accelerated to 1.1% y-o-y in November from 0.4% y-o-y in October as eight out of 11 commodity groups posted higher annual increases in November. The food and non-alcoholic beverages sub-index, which accounts for the largest weight in the Consumer Price Index (CPI), posted an annual increase of 1.7% in November compared with 0.7% in October. Meanwhile, in Thailand, the CPI fell 1.0% y-o-y in November, the 11th consecutive month of y-o-y decline.

➤ The Republic of Korea's real gross domestic product (GDP) growth rate for 3Q15 was revised upward by the Bank of Korea last week to 2.7% y-o-y from an advance estimate of 2.6% y-o-y released on 23 October. Similarly, the central bank revised upward the quarter-on-quarter GDP growth rate to 1.3% in 3Q15 from 1.2%.

➤ Industrial production in Japan increased 1.4% m-o-m in October, due to increased output for general-purpose, production, and business-oriented machinery; transport equipment; and electronic parts and devices. In the Republic of Korea, industrial production contracted 1.4% m-o-m in October, a reversal from 2.2% m-o-m growth in September, due mainly to manufacturing output declining 1.2% m-o-m in October.

➤ The manufacturing Purchasing Managers Index (PMI) in the People's Republic of China (PRC) stood at 49.6 in November, the fourth consecutive month that the PMI fell below the 50-point threshold. (A reading above 50 indicates a generally expanding manufacturing economy, while a reading below 50 is reflective of a contracting manufacturing economy.) In Singapore, the manufacturing PMI fell below the 50-point threshold in November, posting a reading of 49.2.

➤ The Republic of Korea's current account surplus narrowed to US\$9.0 billion in October from US\$10.5 billion in September, largely due to a monthly decline in the merchandise trade surplus, which fell to US\$10.7 billion in October from US\$12.0 billion in September on the back of a larger monthly increase in merchandise imports than exports. In Thailand, the current account surplus widened to US\$5.2 billion in October from US\$1.6 billion in September.

### Asia Bond Monitor November 2015

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

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.27	-4.43	4.92	9.81
EU	0.68	1.20	21.80	13.70
Japan	0.34	2.20	3.30	1.20
PRC	3.08	0.00	-4.30	-57.00
Hong Kong, China	1.57	0.00	-0.40	-33.10
India	7.76	4.40	-1.00	-12.40
Indonesia	8.56	7.50	-6.40	73.20
Korea, Rep. of	2.30	3.50	3.30	-30.50
Malaysia	4.21	0.40	-0.60	6.30
Philippines	4.08	0.54	0.69	21.36
Singapore	2.55	5.04	8.28	27.00
Thailand	2.69	3.50	-0.50	-3.80
Viet Nam	7.23	3.50	1.70	-0.50

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  - 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

➤ Malaysia's trade surplus widened to MYR12.2 billion in October from MYR9.7 billion in September as exports increased at a faster pace than imports. Exports rose 8.1% m-o-m to MYR75.8 billion in October from MYR70.2 billion in the previous month.

➤ Last week, Fitch Ratings affirmed Singapore's long-term foreign currency and local currency issuer default ratings at AAA. The outlook for both ratings was stable.

➤ Local currency government bond yields mostly rose for the Philippines last week as inflation accelerated in November. Yields for most maturities also went up in Singapore and Thailand. In contrast, yields fell for most maturities in Indonesia on lower inflation. Bond yields for most maturities also fell in the PRC and the Republic of Korea. Yields were mixed in Hong Kong, China; Malaysia; and Viet Nam. The spread between the 2- and 10-year maturities widened for most emerging East Asian markets except for the PRC, the Philippines; and Thailand.

## Summary Text of News Articles

### Consumer Price Inflation Eases in Indonesia in November, Rises in the Republic of Korea and the Philippines; Inflation Remains Negative in Thailand in November

Consumer price inflation in Indonesia eased to 4.9% year-on-year (y-o-y) in November from 6.3% y-o-y in October. On a month-on-month (m-o-m) basis, however, inflation rose to 0.2% in November from -0.08% a month earlier. The m-o-m uptick in inflation was due largely to higher food prices. Bank Indonesia is confident that price stability will be maintained with full-year 2015 inflation expected to be near the lower end of the central bank's 3.0% -5.0% target.

Consumer price inflation in the Republic of Korea inched up to 1.0% y-o-y in November from 0.9% y-o-y in October, according to data from Statistics Korea. Nine out of 12 expenditure categories in the Consumer Price Index (CPI) recorded y-o-y price increases in November. On a month-on-month (m-o-m) basis, the CPI slipped 0.1% in November.

In the Philippines, consumer price inflation accelerated to 1.1% y-o-y in November from 0.4% y-o-y in October as eight out of 11 commodity groups posted higher annual increases. The food and non-alcoholic beverages sub-index, which accounts for the largest weight in the Consumer Price Index, posted an annual increase of 1.7% in November compared with 0.7% in October. Meanwhile, the utilities sub-index posted a slower y-o-y decline of -1.2% in November from -2.1% in the previous month.

In Thailand, the CPI fell 1.0% y-o-y in November, the 11th consecutive month of y-o-y decline, according to the latest CPI data of the Ministry of Commerce. The y-o-y drop in November was sharper than the 0.8% y-o-y decrease posted in October.

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

[https://asianbondsonline.adb.org/indonesia/data/marketwatch.php?code=policy\\_rate\\_and\\_inflation\\_trends](https://asianbondsonline.adb.org/indonesia/data/marketwatch.php?code=policy_rate_and_inflation_trends)

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

[https://asianbondsonline.adb.org/korea/data/marketwatch.php?code=policy\\_rate\\_and\\_inflation\\_trends](https://asianbondsonline.adb.org/korea/data/marketwatch.php?code=policy_rate_and_inflation_trends)

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

[https://asianbondsonline.adb.org/philippines/data/marketwatch.php?code=policy\\_rate\\_and\\_inflation\\_trends](https://asianbondsonline.adb.org/philippines/data/marketwatch.php?code=policy_rate_and_inflation_trends)

For inflation rate trends in the Thailand, refer to this link:

[https://asianbondsonline.adb.org/thailand/data/marketwatch.php?code=policy\\_rate\\_and\\_inflation\\_trends](https://asianbondsonline.adb.org/thailand/data/marketwatch.php?code=policy_rate_and_inflation_trends)

### The Republic of Korea's 3Q15 GDP Growth Revised Upward

The Republic of Korea's real gross domestic product (GDP) growth rate for 3Q15 was revised upward by the Bank of Korea last week to 2.7% y-o-y from an advance estimate of 2.6% y-o-y released on 23 October. Similarly, the central bank revised upward the quarter-on-quarter GDP growth rate to 1.3% from 1.2%.

### Industrial Production in Japan Increases in October; Manufacturing Production Contracts in the Republic of Korea and Thailand in October

Industrial production in Japan increased 1.4% m-o-m in October due to increases in general-purpose, production, and business-oriented machinery; transport equipment; and electronic parts and devices. The shipments index also increased 2.1% m-o-m, while the inventories index fell 1.9% m-o-m.

In the Republic of Korea, industrial production contracted 1.4% m-o-m in October, a reversal from 2.2% m-o-m growth in September, according to data from Statistics Korea. This was mainly due to manufacturing output declining 1.2% m-o-m in October following 2.2% m-o-m growth in September.

Manufacturing output in Thailand decreased 4.2% y-o-y in October, compared with a 0.4% dip in September, according to data from the Bank of Thailand. Between September and October, manufacturing production slipped amid a slow recovery in domestic demand and low levels of exports, according to the central bank.

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**Summary Text of News Articles**

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**Manufacturing PMI Falls Below 50-Point Threshold in the PRC and Singapore**

The manufacturing Purchasing Managers Index (PMI) in the People's Republic of China stood at 49.6 in November, the fourth consecutive month that the PMI fell below the 50-point threshold. (A reading above 50 indicates a generally expanding manufacturing economy while a reading below 50 is reflective of a contracting manufacturing economy.)

In Singapore, the manufacturing PMI fell below the 50-point threshold in November, posting a reading of 49.2 due to less new orders and new export orders. The November PMI, however, was up from a reading of 48.9 recorded in October.

**Current Account Surplus Narrows in the Republic of Korea, Widens in Thailand in October**

The Republic of Korea's current account surplus narrowed to US\$9.0 billion in October from US\$10.5 billion in September, largely due to a monthly decline in the merchandise trade surplus, according to the latest balance of payments report of the Bank of Korea. The merchandise trade surplus fell to US\$10.7 billion in October from US\$12.0 billion in September on the back of a larger monthly increase in merchandise imports vis-à-vis exports of goods. In addition, between September and October, the services account deficit widened from US\$1.7 billion to US\$2.0 billion; the primary income surplus slipped from US\$0.7 billion to US\$0.6 billion; and the secondary income deficit declined from US\$0.5 billion to US\$0.4 billion.

In Thailand, the current account surplus widened to US\$5.2 billion in October from US\$1.6 billion in September, based on the latest balance of payments data of the Bank of Thailand. The trade in goods surplus climbed to US\$4.3 billion in October from US\$4.0 billion in September, while the combined net services, primary income, and secondary income account shifted to a surplus position of US\$0.8 billion in October from a deficit of US\$2.4 billion in September.

**Malaysia's Trade Surplus Widens in October**

Malaysia's trade surplus widened to MYR12.2 billion in October from MYR9.7 billion in September as exports increased at a faster pace than imports. Exports rose 8.1% month-on-month (m-o-m) to MYR75.8 billion in October from MYR70.2 billion in the previous month. The items that posted m-o-m increases include liquefied natural gas, refined petroleum products, electrical and electronics products, and timber and timber-based products. Meanwhile, imports increased 5.3% to MYR63.7 billion in October from MYR60.5 billion in September, driven by intermediate goods and capital goods.












**Fitch Affirms Singapore's AAA Ratings**

Last week, Fitch Ratings (Fitch) affirmed Singapore's long-term foreign currency and local currency issuer default ratings at AAA. The outlook for both ratings was stable. In its decision, Fitch took note of Singapore's exceptionally strong external balance sheet, robust fiscal framework, high levels of per capita income, and strong governance indicators—against its high vulnerability to external shocks.

## 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	0.21	1.02	 4.58		17.81
EU	-0.31	2.10	 3.40		-27.00
Japan	-0.07	-1.30	 2.10		-7.10
PRC	2.31	0.00	 20.00		-135.00
Hong Kong, China	0.07	0.00	 0.00		-0.80
India	8.31	0.00	 0.00		0.00
Korea, Rep. of	1.57	-1.50	 7.70		-49.50
Malaysia	2.91	0.00	 1.40		-45.10
Philippines	2.15	0.16	 7.50		-22.19
Singapore	0.88	0.00	 8.70		20.50
Thailand	1.50	0.17	 0.27		-54.87

Close of 4 December 2015

### 10-Year Selected LCY Government Bond Yields

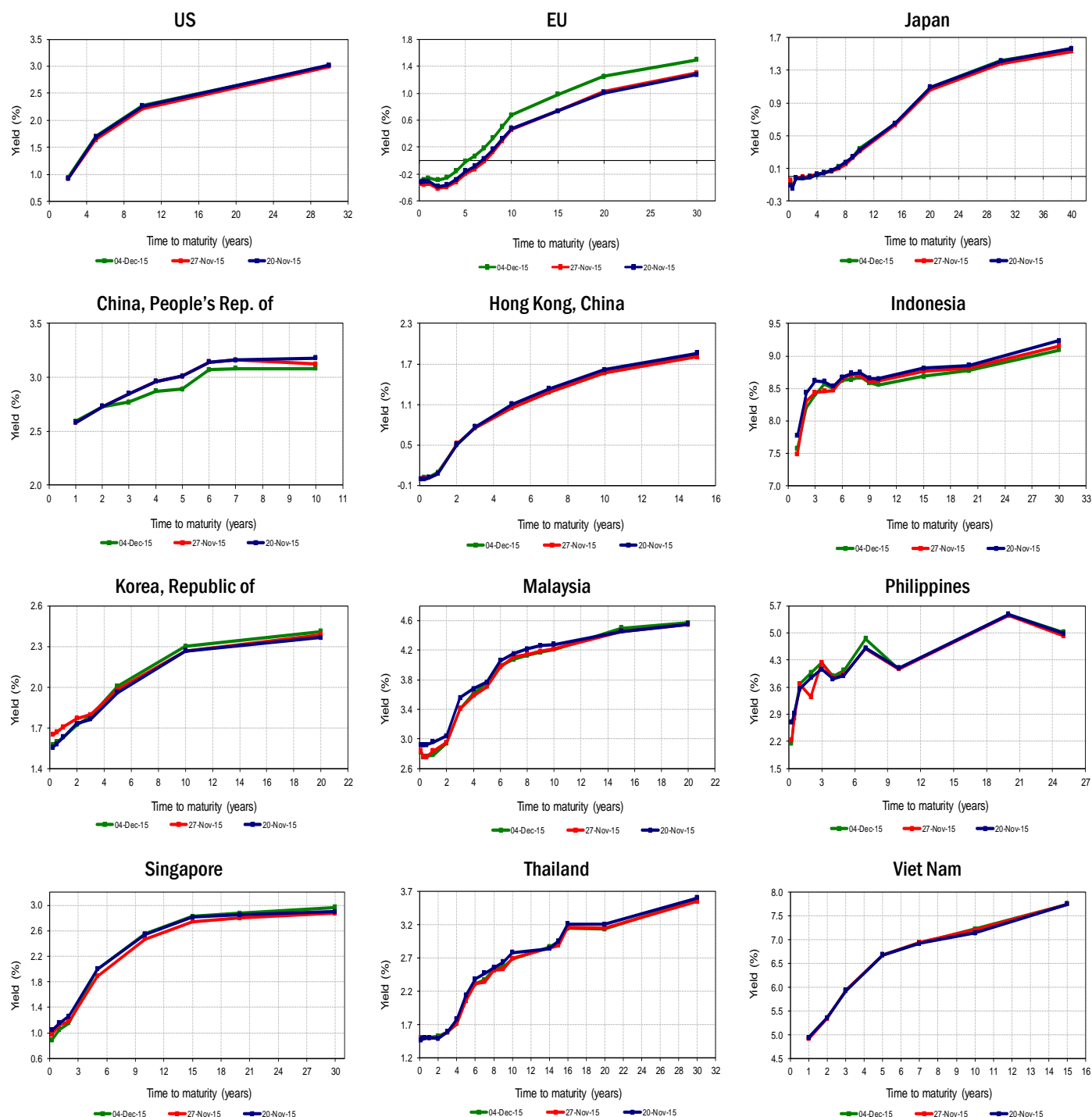
Markets	Latest Closing	basis point change from			1-Jan-15*
		Previous Day*	Previous Week*		
US	2.27	-4.43	 4.92		9.81
EU	0.68	1.20	 21.80		13.70
Japan	0.34	2.20	 3.30		1.20
PRC	3.08	0.00	 4.30		-57.00
Hong Kong, China	1.57	0.00	 0.40		-33.10
India	7.76	4.40	 1.00		-12.40
Indonesia	8.56	7.50	 6.40		73.20
Korea, Rep. of	2.30	3.50	 3.30		-30.50
Malaysia	4.21	0.40	 0.60		6.30
Philippines	4.08	0.54	 0.69		21.36
Singapore	2.55	5.04	 8.28		27.00
Thailand	2.69	3.50	 0.50		-3.80
Viet Nam	7.23	3.50	 1.70		-0.50

Close of 4 December 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

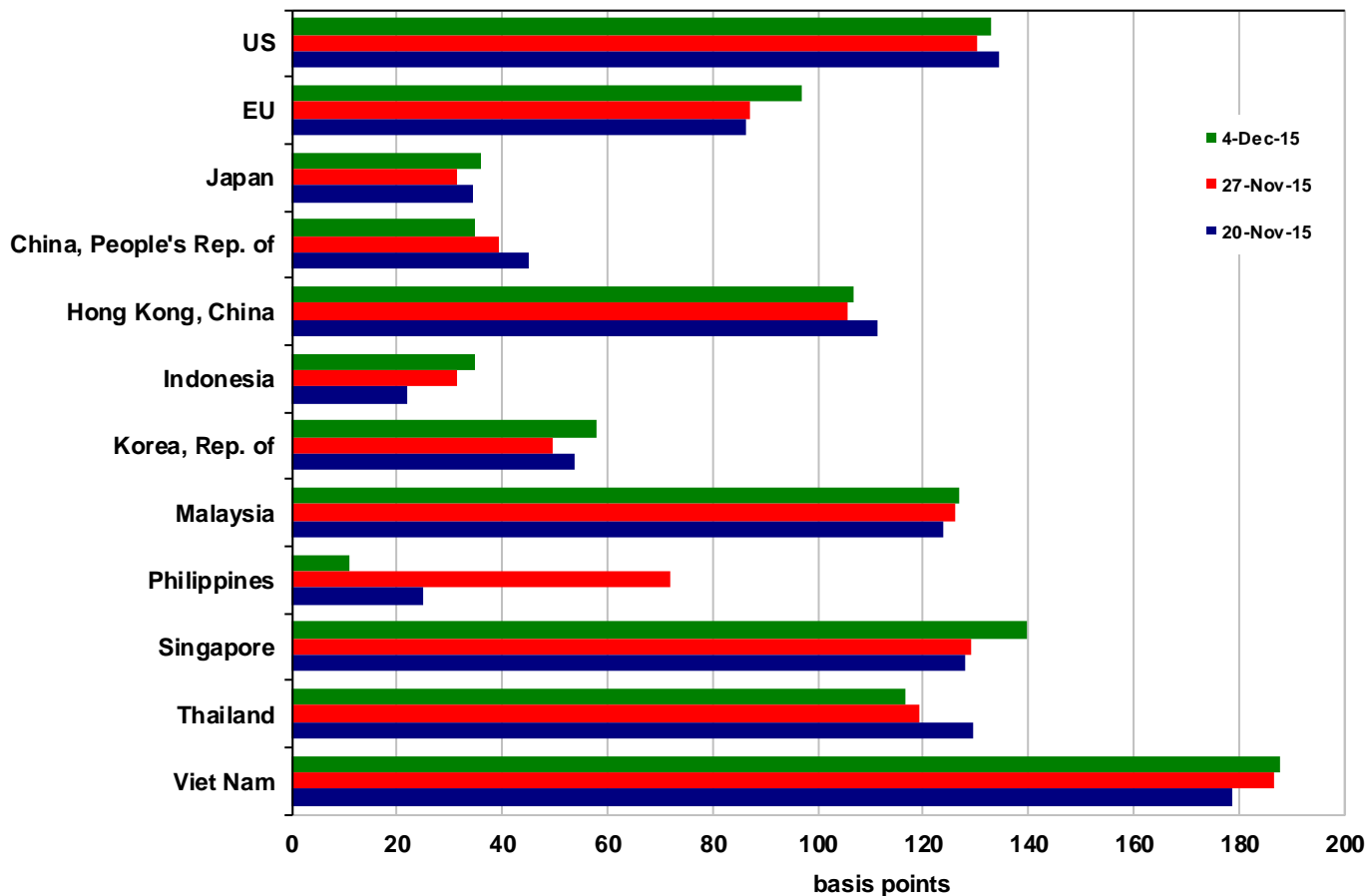


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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

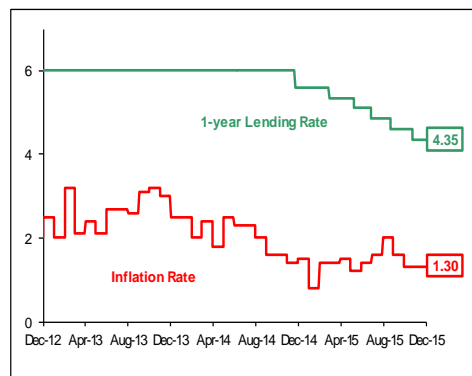


EU = European Union, US = United States.  
Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

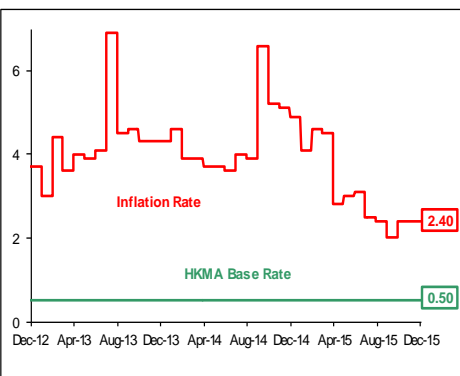
### China, People's Rep. of



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

Source: Bloomberg LP.

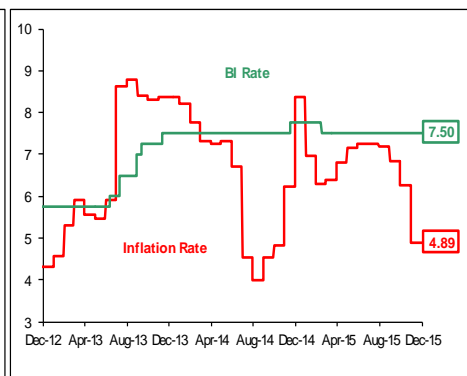
### Hong Kong, China



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

Source: Bloomberg LP.

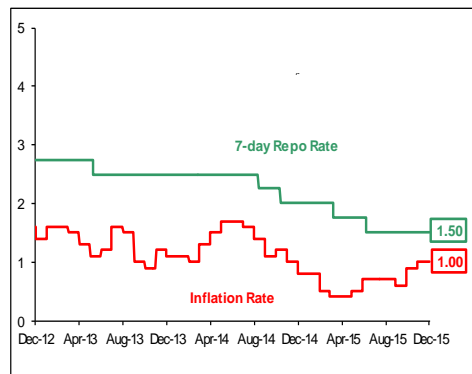
### Indonesia



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

Source: Bloomberg LP.

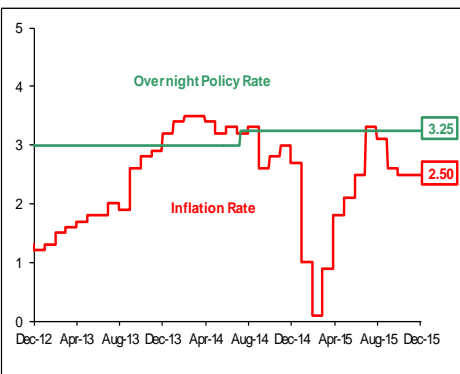
### Korea, Republic of



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.

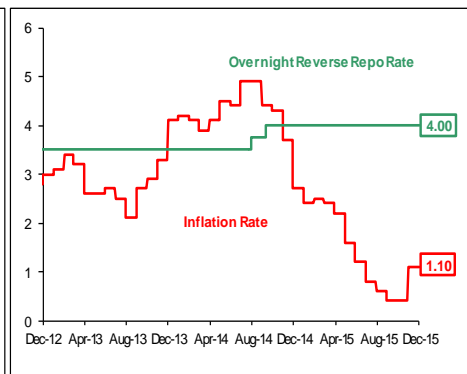
### Malaysia



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

Source: Bloomberg LP.

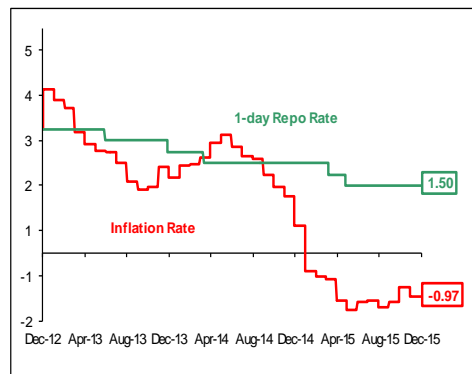
### Philippines



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

Source: Bloomberg LP.

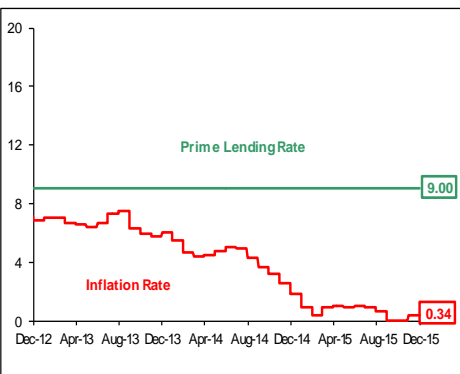
### Thailand



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



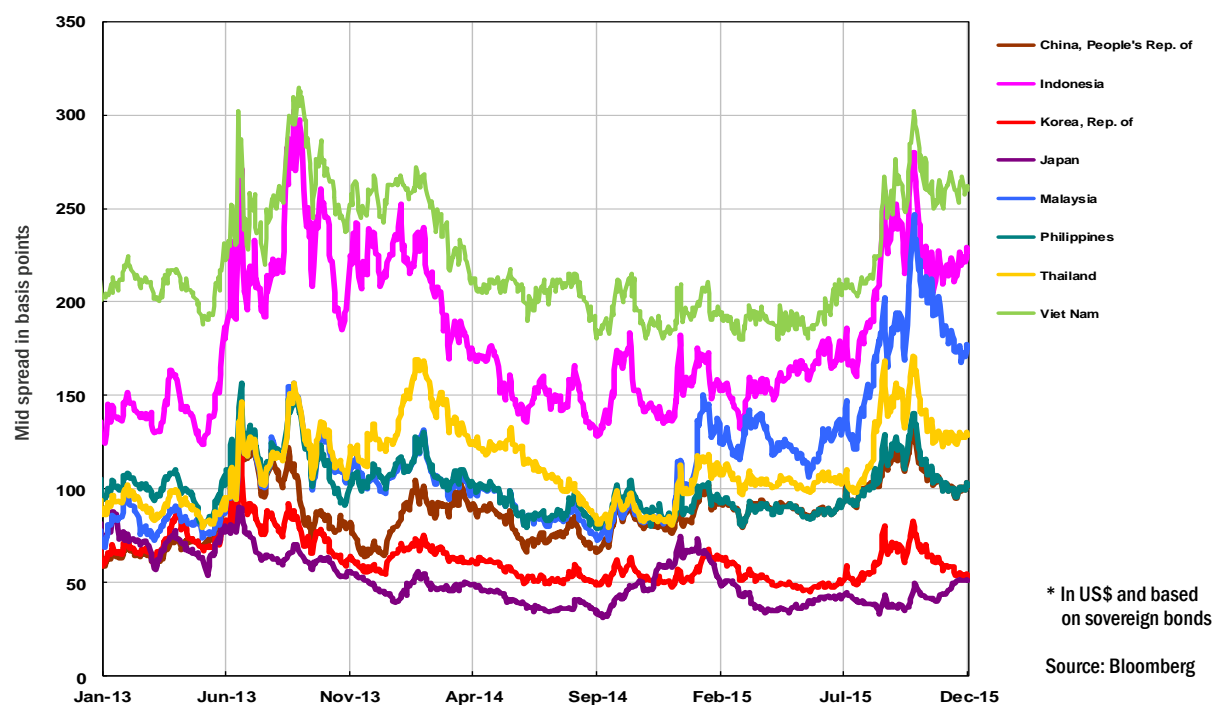
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

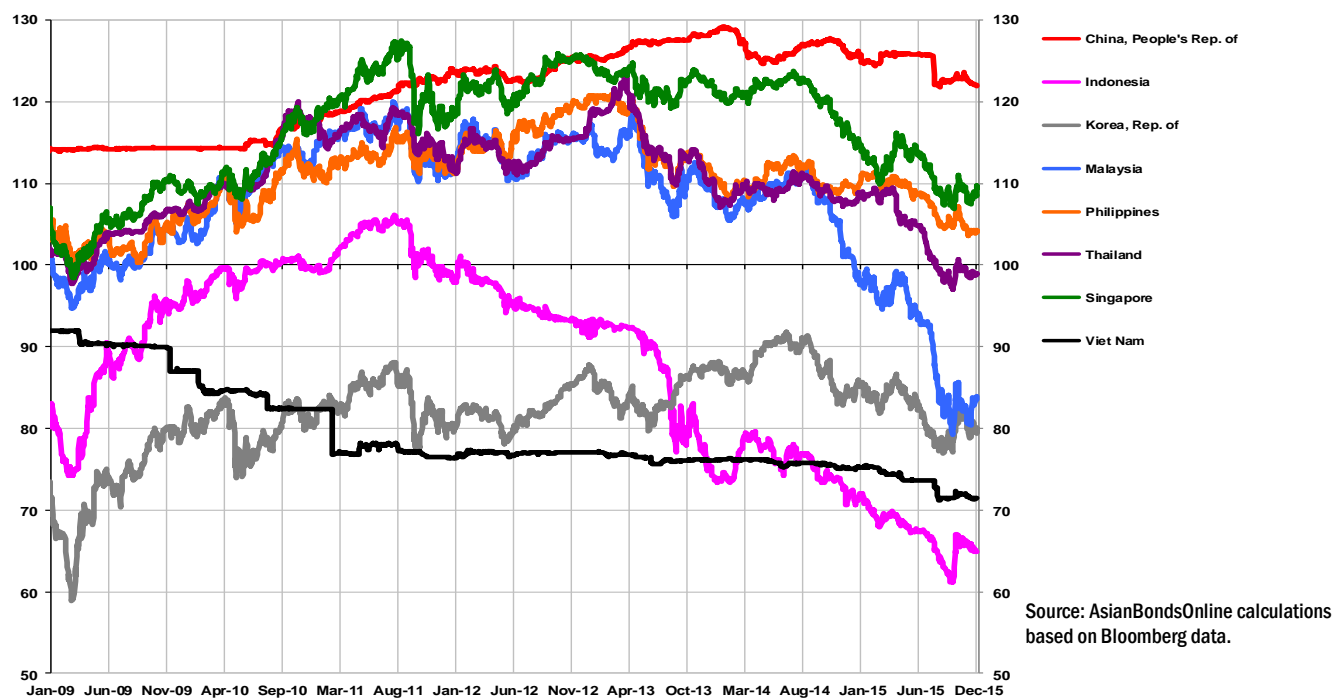
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (30 November – 4 December 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	2-Dec	5-year Treasury Bonds	2.86	3.14	28.00	28.05
HK	1-Dec	91-day Exchange Fund Bills	0.01		39.05	39.05
		182-day Exchange Fund Bills	0.02		12.00	12.00
		364-day Exchange Fund Bills	0.10		5.00	5.00
	4-Dec	30-day Exchange Fund Bills	0.00		0.80	0.80
ID	1-Dec	91-day Treasury Bills	6.28			1,000.00
		365-day Treasury Bills	7.29			900.00
		5-year Treasury Bonds	8.43	8.25	9,000.00	2,700.00
		10-year Treasury Bonds	8.52	8.38		3,850.00
		15-year Treasury Bonds	8.71	8.75		550.00
JP	1-Dec	10-year Japanese Government Bonds	0.32	0.30	2,400.00	2,393.30
	3-Dec	3-month Treasury Discount Bills	-0.06		4,800.00	4,779.92
KR	30-Nov	91-day Monetary Stabilization Bonds	1.69		1,200.00	870.00
		3-year Korean Treasury Bonds	1.82	1.75	1,700.00	1,624.00
	1-Dec	30-year Korean Treasury Bonds	2.43	2.75	850.00	850.00
	2-Dec	2-year Monetary Stabilization Bonds	1.73	1.73	1,200.00	2,000.00
MY	3-Dec	5-year Malaysia Government Securities	3.87	3.66	5.00	5.00
SG	1-Dec	31-day MAS Bills	0.57		0.50	0.50
		84-day MAS Bills	0.59		4.00	4.00
	3-Dec	168-day MAS Bills	0.53		2.00	2.00
TH	30-Nov	28-day Treasury Bills	1.49		14.00	14.00
	1-Dec	91-day Bank of Thailand Bonds	1.49		30.00	30.00
		182-day Bank of Thailand Bonds	1.50		30.00	30.00
		329-day Bank of Thailand Bonds	1.50		25.00	25.00
	2-Dec	13.56-year Government Bonds	2.90	4.88	13.00	12.40
	3-Dec	2.2-year Bank of Thailand Bonds	1.55		10.00	10.00
		14-day Bank of Thailand Bonds	1.48		15.00	15.00
	4-Dec	28-day Treasury Bills	1.49		14.00	14.00
VN	2-Dec	91-day Treasury Bills	1.50		10.00	10.00
		3-year Treasury Bonds	5.87		7,000.00	7,000.00
		5-year Treasury Bonds	6.60		2,000.00	1,990.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (8 – 14 December 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>People's Republic of China Exports</b> y-o-y, % NOV	12/08	10/14: 11.6% 11/14: 4.7% <b>09/15: -3.7%</b> <b>10/15: -6.9%</b>	Export growth in the People's Republic of China (PRC) contracted 6.9% y-o-y in October after falling 3.7% y-o-y in September.
<b>Japan GDP Final</b> y-o-y, % 3Q15	12/08	3Q14: -1.1% 4Q14: 1.2% <b>2Q15: -0.7%</b> <b>3Q15: -0.8%</b>	Based on preliminary data, Japan's gross domestic product (GDP) contracted at an annualized rate of 0.8% in 3Q15, following an annualized decline of 0.7% in 2Q15.
<b>Japan Current Account Balance</b> JPY billion OCT	12/08	09/14: 978 10/14: 846 <b>08/15: 1,653</b> <b>09/15: 1,468</b>	Japan's current account surplus narrowed to JPY1.5 trillion in September from JPY1.7 trillion in August.
<b>People's Republic of China Consumer Price Inflation</b> y-o-y, % NOV	12/09	10/14: 1.6% 11/14: 1.4% <b>09/15: 1.6%</b> <b>10/15: 1.3%</b>	Consumer price inflation in the PRC eased to 1.3% y-o-y in October from 1.6% y-o-y in September.
<b>Republic of Korea 7-Day Repurchase Rate</b> % 10-Dec	12/10	11/14: 2.00% 12/14: 2.00% <b>10/15: 1.50%</b> <b>11/15: 1.50%</b>	The Bank of Korea's Monetary Policy Board decided on 12 November to keep the 7-day repurchase rate steady at 1.50%.
<b>Malaysia Industrial Production</b> y-o-y, % OCT	12/10	09/14: 5.4% 10/14: 5.1% <b>08/15: 2.3%</b> <b>09/15: 5.1%</b>	Malaysia's industrial production growth rose to 5.1% y-o-y in September from 2.3% y-o-y in August.
<b>Philippines Exports</b> y-o-y, % OCT	12/10	09/14: 15.6% 10/14: 2.4% <b>08/15: -6.3%</b> <b>09/15: -15.5%</b>	Exports from the Philippines contracted 15.5% y-o-y in September following a decline of 6.3% y-o-y in August.
<b>People's Republic of China Industrial Production</b> y-o-y, % NOV	12/12	10/14: 7.7% 11/14: 7.2% <b>09/15: 5.7%</b> <b>10/15: 5.6%</b>	Industrial production growth in the PRC moderated to 5.6% y-o-y in October from 5.7% y-o-y in September.

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 Indonesia in November, Rises in the Republic of Korea and the Philippines; Inflation Remains Negative in Thailand in November

- [November Inflation Controlled](#)  
Bank Indonesia (1 December 2015)
- [Consumer Price Index in November 2015](#)  
Statistics Korea (1 December 2015)
- [Summary Inflation Report Consumer Price Index \(2006=100\) : November 2015](#)  
Philippine Statistics Authority (4 December 2015)
- [Consumer prices decline for 11th month in a row](#)  
Bangkok Post (2 December 2015)

### The Republic of Korea's 3Q15 GDP Growth Revised Upward

- [Gross National Income: 3rd Quarter of 2015 \(Preliminary\)](#)  
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- [Indices of Industrial Production](#)  
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- [Monthly Industrial Statistics, October 2015](#)  
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- [Press Release on Economic and Monetary Conditions in October 2015](#)  
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- [Table Attached to Press Release on Economic and Monetary Conditions in October 2015](#)  
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- [China's Manufacturing PMI Weakens to Lowest in Three Years](#)  
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Channel News Asia (2 December 2015)

### Current Account Surplus Narrows in the Republic of Korea, Widens in Thailand in October

- [Balance of Payments during October 2015 \(preliminary\)](#)  
The Bank of Korea (2 December 2015)
- [Balance of Payments \(Summary\) \(US\\$\)](#)  
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### Malaysia's Trade Surplus Widens in October

- [Monthly External Trade Statistics October 2015](#)  
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### Fitch Affirms Singapore's AAA Ratings

- [Fitch Affirms Singapore at 'AAA'; Outlook Stable](#)  
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