

Key Developments in Asian Local Currency Markets

Last week, the United States Federal Reserve raised the target range of the federal funds rate from 0.0%–0.25% to 0.25%–0.50%. In its decision, the Federal Reserve said that improvements in labor market conditions, household spending, and fixed business investments have been sufficient to warrant a raise in rates.

At its monetary policy meeting on 18 December, the Bank of Japan announced that it would maintain its monetary easing measures. It also introduced supplementary measures to begin next year such as the extension of the average remaining maturity of Japanese Government Bond purchases to 7–12 years from 7–10 years, and the additional annual purchase of about JPY300 billion worth of exchange-traded funds comprising stocks issued by companies that invest in physical and human capital, starting in April.

Last week, the Hong Kong Monetary Authority raised the base rate by 25 basis points (bps) to 0.75% in response to the 25-bps-point rise in the federal funds rate. Bank Indonesia decided to keep the benchmark interest rate steady at 7.50%. The Bangko Sentral ng Pilipinas decided to keep its policy rates unchanged at 4.0% for the overnight borrowing rate. The Bank of Thailand's Monetary Policy Committee decided to keep the policy rate unchanged at 1.50%.

Indonesia reported a trade deficit amounting to US\$346 million in November, a turnaround from a trade surplus of US\$1,013 million in October. Japan posted a trade deficit of JPY379.7 billion in November, a reversal from the JPY108.3 billion trade surplus posted in October.

The Republic of Korea's producer prices continued to fall in November as the Producer Price Index dropped 4.6% y-o-y and 0.3% month-on-month (m-o-m). Singapore's non-oil domestic exports (NODX) declined 3.3% year-on-year (y-o-y) in November after remaining unchanged in October.

Foreign net bond investment into the Republic of Korea fell to KRW69 billion in November from KRW110 billion in October.

Bank Indonesia and the Reserve Bank of Australia entered into a bilateral local currency swap agreement that allows the two central banks to exchange up to a maximum of AUD10

Asia Bond Monitor November 2015 [read more](#)

10-Year Selected LCY Government Security Yields Close of 11 December 2015

Markets	Latest Closing	basis point change from			1-Jan-15*
		Previous Day*	Previous Week*	1-Jan-15*	
US	2.20	-1.94		7.70	3.28
EU	0.55	-5.10	0.80		0.70
Japan	0.27	-3.00	-5.20		-5.90
PRC	3.05	0.00	0.00		-60.00
Hong Kong, China	1.56	-1.20	-3.00		-33.20
India	7.73	1.70	-5.30		-15.50
Indonesia	8.70	-0.80	-2.50		87.40
Korea, Rep. of	2.12	-3.80	-12.10		-48.30
Malaysia	4.24	-6.50	-7.60		9.30
Philippines	4.10	1.23	-1.57		23.69
Singapore	2.46	-4.19	-1.66		17.57
Thailand	2.57	-2.80	-9.40		-15.90
Viet Nam	7.18	-3.70	-2.50		-4.70

- 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

billion–IDR100 billion in order to promote bilateral trade.

Last week, the Republic of Korea sold CNY3 billion worth of 3-year renminbi-denominated bonds in the People's Republic of China, with a yield of 3.0%. The Lao People's Democratic Republic raised US\$182 million from a dual-tranche US\$-denominated floating-rate note sale in Thailand. The issuance was comprised of a 10-year note priced at 3.38% above the 6-month London Interbank Offered Rate (LIBOR) and a US\$20 million 12-year note at 3.48% over the 6-month LIBOR.

Moody's Investors Service has upgraded the Republic of Korea's sovereign credit rating to Aa2 from Aa3 and has changed the rating outlook to stable from positive.

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

The 21 December issue of the Weekly Debt Highlights is the last issue for 2015. Issuance will resume on 11 January 2016.

Summary Text of News Articles

US Federal Reserve Raises Policy Rate

Last week, the United States (US) Federal Reserve raised the target range of the federal funds rate from 0.0%–0.25% to 0.25%–0.50%. In its decision, the Federal Reserve said that improvements in labor market conditions, household spending, and fixed business investments have been sufficient to warrant a raise in rates. While inflation remains below the Federal Reserve's target, inflation is expected to meet the target over the medium-term.

BOJ Adds Supplementary Monetary Easing Measures

At its monetary policy meeting on 18 December, the Bank of Japan (BOJ) announced that it would maintain its current monetary easing measures. The BOJ also announced supplementary measures to begin next year such as the extension of the average remaining maturity of Japanese Government Bond purchases to 7–12 years from 7–10 years. Other programs include the additional purchase of about JPY300 billion worth of exchange-traded funds (ETFs), beginning in April 2016, on top of the current program under which the outstanding value of ETFs increases at an annual pace of about JPY3 trillion. Under this new program, BOJ will purchase ETFs comprising stocks issued by companies that invest in physical and human capital.

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

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

HKMA Raises Base Rate; Policy Rates Kept Steady in Indonesia, the Philippines, and Thailand

Last week, the Hong Kong Monetary Authority (HKMA) raised the base rate 25 basis points (bps) to 0.75% in response to the 25-bps-point rise in the US federal funds rate. The base rate is used in the calculation of discount rates for HKMA's repurchase agreements, which banks use as a source of liquidity.

In a meeting held on 17 December, Bank Indonesia's Board of Governors decided to keep the benchmark interest rate steady at 7.5%. Bank Indonesia also held steady the deposit facility rate at 5.5% and the lending facility rate at 8.0%. The central bank noted there was room for monetary easing given that inflation in 2015 was expected to fall below 3.0% and current account deficit stood at about 2.0% of gross domestic product.

The Bangko Sentral ng Pilipinas (BSP) decided on 17 December to keep policy rates unchanged at 4.0% for the overnight borrowing rate and 6.0% for the overnight lending facility. Interest rates on special deposit accounts and reserve requirement ratios were also maintained. The BSP stated that inflation for 2015 would likely settle in the range of 2.0%–4.0%. The BSP noted upward pressure on inflation coming from the effects of El Niño on food and utilities prices, as well as pending adjustments in power rates; and downside risks from possible slower global economic activity.

The Bank of Thailand's Monetary Policy Committee decided on 16 December to keep the policy rate unchanged at 1.50%. The committee took note of the gradual recovery of the Thai economy in July–October and the slight decline in inflationary pressure since its previous meeting in November. It assessed that the economic recovery continues to be supported by monetary and exchange rate conditions, and that the monetary policy stance of the central bank should remain "sufficiently accommodative."

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

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

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 the Philippines, refer to this link:

https://asianbondsonline.adb.org/philippines/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

Summary Text of News Articles

Indonesia and Japan Post Trade Deficits in November

Indonesia reported a trade deficit amounting to US\$346 million in November, a turnaround from a trade surplus of US\$1,013 million in October. The trade deficit in November marked the first monthly trade deficit in 2015. Exports reached US\$11.2 billion in November, contracting at a slower pace of 17.6% year-on-year (y-o-y) after falling 20.7% y-o-y a month earlier. Imports stood at US\$11.5 billion in November, declining 18.0% y-o-y after a 27.5% y-o-y contraction in October.

Japan posted a trade deficit of JPY379.7 billion in November, a reversal from the JPY108.3 billion trade surplus posted in October, as exports contracted at a higher pace than imports. Exports of goods declined 8.6% month-on-month (m-o-m) to JPY5.98 trillion in November from JPY6.54 trillion in October. Imports decreased 1.1% m-o-m to JPY6.36 trillion in November from JPY6.43 trillion in October.

Producer Prices in the Republic of Korea Continue to Fall in November; Singapore's NODX Falls in November

The Republic of Korea's producer prices continued to fall in November, as the Producer Price Index (PPI) dipped 4.6% y-o-y and 0.3% m-o-m, according to the Bank of Korea. The m-o-m drop in the PPI mainly emanated from a decline in manufacturing industry product prices, while the y-o-y fall stemmed from annual decreases in prices for manufacturing industry products and utilities.

Singapore's non-oil domestic exports (NODX) declined 3.3% y-o-y in November after remaining unchanged in October. The decline was due to a fall in exports of non-electronic products, which dipped 5.1% y-o-y in November after rising 1.4% y-o-y in October. In contrast, exports of electronic products rose 0.7% y-o-y in November after falling 3.2% y-o-y in October. With the exception of exports to the US, Japan, Thailand, and the Republic of Korea, exports to all other markets fell on a y-o-y basis. The biggest decline occurred in exports to the People's Republic of China (PRC), which fell 9.2% y-o-y in November.

Foreign Investor Net Bond Investment in the Republic of Korea Falls in November

Foreign net bond investment in the Republic of Korea fell to KRW69 billion in November from KRW110 billion in October, according to data from the Financial Supervisory Service. By investor origin, Switzerland posted the largest net bond investment inflows in November, while the biggest outflows were generated by investors based in the PRC. At the end of November, US investors held the largest amount of Korean bonds among all foreign investors.

Bank Indonesia and Reserve Bank of Australia Forge Bilateral Local Currency Swap Agreement

Bank Indonesia and the Reserve Bank of Australia entered into a bilateral local currency swap agreement that allows the two central banks to exchange up to a maximum of AUD10 billion–IDR100 billion in order to promote bilateral trade. The agreement became effective on 15 December and is valid for a period of 3 years, subject to extension based on mutual consent by both parties.

The Republic of Korea Issues CNY3 Billion Worth of 3-Year Bonds in the PRC; Lao PDR Raises US\$182 Million from Dual-Tranche FRN Sale in Thailand

The Republic of Korea sold renminbi-denominated bonds worth CNY3 billion in the PRC last week. The bonds have a tenor of 3 years and a coupon of 3.0%. The issue marked the first time that the Republic of Korea has sold sovereign renminbi-denominated bonds in the PRC. It added that the bond issuance is expected to help diversify the currency composition of the Republic of Korea's foreign reserves and serve as a benchmark for Korean issuers seeking to tap the PRC's onshore bond market.

The Lao People's Democratic Republic (PDR) raised US\$182 million from a dual-tranche US\$-denominated floating-rate note (FRN) sale in Thailand last week. The transaction comprised a US\$162 million 10-year FRN priced at 3.38% above the 6-month London Interbank Offered Rate (LIBOR) and a US\$20 million 12-year FRN at 3.48% over the 6-month LIBOR. The FRNs were rated BBB+ by TRIS Rating, a local credit rating agency in Thailand.

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	0.17	-4.58	-4.58	13.74
EU	-0.37	-0.70	-5.00	-32.80
Japan	-0.01	0.90	0.30	-1.40
PRC	2.37	-3.00	6.00	-129.00
Hong Kong, China	0.07	0.00	0.00	-0.80
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.56	-0.30	-0.50	-51.20
Malaysia	2.88	-0.20	-3.40	-48.50
Philippines	2.71	56.34	114.04	33.17
Singapore	0.69	-0.90	-11.80	1.30
Thailand	1.50	-0.02	0.37	-54.44

Close of 18 December 2015

10-Year Selected LCY Government Bond Yields

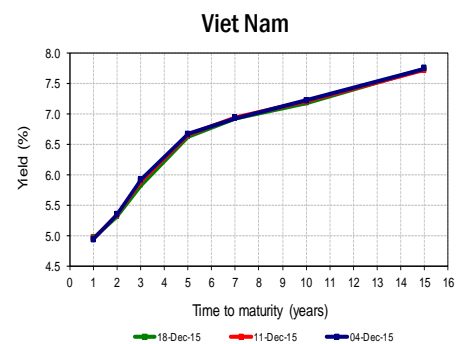
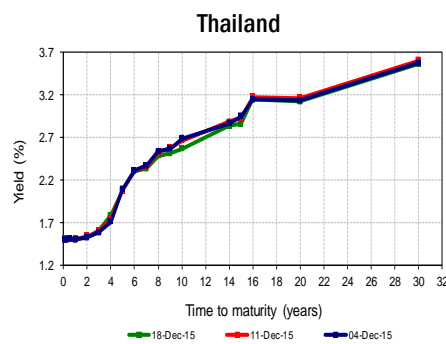
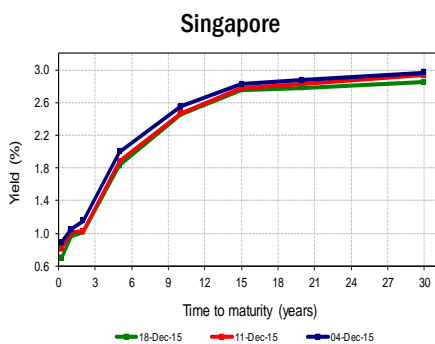
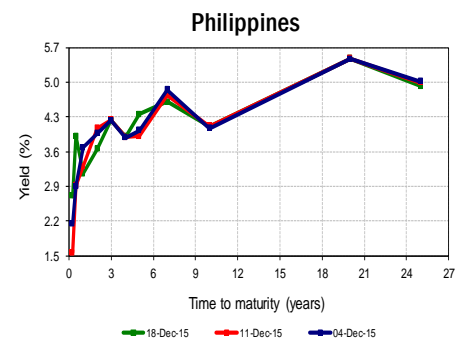
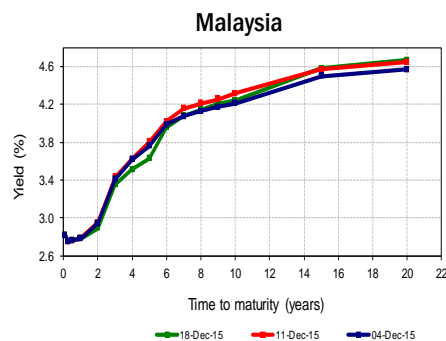
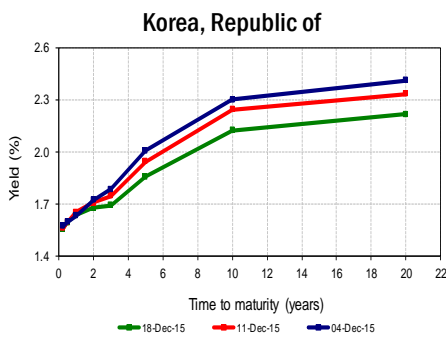
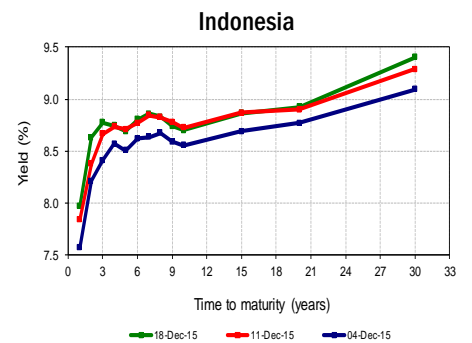
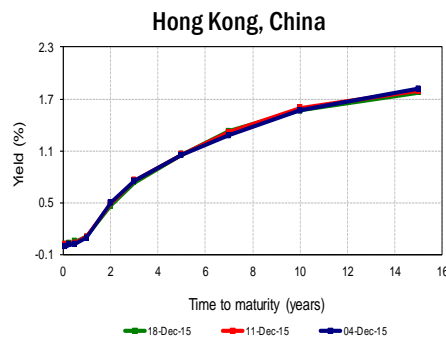
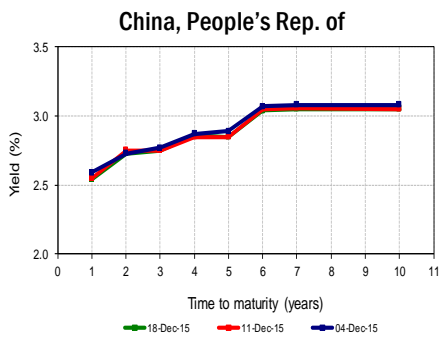
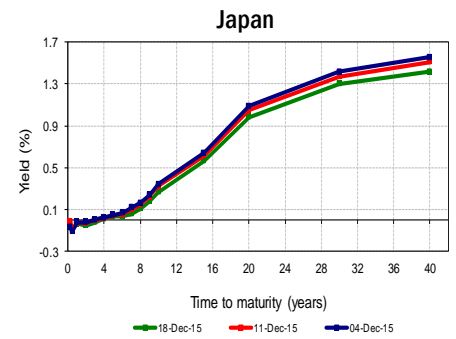
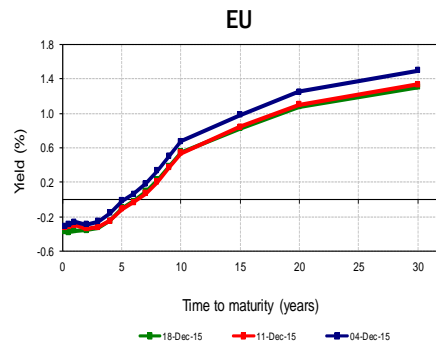
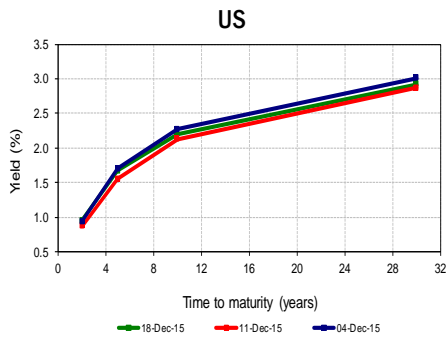
Markets	Latest Closing	basis point change from		
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PRC	3.05	0.00	0.00	-60.00
Hong Kong, China	1.56	-1.20	-3.00	-33.20
India	7.73	1.70	-5.30	-15.50
Indonesia	8.70	-0.80	-2.50	87.40
Korea, Rep. of	2.12	-3.80	-12.10	-48.30
Malaysia	4.24	-6.50	-7.60	9.30
Philippines	4.10	1.23	-1.57	23.69
Singapore	2.46	-4.19	-1.66	17.57
Thailand	2.57	-2.80	-9.40	-15.90
Viet Nam	7.18	-3.70	-2.50	-4.70

Close of 18 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

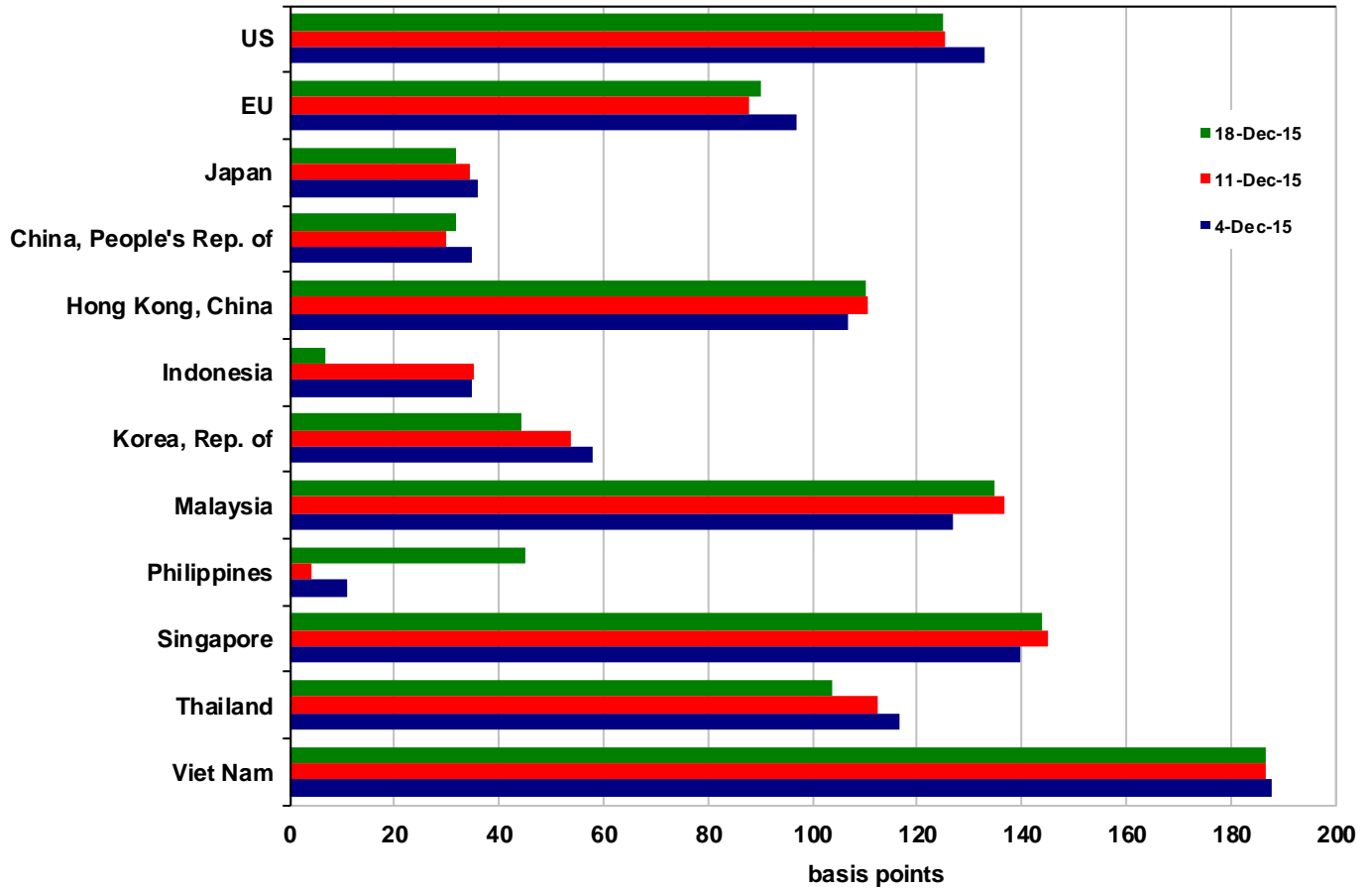
Tip: Zoom-in on the table using the Acrobat zoom tool



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

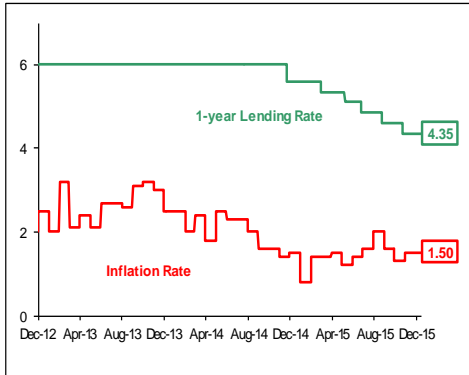


EU = European Union, US = United States.
Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

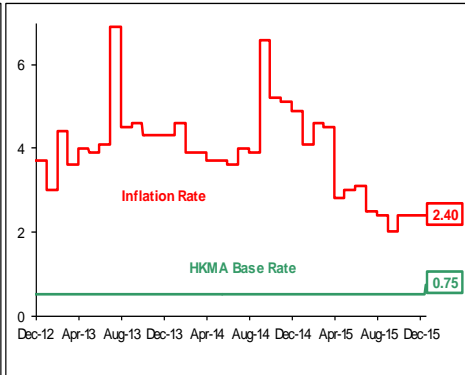
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



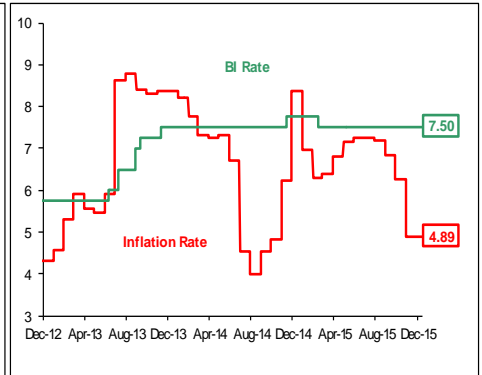
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



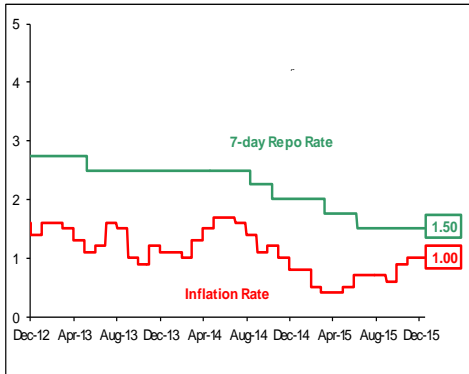
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



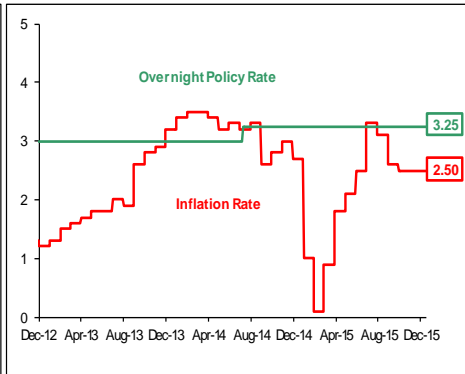
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



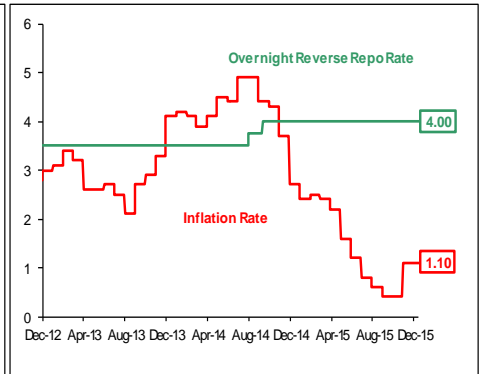
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



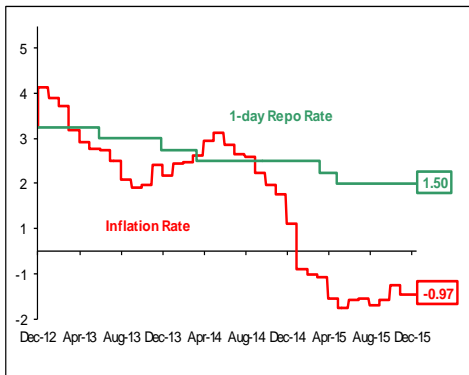
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



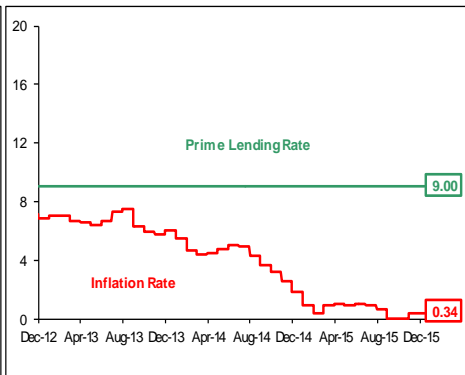
Banko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

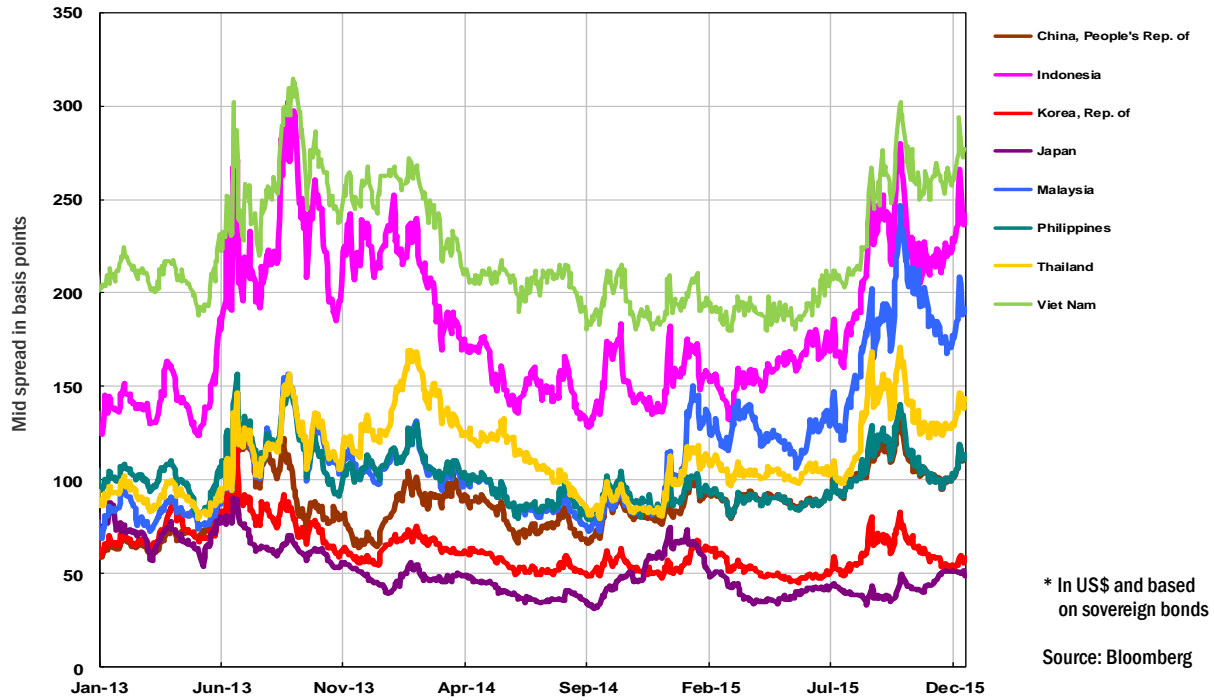


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

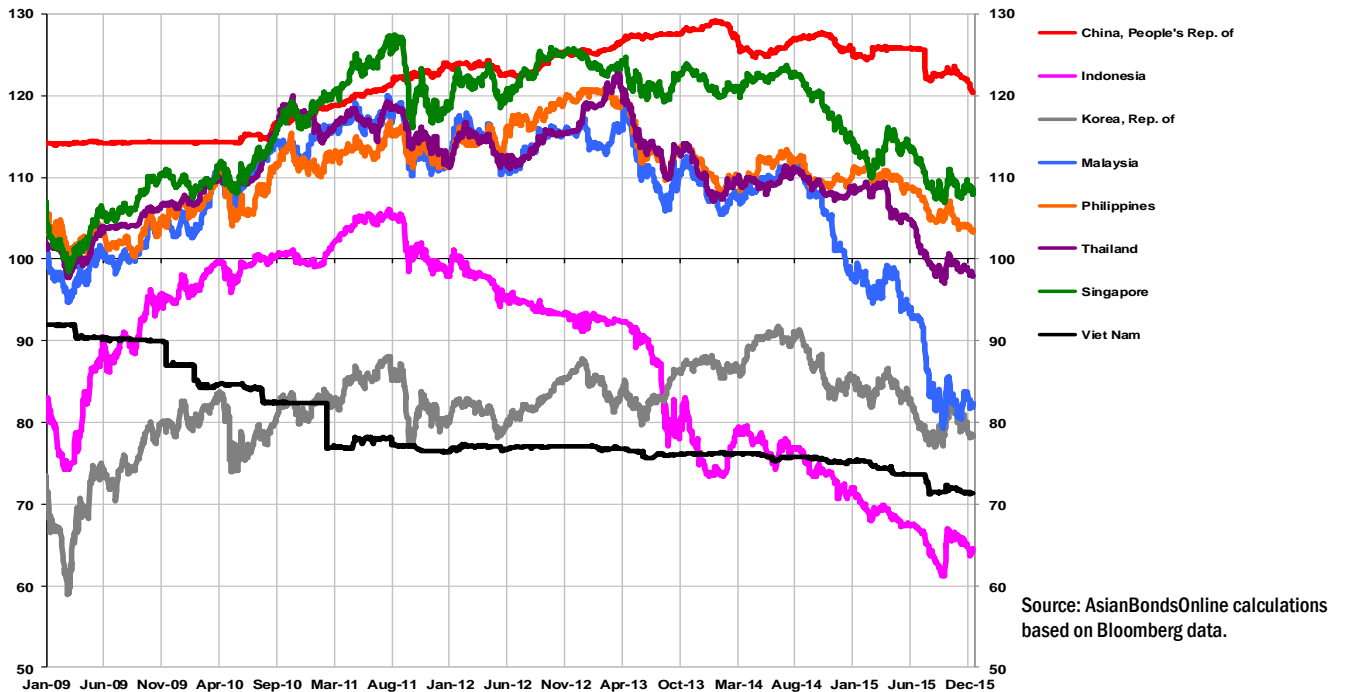
Credit Default Swap Spreads and Exchange Rate Indexes

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 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	16-Dec	7-year Treasury Bonds	2.98	3.05	28.00	28.00
HK	15-Dec	91-day Exchange Fund Bills	0.04		32.78	32.78
		182-day Exchange Fund Bills	0.07		9.00	9.00
	18-Dec	37-day Exchange Fund Bills	0.03		2.20	2.20
JP	15-Dec	5-year Japanese Government Bonds	0.04	0.10	2,500.00	2,569.20
	16-Dec	1-year Treasury Discount Bills	-0.05		2,500.00	2,499.98
	17-Dec	3-month Treasury Discount Bills	-0.02		4,800.00	4,749.96
		20-year Japanese Government Bonds	1.04	1.00	1,200.00	1,347.00
KR	14-Dec	91-day Monetary Stabilization Bonds	1.58		1,200.00	1,200.00
		1-year Monetary Stabilization Bonds	1.65		1,000.00	1,000.00
		10-year Korean Treasury Bonds	2.22	2.25	1,800.00	1,672.00
	16-Dec	2-year Monetary Stabilization Bonds	1.72		2,000.00	2,000.00
SG	15-Dec	28-day MAS Bills	0.01		0.50	0.50
		84-day MAS Bills	0.32		4.00	4.00
	17-Dec	168-day MAS Bills	0.37		2.30	2.30
TH	14-Dec	28-day Treasury Bills	1.49		14.00	14.00
		91-day Treasury Bills	1.50		10.00	10.00
	15-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
	17-Dec	1.68-year Bank of Thailand Bonds	1.59	1.51	20.00	20.00
VN	16-Dec	3-year Treasury Bonds	5.80		10.40	10.40
		5-year Treasury Bonds	6.58		2.60	2.60

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (22 – 28 December 2015)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Singapore CPI y-o-y, % NOV	12/23	10/14: 0.2% 11/14: -0.3% 09/15: -0.6% 10/15: -0.8%	Singapore posted deflation for the 12th month in a row in October as consumer prices fell 0.8% year-on-year (y-o-y) after contracting 0.6% y-o-y a month earlier.
Singapore IPI y-o-y, % NOV	12/24	10/14: 0.3% 11/14: -1.9% 09/15: -4.7% 10/15: -5.4%	The Industrial Production Index (IPI) in Singapore contracted 5.4% y-o-y in October following a decline of 4.7% y-o-y in September.
Viet Nam CPI y-o-y, % DEC	12/24	11/14: 2.6% 12/14: 3.2% 10/15: 0.0% 11/15: 0.3%	The Consumer Price Index (CPI) in Viet Nam rose 0.3% y-o-y in November after remaining unchanged in October.
Japan CPI y-o-y, % NOV	12/25	10/14: 2.9% 11/14: 2.4% 09/15: 0.0% 10/15: 0.3%	The CPI in Japan increased 0.3% y-o-y in Japan after remaining unchanged in September.
Viet Nam Trade Balance US\$ million DEC	12/25 to 12/31	11/14: 438 12/14: -1,162 10/15: 500 11/15: -200	Viet Nam reported a trade deficit of US\$200 million in November, a turnaround from a trade surplus of US\$500 million in October.
Viet Nam IPI y-o-y, % DEC	12/25 to 12/31	11/14: 11.1% 12/14: 9.6% 10/15: 8.8% 11/15: 8.9%	The IPI in Viet Nam inched up 8.9% y-o-y in November following an 8.8% y-o-y gain in October.
Viet Nam GDP YTD y-o-y, % 4Q15	12/25 to 12/31	3Q14: 5.5% 4Q14: 6.0% 2Q15: 6.3% 3Q15: 6.5%	Economic growth in Viet Nam climbed 6.5% y-o-y in the first 9 months of the year, compared with 5.5% y-o-y growth in the same 9-month period in 2014.
Viet Nam Retail Sales YTD y-o-y, % DEC	12/25 to 12/31	11/14: 11.1% 12/14: 10.6% 10/15: 9.6% 11/15: 9.4%	Retail sales growth slowed to 9.4% y-o-y in January–November from 11.1% y-o-y in the same 9-month period a year earlier.
Hong Kong, China Trade Balance HKD billion NOV	12/28	10/14: -49.84 11/14: -52.16 09/15: -36.38 10/15: -29.60	Hong Kong, China's trade deficit narrowed in October to HKD29.6 billion from HKD36.4 billion in September.
Japan IPI y-o-y, % NOV	12/28	10/14: -0.5% 11/14: -3.7% 09/15: -0.8% 10/15: -1.4%	Industrial production in Japan contracted 1.4% y-o-y in October following a decline of 0.8% 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)

US Federal Reserve Raises Policy Rate

- [Press Release](#)
Board of Governors of the Federal Reserve System (16 December 2015)

BOJ Adds Supplementary Monetary Easing Measures

- [Statement on Monetary Policy](#)
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