

Key Developments in Asian Local Currency Markets

In its meeting on 13–14 January, Bank Indonesia’s Board of Governors decided to lower the benchmark interest rate by 25 basis points (bps) to 7.25%. Both the deposit facility rate and the lending facility rate were also reduced by 25 bps to 5.25% and 7.75%, respectively. The rate cut was consistent with Bank Indonesia’s view that there is sufficient room for monetary easing given current macroeconomic conditions and also takes into account the United States (US) Federal Reserve rate hike. The Bank of Korea’s Monetary Policy Board decided on 14 January to keep the base rate unchanged at 1.50%. In its monetary policy decision, the board assessed recent developments in the global economy—including a sustained US economic recovery, the eurozone’s ongoing “modest improvements,” and the continued slowdown in emerging market economies.

The Bank of Korea announced last week that it has revised downward its 2016 consumer price inflation forecast for the Republic of Korea to 1.4% from an earlier projection of 1.7% made in October. In addition, its gross domestic product growth forecast for full-year 2015 was revised downward to 2.6% from 2.7%.

Industrial production growth in Malaysia eased to 1.8% year-on-year (y-o-y) in November from 4.2% y-o-y in October. The lower growth was driven by a larger annual decrease in the mining index of –4.1% in November compared with –1.4% in October.

The People’s Republic of China’s (PRC) exports fell 1.4% y-o-y in December while imports contracted 7.6% y-o-y. A trade surplus of US\$60.1 billion was recorded in December. In Indonesia, exports declined 17.7% y-o-y and imports contracted 16.0% y-o-y in December. In the Philippines, merchandise exports contracted 1.1% y-o-y to US\$5.1 billion in November, due to y-o-y decreases in exports of five major commodity product categories.

Japan’s current account surplus narrowed to JPY1.1 trillion in November from JPY1.5 trillion in October, mainly due to a reversal in the goods account to a deficit of JPY272 billion from a surplus of JPY200 billion.

On 11 January, Moody’s Investors Service affirmed its A3 sovereign credit rating for Malaysia and revised its outlook to stable from positive.

Foreign investors sold a net KRW784 billion worth of listed bonds in the Republic of Korea in December, a reversal from net bond investment inflows of KRW69 billion in November, according to data from the Financial Supervisory Service. At the end of 2015, investors in the US remained the largest holder of Korean bonds, totaling KRW18,094 billion,

Asia Bond Monitor November 2015

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10-Year Selected LCY Government Security Yields Close of 15 January 2015
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	2.03	-5.27	-8.09	-23.47
EU	0.47	-3.50	-4.20	-15.70
Japan	0.22	-2.30	-0.80	-4.40
PRC	2.78	1.00	-9.00	-8.00
Hong Kong, China	1.49	4.50	-5.60	-9.20
India	7.81	2.10	6.80	8.20
Indonesia	8.55	-0.30	-26.30	-21.10
Korea, Rep. of	2.02	-1.00	-3.70	-6.50
Malaysia	4.16	-3.30	-4.60	-2.30
Philippines	4.35	-6.00	24.05	25.45
Singapore	2.42	-6.26	-8.78	-17.72
Thailand	2.48	-3.60	-12.60	-1.80
Viet Nam	7.23	18.30	3.30	5.80

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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

followed by PRC investors at KRW17,428 billion. .

Woori Bank, based in the Republic of Korea, priced a US\$500 million 5.5-year bond on a 2.625% coupon to yield 2.704% last week. DBS Group priced its first Basel III-compliant Tier 2 notes amounting to SGD250 million with a 12-year maturity. The bonds carry a fixed rate of 3.8% and are callable in 2023.

Local currency government bond yields fell for all tenors in Indonesia after the policy rate cut announced last week, and for the Republic of Korea and Thailand. Bonds yields fell for most tenors in Singapore following movements in US treasury rates, and for the PRC. On the other hand, yields rose for most tenors in the Philippines, and Viet Nam, while yields were mixed for Hong Kong, China, and Malaysia. The yield spread between the 2- and 10-year bond yields narrowed for most emerging East Asian markets except for Indonesia, the Philippines, and Viet Nam.

Summary Text of News Articles

Bank Indonesia Cut Benchmark Rate by 25 bps to 7.25%; Policy Rate Kept Unchanged in the Republic of Korea

In its meeting on 13–14 January, Bank Indonesia's Board of Governors decided to lower its benchmark interest rate by 25 basis points (bps) to 7.25%. Both the deposit facility rate and the lending facility rate were also reduced by 25 bps to 5.25% and 7.75%, respectively. The rate cut was consistent with Bank Indonesia's view that there is sufficient room for monetary easing given current macroeconomic conditions and also takes into account the United States (US) Federal Reserve rate hike.

The Bank of Korea's Monetary Policy Board decided on 14 January to keep the base rate unchanged at 1.50%. In its monetary policy decision, the board assessed recent developments in the global economy—including a sustained US economic recovery, the eurozone's ongoing "modest improvements," and the continued slowdown in emerging market economies. The board also took note of the sustained recovery in domestic demand amid a persistent export slump, a lack of improvement in economic sentiment, the uptick in the inflation rate between November and December, falling stock prices and long-term interest rates amid "instabilities" in the People's Republic of China's (PRC) stock market and declining world oil prices; and the depreciation in the Korean won. The board projected that the Republic of Korea will continue its economic recovery, but faces a high level of uncertainty on its growth path, and that consumer price inflation in 2016 will fall below the inflation target of 2%.

For policy rates in Indonesia, refer to this link:

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

For policy rates in the Republic of Korea, refer to this link:

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

2015 and 2016 Economic Outlook for the Republic of Korea Revised Downward

The Bank of Korea announced last week that it has revised downward its 2016 consumer price inflation forecast for the Republic of Korea to 1.4% from its earlier projection of 1.7% made in October. In addition, its gross domestic product growth forecast for full-year 2015 was revised downward to 2.6% from 2.7%.

Industrial Production Growth in Malaysia Eases in November

Industrial production growth in Malaysia eased to 1.8% year-on-year (y-o-y) in November from 4.2% y-o-y in October. The lower growth was driven by a larger annual decrease in the mining index of -4.1% in November compared with -1.4% in October. Moreover, the manufacturing index and electricity index posted lower y-o-y increases of 4.1% and 2.0% in November from 6.2% and 4.3% in October, respectively.

Exports and Imports Decline in the PRC and Indonesia in December; Philippine Merchandise Exports Contract in November

The PRC's exports fell 1.4% y-o-y in December after falling 6.8% y-o-y in November. Imports fell 7.6% y-o-y in December after declining 8.7% y-o-y in the previous month. As a result, the PRC reported a trade surplus of US\$60.1 billion in December versus November's US\$54.1 billion.

Exports from Indonesia fell 17.7% y-o-y in December after declining a revised 18.0% y-o-y in November. Imports also contracted 16.0% y-o-y in December from a revised 18.0% y-o-y decline a month earlier. A trade deficit for the second month in a row was recorded in December, amounting to US\$236 million compared with a trade deficit of US\$408 million in November. For full-year 2015, a trade surplus valued at US\$7.5 billion was recorded.

In the Philippines, merchandise exports contracted 1.1% y-o-y to US\$5.1 billion in November due to y-o-y decreases in exports of five major commodity product categories: apparel and clothing accessories (-42.7%), chemicals (-40.2%), woodcrafts and furniture (-9.5%), other manufactures (-6.0%), and metal components (-3.7%).

Summary Text of News Articles

Japan's Current Account Surplus Narrows in November

Japan's current account surplus narrowed to JPY1.1 trillion in November from JPY1.5 trillion in October, mainly due to a reversal in the goods account to a deficit of JPY272 billion from a surplus of JPY200 billion. Moreover, the primary income account surplus narrowed to JPY1.5 trillion in November from JPY1.7 trillion in October, and the secondary income account deficit widened to JPY189 billion from JPY136 billion. Meanwhile, the services account posted a JPY62 billion surplus in November, a reversal from a deficit of JPY337 billion in October.

Moody's Affirms Malaysia's Sovereign Credit Rating, Revises Outlook to Stable

On 11 January, Moody's Investors Service (Moody's) affirmed its A3 sovereign credit rating for Malaysia and revised its outlook to stable from positive. Moody's cited as reasons for the revision in its ratings outlook (i) the slowdown in Malaysia's economic growth and decline in its external balance and reserves due to external pressures in 2015, (ii) risks rising from an increase in household debt amid a slowdown in economic growth, and (iii) expectations of limited improvement in Malaysia's fiscal consolidation.

Net Foreign Bond Investment in the Republic of Korea Turns Negative in December

Foreign investors sold a net KRW784 billion worth of listed bonds in the Republic of Korea in December, a reversal from net bond investment inflows of KRW69 billion in November, according to data from the Financial Supervisory Service. By country of origin, the largest net bond investment in December came from the PRC at KRW477 billion, while Malaysian investors posted the largest net bond investment outflows at KRW270 billion. At the end of 2015, US investors remained the largest holders of Korean bonds with a total of KRW18,094 billion, followed by investors in the PRC at KRW17,428 billion.

**Woori Bank Prices US\$500 Million 5.5-Year Bond;
DBS Group Prices SGD250 Million Basel III-Compliant Tier 2 Notes**

Woori Bank, based in the Republic of Korea, priced a US\$500 million 5.5-year bond on a 2.625% coupon to yield 2.704% last week. By region of investor origin, 83% of the total was allocated to investors in Asia, 15% to Europe, and 2% to the US. By investor type, 50% of the bond went to banks and treasuries, 34% to fund managers, 11% to pension funds and insurers, and 5% to private banks.

Last week, DBS Group priced SGD250 million worth of Basel III-compliant Tier 2 notes with a 12-year maturity. The bonds carry a fixed rate of 3.8% and are callable in 2023. If not redeemed, the interest rate will be reset based on the 5-year swap offer rate plus a spread of 1.1%.

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-16*	
US	0.23	-1.52		3.56	6.62
EU	-0.39	0.40		1.50	6.30
Japan	-0.02	0.30		0.30	1.70
PRC	2.18	-2.00	-15.00		0.00
Hong Kong, China	0.07	0.00		0.00	0.00
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.51	0.00	-0.20		-4.00
Malaysia	2.96	0.00		1.10	10.30
Philippines	2.42	25.50		2.34	-24.50
Singapore	0.93	-0.90		0.90	3.90
Thailand	1.42	-1.35	-2.75		-7.02

Close of 15 January 2016

10-Year Selected LCY Government Bond Yields

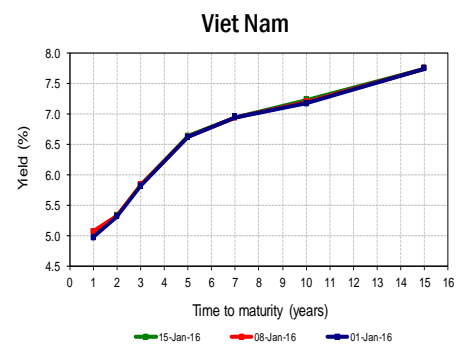
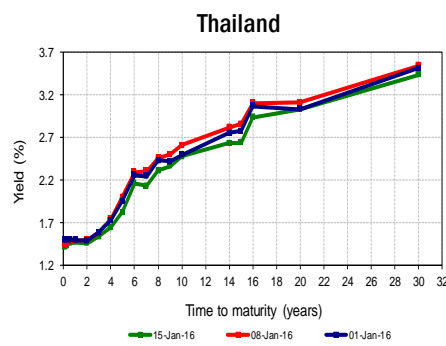
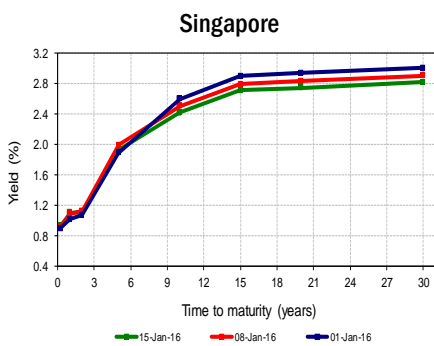
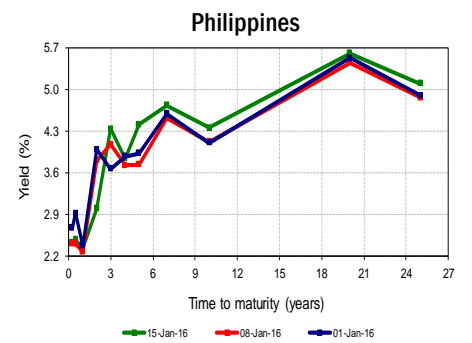
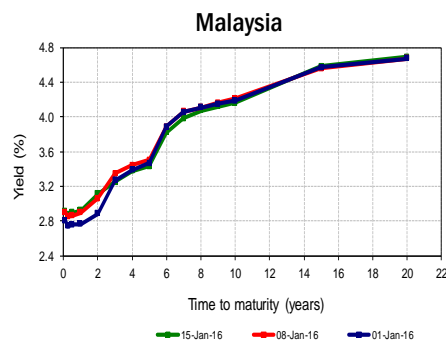
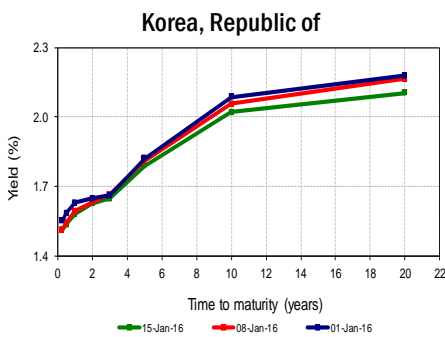
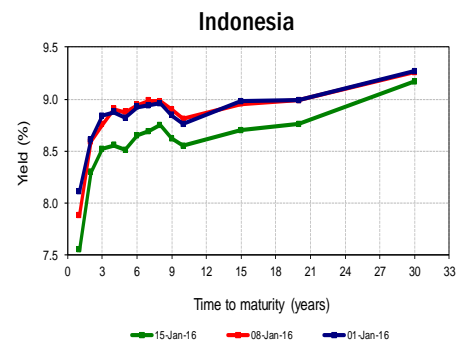
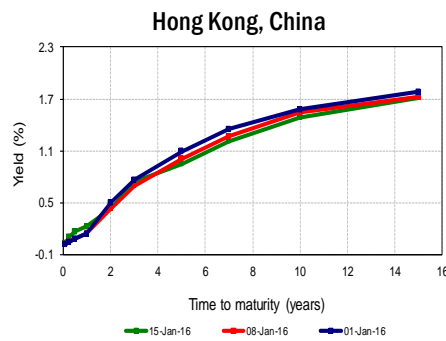
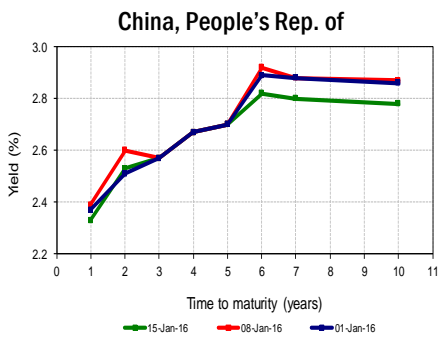
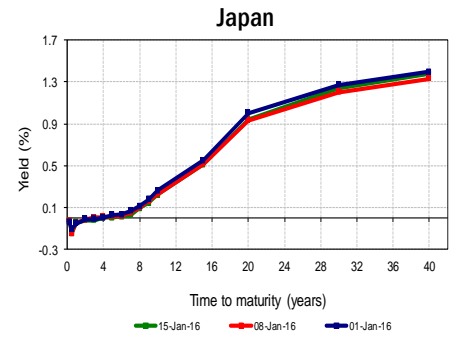
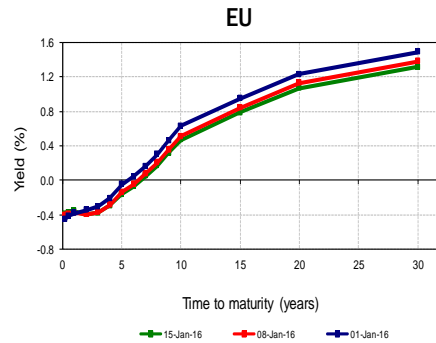
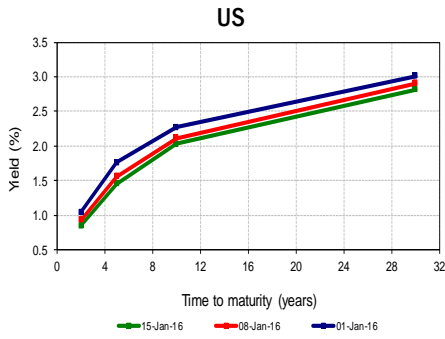
Markets	Latest Closing	basis point change from			
		Previous Day*	Previous Week*	1-Jan-16*	
US	2.03	-5.27	-8.09		-23.47
EU	0.47	-3.50	-4.20		-15.70
Japan	0.22	-2.30	-0.80		-4.40
PRC	2.78	1.00	-9.00		-8.00
Hong Kong, China	1.49	4.50	-5.60		-9.20
India	7.81	2.10		6.80	8.20
Indonesia	8.55	-0.30	-26.30		-21.10
Korea, Rep. of	2.02	-1.00	-3.70		-6.50
Malaysia	4.16	-3.30	-4.60		-2.30
Philippines	4.35	-6.00		24.05	25.45
Singapore	2.42	-6.26	-8.78		-17.72
Thailand	2.48	-3.60	-12.60		-1.80
Viet Nam	7.23	18.30		3.30	5.80

Close of 15 January 2016

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

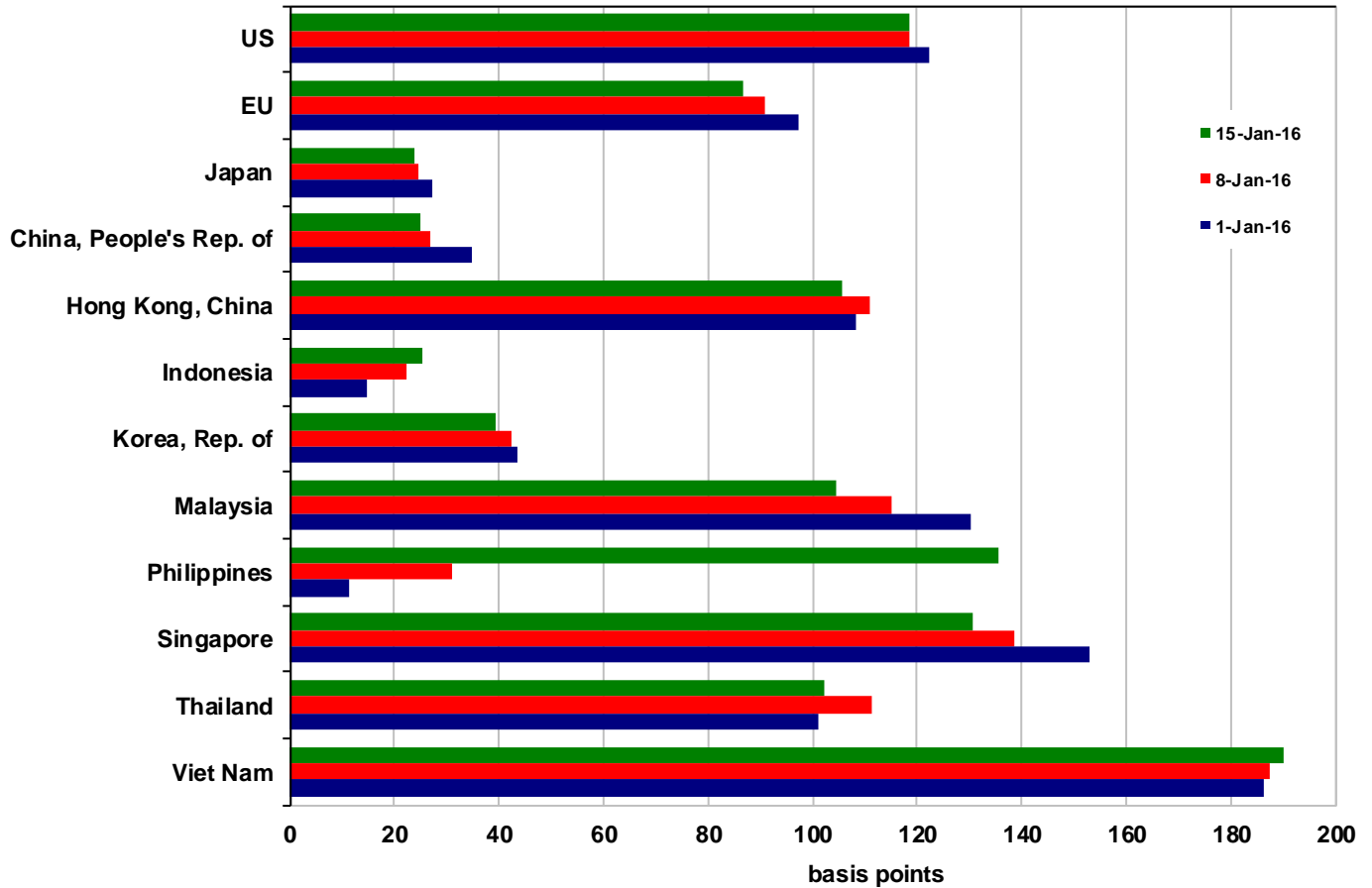
Tip: Zoom-in on the table using the Acrobat zoom tool



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

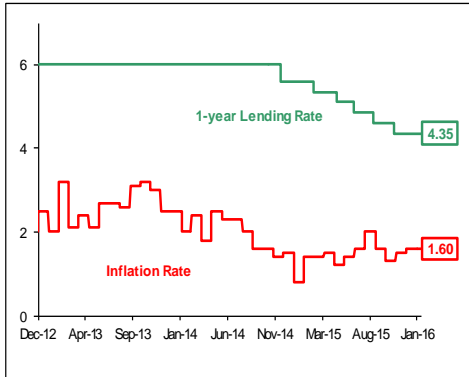


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

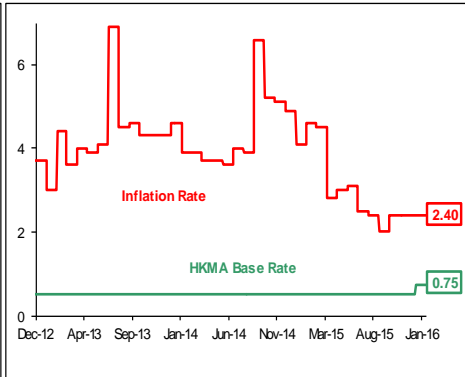
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



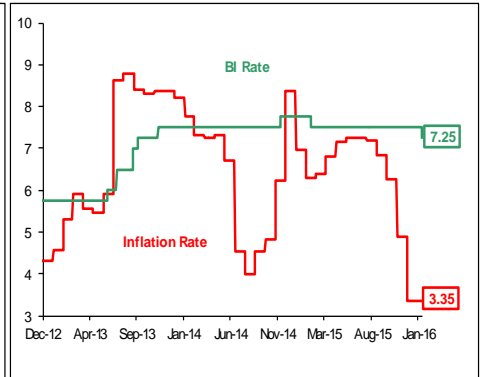
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



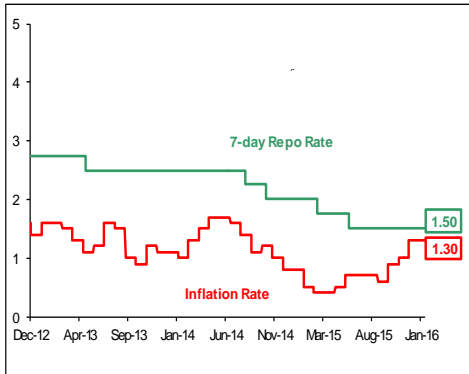
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



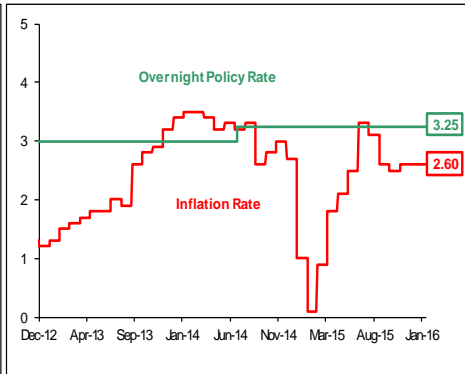
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



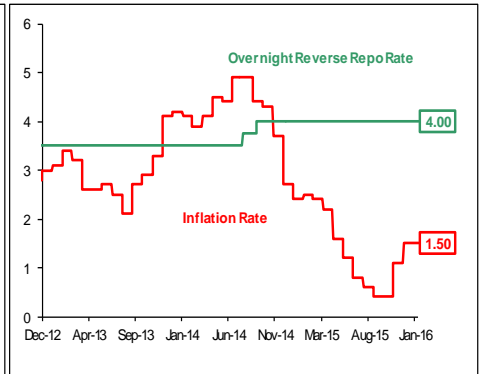
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



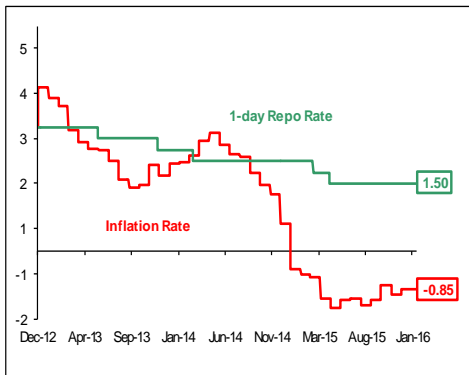
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



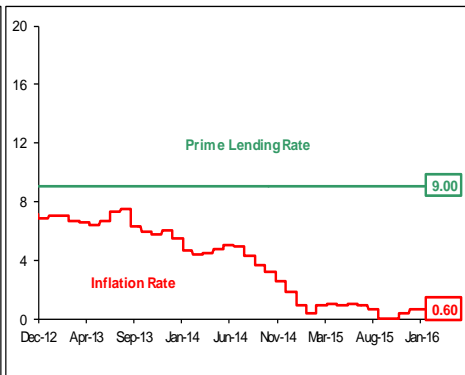
Banko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

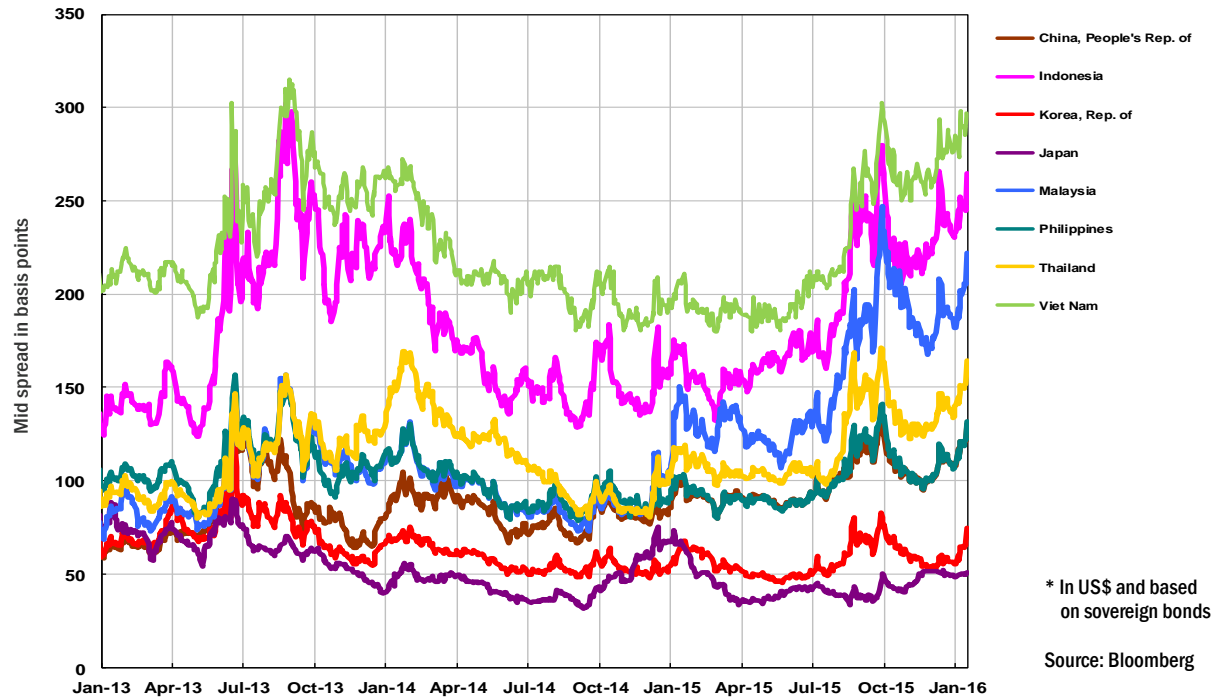


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

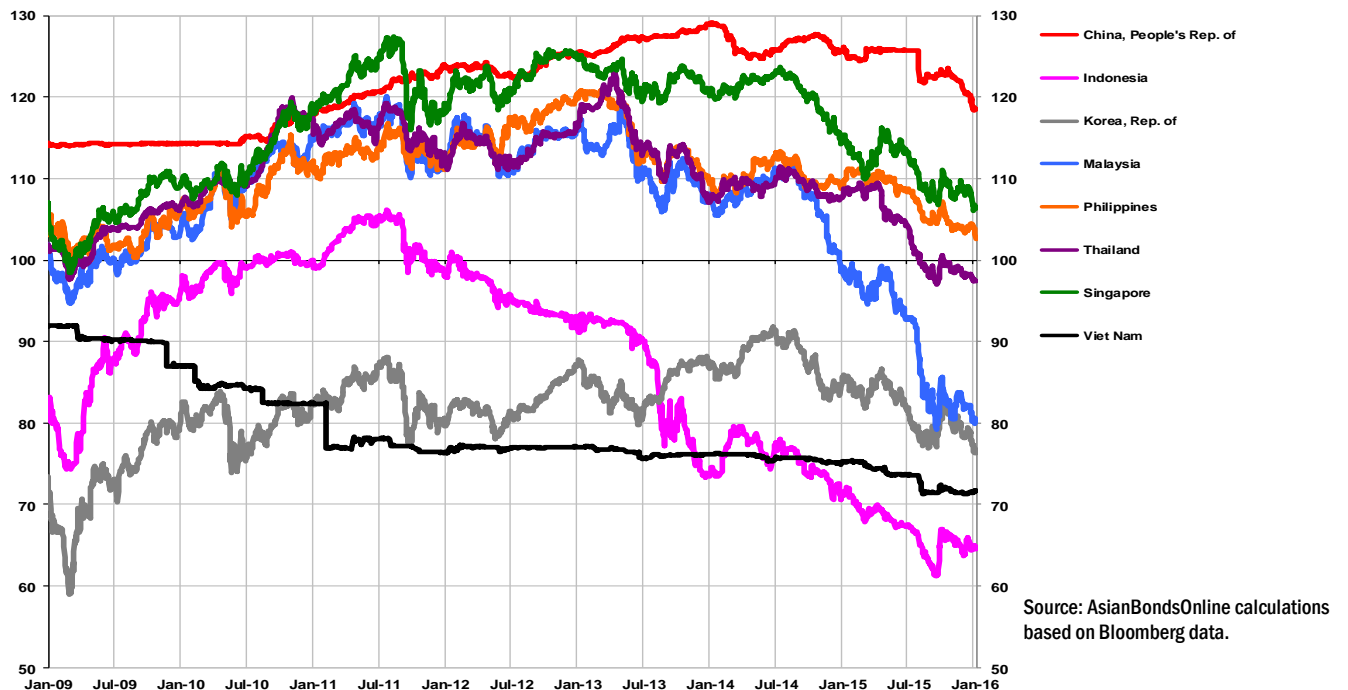
Credit Default Swap Spreads and Exchange Rate Indexes

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 (11 – 15 January 2016)

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	13-Jan	5-year Treasury Bonds	2.53	2.53	20.00	20.00
HK	12-Jan	91-day Exchange Fund Bills	0.11		38.90	38.90
		182-day Exchange Fund Bills	0.18		15.00	15.00
ID	12-Jan	6-month Islamic Treasury Bills	7.26			1,000.00
		2-year Project-Based <i>Sukuk</i>	8.66	7.75	4,000.00	1,945.00
		4-year Project-Based <i>Sukuk</i>	8.85	8.25		805.00
		7-year Project-Based <i>Sukuk</i>	9.07	8.75		250.00
JP	14-Jan	3-month Treasury Discount Bills	-0.03		4,469.95	4,500.00
KR	11-Jan	91-day Monetary Stabilization Bonds	1.53		1,300.00	1,300.00
		1-year Monetary Stabilization Bonds	1.57		1,200.00	1,200.00
		5-year Korea Treasury Bonds	1.77	2.00	1,100.00	1,100.00
MY	14-Jan	3-year Malaysian Government Securities	3.27	3.76	3.00	3.00
PH	12-Jan	10-year Treasury Bonds	4.22	3.63	25.00	22.18
SG	12-Jan	28-day MAS Bills	0.80		0.60	0.60
		84-day MAS Bills	0.53		3.80	3.80
	14-Jan	168-day MAS Bills	0.66		2.00	2.00
TH	11-Jan	28-day Treasury Bills	1.38		5.00	5.00
	12-Jan	89-day Bank of Thailand Bonds	1.40		40.00	40.00
		182-day Bank of Thailand Bonds	1.47		40.00	40.00
	13-Jan	50.45-year Government Bonds	3.76	4.00	10.00	8.33
	14-Jan	2.5-year Bank of Thailand Bonds	1.57	1.55	30.00	30.00
VN	13-Jan	3-year Treasury Bonds	5.78		2,000.00	1,000.00
		5-year Treasury Bonds	6.58		2,000.00	160.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (19 – 25 January 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
People's Republic of China GDP y-o-y, % 4Q15	01/19	3Q14: 7.2% 4Q14: 7.2% 2Q15: 7.0% 3Q15: 6.9%	Economic growth in the People's Republic of China (PRC) slipped to 6.9% year-on-year (y-o-y) in 3Q15 from 7.0% y-o-y in 2Q15.
People's Republic of China Industrial Production y-o-y, % DEC	01/19	11/14: 7.2% 12/14: 7.9% 10/15: 5.6% 11/15: 6.2%	The PRC's industrial production growth inched up to 6.2% y-o-y in November from 5.6% y-o-y in October.
Republic of Korea PPI y-o-y, % DEC	01/19	11/14: -0.9% 12/14: -2.1% 10/15: -4.6% 11/15: -4.6%	The Republic of Korea's Producer Price (PPI) Index fell 4.6% y-o-y in November, the 16th consecutive month of y-o-y decline.
Malaysia CPI y-o-y, % DEC	01/20	11/14: 3.0% 12/14: 2.7% 10/15: 2.5% 11/15: 2.6%	Inflation in Malaysia, as measured by the Consumer Price Index (CPI), increased to 2.6% y-o-y in November from 2.5% y-o-y in October.
Hong Kong, China CPI y-o-y, % DEC	01/21	11/14: 5.1% 12/14: 4.9% 10/15: 2.4% 11/15: 2.4%	Consumer prices in Hong Kong China rose 2.4% y-o-y in November, the same pace as in October.
Malaysia BNM Overnight Policy Rate % 21-Jan	01/21	12/14: 3.25% 01/15: 3.25% 11/15: 3.25% 12/15: 3.25%	In its monetary policy meeting on 5 November, Bank Negara Malaysia decided to maintain its overnight policy rate at 3.25%.
Viet Nam CPI y-o-y, % JAN	01/24	12/14: 1.8% 01/15: 0.9% 11/15: 0.3% 12/15: 0.6%	Consumer price inflation in Viet Nam inched up to 0.6% y-o-y in December from 0.3% y-o-y in November.
Singapore CPI y-o-y, % DEC	01/25	11/14: -0.3% 12/14: -0.1% 10/15: -0.8% 11/15: -0.8%	Singapore posted deflation for the 13th month in a row in November as consumer prices fell 0.8% y-o-y in November, the same pace of decline as in October.
Viet Nam Exports YTD y-o-y, % JAN	1/25 to 1/31	12/14: 13.6% 01/15: 9.7% 11/15: 8.3% 12/15: 8.1%	Export growth in Viet Nam eased to 8.1% y-o-y in January–December from 13.6% y-o-y in the same 12-month period a year earlier.
Viet Nam Industrial Production y-o-y, % JAN	1/25 to 1/31	12/14: 9.6% 01/15: 17.5% 11/15: 8.9% 12/15: 9.0%	Viet Nam's industrial production growth for January–December slipped to 9.0% y-o-y from 9.6% y-o-y in the same period 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)

Bank Indonesia Cut Benchmark Rate by 25 bps to 7.25%; Policy Rate Kept Unchanged in the Republic of Korea

- [BI Rate Lowered 25 bps to 7.25%](#)
Bank Indonesia (14 January 2016)
- [Monetary Policy Decision](#)
The Bank of Korea (14 January 2016)

2015 and 2016 Economic Outlook for the Republic of Korea Revised Downward

- [Economic Outlook for 2016](#)
The Bank of Korea (14 January 2016)
- [Bank of Korea Cuts Growth, Price Forecasts on Instability](#)
Bloomberg (14 January 2016)
- [Economic Outlook for 2015 and 2016](#)
The Bank of Korea (15 October 2016)

Industrial Production Growth in Malaysia Eases in November

- [Index Of Industrial Production, Malaysia November 2015](#)
Department of Statistics Malaysia (11 January 2016)

Exports and Imports Decline in the PRC and Indonesia in December; Philippine Merchandise Exports Contract in November

- [China Dec. exports, imports fall much less than expected after yuan slides](#)
Reuters (13 January 2016)
- [Indonesia Posts Trade Deficit in December, Surplus in 2015](#)
Indonesia-Investments (15 January 2016)
- [Merchandise Export Performance: November 2015](#)
Philippine Statistics Authority (12 January 2016)

Japan's Current Account Surplus Narrows in November

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