

Key Developments in Asian Local Currency Markets

Bangko Sentral ng Pilipinas (BSP) decided on 11 February to keep unchanged the overnight borrowing rate at 4.0% and the overnight lending facility at 6.0%. Interest rates on special deposit accounts and reserve requirement ratios were also maintained at current levels. The BSP stated that average inflation for 2016–2017 would likely settle in the range of 2.0%–4.0%. The central bank noted downward pressure on inflation coming from slower global economic activity and lower oil prices; and upward pressure coming from the effects of El Nino on food and utilities prices, as well as pending adjustments in power rates.

Industrial production growth in Malaysia rose to 2.7% year-on-year (y-o-y) in December from 1.8% y-o-y in November. The accelerating growth was driven by the higher annual increase in the electricity index of 5.6% in December compared with 2.0% in November. Meanwhile, the mining index continued to contract in December, falling 1.5% y-o-y after declining 4.1% y-o-y in November.

The Philippines’ merchandise exports contracted for the ninth consecutive month in December. Exports declined 3.0% y-o-y in December to US\$4.7 billion following a 1.1% y-o-y decrease in November. The decline in exports was largely due to annual decreases in six major commodity groups: articles of apparel and clothing accessories (–42.7%), chemicals (–39.2%), other manufactures (–23.8%), machinery and transport equipment (–17.0%), metal components (–16.5%), and electronic equipment and parts (–5.3%).

Japan’s current account surplus narrowed to JPY961 billion in December from JPY1,144 billion in November, mainly due to a drop in the primary income account surplus to JPY1,012 billion from JPY1,542 billion a month earlier. The services account also posted a deficit of JPY171 billion in December after a surplus of JPY62 billion in November. Meanwhile, the goods account posted a JPY189 billion surplus in December, a reversal from the JPY272 billion deficit posted in the previous month.

The People’s Republic of China’s (PRC) foreign exchange reserves fell US\$99.5 billion month-on-month in January to US\$3,231 billion. The decline was due mainly to steps taken by the People’s Bank of China to defend the currency. In Indonesia, foreign exchange reserves slipped to US\$102.1 billion in January from US\$105.9 billion in December. The decline was attributed to foreign debt payments, including servicing for maturing global bonds. According to Bank Indonesia, the

Asia Bond Monitor November 2015

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10-Year Selected LCY Government Security Yields Close of 12 February 2016
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-15*
US	1.75	8.91	-8.76	-52.13
EU	0.26	7.30	-3.50	-36.80
Japan	0.09	6.80	6.30	-17.50
PRC	2.89	0.00	0.00	3.00
Hong Kong, China	1.45	-17.10	-17.10	-12.60
India	7.72	0.50	-9.70	-0.60
Indonesia	7.97	1.90	-5.30	-78.60
Korea, Rep. of	1.80	3.00	-8.30	-28.80
Malaysia	3.92	1.10	-5.60	-27.10
Philippines	3.83	-7.36	-25.84	-27.45
Singapore	2.07	9.55	-8.62	-52.56
Thailand	2.01	3.60	-25.30	-48.70
Viet Nam	7.17	0.00	0.00	-0.80

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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
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reserves can cover the cost equivalent of either 7.5 months worth of imports or 7.2 months of imports and repayments of the government’s external debt.

Some of the largest government bond issuances last week included (i) Indonesia’s 2-year project-based *sukuk* (Islamic bonds) worth IDR2,920 billion at a yield of 8.12% and a coupon of 7.75%, and 4-year project-based *sukuk* worth IDR1,330 billion with a yield of 8.22% and a coupon rate of 8.25%; (ii) Japan’s 30-year government bond worth JPY874.9 billion at a yield of 1.07% and a coupon rate of 1.40%; and (iii) Thailand’s 4.37-year government bond worth THB23.8 billion with a yield of 1.64% and a coupon rate of 2.55%.

Local currency government bond yields in emerging East Asia fell for all tenors in Indonesia, the Republic of Korea, and Thailand, and for most tenors in Singapore widely tracking movements in US Treasuries. On the other hand, yields were mixed in Hong Kong, China and the Philippines while it was unchanged in the PRC and Viet Nam as both markets were closed for the Lunar New Year and Tet holidays, respectively.

Summary Text of News Articles

Bangko Sentral ng Pilipinas Leaves Policy Rates Unchanged

The Bangko Sentral ng Pilipinas (BSP) decided on 11 February to keep unchanged the overnight borrowing rate at 4.0% and the overnight lending facility at 6.0%. Interest rates on special deposit accounts and reserve requirement ratios were also maintained at current levels. The BSP stated that average inflation for 2016–2017 would likely settle in the range of 2.0%–4.0%. The BSP noted downward pressure on inflation coming from slower global economic activity and lower oil prices; and upward pressure coming from the effects of El Nino on food and utilities prices, as well as pending adjustments in power rates.

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

Industrial Production Growth in Malaysia Eases in December

Industrial production growth in Malaysia rose to 2.7% year-on-year (y-o-y) in December from 1.8% y-o-y in November. The accelerating growth was driven by the higher annual increase in the electricity index of 5.6% in December from 2.0% in November. The manufacturing index grew 4.0% y-o-y in December, down slightly from the 4.1% y-o-y increase posted in November. The mining index continued to contract in December, declining 1.5% y-o-y after dipping 4.1% y-o-y in November.

Philippine Merchandise Exports Contract in December

The Philippines' merchandise exports contracted for the ninth consecutive month in December. Exports declined 3.0% y-o-y in December to US\$4.7 billion, following a 1.1% y-o-y decrease in November. The decline was largely due to annual decreases in six major commodity groups: articles of apparel and clothing accessories (–42.7%), chemicals (–39.2%), other manufactures (–23.8%), machinery and transport equipment (–17.0%), metal components (–16.5%), and electronic equipment and parts (–5.3%).

Japan's Current Account Surplus Narrows in December

Japan's current account surplus narrowed to JPY961 billion in December from JPY1.1 trillion in November, mainly due to the drop in the primary income account surplus to JPY1.0 trillion from JPY1.5 trillion a month earlier. The services account also posted a deficit of JPY171 billion in December after recording a surplus of JPY62 billion in November. Meanwhile, the goods account posted a JPY189 billion surplus in December, a reversal from the JPY271 billion deficit posted in the previous month. The secondary income account deficit narrowed to JPY69 billion in December from JPY189 billion in November. For full-year 2015, Japan posted a current account surplus of JPY16.6 trillion, compared with JPY2.6 trillion in 2014.

The PRC's FX Reserves Fall in January; Indonesia's FX Reserves Drop to US\$102 billion in January

The People's Republic of China's (PRC) foreign exchange (FX) reserves fell US\$99.5 billion month-on-month in January to US\$3,231 billion. The decline was due mainly to steps taken by the People's Bank of China to defend the currency.

Indonesia's FX reserves slipped to US\$102.1 billion in January from US\$105.9 billion in December. The decline was due mainly to foreign debt payments, including servicing maturing global bonds. According to Bank Indonesia, the reserves can cover 7.5 months of imports or 7.2 months of imports and repayments for the government's external debt.

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	0.28	0.00	-1.01	11.71
EU	-0.38	0.50	-2.00	6.80
Japan	-0.12	4.40	5.20	-7.50
PRC	2.20	0.00	0.00	2.00
Hong Kong, China	0.07	0.00	0.00	0.00
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.46	0.60	-1.90	-9.30
Malaysia	2.83	1.10	1.10	-3.60
Philippines	3.61	171.50	216.00	94.33
Singapore	0.88	1.30	0.00	-0.90
Thailand	1.39	0.25	-1.06	-10.06

Close of 12 February 2016

10-Year Selected LCY Government Bond Yields

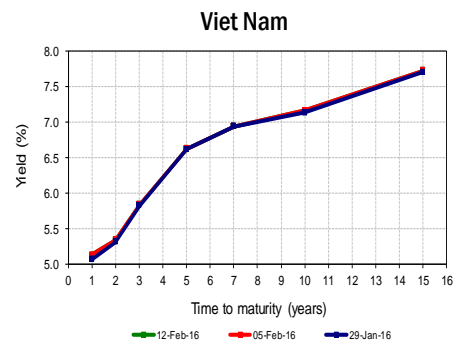
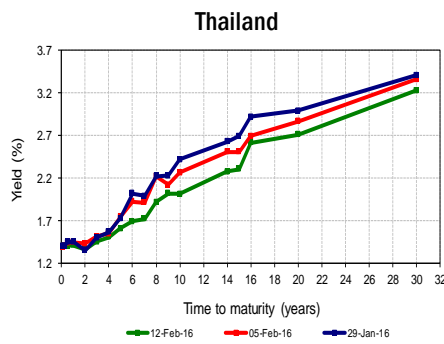
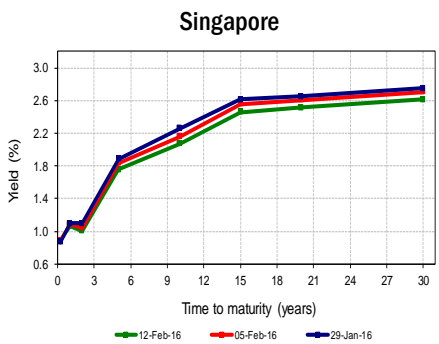
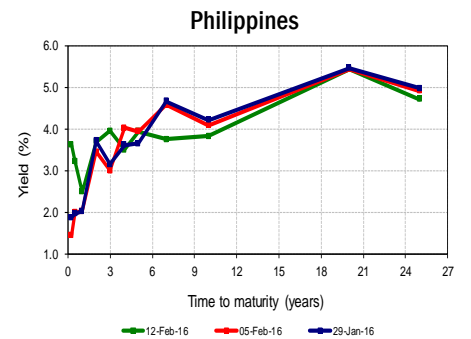
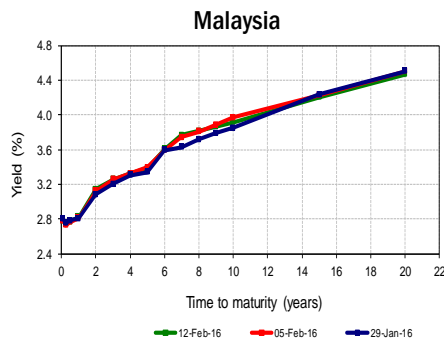
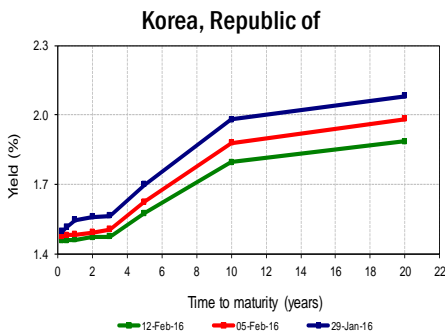
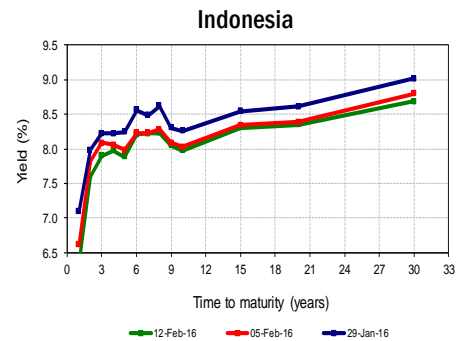
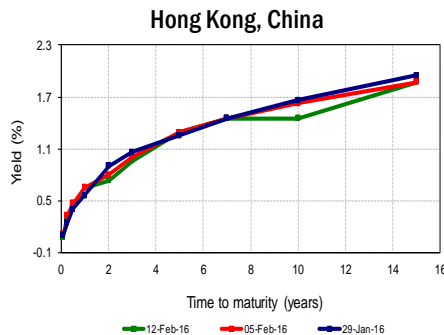
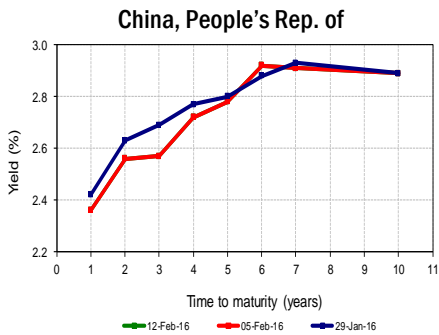
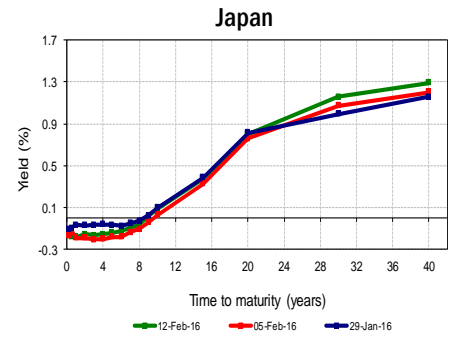
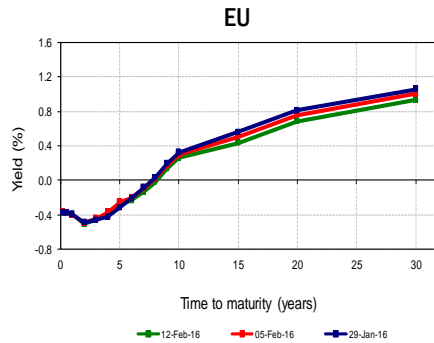
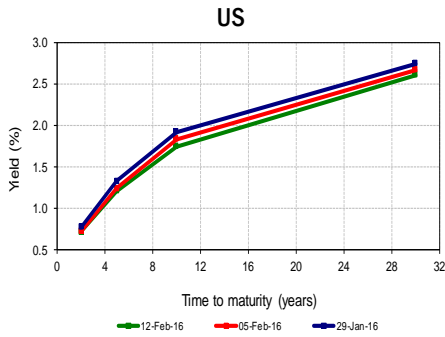
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Viet Nam	7.17	0.00	0.00	-0.80

Close of 12 February 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

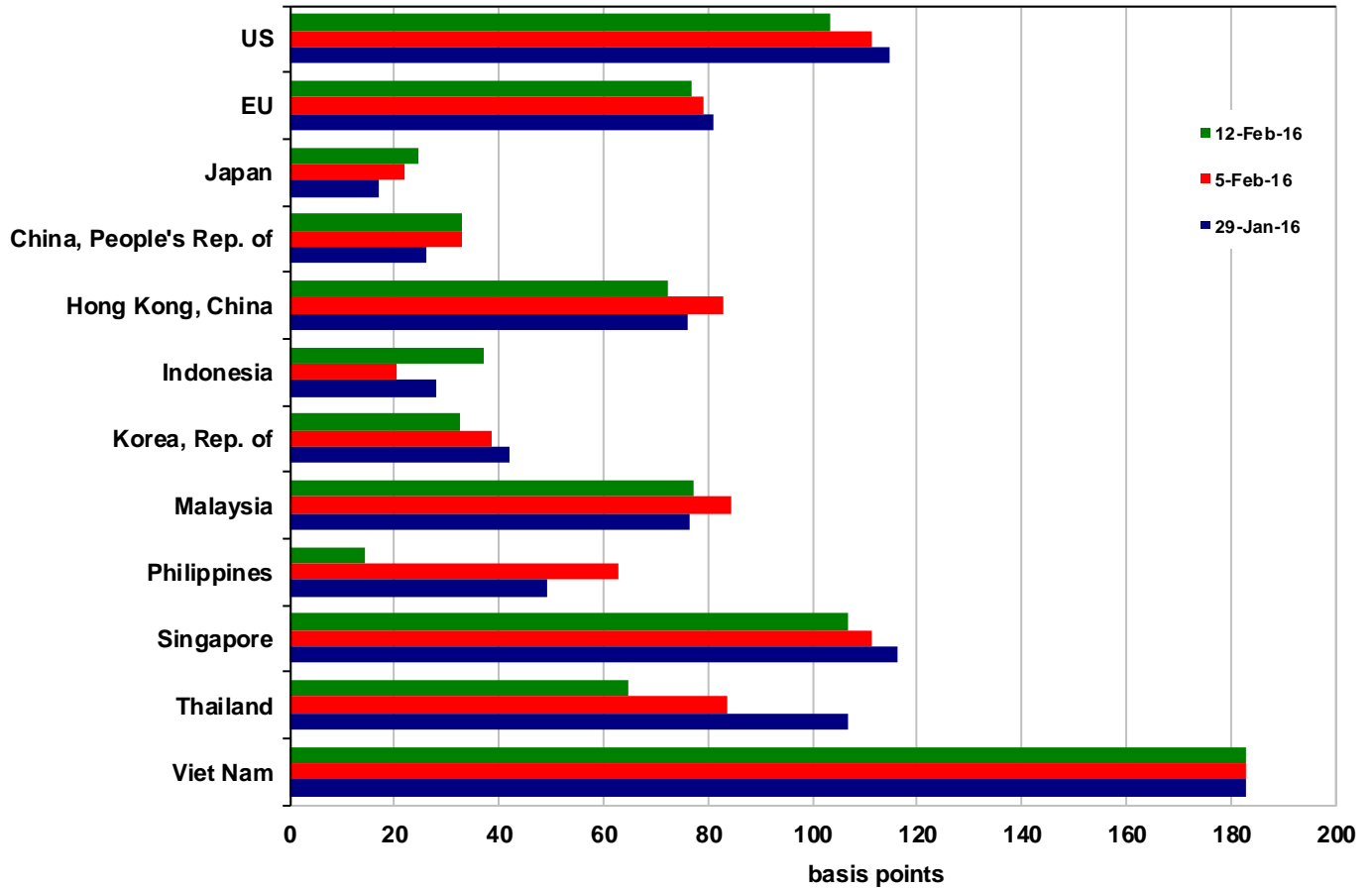
Tip: Zoom-in on the table using the Acrobat zoom tool



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

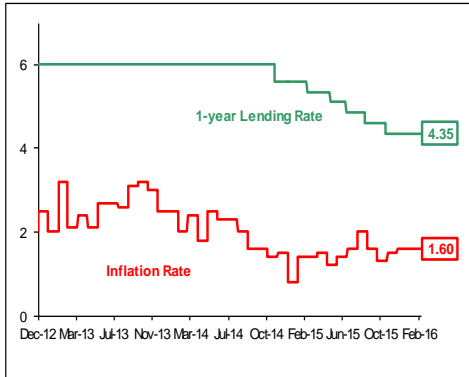


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

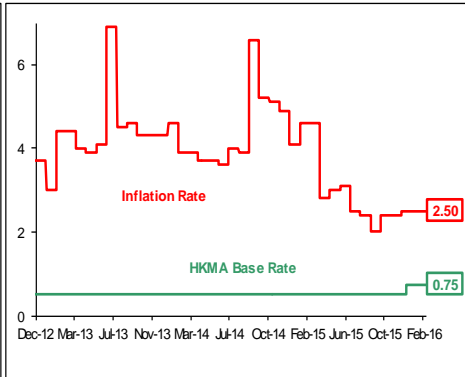
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



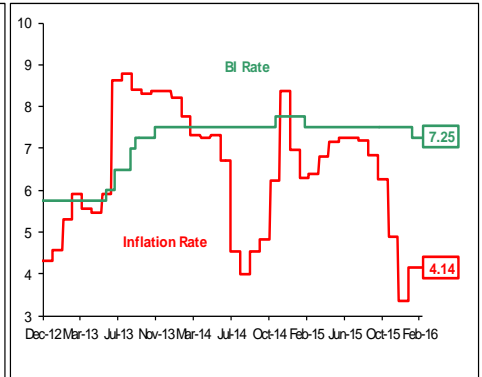
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



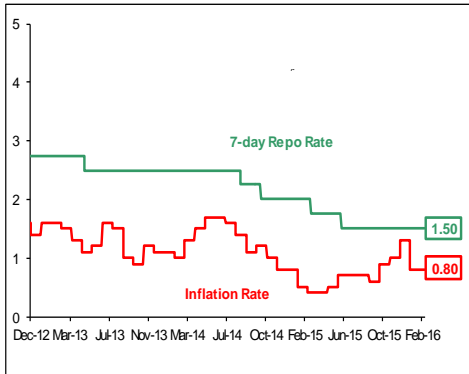
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



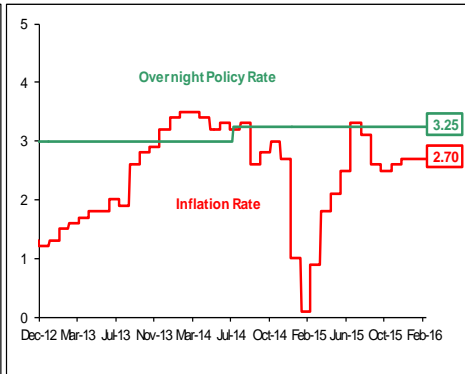
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



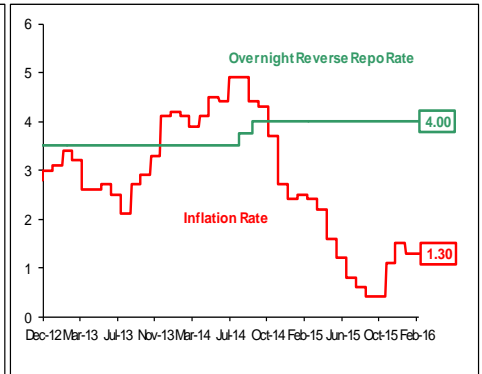
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



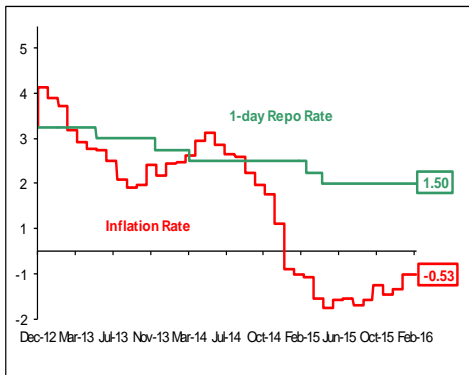
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



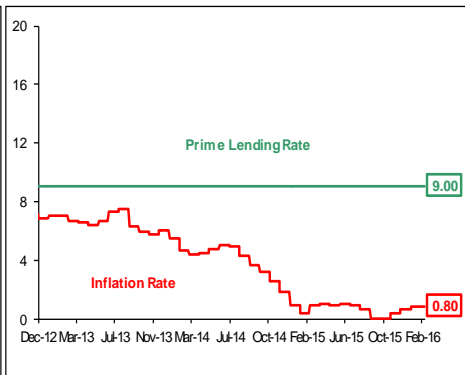
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

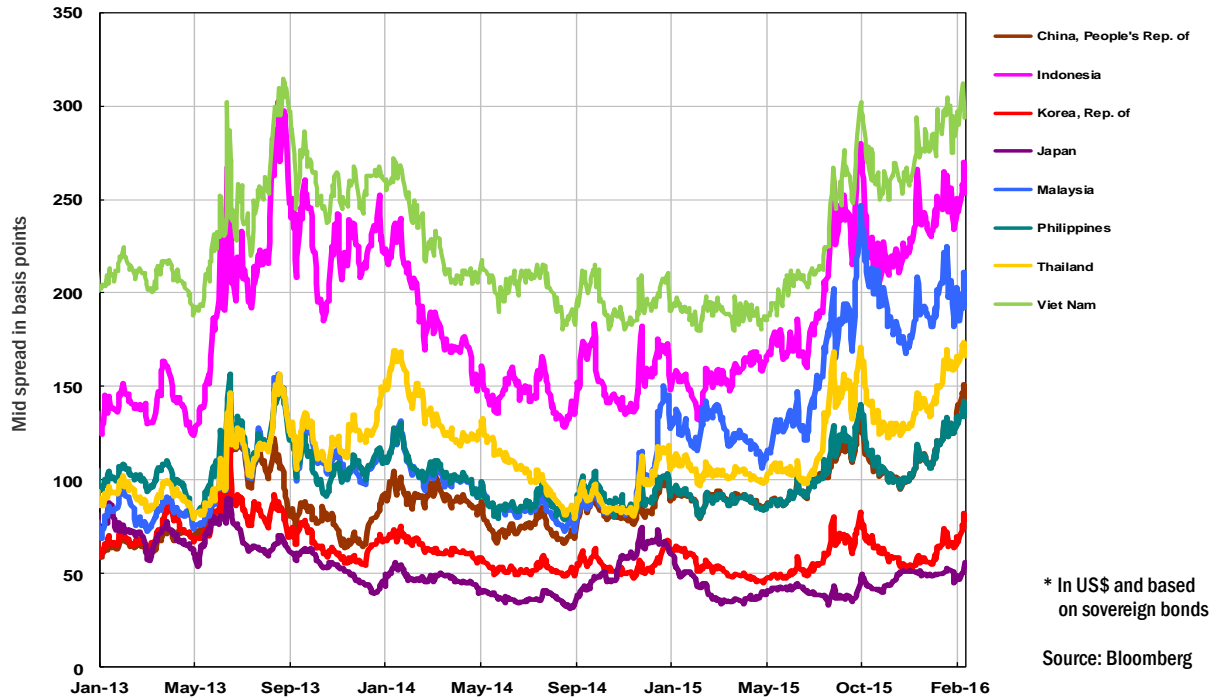


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

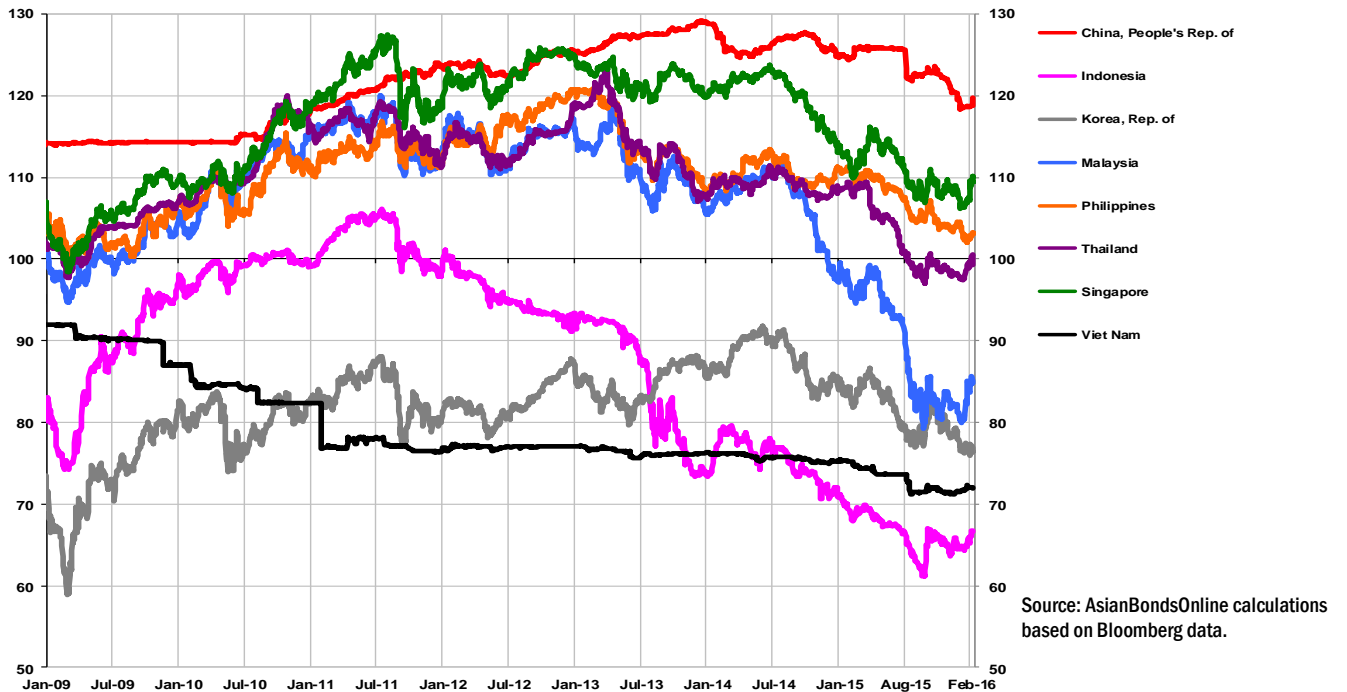
Credit Default Swap Spreads and Exchange Rate Indexes

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 (8 – 12 February 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)
ID	9-Feb	6-month Islamic Treasury Bills	6.24			500.00
		2-year Project-Based <i>Sukuk</i>	8.12	7.75		2,920.00
		4-year Project Based <i>Sukuk</i>	8.22	8.25	4,000.00	1,330.00
		7-year Project Based <i>Sukuk</i>	8.50	8.75		340.00
		15-year Project-Based <i>Sukuk</i>	8.74	8.88		160.00
JP	8-Feb	6-month Treasury Discount Bills	-0.17		3,500.00	3,499.96
		30-year Japanese Government Bonds	1.07	1.40	800.00	874.90
		3-month Treasury Discount Bills	-0.13		4,500.00	4,449.91
KR	11-Feb	91-day Monetary Stabilization Bonds	1.51		1,300.00	1,300.00
		1-year Monetary Stabilization Bonds	1.45	1.45	1,200.00	1,200.00
SG	11-Feb	28-day MAS Bills	0.59		0.50	0.50
		84-day MAS Bills	0.49		4.00	4.00
		168-day MAS Bills	0.84		2.00	2.00
TH	8-Feb	28-day Treasury Bills	1.36		5.00	5.00
	9-Feb	91-day Bank of Thailand Bonds	1.40		40.00	40.00
		182-day Bank of Thailand Bonds	1.43		40.00	40.00
	10-Feb	4.37-year Government Bonds	1.64	2.55	20.00	23.78

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (16 – 22 February 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Republic of Korea 7-Day Repo Rate %	02/16	01/15: 2.00% 02/15: 2.00% 12/15: 1.50% 01/16: 1.50%	The Bank of Korea's Monetary Policy Board decided on 14 January to keep the base rate unchanged at 1.50%.
Indonesia BI Rate %	02/17	01/15: 7.75% 02/15: 7.50% 12/15: 7.50% 01/16: 7.25%	On 14 January, Bank Indonesia's (BI) Board of Governors decided to lower its benchmark interest rate by 25 basis points to 7.25%.
Singapore NODX y-o-y, % JAN	02/17	12/14: 2.3% 01/15: 4.3% 11/15: -3.4% 12/15: -7.2%	Non-oil domestic exports (NODX) in Singapore declined 7.2% year-on-year (y-o-y) in December after contracting 3.4% y-o-y in November.
People's Republic of China CPI y-o-y, % JAN	02/18	12/14: 1.5% 01/15: 0.8% 11/15: 1.5% 12/15: 1.6%	Inflation in the People's Republic of China (PRC), as measured by the Consumer Price Index (CPI), inched up to 1.6% y-o-y in December from 1.5% y-o-y a month earlier.
People's Republic of China PPI y-o-y, % JAN	02/18	12/14: -3.3% 01/15: -4.3% 11/15: -5.9% 12/15: -5.9%	The Producer Price Index (PPI) in the PRC fell by 5.9% y-o-y for the second consecutive month in December.
Malaysia GDP y-o-y, % 4Q15	02/18	3Q14: 5.6% 4Q14: 5.7% 2Q15: 4.9% 3Q15: 4.7%	Malaysia's real gross domestic product (GDP) growth eased to 4.7% y-o-y in 4Q15 from 4.9% y-o-y in 3Q15.
Republic of Korea PPI y-o-y, % JAN	02/19	12/14: -21% 01/15: -3.6% 11/15: -4.7% 12/15: -3.9%	The Republic of Korea's PPI fell 3.9% y-o-y in December, the 17th consecutive month of y-o-y decline.
Philippines BOP US\$ million JAN	02/19	12/14: 864 01/15: 136 11/15: -141 12/15: 481	The Philippines posted a US\$481 million balance of payments (BOP) surplus in December, a reversal from the US\$141 million deficit recorded in November.
Singapore GDP—Final y-o-y, % 4Q15	02/19	3Q14: 2.8% 4Q14: 2.1% 3Q15: 1.8% 4Q15: 2.0%	GDP growth in Singapore rose to 2.0% y-o-y in 4Q15 from 1.8% y-o-y in 3Q15.

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)

Bangko Sentral ng Pilipinas Leaves Policy Rates Unchanged

- [Monetary Board Maintains Monetary Policy Settings](#)
Bangko Sentral ng Pilipinas (11 February 2016)

Industrial Production Growth in Malaysia Eases in December

- [Index Of Industrial Production, Malaysia December 2015](#)
Department of Statistics Malaysia (12 February 2016)

Philippine Merchandise Exports Contract in December

- [Merchandise Export Performance : December 2015](#)
Bank of Thailand (3 February 2016)

Japan's Current Account Surplus Narrows in December

- [Balance of Payments Statistics, December 2015 \(Preliminary\)](#)
Ministry of Finance Japan (8 February 2016)
- [Balance of Payments Statistics, 2015 C.Y. \(Preliminary\)](#)
Ministry of Finance Japan (8 February 2016)

The PRC's FX Reserves Fall in January; Indonesia's FX Reserves Drop to US\$102 billion in January

- [China FX reserves fall almost \\$100 bln to lowest since May 2012](#)
Reuters (6 February 2016)
- [Foreign Exchange Reserves Indonesia Fall to \\$102 Billion in January](#)
Indonesia-Investments (7 February 2016)
- [Official Reserve Assets Amounted to US\\$102.1 Billion as of End January 2016](#)
Bank Indonesia (5 February 2016)

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