

11 April 2016

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Key Developments in Asian Local Currency Markets

Consumer price inflation in the Philippines climbed to 1.1% year-on-year (y-o-y) in March from 0.9% y-o-y in February, largely induced by an accelerated hike in y-o-y food price. The March y-o-y headline inflation rate was within the Bangko Sentral ng Pilipinas' forecast for the month of 0.6%–1.4%. On a month-on-month (m-o-m) and seasonally adjusted basis, the Consumer Price Index inched up 0.1% in March.

Japan's current account balance ballooned to JPY2.4 trillion in February from JPY521 billion in January. The goods and services account posted a JPY585 billion surplus in February, a reversal from the JPY638 billion deficit posted in January. Malaysia's trade surplus widened to MYR7.4 billion in February from MYR5.4 billion a month earlier as imports decreased at a faster pace than exports. Exports contracted 8.3% m-o-m in February to MYR56.7 billion from MYR61.9 billion in January. Imports decreased 12.6% m-o-m in February to MYR49.4 billion from MYR56.5 billion in the previous month.

Hong Kong, China's Purchasing Managers Index (PMI) fell to 45.5 in March from 46.4 in February, indicating a further contraction in business activity. Singapore's PMI rose to 49.4 in March from 48.5 in February, showing slight improvement while still falling below the threshold for expansion.

The People's Republic of China's (PRC) foreign exchange reserves rose in March to USD3.21 trillion from USD3.20 trillion in February. The increase was due to a weakening US dollar, as well as tighter currency restrictions limiting capital outflows. Indonesia's foreign exchange reserves climbed to USD107.5 billion at end-March from USD104.5 billion at end-February. The increase came from the proceeds of sovereign global *sukuk* (Islamic bond) issuance and Bank Indonesia foreign exchange bills. The gross international reserves of the Philippines rose to USD82.6 billion at end-March from USD81.9 billion at end-February on the back of a monthly increase in the national government's net foreign currency deposits.

Last week, CK Hutchison issued a multi-tranche EUR-denominated bond. The EUR1.7 billion 7-year tranche was issued at a coupon rate of 1.25%, while the EUR650 million 12-year tranche was issued at a coupon rate of 2.0%. Also last week, the Korea National Oil Corporation raised USD1 billion from a dual-

Asia Bond Monitor March 2016

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10-Year Selected LCY Government Security Yields Close of 8 April 2016 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.72	2.78	-5.38	-55.27
EU	0.10	0.60	-3.90	-53.40
Japan	-0.08	-2.30	-1.60	-34.00
PRC	2.91	0.00	3.00	5.00
Hong Kong, China	1.27	-0.20	1.00	-31.40
India	7.45	0.20	-1.70	-28.20
Indonesia	7.57	-0.90	-2.10	-118.30
Korea, Rep. of	1.80	-0.60	0.00	-29.00
Malaysia	3.83	1.50	4.60	-36.00
Philippines	4.71	-3.00	-9.83	60.67
Singapore	1.89	-0.36	4.11	-70.34
Thailand	1.63	6.50	2.50	-87.20
Viet Nam	7.04	-0.30	2.70	-13.80

- 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
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tranche US dollar-denominated bond sale. This included a USD500 million 5-year bond tranche at a 2.125% coupon and a USD500 million 10-year bond tranche at 2.625%.

Last week, Fitch Ratings reported that it has affirmed the Philippines' Long-Term Foreign Currency Issuer Default Rating (IDR) at 'BBB-' and Long-Term Local Currency IDR at 'BBB'. The outlook to these ratings remained Positive.

The more interesting data releases this week include first quarter of 2016 gross domestic product growth for the PRC and Singapore, trade balances for the PRC and Indonesia, merchandise exports for the Philippines, and retail sales and non-oil domestic exports for Singapore.

Government bond yields fell last week for most tenors in Indonesia, Malaysia, and Thailand. Yields rose for most tenors in the PRC; Hong Kong, China; the Rep. of Korea; the Philippines; Singapore; and Viet Nam. Yield spreads between the 2-year and 10-year tenors narrowed for Hong Kong, China; Indonesia; the Rep. of Korea; and Singapore. Yield spreads widened for the PRC, Malaysia, the Philippines, Thailand, and Viet Nam.

Summary Text of News Articles

Consumer Price Inflation Climbs in the Philippines in March

Consumer price inflation in the Philippines climbed to 1.1% year-on-year (y-o-y) in March from 0.9% y-o-y in February, largely induced by faster y-o-y food price hikes, according to the latest inflation data of the Philippine Statistics Authority. The March y-o-y headline inflation rate was within the Bangko Sentral ng Pilipinas' (BSP) inflation forecast for the month of 0.6%–1.4%. On a month-on-month (m-o-m) and seasonally adjusted basis, the Consumer Price Index (CPI) inched up 0.1% in March. On a year-to-date basis, average inflation stood at 1.1% y-o-y, below the Philippine government's 2016 inflation rate target of 2.0%–4.0%.

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

Japan's Current Account Surplus Widens in February; Malaysia's Trade Surplus Widens in February

Japan's current account balance ballooned to JPY2.4 trillion in February from JPY521 billion in January. The goods and services account posted a JPY585 billion surplus in February, a reversal from the JPY638 billion deficit posted in January. The primary income surplus increased to JPY2.0 trillion in February from JPY1.3 trillion in January. Meanwhile, the secondary income account deficit widened to JPY195 billion from JPY173 billion a month earlier.

Malaysia's trade surplus widened to MYR7.4 billion in February from MYR5.4 billion a month earlier as imports decreased at a faster pace than exports. Exports contracted 8.3% m-o-m in February to MYR56.7 billion from MYR61.9 billion in January, led by m-o-m decreases in exports of electrical and electronics products, palm oil and palm-based products, timber and timber-based products, crude petroleum, and natural rubber. Imports decreased 12.6% m-o-m in December to MYR49.4 billion from MYR56.5 billion in the previous month, driven by fewer imports of capitals goods, consumption goods, and intermediate goods.

March PMI Falls in Hong Kong, China; Rises in Singapore

Hong Kong, China's Purchasing Managers Index (PMI) fell to 45.5 in March from 46.4 in February, indicating a further contraction in business activity. The fall was driven by declines in new orders and output. A fall in employment and purchasing activity also dragged down the index.

Singapore's PMI rose to 49.4 in March from 48.5 in February, showing slight improvement but still falling below the threshold for expansion. The increase was due to improvements in most areas such as new orders, output, employment, and exports.

Foreign Exchange Reserves Rise in the PRC, Indonesia, and the Philippines in March

The People's Republic of China's (PRC) foreign exchange reserves rose in March to USD3.21 trillion from USD3.20 trillion in February. The improvement was due to weakness in the US dollar, as well as tighter currency restrictions limiting capital outflows.

Indonesia's foreign exchange reserves climbed to USD107.5 billion at end-March from USD104.5 billion at end-February. The increase came about from the proceeds of sovereign global *sukuk* (Islamic bond) issuance and Bank Indonesia foreign exchange bills. At current levels, Indonesia's foreign exchange reserves can cover 8 months of imports or 7.8 months of imports and the government's external debt payments.

The gross international reserves of the Philippines rose to USD82.6 billion at end-March from USD81.9 billion at end-February on the back of a monthly increase in the national government's net foreign currency deposits, according to a BSP announcement last week. The BSP reported that the net foreign currency deposits include the proceeds from the national government's global bond issuance.

Summary Text of News Articles

**CK Hutchison Issues EUR-Denominated Bond;
KNOC Raises USD1 Billion from Dual-Tranche USD-Denominated Bond Sale**

Last week, CK Hutchison issued a multi-tranche EUR-denominated bond. The EUR1.7 billion 7-year tranche was issued at a coupon rate of 1.25%, while the EUR650 million 12-year tranche was issued at a coupon rate of 2.0%. The majority of the bond was purchased by European investors, with Asian investors taking less than 10% of the deal.

Also last week, the Korea National Oil Corporation (KNOC) raised USD1 billion from a dual-tranche USD-denominated bond sale. This included a USD500 million 5-year bond tranche at a 2.125% coupon, and a USD500 million 10-year bond tranche at 2.625%. The 5-year tranche garnered 55% of its purchases from investors in Asia, 23% from Europe, and 22% from the United States (US). For the 10-year tenor, 82% of purchases came from Asia, 14% from Europe, and 4% from the US. By investor type, asset managers took the bulk of the 5-year bond with a 51% share, while insurance companies and pension funds were the dominant investor group for the 10-year security with a 56% share.

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-16*
		Previous Day*	Previous Week*		
US	0.22	-0.51		0.00	6.11
EU	-0.43	0.00	-1.00		1.50
Japan	-0.48	-36.20	-36.00		-43.80
PRC	2.07	0.00	-2.00		-11.00
Hong Kong, China	0.10	0.00		0.00	3.00
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.49	0.00	-1.00		-6.40
Malaysia	2.48	2.00	-5.50		-38.00
Philippines	1.60	-28.47	-16.40		-106.74
Singapore	0.74	0.90	-3.00		-15.30
Thailand	1.36	-0.28	-1.65		-13.92

Close of 8 April 2016

10-Year Selected LCY Government Bond Yields

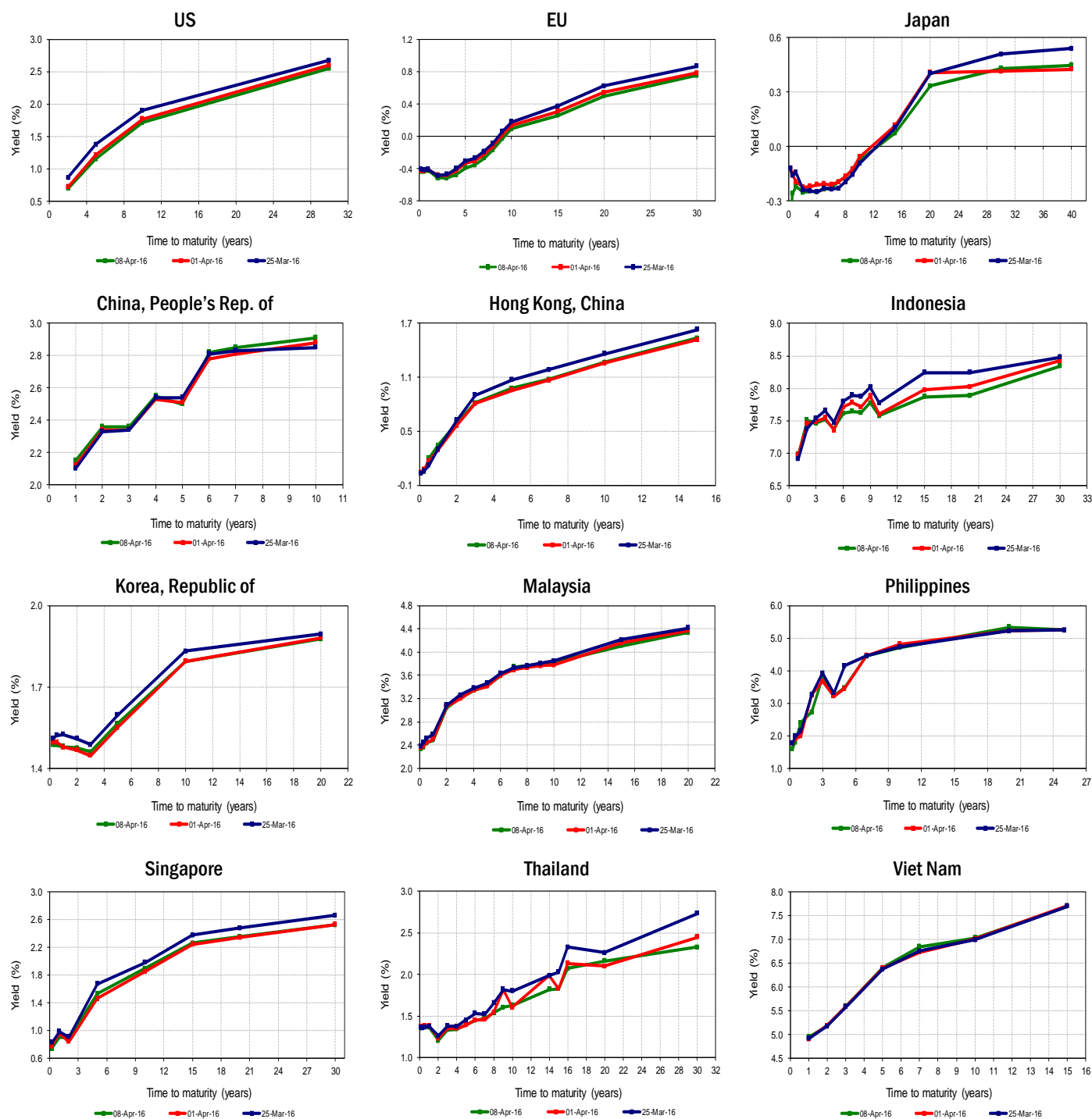
Markets	Latest Closing	basis point change from			1-Jan-16*
		Previous Day*	Previous Week*		
US	1.72	2.78	-5.38		-55.27
EU	0.10	0.60	-3.90		-53.40
Japan	-0.08	-2.30	-1.60		-34.00
PRC	2.91	0.00		3.00	5.00
Hong Kong, China	1.27	-0.20		1.00	-31.40
India	7.45	0.20	-1.70		-28.20
Indonesia	7.57	-0.90	-2.10		-118.30
Korea, Rep. of	1.80	-0.60		0.00	-29.00
Malaysia	3.83	1.50		4.60	-36.00
Philippines	4.71	-3.00	-9.83		60.67
Singapore	1.89	-0.36		4.11	-70.34
Thailand	1.63	6.50		2.50	-87.20
Viet Nam	7.04	-0.30		2.70	-13.80

Close of 8 April 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

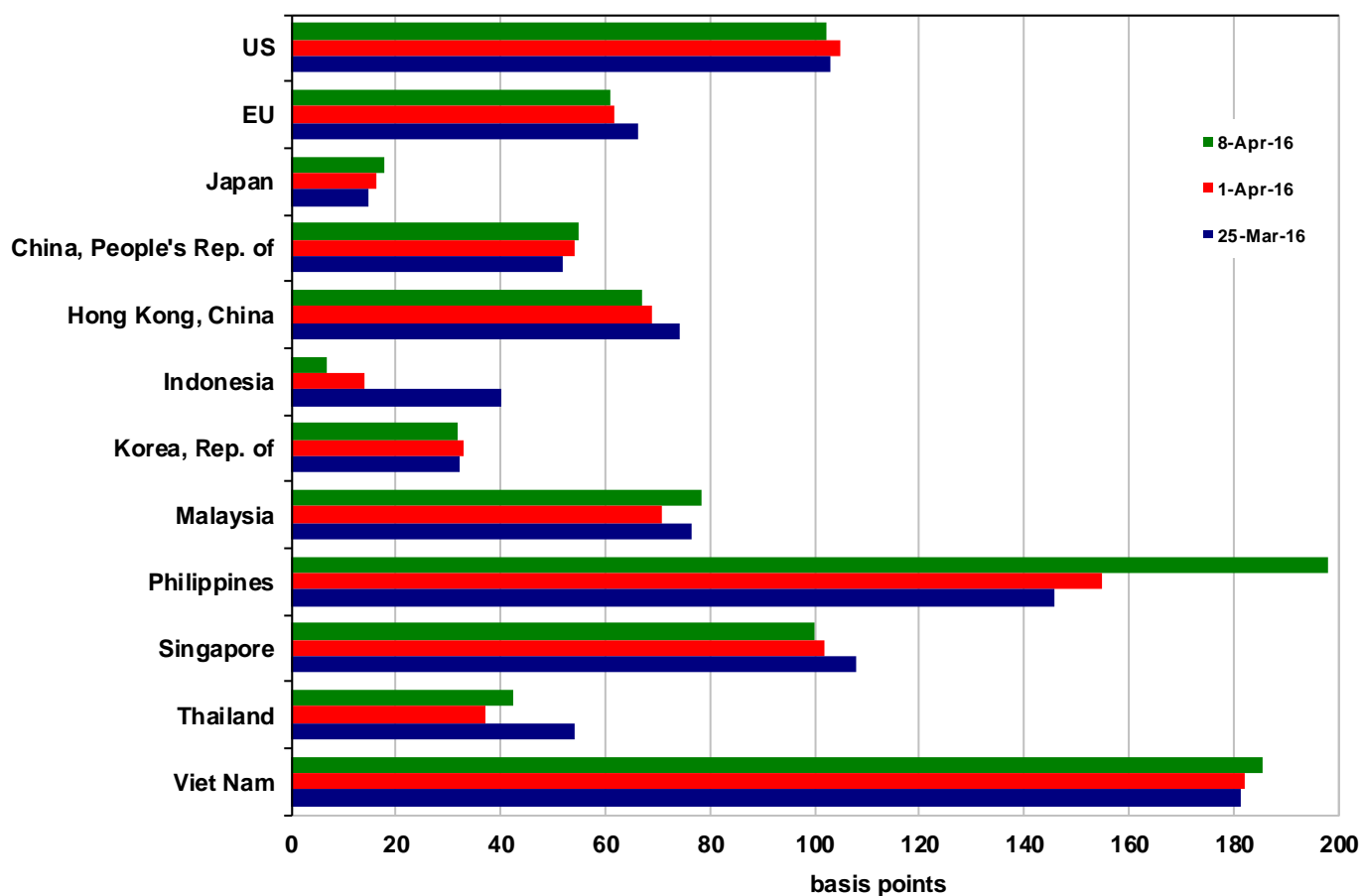


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



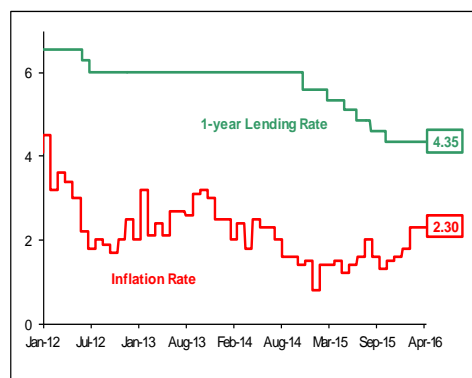
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

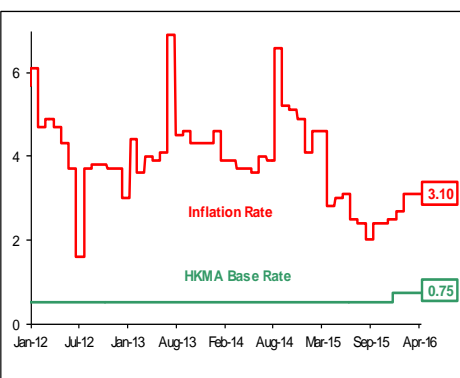
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



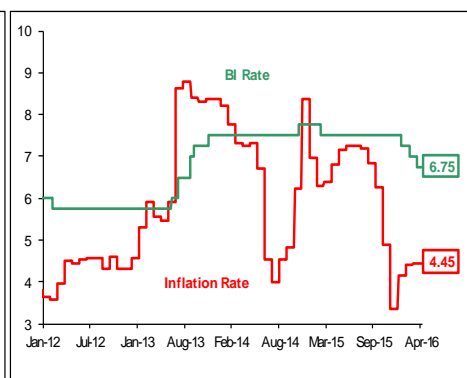
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



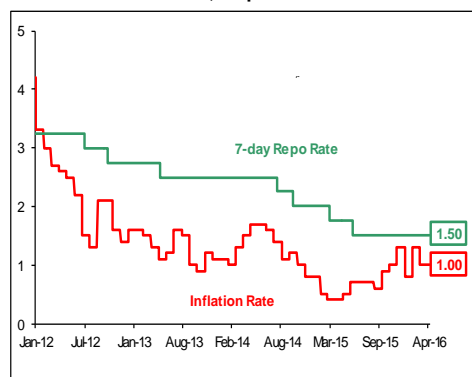
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



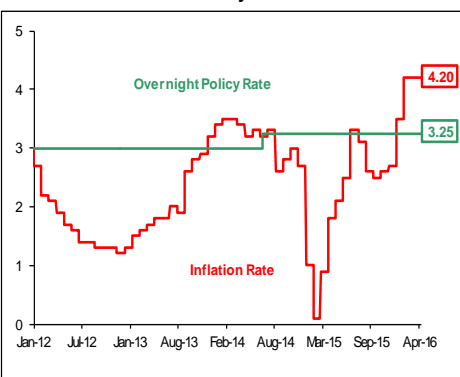
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



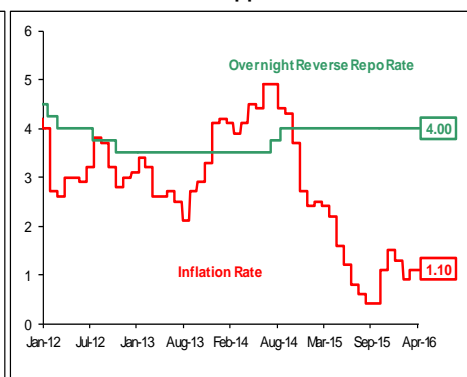
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



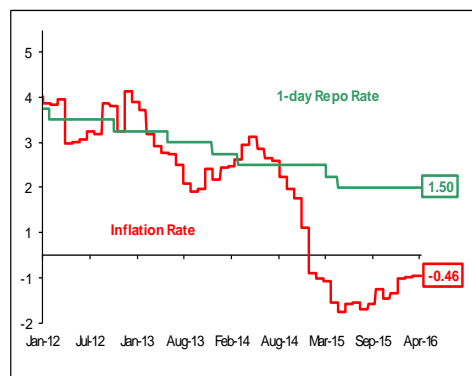
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



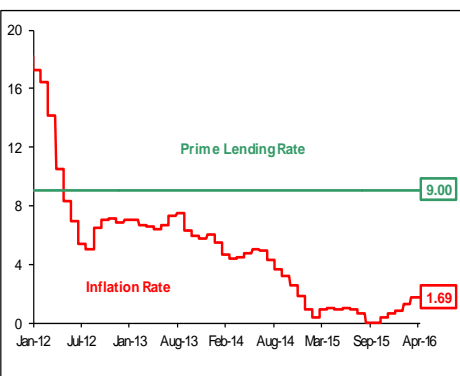
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

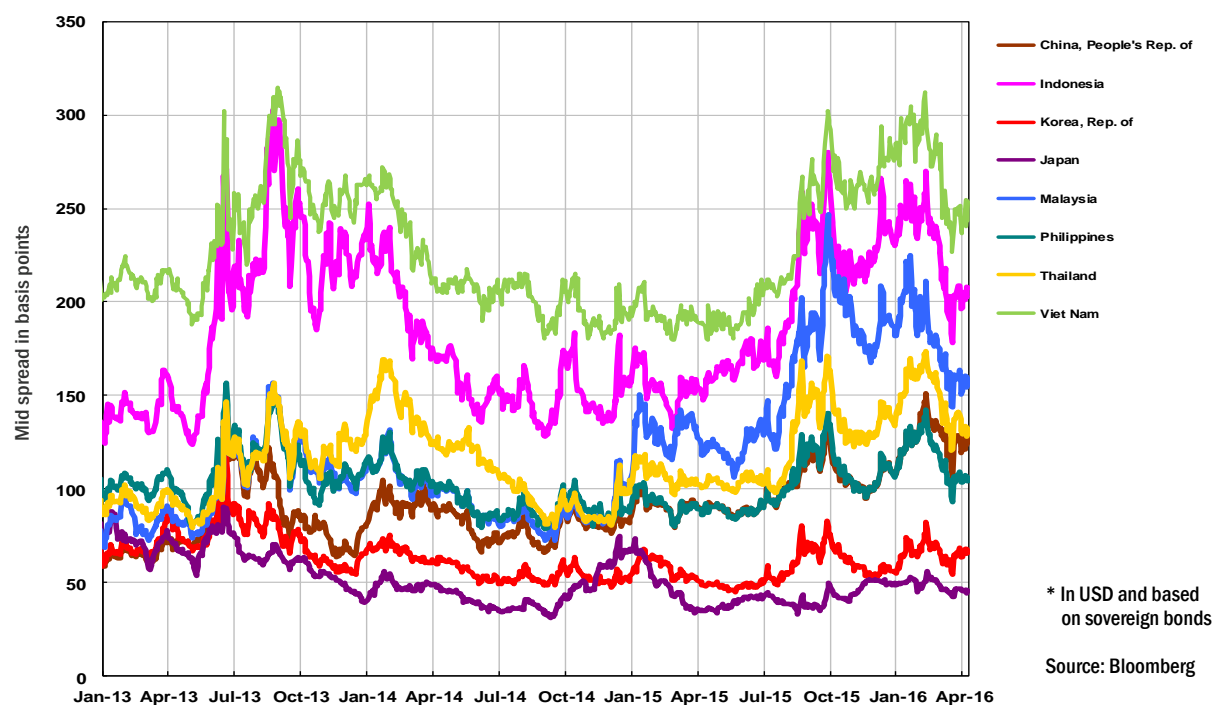


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

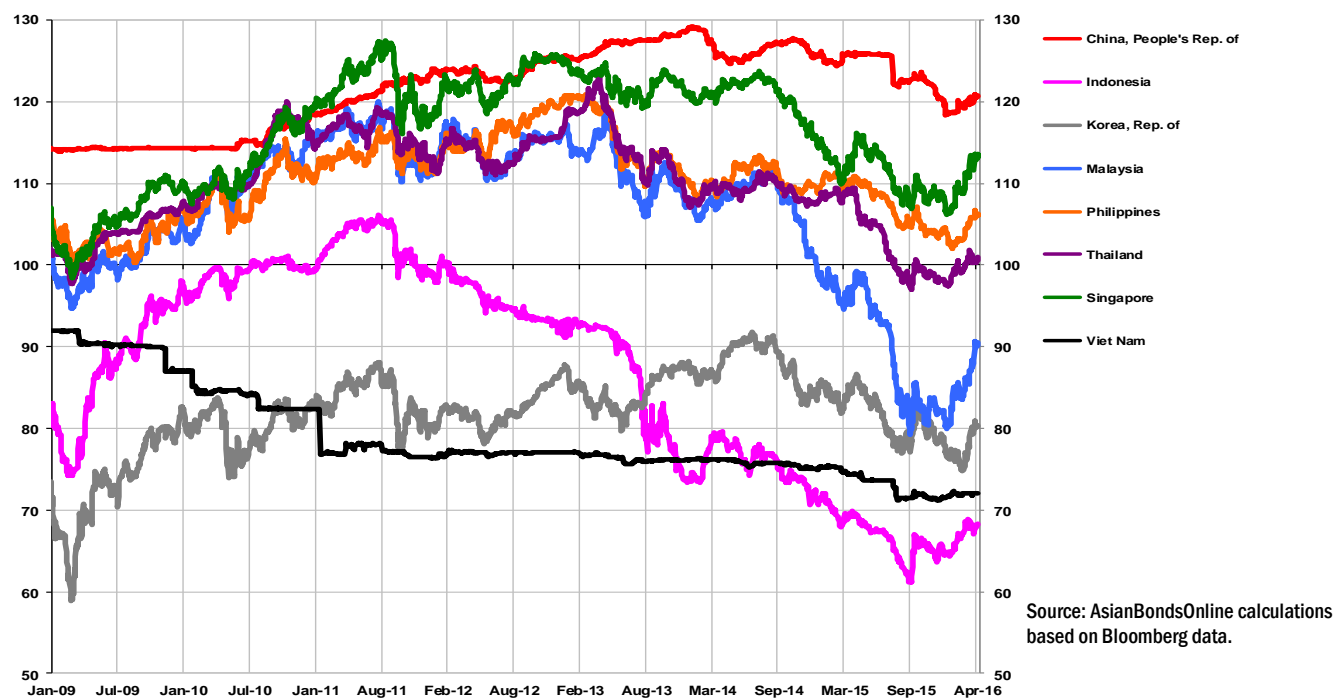
Credit Default Swap Spreads and Exchange Rate Indexes

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

Credit Default Swap Spreads — Senior 5-Year*



Exchange Rate Indexes (vis-à-vis USD, 2 January 2007=100)



Selected Debt Security Issuances (4 – 8 April 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	6-Apr	1-year Treasury Bonds	2.10	2.22	26.00	26.00
		10-year Treasury Bonds	2.86	2.85	33.00	33.15
HK	5-Apr	91-day Exchange Fund Bills	0.08		42.36	42.36
		182-day Exchange Fund Bills	0.22		15.00	15.00
ID	5-Apr	6-month Islamic Treasury Bills	5.63			500.00
		2-year Project-Based <i>Sukuk</i>	7.52	7.75		2,260.00
		4-year Project-Based <i>Sukuk</i>	7.75	8.25	4,000.00	750.00
		7-year Project-Based <i>Sukuk</i>	8.00	8.75		610.00
		15-year Project-Based <i>Sukuk</i>	8.31	8.88		1,665.00
JP	5-Apr	3-month Treasury Discount Bills	-0.09		4,400.00	4,349.98
		10-year Treasury Bonds	-0.07	0.10	2,400.00	2,538.70
	6-Apr	6-month Treasury Discount Bills	-0.17		3,500.00	3,499.98
	7-Apr	3-month Treasury Discount Bills	-0.12		4,400.00	4,349.97
KR	4-Apr	91-day Monetary Stabilization Bonds	1.51		900.00	1,080.00
		182-day Monetary Stabilization Bonds	1.52		600.00	720.00
		3-year Korea Treasury Bonds	1.44	1.75	1,100.00	1,092.00
	5-Apr	30-year Korea Treasury Bonds	1.89	2.00	1,200.00	1,200.00
	6-Apr	2-year Monetary Stabilization Bonds	1.46	1.46	2,500.00	2,500.00
		63-day Treasury Bills	1.51		1,000.00	1,000.00
MY	7-Apr	7-year Government Investment Issue	3.93	4.39	3.50	3.50
PH	4-Apr	91-day Treasury Bills	1.55		8.00	8.00
		182-day Treasury Bills	1.76		6.00	2.35
		364-day Treasury Bills	1.78		6.00	6.00
SG	5-Apr	28-day MAS Bills	0.21		0.50	0.50
		84-day MAS Bills	0.47		3.80	3.80
	7-Apr	168-day MAS Bills	0.72		2.00	2.00
TH	4-Apr	91-day Bank of Thailand Bonds	1.36		40.00	40.00
		182-day Bank of Thailand Bonds	1.38		40.00	40.00
		363-day Bank of Thailand Bonds	1.37		60.00	60.00
	5-Apr	4.22-year Government Bonds	1.37	2.55	20.00	20.00
		28.24-year Government Bonds	2.17	4.68	10.00	9.80

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (12 – 18 April 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Singapore GDP Advance Estimate y-o-y, % 1Q 2016	04/07 to 04/14	Q4 2014: 2.8% Q1 2015: 2.7% Q3 2015: 1.8% Q4 2015: 1.8%	Real gross domestic product (GDP) growth in Singapore stood at 1.8% year-on-year (y-o-y) in the fourth quarter (Q4) of 2015, the same pace of growth as in the third quarter (Q3) of 2015.
Philippines Exports y-o-y, % FEB	04/12	01/15: 0.0% 02/15: -3.0% 12/15: -3.0% 01/16: -3.9%	Philippine merchandise exports fell 3.9% y-o-y in January, the 10th consecutive month of y-o-y decline. Five of the top ten export items for the month recorded negative y-o-y growth.
China, People's Rep. of Trade Balance USD million MAR	04/13	02/15: 60.6 03/15: 3.1 01/16: 63.3 02/16: 32.6	The People's Republic of China (PRC) recorded a USD32.6 million trade surplus in February, compared with a trade surplus of USD63.3 million in January.
China, People's Rep. of GDP y-o-y, % 1Q 2016	04/15	Q4 2014: 7.2% Q1 2015: 7.0% Q3 2015: 6.9% Q4 2015: 6.8%	GDP growth in the PRC eased to 6.8% y-o-y in Q4 2015 compared with 6.9% y-o-y growth in Q3 2015.
Indonesia Trade Balance USD million MAR	04/15	02/15: 662.7 03/15: 1,025.6 01/16: 13.6 02/16: 1,136.1	Indonesia reported a trade surplus of USD1,136.1 million in February, up from only USD13.6 million in January.
Singapore Retail Sales y-o-y, % FEB	04/15	01/15: -5.3% 02/15: 14.4% 12/15: 2.8% 01/16: 7.5%	Retail sales growth climbed to 7.5% y-o-y in January, following 2.8% y-o-y growth in December.
Singapore NODX y-o-y, % MAR	04/18	02/15: -9.7% 03/15: 18.5% 01/16: -10.1% 02/16: 2.1%	Non-oil domestic exports (NODX) in Singapore climbed 2.1% y-o-y in February, a reversal from the 10.1% y-o-y decline in January.

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 Climbs in the Philippines in March

- [Summary Inflation Report Consumer Price Index \(2006 = 100\): March 2016](#)
Philippine Statistics Authority (5 April 2016)
- [March Inflation Higher at 1.1 Percent](#)
Bangko Sentral ng Pilipinas (5 April 2016)

Japan's Current Account Surplus Widens in February; Malaysia's Trade Surplus Widens in February

- [Balance of Payments \(Preliminary\)](#)
Ministry of Finance Japan (8 April 2016)
- [Monthly External Trade Statistics February 2016](#)
Department of Statistics Malaysia (6 April 2016)

March PMI Falls in Hong Kong, China; Rises in Singapore

- [Hong Kong PMI tumbles further as China orders shrink](#)
Financial Times (6 April 2016)
- [March PMI recorded improved reading of 49.4 albeit in contraction, with the Electronics index at 49.0](#)
Singapore Institute of Purchasing and Materials Management (4 April 2016)

Foreign Exchange Reserves Rise in the PRC, Indonesia, and the Philippines in March

- [China Foreign Exchange Reserves Rise for First Time in Five Months](#)
Bloomberg (7 April 2016)
- [Official Reserve Assets Recorded at US\\$107.5 Billion as of end-March 2016](#)
Bank Indonesia (7 April 2016)
- [End-March 2016 GIR Level Reaches US\\$82.60 Billion](#)
Bangko Sentral ng Pilipinas (7 April 2016)

CK Hutchison Issues EUR-Denominated Bond; KNOC Raises USD1 Billion from Dual-Tranche USD-Denominated Bond Sale

- [BONDS: Revamped CK Hutchison matches euro record](#)
IFRAsia (6 April 2016)
- [PSA, Olam and KNOC grease dollar bond market](#)
FinanceAsia (6 April 2016)
- [BONDS: KNOC prices fives and 10s at same spread](#)
IFRAsia (6 April 2016)

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