



Key Developments in Asian Local Currency Markets

During its monetary policy meeting on 15 June, the United States (US) Federal Reserve opted to keep the target range for the federal funds rate at 0.25%–0.50%. The Federal Open Market Committee said that while growth activities appear to have picked up and the unemployment rate has declined, job gains have slowed. In addition, the committee noted that business fixed investment still remains weak and that while inflation is currently below the 2.0% target, it is expected to meet the target over the medium-term.

In a meeting held on 15–16 June, Bank Indonesia’s Board of Governors decided to reduce its benchmark interest rate by 25 basis points (bps) to 6.5% in order to boost economic growth. The central bank also lowered by 25 bps the deposit facility rate to 4.5%, the lending facility rate to 7.0%, and the 7-day (reverse) repo rate to 5.25%. The central bank will also take steps to ease macro-prudential policy effective August 2016. At its monetary policy meeting on 16 June, the Bank of Japan announced that it would maintain its qualitative and quantitative monetary easing measures, along with the negative policy rate it introduced in January.

Consumer price inflation in Malaysia eased to 2.0% year-on-year (y-o-y) in May from 2.1% y-o-y in April as seven out of twelve major commodity groups posted lower annual increases in May and three groups posted higher annual decreases.

The People’s Republic of China’s industrial production growth was unchanged in May at 6.0% y-o-y. The mining sector dragged down the industrial production growth rate, with output declining 2.3% y-o-y.

In Indonesia, a trade surplus amounting to USD376 million was recorded in May. In Singapore, non-oil domestic exports rose 11.6% y-o-y in May.

In the Philippines, personal remittances from overseas Filipinos rose 3.8% y-o-y to USD2.4 billion in April, according to the Bangko Sentral ng Pilipinas.

Last week, Bank Negara Malaysia and the Financial Markets Association of Malaysia announced the adoption of a new methodology for the computation of the Malaysian ringgit’s exchange rate against the US dollar. The new rate shall be effective 18 July and will be known as the Kuala Lumpur USD–MYR Reference Rate.

Asia Bond Monitor March 2016

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10-Year Selected LCY Government Security Yields Close of 17 June 2016 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.61	2.90	-3.26	-66.16
EU	0.02	4.30	-0.10	-61.00
Japan	-0.15	4.10	-1.00	-41.50
PRC	2.95	-1.00	-7.00	9.00
Hong Kong, China	1.14	5.50	0.40	-44.30
India	7.50	-0.50	1.00	-22.80
Indonesia	7.63	1.60	-1.60	-112.70
Korea, Rep. of	1.60	2.20	-5.50	-48.80
Malaysia	3.89	0.50	0.80	-30.10
Philippines	4.43	-0.90	21.07	32.77
Singapore	2.09	9.88	8.97	-50.62
Thailand	2.08	-0.50	3.60	-42.10
Viet Nam	7.03	2.10	1.60	-14.20

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- 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

Foreign net bond investment in the Republic of Korea rose to KRW888 billion in May from KRW631 billion in April, according to a report by the Financial Supervisory Service released last week.

Last week, the Government of Indonesia sold JPY100 billion worth of samurai bonds via private placement to institutional investors in Japan. The offering comprised JPY62 billion of 3-year bonds with a coupon rate of 0.83% and JPY38 billion of 5-year bonds with a coupon rate of 1.16%.

Yields mostly fell in Indonesia, The Republic of Korea Malaysia, the Philippines, Singapore and Thailand and Viet Nam, despite the US Federal Reserve keeping its policy rate unchanged. The 2-year versus 10-year yield spreads fell for most markets except Indonesia, the Philippines, Thailand and Viet Nam.

Watch out for the release of the June issue of the Asia Bond Monitor, which will be launched at a conference in partnership with Korea Capital Market Institute on 24 June 2016 in Seoul, Republic of Korea. A copy of the program can be found on this link.

Summary Text of News Articles

United States Federal Reserve Leaves Key Interest Rate Unchanged in June

During its monetary policy meeting on 15 June, the United States Federal Reserve opted to keep the target range for the federal funds rate at 0.25%–0.50%. The Federal Open Market Committee in its decision said that while growth activities appear to have picked up and the unemployment rate has declined, job gains have slowed. In addition, the committee noted that business fixed investment still remains weak and that while inflation is currently below its 2.0% target, it is expected to meet the target over the medium-term.

Bank Indonesia Loosens Monetary and Macro-Prudential Policies Bank of Japan Maintains Monetary Easing Measures

In a meeting held on 15–16 June, Bank Indonesia's Board of Governors decided to reduce its benchmark interest rate by 25 basis points (bps) to 6.5% in order to boost economic growth. The central bank also lowered by 25 bps the deposit facility rate to 4.5%, the lending facility rate to 7.0%, and the 7-day reverse repo rate to 5.25%.

Bank Indonesia announced it will loosen macro-prudential policy effective in August 2016. The loan-to-value and loan-to-financing regulations will be increased to 75% and 90% from 60% and 90%, previously. To boost credit growth, Bank Indonesia will raise the minimum floor for the reserve-requirement-loan-to-funding ratio to 80% from 78%, while maintaining the ceiling at 92%.

In making its decision, Bank Indonesia took note of stable macroeconomic conditions, particularly low inflation, a narrower current account deficit, and a stable IDR–USD exchange rate. The central bank also said that “monetary and macro-prudential policy easing will strengthen the government's policy to increase sustainable economic growth through strengthening growth stimuli and accelerating structural reforms.”

At its monetary policy meeting on 16 June, the Bank of Japan announced that it would maintain its qualitative and quantitative monetary easing measures, along with the negative policy rate it introduced in January. The Bank of Japan stated that the domestic economy is recovering moderately. However, exports and production remain weak due to the slowdown in emerging economies. Growth is expected to expand moderately, supported by domestic demand. Inflation is expected to be negative or will remain unchanged on a year-on-year (y-o-y) basis for the time being amid a decline in global energy prices.

For the historical trend of Indonesia's policy rate, refer to this link:

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

For the historical trend of Japan's policy rate, refer to this link:

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

Consumer Price Inflation in Malaysia Eases in May

Consumer price inflation in Malaysia eased to 2.0% y-o-y in May from 2.1% y-o-y in April as seven out of twelve major commodity groups posted lower annual increases in May and three groups posted higher annual decreases. Prices of food and nonalcoholic beverages, which account for the highest weight in the index, posted a lower y-o-y increase of 4.1% in May versus 4.2% in April. On a m-o-m basis, consumer prices rose 0.3%.

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

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

Industrial Production Growth Flat in the People's Republic of China in May

The People's Republic of China's industrial production growth was unchanged in May at 6.0% y-o-y. The mining sector dragged down the industrial production growth rate, with output declining 2.3% y-o-y. Manufacturing grew 7.2% y-o-y while electricity, heating, and water and gas production rose 2.4% y-o-y in the same period.

Summary Text of News Articles

**Indonesia Reports Trade Surplus of USD376 Million in May;
Singapore's NODX Rise 11.6% y-o-y in May**

Exports from Indonesia fell 9.8% y-o-y in May to USD11,511 million, which is an improvement over a 12.4% y-o-y decline in April. Imports fell to USD11,135 million on a slower rate of contraction of 4.1% y-o-y in May compared with a 14.4% y-o-y drop in April. As a result, a trade surplus of USD376 million was recorded in May. For the first 5 months of the year, Indonesia recorded a trade surplus of USD2,696 million.

In Singapore, non-oil domestic exports (NODX) rose 11.6% y-o-y in May, sharply contrasting with a decline of 7.9% y-o-y in April, largely due to non-electronic NODX expanding 19.0% y-o-y in May compared with an 8.1% y-o-y contraction in April. May's gains were led by increased exports of prefabricated buildings, nonmonetary gold, and pharmaceuticals. In contrast, electronic NODX contracted 6.0% y-o-y in May after falling 7.4% y-o-y in April. Increasing export demand from Malaysia; Taipei, China; and the United States contributed to the rise in NODX in May.

Personal Remittances to the Philippines Climb in April

In the Philippines, personal remittances from overseas Filipinos rose 3.8% y-o-y to USD2.4 billion in April, according to the Bangko Sentral ng Pilipinas, following a contraction of 1.3% y-o-y in March. Over the January–April period, personal remittances grew 3.0% y-o-y to USD9.6 billion.

**Bank Negara Malaysia and Financial Markets Association of Malaysia
Announce Kuala Lumpur USD–MYR Reference Rate**

Last week, Bank Negara Malaysia and the Financial Markets Association of Malaysia announced the adoption of a new methodology for the computation of the Malaysian ringgit's exchange rate against the US dollar. The new rate shall be known as the Kuala Lumpur USD–MYR Reference Rate. Effective 18 July, the new reference rate will be based on the weighted average volume of the interbank USD–MYR foreign exchange spot rate transactions of domestic financial institutions between 8 a.m. and 3 p.m. Bank Negara Malaysia stated that the new methodology promotes transparency and is based on underlying trades, while the previous methodology was based on the submission of quotations by selected banks. In addition, the official closing hour for the onshore MYR foreign exchange market will be extended from 5 p.m. to 6 p.m.

Foreign Bond Investment in the Republic of Korea Rises in May

Foreign net bond investment in the Republic of Korea rose to KRW888 billion in May from KRW631 billion in April, according to a report by the Financial Supervisory Service released last week. In May, foreign investors' net investment in Monetary Stabilization Bonds, Korean Treasury Bonds, and corporate bonds totaled KRW559 billion, KRW328 billion, and KRW1 billion, respectively.

Indonesia Sells JPY100 Billion Worth of Samurai Bonds

Last week, the Government of Indonesia sold JPY100 billion worth of samurai bonds via private placement to institutional investors in Japan. The offering comprised JPY62 billion of 3-year bonds with a coupon rate of 0.83% and JPY38 billion of 5-year bonds with a coupon rate of 1.16%. The samurai bonds were issued without a guarantee from the Japan Bank for International Cooperation.

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	0.25	0.00	1.08	9.16
EU	-0.51	-0.60	-1.00	-5.90
Japan	-0.25	0.30	1.20	-21.30
PRC	2.20	-2.00	-3.00	2.00
Hong Kong, China	0.10	0.00	0.00	3.00
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.31	0.90	1.40	-24.20
Malaysia	2.76	0.50	2.10	-10.00
Philippines	1.73	15.34	14.48	-93.77
Singapore	0.65	1.30	-1.70	-24.00
Thailand	1.35	0.00	0.00	-14.24

Close of 17 June 2016

10-Year Selected LCY Government Bond Yields

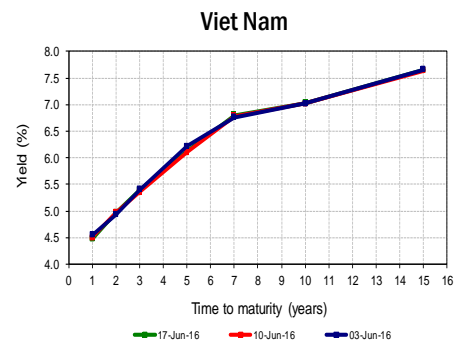
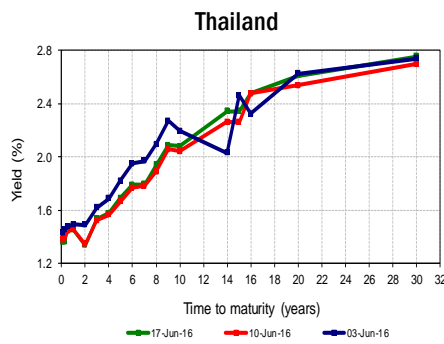
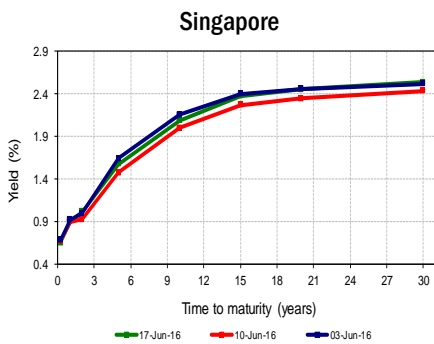
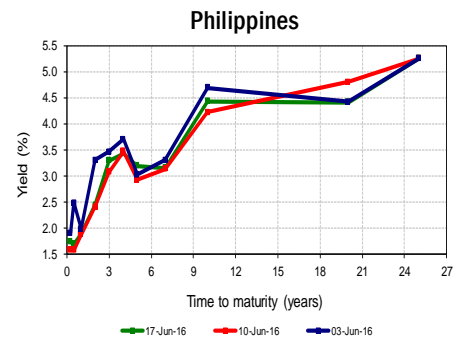
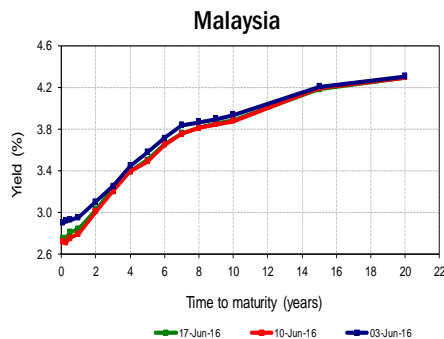
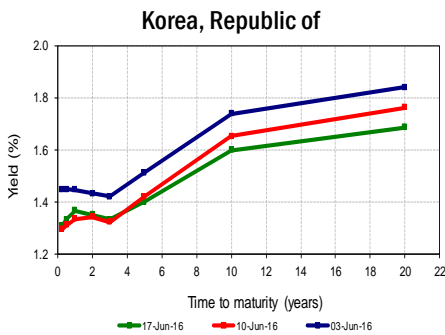
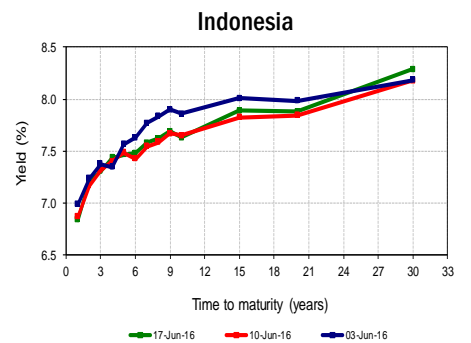
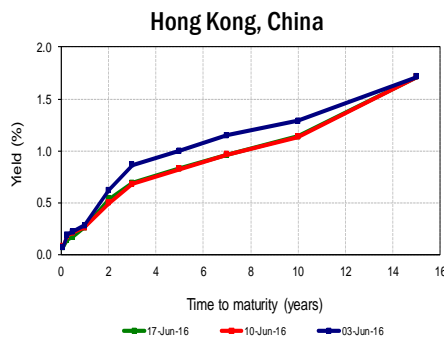
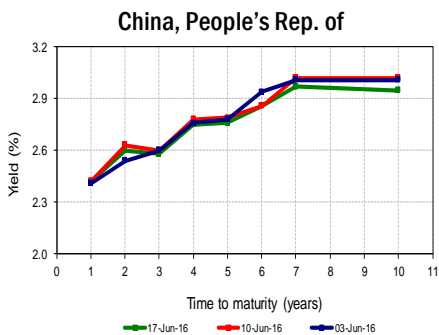
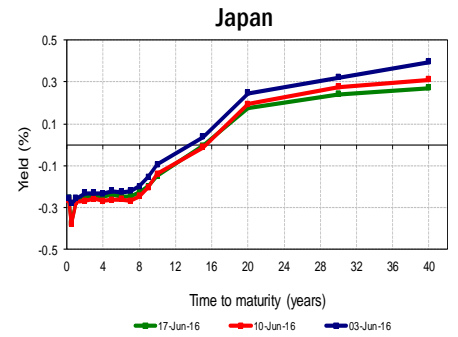
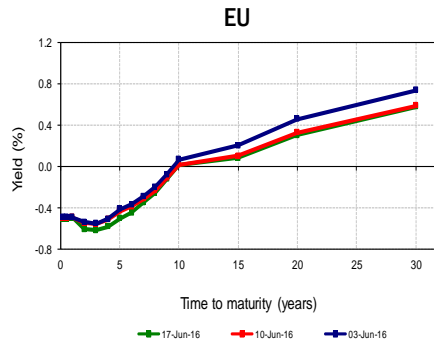
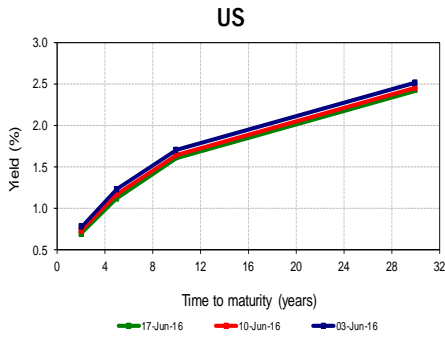
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-16*
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EU	0.02	4.30	-0.10	-61.00
Japan	-0.15	4.10	-1.00	-41.50
PRC	2.95	-1.00	-7.00	9.00
Hong Kong, China	1.14	5.50	0.40	-44.30
India	7.50	-0.50	1.00	-22.80
Indonesia	7.63	1.60	-1.60	-112.70
Korea, Rep. of	1.60	2.20	-5.50	-48.80
Malaysia	3.89	0.50	0.80	-30.10
Philippines	4.43	-0.90	21.07	32.77
Singapore	2.09	9.88	8.97	-50.62
Thailand	2.08	-0.50	3.60	-42.10
Viet Nam	7.03	2.10	1.60	-14.20

Close of 17 June 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

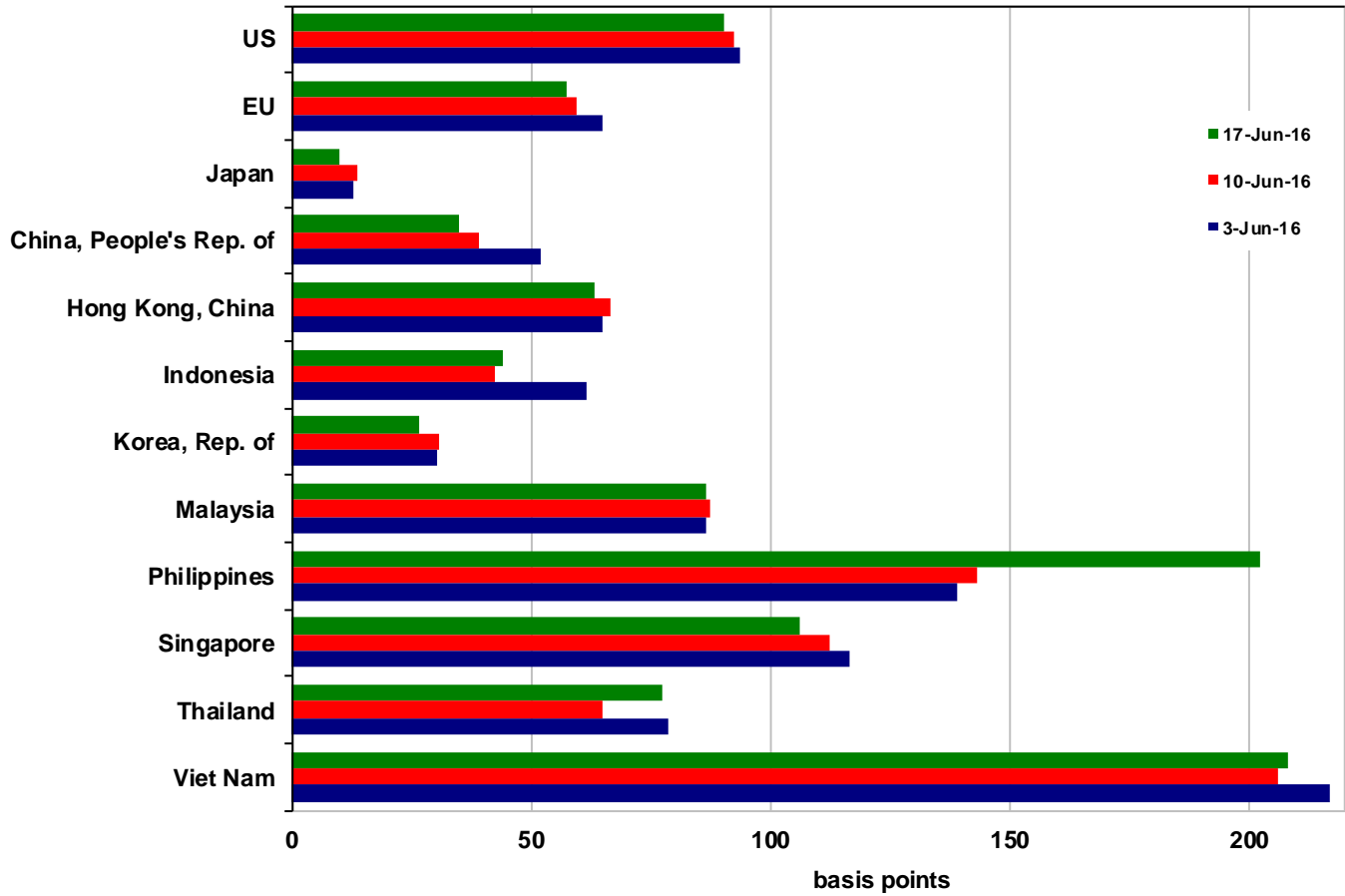
Tip: Zoom-in on the table using the Acrobat zoom tool



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

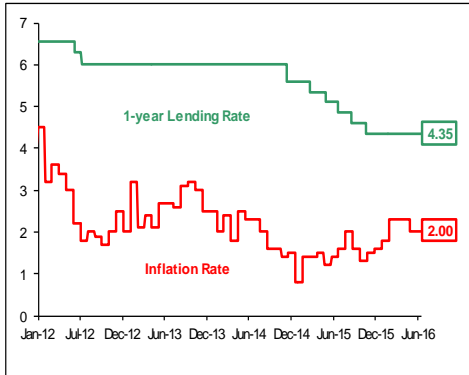


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

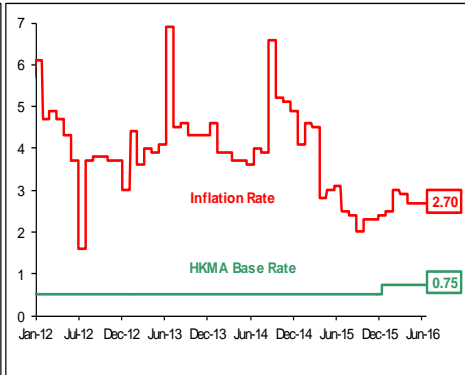
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



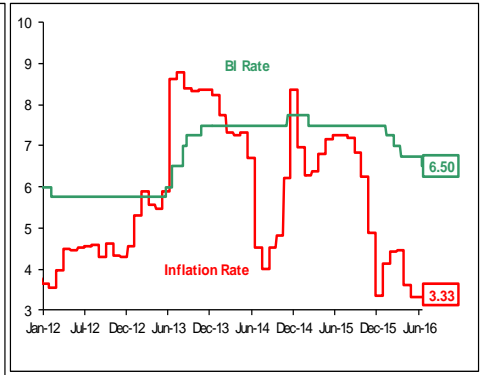
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



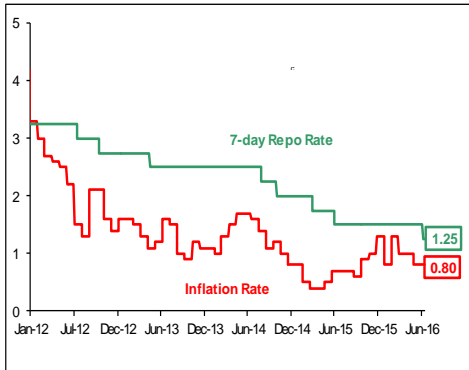
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



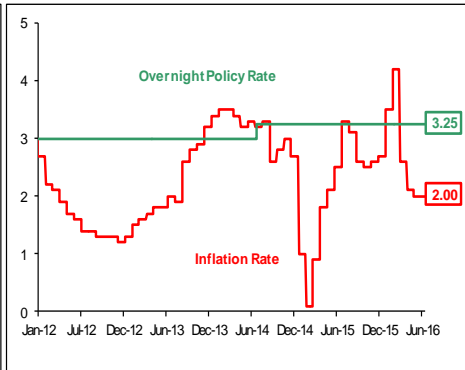
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



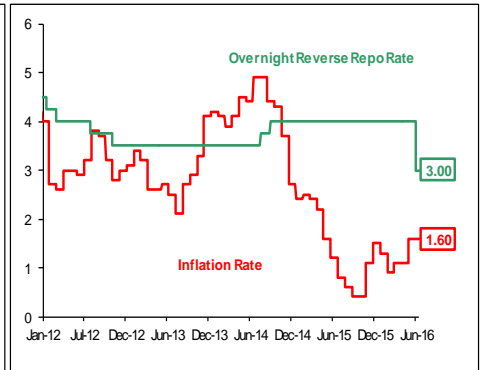
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



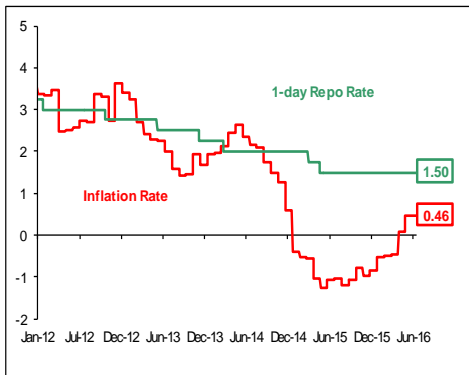
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



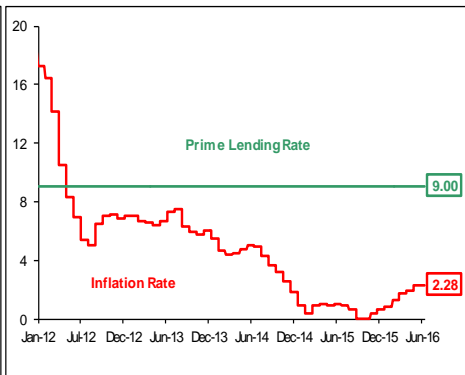
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

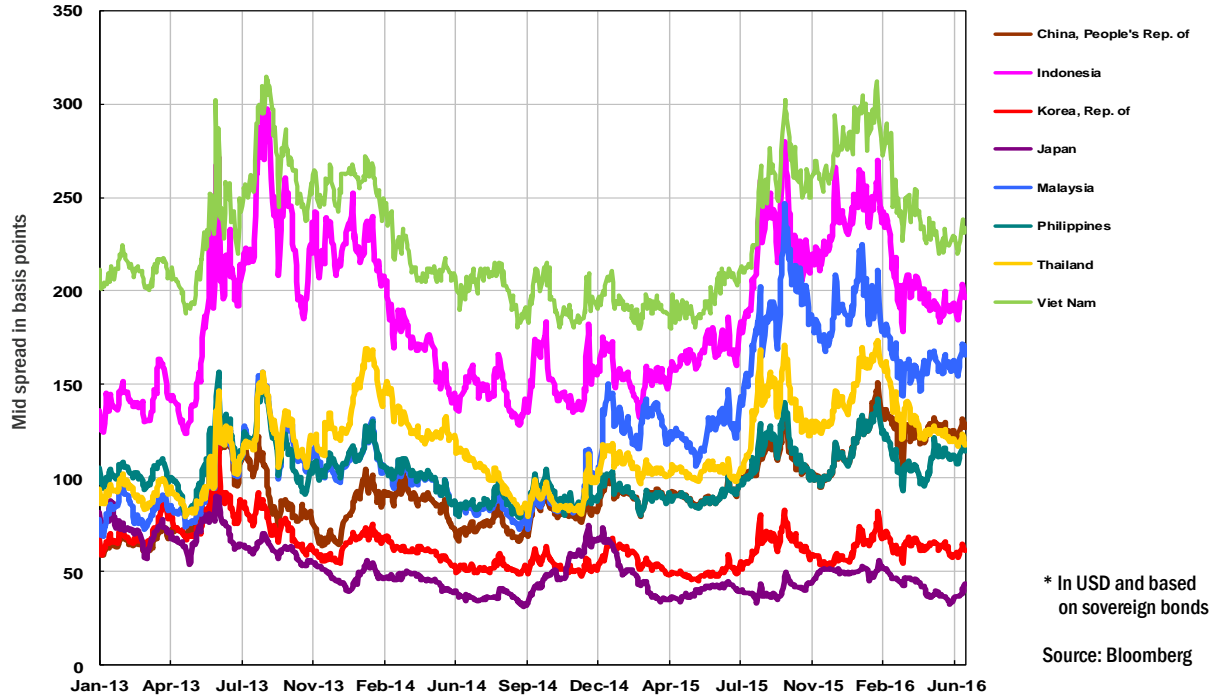


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

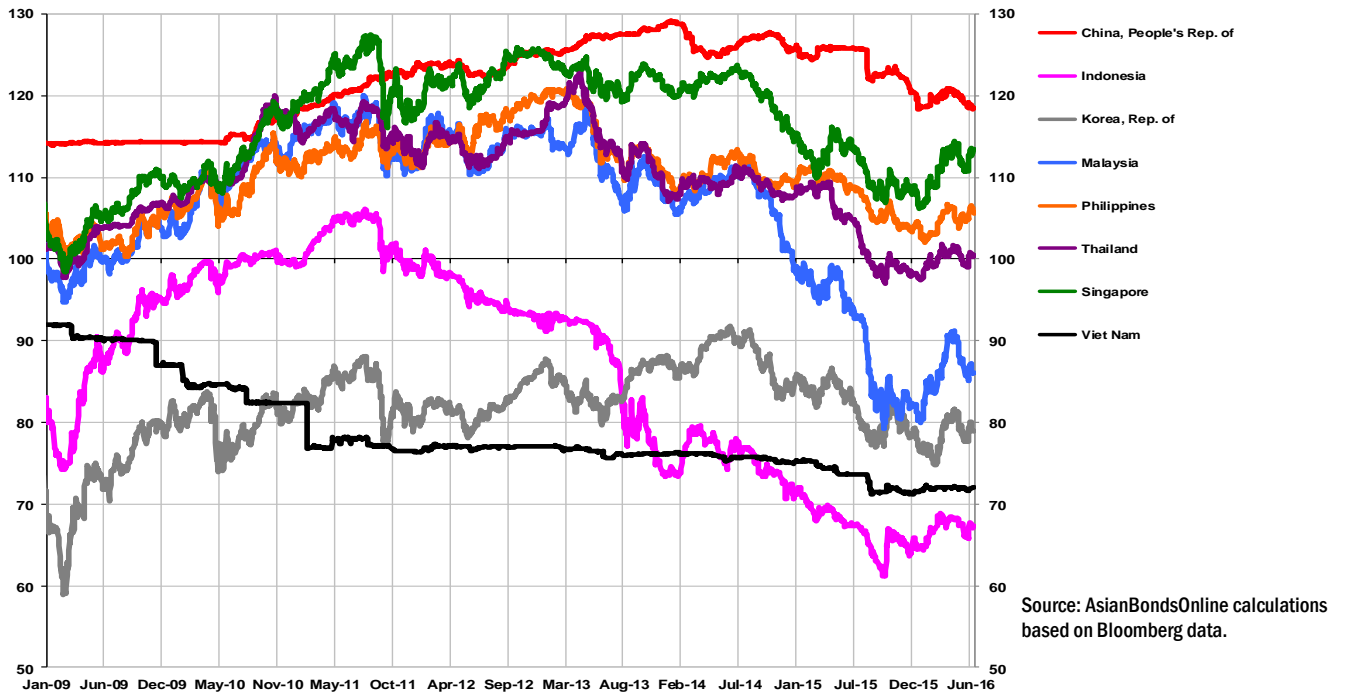
Credit Default Swap Spreads and Exchange Rate Indexes

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 (13 – 17 June 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	15-Jun	7-year Treasury Bonds	2.95	2.95	40.93	40.93
HK	14-Jun	91-day Exchange Fund Bills	0.20		32.86	32.86
		182-day Exchange Fund Bills	0.24		9.00	9.00
		30-day Exchange Fund Bills	0.29		3.00	3.00
ID	14-Jun	6-month Islamic Treasury Bills	5.98			400.00
		2-year Project-Based <i>Sukuk</i>	7.32		4,000.00	2,960.00
		4-year Project-Based <i>Sukuk</i>	7.70			115.00
		15-year Project-Based <i>Sukuk</i>	8.21			1,600.00
JP	14-Jun	1-year Treasury Discount Bills	-0.37		2,500.00	2,499.98
	15-Jun	3-month Treasury Discount Bills	-0.26		4,400.00	4,349.96
KR	13-Jun	91-day Monetary Stabilization Bonds	1.31		1,100.00	1,100.00
		1-year Monetary Stabilization Bonds	1.34	1.34	1,400.00	1,400.00
		5-year Korean Treasury Bonds	1.39	2.00	1,050.00	1,050.00
		5-year Korean Treasury Bonds	1.42	1.38	700.00	700.00
	15-Jun	63-day Treasury Bills	1.32		1,000.00	1,000.00
		2-year Monetary Stabilization Bonds	1.35	1.45	2,700.00	2,690.00
SG	14-Jun	28-day MAS Bills	0.36		0.60	0.60
	14-Jun	84-day MAS Bills	0.39		3.80	3.80
	16-Jun	168-day MAS Bills	0.59		2.00	2.00
TH	13-Jun	28-day Treasury Bills	1.32		5.00	5.00
	14-Jun	91-day Bank of Thailand Bonds	1.35		40.00	40.00
		182-day Bank of Thailand Bonds	1.42		27.36	27.36
	15-Jun	4.03-year Government Bonds	1.71		20.00	20.00
		20.01-year Government Bonds	2.61		10.00	10.00
	16-Jun	1.68-year Bank of Thailand Bonds	1.55		35.00	35.00
	17-Jun	14-day Bank of Thailand Bonds	1.33		50.00	50.00
VN	15-Jun	5-year Treasury Bonds	6.07		7,000.00	7,357.00
		10-year Treasury Bonds	6.94		1,000.00	1,300.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (21 – 27 June 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China CPI y-o-y, % MAY	06/21	04/15: 2.8% 05/15: 3.0% 03/16: 2.9% 04/16: 2.7%	Inflation in Hong Kong, China, as measured by the Consumer Price Index (CPI), eased to 2.7% year-on-year (y-o-y) in April from 2.9% y-o-y in March.
Thailand BOT Benchmark Rate %	06/22	05/15: 3.0% 06/15: 1.5% 04/16: 1.5% 05/16: 1.5%	The Bank of Thailand's Monetary Policy Committee kept the policy rate unchanged at 1.5% at its 11 May meeting, marking the 8th consecutive time it maintained the policy rate at the same level.
Hong Kong, China Current Account Balance HKD Billion Q1 2016	06/23	Q4 2014: 23.7 Q1 2015: 0.3 Q3 2015: 48.5 Q4 2015: 25.8	Hong Kong, China's current account surplus narrowed to HKD25.8 billion in the fourth quarter (Q4) of 2015 from HKD48.5 million in the third quarter (Q3) of 2015.
Philippines Overnight Borrowing Rate %	06/23	05/15: 4.0% 06/15: 4.0% 04/16: 4.0% 05/16: 4.0%	The Bangko Sentral ng Pilipinas decided on 12 May to keep its key policy rates unchanged, including the overnight borrowing (reverse repurchase) rate at 4.0%.
Singapore CPI y-o-y, % MAY	06/23	04/15: -0.5% 05/15: -0.4% 03/16: -1.0% 04/16: -0.5%	Singapore reported deflation for the 18th consecutive month in April as consumer prices contracted 0.5% y-o-y.
Philippines Trade Balance USD Million APR	06/24	03/15: 246 04/15: -619 02/16: -1,104 03/16: -1,747	The Philippines trade deficit widened to USD1,747 million in March from a trade deficit of USD1,104 million in April.
Singapore Industrial Production y-o-y, % MAY	06/24	04/15: -8.7% 05/15: -1.2% 03/16: 0.1% 04/16: 2.9%	Industrial production in Singapore expanded 2.9% y-o-y in April after posting 0.1% y-o-y growth in March.
Viet Nam CPI y-o-y, % JUN	06/24	05/15: 1.0% 06/15: 1.0% 04/16: 1.9% 05/16: 2.3%	Consumer price inflation in Viet Nam climbed to 2.3% y-o-y in May from 1.9% y-o-y in April.
Viet Nam Exports—YTD y-o-y, % JUN	6/25 to 6/31	05/14: 7.3% 06/14: 9.3% 04/15: 6.0% 05/15: 6.6%	Export growth in Viet Nam eased to 6.6% y-o-y in January–May from 7.3% y-o-y in the same 5-month period a year earlier.
Viet Nam GDP—YTD y-o-y, % Q2 2016	6/25 to 6/31	Q1 2015: 6.0% Q2 2015: 6.3% Q4 2015: 6.7% Q1 2016: 5.5%	Gross domestic product (GDP) growth in Viet Nam eased to 5.5% y-o-y in Q1 2016 from 6.0% y-o-y a year earlier.
Hong Kong, China Exports y-o-y, % MAY	06/27	04/15: -8.3% 05/15: -14.4% 03/16: -13.4% 04/16: -12.6%	Exports from Hong Kong, China slipped 12.6% y-o-y in April following a 13.4% y-o-y contraction in March.
Hong Kong, China Trade Balance HKD Billion MAY	06/27	04/15: -39.2 05/15: -40.1 03/16: -47.0 04/16: -31.0	Hong Kong, China's trade deficit narrowed to HKD31.0 billion in April from HKD47.0 billion in March.

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)

United States Federal Reserve Leaves Key Interest Rate Unchanged in June

- [Federal Reserve issues FOMC statement](#)
Board of Governors of the Federal Reserve System (15 June 2016)

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