

27 June 2016

asianbondsonline.adb.org

Key Developments in Asian Local Currency Markets

On 23 June, the United Kingdom voted to leave the European Union. The decision brought about increased volatility in financial markets. The British pound fell 8.1% to USD1.3679 per GBP1.0 and the euro declined 2.4% to USD1.1117 per EUR1.0. Yields on 10-year United States Treasuries fell 19 basis points to 1.56%.

Emerging East Asian local currency (LCY) bond yields were mostly down between 1 March and 15 May amid weak global economic growth. While the outlook for the region's LCY bond markets is generally benign, risks are rising, according to the latest edition of the Asia Bond Monitor (ABM) released on 24 June. The region's LCY bond market expanded 3.9% quarter-on-quarter and 20.4% year-on-year (y-o-y) in the first quarter of 2016, reaching USD9,608 billion at the end of March. The ABM also includes a chapter examining the drivers of sovereign bond yields in emerging Asia. For a copy of the ABM, please click on the following link:

https://asianbondsonline.adb.org/documents/abm_jun_2016.pdf.

In Hong Kong, China, consumer prices rose 2.6% y-o-y in May, slightly down from the 2.7% y-o-y uptick in April. Singapore's Consumer Price Index fell 1.6% y-o-y in May after falling 0.5% y-o-y in April, marking the 19th consecutive month of deflation. The decline came mainly from housing and utility costs and transportation costs which account for 42.1% of the index. Consumer price inflation inched up in Viet Nam in June to 2.4% y-o-y from 2.3% y-o-y in May due to accelerating increases in the prices of food and foodstuffs.

The Bangko Sentral ng Pilipinas decided on 23 June to keep unchanged the overnight reverse repurchase rate at 3.0%. On 22 June, the Monetary Policy Committee of the Bank of Thailand voted unanimously to maintain the policy rate at 1.5%.

Japan posted a trade deficit of JPY40.7 billion in May, a reversal from the trade surplus of JPY823.2 billion in April. Exports of goods contracted 13.6% month-on-month (m-o-m) to JPY5.1 trillion in May from JPY5.9 trillion in April, while imports increased 1.3% m-o-m to JPY5.10 trillion from JPY5.07 trillion. The Philippines' merchandise trade deficit widened to USD2.3 billion in April from USD1.7 billion in March as exports contracted and imports

Asia Bond Monitor June 2016

[read more](#)

10-Year Selected LCY Government Security Yields Close of 24 June 2016 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-
US	1.56	-18.59	-4.79	-70.95
EU	-0.05	-14.00	-6.60	-67.60
Japan	-0.17	-3.00	-2.00	-43.50
PRC	2.93	-1.00	-2.00	7.00
Hong Kong, China	1.09	-11.80	-4.20	-48.50
India	7.48	-0.50	-2.60	-25.40
Indonesia	7.79	18.00	15.80	-96.90
Korea, Rep. of	1.50	-12.50	-9.70	-58.50
Malaysia	3.90	2.00	1.40	-28.70
Philippines	4.44	35.84	1.40	34.17
Singapore	1.91	-13.15	-18.17	-68.79
Thailand	2.03	-8.50	-5.30	-47.40
Viet Nam	6.98	1.30	-5.30	-19.50

- 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

increased. Total merchandise exports fell 7.7% m-o-m to USD4.2 billion from USD4.6 billion. Total merchandise imports rose 2.7% m-o-m to USD6.5 billion from USD6.3 billion.

The Republic of Korea's Producer Price Index fell 3.1% y-o-y in May following a 3.0% y-o-y decline in April. The annual drop in May was due to relatively large y-o-y decreases in product prices in the manufacturing and utilities sectors.

Singapore's manufacturing output increased 0.9% y-o-y in May, compared with a 3.0% y-o-y increase recorded in April. Two out of six manufacturing clusters posted annual increases in May.

LCY government bond yields fell last week for all tenors in the Republic of Korea; and for most tenors in the People's Republic of China; Hong Kong, China; Malaysia, Singapore, and Viet Nam. Yields rose for most tenors in Indonesia and the Philippines. While yield movements were mixed in Thailand. Yield spreads between 2-year and 10-year maturities widened in most East Asian markets except Indonesia, the Republic of Korea, Singapore, and Thailand.

Summary Text of News Articles

Hong Kong, China's Consumer Price Inflation Eases in May; Deflation in Singapore for the 19th Consecutive Month in May; Viet Nam's Consumer Price Inflation Inches Up in June

In Hong Kong, China, the Composite Consumer Price Index (CPI) climbed 2.6% year-on-year (y-o-y) in May, slightly down from the 2.7% y-o-y uptick in April, according to the latest report of the Census and Statistics Department. According to the report, inflationary pressures weakened in May partly because of slower annual hikes in foodstuff prices and private housing rents.

Singapore's CPI fell 1.6% y-o-y in May after falling 0.5% y-o-y in April, marking the 19th consecutive month of deflation. The decline comes mainly from housing and utility costs, which fell 6.4% y-o-y, and from transportation costs, which fell 5.7% y-o-y. Together they combine for 42.1% of the index. Food prices, which account for 21.7% of the index, increased 2.2% y-o-y. On a month-on-month (m-o-m) basis, the CPI fell 0.7%.

Consumer price inflation inched up in Viet Nam in June to 2.4% y-o-y from 2.3% y-o-y in May. This was mainly due to accelerated price increases in food and foodstuffs, which rose 2.8% y-o-y in June after expanding 2.6% y-o-y in May. Other subindexes that posted higher annual increases include housing and construction materials and education. On a m-o-m basis, consumer prices rose 0.5%.

For historical trends in Hong Kong, China's inflation rate, refer to this link:

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

For historical trends in Singapore's inflation rate, refer to this link:

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

For historical trends in Viet Nam's inflation rate, refer to this link:

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

Policy Rates Maintained in the Philippines and Thailand

The Bangko Sentral ng Pilipinas decided on 23 June to keep unchanged the overnight reverse repurchase rate at 3.0%. Interest rates on special deposit accounts and reserve requirement ratios were also maintained at current levels. The Bangko Sentral ng Pilipinas stated that average inflation would likely settle at the lower-end of the target range of 2.0%–4.0% in 2016 and rise to the middle of the range in 2017. Downward pressures on the inflation outlook remain given weak global economic growth and lower oil prices, while upside risks include a pending adjustment in power rates.

On 22 June, the Monetary Policy Committee of the Bank of Thailand voted unanimously to maintain the policy rate at 1.5% while keeping monetary policy accommodative. The Bank of Thailand judged that the economy would gradually recover and inflation would return to the target band within the next 6 months. It also stated that the improvement in domestic demand and the tourism sector outweighed the decline in merchandise exports and noted that downside risks remain from weak growth in trading partners and low private sector confidence, a weak global economic recovery, and the pending result of the European Union referendum in the United Kingdom.

Japan Posts Trade Deficit in May; The Philippines' Merchandise Trade Deficit Widens in April

Japan posted a trade deficit of JPY40.7 billion in May, a reversal from the trade surplus of JPY823.2 billion in April. Exports of goods contracted 13.6% m-o-m to JPY5.1 trillion in May from JPY5.9 trillion in April, while imports increased 1.3% m-o-m to JPY5.10 trillion from JPY5.07 trillion.

The Philippines' merchandise trade deficit widened to USD2.3 billion in April from USD1.7 billion in March as exports contracted and imports increased. Total merchandise exports fell 7.7% m-o-m to USD4.2 billion from USD4.6 billion. Total merchandise imports rose 2.7% m-o-m to USD6.5 billion from USD6.3 billion.

Summary Text of News Articles

The Republic of Korea's Producer Price Inflation Remains Negative in May

The Republic of Korea's Producer Price Index fell 3.1% y-o-y in May following a 3.0% y-o-y decline in April, according to the Bank of Korea. The annual drop in May was due to a relatively large y-o-y decrease in product prices in the manufacturing and utilities sectors. On a monthly basis, producer prices remained unchanged between April and May.

Singapore's Manufacturing Output Increases in May

Singapore's manufacturing output increased 0.9% y-o-y in May, compared with a 3.0% y-o-y increase in April. Two out of six manufacturing clusters posted annual increases in May: biomedical manufacturing expanded 13.2% y-o-y and electronics rose 5.9% y-o-y. Chemicals (-0.8%), precision engineering (-1.0%), general manufacturing (-2.0%), and transport engineering (-17.2%) posted y-o-y declines in May. On a seasonally adjusted and m-o-m basis, manufacturing output fell 0.4% in May.

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	0.25	-3.56	-0.58		8.58
EU	-0.54	-2.10	-3.20		-9.10
Japan	-0.27	-1.70	-1.10		-22.40
PRC	2.63	0.00		43.00	45.00
Hong Kong, China	0.10	0.00	0.00		3.00
India	8.31	0.00	0.00		0.00
Korea, Rep. of	1.27	-5.30	-4.20		-28.40
Malaysia	2.75	0.00	-1.20		-11.20
Philippines	1.84	7.45		11.58	-82.19
Singapore	0.65	0.00	0.00		-24.00
Thailand	1.35	0.00	0.00		-14.24

Close of 24 June 2016

10-Year Selected LCY Government Bond Yields

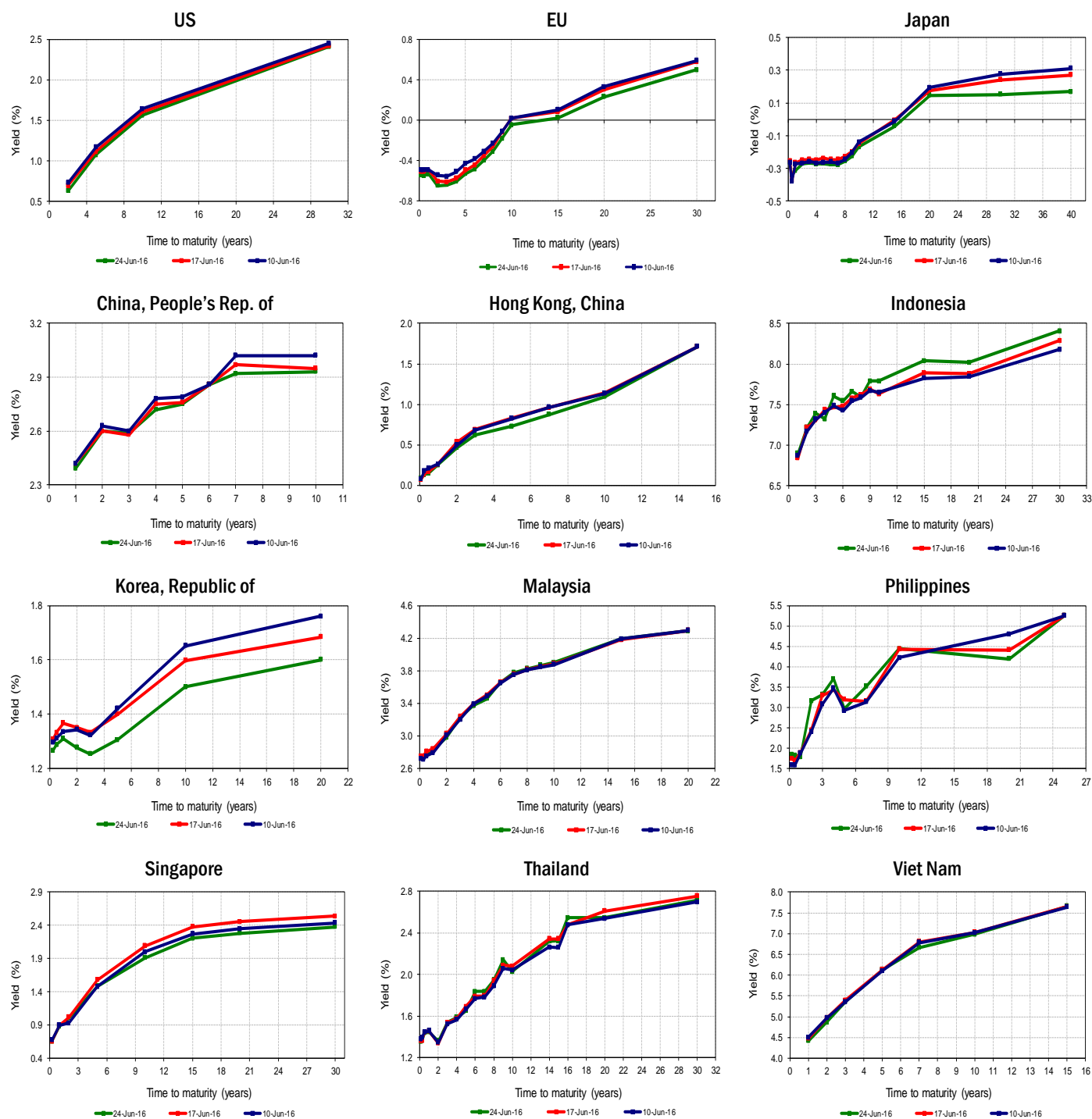
Markets	Latest Closing	basis point change from			1-Jan-16*
		Previous Day*	Previous Week*		
US	1.56	-18.59	-4.79		-70.95
EU	-0.05	-14.00	-6.60		-67.60
Japan	-0.17	-3.00	-2.00		-43.50
PRC	2.93	-1.00	-2.00		7.00
Hong Kong, China	1.09	-11.80	-4.20		-48.50
India	7.48	-0.50	-2.60		-25.40
Indonesia	7.79	18.00		15.80	-96.90
Korea, Rep. of	1.50	-12.50	-9.70		-58.50
Malaysia	3.90	2.00		1.40	-28.70
Philippines	4.44	35.84		1.40	34.17
Singapore	1.91	-13.15	-18.17		-68.79
Thailand	2.03	-8.50	-5.30		-47.40
Viet Nam	6.98	1.30	-5.30		-19.50

Close of 24 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

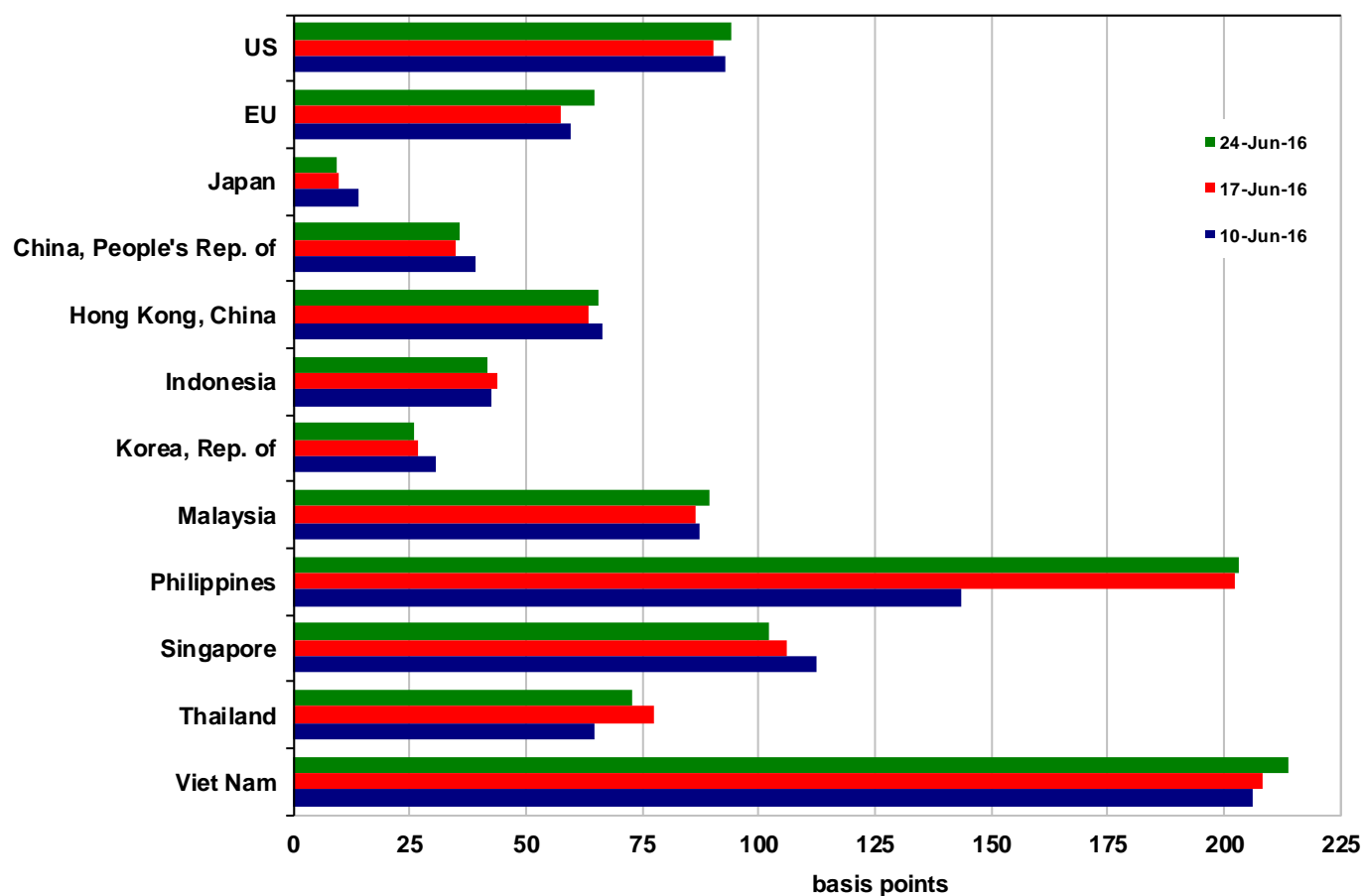


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



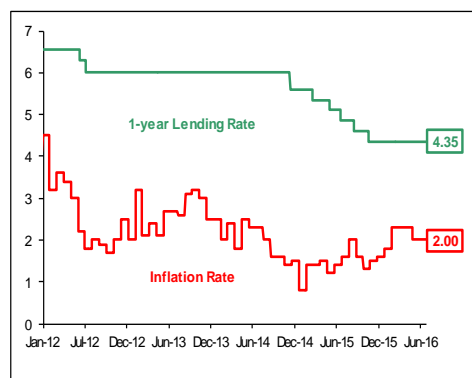
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

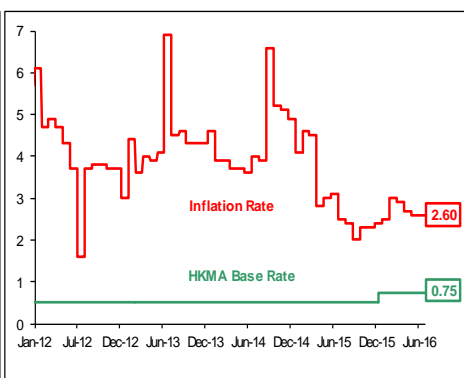
China, People's Rep. of



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

Source: Bloomberg LP.

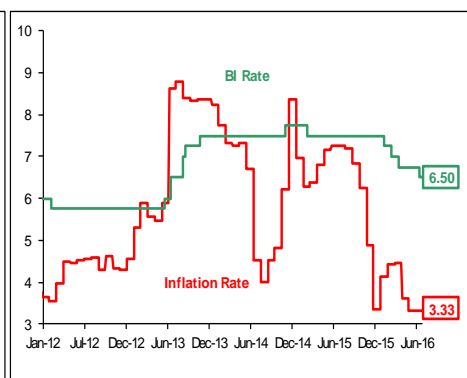
Hong Kong, China



The Hong Kong Monetary Authority maintains a Discount Window Base Rate.

Source: Bloomberg LP.

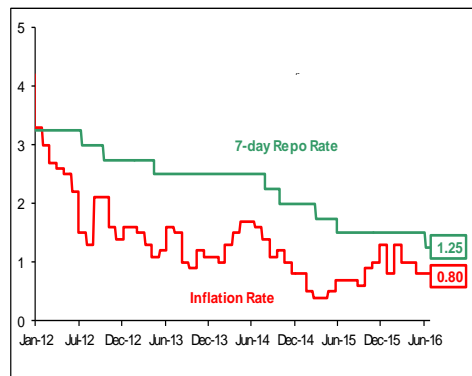
Indonesia



Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.

Source: Bloomberg LP.

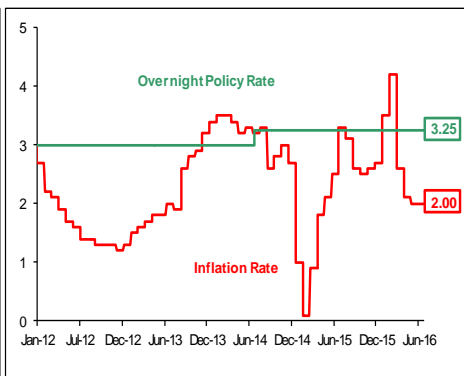
Korea, Republic of



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.

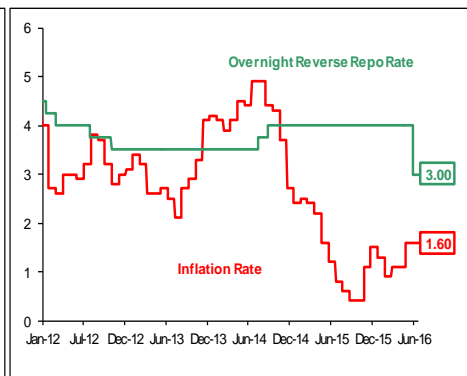
Malaysia



Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.

Source: Bloomberg LP.

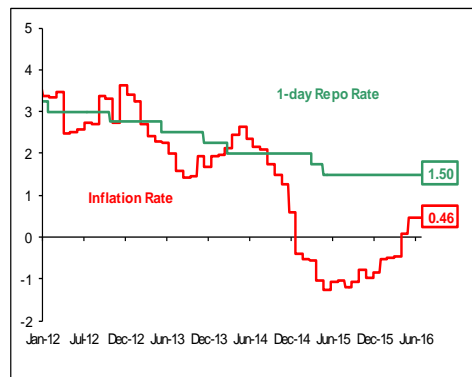
Philippines



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

Source: Bloomberg LP.

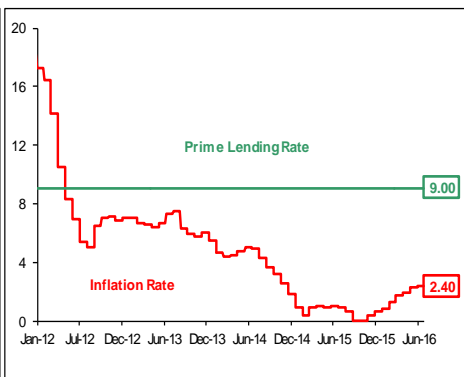
Thailand



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



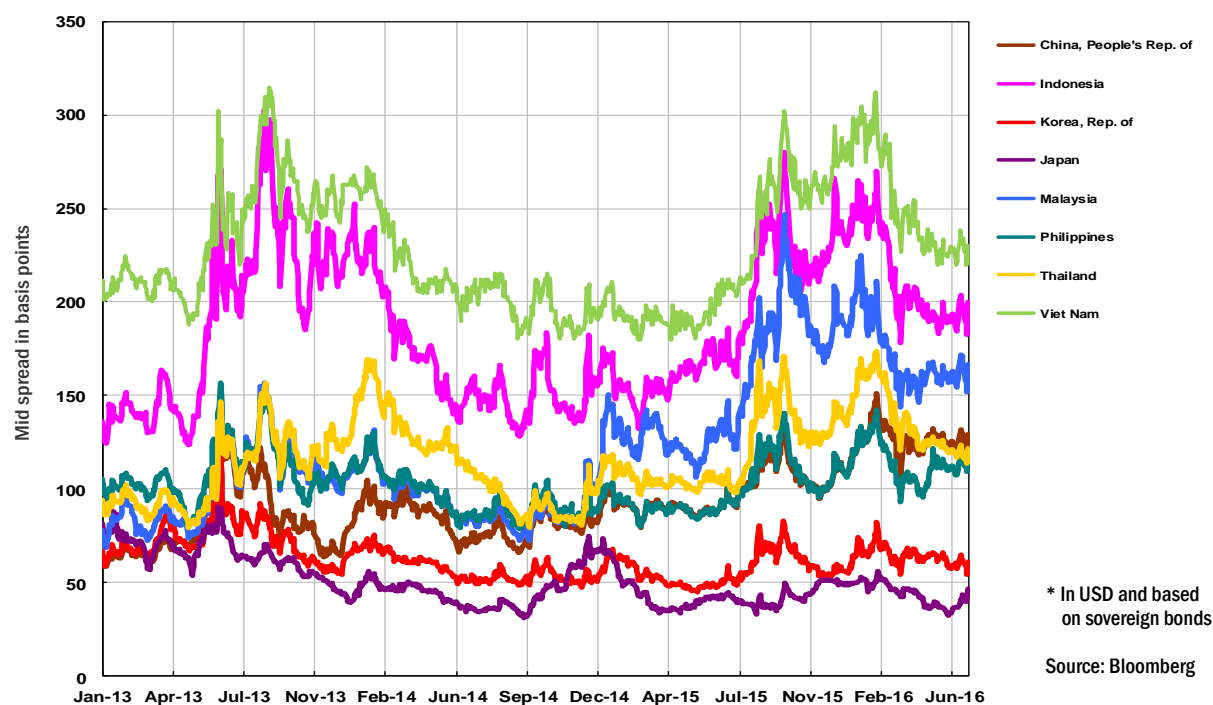
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

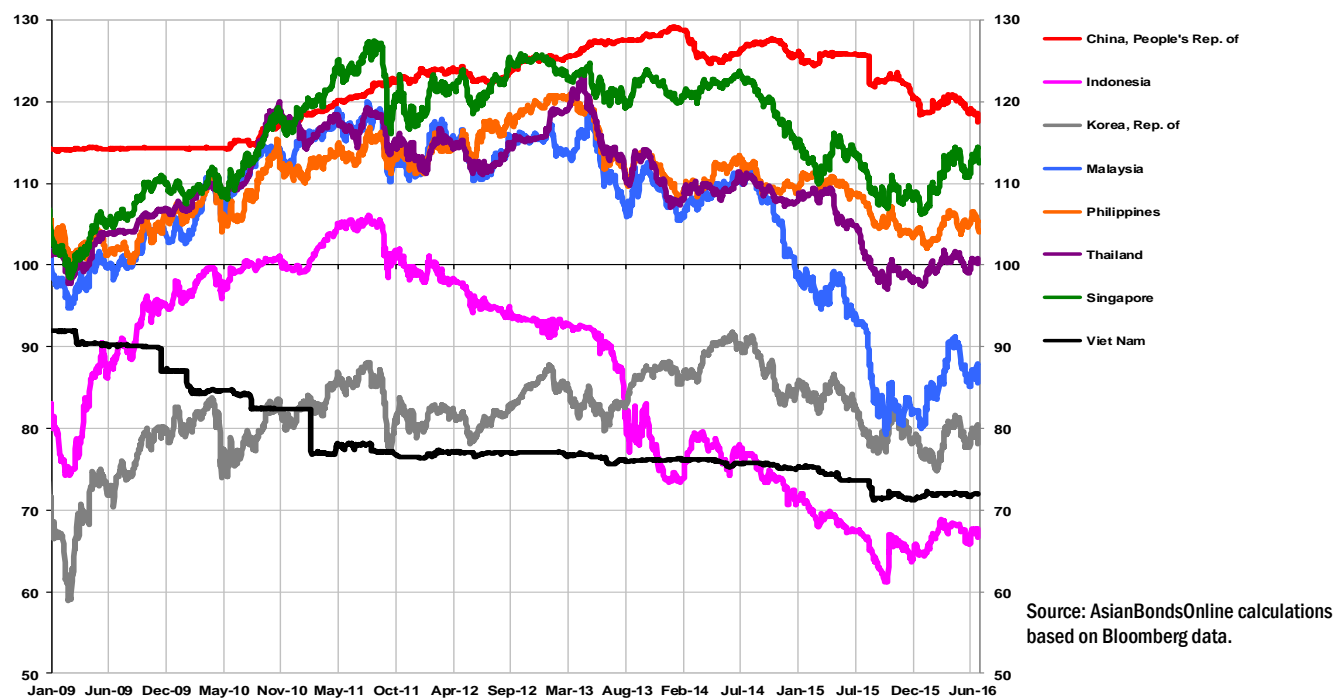
Credit Default Swap Spreads and Exchange Rate Indexes

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 (20 – 24 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	22-Jun	3-year Treasury Bonds	2.56	2.55	38.00	42.23
HK	21-Jun	91-day Exchange Fund Bills	0.16		33.34	33.34
		182-day Exchange Fund Bills	0.20		9.00	9.00
ID	21-Jun	9-month Treasury Bills	6.01			950.00
		5-year Treasury Bonds	7.47	8.25	12,000.00	4,600.00
		15-year Treasury Bonds	7.91	8.75		5,350.00
		20-year Treasury Bonds	7.92	8.25		2,000.00
JP	23-Jun	3-month Treasury Discount Bills	-0.24		4,400.00	4,399.97
		20-year Japanese Government Bonds	0.22	0.20	1,100.00	1,232.40
KR	20-Jun	91-day Monetary Stabilization Bonds	1.35		1,100.00	1,070.00
		182-day Monetary Stabilization Bonds	1.35		800.00	800.00
		10-year Korean Treasury Bonds	1.62	2.25	2,100.00	2,106.00
SG	21-Jun	28-day MAS Bills	0.21		0.50	0.50
		84-day MAS Bills	0.38		3.60	3.60
TH	20-Jun	28-day Treasury Bills	1.31		5.00	5.00
	21-Jun	91-day Bank of Thailand Bonds	1.33		40.00	40.00
		182-day Bank of Thailand Bonds	1.42		30.00	30.00
	22-Jun	50.01-year Government Bonds	3.02	4.00	10.00	10.00
VN	22-Jun	5-year Treasury Bonds	6.07		5,000.00	4,520.00
		7-year Treasury Bonds	6.68		2,600.00	2,400.00
		10-year Treasury Bonds	6.94		2,000.00	750.00
		15-year Treasury Bonds	7.65		1,300.00	1,300.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (28 June – 4 July 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Japan Industrial Production y-o-y, % MAY	06/30	04/15: -0.2% 05/15: -4.5% 03/16: 0.2% 04/16: -3.3%	Japan's industrial production contracted 3.3% year-on-year (y-o-y) in April, reversing a 0.2% y-o-y uptick in March.
Korea, Rep. of Industrial Production y-o-y, % MAY	06/30	04/15: -2.1% 05/15: -2.6% 03/16: -0.5% 04/16: -2.8%	The Republic of Korea's industrial production fell 2.8% y-o-y in April, compared with a 0.5% y-o-y decrease in March.
Thailand Current Account USD million MAY	06/30	04/15: 1,768 05/15: 2,796 03/16: 4,952 04/16: 3,164	Thailand's current account surplus narrowed to USD3,164 million in April from USD4,952 million in March.
Thailand Trade Balance USD million MAY	06/30	04/15: 1,703 05/15: 4,160 03/16: 4,687 04/16: 2,450	Thailand's trade surplus narrowed to THB2.5 billion in April from THB4.7 billion in March.
China, People's Rep. of Manufacturing PMI Index JUN	07/01	05/15: 50.2 06/15: 50.2 04/16: 50.1 05/16: 50.1	The People's Republic of China's Manufacturing Purchasing Managers Index (PMI) remained unchanged from the previous month at 50.1 in May.
China, People's Rep. of Nonmanufacturing PMI Index JUN	07/01	05/15: 53.2 06/15: 53.8 04/16: 53.5 05/16: 53.1	The People's Republic of China's Nonmanufacturing PMI declined to 53.1 in May from 53.5 in April.
Indonesia CPI y-o-y, % JUN	07/01	05/15: 7.2% 06/15: 7.3% 04/16: 3.6% 05/16: 3.3%	Indonesia's consumer price inflation decelerated to 3.3% y-o-y in May from 3.6% y-o-y in April.
Japan CPI y-o-y, % MAY	07/01	04/15: 0.6% 05/15: 0.5% 03/16: -0.1% 04/16: -0.3%	Japan's consumer price inflation remained negative for the second consecutive month in April, registering -0.3% y-o-y.
Korea, Rep. of CPI y-o-y, % JUN	07/01	05/15: 0.5% 06/15: 0.7% 04/16: 1.0% 05/16: 0.8%	The Republic of Korea's consumer price inflation moderated to 0.8% y-o-y in May from 1.0% y-o-y in April.
Korea, Rep. of Exports y-o-y, % JUN	07/01	05/15: -11.0% 06/15: -2.7% 04/16: -11.2% 05/16: -6.0%	The Republic of Korea's merchandise exports fell 6.0% y-o-y in May, the 17th consecutive month of y-o-y decline.
Korea, Rep. of Imports y-o-y, % JUN	07/01	05/15: -15.4% 06/15: -13.8% 04/16: -14.9% 05/16: -9.3%	Merchandise imports to the Republic of Korea dropped 9.3% y-o-y in May, the 20th consecutive month of y-o-y decline.
Malaysia Trade Balance MYR billion MAY	07/01	04/15: 6.9 05/15: 5.5 03/16: 11.2 04/16: 9.1	Malaysia's trade surplus narrowed to MYR9.1 billion in April from MYR11.2 billion in March.
Thailand CPI y-o-y, % JUN	07/01	05/15: -1.3% 06/15: -1.1% 04/16: 0.1% 05/16: 0.5%	Thailand's consumer price inflation climbed to 0.5% y-o-y in May from 0.1% y-o-y in April.
Singapore PMI Index JUN	07/04	05/15: 50.2 06/15: 50.4 04/16: 49.8 05/16: 49.8	Singapore's PMI remained unchanged at 49.8 in May from the previous month. (A reading below 50 indicates a generally contracting manufacturing sector.)

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)

Hong Kong, China's Consumer Price Inflation Eases in May; Deflation in Singapore for the 19th Consecutive Month in May; Viet Nam's Consumer Price Inflation Inches Up in June

- [Consumer Price Indices for May 2016](#)
Census and Statistics Department (21 June 2016)
- [Singapore Consumer Price Index \(2014=100\) May 2016](#)
Singapore Department of Statistics (23 June 2016)
- [Consumer price index, gold and USD price indexes, whole country, June 2016](#)
General Statistics Office of Viet Nam (24 June 2016)

Policy Rates Maintained in the Philippines and Thailand

- [Monetary Board Keeps Monetary Policy Settings Unchanged](#)
Bangko Sentral ng Pilipinas (23 June 2016)
- [Monetary Policy Committee's Decision on 22 June 2016](#)
Bank of Thailand (22 June 2016)

Japan Posts Trade Deficit in May; The Philippines' Merchandise Trade Deficit Widens in April

- [Value of Exports and Imports May 2016 \(Provisional\)](#)
Ministry of Finance (20 June 2016)
- [External Trade Performance: April 2016](#)
Philippine Statistics Authority (24 June 2016)
- [Merchandise Export Performance : April 2016](#)
Philippine Statistics Authority (10 June 2016)

The Republic of Korea's Producer Price Inflation Remains Negative in May

- [Producer Price Index during May 2016](#)
The Bank of Korea (20 June 2016)

Singapore's Manufacturing Output Increases in May

- [Monthly Manufacturing Performance May 2016](#)
Singapore Economic Development Board (24 June 2016)

Disclaimer: *AsianBondsOnline* Newsletter is available to users free of charge. ADB provides no warranty or undertaking of any kind with respect to the information and materials found on, or linked to, the *AsianBondsOnline* Newsletter. ADB accepts no responsibility for the accuracy of the material posted or linked to in the publication, or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any material or information so provided. Views expressed in articles marked with *AsianBondsOnline* are those of the authors and not ADB. This disclaimer does not derogate from, and is in addition to, the general terms and conditions regarding the use of the *AsianBondsOnline* website, which also apply.