

11 July 2016

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## Key Developments in Asian Local Currency Markets

Consumer price inflation in the People's Republic of China (PRC) eased to 1.9% year-on-year (y-o-y) in June from 2.0% in May due to lower food prices. In the Philippines, consumer price inflation accelerated to 1.9% y-o-y in June from 1.6% y-o-y in May, according to the latest Consumer Price Index (CPI) data of the Philippine Statistics Authority. The uptick in CPI inflation was due to price increases in most food items, higher nonfood inflation, and the lingering effects of El Niño.

✎ The Purchasing Managers Index in Singapore has stayed below the 50-point threshold since July 2015, posting a reading of 49.6 in June, which was down from 49.8 in May. The Singapore Institute of Purchasing and Materials Management stated that the decline was due to a contraction in factory output and a faster rate of contraction in both new orders and new exports, while manufacturing inventory and finished goods recorded faster rates of expansion, indicating stock accumulation by manufacturers.

✎ Japan's current account surplus narrowed to JPY1.8 trillion in May from JPY1.9 trillion in April, primarily due to the lower goods account surplus of JPY40 billion posted in May, down from JPY697 billion in the previous month, as exports declined and imports increased.

✎ The PRC's foreign exchange reserves rose to USD3.21 trillion in June from USD3.19 trillion in the prior month. In the Philippines, gross international reserves climbed to USD84.0 billion at the end of June from USD82.9 billion at the end of May, according to the Bangko Sentral ng Pilipinas. Singapore's foreign reserves rose to USD248.9 billion in June up from USD247.1 billion in May, based on data from the Monetary Authority of Singapore. Thailand's international reserves climbed to USD178.7 billion in June from USD175.5 billion in May.

✎ The Republic of Korea's foreign reserves slipped to USD369.9 billion at the end of June from USD370.9 billion at the end of May, based on data from the Bank of Korea. Bank Negara Malaysia's international reserves declined to USD97.2 billion at the end of June from USD97.3 billion at the end of May.

✎ Foreign investors sold a net KRW2,748 billion worth of local currency (LCY) bonds in the Republic of Korea in June, a reversal from net bond investment of KRW888 billion in May, according to the Financial Supervisory Service.

### Asia Bond Monitor June 2016

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

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.36	-2.71	-8.62	-91.15
EU	-0.19	-1.90	-6.30	-81.80
Japan	-0.28	-0.80	-2.90	-54.70
PRC	2.82	-2.00	-4.00	-4.00
Hong Kong, China	0.90	-4.00	-12.00	-67.70
India	7.39	0.30	-3.40	-34.50
Indonesia	7.38	0.00	0.00	-138.10
Korea, Rep. of	1.39	0.70	-1.10	-69.80
Malaysia	3.69	0.10	-1.40	-49.60
Philippines	4.19	1.17	-22.10	9.00
Singapore	1.71	-1.31	-11.78	-88.72
Thailand	1.89	0.00	-5.70	-60.70
Viet Nam	6.98	0.70	0.70	-19.50

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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

In June, foreign investors' net bond purchases totaled KRW2,150 billion, which was less than their bond redemptions of KRW4,898 billion.

✎ Bank of China last week issued a multi-tranche USD3.0 billion green bond. Bank of China issued a 3-year USD750 million floating-rate tranche with a spread of 100 basis points over the 3-month LIBOR, a 3-year USD500 million tranche at a coupon rate of 1.875%, a 5-year USD1,000 million tranche with a coupon rate of 2.25%, a 5-year EUR500 million tranche with a coupon rate of 0.75%, and a 2-year CNY1.5 billion tranche at a coupon rate of 3.6%.

✎ Yields fell for most tenors in the PRC, the Republic of Korea, Malaysia, Philippines, Singapore and Thailand following US yields as market continues to expect the Federal Reserve to delay its rate hike despite a better US jobs report in June. Yields rose for most tenors in Hong Kong, China and Viet Nam. Market was closed in Indonesia due to a week-long holiday. The 2-year versus 10-year yield spread fell in the PRC, Hong Kong, China, the Republic of Korea, Philippines, Singapore and Thailand but rose in Malaysia and was unchanged in Viet Nam.

## Summary Text of News Articles

### Consumer Price Inflation Accelerates in the Philippines in June

Consumer price inflation in the Philippines accelerated to 1.9% year-on-year (y-o-y) in June from 1.6% y-o-y in May, according to the latest Consumer Price Index (CPI) data of the Philippine Statistics Authority. Seven out of eleven commodity groups in the CPI recorded higher y-o-y increases in June than in May. The uptick in CPI inflation was due to price increases in most food items as well as higher nonfood inflation, according to the Bangko Sentral ng Pilipinas. The National Economic and Development Authority reported that higher inflation in June was induced by El Niño's lingering effects.

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](https://asianbondsonline.adb.org/philippines/data/marketwatch.php?code=policy_rate_and_inflation_trends)

### Singapore's Manufacturing Purchasing Managers Index Falls to 49.6 in June

The Purchasing Managers Index (PMI) in Singapore stayed below the 50-point threshold since July of last year, posting a reading of 49.6 in June, which was down from 49.8 in May. The Singapore Institute of Purchasing and Materials Management stated that the decline in the PMI was due to a contraction in factory output and a faster rate of contraction in both new orders and new exports, while manufacturing inventory and finished goods recorded faster rates of expansion, indicating stock accumulation by manufacturers. The electronics sector contributed to the decline, posting a reading of 49.0 in June down from 49.1 in May.

### Japan's Current Account Surplus Narrows in May

Japan's current account surplus narrowed to JPY1.8 trillion in May from JPY1.9 trillion in April. This was primarily due to the lower trade-in-goods surplus of JPY40 billion in May compared with JPY697 billion in the previous month as exports declined and imports increased. The secondary income deficit also widened to JPY247 billion from JPY198 billion. The services account posted a surplus of JPY117 billion, a reversal from the JPY401 billion deficit in the previous month. The primary income account surplus widened to JPY1.9 trillion from JPY1.8 trillion.

### Foreign Reserves Rise in the PRC, the Philippines, Singapore, and Thailand in June

The People's Republic of China's (PRC) foreign exchange reserves rose to USD3.21 trillion in June from USD3.19 trillion in May. The rise in the PRC's reserves were attributed to an appreciation in the value of foreign holdings following the United Kingdom's referendum on leaving the European Union, causing safe-haven currencies such as the Japanese yen and the US dollar to appreciate. The rise was also due to a lower level of outflows as the PRC implemented capital controls.

In the Philippines, gross international reserves climbed to USD83.97 billion at the end of June from USD82.93 billion at the end of May, according to the Bangko Sentral ng Pilipinas. The hike in gross international reserves stemmed from monthly increases in the value of the central bank's gold holdings and the net foreign currency deposits of the central government.

Singapore's foreign reserves rose to USD248.9 billion in June, up from USD247.1 billion in May, according to data from the Monetary Authority of Singapore. The rise in foreign reserves was partially driven by increased inflows, reflecting the rush to buy local currency, which is seen as a safe haven amid the Brexit vote in the United Kingdom.

Thailand's international reserves climbed to USD178.7 billion in June from USD175.5 billion in May. The forward position rose to USD15.7 billion from USD15.6 billion, bringing the net forward position and foreign reserves to USD194.3 billion in June, up from USD191.1 billion in May.

### Foreign Reserves Fall in the Republic of Korea and Malaysia in June

The Republic of Korea's foreign reserves slipped to USD369.9 billion at the end of June from USD370.9 billion at the end of May, according to data from the Bank of Korea. The decline was largely brought about by a monthly decrease in foreign currency deposits.

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**Summary Text of News Articles**

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**Foreign Reserves Fall in the Republic of Korea and Malaysia in June (cont...)**

Bank Negara Malaysia's international reserves declined to USD97.2 billion at the end of June from USD97.3 billion at the end of May. This was primarily due to the quarterly adjustment for foreign exchange revaluation changes. Malaysia's reserve position is sufficient to finance 8.1 months of retained imports and is 1.2 times its short-term external debt.

**Foreign Bond Investment in the Republic of Korea Turns Negative in June**

Foreign investors sold a net KRW2,748 billion worth of local currency bonds in the Republic of Korea in June, a reversal from net bond investment of KRW888 billion in May, according to the Financial Supervisory Service. In June, foreign investors' net bond purchases totaled KRW2,150 billion, which was less than bond redemptions of KRW4,898 billion.












**Bank of China Issues Multi-Tranche Green Bond Worth USD3.0 Billion**

Bank of China last week issued a multi-tranche USD3.0 billion green bond comprising a 3-year USD750 million floating-rate tranche with a spread of 100 basis points over the 3-month LIBOR, a 3-year USD500 million tranche at a coupon rate of 1.875%, a 5-year USD1,000 million tranche with a coupon rate of 2.25%, a 5-year EUR500 million tranche with a coupon rate of 0.75%, and a 2-year CNY1.5 billion tranche at a coupon rate of 3.6%.

## 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	0.27	-1.02		2.03	11.12
EU	-0.58	0.00		1.10	-13.10
Japan	-0.31	1.40		1.50	-27.20
PRC	2.63	0.00		0.00	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	1.23	0.00		-2.00	-32.50
Malaysia	2.77	3.90		3.50	-8.90
Philippines	1.76	1.30		0.17	-91.17
Singapore	0.68	0.00		1.80	-21.40
Thailand	1.35	-0.62		-0.62	-14.85

Close of 8 July 2016

### 10-Year Selected LCY Government Bond Yields

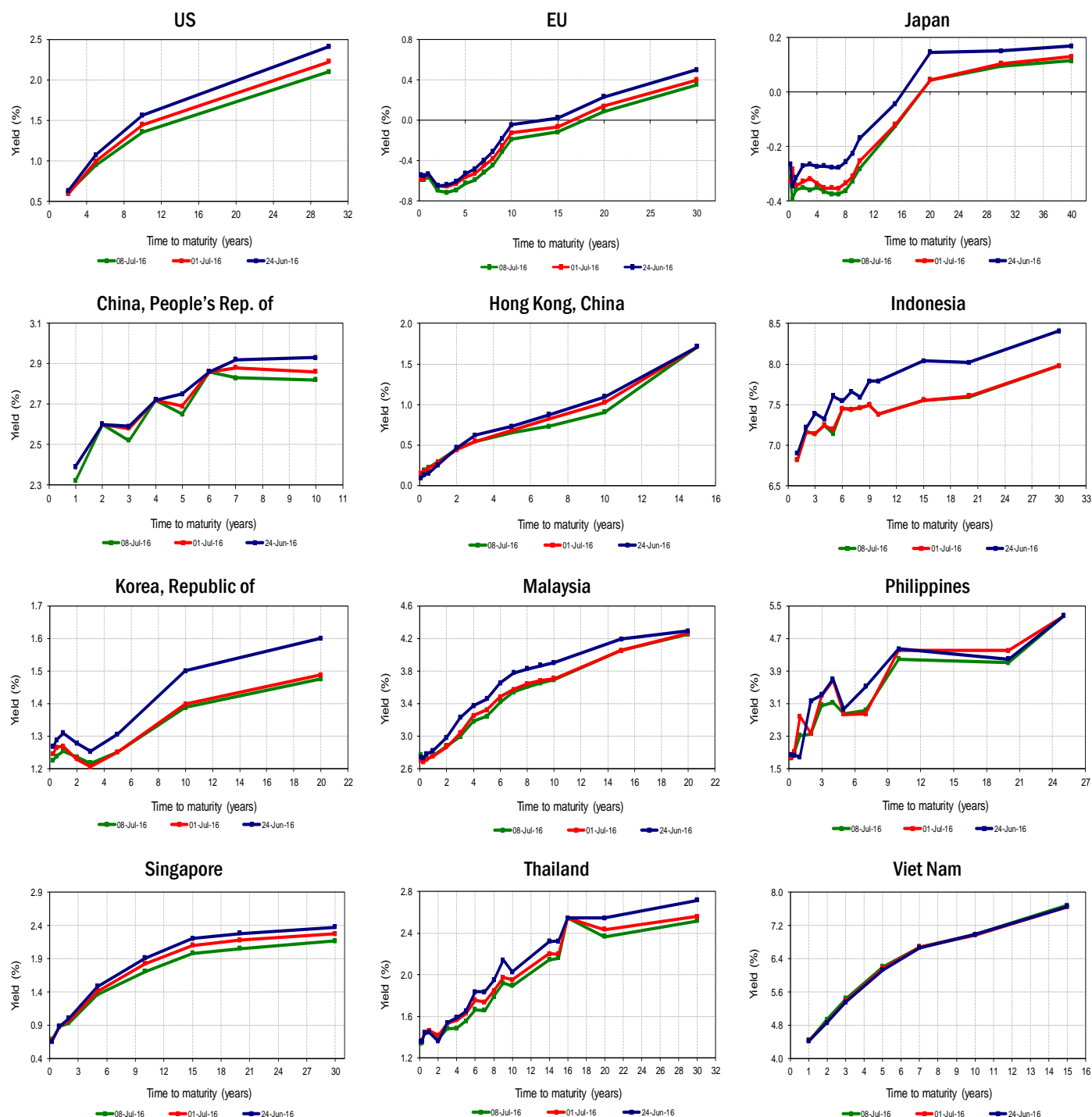
Markets	Latest Closing	basis point change from			1-Jan-16*
		Previous Day*	Previous Week*		
US	1.36	-2.71		-8.62	-91.15
EU	-0.19	-1.90		-6.30	-81.80
Japan	-0.28	-0.80		-2.90	-54.70
PRC	2.82	-2.00		-4.00	-4.00
Hong Kong, China	0.90	-4.00		-12.00	-67.70
India	7.39	0.30		-3.40	-34.50
Indonesia	7.38	0.00		0.00	-138.10
Korea, Rep. of	1.39	0.70		-1.10	-69.80
Malaysia	3.69	0.10		-1.40	-49.60
Philippines	4.19	1.17		-22.10	9.00
Singapore	1.71	-1.31		-11.78	-88.72
Thailand	1.89	0.00		-5.70	-60.70
Viet Nam	6.98	0.70		-0.70	-19.50

Close of 8 July 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

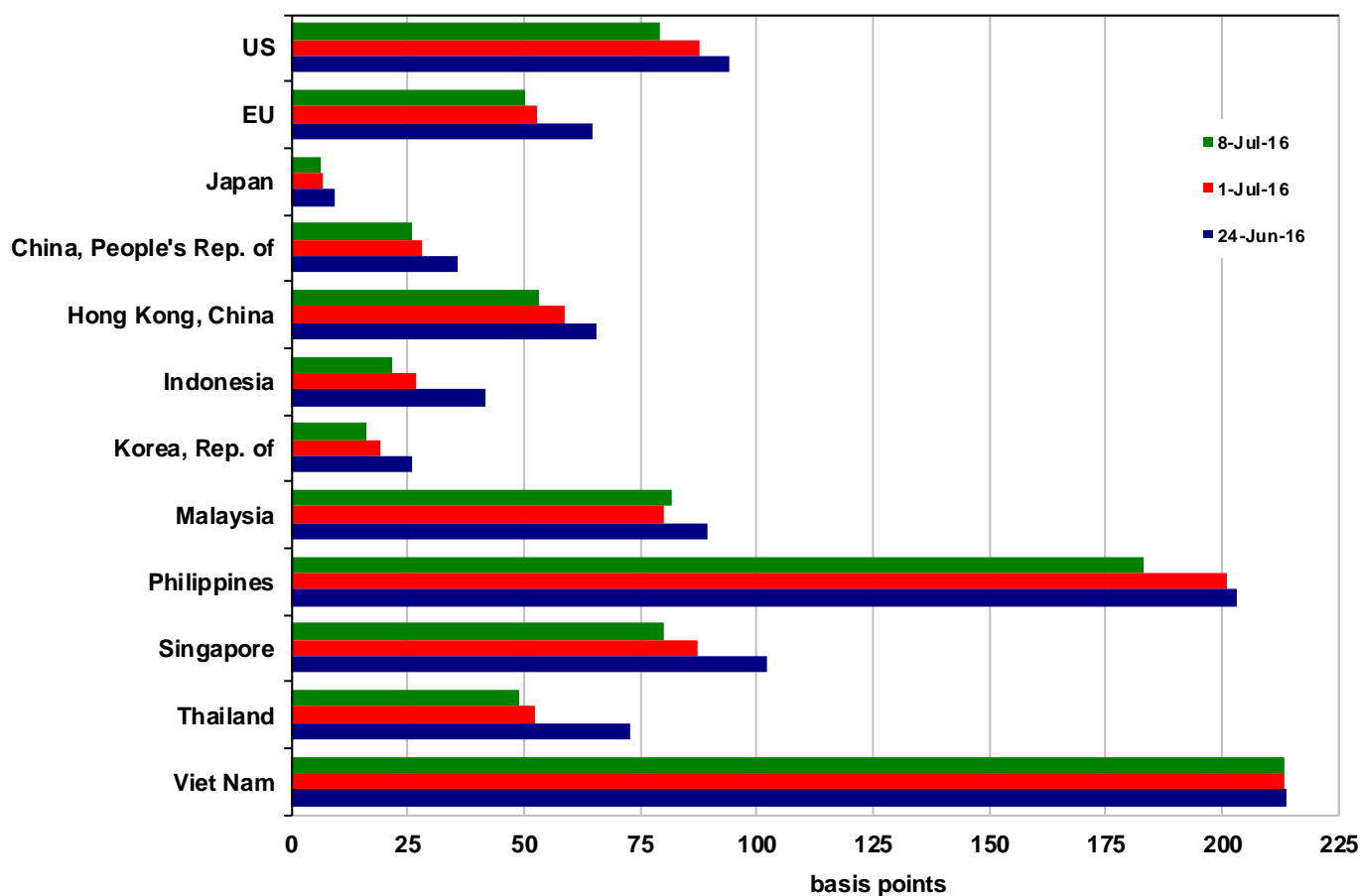


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

## 2- versus 10- Year Yield Spread Chart

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



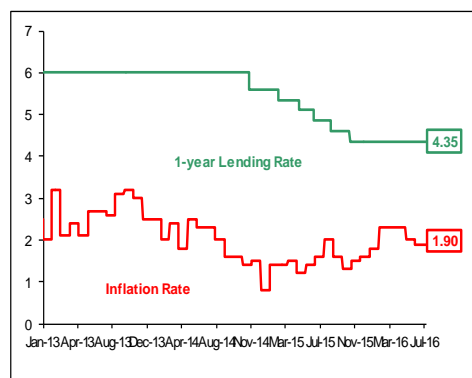
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

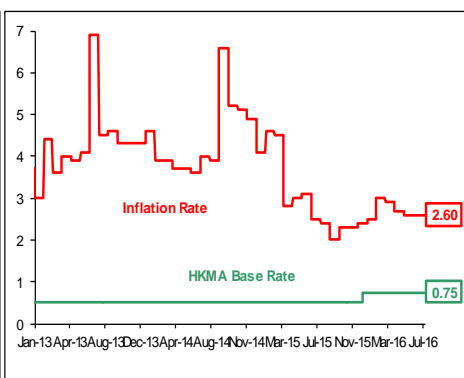
### China, People's Rep. of



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

Source: Bloomberg LP.

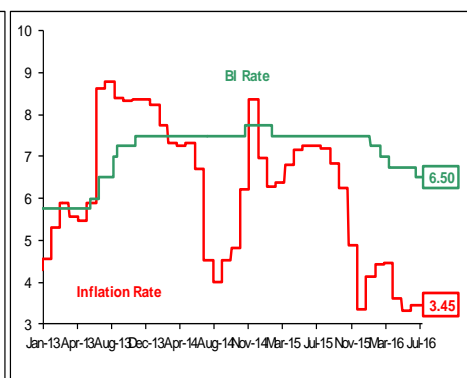
### Hong Kong, China



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

Source: Bloomberg LP.

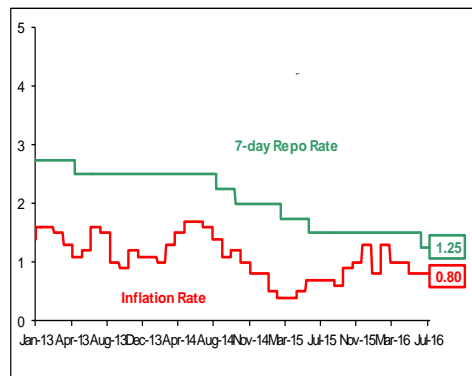
### Indonesia



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

Source: Bloomberg LP.

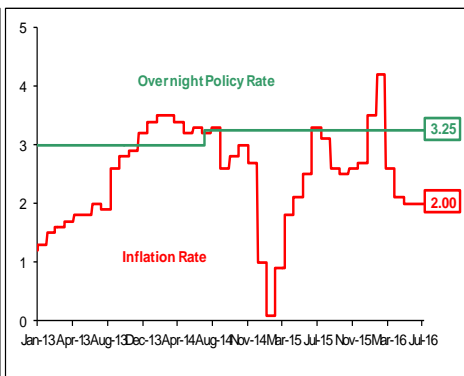
### Korea, Republic of



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.

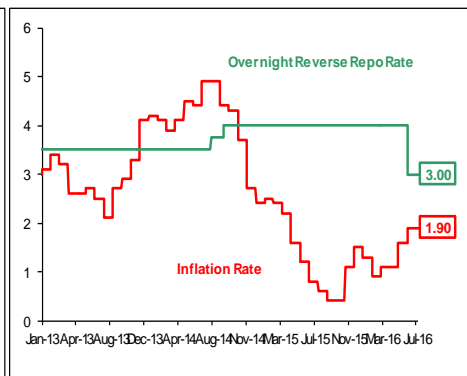
### Malaysia



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

Source: Bloomberg LP.

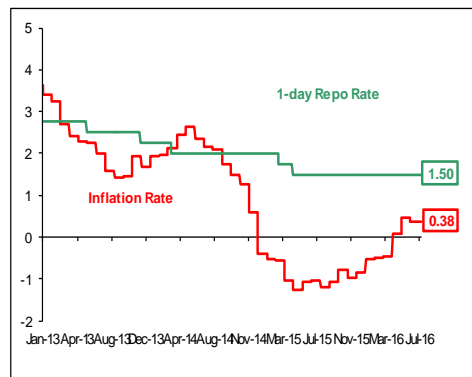
### Philippines



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

Source: Bloomberg LP.

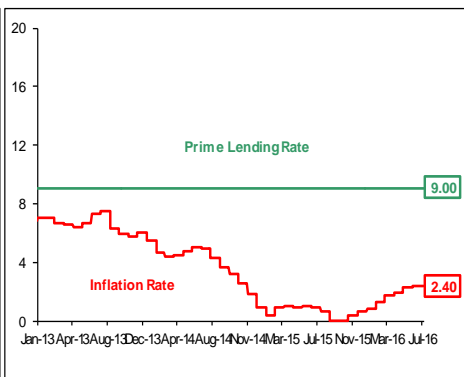
### Thailand



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



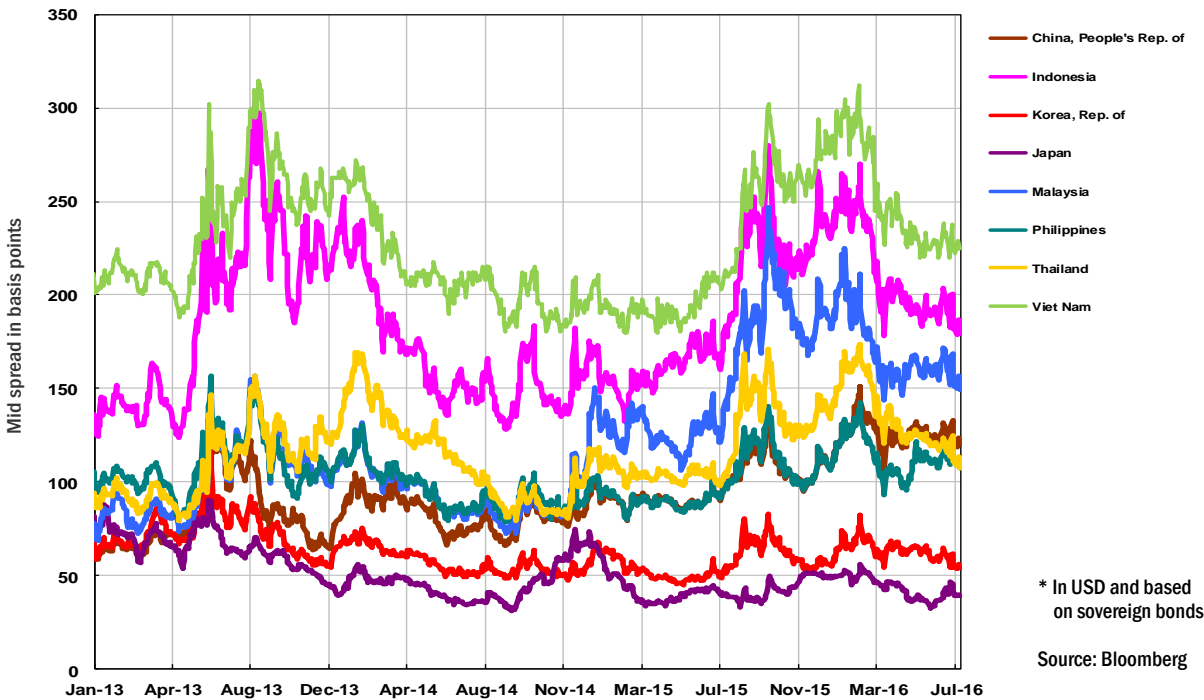
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

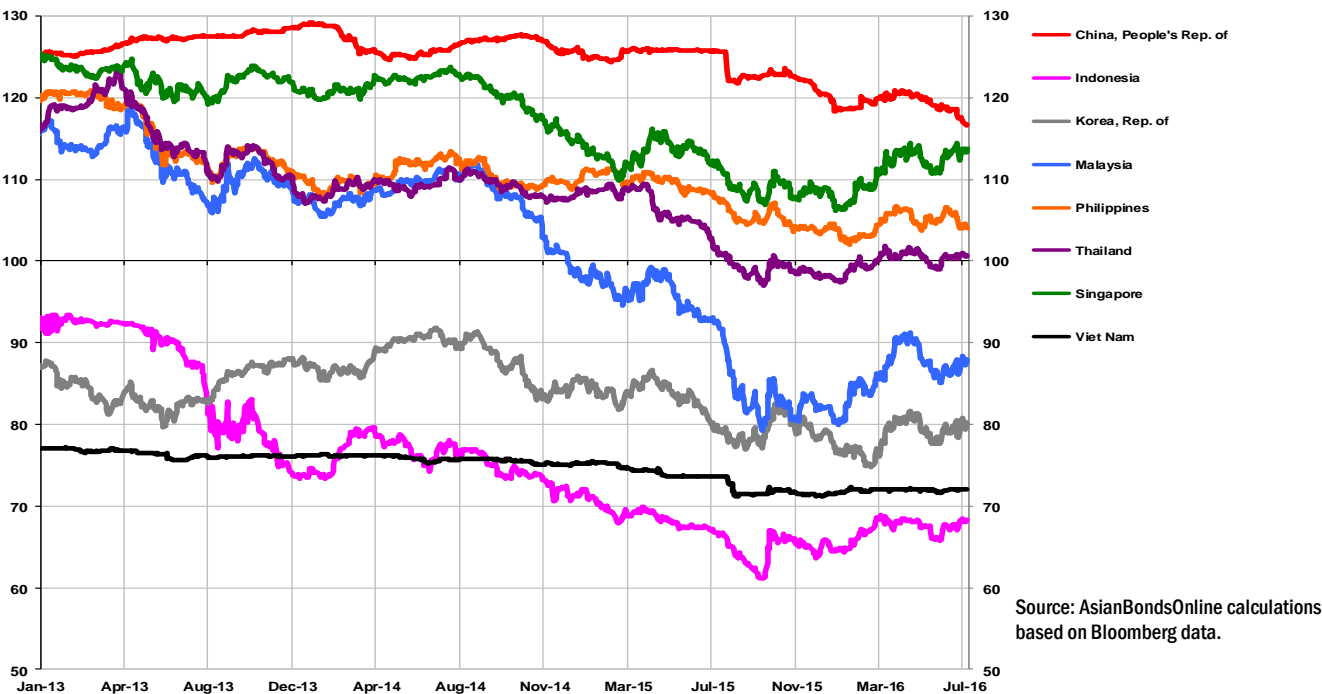
Credit Default Swap Spreads and Exchange Rate Indexes

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 July 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-Jul	1-year Treasury Bonds	2.33	2.30	26.00	28.26
		10-year Treasury Bonds	2.81	2.90	33.00	34.96
	8-Jun	91-day Treasury Bills	2.16		10.00	10.33
HK	5-Jul	91-day Exchange Fund Bills	0.20		46.38	46.38
		182-day Exchange Fund Bills	0.24		15.00	15.00
	6-Jul	10-year HKSAR Bonds	1.01	1.68	1.20	1.20
JP	5-Jul	10-year Japanese Government Bonds	-0.24	0.10	2,400.00	2,756.70
		6-month Treasury Discount Bills	-0.39		3,500.00	3,499.98
		3-month Treasury Discount Bills	-0.32		4,400.00	4,369.98
KR	4-Jul	91-day Monetary Stabilization Bonds	1.25		900.00	900.00
		182-day Monetary Stabilization Bonds	1.25		500.00	500.00
		3-year Korean Treasury Bonds	1.22	1.50	1,700.00	1,700.00
	6-Jul	2-year Monetary Stabilization Bonds	1.23	1.45	2,500.00	2,500.00
SG	5-Jul	28-day MAS Bills	0.27		0.60	0.60
		84-day MAS Bills	0.40		4.00	4.00
TH	4-Jul	91-day Treasury Bills	1.35		10.00	10.00
	5-Jul	28-day Bank of Thailand Bonds	1.31		7.00	7.00
		91-day Bank of Thailand Bonds	1.34		30.00	30.00
		182-day Bank of Thailand Bonds	1.45		35.00	35.00
	6-Jul	29.96-year Government Bonds	2.64	2.88	10.00	10.00
	8-Jul	14-day Bank of Thailand Bonds	1.30		45.00	45.00

HKSAR = Hong Kong Special Administrative Region, LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (12 – 18 July 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Malaysia</b> <b>Industrial Production</b> y-o-y, % MAY	07/12	04/15: 4.1% 05/15: 4.5% <b>03/16: 2.8%</b> <b>04/16: 3.0%</b>	Malaysia's industrial production growth inched up to 3.0% year-on-year (y-o-y) in April from 2.8% y-o-y in March.
<b>Philippines</b> <b>Exports</b> y-o-y, % MAY	07/12	04/15: -2.8% 05/15: -17.4% <b>03/16: -15.1%</b> <b>04/16: -4.1%</b>	Philippine merchandise exports fell 4.1% y-o-y in April, a slower pace of decline compared to a 15.1% y-o-y decrease in March, according to merchandise export data from the Philippine Statistics Authority.
<b>People's Republic of China</b> <b>Trade Balance</b> USD billion JUN	07/13	05/15: 57.1 06/15: 45.2 <b>04/16: 45.6</b> <b>05/16: 50.0</b>	The People's Republic of China (PRC) trade surplus rose to USD50.0 billion in May from USD45.6 billion in April.
<b>Malaysia</b> <b>Overnight Policy Rate</b> % Jul-13	07/13	06/15: 3.25% 07/15: 3.25% <b>05/16: 3.25%</b> <b>06/16: 3.25%</b>	At its monetary policy meeting on 19 May, Bank Negara Malaysia decided to keep its overnight policy rate unchanged at 3.25%.
<b>Republic of Korea</b> <b>7-Day Repo Rate</b> % Jul-14	07/14	06/15: 1.50% 07/15: 1.50% <b>05/16: 1.50%</b> <b>06/16: 1.25%</b>	The Bank of Korea's Monetary Policy Board decided on 9 June to reduce the base rate (7-day repurchase rate) by 25 basis points to 1.25%.
<b>People's Republic of China</b> <b>Industrial Production</b> y-o-y, % JUN	07/15	05/15: 6.1% 06/15: 6.8% <b>04/16: 6.0%</b> <b>05/16: 6.0%</b>	Industrial production growth in the PRC was 6.0% y-o-y in May, the same as in April.
<b>People's Republic of China</b> <b>GDP</b> y-o-y, % Q2 2016	07/15	Q1 2015: 7.0% Q2 2015: 7.0% <b>Q4 2016: 6.8%</b> <b>Q1 2016: 6.7%</b>	The PRC's gross domestic product (GDP) growth slightly eased to 6.7% y-o-y in the first quarter (Q1) of 2016 from 6.8% y-o-y in the fourth quarter (Q4) of 2015.
<b>Indonesia</b> <b>Trade Balance</b> USD million JUN	07/15	05/15: 1,141.1 06/15: 528.0 <b>04/16: 662.3</b> <b>05/16: 375.6</b>	Indonesia's trade surplus narrowed to USD375.6 million in May from USD662.3 million in April.
<b>Philippines</b> <b>Overseas Filipino Workers Remittances</b> y-o-y, % 15-Jul	07/15	04/15: 6.4% 05/15: 9.6% <b>03/16: -1.2%</b> <b>04/16: 4.1%</b>	Cash remittances from overseas Filipinos to the Philippines grew 4.1% y-o-y in April, a reversal from the 1.2% y-o-y decline in March, according to remittance from the Bangko Sentral ng Pilipinas.
<b>Singapore</b> <b>Non-Oil Domestic Exports</b> y-o-y, % JUN	07/18	05/15: -0.3% 06/15: 4.5% <b>04/16: -7.9%</b> <b>05/16: 11.6%</b>	Non-oil domestic exports in Singapore surged 11.6% y-o-y in May, reversing the decline of 7.9% y-o-y in April.

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 Accelerates in the Philippines in June

- [Summary Inflation Report Consumer Price Index \(2006 = 100\): June 2016](#)  
Philippine Statistics Authority (5 July 2016)
- [June Inflation Rises to 1.9 Percent](#)  
Bangko Sentral ng Pilipinas (5 July 2016)
- [Lingering Effects of El Niño Push Up Inflation in June 2016](#)  
National Economic and Development Authority (5 July 2016)

### Singapore's Manufacturing Purchasing Managers Index Falls to 49.6 in June

- [June PMI reading posted a drop of 0.2 point at 49.6](#)  
Singapore Institute of Purchasing and Materials Management (4 July 2016)

### Japan's Current Account Surplus Narrows in May

- [Balance of Payments Statistics, May 2016 \(Preliminary\)](#)  
Ministry of Finance Japan (8 July 2016)

### Foreign Reserves Rise in the PRC, the Philippines, Singapore, and Thailand in June

- [China June forex reserves unexpectedly rise but outflow fears persist](#)  
Reuters (7 July 2016)
- [End-June 2016 GIR Level Rises to US\\$83.97 Billion](#)  
Bangko Sentral ng Pilipinas (7 July 2016)
- [Official Foreign Reserves](#)  
Monetary Authority of Singapore (7 July 2016)
- [Singapore Dollar Near Record High Puts Heat on MAS to Ease Again](#)  
Bloomberg (8 July 2016)
- [International Reserves](#)  
Bank of Thailand (8 July 2016)

### Foreign Reserves Fall in the Republic of Korea and Malaysia in June

- [Official Foreign Reserves \(June 2016\)](#)  
The Bank of Korea (5 July 2016)
- [International Reserves of Bank Negara Malaysia as at 30 June 2016](#)  
Bank Negara Malaysia (5 July 2016)

### Foreign Bond Investment in the Republic of Korea Turns Negative in June

- [Foreign Investors' Stock and Bond Investment, June 2016](#)  
Financial Supervisory Service (7 July 2016)

### Bank of China Issues Multi-Tranche Green Bond Worth USD3.0 Billion

- [Bank of China issues \\$3bn in green bonds](#)  
China Economic Review (7 July 2016)
- [Bank of China issues \\$3bn in international green bonds](#)  
Financial Times (6 July 2016)
- [BOC raises \\$3bn with global 'green bond' offering](#)  
Financial News (7 July 2016)

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