

Key Developments in Asian Local Currency Markets

Last week, the European Central Bank (ECB) left its key policy rates on refinancing operations, the marginal lending facility, and the deposit facility unchanged at zero, 0.25%, and -0.40%, respectively. The ECB will also continue its quantitative easing program of monthly asset purchases of EUR80 billion until March 2017. The program can be extended should economic conditions warrant. The central bank's decisions are based on its assessment that the European Union (EU) will continue to grow in the second quarter of 2016, albeit at a lower rate compared with the prior quarter. Inflation is expected to remain positive while remaining at low levels due to base effects in energy prices. The ECB also noted that financial markets have largely weathered the uncertainties resulting from the United Kingdom's referendum to leave the EU and that central banks can provide liquidity in the event of market stress.

➤ In its meeting held on 20–21 July, Bank Indonesia's Board of Governors decided to keep its policy rate unchanged at 6.50%. The central bank also held steady the deposit facility rate (4.50%), the lending facility rate (5.25%), and the 7-day reverse repo rate (5.25%).

➤ Consumer price inflation in Hong Kong, China slowed to 2.4% year-on-year (y-o-y) in June from 2.6% y-o-y in May. The decline in the inflation rate was mostly due to slower price increases in food and housing, and a larger decline in utilities prices. The Consumer Price Index in Malaysia eased to 1.6% y-o-y in June from 2.0% y-o-y in May as six out of twelve major commodity groups posted lower annual increases in June.

➤ Singapore's non-oil domestic exports contracted 2.3% y-o-y in June after unexpectedly rising 11.6% y-o-y in May. Non-oil domestic exports to the People's Republic of China (PRC), the EU, Indonesia, Japan, and Thailand all declined reflecting the negative shock on Singapore's top trading partners of the decision of the United Kingdom to withdraw from the EU.

➤ Producer prices in the Republic of Korea fell 2.7% y-o-y but rose 0.2% month-on-month in June, according to the latest Producer Price Index report of the Bank of Korea. The annual decline in the Producer Price Index for in June was mainly due to y-o-y decreases in the prices of manufacturing products and utilities.

➤ Busan Bank in the Republic of Korea priced a USD250 million contingent convertible bond with a 3.675% coupon last week. The bond has a maturity of 10 years.

➤ Upcoming data releases this week include trade data for Hong Kong, China; the Republic of Korea, the Philippines, and Thailand;

Asia Bond Monitor June 2016

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10-Year Selected LCY Government Security Yields Close of 22 July 2016
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.57	1.03		-70.31
EU	-0.03	-1.30	-3.60	-65.90
Japan	-0.22	-0.40		-48.50
PRC	2.81	0.00	-4.00	-5.00
Hong Kong, China	1.01	4.60		-56.60
India	7.25	-1.30	-2.10	-47.90
Indonesia	7.06	2.40	-9.50	-169.70
Korea, Rep. of	1.42	-2.50		-67.00
Malaysia	3.64	1.60		-54.20
Philippines	3.19	-1.86	-124.63	-90.63
Singapore	1.76	-4.48		-83.98
Thailand	2.04	1.00		-46.00
Viet Nam	7.00	0.00		-17.50

- 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

industrial production data for Japan, the Republic of Korea, and Singapore; and consumer price inflation data for Indonesia, Japan, and Thailand. Also scheduled is the Purchasing Managers Index for manufacturing in the PRC and gross domestic product for the second quarter of 2016 in the Republic of Korea.

➤ Government bond yields rose last week for all maturities in Hong Kong, China; Republic of Korea, and Thailand and for most tenors in Singapore, while most yields were down in the PRC, Indonesia, and the Philippines. In Malaysia and Viet Nam, yields rose for longer tenors but were down for most of the shorter maturities. Yield spreads between 2- and 10-year tenors widened in Hong Kong, China; the Republic of Korea, Malaysia, Thailand and Viet Nam but narrowed in the PRC, Indonesia, the Philippines, and Singapore.

Summary Text of News Articles

ECB Leaves Key Policy Rates Unchanged; Bank Indonesia Leaves Policy Rate Unchanged at 6.50%

Last week, the European Central Bank (ECB) left its key policy rates on refinancing operations, the marginal lending facility, and the deposit facility unchanged at zero, 0.25% and -0.4%, respectively. The ECB's quantitative easing program of monthly asset purchases of EUR80 billion will continue until March 2017 and can be extended should economic conditions warrant. According to the ECB, its decisions are based on an assessment that the European Union (EU) will continue to grow in the second quarter of 2016, albeit at a lower rate compared with the prior quarter. Inflation is expected to remain positive and at low levels due to base effects in energy prices. The ECB also noted that financial markets have largely weathered the uncertainties resulting from the results of the United Kingdom referendum to leave the EU ("Brexit") and that central banks can provide liquidity in the event of market stresses. However, risks to the EU's growth outlook remain, including uncertainties over the impact of Brexit and low growth in emerging markets.

In its meeting held on 20–21 July, Bank Indonesia's Board of Governors decided to keep the policy rate unchanged at 6.50%. The central bank also held steady the deposit facility rate (4.50%), the lending facility rate (5.25%), and the 7-day reverse repo rate (5.25%). Bank Indonesia noted that the economy remains stable amid low inflation, an improvement in current account deficit, and stable exchange rate. The central bank expects implementation of the 2016 Tax Amnesty Law to improve government finances and boost market liquidity.

For policy rate trends in Indonesia, refer to this link:

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

Consumer Price Inflation in Hong Kong, China Falls in June; Consumer Price Inflation in Malaysia Eases in June

Consumer price inflation in Hong Kong, China slowed to 2.4% year-on-year (y-o-y) in June from 2.6% y-o-y in May. The decline in the inflation rate was mostly due to slower increases in food and housing prices, and a larger decline in utilities prices. Food prices rose 2.7% y-o-y in June, down from 3.1% y-o-y in the prior month. Housing rentals rose 4.4% y-o-y in June, down from 4.6% y-o-y in May. Utility prices fell 2.2% y-o-y in June after falling 0.9% y-o-y in May. The government said that it expects inflationary pressures to remain subdued given low import inflation and weak domestic growth.

Consumer price inflation in Malaysia eased to 1.6% y-o-y in June from 2.0% y-o-y in May as six out of twelve major commodity groups posted lower annual increases. The transportation subindex posted a faster annual decline of 8.5% y-o-y in June compared with 5.6% y-o-y in May. The communication subindex and clothing and footwear subindex continued to contract in June, albeit at a slower pace than in May. On a month-on-month (m-o-m) basis, consumer prices rose 0.2%.

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

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

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

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

Singapore's NODX Contracts 2.3% y-o-y in June

Non-oil domestic exports (NODX) contracted 2.3% y-o-y in June after unexpectedly rising 11.6% y-o-y in May. NODX to the People's Republic of China (PRC), Indonesia, the EU, Japan, and Thailand all declined, reflecting the impact of Brexit on Singapore's economy and those of its top trading partners. Contributing to the June contraction in NODX, electronic exports declined 1.7% y-o-y, slightly improving from a decline of 6.0% y-o-y in May, while nonelectronic exports declined 2.5% y-o-y compared with a 19.0% y-o-y expansion in May. On a m-o-m and seasonally adjusted basis, NODX contracted 12.9% in June.

Summary Text of News Articles

The Republic of Korea's PPI Falls y-o-y but Rises m-o-m in June

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Producer prices in the Republic of Korea fell 2.7% y-o-y but rose 0.2% m-o-m in June, according to the latest Producer Price Index (PPI) report of the Bank of Korea. The y-o-y drop in June was lower than that of May, while the m-o-m uptick was higher compared with the previous month. The annual decline in the PPI in June was mainly due to y-o-y decreases in the prices of manufacturing products and utilities. The PPI's m-o-m increase in June stemmed from monthly increases in product prices for manufacturing and services.

Busan Bank Prices USD250 Million Contingent Convertible Bond

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Busan Bank in the Republic of Korea priced a USD250 million contingent convertible bond at a 3.675% coupon last week. The bond has a maturity of 10 years.

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	0.31	0.50		1.44	15.18
EU	-0.57	0.40		2.60	-12.10
Japan	-0.28	-0.70		1.10	-23.40
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		0.00	-32.30
Malaysia	2.58	-0.60	-1.30		-27.80
Philippines	1.70	32.76	-10.42		-96.51
Singapore	0.64	0.00	-3.00		-25.30
Thailand	1.35	0.00		0.00	-14.85

Close of 22 July 2016

10-Year Selected LCY Government Bond Yields

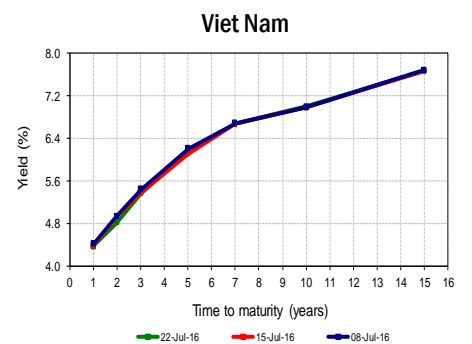
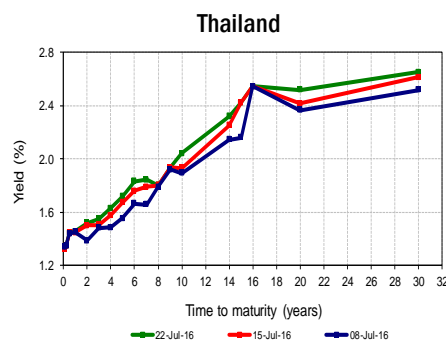
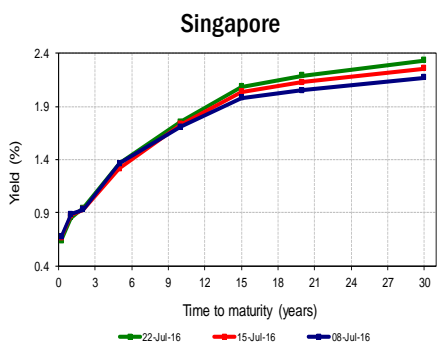
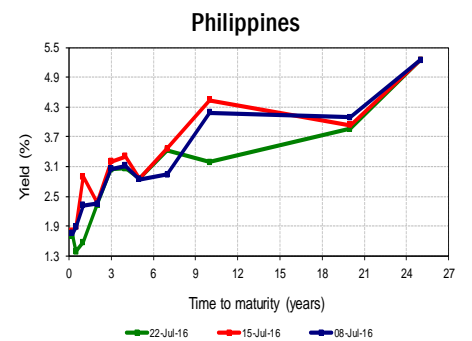
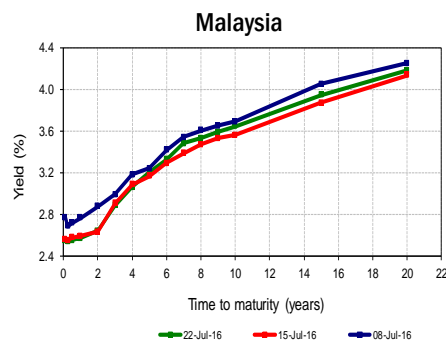
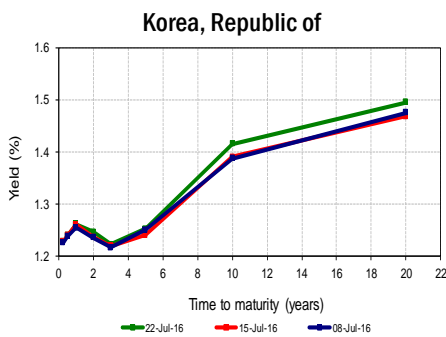
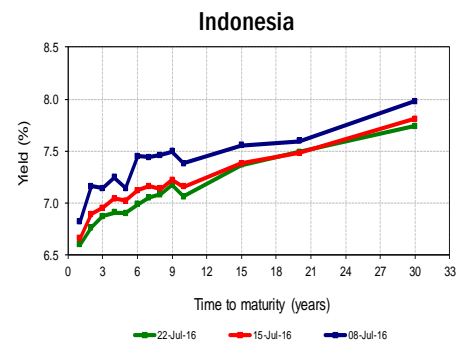
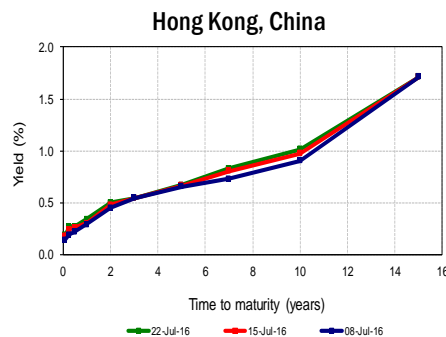
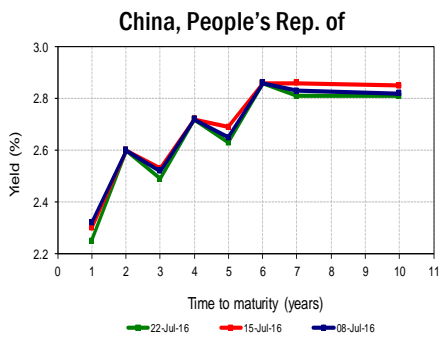
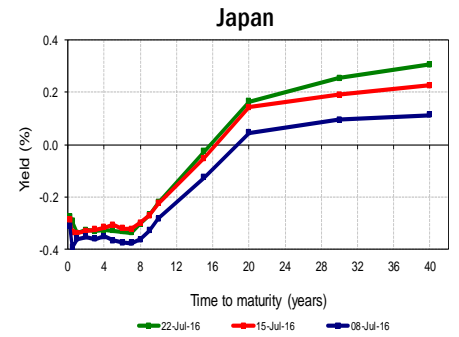
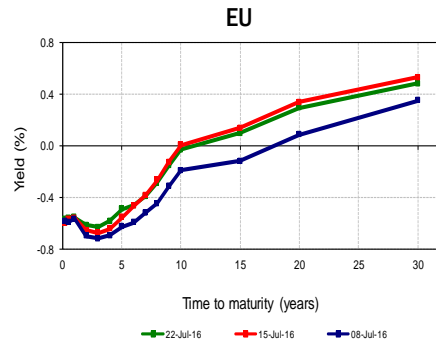
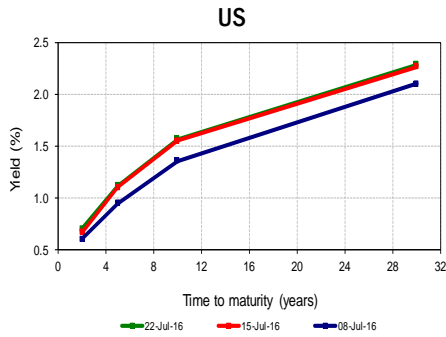
Markets	Latest Closing	basis point change from			
		Previous Day*	Previous Week*	1-Jan-16*	
US	1.57	1.03		1.54	-70.31
EU	-0.03	-1.30	-3.60		-65.90
Japan	-0.22	-0.40		0.50	-48.50
PRC	2.81	0.00	-4.00		-5.00
Hong Kong, China	1.01	4.60		4.20	-56.60
India	7.25	-1.30	-2.10		-47.90
Indonesia	7.06	2.40	-9.50		-169.70
Korea, Rep. of	1.42	-2.50		2.50	-67.00
Malaysia	3.64	1.60		8.20	-54.20
Philippines	3.19	-1.86	-124.63		-90.63
Singapore	1.76	-4.48		2.32	-83.98
Thailand	2.04	1.00		10.80	-46.00
Viet Nam	7.00	0.00		1.20	-17.50

Close of 22 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

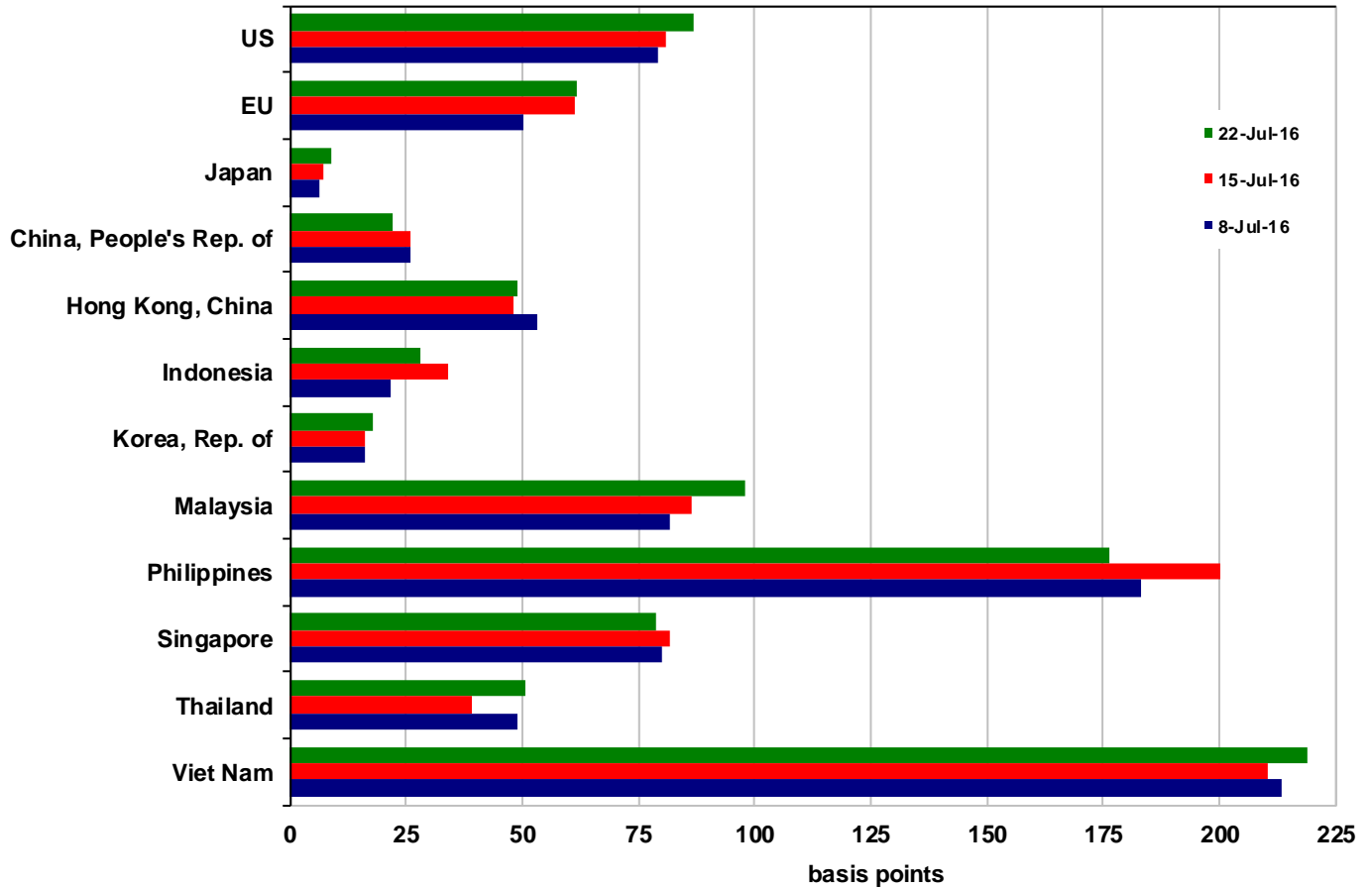
Tip: Zoom-in on the table using the Acrobat zoom tool



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

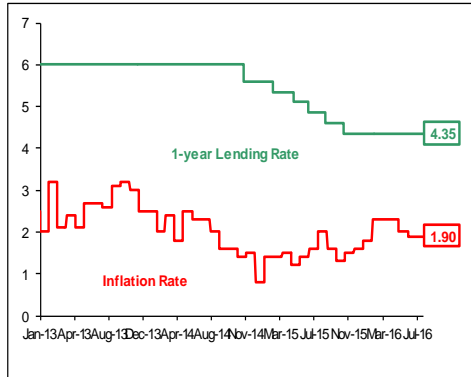


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

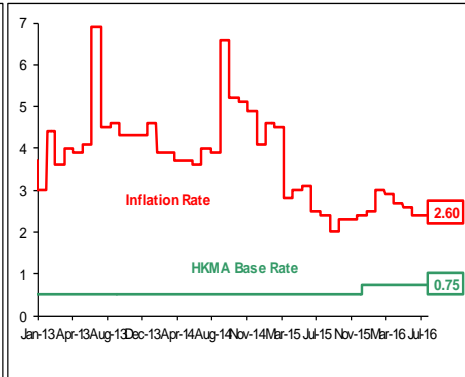
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



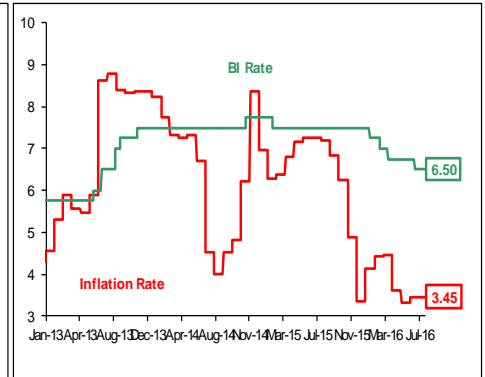
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



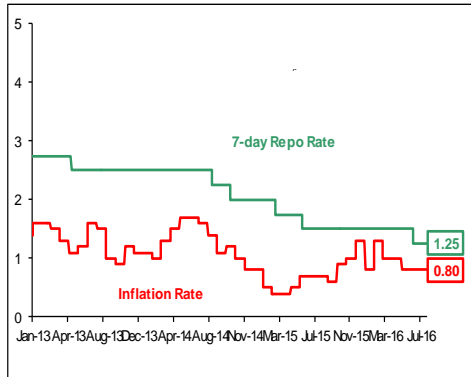
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



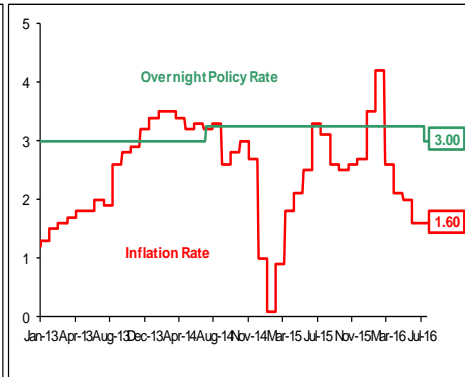
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate.
Source: Bloomberg LP.

Korea, Republic of



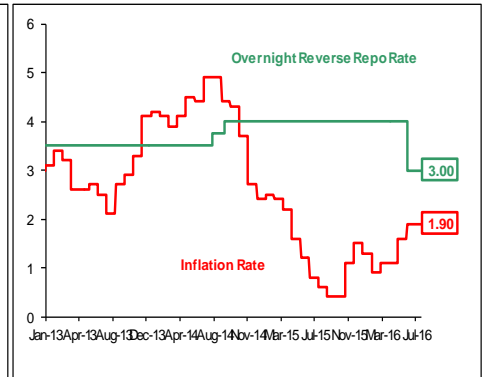
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



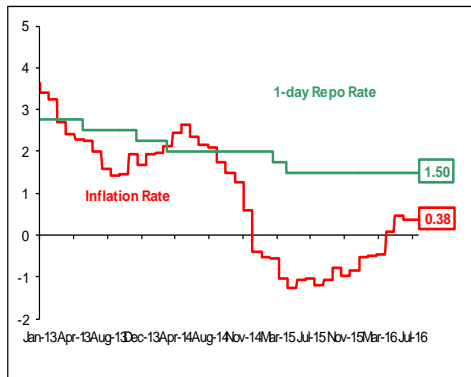
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



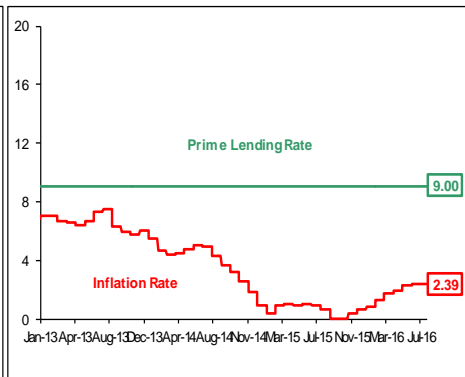
Banko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

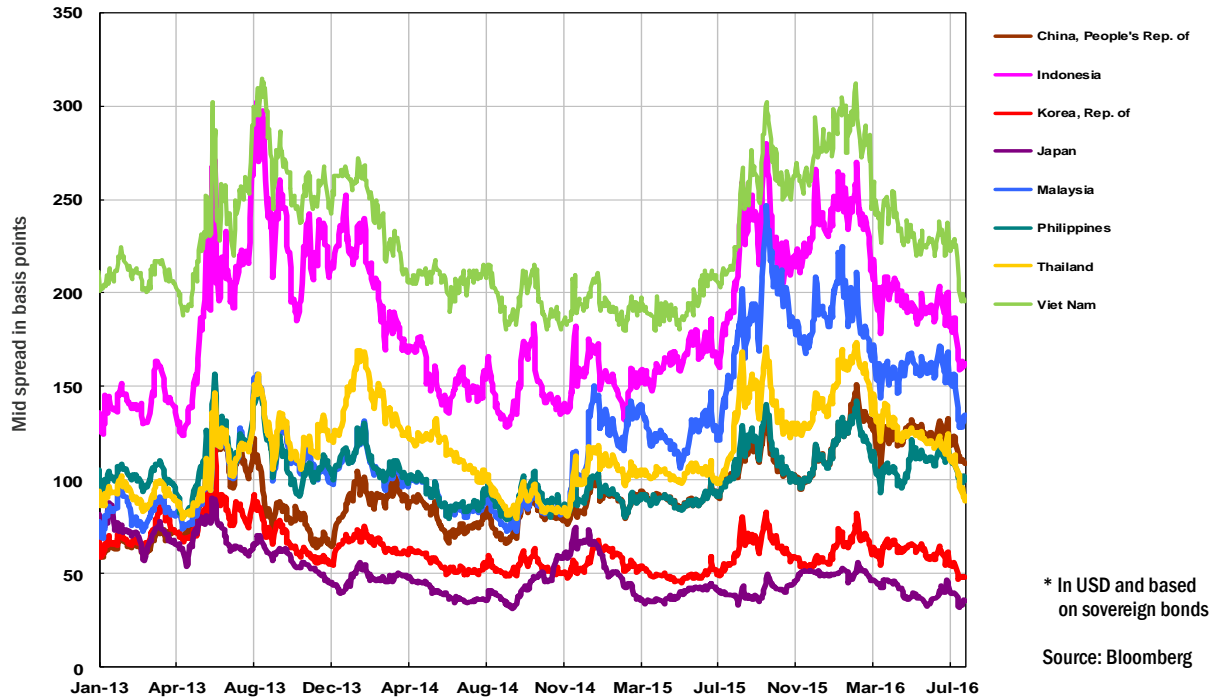


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

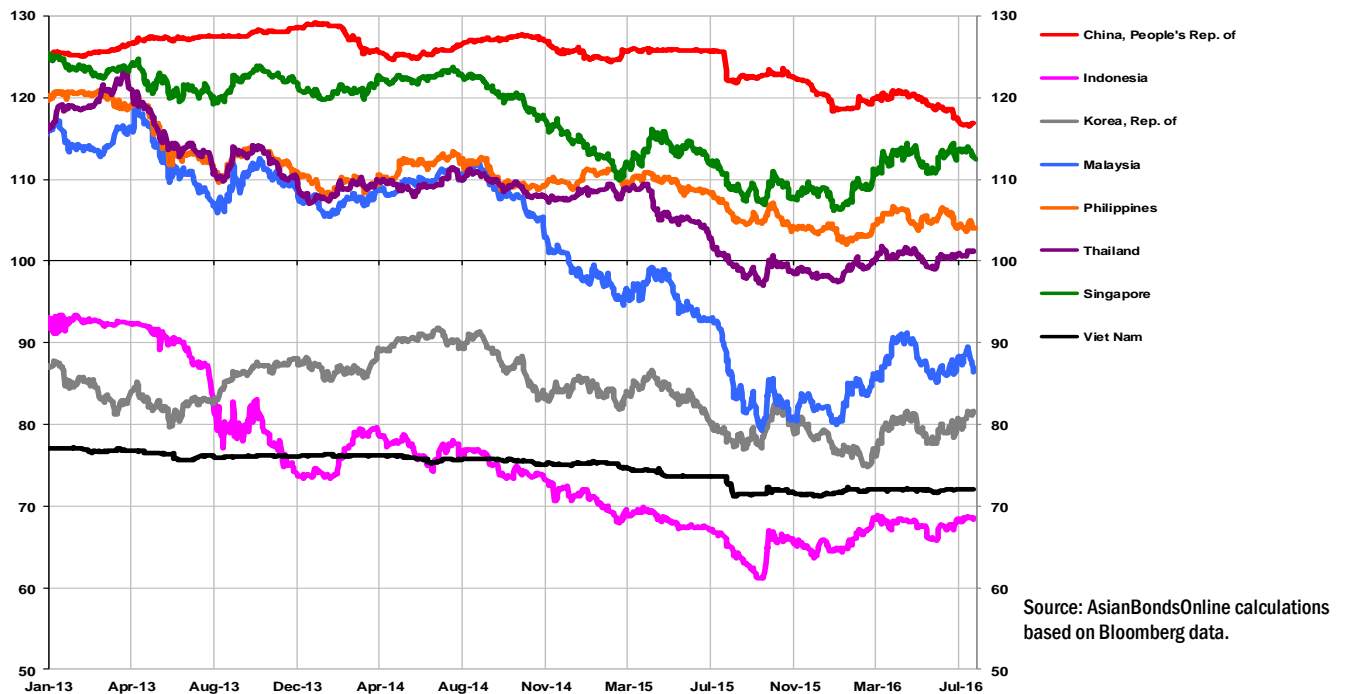
Credit Default Swap Spreads and Exchange Rate Indexes

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 (18 – 22 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	20-Jul	7-year Treasury Bonds	2.77	2.95		37.45
HK	19-Jul	91-day Exchange Fund Bills	0.30		48.75	48.75
		182-day Exchange Fund Bills	0.29		17.00	17.00
ID	19-Jul	91-day Treasury Bills	5.34			2,000.00
		365-day Treasury Bills	6.15			2,000.00
		5-year Treasury Bonds	6.85	8.25	12,000.00	4,050.00
		10-year Treasury Bonds	7.09	8.38		4,250.00
		20-year Treasury Bonds	7.48	8.25		5,700.00
JP	20-Jul	20-year Japanese Government Bonds	0.15	0.20	1,100.00	1,195.50
	21-Jul	3-month Treasury Discount Bills	-0.27		4,400.00	4,349.97
KR	18-Jul	91-day Monetary Stabilization Bonds	1.25		900.00	900.00
		182-day Monetary Stabilization Bonds	1.25		500.00	500.00
		10-year Korea Treasury Bonds	1.41	2.25	1,900.00	1,848.00
	20-Jul	2-year Monetary Stabilization Bonds	1.25	1.45	2,500.00	2,500.00
		63-day Treasury Bills	1.24		500.00	500.00
MY	21-Jul	5-year Government Investment Issue	3.40	3.74	3.50	3.50
PH	18-Jul	91-day Treasury Bills	1.45		8.00	8.00
		182-day Treasury Bills	1.44		6.00	6.00
		364-day Treasury Bills	1.63		6.00	6.00
SG	19-Jul	28-day MAS Bills	0.30		0.60	0.60
		84-day MAS Bills	0.34		4.00	4.00
TH	20-Jul	19.92-year Government Bonds	2.48	3.40	10.00	9.23
	21-Jul	2.65-year Bank of Thailand Bonds	1.56	1.50	35.00	35.00
	22-Jul	14-day Bank of Thailand Bonds	1.32		45.00	45.00
VN	20-Jul	5-year Treasury Bonds	6.10			2,710.00
		7-year Treasury Bonds	6.62			1,150.00
		15-year Treasury Bonds	7.65			1,950.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (26 July – 1 August 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China Exports y-o-y, % JUN	07/26	05/15: -4.6% 06/15: -3.1% 04/16: -2.3% 05/16: -0.1%	Exports from Hong Kong, China fell 0.1% year-on-year (y-o-y) in May following a 2.3% y-o-y decline in April.
Republic of Korea GDP y-o-y, % Q2 2016	07/26	Q1 2015: 2.4% Q2 2015: 2.2% Q4 2015: 3.1% Q1 2016: 2.8%	Real gross domestic product (GDP) in the Republic of Korea for the first quarter (Q1) of 2016 stood at 2.8% according to preliminary estimates of the Bank of Korea released in June, which was up 0.1 percentage points from the central bank's advance estimates in April.
Philippines Trade Balance USD million MAY	07/26	04/15: -619 05/15: 507 03/16: -1,747 04/16: -2,275	The Philippines' merchandise trade deficit widened to USD2.3 billion in April from USD1.7 billion in March as exports of goods fell 7.7% month-on-month (m-o-m) to USD4.2 billion and merchandise imports rose 2.7% m-o-m to USD6.5 billion.
Singapore Industrial Production y-o-y, % JUN	07/26	05/15: -1.2% 06/15: -2.7% 04/16: 3.0% 05/16: 0.9%	Industrial production growth in Singapore eased to 0.9% y-o-y in May after growing 3.0% y-o-y in April.
Japan CPI y-o-y, % JUN	07/29	05/15: 0.5% 06/15: 0.4% 04/16: -0.3% 05/16: -0.4%	Consumer prices in Japan contracted at a slower pace of 0.3% y-o-y in May compared with a 0.4% decline y-o-y in April.
Japan Industrial Production y-o-y, % JUN	07/29	05/15: -4.5% 06/15: 2.1% 04/16: -3.3% 05/16: -0.4%	Industrial production in Japan contracted 0.4% y-o-y in May following a decline of 3.3% y-o-y in April.
Republic of Korea Industrial Production y-o-y, % JUN	07/29	05/15: -2.6% 06/15: 2.0% 04/16: -2.4% 05/16: 4.3%	Industrial production in the Republic of Korea rebounded in May with 4.3% y-o-y growth following a 2.4% y-o-y contraction in April.
Thailand Current Account Balance USD million JUN	07/29	05/15: 2,796 06/15: 1,555 04/16: 3,164 05/16: 2,234	Thailand's current account surplus was USD2.2 billion in May, down from USD3.2 billion in April.
Thailand Exports y-o-y, % JUN	07/29	05/15: -5.5% 06/15: -8.9% 04/16: -7.6% 05/16: -3.7%	Thailand's exports fell 3.7% y-o-y in May after a decline of 7.6% y-o-y in April.
China, People's Rep. of Manufacturing PMI Index JUL	08/01	06/15: 50.2 07/15: 50.0 05/16: 50.1 06/16: 50.0	The People's Republic of China's Purchasing Managers Index (PMI) for manufacturing stood at 50.0 in June, indicating negligible growth in the manufacturing economy.
Indonesia CPI y-o-y, % JUL	08/01	06/15: 7.3% 07/15: 7.3% 05/16: 3.3% 06/16: 3.5%	Consumer price inflation in Indonesia climbed to 3.5% y-o-y in June from 3.3% y-o-y in May on higher food prices.
Republic of Korea Current Account Balance USD million JUN	08/01	05/15: 8,315.5 06/15: 11,872.3 04/16: 3,371.7 05/16: 10,361.3	The current account surplus of the Republic of Korea widened to USD10.4 billion in May from USD3.4 billion in April, led by a monthly increase in the merchandise trade surplus, m-o-m decreases in the deficit levels of the services account and secondary income account, and a shift in the primary income account from a deficit to a surplus.
Republic of Korea Exports y-o-y, % JUL	08/01	06/15: -2.7% 07/15: -5.2% 05/16: -6.0% 06/16: -2.7%	The Republic of Korea's merchandise exports decreased at a slower pace in June, falling 2.7% y-o-y for the month following a 6.0% y-o-y contraction in May.
Thailand CPI y-o-y, % JUL	08/01	06/15: -1.1% 07/15: -1.1% 05/16: 0.5% 06/16: 0.4%	Consumer price inflation in Thailand inched down to 0.4% y-o-y in June from 0.5% y-o-y in May.

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)

ECB Leaves Key Policy Rates Unchanged; Bank Indonesia Leaves Policy Rate Unchanged at 6.50%

- [Monetary policy decisions](#)
European Central Bank (21 July 2016)
- [BI Rate Held at 6.50%, BI 7-day \(Reverse\) Repo Rate Held at 5.25%](#)
Bank Indonesia (21 July 2016)

Consumer Price Inflation in Hong Kong, China Falls in June; Consumer Price Inflation in Malaysia Eases in June

- [Consumer Price Indices for June 2016](#)
Census and Statistics Department (22 July 2016)
- [Consumer Price Indices for May 2016](#)
Census and Statistics Department (21 June 2016)
- [Consumer Price Index Malaysia June 2016](#)
Department of Statistics Malaysia (20 July 2016)

Singapore's NODX Contracts 2.3% y-o-y in June

- [Singapore's External Trade – June 2016](#)
International Enterprise Singapore (18 July 2016)

The Republic of Korea's PPI Falls y-o-y but Rises m-o-m in June

- [Producer Price Index during June 2016](#)
The Bank of Korea (19 July 2016)

Busan Bank Prices USD250 Million Contingent Convertible Bond

- [Busan Bank raising \\$250m through CoCo bonds](#)
The Korea Herald (20 July 2016)

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