

Key Developments in Asian Local Currency Markets

Consumer price inflation in Malaysia decelerated to 1.1% year-on-year (y-o-y) in July from 1.6% y-o-y in June due to a lower annual price hike in food and nonalcoholic beverages as well as y-o-y declines in the price indices for communications, clothing and footwear, and transport. In Singapore, the Consumer Price Index (CPI) fell 0.7% y-o-y in July, the same rate of decline as in June, led by price decreases in housing and utilities as well as in transport. Viet Nam's CPI inflation rose to 2.6% y-o-y in August from 2.4% y-o-y in July, buoyed by price increases in housing and healthcare.

Overall consumer prices in Hong Kong, China, based on the Composite CPI, rose 2.3% y-o-y in July, marginally lower than the 2.4% y-o-y increase in June. The annual uptick in the Composite CPI in July was buoyed by y-o-y price hikes in food, housing, and miscellaneous services.

Japan's CPI fell 0.4% y-o-y in July, the same pace of decline as in June. The annual drop in the CPI in July came from y-o-y price reductions in furniture and household utensils; housing, fuel, light and water; and transportation and communications.

Hong Kong, China's merchandise trade deficit stood at HKD33.3 billion in July, down from HKD45.6 billion in June due to a monthly increase in merchandise exports and a month-on-month (m-o-m) decrease in merchandise imports. Hong Kong, China's merchandise exports rose 2.7% m-o-m to HKD304.5 billion in July while merchandise imports fell 1.3% m-o-m to HKD337.8 billion in the same month.

The Philippines' merchandise trade deficit widened to USD2.1 billion in June from USD2.0 billion in May as the m-o-m uptick in merchandise exports was lower than that in imported goods. Philippine merchandise exports inched up 0.8% m-o-m to USD4.8 billion in June while imported merchandise items rose 1.7% m-o-m to USD6.9 billion.

Manufacturing output in Singapore contracted 3.6% y-o-y in July, a reversal from its 0.6% y-o-y increase in June. Five out of six clusters recorded y-o-y decreases in July: biomedical manufacturing, chemicals, general manufacturing, precision engineering, and transport engineering clusters.

Overseas securities held by institutions based in the Republic of Korea totaled USD148.6 billion at the end of June, up 8.8% from the end of March and also larger than the

Asia Bond Monitor June 2016

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10-Year Selected LCY Government Security Yields Close of 26 August 2016 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.63	5.65	5.15	-63.98
EU	-0.07	-0.20	0.80	-70.10
Japan	-0.07	1.50	2.90	-33.50
PRC	2.74	-2.90	1.80	-11.60
Hong Kong, China	0.93	0.40	2.70	-65.10
India	7.13	0.60	21.60	-60.10
Indonesia	7.07	0.00	-1.00	-169.10
Korea, Rep. of	1.42	0.00	5.10	-67.00
Malaysia	3.56	-0.20	2.41	-63.10
Philippines	3.41	-2.23	2.25	-69.49
Singapore	1.77	0.66	7.30	-82.54
Thailand	2.14	-2.50	0.00	-35.90
Viet Nam	7.05	0.00		-35.00

- TABLES & GRAPHS**
- ▶ Selected Government Security Yields
 - ▶ Benchmark Yield Curves - Local Currency Government Bonds
 - ▶ 2-versus-10 Yield Spread Chart
 - ▶ Policy Rate versus Inflation Rate Charts
 - ▶ Credit Default Swap Spreads & Exchange Rate Indexes
 - ▶ Selected Debt Security Issuances
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USD111.9 billion in securities held by Korean institutions a year earlier.

The Republic of Korea's Financial Services Commission announced last week new measures that aim to manage household debt growth. The objectives of these measures are to (i) curb the excess supply in the housing market, (ii) enhance risk management on loans to nonbanking sectors, and (iii) tighten management and monitoring on collective lending.

Local currency government bond yields rose for all tenors in Indonesia and for most maturities in the People's Republic of China (PRC), the Republic of Korea, Malaysia, the Philippines, Singapore, and Thailand last week. Yields fell for most tenors in Viet Nam. Yield movements were mixed in Hong Kong, China. Meanwhile, the yield spread between the 2-year and 10-year tenors widened in the PRC; Hong Kong, China; Indonesia; Malaysia; the Philippines; Singapore; and Thailand; while it narrowed in the Republic of Korea and Viet Nam last week.

Summary Text of News Articles

Consumer Price Inflation Decelerates in Malaysia and Remains Negative in Singapore in July; Consumer Price Inflation Accelerates in Viet Nam in August

Consumer price inflation in Malaysia eased to 1.1% year-on-year (y-o-y) in July from 1.6% y-o-y in June. Prices of food and nonalcoholic beverages, which account for almost a third of the Consumer Price Index (CPI), posted a lower annual increase of 3.8% in July compared with 4.2% in June. Moreover, the subindexes for transport, communications, and clothing and footwear continued to post y-o-y declines in July. On a month-on-month (m-o-m) basis, consumer prices rose 0.3% in July.

Singapore's CPI contracted 0.7% y-o-y in July, the same rate as in June and the 21st consecutive month of y-o-y decline. Transportation costs, which account for 15.8% of the index, fell 3.5% y-o-y in July, easing from a 4.3% y-o-y drop in June. Housing and utilities costs, which contribute 26.3% to the index, fell 4.3% y-o-y in July, which was almost unchanged from the 4.2% y-o-y decrease in June. Six out of the ten major commodity groups posted lower y-o-y increases in July than in June. On a m-o-m basis, consumer prices decreased 0.3%.

Viet Nam's consumer price inflation accelerated to 2.6% y-o-y in August from 2.4% y-o-y in July. The uptick in inflation in August came largely from faster increases in the prices of housing and construction materials, and medical and healthcare costs. On the other hand, inflation for food and foodstuffs slowed to 2.4% y-o-y in August. On a m-o-m basis, CPI inflation eased to 0.1% in August.

For historical trends of Malaysia's inflation rate, refer to this link:

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

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

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

Hong Kong, China's Overall Consumer Prices Rise at Slower Pace in July; Japan's Consumer Prices Fall Further in July

Overall consumer prices in Hong Kong, China, based on the Composite CPI, rose 2.3% y-o-y in July, marginally lower than the 2.4% y-o-y increase in June, according to the Census and Statistics Department. The y-o-y uptick in the Composite CPI in July was buoyed by annual price hikes in food, housing, and miscellaneous services.

Consumer prices in Japan fell 0.4% y-o-y in July, the same pace of decline recorded a month earlier. The indexes for housing; fuel, light, and water charges; furniture and household utensils; and transport and communications continued to contract in July. On a m-o-m basis, consumer prices fell 0.2%.

For historical trends of 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 of Japan's inflation rate, refer to this link:

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

Merchandise Trade Deficit Narrows in Hong Kong, China in July, Widens in the Philippines in June

Hong Kong, China's merchandise trade deficit stood at HKD33.3 billion in July, down from HKD45.6 billion in June, due to a monthly increase in merchandise exports and a m-o-m decrease in merchandise imports, according to the Census and Statistics Department. Hong Kong, China's merchandise exports rose 2.7% m-o-m to HKD304.5 billion in July while merchandise imports fell 1.3% m-o-m to HKD337.8 billion.

The Philippines' merchandise trade deficit widened to USD2.1 billion in June from USD2.0 billion in May, according to the Philippine Statistics Authority. Merchandise exports inched up 0.8% m-o-m to USD4.8 billion in June while imports rose 1.7% m-o-m to USD6.9 billion. On a y-o-y basis, merchandise exports dropped 11.4% while imports of goods climbed 15.4% in June. In the first half of 2016, the country's merchandise trade deficit amounted to USD11.9 billion.

Summary Text of News Articles

Singapore's Manufacturing Output Contracts in July

Based on preliminary data from the Singapore Economic Development Board, Singapore's manufacturing output decreased 3.6% y-o-y in July, a reversal from the 0.6% y-o-y increase in June. Only the electronics cluster, which accounts for 27.4% of the index, recorded positive growth at 16.2% y-o-y in July after expanding 19.0% y-o-y in June. All other clusters contracted, including biomedical manufacturing, chemicals, general manufacturing, precision engineering, and transport engineering. Excluding the biomedical manufacturing cluster, manufacturing output contracted 2.0% y-o-y in July after expanding 3.7% y-o-y in June.

Korean Institutional Investors' Holdings of Overseas Securities Climb to USD149 Billion at end-June

Overseas securities held by institutions based in the Republic of Korea totaled USD148.6 billion at the end of June, up 8.8% from the end of March and also up from USD111.9 billion a year earlier. The quarterly growth was led by an increase in the outstanding overseas bond and stock holdings of Korean institutional investors.

Financial Services Commission Announces New Measures to Manage Household Debt Growth in the Republic of Korea

The Republic of Korea's Financial Services Commission announced last week new measures that aim to manage household debt growth by (i) curbing the excess supply in the housing market, (ii) enhancing risk management on loans to nonbanking sectors, and (iii) tightening management and monitoring on collective lending.

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	-0.51		1.52	15.18
EU	-0.59	0.00	-0.60		-14.40
Japan	-0.25	-0.80	-0.60		-20.40
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		0.70	-31.70
Malaysia	2.64	5.50		14.10	-22.10
Philippines	1.47	-80.54	-45.18		-119.71
Singapore	0.65	-0.80		0.00	-24.00
Thailand	1.35	0.00		0.00	-14.85

Close of 26 August 2016

10-Year Selected LCY Government Bond Yields

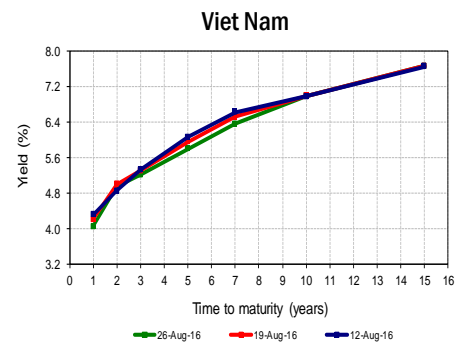
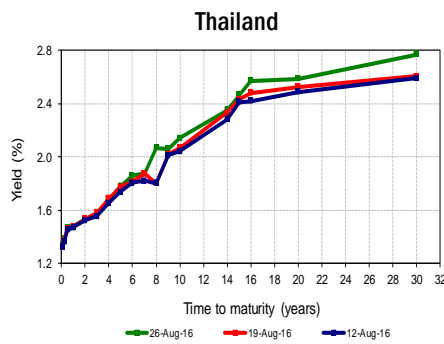
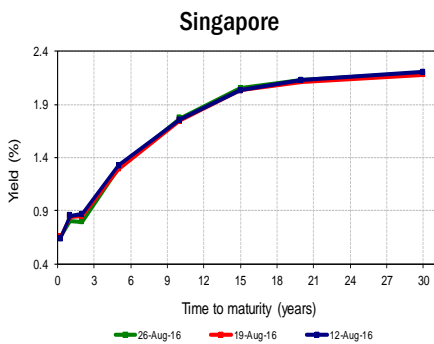
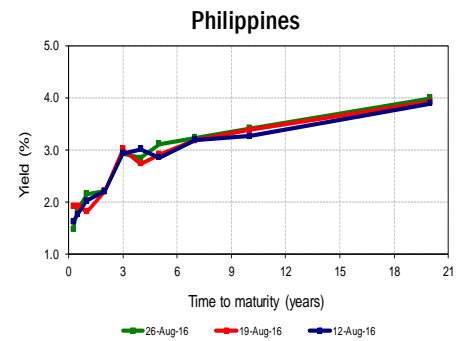
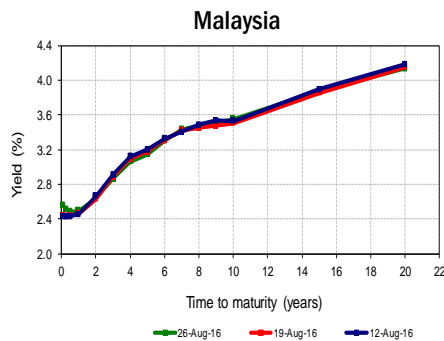
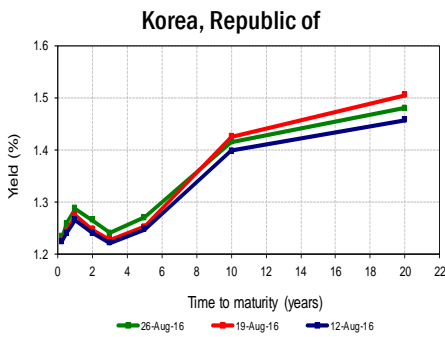
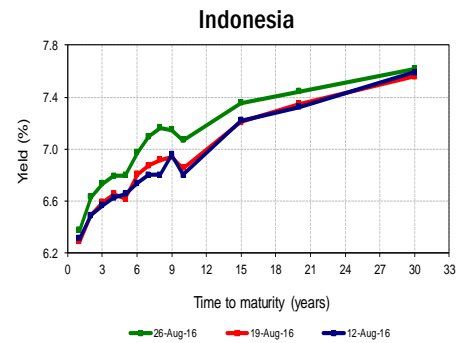
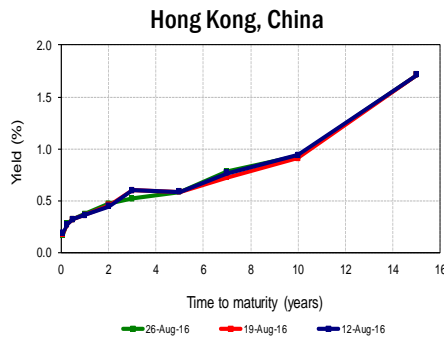
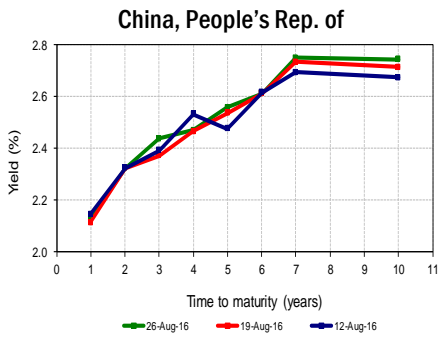
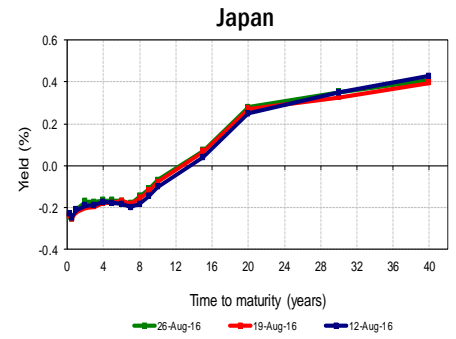
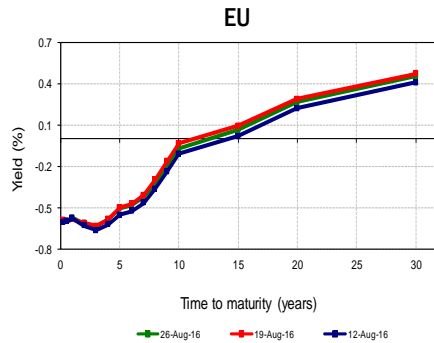
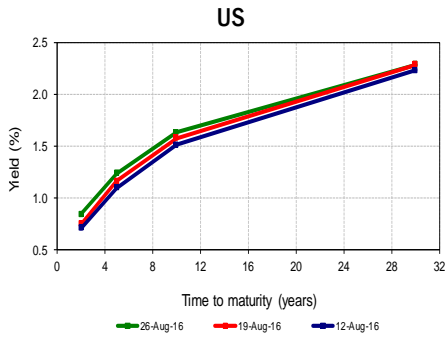
Markets	Latest Closing	basis point change from			
		Previous Day*	Previous Week*	1-Jan-16*	
US	1.63	5.65	5.15		-63.98
EU	-0.07	-0.20	-4.00		-70.10
Japan	-0.07	1.50	0.80		-33.50
PRC	2.74	-2.90	2.90		-11.60
Hong Kong, China	0.93	0.40	1.80		-65.10
India	7.13	0.60	2.70		-60.10
Indonesia	7.07	0.00	21.60		169.10
Korea, Rep. of	1.42	0.00	-1.00		-67.00
Malaysia	3.56	-0.20	5.10		-63.10
Philippines	3.41	-2.23	2.41		-69.49
Singapore	1.77	0.66	2.25		-82.54
Thailand	2.14	-2.50	7.30		-35.90
Viet Nam	7.05	0.00	0.00		-35.00

Close of 26 August 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

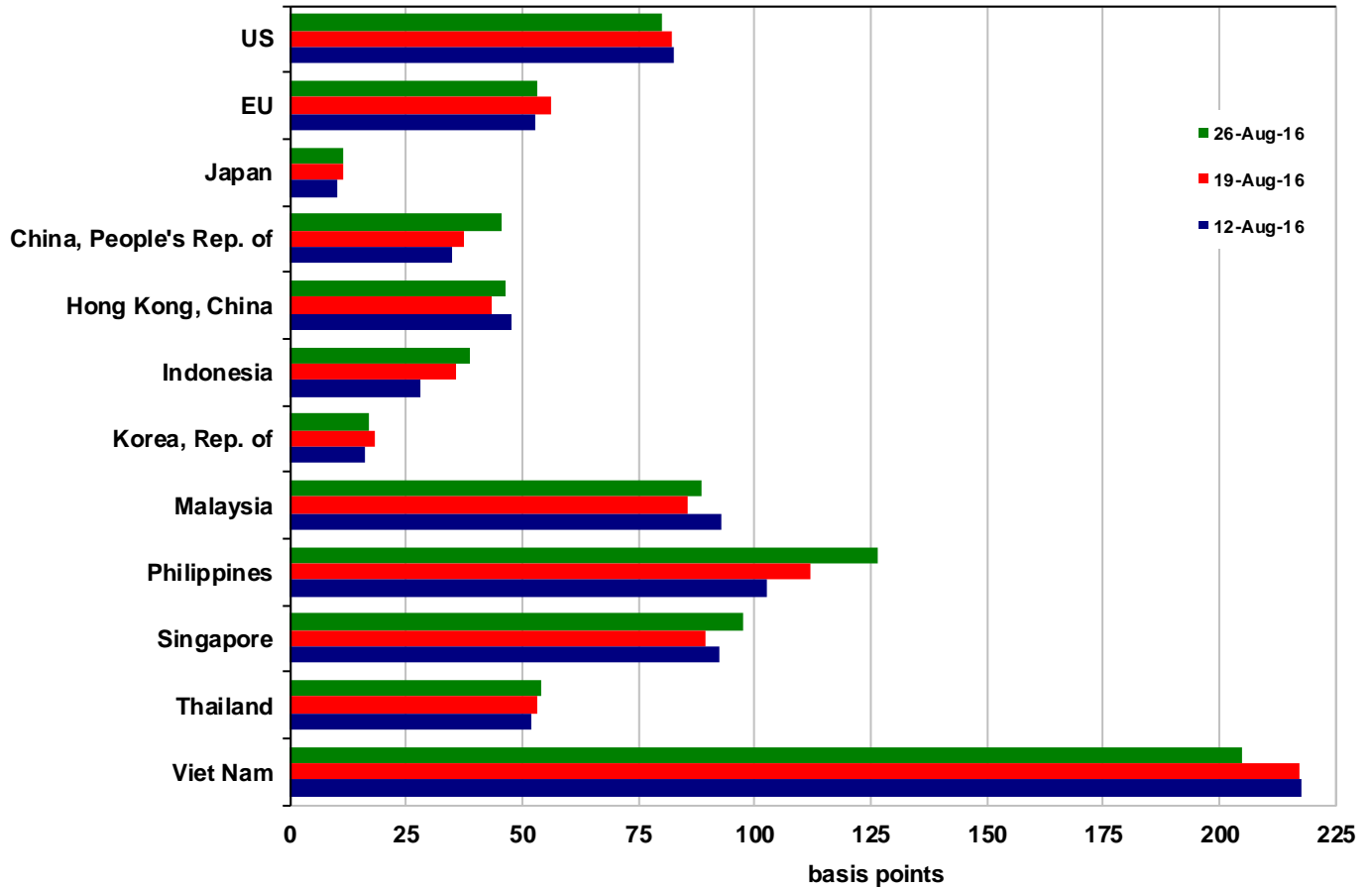
Tip: Zoom-in on the table using the Acrobat zoom tool



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

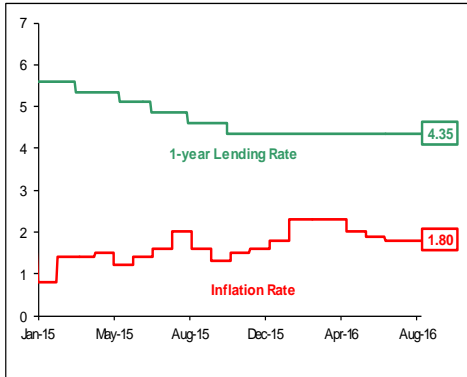


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

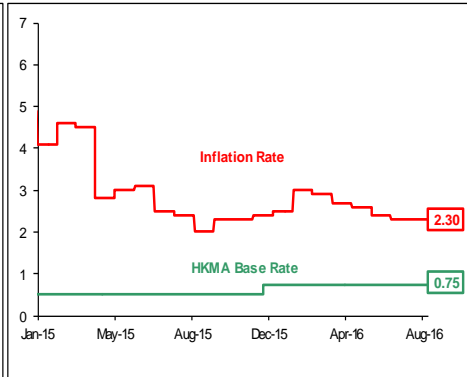
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



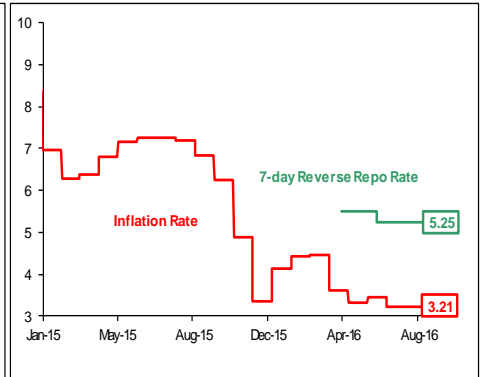
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



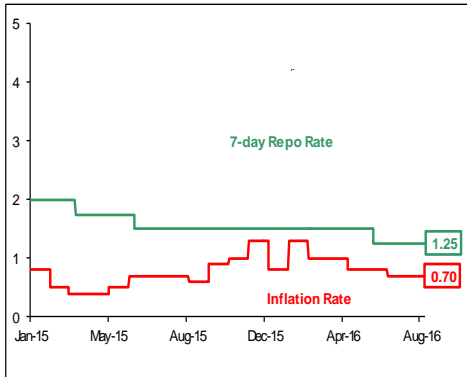
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



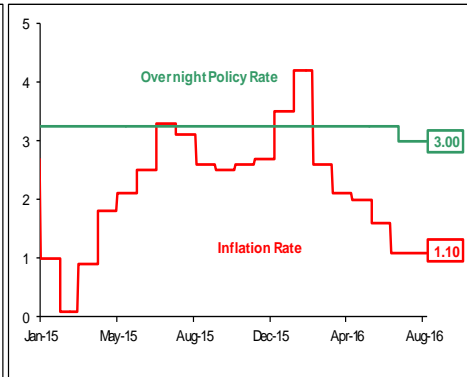
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



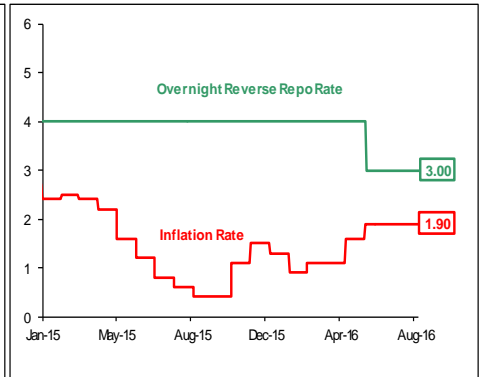
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



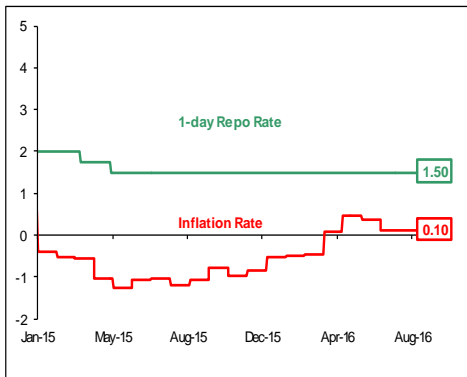
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



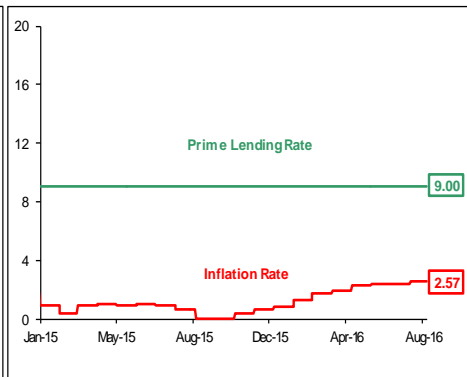
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

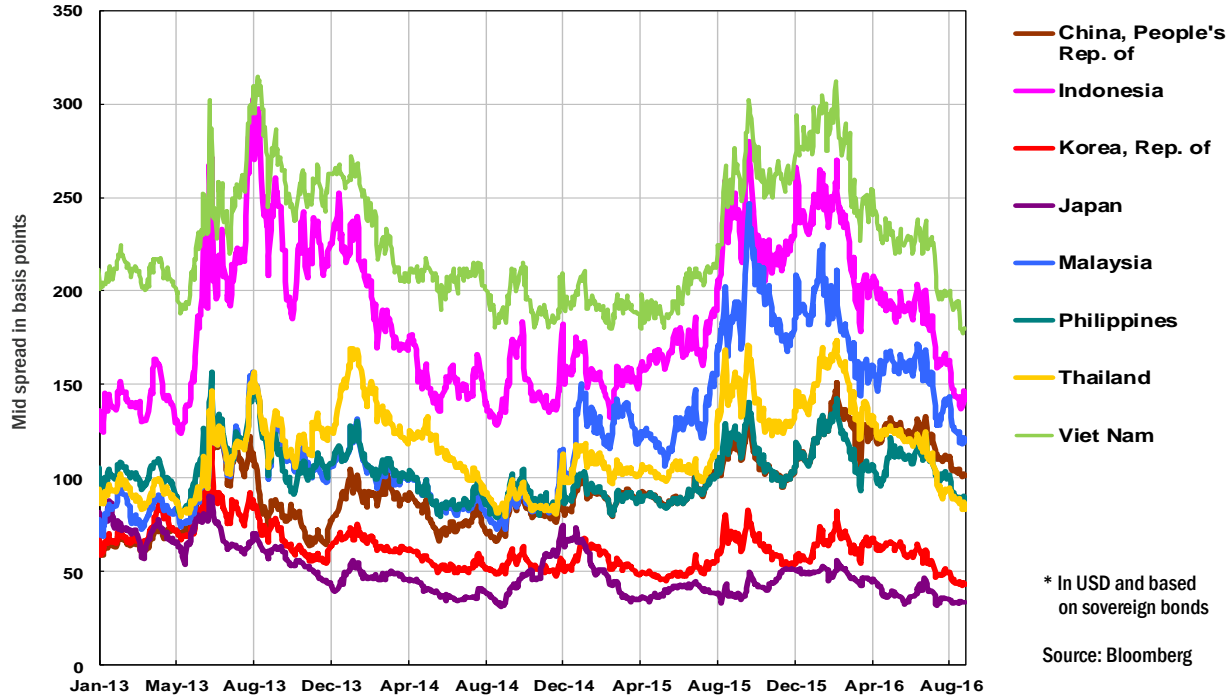


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

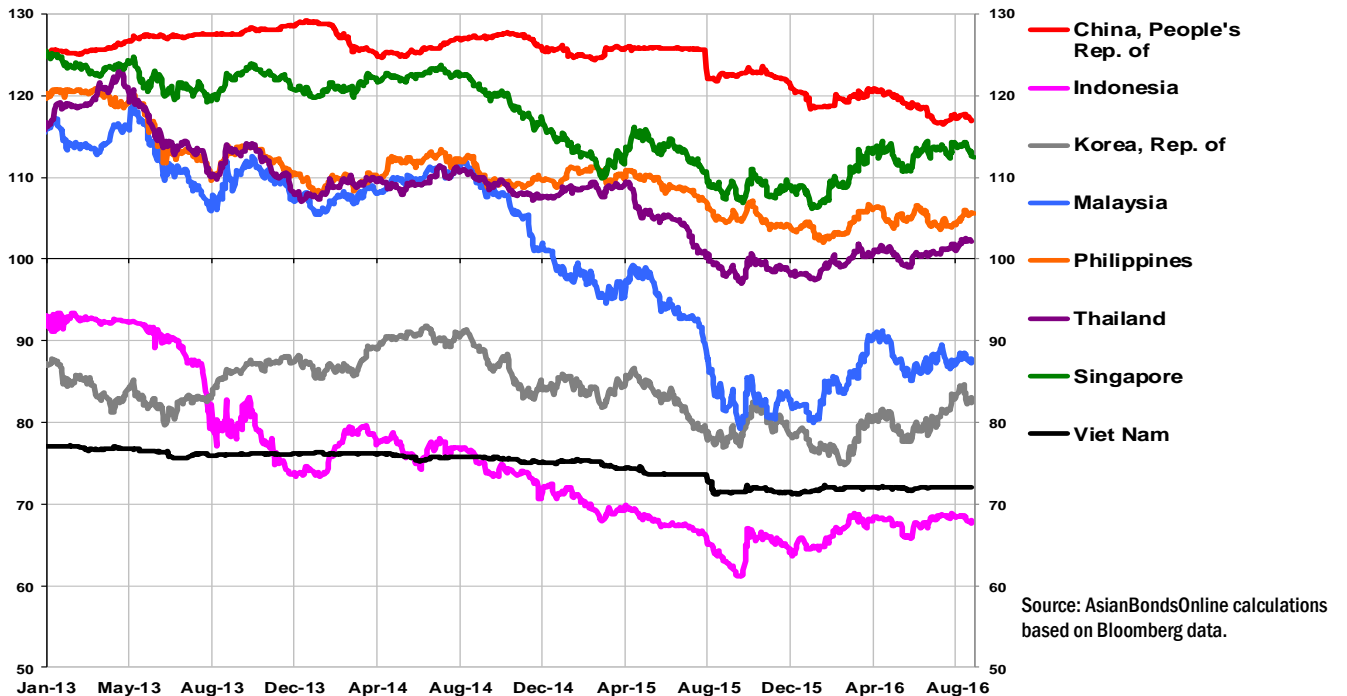
Credit Default Swap Spreads and Exchange Rate Indexes

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 (22 – 26 August 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	24-Aug	3-year Treasury Bonds	2.37	2.43	35.00	35.44
HK	23-Aug	91-day Exchange Fund Bills	0.32		41.07	41.07
		182-day Exchange Fund Bills	0.37		14.00	14.00
		364-day Exchange Fund Bills	0.41		3.00	3.00
ID	23-Aug	6-month Islamic Treasury Bills	6.03			1,000.00
		1.5 year Project-Based <i>Sukuk</i>	6.50	7.75	4,000.00	750.00
		4 year Project-Based <i>Sukuk</i>	6.66	8.25		2,430.00
		15 year Project-Based <i>Sukuk</i>	7.48	8.88		190.00
JP	23-Aug	20-year Japanese Government Bonds	0.29	0.20	1,100.00	1,263.30
		3-month Treasury Discount Bills	-0.23		4,400.00	4,429.99
KR	22-Aug	91-day Monetary Stabilization Bonds	1.25		900.00	980.00
		1-year Monetary Stabilization Bonds	1.29		900.00	890.00
		20-year Korea Treasury Bonds	1.51	2.63	400.00	395.00
MY	25-Aug	10-year Treasury Bonds	3.56	3.90	3.00	3.00
SG	23-Aug	28-day MAS Bills	0.19		0.60	0.60
		84-day MAS Bills	0.43		4.00	4.00
	25-Aug	168-day MAS Bills	0.48		2.00	2.00
TH	22-Aug	91-day Treasury Bills	1.37		5.00	5.00
	23-Aug	28-day Bank of Thailand Bills	1.32		10.00	10.00
		91-day Bank of Thailand Bills	1.38		35.00	33.84
		182-day Bank of Thailand Bills	1.47		35.00	35.00
	24-Aug	29.83-year Government Bonds	2.80		11.00	7.73
	25-Aug	2-year Bank of Thailand Bonds	1.56		35.00	35.00
VN	24-Aug	5-year Treasury Bonds	5.79		3,900.00	3,900.00
		7-year Treasury Bonds	6.35		3,900.00	3,900.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (30 August – 5 September 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, % JUL	08/31	06/15: 2.1% 07/15: -0.6% 05/16: -0.4% 06/16: -1.5%	Japan's industrial production contracted 1.5% year-on-year (y-o-y) in June following a decline of 0.4% y-o-y in May.
Korea, Rep. of Industrial Production y-o-y, % JUL	08/31	06/15: 2.0% 07/15: -2.9% 05/16: 4.8% 06/16: 0.8%	Industrial production growth in the Republic of Korea slowed to 0.8% y-o-y in June from 4.8% y-o-y in May.
Thailand Current Account US\$ million JUL	08/31	06/15: 1,555 07/15: 2,326 05/16: 2,234 06/16: 2,978	Thailand's current account surplus widened to USD3.0 billion in July after recording a surplus of USD2.2 billion in May.
Thailand Exports y-o-y, % JUL	08/31	06/15: -8.9% 07/15: -3.1% 05/16: -3.7% 06/16: 1.9%	Thailand's exports grew 1.9% y-o-y in June after contracting 3.7% y-o-y in May.
Thailand Imports y-o-y, % JUL	08/31	06/15: 0.3% 07/15: -10.6% 05/16: -0.2% 06/16: -9.3%	Thailand's imports contracted 9.3% y-o-y in June after decreasing 0.2% y-o-y in May.
China, People's Rep. of Manufacturing PMI Index AUG	09/01	07/15: 50.0 08/15: 49.7 06/16: 50.0 07/16: 49.9	The People's Republic of China's Purchasing Managers Index (PMI) for the manufacturing sector fell below the 50-point threshold at 49.9 in July, indicating a generally contracting manufacturing economy.
Indonesia CPI y-o-y, % AUG	09/01	07/15: 7.3% 08/15: 7.2% 06/16: 3.5% 07/16: 3.2%	Consumer price inflation in Indonesia eased to 3.2% y-o-y in July from 3.5% y-o-y in June.
Korea, Rep. of CPI y-o-y, % AUG	09/01	07/15: 0.7% 08/15: 0.7% 06/16: 0.8% 07/16: 0.7%	Consumer price inflation in the Republic of Korea slipped to 0.7% y-o-y in July from 0.8% y-o-y in June.
Korea, Rep. of Current Account US\$ million JUL	09/01	06/15: 11,872.3 07/15: 9,714.8 05/16: 10,361.3 06/16: 12,168.4	The Republic of Korea's current account surplus widened to US\$12.2 billion in June from US\$10.4 billion in May.
Korea, Rep. of Exports y-o-y, % AUG	09/01	07/15: -5.2% 08/15: -15.2% 06/16: -2.7% 07/16: -10.2%	The Republic of Korea's merchandise exports dropped 10.2% y-o-y in July compared with a 2.7% y-o-y decrease in June.
Korea, Rep. of Imports y-o-y, % AUG	09/01	07/15: -15.7% 08/15: -18.7% 06/16: -8.0% 07/16: -14.0%	Merchandise imports in the Republic of Korea plunged 14.0% y-o-y in July following an 8.0% y-o-y fall in June.
Thailand CPI y-o-y, % AUG	09/01	07/15: -1.1% 08/15: -1.2% 06/16: 0.4% 07/16: 0.1%	Consumer price inflation in Thailand was positive for the 4th consecutive month in July, rising 0.1% y-o-y after an increase of 0.4% in June.
Korea, Rep. of GDP y-o-y, % Q2 2016 (Final)	09/02	Q2 2015: 2.2% Q3 2015: 2.8% Q1 2016: 2.8% Q2 2016: 3.2%	Real gross domestic product (GDP) growth in the Republic of Korea in the second quarter (Q2) of 2016 stood at 3.2% y-o-y, based on advance estimates of the Bank of Korea. This was higher than the 2.8% y-o-y growth posted in the first quarter (Q1) 2016.
Singapore PMI Index AUG	09/02	07/15: 49.7 08/15: 49.3 06/16: 49.6 07/16: 49.3	Singapore's PMI was 49.3 in July, down from 49.6 in June. A reading above 50 indicates improving conditions from previous month, while a reading below 50 indicates a worsening condition.

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 Decelerates in Malaysia and Remains Negative in Singapore in July; Consumer Price Inflation Accelerates in Viet Nam in August

- [Consumer Price Index Malaysia July 2016](#)
Department of Statistics Malaysia (24 August 2016)
- [Consumer Price Developments in July 2016](#)
Monetary Authority of Singapore and Ministry of Trade and Industry Singapore (23 August 2016)
- [Singapore Consumer Price Index \(2014 = 100\)](#)
Department of Statistics Singapore (23 August 2016)
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