



Key Developments in Asian Local Currency Markets

Emerging East Asia's local currency (LCY) government bond yields fell in most markets for most tenors between 1 June and 15 August due to weak global growth and low inflationary pressures, according to the latest Asia Bond Monitor released on 16 September. The report also noted that the value of total outstanding bonds in the region's LCY bond market rose to USD10 trillion at the end of June. While emerging East Asia's LCY bond markets have been calm, risks are rising over the possibility of a United States Federal Reserve rate hike and the impact of negative interest rates in some developed markets. For a copy of the full report, please click on the following link: https://asianbondsonline.adb.org/documents/abm\_sep\_2016.pdf.

The People's Republic of China's (PRC) industrial production rose to 6.3% year-on-year (y-o-y) in August, up from 6.0% y-o-y in July. Rapid growth was noted in the automobile sector, which rose 21.4% y-o-y, and the pharmaceutical sector, which rose 11.5% y-o-y. Industrial production in Hong Kong, China fell 0.5% y-o-y in the second quarter of 2016 after dipping 0.3% in the first quarter of 2016.

Indonesia's trade surplus was USD293.6 million in August, compared with USD513.6 million in July. Exports from Indonesia totaled USD12.6 billion, contracting 0.7% y-o-y in August, compared with a 16.9% y-o-y decline in July. Imports were USD12.3 billion in August, falling 0.5% y-o-y after declining 10.6% y-o-y in July. Singapore's non-oil domestic exports registered flat growth of 0.0% y-o-y in August after falling 10.6% y-o-y in July.

On 14 September, the Bank of Thailand's Monetary Policy Committee decided to maintain the policy rate at 1.50% since May of last year. The central bank noted that Thailand's economy continues to recover and decided to hold its policy rate steady to provide flexibility amid uncertainties in the global economy and the direction of monetary policies in advanced economies.

The PRC's retail sales growth accelerated to 10.6% y-o-y in August from 10.2% y-o-y in July. In Singapore, July retail sales totaled SGD3.7 billion, rising 2.8% y-o-y after gaining 1.3% y-o-y in June.

Fixed-asset investment in the PRC rose 8.2% y-o-y in August, up from 3.9% y-o-y in July. Gains were driven by improvement in the private sector, with private sector fixed-asset investment rising 2.3% y-o-y in August after falling 1.2% y-o-y in July. The PRC's foreign direct investment rose 5.7% y-o-y in August, after falling 1.6% in July, to CNY57.3 billion.

Asia Bond Monitor September 2016 read more

10-Year Selected LCY Government Security Yields Close of 16 September 2016 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.69	0.19	1.77	-57.68
EU	0.01	-2.50	-0.40	-62.20
Japan	-0.04	-0.10	-2.40	-30.40
PRC	2.77	0.00	-3.70	-8.70
Hong Kong, China	1.05	0.00	20.00	-52.60
India	6.87	-1.50	-17.70	-86.20
Indonesia	7.02	-5.60	9.60	-174.00
Korea, Rep. of	1.57	0.00	5.70	-52.00
Malaysia	3.58	0.00	5.10	-61.10
Philippines	3.63	7.39	19.68	-46.76
Singapore	1.86	-5.60	12.47	-73.62
Thailand	2.22	-3.10	9.30	-27.70
Viet Nam	6.93	-3.80	-5.80	-25.00

- 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

Last week, Bank Indonesia issued a new regulation that allows banking institutions to engage in call spread option contracts on foreign exchange transactions.

Overseas Filipinos' personal remittances to the Philippines fell 5.4% y-o-y to PHP2.4 billion in July from PHP2.6 billion in June. This brought the January–July total to USD16.9 billion on an expansion of 2.9% y-o-y.

Yields rose for all tenors in Hong Kong, China; the Republic of Korea, and Singapore; and for most tenors in all other emerging East Asian markets ahead of the US Federal Reserve meeting on 20-21 September. The only exceptions were Viet Nam where yields fell and the PRC where yield movement was mixed. The 2-year versus 10-year yield spread rose for all markets except in the PRC, Hong Kong, China, Thailand and Viet Nam.

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## Summary Text of News Articles

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### Industrial Production Rises in the PRC in August, Falls in Hong Kong, China in Q2 2016

The People's Republic of China's (PRC) industrial production rose 6.3% year-on-year (y-o-y) in August, up from 6.0% y-o-y in July. Rapid growth was noted in the automobile sector, which rose 21.4% y-o-y, followed by the pharmaceutical sector, which rose 11.5% y-o-y. The electronics sector grew 10.6% y-o-y. In January–August, industrial production rose 6.0% y-o-y.

Industrial production in Hong Kong, China fell 0.5% y-o-y in the second quarter (Q2) of 2016 after a decline of 0.3% in the first quarter of 2016. The decline was driven by losses in the textile industry, with production falling 13.7% y-o-y in Q2 2016. Paper products, printing, and the reproduction of recorded media fell 0.5% y-o-y, while apparel fell 0.4% y-o-y.

### Indonesia's Trade Surplus Falls to USD294 Million in August; Singapore's NODX Registers Flat Growth in August

Indonesia's trade surplus fell to USD293.6 million in August from USD513.6 million in July. Exports from Indonesia totaled USD12.6 billion, contracting 0.7% y-o-y in August following a 16.9% y-o-y decline in July. Imports were USD12.3 billion in August, falling 0.5% y-o-y after declining 10.6% y-o-y in July.

Singapore's non-oil domestic exports (NODX) registered flat growth of 0.0% y-o-y in August after falling sharply 10.6% y-o-y in July. The improvement came from an increase in non-electronic NODX, which grew 2.7% y-o-y in August after contracting 9.5% y-o-y in July. Electronic NODX dropped 6.0% y-o-y in August, a slight improvement from a 12.9% y-o-y contraction in July. NODX to a majority of the top 10 export markets registered positive growth, while NODX to the PRC, European Union, Indonesia, and Japan contracted. On a month-on-month and seasonally adjusted basis, NODX declined 1.9% in August after contracting 1.9% in July.

### Bank of Thailand Maintains Policy Rate at 1.50%

On 14 September, the Bank of Thailand's Monetary Policy Committee decided to maintain the policy rate at 1.50% since May of last year. The central bank noted that Thailand's economy continues to recover and decided to hold policy rates steady to provide flexibility given uncertainties in the global economy and monetary policies in advanced economies, which could increase exchange rate volatility and capital outflows. Inflation is expected to return to the target band of 1%–4% within the year, while monetary conditions remain accommodative to support the gradual economic recovery.

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

[https://asianbondsonline.adb.org/thailand/data/marketwatch.php?code=policy\\_rate\\_and\\_inflation\\_trends](https://asianbondsonline.adb.org/thailand/data/marketwatch.php?code=policy_rate_and_inflation_trends)

### Retail Sales Rise in the PRC in August and in Singapore in June

The PRC's retail sales growth accelerated to 10.6% y-o-y in August from 10.2% y-o-y in July. In Singapore, July retail sales totaled SGD3.7 billion, rising 2.8% y-o-y after 1.3% y-o-y growth in June. Excluding motor vehicles, retail sales dropped 3.1% y-o-y in July after a decline of 2.5% y-o-y in June. On a month-on-month basis, retail sales rose 1.4% in July. Motor vehicle sales grew 36.5% y-o-y in July after recording 17.1% y-o-y growth in June.

### Bank Indonesia Issues Regulation on Foreign Exchange Call Spread Options

Last week, Bank Indonesia issued a new regulation that allows banking institutions to engage in call spread option contracts on foreign exchange transactions. However, this hedging product is limited to banks with a capitalization of IDR5 trillion or more. The regulation also requires an underlying transaction.

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**Summary Text of News Articles**

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**The PRC's Fixed Asset Investment and FDI Rises in August**

Fixed-asset investment in the PRC rose 8.2% y-o-y in August, up from 3.9% y-o-y in July. Gains were driven by improvement in the private sector, with private sector fixed-asset investment rising 2.3% y-o-y in August after falling 1.2% y-o-y in July. In January–August, fixed-asset investment rose 8.1% y-o-y, the same rate as in January–July.

The PRC's foreign direct investment (FDI) rose 5.7% y-o-y in August, after falling 1.6% y-o-y in July, to CNY57.3 billion. For the first 8 months of the year, FDI rose 4.5% y-o-y after gaining 4.3% y-o-y in January–July. The largest increase came from the service sector, which rose 10.0% y-o-y in January–August compared with 7.7% y-o-y in January–July.

**Overseas Filipinos' Personal Remittances Down 5.9% y-o-y in July**

Overseas Filipinos' personal remittances to the Philippines fell 5.4% y-o-y in July to PHP2.4 billion from PHP2.6 billion in June. This brought the January–July total to USD16.9 billion on an expansion of 2.9% y-o-y. Bangko Sentral ng Pilipinas noted that remittance inflows for the first 7 months of the year were stable despite a drop in the deployment of skilled workers.

## 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	0.28	-0.51	-5.68	11.63
EU	-0.58	-0.20	-0.30	-12.90
Japan	-0.37	-3.80	-6.80	-32.50
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	1.27	0.00	1.20	-28.50
Malaysia	2.79	0.00	2.80	-6.90
Philippines	2.59	107.13	108.56	-7.22
Singapore	0.65	0.00	1.30	-24.00
Thailand	1.35	0.00	0.00	-14.85

Close of 16 September 2016

### 10-Year Selected LCY Government Bond Yields

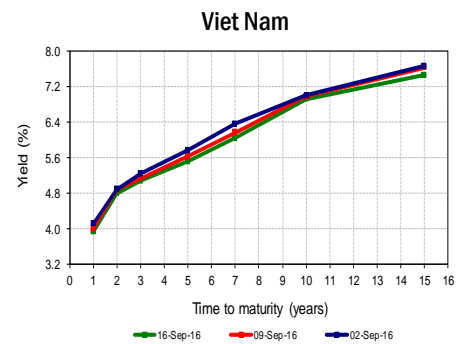
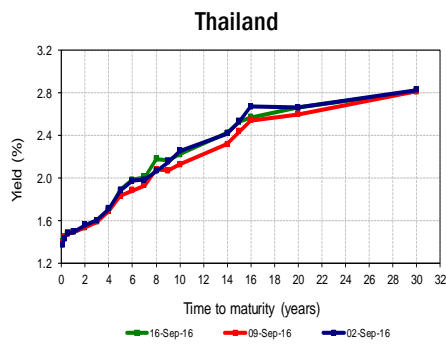
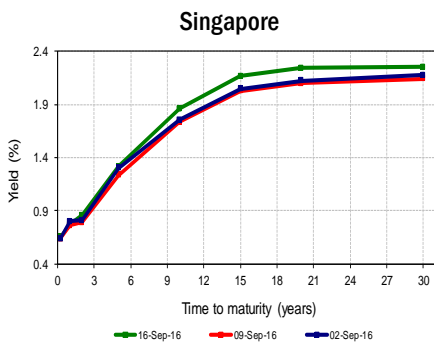
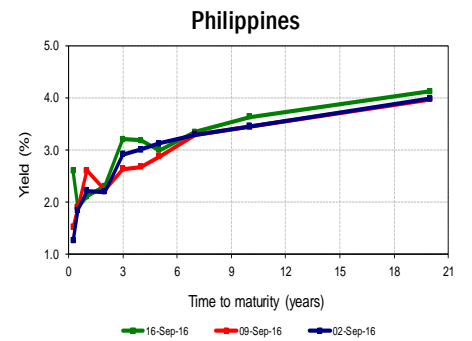
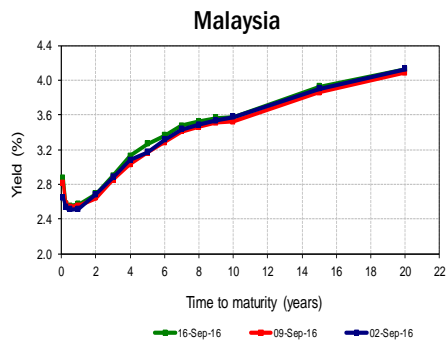
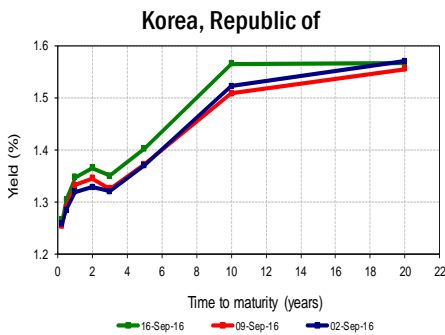
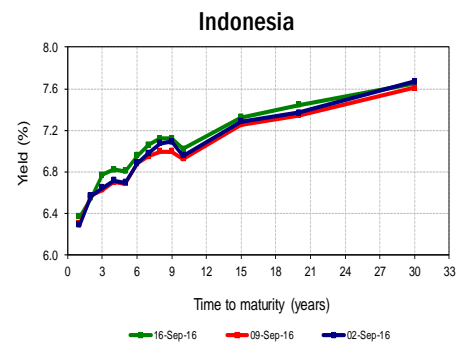
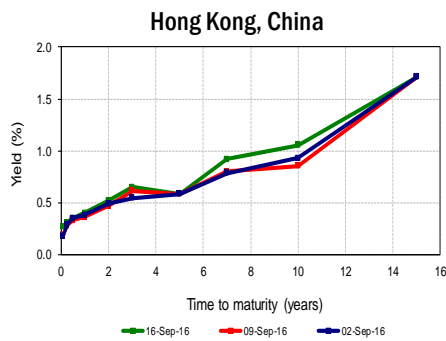
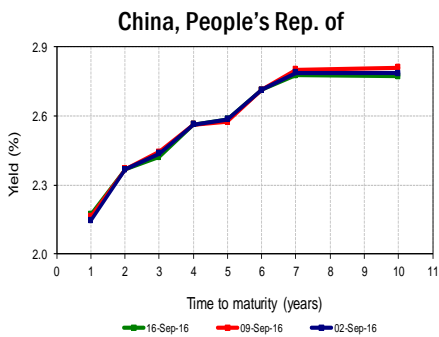
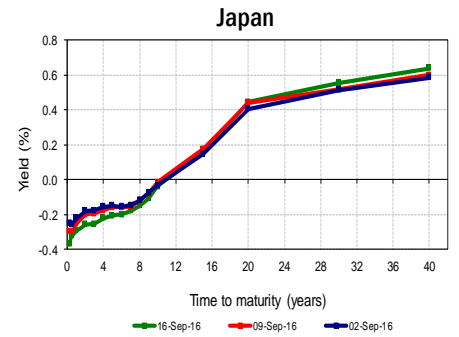
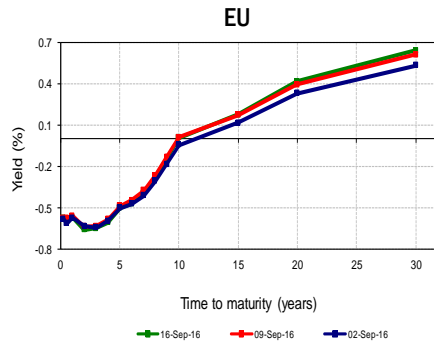
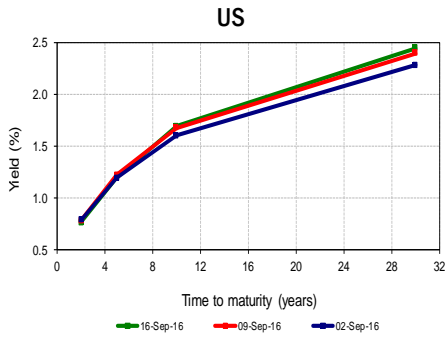
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-16*
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Japan	-0.04	-0.10	-2.40	-30.40
PRC	2.77	0.00	-3.70	-8.70
Hong Kong, China	1.05	0.00	20.00	-52.60
India	6.87	-1.50	-17.70	-86.20
Indonesia	7.02	-5.60	9.60	-174.00
Korea, Rep. of	1.57	0.00	5.70	-52.00
Malaysia	3.58	0.00	5.10	-61.10
Philippines	3.63	7.39	19.68	-46.76
Singapore	1.86	-5.60	12.47	-73.62
Thailand	2.22	-3.10	9.30	-27.70
Viet Nam	6.93	-3.80	-5.80	-25.00

Close of 16 September 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**

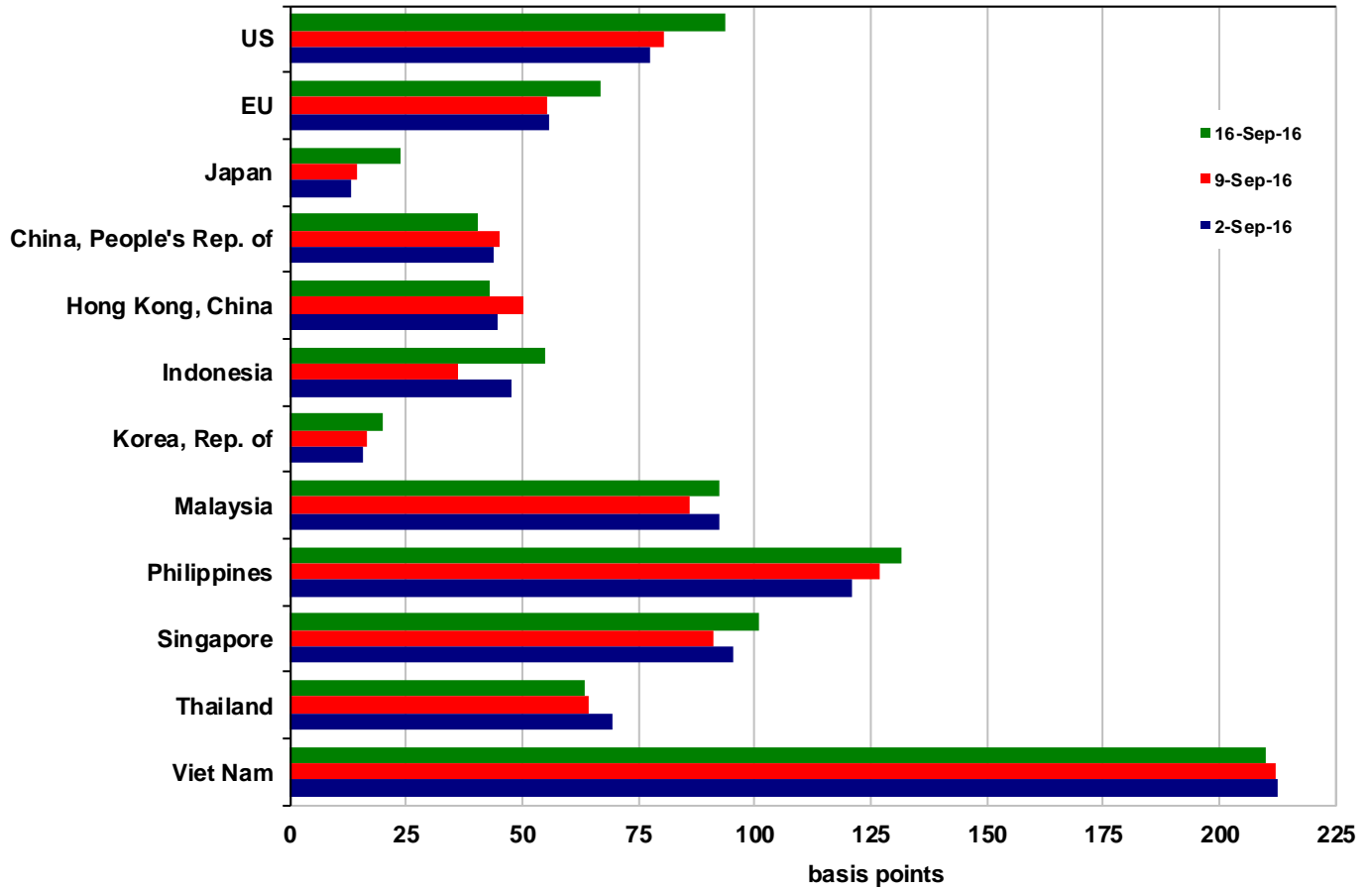
Tip: Zoom-in on the table using the Acrobat zoom tool



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

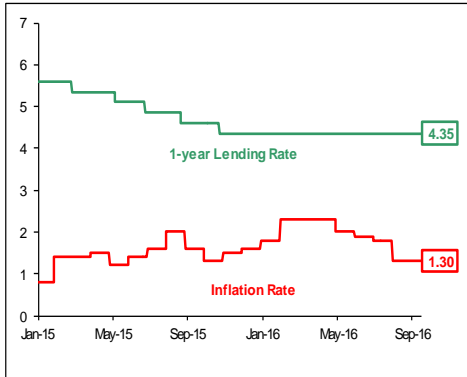


EU = European Union, US = United States.  
 Source: Based on data from Bloomberg LP.

**Policy Rate versus Inflation Rate**

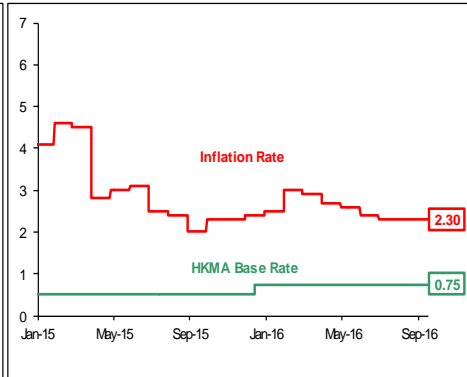
Tip: Zoom-in on the table using the Acrobat zoom tool

**China, People's Rep. of**



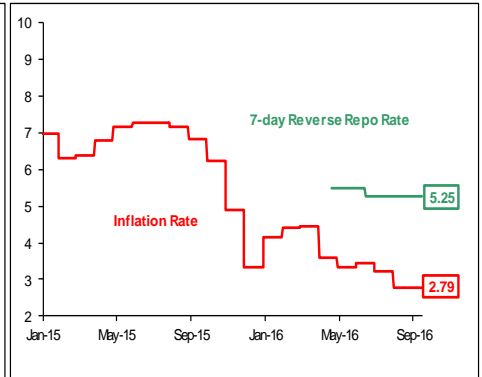
The PRC uses the 1-year lending rate as one of its policy rates.  
Source: Bloomberg LP.

**Hong Kong, China**



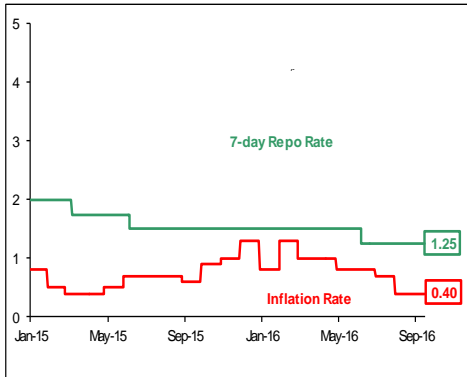
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.  
Source: Bloomberg LP.

**Indonesia**



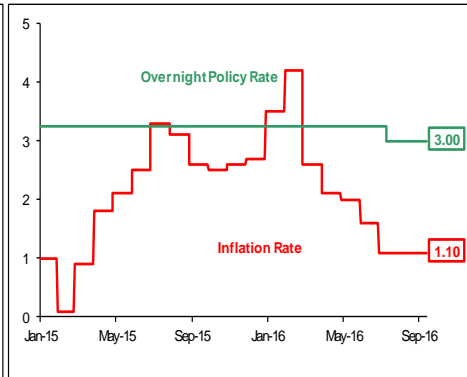
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.  
Source: Bloomberg LP.

**Korea, Republic of**



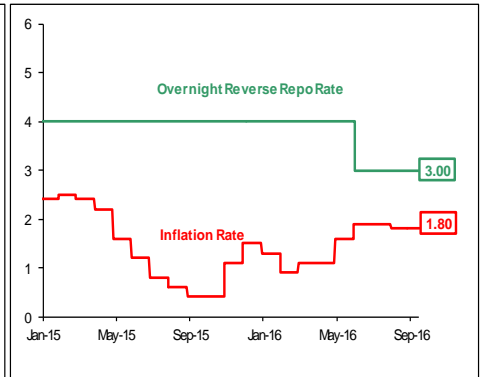
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.  
Source: Bloomberg LP.

**Malaysia**



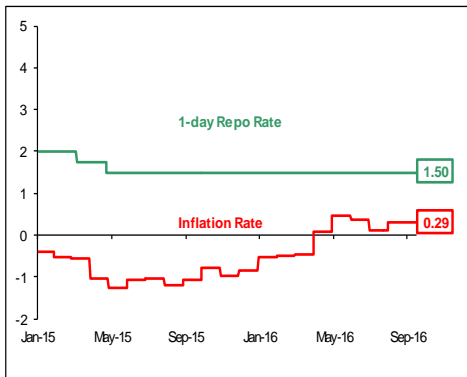
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.  
Source: Bloomberg LP.

**Philippines**



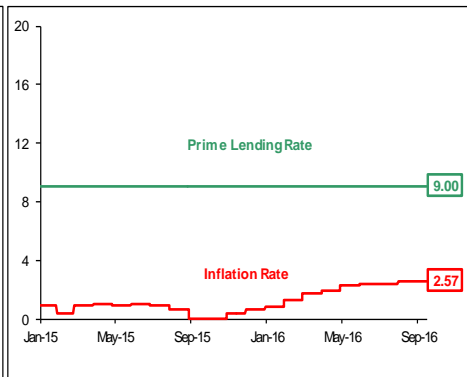
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.  
Source: Bloomberg LP.

**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**

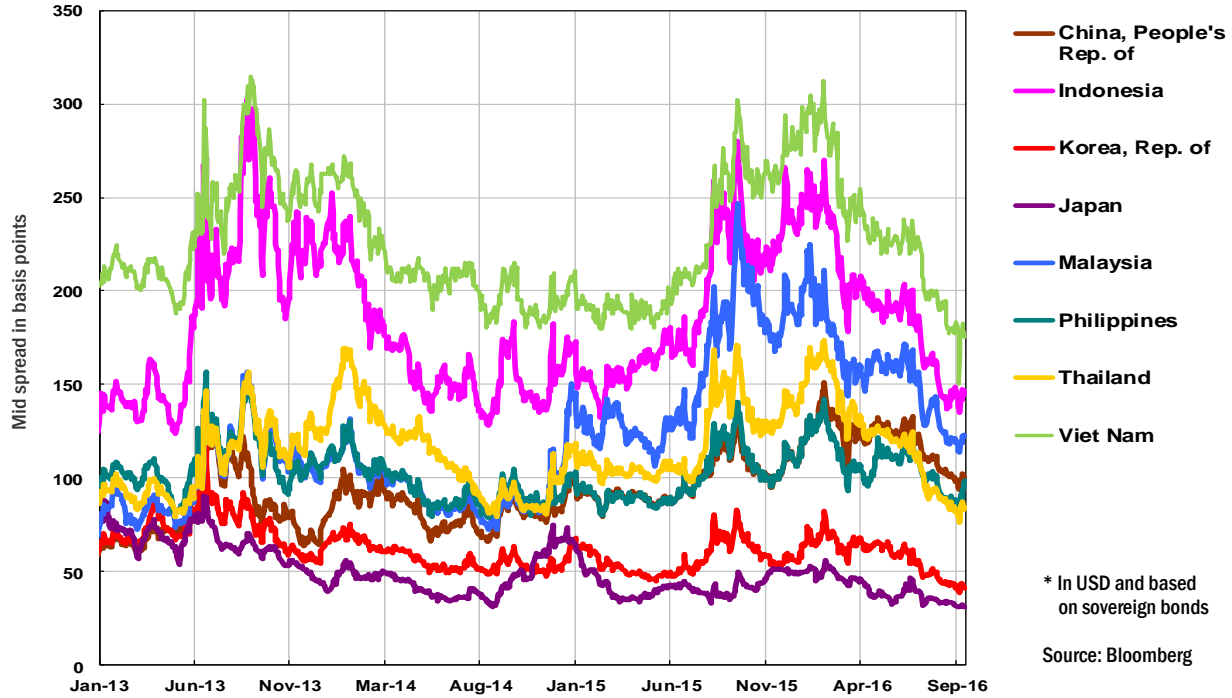


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.  
Source: Bloomberg LP.

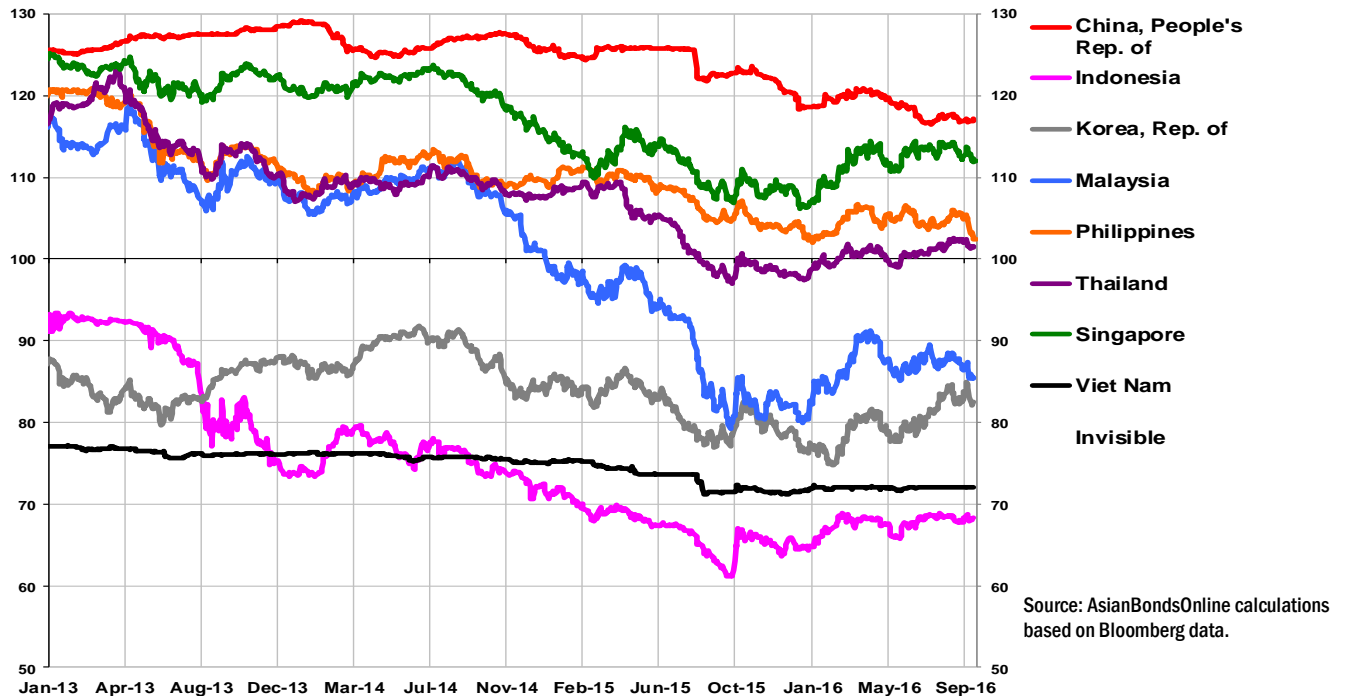
**Credit Default Swap Spreads and Exchange Rate Indexes**

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 (12 – 16 September 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	14-Sep	2-year Treasury Bonds	2.33	2.51	26.00	35.01
		5-year Treasury Bonds	2.53	2.65	38.00	40.29
HK	13-Sep	91-day Exchange Fund Bills	0.32		35.91	35.91
		182-day Exchange Fund Bills	0.38		14.00	14.00
ID	13-Sep	1-year Treasury Bills	6.15			1,500.00
		6-year Treasury Bonds	6.78	7.00		3,250.00
		11-year Treasury Bonds	7.02	7.00		3,850.00
		28-year Treasury Bonds	7.60	8.75		3,400.00
JP	13-Sep	20-year Japanese Government Bonds	0.44	0.50	1,100.00	1,251.00
		1-year Treasury Discount Bills	-0.34		2,500.00	2,499.98
		3-month Treasury Discount Bills	-0.35		4,400.00	4,399.97
KR	12-Sep	91-day Monetary Stabilization Bonds	1.28		900.00	900.00
		1-year Monetary Stabilization Bonds	1.36		1,100.00	1,100.00
MY	14-Sep	5-year Malaysian Government Securities	3.26	3.62	3.00	3.00
SG	14-Sep	28-day MAS Bills	0.13		0.60	0.60
		84-day MAS Bills	0.42		4.00	4.00
TH	13-Sep	28-day Bank of Thailand Bills	1.38		10.00	10.00
		91-day Bank of Thailand Bills	1.45		35.00	35.00
		182-day Bank of Thailand Bills	1.49		40.00	40.00
	14-Sep	49.78-year Government Bonds	3.23		13.00	13.00
	16-Sep	14-day Bank of Thailand Bills	1.39		43.47	43.47
VN	14-Sep	15-year Treasury Bonds	7.47		2,000.00	2,000.00
		20-year Treasury Bonds	7.73		1,500.00	710.00
		30-year Treasury Bonds	7.98		1,500.00	780.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (20 – 26 September 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Viet Nam</b> Exports—YTD y-o-y, % SEP	09/15	08/15: 9.0% 09/15: 9.6% <b>07/16: 5.3%</b> <b>08/16: 5.5%</b>	Exports growth in Viet Nam eased to 5.5% y-o-y in January–August after climbing 9.6% y-o-y in the same period a year earlier.
<b>Viet Nam</b> Industrial Production y-o-y, % SEP	09/15	08/15: 9.0% 09/15: 10.1% <b>07/16: 7.2%</b> <b>08/16: 7.3%</b>	Industrial production growth in Viet Nam climbed to 7.3% y-o-y in August from 7.2% y-o-y in July.
<b>Republic of Korea</b> PPI y-o-y, % AUG	09/21	07/15: –4.0% 08/15: –4.5% <b>06/16: –2.7%</b> <b>07/16: –2.4%</b>	The Producer Price Index (PPI) in the Republic of Korea fell 2.4% year-on-year (y-o-y) in July following a decline of 2.7% y-o-y in June.
<b>Malaysia</b> CPI y-o-y, % AUG	09/21	07/15: 3.3% 08/15: 3.1% <b>06/16: 1.6%</b> <b>07/16: 1.1%</b>	Growth in Malaysia's Consumer Price Index (CPI) eased to 1.1% y-o-y in July from 1.6% y-o-y in June.
<b>Hong Kong, China</b> CPI y-o-y, % AUG	09/22	07/15: 2.5% 08/15: 2.4% <b>06/16: 2.4%</b> <b>07/16: 2.3%</b>	Consumer price inflation in Hong Kong, China eased to 2.3% y-o-y in July from 2.4% y-o-y in June.
<b>Indonesia</b> 7-Day Reverse Repo Rate % Sep-22	09/22	08/15: – 09/15: – <b>07/16: 5.25%</b> <b>08/16: 5.25%</b>	On 19 August, Bank Indonesia shifted its policy rate to the 7-day reverse repurchase rate, which was left unchanged at 5.25%.
<b>Philippines</b> Overnight Borrowing Rate % 22-Sep	09/22	08/15: 4.00% 09/15: 4.00% <b>07/16: 3.00%</b> <b>08/16: 3.00%</b>	The Monetary Board of the Bangko Sentral ng Pilipinas held its overnight borrowing rate at 3.00% on 11 August.
<b>Singapore</b> CPI y-o-y, % AUG	09/23	07/15: –0.4% 08/15: –0.8% <b>06/16: –0.7%</b> <b>07/16: –0.7%</b>	Singapore's posted deflation of 0.7% y-o-y in July for the second month in a row.
<b>Viet Nam</b> CPI y-o-y, % SEP	09/24	08/15: 0.6% 09/15: 0.0% <b>07/16: 2.4%</b> <b>08/16: 2.6%</b>	Consumer price inflation in Viet Nam accelerated to 2.6% y-o-y in August from 2.4% y-o-y in July.
<b>Viet Nam</b> GDP—YTD y-o-y, % Q3 2016	9/25 to 9/30	Q2 2015: 6.3% Q3 2015: 6.5% <b>Q1 2016: 5.5%</b> <b>Q2 2016: 5.5%</b>	Real gross domestic product (GDP) growth in Viet Nam slowed to 5.5% y-o-y in the first half of the year from 6.3% y-o-y in the same 6-month period a year earlier.

Source: AsianBondsOnline, Bloomberg LP, and Reuters.

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## 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)

### **Industrial Production Rises in the PRC in August, Falls in Hong Kong, China in Q2 2016**

- [China's industrial output growth accelerates in August](#)  
Xinhua (13 September 2016)
- [Provisional statistics on index of industrial production and producer price index for industrial sector for second quarter of 2016](#)  
Census and Statistics Department (13 September 2016)

### **Indonesia's Trade Surplus Lower at USD294 Million in August; Singapore's NODX Registers Flat Growth y-o-y in August**

- [Indonesia Import-Export Development August 2016](#)  
Central Statistics Agency (15 September 2016)
- [Singapore's External Trade – August 2016](#)  
International Enterprise Singapore (16 September 2016)

### **Bank of Thailand Maintains Policy Rate at 1.50%**

- [Monetary Policy Committee's Decision on 14 September 2016](#)  
Bank of Thailand (14 September 2016)

### **Retail Sales Rise in the PRC in August and in Singapore in June**

- [China retail sales up 10.6 pct in August](#)  
Xinhua (13 September 2016)
- [Retail Sales Index and Food & Beverage Services Index July 2016](#)  
Department of Statistics Singapore (16 September 2016)

### **Bank Indonesia Issues Regulation on Foreign Exchange Call Spread Options**

- [Indonesia Central Bank Allows Banks to Sell FX Call Spread Options](#)  
Jakarta Globe (15 September 2016)

### **PRC Fixed Asset Investment and FDI Rises in August**

- [1st LD: China's fixed-asset investment growth picks up in August](#)  
Xinhua (13 September 2016)
- [China's FDI returns to growth in August](#)  
Xinhua (13 September 2016)

### **Overseas Filipinos' Personal Remittances Down 5.9% y-o-y in July**

- [Personal Remittances Amount to US\\$16.9 Billion for the First Seven Months of 2016](#)  
Bangko Sentral ng Pilipinas (15 September 2016)

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