

## Key Developments in Asian Local Currency Markets

Consumer price inflation in Indonesia remained manageable at 3.1% year-on-year (y-o-y) and 0.2% month-on-month (m-o-m) in September. The Central Statistics Agency said that September inflation was driven by increases in the prices of commodities such as red chilies, mobile phone services, house rentals, education, cigarettes, and electricity rates, among others. Consumer price inflation in the Republic of Korea accelerated to 1.2% y-o-y in September from 0.4% y-o-y in August, while on a m-o-m basis, the Consumer Price Index (CPI) rose 0.6% in September after falling 0.1% in August. CPI inflation in September was buoyed by food and nonalcoholic beverages, which recorded increases of 5.6% y-o-y and 4.6% m-o-m.

In the Philippines, headline inflation accelerated to 2.3% y-o-y in September from 1.8% y-o-y in August as six out of eleven commodity groups in the CPI recorded faster y-o-y increases in September than in August. In the manufacturing sector, the Producer Price Index fell 4.5% y-o-y and 0.4% m-o-m in August.

Thailand's CPI increased 0.4% y-o-y in September after rising 0.3% y-o-y in August, led by the increase in prices of consumer goods, particularly food and nonalcoholic beverages.

Singapore's Purchasing Managers Index for manufacturing climbed above the 50-point threshold in September to 50.1 after staying below this threshold over the past 14 months. More new orders and new exports and higher factory output all contributed to the slight expansion in manufacturing in September.

The Republic of Korea's current account surplus narrowed to USD5.5 billion in August from USD8.7 billion in July. The merchandise trade surplus fell to USD7.3 billion in August from USD10.8 billion in July as exports of goods dropped 1.8% m-o-m to USD41.7 billion and imports rose 8.5% m-o-m to USD34.4 billion.

In Malaysia, the merchandise trade surplus widened to MYR8.5 billion in August from MYR1.9 billion in July. Exports rose 1.5% y-o-y in August to MYR67.6 billion, led by an increase in electrical products and electronics, palm oil and palm-based products, and refined petroleum, among others. Imports rose 4.9% y-o-y in August to MYR59.1 billion.

The People's Republic of China's (PRC) foreign exchange reserves fell to USD3.17 trillion in September from USD3.19 trillion in August. The decline was due to efforts by the

### Asia Bond Monitor September 2016

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10-Year Selected LCY Government Security Yields Close of 7 October 2016  
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.72	-1.91	12.37	-55.13
EU	0.02	3.80	13.90	-60.90
Japan	-0.06	-0.10	3.00	-32.40
PRC	2.74	0.00	0.00	-12.40
Hong Kong, China	1.04	-2.70	-2.70	-54.40
India	6.74	3.90	-8.20	-99.50
Indonesia	7.11	5.70	5.30	-164.30
Korea, Rep. of	1.53	-1.10	10.60	-55.50
Malaysia	3.59	1.40	3.40	-60.10
Philippines	3.69	2.56	4.44	-41.01
Singapore	1.88	2.02	10.68	-71.51
Thailand	2.20	0.90	10.40	-29.60
Viet Nam	6.35	-5.00	-11.30	-82.50

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  - Policy Rate versus Inflation Rate Charts
  - Credit Default Swap Spreads & Exchange Rate Indexes
  - Selected Debt Security Issuances
  - Selected Asia Data Releases

People's Bank of China to stabilize the renminbi prior to a week-long holiday beginning on 1 October.

China Construction Bank listed a US\$600 million bond on Nasdaq Dubai last week. The bond carries a coupon rate of 1.75% and a tenor of 3 years.

Local currency government bond yields in the Republic of Korea and Singapore rose for all tenors largely tracking the uptick in the United States (US) bond yields following the release of better US jobs report. Bond yields mostly rose for all other emerging East Asian markets, except for Viet Nam where yields fell for all maturities. The spread between the 2- and 10-year maturities rose for most markets except for Hong Kong, China; and the Philippines, where yields fell.

Please note that the next issue of the Weekly Debt Highlights will be published on Tuesday, 18 October.

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## Summary Text of News Articles

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### Consumer Price Inflation Accelerates in Indonesia, the Republic of Korea, the Philippines, and Thailand in September; PPI Inflation for Philippine Manufacturing Remains Negative in August

Consumer price inflation in Indonesia remained manageable at 3.1% year-on-year (y-o-y) in September, up from 3.0% y-o-y in August. On a month-on-month (m-o-m) basis, inflation reached 0.2% in September. The Central Statistics Agency said that inflation in September was brought about by increases in the prices of commodities such as red chillies, mobile phone services, house rentals, education, cigarettes, and electricity rates, among others. Bank Indonesia expects inflation in full-year 2016 to average 3.0% y-o-y, which is the lower end of its target range of 3.0%–5.0%.

Consumer price inflation in the Republic of Korea accelerated to 1.2% y-o-y in September from 0.4% y-o-y in August, while on a m-o-m basis the Consumer Price Index (CPI) rose 0.6% in September after falling 0.1% in August, according to the latest CPI report of Statistics Korea released last week. CPI inflation in September was buoyed by food and nonalcoholic beverages, which recorded price increases of 5.6% y-o-y and 4.6% m-o-m.

In the Philippines, headline inflation accelerated to 2.3% y-o-y in September from 1.8% y-o-y in August as six out of eleven commodity groups in the CPI recorded faster y-o-y increases in September than in August, according to the latest CPI inflation report of the Philippine Statistics Authority released last week. On a m-o-m basis, consumer prices rose 0.2% in September following a 0.1% increase in August. In the manufacturing sector, the Producer Price Index fell 4.5% y-o-y and 0.4% m-o-m in August after decreasing 4.1% y-o-y and 0.9% m-o-m in July, according to the Philippine Statistics Authority's latest Producer Price Index report released last week.

Thailand's CPI increased 0.4% y-o-y in September after rising 0.3% y-o-y in August, led by prices for consumer goods, particularly food and nonalcoholic beverages, which rose 1.5% y-o-y in September after gaining 1.9% y-o-y in August. An excise tax on cigarettes contributed to price inflation for tobacco and alcoholic beverages, which gained 13.0% y-o-y in September after rising 13.1% y-o-y in August. Rising costs for medical and personal care, reading and recreation, and apparel and footwear also contributed to inflation. Transportation and communication, and housing and furnishing, which cumulatively account for 49.7% of the index, saw falling prices in August. On a m-o-m basis, the CPI rose 0.04% in September after dipping 0.04% in August.

For inflation trends in Indonesia, refer to this link:

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

For inflation trends in the Republic of Korea, refer to this link:

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

For inflation trends in the Philippines, refer to this link:

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For inflation trends in the 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)

### Singapore's Manufacturing PMI Climbs to 50.1 in September

Singapore's Purchasing Managers Index (PMI) climbed above the 50-point threshold in September to a reading of 50.1 after staying below this threshold point for the past 14 months. More new orders and new exports, and higher factory output led to the slight expansion in September. A PMI reading above 50 indicates that the manufacturing economy is generally expanding, while a reading below 50 indicates a generally contracting economy. The electronics PMI in September also recorded an expansion with a reading of 50.3, up from 50.2 in August.

### The Republic of Korea's Current Account Surplus Narrows in August

The Republic of Korea's current account surplus narrowed to USD5.5 billion in August from USD8.7 billion in July as a result of a monthly decrease in the merchandise trade surplus and a monthly hike in the secondary income deficit, according to the Bank of Korea's balance of payments data released last week. The merchandise trade surplus fell to USD7.3 billion in August from USD10.8 billion in July as exports of goods dropped 1.8% m-o-m to USD41.7 billion while

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**Summary Text of News Articles**

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**The Republic of Korea's Current Account Surplus Narrows in August (cont...)**

imports rose 8.5% m-o-m to USD34.4 billion. The secondary income deficit swelled to USD0.9 billion from USD0.6 billion. Meanwhile, the services income deficit and primary income surplus stood at USD1.5 billion and USD0.6 billion, respectively, in August.

**Merchandise Trade Surplus Widens, Exports and Imports Rise in Malaysia in August**

Malaysia's merchandise trade surplus widened to MYR8.5 billion in August from MYR1.9 billion in July. Exports rose 1.5% y-o-y in August to MYR67.6 billion from MYR59.9 billion in July, led by increases in electrical products and electronics, palm oil and palm-based products, and refined petroleum, among others. Imports rose 4.9% y-o-y in August to MYR59.1 billion from MYR57.9 billion in July. Total trade amounted to MYR126.7 billion in August, up from MYR117.8 billion in July.

**The PRC's Forex Reserves Decline in September**

The People's Republic of China's (PRC) foreign exchange reserves fell to USD3.17 trillion in September from USD3.19 trillion in August. The decline was the result of efforts by the People's Bank of China to stabilize the renminbi prior to a week-long holiday in the PRC beginning on 1 October.

**China Construction Bank Lists Bond on Nasdaq Dubai**

China Construction Bank listed a US\$600 million bond on Nasdaq Dubai last week. The bond carries a coupon rate of 1.75% and a tenor of 3 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	0.32	-0.51	4.15	15.27
EU	-0.67	0.70	1.90	-22.30
Japan	-0.31	7.80	8.50	-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	1.27	0.40	1.50	-27.60
Malaysia	2.82	0.10	0.80	-4.60
Philippines	1.57	43.11	-1.78	-109.88
Singapore	0.77	0.00	6.10	-12.30
Thailand	1.35	0.00	0.00	-14.85

Close of 7 October 2016

### 10-Year Selected LCY Government Bond Yields

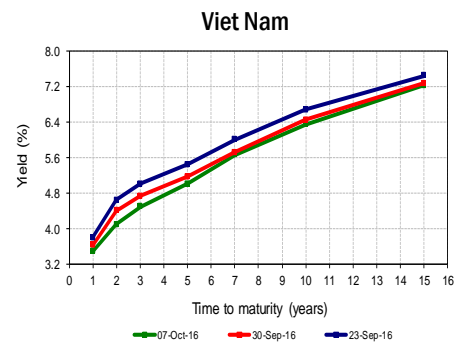
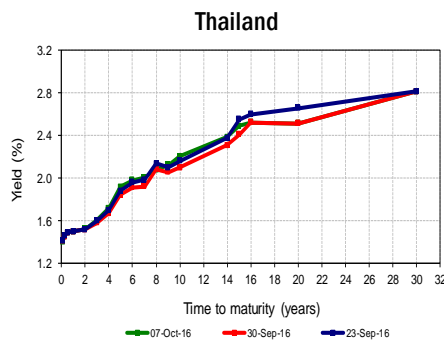
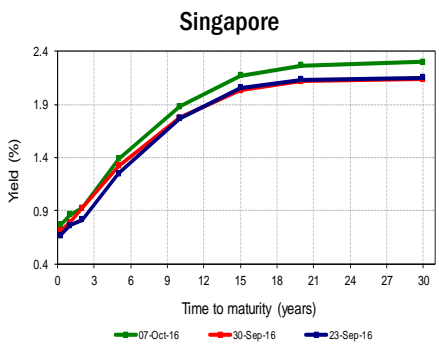
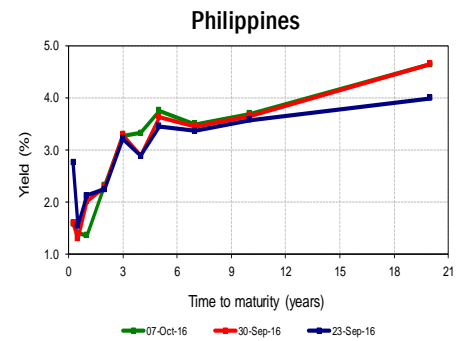
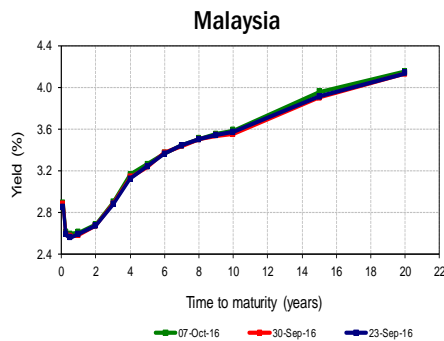
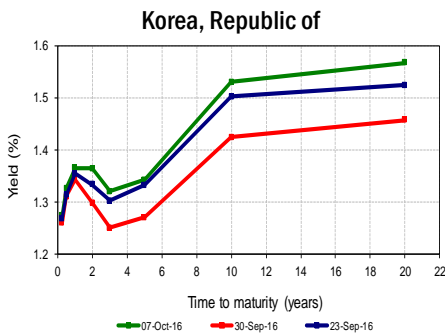
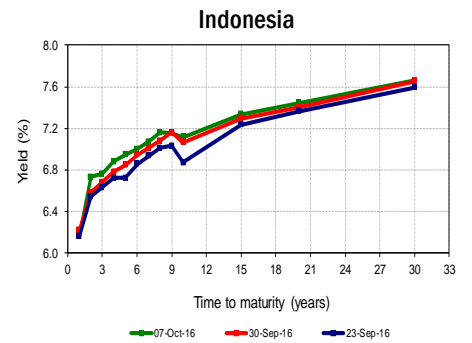
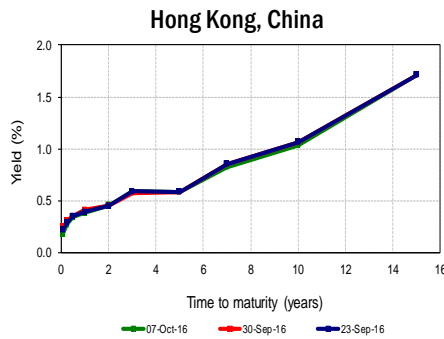
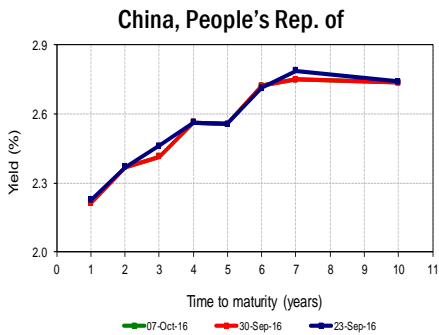
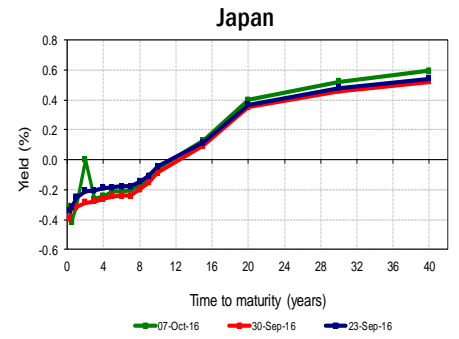
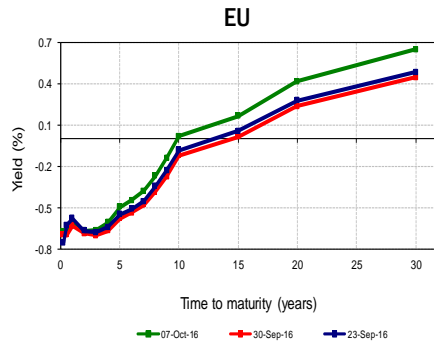
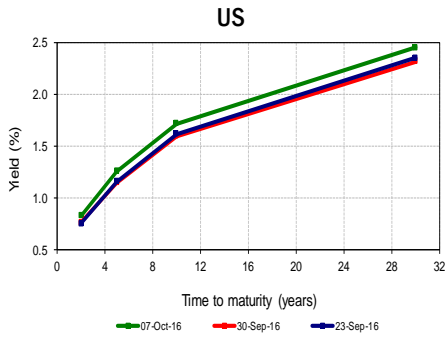
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Thailand	2.20	0.90	10.40	-29.60
Viet Nam	6.35	-5.00	-11.30	-82.50

Close of 7 October 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**

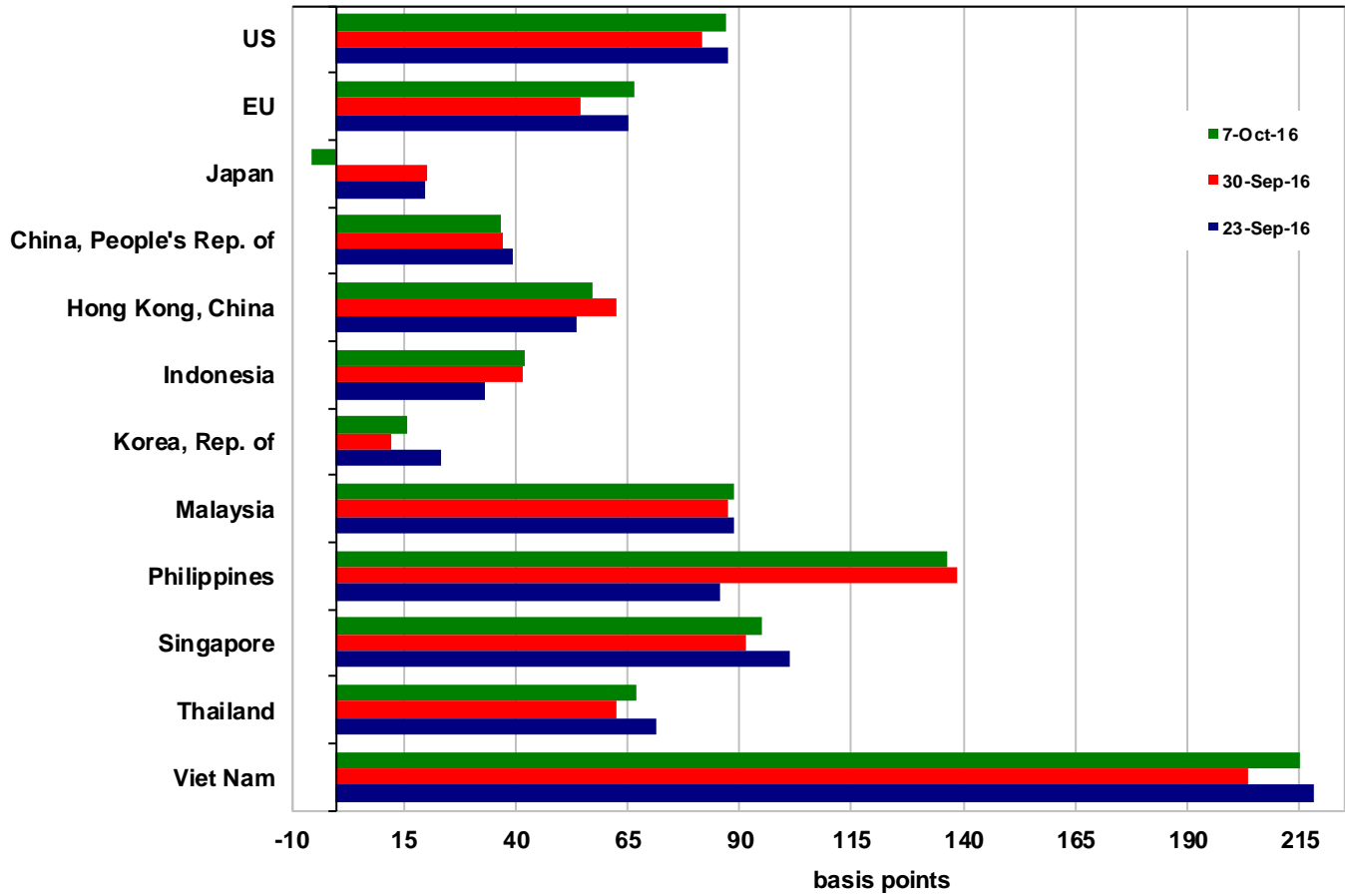
Tip: Zoom-in on the table using the Acrobat zoom tool



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

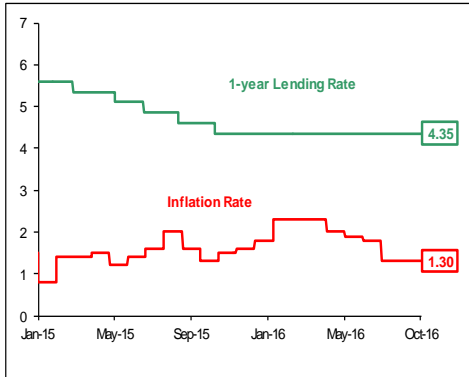


EU = European Union, US = United States.  
 Source: Based on data from Bloomberg LP.

**Policy Rate versus Inflation Rate**

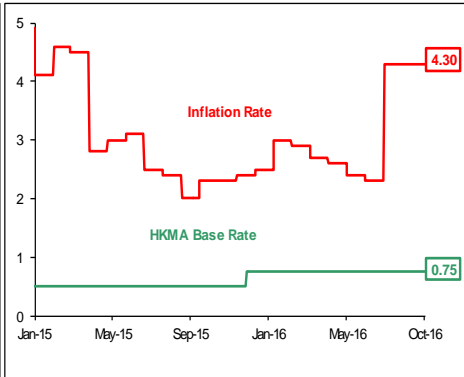
Tip: Zoom-in on the table using the Acrobat zoom tool

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



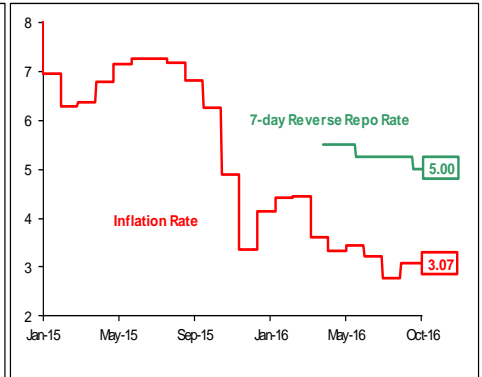
The PRC uses the 1-year lending rate as one of its policy rates.  
Source: Bloomberg LP.

**Hong Kong, China**



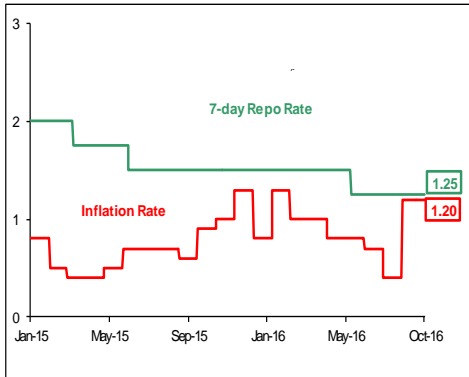
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.  
Source: Bloomberg LP.

**Indonesia**



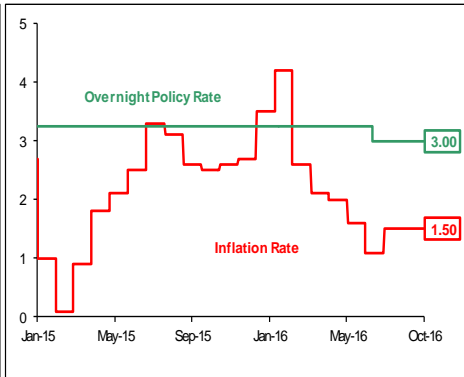
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.  
Source: Bloomberg LP.

**Korea, Republic of**



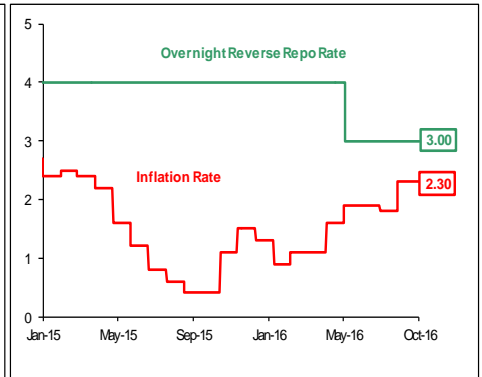
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.  
Source: Bloomberg LP.

**Malaysia**



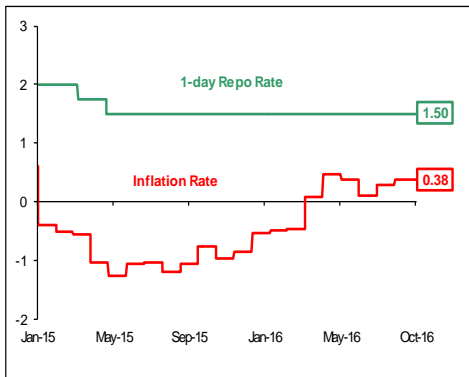
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.  
Source: Bloomberg LP.

**Philippines**



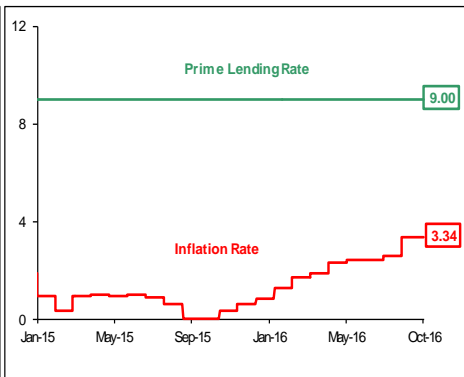
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.  
Source: Bloomberg LP.

**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**

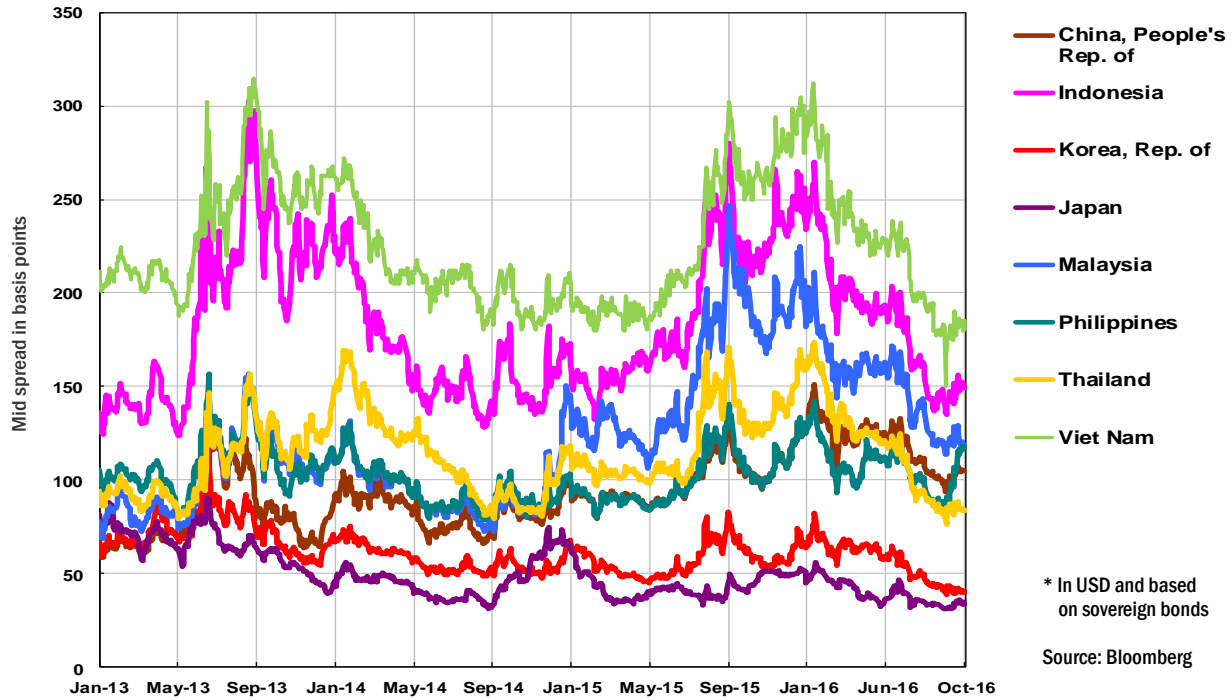


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.  
Source: Bloomberg LP.

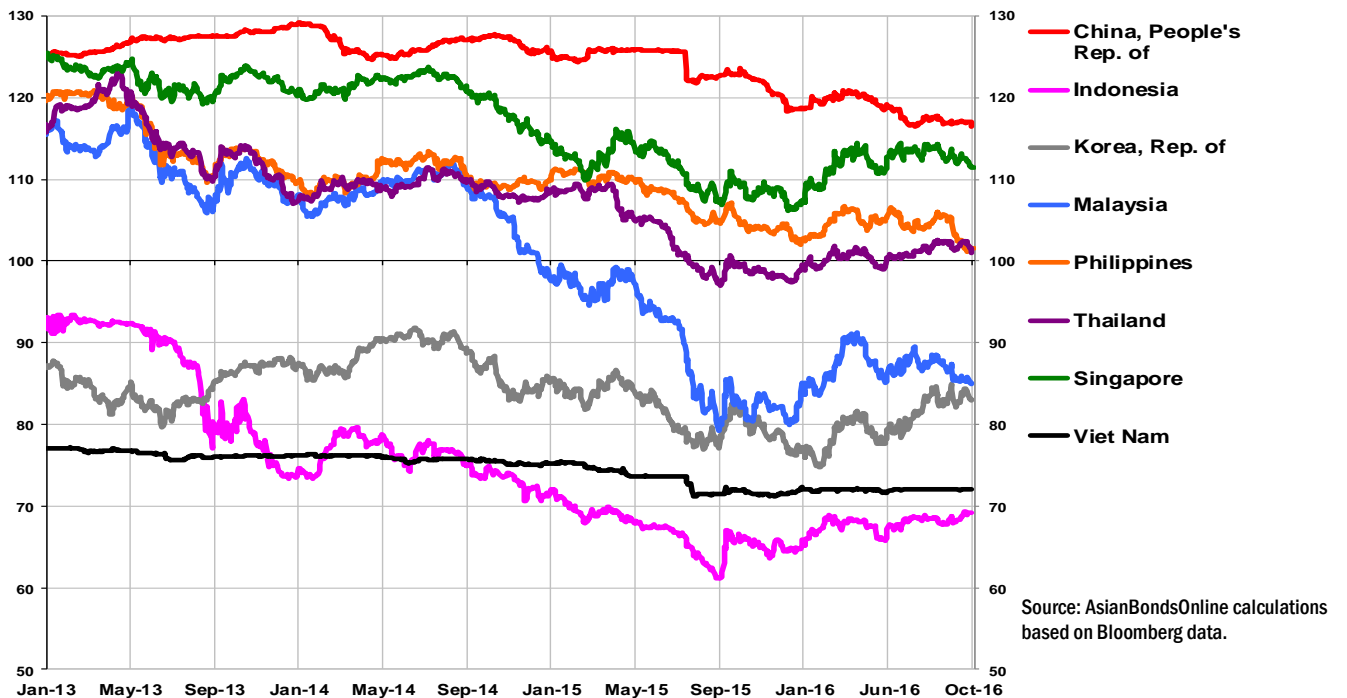
Credit Default Swap Spreads and Exchange Rate Indexes

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 (3 – 7 October 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)
HK	4-Oct	91-day Exchange Fund Bills	0.32		46.43	46.43
		182-day Exchange Fund Bills	0.39		15.00	15.00
		364-day Exchange Fund Bills	0.41		5.00	5.00
	5-Oct	5-year HKSAR Bonds	0.63	1.06	4.00	4.00
ID	4-Oct	6-month Islamic Treasury Bills	5.96			1,000.00
		3-year Project-Based <i>Sukuk</i>	6.69	6.25	3,000.00	1,670.00
		5-year Project-Based <i>Sukuk</i>	6.89	6.50		210.00
		15-year Project-Based <i>Sukuk</i>	7.52	8.88		670.00
JP	4-Oct	10-year Japanese Government Bonds	-0.06	0.10	2,400.00	2,754.30
	5-Oct	6-month Treasury Discount Bills	-0.37		3,500.00	3,499.97
	6-Oct	3-month Treasury Discount Bills	-0.33		4,400.00	4,379.98
KR	4-Oct	91-day Monetary Stabilization Bonds	1.32		1,000.00	1,000.00
		182-day Monetary Stabilization Bonds	1.35		600.00	600.00
		3-year Korea Treasury Bonds	1.27	1.50	900.00	900.00
		3-year Korea Treasury Bonds	1.27	1.25	600.00	600.00
MY	6-Oct	3.5-year Government Investment Issue	3.23		3.50	3.50
SG	4-Oct	28-days MAS Bills	0.26		0.60	0.60
		84-day MAS Bills	0.49		4.20	4.20
	6-Oct	168-day MAS Bills	0.66		2.50	2.50
TH	3-Oct	28-day BOT Bills	1.38		10.00	10.00
		91-day BOT Bills	1.43		35.00	35.00
		183-day BOT Bills	1.49		45.00	45.00
	7-Oct	14-day BOT Bills	1.38		45.00	45.00
		1.35-year BOT Bonds	1.53	1.49	15.00	8.80
VN	5-Oct	5-year Treasury Bonds	4.90		1,000.00	1,000.00
		10-year Treasury Bonds	6.20		1,000.00	1,000.00
		20-year Treasury Bonds	7.72		1,000.00	1,000.00
		30-year Treasury Bonds	7.98		4,000.00	4,000.00

BOT = Bank of Thailand, 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 (11 – 17 October 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Japan</b> <b>Current Account Balance</b> JPY billion AUG	10/11	07/15: 1793.8 08/15: 1624.9 <b>06/16: 974.4</b> <b>07/16: 1,938.2</b>	Japan's current account surplus widened to JPY 1.9 trillion in July from JPY 974 billion in June.
<b>Philippines</b> <b>Exports</b> y-o-y, % AUG	10/11	07/15: -1.0% 08/15: -6.3% <b>06/16: -11.4%</b> <b>07/16: -13.0%</b>	Philippine merchandise exports dropped 13.0% year-on-year (y-o-y) in July after declining 11.4% y-o-y in June.
<b>People's Republic of China</b> <b>Trade Balance</b> USD billion SEP	10/11	08/15: 59.53 09/15: 59.65 <b>07/16: 52.31</b> <b>08/16: 52.05</b>	The People's Republic of China (PRC) reported a trade surplus of USD52.1 billion in September, down from USD52.3 billion in July.
<b>Malaysia</b> <b>Industrial Production</b> y-o-y, % AUG	10/12	07/15: 6.1% 08/15: 2.3% <b>06/16: 5.2%</b> <b>07/16: 4.1%</b>	Malaysia's industrial production growth slowed to 4.1% y-o-y in July from 5.2% y-o-y in June.
<b>Singapore</b> <b>Non-Oil Domestic Exports</b> y-o-y, % SEP	10/12	08/15: -8.4% 09/15: 2.1% <b>07/16: -10.6%</b> <b>08/16: 0.0%</b>	Singapore's non-oil domestic exports were unchanged in August from a year earlier.
<b>Korea, Rep. of</b> <b>7-Day Repurchase Rate</b> % Oct-13	10/13	09/15: 1.50% 10/15: 1.50% <b>08/16: 1.25%</b> <b>09/16: 1.25%</b>	The Bank of Korea's Monetary Policy Board decided on 9 September to maintain the Base Rate (7-day repurchase rate) at 1.25%.
<b>People's Republic of China</b> <b>CPI</b> y-o-y, % SEP	10/13	08/15: 2.0% 09/15: 1.6% <b>07/16: 1.8%</b> <b>08/16: 1.3%</b>	Consumer price inflation in the PRC eased to 1.3% y-o-y in August from 1.8% y-o-y in July.
<b>Indonesia</b> <b>Trade Balance</b> USD billion SEP	10/17	08/15: 326.8 09/15: 1,029.8 <b>07/16: 513.6</b> <b>08/16: 293.6</b>	Indonesia's trade surplus fell to USD293.6 billion in August from USD513.6 billion in July.
<b>Philippines</b> <b>Overseas Filipino Remittances</b> y-o-y, % AUG	10/17	07/15: 6.0% 08/15: -0.6% <b>06/16: 4.8%</b> <b>07/16: -5.4%</b>	Remittances from overseas Filipinos fell 5.4% y-o-y in July, a reversal from the 4.8% y-o-y increase in June.

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 Indonesia, the Republic of Korea, the Philippines, and Thailand in September; PPI Inflation for Philippine Manufacturing Remains Negative in August

- [September Inflation Under Control](#)  
Bank Indonesia (3 October 2016)
- [Consumer Price Index](#)  
Central Statistics Agency (3 October 2016)
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- [Manufacturing economy logs first expansion after 14 months of contraction](#)  
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### China Construction Bank Lists Bond on Nasdaq Dubai

- [China Construction Bank lists 600 mln USD bond on Nasdaq Dubai](#)  
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