

Key Developments in Asian Local Currency Markets

Consumer prices in Japan fell for the sixth consecutive month in September, dipping 0.5% year-on-year (y-o-y), the same pace of decline recorded in August. For the 23rd consecutive month, consumer prices in Singapore contracted in September, albeit at a slower pace of 0.2% y-o-y compared with 0.3% y-o-y in August. The moderation was mainly due to the slower decline in transportation costs, which fell 0.5% y-o-y in September after declining 0.7% y-o-y in August.

Real gross domestic product (GDP) growth in the Republic of Korea stood at 0.7% quarter-on-quarter (q-o-q) and 2.7% y-o-y in the third quarter (Q3) of 2016, according to advance estimates of the Bank of Korea. GDP growth was down from second quarter (Q2) 2016 figures of 0.8% q-o-q and 3.3% y-o-y. The slower q-o-q growth in real GDP originated from weaker growth in private consumption, domestic investment, and exports of goods, as well as a quarterly contraction in manufacturing production. Singapore's manufacturing output increased 6.7% y-o-y in September after gaining only 0.5% y-o-y in August.

Hong Kong, China's exports increased 3.6% y-o-y in September after rising 0.8% y-o-y in August. Imports rose 4.1% y-o-y in September, up from 2.8% y-o-y growth in August. Japan's exports fell 6.9% y-o-y to JPY5.97 trillion in September, while imports declined 16.3% y-o-y to JPY5.47 trillion. A trade surplus of JPY497.6 billion was recorded in September.

On 21 October, the Prime Minister of Malaysia announced the release of the 2017 federal budget with a total allocation of MYR260.8 billion, a 3.4% increase from the 2016 revised budget. The government also announced a 2017 fiscal deficit target of MYR40.3 billion, or 3.0% of GDP, down from this year's target of 3.1%. The economy is expected to grow 4.0%–5.0% y-o-y in 2017, with annual inflation of 2.0%–3.0%.

The Bangko Sentral ng Pilipinas announced that its Monetary Board approved the inclusion of the Chinese renminbi in its official international reserves effective 13 October.

The Government of Indonesia raised IDR19.691 trillion from the sale of retail bond series ORI013. The bonds have a maturity of 3 years and a coupon rate of 6.60%.

Hong Kong, China's MTR Corporation issued its first green bond last week. The issue size was USD600 million. The bond has a

Asia Bond Monitor September 2016

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10-Year Selected LCY Government Security Yields Close of 28 October 2016
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	1.85	-0.68	11.21	-42.26
EU	0.17	-0.30	16.10	-46.20
Japan	-0.04	1.00	1.00	-30.70
PRC	2.71	-0.40	5.50	-14.80
Hong Kong, China	1.11	6.00	13.10	-46.70
India	6.79	0.10	3.30	-93.60
Indonesia	7.29	16.90	20.80	-147.00
Korea, Rep. of	1.72	5.70	8.50	-36.30
Malaysia	3.61	2.00	-0.50	-57.50
Philippines	3.93	-51.07	4.17	-16.61
Singapore	1.93	6.90	6.86	-66.65
Thailand	2.15	3.40	5.40	-35.10
Viet Nam	6.20	10.00	0.00	-97.50

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- ▶ 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

maturity of 10 years, a coupon rate of 2.5%, and was priced to yield 2.537%. Petron Corporation, an oil-refining and marketing firm in the Philippines, raised PHP20 billion from a dual-tranche, fixed-rate retail bond sale last week. The transaction comprised a PHP13 billion 5-year bond with an interest rate of 4.0032% and a PHP7 billion 7-year bond with an interest rate of 4.5219%.

LCY government bond yields last week rose for all tenors in the Republic of Korea; and for most tenors in the PRC; Hong Kong, China; Indonesia; the Philippines; Singapore; and Thailand. Yields fell for all tenors in Malaysia. Meanwhile, yield movements were mixed in Viet Nam. Yield spreads between the 2-year and 10-year maturities narrowed for all markets except in the PRC, Indonesia, and Thailand.

Summary Text of News Articles

Consumer Prices Continue to Fall in Japan and Singapore

Consumer prices in Japan fell for the sixth consecutive month in September, dipping 0.5% year-on-year (y-o-y), the same pace of decline recorded in August. The indexes for housing; fuel, light, and water charges; furniture and household utensils; and transport and communications continued to contract in September. Meanwhile, food prices rose 0.6% y-o-y in September. On a month-on-month (m-o-m) basis, consumer prices rose 0.2%.

For the 23rd consecutive month, consumer prices in Singapore continued to contract in September, although at a slower pace of 0.2% y-o-y after declining 0.3% y-o-y in August. The moderation was mainly due to the slower decline in transportation costs, which fell 0.5% y-o-y in September after declining 0.7% y-o-y in August. Meanwhile, food prices rose 2.2% y-o-y in September, up from a 2.0% y-o-y gain in August. Meanwhile, the cost of housing and utilities fell 4.3% y-o-y in September, the same pace recorded in the previous month. Transport and food costs account for a cumulative 37.5% of the consumer price index. Excluding private transport and accommodation costs, the Monetary Authority of Singapore's core inflation measure rose 0.9% y-o-y in September, slightly lower than the 1.0% increase in August. On a m-o-m basis, consumer prices were unchanged in September.

For inflation rate trends in Japan, refer to this link:

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

The Republic of Korea's GDP Growth Decelerates in Q3 2016; Singapore's Manufacturing Output Rises in September

Real gross domestic product (GDP) growth in the Republic of Korea stood at 0.7% quarter-on-quarter (q-o-q) and 2.7% y-o-y in the third quarter (Q3) of 2016, according to advance estimates of the Bank of Korea released last week. GDP growth was lower compared with second quarter 2016 figures of 0.8% q-o-q and 3.3% y-o-y. The slower q-o-q growth in real GDP in Q3 2016 was due to weaker gains in private consumption, domestic investment, and exports of goods, as well as a quarterly contraction in manufacturing production. The lower y-o-y GDP growth rate resulted from slower growth in private consumption and in the production of the construction, manufacturing, and services sectors, as well as contractions in agriculture, forestry, and fishing production.

Based on data from the Singapore Economic Development Board, Singapore's manufacturing output increased 6.7% y-o-y in September after gaining only 0.5% y-o-y in August. The increase in September came mainly from the 22.2% y-o-y expansion in biomedical manufacturing following a decline of 8.8% y-o-y in August. Output in three other manufacturing clusters also expanded on a y-o-y basis in September: precision engineering (5.4%), electronics (15.9%), and general manufacturing (5.6%). Excluding the biomedical cluster, manufacturing output expanded 3.5% y-o-y in September, up from 2.9% y-o-y in August.

Hong Kong, China's Exports and Imports Rise in September; Japan's Exports and Imports Fall in September

Hong Kong, China's exports rose 3.6% y-o-y in September after gaining 0.8% y-o-y in August. Imports rose 4.1% y-o-y in September compared with a 2.8% y-o-y gain in the previous month. The rise in growth was driven by demand from Asia, with exports to the region rising 4.9% y-o-y. Y-o-y declines were noted in exports to Germany (-16.3%), the United States (-1.2%), and the United Kingdom (-0.8%). On a m-o-m basis, Hong Kong, China's exports grew 5.9% and imports grew 7.6%, leading to a trade deficit of HKD39.7 billion in September compared with HKD32 billion in August. The government said that while exports improved in September, the external environment remains uncertain and requires monitoring.

Japan's exports fell 6.9% y-o-y to JPY5.97 trillion in September from JPY6.40 trillion in September 2015. Imports declined at a faster pace of 16.3% y-o-y to JPY5.47 trillion in September from JPY6.53 trillion a year earlier. A trade surplus of JPY497.6 billion was recorded in September.

Summary Text of News Articles

Malaysian Prime Minister Announces 2017 Federal Budget

On 21 October, the Prime Minister of Malaysia announced the release of the 2017 federal budget with a total allocation of MYR260.8 billion, a 3.4% increase from the 2016 revised budget. The government also announced a 2017 fiscal deficit target of MYR40.3 billion, or 3.0% of GDP, down from this year's target of 3.1%. The federal government's revenue collection is expected to increase 3.0% y-o-y to MYR219.7 billion. The Prime Minister also noted the decline in revenue due to the continued fall in oil prices, with an estimated reduction in revenue of MYR30 billion. Collections from the implementation of the Goods and Services Tax, launched in April 2015, reached MYR30 billion for the year through 19 October 2016. The economy is expected to grow 4.0%–5.0% in 2017, with inflation of 2.0%–3.0%.

BSP Includes Chinese Renminbi in its Official International Reserves

The Bangko Sentral ng Pilipinas (BSP) announced that its Monetary Board approved the inclusion of the Chinese renminbi in its official international reserves effective 13 October. The BSP stated that the Monetary Board's decision was based on the inclusion of the Chinese renminbi in the basket of currencies used in determining the International Monetary Fund's Special Drawing Rights that took effect on 1 October as well as increased economic linkages between the People's Republic of China and the Philippines.

Indonesia Raises IDR19.691 Trillion from the Sale of Retail Bonds

The Government of Indonesia raised IDR19.691 trillion from the sale of retail bond series ORI013. The bonds have a maturity of 3 years and a coupon rate of 6.60%. A total of 34,331 investors subscribed to the issue. The largest investor groups were private sector employees and entrepreneurs, which accounted for shares of 24.9% and 22.9%, respectively.

**MTR Corporation Issues Its First Green Bond;
Petron Corporation Raises PHP20 Billion from Dual-Tranche Retail Bond Sale**

Hong Kong, China's MTR Corporation issued its first green bond last week. The bond has an issue size of USD600 million, a maturity of 10 years, and a coupon rate of 2.5%. The bond was priced to yield 2.537%.

Petron Corporation, an oil-refining and marketing firm in the Philippines, raised PHP20 billion from a dual-tranche, fixed-rate retail bond sale last week. The transaction comprised a PHP13 billion 5-year bond carrying an interest rate of 4.0032% and a PHP7 billion 7-year bond with an interest rate of 4.5219%.

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	-4.57	11.63
EU	-0.72	0.80	-2.90	-27.50
Japan	-0.26	1.90	4.00	-22.30
PRC	2.63	0.00	0.00	45.00
Hong Kong, China	0.33	0.00	0.00	25.80
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.32	0.40	1.80	-22.60
Malaysia	2.79	0.90	-1.20	-7.50
Philippines	1.56	1.07	-7.68	-110.96
Singapore	0.79	0.00	-4.80	-10.10
Thailand	1.35	0.00	0.00	-14.85

Close of 28 October 2016

10-Year Selected LCY Government Bond Yields

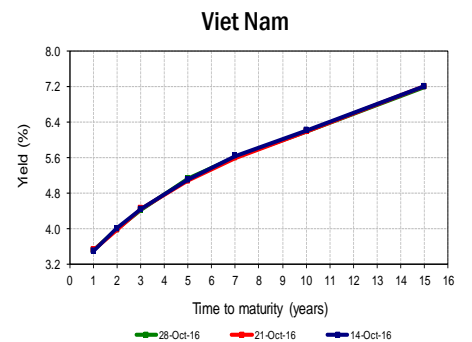
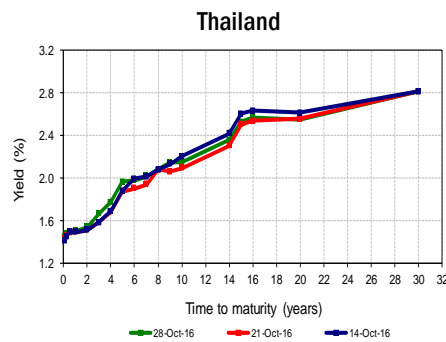
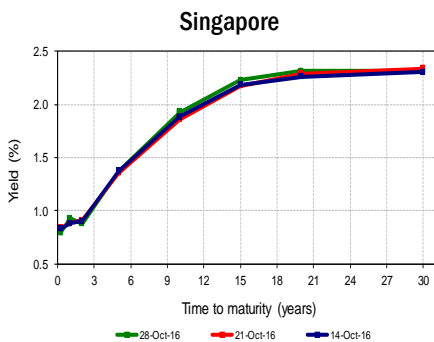
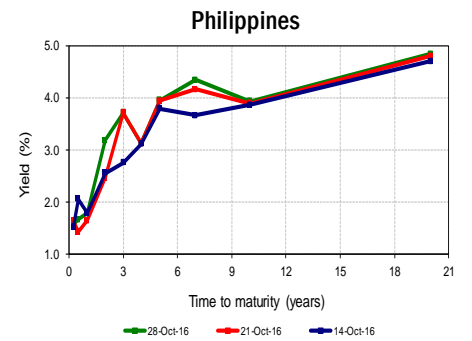
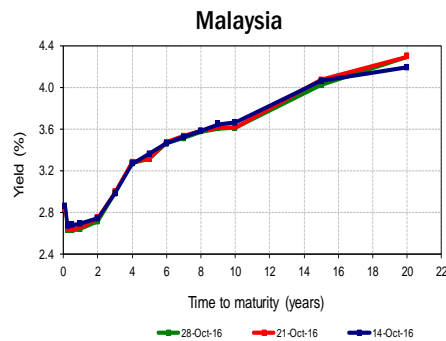
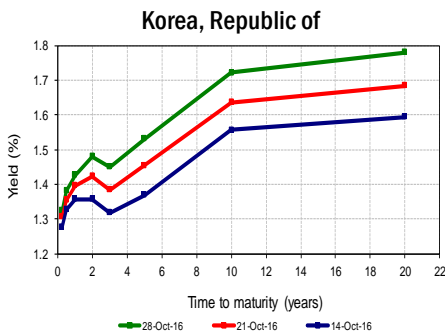
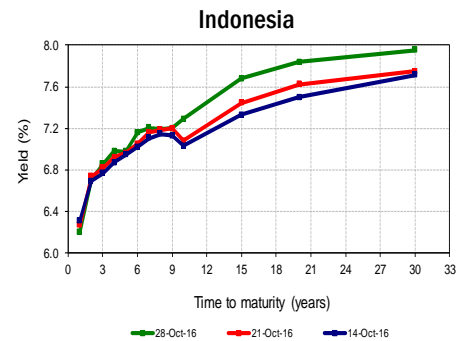
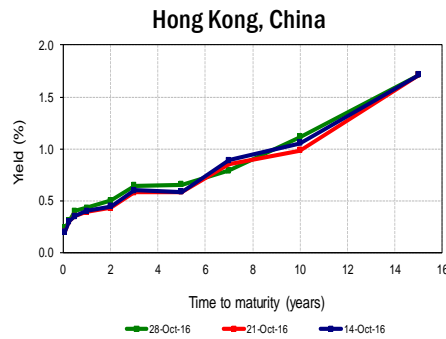
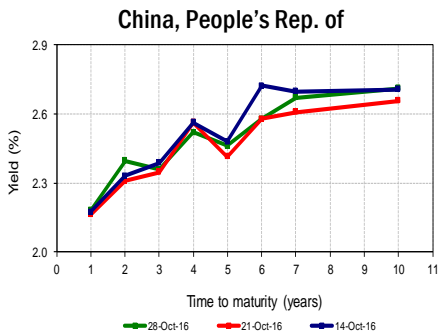
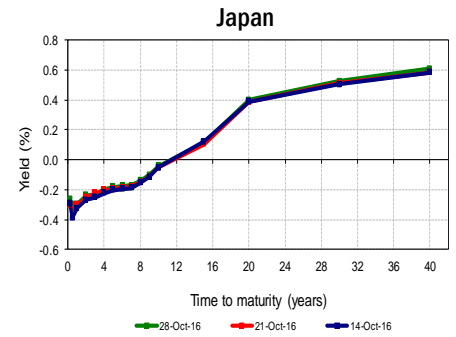
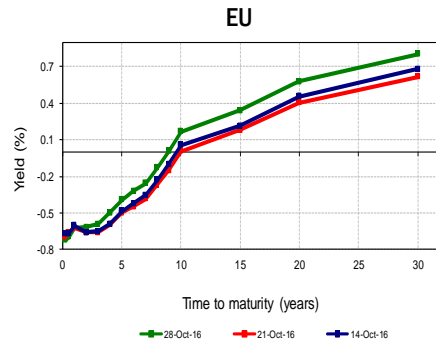
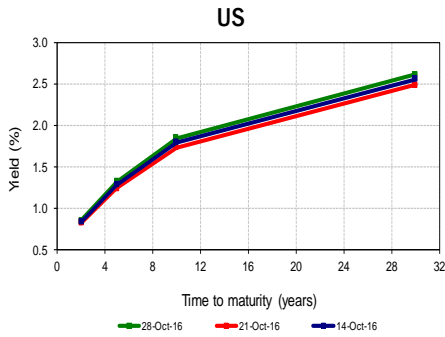
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India	6.79	0.10	3.30	-93.60
Indonesia	7.29	16.90	20.80	-147.00
Korea, Rep. of	1.72	5.70	8.50	-36.30
Malaysia	3.61	2.00	-0.50	-57.50
Philippines	3.93	-51.07	4.17	-16.61
Singapore	1.93	6.90	6.86	-66.65
Thailand	2.15	3.40	5.40	-35.10
Viet Nam	6.20	10.00	0.00	-97.50

Close of 28 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

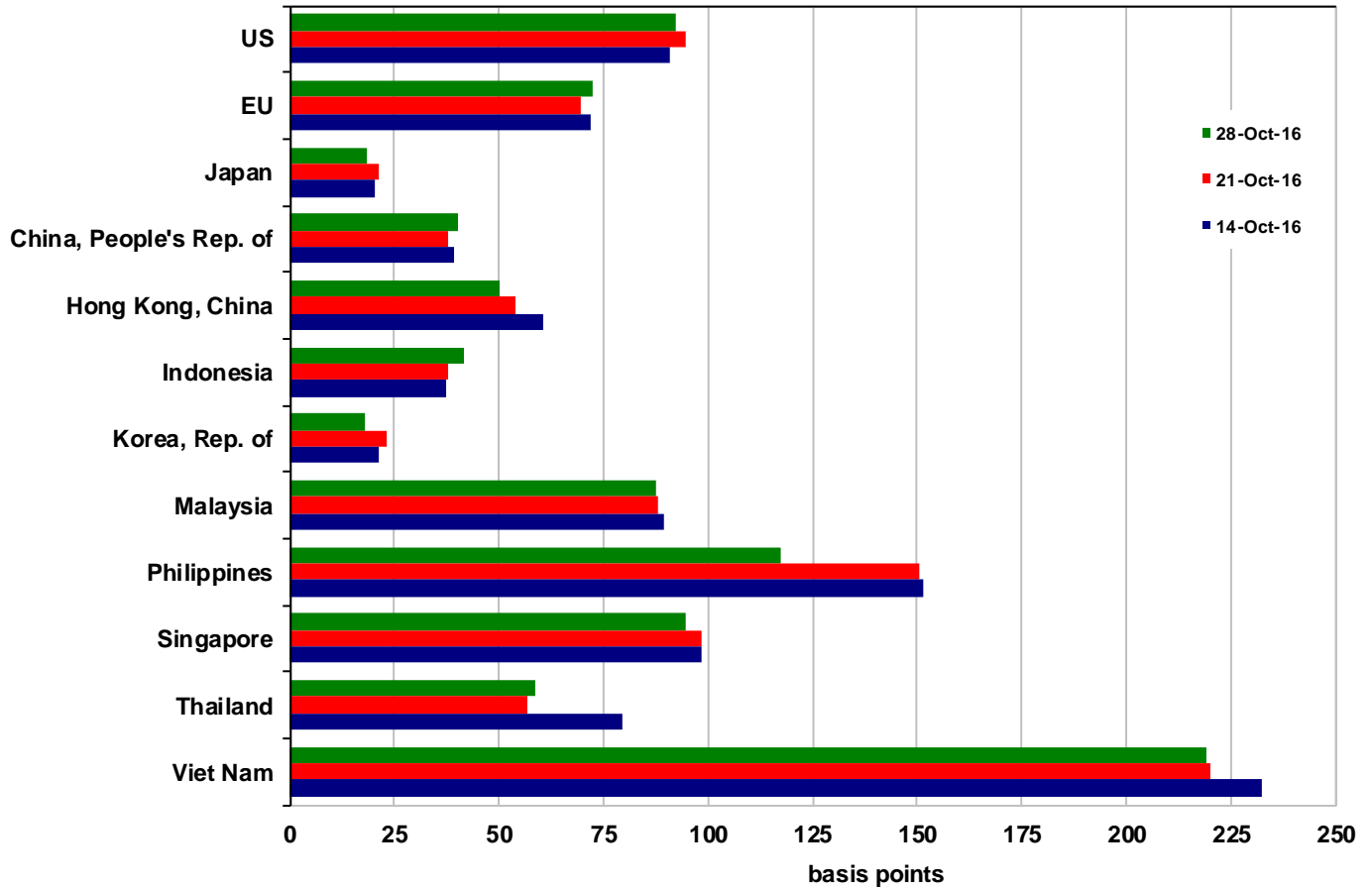
Tip: Zoom-in on the table using the Acrobat zoom tool



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

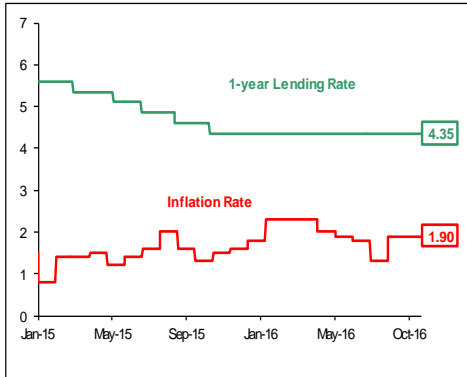


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

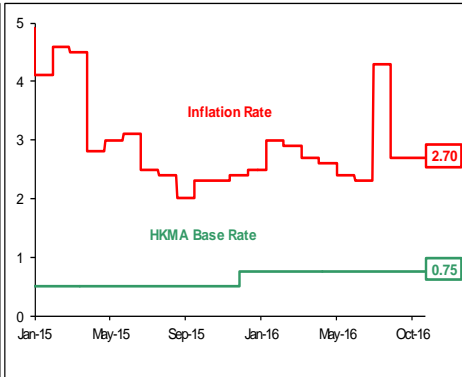
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



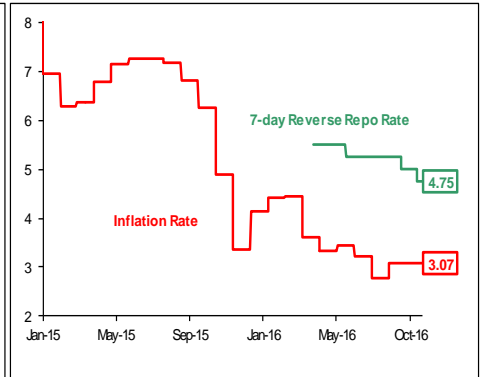
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



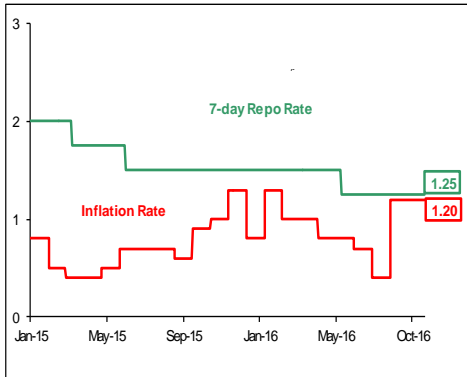
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



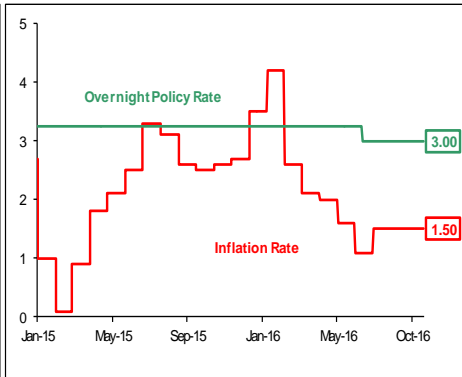
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



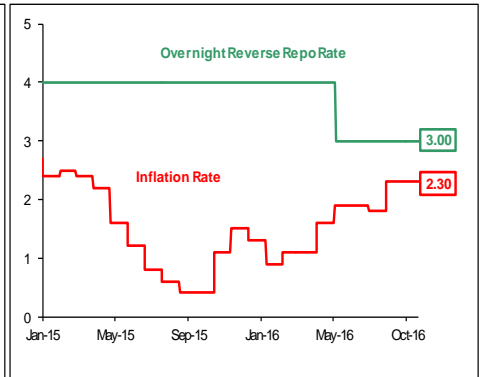
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



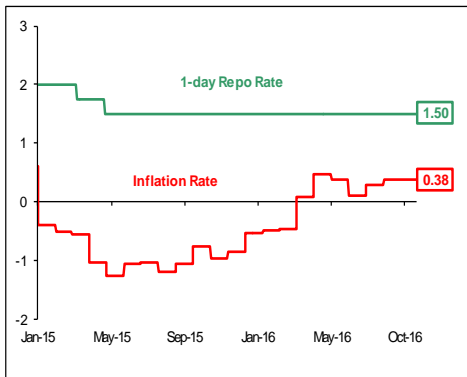
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



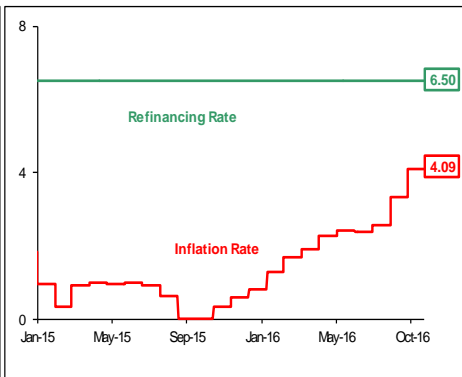
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

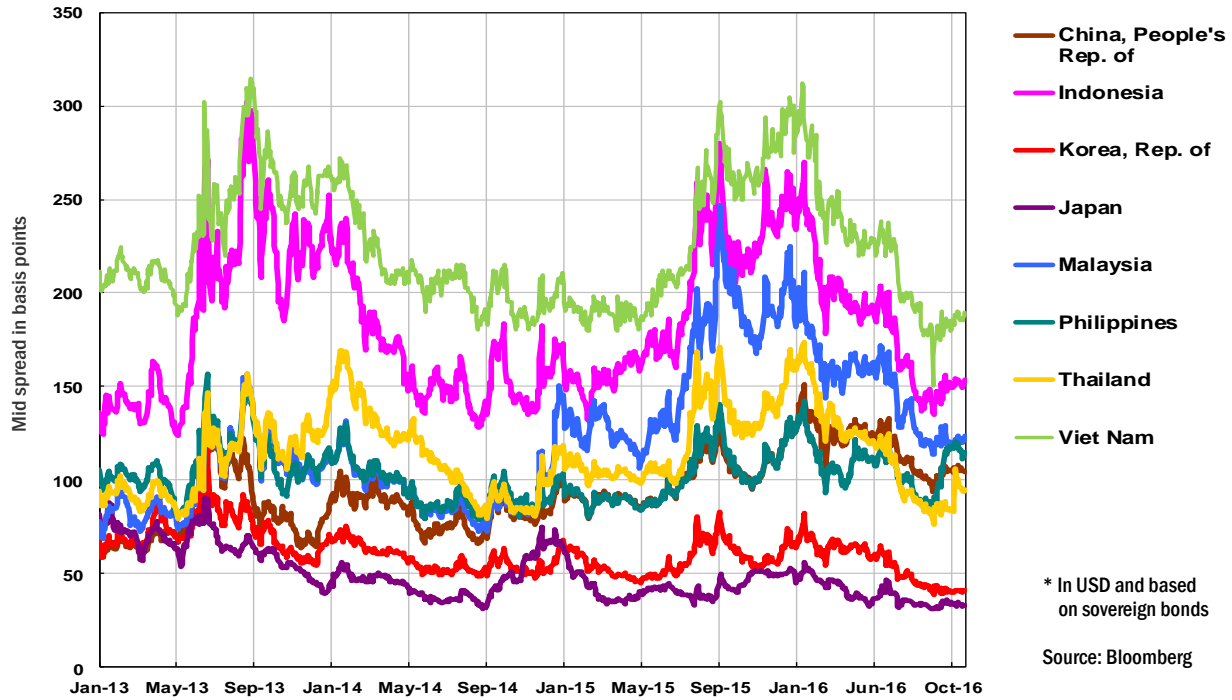


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

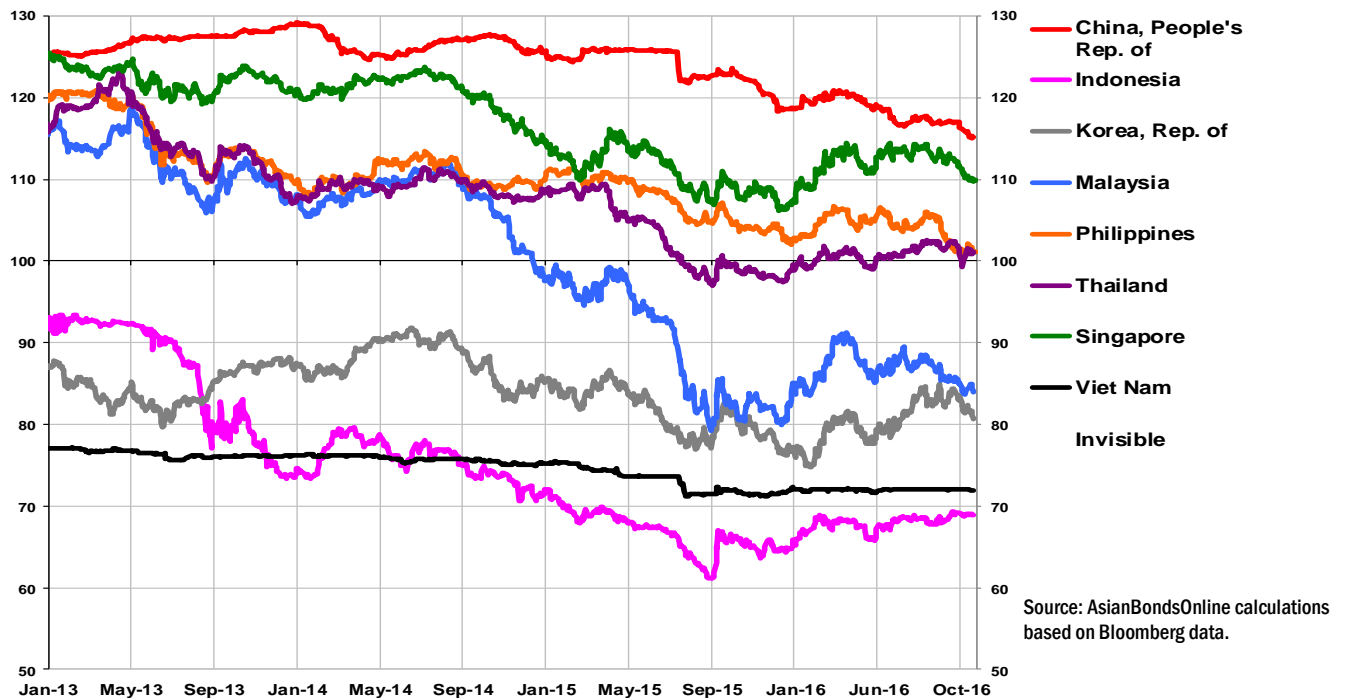
Credit Default Swap Spreads and Exchange Rate Indexes

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 (24 – 28 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)
CN	26-Oct	3-year Treasury Bonds	2.29	2.29	28.00	28.46
		7-year Treasury Bonds	2.62	2.75	28.00	28.26
HK	25-Oct	91-day Exchange Fund Bills	0.33		45.79	45.79
		182-day Exchange Fund Bills	0.42		15.00	15.00
ID	25-Oct	9-month Treasury Bills	5.99			1,900.00
		11-year Treasury Bonds	7.04			7,400.00
		15-year Treasury Bonds	7.41		10,000.00	400.00
		20-year Treasury Bonds	7.60			1,500.00
		28-year Treasury Bonds	7.73			420.00
JP	25-Oct	20-year Japanese Government Bonds	0.36	0.50		1,215.30
	27-Oct	3-month Treasury Discount Bills	-0.26		4,400.00	4,379.97
		2-year Japanese Government Bonds	-0.24	0.10	2,300.00	2,613.90
KR	24-Oct	91-day Monetary Stabilization Bonds	1.37		2,300.00	700.00
		1-year Monetary Stabilization Bonds	1.44		700.00	700.00
		20-year Korea Treasury Bonds	1.67	1.50	550.00	550.00
MY	28-Oct	20-year Malaysian Government Securities	4.30	4.25	2.00	2.00
SG	25-Oct	28-day MAS Bills	0.13		0.70	0.70
		84-day MAS Bills	0.43		4.20	4.20
TH	25-Oct	28-day Bank of Thailand Bonds	1.43		10.00	10.00
		91-day Bank of Thailand Bonds	1.47		35.00	35.00
		182-day Bank of Thailand Bonds	1.49		45.00	45.00
		364-day Bank of Thailand Bonds	1.50		45.00	45.00
	26-Oct	5.64-year Government Bonds	1.92	1.88	30.00	30.00
	28-Oct	14-day Bank of Thailand Bonds	1.44		45.00	45.00
VN	26-Oct	7-year Treasury Bonds	7.98		1,000.00	700.00
		30-year Treasury Bonds	5.45		1,000.00	1,000.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (1 – 7 November 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
China, People's Rep. of Manufacturing PMI Index OCT	11/01	09/15: 49.8 10/15: 49.8 08/16: 50.4 09/16: 50.4	The People's Republic of China's (PRC) Purchasing Managers Index (PMI) for the manufacturing sector stood at 50.4 in September, the same level as in August.
China, People's Rep. of Nonmanufacturing PMI Index OCT	11/01	09/15: 53.4 10/15: 53.1 08/16: 53.5 09/16: 53.7	The nonmanufacturing PMI in the PRC inched up to 53.7 in September from 53.5 in August.
Indonesia CPI y-o-y, % OCT	11/01	09/15: 6.8% 10/15: 6.3% 08/16: 2.8% 09/16: 3.1%	Consumer price inflation in Indonesia climbed to 3.1% year-on-year (y-o-y) in September from 2.8% y-o-y in August.
Korea, Rep. of CPI y-o-y, % OCT	11/01	09/15: 0.6% 10/15: 0.9% 08/16: 0.4% 09/16: 1.2%	The Republic of Korea's overall consumer prices, based on the Consumer Price Index (CPI), rose 1.2% y-o-y in September compared with 0.4% y-o-y in August.
Korea, Rep. of Trade Balance USD million OCT	11/01	09/15: 8,896 10/15: 6,596 08/16: 5,303 09/16: 7,105	The merchandise trade surplus of the Republic of Korea widened to USD7.1 billion in September from USD5.3 billion in August. The monthly uptick in the trade-in-goods surplus arose from a month-on-month (m-o-m) increase in merchandise exports and a m-o-m drop in importable items.
Korea, Rep. of Current Account Balance USD million SEPT	11/01	08/15: 8,547 09/15: 10,846 07/16: 8,672 08/16: 5,513	The Republic of Korea's current account surplus narrowed to USD5.5 billion in August from USD8.7 billion in July. The monthly drop largely stemmed from a m-o-m decrease in the merchandise trade surplus and a m-o-m increase in the secondary income deficit.
Thailand CPI y-o-y, % OCT	11/01	09/15: -1.1% 10/15: -0.8% 08/16: 0.3% 09/16: 0.4%	Consumer price inflation in Thailand rose 0.4% y-o-y in September after gaining 0.3% in August, the sixth consecutive month of inflation since Thailand escaped deflation in April.
Singapore PMI Index OCT	11/02	09/15: 48.6 10/15: 48.9 08/16: 49.8 09/16: 50.1	The PMI in Singapore was 50.1 in September after registering a reading of 49.8 in August. A score above 50.0 indicates the manufacturing economy is generally improving.
China, People's Rep. of Current Account Balance USD billion Q3 2016	11/04	Q2 2015: 88.0 Q3 2015: 65.5 Q1 2016: 39.3 Q2 2016: 64.2	The PRC's current account surplus widened to USD64.2 billion in the second quarter (Q2) of 2016 from USD39.34 billion in the first quarter (Q1) of 2016.
Philippines CPI y-o-y, % OCT	11/04	09/15: 0.4% 10/15: 0.4% 08/16: 1.8% 09/16: 2.3%	The Philippines' headline inflation rate climbed to 2.3% y-o-y in September from 1.8% y-o-y in August, buoyed by faster price increases in six out of eleven commodity groups in the CPI.
Malaysia Trade Balance MYR billion SEPT	11/04	08/15: 10.2 09/15: 9.7 07/16: 1.9 08/16: 8.5	Malaysia's trade surplus widened to MYR8.5 billion in August from MYR1.9 billion in July.
Indonesia GDP y-o-y, % Q3 2016	11/04 to 11/07	Q2 2015: 4.7% Q3 2015: 4.7% Q1 2016: 4.9% Q2 2016: 5.2%	Real gross domestic product growth (GDP) growth in Indonesia rose to 5.2% y-o-y in Q2 2016 from 4.9% y-o-y in Q1 2016.

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 Prices Continue to Fall in Japan and Singapore

- [Japan September 2016, Ku-area of Tokyo October 2016 \(preliminary\)](#)
Statistics Bureau (28 October 2016)
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