

Key Developments in Asian Local Currency Markets

Last week, the Federal Reserve Open Market Committee raised the target range of its key policy rate, the federal funds rate, by 25 basis points from 0.25% and 0.50% to between 0.50% and 0.75%. The Federal Reserve said that the increase was supported by steady economic growth in the latter half of the year and an improving labor market. The Federal Reserve expects that inflation will reach its 2.0% target over the medium term.

➤ Hong Kong, China raised by 50 bps its base rate to 1.0%, following the United States Federal Reserve's hike of the target range of the Federal Funds rate. Bank Indonesia's Board of Governors decided to keep its 7-day reverse repurchase rate unchanged at 4.75% during its meeting on 14–15 December. The deposit facility rate (4.00%) and lending facility rate (5.50%) were also held steady. The Bank of Korea's Monetary Policy Board decided to keep the base rate unchanged at 1.25% during its meeting on 15 December. The decision was made on the back of the board's forecast of moderate domestic and global economic growth, with downside risks to future growth coming from uncertainties over domestic and external conditions.

➤ The People's Republic of China's industrial sector grew 6.2% year-on-year (y-o-y) in November after growing 6.1% y-o-y in October. Japan's final industrial production growth for October was adjusted to -1.4% y-o-y from a preliminary estimate of -1.3% y-o-y. On a month-on-month and seasonally adjusted basis, final October industrial production growth registered no change from a preliminary estimate of 0.1%.

➤ Indonesia's exports and imports in November rose 21.3% y-o-y to USD13.5 billion and 9.9% y-o-y to USD12.7 billion, respectively, resulting in a trade surplus of USD838 million. Singapore's non-oil domestic exports (NODX) rose 11.5% y-o-y in November after contracting 12.0% y-o-y in October. In November, electronic NODX grew 3.5% y-o-y and non-electronic NODX expanded 15.3% y-o-y.

➤ Personal remittances from overseas Filipinos amounted to USD2.3 billion in October, bringing cumulative personal remittances for January–October to USD24.4 billion. Cash remittances coursed through banks amounted to USD2.1 billion in October,

Asia Bond Monitor November 2016

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

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-16*
US	2.59	-0.51	12.41	32.22
EU	0.31	-5.10	-5.10	-31.50
Japan	0.08	-0.90	2.00	-18.40
PRC	3.29	-9.00	17.80	43.30
Hong Kong, China	1.89	4.90	31.70	31.30
India	6.51	-1.60	6.50	-122.40
Indonesia	7.98	0.80	32.30	-77.30
Korea, Rep. of	2.16	-2.50	-4.00	7.50
Malaysia	4.32	11.00	20.90	13.80
Philippines	5.01	3.93	41.24	90.54
Singapore	2.52	-1.33	11.68	-7.47
Thailand	2.85	8.10	15.70	35.10
Viet Nam	6.40	8.70	16.00	-77.50

- TABLES & GRAPHS
- ▶ Selected Government Security Yields
 - ▶ Benchmark Yield Curves - Local Currency Government Bonds
 - ▶ 2-versus-10 Yield Spread Chart
 - ▶ Policy Rate versus Inflation Rate Charts
 - ▶ Credit Default Swap Spreads & Exchange Rate Indexes
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reaching a total of USD22.1 billion in the first 10 months of the year.

➤ The employment rate in the Philippines improved to 95.3% in October from 94.4% a year earlier. Accordingly, the October unemployment rate hits its lowest level in 11 years at 4.7%. The underemployment rate worsened to 18.0% in October from 17.6% a year earlier.

➤ Singapore's retail sales amounted to SGD3.7 billion in October, reflecting a 2.2% y-o-y increase for the second month in a row.

➤ Local currency government bond yields rose for all tenors in Hong Kong, China, Indonesia, Malaysia, Singapore, and Viet Nam, and for most tenors in the People's Republic of China, and Thailand. On the other hand, yields for all tenors in the Republic of Korea fell while yield movements in the Philippines were mixed. Yield spreads between the 2-year and 10-year tenors widened in all markets except for Indonesia, the Philippines, Singapore, Thailand, and Viet Nam.

➤ The 19 December issue of Weekly Debt Highlights is the last for 2016. Issuance will resume on 9 January 2017.

Summary Text of News Articles

Federal Reserve Raises Federal Funds Rate Target

Last week, the Federal Reserve Open Market Committee raised the target range of its key policy rate, the Federal Funds rate, by 25 basis points from 0.25% and 0.50% to between 0.50% and 0.75%. In its decision, the Federal Reserve said that the increase was supported by steady economic growth in the latter half of the year and an improving labor market. The Federal Reserve also expects that inflation will reach its 2.0% target over the medium term.

Bank Indonesia Leaves Policy Rate Unchanged at 4.75%; The Bank of Korea Keeps the Base Rate Unchanged at 1.25%

In its meeting held on 14–15 December, Bank Indonesia's Board of Governors decided to keep its 7-day reverse repurchase (repo) rate unchanged at 4.75%. The deposit facility rate (4.00%) and lending facility rate (5.50%) were also held steady. Bank Indonesia noted that the decision to keep the policy rate steady is deemed consistent with efforts to boost the economic recovery and preserve macroeconomic stability.

The Bank of Korea's Monetary Policy Board decided to keep the base rate unchanged at 1.25% during its meeting on 15 December. The decision was made on the back of the board's forecast of moderate domestic and global economic growth, with downside risks to future growth coming from uncertainties over domestic conditions such as growing household debt and external conditions such as monetary policy normalization in the United States. The base rate was last cut in June by 0.25 percentage points.

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

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

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

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

The People's Republic of China's Industrial Production Rises in November; Japan's Industrial Production Growth Falls in October

The People's Republic of China's industrial sector, as indicated by the total value-added of industrial enterprises above a certain size, grew 6.2% year-on-year (y-o-y) in November after growing 6.1% y-o-y in October. Of the PRC's three major sectors, only mining and quarrying declined, falling 2.9% y-o-y. Manufacturing rose 6.7% y-o-y and the production and distribution of electricity, heating power, gas, and water grew 9.9% y-o-y.

Japan's final industrial production growth for October was adjusted to -1.4% y-o-y from a preliminary estimate of -1.3% y-o-y. The shipments index was revised down to -2.0% y-o-y from an initial estimate of -1.8% y-o-y, while the inventory ratio index was revised upward to 1.1% y-o-y from 0.8% y-o-y. The contraction in the inventories index was maintained at -3.0% y-o-y. On a month-on-month (m-o-m) and seasonally adjusted basis, final October industrial production growth registered no change from a preliminary estimate of 0.1%.

Indonesia Posts USD838 Million Trade Surplus in November; Non-Oil Domestic Exports in Singapore Rise in November

Exports from Indonesia rose sharply in November, gaining 21.3% y-o-y to USD13.5 billion after rising 5.1% y-o-y in October. Imports surged 9.9% y-o-y to USD12.7 billion in November, following 3.6% y-o-y growth in the previous month. A trade surplus valued at USD838 million was recorded in November.

Singapore's non-oil domestic exports (NODX) rose 11.5% y-o-y in November after contracting 12.0% y-o-y in October. The rise in November came on the back of electronic NODX growing 3.5% y-o-y and non-electronic NODX expanding 15.3% y-o-y. NODX increased to all 10 of Singapore's top trading partners except for Indonesia, Japan, and Thailand.

NODX to emerging markets recovered somewhat from a 37.1% y-o-y drop in October to a decline of 11.3% y-o-y in November. On a seasonally adjusted basis, NODX rose 13.1% m-o-m in November after a 3.6% m-o-m decline in October.

Summary Text of News Articles

Overseas Filipino Remittances Decline in October

Personal remittances from overseas Filipinos amounted to USD2.3 billion in October, bringing cumulative personal remittances from January–October to USD24.4 billion. Cash remittances coursed through banks amounted to USD2.1 billion in October, reaching a total of USD22.1 billion in the first 10 months of the year. October personal remittances and cash remittances in US dollar terms dropped 2.8% y-o-y and 3.0% y-o-y, respectively, partly due to the depreciation of major host countries' currencies vis-à-vis the US dollar. January–October cumulative amounts increased 3.9% y-o-y for personal remittances and 4.0% y-o-y for cash remittances.

The Philippines' Employment Rate Improves in October

The employment rate in the Philippines improved to 95.3% in October from 94.4% in October 2015. The services sector remained the major source of jobs, accounting for 54.9% of total employment. The agriculture and industrial sectors accounted for 27.9% and 17.2% of employment, respectively. Accordingly, the October unemployment rate hits its lowest level in 11 years at 4.7%. The National Economic and Development Authority said that the drop in the unemployment rate in October brought the implied full-year unemployment rate to 5.5% compared with the government's target for 2016 of 6.5%–6.7%. The underemployment rate worsened to 18.0% in October from 17.6% a year earlier.

Singapore's Retail Sales Rise in October

Singapore's retail sales amounted to SGD3.7 billion in October, reflecting a 2.2% y-o-y increase for the second month in a row. Excluding motor vehicles, retail sales posted a slower decline of 0.3% y-o-y in October compared with a 1.8% y-o-y decline in September. On a m-o-m basis, retail sales rose 2.2% in October. Motor vehicle sales grew 14.5% y-o-y in October after growing 21.2% y-o-y in September.

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	0.49	-0.51	-4.07	32.96
EU	-0.93	-6.20	-18.20	-47.80
Japan	-0.40	3.40	4.50	-35.70
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	1.33	-0.40	-4.90	-22.40
Malaysia	3.05	0.60	0.40	19.20
Philippines	1.51	-29.77	-30.12	-116.08
Singapore	1.06	0.00	19.20	17.00
Thailand	1.35	0.00	0.00	-14.85

Close of 16 December 2016

10-Year Selected LCY Government Bond Yields

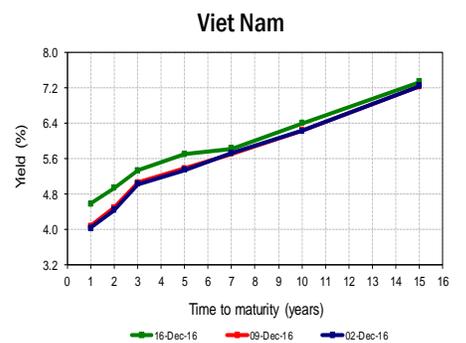
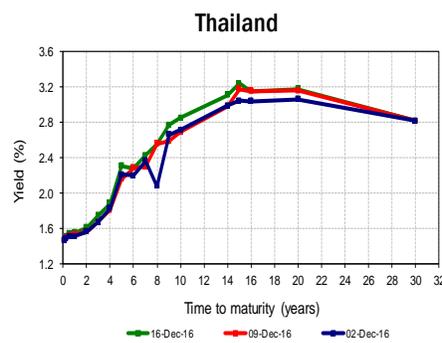
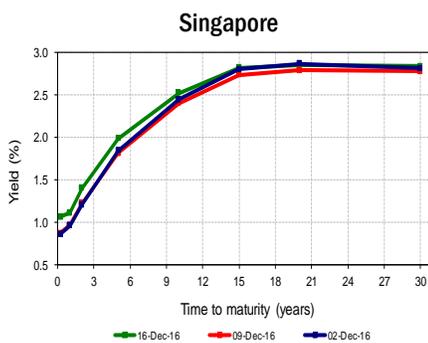
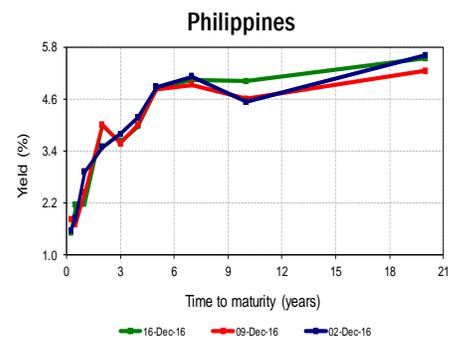
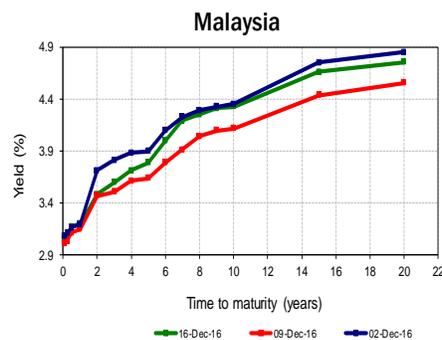
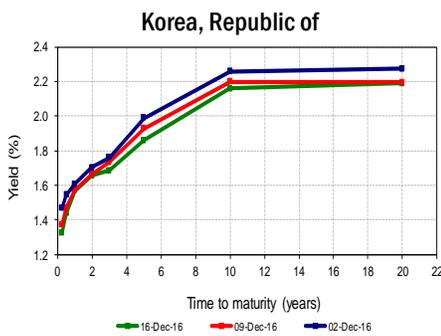
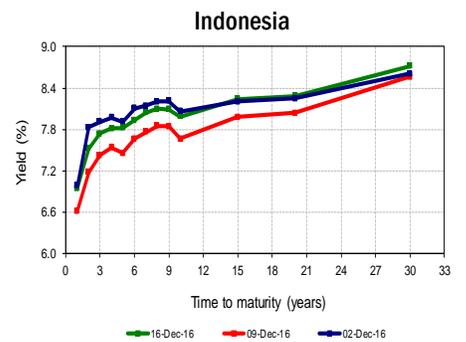
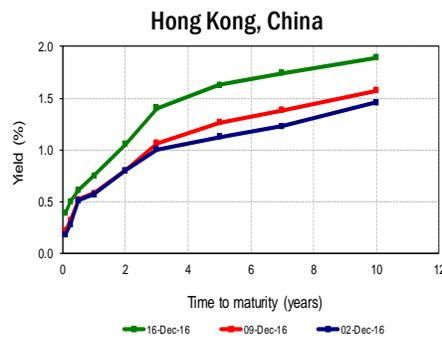
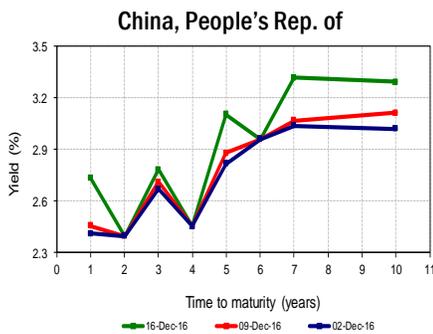
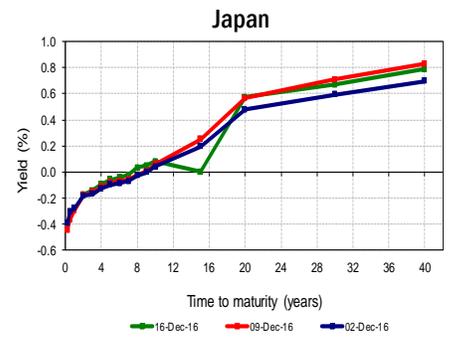
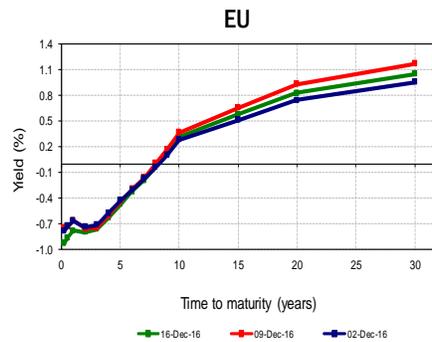
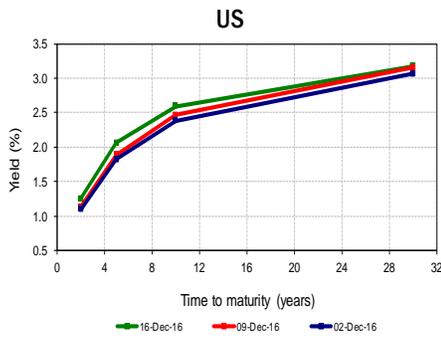
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-16*
US	2.59	-0.51	12.41	32.22
EU	0.31	-5.10	-5.10	-31.50
Japan	0.08	-0.90	2.00	-18.40
PRC	3.29	-9.00	17.80	43.30
Hong Kong, China	1.89	4.90	31.70	31.30
India	6.51	-1.60	6.50	-122.40
Indonesia	7.98	0.80	32.30	-77.30
Korea, Rep. of	2.16	-2.50	-4.00	7.50
Malaysia	4.32	11.00	20.90	13.80
Philippines	5.01	3.93	41.24	90.54
Singapore	2.52	-1.33	11.68	-7.47
Thailand	2.85	8.10	15.70	35.10
Viet Nam	6.40	8.70	16.00	-77.50

Close of 16 December 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

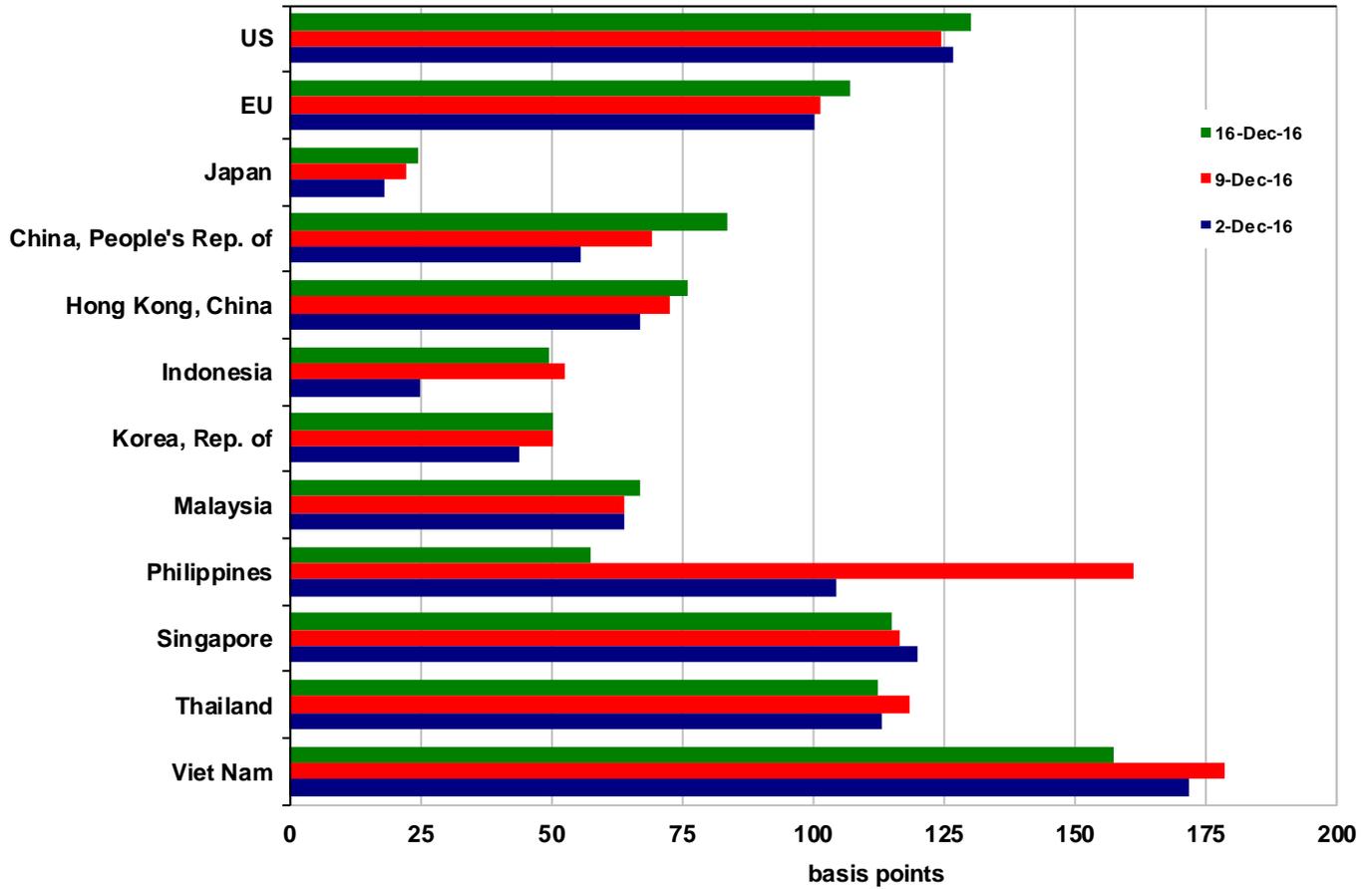
Tip: Zoom-in on the table using the Acrobat zoom tool



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

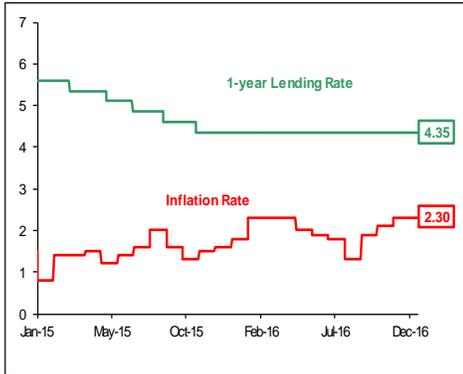


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

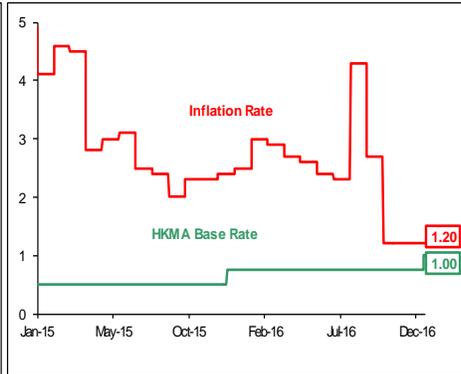
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



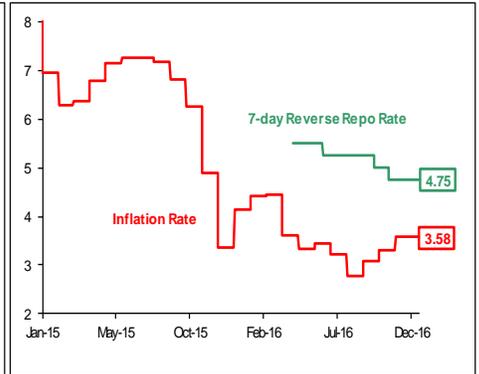
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



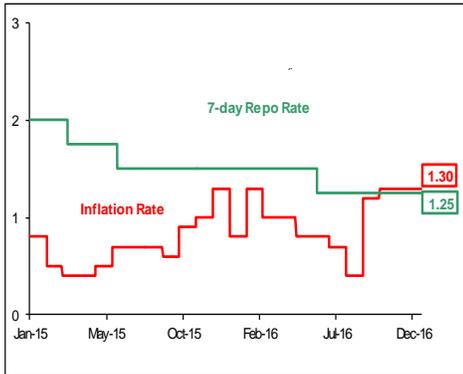
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



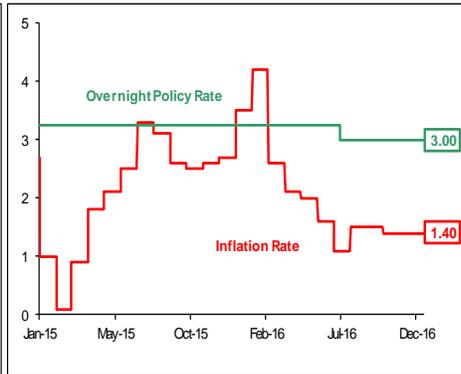
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



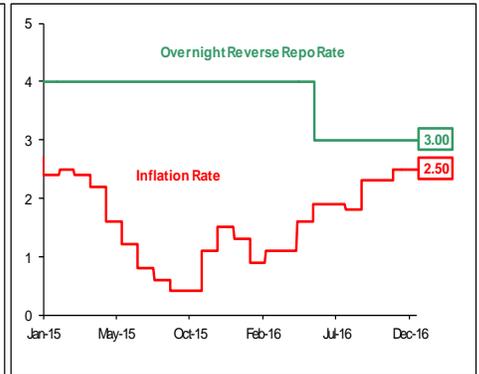
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



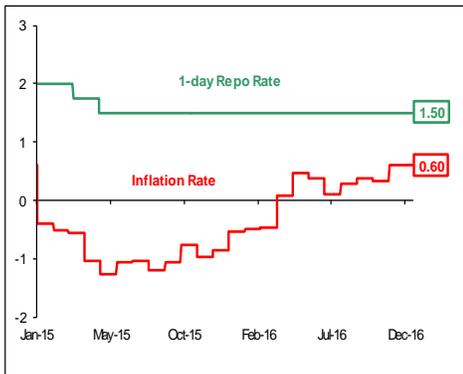
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



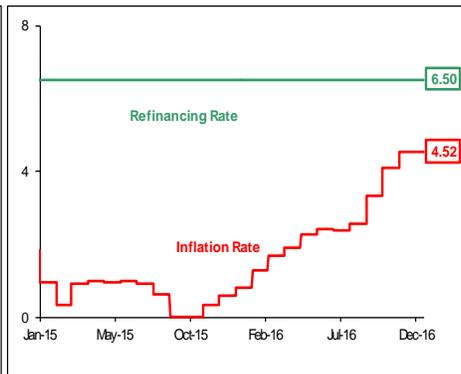
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

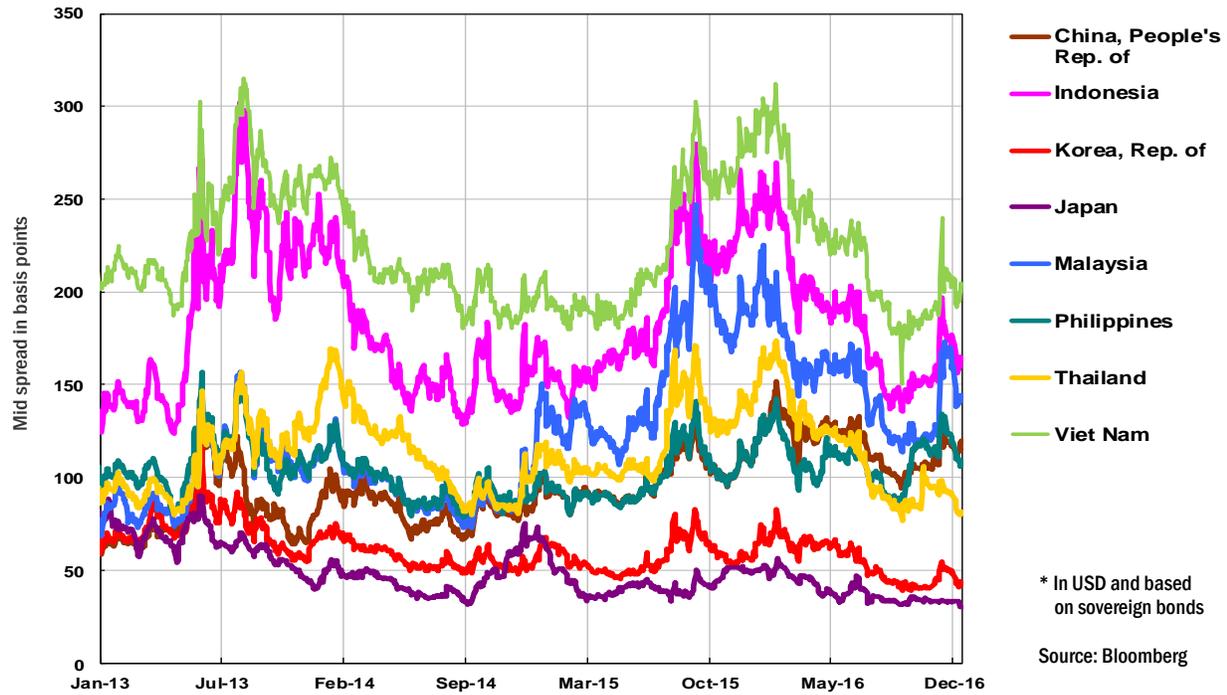


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

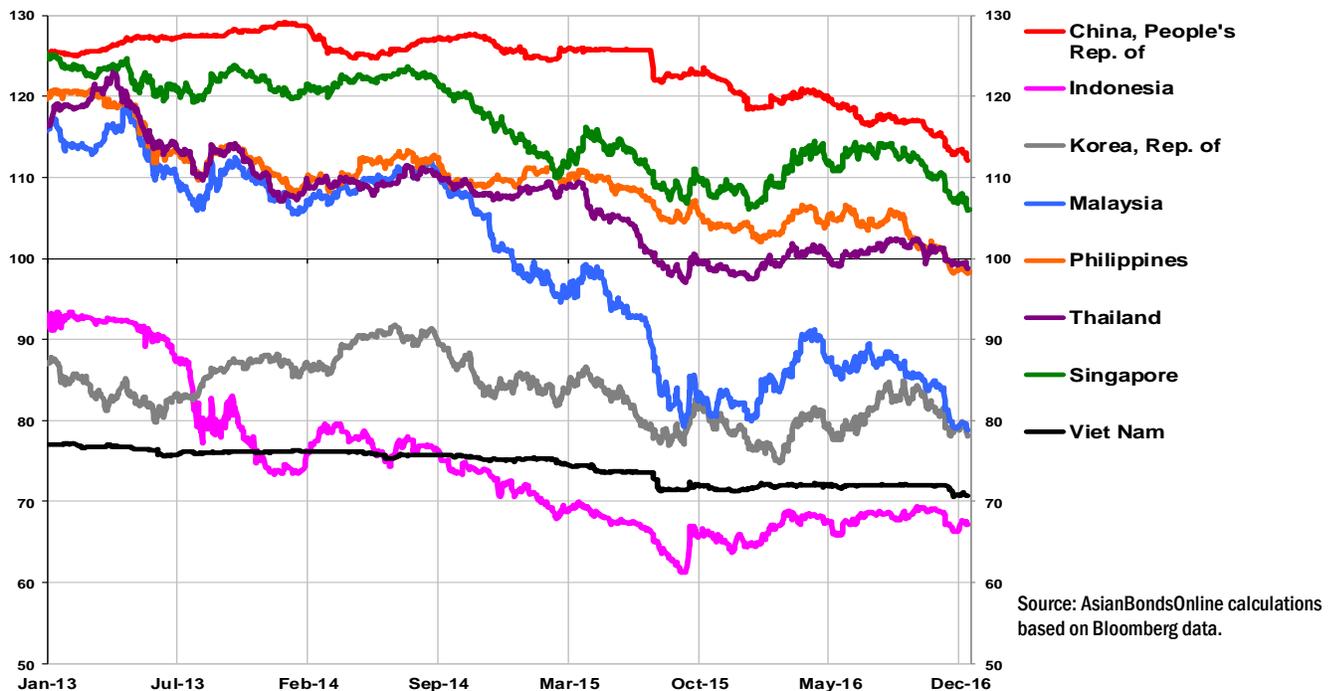
Credit Default Swap Spreads and Exchange Rate Indexes

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 December 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-Dec	5-year Treasury Bonds	2.90	2.39	28.00	28.00
HK	13-Dec	91-day Exchange Fund Bills	0.54			36.02
		182-day Exchange Fund Bills	0.63			9.00
JP	13-Dec	5-year Japanese Government Bonds	-0.06	0.10	2,400.00	2,399.40
	15-Dec	3-month Treasury Discount Bills	-0.42		4,400.00	4,429.95
		20-year Japanese Government Bonds	0.65	0.60	1,100.00	1,241.20
	16-Dec	1-year Treasury Discount Bills	-0.34		2,500.00	2,499.98
KR	13-Dec	91-day Monetary Stabilization Bonds	1.37		700.00	700.00
		1-year Monetary Stabilization Bonds	1.53		500.00	500.00
		10-year Korea Treasury Bonds	2.27	1.50	1,500.00	1,342.00
SG	13-Dec	28-day MAS Bills	0.76		1.00	1.00
		84-day MAS Bills	0.62		4.50	4.50
	15-Dec	168-day MAS Bills	0.88		2.20	2.20
TH	13-Dec	28-day Bank of Thailand Bills	1.48		10.00	10.00
		91-day Bank of Thailand Bills	1.51		35.00	35.00
		182-day Bank of Thailand Bills	1.54		45.00	42.84
	14-Dec	5.5-year Government Bonds	2.22	1.88	20.00	20.00
	16-Dec	1.16-year Bank of Thailand Bonds	1.58		10.00	10.00
		15-day Bank of Thailand Bills	1.51		35.00	29.51

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (20 – 26 December 2016)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China CPI y-o-y, % NOV	12/20	10/15: 2.3% 11/15: 2.3% 09/16: 2.7% 10/16: 1.2%	Consumer price inflation in Hong Kong, China eased to 1.2% year-on-year (y-o-y) in October from 2.7% y-o-y in September.
Hong Kong, China Current Account Balance USD Billion Q3 2016	12/20	Q2 2015: 0.02 Q3 2015: 6.3 Q1 2016: 2.1 Q2 2016: 1.9	Hong Kong, China's current account surplus reached USD1.9 billion in the second quarter (Q2) of 2016 from a current account surplus of USD2.1 billion in the first quarter (Q1) of 2016.
Japan Policy Rate % Dec-20	12/20	11/15: 0.1% 12/15: 0.1% 10/16: -0.1% 11/16: -0.1%	The Bank of Japan decided to maintain its policy rate at -0.1% during its monetary policy meeting on 31 October to 1 November.
Malaysia CPI y-o-y, % NOV	12/21	10/15: 2.5% 11/15: 2.6% 09/16: 1.5% 10/16: 1.4%	Malaysia's inflation rate declined to 1.4% y-o-y in October from 1.5% y-o-y in September.
Thailand BOT Benchmark Rate % Dec-21	12/21	11/15: 1.50% 12/15: 1.50% 10/16: 1.50% 11/16: 1.50%	The Bank of Thailand's Monetary Policy Committee voted unanimously on 9 November to maintain the policy rate at 1.50%.
Philippines Overnight Borrowing Rate % Dec-22	12/22	11/15: 4.0% 12/15: 4.0% 10/16: 3.0% 11/16: 3.0%	The Bangko Sentral ng Pilipinas decided to keep its overnight borrowing rate unchanged at 3.0% in its meeting on 10 November.
Singapore CPI y-o-y, % NOV	12/23	10/15: -0.8% 11/15: -0.8% 09/16: -0.2% 10/16: -0.1%	Singapore posted deflation in October as consumer prices fell 0.1% y-o-y after falling 0.2% y-o-y in September.
Singapore Industrial Production y-o-y, % NOV	12/23	10/15: -3.3% 11/15: -2.8% 09/16: 7.7% 10/16: 1.2%	Industrial production in Singapore grew 1.2% y-o-y in October easing from 7.7% y-o-y expansion in September.
Viet Nam CPI y-o-y, % DEC	12/24	11/15: 0.3% 12/15: 0.4% 10/16: 4.1% 11/16: 4.5%	Consumer prices in Viet Nam climbed 4.5% y-o-y in November from 4.1% y-o-y in October.
Viet Nam Exports—YTD y-o-y, % DEC	12/25 to 12/31	11/15: 8.3% 12/15: 8.1% 10/16: 7.2% 11/16: 7.5%	Export growth in Viet Nam climbed to 7.5% y-o-y in January to November compared with 8.3% y-o-y in the same 11-month period a year ago.
Viet Nam GDP—YTD y-o-y, % Q4 2016	12/25 to 12/31	Q3 2015: 6.5% Q4 2015: 6.7% Q3 2016: 5.9% Q2 2016: 5.5% Q3 2016: 5.9%	Economic growth in Viet Nam reached 5.9% y-o-y in the first nine months of the year, slower compared with 6.5% y-o-y growth in the same nine-month period in 2015.
Viet Nam Industrial Production y-o-y, % DEC	12/25 to 12/31	11/15: 8.9% 12/15: 9.1% 10/16: 7.0% 11/16: 2.0%	Industrial production growth in Viet Nam eased to 2.0% y-o-y in November from 7.0% y-o-y in October.

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)

Federal Reserve Raises Federal Funds Rate Target

- [Press Release](#)
Board of Governors of the Federal Reserve System (14 December 2016)

Bank Indonesia Leaves Policy Rate Unchanged at 4.75%; The Bank of Korea Keeps the Base Rate Unchanged at 1.25%

- [BI 7-Day Reverse Repo Rate Held at 4.75% Maintaining Balance Between Macroeconomic Stability and Domestic Economic Recovery](#)
Bank Indonesia (15 December 2016)
- [Monetary Policy Decision \(December 15, 2016\)](#)
The Bank of Korea (15 December 2016)

The People's Republic of China's Industrial Production Rises in November; Japan's Industrial Production Growth Falls in October

- [Industrial Production Operation in November 2016](#)
National Bureau of Statistics of China (14 December 2016)
- [Indices of Industrial Production](#)
Ministry of Economy, Trade and Industry (14 December 2016)

Indonesia Posts USD838 Million Trade Surplus in November; Non-Oil Domestic Exports in Singapore Rise in November

- [Indonesia Export and Import November 2016](#)
Statistics Indonesia (15 December 2016)
- [Singapore External Trade – November 2016](#)
International Enterprise Singapore (16 December 2016)

Overseas Filipino Remittances Decline in October

- [Personal Remittances for the First Ten Months of 2016 Reach US\\$24.4 Billion](#)
Bangko Sentral ng Pilipinas (15 December 2016)

The Philippines' Employment Rate Improves in October

- [Employment Rate in October 2016 is Estimated at 95.3 Percent](#)
Philippine Statistics Authority (13 December 2016)
- [Thriving Economy Continues to Boost Labor Market](#)
National Economic and Development Authority (14 December 2016)

Singapore's Retail Sales Rise in October

- [Retail Sales and Food & Beverage Services Index Oct 2016](#)
Department of Statistics Singapore (15 December 2016)

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