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Key Developments in Asian Local Currency Markets

Consumer prices in the People's Republic of China's (PRC) rose 2.1% year-on-year (y-o-y) in December, down from a 2.3% y-o-y increase in November, due to slower y-o-y increases in food, tobacco, and liquor prices, which rose 2.2% y-o-y in December compared with 3.2% y-o-y in November. On a month-on-month (m-o-m) basis, consumer prices rose 0.2% m-o-m in December, up from a 0.1% m-o-m gain in November. Producer price inflation in the PRC accelerated in December, climbing to 5.5% y-o-y from 3.3% y-o-y in November. On a m-o-m basis, producer prices rose 1.6% m-o-m in December after growing 1.5% m-o-m in November.

❏ Last week, the Monetary Policy Board of the Bank of Korea decided to maintain its base rate at 1.25%. The central bank cited improvements in the global economic recovery while also noting risks, including the direction of the economic policies of the new United States government, the pace of United States Federal Reserve rate hikes, and rising trade protectionism.

❏ Malaysia's industrial production surged to 6.2% y-o-y in November, outpacing October's growth of 4.2% y-o-y and reaching its highest level since expanding 6.7% y-o-y in July 2015. The surge was led by accelerating growth in the manufacturing sector of 6.5% y-o-y, manufacturing sector of 4.7% y-o-y, and electricity sector of 9.7% y-o-y.

❏ The PRC's exports in renminbi-denominated terms grew 0.6% y-o-y in December after rising 5.9% y-o-y in November, while imports rose 10.8% y-o-y in December compared with 13.0% y-o-y in November. The PRC reported a trade surplus of CNY275.4 billion for the month of December. Japan's current account surplus narrowed to JPY1.4 trillion in November from JPY1.7 trillion in October, mainly due to the decline in the trade surplus and the primary income account surplus. The Philippines' exports in November dropped 7.5% y-o-y to USD4.7 billion, reversing the 7.6% y-o-y increase in October.

❏ Foreign exchange reserves in Indonesia climbed to USD116.4 billion at the end of December from USD111.5 billion at the end of November. Preliminary data showed that the Philippines' gross international reserves fell USD406.1 million in December to USD81.0 billion at the end of the month. Despite the decline in December, gross international reserves still exceeded the USD81.5 billion recorded at the end of December 2015.

Asia Bond Monitor November 2016

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10-Year Selected LCY Government Security Yields Close of 13 January 2017 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.40	3.33	-2.29	-4.79
EU	0.34	2.20	-0.90	13.00
Japan	0.05	1.00	-0.90	0.40
PRC	3.20	0.70	-1.40	13.90
Hong Kong, China	1.74	1.00	-23.00	-23.00
India	6.42	4.40	2.80	-9.80
Indonesia	7.62	-3.20	-12.90	-35.40
Korea, Rep. of	2.09	2.80	-1.70	-0.70
Malaysia	4.26	0.30	2.90	3.10
Philippines	4.36	5.85	-38.06	-26.41
Singapore	2.32	1.57	-12.89	-15.51
Thailand	2.66	0.40	-5.20	0.70
Viet Nam	6.36	0.00	-1.50	-1.50

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 - ▶ 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

❏ Mapletree Investments—a leading real estate development, investment, and capital management company owned by Singapore's state investor, Temasek Holdings—issued 2017's first public SGD-denominated notes, which also marked the first public hybrid issuance in Asia this year. The offer comprised SGD625 million of perpetual bonds and was priced with a coupon rate of 4.50%. The issued bonds can only be called after year 5, with a 100-basis-points, one-time step-up and distribution rate reset after year 10.

❏ Yields fell for all tenors in Indonesia, the Republic of Korea, Singapore and Viet Nam, and fell for most tenors in the PRC, Hong Kong, China, Philippines and Thailand following a decline in US yields. Yields were mixed in Malaysia. The 2-year versus 10-year yield spread rose in most markets except in Hong Kong, China and Singapore.

Summary Text of News Articles

Consumer Price Inflation Falls and Producer Price Inflation Rises in the PRC in December

Consumer prices in the People's Republic of China (PRC) rose 2.1% year-on-year (y-o-y) in December, down from a 2.3% y-o-y increase in November, due to slower y-o-y increases in food, tobacco, and liquor prices, which rose 2.2% y-o-y in December vs. 3.2% y-o-y in November. On a month-on-month (m-o-m) basis, consumer prices rose 0.2% m-o-m in December, up from 0.1% m-o-m in November.

Producer price inflation in the PRC accelerated in December, climbing 5.5% y-o-y compared with 3.3% y-o-y in November. On a m-o-m basis, producer prices rose 1.6% m-o-m in December after growing 1.5% m-o-m in November.

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

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

The Bank of Korea Maintains Policy Rate at 1.25%

Last week, the Monetary Policy Board of the Bank of Korea decided to maintain its base rate at 1.25%. The central bank cited improvements in the global economic recovery but also noted risks, including the economic policies of the new United States government, the pace of United States Federal Reserve rate hikes, and the spread of trade protectionism. Domestically, the central bank noted a slowing economic recovery, with gross domestic product growth expected to be about 2.5% in 2017. Inflation is also expected to rise to about 1.5% in 2017, gradually increasing to the central bank's target of about 2.0% by the middle of the year, primarily driven by an increase in oil prices.

Malaysia's Industrial Production Surges 6.2% y-o-y in November

Malaysia's industrial production growth surged to 6.2% y-o-y in November from 4.2% y-o-y in October, recording its highest growth rate since reaching 6.7% y-o-y in July 2015. The surge was brought about by accelerating growth in the manufacturing sector of 6.5% y-o-y, manufacturing sector of 4.7% y-o-y, and electricity sector of 9.7% y-o-y. On a m-o-m basis, however, industrial production declined 2.8% m-o-m, with the manufacturing and electricity sectors declining 4.0% m-o-m and 3.5% m-o-m, respectively, while the mining sector increased 0.9% m-o-m.

Export and Import Growth Slows in the PRC in December; Japan's Current Account Surplus Narrows in November; The Philippines' Trade Deficit Widens in November

The PRC's exports in renminbi-denominated terms grew 0.6% y-o-y in December after rising 5.9% y-o-y in November, while imports rose 10.8% y-o-y in December compared with 13.0% y-o-y growth in November. Due to the depreciation of the renminbi, export and import performances worsened in USD-denominated terms, with exports falling 6.1% y-o-y in December after growing 0.1% y-o-y in the prior month and imports growing 3.1% y-o-y vs. 6.7% y-o-y. The PRC reported a trade surplus of CNY275.4 billion for the month of December.

Japan's current account surplus narrowed to JPY1.4 trillion in November from JPY1.7 trillion in October, mainly due to declines in the trade surplus and primary income account surplus. The trade surplus fell to JPY313 billion from JPY588 billion as imports rose at a faster pace than exports. The primary income account surplus also decreased to JPY1.2 trillion from JPY1.5 trillion during the period in review. Meanwhile, the services account posted a surplus in November, a reversal from the deficit recorded in October.

Exports from the Philippines' dropped 7.5% y-o-y in November to USD4.7 billion, reversing a 7.6% y-o-y increase in October. The drop was due to a decrease in the export of manufactured goods, particularly electronic products, which fell 7.9% y-o-y and accounted for about 54% of total exports. East Asia was the major recipient of Philippine exports in November, which totaled USD2.5 billion and were 7.0% lower than in November 2015. Imports increased for the fourth consecutive month, growing 19.7% y-o-y to USD7.3 billion in November from USD6.1 billion a year earlier. East Asia was also the top source of Philippine imports in November, which totaled USD3.4 billion and were 16.5% higher than in November 2015. The Philippines' trade deficit widened to USD2.6 billion in November from USD2.0 billion in the previous month.

Summary Text of News Articles

Singapore's Retail Sales Rise in November

Singapore's retail sales amounted to SGD3.6 billion in November, reflecting a 1.1% y-o-y increase after rising 2.2% y-o-y in October. Excluding motor vehicles, retail sales posted a decline of 2.1% y-o-y in November compared with a 0.6% y-o-y decline in October. On a m-o-m basis, retail sales declined 0.3% m-o-m in November. Motor vehicle sales rose 17.0% y-o-y in November after growing 14.5% y-o-y in October.

**Indonesia's Foreign Exchange Reserves Up in December;
The Philippines' Gross International Reserves Decline in December**

Foreign exchange reserves in Indonesia climbed to USD116.4 billion at the end of December from USD111.5 billion at the end of November. The rise in reserves stemmed from the proceeds of a sovereign global bond issuance, the withdrawal of government foreign loans, tax revenues, and oil and gas export proceeds. According to Bank Indonesia, the reserve asset position at the end of December was adequate to cover 8.8 months of imports or 8.4 months of imports plus servicing for the government's external debt repayments.

Preliminary data showed that the Philippines' gross international reserves fell USD406.1 million in December to USD81.0 billion at the end of the month. Despite the decline, gross international reserves were up from USD81.5 billion recorded at the end of December 2015. According to the Bangko Sentral ng Pilipinas (BSP), the m-o-m decline was attributed to outflows from the central government's foreign debt payments, the foreign exchange operations of the BSP, and revaluation adjustments of the BSP's gold holdings resulting from a decrease in the price of gold. The outflows were moderated by the central government's foreign currency deposits and the BSP's income from investments abroad.

Mapletree Investments Issues First SGD-Denominated, Hybrid Bonds in Asia in 2017

Mapletree Investments—a leading real estate development, investment, and capital management company owned by Singapore's state investor, Temasek Holdings—issued 2017's first public SGD-denominated notes, which also marked the first public hybrid issuance in Asia this year. The offering comprised SGD625 million of perpetual bonds with a coupon rate of 4.50%. The issued bonds can only be called after year 5, with a 100-basis-points, one-time step-up and distribution rate reset after year 10.

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			1-Jan-17*
		Previous Day*	Previous Week*		
US	0.52	1.01	1.02	2.54	
EU	-0.65	3.10	0.00	25.90	
Japan	-0.27	4.80	8.90	12.50	
PRC	2.63	0.00	0.00	0.00	
Hong Kong, China	0.33	0.00	0.00	0.00	
India	8.31	0.00	0.00	0.00	
Korea, Rep. of	1.26	0.10	-0.60	-5.70	
Malaysia	3.02	0.00	-0.70	-0.80	
Philippines	2.04	45.30	13.79	-3.09	
Singapore	0.89	0.90	-6.10	-17.00	
Thailand	1.35	0.00	0.00	0.00	

Close of 13 January 2017

10-Year Selected LCY Government Bond Yields

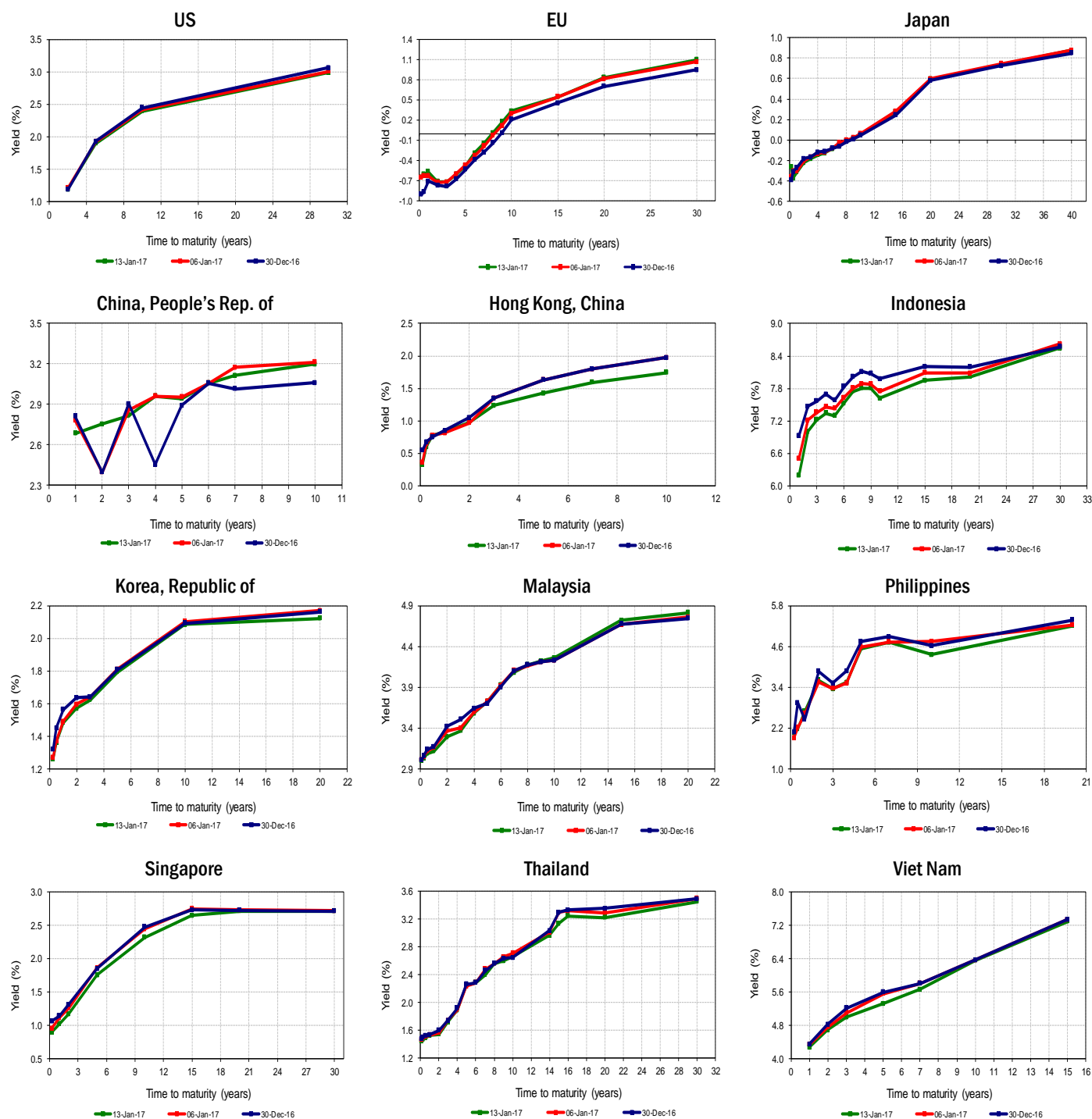
Markets	Latest Closing	basis point change from			1-Jan-17*
		Previous Day*	Previous Week*		
US	2.40	3.33	-2.29	-4.79	
EU	0.34	2.20	4.00	13.00	
Japan	0.05	1.00	-0.90	0.40	
PRC	3.20	0.70	-1.40	13.90	
Hong Kong, China	1.74	1.00	-23.00	-23.00	
India	6.42	4.40	2.80	-9.80	
Indonesia	7.62	-3.20	-12.90	-35.40	
Korea, Rep. of	2.09	2.80	-1.70	-0.70	
Malaysia	4.26	0.30	2.90	3.10	
Philippines	4.36	5.85	-38.06	-26.41	
Singapore	2.32	1.57	-12.89	-15.51	
Thailand	2.66	0.40	-5.20	0.70	
Viet Nam	6.36	0.00	-1.50	-1.50	

Close of 13 January 2017

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

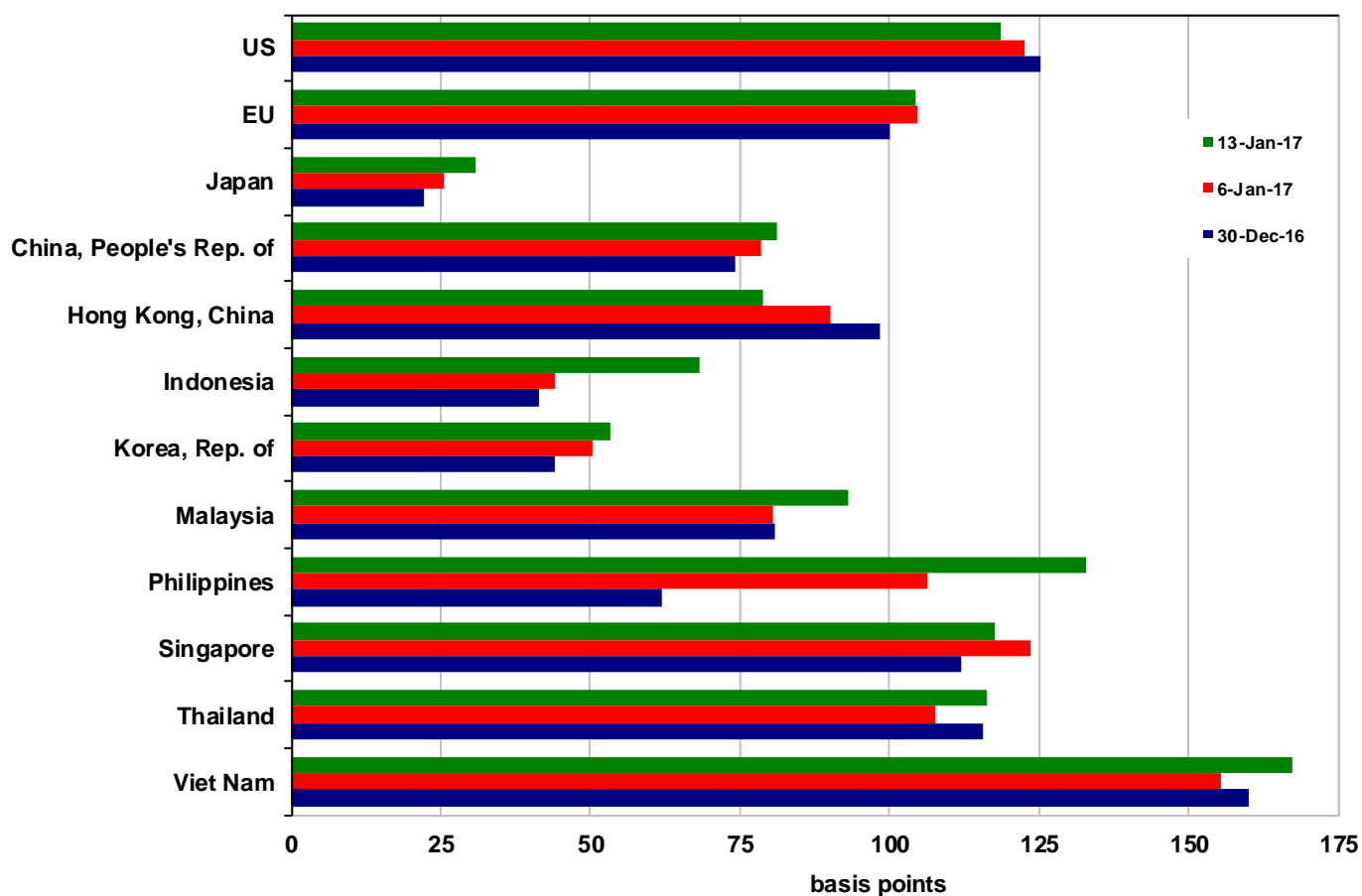


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



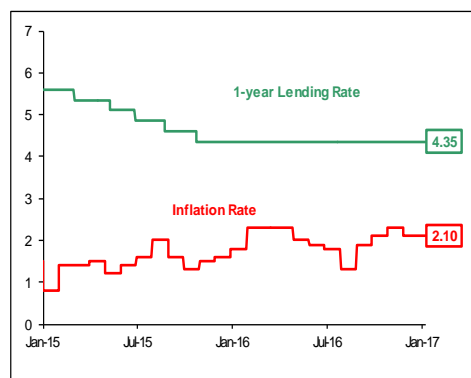
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

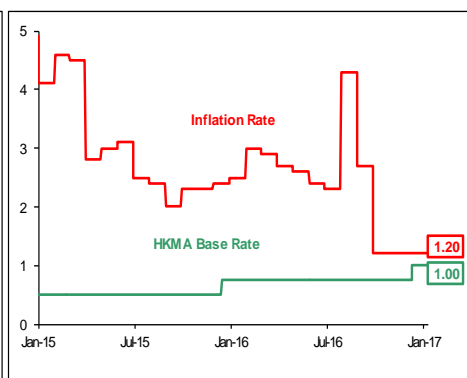
China, People's Rep. of



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

Source: Bloomberg LP.

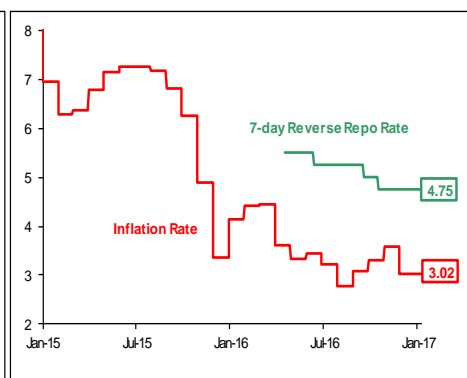
Hong Kong, China



The Hong Kong Monetary Authority maintains a Discount Window Base Rate.

Source: Bloomberg LP.

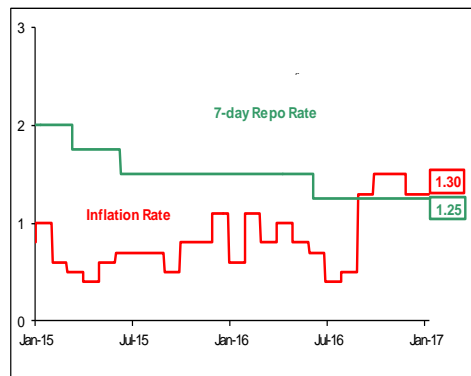
Indonesia



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

Source: Bloomberg LP.

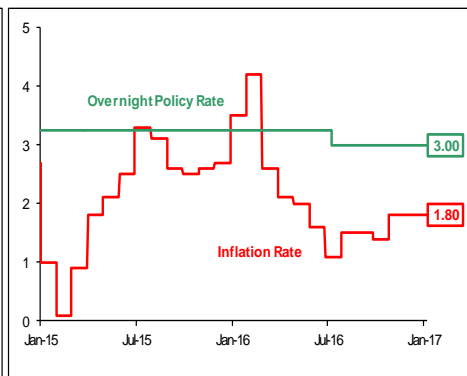
Korea, Republic of



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.

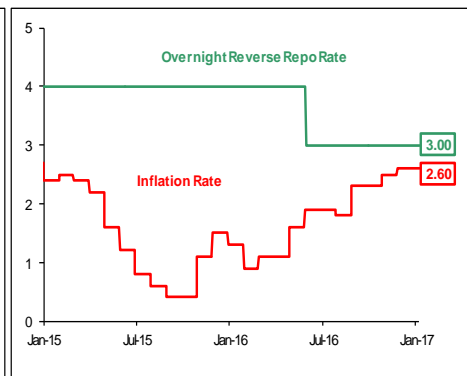
Malaysia



Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.

Source: Bloomberg LP.

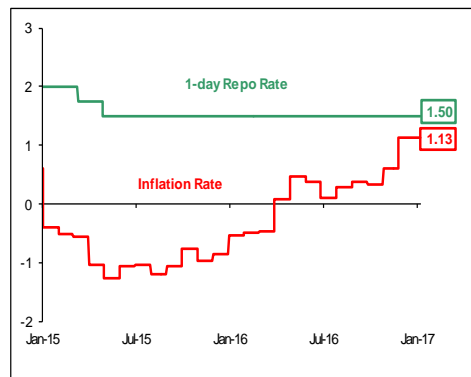
Philippines



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

Source: Bloomberg LP.

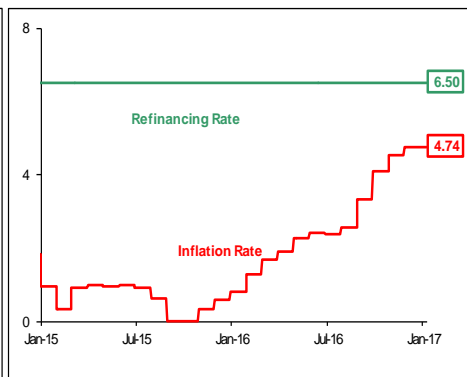
Thailand



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



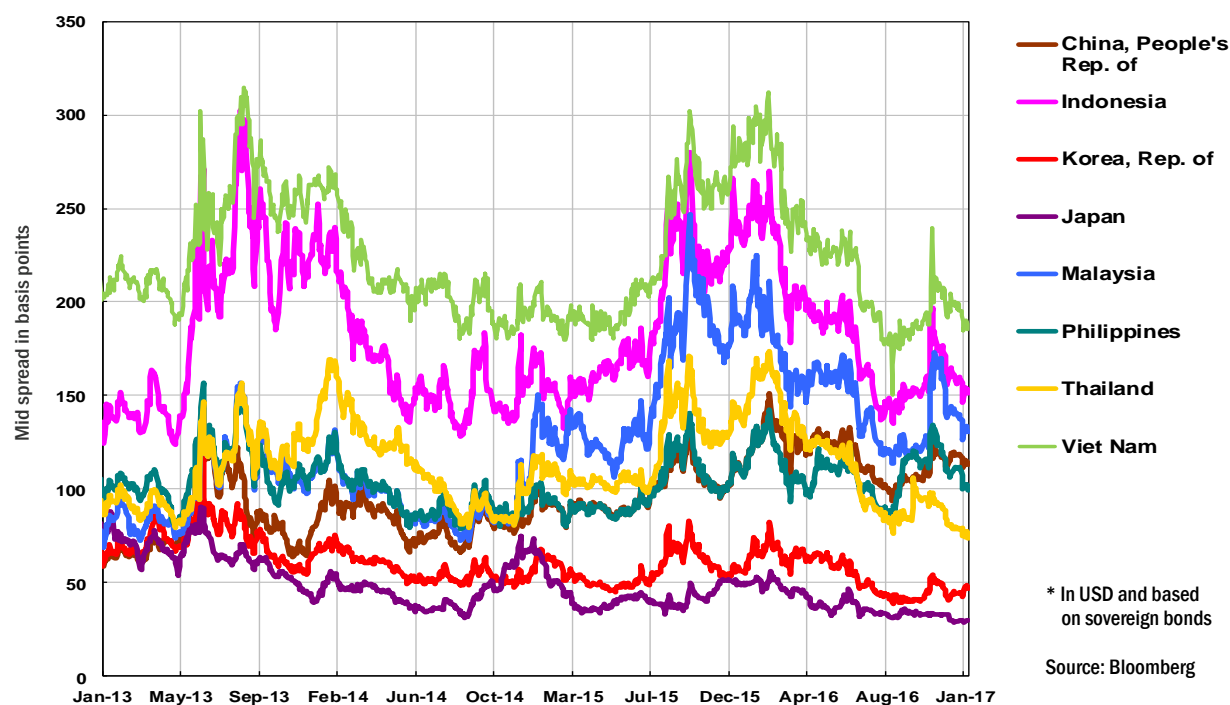
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

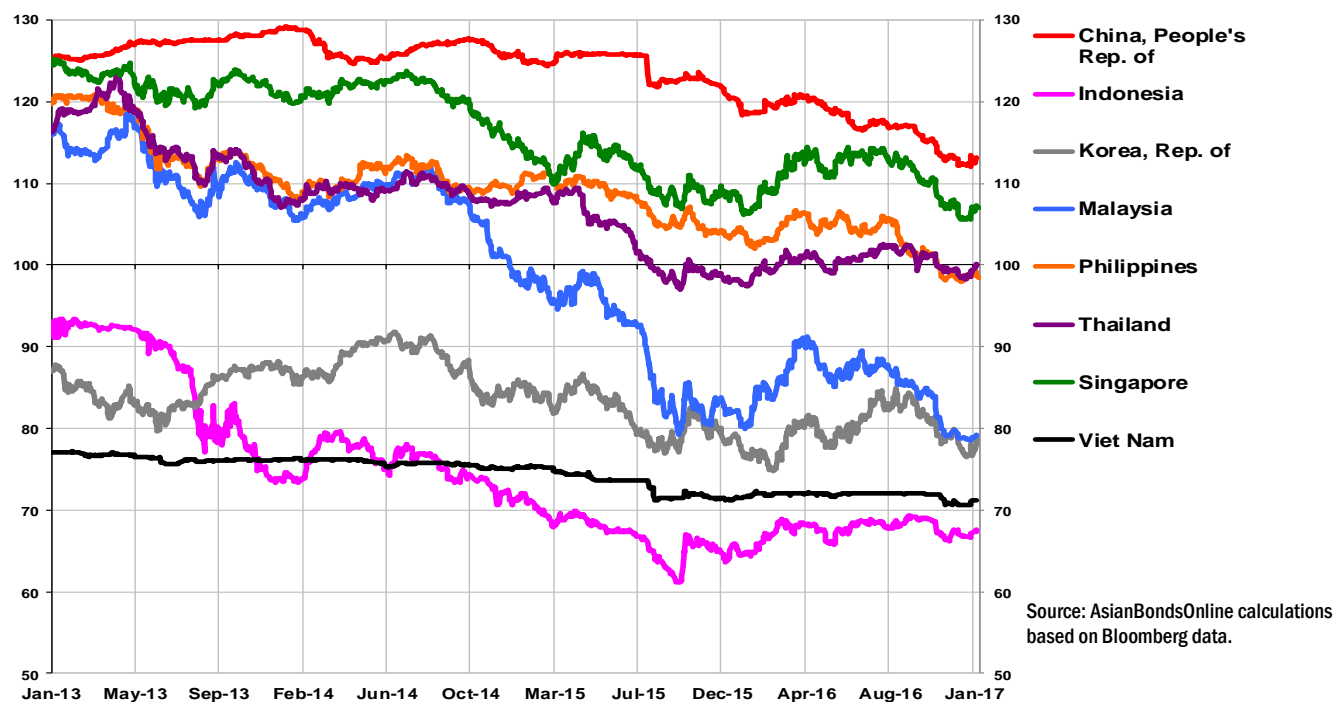
Credit Default Swap Spreads and Exchange Rate Indexes

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 (9 – 13 January 2017)

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	11-Jan	5-year Treasury Bonds	2.88	2.88	20.00	20.00
HK	10-Jan	91-day Exchange Fund Bills	0.70		47.20	47.20
		182-day Exchange Fund Bills	0.85		18.00	18.00
ID	10-Jan	6-month Islamic Treasury Bills	5.86			2,000.00
		2-year Project-Based <i>Sukuk</i>	7.15	6.25		2,190.00
		4-year Project-Based <i>Sukuk</i>	7.63	6.50	6,000.00	732.86
		6-year Project-Based <i>Sukuk</i>	7.97	8.75		795.00
		14-year Project-Based <i>Sukuk</i>	8.36	8.88		860.00
JP	11-Jan	30-year Japanese Government Bonds	0.75	0.60	800.00	799.30
	12-Jan	3-month Treasury Discount Bills	-0.31		4,400.00	4,420.00
KR	9-Jan	5-year Korea Treasury Bonds	1.85	1.38		1,000.00
		91-day Monetary Stabilization Bills	1.35		1,020.00	1,020.00
MY	12-Jan	15-year Government Bonds	4.79	4.23	4.00	4.00
PH	10-Jan	3-year Treasury Bonds	3.36	3.38	15.00	15.00
SG	10-Jan	28-day MAS Bills	0.52		1.00	1.00
		84-day MAS Bills	0.59		4.40	4.40
	12-Jan	168-day MAS Bills	0.76		2.20	2.20
TH	9-Jan	28-day Treasury Bills	1.40		20.00	20.00
	10-Jan	90-day Bank of Thailand Bills	1.44		45.00	45.00
		182-day Bank of Thailand Bills	1.49		45.00	45.00
		329-day Bank of Thailand Bills	1.53		45.00	36.32
	13-Jan	14-day Bank of Thailand Bills	1.38		40.00	40.00
VN	11-Jan	5-year Treasury Bonds	5.25		1,000.00	1,000.00
		7-year Treasury Bonds	5.50		1,000.00	750.00
		30-year Treasury Bonds	7.98		1,000.00	365.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (17 – 23 January 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Singapore NODX y-o-y, % DEC	01/17	11/15: -3.4% 12/15: -7.2% 10/16: -12.0% 11/16: 11.5%	Non-oil domestic exports (NODX) jumped 11.5% year-on-year (y-o-y) in November after dropping 12.0% y-o-y in October.
Malaysia CPI y-o-y, % DEC	01/18	11/15: 2.6% 12/15: 2.7% 10/16: 1.4% 11/16: 1.8%	Malaysia's Consumer Price Index (CPI) rose 1.8% y-o-y in November compared with a 1.4% y-o-y increase in October.
Indonesia 7-Day Reverse Repo Rate % Jan-19	01/19	11/15: ... 12/15: ... 11/16: 4.75% 12/16: 4.75%	In its meeting held on 15 December, Bank Indonesia's Board of Governors decided to leave the 7-day reverse repurchase (repo) rate unchanged at 4.75%.
Malaysia BNM Overnight Policy Rate % Jan-19	01/19	11/15: 3.25% 12/15: 3.25% 11/16: 3.00% 12/16: 3.00%	Bank Negara Malaysia (BNM) decided to keep its overnight policy rate unchanged at 3.00% during its monetary policy committee meeting on 23 November.
Philippines BOP Balance USD million DEC	01/19	11/15: -141 12/15: 481 10/16: -183 11/16: -1,671	The balance of payments (BOP) deficit of the Philippines widened to USD1,671.0 million in November from USD183.0 million in October.
People's Republic of China GDP y-o-y, % Q4 2016	01/20	Q3 2015: 6.9% Q4 2015: 6.8% Q2 2016: 6.7% Q3 2016: 6.7%	Real gross domestic product (GDP) growth in the People's Republic of China (PRC) stood at 6.7% y-o-y in the third quarter (Q3) of 2016, the same level recorded in the second quarter (Q2) of 2016.
People's Republic of China Industrial Production y-o-y, % DEC	01/20	11/15: 6.2% 12/15: 5.9% 10/16: 6.1% 11/16: 6.2%	Industrial production growth in the PRC inched up to 6.2% y-o-y in November from 6.1% y-o-y in October.
Hong Kong, China CPI y-o-y, % DEC	01/23	11/15: 2.3% 12/15: 2.4% 10/16: 1.2% 11/16: 1.2%	Consumer price inflation in Hong Kong, China was 1.2% y-o-y for the second consecutive month in November.
Singapore CPI y-o-y, % DEC	01/23	11/15: -0.8% 12/15: -0.6% 10/16: -0.1% 11/16: 0.0%	Singapore's consumer price inflation was unchanged on a y-o-y basis in November after falling 0.1% 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)

Consumer Price Inflation Falls and Producer Price Inflation Rises in the PRC in December

- [Consumer Prices for December 2016](#)
National Bureau of Statistics (11 January 2017)
- [Producer Prices for the Industrial Sector for December 2016](#)
National Bureau of Statistics (11 January 2017)

The Bank of Korea Maintains Policy Rate at 1.25%

- [Monetary Policy Decision](#)
The Bank of Korea (13 January 2017)

Malaysia's Industrial Production Surges 6.2% y-o-y in November

- [Index Of Industrial Production, Malaysia November 2016](#)
Department of Statistics Malaysia (11 January 2017)

Export and Import Growth Slows in the PRC in December; Japan's Current Account Surplus Narrows in November; The Philippines' Trade Deficit Widens in November

- [China posts worst export fall since 2009 as fears of U.S. trade war loom](#)
Reuters (13 January 2017)
- [Balance of Payments Statistics, November 2016 \(Preliminary\)](#)
Ministry of Finance (12 January 2017)
- [Merchandise Export Performance : November 2016](#)
Philippine Statistics Authority (10 January 2016)

Singapore's Retail Sales Rise in November

- [Retail Sales and Food & Beverage Services Index Nov 2016](#)
Department of Statistics Singapore (13 January 2017)

Indonesia's Foreign Exchange Reserves Up in December; The Philippines' Gross International Reserves Decline in December

- [Official Reserve Assets Increased to US\\$116.4 Billion at the end of December 2016](#)
Bank Indonesia (9 January 2017)
- [End-December 2016 GIR Level Settles at US\\$81.05 Billion](#)
Bangko Sentral ng Pilipinas (6 January 2017)

Mapletree Investments Issues First SGD-Denominated, Hybrid Bonds in Asia in 2017

- [Mapletree Successfully Prices the First Singapore Dollar Hybrid Issue of 2017](#)
Mapletree Investments (12 January 2017)
- [Mapletree Investments sells 2017's first SGD bond](#)
Business Times (13 January 2017)

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