

20 March 2017

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Key Developments in Asian Local Currency Markets

On 15 March, the United States Federal Reserve's Open Market Committee raised the federal funds rate 25 basis points (bps) to a range of between 0.75% and 1.00%. The Federal Reserve noted that the labor market continued to strengthen and economic activity maintained its moderate pace of expansion. The Federal Reserve also said that current monetary policy remains accommodative and supportive of further improvements in the labor market and of inflation reaching its 2.0% target.

Last week, the People's Bank of China raised interest rates on its 6-month and 1-year medium-term lending facilities by 10 bps each to 3.05% and 3.20%, respectively. The central bank also raised the rates on reverse repurchase transactions by 10 bps. The Hong Kong Monetary Authority raised its base rate 25 bps to 1.25%, following the rise in the Federal Reserve's policy rate. In its meeting held on 15–16 March, Bank Indonesia's Board of Governors decided to keep the 7-day reverse repurchase rate steady at 4.75%. At its monetary policy meeting on 15–16 March, the Bank of Japan announced that it would continue its "qualitative and quantitative monetary easing with yield curve control" program.

Indonesia recorded a trade surplus of USD1.3 billion in February, slightly lower than the USD1.4 billion surplus in January, buoyed by a surplus in the non-oil and gas trade. For the fourth consecutive month, Singapore's non-oil domestic exports expanded, growing 21.5% year-on-year (y-o-y) in February following 8.6% y-o-y growth in January.

Industrial production in the People's Republic of China (PRC), as measured by the value-added of industrial output, rose 6.3% y-o-y in January–February after a 6.0% y-o-y rise in December. In Hong Kong, China, provisional data showed that industrial production, measured by the industrial production index for manufacturing industries, fell 0.8% y-o-y in the fourth quarter of 2016 after declining 0.1% y-o-y in the third quarter. Malaysia's industrial production expanded 3.5% y-o-y in January following growth of 4.7% y-o-y in the preceding month.

Overseas Filipinos personal remittances rose 8.5% y-o-y to USD2.4 billion in January. Meanwhile, overseas Filipinos cash remittances coursed through banks reached USD2.2 billion in January on 8.6% y-o-y growth.

Asia Bond Monitor November 2016

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10-Year Selected LCY Government Security Yields Close of 17th March 2017 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.50	-3.97	-7.40	5.62
EU	0.44	-1.30	-5.00	22.70
Japan	0.08	0.00	-1.40	2.90
PRC	3.42	-1.00	-6.00	40.00
Hong Kong, China	1.87	0.00	-8.80	-10.10
India	6.86	2.20	-4.10	34.80
Indonesia	7.22	-4.60	-30.00	-74.90
Korea, Rep. of	2.17	-1.00	-14.00	7.50
Malaysia	4.09	-0.30	-10.80	-14.20
Philippines	5.09	36.59	-14.29	46.65
Singapore	2.32	-3.34	-14.25	-15.47
Thailand	2.75	0.00	-5.20	10.50
Viet Nam	6.13	-0.10	-3.10	-24.90

- 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
 - ▶ Selected Debt Security Issuances
 - ▶ Selected Asia Data Releases

The PRC announced that it would allow investors in Hong Kong, China to buy bonds in the PRC. The Hong Kong Exchange and the China Foreign Exchange Trade System will create a bond trading platform to allow investors in Hong Kong, China to trade bonds in the PRC.

WATCH OUT: The upcoming issue of the Asia Bond Monitor will be released on 22 March and will be available for download on the AsianBondsOnline website.

Local currency government bond yields fell for all tenors in the Republic of Korea; and for most tenors in all the other markets in the region except in the PRC where yield movements were mixed. Yield spreads between the 2-year and 10-year tenors narrowed in all markets in the region except in Hong Kong, China.

Summary Text of News Articles

Federal Reserve Raises Key Policy Rate

On 15 March, the United States (US) Federal Reserve Open Market Committee raised the federal funds rate 25 basis points (bps) to a range of between 0.75% and 1.00%. The Federal Reserve noted that the labor market has continued to strengthen and economic activity has maintained its moderate pace of expansion. The Federal Reserve also said that current monetary policy remains accommodative and supportive of further improvements in the labor market and of inflation reaching its 2.0% target.

The People's Bank of China Raises Rates of Open Market Instruments; Hong Kong Monetary Authority Raises Base Rate to 1.25%; Bank Indonesia Keeps 7-Day Reverse Repo Rate at 4.75%; Bank of Japan Maintains Monetary Easing Program

The People's Bank of China (PBOC) raised the interest rates on its 6-month and 1-year medium-term lending facilities by 10 bps each to 3.05% and 3.20%, respectively. The PBOC also raised the rates on the 7-day, 14-day, and 28-day reverse repurchase rates by 10 bps each to 2.45%, 2.60%, and 2.75%, respectively. The PBOC said that the rise in rates followed improvements in the domestic and global economy, and the policy rate hike by the Federal Reserve.

The Hong Kong Monetary Authority raised its base rate by 25 bps to 1.25%, following the rise in the Federal Reserve's policy rate. The adjustment in the base rate is based on a pre-set formula as Hong Kong, China's currency is pegged to the US dollar.

In its meeting held on 15–16 March, Bank Indonesia's Board of Governors decided to keep the 7-day reverse repurchase (repo) rate steady at 4.75%. It also held unchanged the deposit facility rate at 4.00% and the lending facility rate at 5.50%. Bank Indonesia deems its current policy stance consistent with efforts to maintain macroeconomic and financial system stability. The central bank also took note of growing global uncertainty arising from risks related to increasing global inflation, changes in economic and trade policies in the US, the normalization of monetary policy in the US, and geopolitical concerns in Europe. Bank Indonesia projects Indonesia's economic growth in 2017 to be in the range of 5.0%–5.4%.

At its monetary policy meeting on 15–16 March, the Bank of Japan announced that it would continue its "qualitative and quantitative monetary easing with yield curve control" program. The central bank stated that the domestic economy is expected to continue to grow moderately on the back of increased domestic demand and an improvement in exports. Year-on-year (y-o-y) inflation is expected to increase from zero percent and become slightly positive reflecting the trend in energy prices. The central bank also took note of risks to its outlook including developments in the US economy and its monetary policy, the consequences of Brexit, the European debt problem, developments in emerging and commodity-exporting economies, and other geopolitical risks.

For policy rate trends in the People's Republic of China, refer to this link:

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

For policy rate trends in Hong Kong, China, refer to this link:

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

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 Japan, refer to this link:

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

Indonesia Posts Trade Surplus of USD1.3 billion in February; Singapore's Non-Oil Domestic Exports Rise in February

Indonesia recorded a trade surplus of USD1.3 billion in February, slightly lower than the USD1.4 billion in January, buoyed by a surplus in the non-oil and gas trade. Export growth eased to 11.2% y-o-y in February after expanding 27.9% y-o-y in January. Import growth also moderated to 10.6% y-o-y in February from 14.3% y-o-y in January.

Summary Text of News Articles

**Indonesia Posts Trade Surplus of USD1.3 billion in February;
Singapore's Non-Oil Domestic Exports Rise in February (cont...)**

For the fourth consecutive month, Singapore's non-oil domestic exports (NODX) expanded, growing 21.5% y-o-y in February following 8.6% y-o-y growth in January. Electronic exports grew 17.2% y-o-y in February following a 6.1% y-o-y increase in January, while non-electronic exports jumped 23.3% y-o-y in February after 9.8% y-o-y growth in January. NODX to each of Singapore's top 10 trading partners recorded positive y-o-y growth rates in February, led by the People's Republic of China (PRC) (65.1%); the European Union (28.7%); and Taipei, China (54.0%). On a month-on-month and seasonally adjusted basis, NODX rose 1.4% in February, slightly easing from 5.0% growth in January.

**Industrial Production Rises in the PRC in January–February, Falls in Hong Kong, China in Q4 2016;
Malaysia's Index of Industrial Production Expands 3.5% y-o-y in January**

Industrial production in the PRC, as measured by the value-added of industrial output, rose 6.3% y-o-y in January–February after a 6.0% rise in December. In Hong Kong, China, provisional data showed that industrial production, as measured by the industrial production index for manufacturing industries, fell 0.8% y-o-y in the fourth quarter of 2016 after declining 0.1% y-o-y in the third quarter. The fastest output declines were noted in the textile industry (4.6% y-o-y) and the wearing apparel industry (4.5% y-o-y). For full-year 2016, industrial production fell 0.4%.

Malaysia's Index of Industrial Production expanded 3.5% y-o-y in January, down from 4.7% y-o-y in the preceding month. The slowdown was due to slower growth in the mining sector, which expanded 1.1% y-o-y in January, down from 5.8% y-o-y in December, and in the electricity sector, which increased 1.1% y-o-y after expanding 6.1% y-o-y in December. Output in the manufacturing sector increased 4.6% y-o-y in January following 4.3% y-o-y growth in December.

Overseas Filipinos Personal and Cash Remittances up in January

Overseas Filipinos personal remittances rose 8.5% y-o-y to USD2.4 billion in January. Cash remittances coursed through banks reached USD2.2 billion in January on 8.6% y-o-y growth. Growth was supported by improving global economic conditions, especially in the US, and the weakening Philippine peso. The United States remained the largest source of overseas Filipino remittances. However, both personal remittances and cash remittances were lower compared with December amounts that reached USD2.8 billion and USD2.6 billion, respectively, reflecting seasonal peaks.

The PRC to Allow Investors in Hong Kong, China to Purchase Bonds in the Domestic Bond Market

The PRC announced that it would allow investors in Hong Kong, China to buy bonds in the PRC. The Hong Kong Exchange and the China Foreign Exchange Trade System will create a bond trading platform to allow investors in Hong Kong, China to trade bonds.

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	0.73	0.51	-1.52		22.88
EU	-0.70	2.90	14.70		20.80
Japan	-0.34	-0.40	4.70		5.60
PRC	2.77	2.00	3.00		4.00
Hong Kong, China	0.33	0.00	0.00		0.00
India	8.31	0.00	0.00		0.00
Korea, Rep. of	1.32	0.00	-0.20		-0.30
Malaysia	3.08	1.10	3.70		5.40
Philippines	2.28	0.33	5.21		20.18
Singapore	0.87	0.00	4.80		-19.20
Thailand	1.35	0.00	0.00		0.00

Close of 17 March 2017

10-Year Selected LCY Government Bond Yields

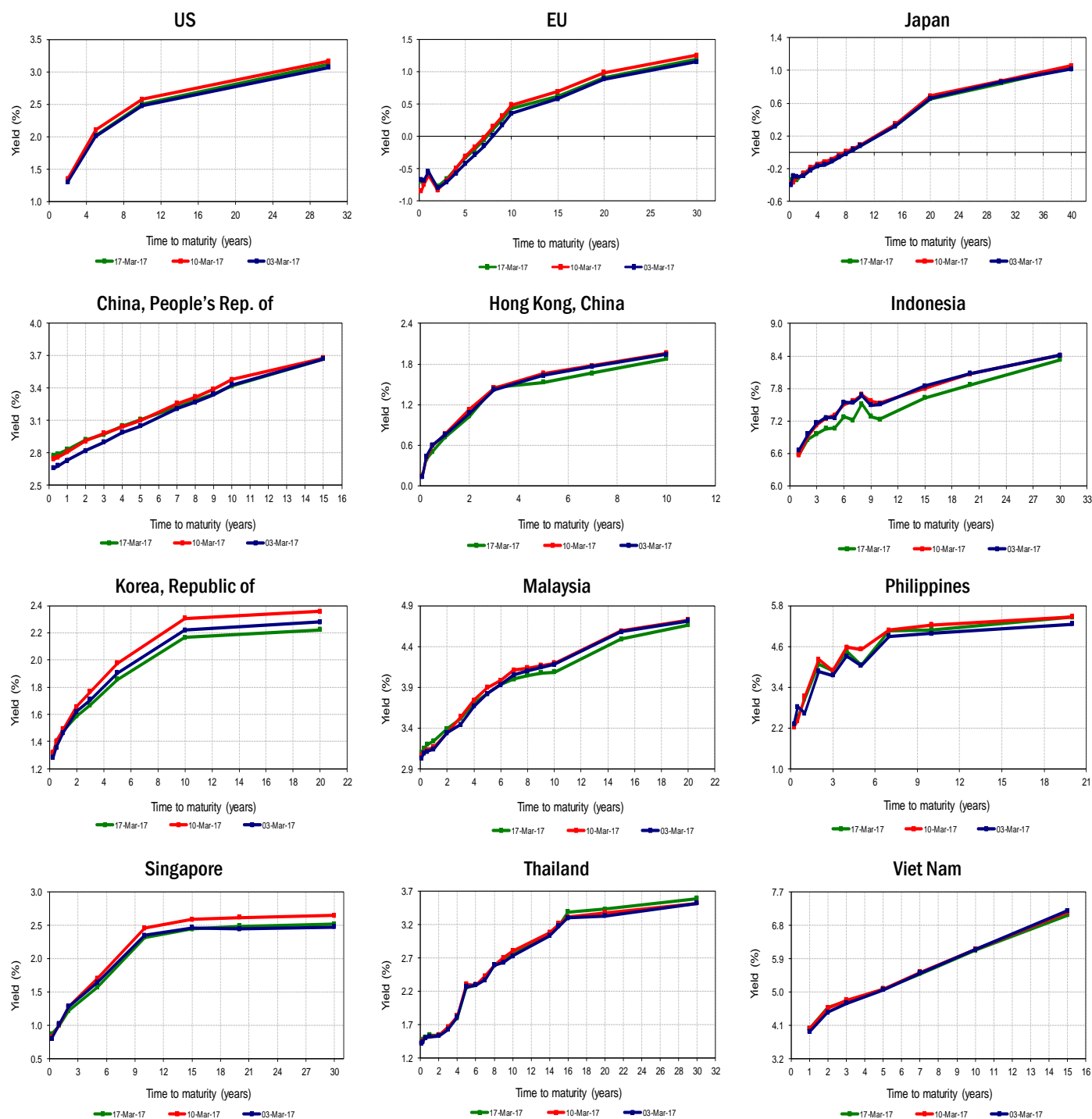
Markets	Latest Closing	basis point change from			1-Jan-17*
		Previous Day*	Previous Week*		
US	2.50	-3.97	-7.40		5.62
EU	0.44	-1.30	-5.00		22.70
Japan	0.08	0.00	-1.40		2.90
PRC	3.42	-1.00	-6.00		40.00
Hong Kong, China	1.87	0.00	-8.80		-10.10
India	6.86	2.20	-4.10		34.80
Indonesia	7.22	-4.60	-30.00		-74.90
Korea, Rep. of	2.17	-1.00	-14.00		7.50
Malaysia	4.09	-0.30	-10.80		-14.20
Philippines	5.09	36.59	-14.29		46.65
Singapore	2.32	-3.34	-14.25		-15.47
Thailand	2.75	0.00	-5.20		10.50
Viet Nam	6.13	-0.10	-3.10		-24.90

Close of 17 March 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

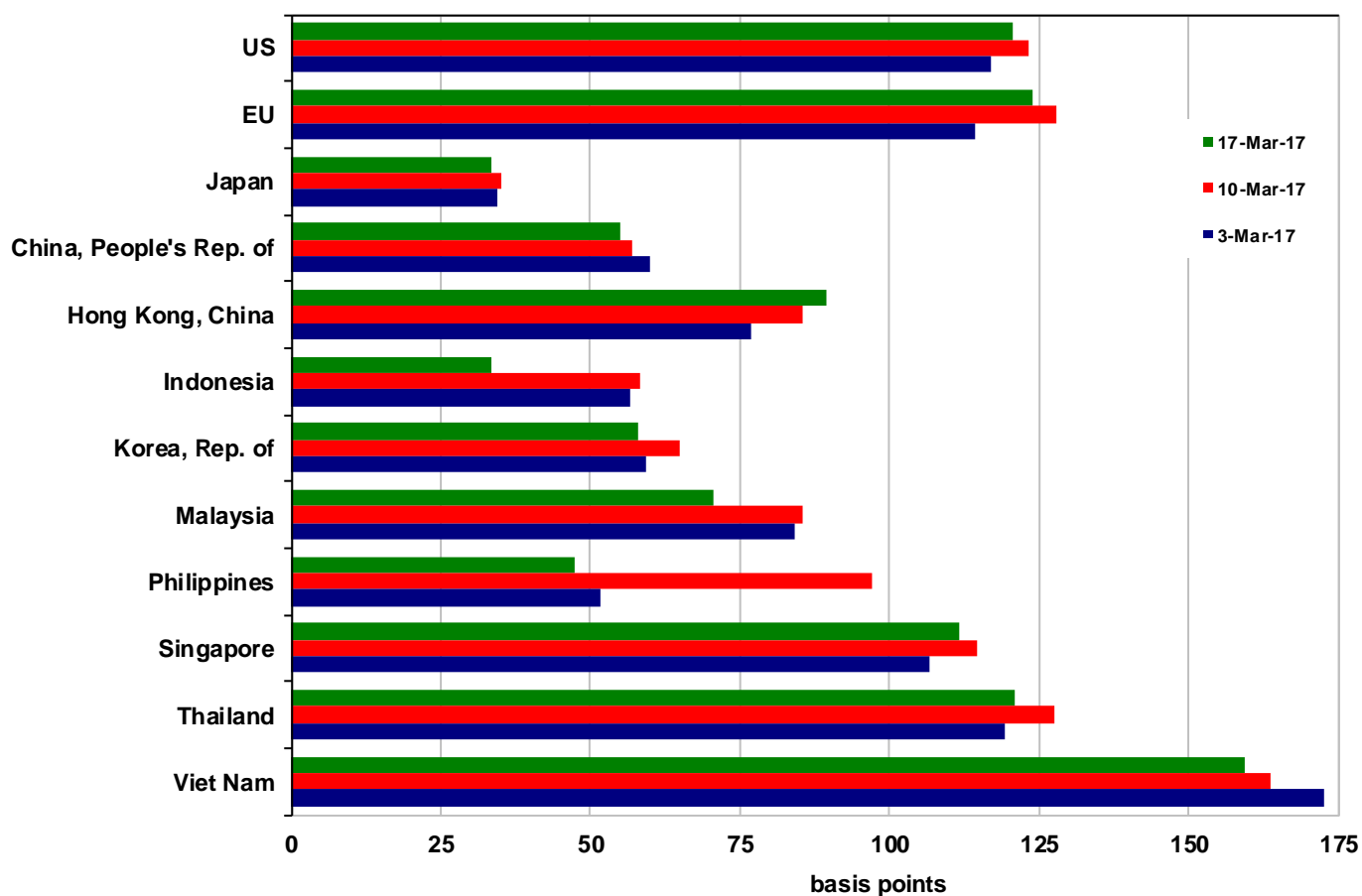


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



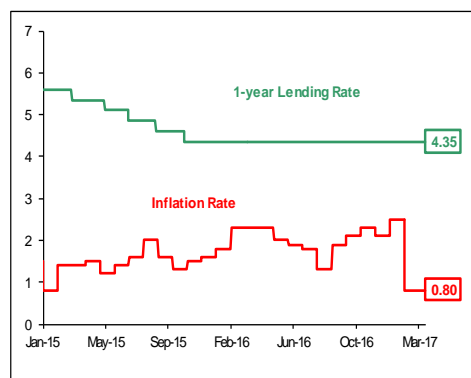
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

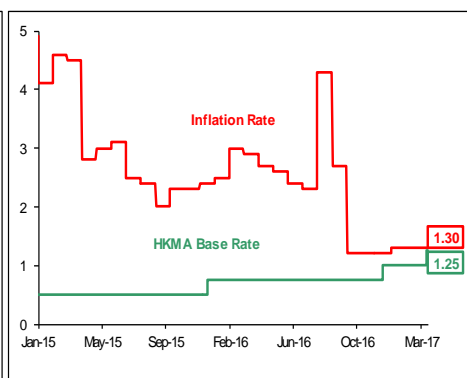
China, People's Rep. of



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

Source: Bloomberg LP.

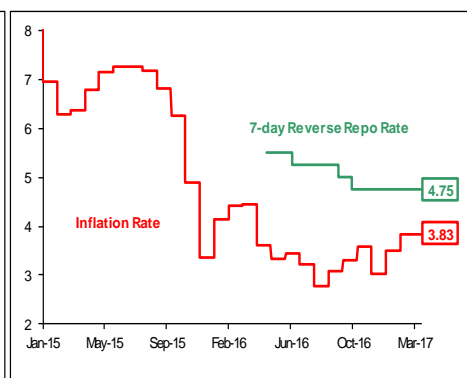
Hong Kong, China



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

Source: Bloomberg LP.

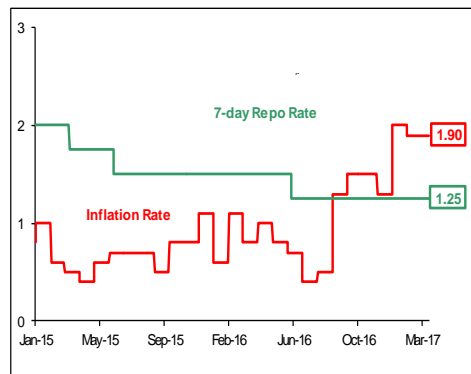
Indonesia



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

Source: Bloomberg LP.

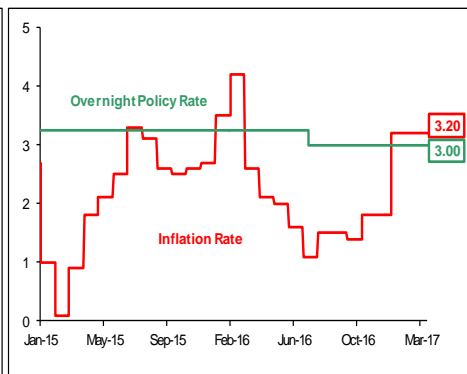
Korea, Republic of



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.

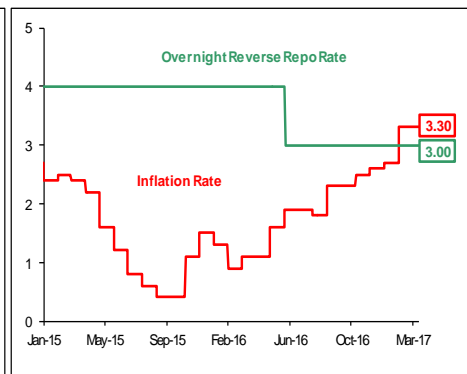
Malaysia



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

Source: Bloomberg LP.

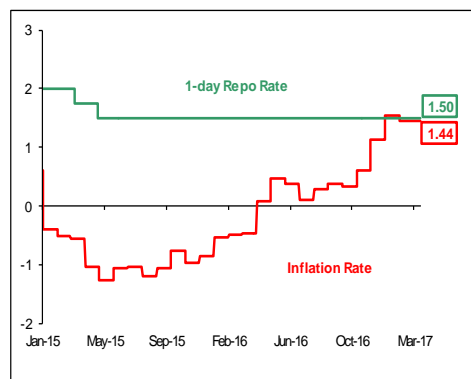
Philippines



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

Source: Bloomberg LP.

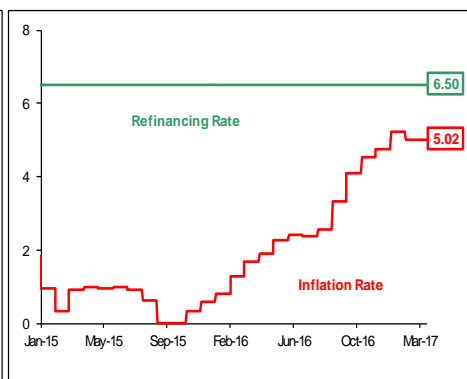
Thailand



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



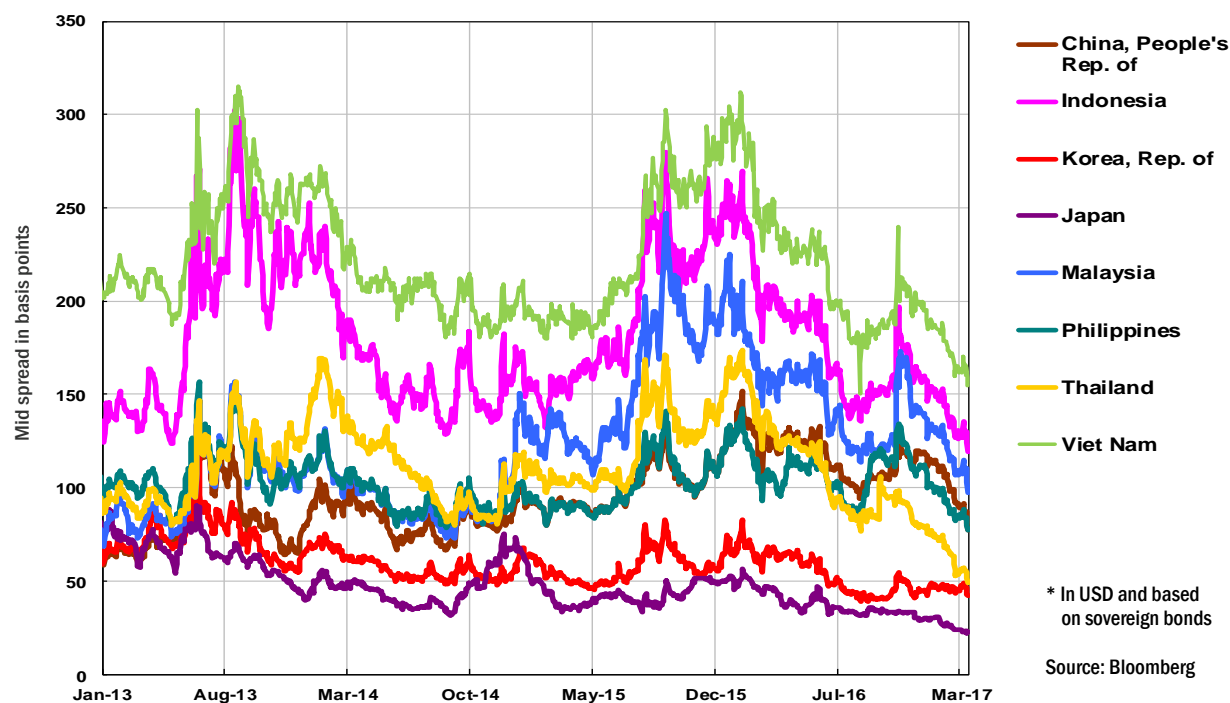
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

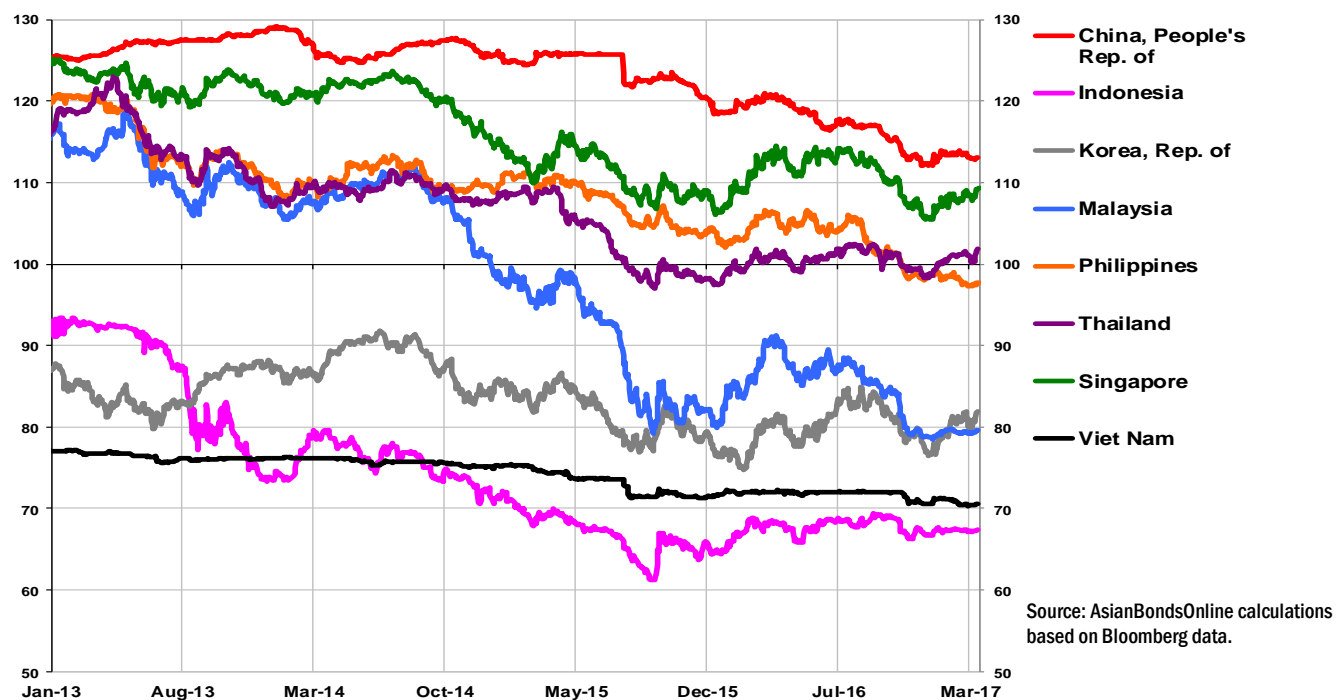
Credit Default Swap Spreads and Exchange Rate Indexes

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 (13 – 17 March 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	15-Mar	7-year Treasury Bonds	3.20	3.20	20.00	20.00
HK	14-Mar	91-day Exchange Fund Bills	0.45		36.09	36.09
		182-day Exchange Fund Bills	0.60		14.00	14.00
ID	14-Mar	91-day Treasury Bills	5.11			2,700.00
		365-day Treasury Bills	6.06			3,000.00
		5-year Treasury Bonds	7.23	7.00	15,000.00	2,250.00
		15-year Treasury Bonds	7.79	7.50		1,400.00
		19-year Treasury Bonds	8.02	8.25		2,000.00
JP	14-Mar	1-year Treasury Discount Bills	-0.28		2,500.00	2,499.97
		20-year Japanese Government Bonds	0.67	0.70	1,100.00	1,197.70
	15-Mar	6-month Treasury Discount Bills	-0.32		4,400.00	4,389.99
KR	13-Mar	1-year Monetary Stabilization Bonds	1.51		1,300.00	1,300.00
		5-year Korea Treasury Bonds	1.99	1.88	1,730.00	1,730.00
	15-Mar	2-year Monetary Stabilization Bonds	1.67		2,300.00	2,300.00
MY	16-Mar	182-day Treasury Bills	3.17		0.50	0.50
		273-day Treasury Bills	3.24		0.50	0.50
SG	14-Mar	31-day MAS Bills	0.54		1.20	1.20
		84-day MAS Bills	0.52		4.60	4.60
TH	13-Mar	28-day Treasury Bills	1.42		20.00	18.40
	14-Mar	91-day Bank of Thailand Bills	1.48		40.00	40.00
		182-day Bank of Thailand Bills	1.51		40.00	40.00
		364-day Bank of Thailand Bills	1.56		45.00	45.00
	15-Mar	19.27-year Government Bonds	3.47	3.40	8.00	8.00
	17-Mar	14-day Bank of Thailand Bills	1.45		40.00	40.00
VN	15-Mar	7-year Treasury Bonds	5.39		2,000.00	2,000.00
		10-year Treasury Bonds	6.05		1,000.00	1,286.00
		15-year Treasury Bonds	6.95		2,000.00	2,450.00
		20-year Treasury Bonds	7.50		1,000.00	1,300.00
		30-year Treasury Bonds	7.95		1,000.00	1,450.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (21 – 27 March 2017)

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, % FEB	03/21	01/16: 2.5% 02/16: 3.0% 12/16: 1.2% 01/17: 1.3%	Hong Kong, China's inflation rate, as measured by the Consumer Price Index (CPI), rose to 1.3% year-on-year (y-o-y) in January from 1.2% y-o-y in December.
Japan Exports y-o-y, % FEB	03/22	01/16: -12.9% 02/16: -4.0% 12/16: 5.4% 01/17: 1.3%	Japan's exports rose 1.3% y-o-y in January, down from the expansion of 5.4% y-o-y in December.
Japan Trade Balance JPY billion FEB	03/22	01/16: -657 02/16: 236 12/16: 636 01/17: -1,088	Japan posted a trade deficit of JPY 1,088 billion in January, a reversal from the JPY 636 billion surplus recorded in December.
Philippines Overnight Borrowing Rate % 23 Mar	03/23	02/16: 4.00% 03/16: 4.00% 01/17: 3.00% 02/17: 3.00%	The Bangko Sentral ng Pilipinas maintained the overnight borrowing rate at 3.00% during its meeting on 9 February.
Singapore CPI y-o-y, % FEB	03/23	01/16: -0.6% 02/16: -0.8% 12/16: 0.2% 01/17: 0.6%	Consumer price inflation in Singapore climbed to 0.6% y-o-y in January after rising 0.2% y-o-y in December.
Malaysia CPI y-o-y, % FEB	03/24	01/16: 3.5% 02/16: 4.2% 12/16: 1.8% 01/17: 3.2%	Malaysia's consumer price inflation sharply accelerated to 3.2% y-o-y in January from 1.8% y-o-y in December.
Singapore Industrial Production y-o-y, % FEB	03/24	01/16: 1.2% 02/16: -3.3% 12/16: 22.1% 01/17: 2.2%	Singapore's industrial production rose 2.2% y-o-y in January, easing from a growth of 22.1% in December.
Viet Nam CPI y-o-y, % MAR	03/24	02/16: 1.3% 03/16: 1.7% 01/17: 5.2% 02/17: 5.0%	Consumer price inflation in Viet Nam eased to 5.0% y-o-y in February from 5.2% y-o-y in January.
Viet Nam Industrial Production y-o-y, % MAR	03/25 to 03/31	02/16: 7.9% 03/16: 6.2% 01/17: 0.7% 02/17: 15.2%	Industrial production growth in Viet Nam surged to 15.2% y-o-y in February from 0.7% y-o-y a month earlier.
Viet Nam Trade Balance USD million MAR	03/25 to 03/31	02/16: 100 03/16: 100 01/17: 1,154 02/17: -1,200	Viet Nam posted a trade deficit amounting to USD1.2 billion in February, a reversal from the trade surplus of USD1.2 billion in January.
Viet Nam GDP-YTD y-o-y, % Q1 2017	03/25 to 03/31	Q4 2015: 6.7% Q1 2016: 5.5% Q3 2016: 5.9% Q4 2016: 6.2%	Real gross domestic product (GDP) growth in Viet Nam rose to 6.2% y-o-y in 2016 from 6.7% y-o-y in 2015.
Hong Kong, China Exports y-o-y, % FEB	03/27	01/16: -3.8% 02/16: -10.4% 12/16: 10.1% 01/17: -1.2%	Exports from Hong Kong, China fell 1.2% y-o-y in January following a 10.1% y-o-y hike in December.
Hong Kong, China Trade Balance HKD billion FEB	03/27	01/16: -17.5 02/16: -33.1 12/16: -45.5 01/17: -12.3	Hong Kong, China's trade deficit narrowed to HKD12.3 billion in January from HKD45.5 billion in December.

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 Key Policy Rate

- [Federal Reserve Issues FOMC Statement](#)
 Board of Governors of the Federal Reserve System (15 March 2017)

The People's Bank of China Raises Rates of Open Market Instruments; Hong Kong Monetary Authority Raises Base Rate to 1.25%; Bank Indonesia Keeps 7-Day Reverse Repo Rate at 4.75%; Bank of Japan Maintains Monetary Easing Program

- [Chinese central bank lifts open market operation tool interest rates](#)
 Xinhua (16 March 2017)
- [Adjustment of the Base Rate](#)
 Hong Kong Monetary Authority (16 March 2017)
- [BI 7-day Reverse Repo Rate Held at 4.75% Maintaining Stability, Keeping Economic Growth Momentum Amidst Escalating Global Risk](#)
 Bank Indonesia (16 March 2017)
- [Statement on Monetary Policy](#)
 Bank of Japan (16 March 2017)

Indonesia Posts Trade Surplus of USD1.3 billion in February; Singapore's Non-Oil Domestic Exports Rise in February

- [Indonesia's Trade Balance Surplus Increase](#)
 Bank Indonesia (16 March 2017)
- [Indonesian Export And Import February 2017](#)
 Statistics Indonesia (15 March 2017)
- [Singapore's External Trade – February 2017](#)
 International Enterprise Singapore (17 March 2017)

Industrial Production Rises in the PRC in January–February, Falls in Hong Kong, China in Q4 2016; Malaysia's Index of Industrial Production Expands 3.5% y-o-y in January

- [China industrial output expands 6.3 pct for Jan.-Feb.](#)
 Xinhua (14 March 2017)
- [Provisional statistics on index of industrial production and producer price index for industrial sector for fourth quarter of 2016 and whole year of 2016](#)
 Census and Statistics Department (13 March 2017)
- [Index of Industrial Production, Malaysia January 2017](#)
 Department of Statistics Malaysia (13 March 2017)

Overseas Filipinos Personal and Cash Remittances up in January

- [Personal Remittances Reach US\\$2.4 Billion in January 2017](#)
 Bangko Sentral ng Pilipinas (15 March 2017)

The PRC to Allow Investors in Hong Kong, China to Purchase Bonds in the Domestic Bond Market

- [China to Allow Onshore Bond Buying via Hong Kong This Year](#)
 Bloomberg (15 March 2017)

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