

Key Developments in Asian Local Currency Markets

The United States Federal Reserve last week held its key policy rate steady in a target range of 0.75% to 1.0%. In its decision, the Federal Reserve judged the current range of its policy rate as sufficiently accommodative to support the labor market and a 2% inflation target. The Federal Reserve noted a slowdown in domestic economic growth in the first quarter of 2017 but this is expected to be temporary, with the labor market continuing to strengthen and underlying trends in consumption remaining steady.

Real gross domestic product growth in Indonesia climbed to 5.0% year-on-year (y-o-y) in the first quarter of 2017 from 4.9% y-o-y in the fourth quarter of 2016. Domestic consumption, which was up 4.9% y-o-y, continued to drive Indonesia's economy as the largest contributor to real gross domestic product.

Consumer price inflation in Indonesia climbed to 4.2% y-o-y in April from 3.6% y-o-y in March as all major subindexes posted y-o-y increases. In the Republic of Korea, inflation eased to 1.9% y-o-y in April from 2.2% y-o-y in March, driven by slower annual increases in seven out of twelve subindexes. In Thailand, inflation eased to 0.4% y-o-y in April from 0.8% y-o-y in March, led by the contraction in prices of food and non-alcoholic beverages. The Philippines posted an inflation rate of 3.4% y-o-y in April, unchanged from the previous month.

Malaysia maintained strong double-digit export growth in March of 24.1% y-o-y, with exports reaching MYR82.6 billion. Import receipts were valued at MYR77.2 billion, leading to a trade surplus of MYR5.4 billion in March. The Republic of Korea's exports surged 24.2% y-o-y to USD51.0 billion in April. The growth was driven by positive annual increases in exports of nine out of thirteen major products categories. Imports rose 16.6% y-o-y to USD37.8 billion, leading to a trade surplus of USD13.3 billion in April. The Republic of Korea's current account surplus narrowed to USD5.9 billion in March from USD8.4 billion in February.

The People's Republic of China's manufacturing Purchasing Managers Index fell to 51.2 in April from 51.8 in March, indicating continued expansion, albeit at a slower pace than in the previous month. Singapore's PMI remained above the 50-point threshold for the eight consecutive month in April at 51.1.

Asia Bond Monitor March 2017

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10-Year Selected LCY Government Security Yields Close of 5 May 2017 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.35	-0.54	6.85	-9.56
EU	0.42	2.40	10.10	21.00
Japan	0.02	0.00	0.30	-2.50
PRC	3.72	4.00	11.00	70.00
Hong Kong, China	1.52	0.00	4.40	-45.90
India	6.94	-2.50	-2.00	42.80
Indonesia	7.09	3.60	4.40	-88.10
Korea, Rep. of	2.21	0.00	2.00	12.00
Malaysia	3.96	-0.90	-8.60	-26.80
Philippines	5.04	-12.50	-12.68	40.69
Singapore	2.16	1.36	3.71	-31.20
Thailand	2.74	0.30	2.50	9.10
Viet Nam	6.07	1.00	2.00	-30.50

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However, this was down slightly from 51.2 in March.

Malaysia's international reserves increased to USD96.1 billion at the end of April from USD95.4 billion at the end of March. The reserves have grown since January after dropping to USD94.6 billion in December 2016 as Bank Negara Malaysia acted to stabilize the Malaysian ringgit.

Last week, State Development and Investment Corporation, located in the People's Republic of China, issued two USD-denominated bonds. The 5-year USD500 million bond was issued at a coupon rate of 2.875% and the 10-year USD500 million bond was issued at a coupon rate of 3.625%.

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

Summary Text of News Articles

Federal Reserve Keeps Policy Rate Steady

The United States Federal Reserve last week held its key policy rate steady in a target range of 0.75% to 1.0%. In its decision, the Federal Reserve judged the current range of its policy rate as sufficiently accommodative to support the labor market and a 2% inflation target. The Federal Reserve noted a slowdown in economic growth in the first quarter of 2017 but this is expected to be temporary, with the labor market continuing to strengthen and underlying trends in consumption remaining steady. Inflation is also expected to reach the Federal Reserve's target over the medium-term.

GDP Growth in Indonesia Climbs to 5.0% y-o-y in Q1 2017

Real gross domestic product (GDP) growth in Indonesia climbed to 5.0% year-on-year (y-o-y) in the first quarter (Q1) of 2017 from 4.9% y-o-y in the fourth quarter of 2016. Domestic consumption, which gained 4.9% y-o-y, continued to drive Indonesia's economy as the largest contributor to GDP. Exports rose 8.0% y-o-y and gross fixed capital formation expanded 4.8% y-o-y in Q1 2017. On a non-seasonally adjusted and quarter-on-quarter basis, however, Indonesia's GDP contracted 0.3%.

**Consumer Price Inflation Climbs in Indonesia, Eases in the Republic of Korea and Thailand in April;
Consumer Price Inflation Unchanged in the Philippines in April**

Consumer price inflation in Indonesia climbed to 4.2% y-o-y in April from 3.6% y-o-y in March as all major subindexes posted y-o-y increases. The subindex for housing, water, electricity, gas, and fuel posted the largest increase, rising 5.2% y-o-y following the second phase of electricity tariff adjustments. Also, the transportation, communications, and financial services subindex rose 5.1% y-o-y. Between March and April, consumer prices rose 0.1%. Bank Indonesia's inflation target for the year is set at a range of between 3.0% and 5.0%.

Consumer price inflation in the Republic of Korea eased to 1.9% y-o-y in April from 2.2% y-o-y in March, driven by slower annual increases in seven out of twelve subindexes. Prices of food and non-alcoholic beverages rose 2.6% y-o-y in April, slower than the 3.5% y-o-y increase in March. Moreover, the communications subindex contracted 0.3% y-o-y in April, a reversal from the 0.2% y-o-y increase in the previous month. On a month-on-month (m-o-m) basis, consumer prices declined 0.1% in April.

Consumer price inflation in Thailand eased to 0.4% y-o-y in April from 0.8% y-o-y in March. The slower inflation was led by the 0.3% y-o-y contraction in prices of food and non-alcoholic beverages, a reversal from the 0.7% y-o-y increase in March. The housing and furnishing subindex continued to contract in April, and the transportation and communications subindex increased at a slower pace than in the previous month. However, on a m-o-m basis, consumer prices rose 0.2% in April.

The Philippines posted an inflation rate of 3.4% y-o-y in April, unchanged from the previous month but up from 1.1% y-o-y in April 2016. Faster y-o-y increases were seen in the subindexes for food and nonalcoholic beverages, transport, and communications, while the remaining subindexes were either unchanged or declined. Core inflation, which excludes volatile food and energy items, increased to 3.0% y-o-y in April from 2.9% y-o-y in March and 1.5% y-o-y in April 2016. The year-to-date average inflation rate was 3.2% in the first 4 months of the year, while the average core inflation rate was 2.8%.

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

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

For inflation 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

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

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

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

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

Summary Text of News Articles

**Malaysia Maintains Double-Digit Export and Import Growth Rates in March;
The Republic of Korea's Exports and Imports Rise in April;
The Republic of Korea's Current Account Surplus Narrows in March**

Malaysia maintained strong double-digit export growth in March of 24.1% y-o-y, although it was down slightly from 26.6% y-o-y growth in February. Export revenue in March amounted to MYR82.6 billion. Imports to Malaysia also remained strong, increasing 39.4% y-o-y in March versus 27.7% y-o-y in February. Import receipts were valued at MYR77.2 billion, resulting in a narrower trade surplus of MYR5.4 billion in March compared with MYR8.7 billion in February. On a m-o-m basis, exports increased 15.1% in March, imports increased 22.5%, and the trade surplus decreased 3.3%.

The Republic of Korea's exports surged 24.2% y-o-y to USD51.0 billion in April. The growth was driven by increases in exports of nine out of thirteen major product categories, led by ships, semiconductors, general machinery, and steel. According to the Ministry of Trade, Industry and Energy, the upward trend is expected to continue, supported by the recovery in the global economy and the government's diversification efforts. Imports rose 16.6% y-o-y to USD37.8 billion. The Republic of Korea posted a trade surplus of USD13.3 billion in April.

The Republic of Korea's current account surplus narrowed to USD5.9 billion in March from USD8.4 billion in February. The lower surplus was driven by the deficit incurred in the primary income account of USD0.59 billion, a reversal from the USD0.63 billion surplus posted in February. The services account deficit also widened to USD3.3 billion from USD2.2 billion during the period in review. The goods account surplus narrowed to USD9.8 billion from USD10.6 billion as imports rose at a faster m-o-m pace than exports.

Manufacturing PMI Falls in the People's Republic of China and Singapore in April

The People's Republic of China's manufacturing Purchasing Managers Index (PMI) fell to 51.2 in April from 51.8 in March, indicating continued expansion, albeit at a slower pace. The decline in PMI was due to a fall in the subindexes for production and new orders. The PMI's subindex for production fell to 53.8 in April from 54.2 in March, while the subindex for new orders fell to 52.3 from 53.3.

Singapore's PMI continued to record a reading above the 50-point threshold for the eighth consecutive month in April at 51.1. However, this was down slightly from 51.2 in March due to the slower growth rates in new orders, new exports, inventory, and employment. The PMI reading for the electronics sector also declined to 51.6 in April from 51.8 in March.

Malaysia's International Reserves Continue to Increase in 2017

Malaysia's international reserves increased to USD96.1 billion at the end of April from USD95.4 billion at the end of March. The reserves have grown since January after dropping to USD94.6 billion in December 2016 as Bank Negara Malaysia acted to stabilize the Malaysian ringgit. The April reserves level is enough to cover 7.9 months of retained imports and is equivalent to 1.1 times the short-term external debt.

State Development and Investment Corporation Issues USD Bonds

Last week, State Development and Investment Corporation, located in the PRC, issued two USD-denominated bonds. The 5-year USD500 million bond was issued at a coupon rate of 2.875% and the 10-year USD500 million bond was issued at a coupon rate of 3.625%.

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-17*
US	0.88	1.01	9.16	38.65
EU	-0.56	-0.40	0.80	34.90
Japan	-0.14	0.00	0.60	25.50
PRC	3.18	0.00	13.00	45.00
Hong Kong, China	0.33	0.00	0.00	0.00
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.30	0.00	-0.90	-2.10
Malaysia	3.05	0.10	-1.30	2.30
Philippines	2.67	70.79	54.19	58.95
Singapore	0.94	0.00	-2.10	-12.20
Thailand	1.35	0.00	0.00	0.00

Close of 5 May 2017

10-Year Selected LCY Government Bond Yields

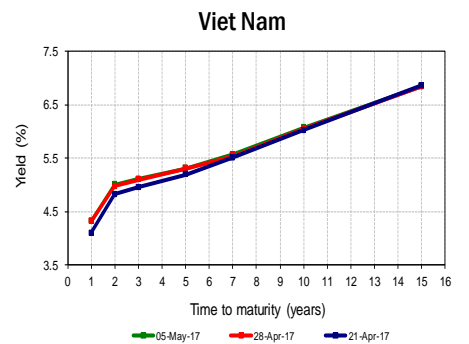
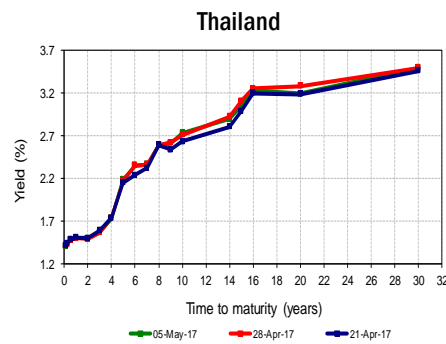
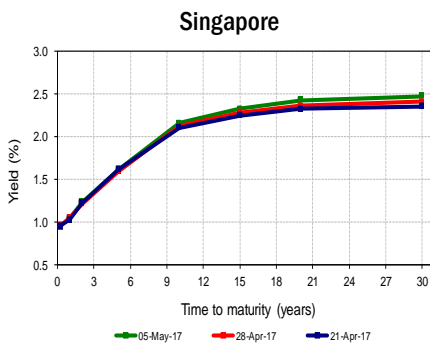
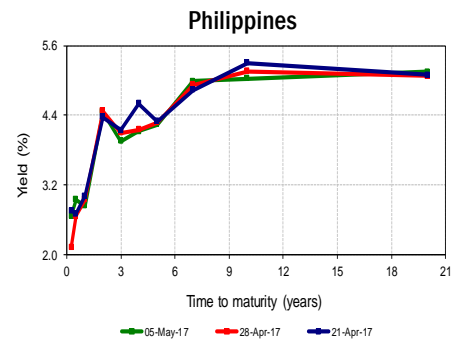
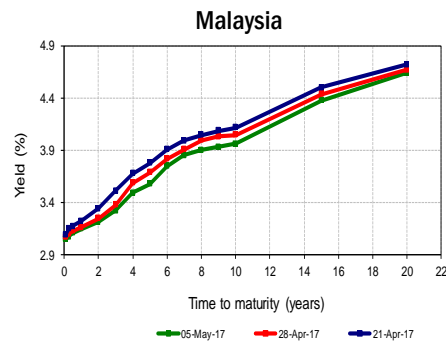
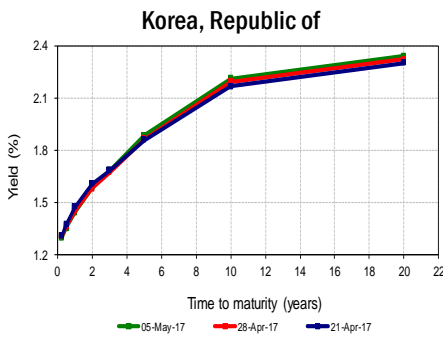
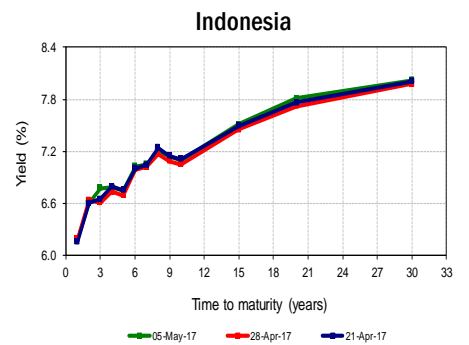
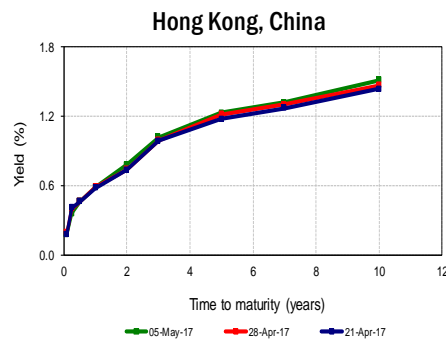
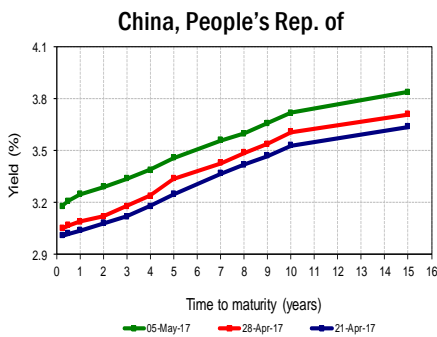
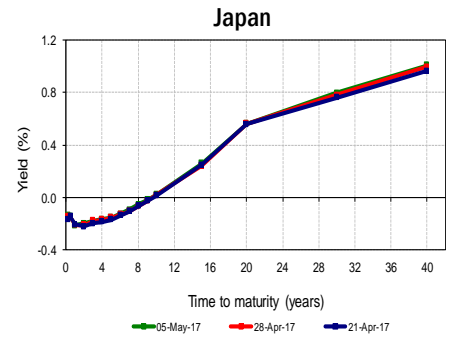
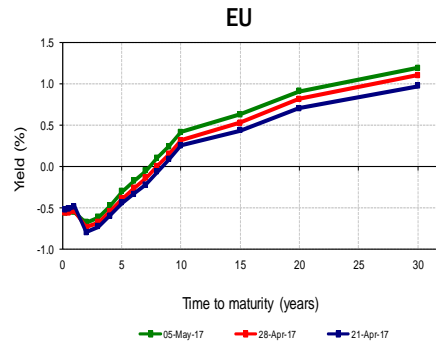
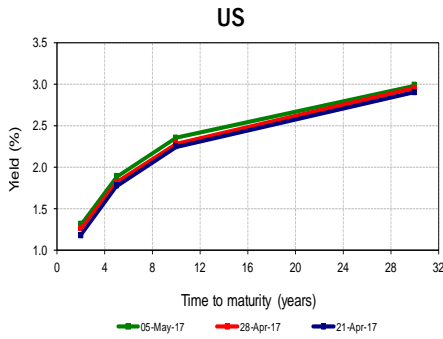
Markets	Latest Closing	basis point change from		
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US	2.35	-0.54	6.85	-9.56
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Japan	0.02	0.00	0.30	-2.50
PRC	3.72	4.00	11.00	70.00
Hong Kong, China	1.52	0.00	4.40	-45.90
India	6.94	-2.50	-2.00	42.80
Indonesia	7.09	3.60	4.40	-88.10
Korea, Rep. of	2.21	0.00	2.00	12.00
Malaysia	3.96	-0.90	-8.60	-26.80
Philippines	5.04	-12.50	-12.68	40.69
Singapore	2.16	1.36	3.71	-31.20
Thailand	2.74	0.30	2.50	9.10
Viet Nam	6.07	1.00	2.00	-30.50

Close of 5 May 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

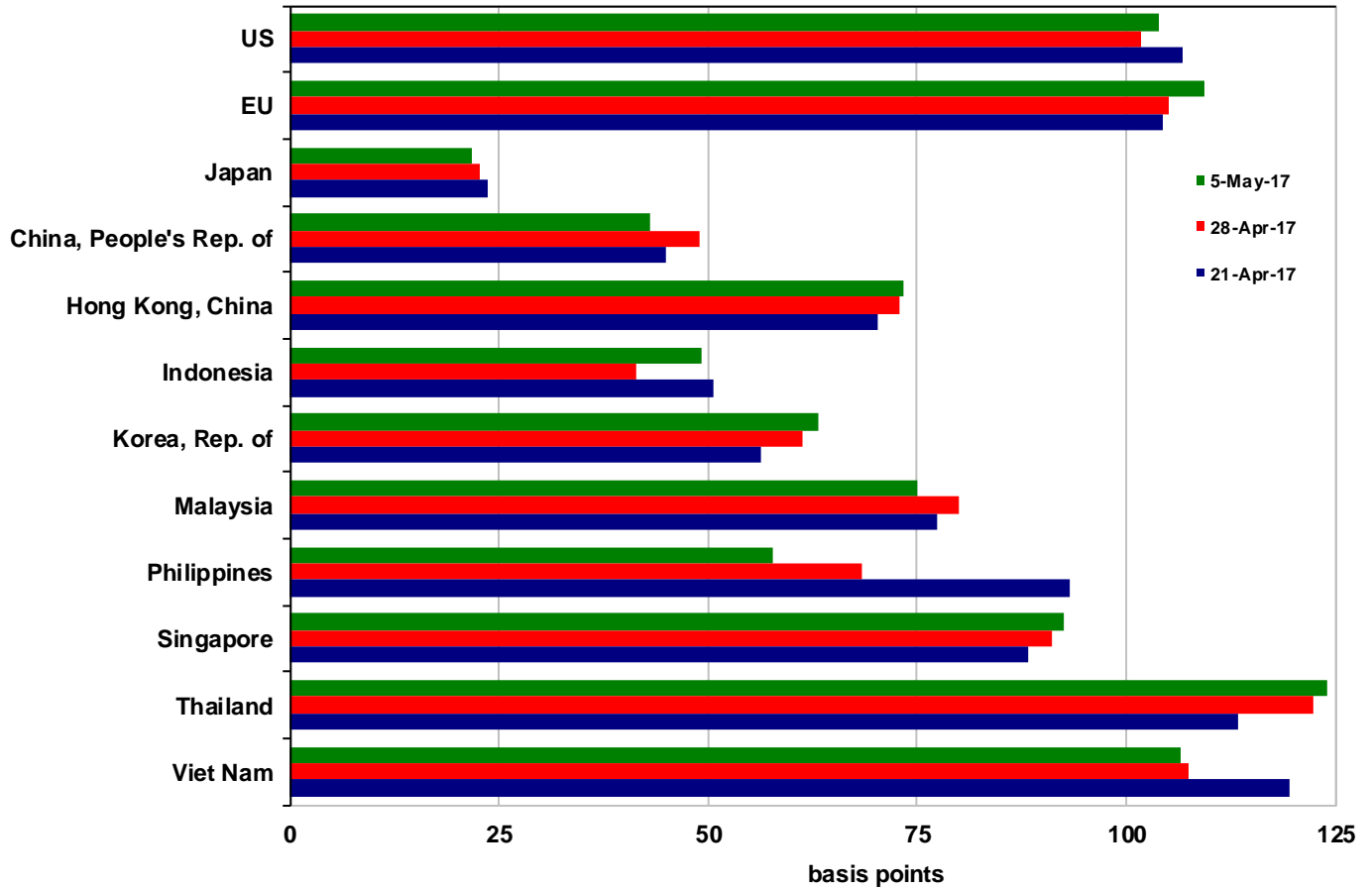
Tip: Zoom-in on the table using the Acrobat zoom tool



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

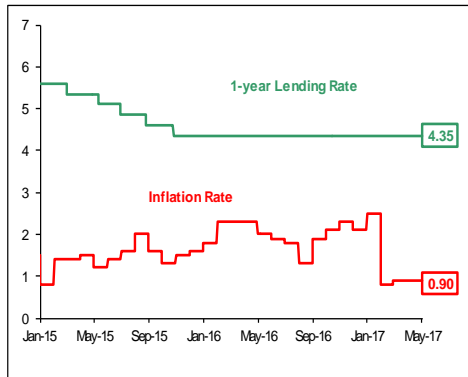


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

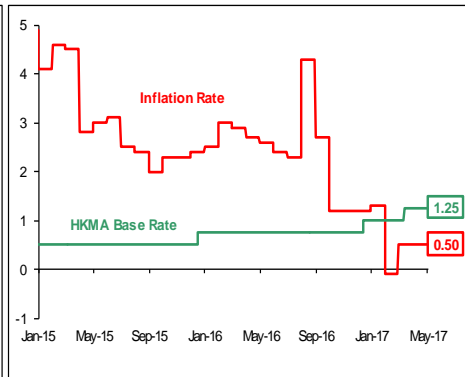
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



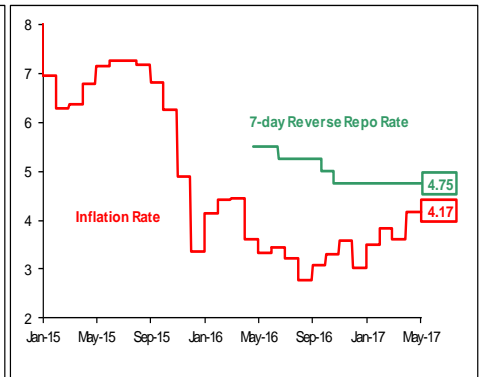
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



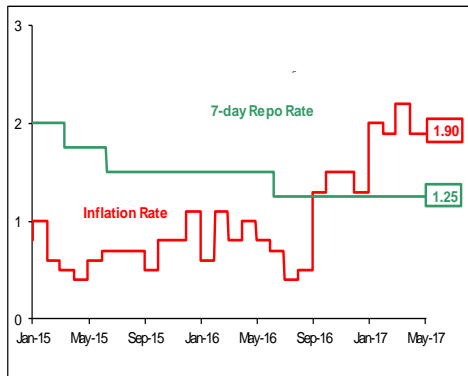
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



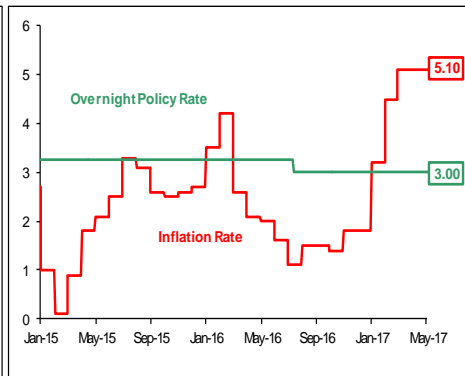
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



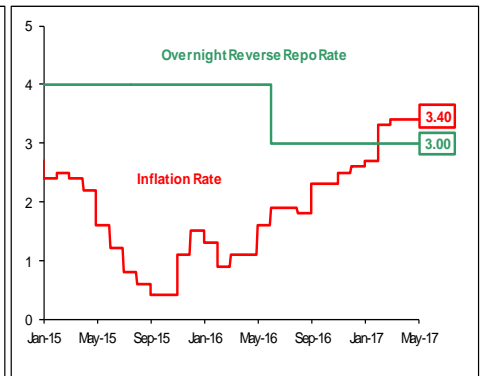
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



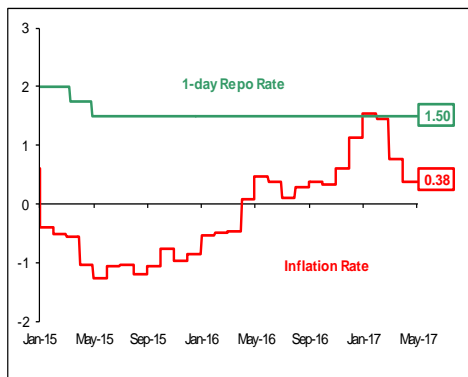
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



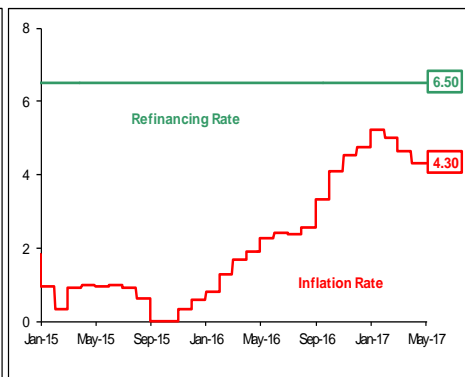
Banko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

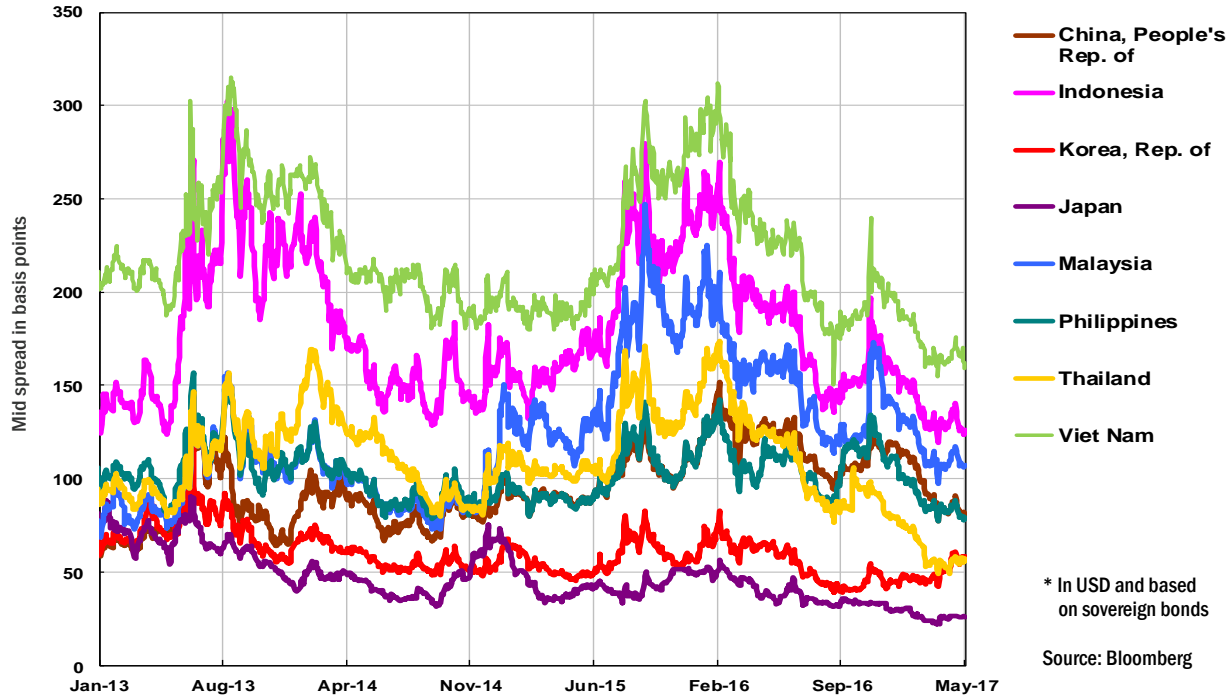


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

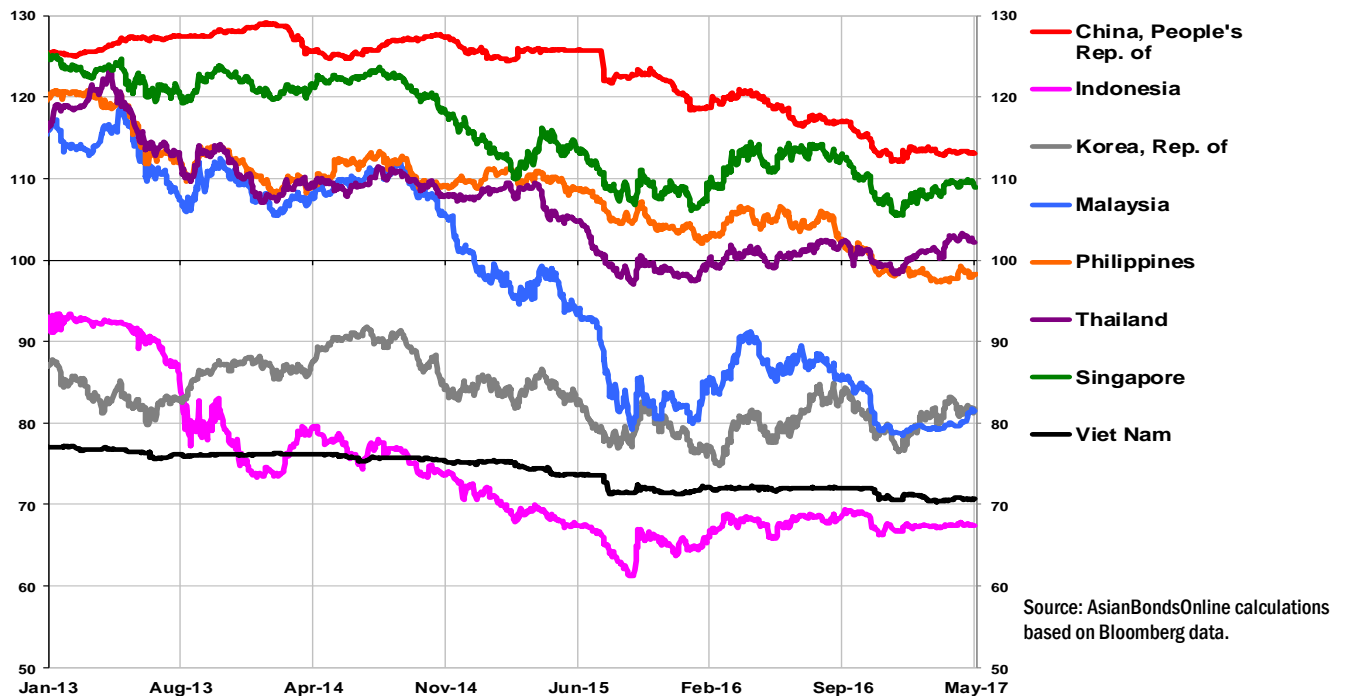
Credit Default Swap Spreads and Exchange Rate Indexes

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 (1 – 5 May 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	3-May	1-year Treasury Bonds	3.32	3.32	36.00	36.00
		10-year Treasury Bonds	3.52	3.52	36.00	36.00
HK	2-May	91-day Exchange Fund Bills	0.42		30.78	30.78
		182-day Exchange Fund Bills	0.50		11.00	11.00
ID	2-May	6-month Islamic Treasury Bills	5.51			2,000.00
		2-year Project-Based <i>Sukuk</i>	6.93	6.25	6,000.00	820.00
		4-year Project-Based <i>Sukuk</i>	7.04	6.50		710.00
		14-year Project-Based <i>Sukuk</i>	7.95	8.88		545.00
JP	1-May	3-month Treasury Discount Bills	-0.14		4,400.00	4,429.95
KR	4-May	2-year Monetary Stabilization Bonds	1.63		2,200.00	2,200.00
MY	5-May	30-year Islamic Bonds	4.90	4.90	2.00	2.00
PH	2-May	10-year Treasury Bonds	4.76	4.75	15.00	9.72
SG	3-May	28-day MAS Bills	0.52		1.30	1.30
		84-day MAS Bills	0.59		5.00	5.00
	4-May	168-day MAS Bills	0.69		2.60	2.60
TH	2-May	91-day Bank of Thailand Bills	1.41		30.00	30.00
		182-day Bank of Thailand Bills	1.47		30.00	30.00
	3-May	9.62-yr Treasury Bond	2.74	2.13	20.00	20.00
VN	3-May	5-year Treasury Bonds	5.22		1,500.00	100.00
		7-year Treasury Bonds	5.48		1,000.00	100.00
		10-year Treasury Bonds	6.00		1,500.00	300.00
		15-year Treasury Bonds	6.76		1,500.00	1,090.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (9 – 15 May 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
PRC CPI y-o-y, % APR	05/10	03/16: 2.3% 04/16: 2.3% 02/17: 0.8% 03/17: 0.9%	Consumer prices in the People's Republic of China (PRC) gained 0.9% year-on-year (y-o-y), up from 0.8% y-o-y in February.
Japan Current Account JPY billion MAR	05/11	02/16: 2,380.3 03/16: 2,972.2 01/17: 65.5 02/17: 2,813.6	Japan's current account balance ballooned to JPY2,813.6 billion in February from JPY65.5 billion in January.
Malaysia Industrial Production y-o-y, % MAR	05/11	02/16: 3.5% 03/16: 2.3% 01/17: 3.5% 02/17: 4.7%	Malaysia's industrial production growth jumped to 4.7% y-o-y in February from 3.5% y-o-y in January.
Philippines Exports y-o-y, % MAR	05/11	02/16: -4.5% 03/16: -15.1% 01/17: 24.0% 02/17: 11.0%	Export growth in the Philippines slowed in February to 11.0% y-o-y from 24.0% y-o-y in January.
Philippines Trade Balance USD million MAR	05/11	02/16: -1,104 03/16: -1,747 01/17: -2,314 02/17: -1,728	The Philippines' trade deficit narrowed to USD1.7 billion in February from USD2.3 billion in January.
Philippines Overnight Borrowing Rate % 11 May	05/11	04/16: 4.00% 05/16: 3.00% 03/17: 3.00% 04/17: 3.00%	The overnight borrowing rate in the Philippines was left unchanged at 3.00% at Bangko Sentral ng Pilipinas' monetary policy meeting on 23 March.
Hong Kong, China GDP y-o-y, % Q1 2017	05/12	Q4 2015: 1.9% Q1 2016: 1.0% Q3 2016: 2.0% Q4 2016: 3.1%	Real gross domestic product (GDP) growth in Hong Kong, China climbed to 3.1% y-o-y in the fourth quarter (Q4) of 2016 from 2.0% y-o-y in the third quarter (Q3) of 2016.
Indonesia Current Account USD million Q1 2017	05/12	Q4 2015: -4,703 Q1 2016: -4,651 Q3 2016: -4,680 Q4 2016: -1,812	Indonesia's current account deficit narrowed to USD1.8 billion in Q4 2016 from USD4.7 billion in the previous quarter.
Malaysia Overnight Policy Rate % May-12	05/12	04/16: 3.25% 05/16: 3.25% 03/17: 3.00% 04/17: 3.00%	Bank Negara Malaysia decided to maintain its overnight policy rate at 3.00% during its Monetary Policy Committee meeting on 2 March.
Indonesia Exports y-o-y, % APR	05/15	03/16: -13.4% 04/16: -12.4% 02/17: 11.5% 03/17: 23.6%	Exports from Indonesia climbed 23.6% y-o-y in March after rising 11.5% y-o-y in February.
Indonesia Trade Balance USD million APR	05/15	03/16: 508.3 04/16: 662.3 02/17: 1,259.5 03/17: 1,234.0	Indonesia reported a trade surplus valued at USD1.2 billion in March, down from USD1.3 billion in February.
Thailand GDP y-o-y, % Q1 2017	05/15	Q4 2015: 2.7% Q1 2016: 3.1% Q3 2016: 3.2% Q4 2016: 3.0%	Thailand's economic growth slowed to 3.0% y-o-y in Q4 2016 from 3.2% y-o-y in Q3 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)

Federal Reserve Keeps Policy Rate Steady

- [Federal Reserve issues FOMC statement](#)
Board of Governors of the Federal Reserve System (3 May 2017)

GDP Growth in Indonesia Climbs to 5.0% y-o-y in Q1 2017

- [Economic Growth of Indonesia First Quarter 2017](#)
Statistics Indonesia (5 May 2017)

Consumer Price Inflation Climbs in Indonesia, Eases in the Republic of Korea and Thailand in April; Consumer Price Inflation Unchanged in the Philippines in April

- [Consumer Price Index](#)
Statistics Indonesia (2 May 2017)
- [April 2017 Inflation Controlled](#)
Bank Indonesia (2 May 2017)
- [Consumer Price Index in April 2017](#)
Statistics Korea (2 May 2017)
- [Consumer Price Index and Core Consumer Price Index: April 2017](#)
Ministry of Commerce (1 May 2017)
- [Summary Inflation Report Consumer Price Index \(2006=100\): April 2017](#)
Philippine Statistics Authority (05 May 2017)

Malaysia Maintains Double-Digit Export and Import Growth Rates in March; The Republic of Korea's Exports and Imports Rise in April; The Republic of Korea's Current Account Surplus Narrows in March

- [Monthly External Trade Statistics March 2017](#)
Department of Statistics Malaysia (05 May 2017)
- [Korea's exports surge 24.2% in April to second-highest on record](#)
Ministry of Trade, Industry and Energy (1 May 2017)
- [Balance of Payments during March 2017 \(preliminary\)](#)
Bank of Korea (4 May 2017)

Manufacturing PMI Falls in the People's Republic of China and Singapore in April

- [China's manufacturing activity expands for 9th straight month](#)
Shanghai Daily (30 April 2017)
- [China's PMI Was 51.8 Percent in March](#)
National Bureau of Statistics (31 March 2017)
- [April PMI recorded a slower expansion reading to 51.1; Electronics Sector Index posted expansion at 51.6](#)
Singapore Institute of Purchasing and Materials Management (2 May 2017)

Malaysia's International Reserves Continue to Increase in 2017

- [International Reserves of Bank Negara Malaysia as at 28 April 2017](#)
Bank Negara Malaysia (05 May 2017)

State Development and Investment Corporation Issues USD Bonds

- [SDIC issues billion-dollar bonds](#)
Xinhua (3 May 2017)

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