

Key Developments in Asian Local Currency Markets

Consumer price inflation climbed in Indonesia to 4.3% year-on-year (y-o-y) in May, the highest level this year, from 4.2% y-o-y a month earlier. Consumer price inflation in the Republic of Korea inched up to 2.0% y-o-y in May from 1.9% y-o-y in April. Thailand's consumer price inflation dipped for the first time in 14 months to 0.04% y-o-y in May after easing to 0.38% y-o-y in April. Consumer price inflation in Viet Nam eased to 3.2% y-o-y in May from 4.3% y-o-y a month earlier.

Industrial production in Japan rose 4.0% month-on-month (m-o-m) in April following a 1.9% m-o-m decline in March. The industries that contributed to the growth include transport equipment; general-purpose, production, and business-oriented machinery; and electronic parts and devices. On a y-o-y basis, industrial production in Japan rose 5.7%. In Viet Nam, industrial production growth marginally eased to 7.2% y-o-y in May from 7.4% y-o-y a month earlier, due largely to a further decline in the output in mining and quarrying. All other subindexes posted increases, led by the electricity subindex, which grew 13.8% y-o-y. For the first 5 months of the year, industrial production growth rose to 5.7% y-o-y.

The Republic of Korea's exports rose 13.4% y-o-y to USD45.0 billion in May. Imports rose 18.2% y-o-y to USD39.1 billion. The Republic of Korea posted a trade surplus of USD6.0 billion in May. In April, Thailand's merchandise exports grew 5.9% y-o-y, easing from 10.8% y-o-y growth in March, while merchandise imports rose 10.1% y-o-y in April, easing from 22.4% y-o-y growth in the previous month.

Thailand's current account surplus rose to USD2.9 billion in April from USD2.6 billion in March. The rise came from the surplus in trade, as well as strong tourism receipts that supported the surplus in services, income, and transfer accounts. The trade surplus and the services and income account surplus each amounted to around USD1.5 billion.

The Republic of Korea's gross domestic product (GDP) growth was revised upward to 1.1% q-o-q in Q1 2017.

The People's Bank of China last week issued draft rules for the bond connect program between the People's Republic of China (PRC) and Hong Kong, China. According to the rules, qualified overseas investors may purchase any amount of bonds on the PRC's interbank bond market. Bonds purchased under the program

Asia Bond Monitor March 2017

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10-Year Selected LCY Government Security Yields Close of 2 June 2017

Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-17*
US	2.16	-5.23	-8.74	-28.52
EU	0.27	-3.10	-5.70	6.60
Japan	0.06	0.80	1.30	0.90
PRC	3.66	-3.00	-9.00	64.00
Hong Kong, China	1.31	-0.80	-3.00	-66.50
India	6.63	0.20	-2.50	11.20
Indonesia	6.96	0.20	0.30	-101.80
Korea, Rep. of	2.20	-1.30	-3.80	10.50
Malaysia	3.88	-0.10	0.80	-34.70
Philippines	4.73	-27.98	-26.19	9.82
Singapore	2.09	1.25	2.21	-38.07
Thailand	2.58	-2.70	-3.70	-7.00
Viet Nam	5.95	-2.00	-7.50	-42.50

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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

must be either registered or lodged with qualified overseas trust entities with counterparts in the PRC.

The Government of Indonesia priced a total of JPY100 billion from a triple-tranche bond sale. The bond sale comprised a JPY40 billion 3-year bond with a coupon rate of 0.65%, a JPY50 billion 5-year bond with a coupon rate of 0.89%, and a JPY10 billion 7-year bond with a coupon rate of 1.04%. The bonds were offered via public offering, representing the first bond sale by Indonesia through this method.

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

Summary Text of News Articles

**Consumer Price Inflation in Indonesia Climbs to 4.3% y-o-y in May;
Consumer Price Inflation in the Republic of Korea Inches Up to 2.0% y-o-y in May;
Thailand's Inflation Dips 0.04% in May;
Consumer Price Inflation in Viet Nam Eases to 3.2% y-o-y in May**

Consumer price inflation climbed in Indonesia to 4.3% year-on-year (y-o-y) in May, the highest level this year, from 4.2% y-o-y a month earlier. Inflation remained within Bank Indonesia's full-year target range of between 3.0% and 5.0%. The uptick in inflation was due largely to price pressures arising from increased demand for goods and services coinciding with the Muslim fasting month of Ramadan, which began in May. Between April and May, consumer prices rose 0.4%.

Consumer price inflation in the Republic of Korea inched up to 2.0% y-o-y in May from 1.9% y-o-y in April. The higher inflation was primarily due to the higher annual increase in prices of food and nonalcoholic beverages of 3.4% in May from 2.6% y-o-y in April. Other commodity groups that posted higher annual price increases in May include clothing and footwear; housing, water, electricity, gas, and other fuels; furnishings, household equipment, and routine maintenance; and restaurants and hotels. On a month-on-month (m-o-m) basis, consumer prices rose 0.1% in May.

Thailand's consumer price inflation dipped for the first time in 14 months to 0.04% y-o-y in May after easing to 0.38% y-o-y in April. The dip was mainly due to the base effects of higher prices last year due to a drought. Price of food and nonalcoholic beverages, which account for 36.1% of the consumer price index, dropped 1.4% y-o-y in May after decreasing 0.3% y-o-y in April. Core inflation, which accounts for 72.6% of the Consumer Price Index, slightly eased to 0.5% y-o-y in May from an increase of 0.5% y-o-y in April. Compared to the previous month, inflation rose 0.15% m-o-m in May after rising 0.16% m-o-m in April.

Consumer price inflation in Viet Nam eased to 3.2% y-o-y in May from 4.3% y-o-y a month earlier. The food subindex contracted 2.3% y-o-y in May after rising 0.5% y-o-y in April. Between April and May, consumer prices fell 0.5%.

For consumer price trends in Indonesia, refer to this link:

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

For consumer price trends in the Republic of Korea, refer to this link:

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

For consumer price trends in Thailand, refer to this link:

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

For consumer price trends in Viet Nam, refer to this link:

http://asianbondsonline.adb.org/vietnam/data/marketwatch.php?code=policy_rate_and_inflation_trends

**Industrial Production Growth Resumes in Japan in April;
Industrial Production Growth in Viet Nam Eases to 7.2% y-o-y in May**

Industrial production in Japan rose 4.0% m-o-m in April following a 1.9% m-o-m decline in March, based on a preliminary report by the Ministry of Economy, Trade, and Industry. The industries that contributed to the growth include transport equipment; general-purpose, production, and business-oriented machinery; and electronic parts and devices. The shipments index, inventories index, and inventory ratio also increased in April. On a y-o-y basis, industrial production in Japan rose 5.7%.

In Viet Nam, industrial production growth marginally eased to 7.2% y-o-y in May from 7.4% y-o-y a month earlier, due largely to a further decline in the output of mining and quarrying. All other subindexes posted increases, led by the electricity subindex, which grew 13.8% y-o-y. For the first 5 months of the year, industrial production growth rose 5.7% y-o-y.

Summary Text of News Articles

**Exports and Imports Rise in the Republic of Korea in May;
Thailand's Exports and Imports Ease in April**

The Republic of Korea's exports rose 13.4% y-o-y to USD45.0 billion in May, driven by higher exports of semiconductors, steel, petroleum products, and ships. Exports of semiconductors surged 63.3% y-o-y in May on the back of stable prices and increased demand for high-capacity memory chips. Imports rose at a faster pace of 18.2% y-o-y to USD39.1 billion, led by higher inbound shipments of semiconductor manufacturing equipment, crude oil, and iron. The Republic of Korea posted a trade surplus of USD6.0 billion in May.

In April, Thailand's merchandise exports grew 5.9% y-o-y, easing from 10.8% y-o-y growth in March, while merchandise imports rose 10.1% y-o-y in April, easing from 22.4% y-o-y growth in the previous month. According to the Bank of Thailand, merchandise exports and imports in April amounted to USD16.5 billion and USD15.1 billion, respectively, resulting in a trade balance of USD1.4 billion.

Thailand's Current Account Surplus Rises in April

Thailand's current account surplus rose to USD2.9 billion in April from USD2.6 billion in March. The rise came from the surplus in trade, as well as strong tourism receipts that supported a surplus in the services, income, and transfer accounts. The trade surplus and services and income account surplus each amounted to around USD1.5 billion.

The Republic of Korea's GDP Growth in the First Quarter of 2017 is Revised Upward to 1.1% q-o-q and 2.9% y-o-y

The Republic of Korea's gross domestic product (GDP) growth was revised upward to 1.1% q-o-q in the first quarter of 2017 from an advanced estimate of 0.9% q-o-q. By type of expenditure, the upward revision was driven by higher growth in gross fixed capital formation of 4.9% quarter-on-quarter (q-o-q) from a previous estimate of 4.0% q-o-q. Exports also posted stronger q-o-q growth of 2.1%, up from 1.9%. By industry, the upward revision was a result of higher q-o-q growth rates posted in the manufacturing, construction, and services sectors. On a y-o-y basis, the Republic of Korea's economy grew 2.9% versus an advanced estimate of 2.7% and up from the 2.4% growth posted in the fourth quarter of 2016.

The People's Bank of China Issues Draft Regulations for Bond Connect Program

The People's Bank of China last week issued draft rules for the bond connect program between the People's Republic of China (PRC) and Hong Kong, China. According to the rules, qualified overseas investors may purchase any amount of bonds on the PRC's interbank bond market. Bonds purchased under the program must be either registered or lodged with qualified overseas trust entities with counterparts in the PRC.

Indonesia Raises JPY100 Billion from a Triple-Tranche Bond Sale

The Government of Indonesia priced a total of JPY100 billion from a triple-tranche bond sale. The bond sale comprised a JPY40 billion 3-year bond with a coupon rate of 0.65%, a JPY50 billion 5-year bond with a coupon rate of 0.89%, and a JPY10 billion 7-year bond with a coupon rate of 1.04%. The bonds were offered via public offering, representing the first bond sale by Indonesia through this method. The bond sale was well-received by investors including, among others, asset management and pension funds.

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	0.97	-0.01	4.59	47.31
EU	-0.59	0.70	0.30	31.20
Japan	-0.12	0.40	1.30	27.40
PRC	3.37	2.00	-5.00	64.00
Hong Kong, China	0.33	0.00	0.00	0.00
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.27	0.00	-0.40	-4.70
Malaysia	3.05	0.10	0.00	1.90
Philippines	2.44	40.66	49.72	36.56
Singapore	0.94	0.00	0.90	-12.20
Thailand	1.35	0.00	0.00	0.00

Close of 2 June 2017

10-Year Selected LCY Government Bond Yields

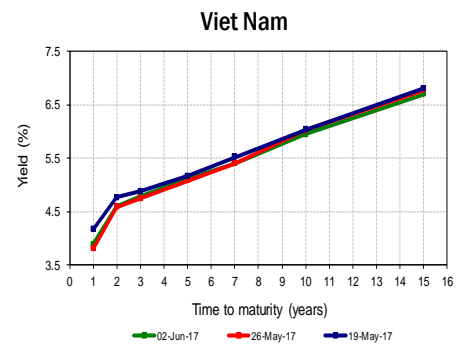
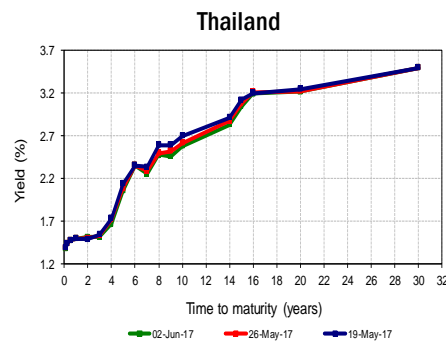
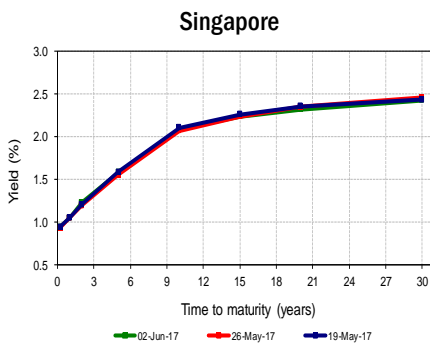
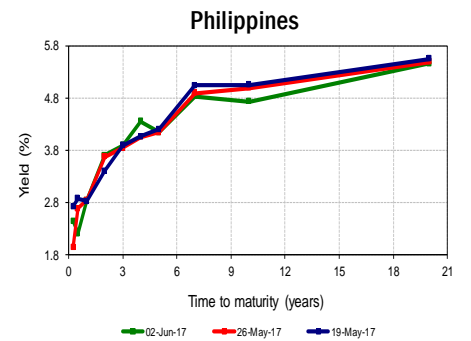
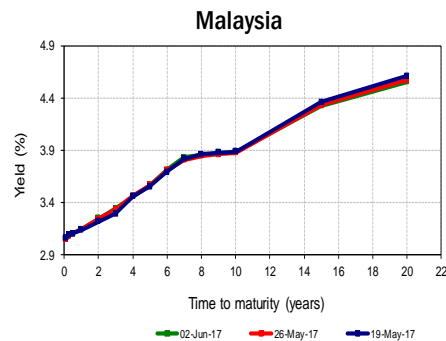
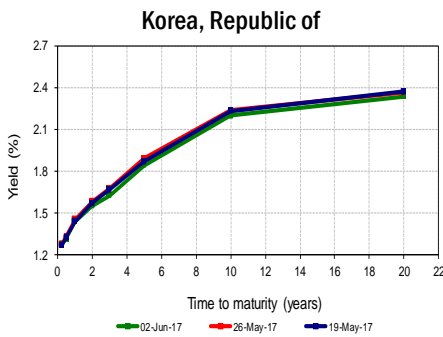
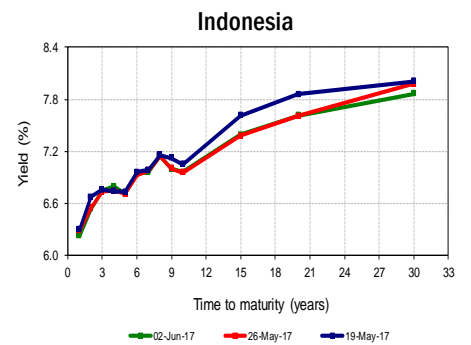
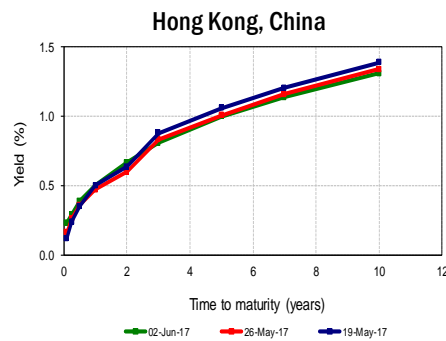
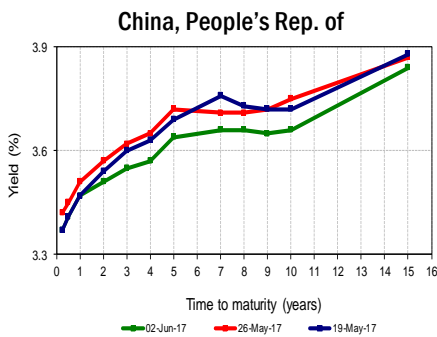
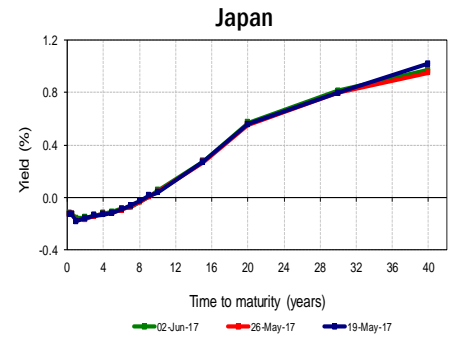
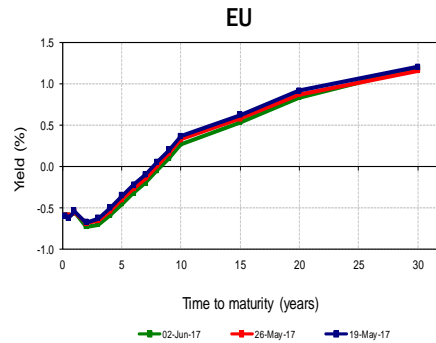
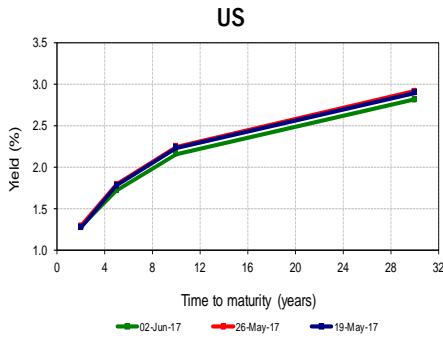
Markets	Latest Closing	basis point change from		
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Hong Kong, China	1.31	-0.80	-3.00	-66.50
India	6.63	0.20	-2.50	11.20
Indonesia	6.96	0.20	0.30	-101.80
Korea, Rep. of	2.20	-1.30	-3.80	10.50
Malaysia	3.88	-0.10	0.80	-34.70
Philippines	4.73	-27.98	-26.19	9.82
Singapore	2.09	1.25	2.21	-38.07
Thailand	2.58	-2.70	-3.70	-7.00
Viet Nam	5.95	-2.00	-7.50	-42.50

Close of 2 June 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

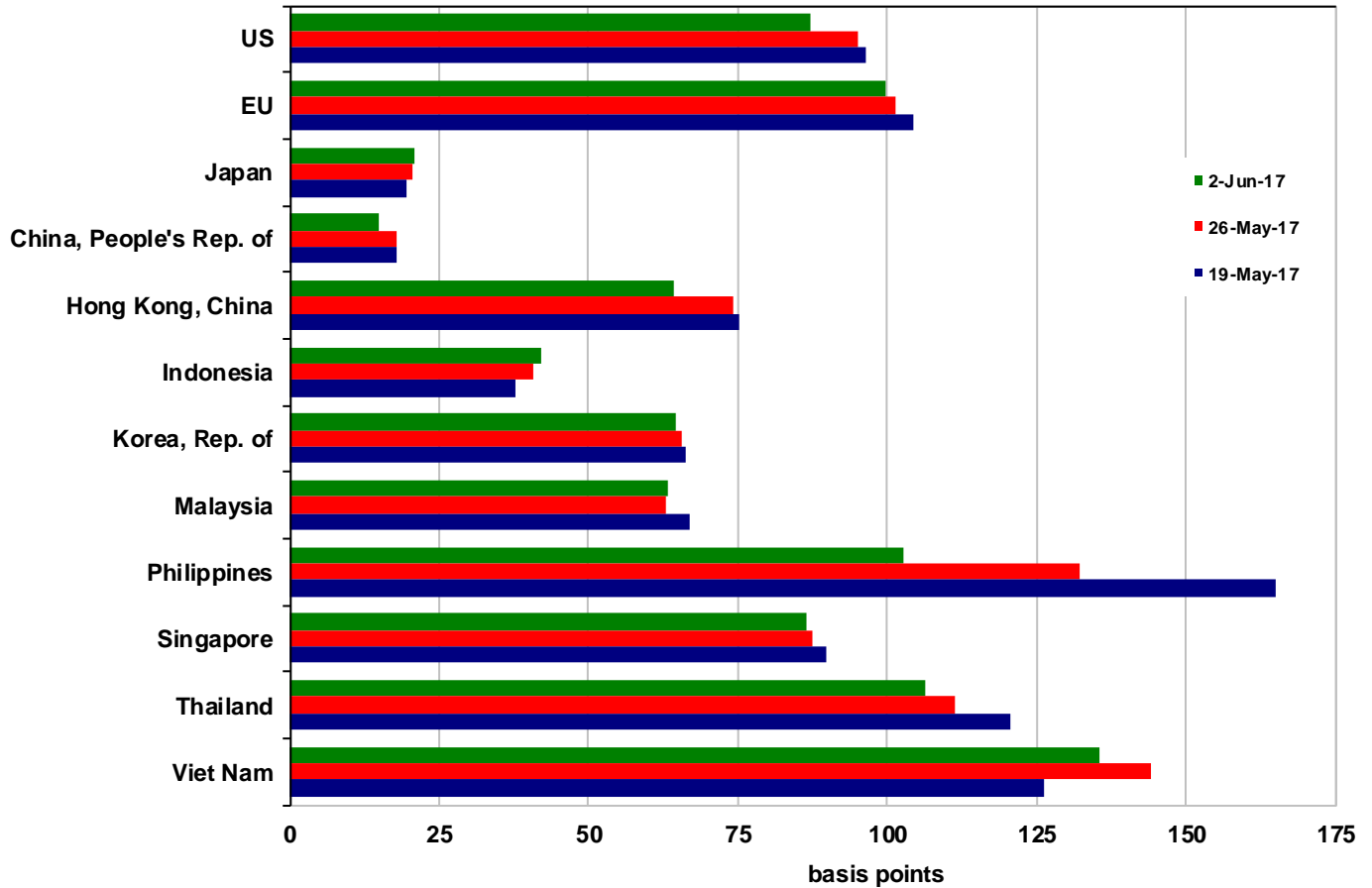
Tip: Zoom-in on the table using the Acrobat zoom tool



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

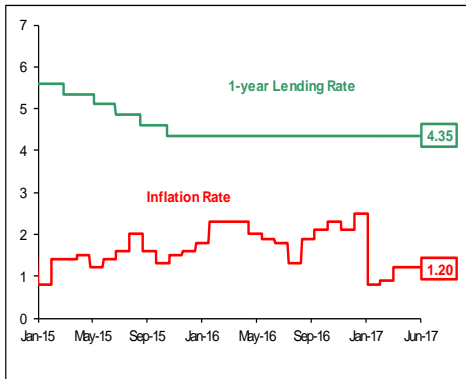


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

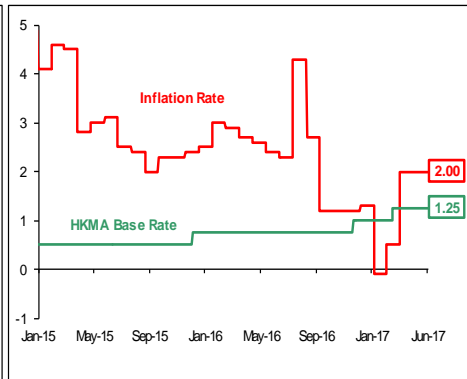
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



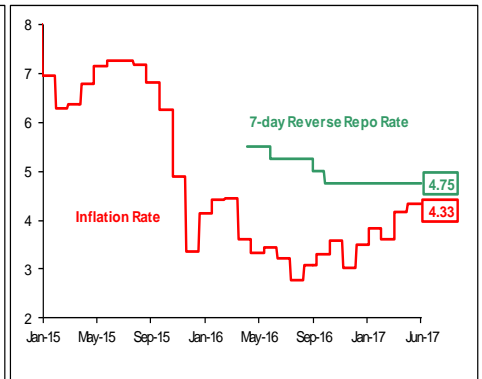
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



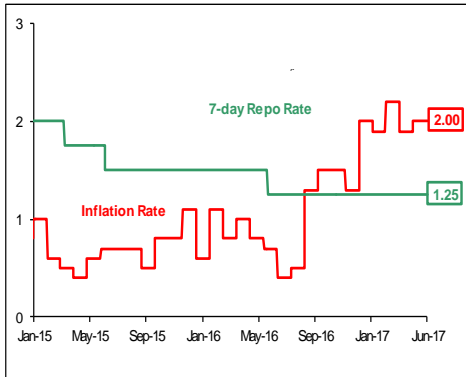
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



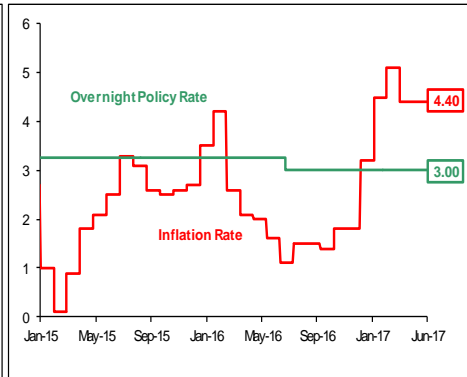
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



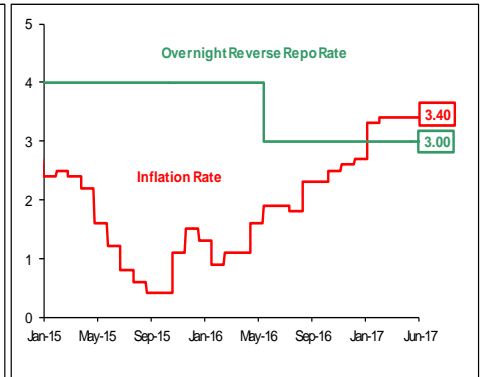
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



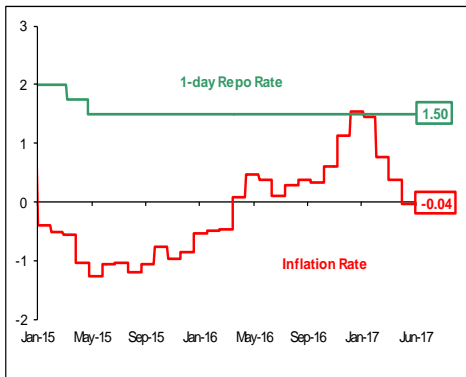
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



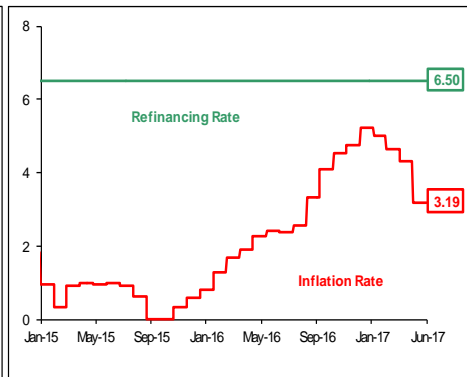
Banko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

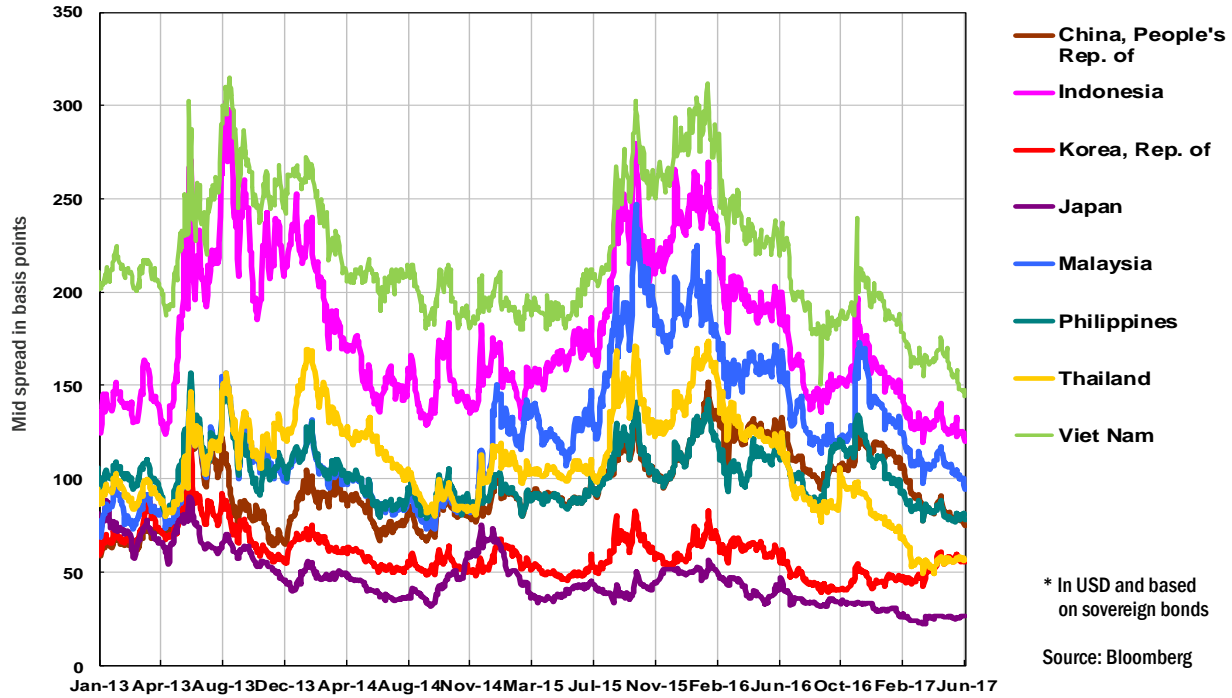


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

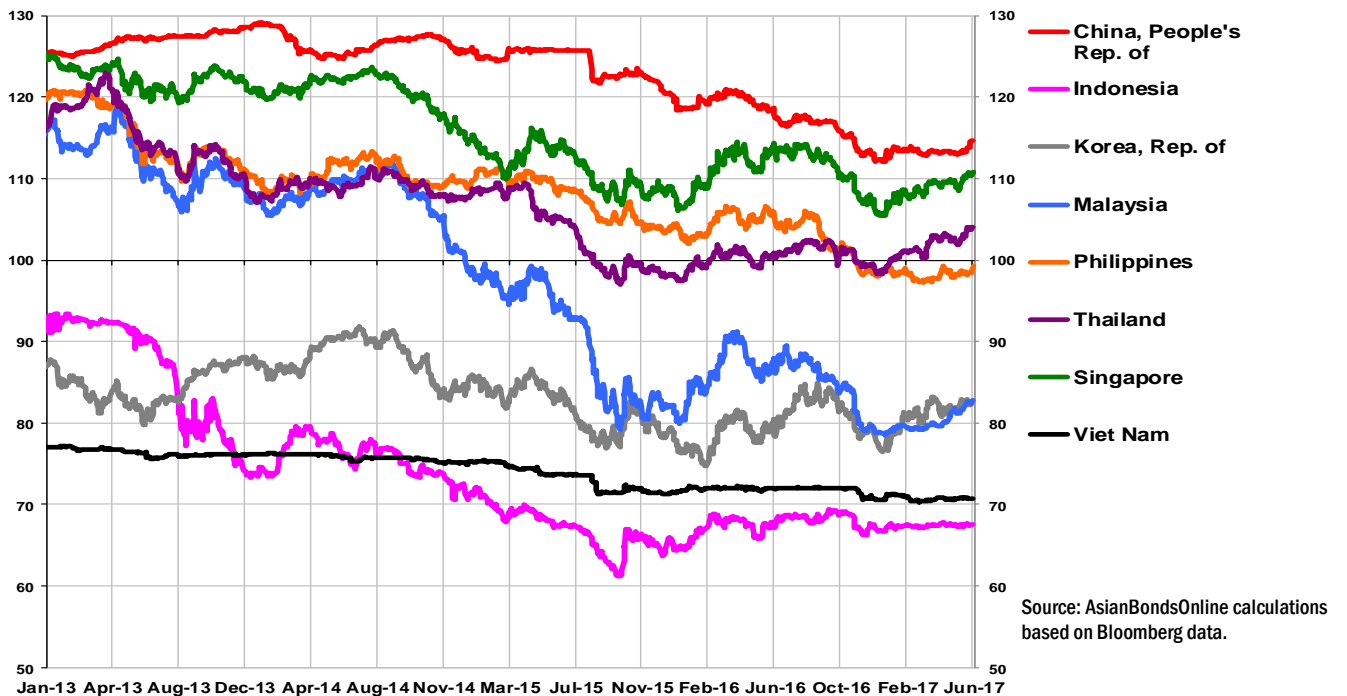
Credit Default Swap Spreads and Exchange Rate Indexes

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 (29 May – 2 June 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	2-Jun	91-day Treasury Bills	3.38		10,000.00	10,000.00
HK	29-May	28-day Exchange Fund Bills	0.24		15.00	15.00
		91-day Exchange Fund Bills	0.30		34.44	34.44
		182-day Exchange Fund Bills	0.41		9.00	9.00
ID	30-May	6-month Islamic Treasury Bills	5.35			2,000.00
		2-year Project-based <i>Sukuk</i>	6.84	6.25		550.00
		4-year Project-based <i>Sukuk</i>	7.06	6.50	5,000.00	680.00
		6-year Project-based <i>Sukuk</i>	7.25	8.75		395.00
		14-year Project-based <i>Sukuk</i>	7.88	8.88		455.00
JP	30-May	2-year Japanese Government Bonds	-0.16	0.10	2,200.00	2,294.80
	1-Jun	3-month Treasury Discount Bills	-0.12		4,400.00	4,359.97
		10-year Japanese Government Bonds	0.05	0.10	2,300.00	2,297.80
KR	29-May	20-year Korea Treasury Bonds	2.39	1.50	800.00	800.00
PH	30-May	7-year Treasury Bonds	4.52	4.50	15.00	4.03
MY	30-May	7-year Islamic Bonds	3.93	4.05	3.00	3.00
SG	29-May	30-year SGS Bonds	2.47	2.75	1.50	1.50
	30-May	28-day MAS Bills	0.64		1.40	1.40
		84-day MAS Bills	0.63		5.00	5.00
	1-Jun	168-day MAS Bills	0.83		2.50	2.50
TH	29-May	4.49-year State Owned Enterprises Bonds	2.11	3.01	5.00	5.00
		28-day Treasury Bills	1.30		20.00	20.00
	30-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
	2-Jun	14-day Bank of Thailand Bills	1.28		20.00	20.00
VN	31-May	5-year Treasury Bond	5.05		1,000.00	1,340.00
		7-year Treasury Bond	5.34		2,000.00	2,600.00
		10-year Treasury Bond	5.91		1,000.00	1,300.00
		15-year Treasury Bond]	6.64		1,000.00	1,250.00

LCY = local currency, MAS = Monetary Authority of Singapore, SGS = Singapore Government Securities.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (6 – 12 June 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Japan Current Account Balance JPY billion APRIL	06/08	03/16: 2,972.2 04/16: 1,816.1 02/17: 2,813.6 03/17: 2907.7	Japan's current account balance rose to JPY2,907 billion in March from JPY2,813.6 billion in the previous month.
People's Republic of China Exports y-o-y, % MAY	06/08	04/16: -11.1 05/16: -0.5 03/17: 16.4 04/17: 8.0	The PRC's exports rose 8.0% year-on-year (y-o-y) in April, down from 16.4% y-o-y in March.
People's Republic of China Imports y-o-y, % MAY	06/08	04/16: -5.3 05/16: -6.9 03/17: 20.4 04/17: 11.9	Imports grew 11.9% y-o-y in the PRC after rising 20.4% y-o-y in March.
People's Republic of China Trade Balance USD billion MAY	06/08	04/16: 39.9 05/16: 44.8 03/17: 23.9 04/17: 38.0	The PRC's trade surplus for April rose to USD38.0 billion from USD23.9 billion in March as exports grew faster than imports.
People's Republic of China CPI y-o-y, % MAY	06/09	04/16: 2.3 05/16: 2.0 03/17: 0.9 04/17: 1.2	The PRC's consumer prices rose 1.2% y-o-y in April, up from 0.9% y-o-y in March.
People's Republic of China PPI y-o-y, % MAY	06/09	04/16: -3.4 05/16: -2.8 03/17: 7.6 04/17: 6.4	The PRC's producer price inflation slowed to 6.4% y-o-y in April after recording growth of 7.6% y-o-y in March.
Malaysia Industrial Production y-o-y, % APR	06/09	03/16: 2.3 04/16: 2.8 02/17: 4.7 03/17: 4.6	Malaysia's industrial production growth rate was relatively unchanged at 4.6% y-o-y in March from 4.7% y-o-y in February.
Indonesia Motorcycle Sales Units MAY	06/09-06/20	04/16: 478,306 05/16: 461,506 03/17: 473,896 04/17: 388,045	Motorcycle sales in Indonesia fell to 388,045 units in April from 473,896 units in March.
People's Republic of China New Loans CNY billion MAY	06/010-06/15	04/16: 555.6 05/16: 985.5 03/17: 1,020 04/17: 1,100	The PRC's banking system released a total of CNY1,100 billion in new loans in April, up from the CNY1,020 billion released in March.
Japan PPI y-o-y, % MAY	06/12	04/16: -4.4% 05/16: -4.3% 03/17: 1.4% 04/17: 2.1%	Japan's Producer Price Index rose to 2.1% y-o-y in April from 1.4% y-o-y in March.
Singapore Retail Sales y-o-y, % APR	06/12	04/16: 0.1% 05/16: 0.5% 03/17: -2.6% 04/17: 2.1%	Singapore's retail sales recovered from March's 2.6% y-o-y decline to grow 2.1% y-o-y in April.

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 in Indonesia Climbs to 4.3% y-o-y in May; Consumer Price Inflation in the Republic of Korea Inches Up to 2.0% y-o-y in May; Thailand's Inflation Dips 0.04% in May; Consumer Price Inflation in Viet Nam Eases to 3.2% y-o-y in May

- [Consumer Price Index](#)
Statistics Indonesia (2 June 2017)
- [Indonesia's Annual Inflation Rate Up Again in May](#)
Jakarta Globe (2 June 2017)
- [Consumer Price Index in May 2017](#)
Statistics Korea (1 June 2017)
- [Consumer Price Index and Core Consumer Price Index May 2017](#)
Bureau of Trade and Economic Indices, Ministry of Commerce (1 June 2017)
- [Food prices drag May CPI down](#)
Viet Nam News (30 May 2017)

Industrial Production Growth Resumes in Japan in April; Industrial Production Growth in Viet Nam Eases to 7.2% y-o-y in May

- [Indices of Industrial Production](#)
Ministry of Economy, Trade, and Industry (31 May 2017)
- [VN industrial production grows 5.7% in five months](#)
Viet Nam News (31 May 2017)

Exports and Imports Rise in the Republic of Korea in May; Thailand's Exports and Imports Ease in April

- [Korea's exports rose by 13.4% to \\$45 billion](#)
Ministry of Trade, Industry, and Energy (1 June 2017)
- [Press Release on the Economic and Monetary Conditions for April 2017](#)
Bank of Thailand (31 May 2017)
- [Table Attached to Press Release on the Economic and Monetary Conditions in April 2017](#)
Bank of Thailand (31 May 2017)

Thailand's Current Account Surplus Rises in April

- [Table: Current Account](#)
Bank of Thailand (31 May 2017)

The Republic of Korea's Q1 2017 GDP Growth Revised Upward to 1.1% q-o-q and 2.9% y-o-y

- [Gross National Income: 1st Quarter of 2017 \(Preliminary\)](#)
Bank of Korea (2 June 2017)

The People's Bank of China Issues Draft Regulations for Bond Connect Program

- [China issues draft rules on overseas investment on mainland interbank bond market](#)
Xinhua (31 May 2017)

Indonesia Raises JPY100 Billion from a Triple-Tranche Bond Sale

- [Republic Of Indonesia Successfully Prices JPY100bn 3-Tranche Samurai Bonds](#)
Directorate General of Budget Financing and Risk Management, Ministry of Finance (31 May 2017)

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