

Key Developments in Asian Local Currency Markets

Real gross domestic product (GDP) growth in Viet Nam climbed to 5.7% year-on-year (y-o-y) in the first half of 2017 compared with 5.5% y-o-y growth in the same 6-month period a year earlier. The agriculture, forestry, and fishery sector rebounded, with growth rising to 2.7% y-o-y in the first half of 2017 after contracting 0.2% y-o-y in the same period a year earlier. The services industry also expanded 6.9% y-o-y during the first 6 months of the year. The government's 2017 GDP growth target is set at 6.7%.

Industrial production growth in the Republic of Korea eased to 0.1% y-o-y in May from 1.8% y-o-y in April, as the manufacturing index posted no growth in May following 1.8% y-o-y growth in April. Industrial production growth in Viet Nam rose to 8.6% y-o-y in June, higher than the 7.2% y-o-y growth posted a month earlier. Growth was largely contributed to by the manufacturing subindex.

The Purchasing Managers Index (PMI) for the manufacturing sector of the People's Republic of China's (PRC) rose to 51.7 in June from 51.2 in May. The PRC's nonmanufacturing PMI also rose to 54.9 in June from 54.5 in May. Both the manufacturing and service sectors continued to perform strongly in June.

Japan's consumer price inflation was unchanged at 0.4% y-o-y in May compared to the previous month. The increase in food prices slowed to 0.8% y-o-y in May from 0.9% y-o-y in April. In Viet Nam, consumer price inflation eased to 2.5% y-o-y in June from 3.2% y-o-y a month earlier.

Hong Kong, China's exports grew 4.0% y-o-y in May after rising 7.1% y-o-y in April, while imports grew 6.6% y-o-y in May versus 7.3% y-o-y in the previous month. Hong Kong, China reported a trade deficit of HKD35.6 billion in May. Hong Kong, China's export growth in May was driven mostly by demand from Asia, with exports to the region growing 5.5% y-o-y. Merchandise exports from Thailand grew 10.6% y-o-y in May after rising 5.6% y-o-y in April. Merchandise imports also expanded 18.2% y-o-y in May, up from 10.1% y-o-y growth in the previous month. A trade surplus of USD2.2 billion was recorded in May.

Thailand's current account continued to post a surplus in May, albeit at a smaller amount of USD1.1 billion versus USD2.9 billion in April. The decline was mainly due to the deficit registered in the services, income, and transfer account, and was tempered by the steady

Asia Bond Monitor June 2017

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10-Year Selected LCY Government Security Yields Close of 30 June 2017
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.30	3.71	16.14	-14.06
EU	0.47	1.40	21.10	25.80
Japan	0.09	2.30	2.90	4.00
PRC	3.56	1.00	-4.00	54.00
Hong Kong, China	1.49	2.30	15.30	-48.50
India	6.51	0.40	5.10	-0.40
Indonesia	6.83	0.00	0.00	-114.40
Korea, Rep. of	2.21	2.00	8.20	12.00
Malaysia	3.93	2.80	3.60	-30.00
Philippines	4.67	2.82	6.58	4.10
Singapore	2.09	2.64	9.90	-38.36
Thailand	2.48	0.50	9.30	-17.30
Viet Nam	5.75	-3.00	-2.00	-62.50

- TABLES & GRAPHS
- ▶ Selected Government Security Yields
 - ▶ Benchmark Yield Curves - Local Currency Government Bonds
 - ▶ 2-versus-10 Yield Spread Chart
 - ▶ Policy Rate versus Inflation Rate Charts
 - ▶ Credit Default Swap Spreads & Exchange Rate Indexes
 - ▶ Selected Debt Security Issuances
 - ▶ Selected Asia Data Releases

improvement in exports that led to a trade surplus in May.

Moody's Investor Service (Moody's) affirmed the Philippines' long-term issuer and senior unsecured debt rating of Baa2 on 27 June and maintained a stable outlook. Moody's cited the Philippines' strong economic performance as well as its debt consolidation and improving fiscal metrics as the basis for the credit rating. The economic performance is underpinned by robust GDP expansion, a stable flow of remittances from overseas Filipino workers, large inflows of foreign direct investment, and rising export and business process outsourcing receipts.

Local currency government bond yields rose last week for all tenors in Hong Kong, China; and Singapore, and rose for most tenors in the Republic of Korea, Malaysia, Philippines, and Thailand. While bond yields were mostly down in the PRC and Viet Nam. Yield spreads between 2-year and 10-year maturities widened for most East Asian markets except the Philippines. Indonesia's bond yield movements remain unchanged due to the Eid Al-Fitr holiday.

Summary Text of News Articles

Real GDP Growth in Viet Nam Climbs to 5.7% in the First Half of 2017

Real gross domestic product (GDP) growth in Viet Nam climbed to 5.7% year-on-year (y-o-y) in the first half of 2017 compared with 5.5% y-o-y in the same 6-month period a year earlier. The agriculture, forestry, and fishery sector rebounded, expanding 2.7% y-o-y in the first half of 2017 after contracting 0.2% y-o-y in the same period a year earlier. The services industry also rose 6.9% y-o-y during the first 6 months of the year. The government's 2017 GDP growth target is set at 6.7%.

Industrial Production Growth in the Republic of Korea Eases in May; Industrial Production Growth in Viet Nam Climbs in June

Industrial production growth in the Republic of Korea eased to 0.1% y-o-y in May from 1.8% y-o-y in April, reflecting the zero-growth posted in the manufacturing index in May following 1.8% y-o-y growth in April. However, on a month-on-month basis, industrial production inched up 0.2% in May, a reversal from the 2.2% contraction posted in April.

Industrial production growth in Viet Nam rose to 8.6% y-o-y in June from 7.2% y-o-y a month earlier. Growth was largely contributed to by the manufacturing subindex, which grew 13.2% y-o-y in June versus 11.2% y-o-y in May. The water supply subindex also recorded higher output during the review period, rising 9.4% y-o-y in June. On the other hand, the mining and quarrying subindex continued to contract in June, albeit at slower pace of 5.5% y-o-y.

The PRC's Manufacturing and Nonmanufacturing PMI Expand in June

According to the National Bureau of Statistics, the People's Republic of China's (PRC) Purchasing Managers Index (PMI) for the manufacturing sector rose to 51.7 in June from 51.2 in May. (A reading above 50 indicates expansion.) The nonmanufacturing PMI also maintained its momentum, rising to 54.9 in June from 54.5 in May. The PRC's manufacturing and service sectors continued to perform remarkably well, benefiting from robust growth in consumption, construction, and infrastructure investments, as well as strong external demand.

Consumer Price Inflation in Japan Unchanged in May

Japan's consumer price inflation was unchanged in May compared to the previous month at 0.4% y-o-y. The increase in food prices slowed to 0.8% y-o-y in May from 0.9% y-o-y in April. Other subindexes that posted slower annual price increases in May include education and miscellaneous items. The subindexes of housing and household goods continued to post y-o-y contractions in May. Meanwhile, the subindexes of utilities, clothing and footwear, and medical care all posted higher annual increases. Core inflation rose to 0.4% y-o-y in May from 0.3% y-o-y in April. On a month-on-month basis, consumer prices were unchanged.

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

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

Hong Kong, China's Exports and Imports Rise in May; Thailand's Exports and Imports Expand in May

Hong Kong, China's exports grew 4.0% y-o-y in May after growing 7.1% y-o-y in April, while imports grew 6.6% y-o-y in May versus 7.3% y-o-y in the previous month. Hong Kong, China reported a deficit of HKD35.6 billion in May. The export growth in May was driven mostly by demand from Asia, with exports to the region rising 5.5% y-o-y. The government expects export performance to improve in 2017 on rising global growth but also noted uncertainties in some advanced economies.

According to the Bank of Thailand, merchandise exports grew 10.6% y-o-y in May, after rising 5.6% y-o-y in April, with the total monthly value reaching USD19.8 billion. Merchandise imports expanded 18.2% y-o-y in May, up from 10.1% y-o-y growth in previous the month, with the monthly total amounting to USD17.6 billion. A trade surplus of USD2.2 billion was recorded in May.

Summary Text of News Articles

Thailand's Current Account Surplus Declines in May

Thailand's current account continued to post a surplus in May, albeit at a smaller amount of USD1.1 billion versus USD2.9 billion in April. The decline was due to a deficit in the services, income, and transfer account of USD1.1 billion in May, reversing a surplus of USD1.5 billion in April. However, the current account was supported by the steady improvement in exports, leading to a trade surplus of USD2.2 billion in May versus USD1.5 billion in April.

Moody's Affirms Baa2 Credit Rating for the Philippines

Moody's Investor Service (Moody's) affirmed the Philippines' long-term issuer and senior unsecured debt rating of Baa2 on 27 June and maintained a stable outlook. The rating agency cited the Philippines' strong economic performance as well as its debt consolidation and improving fiscal metrics as basis for the credit rating. The economic performance is underpinned by robust gross domestic product expansion, a stable flow of remittances from overseas Filipino workers, large inflows of foreign direct investment, and rising export and business process outsourcing receipts. The health of the banking system and the external payments position dampen the Philippines' susceptibility to event risks, according to Moody's. Fiscal strength is reflected in low government debt characterized by improved execution of government spending. However, domestic political risks, which include a worsening conflict in the southern Philippines that might lead to an expansion of martial law, could potentially undermine economic and fiscal strengths. Moody's referred to the improvement in political predictability and stability, the ability to defuse prospective economic and financial overheating, and greater revenue mobilization as grounds for the upward sovereign rating adjustment. On the other hand, a deterioration in fiscal debt metrics and the external payments position, and an escalation of instability, could potentially lead to a credit rating downgrade.

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	1.01	-1.02	6.12	51.39
EU	-0.60	1.50	-1.60	30.00
Japan	-0.10	-0.60	0.20	29.60
PRC	3.39	-1.00	-17.00	66.00
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	-0.80	0.60	-1.80
Malaysia	3.05	0.00	-0.10	2.10
Philippines	2.81	3.89	74.76	73.84
Singapore	0.98	0.00	3.00	-7.90
Thailand	1.35	0.00	0.00	0.00

Close of 30 June 2017

10-Year Selected LCY Government Bond Yields

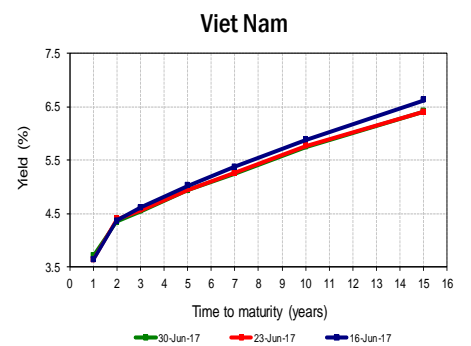
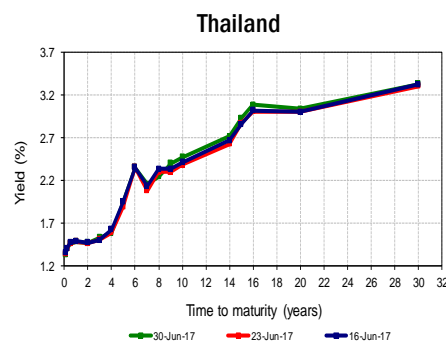
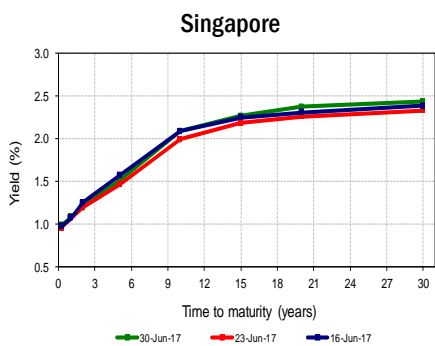
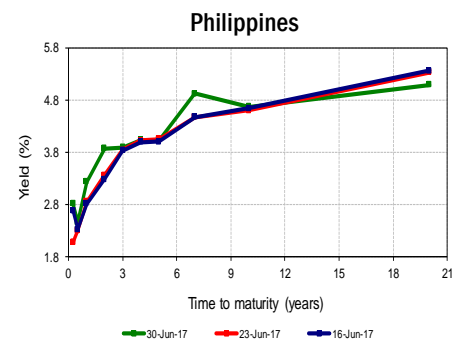
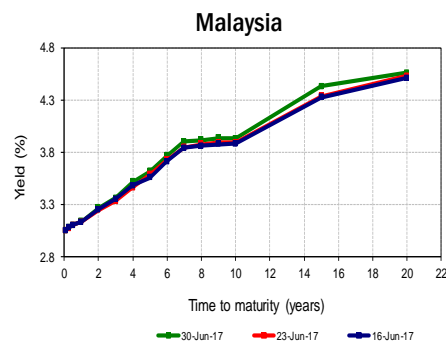
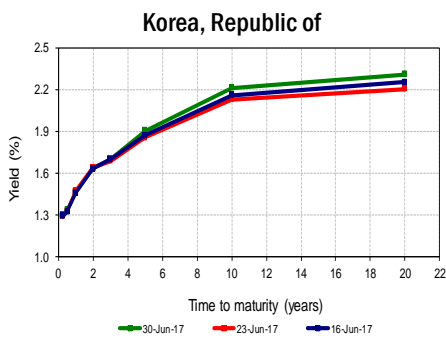
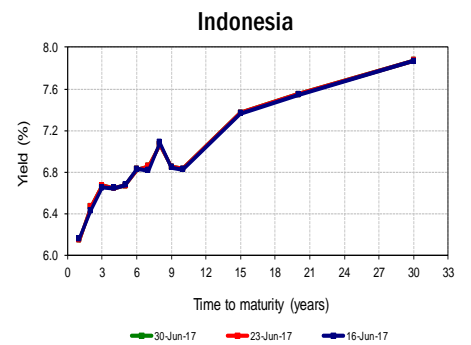
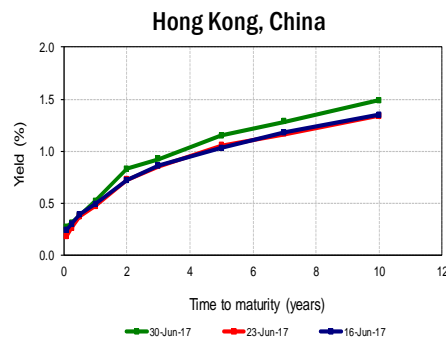
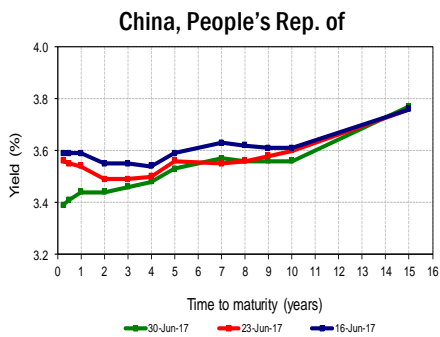
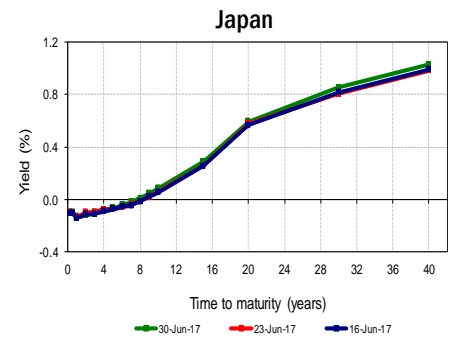
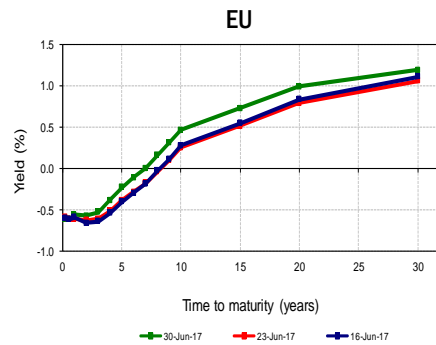
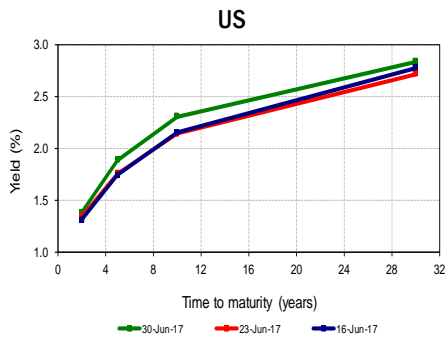
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-17*
US	2.30	3.71	16.14	-14.06
EU	0.47	1.40	21.10	25.80
Japan	0.09	2.30	2.90	4.00
PRC	3.56	1.00	-4.00	54.00
Hong Kong, China	1.49	2.30	15.30	-48.50
India	6.51	0.40	5.10	-0.40
Indonesia	6.83	0.00	0.00	-114.40
Korea, Rep. of	2.21	2.00	8.20	12.00
Malaysia	3.93	2.80	3.60	-30.00
Philippines	4.67	2.82	6.58	4.10
Singapore	2.09	2.64	9.90	-38.36
Thailand	2.48	0.50	9.30	-17.30
Viet Nam	5.75	-3.00	-2.00	-62.50

Close of 30 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

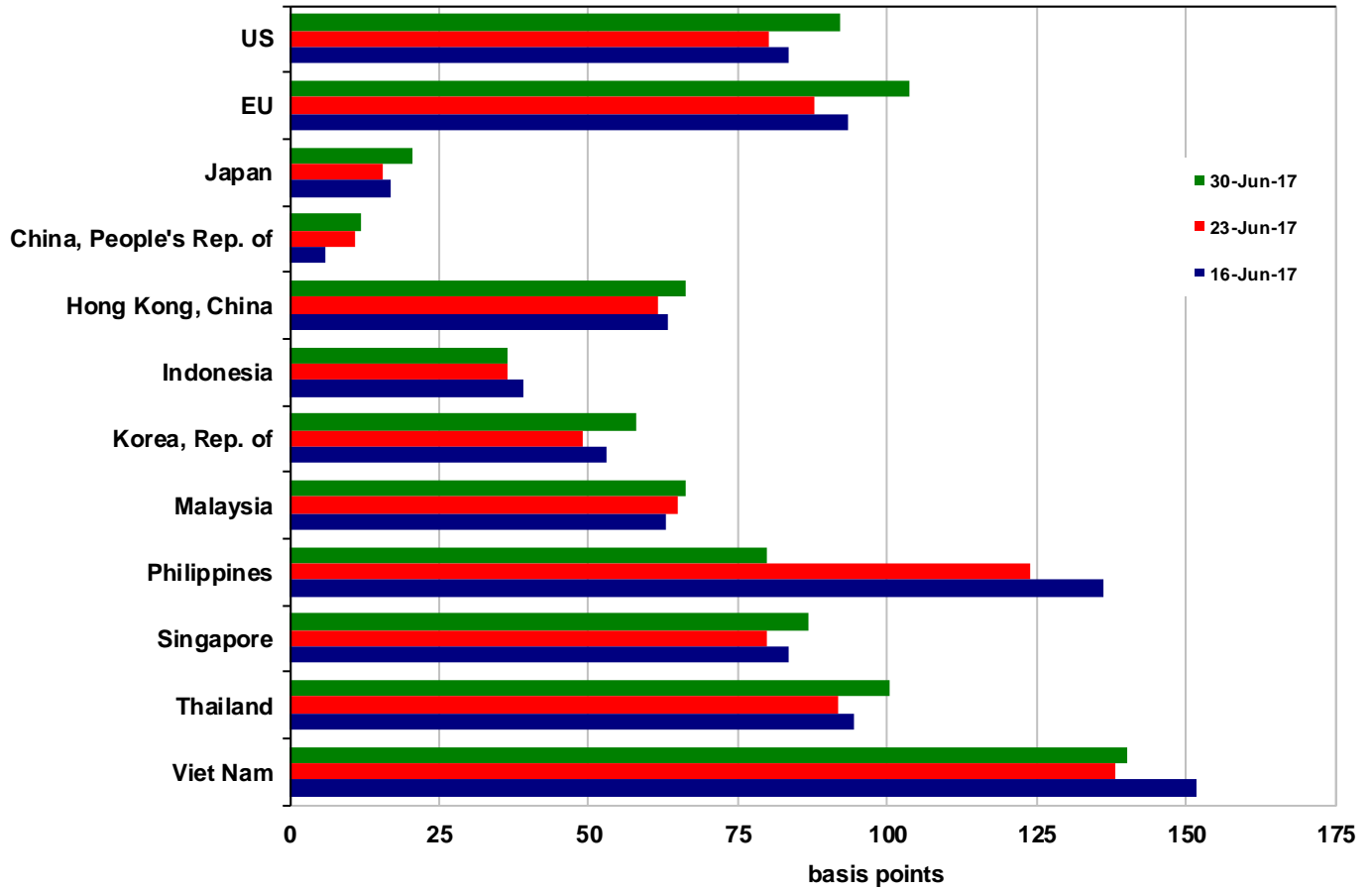
Tip: Zoom-in on the table using the Acrobat zoom tool



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

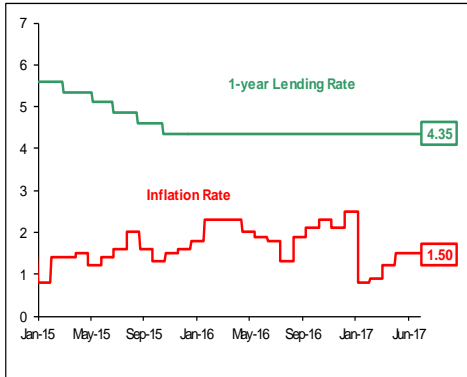


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

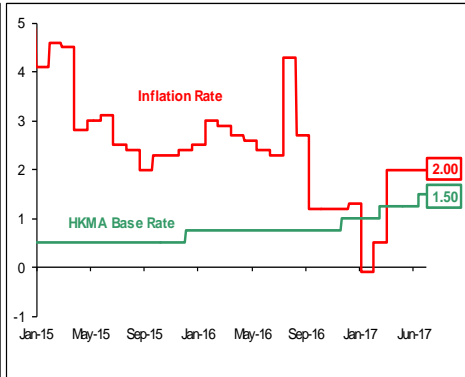
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



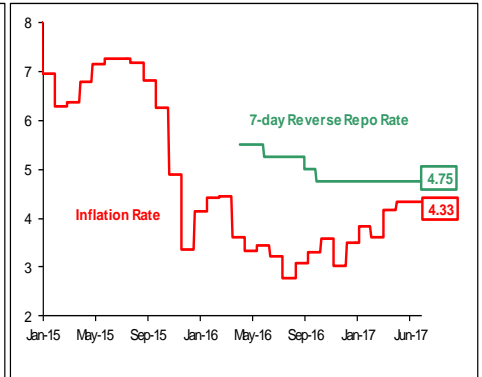
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



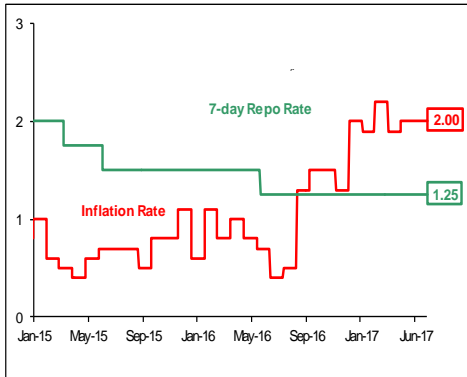
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



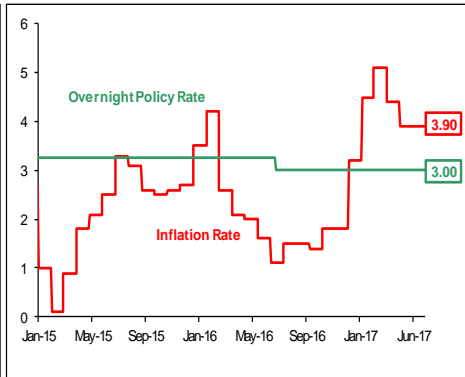
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



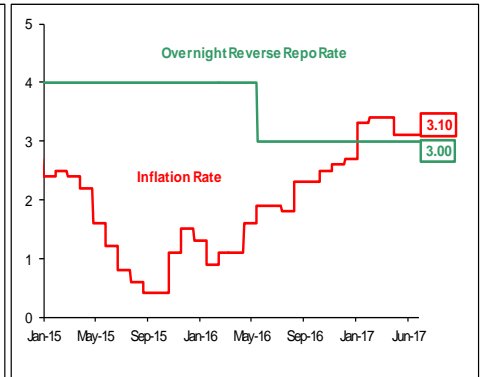
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



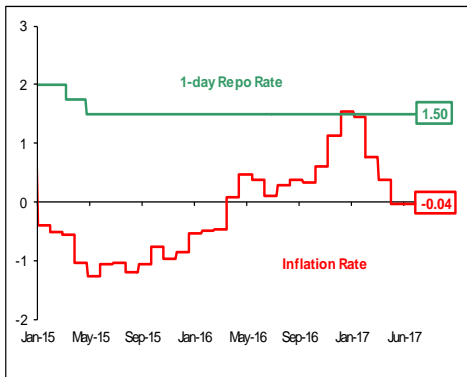
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



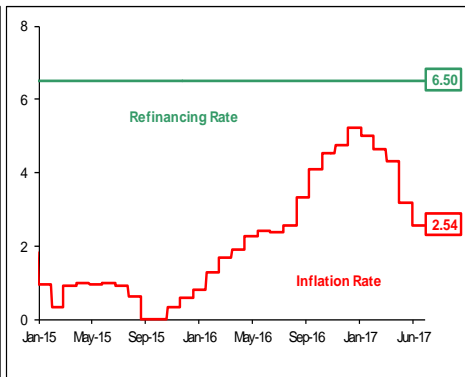
Banko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

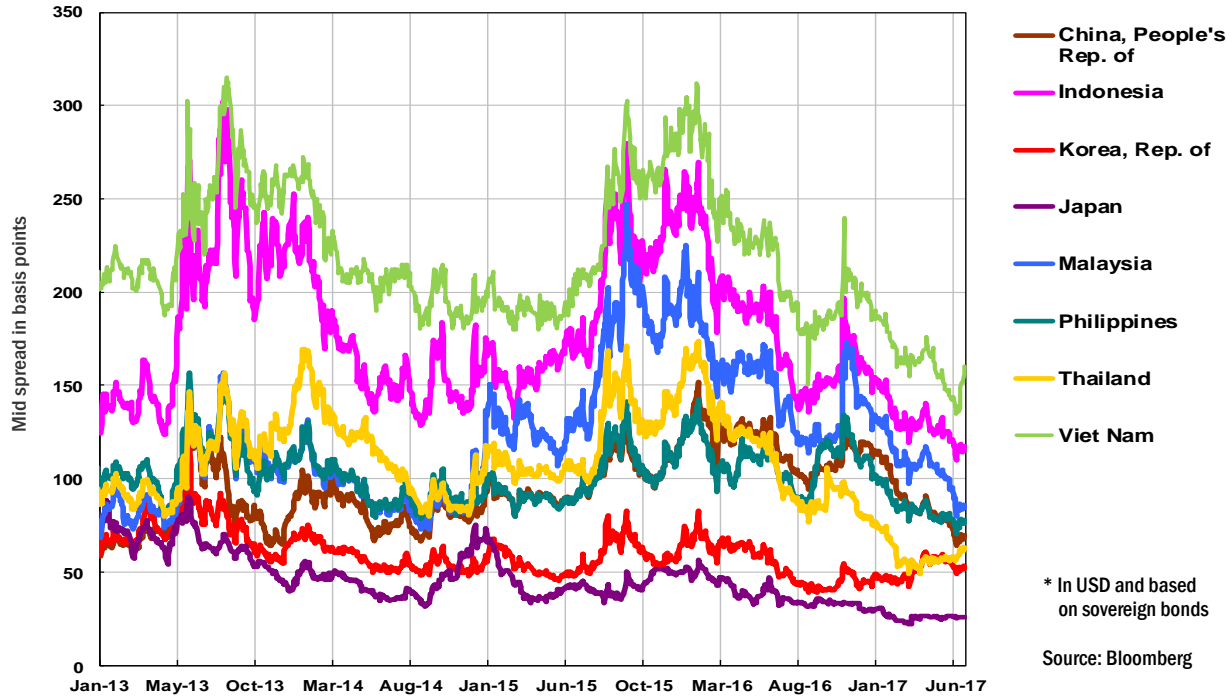


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

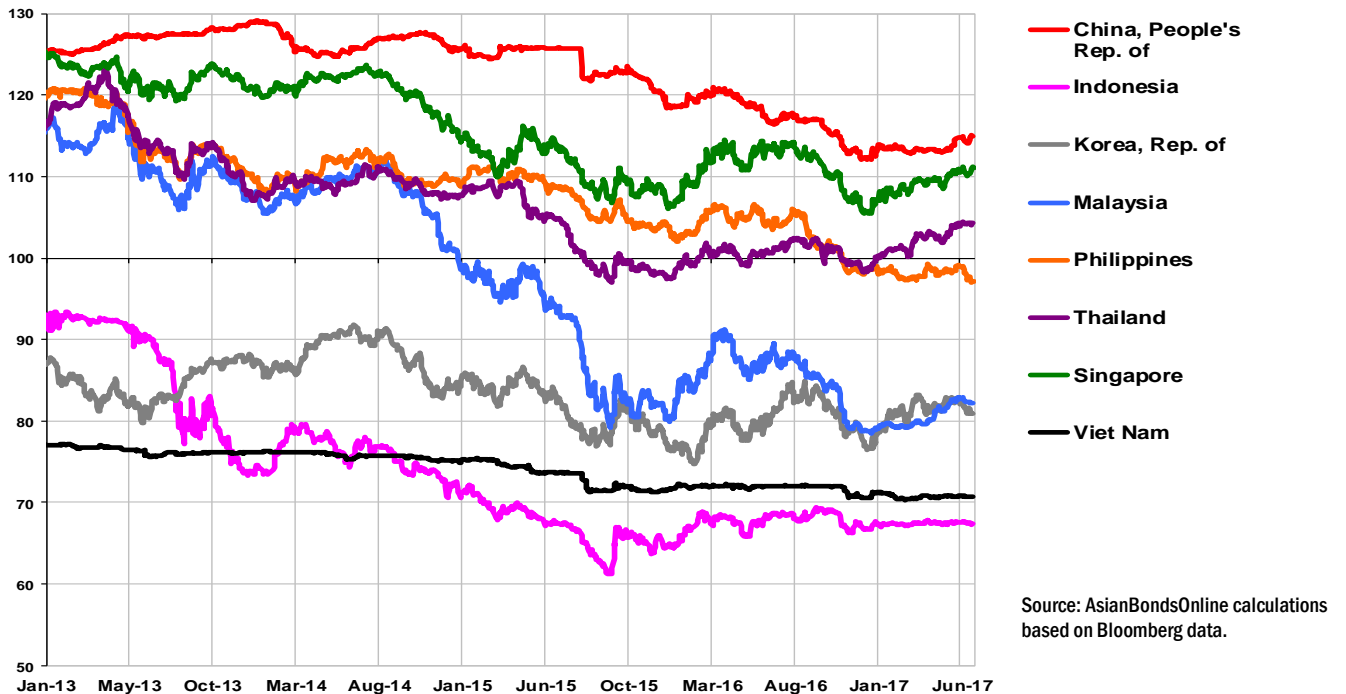
Credit Default Swap Spreads and Exchange Rate Indexes

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 (26 – 30 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	28-Jun	3-year China Government Bond	3.43	3.23	40.00	40.20
HK	27-Jun	91-day Exchange Fund Bills	0.27		32.76	32.76
		181-day Exchange Fund Bills	0.35		9.00	9.00
	28-Jun	10-year HKSAR Bond	1.39	1.25	1.20	1.20
JP	27-Jun	2-year Japanese Government Bonds	-0.10	0.10	2,200.00	2,503.10
	29-Jun	3-month Treasury Discount Bills	-0.10		4,400.00	4,359.95
KR	26-Jun	20-year Korea Treasury Bonds	2.19	1.50	750.00	750.00
		91-day Monetary Stabilization Bills	1.28		800.00	800.00
PH	27-Jun	20-year Treasury Bonds	5.04	5.25	15.00	15.00
SG	28-Jun	28-day MAS Bills	0.73		1.40	1.40
		84-day MAS Bills	0.61		5.00	5.00
	29-Jun	168-day MAS Bills	0.95		2.60	2.60
TH	26-Jun	28-day Treasury Bills	1.24		5.00	5.00
	27-Jun	91-day Bank of Thailand Bills	1.33		30.00	30.00
		182-day Bank of Thailand Bills	1.44		30.00	30.00
	28-Jun	9.47-year Government Bonds	2.42	2.13	20.00	20.00
VN	30-Jun	14-day Bank of Thailand Bills	1.25		20.00	20.00
VN	28-Jun	5-year Treasury Bonds	4.90		1,500.00	850.00
		7-year Treasury Bonds	5.20		1,500.00	1,500.00
		10-year Treasury Bonds	5.65		1,000.00	1,000.00
		30-year Treasury Bonds	7.10		1,000.00	777.00

HKSAR = Hong Kong Special Administrative Region, LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (4 – 10 July 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Korea, Republic of CPI y-o-y, % JUN	07/04	05/16: 0.8% 06/16: 0.7% 04/17: 1.9% 05/17: 2.0%	Consumer price inflation in the Republic of Korea inched up to 2.0% year-on-year (y-o-y) in May from 1.9% y-o-y in April.
Korea, Republic of Current Account Balance USD million MAY	07/05	04/16: 3,756 05/16: 10,495 03/17: 5,753 04/17: 3,995	The Republic of Korea's current account surplus narrowed to USD4.0 billion in April from USD5.7 billion in March.
Philippines CPI y-o-y, % JUN	07/05	05/16: 1.6% 06/16: 1.9% 04/17: 3.4% 05/17: 3.1%	Inflation in the Philippines slowed to 3.1% y-o-y in May from 3.4% y-o-y in April.
Thailand BOT Benchmark Interest Rate % 5 JUL	07/05	06/16: 1.5% 07/16: 1.5% 05/17: 1.5% 06/17: 1.5%	On 24 May, the Bank of Thailand (BOT) maintained its policy rate at 1.50% for the 17th consecutive time.
China, People's Republic of Foreign Reserves USD billion JUN	07/07	05/16: 3,191.7 06/16: 3,205.2 04/17: 3,029.5 05/17: 3,053.6	The People's Republic of China's (PRC) foreign exchange reserves climbed to USD3,054 billion at the end of May from USD3,030 billion at the end of April.
Hong Kong, China Foreign Reserves USD billion JUN	07/07	05/16: 360.3 06/16: 360.7 04/17: 400.1 05/17: 402.7	Hong Kong, China's foreign exchange reserves rose to USD402.7 billion at the end of May from USD400.1 billion at the end of April.
Indonesia Foreign Reserves USD billion JUN	07/07	05/16: 103.6 06/16: 109.8 04/17: 123.2 05/17: 125.0	Indonesia's foreign exchange reserves rose to USD125 billion at the end of May from USD123.2 billion at the end of April.
Malaysia Exports y-o-y, % MAY	07/07	04/16: 2.2% 05/16: -0.8% 03/17: 24.1% 04/17: 20.6%	Exports from Malaysia grew 20.6% y-o-y in April versus the 24.1% y-o-y growth recorded in March.
Malaysia Imports y-o-y, % MAY	07/07	04/16: -2.6% 05/16: 2.9% 03/17: 39.4% 04/17: 24.7%	Imports to Malaysia grew 24.7% y-o-y in April, which was much slower than the 39.4% y-o-y growth posted in March.
Malaysia Trade Balance USD billion MAY	07/07	04/16: 2.3 05/16: 0.8 03/17: 1.2 04/17: 2.0	The trade surplus in Malaysia widened to USD2.0 billion in April from USD1.2 billion in March.
China, People's Republic of CPI y-o-y, % JUN	07/10	05/16: 2.0% 06/16: 1.9% 04/17: 1.2% 05/17: 1.5%	The PRC's consumer price inflation climbed to 1.5% y-o-y in May from 1.2% y-o-y a month earlier.
China, People's Republic of PPI y-o-y, % JUN	07/10	05/16: -2.8% 06/16: -2.6% 04/17: 6.4% 05/17: 5.5%	Producer price growth in the PRC eased to 5.5% y-o-y in May from 6.4% y-o-y in April.
Japan Current Account Balance JPY billion MAY	07/10	04/16: 1,816 05/16: 1,758 03/17: 2,908 04/17: 1,952	Japan's current account surplus narrowed to JPY 1.9 trillion in April from JPY 2.9 trillion in March.
Singapore GDP—Advance y-o-y, % Q2 2017	7/10 to 7/14	Q1 2016: 1.9% Q2 2016: 1.9% Q4 2016: 2.9% Q1 2017: 2.7%	Singapore's gross domestic product expanded 2.7% y-o-y in the first quarter of 2017, slightly easing from 2.9% y-o-y growth in the fourth quarter of 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)

Real GDP Growth in Viet Nam Climbs to 5.7% in the First Half of 2017

- [Q2 GDP growth robust, 2017 target still elusive](#)
Viet Nam News (30 June 2017)

Industrial Production Growth in the Republic of Korea Eases in May; Industrial Production Growth in Viet Nam Climbs in June

- [Monthly Industrial Statistics, May 2017](#)
Statistics Korea (30 June 2017)

The PRC's Manufacturing and Nonmanufacturing PMI Expand in June

- [China's manufacturing activity expands for 11th month](#)
Xinhua (30 June 2017)
- [China's non-manufacturing sector expands faster in June](#)
Xinhua (30 June 2017)

Consumer Price Inflation in Japan Unchanged in May

- [Japan May 2017, Ku-area of Tokyo June 2017 \(preliminary\)](#)
Statistics Japan (30 June 2017)

Hong Kong, China's Exports and Imports Rise in May; Thailand's Exports and Imports Expand in May

- [External merchandise trade statistics for May 2017](#)
Census and Statistics Department (26 June 2017)
- [Press Release on the Economic and Monetary Conditions for May 2017](#)
Bank of Thailand (30 June 2017)

Thailand's Current Account Surplus Declines in May

- [Table: Current Account](#)
Bank of Thailand (30 June 2017)

Moody's Affirms Baa2 Credit Rating for the Philippines

- [Moody's affirms Philippines' Baa2 rating, maintains stable outlook](#)
Moody's Investor Service (27 June 2017)

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