

Key Developments in Asian Local Currency Markets

An improving global outlook pushed up government bond yields in major advanced economies between 1 June and 15 August. Bond yields in most emerging East Asian markets also rose during the review period, according to the latest Asia Bond Monitor. Emerging East Asia's local currency bond market continued to expand in the second quarter of 2017, with the region's LCY bonds outstanding climbing to nearly USD11.0 trillion at the end of June. With economic prospects generally benign, financial risks are receding in emerging East Asia, but downside risks loom over a longer time horizon, including the normalization of the United States' Federal Reserve's balance sheet. A copy of the full report is available at https://asianbondsonline.adb.org/documents/abm_sep_2017.pdf.

Consumer prices in the People's Republic of China (PRC) rose 1.8% year-on-year (y-o-y) in August after gaining 1.4% y-o-y in July. While most items in the consumer price basket showed gains, the largest increase was recorded in food, liquor, and tobacco prices, which rose 0.4% y-o-y after falling 0.1% y-o-y in July. Producer prices also jumped 6.3% y-o-y in August following a 5.5% y-o-y increase in the previous month.

Industrial production growth in the PRC slowed to 6.0% y-o-y in August from 6.4% y-o-y in July. The largest gains in August came from the production of electricity, heat, gas, and water, which rose 8.7% y-o-y. Malaysia's Index of Industrial Production saw substantial growth of 6.1% y-o-y in July, up from 4.0% y-o-y in June, lifted largely by sharp increases in manufacturing and electricity outputs. Hong Kong, China's industrial production rose 0.4% y-o-y in the second quarter of 2017 after rising 0.2% y-o-y in the previous quarter.

Exports from Indonesia climbed 19.2% y-o-y in August to USD15.2 billion, while imports rose 8.9% y-o-y to USD13.5 billion. A trade surplus valued at USD1.7 billion was recorded in August. Exports from the Philippines rebounded in July with double-digit growth of 10.4% y-o-y to reach USD5.3 billion; imports declined further in July, falling 3.2% y-o-y to USD6.9 billion. The Philippines posted a trade deficit of USD1.6 billion in July.

For the first time in 2017, the Republic of Korea's local currency bond market experienced net foreign capital outflows amid increased geopolitical risks. Foreign investors sold a net KRW2,167 billion of listed bonds in August, a reversal from the strong net inflows of KRW2,755 billion in July.

Personal remittances from overseas Filipino workers climbed 8.7% y-o-y in July, amounting

Asia Bond Monitor September 2017

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10-Year Selected LCY Government Security Yields Close of 15 September 2017
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.20	1.76	15.16	-24.20
EU	0.43	2.00	12.10	22.50
Japan	0.03	-2.10	2.50	-1.70
PRC	3.74	-1.00	-3.00	72.00
Hong Kong, China	1.51	-1.30	11.80	-46.20
India	6.60	0.70	5.40	8.20
Indonesia	6.52	-1.40	6.40	-145.00
Korea, Rep. of	2.25	0.70	1.50	15.80
Malaysia	3.86	0.00	3.10	-37.00
Philippines	4.56	-1.75	2.52	-6.50
Singapore	2.06	2.04	11.47	-41.64
Thailand	2.33	0.00	10.80	-31.70
Viet Nam	5.58	0.00	-1.00	-79.50

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

to USD2.6 billion. Cumulative personal remittances for January–July reached USD17.9 billion, 5.9% higher than the amount in the same period last year.

The People's Bank of China last week removed the reserve requirement on financial institutions' positions in renminbi forward exchange contracts. Prior to this, the reserve requirement in the PRC was set at 20%.

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

Summary Text of News Articles

Consumer and Producer Price Inflation Accelerate in the PRC in August

Consumer prices in the People's Republic of China (PRC) rose 1.8% year-on-year (y-o-y) in August after gaining 1.4% y-o-y in July. While most items in the consumer price basket showed gains, the largest increases were recorded in food, liquor, and tobacco prices, which rose 0.4% y-o-y after falling 0.1% y-o-y in July, and in transportation and communication prices, which grew 0.7% y-o-y in August after declining 0.2% y-o-y in the previous month. Producer prices also jumped 6.3% y-o-y following a 5.5% y-o-y increase in the previous month.

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

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

Industrial Production Growth Decelerates in the PRC in August; Malaysia's Index of Industrial Production Growth Strengthens in July; Hong Kong, China's Industrial Production Growth Accelerates in Q2 2017

Industrial production growth in the PRC slowed to 6.0% y-o-y in August from 6.4% y-o-y in July. The largest gains in August came from the production of electricity, heat, gas, and water, which rose 8.7% y-o-y; followed by manufacturing, which grew 6.9% y-o-y. Meanwhile, mining output fell 3.4% y-o-y.

Malaysia's Index of Industrial Production saw substantial growth of 6.1% y-o-y in July, up from 4.0% y-o-y in June, lifted largely by sharp increases in manufacturing and electricity outputs. It was the fastest growth since November 2016. Output from the manufacturing sector significantly increased 8.0% y-o-y in July versus 4.7% y-o-y growth in the preceding month, supported by increased production of electrical and electronics products; food, beverages, and tobacco; and petroleum, chemical, rubber and plastic products. The electricity sector also saw a significant increase in output in July, rising 7.9% y-o-y, up from 2.1% y-o-y in June. The mining sector recorded positive growth in July at 0.2% y-o-y; however, it was lower compared with a gain of 2.4% y-o-y in June.

Hong Kong, China's industrial production rose 0.4% y-o-y in the second quarter (Q2) of 2017 after rising 0.2% y-o-y in the previous quarter. The better growth rate for Q2 2017 was due to smaller declines in the production of textiles and wearing apparel, which fell 4.0% y-o-y in Q2 2017 versus a decline of 5.8% in the previous quarter, and in miscellaneous manufacturing industries, which contracted 0.7% y-o-y in Q2 2017 versus a fall of 1.7% y-o-y in the first quarter.

Indonesia Posts Trade Surplus of USD1.7 Billion in August; The Philippines' Trade Deficit Narrows in July

Exports from Indonesia climbed 19.2% y-o-y in August to USD15.2 billion, while imports rose 8.9% y-o-y to USD13.5 billion. A trade surplus valued at USD1.7 billion was recorded in August.

Exports from the Philippines rebounded with double-digit growth of 10.4% y-o-y in July, faster than the growth of 5.8% y-o-y in June and a turnaround from the 10.9% y-o-y drop in July 2016. Total export revenue in July was valued at USD5.3 billion. The strong export growth can be attributed to the weaker Philippine peso, which makes export products more competitive in foreign markets, and the sustained economic recovery of the Philippines' major trading partners like the United States. On the other hand, imports declined further in July, falling 3.2% y-o-y after a 1.3% y-o-y decrease in June, with total imports valued at USD6.9 billion. Imports of raw materials, intermediate goods, and capital goods, which together accounted for 69.3% of total imports, declined 8.2% y-o-y and 11.5% y-o-y in July, respectively. The weaker local currency contributed to the decline as it makes imports more expensive. The Philippines' trade deficit narrowed in July to USD1.6 billion in July from USD2.0 billion in June. Year-to-date through July, imports amounted to USD51.2 billion and exports amounted to USD36.6 billion, resulting in a trade deficit of USD14.7 billion.

Summary Text of News Articles

Net Foreign Bond Investment in the Republic of Korea Turns Negative in August

For the first time in 2017, the Republic of Korea's local currency bond market experienced net foreign capital outflows amid increased geopolitical risks. Foreign investors sold a net KRW2,167 billion of listed bonds in August, a reversal from the strong net inflows of KRW2,755 billion in July. Net foreign bond investment outflows amounted to KRW1,948 billion for Monetary Stabilization Bonds issued by the Bank of Korea and KRW247 billion for Korean Treasury Bonds. Meanwhile, KRW27 billion in net inflows were recorded for corporate bonds. Cumulative bond inflows for the year through the end of August amounted to KRW15,108 billion.

Overseas Filipino Remittances Sustain Growth in July

Personal remittances from overseas Filipino workers climbed 8.7% y-o-y in July, amounting to USD2.6 billion. Cumulative personal remittances from January–July reached USD17.9 billion, 5.9% higher than the amount in the same period last year. Cash remittances coursed through banks registered 7.1% y-o-y growth in July, equivalent to USD2.3 billion. Total cash remittances in the first 7 months of 2017 amounted to USD16.1 billion on 5.0% y-o-y growth. Bangko Sentral ng Pilipinas said that the sustained increase in remittances was supported by stable demand for skilled Filipino workers abroad.

The People's Bank of China Removes Reserve Requirement on Renminbi Forwards

The People's Bank of China last week removed the reserve requirement on financial institutions' positions in renminbi forward exchange contracts. Prior to this, the reserve requirement in the PRC was set at 20%.

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	1.03	-1.67	-1.02	52.91
EU	-0.62	0.40	0.70	28.90
Japan	-0.13	1.50	6.00	26.60
PRC	3.33	-1.00	5.00	60.00
Hong Kong, China	0.33	0.00	0.00	0.00
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.24	0.00	0.30	-8.00
Malaysia	2.99	-0.10	-1.50	-3.70
Philippines	2.91	84.51	2.39	83.84
Singapore	1.19	0.00	3.00	12.20
Thailand	1.22	0.00	4.25	-23.92

Close of 15 September 2017

10-Year Selected LCY Government Bond Yields

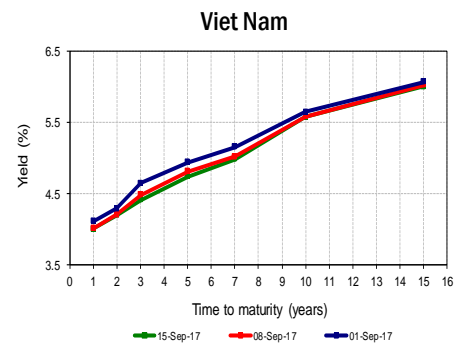
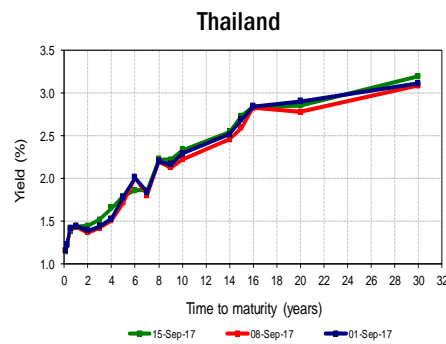
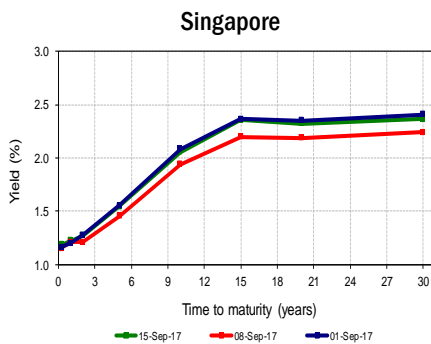
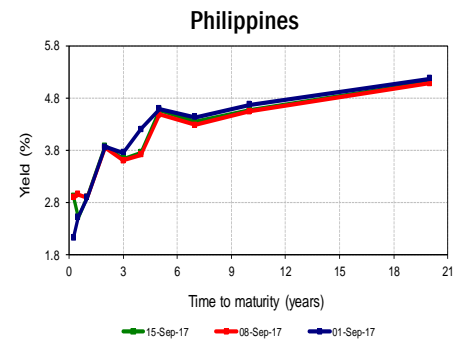
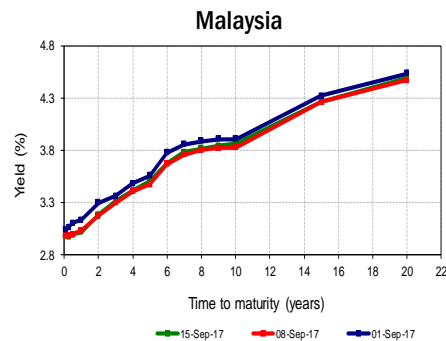
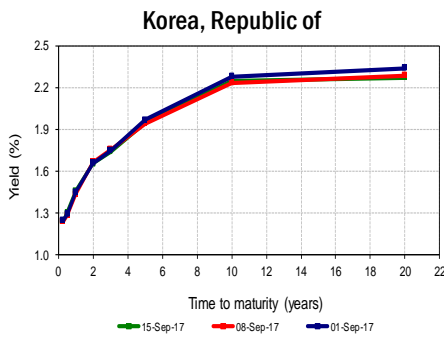
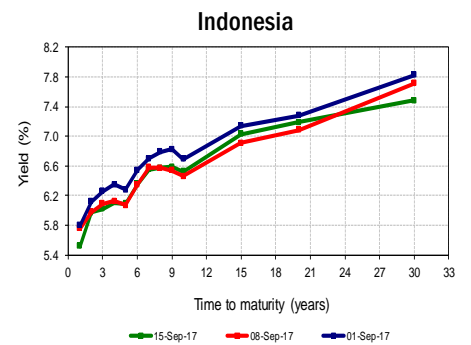
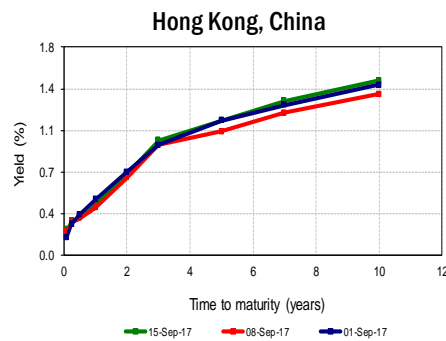
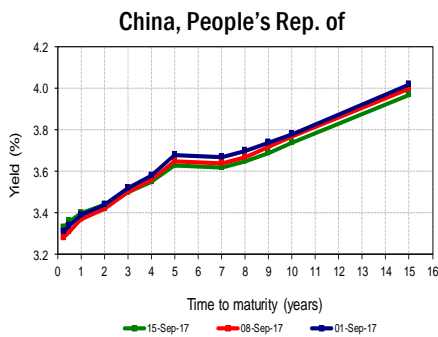
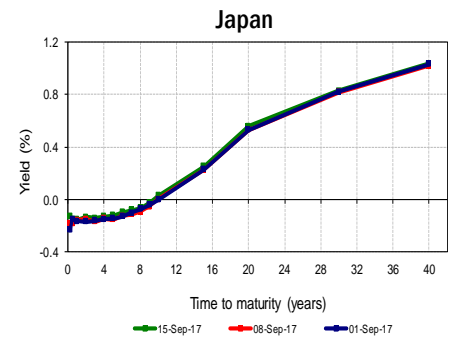
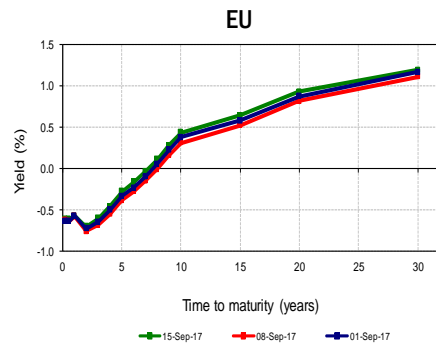
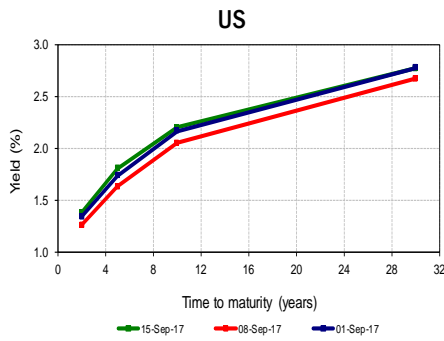
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Hong Kong, China	1.51	-1.30	11.80	-46.20
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Malaysia	3.86	0.00	3.10	-37.00
Philippines	4.56	-1.75	2.52	-6.50
Singapore	2.06	2.04	11.47	-41.64
Thailand	2.33	0.00	10.80	-31.70
Viet Nam	5.58	0.00	-1.00	-79.50

Close of 15 September 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

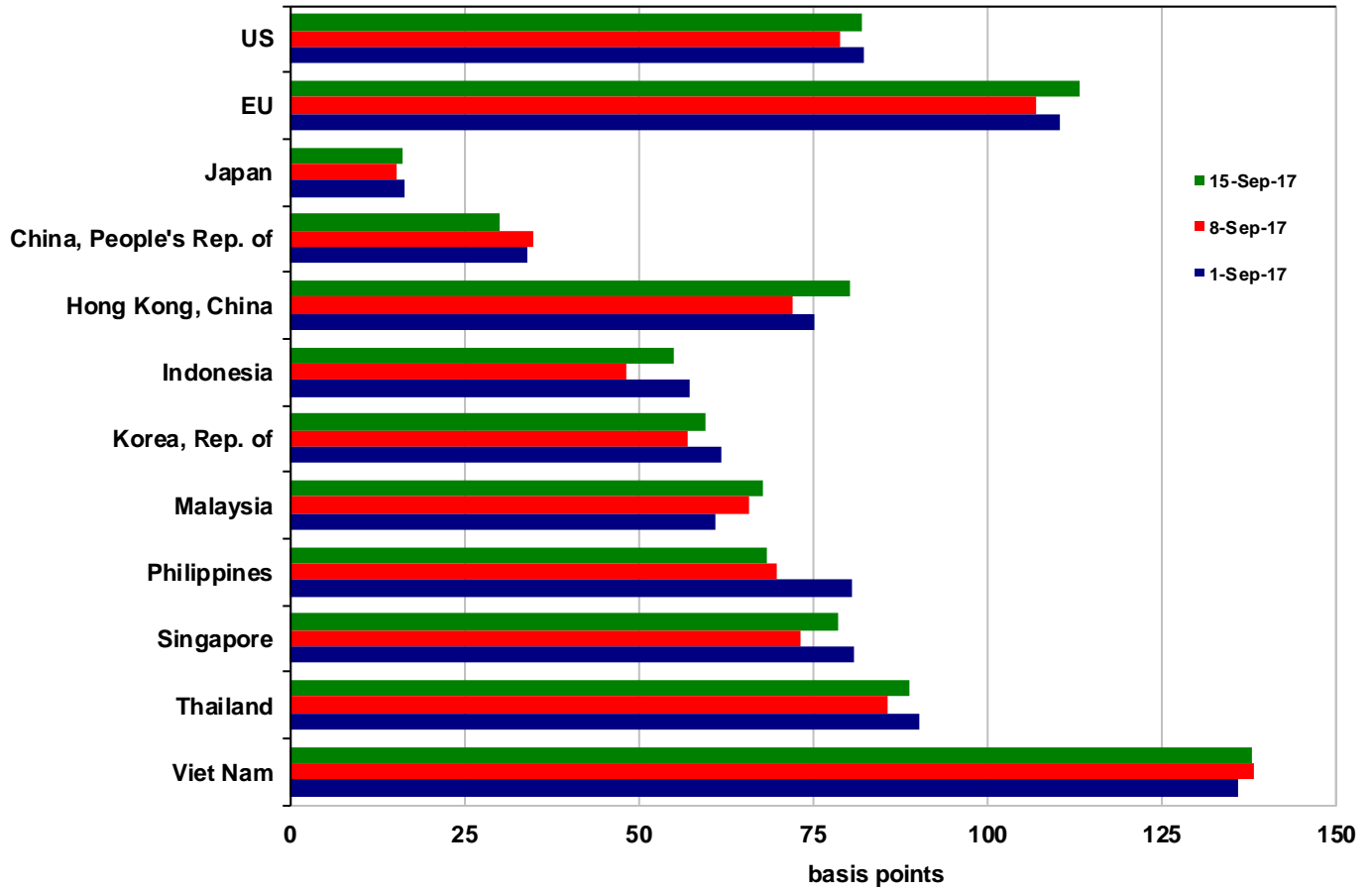
Tip: Zoom-in on the table using the Acrobat zoom tool



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

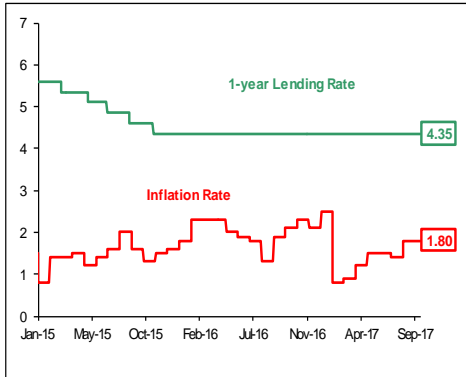


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

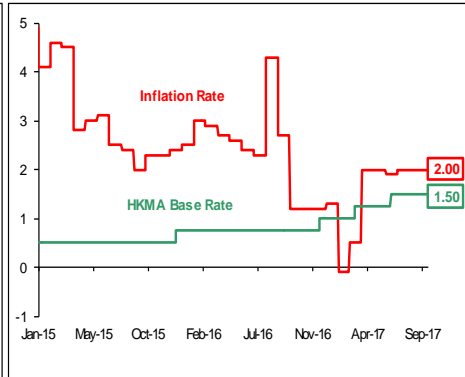
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



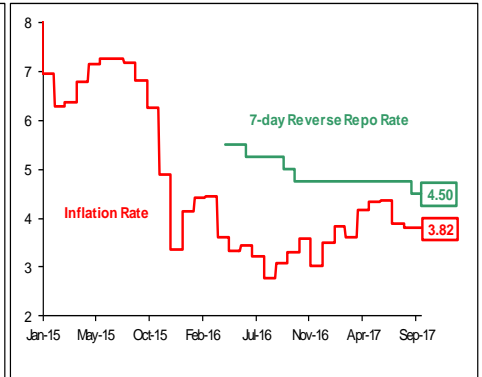
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



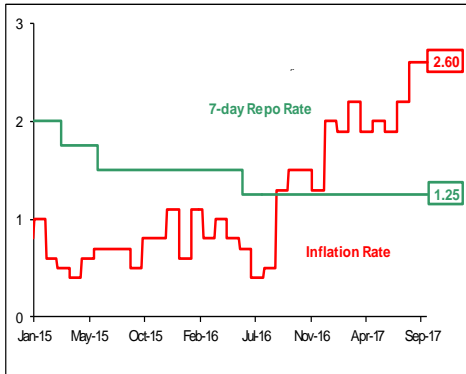
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



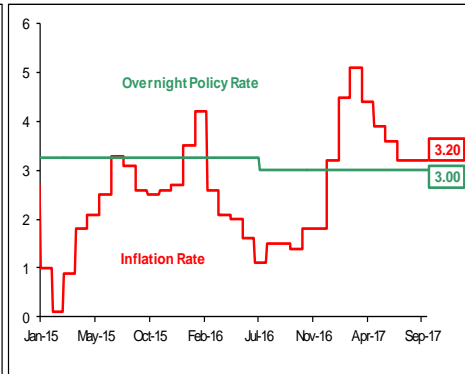
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



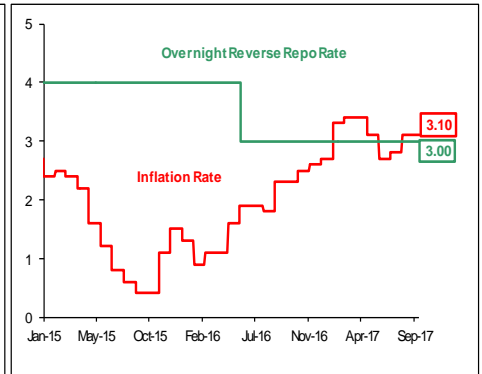
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



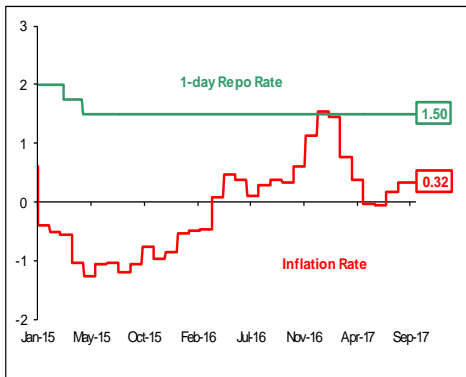
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



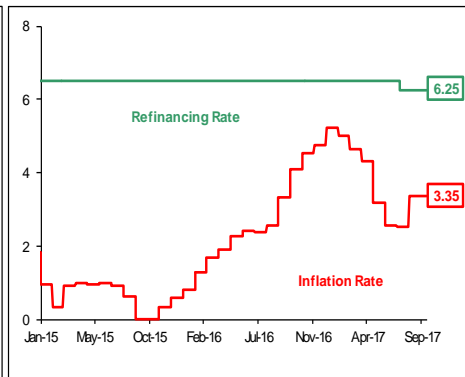
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

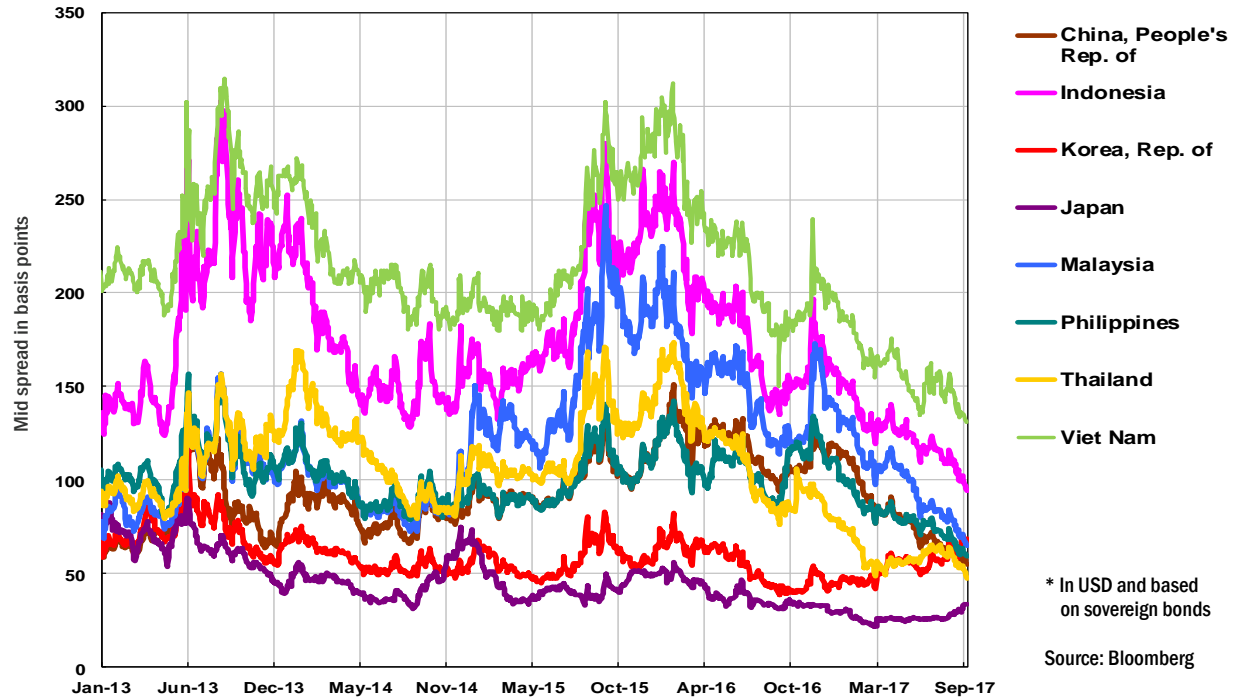


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

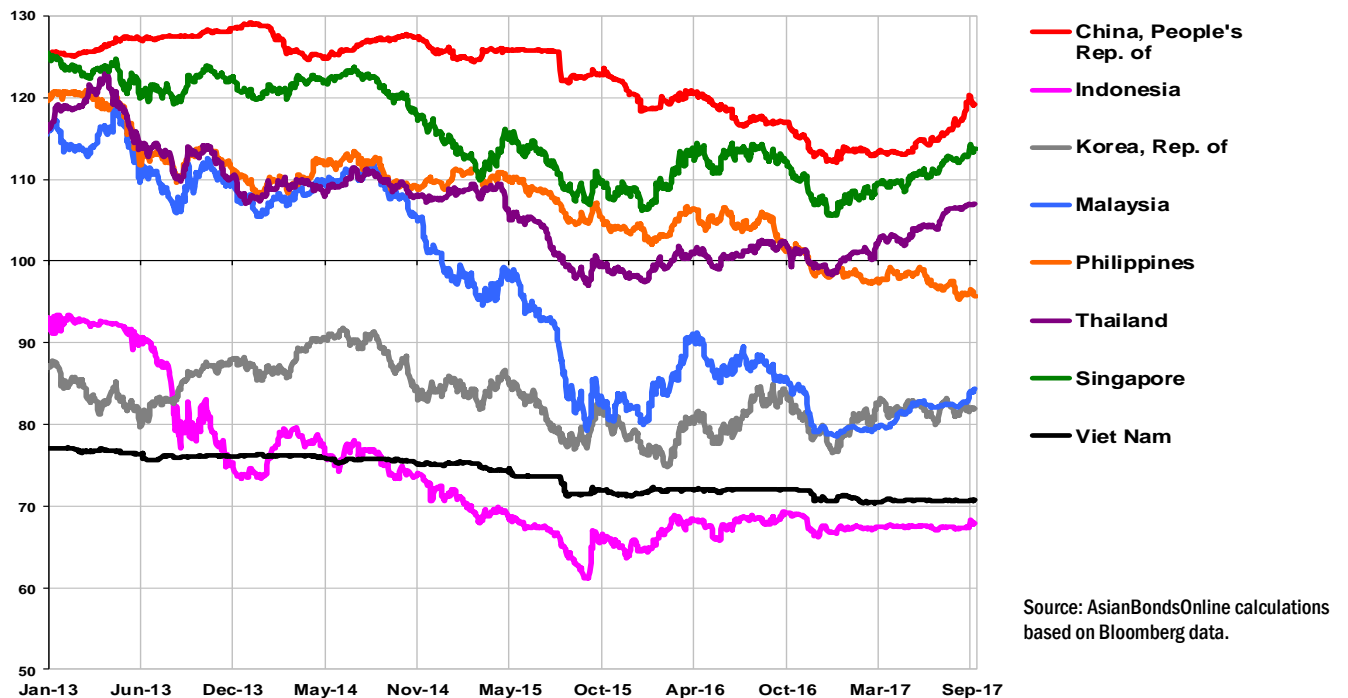
Credit Default Swap Spreads and Exchange Rate Indexes

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 (11 – 15 September 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	13-Sep	2-year Treasury Bond	3.50	3.50	28.00	28.00
		5-year Treasury Bond	3.58	3.47	40.00	40.00
HK	12-Sep	91-day Exchange Fund Bills	0.30		44.25	44.25
		182-day Exchange Fund Bills	0.34		14.00	14.00
		15-year HKSAR Bond	1.56	1.89	0.60	0.60
ID	12-Sep	6-month Islamic Treasury Bills	4.85			1,450.00
		2-year Project-Based <i>Sukuk</i>	6.02	6.25		2,410.00
		4-year Project-Based <i>Sukuk</i>	6.30	6.50	5,000.00	1,630.00
		5-year Project-Based <i>Sukuk</i>	6.66	8.75		250.00
		14-year Project-Based <i>Sukuk</i>	7.32	8.88		1,260.00
JP	12-Sep	5-year Japanese Government Bonds	-0.11	0.10	2,200.00	2,199.30
	14-Sep	1-year Treasury Discount Bills	-0.14		4,400.00	4,399.98
		20-year Japanese Government Bonds	0.56	0.60	1,000.00	1,075.90
KR	11-Sep	10-year Korea Treasury Bonds	2.25	2.13	1,400.00	1,400.00
		91-day Monetary Stabilization Bonds	1.25		1,080.00	1,080.00
MY	14-Sep	5-year Malaysian Government Securities	3.50	3.88	4.00	4.00
PH	11-Sep	91-day Treasury Bills	2.09		6.00	6.00
		182-day Treasury Bills	2.56		5.00	5.00
		364-day Treasury Bills	2.92		4.00	4.00
SG	12-Sep	28-day MAS Bills	0.66		1.80	1.80
		84-days MAS Bills	0.85		5.40	5.40
TH	12-Sep	91-day Bank of Thailand Bills	1.20		30.00	30.00
		182-day Bank of Thailand Bills	1.34		30.00	30.00
	13-Sep	5.26-years Treasury Bonds	1.77		25.00	25.00
	15-Sep	14-day Bank of Thailand Bills	1.09		20.00	20.00
VN	13-Sep	5-year Treasury Bonds	4.63		500.00	254.00
		7-year Treasury Bonds	4.83		500.00	200.00
		10-year Treasury Bonds	5.33		500.00	400.00

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 (19 – 25 September 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Rep. of Korea PPI y-o-y, % AUG	09/19	07/16: -2.5% 08/16: -1.8% 06/17: 2.8% 07/17: 3.0%	The Republic of Korea's Producer Price Index (PPI) rose 3.0% year-on-year (y-o-y) in July following an increase of 2.8% y-o-y in June.
Philippines Balance of Payment USD million AUG	09/19	08/16: 682 09/16: 117 07/17: -569 08/17: -678	The Philippines incurred a balance of payments deficit of USD678 million in August, compared with a USD 569 million deficit in July.
Philippines Budget Balance USD million AUG	09/19 to 09/29	08/16: 32.60 09/16: -75.32 07/17: -90.87 08/17: -50.51	The Philippines' budget deficit narrowed to USD50.5 million in August from USD90.9 million in July.
Japan Trade Balance JPY billion AUG	09/20	07/16: 513.5 08/16: -18.7 06/17: 439.9 07/17: 418.8	Japan's trade surplus narrowed to JPY418.8 billion in July from JPY439.9 billion in June.
Malaysia CPI y-o-y, % AUG	09/20	08/16: 1.5% 09/16: 1.5% 07/17: 3.6% 08/17: 3.2%	Growth in Malaysia's Consumer Price Inflation (CPI) eased to 3.2% y-o-y in August from 3.6% y-o-y in July.
Hong Kong, China CPI y-o-y, % AUG	09/21	07/16: 2.3% 08/16: 4.3% 06/17: 1.9% 07/17: 2.0%	Hong Kong, China's consumer prices rose 2.0% y-o-y in July after rising 1.9% y-o-y in June.
Hong Kong, China Current Account Balance HKD billion Q2 2017	09/21	Q1 2016: 17.2 Q2 2016: 15.0 Q4 2016: 36.8 Q1 2017: 16.9	Hong Kong, China's current account balance fell to HKD16.9 billion in the first quarter of 2017 from HKD36.8 in the prior quarter.
Hong Kong, China Balance of Payment HKD billion Q2 2017	09/21	Q1 2016: 5.3 Q2 2016: -16.1 Q4 2016: 21.7 Q1 2017: 45.3	Hong Kong, China's balance of payments surplus rose to HKD45.3 billion in the first quarter of 2017 from HKD21.7 in the prior quarter.
Philippines Overnight Borrowing Rate % Sep-21	09/21	08/16: 3.00% 09/16: 3.00% 07/17: 3.00% 08/17: 3.00%	The Bangko Sentral ng Pilipinas kept the overnight borrowing rate unchanged at 3.00% in its meeting on 10 August.
Indonesia Bank Indonesia 7-Day Repo Rate % 22 September	09/22	08/16: 5.25% 09/16: 5.00% 07/17: 4.75% 08/17: 4.50%	Bank Indonesia cut its policy rate by 25 basis points to 4.50% at its monetary policy meeting held on 23 August.
Viet Nam CPI y-o-y, % SEPT	09/24	08/16: 2.6% 09/16: 3.3% 07/17: 2.5% 08/17: 3.4%	Viet Nam's consumer prices rose 3.4% y-o-y in August after rising 2.5% y-o-y in July.
Singapore CPI y-o-y, % AUG	09/25	07/16: -0.7% 08/16: -0.3% 06/17: 0.5% 07/17: 0.6%	Consumer price inflation in Singapore inched up to 0.6% y-o-y in July from 0.5% y-o-y in June.

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 and Producer Price Inflation Accelerate in the PRC in August

- [Consumer Prices for August 2017](#)
National Bureau of Statistics (11 September 2017)
- [Consumer Prices for July 2017](#)
National Bureau of Statistics (9 August 2017)
- [Producer Prices for the Industrial Sector for August 2017](#)
National Bureau of Statistics of China (11 September 2017)

Industrial Production Growth Decelerates in the PRC in August; Malaysia's Index of Industrial Production Growth Strengthens in July; Hong Kong, China's Industrial Production Growth Accelerates in Q2 2017

- [National Economy Maintained Stable Performance and Progress with Good Momentum for Growth in August](#)
National Bureau of Statistics (14 September 2017)
- [Index of Industrial Production, Malaysia July 2017](#)
Department of Statistics Malaysia (11 September 2017)
- [Provisional statistics on index of industrial production and producer price index for industrial sector for second quarter of 2017](#)
Census and Statistics Department (14 September 2017)

Indonesia Posts Trade Surplus of USD1.7 Billion in August; The Philippines' Trade Deficit Narrows in July

- [Indonesia's exports in August 2017 reached US \\$ 15.21 billion and Indonesian Imports in August 2017 reached US \\$ 13.49 billion](#)
Statistics Indonesia (15 September 2017)
- [Highlights of the Philippine Export and Import Statistics: July 2017](#)
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- [Table 1 Total Trade by Month and Year: 2015-2017](#)
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- [Foreign Investors' Stock and Bond Investment, August 2017](#)
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Overseas Filipino Remittances Sustain Growth in July

- [Personal Remittances Hit US\\$17.9 Billion in First Seven Months of 2017](#)
Bangko Sentral ng Pilipinas (15 September 2017)
- [Overseas Filipinos' Remittances Table](#)
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