

Key Developments in Asian Local Currency Markets

Real gross domestic product growth in Viet Nam climbed to 7.5% year-on-year (y-o-y) in the third quarter of 2017 from a revised 6.3% y-o-y hike in the second quarter of 2017, lifting the economic expansion in the first 9 months of the year to 6.4% y-o-y from 5.7% y-o-y in the first half of the year. The government's growth target for full-year 2017 is set at 6.7%.

Industrial production in Japan recovered in August, growing 2.1% month-on-month (m-o-m) following a contraction of 0.8% m-o-m in July, driven by output increases in general-purpose, production, and business-oriented machinery; transport equipment; and electronic parts and devices. The Republic of Korea's industrial production rebounded to growth of 2.7% y-o-y in August after declining a revised 0.2% y-o-y in July, largely supported by growth in manufacturing output. In Singapore, manufacturing output climbed 19.1% y-o-y in August, down from 21.1% y-o-y growth in the previous month. In Viet Nam, industrial production growth climbed to 13.2% y-o-y in September from 8.4% y-o-y in August, led by higher output in the manufacturing sector.

In its meeting held on 27 September, the Bank of Thailand's Monetary Policy Committee decided to keep its policy rate unchanged at 1.50%. The committee deems the current accommodative monetary policy stance is supportive of economic growth and is expected to help bring inflation back to its target range of 1.0%–4.0%. The Bank of Thailand has revised its economic growth estimates for 2017 and 2018 upward to 3.8% for each year.

Consumer price inflation in Japan picked up in August to 0.7% y-o-y after remaining unchanged at 0.4% y-o-y in each of the past 4 months. Consumer price inflation slowed in Singapore to 0.4% y-o-y in August from 0.6% y-o-y in July, largely due to slower increases in private road transport costs. Consumer price inflation in the Republic of Korea eased to 2.1% y-o-y in September on the back of slower price growth of food and non-alcoholic beverages. In Viet Nam, consumer price inflation inched up to 3.40% y-o-y in September from 3.35% y-o-y posted in the earlier month.

Merchandise exports from Hong Kong, China gained 7.4% y-o-y in August and imports grew 7.7% y-o-y. Total exports reached HKD332.7 billion and imports hit HKD368.2 billion, resulting in a trade deficit valued at

Asia Bond Monitor September 2017

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10-Year Selected LCY Government Security Yields Close of 29 September 2017
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.33	2.51	8.37	-11.07
EU	0.46	-1.50	1.70	25.60
Japan	0.07	-0.60	3.40	2.20
PRC	3.77	-1.00	1.00	75.00
Hong Kong, China	1.71	0.00	6.10	-26.20
India	6.66	2.20	0.00	14.80
Indonesia	6.50	-5.00	7.00	-147.60
Korea, Rep. of	2.37	-3.50	10.80	27.80
Malaysia	3.93	-1.10	1.30	-30.20
Philippines	4.61	-1.09	-1.15	-1.96
Singapore	2.15	-5.47	6.26	-32.23
Thailand	2.29	-2.30	3.40	-35.60
Viet Nam	5.57	0.00	-0.60	-80.10

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- ▶ 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
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HKD35.5 billion in August. In Thailand, export growth climbed to 15.8% y-o-y in August and import growth slowed to 14.3% y-o-y. The trade surplus widened to USD3.4 billion in August. Export and import growth rates remained robust in Viet Nam, rising 23.2% y-o-y and 27.8% y-o-y in September, respectively. Total exports rose to USD19.0 billion and imports reached USD18.6 billion, resulting in a trade surplus of USD400 million.

The current account of the Republic of Korea registered a narrower surplus of USD6.1 billion in August compared with USD7.3 billion in July. In Thailand, the current account surplus widened to USD4.7 billion in August from USD2.8 billion in July.

Local currency government bond yields rose for most tenors last week in Hong Kong, China; Indonesia; Malaysia; Singapore; and Thailand while yields rose for all tenors in the Republic of Korea. Yields for most tenors fell in Viet Nam while yield movements were mixed in the People's Republic of China and the Philippines. The yield spread between the 2- and 10-year tenors widened for most emerging East Asian markets except for Indonesia, Malaysia, the Philippines, and Singapore.

Summary Text of News Articles

Real GDP Growth in Viet Nam Climbs to 7.5% y-o-y in the Third Quarter of 2017

Real gross domestic product growth in Viet Nam climbed to 7.5% year-on-year (y-o-y) in the third quarter of 2017 from a revised 6.3% y-o-y hike in the second quarter of 2017. As a result of the strong economic expansion in the third quarter, real gross domestic product growth for the first 9 months of the year rose to 6.4% y-o-y from 5.7% y-o-y in the first half of the year. Both the industry and construction sector, and the services sector posted growth of more than 7.0% each for the first 9 months of the year. The government's growth target for full-year 2017 is set at 6.7%.

Industrial Production Growth Rebounds in Japan and the Republic of Korea in August; Industrial Production in Thailand Gains 3.7% y-o-y in August; Industrial Production Growth in Viet Nam Climbs to 13.2% y-o-y in September

Industrial production in Japan recovered in August, growing 2.1% month-on-month (m-o-m) after a contraction of 0.8% m-o-m in July. The growth was driven by output increases in general-purpose, production, and business-oriented machinery; transport equipment; and electronic parts and devices. This growth was partially offset by output decreases in chemicals (excluding drugs), petroleum and coal products, and non-ferrous metals industries. Shipments also rose in August, increasing 1.8% m-o-m, while inventories and the inventories ratio dropped 0.6% m-o-m and 4.3% m-o-m, respectively. On a y-o-y basis, industrial production further increased to 5.4% in August from 4.7% in the previous month.

The Republic of Korea's industrial production rebounded to growth of 2.7% y-o-y in August after declining a revised 0.2% y-o-y in July. The recovery in industrial production was supported by growth in manufacturing output, which increased 2.9% y-o-y in August, reversing the 0.4% y-o-y drop in the previous month. On a m-o-m basis, industrial production grew slower at 0.4% in August compared to July's growth of 1.7%.

In Singapore, manufacturing output climbed 19.1% y-o-y in August, down from 21.1% y-o-y growth in the prior month. Five out of the six manufacturing clusters posted positive y-o-y growth in August. The sole manufacturing cluster that contracted was general manufacturing industries. Excluding the biomedical manufacturing cluster, manufacturing output climbed 17.8% y-o-y in August. Between July and August, seasonally adjusted manufacturing output rose a marginal 0.6%.

Manufacturing output in Thailand rose 3.7% y-o-y in August from a revised 3.4% y-o-y hike in July. The strong output during the month was buoyed by increased production of car and car engines, rubber, and electronics. For the period January–August, manufacturing production climbed 1.0% y-o-y.

In Viet Nam, industrial production growth climbed to 13.2% y-o-y in September from an 8.4% y-o-y hike in August. Three out of four subindexes posted higher growth during the review period, led by the manufacturing subindex, which rose 19.5% y-o-y. The electricity subindex rose 10.4% y-o-y and the water supply subindex grew 8.4% y-o-y in August. The mining and quarrying subindex continued to contract, with output declining 6.0% y-o-y during the review period.

Bank of Thailand Keeps Policy Rate Unchanged at 1.50%

In its meeting held on 27 September, the Bank of Thailand's Monetary Policy Committee decided to keep its policy rate unchanged at 1.50%. In its assessment, the central bank noted that the economy is expected to grow at a much faster pace, buoyed by improvements in exports and domestic demand. Inflation is projected to pick up, although at a slower pace than previously estimated. The committee deems the current accommodative monetary policy stance as supportive of economic growth and it is expected to help return inflation to its target range of 1.0%–4.0%. The Bank of Thailand revised its economic growth estimates for 2017 and 2018 upward to 3.8% each from earlier estimates of 3.5% and 3.7%, respectively.

For information on the policy rate in Thailand, refer to this link:

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

Summary Text of News Articles

Consumer Price Inflation Picks Up in Japan, Eases in Singapore in August; Inflation Slows in the Republic of Korea, Rises in Viet Nam in September

Consumer price inflation in Japan picked up in August to 0.7% y-o-y after remaining unchanged at 0.4% y-o-y in the past 4 months. Most major components of the Consumer Price Index registered faster y-o-y price growth in August, which includes food, utilities, clothing and footwear, medical care, entertainment, and miscellaneous commodity items. On the other hand, housing, household goods, and transportation and communication registered y-o-y price declines in August. Consumer prices excluding fresh food and energy posted 0.2% y-o-y growth in August, slightly up from 0.1% y-o-y in July. On a m-o-m basis, inflation inched up 0.2% in August.

Consumer price inflation slowed in Singapore to 0.4% y-o-y in August from 0.6% y-o-y in July. Lower inflation during the month was largely due to a slower increase in private road transport costs, which fell to 2.6% y-o-y in August from 3.5% y-o-y in July. Slower increases in food prices and retail and other goods also contributed to the overall decline in inflation during the month. The Monetary Authority of Singapore expects inflation to average between 0.5%–1.5% in full-year 2017.

Consumer price inflation in the Republic of Korea eased to 2.1% y-o-y in September on the back of slower price growth for food and non-alcoholic beverages, which rose 3.3% y-o-y in September versus 7.4% y-o-y in August. Inflation reached 2.6% y-o-y in August, the highest level since April 2012. On a m-o-m basis, increases in consumer prices slowed to 0.1% in September from 0.6% in August. Excluding food and energy items, consumer prices rose 1.4% y-o-y but declined 0.1% m-o-m in September.

In Viet Nam, consumer price inflation inched up to 3.40% y-o-y in September from 3.35% y-o-y in the prior month. Among all subindexes, the fastest y-o-y increases were seen in the prices of transportation and housing and construction.

For inflation trends in Japan, refer to this link:

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

For inflation 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 trends in Viet Nam, refer to this link:

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

Exports and Imports Grow Faster in Hong Kong, China in August, Remain Robust in Viet Nam in September

Merchandise exports from Hong Kong, China climbed 7.4% y-o-y in August, up slightly from a 7.3% y-o-y hike in July, as global demand continued to improve. Import growth was also faster, rising 7.7% y-o-y in August from 5.5% y-o-y a month earlier. Total exports reached HKD332.7 billion and imports hit HKD368.2 billion, resulting in a trade deficit valued at HKD35.5 billion in August. For the first 8 months of the year, a trade deficit of HKD293.1 billion was recorded.

Export growth remained robust in Viet Nam, rising to 23.2% y-o-y in September from 22.8% y-o-y in the previous month. Import growth was also strong, climbing to 27.8% y-o-y in September from 17.1% y-o-y in August. Total exports rose to USD19.0 billion and imports reached USD18.6 billion. As a result, a trade surplus valued at USD400 million was recorded during the month.

Current Account Surplus in the Republic of Korea Narrows in August

The current account of the Republic of Korea registered a narrower surplus of USD6.1 billion in August compared with USD7.3 billion in July. The lower current account surplus was a result of a decline in the goods account surplus in August to USD9.3 billion versus USD10.7 billion in July, the reversal of the primary income account to a deficit of USD100 million in August from a surplus of USD580 million in July, and the widening of the secondary income deficit to USD840 million in August from USD730 million in July. The August current account surplus, however, was higher when compared with a surplus of USD5.0 billion in August 2016.

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	1.04	-0.65		2.03	54.31
EU	-0.59	0.80		2.20	31.30
Japan	-0.17	-5.02	-6.41		21.90
PRC	3.36	-1.00		1.00	63.00
Hong Kong, China	0.33	0.00		0.00	0.00
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.28	0.10		3.90	-3.60
Malaysia	2.94	0.10		0.30	-8.40
Philippines	2.03	-2.12	-73.38		-5.04
Singapore	1.19	0.00		0.00	12.20
Thailand	1.22	0.00		0.00	-23.92

Close of 29 September 2017

10-Year Selected LCY Government Bond Yields

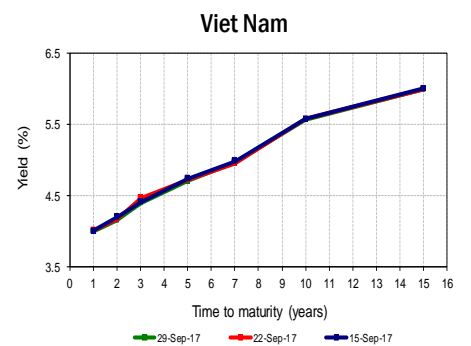
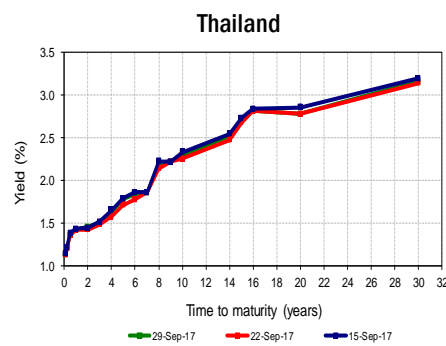
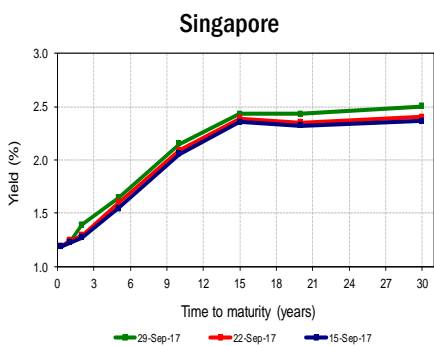
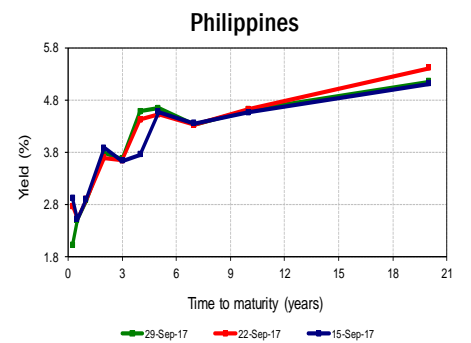
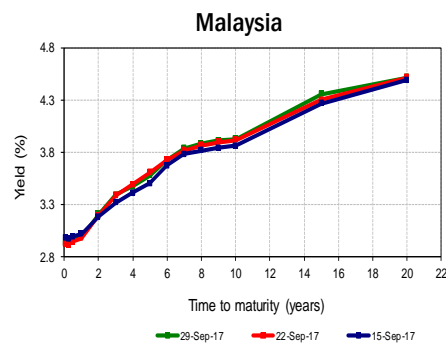
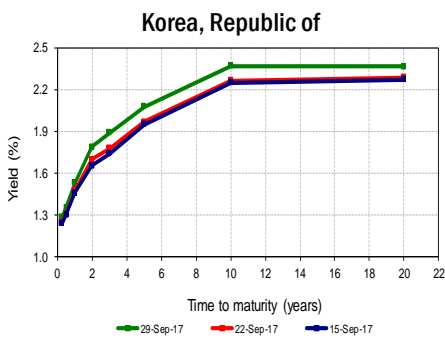
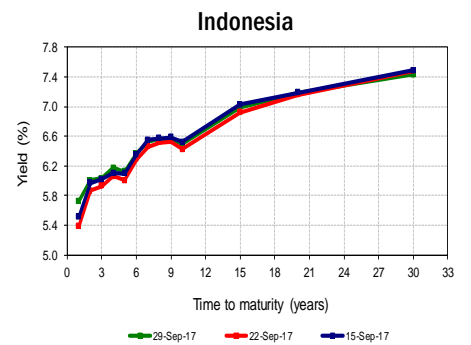
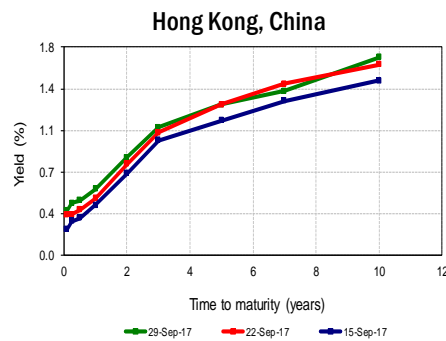
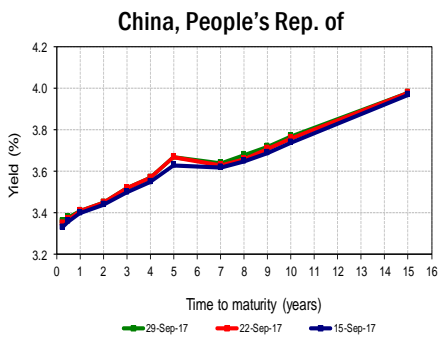
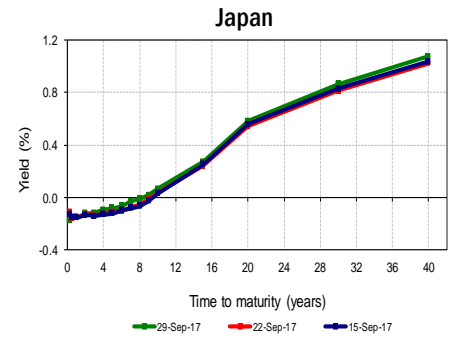
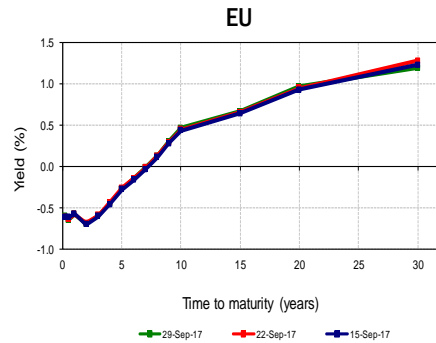
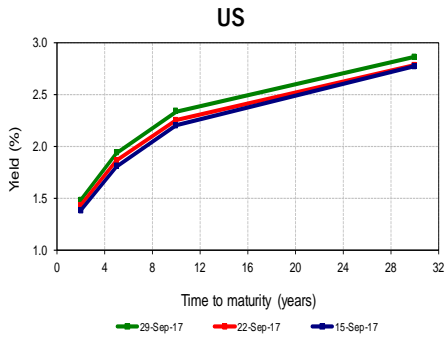
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-17*
US	2.33	2.51	8.37	-11.07
EU	0.46	-1.50	1.70	25.60
Japan	0.07	-0.60	3.40	2.20
PRC	3.77	-1.00	1.00	75.00
Hong Kong, China	1.71	0.00	6.10	-26.20
India	6.66	2.20	0.00	14.80
Indonesia	6.50	-5.00	7.00	-147.60
Korea, Rep. of	2.37	-3.50	10.80	27.80
Malaysia	3.93	-1.10	1.30	-30.20
Philippines	4.61	-1.09	-1.15	-1.96
Singapore	2.15	-5.47	6.26	-32.23
Thailand	2.29	-2.30	3.40	-35.60
Viet Nam	5.57	0.00	-0.60	-80.10

Close of 29 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

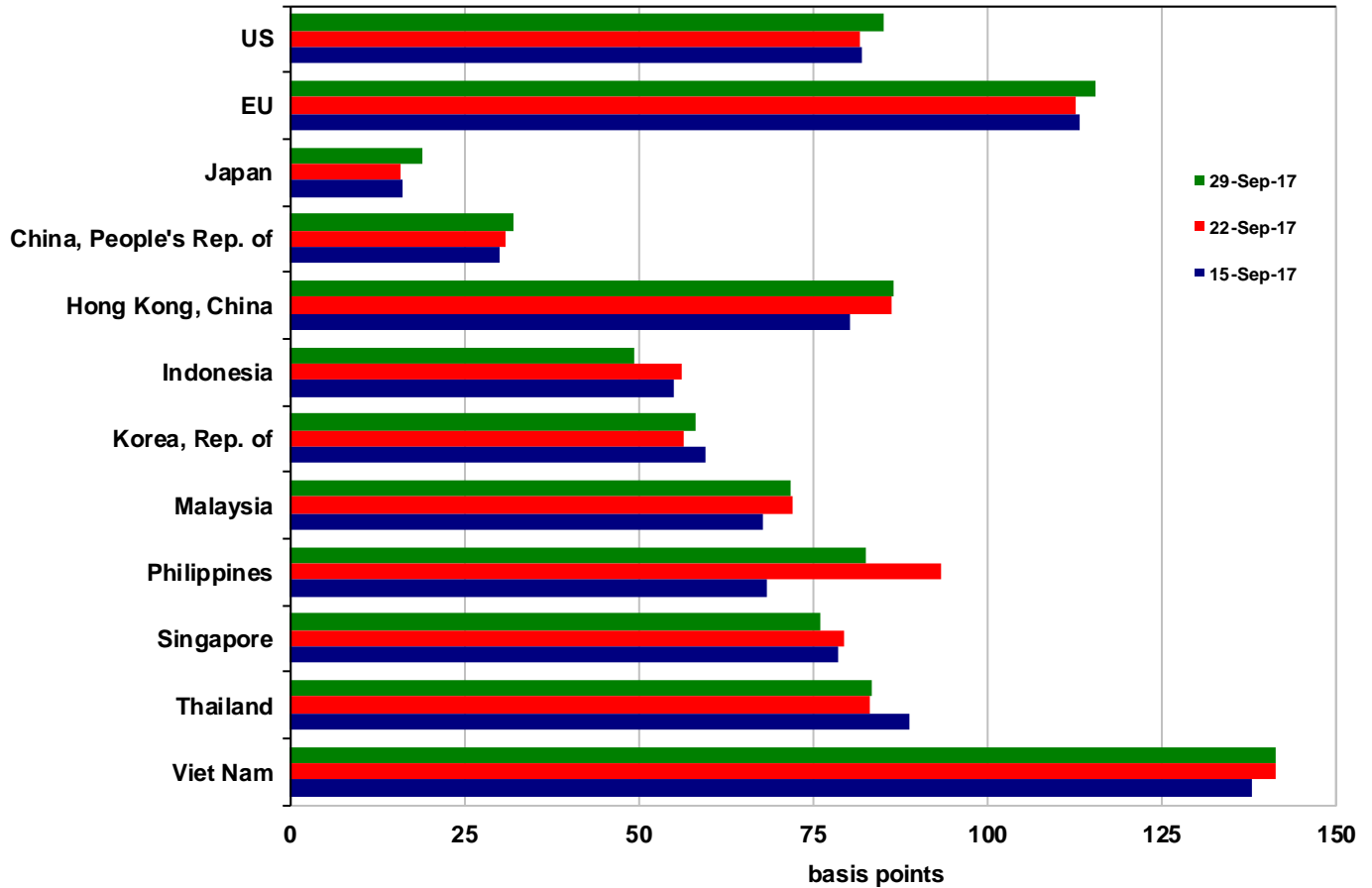
Tip: Zoom-in on the table using the Acrobat zoom tool



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

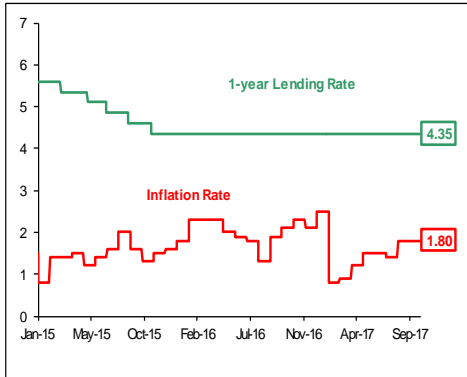


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

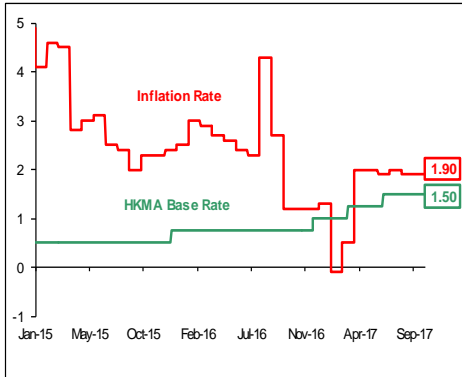
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



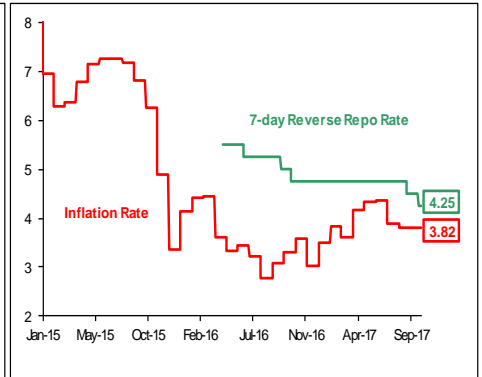
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



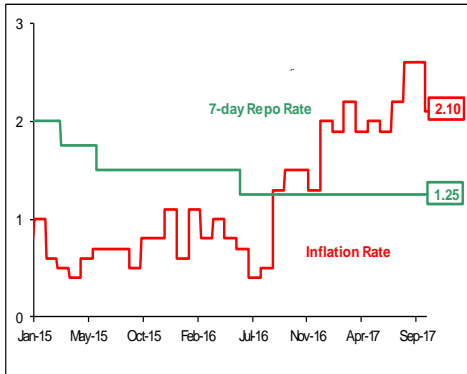
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



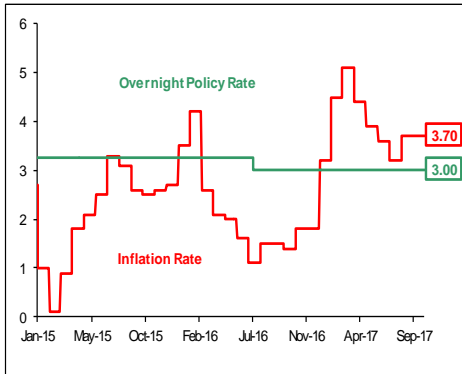
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



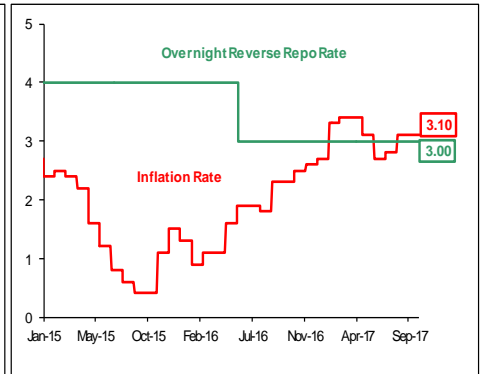
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



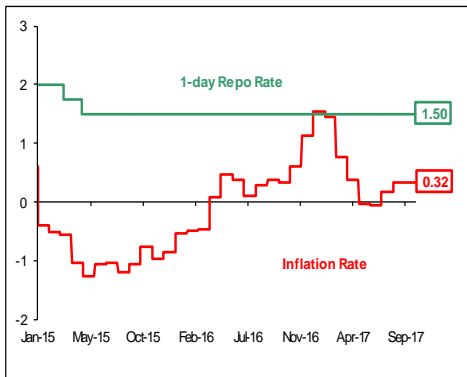
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



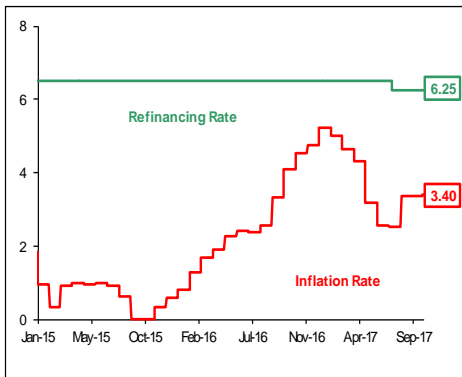
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

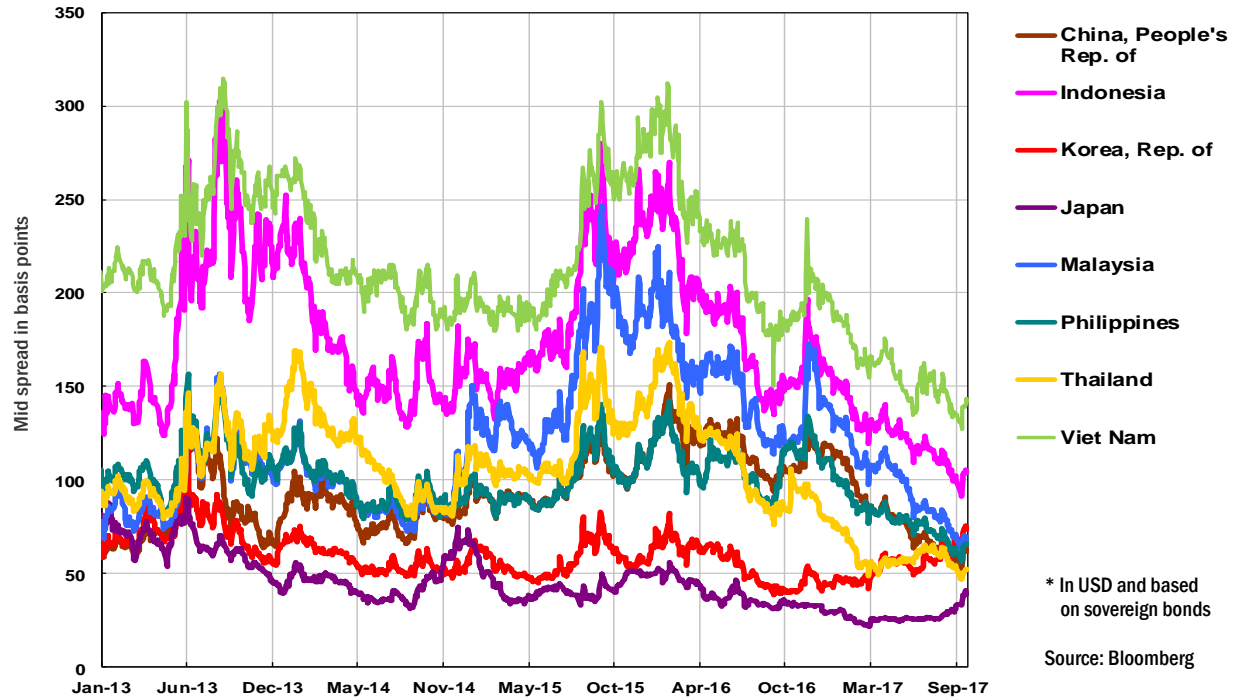


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

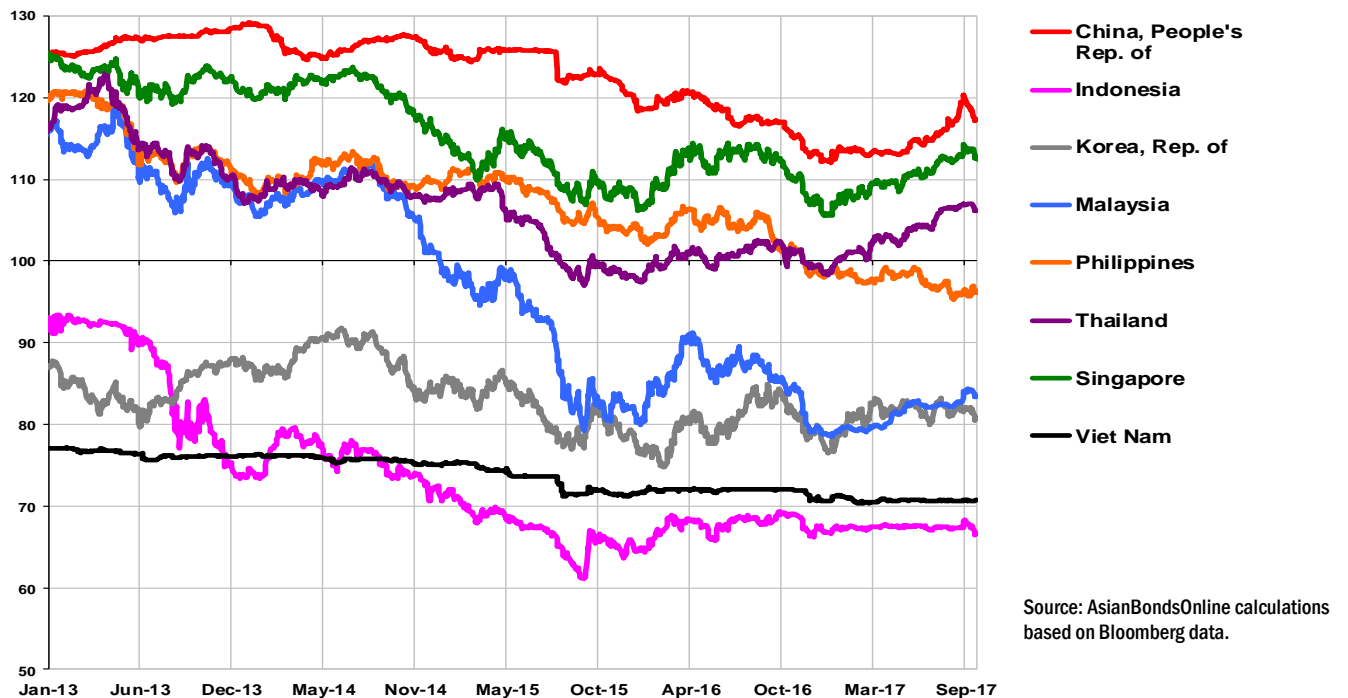
Credit Default Swap Spreads and Exchange Rate Indexes

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 (24 – 29 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)
HK	26-Sep	91-day Exchange Fund Bills	0.38		40.81	40.81
		182-day Exchange Fund Bills	0.39		11.00	11.00
ID	26-Sep	6-month Islamic Treasury Bills	4.69			2,000.00
		2-year Project-Based <i>Sukuk</i>	5.72	6.25		1,250.00
		4-year Project-Based <i>Sukuk</i>	5.99	6.50	5,000.00	1,820.00
		6-year Project-Based <i>Sukuk</i>	6.44	8.75		1,650.00
		14-year Project-Based <i>Sukuk</i>	7.22	8.88		280.00
JP	26-Sep	40-year Japan Government Bonds	1.02	0.90	500.00	556.20
	28-Sep	3-month Treasury Discount Bills	-0.17		4,400.00	4,379.98
		2-year Japan Government Bonds	-0.12	0.10	2,200.00	2,199.50
KR	25-Sep	91-day Monetary Stabilization Bills	1.25		700.00	700.00
		1-year Monetary Stabilization Bonds	1.54	1.50	700.00	700.00
		3-year Korea Treasury Bonds	1.78	1.75	750.00	750.00
		5-year Korea Treasury Bonds	1.79	1.75	400.00	400.00
	26-Sep	30-year Korea Treasury Bonds	2.32	2.13	1,550.00	1,550.00
MY	28-Sep	15-year Government Investment Issues	4.58	4.58	3.00	3.00
PH	25-Sep	91-day Treasury Bills	2.03		6.00	6.00
		182-day Treasury Bills	2.52		5.00	5.00
		364-day Treasury Bills	2.86		4.00	4.00
SG	26-Sep	28-day MAS Bills	0.78		1.80	1.80
		84-day MAS Bills	0.66		5.10	5.10
TH	25-Sep	91-day Treasury Bills	1.17		2.50	2.50
	26-Sep	91-day BOT Bills	1.20		30.00	30.00
		182-day BOT Bills	1.29		30.00	30.00
VN	27-Sep	5-year Treasury Bonds	4.65		500.00	600.00
		10-year Treasury Bonds	5.40		500.00	230.00
		30-year Treasury Bonds	6.10		500.00	520.00

BOT = Bank of Thailand, LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (3 – 9 October 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China Retail Sales y-o-y, % AUG	10/03	07/16: -7.7% 08/16: -10.5% 06/17: 0.1% 07/17: 4.0%	Retail sales growth in Hong Kong, China surged to 4.0% y-o-y in July from only 0.1% y-o-y in June.
Philippines Consumer Price Index y-o-y, % SEP	10/05	08/16: 1.8% 09/16: 2.3% 07/17: 2.8% 08/17: 3.1%	The Philippines' Consumer Price Index rose 3.1% year-on-year (y-o-y) in August from 2.8% y-o-y in July.
Indonesia Foreign Reserves USD billion SEP	10/06	08/16: 113.5 09/16: 115.7 07/17: 127.8 08/17: 128.8	Indonesia's foreign exchange reserves rose to USD128.8 billion at the end of August from USD127.8 billion at the end of July.
Malaysia Exports y-o-y, % AUG	10/06	07/16: -5.1% 08/16: 1.6% 06/17: 9.9% 07/17: 30.9%	Malaysia's export growth surged 30.9% y-o-y in July from 9.9% y-o-y in June.
Malaysia Trade Balance USD billion AUG	10/06	07/16: 0.5 08/16: 2.1 06/17: 2.3 07/17: 1.9	Malaysia posted a narrower trade surplus of USD1.9 billion in July versus USD2.3 billion in June.
People's Republic of China Foreign Reserves USD billion SEP	10/07	08/16: 3,185.2 09/16: 3,166.4 07/17: 3,080.7 08/17: 3,091.5	The People's Republic of China's foreign reserves inched up to USD3,092 billion at the end of August from USD3,081 billion at the end of July.
Singapore GDP y-o-y, % Q3 2017	10/09 to 10/13	Q2 2016: 1.9% Q3 2016: 1.2% Q1 2017: 2.5% Q2 2017: 2.9%	Real gross domestic product (GDP) growth in Singapore climbed to 2.9% y-o-y in the second quarter of 2017 from 2.5% y-o-y in the prior quarter.

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 7.5% y-o-y in the Third Quarter of 2017

- [Vietnam's Economic Growth Surges to Above 7% as Exports Climb](#)
Bloomberg (29 September 2017)

Industrial Production Growth Rebounds in Japan and the Republic of Korea in August; Industrial Production in Thailand Up 3.7% y-o-y in August; Industrial Production Growth in Viet Nam Climbs to 13.2% y-o-y in September

- [Indices of Industrial Production](#)
Ministry of Economy, Trade, and Industry (29 September 2017)
- [Monthly Industrial Statistics, August 2017](#)
Statistics Korea (29 September 2017)
- [August factory output rises 3.7%, beats forecast](#)
Bangkok Post (29 September 2017)

Bank of Thailand Keeps Policy Rate Unchanged at 1.50%

- [Monetary Policy Committee's Decision 6/2017](#)
Bank of Thailand (27 September 2017)

Consumer Price Inflation Picks Up in Japan, Eases in Singapore in August; Inflation Slows in the Republic of Korea, Rises in Viet Nam in September

- [Japan August 2017, Ku-area of Tokyo September 2017 \(preliminary\)](#)
Statistics Bureau of Japan (29 September 2017)
- [Consumer Price Developments in August 2017](#)
Monetary Authority of Singapore (25 September 2017)
- [Consumer Price Index in September 2017](#)
Statistics Korea (28 September 2017)

Exports and Imports Grow Faster in Hong Kong, China in August, Remain Robust in Viet Nam in September

- [External merchandise trade statistics for August 2017](#)
Census and Statistics Department (26 September 2017)

Current Account Surplus in the Republic of Korea Narrows in August

- [Balance of Payments during August 2017](#)
The Bank of Korea Economic Statistics System (29 September 2017)

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