

Key Developments in Asian Local Currency Markets

Japan's economy expanded 2.5% year-on-year (y-o-y) in the third quarter of 2017 compared with a preliminary estimate of 1.4% y-o-y made in November. The higher-than-estimated growth was driven by upward adjustments in both private and public demand. The continued recovery in exports provided the main support to Japan's economic growth. On a quarter-on-quarter basis, Japan's economy expanded 0.6% in the third quarter of 2017 versus a preliminary reading of 0.3%.

Consumer price inflation eased in Indonesia to 3.3% y-o-y in November from 3.6% y-o-y in October. Bank Indonesia expects inflation to remain subdued at 3.0%–3.5% for full-year 2017. The Philippines' consumer price inflation slowed to 3.3% y-o-y in November following 4 consecutive months of acceleration. The average inflation rate of 3.2% in January–November remained within the government's target range of 2.0%–4.0% for full-year 2017.

The People's Republic of China's (PRC) export growth in November accelerated to 12.3% y-o-y in USD-denominated terms, while import growth rose to 17.7% y-o-y in the same period. The PRC's trade surplus widened to USD40.2 billion in November from USD38.1 billion in October. Malaysia's exports and imports maintained their double-digit growth in October, rising 18.9% y-o-y and 20.9% y-o-y, respectively. A trade surplus of MYR10.6 billion was recorded in October.

Japan registered a current account surplus of JPY2.2 trillion in October, lower than the JPY2.3 trillion posted in the previous month, mainly due to the lower trade-in-goods surplus in October. The Republic of Korea's current account surplus narrowed to USD5.7 billion in October from USD12.3 billion in September. This was largely driven by the decline in the goods account surplus.

Singapore's Purchasing Managers Index recorded a reading of 52.9 in November, up slightly from 52.6 in October, marking the 15th consecutive month of expansion in the manufacturing economy. It was also the highest reading recorded since December 2009.

The Philippines' foreign reserves fell to a 2-year low of USD80.3 billion at the end of November, primarily due to outflows resulting from government payments for maturing foreign exchange obligations and a lower valuation of the central bank's gold holdings. The PRC's total foreign reserves increased for the 10th

Asia Bond Monitor November 2017 [read more](#)

10-Year Selected LCY Government Security Yields Close of 8 December 2017
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*
US	2.38	1.26		-6.83
EU	0.31	1.40	0.20	9.90
Japan	0.05	-0.40		0.70
PRC	4.01	2.00	-2.00	99.00
Hong Kong, China	1.90	0.60		-7.90
India	7.09	3.50	3.10	57.50
Indonesia	6.56	0.60	4.40	-141.20
Korea, Rep. of	2.49	0.20	0.20	39.50
Malaysia	3.98	1.50	7.20	-24.70
Philippines	5.58	0.04	-12.39	95.19
Singapore	2.07	3.09	-5.75	-40.26
Thailand	2.39	2.20		-26.20
Viet Nam	5.50	-1.40	-4.40	-87.10

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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

consecutive month in November, rising to USD3,119 billion from USD3,109 billion in October.

On 4 December, the Shanghai Key Yield was launched by the PRC's bond clearinghouse as the new yield benchmark for PRC government bonds with tenors ranging from 3 months to 10 years. The aim is to promote the use of the government's bond yield curve to improve bond pricing accuracy.

For the past week, local currency government bond yields rose for most tenors in the PRC, the Republic of Korea, Malaysia, and Thailand. On the other hand, bonds yields were mostly down in Indonesia, Singapore, and Viet Nam; while bond yields were mixed in Hong Kong, China; and Philippines. The 2-year versus 10-year yield spread narrowed for all emerging East Asian markets except Indonesia, Malaysia, and Thailand.

Summary Text of News Articles

Japan's Q3 2017 Economic Growth Surpasses Estimates

Japan's economy expanded 2.5% year-on-year (y-o-y) in the third quarter (Q3) of 2017 compared with a preliminary estimate of 1.4% y-o-y made in November. The higher-than-estimated growth was driven by upward adjustments in both private and public demand. The continued recovery in exports provided the main support to Japan's economic growth in Q3 2017. On a quarter-on-quarter basis, Japan's economy expanded 0.6% in Q3 2017 versus a preliminary reading of 0.3%.

Consumer Price Inflation Eases in Indonesia and the Philippines in November

Consumer price inflation eased in Indonesia to 3.3% y-o-y in November from 3.6% y-o-y in October. On a month-on-month (m-o-m) basis, inflation inched up to 0.2% in November from 0.01% a month earlier. November inflation was largely driven by increases in the price of food items such as rice and chili, among others. Bank Indonesia expects inflation to remain subdued at 3.0%–3.5% for full-year 2017.

The Philippines' consumer price inflation slowed to 3.3% y-o-y in November following 4 consecutive months of acceleration, largely due to slower annual inflation in the heavily weighted food and nonalcoholic beverages group, which rose 3.2% y-o-y in November versus 3.6% y-o-y in October. Other commodity groups that showed slower price increases include alcoholic beverages and tobacco, clothing and footwear, and education. Average inflation of 3.2% in January–November remained within the government's target range of 2.0%–4.0% for full-year 2017. On a m-o-m seasonally adjusted basis, inflation rose to 0.5% in November from 0.3% in October. Core inflation slightly rose to 3.3% y-o-y in November from 3.2% y-o-y in the previous month. The National Economic and Development Authority expects higher international crude oil prices, as well as higher electricity rates and increasing coal and fuel prices on the domestic front, to exert price pressures over the near-term.

For inflation trends in Indonesia, refer to this link:

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

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

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

The PRC's Export and Import Growth Expand in November; Malaysia's Trade Surplus Climbs in October

The People's Republic of China's (PRC) export growth accelerated from 6.8% y-o-y in October to 12.3% y-o-y in November in USD-denominated terms, while import growth rose from 17.2% y-o-y in October to 17.7% y-o-y in November. Exports got a boost from increased demand in electronics and high-tech goods, while rising demand for commodities supported imports. The trade surplus grew to USD40.2 billion in November from USD38.1 billion in October.

Malaysia's exports and imports maintained their double-digit growth in October, rising 18.9% y-o-y and 20.9% y-o-y, respectively. Exports totaled MYR82.4 billion, driven by higher outbound sales of electrical and electronic products, palm oil and palm oil-based products, and refined petroleum products. Imports reached MYR71.9 billion as imports of intermediate, capital, and consumptions goods rose. On a m-o-m basis, exports rose 5.3% and imports rose 3.2%. A trade surplus of MYR10.6 billion was posted in October, down from MYR8.6 billion in September, while the year-to-date trade surplus reached MYR80.2 billion.

Current Account Surplus Narrows in October in Japan and in the Republic of Korea

Japan registered a current account surplus of JPY2.2 trillion in October, lower than the JPY2.3 trillion in the previous month, mainly due to a lower goods account surplus of JPY430.2 billion versus JPY852.2. This more than offset the reduced services account deficit, higher primary income inflows, and lower secondary income outflows. October was the 40th consecutive month that Japan ran a current account surplus.

Summary Text of News Articles

Current Account Surplus Narrows in October in Japan and in the Republic of Korea (cont...)

The Republic of Korea's current account surplus narrowed to USD5.7 billion in October from USD12.3 billion in September, largely driven by the decline in the goods account surplus to USD8.6 billion from USD15.0 billion. The primary income account surplus narrowed to USD1.2 billion from USD1.3 billion, while the services account deficit increased to USD3.5 billion from USD2.9 billion. Meanwhile, the secondary income account deficit narrowed in October.

Singapore's Manufacturing PMI Rises in October

Singapore's Purchasing Managers Index (PMI) recorded a reading of 52.9 in November, up from 52.6 in October, marking the 15th month of continued expansion in the manufacturing economy. It was also the highest reading recorded since December 2009. The electronics sector PMI reading rose to 53.5 in November from 53.3 in October. (A reading above the 50-point threshold indicates the manufacturing economy is generally expanding.)

**The Philippines' Foreign Reserves Decline to 2-Year Low in November;
The PRC's Foreign Reserves Climb in November**

The Philippines' foreign reserves recorded a 2-year low of USD80.3 billion at the end of November. According to the Bangko Sentral ng Pilipinas, the dip in foreign reserves was primarily due to outflows resulting from payments made by the government for maturing foreign exchange obligations and a lower valuation of the central bank's gold holdings as the international market price of gold decreased. The reserves level is sufficient to cover 8.4 months' worth of imports payments and is equivalent to 5.4 times the country's short-term external debt based on original maturity and 3.7 times based on residual maturity.

The PRC's total foreign reserves rose for the 10th consecutive month in November, reaching USD3,119 billion from USD3,109 billion in October, marking the highest level in 13 months. Tighter capital controls discouraging outbound investments have been in place since the decline in foreign reserves that occurred in 2016. Along with uncertainty in the United States dollar exchange rate, these controls have contributed to the decrease in capital outflows.

The PRC Launches New Bond Yield Benchmark

On 4 December, the Shanghai Key Yield was launched by the PRC's bond clearinghouse as the new yield benchmark for PRC government bonds with tenors ranging from 3 months to 10 years. The aim is to promote the use of the government's bond yield curve to improve bond pricing accuracy. The 3-month Shanghai Key Yield rate will be used by the International Monetary Fund to represent the renminbi interest rate in its special drawing rights interest rate calculations.

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	1.27	-0.52	1.27	77.38
EU	-0.74	0.20	-0.90	16.20
Japan	-0.17	-1.61	1.22	22.53
PRC	3.67	3.00	4.00	94.00
Hong Kong, China	0.33	0.00	0.00	0.00
India	8.31	0.00	0.00	0.00
Korea, Rep. of	1.52	0.10	0.30	20.00
Malaysia	2.95	-0.20	-0.10	-8.00
Philippines	3.16	73.01	11.86	107.99
Singapore	1.47	-1.30	6.20	41.10
Thailand	1.22	0.00	0.00	-23.92

Close of 8 December 2017

10-Year Selected LCY Government Bond Yields

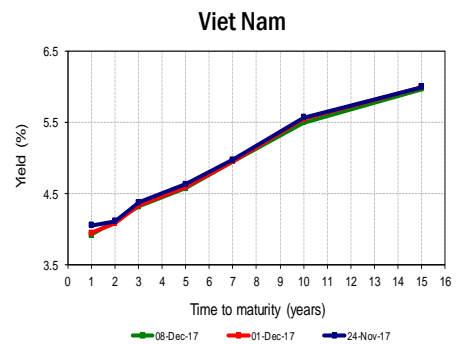
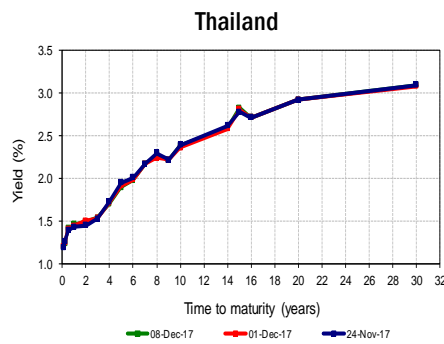
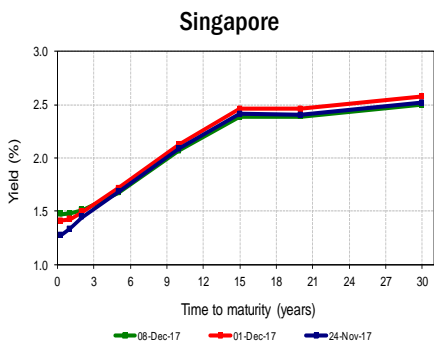
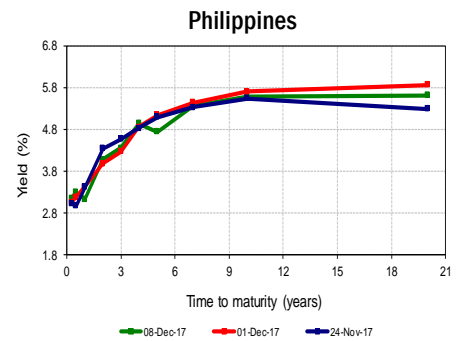
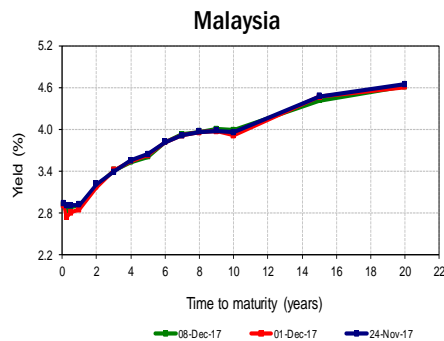
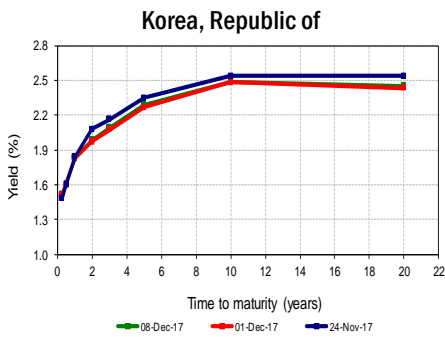
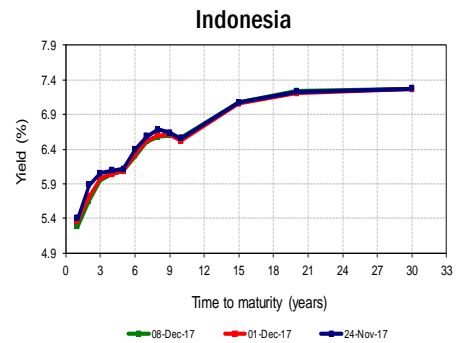
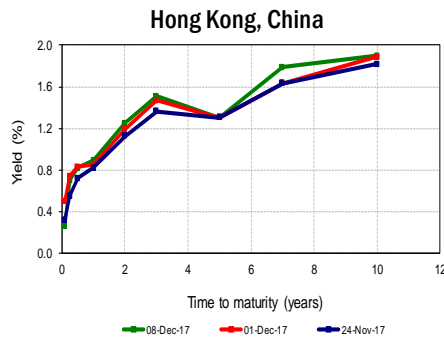
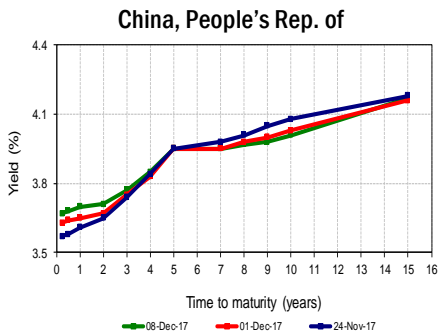
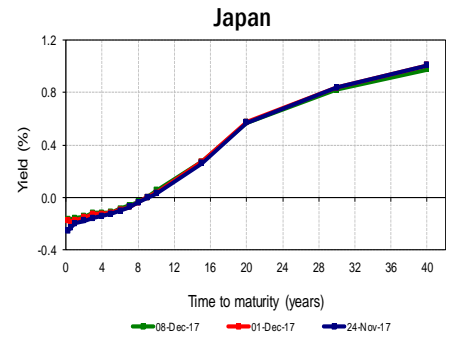
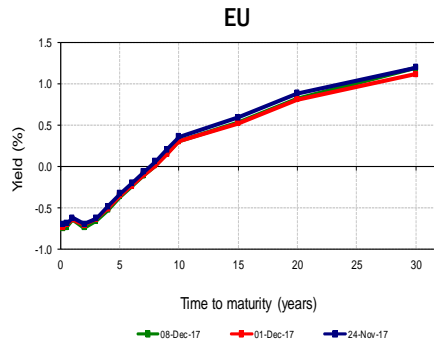
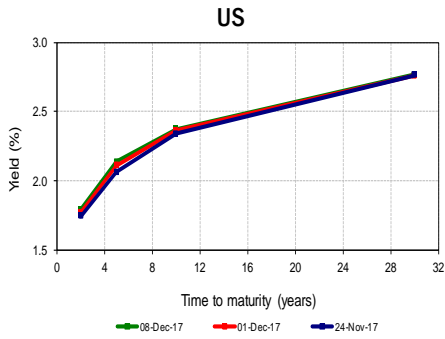
Markets	Latest Closing	basis point change from		
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Hong Kong, China	1.90	0.60	0.60	-7.90
India	7.09	3.50	3.10	57.50
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Korea, Rep. of	2.49	0.20	0.20	39.50
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Singapore	2.07	3.09	-5.75	-40.26
Thailand	2.39	2.20	2.40	-26.20
Viet Nam	5.50	-1.40	-4.40	-87.10

Close of 8 December 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

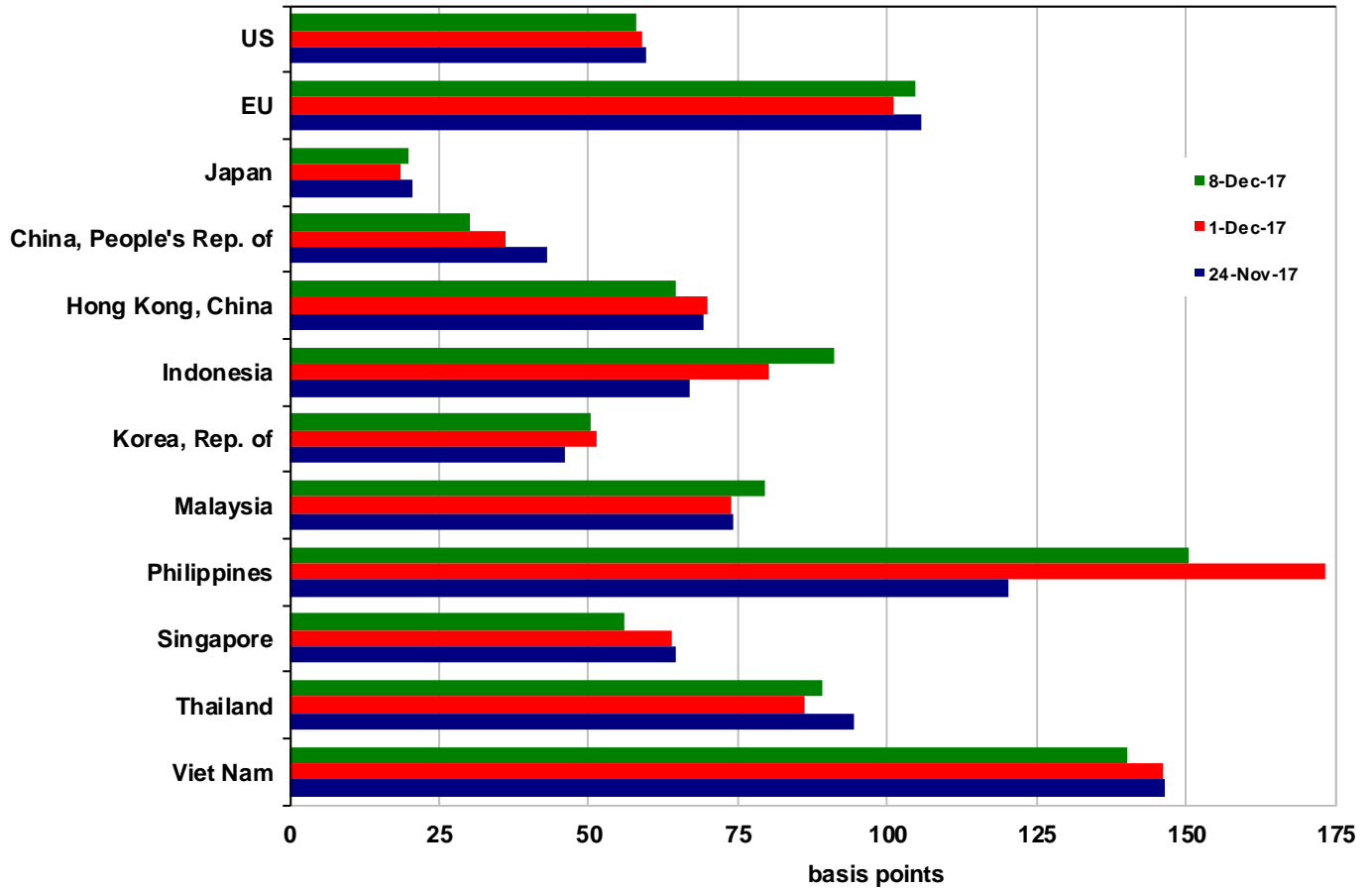
Tip: Zoom-in on the table using the Acrobat zoom tool



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

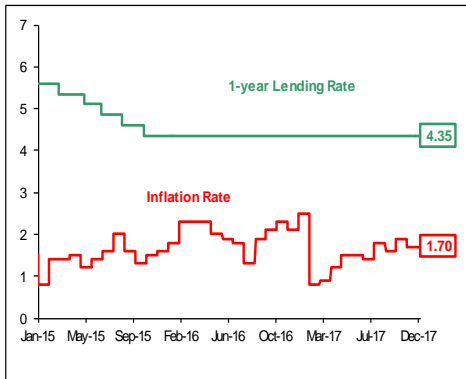


EU = European Union, US = United States.
Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

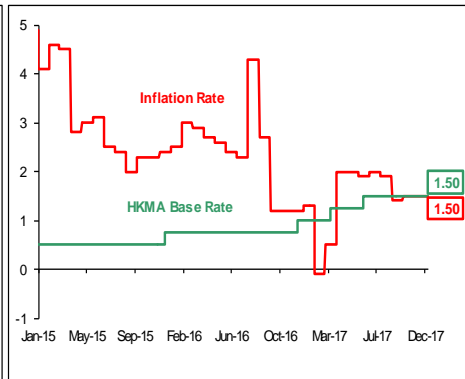
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



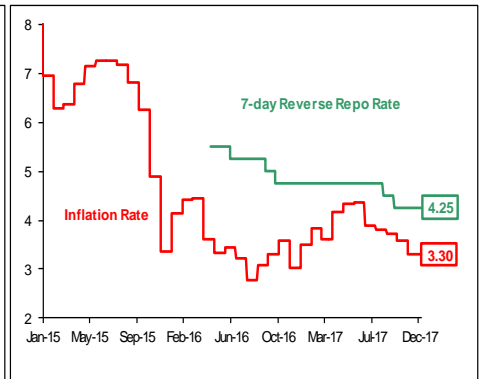
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



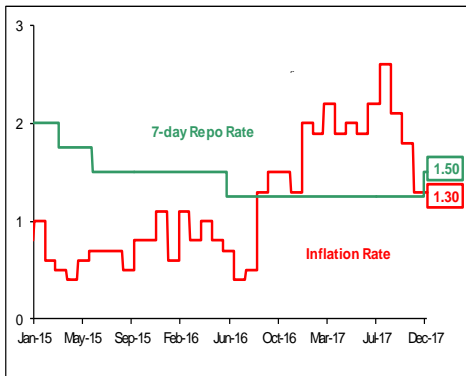
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



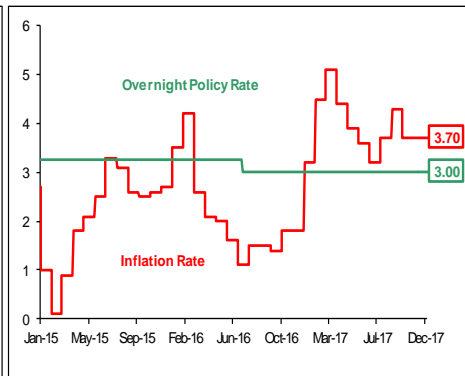
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



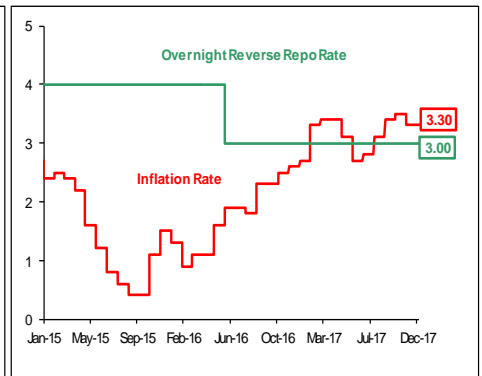
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



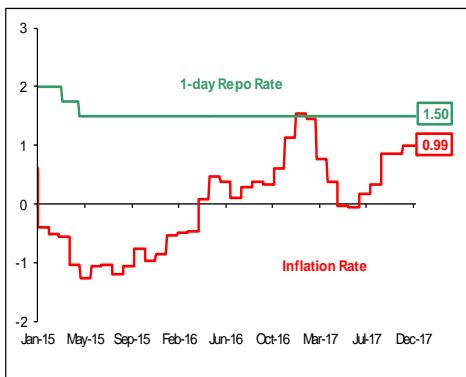
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



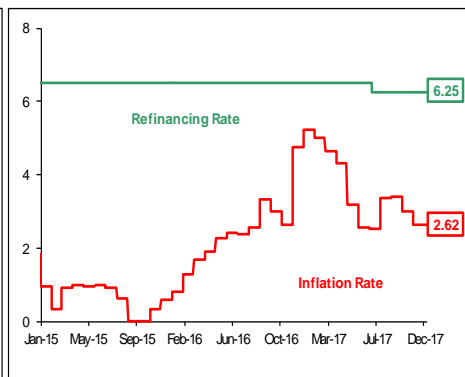
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

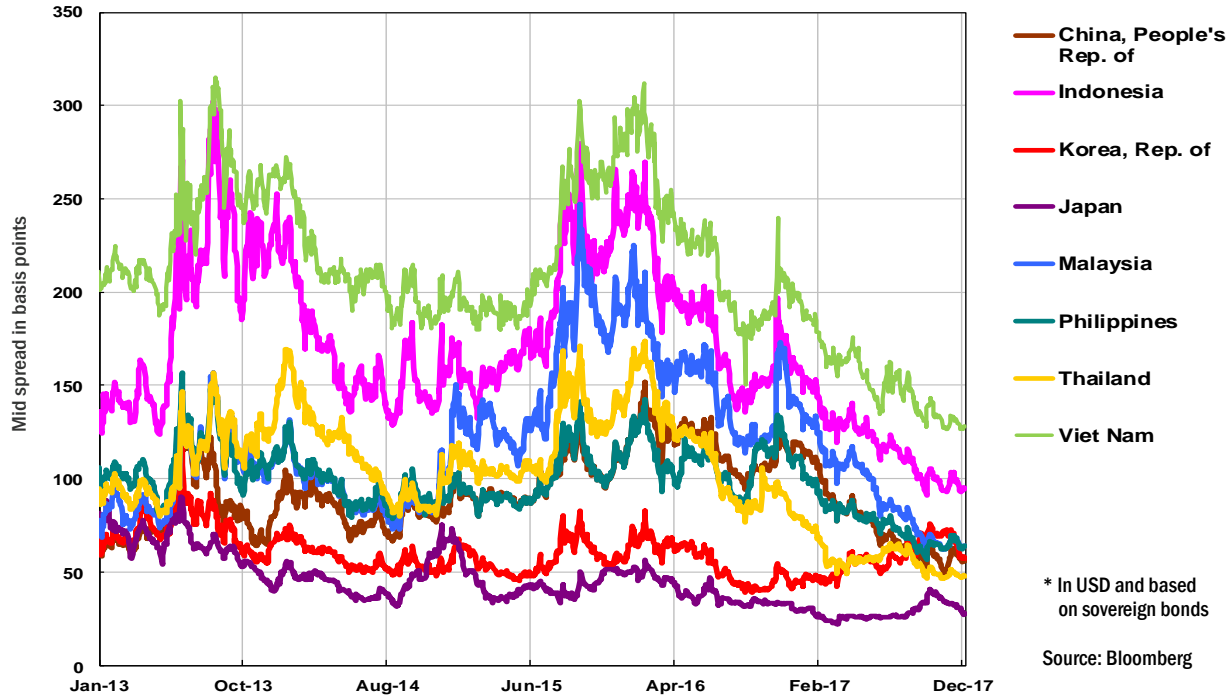


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

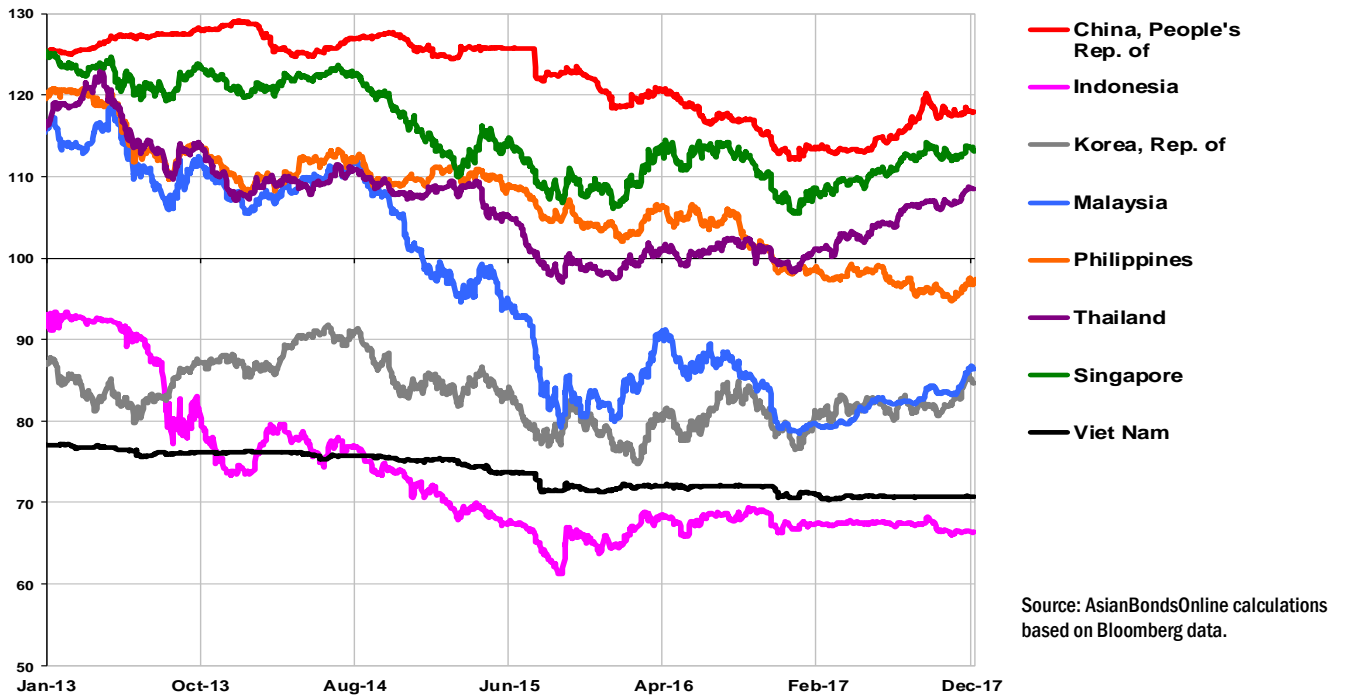
Credit Default Swap Spreads and Exchange Rate Indexes

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 (4 – 8 December 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	6-Dec	1-year China Government Bond	3.70	3.54	26.00	26.00
		10-year China Government Bond	3.84	3.82	26.00	26.07
	8-Dec	183-day Treasury Bills	3.98		10.00	10.00
HK	5-Dec	22-day Exchange Fund Bills	0.42		0.80	0.80
	6-Dec	91-day Exchange Fund Bills	0.79		48.26	48.26
		182-day Exchange Fund Bills	0.87		15.00	15.00
JP	5-Dec	10-year Japanese Government Bonds	0.06	0.10	2,300.00	2,458.50
	6-Dec	6-month Treasury Discount Bills	-0.14		2,300.00	2,299.99
	7-Dec	3-month Treasury Discount Bills	-0.15		4,400.00	4,419.95
KR	4-Dec	5-year Korea Treasury Bond	2.28	2.00	747.00	747.00
	6-Dec	2-year Monetary Stabilization Bonds	2.06		2,600.00	2,600.00
MY	6-Dec	Malaysia Government Securities	3.95	3.90	2.00	2.00
	7-Dec	273-day Treasury Bills	2.98		0.50	0.50
SG	5-Dec	28-day MAS Bills	1.03		1.60	1.60
		84-day MAS Bills	0.96		5.40	5.40
TH	4-Dec	91-day Bank of Thailand Bills	1.23		30.00	30.00
		182-day Bank of Thailand Bills	1.45		30.00	30.00
		364-day Bank of Thailand Bills	1.49		55.00	59.74
	6-Dec	13.54-year Government Bonds	2.85	3.65	12.00	13.20
	7-Dec	14-day Bank of Thailand Bills	1.15		20.00	20.00
	8-Dec	2.15-year Bank of Thailand Bonds	1.52	3M BIBOR-0.10	15.00	16.20
		91-day Treasury Bills	1.23		10.00	10.00
VN	6-Dec	5-year Treasury Bonds	4.52		300.00	300.00
		10-year Treasury Bonds	5.42		300.00	300.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (12 – 18 December 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Japan PPI y-o-y, % NOV	12/12	10/16: -2.6% 11/16: -2.3% 09/17: 3.1% 10/17: 3.4%	Japan's Producer Price Index rose 3.4% year-on-year (y-o-y) in October following an increase of 3.1% y-o-y in September.
Malaysia Industrial Production y-o-y, % OCT	12/12	09/16: 3.1% 10/16: 4.2% 08/17: 6.8% 09/17: 4.7%	Malaysia's industrial production growth slowed to 4.7% y-o-y in September from 6.8% y-o-y in August.
Philippines Exports y-o-y, % OCT	12/12	09/16: 8.1% 10/16: 9.7% 08/17: 9.6% 09/17: 4.3%	The Philippines' export growth slowed to 4.3% y-o-y in September from 9.6% y-o-y in August.
Philippines Trade Balance USD million OCT	12/12	09/16: -2,020 10/16: -2,224 08/17: -2,393 09/17: -1,915	The trade deficit in the Philippines narrowed to USD1.9 billion in September from USD2.4 billion in August.
China, People's Republic of Industrial Production y-o-y, % NOV	12/14	10/16: 6.1% 11/16: 6.2% 09/17: 6.6% 10/17: 6.2%	Industrial production growth in the People's Republic of China moderated to 6.2% y-o-y in October from 6.6% y-o-y in September.
Indonesia 7-Day Reverse Repo Rate % 14 DEC	12/14	11/16: 4.75% 12/16: 4.75% 10/17: 4.25% 11/17: 4.25%	In its meeting held on 15–16 November, the Board of Governors of Bank Indonesia kept the 7-day reverse repurchase (repo) rate unchanged at 4.25%.
Indonesia Exports y-o-y, % NOV	12/15	10/16: 5.1% 11/16: 21.4% 09/17: 15.6% 10/17: 18.4%	Export growth in Indonesia rose to 18.4% y-o-y in October from 15.6% y-o-y in the prior month.
Indonesia Trade Balance USD million NOV	12/15	10/16: 1,235 11/16: 834 09/17: 1,779 10/17: 895	Indonesia's trade surplus slowed to USD895 million in October from USD1.8 billion in September.
Philippines Overseas Remittances y-o-y, % OCT	12/15	09/16: 6.7% 10/16: -3.0% 08/17: 7.8% 09/17: -8.3%	Overseas Filipino remittances to the Philippines dropped 8.3% y-o-y in September following growth of 7.8% y-o-y in August.
Japan Trade Balance JPY billion NOV	12/18	10/16: 481 11/16: 147 09/17: 664 10/17: 285	Japan's trade surplus narrowed to JPY285 billion in October from JPY664 billion in September.
Singapore Non-Oil Domestic Exports y-o-y, % NOV	12/18	10/16: -12.0% 11/16: 15.6% 09/17: -1.1% 10/17: 20.9%	Singapore's non-oil domestic exports climbed 20.9% y-o-y in October after dipping 1.1% y-o-y in September.

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)

Japan's Q3 2017 Economic Growth Surpasses Estimates

- [Quarterly Estimates of GDP for July - September 2017 \(Second Preliminary Estimates\)](#)
Economic and Social Research Institute (8 December 2017)
- [Japan Q3 GDP revised up to 2.5 pct annualised growth](#)
Reuters (8 December 2017)

Consumer Price Inflation Eases in Indonesia and the Philippines in November

- [Consumer Price Index](#)
Statistics Indonesia (4 December 2017)
- [Inflation in November 2017 Remains Controlled](#)
Bank Indonesia (4 December 2017)
- [Summary Inflation Report Consumer Price Index \(2006=100\): November 2017](#)
Philippine Statistics Authority (5 December 2017)
- [Inflation Down in November 2017](#)
National Economic and Development Authority (5 December 2017)

The PRC's Export and Import Growth Expand in November; Malaysia's Trade Surplus Climbs in October

- [China exports growth hits eight-month high, imports defy pollution curbs](#)
Reuters (8 December 2017)
- [Monthly External Trade Statistics October 2017](#)
Department of Statistics Malaysia (6 December 2017)

Current Account Surplus Narrows in October in Japan and in the Republic of Korea

- [Balance of Payments Statistics, October 2017 \(Preliminary\)](#)
Ministry of Finance, Japan (8 December 2017)
- [Japan logs record current account surplus for Oct. of 2.18 tril. Yen](#)
Nikkei Asian Review (8 December 2017)
- [Balance of Payments during October 2017 \(preliminary\)](#)
The Bank of Korea (5 December 2017)

Singapore's Manufacturing PMI Rises in October

- [Singapore's PMI manufacturing gauge hits a near eight years high](#)
Singapore Institute of Purchasing and Materials Management (4 December 2017)

The Philippines' Foreign Reserves Decline to 2-Year Low in November; The PRC's Foreign Reserves Climb in November

- [End-November 2017 GIR Level Settles at US\\$80.3 Billion](#)
Bangko Sentral ng Pilipinas (7 December 2017)
- [Gross International Reserves Table](#)
Bangko Sentral ng Pilipinas (7 December 2017)
- [China Nov FX reserves rise to \\$3.119 trillion, slightly less than forecast](#)
Reuters (7 December 2017)

The PRC Launches New Bond Yield Benchmark

- [China launches SKY yield curve benchmark](#)
IFR Asia (5 December 2017)

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