

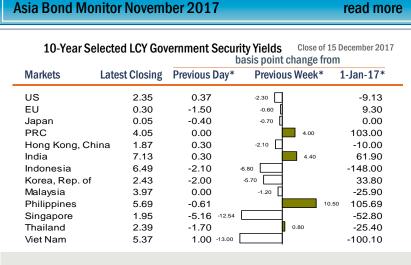


# ADB AsianBondsOnline WERKLY DEBT HIGH JOHNS

18 December 2017 asianbondsonline.adb.org

## **Key Developments in Asian Local Currency Markets**

- he United States Federal Reserve decided on 13 December to raise the federal funds target range by 25 basis points to 1.00%-1.25%. The Federal Reserve took into account continued job gains, which lowered the unemployment rate, and ongoing economic growth. Following the Federal Reserve rate hike, Hong Kong, China raised the discount window base rate by 25 basis points to 1.75%.
- Last week, the Board of Governors of Bank Indonesia held unchanged the 7-day reverse repurchase (repo) rate at 4.25%, deposit facility rate at 3.50%, and lending facility rate at 5.00%. These rates are deemed adequate to keep inflation within the target range and the current account deficit at a manageable level. In its monetary policy meeting, the Bangko Sentral ng Pilipinas decided to maintain the overnight reverse repo interest rate at 3.00% and the overnight lending and deposit interest rates at 3.50% and 2.50%, respectively, as the inflation forecast remains anchored within the target range for 2018-2019.
- The People's Bank of China, following the Federal Reserve's policy rate target range rate hike, raised the rates on some of its open market operation facilities. It raised the rate on the 7-day reverse repo rate to 2.50% from 2.45% and the rate on the 28-day reporate to 2.80% from 2.75%. The rate on its mediumterm lending facility was also raised to 3.25% from 3.20%.
- Exports from Indonesia grew 13.2% yearon-year (y-o-y) in November to USD15.3 billion, while imports rose 19.6% y-o-y to USD15.2 billion. A trade surplus amounting to USD127 million was recorded in November. The Philippines' exports grew 6.6% y-o-y to USD5.4 billion in October, while imports posted doubledigit growth of 13.1% y-o-y to reach USD8.2 billion. The Philippines posted a trade deficit of USD2.8 billion in October.
- 7 Hong Kong, China's industrial production grew 0.3% y-o-y in the third quarter of 2017 after gaining 0.4% y-o-y in the previous quarter. Malaysia's industrial production growth slowed for the second consecutive month to 3.4% y-o-y in October as result of declining output growth in the manufacturing and mining sectors. The People's Republic of China's industrial production grew 6.1% y-o-y in November after rising 6.2% y-o-y in October. The largest growth came from the manufacturing sector.



- 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
- Last week, Jasa Marga, an Indonesian state-owned toll road operator listed IDR4.0 trillion worth of global bonds at the London Stock Exchange. The bonds carry a maturity of 3 years and a coupon rate of 7.5%.
- Last week, a local currency settlement framework was launched between Bank Indonesia, Bank Negara Malaysia, and Bank of Thailand. The framework is expected to increase the use of local currencies in the settlement of trade transactions between these markets.
- ▼ The 18 December issue of the Weekly Debt Highlights is the last for 2017. Issuance will resume on 15 January 2018.
- ✓ Local currency government bond yields fell for most tenors in the PRC, Indonesia, the Republic of Korea, Malaysia, the Philippines, and Singapore; and for all tenors in Viet Nam. Yields rose for most tenors in Thailand. Meanwhile, yield movements were mixed in Hong Kong, China. Yield spreads between the 2-year and 10-year tenors narrowed in all markets except in the PRC, Indonesia, the Philippines, and Viet Nam.



#### **Summary Text of News Articles**

## Federal Reserve Raises Policy Rate Target Range

The United States Federal Reserve decided on 13 December to raise the federal funds target range by 25 basis points to 1.00%-1.25%. In its decision, the Federal Reserve said it took into account continued job gains, which brought down the unemployment rate, and ongoing economic growth.

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## Bank Indonesia Leaves 7-Day Reverse Repo Rate Unchanged at 4.25%; BSP Maintains Policy Rate at 3.00%

In its meeting on 13–14 December, the Board of Governors of Bank Indonesia held unchanged the 7-day reverse repurchase (repo) rate at 4.25%, deposit facility rate at 3.50%, and lending facility rate at 5.00%. At current levels, these rates are deemed adequate to keep inflation within the target range of 3.0%–5.0% and the current account deficit at a manageable level. Bank Indonesia also took note of risks, including, among others, monetary policy normalization in advanced economies. Meanwhile, Bank Indonesia estimates full-year 2017 economic growth will reach 5.1%.

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In its monetary policy meeting on 14 December, the Bangko Sentral ng Pilipinas (BSP) decided to maintain the overnight reverse repo interest rate at 3.00% and the overnight lending and deposit interest rates at 3.50% and 2.50% respectively, as the inflation forecast remains anchored within the target range of 2.0%–4.0% for 2018–2019. The BSP cited higher crude oil prices and the tax reform program's transitory effects on consumer prices as upside risks, while improvements in output and productivity and proposed reforms in the rice industry are expected to temper the impact on inflation. The BSP stated that it will monitor any risks to the inflation outlook and adjust its policy settings as needed to ensure that the inflation environment remains supportive of sustainable economic growth.

For policy rate trends in Indonesia, refer to this link:

https://asianbondsonline.adb.org/indonesia/data/marketwatch.php?code=policy\_rate\_and\_inflation\_trends

For policy rate trends in the Philippines, refer to this link:

https://asianbondsonline.adb.org/philippines/data/marketwatch.php?code=policy\_rate\_and\_inflation\_trends

#### The People's Bank of China Raises Open Market Operation Rates

The People's Bank of China, following the Federal Reserve's policy rate target range rate hike, raised the rates on some of its open market operation facilities. It raised the rate on the 7-day reverse repo rate to 2.50% from 2.45% and the rate on the 28-day repo rate to 2.80% from 2.75%. The rate on the central bank's medium-term lending facility was also raised to 3.25% from 3.20%.

Indonesia's Trade Surplus Declines in November; The Philippines' Trade Deficit Widens in October

Export growth in Indonesia eased to 13.2% year-on-year (y-o-y) in November to USD15.3 billion, following a revised 19.6% y-o-y hike a month earlier. Import growth slipped to 19.6% y-o-y to USD15.2 billion from revised growth of 23.8% y-o-y in the same period. A trade surplus amounting to USD127 million was recorded in November, compared with a revised figure of USD1.0 billion a month earlier.

The Philippines' exports grew 6.6% y-o-y to USD5.4 billion in October, while imports posted double-digit growth of 13.1% y-o-y to reach USD8.2 billion. Both export and import growth rates in October were faster compared with 4.9% y-o-y and 4.4% y-o-y, respectively, in the previous month. The Philippines posted a trade deficit of USD2.8 billion in October versus USD2.1 billion in September. Total exports for January–October were valued at USD53.1 billion and total imports were valued at USD75.1 billion, resulting in a trade deficit of USD22 billion.



#### **Summary Text of News Articles**

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Industrial Production in Hong Kong, China Declines in Q3 2017;
Malaysia's Industrial Production Growth Slows in October
The PRC's Industrial Production Growth Slows in November

Hong Kong, China's industrial production grew 0.3% y-o-y in the third quarter (Q3) of 2017 after gaining 0.4% y-o-y in the previous quarter. The slowdown was due to a slower increase in the production of food, beverages, and tobacco, which grew 2.8% y-o-y in Q3 2017 versus 3.0% y-o-y in the previous quarter. The manufacturing of metal, computer, electronic, and optical products; machinery; and equipment declined 1.1% y-o-y after a 0.4% y-o-y dip in the previous quarter.

Malaysia's industrial production growth slowed for the second consecutive month to 3.4% y-o-y in October as result of lower output growth in the manufacturing and mining sectors. Manufacturing sector output grew 4.2% y-o-y in October, down from 5.7% y-o-y in September, and mining sector output grew 0.8% y-o-y versus 2.1% y-o-y in the same period. On the other hand, electricity output grew faster at 4.6% y-o-y in October, up from 2.2% y-o-y in September.

The PRC's industrial production grew 6.1% y-o-y in November after rising 6.2% y-o-y in October. The largest gain came in the manufacturing sector, which grew 6.8% y-o-y, followed by the production and supply of electricity, heat, gas and water, which grew 4.5% y-o-y. Mining output, on the other hand, fell 1.7% y-o-y.

#### Jasa Marga Lists IDR4.0 Trillion of Global Bonds at the London Stock Exchange

Last week, Jasa Marga, an Indonesian state-owned toll road operator, listed IDR4.0 trillion of global bonds at the London Stock Exchange. The bonds carry a maturity of 3 years and a coupon rate of 7.5%. The bonds were well received, with demand reaching IDR15.7 trillion.

### Bank Indonesia, Bank Negara Malaysia, and Bank of Thailand Launch Local Currency Settlement Framework

Last week, a local currency settlement framework was launched between Bank Indonesia, Bank Negara Malaysia, and Bank of Thailand. The framework is expected to increase the use of local currencies in the settlement of trade transactions between these markets. The three central banks have appointed qualified local banks in each of their markets to facilitate trade transactions. The framework will take effect on 2 January 2018.

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## **Selected Government Security Yields**

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

## 3-Month Selected LCY Government Security Yields

	basis point change from				
Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17	
US	1.31	1.01		4.08	81.46
EU	-0.90	<b>-</b> 0.90 -18	5.60	_	0.60
Japan	-0.17	-0.10	-0.80		21.73
PRC	3.64	-11.00	-3.00		91.00
Hong Kong, China	0.33	0.00		0.00	0.00
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.51	0.20	-1.30		18.70
Malaysia	2.96	0.00	_]	0.80	-7.20
Philippines	3.12	-3.93	-3.61		104.38
Singapore	1.50	0.00		2.20	43.30
Thailand	1.22	0.00		0.00	-23.92

Close of 15 December 2017

10-Year Selected LCY Government Bond Yields

	Lataat	bas	is point change	hange from		
Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-17*		
US	2.35	0.37	-2.30	-9.13		
EU	0.30	-1.50	-0.60	9.30		
Japan	0.05	-0.40	-0.70	0.00		
PRC	4.05	0.00	4.0	0 103.00		
Hong Kong, China	1.87	0.30	-2.10	-10.00		
India	7.13	0.30	4.4	61.90		
Indonesia	6.49	-2.10	-6.80	-148.00		
Korea, Rep. of	2.43	-2.00	-5.70	33.80		
Malaysia	3.97	0.00	-1.20	-25.90		
Philippines	5.69	-0.61		10.50 105.69		
Singapore	1.95	<b>-5.16</b> -12	.54	-52.80		
Thailand	2.39	-1.70	0.80	-25.40		
Viet Nam	5.37	1.00 -13.	00	-100.10		

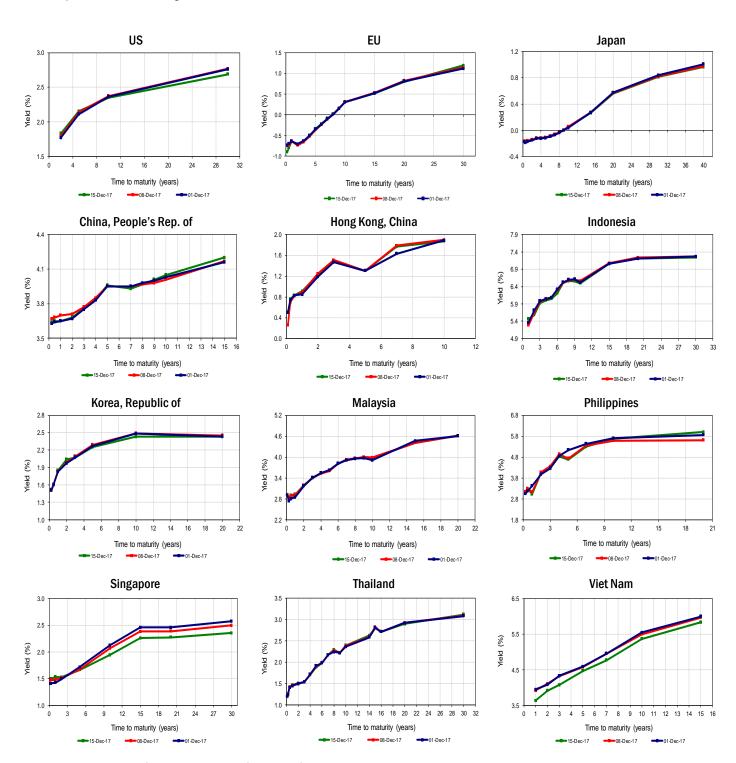
Close of 15 December 2017

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

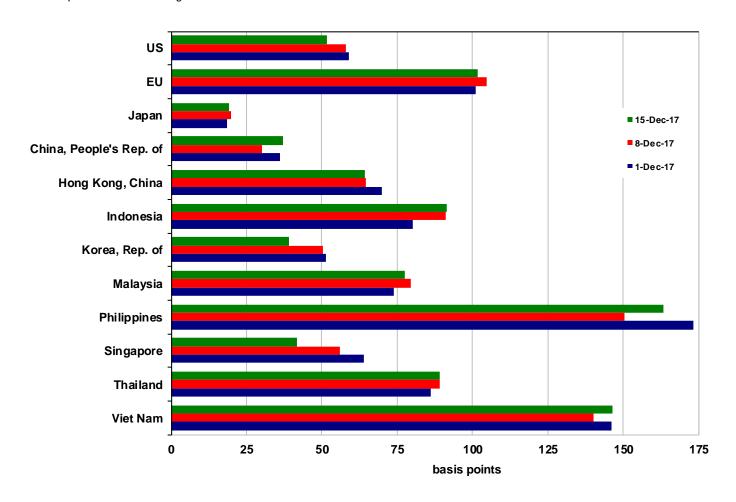


EU = European Union, LCY = local currency US = United States. Source: Based on data from Bloomberg.



## 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.



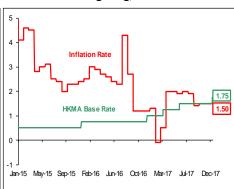
## **Policy Rate versus Inflation Rate**

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

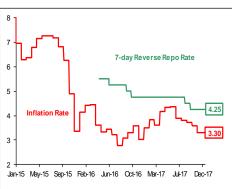
#### China, People's Rep. of



## Hong Kong, China



#### Indonesia



The PRC uses the 1-year lending rate as one of its policy

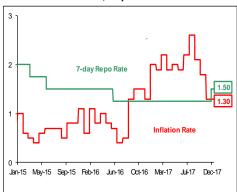
Source: Bloomberg LP.

The Hong Kong Monetary Authority maintains a Discount Window Base Rate.

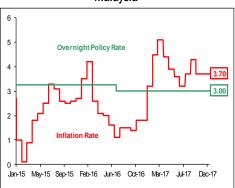
Source: Bloomberg LP.

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

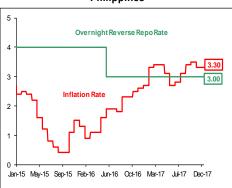
#### Korea, Republic of



#### Malaysia



#### **Philippines**



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.

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

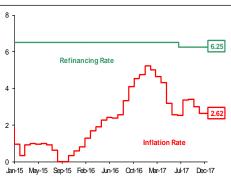
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg LP.

#### **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



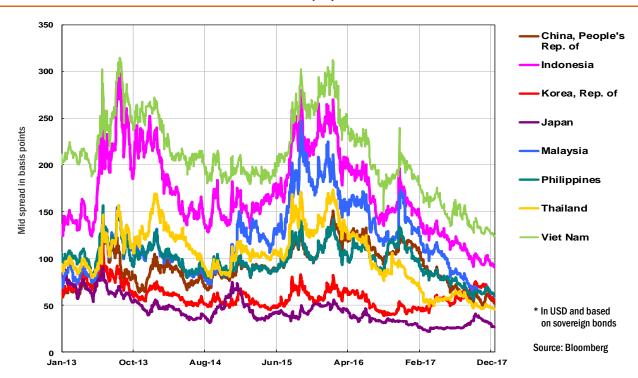
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate. Source: Bloomberg LP.



## **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 December 2017)

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

	Auction		Average Cou	ıpon (%)	Amount Offered	Amount Issued
Markets	Date	Type of Security	Yield (%)		(LCY billion)	(LCY billion)
CN	13-Dec	5-year Treasury Bonds	3.86	3.86	26.00	26.15
	15-Dec	30-year Treasury Bonds	4.36	4.28	28.00	28.71
HK	12-Dec	91-day Exchange Fund Bills	0.79		41.61	41.61
		182-day Exchange Fund Bills	0.85		9.00	9.00
JP	12-Dec	5-year Japanese Government Bonds	-0.10	0.10	2,200.00	2,528.40
	14-Dec	3-month Treasury Discount Bills	-0.20		4,400.00	4,369.97
		20-year Japanese Government Bonds	0.57	0.60	1,000.00	1,138.60
KR	11-Dec	1-year Monetary Stabilization Bonds	1.82	1.82	960.00	960.00
		10-year Korea Treasury Bonds	2.50	2.38	1,110.00	1,110.00
MY	14-Dec	15.5-year Government Investment Issues	4.72	4.72	2.00	2.00
		10-year Korea Treasury Bonds	2.50	2.38	1,110.00	1,110.00
SG	12-Dec	28-day MAS Bills	1.11		1.60	1.60
		84-day MAS Bills	1.01		5.00	5.00
	14-Dec	168-day MAS Bills	1.44		2.80	2.80
TH	12-Dec	92-day Bank of Thailand Bills	1.20		30.00	30.00
		182-day Bank of Thailand Bills	1.43		30.00	30.00
	13-Dec	9.01-year Government Bonds	2.43	2.13	14.30	14.30
	14-Dec	1.69-year Bank of Thailand Bonds	1.53	1.49	51.97	51.97
VN	13-Dec	10-year Treasury Bonds	5.28		1,300.00	1,300.00

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

Sources: Local market sources and Bloomberg, LP.



## Selected Asia Data Releases (19 - 25 December 2017)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Malaysia CPI y-o-y, % NOV	12/20	10/16: 1.4% 11/16: 1.8% <b>09/17: 4.3%</b> <b>10/17: 3.7%</b>	Malaysia's consumer price inflation slow ed to 3.7% year-on-year (y-o-y) in October from 4.3% y-o-y in September.
Thailand BOT Benchmark Interest Rate % 20 Dec	12/20	11/16: 1.50% 12/16: 1.50% 10/17: 1.50% 11/17: 1.50%	On 8 November, the Monetary Policy Committee of the Bank of Thailand kept the policy rate at 1.50%.
Hong Kong, China CPI y-o-y, % NOV	12/21	10/16: 1.2% 11/16: 1.2% <b>09/17: 1.4%</b> <b>10/17: 1.5%</b>	Hong Kong, China's consumer prices rose 1.5% y-o-y in October, up from a 1.4% y-o-y increase in September.
Hong Kong, China Current Account Balance HKD billion Q3 2017	12/21	Q2 2016: 15.0 Q3 2016: 46.6 Q1 2017: 16.9 Q2 2017: 18.0	Hong Kong, China's current account surplus rose to HKD18.0 billion in Q2 2017 from HKD16.9 billion in Q1 2017.
Viet Nam CPI y-o-y, % DEC	12/24	11/16: 2.6% 12/16: 4.7% 10/17: 3.0% 11/17: 2.6%	Viet Nam's consumer prices rose 2.6% y-o-y in November after gaining 3.0% y-o-y in October.
Viet Nam Exports y-o-y, % DEC	12/25 to 12/31	11/16: 7.5% 12/16: 8.6% 10/17: 20.7% 11/17: 21.1%	Viet Nam's exports rose 21.1% y-o-y in November after growing 20.7% y-o-y in October.
Viet Nam Industrial Production y-o-y, % DEC	12/25 to 12/31	11/16: 2.0% 12/16: 8.3% 10/17: 17.0% 11/17: 17.2%	Viet Nam's industrial production growth rate accelerated to 17.2% y-o-y in November from 17.0% y-o-y in October.
Viet Nam GDP YTD y-o-y, % Q4 2017	12/25 to 12/31	Q3 2016: 5.9% Q4 2016: 6.2% Q2 2017: 5.7% Q3 2017: 6.4%	Viet Nam's gross domestic product (GDP) grew 6.4% y-o-y in the first 9 months of 2017, up from a rise of 5.7% in the first 6 months.
Viet Nam Trade Balance USD million DEC	12/25 to 12/31	11/16: -1,885 12/16: -3,830 10/17: 17,015 11/17: 1,562	Viet Nam's trade balance contracted to USD1,562 billion in November from USD17,015 billion in October.

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)

#### Federal Reserve Raises Policy Rate Target Range

Federal Reserve issues FOMC statement
 Board of Governors of the Federal Reserve System (13 December 2017)

## Bank Indonesia Leaves 7-Day Reverse Repo Rate Unchanged at 4.25%; BSP Maintains Policy Rate at 3.00%

- Bank Indonesia Holds Policy Rate: Maintaining a Recovery Momentum Amidst the Global Economic Improvement Bank Indonesia (14 December 2017)
- Monetary Board Maintains Policy Settings
   Bangko Sentral ng Pilipinas (14 December 2017)

#### The People's Bank of China Raises Open Market Operation Rates

 Economic Watch: Chinese open market operation rates up after Fed rate hike

Xinhuanet (14 December 2017)

## Indonesia's Trade Surplus Declines in November; The Philippines' Trade Deficit Widens in October

- Indonesia's export value in November 2017 reached US\$15,28 billion and Indonesia's import value in November 2017 reached US\$15,15 billion
  - Statistics Indonesia (15 December 2017)
- Highlights of the Philippine Export and Import Statistics: October 2017
  - Philippines Statistics Authority (12 December 2017)
- Trade Table
   Philippines Statistics Authority (12 December 2017)

#### Industrial Production in Hong Kong, China Declines in Q3 2017; Malaysia's Industrial Production Growth Slows in October; The PRC's Industrial Production Growth Slows in November

- Provisional statistics on index of industrial production and producer price index for industrial sector for third quarter of 2017 Census and Statistics Department (14 December 2017)
- Index of Industrial Production, Malaysia October 2017
   Department of Statistics Malaysia (12 December 2017)
- National Economy Maintained Stable Performance and Progress with Deepening Restructuring in November
   National Bureau of Statistics of China (14 December 2017)

## Jasa Marga Lists IDR4.0 Trillion of Global Bonds at the London Stock Exchange

 Toll road operator lists Komodo bonds on LSE Jakarta Globe (15 December 2017)

## Bank Indonesia, Bank Negara Malaysia, and Bank of Thailand Launch Local Currency Settlement Framework

- Joint Press Release: Local Currency Settlement Framework Bank Indonesia, Bank Negara Malaysia and Bank of Thailand Bank Indonesia (11 December 2017)
- Indonesia, Malaysia and Thailand Seek to Boost Local Currency Settlement
   Jakarta Globe (11 December 2017)

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