

5 February 2018

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Key Developments in Asian Local Currency Markets

Indonesia registered its slowest consumer price inflation since December 2016 at 3.3% year-on-year (y-o-y), due to smaller increases in the prices of transportation and communication, which offset the rise in the price of raw food. In the Republic of Korea, inflation continued to ease in January to 1.0% y-o-y from 1.5% y-o-y in December, as four out of twelve commodity groups posted y-o-y decreases and two groups posted slower increases. In Thailand, consumer price inflation eased to 0.7% y-o-y in January from 0.8% y-o-y in December. However, the Ministry of Commerce has revised its 2018 full-year inflation forecast to 0.7%–1.7% from a previous forecast of 0.6%–1.6% on the back of the planned minimum wage hike and an upward trend in global crude oil prices. Viet Nam's consumer price inflation inched up to 2.65% y-o-y in January from 2.60% y-o-y in December.

➤ The Republic of Korea's exports rose 22.2% y-o-y to USD49.2 billion in January as nine out of the top thirteen export items posted double-digit growth. Imports rose 20.9% y-o-y to USD45.5 billion, led by higher inbound shipments of semiconductor manufacturing machines and computer memory devices. The Republic of Korea posted a trade surplus of USD3.7 billion in January. Thailand's trade account posted a surplus of USD1.5 billion in December, lower than the USD3.3 billion surplus posted in November. Exports grew 9.3% y-o-y in December to USD19.9 billion, while imports grew 15.4% y-o-y to USD18.4 billion. Viet Nam's exports rose 33.1% y-o-y in January, while imports rose at a faster pace of 47.4% y-o-y. The strong import growth was attributed to the increased domestic demand due to the approaching Tét holiday. Viet Nam reported a USD300 million trade deficit in January.

➤ Thailand's current account surplus narrowed to USD3.9 billion in December from USD5.3 billion in November. The lower surplus was due to a decline in the trade surplus to USD1.5 billion from USD3.3 billion in the previous month as exports declined while imports increased. Meanwhile, net services, primary income, and secondary income rose to USD2.3 billion from USD2.0 billion.

➤ Industrial production in Japan rose 2.7% month-on-month (m-o-m) in December, following a 0.5% m-o-m increase in November. The index of all industry production in the Republic of Korea fell 0.7% y-o-y in December, a reversal from the 1.8% y-o-y growth posted in November. The contraction was led by declines in the industrial production index and the construction index. Viet Nam's industrial production, as measured by its national index of industrial production, grew 20.9% y-o-y in

Asia Bond Monitor November 2017

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10-Year Selected LCY Government Security Yields Close of 2 February 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.84	5.15	18.12	43.57
EU	0.77	4.60	13.80	34.00
Japan	0.09	-1.40	0.80	3.80
PRC	4.10	2.00	2.00	8.00
Hong Kong, China	2.14	10.80	10.80	30.70
India	7.56	-4.30	25.50	22.50
Indonesia	6.28	5.50	5.60	-4.10
Korea, Rep. of	2.75	-0.60	7.20	28.50
Malaysia	3.95	-0.80	3.20	3.40
Philippines	6.21	13.43	16.72	51.07
Singapore	2.30	3.22	17.52	29.28
Thailand	2.35	-0.10	3.50	2.50
Viet Nam	4.34	-3.00	4.00	-86.40

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

January after growing 11.2% y-o-y in December.

➤ The People's Republic of China's manufacturing Purchasing Managers Index fell to 51.3 in January from 51.6 in December, indicating a slowdown in the economy's manufacturing expansion. The non-manufacturing Purchasing Managers Index, however, increased to 55.3 from 55.0 in the same period.

➤ Local currency government bond yields rose for all tenors in the Republic of Korea; and for most tenors in all the other markets in the region. Meanwhile, yield movements were mixed in Hong Kong, China. Yield spreads between the 2-year and 10-year tenors rose for all markets in the region.

Summary Text of News Articles

Consumer Price Inflation Ease in Indonesia, the Republic of Korea, and Thailand in January; Consumer Price Inflation Inches Up in Viet Nam in January

Indonesia registered its slowest consumer price inflation in January since December 2016 at 3.3% year-on-year (y-o-y). According to Badan Pusat Statistik (Statistics Indonesia), the slowdown in inflation was due to smaller increases in the prices of transportation and communication, which offset the rise in the price of raw food despite it having the biggest contribution to January inflation. Core inflation registered 2.7% y-o-y in January, down from 3.0% in the previous month. On a month-on-month (m-o-m) basis, consumer prices rose 0.6% in January, slightly lower compared with the 0.71% gain in December. The Indonesian government has an inflation target of 3.5% for 2018.

Consumer price inflation in the Republic of Korea continued to ease in January to 1.0% y-o-y from 1.5% y-o-y in December as four out of twelve commodity groups posted y-o-y decreases and two groups posted slower increases. Prices of food and nonalcoholic beverages contracted 0.3% y-o-y in January, following an already slow increase of 0.2% y-o-y in December. Other groups that posted y-o-y price decreases include communication (0.2%), recreation and culture (1.3%), and miscellaneous goods and services (0.2%). Prices of alcoholic beverages and tobacco and transportation both posted slower increases in January. On a m-o-m basis, consumer prices rose 0.4% in January.

Thailand's consumer price inflation eased to 0.7% y-o-y in January from 0.8% y-o-y in December. Core inflation, which excludes raw food and energy costs, also eased marginally to 0.58% y-o-y in January from 0.62% y-o-y in December. However, the Ministry of Commerce has revised its 2018 full-year inflation forecast to 0.7%–1.7% from a previous forecast of 0.6%–1.6% based on a higher economic growth forecast as the minimum wage hike is seen to have a positive impact on local purchasing power. Moreover, the upward trend of global crude oil prices is also expected to put pressure on consumer prices.

Viet Nam's consumer price inflation inched up to 2.65% y-o-y in January 2018 from 2.6% y-o-y in December. The fastest rising consumer item prices belonged to that of medicine and health care, whose costs rose 28.83% y-o-y, followed by education, with prices rising 6.82% y-o-y in January. Food prices however declined 1.13% y-o-y. On a month-on-month basis, Viet Nam's consumer prices rose 0.51% in January.

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

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

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

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

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

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

The Republic of Korea's Exports and Imports Rise in January; Thailand's Trade Surplus Narrows in December; Viet Nam's Exports and Imports Rise in January

The Republic of Korea's exports rose 22.2% y-o-y to USD49.2 billion in January as nine out of the top thirteen export items posted double-digit growth. The top four items that posted the highest y-o-y growth rates include semiconductors (53.4%), computer and peripheral device (38.6%), general machinery (27.8%), and petrochemical (18.4%). Imports rose 20.9% y-o-y in January to USD45.5 billion, led by higher inbound shipments of semiconductor manufacturing machines and computer memory devices. The Republic of Korea posted a trade surplus of USD3.7 billion in January.

Thailand's trade account posted a surplus of USD1.5 billion in December, lower than the USD3.3 billion surplus posted in November, with merchandise exports and import values registering USD19.9 billion and USD18.4 billion, respectively. Exports grew 9.3% y-o-y in December, slower than the 12.3% y-o-y growth in November, while imports grew 15.4% y-o-y, much faster than its 11.9% y-o-y growth in November. The expansion in exports was due to continued demand for rice, rubber products, telecommunication equipment, electronic parts, and automotive parts; increased crude oil prices; and the increase of exports from industries that increased production such as hard disk

Summary Text of News Articles

The Republic of Korea's Exports and Imports Rise in January; Thailand's Trade Surplus Narrows in December; Viet Nam's Exports and Imports Rise in January (cont...)

drives. The expansion in imports was due to increased imports in raw and intermediate materials, particularly fuel products and hard disk drive parts, consumer goods, automotive parts (in line with the improvement of automotive production and sales), and capital good mainly from imports of telecommunication equipment.

Viet Nam's exports rose 33.1% y-o-y in January, after a 21.1% y-o-y rise in the January-December 2017 period. Imports, however, showed a stronger increase, growing 47.4% y-o-y in January from a 20.8% increase in the January-December 2017 period. The strong import growth was attributed to increased domestic demand due to the approaching Tết holiday. Viet Nam reported a USD300 million trade deficit in January.

Thailand's Current Account Surplus Narrows in December

The current account surplus in Thailand narrowed to USD3.9 billion in December from USD5.3 billion in November. The lower surplus was due to a decline in the trade surplus to USD1.5 billion from USD3.3 billion in the previous month as exports declined while imports increased. Net services, primary income, and secondary income rose to USD2.3 billion in December from USD1.95 billion in November. The Bank of Thailand stated that the current account posted a surplus in December due to improvements in exports and the tourism sector.

Industrial Production in Japan Rises in December; Index of All-Industry Production in the Republic of Korea Falls in December; Viet Nam's Industrial Production Grows Rapidly in January

Industrial production in Japan rose 2.7% m-o-m in December, following a 0.5% m-o-m increase in November, based on preliminary data from the Ministry of Economy, Trade, and Industry. The industries that contributed to the increase include transport equipment; general-purpose, production, and business-oriented machinery; and fabricated metals. The shipments index also posted an increase of 2.7% m-o-m. The inventories index and inventory ratio posted m-o-m decreases of 0.4% and 0.5%, respectively, in December. On a y-o-y basis, Japan's industrial production rose 4.2%.

The index of all-industry production in the Republic of Korea fell 0.7% y-o-y in December, a reversal from the 1.8% y-o-y growth posted in November. The contraction was led by the continued decline in industrial production of 6.0% y-o-y, as manufacturing production fell 6.6% y-o-y, and the 2.9% y-o-y decline in the construction index. Meanwhile, the indexes of services industry and public administration rose 2.2% y-o-y and 2.8% y-o-y, respectively.

Viet Nam's national index of industrial production rose 20.9% y-o-y in January after gaining 11.2% y-o-y in December. By sector, the largest increase came from the processing and manufacturing sector, which grew 23.8% y-o-y in January, followed by the electricity and distribution sector, which grew 15.4% y-o-y. The mining sector grew 10.5% y-o-y.

The People's Republic of China's Manufacturing PMI Falls in January, Nonmanufacturing PMI Rises

The People's Republic of China's (PRC) manufacturing Purchasing Managers Index (PMI) fell to 51.3 in January from 51.6 in December, indicating a slowing down in the economy's manufacturing expansion. The PRC reported a value of 53.5 for the production subindex and 51.6 for the new orders subindex. The nonmanufacturing PMI, however, increased to 55.3 from 55.0 in the same period.

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			1-Jan-18*
		Previous Day*	Previous Week*		
US	1.47	-0.52		6.13	9.71
EU	-0.59	-0.60	-1.70		15.30
Japan	-0.16	-0.21	-0.63		-0.03
PRC	3.44	-1.00	-2.00		-39.00
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	0.00		0.20	-0.40
Malaysia	3.15	0.00		3.80	19.60
Philippines	2.38	3.68	-49.94		-5.43
Singapore	1.20	0.00		4.00	-58.60
Thailand	1.22	0.00		0.00	0.00

Close of 2 February 2018

10-Year Selected LCY Government Bond Yields

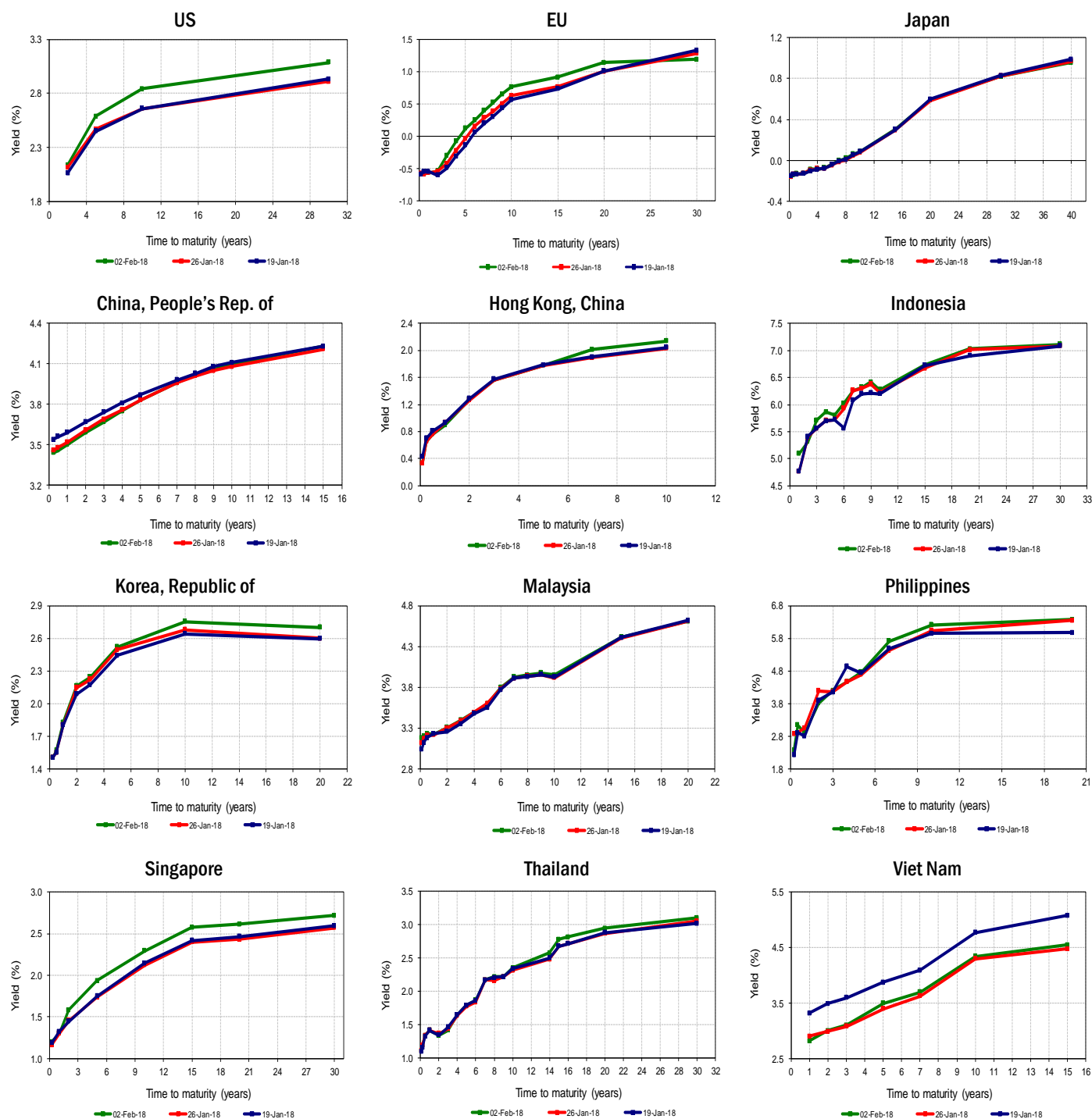
Markets	Latest Closing	Previous Day*	basis point change from		1-Jan-18*
			Previous Week*		
US	2.84	5.15	18.12		43.57
EU	0.77	4.60	13.80		34.00
Japan	0.09	-1.40	0.80		3.80
PRC	4.10	2.00	2.00		8.00
Hong Kong, China	2.14	10.80	10.80		30.70
India	7.56	-4.30	25.50		22.50
Indonesia	6.28	5.50	5.60		-4.10
Korea, Rep. of	2.75	-0.60	7.20		28.50
Malaysia	3.95	-0.80	3.20		3.40
Philippines	6.21	13.43	16.72		51.07
Singapore	2.30	3.22	17.52		29.28
Thailand	2.35	-0.10	3.50		2.50
Viet Nam	4.34	-3.00	4.00		-86.40

Close of 2 February 2018

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

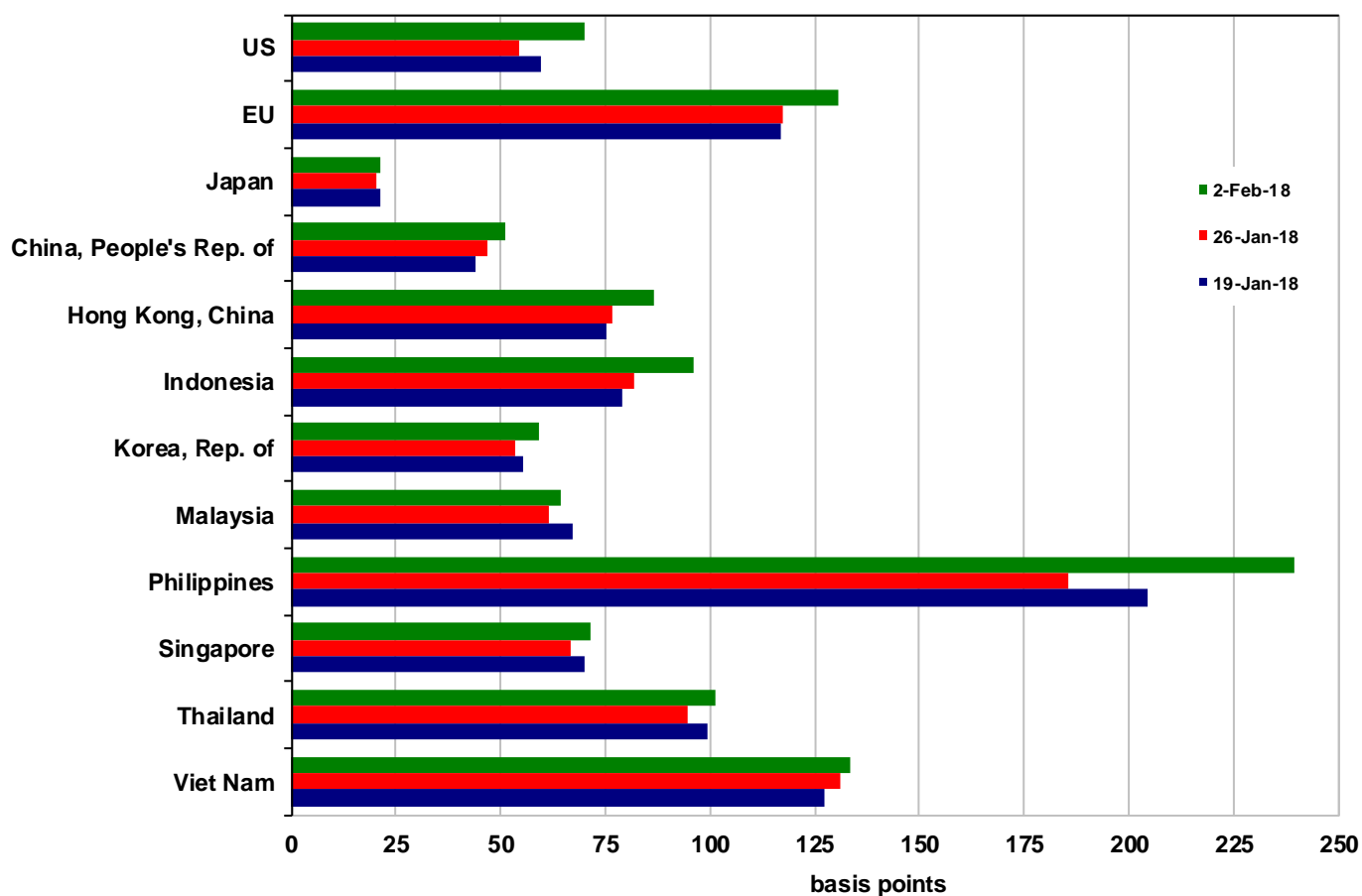


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



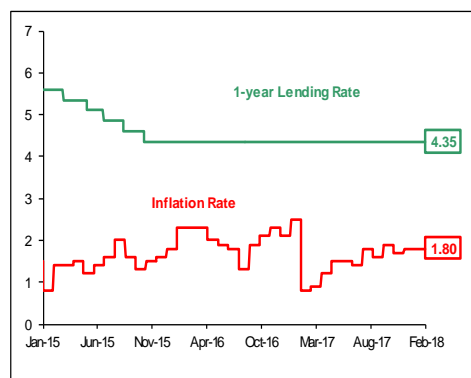
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

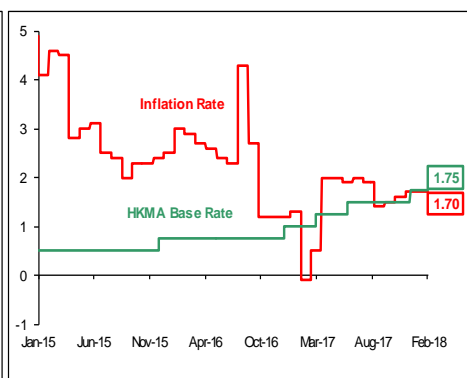
China, People's Rep. of



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

Source: Bloomberg LP.

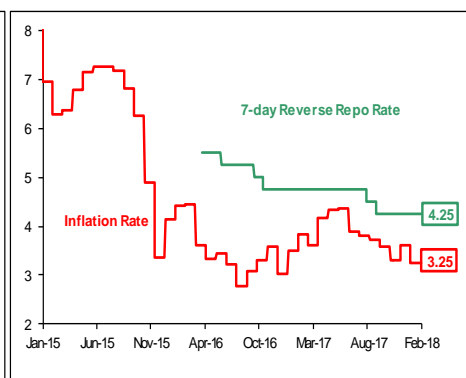
Hong Kong, China



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

Source: Bloomberg LP.

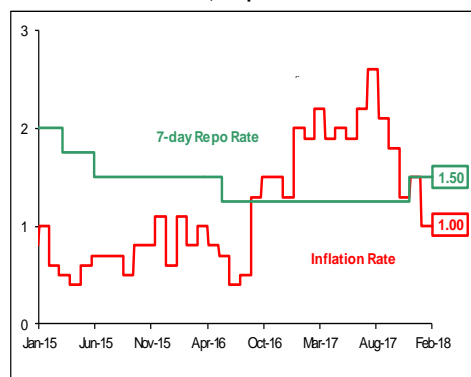
Indonesia



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

Source: Bloomberg, LP.

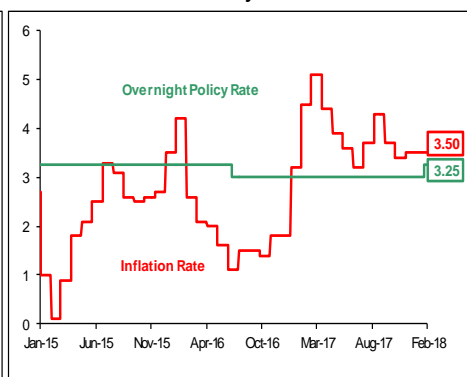
Korea, Republic of



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.

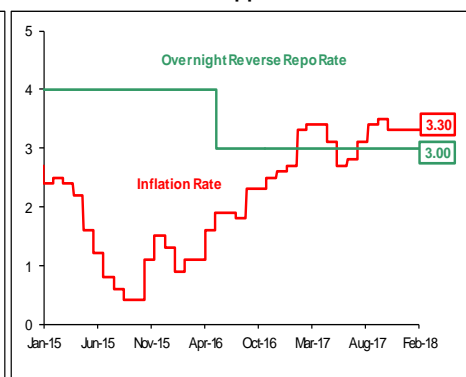
Malaysia



Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.

Source: Bloomberg LP.

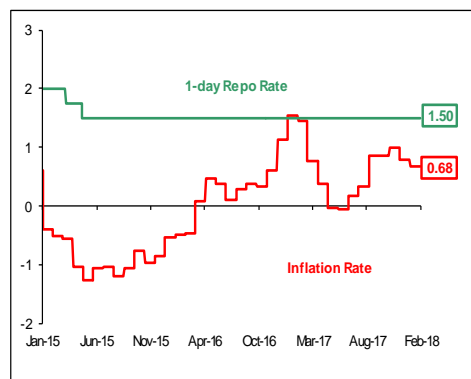
Philippines



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

Source: Bloomberg LP.

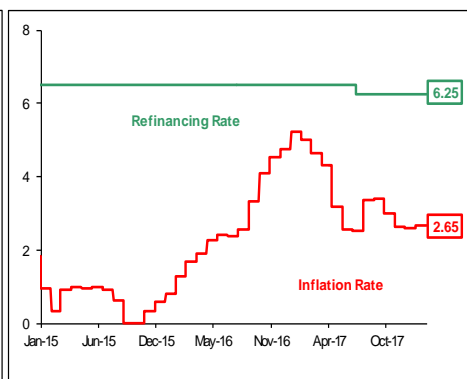
Thailand



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



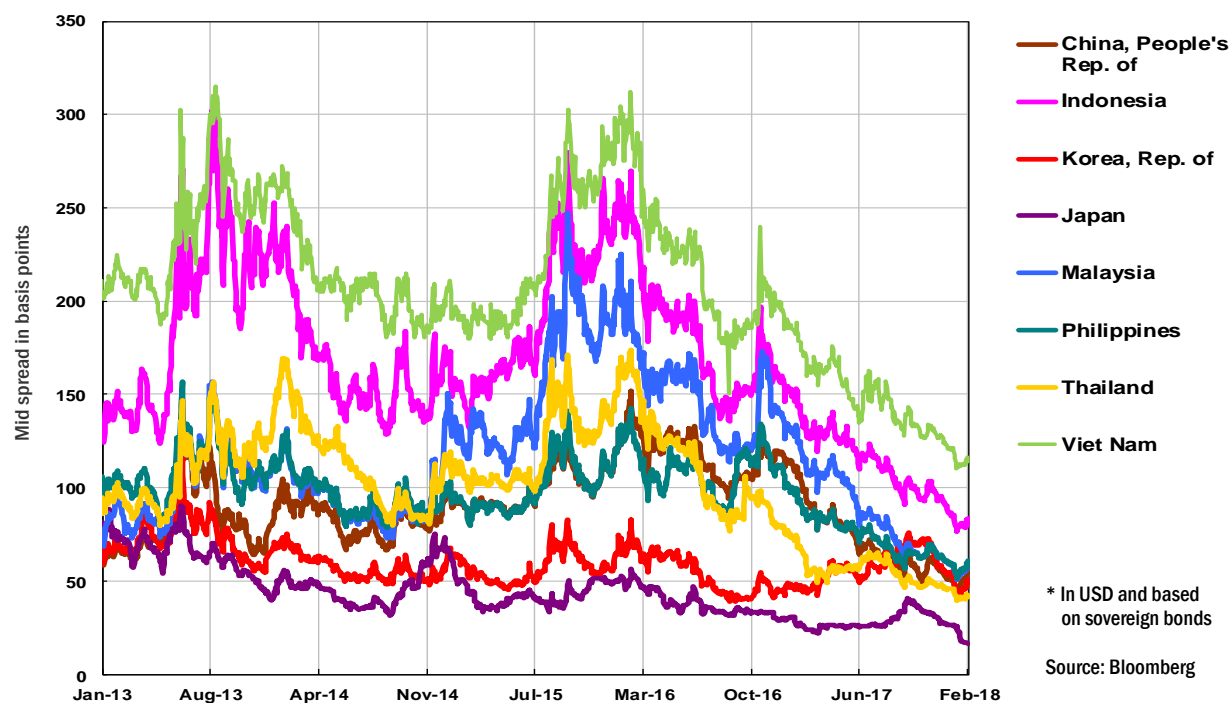
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

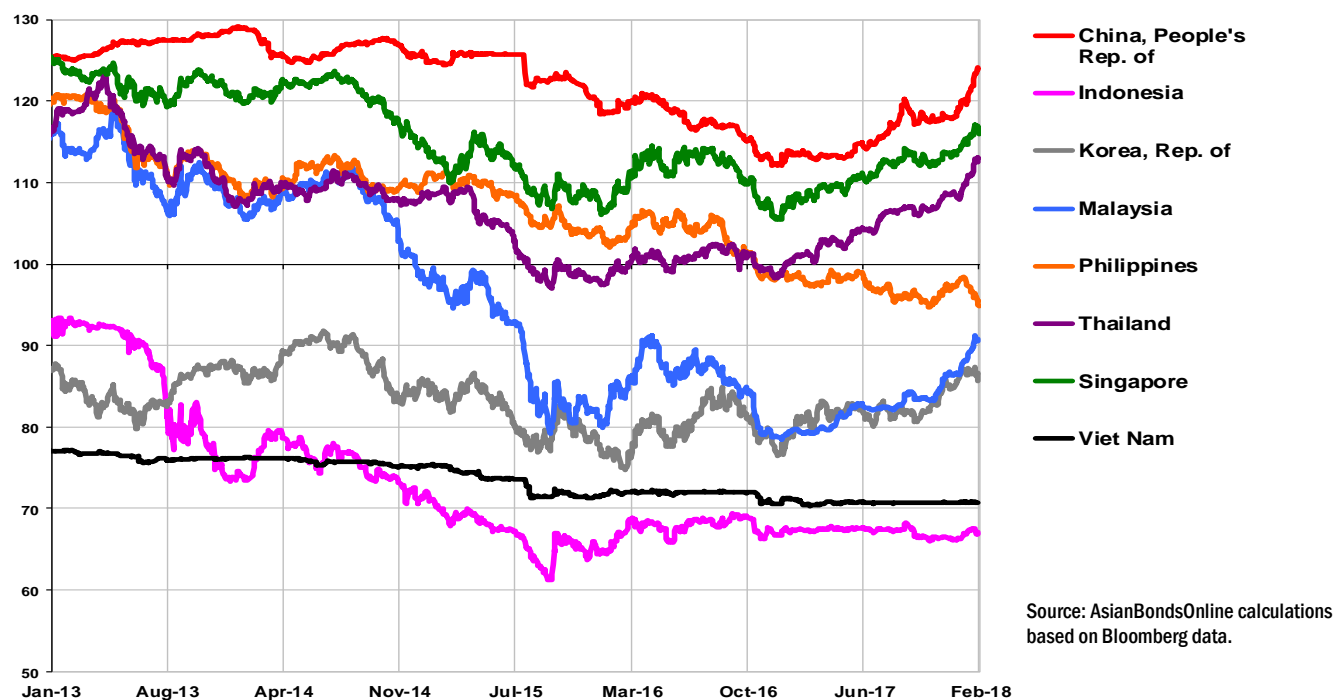
Credit Default Swap Spreads and Exchange Rate Indexes

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 (29 January – 2 February 2018)

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	31-Jan	1-year Treasury Bond	3.38	3.38	20.00	20.00
		10-year Treasury Bond	3.85		20.00	20.00
HK		91-day Exchange Fund Bills	0.75		32.04	32.04
		182-day Exchange Fund Bills	0.81		9.00	9.00
ID	30-Jan	90-day Treasury Bills	3.95			5,000.00
		364-day Treasury Bills	4.93			5,000.00
		5-year Treasury Bonds	5.86	5.63	17,000.00	4,200.00
		10-year Treasury Bonds	6.36	6.13		2,250.00
		15-year Treasury Bonds	6.80	6.63		1,100.00
JP	30-Jan	2-year Japanese Government Bonds	-0.13	0.10	2,200.00	2,391.70
	1-Feb	3-month Treasury Discount Bills	-0.16		4,400.00	4,419.95
		10-year Japanese Government Bonds	0.09	0.10	2,300.00	2,455.90
KR	29-Jan	1-year Monetary Stabilization Bonds	1.88		800.00	800.00
		20-year Korea Treasury Bonds	2.65	2.25	700.00	700.00
PH	29-Jan	182-day Treasury Bills	2.58		6.00	4.62
		364-day Treasury Bills	2.93		5.00	2.85
SG	30-Jan	28-day MAS Bills	0.79		1.60	1.60
		84-day MAS Bills	0.78		5.80	5.80
TH	29-Jan	28-day Treasury Bills	1.14		7.06	7.06
		182-day Treasury Bills	1.33		10.00	10.00
	30-Jan	91-day Bank of Thailand Bonds	1.08		30.00	30.00
		182-day Bank of Thailand Bonds	1.32		30.00	30.00
	2-Feb	14-day Bank of Thailand Bonds	1.09		20.00	20.00
VN	31-Jan	20-year Treasury Bond	5.20	5.20	1,500.00	1,500.00
		30-year Treasury Bond	5.40	5.40	1,310.00	1,310.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (6 – 12 February 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Philippines CPI y-o-y, % JAN	02/06	12/16: 2.6% 01/17: 2.7% 11/17: 3.3% 12/17: 3.3%	The Philippines' consumer prices rose 3.3% year-on-year (y-o-y) in December, the same pace as in November.
Malaysia Exports y-o-y, % DEC	02/07	11/16: 8.0% 12/16: 11.0% 10/17: 18.7% 11/17: 14.4%	Malaysia's export growth posted 14.4% y-o-y in November, compared with 18.7% y-o-y in the previous month.
Malaysia Trade Balance MYR billion DEC	02/07	11/16: 9.0 12/16: 8.7 10/17: 10.4 11/17: 10.0	Malaysia's trade surplus slightly narrowed to MYR10.0 billion in November from MYR10.4 billion in October.
China, People's Republic of Current Account Balance USD billion Q4 2017	02/08	Q3 2016: 74.23 Q4 2016: 11.8 Q2 2017: 50.9 Q3 2017: 40.5	The People's Republic of China's (PRC) current account surplus fell to USD40.5 billion in the third quarter of 2017 from USD50.9 billion in the second quarter.
China, People's Republic of Trade Balance CNY billion JAN	02/08	12/16: 275.4 01/17: 342.0 11/17: 255.4 12/17: 362.0	The PRC's trade surplus rose to CNY362.0 billion in December from CNY255.4 billion in November.
China, People's Republic of Exports y-o-y, % JAN	02/08	12/16: -6.2% 01/17: 6.6% 11/17: 11.5% 12/17: 10.9%	The PRC's export growth decelerated to 10.9% y-o-y in December from 11.5% y-o-y in November.
Japan Current Account Balance USD billion DEC	02/08	11/16: 12.5 12/16: 9.6 10/17: 19.1 11/17: 12.0	Japan's current account balance narrowed to JPY12.0 billion in November from JPY19.1 billion in October.
Philippines Overnight borrowing Rate % 8 Feb	02/08	01/16: 4.0% 02/16: 4.0% 12/17: 3.0% 01/18: 3.0%	The Bangko Sentral ng Pilipinas left its key policy unchanged in its last monetary board meeting on December 14.
China, People's Republic of CPI y-o-y, % JAN	02/09	12/16: 2.1% 01/17: 2.5% 11/17: 1.7% 12/17: 1.8%	The PRC's consumer price inflation accelerated to 1.8% y-o-y in December from 1.7% y-o-y in November.
Indonesia Current Account Balance USD million Q4 2017	02/09	Q3 2016: -5,098 Q4 2016: -1,799 Q2 2017: -4,834 Q3 2017: -4,337	Indonesia registered a current account deficit of USD4,337 million in the third quarter of 2017, down from USD4,834 million in the second quarter.
Malaysia Industrial Production y-o-y, % DEC	02/09	11/16: 6.2% 12/16: 4.7% 10/17: 3.4% 11/17: 5.0%	Industrial production growth in Malaysia accelerated to 5.0% y-o-y in November from 3.4% y-o-y in October.
Philippines Trade Balance USD million DEC	02/09	11/16: -2,491 12/16: -2,468 10/17: -2,819 11/17: -3,781	The Philippines' trade deficit widened to USD3.7 billion in November from USD2.8 billion in October.
Philippines Exports y-o-y, % DEC	02/09	11/16: -4.5% 12/16: 6.6% 10/17: 6.6% 11/17: 1.6%	The Philippines' export growth fell to 1.6% y-o-y in November from 6.6% y-o-y 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)

Consumer Price Inflation Ease in Indonesia, the Republic of Korea, and Thailand in January; Consumer Price Inflation Inches Up in Viet Nam in January

- [Inflation Eases in January, Aided by Subdued Rise in Transport, Communication Costs](#)
Jakarta Globe (1 February 2018)
- [Consumer Price Index in January 2018](#)
Statistics Korea (1 February 2018)
- [Consumer Price Index and Consumer Price Index of the country ... January 2018](#)
Bureau of Trade and Economic Indices, Ministry of Commerce (1 February 2018)
- [Inflation forecast raised on wage hike](#)
Bangkok Post (2 February 2018)
- [January headline CPI rises 0.68% y-o-y, below forecast](#)
Bangkok Post (1 February 2018)
- [Consumer price index, gold and USD price indexes, whole country, January 2018](#)
GENERAL STATISTICS OFFICE of VIET NAM (29 January 2018)

The Republic of Korea's Exports and Imports Rise in January; Thailand's Trade Surplus Narrows in December; Viet Nam's Exports and Imports Rise in January

- [Korea's exports expand 22.2% to \\$49.2 billion in January](#)
Ministry of Trade, Industry and Energy (1 February 2018)
- [Press Release on the Economic and Monetary Conditions for December and the fourth quarter of 2017](#)
Bank of Thailand (31 January 2018)
- [Viet Nam runs a trade deficit of \\$300m in January](#)
Viet Nam News (31 January 2018)

Thailand's Current Account Surplus Narrows in December

- [Balance of Payments \(Summary\) \(US\\$\)](#)
Bank of Thailand (31 January 2018)
- [Press Release on the Economic and Monetary Conditions for December and the fourth quarter of 2017](#)
Bank of Thailand (31 January 2018)

Industrial Production in Japan Rises in December; Index of All-Industry Production in the Republic of Korea Falls in December; Viet Nam's Industrial Production Grows Rapidly in January

- [Preliminary report for December, 2017](#)
Ministry of Economy, Trade, and Industry (2 February 2018)
- [Monthly Industrial Statistics, December 2017](#)
Statistics Korea (31 January 2018)
- [Vietnam's industrial production increases 20.9 pct in January](#)
Xinhua (31 January 2018)

The People's Republic of China's Manufacturing PMI Falls in January, Nonmanufacturing PMI Rises

- [China's manufacturing activity expands slower in January](#)
Xinhua (31 January 2018)

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