

19 March 2018

asianbondsonline.adb.org

## Key Developments in Asian Local Currency Markets

According to the latest edition of the Asia Bond Monitor, 10-year local currency government bond yields rose in emerging East Asian markets between the end of December 2017 and mid-February due to interest rate hikes in the United States and strong global growth. Emerging East Asia's local currency bond market expanded 3.1% quarter-on-quarter and 12.1% year-on-year (y-o-y) in the fourth quarter (Q4) of 2016, reaching USD10.2 trillion at the end of December. A copy of the full report is available at [http://asianbondsonline.adb.org/documents/abm\\_mar\\_2018.pdf](http://asianbondsonline.adb.org/documents/abm_mar_2018.pdf).

➤ The People's Republic of China's (PRC) industrial production grew 7.2% y-o-y in January–February, up from 6.2% y-o-y in December and 6.3% y-o-y in January–February 2017. Meanwhile, fixed asset investment in the PRC grew 7.9% y-o-y in January–February after rising 7.2% y-o-y in December.

➤ Hong Kong, China's industrial production index for manufacturing rose 0.6% y-o-y in Q4 2017, following a 0.3% y-o-y rise in the previous quarter, mainly driven by an increase of output in the food, beverages, and tobacco sector. All other manufacturing industries recorded decreases in output over the same period. For full-year 2017, the index rose 0.4%. Malaysia's industrial production grew slightly faster at 3.0% y-o-y in January versus 2.9% y-o-y in December, supported by growth in all production sectors.

➤ Exports from Indonesia grew 11.8% y-o-y in February after gaining 8.6% y-o-y in January, and imports rose 25.2% y-o-y after gaining 27.9% y-o-y. Exports amounted to USD14.1 billion and imports amounted to USD14.2 billion, resulting in a trade deficit of USD116 million in February, much lower than the USD756 million trade deficit in the previous month. It was the third consecutive month that Indonesia registered a trade deficit.

➤ Singapore's non-oil domestic exports (NODX) fell 5.9% y-o-y in February, following 12.9% y-o-y growth in January, as both electronic and non-electronic products declined. Electronic NODX contracted at a faster pace of 12.3% y-o-y in February versus 3.9% y-o-y in January. Non-electronic NODX declined 3.4% y-o-y in February, a reversal from the 20.7% y-o-y growth posted in the previous month.

➤ The increase in Hong Kong, China's Producer Price Index for manufacturing slowed to 3.5% y-o-y in Q4 2017 from 3.7% y-o-y in the

### Asia Bond Monitor March 2018

[read more](#)

#### 10-Year Selected LCY Government Security Yields Close of 16 March 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.84	1.65	-4.93	43.91
EU	0.57	-0.50	-7.70	14.40
Japan	0.04	-0.80	-1.50	-1.00
PRC	3.95	0.00	-3.00	-7.00
Hong Kong, China	1.95	-1.80	-14.30	11.70
India	7.56	-7.00	-10.80	22.60
Indonesia	6.73	2.20	-9.40	41.30
Korea, Rep. of	2.72	0.80	-3.20	24.80
Malaysia	3.94	0.60	-4.80	2.20
Philippines	6.19	-12.02		24.75
Singapore	2.37	-0.15	-7.57	36.10
Thailand	2.39	0.70	2.00	6.40
Viet Nam	4.18	-0.50	2.00	-102.10

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

previous quarter. For full-year 2017, the Producer Price Index rose 3.8%, accelerating from a 1.3% gain in 2016.

➤ The PRC's retail sales grew 9.7% y-o-y in January–February, down from 10.2% y-o-y in December but up from 9.5% y-o-y in January–February 2017.

➤ Local currency government bond yields fell for most markets in emerging East Asia. Yields fell for all tenors in Indonesia and Malaysia. Yields fell for most tenors in the PRC; Hong Kong, China; the Republic of Korea; Singapore and Thailand. Yields rose for most tenors in the Philippines and Viet Nam. The 2-year versus 10-year yield spreads rose for most markets except in Hong Kong, China; the Republic of Korea; Malaysia and Singapore. Spreads were unchanged in the PRC.

## Summary Text of News Articles

### The PRC's Industrial Production and Fixed Asset Investment Growth Accelerate in January–February

The People's Republic of China's (PRC) industrial production grew 7.2% year-on-year (y-o-y) in January–February, up from 6.2% y-o-y in December and 6.3% y-o-y in January–February 2017. The largest gain came from the production of electricity, heat, gas, and water, which rose 13.3% y-o-y; followed by manufacturing production, which grew 7.0% y-o-y. Mining production grew 1.3% y-o-y in January–February. Meanwhile, fixed asset investment rose 7.9% y-o-y in January–February after growing 7.2% y-o-y in December. By sector, fixed asset investment grew 27.8% y-o-y in the primary sector and 2.4% y-o-y in the secondary sector. Fixed asset investment in the tertiary sector grew 10.2% y-o-y.

### Hong Kong, China's Industrial Production Index Rises in Q4 2017; Malaysia's Industrial Production Growth Accelerates in January

Hong Kong, China's Industrial Production Index for manufacturing rose 0.6% y-o-y in the fourth quarter (Q4) of 2017, following a 0.3% y-o-y rise in the previous quarter, mainly driven by increased output in the food, beverages, and tobacco industry. All other manufacturing industries recorded decreases in output over the same period. On a seasonally adjusted basis, the index declined 0.3% from the previous quarter. For full-year 2017, the index rose 0.4%, a reversal from the same rate of decline in the previous year.

Malaysia's industrial production grew slightly faster to 3.0% y-o-y in January versus 2.9% y-o-y in December, supported by growth in all production sectors. The mining sector's output rebounded to 1.5% y-o-y growth in January from a decline of 4.1% y-o-y in the prior month, backed by an increase in the production of crude oil and natural gas, while the electric sector's output grew 4.3% y-o-y after registering 3.9% y-o-y growth. On the other hand, while the manufacturing sector's growth remained positive, it slowed to 4.8% y-o-y in January from 5.3% y-o-y in December. On a month-on-month basis, however, Malaysia's industrial production declined 4.5% in January.

### Indonesia's Trade Deficit Narrows in February; Singapore's NODX Decline in February

Exports from Indonesia rose 11.8% y-o-y February after recording 8.6% y-o-y growth in January, imports grew 25.2% y-o-y versus 27.9% during the same period. The slower growth of exports compared with imports was due to the decline in palm oil exports to India, Indonesia's largest crude palm oil export destination, which may have been affected by India's recent import duty hike on crude palm oil imports. Imports of industrial materials, capital goods, and consumer goods all saw increases in February. Exports amounted to USD14.1 billion and imports amounted to USD14.2 billion, resulting in trade deficit of USD116 million in February, much lower than the USD756 million trade deficit in the previous month. It was the third consecutive month that Indonesia registered a trade deficit.

Singapore's non-oil domestic exports (NODX) fell 5.9% y-o-y in February, following 12.9% y-o-y growth in January, as both electronic and non-electronic products declined for the month. Electronic NODX contracted at a faster pace of 12.3% y-o-y in February versus 3.9% y-o-y in January. Non-electronic NODX declined 3.4% y-o-y in February, a reversal from the 20.7% y-o-y growth posted in the previous month. NODX to all of Singapore's top 10 markets fell in February except for NODX to the United States, Japan, and the Republic of Korea. The largest declines were NODX to the PRC; the European Union; and Taipei, China. On a seasonally adjusted month-on-month basis, Singapore's NODX declined 2.6% in February.

### Net Foreign Bond Investment in the Republic of Korea Picks Up in February

Foreign demand for the Republic of Korea's local currency bonds remained positive in February, with foreign investors buying a net KRW2,641 billion worth of listed bonds, slightly higher than the KRW2,322 billion recorded in January. By type of bond, net inflows into Korea Treasury Bonds amounted to KRW2,491 billion and net inflows into Monetary Stabilization Bonds issued by the Bank of Korea amounted to KRW149 billion. Cumulate bond inflows for the first 2 months of 2018 totaled KRW4,963 billion.

---

**Summary Text of News Articles**

---

**Growth in Hong Kong, China's Manufacturing Producer Price Index Slows in Q4 2017**

Growth in Hong Kong, China's Producer Price Index for manufacturing slowed to 3.5% y-o-y in Q4 2017 from 3.7% y-o-y in the previous quarter. The slowdown was due to decreases in the price indices for textiles and wearing apparel; and paper products, printing, and reproduction of recorded media; despite a 7.1% y-o-y increase of the price index for metals, computers, electronic and optical products, and machinery and equipment. For full-year 2017, the Producer Price Index for manufacturing rose 3.8%, up from 1.3% in the previous year.

**The PRC's Retail Sales Rise in January–February**

The PRC's retail sales rose 9.7% y-o-y in January–February, down from 10.2% y-o-y growth in December. The fastest growth came from rural areas, where retail sales gained 10.7% y-o-y. Retail sales in urban areas rose 9.6% y-o-y. Retail sales growth in January–February was slightly higher than in the same period in 2017 when it reached 9.5% y-o-y.

## 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	1.77	0.75		10.99	39.34
EU	-0.64	-0.10	-0.50		10.10
Japan	-0.16	-0.67		3.02	0.29
PRC	3.25	1.00		0.00	-58.00
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	-0.20
Malaysia	3.19	-0.20	-0.20		23.70
Philippines	2.98	0.12	-46.34		54.40
Singapore	1.57	0.00		0.00	-21.50
Thailand	1.22	0.00		0.00	0.00

Close of 16 March 2018

### 10-Year Selected LCY Government Bond Yields

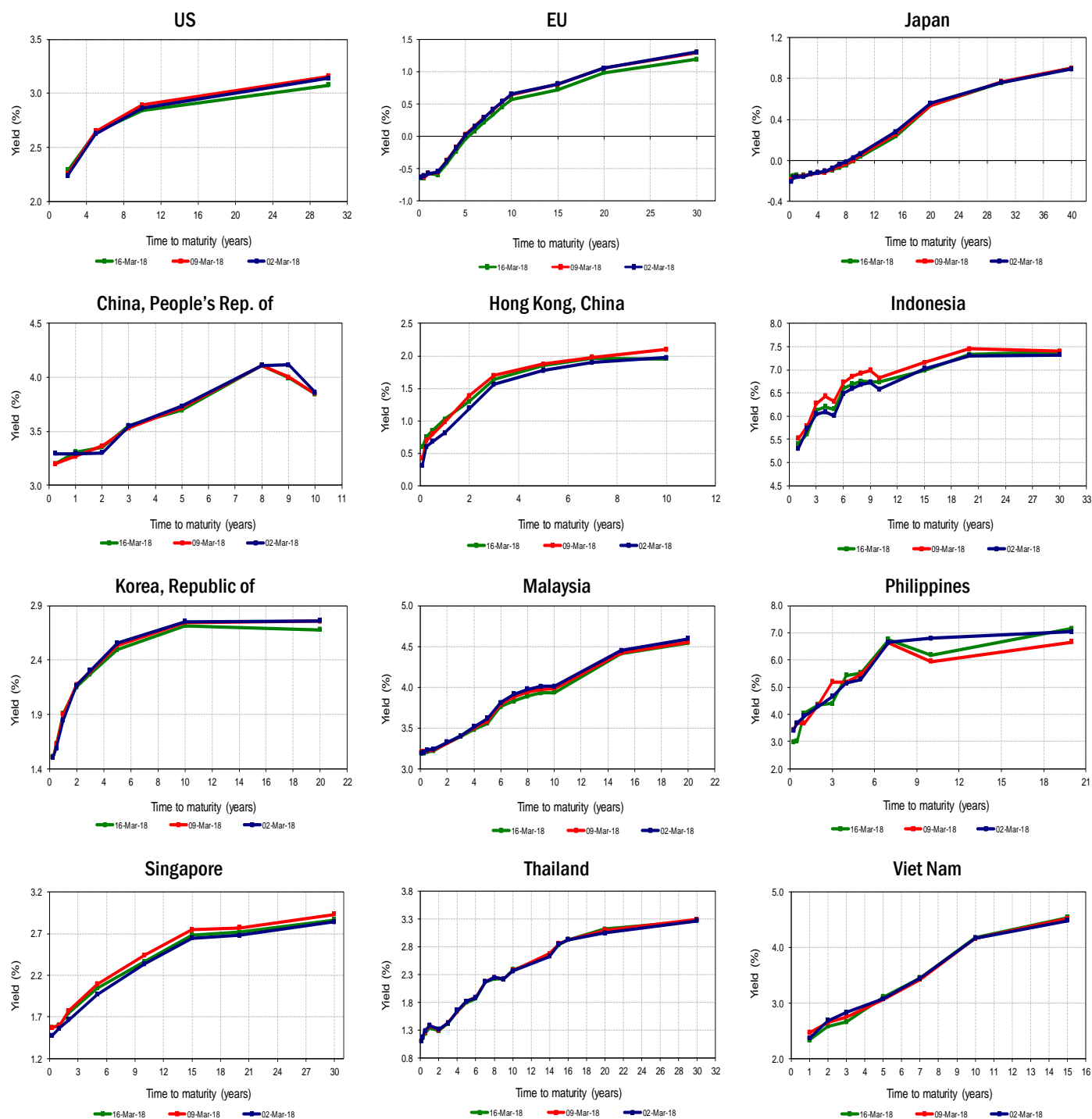
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.84	1.65	-4.93		43.91
EU	0.57	-0.50	-7.70		14.40
Japan	0.04	-0.80	-1.50		-1.00
PRC	3.95	0.00	-3.00		-7.00
Hong Kong, China	1.95	-1.80	-14.30		11.70
India	7.56	-7.00	-10.80		22.60
Indonesia	6.73	2.20	-9.40		41.30
Korea, Rep. of	2.72	0.80	-3.20		24.80
Malaysia	3.94	0.60	-4.80		2.20
Philippines	6.19	-12.02		24.75	48.79
Singapore	2.37	-0.15	-7.57		36.10
Thailand	2.39	0.70		2.00	6.40
Viet Nam	4.18	-0.50		2.00	-102.10

Close of 16 March 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

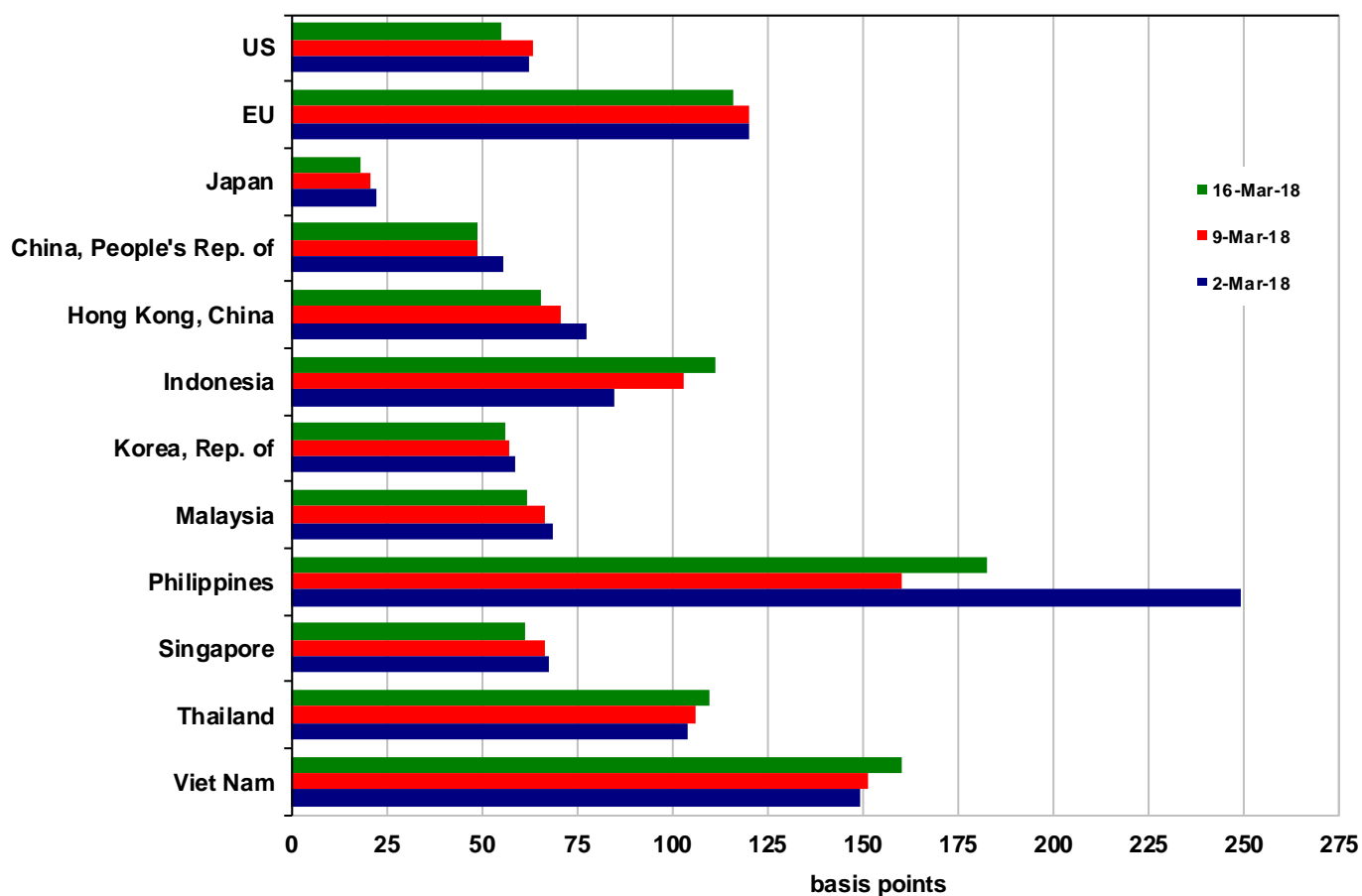


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

## 2- versus 10- Year Yield Spread Chart

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



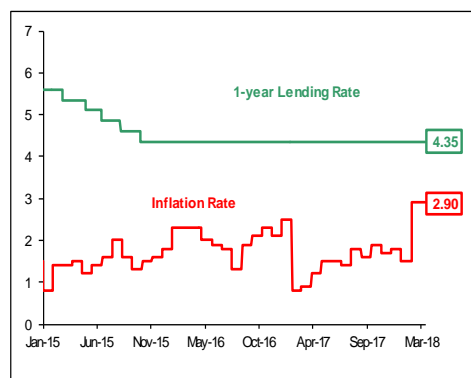
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

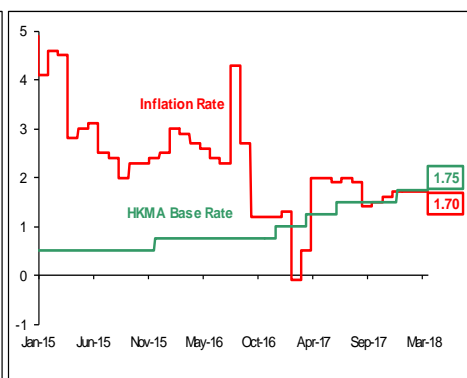
### China, People's Rep. of



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

Source: Bloomberg LP.

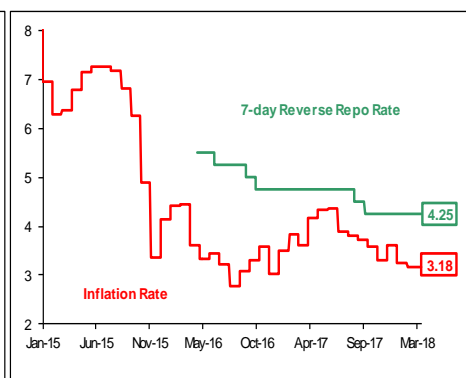
### Hong Kong, China



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

Source: Bloomberg LP.

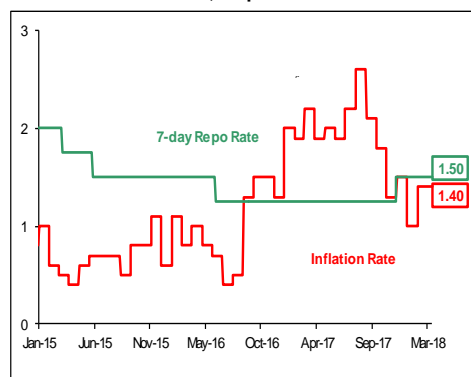
### Indonesia



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

Source: Bloomberg LP.

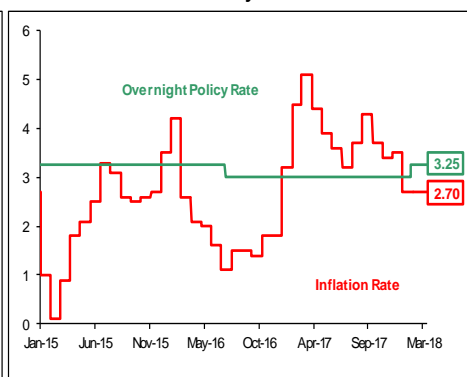
### Korea, Republic of



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.

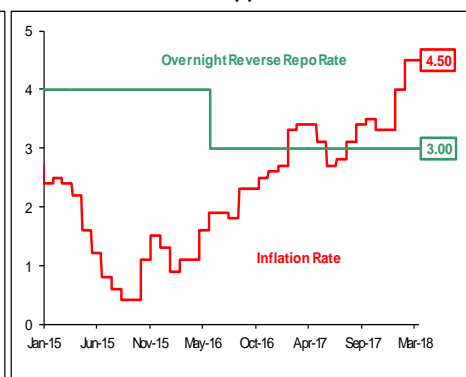
### Malaysia



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

Source: Bloomberg LP.

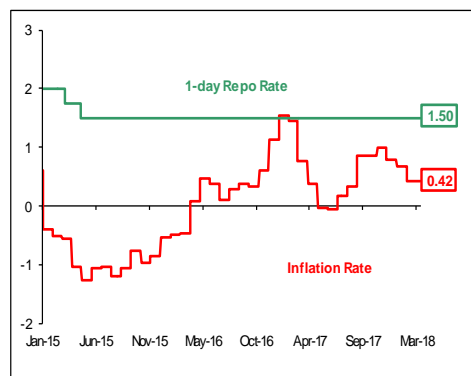
### Philippines



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

Source: Bloomberg LP.

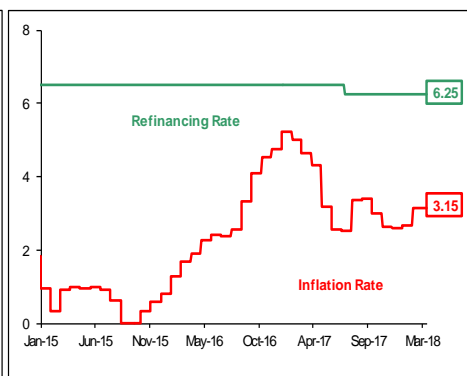
### Thailand



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



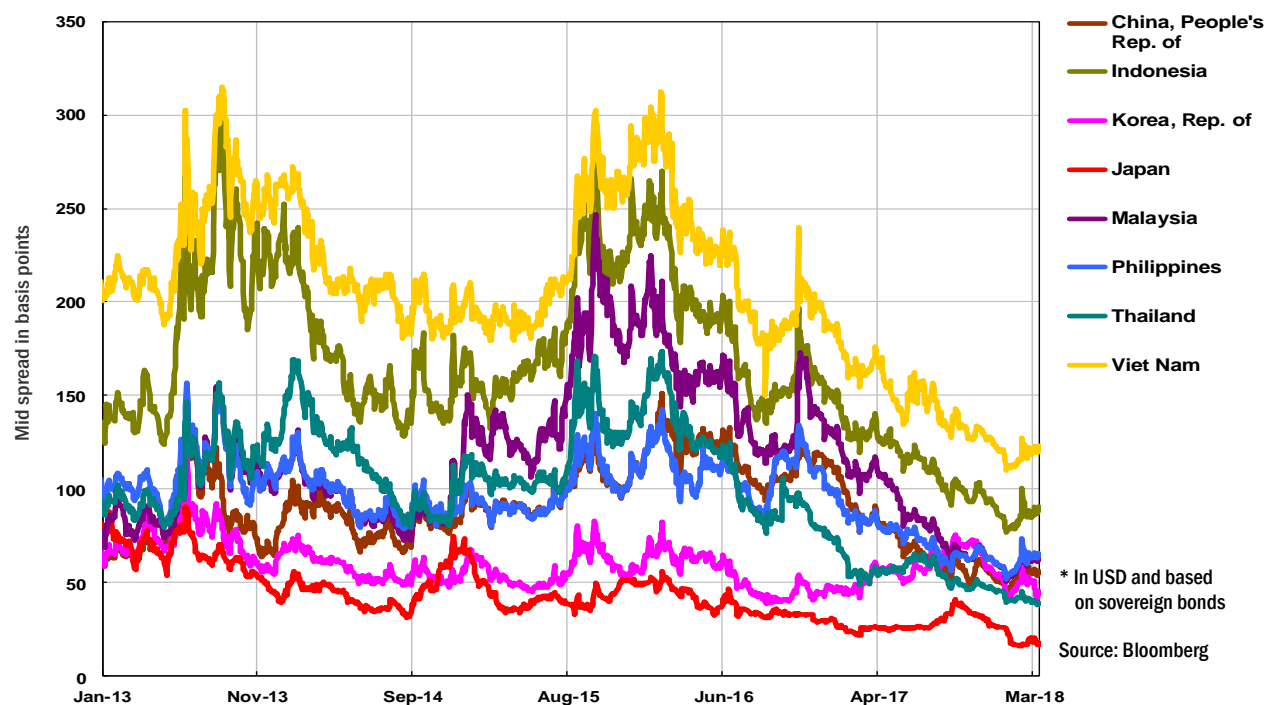
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

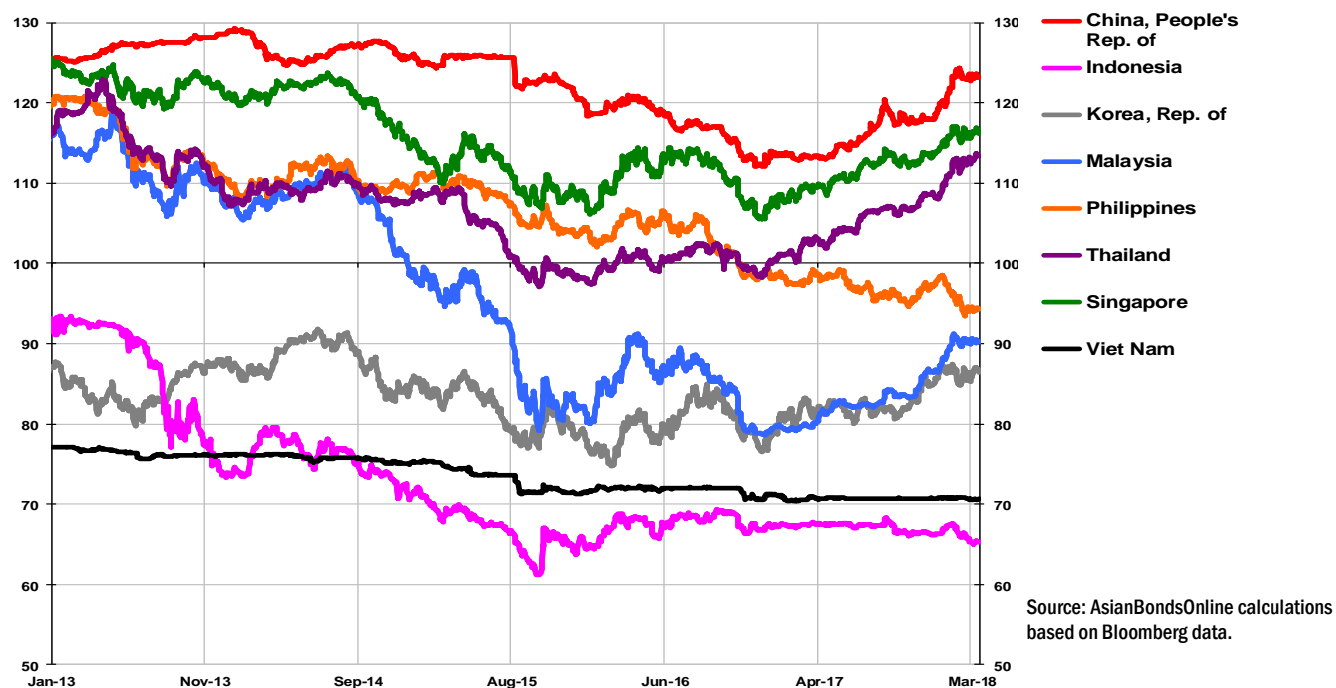
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (12 – 16 March 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	16-Mar	91-day Treasury Bill	3.04		10.00	10.00
		30-year Treasur Bond	4.22	4.22	20.00	20.00
HK	13-Mar	91-day Exchange Fund Bills	0.08		44.53	44.53
		182-day Exchange Fund Bills	0.85		14.00	14.00
ID	13-Mar	91-day Treasury Bills	4.20			5,000.00
		364-day Treasury Bills	5.03			5,000.00
		5-year Treasury Bonds	6.16	5.63	17,000.00	1,400.00
		10-year Treasury Bonds	6.75	6.13		7,800.00
		20-year Treasury Bonds	7.34	7.50		3,700.00
		30-year Treasury Bonds	7.38	7.38		550.00
JP	13-Mar	5-year Japanese Government Bonds	-0.11	0.10	2,200.00	2,199.30
	15-Mar	3-month Treasury Discount Bills	-0.15		4,400.00	4,369.98
		20-year Japanese Government Bonds	0.54	0.50	1,000.00	1,126.70
	16-Mar	1-year Treasury Discount Bills	-0.14		2,300.00	2,299.96
KR	12-Mar	5-year Korea Treasury Bonds	2.56	2.00	1.65	1.66
	15-Mar	50-year Korea Treasury Bonds	2.64	1.50	300.00	325.00
MY	13-Mar	7-year Malaysian Government Securities	3.88	3.88	3.00	3.00
	15-Mar	90-day Treasury Bills	3.13		1.00	1.00
PH	12-Mar	91-day Treasury Bill	3.02		9.00	7.77
		182-day Treasury Bill	3.17		6.00	3.52
		364-day Treasury Bill	3.31		5.00	1.89
SG	13-Mar	28-day MAS Bills	1.24		2.00	2.00
		84-day MAS Bills	1.10		5.30	5.30
TH	12-Mar	28-day Treasury Bills	1.06		15.00	15.00
	13-Mar	91-day Central Bank Bonds	1.06		30.00	30.00
		182-day Central Bank Bonds	1.21		30.00	30.00
		364-day Central Bank Bonds	1.34		60.00	65.31
	14-Mar	18.27-year Government Bonds	3.15	3.40	12.00	13.20
	15-Mar	1.94-year Central Bank Bonds	1.46	1.34	40.00	43.66
	16-Mar	14-day Central Bank Bonds	1.03		20.00	20.00
VN	15-Mar	15-year Treasury Bonds	4.40	4.40	2,000.00	50.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (20 – 26 March 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Korea, Republic of</b> <b>PPI</b> y-o-y, % FEB	03/20	01/17: 3.9% 02/17: 4.3% <b>12/17: 2.2%</b> <b>01/18: 1.2%</b>	The Republic of Korea's Producer Price Index (PPI) rose 1.2% year-on-year (y-o-y) in January, slower than the 2.2% y-o-y increase posted in December.
<b>Hong Kong, China</b> <b>CPI</b> y-o-y, % FEB	03/20	01/17: 1.3% 02/17: -0.1% <b>12/17: 1.7%</b> <b>01/18: 1.7%</b>	Hong Kong, China's Consumer Price Index (CPI) increased 1.7% y-o-y in January, the same as in December, which the government says may have been affected by the different timing in the Lunar New Year in 2018.
<b>Malaysia</b> <b>CPI</b> y-o-y, % FEB	03/21	01/17: 3.2% 02/17: 4.5% <b>12/17: 3.5%</b> <b>01/18: 2.7%</b>	Consumer price inflation in Malaysia slowed to 2.7% y-o-y in January from 3.5% y-o-y in December.
<b>Singapore</b> <b>CPI</b> y-o-y, % FEB	03/23	01/17: 0.6% 02/17: 0.7% <b>12/17: 0.4%</b> <b>01/18: 0.0%</b>	Consumer prices in Singapore were unchanged in January, following a 0.4% y-o-y increase in December.
<b>Japan</b> <b>CPI</b> y-o-y, % FEB	03/23	01/17: 0.4% 02/17: 0.3% <b>12/17: 1.0%</b> <b>01/18: 1.4%</b>	Consumer price inflation in Japan inched up to 1.4% y-o-y in January from 1.0% y-o-y in December.
<b>Viet Nam</b> <b>Trade Balance</b> USD million MAR	03/25-03/31	02/17: 1,154.0 03/17: -1,100.0 <b>01/18: -300.0</b> <b>02/18: 900.0</b>	Viet Nam reported a trade surplus of USD900 million in February, a reversal from January's USD300 million deficit.
<b>Viet Nam</b> <b>CPI</b> y-o-y, % MAR	03/25-03/31	02/17: 5.0% 03/17: 4.7% <b>01/18: 2.7%</b> <b>02/18: 3.2%</b>	Viet Nam's consumer prices rose 3.2% y-o-y in February after rising 2.7% y-o-y in January.
<b>Viet Nam</b> <b>GDP</b> y-o-y, % YTD MAR	03/25-03/31	Q4 2016: 6.2% Q1 2017: 5.0% <b>Q3 2017: 6.4%</b> <b>Q4 2018: 6.8%</b>	Viet Nam's gross domestic product (GDP) grew 6.8% y-o-y in full-year 2017, up from 6.4% y-o-y in the first 3 quarters of 2017.
<b>Viet Nam</b> <b>Exports</b> y-o-y, % YTD MAR	03/25-03/31	02/17: 15.4% 03/17: 12.8% <b>01/18: 33.1%</b> <b>02/18: 22.9%</b>	Viet Nam's exports grew 22.9% in January–February, down from 33.1% y-o-y in January.
<b>Viet Nam</b> <b>Imports</b> y-o-y, % YTD MAR	03/25-03/31	02/17: 19.6% 03/17: 22.4% <b>01/18: 47.4%</b> <b>02/18: 15.3%</b>	Viet Nam's imports grew 15.3% y-o-y in January–February, down from 47.4% y-o-y in January.

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)

### **The People's Republic of China's Industrial Production and Fixed-Asset Investment Growth Accelerate in January-February Period**

- [A Good Start for the National Economy in the First Two Months](#)  
National Bureau of Statistics of China (14 March 2018)

### **Hong Kong, China's Industrial Production Index Rise in Q4 2017; Malaysia's Industrial Production Grows Slightly Faster in January**

- [Quarterly Index of Industrial Production, 4th Quarter 2017](#)  
Census and Statistics Department (13 March 2018)
- [Index of Industrial Production, Malaysia January 2018](#)  
Department of Statistics Malaysia (13 March 2018)

### **Indonesia's Trade Deficit Narrows in February; Singapore's Non-oil Domestic Exports Decline in February**

- [February 2018 Exports Reached US \\$ 14.10 Billion](#)  
Badan Pusat Statistik (BPS-Statistics Indonesia) (15 March 2018)
- [Singapore's External Trade – February 2018](#)  
International Enterprise Singapore (16 March 2018)

### **Net Foreign Bond Investment in the Republic of Korea Rises Further in February**

- [Foreign Investors' Stock and Bond Investment, February 2018](#)  
Financial Supervisory Service (13 March 2018)

### **Hong Kong, China's Producer Production Index Slows in Q4 2017**

- [Quarterly Producer Price Index for Industrial Sector](#)  
Census and Statistics Department (13 March 2018)

### **The People's Republic of China's Retail Sales Rise in January-February**

- [A Good Start for the National Economy in the First Two Months](#)  
National Bureau of Statistics of China (14 March 2018)

Disclaimer: *AsianBondsOnline* Newsletter is available to users free of charge. ADB provides no warranty or undertaking of any kind with respect to the information and materials found on, or linked to, the *AsianBondsOnline* Newsletter. ADB accepts no responsibility for the accuracy of the material posted or linked to in the publication, or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any material or information so provided. Views expressed in articles marked with *AsianBondsOnline* are those of the authors and not ADB. This disclaimer does not derogate from, and is in addition to, the general terms and conditions regarding the use of the *AsianBondsOnline* website, which also apply.