

2 April 2018

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## Key Developments in Asian Local Currency Markets

**V**iet Nam's gross domestic product (GDP) grew 7.4% year-on-year (y-o-y) in the first quarter of 2018 versus full-year GDP growth of 6.8% in 2017, largely driven by gains in processing and manufacturing, and in agriculture, seafood, and forestry. The Republic of Korea's GDP growth in the fourth quarter of 2017 was revised downward to 2.8% y-o-y from an advance estimate of 3.0% y-o-y. This was also slower than the 3.8% y-o-y growth posted in the third quarter of 2017. The Republic of Korea posted 3.1% annual growth in full-year 2017.

Industrial production in Japan rose 4.1% month-on-month (m-o-m) in February, a reversal from the 6.8% m-o-m contraction posted in January. The Index of All-Industry Production in the Republic of Korea fell 0.8% y-o-y in February, following a 4.4% y-o-y increase in January, led by a contraction in industrial production as manufacturing decreased 7.2% y-o-y. Singapore's manufacturing output increased 8.9% y-o-y in February, slower than the 16.9% y-o-y growth posted in January, led by the electronics cluster, which grew 17.4% y-o-y.

The Bank of Thailand decided to keep its policy rate unchanged at 1.50% amid stronger economic growth, driven by continued expansion in merchandise exports and tourism, a gradual improvement in domestic demand, and inflation projected to rise at a slower pace than previously assessed.

Consumer price inflation in Viet Nam slowed to 2.7% y-o-y in March from 3.2% y-o-y in February due to a slower price increase in housing and construction materials, which rose 3.0% y-o-y in March versus 3.8% y-o-y in February.

Hong Kong, China registered a trade deficit of HKD42.7 billion in February as exports grew 1.7% y-o-y to reach HKD245.7 billion and imports fell 3.2% y-o-y to HKD288.5 billion. Combining January and February to offset the distortion effect caused by the timing of the Lunar New Year, exports expanded 10.7% y-o-y and imports expanded 10.5% y-o-y, leading to a trade deficit of HKD74.4 billion in January–February. Thailand, on the other hand, registered a trade surplus of USD2.3 billion in February as exports expanded 7.7% y-o-y, reaching USD19.8 billion, while imports expanded 21.8% y-o-y to USD17.5 billion. Viet Nam posted a trade surplus of USD1.3 billion in the first quarter of 2018 as exports grew 22.0%

### Asia Bond Monitor March 2018

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#### 10-Year Selected LCY Government Security Yields Close of 30 March 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.74	0.00	-7.46	33.35
EU	0.50	0.00	-3.00	7.00
Japan	0.05	0.90	2.50	0.10
PRC	3.80	-1.00	-4.00	-22.00
Hong Kong, China	1.99	0.00	-4.20	15.60
India	7.40	0.00	-15.80	6.20
Indonesia	6.68	0.00	-23.20	35.60
Korea, Rep. of	2.62	-1.60	-2.80	15.50
Malaysia	3.95	0.30	0.00	3.20
Philippines	6.00	0.00	2.63	30.14
Singapore	2.29	0.00	-6.82	28.96
Thailand	2.40	-0.80	-0.20	7.10
Viet Nam	4.26	-0.50	7.00	-94.60

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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

y-o-y to USD54.3 billion and imports grew 13.6% y-o-y to USD53.0 billion.

Thailand's current account registered a surplus of USD6.2 billion in February with trade registering a surplus of USD2.3 billion while the surplus in net services, primary income, and secondary income reached USD3.9 billion.

Last week, local currency government bond yields declined for most tenors in Hong Kong, China; Indonesia; and the Republic of Korea; and for all tenors in Singapore. Yields were up for most tenors in the Philippines and Thailand, and for all tenors in Viet Nam. Yield movements were mixed in the People's Republic of China and Malaysia. Meanwhile, 2-year versus 10-year government yield spread narrowed in Indonesia, the Republic of Korea, Malaysia, the Philippines, and Thailand; slightly widened in the People's Republic of China, Singapore, and Viet Nam; and was unchanged in Hong Kong, China.

## Summary Text of News Articles

### **Viet Nam's GDP Growth Accelerates in Q1 2018; The Republic of Korea's Revised GDP Growth in Q4 2017 Falls Short of Advance Estimate**

Viet Nam's gross domestic product (GDP) grew 7.4% year-on-year (y-o-y) in the first quarter (Q1) of 2018, up from full-year 2017 GDP growth of 6.8%. According to Viet Nam's General Statistics Office, GDP growth in Q1 2018 was largely driven by gains in processing and manufacturing, which grew 13.6%, and in agriculture, seafood, and forestry, which grew 4.1%.

Based on preliminary estimates from the Bank of Korea, the Republic of Korea's GDP growth in the fourth quarter (Q4) of 2017 was revised downward to 2.8% y-o-y from an advance estimate of 3.0% y-o-y, and slower than the 3.8% y-o-y growth posted in the third quarter of 2017. On a quarter-on-quarter (q-o-q) basis, the Republic of Korea's economy contracted 0.2% in Q4 2017, the same as the advance estimate. The Republic of Korea posted 3.1% annual growth in full-year 2017.

### **Industrial Production in Japan Rises in February; Index of All-Industry Production in the Republic of Korea Falls in February; Singapore's Manufacturing Output Rises in February**

Industrial production in Japan rose 4.1% month-on-month (m-o-m) in February, a reversal from the 6.8% m-o-m contraction posted in January, 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 electronic parts and devices. The shipments index and inventories index also rose 2.2% m-o-m and 0.9% m-o-m, respectively, while the inventory ratio fell 0.1% m-o-m. Compared with the same period in 2017, Japan's industrial production increased 1.4%.

The Index of All-Industry Production in the Republic of Korea fell 0.8% y-o-y in February, following a 4.4% y-o-y increase in January. The decline was led by a 6.4% y-o-y contraction in industrial production as manufacturing decreased 7.2% y-o-y. Meanwhile, the annual increases in construction, services, and public administration eased in February to 0.9% y-o-y, 2.2% y-o-y, and 0.9% y-o-y, respectively. On a m-o-m basis, the Republic of Korea's Index of All-Industry Production was unchanged in February.

Singapore's manufacturing output increased 8.9% y-o-y in February, slower than the 16.9% y-o-y growth posted in January. The electronics cluster, which accounts for 27.4% of the total manufacturing index, led the growth with a 17.4% y-o-y increase in February. All other industry clusters expanded in February except for general manufacturing industries, which contracted 6.3% y-o-y. Excluding the biomedical manufacturing cluster, growth in manufacturing output eased to 9.1% y-o-y in February from 19.6% y-o-y in January.

### **Bank of Thailand Maintains Policy Rate at 1.50% in February**

The Bank of Thailand's Monetary Policy Committee decided to keep its policy rate unchanged at 1.50% amid stronger economic growth driven by continued expansion in merchandise exports and tourism, and a gradual improvement in domestic demand, and inflation projected to rise at a slower pace than previously assessed. The committee viewed that overall financial conditions remained conducive to economic growth, with ample liquidity in the system and low government bond yields and real interest rates, and thus determined it would maintain the policy rate at its current level.

### **Consumer Price Inflation in Viet Nam Slows in March**

Consumer prices in Viet Nam rose 2.7% y-o-y in March after rising 3.2% y-o-y in February. The slower growth was due to slower price increases in housing and construction materials, which rose 3.0% y-o-y in March versus 3.8% in February. Food prices increased at nearly the same pace in March at 0.5% y-o-y versus 0.3% in February. The sector with the fastest increase in prices was medicines, which grew 22.0% y-o-y in March.

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

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**Summary Text of News Articles**

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**Hong Kong, China's Trade Deficit Widens in February;  
Thailand's Trade Surplus Widens in February;  
Viet Nam Posts Trade Surplus in Q1 2018**

Hong Kong, China's exports grew 1.7% y-o-y in February to reach HKD245.7 billion, decelerating from 18.1% y-o-y growth in January, while imports fell 3.2% y-o-y to HKD288.5 billion, a reversal from the 23.8% y-o-y rise in January. This led to a widening of the trade deficit to HKD42.7 billion in February from HKD31.9 billion in January. Combining January and February to balance the distortion effect caused by the difference in timing of the Lunar New Year, exports expanded 10.7% y-o-y and imports expanded 10.5% y-o-y, leading to a widening of the trade deficit to HKD74.4 billion from HKD68.6 billion over the same period in 2017.

Merchandise exports in Thailand expanded 7.7% y-o-y in February, following 16.7% y-o-y growth in January. Exports expanded to all major destinations and in most product groups, led by petroleum-related products as crude oil prices continued to increase. Imports expanded 21.8% y-o-y in February following a 22.5% y-o-y increase in January. Imports of raw and intermediate materials grew the most during the review period as imports in fuel expanded both in quantity and in value. Exports and imports reached USD19.8 billion and USD17.5 billion in February, respectively, resulting in a widening surplus of USD2.3 billion in February versus USD1.3 billion in January, but a narrowing of the trade surplus from USD4.0 billion in February 2017.

For Q1 2018, Viet Nam posted a trade surplus of USD1.3 billion. Viet Nam's trade surplus was driven by export growth of 22.0% y-o-y in Q1 2018 to reach USD54.3 billion, compared with growth of 22.9% y-o-y in January–February. Imports registered growth of 13.6% y-o-y in Q1 2018, compared with 15.3% y-o-y in January–February, to reach USD53.0 billion. Viet Nam's Q1 2018 trade surplus was largely driven by garments exports, which totaled USD6.3 billion, followed by exports of electronics at nearly the same value.

**Thailand Registers Current Account Surplus in February**

Thailand's current account registered a surplus of USD6.2 billion in February as the trade surplus totaled USD2.3 billion, while the surplus in net services, primary income, and secondary income reached USD3.9 billion. The current account surplus expanded both on a y-o-y basis from USD6.0 billion in February 2017 and a m-o-m basis from USD5.2 billion in January. The Bank of Thailand notes growth in the current account was supported by growth in exports and tourism.

## 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	1.70	0.00	-1.53		32.44
EU	-0.57	1.00		3.40	16.80
Japan	-0.16	1.09		1.81	0.59
PRC	3.18	0.00		0.00	-65.00
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		0.60	0.60
Malaysia	3.20	0.00		0.20	24.60
Philippines	3.07	0.00	-19.47		64.07
Singapore	1.63	0.00	-9.90		-16.10
Thailand	1.22	0.00		0.00	0.00

Close of 30 March 2018

### 10-Year Selected LCY Government Bond Yields

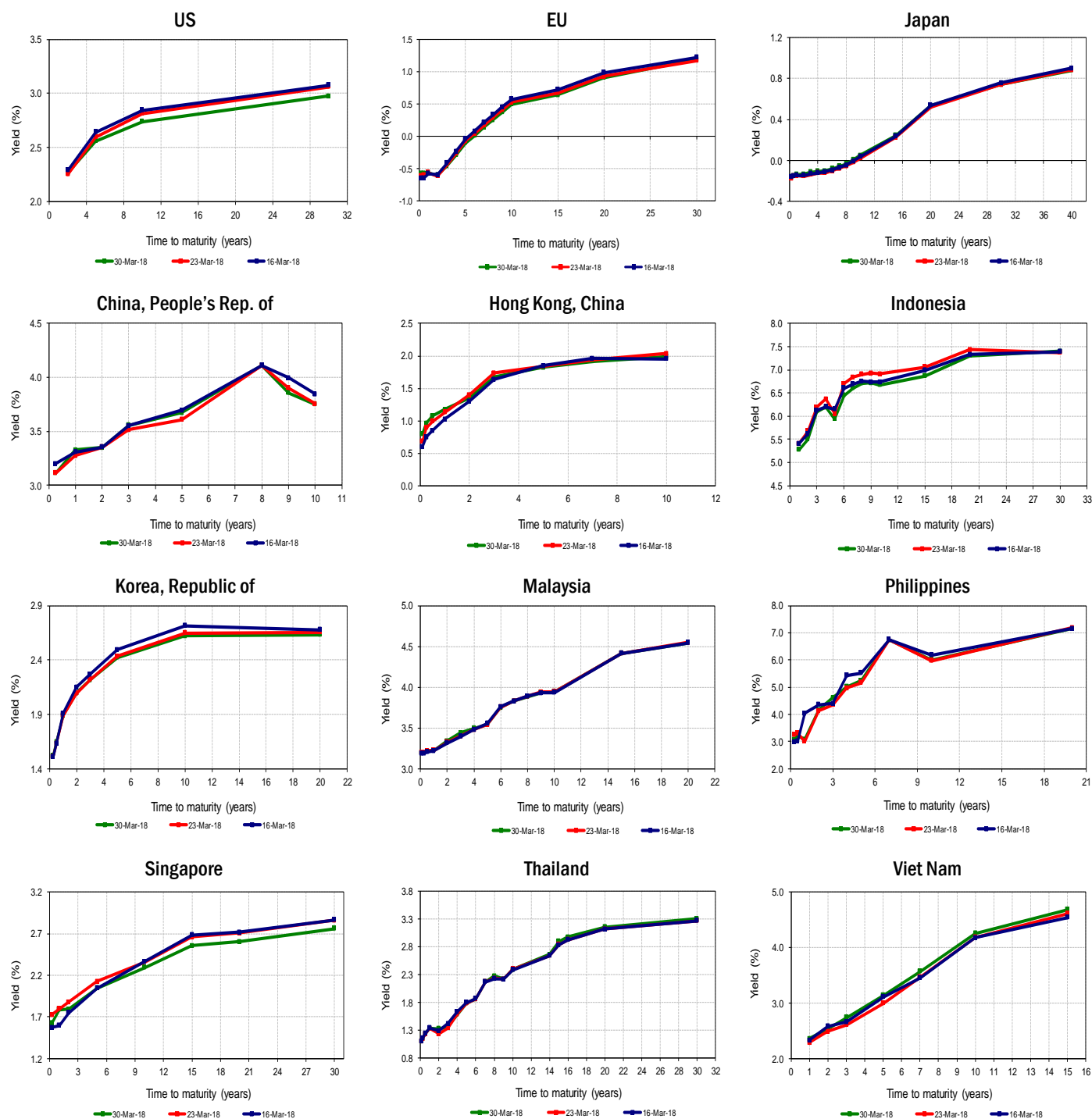
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.74	0.00	-7.46		33.35
EU	0.50	0.00	-3.00		7.00
Japan	0.05	0.90		2.50	0.10
PRC	3.80	-1.00	-4.00		-22.00
Hong Kong, China	1.99	0.00	-4.20		15.60
India	7.40	0.00	-15.80		6.20
Indonesia	6.68	0.00	-23.20		35.60
Korea, Rep. of	2.62	-1.60	-2.80		15.50
Malaysia	3.95	0.30		0.00	3.20
Philippines	6.00	0.00		2.63	30.14
Singapore	2.29	0.00	-6.82		28.96
Thailand	2.40	-0.80	-0.20		7.10
Viet Nam	4.26	-0.50		7.00	-94.60

Close of 30 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

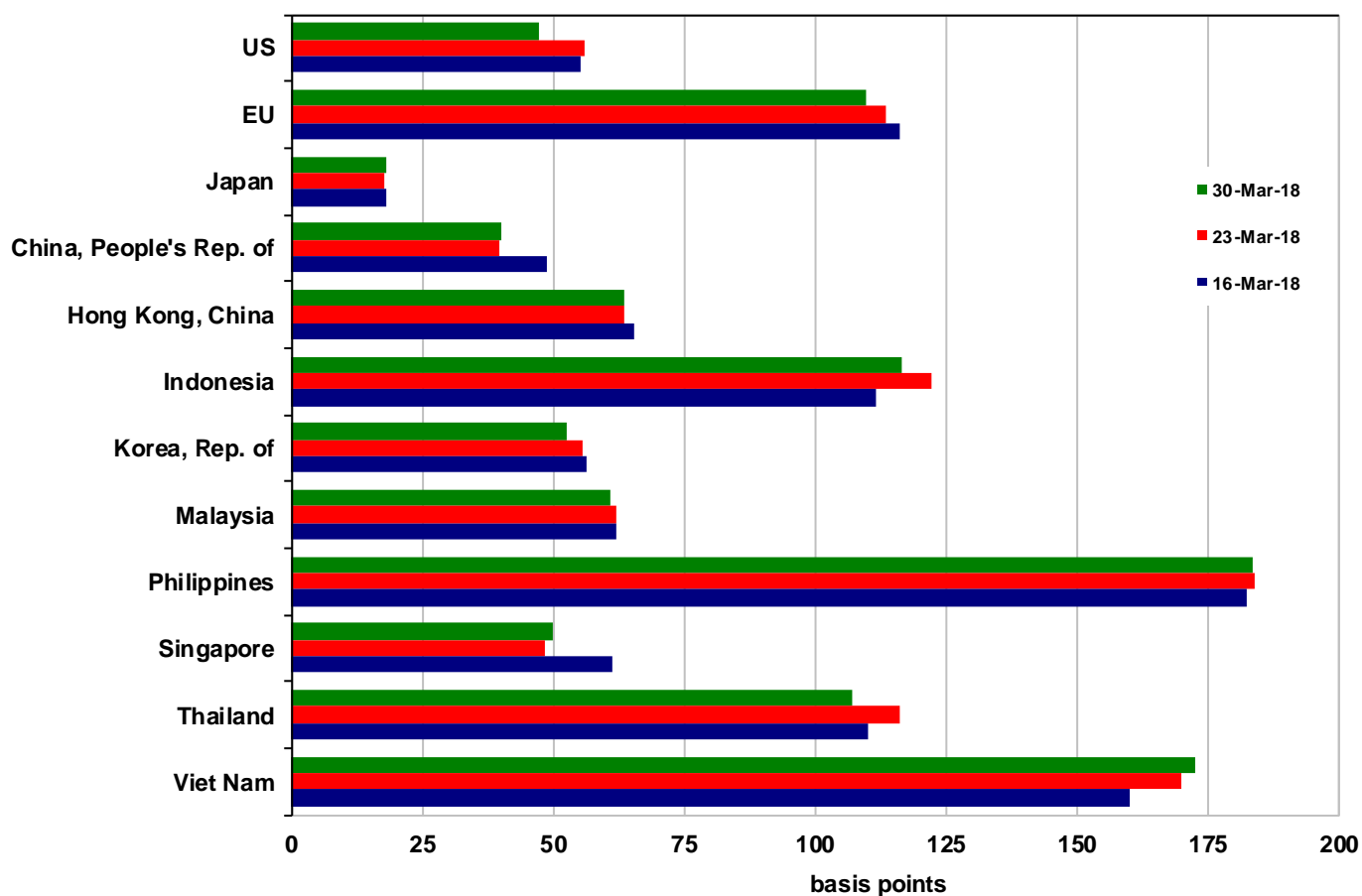


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

## 2- versus 10- Year Yield Spread Chart

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



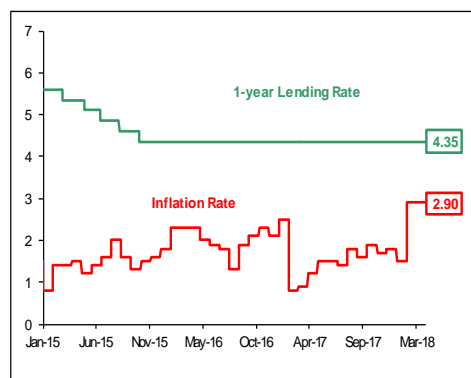
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

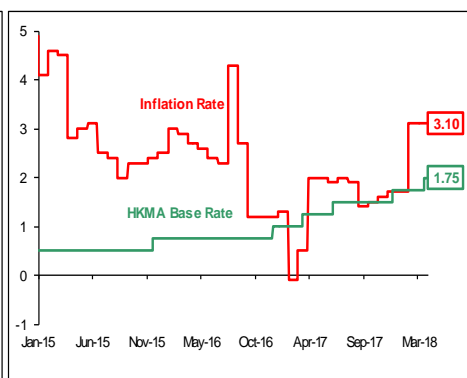
### China, People's Rep. of



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

Source: Bloomberg LP.

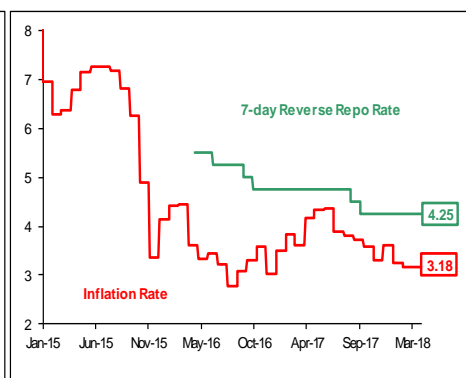
### Hong Kong, China



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

Source: Bloomberg LP.

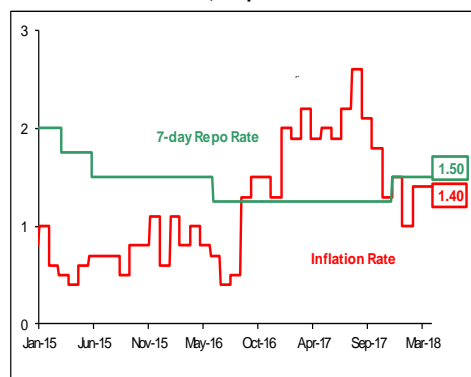
### Indonesia



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

Source: Bloomberg LP.

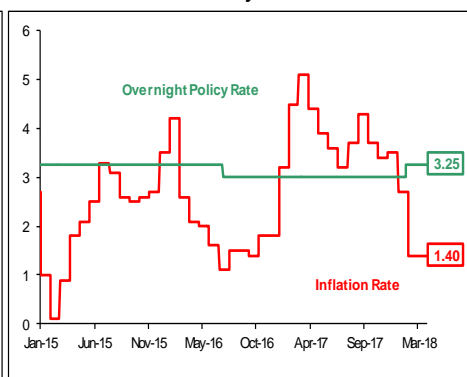
### Korea, Republic of



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.

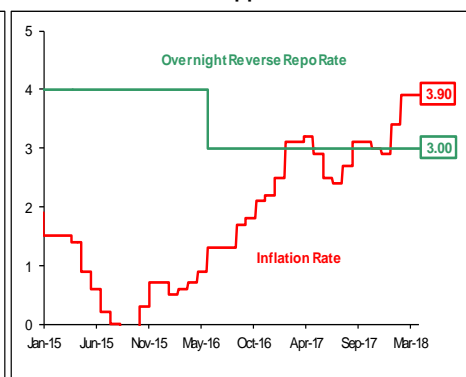
### Malaysia



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

Source: Bloomberg LP.

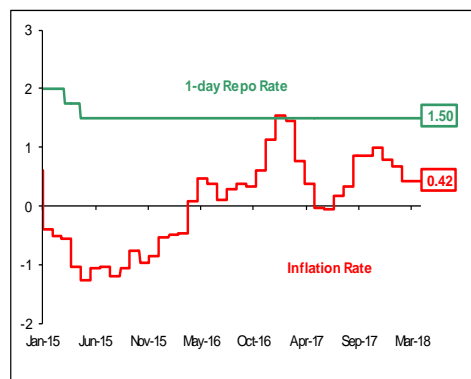
### Philippines



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

Source: Bloomberg LP.

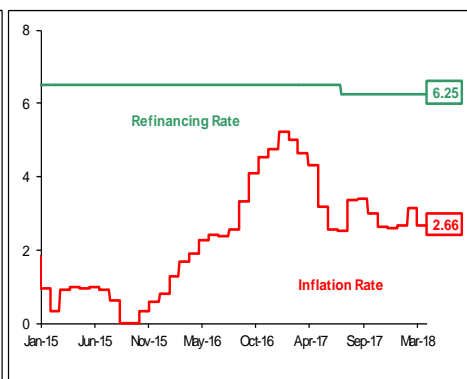
### Thailand



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



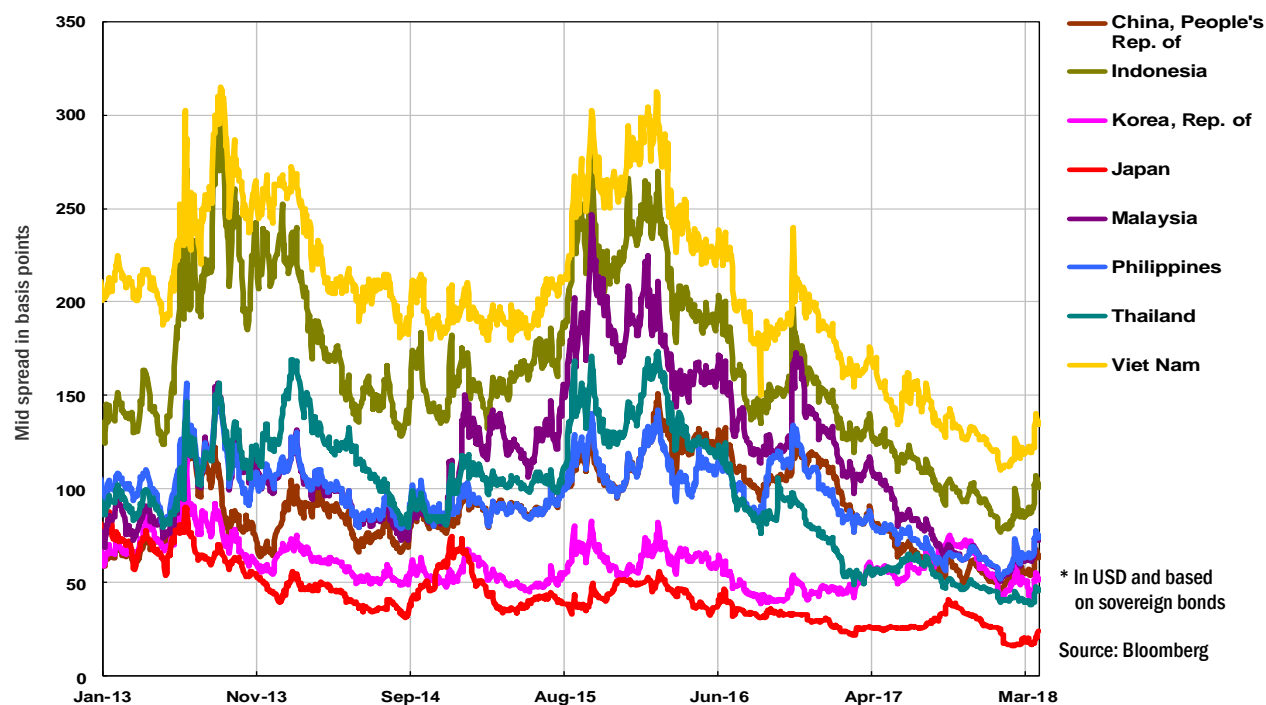
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

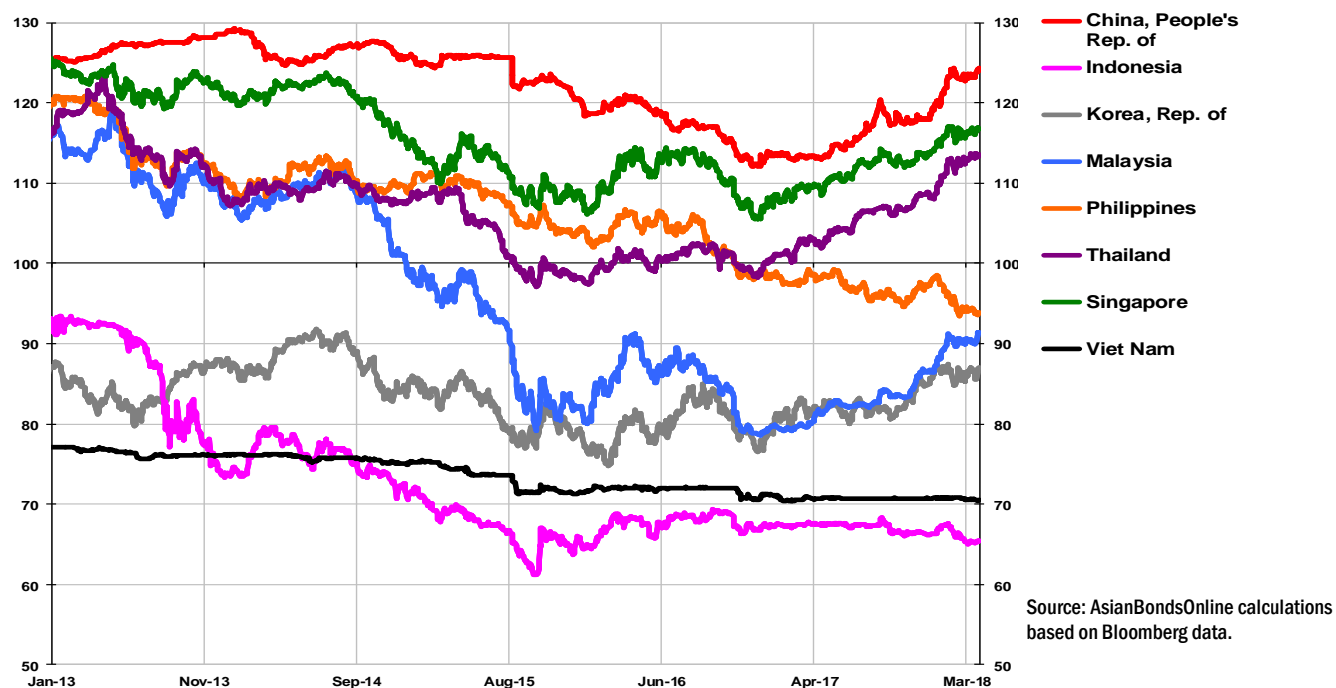
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (26 – 30 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	30-Mar	91-day Treasury Bill	2.92		10.00	10.00
HK	27-Mar	91-day Exchange Fund Bills	1.06		41.91	41.91
		182-day Exchange Fund Bills	1.08		11.00	11.00
ID	27-Mar	91-day Treasury Bills	4.15			5,000.00
		384-day Treasury Bills	5.05			4,050.00
		10-year Treasury Bonds	6.79	6.13	17,000.00	8,450.00
		20-year Treasury Bonds	7.39	7.50		3,200.00
JP	29-Mar	2-year Japanese Government Bonds	-0.14		2,100.00	2,099.90
KR	26-Mar	20-year Korea Treasury Bonds	2.66		750.00	750.00
MY	29-Mar	3-year Malaysian Government Securities	3.45	3.62	3.00	3.00
PH	26-Mar	91-day Treasury Bills	3.00		9.00	9.00
		182-day Treasury Bills	3.21		6.00	3.58
		364-day Treasury Bills	3.43		5.00	3.80
SG	27-Mar	25-day MAS Bills	1.04		1.60	1.60
		81-day MAS Bills	1.21		5.10	5.10
TH	26-Mar	28-day Treasury Bills	1.06		25.00	11.61
		364-day Treasury Bills	1.32		15.00	15.00
	27-Mar	91-day Central Bank Bonds	1.06		30.00	30.00
		182-day Central Bank Bonds	1.18		30.00	30.00
	30-Mar	14-day Central Bank Bonds	1.03		20.00	20.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (3 – 9 April 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>Consumer Price Index</b> y-o-y, % MAR	04/03	02/17: 1.9% 03/17: 2.2% <b>01/18: 1.0%</b> <b>02/18: 1.4%</b>	Consumer price inflation in the Republic of Korea rose to 1.4% year-on-year (y-o-y) in February from 1.0% y-o-y in January.
<b>Korea, Republic of</b> <b>Foreign Reserves</b> USD billion MAR	04/04	02/17: 374 03/17: 375 <b>01/18: 396</b> <b>02/18: 395</b>	The foreign reserves of the Republic of Korea fell slightly to USD395 billion in February from USD396 billion in January.
<b>Korea, Republic of</b> <b>Current Account</b> USD million FEB	04/05	01/17: 5,300 02/17: 8,182 <b>12/17: 4,092</b> <b>01/18: 2,680</b>	The Republic of Korea's current account surplus narrowed to USD2.7 billion in January from USD4.1 billion in December.
<b>Malaysia</b> <b>Exports</b> y-o-y, % FEB	04/05	01/17: 13.6% 02/17: 26.6% <b>12/17: 4.7%</b> <b>01/18: 17.9%</b>	Malaysia's export growth surged to 17.9% y-o-y in January from 4.7% y-o-y in December.
<b>Malaysia</b> <b>Trade Balance</b> MYR billion FEB	04/05	01/17: 4.7 02/17: 8.7 <b>12/17: 7.3</b> <b>01/18: 9.7</b>	Malaysia's trade surplus widened to MYR9.7 billion in January from MYR3.7 billion in December.
<b>Philippines</b> <b>Consumer Price Index</b> y-o-y, % MAR	04/05	02/17: 3.1% 03/17: 3.1% <b>01/18: 3.4%</b> <b>02/18: 3.9%</b>	Philippine consumer prices rose 3.9% y-o-y in February, after rising 3.4% y-o-y in January, due to the passage of a new tax law.
<b>Indonesia</b> <b>Foreign Reserves</b> USD billion MAR	04/06	02/17: 119.9 03/17: 121.8 <b>01/18: 132.0</b> <b>02/18: 128.1</b>	Indonesia's foreign reserves slid to USD128.1 billion in February from USD132.0 billion in January, largely due to the use of foreign exchange to repay government external debt and stabilize the Indonesian rupiah.
<b>Philippines</b> <b>Foreign Reserves</b> USD million MAR	04/06	02/17: 81,436 03/17: 80,894 <b>01/18: 81,224</b> <b>02/18: 80,432</b>	Foreign exchange reserves in the Philippines fell to USD80,432 billion in January from USD81,224 million February.
<b>Singapore</b> <b>Gross Domestic Product</b> y-o-y, % Q1 2018	04/06–04/13	Q4 2016: 3.7% Q1 2017: 2.5% <b>Q3 2017: 5.5%</b> <b>Q4 2017: 3.6%</b>	Singapore's economy grew 3.6% y-o-y in the fourth quarter of 2017, slower than the 5.5% y-o-y expansion recorded in the third quarter.
<b>China, People's Republic of</b> <b>Foreign Reserves</b> USD billion MAR	04/07	01/17: 2,988 02/17: 3,005 <b>01/18: 3,161</b> <b>02/18: 3,134</b>	The foreign reserves in the People's Republic of China slightly contracted to USD3,134 billion in February from USD3,161 billion in January.
<b>Hong Kong, China</b> <b>Foreign Reserves</b> USD billion MAR	04/09	02/17: 391 03/17: 396 <b>01/18: 442</b> <b>02/18: 444</b>	Hong Kong, China's foreign reserves climbed to USD444 billion in February from USD442 billion in January.
<b>Japan</b> <b>Current Account</b> JPY billion FEB	04/09	01/17: 95 02/17: 2,894 <b>12/17: 797</b> <b>01/18: 607</b>	Japan's current account surplus narrowed to JPY607 billion in January from JPY797 billion in December.
<b>Singapore</b> <b>Foreign Reserves</b> USD million MAR	04/09	02/17: 253,350 03/17: 259,638 <b>01/18: 282,385</b> <b>02/18: 282,784</b>	Singapore's foreign reserves reached USD282,784 million in February, expanding from USD282,385 million 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)

### **Viet Nam's GDP Growth Accelerates in First Quarter of 2018; The Republic of Korea's Revised GDP Growth for Fourth Quarter 2017 Lower Than Advance Estimate**

- [Vietnam's agriculture and manufacturing help drive Q1 GDP growth](#)  
Nikkei Asian Review (29 March 2019)
- [National Accounts in the Year 2017\(Preliminary\)](#)  
Bank of Korea (28 March 2018)

### **Industrial Production in Japan Rises in February; Index of All-Industry Production in the Republic of Korea Falls in February; Singapore's Manufacturing Output Rises in February**

- [Indices of Industrial Production](#)  
Ministry of Economy, Trade and Industry (30 March 2018)
- [Monthly Industrial Statistics, February 2018](#)  
Statistics Korea (30 March 2018)
- [Monthly Manufacturing Performance – February 2018](#)  
Singapore Economic Development Board (26 March 2018)

### **Bank of Thailand Maintains Policy Rate at 1.50%**

- [Monetary Policy Committee's Decision 2/2018](#)  
Bank of Thailand (28 March 2018)

### **Consumer Price Inflation in Viet Nam Slows in March**

- [Consumer price index, gold and USD price indexes, March 2018](#)  
General Statistics Office of Viet Nam (29 March 2018)
- [Consumer price index, gold and USD price indexes, February 2018](#)  
General Statistics Office of Viet Nam (1 March 2018)

### **Hong Kong, China's Trade Deficit Widens in February; Thailand's Trade Surplus Widens in February; Viet Nam Posts Trade Surplus in First Quarter of 2018**

- [External merchandise trade statistics for February 2018](#)  
Census and Statistics Department (27 March 2018)
- [Press Release on the Economic and Monetary Conditions for February 2018](#)  
Bank of Thailand (30 March 2018)
- [Vietnam posts trade surplus of US\\$1.3 billion in first quarter](#)  
Vietnam posts trade surplus of US\$1.3 billion in first quarter

### **Thailand's Current Account Registers Surplus in February**

- [Press Release on the Economic and Monetary Conditions for February 2018](#)  
Bank of Thailand (30 March 2018)

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