

9 April 2018

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Key Developments in Asian Local Currency Markets

Consumer price inflation in Indonesia rose to 3.4% year-on-year (y-o-y) in March from 3.2% y-o-y in February. The increase was largely driven by the accelerated rise in prices of food items of 4.2% y-o-y versus 3.4% y-o-y in the previous month. In the Philippines, inflation increased to 4.3% y-o-y in March from 3.8% y-o-y in February. Among all commodity divisions, alcoholic beverages and tobacco registered the largest increase of 18.6% y-o-y, with food and nonalcoholic beverages posting the second-highest gain at 5.9% y-o-y. Inflation in Thailand rose to 0.8% y-o-y in March from 0.4% y-o-y in the previous month. Consumer price inflation in the Republic of Korea eased slightly to 1.3% y-o-y in March from 1.4% y-o-y in February. The slower inflation was driven by the deceleration in the rise of food and nonalcoholic beverage prices to 1.5% y-o-y in March from 2.2% y-o-y in February.

Malaysia's exports and imports slightly decreased in February by 2.0% y-o-y to MYR70.3 billion and 2.8% y-o-y to MYR61.3 billion, respectively, following uninterrupted monthly increases since November 2016. Malaysia registered a trade surplus of MYR9.0 billion in February, down from MYR9.7 billion in the previous month.

The Republic of Korea's current account surplus widened to USD4.0 billion in February from USD2.7 billion in January. The goods account posted a surplus of USD6.0 billion in February, lower than the USD8.1 billion surplus registered in January, as exports declined faster than imports on a monthly basis. During the same period, the deficits in the services account and the secondary income account declined, while the primary income account surplus rose.

The Purchasing Managers Index (PMI) of Singapore increased to 53.0 in March from 52.7 in February. The manufacturing industry has expanded for 19th consecutive months. The main drivers of the expansion in March were new orders, new exports, output, and imports.

Hong Kong, China's retail sales rose 29.8% y-o-y in February, accelerating from a 4.2% y-o-y increase in January, as all retail outlet groups exhibited double-digit growth, led by clothing footwear and allied products, which grew 42.2% y-o-y. The value of retail sales reached USD45.2 billion in February from USD44.9 billion in January.

The Republic of Korea's official foreign reserves rose to USD396.8 billion in March from USD394.8 billion in February. The higher reserves were solely driven by the rise in deposits, as the value of securities held by the Republic of Korea declined in March. In Malaysia, gross international reserves rose to

Asia Bond Monitor March 2018

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10-Year Selected LCY Government Security Yields Close of 6 April 2018
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.77	-5.85		36.81
EU	0.50	-2.70		7.00
Japan	0.05	0.00	-0.30	-0.20
PRC	3.83	0.00		-19.00
Hong Kong, China	1.98	-0.60	-1.00	14.60
India	7.18	4.80	-22.40	-16.20
Indonesia	6.64	4.00	-4.00	31.60
Korea, Rep. of	2.60	-3.50	-2.00	13.50
Malaysia	3.95	0.10		3.60
Philippines	5.95	-76.61	-5.00	25.14
Singapore	2.38	2.23		37.26
Thailand	2.39	0.00	-0.50	6.60
Viet Nam	4.33	5.00		-87.90

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

USD107.8 billion at the end of March from USD103.7 billion in the previous month. In the Philippines, gross international reserves decreased to USD80.1 billion in March from USD80.4 billion in February. The main driver of the decline was the outflow from foreign exchange activities, which dipped 12.8% month-on-month from USD6.3 billion in February to USD5.5 billion in March.

Local currency government bond yields fell for most tenors in the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; and the Philippines. Yields rose for most tenors in Malaysia, Singapore, and Viet Nam. Meanwhile, yield movements were mixed in Thailand. Yield spreads between the 2-year and 10-year tenors narrowed for all markets in the region except in the Republic of Korea, Singapore and Viet Nam.

Summary Text of News Articles

Consumer Price Inflation Rises in Indonesia, the Philippines, and Thailand in March; Consumer Price Inflation Eases in the Republic of Korea in March

Indonesia's consumer price inflation rose to 3.4% year-on-year (y-o-y) in March from 3.2% y-o-y in February. The increase was largely driven by the accelerated rise in prices of food items of 4.2% y-o-y versus 3.4% y-o-y in the previous month. Other commodity items that showed upward price adjustments were clothing (4.1% y-o-y), healthcare (2.9% y-o-y), and transport (1.8% y-o-y). On the other hand, processed food, housing, and education showed price declines. Core inflation in March rose to 2.7% y-o-y from 2.6% y-o-y in the previous month. On a month-on-month (m-o-m) basis, Indonesia's inflation posted a 0.2% increase in March.

Consumer price inflation in the Philippines increased to 4.3% y-o-y in March from 3.8% y-o-y in February. The March 2018 inflation was also higher compared to the 3.1% y-o-y gain recorded in March 2017. Among all commodity divisions, alcoholic beverages and tobacco registered the largest increase of 18.6% y-o-y, with food and nonalcoholic beverages posting the second-highest gain at 5.9% y-o-y. The increase in prices of alcoholic beverages and tobacco can be attributed to the provisions of the recently implemented Tax Reform for Acceleration and Inclusion Law and the Sin Tax Reform Act of 2012, both of which heavily tax "sin" products such as alcoholic beverages and cigarettes. All commodity groups registered an increase in annual inflation rates, except for the transport division with an increase of 4.6% y-o-y versus 5.7% y-o-y in February.

Consumer price inflation in Thailand rose to 0.8% y-o-y in March from 0.4% y-o-y in the previous month. Food prices marginally rose 0.2% y-o-y in March, a reversal from the same rate of y-o-y decrease in February, driven by the continued price decreases in the food groups of meat, poultry, and fish; eggs and milk; and seasonings and condiments. All other food groups posted marginal y-o-y increases over the month. Meanwhile, nonfood prices rose 1.1% y-o-y in March following a 0.8% y-o-y increase in February, led by the 6.0% y-o-y growth in tobacco and alcoholic beverages. Meanwhile, core inflation was unchanged at 0.6% y-o-y in March from February. On a m-o-m basis, consumer prices declined 0.1% in March following a decrease of 0.2% m-o-m in February.

Consumer price inflation in the Republic of Korea eased slightly to 1.3% y-o-y in March from 1.4% y-o-y in February. The slower inflation was driven by the deceleration in the rise of food and nonalcoholic beverages prices to 1.5% y-o-y in March from 2.2% y-o-y in February. Other groups that posted lower y-o-y price increases include alcoholic beverages and tobacco, utilities, recreation and culture, and restaurant and hotels. On a month-on-month basis, consumer prices in the Republic of Korea declined 0.1% in March.

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 Philippines, refer to this link:

https://asianbondsonline.adb.org/philippines/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 Republic of Korea, refer to this link:

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

Malaysia's Exports and Imports Dip Slightly in February

Malaysia's exports and imports slightly decreased in February by 2.0% y-o-y to MYR70.3 billion and 2.8% y-o-y to MYR61.3 billion, respectively, following consecutive months of increases since November 2016. Exports of electrical and electronic products, which accounted for 35% of total exports, registered a decline of 0.1% y-o-y. Other export products that contributed to the decrease were palm oil and palm oil-based products, liquefied natural gas, timber and timber-based products, and natural rubber. Imports of intermediate products mainly contributed to the decrease, dropping 14.7% y-o-y. With a share of 53.5%, this offset the increases posted by capital and consumption goods. Malaysia registered a trade balance of MYR9.0 billion in February from MYR9.7 billion in the previous month.

Summary Text of News Articles

The Republic of Korea's Current Account Surplus Widens in February

The Republic of Korea's current account surplus widened to USD4.0 billion in February from USD2.7 billion in January. The higher surplus was due to lower deficits posted in the services and secondary income accounts, and the higher surplus registered in the primary income account, which together offset the decline in the goods account surplus. The goods account posted a surplus of USD6.0 billion in February, lower than the USD8.1 billion surplus registered in January, as exports declined faster than imports on a monthly basis. The services account deficit declined to USD2.7 billion from USD4.5 billion in January, and the secondary income account fell to USD0.6 billion from USD1.6 billion. Meanwhile, the primary income account posted a higher surplus of USD1.3 billion from USD0.7 billion during the same period.

Singapore's Purchasing Managers Index Expands in March

The Purchasing Managers Index of Singapore increased to 53.0 in March from 52.7 in February, higher than the 51.2 level recorded during the same month in 2017. The manufacturing industry expanded for the 19th consecutive month. The main drivers of the expansion were new orders, new exports, output, and imports. The electronics subsector also contributed to the expansion of the manufacturing industry, with its index increasing from 52.1 in February to 52.4 in March, driven primarily by electronics new orders and electronics new exports.

Hong Kong, China's Retail Sales Growth Accelerates in February

Hong Kong, China's retail sales rose 29.8% y-o-y in February, accelerating from a 4.2% y-o-y increase in January, as all retail outlet groups exhibited double-digit growth over the month, led by clothing footwear and allied products, which grew 42.2% y-o-y. The value of retail sales reached USD45.2 billion in February from USD44.9 billion in January. Combining January and February to balance the distortion effect caused by the timing of the Lunar New Year, the value of retail sales soared 15.7% y-o-y in January–February 2018, a reversal from the 3.2% y-o-y decline for the same period last year. The aggregate value of retail sales reached USD90.1 billion for the first 2 months of 2018. The government notes that the strong growth in retail sales was due to favorable job and income conditions as well as increased tourist arrivals.

International Reserves Rise in the Republic of Korea and Malaysia, Decline in the Philippines in March

The Republic of Korea's official foreign reserves rose to USD396.8 billion in March from USD394.8 billion in February. The higher reserves were solely driven by the rise in deposits to USD23.8 billion in March from USD19.7 billion in the previous month. Meanwhile, the value of foreign-currency-denominated securities held by the Republic of Korea fell to USD363.1 billion from USD365.2 billion during the same period.

Malaysia's gross international reserves rose to USD107.8 billion at the end of March from USD103.7 billion in the previous month. Foreign currency reserves increased to USD101.3 billion from USD97.1 billion in the previous month. The value of gold held by the central bank also rose to USD1.6 billion from USD1.5 billion. Malaysia's International Monetary Fund reserve position and special drawing rights were unchanged in March from February. Meanwhile, other reserve assets at the end of March fell to USD2.9 billion from USD3.1 billion in February. The reserves can finance 7.4 months of imports and are equivalent to 1.1 times Malaysia's short-term external debt.

The gross international reserves of the Philippines decreased to USD80.1 billion in March from USD80.4 billion in February. The main driver of the decline was the outflow of foreign exchange, which declined 12.8% m-o-m from USD6.3 billion in February to USD5.5 billion in March. This drop was not offset by marginal m-o-m increases in other components of the reserves, including foreign investments (USD64.2 billion to USD64.6 billion, 0.7%); gold (USD8.3 billion to USD8.4 billion, 0.8%); and the reserves position (USD0.430 billion to USD0.428 billion, 0.5%). The special drawing rights level remained steady at USD1.2 billion.

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	1.71	0.23	0.76		33.20
EU	-0.57	0.40	0.70		17.50
Japan	-0.14	0.04	1.51		2.10
PRC	3.17	0.00	-1.00		-66.00
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	0.00	-0.10		0.50
Malaysia	3.21	0.00	0.20		24.80
Philippines	3.13	0.47	5.47		69.54
Singapore	1.56	0.00	-7.10		-23.20
Thailand	1.22	0.00	0.00		0.00

Close of 6 April 2018

10-Year Selected LCY Government Bond Yields

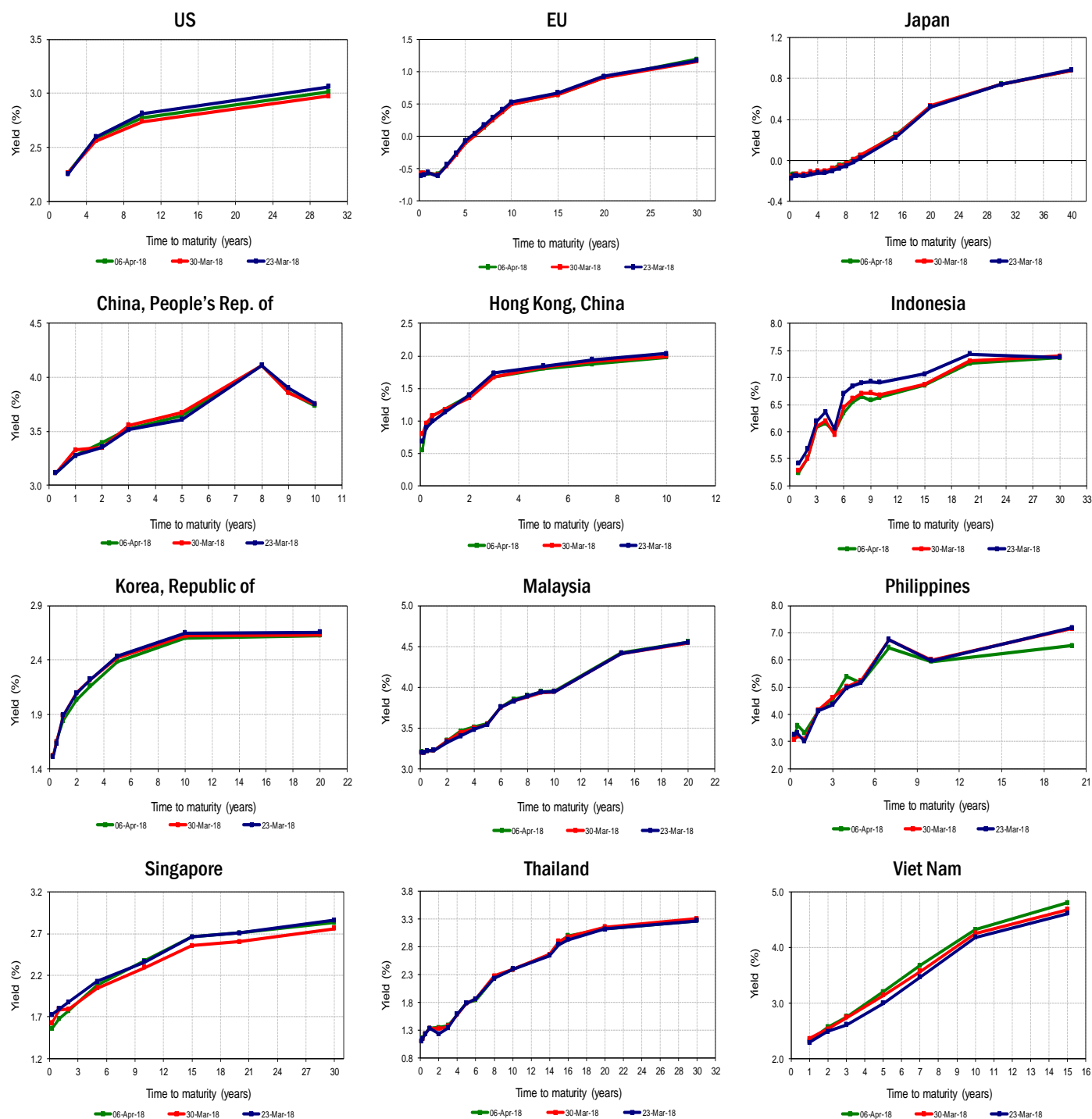
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.77	-5.85	3.46		36.81
EU	0.50	-2.70	0.00		7.00
Japan	0.05	0.00	-0.30		-0.20
PRC	3.83	0.00	3.00		-19.00
Hong Kong, China	1.98	-0.60	-1.00		14.60
India	7.18	4.80	-22.40		-16.20
Indonesia	6.64	4.00	-4.00		31.60
Korea, Rep. of	2.60	-3.50	-2.00		13.50
Malaysia	3.95	0.10	0.40		3.60
Philippines	5.95	-76.61	-5.00		25.14
Singapore	2.38	2.23	8.30		37.26
Thailand	2.39	0.00	-0.50		6.60
Viet Nam	4.33	5.00	6.70		-87.90

Close of 6 April 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

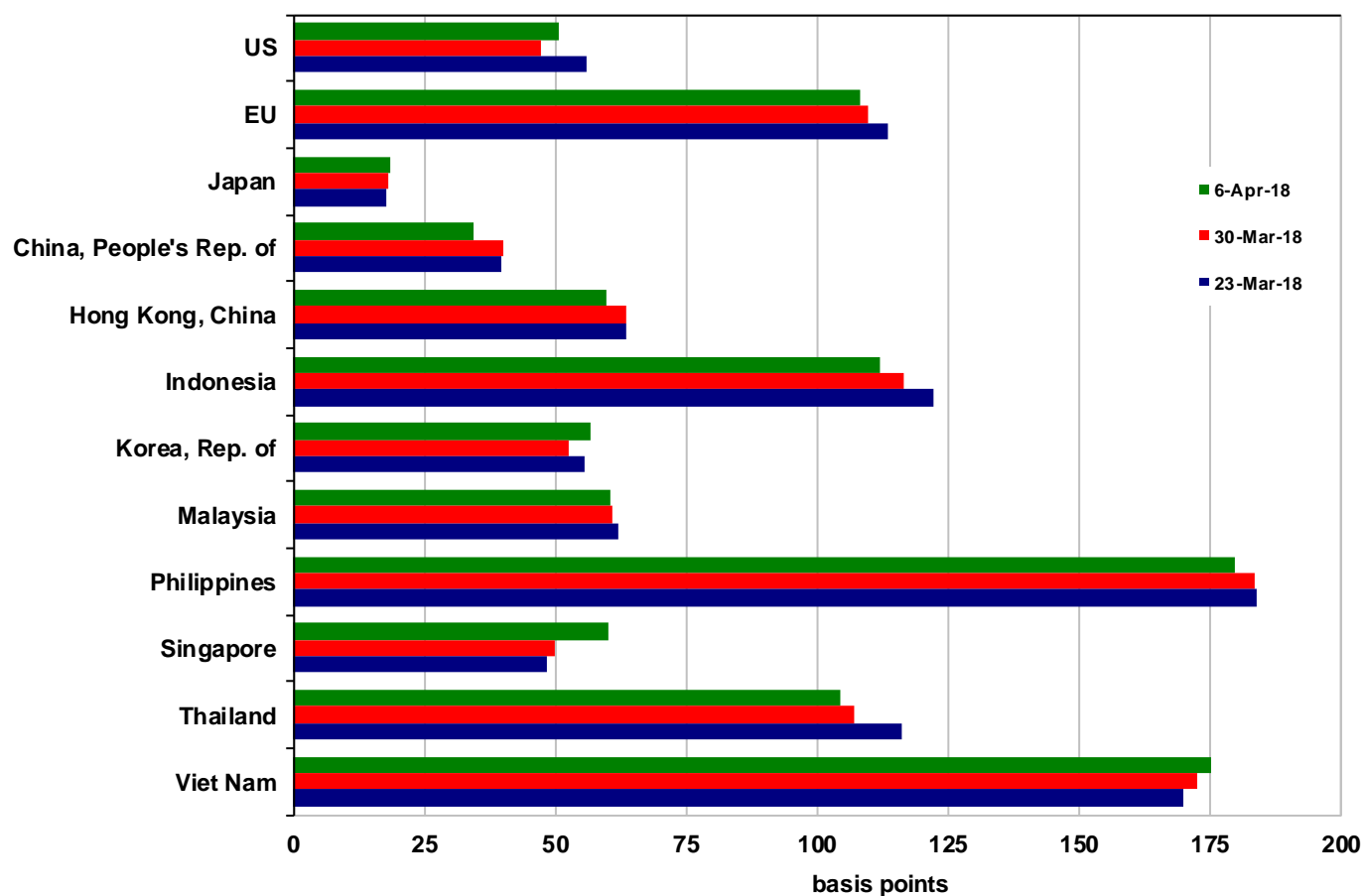


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



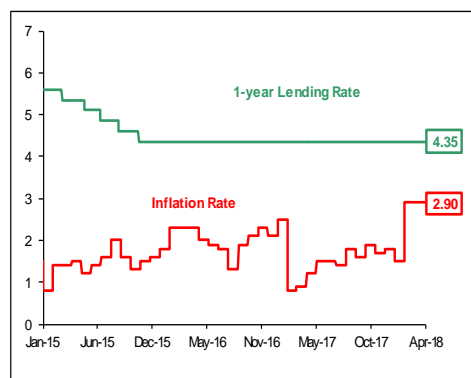
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

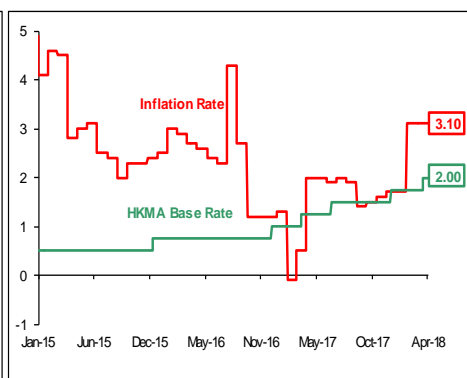
China, People's Rep. of



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

Source: Bloomberg LP.

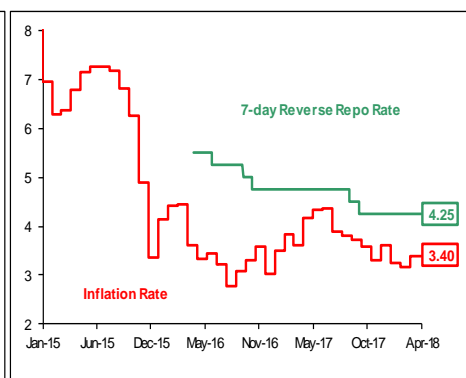
Hong Kong, China



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

Source: Bloomberg LP.

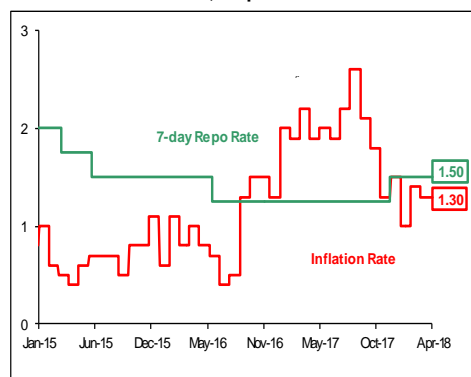
Indonesia



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

Source: Bloomberg LP.

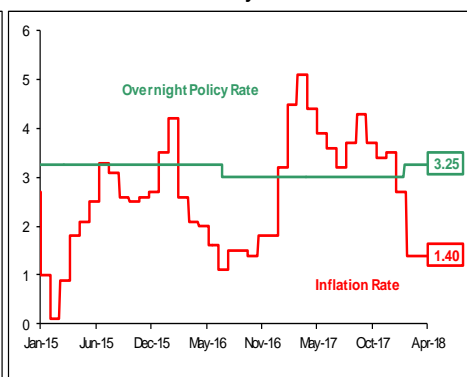
Korea, Republic of



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.

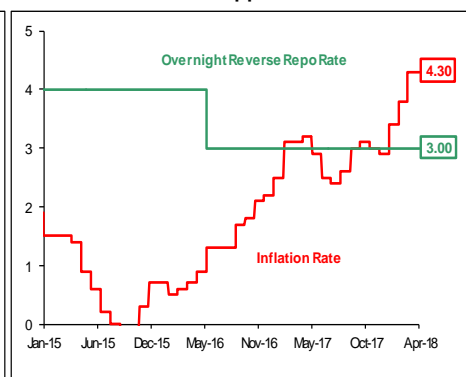
Malaysia



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

Source: Bloomberg LP.

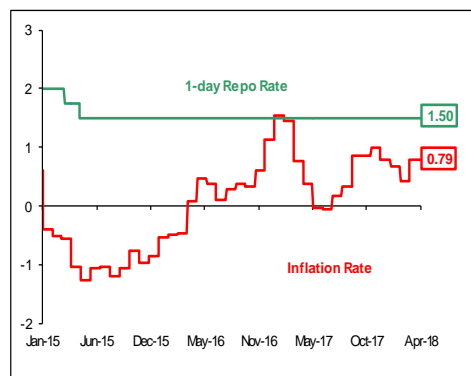
Philippines



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

Source: Bloomberg LP.

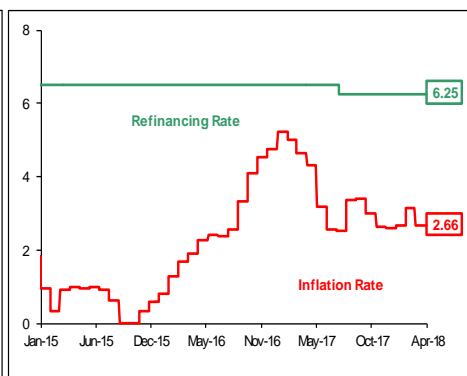
Thailand



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



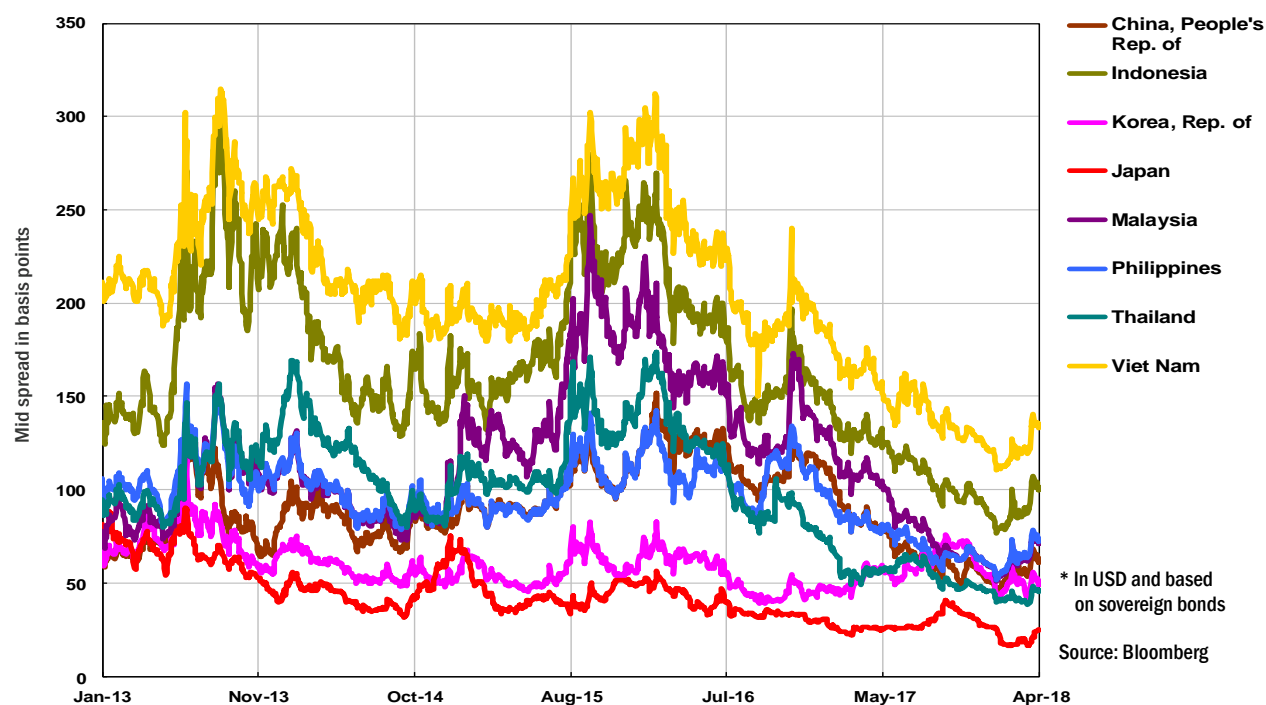
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

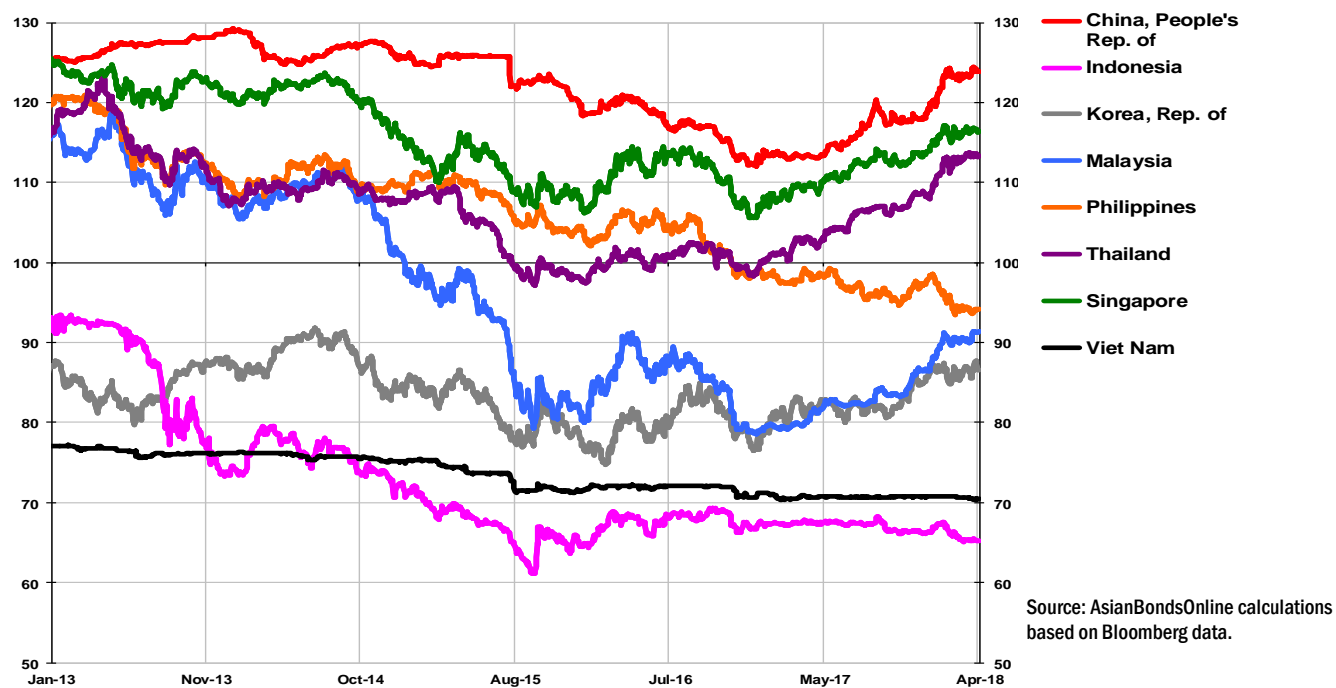
Credit Default Swap Spreads and Exchange Rate Indexes

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 (2 – 6 April 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)
HK	3-Apr	91-day Exchange Fund Bills	1.05		55.12	55.12
		182-day Exchange Fund Bills	1.10		15.00	15.00
ID	3-Apr	182-day Islamic Treasury Bills	4.29			2,400.00
		2-year Project-based <i>Sukuk</i>	6.06	6.25		1,560.00
		4-year Project-based <i>Sukuk</i>	6.39	5.45	8,000.00	600.00
		13-year Project-based <i>Sukuk</i>	7.36	8.88		690.00
		19-year Project-based <i>Sukuk</i>	7.67	6.10		316.86
		29-year Project-based <i>Sukuk</i>	7.80	8.00		1,220.00
JP	3-Apr	3-month Treasury Discount Bills	-0.14		4,400.00	4,349.94
		10-year Japanese Government Bonds	0.03	0.10	2,200.00	2,526.30
	5-Apr	3-month Treasury Discount Bills	-0.14		4,400.00	4,379.94
KR	2-Apr	91-day Monetary Stabilization Bonds	1.55		1,300.00	1,300.00
		3-year Korea Treasury Bonds	2.25	2.25	650.00	650.00
	3-Apr	30-year Korea Treasury Bonds	2.66	2.63	1,850.00	1,850.00
	4-Apr	2-year Monetary Stabilization Bonds	2.12		2,980.00	2,980.00
PH	2-Apr	91-day Treasury Bills	3.19		5.00	3.27
	3-Apr	3-year Treasury Bonds	4.63	4.25	10.00	10.00
SG	3-Apr	28-day MAS Bills	1.16		1.80	1.80
	3-Apr	84-day MAS Bills	1.05		5.70	5.70
	5-Apr	168-day MAS Bills	1.19		3.10	3.10
TH	3-Apr	182-day Central Bank Bonds	1.17		30.00	30.00
		343-day Central Bank Bonds	1.30		60.00	60.00
	5-Apr	14-day Central Bank Bonds	1.02		20.00	20.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (10 – 16 April 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Singapore GDP y-o-y, % Q1 2018	04/06 to 04/13	Q4 2016: 3.7% Q1 2017: 2.5% Q3 2017: 5.5% Q4 2017: 3.6%	Singapore's gross domestic product growth slowed to 3.6% year-on-year (y-o-y) in the fourth quarter (Q4) of 2017 from 5.5% y-o-y in the previous quarter, with the construction sector posting the greatest decline.
Philippines Trade Balance USD million FEB	04/10	01/17: -2,469 02/17: -1,768 12/17: -3,839 01/18: -3,317	The trade deficit of the Philippines decreased slightly to PHP3.3 billion in January from PHP3.8 billion in December.
Philippines Exports y-o-y, % FEB	04/10	01/17: 22.0% 02/17: 8.7% 12/17: 2.3% 01/18: 0.5%	Export growth in the Philippines plummeted from 2.3% y-o-y in December to 0.5% y-o-y in January.
China, People's Republic of Consumer Price Index y-o-y, % MAR	04/11	02/17: 0.8% 03/17: 0.9% 01/18: 1.5% 02/18: 2.9%	Consumer prices in the People's Republic of China rose 2.9% y-o-y in February, accelerating from 1.5% y-o-y in January, driven by the rise in food prices following the celebration of the Lunar New Year.
Malaysia Industrial Production y-o-y, % FEB	04/11	01/17: 3.3% 02/17: 4.6% 12/17: 2.9% 01/18: 3.0%	Industrial production growth in Malaysia slightly picked up in February to 3.0% y-o-y from 2.9% y-o-y in January.
Korea, Republic of 7-Day Repo Rate % 12 April	04/12	03/17: 1.25% 04/17: 1.25% 02/18: 1.50% 03/18: 1.50%	In its monetary policy meeting on 27 February, the Bank of Korea decided to maintain its policy rate at 1.50%.
China, People's Republic of Trade Balance USD billion MAR	04/13	02/17: -11.0 03/17: 22.5 01/18: 20.6 02/18: 33.8	The People's Republic of China posted a trade surplus of USD33.8 billion in February following a surplus of USD20.6 billion in January.
China, People's Republic of Exports USD y-o-y, % MAR	04/13	02/17: -2.4% 03/17: 15.4% 01/18: 11.2% 02/18: 44.5%	The People's Republic of China's exports rose 44.5% y-o-y in February, accelerating from 11.2% y-o-y growth in January.
Indonesia Exports y-o-y, % MAR	04/16	02/17: 11.5% 03/17: 24.3% 01/18: 8.6% 02/18: 11.8%	Indonesia's export growth accelerated to 11.8% y-o-y in February from 8.6% y-o-y in January.
Indonesia Trade Balance USD millions MAR	04/16	02/17: 1,259.5 03/17: 1,395.4 01/18: -756.0 02/18: -116.0	Indonesia's trade deficit narrowed in February to USD116 million from USD756 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)

Consumer Price Inflation Rises in Indonesia, the Philippines, and Thailand in March; Consumer Price Inflation Eases in the Republic of Korea in March

- [Inflation in March 2018 was 0.20 percent. The highest inflation occurred in Jayapura at 2.10 percent.](#)
Statistics Indonesia (2 April 2018)
- [Summary Inflation Report Consumer Price Index \(2012=100\): March 2018](#)
Philippine Statistics Authority (5 April 2018)
- [Consumer Price Index and Core Consumer Price Index, March 2018 and first quarter of year 2018](#)
Ministry of Commerce (2 April 2018)
- [Consumer Price Index in March 2018](#)
Statistics Korea (3 April 2018)

Malaysia's Exports and Imports Dip Slightly in February

- [Monthly External Trade Statistics February 2018](#)
Department of Statistics Malaysia (5 April 2018)

The Republic of Korea's Current Account Surplus Widens in February

- [Balance of Payments during February 2018 \(preliminary\)](#)
Bank of Korea (5 April 2018)

Singapore's Purchasing Managers Index Expands in March

- [Singapore manufacturing PMI has recorded its 19th month of consecutive expansion in March](#)
Singapore Institute of Purchasing and Materials Management (03 April 2018)

Hong Kong, China's Retail Sales Growth Accelerates in February

- [Provisional statistics of retail sales for February 2018](#)
Census and Statistics Department (3 April 2018)

International Reserves Rise in the Republic of Korea and Malaysia, Decline in the Philippines in March

- [Official Foreign Reserves \(March 2018\)](#)
Bank of Korea (4 April 2018)
- [International Reserves of Bank Negara Malaysia as at 30 March 2018](#)
Bank Negara Malaysia (6 April 2018)
- [End-March 2018 GIR Level Settles at US\\$80.1 Billion](#)
Bangko Sentral ng Pilipinas (6 April 2018)

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