

30 April 2018

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Key Developments in Asian Local Currency Markets

The Republic of Korea's real gross domestic product grew 2.8% year-on-year (y-o-y) in the first quarter of 2018, according to advanced estimates by the Bank of Korea, the same rate posted in the fourth quarter of 2017. By type of expenditure, gross fixed capital formation led the growth, gaining 4.7% y-o-y.

➤ Hong Kong's consumer prices rose 2.6% y-o-y in March, slower than the 3.1% y-o-y increase in February, but marginally faster than the average inflation rate of 2.3% y-o-y for January-February, which balances the distortion effect caused by the timing of the Lunar New Year. Singapore's consumer price inflation slowed to 0.2% y-o-y in March from 0.5% y-o-y in February. Core inflation eased as well to 1.5% y-o-y in March from 1.7% y-o-y in the previous month, but is expected to gradually rise over the year.

➤ At its monetary policy meeting, the Bank of Japan announced that it would continue its "qualitative and quantitative monetary easing with yield curve control" program. The central bank stated that the economy is expected to grow above its potential for fiscal year 2018, supported by accommodative financial conditions, government spending, and growth in overseas economies.

➤ Industrial production in Japan rose 1.2% month-on-month in March following a 2.0% month-on-month increase posted in February, based on preliminary data from the Ministry of Economy, Trade and Industry. Manufacturing output in Singapore increased 5.9% y-o-y.

➤ Hong Kong, China's merchandise exports rose 8.0% y-o-y in March to reach HKD347.7 billion, accelerating from the 1.7% y-o-y recorded growth in February. Y-o-y increases were recorded in exports of most machinery-related commodities led by power generating machinery and equipment, while y-o-y declines were recorded in exports of most non-machinery commodities led by nonmetallic mineral manufactures.

➤ Hong Kong, China's trade deficit widened to HKD55.5 billion in March from HKD42.3 billion over the same period a year earlier, and from HKD42.7 billion in February, as imports grew 10.7% y-o-y in March, a reversal from the 3.2%

Asia Bond Monitor March 2018

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10-Year Selected LCY Government Security Yields Close of 27 April 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.96	-2.41	-0.34	55.14
EU	0.57	-2.20	-1.90	14.40
Japan	0.06	-0.50	-0.50	0.70
PRC	3.74	1.00	8.00	-28.00
Hong Kong, China	2.22	-4.80	4.40	38.10
India	7.77	1.10	4.90	43.00
Indonesia	6.98	-11.80	17.60	65.70
Korea, Rep. of	2.70	-4.50	3.00	22.80
Malaysia	4.14	-4.40	8.40	22.70
Philippines	6.21	-8.80	-3.52	50.66
Singapore	2.54	-2.46	5.28	53.55
Thailand	2.44	-1.50	4.60	12.00
Viet Nam	4.66	18.30	20.00	-54.10

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

y-o-y decline recorded in February, and exports grew 8.0% y-o-y in March.

➤ In March, the Government of the Philippines collected revenues of PHP202 billion while spending PHP313 billion. Both revenues and expenditures were higher compared to February's PHP179 billion and PHP240 billion, respectively. For the second straight month, disbursements outpaced revenues, resulting in a budget deficit of PHP111 billion in February.

➤ Standard and Poor's Global Ratings maintained the Philippines' sovereign credit rating at BBB, while raising its outlook from stable to positive. Standard and Poor's view is that improvements in policy making could support more sustainable public finances and balanced growth over the next 24 months.

➤ Local currency government bond yields rose for all tenors in Hong Kong, China; Indonesia; Malaysia; Singapore; and Viet Nam; while most yields rose for the People's Republic of China, the Republic of Korea, Thailand and the Philippines. Yield spreads between the 2-year and 10-year tenors decreased for all except for the People's Republic of China; Hong Kong, China; Republic of Korea; and Singapore.

Summary Text of News Articles

The Republic of Korea Posts 2.8% y-o-y GDP Growth in Q1 2018

The Republic of Korea's real gross domestic product grew 2.8% year-on-year (y-o-y) in the first quarter (Q1) of 2018, according to the advanced estimates by the Bank of Korea, the same growth posted in the fourth quarter (Q4) of 2017. By type of expenditure, gross fixed capital formation led the growth, rising 4.7% y-o-y in Q1 2018. However, this was slower than the 5.0% y-o-y growth posted in Q4 2017. Final consumption expenditure and exports improved in Q1 2018. Final consumption expenditure posted a higher annual increase of 4.0% in Q1 2018 versus 3.5% in Q4 2017; exports rebounded in Q1 2018, registering growth of 1.6% y-o-y, a reversal from the 0.6% y-o-y contraction posted in Q4 2017. By sector, agriculture, manufacturing, and services posted higher y-o-y growth in Q1 2018 compared to the previous quarter; construction posted slower growth while electricity, gas, and water supply contracted in Q1 2018. On a quarter-on-quarter basis, the Republic of Korea's economy expanded 1.1% in Q1 2018, reversing the 0.2% quarter-on-quarter contraction posted in Q4 2017.

Consumer Price Inflation Eases in Hong Kong, China and Singapore in March

Hong Kong's consumer prices rose 2.6% y-o-y in March, slower than the 3.1% y-o-y increase in February, but marginally faster the average inflation rate of 2.3% y-o-y for January–February, which balances the distortion effect caused by the timing of the Lunar New Year. Discounting the effect of the government's one-off relief measures, consumer prices rose 2.6% y-o-y in March, down from 3.1% y-o-y in February. Y-o-y increases were recorded for all components of the Consumer Price Index in March except durable goods, which declined 2.1% y-o-y. The government noted that the slightly faster increase in March, compared with the previous 2-month average, was mainly due to a surge in charges for package tours with the early arrival of the Easter holiday along with an increase in prices of basic foodstuffs.

Singapore's consumer price inflation slowed to 0.2% y-o-y in March from 0.5% y-o-y in February. The education sector posted the highest rise at 3.0% y-o-y, owing to price increases in tuition and other fees. The Monetary Authority of Singapore and the Ministry of Trade and Industry project that food commodity prices, faster wage growth, and strengthening domestic demand will push prices up in the coming months. On the other hand, the housing and utilities sector declined 2.0% y-o-y due to decreases in accommodation prices. Deflation was observed in the transport and communication sectors as well. The cost of private road transport fell due to lower car prices following a decline in certificate of entitlement premiums. Core inflation eased to 1.5% y-o-y in March from 1.7% y-o-y in the previous month, but is expected to gradually rise over the year.

For inflation rate trends in Hong Kong, China, refer to this link:

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

BOJ Maintains Monetary Policy Easing Measures

At its monetary policy meeting on 26–27 April, the Bank of Japan (BOJ) announced that it would continue its “qualitative and quantitative monetary easing with yield curve control” program. The BOJ stated that the economy is expected to grow above its potential in fiscal year 2018, supported by accommodative financial conditions, government spending, and growth in overseas economies. Inflation is also expected to continue to rise toward the 2% target level. Risks to the outlook for economic growth are generally balanced, but are more skewed to the downside for inflation. The BOJ's median forecast for economic growth in fiscal year 2018 was revised upward to 1.6% y-o-y from the 1.4% y-o-y forecast made in January, and to 0.8% y-o-y for fiscal year 2019 from the previous forecast of 0.7% y-o-y. The median forecast for fiscal year 2018 inflation was revised downward to 1.3% y-o-y from the 1.4% y-o-y forecast made in January. For fiscal year 2019, the inflation forecast was retained but the upper side of the range was revised downward.

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

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

Summary Text of News Articles

Industrial Production Rises in Japan in March; Singapore's Manufacturing Output Grew in March

Industrial production in Japan rose 1.2% month-on-month (m-o-m) in March following a 2.0% m-o-m increase in February, based on preliminary data from the Ministry of Economy, Trade and Industry. The industries that contributed to the increase include electronic parts and devices, chemicals (excluding drugs), and transport equipment. The inventories index and inventory ratio also rose 3.5% m-o-m and 3.2% m-o-m, respectively, while the shipments index fell 0.2% m-o-m. Compared to the same period a year earlier, Japan's industrial production rose 2.2%.

Manufacturing output in Singapore increased 5.9% y-o-y. Output grew 8.6% y-o-y when biomedical manufacturing is excluded. On a seasonally adjusted basis, manufacturing output increased 0.3% m-o-m. However, excluding biomedical manufacturing, seasonally adjusted output fell 4.3% m-o-m. Biomedical and general manufacturing decreased 5.4% y-o-y and 0.6% y-o-y, respectively. On the other hand, electronics and precision engineering posted double-digit growth at 12.4% y-o-y and 10.5% y-o-y, respectively. Chemicals and transport engineering grew as well at 8.2% y-o-y and 3.5% y-o-y, respectively.

Hong Kong, China's Exports Accelerate in March

Hong Kong, China's merchandise exports rose 8.0% y-o-y in March to reach HKD347.7 billion, accelerating from 1.7% y-o-y in February. Y-o-y increases were recorded in exports of most machinery-related commodities, led by power-generating machinery and equipment, which rose 42.1% y-o-y in March. Y-o-y declines were recorded in exports of most non-machinery commodities, led by nonmetallic mineral manufactures, which declined 21.4% y-o-y. Exports to the United Kingdom and the United States contracted 2.4% y-o-y and 0.8% y-o-y, respectively, while exports to Asia as a whole expanded 9.4% y-o-y. The government noted that exports continued to grow in March amid a stronger global economy.

Hong Kong, China's Trade Deficit Widens in March

Hong Kong, China's trade deficit widened to HKD55.5 billion in March from HKD42.3 billion over the same period a year earlier and from HKD42.7 billion in February as the value of imports grew 10.7% y-o-y, a reversal from the 3.2% y-o-y decline in February, and exports grew 8.0% y-o-y. Exports and imports in March amounted to HKD347.7 billion and HKD403.2 billion, respectively, and the trade deficit accounted for 13.8% of the value of imports.

Philippine Budget Deficit Increases in March

In March, the Government of the Philippines collected revenues of PHP202 billion while spending PHP313 billion. Both revenues and expenditures were higher compared with February's PHP179 billion and PHP240 billion, respectively. For the second straight month, disbursements outpaced revenues, resulting in a budget deficit of PHP111 billion, much higher than the fiscal deficit of PHP62 billion in February. The Bureau of Internal Revenue collected the most revenue, amounting to PHP131 billion, with the collection boosted by the Tax Reform for Acceleration and Inclusion Law. The Bureau of Customs contributed PHP45 billion to the government's revenues. Of the total expenditures, interest payments amounted to PHP28 billion. Domestic payments decreased due to the end-March holidays, which pushed scheduled payments into April.

S&P Global Ratings Raises Its Outlook for the Philippines

Standard and Poor's (S&P) Global Ratings maintained the Philippines's sovereign credit rating at BBB, while raising its outlook from stable to positive. S&P's view is that improvements in policy making could support more sustainable public finances and balanced growth in the next 24 months. According to S&P, the improvement is due to the government's strengthened fiscal management after passage of the first tax reform package. Aside from this, the Philippines has a strong external position and solid economic growth. Its improved policy making in recent years also contributed to its sustainable public finances. The credit rating agency said that it may raise the Philippines' rating if the government's fiscal reform program leads to further achievements over the course of the next 24 months. However, S&P warned that it may revert to a stable outlook if the reform agenda stalls, the fiscal program leads to higher-than-expected net general government debt levels, or policy making otherwise regresses against expectations.

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	1.80	-0.54	0.26		42.66
EU	-0.58	0.30	-0.20		16.20
Japan	-0.14	1.02	2.71		1.70
PRC	2.91	1.00	6.00		-92.00
Hong Kong, China	0.33	0.00	0.00		0.00
India	8.31	0.00	0.00		0.00
Korea, Rep. of	1.53	0.00	0.60		2.30
Malaysia	3.21	-0.30	0.70		25.70
Philippines	3.49	-0.03	1.80		106.25
Singapore	1.54	0.00	9.20		-25.40
Thailand	1.22	0.00	0.00		0.00

Close of 27 April 2018

10-Year Selected LCY Government Bond Yields

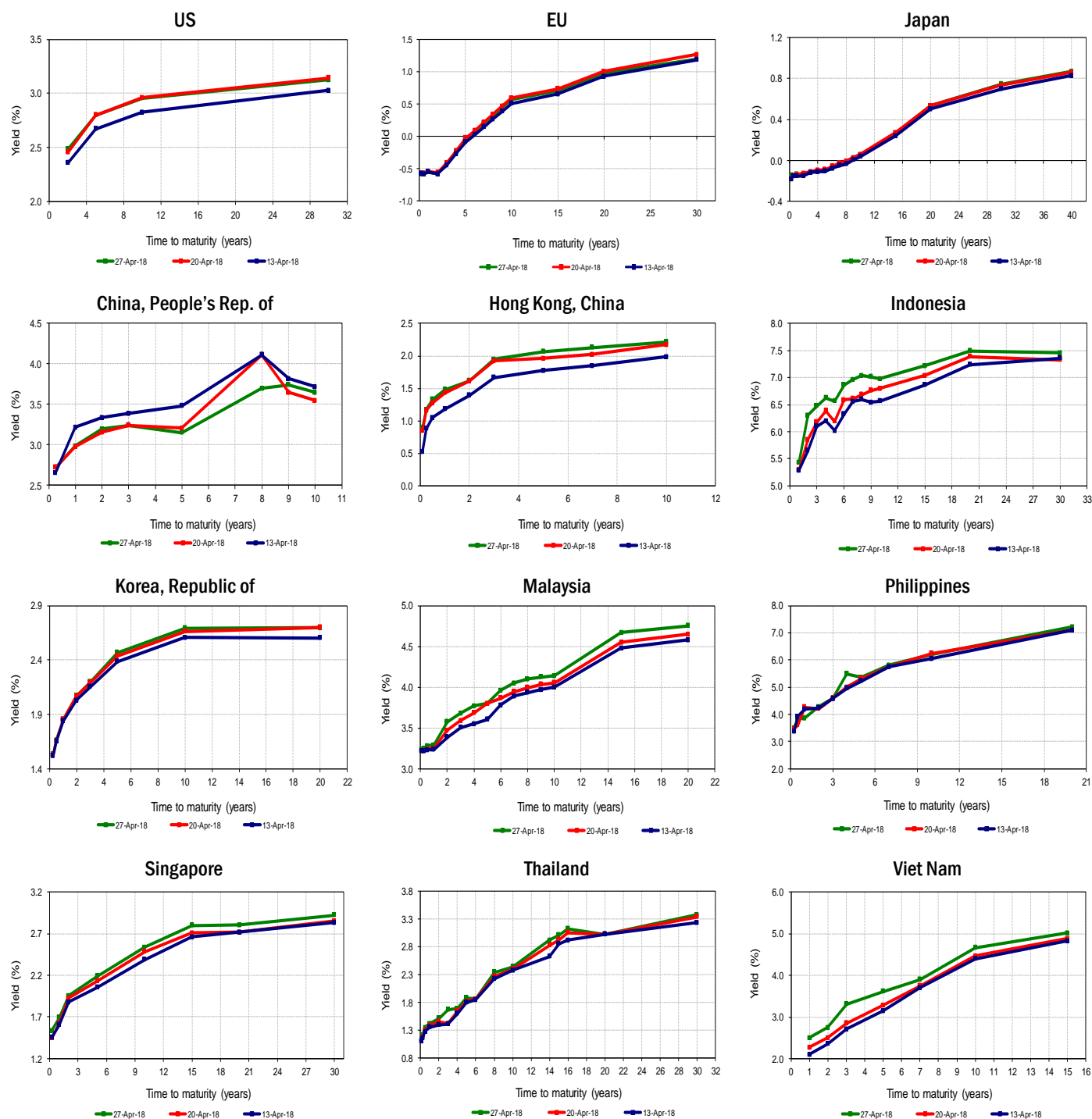
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.96	-2.41	-0.34		55.14
EU	0.57	-2.20	-1.90		14.40
Japan	0.06	-0.50	-0.50		0.70
PRC	3.74	1.00	8.00		-28.00
Hong Kong, China	2.22	-4.80	4.40		38.10
India	7.77	1.10	4.90		43.00
Indonesia	6.98	-11.80	17.60		65.70
Korea, Rep. of	2.70	-4.50	3.00		22.80
Malaysia	4.14	-4.40	8.40		22.70
Philippines	6.21	-8.80	-3.52		50.66
Singapore	2.54	-2.46	5.28		53.55
Thailand	2.44	-1.50	4.60		12.00
Viet Nam	4.66	18.30	20.00		-54.10

Close of 27 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

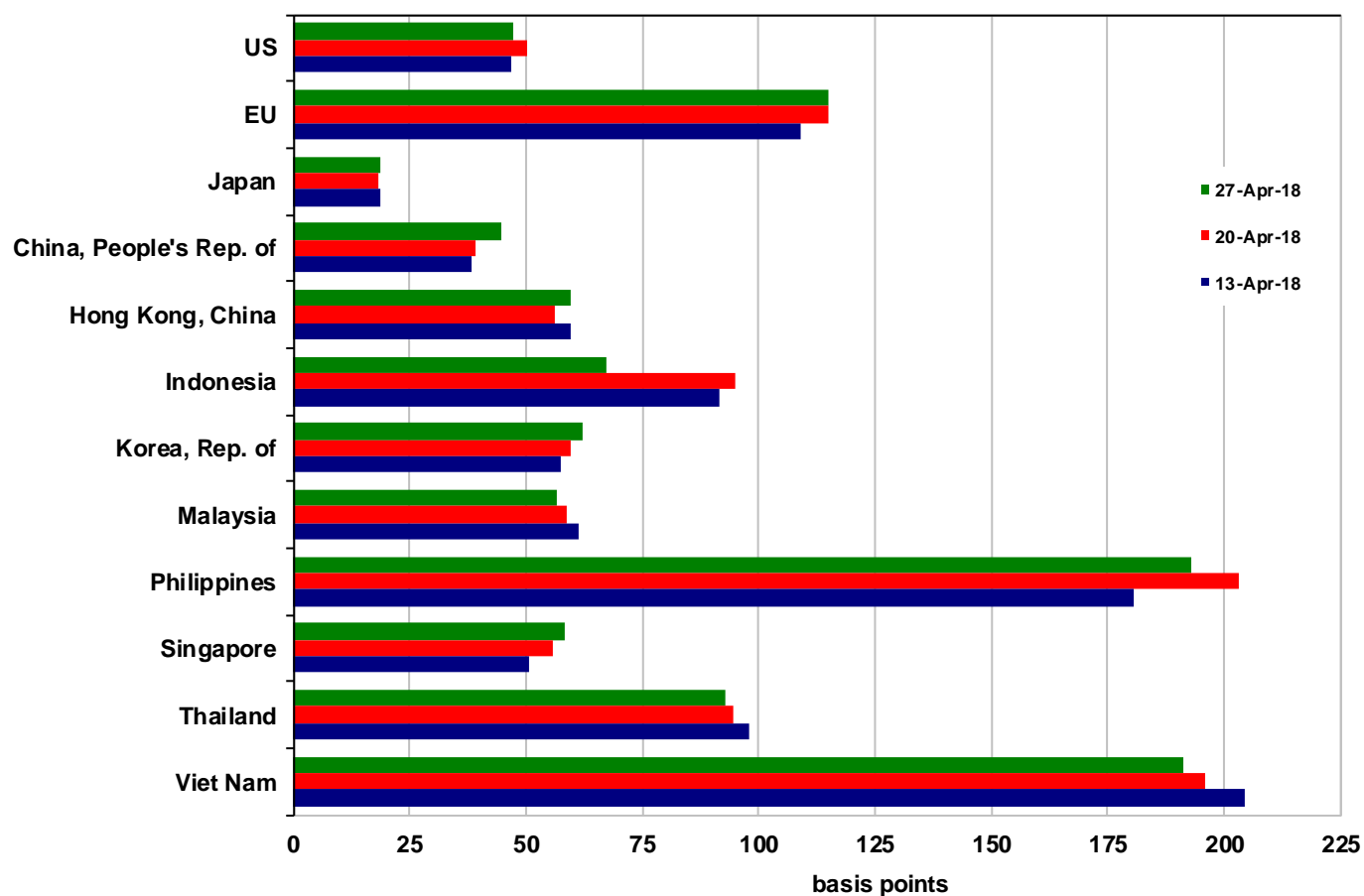


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



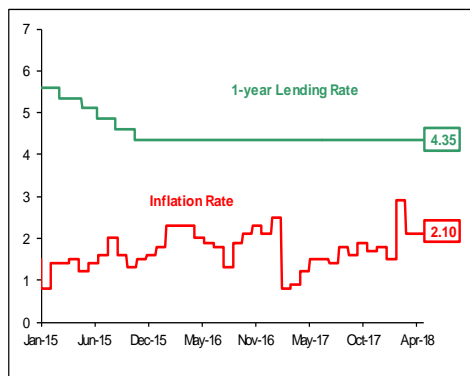
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

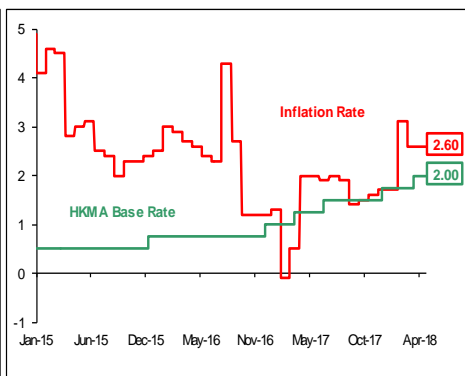
China, People's Rep. of



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

Source: Bloomberg LP.

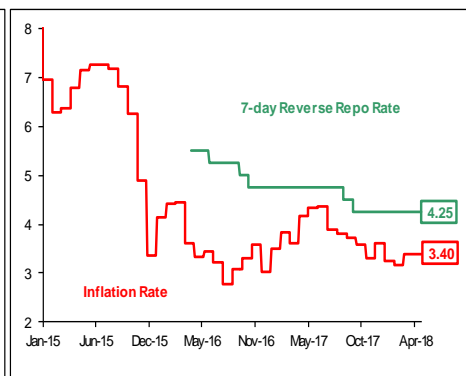
Hong Kong, China



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

Source: Bloomberg LP.

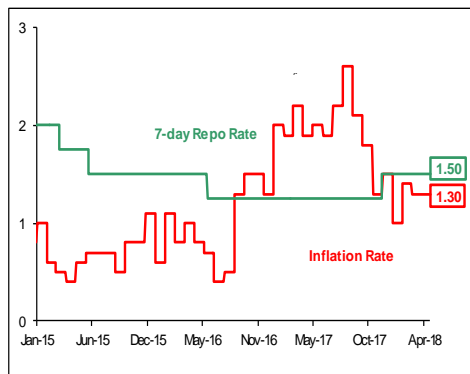
Indonesia



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

Source: Bloomberg LP.

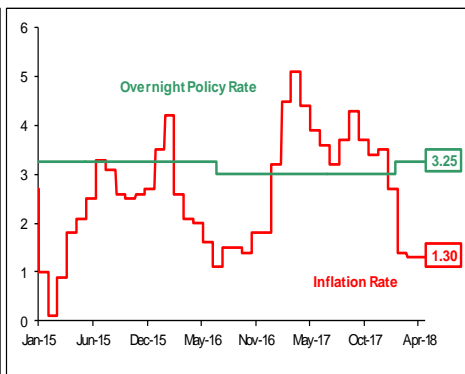
Korea, Republic of



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.

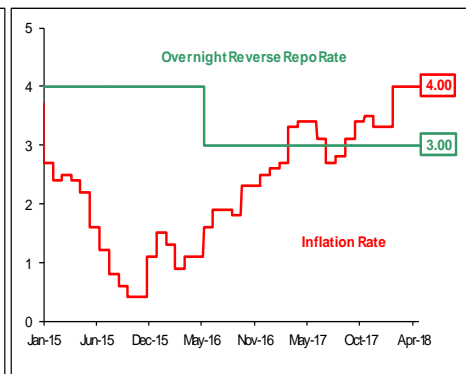
Malaysia



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

Source: Bloomberg LP.

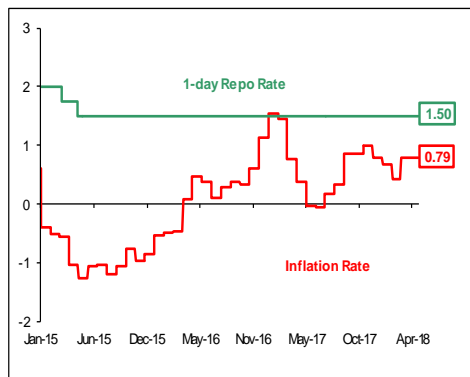
Philippines



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

Source: Bloomberg LP.

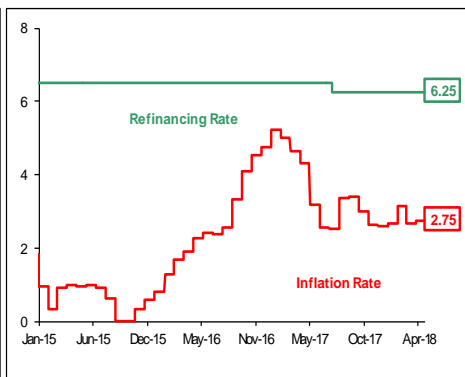
Thailand



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



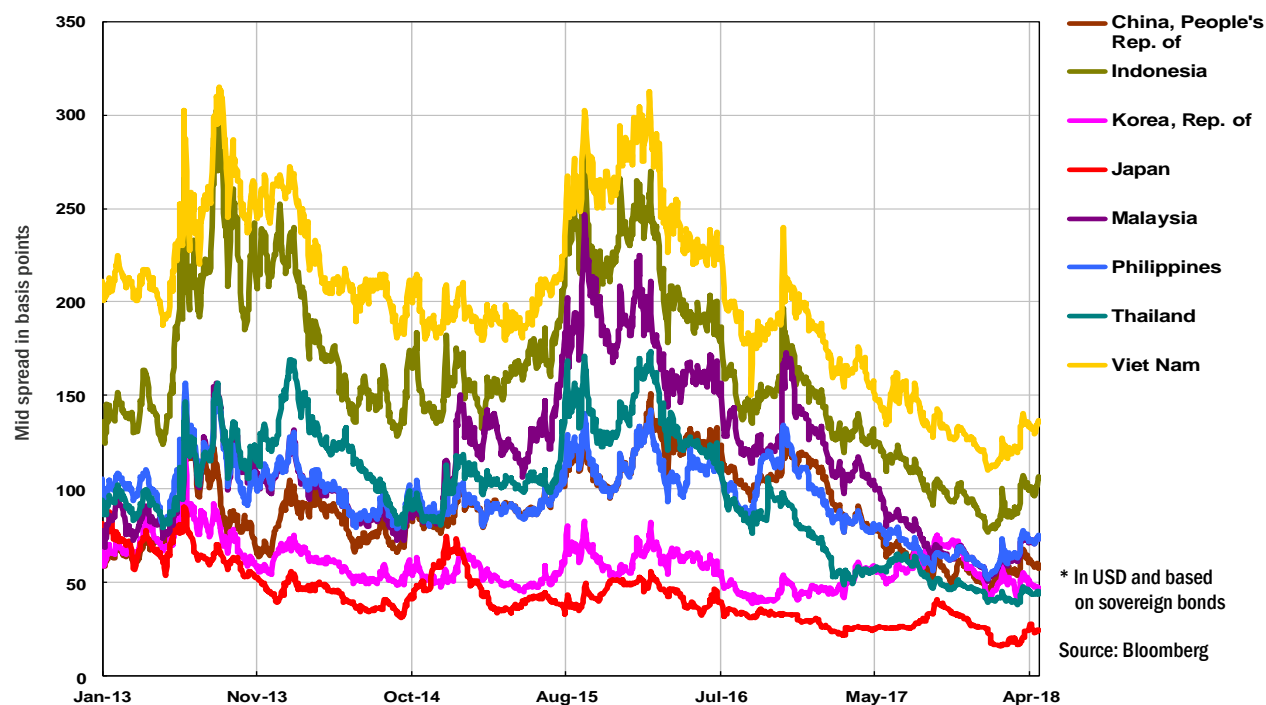
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

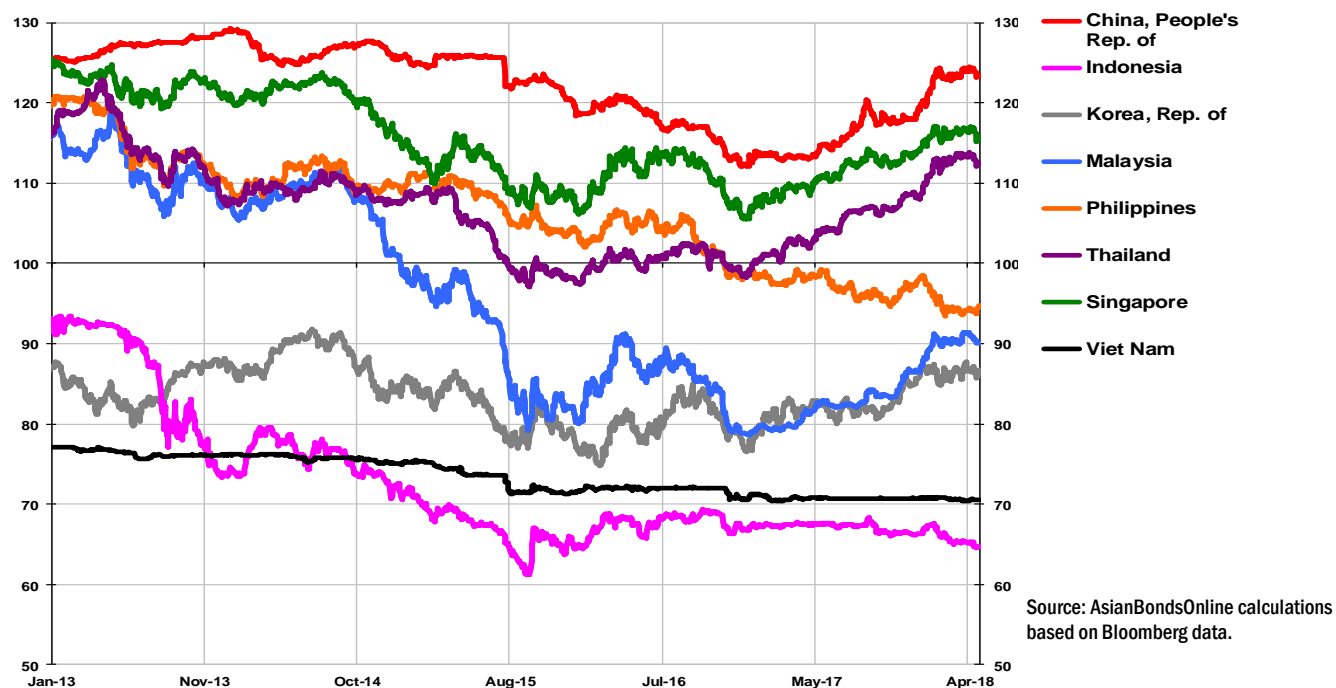
Credit Default Swap Spreads and Exchange Rate Indexes

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 (23 – 27 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)
CN	25-Apr	1-year Treasury Bond	2.94	3.38	29.00	29.00
	25-Apr	10-year Treasury Bond	3.55	3.85	29.00	29.00
HK	24-Apr	91-day Exchange Fund Bills	1.40		57.37	57.37
		182-day Exchange Fund Bills	1.52		17.00	17.00
ID	24-Apr	10-year Treasury Bond	6.92	6.13	17,000.00	3,950.00
		20-year Treasury Bond	7.47	7.50		2,200.00
JP	24-Apr	2-year Japanese Government Bonds	-0.13	0.10	2,100.00	2,299.00
	26-Apr	3-month Treasury Discount Bills	-0.16		4,400.00	4,379.97
KR	23-Apr	1-year Monetary Stabilization Bonds	1.89		1,100.00	1,100.00
		20-year Korea Treasury Bonds	2.74	2.25	800.00	800.00
		91-day Monetary Stabilization Bonds	1.57		1,000.00	1,000.00
PH	23-Apr	91-day Treasury Bills	3.60		5.00	5.00
		182-day Treasury Bills	3.89		4.00	3.49
		364-day Treasury Bills	3.99		6.00	1.63
	24-Apr	20-year Treasury Bonds	6.85	6.50	10.00	4.26
SG	24-Apr	98-day MAS Bills	1.06		1.80	1.80
		84-day MAS Bills	1.07		6.00	6.00
	25-Apr	365-day Treasury Bills	1.62		2.60	2.60
	26-Apr	10-year Treasury Bonds	2.59	2.63	3.00	3.00
TH	23-Apr	91-day Treasury Bills	1.19		25.00	9.38
	24-Apr	91-day Central Bank Bonds	1.24		30.00	27.01
		182-day Central Bank Bonds	1.36		30.00	30.00
	25-Apr	4.64-year Government Bonds	1.89	2.00	30.00	31.69
VN	24-Apr	5-year Treasury Bond	2.97	2.97	390.00	390.00
		15-year Treasury Bond	4.47	4.47	1,000.00	1,000.00
		30-year Treasury Bond	5.42	5.42	200.00	200.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (1 – 7 May 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Republic of Korea Exports y-o-y, % APR	05/01	3/17: 13.6% 4/17: 24.1% 2/18: 4.0% 3/18: 6.1%	Exports from the Republic of Korea rose 6.1% year-on-year (y-o-y) in March following a 4.0% y-o-y increase in February.
Republic of Korea Trade Balance USD million APR	05/01	3/17: 6,775 4/17: 12,884 2/18: 3,311 3/18: 6,865	The Republic of Korea's trade surplus widened to USD6.9 billion in March from USD3.3 billion in February.
Thailand CPI y-o-y, % APR	05/01	3/17: 0.8% 4/17: 0.4% 2/18: 0.4% 3/18: 0.8%	Thailand's consumer prices rose 0.8% y-o-y in March following a 0.4% y-o-y increase in February as both food and nonfood prices marginally rose.
Indonesia CPI y-o-y, % APR	05/02	3/17: 3.6% 4/17: 4.2% 2/18: 3.2% 3/18: 3.4%	Indonesia's inflation rate picked up to 3.4% y-o-y in March from 3.2% y-o-y in February.
Republic of Korea CPI y-o-y, % APR	05/02	3/17: 2.2% 4/17: 1.9% 2/18: 1.4% 3/18: 1.3%	The Republic of Korea's consumer price inflation slightly eased to 1.3% y-o-y in March from 1.4% y-o-y in February.
People's Republic of China Current Account BOP USD million Q1 2018	05/04	Q4 2016: 14,697 Q1 2017: 15,710 Q3 2017: 34,331 Q4 2017: 62,283	The People's Republic of China's (PRC) current account surplus rose to USD62,283 million in Q4 2017 from USD34,331 in the previous quarter.
Republic of Korea Current Account BOP USD million MAR	05/04	2/17: 8,182 3/17: 5,722 1/18: 2,680 2/18: 4,027	The Republic of Korea's current account balance widened to USD4.0 billion in February from USD2.7 billion in January.
Malaysia Exports y-o-y, % MAR	05/04	2/17: 26.6% 3/17: 24.2% 1/18: 17.9% 2/18: -2.0%	Exports from Malaysia contracted in February at 2.0% y-o-y, reversing double-digit growth of 17.9% y-o-y in January.
Malaysia Trade Balance USD billion MAR	05/04	2/17: 2.0 3/17: 1.2 1/18: 2.5 2/18: 2.3	Malaysia trade surplus slightly narrowed to USD2.3 billion in February from USD2.5 billion in the previous month.
Philippines CPI y-o-y, % APR	05/04	3/17: 3.1% 4/17: 3.2% 2/18: 3.8% 3/18: 4.3%	Consumer price inflation in the Philippines increased to 4.3% y-o-y in March from 3.8% y-o-y in February.
Indonesia GDP y-o-y, % Q1 2018	05/07	Q4 2016: 4.9% Q1 2017: 5.0% Q3 2017: 5.1% Q4 2017: 5.2%	Indonesia's economy expanded 5.2% y-o-y in the fourth quarter of 2017, compared with 5.1% y-o-y growth in the third quarter.

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 Republic of Korea Posts 2.8% y-o-y GDP Growth in Q1 2018

- [Real Gross Domestic Product: 1st Quarter of 2018 \(Advance Estimate\)](#)
Bank of Korea (26 April 2018)

Consumer Price Inflation Eases in Hong Kong, China and Singapore in March

- [Consumer Price Indices for March 2018 \[PDF\]](#)
Census and Statistics Department (23 April 2018)
- [Singapore Consumer Price Index \(2014 = 100\) March 2018](#)
Singapore Department of Statistics (23 April 2018)
- [Singapore inflation eases in March with consumer prices up 0.2% amid lower COE prices](#)
Straits Times (23 April 2018)

BOJ Maintains Monetary Policy Easing Measures

- [Outlook for Economic Activity and Prices \(April 2018\)](#)
Bank of Japan (27 April 2018)
- [Statement on Monetary Policy](#)
Bank of Japan (27 April 2018)

Industrial Production Rises in Japan in March; Singapore's Manufacturing Output Grew in March

- [Indices of Industrial Production](#)
Ministry of Economy, Trade, and Industry (27 April 2018)
- [Monthly Manufacturing Performance March 2018](#)
Singapore Economic Development Board (26 April 2018)

Hong Kong, China's Exports Accelerate in March

- [External merchandise trade statistics for March 2018](#)
Census and Statistics Department (26 April 2018)

Hong Kong, China's Trade Deficit Widens in March

- [External merchandise trade statistics for March 2018](#)
Census and Statistics Department (26 April 2018)

Philippine Budget Deficit Increases in March

- [Government Spending Sustains Growth in March; Q1 Fiscal Deficit Still Within Program](#)
Bureau of the Treasury (23 April 2018)

S&P Global Ratings Raises Its Outlook for the Philippines

- [BRIEF – S&P Revises Philippines' Outlook To Positive; Ratings Affirmed](#)
Reuters (26 April 2018)
- [S&P revises PH outlook to 'positive' due to tax reform](#)
Inquirer (26 April 2018)

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