

Key Developments in Asian Local Currency Markets

The Republic of Korea’s economy grew 2.9% year-on-year (y-o-y) in the second quarter (Q2) of 2018, inching up from 2.8% y-o-y growth in the first quarter (Q1), based on an advance estimate from the Bank of Korea. The slightly higher growth was mainly driven by an acceleration in the growth of exports to 5.2% y-o-y in Q2 2018 from 1.6% y-o-y in Q1 2018. Final consumption expenditure rose 3.3% y-o-y in Q2 2018, following a 4.0% y-o-y increase in the previous quarter. Meanwhile, gross fixed capital formation contracted 1.1% y-o-y in Q2 2018, a reversal from the 3.7% y-o-y growth posted in Q1 2018. On a seasonally adjusted quarter-on-quarter basis, the Republic of Korea’s economy grew 0.7% in Q2 2018, down from 1.0% in the prior quarter.

Manufacturing output in Singapore grew 7.4% y-o-y in June, down from 12.9% y-o-y growth posted in May. All manufacturing clusters registered slower growth compared with May except for the precision engineering and transport engineering clusters. On a month-on-month basis, manufacturing output surged 3.9%.

Consumer prices in Hong Kong, China rose 2.4% y-o-y in June, up from a 2.1% y-o-y gain in May. Discounting the effects of all one-off relief measures of the government, the underlying inflation rate rose to 2.7% y-o-y in June from 2.4% y-o-y in May. In Singapore, consumer prices rose 0.6% y-o-y in June, compared with a 0.4% y-o-y hike in May. The uptick in inflation was largely attributed to higher prices of services (1.7% y-o-y) and food (1.5% y-o-y).

Hong Kong, China’s exports increased 3.3% y-o-y in June after rising 15.9% y-o-y in May, while import growth slowed to 4.4% y-o-y from 16.5% y-o-y in the same period. A trade deficit amounting to HKD54.1 billion was recorded in June. The government said that rising global trade tensions could affect Hong Kong, China’s export outlook and that further monitoring will be conducted.

The Government of the Philippines’ expenditures continued to outpace its revenues in June, resulting in a budget deficit of PHP54.3 billion. The decreased revenues were due to lower tax collections by the Bureau of Internal Revenue. In the first half of 2018, the Philippines posted a budget deficit of PHP193.0 billion, which was lower than the programmed deficit for this period.

On 23 July, Bank Indonesia resumed issuance of 9-month and 12-month central bank certificates known as Sertifikat Bank Indonesia (SBI). The issuance of conventional

Asia Bond Monitor June 2018

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

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.95	-2.22	6.11	54.88
EU	0.40	-0.10	3.30	-2.40
Japan	0.10	1.00	6.90	5.60
PRC	3.63	1.00	10.00	-39.00
Hong Kong, China	2.25	0.00	9.00	42.00
India	7.78	2.00	-0.60	44.30
Indonesia	7.75	0.60	-13.10	142.90
Korea, Rep. of	2.57	2.00	4.80	10.30
Malaysia	4.08	-0.10	-1.20	16.30
Philippines	6.65	-2.50	25.50	95.14
Singapore	2.45	3.08	2.48	44.31
Thailand	2.71	0.00	-4.00	38.90
Viet Nam	4.91	0.50	1.80	-29.10

TABLES & GRAPHS

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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

SBI is expected attract foreign portfolio investment into the Indonesian market and provide more diversity in the instruments being issued by the central bank. Bank Indonesia sold IDR4.2 trillion of 9-month SBI and IDR1.8 trillion of 12-month SBI last week. Since December 2016, only shari’ah-compliant SBI had been issued on a monthly basis.

Last week, local currency government bond yields rose for all tenors in Singapore and for most tenors in Hong Kong, China; the Republic of Korea; the Philippines; and Viet Nam. On the other hand, yields mostly fell for Indonesia, Malaysia, and Thailand. Yield movements were mixed in the People’s Republic of China. The spread between the 2- and 10-year maturities widened for most emerging East Asian markets except for Indonesia, Malaysia, and Thailand.

Summary Text of News Articles

The Republic of Korea Posts 2.9% y-o-y and 0.7% q-o-q GDP Growth in Q2 2018

The Republic of Korea's economy grew 2.9% year-on-year (y-o-y) in the second quarter (Q2) of 2018, inching up from 2.8% y-o-y growth in the first quarter (Q1), based on an advance estimate from the Bank of Korea. The slightly higher growth was mainly driven by the acceleration in growth of exports to 5.2% y-o-y in Q2 2018 from 1.6% y-o-y in Q1 2018. Final consumption expenditure rose 3.3% y-o-y in Q2 2018, slower than the 4.0% y-o-y increase in the previous quarter. Gross fixed capital formation contracted 1.1% y-o-y in Q2 2018, a reversal from the 3.7% y-o-y growth posted in Q1 2018. By type of industry, electricity, gas and water supply led the higher growth as it reversed a 1.7% y-o-y decline in Q1 2018 to expand 4.1% y-o-y in Q2 2018. Manufacturing also posted a higher annual growth rate in Q2 2018, while services and agriculture, forestry, and fishing posted lower growth rates. Meanwhile, the construction industry contracted in Q2 2018. On a seasonally adjusted quarter-on-quarter (q-o-q) basis, the Republic of Korea's economy grew 0.7% in Q2 2018, slower than the 1.0% growth posted in the prior quarter.

Manufacturing Output in Singapore Grew 7.4% y-o-y in June

Manufacturing output in Singapore grew 7.4% y-o-y in June, lower than the 12.9% y-o-y growth posted in May. All manufacturing clusters registered slower growth in June compared with May except for the precision engineering and transport engineering clusters. The biomedical manufacturing cluster posted the highest growth rate in June, increasing 13.8% y-o-y, followed by transport engineering at 12.4% y-o-y. General manufacturing registered the slowest growth at 0.5% y-o-y. On a month-on-month basis, manufacturing output growth surged to 3.9%.

Consumer Prices Rise in Hong Kong, China and Singapore in June

Consumer prices in Hong Kong, China rose 2.4% y-o-y in June, up from a 2.1% y-o-y gain in May. Discounting the effects of all one-off relief measures of the government, the underlying inflation rate rose to 2.7% y-o-y in June from 2.4% y-o-y in May. The government noted that the rise in prices was mainly due to larger increases in private housing rentals, cost of saltwater fish, and package tour prices. All components of the Consumer Price Index climbed in June except for durable goods, which declined 2.1% y-o-y.

Consumer prices in Singapore rose 0.6% y-o-y in June, up from 0.4% y-o-y in May. The uptick in inflation was largely attributed to higher prices of services (1.7% y-o-y) and food (1.5% y-o-y). Prices in the services sector increased due to holiday expenses, while noncooked food items helped pushed up prices in the food sector. In June, core inflation rose to 1.7% y-o-y from 1.5% y-o-y in May. The Monetary Authority of Singapore expects inflation to gradually increase in the remainder of 2018 due to faster wage growth and increasing global oil and food prices.

Hong Kong, China's Exports and Imports Rise in June

Hong Kong, China's exports rose 3.3% y-o-y in June after rising 15.9% y-o-y in May, while import growth slowed to 4.4% y-o-y from 16.5% y-o-y in the same period. By economy, the fastest y-o-y export growth came from Germany, where exports rose 12.7% y-o-y, followed by the United States, where exports rose 10.3% y-o-y. Exports to Asia as a whole rose 1.1% y-o-y. Hong Kong, China reported a HKD54.1 billion trade deficit in June. The government said that rising global trade tensions could affect Hong Kong, China's export outlook and that further monitoring will be conducted.

The Philippines Posts PHP54.3 Billion Budget Deficit in June

The Government of the Philippines' expenditures continued to outpace its revenues in June, when expenditures amounted to PHP278.5 billion versus PHP224.2 billion in revenues, resulting in a budget deficit of PHP54.3 billion. The decreased revenue was due to lower tax collections by the Bureau of Internal Revenue. Both spending and collections were lower in June compared with May's PHP291.9 billion and PHP259.0 billion, respectively. For the first half of 2018, the Philippines posted a budget deficit of PHP193.0 billion, which was lower than the programmed deficit for this period.

Summary Text of News Articles

Bank Indonesia Resumes Issuance of Conventional SBI

On 23 July, Bank Indonesia resumed issuance of 9-month and 12-month central bank certificates known as Sertifikat Bank Indonesia (SBI). The issuance of conventional SBI is expected to help attract foreign portfolio investment into the Indonesian market and provide more diversity in the instruments being issued by the central bank. Bank Indonesia sold IDR4.2 trillion of 9-month SBI and IDR1.8 trillion of 12-month SBI last week. Since December 2016, only shari'ah-compliant SBI have been issued on a monthly basis.

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	1.98	-0.03	1.28	60.56	
EU	-0.56	0.20	0.70	18.40	
Japan	-0.16	-0.10	-0.62	0.38	
PRC	2.79	-1.00	-2.00	-104.00	
Hong Kong, China	0.33	0.00	0.00	0.00	
India	8.31	0.00	0.00	0.00	
Korea, Rep. of	1.58	0.20	-0.10	6.70	
Malaysia	3.25	0.00	0.00	29.60	
Philippines	3.28	1.19	2.21	84.57	
Singapore	1.66	1.10	0.00	-13.40	
Thailand	1.22	0.00	0.00	0.00	

Close of 27 July 2018

10-Year Selected LCY Government Bond Yields

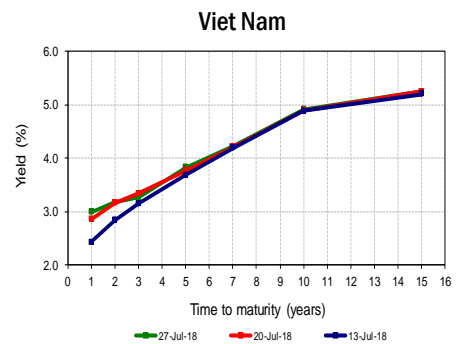
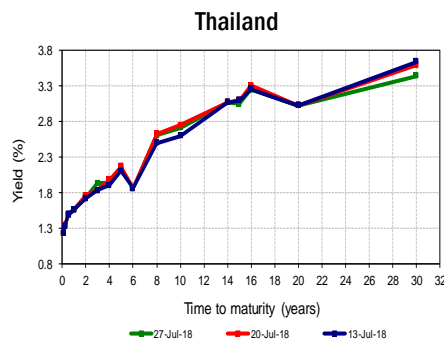
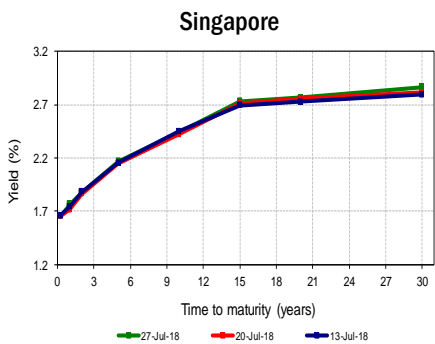
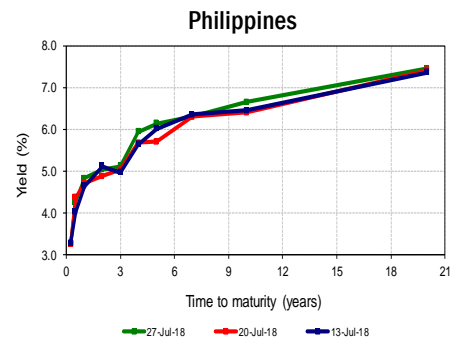
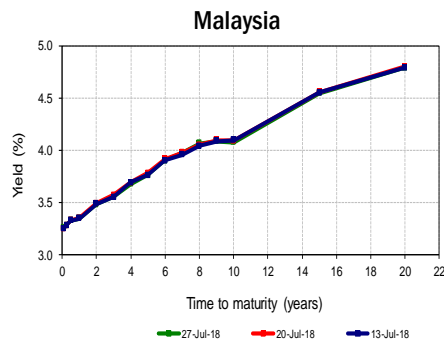
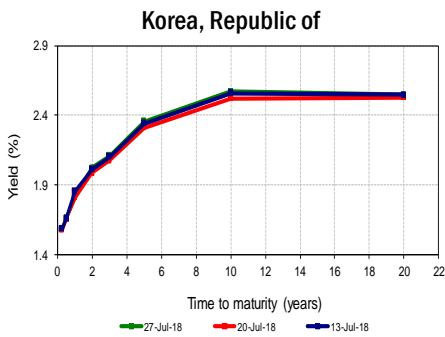
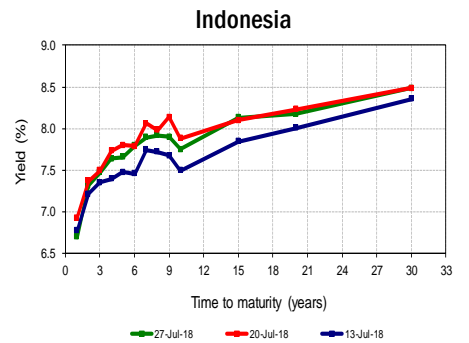
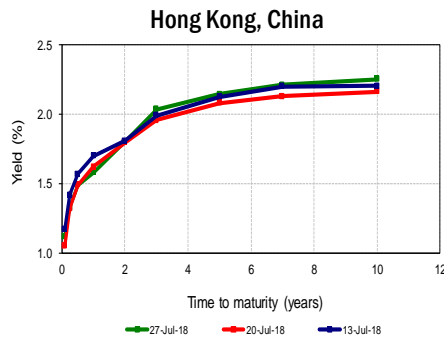
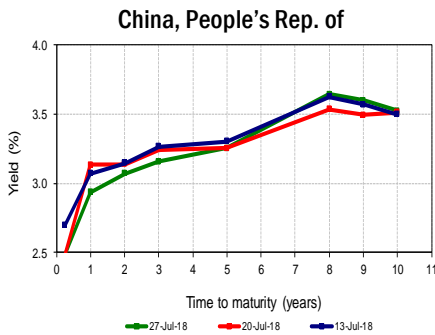
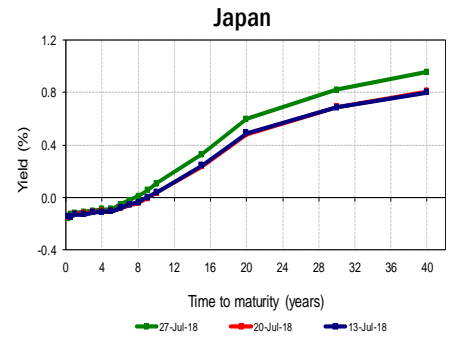
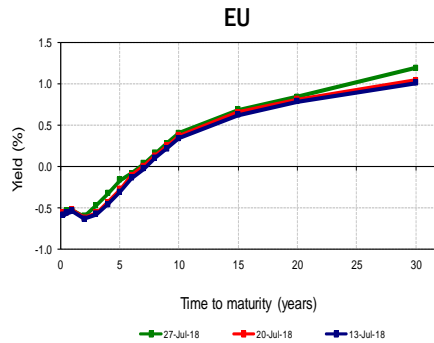
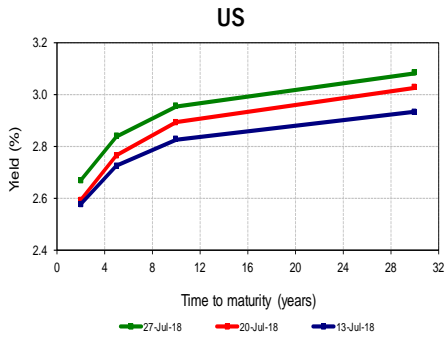
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		Previous Day*	Previous Week*		
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Japan	0.10	1.00	6.90	5.60	
PRC	3.63	1.00	10.00	-39.00	
Hong Kong, China	2.25	0.00	9.00	42.00	
India	7.78	2.00	-0.60	44.30	
Indonesia	7.75	0.60	-13.10	142.90	
Korea, Rep. of	2.57	2.00	4.80	10.30	
Malaysia	4.08	-0.10	-1.20	16.30	
Philippines	6.65	-2.50	25.50	95.14	
Singapore	2.45	3.08	2.48	44.31	
Thailand	2.71	0.00	-4.00	38.90	
Viet Nam	4.91	0.50	1.80	-29.10	

Close of 27 July 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

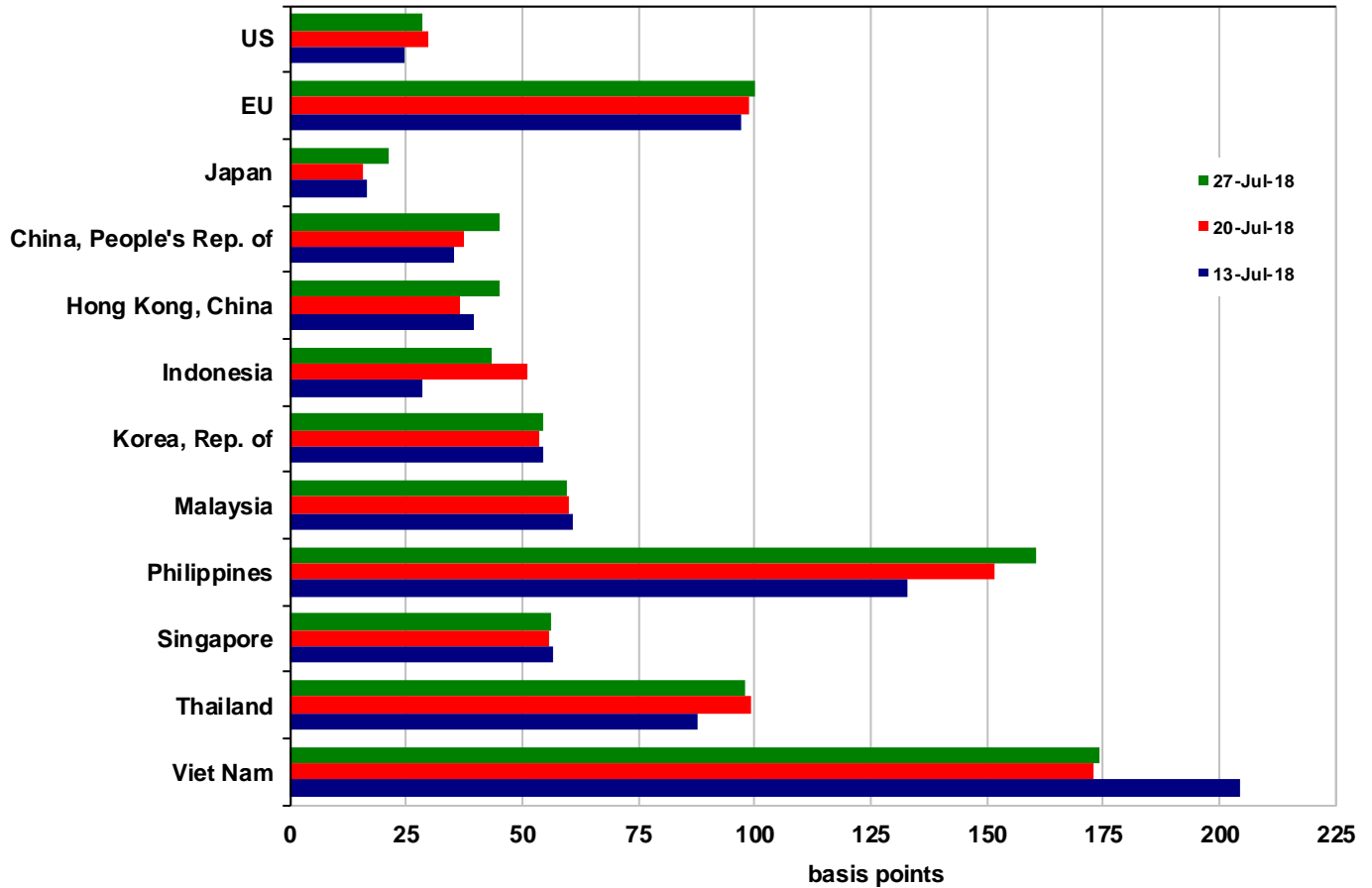
Tip: Zoom-in on the table using the Acrobat zoom tool



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

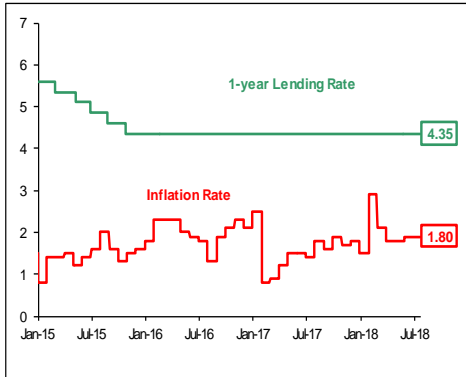


EU = European Union, US = United States.
 Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

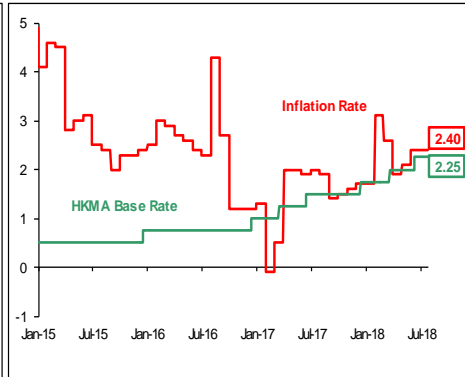
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



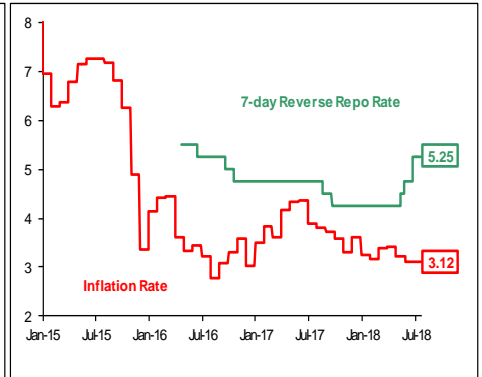
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



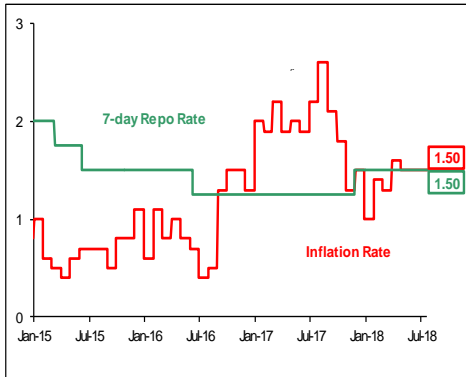
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



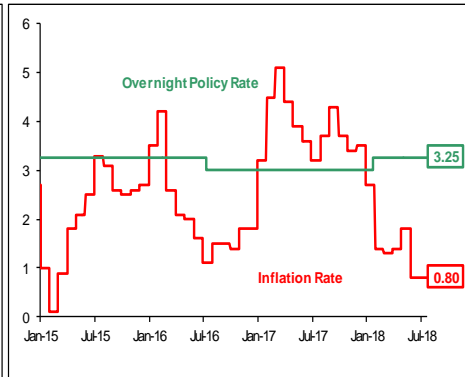
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



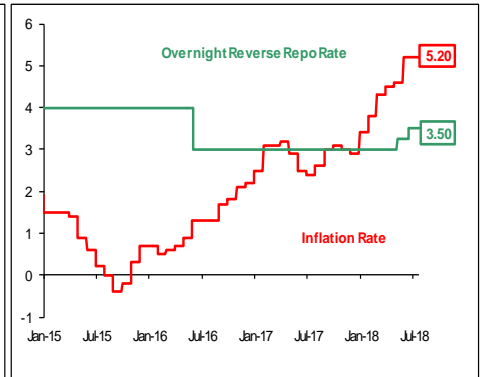
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



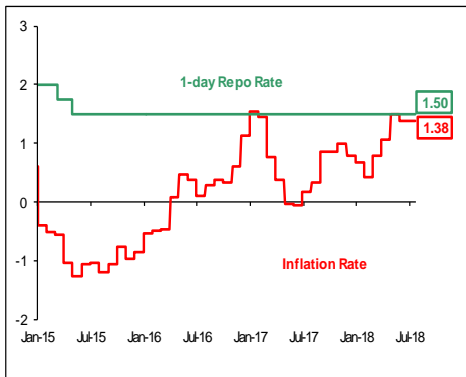
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



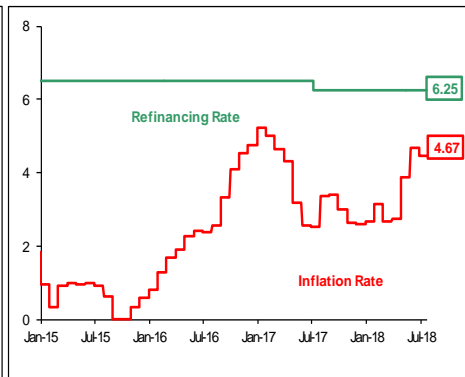
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

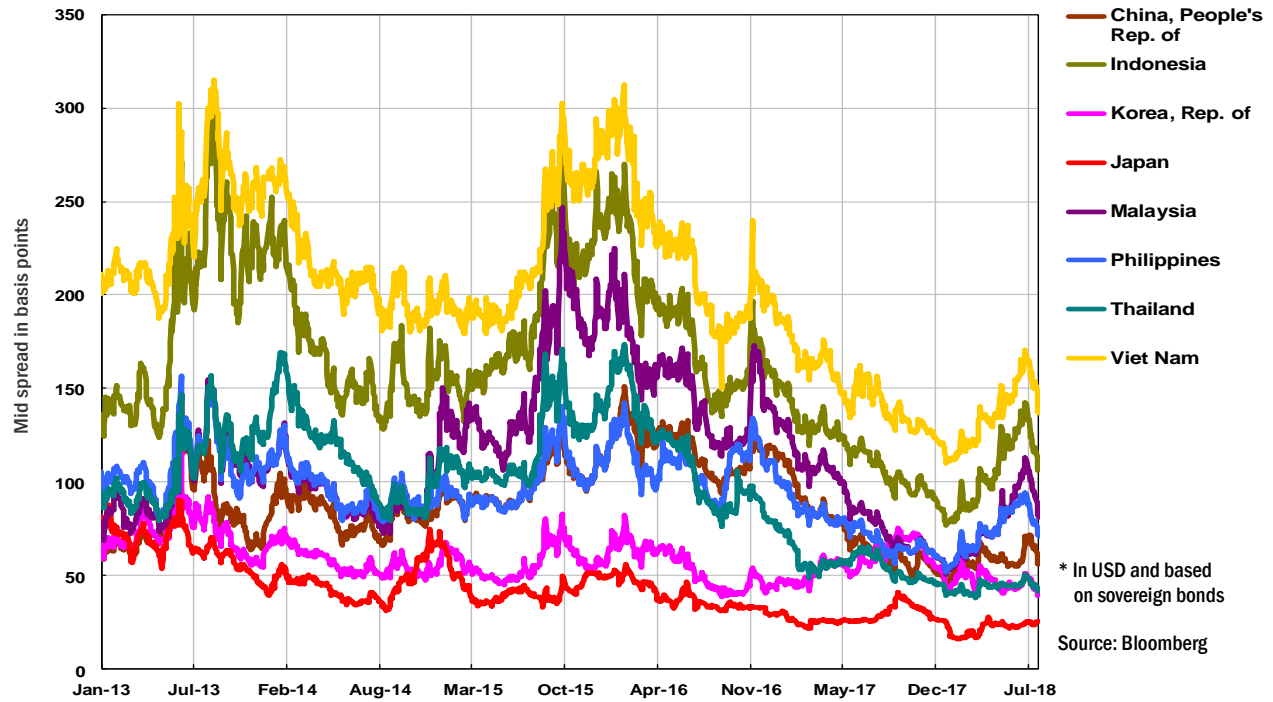


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

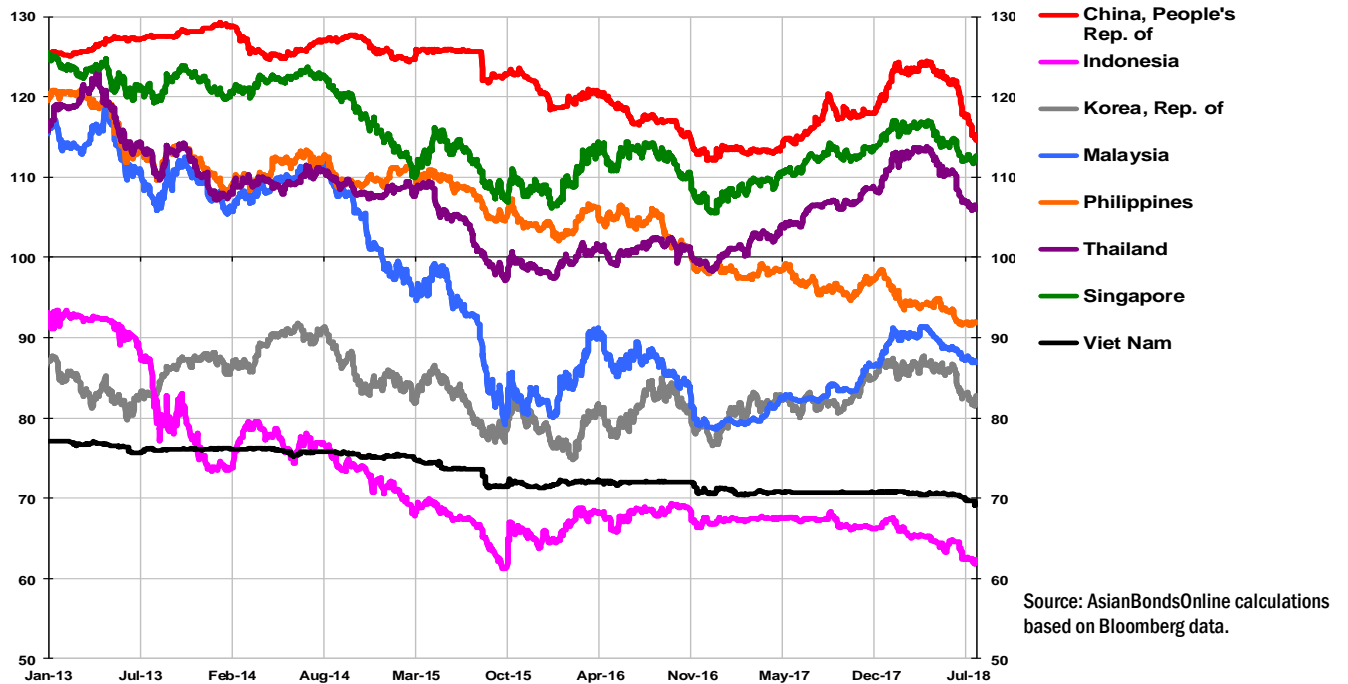
Credit Default Swap Spreads and Exchange Rate Indexes

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 July 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	27-Jul	91-day Treasury Bills	2.26		10.00	10.03
HK	23-Jul	91-day Exchange Fund Bills	1.45		57.74	57.74
		182-day Exchange Fund Bills	1.61		17.00	17.00
ID	24-Jul	6-month Islamic Treasury Bills	6.23			900.00
		9-month Islamic Treasury Bills	6.48			1,100.00
		2-year Project-Based <i>Sukuk</i>	7.44	6.25	6,000.00	1,150.00
		4-year Project-Based <i>Sukuk</i>	7.63	5.45		565.00
		7-year Project-Based <i>Sukuk</i>	8.15	6.13		95.00
13-year Project-Based <i>Sukuk</i>	8.53	8.88	1,000.00			
JP	24-Jul	40-year Japanese Government Bonds	0.88	0.80		400.00
	26-Jul	2-year Japanese Government Bonds	-0.12	0.10	2,100.00	2,108.50
KR	23-Jul	1-year Monetary Stabilization Bonds	1.83		1,000.00	1,000.00
		20-year Korea Treasury Bonds	2.55	2.25	650.00	650.00
MY	27-Jul	7-year Malaysian Government Securities	3.88	3.98	3.00	3.00
PH	23-Jul	91-day Treasury Bills	3.22		4.00	4.00
		182-day Treasury Bills	4.24		5.00	5.00
		364-day Treasury Bills	4.81		6.00	6.00
SG	24-Jul	28-day MAS Bills	1.16		2.40	2.40
		84-day MAS Bills	1.22		6.20	6.20
	26-Jul	168-day MAS Bills	1.48		3.40	3.40
		365-day Treasury Bills	1.59		2.50	2.50
TH	23-Jul	4.85-year State Owned Enterprises Bonds	2.39	2.13	5.00	5.00
		28-day Treasury Bills/Debt Restructuring Bills	1.38		20.00	20.00
	24-Jul	91-day Bank of Thailand Bills	1.32		35.00	35.00
		182-day Bank of Thailand Bills	1.50		35.00	35.00
	25-Jul	14-day Bank of Thailand Bills	1.99		30.00	30.00
VN	25-Jul	7-year Treasury Bonds	3.90		500.00	300.00
		10-year Treasury Bonds	4.48		2,000.00	2,100.00
		15-year Treasury Bonds	4.78		2,000.00	2,100.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (31 July – 6 August 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Korea, Republic of Industrial Production y-o-y, % JUN	07/31	5/17: 1.8% 6/17: 1.2% 4/18: 0.8% 5/18: 0.9%	Industrial production in the Republic of Korea rose 0.9% year-on-year (y-o-y) in May following an increase of 0.8% y-o-y in April.
Japan Industrial Production y-o-y, % JUN	07/31	5/17: 6.2% 6/17: 5.2% 4/18: 2.6% 5/18: 4.2%	Industrial production in Japan increased 4.2% y-o-y in May following a 2.6% y-o-y expansion in April.
China, People's Republic of Manufacturing PMI Index JUL	07/31	6/17: 51.7 7/17: 51.4 5/18: 51.9 6/18: 51.5	The People's Republic of China's (PRC) manufacturing Purchasing Managers Index (PMI) fell slightly to 51.5 in June from 51.9 in May.
China, People's Republic of Nonmanufacturing PMI Index JUL	07/31	6/17: 54.5 7/17: 54.9 5/18: 54.9 6/18: 55.0	The PRC's nonmanufacturing PMI rose to 55.0 in June from 54.9 in May.
Thailand Exports y-o-y, % JUN	07/31	5/17: 10.2% 6/17: 7.6% 4/18: 14.6% 5/18: 13.1%	Export growth in Thailand eased to 13.1% y-o-y in May from 14.6% y-o-y in April.
Thailand Trade Balance USD million JUN	07/31	5/17: 2,174 6/17: 2,941 4/18: 234 5/18: 2,695	Thailand's trade surplus jumped to USD2.7 billion in May from USD0.2 billion in April.
Korea, Republic of CPI y-o-y, % JUL	08/01	6/17: 1.9% 7/17: 2.2% 5/18: 1.5% 6/18: 1.5%	Consumer price inflation in the Republic of Korea was unchanged from the previous month at 1.5% y-o-y in June.
Korea, Republic of Exports y-o-y, % JUL	08/01	6/17: 13.6% 7/17: 19.5% 5/18: 13.5% 6/18: -0.1%	Exports from the Republic of Korea contracted 0.1% y-o-y in June, a reversal from the 13.5% y-o-y growth posted in May.
Korea, Republic of Trade Balance USD million JUL	08/01	6/17: 10,721 7/17: 10,223 5/18: 6,541 6/18: 6,240	The Republic of Korea's trade surplus slightly narrowed to USD6.2 billion in June from USD6.5 billion in May.
Thailand CPI y-o-y, % JUL	08/01	6/17: -0.04% 7/17: 0.2% 5/18: 1.5% 6/18: 1.4%	Consumer price inflation in Thailand slipped to 1.4% y-o-y in June from 1.5% y-o-y in May.
Indonesia CPI y-o-y, % JUL	08/01	6/17: 4.4% 7/17: 3.9% 5/18: 3.2% 6/18: 3.1%	Consumer price inflation in Indonesia slowed to 3.1% y-o-y in June from 3.2% y-o-y in May.
Singapore PMI index JUL	08/02	6/17: 50.9 7/17: 51.0 5/18: 52.7 6/18: 52.5	The expansion of the manufacturing sector in Singapore eased in June, with the PMI falling to 52.5 from 52.7 in May.
Malaysia Exports y-o-y, % JUN	08/03	5/17: 9.9% 6/17: 30.9% 4/18: 14.0% 5/18: 3.4%	Malaysia's export growth sharply slowed to 3.4% y-o-y in May after growing 14.0% y-o-y in April.
Malaysia Trade Balance MYR billion JUN	08/03	5/17: 5.5 6/17: 9.9 4/18: 13.1 5/18: 8.1	Malaysia's trade surplus narrowed to MYR8.1 billion in May from MYR13.1 billion in April.
Indonesia GDP y-o-y, % Q2 2018	08/06	Q1 2017: 5.01% Q2 2017: 5.01% Q4 2017: 5.19% Q1 2018: 5.06%	Real gross domestic product (GDP) growth in Indonesia reached 5.06% y-o-y in the first quarter (Q1) of 2018 from 5.19% y-o-y in the fourth quarter (Q4) of 2017.

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 2.9% y-o-y and 0.7% q-o-q GDP Growth in Q2 2018

- [Real Gross Domestic Product: 2nd Quarter of 2018 \(Advance Estimate\)](#)
Bank of Korea (26 July 2018)

Manufacturing Output in Singapore Grew 7.4% y-o-y in June

- [Singapore Economic Development Board](#)
Monthly Manufacturing Performance June 2018 (26 July 2018)

Consumer Prices Rise in Hong Kong, China and Singapore in June

- [Consumer Price Indices for June 2018](#)
Census and Statistics Department (23 July 2018)
- [Consumer Price Indices for June 2018](#)
Census and Statistics Department (23 July 2018)
- [Consumer Price Developments in June 2018](#)
Monetary Authority of Singapore (23 July 2018)

Hong Kong, China's Exports and Imports Rise in June

- [External merchandise trade statistics for June 2018](#)
Census and Statistics Department (27 July 2018)

The Philippines Posts PHP54.3 Billion Budget Deficit in June

- [Revenue and Expenditure Beat Program for First Half of 2018](#)
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Bank Indonesia Resumes Issuance of Conventional SBI

- [Pengumuman Hasil Lelang Sertifikat Bank Indonesia \(SBI\) 23 Juli 2018 \(in Bahasa\)](#)
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- [Bank Indonesia Absorbs Rp 5.97t from 9-, 12-month SBI Auction](#)
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