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Key Developments in Asian Local Currency Markets

Japan's industrial production fell 0.1% on a month-on-month (m-o-m) basis but rose 2.3% on a year-on-year (y-o-y) basis in July, based on preliminary estimates. In the Republic of Korea, the Index of All-Industry Production rose 1.2% y-o-y in July, faster than the 0.2% y-o-y increase posted in June. The People's Republic of China's manufacturing Purchasing Managers Index (PMI) rose to 51.3 in August from 51.2 in July. The subindex for production rose to 53.3 from 52.2, while the subindex for new orders declined to 52.2 from 52.3 in the same period. The nonmanufacturing PMI also rose to 54.2 in August from 54.0 in July. Industrial production growth in Viet Nam eased to 13.4% y-o-y in August from 14.3% y-o-y in July. While still positive, growth for all major subindexes slowed in August.

➤ The Bank of Korea decided to leave its base rate unchanged at 1.50% at its monetary policy meeting on 31 August. The central bank's decision came on the back of sustained growth in the domestic economy, supported by consumption and exports, while inflation remained subdued on slowing increases for agricultural product prices and service fees.

➤ Consumer price inflation in Viet Nam eased to 4.0% y-o-y in August from 4.5% y-o-y in July. On a m-o-m basis, however, inflation accelerated to 0.5% after decelerating 0.1% during the same period. The m-o-m inflation in August was largely driven by food prices, which climbed 0.9% from July.

➤ Exports of goods from Hong Kong, China rose 10.0% y-o-y in July, amounting to HKD359 billion, while imports of goods grew faster than exports, rising 14.1% y-o-y to HKD406 billion. Despite imports growing faster than exports, the trade deficit narrowed to HKD47 billion in July from HKD54 billion in June. In Viet Nam, export and import growth slowed to 5.7% y-o-y and 15.5% y-o-y, respectively, in August. Viet Nam posted a trade deficit of USD100 million, down from USD635 million in July.

➤ Export and import growth in Thailand both eased in July at 8.3% y-o-y and 12.4% y-o-y, respectively. Exports amounted to USD20.3 billion and imports amounted to USD19.4 billion, resulting in a lower trade surplus of USD858 million in July than in the previous month. Thailand also registered a smaller current account surplus of USD1.1 billion versus USD4.1 billion in the same period.

➤ RAM Ratings upgraded the Philippines' long-term global sovereign credit rating (GSCR) to $\text{gBBB}_2(\text{pi})$ and its short-term GSCR to $\text{gP2}(\text{pi})$, both with a stable outlook, on 29 August. On the same day, RAM Ratings

Asia Bond Monitor June 2018

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10-Year Selected LCY Government Security Yields Close of 31 August 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.86	0.54		45.50
EU	0.33	-2.00	-1.90	-10.10
Japan	0.11	-0.40		5.90
PRC	3.69	-1.00	-2.00	-33.00
Hong Kong, China	2.23	-1.00		39.30
India	7.95	2.10		61.50
Indonesia	8.20	19.10		188.30
Korea, Rep. of	2.31	-5.50	-6.70	-15.70
Malaysia	4.04	0.00		12.50
Philippines	6.37	-40.86	-35.50	67.14
Singapore	2.38	-0.35	-0.38	37.36
Thailand	2.74	0.50	-1.20	41.40
Viet Nam	5.21	-2.50		0.90

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- 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

reaffirmed the long-term and short-term GSCRs of Singapore at $\text{gAAA}(\text{pi})$ and $\text{gP1}(\text{pi})$, respectively, both with a stable outlook.

➤ Last week, local currency government bond yields were up for most tenors in Indonesia, Malaysia, and Viet Nam; and it is up for all tenors in Hong Kong, China. Meanwhile, yields were down for most tenors in the People's Republic of China and Thailand, and for all tenors in the Republic of Korea. In the Philippines and Singapore, local currency government bond yield movements were mixed. The yield spreads between 2-year and 10-year tenors narrowed for most markets except in Indonesia, Malaysia, and Thailand.

Summary Text of News Articles

Japan's Industrial Production and the Republic of Korea's Index of All-Industry Production Rise in July; The PRC's Manufacturing and Nonmanufacturing PMI Rise, Viet Nam's Industrial Production Growth Eases in August

Japan's industrial production fell 0.1% month-on-month (m-o-m) in July, based on preliminary estimates from the Ministry of Economy, Trade and Industry. The industries that contributed to the decline include transport equipment; general-purpose, production, and business-oriented machinery; and iron and steel. The Shipments Index and Inventories Index also declined in July by 1.9% m-o-m and 0.2% m-o-m, respectively. On a year-on-year (y-o-y) basis, Japan's industrial production rose 2.3% in July.

In the Republic of Korea, the Index of All-Industry Production rose 1.2% y-o-y in July following a 0.2% y-o-y increase in June. Industrial production increased 0.9% y-o-y in July, a reversal from the 0.4% y-o-y contraction in the previous month. Public administration also posted growth of 3.1% y-o-y in July, following a 1.3% y-o-y decline in June. Services expanded 2.0% y-o-y, up from 1.7% y-o-y growth in the previous month. Meanwhile, the construction industry continued to contract in July. On a m-o-m basis, the Republic of Korea's Index of All-Industry Production rose 0.5% in July.

The PRC's manufacturing Purchasing Managers Index (PMI) rose to 51.3 in August from 51.2 in July. An increase was noted in the subindex for production, which rose to 53.3 from 52.2 in the same period. The subindex for new orders declined to 52.2 in August from 52.3 in July. The nonmanufacturing PMI rose to 54.2 in August from 54.0 in July. A PMI reading above 50 indicates expansion, while a reading below 50 indicates contraction.

Industrial production growth in Viet Nam eased to 13.4% y-o-y in August from 14.3% y-o-y hike in July. While positive, growth for all major subindexes slowed in August. The manufacturing subindex grew the most, with output rising 16.0% y-o-y during the review period. The electricity (6.7% y-o-y) and water supply (7.1% y-o-y) subindexes also contributed to overall growth, albeit to a lesser extent. The mining and quarrying index climbed the least at 2.4% y-o-y.

The Bank of Korea Maintains Its Base Rate at 1.50%

At its monetary policy meeting on 31 August, the Bank of Korea decided to leave its base rate unchanged at 1.50%. The central bank stated that the domestic economy will continue to grow, supported by consumption and exports. Inflation remained subdued due to the slowdown in increases for agricultural product prices and service fees. The Bank of Korea noted stability in domestic financial markets, with long-term interest rates falling due to volatility in some emerging market economies and the slowdown in employment. The domestic equity market experienced a downward trend due to trade disputes between the People's Republic of China (PRC) and the United States (US) but has since rebounded. The Korean won-US dollar exchange rate also experienced volatility driven by movements in the US dollar. Household lending continued to rise but the rate of increase slowed, while housing prices remained steady. The Bank of Korea stated that it will maintain its accommodative monetary policy stance given subdued inflationary pressures and continued steady economic growth. It will continue to monitor risks to the outlook including, among others, trade with and monetary policy changes in major economies, developments in emerging market economies, and rising domestic household debt.

For the historical trend of the Republic of Korea's policy rate, refer to this link:

<https://asianbondsonline.adb.org/market-watch/#policy-rate-and-inflation-trends-kor>

Viet Nam's Consumer Price Inflation Eases to 4.0% y-o-y in August

Consumer price inflation in Viet Nam eased to 4.0% y-o-y in August from 4.5% y-o-y in July. On a month-on-month (m-o-m) basis, however, inflation accelerated to 0.5% after decelerating 0.1% during the same period. The higher m-o-m inflation in August was largely driven by food prices, which climbed 0.9% from July.

For inflation trends in Viet Nam, refer to this link:

<https://asianbondsonline.adb.org/market-watch/#policy-rate-and-inflation-trends-vie>

 Summary Text of News Articles

Hong Kong, China's Trade Deficit and Thailand's Trade Surplus Narrow in July; Viet Nam's Trade Deficit Shrinks in August

Exports of goods from Hong Kong, China rose 10.0% y-o-y in July, accelerating from 3.3% y-o-y growth in June, to reach HKD359 billion. Imports of goods grew faster than exports, rising 14.1% y-o-y in July versus 4.4% y-o-y in June, to reach HKD406 billion. The double-digit gain in exports narrowed the trade deficit to HKD47 billion in July from HKD54 billion in June. The government noted that the solid global economy and buoyant regional production and trading activities spurred export growth in July. Power-generating machinery and equipment led both export and import growth in July. Exports and imports with most major trading partners expanded during the period. Visible gains were seen in exports to the PRC and US, signaling the limited impact to date of the trade war between the two economies on Hong Kong, China's export performance.

Merchandise exports from Thailand grew 8.3% y-o-y in July, easing from 10.0% y-o-y growth in June. Products that underpinned the export growth were petroleum-related products, automotive and automotive parts, agro-manufacturing products, and electronic products. Import growth slightly eased to 12.4% y-o-y in July from 12.9% y-o-y in June. Imports of raw and intermediate goods, consumer goods, capital goods, and automotive and automotive parts all supported the growth. Exports amounted to USD20.3 billion and imports amounted to USD19.4 billion, resulting in a trade surplus of USD858 million in July compared with USD2.9 billion in the previous month. Thailand also registered a smaller current account surplus of USD1.1 billion in July, down from USD4.1 billion in June.

Viet Nam's trade deficit declined to USD100 million in August from USD635 million posted in July. Export growth slowed to 5.7% y-o-y to USD20.9 billion in August after rising 15.0% y-o-y in the prior month. Imports were valued at USD21.0 billion in August on easing growth of 15.5% y-o-y versus 20.4% y-o-y in July. For the first 8 months of the year, Viet Nam's trade surplus stood at USD2.8 billion.

RAM Upgrades the Philippines' and Reaffirms Singapore's Global Ratings

RAM Ratings upgraded the long-term global sovereign credit rating (GSCR) of the Philippines to $gBBB_2(pi)$ with a stable outlook from $gBBB_3(pi)$ with a positive outlook on 29 August. The rating agency cited the economy's sustained high economic growth, increased inflow of foreign direct investment, and progress in economic reforms as supporting the upgrade. Investor optimism regarding the country's growth potential and business reforms also factored into the rating agency's decision. RAM Ratings' short-term GSCR for the Philippines was upgraded to $gP2(pi)$ from $gP3(pi)$ also with a stable outlook. The rating of BBB indicates that the sovereign has moderate capacity to service its long-term financial obligations and a P2 rating indicates that the sovereign has adequate capacity to service its short-term financial obligations.

RAM Ratings reaffirmed the long-term GSCR of Singapore of $gAAA(pi)$ with a stable outlook on 29 August. The reaffirmation was supported by the country's strong position in the region as a key trade and financial center, and Singapore's proven capability to utilize its reserves to support economic activities. The rating agency also lauded the adjustments in policies put in place to mitigate the long-term risks of Singapore's changing demographics and slowing productivity growth. RAM Ratings likewise reaffirmed Singapore's short-term GSCR of $gP1(pi)$. The rating of AAA indicates that the sovereign has superior capacity to service its long-term financial obligations; it is the highest long-term credit rating given by RAM. A P1 rating indicates that the sovereign has strong capacity to service its short-term financial obligations; it is the highest short-term credit rating given by RAM.

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	2.09	-0.31		0.74	71.81
EU	-0.55	-0.20	-0.20		19.40
Japan	-0.16	0.50	-0.09		-0.01
PRC	2.58	0.00	-2.00		-125.00
Hong Kong, China	0.33	0.00		0.00	0.00
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.54	-1.50	-1.30		3.40
Malaysia	3.25	0.00	-0.20		29.40
Philippines	3.21	3.57	-43.63		78.21
Singapore	1.70	0.00		4.00	-9.20
Thailand	1.22	0.00		0.00	0.00

Close of 31 August 2018

10-Year Selected LCY Government Bond Yields

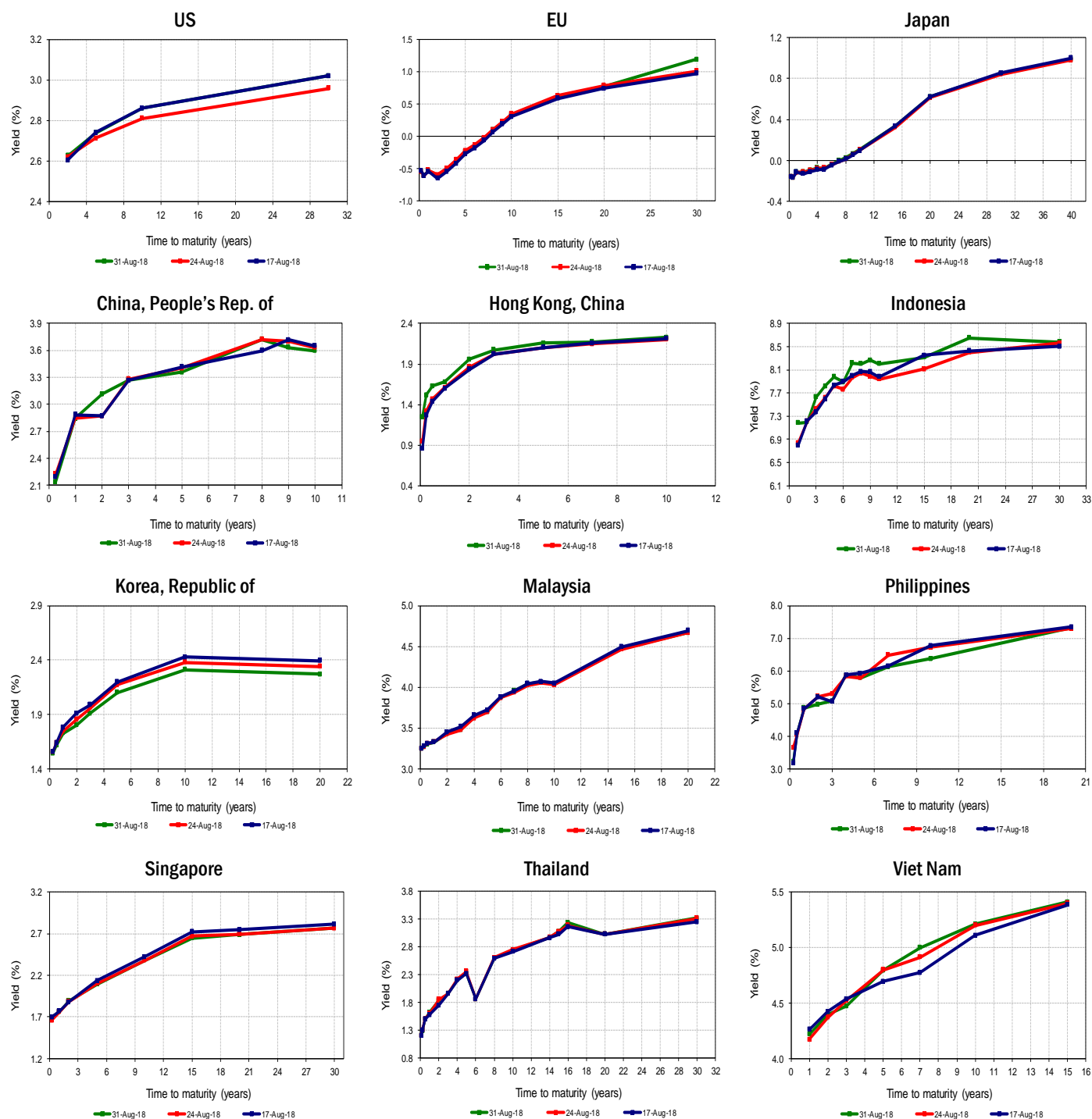
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.86	0.54	5.06		45.50
EU	0.33	-2.00	-1.90		-10.10
Japan	0.11	-0.40	0.60		5.90
PRC	3.69	-1.00	-2.00		-33.00
Hong Kong, China	2.23	-1.00	2.60		39.30
India	7.95	2.10	7.90		61.50
Indonesia	8.20	19.10	26.20		188.30
Korea, Rep. of	2.31	-5.50	-6.70		-15.70
Malaysia	4.04	0.00	0.90		12.50
Philippines	6.37	-40.86	-35.50		67.14
Singapore	2.38	-0.35	-0.38		37.36
Thailand	2.74	0.50	-1.20		41.40
Viet Nam	5.21	-2.50	1.30		0.90

Close of 31 August 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

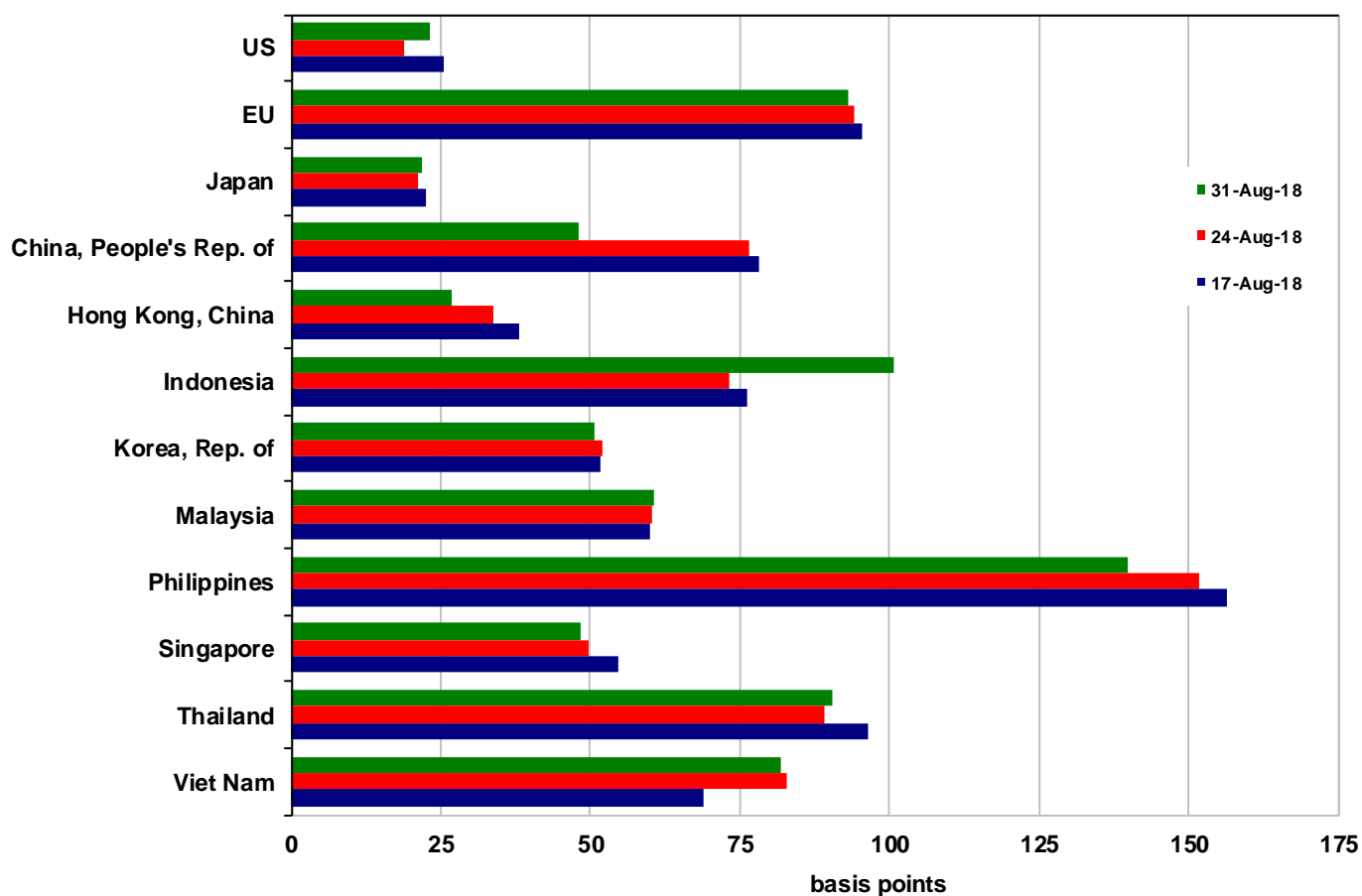


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



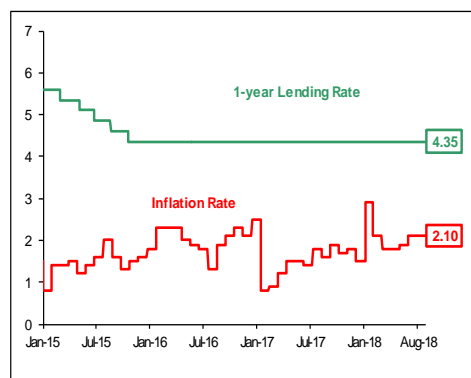
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

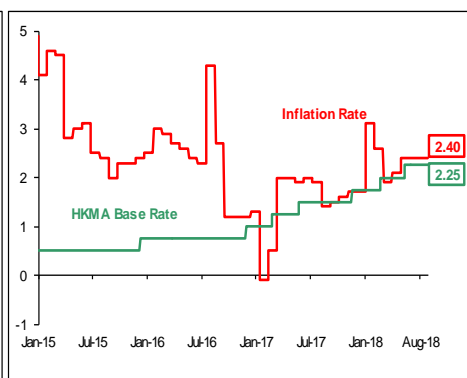
China, People's Rep. of



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

Source: Bloomberg LP.

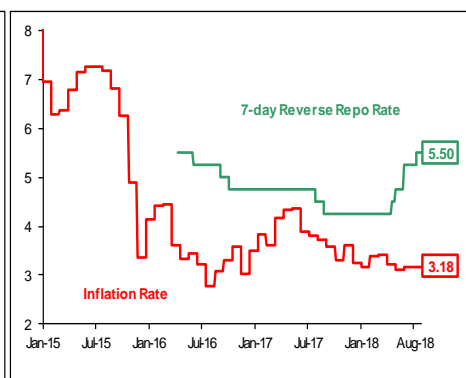
Hong Kong, China



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

Source: Bloomberg LP.

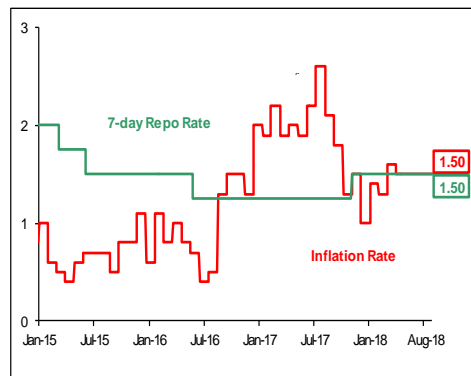
Indonesia



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

Source: Bloomberg LP.

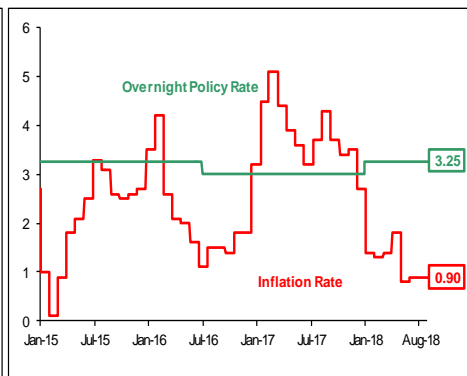
Korea, Republic of



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.

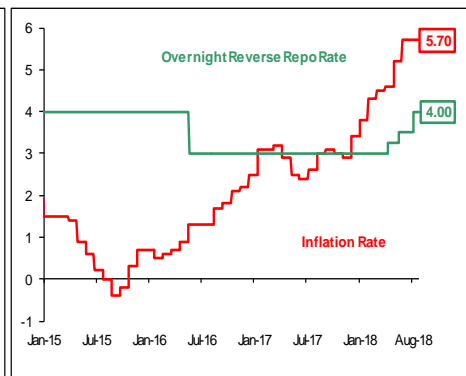
Malaysia



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

Source: Bloomberg LP.

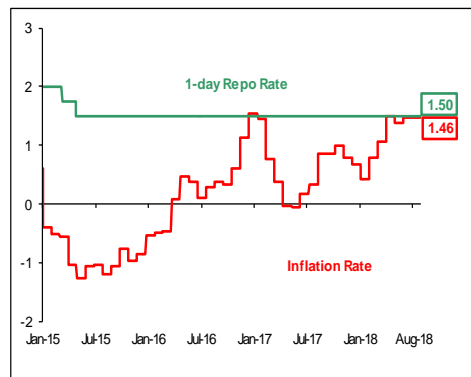
Philippines



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

Source: Bloomberg LP.

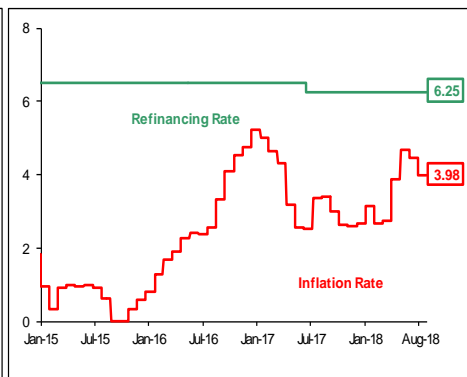
Thailand



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



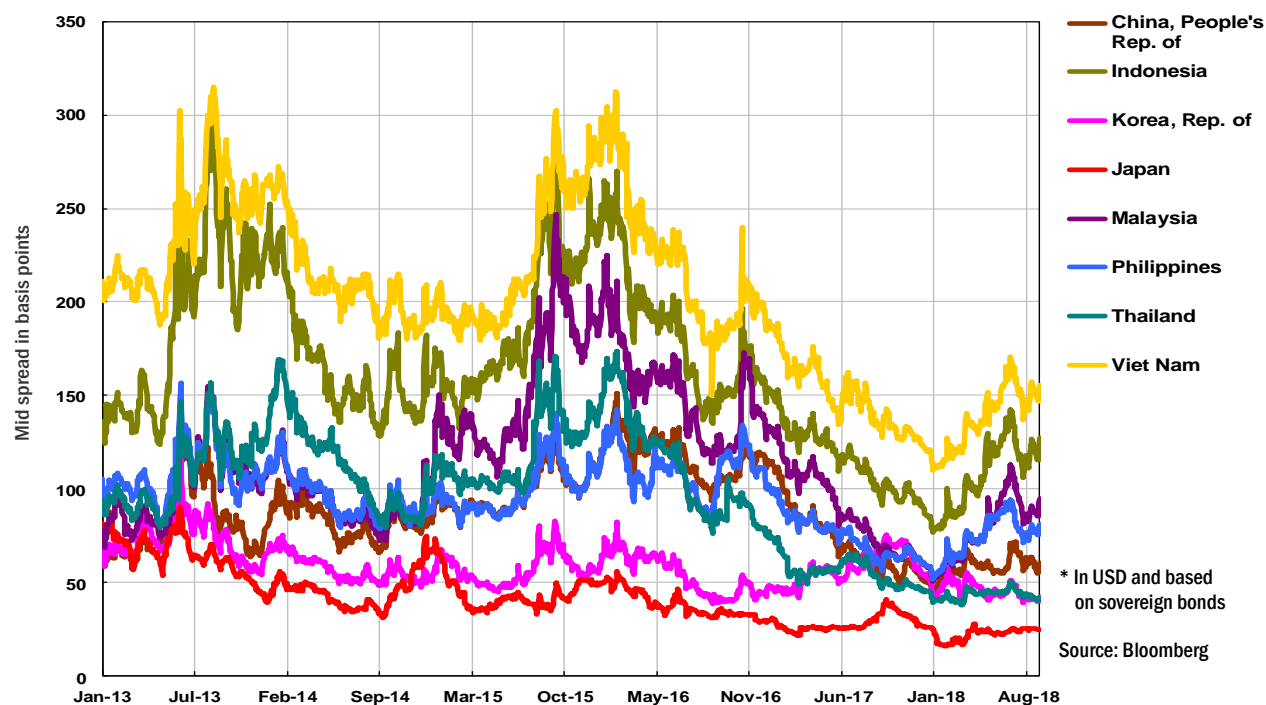
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

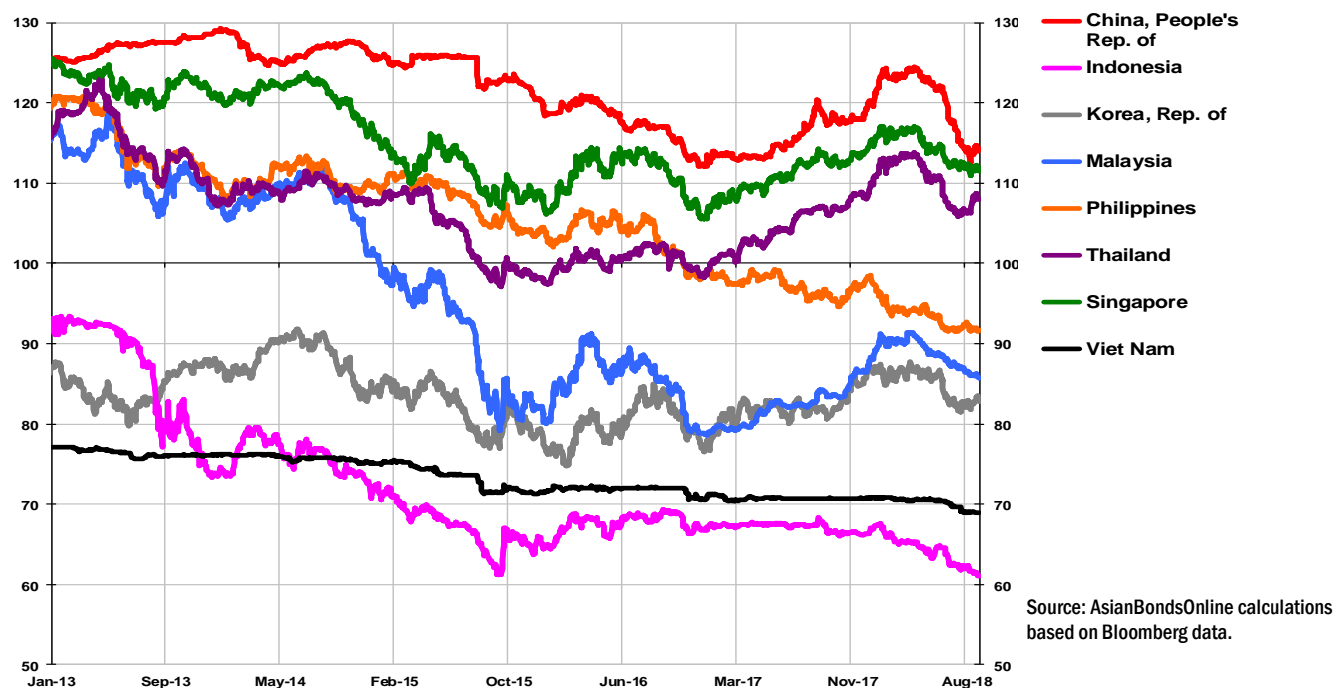
Credit Default Swap Spreads and Exchange Rate Indexes

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 (27 – 31 August 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	31-Aug	91-day Treasury Bill	2.12		10.00	10.00
HK	28-Aug	91-Day Exchange Fund Bills	1.41		43.52	43.52
		182-day Exchange Fund Bills	1.60		13.00	13.00
ID	28-Aug	3-month Treasury Bills	5.33			3,000.00
		1-year Treasury Bills	6.19			1,100.00
		5-year Treasury Bonds	7.78	5.63	10,000.00	2,650.00
		10-year Treasury Bonds	7.97	6.13		6,600.00
		15-year Treasury Bonds	8.02	6.63		2,150.00
		20-year Treasury Bonds	8.38	7.50		4,500.00
JP	30-Aug	2-year Japan Government Bonds	-0.11	0.10	2,100.00	2,307.50
KR	27-Aug	3-year Korea Treasury Bonds	1.95	2.25	1,200.00	1,200.00
	28-Aug	30-year Korea Treasury Bonds	2.30	2.63	1,300.00	1,300.00
MY	29-Aug	5-year Government Investment Issues	3.82	4.09	3.50	3.50
PH	28-Aug	91-day Treasury Bills	3.22		4.00	4.00
		182-day Treasury Bills	4.07		5.00	5.00
		364-day Treasury Bills	4.88		6.00	6.00
	29-Aug	3-year Treasury Bonds	5.14	4.25	15.00	15.00
SG	28-Aug	28-day MAS Bills	1.45		2.50	2.50
		84-day MAS Bills	1.36		5.70	5.70
	29-Aug	2-year Treasury Bonds	1.86	3.25	2.70	2.70
TH	27-Aug	364-day Debt Restructuring Bills	1.68		15.00	15.00
	28-Aug	91-day Bank of Thailand Bills	1.24		40.00	40.00
		182-day Bank of Thailand Bills	1.50		35.00	35.00
	31-Aug	14-day Bank of Thailand Bills	1.14		30.00	30.00
VN	29-Aug	7-year Treasury Bonds			500.00	500.00
		10-year Treasury Bonds	4.69		2,000.00	1,800.00
		15-year Treasury Bonds			2,000.00	2,000.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (4 – 10 September 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Republic of Korea CPI y-o-y, % AUG	09/04	7/17: 2.2% 8/17: 2.6% 6/18: 1.5% 7/18: 1.5%	Consumer price inflation in the Republic of Korea was unchanged in August from a month earlier at 1.5% year-on-year (y-o-y).
Republic of Korea GDP—Final y-o-y, % Q2 2018	09/04	Q1 2017: 3.9% Q2 2017: 3.5% Q1 2018: 2.8% Q2 2018: 2.9%	Based on advance estimates by the Bank of Korea, the Republic of Korea's economy grew 2.9% year-on-year (y-o-y) in the second quarter of 2018, following growth of 2.8% y-o-y in the previous quarter.
Malaysia Exports y-o-y, % JUL	09/05	6/17: 9.9% 7/17: 30.9% 5/18: 3.4% 6/18: 7.6%	Malaysia's export growth quickened in June to 7.6% y-o-y from 3.4% y-o-y in May.
Malaysia Trade Balance USD billion JUL	09/05	6/17: 2.3 7/17: 1.9 5/18: 2.0 6/18: 1.5	Malaysia's trade surplus narrowed to USD1.5 billion in June from USD2.0 billion in May.
Malaysia Overnight Policy Rate % SEP	09/05	8/17: 3.00% 9/17: 3.00% 7/18: 3.25% 8/18: 3.25%	Bank Negara Malaysia kept the overnight policy rate unchanged during its monetary policy meeting on 11 July.
Philippines CPI y-o-y, % AUG	09/05	7/17: 2.4% 8/17: 2.6% 6/18: 5.2% 7/18: 5.7%	Prices of basic goods and services in the Philippines increased 5.7% y-o-y in July, up from 5.2% y-o-y inflation posted in June.
Malaysia Industrial Production y-o-y, % JUL	09/07	6/17: 3.3% 7/17: 6.1% 5/18: 3.0% 6/18: 1.1%	Malaysia's industrial production growth slowed to 1.1% y-o-y in June from 3.0% y-o-y in May.
People's Republic of China Exports y-o-y, % AUG	09/08	7/17: 6.4% 8/17: 4.9% 6/18: 11.2% 7/18: 12.2%	The PRC's exports rose 12.2% y-o-y in August from 11.2% y-o-y in June.
People's Republic of China Trade Balance USD billion AUG	09/08	7/17: 44.9 8/17: 40.0 6/18: 41.5 7/18: 28.1	The PRC reported a trade surplus of USD28.1 billion in July, down from USD41.5 billion in June.
People's Republic of China CPI y-o-y, % AUG	09/10	7/17: 1.4% 8/17: 1.8% 6/18: 1.9% 7/18: 2.1%	The PRC's consumer price inflation accelerated to 2.1% y-o-y in July from 1.9% y-o-y in June.
Japan GDP—Final y-o-y, % Q2 2018	09/10	Q1 2017: 3.9% Q2 2017: -7.1% Q1 2018: -0.9% Q2 2018: 1.9%	Based on preliminary estimates, Japan's economy grew an annualized 1.9% in the second quarter of 2018, reversing the 0.9% contraction in the previous quarter.
Japan Current Account USD billion JUL	09/10	6/17: 8.2 7/17: 21.3 5/18: 17.8 6/18: 10.6	Japan's current account surplus narrowed to USD10.6 billion in June from USD17.8 billion in May.
Republic of Korea Current Account USD million JUL	09/10	6/17: 6,939.8 7/17: 7,249.7 5/18: 8,680.6 6/18: 7,377.0	The Republic of Korea's current account surplus narrowed to USD7.4 billion in June from USD8.7 billion in May.

Sources: 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)

Japan's Industrial Production and the Republic of Korea's Index of All-Industry Production Rise in July; The PRC's Manufacturing and Nonmanufacturing PMI Rise, Viet Nam's Industrial Production Growth Eases in August

- [Indices of Industrial Production](#)
Ministry of Economy, Trade and Industry (31 August 2018)
- [Monthly Industrial Statistics, July 2018](#)
Statistics Korea (31 August 2018)

The Bank of Korea Maintains Its Base Rate at 1.50%

- [Monetary Policy Decision \(Aug 31, 2018\)](#)
The Bank of Korea (31 August 2018)

Viet Nam's Consumer Price Inflation Eases to 4.0% y-o-y in August

- [Vietnam consumer prices rise 0.45% m/m in August](#)
Hanoi Times (29 August 2018)

Hong Kong, China's Trade Deficit and Thailand's Trade Surplus Narrow in July; Viet Nam's Trade Deficit Shrinks in August

- [External merchandise trade statistics for July 2018 \[PDF\]](#)
Census and Statistics Department (27 August 2018)
- [Press Release on the Economic and Monetary Conditions for July 2018](#)
Bank of Thailand (31 August 2018)
- [Viet Nam's trade surplus increases to \\$2.8 billion](#)
Viet Nam News (30 August 2018)

RAM Upgrades the Philippines' and Reaffirms Singapore's Global Ratings

- [RAM Ratings upgrades the Philippines' ratings](#)
RAM Ratings (29 August 2018)
- [Rating Definitions & Indicators](#)
RAM Ratings (31 August 2018)

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