

Key Developments in Asian Local Currency Markets

Japan's real annualized gross domestic product (GDP) growth in the second quarter (Q2) of 2018 was revised upward to 3.0% from a preliminary estimate of 1.9%, reversing the 0.9% contraction posted in the first quarter (Q1) of 2018. The higher growth was primarily driven by an acceleration in the annualized growth of nonresidential investment to 12.8% from a previous estimate of 5.2%. Growth in private consumption and exports also increased to 2.9% and 0.9%, respectively, from 2.8% and 0.8%. The decline in residential investment was revised to 9.3% from 10.3%, and government consumption growth was reduced to 0.8% from 0.9%.

Consumer prices in the People's Republic of China (PRC) rose 2.3% year-on-year (y-o-y) in August after climbing 2.1% y-o-y in July. Producer prices, on the other hand, rose 4.1% y-o-y in August, down from 4.6% y-o-y in July.

The PRC posted a trade surplus of USD31.1 billion in August, up from USD28.1 billion in July. Export growth decelerated to 9.8% y-o-y in August from 12.2% y-o-y in July. Imports grew 20.0% y-o-y in August versus 27.3% y-o-y in July. The Philippines posted a trade deficit of USD3.6 billion in July was up from USD1.3 billion in July 2017.

Japan's current account surplus widened to JPY2.1 trillion in July from JPY1.2 trillion in June. The rise was primarily driven by the jump in the primary income surplus to JPY2.4 trillion from JPY587.6 billion.

The PRC's industrial production grew 6.1% y-o-y in August versus 6.0% y-o-y in July. Investment in fixed assets in the PRC slowed on a year-to-date basis, rising 5.3% y-o-y during January–August, down from 5.5% y-o-y during January–July.

Industrial output growth in Hong Kong, China accelerated in Q2 2018, with the index of industrial production rising 1.6% y-o-y following a 1.1% y-o-y increase in Q1 2018.

The PRC's unemployment rate fell 0.1 percentage points between July and August to 5.0%. On a y-o-y basis, the unemployment rate also fell by 0.1 percentage points.

Last week, the Republic of Korea sold USD1.0 billion worth of foreign exchange stabilization bonds. The issue comprised USD500 million worth of 10-year bonds priced at 3.572%, a spread of 60 basis points over the 10-year US Treasury bond, and USD500 worth of 30-year bonds priced at 3.957%, a spread of 85 basis points over the 30-year US Treasury bond.

Asia Bond Monitor June 2018

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10-Year Selected LCY Government Security Yields Close of 14 September 2018  
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	3.00	2.59	5.71	59.05
EU	0.45	2.70	6.30	2.30
Japan	0.12	0.60	0.50	7.00
PRC	3.74	-1.00	2.00	-28.00
Hong Kong, China	2.39	-0.60	14.30	55.60
India	8.13	-0.70	9.80	79.00
Indonesia	8.41	-11.10	-4.50	209.40
Korea, Rep. of	2.31	4.80	4.80	-15.70
Malaysia	4.11	-1.60	-5.10	20.00
Philippines	7.56	68.21	88.44	185.85
Singapore	2.48	1.75	7.63	47.25
Thailand	2.85	-0.70	10.10	52.50
Viet Nam	5.03	-8.80	-22.50	-17.90

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

Last week, local currency government bond yields rose for all tenors in Hong Kong, China and most tenors in the PRC, the Republic of Korea, Philippines, Singapore and Thailand. Yields fell for all tenors in Viet Nam and for most tenors in Indonesia and Malaysia. The 2-year versus 10-year yield spread rose in most markets except in the PRC, Indonesia, the Republic of Korea and Malaysia.

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## Summary Text of News Articles

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### Japan's Q2 2018 Real GDP Growth Revised Upward to 3.0% Annualized and 0.7% q-o-q

Japan's real gross domestic product (GDP) growth in the second quarter (Q2) of 2018 was revised upward to an annualized rate of 3.0% from a preliminary estimate of 1.9%, reversing the 0.9% contraction posted in the first quarter (Q1) of 2018. The higher growth was primarily driven by an acceleration in the growth of nonresidential investment to 12.8% from a previous estimate of 5.2%. Growth in private consumption and exports also increased to 2.9% and 0.9%, respectively, from 2.8% and 0.8%. The annualized decline in residential investment was revised to 9.3% from 10.3%, while government consumption growth was revised down to 0.8% from the previous estimate of 0.9%. On a seasonally adjusted quarter-on-quarter (q-o-q) basis, Japan's economic growth was revised upward to 0.7% from a previous estimate of 0.5%.

### Consumer Price Inflation Rises and Producer Price Inflation Falls in the PRC in August

Consumer prices in the People's Republic of China (PRC) rose 2.3% year-on-year (y-o-y) in August after climbing 2.1% y-o-y in July. The biggest contributor to the PRC's consumer price inflation in August were food, tobacco, and liquor prices, which rose 1.9% y-o-y in August. Other major consumer price categories showed y-o-y increases, with the largest increase coming from health care prices, which rose 4.3% y-o-y. Producer price inflation slowed to 4.1% y-o-y in August from 4.6% y-o-y in July.

For the historical trend of the PRC's inflation rate, refer to this link:

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

### The PRC Reports Trade Surplus of USD31.1 Billion in August; The Philippines Registers Trade Deficit of USD3.6 Billion in July

The PRC posted a trade surplus of USD31.05 billion in August, up from USD28.09 billion in July. On a y-o-y basis, export growth decelerated to 9.8% y-o-y in August from 12.2% y-o-y in July. Imports on the other hand, grew 20.0% y-o-y in August versus 27.3% y-o-y in July.

The Philippines posted a trade deficit of USD3.6 billion in July, up from USD1.3 billion in July 2017. Exports marginally increased to USD5.85 billion from USD5.83 billion a year earlier, while imports climbed to USD9.4 billion from USD7.1 billion. The Philippines has imported more iron and steel, and transport equipment in 2018 to support the government's infrastructure projects. From January to July, the cumulative trade deficit stood at USD22.5 billion.

### Japan's Current Account Surplus Widens in July

Japan's current account surplus widened to JPY2.0 trillion in July from JPY1.2 trillion in June, based on preliminary estimates by the Ministry of Finance. The rise was primarily driven by the jump in the primary income surplus to JPY2.4 trillion from JPY587.6 billion. The goods account posted a deficit of JPY0.9 billion in July, reversing the JPY820.4 billion surplus in the previous month. The services and secondary income accounts each posted deficits of JPY174.4 billion and JPY169.8 billion, respectively.

### The PRC's Industrial Production Growth Accelerates in August; Fixed-Asset Investment Slows in January-August

The PRC's industrial production grew 6.1% y-o-y in August, up from 6.0% y-o-y in July. By sector, mining output rose 2.0% y-o-y while manufacturing rose 6.1% y-o-y. The production of electricity, thermal power, gas, and water grew 9.9% y-o-y in August.

Investment in fixed assets in the PRC slowed on a year-to-date basis, falling to 5.3% y-o-y during January–August from 5.5% y-o-y during January–July. Fixed-asset investment grew 14.2% y-o-y in the primary industry and 4.3% y-o-y in the secondary industry during January–August. Fixed-asset investment in the tertiary industry grew 5.5% y-o-y during the same period.

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**Summary Text of News Articles**

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**Manufacturing Output Expands in Hong Kong, China in Q2 2018**

Industrial output in Hong Kong, China expanded in Q2 2018, with the index of industrial production rising 1.6% y-o-y, following a 1.1% y-o-y increase in Q1 2018. Output increased for most manufacturing industries, led by food, beverages, and tobacco, which gained 3.2% y-o-y in Q2 2018 after rising 2.4% y-o-y in the previous quarter. Output of metals, computers, electronic and optical products, and machinery and equipment continued to contract, with the index falling 1.3 y-o-y in Q2 2018 following a decline of 0.8% y-o-y in Q1 2018. On a q-o-q basis, the seasonally adjusted index rose 0.6% in Q2 2018. The corresponding Producer Price Index rose 3.8% y-o-y in Q2 2018, maintaining the previous quarter's pace, mainly driven by prices for metals, computers, electronic and optical products, and machinery and equipment, which rose 5.1% y-o-y in Q2 2018 versus 5.9% y-o-y increase in the previous quarter.

**The PRC's Unemployment Rate Falls in August**

The PRC's unemployment rate fell 0.1 percentage points between July and August to 5.0%. On a y-o-y basis, the unemployment rate also fell by 0.1 percentage points. The unemployment rate for 31 major cities was at 4.9% in August, down from 5.0% in July, while it was unchanged from July 2017. The surveyed unemployment rate was first released in 2014 and is meant to complement the registered unemployment rate calculated by the Ministry of Human Resources and Social Security.

**The Republic of Korea Sells USD1.0 Billion of Foreign Exchange Stabilization Bonds**

Last week, the Republic of Korea sold USD1.0 billion worth of foreign exchange stabilization bonds. The issue was made up of USD500 million worth of 10-year bonds priced at 3.572%, a spread of 60 basis points over the 10-year US Treasury bond, and USD500 worth of 30-year bonds priced at 3.957%, a spread of 85 basis points over the 30-year US Treasury bond.

## 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			
		Previous Day*	Previous Week*	1-Jan-18*	
US	2.14	0.99		1.28	76.69
EU	-0.55	0.60		1.00	19.40
Japan	-0.13	0.10		1.33	3.30
PRC	2.70	0.00		8.00	-113.00
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	0.00	-0.60		3.20
Malaysia	3.26	-0.40	-0.40		30.30
Philippines	3.53	1.07	-54.72		110.16
Singapore	1.76	-0.30	-0.20		-3.30
Thailand	1.22	0.00		0.00	0.00

Close of 14 September 2018

### 10-Year Selected LCY Government Bond Yields

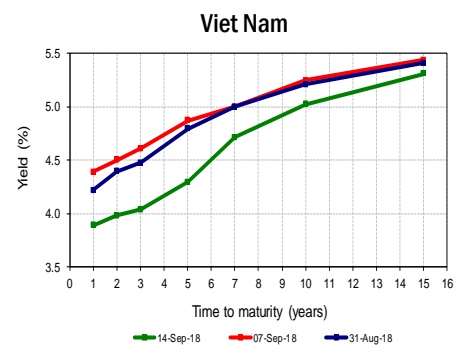
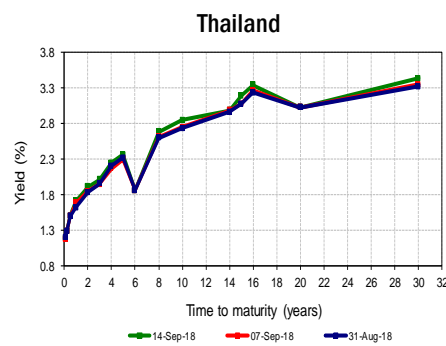
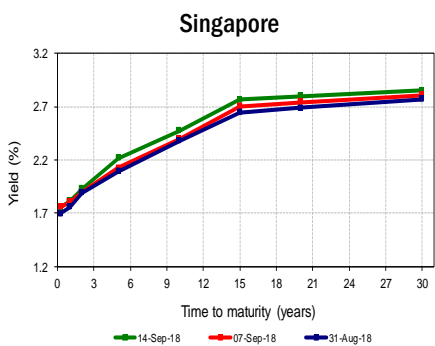
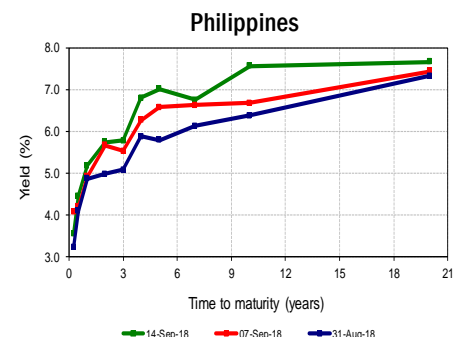
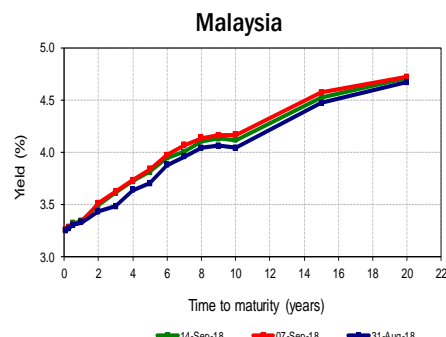
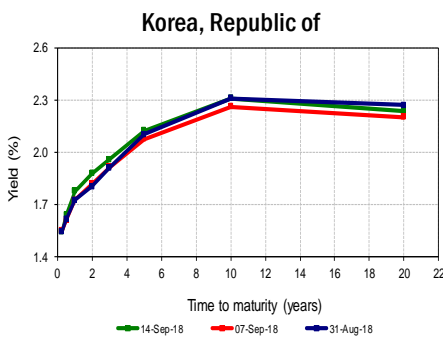
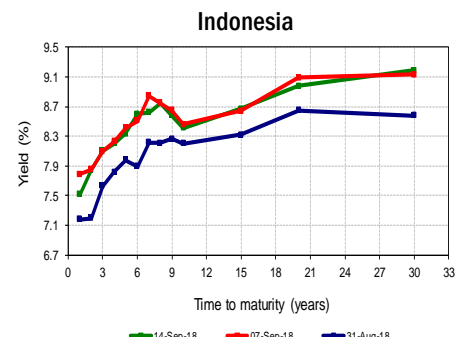
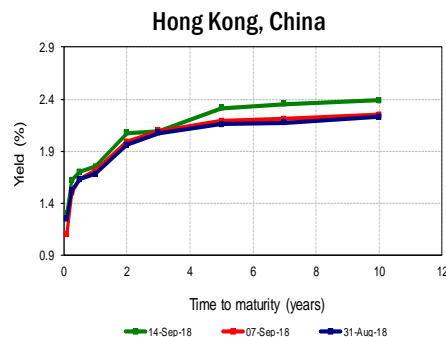
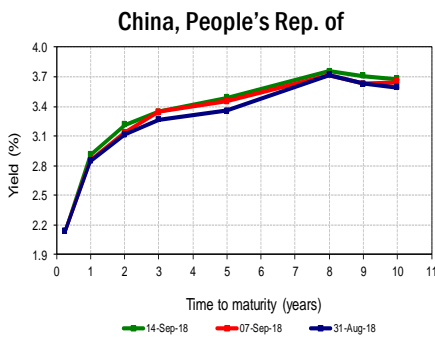
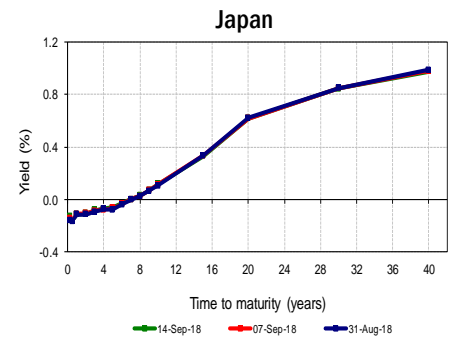
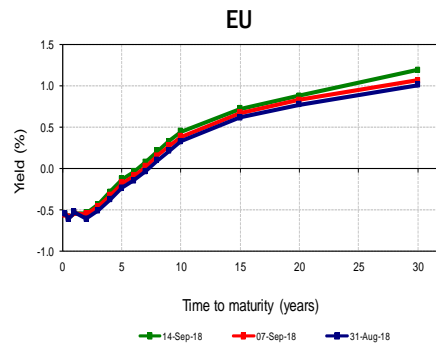
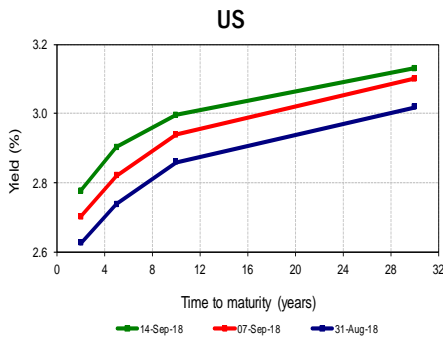
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Hong Kong, China	2.39	-0.60	14.30	55.60
India	8.13	-0.70	9.80	79.00
Indonesia	8.41	-11.10	-4.50	209.40
Korea, Rep. of	2.31	4.80	4.80	-15.70
Malaysia	4.11	-1.60	-5.10	20.00
Philippines	7.56	68.21	88.44	185.85
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Thailand	2.85	-0.70	10.10	52.50
Viet Nam	5.03	-8.80	-22.50	-17.90

Close of 14 September 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**

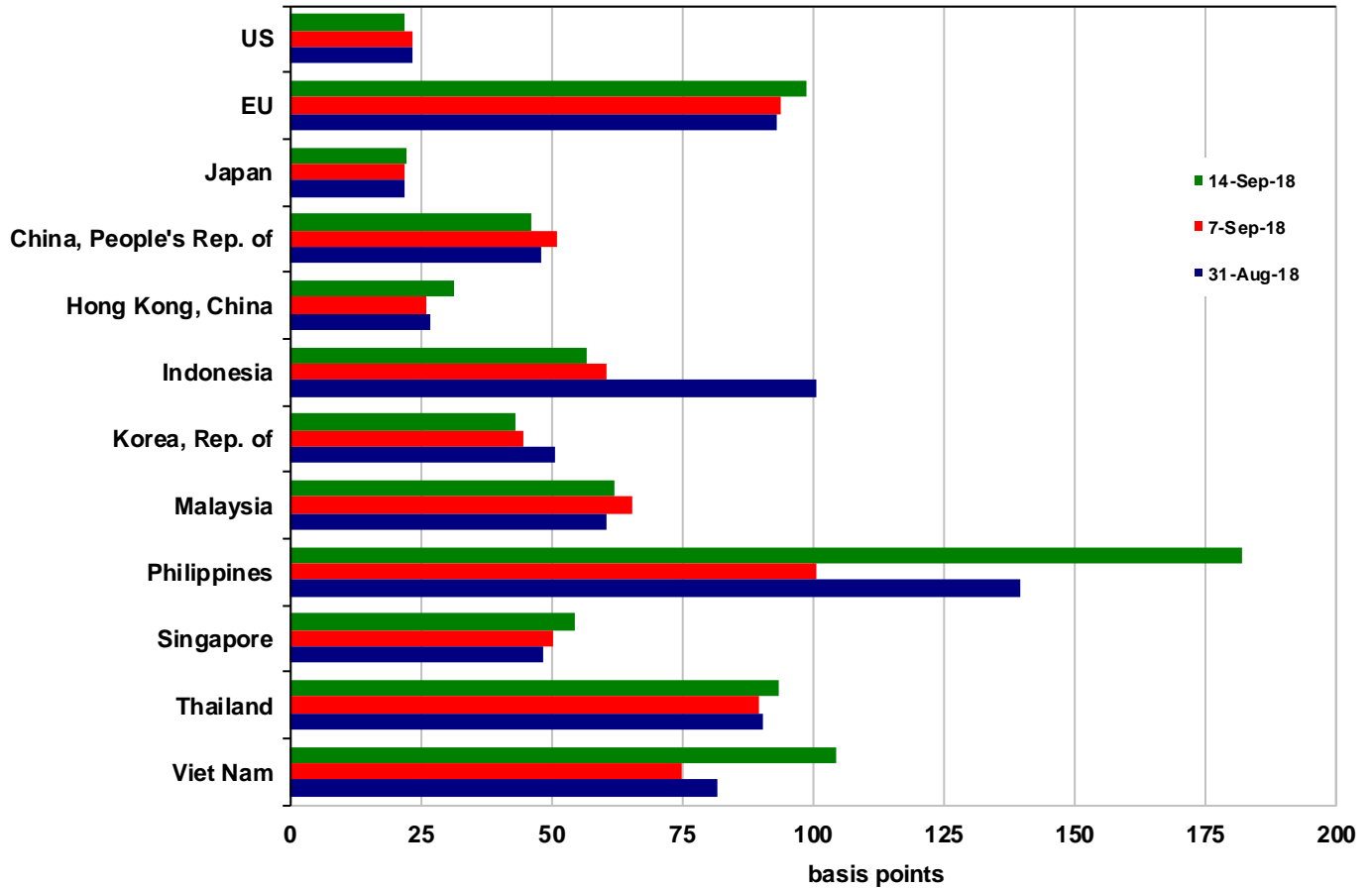
Tip: Zoom-in on the table using the Acrobat zoom tool



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

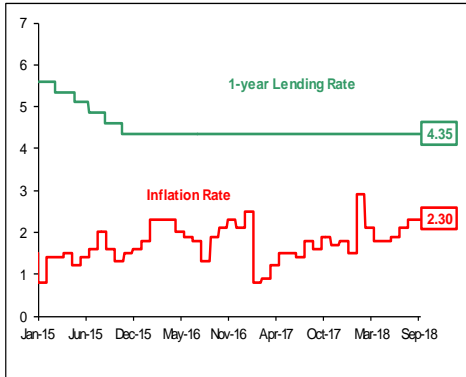


EU = European Union, US = United States.  
 Source: Based on data from Bloomberg LP.

**Policy Rate versus Inflation Rate**

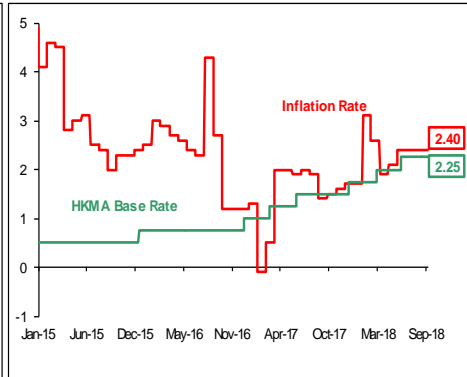
Tip: Zoom-in on the table using the Acrobat zoom tool

**China, People's Rep. of**



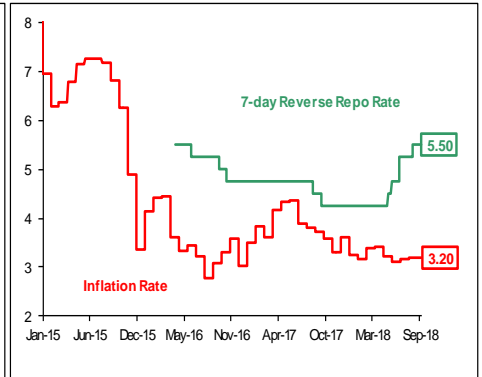
The PRC uses the 1-year lending rate as one of its policy rates.  
Source: Bloomberg LP.

**Hong Kong, China**



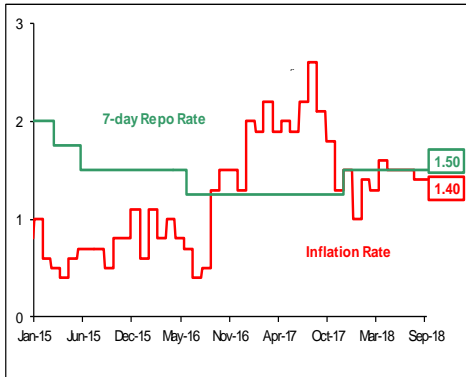
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.  
Source: Bloomberg LP.

**Indonesia**



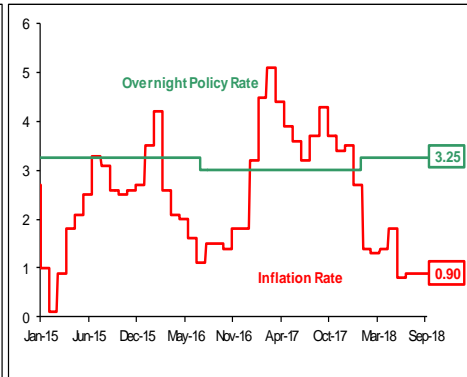
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.  
Source: Bloomberg LP.

**Korea, Republic of**



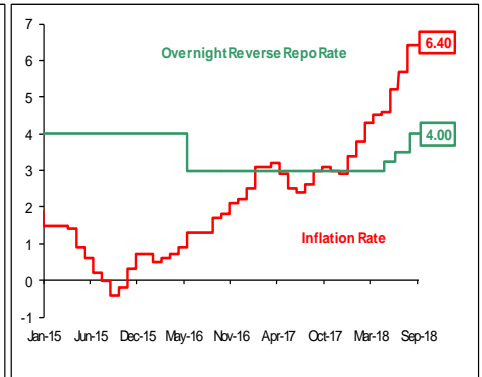
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.  
Source: Bloomberg LP.

**Malaysia**



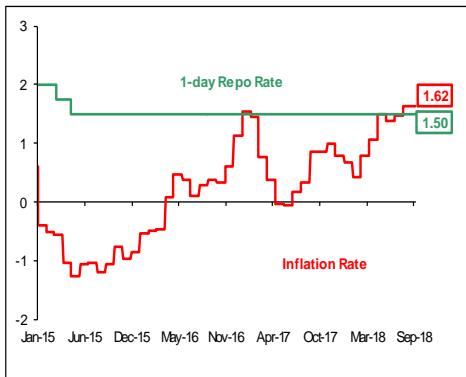
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.  
Source: Bloomberg LP.

**Philippines**



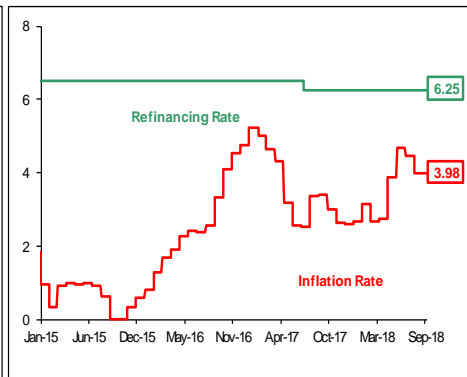
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.  
Source: Bloomberg LP.

**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**

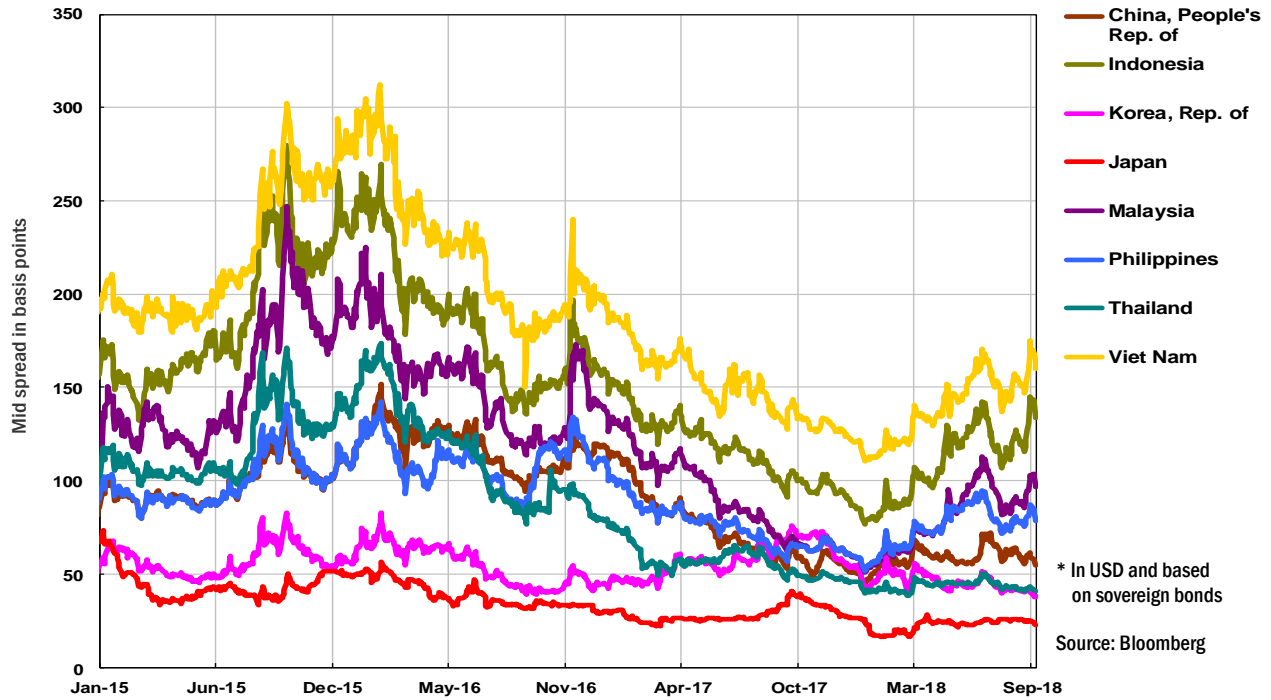


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.  
Source: Bloomberg LP.

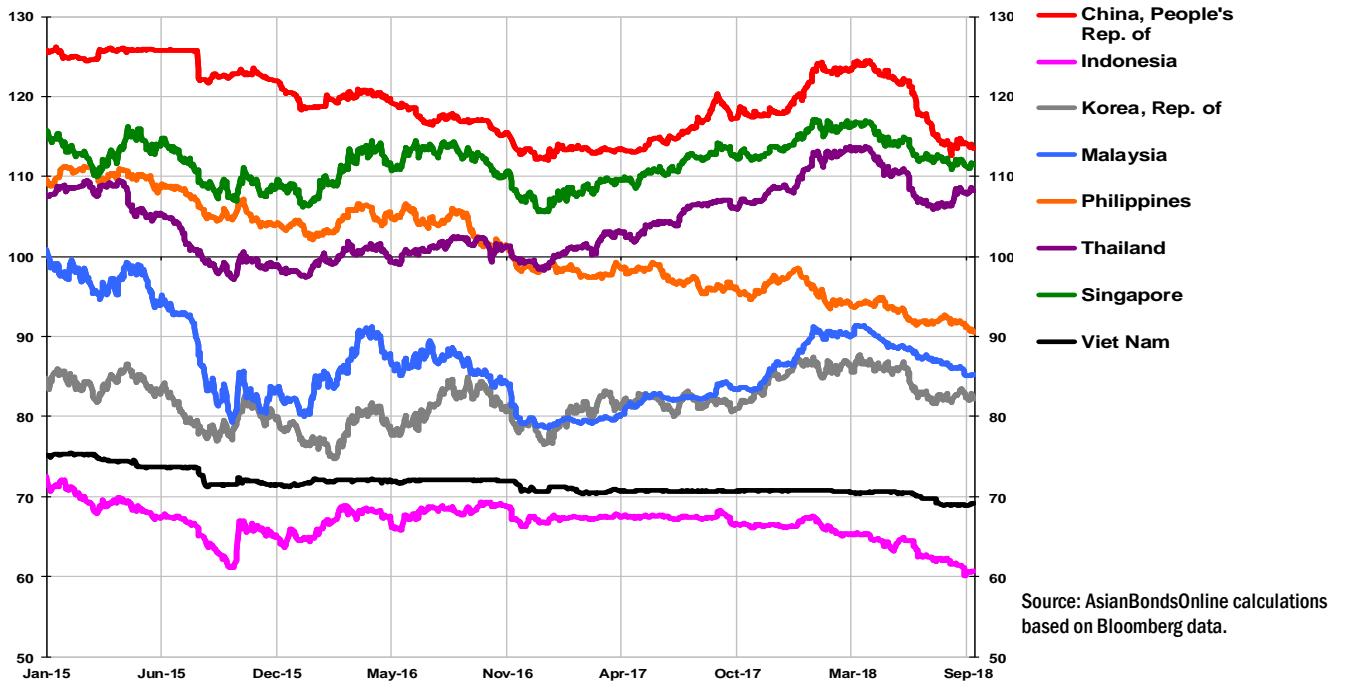
**Credit Default Swap Spreads and Exchange Rate Indexes**

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 (10 – 14 September 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	14-Sep	91-day Treasury Bills	2.12		10.00	10.01
HK	11-Sep	182-day Exchasnge Fund Bills	1.79		14.00	14.00
ID	12-Sep	91-day Treasury Bills	5.58			3,000.00
		365-day Treasury Bills	6.35			4,500.00
		5-year Treasury Bonds	8.53	5.63		4,850.00
		10-year Treasury Bonds	8.67	6.13	10,000.00	1,350.00
		15-year Treasury Bonds	8.81	6.63		500.00
		20-year Treasury Bonds	9.16	7.50		1,700.00
		30-year Treasury Bonds	9.22	7.38		310.00
JP	11-Sep	30-year Japanese Government Bonds	0.84	0.70	700.00	797.00
	13-Sep	5-year Japanese Government Bonds	-0.07	0.10	2,000.00	1,999.00
KR	10-Sep	10-year Korea Treasury Bonds	2.27	2.63	1,300.00	1,300.00
	12-Sep	5-year Korea Treasury Bonds	2.09	2.00	660.00	660.00
MY	13-Sep	29-year Government Investment Issues	4.97	4.90	2.00	2.00
PH	10-Sep	91-day Treasury Bills	3.55		4.00	2.47
		182-day Treasury Bills	4.35		5.00	5.00
		364-day Treasury Bills	5.14		6.00	6.00
SG	11-Sep	28-day MAS Bills	1.46		2.50	2.50
		84-day MAS Bills	1.36		5.20	5.20
TH	10-Sep	364-day Debt Restructuring Bills	1.75		15.73	15.73
	11-Sep	91-day Bank of Thailand Bills	1.18		40.00	40.00
		182-day Bank of Thailand Bills	1.49		40.00	40.00
	12-Sep	10.27-year Government Bonds	2.84	2.88	20.00	20.00
	13-Sep	1.95-year Bank of Thailand Bonds	2.00	1.82	25.00	25.14
VN	12-Sep	10-year Treasury Bonds	4.71		2,000.00	2,250.00
		15-year Treasury Bonds	4.97		2,000.00	1,800.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (18 – 25 September 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Japan</b> <b>Trade Balance</b> JPY billion AUG	09/18	7/17: 406.6 8/17: 96.8 <b>6/18: 718.4</b> <b>7/18: -231.9</b>	Japan posted a trade deficit of JPY231.9 trillion in July, a reversal from the JPY718.4 billion surplus in June.
<b>Japan</b> <b>Exports</b> y-o-y, % AUG	09/18	7/17: 13.4% 8/17: 18.1% <b>6/18: 6.7%</b> <b>7/18: 3.9%</b>	Japan's exports rose 3.9% year-on-year (y-o-y) in July following 6.7% y-o-y growth in June.
<b>Malaysia</b> <b>CPI</b> y-o-y, % AUG	09/19	7/17: 3.2% 8/17: 3.7% <b>6/18: 0.8%</b> <b>7/18: 0.9%</b>	Consumer price inflation in Malaysia slightly climbed to 0.9% y-o-y in July from 0.8% y-o-y in June.
<b>Philippines</b> <b>Balance of Payments</b> USD million AUG	09/19	7/17: -678 8/17: -0.7 <b>6/18: -1,177</b> <b>7/18: -455</b>	The Philippines' balance of payments registered a smaller deficit of USD455 million in July compared with USD1,177 million in June.
<b>Hong Kong, China</b> <b>CPI</b> y-o-y, % AUG	09/20	7/17: 2.0% 8/17: 1.9% <b>6/18: 2.4%</b> <b>7/18: 2.4%</b>	Hong Kong, China's consumer price inflation remained unchanged in July from June at 2.4% y-o-y.
<b>Singapore</b> <b>CPI</b> y-o-y, % AUG	09/24	7/17: 0.6% 8/17: 0.4% <b>6/18: 0.6%</b> <b>7/18: 0.6%</b>	The prices of basic goods and services in Singapore maintained a growth rate of 0.6% y-o-y for the second month in a row in July.
<b>Philippines</b> <b>Budget Balance</b> PHP billion AUG	09/24	7/17: -50.5 8/17: 28.8 <b>6/18: -54.3</b> <b>7/18: -86.4</b>	The Philippines posted a budget deficit of PHP86.4 billion in July after recording a deficit of PHP54.3 billion recorded in June.
<b>Viet Nam</b> <b>Trade Balance</b> USD million SEP	9/25-9/30	8/17: 400.0 9/17: 400.0 <b>7/18: -300.0</b> <b>8/18: -100.0</b>	Viet Nam posted a trade deficit of USD100 million in August following a USD300 million deficit in July.
<b>Viet Nam</b> <b>Exports</b> YTD y-o-y, % SEP	9/25-9/30	8/17: 18.7% 9/17: 17.9% <b>7/18: 15.3%</b> <b>8/18: 14.5%</b>	Year-to-date (YTD) export growth in Viet Nam eased to 14.5% y-o-y during January–August, lower than the 18.7% y-o-y hike posted in the same period a year earlier.
<b>Viet Nam</b> <b>CPI</b> y-o-y, % SEP	9/25-9/30	8/17: 3.4% 9/17: 3.4% <b>7/18: 4.5%</b> <b>8/18: 4.0%</b>	Consumer price inflation in Viet Nam eased to 4.0% y-o-y in August from 4.5% y-o-y in July.
<b>Viet Nam</b> <b>GDP</b> YTD y-o-y, % SEP	9/25-9/30	Q2 2017: 5.7% Q3 2017: 6.4% <b>Q1 2018: 7.4%</b> <b>Q2 2018: 7.1%</b>	Real gross domestic product growth in Viet Nam climbed to 7.1% y-o-y during January–June from 5.7% y-o-y a year earlier.

Sources: AsianBondsOnline, Bloomberg LP, and Reuters.

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## 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 Q2 2018 Real GDP Growth Revised Upward to Annualized 3.0% and 0.7% q-o-q

- [Quarterly Estimates of GDP for April - June 2018 \(Second Preliminary Estimates\)](#)  
Cabinet Office, Government of Japan (10 September 2018)

### August Consumer Price Inflation Rises in the PRC; Producer Price Inflation Falls

- [Consumer Prices for August 2018](#)  
National Bureau of Statistics of China (11 September 2018)
- [Producer Prices for the Industrial Sector for August 2018](#)  
National Bureau of Statistics of China (11 September 2018)

### The PRC Reports Trade Surplus of USD31.05 Billion in August; The Philippines Registers Trade Deficit of USD3.55 billion in July

- [China's record trade surplus with U.S. adds fuel to trade war fire](#)  
Reuters (8 September 2018)
- [Highlights of the Philippine Export and Import Statistics: July 2018](#)  
Philippine Statistics Authority (11 September 2018)

### Japan's Current Account Surplus Widens in July

- [Balance of Payments Statistics, July 2018 \(Preliminary\)](#)  
Ministry of Finance, Japan (10 September 2018)

### The PRC's Industrial Production Growth Accelerates in August; Fixed-Asset Investment Slows in January-August

- [National Economy Stayed Stable with Good Momentum of Steady Growth in August](#)  
National Bureau of Statistics of China (14 September 2018)

### Manufacturing Output Volume Expands in Hong Kong, China in Q2 2018

- [Provisional statistics on index of industrial production and producer price index for industrial sector for second quarter of 2018](#)  
Census and Statistics Department (13 September 2018)

### The PRC's Unemployment Rate Falls in August

- [China sees steady employment in August](#)  
Xinhua (14 September 2018)

### The Republic of Korea Sells USD1.0 Billion Foreign Exchange Stabilization Bonds

- [Balance of Payments Statistics, July 2018 \(Preliminary\)](#)  
Ministry of Finance, Japan (10 September 2018)

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