

24 September 2018

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## Key Developments in Asian Local Currency Markets

Local currency government bond yields in emerging East Asia diverged between 1 June and 15 August due to differing responses among the region's central banks to the United States Federal Reserve's monetary tightening and rising global economic uncertainties, according to the latest issue of the Asia Bond Monitor. The report also noted that the region's local currency bonds outstanding reached USD12.6 trillion at the end of June, posting moderate growth of 3.2% quarter-on-quarter. The latest issue of the Asia Bond Monitor includes a discussion on the effect of global trade tensions on financial markets. A copy of the full report is available at [https://asianbondsonline.adb.org/documents/abm\\_sep\\_2018.pdf](https://asianbondsonline.adb.org/documents/abm_sep_2018.pdf).

At its monetary policy meeting on 18–19 September, the Monetary Board of the Bank of Japan (BOJ) maintained its monetary easing policy. The BOJ will continue to conduct its yield curve control program, keeping a target of around zero for the 10-year government bond yield, but it will allow more movement. The BOJ will also maintain its –0.1% target for the short-term policy rate. On the other hand, the Monetary Policy Committee of the Bank of Thailand maintained the 1-day repurchase rate at 1.5% in its policy-setting meeting on 19 September.

Consumer price inflation in Japan accelerated to 1.3% year-on-year (y-o-y) in August from 0.9% y-o-y in July. On a seasonally adjusted month-on-month basis, consumer prices in Japan rose 0.5% in August. On the other hand, consumer prices in Hong Kong, China rose 2.3% y-o-y in August, slightly easing from 2.4% y-o-y inflation in July. Net of the effects of the government's one-off relief measures, consumer prices rose 2.6% y-o-y in August, slightly easing from 2.7% y-o-y inflation in July. Malaysia's consumer price inflation fell to its lowest rate in 42 months in August at 0.2% y-o-y. In July, inflation was 0.9% y-o-y. Core inflation decreased 0.2% y-o-y in August, the same rate of decline as in the previous month.

Japan posted a trade deficit of JPY445 billion in August, a reversal from the JPY97 billion surplus posted in August 2017, as imports rose at a faster pace than exports. Indonesia's trade deficit in August narrowed to USD1.0 billion from USD2.0 billion in July.

Non-oil domestic exports from Singapore increased 5.0% y-o-y in August, down from the 11.0% y-o-y growth recorded in July.

The Philippines' overall balance of payments position posted a surplus of

### Asia Bond Monitor September 2018

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#### 10-Year Selected LCY Government Security Yields Close of 21 September 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	3.06	0.02	6.69	65.74
EU	0.46	-0.90	1.20	3.50
Japan	0.13	1.00	1.50	8.50
PRC	3.77	2.00	3.00	-25.00
Hong Kong, China	2.47	1.70	7.60	63.20
India	8.08	0.70	-4.80	74.20
Indonesia	8.14	-8.20	-27.30	182.10
Korea, Rep. of	2.41	-2.00	10.00	-5.70
Malaysia	4.09	-1.10	-2.90	17.10
Philippines	6.90	6.79	-65.49	120.36
Singapore	2.56	3.87	8.76	56.01
Thailand	2.86	-0.60	0.60	53.10
Viet Nam	5.13	1.20	10.00	-7.90

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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

USD1,272 million in August, a reversal from the deficit of USD455 million recorded in July.

Foreign net inflows into the Republic of Korea's local currency bond market increased to KRW2.4 trillion in August from KRW1.4 trillion in July.

Local currency government bond yields increased for most tenors for most economies, with all tenors increasing for the Republic of Korea, Singapore, and Viet Nam. Yields decreased for most tenors in Indonesia and Malaysia, while results are mixed for the People's Republic of China. Yield spreads between the 2-year and 10-year tenors contracted for all economies except for the People's Republic of China; Hong Kong, China; the Republic of Korea; and Singapore.

## Summary Text of News Articles

### BOJ Maintains Monetary Easing Policy; Bank of Thailand Holds Policy Rate at 1.50%

At its monetary policy meeting on 18–19 September, the Monetary Board of the Bank of Japan (BOJ) maintained its monetary easing policy. The BOJ will continue to conduct its yield curve control program, keeping a target of around zero for the 10-year government bond yield, but it will allow more movement. The BOJ will also maintain its –0.1% target for the short-term policy rate. The central bank stated that the domestic economy is expanding moderately and is expected to continue this trend supported by domestic demand and export growth. Risks to the outlook include developments in economic policies in the United States and their impact on global financial markets, trade protectionism, developments in emerging and commodity-exporting economies, and other geopolitical risks.

The Monetary Policy Committee of the Bank of Thailand maintained the 1-day repurchase rate at 1.50% in its policy-setting meeting on 19 September. According to the central bank, the current accommodative monetary policy stance remained conducive to the continuation of economic growth and was appropriate given the inflation target. The Thai economy's growth continues to gain traction, supported by domestic and external demand as well as tourism, while annual average inflation is expected to climb slowly amid some downside risks on food prices depending on weather conditions and agricultural output. Two committee members voted to raise the policy rate to curb potential financial risks. While the policy rate was left unchanged, the committee stated that the need for accommodative monetary policy would gradually decline over time.

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

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

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

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

### Consumer Price Inflation Accelerates in Japan in August, Eases in Hong Kong, China and Malaysia

Consumer price inflation in Japan accelerated to 1.3% year-on-year (y-o-y) in August from 0.9% y-o-y in July, mainly driven by higher annual increase in food prices of 2.1% y-o-y in August versus 1.4% y-o-y in July. Other commodity groups that posted higher annual increases include utilities, transport and communication, and entertainment. Prices of housing, household goods, and clothing and footwear posted y-o-y declines in August. On a seasonally adjusted month-on-month (m-o-m) basis, consumer prices in Japan rose 0.5% in August.

In Hong Kong, consumer prices rose 2.3% y-o-y in August, slightly easing from 2.4% y-o-y inflation in July. Net of the effects of government one-off relief measures, consumer prices rose 2.6% y-o-y in August, slightly easing from 2.7% y-o-y inflation in July. Smaller price increases in charges for package tours and decreases in inbound and outbound transport fares slightly outweighed the faster increase in private housing rentals, causing inflation to marginally ease in August. Except for durable goods, for which prices continued to decline 1.9% y-o-y in August following a 2.1% y-o-y decline in July, prices for all major components of the Consumer Price Index rose during the period, led by food and utilities with inflation rates of 3.5% y-o-y and 3.4% y-o-y, respectively.

Malaysia's consumer price inflation fell to its lowest rate in 42 months in August at 0.2% y-o-y. In July, inflation was 0.9% y-o-y. The slowdown was largely due to lower price adjustments in the transportation group of 2.1% y-o-y in August versus 6.7% y-o-y in July. Among all components of the Consumer Price Index, only the education group showed a higher price adjustment of 1.1% y-o-y. All other components showed either a slowing gain or a decline in prices. On a m-o-m basis, consumer price inflation increased at the same rate as in July at 0.2%. During the period from January to August, consumer prices grew 1.3% y-o-y. Core inflation decreased 0.2% y-o-y in August, the same rate of decline as in the previous month.

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

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

For the historical trend of Hong Kong, China's inflation rate, refer to this link:

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

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**Summary Text of News Articles**

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**Consumer Price Inflation Accelerates in Japan in August, Eases in Hong Kong, China and Malaysia (cont...)**

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

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

**Japan and Indonesia Post Trade Deficits in July**

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Japan posted a trade deficit of JPY445 billion in August, a reversal from the JPY97 billion surplus posted in August 2017, as imports rose at a faster pace than exports. Exports rose 6.6% y-o-y in August to USD6.7 trillion, led by growth in transport equipment (8.4% y-o-y) and machinery (9.8% y-o-y), which together account for 42.2% of Japan's total exports. Meanwhile, imports rose at a faster pace of 15.4% y-o-y to USD7.1 trillion, largely driven by the 46.3% y-o-y surge in mineral fuels, which account for 25.9% of Japan's total imports.

Indonesia posted a trade deficit in August of USD1.0 billion, down from USD2.0 billion in July. Import growth eased to 24.7% y-o-y from 31.8% y-o-y in the previous month. Export growth decelerated to 4.2% y-o-y in August after rising 19.7% y-o-y in July. For the first 8 months of the year, a trade deficit of USD4.1 billion was recorded.

**Singapore's NODX Growth Eases to 5.0% in August**

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Non-oil domestic exports (NODX) from Singapore increased 5.0% y-o-y in August, down from the 11.0% y-o-y growth recorded in July due to slower growth of non-electronic products, which eased to 7.8% y-o-y from 18.6% y-o-y. Exports of electronic products declined 1.5% y-o-y due to the drop in exports of diodes and transistors, parts of computers, and integrated circuits. On a m-o-m basis, NODX grew marginally by 0.4%.

**The Philippines Posts a Balance-of-Payments Surplus of USD1.3 Billion in August**

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The Philippines posted a balance-of-payments surplus of USD1,272 million in August, a reversal from the deficit of USD455 million recorded in July. The net inflows were due to the government's foreign currency deposits and proceeds from the central bank's investments outside the country. More money entered the Philippines as the Bureau of the Treasury raised USD1.39 billion worth of samurai bonds during the month. Outflows partially offset inflows due to the government's payment of its foreign currency debts. From January to August, the Philippines posted a balance-of-payments deficit of USD2,440 million.

**Net Foreign Bond Investment in the Republic of Korea Rises in August**

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Foreign net inflows into the Republic of Korea's local currency bond market increased to KRW2.4 trillion in August from KRW1.4 trillion in July. Net bond inflows of KRW1.3 trillion were registered for Korea Treasury Bonds, KRW1.0 trillion for Monetary Stabilization Bonds, and KRW120 billion for the bonds of state-affiliated enterprises. Year-to-date cumulative bond inflows reached KRW16.0 trillion.

## 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	2.16	0.22	2.05		78.74
EU	-0.56	0.00	-1.40		18.00
Japan	-0.13	-0.03	-0.22		3.08
PRC	2.78	2.00	8.00		-105.00
Hong Kong, China	0.33	0.00	0.00		0.00
India	8.31	0.00	0.00		0.00
Korea, Rep. of	1.55	0.00	1.00		4.20
Malaysia	3.26	-0.20	-0.30		30.00
Philippines	4.01	37.18	47.86		158.02
Singapore	1.78	0.90	2.00		-1.30
Thailand	1.22	0.00	0.00		0.00

Close of 21 September 2018

### 10-Year Selected LCY Government Bond Yields

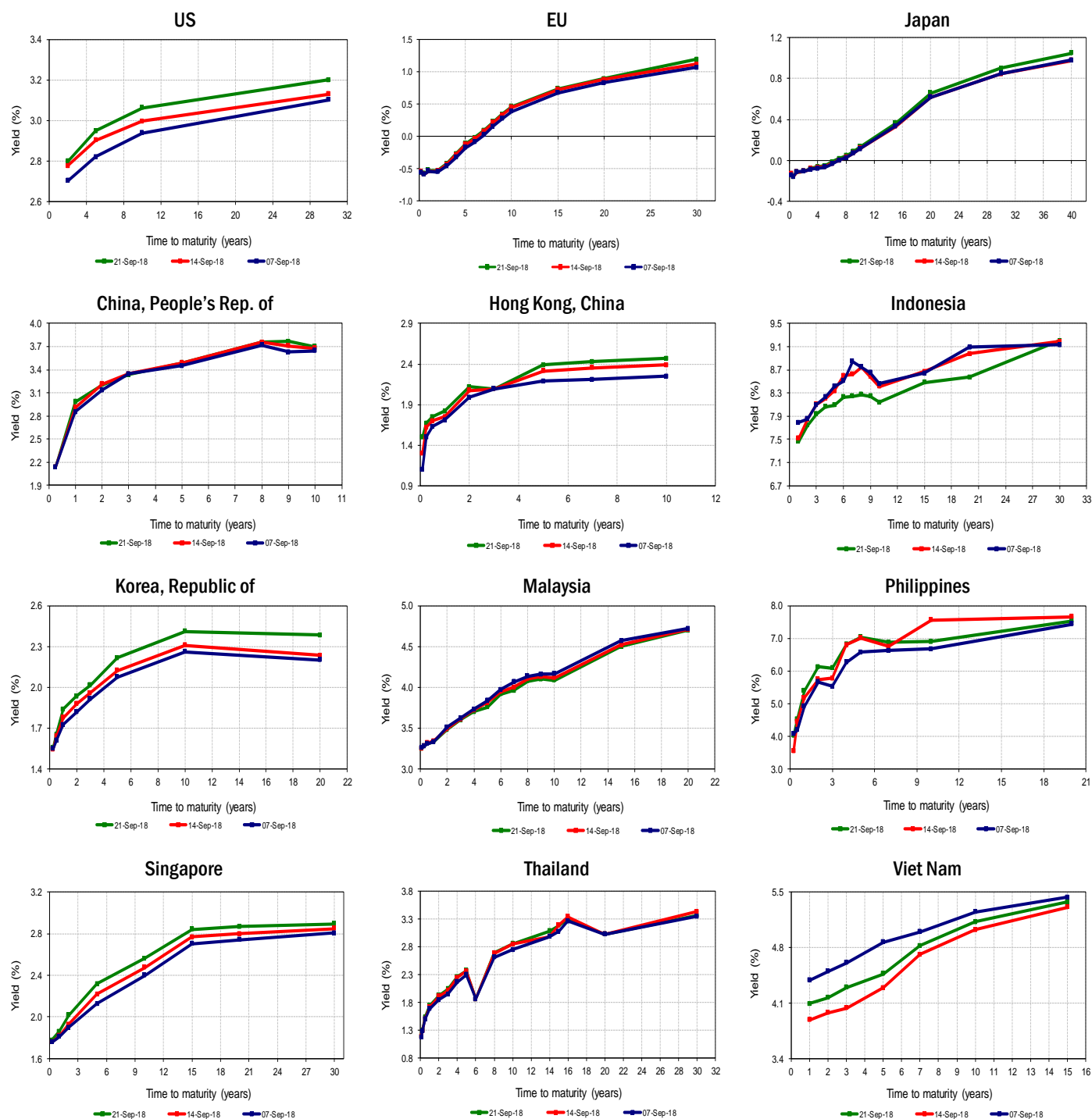
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	3.06	0.02	6.69		65.74
EU	0.46	-0.90	1.20		3.50
Japan	0.13	1.00	1.50		8.50
PRC	3.77	2.00	3.00		-25.00
Hong Kong, China	2.47	1.70	7.60		63.20
India	8.08	0.70	-4.80		74.20
Indonesia	8.14	-8.20	-27.30		182.10
Korea, Rep. of	2.41	-2.00	10.00		-5.70
Malaysia	4.09	-1.10	-2.90		17.10
Philippines	6.90	6.79	-65.49		120.36
Singapore	2.56	3.87	8.76		56.01
Thailand	2.86	-0.60	0.60		53.10
Viet Nam	5.13	1.20	10.00		-7.90

Close of 21 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

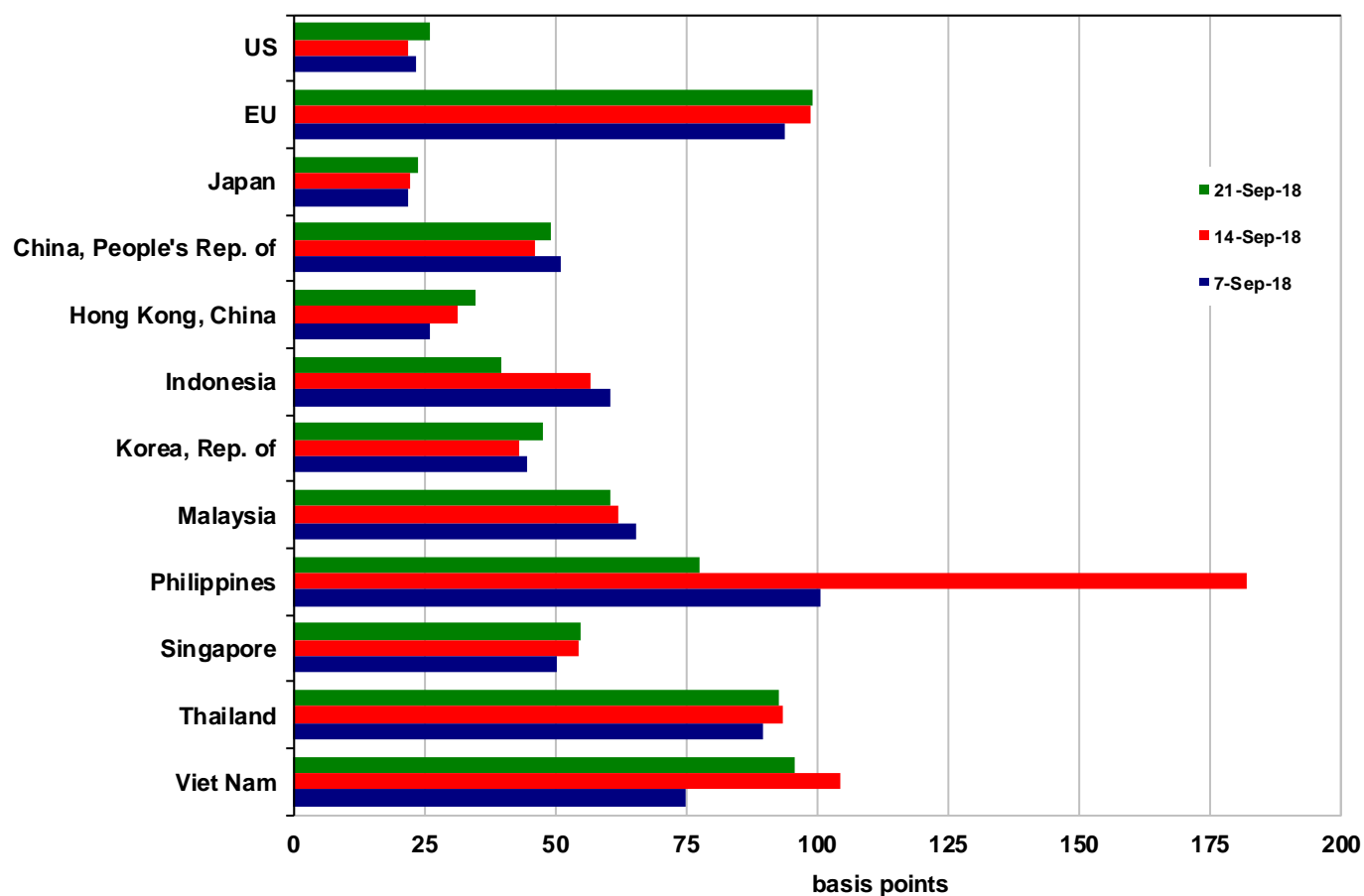


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

## 2- versus 10- Year Yield Spread Chart

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



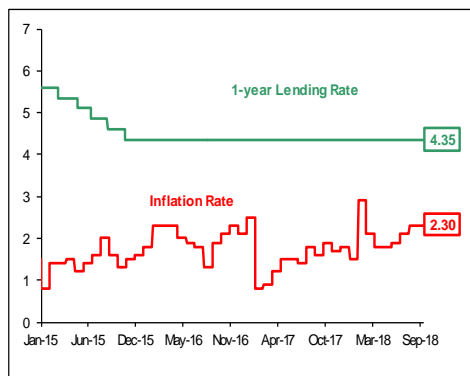
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

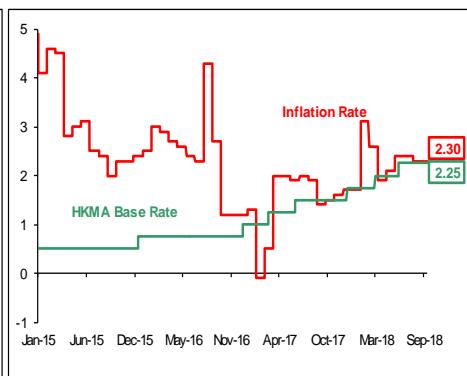
### China, People's Rep. of



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

Source: Bloomberg LP.

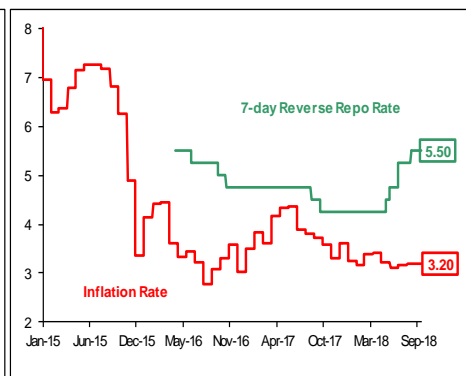
### Hong Kong, China



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

Source: Bloomberg LP.

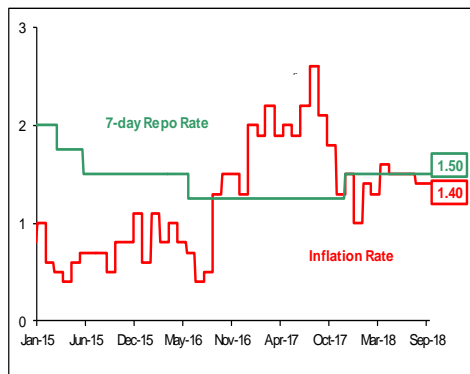
### Indonesia



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

Source: Bloomberg LP.

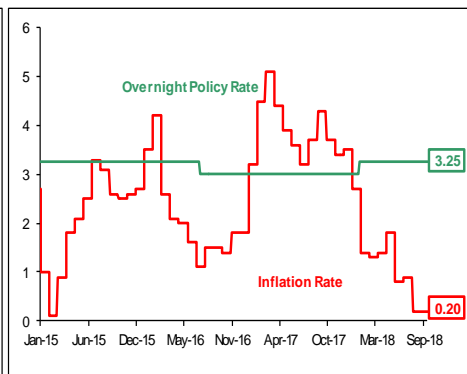
### Korea, Republic of



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.

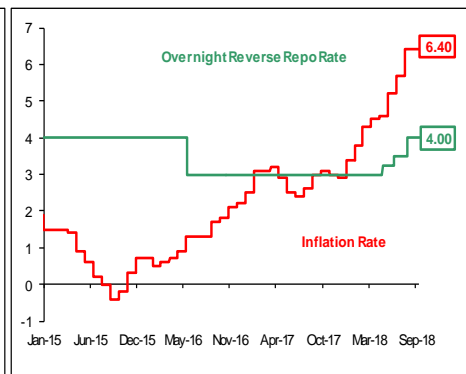
### Malaysia



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

Source: Bloomberg LP.

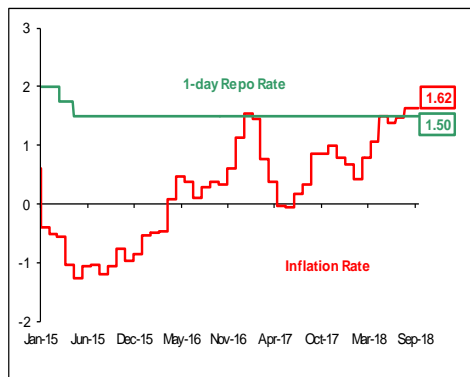
### Philippines



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

Source: Bloomberg LP.

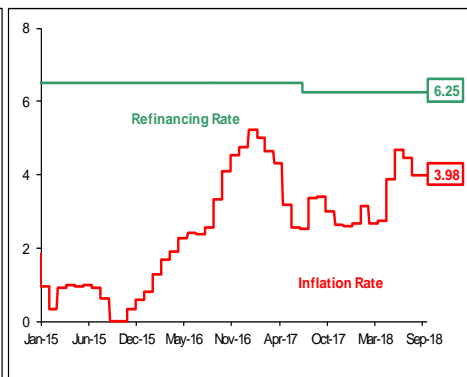
### Thailand



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



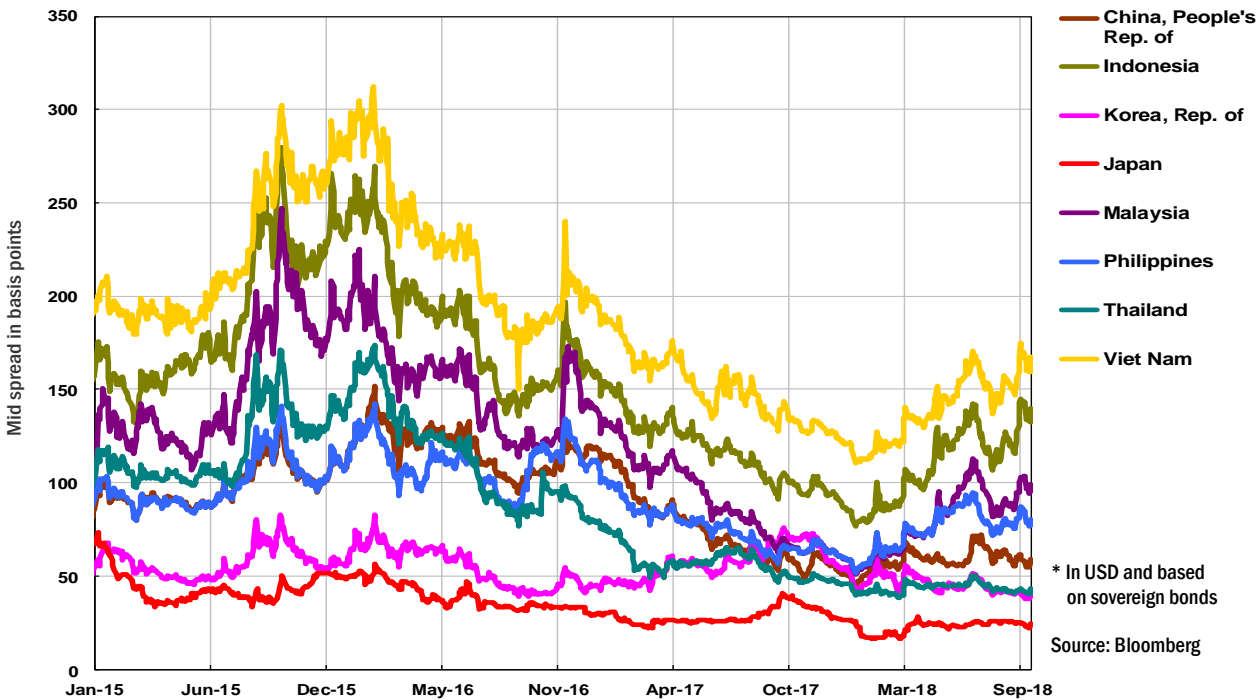
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

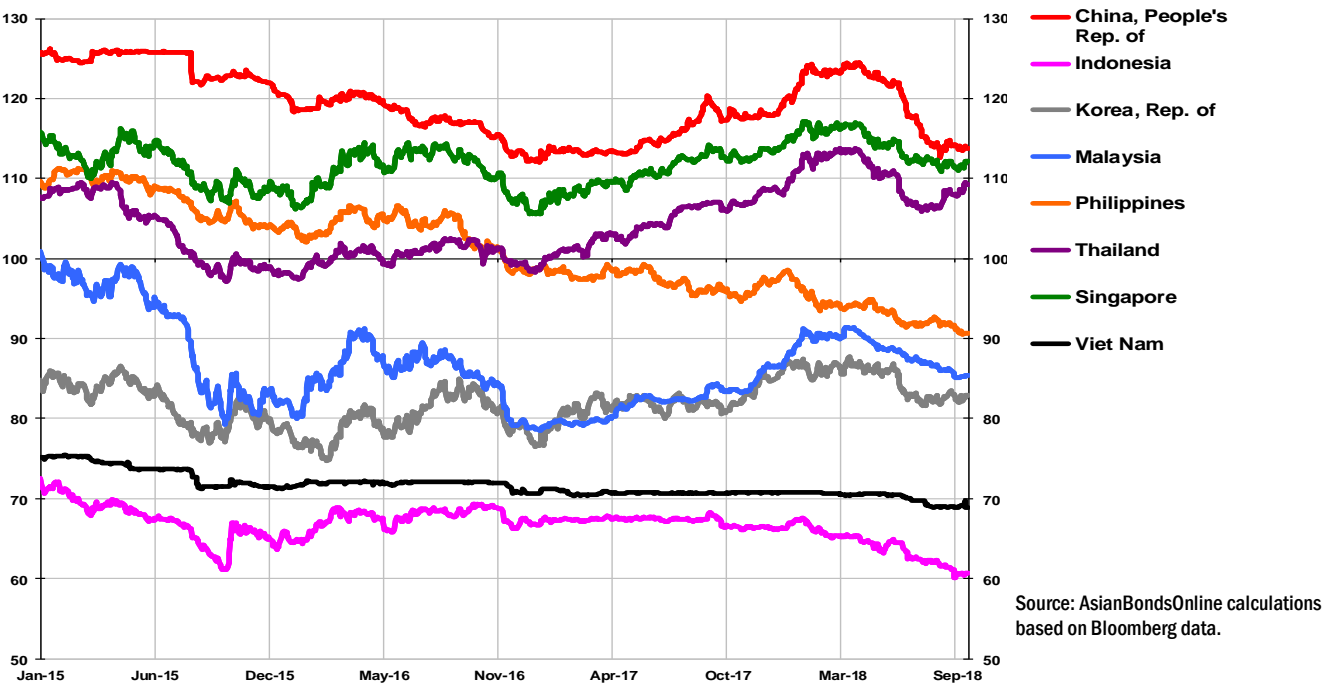
Credit Default Swap Spreads and Exchange Rate Indexes

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 (17 – 21 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)
HK	18-Sep	91-day Exchange Fund Bills	1.69		42.59	42.59
		182-day Exchange Fund Bills	1.77		11.00	11.00
ID	18-Sep	6-month Islamic Treasury Bills	6.64			1,300.00
		2-year Project-Based Sukuk	7.94	6.25		1,260.00
		4-year Project-Based Sukuk	8.41	5.45	4,000.00	60.00
		7-year Project-Based Sukuk	8.84	6.13		70.00
		13-year Project-Based Sukuk	9.17	8.88		1,060.00
		29-year Project-Based Sukuk	9.41	8.00		1,153.00
JP	18-Sep	1-year Treasury Discount Bills	-0.14		2,100.00	2,099.97
	20-Sep	20-year Japanese Government Bonds	0.62		1,000.00	999.00
KR	17-Sep	20-year Korea Treasury Bonds	2.26	2.38	600.00	600.00
	19-Sep	2-year Monetary Stabilization Bonds	1.95		1,990.00	1,990.00
MY	20-Sep	10-year Malaysian Government Bonds	4.10	3.73	3.00	3.00
PH	17-Sep	182-day Treasury Bills	4.60		5.00	5.00
		364-day Treasury Bills	5.40		6.00	3.93
SG	18-Sep	28-day MAS Bills	1.23		2.40	2.40
		84-day MAS Bills	1.34		5.70	5.70
	20-Sep	168-day MAS Bills	1.45		3.30	3.30
TH	17-Sep	364-day Debt Restructuring Bills	1.78		15.00	15.00
	18-Sep	91-day Bank of Thailand Bills	1.29		40.00	37.40
		182-day Bank of Thailand Bills	1.54		40.00	40.00
	20-Sep	3-year Bank of Thailand Bonds	2.24	2.09	30.00	30.00
VN	19-Sep	10-year Treasury Bonds	4.75		2,000.00	2,400.00
		15-year Treasury Bonds	5.02		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 (25 September – 1 October 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Viet Nam</b>	9/25–9/30	8/17: 3.4%	Viet Nam's consumer prices rose 4.0% year-on-year (y-o-y) in August after gaining 4.5% y-o-y in the prior month.
<b>CPI</b>		9/17: 3.4%	
%, y-o-y		<b>7/18: 4.5%</b>	
<b>Singapore</b>	09/26	7/17: 23.3%	Growth in Singapore's industrial production eased to 6.0% y-o-y in July from 8.0% y-o-y in June.
<b>Industrial Production</b>		8/17: 20.5%	
%, y-o-y		<b>6/18: 8.0%</b>	
<b>Hong Kong, China</b>	09/27	7/17: 7.3%	Hong Kong, China's exports rose 10.0% y-o-y in July after climbing 3.3% y-o-y in June.
<b>Export</b>		8/17: 7.4%	
%, y-o-y		<b>6/18: 3.3%</b>	
<b>Hong Kong, China</b>	09/27	7/17: –29.6	Hong Kong, China reported a trade deficit of HKD47.1 billion in July after posting a HKD54.1 billion deficit in June.
<b>Trade Balance</b>		8/17: –35.5	
HKD billion		<b>6/18: –54.1</b>	
<b>Philippines</b>	09/27	8/17: 3.00%	The Philippines' central bank hiked the overnight reverse repurchase rate in August to 4.00% from 3.50%.
<b>Overnight Reverse Repo Rate</b>		9/17: 3.00%	
%		<b>7/18: 3.50%</b>	
<b>People's Republic of China</b>	09/28	Q1 2017: 15,710	The People's Republic of China reported a current account surplus of USD5.8 billion in Q2 2018, reversing the previous quarter's deficit of USD34.1 billion.
<b>Current Account</b>		Q2 2017: 52,563	
USD million		<b>Q1 2018: –34,100</b>	
<b>Japan</b>	09/28	7/17: 4.5%	Japan's industrial production rose 2.2% y-o-y in July, a reversal from the 0.9% y-o-y contraction posted in June.
<b>Industrial Production</b>		8/17: 5.0%	
%, y-o-y		<b>6/18: –0.9%</b>	
<b>Thailand</b>	09/28	7/17: 8.01%	Thailand's exports posted growth of 8.3% y-o-y in July, slowing from 10.0% y-o-y in June.
<b>Exports</b>		8/17: 16.50%	
%, y-o-y		<b>6/18: 9.99%</b>	
<b>Thailand</b>	09/28	7/17: 1,448	Thailand's trade surplus narrowed to USD858 in July from USD 2.9 billion in June.
<b>Trade Balance</b>		8/17: 3,618	
USD million		<b>6/18: 2,875</b>	
<b>Thailand</b>	09/28	7/17: 2,932	Thailand's current account surplus narrowed to USD1.1 billion in July from USD4.1 billion in June.
<b>Current Account</b>		8/17: 5,007	
USD million		<b>6/18: 4,084</b>	
<b>Indonesia</b>	10/01	8/17: 3.82%	Consumer price inflation in Indonesia climbed to 3.2% y-o-y in August, the same pace from that of July.
<b>CPI</b>		9/17: 3.72%	
%, y-o-y		<b>7/18: 3.18%</b>	
<b>Republic of Korea</b>	10/01	8/17: 17.4%	Exports from the Republic of Korea rose 8.7% y-o-y in August, following growth of 6.2% y-o-y in July.
<b>Exports</b>		9/17: 35.0%	
%, y-o-y		<b>7/18: 6.2%</b>	
<b>Republic of Korea</b>	10/01	8/17: 6,556	The Republic of Korea's trade surplus narrowed slightly to USD6.85 billion in August from USD6.87 billion in July.
<b>Trade Balance</b>		9/17: 13,419	
USD million		<b>7/18: 6,871</b>	
<b>Thailand</b>	10/01	8/17: 0.32%	Thailand's consumer price inflation edged up to 1.6% y-o-y in August from 1.5% y-o-y in July.
<b>CPI</b>		9/17: 0.86%	
%, y-o-y		<b>7/18: 1.46%</b>	
<b>Thailand</b>		8/18: 1.62%	

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)

### BOJ Maintains Monetary Easing Policy; Bank of Thailand Holds Policy Rate at 1.50%

- [Statement on Monetary Policy](#)  
Bank of Japan (19 September 2018)
- [Monetary Policy Committee's Decision](#)  
Bank of Thailand (19 September 2018)

### Consumer Price Inflation Accelerates in Japan in August; Eases in Hong Kong, China and Malaysia

- [Consumer Price Index \(2015-base\) \(August 2018, Japan\)](#)  
Statistics Japan (21 September 2018)
- [Consumer Price Indices for August 2018](#)  
Census and Statistics Department (20 September 2018)
- [Consumer Price Index Malaysia August 2018](#)  
Department of Statistics Malaysia (19 September 2018)

### Japan and Indonesia Post Trade Deficits in July

- [Value of Exports and Imports August 2018 \(Provisional\)](#)  
Ministry of Finance (19 September 2018)
- [Export in August 2018 reached US\\$ 15.82 billion, import in August 2018 reached to US\\$ 16.84 billion, decreased 7.97 percent compared to July 2018 \(in Bahasa\)](#)  
Statistics Indonesia (17 September 2018)
- [Trade Deficit Narrows](#)  
Bank Indonesia (17 September 2018)

### Singapore's NODX Growth Eases to 5.0% in August

- [Singapore's External Trade – August 2018](#)  
Enterprise Singapore (17 September 2018)

### The Philippines Posts a Balance-of-Payments Surplus of USD1.3 billion in August

- [Overall BOP Position Posts US\\$1.27 Billion Surplus in August 2018](#)  
Bangko Sentral ng Pilipinas (19 September 2018)

### Net Foreign Bond Investment in the Republic of Korea Rises in August

- [Foreign Investors' Stock and Bond Investment, August 2018](#)  
Financial Supervisory Service (17 September 2018)

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