

15 October 2018

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## Key Developments in Asian Local Currency Markets

**T**he Monetary Authority of Singapore slightly increased the slope of the Singapore dollar nominal effective exchange rate policy band last week, leaving its width and center unchanged. The decision was made amid expectations of continued (albeit slower) economic growth, a gradual rise in core inflation, and a pick-up in imported inflation due to higher oil and food prices.

➤ Singapore's economic growth eased in the third quarter of 2018 to 2.6% year-on-year (y-o-y) from the 4.1% y-o-y growth recorded in the second quarter. Manufacturing growth moderated to 4.5% y-o-y from 10.6% y-o-y during the review period and construction output contracted 3.1% y-o-y, following a 4.2% y-o-y contraction in the previous quarter, due to weakness in public sector construction.

➤ Malaysia's Index of Industrial Production growth slowed in August to 2.2% y-o-y from 2.6% y-o-y in July due to slower output growth in the manufacturing and electricity sector, while output growth in the mining sector remained negative.

➤ The People's Republic of China's exports expanded 14.5% y-o-y in September, accelerating from 9.1% y-o-y growth in August, while import growth eased to 14.3% y-o-y from 19.9% y-o-y. The trade surplus widened to USD32 billion in September from USD27 billion in the previous month. Philippine exports expanded 3.1% y-o-y in August, up from 0.3% y-o-y, while import growth eased to 11.0% y-o-y from 31.6% y-o-y in July. The trade deficit narrowed to USD3,514 million from USD3,546 million during the review period.

➤ Japan's current account surplus narrowed to JPY184 billion in August from JPY201 billion in July, primarily driven by a larger deficit in the goods account surplus of JPY219 billion in August versus JPY1 billion in July as exports declined while imports rose on a month-on-month basis. The Republic of Korea's current account surplus narrowed to USD844 million in August from USD876 million in July as the goods account surplus declined to USD1,124 million from USD1,143 million in the previous month.

➤ The official foreign reserves of Singapore reached USD291 billion in September from USD289 billion in August due to growth in gold and foreign exchange reserves, offsetting decreases in special drawing rights and the

### Asia Bond Monitor September 2018

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#### 10-Year Selected LCY Government Security Yields Close of 12 October 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	3.23	4.58	17.16	82.74
EU	0.57	4.20	10.30	14.60
Japan	0.16	-0.40	2.50	10.70
PRC	3.71	0.00	0.00	-31.00
Hong Kong, China	2.49	0.00	2.20	66.00
India	8.03	-13.20	0.10	68.80
Indonesia	8.38	-7.90	26.30	205.90
Korea, Rep. of	2.45	0.00	9.00	-2.20
Malaysia	4.11	-0.60	3.50	19.20
Philippines	7.80	16.04	56.83	210.45
Singapore	2.60	0.23	10.12	59.78
Thailand	2.87	-0.60	6.60	54.20
Viet Nam	5.04	2.50	2.50	-16.60

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- 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

reserve position with the International Monetary Fund.

➤ The Philippines' reissued 5-year Treasury bonds with a coupon rate of 5.5% were partially awarded during its auction last week. Of the PHP15.7 billion demand, only PHP9.7 billion was accepted, with the average yield soaring to 7.342%.

➤ Last week, local currency government bond yields fell for most tenors in the People's Republic of China; Hong Kong, China; the Republic of Korea; and Malaysia; rose for most tenors in Indonesia, the Philippines and Thailand, and rose for all tenors in Viet Nam; while yield movements were mixed in Singapore. Meanwhile, the spread between 2-year and 10-year government bonds narrowed for most markets, but widened for Hong Kong, China; Indonesia; and Malaysia.

## Summary Text of News Articles

### Monetary Authority of Singapore Tightens Monetary Policy

The Monetary Authority of Singapore (MAS) slightly increased the slope of the Singapore dollar nominal effective exchange rate policy band last week, leaving its width and center unchanged. The decision was made amid expectations of domestic economic growth and rising inflation. Singapore's economy is expected to continue to grow, albeit at a slower pace. MAS core inflation is expected to gradually rise before eventually leveling off, while imported inflation is expected to increase due to high global oil and food prices. The consequences of international trade tensions have yet to be felt but they are expected to affect global growth next year. Singapore's robust economic growth and expectations of continued price pressures support the MAS using monetary policy tightening to ensure price stability in the medium-term.

### Singapore's Economic Growth Eases in Q3 2018

Singapore's economic growth eased in the third quarter (Q3) of 2018 to 2.6% year-on-year (y-o-y) from the 4.1% y-o-y growth recorded in the second quarter (Q2). Manufacturing growth moderated to 4.5% y-o-y from 10.6% y-o-y. Construction output contracted 3.1% y-o-y in Q3 2018, following a 4.2% y-o-y contraction in Q2 2018, due to weakness in public sector construction. Growth was supported by gains in the electronics, biomedical manufacturing, and transport engineering clusters. On a quarter-on-quarter seasonally adjusted and annualized basis, gross domestic product grew 4.7%.

### Malaysia's Index of Industrial Production Growth Slows in August

Malaysia's Index of Industrial Production growth slowed in August to 2.2% y-o-y from 2.6% y-o-y in July. The slowdown was due to lower growth in the output of the manufacturing and electricity sectors, while output growth in the mining sector remained negative. The manufacturing sector grew 4.3% y-o-y in August versus 5.2% y-o-y in July, and electricity output increased 4.0% y-o-y versus 4.5% y-o-y. Output in the mining sector declined 4.6% y-o-y in August, following a drop of 5.9% y-o-y in July, due to decreases in the Natural Gas Index and the Crude Oil Index. On a month-on-month (m-o-m) basis, Malaysia's industrial production contracted 0.4% in August after expanding 2.6% in the previous month.

### Exports from the PRC and the Philippines Rise in August

Exports from the People's Republic of China (PRC) expanded 14.5% y-o-y in September, accelerating from 9.1% y-o-y growth in August. Import growth eased to 14.3% y-o-y from 19.9% y-o-y in the same period. The trade surplus widened to USD32 billion in September from USD27 billion in August. For the first 9 months of the year, exports rose 6.5% y-o-y and imports gained 14.1% y-o-y in renminbi terms, resulting in a narrowing of the trade surplus to CNY1,440 billion.

Philippine exports expanded 3.1% y-o-y in August, up from 0.3% y-o-y growth in July, driven by increases in exports of cathodes and cathode sections, refined copper, fresh bananas, and other mineral products. Import growth eased to 11.0% y-o-y in August from 31.6% y-o-y in July, buoyed by increased imports of cereals; iron and steel; mineral fuels, lubricants and related materials; and transport equipment. Exports and imports stood at USD6,163 million and USD9,677 million, respectively, in August, leading the trade deficit to narrow to USD3,514 million from USD3,546 million in July, while widening from USD2,737 million in August 2017.

### Current Account Surpluses in Japan and the Republic of Korea Narrow in August

Japan's current account surplus narrowed to JPY184 billion in August from JPY201 billion in July, primarily driven by the larger deficit in the goods account surplus of JPY219 billion in August versus JPY1 billion in July as exports declined and imports rose on an m-o-m basis. The secondary income account deficit increased to JPY225 billion from JPY170 billion, while the deficit in the services account narrowed to JPY6 billion from JPY174 billion. The primary income account surplus declined to JPY229 billion in August from JPY235 billion in July. In Q2 2018, Japan posted a JPY498 billion current account surplus.

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**Summary Text of News Articles**

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**Current Account Surpluses in Japan and the Republic of Korea Narrow in August (cont...)**

The Republic of Korea's current account surplus narrowed to USD844 million in August from USD876 million in July. The goods account surplus declined to USD1,124 million in August from USD1,143 million in the previous month as exports fell at a faster pace than imports on a m-o-m basis. The primary income account surplus decreased to USD5 million from USD122 million during the same period. The services account deficit widened to USD211 million in August from USD312 million in the previous month. The secondary income account deficit slightly declined to USD73 million from USD77 million.

**Singapore's Foreign Reserves Increase in September**

The official foreign reserves of Singapore climbed to USD291 billion in September from USD289 billion in August. The increase was due to growth in gold and foreign exchange reserves, offsetting decreases in special drawing rights and the reserves position with the International Monetary Fund.

**Weak Demand for 5-Year Treasury Bonds Sends Yields Soaring to 7.342% in the Philippines**

The Philippines' reissued 5-year Treasury bonds with a coupon rate of 5.5% were partially awarded at an auction last week. Of the PHP15.7 billion demand, only PHP9.7 billion was accepted, with the average yield soaring to 7.342%. The fully awarded auction for the same bond series in August fetched an average yield of 5.902% on PHP24.5 billion in tenders. Bonds were partially awarded since rates were higher than what the Bureau of the Treasury expected and there were fewer tenders as investors took a wait-and-see stance on whether inflation peaked in September. Investors are also anticipating more rate hikes from the Bangko Sentral ng Pilipinas and the United States Federal Reserve.

### 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	2.21	-0.31	1.26		83.33
EU	-0.66	0.50	-10.00		8.00
Japan	-0.28	-0.51	-14.64		-11.94
PRC	2.74	0.00	0.00		-109.00
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	0.40	1.10		6.90
Malaysia	3.26	0.00	0.20		30.40
Philippines	4.72	16.67	40.73		228.51
Singapore	1.83	0.00	2.20		3.90
Thailand	1.22	0.00	0.00		0.00

Close of 12 October 2018

#### 10-Year Selected LCY Government Bond Yields

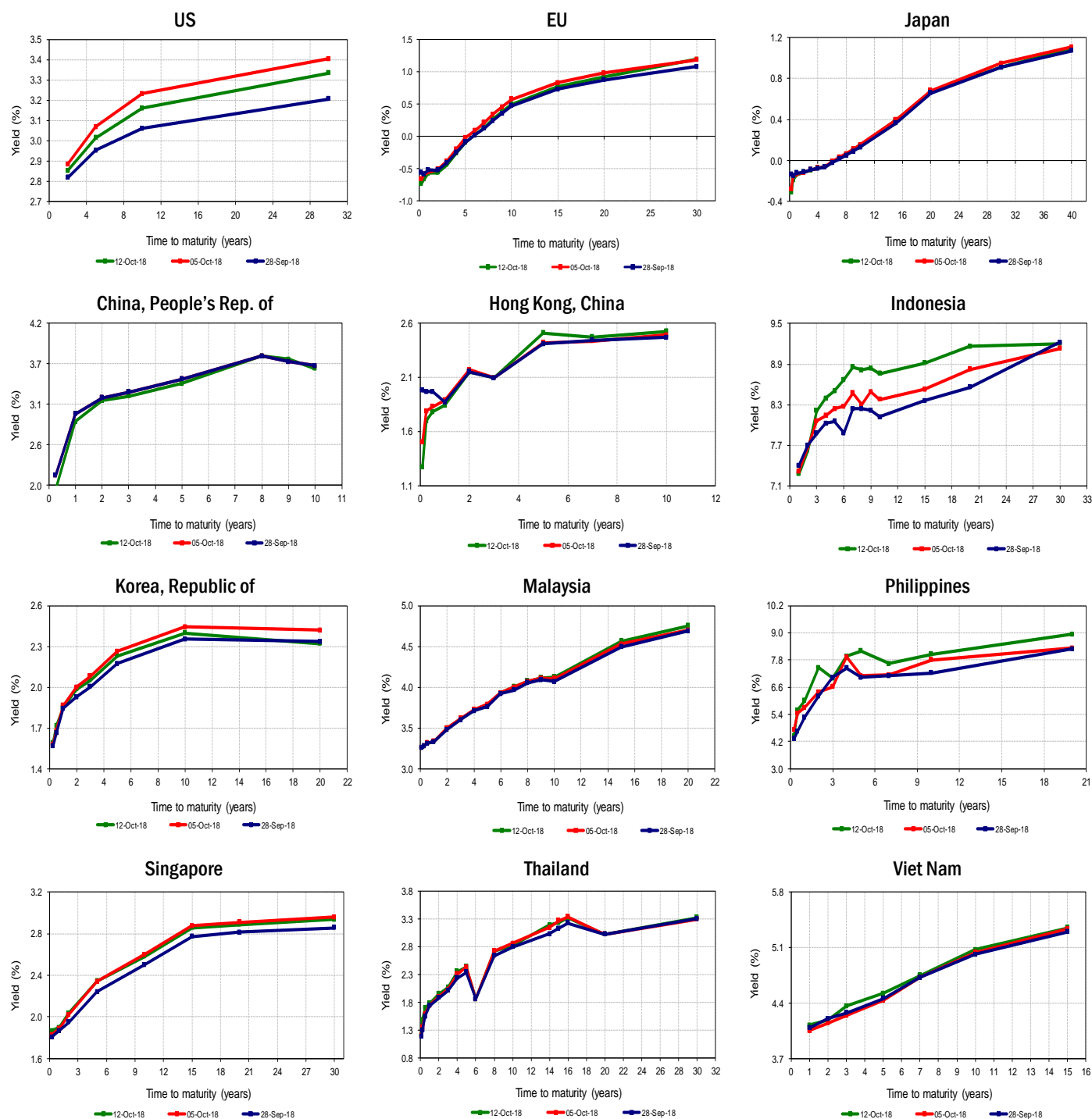
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	3.23	4.58	17.16		82.74
EU	0.57	4.20	10.30		14.60
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PRC	3.71	0.00	0.00		-31.00
Hong Kong, China	2.49	0.00	2.20		66.00
India	8.03	-13.20	0.10		68.80
Indonesia	8.38	-7.90	26.30		205.90
Korea, Rep. of	2.45	0.00	9.00		-2.20
Malaysia	4.11	-0.60	3.50		19.20
Philippines	7.80	16.04	56.83		210.45
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Thailand	2.87	-0.60	6.60		54.20
Viet Nam	5.04	2.50	2.50		-16.60

Close of 12 October 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

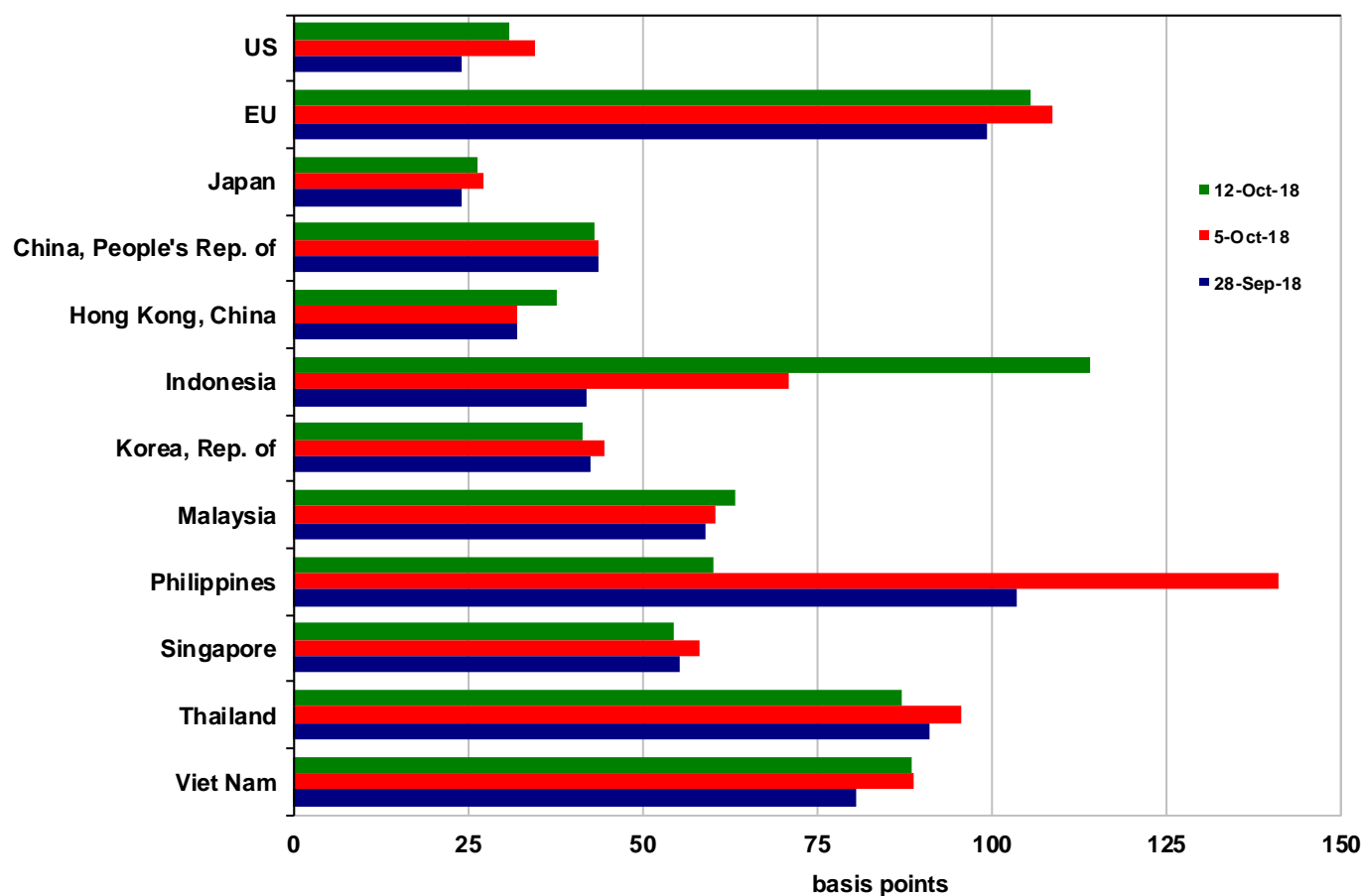


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

## 2- versus 10- Year Yield Spread Chart

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



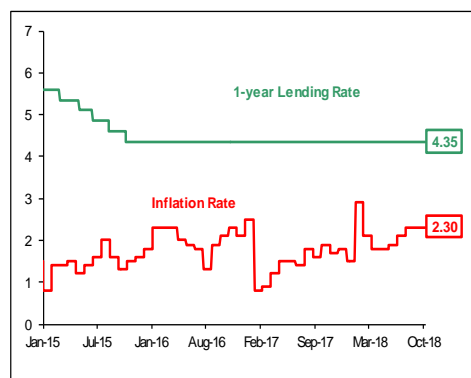
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

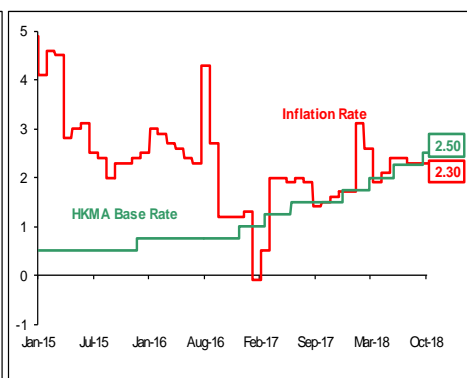
### China, People's Rep. of



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

Source: Bloomberg LP.

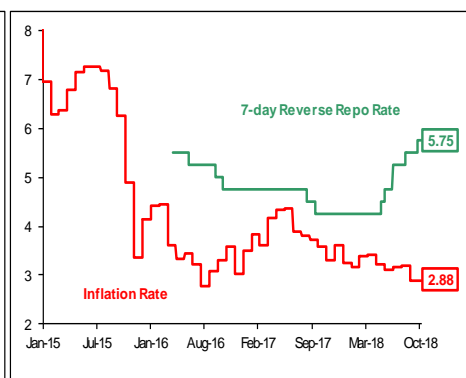
### Hong Kong, China



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

Source: Bloomberg LP.

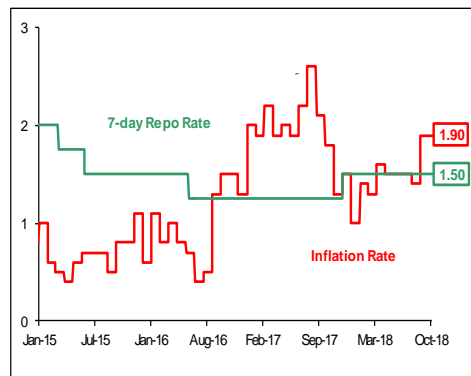
### Indonesia



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

Source: Bloomberg LP.

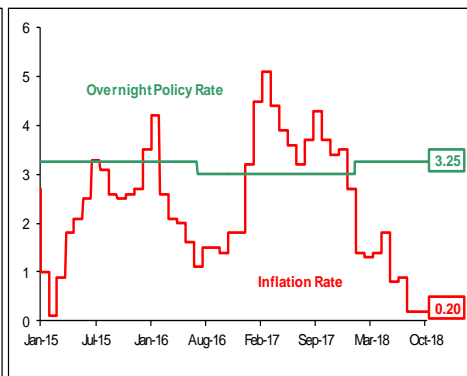
### Korea, Republic of



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.

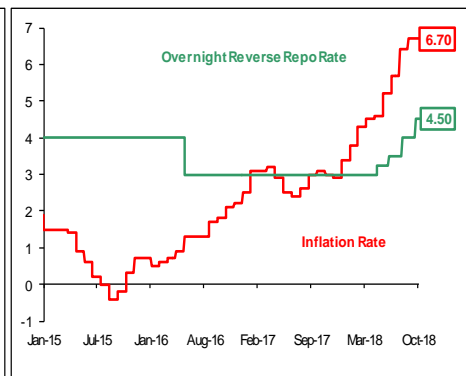
### Malaysia



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

Source: Bloomberg LP.

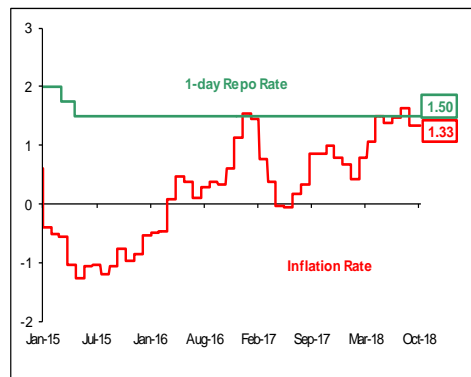
### Philippines



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

Source: Bloomberg LP.

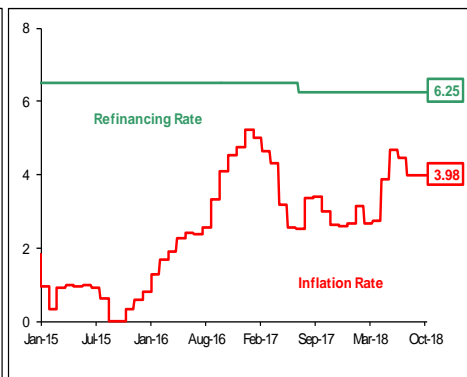
### Thailand



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



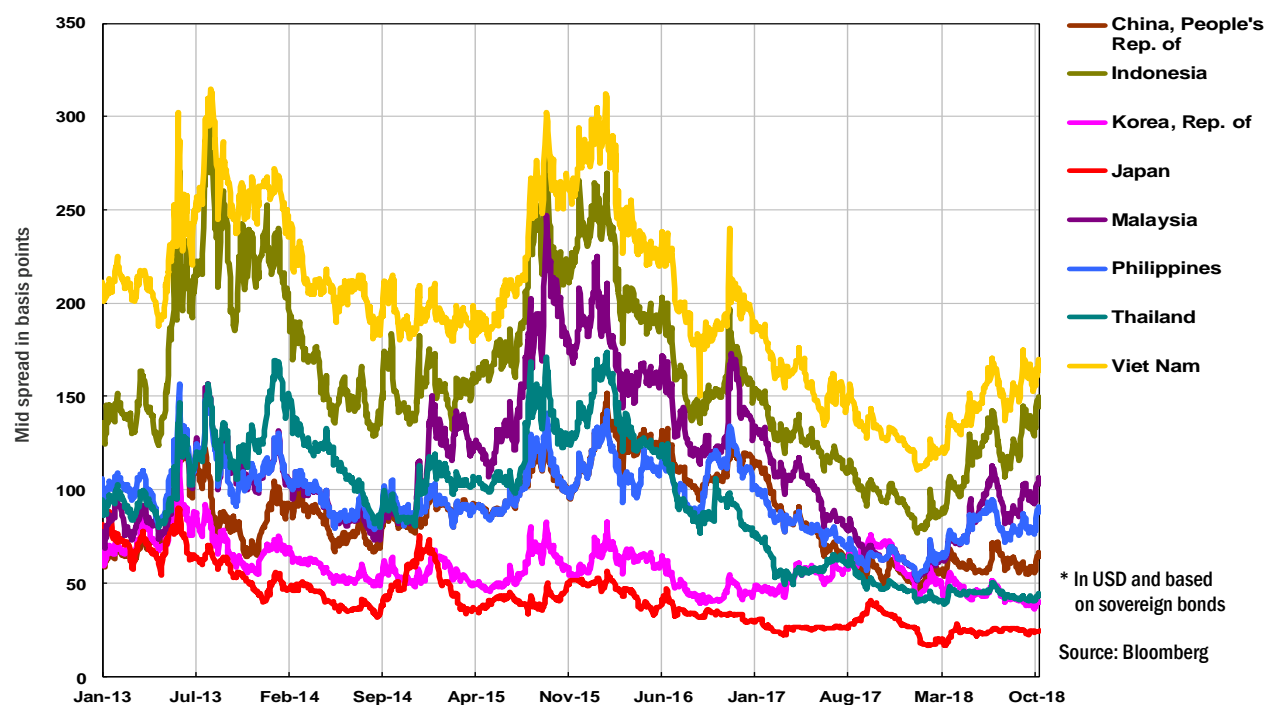
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

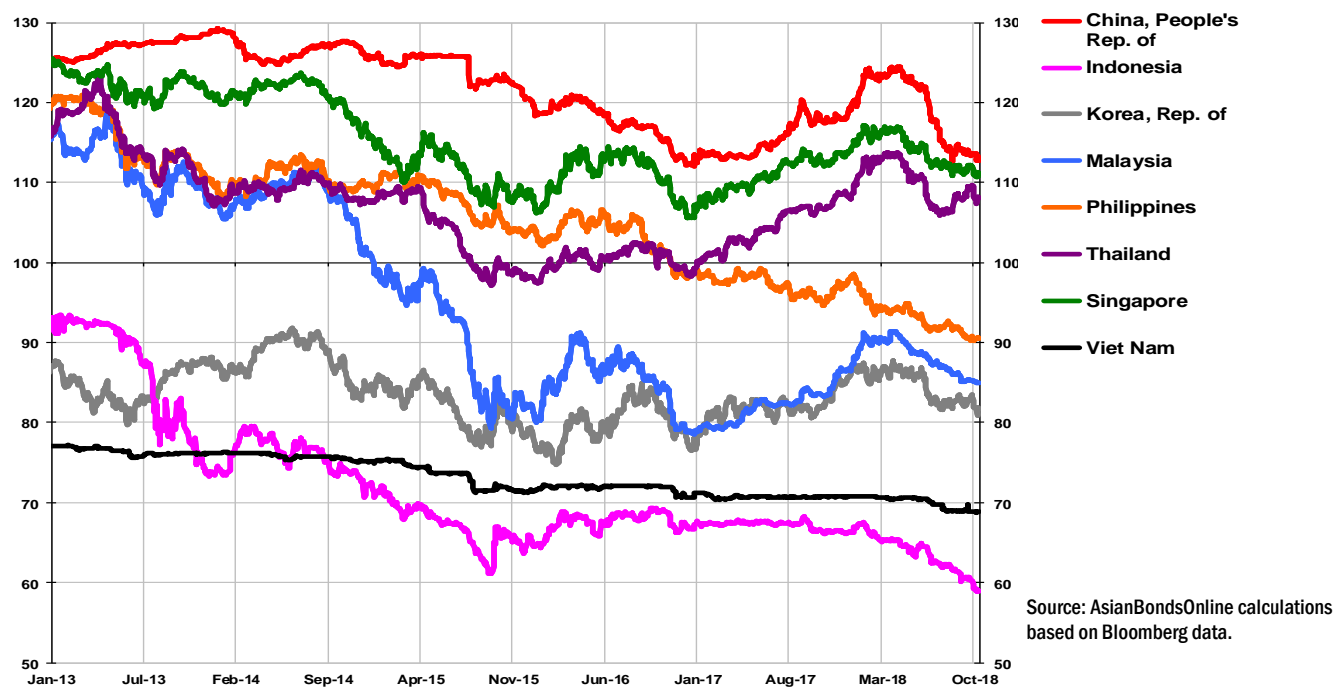
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (8 – 12 October 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	10-Oct	3-year Treasury Bonds	3.17	3.17	39.00	39.02
		7-year Treasury Bonds	3.55	3.60	39.00	39.05
HK	9-Oct	91-day Exchange Fund Bills	1.87		56.98	56.98
		182-day Exchange Fund Bills	1.92		17.00	17.00
	10-Oct	3-year HKSAR Bonds	2.71	2.46	4.00	4.00
		2-year RMB Bonds		3.65	0.30	0.30
		5-year RMB Bonds		3.80	1.50	1.50
ID	9-Oct	3-month Treasury Bills	5.79			3,000.00
		1-year Treasury Bills	6.38			3,000.00
		6-year Treasury Bonds	8.48	8.13	10,000.00	7,550.00
		11-year Treasury Bonds	8.56	8.25		3,550.00
		15-year Treasury Bonds	8.76	6.63		1,800.00
		20-year Treasury Bonds	8.97	7.50		1,100.00
JP	9-Oct	6-month Treasury Discount Bills	-0.20		2,300.00	2,299.96
	11-Oct	30-year Japanese Government Bonds	0.90	0.90	700.00	706.40
KR	8-Oct	1-year Korea Treasury Bonds	2.29	2.25	1,000.00	1,000.00
		1-Year Monetary Stabilization Bonds	1.93		1,560.00	1,560.00
MY	12-Oct	10-year Malaysian Government Securities	4.76	4.89	3.00	3.00
PH	8-Oct	91-day Treasury Bills	4.40		4.00	4.00
		182-day Treasury Bills	5.68		3.55	3.55
		364-day Treasury Bills	5.88		6.00	6.00
	9-Oct	5-year Treasury Bonds	7.34	5.50	15.00	9.74
SG	9-Oct	28-day MAS Bills	1.46		2.70	2.70
		84-day MAS Bills	1.36		6.40	6.40
TH	9-Oct	91-day Bank of Thailand Bills	1.56		40.00	40.00
		182-day Bank of Thailand Bills	1.70		40.00	38.13
	10-Oct	13.71-year Government Bonds	3.34	3.78	19.00	19.00
	11-Oct	14-day Bank of Thailand Bills	1.21		35.00	35.00
	12-Oct	1.31-year Bank of Thailand Bonds	1.57		15.00	15.00
VN	10-Oct	10-year Treasury Bonds	4.85		2,000.00	1,100.00

HKSAR = Hong Kong Special Administrative Region, LCY = local currency, MAS = Monetary Authority of Singapore, RMB = Renminbi.

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (16 – 22 October 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>People's Republic of China</b> <b>CPI</b> y-o-y, % SEP	10/16	8/17: 1.4% 9/17: 1.8% <b>7/18: 2.1%</b> <b>8/18: 2.3%</b>	Consumer prices in the People's Republic of China (PRC) rose 2.3% year-on-year (y-o-y) in August, up from 2.1% y-o-y in July.
<b>People's Republic of China</b> <b>PPI</b> y-o-y, % SEP	10/16	8/17: 6.3% 9/17: 6.9% <b>7/18: 4.6%</b> <b>8/18: 4.1%</b>	Producer price inflation in the PRC eased to 4.1% y-o-y in August from 4.6% y-o-y in July.
<b>Singapore</b> <b>Non-Oil Domestic Exports</b> y-o-y, % SEP	10/17	8/17: 16.7% 9/17: -1.1% <b>7/18: 11.0%</b> <b>8/18: 4.1%</b>	Singapore's non-oil domestic export growth eased to 4.1% y-o-y from 11.0% y-o-y in July.
<b>Japan</b> <b>Exports</b> y-o-y, % SEP	10/18	8/17: 18.1% 9/17: 14.1% <b>7/18: 3.9%</b> <b>8/18: 6.6%</b>	Japan's exports rose 6.6% y-o-y in August, an acceleration from the 3.9% y-o-y growth posted in July.
<b>Japan</b> <b>Imports</b> y-o-y, % SEP	10/18	8/17: 15.5% 9/17: 12.3% <b>7/18: 14.7%</b> <b>8/18: 15.3%</b>	Japan's imports rose 15.3% y-o-y in August following a 14.7% y-o-y increase in July.
<b>Japan</b> <b>Trade Balance</b> JPY billion SEP	10/18	8/17: 97 9/17: 654 <b>7/18: -235</b> <b>8/18: -438</b>	Japan's trade deficit widened to JPY438 billion in August from JPY235 billion in July.
<b>Republic of Korea</b> <b>7-Day Repo Rate</b> % 12 OCT	10/18	9/17: 1.25% 10/17: 1.25% <b>8/18: 1.50%</b> <b>9/18: 1.50%</b>	The Bank of Korea maintained its policy rate at 1.50% in its monetary policy meeting on 31 August.
<b>Japan</b> <b>CPI</b> y-o-y, % SEP	10/19	8/17: 0.7% 9/17: 0.7% <b>7/18: 0.9%</b> <b>8/18: 1.3%</b>	Consumer price inflation in Japan rose to 1.3% y-o-y in August from 0.9% y-o-y in July.
<b>People's Republic of China</b> <b>GDP</b> y-o-y, % Q3 2018	10/19	Q2 2018: 6.9% Q3 2018: 6.8% <b>Q1 2018: 6.8%</b> <b>Q2 2018: 6.7%</b>	Real gross domestic product (GDP) growth in the PRC slipped to 6.7% y-o-y in Q2 2018 from 6.8% y-o-y in Q1 2018.
<b>People's Republic of China</b> <b>Industrial Production</b> y-o-y, % SEP	10/19	9/17: 6.0% 10/17: 6.6% <b>8/18: 6.0%</b> <b>9/18: 6.1%</b>	Industrial production growth in the PRC inched up to 6.1% y-o-y in September from 6.0% y-o-y in August.
<b>Philippines</b> <b>Balance of Payments</b> USD million SEP	10/19	8/17: -7 9/17: 24 <b>7/18: -455</b> <b>8/18: 1,272</b>	The Philippines recorded a balance of payments surplus of USD1,272 million, a reversal of the deficit of USD455 million posted in July.
<b>Philippines</b> <b>Budget Balance</b> PHP billion SEP	10/22	8/17: 29 9/17: -37 <b>7/18: -86</b> <b>8/18: -3</b>	The Philippines posted a budget deficit of PHP3 billion, an improvement from July's deficit of PHP86 billion.

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)

### Monetary Authority of Singapore Tightens Monetary Policy

- [MAS Monetary Policy Statement](#)  
Monetary Authority of Singapore (12 October 2018)

### Singapore's Economic Growth Eases in the Third Quarter of 2018

- [Singapore's GDP Grew by 2.6 Per Cent in the Third Quarter of 2018](#)  
Ministry of Trade and Industry (12 October 2018)

### Malaysia's Index of Industrial Production Growth Slows in August

- [Index of Industrial Production, Malaysia August 2018](#)  
Department of Statistics Malaysia (11 October 2018)

### Exports in the People's Republic of China and the Philippines Expands in August

- [China's foreign trade up 9.9 pct in first nine months](#)  
Xinhua (12 October 2018)
- [Highlights of the Philippine Export and Import Statistics: August 2018](#)  
Philippine Statistics Authority (10 October 2018)

### Current Account Surpluses in Japan and the Republic of Korea Narrow in August

- [Balance of Payments Statistics, August 2018 \(Preliminary\)](#)  
Ministry of Finance Japan (9 October 2018)
- [Balance of Payments Statistics, 2nd quarter 2018 \(Second preliminary\)](#)  
Ministry of Finance Japan (9 October 2018)
- [Balance of Payments during August 2018 \(preliminary\)](#)  
The Bank of Korea (11 October 2018)

### Singapore's Foreign Reserves Increase in September

- [Official Foreign Reserves](#)  
Monetary Authority of Singapore (8 October 2018)

### Weak Demand for 5-year Treasury Bonds Sends Yields Soaring to 7.342%

- [Committee Partially Awards 5-year Treasury Bonds](#)  
Bureau of the Treasury (9 October 2018)
- [Government Makes Partial Award of T-bonds as Rates Surge](#)  
Business World (10 October 2018)
- [Committee Fully Awards Re-issued 5-year Treasury Bonds](#)  
Bureau of the Treasury (14 August 2018)

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