

29 October 2018

asianbondsonline.adb.org

## Key Developments in Asian Local Currency Markets

**T**he Republic of Korea's real gross domestic product grew 2.0% year-on-year (y-o-y) in the third quarter (Q3) of 2018, easing from the 2.8% y-o-y growth posted in the second quarter (Q2), based on advance estimates by the Bank of Korea. All other industries posted lower annual increases in Q3 2018 compared with the previous quarter. On a quarter-on-quarter basis, the Republic of Korea's economy expanded 0.6% in Q3 2018, unchanged from the growth posted in Q2 2018.

➤ In a meeting held on 22–23 October, the Board of Governors of Bank Indonesia decided to keep the 7-day reverse repurchase rate steady at 5.75%. The deposit facility rate (5.00%) and lending facility rate (6.50%) were also left unchanged.

➤ Consumer prices in Hong Kong, China rose 2.7% y-o-y in September, accelerating from the 2.3% y-o-y pick-up in August. The underlying inflation rate rose to 3.1% y-o-y in September, compared with 2.6% y-o-y in August. On a seasonally adjusted month-on-month basis, the average monthly inflation rate for the 3-month period from July to September held steady at 0.2%, the same as the pace from June to August. Similarly, Malaysia's consumer price inflation increased 0.3% y-o-y in September, marginally increasing from August when it hit a 42-month low of 0.2% y-o-y. September's core inflation increased 0.3% y-o-y, reversing a 0.2% y-o-y decrease in August. The growth of prices of basic goods and services in Singapore was unchanged at 0.7% y-o-y in September. Monetary Authority of Singapore core inflation eased to 1.8% y-o-y from 1.9% y-o-y in the previous month.

➤ The manufacturing output of Singapore decreased 0.2% y-o-y in September, a reversal from the growth of 1.9% y-o-y in August. On a month-on-month basis, Singapore's manufacturing output declined 4.9%.

➤ Exports of goods in Hong Kong, China rose 4.5% y-o-y in September, reaching HKD375 billion after decelerating from 13.1% y-o-y growth in August. Imports of goods rose 4.8% y-o-y in September, reaching HKD423 billion in September, likewise decelerating from 16.4% y-o-y in August. The trade deficit, however, narrowed to HKD48 billion in September from HKD52 billion in August.

➤ The budget deficit of the Philippines ballooned to PHP96.2 billion in September from PHP36.9 billion during the same month in

### Asia Bond Monitor September 2018

[read more](#)

#### 10-Year Selected LCY Government Security Yields Close of 26 October 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	3.08	-4.12	-11.66	67.01
EU	0.35	-4.60	-10.80	-7.50
Japan	0.11	-0.40	-3.60	6.50
PRC	3.62	-1.00	-2.00	-40.00
Hong Kong, China	2.42	-5.30	-7.50	59.00
India	7.88	0.70	-4.60	53.90
Indonesia	8.69	6.60	2.40	236.90
Korea, Rep. of	2.25	-2.00	-7.00	-21.50
Malaysia	4.18	2.10	3.60	26.10
Philippines	7.67	-15.15	-38.44	196.99
Singapore	2.51	-3.20	-6.88	50.76
Thailand	2.86	-0.30	1.50	53.20
Viet Nam	5.20	0.00	13.20	-0.90

- 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

2017. From January to September, the country's total budget deficit was PHP378.2 billion, comprising 72% of the government's PHP523.7 billion programmed deficit for 2018.

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

## Summary Text of News Articles

### The Republic of Korea's GDP Growth Slows to 2.0% y-o-y in Q3 2018

The Republic of Korea's real gross domestic product (GDP) grew 2.0% year-on-year (y-o-y) in the third quarter (Q3) of 2018, easing from the 2.8% y-o-y growth posted in the second quarter (Q2), based on advance estimates by the Bank of Korea. By type of expenditure, the slower GDP growth was driven by the faster decline in gross fixed capital formation of -6.5% y-o-y in Q3 2018 versus -1.3% y-o-y in the previous quarter. Private and government consumption expenditures posted slower annual increases of 2.6% y-o-y and 4.7% y-o-y, respectively, in Q3 2018 versus 2.8% y-o-y and 4.8% y-o-y. Export growth also slowed to 3.1% y-o-y from 4.8% y-o-y in Q2 2018. By industry, slower growth was driven by the contraction in agriculture, forestry, and fishing of 1.8% y-o-y, and construction of 7.8% y-o-y. All other industries posted lower annual increases in Q3 2018 compared with the previous quarter. On a quarter-on-quarter basis, the Republic of Korea's economy expanded 0.6% in Q3 2018, unchanged from Q2 2018.

### Bank Indonesia Keeps Policy Rate Steady at 5.75%

In a meeting held on 22–23 October, the Board of Governors of Bank Indonesia decided to keep the 7-day reverse repurchase rate steady at 5.75%. The deposit facility rate (5.00%) and lending facility rate (6.50%) were also left unchanged. Bank Indonesia deemed that, at current levels, the rates were supportive of lowering the current account deficit and keeping the domestic financial market attractive. The central bank remains committed to ensuring adequate liquidity in the Indonesian rupiah and foreign exchange markets. Bank Indonesia estimates economic growth in Q3 2018 to be lower than expected. Economic growth for full-year 2018 is projected to come in at the lower end of the target range of 5.0%–5.4%. Meanwhile, Bank Indonesia is set introduce domestic non-deliverable forwards transactions beginning on 1 November.

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

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

### Inflation Rises in Hong Kong, China and Malaysia in September, Unchanged in Singapore

Consumer prices rose 2.7% y-o-y in September, accelerating from the 2.3% y-o-y pick-up in August. The underlying inflation rate (actual rate when the effect of all government one-off relief measures is removed) rose to 3.1% y-o-y in September from 2.6% y-o-y in August. The upward adjustment of public housing rentals mainly contributed to the faster increase in prices. School fees also rose as the effect of the government subsidy to waive examination fees in school year 2018/19 tapered off. Except for durable goods, which continued to exhibit a downward trend, falling 1.8% y-o-y after a 1.9% y-o-y decline in the previous month, prices for all other major components of the Consumer Price Index rose in September. On a seasonally adjusted month-on-month basis, the average monthly inflation rate for the 3-month period from July to September held steady at 0.2%, the same as the pace from June to August.

Malaysia's consumer price inflation increased 0.3% y-o-y in September, marginally increasing from August when it hit a 42-month low of 0.2% y-o-y. According to the Department of Statistics Malaysia, the slow pace of price increases in September was due to the unchanged pricing of RON95 fuel, while the reinstatement of the sales and services tax on 1 September did not have a significant effect on the Consumer Price Index. The muted inflation rate is a result of only 5 out of the 12 main groups recording an upward price adjustment, while the rest continued to register price declines. On a monthly basis, consumer prices increased 0.4% in September. From January to September, the Consumer Price Index rose 1.2% y-o-y. September's core inflation increased 0.3% y-o-y, reversing a 0.2% y-o-y decrease in August.

Growth in the prices of basic goods and services in Singapore was unchanged at 0.7% y-o-y in September. Services inflation increased to 1.4% y-o-y from 1.3% y-o-y in the previous month due to increases in education services fees. This was offset by the moderation of growth in price for retail items (to 1.5% y-o-y from 2.0% y-o-y) due to slower price increases in clothing and footwear, and declines for recreation and entertainment goods, and telecommunications equipment. Price inflation for accommodations eased to 2.5% y-o-y from 2.6% y-o-y in August due to a slower decline in housing rentals. For full-year 2018, inflation is projected to be 0.5% y-o-y. Monetary Authority of Singapore core inflation eased to 1.8% y-o-y from 1.9% y-o-y in the previous month.

---

**Summary Text of News Articles**

---

**Inflation Rises in Hong Kong, China and Malaysia in September, Unchanged in Singapore (cont...)**

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>

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>

**Singapore's Manufacturing Output Contracts 0.2% in September**

The manufacturing output of Singapore decreased 0.2% y-o-y in September, a reversal from the growth of 1.9% y-o-y in August. Output of all industry clusters declined except for precision engineering and transport engineering. Chemicals output contracted 7.1% y-o-y, after dipping 5.9% y-o-y in the previous month due to a further decline in petrochemicals output. The electronics industry cluster recorded a decrease in its production of 5.5% y-o-y, a reversal from the 5.9% y-o-y growth in August, due to huge declines in the output of semiconductors, and other electronic modules and components. On a month-on-month basis, Singapore's manufacturing output declined 4.9%.

**Goods Exports from Hong Kong, China Post Slowing Growth in September**

Exports of goods from Hong Kong, China rose 4.5% y-o-y, reaching HKD375 billion in September and decelerating from 13.1% y-o-y growth in August. Imports of goods rose 4.8% y-o-y, reaching HKD423 billion in September and likewise decelerating from 16.4% y-o-y in August. Trading activity was slower in September as the impacts of the trade conflict between the People's Republic of China and the United States became more apparent, as well as resulting from disruptions caused by Typhoon Mangkhut. The trade deficit, however, narrowed to HKD48 billion in September from HKD52 billion in August.

**The Philippines Posts Budget Deficit of PHP96.2 Billion in September**

The budget deficit of the Philippines ballooned to PHP96.2 billion in September from PHP36.9 billion in the same month in 2017. This was due to the government's expenditures growing 26.0% y-o-y to PHP298.6 billion. Interest payments rose 23.9% y-o-y as the government paid coupons on Retail Treasury Bonds. Revenue, on the other hand, marginally grew 1.1% y-o-y to PHP202.4 billion. Collections by the Bureau of Customs increased 26.8% y-o-y due to the increased value and volume of imports, and the depreciation of the peso. Taxes collected by the Bureau of Internal Revenue declined, however, by 7.6% y-o-y due to a high base effect. From January to September, the country's total budget deficit was PHP378.2 billion, comprising about 72.2% of the government's PHP523.7 billion programmed deficit for 2018.

## 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	2.32	-0.56		1.53	94.36
EU	-0.75	-0.40		1.90	-0.60
Japan	-0.31	-1.03	-3.04		-14.84
PRC	2.56	3.00		2.00	-127.00
Hong Kong, China	0.33	0.00		0.00	0.00
India	8.31	0.00		0.00	0.00
Korea, Rep. of	1.63	0.00		0.20	11.80
Malaysia	3.26	0.00	-0.70		29.80
Philippines	4.64	3.44	-19.06		221.17
Singapore	1.90	-0.90	-0.90		10.90
Thailand	1.22	0.00		0.00	0.00

Close of 26 October 2018

### 10-Year Selected LCY Government Bond Yields

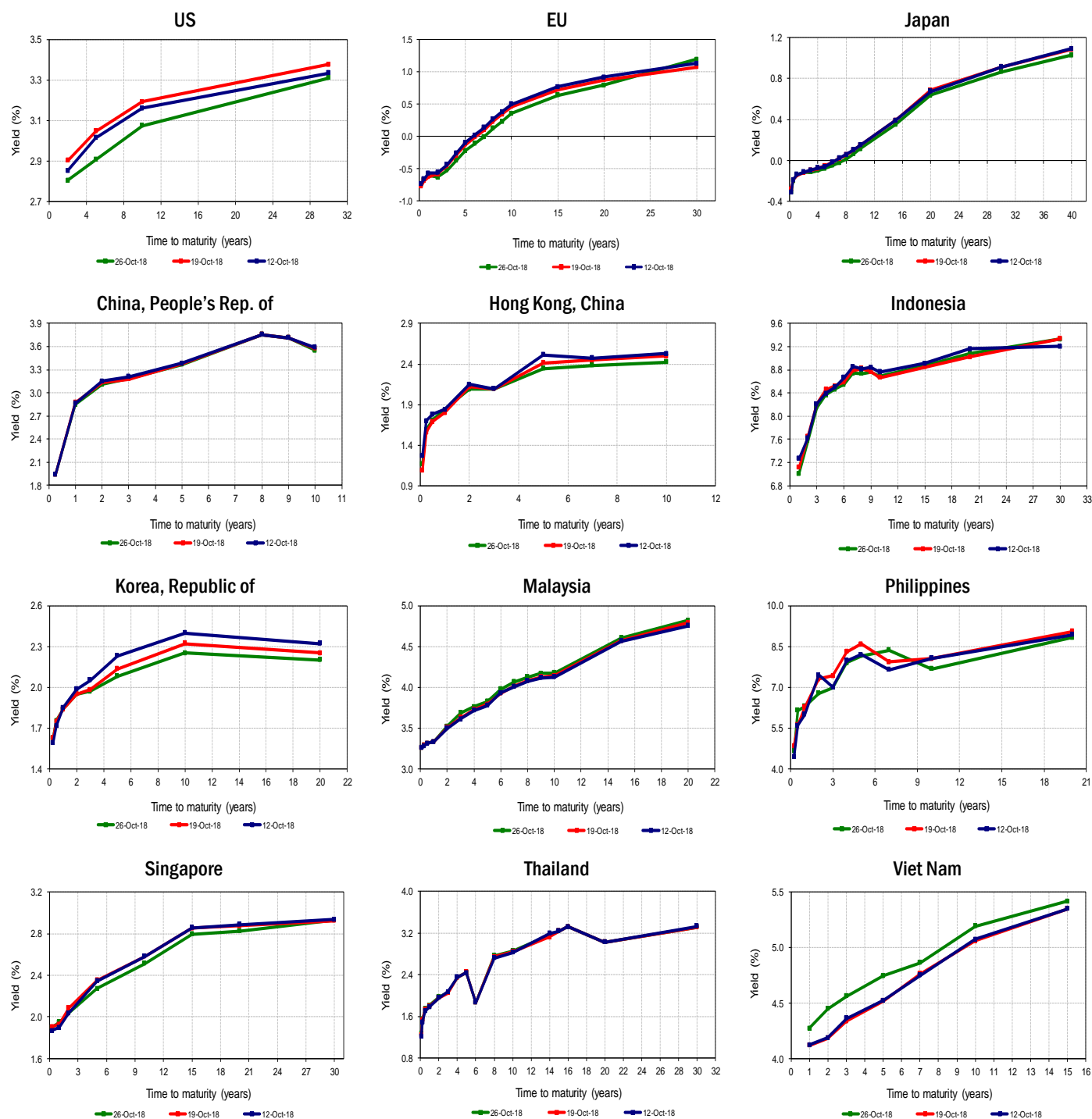
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	3.08	-4.12	-11.66		67.01
EU	0.35	-4.60	-10.80		-7.50
Japan	0.11	-0.40	-3.60		6.50
PRC	3.62	-1.00	-2.00		-40.00
Hong Kong, China	2.42	-5.30	-7.50		59.00
India	7.88	0.70	-4.60		53.90
Indonesia	8.69	6.60		2.40	236.90
Korea, Rep. of	2.25	-2.00	-7.00		-21.50
Malaysia	4.18	2.10		3.60	26.10
Philippines	7.67	-15.15	-38.44		196.99
Singapore	2.51	-3.20	-6.88		50.76
Thailand	2.86	-0.30		1.50	53.20
Viet Nam	5.20	0.00		13.20	-0.90

Close of 26 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

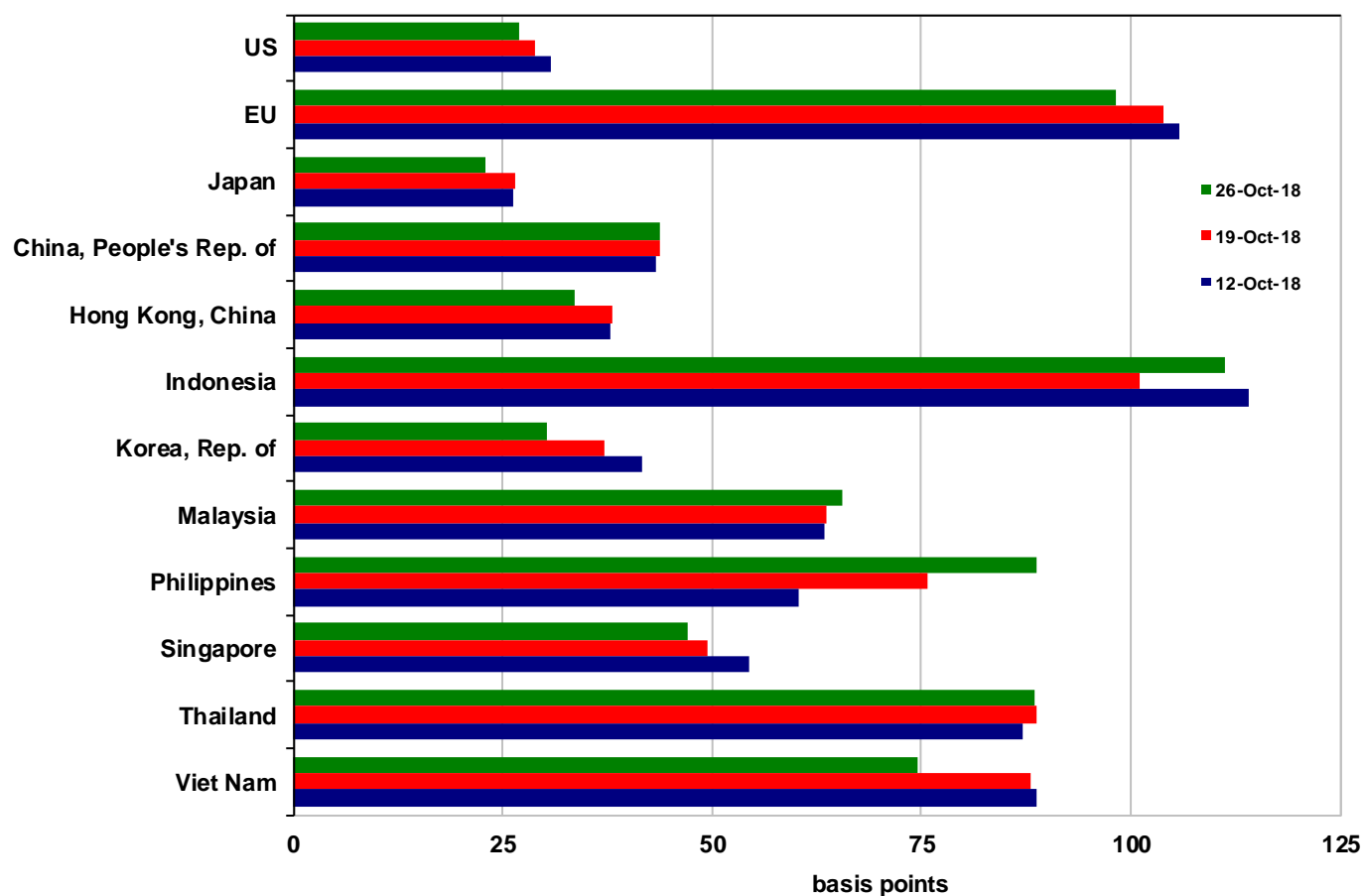


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

## 2- versus 10- Year Yield Spread Chart

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



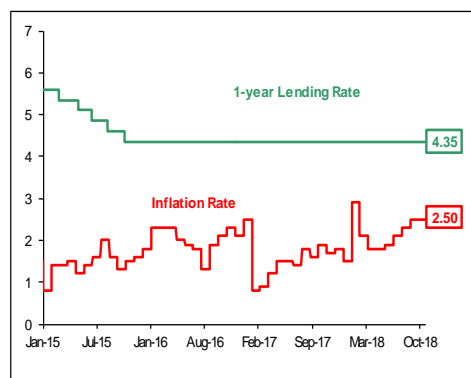
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

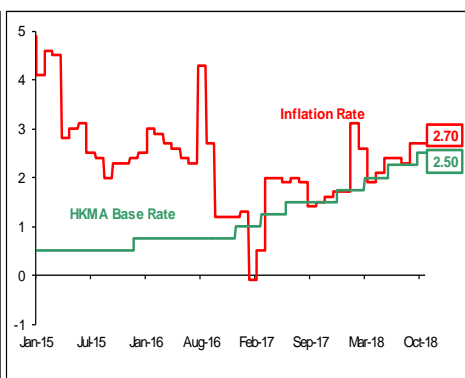
### China, People's Rep. of



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

Source: Bloomberg LP.

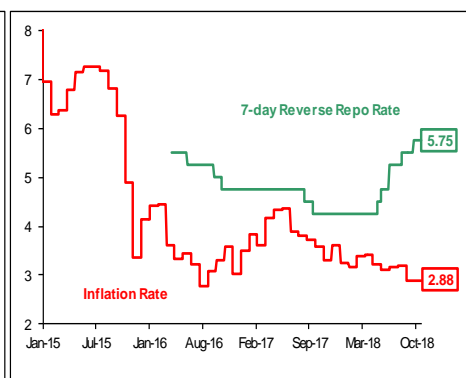
### Hong Kong, China



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

Source: Bloomberg LP.

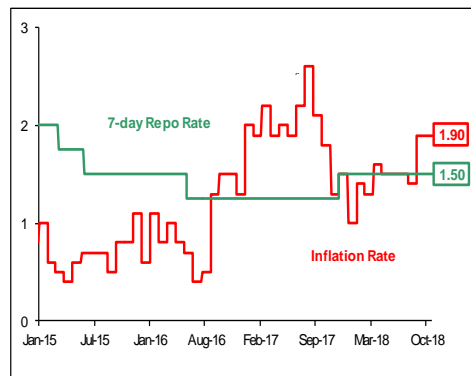
### Indonesia



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

Source: Bloomberg LP.

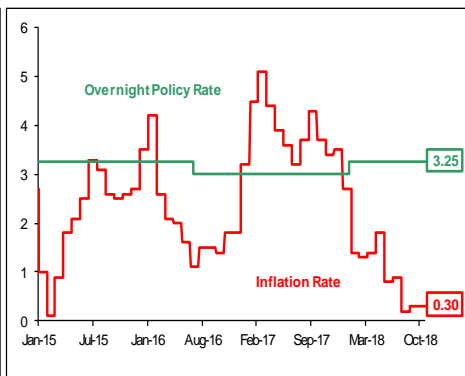
### Korea, Republic of



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.

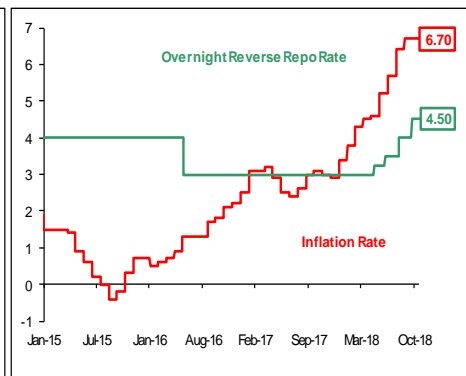
### Malaysia



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

Source: Bloomberg LP.

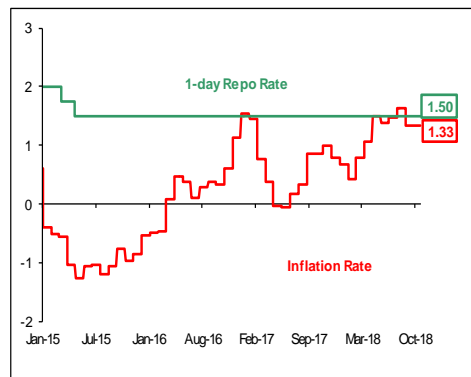
### Philippines



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

Source: Bloomberg LP.

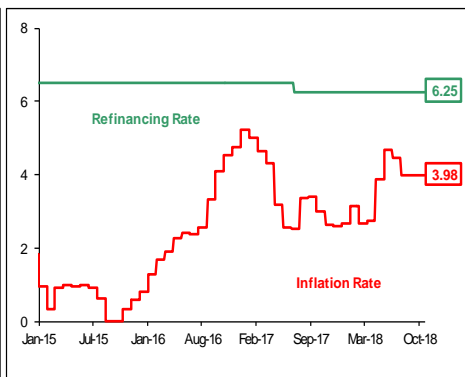
### Thailand



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



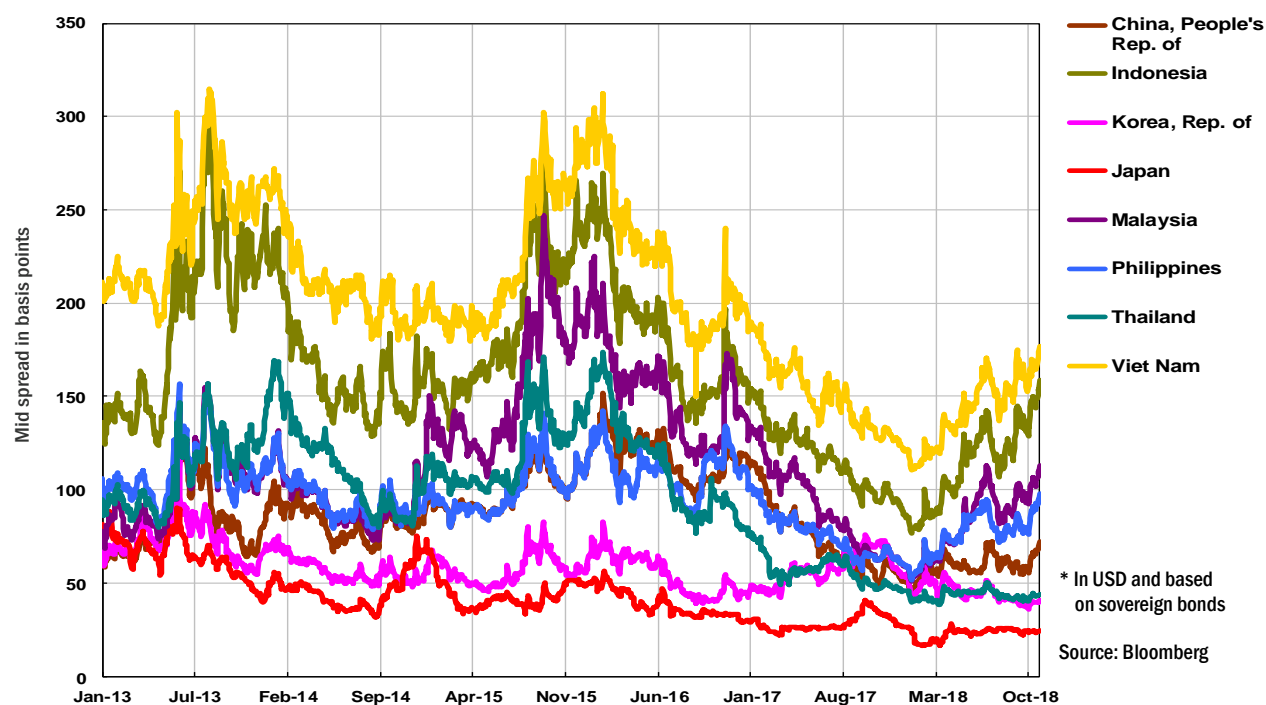
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

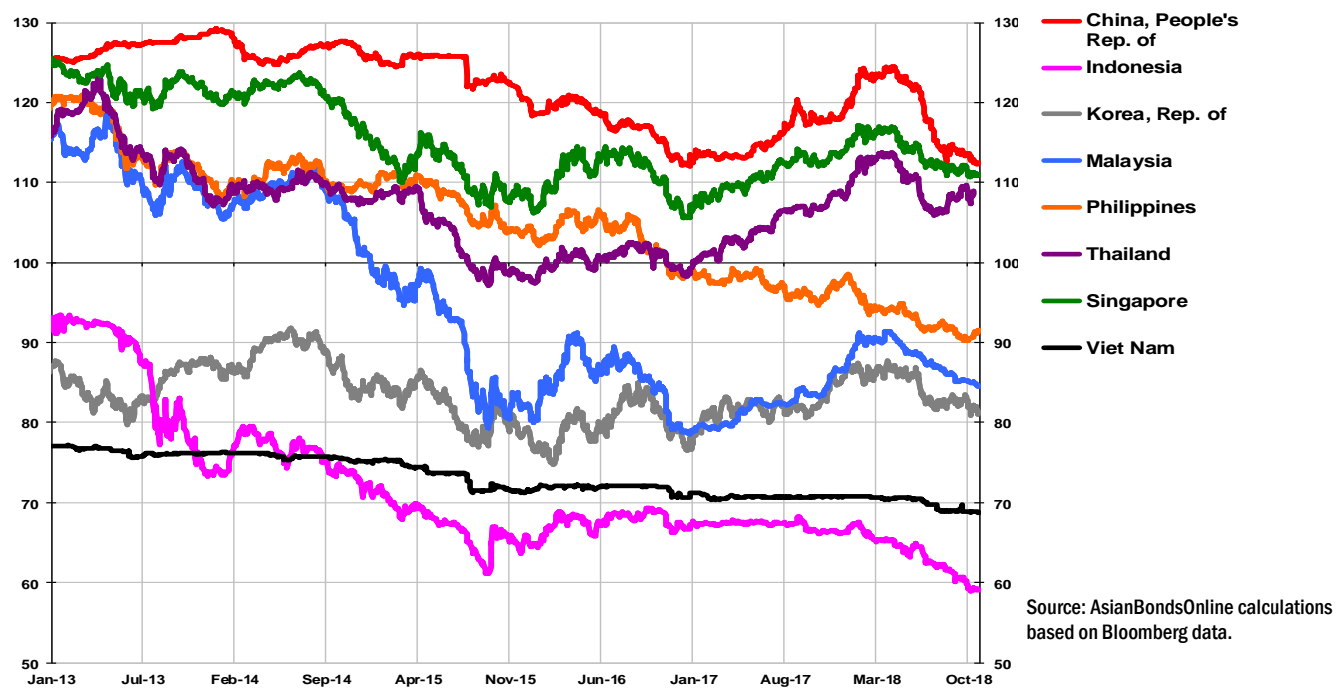
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (22 – 26 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	26-Oct	91-day Treasury Bills	3.96		15.00	15.00
HK	23-Oct	91-day Exchange Fund Bills	1.66		58.14	58.14
		182-day Exchange Fund Bills	1.76		17.00	17.00
ID	23-Oct	3-month Treasury Bills	5.81			2,600.00
		9-month Treasury Bills	6.15			3,000.00
		6-year Treasury Bonds	8.59	8.13		4,100.00
		11-year Treasury Bonds	8.69	8.25	10,000.00	6,250.00
		15-year Treasury Bonds	8.93	6.63		900.00
		20-year Treasury Bonds	9.05	7.50		3,000.00
		30-year Treasury Bonds	9.34	7.38		150.00
JP	25-Oct	2-year Japanese Government Bonds	-0.12	0.10	2,100.00	2,325.60
	26-Oct	3-month Treasury Discount Bills	-0.32		4,300.00	4,299.94
KR	22-Oct	1-year Monetary Stabilization Bonds	1.90		1,240.00	1,240.00
		20-year Korea Treasury Bonds	2.29	2.38	600.00	600.00
MY	25-Oct	182-day Treasury Bills	3.26		1.00	1.00
PH	22-Oct	91-day Treasury Bills	4.95		4.00	4.00
		182-day Treasury Bills	6.06		5.00	5.00
		364-day Treasury Bills	6.49		6.00	6.00
SG	23-Oct	28-day MAS Bills	1.38		2.50	2.50
		84-day MAS Bills	1.56		6.10	6.10
TH	22-Oct	91-day Bank of Thailand Bills	1.57		40.00	40.00
		182-day Bank of Thailand Bills	1.75		40.00	40.00
		7.34-year State Owned Enterprises Bonds	2.87	2.29	5.00	5.00
	24-Oct	10.5-year Government Bonds	2.87	2.88	17.00	18.70
	25-Oct	1.83-year Bank of Thailand Bonds	2.05	1.82	20.00	23.53
	26-Oct	14-day Bank of Thailand Bills	1.32		35.00	35.00
VN	24-Oct	5-year Treasury Bonds	4.20		1,000.00	450.00
		10-year Treasury Bonds	4.90		1,000.00	850.00
		15-year Treasury Bonds	5.20		1,000.00	700.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (30 October – 5 November 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>Industrial Production</b> %, y-o-y SEP	10/31	8/17: 5.0% 9/17: 2.5% <b>7/18: 2.2%</b> <b>8/18: 0.2%</b>	Japan's industrial production growth eased to 0.2% year-on-year (y-o-y) in August from 2.2% y-o-y in July.
<b>Republic of Korea</b> <b>Industrial Production</b> %, y-o-y SEP	10/31	8/17: 2.3% 9/17: 10.0% <b>7/18: 1.1%</b> <b>8/18: 2.5%</b>	The Republic of Korea's industrial production growth rose to 2.5% y-o-y in August from 1.1% y-o-y in July.
<b>Thailand</b> <b>Exports</b> %, y-o-y SEP	10/31	8/17: 16.5% 9/17: 13.5% <b>7/18: 8.3%</b> <b>8/18: 5.8%</b>	Growth in Thailand's exports slowed to 5.8% y-o-y in August from 8.3% y-o-y in July.
<b>Thailand</b> <b>Trade Balance</b> USD million SEP	10/31	8/17: 3,618 9/17: 5,499 <b>7/18: 858</b> <b>8/18: 604</b>	Thailand's trade surplus narrowed to USD604 million in August from USD858 million in July.
<b>Indonesia</b> <b>CPI</b> %, y-o-y OCT	11/01	9/17: 3.7% 10/17: 3.6% <b>8/18: 3.2%</b> <b>9/18: 2.9%</b>	Consumer price inflation in Indonesia slowed to 2.9% y-o-y in September from 3.2% y-o-y in August.
<b>Republic of Korea</b> <b>CPI</b> %, y-o-y OCT	11/01	9/17: 2.1% 10/17: 1.8% <b>8/18: 1.4%</b> <b>9/18: 1.9%</b>	Consumer price inflation in the Republic of Korea inched up to 1.9% y-o-y in September from 1.4% y-o-y in August.
<b>Republic of Korea</b> <b>Exports</b> %, y-o-y OCT	11/01	9/17: 35.0% 10/17: 7.1% <b>8/18: 8.7%</b> <b>9/18: -8.2%</b>	Exports from the Republic of Korea contracted 8.2% y-o-y in September, a reversal from the 8.7% y-o-y growth posted in August.
<b>Republic of Korea</b> <b>Trade Balance</b> USD million OCT	11/01	9/17: 13,149 10/17: 6,935 <b>8/18: 6,841</b> <b>9/18: 9,565</b>	The Republic of Korea's trade surplus widened to USD9.6 billion in September from USD6.8 billion in August.
<b>Thailand</b> <b>CPI</b> %, y-o-y OCT	11/01	9/17: 0.9% 10/17: 0.9% <b>8/18: 1.6%</b> <b>9/18: 1.3%</b>	Consumer price inflation in Thailand slowed to 1.3% y-o-y in September from 1.6% y-o-y in August.
<b>Indonesia</b> <b>GDP</b> %, y-o-y Q3 2018	11/05	Q2 2017: 5.0% Q3 2017: 5.1% <b>Q1 2018: 5.1%</b> <b>Q2 2018: 5.3%</b>	Real gross domestic product (GDP) growth in Indonesia climbed to 5.3% y-o-y in the second quarter (Q2) of 2018 from 5.1% y-o-y in the first quarter (Q1).
<b>Malaysia</b> <b>Exports</b> %, y-o-y SEP	11/05	8/17: 21.2% 9/17: 14.2% <b>7/18: 9.4%</b> <b>8/18: -0.3%</b>	Growth in Malaysia's exports was negative at -0.3% y-o-y in August, reversing the 9.4% y-o-y growth posted in July.
<b>Malaysia</b> <b>Trade Balance</b> MYR billion SEP	11/05	8/17: 10.0 9/17: 8.6 <b>7/18: 8.3</b> <b>8/18: 1.6</b>	Thailand's trade surplus narrowed to MYR1.6 million in August from MYR8.3 million in July.

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)

### **The Republic of Korea's GDP Growth Slows to 2.0% y-o-y in Q3 2018**

- [Real Gross Domestic Product: 3rd Quarter of 2018 \(Advance Estimate\)](#)  
The Bank of Korea (25 October 2018)

### **Bank Indonesia Keeps Policy Rate Steady at 5.75%**

- [BI 7-Day Reverse Repo Rate Held at 5.75%: Strengthening External Resilience, Maintaining Stability](#)  
Bank Indonesia (23 October 2018)

### **Inflation Rises in Hong Kong, China and Malaysia in September; Unchanged in Singapore**

- [Consumer Price Indices for September 2018](#)  
Census and Statistics Department (23 October 2018)
- [Consumer Price Index Malaysia September 2018](#)  
Department of Statistics Malaysia (26 October 2018)
- [Consumer Price Developments in September 2018](#)  
Monetary Authority of Singapore (23 October 2018)

### **Singapore's Manufacturing Output Contracts 0.2% in September**

- [Monthly Manufacturing Performance September 2018](#)  
Singapore Economic Development Board (26 October 2018)

### **Goods Exports from Hong Kong, China Post Slowing Growth in September**

- [External merchandise trade statistics for September 2018](#)  
Census and Statistics Department (25 October 2018)

### **The Philippines Posts Budget Deficit of PHP96.2 Billion in September**

- [First Three Quarters' Actual Revenue and Expenditure Exceed Program](#)  
Bureau of the Treasury (22 October 2018)

Disclaimer: *AsianBondsOnline* Newsletter is available to users free of charge. ADB provides no warranty or undertaking of any kind with respect to the information and materials found on, or linked to, the *AsianBondsOnline* Newsletter. ADB accepts no responsibility for the accuracy of the material posted or linked to in the publication, or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any material or information so provided. Views expressed in articles marked with *AsianBondsOnline* are those of the authors and not ADB. This disclaimer does not derogate from, and is in addition to, the general terms and conditions regarding the use of the *AsianBondsOnline* website, which also apply.