

3 December 2018

asianbondsonline.adb.org

## Key Developments in Asian Local Currency Markets

At its monetary policy meeting on 30 November, the Bank of Korea raised its base rate by 25 basis points to 1.75%. The Bank of Korea noted that the domestic economy is growing at its potential level and will continue to do so, which is consistent with forecasts made in October. Given manageable inflation and economic growth being sustained at its potential level, the Bank of Korea will maintain its accommodative monetary stance.

Prices of basic goods and services in Viet Nam rose 3.5% year-on-year (y-o-y) in November, which was slower than the 3.9% y-o-y growth recorded in October. On a month-on-month (m-o-m) basis, consumer price inflation contracted 0.3%. Core inflation for November increased marginally to 1.72% y-o-y from 1.67% y-o-y in October.

Hong Kong, China's merchandise exports rose 14.6% y-o-y to HKD384 billion in October, accelerating from growth of 4.5% y-o-y in September. On the other hand, merchandise imports rose 13.1% y-o-y to HKD428 billion in October, accelerating from growth of 4.8% y-o-y in September. As exports rose faster than imports, the trade deficit narrowed to HKD44 billion in October from HKD48 billion in September. Viet Nam registered a trade deficit of USD400 million in November as imports outpaced exports, reversing the trade surplus of USD200 million posted in November 2017. For the January–November period, the trade balance posted a surplus of USD6,806 million.

Japan's industrial production rose 4.2% y-o-y in November. On a m-o-m basis, Japan's industrial production rose 2.9%. Singapore's manufacturing output expanded 4.3% y-o-y in October, a reversal from the contraction of 0.1% y-o-y in September. On a m-o-m basis, manufacturing output grew 2.0%. Viet Nam's industrial production grew 9.6% y-o-y in November compared with 7.7% y-o-y in October. On a m-o-m basis, growth in industrial production eased to 2.9%. For the January–November period, industrial production increased 10.1% y-o-y.

The People's Republic of China's Purchasing Managers Index for manufacturing fell to 50.0 in November from 50.2 in October, while the nonmanufacturing index fell to 53.4 from 54.9 during the same period.

The Philippines recorded a budget deficit of PHP59.9 billion in October, which was smaller

### Asia Bond Monitor November 2018

[read more](#)

#### 10-Year Selected LCY Government Security Yields Close of 30 November 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.99	-4.19	-5.11	58.25
EU	0.31	-0.80	-2.70	-11.40
Japan	0.09	1.00	-0.80	4.40
PRC	3.46	0.00	-2.00	-56.00
Hong Kong, China	2.33	0.20	-1.20	49.40
India	7.61	-0.10	-10.40	27.00
Indonesia	7.87	-3.50	-4.20	154.80
Korea, Rep. of	2.11	-0.40	-5.50	-35.70
Malaysia	4.14	-0.40	-1.40	22.60
Philippines	7.03	0.00	-10.60	133.04
Singapore	2.35	0.00	-6.75	35.03
Thailand	2.68	-3.90	-2.70	36.00
Viet Nam	5.19	-0.70	-1.20	-1.60

- 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

than the PHP96.2 billion deficit posted the previous month but larger than the deficit of PHP21.8 billion in October 2017. For the January–October period, the budget deficit stood at PHP438.1 billion, or 83.7% of the PHP523.7 billion full-year 2018 deficit program.

The Bureau of the Treasury of the Philippines fully awarded the reissuance of 7-year Treasury bonds last week, awarding PHP15.0 billion of the PHP62.2 billion in total offers. Due to strong demand, the Bureau of the Treasury also offered the bonds through its tap facility window to the 10 Government Securities Eligible Dealer Market Makers, awarding another PHP15.0 million.

Local currency government bond yields decreased for most tenors for most economies, with all tenors decreasing for Viet Nam. Yields increased for most tenors in Hong Kong, China. Yield spreads between the 2-year and 10-year tenors contracted for most economies except for Indonesia, Singapore, and Viet Nam.

## Summary Text of News Articles

### The Bank of Korea Raises Its Base Rate by 25 Basis Points to 1.75%

At its monetary policy meeting on 30 November, the Bank of Korea decided to raise its base rate by 25 basis points to 1.75%. The Bank of Korea noted that the domestic economy is already growing at its potential level and will continue to do so, which is consistent with forecasts made in October. Growth will continue to be supported by consumption and exports. Inflation, which has been at the 2% level due to the acceleration in price increases in agricultural and petroleum products, is projected to slightly ease to the mid- to upper-1% range. The central bank noted the previous rise in volatility in domestic financial markets and the moderation in volatility in November. Household lending also increased in October, while the rise in housing prices eased due to measures implemented by the government. Given manageable inflation and economic growth being sustained at its potential level, the Bank of Korea will maintain its accommodative monetary stance. The central bank will continue to monitor risks including trade with and monetary policy changes in major economies, and developments in emerging market economies.

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

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

### Viet Nam's Inflation Eases in November

Prices of basic goods and services in Viet Nam rose 3.5% year-on-year (y-o-y) in November, which was slower than the 3.9% y-o-y growth recorded in October. The growth in prices of transportation eased the most, falling to 6.2% y-o-y from 8.9% y-o-y in the previous month. Food and housing & construction materials inflation likewise moderated to 2.4% y-o-y and 2.3% y-o-y, respectively, from 3.3% y-o-y and 2.9% y-o-y. On the other hand, the communications sector recorded declining prices, contracting 0.9% y-o-y. On a month-on-month (m-o-m) basis, consumer price inflation contracted 0.3%. Core inflation marginally increased to 1.72% y-o-y in November from 1.67% y-o-y in October.

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

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

### Hong Kong, China's Export Growth Accelerates in October; Viet Nam Posts Trade Deficit in November

Hong Kong, China's merchandise exports rose 14.6% y-o-y to HKD384 billion in October, accelerating from 4.5% y-o-y in September, buoyed by increased exports to Asia and other major destinations. Exports of most principal commodities rose during the period, led by 21.7% y-o-y growth in the telecommunications group. Merchandise imports rose 13.1% y-o-y to HKD428 billion in October, accelerating from 4.8% y-o-y in September, as imports of most major commodities rose, led by petroleum products at 44.4% y-o-y. As exports rose faster than imports, the trade deficit narrowed to HKD44 billion in October from HKD48 billion in September.

Viet Nam registered a trade deficit of USD400 million in November, reversing the trade surplus of USD200 million posted in November 2017. However, the 12.4% y-o-y growth of imports in November was slower than export growth of 14.4% y-o-y. Outward foreign domestic investment overtook inward foreign domestic investment in November. For the January–November period, the trade balance posted a surplus of USD6,806 million.

### Japan's Industrial Production Expands in November; Singapore's Manufacturing Output Rises in October; Industrial Production Growth Accelerates in Viet Nam in November

Japan's industrial production rose 4.2% y-o-y in November, based on preliminary estimates from the Ministry of Economy, Trade and Industry. The rise was mainly driven by the industries of general-purpose and business-oriented machinery, electronic parts and devices, and motor vehicles. The shipments index increased 7.7% y-o-y, the inventories index and inventory ratio index declined 0.8% y-o-y and 8.3% y-o-y, respectively. On a m-o-m basis, Japan's industrial production rose 2.9%.

---

## Summary Text of News Articles

---

### Japan's Industrial Production Expands in November; Singapore's Manufacturing Output Rises in October; Industrial Production Growth Accelerates in Viet Nam in November (cont...)

Singapore's manufacturing output expanded 4.3% y-o-y in October, a reversal from the contraction of 0.1% y-o-y in September. The growth was attributed to increased output in all clusters except for the electronics and chemicals clusters, which declined 2.7% y-o-y and 1.0% y-o-y, respectively, with the latter contracting due to maintenance shutdowns. The transport engineering cluster recorded the fastest growth at 30.8% y-o-y due to the expansion of the marine and offshore engineering segment and the aerospace segment. This was followed by the biomedical manufacturing cluster, which grew 11.5% y-o-y on growth in the output of pharmaceutical and biological products. Precision engineering and general manufacturing also contributed to growth in the manufacturing sector, increasing 1.4% y-o-y and 1.3% y-o-y, respectively. On a m-o-m basis, manufacturing output grew 2.0% in October.

Viet Nam's industrial production grew 9.6% y-o-y in November, up from the 7.7% y-o-y growth recorded in October. All sectors registered growth in November, with the production of the mining and quarrying sector increasing 0.2% y-o-y, a reversal from its 9.5% y-o-y decline in the previous month. The manufacturing sector grew 11.0% y-o-y, while electricity and water supplies increased 9.2% y-o-y and 4.5% y-o-y, respectively. On a m-o-m basis, growth in industrial production eased to 2.9%. For the January–November period, industrial production increased 10.1% y-o-y.

### The PRC's Manufacturing and Nonmanufacturing PMI Fall in November

The People's Republic of China's (PRC) Purchasing Managers Index (PMI) for manufacturing fell to 50.0 in November from 50.2 in October. The PRC's nonmanufacturing PMI fell to 53.4 from 54.9 in the same period. A PMI reading above 50 indicates expansion, while contraction is signified by a PMI below 50.

### The Philippines Posts Budget Deficit in October

The Philippines recorded a budget deficit of PHP59.9 billion in October, which was lower than the PHP96.2 billion deficit posted in September but higher than the budget deficit of PHP21.8 billion in October 2017. Expenditures continued to outpace revenues, with spending increasing 35.1% y-o-y, while revenues jumped 20.3% y-o-y. Government spending grew on the back of interest payments, which were up 17.6% y-o-y as the national government serviced some obligations that were due in September but paid in October since the interest payment date fell on a weekend. On the other hand, revenue was buoyed by increased tax collections by the Bureau of Internal Revenue and the Bureau of Customs, which soared 15.6% y-o-y and 30.5% y-o-y, respectively. Revenue generated by the Bureau of the Treasury increased 10.5% y-o-y. For the January–October period, the total budget deficit stood at PHP438.1 billion, which was 83.7% of the PHP523.7 billion full-year 2018 deficit program.

## 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	2.34	-1.07	-5.38		96.67
EU	-0.70	0.20	-0.50		4.60
Japan	-0.18	10.50	12.51		-1.83
PRC	2.49	2.00	-1.00		-134.00
Hong Kong, China	0.33	0.00	0.00		0.00
India	8.31	0.00	0.00		0.00
Korea, Rep. of	1.75	11.70	12.40		24.00
Malaysia	3.26	0.00	0.00		30.60
Philippines	6.87	141.70	146.30		443.34
Singapore	2.01	0.00	0.00		21.90
Thailand	1.22	0.00	0.00		0.00

Close of 30 November 2018

### 10-Year Selected LCY Government Bond Yields

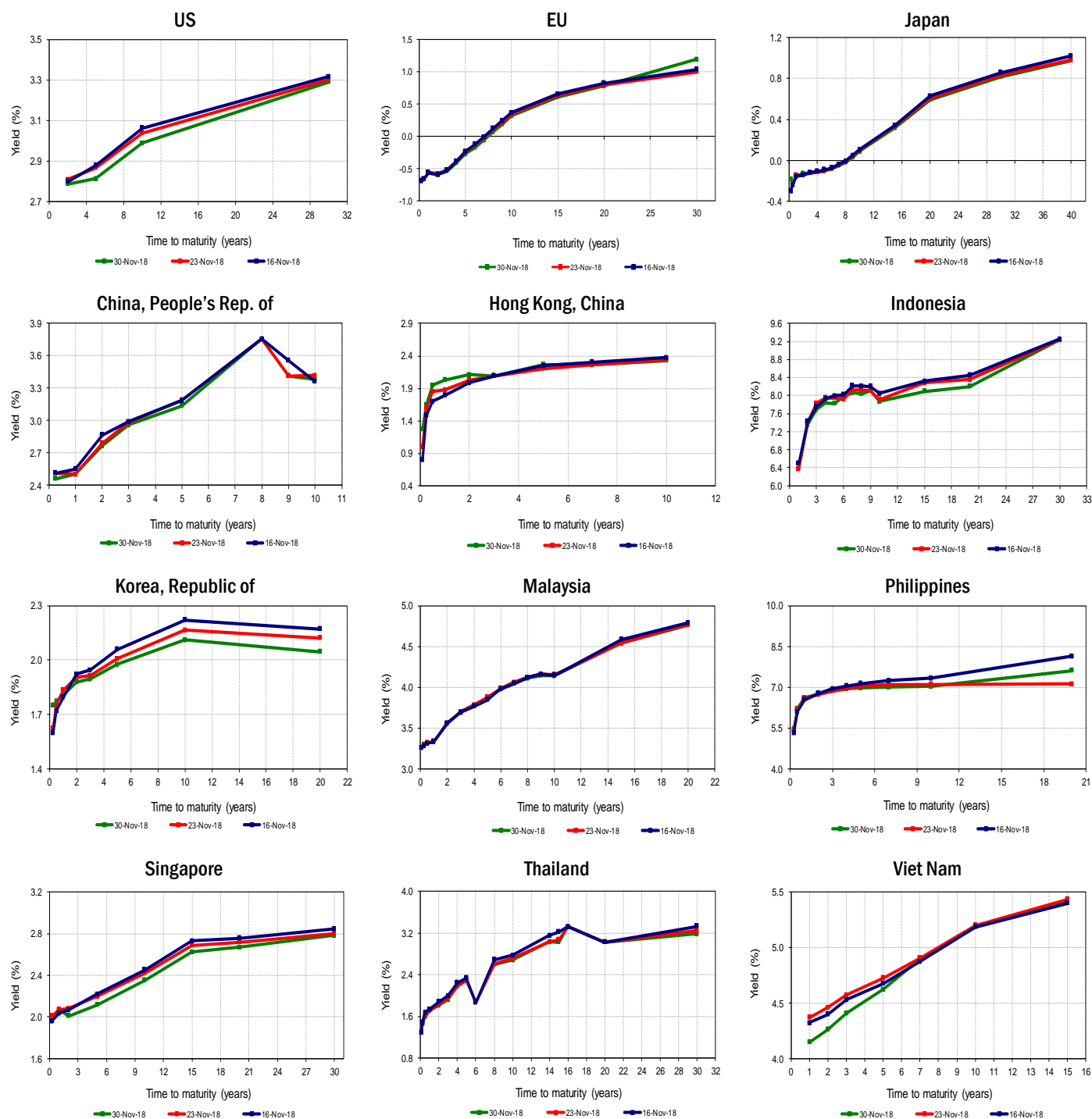
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.99	-4.19	-5.11		58.25
EU	0.31	-0.80	-2.70		-11.40
Japan	0.09	1.00	-0.80		4.40
PRC	3.46	0.00	-2.00		-56.00
Hong Kong, China	2.33	0.20	-1.20		49.40
India	7.61	-0.10	-10.40		27.00
Indonesia	7.87	-3.50	-4.20		154.80
Korea, Rep. of	2.11	-0.40	-5.50		-35.70
Malaysia	4.14	-0.40	-1.40		22.60
Philippines	7.03	0.00	-10.60		133.04
Singapore	2.35	0.00	-6.75		35.03
Thailand	2.68	-3.90	-2.70		36.00
Viet Nam	5.19	-0.70	-1.20		-1.60

Close of 30 November 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

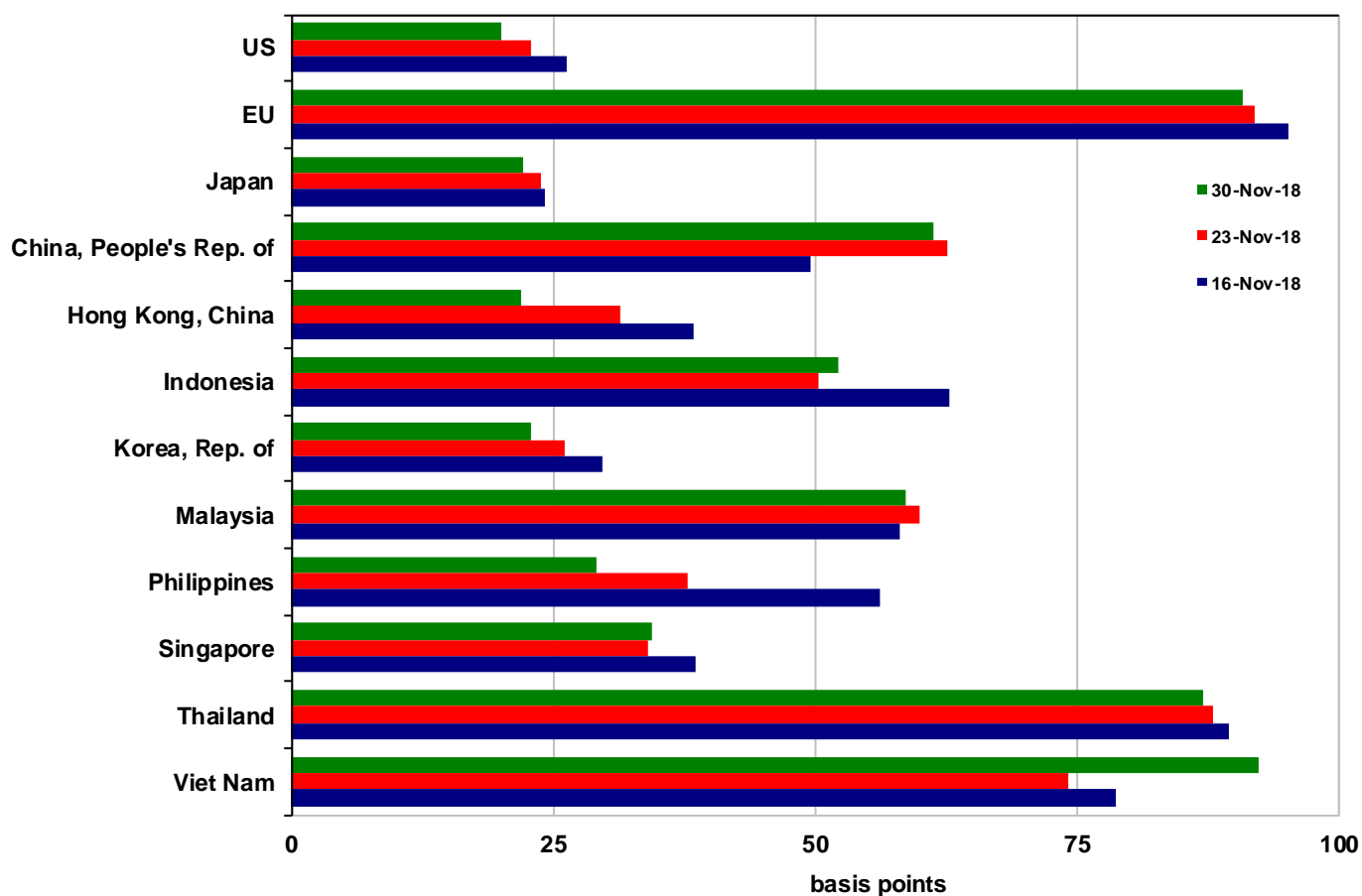


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

## 2- versus 10- Year Yield Spread Chart

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



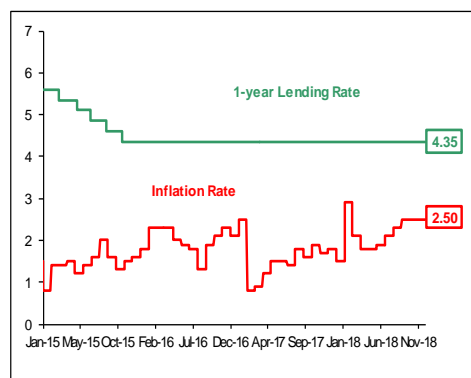
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

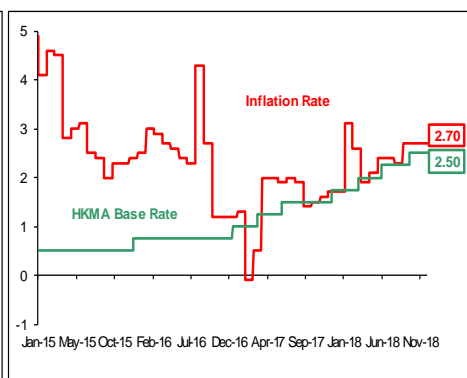
### China, People's Rep. of



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

Source: Bloomberg LP.

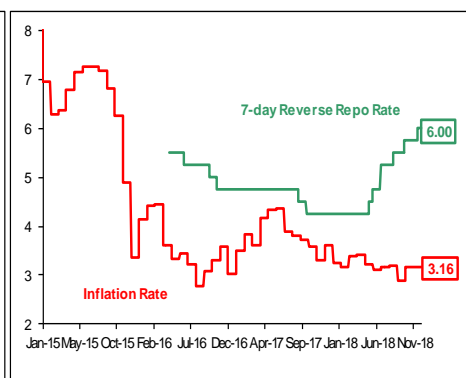
### Hong Kong, China



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

Source: Bloomberg LP.

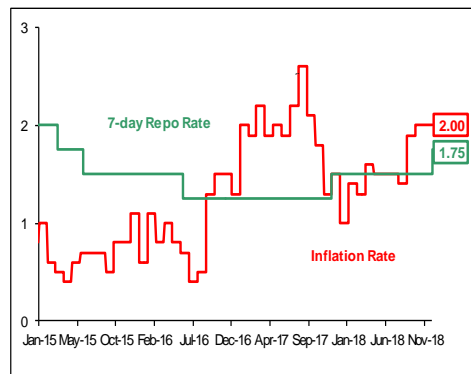
### Indonesia



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

Source: Bloomberg LP.

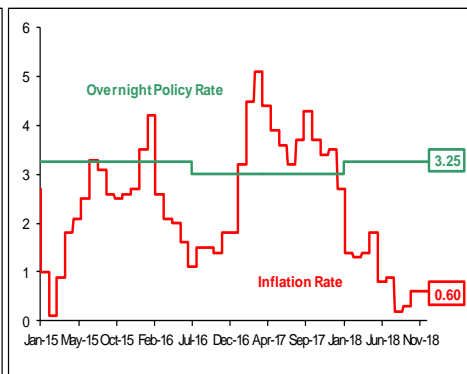
### Korea, Republic of



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.

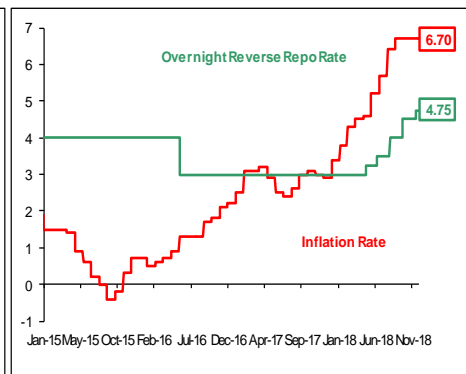
### Malaysia



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

Source: Bloomberg LP.

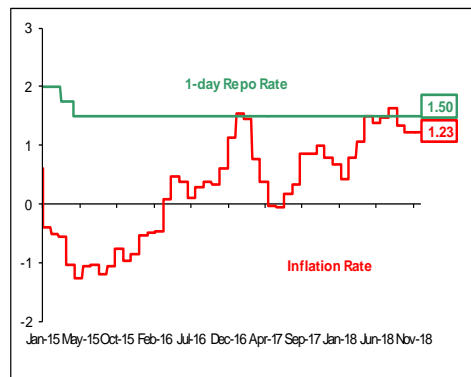
### Philippines



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

Source: Bloomberg LP.

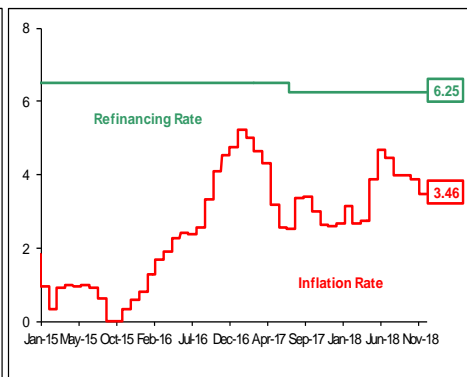
### Thailand



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



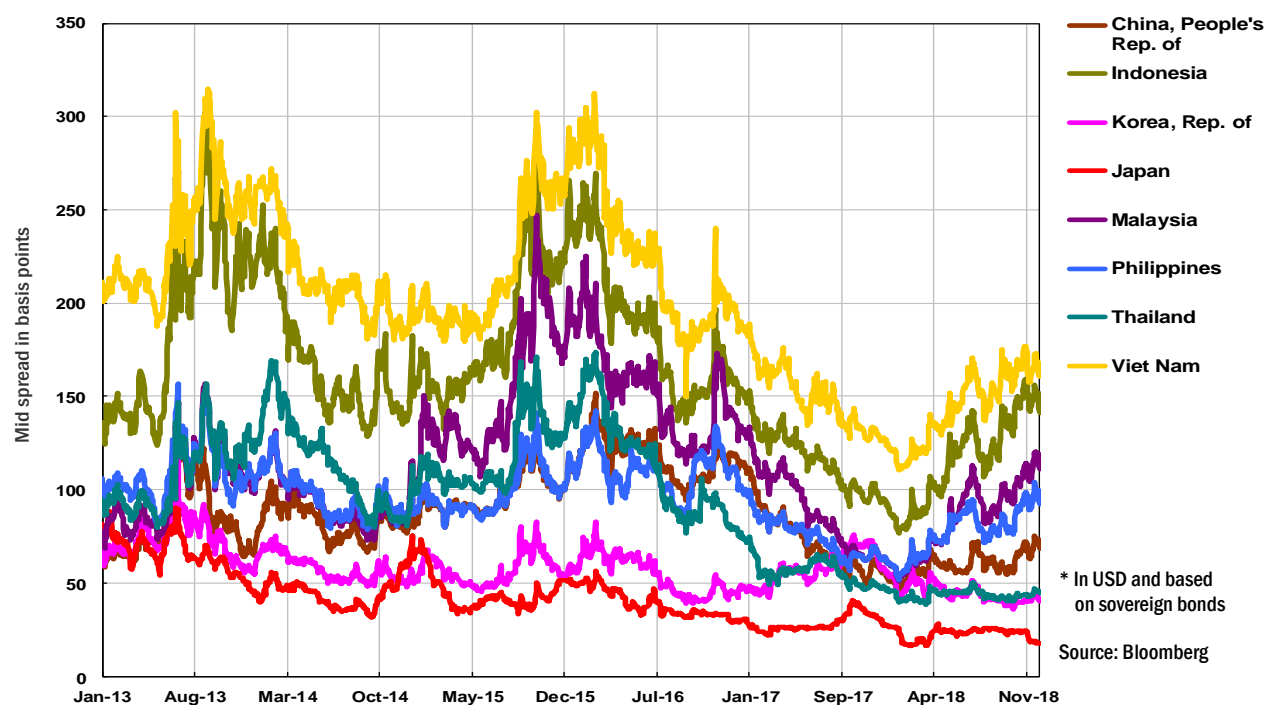
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

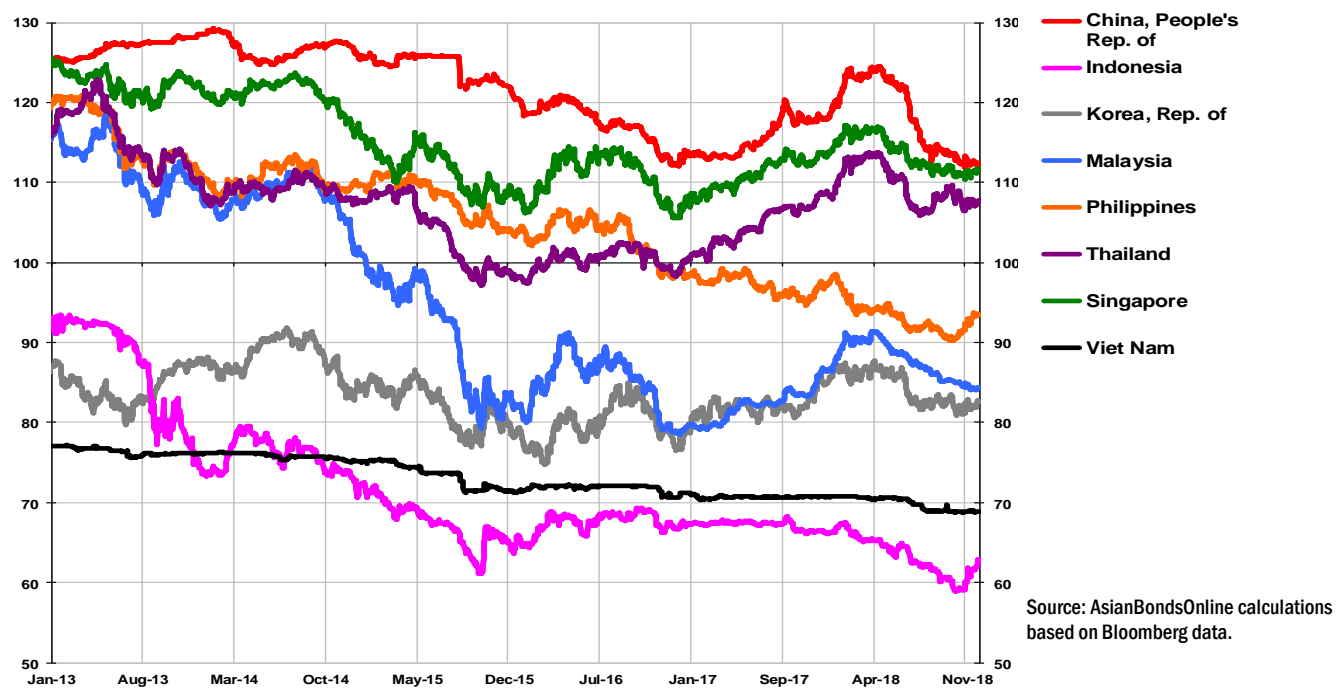
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (26 – 30 November 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	27-Nov	91-day Exchange Fund Bills	1.64		43.87	43.87
	28-Nov	5-year Government Bonds	2.47		2.50	2.50
JP	27-Nov	40-year Japanese Government Bonds	0.94	0.80	400.00	449.20
KR	26-Nov	1-year Monetary Stabilization Bonds	1.92	1.90	900.00	900.00
	27-Nov	30-year Korea Treasury Bonds	2.01	2.63	801.00	801.00
MY	29-Nov	5-year Malaysian Government Securities	3.87	3.76	3.50	3.50
PH	26-Nov	182-day Treasury Bills	6.29		5.00	5.00
		364-day Treasury Bills	6.55		6.00	6.00
	27-Nov	7-year Treasury Bonds	6.97	5.75	15.00	15.00
SG	27-Nov	28-day MAS Bills	1.69		2.40	2.40
		84-day MAS Bills	1.48		5.70	5.70
	28-Nov	168-day MAS Bills	1.76		3.20	3.20
TH	27-Nov	91-day Bank of Thailand Bills	1.40		40.00	40.00
		182-day Bank of Thailand Bills	1.56		30.00	30.00
	28-Nov	5.1-year Government Bonds	2.34	2.40	40.00	40.00
		48.6-year Government Bonds	3.77	3.60	5.00	5.50
VN	28-Nov	10-year Treasury Bonds	5.10		2,000.00	2,600.00
		15-year Treasury Bonds	5.30		2,000.00	1,100.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (4 – 10 December 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Republic of Korea</b> <b>GDP</b> %, y-o-y Q3 2018 — Final	12/04	Q2 2017: 2.8% Q3 2017: 3.8% <b>Q2 2018: 2.8%</b> <b>Q3 2018: 2.0%</b>	The growth of the Republic of Korea's gross domestic product eased to 2.0 % year-on-year (y-o-y) in the third quarter (Q3) of 2018 from 2.8% y-o-y in the previous quarter.
<b>Republic of Korea</b> <b>CPI</b> %, y-o-y NOV	12/04	10/17: 1.8% 11/17: 1.3% <b>9/18: 1.9%</b> <b>10/18: 2.0%</b>	Prices of basic goods and services in the Republic of Korea expanded 2.0% y-o-y in October, faster than the growth of 1.9% y-o-y recorded in September.
<b>Malaysia</b> <b>Exports</b> %, y-o-y OCT	12/05	9/17: 14.2% 10/17: 18.1% <b>8/18: -0.3%</b> <b>9/18: 6.7%</b>	Malaysia's exports grew 6.7% y-o-y in September, reversing the 0.3% y-o-y decline in August.
<b>Malaysia</b> <b>Trade Balance</b> MYR billion OCT	12/05	9/17: 8.6 10/17: 10.4 <b>8/18: 1.6</b> <b>9/18: 15.3</b>	Malaysia's trade surplus widened in September to MYR15.3 billion from MYR1.6 billion in August.
<b>Philippines</b> <b>CPI</b> %, y-o-y NOV	12/05	10/17: 3.1% 11/17: 3.0% <b>9/18: 6.7%</b> <b>10/18: 6.7%</b>	Inflation in the Philippines was 6.7% y-o-y in October, the same as the rate recorded in September.
<b>Republic of Korea</b> <b>Current Account</b> USD million OCT	12/06	9/17: 12,288 10/17: 5,716 <b>8/18: 8,440</b> <b>9/18: 10,831</b>	The Republic of Korea's current account surplus widened to USD10.8 billion in September from USD8.4 billion in August.
<b>People's Republic of China</b> <b>Exports</b> %, y-o-y NOV	12/08	10/17: 6.3% 11/17: 11.5% <b>9/18: 14.4%</b> <b>10/18: 15.6%</b>	The People's Republic of China's (PRC) exports rose 15.6% y-o-y in October after rising 14.4% y-o-y in September.
<b>People's Republic of China</b> <b>Trade Balance</b> USD billion NOV	12/08	10/17: 36.9 11/17: 38.4 <b>9/18: 31.3</b> <b>10/18: 34.0</b>	The PRC reported a trade balance of USD34.0 billion in November from USD31.3 billion in September.
<b>People's Republic of China</b> <b>CPI</b> %, y-o-y NOV	12/09	10/17: 1.9% 11/17: 1.7% <b>9/18: 2.5%</b> <b>10/18: 2.5%</b>	The PRC's consumer price inflation remained unchanged at 2.5% y-o-y in October from the previous month.
<b>Japan</b> <b>GDP</b> %, q-o-q (annualized) Q3 2018 — Final	12/10	Q2 2017: 1.9% Q3 2017: 2.9% <b>Q2 2018: 3.0%</b> <b>Q3 2018: -1.2%</b>	Japan's economy contracted 1.2% on an annualized basis in Q3 2018 based on preliminary estimates. This was a reversal from the 3.0% growth posted in the previous quarter.
<b>Japan</b> <b>Current Account</b> JPY billion OCT	12/10	9/17: 2,258 10/17: 2,189 <b>8/18: 1,838</b> <b>9/18: 1,822</b>	Japan's current account surplus slightly narrowed to JPY 1.82 trillion in September from JPY 1.84 trillion in August.

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 Bank of Korea Raises Its Base Rate by 25 Basis Points to 1.75%**

- [Monetary Policy Decision](#)  
The Bank of Korea (30 November 2018)

### **Hong Kong, China's Export Growth Accelerates in October; Viet Nam Posts Trade Deficit in November**

- [External merchandise trade statistics for October 2018](#)  
Census and Statistics Department (26 November 2018)

### **Japan's Industrial Production Expands in November; Singapore's Manufacturing Output Rises in October; Industrial Production Growth Accelerates in Viet Nam in November**

- [Indices of Industrial Production](#)  
Ministry of Economy, Trade and Industry (30 November 2018)
- [Monthly Manufacturing Performance October 2018](#)  
Economic Development Board (26 November 2018)
- [Monthly Manufacturing Performance — October 2018](#)  
Economic Development Board (26 November 2018)

### **The PRC's Manufacturing and Nonmanufacturing PMI Fall in November**

- [China's non-manufacturing sector holds steady in November](#)  
Xinhua (30 November 2018)
- [China's manufacturing PMI edges down in November](#)  
Xinhua (30 November 2018)

### **The Philippines Posts Budget Deficit in October**

- [National Government Expenditures Up by 25% While Revenues Soared 18% in Jan–Oct 2018](#)  
Bureau of the Treasury (26 November 2018)

### **The Philippines' BTr Fully Awards 7-Year Treasury Bond Reissuance**

- [Committee Fully Awards Re-issued 7-year Treasury Bonds](#)  
Bureau of the Treasury (27 November 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.