

10 December 2018

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Key Developments in Asian Local Currency Markets

Consumer price inflation slightly rose in Indonesia to 3.23% year-on-year (y-o-y) in November from 3.16% y-o-y in October, marking the second-consecutive month of an uptick in inflation. Among the major expenditure groups, food and processed food accounted for the largest increase. In the Republic of Korea, consumer price inflation in November was unchanged from the previous month at 2.0% y-o-y. The faster price increases in most commodity groups were offset by slowing inflation in food and nonalcoholic beverages, and transport. In the Philippines, consumer price inflation eased to 6.0% y-o-y in November from 6.7% y-o-y in October as inflation for food and nonalcoholic beverages slowed on a stable supply of rice. Thailand's consumer price inflation increased 0.9% y-o-y in November. While Thailand has experienced 17 consecutive months of consumer price inflation, it has been slowing since August. Lower transportation prices mainly contributed to the deceleration, partially offsetting the upward price adjustments for fresh food products.

Based on preliminary estimates from the Bank of Korea, the Republic of Korea's real gross domestic product growth grew 2.0% y-o-y and 0.6% quarter-on-quarter in the third quarter of 2018, which was in line with advance estimates released earlier. This was a slowdown from the 2.8% y-o-y growth posted in the second quarter.

Malaysia's exports in October amounted to MYR96.4 billion on growth of 17.7% y-o-y, accelerating from 6.5% y-o-y in September. Imports recovered in October to reach MYR80.1 billion, increasing 11.4% y-o-y after declining 2.8% y-o-y in the preceding month. Malaysia's trade surplus amounted to MYR16.3 billion in October, up from MYR15.2 billion in September.

The Republic of Korea's current account surplus slightly narrowed to USD9.2 billion in October from USD10.8 billion in September. The smaller surplus resulted from the decline in the goods account surplus to USD11.0 billion in October from USD13.3 billion in the previous month as imports rose faster than exports on a month-on-month basis.

Singapore's Purchasing Managers Index (PMI) declined to 51.5 in November from 51.9 in October. Slower growth was recorded in the subindexes for new exports, output, and inventory. Also contributing to the slower expansion in manufacturing was the contraction in the electronics sector's output, with its PMI falling to 49.9 from 50.5 in the previous month.

The Government of Indonesia tapped the global bond market last week, taking advantage of improved market sentiments generated by the recently announced trade truce between the United States and the People's Republic of

Asia Bond Monitor November 2018

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10-Year Selected LCY Government Security Yields Close of 7 December 2018 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.85	-5.05	-14.29	43.96
EU	0.25	1.30	-6.40	-17.80
Japan	0.06	-0.50	-3.30	1.10
PRC	3.38	-1.00	-8.00	-64.00
Hong Kong, China	2.12	-6.30	-20.60	28.80
India	7.46	3.90	-14.30	12.70
Indonesia	8.04	2.40	16.80	171.60
Korea, Rep. of	2.00	1.50	-11.30	-47.00
Malaysia	4.07	-0.10	-6.70	15.90
Philippines	7.01	1.00	-1.90	131.14
Singapore	2.23	-1.64	-12.81	22.22
Thailand	2.61	0.00	-7.40	28.60
Viet Nam	5.16	0.00	-3.30	-4.90

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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

China. The bond sale formed part of prefunding for the government's 2019 state budget. The government raised a total of USD3.0 billion, comprising (i) USD750 million of 5-year bonds, (ii) USD1.25 billion of 10-year bonds, and (iii) USD1.0 billion of 30-year bonds.

Local currency government bond yields fell for all tenors in Malaysia; and most tenors in Hong Kong, China; the Republic of Korea; the Philippines; Singapore; Thailand; and Viet Nam. Yields rose for most tenors in Indonesia. Meanwhile, yield movements were mixed in the PRC. The yield spread between the 2-year and 10-year tenors narrowed for most markets in the region except in the PRC and Indonesia.

Summary Text of News Articles

Consumer Price Inflation Rises in Indonesia and is Unchanged in the Republic of Korea in November; Consumer Price Inflation Eases in the Philippines and Thailand in November

Consumer price inflation slightly rose in Indonesia to 3.23% year-on-year (y-o-y) in November from 3.16% y-o-y in October, marking the second-consecutive month of an uptick in inflation. Among the major expenditure groups, food and processed food accounted for the largest increase, with prices rising 4.3% y-o-y and 4.0% y-o-y, respectively. These were followed by clothing prices, which rose 3.6% y-o-y. On a month-on-month (m-o-m) basis, inflation marginally slipped to 0.27% in November from 0.28% in October. For the January–November period, inflation stood at 2.5%, hitting the lower end of Bank Indonesia's 2018 target range of 2.5%–4.5%.

Consumer price inflation in the Republic of Korea in November was unchanged from the previous month at 2.0% y-o-y. The faster price increases in most commodity groups were offset by slowing inflation for food and nonalcoholic beverages, and transport. The rise in prices of food and nonalcoholic beverages slowed to 5.4% y-o-y in November from 5.6% y-o-y in October; the price increase in transport decelerated to 2.6% y-o-y from 4.6% y-o-y during the same period. Prices for health care and communication continued to contract. On a m-o-m basis, consumer prices in the Republic of Korea declined 0.7% in November.

Prices of basic goods and services in the Philippines increased 6.0% y-o-y in November, slowing from the 6.7% y-o-y growth posted in October. Among the components of the Consumer Price Index, food and nonalcoholic beverage inflation eased to 8.0% y-o-y from 9.4% y-o-y in the previous month, helped by a stable supply of rice. Price increases for housing, water, electricity, gas, and other fuels also slowed to 4.2% y-o-y from 4.8% y-o-y as oil prices decreased in November. Core inflation, which excludes food and energy items, increased to 5.1% y-o-y from 4.9% y-o-y in the previous month.

Thailand's consumer price inflation was 0.9% y-o-y in November. While inflation has been positive for 17 consecutive months, it has been slowing since August when it reached 1.6% y-o-y. Lower transportation prices mainly contributed to the deceleration, partially offsetting the upward price adjustments for fresh food products. Transportation prices increased 1.6% y-o-y in November, down from 3.7% y-o-y in the previous month. Core inflation also slowed to 0.7% y-o-y from 0.8% y-o-y. On a m-o-m basis, consumer prices in Thailand declined 0.2% in November.

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

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

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

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

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

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

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

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

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

Based on preliminary estimates from the Bank of Korea, the Republic of Korea's real gross domestic product (GDP) expanded 2.0% y-o-y and 0.6% quarter-on-quarter in the third quarter (Q3) of 2018, which were the same growth rates as the advance estimates released earlier. The y-o-y growth in Q3 2018 was a slowdown from the 2.8% y-o-y growth posted in the second quarter. The decline in gross capital formation in Q3 2018 was smaller at 5.8% y-o-y versus an advance estimate of 6.5% y-o-y. Growth rates for private and government consumption expenditures were also lower at 2.5% y-o-y and 4.6% y-o-y, respectively, compared with estimates of 2.6% y-o-y and 4.7% y-o-y. Export growth in Q3 2018 was the same as the advance estimate of 3.1% y-o-y.

Summary Text of News Articles

Malaysia's Trade Growth Accelerates in October

Malaysia's exports in October amounted to MYR96.4 billion on growth of 17.7% y-o-y, accelerating from 6.5% y-o-y in September. Electrical and electronic products remained Malaysia's top export, comprising 39.8% of the total on growth of 23.3% y-o-y. Imports recovered in October, increasing 11.4% y-o-y after declining 2.8% y-o-y in the preceding month. Total imports amounted to MYR80.1 billion, led by consumption and intermediate goods as imports of capital goods declined. Malaysia's trade surplus amounted to MYR16.3 billion in October, up from MYR15.2 billion in September.

The Republic of Korea's Current Account Surplus Narrows in October

The Republic of Korea's current account surplus narrowed to USD9.2 billion in October from USD10.8 billion in September, driven by the decline in the goods account surplus to USD11.0 billion in October from USD13.3 billion in the previous month as imports rose at a faster pace than exports on a m-o-m basis. The primary income account surplus rose to USD1.0 billion from USD0.7 billion. The services account and secondary income account continued to post deficits in October.

Singapore's PMI Declines in November

Singapore's Purchasing Managers Index (PMI) declined to 51.5 in November from 51.9 in October. Slower growth was recorded in the subindexes for new exports, output, and inventory. Also contributing to the slower expansion in manufacturing was the electronics sector, with its PMI falling to 49.9 from 50.5 on easing growth of electronics output, electronics finished goods, and electronics inventory. A PMI greater than 50 signifies expansion while a reading below 50 indicates contraction.












The Government of Indonesia Prices a Triple Tranche Global Bond Worth USD3.0 Billion

The Government of Indonesia tapped the global bond market last week, taking advantage of good market conditions generated by the recently announced trade truce between the United States and the People's Republic of China. The bond sale formed part of prefunding for the government's 2019 state budget. The government raised a total of USD3.0 billion, comprising (i) USD750 million of 5-year bonds priced to yield 4.48% and carrying a coupon rate of 4.45%, (ii) USD1.25 billion of 10-year bonds priced to yield 4.78% and carrying a coupon rate of 4.75%, and (iii) USD1.0 billion of 30-year bonds priced to yield 5.38% and carrying a coupon rate of 5.35%.

Selected Government Security Yields

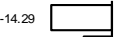



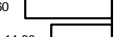
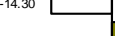

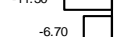


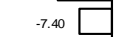


Tip: Zoom-in on the table using the Acrobat zoom tool

3-Month Selected LCY Government Security Yields

Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.39	-1.58	 4.36		101.03
EU	-0.67	-0.10	 2.80		7.40
Japan	-0.20	3.51	 -1.99		-3.82
PRC	2.49	-1.00	 0.00		-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	0.00	 0.10		24.10
Malaysia	3.26	0.00	 -0.10		30.50
Philippines	5.59	0.70	 13.90		315.54
Singapore	2.03	-0.20	 2.00		23.90
Thailand	1.22	0.00	 0.00		0.00

Close of 7 December 2018

10-Year Selected LCY Government Bond Yields

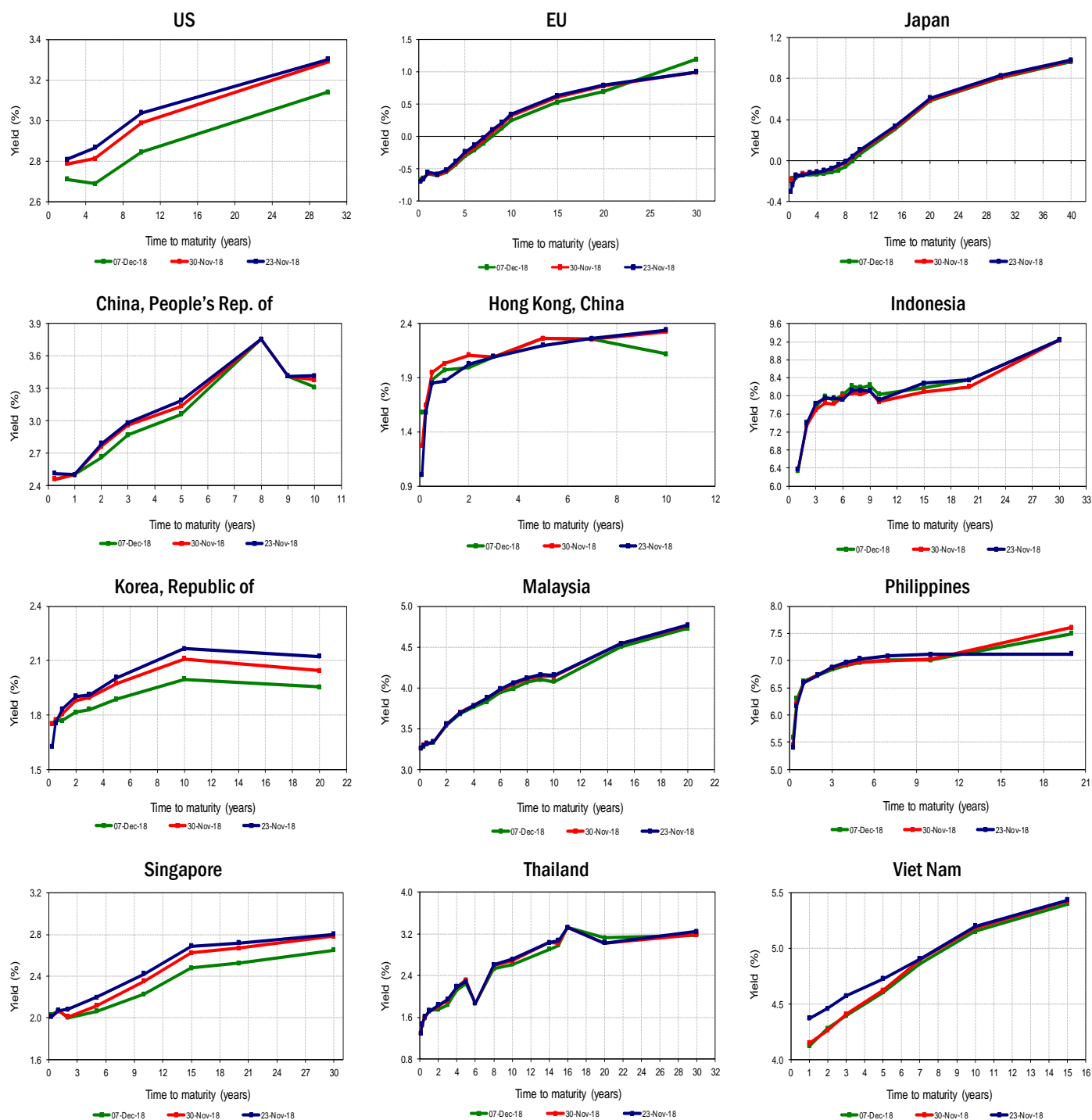
Markets	Latest Closing	basis point change from			1-Jan-18*
		Previous Day*	Previous Week*		
US	2.85	-5.05	 -14.29		43.96
EU	0.25	1.30	 -6.40		-17.80
Japan	0.06	-0.50	 -3.30		1.10
PRC	3.38	-1.00	 -8.00		-64.00
Hong Kong, China	2.12	-6.30	 -20.60		28.80
India	7.46	3.90	 -14.30		12.70
Indonesia	8.04	2.40	 16.80		171.60
Korea, Rep. of	2.00	1.50	 -11.30		-47.00
Malaysia	4.07	-0.10	 -6.70		15.90
Philippines	7.01	1.00	 -1.90		131.14
Singapore	2.23	-1.64	 -12.81		22.22
Thailand	2.61	0.00	 -7.40		28.60
Viet Nam	5.16	0.00	 -3.30		-4.90

Close of 7 December 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

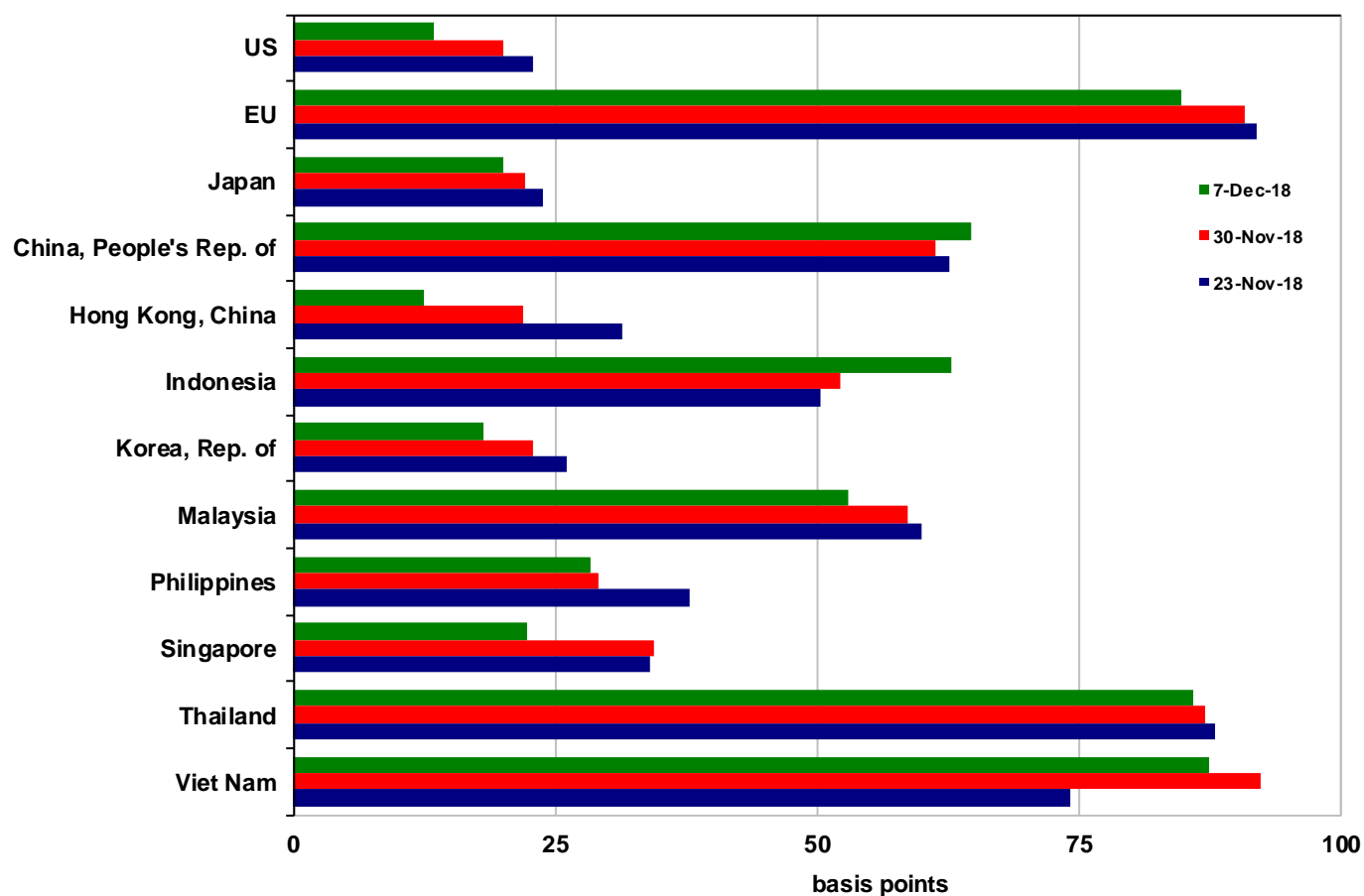


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



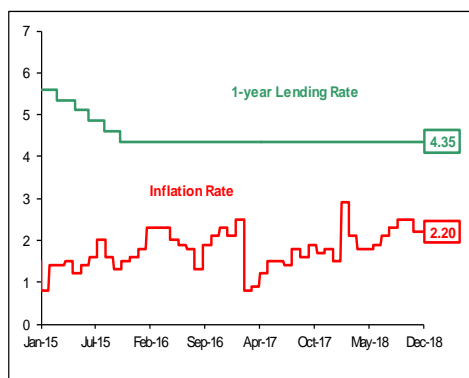
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

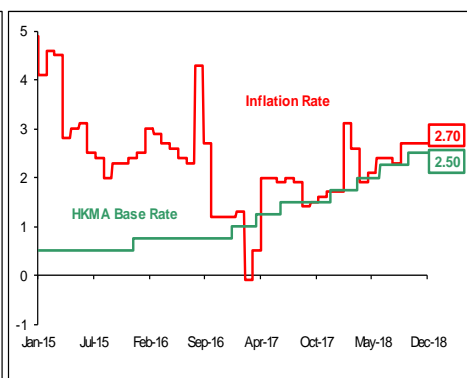
China, People's Rep. of



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

Source: Bloomberg LP.

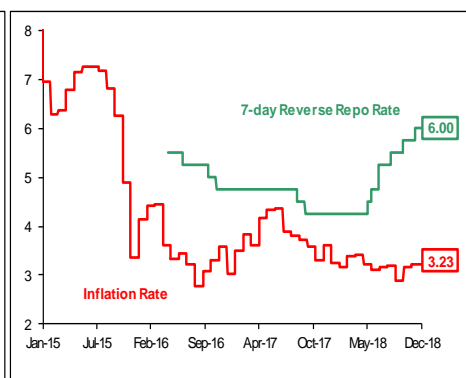
Hong Kong, China



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

Source: Bloomberg LP.

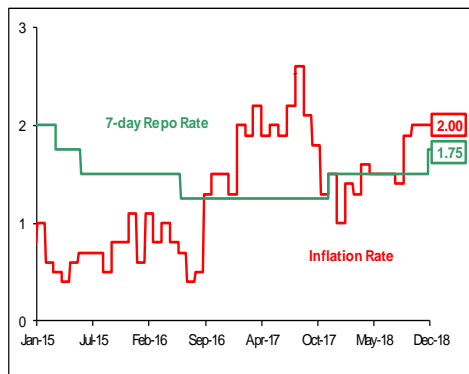
Indonesia



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

Source: Bloomberg LP.

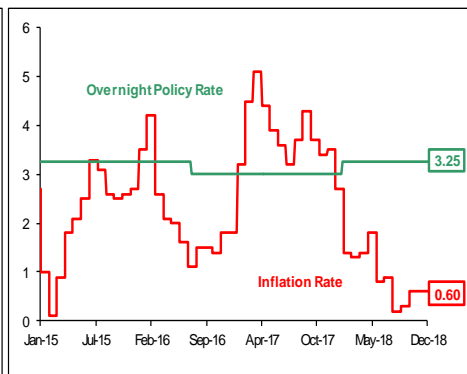
Korea, Republic of



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.

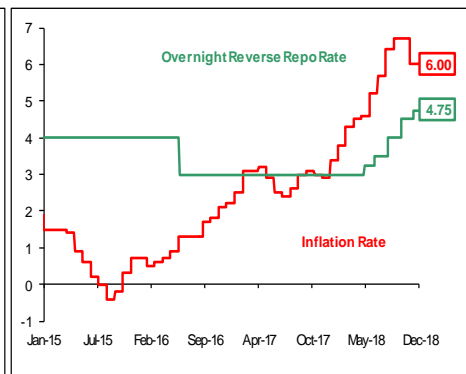
Malaysia



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

Source: Bloomberg LP.

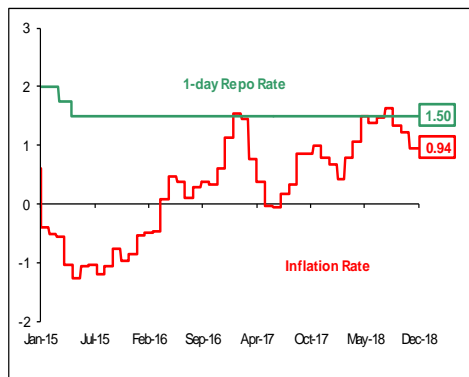
Philippines



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

Source: Bloomberg LP.

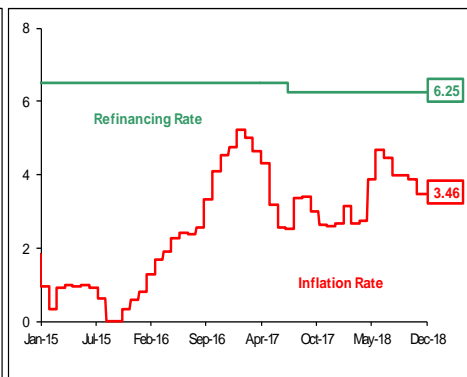
Thailand



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



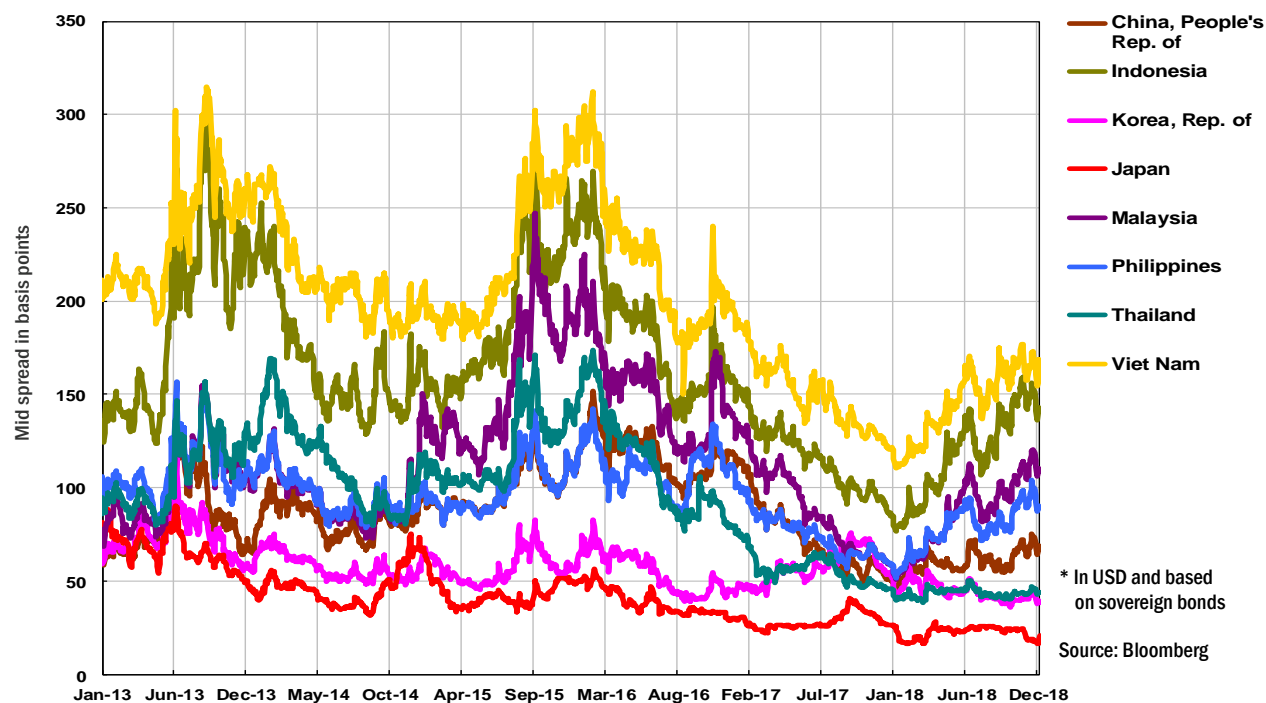
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

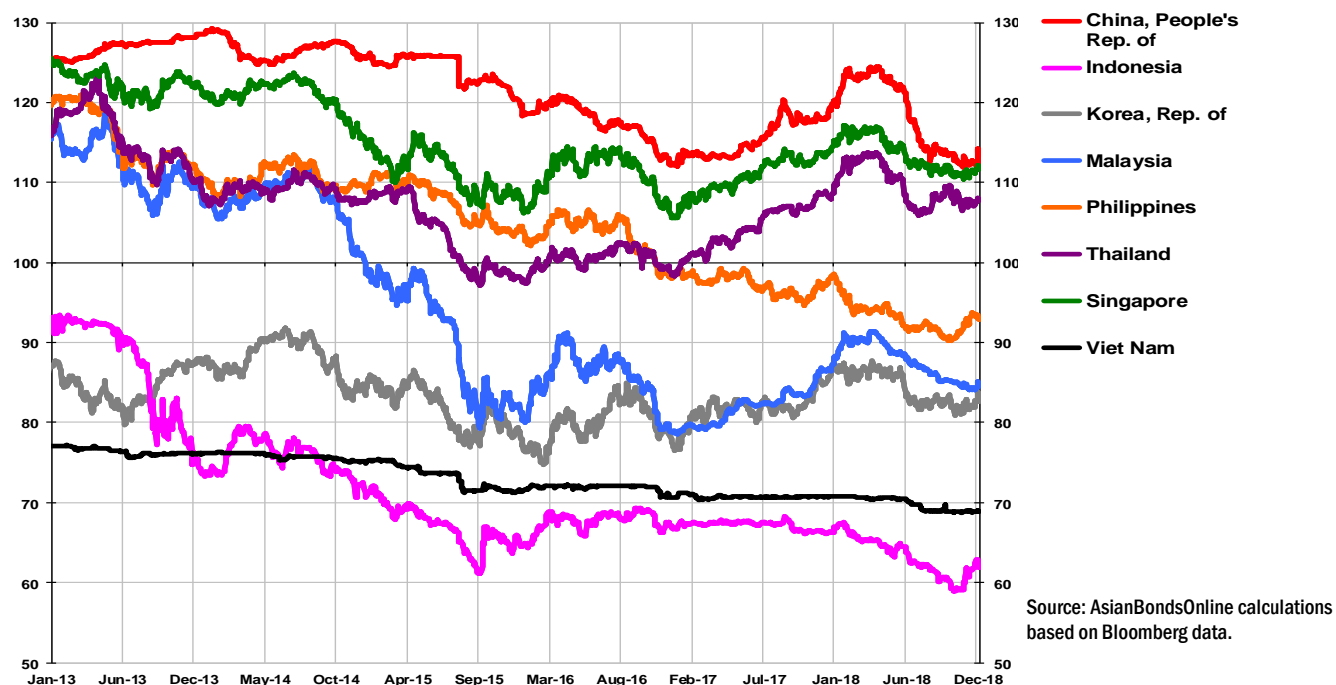
Credit Default Swap Spreads and Exchange Rate Indexes

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 (3 – 7 December 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	5-Dec	3-year Treasury Bond	2.83	3.17	48.00	48.03
		7-year Treasury Bond	3.22	3.22	48.00	48.22
HK	4-Dec	91-day Exchange Fund Bills	1.74		45.58	45.58
		182-day Exchange Fund Bills	2.09		9.00	9.00
	7-Dec	23-day Exchange Fund Bills	1.92		0.80	0.80
JP	4-Dec	10-year Japanese Government Bonds	0.07	0.10	2,200.00	2,525.50
	6-Dec	6-month Treasury Discount Bills	-0.17		2,300.00	2,299.97
KR	3-Dec	5-year Korea Treasury Bonds	1.98	2.25	600.00	600.00
		91-day Monetary Stabilization Bonds	1.77		900.00	900.00
	5-Dec	2-year Monetary Stabilization Bonds	1.93		2,200.00	2,200.00
	7-Dec	50-year Korea Treasury Bonds	1.93		600.00	600.00
MY	6-Dec	91-day Treasury Bills	3.25		0.50	0.50
		20-year Government Investment Issues	4.79	4.76	2.00	2.00
PH	3-Dec	91-day Treasury Bills	5.39		4.00	4.00
		182-day Treasury Bills	6.31		5.00	5.00
		364-day Treasury Bills	6.51		6.00	6.00
	4-Dec	10-year Treasury Bonds	6.98	6.25	15.00	15.00
SG	4-Dec	28-day MAS Bills	1.84		2.70	2.70
		84-day MAS Bills	1.48		5.30	5.30
TH	3-Dec	State Owned Enterprises Bonds	2.41	2.13	7.00	7.00
		91-day Bank of Thailand Bills	1.38		45.00	45.00
		182-day Bank of Thailand Bills	1.56		45.00	45.00
		364-day Bank of Thailand Bills	1.78		40.00	40.00
	4-Dec	19.5-year Treasury Bonds	3.17	3.30	15.00	15.00
	6-Dec	14-day Bank of Thailand Bills	1.21		40.00	40.00
		2-year Bank of Thailand Bonds	1.88	1.95	30.00	34.68
VN	5-Dec	10-year Treasury Bonds	5.10		2,600.00	2,600.00
		15-year Treasury Bonds	5.30		2,600.00	2,600.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (11 – 17 December 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Philippines Exports y-o-y, % OCT	12/11	09/17: 11.6% 10/17: 17.4% 08/18: 3.4% 09/18: -2.6%	Exports from the Philippines declined 2.6% year-on-year (y-o-y) in September, reversing the increase of 3.4% y-o-y logged in August.
Philippines Imports y-o-y, % OCT	12/11	09/17: 4.8% 10/17: 13.1% 08/18: 11.0% 09/18: 26.1%	Philippine imports surged 26.1% y-o-y in September, up from 11.0% y-o-y in the previous month.
Philippines Trade Balance USD million OCT	12/11	09/17: -1,752 10/17: -2,819 08/18: -3,494 09/18: -3,927	The Philippines posted a trade deficit in September amounting to USD3,927 million, which was a slight decline from USD3,494 million in August.
Malaysia Industrial Production y-o-y, % OCT	12/12	09/17: 4.8% 10/17: 3.1 % 08/18: 2.2% 09/18: 2.3%	Malaysia's industrial production growth increased to 2.3% y-o-y in September from 2.2% y-o-y in August.
Philippines Overnight Borrowing Rate % 13 DEC	12/13	11/17: 3.00% 12/17: 3.00% 10/18: 4.50% 11/18: 4.75%	The Bangko Sentral ng Pilipinas increased its overnight borrowing rate by 25 basis points to 4.75% in November.
People's Rep. of China Industrial Production y-o-y, % NOV	12/14	10/17: 6.2% 11/17: 6.1 % 09/18: 5.8% 10/18: 5.9%	The People's Republic of China's industrial production grew 5.9% y-o-y in October after rising 5.8% y-o-y in September.
Indonesia Exports y-o-y, % NOV	12/17	10/17: 19.7% 11/17: 13.6% 09/18: 2.4% 10/18: 3.6%	Export growth in Indonesia picked up to 3.6% y-o-y in October from 2.4% y-o-y in September.
Indonesia Imports y-o-y, % NOV	12/17	10/17: 23.8% 11/17: 19.3% 09/18: 14.3% 10/18: 23.7%	Import growth in Indonesia accelerated to 23.7% y-o-y in October from 14.3% y-o-y in October.
Indonesia Trade Balance USD million NOV	12/17	10/17: 1,003 11/17: 221 09/18: 314 10/18: -1,820	Indonesia recorded a trade deficit in October valued at USD1.8 billion after posting a trade surplus amounting to USD0.3 billion.
Philippines Overseas Workers Remittances y-o-y, % OCT	12/17	09/17: -8.3% 10/17: 8.4% 08/18: -0.9% 09/18: 2.3%	Remittances from overseas Filipino workers increased 2.3% y-o-y in September, recovering from a decline of 0.9% y-o-y in August.
Singapore Non-Oil Domestic Exports y-o-y, % NOV	12/17	10/17: 20.5% 11/17: 9.1% 09/18: 8.1% 10/18: 8.3%	Singapore's non-oil domestic exports jumped 8.3% y-o-y in October, extending the increase of 8.1% y-o-y recorded in September.

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)

Consumer Price Inflation Rises in Indonesia and is Unchanged in the Republic of Korea in November; Consumer Price Inflation Eases in the Philippines and Thailand in November

- [Inflation in November 2018 was 0.27 percent. The highest inflation occurred in Merauke at 2.05 percent.](#)
Statistics Indonesia (3 December 2018)
- [CPI Inflation Controlled in November 2018](#)
Bank Indonesia (3 December 2018)
- [Consumer Price Index in November 2018](#)
Statistics Korea (4 December 2018)
- [Summary Inflation Report Consumer Price Index \(2012 = 100\): November 2018](#)
Philippine Statistics Authority (5 December 2018)
- [Consumer Price Index and Core Consumer Price Index November 2018](#)
Ministry of Commerce (3 December 2018)
- [Inflation rises for 17th straight month, but pace slows](#)
Bangkok Post (3 December 2018)

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 \(Preliminary\)](#)
The Bank of Korea (4 December 2018)

Malaysia's Trade Growth Accelerates in October

- [Malaysia External Trade Statistics October 2018](#)
Department of Statistics Malaysia (5 December 2018)

The Republic of Korea's Current Account Surplus Narrows in October

- [Balance of Payments during October 2018 \(preliminary\)](#)
The Bank of Korea (6 December 2018)

Singapore's PMI Declines in November

- [Singapore's electronics manufacturing sector contracts in November](#)
Singapore Institute of Purchasing and Materials Management (3 December 2018)

The Government of Indonesia Prices a Triple Tranche Global Bond Worth USD3.0 Billion

- [Govt issues \\$3b debt papers for state budget pre-funding](#)
The Jakarta Post (4 December 2018)
- [Indonesia Issues US\\$3B Global Bond for 2019 Pre-funding Budget](#)
The Insider Stories (5 December 2018)

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