

WEEKLY <mark>DEBT</mark> HIGHLIGHTS

17 December 2018

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Key Developments in Asian Local Currency Markets

he monetary board of the Bangko Sentral ng Pilipinas decided to keep its key policy rates steady during its final meeting for the year on 13 December 2018. The overnight reverse repurchase rate remained at 4.75% while the overnight lending and overnight deposit rates are 5.25% and 4.25%, respectively. The decision came amid easing inflation: the prices of basic goods and services rose 6.0% y-o-y in November, down from 6.7% y-o-y in October. The easing was attributed to easing food supply pressures and nonmonetary policy measures starting to take effect.

The Cabinet Office revised the estimated magnitude of the contraction in Japan's economy in the third guarter (Q3) of 2018 to 0.6% quarter-on-quarter (q-o-q) from a previous estimate of 0.3% g-o-g. The accelerated contraction was primarily driven by the revised decline in private nonresidential investment of 2.8% g-o-g from a previous estimate of 0.2% q-o-q. The declines in private consumption and public investment also worsened to 0.2% q-o-q and 2.0% q-o-q, respectively, from 0.1% q-o-q and 1.9% q-o-q. On an annualized basis, Japan's economy contracted 2.5% in Q3 2018 compared with a preliminary estimate of 1.2% q-o-q. This was a reversal from the robust growth of 3.0% in the second guarter of 2018.

Consumer prices in the People's Republic of China (PRC) rose 2.2% y-o-y in November after gaining 2.5% y-o-y in October. The slower y-o-y increase was mostly driven by a smaller increase in food, tobacco, and liquor prices, which rose 2.5% y-o-y in November versus 2.9% y-o-y in October. Producer prices in the PRC followed a similar trend, with prices rising 2.7% y-o-y in November after climbing 3.3% y-o-y in October.

 The PRC's export growth slowed to 5.4% y-o-y in November from 15.5% y-o-y in October. The PRC reported a trade surplus of USD44.7 billion in November from USD34.8 billion in October. The Philippines' trade deficit increased to USD4.2 billion in October from USD2.6 billion in October 2017.

7 The PRC's industrial production grew 5.4% y-o-y in November after rising 5.9% y-o-y in October. Malaysia's industrial production growth nearly doubled in October to 4.2% y-o-y from 2.3% y-o-y in September, with all production indices recording growth during the month. Hong Kong, China's industrial production grew 1.2% y-o-y in Q3 2018 after rising 1.6% q-o-q in the prior quarter.

mber 2018 read more	itor Novem	sia Bond Mon		
10-Year Selected LCY Government Security Yields Close of 14 December 2018 basis point change from				
ng Previous Day* Previous Week* 1-Jan-18*	Latest Closing	Markets		
-2.36 4.45 48.41	2.89	US		
-3.30 0.30 -17.50	0.25	EU		
-2.20 -2.40 -1.30	0.04	Japan		
4.00 5.00 -59.00	3.43	PRC		
2.40 10.10 38.90	a 2.22	Hong Kong, Chir		
3.30 -2.30 10.40	7.44	India		
-9.20 8.30 179.90	8.12	Indonesia		
-2.00 0.30 -46.70	2.00	Korea, Rep. of		
0.00 1.50 17.40	4.09	Malaysia		
-0.12 1.48 132.62	7.02	Philippines		
-7.84 -0.65 21.57	2.22	Singapore		
-2.00 5.20 33.80	2.66	Thailand		
1.30 1.30 -3.60	5.17	Viet Nam		
-0.12 1.48 132 -7.84 -0.65 21 -2.00 5.20 33	7.02 2.22 2.66 5.17 Government	Philippines Singapore Thailand Viet Nam		

- 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

[₹] The PRC's fixed asset investment rose 5.9% y-o-y in the first 11 months of the year after a 5.7% y-o-y gain in the first 10 months. By sector, the fastest increase came from primary industry, where fixed asset investment grew 12.2% y-o-y, followed by secondary industry, where such investment grew 6.2% y-o-y. Fixed asset investment in tertiary industry grew 5.6% y-o-y in the first 11 months of the year.

The 17 December issue of the Weekly Debt Highlights is the last issue for 2018. Issuance will resume on 14 January 2019.

A Local yields rose for most tenors in nearly all markets, except for the Republic of Korea and Singapore, while the 2-year versus 10-year yield spread also rose for nearly all markets except in the PRC, Philippines and Viet Nam. Summary Text of News Articles

BSP Leaves Key Policy Rates Unchanged

The monetary board of the Bangko Sentral ng Pilipinas decided to keep its key policy rates steady during its final meeting for the year on 13 December 2018. The overnight reverse repurchase rate remained at 4.75%, while the overnight lending and overnight deposit rates are 5.25% and 4.25%, respectively. The decision came amid easing inflation: the prices of basic goods and services grew 6.0% year-on-year (y-o-y) in November, down from 6.7% y-o-y in October. Slowing inflation was attributed to easing food supply pressures and nonmonetary policy measures starting to take effect. Declining international oil prices and the appreciation of the peso against the US dollar also contributed. The central bank sees inflation falling to between 2.0% and 4.0% in 2019–2020. The Bangko Sentral ng Pilipinas had previously raised key policy rates five consecutive times this year for a cumulative increase of 175 basis points.

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Japan's Real GDP Contraction Revised to 0.6% q-o-q and 2.5% Annualized

The Cabinet Office revised the estimated magnitude of the contraction in Japan's economy in the third quarter (Q3) of 2018 to 0.6% quarter-on-quarter (q-o-q) from a previous estimate of 0.3% q-o-q. The accelerated contraction was primarily driven by the larger decline in private nonresidential investment of 2.8% q-o-q versus a previous estimate of 0.2% q-o-q. The declines in private consumption and public investment also worsened to 0.2% q-o-q and 2.0% q-o-q, respectively, from 0.1% q-o-q and 1.9% q-o-q. Meanwhile, private residential investment grew at a faster pace of 0.7% q-o-q versus 0.6% q-o-q. On an annualized basis, Japan's economy contracted 2.5% in Q3 2018, compared with a preliminary estimate of 1.2% q-o-q. This was a reversal from the robust growth of 3.0% in the second quarter of 2018.

Consumer and Producer Price Inflation Fall in the PRC in November

Consumer prices in the People's Republic of China (PRC) rose 2.2% y-o-y in November after gaining 2.5% y-o-y in October. The slower y-o-y increase was mostly driven by a smaller increases in food, tobacco, and liquor prices, which rose 2.5% y-o-y in November, down from 2.9% y-o-y in October. Decelerated price increases in the transportation and communication category also contributed to the slowdown, with prices rising 1.6% y-o-y in November versus 3.2% y-o-y in October. Producer prices in the PRC followed a similar trend, with prices rising 2.7% y-o-y in November after climbing 3.3% y-o-y in October.

For the historical trend of the PRC's inflation rate, refer to this link: <u>https://asianbondsonline.adb.org/market-watch/#policy-rate-and-inflation-trends-prc</u>

The PRC's Export and Import Growth Slow in November; The Philippines' Trade Deficit Surges in October

The PRC's export growth slowed to 5.4% y-o-y in November from 15.5% y-o-y in October. The slower y-o-y growth in exports was largely attributed to the frontloading of exports ahead of the implementation of tariffs amid the ongoing trade dispute between the PRC and the United States. Import growth also declined to 3.0% y-o-y in November from 20.8% y-o-y in October. The PRC reported a trade surplus of USD44.7 billion in November versus USD34.8 billion in October.

The Philippines' trade deficit increased to USD4.2 billion in October from USD2.6 billion in October 2017. The trade deficit jumped as imports surged 21.4% y-o-y, down slightly from September's 26.1% y-o-y growth. Growth in imports of telecommunication equipment and electrical machinery (26.7% y-o-y), industrial machinery and equipment (21.5% y-o-y), and transport equipment (21.5% y-o-y) contributed to the growth of imports. Exports increased 3.3% y-o-y in October, up from an 0.8% y-o-y increase recorded in September. The increase was bolstered by machinery and transport equipment (94.1% y-o-y), other manufactured goods (24.3% y-o-y), and electronic products (0.6% y-o-y).



Summary Text of News Articles

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The PRC's Industrial Production Growth Slows in November; Malaysia's Industrial Production Growth Accelerates in October; Hong Kong, China's Industrial Production Growth Slows in Q3 2018

The PRC's industrial production grew 5.4% y-o-y in November after rising 5.9% y-o-y in October. All three major industrial sectors experienced a slowdown in y-o-y growth in November. Mining growth slowed to 2.3% y-o-y in November from 3.8% y-o-y in October, while manufacturing growth slowed to 5.6% y-o-y from 6.1% in the same period. The production and supply of electricity, thermal power, gas, and water grew 9.8% y-o-y in November after rising 12.4% y-o-y in October.

Malaysia's industrial production growth rate nearly doubled in October to 4.2% y-o-y from 2.3% y-o-y in September, with all production indices recording growth during the month. Output grown in the manufacturing sector increased to 5.4% y-o-y in October from 4.8% y-o-y in the previous month, propelled by rising production of transport equipment and other manufactures; electrical and electronics goods; and petroleum, chemicals, rubber, and plastics. The mining sector recovered with growth of 1.4% y-o-y after output declined 6.2% y-o-y in September as both crude oil and natural gas production showed increases. Growth in the electricity sector slowed to 2.1% y-o-y in October from 4.2% y-o-y in September.

Hong Kong, China's industrial production grew 1.2% y-o-y in Q3 2018 after rising 1.6% y-o-y in the prior quarter. The slower growth rate in Q3 2018 was due to y-o-y contractions in some sectors. Textiles and wearing apparel contracted 3.3% y-o-y in Q3 2018 after gaining 2.9% y-o-y in the second quarter. Paper products, printing and optical products, machinery, and equipment fell 2.1% y-o-y after rising 0.6% y-o-y in the same period.

The PRC's Fixed Asset Investment Growth Accelerates in January-November

The PRC's fixed asset investment rose 5.9% y-o-y in the first 11 months of the year after gaining 5.7% y-o-y in the first 10 months. By sector, the fastest increase came from primary industry, where fixed asset investment grew 12.2% y-o-y in January–November, followed by secondary industry, where such investment grew 6.2% y-o-y. The tertiary industry's fixed asset investment grew 5.6% y-o-y in the first 11 months of the year.

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Selected Government Security Yields

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

	Latest	basi	s point chang	ge from
Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*
US	2.41	0.21		2.31 103.34
EU	-0.88	-4.70 -20.7	70	-13.30
Japan	-0.25	-1.03	-5.02	-8.84
PRC	2.52	3.00		3.00 -131.00
Hong Kong, China	0.33	0.00		0.00 0.00
India	8.31	0.00		0.00 0.00
Korea, Rep. of	1.74	-0.70	-0.80	23.30
Malaysia	3.26	-0.20	-0.10	30.40
Philippines	5.65	1.93		^{6.42} 321.95
Singapore	2.03	0.00		0.20 24.10
Thailand	1.22	0.00		0.00 0.00

3-Month Selected LCY Government Security Yields

Close of 14 December 2018

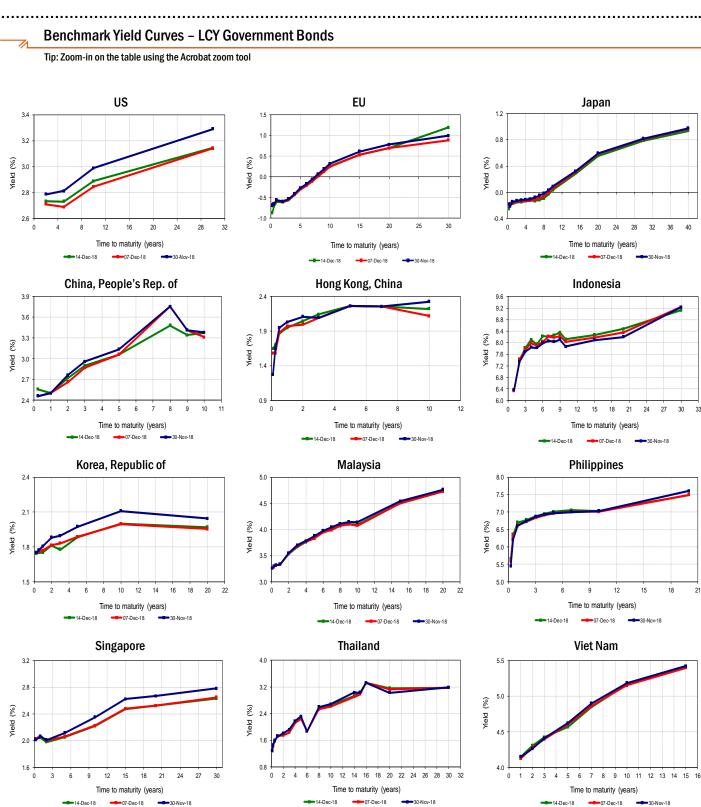
	Letest	basis point change from			
Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-18*	
US	2.89	-2.36	4.45	48.41	
EU	0.25	-3.30	0.30	-17.50	
Japan	0.04	-2.20	-2.40	-1.30	
PRC	3.43	4.00	5.00	-59.00	
Hong Kong, China	2.22	2.40		10.10 38.90	
India	7.44	3.30	-2.30	10.40	
Indonesia	8.12	-9.20	ł	^{8.30} 179.90	
Korea, Rep. of	2.00	-2.00	0.30	-46.70	
Malaysia	4.09	0.00	1.50	17.40	
Philippines	7.02	-0.12	1.48	132.62	
Singapore	2.22	-7.84	-0.65	21.57	
Thailand	2.66	-2.00	5.20	33.80	
Viet Nam	5.17	1.30	1.30	-3.60	

10-Year Selected LCY Government Bond Yields

Close of 14 December 2018

EU = European Union, LCY =local currency, PRC = People's Republic of China, US = United States. Source: Based on data from Bloomberg, LP.

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30-Nov-18

= 14-Dec-18

-07-Dec-18

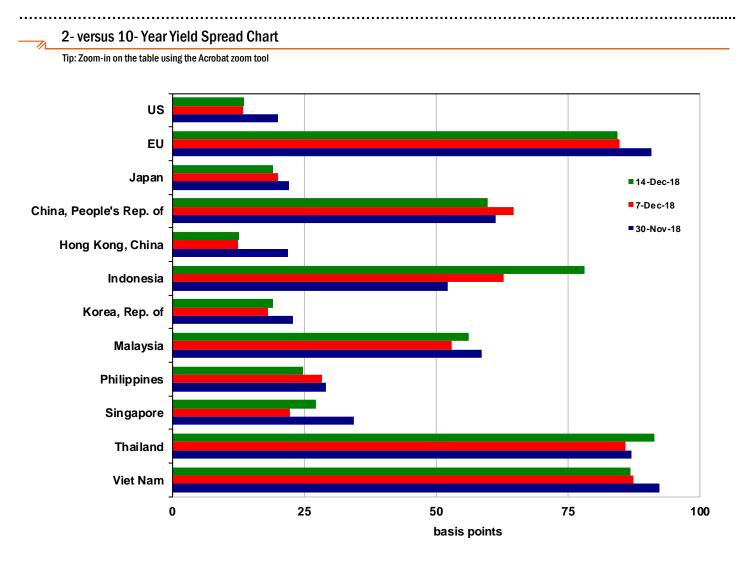
EU = European Union, LCY = local currency US = United States. Source: Based on data from Bloomberg.

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ASIANBONDSONLINE DEBT HIGHLIGHTS



EU = European Union, US = United States. Source: Based on data from Bloomberg LP.

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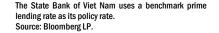
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Policy Rate versus Inflation Rate

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



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.



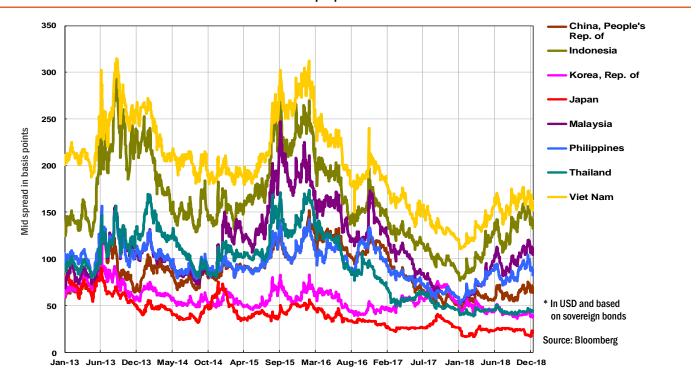
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Credit Default Swap Spreads and Exchange Rate Indexes

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

Credit Default Swap Spreads - Senior 5-Year*

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Exchange Rate Indexes (vis-à-vis USD, 2 January 2007=100)

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Selected Debt Security Issuances (10 - 14 December 2018)

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

	Auction		Average		Amount Offered	Amount Issued
Markets	Date	Type of Security	Yield (%)	Coupon (%)	(LCY billion)	(LCY billion)
CN	12-Dec	2-year Treasur Bond	2.60	3.00	29.00	29.00
		5-year Treasury Bond	2.93	3.29	48.00	48.00
	14-Dec	91-day Treasury Bill	2.55		20.00	20.00
HK		91-day Exchange Fund Bills	1.67		45.58	45.58
		182-day Exchange Fund Bills	1.89		9.00	9.00
JP	11-Dec	30-year Japanese Government Bond	0.79		700.00	769.20
KR	10-Dec	1-year Monetary Stabilization Bonds	1.83		1,100.00	1,100.00
		10-year Korea Treasury Bonds	1.98	2.38	700.00	700.00
MY	13-Dec	3-year Government Investment Issues	3.78	3.73	3.30	3.30
PH	10-Dec	91-day Treasury Bills	5.35		4.00	4.00
		182-day Treasury Bills	6.34		5.00	5.00
		364-day Treasury Bills	6.59		6.00	6.00
	11-Dec	7-year Treasury Bonds	7.09	5.75	15.00	15.00
SG	11-Dec	28-day MAS Bills	1.74		2.00	2.00
		84-day MAS Bills	1.67		5.70	5.70
	13-Dec	168-day MAS Bills	1.59		3.00	3.00
TH	11-Dec	91-day Bank of Thailand Bills	1.30		45.00	45.00
		182-day Bank of Thailand Bills	1.46		45.00	45.00
	12-Dec	10.02-year Government Bonds	2.68	2.88	16.00	17.60
VN	12-Dec	10-year Treasury Bonds	5.10		3,900.00	3,900.00
		15-year Treasury Bonds	5.30		3,900.00	3,390.00

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

Sources: Local market sources and Bloomberg, LP.

ASIANBONDSONLINE DEBT HIGHLIGHTS

Selected Asia Data Releases (18 – 24 December 2018)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Japan Exports y-o-y, % NOV	12/19	10/17: 14.0% 11/17: 16.2% 09/18: –1.3% 10/18: 8.2%	Japan's exports grew 8.2% year-on-year (y-o-y) in October, a reversal from the 1.3% y-o-y contraction posted in September.
Japan Imports y-o-y, % NOV	12/19	10/17: 19.0% 11/17: 17.3% 09/18: 7.1% 10/18: 19.9%	Japan's import grow th accelerated to 19.9% y-o-y in October from 7.1% y-o-y in September.
Japan Trade Balance JPY billion NOV	12/19	10/17: 278.6 11/17: 105.2 09/18: 126.5 10/18: -450.1	Japan posted a trade deficit of JPY450.1 billion in October follow ing a surplus of JPY126.5 billion in September.
Malaysia CPI y-o-y, % NOV	12/19	10/17: 3.7% 11/17: 3.4 % 09/18: 0.3% 10/18: 0.6%	Malaysia's consumer price inflation accelerated to 0.6% y-o-y in October from 0.3% y-o-y in September.
Thailand BOT Benchmark Interest Rate % 19 DEC	12/19	11/17: 1.5% 12/17: 1.5% 10/18: 1.5% 11/18: 1.5%	The Bank of Thailand maintained its benchmark policy rate at 1.50% during its meeting on 14 November.
Philippines Balance of Payments USD million NOV	12/19	10/17: –368 11/17: –44 09/18: –2,696 10/18: –458	The Philippines posted a balance-of-payments deficit of USD458 million in October, an improvement from the deficit of USD2,696 million recorded in September.
Indonesia 7-Day Reverse Repo Rate % 20 DEC	12/20	11/17: 4.25% 12/17: 4.25% 10/18: 5.75% 11/18: 6.00%	In its meeting held on 15 November, Bank Indonesia's Board of Governors decided to raise the 7-day reverse repo rate by 25 basis points to 6.0%.
Japan BOJ Policy Balance Rate % 20 DEC	12/20	11/17: -0.10% 12/17: -0.10% 10/18: -0.10% 11/18: -0.10%	The Bank of Japan maintained the policy rate at -0.10% at its last monetary policy meeting in November.
Japan CPI y-o-y, % NOV	12/21	10/17: 0.21% 11/17: 0.6 % 09/18: 1.2% 10/18: 1.4%	Japan's consumer price inflation slightly rose to 1.4% y-o-y in October from 1.2% y-o-y in September.
Singapore CPI y-o-y, % NOV Sources: AsianBonds Online, Bloom	12/24	10/17: 0.4% 11/17: 0.6 % 09/18: 0.7% 10/18: 0.7%	Singapore's consumer price inflation was steady at 0.7% y-o-y in October.

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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)

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BSP Leaves Key Policy Rates Unchanged

 Monetary Board Holds Policy Settings Steady Bangko Sentral ng Pllipinas (13 December 2018)

Japan's Real GDP Contraction Revised Downward to 0.6% q-o-q and Annualized 2.5%

Quarterly Estimates of GDP for July - September 2018 (The 2nd Preliminary)
Cabinet Office Japan (10 December 2018)

Consumer and Producer Price Inflation in the PRC Fall in November

Consumer Prices for November 2018
 National Bureau of Statistics of China (10 December 2018)

The PRC's Export and Import Growth Fall in November; Trade Deficit of the Philippines Surges in October; The Republic of Korea's Current Account Surplus Narrows in October

- China's Trade Surplus With U.S. Hits Record Even as Growth Slows Bloomberg (8 December 2018)
- Highlights of the Philippine Export and Import Statistics: October 2018 Philippine Statistics Authority (11 December 2018)

The PRC's Industrial Production Growth Slows in November; Malaysia's Industrial Production Accelerates in October; Hong Kong, China's Industrial Production Slows in Third Quarter

- National Economy Maintained Stable and Sound Momentum of Development in November National Bureau of Statistics (14 December 2019)
- Provisional statistics on index of industrial production and producer price index for the industrial sector for the third quarter of 2018 Census and Statistics Department (14 December 2018)
- Index of Industrial Production, Malaysia October 2018 Department of Statistics Malaysia (12 December 2018)

The PRC Fixed-Asset Investment Grows in First Eleven Months

 National Economy Maintained Stable and Sound Momentum of Development in November National Bureau of Statistics (14 December 2019)

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