

14 January 2019

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Key Developments in Asian Local Currency Markets

Last week, the Philippines raised USD1.5 billion from the sale of 10-year global bonds priced at 110 basis points above benchmark United States (US) Treasuries. The bonds carry a coupon rate of 3.75%. The issuance was strategically announced, riding on the back of positive market sentiment driven by strong US employment data released on 4 January. With the issuance, the Philippines became the first emerging market to offer offshore US dollar bonds this year. Proceeds from the bond sale will be used for general purposes and budgetary support.

Japan's current account surplus narrowed to JPY757.2 billion in November from JPY1.3 trillion in October. In the Republic of Korea, the current account surplus narrowed to USD5.1 billion in November from USD9.2 billion in October.

The Philippines' trade deficit reached USD3.9 billion in November, up from USD3.3 billion in the same month in the previous year. Exports declined 0.3% year-on-year (y-o-y), a reversal from the 14.2% y-o-y increase posted in November 2017.

Malaysia's industrial production in November increased 2.5% y-o-y, slowing from 4.3% y-o-y growth in October. The deceleration was due to a slowdown in manufacturing output, which grew 3.6% y-o-y in November versus 5.4% y-o-y in the previous month. In addition, the mining sector registered a decline in output of 0.7% y-o-y. On the other hand, output from the electricity sector expanded 3.2% y-o-y in November versus 2.8% y-o-y in October.

Consumer prices in the People's Republic of China's (PRC) rose 1.9% y-o-y in December after climbing 2.2% y-o-y in November. By category, the fastest increase in the PRC's consumer price inflation came from food and medical products and services, with both rising 2.5% y-o-y. For full-year 2018, consumer prices rose 2.1%. The PRC's producer prices, on the other hand, rose at a slower pace in December of 0.9% y-o-y versus 2.7% y-o-y in November. For full-year 2018, producer prices rose 3.5%.

Foreign reserves in Hong Kong, China; and Indonesia rose in December, while it declined in Malaysia. Hong Kong, China's foreign reserves amounted to USD424.6 billion at the end of December, up from USD423.2 billion in November. In Indonesia, foreign reserves climbed to USD120.7 billion at the end of December from USD117.2 billion a month

Asia Bond Monitor November 2018

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10-Year Selected LCY Government Security Yields Close of 11 January 2019 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	2.70	-4.14		1.65
EU	0.18	-1.40	-2.50	-5.90
Japan	0.02	-0.70		1.40
PRC	3.21	0.00	-2.00	-11.00
Hong Kong, China	2.01	-3.80		0.30
India	7.59	-0.10		17.00
Indonesia	7.98	4.40	-11.20	-4.40
Korea, Rep. of	2.00	3.50		3.90
Malaysia	4.06	-0.80	-1.00	-2.00
Philippines	6.63	-30.50	-30.50	-43.30
Singapore	2.19	-3.76		14.58
Thailand	2.49	-3.10		1.10
Viet Nam	4.98	-2.50	-15.50	-15.00

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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

earlier. Bank Negara Malaysia's international reserves at the end of December amounted to USD101.4 billion, the lowest level of the year and down from USD102 billion at the end of November.

The Government of Indonesia is targeting to raise IDR5.0 trillion from the sale of savings retail bonds to be known as SBR-005. The offer period commenced on 10 January and will end on 24 January. The bonds will have a maturity of 2 years and carry an initial coupon rate of 8.15%.

Last week, local currency government bond yields declined for all tenors in the Philippines and Viet Nam, and for most maturities in the PRC and Indonesia. In contrast, bond yields gained for most maturities in the Republic of Korea, Singapore, and Thailand. Bond yields were mixed in Hong Kong, China and Malaysia. The spread between the 2-year and 10-year maturities widened for most emerging East Asian markets except for Indonesia and the Philippines.

Summary Text of News Articles

The Philippines Sells USD1.5 Billion of 10-Year Global Bonds

Last week, the Philippines raised USD1.5 billion from the sale of 10-year global bonds priced at 110 basis points above benchmark United States (US) Treasuries. The issuance was strategically announced, riding on the back of positive market sentiment driven by strong US employment data released on 4 January. With the issuance, the Philippines became the first emerging market to offer offshore dollar bonds this year. In terms of distribution, 37% of the offering was allocated to investors in Asia, while investors from the US and Europe were allocated 28% and 35%, respectively. By investor type, the global bonds were allocated to asset managers (52%); banks (22%); sovereign wealth funds, pension funds, and insurance firms (14%); and private banks and other investors (12%). Proceeds from the bond issue will be used for general purposes and budgetary support. The global bonds will settle on 14 January.

Japan's Current Account Surplus Narrows in November; The Republic of Korea's Current Account Surplus Narrows in November

Japan's current account surplus narrowed to JPY757.2 billion in November from JPY1.3 trillion in October, driven by the decline in the primary income account surplus to JPY1.4 trillion from JPY2.0 trillion. In addition, the trade deficit widened to JPY559.1 billion from JPY321.7 billion during the same period. The services account posted a surplus of JPY12.1 billion in November, a reversal from the JPY233 billion deficit registered in the previous month. The secondary income deficit also narrowed to JPY134.6 billion from JPY182.7 billion during the same period.

The Republic of Korea's current account surplus narrowed to USD5.1 billion in November from USD9.2 billion in October, driven primarily by the decline in the goods account surplus to USD8.0 billion in November from USD11.0 billion in the previous month as exports fell at a faster pace than imports on a month-on-month basis. The primary income account surplus also fell to USD0.03 billion from USD0.96 billion during the same period. Meanwhile, the services account and secondary income account posted larger deficits in November.

The Philippines' Trade Deficit Widens in November

The Philippines' balance of trade in goods recorded a deficit of USD3.9 billion in November, wider than the USD3.3 billion deficit in November 2017. Exports declined 0.3% year-on-year (y-o-y), a reversal from the 14.2% y-o-y increase a year earlier. The decline in exports was due to decreases in sales of chemicals (16.9% y-o-y) and electronic products (1.6% y-o-y), including components and devices (semiconductors). Imports rose 6.8% y-o-y, which was down from 20.1% y-o-y growth in November 2017, supported by increases in iron and steel (24.9% y-o-y) and industrial machinery and equipment (10.5%). For the January–November period, the trade deficit stood at USD37.7 billion.

Malaysia's Industrial Production Growth Slows in November

Malaysia's industrial production in November increased 2.5% y-o-y, slowing from 4.3% y-o-y growth in October. The deceleration was due to a slowdown in manufacturing output, which grew 3.6% y-o-y in November versus 5.4% y-o-y in the previous month. In addition, output in the mining sector declined 0.7% y-o-y, following an increase of 1.4% y-o-y in the previous month, due to a decrease in natural gas output that offset the marginal increase in crude oil. On the other hand, output growth in the electricity sector accelerated to 3.2% y-o-y in November from 2.8% y-o-y in October.

Consumer Price and Producer Price Inflation Slow in the PRC in December

Consumer prices in the People's Republic of China's (PRC) rose 1.9% y-o-y in December after climbing 2.2% y-o-y in November. By category, the fastest increases came from food and medical products and services, with both rising 2.5% y-o-y. Housing-related prices rose 2.2% y-o-y, while gasoline prices fell 0.5% y-o-y and diesel prices fell 0.3% y-o-y. For full-year 2018, consumer prices rose 2.1%. The PRC's producer prices inflation slowed to 0.9% y-o-y in December from 2.7% y-o-y in November. For full-year 2018, producer prices rose 3.5%.

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

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

Summary Text of News Articles

**Foreign Reserves Up in Hong Kong, China and Indonesia in December;
Bank Negara Malaysia's International Reserves Fall in December to Lowest Level of the Year**

Hong Kong, China's foreign reserves amounted to USD424.6 billion at the end of December, up from USD423.2 billion in November. This accounted for about seven times the currency in circulation, or 46% of the Hong Kong dollar's M3. Including unsettled foreign exchange contracts, foreign reserves amounted to USD417.4 billion at the end of December.

In Indonesia, foreign reserves climbed to USD120.7 billion at the end of December from USD117.2 billion a month earlier on increased receipts from oil and gas sales, proceeds from sovereign bond issuance, and the withdrawal of foreign loans. The December reserves position was adequate to fund 6.7 months of imports or 6.5 months of imports and external debt repayment.

Bank Negara Malaysia's international reserves at the end of December amounted to USD101.4 billion, the lowest level of 2018 and down from USD102.0 billion at the end of November. The central bank's international reserves reached their highest level of the year in April at USD109.5 billion. The reserves position in December was sufficient to cover 7.4 months of retained imports and was equal to the amount of short-term external debt.

Indonesia Commences Offer Period for Savings Retail Bond

The Government of Indonesia is targeting to raise IDR5.0 trillion from the sale of savings retail bonds to be known as SBR-005. The offer period commenced on 10 January and will end on 24 January. The bonds will have a maturity of 2 years and carry an initial coupon rate of 8.15% for the next 3 months. The government is planning to offer 10 issuances of retail bonds in 2019, eight of which, including SBR-005, will be structured as retail savings bonds while two will be structured as tradable bonds. The move is in line with government plans to offer investment alternatives to domestic investors.

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-19*
		Previous Day*	Previous Week*		
US	2.41	-0.82		0.77	5.93
EU	-0.57	-0.10		1.00	23.40
Japan	-0.17	-1.19		1.97	-1.73
PRC	2.39	-1.00	-10.00		-24.00
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	0.00	-0.50		-1.00
Malaysia	3.26	0.00		0.00	-0.30
Philippines	5.80	-5.50	-5.50		2.20
Singapore	1.92	-0.90	-8.80		-15.80
Thailand	1.22	0.00		0.00	0.00

Close of 11 January 2019

10-Year Selected LCY Government Bond Yields

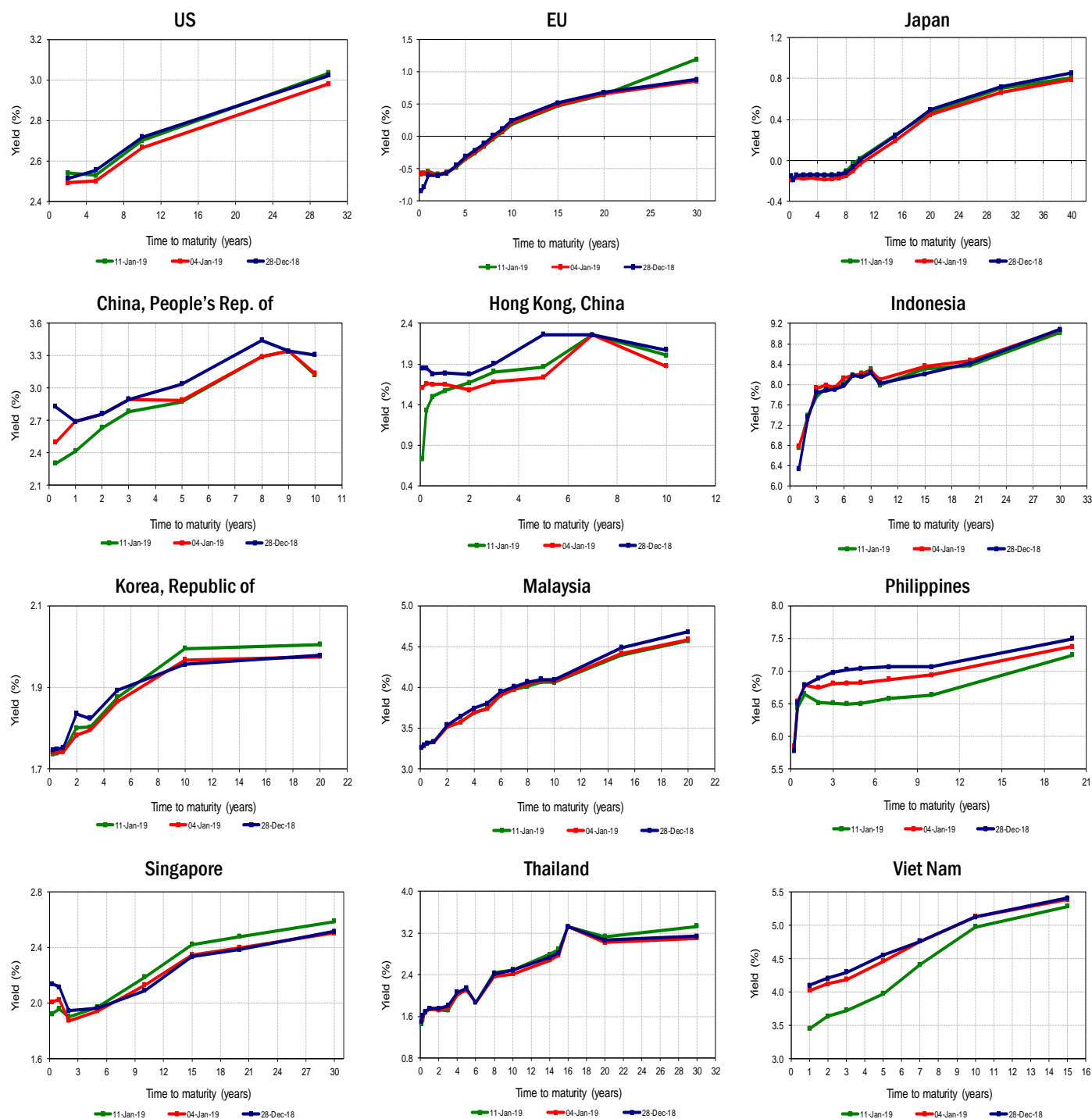
Markets	Latest Closing	basis point change from			1-Jan-19*
		Previous Day*	Previous Week*		
US	2.70	-4.14		3.30	1.65
EU	0.18	-1.40	-2.50		-5.90
Japan	0.02	-0.70		5.50	1.40
PRC	3.21	0.00	-2.00		-11.00
Hong Kong, China	2.01	-3.80		13.80	0.30
India	7.59	-0.10		14.00	17.00
Indonesia	7.98	4.40	-11.20		-4.40
Korea, Rep. of	2.00	3.50		2.80	3.90
Malaysia	4.06	-0.80	-1.00		-2.00
Philippines	6.63	-30.50	-30.50		-43.30
Singapore	2.19	-3.76		5.74	14.58
Thailand	2.49	-3.10		8.30	1.10
Viet Nam	4.98	-2.50	-15.50		-15.00

Close of 11 January 2019

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

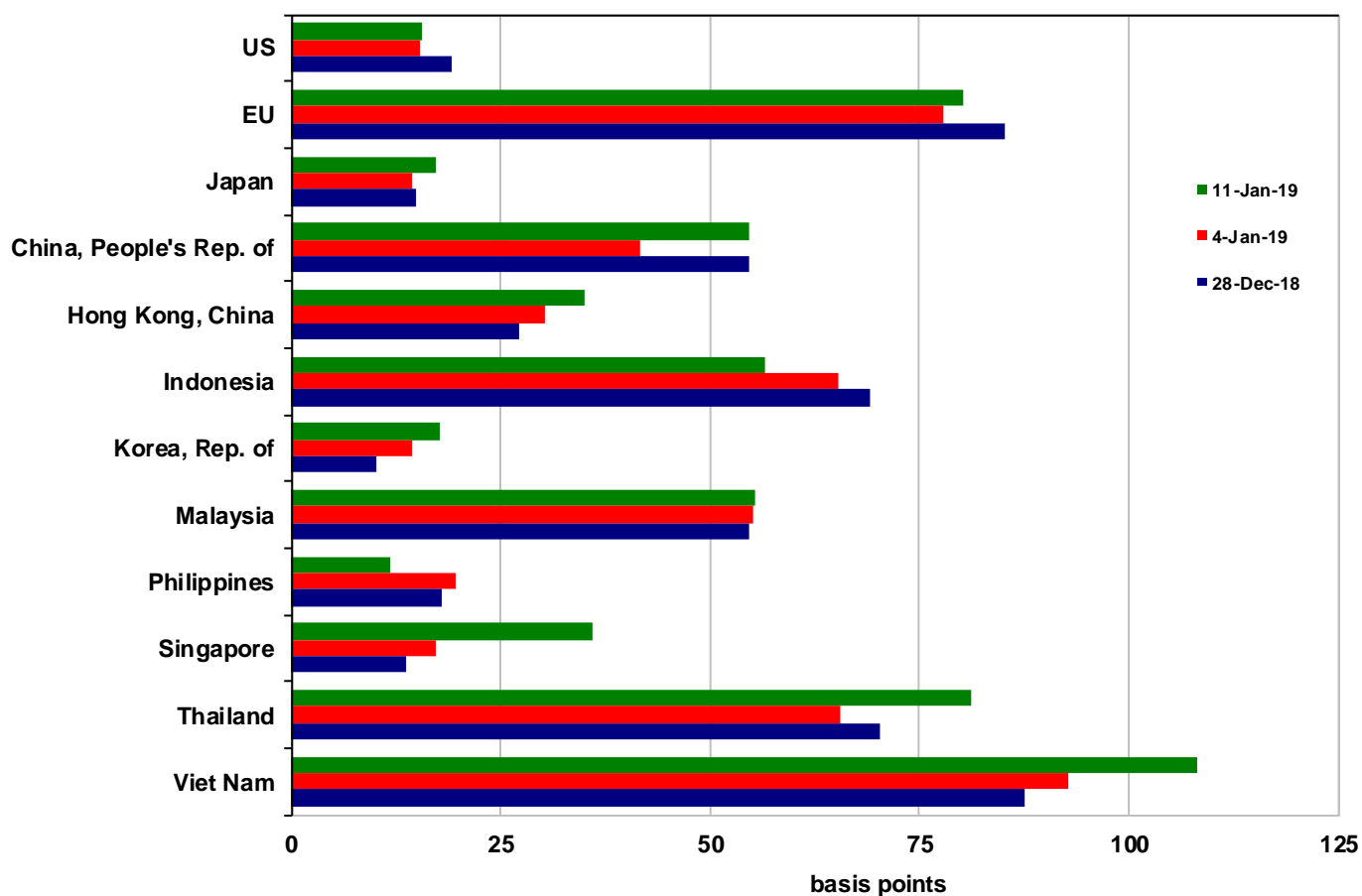


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



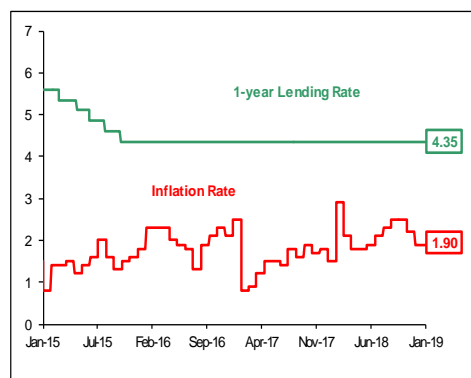
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

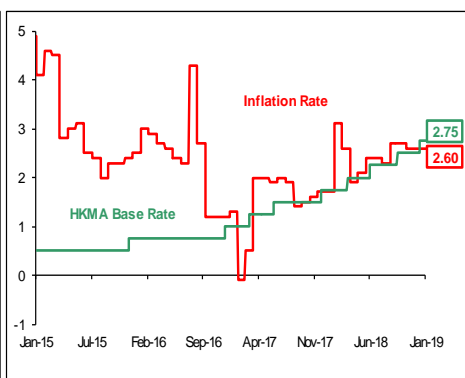
China, People's Rep. of



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

Source: Bloomberg LP.

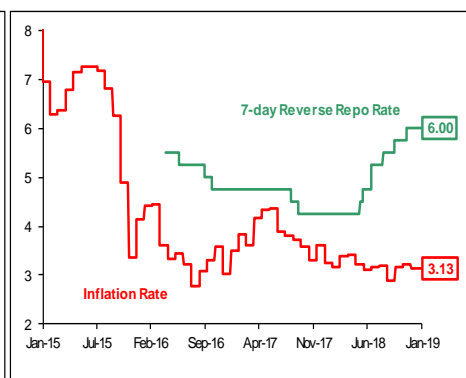
Hong Kong, China



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

Source: Bloomberg LP.

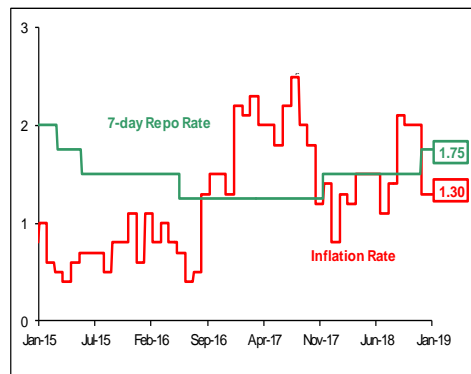
Indonesia



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

Source: Bloomberg LP.

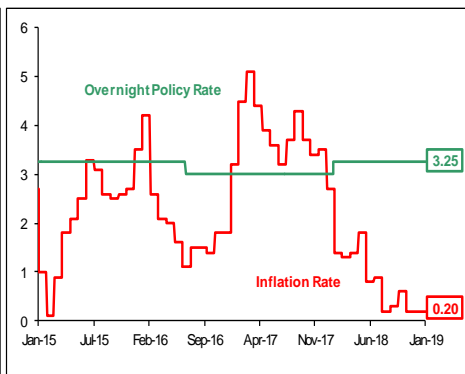
Korea, Republic of



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.

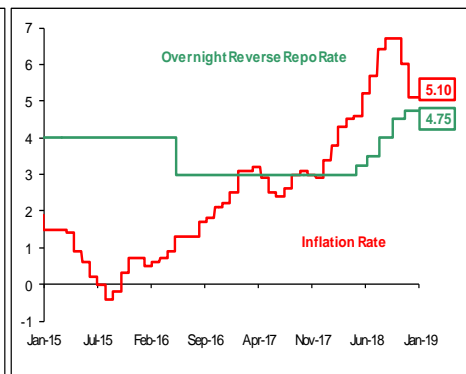
Malaysia



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

Source: Bloomberg LP.

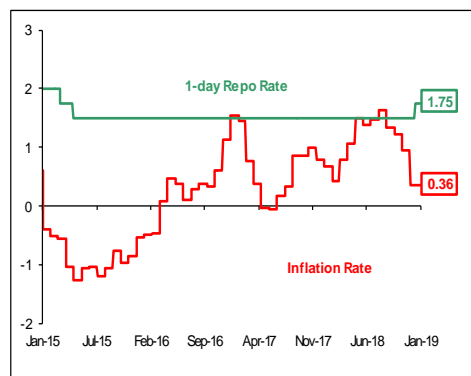
Philippines



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

Source: Bloomberg LP.

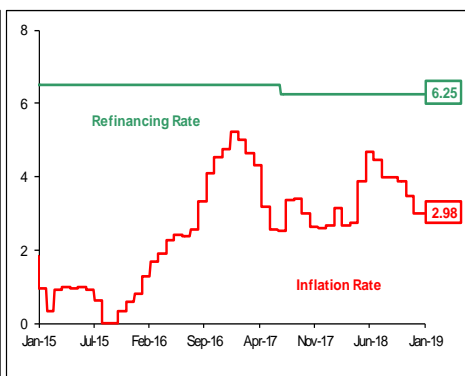
Thailand



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



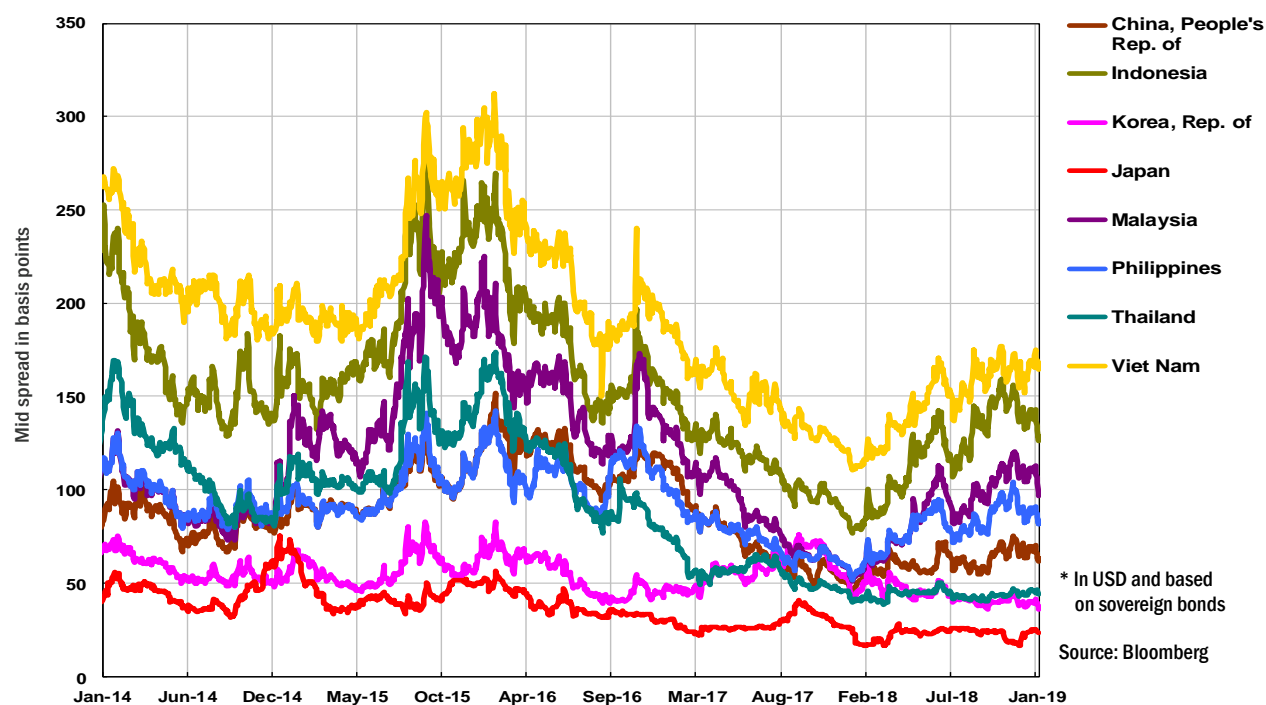
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

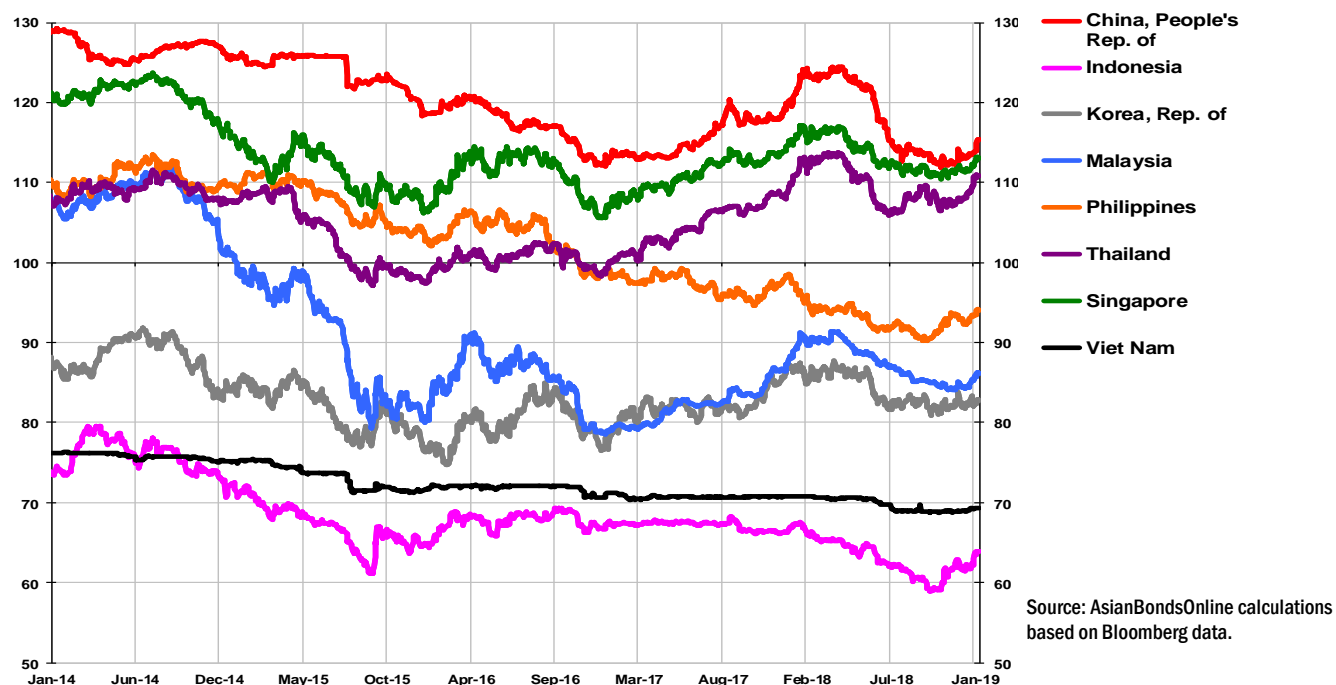
Credit Default Swap Spreads and Exchange Rate Indexes

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 (7 – 11 January 2019)

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	9-Jan	2-year Treasury Bond	2.49	3.00	20.00	20.00
		5-year Treasury Bond	2.76	3.29	20.00	20.00
	11-Jan	91-day Treasury Bill	2.24		10.00	10.00
HK	8-Jan	91-day Exchange Fund Bills	1.67		57.41	57.41
		182-day Exchange Fund Bills	1.69		18.00	18.00
ID	8-Jan	6-month Islamic Treasury Bills	6.44			2,000.00
		2-year Project-Based <i>Sukuk</i>	7.85	6.50	8,000.00	1,800.00
		4-year Project-Based <i>Sukuk</i>	7.94	8.25		4,450.00
		7-year Project-Based <i>Sukuk</i>	8.35	8.50		405.00
JP	8-Jan	3-month Treasury Discount Bills	-0.15		4,340.00	4,339.96
		10-year Japanese Government Bonds	0.02	0.10	2,200.00	2,235.00
	9-Jan	6-month Treasury Discount Bills	-0.14		2,300.00	2,299.98
	10-Jan	30-year Japanese Government Bonds	0.72	0.70	700.00	762.20
KR	7-Jan	182-day Monetary Stabilization Bonds	1.76		500.00	500.00
		5-year Korea Treasury Bonds	1.89	1.88	600.00	600.00
MY	8-Jan	10.5-year Government Investment Issues	4.13	4.13	3.50	3.50
PH	7-Jan	91-day Treasury Bills	5.41		6.00	2.72
		182-day Treasury Bills	6.42		6.00	6.00
		364-day Treasury Bills	6.64		8.00	8.00
	8-Jan	10-year Treasury Bonds	6.83	6.88	20.00	20.00
SG	8-Jan	28-day MAS Bills	1.37		2.10	2.10
		84-day MAS Bills	1.51		6.50	6.50
	10-Jan	168-day MAS Bills	1.63		3.70	3.70
TH	8-Jan	91-day Bank of Thailand Bills	1.49		45.00	45.00
		182-day Bank of Thailand Bills	1.66		35.00	35.00
	9-Jan	27.45-year Government Bonds	3.34	2.88	5.00	6.00
	10-Jan	1.87-year Bank of Thailand Bonds	1.86	1.95	25.00	27.44
	11-Jan	14-day Bank of Thailand Bills	1.29		45.00	45.00
VN	9-Jan	7-year Treasury Bonds	4.35		500.00	50.00
		10-year Treasury Bonds	5.01		4,500.00	4,500.00
		15-year Treasury Bonds	5.30		3,000.00	3,000.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (15 – 21 January 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Indonesia Exports y-o-y, % DEC	01/15	11/17: 13.6% 12/17: 7.5% 10/18: 4.2% 11/18: -3.3%	Exports from Indonesia declined 3.3% year-on-year (y-o-y) in November following 4.2% y-o-y growth in October.
Indonesia Trade Balance USD million DEC	01/15	11/17: 221 12/17: -240 10/18: -773 11/18: -2,050	Indonesia's trade deficit widened to USD2,050 million in November from USD773 million in October.
Philippines Overseas Filipino Remittances y-o-y, % NOV	01/15	10/17: 8.4% 11/17: 2.0% 09/18: 2.3% 10/18: 8.7%	Remittances from overseas Filipino workers increased 8.7% y-o-y in October, up from the 2.3% y-o-y gain recorded in September.
Indonesia 7-Day Reverse Repo Rate % 17 JAN	01/17	12/17: 4.25% 01/18: 4.25% 11/18: 6.00% 12/18: 6.00%	On 20 December, Bank Indonesia's Board of Governors held steady the 7-day reverse repurchase rate at 6.00%.
Singapore NODX y-o-y, % DEC	01/17	11/17: 4.6% 12/17: -1.9% 10/18: 4.2% 11/18: -4.2%	Singapore's non-oil domestic exports dropped 4.2% y-o-y in November, a reversal from the increase of 4.2% y-o-y posted in October.
Philippines Balance of Payments USD million DEC	01/18	11/17: -44 12/17: 917 10/18: -458 11/18: 847	The Philippines recorded a balance of payments surplus of USD847 million in November, rebounding from the USD458 million deficit posted in October.
Japan CPI y-o-y, % DEC	01/18	11/17: 0.6% 12/17: 1.0% 10/18: 1.4% 11/18: 0.8%	Japan's consumer price inflation eased to 0.8% y-o-y in November from 1.4% y-o-y in October.
Japan Industrial Production—Final y-o-y, % NOV	01/18	10/17: 4.0% 11/17: 2.2% 10/18: 4.2% 11/18: 1.4%	Based on preliminary estimates, Japan's industrial production rose 1.4% y-o-y in November following growth of 4.2% y-o-y in October.
China, People's Rep. GDP y-o-y, % Q4 2018	01/21	Q3 2017: 6.8% Q4 2017: 6.8% Q2 2018: 6.7% Q3 2018: 6.5%	Real gross domestic product (GDP) growth in the People's Republic of China moderated to 6.5% y-o-y in the third quarter of 2018 from 6.7% y-o-y in the second quarter.
China, People's Rep. Industrial Production y-o-y, % DEC	01/21	11/17: 6.1% 12/17: 6.2% 10/18: 5.9% 11/18: 5.4%	Industrial production growth in the People's Republic of China eased to 5.4% y-o-y in November from 5.9% y-o-y in October.

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 Philippines Sells USD1.5 Billion of 10-Year Global Bonds

- [The Republic of the Philippines Issues New 10-Year US Dollar-Denominated Global Bonds](#)
Bureau of the Treasury (8 January 2019)

Japan's Current Account Surplus Narrows in November; The Republic of Korea's Current Account Surplus Narrows in November

- [Balance of Payments Statistics, November 2018 \(Preliminary\)](#)
Ministry of Finance, Japan (11 January 2019)
- [Balance of Payments during November 2018 \(preliminary\)](#)
The Bank of Korea (8 January 2019)

The Philippines' Trade Deficit Widens in November

- [Highlights of the Philippine Export and Import Statistics: November 2018](#)
Philippine Statistics Authority (10 January 2019)

Malaysia's Industrial Production Growth Slows in November

- [Malaysia's Industrial Production Index \(IPI\) rose by 2.5 per cent in November 2018](#)
Department of Statistics Malaysia (11 January 2019)

Consumer Price and Producer Price Inflation Slow in the PRC in December

- [China's CPI up 1.9 pct in December](#)
Xinhua (10 January 2019)
- [China's producer price up 0.9 pct in December](#)
Xinhua (10 January 2019)

Foreign Reserves Up in Hong Kong, China and Indonesia in December; Bank Negara Malaysia's International Reserves Fall in December to Lowest Level of the Year

- [Hong Kong's Latest Foreign Currency Reserve Assets Figures Released](#)
Hong Kong Monetary Authority (7 January 2019)
- [Official Reserve Assets Continue to Increase](#)
Bank Indonesia (8 January 2019)
- [International Reserves of Bank Negara Malaysia as at 31 December 2018](#)
Bank Negara Malaysia (7 January 2019)

Indonesia Commences Offer Period for Savings Retail Bond

- [SBR005 Resmi Ditawarkan Secara Online 10 – 24 Januari 2019 \(in Bahasa\)](#)
Directorate General of Budget Financing and Risk Management (10 January 2019)
- [Government to offer retail bonds in 10 planned issuances](#)
The Jakarta Post (10 January 2019)

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