

21 January 2019

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Key Developments in Asian Local Currency Markets

Japan's November industrial production was revised upward to 1.5% year-on-year (y-o-y) from the preliminary estimate of 1.4% y-o-y due to upward revisions in the production of chemicals, electrical machinery, and information and communication electronics equipment. Growth in shipments was also revised upward to 0.9% y-o-y from an earlier estimate of 0.7% y-o-y, while inventory growth was revised downward to 0.6% y-o-y from 0.7% y-o-y.

➤ Growth in the prices of basic goods and services in Japan slowed to 0.3% y-o-y in December from the 0.8% y-o-y growth recorded in November on downward price adjustments for food items, transportation and communication, and housing. On a month-on-month basis, Japan's consumer price inflation dropped 0.3%.

➤ Bank Indonesia's Board of Governors left the 7-day reverse repurchase rate unchanged at 6.00%, the deposit facility rate at 5.25%, and the lending facility rate at 6.75% in its meeting on 16–17 January. The rates are deemed consistent with efforts to bring the current account deficit within the threshold of 2.5% of gross domestic product and to maintain the attractiveness of the domestic financial market.

➤ The People's Republic of China's (PRC) exports contracted 4.4% y-o-y in December after a 3.9% y-o-y gain in November. Imports also fell 7.6% y-o-y in December after rising 2.9% y-o-y in November. The PRC reported a trade surplus of USD57.1 billion in December. In Indonesia, export growth slowed to 4.6% y-o-y in December from 2.8% y-o-y in the prior month, and import growth moderated to 1.2% y-o-y from 11.8% y-o-y in the same period. The trade deficit in December narrowed to USD1.1 billion in December from USD2.0 billion in November. Singapore's non-oil domestic exports declined 8.5% y-o-y in December following a contraction of 2.8% y-o-y in the previous month, with both electronic and nonelectronic exports showing declines.

➤ The Philippines recorded a balance of payments surplus of USD2.4 billion in December 2018. Despite the December surplus, the economy posted an overall balance of payments deficit of USD2.3 billion in full-year 2018, up from the USD0.9 billion deficit in 2017 due to a larger merchandise trade deficit brought about by imports of raw materials, intermediate goods, and capital

Asia Bond Monitor November 2018

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10-Year Selected LCY Government Security Yields Close of 18 January 2019 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	2.78	3.38		10.00
EU	0.26	1.90		2.00
Japan	0.02	1.00	-0.10	1.30
PRC	3.20	2.00	-1.00	-12.00
Hong Kong, China	2.05	0.00		3.90
India	7.31	3.30	-27.80	-10.80
Indonesia	8.09	-1.00		6.40
Korea, Rep. of	2.01	3.50		5.60
Malaysia	4.06	0.00	-0.10	-2.10
Philippines	6.48	-1.00	-15.00	-57.50
Singapore	2.20	3.85		16.02
Thailand	2.47	0.80	-2.90	-1.80
Viet Nam	4.91	1.30	-6.70	-21.70

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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

goods needed for the country's economic activities.

➤ The Government of Malaysia plans to sell samurai bonds amounting to JPY200 billion in the next few months, with the proceeds to be used to retire some of the costly loans taken by the previous administration, according to Prime Minister Mahathir Mohamad. The bond will have an indicative coupon rate of less than 0.65% per annum.

➤ Foreign investors continued buying in the Republic of Korea's local currency bond market in December. Foreign investors bought a net KRW1.5 billion of listed bonds compared with a net sale of KRW1,066 billion in December 2017.

➤ Last week, local currency government bond yields went up for most tenors in Hong Kong, China; Indonesia; Singapore; and Thailand while it went down for most tenors in the PRC, Malaysia, and Viet Nam. Yields for all tenors increased in the Republic of Korea while it decreased in the Philippines. The spread between the 2-year and 10-year maturities narrowed for all emerging East Asian markets except for Indonesia, the Republic of Korea, the Philippines, and Viet Nam.

Summary Text of News Articles

Japan's Industrial Production Growth Slows in November

Japan's November industrial production was revised upward to 1.5% year-on-year (y-o-y) from 1.4% y-o-y due to revisions to the production of chemicals, electrical machinery, and information and communication electronics equipment. Industrial production growth eased in November from the 4.2% y-o-y gain posted in October. Likewise, shipments were revised upward to 0.9% y-o-y from 0.7% y-o-y as shipments of chemicals and production machinery increased. Shipments growth slowed from the 5.7% y-o-y increase posted in October. Inventory growth was revised downward to 0.6% y-o-y from 0.7% y-o-y as inventories of chemicals and production machinery declined. The growth in inventories was a reversal from the decline of 0.7% y-o-y in October.

Japan's Inflation Eases in December

Growth in the prices of basic goods and services in Japan slowed to 0.3% y-o-y in December from 0.8% y-o-y in November. Prices of food items declined 1.1% y-o-y, mainly due to decreases in fresh food items. This was a reversal from the increase of 0.5% y-o-y in the previous month. Transport and communication also contributed to the easing inflation, dipping 0.1% y-o-y from a 1.2% y-o-y increase in November. The decline was due to cheaper public transportation and communication costs. Housing also declined 0.1% y-o-y due to lower rental costs. On a month-on-month basis, Japan's inflation dropped 0.3%.

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

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

Bank Indonesia Leaves 7-Day Reverse Repurchase Rate Unchanged at 6.00%

In a meeting held on 16–17 January, Bank Indonesia's Board of Governors left unchanged the 7-day reverse repurchase rate at 6.00%, the deposit facility rate at 5.25%, and the lending facility rate at 6.75%. At these levels, the rates are deemed consistent with efforts to bring the current account deficit within the threshold of 2.5% of gross domestic product and maintain the attractiveness of the domestic financial market. For full-year 2019, Bank Indonesia expects Indonesia's economic growth to fall within a range of 5.0%–5.4%. The inflation target range was set at 2.5%–4.5%.

For data on Indonesia's policy rate, refer to this link:

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

The PRC's Exports and Imports Contract in December; Indonesia's Trade Deficit Narrows in December but Posts Record Annual Level in 2018; Singapore's NODX Plummets in December

The People's Republic of China's (PRC) exports contracted 4.4% y-o-y in December after gaining 3.9% y-o-y in November. Imports also weakened, falling 7.6% y-o-y in December after rising 2.9% y-o-y in November. The PRC reported a trade surplus of USD57.1 billion in December. For full-year 2018, the PRC's exports rose 9.9% y-o-y and imports grew 15.8% y-o-y, resulting in an annual trade surplus of USD351.8 billion.

Indonesia's trade deficit in December narrowed to USD1.1 billion in December from USD2.0 billion in November. Export growth slowed to 4.6% y-o-y in December from 2.8% y-o-y in the prior month. Import growth moderated to 1.2% y-o-y from 11.8% y-o-y in the same period. For full-year 2018, Indonesia posted a record trade deficit of USD8.6 billion.

Singapore's non-oil domestic exports declined 8.5% y-o-y in December, coming from a high base. The contraction was greater than the 2.8% y-o-y decrease recorded in November. Exports of electronic products were down 11.2% y-o-y, a reversal from the 4.3% y-o-y growth in November. The drop was attributed to contractions in diodes and transistors (34.4% y-o-y), disk media products (28.5% y-o-y), and personal computers (20.5% y-o-y). Similarly, non-electronic products dipped 7.4% y-o-y, accelerating from a 5.4% y-o-y decline in the previous month due to specialized machinery, pharmaceuticals, and primary chemicals decreasing 32.5% y-o-y, 26.8% y-o-y, and 28.0% y-o-y, respectively. On a month-on-month seasonally adjusted basis, Singapore's non-oil domestic exports declined 5.7%.

Summary Text of News Articles

The Philippines Posts Balance of Payments Surplus in December

The Philippines recorded a balance of payments surplus of USD2.4 billion in December 2018, an increase from USD0.9 billion in December 2017. Income came mainly from the central bank's foreign currency activities, the government's net foreign currency deposits, and the central bank's proceeds from its foreign investments. For full-year 2018, the Philippines posted an overall balance of payments deficit of USD2.3 billion, up from USD0.9 billion in 2017 due to a larger merchandise trade deficit brought about by imports of raw materials, intermediate goods, and capital goods needed for the country's economic activities.

Malaysia Plans to Sell JPY200 Billion Samurai Bond

The Government of Malaysia plans to sell samurai bonds amounting to JPY200 billion in the next few months. The debt will be guaranteed by the Japan Bank of International Cooperation as part of a government-to-government arrangement between Malaysia and Japan. The bond will have an indicative coupon rate of less than 0.65% per annum. According to Malaysian Prime Minister Mahathir Mohamad, the proceeds from the debt sales will be used to retire some of the costly loans taken by the previous administration. Malaysian Finance Minister Lim will meet investors in Tokyo to help ensure a successful bond offer. The timing of the bond issuance will be decided after the visit. The government appointed Mizuho Bank (Malaysia) Bhd., HSBC Bank Malaysia Bhd., and Daiwa Capital Markets Ltd. (in partnership with Affin Hwang Investment Bank) to arrange the bond sale.

Net Foreign Bond Investment in the Republic of Korea Remains Positive in December

Foreign investors continued buying in the Republic of Korea's local currency bond market in December. Foreign investors bought a net KRW1.5 billion of listed bonds compared with a net sale of KRW1,066 billion in December 2017. Year-to-date, net bond inflows amounted to KRW6,966 billion for Monetary Stabilization Bonds and KRW8,506 billion for Korea Treasury Bonds. On the other hand, foreign investors sold a net KRW66 billion of corporate bonds. The bond holdings of foreign investors as of the end of December came to KRW113.8 trillion, representing 6.6% of total listed bonds.

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	2.39	-0.32	-2.07		3.86
EU	-0.57	0.20		0.30	23.70
Japan	-0.21	-2.98	-3.97		-5.70
PRC	2.38	1.00	-1.00		-25.00
Hong Kong, China	1.20	-3.00	-13.00		-43.00
Korea, Rep. of	1.75	0.10		1.10	0.10
Malaysia	3.26	0.00		0.00	-0.30
Philippines	5.66	-0.50	-13.50		-20.20
Singapore	1.92	0.00		0.00	-15.80
Thailand	1.58	2.99		4.57	-1.24

Close of 18 January 2019

10-Year Selected LCY Government Bond Yields

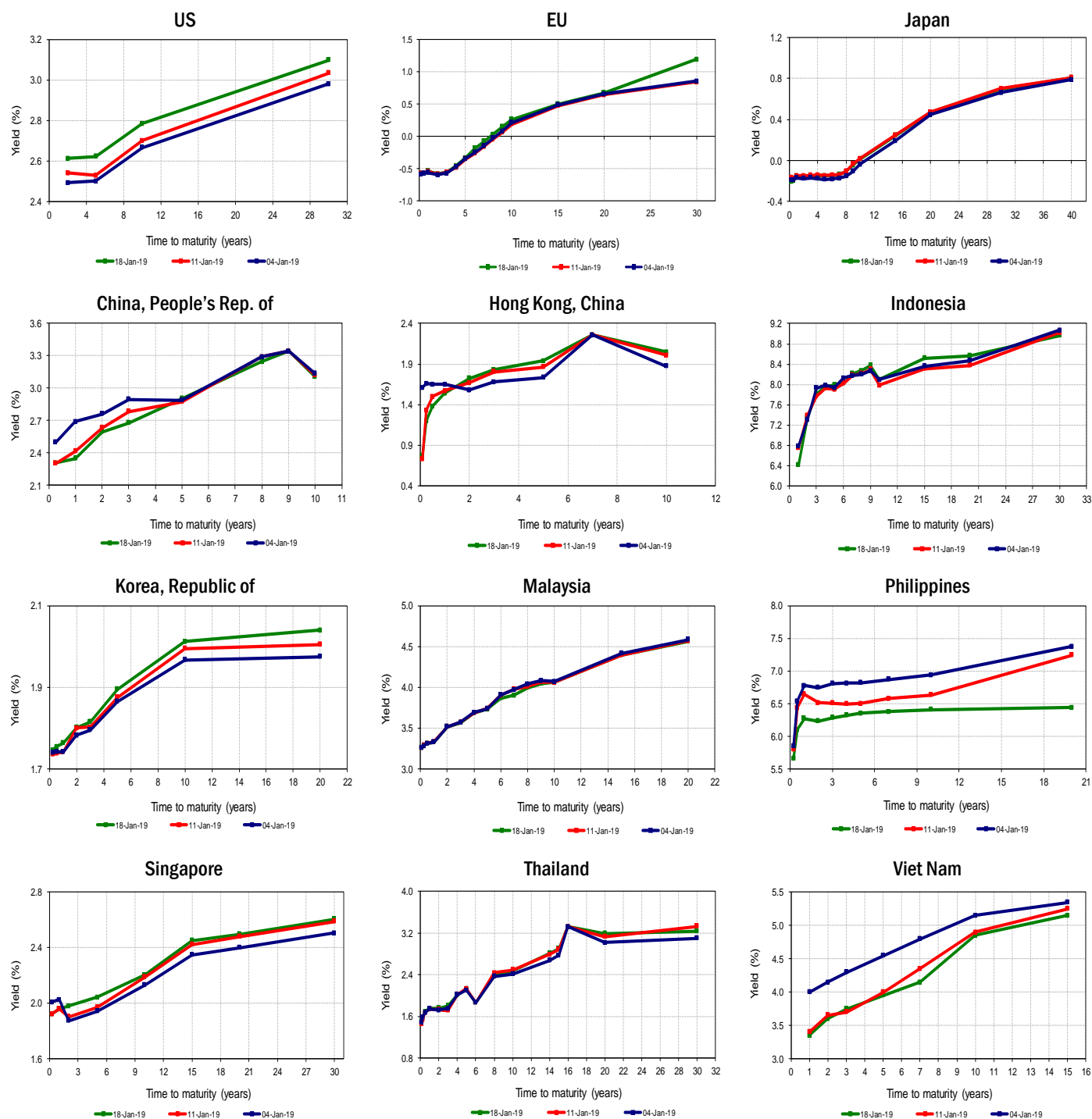
Markets	Latest Closing	basis point change from			1-Jan-19*
		Previous Day*	Previous Week*		
US	2.78	3.38		8.35	10.00
EU	0.26	1.90		7.90	2.00
Japan	0.02	1.00	-0.10		1.30
PRC	3.20	2.00	-1.00		-12.00
Hong Kong, China	2.05	0.00		3.60	3.90
India	7.31	3.30	-27.80		-10.80
Indonesia	8.09	-1.00		10.80	6.40
Korea, Rep. of	2.01	3.50		1.70	5.60
Malaysia	4.06	0.00	-0.10		-2.10
Philippines	6.48	-1.00	-15.00		-57.50
Singapore	2.20	3.85		1.44	16.02
Thailand	2.47	0.80	-2.90		-1.80
Viet Nam	4.91	1.30	-6.70		-21.70

Close of 18 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

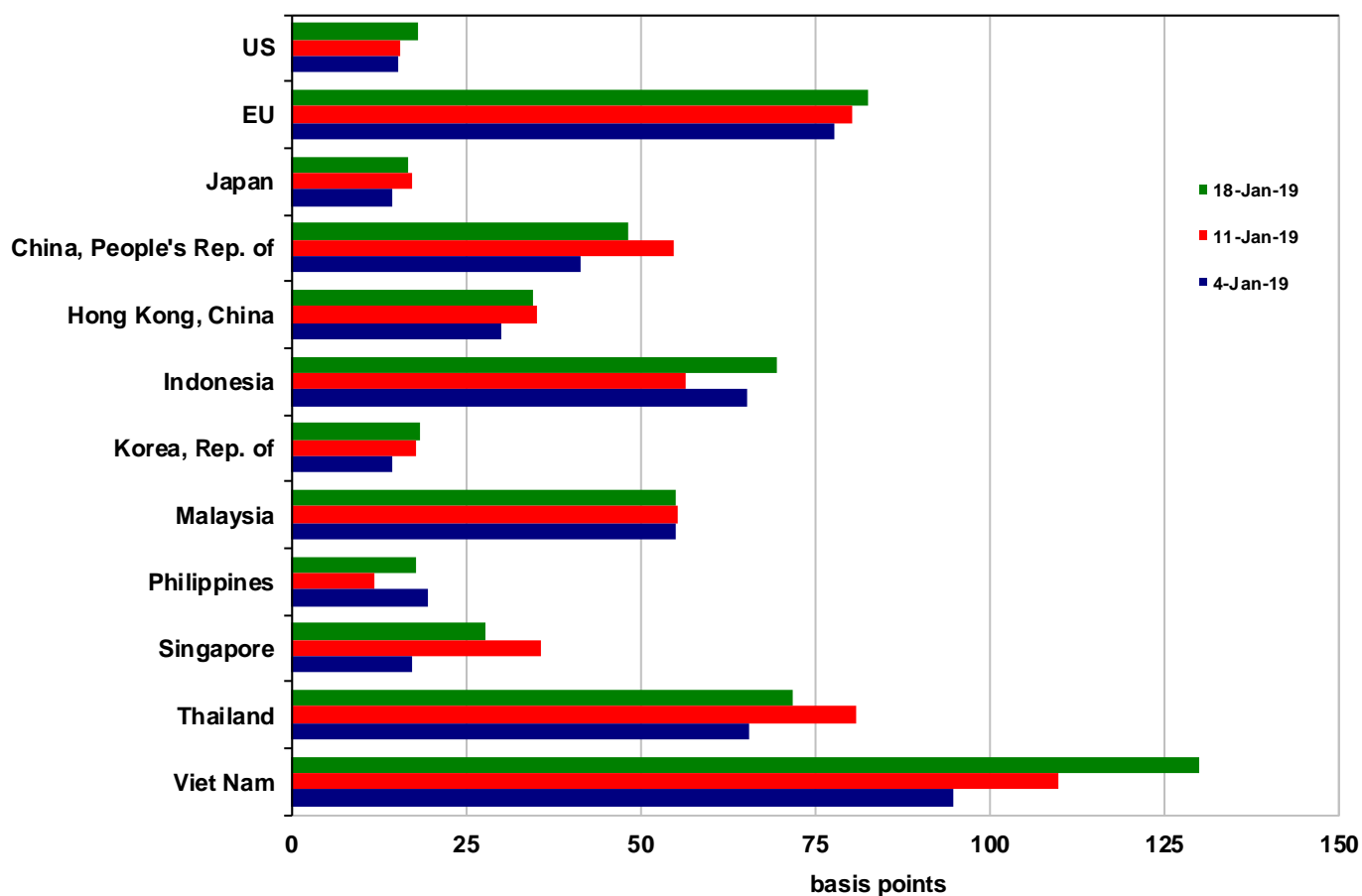


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



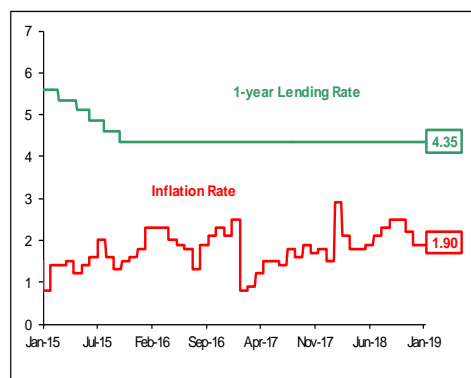
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

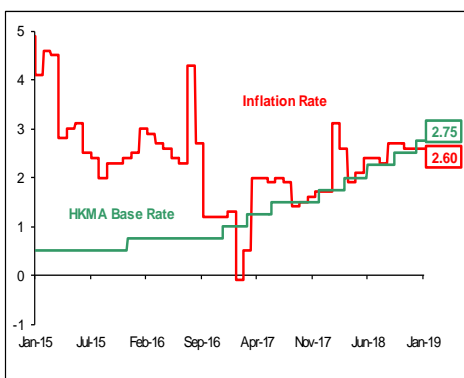
China, People's Rep. of



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

Source: Bloomberg LP.

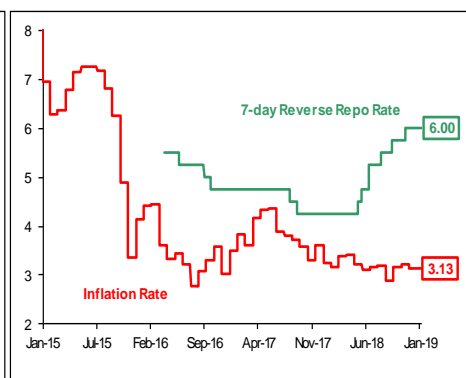
Hong Kong, China



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

Source: Bloomberg LP.

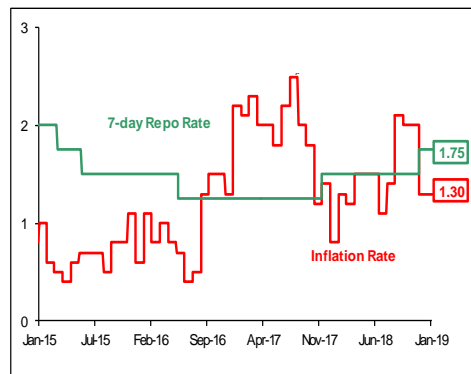
Indonesia



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

Source: Bloomberg LP.

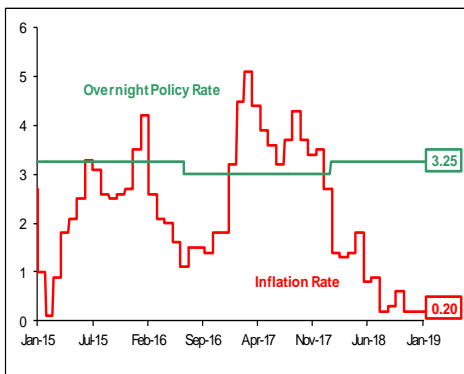
Korea, Republic of



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.

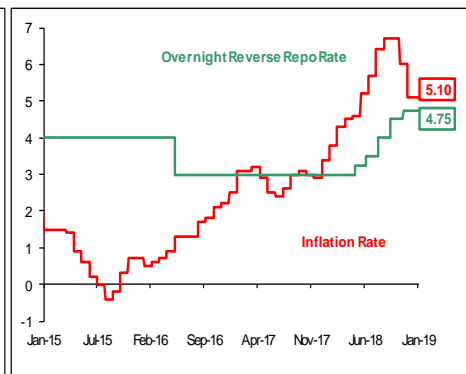
Malaysia



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

Source: Bloomberg LP.

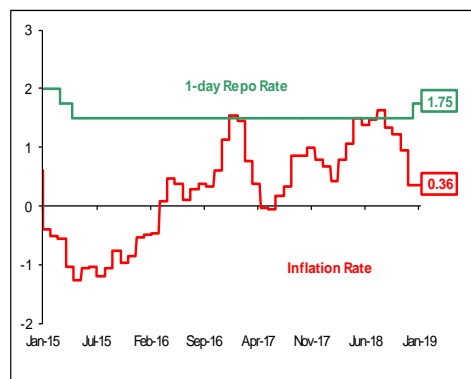
Philippines



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

Source: Bloomberg LP.

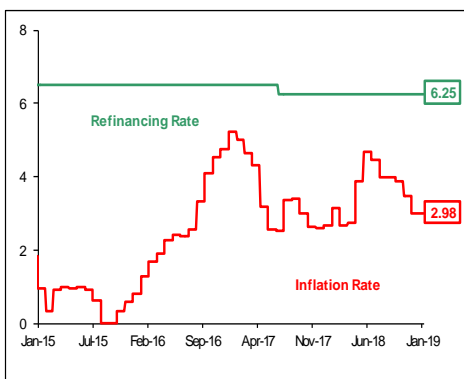
Thailand



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



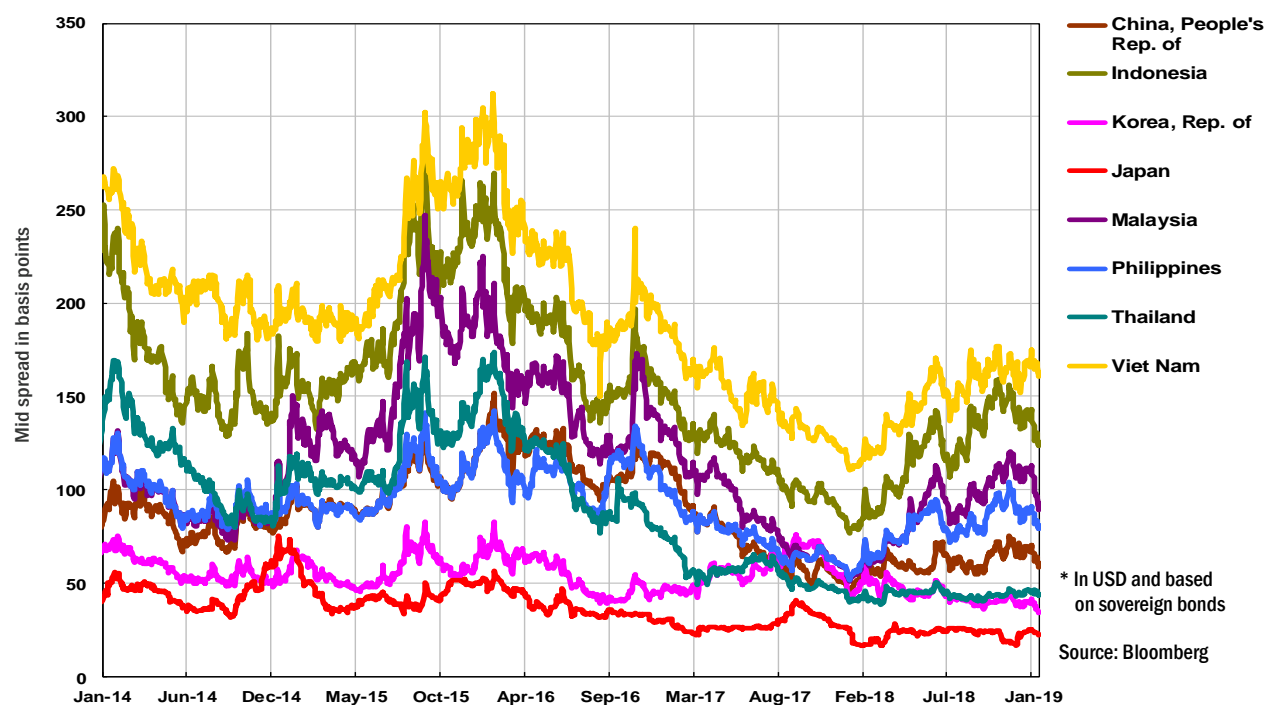
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

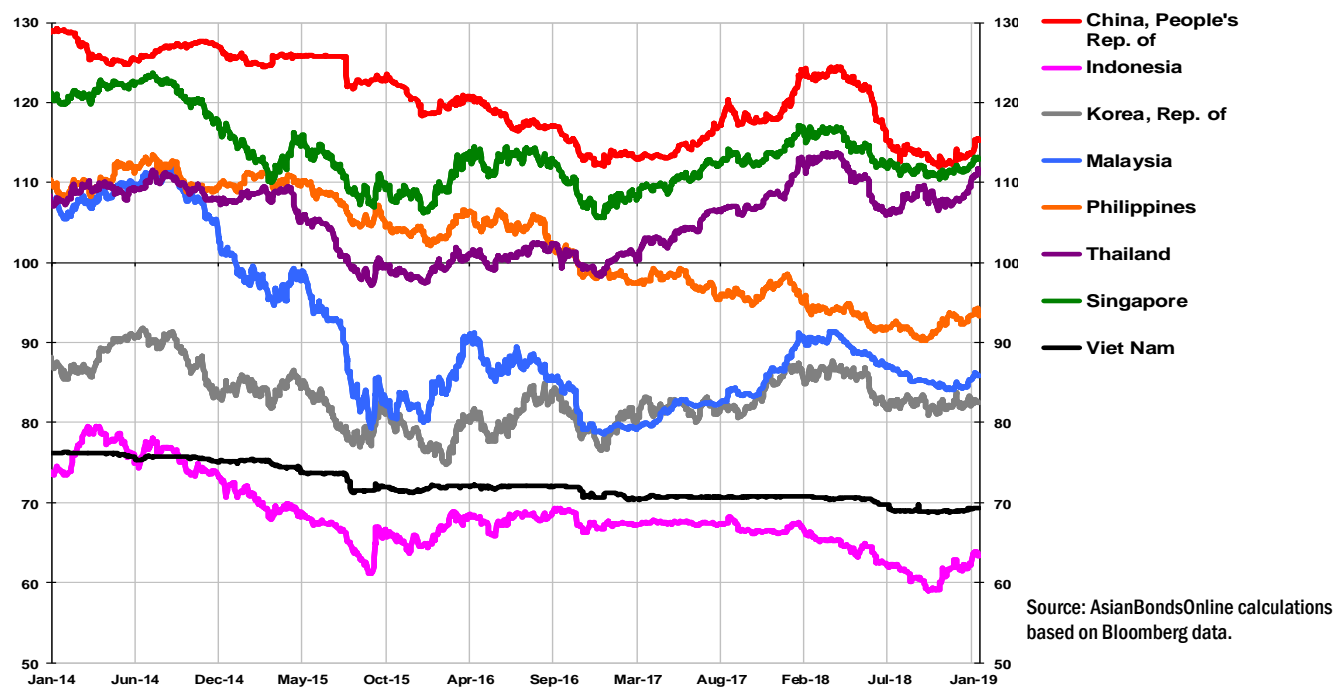
Credit Default Swap Spreads and Exchange Rate Indexes

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 (14 – 18 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	16-Jan	1-year Treasury Bond	2.31	2.31	20.00	20.00
		10-year Treasury Bond	3.03	3.25	20.00	20.00
	18-Jan	91-day Treasury Bill	2.21		10.00	10.00
HK	15-Jan	91-day Exchange Fund Bills	1.38		59.19	59.19
		182-day Exchange Fund Bills	1.65		18.00	18.00
ID	15-Jan	91-day Treasury Bills	5.80			2,000.00
		355-day Treasury Bills	6.05			3,000.00
		5-year Treasury Bonds	7.91	8.13	15,000.00	9,150.00
		10-year Treasury Bonds	8.01	8.25		8,550.00
		15-year Treasury Bonds	8.37	8.38		2,500.00
		20-year Treasury Bonds	8.46	8.38		2,550.00
JP	16-Jan	5-year Government Bonds	-0.14	0.10	2,000.00	2,298.30
	17-Jan	1-year Treasury Discount Bills	-0.18		2,100.00	2,099.99
	18-Jan	3-month Treasury Discount Bills	-0.19		4,340.00	4,339.95
KR	14-Jan	10-year Treasury Bonds	2.00	2.38	1,800.00	1,753.00
MY	14-Jan	7.5-year Malaysian Government Bonds	3.91	3.91	3.50	3.50
	17-Jan	273-day Treasury Bills	3.31		1.50	1.50
PH	14-Jan	91-day Treasury Bills	5.40		6.00	5.21
		182-day Treasury Bills	6.15		6.00	6.00
		364-day Treasury Bills	6.25		11.20	11.20
SG	15-Jan	28-day MAS Bills	1.32		2.40	2.40
		84-day MAS Bills	1.49		6.40	6.40
TH	15-Jan	91-day Bank of Thailand Bills	1.48		45.00	45.00
		182-day Bank of Thailand Bills	1.68		35.00	35.00
		323-day Bank of Thailand Bills	1.75		35.00	40.03
	16-Jan	9.92-year Government Bonds	2.46	2.88	20.00	20.00
	18-Jan	14-day Bank of Thailand Bills	1.55		50.00	49.45
VN	16-Jan	5-year Treasury Bonds	3.82		1,500.00	1,500.00
		10-year Treasury Bonds	4.84		4,500.00	4,500.00
		15-year Treasury Bonds	5.14		4,500.00	4,500.00
		20-year Treasury Bonds	5.60		500.00	500.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (22 – 28 January 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Hong Kong, China CPI y-o-y, % DEC	01/22	11/17: 1.6% 12/17: 1.7% 10/18: 2.7% 11/18: 2.6%	Hong Kong, China's consumer prices rose 2.6% year-on-year (y-o-y) in November after rising 2.7% y-o-y in the previous month.
Republic of Korea GDP—Preliminary y-o-y, % Q4 2018	1/15/201901/22	Q3 2017: 3.8% Q4 2017: 2.8% Q2 2018: 2.8% Q3 2018: 2.0%	The Republic of Korea's gross domestic product (GDP) growth slowed to 2.0% y-o-y in Q3 2018 from 2.8% y-o-y in the previous quarter.
Japan Exports y-o-y, % DEC	01/23	11/17: 16.2% 12/17: 9.4% 10/18: 8.2% 11/18: 0.1%	Japan's exports marginally grew 0.1% y-o-y in November, slower than the growth of 8.2% y-o-y recorded in October.
Japan Trade Balance JPY billion DEC	01/23	11/17: 105.2 12/17: 356.2 10/18: -453.9 11/18: -737.7	Imports overtook exports as Japan posted a trade deficit of JPY737.7 billion in November, up from the JPY453.9 billion deficit in October.
Malaysia CPI y-o-y, % DEC	01/23	11/17: 3.4% 12/17: 3.5% 10/18: 0.6% 11/18: 0.2%	Malaysia's consumer price inflation slowed to 0.2% y-o-y in November from 0.6% y-o-y in October.
Singapore CPI y-o-y, % DEC	01/23	11/17: 0.6% 12/17: 0.4% 10/18: 0.7% 11/18: 0.3%	Singapore's inflation eased to 0.3% y-o-y in November from 0.7% y-o-y in October.
Republic of Korea BOK 7-Day Repo Rate %	01/24	12/17: 1.50% 01/18: 1.50% 11/18: 1.75% 12/18: 1.75%	The Republic of Korea left its key policy rate unchanged in its meeting on 30 November.
Malaysia BNM Overnight Policy Rate %	01/24	12/17: 3.25% 01/18: 3.25% 11/18: 3.25% 12/18: 3.25%	Bank Negara Malaysia maintained its policy rate at 3.25% in its meeting on 8 November.
Philippines GDP y-o-y, % Q4 2018	01/24	Q3 2017: 7.2% Q4 2017: 6.5% Q2 2018: 6.2% Q3 2018: 6.1%	The Philippines' GDP increased 6.1% y-o-y in Q3 2018, which was marginally slower than the 6.2% y-o-y growth rate posted the previous quarter.
Singapore Industrial Production y-o-y, % DEC	01/25	11/17: 6.1% 12/17: -2.4% 10/18: 5.5% 11/18: 7.6%	Industrial production growth in Singapore surged to 7.6% y-o-y in November from 5.5% y-o-y in October.
Viet Nam CPI y-o-y, % JAN	01/25 to 01/31	12/17: 2.6% 01/18: 2.7% 11/18: 3.5% 12/18: 3.0%	Consumer price inflation in Viet Nam slowed to 3.0% y-o-y in December from 3.5% y-o-y in November.
Viet Nam Exports YTD y-o-y, % JAN	01/25 to 01/31	12/17: 21.1% 01/18: 33.1% 11/18: 14.4% 12/18: 13.8%	Export growth in Viet Nam moderated to 13.8% y-o-y in 2018 from 21.1% y-o-y in 2017.
Viet Nam Trade Balance USD million JAN	01/25 to 01/31	12/17: -500 01/18: -300 11/18: -400 12/18: -200	Viet Nam's trade deficit narrowed to USD200 million in December from USD400 million in November.
Viet Nam Industrial Production y-o-y, % JAN	01/25 to 01/31	12/17: 11.2% 01/18: 20.9% 11/18: 9.6% 12/18: 11.4%	Industrial production growth in Viet Nam climbed to 11.4% y-o-y in December from 9.6% y-o-y in November.
Hong Kong, China Exports y-o-y, % DEC	01/28	11/17: 7.8% 12/17: 6.0% 10/18: 14.6% 11/18: -0.8%	Hong Kong, China's exports fell 0.8% y-o-y in November after rising 14.6% y-o-y in October.
Hong Kong, China Trade Balance HKD billion DEC	01/28	11/17: -39.7 12/17: -59.9 10/18: -44.5 11/18: -45.0	Hong Kong, China reported a trade deficit of HKD45 billion in November.

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)

Japan's Industrial Production Growth Slows in November

- [Indices of Industrial Production for November 2018 \(Revised Report\)](#)
Ministry of Economy, Trade and Industry (18 January 2019)

Japan's Inflation Eases in December

- [Japan December 2018](#)
Ministry of Internal Affairs and Communications (18 January 2019)

Bank Indonesia Leaves 7-Day Reverse Repurchase Rate Unchanged at 6.00%

- [BI 7-Day Reverse Repo Rate Held at 6.00%: Strengthening External Resilience, Maintaining Stability](#)
Bank Indonesia (17 January 2019)

The PRC's Exports and Imports Contract in December; Indonesia's Trade Deficit Narrows in December but Posts Record Annual Level in 2018; Singapore's NODX Plummets in December

- [China December Trade Slumps as Trade War, Economic Slowdown Bite](#)
Bloomberg (14 January 2019)
- [Statistics Indonesia - in Bahasa](#)
Badan Pusat Statistik (15 January 2019)
- [Trade Deficit Narrows in December 2018](#)
Bank Indonesia (15 January 2019)
- [Singapore's External Trade — December 2018](#)
Enterprise Singapore (17 January 2019)

The Philippines Posts Balance of Payments Surplus in December

- [Overall BOP Position Posts a Higher Surplus of US\\$2.44 Billion in December 2018](#)
Bangko Sentral ng Pilipinas (18 January 2019)

Malaysia Plans to Sell JPY200 Billion Samurai Bond

- [Malaysia picks Mizuho, HSBC and Daiwa for US\\$1.83b Samurai bond](#)
The Star (18 January 2019)

Net Foreign Bond Investment in the Republic of Korea Remains Positive in December

- [Foreign Investors' Stock and Bond Investment, December 2018](#)
Financial Supervisory Service (14 January 2019)

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