

29 April 2019

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Key Developments in Asian Local Currency Markets

The Bank of Japan (BOJ), during its 24–25 April monetary meeting, left unchanged the key short-term policy rate at 0.10% and the 10-year target yield for Japanese Government Bonds at zero. To support its policy goals, the BOJ also left unchanged the target annual amounts of its asset purchase program for government bonds (JPY80.0 trillion), exchange-traded funds (JPY6.0 trillion), real-estate investment trusts (JPY80.0 billion), commercial paper (JPY2.2 trillion), and corporate bonds (JPY3.2 trillion). In addition, the BOJ provided clarification for its forward guidance for policy rates, saying that it expects to keep interest rates low at least until the first quarter of 2020. The BOJ unveiled additional measures to help its easing program such as expanding the range of available collateral used in its lending program, improving and promoting the use of a special fund to promote bank lending, and easing requirements for the use of its securities lending facility.

On 24–25 April, Bank Indonesia's Board of Governors decided to keep the 7-day reverse repurchase rate steady at 6.0%. The deposit facility rate (5.25%) and the lending facility rate (6.75%) were also held unchanged. Bank Indonesia deemed that, at their current levels, these rates are supportive of efforts to boost economic growth and protect against risks by keeping inflation contained and shrinking the current account deficit. Bank Indonesia also announced several policies to further boost domestic demand.

The Republic of Korea's real gross domestic product (GDP) increased 1.8% year-on-year (y-o-y) in the first quarter of 2019, slowing from 3.1% y-o-y in the fourth quarter of 2018, based on advance estimates from the Bank of Korea. On a quarter-on-quarter basis, the Republic of Korea's economy contracted 0.3% in the first quarter.

Industrial production in Japan fell 0.9% month-on-month in March after gaining 0.7% month-on-month in February. Singapore's industrial production declined 4.8% y-o-y in March, reversing the 2.6% y-o-y growth in February, primarily due to a large decline in the output of the electronics cluster and the continued decline in the output of the precision engineering cluster.

Consumer prices in Hong Kong, China rose 2.1% y-o-y in March, slower than the 2.3% y-o-y average inflation rate in January–February. In Malaysia, consumer price inflation marginally picked up to 0.2% y-o-y in March after registering deflation for 2 consecutive months. Singapore's inflation rate inched up to 0.6% y-o-y in March from 0.5% y-o-y in February due to smaller declines in private road transport and accommodation costs, according to the Ministry of Trade and Industry.

Asia Bond Monitor March 2019

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10-Year Selected LCY Government Security Yields Close of 26 April 2019
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	2.50	-3.43	-6.14	-18.60
EU	-0.02	-1.30	-4.70	-26.40
Japan	-0.04	-0.90	-1.00	-4.30
PRC	3.41	-1.40	2.60	9.50
Hong Kong, China	1.71	10.80	10.80	-29.40
India	7.41	-3.50	-0.80	-0.70
Indonesia	7.78	0.40	19.40	-24.70
Korea, Rep. of	1.88	-0.20	-3.50	-8.10
Malaysia	3.78	-4.10	-12.50	-29.90
Philippines	5.97	0.60	-10.00	-109.20
Singapore	2.19	3.00	3.75	14.68
Thailand	2.45	-0.60	-0.30	-2.90
Viet Nam	4.80	1.40	1.40	-32.80

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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

The Philippines posted a budget deficit of PHP58.4 billion in March on account of government spending reaching PHP287.3 billion against revenue collection of PHP228.9. This brought the cumulative budget deficit in Q1 2019 to PHP90.2 billion, with government spending of PHP778.0 billion and revenue collection of PHP687.7 billion.

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

Summary Text of News Articles

Bank of Japan Leaves Policy Unchanged

The Bank of Japan (BOJ), during its 24–25 April monetary meeting, left unchanged the key short-term policy rate at 0.10% and the 10-year target yield for Japanese Government Bonds at zero. To support its policy goals, the BOJ also left unchanged the target annual amounts of its asset purchase program for government bonds (JPY80.0 trillion), exchange-traded funds (JPY6.0 trillion), real-estate investment trusts (JPY80.0 billion), commercial paper (JPY2.2 trillion), and corporate bonds (JPY3.2 trillion).

In addition, the BOJ provided clarification for its forward guidance for policy rates, saying that it expects to keep its low interest rates at least until the first quarter of 2020. The BOJ unveiled additional measures to help its easing program such as expanding the range of available collateral used in its lending program, improving the use of a special fund to promote bank lending, and easing requirements for the use of its securities lending facility. The BOJ is also considering the establishment of an exchange-traded fund lending facility.

For policy rate data on Japan, refer to this link:

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

Bank Indonesia Leaves Policy Rate Unchanged at 6.0%

On 24–25 April, Bank Indonesia's Board of Governors decided to keep the 7-day reverse repurchase rate steady at 6.0%. The deposit facility rate (5.25%) and the lending facility rate (6.75%) were also held unchanged. Bank Indonesia deemed that, at their current levels, these rates are supportive of efforts to boost economic growth and protect against risks by keeping inflation contained and shrinking the current account deficit. In making its decision, the central bank took note of the slowdown in global economic growth, Indonesia's weakening trade performance, and declining commodity prices.

Bank Indonesia also decided to expand its accommodative policy to help boost domestic demand by (i) increasing liquidity through monetary operations, (ii) enhancing retail payment efficiency, (iii) increasing the supply of nondeliverable forwards, (iv) improving regulation in the money market and foreign exchange market, (v) developing the commercial paper market, and (vi) expanding electrification of social programs.

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

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

GDP Growth Contracts in the Republic of Korea in Q1 2019

The Republic of Korea's real gross domestic product (GDP) increased 1.8% year-on-year (y-o-y) in the first quarter (Q1) of 2019, slowing from 3.1% y-o-y growth in the fourth quarter (Q4) of 2018, based on advance estimates from the Bank of Korea. Exports increased 0.2% y-o-y in Q1 2019 versus a 7.2% y-o-y expansion in Q4 2018. Imports fell 5.4% y-o-y in Q1 2019, reversing the 2.5% y-o-y increase in Q4 2018, while final consumption expenditure growth dropped from 3.6% y-o-y in Q4 2018 to 2.7% y-o-y in Q1 2019. Also, gross fixed capital formation contracted 8.4% y-o-y in Q1 2019. On a quarter-on-quarter basis, economic growth in the Republic of Korea contracted 0.3% in Q1 2019.

Industrial Production Declines in Japan and Singapore in March

Japan's industrial production fell 0.9% month-on-month (m-o-m) in March after gaining 0.7% m-o-m in February. Other measures of output also declined in March, with shipments falling 0.6% m-o-m. Meanwhile, inventories increased 1.6% m-o-m. The largest contributors to the decline in production were motor vehicles, which fell 3.4% m-o-m; production machinery, which fell 6.7% m-o-m; and fabricated metals, which fell 4.4% m-o-m.

Singapore's industrial production declined 4.8% y-o-y in March, reversing the 2.6% y-o-y growth in February, primarily due to a large decline in the output of the electronics cluster, which dipped 15.3% y-o-y in March after marginal growth of 2.8% y-o-y in February, as well as the continued decline in output of the precision engineering cluster, which fell 13.3% y-o-y in March, same pace of decline in February. Output of the chemicals cluster also marginally declined 2.7% y-o-y, reversing the 1.5% y-o-y growth posted in February. Output of all other clusters marginally rose during the period,

Summary Text of News Articles

Industrial Production Declines in Japan and Singapore in March (cont...)

except for the biomedical manufacturing cluster, which further expanded 13.7% y-o-y, following 14.6% y-o-y growth in February. Excluding this cluster, output in the manufacturing sector registered a decline of 8.7% y-o-y in March following marginal growth of 0.3% y-o-y in February.

Inflation Slows in Hong Kong, China in March, Picks Up in Malaysia and Singapore

Consumer prices in Hong Kong, China rose 2.1% y-o-y in March, which was slower than the 2.3% y-o-y average inflation rate for January–February. (The comparison to the average of the previous 2 months neutralizes the effect of fluctuations in prices due to the difference in the timing of the Lunar New Year in 2019 versus 2018.) Net of the effects of the government's one-off relief measures, the underlying inflation rate stood at 2.6% y-o-y in March, down from an average of 2.8% y-o-y in January–February. The slowdown in price increases was mainly due to smaller increases in package tour charges with the late arrival of the Easter holiday, which started in mid-April in 2019 versus late-March in 2018. Larger decreases in charges for information and communication services also contributed to the slowdown.

Malaysia's consumer price inflation marginally picked up by 0.2% y-o-y in March after registering deflation for 2 consecutive months. The price growth was contributed to by food and nonalcoholic beverages; furnishings, household equipment, and routine household maintenance; alcoholic beverages and tobacco; restaurants and hotels; housing; water, electricity, gas and other fuels; and education. The first two groups recorded faster y-o-y increase in March than in February. The remaining Consumer Price Index components registered price declines, led by the transport and clothing and footwear groups. On a m-o-m basis, inflation was 0.2%, unchanged from February. Core inflation, which excludes volatile items such as fresh food and the administered prices of goods and services, was 0.5% y-o-y in March, up from 0.3% y-o-y in February.

Singapore's inflation rate inched up to 0.6% y-o-y in March from 0.5% y-o-y in February due to smaller declines in private road transport and accommodation costs, according to the Ministry of Trade and Industry. Private road transport costs dropped 0.9% y-o-y in March from 2.3% y-o-y in February on account of a gradual decline in car prices and a rise in petrol prices, while declines in housing rentals caused accommodation costs to fall 1.4% y-o-y in March versus 1.6% y-o-y in February. Core inflation, on the other hand, eased to 1.4% y-o-y in March from 1.5% y-o-y in February as smaller increases in the costs of retail items and electricity and gas outweighed larger increases in prices of food and services. The dampening effect of the Open Electricity Market Scheme led electricity prices downward during the period.

For inflation trends in Hong Kong, China, refer to this link:

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

For inflation trends in Malaysia, refer to this link:

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

For inflation trends in Singapore, refer to this link:

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

The Philippines Posts a Budget Deficit in March

The Philippines posted a budget deficit of PHP58.4 billion in March on account of government spending reaching PHP287.3 billion against revenue collection of PHP228.9 billion. This brought the cumulative budget deficit in Q1 2019 to PHP90.2 billion, with government spending reaching PHP778.0 billion versus revenue collection of PHP687.7 billion. Compared with the same period in 2018, the budget deficit narrowed 47% y-o-y in March and 41% y-o-y in Q1 2019.

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	-0.30	-0.25		5.42
EU	-0.54	-0.80	-3.70		26.50
Japan	-0.17	-0.03	1.49		-1.73
PRC	2.19	0.00	0.00		-64.30
Hong Kong, China	1.98	23.00	10.00		23.00
Indonesia	7.21	-0.34	-0.73		-48.93
Korea, Rep. of	1.74	0.00	-0.70		-0.20
Malaysia	3.28	0.70	0.00		-0.50
Philippines	5.73	-0.10	4.10		-4.40
Singapore	1.98	0.00	-1.00		-10.10
Thailand	1.70	0.00	0.59		9.06

Close of 26 April 2019

10-Year Selected LCY Government Bond Yields

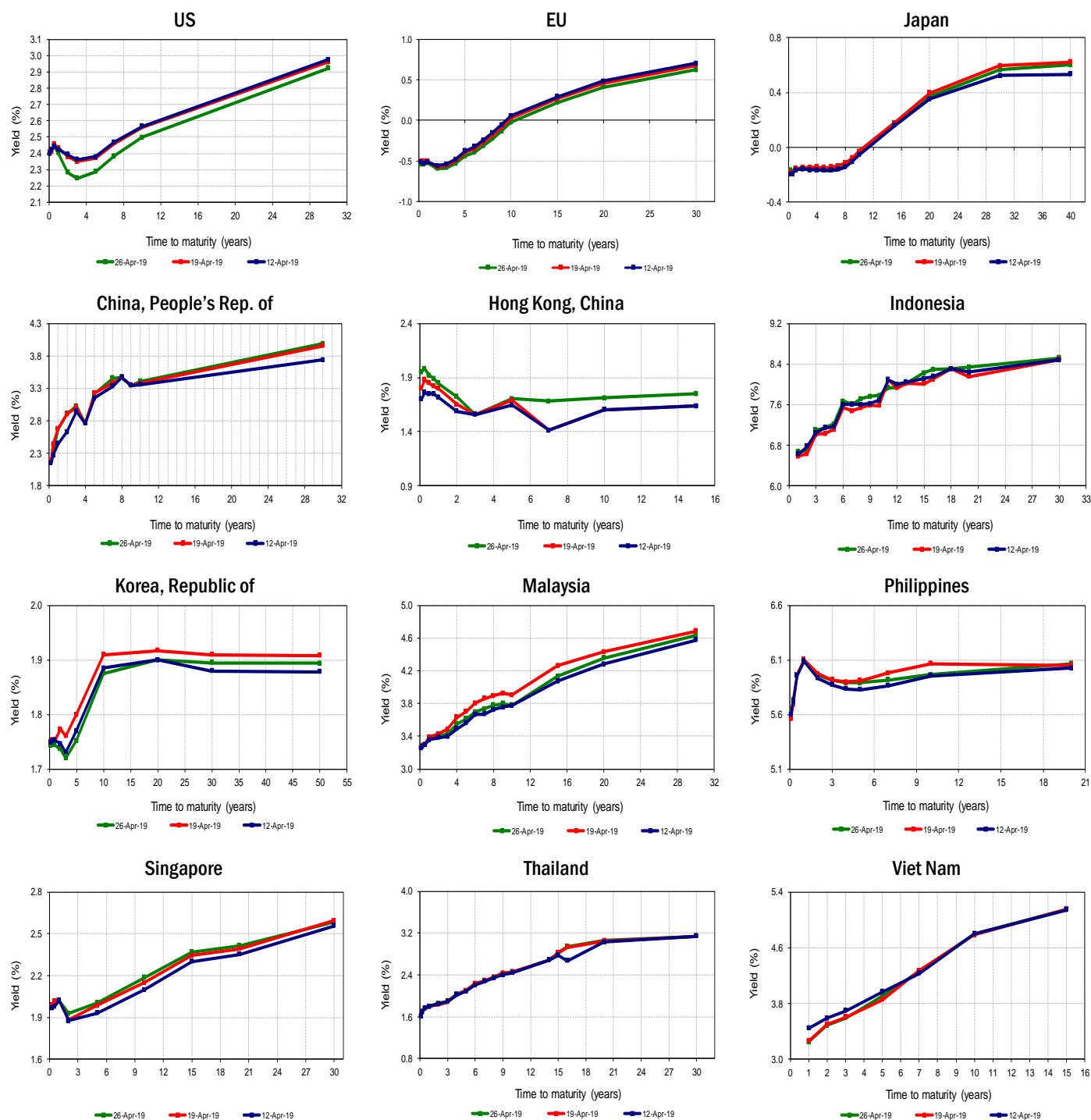
Markets	Latest Closing	basis point change from			1-Jan-19*
		Previous Day*	Previous Week*		
US	2.50	-3.43	-6.14		-18.60
EU	-0.02	-1.30	-4.70		-26.40
Japan	-0.04	-0.90	-1.00		-4.30
PRC	3.41	-1.40	2.60		9.50
Hong Kong, China	1.71	10.80	10.80		-29.40
India	7.41	-3.50	-0.80		-0.70
Indonesia	7.78	0.40	19.40		-24.70
Korea, Rep. of	1.88	-0.20	-3.50		-8.10
Malaysia	3.78	-4.10	-12.50		-29.90
Philippines	5.97	0.60	-10.00		-109.20
Singapore	2.19	3.00	3.75		14.68
Thailand	2.45	-0.60	-0.30		-2.90
Viet Nam	4.80	1.40	1.40		-32.80

Close of 26 April 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

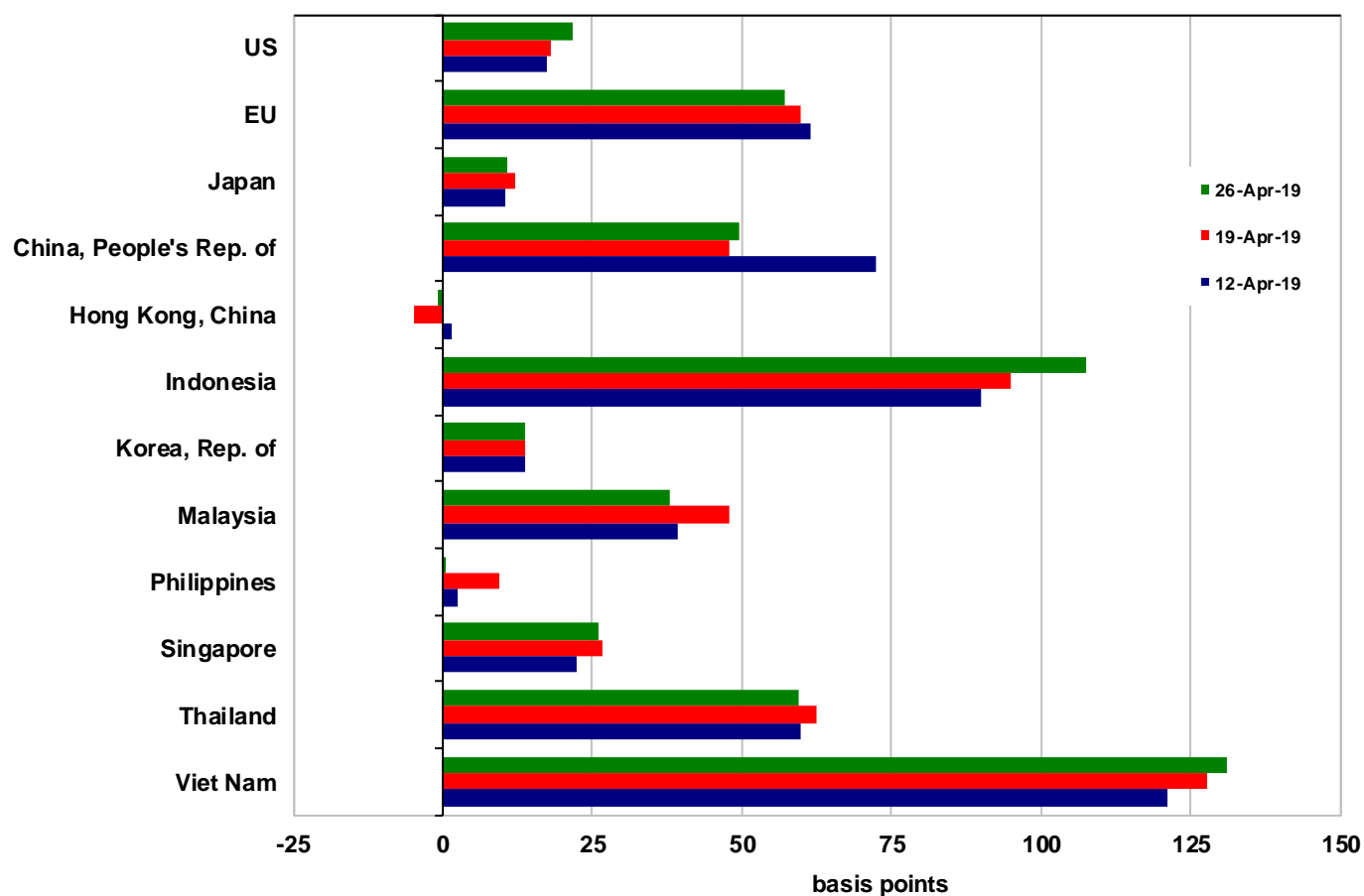


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg.

2- versus 10- Year Yield Spread Chart

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



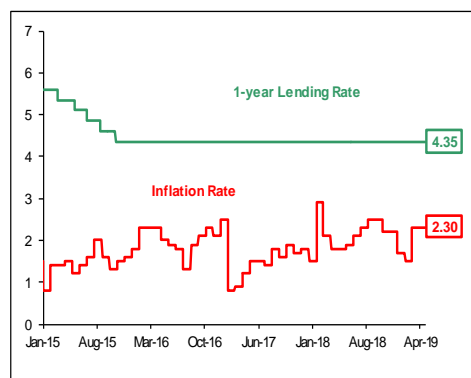
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

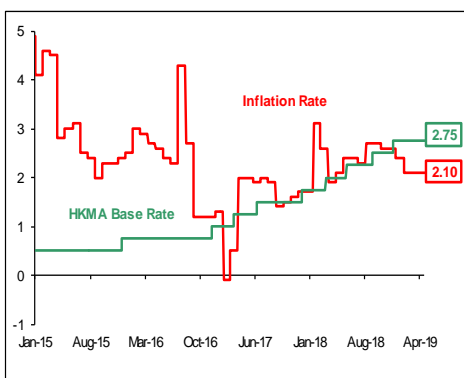
China, People's Rep. of



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

Source: Bloomberg LP.

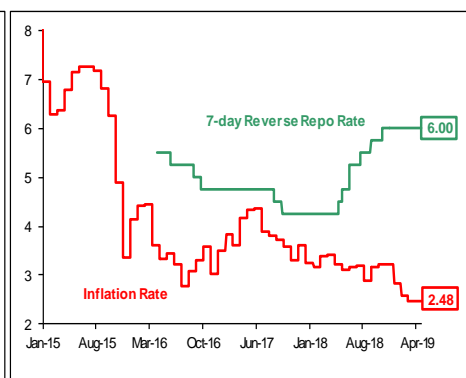
Hong Kong, China



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

Source: Bloomberg LP.

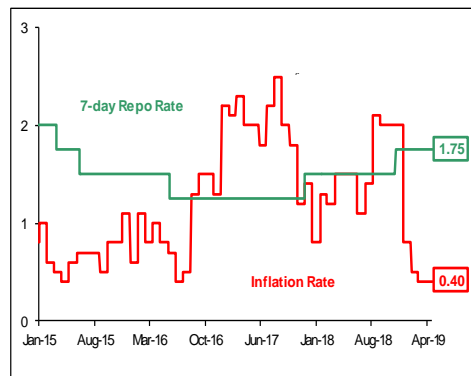
Indonesia



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

Source: Bloomberg, LP.

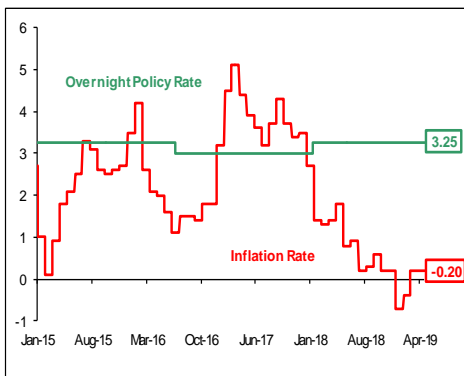
Korea, Republic of



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.

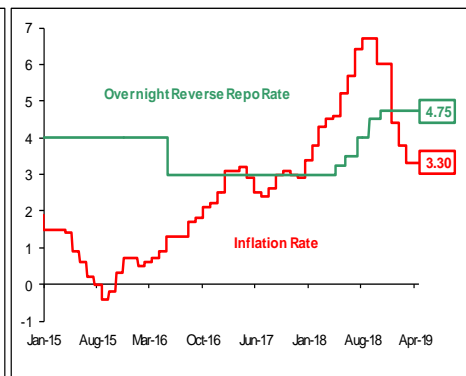
Malaysia



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

Source: Bloomberg LP.

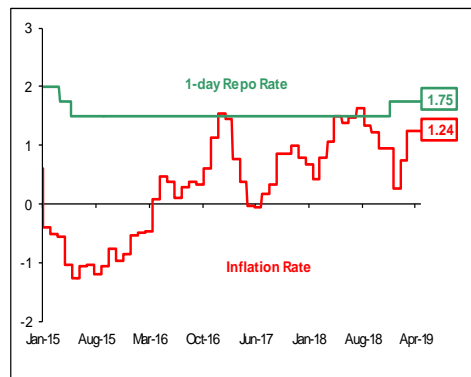
Philippines



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

Source: Bloomberg LP.

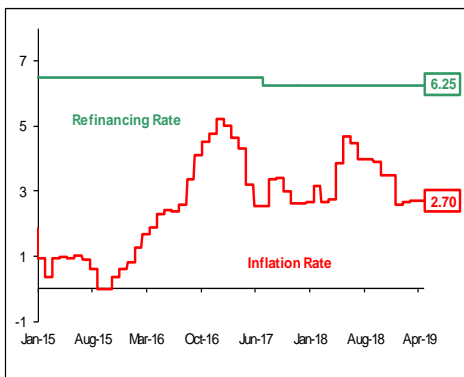
Thailand



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



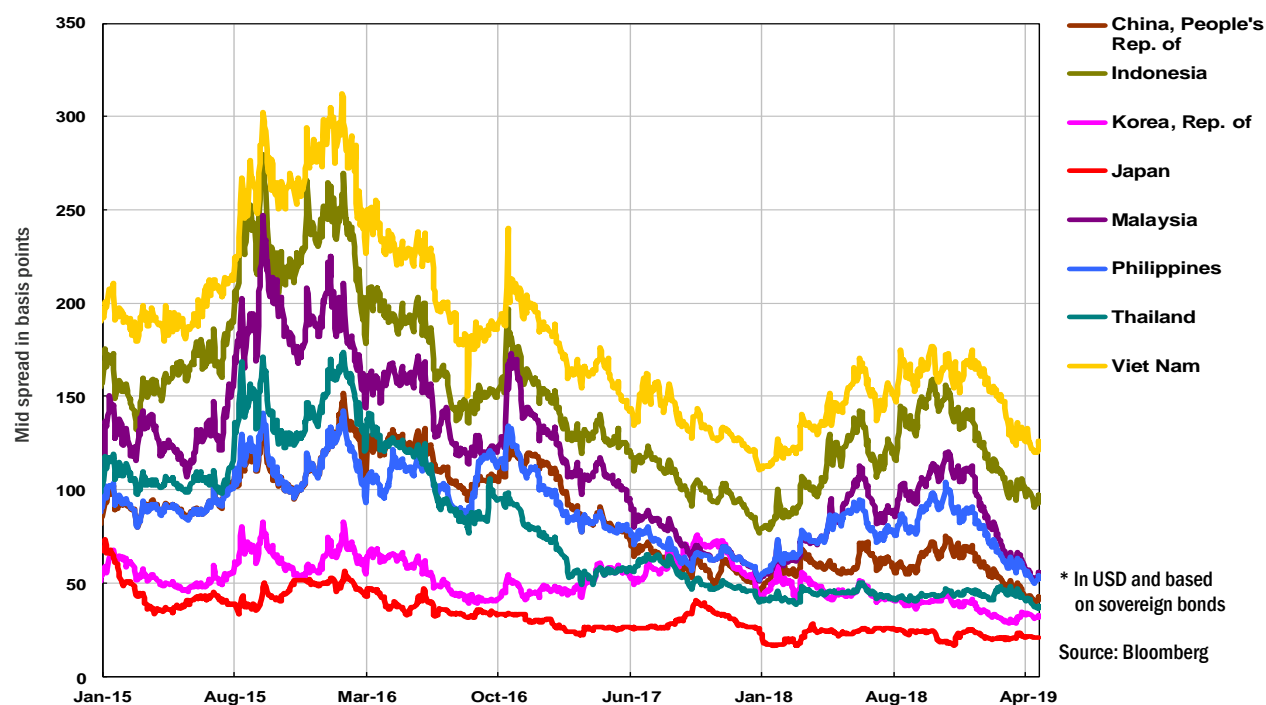
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

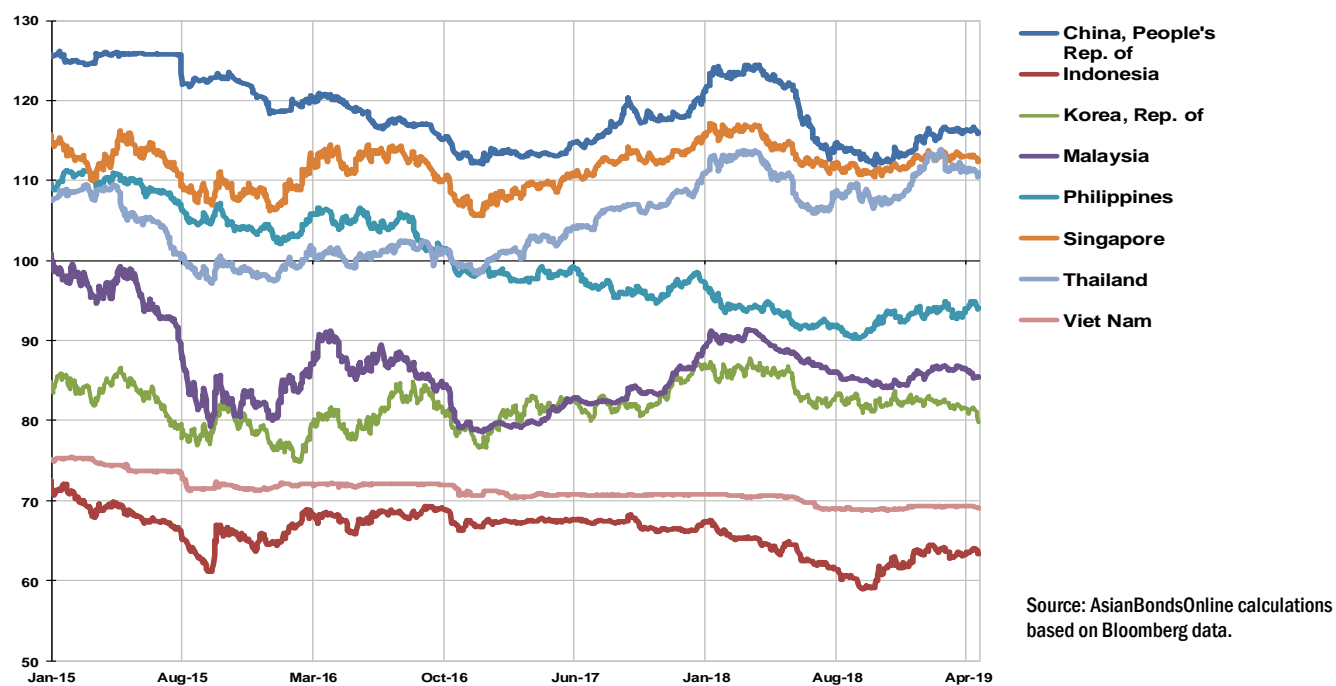
Credit Default Swap Spreads and Exchange Rate Indexes

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 (22 – 26 April 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)
HK	24-Apr	91-day Exchange Fund Bills	1.97		58.95	58.95
		182-day Exchange Fund Bills	1.92		17.00	17.00
ID	23-Apr	3-month Treasury Bills	5.82			950.00
		9-month Treasury Bills	5.97			2,000.00
		5-year Treasury Bonds	7.08	8.13		5,600.00
		10-year Treasury Bonds	7.63	8.25	15,000.00	6,000.00
		15-year Treasury Bonds	8.07	8.38		4,000.00
		20-year Treasury Bonds	8.22	8.38		3,900.00
		29-year Treasury Bonds	8.48	7.38		950.00
JP	23-Apr	2-year Japan Government Bonds	-0.15	0.10	2,000.00	1,999.10
KR	22-Apr	91-day Financial Bills	1.75		480.00	480.00
PH	22-Apr	91-day Treasury Bills	5.61		4.00	4.00
		182-day Treasury Bills	6.00		5.00	3.10
SG	23-Apr	28-day MAS Bills	1.56		2.80	2.80
		84-day MAS Bills	1.52		6.30	6.30
TH	23-Apr	91-day Bank of Thailand Bills	1.69		45.00	45.00
		182-day Bank of Thailand Bills	1.76		45.00	45.00
		364-day Bank of Thailand Bills	1.80		40.00	40.00
	24-Apr	4-year Treasury Bonds	2.12	2.40	30.00	30.00
		27-year Treasury Bonds	3.19	2.88	6.00	6.00
	26-Apr	14-day Treasury Bills	1.71		50.00	50.00
		3-year Bank of Thailand Bonds	1.83	1.77	15.00	15.00
VN	24-Apr	7-year Treasury Bonds	4.05		500.00	200.00
		10-year Treasury Bonds	4.72		1,500.00	2,250.00
		15-year Treasury Bonds	5.06		1,500.00	2,050.00
		20-year Treasury Bonds	5.69		500.00	625.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (30 April – 6 May 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
People's Republic of China Manufacturing PMI Index APR	04/30	03/18: 51.5 04/18: 51.4 02/19: 49.2 03/19: 50.5	The People's Republic of China's (PRC) manufacturing Purchasing Managers Index (PMI) rose slightly to 50.5 in March from 49.2 in February.
Republic of Korea Industrial Production y-o-y, % MAR	04/30	02/18: -6.8 % 03/18: -3.9% 01/19: 1.0% 02/19: -2.7%	The Republic of Korea's industrial production fell 2.7% year-on-year (y-o-y) in February after gaining 1.0% y-o-y in January.
Republic of Korea Exports y-o-y, % APR	04/30	03/18: 6.1% 04/18: -1.5% 02/19: -11.4% 03/19: -8.2%	The Republic of Korea's exports fell 8.2% y-o-y in March after a much larger decline of 11.4% y-o-y in February.
Thailand Exports y-o-y, % MAR	04/30	02/18: 8.7% 03/18: 7.5% 01/19: -4.8% 02/19: -1.7%	Thailand's export growth remained negative at 1.7% y-o-y in February, although it improved from a decline of 4.8% y-o-y in January.
Thailand BOP Current Account Balance USD million MAR	04/30	02/18: 5,711 03/18: 5,504 01/19: 2,012 02/19: 6,505	The smaller decline in Thailand's exports resulted in a larger current account surplus in February of USD6.5 billion compared with USD2.0 billion in January.
Thailand CPI y-o-y, % APR	05/01	03/18: 0.8% 04/18: 1.1% 02/19: 0.7% 03/19: 1.2%	Consumer price inflation in Thailand picked up to 1.2% y-o-y in March from 0.7% y-o-y in February.
Hong Kong, China GDP y-o-y, % Q1 2019	05/02	Q4 2017: 3.5% Q1 2018: 4.6% Q3 2018: 2.8% Q4 2018: 1.3%	Hong Kong, China's gross domestic product (GDP) grew 1.3% y-o-y in Q4 2018 after a rise of 2.8% y-o-y in the previous quarter.
Indonesia CPI y-o-y, % APR	05/02	03/18: 3.4% 04/18: 3.4% 02/19: 2.6% 03/19: 2.5%	Indonesia's consumer price inflation was relatively unchanged at 2.5% y-o-y in March from 2.6% y-o-y in February.
Republic of Korea CPI y-o-y, % APR	05/02	03/18: 1.2% 04/18: 1.5% 02/19: 0.5% 03/19: 0.4 %	The Republic of Korea's consumer prices rose 0.4% y-o-y in March after rising 0.5% y-o-y in February.
Malaysia Exports y-o-y, % MAR	05/03	02/18: 1.3% 03/18: 1.2% 01/19: 0.5% 02/19: 0.4%	Malaysia's export growth slightly slowed to 0.4% y-o-y in February from 0.5% y-o-y in January.
Singapore PMI index APR	05/03	03/18: 53.0 04/18: 52.9 02/19: 50.4 03/19: 50.8	Singapore's PMI rose to 50.8 in March from 50.4 in February.
Indonesia GDP y-o-y, % Q1 2019	05/06	Q4 2017: 5.2% Q1 2018: 5.1% Q3 2018: 5.2% Q4 2018: 5.2%	Indonesia's GDP growth rate for Q4 2018 was unchanged from the previous quarter at 5.2% y-o-y.

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)

Bank of Japan Leaves Policy Unchanged

- [Statement on Monetary Policy](#)
Bank of Japan (25 April 2019)

Bank Indonesia Leaves Policy Rate Unchanged at 6.00%

- [BI 7-Day Reverse Repo Rate Held at 6.00%: Strengthening External Stability, Promoting Economic Growth Momentum](#)
Bank Indonesia (25 April 2019)

GDP Growth Contracts in the Republic of Korea in Q1 2019

- [Real Gross Domestic Product: 1st Quarter of 2019 \(Advance Estimate\)](#)
The Bank of Korea (25 April 2019)

Industrial Production Declines in Japan and Singapore in March

- [Indices of Industrial Production for March, 2019 \(Preliminary Report\)](#)
Ministry of Economy, Trade and Industry (26 April 2019)
- [Monthly Manufacturing Performance – March 2019](#)
Singapore Economic Development Board (26 April 2019)

Inflation Slows in Hong Kong, China in March, Picks Up in Malaysia and Singapore

- [Consumer Price Indices for March 2019](#)
Census and Statistics Department (23 April 2019)
- [Consumer Price Index Malaysia March 2019](#)
Department of Statistics Malaysia (24 April 2019)
- [Consumer Price Developments in March 2019](#)
Ministry of Trade and Industry (23 April 2019)

The Philippines Posts a Budget Deficit in March

- [NG Posts P58.4 Billion Fiscal Deficit in March 2019, Q1 Fiscal Deficit Down 41% Against 2018](#)
Bureau of the Treasury (25 April 2019)

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