

10 June 2019

asianbondsonline.adb.org

## Key Developments in Asian Local Currency Markets

In a speech at a conference held at the Federal Reserve Bank of Chicago last week, United States (US) Federal Reserve Chairman Jerome Powell stated that recent developments regarding the trade dispute between the US and the People's Republic of China, and more recently Mexico, are being closely monitored by the Federal Reserve and their outcome is uncertain. He also mentioned that the Federal Reserve is ready to act in "an appropriate manner to sustain the expansion." Market participants have interpreted this as a more dovish shift in the US' monetary policy stance and this has increased speculation that the Federal Reserve may cut interest rates this year.

➤ The Republic of Korea's gross domestic product grew 1.7% year-on-year (y-o-y) in the first quarter of 2019, moderating from 2.8% y-o-y growth in the same quarter last year. Among industries, electricity, gas, and water supply registered the fastest growth at 6.8% y-o-y, followed by services at 2.3% y-o-y; both growth rates were slower than in the same period in the previous year. Manufacturing slowed due to reduced production of electronics. Construction declined 7.0% y-o-y because of weak private construction.

➤ Consumer price inflation in the Republic of Korea slightly rose to 0.7% y-o-y in April from 0.6% y-o-y in March, primarily due to higher costs of food and nonalcoholic beverages, and hotel and restaurants. Prices of basic goods and services in the Philippines increased 3.2% y-o-y in May, up from the 3.0% y-o-y consumer price inflation recorded in April, due to higher prices of food and nonalcoholic beverages. Thailand's inflation rose 1.15% y-o-y in May, easing slightly from the 1.23% y-o-y uptick recorded in April, driven primarily by increases in prices of fresh vegetables and fruits.

➤ Malaysia's trade surplus eased to MYR10.9 billion in April from MYR14.4 billion in March. Exports grew 1.1% y-o-y in March while imports rose 4.4% y-o-y. The Republic of Korea's exports contracted 9.4% y-o-y to USD45.9 billion in May due to lower export prices amid the intensified trade dispute between the US and the PRC, and the slowing Chinese economy. Imports, likewise, contracted 1.9% y-o-y to USD43.6 billion in May, resulting in a narrowing of the trade surplus to USD2.3 billion in May from USD4.0 billion in April.

➤ The Republic of Korea's current account registered a deficit of USD0.7 billion in April, a turnaround from the USD1.4 billion surplus posted in the same period a year earlier and from the USD4.8 billion surplus in March.

### Asia Bond Monitor March 2019

[read more](#)

#### 10-Year Selected LCY Government Security Yields Close of 7 June 2019

basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	2.08	-3.65	-4.37	-60.33
EU	-0.26	-1.80	-5.50	-49.90
Japan	-0.12	0.00	-2.60	-12.30
PRC	3.25	0.00	-4.10	-5.60
Hong Kong, China	1.59	0.00	-4.00	-41.30
India	6.97	4.10	-5.80	-44.40
Indonesia	7.96	0.00	0.00	-6.30
Korea, Rep. of	1.66	0.50	-1.40	-30.10
Malaysia	3.70	-1.30	-9.50	-37.80
Philippines	5.22	-5.00	-33.10	-184.00
Singapore	2.03	-0.50	-5.53	-0.60
Thailand	2.23	1.80	-13.10	-25.10
Viet Nam	4.69	-1.70	-6.00	-43.70

TABLES & GRAPHS

- 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

➤ Singapore's manufacturing industry contracted for the first time in 32 months as evidenced by a decline in the Purchasing Managers Index to 49.9 in May from 50.3 in April, which was weighed down by the continued contraction of the electronics cluster.

➤ Hong Kong, China's foreign reserves amounted to USD437.8 billion at the end of May, expanding from USD436.4 billion at the end of April. The foreign reserves accounted for 45% of the Hong Kong dollar M3 money supply and represented seven times the amount of currency in circulation.

➤ Last week, local currency bond yields fell for all tenors in the Republic of Korea, Malaysia, the Philippines, Singapore, and Vietnam and for most tenors in and Thailand and Hong Kong, China, following the decline in US yields. Yield movements were mixed in the PRC, while there were no market activities in Indonesia due to a week-long Eid-al-Fitr holiday. The 2-year versus 10-year spread narrowed in most markets except for Hong Kong, China; the Republic of Korea, and Singapore.

## Summary Text of News Articles

### Federal Reserve Chairman Suggests Possible Interest Rate Cut

The United States (US) Federal Reserve Chairman Jerome Powell gave the opening remarks at a conference at the Federal Reserve Bank of Chicago last week. During the speech, he provided a brief update indicating that recent developments in the trade dispute between the US and the People's Republic of China (PRC), and more recently Mexico, are being closely monitored by the Federal Reserve and that the outcome is uncertain. He also said that the Federal Reserve is ready to act in "an appropriate manner to sustain the expansion." Market participants have interpreted this as a more dovish shift in the US' monetary policy stance, which has increased speculation that the Federal Reserve may cut interest rates this year.

### The Republic of Korea's Economic Growth Moderates in Q1 2019

The Republic of Korea's gross domestic product grew 1.7% year-on-year (y-o-y) in the first quarter (Q1) of 2019, moderating from 2.8% y-o-y growth in Q1 2018. Among industries, electricity, gas, and water supply registered the fastest growth at 6.8% y-o-y. Services rose 2.3% y-o-y, driven by growth in information and finance services. Manufacturing slowed due to the lower production of electronics. Construction declined 7.0% y-o-y because of weak private construction. On the expenditure side, private consumption grew 1.9% y-o-y in Q1 2019, driven by an increase in the consumption of durable goods. Government consumption rose 5.5% y-o-y, with increased spending in health care benefits.

### Inflation Rises in May in the Republic of Korea, the Philippines, and Thailand

Consumer price inflation in the Republic of Korea slightly rose to 0.7% y-o-y in May from 0.6% y-o-y in April. The increase in inflation was primarily due to higher costs of food and nonalcoholic beverages, and hotel and restaurants, which rose 1.9% y-o-y and 1.8% y-o-y in May, respectively. The prices of housing, water, electricity, gas, and other fuels increased 1.1% y-o-y, while transport costs dropped slightly by 0.6% y-o-y. On a month-on-month (m-o-m) basis, consumer prices in the Republic of Korea slightly increased by 0.2% in May.

Prices of basic goods and services in the Philippines increased 3.2% y-o-y in May, up from the 3.0% y-o-y consumer price inflation recorded in April. Prices of food and nonalcoholic beverages grew 3.4% y-o-y, compared with 3.0% y-o-y growth posted in the previous month, due to increases in the cost of fish, fruits, and vegetables brought about by the dry weather. The cost of housing, water, electricity, gas, and other fuels edged up 3.3% y-o-y in May from 3.2% y-o-y in April. These were partially offset by the deceleration of price growth in alcoholic beverages and tobacco, transport, and restaurants, and miscellaneous goods and services. Average consumer price inflation for the January–May period was 3.6% y-o-y, well within the central bank's full-year 2019 target range of 2.0%–4.0%. Core inflation, which excludes volatile items such as food and energy, slightly picked up to 3.5% y-o-y from 3.4% y-o-y in the previous month.

Thailand's inflation rose 1.15% y-o-y in May, easing slightly from the 1.23% y-o-y uptick recorded in April. The rise was driven primarily by increases in prices of fresh vegetables and fruits, whose prices rose 11.1% y-o-y on a reduced supply caused by dry and hot weather. The cost of rice and cereal rose 3.7% y-o-y, while the prices of meat, poultry, and fish increased 3.3% y-o-y. The cost of transportation increased more modestly, up 0.1% y-o-y, while energy costs dropped 0.5% y-o-y. On a m-o-m basis, the Consumer Price Index rose 0.48% in May, following a 0.44% increase in April. The core CPI increased 0.54% y-o-y in May, up slightly from 0.44% m-o-m in April. For the first 5 months of the year, headline inflation averaged 0.9%.

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

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

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

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

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

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

---

**Summary Text of News Articles**

---

**Trade Surpluses Narrow in the Republic of Korea and Malaysia in May**

The Republic of Korea's exports contracted 9.4% y-o-y to USD45.9 billion in May, decelerating from a 2.0% y-o-y decline in April. The sharp decline in exports was due to lower export prices amid intensified trade dispute between the US and the PRC, and the slowing Chinese economy. The sluggish semiconductor industry also contributed to the poor performance of exports during the period. Exports to the PRC and member countries of the Association of South East Asian Nations weakened. Imports, likewise, contracted 1.9% y-o-y to USD43.6 billion in May, reversing expansion of 2.4% y-o-y in April, resulting in a narrowing of the trade surplus to USD2.3 billion in May from USD4.0 billion in April.

Malaysia's trade surplus eased to MYR10.9 billion in April from MYR14.4 billion in March. Both exports and imports rebounded from their decline in the previous month. Exports grew 1.1% y-o-y after contracting 0.5% y-o-y in March. Exports of electrical and electronic products expanded 3.9% y-o-y, a reversal from 1.9% y-o-y decrease in the previous month. The growth of exported refined petroleum products accelerated due to increases in the average unit value and export volume. Imports, on the other hand, were up 4.4% y-o-y, coming from a decrease of 0.1% y-o-y in March. Imports of capital goods grew, reversing the decline experienced in the previous month, while imports of intermediate and consumption goods grew further.

**The Republic of Korea Posts a Current Account Deficit in April**

The Republic of Korea's current account registered deficit of USD0.7 billion in April, a turnaround from the USD1.4 billion surplus posted in the same period a year earlier and from the USD4.8 billion surplus in March. Compared with the surplus from a year earlier, the current account deficit in April resulted from a smaller goods trade surplus amid weak exports and imports. The services account deficit narrowed to USD1.4 billion in April from USD2.0 billion in April 2018 due to improvements in the travel and transport accounts. The primary income deficit narrowed to USD4.3 billion in April as payments of dividends decreased, while the secondary income account deficit fell to USD0.6 billion. The financial account posted a surplus of USD0.4 billion in April, owing to higher direct and portfolio investment assets, as well as improvement in financial derivatives.

**Singapore's Manufacturing Sector Contracts in May**

Singapore's Purchasing Managers Index (PMI) fell to 49.9 in May from 50.3 in April. It was the first time in 32 months that output in the manufacturing industry declined. (A PMI below 50 indicates contraction in the manufacturing industry, while a value above 50 signifies expansion.) The key electronics cluster decreased further, posting a PMI of 49.4 in May versus 49.5 in the previous month. It was the seventh consecutive month that the sector has contracted. Also contributing to the decline was the slower expansion of factory output, inventory, new exports, and stocks of finished goods. The ongoing trade war between the PRC and the US widely affected the sentiments of manufacturers not only in Singapore, but also across the entire Asia and the Pacific region.

## 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	2.27	-3.90	-7.33		-8.83
EU	-0.54	0.20		0.30	26.70
Japan	-0.14	1.46		1.95	1.26
PRC	2.31	0.00		0.00	-52.10
Hong Kong, China	1.82	7.00	-6.00		7.00
Indonesia	7.24	0.00		0.00	-46.07
Korea, Rep. of	1.58	-0.70	-4.40		-17.00
Malaysia	3.11	-0.20	-0.70		-17.10
Philippines	5.04	-7.60	-25.60		-73.40
Singapore	2.01	-1.30	-4.00		-7.00
Thailand	1.73	0.23		0.02	11.91

Close of 7 June 2019

### 10-Year Selected LCY Government Bond Yields

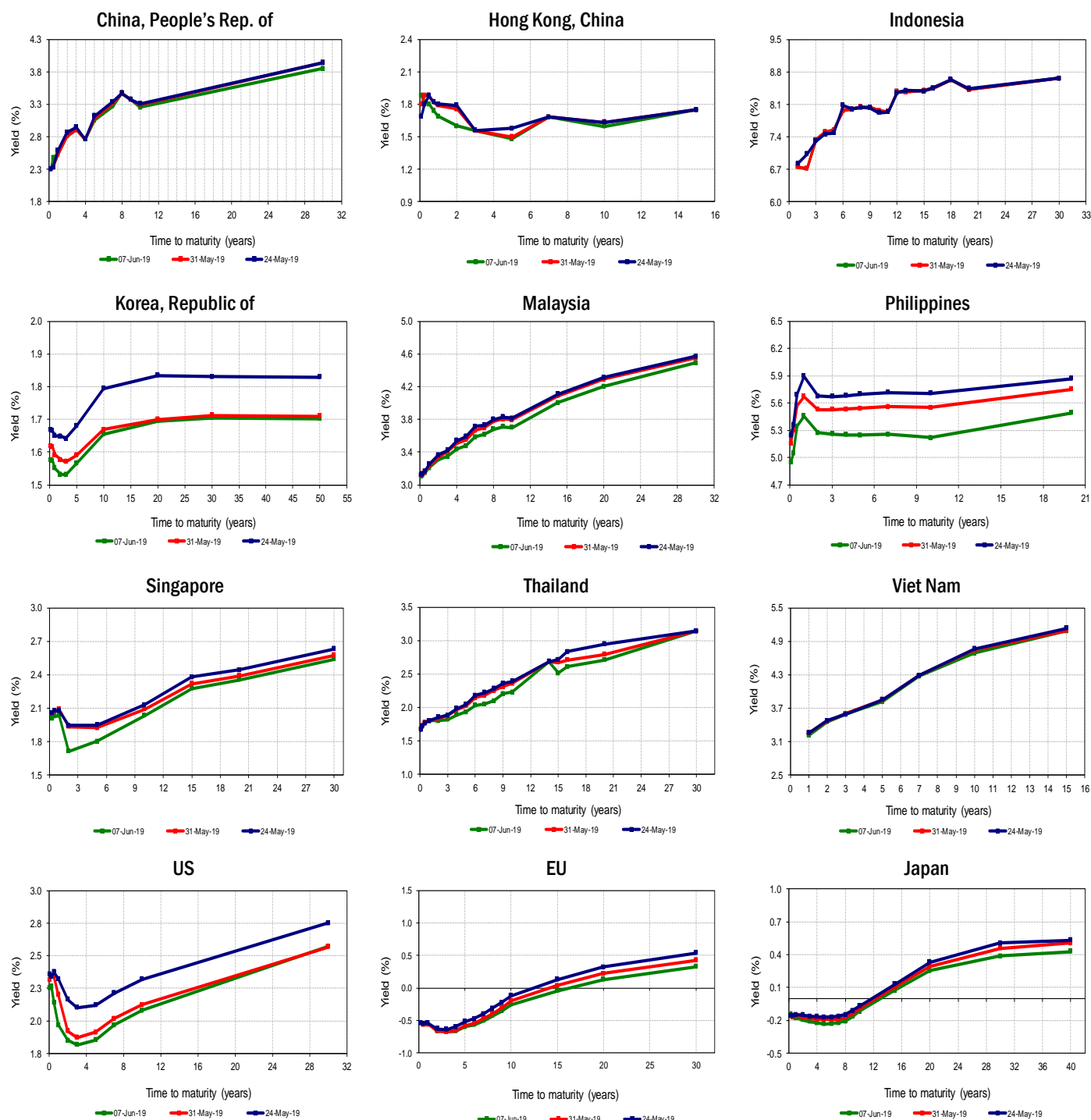
Markets	Latest Closing	basis point change from			1-Jan-19*
		Previous Day*	Previous Week*		
US	2.08	-3.65	-4.37		-60.33
EU	-0.26	-1.80	-5.50		-49.90
Japan	-0.12	0.00	-2.60		-12.30
PRC	3.25	0.00	-4.10		-5.60
Hong Kong, China	1.59	0.00	-4.00		-41.30
India	6.97	4.10	-5.80		-44.40
Indonesia	7.96	0.00		0.00	-6.30
Korea, Rep. of	1.66	0.50	-1.40		-30.10
Malaysia	3.70	-1.30	-9.50		-37.80
Philippines	5.22	-5.00	-33.10		-184.00
Singapore	2.03	-0.50	-5.53		-0.60
Thailand	2.23	1.80	-13.10		-25.10
Viet Nam	4.69	-1.70	-6.00		-43.70

Close of 7 June 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

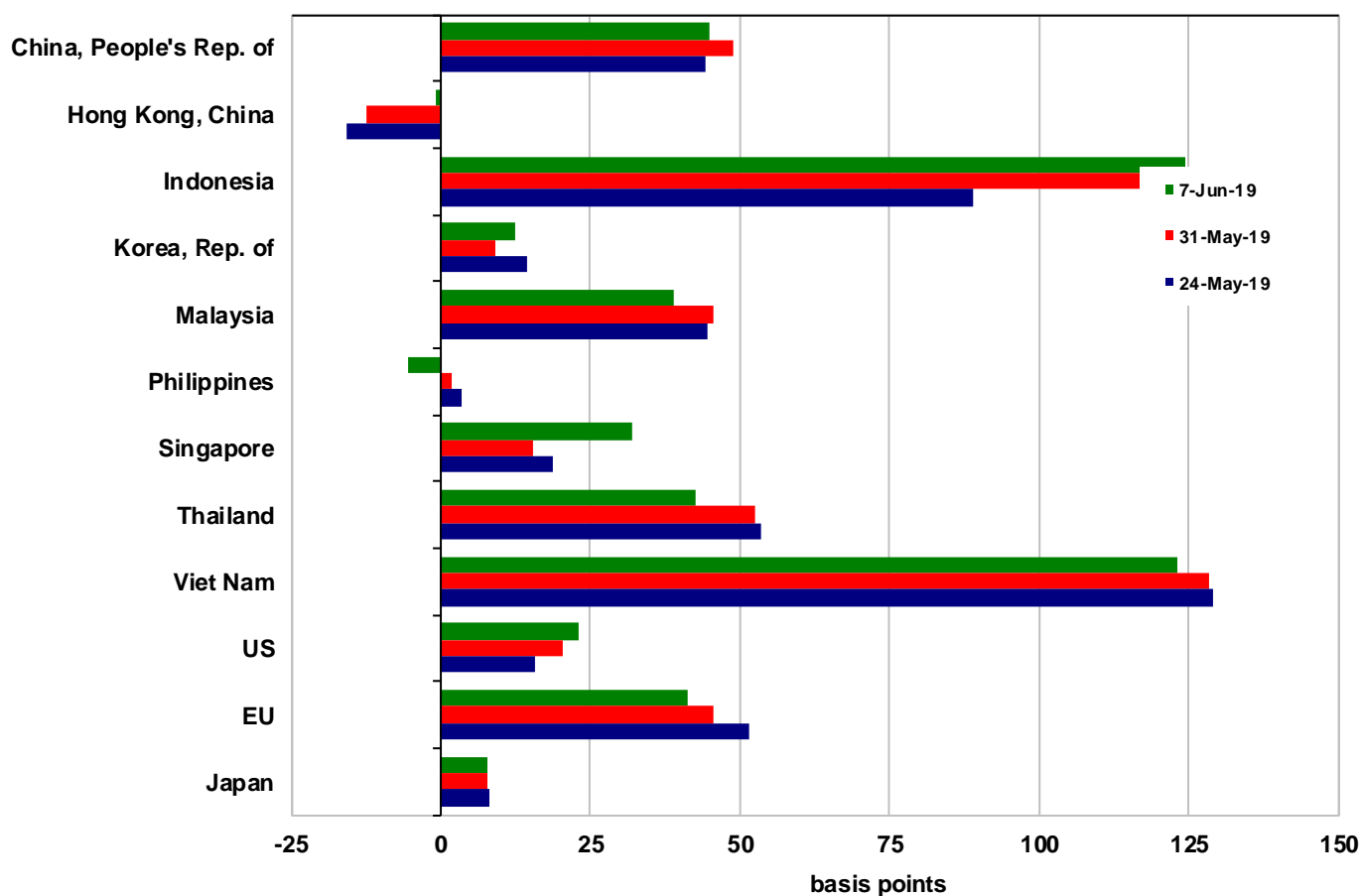


EU = European Union, LCY = local currency US = United States.

Source: Based on data from Bloomberg and Thai Bond Market Association.

## 2- versus 10- Year Yield Spread Chart

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



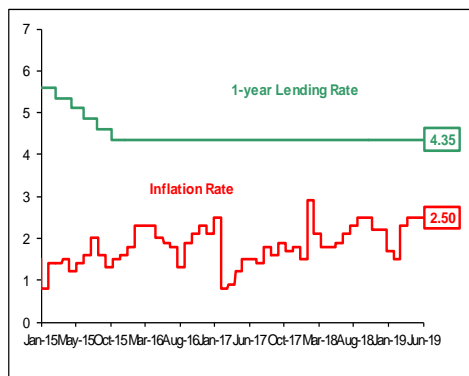
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

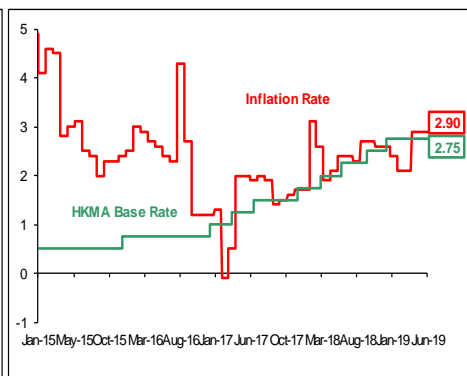
### China, People's Rep. of



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

Source: Bloomberg LP.

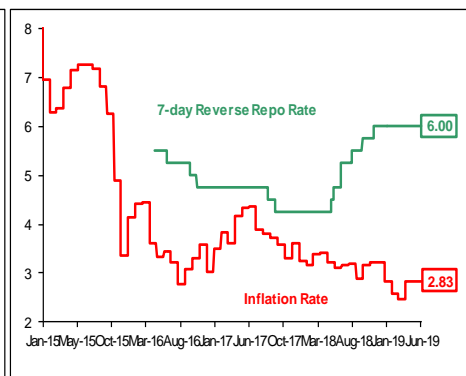
### Hong Kong, China



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

Source: Bloomberg LP.

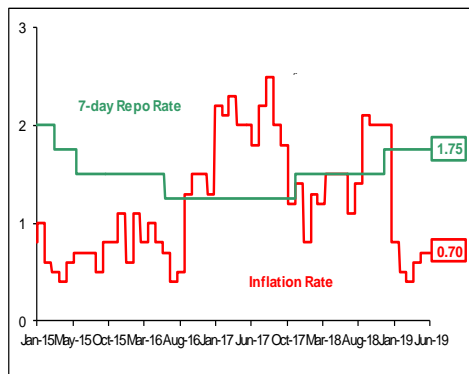
### Indonesia



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

Source: Bloomberg LP.

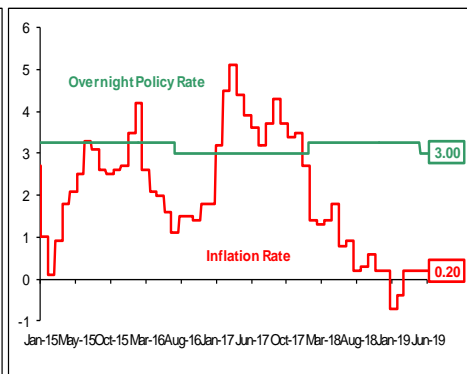
### Korea, Republic of



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.

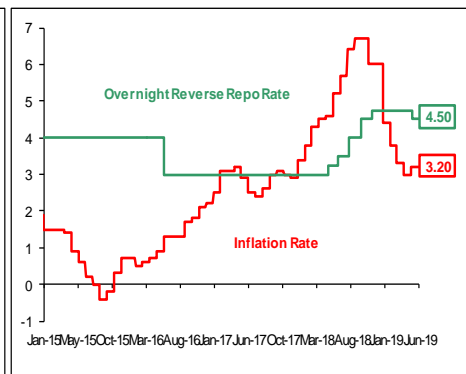
### Malaysia



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

Source: Bloomberg LP.

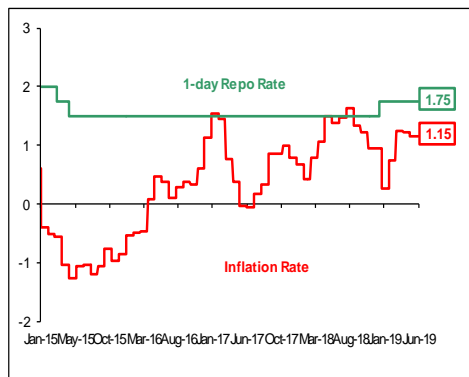
### Philippines



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

Source: Bloomberg LP.

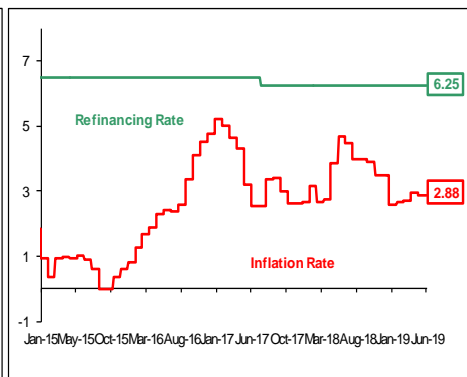
### Thailand



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.

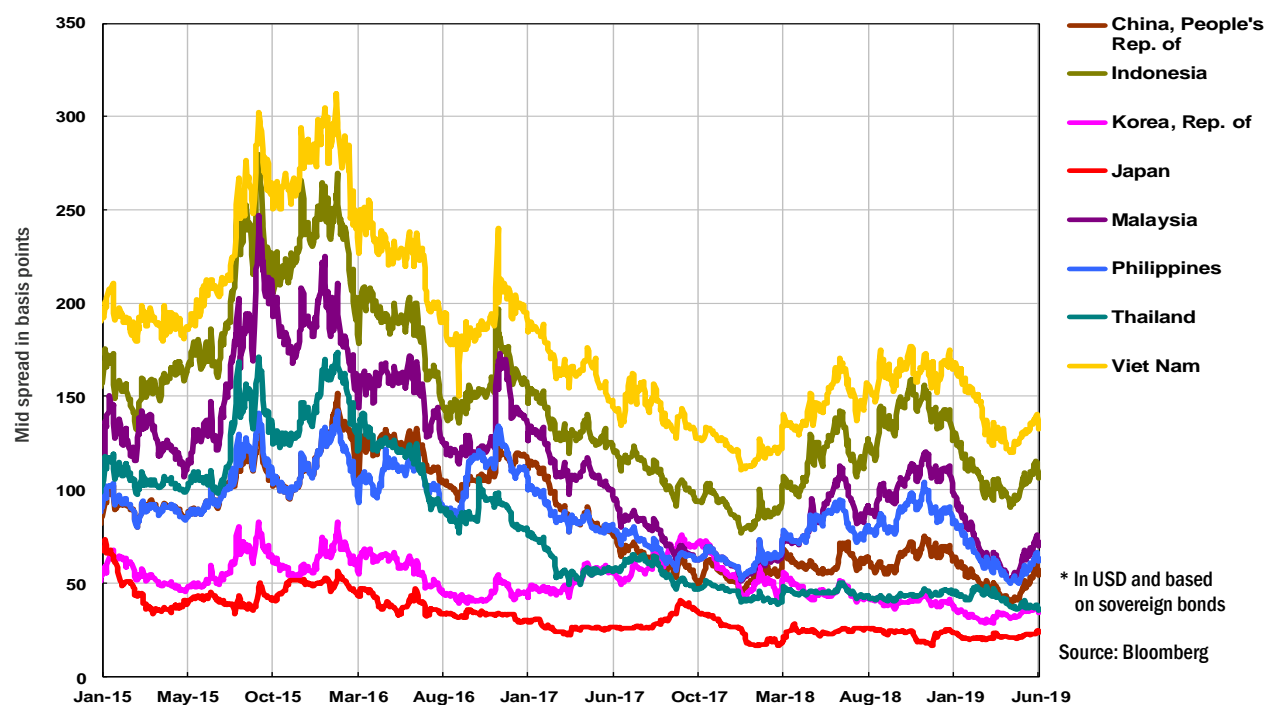
Source: Bloomberg LP.



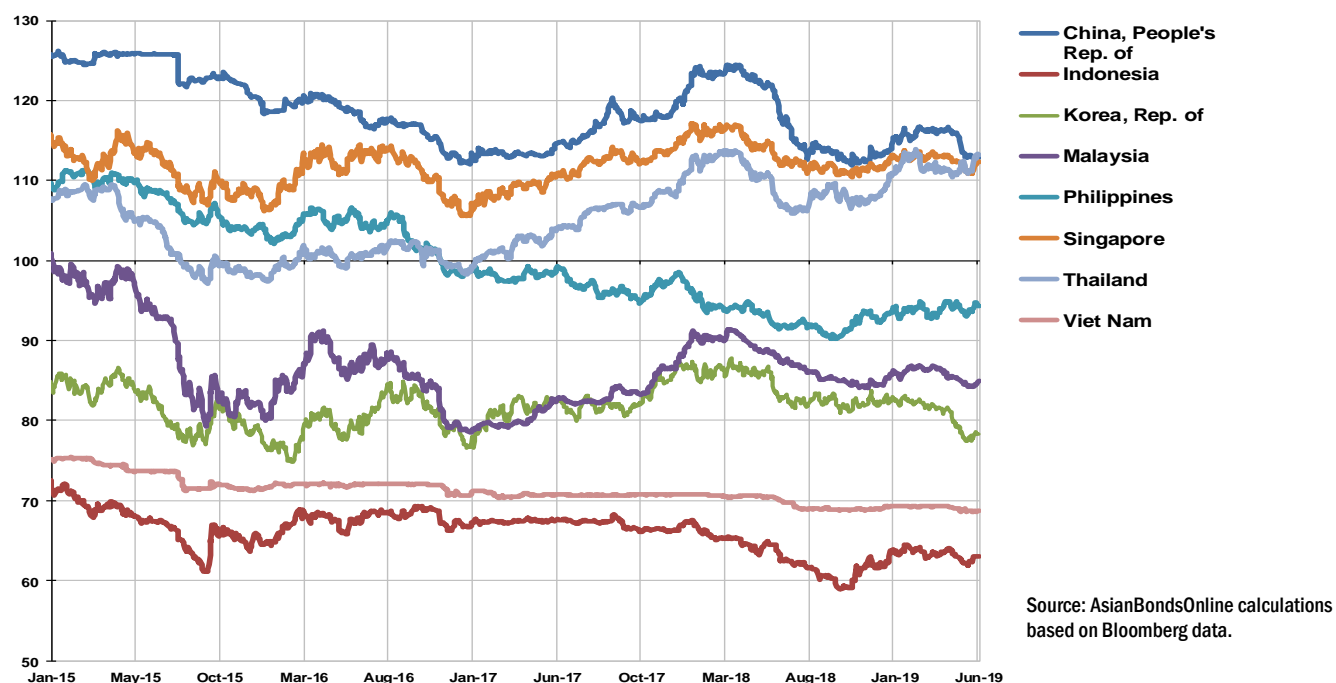
## Credit Default Swap Spreads and Exchange Rate Indexes

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 June 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	5-Jun	3-year China Government Bonds	2.89	2.69	48.00	48.05
		7-year China Government Bonds	3.25	3.25	48.00	48.00
HK	4-Jun	91-day Exchange Fund Bills	1.90		49.96	49.96
		182-day Exchange Fund Bills	1.88		15.00	15.00
	6-Jun	23-day Exchange Fund Bills	1.93		0.80	0.80
JP	4-Jun	10-year Japanese Government Bond	-0.11	0.10	2,100.00	2,099.00
	6-Jun	6-month Treasury Bill	-0.17		2,300.00	2,299.96
	7-Jun	3-month Treasury Bill	-0.14		4,300.00	4,299.95
KR	3-Jun	3-year Treasury Bond	1.58	1.63	1,650.00	1,650.00
		91- days Monetary Stabilization bill	1.62		800.00	800.00
	4-Jun	30-year Treasury Bond	1.73	2.00	1,850.00	1,850.00
	5-Jun	2-year Monetary Stabilization bond	1.59	1.59	2,400.00	2,400.00
PH		28-days Financial bills	1.80		2,368.00	2,500.00
	3-Jun	92-day Treasury bills	4.99		4.00	4.00
		183-day Treasury bills	5.40		5.00	5.00
		365-day Treasury bills	5.50		6.00	6.00
SG	4-Jun	28-day MAS bills	1.79		2.80	2.80
		84-day MAS bills	1.67		6.80	6.80
TH	4-Jun	91-day Bank of Thailand Bond	1.76		40.00	40.00
		183-day Bank of Thailand Bond	1.80		45.00	45.00
		364-day Bank of Thailand Bond	1.81		45.00	56.35
	5-Jun	13.06-year Government Bond	2.59	3.78	17.00	17.00
	7-Jun	14-day Bank of Thailand Bond	1.68		40.00	40.00
	7-Jun	2.72-year Bank of Thailand Bond	1.84	3M BIBOR -0.1	15.00	15.51
VN	5-Jun	10-year Treasury Bond	4.67		1,000.00	1,000.00
		15-year Treasury Bond	5.03		1,000.00	1,000.00
		20-year Treasury Bond	5.63		500.00	750.00

BIBOR = Bangkok Interbank Offered Rate, LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (11 – 17 June 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Japan</b>	06/11	04/18: 2.2%	Japan's Producer Price Index (PPI) rose 1.2% year-on-year (y-o-y) in April, marginally lower than the 1.3% y-o-y increase in March.
<b>PPI</b>		05/18: 2.7%	
y-o-y, %		<b>03/19: 1.3%</b>	
MAY		<b>04/19: 1.2%</b>	
<b>Philippines</b>	06/11	03/18: -6.8%	Exports from the Philippines declined 2.5% y-o-y in March, a further drop from the decrease of 0.1% y-o-y in February.
<b>Exports</b>		04/18: -4.9%	
y-o-y, %		<b>02/19: -0.1%</b>	
APR		<b>03/19: -2.5%</b>	
<b>Philippines</b>	06/11	03/18: -2,340	The Philippines posted a trade deficit of USD3,138 million in March, larger than the deficit of USD2,744 million recorded in the previous month.
<b>Trade Balance</b>		04/18: -3,699	
USD million		<b>02/19: -2,744</b>	
APR		<b>03/19: -3,138</b>	
<b>People's Republic of China</b>	06/12	04/18: 1.8%	The People's Republic of China's (PRC) consumer price rose 2.5% y-o-y in April after rising 2.3% y-o-y in March due to rising pork prices.
<b>CPI</b>		05/18: 1.8%	
y-o-y, %		<b>03/19: 2.3%</b>	
MAY		<b>04/19: 2.5%</b>	
<b>People's Republic of China</b>	06/14	04/18: 7.0%	The PRC's industrial production grew 5.4% y-o-y in April after growing 5.4% y-o-y in March.
<b>Industrial Production</b>		05/18: 6.8%	
y-o-y, %		<b>03/19: 8.5%</b>	
MAY		<b>04/19: 5.4%</b>	
<b>Hong Kong, China</b>	06/14	04/17: 0.8%	Industrial production in Hong Kong, China expanded 1.3% y-o-y in the fourth quarter of 2018, following a 1.2% y-o-y increase in the previous quarter, as increased production in the food, beverages, and tobacco sector was offset by production declines in other sectors.
<b>Industrial Production</b>		Q1/18: 1.1%	
y-o-y, %		<b>Q3/18: 1.2%</b>	
Q1 2019		<b>Q4/18: 1.3%</b>	
<b>Japan</b>	06/14	04/18: 1.9%	Japan's industrial production contracted 1.1% y-o-y in April after a decrease of 4.3% y-o-y in March.
<b>Industrial Production</b>		05/18: 3.5%	
y-o-y, %		<b>03/19: -4.3%</b>	
MAY		<b>04/19: -1.1%</b>	
<b>Indonesia</b>	06/17	04/18: 9.2%	Indonesia's exports fell further in April, dipping 13.1% y-o-y after declining 9.0% y-o-y in March.
<b>Exports</b>		05/18: 13.0%	
y-o-y, %		<b>03/19: -9.0%</b>	
MAY		<b>04/19: -13.1%</b>	
<b>Indonesia</b>	06/17	04/18: -1,666	Indonesia's trade surplus rose to USD2,502 million April from USD671 million in March.
<b>Trade Balance</b>		05/18: -1,465	
USD million		<b>03/19: 671</b>	
MAY		<b>04/19: 2,502</b>	

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)

### Federal Reserve Chairman Suggests Possible Interest Rate Cut

- [Opening Remarks](#)  
Board of Governors of the Federal Reserve System (4 June 2019)

### The Republic of Korea's Economic Growth Moderates in Q1 2019

- [Gross National Income: 1st Quarter of 2019 \(Preliminary\)](#)  
Bank of Korea (4 June 2019)

### Inflation Rises in May in the Republic of Korea, the Philippines, and Thailand

- [Consumer Price Index in May 2019](#)  
Statistics Korea (4 June 2019)
- [Summary Inflation Report Consumer Price Index \(2012=100\): May 2019](#)  
Philippine Statistics Authority (5 June 2019)
- [May Inflation Rate Falls Within Government Target Range of 2-4 Percent](#)  
Bangko Sentral ng Pilipinas (5 June 2019)
- [Inflation rises on higher food prices](#)  
The Nation (5 June 2019)
- [Consumer Price Index and Core Consumer Price Index May 2019](#)  
Thailand Ministry of Commerce (5 June 2019)
- [CPI growth down despite weather](#)  
Bangkok Post (5 June 2019)

### Trade Surpluses Narrow in the Republic of Korea and Malaysia in May

- [Korea's May exports decrease 9.4% to \\$45.9 billion](#)  
Ministry of Trade, Industry and Energy (7 June 2019)
- [Malaysia External Trade Statistics April 2019](#)  
Department of Statistics (3 June 2019)

### The Republic of Korea Posts a Current Account Deficit in April

- [Balance of Payments for April 2019](#)  
Bank of Korea (5 June 2019)

### Singapore's Manufacturing Sector Contracts in May

- [Singapore PMI contracts for first time in over 2.5 years](#)  
Singapore Institute of Purchasing and Materials Management (6 June 2019)

Disclaimer: *AsianBondsOnline* Newsletter is available to users free of charge. ADB provides no warranty or undertaking of any kind with respect to the information and materials found on, or linked to, the *AsianBondsOnline* Newsletter. ADB accepts no responsibility for the accuracy of the material posted or linked to in the publication, or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any material or information so provided. Views expressed in articles marked with *AsianBondsOnline* are those of the authors and not ADB. This disclaimer does not derogate from, and is in addition to, the general terms and conditions regarding the use of the *AsianBondsOnline* website, which also apply.