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Key Developments in Asian Local Currency Markets

Revised figures showed that Japan's gross domestic product grew at an annualized pace of 2.2% in the first quarter of 2019, a tick higher than the initial estimate of 2.1%, and stronger than the growth of 1.8% registered in the fourth quarter of 2018. The expansion stemmed largely from an increase in net exports, which was driven by a 4.6% quarter-on-quarter (q-o-q) drop in imports that outpaced the 2.4% q-o-q fall in exports. Private and public demand both grew during the review period.

Exports from the People's Republic of China (PRC) grew 1.1% year-on-year (y-o-y) in May. In contrast, imports fell 8.5% y-o-y. The lower imports led to a gain in the PRC's trade surplus, which rose to USD41.7 billion in May. The Philippines' trade balance recorded a deficit of USD3.5 billion in April, down from USD3.7 billion in April 2018, as exports grew and imports declined.

The PRC's industrial production grew 5.0% y-o-y in May after rising 5.4% y-o-y in April. For the first 5 months of the year, the PRC's industrial production grew 6.0% y-o-y. Hong Kong, China's industrial production in manufacturing expanded 1.4% y-o-y in the first quarter of 2019, following an increase of 1.2% y-o-y in the fourth quarter of 2018. Malaysia's Industrial Production Index expanded 4.0% y-o-y in April, higher than the 3.1% y-o-y growth recorded in March as all sectors registered growth.

Japan's current account balance registered a surplus of JPY1.7 trillion in April, down from the JPY1.9 trillion surplus posted a year earlier, and the JPY2.8 trillion surplus recorded in the previous month. The narrowing of the current account surplus was driven primarily by a goods and services trade deficit, which stood at JPY0.4 trillion in April, a reversal of the JPY0.1 trillion goods surplus recorded a year earlier.

Consumer price inflation in the PRC accelerated to 2.7% y-o-y in May from 2.5% y-o-y in April. In contrast, the PRC's producer price inflation decelerated to 0.6% y-o-y in May from 0.9% y-o-y in April. Consumer price inflation in Indonesia rose to 3.3% y-o-y in May from 2.8% y-o-y in April on account of faster increases in food prices and transportation costs.

Foreign investors purchased a net KRW7.1 trillion of listed bonds in May compared with KRW0.5 trillion in April. The bond holdings of

Asia Bond Monitor March 2019

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10-Year Selected LCY Government Security Yields Close of 14 June 2019 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	2.08	-1.41	-0.05	-60.38
EU	-0.26	-1.40	0.20	-49.70
Japan	-0.13	-1.60	-0.90	-13.20
PRC	3.27	-0.60	1.50	-4.10
Hong Kong, China	1.61	-0.80	1.30	-40.00
India	6.92	-9.00	-5.50	-49.90
Indonesia	7.68	-1.40	-28.10	-34.40
Korea, Rep. of	1.59	-4.00	-6.80	-36.90
Malaysia	3.72	-0.90	1.70	-36.10
Philippines	5.25	5.10	3.10	-180.90
Singapore	1.94	-1.46	-9.23	-9.83
Thailand	2.10	-3.50	-13.00	-38.10
Viet Nam	4.71	-0.70	2.50	-41.20

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

foreign investors reached KRW119.2 trillion, accounting for 6.7% of total listed bonds.

The Government of Indonesia priced its third issuance of dual-currency bonds, comprising (i) a EUR750 million 7-year bond with a coupon rate of 1.45%, and (ii) a USD750 million 10-year bond with a coupon rate of 3.40%.

WATCH OUT: The upcoming issue of the *Asia Bond Monitor* will be released on 19 June, and will be available for download on the *AsianBondsOnline* website.

Last week, local currency government bond yields decreased for most tenors for most economies, while all tenors declined for the Republic of Korea. On the other hand, yields increased for most tenors for the People's Republic of China; Hong Kong, China; and Viet Nam. Yield spreads between the 2-year and 10-year tenors contracted for most economies except for the People's Republic of China, Malaysia, and the Philippines.

Summary Text of News Articles

Japan's Economy Expands in Q1 2019

Revised figures showed that Japan's gross domestic product grew at an annualized pace of 2.2% in the first quarter (Q1) of 2019, a tick higher than the initial estimate of 2.1% and stronger than the growth of 1.8% registered in the fourth quarter (Q4) of 2018. The expansion stemmed largely from an increase in net exports, which was driven by a 4.6% quarter-on-quarter (q-o-q) drop in imports that outpaced the 2.4% q-o-q fall in exports. Private demand grew 0.1% q-o-q, driven by a 0.6% q-o-q increase in private residential investment. Public demand increased 0.2% q-o-q, led by a 1.2% q-o-q rise in public investment.

The PRC Posts Trade Surplus in May; The Philippines Posts Trade Deficit in April

Exports from the People's Republic of China (PRC) grew 1.1% year-on-year (y-o-y) in May after declining 2.7% y-o-y in April. The gain in exports was largely due to frontloading by PRC exporters in anticipation of further tariffs from the United States (US). In contrast, imports fell 8.5% y-o-y in May after gaining 4.0% y-o-y in April. The lower imports led to growth in the PRC's trade surplus, which rose to USD41.7 billion in May from USD13.8 billion in April.

The Philippines' trade balance recorded a deficit of USD3.5 billion in April, down from USD3.7 billion in April 2018, as exports grew and imports declined. Exports rebounded in April, growing 0.4% y-o-y after declining 1.9% y-o-y during the same month a year earlier, on increased exports of agriculture products and manufactured goods. Increased exports were noted in seven out of the Philippines' 10 major export commodities, led by machinery and transport equipment (28.5% y-o-y) and electronic products (3.0% y-o-y). On the other hand, imports declined 1.9% y-o-y in April, reversing growth of 28.6% y-o-y in April 2018, due in part to fewer imports of raw materials and intermediate goods. Five of the top 10 import commodities decreased, among them transport equipment (27.7% y-o-y), iron and steel (14.2%), telecommunications equipment and electrical machinery (1.0%). During the January–April period, the trade deficit increased to USD13.3 billion from USD11.8 billion in the same period a year earlier.

The PRC's Industrial Production Growth Slows in May; Hong Kong, China's Manufacturing Production Expands in Q1 2019; Malaysia's Industrial Production Index Increases in April

The PRC's industrial production grew 5.0% y-o-y in May after rising 5.4% y-o-y in April. By major sector, the fastest growth came from the production of electricity, thermal power, gas, and water, which grew 5.9% y-o-y, while manufacturing grew 5.0% y-o-y. The mining industry grew 3.9% y-o-y in May. For the first 5 months of the year, the PRC's industrial production grew 6.0% y-o-y.

Hong Kong, China's industrial production in the manufacturing sector expanded 1.4% y-o-y in Q1 2019, following an increase of 1.2% y-o-y in Q4 2018. The continued expansion in manufacturing was supported by increased output in the food, beverages, and tobacco sector, which expanded 2.0% y-o-y in Q1 2019 following growth of 3.2% y-o-y in Q4 2018, and improved output of metals, computers, electronic and optical products, and machinery and equipment, which grew 0.4% y-o-y in Q1 2019, recovering from a decline of 3.2% y-o-y in Q4 2018. Decreased output was recorded for textiles and wearing apparel, as well as for paper products, printing, and the reproduction of recorded media, which fell 3.3% y-o-y and 0.1% y-o-y, respectively.

Malaysia's Industrial Production Index expanded 4.0% y-o-y in April, up from a 3.1% y-o-y expansion in March, as all sectors registered growth. The mining sector rebounded, growing 2.3% y-o-y in April after a decline of 0.2% y-o-y in the previous month, driven by natural gas, which expanded 6.1% y-o-y. Growth in the manufacturing sector accelerated to 4.3% y-o-y in April from 4.1% y-o-y in March on expanded output of transport equipment and other manufactures (7.2% y-o-y); electrical and electronics products (4.1% y-o-y); and petroleum, chemical, rubber, and plastics (3.6% y-o-y). Growth in the electricity sector jumped to 5.8% y-o-y from 4.8% in March. On a month-on-month seasonally adjusted basis, Malaysia's Industrial Production Index climbed 2.0%.

Summary Text of News Articles

Japan's Current Account Surplus Narrows in April

Japan's current account balance registered a surplus of JPY1.7 trillion in April, down from JPY1.9 trillion a year earlier and JPY2.8 trillion in the previous month. The narrowing of the current account surplus was driven primarily by a goods and services trade deficit, which stood at JPY0.4 trillion in April, a reversal of the JPY0.1 trillion goods and services trade surplus recorded a year earlier. Primary income, the main source of Japan's current account surplus, increased to JPY2.1 trillion in April from JPY1.9 trillion a year earlier.

Consumer Price Inflation Accelerates in the PRC and Indonesia in May

Consumer price inflation in the PRC accelerated to 2.7% y-o-y in May from 2.5% y-o-y in April, largely due to food prices, which rose 5.8% y-o-y in May after gaining 4.7% y-o-y in April. The inflation rates of other major items in the PRC's consumer price basket did not vary significantly from the rates posted in the previous month. In contrast, the PRC's producer price inflation decelerated to 0.6% y-o-y in May from 0.9% y-o-y in April.

Consumer price inflation in Indonesia rose to 3.3% y-o-y in May from 2.8% y-o-y in April on account of faster increases in food prices and transportation costs. The uptick in inflation was driven by increased consumer spending during the Muslim fasting month of Ramadan, which occurred in May this year. Food prices climbed 4.1% y-o-y, and the cost of prepared food and cigarettes rose 3.8% y-o-y. The cost of transportation and communication services rose 3.6% y-o-y. On a month-on-month basis, inflation climbed to 0.7% in May from 0.4% in the prior month.

For data on the People's Republic of China's inflation trend, refer to this link:

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

For data on Indonesia's inflation trend, refer to this link:

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

The Republic of Korea's Foreign Investors Buy Korean Bonds

Foreign investors purchased a net KRW7.1 trillion of listed bonds in May compared with KRW0.5 trillion in April. The larger foreign bond inflows were buoyed by lower interest rates and the Korean won's depreciation against the US dollar. Investors preferred Korean Treasury Bonds, purchasing KRW5.1 trillion in May, followed by agency bonds and Monetary Stabilization Bonds worth KRW1.9 trillion and KRW1.7 trillion, respectively. The bond holdings of foreign investors reached KRW119.2 trillion, accounting for 6.7% of total listed bonds.

Indonesia Prices Dual-Currency Bonds

The Government of Indonesia priced its third issuance of dual-currency bonds. The bond sale comprises (i) a EUR750 million 7-year bond with a coupon rate of 1.45% and (ii) a USD750 million 10-year bond with a coupon rate of 3.40%. The sale marks Indonesia's sixth issuance of EUR-denominated bonds and its second in a format registered with the US Securities and Exchange Commission, while the USD-denominated bonds are the government's third issuance under the Securities and Exchange Commission's registered shelf.

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	2.17	-0.04	-9.84		-18.67
EU	-0.57	-1.80	-3.00		23.70
Japan	-0.14	0.83		0.03	1.29
PRC	2.41	0.30		10.50	-41.60
Hong Kong, China	1.96	21.00		14.00	21.00
Indonesia	7.22	-0.19	-2.40		-48.47
Korea, Rep. of	1.52	-0.40	-5.50		-22.50
Malaysia	3.11	0.00	-0.10		-17.20
Philippines	4.64	-1.00	-40.00		-113.40
Singapore	2.00	-3.10	-0.90		-7.90
Thailand	1.72	-0.58	-1.01		10.90

Close of 14 June 2019

10-Year Selected LCY Government Bond Yields

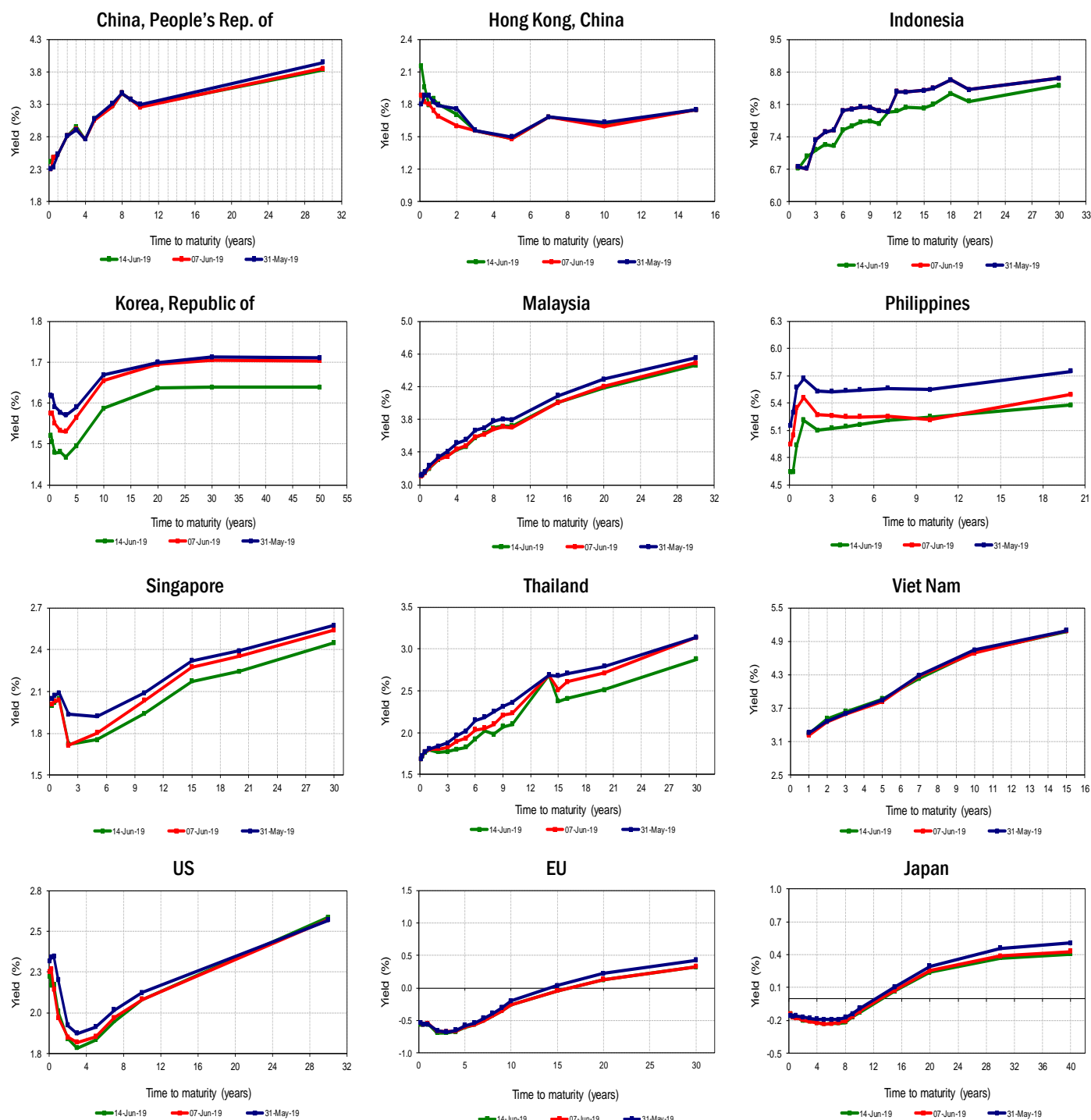
Markets	Latest Closing	basis point change from			1-Jan-19*
		Previous Day*	Previous Week*		
US	2.08	-1.41	-0.05		-60.38
EU	-0.26	-1.40		0.20	-49.70
Japan	-0.13	-1.60	-0.90		-13.20
PRC	3.27	-0.60		1.50	-4.10
Hong Kong, China	1.61	-0.80		1.30	-40.00
India	6.92	-9.00	-5.50		-49.90
Indonesia	7.68	-1.40	-28.10		-34.40
Korea, Rep. of	1.59	-4.00	-6.80		-36.90
Malaysia	3.72	-0.90		1.70	-36.10
Philippines	5.25	5.10		3.10	-180.90
Singapore	1.94	-1.46	-9.23		-9.83
Thailand	2.10	-3.50	-13.00		-38.10
Viet Nam	4.71	-0.70		2.50	-41.20

Close of 14 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

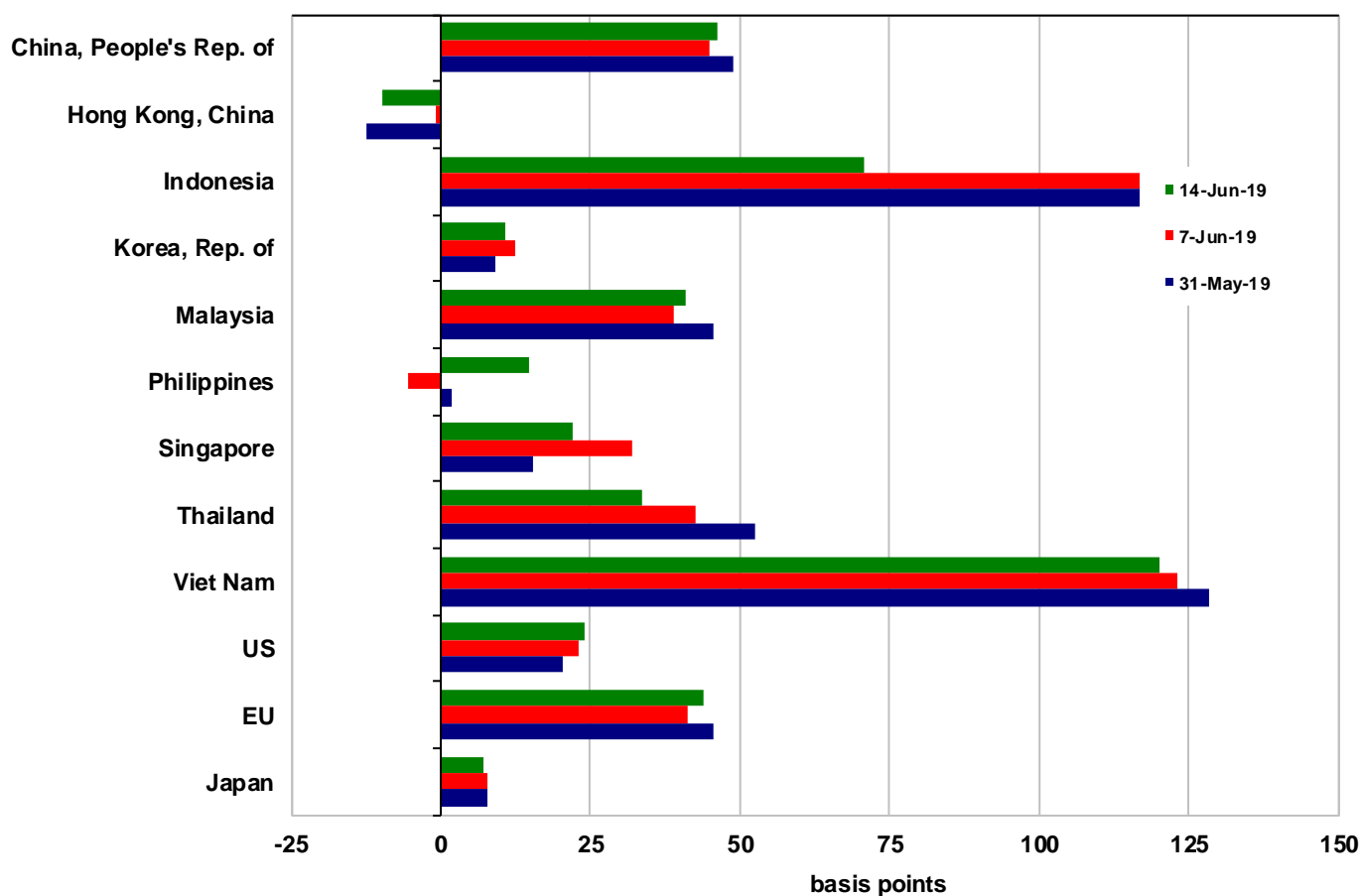


EU = European Union, LCY = local currency US = United States.

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



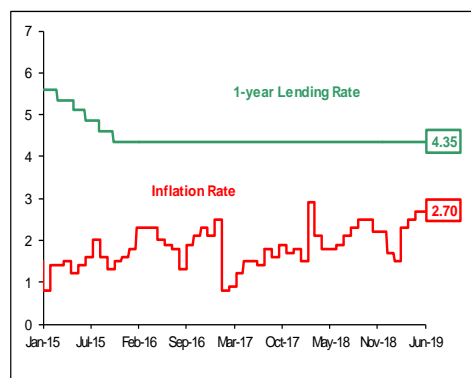
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

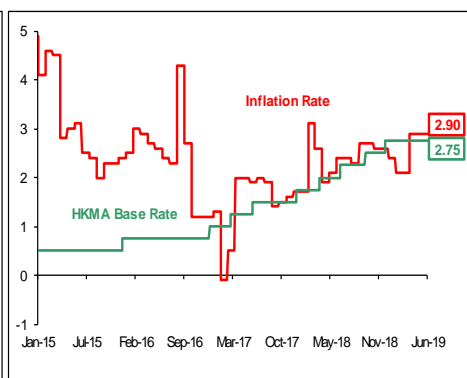
China, People's Rep. of



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

Source: Bloomberg LP.

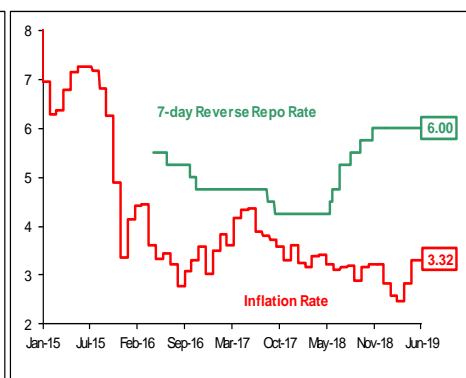
Hong Kong, China



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

Source: Bloomberg LP.

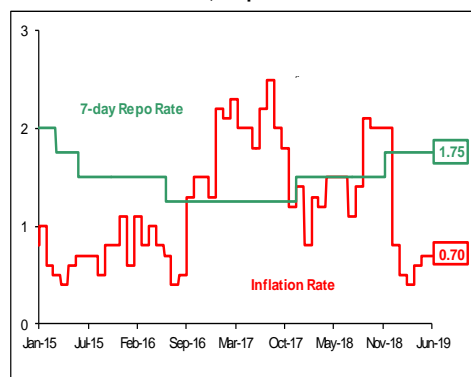
Indonesia



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

Source: Bloomberg LP.

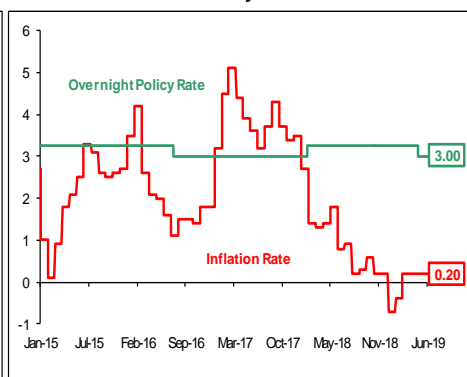
Korea, Republic of



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.

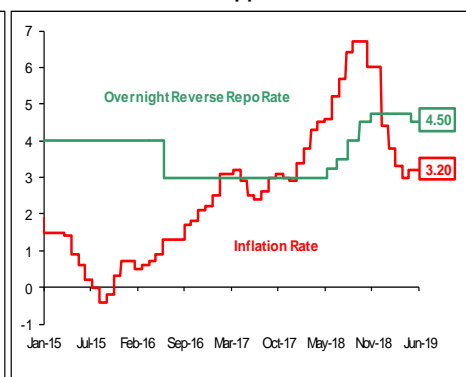
Malaysia



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

Source: Bloomberg LP.

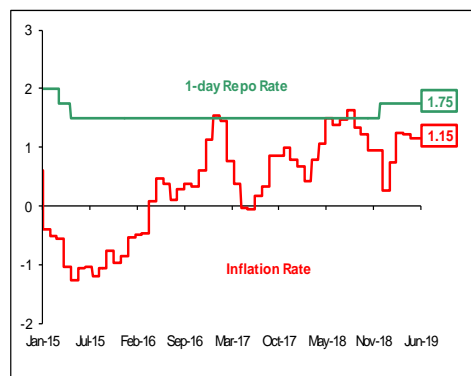
Philippines



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

Source: Bloomberg LP.

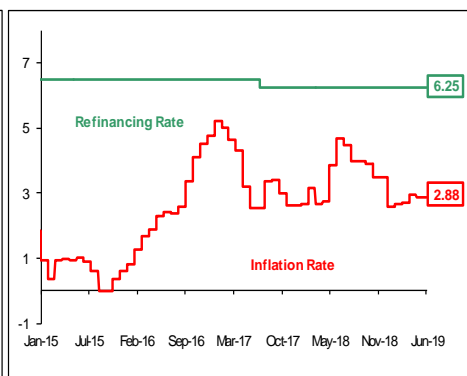
Thailand



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



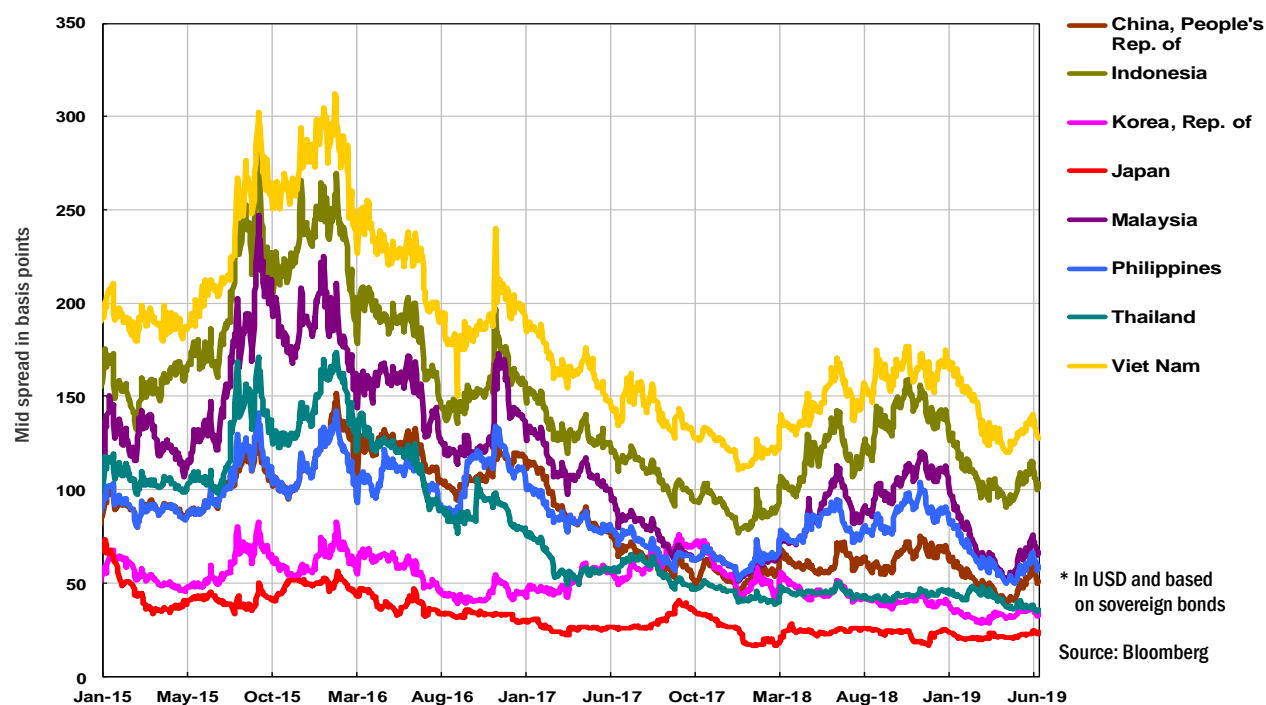
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

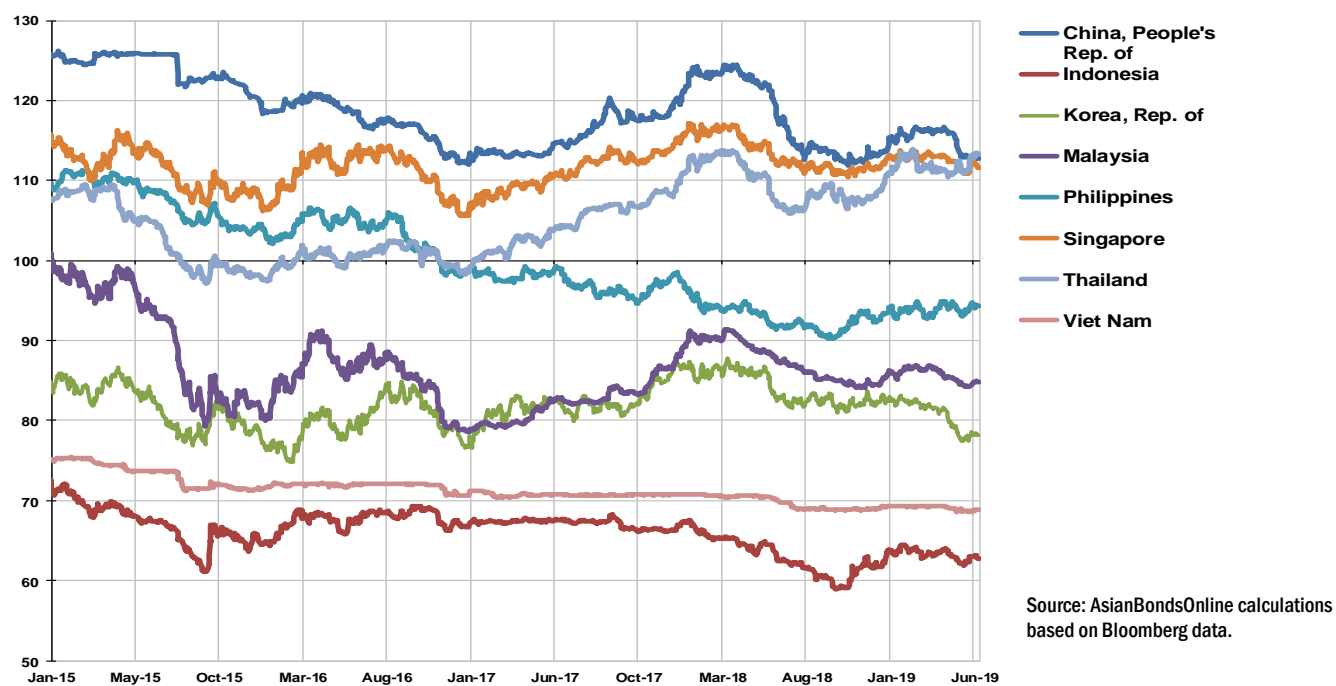
Credit Default Swap Spreads and Exchange Rate Indexes

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 (10 – 14 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	12-Jun	2-year China Government Bond		2.83	34.00	34.00
		5-year China Government Bond		3.08	48.00	48.01
HK	12-Jun	91-day Exchange Fund Bills	1.92		46.23	46.23
		182-day Exchange Fund Bills	1.87		9.00	9.00
		364-day Exchange Fund Bills	1.80		3.00	3.00
JP	7-Jun	3-month Treasury Bills	-0.14		4,300.00	4,299.95
		30-year Japan Government Bonds	0.32	0.50	700.00	699.70
	14-Jun	3-month Treasury Bills	-0.15		4,330.00	4,329.94
KR	10-Jun	1-year Financial Stabilization Bond	1.58	1.72	1,000.00	1,000.00
	11-Jun	5-Year Treasury Bonds	1.57	1.88	1,650.00	1,650.00
		91-days Financial Stabilization Bills	1.60		800.00	800.00
	13-Jun	28-Days Treasury Financial Bills	1.79		2,500.00	2,500.00
	14-Jun	50-Year Treasury Bonds	1.65	2.00	300.00	300.00
MY	13-Jun	5-year Malaysia Government bonds	3.48	3.48	4.00	4.00
PH	10-Jun	92-day Treasury bills	4.56		4.00	4.00
		183-day Treasury bills	4.92		5.00	5.00
		365-day Treasury bills	5.07		6.00	6.00
	11-Jun	20-year Treasury bonds	5.17	6.75	20.00	20.00
SG	11-Jun	28-day MAS bills	1.65		2.80	2.80
		84-day MAS bills	1.79		6.90	6.90
	13-Jun	168-day MAS bills	1.61		4.00	4.00
TH	11-Jun	91-day Bank of Thailand Bonds	1.75		40.00	40.00
		182-day Bank of Thailand Bonds	1.79		45.00	45.00
	13-Jun	1.95-year Bank of Thailand Bonds	1.81	1.84	35.00	37.98
	14-Jun	14-day Bank of Thailand Bonds	1.68		40.00	40.00
VN	12-Jun	15-year Treasury Bond	5.02		1,000.00	1,000.00
		20-year Treasury bonds	5.58		1,000.00	1,500.00
		30-year Treasury Bonds	5.85		1,000.00	1,500.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (18 – 24 June 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Japan Exports y-o-y, % MAY	06/19	4/18: 7.8% 5/18: 8.1% 3/19: -2.4% 4/19: -2.4%	Japan's exports dropped 2.4% year-on-year (y-o-y) in April, repeating the dip in exports registered in March.
Japan Trade Balance JPY billion MAY	06/19	4/18: 621.0 5/18: -577.4 3/19: 522.7 4/19: 56.8	Japan's trade surplus contracted sharply to JPY56.8 billion in April from JPY522.7 billion in March.
Japan BOJ Policy Balance Rate y-o-y, % JUN	06/20	5/18: -0.10% 6/18: -0.10% 4/19: -0.10% 5/19: -0.10%	Japan's policy balance rate remains at -0.1%, the same rate applied by the Bank of Japan since February 2016.
Philippines Overnight Reverse Repurchase Rate % JUN	06/20	5/18: 3.25% 6/18: 3.50% 3/19: 4.75% 5/19: 4.50%	The Philippines' overnight reverse repurchase rate was reduced by 25 basis points to 4.50% in May from 4.75% in March.
Indonesia 7-Day Reverse Repurchase Rate % MAY	06/20	4/18: 4.25% 5/18: 4.75% 3/19: 6.00% 4/19: 6.00%	Indonesia left its policy rate unchanged in its last monetary policy meeting on 16 May.
Hong Kong, China CPI y-o-y, % MAY	06/21	4/18: 1.9% 5/18: 2.1% 3/19: 2.1% 4/19: 2.9%	Hong Kong, China's consumer prices rose 2.9% y-o-y in April after rising 2.1% y-o-y in March.
Hong Kong, China Current Account Balance HKD billion Q1 2019	06/21	Q4 2017: 21.7 Q1 2018: 18.4 Q3 2018: 47.7 Q4 2018: 40.4	Hong Kong, China's current account surplus fell to HKD40.4 billion at the end of the fourth quarter of 2018 from HKD47.7 billion in the previous quarter.
Indonesia Exports y-o-y, % MAY	06/24	4/18: 9.2% 5/18: 13.0% 3/19: -9.0% 4/19: -13.1%	Indonesia's exports fell 13.1% y-o-y in April after declining 9.0% y-o-y in March.
Indonesia Trade Balance USD million MAY	06/24	4/18: -1,666.1 5/18: -1,464.6 3/19: 670.8 4/19: -2,501.9	Indonesia's trade balance shifted to a USD2,501.9 million deficit in April from a surplus of USD670.8 million in March.
Singapore CPI y-o-y, % MAY	06/24	4/18: 0.1% 5/18: 0.4% 3/19: 0.6% 4/19: 0.8%	Singapore's consumer price inflation accelerated to 0.8% y-o-y in April from 0.6% y-o-y in the previous month.

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 Economy Expands in Q1 2019

- [GDP \(Expenditure Approach\) and its Components \(The 2nd preliminary\)](#)
Economic and Social Research Office (10 June 2019)
- [Japan's Buoyant Growth Figures Mask Weaknesses in Economy](#)
Bloomberg (10 June 2019)

The PRC Posts Trade Surplus in May; The Philippines Posts Trade Deficit in April

- [Chinese Imports Drop as Growing Tensions With U.S. Cloud Trade](#)
Bloomberg (10 June 2019)
- [Highlights of the Philippine Export and Import Statistics: April 2019](#)
Philippine Statistics Authority (11 June 2019)
- [Reforms Needed to Sustain Exports Recovery – NEDA](#)
National Economic and Development Authority (11 June 2019)

The PRC's Industrial Production Growth Slows in May; Hong Kong, China's Manufacturing Production Expands in Q1 2019; Malaysia's Industrial Production Index Increases in April

- [National Economy Performed within the Reasonable Range in May](#)
National Bureau of Statistics (14 June 2019)
- [Provisional statistics on index of industrial production and producer price index for industrial sector for first quarter of 2019](#)
Census and Statistics Department (14 June 2019)
- [Index of Industrial Production, Malaysia April 2019](#)
Department of Statistics (11 June 2019)

Japan's Current Account Surplus Narrows in April

- [Balance of Payment Statistics, April 2019 \(Preliminary\)](#)
Ministry of Finance, Government of Japan (10 June 2019)

Consumer Price Inflation Accelerates in the PRC and Indonesia in May

- [Consumer Prices for May 2019](#)
National Bureau of Statistics (12 June 2019)
- [Producer Prices for the Industrial Sector for May 2019](#)
National Bureau of Statistics (12 June 2019)
- [Inflation in May 2019 was 0.68 percent. The highest Inflation occurred in Tual at 2.91 percent.](#)
Statistics Indonesia (10 June 2019)

The Republic of Korea's Foreign Investors Buy Korean Bonds

- [Foreign Investors' Stock and Bond Investment, May 2019](#)
Financial Supervisory Service (10 June 2019)

Indonesia Prices Dual Currency Bonds

- [The Republic Of Indonesia Issues USD0.75 Billion And EUR0.75 Billion With SEC-Registered Format](#)
Directorate General of Budget Financing and Risk Management, Ministry of Finance (12 June 2019)

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