

Key Developments in Asian Local Currency Markets

Consumer price inflation in the Philippines eased to 2.7% year-on-year (y-o-y) in June from 3.2% y-o-y in May as six out of eleven commodity groups posted slower annual price increases. The slower inflation was primarily due to a slower price increase for food and nonalcoholic beverages. In Thailand, consumer price inflation moderated to 0.9% y-o-y in June from 1.2% y-o-y in May, which was attributed to declining inflation for nonfood items such as energy and transportation and communications. Core inflation, which excludes volatile energy and food prices, rose 0.5% y-o-y in June. Consumer price inflation in Indonesia rose 3.3% y-o-y for the second month in a row in June, largely due to a faster increase in food prices. On a month-on-month (m-o-m) basis, inflation slipped to 0.6% in June from 0.7% in the prior month. In the Republic of Korea, consumer price inflation was unchanged at 0.7% y-o-y in June from the previous month. On a m-o-m basis, consumer prices in the Republic of Korea declined 0.2% in June.

➤ Singapore's Purchasing Managers Index (PMI) declined to 49.6 in June from 49.9 in May. This was the lowest PMI since August 2016. The electronics sector, a key component of the PMI, contracted in June, hitting the 49.2 level from 49.4 in the previous month. This marked the eighth consecutive monthly contraction for the electronics sector.

➤ Malaysia posted a trade surplus of MYR9.1 billion in May, down from the MYR10.9 billion trade surplus logged in the previous month. Exports from Malaysia increased 2.5% y-o-y in May, while imports edged up 1.4% y-o-y. On the other hand, the Republic of Korea posted a trade surplus of USD4.2 billion in June as exports fell 13.5% y-o-y and imports declined 11.1% y-o-y.

➤ The Republic of Korea posted a USD5.0 billion current account surplus in May, a reversal from the USD0.7 billion deficit posted in April. The goods account surplus slightly narrowed to USD5.4 billion as exports declined and imports rose on a m-o-m basis. The services account and secondary income account continued to post deficits.

➤ Last week, the Ministry of Finance of the People's Republic of China sold a CNY1.7 billion 3-year bond in Macau, China. In addition, a CNY0.3 billion 2-year bond will be offered to retail investors from 5 July to 19 July.

➤ The Bank of Thailand trimmed its supply of short-term (3-month, 6-month, and 1-year) bonds in July in a move viewed by market observers as an effort to slow capital inflows and curb the baht's appreciation.

➤ Last week, local currency government bond yields decreased for all tenors for most economies. Most tenors declined for

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10-Year Selected LCY Government Security Yields Close of 5 July 2019
basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	2.03	8.40	2.87	-65.04
EU	-0.36	3.60	-3.60	-60.50
Japan	-0.16	0.00	0.30	-15.80
PRC	3.18	1.80	-5.80	-13.20
Hong Kong, China	1.48	-1.40	-3.70	-53.20
India	6.70	-5.20	-18.30	-72.20
Indonesia	7.23	-2.90	-14.00	-79.70
Korea, Rep. of	1.54	1.70	-5.80	-41.90
Malaysia	3.62	0.40	-2.20	-46.00
Philippines	5.00	-1.00	-7.20	-205.70
Singapore	1.90	-0.50	-9.62	-13.70
Thailand	1.98	1.10	-14.30	-50.70
Viet Nam	4.65	-2.20	-4.70	-48.00

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, while most tenors increased for Hong Kong, China. Yield spreads between the 2-year and 10-year tenors contracted for most economies except for the Philippines and Viet Nam.

Summary Text of News Articles

Consumer Price Inflation in the Philippines and Thailand Eases in June; June Consumer Price Inflation Steady in Indonesia and the Republic of Korea

Consumer price inflation in the Philippines eased to 2.7% year-on-year (y-o-y) in June from 3.2% y-o-y in May as six out of eleven commodity groups posted slower annual price increases. The slower inflation was primarily due to a lower price increase for food and nonalcoholic beverages of 2.7% y-o-y in June versus 3.4% y-o-y in May. Other groups that posted lower price increases include alcoholic beverages and tobacco; housing, water, electricity, gas, and other fuels; furnishing, household equipment, and routine maintenance of the house; transport; and communications. Prices in the education group declined at a faster rate of -4.5% y-o-y in June versus -3.8% y-o-y in May.

Thailand's consumer price inflation moderated to 0.9% y-o-y in June from 1.2% y-o-y in May, falling below the Bank of Thailand's target range of 1.0%–4.0%. The reduced inflation was attributed to slowing inflation in the price of nonfood items such as energy (3.9% y-o-y) and transportation and communication (1.6% y-o-y), which offset the accelerated hike in food and beverage prices (3.1% y-o-y). The cost of vegetables and fruits, which increased 12.7% y-o-y, led the rise in fresh food prices. The Bank of Thailand reported that alternating drought and rainfall made vegetables and fruits rot easily, resulting in higher prices. Core inflation, which excludes volatile energy and food prices, rose 0.5% y-o-y in June. For the first half of the year, average headline inflation increased 0.9%, while average core inflation edged up 0.6% from the same period a year earlier. The Bank of Thailand revised downward its inflation forecast for full-year 2019 from an earlier estimate of 0.7%–1.7% to 0.7%–1.0%.

Consumer price inflation in Indonesia was 3.3% y-o-y for the second month in a row in June, largely due to increases in food prices. The cost of food climbed 4.9% y-o-y and prepared food, beverages, and tobacco prices rose 4.0% y-o-y in June. On a month-on-month (m-o-m) basis, inflation slipped to 0.6% in June from 0.7% in the prior month, as demand for goods and services normalized following the conclusion of Ramadan and Eid al Fitr in the first week of June.

Consumer price inflation in the Republic of Korea was unchanged at 0.7% y-o-y in June from the previous month. Food and nonalcoholic beverages posted inflation of 2.0% y-o-y in June versus 1.9% y-o-y in May; alcoholic beverages and tobacco prices also posted a larger increase of 0.9% y-o-y versus 0.7% y-o-y. Other commodity groups that posted higher annual price increases include housing, fuel, light, and water; furnishings; and health. The prices of clothing and footwear, transport, communication, and recreation and culture continued to post y-o-y declines in June. On a m-o-m basis, consumer prices in the Republic of Korea declined 0.2% in June.

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

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

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

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

For the historical trend of inflation in Indonesia, refer to this link:

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

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

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

Singapore's Manufacturing Sector Contracts in June

Singapore's Purchasing Managers Index (PMI) declined to 49.6 in June from 49.9 in May, making the lowest PMI since August 2016. A PMI below 50.0 signals contraction in the manufacturing sector, while a value above 50.0 indicates expansion. The PMI's drop in June was attributed to declines in new orders, factory output, inventory, and employment. The electronics sector, a key component of the PMI, contracted in June, hitting 49.2 from 49.4 in the previous month. It was the eighth consecutive monthly contraction for the electronics sector as the global electronics industry experiences weak demand. The contraction in Singapore's manufacturing sector indicates that nonelectronics manufacturing industries are also being affected by the trade tensions between the People's Republic of China (PRC) and the United States (US).

Summary Text of News Articles

**Malaysia's Trade Surplus Eases in May;
The Republic of Korea's Exports and Imports Fall in June**

Malaysia posted a trade surplus of MYR9.1 billion in May, down from the MYR10.9 billion trade surplus logged in the previous month. Exports from Malaysia increased 2.5% y-o-y in May. Exports of palm oil and palm oil-based products expanded 7.6% y-o-y, spurred by an uptake in export volume as the average unit value declined. Exports of electrical and electronic products grew 0.5% y-o-y. On the other hand, imports edged up 1.4% y-o-y as intermediate goods jumped 6.4% y-o-y due to increases in imports of processed industrial supplies, parts and accessories of transport equipment, and processed fuel and lubricants. Imports of consumption goods expanded as well, growing 10.9% y-o-y due to imports of processed food and beverages, nondurables, and durables. On a m-o-m basis, Malaysia's exports declined 1.2%, while imports rose 1.0%, leading to the decline in the trade surplus.

The Republic of Korea's exports fell 13.5% y-o-y to USD44.2 billion in June primarily due to the ongoing trade tensions between the PRC and the US. Export prices in the semiconductor, petrochemical, and oil refinery industries fell during the month, registering declines of 25.5% y-o-y, 24.5% y-o-y, and 24.2% y-o-y, respectively. By region, exports to the PRC, US, and European Union decreased 24.1% y-o-y, 2.5% y-o-y, and 3.1% y-o-y, respectively. Meanwhile, imports declined 11.1% y-o-y to USD40.0 billion in June. The Republic of Korea posted a trade surplus of USD4.2 billion.

The Republic of Korea Posts USD5.0 Billion Current Account Surplus in May

The Republic of Korea posted a USD5.0 billion current account surplus in May, a reversal from the USD0.7 billion deficit in April. The reversal was primarily driven by the USD1.2 billion surplus registered in the primary income account, following a USD4.3 billion deficit in the previous month. The goods account surplus slightly narrowed to USD5.4 billion from USD5.7 billion during the same period, as exports declined while imports rose on a m-o-m basis. The services account and secondary income account continued to post deficits of USD0.9 billion and USD0.7 billion, respectively.

The PRC's Ministry of Finance Sells CNY1.7 Billion 3-Year Bond

Last week, the Ministry of Finance of the PRC sold a CNY1.7 billion 3-year bond in Macau, China. The offshore renminbi bond was sold to institutional buyers and priced to yield 3.05%. The bonds were well received, with the order book reaching over CNY5.4 billion. In addition, a CNY0.3 billion 2-year bond will be offered to retail investors from 5 July to 19 July.

Bank of Thailand Cuts Short-Term Bond Supply in July

The Bank of Thailand trimmed its supply of short-term bonds in July in a move viewed by market observers as an effort to slow capital inflows and curb the baht's appreciation. The weekly issuance of 3-month bonds will be reduced from THB40.0 billion to THB35.0 billion, while the supply of 6-month bonds will be cut from THB45.0 billion to THB40.0 billion per week. The supply of 1-year bonds will likewise be reduced to THB35.0 billion in July from THB45.0 billion in June. The total reduction in auctioned bonds during the 5-week period will amount to THB60.0 billion.

Selected Government Security Yields

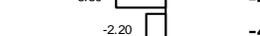
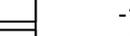
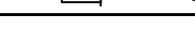
Tip: Zoom-in on the table using the Acrobat zoom tool

3-Month Selected LCY Government Security Yields

Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-19*
US	2.22	1.24	 12.84	-13.97
EU	-0.55	0.60	 1.10	25.20
Japan	-0.11	0.00	 1.21	3.97
PRC	2.19	0.00	 -6.40	-64.00
Hong Kong, China	2.17	42.00	 21.00	42.00
Indonesia	6.88	-1.06	 -7.08	-82.30
Korea, Rep. of	1.51	0.00	 -0.50	-23.30
Malaysia	3.09	0.00	 -0.50	-19.50
Philippines	4.33	-2.30	 -13.10	-144.70
Singapore	1.96	-1.30	 -3.50	-12.20
Thailand	1.71	-0.02	 -0.53	10.32

Close of 5 July 2019

10-Year Selected LCY Government Bond Yields

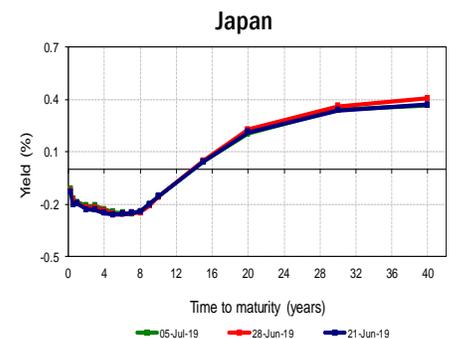
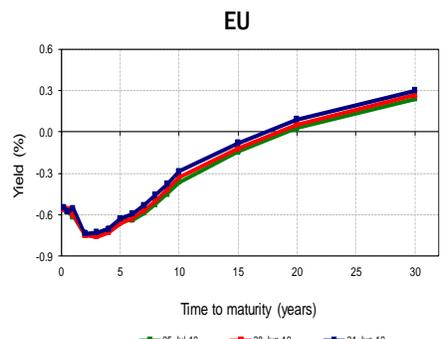
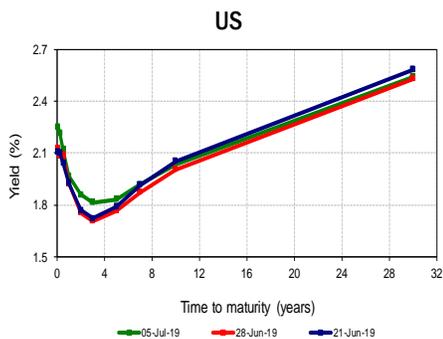
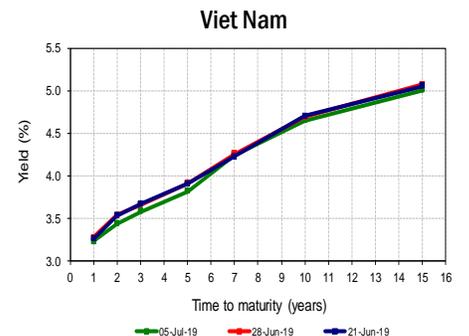
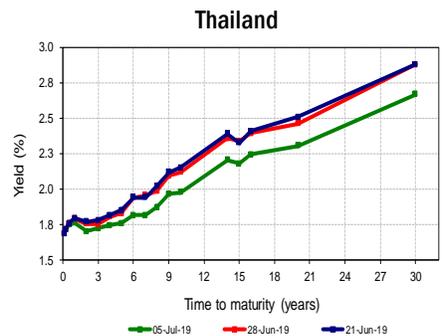
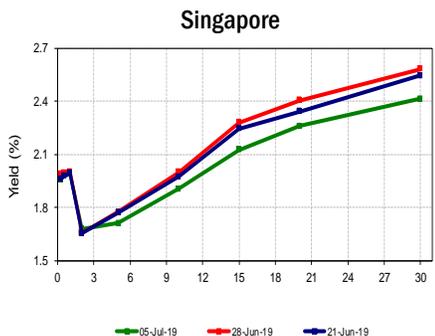
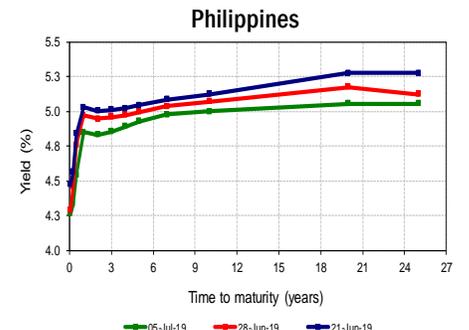
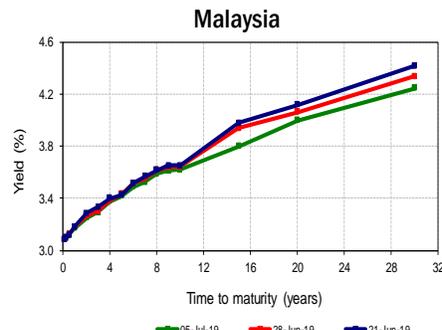
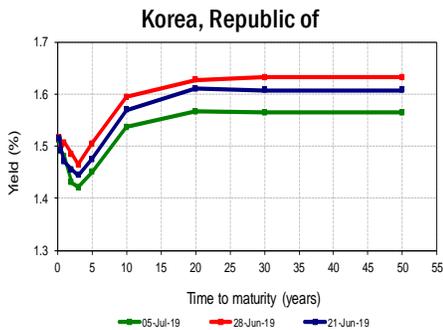
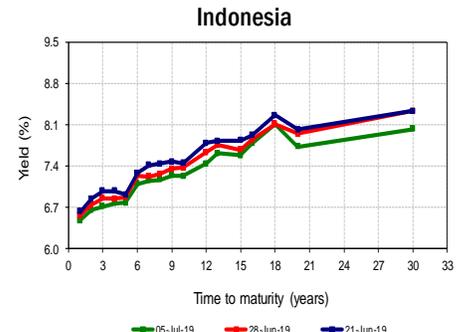
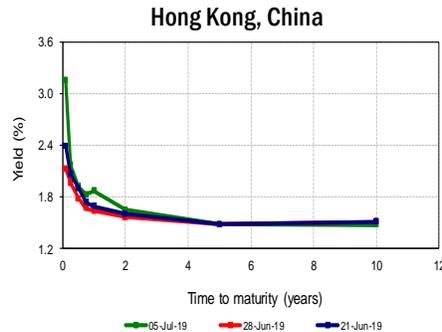
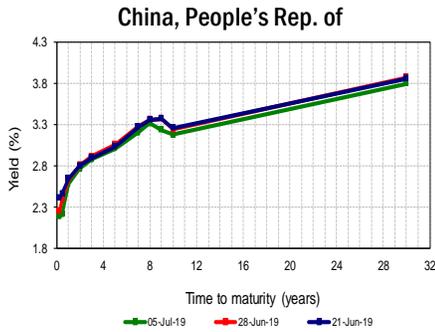
Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-19*
US	2.03	8.40	 2.87	-65.04
EU	-0.36	3.60	 -3.60	-60.50
Japan	-0.16	0.00	 0.30	-15.80
PRC	3.18	1.80	 -5.80	-13.20
Hong Kong, China	1.48	-1.40	 -3.70	-53.20
India	6.70	-5.20	 -18.30	-72.20
Indonesia	7.23	-2.90	 -14.00	-79.70
Korea, Rep. of	1.54	1.70	 -5.80	-41.90
Malaysia	3.62	0.40	 -2.20	-46.00
Philippines	5.00	-1.00	 -7.20	-205.70
Singapore	1.90	-0.50	 -9.62	-13.70
Thailand	1.98	1.10	 -14.30	-50.70
Viet Nam	4.65	-2.20	 -4.70	-48.00

Close of 5 July 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

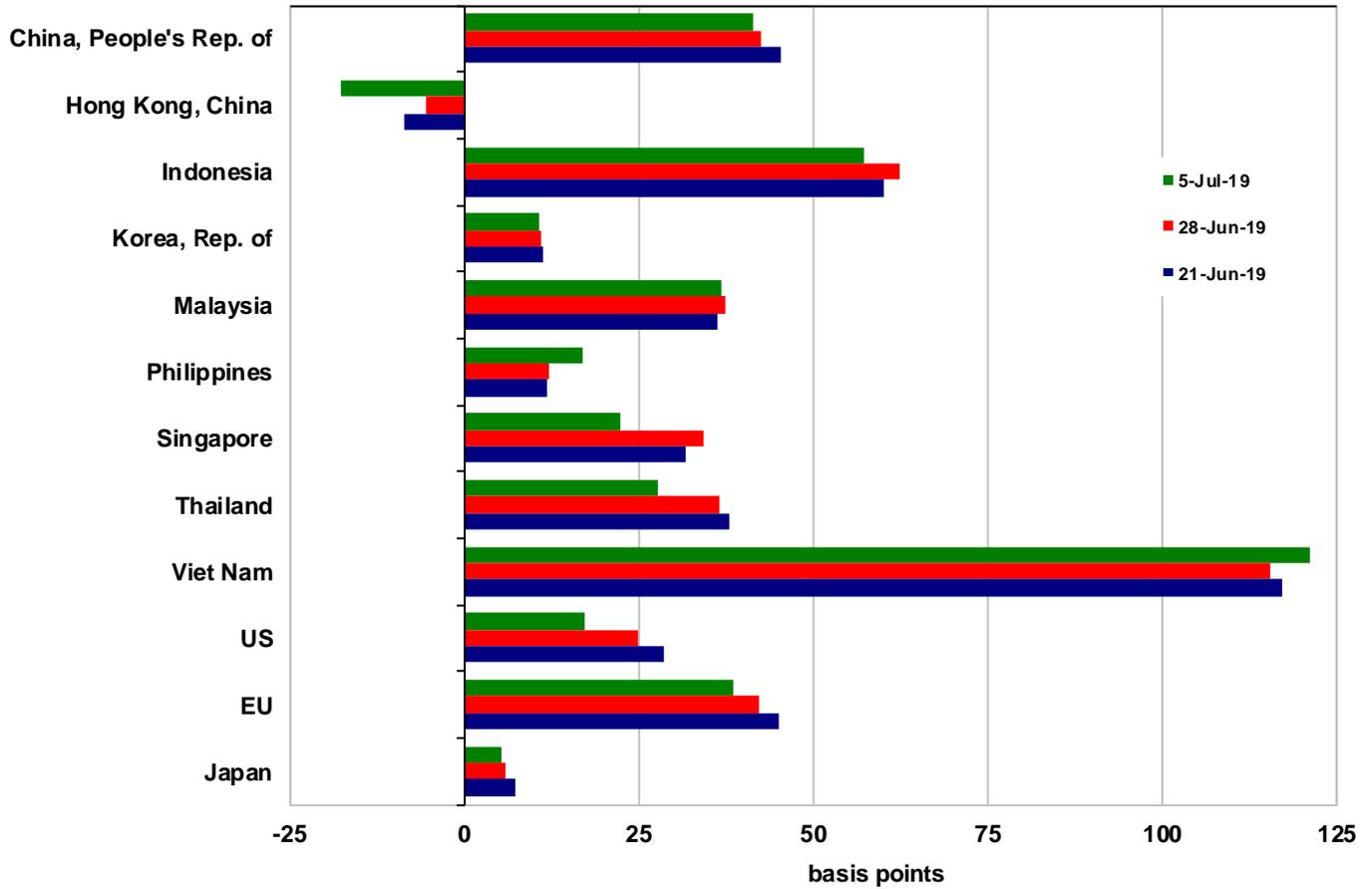
Tip: Zoom-in on the table using the Acrobat zoom tool



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

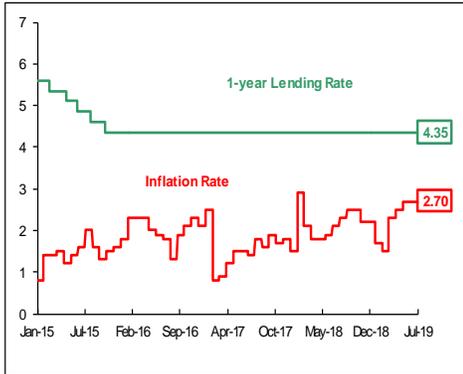


EU = European Union, US = United States.
Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

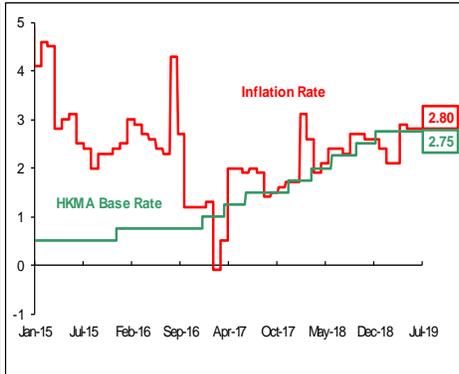
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



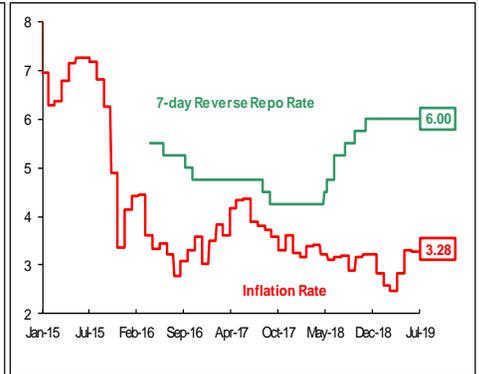
The PRC uses the 1-year lending rate as one of its policy rates.
Source: Bloomberg LP.

Hong Kong, China



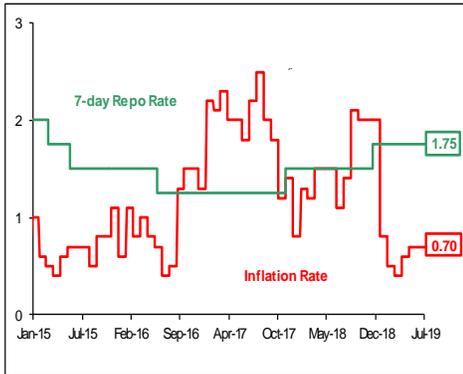
The Hong Kong Monetary Authority maintains a Discount Window Base Rate.
Source: Bloomberg LP.

Indonesia



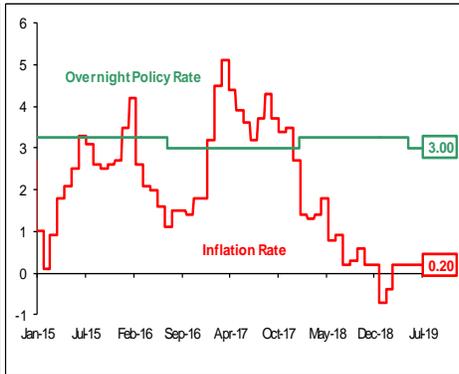
Bank Indonesia shifted its policy rate to the 7-day reverse repo rate effective 19 August 2016.
Source: Bloomberg LP.

Korea, Republic of



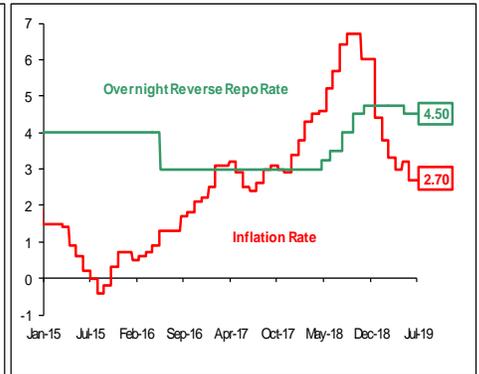
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008.
Source: Bloomberg LP.

Malaysia



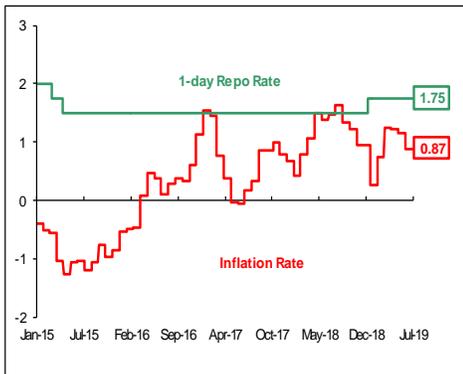
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate.
Source: Bloomberg LP.

Philippines



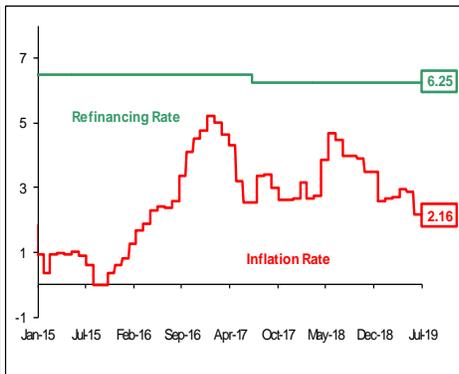
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments.
Source: Bloomberg LP.

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

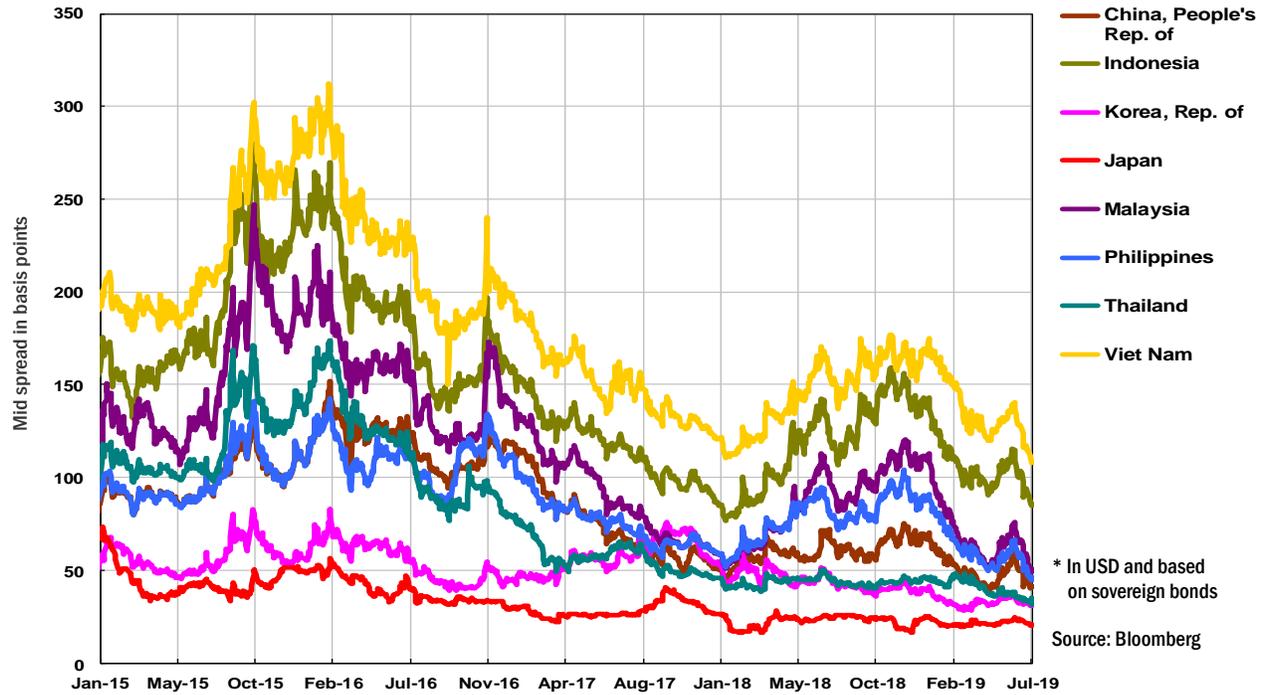


The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.
Source: Bloomberg LP.

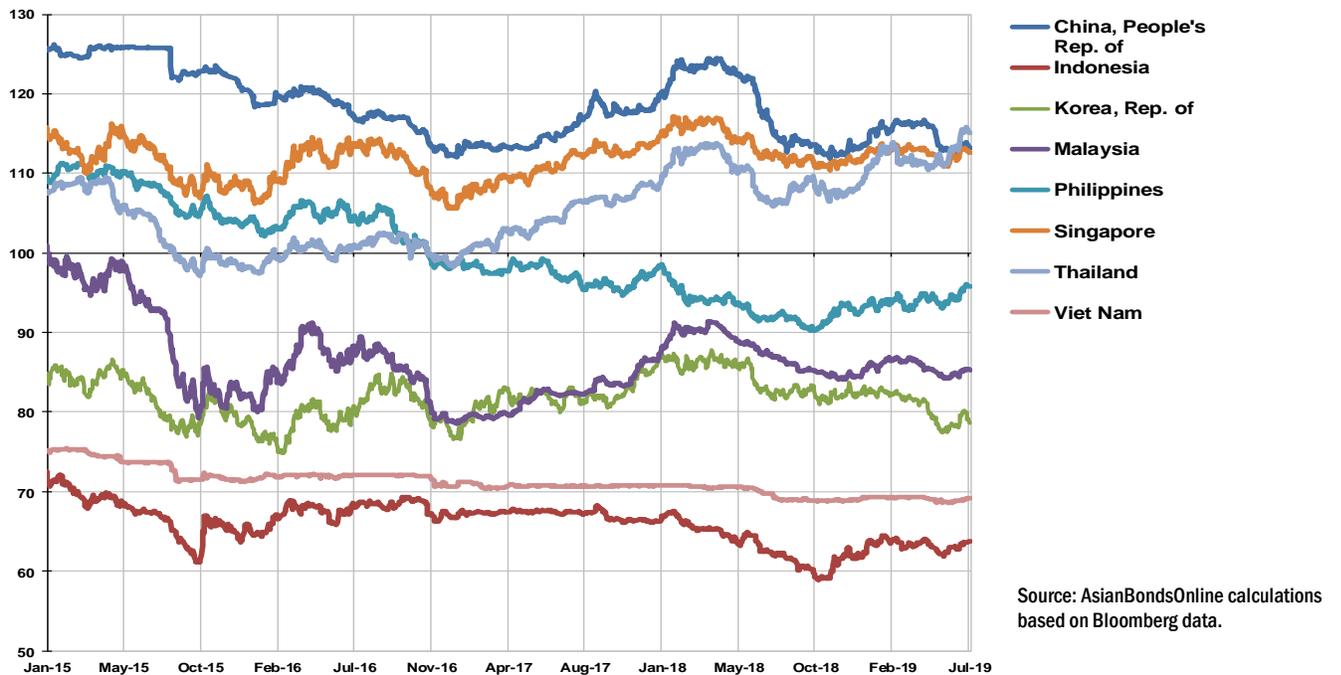
Credit Default Swap Spreads and Exchange Rate Indexes

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 (1 – 5 July 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	3-Jul	3-year Treasury Bonds	2.82		48.00	48.03
HK	2-Jul	91-day Exchange Fund Bills	2.02		56.57	56.57
		183-day Exchange Fund Bills	1.88		16.60	16.60
ID	2-Jul	91-day Treasury Bills	5.74			2,000.00
		365-day Treasury Bills	5.87			2,000.00
		5-year Treasury Bonds	6.82	8.13		2,050.00
		10-year Treasury Bonds	7.35	8.25	15,000.00	5,400.00
		16-year Treasury Bonds	7.66	7.50		5,450.00
		20-year Treasury Bonds	7.90	8.38		3,350.00
		29-year Treasury Bonds	8.26	7.38		1,900.00
JP	2-Jul	10-year Japan Government Bonds	-0.14	0.10	2,100.00	2,098.90
KR	1-Jul	3-year Korea Treasury Bonds	1.47	1.63	1,150.00	1,150.00
	2-Jul	30-year Korea Treasury Bonds	1.61	2.00	1,600.00	1,600.00
	3-Jul	2-year Monetary Stabilization Bonds	1.48		2,400.00	2,400.00
MY	4-Jul	15-year Malaysia Government Bonds	3.83	3.83	3.50	3.50
PH	2-Jul	3-year Treasury Bonds	4.80	4.75	20.00	20.00
SG	2-Jul	28-day MAS bills	1.78		2.90	2.90
		84-day MAS bills	1.53		6.90	6.90
TH	2-Jul	91-day Bank of Thailand Bills	1.72		35.00	35.00
		182-day Bank of Thailand Bills	1.75		40.00	40.00
		364-day Bank of Thailand Bills	1.75		35.00	41.36
VN	3-Jul	10-year Treasury Bonds	4.62		1,500.00	1,500.00
		15-year Treasury Bonds	4.94		1,500.00	1,500.00
		20-year Treasury Bonds	5.42		1,500.00	757.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (9 – 15 July 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Malaysia Overnight Policy Rate % JUL	07/09	6/18: 3.25% 7/18: 3.25% 5/19: 3.00% 6/19: 3.00%	Bank Negara Malaysia kept its overnight policy rate at 3.00% during its last monetary policy committee meeting.
People's Republic of China CPI y-o-y, % JUN	07/10	5/18: 1.8% 6/18: 1.9% 4/19: 2.5% 5/19: 2.7%	The People's Republic of China's (PRC) consumer price inflation increased to 2.7% year-on-year (y-o-y) in May from 2.5% y-o-y in April.
Philippines Exports y-o-y, % MAY	07/10	4/18: -4.9% 5/18: -1.8% 3/19: -2.5% 4/19: 0.4%	Exports from the Philippines rebounded in April, posting a 0.4% y-o-y increase following a 2.5% y-o-y decline in March.
Philippines Trade Balance USD million MAY	07/10	4/18: -3,699 5/18: -3,880 3/19: -3,100 4/19: -3,499	The Philippines' trade deficit widened to USD3.5 billion in April from USD3.1 billion in March.
People's Republic of China Exports y-o-y, % JUN	07/12	5/18: 11.9% 6/18: 10.7% 4/19: -2.7% 5/19: 1.1%	Exports from the PRC rebounded in May, expanding 1.1% y-o-y from a contraction of 2.7% y-o-y in the previous month.
People's Republic of China Trade Balance USD billion JUN	07/12	5/18: 23.4 6/18: 40.9 4/19: 13.8 5/19: 41.7	The PRC posted a trade surplus of USD41.7 billion in May, up from USD13.8 billion in April.
Japan Industrial Production y-o-y, % MAY—Final	07/12	4/18: 1.9% 5/18: 3.5% 4/19: -1.1% 5/19: -1.8%	Japan's industrial production further declined to 1.8% y-o-y in May after decreasing 1.1% y-o-y in the previous month.
Malaysia Industrial Production y-o-y, % MAY	07/12	4/18: 4.1% 5/18: 3.4% 3/19: 3.1% 4/19: 4.0%	Malaysia's industrial production growth accelerated in April, increasing 4.0% y-o-y versus 3.1% y-o-y in March.
People's Republic of China Industrial Production y-o-y, % JUN	07/15	5/18: 6.8% 6/18: 6.0% 4/19: 5.4% 5/19: 5.0%	The PRC's industrial production growth eased to 5.0% y-o-y in May from 5.4% y-o-y in April.
People's Republic of China GDP y-o-y, % Q2 2019	07/15	Q1 2018: 6.8% Q2 2018: 6.7% Q4 2018: 6.4% Q1 2019: 6.4%	The PRC's gross domestic product expanded 6.4% y-o-y in the first quarter of 2019, the same pace as in the previous quarter.
Indonesia Exports y-o-y, % JUN	07/15	5/18: 13.0% 6/18: 11.0% 4/19: -9.5% 5/19: -9.0%	Exports from Indonesia contracted 9.0% y-o-y in May after declining 9.5% y-o-y in April.
Indonesia Trade Balance USD million JUN	07/15	5/18: -1,464.6 6/18: 1,673.8 4/19: -2,286.5 5/19: 207.6	Indonesia posted a trade surplus of USD207.6 million in May, a turnaround from a deficit of USD2,286.5 million in April.

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)

Consumer Price Inflation in the Philippines and Thailand Eases in June; June Consumer Price Inflation Steady in Indonesia and the Republic of Korea

- [Summary Inflation Report Consumer Price Index \(2012=100\): June 2019](#)
Philippine Statistics Authority (5 July 2019)
- [Consumer Price Inflation and Consumer Price Index](#)
Ministry of Commerce (1 July 2019)
- [Inflation rose 0.87% in June, slower than May's 1.15%](#)
Bangkok Post (1 July 2019)
- [Inflation in June 2019 was 0.55 percent. The highest Inflation occurred in Manado at 3.60 percent.](#)
Statistics Indonesia (1 July 2019)
- [Inflation in June 2019 Remains Controlled](#)
Bank Indonesia (1 July 2019)
- [Consumer Price Index in June 2019](#)
Statistics Korea (2 July 2019)

Singapore's Manufacturing Sector Contracts in June

- [Singapore's factory activity contracts for second straight month in June](#)
Singapore Institute of Purchasing and Materials Management (4 July 2019)

Malaysia's Trade Surplus Eases in May; The Republic of Korea's Exports and Imports Fall in June

- [Malaysia External Trade Statistics May 2019](#)
Department of Statistics (4 July 2019)
- [Korean exports in June decrease 13.5% to \\$44.2 billion](#)
Ministry of Trade, Industry and Energy (1 July 2019)

The Republic of Korea Posts USD5.0 Billion Current Account Surplus in May

- [Balance of Payments during May 2019 \(preliminary\)](#)
The Bank of Korea (4 July 2019)

The PRC's Ministry of Finance Sells CNY1.7 Billion 3-Year Bond

- [China's MoF launches Rmb1.7bn 3yr CNH bond at 3.05%](#)
IFR Asia (4 July 2019)

Bank of Thailand Cuts Short-Term Bond Supply in July

- [BoT cuts July bonds by B60bn](#)
Bangkok Post (2 July 2019)

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