

15 July 2019

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## Key Developments in Asian Local Currency Markets

**B**ased on advance estimates, real gross domestic product growth in Singapore eased to 0.1% year-on-year (y-o-y) in the second quarter (Q2) of 2019, lower than the 1.1% y-o-y growth recorded in the first quarter (Q1) of 2019. The slowdown in economic growth stemmed from weak growth in the construction sector and the continued decline in the manufacturing sector. Growth in the construction industry moderated to 2.2% y-o-y, which was slower than the 2.7% y-o-y increase in Q1 2019. The manufacturing sector continued to contract, falling 3.8% y-o-y after declining 0.4% y-o-y in Q1 2019, due to the contraction in electronics and precision engineering clusters. Services producing industries grew 1.2% y-o-y, the same level of growth in the previous quarter. On a quarter-on-quarter seasonally adjusted annualized basis, Singapore's economy contracted 3.4% in Q2 2019, reversing the 3.8% expansion posted in the prior quarter.

Industrial production growth in Japan contracted for the fourth straight month in May, falling 2.1% y-o-y after declining 1.1% y-o-y in April. In Malaysia, industrial production expanded 4.0% y-o-y in May, the same growth rate recorded in April as higher growth in the mining sector was slightly offset by the slower growth in manufacturing and electricity.

The monetary policy committee of Bank Negara Malaysia decided to keep the overnight policy rate at its current level of 3.00%. The monetary policy committee stated that the current policy rate remains accommodative and supportive of the economy's sustainable growth and price stability.

Consumer price inflation in the People's Republic of China (PRC) stayed at 2.7% y-o-y, for the second month in a row in June. On a month-on-month (m-o-m) basis, a deflation of 0.1% was recorded in June. Producer price inflation in the PRC was unchanged in June from the same period a year ago after rising to 0.6% y-o-y in May. On a m-o-m basis, producer prices declined 0.3% in June. In Japan, the Producer Price Index fell 0.1% y-o-y in June, marking the first decline since December 2016.

The PRC's trade performance weakened in June amid prolonged trade tensions with the United States and slowdown in the global economy. Exports from the PRC contracted 1.3% y-o-y in June and imports declined 7.3% y-o-y. The PRC's trade surplus rose to USD51.0 billion in June. In the Philippines, exports rose 1.0% y-o-y in May to USD6.2 billion while imports fell 5.4% y-o-y to USD9.4 billion. The Philippines posted a trade deficit of USD3.3 billion in May.

Japan's current account surplus fell 15.8% y-o-y in May to JPY1.6 trillion, contracting for a

### Asia Bond Monitor June 2019

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#### 10-Year Selected LCY Government Security Yields Close of 12 July 2019 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	2.12	-1.59	8.81	-56.23
EU	-0.21	1.50	15.30	-45.20
Japan	-0.11	2.10	4.10	-11.70
PRC	3.16	-1.60	-2.10	-15.30
Hong Kong, China	1.55	5.70	7.60	-45.60
India	6.49	-0.60	-20.80	-93.00
Indonesia	7.21	-1.90	-2.30	-82.00
Korea, Rep. of	1.57	1.50	2.80	-39.10
Malaysia	3.62	-1.10	-0.20	-46.20
Philippines	5.02	-2.10	1.90	-203.80
Singapore	1.97	4.08	6.12	-7.58
Thailand	1.99	4.40	1.00	-49.70
Viet Nam	4.60	2.50	-4.50	-52.50

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- 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

third straight month amid weak exports. Primary income, which stood at JPY2.3 trillion in May, continued to be the main source of Japan's current account surplus. On the other hand, secondary income posted a deficit of JPY0.1 trillion in May. On a seasonally adjusted basis, Japan's current account surplus narrowed 18.4% m-o-m to JPY 1.3 trillion in May from JPY1.6 trillion in April.

Last week, local currency government bond yields fell for all maturities in Viet Nam and for most maturities in the PRC; Hong Kong, China; and Indonesia. On the other hand, yields edged higher for most maturities in Malaysia, the Philippines, and Thailand while it was mixed in the Republic of Korea and Singapore. The spread between the 2-year and 10-year tenors widened for most emerging East Asian markets except for the PRC, Malaysia, and the Philippines.

## Summary Text of News Articles

### Economic Growth in Singapore Eases to 0.1% y-o-y in Q2 2019

Based on advance estimates, Singapore's economy expanded 0.1% year-on-year (y-o-y) in the second quarter (Q2) of 2019, down from the 1.1% y-o-y growth recorded in the first quarter (Q1) of 2019. The dismal growth was due to the slower growth in the construction sector and the continued decline in the manufacturing sector. Growth in the construction sector moderated to 2.2% y-o-y, which was slower than the 2.7% y-o-y increase in Q1 2019. The manufacturing sector plummeted 3.8% y-o-y, after decreasing 0.4% y-o-y in Q1 2019, due to the contraction in the electronics and precision engineering clusters. Services-producing industries grew 1.2% y-o-y, the same level of growth in the previous quarter, as increases were recorded in the finance and insurance, other services industries, and information and communications sectors. On a quarter-on-quarter seasonally adjusted annualized basis, Singapore's economy contracted 3.4% in Q2 2019, reversing the 3.8% expansion posted in the previous quarter.

### Industrial Production Growth in Japan Contracts for the Fourth Straight Month in May; Malaysia's Industrial Production Index Grows in May

Industrial production growth in Japan contracted for the fourth straight month in May, falling 2.1% y-o-y after declining 1.1% y-o-y in April. Further contractions were recorded in May for both production (–2.1% y-o-y from –1.8% y-o-y in April) and shipments (–1.8% y-o-y from –1.5% y-o-y in April), while growth in inventories slightly moderated to 1.5% y-o-y from 1.6% y-o-y in April. Between April and May, industrial production contracted 2.0%.

Malaysia's Industrial Production Index expanded 4.0% y-o-y in May, the same growth rate recorded in April as higher growth in the mining sector was slightly offset by the slower growth in manufacturing and electricity. Mining increased 3.0% y-o-y in May from 2.3% y-o-y in the previous month, spurred by a jump in natural gas production. Manufacturing growth eased to 4.2% y-o-y in May from 4.3% y-o-y in April as four out of seven sectors posted easing growth rates. Electricity slowed to 5.7% y-o-y in May from 5.8% y-o-y in the previous month. On a month-on-month (m-o-m) seasonally adjusted basis, Malaysia's Industrial Production Index contracted 0.3%.

### Bank Negara Malaysia Maintains Overnight Policy Rate at 3.00%

The Monetary Policy Committee of Bank Negara Malaysia decided to keep the overnight policy rate at its current level of 3.00% amid sustained economic growth and stable inflation. In Q1 2019, Malaysia's economy grew 4.5% y-o-y, well within the projected 4.3%–4.8% for full-year 2019. External demand may slow due to the moderation of global economic growth and trade tensions between the People's Republic of China (PRC) and the United States. However, domestic demand is expected to continue to support Malaysia's economic growth as household and capital spending are spurred by stable labor market conditions and the expansion of the manufacturing and services sectors. Consumer price inflation remained low but is expected to rise as the consumption tax policy lapses. Nevertheless, Q2 2019 y-o-y inflation is projected to be stable, in spite of downside risks brought by global oil prices and policies. Core inflation is also expected to be stable due to the sustained expansion of economic activities and lack of strong demand pressures. The Monetary Policy Committee stated that the current policy rate remains accommodative and supportive of the economy's sustainable growth and price stability.

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

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

### Consumer Price Inflation in the PRC Steady at 2.7% y-o-y in June; The PRC's Producer Price Inflation Unchanged in June, Falls in Japan in June

Consumer price inflation in the PRC was 2.7% y-o-y for the second month in a row in June. Food prices rose 8.3% y-o-y in June, up from the 7.7% gain in May. On the other hand, nonfood prices rose at a slower pace of 1.4% y-o-y after rising 1.6% y-o-y a month earlier. On a m-o-m basis, deflation of 0.1% was recorded in June. Meanwhile, producer price inflation in the PRC was unchanged in June from the same period a year ago after rising to 0.6% y-o-y in May. On a m-o-m basis, producer prices declined 0.3% in June.

## Summary Text of News Articles

### Consumer Price Inflation in the PRC Steady at 2.7% y-o-y in June; The PRC's Producer Price Inflation Unchanged in June, Falls in Japan in June (cont...)

In Japan, the Producer Price Index fell 0.1% y-o-y in June, marking the first decline since December 2016. The drop was driven primarily by declining prices of non-ferrous metals (−9.3% y-o-y), petroleum and coal products (−5.5% y-o-y), and chemical and related products (−2.4% y-o-y). Weak global demand triggered the decline in international prices of crude oil and metals.

For inflation trends in the PRC, refer to this link:

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

### The PRC's Exports and Imports Contract in June; The Philippines' Exports Rise and Imports Fall in May

The PRC's trade performance weakened in June amid prolonged trade tensions with the United States and a slowdown in global economy. Exports from the PRC contracted 1.3% y-o-y in June after rising 1.1% y-o-y in May. Imports also declined 7.3% y-o-y in June after falling 8.5% y-o-y in the prior month. The PRC's trade surplus widened to USD51.0 billion from USD41.7 billion in May.

Exports from the Philippines rose 1.0% y-o-y in May to USD6.2 billion as eight out of the top ten major export commodities posted annual increases. Electronic products, which account for 56.1% of the Philippines' total exports in May, registered an increase of 6.2% y-o-y. Within the electronic products group, semiconductors, which comprise 40.5% of total exports, posted growth of 4.5% y-o-y. Meanwhile, imports fell 5.4% y-o-y to USD9.4 billion as six out of the top ten major import commodities posted declines for the month. Imports of electronic products, which account for the highest share of total imports at 26.1%, posted a minimal increase of 2.0% y-o-y. This was offset by the decline in other major import groups such as mineral fuels, lubricants, and related materials, which fell 17.2% y-o-y in May (12.5% share); transport equipment declining 19.3% y-o-y (8.9% share); and industrial machinery and equipment at 4.8% y-o-y (5.9% share). The Philippines posted a trade deficit of USD3.3 billion in May.

### Japan's Current Account Surplus Narrows in May

Japan's current account surplus fell 15.8% y-o-y in May to JPY1.6 trillion, contracting for a third straight month amid weak exports. Exports dropped 6.3% y-o-y to JPY5.9 trillion, while imports contracted 0.9% y-o-y to JPY6.6 trillion, resulting in a goods trade deficit of JPY0.7 trillion. According to the Ministry of Finance, the decline in exports was mainly due to sluggish demand for semiconductors in the PRC and the Republic of Korea. Services posted a surplus of JPY0.1 trillion in May, reversing the JPY0.3 trillion deficit recorded in April. Primary income, which stood at JPY2.3 trillion in May, continued to be the main source of Japan's current account surplus. On the other hand, secondary income posted a deficit of JPY0.1 trillion in May. On a seasonally adjusted basis, Japan's current account surplus narrowed 18.4% month-on-month (m-o-m) to JPY 1.3 trillion in May from JPY1.6 trillion in April.

## 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	2.13	-1.06	-8.54		-22.51
EU	-0.57	-0.10	-1.10		24.10
Japan	-0.15	-0.04	-3.21		0.76
PRC	2.15	0.00	-3.40		-67.40
Hong Kong, China	1.83	8.00	-34.00		8.00
Indonesia	6.67	-5.36	-20.73		-103.03
Korea, Rep. of	1.51	0.00	-0.70		-24.00
Malaysia	3.09	-0.10	0.00		-19.50
Philippines	4.12	-1.00	-20.60		-165.30
Singapore	1.86	-0.90	-10.00		-22.20
Thailand	1.72	0.42	0.70		11.02

Close of 12 July 2019

### 10-Year Selected LCY Government Bond Yields

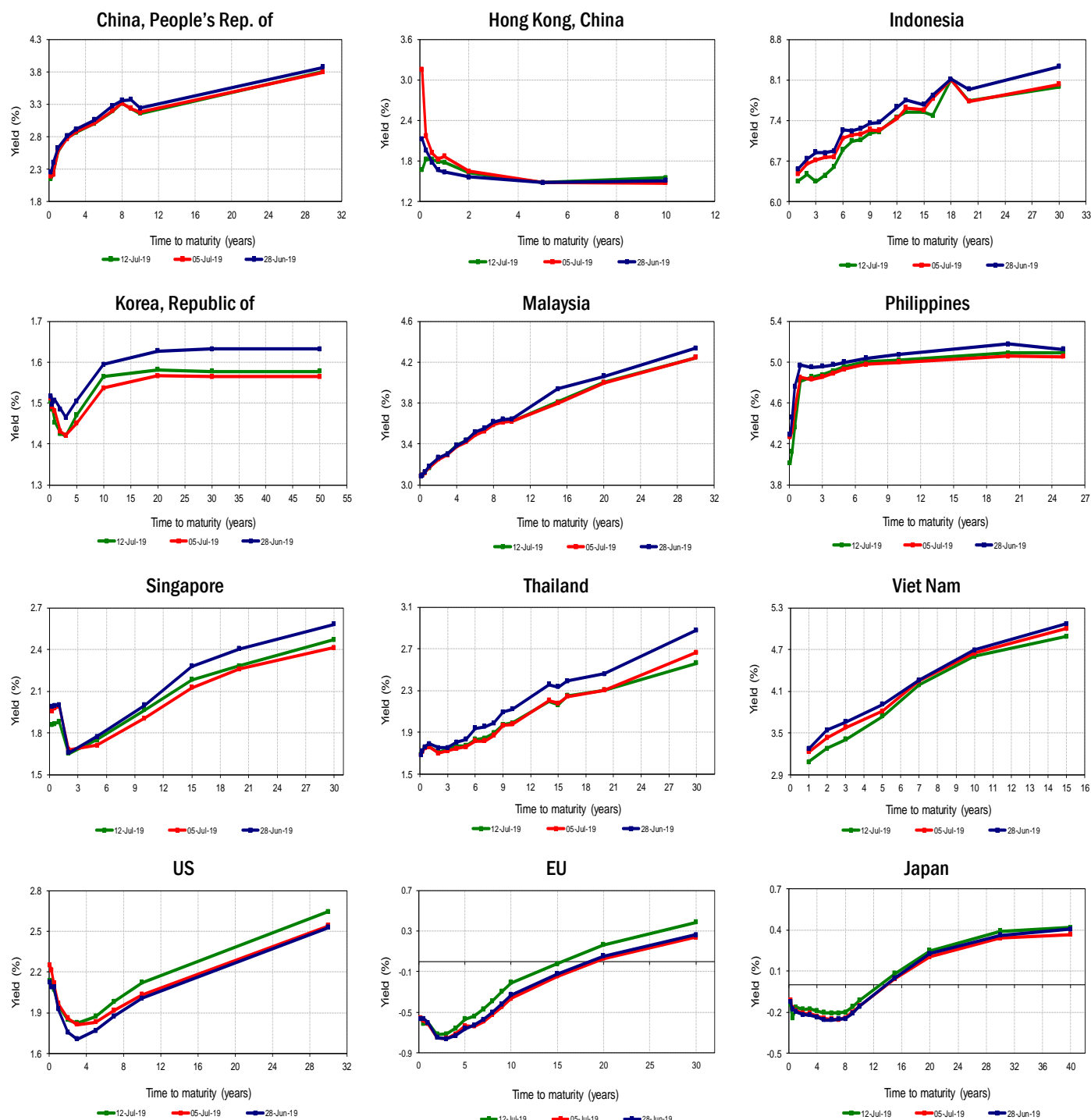
Markets	Latest Closing	basis point change from			1-Jan-19*
		Previous Day*	Previous Week*		
US	2.12	-1.59	8.81		-56.23
EU	-0.21	1.50	15.30		-45.20
Japan	-0.11	2.10	4.10		-11.70
PRC	3.16	-1.60	-2.10		-15.30
Hong Kong, China	1.55	5.70	7.60		-45.60
India	6.49	-0.60	-20.80		-93.00
Indonesia	7.21	-1.90	-2.30		-82.00
Korea, Rep. of	1.57	1.50	2.80		-39.10
Malaysia	3.62	-1.10	-0.20		-46.20
Philippines	5.02	-2.10	1.90		-203.80
Singapore	1.97	4.08	6.12		-7.58
Thailand	1.99	4.40	1.00		-49.70
Viet Nam	4.60	2.50	-4.50		-52.50

Close of 12 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

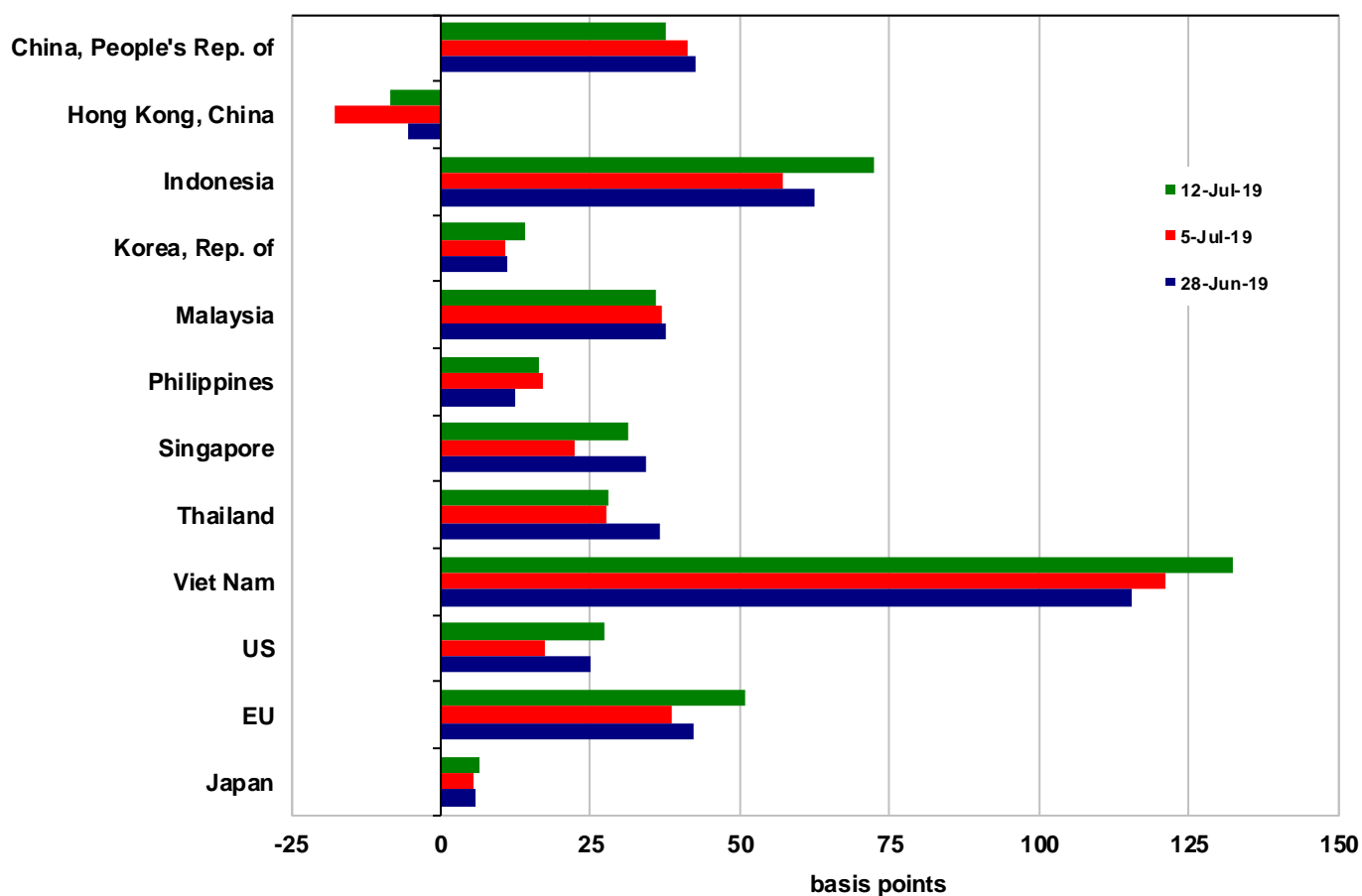


EU = European Union, LCY = local currency US = United States.

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



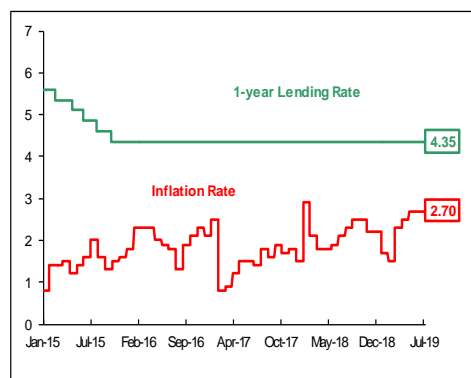
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

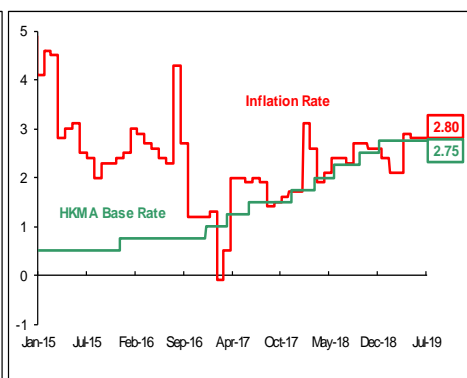
### China, People's Rep. of



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

Source: Bloomberg LP.

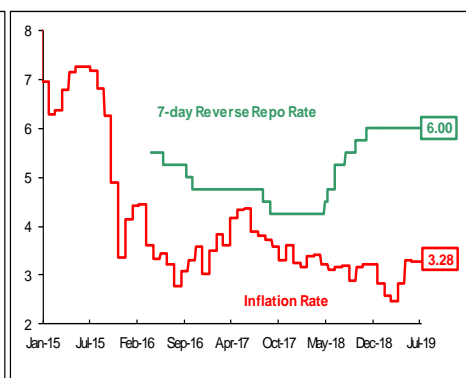
### Hong Kong, China



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

Source: Bloomberg LP.

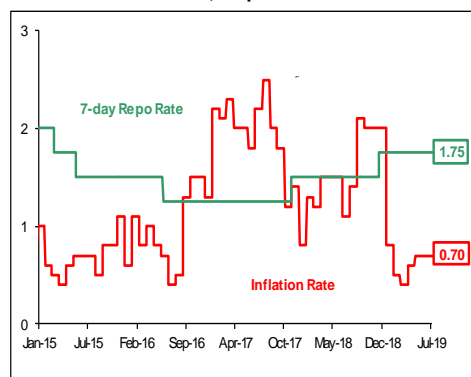
### Indonesia



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

Source: Bloomberg LP.

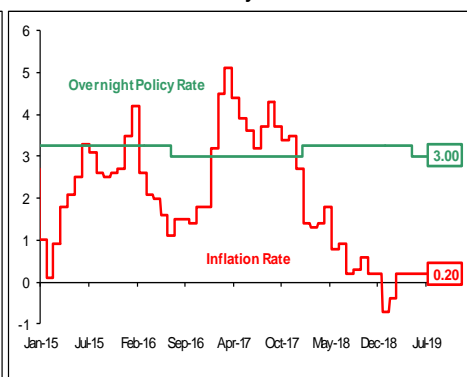
### Korea, Republic of



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.

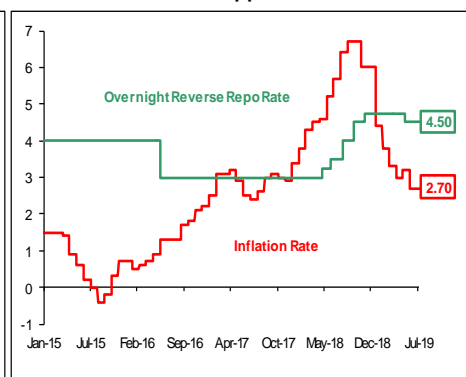
### Malaysia



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

Source: Bloomberg LP.

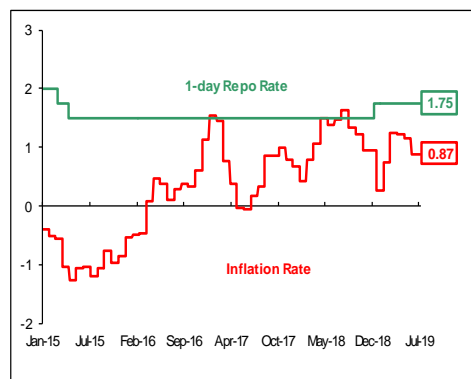
### Philippines



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

Source: Bloomberg LP.

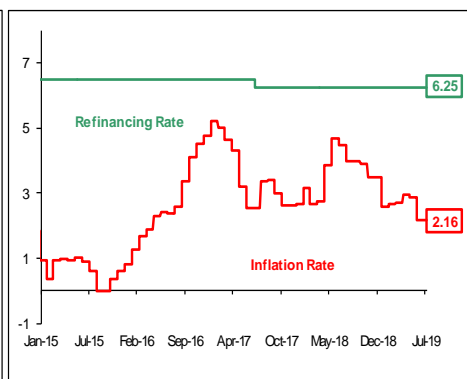
### Thailand



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.

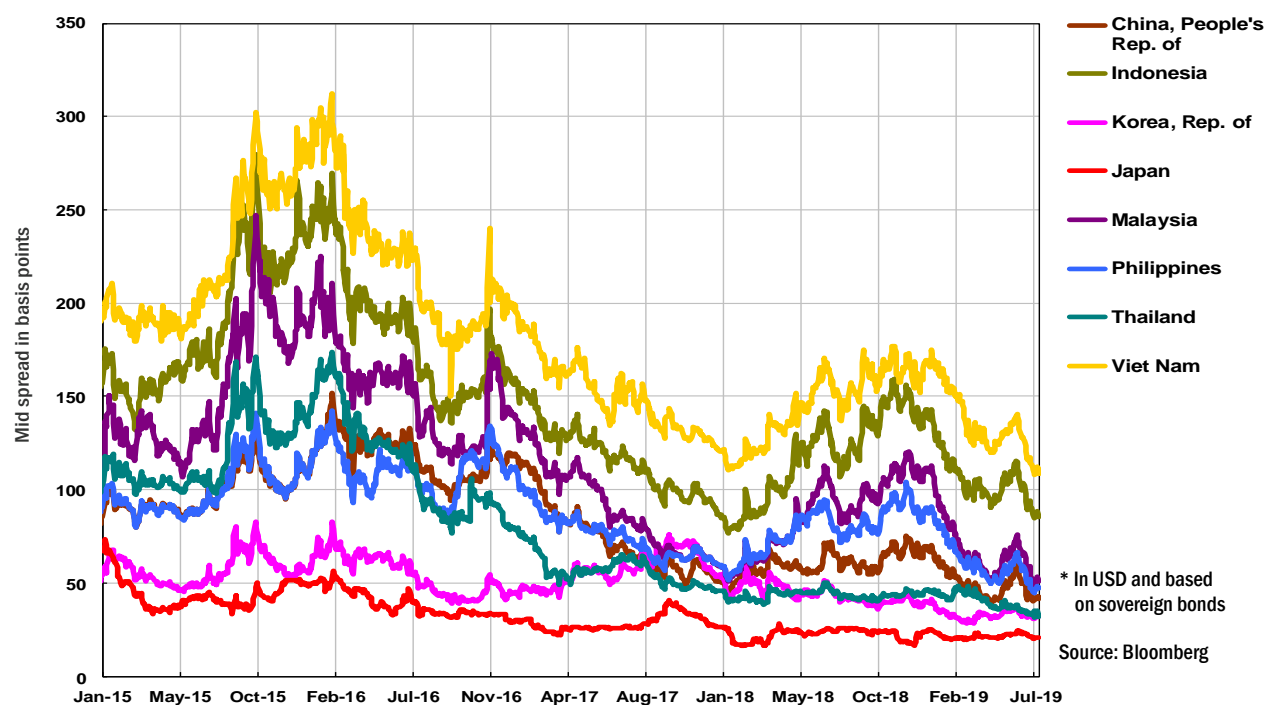
Source: Bloomberg LP.



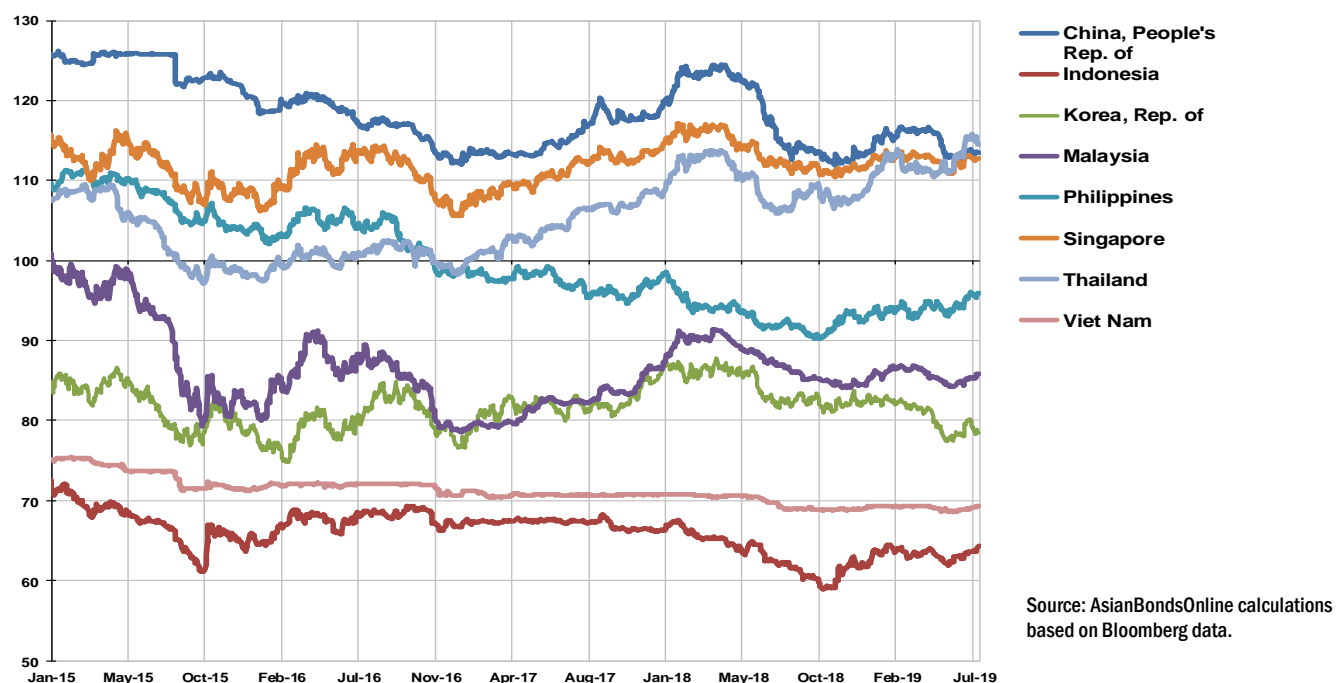
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (8 – 12 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	10-Jul	2-year Treasury Bonds	2.74	3.19	28.00	42.00
		5-year Treasury Bonds	2.96	3.29	42.00	42.00
HK	9-Jul	91-day Exchange Fund Bills	2.22		58.16	58.16
		182-day Exchange Fund Bills	2.07		18.00	18.00
		364-day Exchange Fund Bills	1.88		5.00	5.00
ID	9-Jul	6-month Islamic Treasury Bills	6.12			1,050.00
		2-year Project Based <i>Sukuk</i>	6.62	6.50		2,550.00
		4-year Project Based <i>Sukuk</i>	6.78	8.25	4,000.00	3,450.00
		7-year Project Based <i>Sukuk</i>	7.41	8.50		300.00
		15-year Project Based <i>Sukuk</i>	7.88	8.63		250.00
		28-year Project Based <i>Sukuk</i>	8.32	8.00		400.00
JP	9-Jul	6-month Treasury Bills	-0.20		2,300.00	2,299.98
		5-year Japan Government Bonds	-0.23	0.10	1,900.00	1,949.60
	12-Jul	3-month Treasury Bills			4,330.00	
KR	8-Jul	1-year Monetary Stabilization Bonds	1.48		1,040.00	1,040.00
		5-year Korea Treasury Bonds	1.46	1.88	600.00	600.00
MY	11-Jul	364-day Treasury Bills	3.07		0.50	0.50
PH	8-Jul	91-day Treasury Bills	3.88		4.00	4.00
		182-day Treasury Bills	4.24		5.00	5.00
		364-day Treasury Bills	4.74		6.00	6.00
SG	9-Jul	4-week MAS Bills	1.55		2.90	2.90
		12-week MAS Bills	1.55		7.20	7.20
TH	9-Jul	91-day BOT Bills	1.73		35.00	35.00
		182-day BOT Bills	1.74		40.00	40.00
	10-Jul	9.44-year Government Bonds	1.97	2.88	20.00	20.00
		26.95-year Government Bonds	2.61	2.88	8.00	8.00
VN	10-Jul	5-year Treasury Bonds	3.75		500.00	50.00
		10-year Treasury Bonds	4.56		2,000.00	3,000.00
		15-year Treasury Bonds	4.81		2,000.00	2,933.00
		30-year Treasury Bonds	5.60		1,000.00	1,000.00

BOT = Bank of Thailand, LCY = local currency, MAS = Monetary Authority of Singapore.

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (16 – 22 July 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Singapore</b> <b>Non-Oil Domestic Exports</b> y-o-y, % JUN	07/17	5/18: 15.5% 6/18: 0.8% <b>4/19: -10.0%</b> <b>5/19: -15.9%</b>	Singapore's non-oil domestic exports posted a larger decline of 15.9% year-on-year (y-o-y) in May from 10.0% y-o-y in the previous month.
<b>Indonesia</b> <b>7-Day Reverse Repo Rate</b> % JUL 18	07/18	6/18: 5.25% 7/18: 5.25% <b>5/19: 6.00%</b> <b>6/19: 6.00%</b>	On 20 June, Bank Indonesia's Board of Governors decided to keep the 7-day reverse repurchase rate unchanged at 6.00%.
<b>Japan</b> <b>Exports</b> y-o-y, % JUN	07/18	5/18: 8.1% 6/18: 6.7% <b>4/19: -2.4%</b> <b>5/19: -7.8%</b>	Japan's exports declined 7.8% y-o-y in May, a bigger decrease than the 2.4% y-o-y fall recorded in April.
<b>Japan</b> <b>Trade Balance</b> JPY billion JUN	07/18	5/18: -577.4 6/18: 727.8 <b>4/19: 53.5</b> <b>5/19: -968.3</b>	Japan posted a trade deficit of JPY968.3 billion in May, reversing the surplus of JPY53.5 billion recorded in the previous month.
<b>Republic of Korea</b> <b>7-Day Repo Rate</b> % 18 JUL	07/18	6/18: 1.50% 7/18: 1.50% <b>5/19: 1.75%</b> <b>6/19: 1.75%</b>	On its monetary policy board meeting on 31 May, the Bank of Korea decided to leave its policy rate unchanged at 1.75%.
<b>Japan</b> <b>CPI</b> y-o-y, % JUN	07/19	5/18: 0.7% 6/18: 0.7% <b>4/19: 0.9%</b> <b>5/19: 0.7%</b>	Consumer price inflation in Japan rose 0.7% y-o-y in May, slower than the 0.9% y-o-y increase in April.
<b>Republic of Korea</b> <b>PPI</b> y-o-y, % JUN	07/19	5/18: 2.1% 6/18: 2.5% <b>4/19: 0.6%</b> <b>5/19: 0.4%</b>	Producer price inflation in the Republic of Korea eased to 0.4% y-o-y in May from 0.6% y-o-y in April.
<b>Philippines</b> <b>Balance of Payments</b> USD million JUN	07/19	5/18: -583 6/18: -1,177 <b>4/19: 467</b> <b>5/19: 928</b>	The Philippines' balance of payments surplus rose to USD928 million in May from USD467 million in April.
<b>Hong Kong, China</b> <b>CPI</b> y-o-y, % JUN	07/22	5/18: 2.1% 6/18: 2.4% <b>4/19: 2.9%</b> <b>5/19: 2.8%</b>	Consumer price inflation in Hong Kong, China slipped to 2.8% y-o-y in May from 2.9% y-o-y in April.
<b>Philippines</b> <b>Budget Balance</b> PHP billion JUN	07/22	5/18: -32.9 6/18: -54.3 <b>4/19: 86.9</b> <b>5/19: 2.6</b>	The Philippines posted a budget surplus of PHP2.6 billion in May, lower than the PHP86.9 billion surplus posted in April.

Sources: AsianBondsOnline, Bloomberg LP, and Reuters.

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## 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)

### Economic Growth in Singapore Eases to 0.1% y-o-y in Q2 2019

- [Singapore's GDP Grew by 0.1 Per Cent in the Second Quarter of 2019](#)  
Department of Statistics (12 July 2019)

### Industrial Production Growth in Japan Contracts for the Fourth Straight Month in May; Malaysia's Industrial Production Index Grows in May

- [Indices of Industrial Production](#)  
Ministry of Economy, Trade and Industry (12 July 2019)
- [Index Of Industrial Production, Malaysia May 2019](#)  
Department of Statistics (12 July 2019)

### Bank Negara Malaysia Maintains Overnight Policy Rate at 3.00%

- [Monetary Policy Statement](#)  
Bank Negara Malaysia (9 July 2019)

### Consumer Price Inflation in the PRC Steady at 2.7% y-o-y in June; The PRC's Producer Price Inflation Unchanged in June, Falls in Japan in June

- [China's CPI up 2.7 pct in June](#)  
Xinhua (10 July 2019)
- [China's producer prices stall in June, fueling fears of deflation](#)  
CNBC (10 July 2019)
- [Monthly Report on the Corporate Goods Price Index \(Preliminary Figures for June 2019\)](#)  
Bank of Japan (10 July 2019)
- [Producer prices fall 0.1%](#)  
The Japan News (10 July 2019)

### The PRC's Exports and Imports Contract in June; The Philippines' Exports Rise and Imports Fall in May

- [Highlights of the Philippine Export and Import Statistics : May 2019](#)  
Philippine Statistics Authority (10 July 2019)
- [Total Trade by Month and Year: 2017 - 2019](#)  
Philippine Statistics Authority (10 July 2019)

### Japan's Current Account Surplus Narrows in May

- [Balance of Payment Statistics, May 2019 \(Preliminary\)](#)  
Ministry of Finance, Government of Japan (8 July 2019)
- [Japan Posts Current Account Surplus of 1.59tn yen in May](#)  
Nikkei Asian Review (8 July 2019)

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