

2 September 2019

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Key Developments in Asian Local Currency Markets

At its monetary policy meeting on 30 August, the Bank of Korea decided to keep its base rate unchanged at 1.50% on account of the slowdown in global economic growth and heightened volatility in global financial markets due to trade tensions. On the domestic front, economic growth slowed on weakening consumption and is expected to remain on the same trajectory due largely to the trade dispute between the United States and the People's Republic of China (PRC), as well as geopolitical risks. Inflation remained subdued and is expected to be between zero and 0.5% in 2019 and 1.0%–1.5% in 2020.

Consumer prices in Viet Nam rose 0.3% year-on-year (y-o-y) in August, which was slightly faster than the 0.2% y-o-y increase in July. Prices for most commodities rose during the period, led by medicine and health care registering inflation of 2.8% y-o-y, and education at 0.6% y-o-y.

Japan's industrial production rose 1.3% month-on-month (m-o-m) in July, following a decline of 3.3% m-o-m in the previous month, driven by large gains in business-oriented machinery, which grew 8.6% m-o-m, and other products, which grew 6.5% m-o-m. The Index of All-Industry Production in the Republic of Korea slightly rebounded in July, posting marginal growth of 0.5% y-o-y after an 0.8% y-o-y contraction in June. Singapore's manufacturing output declined 0.4% y-o-y in July, easing from a contraction of 8.1% y-o-y in June, supported by growth in general manufacturing and chemicals output and a more moderate contraction in electronics and transport engineering. Viet Nam's Index of Industrial Production expanded 10.5% y-o-y in August, driven by output growth in the mining and quarrying and manufacturing sectors.

Hong Kong, China's merchandise trade continued to slump amid weakening global demand and the escalating trade dispute between the PRC and the United States. Exports fell 5.7% y-o-y in July, marking 9 straight months of contraction. Thailand's exports rose 3.8% y-o-y to USD21.0 billion in July, reversing the 2.1% y-o-y contraction in June. Imports rebounded in July, posting 0.9% y-o-y growth to reach USD19.3 billion in July versus the 9.6% y-o-y decline recorded in the previous month. Viet Nam's export growth decelerated to 4.5% y-o-y in August from 9.3% y-o-y in July. In contrast, imports expanded at a faster pace of 7.5% y-o-y in August compared with 5.0% y-o-y in the previous month.

Asia Bond Monitor June 2019

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10-Year Selected LCY Government Security Yields

Close of 30 August 2019

basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	1.50	0.16	-3.90	-118.81
EU	-0.70	-0.80	-2.50	-94.20
Japan	-0.27	1.60	-3.80	-27.20
PRC	3.06	2.60	-1.10	-24.90
Hong Kong, China	1.56	0.00	0.00	-44.90
India	6.56	0.80	-1.50	-85.90
Indonesia	7.33	-5.00	9.00	-69.30
Korea, Rep. of	1.30	4.90	4.30	-66.10
Malaysia	3.31	0.50	-5.50	-77.30
Philippines	4.46	2.40	-1.90	-259.80
Singapore	1.74	5.36	-5.94	-29.93
Thailand	1.44	1.70	-8.60	-103.90
Viet Nam	4.17	-5.50	-2.80	-96.00

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- Benchmark Yield Curves - Local Currency Government Bonds
- 2-versus-10 Yield Spread Chart
- Policy Rate versus Inflation Rate Charts
- Credit Default Swap Spreads & Exchange Rate Indexes
- Selected Debt Security Issuances
- Selected Asia Data Releases

Thailand's balance of payments recorded a surplus of USD4.5 billion in July, up from USD1.9 billion in June. The current account surplus narrowed to USD1.8 billion from USD3.9 billion in the previous month due to a narrowing of the merchandise trade surplus, which outpaced the recovery in the services, primary, and secondary income account.

Last week, local currency yields fell for most tenors in Hong Kong, China; the Philippines; Singapore; and Thailand; and fell for all tenors in Malaysia. Yields rose for most tenors in Indonesia, the Republic of Korea and Viet Nam while mixed yield movements were seen in the PRC. Yield spreads between the 2-year and 10-year tenor narrowed in most markets, and widened in Hong Kong, China; Indonesia and the Republic of Korea.

Summary Text of News Articles

The Bank of Korea Keeps Base Rate Unchanged

At its monetary policy meeting on 30 August, the Bank of Korea decided to keep the base rate unchanged at 1.50% on account of the slowdown in global economic growth and volatility in global financial markets due to trade tensions. On the domestic front, economic growth slowed due to weakening consumption and is expected to remain on the same trajectory due to the trade dispute between the United States (US) and the People's Republic of China (PRC), as well as geopolitical risks. Inflation remained subdued and is expected to be between zero and 0.5% in 2019 and 1.0%–1.5% in 2020. The Bank of Korea will continue to monitor risks to the outlook, which include the US–PRC trade dispute, slowing economic growth and the direction of monetary policy in major economies, increased household debt, and geopolitical risks.

For data on policy rate in the Republic of Korea, refer to this link:

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

Consumer Prices in Viet Nam Rise in August

Consumer prices in Viet Nam rose 0.3% year-on-year (y-o-y) in August, slightly faster than the 0.2% y-o-y increase in July as prices for most commodities rose during the period. The main contributors to price increases were medicine and health care, which registered inflation of 2.8% y-o-y, and education costs, which gained 0.6% y-o-y as a result of tuition fee hikes in some localities at the start of the new academic year. Partly affecting the Consumer Price Index was the impact of African swine fever, which led to a shortage in the supply of pigs and caused an uptick in prices of 0.9% y-o-y in August. For the first 8 months of the year, Viet Nam's inflation rate rose to 2.6% y-o-y, its slowest increase during the same period over the last 3 years. Core inflation, which reflects long-term general price changes after excluding temporary changes of the Consumer Price Index, eased to 0.1% y-o-y in August from 0.2% y-o-y in July.

Industrial Production Rises in Japan, Rebounds in the Republic of Korea in July; Manufacturing Output Declines at a Slower Pace in Singapore in July; Viet Nam's Industrial Production Expands in August

Japan's industrial production rose 1.3% month-on-month (m-o-m) in July after a decline of 3.3% m-o-m in the previous month. The largest gains came from business-oriented machinery, which grew 8.6% m-o-m, followed by other products, which grew 6.5% m-o-m. The largest falls came from information and communications electronic equipment, which fell 4.2% m-o-m, and inorganic and organic chemicals, which fell 3.9% m-o-m.

The Index of All-Industry Production in the Republic of Korea slightly rebounded in July, posting marginal growth of 0.5% y-o-y following an 0.8% y-o-y contraction in June. The recovery was led by the 1.3% y-o-y growth posted in services, up from a 0.1% y-o-y increase in June. Industrial production posted a 0.6% y-o-y increase in July, reversing a 2.6% y-o-y decline in the previous month. On the other hand, the contraction in the construction industry worsened to 6.2% y-o-y from 4.4% y-o-y a month earlier. The growth in public administration slowed to 0.3% y-o-y in July from 3.6% y-o-y in June. On a m-o-m basis, industrial production in the Republic of Korea rose 1.2% in July.

Singapore's manufacturing output declined 0.4% y-o-y in July, easing from a contraction of 8.1% y-o-y in June, on growth in general manufacturing and chemicals output and a more moderate contraction in electronics and transport engineering. The output of general manufacturing industries expanded 6.9% y-o-y in July, rebounding from the contraction of 0.8% y-o-y in the previous month, due to the growth of food, beverages, and tobacco, and miscellaneous industries. Chemicals production climbed 2.2% y-o-y, recovering from a 3.3% y-o-y fall in June, as petrochemicals registered a slower decline. On the other hand, electronics output slid 0.9% y-o-y in July, easing from a 18.2% y-o-y decline in the previous month, due to growth in semiconductor production. Transport engineering production registered a slower decrease of 0.2% y-o-y in July, after plunging 15.0% y-o-y in June, owing to the extended growth of aerospace output. On a seasonally adjusted m-o-m basis, the output of the manufacturing industry expanded 3.6% in July.

 Summary Text of News Articles

**Industrial Production Rises in Japan, Rebounds in the Republic of Korea in July;
 Manufacturing Output Declines at a Slower Pace in Singapore in July;
 Viet Nam's Industrial Production Expands in August (cont...)**

Viet Nam's Index of Industrial Production expanded 10.5% y-o-y in August, driven by output growth in the mining and quarrying and manufacturing sectors. Mining and quarrying posted the highest growth among all industrial sectors, expanding 14.4% y-o-y due to strong production growth in metal ores (43.8% y-o-y) and coal (33.4% y-o-y). Manufacturing production expanded 10.3% y-o-y, driven by expansions in machinery and equipment (19.6% y-o-y), leather goods (15.0% y-o-y), rubber and plastic products (14.9% y-o-y), apparel (13.2% y-o-y), and chemical products (13.1% y-o-y). From January through August, industrial production increased 9.5% y-o-y.

Exports Contract in Hong Kong, China and Expand in Thailand in July; Export Growth Eases in Viet Nam in August

Hong Kong, China's merchandise trade continued to slump amid weakening global demand and the escalating trade dispute between the PRC and the US. Exports fell 5.7% y-o-y in July, marking 9 straight months of contraction. Shipments to the PRC declined 7.1% y-o-y, while exports to the US fell 10.3% y-o-y. Total exports to Asia dropped 5.5% y-o-y, led by weakened shipments to Malaysia (-14.7%), Viet Nam (-8.6%), and Thailand (-7.0%). Imports were down for an 8th consecutive month, falling 8.7% y-o-y in July following a 7.5% drop in June. Imports from the PRC and the US dropped 4.0% y-o-y and 10.7% y-o-y, respectively. Among Hong Kong, China's major suppliers, the Republic of Korea (-26.2 y-o-y), India (-16.7% y-o-y), and Malaysia (-12.7% y-o-y) saw the most pronounced declines in imports. Hong Kong, China's trade deficit narrowed to HKD32.2 billion in July from HKD55.2 billion in June.

Thailand's exports rose 3.8% y-o-y to USD21.0 billion in July, reversing the 2.1% y-o-y contraction in June. Imports rebounded, posting 0.9% y-o-y growth in July after a 9.6% y-o-y decline recorded in the previous month. Merchandise imports in July reached USD19.3 billion, up from USD16.9 billion in June. Due to higher imports, Thailand's trade surplus narrowed to USD1.7 billion in July from USD4.4 billion in June.

Viet Nam's export growth decelerated to 4.5% y-o-y in August from 9.3% y-o-y in July. In contrast, imports expanded faster at 7.5% y-o-y in August compared with 5.0% y-o-y in the previous month. The combined effects of the faster growth in imports and a slower rise in exports resulted in a significant increase in the trade surplus, which rose to USD1.7 billion in August from USD200 million in July. For first 8 months of the year, Viet Nam recorded a trade surplus of USD3.4 billion.











Thailand's Balance-of-Payments Surplus Increases to USD4.5 Billion in July

Thailand's balance of payments recorded a surplus of USD4.5 billion in July, up from USD1.9 billion in June. The current account surplus narrowed to USD1.8 billion in July from USD3.9 billion in the previous month due to a narrowing of the merchandise trade surplus, which outpaced the recovery in the services, primary, and secondary income account. Merchandise trade recorded a surplus of USD1.7 billion in July, down from USD4.4 billion in June. The net services, primary, and secondary income account posted a surplus of USD75.9 million in July, which reversed the USD477.5 million deficit in the previous month.

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	1.98	-0.30		2.31	-37.84
EU	-0.60	-0.30		-0.50	20.50
Japan	-0.17	-0.50		-1.18	-1.70
PRC	2.49	9.80		9.80	-33.40
Hong Kong, China	1.98	23.00		-17.00	23.00
Indonesia	6.14	-0.38		-1.11	-156.14
Korea, Rep. of	1.25	0.00		-0.90	-50.00
Malaysia	3.06	-0.30		-1.50	-22.50
Philippines	3.32	0.10		-0.60	-245.70
Singapore	1.88	0.00		0.00	-20.10
Thailand	1.46	-0.17		-4.44	-14.76

Close of 30 August 2019

10-Year Selected LCY Government Bond Yields

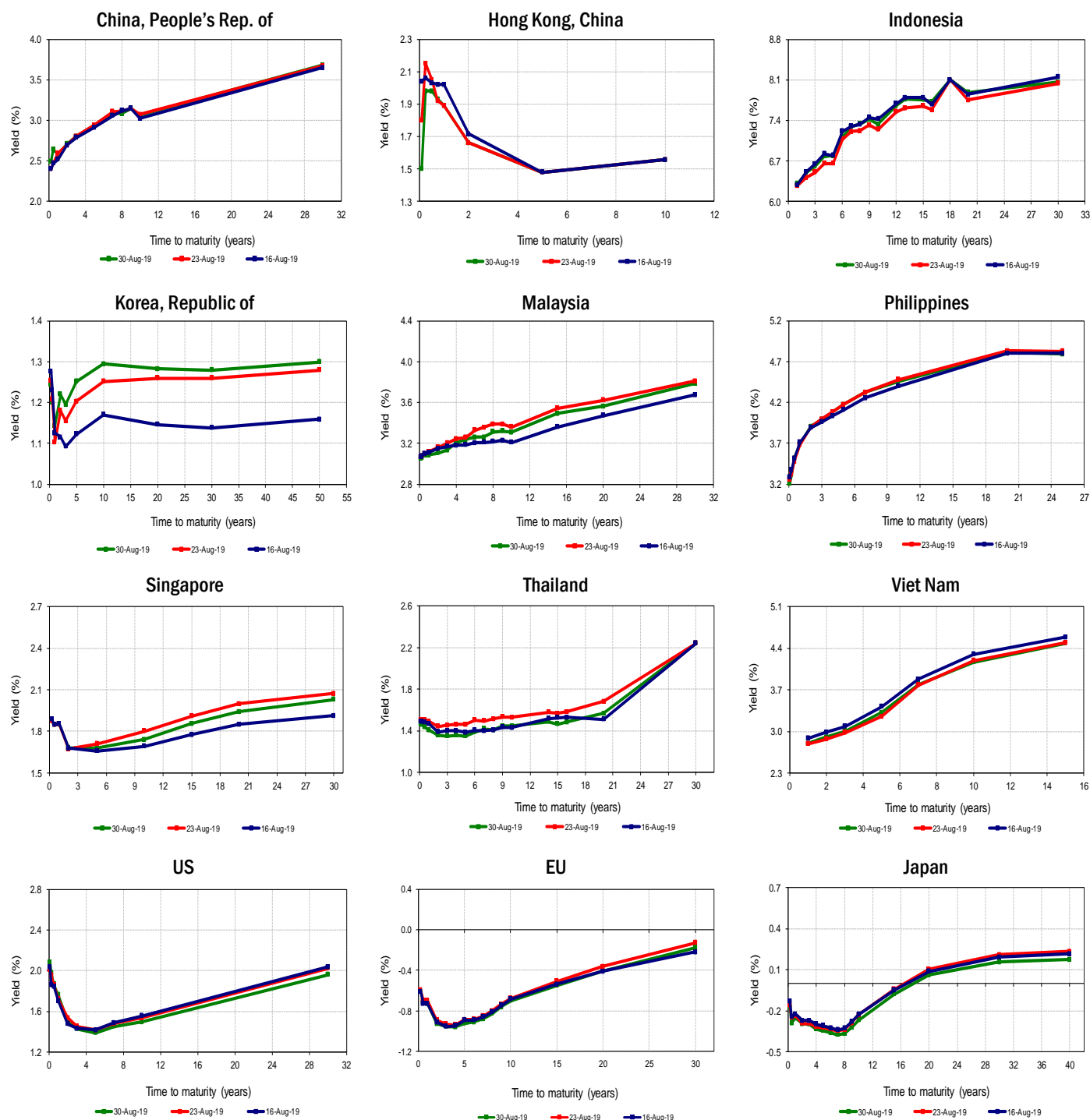
Markets	Latest Closing	basis point change from		
		Previous Day	Previous Week	1-Jan-19
US	1.50	0.16	-3.90	-118.81
EU	-0.70	-0.80	-2.50	-94.20
Japan	-0.27	1.60	-3.80	-27.20
PRC	3.06	2.60	-1.10	-24.90
Hong Kong, China	1.56	0.00	0.00	-44.90
India	6.56	0.80	-1.50	-85.90
Indonesia	7.33	-5.00	9.00	-69.30
Korea, Rep. of	1.30	4.90	4.30	-66.10
Malaysia	3.31	0.50	-5.50	-77.30
Philippines	4.46	2.40	-1.90	-259.80
Singapore	1.74	5.36	-5.94	-29.93
Thailand	1.44	1.70	-8.60	-103.90
Viet Nam	4.17	-5.50	-2.80	-96.00

Close of 30 August 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

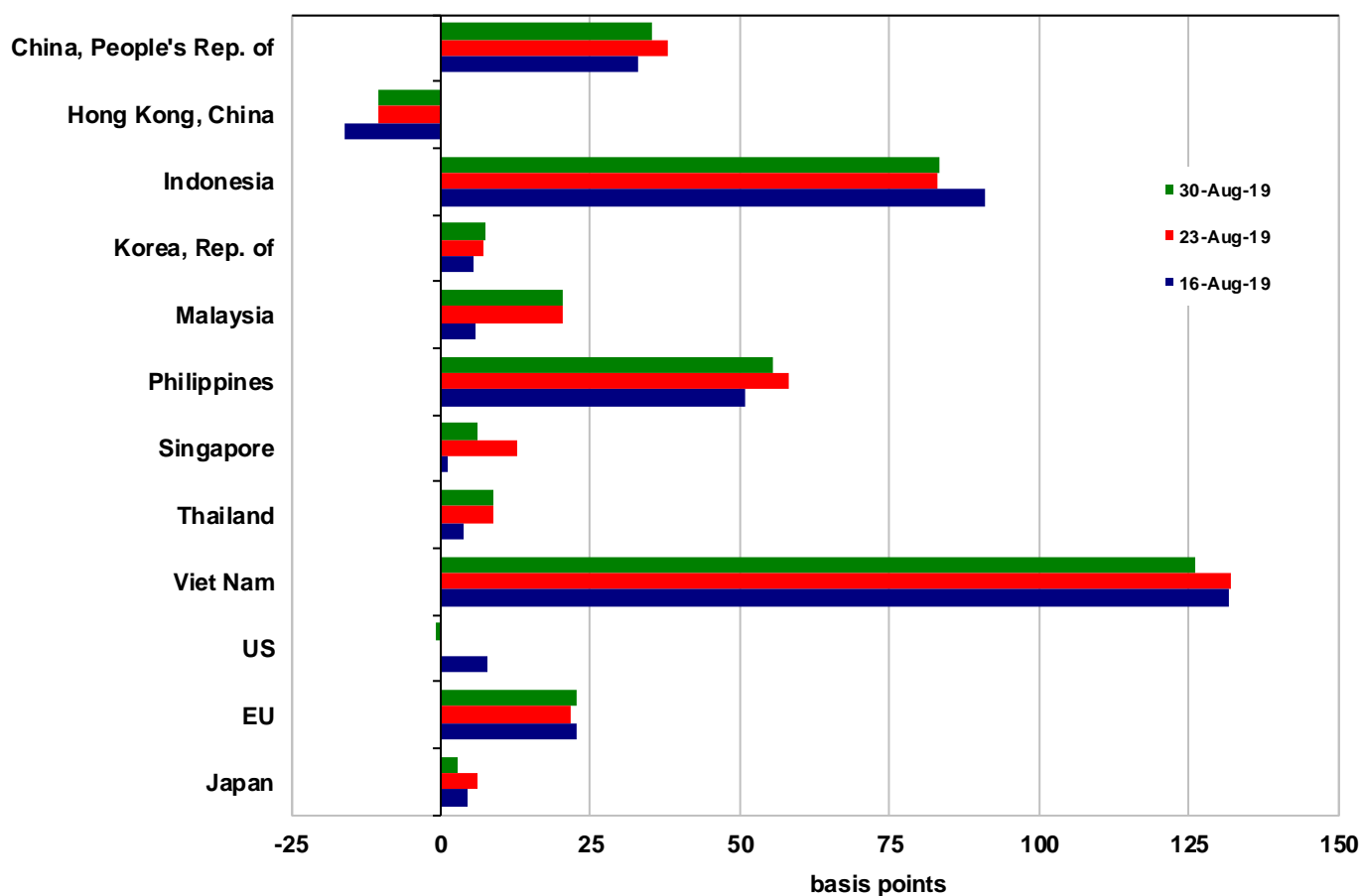


EU = European Union, LCY = local currency US = United States.

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



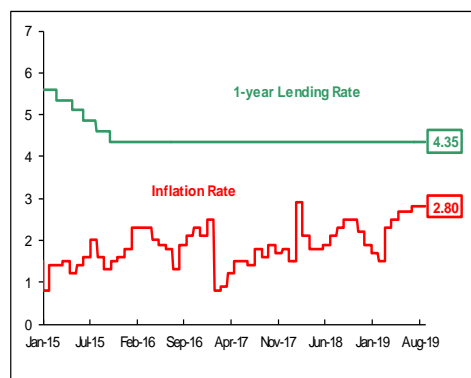
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

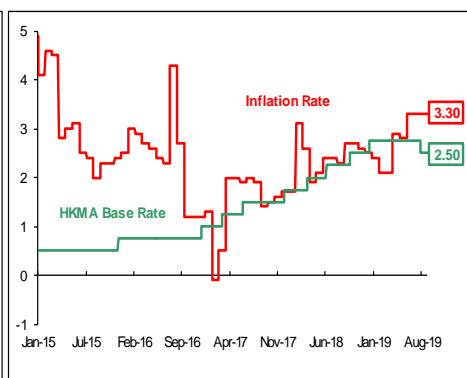
China, People's Rep. of



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

Source: Bloomberg LP.

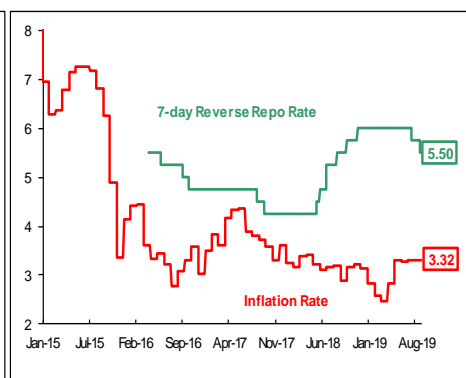
Hong Kong, China



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

Source: Bloomberg LP.

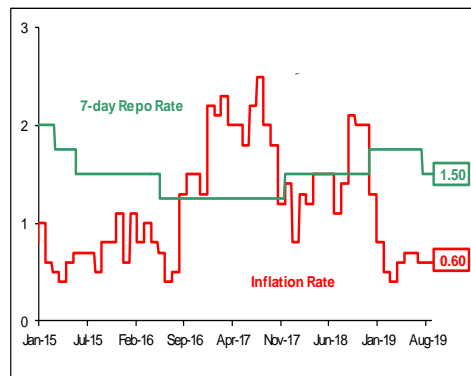
Indonesia



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

Source: Bloomberg LP.

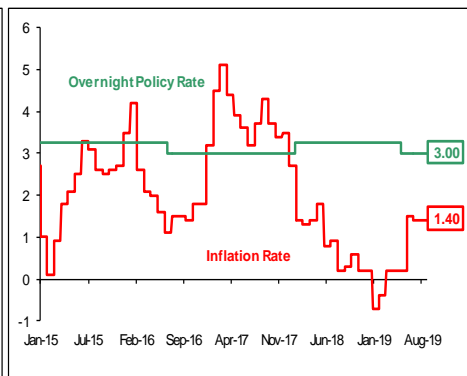
Korea, Republic of



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.

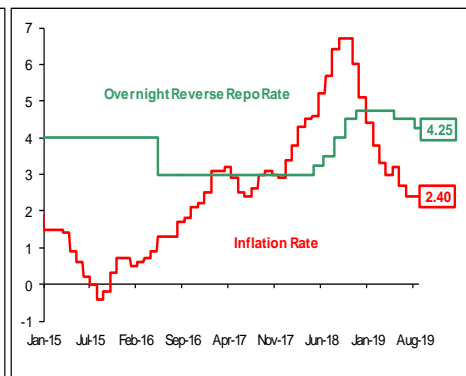
Malaysia



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

Source: Bloomberg LP.

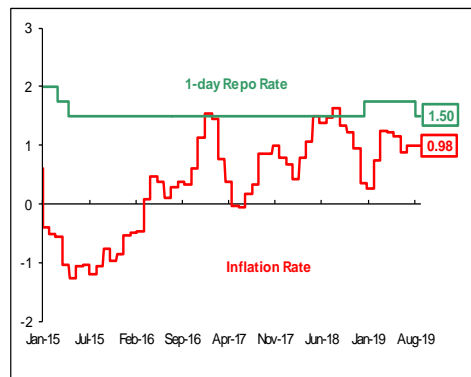
Philippines



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

Source: Bloomberg LP.

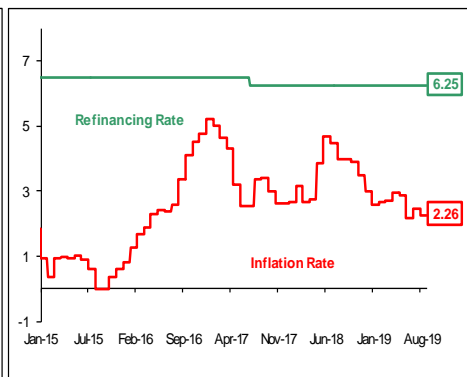
Thailand



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



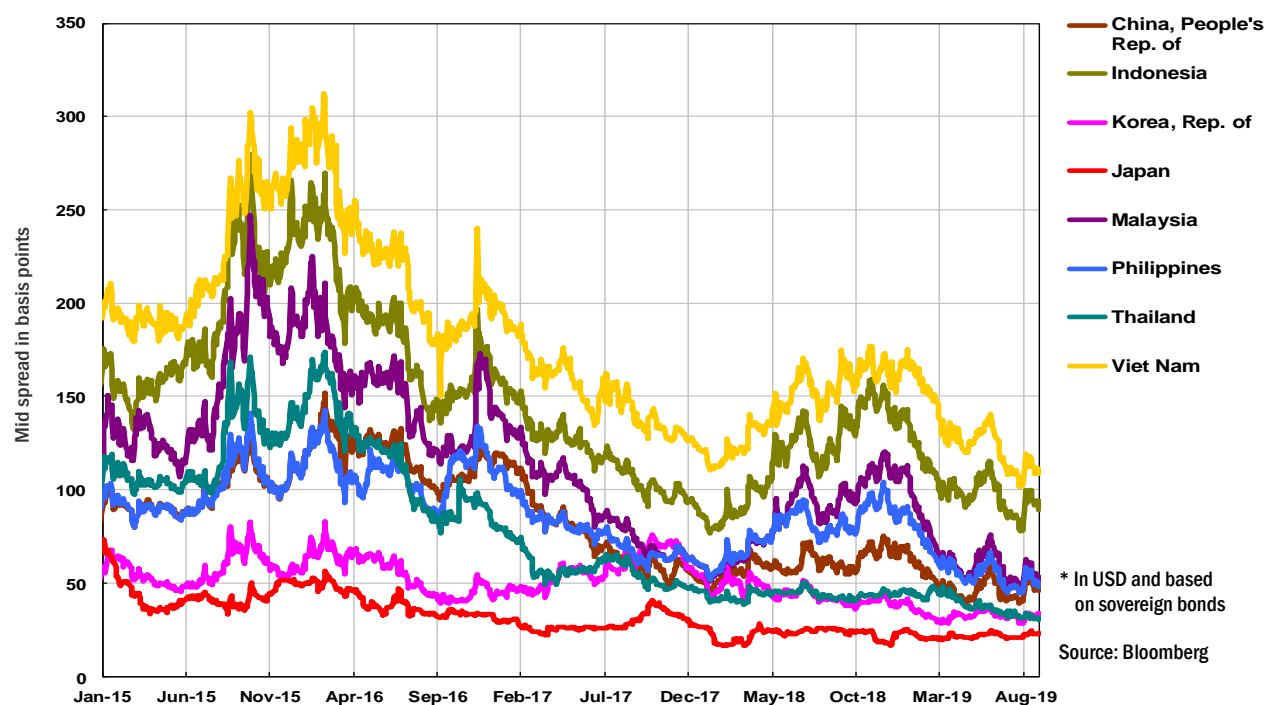
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

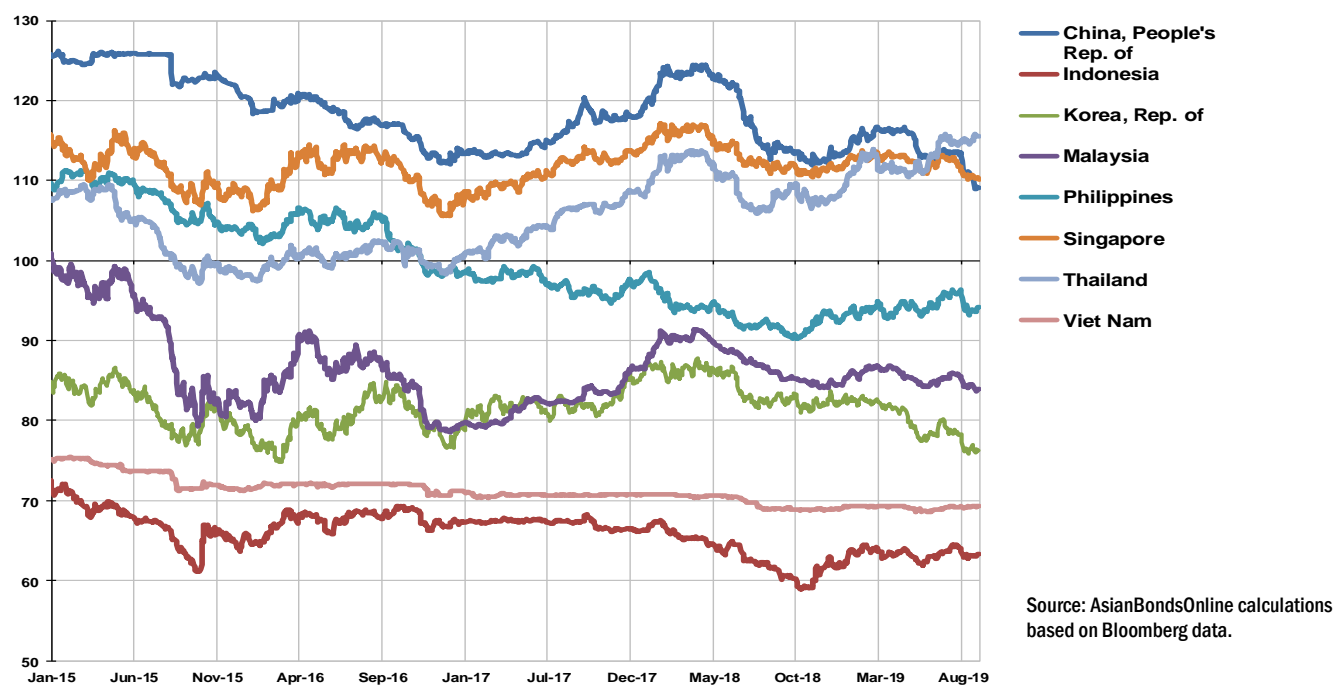
Credit Default Swap Spreads and Exchange Rate Indexes

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 (26 – 30 August 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	30-Aug	30-year China Government Bonds	3.86	3.86	75.00	75.45
HK	27-Aug	91-day Exchange Fund Bills	2.18		45.18	45.18
		182-day Exchange Fund Bills	2.08		13.00	13.00
ID	27-Aug	91-day Treasury Bills	5.70			2,000.00
		365-day Treasury Bills	5.83			2,000.00
		6-year Treasury Bonds	6.77	6.50		5,000.00
		11-year Treasury Bonds	7.34	7.00	15,000.00	6,150.00
		16-year Treasury Bonds	7.68	7.50		1,000.00
		20-year Treasury Bonds	7.84	8.38		500.00
		29-year Treasury Bonds	8.05	7.38		650.00
JP	29-Aug	2-year Japan Government Bond	-0.31	0.10	2,000.00	1,392.40
	30-Aug	3-month Treasury Bills	-0.17		4,280.00	4,279.97
KR	26-Aug	3-year Korea Treasury Bonds	1.12	1.63	1,450.00	1,450.00
		1-year Monetary Stabilization Bonds	1.12		800.00	800.00
	27-Aug	30-year Korea Treasury Bonds	1.26	2.00	1,750.00	1,750.00
MY	29-Aug	10-year Government Investment Issues	3.32	4.13	3.00	3.00
PH	27-Aug	3-year Treasury Bonds	3.96	4.75	20.00	20.00
SG	27-Aug	4-week MAS Bills	1.67		3.10	3.10
		12-week MAS Bills	1.45		7.30	7.30
	28-Aug	10-year SGS Bonds	1.55	2.88	2.90	2.90
TH	27-Aug	91-day Bank of Thailand Bills	1.49		35.00	35.00
		182-day Bank of Thailand Bills	1.48		40.00	40.00
	28-Aug	5.3-year Government Bonds	1.33	1.45	30.00	30.00
	30-Aug	14-day Bank of Thailand Bills	1.40		40.00	40.00
VN	28-Aug	7-year Treasury Bonds	3.75		500.00	500.00
		10-year Treasury Bonds	4.18		1,000.00	1,000.00
		15-year Treasury Bonds	4.46		1,000.00	1,000.00
		30-year Treasury Bonds	5.35		500.00	500.00

LCY = local currency, MAS = Monetary Authority of Singapore, SGS = Singapore Government Securities.

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (3 – 9 September 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
Republic of Korea GDP y-o-y, % Q2 2019 (Preliminary)	09/03	Q2 2018: 2.9% Q3 2018: 2.1% Q1 2019: 1.7% Q2 2019: 2.1%	The Republic of Korea's real gross domestic product (GDP) growth rose to 2.1% year-on-year (y-o-y) in the second quarter (Q2) of 2019 from 1.7% y-o-y in the first quarter (Q1) of 2019, based on advance estimates by the Bank of Korea.
Republic of Korea CPI y-o-y, % AUG	09/03	7/18: 1.1% 8/18: 1.4% 6/19: 0.7% 7/19: 0.6%	Consumer price inflation in the Republic of Korea slightly eased to 0.6% y-o-y in July from 0.7% y-o-y in June.
Singapore PMI Index AUG	09/03	7/18: 52.3 8/18: 52.6 6/19: 49.6 7/19: 49.8	Singapore's Purchasing Managers Index (PMI) increased to 49.8 in July from 49.6 in June.
Malaysia Exports y-o-y, % JUL	09/04	6/18: 8.0% 7/18: 9.4% 5/19: 2.5% 6/19: -3.1%	Malaysia's exports declined 3.1% y-o-y in June, a reversal from the growth of 2.5% y-o-y posted in the previous month.
Malaysia Imports y-o-y, % JUL	09/04	6/18: 15.9% 7/18: 10.3% 5/19: 1.4% 6/19: -9.2%	Imports into Malaysia contracted 9.2% y-o-y in June after expanding 1.4% y-o-y in May.
Malaysia Trade Balance MYR billion JUL	09/04	6/18: 6.0 7/18: 8.3 5/19: 9.1 6/19: 10.3	Malaysia registered a trade surplus of MYR10.3 billion in June, extending the surplus of MYR9.1 billion posted in the previous month.
Republic of Korea Current Account Balance USD million JUL	09/05	6/18: 7,458 7/18: 8,552 5/19: 4,813 6/19: 6,377	The Republic of Korea's current account surplus widened to USD6.4 billion in June from USD4.8 billion in May.
Philippines CPI y-o-y, % AUG	09/05	7/18: 5.7% 8/18: 6.4% 6/19: 2.7% 7/19: 2.4%	Consumer price inflation in the Philippines eased to 2.4% y-o-y in July from 2.7% y-o-y in June.
People's Republic of China Exports y-o-y, % AUG	09/08	7/18: 11.6% 8/18: 9.6% 6/19: -1.3% 7/19: 3.3%	Exports from the People's Republic of China (PRC) climbed 3.3% y-o-y in July after contracting 1.3% y-o-y in June.
People's Republic of China Imports y-o-y, % AUG	09/08	7/18: 27.0% 8/18: 20.7% 6/19: -7.4% 7/19: -5.3%	Imports into the PRC contracted 5.3% y-o-y in July after declining 7.4% y-o-y in June.
People's Republic of China Trade Balance USD billion AUG	09/08	7/18: 27.5 8/18: 26.3 6/19: 51.0 7/19: 44.6	The PRC posted a trade surplus of USD44.6 billion in July, down from USD51.0 billion in the earlier month.
Japan Current Account Balance JPY billion AUG	09/08	7/18: 2,027 8/18: 1,824 6/19: 1,595 7/19: 1,211	Japan's current account surplus eased to JPY 1.2 trillion in July from JPY 1.6 trillion in June.
Japan GDP seasonally adjusted y-o-y, % Q2 2019	09/09	Q1 2018: -0.3% Q2 2018: 1.6% Q4 2018: 2.8% Q1 2019: 1.8%	Seasonally adjusted annualized GDP growth in Japan moderated to an annual rate of 1.8% in Q1 2019 from 2.8 in the fourth quarter (Q4) of 2018.

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)

The Bank of Korea Keeps Base Rate Unchanged

- [Monetary Policy Decision](#)
Bank of Korea (30 August 2019)

Consumer Prices in Viet Nam Rises in August

- [Consumer price index, Gold and USD price indexes, whole country, August 2019](#)
General Statistics Office of Viet Nam (29 August 2019)
- [CPI rises 0.28% in August](#)
Viet Nam News (30 August 2019)

Industrial Production Rises in Japan, Rebounds in the Republic of Korea in July; Manufacturing Output Declines at a Slower Pace in Singapore in July; Viet Nam's Industrial Production Expands in August

- [Indices of Industrial Production for July, 2019 \(Preliminary Report\)](#)
Ministry of Economy, Trade and Industry (30 August 2019)
- [Monthly Industrial Statistics \(July 2019\)](#)
Statistics Korea (30 August 2019)
- [Monthly Manufacturing Performance – July 2019](#)
Economic Development Board (26 August 2019)
- [Monthly Index of Industrial Production by new methodology in 2019](#)
General Statistics Office of Viet Nam (30 August 2019)

Exports Contract in Hong Kong, China and Expands in Thailand in July; Exports Growth Eases in Viet Nam in August

- [External merchandise trade statistics for July 2019](#)
Census and Statistics Department: The Government of the Hong Kong Special Administrative Region (26 August 2019)

Thailand's Balance of Payment Surplus Increases to USD4.5 billion in July

- [Balance of Payments \(Summary\) \(US\\$\)](#)
Bank of Thailand (30 August 2019)
- [Social and Economic Situation in Eight Months of 2019](#)
General Statistics Office of Viet Nam (30 August 2019)

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