

9 September 2019

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Key Developments in Asian Local Currency Markets

Consumer price inflation decelerated in the Philippines and in Thailand in August, while it rose in Indonesia and was unchanged in the Republic of Korea. In the Philippines, consumer price inflation decelerated to 1.7% year-on-year (y-o-y) in August from 2.4% y-o-y in July as five out of eleven commodity groups posted slower annual increases. In Thailand, consumer price inflation dropped to 0.5% y-o-y in August from 1.0% in July, mainly driven by a slower increase in food prices and a steeper decline in transportation costs. In contrast, consumer prices rose in Indonesia, with inflation accelerating to 3.5% y-o-y in August from 3.3% y-o-y in July as all major inflation expenditure groups posted price increases. In the Republic of Korea, consumer prices were unchanged in August from its year ago level after rising 0.6% y-o-y in July.

The Republic of Korea's gross domestic product growth for the second quarter of 2019 was revised downward to 2.0% y-o-y from an advance estimate of 2.1% y-o-y, which was still an improvement from the 1.7% y-o-y growth posted in the first quarter of 2019. The downward revision was driven by slower growth in government consumption expenditure of 7.0% y-o-y, compared with an advance estimate of 7.3% y-o-y, and in exports of 1.2% y-o-y, compared with 1.5% y-o-y. On a quarter-on-quarter basis, the Republic of Korea's economy grew 1.0%, down from an advanced estimate of 1.1%.

The Purchasing Managers Index (PMI) of Singapore marginally increased to 49.9 in August from 49.8 in July. A reading below 50 indicates contraction in the manufacturing sector, while a value above 50 signifies expansion.

Malaysia's trade surplus in July increased to MYR14.3 billion from MYR10.3 billion in June. Malaysia's exports jumped 1.7% y-o-y in July, rebounding from the decline of 3.4% y-o-y in the previous month, while imports declined 5.9% y-o-y, which was slower than the 9.8% y-o-y contraction posted in June.

The Republic of Korea's current account surplus widened to USD6.9 billion in July from USD6.4 billion in June. The larger surplus was driven by the higher primary income account surplus of USD3.0 billion in July versus USD2.8 billion in the previous month. The goods account surplus slightly narrowed to USD6.2 billion in July from USD6.3 billion in June, as imports rose at a faster pace than exports on a month-on-month basis. From January to July, the Republic of Korea posted a current account surplus of USD28.7 billion.

Asia Bond Monitor June 2019

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10-Year Selected LCY Government Security Yields Close of 6 September 2019 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	1.57	0.51	6.92	-111.89
EU	-0.64	0.00	6.40	-88.00
Japan	-0.26	-2.40	0.50	-26.40
PRC	3.02	1.00	-6.10	-29.00
Hong Kong, China	1.56	0.00	0.00	-44.90
India	6.60	0.00	4.30	-81.60
Indonesia	7.32	-0.60	-1.70	-70.70
Korea, Rep. of	1.38	0.00	3.50	-57.60
Malaysia	3.35	0.00	3.90	-73.40
Philippines	4.58	5.30	12.00	-247.80
Singapore	1.71	0.00	-2.00	-33.44
Thailand	1.54	0.00	9.80	-94.50
Viet Nam	4.08	0.00	-8.80	-104.80

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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

On 5 September, Fitch Ratings Inc. downgraded Hong Kong, China's issuer default rating after months of antigovernment protests. Hong Kong, China's long-term currency issuer default rating was downgraded one notch to AA from AA+ and given a negative outlook.

Last week, local currency government bond yields mostly fell in the People's Republic of China; Hong Kong, China; Indonesia; and Viet Nam. On the other hand, yields rose for all maturities in the Republic of Korea and for most maturities in the Philippines and Thailand. Yield movements were mixed in Malaysia and Singapore. The spread between the 2-year and 10-year maturities widened for all emerging East Asian markets except for Viet Nam.

 Summary Text of News Articles

Consumer Price Inflation Decelerates in the Philippines and Thailand, Rises in Indonesia, and Holds Steady in the Republic of Korea in August

Consumer price inflation in the Philippines decelerated to 1.7% year-on-year (y-o-y) in August from 2.4% y-o-y in July as five out of eleven commodity groups posted slower annual increases. The slower annual price increases in August were led by food and nonalcoholic beverages at 0.6% y-o-y, down from 1.9% y-o-y in July. Other groups that posted slower annual price increases include utilities, health, recreation and culture, and restaurants and miscellaneous items. Meanwhile, transport prices registered a decline of 0.2% y-o-y in August after posting a 0.7% y-o-y increase in July.

Thailand's consumer price inflation dropped to 0.5% y-o-y in August from 1.0% in July, which was below the lower bound of the Bank of Thailand's 1.0%–4.0% target range. The weaker headline inflation was mainly driven by a slower increase in food prices and a deeper decline in transport costs. Food price inflation slowed to 2.6% y-o-y in August from 3.5% y-o-y in July due to a seasonal increase in the supply of fresh fruits and vegetables. Transport price inflation was negative at –2.2% y-o-y in August following a –1.3% y-o-y reading in the previous month. Core inflation, however, quickened to 0.5% y-o-y in August from 0.4% y-o-y in July.

Consumer price inflation in Indonesia climbed to 3.5% y-o-y in August, the fastest pace since December 2017, from 3.3% y-o-y in July as all major inflation expenditure groups posted price increases. The annual inflation rate remained within Bank Indonesia's target range of 2.5%–4.5% for full-year 2019. On a month-on-month (m-o-m) basis, inflation eased to 0.1% in August from 0.3% in July due to declines in the prices of foodstuff and transport-related costs. The m-o-m inflation in August was largely driven by an increase in the cost of education that coincided with the opening of schools and universities for the new academic year.

Consumer prices were unchanged in the Republic of Korea in August from its year ago level after rising 0.6% y-o-y in July. Prices of food and nonalcoholic beverages declined 3.3% y-o-y in August following an 0.8% y-o-y increase in the previous month. Other groups that posted slower annual price increases include housing, water, electricity, gas, and other fuels; furnishings; health; education; and miscellaneous goods and services. Prices for transport (–1.9% y-o-y), communication (–2.2% y-o-y), and recreation and culture (–0.2% y-o-y) continued to decline in August. On a m-o-m basis, consumer prices in the Republic of Korea inched up 0.2% in August.

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

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

For inflation trends in Thailand, refer to this link:

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

For inflation trends in Indonesia, refer to this link:

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

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

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

The Republic of Korea's Q2 2019 GDP Growth Revised Downward to 2.0% y-o-y and 1.0% q-o-q

The Republic of Korea's gross domestic product (GDP) growth for the second quarter (Q2) of 2019 was revised downward to 2.0% y-o-y from an advance estimate of 2.1% y-o-y, which was still an improvement from the 1.7% y-o-y growth posted in the first quarter of 2019. The downward revision to GDP in Q2 2019 was driven by slower growth in government consumption expenditure of 7.0% y-o-y, versus an advance estimate of 7.3% y-o-y, and in exports of 1.2% y-o-y, compared with an advance estimate 1.5% y-o-y. The contraction in gross fixed capital formation was 3.4% y-o-y, compared with an advanced estimate of 3.6% y-o-y. On a quarter-on-quarter (q-o-q) basis, the Republic of Korea's economy grew 1.0%, down from an advanced estimate of 1.1%.

Summary Text of News Articles

Singapore's PMI Improves to 49.9 in August

The Purchasing Managers Index (PMI) of Singapore marginally increased to 49.9 in August from 49.8 in July. A PMI below 50 indicates contraction in the manufacturing sector, while a value above 50 signifies expansion. The performance of Singapore's manufacturing sector improved due to a quicker expansion of the industry's new orders and output. Although still contracting, the electronics sector posted a higher PMI of 49.4 in August versus 49.3 in July due to increases in the indices for electronics new orders, inventory, finished goods, employment, and order backlog.

Malaysia's Trade Surplus Increases in July

Malaysia's trade surplus in July increased to MYR14.3 billion from MYR10.3 billion in June. The growing surplus was due to the expansion in exports and a contraction in imports. Malaysia's exports jumped 1.7% y-o-y in July, rebounding from the decline of 3.4% y-o-y in the previous month, as exports of electrical and electronic products, and refined petroleum products grew. On the other hand, imports declined 5.9% y-o-y, which was slower than the 9.8% y-o-y contraction posted in June, due to declines in imports of intermediate goods, capital goods, and consumption goods. On a m-o-m basis, exports and imports expanded 15.5% and 12.3%, respectively.

The Republic of Korea's Current Account Surplus Widens in July

The Republic of Korea's current account surplus widened to USD6.9 billion in July from USD6.4 billion in June. The larger surplus was driven by the higher primary income account surplus of USD3.0 billion in July versus USD2.8 billion in the previous month. The goods account surplus slightly narrowed to USD6.2 billion from USD6.3 billion in the same period as imports rose at a faster pace than exports on a m-o-m basis. Meanwhile, deficits in the services account and secondary income account narrowed in July to USD1.7 billion and USD570.7 million, respectively, from USD2.1 billion and USD574.2 million in June. From January to July, the Republic of Korea posted a current account surplus of USD28.7 billion.

Fitch Downgrades Hong Kong, China's Credit Rating amid Political Unrest

On 5 September, global credit rating agency Fitch Ratings Inc. (Fitch) downgraded Hong Kong, China's issuer default rating after months of antigovernment protests. Hong Kong, China's long-term currency issuer default rating was downgraded one notch to AA from AA+ and given a negative outlook. According to Fitch, the persistent political unrest undermined "international perceptions of the quality and effectiveness of [Hong Kong, China's] governance system and rule of law, and have called into question the stability and dynamism of its business environment." The last time Fitch downgraded Hong Kong, China's rating was before the return of the former British colony to the People's Republic of China. The negative outlook reflected Fitch's view that a degree of social discontent is likely to persist, possibly sparking renewed eruptions of political unrest.

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	1.93	-1.79	-4.63		-42.47
EU	-0.62	0.00	-0.10		19.10
Japan	-0.17	0.00	-0.98		-1.70
PRC	2.47	0.00	-2.50		-35.80
Hong Kong, China	1.75	0.00	-25.00		0.00
Indonesia	6.11	0.00	-3.27		-158.93
Korea, Rep. of	1.26	0.00		1.00	-48.80
Malaysia	3.05	0.00	-0.90		-23.40
Philippines	3.30	-0.90	-1.90		-247.60
Singapore	1.92	0.00		4.20	-15.80
Thailand	1.45	0.00	-0.73		-15.57

Close of 6 September 2019

10-Year Selected LCY Government Bond Yields

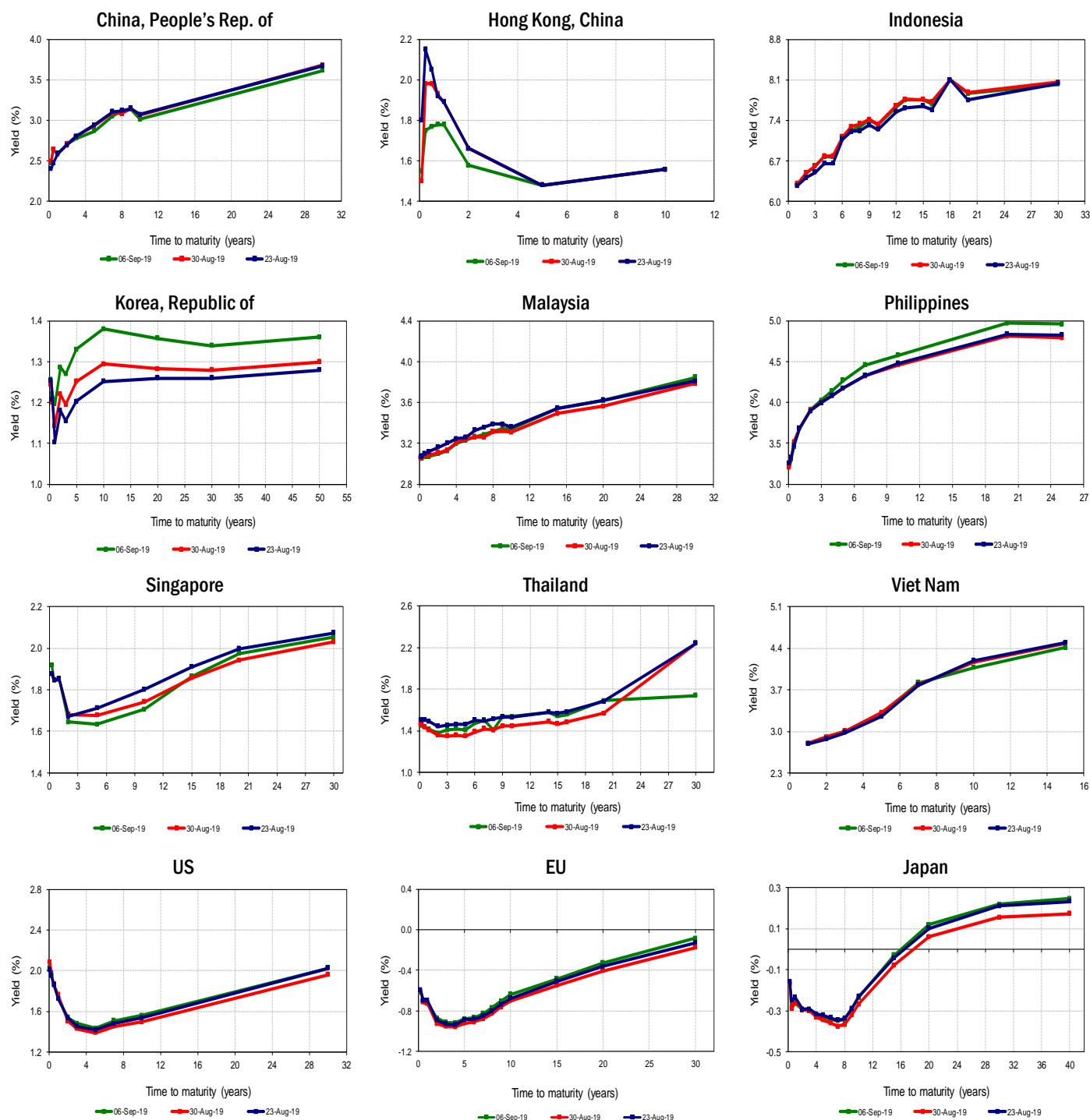
Markets	Latest Closing	basis point change from			1-Jan-19
		Previous Day	Previous Week		
US	1.57	0.51		6.92	-111.89
EU	-0.64	0.00		6.40	-88.00
Japan	-0.26	-2.40		0.50	-26.40
PRC	3.02	1.00	-6.10		-29.00
Hong Kong, China	1.56	0.00		0.00	-44.90
India	6.60	0.00		4.30	-81.60
Indonesia	7.32	-0.60	-1.70		-70.70
Korea, Rep. of	1.38	0.00		3.50	-57.60
Malaysia	3.35	0.00		3.90	-73.40
Philippines	4.58	5.30		12.00	-247.80
Singapore	1.71	0.00	-2.00		-33.44
Thailand	1.54	0.00		9.80	-94.50
Viet Nam	4.08	0.00	-8.80		-104.80

Close of 6 September 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

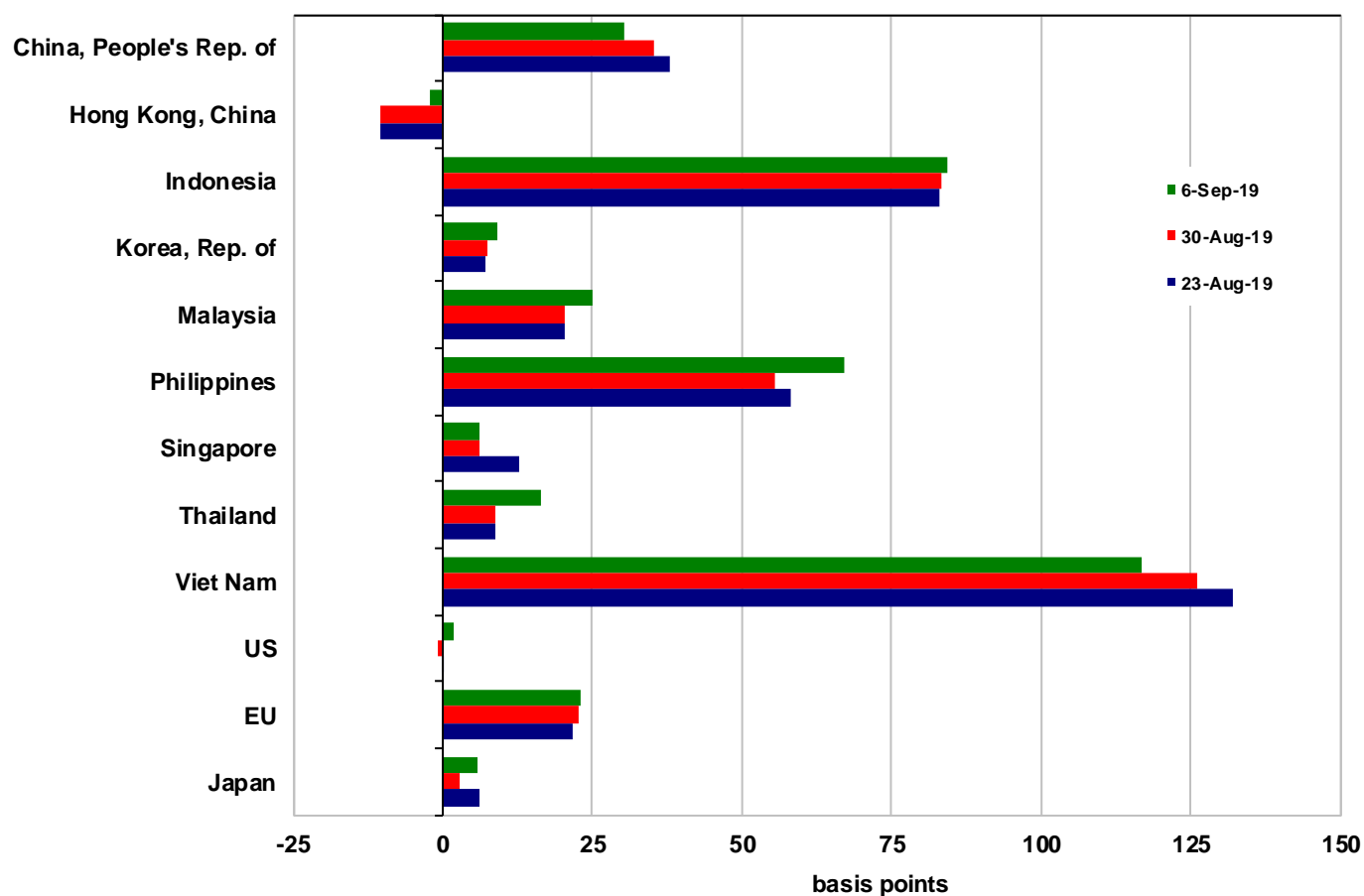


EU = European Union, LCY = local currency US = United States.

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



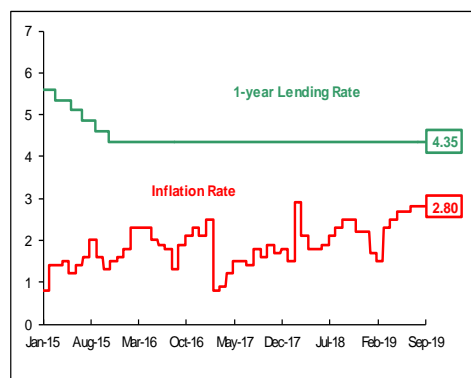
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

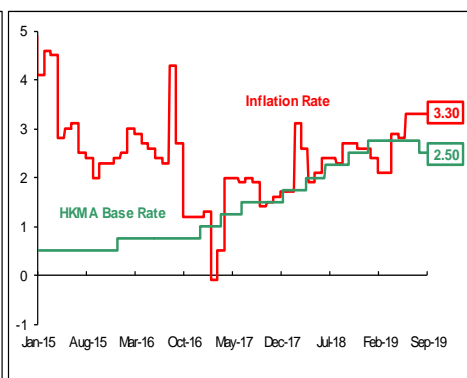
China, People's Rep. of



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

Source: Bloomberg LP.

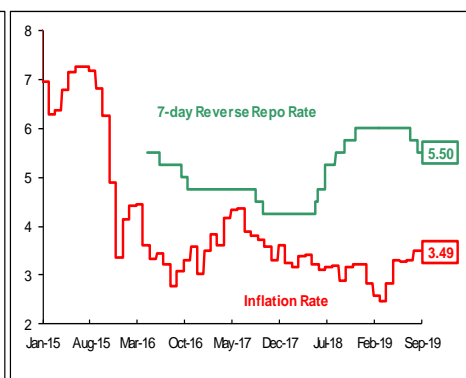
Hong Kong, China



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

Source: Bloomberg LP.

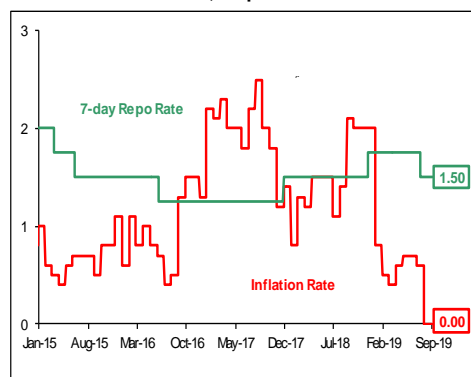
Indonesia



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

Source: Bloomberg LP.

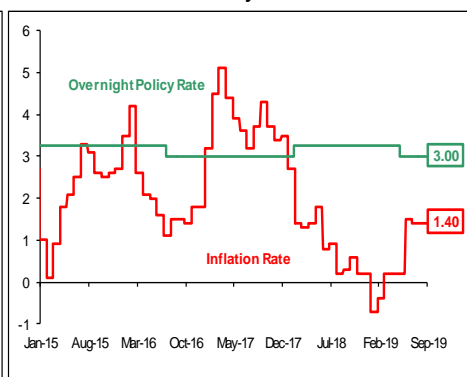
Korea, Republic of



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.

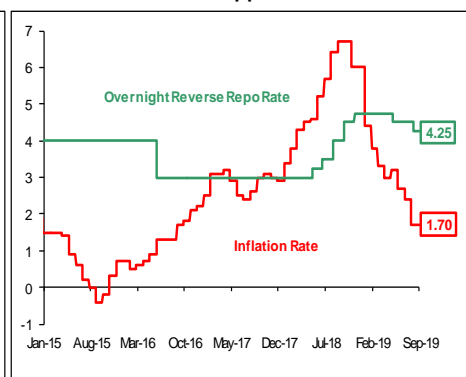
Malaysia



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

Source: Bloomberg LP.

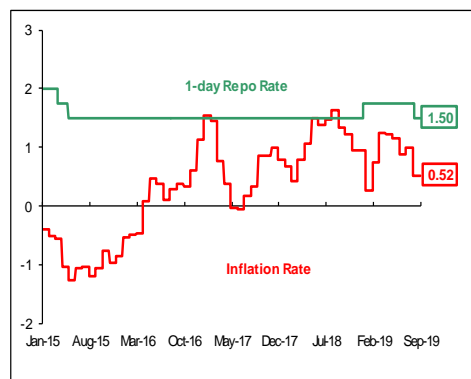
Philippines



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

Source: Bloomberg LP.

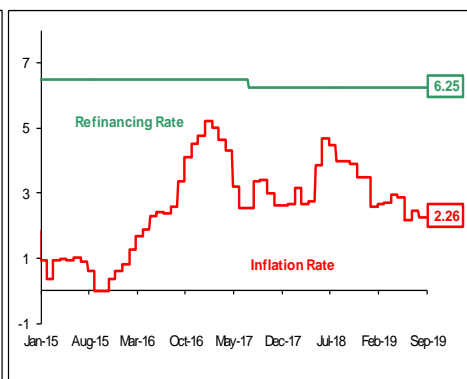
Thailand



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



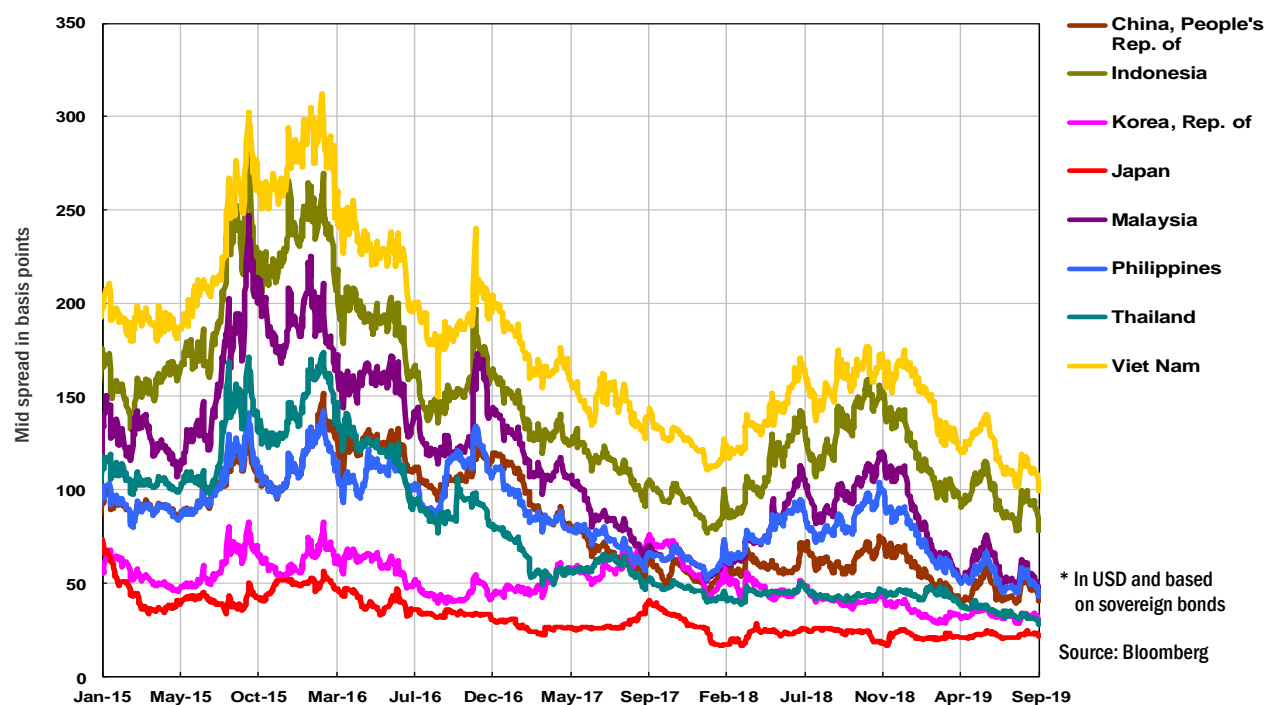
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

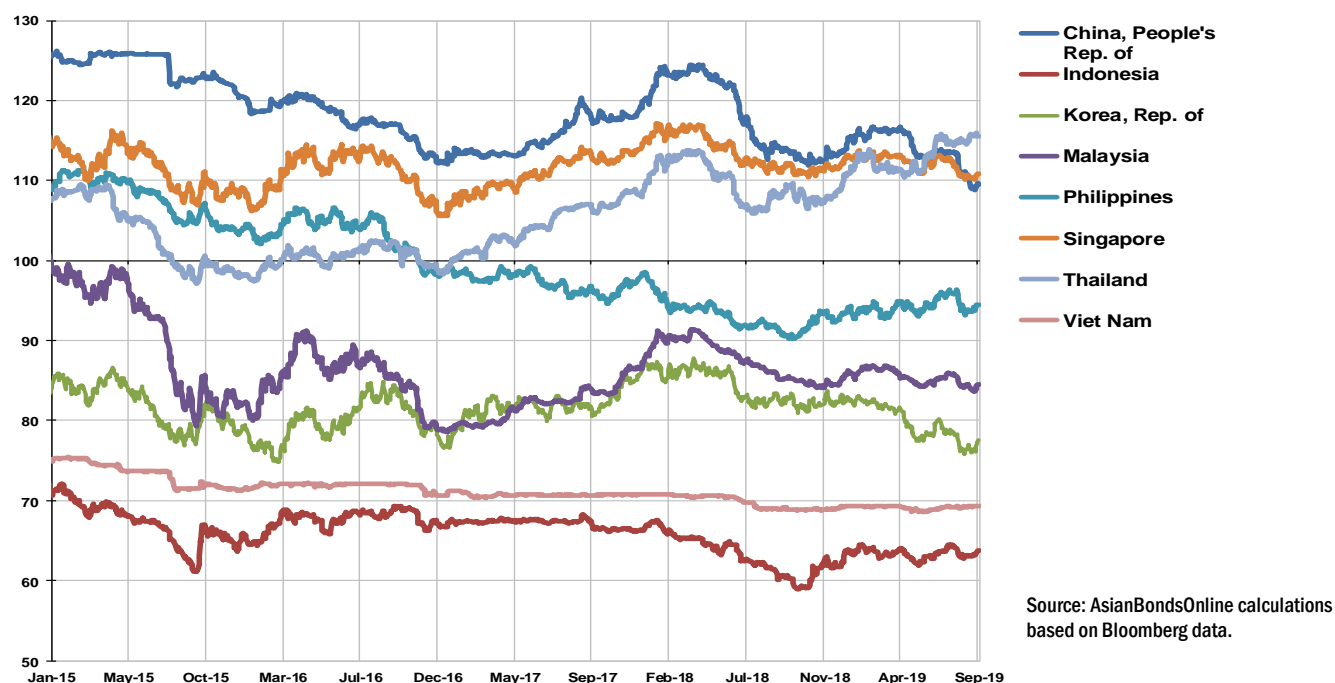
Credit Default Swap Spreads and Exchange Rate Indexes

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 (2 – 6 September 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	4-Sep	3-year Treasury Bond	2.78	2.75	50.00	50.53
		7-year Treasury Bond	3.08	3.25	50.00	50.05
HK	3-Sep	91-day Exchange Fund Bills	2.12		50.37	50.37
		182-day Exchange Fund Bills	2.05		12.00	12.00
		364-day Exchange Fund Bills	1.90		5.00	5.00
ID	3-Sep	6-month Islamic Treasury Bills	6.05			1,000.00
		2-year Project Based <i>Sukuk</i>	6.63			2,600.00
		4-year Project Based <i>Sukuk</i>	7.00	8.25	7,000.00	3,050.00
		15-year Project Based <i>Sukuk</i>	8.12	8.63		300.00
		28-year Project Based <i>Sukuk</i>	8.26	8.00		50.00
JP	5-Sep	10-year Japan Government Bond	-0.27	0.10	2,100.00	2,412.10
		30-year Japan Government Bond	0.14	0.40	700.00	2,200.70
	6-Sep	3-month Treasury Bill	-0.16		4,300.00	4,299.93
KR	2-Sep	5-year Korea Treasury Bonds	1.24	1.38	1,400.00	1,400.00
		91-day Monetary Stabilization Bills	1.27		800.00	800.00
		182-day Monetary Stabilization Bills	1.20		300.00	300.00
	4-Sep	2-year Monetary Stabilization Bonds	1.24		2,300.00	2,300.00
MY	5-Sep	91-day Malaysian Treasury Bills	3.04		1.00	1.00
PH	2-Sep	91-day Treasury Bills	3.15		4.00	4.00
		182-day Treasury Bills	3.43		5.00	5.00
		364-day Treasury Bills	3.66		6.00	6.00
SG	3-Sep	4-week MAS Bills	1.60		3.00	3.00
		12-week MAS Bills	1.62		7.40	7.40
	5-Sep	6-month SGS Bills	1.51		3.90	3.90
TH	3-Sep	92-day Bank of Thailand Bills	1.43		35.00	35.00
		182-day Bank of Thailand Bills	1.41		40.00	40.00
		364-day Bank of Thailand Bills	1.41		50.00	50.00
	4-Sep	18.79-year Government Bonds	1.58		15.00	15.00
	5-Sep	1.96-year Bank of Thailand Bonds	1.42		35.00	39.53
	6-Sep	14-day Bank of Thailand Bills	1.36		45.00	45.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (10 – 16 September 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
People's Republic of China CPI y-o-y, % AUG	09/10	7/18: 2.1% 8/18: 2.3% 6/19: 2.7% 7/19: 2.8%	The People's Republic of China's (PRC) consumer prices rose 2.8% year-on-year (y-o-y) in July from 2.7% y-o-y in June.
People's Republic of China PPI y-o-y, % AUG	09/10	7/18: 4.6% 8/18: 4.1% 6/19: 0.0% 7/19: -0.3%	The PRC's producer prices fell 0.3% y-o-y in July after being unchanged in June.
Philippines Exports y-o-y, % JUL	09/10	6/18: 2.8% 7/18: 0.3% 5/19: 1.0% 6/19: 1.5%	Exports from the Philippines rose 1.5% y-o-y in July, up from the 1.0% y-o-y growth posted in June.
Philippines Trade Balance USD million JUL	09/10	6/18: -3,553 7/18: -4,016 5/19: -3,298 6/19: -2,473	The Philippines' trade deficit narrowed to USD2,473 million in July from USD3,298 million in June.
Malaysia Industrial Production y-o-y, % AUG	09/11	7/18: 2.8% 8/18: 2.1% 6/19: 4.0% 7/19: 3.9%	Malaysia's industrial production growth eased to 3.9% y-o-y in July from 4.0% y-o-y in the previous month.
Japan PPI y-o-y, % AUG	09/12	7/18: 3.1% 8/18: 3.1% 6/19: -0.1% 7/19: -0.6%	Japan's producer prices declined again in July, falling 0.6% y-o-y after a dip of 0.1% y-o-y in June.
Malaysia BNM Overnight Policy Rate % 12 SEP	09/12	8/18: 3.25% 9/18: 3.25% 7/19: 3.00% 8/19: 3.00%	Bank Negara Malaysia (BNM) maintained its overnight policy rate at 3.00% in August.
Japan Industrial Production—Final y-o-y, % AUG	09/12	7/18: 2.4% 8/18: 0.6% 6/19: -3.8% 7/19: 0.7%	Japan's industrial production grew 0.7% y-o-y in July after a 3.8% y-o-y contraction in June.
People's Republic of China Industrial Production y-o-y, % AUG	09/16	7/18: 6.0% 8/18: 6.1% 6/19: 6.3% 7/19: 4.8%	The PRC's industrial production grew 4.8% y-o-y in July after gaining 6.3% y-o-y in June.
Indonesia Exports y-o-y, % AUG	09/16	7/18: 19.6% 8/18: 4.5% 6/19: -8.9% 7/19: -5.1%	Exports from Indonesia fell 5.1% y-o-y in July after declining 8.9% y-o-y in June.
Indonesia Trade Balance USD million AUG	09/16	7/18: -2,012.4 8/18: -953.0 6/19: 297.3 7/19: -63.5	Indonesia posted a trade deficit of USD63.5 million in July, reversing the trade surplus of USD297.3 million a month earlier.
Philippines Overseas Filipino Workers y-o-y, % JUL	09/16	6/18: -4.5% 7/18: 5.2% 5/19: 5.7% 6/19: -2.9%	Remittances from overseas Filipino workers declined 2.9% y-o-y in June following a 5.7% y-o-y increase in May.

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 Decelerates in the Philippines and Thailand, Rises in Indonesia, and Holds Steady in the Republic of Korea in August

- [Summary Inflation Report Consumer Price Index \(2012=100\): August 2019](#)
Philippine Statistics Authority (5 September 2019)
- [General Consumer Price Index and Basic Consumer Price Index of the Country](#)
Ministry of Commerce (August 2019)
- [Inflation in August 2019 was 0.12 percent. The highest Inflation occurred in Kudus at 0.82 percent](#)
Statistics Indonesia (1 September 2019)
- [Consumer Price Index in August 2019](#)
Statistics Korea (3 September 2019)

The Republic of Korea's Q2 2019 GDP Growth Revised Downward to 2.0% y-o-y and 1.0% q-o-q

- [Gross National Income: 2nd Quarter of 2019 \(Preliminary\)](#)
The Bank of Korea (3 September 2019)
- [Real Gross Domestic Product: 2nd Quarter of 2019 \(Advance Estimate\)](#)
The Bank of Korea (25 July 2019)

Singapore's PMI Improves to 49.9 in August

- [Singapore PMI edges up again in August](#)
Singapore Institute of Purchasing and Materials Management (4 September 2019)

Malaysia's Trade Surplus Increases in July

- [Malaysia External Trade Statistics July 2019](#)
Department of Statistics (4 September 2019)

The Republic of Korea's Current Account Surplus Widens in July

- [Balance of Payments during July 2019 \(preliminary\)](#)
The Bank of Korea (5 September 2019)

Fitch Downgrades Hong Kong, China's Credit Rating amid Political Unrest

- [Fitch Downgrades Hong Kong to 'AA' from 'AA+'; Outlook Negative](#)
Fitch Ratings (5 September 2019)
- [Fitch Downgrades Hong Kong as Doubts Over Governance Rise](#)
Bloomberg (6 September 2019)

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