

14 October 2019

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Key Developments in Asian Local Currency Markets

The Philippines' exports inched up 0.6% year-on-year (y-o-y) in August to USD6.2 billion as only three out of the top ten major export commodities posted annual increases. Electronic products, which comprised 58.5% of the total exports in August, rose 6.6% y-o-y. Of the electronic products group, semiconductors, which comprised 42.9% of total exports in August, increased 4.1% y-o-y. Meanwhile, imports fell 11.8% y-o-y to USD9.8 billion in August due to the decline in eight of the ten major import groups. The Philippines posted a trade deficit of USD2.4 billion in August.

Japan's producer prices were unchanged on a month-on-month (m-o-m) basis in September after falling 0.3% m-o-m in August. The zero inflation was largely driven by declines in electric, power, gas, and water prices offsetting the increases in agriculture, forestry, and fishery products and metal products. On a y-o-y basis, producer prices fell 1.1% in September after falling 0.9% in August.

The Index of Industrial Production in Malaysia extended its growth in August to 1.9% y-o-y after rising 1.2% y-o-y in July. On a m-o-m basis, Malaysia's Index of Industrial Production increased 0.9%.

Japan's current account balance rose 18.3% y-o-y in August to JPY2,157.7 billion due to the trade balance returning to a surplus of JPY50.9 billion, reversing a JPY1,823.7 billion deficit in August 2018. The Republic of Korea's current account surplus narrowed to USD5.3 billion in August from USD6.9 billion in July. The smaller surplus resulted from the decline in the goods account surplus to USD4.8 billion in August from USD6.2 billion in the previous month, as exports fell at a faster pace than imports on a m-o-m basis. For the first 8 months of 2019, the Republic of Korea registered a USD34.0 billion current account surplus.

Hong Kong, China's foreign currency reserve assets rose 1.4% m-o-m to USD438.7 billion in September, reversing the 3.5% m-o-m contraction in August. Foreign exchange reserves in Indonesia slipped to USD124.3 billion at the end of September from USD126.4 billion at the end of August. Japan's official reserves fell slightly to USD1,322.6 billion in September from USD1,331.6 billion in August. The Philippines' gross international reserves rose to USD86.2 billion in September from USD86.0 billion in August. Singapore's total official foreign reserves declined marginally in September to USD272.2 billion from USD273.1

Asia Bond Monitor September 2019

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10-Year Selected LCY Government Security Yields

Close of 11 October 2019

basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	1.53	-0.51	-15.11	-115.52
EU	-0.59	0.40	-1.30	-82.80
Japan	-0.21	-1.50	2.40	-21.40
PRC	3.14	0.00	-0.50	-16.90
Hong Kong, China	1.56	0.00	0.00	-44.90
India	6.69	7.50	-4.70	-73.00
Indonesia	7.23	-2.80	-7.90	-79.20
Korea, Rep. of	1.37	-12.50	-7.50	-58.40
Malaysia	3.30	0.30	-7.00	-78.30
Philippines	4.72	-3.90	-9.60	-233.30
Singapore	1.64	-4.35	-10.12	-39.82
Thailand	1.44	-1.70	-5.70	-104.70
Viet Nam	4.02	-1.50	-5.30	-111.00

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
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billion in August as all components of foreign reserve registered decreases.

Last week, Indonesia and Singapore agreed to extend the bilateral financial cooperation agreement entered into by Bank Indonesia and the Monetary Authority of Singapore. The existing bilateral financial cooperation was signed on 5 November 2018 and is set to expire on 5 November 2019. It includes a local currency bilateral swap arrangement of up to USD7.0 billion (or the equivalent of SGD9.5 billion or IDR100 trillion) and a bilateral repo line worth USD3.0 billion.

Yields were roughly unchanged in the PRC and Indonesia but rose in Hong Kong, China; the Republic of Korea; Malaysia; the Philippines and Thailand but fell for most tenors in Viet Nam. The 2-year versus 10-year yield spread rose in all markets except Hong Kong, China.

Summary Text of News Articles

The Philippines Posts USD2.4 Billion Trade Deficit in August

The Philippines' exports inched up 0.6% year-on-year (y-o-y) in August to USD6.2 billion as only three out of the top ten major export commodities posted annual increases. Electronic products, which comprised 58.5% of the total exports in August, rose 6.6% y-o-y. Of the electronic products group, semiconductors, which comprised 42.9% of total exports in August, increased 4.1% y-o-y. Meanwhile, imports fell 11.8% y-o-y to USD9.8 billion in August due to the decline in eight of the ten major import groups. The Philippines posted a trade deficit of USD2.4 billion in August.

Japan's Producer Prices Remain Unchanged in September

Japan's producer prices were unchanged on a month-on-month (m-o-m) basis in September after falling 0.3% m-o-m in August. The zero inflation in September was largely driven by declines in electric, power, gas, and water prices (−0.05 percentage points) that offset the increases in agriculture, forestry, and fishery products (0.04 percentage points) and metal products (0.02 percentage points). On a y-o-y basis, producer prices fell 1.1% in September after falling 0.9% in August.

Malaysia's Index of Industrial Production Accelerates in August

The Index of Industrial Production of Malaysia extended its growth in August to 1.9% y-o-y after rising 1.2% y-o-y in July. The growth was driven by the slower decline in the mining sector, which contracted 3.9% y-o-y in August versus an 8.4% y-o-y decrease in the previous month, as the drop in crude oil production moderated. The improved performance in the mining sector was offset by slower growth in the manufacturing and electricity sectors. Production in the manufacturing sector increased 3.7% y-o-y in August after growing 4.0% y-o-y in July. On the other hand, the electricity sector expanded 0.3% y-o-y, compared with 2.0% y-o-y growth posted in the preceding month. On a m-o-m seasonally adjusted basis, Malaysia's Index of Industrial Production increased 0.9%.

Japan's Current Account Balance Rises in August; The Republic of Korea's Current Account Surplus Narrows in August

Japan's current account balance rose 18.3% y-o-y in August to JPY2,157.7 billion due to the trade balance returning to a surplus of JPY50.9 billion from a JPY1,823.7 billion deficit in August 2018. Japan's primary income declined 0.7% y-o-y in August to JPY2,268.1 billion, while the secondary income fell 18.3% y-o-y to generate a deficit of JPY184.6 billion.

The Republic of Korea's current account surplus narrowed to USD5.3 billion in August from USD6.9 billion in July. The smaller surplus was driven by the decline in the goods account surplus to USD4.8 billion in August from USD6.2 billion in the previous month, as exports fell at a faster pace than imports on a m-o-m basis. The primary income surplus also declined to USD2.6 billion from USD3.0 billion in the same period. The deficit in the services account widened to USD1.8 billion in August from USD1.7 billion in July. Meanwhile, the secondary income account deficit narrowed to USD0.3 billion from USD0.6 billion in the same period. For the first 8 months of 2019, the Republic of Korea registered a USD34.0 billion current account surplus.

Hong Kong, China's Foreign Currency Reserve Assets Rise to USD438.7 billion in September; Foreign Exchange Reserves in Indonesia Decline in September to USD124.3 Billion; Japan's Official Reserves Fall in August; The Philippines' Gross International Reserves Rise to USD86.2 Billion in September; Foreign Reserves in Singapore Dip in September

Hong Kong, China's foreign currency reserve assets rose 1.4% m-o-m to USD438.7 billion in September, reversing the 3.5% m-o-m contraction in August. Including unsettled foreign exchange contracts, the foreign reserves stood at USD431.5 billion in September, up from USD425.6 billion in the previous month. Hong Kong, China's September foreign reserves amounted to about seven times the amount of currency in circulation, or 46.0% of the Hong Kong dollar M3 money supply.

Summary Text of News Articles

**Hong Kong, China's Foreign Currency Reserve Assets Rises to USD438.7 billion in September;
 Foreign Exchange Reserves in Indonesia Declines in September to USD124.3 Billion;
 Japan's Official Reserves Fall in August;
 The Philippines' Gross International Reserves Rise to USD86.16 Billion in September;
 Foreign Reserves in Singapore Dips in September (cont...)**

Foreign exchange reserves in Indonesia slipped to USD124.3 billion at the end of September from USD126.4 billion at the end of August. According to Bank Indonesia, the drop in foreign exchange reserves stemmed from external debt repayments and a decline in banks' foreign currency deposits with the central bank. The foreign exchange reserves remained above the international adequacy standard of 3.0 months of imports as Indonesia's foreign currency reserves were sufficient to fund either 7.2 months of imports or 7.0 months of imports and debt repayment.

Japan's official reserves fell slightly to USD1,322.6 billion in September from USD1,331.6 billion in August, driven by the decline in foreign currency securities held by Japan to USD1,124.3 billion from USD1,132.1 billion.

The Philippines' gross international reserves rose to USD86.2 billion in September from USD86.0 billion in August. The rise in reserves was driven by the Bangko Sentral ng Pilipinas' income from investments abroad and the foreign currency deposits of the central government. However, the rise was capped by outflows resulting from the servicing of the government's foreign exchange obligations. The reserves level at the end of September was equivalent to 7.5 months' worth of imports of goods and payments of services and primary income, 5.4 times short-term external debt based on original maturity, and 3.9 times short-term external debt based on residual maturity.

Singapore's total official foreign reserves declined in September to USD272.2 billion in July from USD273.1 billion in August as all components of the foreign reserve registered decreases. Reserves in gold and foreign exchange dipped to SGD373.4 billion from SGD374.7 billion in the previous month. Singapore's reserve position with the International Monetary Fund and its special drawing rights shrank to SGD1.65 billion and SGD1.44 billion, respectively, from SGD1.70 billion and SGD1.45 billion in August. Foreign reserves in Singapore in September were also lower compared with SGD398.1 billion in September 2018.

Indonesia and Singapore Enter into Bilateral Financial Cooperation

Last week, the President of Indonesia and the Prime Minister of Singapore agreed to extend the bilateral financial cooperation agreement entered into by Bank Indonesia and the Monetary Authority of Singapore. The existing bilateral financial cooperation was signed on 5 November 2018 and is set to expire on 5 November 2019. It includes a local currency bilateral swap arrangement of up to USD7.0 billion (or the equivalent of SGD9.5 billion or IDR100 trillion) and a bilateral repo line worth USD3.0 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	1.66	-0.28	-2.62	-69.38
EU	-0.63	-0.10	-4.30	17.60
Japan	-0.35	1.24	2.22	-19.50
PRC	2.33	0.00	0.00	-49.70
Hong Kong, China	1.93	18.00	-3.00	18.00
Indonesia	5.81	-0.79	-4.12	-189.39
Korea, Rep. of	1.21	0.00	0.00	-53.60
Malaysia	3.05	0.00	0.10	-23.40
Philippines	3.06	0.10	-136.07	-271.20
Singapore	1.84	-1.00	-9.10	-24.10
Thailand	1.41	-0.31	0.51	-19.72

Close of 11 October 2019

10-Year Selected LCY Government Bond Yields

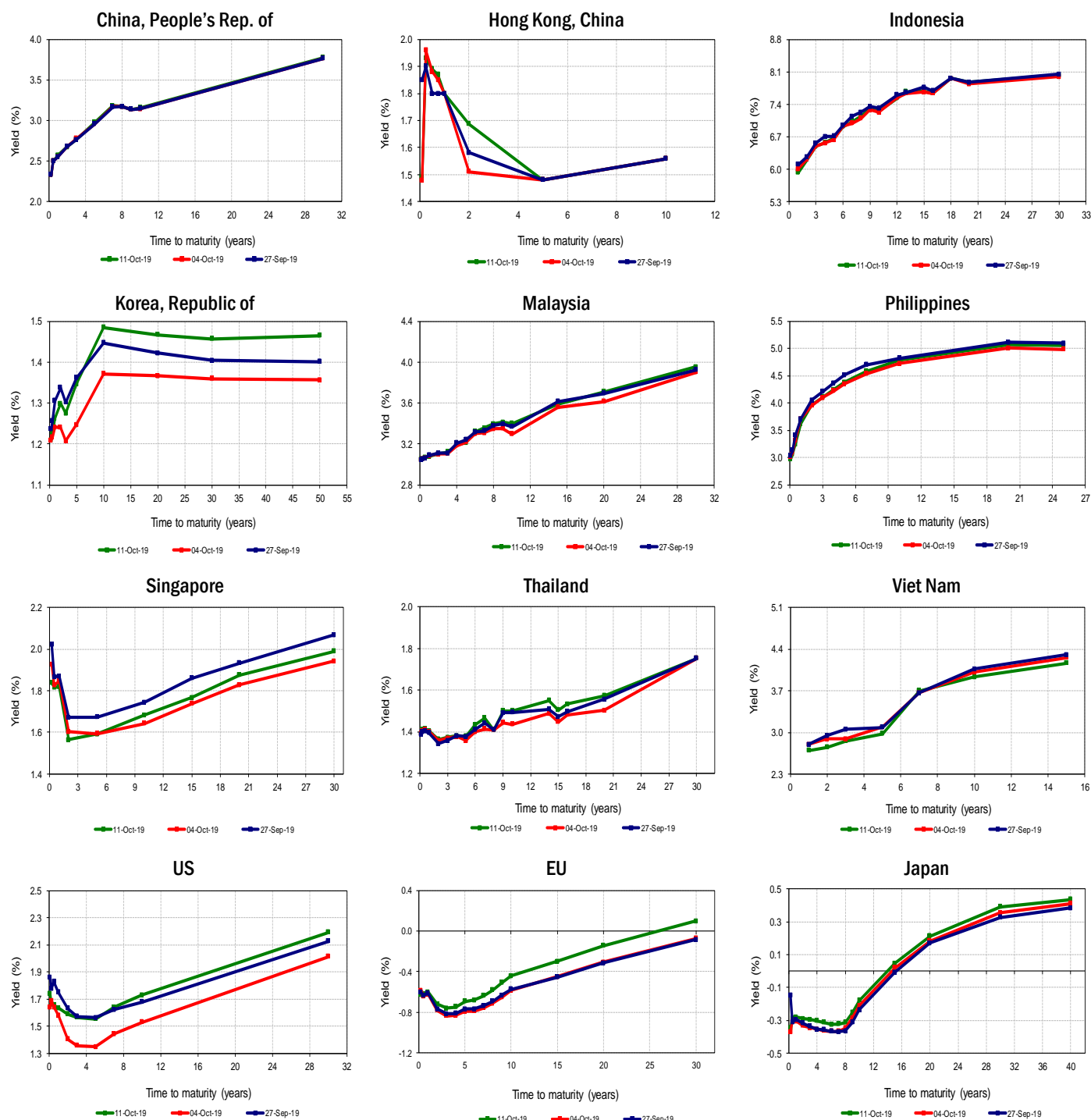
Markets	Latest Closing	basis point change from		
		Previous Day	Previous Week	1-Jan-19
US	1.73	6.09	20.00	-95.52
EU	-0.44	2.70	14.40	-68.40
Japan	-0.18	2.40	3.20	-18.20
PRC	3.16	2.60	1.50	-15.40
Hong Kong, China	1.56	0.00	0.00	-44.90
India	6.51	4.40	-18.00	-91.00
Indonesia	7.25	-2.20	1.40	-77.80
Korea, Rep. of	1.49	2.50	11.30	-47.10
Malaysia	3.40	0.10	10.20	-68.10
Philippines	4.78	1.50	5.80	-227.50
Singapore	1.68	2.51	4.12	-35.70
Thailand	1.50	2.30	6.40	-98.30
Viet Nam	3.93	-1.30	-8.30	-119.30

Close of 11 October 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

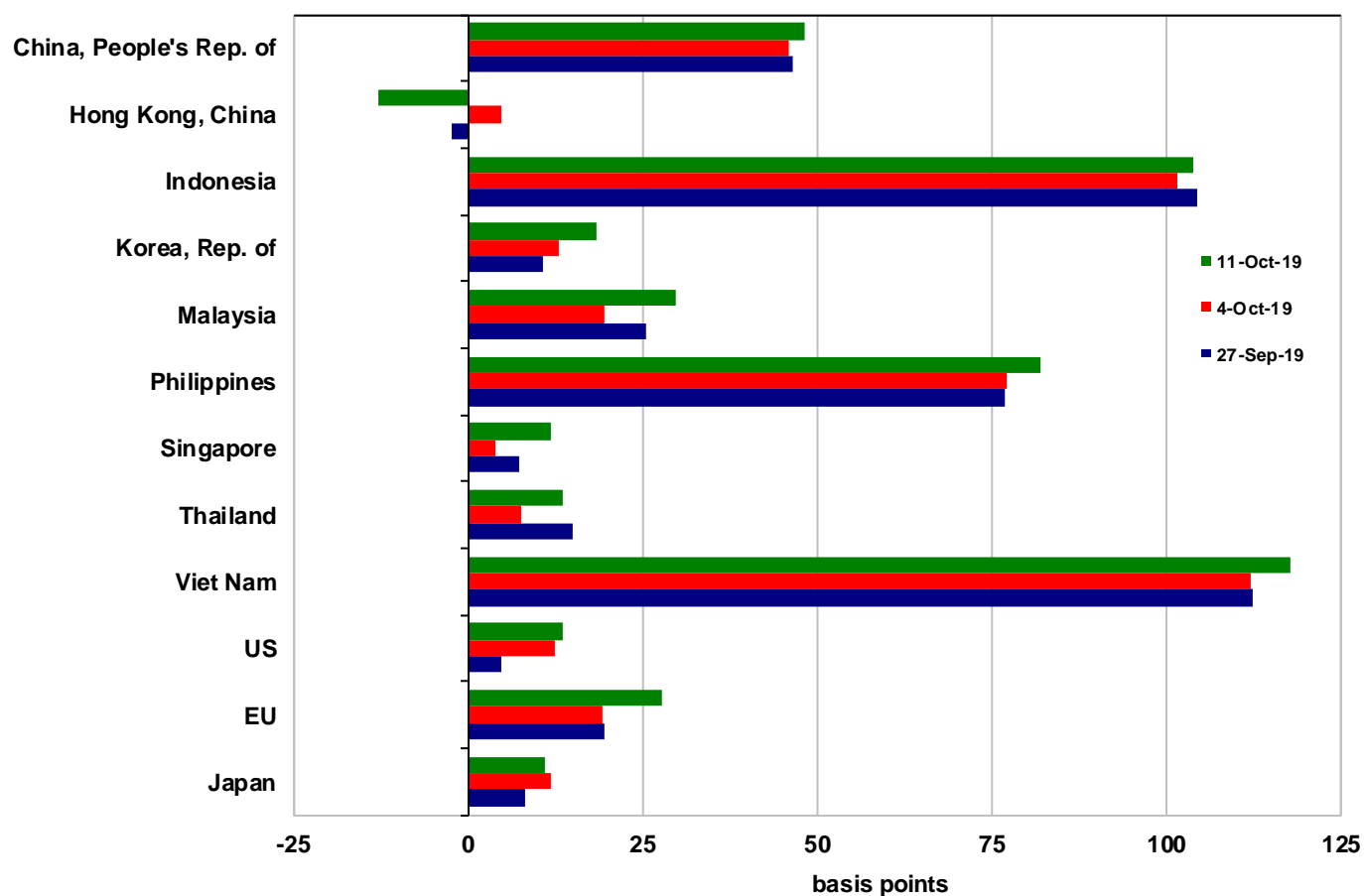


EU = European Union, LCY = local currency US = United States.

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



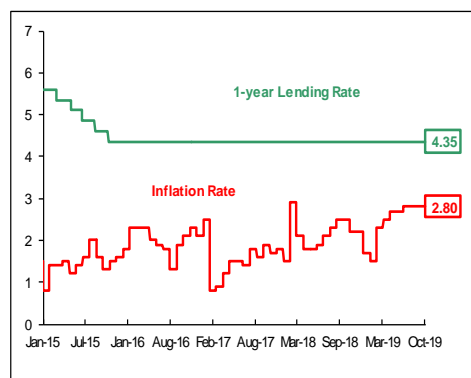
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

Policy Rate versus Inflation Rate

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

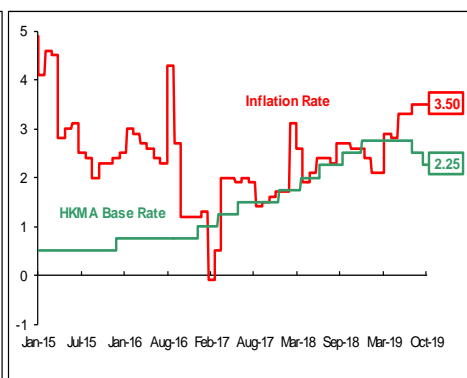
China, People's Rep. of



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

Source: Bloomberg LP.

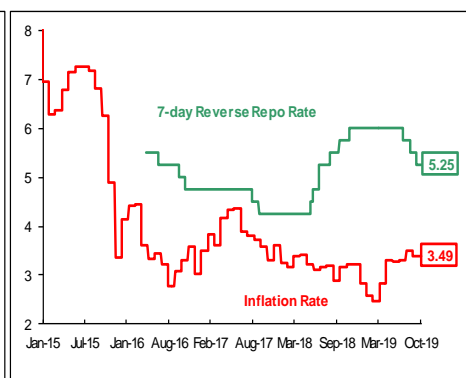
Hong Kong, China



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

Source: Bloomberg LP.

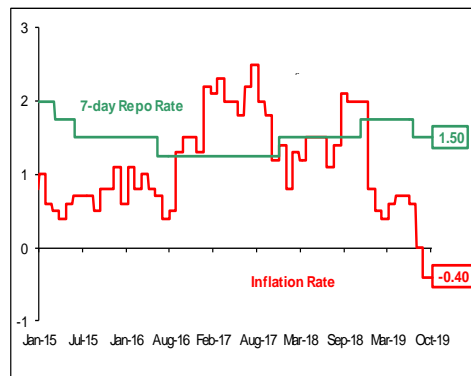
Indonesia



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

Source: Bloomberg LP.

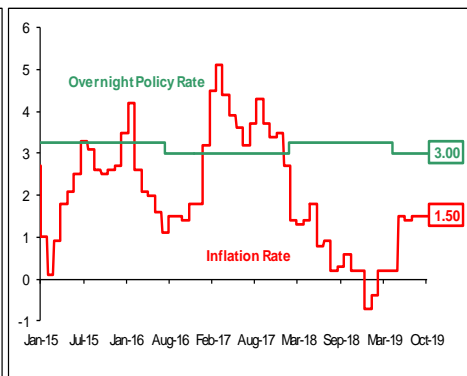
Korea, Republic of



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.

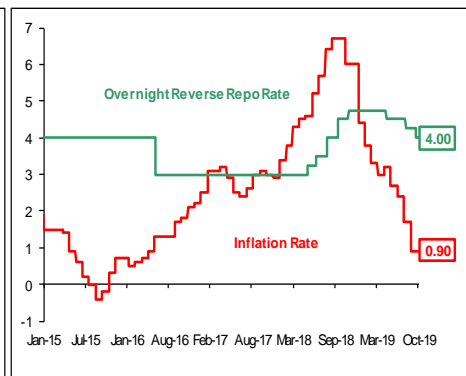
Malaysia



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

Source: Bloomberg LP.

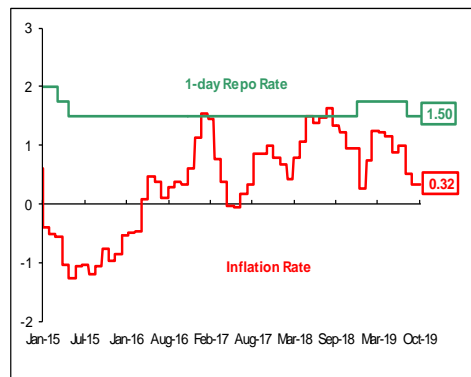
Philippines



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

Source: Bloomberg LP.

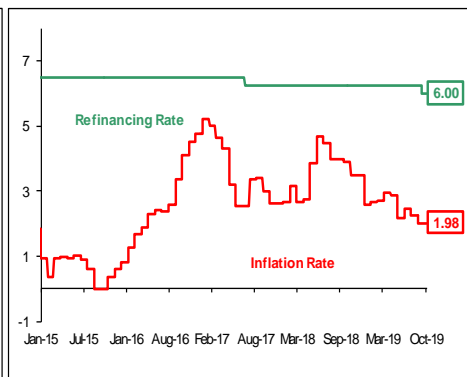
Thailand



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



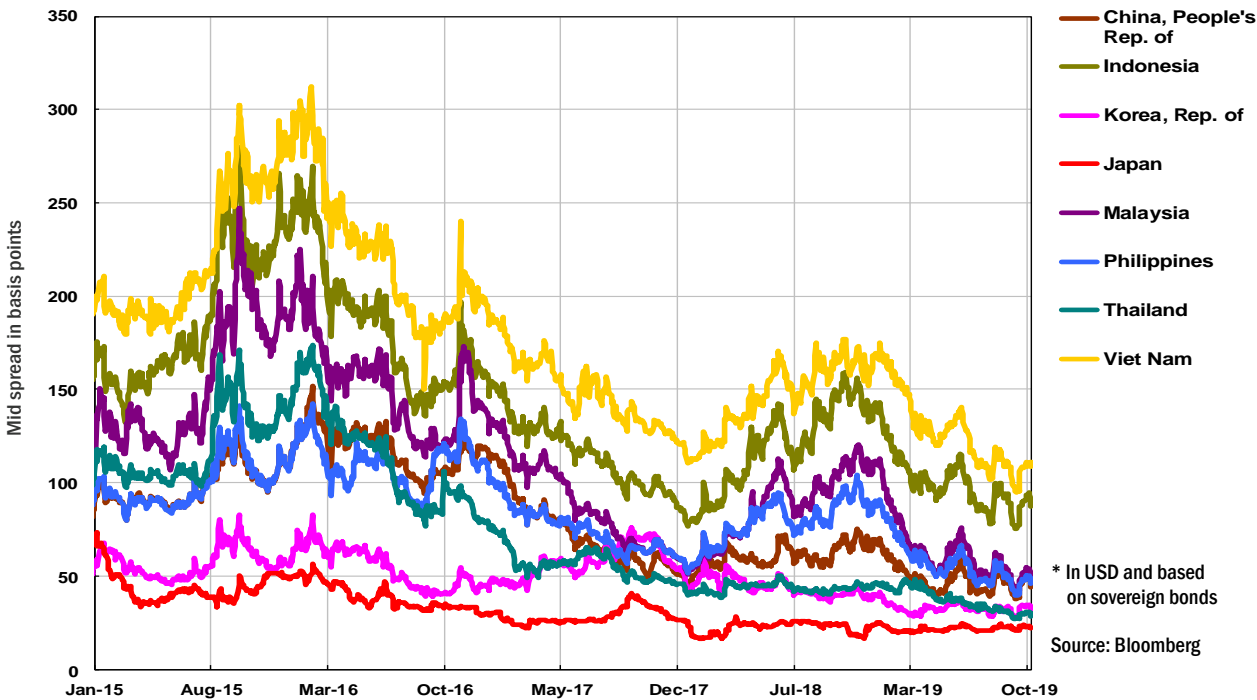
The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate.

Source: Bloomberg LP.

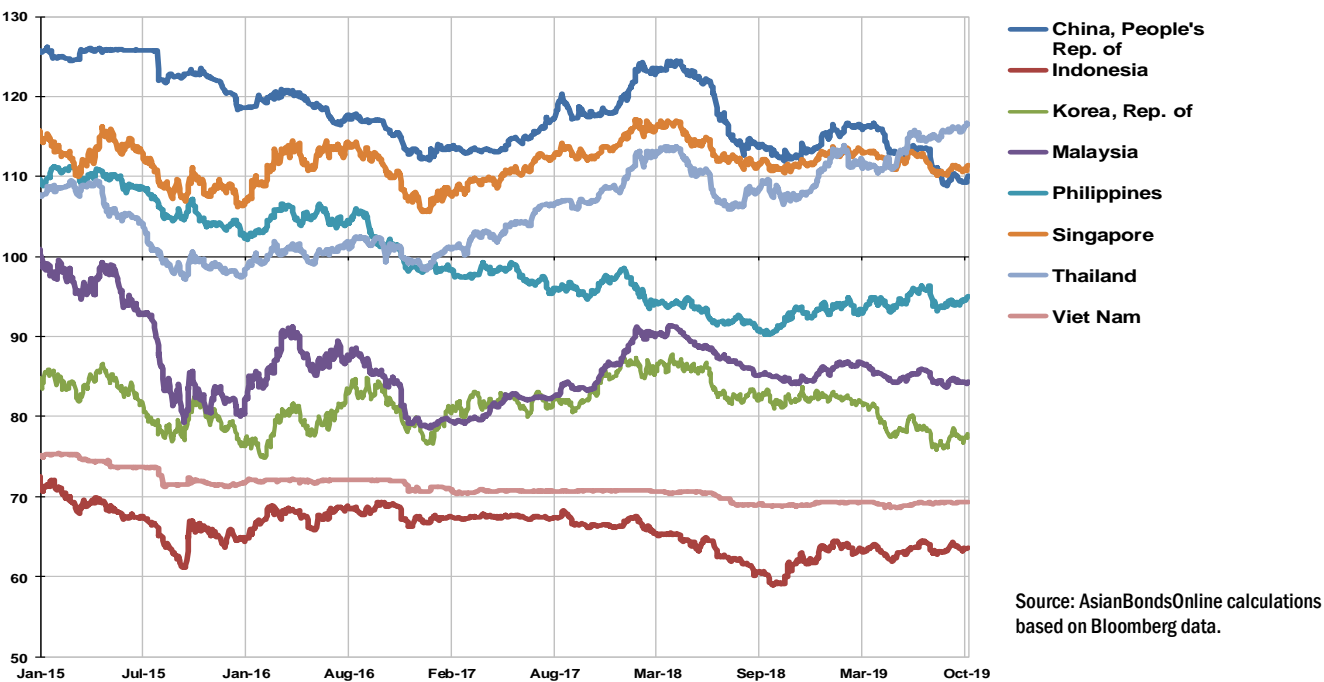
Credit Default Swap Spreads and Exchange Rate Indexes

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 (7 – 11 October 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	9-Oct	3-year China Government Bond	2.71	2.75	45.00	45.00
		7-year China Government Bond	3.11	3.25	45.00	45.00
HK	8-Oct	91-day Exchange Fund Bills	2.14		58.68	58.68
		182-day Exchange Fund Bills	1.98		17.00	17.00
ID	8-Oct	91-day Treasury Bills	5.47			2,000.00
		365-day Treasury Bills	5.61			2,000.00
		6-year Treasury Bonds	6.76	6.50		8,950.00
		11-year Treasury Bonds	7.31	7.00	15,000.00	7,250.00
		16-year Treasury Bonds	7.64	7.50		1,400.00
		20-year Treasury Bonds	7.85	8.38		1,200.00
		29-year Treasury Bonds	8.06	7.38		1,000.00
JP	9-Oct	6-month Treasury Bill	-0.30		2,300.00	2,299.95
	10-Oct	30-year Japan Government Bond	0.38	0.40	700.00	795.10
	11-Oct	3-month Treasury Bill	-0.30		4,330.00	4,329.97
KR	7-Oct	5-year Korea Treasury Bonds	1.26	1.38	1,200.00	1,200.00
		91-day Monetary Stabilization Bonds	1.30		800.00	800.00
MY	7-Oct	10-year Malaysia Government Securities	3.41	3.89	3.00	3.00
PH	7-Oct	91-day Treasury Bills	3.00		8.00	8.00
		182-day Treasury Bills	3.17		6.00	6.00
		364-day Treasury Bills	3.58		6.00	6.00
SG	8-Oct	4-week MAS Bills	1.68		3.30	3.30
		12-week MAS Bills	1.46		7.20	7.20
TH	8-Oct	91-day Bank of Thailand Bills	1.41		40.00	40.00
		182-day Bank of Thailand Bills	1.42		35.00	35.00
	10-Oct	14-day Bank of Thailand Bills	1.35		40.00	40.00
		1.87-year Bank of Thailand Bonds	1.38	1.43	30.00	36.00

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

Sources: Local market sources and Bloomberg, LP.

Selected Asia Data Releases (15 – 21 October 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, % SEP	10/15	8/18: 2.3% 9/18: 2.52% 7/19: 2.8% 8/19: 2.8%	The People's Republic of China's (PRC) consumer price inflation remained unchanged in August from July at 2.9% year-on-year (y-o-y).
People's Republic of China CPI y-o-y, % SEP	10/15	8/18: 4.1% 9/18: 3.6% 7/19: -0.3% 8/19: -0.8%	The PRC's producer prices continued to post declines, with prices falling 0.8% y-o-y in August after dipping 0.3% y-o-y in July.
Indonesia Exports y-o-y, % SEP	10/15	8/18: 4.46% 9/18: 2.58% 7/19: -5.10% 8/19: -10.0%	Indonesia's exports declined 10.0% y-o-y in August after falling 5.10% y-o-y due to the continued global economic slow down and trade tensions between the PRC and the United States.
Indonesia Trade Balance USD million SEP	10/15	8/18: -953.0 9/18: 346.20 7/19: -64.30 8/19: 85.10	Indonesia posted a trade surplus of USD85.1 million, reversing July's USD64.3 million deficit.
Republic of Korea Base Rate % 16 OCT	10/16	9/18: 1.50 10/18: 1.50 8/19: 1.50 9/19: 1.50	In its monetary policy meeting in August, the Bank of Korea decided to leave the base rate unchanged at 1.50%.
Singapore NODX y-o-y, % SEP	10/17	8/18: 5.00% 9/18: 8.10% 7/19: -11.4% 8/19: -8.9%	Singapore's non-oil domestic exports declined at a slower pace of 8.9% y-o-y in August versus 11.4% y-o-y in July.
Japan CPI y-o-y, % SEP	10/18	8/18: 1.3% 9/18: 1.2% 7/19: 0.5% 8/19: 0.3%	Japan's consumer prices gained 0.3% y-o-y in August after rising 0.5% y-o-y in July.
People's Republic of China Industrial Production y-o-y, % SEP	10/18	8/18: 6.1% 9/18: 5.8% 7/19: 4.8% 8/19: 4.4%	The PRC's industrial production growth rate decelerated to 4.4% y-o-y in August from 4.8% y-o-y in July.
People's Republic of China GDP y-o-y, % 3Q19	10/18	Q218: 6.7% Q318: 6.5% Q119: 6.4% Q219: 6.2%	The PRC's gross domestic product growth slowed to 6.2% y-o-y in Q2 2019 from 6.4% y-o-y in the previous quarter due to the trade tensions with the United States.
Philippines BOP USD million SEP	10/18	8/18: 1,272 9/18: -2,696 7/19: -248 8/19: 493	The Philippines posted a balance-of-payments surplus of USD493 million in August, a reversal from the USD248 million deficit in July.
Japan Exports y-o-y, % SEP	10/21	8/18: 6.5% 9/18: -1.4% 7/19: -1.5% 8/19: -8.2%	Japan's exports fell 8.2% y-o-y in August after declining 1.5% y-o-y in July.
Japan Trade Balance JPY billion SEP	10/21	8/18: -199.8 9/18: -227.3 7/19: -104.0 8/19: -130.8	Japan's trade deficit expanded to JPY 130.8 billion in August from JPY 104.0 billion in July.

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 Philippines Posts USD2.4 Billion Deficit in August

- [Highlights of the Philippine Export and Import Statistics : August 2019](#)
Philippine Statistics Authority (10 October 2019)

Japan's Producer Prices Remain Unchanged m-o-m

- [Monthly Report on the Corporate Goods Price Index \(Preliminary Figures for September 2019\)](#)
Bank of Japan (10 October 2019)

Malaysia's Index of Industrial Production Accelerates in August

- [Index Of Industrial Production, Malaysia August 2019](#)
Department of Statistics (11 October 2019)

Japan's Current Account Balance rises in August while The Republic of Korea's Current Account Surplus Narrows in August

- [Balance of Payments Statistics, August 2019 \(Preliminary\)](#)
Ministry of Finance, Japan (8 October 2019)
- [Balance of Payments during August 2019 \(preliminary\)](#)
The Bank of Korea (8 October 2019)

Hong Kong, China's Foreign Currency Reserve Assets Rises to USD438.7 billion in September; Foreign Exchange Reserves in Indonesia Declines in September to USD124.3 Billion; Japan's Official Reserves Fall in August; The Philippines' Gross International Reserves Rise to USD86.16 Billion in September; Foreign Reserves in Singapore Dips in September

- [Hong Kong's Latest Foreign Currency Reserve Assets Figures Released](#)
Hong Kong Monetary Authority (8 October 2019)
- [Official Reserve Assets Were Sufficiently High](#)
Bank Indonesia (7 October 2019)
- [International Reserves/Foreign Currency Liquidity \(as of September 30, 2019\)](#)
Ministry of Finance, Japan (7 October 2019)
- [End-September 2019 GIR Level Rises to US\\$86.16 Billion](#)
Bangko Sentral ng Pilipinas (7 October 2019)
- [Official Foreign Reserves](#)
Monetary Authority of Singapore (7 October 2019)

Indonesia and Singapore Enter Into Bilateral Financial Cooperation

- [RI President and Singapore PM Agree to Extend Bilateral Financial Cooperation](#)
Bank Indonesia (8 October 2019)

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