

16 December 2019

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## Key Developments in Asian Local Currency Markets

**O**n 11 December, the United States Federal Open Market Committee (FOMC) decided to keep the target range for the federal funds rate steady at between 1.50% and 1.75%. The decision was taken on account of strong labor market statistics and moderate economic growth. The FOMC noted that household spending remained strong. However, business fixed investment and exports were still weak. Also, inflation remained below the 2.0% target. The FOMC kept its gross domestic product (GDP) and inflation projections unchanged from its estimates in September. Unemployment rate projections were revised downward to 3.6% in 2019 and 3.5% in 2020 from 3.7% each in September. Core Personal Consumption Expenditure inflation for 2019 was also revised down to 1.6% from 1.8% in the September projection.

At its last monetary policy board meeting in 2019, the Bangko Sentral ng Pilipinas decided to leave its key interest rates unchanged. The rates for the overnight reverse repurchase facility, overnight deposit facility, and overnight lending facility were maintained at 4.0%, 3.5%, and 4.5%, respectively. The decision was supported by the benign inflation environment, with forecasts for 2020 and 2021 remaining within the target range of 2.0%–4.0%.

Consumer prices in the People's Republic of China (PRC) rose 4.5% year-on-year (y-o-y) in November after gaining 3.8% y-o-y in October, driven largely by an increase in the prices of food, tobacco, and liquor, which rose 13.9% y-o-y. Rising pork prices continue to drive the increase in food inflation.

Last week, Japan revised its GDP growth estimate for the third quarter (Q3) of 2019 upward to an annual rate of 1.8% from a previously reported 0.2%. The upward adjustment in GDP was due to better domestic demand, with growth in Q3 2019 revised from 0.2% quarter-on-quarter (q-o-q) to 0.6% q-o-q. Public demand was also slightly revised upward to 0.7% q-o-q from 0.6% q-o-q.

Based on provisional data, Hong Kong, China's industrial production among manufacturing industries inched up 0.4% y-o-y in Q3 2019, the same rate posted in the previous quarter. Malaysia's Industrial Production Index expanded 0.3% y-o-y in October, easing from the 1.7% y-o-y growth posted in September.

In October, the Philippines' exports marginally rose 0.1% y-o-y to USD6.3 billion, while imports declined 10.8% y-o-y to USD9.6 billion. A trade deficit of USD3.3 billion was reported in October.

On 11 December, S&P Global Ratings revised its outlook on Thailand's sovereign

### Asia Bond Monitor November 2019

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#### 10-Year Selected LCY Government Security Yields Close of 13 December 2019 basis point change from

Markets	Latest Closing	Previous Day*	Previous Week*	1-Jan-19*
US	1.82	-6.96	-1.37	-86.16
EU	-0.29	-2.00	-0.30	-53.10
Japan	-0.02	-0.60	-1.20	-2.10
PRC	3.20	1.00	-0.50	-11.00
Hong Kong, China	1.68	8.00		-35.20
India	6.79	1.10		-63.20
Indonesia	7.23	2.00		-79.20
Korea, Rep. of	1.65	3.70	-3.30	-30.40
Malaysia	3.44	0.70		-63.80
Philippines	4.54	-6.30	-14.80	-252.10
Singapore	1.79	4.41		-25.24
Thailand	1.58	3.10		-89.90
Viet Nam	3.52	-1.00		-160.30

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

credit rating to positive from stable. The positive outlook was based on reduced political risks following the return of an elected government and expectations of modest economic growth amid easing global trade tensions. The ratings agency also affirmed its BBB+ long-term and A-2 short-term foreign currency sovereign credit ratings, as well as its A–long-term and A-2 short-term local currency ratings for Thailand.

The 16 December issue of the Weekly Debt Highlights is the last issue for 2019. Issuance will resume on 13 January 2020.

Last week, yields rose for all tenors in Hong Kong, China; and for most tenors in Indonesia, Malaysia, Singapore, Thailand and Viet Nam. Yield fell for most tenors in the PRC, the Republic of Korea, and the Philippines. The 2-year versus 10-year yield spread narrowed in the PRC; Hong Kong, China; the Republic of Korea; and the Philippines; and widened in the remaining markets.

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**Summary Text of News Articles**

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**US Federal Reserve Holds Steady the Target Range for the Federal Funds Rate**

On 11 December, the United States Federal Open Market Committee (FOMC) decided to keep the target range for the federal funds rate steady at between 1.5% and 1.75%. The decision was taken on account of strong labor market statistics and moderate economic growth. The FOMC noted that household spending remained strong. Business fixed investment and exports were still weak, while inflation remained below the 2.0% target. The FOMC kept its gross domestic product (GDP) and inflation projections unchanged from its estimates in September. However, unemployment rate projections were revised downward to 3.6% in 2019 and 3.5% in 2020 from 3.7% each in September. Core Personal Consumption Expenditure inflation for 2019 was also revised downward to 1.6% from 1.8% in the September projection.

**Bangko Sentral ng Pilipinas Keeps Key Interest Rates Unchanged**

At its last monetary policy board meeting in 2019, the Bangko Sentral ng Pilipinas (BSP) decided to leave its key interest rates unchanged. The rates for the overnight reverse repurchase facility, overnight deposit facility, and overnight lending facility were maintained at 4.0%, 3.5%, and 4.5%, respectively. The BSP stated that the decision was supported by the benign inflation environment, with forecasts for 2020 and 2021 remaining within the target range of 2.0%–4.0%. Upside risks to inflation remain, mainly driven by oil price volatility amid geopolitical tensions in the Middle East, an outbreak of African swine fever, and the effects of recent weather disturbances on domestic food prices. The continued slowdown in global economic growth is expected to temper these risks. Moreover, the domestic economy continues to be supported by domestic demand, increased fiscal spending, and improved domestic liquidity conditions following the monetary adjustments conducted earlier this year.

For data on policy rate in Indonesia, refer to this link:

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

**Consumer Price Inflation in the PRC Rises in November, Producer Price Deflation Slows**

Consumer prices in the People's Republic of China (PRC) rose 4.5% y-o-y in November after gaining 3.8% y-o-y in October, driven largely by an increase in the prices of food, tobacco and liquor, which gained 13.9% y-o-y. Rising pork prices continued to drive the increase in food inflation, with pork prices rising 110.2% y-o-y in November. Meanwhile, nonfood prices rose 1.0% y-o-y in November. In contrast, producer prices continued to fall on a y-o-y basis, albeit at a slower pace, with producer prices falling 1.4% y-o-y in November after a decline of 1.6% y-o-y in October. The decline in producer prices was led by raw material prices, which fell 5.0% y-o-y in November.

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

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

**Japan Revises Q3 2019 GDP Growth Upward**

Last week, Japan revised its GDP growth rate for the third quarter (Q3) of 2019 upward to an annual rate of 1.8% from a previously reported 0.2%. On a seasonally adjusted quarter-on-quarter basis (q-o-q) basis, Japan's GDP estimate for Q3 2019 was raised to 0.6% from 0.2%. The upward adjustment in GDP was due to better domestic demand, with growth revised from 0.2% q-o-q to 0.6% q-o-q. Public demand was also slightly revised upward to 0.7% q-o-q from 0.6% q-o-q.

## Summary Text of News Articles

### **Hong Kong China's Industrial Production Rises 0.4% y-o-y, Producer Prices Increase 1.4% y-o-y in Q3 2019; Industrial Production in Malaysia Expands in October**

Based on provisional data, Hong Kong, China's industrial production for manufacturing industries inched up 0.4% y-o-y in Q3 2019, the same rate posted in the second quarter. Miscellaneous manufacturing industries (1.0% y-o-y); food, beverages, and tobacco (0.7% y-o-y); and textiles and wearing apparel (0.4% y-o-y) posted positive growth in Q3 2019. In contrast, paper products and printing (−0.6% y-o-y) and metal, computer, electronic and optical products (−0.6% y-o-y) posted negative growth during the quarter. Producer price indices for manufacturing industries rose 1.4% y-o-y in Q3 2019, up from 0.8% y-o-y in the previous quarter. Among the major subindices, the prices of metal, computer, electronic, and optical products posted the largest increase at 1.9% y-o-y.

Malaysia's Industrial Production Index expanded 0.3% y-o-y in October, easing from the 1.7% y-o-y growth posted in September as all sectors recorded a weaker performance compared to the previous month. Output in the mining sector fell 5.8% y-o-y, extending the decline of 1.6% y-o-y in September as crude oil and natural gas production slumped. The manufacturing sector grew 2.2% y-o-y in October, down from 2.5% y-o-y growth in the prior month. All subsectors posted a slower expansion except for textiles, wearing apparel, leather, and footwear, and electrical and electronics products; both segments grew faster than in the previous month. Electricity production increased 0.5% y-o-y, which was down from the 4.1% y-o-y expansion posted in September. On a month-on-month seasonally adjusted basis, Malaysia's Industrial Production Index declined 1.0%.

### **The Philippines' Exports Marginally Rise, Imports Fall in October**

The Philippines' exports marginally rose 0.1% y-o-y in October to USD6.3 billion, with 7 out of the top 10 major export groups posting annual increases. Electronic products, which accounted for 56.1% of total exports in October, rose 7.0% y-o-y to USD3.5 billion. Meanwhile, imports declined 10.8% y-o-y to USD9.6 billion as 9 of the top 10 major import groups declined. Imports of electronic products, which had the highest share of the total at 25.3%, decreased 11.7% y-o-y. The Philippines posted a USD3.3 billion trade deficit in October, down from the USD4.4 billion deficit registered in October 2018.

### **S&P Upgrades Thailand's Sovereign Rating Outlook to Positive, Affirms BBB+ and A-2 Ratings**

On 11 December, S&P Global Ratings (S&P) revised its outlook on Thailand's sovereign credit rating to positive from stable. The positive outlook was based on reduced political risks following the return of an elected government that is more responsive to public opinion. S&P noted that the progress in implementing reforms suggests future improvement in policy continuity and political stability. The positive outlook also reflected expectations of modest economic growth amid easing global trade tensions. The ratings agency affirmed its BBB+ long-term and A-2 short-term foreign currency sovereign credit ratings, as well as its A− long-term and A-2 short-term local currency ratings on Thailand. The ratings affirmation was backed by the economy's strong external position, low government debt, and supportive monetary and fiscal policies.












### **Singapore's Retail Sales Decline in October**

Singapore's retail trade sales declined 4.3% y-o-y in October, extending the 2.2% y-o-y contraction recorded in September. Sales of all components of the Retail Sales Index posted a weaker performance in October, except for supermarkets and hypermarkets, minimarts and convenience stores, wearing apparel and footwear, recreational goods, and watches and jewelry. On a month-on-month seasonally adjusted basis, Singapore's retail trade sales fell 2.2%.

## 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	1.56	1.01	 5.13		-79.87
EU	-0.65	0.00	 0.10		15.80
Japan	-0.16	-1.98	 -2.47		-0.71
PRC	2.44	0.00	 0.10		-39.00
Hong Kong, China	1.85	10.00	 10.00		10.00
Indonesia	5.50	0.00	 0.00		-220.28
Korea, Rep. of	1.25	0.30	 0.60		-49.40
Malaysia	3.00	0.40	 -0.20		-28.60
Philippines	3.25	6.10	 7.50		-252.20
Singapore	1.85	0.00	 14.00		-23.20
Thailand	1.22	-0.40	 -2.66		-38.82

Close of 13 December 2019

### 10-Year Selected LCY Government Bond Yields

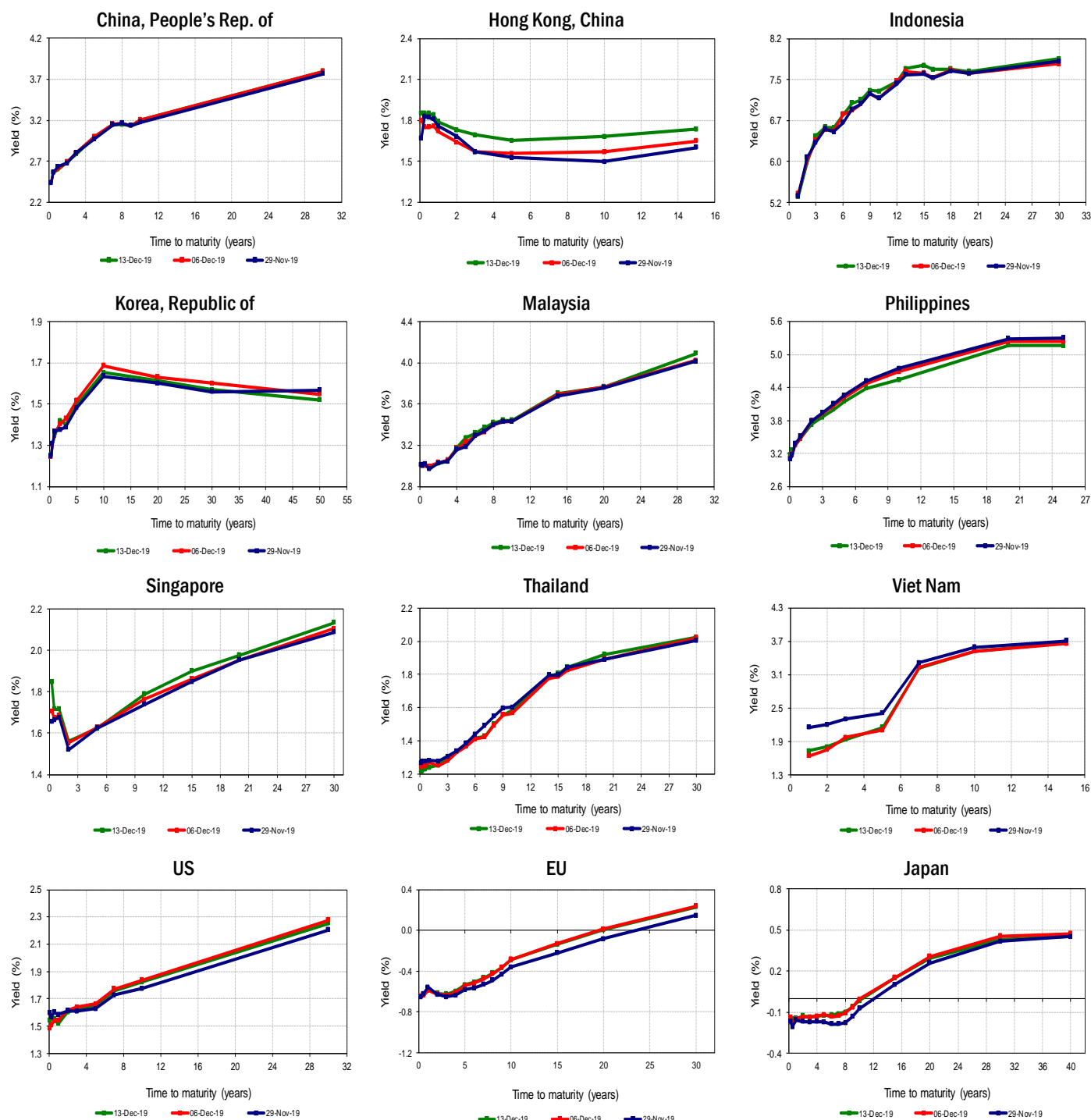
Markets	Latest Closing	basis point change from			1-Jan-19
		Previous Day	Previous Week		
US	1.82	-6.96	 -1.37		-86.16
EU	-0.29	-2.00	 -0.30		-53.10
Japan	-0.02	-0.60	 -1.20		-2.10
PRC	3.20	1.00	 -0.50		-11.00
Hong Kong, China	1.68	8.00	 11.20		-35.20
India	6.79	1.10	 12.00		-63.20
Indonesia	7.23	2.00	 12.20		-79.20
Korea, Rep. of	1.65	3.70	 -3.30		-30.40
Malaysia	3.44	0.70	 1.10		-63.80
Philippines	4.54	-6.30	 -14.80		-252.10
Singapore	1.79	4.41	 2.52		-25.24
Thailand	1.58	3.10	 1.80		-89.90
Viet Nam	3.52	-1.00	 0.20		-160.30

Close of 13 December 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

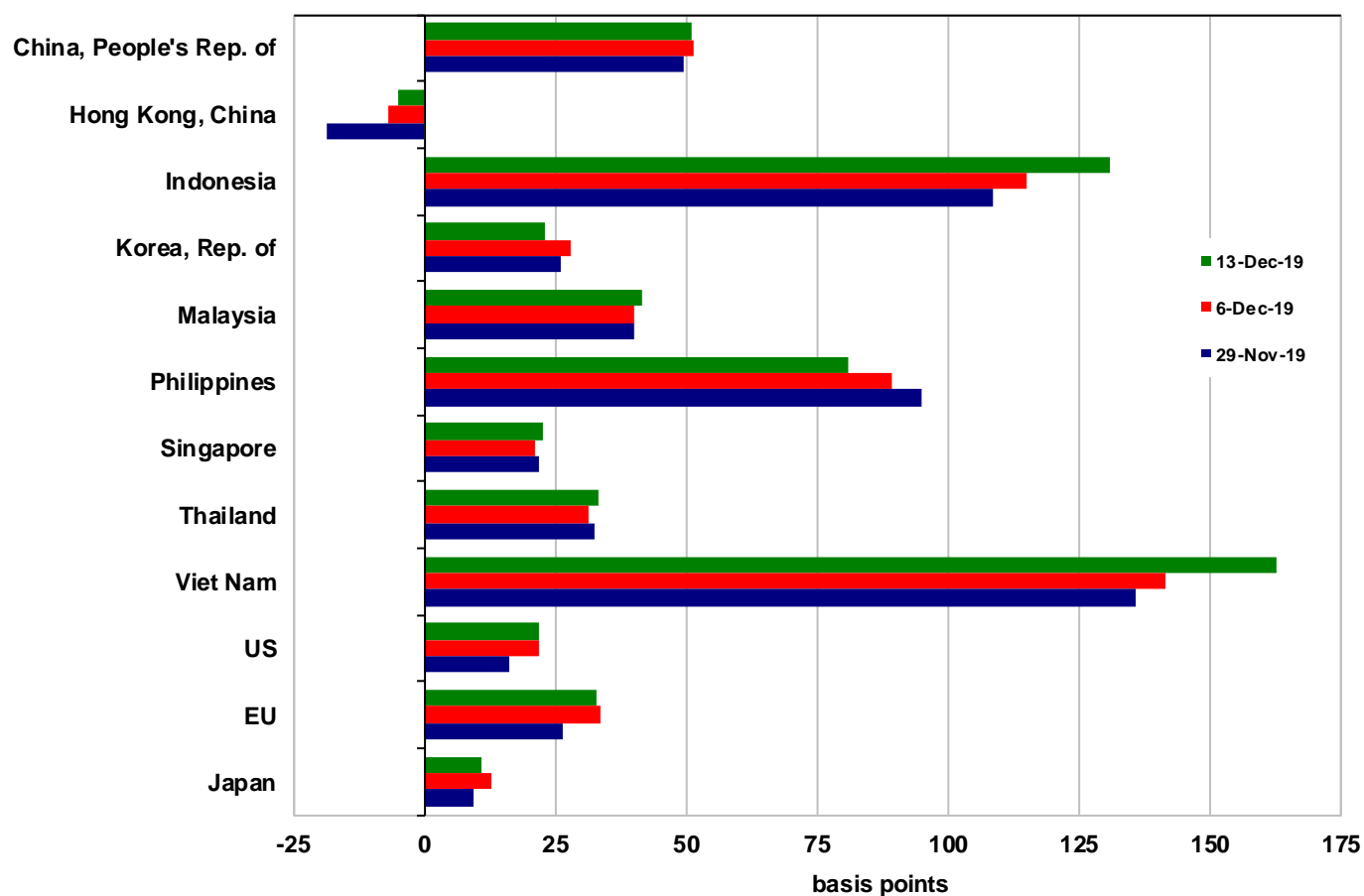


EU = European Union, LCY = local currency US = United States.

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



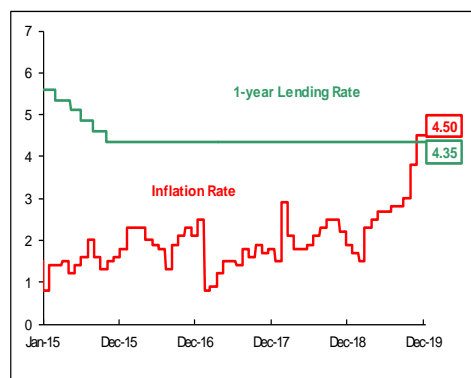
EU = European Union, US = United States.

Source: Based on data from Bloomberg LP.

## Policy Rate versus Inflation Rate

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

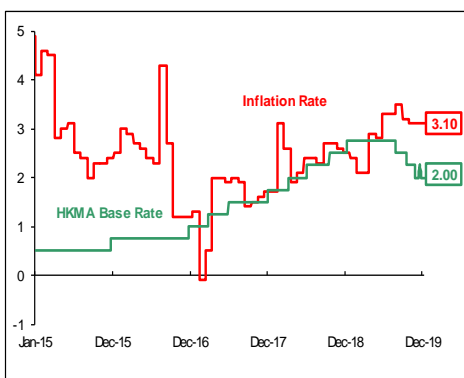
### China, People's Rep. of



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

Source: Bloomberg LP.

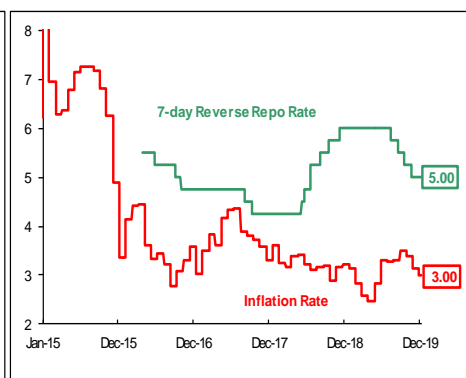
### Hong Kong, China



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

Source: Bloomberg LP.

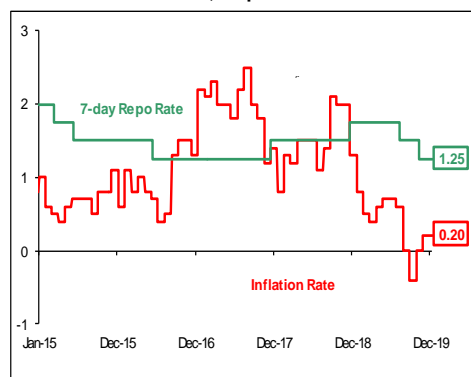
### Indonesia



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

Source: Bloomberg, LP.

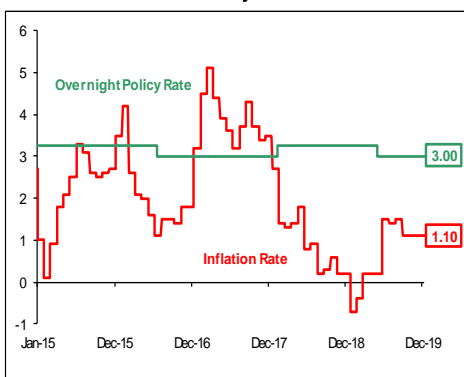
### Korea, Republic of



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.

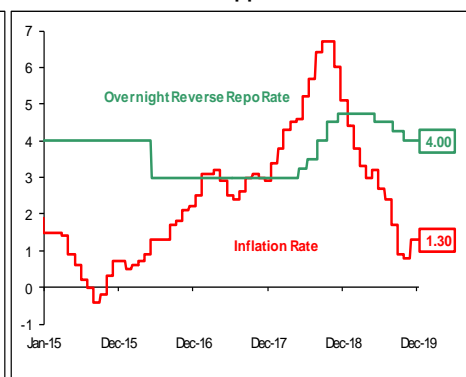
### Malaysia



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

Source: Bloomberg LP.

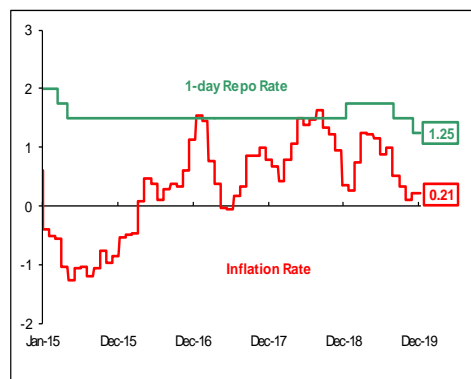
### Philippines



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

Source: Bloomberg LP.

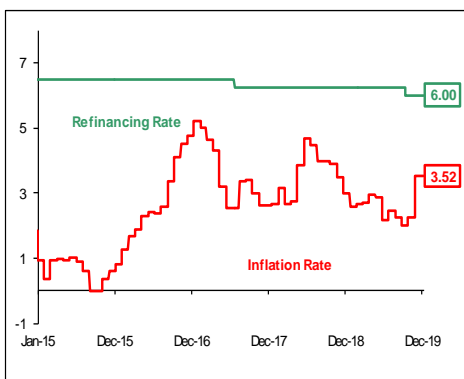
### Thailand



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.

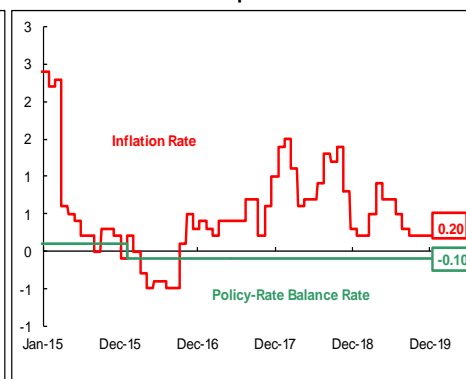
### Viet Nam



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

Source: Bloomberg LP.

### Japan



The Bank of Japan uses the policy-rate balance rate as its policy rate.

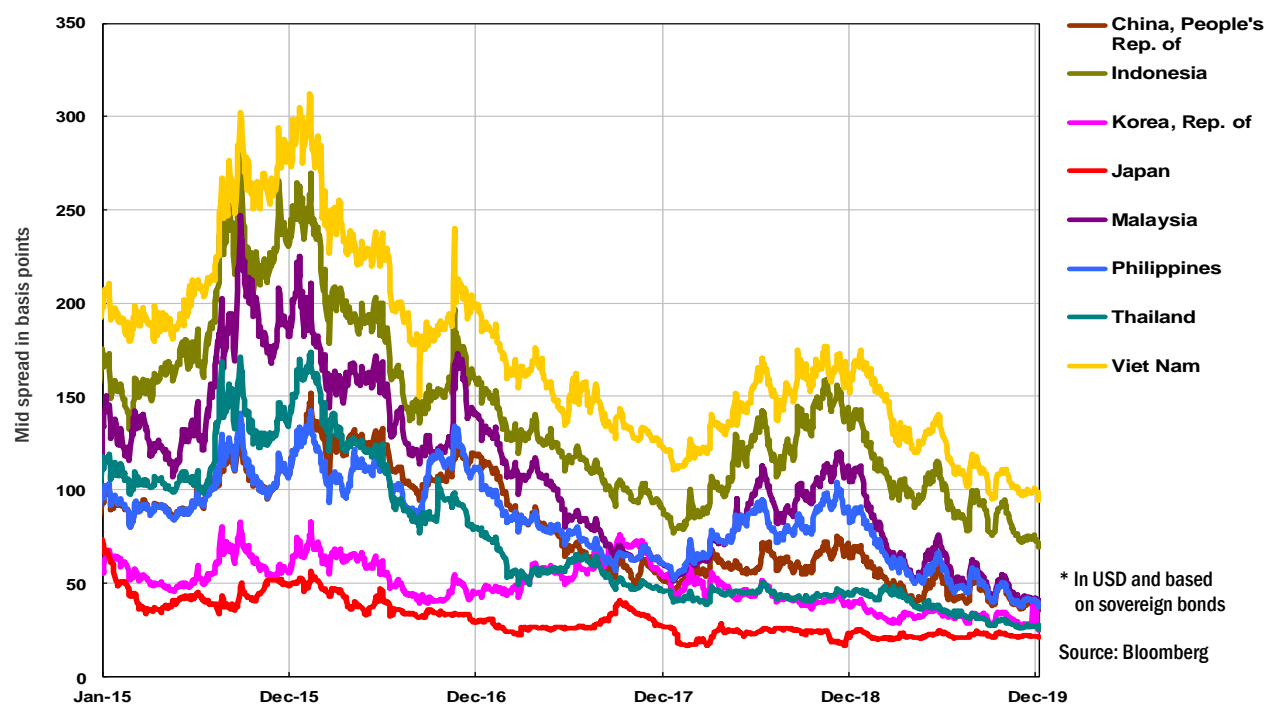
Source: Bloomberg, LP.



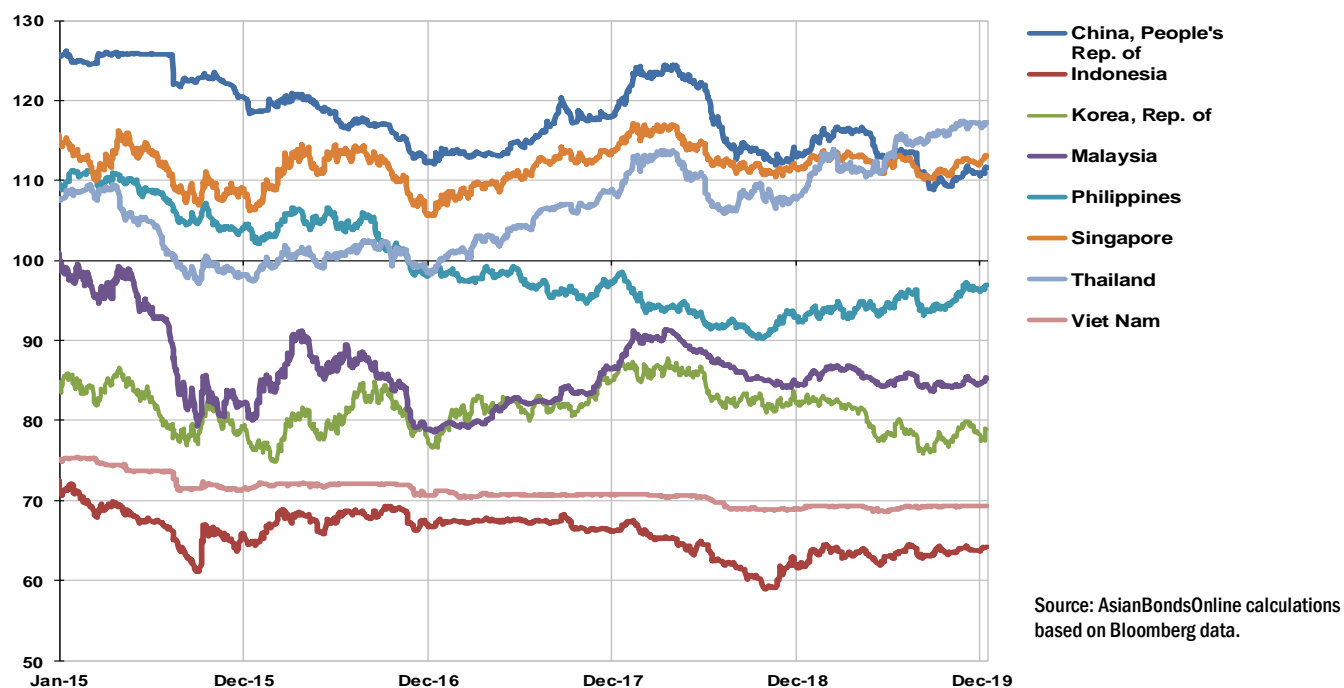
## Credit Default Swap Spreads and Exchange Rate Indexes

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 (9 – 13 December 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	11-Dec	2-year China Government Bond	2.64	2.46	34.00	40.00
		5-year China Government Bond	2.94	2.94	47.00	47.31
HK	10-Dec	91-day Exchange Fund Bills	1.83		47.11	47.11
		182-day Exchange Fund Bills	1.84		9.00	9.00
JP	9-Dec	6-month treasury Bill	-0.10		2,300.00	2,299.95
	10-Dec	5-year Japan Government Bond	-0.08	0.10	1,900.00	2,183.40
KR	9-Dec	1-year Monetary Stabilization Bonds	1.37		550.00	550.00
		10-year Korea Treasury Bonds	1.68		902.00	902.00
PH	10-Dec	10-year Treasury Bonds	3.74	4.75	20.00	20.00
SG	10-Dec	4-week MAS Bills	1.48		3.20	3.20
		12-week MAS Bills	1.53		7.90	7.90
	12-Dec	6-month Treasury Bills	1.51		3.70	3.70
TH	12-Dec	1.95-year Bank of Thailand Bonds	1.26	1.32	30.00	34.88
		13-day Bank of Thailand Bills	1.16		40.00	40.00
		2.2-year Bank of Thailand Bonds	1.30	3M BIBOR - 0.10	15.00	18.00
VN	11-Dec	10-year Treasury Bonds	3.50		1,500.00	2,250.00
		15-year Treasury Bonds	3.66		1,500.00	2,250.00

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

Sources: Local market sources and Bloomberg, LP.

## Selected Asia Data Releases (17 – 23 December 2019)

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

Economy and Variable	Release Date	Historical Data	Recent Trends
<b>Japan</b> <b>Exports</b> y-o-y, % NOV	12/18	10/18: 8.2% 11/18: 0.1% <b>9/19: -5.2%</b> <b>10/19: -9.2%</b>	Exports from Japan contracted 9.2% year-on-year (y-o-y) in October following a decline of 5.2% y-o-y in September.
<b>Japan</b> <b>Trade Balance</b> JPY billion NOV	12/18	10/18: -456.3 11/18: -739.1 <b>9/19: -128.3</b> <b>10/19: 15.7</b>	Japan posted a trade surplus of JPY15.7 billion in October after posting a trade deficit of JPY128.3 billion in September.
<b>Thailand</b> <b>BOT Benchmark Interest Rate</b> % 18 DEC	12/18	11/18: 1.50% 12/18: 1.75% <b>10/19: 1.50%</b> <b>11/19: 1.25%</b>	On 6 November, the Monetary Policy Committee of the Bank of Thailand cut its policy rate 25 basis points (bps) to 1.25%. The move marked the second policy rate reduction this year, following a 25-bps cut announced in August.
<b>Indonesia</b> <b>7-Day Reverse Repo Rate</b> % 19 DEC	12/19	11/18: 5.75% 12/18: 6.00% <b>10/19: 5.00%</b> <b>11/19: 5.00%</b>	In a meeting held on 21 November, Bank Indonesia's Board of Governors decided to keep the 7-day reverse repurchase rate unchanged at 5.00%.
<b>Japan</b> <b>BOJ Policy Rate Balance Rate</b> % DEC	12/19	11/18: -0.10% 12/18: -0.10% <b>10/19: -0.10%</b> <b>11/19: -0.10%</b>	On 31 October, the Bank of Japan held steady the policy balance rate at -0.10%.
<b>Philippines</b> <b>Balance of Payments</b> USD million NOV	12/19	10/18: -458.0 11/18: 847.0 <b>9/19: 38.0</b> <b>10/19: 163.0</b>	The Philippines' balance of payments surplus widened to USD163 million in October from USD38 million in September.
<b>Hong Kong, China</b> <b>Consumer Price Index</b> y-o-y, % NOV	12/20	10/18: 2.7% 11/18: 2.6% <b>09/19: 3.2%</b> <b>10/19: 3.1%</b>	Hong Kong, China's consumer price inflation eased to 3.1% y-o-y in October from 3.2% y-o-y in September.
<b>Hong Kong, China</b> <b>Balance of Payments</b> HKD billion Q3 2019	12/20	Q218: -48.5 Q318: -41.7 <b>Q119: 33.0</b> <b>Q219: 28.3</b>	Hong Kong, China posted a balance of payments surplus of HKD28.3 billion in the second quarter (Q2) of 2019, down from HKD33.0 billion in the first quarter (Q1).
<b>Malaysia</b> <b>Consumer Price Index</b> y-o-y, % NOV	12/20	10/18: 0.6 % 11/18: 0.2% <b>9/19: 1.1%</b> <b>10/19: 1.1%</b>	Consumer prices in Malaysia rose 1.1% y-o-y in October, the same rate posted in September.
<b>Philippines</b> <b>Budget Balance</b> PHP billion NOV	12/23	10/18: -59.9% 11/18: -39.1 <b>9/19: -178.6</b> <b>10/19: 49.3</b>	The Philippines posted a budget surplus of PHP49.3 billion in October after posting a deficit of PHP178.6 billion in September.
<b>Singapore</b> <b>Consumer Price Index</b> y-o-y, % NOV	12/23	10/18: 0.7% 11/18: 0.3% <b>9/19: 0.5%</b> <b>10/19: 0.4%</b>	Consumer price inflation in Singapore eased to 0.4% y-o-y in October after rising 0.5% y-o-y in September.

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)

### US Federal Reserve Holds Steady the Target Range for the Federal Funds Rate

- [Federal Reserve Press Release](#)  
Federal Reserve Board (11 December 2019)
- [Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2019](#)  
Federal Reserve Board (11 December 2019)

### Bangko Sentral ng Pilipinas Keeps Key Interest Rates Unchanged

- [Monetary Board Maintains Monetary Policy Settings](#)  
Bangko Sentral ng Pilipinas (12 December 2019)

### Consumer Price Inflation in the PRC Rises in November, Producer Price Deflation Slows

- [Consumer Prices for November 2019](#)  
National Bureau of Statistics (11 December 2019)
- [Producer Prices for the Industrial Sector for November 2019](#)  
National Bureau of Statistics (11 December 2019)

### Japan Revises Q3 2019 GDP Growth Upward

- [Quarterly Estimates of GDP for July - September 2019 \(Second Preliminary Estimates\)](#)  
Japan Cabinet Office (9 December 2019)

### Hong Kong China's Industrial Production Rises 0.4% y-o-y, Producer Prices Increase 1.4% y-o-y in Q3 2019; Industrial Production in Malaysia Expands in October

- [Provisional statistics on index of industrial production and producer price index for the industrial sector for the third quarter of 2019](#)  
Information Services Department of the Government of the Hong Kong Special Administrative Region (13 December 2019)
- [Index of Industrial Production, Malaysia October 2019](#)  
Department of Statistics (12 December 2019)

### The Philippines' Exports Marginally Rise, Imports Fall in October

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

### S&P Upgrades Thailand's Sovereign Rating Outlook to Positive, Affirms BBB+ and A-2 Ratings

- [Thailand Outlook Revised To Positive; 'BBB+/A-2' Ratings Affirmed](#)  
S&P Global (11 December 2019)

### Singapore's Retail Sales Decline in October

- [Retail Sales Index and Food & Beverage Services Index](#)  
Department of Statistics (12 December 2019)

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