

ADB



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JUNE 2013

Asian Development Bank



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JUNE 2013

Asian Development Bank

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The *Asia Bond Monitor* (ABM) reviews recent developments in East Asian local currency bond markets along with outlook, risks, and policy challenges. It covers the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

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Emerging East Asian  
Local Currency Bond  
Markets:  
**A Regional Update**

# Highlights

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## LCY Bond Market Growth in Emerging East Asia

- The quarter-on-quarter (q-o-q) growth rate for emerging East Asia's local currency (LCY) bond market in 1Q13 was 2.9%, slightly less than the 3.0% posted in 4Q12, as the region's bond market reached US\$6.7 trillion in size.<sup>1</sup> This outcome reflected positive q-o-q growth rates from the region's government (2.0%) and corporate (4.6%) bond sectors.
- The most rapidly growing markets on a q-o-q basis in 1Q13 were those of Viet Nam (20.8%); Indonesia (5.9%); Singapore (5.1%); Hong Kong, China (3.6%); the Republic of Korea (3.1%); and the People's Republic of China (PRC) (3.0%). The growth of Viet Nam's bond market came entirely from its government sector, which grew 21.8% q-o-q. Viet Nam's corporate sector has shrunk in recent years, falling to only US\$1.1 billion at the end of 1Q13. The growth of the Indonesian bond market was more balanced in 1Q13, with the government and corporate sectors rising 6.2% and 4.8% q-o-q, respectively.
- The growth of Singapore's bond market in 1Q13 was driven primarily by a 22.8% q-o-q rise in Monetary Authority of Singapore (MAS) bills outstanding, which reached US\$30 billion in 1Q13. Singapore's central government bills and bonds rose 2.9% q-o-q to reach US\$118 billion, while corporate bonds grew 3.4% to reach US\$104 billion.

- The regional bond market's year-on-year (y-o-y) growth rate in 1Q13 was 12.1%, almost the same as in 4Q12. The y-o-y growth rate for the region's government bond sector was 8.3%, while the corporate sector expanded a more robust 19.5%. The two most rapidly growing corporate bond markets on a y-o-y basis were those of the PRC and Indonesia, which are the largest (US\$1.1 trillion) and one of the smallest (US\$20 billion) in the region, respectively.

## LCY Bond Market Structural Developments in Emerging East Asia

- Foreign holdings of East Asian LCY government bonds continued to rise in 1Q13, except in the Republic of Korea and Japan.<sup>2</sup> Foreign holdings of Indonesian government bonds as a share of the total remained the highest in the region at 32.6% at end-March, while foreign holdings of Malaysian government bonds rose to 31.2%.
- Government bond yields have shifted downward since the end of 2012 in most markets on the back of moderating inflation and mostly unchanged policy rates. The only exceptions to this were Hong Kong, China; Indonesia; and Singapore where government yield curves have shifted upward for most maturities since the beginning of the year due to rising inflationary concerns.

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<sup>1</sup> Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

<sup>2</sup> East Asia refers to the nine economies of emerging East Asia plus Japan.

# Introduction: Global and Regional Market Developments

The East Asian economy continued on its path of gradual recovery during the first several months of 2013, supported by a more optimistic investor outlook and improvements in major financial market indicators, including falling bond yields and gains in most stock markets (**Table A**). However, the region's currencies have followed divergent paths since the beginning of the year. For example, the Thai baht appreciated 4.5% against the United States (US) dollar in 1Q13, while the Korean won depreciated 3.3%.

Credit default swap (CDS) spreads in the region remained relatively stable in 1Q13 (**Figure A**), reflecting global investors' increasing confidence

as fears of a eurozone breakup receded and CDS spreads for European countries declined (**Figure B**). Emerging market sovereign bond spreads also declined on the back of growing global investor confidence amid the strong performance of the US stock market in recent weeks (**Figure C**).

Bond yields in advanced countries continued to trend downward in 1Q13, and recently bond yields in the peripheral countries of the eurozone have also been declining (**Figure D**). Meanwhile, Japanese long-term bond yields fell as the Bank of Japan stepped up efforts to meet its 2.0% inflation target with increased bond purchases.

**Table A: Changes in Global Financial Conditions**

	2-Year Government Bond (bps)	10-Year Government Bond (bps)	5-Year Credit Default Swap Spread (bps)	Equity Index (%)	FX Rate (%)
<b>Major Advanced Economies</b>					
United States	(4)	(9)	0	12.0	–
United Kingdom	(8)	(14)	6	9.0	4.6
Japan	3	(18)	(16)	35.3	(11.0)
Germany	3	(10)	(5)	4.0	0.3
<b>Emerging East Asia</b>					
China, People's Rep. of	(9)	(10)	6	(4.0)	1.2
Hong Kong, China	3	25	(1)	0.4	(0.1)
Indonesia	(13)	32	(1)	16.6	0.6
Korea, Rep. of	(30)	(39)	5	(1.7)	(3.3)
Malaysia	(8)	(13)	7	1.7	0.5
Philippines	(73)	(132)	(12)	21.6	(0.4)
Singapore	(8)	7	0	6.3	(0.9)
Thailand	(13)	(12)	(2)	14.8	4.5
Viet Nam	(74)	(70)	–	14.7	(0.5)
<b>Select European Markets</b>					
Greece	(109)	(162)	0	7.3	0.3
Ireland	(89)	(127)	(29)	13.6	0.3
Italy	(68)	(56)	(60)	3.0	0.3
Portugal	(36)	(128)	(75)	10.5	0.3
Spain	(117)	(121)	(50)	3.1	0.3

– = not available, ( ) = negative, bps = basis points, FX = foreign exchange.

Notes:

1. Data reflect changes between 1 January and 30 April 2013.
2. For emerging East Asia, a positive (negative) value for the FX rate indicates the appreciation (depreciation) of the local currency against the US dollar.
3. For European markets, a positive (negative) value for the FX rate indicates the depreciation (appreciation) of the local currency against the US dollar.

Source: Bloomberg LP, Institute of International Finance (IIF), and Thomson Reuters.





Interest rates remained low in most advanced countries and held steady in emerging East Asia with a few exceptions.<sup>3</sup> For example, sovereign spreads in Viet Nam tightened in 1Q13 and have risen slightly since the beginning of the year in the People's Republic of China (PRC) **(Figure E)**.

Finally, the shares of foreign holdings of the region's local currency (LCY) government bonds continued to rise in 1Q13, except in the Republic of Korea and Japan. The share of foreign holdings of government bonds in Indonesia remained the highest in the region at 32.6% of the total, while foreign holdings of Malaysian bonds reached 31.2% **(Figure F)**.

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<sup>3</sup> Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

# Bond Market Developments in the First Quarter of 2013

## Size and Composition

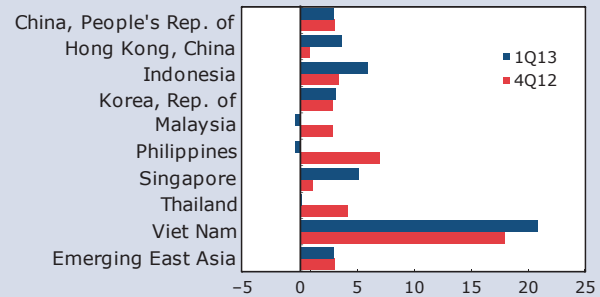
**Total bonds outstanding in emerging East Asia's LCY bond market grew 2.9% q-o-q and 12.1% y-o-y to reach US\$6.7 trillion at the end of 1Q13, reflecting continued robust q-o-q growth in the corporate bond market and modest improvement in the government sector.<sup>4</sup>**

The quarter-on-quarter (q-o-q) growth rate for emerging East Asia's local currency (LCY) bond market in 1Q13 was 2.9%, slightly less than the 3.0% posted in 4Q12 (**Figure 1a**). The most rapidly growing markets on a q-o-q basis in 1Q13 were in Viet Nam (20.8%); Indonesia (5.9%); Singapore (5.1%); Hong Kong, China (3.6%); the Republic of Korea (3.1%); and the People's Republic of China (PRC) (3.0%) (**Table 1**).

The size of Viet Nam's LCY bond market, although small by regional standards, almost tripled from US\$12.3 billion in 1Q10 to US\$30.2 billion in 1Q13. This growth, however, came entirely from the government sector as the corporate bond sector has declined in size in recent years to only US\$1.1 billion.

The growth of the Indonesian bond market has been more balanced, with the government and corporate bond sectors rising 6.2% and 4.8% q-o-q, respectively, in 1Q13. The Indonesian government has estimated that its 2013 budget deficit will be the equivalent of 1.6% of gross domestic product (GDP), but the government still needs to reduce gasoline subsidies to reach its deficit target. The growth of the Singapore bond market in 1Q13 was driven primarily by a 22.8% q-o-q rise in Monetary Authority of Singapore (MAS) bills outstanding, which reached US\$30 billion. Singapore's central

**Figure 1a: Growth of LCY Bond Markets in 4Q12 and 1Q13 (q-o-q, %)**



LCY = local currency, q-o-q = quarter-on-quarter.

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from LCY base and do not include currency effects.
3. Emerging East Asia growth figures are based on end-March 2013 currency exchange rates and do not include currency effects.
4. For the Philippines, 1Q13 government bonds outstanding data carried over from February 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

government bills and bonds rose 2.9% q-o-q to reach US\$118 billion, while corporate bonds grew 3.4% q-o-q to reach US\$104 billion.

A q-o-q growth rate of 3.1% in the Republic of Korea's bond market in 1Q13 was driven primarily by 3.7% growth in its corporate bond market, compared with growth of only 2.2% in the government bond market. The q-o-q growth rate of the government bond market, however, could rise later this year if a supplementary spending bill that would raise the budget deficit to 1.8% of GDP, from an original estimate of 0.3%, is successfully implemented.

Growth in the Hong Kong, China bond market in 1Q13 was driven mainly by the government sector, while the PRC's 3.0% q-o-q growth rate was driven primarily by its robust corporate sector, which grew 6.4% in 1Q13. In addition, the PRC government recently exempted the corporate

<sup>4</sup> Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.



bond sector from taxation, which should further contribute to its growth in 2013.

The regional bond market’s y-o-y growth rate in 1Q13 was 12.1%, almost the same as in 4Q12 (**Figure 1b**). The y-o-y growth rate for the region’s government bond sector was 8.3%, down slightly from 8.8% in 4Q12, while the corporate sector’s y-o-y growth rate of 19.5% was slightly higher than the 18.8% recorded in 4Q12. Viet Nam retained its position as the most rapidly growing bond market on a y-o-y basis (53.3%), followed by Singapore (17.3%) and Indonesia (13.9%). The fourth most rapidly growing market on a y-o-y basis was the Philippines (13.7%), reflecting an expected budget deficit equivalent to 2.0% of GDP in 2013.

The two most rapidly growing corporate bond markets on a y-o-y basis in 1Q13 were those of the PRC and Indonesia, which are the largest (US\$1.1 trillion) and one of the smallest (US\$20 billion) corporate bond markets in the

region, respectively. Both corporate bond markets, however, are part of rapidly growing economies, whose banks may be constrained by the imposition of the more stringent Basel III capital adequacy requirements in coming years. Meanwhile, the corporate sectors of these two economies have also become active issuers in the US\$ bond market.

## CNH Market Trends<sup>5</sup>

CNH bonds outstanding rose 3.3% q-o-q in 1Q13. Growth was higher for CNH government bonds at 5.9%, compared with 2.5% for corporate bonds. Two of the more important CNH bonds issued in 1Q13 were (i) a CNH3 billion bond with a 5-year maturity and a 5.5% yield issued by New World Land Limited on 6 February; and (ii) a CNH2.5 billion bond issued on 28 March by China Minmetals, a state-owned metallurgical company. The China Minmetals bond has a 3-year maturity and pays a coupon of 3.65%.

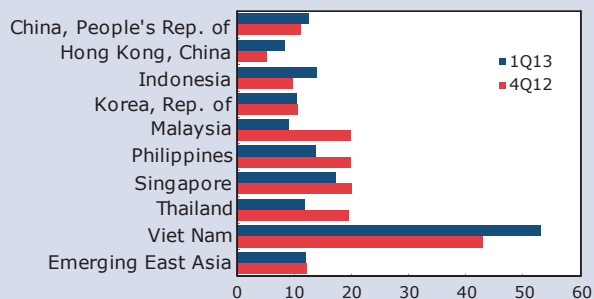
## Ratio of Bonds Outstanding

### The ratio of bonds outstanding to GDP in emerging East Asia rose slightly to 54.8% of GDP in 1Q13 from 54.6% in 4Q12.

The ratio of bonds outstanding to GDP in emerging East Asia rose slightly to 54.8% of GDP in 1Q13 from 54.6% in 4Q12 (**Table 2**). The ratio of government bonds to GDP remained flat in 1Q13 at 35.0% of GDP, while the ratio of corporate bonds outstanding to GDP rose marginally from 19.6% in 4Q12 to 19.8% in 1Q13.

The two markets with the largest ratios of LCY bonds outstanding to GDP in 1Q13 were the Republic of Korea and Malaysia, with ratios of 121.5% and 105.0%, respectively. These ratios reflect not only large and well-developed government bond markets that are equivalent to 46.9% and 62.1% of GDP, respectively, but also large and well-developed corporate bond sectors

**Figure 1b: Growth of LCY Bond Markets in 4Q12 and 1Q13 (y-o-y, %)**



LCY = local currency, y-o-y = year-on-year.

Notes:

- Calculated using data from national sources.
- Growth rates are calculated from LCY base and do not include currency effects.
- Emerging East Asia growth figures are based on end-March 2013 currency exchange rates and do not include currency effects.
- For the Philippines, 1Q13 government bonds outstanding data carried over from February 2013. For Singapore, corporate bonds outstanding data based on *AsianBondsOnline* estimates.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (*EDAILY BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

<sup>5</sup> CNH bonds are renminbi-denominated bonds issued in Hong Kong, China.



**Table 3: LCY-Denominated Bond Issuance (gross)**

	Amount (LCY billion)		Amount (US\$ billion)		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	1Q13	% share	1Q13	% share	1Q13		1Q13	
					q-o-q	y-o-y	q-o-q	y-o-y
<b>China, People's Rep. of (PRC)</b>								
<b>Total</b>	1,275	100.0	205	100.0	(9.7)	8.7	(9.4)	10.3
Government	724	56.8	117	56.8	(1.6)	(2.9)	(1.3)	(1.5)
Central Bank	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	724	56.8	117	56.8	(1.6)	(2.9)	(1.3)	(1.5)
Corporate	551	43.2	89	43.2	(18.5)	29.1	(18.3)	30.9
<b>Hong Kong, China</b>								
<b>Total</b>	1,795	100.0	231	100.0	18.4	21.7	18.2	21.8
Government	1,734	96.6	223	96.6	18.3	25.4	18.1	25.4
Central Bank	1,727	96.2	222	96.2	18.0	25.3	17.8	25.3
Treasury and Other Govt.	7	0.4	1	0.4	133.3	40.0	132.9	40.0
Corporate	61	3.4	8	3.4	22.0	(33.3)	21.8	(33.3)
<b>Indonesia</b>								
<b>Total</b>	113,036	100.0	12	100.0	29.7	15.6	30.5	8.6
Government	98,118	86.8	10	86.8	50.1	12.8	51.0	6.0
Central Bank	29,134	25.8	3	25.8	(23.8)	9.5	(23.4)	2.9
Treasury and Other Govt.	68,984	61.0	7	61.0	154.5	14.3	156.0	7.4
Corporate	14,918	13.2	2	13.2	(31.5)	38.1	(31.1)	29.8
<b>Korea, Rep. of</b>								
<b>Total</b>	163,971	100.0	148	100.0	(3.7)	(8.7)	(7.7)	(7.0)
Government	66,249	40.4	60	40.4	(7.5)	(2.3)	(11.4)	(0.3)
Central Bank	43,090	26.3	39	26.3	(0.9)	1.9	(5.1)	3.9
Treasury and Other Govt.	23,159	14.1	21	14.1	(17.7)	(9.2)	(21.2)	(7.4)
Corporate	97,722	59.6	88	59.6	(0.9)	(12.7)	(5.1)	(11.0)
<b>Malaysia</b>								
<b>Total</b>	134	100.0	43	100.0	(3.8)	(27.5)	(4.9)	(28.2)
Government	104	78.1	34	78.1	(1.8)	(22.0)	(3.0)	(22.7)
Central Bank	77	57.9	25	57.9	(7.1)	(27.9)	(8.2)	(28.6)
Treasury and Other Govt.	27	20.2	9	20.2	17.3	2.1	16.0	1.2
Corporate	29	21.9	9	21.9	(10.2)	(42.1)	(11.2)	(42.6)
<b>Philippines</b>								
<b>Total</b>	215	100.0	5	100.0	37.2	(25.9)	37.9	(22.1)
Government	196	90.9	5	90.9	39.0	(27.8)	39.6	(24.0)
Central Bank	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	196	90.9	5	90.9	39.0	(27.8)	39.6	(24.0)
Corporate	20	9.1	0.5	9.1	21.9	0.0	22.5	5.1
<b>Singapore</b>								
<b>Total</b>	93	100.0	75	100.0	4.4	(6.0)	2.8	(4.6)
Government	89	95.6	72	95.6	2.5	(4.8)	1.0	(3.5)
Central Bank	47	50.4	38	50.4	14.9	29.1	13.2	30.9
Treasury and Other Govt.	42	45.2	34	45.2	(8.5)	(26.4)	(9.8)	(25.4)
Corporate	4	4.4	3	4.4	71.2	(25.5)	68.6	(24.5)
<b>Thailand</b>								
<b>Total</b>	2,198	100.0	75	100.0	(0.2)	(25.5)	4.4	(21.5)
Government	1,819	82.7	62	82.7	(2.1)	(28.2)	2.3	(24.4)
Central Bank	1,594	72.5	54	72.5	(5.9)	(31.5)	(1.6)	(27.8)
Treasury and Other Govt.	225	10.2	8	10.2	36.5	8.8	42.7	14.7
Corporate	380	17.3	13	17.3	10.2	(9.3)	15.2	(4.5)

continued on next page

Table 3 continued

	Amount (LCY billion)		Amount (US\$ billion)		Growth Rate (LCY-base %)		Growth Rate (US\$-base %)	
	1Q13	% share	1Q13	% share	1Q13		1Q13	
					q-o-q	y-o-y	q-o-q	y-o-y
<b>Viet Nam</b>								
<b>Total</b>	191,518	100.0	9	100.0	68.8	134.7	68.1	133.8
Government	191,518	100.0	9	100.0	69.1	134.7	68.3	133.8
Central Bank	112,857	58.9	5	58.9	92.7	270.3	91.8	268.8
Treasury and Other Govt.	78,661	41.1	4	41.1	43.7	53.9	43.1	53.3
Corporate	0	0.0	0	0.0	-	-	-	-
<b>Emerging East Asia (EEA)</b>								
<b>Total</b>	-	-	803	100.0	2.2	0.2	1.6	1.6
Government	-	-	591	73.6	6.5	1.3	6.2	2.6
Central Bank	-	-	387	48.2	9.9	6.5	9.8	7.9
Treasury and Other Govt.	-	-	204	25.4	0.6	(7.4)	0.02	(6.1)
Corporate	-	-	212	26.4	(8.1)	(2.6)	(9.3)	(1.0)
<b>EEA excl. PRC</b>								
<b>Total</b>	-	-	598	100.0	7.1	(2.4)	6.0	(1.0)
Government	-	-	475	79.4	8.7	2.3	8.2	3.7
Central Bank	-	-	387	64.7	9.9	6.5	9.8	7.9
Treasury and Other Govt.	-	-	88	14.7	3.6	(12.8)	1.8	(11.7)
Corporate	-	-	124	20.6	1.2	(17.2)	(1.6)	(15.7)
<b>Japan</b>								
<b>Total</b>	50,910	100.0	540	100.0	1.3	3.3	(6.7)	(9.2)
Government	48,183	94.6	511	94.6	2.7	5.3	(5.4)	(7.4)
Central Bank	0	0.0	0	0.0	-	-	-	-
Treasury and Other Govt.	48,183	94.6	511	94.6	2.7	5.3	(5.4)	(7.4)
Corporate	2,727	5.4	29	5.4	(18.2)	(22.7)	(24.7)	(32.0)

- = not applicable, ( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Corporate bonds include issues by financial institutions.

2. Bloomberg LP end-of-period LCY-US\$ rates are used.

3. For LCY base, emerging East Asia growth figures are based on end-March 2013 currency exchange rates and do not include currency effects.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia, Indonesia Debt Management Office, and Indonesia Stock Exchange); Republic of Korea (EDAILY *BondWeb* and The Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Bloomberg LP); Singapore (Singapore Government Securities and Bloomberg LP); Thailand (Bank of Thailand); Viet Nam (Bloomberg LP); and Japan (Japan Securities Dealers Association).

Korea (US\$39 billion) and the Monetary Authority of Singapore (US\$38 billion).

Issuance of treasury bills, bonds, and other central government paper rose only 0.6% in 1Q13, while issuance of corporate bonds fell 8.1%. The PRC continued to issue the largest portion of treasury bills and bonds in the region, accounting for US\$117 billion out of a regional total of US\$204 billion worth of treasury bills, bonds, and other central government paper in 1Q13. The next largest issuers of treasuries and other central government bonds in 1Q13 were Singapore (US\$34 billion) and the Republic of Korea (US\$21 billion). Thailand, Indonesia, and the Philippines issued US\$8 billion, US\$7 billion, and

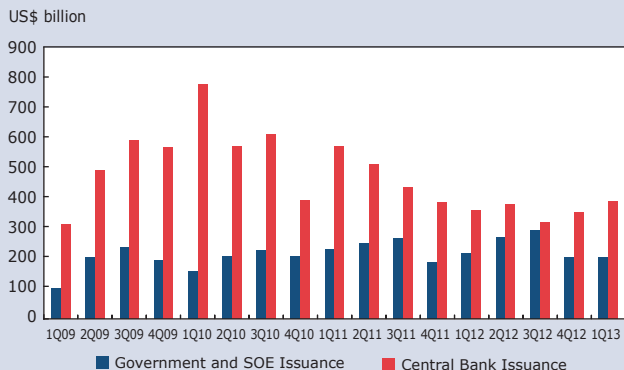
US\$5 billion, respectively, of central government bills and bonds during the quarter, resulting in a 154.5% q-o-q issuance growth rate for Indonesian government bonds, 39.0% for the Philippines, and 36.5% for Thailand. (Indonesia typically frontloads its issuance program each year.)

The two largest issuers of corporate bonds in 1Q13 were the PRC and the Republic of Korea, which issued nearly identical amounts of US\$89 billion and US\$88 billion, respectively, and accounted for US\$177 billion out of the region's total corporate issuance of US\$212 billion in 1Q13.

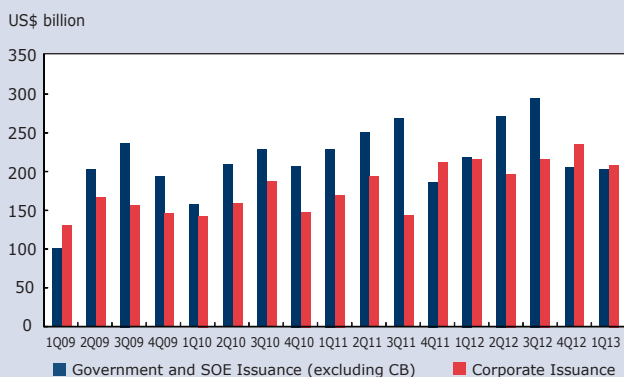
These developments in 2013 have been put into their historical perspective in **Figures 2a, 2b,**



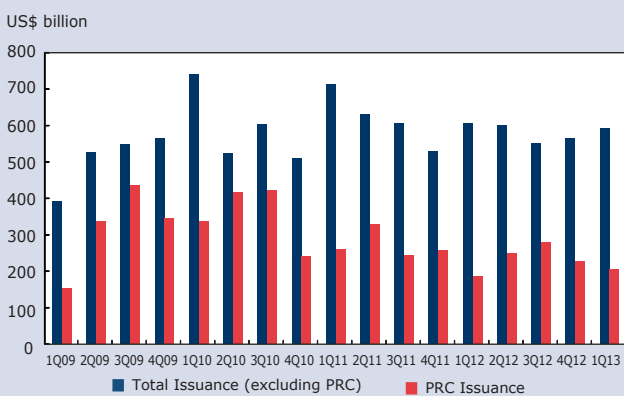
**Figure 2a: Government (including SOE) and Central Bank Bond Issuance**



**Figure 2b: Government (including SOE) and Corporate Bond Issuance**



**Figure 2c: Total LCY Bond Issuance**



CB = central bank, LCY = local currency, PRC = People's Republic of China, SOE = state-owned enterprise.

Notes:

1. Includes data for the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.
2. Bonds issued by state-owned entities are categorized as government bonds for the Philippines, Thailand, and Viet Nam.
3. For the PRC, government issuance includes policy bank bonds, local government bonds, and savings bonds.
4. For the Republic of Korea, government issuance includes bonds issued by Korea Development Bank, Korea National Housing Corp., and Seoul Metro (formerly Seoul Metropolitan Subway Corp.).

Source: AsianBondsOnline.

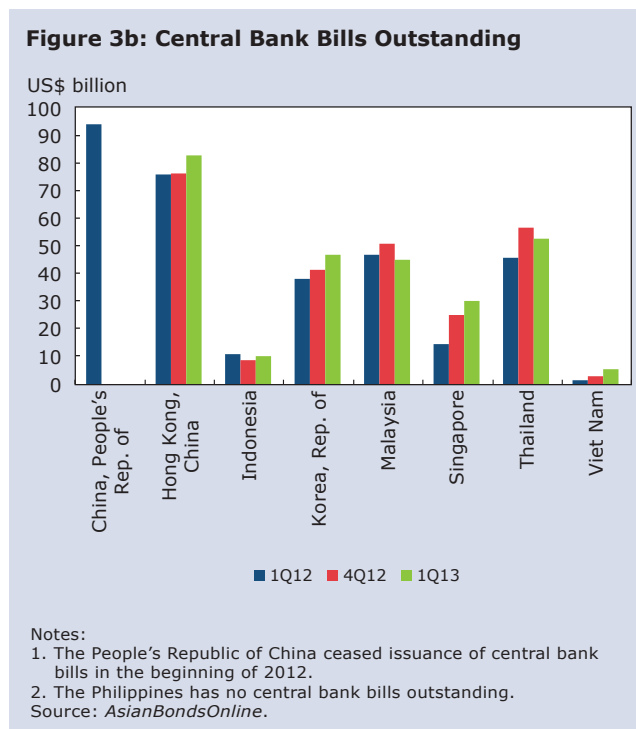
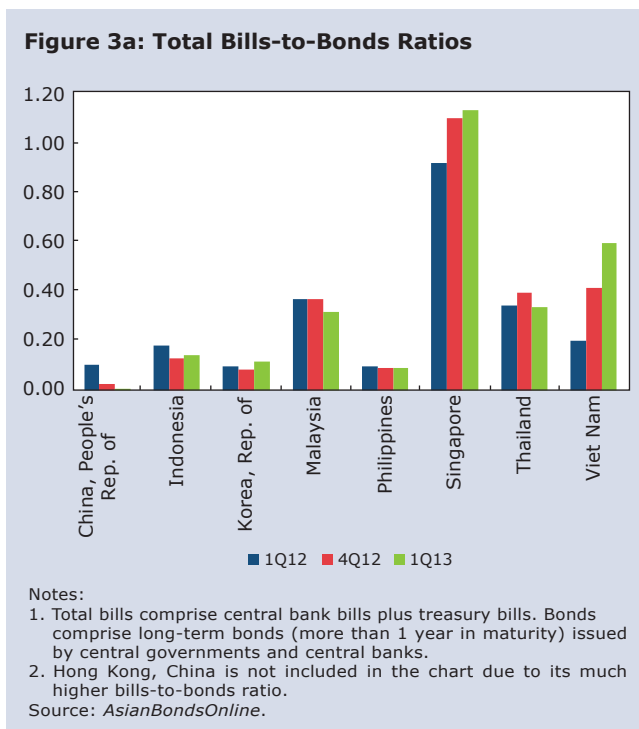
**and 2c.** Issuance by governments and state-owned enterprises (SOEs) was roughly the same in 1Q13 as it was in 4Q12, after having risen to somewhat higher levels in the first 3 quarters of 2012 (Figure 2a). Issuance by central banks and monetary authorities continued to rise in 1Q13, following a previous rise in 4Q12 off of a low reached in 3Q12. Corporate issuance, however, declined in 1Q13 after having risen for 2 quarters in the second half of 2012 (Figure 2b). Finally, total issuance (excluding the PRC) and issuance from the PRC are contrasted in Figure 2c, which shows that in 1Q13 total issuance (excluding the PRC) rose slightly and issuance from the PRC declined for the second quarter in a row. The PRC did not issue any central bank bills or bonds in 1Q13, continuing a trend in place since the beginning of last year, while issuance of government bonds fell 1.6% q-o-q and issuance of corporate bonds fell a more substantial 18.5% due to a decline in issuance from commercial banks, mainly in the form of subordinated debt.

In early May, the People's Bank of China (PBOC) resumed issuance of short-term 3-month bills for the first time in 17 months by issuing CNY10 billion of 3-month bills with an average coupon rate of 2.9%.

## Bills-to-Bonds Ratios

**The ratio of bills to bonds rose in five of the nine markets in emerging East Asia in 1Q13.**

The ratio of bills to bonds issued by governments, central banks, and monetary authorities rose in Indonesia, the Republic of Korea, Singapore, and Viet Nam in 1Q13 (**Figure 3a**). This ratio also rose in Hong Kong, China, whose bills-to-bonds ratio of 4.60 at the end of 1Q13 was up from 4.34 at the end of 4Q12, putting it on a different scale than is depicted in Figure 3a. The major factor driving the rise in the bills-to-bonds ratios for these other markets was the significant issuance of bills by central banks and monetary authorities, as shown by the stocks of central bank and monetary authority bills outstanding in **Figure 3b**.



The trends in Figure 3b are consistent with the issuance data for central banks and monetary authorities presented earlier in Table 3. Hong Kong, China; the Republic of Korea; and Singapore issued significant amounts of central bank and monetary authority securities in 1Q13, while Indonesia and Viet Nam issued smaller amounts that nevertheless contributed to a significant rise in the stock of central bank bills in these two countries. Viet Nam's small stock of central bank bills outstanding is explained by the fact that it only started issuing central bank bills last year.

Meanwhile, Indonesia has significantly reduced its stock of *Sertifikat Bank Indonesia* (SBI) in recent years. The stock of SBI hit a low of US\$7 billion outstanding in September and October 2012 before rising as Bank Indonesia resumed issuance. SBI issued since February 2011 have a maturity of 9 months, compared with previous maturities of 1, 3, and 6 months. Thus, SBI now have an average maturity that is longer than most other central bank bills.

## Foreign Holdings

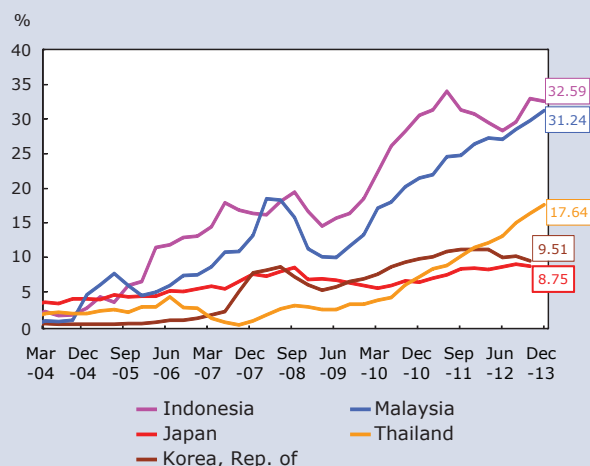
### Foreign holdings of East Asian LCY government bonds rose in most markets in 1Q13.<sup>6</sup>

Foreign holdings of East Asian LCY government bonds rose in most markets in 1Q13 (**Figure 4**). The only exceptions were foreign holdings of Japanese government bonds (JGBs), which fell to 8.8% of total JGBs in December 2012 from 9.1% in September, and the Republic of Korea, where foreign holdings as a percentage of the total have trended downward since the middle of 2011. The largest increase of foreign holdings of government bonds over the past year was in Thailand, where the foreign share rose from 12.2% in March 2012 to 17.6% a year later.

Indonesia remains the emerging East Asian economy with the largest share of foreign holdings of its LCY government bonds. Foreign holdings of Indonesian government bonds stood at 32.6% of

<sup>6</sup> East Asia refers to the nine economies of emerging East Asia plus Japan.

**Figure 4: Foreign Holdings of LCY Government Bonds in Select Asian Economies (% of total)**



LCY = local currency.

Note: Data as of end-March 2013 except for the Republic of Korea and Japan as of end-December 2012.

Source: *AsianBondsOnline*.

the total in March, a slight decline from 33.0% in December 2012. Meanwhile, foreign holdings of Malaysian government bonds have risen over the last year to reach 31.2% in March, a level that is very close to the share of foreign holdings of government bonds in Indonesia.

These trends are not only the result of modestly higher yields than are currently available in the United States (US) or many European government bond markets, but also a perception that Asian credit quality is in many cases at least comparable—and in some cases even superior—to the credit quality of government bonds issued in advanced economies.

## Government Bond Yield Curves

**Most government yield curves have shifted downward since the end of 2012 on the back of moderating inflation and stable central bank policy rates.**

Most government bond yield curves have shifted downward since the end of 2012 (**Figure 5**) on the back of inflation rates that have generally fallen since the middle of 2011 (**Figures 6a, 6b**);

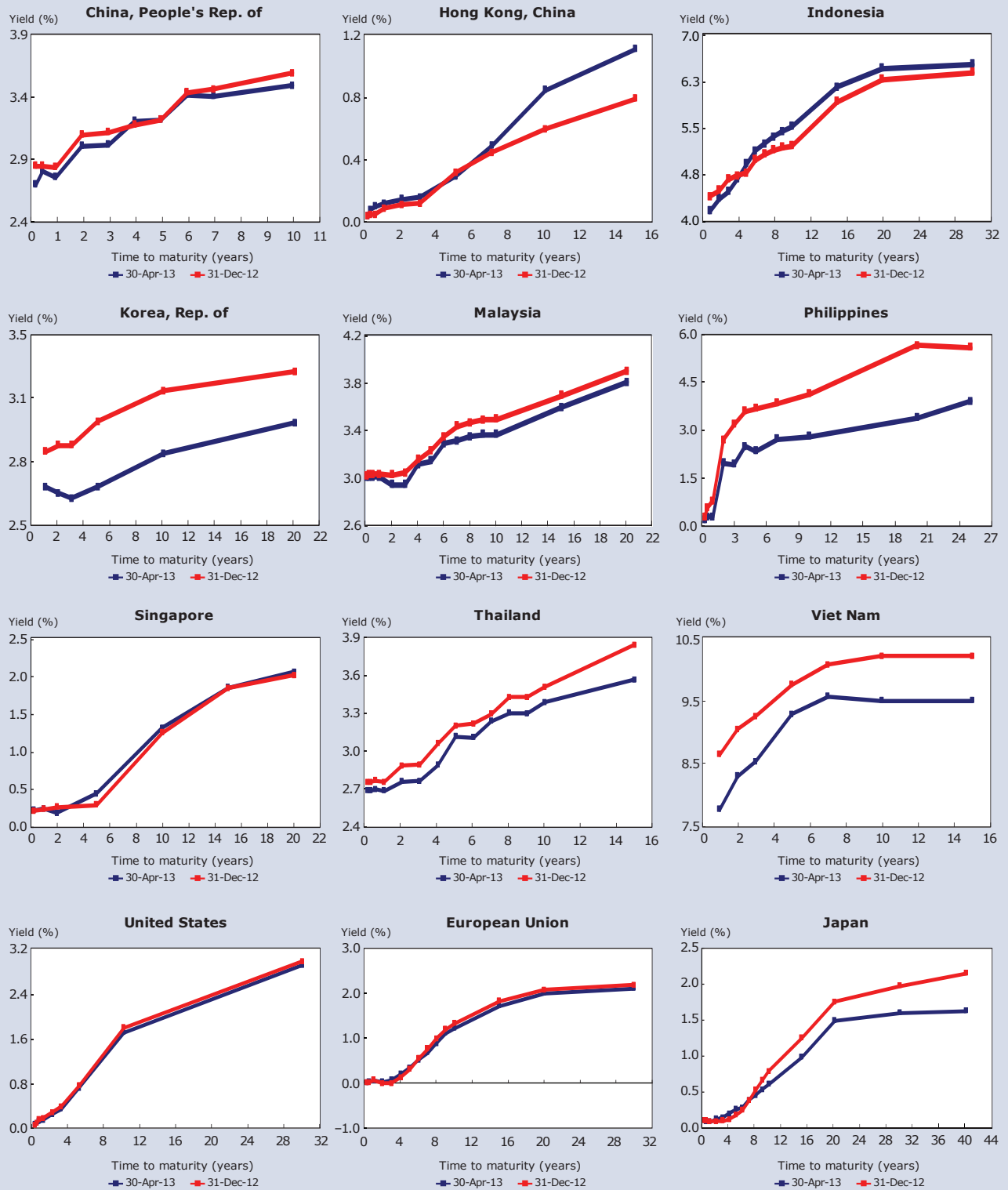
a continued commitment to monetary easing policies in Europe, Japan, and the US; and mostly unchanged policy rates at central banks and monetary authorities in emerging East Asia (**Figures 7a, 7b**). The most important change in monetary policy among industrialized countries since the beginning of 2013 has been the Bank of Japan's (BOJ) adoption of a more aggressive stance toward monetary easing, which has resulted in a dramatic downward shift of the Japanese yield curve. At its monetary policy meeting held on 22 May, BOJ announced that it will conduct money market operations targeting an increase in the monetary base of JPY60–JPY70 trillion annually, with a view toward returning the economy to sustainable growth and 2.0% annual inflation.

The yield curves of the Republic of Korea, Philippines, Thailand, Viet Nam, and (to a lesser extent) Malaysia have shifted downward. Among the central banks in these markets, only The Bank of Korea and the Bank of Thailand have changed their policy rates since the beginning of the year. The Bank of Korea reduced its 7-day repurchase rate by 25 basis points (bps) to 2.5% on 9 May, and the Bank of Thailand lowered its 1-day repurchase rate by 25 bps to 2.5% in meetings on 28–29 May. The State Bank of Viet Nam's (SBV) prime lending rate—its official policy rate—has remained unchanged, but SBV did reduce other key rates on 13 May. SBV reduced its refinance rate, discount rate, and overnight interbank lending rate by 100 bps each to 7.0%, 5.0%, and 8.0%, respectively.

Bangko Sentral ng Pilipinas (BSP) kept its policy rates—the overnight borrowing rate and the lending rate—unchanged at its meeting on 25 April, but it did lower interest rates on its Special Deposit Account facility by 50 bps to 2.0% across all tenors.

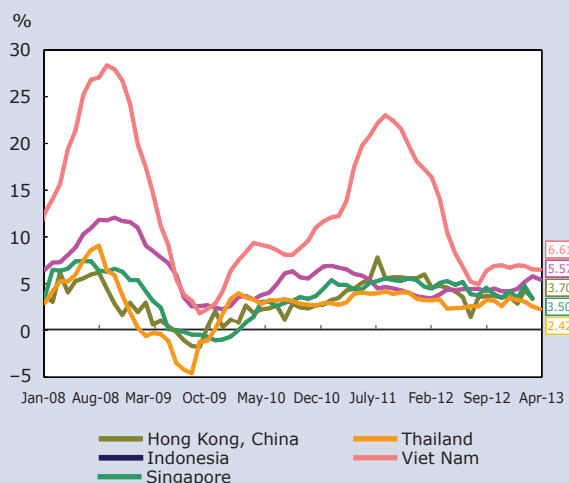
The yield curves for Indonesia and Singapore, on the other hand, shifted upward in 1Q13 for most maturities as Indonesia and (to a lesser extent) Singapore have been facing rising inflationary pressures. Indonesia's policy rate is currently the

**Figure 5: Benchmark Yield Curves—LCY Bonds**



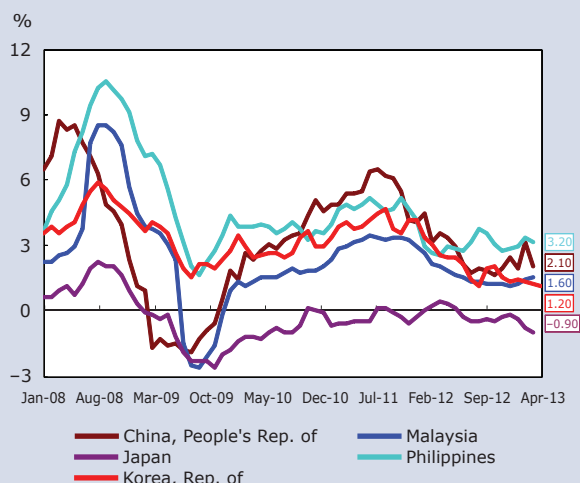
LCY = local currency.  
Source: Based on data from Bloomberg LP.

**Figure 6a: Headline Inflation Rates**



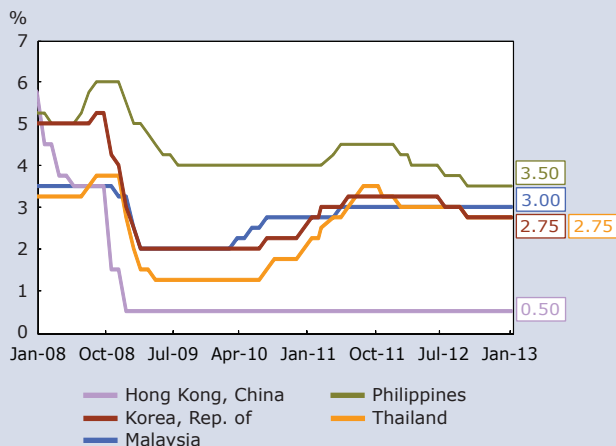
Note: Data as of end-April 2013 except for Hong Kong, China and Singapore as of end-March 2013.  
Source: Bloomberg LP.

**Figure 6b: Headline Inflation Rates**



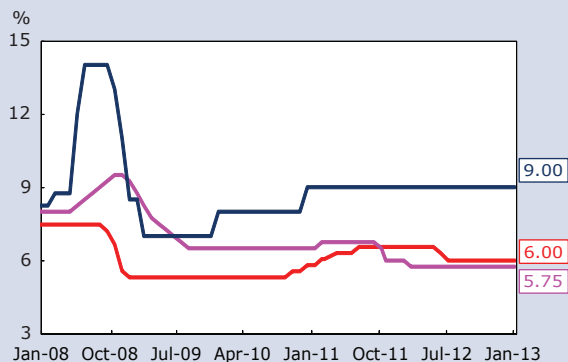
Note: Data as of end-March 2013 except for the Republic of Korea as of end-April 2013.  
Source: Bloomberg LP.

**Figure 7a: Policy Rates**



Note: Data as of end-April 2013.  
Source: Bloomberg LP.

**Figure 7b: Policy Rates**



Note: Data as of end-April 2013.  
Source: Bloomberg LP except for Viet Nam (State Bank of Viet Nam).

highest in the region after Viet Nam's, although Indonesian consumer price inflation moderated to 5.6% in April from 5.9% in March, following an uptick earlier this year. Indonesian authorities remain reluctant to raise their policy interest rate, which is currently at a historic low of 5.75%. Singapore does not have an official policy rate, but the growth of MAS bills has been very brisk since MAS first began issuing bills as part of its money market operations in April 2011.

The yield curve of the PRC has tightened at its longer- and shorter-ends since the end of 2012, while remaining largely unchanged in the belly of the curve. The PRC's annual inflation rate rose slightly in April to 2.4% from 2.1% in March, but remains well below a high of nearly 6.5% in mid-2011. Furthermore, the PRC's monetary authorities remain concerned about excessive investment in housing and other speculative sectors, as well as capital inflows. Thus, after

modest reductions in the middle of 2012, they have left the key policy rates—the 1-year lending rate and the 1-year deposit rate—unchanged since then.

As mentioned earlier, the PBOC resumed issuance of short-term 3-month bills in May. Prior to this, the PBOC had been relying on reverse repurchase agreements to manage liquidity. Furthermore, the State Administration of Foreign Exchange (SAFE) issued new rules in early May to manage capital inflows, linking banks' lower limit on the net open position (NOP) to the reference loan-to-deposit ratio (LDR); a bank's lower limit on the NOP will be adjusted if its LDR exceeds the reference LDR.

The Hong Kong, China yield curve shifted upward at its longer-end in 1Q13. This seems to reflect the fact that annual inflation in Hong Kong, China has settled in a range between 3.0% and 4.5%. Consumer price inflation in Hong Kong, China fell to 3.6% y-o-y in March from 4.4% in February due to a decline in food prices.

Finally, changes in spreads between 2- and 10-year yields since the end of December reflect the yield trends in most markets described above (**Figure 8**). In the Republic of Korea, Malaysia, and the Philippines, the spread between 2- and 10-year bond yields fell sharply, as 10-year yields fell to levels closer to those of 2-year yields. In Thailand, the 2- versus 10-year spread widened a bit, while it widened dramatically in Indonesia and Hong Kong, China.

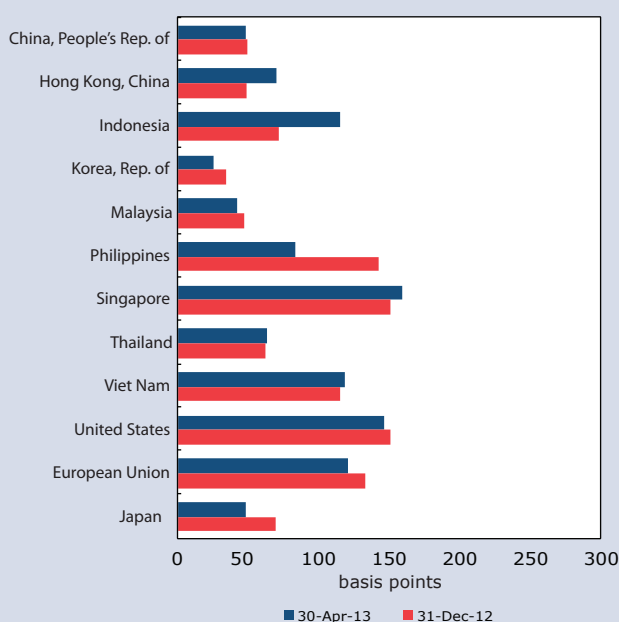
### G3 Currency Issuance

**Emerging East Asia's year-to-date G3 currency issuance as of 5 May was US\$60.9 billion, suggesting that G3 currency issuance for 2013 as a whole may reach or surpass last year's record of US\$131 billion.**

G3 currency bond issuance in emerging East Asia reached US\$39.3 billion in 1Q13, followed by another US\$21.6 billion between 1 April and 5 May (**Table 4**), totaling US\$60.9 billion and suggesting that G3 currency issuance in emerging East Asia could reach or surpass the record level of US\$131 billion reached in 2012. More than one-third of year-to-date G3 currency issuance, a total of US\$22.2 billion, has come from the PRC. Including US\$4 billion of bonds from the China National Offshore Oil Corporation (CNOOC), which were issued after 5 May, the PRC's issuance amounts to US\$26.2 billion. This is equal to more than 80% of the US\$31.1 billion of G3 currency bonds issued by PRC companies and financial institutions in all of 2012. However, the PRC's G3 currency issuance year-to-date in 2013 is still small compared with LCY corporate issuance in 1Q13, which is equivalent to US\$89 billion.

The next largest year-to-date amounts of G3 currency issuance come from Hong Kong, China (US\$11.9 billion), the Republic of Korea (US\$8.4 billion), and Indonesia (US\$5.6 billion). In Indonesia, US\$3.0 billion of G3 issuance came in the form of two US\$1.5 billion government

**Figure 8: Yield Spreads Between 2- and 10-Year Government Bonds**



Source: Based on data from Bloomberg LP.

Table 4: G3 Currency Bond Issuance

1Q13			1 April–5 May 2013		
Issuer	US\$ (million)	Issue Date	Issuer	US\$ (million)	Issue Date
<b>China, People's Rep. of</b>	<b>11,645</b>		<b>China, People's Rep. of</b>	<b>10,590</b>	
MCE Finance 5.00% 2021	1,000	7-Feb-13	Sinopec Capital 3.125% 2023	1,250	24-Apr-13
Bestgain Real Estate 2.625% 2018	800	13-Mar-13	Sinopec Capital 1.875% 2018	1,000	24-Apr-13
Country Garden 7.5% 2023	750	10-Jan-13	Citic Securities 2.5% 2018	800	3-May-13
Agile Property 8.25% Perpetual	700	18-Jan-13	CNPC General Capital 1.45% 2016	750	16-Apr-13
Greentown China Holdings 8.50% 2018	700	4-Feb-13	CNPC General Capital 3.40% 2023	750	16-Apr-13
Others	7,695		Sinopec Capital 1.25% 2016	750	24-Apr-13
<b>Hong Kong, China</b>	<b>9,398</b>		Sinochem 5.00% Perpetual	600	2-May-13
Shimao Property 6.625% 2020	800	14-Jan-13	China State Construction Finance 3.125% 2018	500	2-Apr-13
Sun Hung Kai Properties 3.625% 2023	500	16-Jan-13	Citic Pacific 6.375% 2020	500	10-Apr-13
Swire Properties 2.75% 2020	500	7-Mar-13	CNPC General Capital 1.95% 2018	500	16-Apr-13
Wheelock Finance 3.00% 2018	500	19-Mar-13	Parkson Retail Group 4.5% 2018	500	3-May-13
Others	7,098		Sinopec Capital 4.25% 2043	500	24-Apr-13
<b>Indonesia</b>	<b>2,085</b>		Sunac China Holdings 9.375% 2018	500	5-Apr-13
Bank Rakyat Indonesia 2.95% 2018	500	28-Mar-13	Others	1,690	
Gajah Tunggal 7.75% 2018	500	6-Feb-13	<b>Hong Kong, China</b>	<b>2,520</b>	
Indo Energy Finance 6.375% 2023	500	24-Jan-13	Yingde Gases Investment 8.125% 2018	425	22-Apr-13
Others	585		FPC Treasury 4.50% 2023	400	16-Apr-13
<b>Korea, Rep. of</b>	<b>5,461</b>		New Cotai Capital 10.625% 2019	380	19-Apr-13
Hana Bank 1.375% 2016	500	5-Feb-13	China Oil and Gas Group 5.25% 2018	350	25-Apr-13
Korea Development Bank 1.00% 2016	500	22-Jan-13	Others	965	
Korea Development Bank 1.50% 2018	500	22-Jan-13	<b>Indonesia</b>	<b>3,525</b>	
Korea Eximbank 1.75% 2018	500	27-Feb-13	Indonesia (Sovereign) 3.375% 2023	1,500	15-Apr-13
Korea Housing Finance Corp. 1.625% 2018	500	7-Mar-13	Indonesia (Sovereign) 4.625% 2043	1,500	15-Apr-13
Others	2,961		TBG Global 4.625% 2018	300	3-Apr-13
<b>Malaysia</b>	<b>3,845</b>		Comfeed Finance 6.00% 2018	225	2-May-13
1MDB Global Investments 4.40% 2023	3,000	19-Mar-13	<b>Korea, Rep. of</b>	<b>2,954</b>	
Sime Darby 2.053% 2018	400	29-Jan-13	Korea Eximbank 2.00% 2020	988	30-Apr-13
Others	445		Korea Resources 2.125% 2018	500	2-May-13
<b>Philippines</b>	<b>1,900</b>		Korea Development Bank 0.607% 2014	395	30-Apr-13
JG Summit 4.375% 2023	750	23-Jan-13	Korea Exchange Bank 2.00% 2018	350	2-Apr-13
Petron Corporation 7.50% Perpetual	750	6-Feb-13	Daegu Bank 2.25% 2018	300	29-Apr-13
ICTSI 4.625% 2023	400	16-Jan-13	Others	421	
<b>Singapore</b>	<b>3,196</b>		<b>Malaysia</b>	<b>20</b>	
Olam International 6.75% 2018	750	29-Jan-13	<b>Philippines</b>	<b>1,350</b>	
Global A&T Electronics 10.00% 2019	625	7-Feb-13	San Miguel Corporation 4.875% 2023	800	26-Apr-13
Stats Chippac 4.50% 2018	611	20-Mar-13	Filinvest Dev't Cayman Islands 4.25% 2020	300	2-Apr-13
Others	1,210		Megaworld Corporation 4.25% 2023	250	17-Apr-13
<b>Thailand</b>	<b>1,795</b>		<b>Singapore</b>	<b>450</b>	
Krung Thai Bank 2.25% 2018	500	11-Mar-13	DBS Bank 0.3111% 2014	250	5-Apr-13
Thai Oil 3.625% 2023	500	23-Jan-13	Keppel GMTN 1.1711% 2020	200	5-Apr-13
Thai Oil 4.875% 2043	500	23-Jan-13	<b>Thailand</b>	<b>150</b>	
Others	295		Banpu 3.99% 2023	150	4-Apr-13
<b>Viet Nam</b>	<b>0</b>		<b>Viet Nam</b>	<b>0</b>	
<b>Emerging East Asia Total</b>	<b>39,325</b>		<b>Emerging East Asia Total</b>	<b>21,559</b>	
<b>Memo Items:</b>			<b>Memo Items:</b>		
<b>India</b>	<b>5,932</b>		<b>India</b>	<b>1,466</b>	
Bharti Airtel International 5.125% 2023	1,500	11-Mar-13	State Bank of India 3.25% 2018	1,000	18-Apr-13
Reliance Industries 5.875% Perpetual	800	5-Feb-13	Union Bank of India 3.625% 2018	350	25-Apr-13
Others	3,632		Export-Import Bank of India 1.00% 2019	116	22-Apr-13
<b>Sri Lanka</b>	<b>281</b>		<b>Sri Lanka</b>	<b>500</b>	

Source: Bloomberg LP, newspaper and wire reports.

bonds issued on 15 April: a 10-year bond carrying a coupon of 3.375% and a 30-year bond carrying a coupon of 4.625%.

In 2012, the Indonesian government issued a 10-year bond worth US\$2 billion and carrying a coupon of 3.75%, and a 30-year bond worth US\$1.75 billion with a coupon of 5.25%. Additionally, the Indonesian government last year issued a 10-year samurai bond in 2012, equivalent to US\$692 million, at a coupon of 1.13%. The Indonesian government was able to issue its most recent US\$ bonds in 2013 at significantly lower interest rates.

The more interesting aspect of Indonesia's US\$12.1 billion of G3 currency issuance in 2012 was that most of it (US\$ 7.7 billion) was issuance by corporates rather than the government. Indonesia's foreign currency (FCY) corporate issuance in 2012 was, in fact, larger than its LCY corporate issuance of US\$7.1 billion, a trend that has continued into 2013. In 1Q13, Indonesia's FCY issuance came entirely from corporates at a total of US\$2.1 billion, compared with LCY corporate issuance of US\$1.5 billion. Thus far in 2Q13, Indonesian corporates have issued US\$ bonds amounting to US\$525 million.

In the Philippines, the government has been a frequent issuer of US\$ bonds in past years, but the Philippine government recently announced its intention not to issue any FCY bonds in the international market this year. The Philippine government last issued a US\$500 million bond in December 2012 for the stated purpose of absorbing excess US\$ liquidity in the domestic market, and, more recently, announced its intention to issue another US\$500–US\$750 million in the domestic market later this year.

G3 currency issuance from Philippine corporates, however, has risen sharply this year, with US\$1.9 billion of new US\$ corporate bonds issued in 1Q13 and US\$1.35 billion issued between

1 April and 5 May. G3 corporate issuance in 1Q13 was almost four times as large as LCY issuance from Philippine corporates in 1Q13 (US\$478 million). This relationship between the volume of Philippine peso and US\$ issuance from the corporate sector will be interesting to watch in the remaining months of 2013.

## Market Returns

**Market returns in the bond and equity markets of emerging East Asia were much weaker in the first 4 months of 2013 than they were for 2012 as a whole.**

The strongest performer in the iBoxx Asian Bond Fund Index in the first 4 months of 2013 was the Philippines with a return of 15.7% on a US\$ unhedged total return basis (**Table 5**). The only other markets with positive returns during this period were Thailand (6.0%), the PRC (2.9%), and Malaysia (2.3%). All other markets reported negative returns on a US\$ unhedged total return basis, although the Republic of Korea did post a 2.8% return on an LCY total return basis. Meanwhile, the region as a whole posted a US\$ unhedged total return of 2.1%.

The performance of the Far East ex-Japan Index was also weak during the first 4 months of 2013, producing a US\$ return of only 0.8% (**Table 6**). This primarily reflects declines in the Korean and PRC equity markets on both a US\$ and LCY basis. The performances of other Asian markets were stronger. The Philippines' equity market yielded returns of 20.7% and 21.0% on a US\$ and LCY basis, respectively. Indonesia's equity market was the second-best performing market in the region, generating a US\$ return of 15.2% and an LCY return of 16.2%. The Thai equity market also performed well in the first 4 months of the year, generating a US\$ return of 11.9%, while the equity markets of Singapore and Hong Kong, China delivered returns of between 5.0% and 7.0% on both a US\$ and LCY basis.



**Table 5: iBoxx Asian Bond Fund Index Family Returns**

Market	Modified Duration (years)	2011 Returns (%)		2012 Returns (%)		Jan to Apr 2013 Returns (%)	
		LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index
China, People's Rep. of	6.58	5.6	10.4	2.4	3.6	1.8	2.9
Hong Kong, China	4.18	5.3	5.4	3.5	3.8	0.1	(0.04)
Indonesia	7.02	21.7	20.2	13.1	7.0	0.5	(0.4)
Korea, Rep. of	4.93	6.4	4.8	6.4	14.5	2.8	(0.1)
Malaysia	5.07	4.9	1.8	4.2	8.2	1.5	2.3
Philippines	8.18	15.9	15.8	10.4	17.9	16.0	15.7
Singapore	6.29	6.5	5.1	3.9	10.6	0.4	(0.7)
Thailand	5.08	5.0	0.3	3.3	6.5	1.9	6.0
Pan-Asian Index	5.71	–	7.0	–	7.9	–	2.1
HSBC ALBI	7.76	–	5.0	–	8.9	–	2.1
US Govt. 1–10 years	3.96	–	7.0	–	1.9	–	0.7

– = not applicable, ( ) = negative, ALBI = Asian Local Bond Index, LCY = local currency, US = United States, YTD = year-to-date.

Notes:

1. Asian Bond Fund (ABF) indices contain only government debt and government-guaranteed debt obligations.
2. Market bond indices are from the iBoxx Index Family. January to April 2013 returns reflect changes between end-December 2012 and end-April 2013 values.
3. Duration as of end-April 2013.

Source: *AsianBondsOnline* and Bloomberg LP.

**Table 6: MSCI Equity Index Returns**

Market	2011 Returns (%)		2012 Returns (%)		Jan to Apr 2013 Returns (%)	
	LCY terms	US\$ terms	LCY terms	US\$ terms	LCY terms	US\$ terms
China, People's Rep. of	(20.4)	(20.3)	18.7	19.0	(3.3)	(3.5)
Hong Kong, China	(18.5)	(18.4)	24.2	24.4	5.8	5.6
Indonesia	4.7	4.0	8.8	2.4	16.2	15.2
Korea, Rep. of	(11.5)	(12.8)	11.7	20.2	(3.8)	(6.4)
Malaysia	(0.2)	(2.9)	6.8	10.8	2.2	2.7
Philippines	(3.1)	(3.2)	34.7	43.9	21.0	20.7
Singapore	(20.0)	(21.0)	19.2	26.4	6.5	5.6
Thailand	(1.2)	(5.6)	26.9	30.9	7.4	11.9
Far East ex-Japan Index	(15.6)	(16.8)	15.5	19.0	1.6	0.8
MSCI US	–	(0.1)	–	13.5	–	12.1

– = not applicable, ( ) = negative, LCY = local currency, MSCI = Morgan Stanley Capital International, US = United States, YTD = year-to-date.

Notes:

1. Market indices are from MSCI country indexes. January to April 2013 returns reflect changes between end-December 2012 and end-April 2013 values.
2. Far East ex-Japan includes the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Taipei, China; and Thailand.

Source: *AsianBondsOnline* and Bloomberg LP.



central counterparty clearinghouse for over-the-counter (OTC) derivatives transactions and related amendments to the Commercial Act.

### **MOSF Introduces 2013 Supplementary Budget**

The Ministry of Strategy and Finance (MOSF) reported in April that a supplementary budget of KRW17.3 trillion will be utilized to help stimulate the domestic economy throughout the remainder of the year. Of the amount, KRW12.0 trillion will be used to finance government revenue shortfalls and the remaining KRW5.3 trillion will be spent to supplement the government's budget expenditure. Under the 2013 supplementary budget, the government's total expenditure will amount to KRW349.0 trillion, an increase of KRW7.0 trillion over the original 2013 budget. Government revenue in the 2013 supplementary budget is projected to reach KRW360.8 trillion, which is KRW11.8 trillion less than the original budget.

### **MOSF Introduces KTB Market Stabilization Measures**

MOSF introduced Korea Treasury Bond (KTB) market stabilization measures in April in light of the 2013 supplementary budget, which called for a net increase in KTB issuance of KRW15.8 trillion. MOSF will reduce the issue amount for buy-backs since the net increase in KTB issuance will likely trigger upward pressure on interest rates, thereby imposing a burden on the market. Against this backdrop, total issuance of KTBs is projected to reach KRW88.5 trillion (instead of KRW95.5 trillion), which is KRW8.8 trillion higher than the previous estimate of KRW79.7 trillion. In addition, MOSF reported that it will (i) continue with the monthly issuance of KTBs at a steady level each month; (ii) continue to optimize the mix of KTBs by maturity (3, 5, 10, 20, and 30 years), with plans to increase the issuance of on-the-run KTBs; (iii) conduct flexible application of partial knock-down rates; and (iv) ensure that primary dealers' obligations are strengthened.

### **The Bank of Korea Lowers Policy Rate in May**

The Bank of Korea's Monetary Policy Committee decided on 9 May to lower the base rate by 25 basis points (bps) to 2.50%, marking the first policy rate cut of the year. In its monetary policy decision, the committee noted (i) the Republic of Korea's weak economic growth, (ii) a forecast showing a negative output gap in the domestic economy amid a slow recovery in the global economy, (iii) the impact of the weakening Japanese yen, (iv) the country's geopolitical risks, and (v) the expectation that inflationary pressures will remain low.

## **Malaysia**

### **BNM and the Central Bank of Myanmar sign MoU on Regional Economic and Financial Development**

In April, BNM and the Central Bank of Myanmar signed a Memorandum of Understanding (MoU) to promote greater regional economic and financial integration. The MoU establishes a framework of cooperation for capacity building and human capital development with the support of the Malaysian Technical Cooperation Programme.

### **BNM Holds Policy Rates Steady at 3.0%**

On 9 May, Bank Negara Malaysia (BNM) decided in its Monetary Policy Committee meeting to leave the overnight policy rate unchanged at 3.0%. BNM has kept its benchmark interest rate at the same level since May 2011 and considers its current monetary policy to be appropriate, given the outlook for inflation and growth. Inflation in 1Q13 was subdued at 1.5% and is expected to remain modest. The economy is expected to sustain steady growth, driven by strong investment in domestic-oriented sectors and infrastructure, as well as robust private consumption.

## Philippines

### BSP Approves New Foreign Exchange Rules

On 18 April, the Monetary Board of Bangko Sentral ng Pilipinas (BSP) released new rules to further liberalize existing foreign exchange regulations, the sixth in a series of reforms initiated by BSP since 2007. The new rules further simplify the foreign exchange transactions of residents and non-residents with banks and increase residents' OTC foreign currency purchase limit per transaction to US\$120,000 from US\$60,000. Tourists and Filipino migrant workers will be allowed to purchase as much as US\$10,000—up from the previous US\$5,000 limit—when they leave the country. BSP retained the US\$60 million limit on what residents can purchase per year for investments abroad, but it expanded the list of allowed investment outlets. Non-residents will also be allowed to create onshore peso deposit accounts for purposes other than those previously permitted.

### BSP Keeps Its Key Policy Rates Unchanged

On 25 April, the Monetary Board of the BSP decided to keep its key policy rates—the overnight borrowing and lending rates—steady at 3.5% and 5.5%, respectively. The reserve requirement ratios were also held steady. The decision to hold the policy rates at their current levels reflected the Monetary Board's assessment that the inflation environment was likely to remain manageable, with inflation in 2013 expected to be within BSP's target rate of 3.0%–5.0%. Downside risks to the outlook include uncertainty over the strength of the global economy and the peso, power rate adjustments, and a continued increase in liquidity due to capital inflows. However, the Monetary Board also cited the benign inflation environment and strong domestic growth prospects as balancing out these risks. The Monetary Board lowered interest rates on the Special Deposit Account (SDA) facility by an additional 50 bps to 2.0% across all tenors.

### PSE and PDS Group Renew Talks on Merger

In April, the Philippine Stock Exchange (PSE) and Philippine Dealing System Holdings Corp. (PDS Group) agreed to renew discussions on a possible merger. Both parties aim to create a workable framework and sign an MoU within 90 days. PSE has mandated JP Morgan as its financial adviser on the proposed transaction, while PDS Group engaged Maybank ATR Kim Eng Financial Corporation to provide valuation and advisory services. The transaction could lead to a merger between the two exchanges or the acquisition by PSE of the Philippine Dealing and Exchange Corp. (PDEX), which is the fixed-income trading platform of PDS Group. The relevant regulators—the Department of Finance, Securities and Exchange Commission, and BSP—will monitor progress of the merger talks.

## Singapore

### MAS and the PBOC Sign MoU

On 2 April, MAS and the People's Bank of China (PBOC) signed an MoU pledging close cooperation in reviewing the conduct of RMB business and clearing arrangements in Singapore. MAS and the PBOC agreed to establish a regular dialogue to review RMB liquidity conditions and discuss issues concerning the stability of the RMB market in Singapore.

### MAS Joins Implementation of ASEAN Disclosure Standards

Effective 2 April, MAS joined securities regulators in Malaysia and Thailand in the implementation of the ASEAN Disclosure Standards Scheme covering multi-jurisdiction offerings of equity and plain debt securities. The scheme aims to facilitate fundraising activities and enhance investment opportunities in ASEAN capital markets. Issuers offering equity and plain debt securities in multiple jurisdictions within ASEAN will only need to comply with one set of disclosure standards for prospectuses, thereby delivering time and cost savings to issuers.

## Thailand

### **BOT Lowers Policy Interest Rate in May**

The Bank of Thailand's (BOT) Monetary Policy Committee decided to lower the policy interest rate—the 1-day repurchase rate—by 25 basis points to 2.50% during its meetings held on 28–29 May. The Committee reported that Thailand's GDP growth in 1Q13 was less-than-expected and that inflationary pressures have eased further. During this year's previous monetary policy meetings—on 9 January, 20 February, and 3 April—the central bank kept the policy interest rate unchanged.

### **Government Plans THB2 Trillion Investment in Infrastructure**

The government of Thailand has announced plans to carry out an infrastructure investment program worth THB2 trillion that will be financed by bank loans. The program aims to reduce transportation costs by 2%, raise gross domestic product (GDP)

growth by 1 percentage point annually, and generate 500,000 jobs. The program also seeks to enhance the country's competitiveness, improve connectivity with fellow ASEAN members, and link domestic tourist attractions.

## Viet Nam

### **SBV Cuts Key Rates an Additional 100 bps**

On 13 May, the State Bank of Viet Nam (SBV) cut its key interest rates for the second time this year, following six cuts in 2012, in a continuation of efforts to help firms expand production. The refinance rate, discount rate, and overnight inter-bank lending rate were reduced 100 bps each to 7.0%, 5.0%, and 8.0%, respectively. The cap on the VND short-term lending rate of credit institutions was also set at 10.0% for borrowers and 11.0% for people's credit funds and micro-financial institutions.

# Market Summaries

## People's Republic of China

**Local currency (LCY) bonds outstanding in the People's Republic of China (PRC) reached CNY24.4 trillion (US\$3.9 trillion) in 1Q13, expanding 3.0% quarter-on-quarter (q-o-q) and 12.6% year-on-year (y-o-y). Corporate bond market growth outpaced that of the government sector on a q-o-q and y-o-y basis to reach CNY6.9 trillion at the end of 1Q13.**

**Table 1: Size and Composition of the LCY Bond Market in the People's Republic of China**

	Outstanding Amount (billion)						Growth Rates (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	CNY	US\$	CNY	US\$	CNY	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	21,719	3,448	23,747	3,811	24,448	3,937	1.7	8.2	3.0	12.6
Government	16,218	2,575	17,270	2,772	17,555	2,827	1.4	4.5	1.7	8.2
Treasury Bonds	7,420	1,178	8,074	1,296	8,071	1,300	0.5	11.3	(0.03)	8.8
Central Bank Bonds	1,928	306	1,338	215	1,338	215	(9.4)	(39.3)	0.0	(30.6)
Policy Bank Bonds	6,869	1,091	7,858	1,261	8,146	1,312	6.0	21.1	3.7	18.6
Corporate	5,502	874	6,477	1,040	6,893	1,110	2.6	20.6	6.4	25.3
<b>Policy Bank Bonds</b>										
China Development Bank	4,676	742	5,270	846	5,422	873	5.2	14.8	2.9	15.9
Export-Import Bank of China	902	143	1,112	178	1,183	191	8.2	48.5	6.4	31.2
Agricultural Devt. Bank of China	1,291	205	1,476	237	1,541	248	7.5	30.4	4.4	19.3

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Treasury bonds include savings bonds and local government bonds.
3. Bloomberg LP end-of-period LCY-US\$ rate is used.
4. Growth rates are calculated from an LCY base and do not include currency effects.
5. The balance of outstanding commercial paper at the end of 1Q13 was zero based on *ChinaBond* data, but amounted to CNY1.4 trillion according to *Wind* data.

Source: *ChinaBond* and Bloomberg LP.

**Corporate bond issuance fell 18.5% q-o-q but grew 29.1% y-o-y in 1Q13. The q-o-q decline was largely due to a drop in commercial bank bond issuance.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (CNY billion)
Jiangsu Broadcasting		
3-year bond	4.60	20
China Pingmei Shenma Energy & Chemical		
5-year bond	5.55	20
Bank of Beijing		
5-year bond	4.30	20
China National Petroleum		
5-year bond	4.47	20
Shenhua Group		
10-year bond	4.99	10
State Grid		
5-year bond	4.65	10

LCY = local currency.

Source: *ChinaBond*.



**Table 4: Notional Values of the PRC's Interest Rate Swap Market**

Interest Rate Swap Benchmarks	Notional Amount (CNY billion)	% of Total Notional Amount	Number of Transactions	Growth Rate (%)			
				1Q13		q-o-q	y-o-y
7-Day Repo Rate	410.3	55.6	3,864			42.6	60.3
Overnight SHIBOR	228.7	31.0	408			(56.8)	99.7
3-Month SHIBOR	89.2	12.1	1,017			0.5	15.5
1-Year Term Deposit Rate	0.9	0.1	16			(87.3)	(97.7)
6-Month Lending Rate	0.01	0.0	1			(73.7)	(33.3)
1-Year Lending Rate	7.3	1.0	211			(25.7)	237.6
3-Year Lending Rate	0.7	0.1	6			(81.9)	690.7
5-Year Lending Rate	0.3	0.0	6			3.0	3.0
Above 5-Year Lending Rate	0.1	0.0	4			(76.8)	-
<b>Total</b>	<b>737.6</b>	<b>100.0</b>	<b>5,533</b>			<b>(20.5)</b>	<b>50.3</b>

- = not applicable, ( ) = negative, PRC = People's Republic of China, q-o-q = quarter-on-quarter, Repo = repurchase, SHIBOR = Shanghai Interbank Offered Rate, y-o-y = year on year.

Note: Data as of end-March 2013.

Source: *AsianBondsOnline* and *ChinaMoney*.



## Hong Kong, China

**Local currency (LCY) bonds outstanding in Hong Kong, China reached HKD1.4 trillion (US\$184 billion) in 1Q13, expanding 3.6% quarter-on-quarter (q-o-q) and 7.2% year-on-year (y-o-y). Government bond market growth outpaced that of the corporate sector on a q-o-q and y-o-y basis. Government bonds outstanding totaled HKD779 billion at the end of 1Q13, compared with HKD646 billion for corporate bonds.**

**Table 1: Size and Composition of the LCY Bond Market in Hong Kong, China**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	HKD	US\$	HKD	US\$	HKD	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,330	171	1,376	177	1,426	184	1.6	3.0	3.6	7.2
Government	705	91	724	93	779	100	0.3	3.5	7.6	10.5
Exchange Fund Bills	587	76	589	76	640	82	0.1	0.5	8.7	9.1
Exchange Fund Notes	69	9	69	9	69	9	0.0	(0.9)	0.0	(0.9)
HKSAR Bonds	50	6	67	9	71	9	3.1	80.0	5.2	42.4
Corporate	625	80	651	84	646	83	3.2	2.3	(0.7)	3.5

( ) = negative, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.  
Notes:

1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY-US\$ rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.

Source: Hong Kong Monetary Authority and Bloomberg LP.

**In 1Q13, HKD61.0 billion of corporate bonds were issued, a 22.0% increase from 4Q12. The largest corporate issuers were mostly infrastructure or property development companies. The largest came from R-Reit International, a subsidiary of the Regal Real Estate Investment Trust managed by Regal Portfolio Management.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)
R-Reit International Finance Ltd., BVI		
5-year bond	4.13	0.78
Hongkong Electric Finance Ltd.		
15-year bond	3.10	0.50
The Link Finance (Cayman) 2009 Ltd.		
15-year bond	3.10	0.50
MTR Corporation (C.I.) Ltd.		
30-year bond	3.25	0.50
Urban Renewal Authority		
7-year bond	1.65	0.50
Wing Tai Properties (Finance) Ltd., BVI		
10-year bond	3.95	0.48

LCY = local currency.  
Source: Central Moneymarkets Unit (CMU) HKMA.

**LCY bonds outstanding among the top 30 corporate bond issuers in Hong Kong, China reached HKD108 billion at the end of 1Q13, representing 16.7% of total corporate bonds outstanding.**

**Table 2: Top 30 Non-Bank Corporate Issuers in Hong Kong, China**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (HKD billion)	LCY Bonds (US\$ billion)			
1. The Hong Kong Mortgage Corporate Ltd.	15.74	2.03	Yes	No	Finance
2. CLP Power Hong Kong Financing Ltd.	11.43	1.47	No	No	Electric
3. Sun Hung Kai Properties (Capital Market) Ltd.	10.41	1.34	No	No	Real Estate
4. MTR Corporation (C.I.) Ltd.	7.60	0.98	Yes	Yes	Transportation
5. Kowloon-Canton Railway Corporation	6.30	0.81	Yes	No	Transportation
6. The Link Finance (Cayman) 2009 Ltd.	5.79	0.75	No	No	Finance
7. HKCG (Finance) Limited	5.60	0.72	No	No	Gas
8. Hongkong Electric Finance Ltd.	5.31	0.68	No	No	Electric
9. Swire Pacific MTN Financing Ltd.	4.58	0.59	No	Yes	Diversified
10. Wharf Finance Ltd.	4.18	0.54	No	No	Diversified
11. Wheelock Finance Ltd.	3.74	0.48	No	No	Diversified
12. Urban Renewal Authority	3.30	0.43	Yes	No	Property Development
13. Yue Xiu Enterprises (Holdings) Ltd.	3.00	0.39	No	No	Diversified
14. Airport Authority Hong Kong	2.85	0.37	Yes	No	Transportation
15. Cheung Kong Bond Finance Ltd.	2.45	0.32	No	Yes	Finance
16. Hysan (MTN) Ltd.	2.43	0.31	No	No	Finance
17. Cheung Kong Finance (MTN) Ltd.	2.21	0.28	No	No	Finance
18. Henderson Land MTN Ltd.	1.83	0.24	No	Yes	Finance
19. Cathay Pacific MTN Financing Ltd.	1.70	0.22	No	Yes	Airlines
20. Wharf Finance (No.1) Ltd.	1.44	0.19	No	No	Diversified
21. Nan Fung Treasury Ltd.	1.31	0.17	No	No	Real Estate
22. Cheung Kong Bond Securities (02) Ltd.	1.00	0.13	No	No	Finance
23. Dragon Drays Ltd.	1.00	0.13	No	No	Diversified
24. Swire Properties MTN Financing Ltd.	0.80	0.10	No	Yes	Diversified
25. R-Reit International Finance Ltd., BVI	0.78	0.10	No	No	Real Estate
26. Wing Tai Properties (Finance) Ltd., BVI	0.48	0.06	No	No	Real Estate
27. Wharf Finance Ltd., BVI	0.45	0.06	No	No	Diversified
28. HLP Finance Ltd.	0.41	0.05	No	Yes	Real Estate
29. Cheung Kong Infrastructure Finance Ltd., BVI	0.26	0.03	No	Yes	Finance
30. The Hongkong Land Notes Company Ltd.	0.20	0.03	No	No	Finance
<b>Total Top 30 Non-Bank LCY Corporate Issuers</b>	<b>108.09</b>	<b>13.92</b>			
<b>Total LCY Corporate Bonds</b>	<b>646.46</b>	<b>83.27</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>16.7%</b>	<b>16.7%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Hong Kong Monetary Authority data.

# Indonesia

**Total local currency (LCY) bonds outstanding in Indonesia reached IDR1,154.8 trillion (US\$119 billion) in 1Q13, expanding 5.9% quarter-on-quarter (q-o-q) and 13.9% year-on-year (y-o-y). Growth in the government bond market outpaced growth in the corporate bond sector on a q-o-q basis, as the government typically frontloads its issuance for the year.**

**Table 1: Size and Composition of the LCY Bond Market in Indonesia**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	IDR	US\$	IDR	US\$	IDR	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,013,454	111	1,090,055	111	1,154,804	119	2.0	(1.6)	5.9	13.9
Government	858,644	94	902,594	92	958,369	98	1.4	(5.5)	6.2	11.6
Central Govt. Bonds	760,580	83	820,266	84	861,515	88	5.1	12.7	5.0	13.3
Central Bank Bills	98,064	11	82,328	8	96,854	10	(20.4)	(58.0)	17.6	(1.2)
Corporate	154,810	17	187,461	19	196,435	20	5.3	27.8	4.8	26.9

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.

2. Bloomberg LP end-of-period LCY-US\$ rates are used.

3. Growth rates are calculated from an LCY base and do not include currency effects.

4. The total stock of non-tradable bonds as of end-March 2013 stood at IDR274.7 trillion.

Source: Bank Indonesia, Indonesia Debt Management Office, Indonesia Stock Exchange, and Bloomberg LP.

**Corporate bond issuance fell 31.5% q-o-q, but rose 38.1% y-o-y, in 1Q13. New corporate bond issues in 1Q13 were once again dominated by banking and financial institutions.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (IDR billion)
Bank OCBC NISP		
370-day bond	6.40	973
2-year bond	6.90	529
3-year subordinated bond	7.40	1,498
Adira Dinamika Multifinance		
370-day bond	6.85	439
2-year bond	7.30	157
3-year bond	7.85	553
5-year bond	8.90	851
370-day <i>Sukuk Mudharabah</i>	6.85	66
2-year <i>Sukuk Mudharabah</i>	7.30	27
3-year <i>Sukuk Mudharabah</i>	7.85	286
Bank Tabungan Negara		
10-year bond	7.90	2,000
Medco Energi International		
5-year bond	8.85	1,500
Astra Sedaya Finance		
370-day bond	6.75	350
3-year bond	7.75	1,120
Sarana Multigriya Finansial		
370-day bond	6.80	160
3-year bond	7.30	123
5-year bond	7.60	736
7-year bond	7.80	100

LCY = local currency.

Note: *Sukuk Mudharabah* are Islamic bonds backed by a profit-sharing scheme from a business venture or partnership.

Source: Indonesia Stock Exchange.

**LCY bonds outstanding among the top 34 corporate bond issuers in Indonesia reached IDR161.6 trillion, representing 82.2% of total corporate bonds outstanding in 1Q13. The top three LCY corporate bond issuers remained the same as in 4Q12.**

**Table 3: Top 34 Issuers of LCY Corporate Bonds in Indonesia**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (IDR billion)	LCY Bonds (US\$ billion)			
1. PLN	14,208.10	1.46	Yes	No	Energy
2. Adira Dinamika Multifinance	11,800.00	1.21	No	Yes	Finance
3. Indosat	9,150.00	0.94	No	Yes	Telecommunications
4. Bank Tabungan Negara	9,150.00	0.94	Yes	Yes	Banking
5. Indonesia Eximbank	9,134.00	0.94	Yes	No	Banking
6. Astra Sedaya Finance	9,009.50	0.93	No	No	Finance
7. Bank Pan Indonesia	8,500.00	0.87	No	Yes	Banking
8. Federal International Finance	7,378.50	0.76	No	No	Finance
9. Bank Internasional Indonesia	7,000.00	0.72	No	Yes	Banking
10. Bank CIMB Niaga	6,480.00	0.67	No	Yes	Banking
11. Bank Tabungan Pensiunan Nasional	5,300.00	0.54	No	Yes	Banking
12. Jasa Marga	5,000.00	0.51	Yes	Yes	Toll Roads, Airports, and Harbors
13. Perum Pegadaian	4,513.50	0.46	Yes	No	Finance
14. Medco-Energi International	4,486.50	0.46	No	Yes	Petroleum and Natural Gas
15. Bank Permata	4,250.00	0.44	No	Yes	Banking
16. Sarana Multigriya Finansial	4,021.00	0.41	Yes	No	Finance
17. Bank OCBC NISP	3,880.00	0.40	No	Yes	Banking
18. Indofood Sukses Makmur	3,610.00	0.37	No	Yes	Food and Beverages
19. Bank Mandiri	3,500.00	0.36	Yes	Yes	Banking
20. Telekomunikasi Indonesia	3,000.00	0.31	Yes	Yes	Telecommunications
21. Antam	3,000.00	0.31	Yes	Yes	Petroleum and Natural Gas
22. Bank Danamon Indonesia	2,800.00	0.29	No	No	Banking
23. BCA Finance	2,430.00	0.25	No	No	Finance
24. Bank Jabar Banten	2,400.00	0.25	No	Yes	Banking
25. Agung Podomoro Land	2,400.00	0.25	No	Yes	Property, Real Estate, and Building Construction
26. Indomobil Finance Indonesia	2,225.00	0.23	No	No	Finance
27. Bank Rakyat Indonesia	2,000.00	0.21	Yes	Yes	Banking
28. Toyota Astra Financial Services	1,905.00	0.20	No	No	Finance
29. BFI Finance Indonesia	1,530.00	0.16	No	Yes	Finance
30. Surya Semesta Internusa	1,500.00	0.15	No	Yes	Property, Real Estate, and Building Construction
31. Japfa	1,500.00	0.15	No	Yes	Animal Feed
32. Bank Bukopin	1,500.00	0.15	No	Yes	Banking
33. AKR Corporindo	1,500.00	0.15	No	Yes	Chemicals
34. Adhi Karya	1,500.00	0.15	Yes	Yes	Property, Real Estate, and Building Construction
<b>Total Top 34 LCY Corporate Issuers</b>	<b>161,561.10</b>	<b>16.60</b>			
<b>Total LCY Corporate Bonds</b>	<b>196,434.60</b>	<b>20.18</b>			
<b>Top 34 as % of Total LCY Corporate Bonds</b>	<b>82.2%</b>	<b>82.2%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Indonesia Stock Exchange data.

## Republic of Korea

**Total local currency (LCY) bonds outstanding in the Republic of Korea at the end of 1Q13 grew 3.1% quarter-on-quarter (q-o-q) and 10.5% year-on-year (y-o-y) to reach KRW1,614.6 trillion (US\$1.5 trillion). Growth in the LCY corporate bond market outpaced that in the government bond market on both a q-o-q and y-o-y basis.**

**Table 1: Size and Composition of the LCY Bond Market in the Republic of Korea**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	KRW	US\$	KRW	US\$	KRW	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,461,197	1,290	1,565,704	1,471	1,614,631	1,453	3.2	10.0	3.1	10.5
Government	601,437	531	609,035	572	622,659	560	2.4	4.6	2.2	3.5
Central Bank Bonds	167,970	148	163,070	153	167,830	151	1.9	(0.3)	2.9	(0.1)
Central Government Bonds	403,751	356	416,113	391	426,699	384	2.8	6.7	2.5	5.7
Industrial Finance Debentures	29,716	26	29,852	28	28,130	25	(0.6)	5.9	(5.8)	(5.3)
Corporate	859,760	759	956,669	899	991,972	893	3.7	14.1	3.7	15.4

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Central government bonds include Korea Treasury Bonds, National Housing Bonds, and bonds issued by Seoul Metro (formerly Seoul Metropolitan Subway Corp.).
3. Bloomberg LP end-of-period LCY-US\$ rates are used.
4. Growth rates are calculated from an LCY base and do not include currency effects.

Source: EDAILY *BondWeb* and The Bank of Korea.

**Corporate bond issuance fell 0.9% q-o-q and 12.7% y-o-y in 1Q13. The most notable LCY corporate bond issues in 1Q13 came from banks.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
Woori Bank		
1-year zero-coupon bond	2.68	450.0
1-year zero-coupon bond	2.74	300.0
1.5-year bond	2.88	310.0
Korea Eximbank		
1-year zero-coupon bond	2.71	300.0
1-year floating-rate note	2.78	300.0
GS Engineering and Construction		
3-year bond	3.54	320.0
Industrial Bank of Korea		
1-year zero-coupon bond	2.71	320.0

LCY = local currency.

Note: For zero-coupon bonds, indicative yields based on issue price are provided.

Source: Bloomberg LP.

**Total bonds outstanding among the top 30 corporate issuers reached KRW617.4 trillion at the end of 1Q13, representing 62.2% of total corporate bonds outstanding.**

**Table 3: Top 30 Issuers of LCY Corporate Bonds in the Republic of Korea**

Issuers	Outstanding Amount		State-Owned	Listed on		Type of Industry
	LCY Bonds (KRW billion)	LCY Bonds (US\$ billion)		KOSPI	KOSDAQ	
1. Korea Land & Housing Corp.	58,184.7	52.4	Yes	No	No	Real Estate
2. Korea Housing Finance Corp.	52,923.5	47.6	Yes	No	No	Financial
3. Korea Deposit Insurance Corp.	46,620.0	41.9	Yes	No	No	Insurance
4. Korea Finance Corp.	42,440.0	38.2	Yes	No	No	Financial
5. Industrial Bank of Korea	31,750.7	28.6	Yes	Yes	No	Bank
6. KDB Daewoo Securities	31,041.1	27.9	Yes	Yes	No	Securities
7. Korea Electric Power Corp.	29,140.0	26.2	Yes	Yes	No	Utility
8. Woori Investment and Securities	26,687.9	24.0	Yes	Yes	No	Securities
9. Korea Investment and Securities	25,740.0	23.2	No	No	No	Securities
10. Mirae Asset Securities	22,372.5	20.1	No	Yes	No	Securities
11. Korea Expressway Corp.	19,870.0	17.9	Yes	No	No	Infrastructure
12. Tong Yang Securities	18,758.8	16.9	No	Yes	No	Securities
13. Kookmin Bank	18,363.8	16.5	No	No	No	Bank
14. Shinhan Bank	18,048.2	16.2	No	No	No	Bank
15. Small & Medium Business Corp.	14,865.0	13.4	Yes	No	No	Financial
16. Hyundai Securities	14,615.0	13.2	No	Yes	No	Securities
17. Korea Rail Network Authority	14,590.0	13.1	Yes	No	No	Infrastructure
18. Woori Bank	13,322.5	12.0	Yes	No	No	Bank
19. Korea Gas Corp.	13,105.0	11.8	Yes	Yes	No	Utility
20. Hana Daetoo Securities	13,027.2	11.7	No	No	No	Securities
21. Hana Bank	12,265.0	11.0	No	No	No	Bank
22. Korea Water Resources	9,760.4	8.8	Yes	Yes	No	Utility
23. Samsung Securities	9,694.5	8.7	No	Yes	No	Securities
24. Shinhan Investment Corp.	9,645.8	8.7	No	No	No	Securities
25. Korea Eximbank	9,100.0	8.2	Yes	No	No	Bank
26. Shinhan Card	8,900.3	8.0	No	No	No	Financial
27. Standard Chartered First Bank Korea	8,210.0	7.4	No	No	No	Bank
28. Hyundai Capital Services	8,202.0	7.4	No	No	No	Securities
29. Korea Railroad Corp.	8,080.0	7.3	Yes	No	No	Infrastructure
30. Korea Student Aid Foundation	8,050.0	7.2	Yes	No	No	Financial
<b>Total Top 30 LCY Corporate Issuers</b>	<b>617,373.8</b>	<b>555.5</b>				
<b>Total LCY Corporate Bonds</b>	<b>991,972.0</b>	<b>892.6</b>				
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>62.2%</b>	<b>62.2%</b>				

KOSDAQ = Korean Securities Dealers Automated Quotations, KOSPI = Korea Composite Stock Price Index, LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg and EDAILY *BondWeb* data.

# Malaysia

**The local currency (LCY) bond market in Malaysia stood at MYR996 trillion (US\$322 billion) at end-March, expanding 9.0% year-on-year (y-o-y). On a quarter-on-quarter (q-o-q) basis, however, the bond market contracted 0.4% due to a decline in issuance by Bank Negara Malaysia.**

**Table 1: Size and Composition of the LCY Bond Market in Malaysia**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	MYR	US\$	MYR	US\$	MYR	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	913	298	1,000	327	996	322	9.5	16.6	(0.4)	9.0
Government	550	179	599	196	589	190	10.2	16.7	(1.7)	7.1
Central Government Bills and Bonds	408	133	440	144	446	144	4.0	9.8	1.4	9.5
Central Bank Bills	142	46	154	50	136	44	33.5	43.0	(11.6)	(4.3)
<i>Sukuk Perumahan Kerajaan</i>	0	0	5	1	6	2	–	–	37.8	–
Corporate	363	119	401	131	407	132	8.6	16.5	1.6	12.1

– = not applicable, ( ) = negative, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.

2. Bloomberg LP end-of-period LCY-US\$ rate is used.

3. Growth rates are calculated from an LCY base and do not include currency effects.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST) and Bloomberg LP.

**The size of Malaysia's LCY corporate bond market reached MYR407.3 billion at end-March, rising 1.6% q-o-q and 12.1% y-o-y. New issuance amounted to MYR29.2 billion in 1Q13, with utilities and industrial companies as the largest issuers.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (MYR million)
Malakoff Power		
102-day Islamic bond	5.78	700
1-year Islamic bond	5.88	700
2-year Islamic bond	5.98	700
3-year Islamic bond	6.08	700
4-year Islamic bond	6.18	700
6-year Islamic bond	6.38	700
9-year Islamic bond	6.68	700
12-year Islamic bond	6.98	700
Turus Pesawat Sdn. Bhd.		
10-year Islamic bond	3.77	500
10-year Islamic bond	3.83	125
12-year Islamic bond	3.97	325
15-year Islamic bond	4.16	370
15-year Islamic bond	4.22	240
18-year Islamic bond	4.37	350
Danainfra Nasional Bhd.		
10-year Islamic bond	4.00	400
12-year Islamic bond	3.96	300
15-year Islamic bond	4.17	400
20-year Islamic bond	4.38	400

LCY = local currency.

Source: Bank Negara Malaysia.

**As of end-1Q13, LCY bonds outstanding among the top 30 corporate bond issuers in Malaysia stood at MYR230.6 billion, accounting for 56.6% of total corporate bonds outstanding. Finance-related companies comprised 14 of the top 30 LCY corporate bond issuers.**

**Table 3: Top 30 Issuers of LCY Corporate Bonds in Malaysia**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (MYR billion)	LCY Bonds (US\$ billion)			
1. Project Lebuhraya Usahasama Bhd.	30.60	9.89	No	Yes	Transport, Storage, and Communications
2. Cagamas	26.63	8.61	Yes	No	Finance
3. Khazanah	18.70	6.04	Yes	No	Quasi-Government
4. Pengurusan Air Bhd.	11.28	3.65	Yes	No	Energy, Gas, and Water
5. Maybank	11.20	3.62	No	Yes	Finance
6. Prasarana	9.91	3.20	Yes	No	Finance
7. Binariang GSM	9.89	3.20	No	No	Transport, Storage, and Communications
8. CIMB Bank	7.00	2.26	No	No	Finance
9. Public Bank	6.07	1.96	No	Yes	Finance
10. Malakoff Corp	5.80	1.87	No	No	Finance
11. Senai Desaru Expressway Bhd.	5.57	1.80	No	No	Construction
12. Sarawak Energy	5.50	1.78	Yes	Yes	Energy, Gas, and Water
13. KL International Airport	5.36	1.73	Yes	No	Transport, Storage, and Communications
14. Turus Pesawat Sdn. Bhd.	5.31	1.72	Yes	No	Quasi-Government
15. Aman Sukuk Bhd.	5.03	1.63	Yes	No	Construction
16. 1Malaysia Development Bhd.	5.00	1.62	Yes	No	Finance
17. Celcom Transmission	5.00	1.62	No	No	Transport, Storage, and Communications
18. Putrajaya Holdings	4.94	1.60	No	No	Finance
19. Hong Leong Bank	4.86	1.57	No	Yes	Finance
20. Manjung Island Energy Bhd.	4.85	1.57	No	No	Energy, Gas, and Water
21. AM Bank	4.71	1.52	No	Yes	Finance
22. Perbadanan Tabung Pendidikan Tinggi Nasional	4.70	1.52	No	No	Quasi-Government
23. RHB Bank	4.60	1.49	No	No	Finance
24. YTL Power International	4.32	1.40	No	Yes	Energy, Gas, and Water
25. Tanjung Bin Power	4.20	1.36	No	No	Energy, Gas, and Water
26. Jimah Energy Ventures	4.19	1.35	No	No	Energy, Gas, and Water
27. Bank Pembangunan Malaysia	4.10	1.33	Yes	No	Finance
28. Danainfra Nasional Bhd.	3.90	1.26	Yes	No	Finance
29. Rantau Abang Capital Bhd.	3.80	1.23	No	No	Quasi-Government
30. Danga Capital	3.60	1.16	No	No	Finance
<b>Total Top 30 LCY Corporate Issuers</b>	<b>230.61</b>	<b>74.54</b>			
<b>Total LCY Corporate Bonds</b>	<b>407.27</b>	<b>131.64</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>56.6%</b>	<b>56.6%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST) data.



## Philippines

**Total local currency (LCY) bonds outstanding in the Philippines reached PHP4.1 trillion (US\$99 billion) in 1Q13, declining 0.3% quarter-on-quarter (q-o-q), but increasing 13.7% year-on-year (y-o-y). The corporate bond market expanded 1.1% q-o-q and 19.8% y-o-y in 1Q13.**

**Table 1: Size and Composition of the LCY Bond Market in the Philippines**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	PHP	US\$	PHP	US\$	PHP	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	3,562	83	4,064	99	4,051	99	5.1	12.8	(0.3)	13.7
Government	3,118	73	3,538	86	3,519	86	5.6	13.2	(0.6)	12.8
Treasury Bills	268	6	275	7	286	7	(9.3)	(33.0)	4.1	6.9
Treasury Bonds	2,724	63	3,150	77	3,119	76	6.9	21.8	(1.0)	14.5
Others	127	3	113	3	113	3	14.6	6.0	0.0	(10.7)
Corporate	444	10	526	13	532	13	1.9	10.4	1.1	19.8

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Bloomberg end-of-period LCY-US\$ rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
4. Data for Government as of end-February 2013.
5. Others comprises bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines. This includes bonds issued by Power Sector Assets and Liabilities Management (PSALM) and the National Food Authority, among others.
6. Peso Global Bonds (PHP-denominated bonds payable in US\$) and multi-currency Retail Treasury Bonds (RTBs) are not included. As of end-March 2013, the Government of the Philippines and Petron Corporation had PHP129.7 billion and PHP20.0 billion of outstanding Peso Global Bonds, respectively. There was a total of PHP20.4 billion of outstanding multi-currency Treasury Bonds as of end-March 2013.

Source: Bureau of the Treasury and Bloomberg LP.

**Corporate bond issuance in 1Q13 grew 21.9% q-o-q and remained unchanged on a y-o-y basis. Financial institutions, including banks and investment companies, were the lead issuers of debt in 1Q13.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (PHP billion)
BDO Unibank Inc.		
5-year certificate of deposit	3.80	5
Eagle Cement Corporation		
7-year bond	5.75	5
GT Capital Holdings Inc.		
7-year bond	4.84	5
10-year bond	5.09	5

Source: Bloomberg LP.

**LCY bonds outstanding among the top 31 corporate bond issuers in the Philippines reached PHP489.7 billion at the end of 1Q13, representing 92.1% of total corporate bonds outstanding.**

**Table 3: Top 31 Issuers of LCY Corporate Bonds in the Philippines**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (PHP billion)	LCY Bonds (US\$ billion)			
1. San Miguel Brewery Inc.	45.2	1.1	No	Yes	Brewery
2. Ayala Corporation	40.0	1.0	No	Yes	Diversified Operations
3. BDO Unibank Inc.	38.0	0.9	No	Yes	Banking
4. SM Investments Corporation	36.1	0.9	No	Yes	Diversified Operations
5. Ayala Land Inc.	31.2	0.8	No	Yes	Real Estate
6. Philippine National Bank	21.9	0.5	No	Yes	Banking
7. Manila Electric Company	19.4	0.5	No	Yes	Electricity Distribution
8. Philippine Long Distance Telephone Co.	17.3	0.4	No	Yes	Telecommunications
9. Maynilad Water Services	16.6	0.4	No	Yes	Water
10. SM Development Corporation	16.3	0.4	No	Yes	Real Estate
11. Filinvest Land Inc.	14.5	0.4	No	Yes	Real Estate
12. Rizal Commercial Banking Corporation	14.0	0.3	No	Yes	Banking
13. Petron Corporation	13.6	0.3	No	Yes	Oil Refining and Marketing
14. JG Summit Holdings Inc.	13.3	0.3	No	Yes	Diversified Operations
15. Security Bank Corporation	13.0	0.3	No	Yes	Banking
16. First Metro Investment Corporation	12.0	0.3	No	No	Investment Banking
17. Robinsons Land Corporation	12.0	0.3	No	Yes	Real Estate
18. Energy Development Corporation	12.0	0.3	No	Yes	Electricity Generation
19. MTD Manila Expressway Corporation	11.5	0.3	No	No	Transport Services
20. South Luzon Tollway Corporation	11.0	0.3	No	No	Transport Services
21. Globe Telecom Inc.	10.9	0.3	No	Yes	Telecommunications
22. Metropolitan Bank & Trust Co.	10.0	0.2	No	Yes	Banking
23. GT Capital Holdings Inc.	10.0	0.2	No	Yes	Investment Companies
24. United Coconut Planters Bank	9.5	0.2	No	No	Banking
25. Allied Banking Corporation	8.0	0.2	No	Yes	Banking
26. Megaworld Corporation	6.4	0.2	No	Yes	Real Estate
27. Manila North Tollways Corporation	6.1	0.1	No	No	Public Thoroughfares
28. Tanduay Distilleries Inc.	5.0	0.1	No	Yes	Alcoholic Beverages
29. SM Prime Holdings, Inc.	5.0	0.1	No	Yes	Real Estate
30. Bank of the Philippine Islands	5.0	0.1	No	Yes	Banking
31. China Banking Corporation	5.0	0.1	No	Yes	Banking
<b>Total Top 31 LCY Corporate Issuers</b>	<b>489.7</b>	<b>12.0</b>			
<b>Total LCY Corporate Bonds</b>	<b>532.0</b>	<b>13.0</b>			
<b>Top 31 as % of Total LCY Corporate Bonds</b>	<b>92.1%</b>	<b>92.1%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. Petron Corporation has PHP20 billion of Global Peso Bonds outstanding that are not included in this table.

3. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg data.

# Singapore

**Singapore's local currency (LCY) bonds outstanding stood at SGD312 billion (US\$252 billion) at end-March, expanding 5.1% quarter-on-quarter (q-o-q) and 17.3% year-on-year (y-o-y), driven mainly by rapid growth in Monetary Authority of Singapore (MAS) bills. Corporate bond market growth outpaced that of the government sector on a y-o-y basis in 1Q13.**

**Table 1. Size and Composition of the LCY Bond Market in Singapore**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	SGD	US\$	SGD	US\$	SGD	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	266	212	297	243	312	252	7.7	19.7	5.1	17.3
Government	162	129	173	142	184	148	5.4	21.4	6.4	13.7
Central Govt. Bills and Bonds	144	114	143	117	147	118	3.8	7.9	2.9	2.0
MAS Bills	18	14	30	25	37	30	20.0	-	22.8	106.7
Corporate	104	83	124	102	128	104	11.5	17.3	3.4	22.9

( ) = negative, LCY = local currency, MAS = Monetary Authority of Singapore, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Government bonds are calculated using data from national sources. Corporate bonds are based on *AsianBondsOnline* estimates.
2. Government bills and bonds do not include the special issue of Singapore Government Securities held by the Singapore Central Provident Fund (CPF).
3. Bloomberg LP end-of-period LCY-US\$ rate is used.
4. Growth rates are calculated from an LCY base and do not include currency effects.

Source: Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP.

**In 1Q13, corporate bond issuance rose 71.2% q-o-q to reach SGD4.1 billion, driven by SGD2.2 billion worth of new issues from the Housing and Development Board of Singapore. On a y-o-y basis, however, new issuance declined 25.5%.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing and Development Board		
3-year bond	0.94	1,000
5-year bond	1.23	1,200
Biosensors Investments		
4-year bond	4.88	300
Suntec Real Estate Investments		
5-year convertible/put bond	1.40	280
National University of Singapore		
5-year bond	1.04	250
Hong Fok Corporation Ltd.		
5-year bond	4.75	100
6-year bond	4.75	120
Guthrie GTS Ltd.		
5-year bond	3.70	125

LCY = local currency.  
Source: Bloomberg LP.

**Total LCY bonds outstanding among Singapore's top 30 corporate bond issuers stood at SGD64 billion at the end of 1Q13, representing one-half of the total corporate bond market in Singapore. The largest issuers remained financial institutions.**

**Table 3: Top 30 Issuers of LCY Corporate Bonds in Singapore**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (SGD billion)	LCY Bonds (US\$ billion)			
1. Housing and Development Board	14.4	11.6	Yes	No	Financial
2. DBS Bank Ltd.	5.0	4.0	No	Yes	Financial
3. CapitaLand Ltd.	4.9	3.9	No	Yes	Financial
4. United Overseas Bank Ltd.	4.5	3.6	No	Yes	Financial
5. Temasek Financial I	3.6	2.9	No	No	Financial
6. Oversea-Chinese Banking Corp.	2.7	2.2	No	Yes	Financial
7. SP PowerAssets Ltd.	2.4	1.9	No	No	Utilities
8. Public Utilities Board	2.1	1.7	Yes	No	Utilities
9. Land Transport Authority	2.1	1.7	Yes	No	Industrial
10. Olam International Ltd.	1.6	1.3	No	Yes	Consumer
11. Keppel Corp Ltd.	1.5	1.2	No	Yes	Industrial
12. GLL IHT Pte Ltd.	1.4	1.2	No	No	Real Estate
13. Keppel Land Ltd.	1.4	1.1	No	Yes	Real Estate
14. Mapletree Treasury Services	1.3	1.1	No	No	Financial
15. Overseas Union Enterprise Ltd.	1.3	1.0	No	Yes	Consumer
16. Temasek Financial III	1.3	1.0	No	No	Financial
17. Neptune Orient Lines Ltd.	1.3	1.0	No	Yes	Industrial
18. CapitaMalls Asia Treasury	1.1	0.9	No	No	Financial
19. City Developments Ltd.	1.1	0.9	No	Yes	Consumer
20. PSA Corporation Ltd.	1.0	0.8	No	No	Consumer
21. F&N Treasury Pte Ltd.	1.0	0.8	No	No	Financial
22. Hyflux Ltd.	1.0	0.8	No	Yes	Industrial
23. Singapore Post Limited	0.9	0.7	Yes	No	Industrial
24. Singtel Group Treasury	0.9	0.7	No	No	Telecommunications
25. Singapore Airlines	0.8	0.6	No	No	Transportation
26. Global Logistic Properties	0.8	0.6	No	Yes	Industrial
27. CapitaLand Treasury Ltd.	0.7	0.6	No	No	Financial
28. Joynote Limited	0.7	0.6	No	No	Financial
29. Sembcorp Financial Services	0.7	0.6	No	No	Industrial
30. CapitaMall Trust	0.7	0.5	No	Yes	Financial
<b>Total Top 30 LCY Corporate Issuers</b>	<b>64.0</b>	<b>51.6</b>			
<b>Total LCY Corporate Bonds</b>	<b>128.4</b>	<b>103.5</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>49.9%</b>	<b>49.9%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg data.

## Thailand

**Total local currency (LCY) bonds outstanding in Thailand increased 1.1% quarter-on-quarter (q-o-q) and 11.8% year-on-year (y-o-y) to reach THB8.6 trillion (US\$294 billion) at the end of 1Q13. Growth in the Thai LCY corporate bond market outpaced government bond market growth on both a q-o-q and y-o-y basis.**

**Table 1: Size and Composition of the LCY Bond Market in Thailand**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	THB	US\$	THB	US\$	THB	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	7,709	250	8,520	279	8,616	294	8.4	13.1	1.1	11.8
Government	6,151	200	6,760	221	6,779	232	7.1	12.3	0.3	10.2
Government Bonds and Treasury Bills	2,777	90	3,024	99	3,098	106	5.7	9.1	2.5	11.5
Central Bank Bonds	2,913	94	3,120	102	3,026	103	10.3	19.0	(3.0)	3.9
State-Owned Enterprise and Other Bonds	461	15	616	20	654	22	(2.9)	(4.5)	6.3	42.0
Corporate	1,558	51	1,760	58	1,837	63	14.0	16.5	4.4	17.9

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. 1Q13 data based on *AsianBondsOnline* estimates.
3. Bloomberg end-of-period LCY-US\$ rates are used.
4. Growth rates are calculated from an LCY base and do not include currency effects.

Source: Bank of Thailand (BOT) and Bloomberg LP.

**Corporate bond issuance rose 10.2% q-o-q, but fell 9.3% y-o-y, in 1Q13. The most notable LCY corporate bond issues in 1Q13 were from real estate developers.**

**Table 2: Notable LCY Corporate Issuance in 1Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
Double A (1991)		
3-year bond	5.50	1.00
5-year bond	6.00	3.34
5-year bond	6.00	1.16
Toyota Leasing (Thailand)		
3-year bond	3.34	4.00
Sansiri PCL		
5-year bond	4.99	3.00
Hemaraj Land & Development		
10-year bond	5.50	2.50
Asian Property		
5-year bond	4.24	1.25

LCY = local currency.

Source: Bloomberg LP.

**LCY bonds outstanding among the top 30 LCY corporate issuers amounted to THB1.1 trillion at the end of 1Q13, representing 62.2% of total corporate bonds outstanding.**

**Table 3: Top 30 Issuers of LCY Corporate Bonds in Thailand**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (THB billion)	LCY Bonds (US\$ billion)			
1. PTT	186.0	6.4	Yes	Yes	Energy
2. Siam Cement	126.5	4.3	Yes	Yes	Diversified
3. Krung Thai Bank	75.7	2.6	Yes	Yes	Financial
4. Siam Commercial Bank	60.0	2.1	No	Yes	Financial
5. Charoen Pokphand Foods	58.5	2.0	No	Yes	Consumer
6. Bank of Ayudhya	52.7	1.8	No	Yes	Financial
7. Kasikorn Bank	47.1	1.6	No	Yes	Financial
8. Thanachart Bank	40.5	1.4	No	No	Financial
9. Thai Airways International	34.7	1.2	Yes	Yes	Consumer
10. PTT Global Chemical	33.3	1.1	Yes	Yes	Basic Materials
11. PTT Exploration and Production Company	29.2	1.0	Yes	Yes	Energy
12. Thai Oil	27.8	0.9	Yes	Yes	Energy
13. TMB Bank	27.7	0.9	No	Yes	Financial
14. Banpu	25.3	0.9	No	Yes	Energy
15. Ayudhya Capital Auto Lease	25.1	0.9	No	No	Financial
16. Toyota Leasing Thailand	24.9	0.9	No	No	Financial
17. Mitr Phol Sugar	24.7	0.8	No	No	Consumer
18. Krung Thai Card	23.5	0.8	Yes	Yes	Financial
19. DAD SPV	22.5	0.8	Yes	No	Financial
20. Indorama Ventures	21.7	0.7	No	Yes	Basic Materials
21. Bangkok Expressway	21.2	0.7	No	Yes	Consumer
22. Bangkok Bank	20.0	0.7	No	Yes	Financial
23. IRPC	19.6	0.7	Yes	Yes	Energy
24. Glow Energy	19.1	0.7	No	Yes	Utilities
25. True Corporation	17.2	0.6	No	Yes	Communications
26. Quality Houses	17.0	0.6	No	Yes	Property
27. Land & Houses	16.5	0.6	No	Yes	Property
28. Minor International	16.4	0.6	No	Yes	Consumer
29. Doubla A (1991)	16.0	0.5	No	No	Consumer
30. Pruksa Real Estate	12.5	0.4	No	No	Property
<b>Total Top 30 LCY Corporate Issuers</b>	<b>1,142.6</b>	<b>39.1</b>			
<b>Total LCY Corporate Bonds</b>	<b>1,837.4</b>	<b>62.8</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>62.2%</b>	<b>62.2%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsiaBondsOnline* calculations based on Bloomberg data.

# Viet Nam

**Local currency (LCY) bonds outstanding in Viet Nam stood at VND632.3 trillion (US\$30.2 billion) at end-March, an increase of 20.8% quarter-on-quarter (q-o-q) and 53.3% year-on-year (y-o-y) driven mainly by rapid growth in the government sector.**

**Table 1: Size and Composition of the LCY Bond Market in Viet Nam**

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q12		4Q12		1Q13		1Q12		1Q13	
	VND	US\$	VND	US\$	VND	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	412,464	20	523,423	25	632,319	30	12.8	20.1	20.8	53.3
Government	370,797	18	501,060	24	610,310	29	14.8	23.7	21.8	64.6
Treasury Bonds	165,974	8	255,011	12	310,537	15	11.6	36.1	21.8	87.1
Central Bank Bonds	30,478	1	58,560	3	112,857	5	-	-	92.7	270.3
State-Owned Enterprise Bonds	174,345	8	187,489	9	186,916	9	(0.04)	(2.0)	(0.3)	7.2
Corporate	41,667	2	22,362	1	22,009	1	(2.3)	(4.1)	(1.6)	(47.2)

- = not applicable, ( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Bloomberg LP end-of-period LCY-US\$ rates are used.

2. Growth rates are calculated from an LCY base and do not include currency effects.

Source: Bloomberg LP.

**At the end of 1Q13, LCY bonds outstanding among the 15 largest corporate issuers comprised 96.0% of the total LCY corporate market. Of the top 15 LCY corporate issuers, six were real estate developers, accounting for 38.0% of total bonds outstanding.**

**Table 2: Top 15 Issuers of LCY Corporate Bonds in Viet Nam**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (VND billion)	LCY Bonds (US\$ billion)			
1. HAGL	4,110.00	0.20	No	Yes	Real Estate
2. Techcom Bank	3,000.00	0.14	No	No	Finance
3. Asia Commercial Joint Stock Bank	3,000.00	0.14	No	Yes	Finance
4. Vincom	3,000.00	0.14	No	Yes	Real Estate
5. Vinpearl	2,500.00	0.12	No	Yes	Resorts and Theme Parks
6. Agribank Securities	2,000.00	0.10	No	Yes	Finance
7. Minh Phu Seafood	700.00	0.03	No	Yes	Fisheries
8. Hoa Phat Group	600.00	0.03	No	Yes	Miscellaneous Manufacturing
9. Kinh Bac City Development	500.00	0.02	No	Yes	Real Estate
10. Development Investment	350.00	0.02	No	No	Building and Construction
11. Phu Hoang Anh	350.00	0.02	No	No	Real Estate
12. Binh Chanh Construction	300.00	0.01	No	Yes	Building and Construction
13. Saigon Telecommunication	300.00	0.01	No	Yes	Technology
14. Thu Duc Housing Development	208.87	0.01	No	Yes	Real Estate
15. Long Hau	200.00	0.01	No	Yes	Real Estate
<b>Total Top 15 LCY Corporate Issuers</b>	<b>21,118.87</b>	<b>1.01</b>			
<b>Total LCY Corporate Bonds</b>	<b>22,008.87</b>	<b>1.05</b>			
<b>Top 15 as % of Total LCY Corporate Bonds</b>	<b>96.0%</b>	<b>96.0%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2013.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg data.

**Asia Bond Monitor**  
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This publication reviews recent developments in East Asian local currency bond markets along with the outlook, risks, and policy options. It covers the 10 members of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

It was prepared by the Asian Development Bank's Office of Regional Economic Integration (OREI), headed by Iwan J. Azis, and supervised by OREI Senior Director Ramesh Subramaniam. The production of the Asia Bond Monitor was led by Thiam Hee Ng and John Stuermer with support from the *AsianBondsOnline* team.

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