

Key Developments in Asian Local Currency Markets

The Philippines' Department of Finance (DOF) announced last week that the budget deficit for the first 10 months of 2009 swelled to PHP266.1 billion, exceeding the full-year target of PHP250 billion by 6.4%. This was mainly due to weak revenue collection over the 10-month period that amounted to only PHP925.4 billion, which was 25.3% lower than the target of PHP1.239 trillion. On the other hand, total disbursements for the first 10 months of the year were also lower, amounting to around PHP1.2 trillion or approximately 80% of the year's target. The government forecasts a likely full-year budget deficit of about PHP280 billion, assuming a number of important asset sales take place. Meanwhile, the Bangko Sentral ng Pilipinas (BSP) reported last week that overseas remittances in September rose by 8.6% year-on-year (y-o-y) to USD1.4 billion due to continued strong overseas demand for Filipino workers.

➤ The Philippines' government-owned Power Sector Assets and Liabilities Management Corp. (PSALM) launched a bond exchange deal on 16 November to offer new global bonds of up to USD600 million in exchange for National Power Corporation (Napocor) bonds that are maturing in 2010 and 2011. Furthermore, JG Summit Holdings of the Philippines raised PHP9 billion from a 5-year bond offering on 18 November with a coupon of 8.25%.

➤ Malaysia reported a gross domestic product (GDP) growth of -1.2% y-o-y in 3Q09, compared to -3.9% in 2Q09. In Thailand, GDP growth was -2.8% y-o-y in 3Q09, following a -4.9% growth in 2Q09.

➤ Indonesia recorded a balance of payments surplus in 3Q09 amounting to USD3.5 billion on account of positive contributions from a USD1.7 billion current account surplus and a USD3.4 billion surplus on net portfolio inflows, which compensated for the emergence of a negative balance for net foreign direct investment (FDI) flows in 3Q09.

➤ In the Republic of Korea (Korea), major department store sales rose by 11.4% y-o-y in October, suggesting an improvement in consumer spending. This figure is higher than the 8.6% y-o-y sales growth in September and is the highest since August 2008 when sales growth of 14.0% was recorded. This is consistent with other recent indications of improving economic performance in Korea.

➤ Singapore's non-oil domestic exports (NODX) fell by 6.1% y-o-y in October, which was the smallest drop in 12 months, after contracting 7.3% in September. Electronic NODX contracted 14.0% y-o-y in October and non-electronic NODX, which includes petrochemicals and pharmaceutical products, posted a smaller decline of 0.5%.

➤ In Singapore, Temasek Holdings issued a USD500 million 30-year bond under its USD5

Asia Bond Monitor September 2009

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10-Year Selected LCY Government Security Yields Close of 20 November 2009

Markets	Latest Closing	Previous Day*	basis point change from		1-Jan-09*
			Previous Day*	Previous Week*	
US	3.37	2.95	-5.21		115.33
EU	3.25	-1.70	-12.70		30.40
Japan	1.31	0.70	-3.20		13.90
PRC	3.74	0.00		-1.00	98.00
Hong Kong, China	2.10	-0.70	-7.70		91.00
India	7.23	-3.00	-10.90		198.50
Indonesia	10.34	2.80	10.10		-154.90
Malaysia	4.25	0.20	-3.00		103.10
Korea, Rep. of	5.34	-1.00	-4.00		112.00
Philippines	7.79	-3.75	-3.75		41.25
Singapore	2.46	-2.00	-7.00		41.00
Thailand	4.19	-5.80	-21.00		152.80
Viet Nam	11.31	-8.20		67.20	112.50

TABLES & GRAPHS

- ▶ Selected Government Security Yields
- ▶ Benchmark Yield Curves - Local Currency Government Bonds
- ▶ 2-versus-10 Yield Spread Chart
- ▶ Policy Rate versus Inflation Rate Charts
- ▶ Credit Default Swap Spreads & Exchange Rate Indexes
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billion medium-term note program that carries an annual coupon of 5.375%.

➤ Finally, Viet Nam's property developer Vincom successfully issued its first offshore convertible bonds last week in the amount of USD100 million. Furthermore, the Vietnamese government has allowed Vietnam Shipbuilding Industry Group (Vinashin) to issue VND3 trillion (USD168 million) of government-guaranteed bonds with maturities of 5-10 years.

➤ Government bond yields fell for all maturities in Thailand and for most maturities in Hong Kong, China; Korea; Malaysia; the PRC; Singapore; and the Philippines. Yields rose for all maturities in Viet Nam and for most maturities in Indonesia. Yield spreads between 2- and 10-year maturities widened in Indonesia, the Philippines, and Viet Nam, while they narrowed in most other Asian markets.

➤ **WHAT'S NEW:** Watch out for the release of the Asia Bond Monitor November issue on the 24th of November.

Summary Text of News Articles

Philippines' January–October Budget Deficit Reaches PHP266.1 billion; Overseas Remittances Climb by 8.6% in September

The Department of Finance (DOF) announced on 18 November that the Philippine budget deficit for the January–October period swelled to PHP266.1 billion, exceeding the full-year target limit of PHP250 billion by 6.4%. This was mainly due to weak revenue collection during the first 10 months of the year, which amounted to PHP925.4 billion or 25.3% less than the target of PHP1.239 trillion. On the other hand, total disbursements for the first 10 months of the year amounted to PHP1.1915 trillion, which was around 80% of the year's target. DOF currently forecasts the full-year budget deficit at PHP280 billion, assuming the government's sale of the 24% sequestered bloc of San Miguel Corp. worth PHP50 billion takes place within the year. Without the sale, the deficit was likely to reach about PHP300 billion. Other government assets for sale are the 40% stake in Philippine National Oil Co. for PHP12 billion and 108 hectares of the 120-hectare Food Terminals Inc. property for roughly PHP13 billion.

Meanwhile, the Bangko Sentral ng Pilipinas (BSP) reported on 16 November that overseas remittances in September rose by 8.6% year-on-year (y-o-y) to USD1.4 billion due to continued strong global demand for professional and skilled Filipino workers. The Department of Labor and Employment (DOLE) earlier reported that a delegation from the Guam Senate visited the country in September to finalize the hiring of skilled Filipino workers beginning in July 2010. BSP expects that remittances might rise even further as the damage caused by a series of strong typhoons that recently hit the country could result in larger amounts of transfers from relatives based overseas to assist their affected families.

Indonesia's Balance of Payment Surplus at USD3.5 billion in 3Q09

Indonesia recorded a balance of payments (BOP) surplus in 3Q09 amounting to USD3.5 billion on account of positive contributions from the current account as well as the capital and financial accounts. The BOP surplus in 3Q09 was higher compared with USD1.1 billion posted in the previous quarter.

The current account surplus stood at USD1.7 billion, which was lower than surpluses posted in the two previous quarters. According to Bank Indonesia, this was due mainly to reduced surpluses in the non-oil/gas trade balance and the oil trade balance. The gas trade balance, however, further improved following commencement of production at the Tangguh gas field and increases in world oil prices.


The strong performance in portfolio investment boosted the capital and financial account as it registered a surplus of USD3 billion in 3Q09 following a USD2.2 billion deficit in the previous quarter. Bank Indonesia cited the steady improvement in domestic macroeconomic conditions and attractive interest rates on rupiah-denominated instruments as prompting higher portfolio capital inflows. Portfolio investments for 3Q09 rose to USD3.4 billion from USD2.0 billion in 2Q09.

Department Store Sales Climb in the Republic of Korea

In the Republic of Korea (Korea), sales of the major department stores rose by 11.4% year-on-year (y-o-y) in October, suggesting an improvement in consumer spending. This figure is higher than the 8.6% y-o-y sales growth recorded in September and is the highest since August 2008 when sales grew by 14.0% y-o-y. The October hike in department store sales has been attributed to a 3.0% increase in the sale of luxury items and a 13.4% rise in the sale of accessories and miscellaneous items.

Singapore Exports Dipped 6.1% in October

Singapore's non-oil domestic exports (NODX) fell by 6.1% y-o-y in October, which was the smallest drop in 12 months, after contracting 7.3% in September. On a month-on-month and seasonally adjusted basis, NODX dropped by 13.0% in October after the previous month's 2.9% increase. Electronic NODX contracted 14.0% y-o-y in October and non-electronic NODX, which includes petrochemicals and pharmaceutical products, posted a smaller decline of 0.5%.

 Summary Text of News Articles

Bond Issuance in the Philippines, Singapore, and Viet Nam

In the Philippines, the Power Sector Assets and Liabilities Management Corp. (PSALM) launched a bond exchange deal on 16 November to offer new global bonds worth up to USD600 million. Holders of National Power Corporation (Napocor) bonds that are maturing in 2010 and 2011 can exchange them for the newly issued USD-denominated guaranteed global bonds due in 2024 or the reopened USD-denominated guaranteed global bonds due in 2019. Proceeds from the offering will be used for general corporate funding requirements, including servicing debts and independent power producer contracts. The offering will end on 24 November.

Meanwhile, JG Summit Holdings Inc. raised PHP9 billion from a 5-year bond offering on 18 November. The bonds carry an annual yield of 8.25% and were priced at a spread of 175–180 basis points over comparative government bonds traded in the secondary market. The proceeds of the sale will be used to support the capital expenditure requirements of the firm's subsidiaries and other general corporate purposes.

Singapore's Temasek Holdings issued a USD500 million 30-year bond under its USD5 billion medium-term note program last week. The issue carries an annual coupon of 5.375% and will mature in 2039. In October, the company issued a USD1.5 billion 10-year bond rated AAA by S&P and Aaa by Moody's. US investors were allocated 71% of the issuance, and Asian and European investors bought 15% and 14%, respectively.

Vietnamese property developer Vincom Joint Stock Company successfully issued its first offshore convertible bonds worth USD100 million. The 5-year bonds, which will be listed on the Singapore Exchange, are convertible to equity at a 5% premium. Proceeds of the issuance will be used for development projects in Hanoi.

Meanwhile, the Vietnamese government has allowed Vietnam Shipbuilding Industry Group (Vinashin) and Viet A Commercial Joint Stock Bank (VAB) to issue bonds. The state-owned shipbuilding corporation Vinashin will issue VND3 trillion (USD168 million) in government-guaranteed bonds with maturities of 5–10 years. The bond issue aims to finance expansion projects in Hai Phong City and Quang Ninh Province. VAB will issue VND272 billion (USD12.9 million) of convertible bonds guided by regulations set by the State Bank of Viet Nam for converting bonds into shares.

Selected Government Security Yields

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

3-Month Selected LCY Government Security Yields

Markets	Latest Closing	basis point change from		
		Previous Day*	Previous Week*	1-Jan-09*
US	0.01	0.00	-4.66	-6.59
EU	0.44	1.10	6.70	-121.50
Japan	0.16	0.00	0.50	-4.30
PRC	1.27	0.00	1.00	35.00
Hong Kong, China	0.04	-7.00	0.00	-1.00
India	3.26	5.00	2.00	-124.00
Malaysia	2.01	0.00	0.10	-91.80
Korea, Rep. of	2.09	1.00	-2.00	-56.00
Philippines	4.00	2.50	-0.37	-162.50
Singapore	0.43	0.00	0.00	-14.00
Thailand	1.24	-0.29	-1.29	-85.58

Close of 20 November 2009

10-Year Selected LCY Government Bond Yields

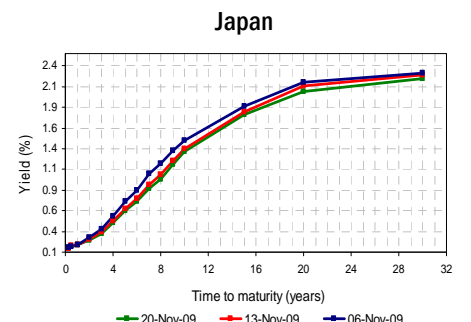
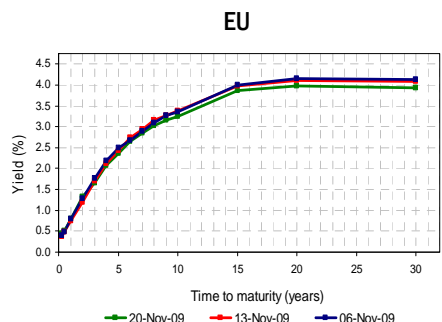
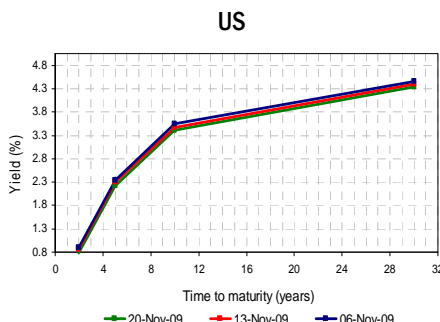
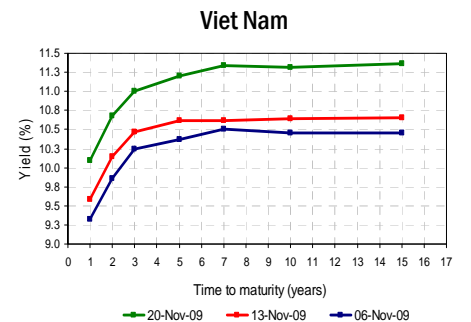
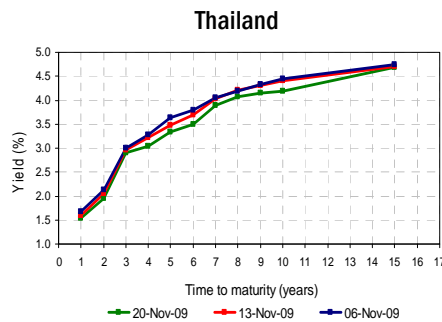
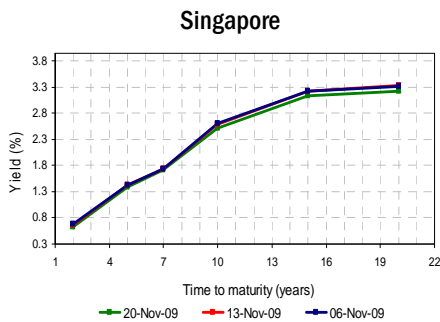
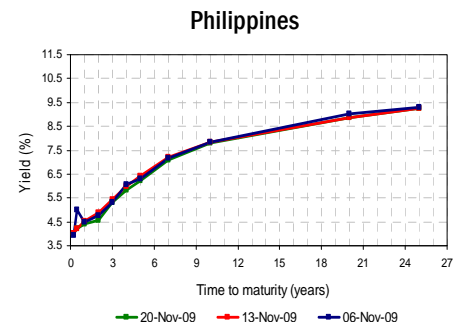
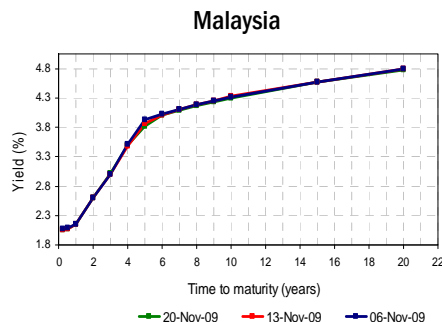
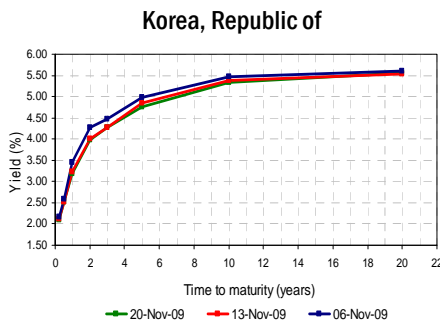
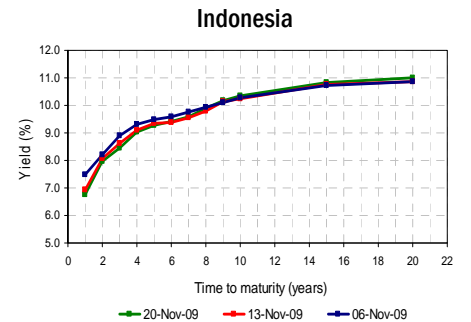
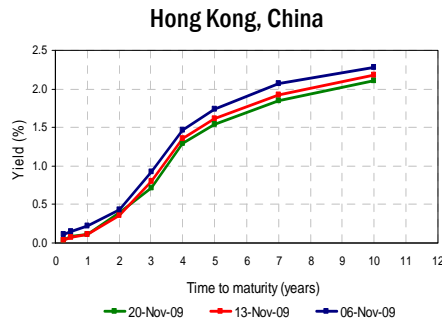
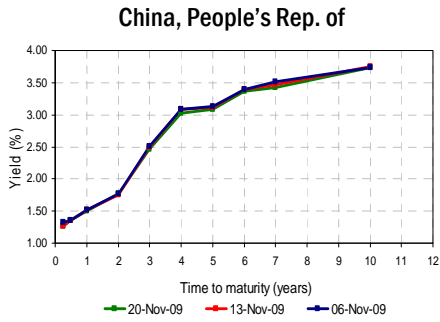
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India	7.23	-3.00	-10.90	198.50
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Thailand	4.19	-5.80	-21.00	152.80
Viet Nam	11.31	-8.20	67.20	112.50

Close of 20 November 2009

Source: Based on data from Bloomberg, LP.

Benchmark Yield Curves – Local Currency Government Bonds

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

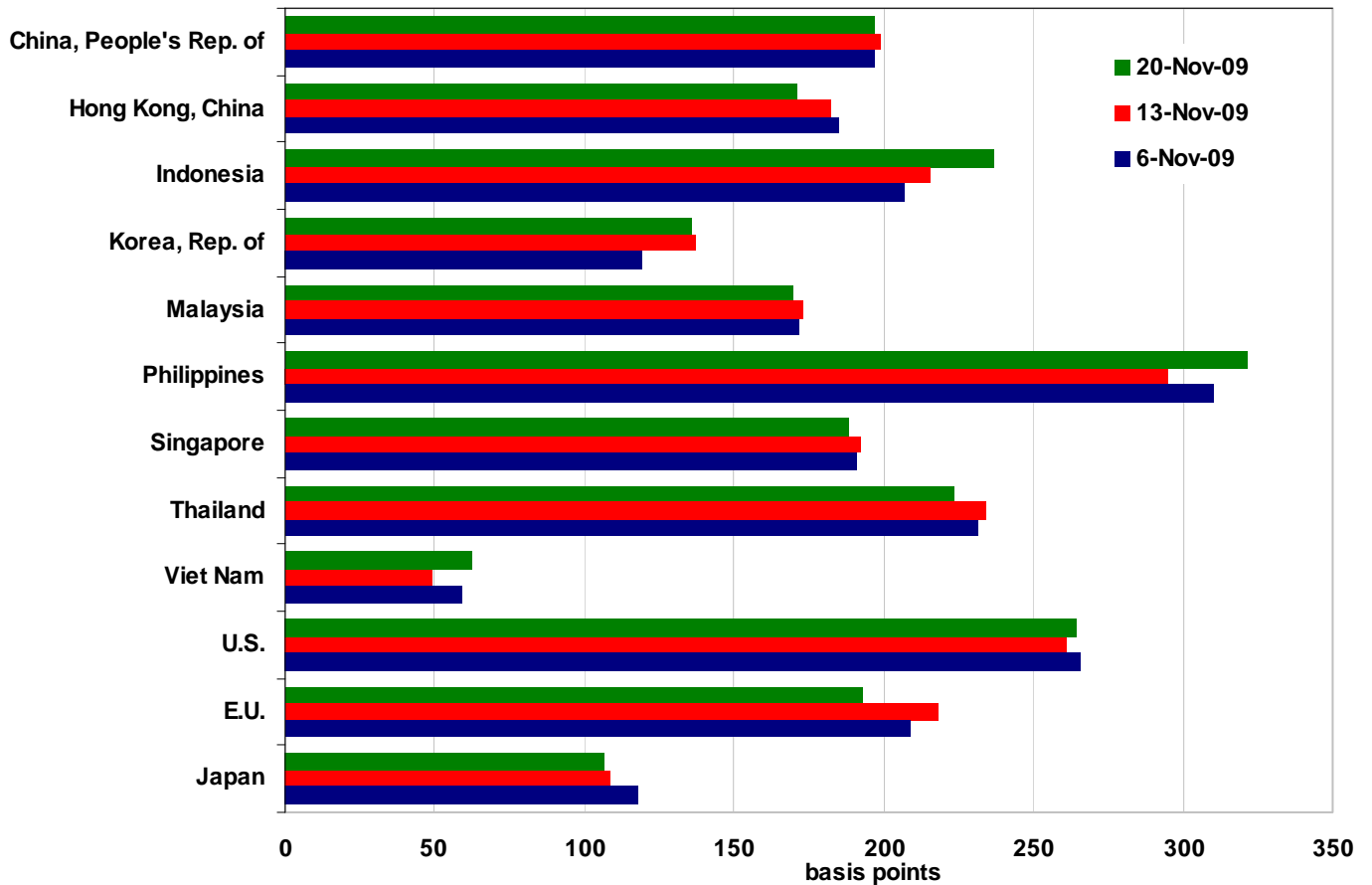


Source: Based on data from Bloomberg.

2-versus-10 Yield Spread Chart

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

Yield Spread between the Two- and Ten-Year Government Bonds

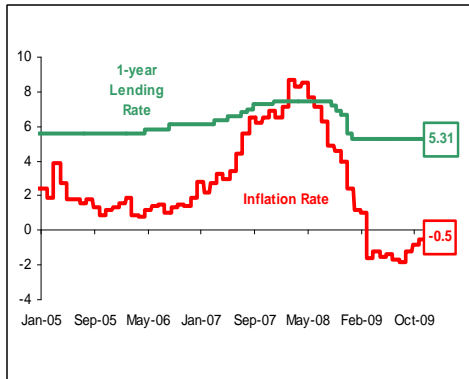


Source: Based on data from Bloomberg.

Policy Rate versus Inflation Rate Charts

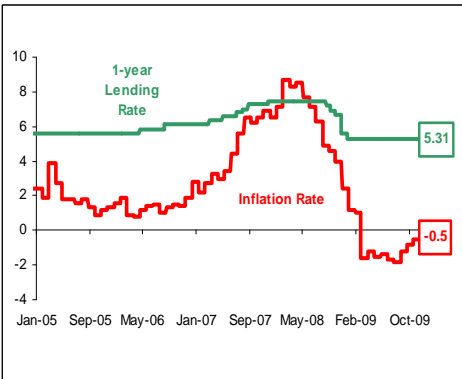
Tip: Zoom-in on the table using the Acrobat zoom tool

China, People's Rep. of



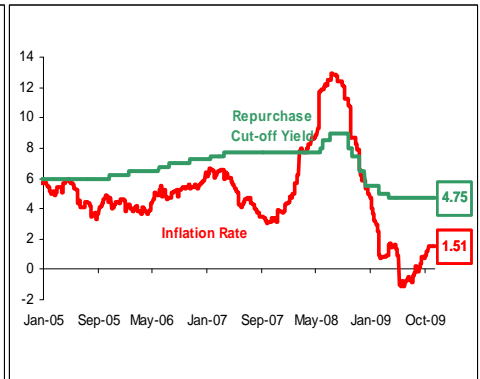
PRC uses 1-year lending rate as one of its policy rates. Source: Bloomberg, LP.

Hong Kong, China



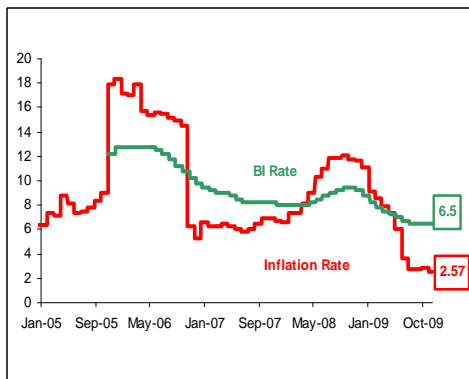
The Hong Kong Monetary Authority maintains a Discount Window Base Rate. Source: Bloomberg, LP.

India



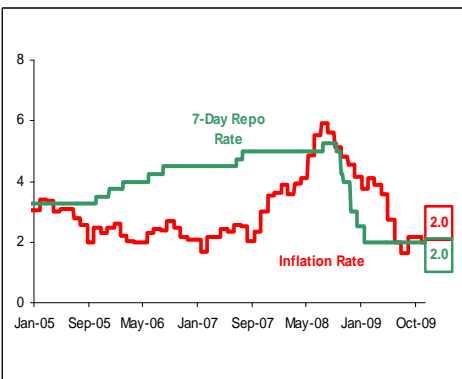
The Reserve Bank of India uses the repurchase (repo) cut-off yield as its policy rate. Source: Bloomberg, LP.

Indonesia



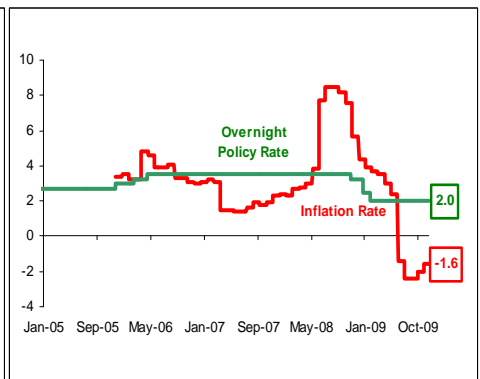
Bank Indonesia uses its reference interest rate (BI rate) as its policy rate. Source: Bloomberg, LP.

Korea, Republic of



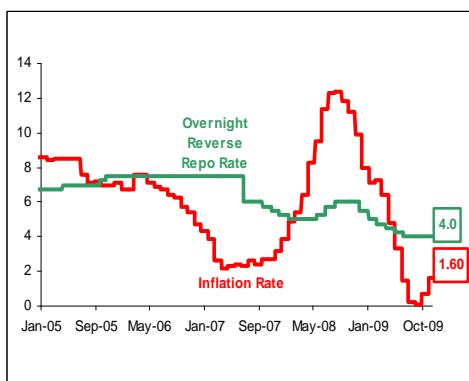
The Bank of Korea shifted its policy rate from the overnight repurchase (repo) rate to the 7-day repo rate in March 2008. Source: Bloomberg, LP.

Malaysia



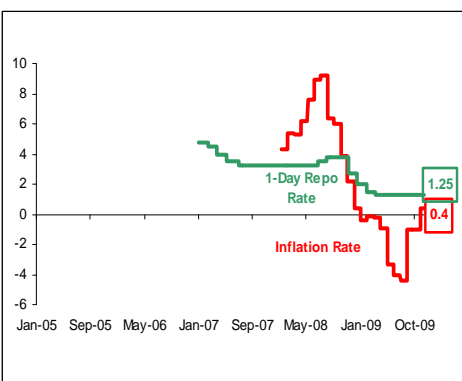
Bank Negara Malaysia uses the overnight policy rate (OPR) as its policy rate. Source: Bloomberg, LP.

Philippines



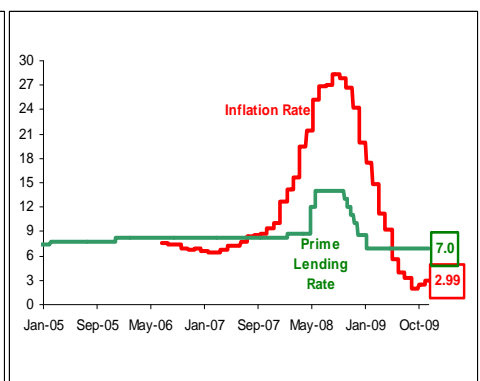
Bangko Sentral uses the Philippine overnight reverse repurchase agreement rate as one of its policy instruments. Source: Bloomberg, LP.

Thailand



The Bank of Thailand replaced the 14-day repurchase rate with the 1-day repurchase rate in January 2007 as its policy rate. Source: Bloomberg, LP.

Viet Nam



The State Bank of Viet Nam uses a benchmark prime lending rate as its policy rate. Source: Bloomberg, LP.

