

Asia Bond Monitor – September 2021
15 September 2021
Market Summaries

People's Republic of China

The People's Republic of China's (PRC) local currency bond stock grew to \$16.5 trillion and remained the largest bond market in emerging East Asia at the end of June 2021. Bonds outstanding increased 3.0% from the previous quarter and 14.4% from a year earlier. Strong government bond issuance to sustain economic recovery drove the growth. The PRC's government bonds outstanding rose 3.3% from the prior quarter to \$10.6 trillion.

Corporate bond expansion eased from last quarter to 2.3% due to dampened investor sentiment amid government efforts to manage credit risk and rising corporate defaults in 2021. The People's Bank of China reduced the reserve requirement of financial institutions in a bid to limit borrowing costs. At the end of June, the PRC's corporate bonds totaled \$5.9 trillion.

Hong Kong, China

Growth from the previous quarter reversed as the local currency bond market in Hong Kong, China contracted 0.8% to \$312.5 billion at the end of June. Corporate bonds decreased 3.7% to \$156 billion due to maturities and less issuance, outpacing the increase in government bonds. On a yearly basis, growth in corporate bonds moderated to 8.9% from 15.9% in the previous quarter.

Government bond expansion accelerated by 2.1 percentage points from the previous quarter to 2.4%, boosting the segment's bonds outstanding to \$156.6 billion. Expansion of Hong Kong Special Administrative Region bonds propelled growth.

Indonesia

The expansion of Indonesia's local currency bond market slowed further from the previous quarter to 2.4%, with bonds outstanding totaling \$338.8 billion at the end of June. Even so, Indonesia had the fastest local currency bond market increase in emerging East Asia on a yearly basis, at 30.6%.

A 2.8% increase in government bonds tempered the impact of a 2.4% contraction in the corporate bond segment. Government bonds accounted for 91.4% of overall bond stock, the largest share in the region. While the government issued additional bonds to help make up for budget deficits, corporate bond issuance declined amid risk-off sentiment caused by a new wave of COVID-19 outbreaks. Government and corporate bonds outstanding stood at \$309.6 billion and \$29.2 billion, respectively.

Republic of Korea

The Republic of Korea's local currency bond market growth slowed from the previous quarter to 2.3%. Bonds outstanding totaled \$2.4 trillion at the end of June. Market growth moderated to 7.9% from a year earlier. The government's continued spending for 2021 to boost economic recovery sustained increased issuance. Government bonds rose 3.2% from the previous quarter to \$1 trillion. Corporate bonds grew 1.6% to \$1.4 trillion.

Malaysia

Growth in both government and corporate bond stock led to a 2.7% expansion of Malaysia's local currency bond market, slower than the previous quarter. Meanwhile, bond market expansion on a yearly basis accelerated to 8.9%. Overall stock grew to \$408.1 billion. Government bonds increased 3.9% from the previous quarter to \$222.7 billion. The corporate bond segment increased 1.3% to \$185.4 billion.

The amount of *Sukuk* (Islamic bonds) in Malaysia, the largest in the region, grew to \$256.7 billion, accounting for 62.9% of overall bond stock at the end of June.

Philippines

Growth in the local currency bond market in the Philippines weakened from the previous quarter as the overall stock rose 2.5% to \$191.6 billion at the end of June. On an annual basis, the market expanded 25.1%. Government bonds rose 3.9% on a quarterly basis, pushing overall growth as the segment accounted for 83.8% of total stock.

The segment's increase was attributed to larger outstanding treasury bonds and Bangko Sentral ng Pilipinas securities, amid the need to protect the economy against the impact of the COVID-19 pandemic. Government bonds totaled \$160.5 billion. Meanwhile, the corporate bond segment's decline steepened to 3.9% as market sentiment remained subdued due to mobility restrictions. Corporate bonds outstanding decreased to \$31.1 billion.

Singapore

Singapore's local currency bond market grew 6.3% from the previous quarter to \$412.5 billion at the end of June, amid a sustained recovery in both the government and corporate bond segments. The local currency bond stock increased 17.1% from a year earlier.

Outstanding Monetary Authority of Singapore bills and notes led the growth of all components of the government bonds segment, which expanded 4.8% from the previous quarter. Corporate bonds increased 9.3%, following a contraction in the previous quarter, as companies took advantage of low interest rates.

Thailand

Strong issuance of both government and corporate bonds lifted Thailand's local currency bond market after a contraction in the preceding quarter. Total bonds outstanding increased 2.6% to \$443.4 billion.

The previous quarter's contraction in both segments was reversed as government and corporate bonds increased 1.7% and 5.1%, respectively. The need for fiscal deficit and fund relief measures amid a new wave of COVID-19 cases resulted in higher government bond issuance. Companies took advantage of low interest rates to raise funds for working capital and debt refinancing. Thailand's government bond stock increased to \$322.3 billion, while corporate bond stock grew to \$121.1 billion.

Viet Nam

Viet Nam's local currency bond market rebounded by 6.1% after contracting in the preceding quarter. Outstanding bond stock rose to \$76.5 billion at the end of June 2021. On a yearly basis, the bond market expanded 27.5%. Corporate bonds' share of the total stock grew to 22.8%.

The recovery was largely due to the corporate bond segment, which surged 36.6% from the previous quarter. Debt sales from the corporate sector during the second quarter underpinned the increase, rising to \$17.4 billion. Government bonds in Viet Nam followed the previous quarter's contraction, declining 0.5% due to a relatively high volume of maturities that outpaced robust issuance. Government bonds reached \$59 billion.