People’s Republic of China

The total bond stock of the People’s Republic of China grew slightly slower at 2.0% from the previous quarter to $18.3 trillion at the end of June. Government bonds outstanding grew 2.4% as local governments continued issuance to meet their target bond quotas. Corporate bonds outstanding rose 1.2%.

Between 1 June and 31 August, government bond yields declined for most maturities after a series of interest rate cuts that was intended to spur economic growth. The People’s Bank of China (PBOC) reduced several key interest rates in June and again in August. In addition, some measures were implemented in July and August meant to boost the property sector, which has faced several defaults. The measures include extension of mortgage repayments, reduction in downpayment for purchases of properties, and reduced mortgage rates.

Hong Kong, China

Hong Kong, China’s local currency bond market grew 2.4% from the previous quarter to $366.2 billion at the end of June. The rebound in Hong Kong Special Administrative Region government bonds partly drove the growth, while corporate bond issuance declined due to elevated borrowing costs.

Between 1 June and 31 August, local currency bond yields rose for maturities of 1 year and longer, driven by monetary policy tightening by the United States (US) Federal Reserve and the Hong Kong Monetary Authority (HKMA). After the interest rate hike of 25 basis points during the Federal Reserve’s July meeting, the HKMA increased its base rate to a record 5.75%.

Hong Kong, China raised $6 billion worth of multicurrency green bonds, denominated in US dollars, euros, and Chinese yuan in June. Increased access through Southbound Bond Connect supported significant participation from international investors.

Indonesia

Indonesia’s local currency bond market contracted 0.5% from the previous quarter to $408.9 billion at the end of June, after a slowdown in both government and corporate bond issuance. The government tapered its planned bond issuance amid expectations of higher revenue collections. Corporate bonds declined as private borrowers saw reduced financing needs, given high interest rates.

Government bond yields in Indonesia climbed for most maturities of 10 years and less but fell for longer-end tenors (12 years or more) for the period 1 June and 31 August. The uptick in yields for most maturities was driven by the continued monetary tightening in the US. Yields declined for the longer-end maturities as inflation fell within Bank Indonesia’s target range of 2% to 4%, earlier than expected. Bank Indonesia remains confident inflation will remain within the target range for the rest of the year.
Republic of Korea

The Republic of Korea’s bond market grew 2.6% from the previous quarter to $2.3 trillion at the end of June. The accelerated growth was driven by both the government and corporate bond segments. Corporate bonds, which represent more than half the overall market, rebounded in issuance. Companies issued bonds in anticipation of higher yields as the US Federal Reserve was expected to implement further rate hikes before the end of the year. The rise in government bonds was due to the high volume of treasury bond issuance to fund the government’s policy of using 65% of its budget in the first half of the year to boost the economy.

Between 1 June and 31 August, government bond yields for most tenors rose, tracking the rise in US Treasury yields on continued Federal Reserve monetary tightening. The Bank of Korea is also expected to keep the base rate at 3.5% in the near term, as it forecasts inflation to pick up again.

Malaysia

Malaysia’s bond market expanded 2.0% from the previous quarter to $418.5 billion at the end of June, driven by an increase in fixed-income securities of the Government of Malaysia. Outstanding corporate bonds also jumped in the second quarter of 2023.

Sukuk (Islamic bonds) made up 64.1% of Malaysia’s bond market. Outstanding sukuk increased by 2.3% from the previous quarter to 1.2 trillion Malaysian ringgit ($268.4 billion).

Government bond yields for all tenors tracked that of the US, increasing between 1 June and 31 August. Bank Negara Malaysia decided in July to maintain its policy rate at 3.0%. Investors remained cautious since the US increased its interest rates during its July meeting.

Philippines

The Philippines’ local currency bond market expanded 1.3% from the previous quarter to $211.8 billion at the end of June, driven by growth in both the government and corporate bond segments. Issuances of treasury and other government bonds exceeded maturities, even as central bank securities contracted. A large volume of issuances helped corporate bonds rebound.

Government bond yields rose for most tenors between 1 June and 31 August, influenced by a still elevated inflation and a slower-than-expected economic growth in the second quarter that dampened investor sentiment. Only the 1-month and 3-month tenors posted declines during the review period.

Singapore

Outstanding bonds in Singapore increased 1.7% from the previous quarter to $504.2 billion. An increase in government securities, with accelerated issuance in the second quarter of 2023, supported overall market growth. Tepid issuance in the corporate segment led to a contraction in outstanding corporate bonds.

Government bond yields increased for most tenors between 1 June and 31 August. Due to uncertainties in the financial market, investors favored short-term securities, leading to the decline in yields for 6-month tenors.
**Thailand**

The expansion of Thailand’s local currency bond market moderated from the previous quarter to 1.9%, with the market reaching $458.6 billion at the end of June. A high volume of maturities slowed the growth in treasury and other government bonds, even as overall issuance accelerated in the second quarter.

Local currency government bond yields rose for most tenors between 1 June and 31 August, driven by the Bank of Thailand’s monetary policy tightening. Political uncertainties, caused by the delay in the formation of a new government, also contributed to the uptick in bond yields.

**Viet Nam**

Viet Nam’s outstanding local currency bonds dropped 4.5% from the previous quarter to $106.8 billion at the end of June, amid a contraction in the corporate bond segment. Corporate bonds outstanding declined due to low issuance volume during the quarter combined with banks’ increased activity in early redemptions of corporate bonds. As of 4 May, corporate bond defaults increased to a total of 128.5 trillion Vietnamese dong ($5.5 billion), up from 94.4 trillion Vietnamese dong on 17 March, based on the report released by FiinRatings on 17 May. Treasury and other government bonds grew 2.3% down from 6.8% growth in the previous quarter.

Government bond yields declined for all tenors between 1 June and 31 August, with the State Bank of Vietnam maintaining its loose monetary stance and further reducing its refinancing rate to 4.5% in June to spur economic growth. Viet Nam is struggling to hit its 2023 growth target of 6.5% due to persistent crisis in the domestic real estate industry, a slump in exports, and higher lending rates that hamper business activities.