People’s Republic of China

The overall bond stock of the People’s Republic of China (PRC) grew 2.5% from the previous quarter to $18.7 trillion as the government urged local governments to complete their bond quotas by September 2023. Government bonds outstanding posted 3.3% quarterly growth, while corporate bonds increased 1.1% quarter-on-quarter.

Government bond yields rose for most maturities for the period 1 September and 10 November, following indications that the United States (US) Federal Reserve would maintain policy rates at elevated levels for a longer time. The yields rose more at the shorter end versus the longer end capped by nonexistent inflation in September and August as well as a decline in gross domestic product growth in the second and third quarters of 2023. Continued concerns in the property market, which has faced several defaults, has also dragged on the economic outlook.

Hong Kong, China

Expansions in both government and corporate bonds pushed the growth of Hong Kong, China’s local currency bond market to 5.1% from the previous quarter. Total outstanding bonds reached $385.1 billion at the end of September. Large issuance of retail government bonds in the third quarter prompted a 23.2% increase in Hong Kong Special Administrative Region bonds outstanding. The corporate bond segment rose 5.6% from the earlier quarter and maintained its share of nearly half of the overall market.

Bond yields increased across all tenors at an average of 70 basis points between the period 1 September and 10 November, but this was more pronounced in short-term bonds. Expected high interest rates for a longer period by the US Federal Reserve prompted the rise in yields, as well as growing uncertainties due to global economic slowdown and geopolitical tensions.

Indonesia

Indonesia’s local currency bond market rebounded from the contraction in the previous quarter, growing 0.5% to $398.8 billion at the end of September. The rise was buoyed by increased issuance in government bonds in the third quarter of the year. Meanwhile, total corporate bond stock posted a marginal decline as issuance volume was more than offset by maturities.

Expectations that US interest rates will remain higher for a prolonged period drove government bond yields up by an average of 48 basis points across the curve during the period 1 September and 10 November. Further contributing to the rise in yields was the 25 basis points rate hike by Bank Indonesia in its meeting on 19–20 October to support rupiah stability and avert capital outflows from the financial market. The government also set a higher bond issuance target in the fourth quarter of 2023 to back increased government spending in the latter part of the year.

Republic of Korea

Total bonds outstanding in the Republic of Korea rose 2.4% from the previous quarter, driven by increases in both the government and corporate bond segments. At the end of September, the total bond stock reached $2.3 trillion. Government bonds grew at a slower pace of 1.2% quarter-
on-quarter, with issuances declining as the government pursued frontloading measures in the first half of the year. Corporate bonds, which make up more than half of the total bond market, posted a 3.3% quarter-on-quarter increase at the end of September.

Government bond yields rose for most tenors for the period 1 September and 10 November as the US Federal Reserve maintained a tight monetary stance. Rising household debt, geopolitical tensions, and expectations of the Bank of Korea’s monetary tightening for the rest of 2023 also pushed up bond yields. During its 19 October monetary policy meeting, the central bank kept its 3.5% base rate.

**Malaysia**

Malaysia’s local currency bond market expanded 1.5% from the previous quarter to $422.2 billion. All bond segments grew in the third quarter of the year, led by the significant increase in Bank Negara Malaysia bills as the stock of fixed-income securities increased. Higher supply boosted the corporate bond segment to a 1.7% quarterly expansion.

Outstanding sukuk (Islamic bonds) grew 1.0% to 1.3 trillion Malaysian ringgit (around $269.3 billion) at the end of September. Government Investment Issues and corporate sukuk primarily prompted the segment’s growth.

Government bond yields for all tenors rose between 1 September and 10 November amid persistent elevated inflation. The BSP’s hawkish stance to bring inflation down within its target range of 2.0%–4.0% caused the yields to increase. On 26 October, the BSP decided on an off-cycle rate hike of 25 basis points, which lifted the overnight reverse repurchase to 6.5%.

**Philippines**

The Philippines’ local currency bond market increased 1.8% from the previous quarter to $210.3 billion in the third quarter of 2023 on higher issuances from the government and central bank. Outstanding central bank securities grew 44.8% to mop up excess liquidity in the market due to the Bangko Sentral ng Pilipinas’ (BSP) reduction of the reserve requirement ratio and the expiration of pandemic-related relief measures. Corporate bond stock contracted 2.4% amid low volume of issuance during the quarter.

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**Singapore**

Outstanding bonds in Singapore grew 2.6% from the previous quarter to $512.1 billion in the third quarter of 2023 amid an expansion in central bank securities. Corporate bonds contracted 0.5% quarter-on-quarter amid a significant decline in issuance due to elevated interest rates.

Singapore’s government bond yields decreased across most maturities between the period 1 September and 10 November, the bulk of the decline occurred after the Federal Open Market Committee meeting on 1–2 November. Singapore’s declining core inflation also drove yields lower during the review period. The Monetary Authority of Singapore kept the appreciation rate of its Singapore dollar nominal effective exchange rate at its October meeting.
**Thailand**

Thailand’s local currency bond market grew 1.9% from the previous quarter to $454.9 billion in the third quarter of 2023. Government bonds increased 2.3% quarter-on-quarter, while corporate bonds expanded 0.4% quarter-on-quarter. Issuance was subdued during the quarter as the government had frontloaded borrowing in the earlier part of the year. Corporate bond issuance was down amid tighter regulation from the Bank of Thailand on bond rollovers, following an uptick in bond defaults.

Government bond yields were up for all tenors for the period 1 September and 10 November as the central bank continued a tight monetary policy to ward off inflation. Between August 2022 and August 2023, the central bank raised its policy rate by a total of 175 basis points in seven consecutive meetings. The central bank again raised its rate by 25 basis points to 2.5% on 27 September to guard against possible inflation from the government’s new stimulus program. The government has since announced plans to boost the economy through handouts to the poor totaling around 500 billion baht (around $14 billion).

**Viet Nam**

The resumption of the State Bank of Vietnam’s issuance of central bank securities drove the economy’s local currency bond market to expand 3.9% from the previous quarter. At the end of September, bonds outstanding totaled $108.6 billion. Growth in government bonds slowed due to the low volume of maturities and a decline in issuance during the quarter. Corporate bonds contracted 3.1% quarter-on-quarter due to the large volume of maturities in the third quarter of 2023.

Viet Nam’s government bond yields climbed across all tenors for the period 1 September and 10 November driven by a rise in inflation and the US Federal Reserve’s decision to keep interest rates high for an extended period. Consumer price inflation rose from 2.1% year-on-year in July to 3.6% year-on-year in October, but remained below the government’s 4.5% target for the full year 2023.