People’s Republic of China

The local currency bond market of the People’s Republic of China grew faster in the fourth quarter of 2023 as the government sought to support the domestic economy. Total bond stock grew 2.7% from the previous quarter to 142.7 trillion yuan ($20.1 trillion). Government bonds expanded 4.5%, while corporate bonds declined 0.4% amid weaker economic conditions.

Government bond yields fell between 1 December 2023 and 29 February 2024. The continued decline in the first 2 months of 2024 came as the People’s Bank of China eased monetary policy to help lower funding costs and support the economy amid uncertainties over United States’ (US) monetary policy. The yield decline was also attributed to the PRC’s persistent deflation, which dipped to –0.8% year-on-year in January from –0.3% year-on-year in December.

Hong Kong, China

Local currency bonds outstanding in Hong Kong, China grew 0.3% from the previous quarter to HK$3.0 trillion ($387.1 billion) at the end of December 2023. The expansion in outstanding Exchange Fund Bills and Notes drove growth, as both Hong Kong Special Administrative Region bonds and corporate bonds contracted due to weaker issuance.

Government bond yields fell for most tenors between 1 December 2023 and 29 February 2024. Expectations that the US Federal Reserve would cut its policy rate during the second half of 2024 pushed the decline. Moderating inflation also contributed to the lower yields.

Indonesia

Indonesia’s local currency bond market climbed 2.7% from the previous quarter to 6,331 trillion rupiah ($411.2 billion) at the end of December 2023. A low volume of maturities offset the contraction in issuance of government and corporate bonds. Government bonds—accounting for 91.7% of Indonesia’s local currency bond market—increased 2.6% from the previous quarter. Corporate bonds recovered from the previous quarter’s marginal drop by growing 3.5%.

Government bond yields in Indonesia edged down for all maturities between 1 December 2023 and 29 February 2024. Bond yields declined by an average of 18 basis points amid anticipated lower US interest rates by the second half of 2024 and subdued domestic inflation. Bank Indonesia kept its policy rate unchanged at 6.0% since October 2023.

Republic of Korea

The Republic of Korea’s local currency bonds outstanding increased 1.6% from the previous quarter to 3,217 trillion won ($2,497.5 billion) by the end of December 2023. The expansion was driven by a 3.1% expansion in the corporate bond segment; while government bonds and central bank bonds fell 0.3% and 3.1%, respectively. Corporate bond issuance rose as companies refinanced maturing debts. The decline in government bond issuance was the result of the government’s frontloading policy of releasing 65% of the budget in the first half of the year.
Government bond yields fell for almost all tenors in December on anticipation of lower US interest rates. However, yields rose in January as the timing of the US Federal Reserve’s rate cuts remained uncertain. The Bank of Korea decided to maintain its restrictive monetary policy during its 11 January and 22 February meetings.

**Lao People’s Democratic Republic**

The Lao People’s Democratic Republic’s (Lao PDR) bond market expanded to $4.2 billion at the end of December 2022, from $130 million in 2013. Foreign currency denominated bonds have dominated the Lao PDR’s bond market. However, since the COVID-19 pandemic, the local currency bond market saw rapid expansion, increasing its share of total bond stock from 10% in 2018 to 36.3% in 2022.

The Lao PDR local currency government bond market grew to 26.6 trillion kip ($1.5 billion) at the end of 2022 due to issuance of investment bonds and triangular bonds to finance domestic public investment. Government and corporate bonds issued in foreign currency grew to $2.7 billion by the end of December 2022.

The government is taking steps to develop its domestic bond market, including issuance of bonds in a broader range of currencies, developing the corporate bond market, and expanding the investor base. In 2023, the government expanded the currencies of bond offerings in the domestic market and successfully sold its first baht-denominated bond, worth 3 billion baht (around $82.4 million).

**Malaysia**

Malaysia’s local currency bond market expanded 1.2% from the previous quarter to 2,007.3 billion ringgit ($436.9 billion). Bank Negara Malaysia bills led the growth, jumping 11% as few of these securities matured during the review period. Corporate bonds rose 0.8% from the previous quarter amid greater issuance.

Outstanding sukuk (Islamic bonds) marginally increased to 1.3 trillion ringgit ($276.4 billion) or a 0.4% quarterly expansion.

Movements in government bond yields were mixed, affected by the uncertainty over the US Federal Reserve’s monetary policy. On 24 January, Malaysia’s central bank decided to keep the overnight policy rate at 3.0%.

**Philippines**

The Philippines’ local currency bond market increased 1.0% from the previous quarter, driven by growth in government bonds. Despite a contraction in issuance, government bonds outstanding grew due to low volume of maturities during the quarter. Meanwhile, corporate debt contracted 2.6% quarter-on-quarter due to a large number of bond maturities in the fourth quarter of 2023.

Government bond yields rose for nearly all tenors between 1 December 2023 and 29 February 2024 as the Bangko Sentral ng Pilipinas held its policy rate near a 17-year high. The central bank kept its overnight reverse repurchase rate at 6.5% to manage inflation expectations within the target range, given risks from elevated fuel prices and the El Niño weather phenomenon’s impact on food prices.
Singapore

An increase in government bonds drove the expansion of Singapore’s local currency bond market in the last quarter of 2023. Overall bond stock grew 2.6% to S$715.6 billion ($542.0 billion). Treasury and other government securities climbed 2.9%, while central bank securities rose 5.3%. In the corporate segment, bonds declined 2.3% from the previous quarter.

Movements in government bond yields were mixed between 1 December 2023 and 29 February 2024 due to the uncertain future of US interest rates. Yields from 2 years to 20 years increased an average of 6 basis points, while yields at both ends of the curve declined an average of 14 basis points. The Monetary Authority of Singapore, in its 29 January meeting, retained the rate of appreciation of the Singapore dollar nominal effective exchange rate.

Thailand

Thailand’s local currency bond market contracted 0.5% from the previous quarter to 16.5 trillion baht ($482.8 billion) at the end of December 2023. Issuance of treasury and other government bonds declined, partly due to the delayed approval of the budget for the 2024 fiscal year. Issuance in the corporate segment also fell amid elevated borrowing rates.

Government bond yields fell for all tenors except short-term bonds. This followed the regional trend amid moderating inflation and expectations of lower US interest rates in the second half of 2024. Weak inflation also led to the decline in bond yields. Short-term bond yields increased as interest rates remained elevated. The Bank of Thailand kept its policy rate at a record-high of 2.5% during its 7 February meeting.

Viet Nam

Viet Nam’s local currency bond market contracted 0.4% from the previous quarter due to a large volume of maturities of central bank securities. A total of 360.3 trillion dong ($14.8 billion) of central bank securities matured in the last quarter of 2023, while the State Bank of Vietnam ceased issuing securities in November. Outstanding government bonds only grew 2.0% quarter-on-quarter due to reduced issuance, while corporate bond stock increased 6.8% following a decline in the previous quarter.

Government bond yields in Viet Nam declined for most tenors between 1 December 2023 and 29 February 2024. In 2023, the central bank reduced its refinancing rate by a cumulative total of 150 basis points from April to June 2023, and subsequently held rates steady since July 2023 to support economic growth.