BOND MARKET DEVELOPMENT IN THE ASIA-PACIFIC: Broadening Regional Business and Cooperation Opportunities

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Symposium Agenda

1. Current state of domestic bond markets in Asia/Latin America and regional initiatives
2. Emerging business opportunities
3. Trans-Pacific public-private sector cooperation to accelerate bond market development/support ongoing initiatives
Conclusions

1. Liquidity (Asia)
   - Outperforming the rest of the world in deepening of banking/equity markets, but deepening of bond markets below global average
   - Market liquidity: increasing, but way below OECD levels (very low for corporate bonds)
   - Issuer base has expanded
   - Narrow investor base

Conclusions

1. Liquidity (Latin America)
   - Small financial markets, large share of bonds
   - Low savings
   - Institutional investors do not provide much liquidity
Conclusions

2. Addressing challenges: legal frameworks/enforcement
   – Creditor rights, transparency
   – Improvements to domestic and cross-border insolvency
   – Capacity-building for legal infrastructure

Conclusions

3. Addressing challenges: diversity of investors, issuers, instruments
   – ABF-2
     • Pan-Asia Bond Index Fund
   – Measures to make markets more attractive and accessible to domestic, foreign investors
   – Develop institutional investor base: pensions, insurance, mutual funds
Conclusions

3. Addressing challenges: diversity of investors, issuers, instruments
   – Development of bond ETFs (e.g., PAIF)
   – Role of multilateral institutions
     • E.g., ADB – Asian currency note program
     • E.g., IDB – issuance in non-G3 currencies

Conclusions

4. Asian bonds emerging as core asset class
   – Strong market growth, longer yield curves, improved infrastructure
   – Diverse range of currencies, low correlations with developed markets
   – Factors: strong economic growth, high saving rates, growing demographic requirements for pensions, shift from bank deposits to other asset classes
Conclusions

5. Prospects for trans-Pacific cooperation
   - Potential benefits
   - Need for more regular dialogues among officials, private sector from both sides of the Pacific
     • APEC Bond Market Forum
   - Need to promote synergy among institutions and private sector participation
     • Role of Advisory Group