Executive Summary

Recent Developments in Emerging East Asian Financial Conditions

Emerging East Asian financial conditions tightened from 1 September to 6 November 2026 amid heightened geopolitical tensions and elevated oil prices, higher bond yields in major advanced economies, expectations of monetary tightening in advanced and some regional economies, and subdued investor sentiment over artificial intelligence (AI)-related equity valuations.[1] During the review period, regional equities declined, risk premia widened, most currencies depreciated against the United States dollar, and portfolio outflows materialized. Local currency (LCY) bond yields rose at the short end of the curve in most markets, while longer-term yields were shaped by market-specific factors. While financial market conditions eased somewhat in the first week of November, volatility remained elevated throughout the review period. Risks remained tilted to the downside, as worsening geopolitical tensions, further upward pressure on oil prices, adverse weather conditions, and tighter-than-expected monetary conditions could heighten refinancing pressures. AI-related price corrections could also weigh on investor sentiment and amplify financial market volatility.

Local Currency Bond Market Developments in Emerging East Asia

Emerging East Asian LCY debt securities outstanding reached USD34.1 trillion at the end of September, expanding by 2.6% quarter-on-quarter (q-o-q) in the third quarter (Q3) of 2026. Excluding debt securities with tenors of 1 year or less, the region's LCY bonds outstanding totaled USD32.0 trillion, growing 2.6% q-o-q, supported by higher issuance of other government bonds. The region's LCY bond market was equivalent to 113.3% of its gross domestic product, compared with 114.9% in the United States and 128.2% in the euro area. LCY bonds outstanding in Association of Southeast Asian Nations (ASEAN) markets amounted to USD2.1 trillion, accounting for 6.7% of the region's total. The size-weighted average tenor of LCY government bonds was 10.3 years in emerging East Asian bond markets and 9.9 years in ASEAN markets at the end of September. The region's LCY bond issuance reached USD1.9 trillion in Q3, contracting 1.4% q-o-q after expanding 16.3% in the previous quarter, reflecting tighter financial conditions.

Sustainable Bond Market Snapshot in ASEAN+3

ASEAN+3 sustainable bonds outstanding reached USD1.1 trillion at the end of September, with growth accelerating to 4.5% q-o-q in Q3 from 0.6% in the previous quarter, supported by robust issuance of USD91.7 billion.[2] ASEAN+3 accounted for 17.9% of the global sustainable bond market at the end of September. The global sustainable bond market's expansion moderated to 2.8% q-o-q in Q3 from 3.2% in the prior quarter, reflecting tighter monetary conditions in major advanced economies. Within ASEAN+3, the ASEAN sustainable bond market expanded 4.1% q-o-q to USD144.3 billion, accounting for 13.4% of the ASEAN+3 total. ASEAN+3's sustainable bond market remained concentrated in shorter-term financing, with 72.1% of bonds having remaining tenors of 5 years or less. The size-weighted average tenor in the ASEAN+3 sustainable bond market stood at 4.7 years. About 75% of ASEAN+3's sustainable bonds outstanding were denominated in local currencies, which remained below the 96% local currency financing share in its conventional bond market.

[1] Emerging East Asia and "the region" are defined in the *Asia Bond Monitor* to include Brunei Darussalam; Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; the Lao People's Democratic Republic; Malaysia; the Philippines; Singapore; Thailand; and Viet Nam.

[2] ASEAN+3 includes Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam, plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.