



# ASIA BOND MONITOR

## JUNE 2026

The *Asia Bond Monitor* (ABM) is a key knowledge product of the Asian Bond Markets Initiative, an ASEAN+3 initiative supported by the Asian Development Bank (ADB). This is carried out as part of technical assistance project (TA 10282: Developing Local Currency Bond Markets for Sustainable Future) funded by the Japan Fund for Prosperous and Resilient Asia and the Pacific of the Government of Japan.

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ISBN 978-92-9277-843-9 (print); 978-92-9277-844-6 (PDF); 978-92-9277-845-3 (e-book)  
ISSN 2219-1518 (print), 2219-1526 (PDF)  
Publication Stock No. SGP260261-2  
DOI: <http://dx.doi.org/10.22617/SGP260261-2>

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Cover design by Paolo Almazar.

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# **Emerging East Asian Local Currency Bond Markets: A Regional Update**

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# Executive Summary

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## Recent Developments in Emerging East Asian Financial Conditions

Financial conditions in emerging East Asia tightened between 2 February and 29 May 2026 as the Middle East conflict raised global risk aversion, weighed on economic activity, and drove expectations of tighter monetary policy over rising inflation.<sup>1</sup> Regional central banks halted easing cycles, with some starting to hike rates. This pushed up local currency (LCY) bond yields in most regional markets. The exceptions were the People's Republic of China (PRC), where monetary conditions remained accommodative, and Singapore, where inflation came in lower-than-expected. During the review period, subdued investment sentiment led to widened risk premia and portfolio outflows in both equity and bond markets. Regional currencies weakened against the United States dollar. Risks to regional financial conditions remain tilted to the downside. Geopolitical tensions and tighter global monetary conditions could increase market volatility and financing costs. Persistent weakness in the PRC's property sector and a correction in AI-related asset valuations could further dampen investor sentiment and weigh on financial markets.

## Local Currency Bond Market Developments in Emerging East Asia

The LCY bond market in emerging East Asia expanded to USD31.5 trillion at the end of the first quarter (Q1) of 2026, on a 2.4% quarter-on-quarter (q-o-q) increase, compared with 2.1% q-o-q in the previous quarter. The expansion was mainly driven by government bond issuances, which led to a 2.8% q-o-q rise in government bonds outstanding. Government bond issuance across the region expanded by 19.6% q-o-q as governments front-loaded borrowing during the quarter. Regional corporate bonds outstanding ticked up by 1.7% q-o-q as issuance contracted by 20.0% q-o-q over rising yields and negative

investor sentiment. LCY bonds outstanding in member economies of the Association of Southeast Asian Nations (ASEAN) reached USD2.7 trillion, accounting for 8.6% of the regional total.

## Snapshot of ASEAN+3 Sustainable Bond Markets

Despite global uncertainties, ASEAN+3's sustainable bond market, excluding the PRC, posted an expansion of 0.9% q-o-q in Q1 2026 as issuance rose by 11.1% q-o-q.<sup>2</sup> However, total ASEAN+3 sustainable bonds outstanding contracted by 0.1% q-o-q to USD1.0 trillion. Quarterly issuance declined by 31.1% q-o-q to USD46.9 billion on an issuance contraction in the PRC that was driven by a dip in private sector issuance. Most issuers in the ASEAN+3 sustainable bond market rely on LCY financing and borrowing with short- to medium-term horizons. Private sector borrowers accounted for two-thirds of bonds outstanding at the end of March.

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<sup>1</sup> Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

<sup>2</sup> ASEAN+3 comprises the member states of ASEAN plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

# Developments in Regional Financial Conditions

Financial conditions in emerging East Asia tightened between 2 February and 29 May, as the escalation of the Middle East conflict at the end of February disrupted the global oil supply, pushing up inflation and weighing on economic activity during the review period.<sup>1</sup> Conditions eased on announcement of a ceasefire in April, and again in May on an expected extension, but markets remain sensitive to renewed bouts of volatility. Brent crude oil prices rose from USD66.3 per barrel on 2 February to peak at USD118.4 per barrel at the end of March, then subsequently eased to USD92.1 per barrel on 29 May. Asia and the Pacific is highly exposed to oil-related geopolitical risks in the Middle East, as around 80% of the oil transiting the Strait of Hormuz is destined for the region.

During the review period, government bond yields rose across the region, except in the People's Republic of China (PRC) and Singapore, on inflationary pressures and

hawkish signals from central banks. Regional currencies weakened against the United States (US) dollar and risk premia widened in most regional markets. In addition, portfolio outflows were recorded in both equity and bond markets, while equity market performances were mixed, driven by market-specific factors (Table A). Following the escalation of the Middle East conflict on 28 February, implied market volatility and geopolitical risks rose throughout March. Volatility eased after a 2-week ceasefire entered into force on 8 April and further moderated as expectations of a 60-day extension to the ceasefire gained traction in May (Figure A). As of 29 May, geopolitical tensions remained elevated and risks to regional financial conditions remained tilted to the downside. Persistent geopolitical risks and continued uncertainty over the global oil supply could prolong inflationary pressures and lead to tighter financial conditions.

**Table A: Changes in Financial Conditions in Major Advanced Economies and Emerging East Asia (2 February–29 May 2026)**

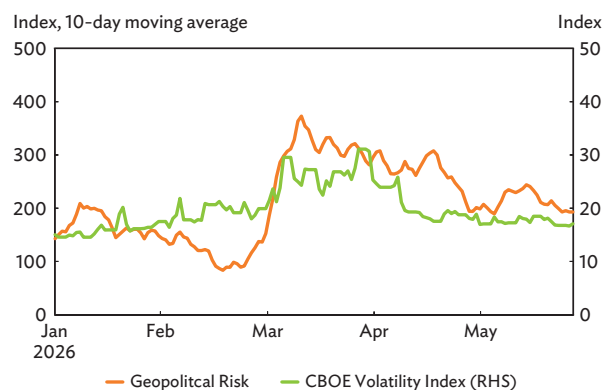
|   | 2-Year Government Bond Yield (bps) | 10-Year Government Bond Yield (bps) | 5-Year Credit Default Swap Spread (bps) | Equity Index (%) | FX Rate (%) |
|---|------------------------------------|-------------------------------------|---|------------------|-------------|
| <b>Major Advanced Economies</b>           |                                    |                                     |   |                  |             |
| Euro Area                                 | 42                                 | 7                                   | –                                       | 0.7              | (1.1)       |
| Japan                                     | 10                                 | 42                                  | 2                                       | 10.6             | (2.3)       |
| United States                             | 43                                 | 16                                  | –                                       | 8.7              | –           |
| <b>Select Emerging East Asian Markets</b> |                                    |                                     |   |                  |             |
| People's Republic of China                | (16)                               | (10)                                | (3)                                     | 1.3              | 2.6         |
| Hong Kong, China                          | 49                                 | 12                                  | –                                       | (6.0)            | (0.3)       |
| Indonesia                                 | 156                                | 43                                  | 12                                      | (22.7)           | (6.1)       |
| Republic of Korea                         | 69                                 | 46                                  | 1                                       | 71.2             | (3.5)       |
| Malaysia                                  | 21                                 | 9                                   | (4)                                     | (3.3)            | (0.5)       |
| Philippines                               | 163                                | 155                                 | 15                                      | (8.4)            | (4.4)       |
| Singapore                                 | 13                                 | (4)                                 | –                                       | 3.0              | (0.3)       |
| Thailand                                  | 2                                  | 29                                  | 10                                      | 18.7             | (3.0)       |
| Viet Nam                                  | 26                                 | 25                                  | 11                                      | 3.2              | (1.1)       |

( ) = negative, – = not available, bps = basis points, FX = foreign exchange.

Note: FX rates are presented against the United States dollar. A positive (negative) value for the FX rate indicates the appreciation (depreciation) of the local currency against the United States dollar.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

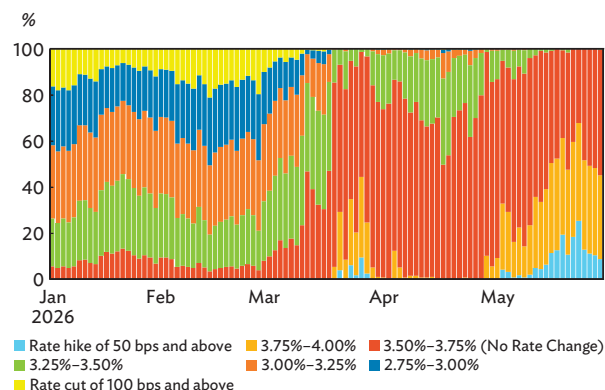
<sup>1</sup> Emerging East Asia and “the region” are defined in the *Asia Bond Monitor* (ABM) to include the member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea. The review period for the June edition of the ABM is from 2 February to 29 May, following the March issue.

**Figure A: Geopolitical Risk Index and Chicago Board Options Exchange Volatility**

RHS = right-hand side.

Note: Data are as of 29 May 2026.

Sources: Bloomberg LP; [Geopolitical Risk Indices](#) (accessed 1 June 2026); Caldara, D., and M. Iacoviello. 2022. Measuring Geopolitical Risk. *American Economic Review*. April. 112 (4). pp. 1194–1225.

**Figure B: Expected Probabilities of Federal Funds Rate Adjustments by the End of 2026**

Note: Data are as of 29 May 2026.

Source: CME FedWatch Tool.

## Bond Yields and Economic Performance in Major Advanced Economies

Bond yields in major advanced economies climbed amid rising inflationary pressures and growing expectations of tighter monetary policy.

### United States

In the US, bond yields rose in March and remained volatile in April and May over ongoing uncertainty around the Middle East conflict despite the ceasefire. Yields further increased toward the end of April on renewed expectations of a possible rate hike after the 28–29 April Federal Open Market Committee meeting. The expected monetary stance moved toward tightening in March (**Figure B**). In its April meeting statement, the Federal Reserve (Fed) noted that inflation remained elevated, while three members dissented against maintaining an easing bias. Statements from Fed officials after the meeting further confirmed their dissent.<sup>2</sup> In addition, after Fed Chair nominee Kevin Warsh was confirmed on 13 May, he reiterated his view that the Fed needs to reduce its bond holdings. If implemented, the unwinding of the Fed's balance sheet could further tighten the US

monetary stance. From 2 February to 29 May, market expectations of the policy rate adjustment in 2026 shifted from a 90.6% probability of at least one rate cut in 2026 to a 54.6% probability of no rate change and a 45.2% probability of at least one rate hike.

The US economy remained robust during the review period. Gross domestic product (GDP) growth rebounded to an annualized rate of 1.6% in the first quarter (Q1) of 2026 from 0.5% in the previous quarter—partly due to the government's reopening—although growth was below Bloomberg's annualized Q1 forecast of 2.3%. Retail sales remained stable with growth at 0.5% month-on-month (m-o-m) in April, and 1.6% in March from 0.9% in February. The S&P Global US Manufacturing Purchasing Managers Index (PMI) continued to improve, reaching 55.1 in May and 54.5 in April, from 52.3 in March and 51.6 in February. Industrial production recovered in April, gaining 0.7% m-o-m after falling 0.3% in March, and rising 0.7% in February. The labor market remained resilient, with nonfarm payrolls rising by 172,000 in May, 179,000 in April, and 214,000 in March, following a decline of 156,000 in February. The unemployment rate stayed broadly stable at 4.3% in May, April, and March, edging down slightly from 4.4% in February. Meanwhile, consumer price inflation accelerated amid rising oil prices, reaching 3.8% year-on-year (y-o-y) in April, up from 3.3% y-o-y in March and 2.4% y-o-y in both February and January.

<sup>2</sup> On 6 May, both Federal Reserve Bank of Chicago President Austan Goolsbee and Federal Reserve Bank of St. Louis President Alberto Musalem indicated that inflation is too high. Federal Reserve Bank of Boston President Susan Collins on 8 May mentioned that she agreed with the dissenters.

## Euro Area

In the euro area, inflationary pressures and hawkish signals from the European Central Bank (ECB) contributed to higher government bond yields. At its 29–30 April meeting, the ECB left policy rates unchanged and noted that recent economic data had been negatively affected by the Middle East conflict. While the ECB continued to emphasize its data-driven approach, the market increasingly expected a policy rate hike in June. Based on Bloomberg data, the probability of a rate hike reached 95.1% as of 29 May, compared to a 13.8% probability of a rate cut on 2 February. Press statements from several ECB officials also confirmed the shift toward tightening.<sup>3</sup>

Recent economic data from the euro area showed some signs of weakening. GDP growth slowed to 0.3% y-o-y in Q1 2026 from 1.2% in the previous quarter. Retail sales growth softened to 1.2% y-o-y in March and 1.3% in February from 2.1% in January. The contraction of industrial production accelerated to 2.1% y-o-y in March and 0.8% in February from 0.6% in January. The labor market remained stable, with the unemployment rate at 6.3% in April and March, and 6.4% in February, compared to 6.3% in January. The S&P Global Eurozone Manufacturing PMI also remained resilient, rising to 51.6 in May, 52.2 in April, 51.6 in March and 50.8 in February from 49.5 in January. Driven by higher global energy prices, inflation in the euro area continued to rise, reaching 3.2% y-o-y in May, 3.0% in April, and 2.6% in March, up from 1.9% in February and 1.7% in January.

## Japan

In Japan, government bond yields rose, driven by a hawkish central bank and a widening fiscal deficit. Prior to the escalation of the Middle East conflict, the Bank of Japan (BOJ) was expected to continue its policy normalization. At its 28 April meeting, the BOJ left monetary policy unchanged but **stated** that the timing and pace of its further rate hikes would depend on how the Middle East conflict evolves and related economic impacts. While policy rates remained unchanged, three BOJ Board members dissented. The market viewed the BOJ's April decision as a “hawkish hold” and expects a rate hike in June. This view was further strengthened

following the release of the April meeting minutes on 12 May. As of 29 May, the market showed a 78.1% probability of a rate hike at the BOJ's June meeting. Japan's long-term bond yields rose by more than those of the US and the euro area, possibly driven by its expansionary fiscal policy. On 7 April, the government unveiled a budget plan amounting to JPY122.3 trillion, the largest in history. Under this plan, the government aims to issue an additional JPY29.6 trillion in government bonds to finance the deficit.

Japan's economic performance remained stable. Japan's GDP expanded at an annualized rate of 2.1% in Q1 2026, exceeding Q4 2025's growth of 0.8% and Bloomberg's forecast of 1.7%. Industrial production rose 2.3% y-o-y in April and 2.4% in March, up from 0.4% in February and 0.7% in January. Retail sales increased 2.1% y-o-y in April and 1.4% in March, reversing the 0.1% decline in February. The jobless rate was steady at 2.5% in April, 2.7% in March, and 2.6% in February, compared to 2.7% in January. Y-o-y inflation remained contained at 1.4%, 1.5%, and 1.3% in April, March, and February, respectively, compared to 1.5% in January. This was largely due to government energy subsidies introduced in March to offset higher oil prices. In April, the BOJ revised its 2026 inflation forecast upward to 2.8% from 1.9% in January and lowered its 2026 GDP growth forecast to 0.5% from 1.0% in January.

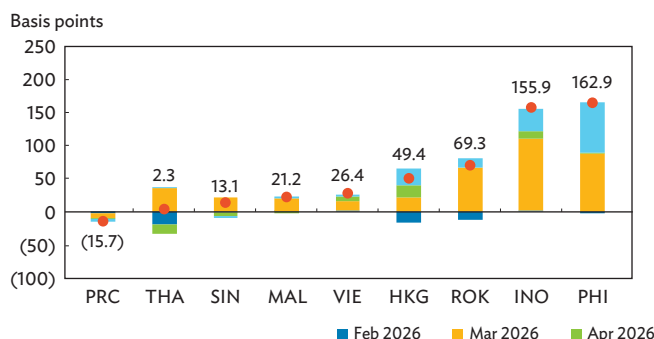
## Developments in Emerging East Asian Economies

Government bond yields rose in most emerging East Asian bond markets between 2 February and 29 May (**Figure C**), as higher oil prices amplified inflationary pressure (**Figure D**). Driven by higher transportation, energy, and food prices, inflation in the Philippines rose sharply to 7.2% y-o-y in April and 6.8% in May from 4.1% in March. In Viet Nam, inflation accelerated to 5.5% y-o-y in April and 5.6% in May from 4.7% in March. Meanwhile, Thailand moved out of deflation, with inflation of 2.9% y-o-y in April and 2.8% in May, compared with -0.1% in March. While policy rates were largely kept on hold, elevated inflation resulted in regional central banks turning increasingly hawkish (**Table B; Box 1**).

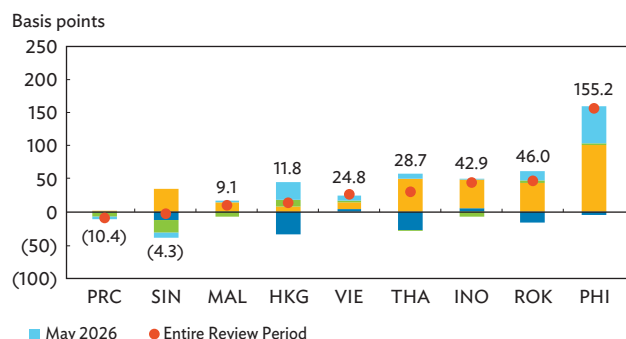
<sup>3</sup> National Bank of Slovakia Governor [Peter Kazimir](#) indicated on 4 May that a June hike was inevitable. The ECB Vice President [Luis de Guindos](#) said that the conflict in the Middle East may be affecting inflation more than growth. President of the Deutsche Bundesbank [Joachim Nagel](#) mentioned that if the outlook does not improve, a June hike is likely.

**Figure C: Local Currency Government Bond Yields in Emerging East Asia**

**A. 2-Year Government Bond Yields**



**B. 10-Year Government Bond Yields**



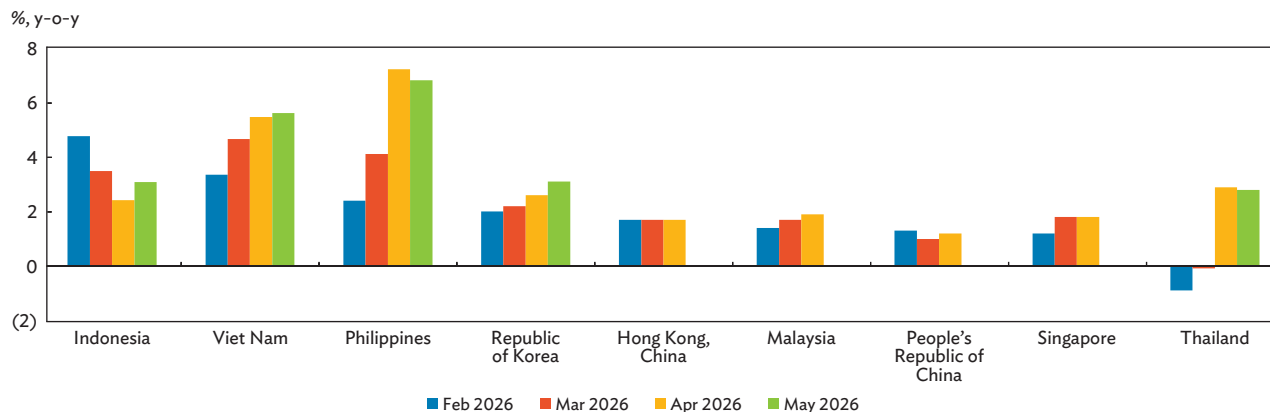
( ) = negative; PRC = People's Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

**Notes:**

1. Data coverage is from 2 February 2026 to 29 May 2026.
2. The numbers above (below) each bar refer to the change in spreads during the entire review period.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

**Figure D: Inflation in Select Emerging East Asian Markets**



( ) = negative, y-o-y = year-on-year.

Sources: Various local sources.

Market-specific factors drove bond yield developments across emerging East Asia. The largest yield increases in the region were recorded in the Philippines, Indonesia, and the Republic of Korea. In the Philippines, yields surged following the Bangko Sentral ng Pilipinas' 25 basis points rate hike in April, with the April inflation data raising the possibility of further tightening. Risk premia widened as *S&P Ratings* revised its Philippine sovereign outlook from positive to stable on 8 April and *Fitch Ratings* adjusted its outlook from stable to negative on 20 April, both citing elevated exposure to the global energy shock. Indonesia bond yields rose over fiscal sustainability concerns, as the 2025 fiscal deficit

expanded to 2.9% of GDP, nearly reaching the ceiling of 3.0%. In March, the government indicated that the budget deficit could rise further given continued upward pressure on oil prices. Risk premia also increased after *Moody's Ratings* and *Fitch Ratings* each downgraded their sovereign ratings outlook for Indonesia from stable to negative on 5 February and 4 March, respectively. In addition, Bank Indonesia raised policy rates by 50 basis points at its 19–20 May meeting to support the rupiah and as a preemptive move to contain inflation within the target range of 1.5%–3.5%. In the Republic of Korea, yields rose on the Bank of Korea's hawkish stance. While the base rate was kept unchanged at 2.50% at

**Table B: Changes in Policy Rates in Major Advanced Economies and Select Emerging East Asian Markets**

| Economy                    | Policy Rate    | Rate Change (%) |          |          |          |          |          |          |          |          |          |          |          |          | Policy Rate     | Change in Policy Rates (basis points) |       |
|----------------------------|----------------|-----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------------|---------------------------------------|-------|
|                            | 1-May-2025 (%) | May-2025        | Jun-2025 | Jul-2025 | Aug-2025 | Sep-2025 | Oct-2025 | Nov-2025 | Dec-2025 | Jan-2026 | Feb-2026 | Mar-2025 | Apr-2026 | May-2026 | 29-May-2026 (%) |                                       |       |
| Euro Area                  | 2.25           |                 | ↓0.25    |          |          |          |          |          |          |          |          |          |          |          |                 | 2.00                                  | ↓ 25  |
| Japan                      | 0.50           |                 |          |          |          |          |          |          | ↑0.25    |          |          |          |          |          |                 | 0.75                                  | ↑ 25  |
| United States              | 4.50           |                 |          |          |          | ↓0.25    | ↓0.25    |          | ↓0.25    |          |          |          |          |          |                 | 3.75                                  | ↓ 75  |
| People's Republic of China | 1.50           | ↓0.10           |          |          |          |          |          |          |          |          |          |          |          |          |                 | 1.40                                  | ↓ 10  |
| Indonesia                  | 5.75           | ↓0.25           |          | ↓0.25    | ↓0.25    | ↓0.25    |          |          |          |          |          |          |          | ↑0.50    |                 | 5.25                                  | ↓ 50  |
| Republic of Korea          | 2.75           | ↓0.25           |          |          |          |          |          |          |          |          |          |          |          |          |                 | 2.50                                  | ↓ 25  |
| Malaysia                   | 3.00           |                 |          | ↓0.25    |          |          |          |          |          |          |          |          |          |          |                 | 2.75                                  | ↓ 25  |
| Philippines                | 5.50           |                 | ↓0.25    |          | ↓0.25    |          | ↓0.25    |          | ↓0.25    |          | ↓0.25    |          | ↑0.25    |          |                 | 4.50                                  | ↓ 100 |
| Singapore                  | -              |                 |          |          |          |          |          |          |          |          |          |          | ↑        |          |                 | -                                     | -     |
| Thailand                   | 1.75           |                 |          |          | ↓0.25    |          |          |          | ↓0.25    |          | ↓0.25    |          |          |          |                 | 1.00                                  | ↓ 75  |
| Viet Nam                   | 4.50           |                 |          |          |          |          |          |          |          |          |          |          |          |          |                 | 4.50                                  | ◆ 0   |

- = no data.

Notes:

1. Data coverage is from 1 May 2025 to 29 May 2026.

2. For the People's Republic of China, the data used in the chart are for the 7-day reverse repurchase rate.

3. For the United States, the upper bound of the policy rate target range is reported on the table.

4. An arrow up (down) indicates a policy rate hike (cut). A diamond indicates no change in the policy rate.

5. The up (down) arrow for Singapore signifies monetary policy tightening (loosening) by its central bank. The Monetary Authority of Singapore utilizes the Singapore dollar nominal effective exchange rate to guide its monetary policy.

Sources: Various central bank websites.

the central bank's 28 May meeting, the probability of a rate hike over the next 6 months increased from the base rate projections for the subsequent 6 months made in February. In contrast, long-term bond yields fell in the PRC, driven by the People's Bank of China's easing monetary policy stance. In Singapore, long-term bond yields fell on lower-than-expected April inflation data.

Some member economies of the Association of Southeast Asian Nations already recorded slower growth in Q1 2026 on heightened global uncertainty (**Table C**). In the Philippines, GDP growth eased to 2.8% y-o-y in Q1 2026 from 3.0% in Q4 2025 over delays in the 2026 budget and as inflation dampened consumer demand. Growth in Malaysia slowed to 5.4% y-o-y in Q1 2026 from 6.2% in the previous quarter, following a contraction in the mining sector. Viet Nam's economy, while posting the most rapid expansion in the region at 7.8% y-o-y in Q1 2026, slowed from 8.5% growth in the previous quarter. Other regional economies recorded stronger growth in Q1 2026, largely driven by external demand for AI-related products. The Republic of Korea's GDP growth accelerated to 3.8% y-o-y in Q1 2026 from 1.6% in the previous quarter. The PRC's GDP growth rose to 5.0% y-o-y in Q1 2026 from 4.5% in Q4 2025. Hong Kong, China's GDP growth increased to 5.9% y-o-y in Q1 2026 from 4.0% in Q4 2025. Singapore's GDP growth accelerated to 6.0% y-o-y in Q1 2026 from 5.7% in Q4 2025.

**Table C: Gross Domestic Product Growth in Select Emerging East Asian Economies (y-o-y, %)**

| Economy | 2025 |      | 2026 | Forecast for Full Year 2026 |
|---------|------|------|------|-----------------------------|
|         | Q3   | Q4   | Q1   |                             |
| PRC     | 4.80 | 4.50 | 5.00 | 4.60                        |
| HKG     | 3.80 | 4.00 | 5.90 | 2.60                        |
| INO     | 5.04 | 5.39 | 5.61 | 5.20                        |
| ROK     | 2.10 | 1.60 | 3.80 | 1.90                        |
| MAL     | 5.30 | 6.20 | 5.40 | 4.60                        |
| PHI     | 3.99 | 3.02 | 2.76 | 4.40                        |
| SIN     | 4.50 | 5.70 | 6.00 | 3.00                        |
| THA     | 1.20 | 2.50 | 2.80 | 1.80                        |
| VIE     | 8.25 | 8.46 | 7.83 | 7.20                        |

PRC = People's Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; Q1 = first quarter; Q3 = third quarter; Q4 = fourth quarter; SIN = Singapore; THA = Thailand; VIE = Viet Nam; y-o-y = year-on-year.

Note: Forecasts for 2026 are based on the *Asian Development Outlook April 2026*.

Sources: Various local sources.

Risk premia, as measured by credit default swap (CDS) spreads, widened in February and March across regional economies on heightened geopolitical risks before narrowing in April and May as risks declined (**Figure E**). Overall, fluctuations in CDS spreads were uneven across economies during the review period, largely reflecting varying exposure to higher energy prices (**Figure F**) and differences in fiscal and external fundamentals (**Figure G**). The Philippines recorded the largest widening of its CDS spread, reflecting its position as a net oil

## Box 1: Decisions of Major Regional Central Banks During the Review Period

Bank Indonesia held rates steady at its 16–17 March and 21–22 April meetings to support the rupiah amid rising global uncertainty due to the Middle East conflict. It later raised rates by 50 basis points (bps) at its 19–20 May meeting and by 25 bps on 9 June at an unscheduled meeting, given amplified currency pressure and inflation risks.

The Bangko Sentral ng Pilipinas removed any reference to further rate cuts at its February meeting. On 23 April, the central bank raised its policy rate by 25 bps to 4.50%, in line with revised projections that inflation would breach its target in both 2026 and 2027. The central bank also indicated that the rate hike was largely preemptive, aimed at maintaining price stability and anchoring inflation expectations.

The Monetary Authority of Singapore tightened monetary policy on 14 April, slightly increasing the rate of appreciation of the Singapore dollar nominal effective exchange rate policy band amid an expected rise in core inflation. In April, the 2026 inflation forecast was revised up to 1.5%–2.5% from 1.0%–2.0% in January.

The Bank of Korea (BOK) has held the policy rate steady since February over rising inflationary pressures and heightened global uncertainty. At its 28 May meeting, while policy rate remained unchanged, the BOK maintained a hawkish stance and signaled that rate hikes could be on the horizon given persistent inflation. The BOK also revised its inflation and growth forecasts upward from those of February. Based on the BOK's May dot plot, there was a 47.6% probability of a 50 bps rate hike within the next

6 months, compared to a 76.2% chance of no rate change in its 6-month projection in February.

The Bank of Thailand was less hawkish upward compared to other central banks in the region. On 29 April, the central bank held its policy rate unchanged at 1.00%, stating that the current rate was appropriate to support economic growth amid heightened uncertainty and inflationary pressure. On 13 May, the Bank of Thailand indicated that it was not in a rush to raise rates and that second-round inflation effects were likely to be limited.

Bank Negara Malaysia has maintained a broadly neutral stance, leaving its policy rate unchanged in its 5 March and 7 May meetings. Bank Negara Malaysia noted that domestic growth momentum was expected to remain stable and that inflationary pressures from the Middle East conflict would likely remain contained.

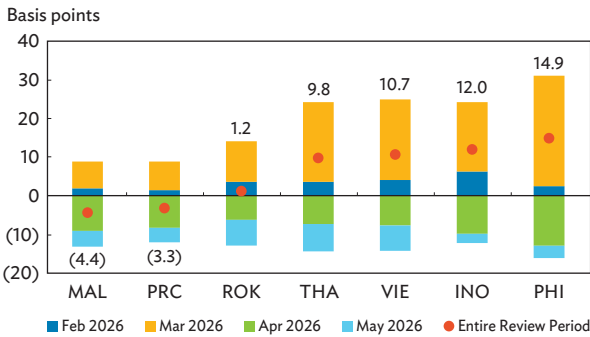
The People's Bank of China was the only major central bank in emerging East Asia that maintained an easing monetary stance during the review period. On 22 March, the [central bank](#) pledged to maintain its moderately loose monetary policy and use a variety of tools such as reverse repos and the medium-term lending facility. In April, the [People's Bank of China](#) continued to increase the money supply through reverse repos. On 11 May, the [central bank](#) released its first quarter monetary policy report, which showed that a net injection of liquidity amounting to CNY2.0 trillion took place through medium- and long-term funding operations.

importer as well as its elevated fiscal and current account deficits. In contrast, Malaysia's risk premium narrowed, supported by its position as a net energy exporter. The PRC's CDS spread also narrowed, underpinned by solid economic performance and an easing monetary policy stance. On 28 April, [Moody's Ratings](#) raised the PRC's outlook from negative to stable, citing the economy's resilience in navigating both domestic headwinds and the current geopolitical environment.

Despite heightened global risks, most regional equity markets recorded gains during the review period (**Figure H**). At the aggregate level, the regional equity market rose 6.1% (market-weighted average) between 2 February and 29 May, trailing global markets as

measured by the S&P Broad Market Index and the MSCI All Country World Index (both at 8.3%). While most regional markets retreated in March after the escalation of the Middle East conflict on 28 February, they rallied in April and the first half of May as geopolitical risks eased and positive investor sentiment toward AI-related sectors gained traction. The Republic of Korea posted the largest gain in the region as its semiconductor and AI-related sectors [performed](#) strongly during the review period. Other economy-specific factors also supported its equity market performance. Viet Nam posted the region's second-largest return in April (10.7%), following news that [FTSE Russell](#) would upgrade Viet Nam from frontier to emerging market status. Some economies experienced equity losses. For example, Indonesia

**Figure E: Changes in Risk Premia in Emerging East Asian Markets (senior 5-year)**

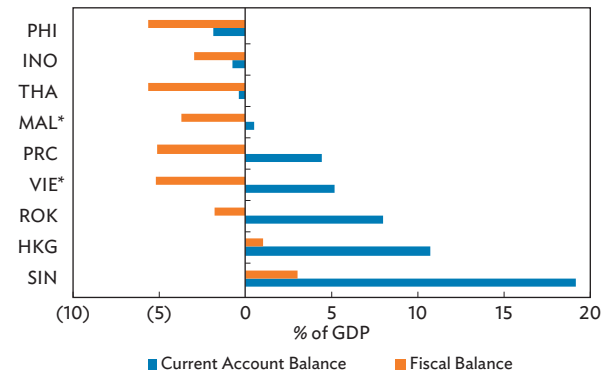


( ) = negative; PRC = People's Republic of China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; THA = Thailand; VIE = Viet Nam.

- Notes:  
 1. Data coverage is from 2 February 2026 to 29 May 2026.  
 2. The numbers above (below) each bar refer to the change in spreads during the entire review period.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

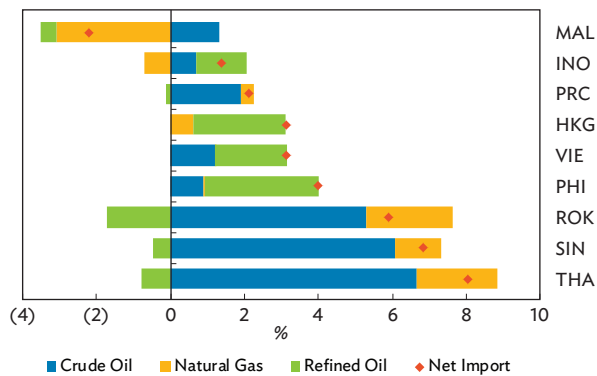
**Figure G: Current Account and Fiscal Balances in Emerging East Asia (% of GDP) as of the Fourth Quarter of 2025**



( ) = negative; PRC = People's Republic of China; GDP = gross domestic product; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

- \* Data for Malaysia and Viet Nam's fiscal balances are for full-year 2025.  
 Sources: CEIC Data Company, Ministry of Finance (Malaysia fiscal balance), and General Statistic Office of Vietnam (Viet Nam fiscal balance).

**Figure F: Net Oil and Gas Imports as a Share (%) of GDP in Emerging East Asia**

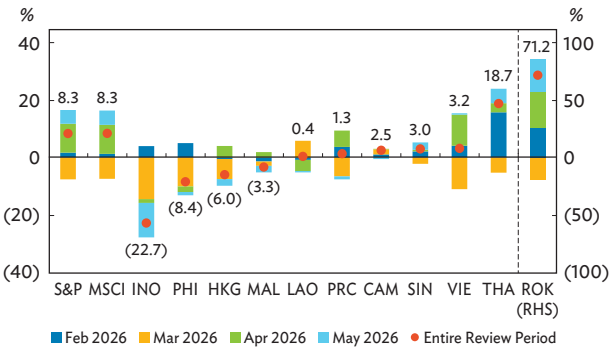


( ) = negative; PRC = People's Republic of China; GDP = gross domestic product; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

- Notes: Data reflect 2022–23 averages and account for crude oil as well as refined petroleum products. It is calculated as the sum of Harmonized System Code 2709.00 (petroleum oil and oils obtained from bituminous minerals, crude); 2710.12 (light oils and preparations); 2710.19 (other petroleum oils and preparations); 2710.20 (petroleum oils and preparations containing biodiesel); 2711.11 (liquefied natural gas); and 2711.21 (natural gas in gaseous state). Net imports are calculated as the difference between imports and exports and expressed as a share of GDP. As such, negative values indicate net exports.

Sources: Asian Development Bank staff calculations using data from United Nations Comtrade and World Development Indicators.

**Figure H: Equity Market Performances in Emerging East Asian Markets**



( ) = negative; CAM = Cambodia; PRC = People's Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; LAO = Lao People's Democratic Republic; MAL = Malaysia; MSCI = MSCI All Country World Index; PHI = Philippines; RHS = right-hand side; S&P = S&P Global Broad Market Index; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

- Notes:  
 1. Data coverage is from 2 February 2026 to 29 May 2026.  
 2. The numbers above (below) each bar refers to the percentage change during the review period.  
 3. The MSCI All Country World Index covers large- and mid-cap equities across developed and emerging markets, representing about 85% of global investable equities. The S&P Global Broad Market Index is a float-adjusted, market-capitalization-weighted index that tracks performance of over 14,000 equities across developed and emerging markets.

Source: *AsianBondsOnline* computations based on Bloomberg LP data.

recorded the largest decline across the region over uncertainties surrounding MSCI's May 2026 review, in which it removed six Indonesian constituents from the MSCI Global Standard Index and 13 from the MSCI Small Cap Index. Fitch Ratings also revised downward the

sovereign risk outlook of Indonesia from stable to negative on 4 March over concerns of reduced policy consistency that could lead to a widening fiscal deficit. Box 2 shows that developing Asia and the Pacific equity markets experience a more negative

## Box 2: Equity Market Reactions to Oil-Related Geopolitical Shocks

**Geopolitical shocks can significantly affect financial markets, particularly in emerging economies.** Shocks—including conflicts, economic sanctions, blockades, embargoes, and trade tensions—have long been documented as influencing financial markets through disruptions to trade, price changes, heightened risk aversion, inflation expectations, and monetary policy uncertainty (Caldara and Iacoviello 2022, Venditti and Veronese 2020). Such shocks can amplify financial market volatility in emerging economies, as global investors typically reallocate capital toward safe havens in periods of elevated global uncertainty. For example, Beirne and Renzhi (2026) find that geopolitical risk can increase capital flow volatility and asset market pressures, with more persistent effects in emerging economies. Evidence shows that increases in global geopolitical shocks significantly depress stock prices across major Asian indices (Adeleke 2023).

**Oil-related events warrant particular attention as they can lead to cascading economic effects through commodity markets and inflation.** Oil-related geopolitical shocks add another layer of geopolitical risk by driving up oil prices as well as commodity prices and production costs. These shocks can influence equity markets through both microeconomic channels (e.g., reduced corporate margins) and macroeconomic channels (e.g., higher import bills, weaker external balances, foreign portfolio outflows, currency depreciation, inflationary pressures, and tighter monetary policy expectations) (Ready 2018). For example, Assaf, Gupta, and Kumar (2023) revealed that international equity markets were sensitive to the Russian invasion of Ukraine, and the reaction depended on market-specific characteristics, such as trade openness.

**Recent conflicts in the Middle East provide a timely case study for understanding the impact of oil-related geopolitical shocks on stock markets in developing Asia and the Pacific.** Asia is home to the world's largest net oil importers and several key industrial economies, making corporate profitability and equity valuations exceptionally vulnerable to energy-driven, cost-push inflation. Given the region's exposure to global energy supplies, trade routes, and external financing conditions, oil-related geopolitical shocks can trigger broad equity market selloffs, with some markets, such as those with higher oil dependence, being particularly susceptible. The current study extends Assaf, Gupta, and Kumar (2023) by examining how Asian equity markets respond to distinct oil-related geopolitical shocks.

Understanding these dynamics in the context of developing Asia and Pacific (DAP) is useful for regional policymakers to safeguard financial and economic stability.

**This box explores the responsiveness of Asian equity markets to four major oil-related geopolitical shocks.**

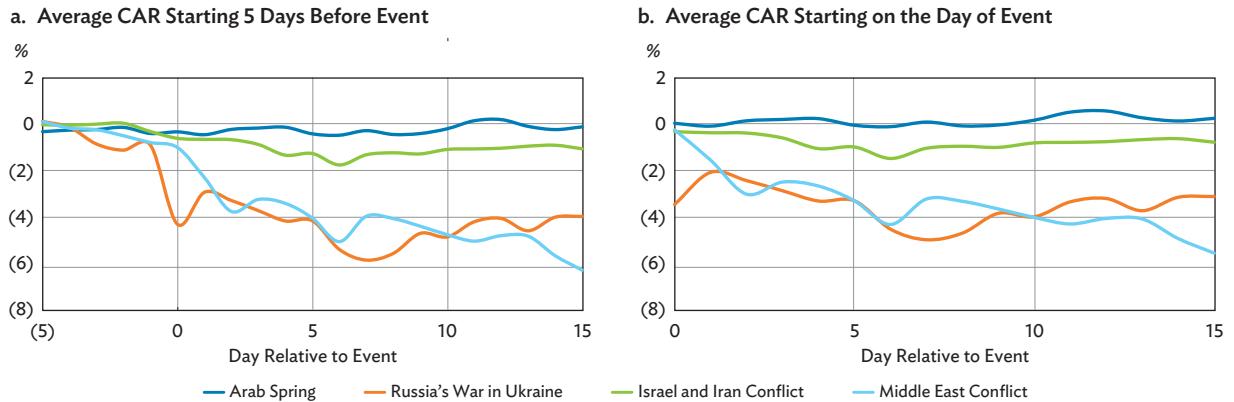
The four shocks include the (i) Arab Spring, which began on 17 December 2010; (ii) Russian invasion of Ukraine starting on 24 February 2022; (iii) Israel and Iran conflict beginning on 13 June 2025; and (iv) 2026 Middle East conflict, which escalated on 28 February 2026. For each event, stock index return dynamics, estimated using cumulative abnormal returns (CARs), are examined over the trading days surrounding the conflict's outbreak or escalation.<sup>a</sup>

**Global equity markets recorded a persistent negative reaction to the 2022 Russian invasion of Ukraine and the 2026 Middle East conflict.** Figures B2.1a and B2.1b depict the average CARs across 71 global markets, starting 5 trading days before the event outbreak and on the event outbreak day, respectively. Notably, global equity markets exhibited the strongest reactions to the outbreak of the Russian invasion of Ukraine in 2022 and the escalation of the Middle East conflict in 2026. During the Middle East conflict, CARs continued to decline for 3 weeks after the outbreak, while during the Russian invasion of Ukraine, markets began to recover after 1 week. On average, global markets lost approximately 5% over the 3 weeks following the outbreak of the Middle East conflict, compared to a 3% decline following the Russian invasion of Ukraine. On the other hand, the relatively muted equity market reaction to the Arab Spring and the 2025 Israel and Iran conflict likely reflected investor perceptions that these were localized oil disruptions that could be contained, rather than systemic ones. Arab Spring-related supply disruptions were concentrated in selected producers, such as Libya, while the June 2025 Israel and Iran conflict caused only a mild and temporary disruption in the Strait of Hormuz.

**Developing Asia and the Pacific exhibited deeper negative reactions than advanced markets to the Russian invasion of Ukraine and an even more pronounced negative response to the 2026 Middle East conflict (Figure B2.2).** Advanced markets began to recover in the second week after the Russian invasion of Ukraine, while DAP markets did not show clear signs of recovery for 3 weeks. Moreover, DAP markets suffered larger average losses (4.5%) 3 weeks after the event's outbreak than advanced economies (2.8%)

Box 2 continued

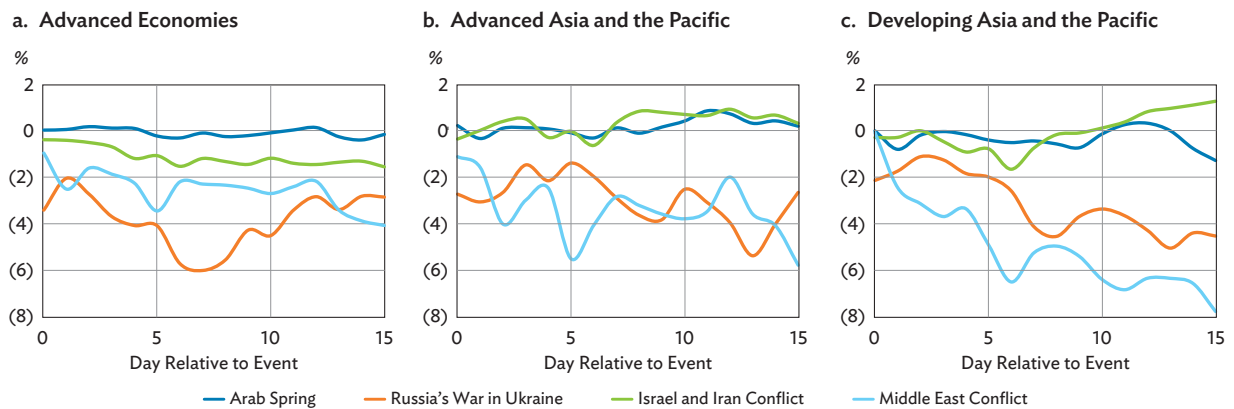
Figure B2.1: Average Cumulative Abnormal Returns Across Oil-Related Shocks



Note: The sample comprises the following 71 global markets: Australia; Austria; Bangladesh; Belgium; Brazil; Bulgaria; Canada; Chile; the People's Republic of China; Colombia; Cyprus; Czechia; Denmark; Egypt; Estonia; Finland; France; Germany; Greece; Hong Kong, China; Hungary; Iceland; India; Indonesia; Iraq; Ireland; Israel; Italy; Japan; Kazakhstan; the Republic of Korea; Kuwait; Latvia; Lithuania; Luxembourg; Malaysia; Malta; Mexico; Mongolia; Montenegro; the Netherlands; New Zealand; Nigeria; North Macedonia; Norway; Pakistan; Peru; the Philippines; Poland; Portugal; Qatar; Romania; the Russian Federation; Saudi Arabia; Singapore; the Slovak Republic; Slovenia; South Africa; Spain; Sri Lanka; Sweden; Switzerland; Taipei,China; Thailand; Türkiye; United Arab Emirates; the United Kingdom; the United States; Venezuela; and Viet Nam.

Sources: ADB calculations using Haver Analytics and CEIC Data Company.

Figure B2.2: Average Cumulative Abnormal Returns by Economy Group



Note: Advanced economies include Austria, Belgium, Canada, Chile, Croatia, Cyprus, Czechia, Germany, Denmark, Estonia, Finland, France, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Slovenia, the Slovak Republic, the United Kingdom, and the United States. Advanced Asia and the Pacific comprises Australia; Hong Kong, China; Japan; the Republic of Korea; New Zealand; Singapore; and Taipei,China. Developing Asia and the Pacific comprises Bangladesh, the People's Republic of China, India, Indonesia, Kazakhstan, Malaysia, Mongolia, Pakistan, the Philippines, Sri Lanka, Thailand, and Viet Nam.

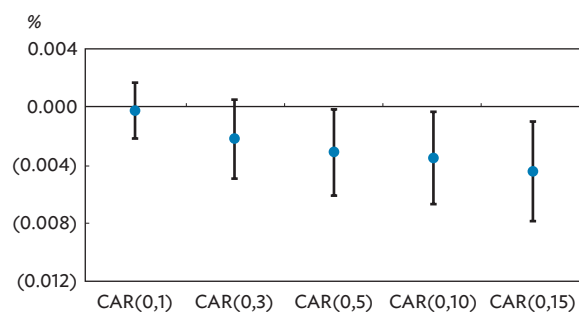
Sources: ADB calculations using Haver Analytics and CEIC Data Company.

**Box 2** *continued*

and advanced Asia and the Pacific (2.6%). The pattern was even more pronounced during the recent conflict in the Middle East. During the 3 weeks following the escalation of the Middle East conflict in 2026, all three market groups continued to retreat, with DAP witnessing a deeper loss of 7.8%, compared to 5.8% in advanced Asia and the Pacific and 4.0% in advanced economies. These patterns highlight the vulnerability of markets in Asia and the Pacific to geopolitical tensions that impact oil supply and trade networks.

**Cross-sectional analysis suggests that markets with greater dependence on oil imports are more adversely affected by oil-related geopolitical shocks.** This box examines how an economy's oil import dependence, proxied as the share of net oil imports in total oil consumption, is related to equity performance during oil-related geopolitical shocks.<sup>b</sup> As shown in **Figure B2.3**, on average, higher oil import dependence is associated with a progressively greater negative market reaction over time.

**Figure B2.3: Association Between Oil-Import Dependence and Equity Market Reactions During Oil-Related Shocks**



( ) = negative, CAR = cumulative abnormal returns.

Note: Error bands represent 95% confidence Intervals based on robust estimation.

Source: ADB calculations.

**Oil-related geopolitical shocks pose a significant risk to equity markets across developing Asia and the Pacific, with important implications for the region's policymakers.**

DAP's equity markets can be negatively affected due to the region's structural vulnerability to external energy disruptions given its dependence on energy imports. To mitigate these effects, regional financial regulators should strengthen surveillance and monitoring as oil-related geopolitical tensions escalate in the future to safeguard financial and economic stability. This especially matters for regional economies with high fiscal and current account deficits, and weak external debt positions.

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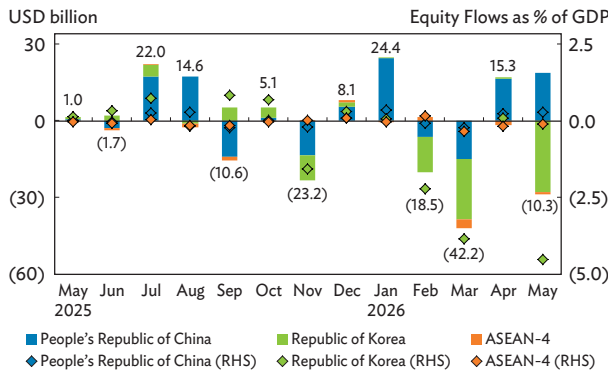
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<sup>a</sup> The expected market return was estimated using a market model against the MSCI All Country Market Index during a normal trading period, spanning 8-147 days before the event. The daily abnormal return for each market index was computed as the difference between the actual return on the stock index and the expected return based on normal-period estimates for each trading day within the -5- to +15-day window around the event. The CARs for each stock index around each oil event were calculated by aggregating daily abnormal returns over the event window.

<sup>b</sup> Empirically, the CARs of each market over different windows around the outbreak of each event are regressed on oil import dependence after controlling for key macroeconomic and financial characteristics, such as gross domestic product (GDP) growth, financial market development (stock market capitalization as a share of GDP), and public debt levels (government debt as a percentage of GDP). Oil shock event dummies are also included to capture event-specific information.

**Figure I: Foreign Portfolio Flows in Emerging East Asian Equity Markets**

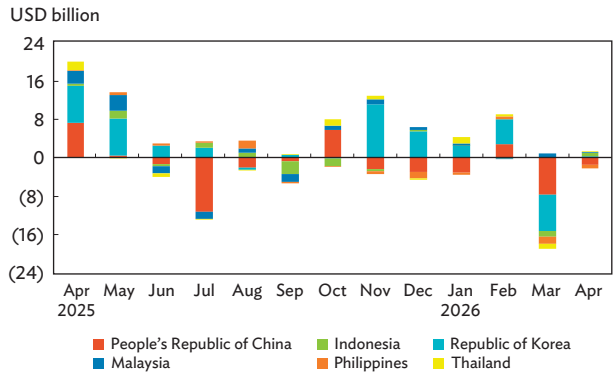


( ) = negative, GDP = gross domestic product, RHS = right-hand side, USD = United States dollar.

Notes:

1. Data coverage is from 1 May 2025 to 29 May 2026.
  2. The numbers above (below) each bar refer to net inflows (net outflows) for each month.
  3. Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.
  4. ASEAN-4 is defined to include the markets of Indonesia, the Philippines, Thailand, and Viet Nam.
  5. Diamonds refer to the net inflows (net outflows) as a % of GDP.
- Source: Institute of International Finance.

**Figure J: Foreign Portfolio Flows in Emerging East Asian Local Currency Bond Markets**



( ) = negative, USD = United States dollar.

Notes:

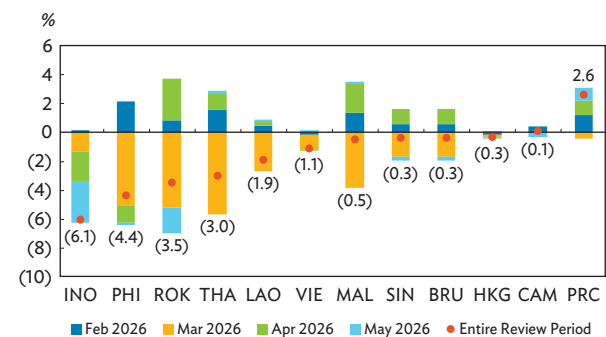
1. The Republic of Korea and Thailand provided data on bond flows. For the People's Republic of China, Indonesia, Malaysia, and the Philippines, month-on-month changes in foreign holdings of local currency government bonds were used as a proxy for bond flows.
2. Data are as of 30 April 2026.
3. Figures were computed based on 30 April 2026 exchange rates and do not include currency effects.

Sources: People's Republic of China (Bloomberg LP); Indonesia (Directorate General of Budget Financing and Risk Management, Ministry of Finance); Republic of Korea (Financial Supervisory Service); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury); and Thailand (Thai Bond Market Association).

response to oil-related geopolitical shocks, compared to advanced markets, especially during the current Middle East conflict.

Net portfolio equity outflows were recorded across regional economies during the review period, driven by large outflows (USD42.2 billion) in March over the escalation of the Middle East conflict despite the inflows in April over the ceasefire announcement and improved AI-related sentiment (Figure I). Similarly, regional bond markets registered net portfolio outflows of USD10.3 billion from February to April, mainly due to outflows in March (USD18.0 billion) driven by investor concerns over the Middle East conflict. Malaysia was the only regional bond market that recorded bond inflows in March as its position as a net energy exporter cushioned the negative impacts of the oil price shock. Bond inflows in the region in February were led by (i) the Republic of Korea over its expected inclusion in the FTSE Russell World Government Bond Index in April, and (ii) the PRC amid an extension of foreign investor tax exemption in bond interest income on 13 January (Figure J). Box 3 examines the dynamics in bond yield differentials between developing Asia and the Pacific and major advanced economies, highlighting that monetary

**Figure K: Currency Performance Against the United States Dollar in Emerging East Asia**



( ) = negative; BRU = Brunei Darussalam; CAM = Cambodia; PRC = People's Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; LAO = Lao People's Democratic Republic; MAL = Malaysia; PHI = Philippines; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

Notes:

1. A positive (negative) value for the foreign exchange rate indicates the appreciation (depreciation) of the local currency against the United States dollar.
2. Data coverage is from 2 February 2026 to 29 May 2026.
3. The numbers above (below) each bar refer to the changes during the entire review period.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

policy tightening to contain inflation and rising fiscal risks in advanced economies are the key drivers of the decline in bond yield differentials. The box also shows

### Box 3: Understanding the Compression in the Bond Yield Spread Between Developing Asia and the Pacific and Advanced Economies

In recent years, the differential between government bond yields in developing Asia and the Pacific (DAP) and advanced economies (AEs) has narrowed. Since the coronavirus disease (COVID-19) pandemic, 10-year government bond yields in AEs have risen sharply due to monetary policy tightening to contain inflation. As shown in **Figure B3.1a**, the simple average bond yield for Group of Seven (G7) economies increased from 0.3% in January 2021 to 3.4% in December 2025. Meanwhile, 10-year government bond yields in advanced Asia and the Pacific (AAP) and DAP, while broadly tracking AE bond yields, rose by less during the tightening cycle and started to decline from the fourth quarter (Q4) of 2024 as inflationary pressure dissipated and monetary easing commenced. These developments have led to a sharp compression in the yield differential between DAP and AEs. The difference between simple average yields on DAP and G7 sovereign bonds narrowed significantly from 3.3 percentage points in January 2021 to 0.9 percentage points in December 2025. The yield differential for DAP bonds relative to United States Treasuries also narrowed during this period, remaining at around zero since Q4 2024 (**Figure B3.1b**).

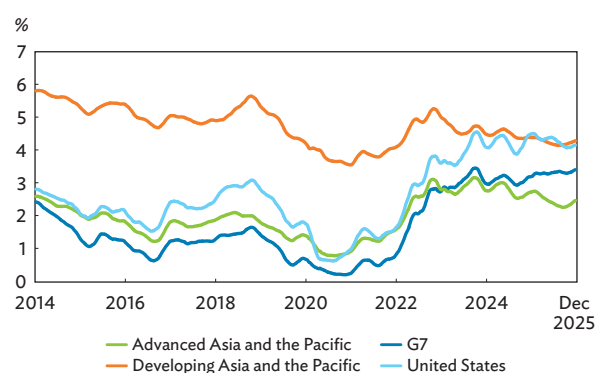
**Persistently higher inflation in AEs and the resulting monetary policy divergence contributed to the narrowing bond yield differential between DAP and AEs.** Strong post-pandemic demand and supply chain disruptions pushed up inflation expectations and government bond yields in

AEs. Inflation in AEs rose faster and remained elevated for longer than in DAP, particularly from the second half of 2021 through the first half of 2023 and again in 2025 (**Figure B3.2a**). In response, AE central banks raised policy rates more rapidly than their DAP counterparts, significantly narrowing the policy rate differential between the two groups. The policy rate differential between DAP and AEs decreased from 2.7 percentage points in June 2021 to 0.5 percentage points in September 2023 as inflation in DAP was contained earlier than in AEs. As of December 2025, the policy rate differential stood at 1.1 percentage points, compared with the pre-pandemic level of 3.3 percentage points in December 2019 (**Figure B3.2b**). This narrower policy rate differential helped to anchor the compression in the bond yield differential between DAP and AEs.

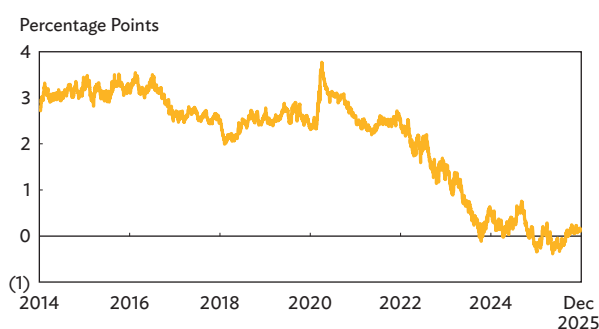
**Higher inflation in AEs cannot fully explain the narrowing bond yield differential between DAP and AEs.** Even after accounting for inflation and risk-free rates, the real bond yield differential between DAP and AEs also narrowed (**Figure B3.3**). The simple average of the real bond yield in DAP declined from 2.3% in January 2014 to 1.7% in December 2025. In contrast, the US real bond yield rose sharply in 2022, from -0.7% in January 2022 to 1.4% in December 2022, and it remained elevated thereafter. Similarly, the average real bond yield for G7 economies rose from -1.0% in January 2022 to 0.4% in December 2022 and further to 1.4% in December 2025.

**Figure B3.1: 10-Year Government Bond Yields in Advanced Economies and Developing Asia and the Pacific**

**a. Average 10-Year Government Bond Yields**



**b. 10-Year Government Bond Yield Differential over US Treasuries**

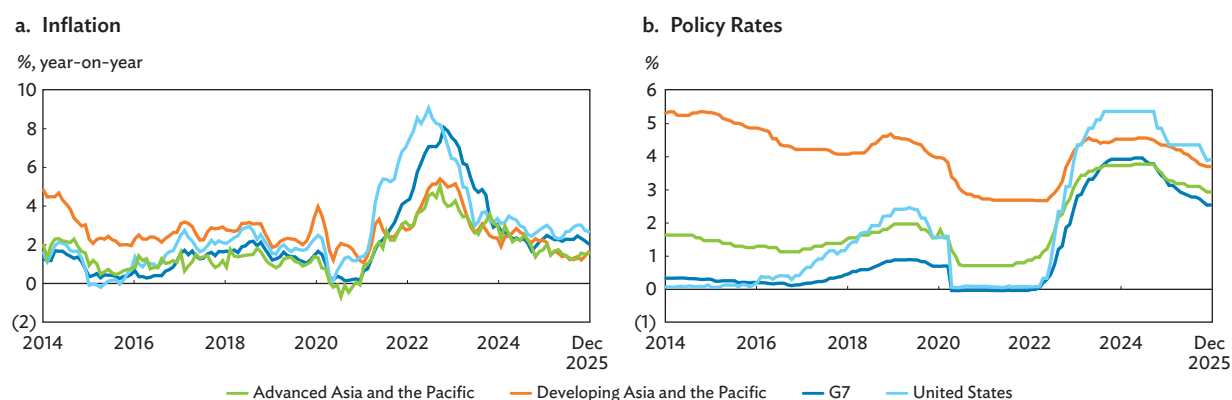


( ) = negative, US = United States.

Note: The Group of Seven (G7) includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Developing Asia and the Pacific includes the People's Republic of China, India, Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam. Advanced Asia and the Pacific includes Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. Yields are aggregated using simple averages and are smoothed using a 90-day centered moving average.

Sources: Bloomberg LP and CEIC Data Company.

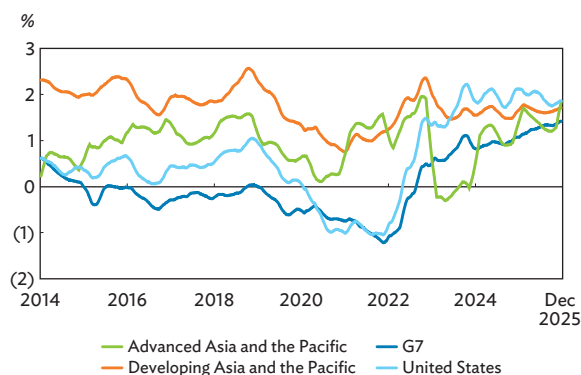
## Box 3 continued

**Figure B3.2: Monthly Inflation and Policy Rates in Advanced Economies and Developing Asia and the Pacific**


( ) = negative.

Note: The Group of Seven (G7) includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Developing Asia and the Pacific includes the People's Republic of China, India, Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam. Advanced Asia and the Pacific includes Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. The inflation rates and policy rates are aggregated using simple averages.

Source: CEIC Data Company.

**Figure B3.3: Real 10-Year Government Bond Yields in Advanced Economies and Developing Asia and the Pacific**


( ) = negative.

Note: The Group of Seven (G7) includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Developing Asia and the Pacific includes the People's Republic of China, India, Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam. Advanced Asia and the Pacific includes Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. To proxy expected inflation, for G7 economies, we used the generic inflation-indexed 10-year government bond yield for all economies except Canada, which uses 10-year breakeven inflation rate. For the Republic of Korea and Thailand, we used 10-year zero-coupon inflation swaps. Where long-term inflation expectations are unavailable, expected inflation is proxied using either central bank targets (the People's Republic of China, India, Indonesia, the Philippines, and Viet Nam) or inflation expectations 1 year ahead (Malaysia and Singapore). Yields are aggregated using simple averages and are smoothed using a 90-day centered moving average.

Sources: Bloomberg LP, CEIC Data Company, and official sources.

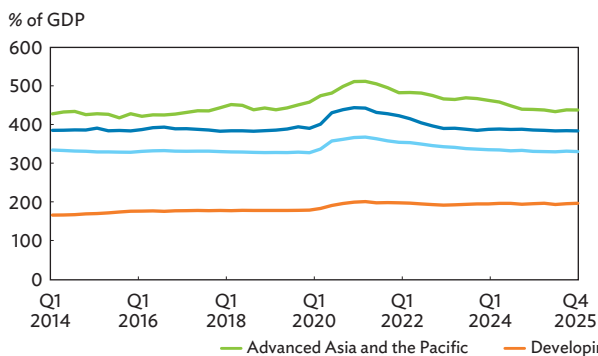
**Rising fiscal pressures also contributed to higher bond yields in AEs through widened risk premia.** Debt levels in AEs have remained persistently high, although they trended downward after peaking during the pandemic. The simple-average total debt level in AEs was around 400% of gross domestic product in Q1 2025 (**Figure B3.4a**). Meanwhile, the United States continued to run larger fiscal deficits than DAP economies (**Figure B3.4b**). High debt levels, combined with further fiscal expansion to support growth, raised investor concerns over debt sustainability and widened risk premia. These higher credit risk premia, in turn, pushed up bond yields in AEs.

**Higher risks in AE government bond markets have contributed to greater incentives for portfolio diversification by global investors.** As fiscal risks escalated in AEs, investors diversified across global markets and asset classes. In addition, global central banks increased their gold holdings to diversify risks in their international reserve portfolios (**Figure B3.5**). Global investors continued to invest in DAP bond markets for asset diversification purposes despite compressed yield differentials relative to AEs. DAP economies have consistently posted stronger growth than AEs (**Figure B3.6**), while their bonds have become increasingly important in global benchmark portfolios, supported by the increased inclusion of DAP bonds in global benchmark bond indexes due to continued financial development, notably in relation to local currency bond markets.

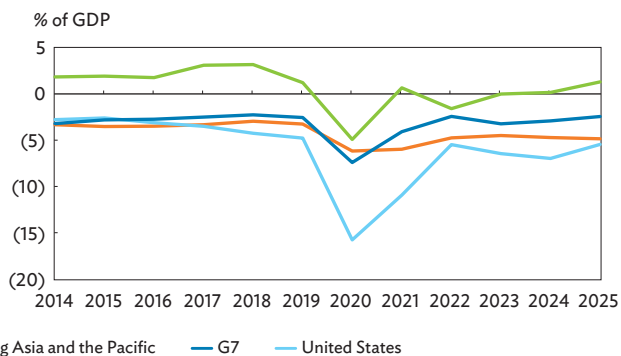
Box 3 continued

Figure B3.4: Debt Levels and Fiscal Balances in Advanced Economies and Developing Asia and the Pacific

a. Total Debt



b. Fiscal Balance

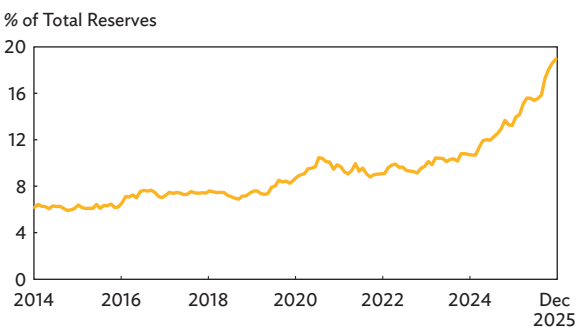


( ) = negative, GDP = gross domestic product.

Note: The Group of Seven (G7) includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Developing Asia and the Pacific includes the People's Republic of China, Indonesia, Malaysia, Thailand, the Philippines, Viet Nam, India. Advanced Asia and the Pacific includes Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. Debt levels and fiscal balances are aggregated using simple averages. Total debt, as defined by the Institute of International Finance (IIF), comprises debt owed by households, nonfinancial corporates, financial corporates, and the government sector. Fiscal balance is defined as the consolidated fiscal balance, which measures the difference between government revenues (including grants) and expenditures (including net lending) on a consolidated basis for the entire government sector, expressed as a percentage of nominal GDP.

Sources: CEIC Data Company and Institute of International Finance.

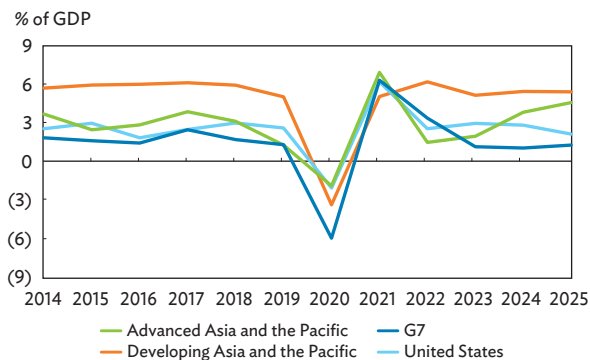
Figure B3.5: Gold Reserves as a Share of Global International Reserves



Sources: CEIC Data Company.

**Further financial market development and improved governance will help to underpin demand and strengthen financial resilience in DAP markets.** Although DAP bond markets still lag AE bond markets in terms of market depth, liquidity, availability of hedging tools, transparency, and institutional quality, solid economic fundamentals and continued efforts to develop financial markets and improve governance will help to strengthen the attractiveness of DAP assets among global investors. Therefore, robust

Figure B3.6: Gross Domestic Product Growth Rates in Developing Asia and the Pacific and Advanced Economies



( ) = negative, GDP = gross domestic product.

Note: The Group of Seven (G7) includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Developing Asia and the Pacific includes the People's Republic of China, India, Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam. Advanced Asia and the Pacific includes Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. Gross domestic product growth rates are aggregated using simple averages.

Sources: Asian Development Outlook database and CEIC Data Company.

macroeconomic policy frameworks are key underlying factors, supported by credible fiscal rules and reforms to boost the efficiency of public financial management.

This box was written by John Beirne (principal economist), Shu Tian (principal economist), and Mai Lin Villaruel (senior economics officer) at the Asian Development Bank, Manila.

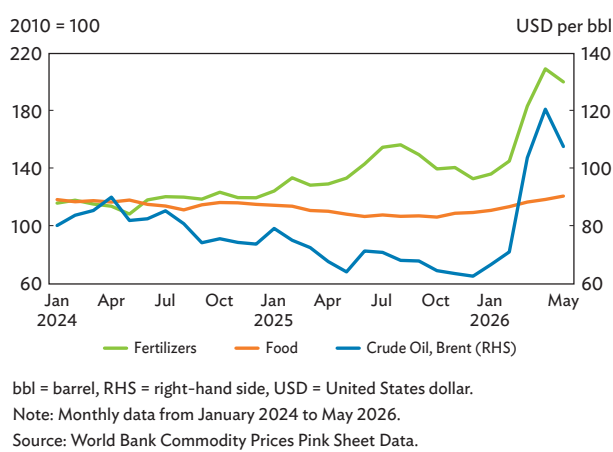
that the decline in yield differentials does not reduce attractiveness of developing Asia and Pacific bonds to the global investors.

Most regional currencies depreciated against the US dollar during the review period, driven by higher oil prices and negative risk sentiment due to the Middle East conflict (**Figure K**). In February, regional currencies strengthened against the US dollar, supported by [capital flows](#) into AI-related and other technology investments as well as concerns over the US' widening [fiscal deficit](#). Most regional currencies subsequently weakened in March, as the Middle East conflict escalated, before recovering slightly in April. Regional currencies weakened again in May amid heightened inflation risks over uncertainty surrounding the ongoing Middle East conflict. During the review period, the Chinese yuan recorded the largest appreciation against the US dollar among all emerging East Asian currencies, supported by strong [export](#) performance, economic resilience, robust [capital inflows](#) on positive technology sentiment, and market optimism over [US-PRC relations](#). The People's Bank of China's [fixing mechanism](#) also shielded the currency from volatility as geopolitical risk intensified. The Indonesian rupiah recorded the largest depreciation in the region due to uncertainty related to MSCI's equity market review, [fiscal sustainability](#) concerns, and sovereign outlook downgrades. The Philippine peso also depreciated significantly due to narrowing [fiscal space](#) and sovereign outlook downgrades. Both the Philippine and Indonesian economies rely heavily on imported oil, reflecting their vulnerability to oil price shocks.

Risks to the outlook for regional financial conditions are tilted to the downside, although some upside risks remain. The key downside risk stems from persistent geopolitical tensions in the Middle East and related uncertainty around global commodity prices. Ongoing disruptions to transit through the Strait of Hormuz have tightened global energy supply conditions, contributing to elevated commodity prices and shipping costs (**Figure L**). Further damage to energy production and processing infrastructure in the Middle East could continue to constrain the global oil supply, adding upward pressure on commodity prices.

Elevated geopolitical risks could also tighten financial conditions and amplify financial vulnerabilities. Capital outflows from emerging markets could materialize as market volatility rises and investor sentiment weakens.

**Figure L: Monthly Fertilizer, Food, and Oil Prices**



Prolonged geopolitical tensions could intensify inflationary and supply-side pressures, prompting global central banks to maintain a hawkish stance. Elevated commodity and logistics costs could compress corporate profit margins and erode household purchasing power, weakening their balance sheets and reducing their debt-servicing capacity. Such risks could be particularly pronounced in economies with elevated debt levels, where fiscal dominance constrains the ability of monetary authorities to respond effectively to rising inflation (**Box 4**). These risks could be further compounded by a prolonged downturn in the PRC's property sector, renewed global trade policy uncertainty, price corrections in AI-related and technology equities, and upward pressure on inflation as climate models point to a possible transition toward El Niño.

On the upside, a continued upturn in the AI cycle and sentiment surrounding AI-related investment, alongside solid macroeconomic fundamentals, would support regional financial conditions. Major [technology firms](#) have reported robust earnings growth over surging demand for AI-related chips and data infrastructure. If the AI-related investment cycle continues to gain momentum and productivity gains materialize, sustained earnings growth in the technology sector could reinforce equity market performance, support capital inflows, and strengthen broader market sentiment across the region—underpinning regional financial conditions.

## Box 4: Fiscal Imbalances and the Challenges for Monetary Policy

**Growing fiscal imbalances and rising government debt increases the risk of fiscal dominance.** Average debt-to-gross-domestic-product (GDP) ratios in both developing and advanced economies increased steadily throughout the 2010s, while average interest rates remained unusually low before tightening sharply in 2022–2023. This shift reflects the scale of shocks associated with the COVID-19 pandemic, which were substantially larger than those during the global financial crisis (**Figure B4.1**). The recent combination of elevated debt levels and rising borrowing costs has therefore renewed concerns about fiscal sustainability and raised questions about whether monetary policy can remain fully focused on price stability and sustained economic growth. Under fiscal dominance, monetary authorities accommodate the fiscal situation so that government debt is mainly sustained through lower interest rates and higher inflation rates rather than fiscal consolidation. Such dynamics are particularly risky for developing economies, where fiscal space is more constrained and financial markets are more sensitive to policy signals.

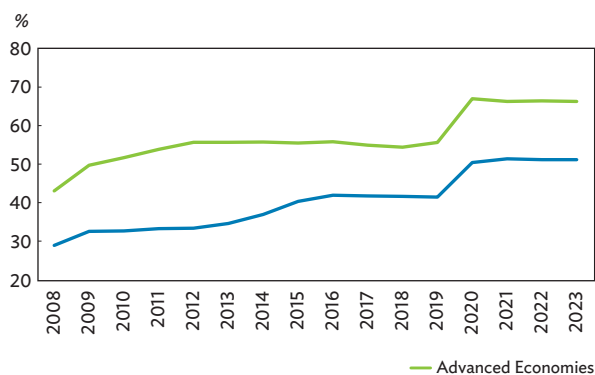
**Fiscal dominance can operate through different channels depending on the currency composition of government debt.** When fiscal imbalances are mainly financed through domestic debt, an expected deterioration in public sector financial accounts may put the monetary authority under pressure to reduce debt servicing costs by lowering policy rates. As the central bank signals a reduction in policy rates, the concurrent rise in inflation and strong GDP growth lowers

the debt-to-GDP ratio, which improves debt sustainability. In contrast, with higher dependence on foreign-currency-denominated debt, an expected deterioration in the fiscal balance may lead to concerns about the exchange rate, which affects the valuation of external debt. An appreciation of the local currency lowers the real value of debt, which can be achieved by widening the gap between domestic and foreign policy rates.

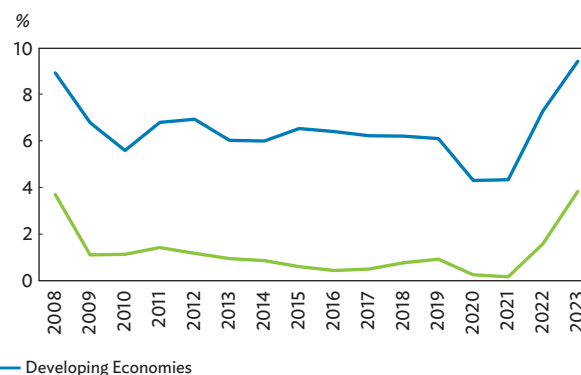
**Evidence from estimated monetary policy rules indicates that fiscal dominance is particularly strong in emerging economies.** Recent research by Bajaro, Galimberti, and Qureshi (2025) examines how central banks set policy rates based on “expectations” of inflation, growth, and fiscal (im)balances. The analysis is based on an augmented Taylor rule framework (Taylor 1993) and uses data for 52 economies over more than 3 decades. Relying on survey based forecasts, the approach captures the information available to policymakers at the time decisions are made (Clarida, Gali, and Gertler 2000; Orphanides 2003). The results highlight that fiscal dominance pressures are higher in emerging economies, as expected fiscal imbalances are found to systematically influence policy-rate setting in those contexts. Accordingly, the currency composition of public debt shapes the transmission of fiscal pressures to monetary policy. In economies with low foreign-currency-denominated debt, when fiscal deficits are expected to widen, central banks tend to set lower interest rates than implied by inflation and growth conditions alone. This effect is stronger in economies

**Figure B4.1: Rising Fiscal Pressures and Challenges for Monetary Policy**

Average Debt-to-GDP Ratios (%)



Average Interest Rates (%)



GDP = gross domestic product.

Note: This chart shows the average government-debt-to-GDP ratio and central bank interest rate for developing and advanced economies from 2008 to 2023.

Source: Authors' calculations based on data from Bajaro, Galimberti, and Qureshi (2025).

**Box 4** *continued*

with limited central bank independence and where there are no rules on public debt accumulation. In economies with substantial external debt, fiscal stress can instead lead to higher interest rates, as central banks seek to stabilize exchange rates and limit debt valuation losses.

**The interaction between fiscal and monetary policies has increased in recent years.** Monetary policy responses may adapt over time due to the turnover of central bank officials, shifts in policy preferences, and structural changes in the economy and institutional frameworks of policymaking. The empirical evidence suggests the growing importance of fiscal–monetary policy interactions in such an evolving context, as interest rate responses to fiscal balance expectations strengthened during 2022–2023 (**Figure B4.2**). This period coincided with high public debt levels and a rapid global tightening cycle, which heightened concerns about fiscal sustainability and inflationary pressures. These developments indicate that fiscal pressures are increasingly shaping monetary policy decisions, even as central banks continue to tackle persistent inflation risks.

**Institutional frameworks should focus on credible fiscal rules while safeguarding central bank independence.**

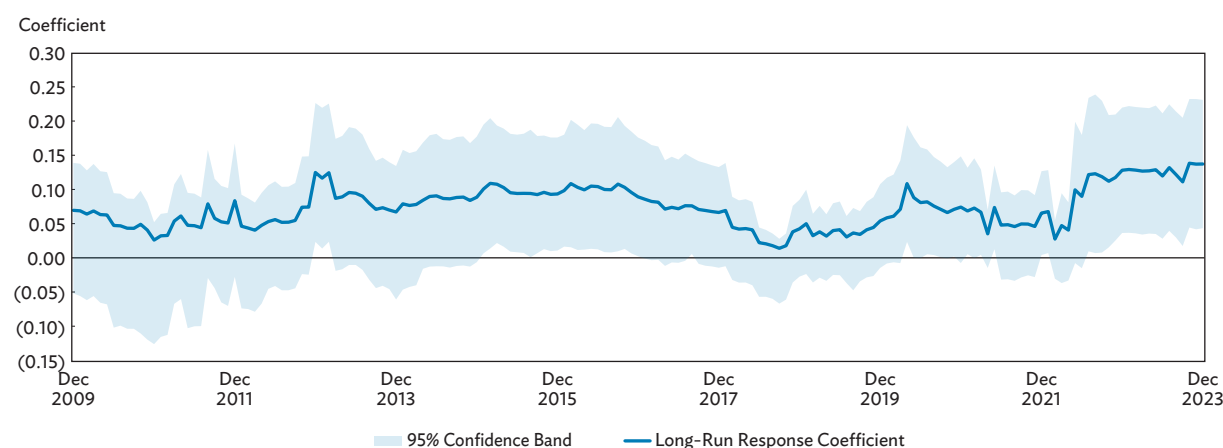
Fiscal dominance happens when central banks set interest rates to accommodate fiscal imbalances and mitigate the risks associated with growing public debt. This underscores

the importance of fiscal rules focused on debt sustainability, which appear more effective in limiting fiscal dominance than strict balanced budget targets. Debt rules allow a smoother adjustment without forcing monetary policy to offset contractionary fiscal measures, such as abrupt spending cuts that can be triggered under budget balance rules. Maintaining credible fiscal policies and strong central bank independence remains essential for achieving price stability, especially in periods of heightened debt vulnerabilities.

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**Figure B4.2: Evolution of Interest Rate Responses to Fiscal Balance Expectations**



( ) = negative.

Notes: This chart shows the evolution of average long-run interest rate responses to fiscal balance expectations across a global sample of 52 economies. The estimates are based on 10-year rolling window regressions throughout the period January 2000–December 2023. Responses to fiscal balances were generally positive over the sample period, statistically significant during 2015–2016, and increased sharply during 2022–2023.

Source: Authors' calculations based on data from Bajaro, Galimberti, and Qureshi (2025).

# Bond Market Developments in the First Quarter of 2026

## Section 1. Local Currency Bonds Outstanding

The local currency (LCY) bond market in emerging East Asia expanded by 2.4% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2026 to USD31.5 trillion, supported by increased government issuance.<sup>4</sup> In relative terms, LCY bonds outstanding as a share of regional gross domestic product reached 117.2% at the end of March, with this share rising faster in emerging East Asia than in advanced economies over the past 2 years (Figure 1). Association of Southeast Asian Nations (ASEAN) member economies collectively accounted for 8.6% (USD2.7 trillion) of the regional total at the end of Q1 2026. LCY Treasury bonds outstanding were dominated by medium- to long-term securities, with a size-weighted average tenor of 10 years at the end of March (Figure 2).

Figure 1: Local Currency Bonds Outstanding

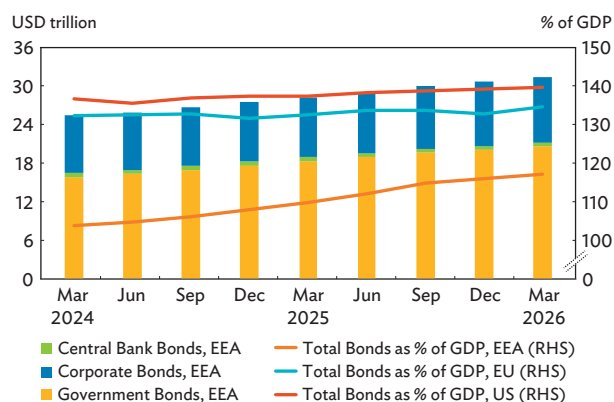
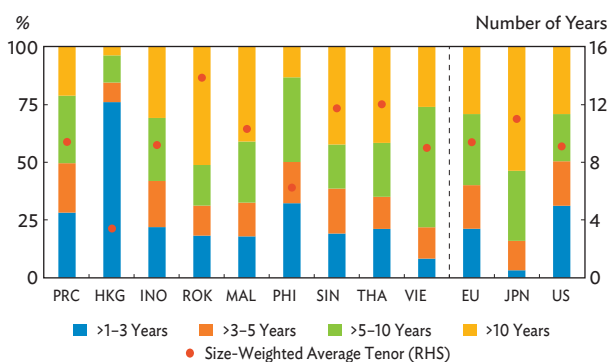


Figure 2: Maturity Profiles of Treasury Bonds Outstanding at the End of March 2026



ASEAN = Association of Southeast Asian Nations; PRC = People's Republic of China; EEA = emerging East Asia; EU = European Union; GDP = gross domestic product; HKG = Hong Kong, China; INO = Indonesia; JPN = Japan; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; RHS = right-hand side; SIN = Singapore; THA = Thailand; US = United States; USD = United States dollar; VIE = Viet Nam.

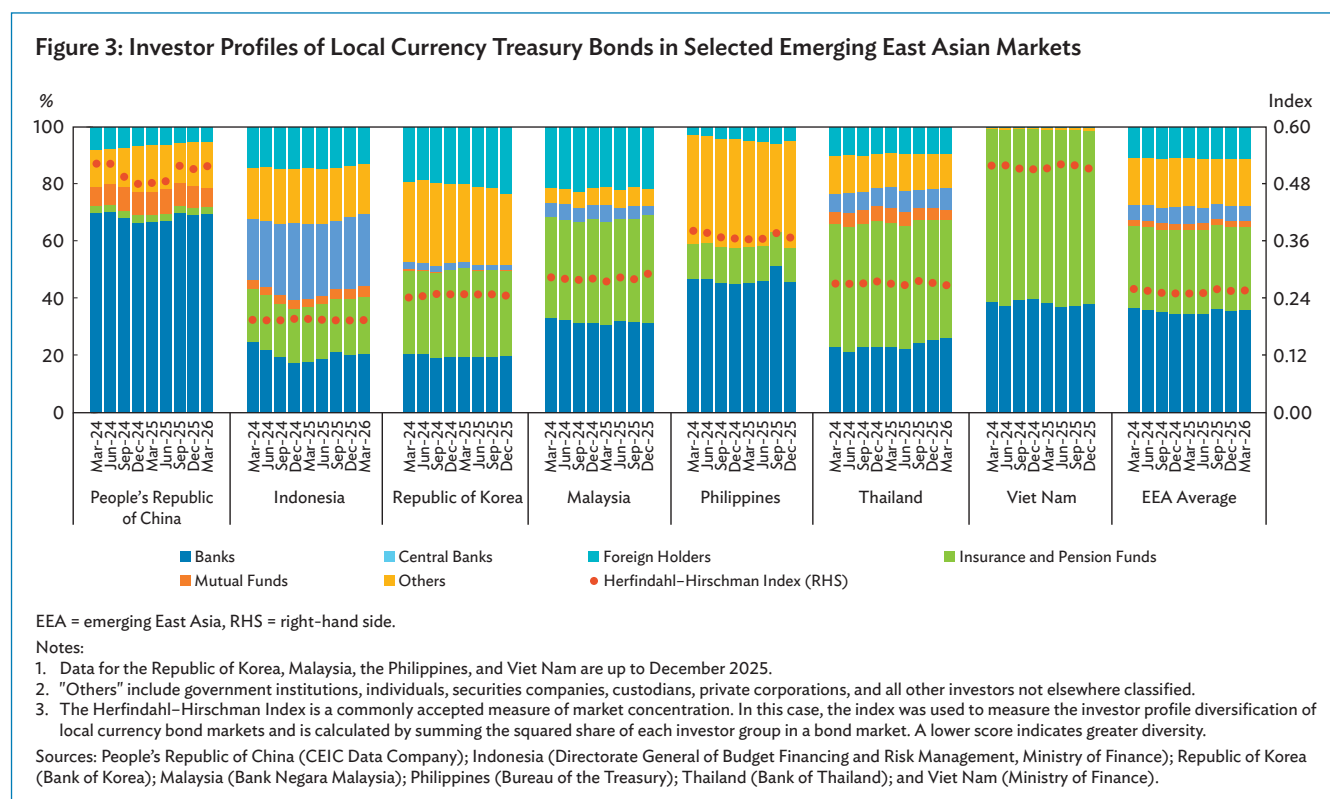
Notes:

- Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.
- The EU includes the member markets of Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Source: AsianBondsOnline calculations based on various local market sources.

<sup>4</sup> Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

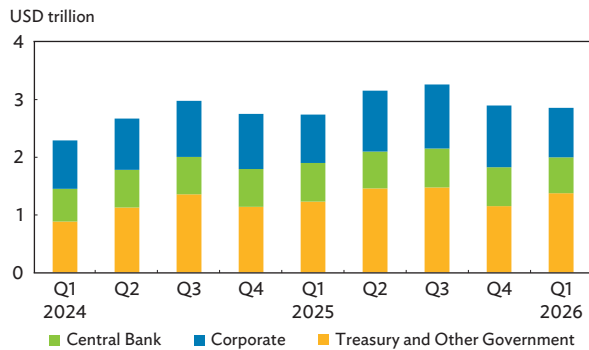
Banks remained the largest holders of Treasury bonds in emerging East Asia at the end of Q1 2026, accounting for 36.0% of the region's outstanding Treasuries, and investor concentration edged up slightly during the quarter (**Figure 3**). Foreign investor holdings in the Republic of Korea increased significantly following its announced inclusion in the FTSE World Government Bond Index.



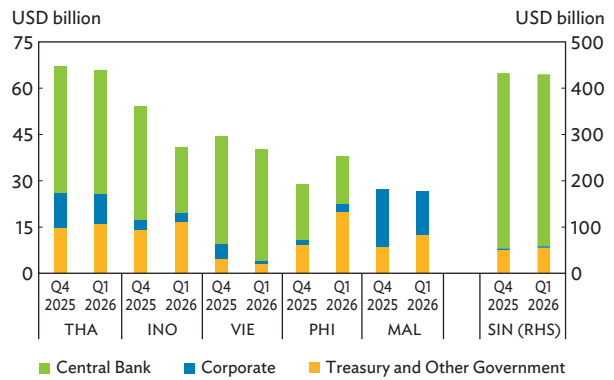
## Section 2. Local Currency Bond Issuance

LCY bond issuance in emerging East Asia declined to USD2.86 trillion in Q1 2026 from USD2.90 trillion in the fourth quarter (Q4) of 2025, as heightened global uncertainties and tightening financial conditions suppressed corporate bond issuance (**Figure 4**). Government bond issuance rose by 19.6% q-o-q as most regional governments front-loaded issuance and ramped up [fiscal spending](#) to support economic activity. ASEAN accounted for 8.9% of government issuance across the region in Q1 2026. The Philippines posted the largest quarterly increase in government bond issuance among ASEAN economies, partly driven by the issuance of PHP297.9 billion of new 10-year benchmark bonds in February. Meanwhile, government bond issuance declined in Viet Nam as higher yields and amplified volatility dampened investor appetite, particularly for long-tenor bonds. The government fell short of its Q1 2026 auction target, as 72.8% of planned issuance was completed (**Figure 5**).

**Figure 4: Local Currency Bond Issuance in Selected Emerging East Asian Markets**



**Figure 5: Issuance in Selected ASEAN Economies**



ASEAN = Association of Southeast Asian Nations, INO = Indonesia, MAL = Malaysia, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, RHS = right-hand side, USD = United States dollar.

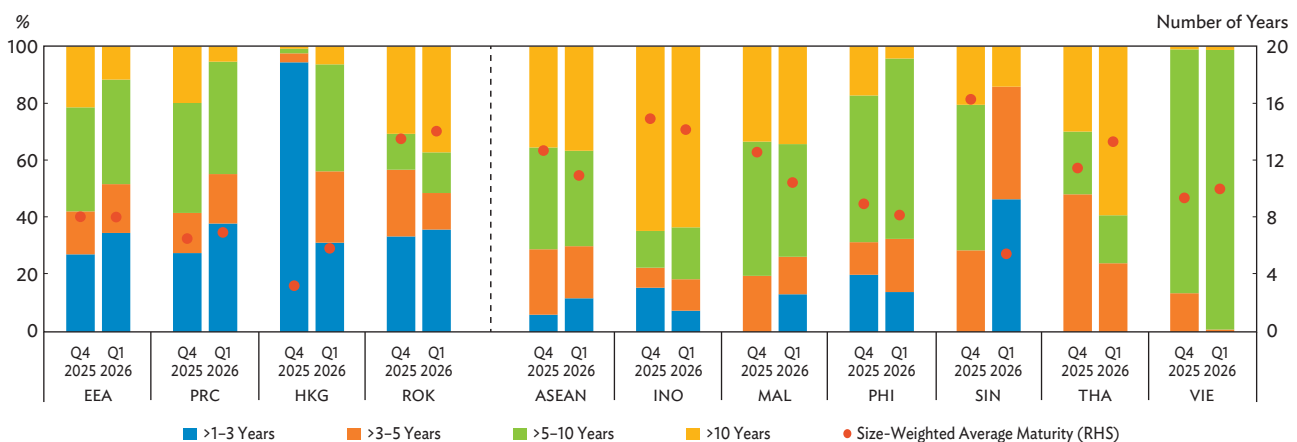
Notes:

1. ASEAN comprises the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
2. Figures were computed based on 31 March 2026 currency exchange rates and do not include currency effects.

Source: *AsianBondsOnline* calculations based on various local market sources.

The maturity profile of Treasury bond issuance in emerging East Asia shortened in Q1 2026 on elevated risk aversion and rising bond yields due to the escalation of the Middle East conflict. The share of Treasury bond issuance with maturities of more than 5 years in the region declined to 48.2% in Q1 2026 from 57.8% in Q4 2025. The average size-weighted maturity of new issuance in ASEAN markets remained long at 11.0 years, declining slightly from the previous quarter due largely to a shift to short-term issuance in Singapore in line with its auction schedule (**Figure 6**).

**Figure 6: Maturity Structure of Local Currency Treasury Bond Issuance in Selected Emerging East Asian Markets**



ASEAN = Association of Southeast Asian Nations; PRC = People's Republic of China; EEA = emerging East Asia; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; Q1 = first quarter; Q4 = fourth quarter; RHS = right-hand side; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

Notes:

1. Figures were computed based on 31 March 2026 currency exchange rates and do not include currency effects.
2. Treasury bonds are local-currency-denominated, fixed-income securities issued by a government with maturities longer than 1 year.

Source: *AsianBondsOnline* calculations based on various local market sources.

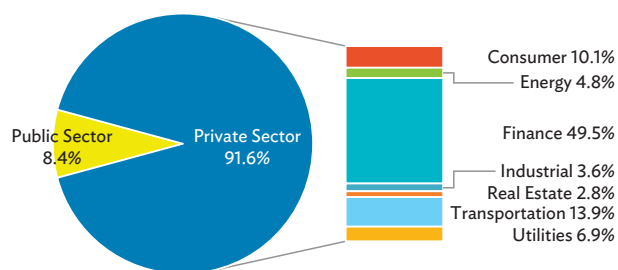
## Section 3. Intra-Regional Bond Issuance

Rising bond yields and heightened global uncertainties weighed on the issuance of intra-regional bonds in emerging East Asia in Q1 2026.<sup>5</sup> The region’s intra-regional debt sales fell by 7.4% q-o-q to USD15.9 billion from the previous quarter’s USD17.2 billion. The reduced issuance was most prevalent in Hong Kong, China and Malaysia. Meanwhile, issuance in the People’s Republic of China (PRC) increased as corporates diversified away from United States dollar funding (Figure 7). The Chinese yuan accounted for 69.1% of the intra-regional issuance total in Q1 2026.

More than 90% of intra-regional bond issuance during Q1 2026 came from the private sector, led by the financial industry (Figure 8). Issuance from the public sector came solely from the Government of Indonesia with a quarterly aggregate of CNY9.3 billion (USD1.3 billion). Sustainable bonds—comprising five green bonds from Hong Kong, China totaling CNY7.2 billion (USD1.0 billion)—accounted for 6.6% of emerging East Asia’s intra-regional bond issuance during the quarter.

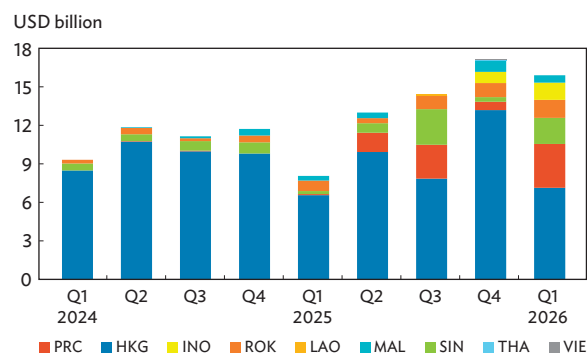
Short- to medium-term maturities remained the dominant instruments in intra-regional bond issuance. In Q1 2026, issuances with maturities of 5 years or less accounted for 83.4% of total issuance. The size-weighted average maturity of intra-regional bond issuance was 2.5 years in Q1 2026, compared with 2.4 years in the previous quarter (Figure 9).

Figure 8: Intra-Regional Bond Issuance in the First Quarter of 2026 by Sector



Source: AsianBondsOnline calculations based on Bloomberg LP data.

Figure 7: Intra-Regional Bond Issuance in Emerging East Asian Markets



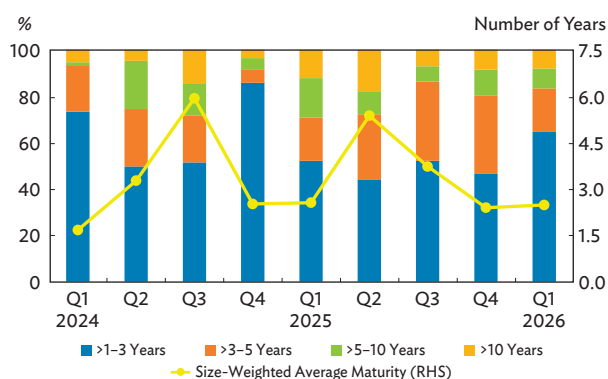
PRC = People’s Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; LAO = Lao People’s Democratic Republic; MAL = Malaysia; Q1 = first quarter; Q2 = second quarter; Q3 = third quarter; Q4 = fourth quarter; SIN = Singapore; THA = Thailand; USD = United States dollar; VIE = Viet Nam.

Notes:

- Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.
- Intra-regional bond issuance is defined as emerging East Asian bond issuance denominated in a regional currency excluding the issuer’s home currency.
- Figures were computed based on 31 March 2026 currency exchange rates and do not include currency effects.
- Data are based on the domicile where the company’s senior management is located.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

Figure 9: Maturity Structure and Size-Weighted Average Maturity by Quarter



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, RHS = right-hand side.

Notes:

- Figures were computed based on 31 March 2026 currency exchange rates and do not include currency effects.
- Data are based on economy of domicile where the company’s senior management is located.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

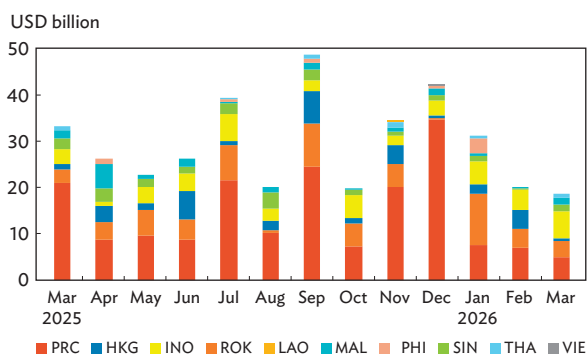
<sup>5</sup> Intra-regional bond issuance is defined as emerging East Asian bond issuance denominated in a regional currency excluding the issuer’s home currency.

## Section 4. G3 Currency Bond Issuance

Amid expectations of tightening monetary conditions and global uncertainties, G3-denominated bond sales in emerging East Asia declined by 27.6% q-o-q to USD69.9 billion in Q1 2026 from USD96.1 billion in Q4 2025, driven by reduced issuance from the PRC (-68.9% q-o-q) due to continued weakness in its property sector (**Figure 10**).<sup>6</sup> The property sector’s share in the region’s total G3 currency issuance plunged to 3.7% in Q1 2026 from 33.3% in Q4 2025 as the PRC’s real estate sector issuance contracted.

In Q1 2026, the share of G3-denominated issuances with tenors of 3–5 years and more than 10 years increased to 60.5% and 12.9%, respectively, from 50.5% and 9.2% in Q4 2025. These gains were led by bond sales from state-owned banks in the Republic of Korea and sovereign issuances from Indonesia, the Republic of Korea, and the Philippines. The size-weighted average maturity of G3 bond issuance in emerging East Asia increased to 5.7 years in Q1 2026 from 5.0 years in the previous quarter (**Figure 11**).

**Figure 10: G3 Currency Bond Issuance in Emerging East Asian Markets**



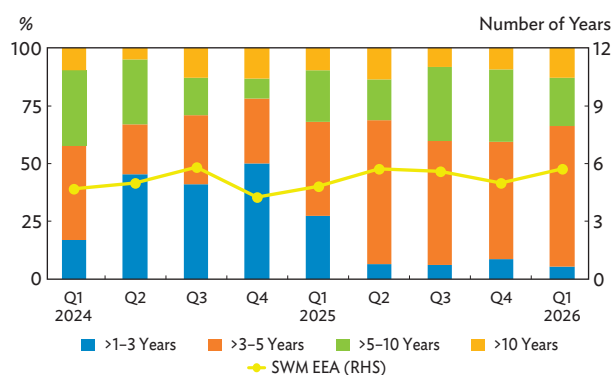
PRC = People’s Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; LAO = Lao People’s Democratic Republic; MAL = Malaysia; PHI = Philippines; SIN = Singapore; THA = Thailand; VIE = Viet Nam.

**Notes:**

1. Emerging East Asia is defined to include the member states of ASEAN plus the People’s Republic of China, Hong Kong, China; and the Republic of Korea. ASEAN data include the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
2. G3 currency bonds are denominated in either euros, Japanese yen, or United States dollars.
3. Figures were computed based on 31 March 2026 currency exchange rates and do not include currency effects.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

**Figure 11: Maturity Profile of G3 Currency Bond Issuance in Emerging East Asia**



EEA = emerging East Asia; Q1 = first quarter; Q2 = second quarter; Q3 = third quarter; Q4 = fourth quarter; RHS = right-hand side; SWM = size-weighted average maturity.

**Notes:**

1. Emerging East Asia is defined to include the member states of ASEAN plus the People’s Republic of China, Hong Kong, China; and the Republic of Korea. ASEAN data include the markets of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
2. G3 currency bonds are denominated in either euros, Japanese yen, or United States dollars.
3. Figures were computed based on 31 March 2026 currency exchange rates and do not include currency effects.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

<sup>6</sup> G3 currency bonds are bonds denominated in either euros, Japanese yen, or United States dollars.

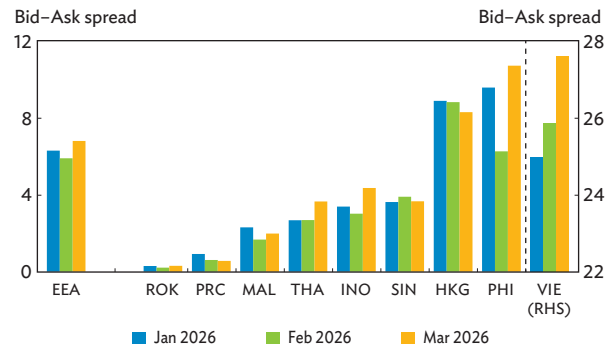
## Section 5. Liquidity of Local Currency Bond Markets

### Government Bond Market

Bid-ask spreads for LCY government bonds widened in most emerging East Asian markets in March as investment sentiment deteriorated over heightened global uncertainties. The region’s average bid-ask spread for LCY government bonds rose to 6.8 basis points (bps) in March from 5.9 bps in February (**Figure 12**). The widening of the spread was most pronounced in the Philippines (4.4 bps) due to its exposure to the global energy shock as a net energy importer, as well as its elevated current account and budget deficits.

Supported by strong government issuance, turnover ratios and trading volumes in most government bond markets across the region improved in Q1 2026 (**Figures 13A and 13B**). In the PRC, Indonesia, and the Philippines, reduced trading activity was observed. In the Philippines and Indonesia, trading activity weakened over a sharp rise in yields and foreign bond outflows prompted by the escalation of the Middle East conflict. In the PRC, trading activity fell in Q1 2026 on seasonal factors following the 1-week Lunar New Year holiday in February.

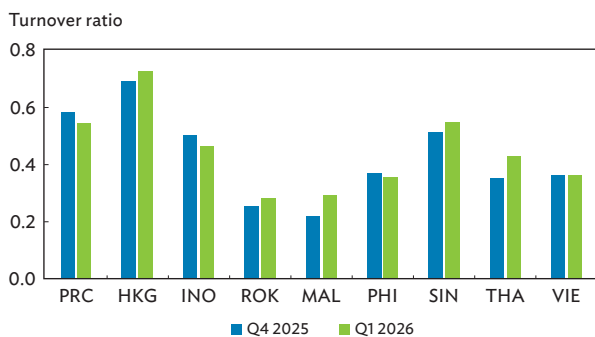
**Figure 12: Bid-Ask Spreads for Local Government Bonds**



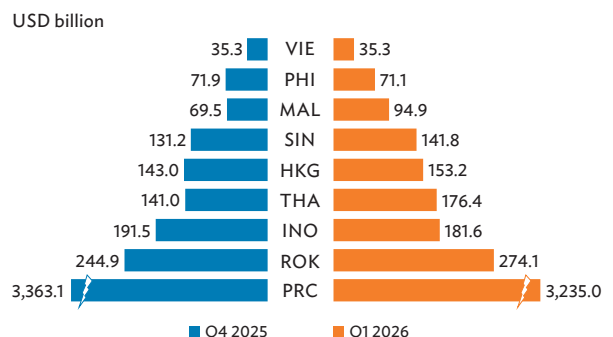
PRC = People’s Republic of China; EEA = emerging East Asia; HKG = Hong Kong, China; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; RHS = right-hand side; SIN = Singapore; THA = Thailand; VIE = Viet Nam.  
 Note: The regional bid-ask spread refers to the average spread of the nine markets in emerging East Asia.  
 Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

**Figure 13: Local Currency Government Bond Turnover Ratios and Trading Volumes in Emerging East Asian Markets**

#### A. Turnover Ratios



#### B. Average Quarterly Trading Volumes



PRC = People’s Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; Q1 = first quarter; Q4 = fourth quarter; SIN = Singapore; THA = Thailand; USD = United States dollar; VIE = Viet Nam.

**Notes:**

- For Viet Nam, Q1 2026 turnover ratio and trading volume were carried over from Q4 2025.
- Turnover ratios are calculated as local currency trading volume (sales amount only) divided by average local currency value of outstanding bonds during each 3-month period.

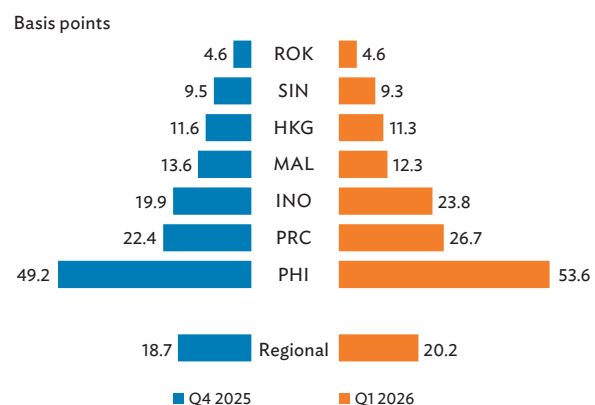
Sources: People’s Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Indonesia Stock Exchange); Republic of Korea (*EDAILY Bondweb* and the Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Philippine Dealing and Exchange Corporation); Singapore (Monetary Authority of Singapore and Singapore Government Securities); Thailand (Bank of Thailand and Thai Bond Market Association); Viet Nam (Ministry of Finance).

## Corporate Bond Market

Average bid-ask spreads for the region’s LCY corporate bonds widened slightly as yields rose on the escalation of the conflict in the Middle East (**Figure 14**). The Philippine corporate bond market remained emerging East Asia’s least liquid, as evidenced by the region’s widest bid-ask spread. The Philippines corporate bond bid-ask spread also increased the most, as investment sentiment dampened over Q1 2026’s weaker-than-expected growth performance, rising inflationary pressures, and expanding fiscal and current account deficits. Meanwhile, Malaysia’s average bid-ask spread for corporate bonds narrowed, partially due to the economy’s status as a net exporter of energy.

Corporate bond turnover ratios and trading volumes posted mixed patterns across the region. Trading turnover improved in four out of seven markets in Q1 2026 (**Figures 15A and 15B**). Increased trading activity in Indonesia was driven by higher demand for corporate bonds as sentiment improved following introduction of the [government’s](#) stimulus measures. Hong Kong, China witnessed improvements in both its turnover ratio and trading volume due to a recovery in domestic demand and strong [gross domestic product growth](#). In contrast, trading activity in the Philippine corporate bond market remained largely muted as most investors maintained a buy-and-hold strategy.

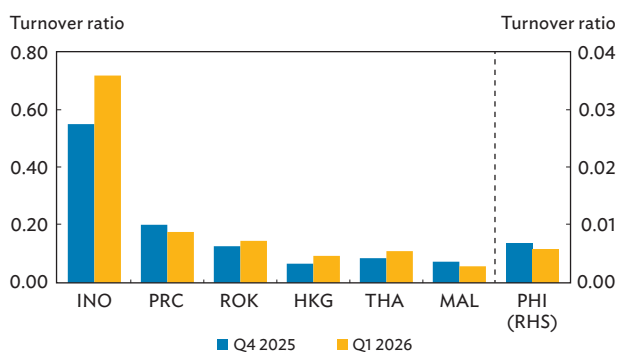
**Figure 14: Average Bid-Ask Spreads for Local Currency Corporate Bonds**



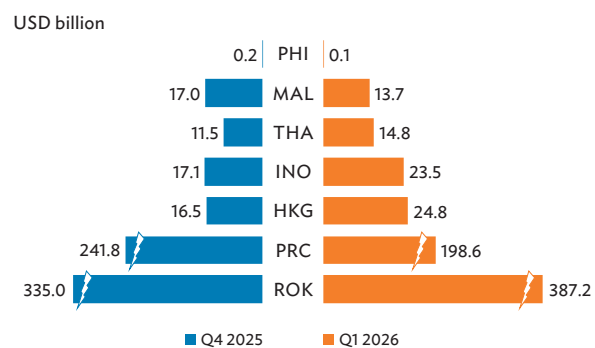
PRC = People’s Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; Q1 = first quarter; Q4 = fourth quarter; SIN = Singapore.  
 Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

**Figure 15: Local Currency Corporate Bond Turnover Ratios and Trading Volumes in Emerging East Asian Markets**

### A. Turnover Ratios



### B. Average Quarterly Trading Volumes



PRC = People’s Republic of China; HKG = Hong Kong, China; INO = Indonesia; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; Q1 = first quarter; Q4 = fourth quarter; RHS = right-hand side; THA = Thailand; USD = United States dollar.

Note: Turnover ratios are calculated as local currency trading volume (sales amount only) divided by average local currency value of outstanding bonds during each 3-month period.

Sources: People’s Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Indonesia Stock Exchange); Republic of Korea (*EDAILY Bondweb* and the Bank of Korea); Malaysia (Bank Negara Malaysia); Philippines (Philippine Dealing and Exchange Corporation); Thailand (Bank of Thailand and Thai Bond Market Association).

## Appendix

Table A1: Size and Composition of Selected Emerging East Asian Local Currency Bond Markets

|                                   | Q1 2025                 |          | Q4 2025                 |          | Q1 2026                 |         |          | Growth Rate (%) |        |
|-----------------------------------|-------------------------|----------|-------------------------|----------|-------------------------|---------|----------|-----------------|--------|
|                                   | Amount<br>(USD billion) | % of GDP | Amount<br>(USD billion) | % of GDP | Amount<br>(USD billion) | % share | % of GDP | Q1 2026         |        |
|                                   |                         |          |                         |          |                         |         |          | q-o-q           | y-o-y  |
| <b>People's Republic of China</b> |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 22,012                  | 117.3    | 25,002                  | 124.6    | 25,996                  | 100.0   | 126.4    | 2.6             | 12.2   |
| Treasury and Other Government     | 15,090                  | 80.4     | 17,290                  | 86.2     | 18,027                  | 69.3    | 87.7     | 2.9             | 13.5   |
| Central Bank                      | 0                       | 0.0      | 0                       | 0.00     | 0                       | 0.0     | 0.0      | –               | –      |
| Corporate                         | 6,922                   | 36.9     | 7,712                   | 38.4     | 7,968                   | 30.7    | 38.8     | 1.9             | 9.4    |
| <b>Hong Kong, China</b>           |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 417                     | 100.7    | 473                     | 110.5    | 481                     | 100.0   | 111.7    | 2.4             | 16.3   |
| Treasury and Other Government     | 40                      | 9.6      | 41                      | 9.6      | 39                      | 8.0     | 9.0      | (5.6)           | (2.2)  |
| Central Bank                      | 169                     | 40.9     | 172                     | 40.3     | 172                     | 35.8    | 40.0     | 0.5             | 2.3    |
| Corporate                         | 207                     | 50.1     | 259                     | 60.6     | 270                     | 56.2    | 62.8     | 4.9             | 31.2   |
| <b>Indonesia</b>                  |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 473                     | 34.8     | 483                     | 33.9     | 493                     | 100.0   | 34.4     | 3.8             | 6.8    |
| Treasury and Other Government     | 387                     | 28.4     | 404                     | 28.3     | 408                     | 82.9    | 28.5     | 2.8             | 8.4    |
| Central Bank                      | 58                      | 4.2      | 47                      | 3.3      | 51                      | 10.4    | 3.6      | 11.6            | (8.9)  |
| Corporate                         | 29                      | 2.1      | 32                      | 2.3      | 33                      | 6.7     | 2.3      | 4.9             | 16.9   |
| <b>Republic of Korea</b>          |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 2,257                   | 128.8    | 2,428                   | 130.6    | 2,315                   | 100.0   | 126.1    | 0.6             | 5.8    |
| Treasury and Other Government     | 869                     | 49.6     | 953                     | 51.3     | 924                     | 39.9    | 50.4     | 2.2             | 9.7    |
| Central Bank                      | 75                      | 4.3      | 75                      | 4.0      | 63                      | 2.7     | 3.4      | (11.3)          | (14.3) |
| Corporate                         | 1,313                   | 74.9     | 1,400                   | 75.3     | 1,328                   | 57.4    | 72.5     | 0.1             | 4.4    |
| <b>Malaysia</b>                   |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 482                     | 128.2    | 554                     | 129.4    | 564                     | 100.0   | 129.8    | 1.6             | 6.7    |
| Treasury and Other Government     | 282                     | 74.8     | 320                     | 74.8     | 326                     | 57.8    | 75.1     | 1.6             | 5.7    |
| Central Bank                      | 0                       | 0        | 0.0                     | 0.0      | 0                       | 0.0     | 0.0      | –               | –      |
| Corporate                         | 201                     | 53.4     | 234                     | 54.6     | 238                     | 42.2    | 54.8     | 1.5             | 8.1    |
| <b>Philippines</b>                |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 235                     | 50.0     | 233                     | 48.9     | 232                     | 100.0   | 49.6     | 2.8             | 4.6    |
| Treasury and Other Government     | 196                     | 41.7     | 203                     | 42.7     | 205                     | 88.3    | 43.8     | 3.9             | 10.6   |
| Central Bank                      | 16                      | 3.4      | 6                       | 1.2      | 3                       | 1.4     | 0.7      | (42.1)          | (78.1) |
| Corporate                         | 23                      | 4.9      | 24                      | 5.0      | 24                      | 10.3    | 5.1      | 4.3             | 10.2   |
| <b>Singapore</b>                  |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 646                     | 111.8    | 698                     | 113.6    | 708                     | 100.0   | 113.4    | 1.5             | 5.0    |
| Treasury and Other Government     | 237                     | 41.0     | 257                     | 41.9     | 266                     | 37.6    | 42.7     | 3.5             | 7.7    |
| Central Bank                      | 257                     | 44.6     | 276                     | 45.0     | 276                     | 38.9    | 44.2     | (0.1)           | 2.6    |
| Corporate                         | 151                     | 26.2     | 164                     | 26.7     | 166                     | 23.4    | 26.6     | 1.0             | 5.0    |
| <b>Thailand</b>                   |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 512                     | 92.3     | 566                     | 94.0     | 550                     | 100.0   | 94.9     | 1.7             | 4.3    |
| Treasury and Other Government     | 306                     | 55.1     | 341                     | 56.6     | 332                     | 60.4    | 57.3     | 2.0             | 5.6    |
| Central Bank                      | 73                      | 13.1     | 84                      | 14.0     | 82                      | 15.0    | 14.2     | 2.5             | 9.9    |
| Corporate                         | 133                     | 24.0     | 141                     | 23.4     | 135                     | 24.6    | 23.3     | 0.4             | (1.6)  |
| <b>Viet Nam</b>                   |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 126                     | 27.4     | 151                     | 30.9     | 150                     | 100.0   | 30.0     | (0.4)           | 22.7   |
| Treasury and Other Government     | 91                      | 19.7     | 97                      | 19.9     | 100                     | 66.3    | 19.9     | 2.7             | 13.2   |
| Central Bank                      | 4                       | 0.8      | 15                      | 3.0      | 11                      | 7.3     | 2.2      | (25.0)          | 208.0  |
| Corporate                         | 32                      | 6.9      | 39                      | 8.0      | 40                      | 26.4    | 7.9      | 1.0             | 28.5   |
| <b>Emerging East Asia</b>         |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 27,161                  | 109.8    | 30,588                  | 115.9    | 31,487                  | 100.0   | 117.2    | 2.4             | 11.2   |
| Treasury and Other Government     | 17,497                  | 70.7     | 19,908                  | 75.5     | 20,627                  | 65.5    | 76.8     | 2.8             | 12.8   |
| Central Bank                      | 652                     | 2.6      | 674                     | 2.6      | 658                     | 2.1     | 2.5      | (0.9)           | (0.2)  |
| Corporate                         | 9,012                   | 36.4     | 10,006                  | 37.9     | 10,202                  | 32.4    | 38.0     | 1.7             | 9.0    |
| <b>Japan</b>                      |                         |          |                         |          |                         |         |          |                 |        |
| <b>Total</b>                      | 9,326                   | 217.6    | 9,037                   | 213.5    | 8,972                   | 100.0   | 212.6    | 0.6             | 1.8    |
| Treasury and Other Government     | 8,593                   | 200.5    | 8,322                   | 196.6    | 8,268                   | 92.1    | 195.9    | 0.6             | 1.8    |
| Central Bank                      | 21                      | 0.5      | 7                       | 0.2      | 6                       | 0.1     | 0.2      | (10.0)          | (67.0) |
| Corporate                         | 712                     | 16.6     | 708                     | 16.7     | 698                     | 7.8     | 16.5     | (0.1)           | 3.8    |

( ) = negative, – = not applicable, GDP = gross domestic product, Q1 = first quarter, Q4 = fourth quarter, q-o-q = quarter-on-quarter, USD = United States dollar, y-o-y = year-on-year.  
Notes:

- Emerging East Asia is defined to include the member states of ASEAN plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.
- For Singapore, corporate bonds outstanding are based on *AsianBondsOnline* estimates.
- Growth rates are calculated from a local currency base and do not include currency effects. For emerging East Asia, growth figures are based on 31 March 2026 currency exchange rates and do not include currency effects.
- GDP data are from CEIC Data Company.
- Bloomberg LP end-of-period local currency–USD rates are used.

Sources: People's Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); European Union (European Central Bank); Indonesia (Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Japan (Japan Securities Dealers Association); Republic of Korea (Bank of Korea and KG Zeroin Corporation); Malaysia (Bank Negara Malaysia); Philippines (Bangko Sentral ng Pilipinas, Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority Singapore and Bloomberg LP); Thailand (Bank of Thailand and Thai Bond Market Association); United States (Securities Industry and Financial Markets Association and Bloomberg LP); and Viet Nam (Hanoi Stock Exchange, State Bank of Vietnam, Vietnam Bond Market Association, and Bloomberg LP).

Table A2: Local-Currency-Denominated Bond Issuance

|                                   | Q1 2025                 |         | Q4 2025                 |         | Q1 2026                 |         | Growth Rate (%) |        |
|-----------------------------------|-------------------------|---------|-------------------------|---------|-------------------------|---------|-----------------|--------|
|                                   | Amount<br>(USD billion) | % share | Amount<br>(USD billion) | % share | Amount<br>(USD billion) | % share | Q1 2026         |        |
|                                   |                         |         |                         |         |                         |         | q-o-q           | y-o-y  |
| <b>People's Republic of China</b> |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 1,652                   | 100.0   | 1,811                   | 100.0   | 1,841                   | 100.0   | 0.3             | 5.8    |
| Treasury and Other Government     | 1,019                   | 61.7    | 988                     | 54.6    | 1,196                   | 65.0    | 19.4            | 11.5   |
| Central Bank                      | 0                       | 0.0     | 0                       | 0.0     | 0                       | 0.0     | -               | -      |
| Corporate                         | 633                     | 38.3    | 823                     | 45.4    | 644                     | 35.0    | (22.7)          | (3.3)  |
| <b>Hong Kong, China</b>           |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 180                     | 100.0   | 211                     | 100.0   | 196                     | 100.0   | (6.5)           | 9.7    |
| Treasury and Other Government     | 1                       | 0.5     | 8                       | 3.9     | 1                       | 0.6     | (85.3)          | 26.7   |
| Central Bank                      | 135                     | 74.8    | 150                     | 71.1    | 126                     | 64.5    | (15.2)          | (5.5)  |
| Corporate                         | 44                      | 24.7    | 53                      | 25      | 68                      | 34.9    | 30.7            | 55.3   |
| <b>Indonesia</b>                  |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 39                      | 100.0   | 55                      | 100.0   | 41                      | 100.0   | (24.6)          | 8.9    |
| Treasury and Other Government     | 16                      | 40.7    | 14                      | 25.8    | 17                      | 40.3    | 18.0            | 8.1    |
| Central Bank                      | 20                      | 52.2    | 37                      | 67.9    | 21                      | 52.1    | (42.1)          | 8.7    |
| Corporate                         | 3                       | 7.1     | 4                       | 6.3     | 3                       | 7.6     | (10.1)          | 15.3   |
| <b>Republic of Korea</b>          |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 171                     | 100.0   | 209                     | 100.0   | 179                     | 100.0   | (9.6)           | 7.8    |
| Treasury and Other Government     | 52                      | 30.4    | 42                      | 20.3    | 56                      | 31.5    | 40.4            | 11.7   |
| Central Bank                      | 15                      | 8.7     | 17                      | 8.0     | 12                      | 6.8     | (23.7)          | (16.3) |
| Corporate                         | 104                     | 60.9    | 150                     | 71.7    | 111                     | 61.8    | (22.1)          | 9.3    |
| <b>Malaysia</b>                   |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 22                      | 100.0   | 27                      | 100.0   | 26                      | 100.0   | (2.5)           | 7.6    |
| Treasury and Other Government     | 12                      | 51.7    | 8                       | 31.4    | 12                      | 46.7    | 44.9            | (2.9)  |
| Central Bank                      | 0                       | 0.0     | 0                       | 0.0     | 0                       | 0.0     | -               | -      |
| Corporate                         | 11                      | 48.3    | 19                      | 68.6    | 14                      | 53.3    | (24.2)          | 18.9   |
| <b>Philippines</b>                |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 47                      | 100.0   | 30                      | 100.0   | 38                      | 100.0   | 32.5            | (14.0) |
| Treasury and Other Government     | 15                      | 30.9    | 9                       | 31.6    | 20                      | 51.7    | 116.4           | 43.6   |
| Central Bank                      | 31                      | 66.3    | 19                      | 62.4    | 16                      | 40.9    | (13.2)          | (47.0) |
| Corporate                         | 1                       | 2.7     | 2                       | 5.9     | 3                       | 7.5     | 67.1            | 136.0  |
| <b>Singapore</b>                  |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 421                     | 100.0   | 433                     | 100.0   | 430                     | 100.0   | (0.6)           | (2.1)  |
| Treasury and Other Government     | 41                      | 9.7     | 50                      | 11.4    | 54                      | 12.6    | 9.7             | 27.3   |
| Central Bank                      | 377                     | 89.5    | 380                     | 87.7    | 372                     | 86.5    | (1.9)           | (5.3)  |
| Corporate                         | 3                       | 0.8     | 4                       | 0.9     | 4                       | 0.8     | (5.0)           | 0.0    |
| <b>Thailand</b>                   |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 63                      | 100.0   | 70                      | 100.0   | 66                      | 100.0   | (2.1)           | 1.7    |
| Treasury and Other Government     | 18                      | 28.4    | 15                      | 22.0    | 16                      | 24.4    | 8.6             | (12.5) |
| Central Bank                      | 35                      | 55.8    | 43                      | 61.2    | 40                      | 61.0    | (2.5)           | 11.2   |
| Corporate                         | 10                      | 15.9    | 12                      | 16.8    | 10                      | 14.6    | (14.7)          | (6.3)  |
| <b>Viet Nam</b>                   |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 49                      | 100.0   | 44                      | 100.0   | 40                      | 100.0   | (9.6)           | (14.9) |
| Treasury and Other Government     | 4                       | 8.9     | 5                       | 10.4    | 3                       | 7.6     | (34.3)          | (27.5) |
| Central Bank                      | 44                      | 89.8    | 35                      | 78.8    | 36                      | 90.2    | 3.5             | (14.5) |
| Corporate                         | 1                       | 1.3     | 5                       | 10.8    | 0.9                     | 2.2     | (81.4)          | 44.0   |
| <b>Emerging East Asia</b>         |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 2,644                   | 100.0   | 2,891                   | 100.0   | 2,857                   | 100.0   | (1.4)           | 4.2    |
| Treasury and Other Government     | 1,177                   | 44.5    | 1,141                   | 39.5    | 1,376                   | 48.2    | 19.6            | 11.8   |
| Central Bank                      | 656                     | 24.8    | 681                     | 23.5    | 624                     | 21.8    | (7.6)           | (6.7)  |
| Corporate                         | 811                     | 30.7    | 1,070                   | 37.0    | 858                     | 30.0    | (20.0)          | 1.8    |
| <b>Japan</b>                      |                         |         |                         |         |                         |         |                 |        |
| <b>Total</b>                      | 346                     | 100.0   | 339                     | 100.0   | 346                     | 100.0   | 3.2             | 5.7    |
| Treasury and Other Government     | 329                     | 94.9    | 310                     | 91.4    | 326                     | 94.2    | 6.3             | 4.9    |
| Central Bank                      | 0                       | 0.0     | 0                       | 0.0     | 0                       | 0.0     | -               | -      |
| Corporate                         | 18                      | 5.1     | 29                      | 8.6     | 20                      | 5.8     | (30.3)          | 20.5   |

( ) = negative, - = not applicable, Q1 = first quarter, Q4 = fourth quarter, q-o-q = quarter-on-quarter, USD = United States dollar, y-o-y = year-on-year.

Notes:

1. Data reflect gross bond issuance.
2. Bloomberg LP end-of-period local currency-USD rates are used.
3. Growth rates are calculated from a local currency base and do not include currency effects. For emerging East Asia, growth figures are based on 31 March 2026 currency exchange rates and do not include currency effects.

Sources: People's Republic of China (CEIC Data Company); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia, Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange); Japan (Japan Securities Dealers Association); Republic of Korea (Bank of Korea and KG Zeroin Corporation); Malaysia (Bank Negara Malaysia); Philippines (Bangko Sentral ng Pilipinas, Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore and Bloomberg LP); Thailand (Bank of Thailand and Thai Bond Market Association); and Viet Nam (Hanoi Stock Exchange, State Bank of Vietnam, Vietnam Bond Market Association, and Bloomberg LP).

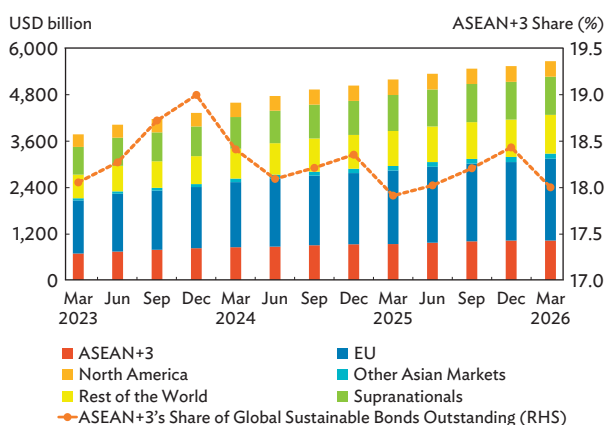
# Recent Developments in the ASEAN+3 Sustainable Bond Market

Sustainable bonds outstanding in ASEAN+3 marginally contracted in the first quarter (Q1) of 2026 as issuance slowed over heightened global uncertainties due to the Middle East conflict.<sup>7</sup> ASEAN+3's sustainable bonds outstanding amounted to USD1,020.2 billion at the end of March, a marginal decline of 0.1% quarter-on-quarter (q-o-q). ASEAN+3 remained the world's second-largest regional sustainable bond market, representing 18.0% of the global total, after the European Union (EU) at 37.4% (Figure 16).<sup>8</sup>

Despite global headwinds, sustainable bond issuance in ASEAN+3, excluding the PRC, rose to USD32.9 billion in Q1 2026 from USD29.6 billion in the previous quarter. Total ASEAN+3 issuance, however, contracted by

31.1% q-o-q to USD46.9 billion in Q1 2026, the lowest issuance volume over the past 5 years, led by a decline in the PRC (Figure 17A). Sustainable bond issuance in the EU rose by 101.6% q-o-q in Q1 2026, largely driven by strong investor demand in response to the EU's commitment to develop its sustainable bond market with the adoption of the [EU Green Bond Standards](#) on 12 March and the easing of reporting standards through passage of the [Omnibus Package](#) on 24 February. The EU drove the global sustainable bond issuance increase of 32.8% q-o-q in Q1 2026. Association of Southeast Asian Nations (ASEAN) economies are actively utilizing sustainable bond markets as a financing mechanism, with sustainable bond issuance accounting for around 15.2% of ASEAN+3's quarterly issuance. ASEAN's sustainable bond issuance also accounted for 10.8% of its total bond issuance in Q1 2026, similar to the corresponding share of 11.6% in the EU and more than the 4.5% share at the global level (Figure 17B).

**Figure 16: Global Sustainable Bonds Outstanding**



ASEAN = Association of Southeast Asian Nations, EU = European Union, RHS = right-hand side, USD = United States dollar.

Notes:

1. ASEAN+3 comprises the member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
2. The EU includes the member markets of Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
3. Data include both local currency and foreign currency sustainable bonds.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

## Market Profile

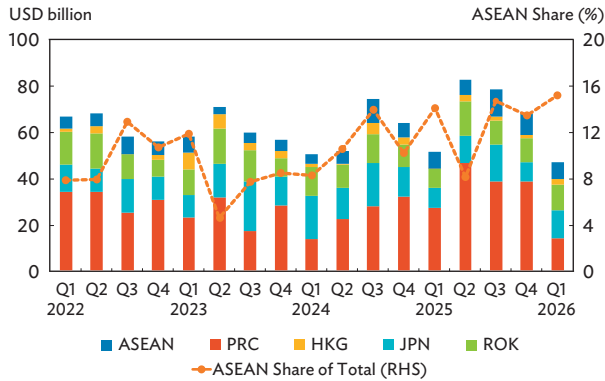
ASEAN+3's sustainable bond market has a more diversified market profile than its general bond market. ASEAN markets represented 12.7% of ASEAN+3 sustainable bonds outstanding at the end of Q1 2026, compared with 5.9% in the general bond market. Meanwhile, the Republic of Korea's share of sustainable bonds outstanding (18.0%) was more than triple its corresponding share in the ASEAN+3 general bond market (5.4%) (Figure 18A). ASEAN maintains a significant presence in ASEAN+3 sustainability and sustainability-linked bond markets, accounting for 34.2% and 37.5% of regional bonds outstanding, respectively (Figure 18B). In Q1 2026, ASEAN markets were responsible for over half of ASEAN+3 issuance of sustainability bonds (52.0%) and sustainability-linked bonds (61.9%).

<sup>7</sup> ASEAN+3 comprises the member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.

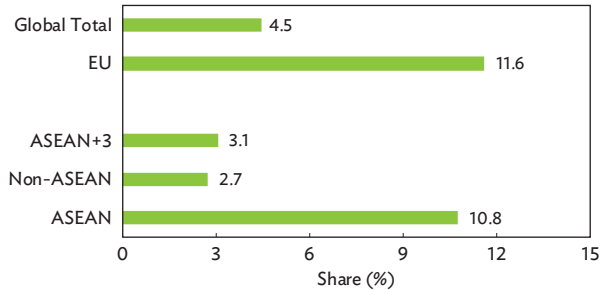
<sup>8</sup> The EU includes the member markets of Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

**Figure 17: Sustainable Bond Issuance**

**A. ASEAN+3 Sustainable Bond issuance by Market**



**B. Sustainable Bond Issuance as a Share of Total Bond Issuance in the First Quarter of 2026**



ASEAN = Association of Southeast Asian Nations; PRC = People’s Republic of China; EU = European Union; HKG = Hong Kong, China; JPN = Japan; ROK = Republic of Korea; Q1 = first quarter; Q2 = second quarter; Q3 = third quarter; Q4 = fourth quarter; RHS = right-hand side; USD = United States dollar.

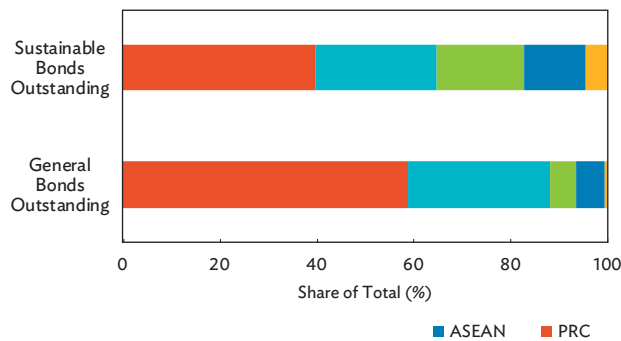
Notes:

1. ASEAN+3 comprises the member states of the Association of Southeast Asian Nations (ASEAN) plus the People’s Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
2. The EU includes the member markets of Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
3. Data include both local currency and foreign currency sustainable bonds.

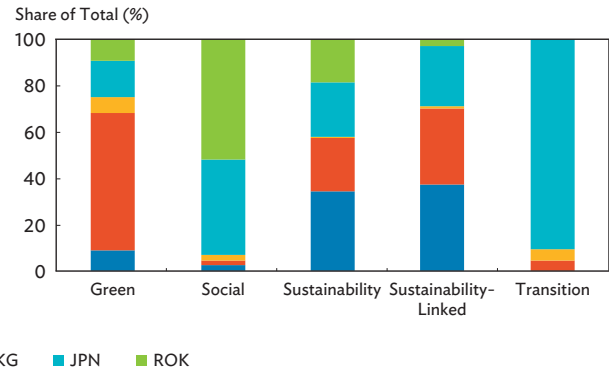
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

**Figure 18: Market Profiles of ASEAN+3 Sustainable Bonds Outstanding at the End of March 2026**

**A. By Market**



**B. By Instrument**



ASEAN = Association of Southeast Asian Nations; PRC = People’s Republic of China; HKG = Hong Kong, China; ROK = Republic of Korea; JPN = Japan.

Note: ASEAN comprises the markets of Cambodia, Indonesia, the Lao People’s Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

Source: *AsianBondsOnline* computations based on Bloomberg LP data.

## Instrument Profile

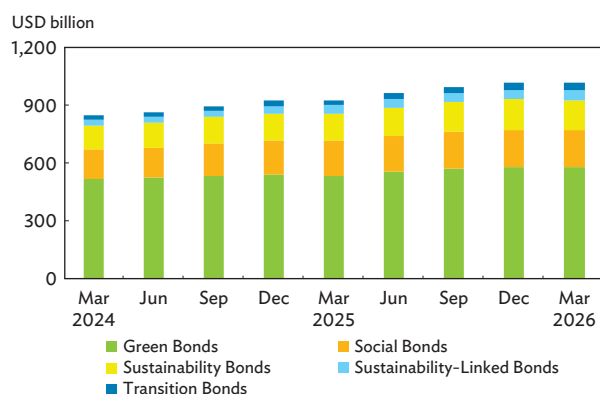
Green bonds continue to be the dominant instrument type in ASEAN+3's sustainable bond market, albeit with a declining share over time. Green bonds comprised 56.5% of sustainable bonds outstanding (USD576.9 billion) in ASEAN+3 at the end of March 2026, declining from 61.6% at the end of March 2024 (Figure 19A). Across ASEAN+3, Japan and ASEAN economies have the most diverse sustainable bond markets, as reflected in their low Herfindahl–Hirschman Index scores (Figure 19B).

## Sector Profile

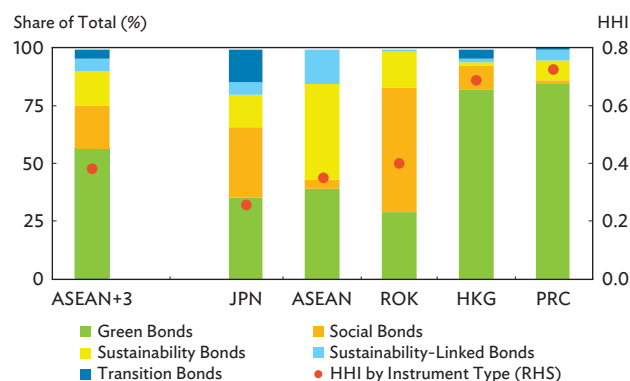
Excluding the PRC, sustainable bond markets in ASEAN+3 have broadly similar shares of public and private sector financing. The public sector's share of sustainable bonds outstanding is comparable in the EU (50.1%) and most ASEAN+3 markets (44.0%–55.0%). On the other hand, the private sector dominates the sustainable bond market in the PRC, accounting for 93.2% of the sustainable bond stock (Figure 20A). Financial institutions were the major private sector issuers in ASEAN+3 sustainable bond markets, followed by industrials. The two groups jointly accounted for 38.0% of ASEAN+3's total in Q1 2026 (Figure 20B).

Figure 19: Instrument Profile of ASEAN+3's Sustainable Bonds Outstanding

### A. Instrument Type



### B. Instrument Diversity at the End of March 2026



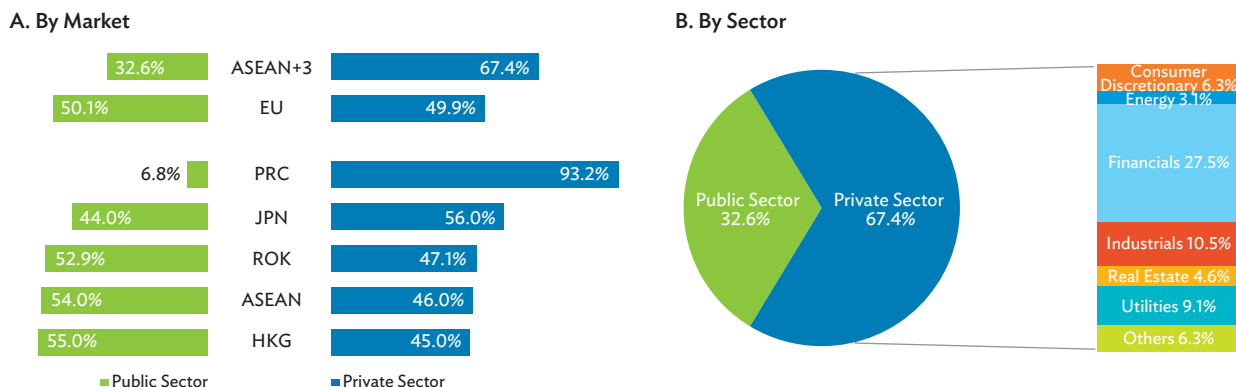
ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; HHI = Herfindahl–Hirschman Index, RHS = right-hand side; USD = United States dollar.

Notes:

- Figures are based on the outstanding amount for each instrument type relative to the regional total of sustainable bonds outstanding.
- The Herfindahl–Hirschman Index is a commonly accepted measure of market concentration. The index is used to measure the instrument profile diversification of a bond market and is calculated by summing the squared share of each instrument type in the market. A lower HHI indicates greater diversification across different instrument types, while a higher HHI suggests a more concentrated market structure dominated by fewer instruments.
- Data include both local currency and foreign currency sustainable bonds.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Figure 20: Sector Profile of ASEAN+3 Sustainable Bonds Outstanding at the End of the First Quarter of 2026



ASEAN = Association of Southeast Asian Nations; PRC = People's Republic of China; EU = European Union; HKG = Hong Kong, China; JPN = Japan; ROK = Republic of Korea.

Notes:

1. ASEAN+3 is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
2. The EU includes the member markets of Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
3. Data include both local currency and foreign currency sustainable bonds.
4. The private sector includes financial institutions and private institutions, while excluding government-owned enterprises.

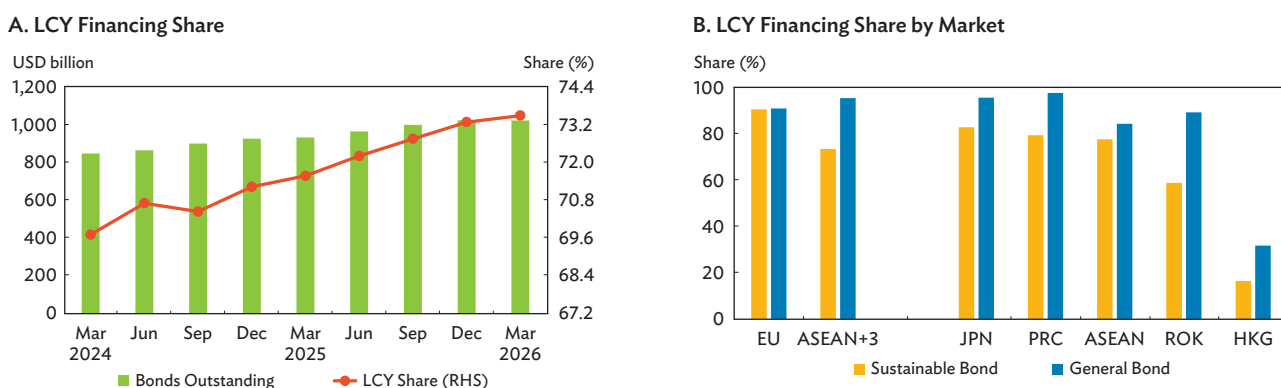
Source: AsianBondsOnline computations based on Bloomberg LP data.

## Currency Profile

The share of local currency (LCY) financing in ASEAN+3's sustainable bond market increased in Q1 2026 but remained lower than in the overall bond market. LCY financing accounted for 73.5% of ASEAN+3 outstanding sustainable bonds at the end of March, up from 69.7%

in March 2024 but still below the corresponding 95.5% share for the general bond market (Figure 21A). This was also less than the LCY financing share in the EU sustainable bond market (90.6%) (Figure 21B). In ASEAN economies, LCY financing accounted for 77.7% of outstanding bonds in the sustainable bond market and 84.3% in the general bond market.

Figure 21: Local Currency Share in the ASEAN+3 Sustainable Bond Market



ASEAN = Association of Southeast Asian Nations; PRC = People's Republic of China; EU = European Union; HKG = Hong Kong, China; JPN = Japan; ROK = Republic of Korea; LCY = local currency; RHS = right-hand side.

Notes:

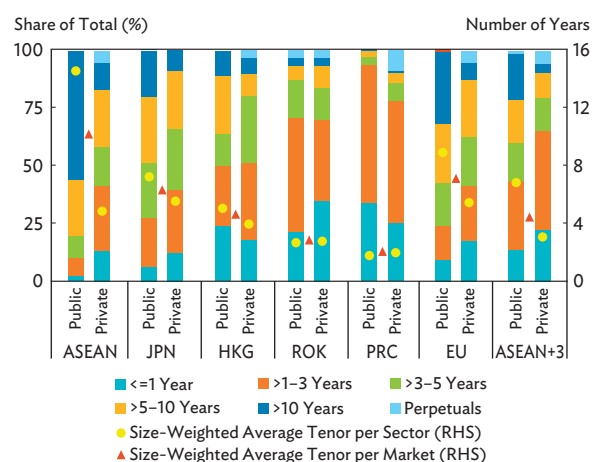
1. ASEAN+3 is defined to include member states of ASEAN plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
2. ASEAN comprises the markets of Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
3. The EU includes the member markets of Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Source: AsianBondsOnline computations based on Bloomberg LP data.

## Maturity Profile

At the end of March, ASEAN+3 sustainable bonds outstanding carried a shorter average tenor than in the EU (**Figure 22**). Nearly three-quarters (73.1%) of ASEAN+3's sustainable bonds outstanding carried maturities of 5 years or less, much higher than the corresponding share of 52.6% for the EU. The size-weighted average tenor of outstanding sustainable bonds was 4.4 years in ASEAN+3, compared to 7.1 years for the EU. Private sector bonds generally carry shorter tenors, which contributed to the shorter average tenor in ASEAN+3 where the private sector dominates. In ASEAN markets, where the public sector has a relatively larger role in sustainable bond markets, the average tenor was higher at 10.2 years.

**Figure 22: Maturity Profile of ASEAN+3 Sustainable Bond Markets at the End of March 2026**



ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea; EU = European Union; RHS = right-hand side.

Notes:

1. The EU includes the member markets of Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.
2. ASEAN+3 is defined to include member states of ASEAN plus the People's Republic of China; Hong Kong, China; Japan; and the Republic of Korea.
3. ASEAN comprises the markets of Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.
4. Data include both local currency and foreign currency sustainable bonds.

Source: *AsianBondsOnline* computations based on Bloomberg LP data.

# Market Summaries

## People's Republic of China

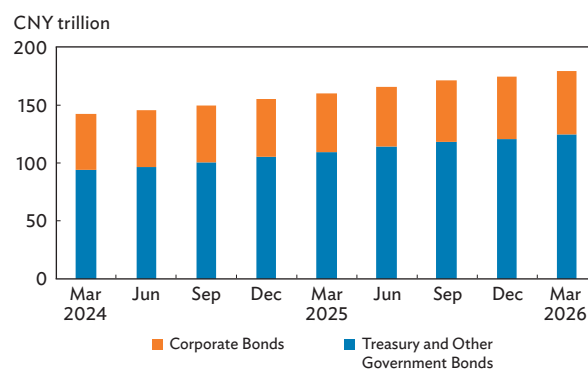
### Yield Movements

The local currency (LCY) government bond yield curve in the People's Republic of China (PRC) fell between 2 February and 29 May on the People's Bank of China's easy monetary policy stance (**Figure 1A**). While the central bank did not adjust its policy rate during the review period, it ensured **ample liquidity** in the financial markets through other tools. Except for the 30-year bond, yields consistently trended down throughout the review period (**Figure 1B**).

### Local Currency Bond Market Size and Issuance

The PRC's bonds outstanding rose 2.6% quarter-on-quarter (q-o-q) to reach CNY179.2 trillion at the end of March, largely due to an expansion in government bonds resulting from front-loading by local governments to help support the economy (**Figure 2**). Overall bond issuance was flat, growing only 0.3% q-o-q as the 19.4% q-o-q

**Figure 2: Local Government Bonds Outstanding**

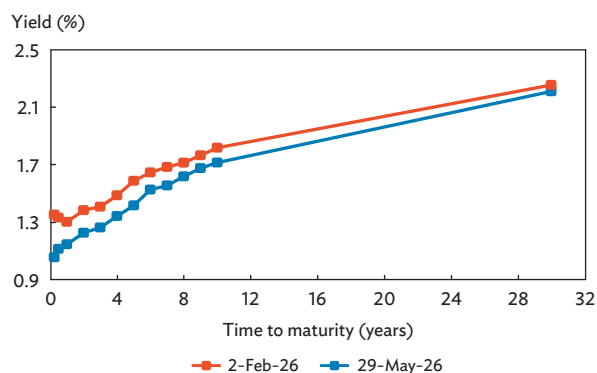


CNY = Chinese yuan.  
Source: CEIC Data Company.

increase in government bond issuance was offset by the 22.7% q-o-q corporate bond issuance decline as financial bond issuance was curtailed over a delay in **approvals** (**Figure 3**).

**Figure 1: Local Currency Government Bond Yields in the People's Republic of China**

#### A. Local Currency Government Bond Yield Curve

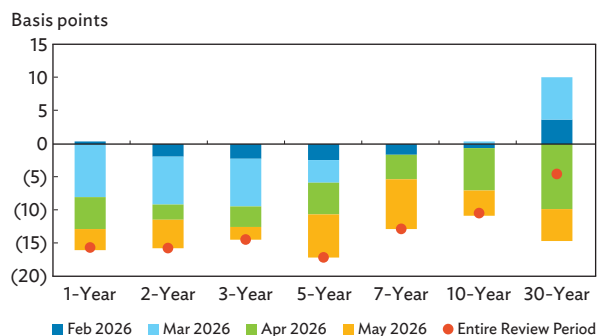


( ) = negative

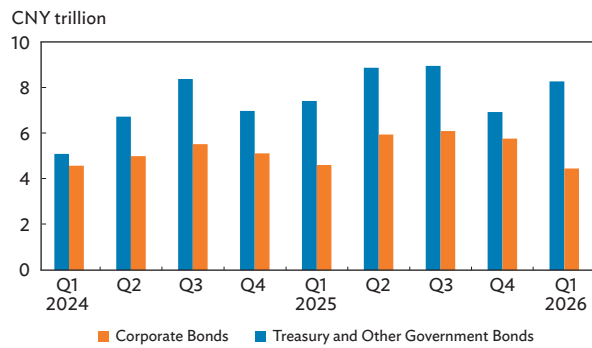
Note: Data coverage is from 2 February 2026 to 29 May 2026.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

#### B. Changes in Local Currency Government Bond Yields



**Figure 3: Quarterly Bond Issuance**



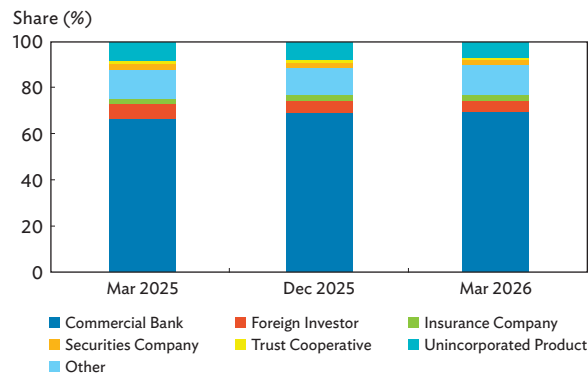
CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.  
Source: CEIC Data Company.

## Investor Profile

Among investors in the PRC's Treasury bond market, commercial banks remained the dominant investor, with their holdings share rising to 69.6% at the end of March from 69.2% at the end of December, as banks purchased more bonds following the central bank's liquidity injections (**Figure 4A**). In contrast, there was a decline in the holdings of foreign investors as the Middle East conflict increased risk aversion (**Figure 4B**).

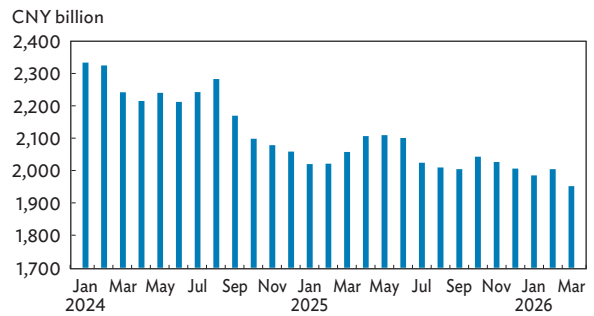
**Figure 4: Investor Profile in the People's Republic of China's Treasury Bond Market**

### A. Investor Holdings



Source: CEIC Data Company.

### B. Foreign Holdings



## Sustainable Bond Market

The PRC's sustainable bond market weakened at the end of March, with the outstanding supply contracting 1.6% q-o-q as issuance declined due to the Middle East conflict (**Figure 5A**). By sector, the PRC's largest issuer is financial firms, with a collective share of 47.6% at the end of March, followed by utilities at 15.0% (**Figure 5B**).

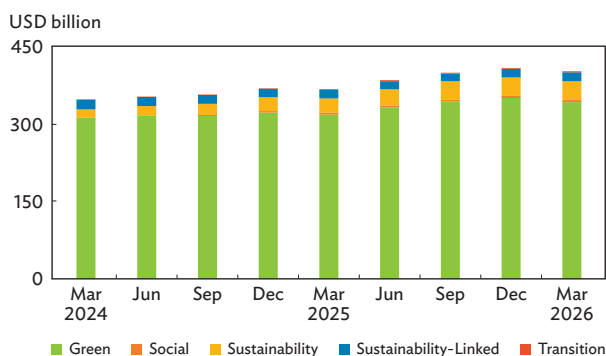
## Policy and Regulatory Developments

### Bond Market Further Opened to Foreign Investors

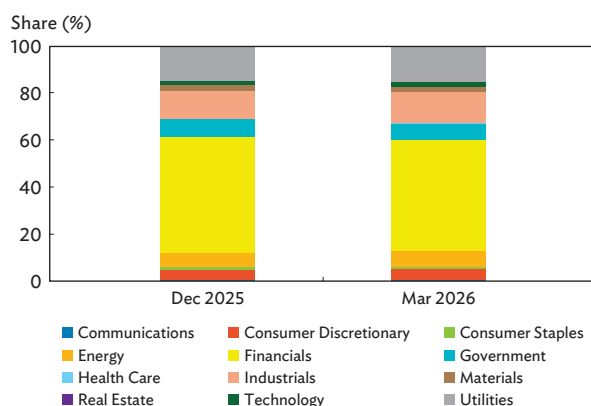
On 28 April, the China Securities Regulatory Commission allowed qualified foreign investors to participate in Treasury bond futures trading. Participation is restricted to hedging purposes, improving risk management capacity, and supporting the market's appeal to foreign investors.

**Figure 5: Sustainable Bond Market in the People's Republic of China**

#### A. Sustainable Bonds Outstanding by Instrument Type



#### B. Sustainable Bonds Outstanding by Sector



USD = United States dollar.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

# Hong Kong, China

## Yield Movements

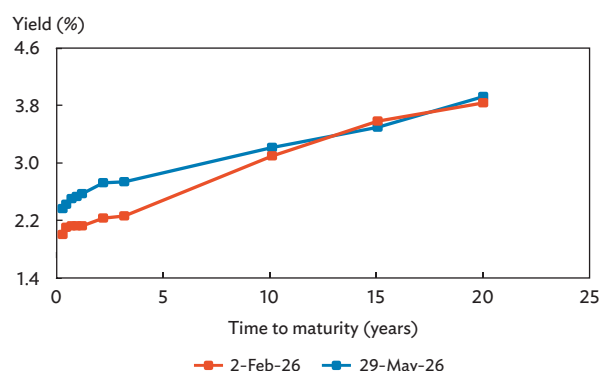
Local currency (LCY) government bond yields rose for most tenors between 2 February and 29 May due to inflationary pressures brought about by the ongoing global energy crisis (**Figure 1A**). Yields edged down in February on benign domestic inflation but trended up from March through May as the Middle East conflict drove global inflation expectations (**Figure 1B**).

## Local Currency Bond Market Size and Issuance

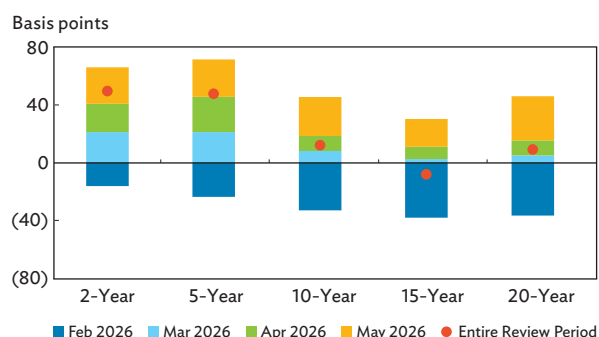
Hong Kong, China’s LCY bond market expanded by 2.4% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2026 to reach HKD3.8 trillion at the end of March, bolstered by a rebound in corporate bond issuance (**Figure 2**). Total issuance tallied HKD1.5 trillion, supported by a 30.7% q-o-q increase in corporate bond sales (**Figure 3**).

**Figure 1: Local Currency Government Bond Yields in Hong Kong, China**

**A. Local Currency Government Bond Yield Curve**



**B. Changes in Local Currency Government Bond Yields**

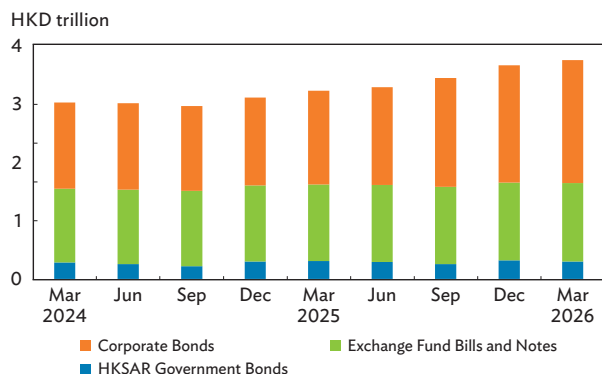


( ) = negative.

Note: Data coverage is from 2 February 2026 to 29 May 2026.

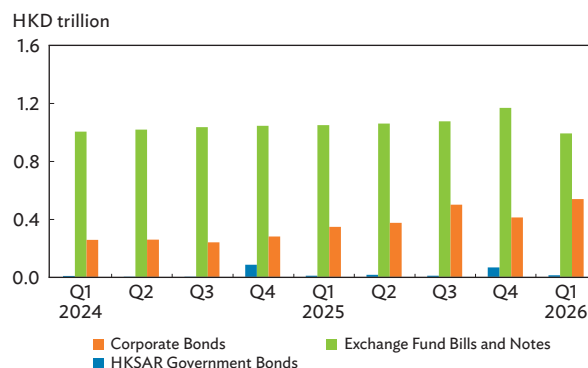
Source: AsianBondsOnline calculations based on Bloomberg LP data.

**Figure 2: Local Government Bonds Outstanding in Hong Kong, China**



HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region.  
Source: Hong Kong Monetary Authority.

**Figure 3: Quarterly Bond Issuance in Hong Kong, China**



HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.  
Source: Hong Kong Monetary Authority.

## Sustainable Bond Market

Hong Kong, China’s sustainable bond stock reached USD46.4 billion at the end of March on a marginal 0.5% q-o-q contraction due to a higher volume of maturities in Q1 2026 (Figure 4A). Sustainable bonds outstanding in Hong Kong, China at the end of Q1 2026 were predominantly medium-term instruments, with a size-weighted average tenor of 4.7 years. Public sector securities had a slightly longer average tenor (5.1 years) than their private sector counterparts (4.1 years) (Figure 4B).

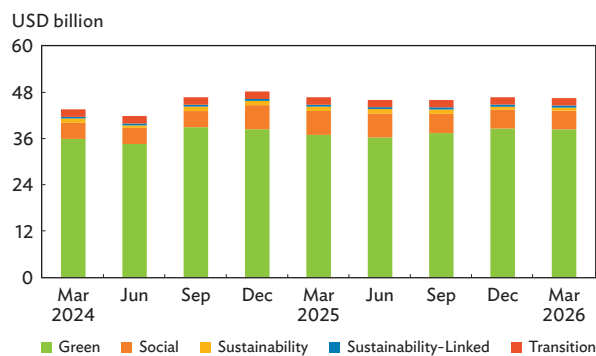
## Policy and Regulatory Developments

### Borrowing Ceiling for Sustainable and Infrastructure Bond Programs Raised to HKD900 Billion

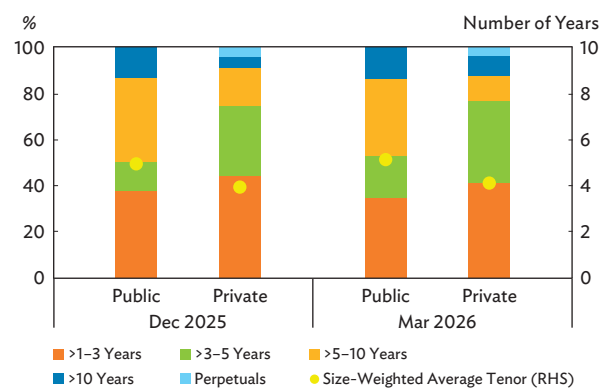
Under its fiscal year 2026/27 budget finalized in February 2026, the Government of the Hong Kong Special Administrative Region of the People’s Republic of China launched an expanded issuance program targeting HKD160 billion–HKD220 billion of annual bond issuance over the next 5 years. To accommodate the accelerated issuance plan, the cumulative borrowing ceiling for the sustainable and infrastructure bond programs was officially raised to HKD900 billion from HKD700 billion.

Figure 4: Sustainable Bond Market in Hong Kong, China

#### A. Sustainable Bonds Outstanding



#### B. Maturity Structure of Sustainable Bonds Outstanding



RHS = right-hand side, USD = United States dollar.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

# Indonesia

## Yield Movements

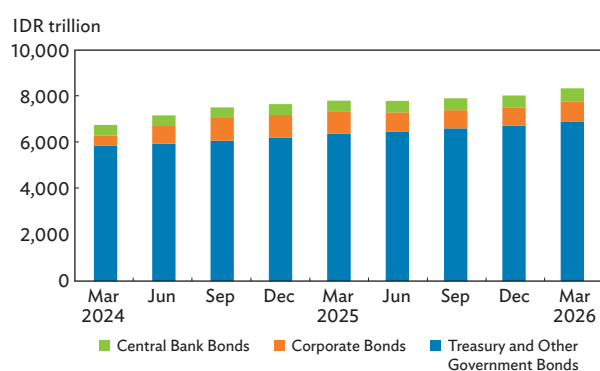
Local currency (LCY) government bond yields in Indonesia rose across all tenors between 2 February and 29 May, driven by rising inflationary pressures due to the conflict in the Middle East and Bank Indonesia's policy rate hike (**Figures 1A, 1B**). The central bank raised its policy rate by 50 basis points at its 19–20 May monetary policy meeting to preserve rupiah stability and contain inflation. Investor sentiment was further weighed by a range of domestic factors, including concerns over fiscal sustainability, outlook downgrades by rating agencies, and MSCI-related uncertainty surrounding issues of market transparency and investor holding structures in the equity market. Bank Indonesia again raised its policy rate by 25 basis points at an off-cycle meeting on 9 June.

## Local Currency Bond Market Size and Issuance

Indonesia's LCY bond market reached a size of IDR8,370.7 trillion at the end of March, with its expansion accelerating to 3.8% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2026 from 1.6% q-o-q in the previous

quarter. Treasury bonds, which comprised 82.9% of total bonds outstanding, rose by 2.8% q-o-q, supported by the government's front-loading strategy (**Figure 2**). Outstanding corporate and central bank bonds also rose due to fewer maturities despite a decline in issuance. Total issuance in Q1 2026 contracted 24.6% q-o-q on scaled back issuance by the central bank to support credit growth and economic expansion (**Figure 3**).

**Figure 2: Local Currency Bonds Outstanding in Indonesia**

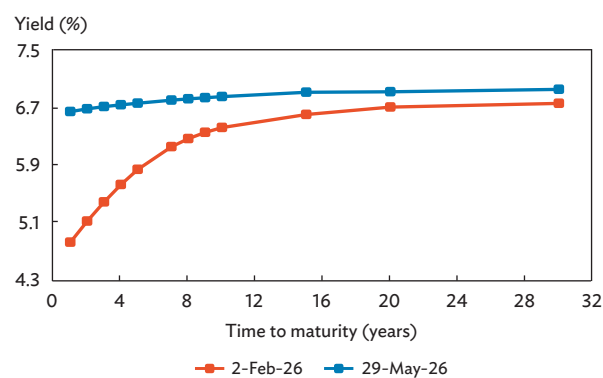


IDR = Indonesian rupiah.

Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

**Figure 1: Local Currency Government Bond Yields in Indonesia**

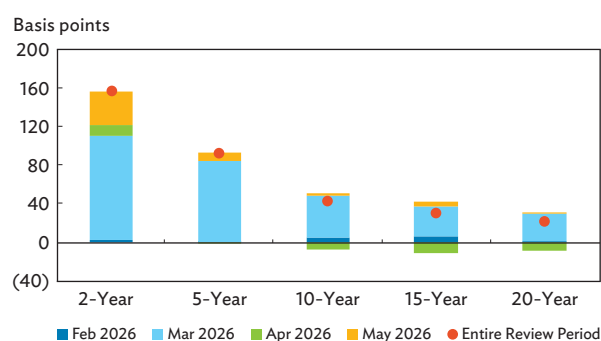
### A. Local Currency Government Bond Yield Curve



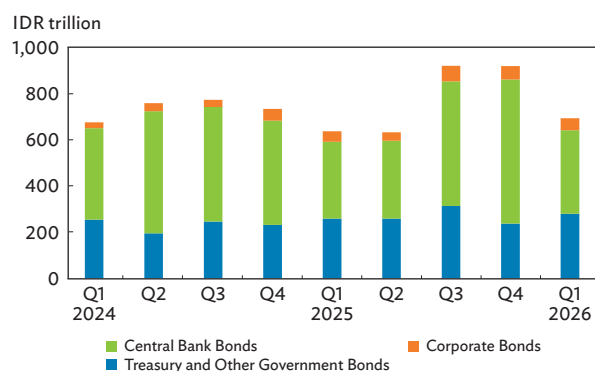
Note: Data coverage is from 2 February 2026 to 29 May 2026.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

### B. Changes in Local Currency Government Bond Yields



**Figure 3: Local Currency Quarterly Bond Issuance in Indonesia**



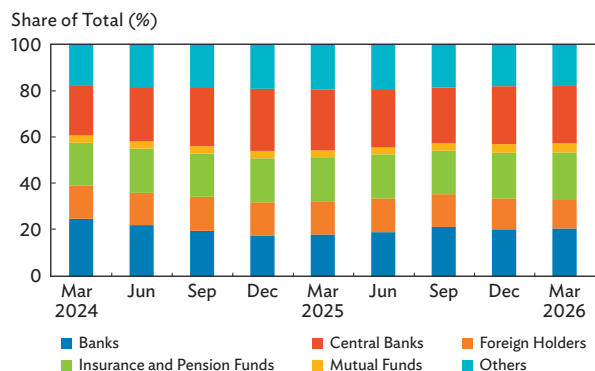
IDR = Indonesian rupiah, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.  
 Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

## Investor Profile

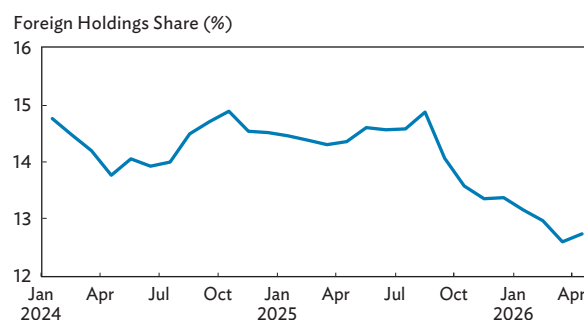
At the end of March, the central bank continued to account for the largest holdings of Treasury bonds in Indonesia, with its holdings share inching up to 25.1% from 25.0% at the end of December 2025 (**Figure 4A**). Bank Indonesia’s bond purchases form part of its policy measures meant to maintain financial market stability and support economic growth. In contrast, the share of foreign ownership continued to decline to 12.7% from 13.4% over risk aversion due to geopolitical and domestic factors—including outlook downgrades by Moody’s Ratings and Fitch Ratings, and concerns over fiscal sustainability (**Figure 4B**).

**Figure 4: Investor Profile in Indonesia’s Local Currency Bond Market**

### A. Investor Holdings



### B. Foreign Holdings



Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

## Sustainable Bond Market

Heightened global uncertainty weighed on Indonesia’s sustainable bond market, with bonds outstanding contracting 0.6% q-o-q to USD17.7 billion at the end of March (Figure 5A). Sustainable bond issuance fell 68.9% q-o-q to USD0.4 billion in Q1 2026, driven by reduced public sector issuance. Compared to bonds in the private sector, public sector bonds were more concentrated in maturities exceeding 5 years, contributing to their longer maturity profile, with a size-weighted average tenor of 8.4 years (Figure 5B).

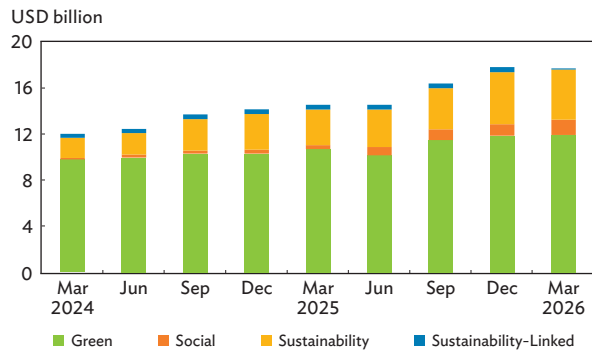
## Policy and Regulatory Developments

### Government to Raise IDR324 Trillion in Second Quarter from Treasury Auctions

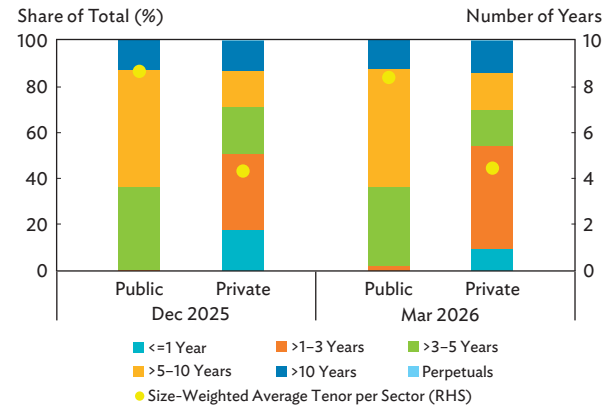
The Government of Indonesia plans to issue IDR324 trillion through Treasury bond auctions in the second quarter of 2026, up from IDR220 trillion in Q1 2026. The planned issuance will comprise both conventional bonds and *sukuk* (Islamic bonds), with alternate auctions scheduled every week.

Figure 5: Sustainable Bond Market in Indonesia

#### A. Sustainable Bonds Outstanding



#### B. Maturity Profile and Average Tenor of Sustainable Bonds Outstanding by Sector



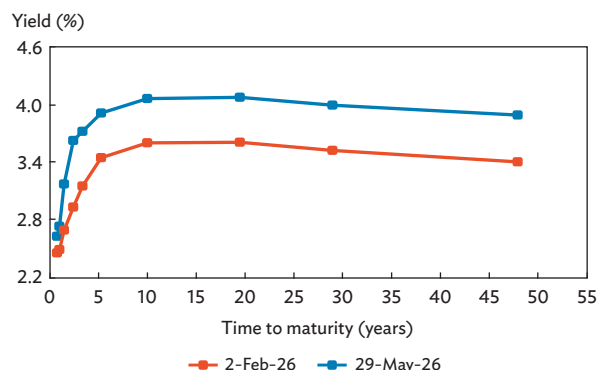
RHS = right-hand side, USD = United States dollar.  
Source: AsianBondsOnline calculations based on Bloomberg LP data.

## Republic of Korea

### Yield Movements

Local currency (LCY) government bond yields in the Republic of Korea rose an average of 45 basis points across all tenors between 2 February and 29 May, reflecting the Bank of Korea’s (BOK) increasingly hawkish policy stance (**Figure 1**). The BOK left the base rate unchanged in its February and April meetings, noting that it would continue to assess the impact of the Middle East conflict on inflation, growth, and financial markets. While the BOK continued to maintain the base rate at its 28 May meeting, it also signaled the onset of future rate hikes as inflationary pressures persist. Its forward guidance indicated a 47.6% probability of a 50 basis points increase in the base rate over the next 6 months.

**Figure 1: Local Currency Government Bond Yields in the Republic of Korea**



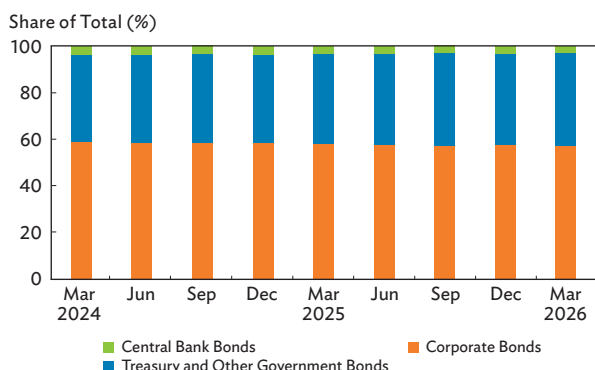
Source: Based on data from Bloomberg LP.

### Local Currency Bond Market Size and Issuance

Total LCY bond outstanding in the Republic of Korea reached KRW3.5 trillion at the end of March. Growth moderated to 0.6% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2026 from 1.4% q-o-q in the previous quarter due to reduced corporate issuance.

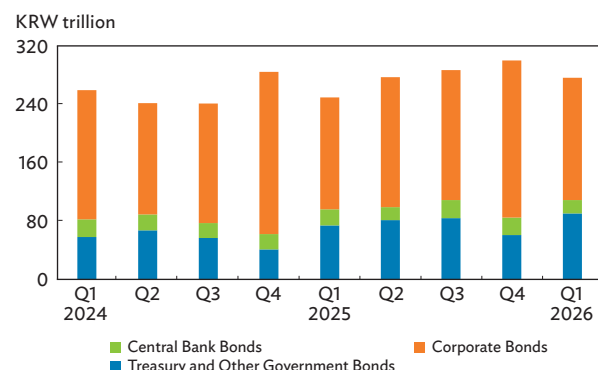
Corporate bonds continued to dominate the LCY bond market with a share of 57.2% at the end of March, while the government bond market’s share remained stable at 39.9% (**Figure 2**). Corporate bond issuance contracted 22.1% q-o-q in Q1 2026 as higher bond yields dampened funding demand, while government bond issuance surged 40.4% q-o-q in line with the government’s front-loading policy (**Figure 3**).

**Figure 2: Composition of Local Currency Bonds Outstanding in the Republic of Korea**



Sources: Bank of Korea and KG Zeroin Corp.

**Figure 3: Quarterly Bond Issuance in the Republic of Korea’s LCY Bond Market**



KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Sources: Bank of Korea and KG Zeroin Corp.

## Investor Profile

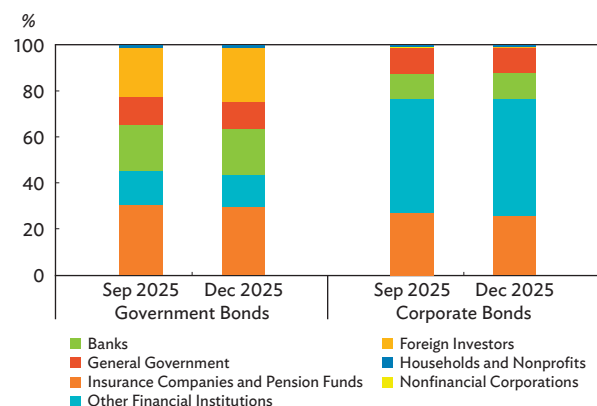
The Republic of Korea’s LCY government bond market continued to have a diverse investor base, with holdings spread across five major investor groups—led by insurance companies and pension funds with a share of 29.9% at the end of December 2025 (Figure 4A). Foreign investors were the second-largest group, with their share rising to 23.3% from 21.0% in the previous quarter, as net foreign inflows rose to KRW24.0 trillion from KRW3.2 trillion during the same period (Figure 4B). This was driven by the October 2025 confirmation of the Republic of Korea’s inclusion in the FTSE World Government Bond Index, effective April 2026. In contrast, LCY corporate bonds outstanding continued to be held by two major investor groups: other financial institutions (50.9%) and insurance companies and pension funds (26.0%).

## Sustainable Bond Market

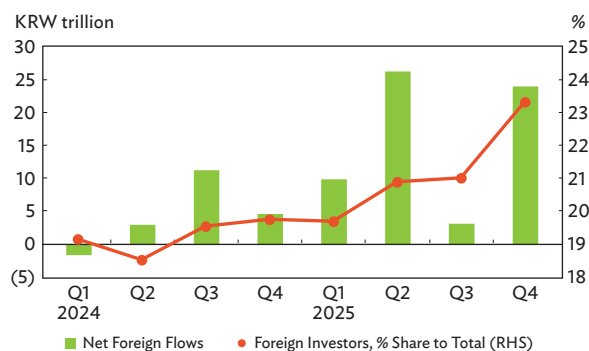
The Republic of Korea’s sustainable bond market declined 2.0% q-o-q to USD184.0 billion at the end of March as maturities exceeded new issuance (Figure 5A). Social bonds and green bonds continued to dominate the total sustainable bond market with shares of 54.2% and 29.2%, respectively. Sustainable bond issuance rose 7.2% q-o-q to USD11.2 billion, largely driven by increased public sector issuances of green and social bonds (Figure 5B). The Republic of Korea’s sustainable bonds outstanding remained concentrated in the short term with 70.4% of the total having remaining tenors of less than 3 years, resulting in a size-weighted average tenor of 2.9 years in Q1 2026.

Figure 4: Investor Profile of Local Currency Bonds in the Republic of Korea

### A. Investor Profile



### B. Foreign Holdings Share and Net Foreign Flows in LCY Government Bonds

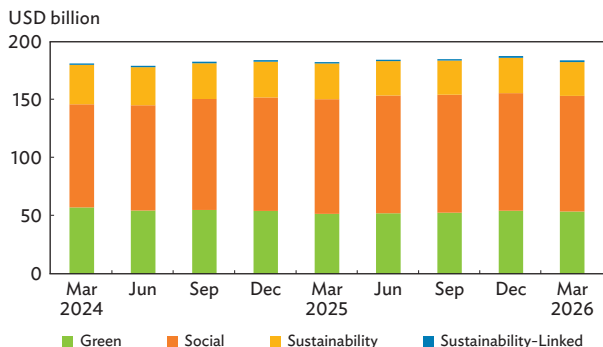


(-) = negative, KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, RHS = right-hand side.

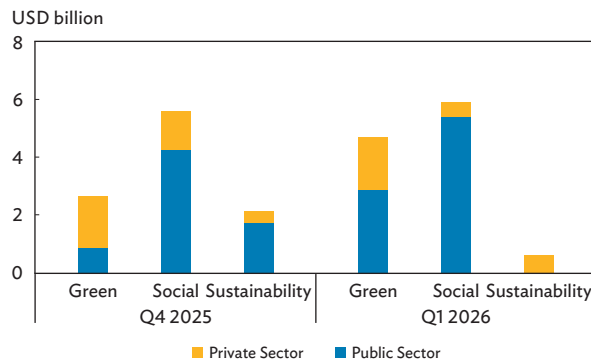
Sources: AsianBondsOnline, Bank of Korea, and Financial Supervisory Service.

Figure 5: Sustainable Bond Market in the Republic of Korea

A. Sustainable Bonds Outstanding



B. Sustainable Bond Issuance



Q1 = first quarter, Q4 = fourth quarter, USD = United States dollar.  
 Source: AsianBondsOnline calculations based on Bloomberg LP data.

## Policy and Regulatory Developments

### Government Announces Measures to Stabilize the Public Sector Bond Market

On 26 March, the Government of the Republic of Korea announced measures to help stabilize the government bond market amid heightened volatility stemming from the Middle East conflict. These measures included an emergency bond buyback conducted in two tranches of KRW2.5 trillion each on 27 March and 1 April. In addition, the government will launch a task force to closely monitor, assess, and facilitate foreign capital inflows following the Republic of Korea’s inclusion in the FTSE World Government Bond Index effective 1 April.

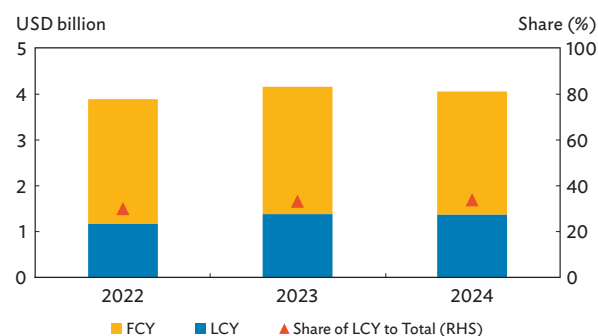
## Lao People's Democratic Republic

### Size and Composition

The local currency (LCY) bond market of the Lao People's Democratic Republic (Lao PDR) has the potential to mobilize additional domestic capital. Total bonds outstanding in the Lao PDR declined by 2.4% year-on-year (y-o-y) to USD4.0 billion at the end of 2024 from USD4.1 billion a year earlier. LCY bonds' share of total bonds outstanding was 33.7% in 2024, slightly up from 33.1% in 2023 (**Figure 1**). In relative terms, the size of the Lao PDR's total bond market remained small in 2024 at the equivalent of 27.2% of gross domestic product, compared to the average of 76.9% among members of the Association of Southeast Asian Nations (ASEAN) (**Figure 2**).

The development of the Lao PDR's domestic bond market is facilitating more onshore financing. The Lao PDR is increasingly turning from offshore bond markets to onshore bond markets to raise funds. Total onshore bond issuance through the Lao Securities Exchange (LSX) increased to USD361.3 million in 2024, up from USD316.2 million in 2023. All onshore bond issuances in 2024 were conducted by the government. With a relatively small domestic bond market and a thin domestic investor base, foreign-currency (FCY)-denominated financing continued to comprise the majority of bond issuance in the onshore market. Onshore FCY bond issuance through the LSX recorded USD312.2 million in 2024, accounting for 86.4% of total onshore issuance. The dominant foreign currencies used for onshore bond issuance in 2024 were the Thai baht and the United States dollar (**Figure 3**). The Government of the Lao PDR issued its first CNY-denominated bonds in December 2024, amounting to USD37.4 million (CNY273.2 million); the bonds were officially listed on the LSX in January 2025. On the other hand, issuance of LCY government bonds declined to USD49.1 million (LAK1.1 trillion) in 2024 from USD169.8 million (LAK3.7 trillion) in 2023, reflecting reduced LCY borrowing by the government amid [fiscal consolidation](#).

**Figure 1: The Lao People's Democratic Republic's Bond Market**



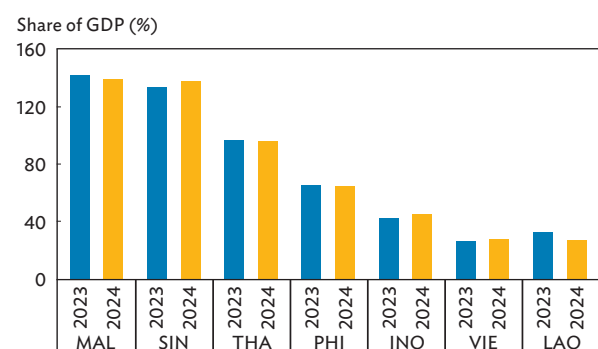
FCY = foreign currency, LCY = local currency, RHS = right-hand side, USD = United States dollar.

Notes:

1. Bonds outstanding data are as of year-end.
2. FCY data include bonds issued via the Lao Securities Exchange and the Thai Bond Market Association.
3. Figures were computed based on 31 December 2024 currency exchange rates and do not include currency effects.

Sources: Lao Securities Exchange, Ministry of Finance Lao People's Democratic Republic, and Thai Bond Market Association.

**Figure 2: Total Bonds Outstanding as a Share of Gross Domestic Product in ASEAN Markets**

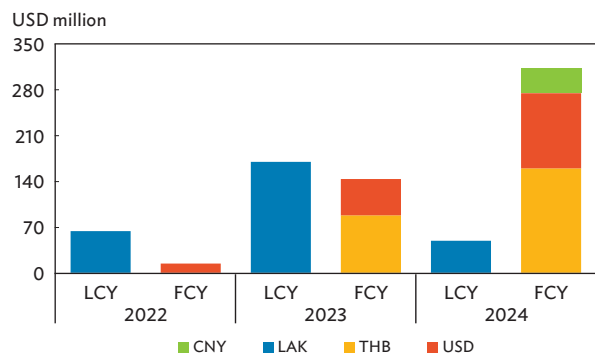


ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, INO = Indonesia, LAO = Lao People's Democratic Republic, MAL = Malaysia, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam.

Note: Gross domestic product data are from CEIC Data Company.

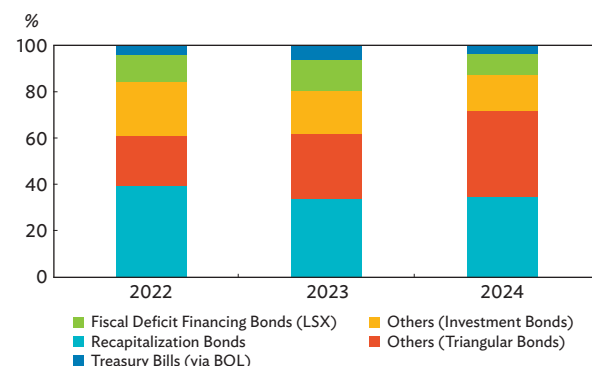
Source: [AsianBondsOnline](#) calculations based on various sources.

**Figure 3: Onshore Government Bonds Issued Through the Lao Securities Exchange**



CNY = Chinese yuan, FCY = foreign currency, LAK = Lao kip, LCY = local currency, THB = Thai baht, USD = United States dollar.  
 Note: Figures were computed based on 31 December 2024 currency exchange rates and do not include currency effects.  
 Source: Lao Securities Exchange.

**Figure 4: Composition of Local Currency Bonds Outstanding in the Lao People’s Democratic Republic**



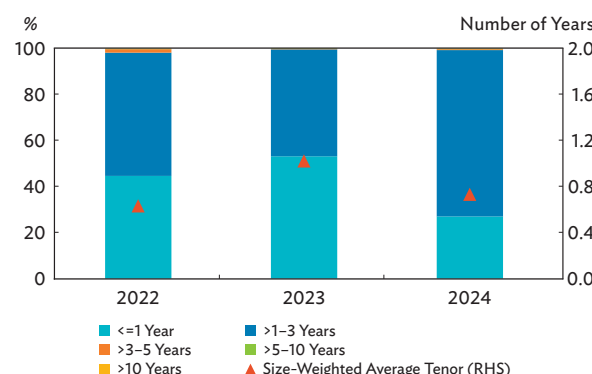
BOL = Bank of the Lao PDR, LSX = Lao Securities Exchange.  
 Note: There are no available data for local currency corporate bonds.  
 Source: Ministry of Finance Lao People’s Democratic Republic.

## Local Currency Bond Market Size and Issuance

LCY bonds outstanding remained stable in 2024 amid slower growth in LCY bond issuance. Total LCY bonds outstanding reached LAK29.8 trillion at the end of 2024, compared to LAK30.0 trillion in 2023 due to slightly more maturities than new LCY bond issuance in 2024. Triangular and recapitalization bonds continued to be the major instrument type among LCY bonds outstanding (Figure 4). Triangular bonds totaled LAK11.0 trillion at the end of 2024, accounting for 37.1% of total LCY bonds outstanding, up from 28.2% in 2023. This was followed by recapitalization bonds (34.9%, LAK10.4 trillion), investment bonds (15.3%, LAK4.6 trillion), fiscal deficit financing bonds (9.2%, LAK2.7 trillion), and Treasury bills (3.5%, LAK1.0 trillion).

Outstanding LCY bonds on the LSX were largely concentrated in short-term tenors. In 2024, nearly all outstanding LCY bonds listed on the LSX had remaining tenors of less than 3 years (Figure 5). The size-weighted average tenor dipped to 0.7 years at the end of 2024 from 1.0 years in 2023. The market’s short-tenor profile was reinforced by short-term LCY bond issuances in 2024. Almost all LCY bond issuance through the LSX in 2024 carried maturities of less than 3 years, resulting in a size-weighted average maturity of 1.4 years, slightly lower than the average of 1.5 years in 2023 (Figure 6).

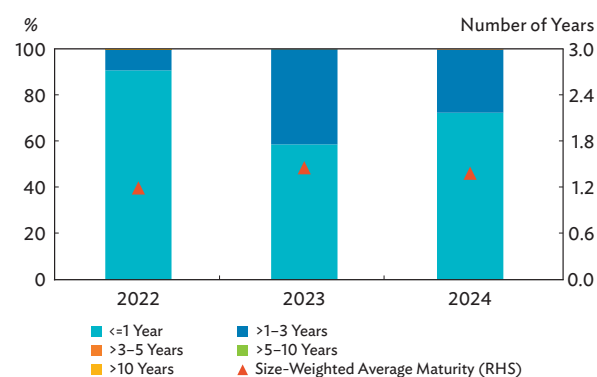
**Figure 5: Maturity Structure of Local Currency Bonds Outstanding Issued Through the Lao Securities Exchange**



RHS = right-hand side.  
 Notes:  
 1. Bonds outstanding data are as of year-end.  
 2. Data only include government bonds as there are no local currency corporate bonds issued through the Lao Securities Exchange.  
 Source: Lao Securities Exchange.

Issuance of LCY government bonds declined in 2024 as the government reduced LCY borrowing to prioritize fiscal consolidation. In line with efforts to improve fiscal management and debt sustainability, the government limited its LCY borrowing in 2024, resulting in a 37.0% y-o-y decrease in LCY government bond issuance to LAK6.2 trillion from LAK9.8 trillion in 2023. Issuance across most bond categories declined in 2024, led by fiscal deficit financing bonds (LAK1.1 trillion) and

**Figure 6: Maturity Structure of Local Currency Bond Issuance Through the Lao Securities Exchange**

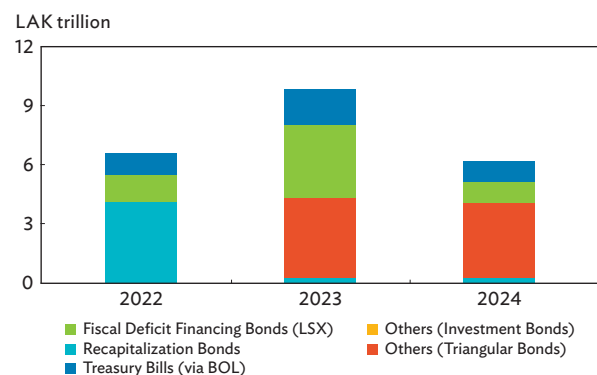


RHS = right-hand side.

Note: Data only include government bonds as there are no local currency corporate bonds issued through the Lao Securities Exchange.

Source: Lao Securities Exchange.

**Figure 7: Onshore Local Currency Bond Issuance in the Lao People's Democratic Republic**



BOL = Bank of the Lao PDR, LAK = Lao kip, LSX = Lao Securities Exchange.

Note: There are no available data for local currency corporate bonds.

Source: Ministry of Finance Lao People's Democratic Republic.

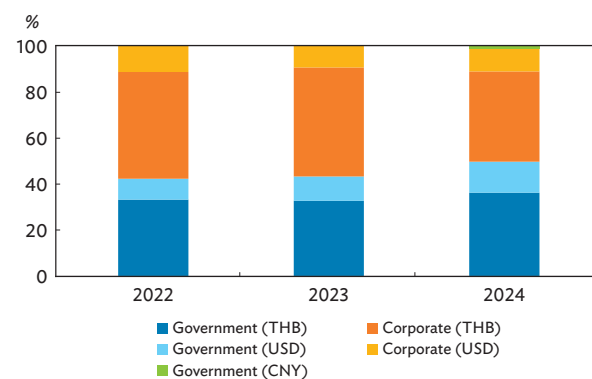
Treasury bills (LAK1.0 trillion), which fell by 71.1% y-o-y and 42.9% y-o-y, respectively (Figure 7). Issuance of triangular bonds, which finance the repayment of unpaid obligations on public investment projects, also decreased 5.9% y-o-y to LAK3.8 trillion in 2024.<sup>9</sup> Meanwhile, issuance of recapitalization bonds, which are used to provide liquidity and support for state-owned banks and

enterprises, rose 7.1% y-o-y to LAK0.3 trillion, although this bond type's share of total LCY bond issuance in 2024 was minimal.

## Foreign Currency Bond Market Size and Issuance

Total FCY bonds outstanding in the Lao PDR declined in 2024 as maturities outpaced new issuances. Total FCY bonds outstanding decreased 3.4% y-o-y to USD2.7 billion in 2024 from USD2.8 billion in 2023. All FCY bond issuance in 2024 was from the government. Consequently, the share of corporate bonds to total FCY bonds outstanding fell to 49.0% from 56.8% in 2023, while the share of government bonds rose to 51.0% from 43.2%. The Thai baht remained the predominant currency among FCY bonds outstanding, comprising 75.3% of the total. This was followed by the United States dollar at 23.3% (Figure 8). With its LCY bond market still in a relatively early stage of development, the Lao PDR had the second-highest percentage among ASEAN economies of FCY bonds to gross domestic product at 18.0% at the end of 2024, compared to the ASEAN average of 11.9% (Figure 9).

**Figure 8: The Lao People's Democratic Republic's Foreign Currency Bonds Outstanding**



CNY = Chinese yuan, THB = Thai baht, USD = United States dollar.

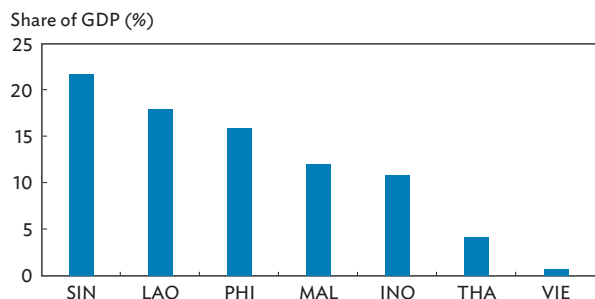
Notes:

- Bonds outstanding data are as of year-end.
- Figures were computed based on 31 December 2024 currency exchange rates and do not include currency effects.

Sources: Lao Securities Exchange and Thai Bond Market Association.

<sup>9</sup> In 2023, the National Assembly approved the issuance of triangular bonds totaling LAK8.0 trillion to address outstanding arrears. Of this approved amount, bonds valued at LAK4.1 trillion were issued in 2023 and LAK3.8 trillion in 2024. The remaining balance of LAK106.2 billion was scheduled to be issued in 2025. Ministry of Finance Lao PDR. 2025. *Public and Publicly Guaranteed Debt Statistic Bulletin 2024*.

**Figure 9: Foreign Currency Bonds Outstanding as a Share of Gross Domestic Product in ASEAN Economies**



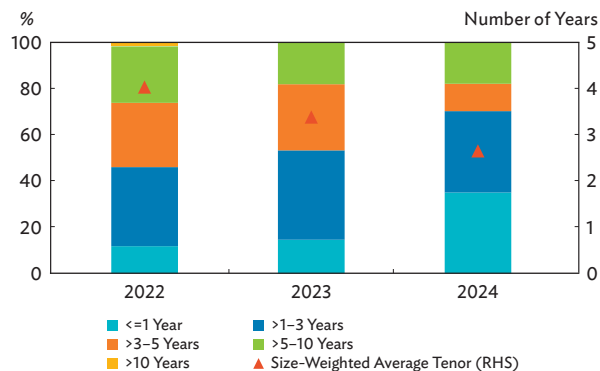
ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, INO = Indonesia, LAO = Lao People’s Democratic Republic, MAL = Malaysia, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam.

Notes:

1. All data as of end-December 2024.
2. Data for gross domestic product are from CEIC Data Company.

Source: *AsianBondsOnline* calculations based on various sources.

**Figure 10: Maturity Structure of Foreign Currency Bonds Outstanding in the Lao People’s Democratic Republic’s Bond Market**



RHS = right-hand side.

Notes:

1. Bonds outstanding data are as of year-end.
2. Figures were computed based on 31 December 2024 currency exchange rates and do not include currency effects.

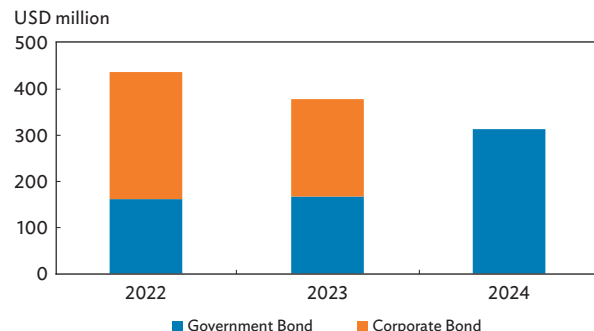
Sources: Lao Securities Exchange and Thai Bond Market Association.

Short-term bonds comprised a majority of FCY bonds outstanding in the Lao PDR at the end of 2024. Around 70% of FCY bonds outstanding at the end of 2024 had remaining tenors of less than 3 years. The large amount of short-term FCY bonds issued in 2024 reduced the size-weighted average tenor of outstanding FCY bonds to 2.7 years from 3.4 years in 2023 (Figure 10).

The government was the sole issuer of FCY bonds in 2024. Government issuance surged 87.5% y-o-y to USD312.2 million in 2024 from USD166.5 million in 2023, driven by the government’s increased funding needs for the year (Figure 11). Based on available data, part of the proceeds from FCY bond issuance in 2024 may have been used for the repayment of maturing FCY bonds previously issued by the government and government-related entities.<sup>10</sup> Despite growth in government bond issuance, total FCY bond issuance contracted 17.2% y-o-y from USD377.1 million in 2023 amid the absence of any new corporate issuance during the year.

Short-term tenors comprised the majority of FCY government bond issuance through the LSX in 2024. About 91.8% of total FCY government bond issuance through the LSX in 2024 carried a maturity of less than 1 year, up slightly from 88.9% in 2023. This led to a further

**Figure 11: Composition of Foreign Currency Bond Issuance in the Lao People’s Democratic Republic**



USD = United States dollar.

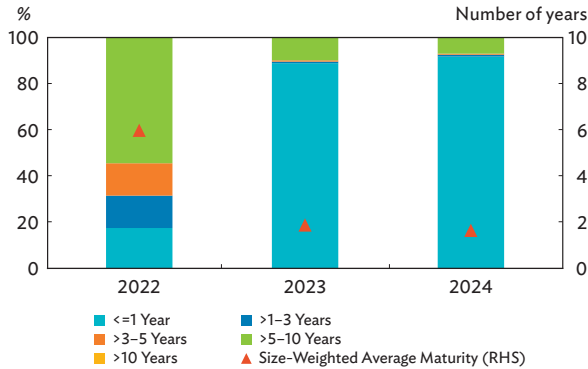
Note: Figures computed based on 31 December 2024 exchange rates to remove currency effects.

Sources: Lao Securities Exchange and Thai Bond Market Association.

decline in the average size-weighted maturity from 1.9 years in 2024 to 1.6 years in 2023 (Figure 12). The combination of shorter maturities and rising FCY issuance in 2024 might have increased the Government of the Lao PDR’s exposure to foreign exchange risk and related refinancing pressures in the event of the depreciation of the Lao kip.

<sup>10</sup> Based on *AsianBondsOnline* calculations, approximately USD232.8 million of outstanding bonds issued by Lao PDR entities and listed on the ThaiBMA matured in 2024, including bonds issued by the Ministry of Finance of the Lao PDR (USD10.0 million) and EDL-Generation Public (USD222.8 million). (EDL-Generation Public is a subsidiary of the state-owned Electricite du Laos.)

**Figure 12: Maturity Structure of Foreign Currency Government Bonds Issued Through the Lao Securities Exchange**



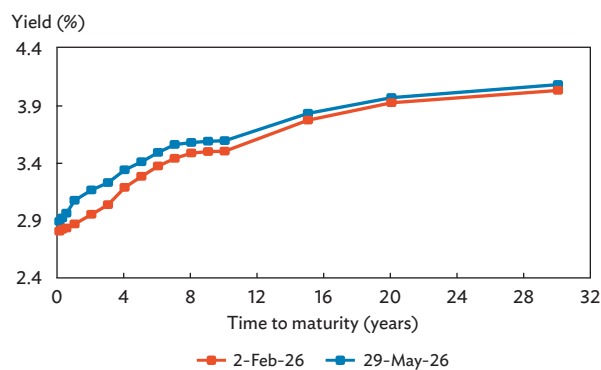
RHS = right-hand side.  
Source: Lao Securities Exchange.

# Malaysia

## Yield Movements

Between 2 February and 29 May, Malaysia’s local currency (LCY) government bond yield curve rose 12 basis points on average across all maturities as escalating tensions in the Middle East heightened inflation concerns and pushed oil prices higher (Figure 1). Consumer price inflation quickened to 1.9% year-on-year in April from 1.7% year-on-year in March, reflecting increased cost pressures from higher energy prices. Despite external inflationary risks, Bank Negara Malaysia kept its overnight policy rate unchanged at 2.75% on 7 May, supported by resilient domestic demand and manageable inflation conditions.

**Figure 1: Local Currency Government Bond Yields in Malaysia**



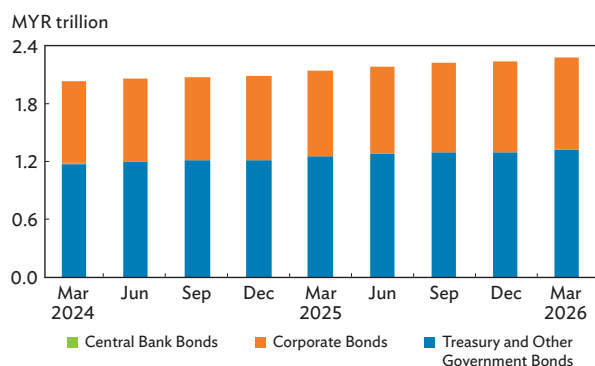
Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

Malaysia’s LCY bond market reached a size of MYR2.3 trillion at the end of March following a 1.6% quarter-on-quarter (q-o-q) expansion in the first quarter of 2026, up from 0.8% q-o-q in the previous quarter. Growth was underpinned by a 1.6% q-o-q increase in outstanding Treasury bonds due to increased

issuance and a 1.5% q-o-q rise in corporate bonds on fewer maturities during the quarter (Figure 2). *Sukuk* (Islamic bonds) continued to account for most of the market, comprising 62.8% of total LCY bonds outstanding at the end of March. Total LCY bond issuance fell 2.5% q-o-q as weaker corporate issuance (-24.2% q-o-q) offset a 44.9% q-o-q surge in Treasury bond issuance (Figure 3).

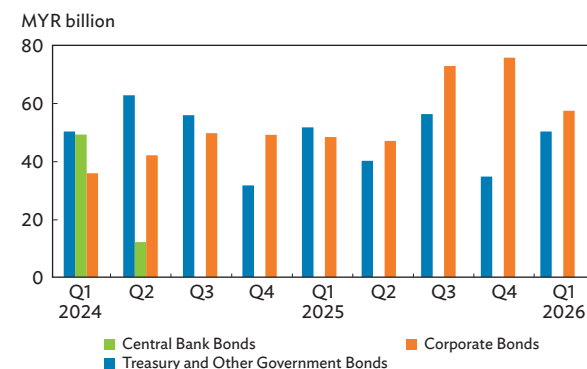
**Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia**



MYR = Malaysian ringgit.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

**Figure 3: Composition of Local Currency Bond Issuance in Malaysia**



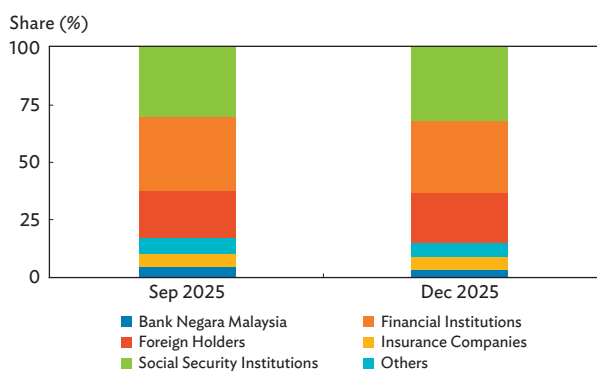
MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

## Investor Profile

Domestic investors continued to dominate Malaysia’s LCY government bond market, accounting for 78.6% of total holdings at the end of December. Financial institutions and social security institutions remained the largest domestic investor groups in the fourth quarter of 2025, with their combined share rising to 63.6% from 62.3% in the previous quarter (Figure 4). Meanwhile, the foreign investor share inched up to 21.4% from 20.8% in September 2025, supported by improved market sentiment following the announcement of the government’s fiscal consolidation plans outlined in the 2026 budget on 10 October 2025.

**Figure 4: Local Currency Government Bonds Investor Profile**



Note: “Others” include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.  
Source: Bank Negara Malaysia.

## Sustainable Bond Market

Malaysia’s sustainable bond market expanded 3.1% q-o-q to reach USD20.2 billion at the end of March. Malaysia’s market share among its emerging East Asian peers continued to rise, comprising 2.6% of the region’s sustainable bond market at the end of March, edging up from a 2.5% share in the previous quarter. More than two-thirds (69.0%) of Malaysia’s sustainable bond market is made up of sustainability bonds (Figure 5A). In the private sector, which accounted for 82.6% of sustainable bonds outstanding at the end of March, over half of all bonds carried tenors of over 5 years (Figure 5B). As a result, the size-weighted average tenor of Malaysia’s sustainable bond market sat at 8.0 years.

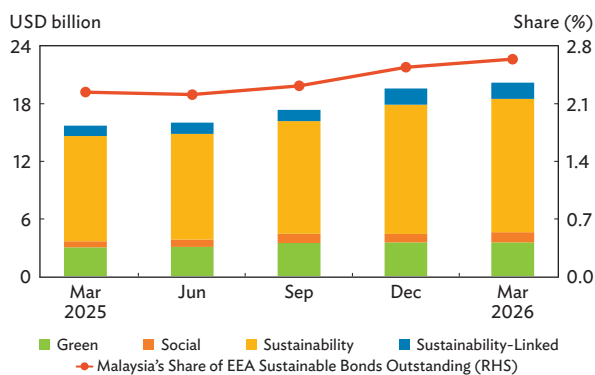
## Policy and Regulatory Developments

### Securities Commission Malaysia Launches Capital Market Masterplan

In March 2026, the Securities Commission Malaysia launched its Capital Market Masterplan, 2026–2030 to strengthen Malaysia’s capital market and support long-term market development. The master plan targets an expansion of Malaysia’s capital market size to between MYR5.8 trillion and MYR6.3 trillion by 2030, while also promoting greater investor participation, enhancing sustainability-focused financing, and reinforcing Malaysia’s position as a regional fundraising and investment hub.

**Figure 5: Sustainable Bonds Outstanding in Malaysia**

### A. Sustainable Bonds Outstanding by Bond Type



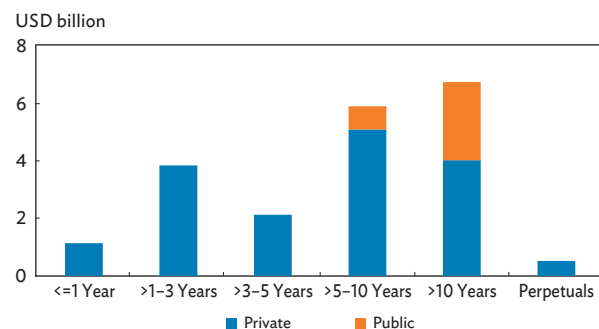
EEA = emerging East Asia, RHS = right-hand side, USD = United States dollar.

Notes:

- Emerging East Asia is defined to include the member states of ASEAN plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.
- Data include both local currency and foreign currency sustainable bonds.
- Sustainability-linked bonds include transition-linked bonds.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

### B. Maturity Profile by Sector



# Philippines

## Yield Movements

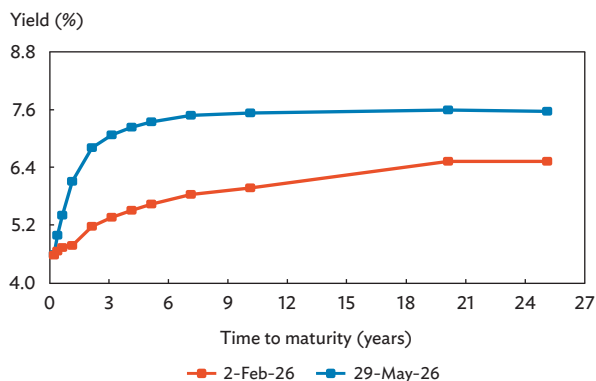
Local currency (LCY) government bond yields in the Philippines rose by an average of 120 basis points across all maturities between 2 February and 29 May, driven by the hawkish monetary policy stance of the Bangko Sentral ng Pilipinas (BSP) (Figures 1A, 1B). On 23 April, the BSP raised its policy rate by 25 basis points over mounting inflationary pressures due to the oil price shock stemming from the Middle East conflict. Investor appetite was further dampened by domestic factors, including narrowing fiscal space and sovereign outlook downgrades by S&P Global Ratings and Fitch Ratings in April.

## Local Currency Bond Market Size and Issuance

The Philippines' LCY bond market expanded 2.8% quarter-on-quarter (q-o-q) to reach PHP14.1 trillion at the end of March, supported by gains in government bonds (3.9% q-o-q) and the corporate debt stock (4.3% q-o-q) on increased issuance (Figure 2A). Total issuance in the first quarter (Q1) of 2026 jumped 32.5% q-o-q as government bond issuance more than doubled (PHP1.2 trillion) from the previous quarter due to the government's front-loading policy (Figure 2B). The increase was also partly driven by the PHP297.9 billion issuance of new 10-year benchmark bonds in February. Similarly, corporate debt sales grew 67.1% q-o-q, supported by the banking industry, which accounted for 86.8% of total Q1 2026 corporate issuance, due to refinancing needs.

Figure 1: Local Currency Government Bond Yields in the Philippines

### A. Yield Curve

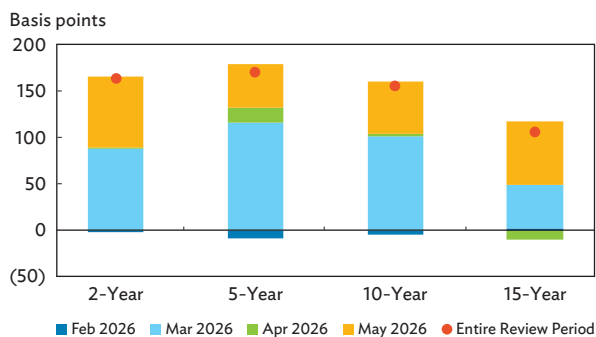


( ) = negative.

Note: Data coverage is from 2 February 2026 to 29 May 2026.

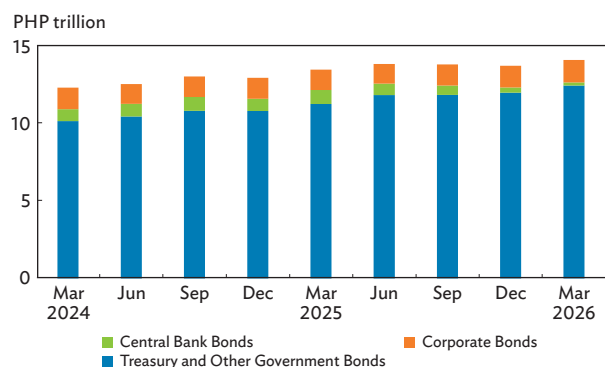
Source: AsianBondsOnline calculations based on Bloomberg LP data.

### B. Bond Yield Movements

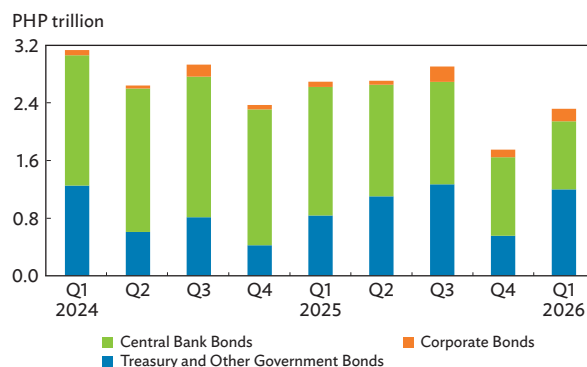


**Figure 2: Composition of Local Currency Bonds in the Philippines**

**A. Outstanding**



**B. Issuance**



PHP = Philippine peso, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

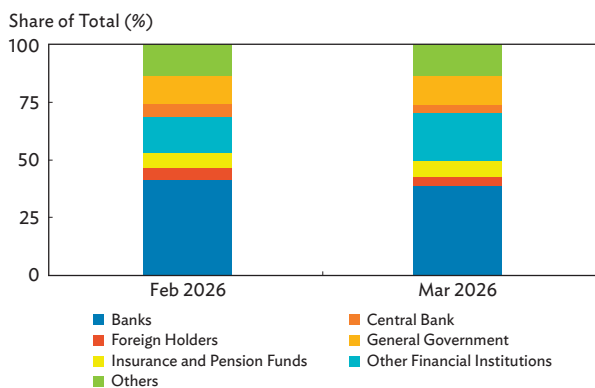
Note: Treasury and Other Government bonds comprise Treasury bonds; Treasury bills; and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines.

Sources: Bangko Sentral ng Pilipinas, Bureau of the Treasury, and Bloomberg LP.

## Investor Profile

Banks and other financial institutions were the two largest holders of LCY government bonds at the end of March, with their combined holdings share rising to 59.4% from 57.3% in February (Figure 3). In contrast, foreign holdings of government bonds declined to 4.0% from 5.0% over the same period, reflecting investors’ risk aversion over geopolitical uncertainties.

**Figure 3: Investor Holdings of Local Currency Government Bonds**



Notes: “Others” include nonfinancial institutions, the social security agency, and households.

Source: Bureau of the Treasury.

## Sustainable Bond Market

The Philippines’ sustainable bond market expanded 11.7% q-o-q to USD17.9 billion at the end of March, supported by robust issuance during the quarter (Figure 4A). Sustainable bond issuance in Q1 2026 increased more than fivefold from the previous quarter to USD3.4 billion, driven primarily by strong private sector issuance. Public sector bonds were more concentrated in tenors of over 5 years compared with private sector bonds, resulting in a longer overall size-weighted average tenor of 9.6 years (Figure 4B).

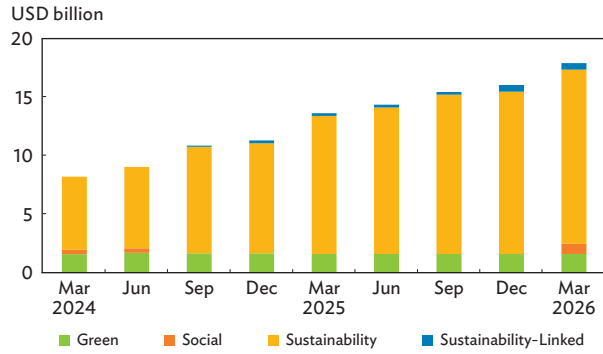
## Policy and Regulatory Developments

### Securities and Exchange Commission Releases New *Sukuk* Guidelines

On 25 February, the Securities and Exchange Commission issued new guidelines on *sukuk* (Islamic bonds) issuance. The guidelines established a comprehensive regulatory framework covering registration, permissible structures, disclosure, and reporting requirements to enhance transparency, strengthen investor protection, and ensure sharia compliance. The initiative also aims to promote financial inclusion, broaden investor participation, and boost the Islamic finance market.

**Figure 4: Sustainable Bond Market in the Philippines**

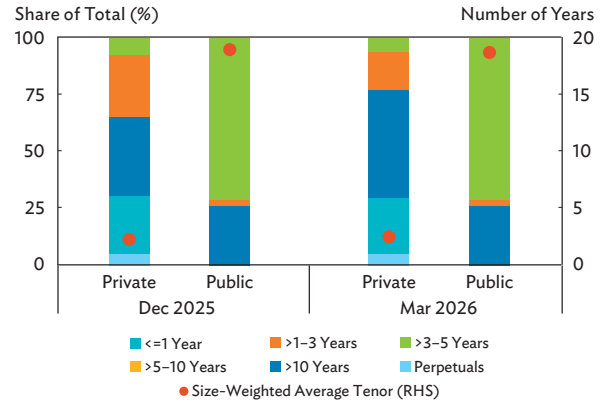
**A. Sustainable Bonds Outstanding**



RHS = right-hand side, USD = United States dollar.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

**B. Maturity Profile and Average Tenor of Sustainable Bonds Outstanding by Sector**

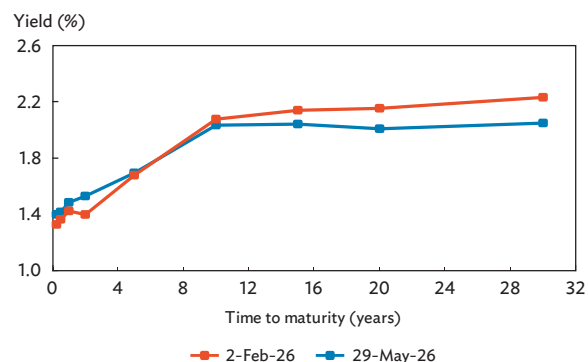


# Singapore

## Yield Movements

Between 2 February and 29 May, Singapore’s local currency (LCY) government bond yields climbed 7 basis points for maturities of 5 years and shorter, while yields fell around 12 basis points for 10 years and longer over lower-than-expected inflation (**Figure 1**). Consumer price inflation remained unchanged at 1.8% year-on-year in April from March, remaining at the lower half of the Monetary Authority of Singapore’s (MAS) revised target of 1.5%–2.5% and below Bloomberg’s polling of 2.1%. On 14 April, the MAS tightened monetary policy through a slight increase in the slope of the Singapore dollar nominal effective exchange rate policy band following rising inflationary expectations.

**Figure 1: Local Currency Government Bond Yields in Singapore**



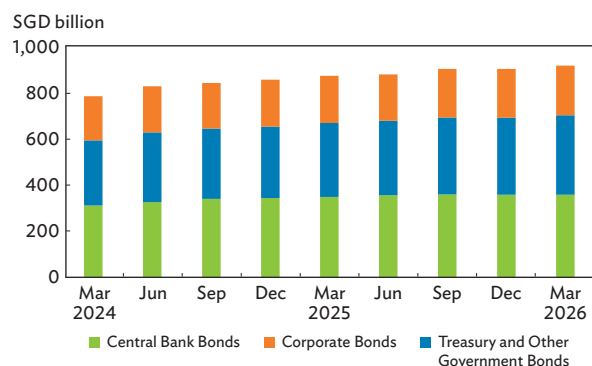
Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

Singapore’s LCY bond market expanded 1.5% quarter-on-quarter (q-o-q) to SGD910.5 billion at the end of March, accelerating from a 0.03% q-o-q gain in the fourth quarter of 2025. The uptick was driven by a 3.5% q-o-q rise in

outstanding Treasury and other government securities, led by increased issuance (**Figure 2**). Outstanding corporate bonds also rose 1.0% q-o-q on reduced maturities during the quarter. Total LCY bond issuance declined 0.6% q-o-q due to reduced issuance of MAS bills and corporate bonds, which declined 1.9% q-o-q and 5.0% q-o-q, respectively (**Figure 3**). In contrast, issuance of Treasury and other government securities climbed 9.7% q-o-q.

**Figure 2: Composition of Local Currency Bonds Outstanding in Singapore**

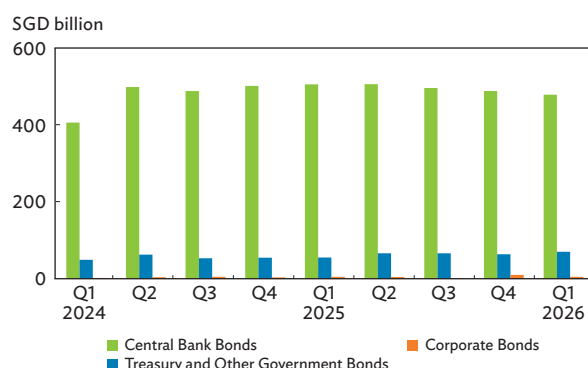


SGD = Singapore dollar.

Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

**Figure 3: Composition of Local Currency Bond Issuance in Singapore**



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, SGD = Singapore dollar.

Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

## Sustainable Bond Market

Singapore’s sustainable bond market expanded 0.9% q-o-q to USD33.5 billion at the end of March, slowing from 4.6% q-o-q in the previous quarter. Singapore’s emerging East Asian market share continued to rise, with its bonds outstanding comprising 4.4% of the region’s sustainable bond market at the end of March. Green bonds dominate Singapore’s sustainable bond market, comprising 86.2% of the total (Figure 4A). About 57.0% of total outstanding sustainable bonds carried tenors of over 5 years, resulting in a size-weighted average tenor of 15.2 years at the end of March (Figure 4B).

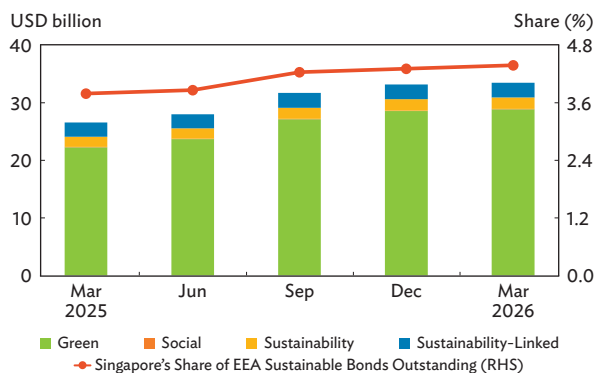
## Policy and Regulatory Developments

### Singapore Exchange Implements Sustainability Reporting Requirements to Support Sustainable Finance

Effective 1 January, the Singapore Exchange implemented enhanced sustainability reporting requirements for listed issuers, including mandatory climate-related disclosures aligned with guidance set by the International Sustainability Standards Board. The measures aim to improve disclosure consistency and strengthen Singapore’s sustainable finance framework.

**Figure 4: Sustainable Bonds Outstanding in Singapore**

**A. Sustainable Bonds Outstanding by Bond Type**



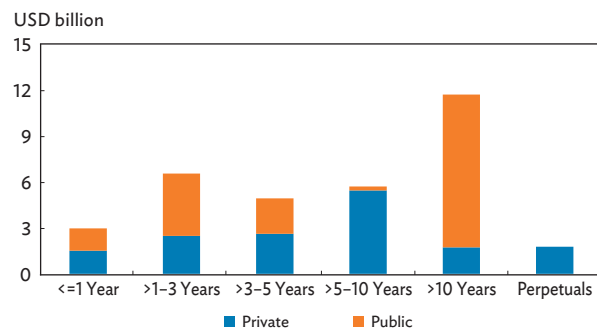
EEA = emerging East Asia, RHS = right-hand side, USD = United States dollar.

Notes:

- Emerging East Asia is defined to include the member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.
- Data include both local currency and foreign currency sustainable bonds.
- Sustainability-linked bonds include transition-linked bonds.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

**B. Maturity Profile by Sector**



# Thailand

## Yield Movements

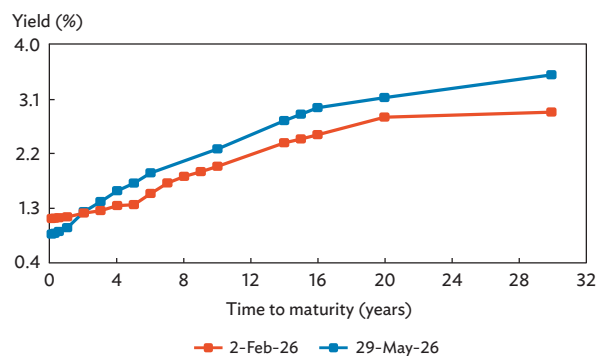
Between 2 February and 29 May, local currency (LCY) government bond yields rose for most tenors, driven by mounting inflationary pressures stemming from the global energy crisis (**Figure 1A**). Yields fell in February following a cut of 25 basis points by the Bank of Thailand but surged in March on heightened risks from the Middle East conflict. After retreating slightly in April on negotiations to end the conflict, yield movements resumed their upward trend in May as uncertainties persisted (**Figure 1B**).

## Local Currency Bond Market Size and Issuance

Thailand's LCY bond market expanded 1.7% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2026 to reach THB18.1 trillion at the end of March, supported by increased government issuance (**Figure 2A**). Sovereign bond sales rose 8.6% q-o-q to THB0.5 trillion as the government accelerated issuance to fund stimulus programs. However, total bond issuance fell 2.1% q-o-q to THB2.2 trillion, dragged down by declines in central bank and corporate bond sales (**Figure 2B**).

**Figure 1: Local Currency Government Bond Yields in Thailand**

**A. Local Currency Government Bond Yield Curve**

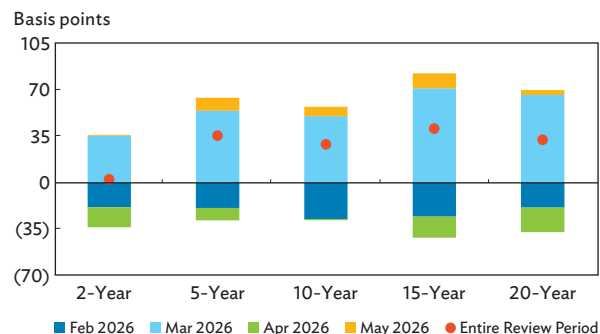


( ) = negative.

Note: Data coverage is from 2 February 2026 to 29 May 2026.

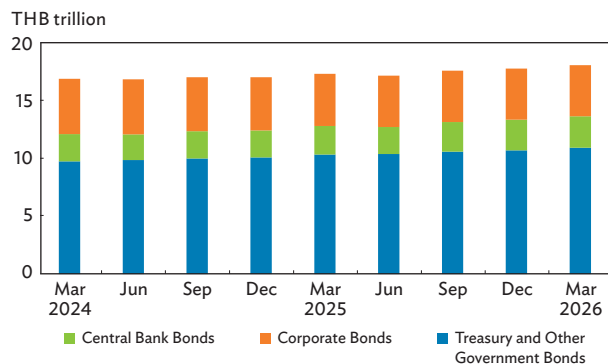
Sources: AsianBondsOnline calculations based on data from Bloomberg LP and Thai Bond Market Association.

**B. Changes in Local Currency Government Bond Yields**



**Figure 2: Local Currency Bonds Outstanding and Issuance**

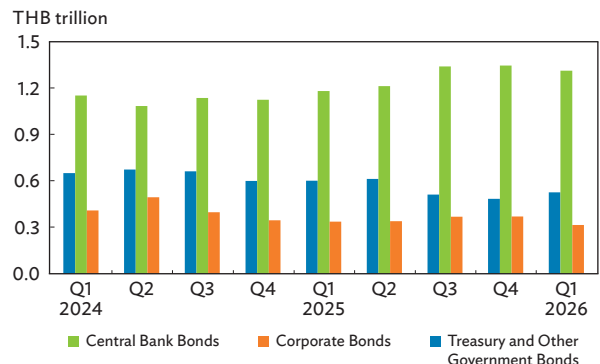
**A. Local Currency Bonds Outstanding**



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, THB = Thai baht.

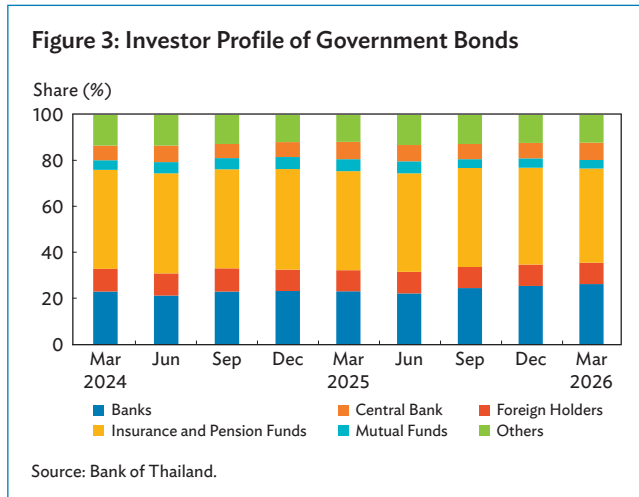
Sources: Bank of Thailand and Thai Bond Market Association.

**B. Quarterly Bond Issuance**



## Investor Profile

Thailand’s government bonds remained largely held by institutional investors, led by insurance and pension funds (41.0% share) and banks (26.4% share) (Figure 3). Over 90% of Thai sovereign bonds were held by domestic investors at the end of March, while foreign investors have a limited market presence, holding only a 9.3% share.



## Sustainable Bond Market

Thailand’s sustainable bond market expanded 6.0% q-o-q to reach USD38.6 billion at the end of March (Figure 4A). While sustainability bonds remained the predominant instrument type (46.7%), sustainability-linked instruments’ share increased notably, driven by increased issuance since the third quarter of 2024 (Figure 4B). The size-weighted average tenor of Thai sustainable bonds was 9.7 years, owing to the predominance of longer-term bonds issued by public sector entities (Figure 4C).

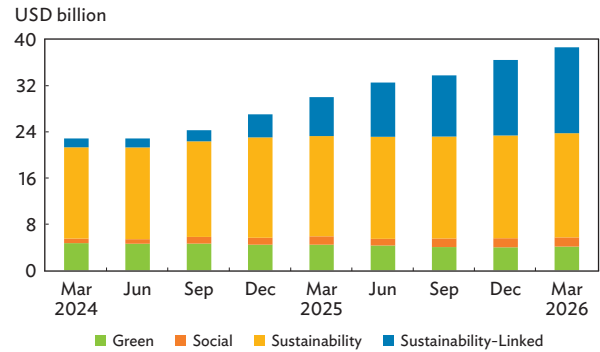
## Policy and Regulatory Developments

### Public Debt Management Office Conducts THB85 Billion Bond Switch Auctions

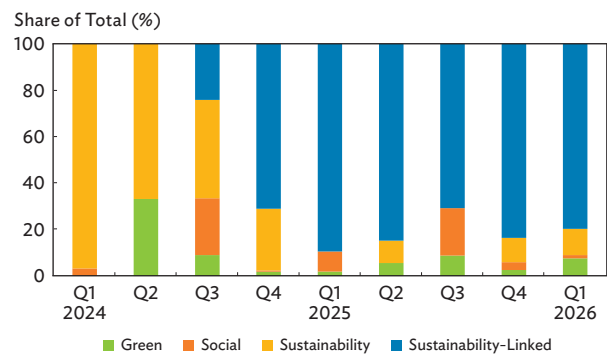
In March, the Public Debt Management Office concluded bond switch transactions amounting to THB85.0 billion. The seven source bonds for the transactions had remaining tenors ranging from less than 1 year to 2.4 years, while the destination instruments had remaining tenors of 5.1 years to 51.4 years.

**Figure 4: Sustainable Bonds Outstanding and Issuance in Thailand**

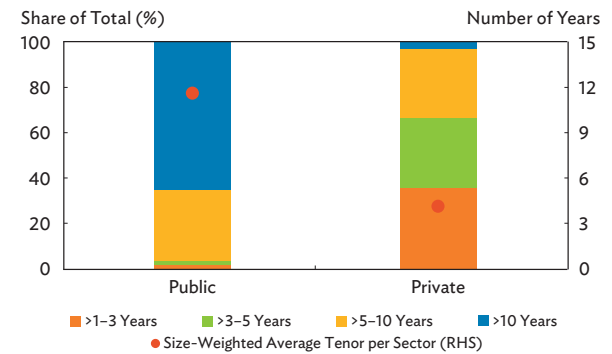
#### A. Sustainable Bonds Outstanding by Instrument



#### B. Composition of Issuance by Instrument



#### C. Maturity Profile of Sustainable Bonds Outstanding at the End of March 2026



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, RHS = right-hand side, USD = United States dollar.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

# Viet Nam

## Yield Movements

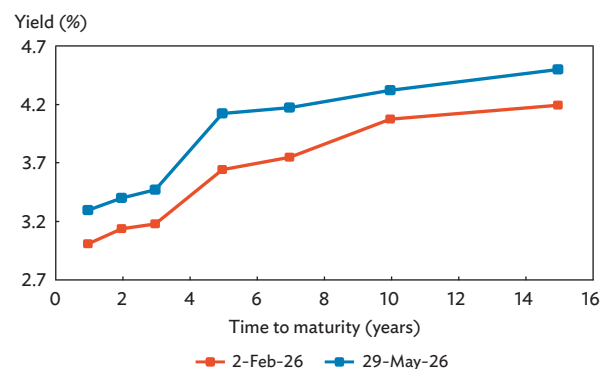
Between 2 February and 29 May, local currency (LCY) government bond yields in Viet Nam rose by an average of 33 basis points across all maturities, driven by rising inflationary pressures over escalating Middle East tensions and cautious investor sentiment (Figures 1A, 1B). In May, consumer price inflation accelerated further to 5.6% year-on-year (y-o-y) from 5.5% y-o-y in April and 4.7% y-o-y in March, driven by the oil price shock stemming from geopolitical tensions.

## Local Currency Bond Market Size and Issuance

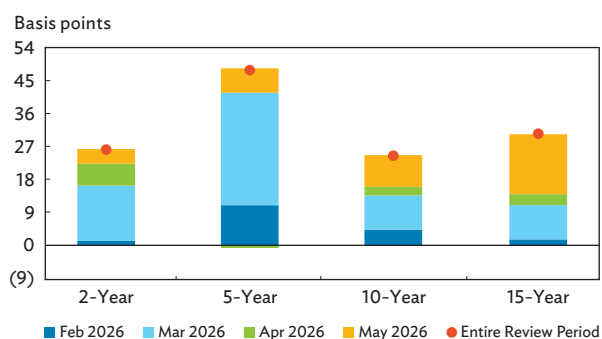
Viet Nam’s LCY bonds outstanding edged down 0.4% quarter-on-quarter (q-o-q) to VND3,955.2 trillion at the end of March, driven by a 25.0% q-o-q decline in central bank securities as maturities outpaced issuance (Figure 2A). Meanwhile, q-o-q gains in the government and corporate debt stocks slowed to 2.7% and 1.0%, respectively, on reduced issuance. Total issuance in the first quarter (Q1) of 2026 fell 9.6% q-o-q as corporate debt sales dropped 81.4% q-o-q over tight financial conditions (Figure 2B). Similarly, government bond issuance fell 34.3% q-o-q to VND80.1 trillion, fulfilling 72.8% of its Q1 2026 planned issuance on weak investor demand.

**Figure 1: Local Currency Government Bond Yields in Viet Nam**

**A. Local Currency Government Bond Yield Curve**



**B. Changes in Local Currency Government Bond Yields**

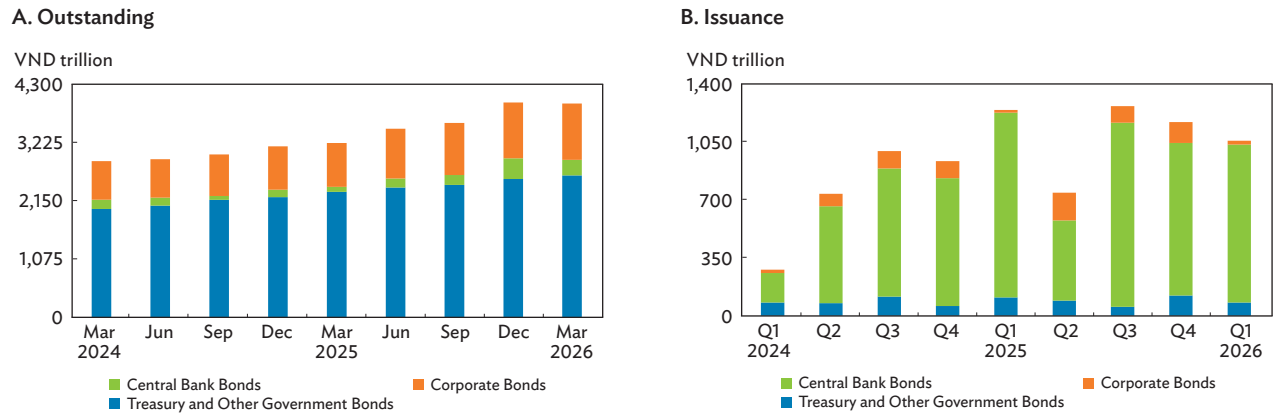


( ) = negative.

Note: Data coverage is from 2 February 2026 to 29 May 2026.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

**Figure 2: Composition of Local Currency Bonds in Viet Nam**



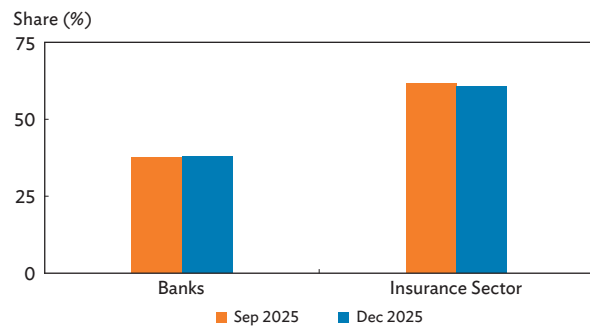
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, VND = Vietnamese dong.  
 Note: Other government bonds comprise government-guaranteed and municipal bonds.  
 Sources: Hanoi Stock Exchange, State Bank of Vietnam, Vietnam Bond Market Association, and Bloomberg LP.

## Investor Profile

Banks and insurance companies collectively held 98.7% of the total LCY government debt stock at the end of December 2025, roughly the same as their 99.0% share in September 2025 (**Figure 3**). This limited investor diversity

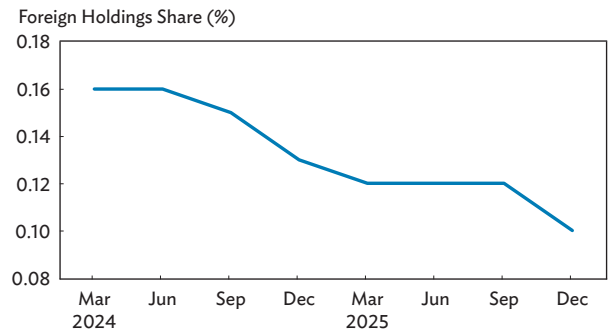
in the economy’s bond market resulted in Viet Nam once again posting the highest Herfindahl–Hirschman Index score in the region at the end of the fourth quarter of 2025.<sup>11</sup> In contrast, foreign holdings of government bonds remained marginal and continued to decline over limited market liquidity (**Figure 4**).

**Figure 3: Market Profile of the Two Dominant Investors for Local Currency Government Bonds**



Source: Ministry of Finance, Viet Nam.

**Figure 4: Foreign Holdings Share in Local Currency Government Bond Market**



Source: Ministry of Finance, Viet Nam.

<sup>11</sup> The Herfindahl–Hirschman Index is a common measure of market concentration. The index is used to measure the investor profile diversification of the LCY bond market by summing the squared share of each investor group in the bond market.

## Sustainable Bond Market

Viet Nam’s sustainable bond market totaled USD1.1 billion at the end of March, which comprised green (52.2%) and sustainability (47.8%) instruments (**Figure 5A**). Viet Nam’s sustainable bond market was solely driven by the private sector, and about 54.8% of the total sustainable debt stock were denominated in United States dollars. Green and sustainability instruments were both primarily concentrated in tenors of 3 years or less at the end of Q1 2026, resulting in an overall size-weighted average tenor of 1.7 years, one of the shortest in emerging East Asia (**Figure 5B**).<sup>12</sup>

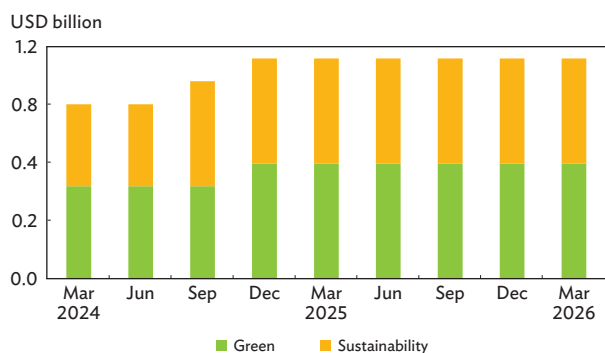
## Policy and Regulatory Developments

### Government Plans to Borrow VND110.0 Trillion in the Second Quarter of 2026

In April, the Government of Viet Nam announced its plan to raise VND110.0 trillion in the second quarter of 2026 through Treasury bond offerings. The planned issuance represents 22.0% of the total VND500.0 trillion auction plan for 2026 and was the same as the previous quarter’s issuance target. The Treasury bonds to be auctioned will carry maturities of 3–30 years, with auctions to be scheduled every Wednesday.

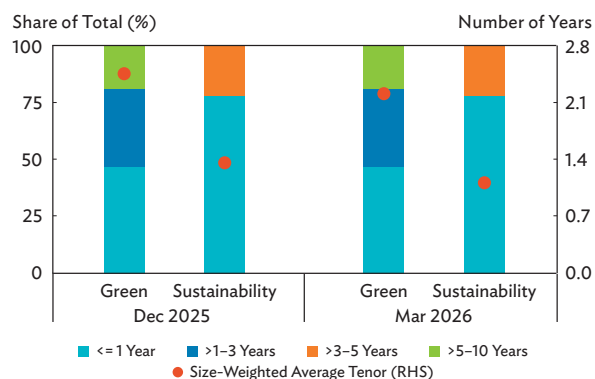
**Figure 5: Sustainable Bond Market in Viet Nam**

#### A. Sustainable Bonds Outstanding



RHS = right-hand side, USD = United States dollar.  
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

#### B. Maturity Profile and Average Tenor of Sustainable Bonds Outstanding by Instrument Type



<sup>12</sup> Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.





## Asia Bond Monitor June 2026

This publication reviews recent developments in emerging East Asian local currency bond markets along with the outlook, risks, and policy options. It covers the 10 members of the Association of Southeast Asian Nations and the People's Republic of China; Hong Kong, China; and the Republic of Korea.

### About the Asian Development Bank

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