

Philippines

Yield Movements

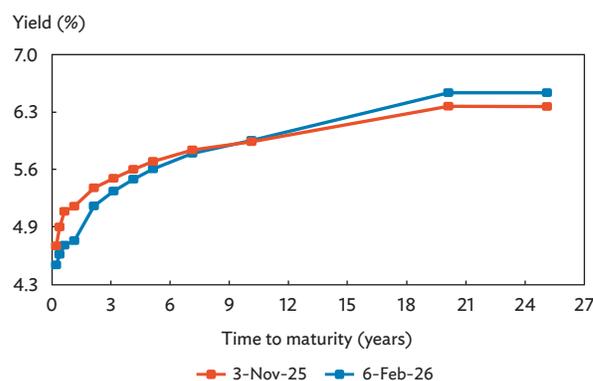
Yields for short-term securities declined amid expectations of a February rate cut. Between 3 November and 6 February, yields on local currency (LCY) government bonds with maturities of up to 7 years fell by an average of 23 basis points (bps) amid expectations that the Bangko Sentral ng Pilipinas (BSP) would cut its policy rate in February to support the economy (**Figure 1**). In the fourth quarter (Q4) of 2025, the Philippines' gross domestic product growth slowed to a 5-year low of 3.0% year-on-year (y-o-y) on weak household consumption and reduced government spending. As expected, the BSP reduced its policy rate by 25 bps on 19 February, following a rate cut in December. The BSP also noted that future policy direction depends on [consumer confidence](#), which may recover in the coming months. The BSP's 5 February statement also noted that its rate-cutting cycle is nearing conclusion given benign inflation conditions, which pushed the yields for maturities of 10 years and longer to rise by an average of 12 bps during the review period.

Local Currency Bond Market Size and Issuance

LCY bonds outstanding marginally declined in Q4 2025 due to a contraction in the stock of central bank securities. Total LCY bonds outstanding edged down by 0.7% quarter-on-quarter (q-o-q) to PHP13.7 trillion at the end of December, extending the 0.1% q-o-q contraction in the previous quarter (**Figure 2**). The decline was mainly driven by a 43.6% q-o-q decline in the stock of central bank securities due to reduced issuance. Meanwhile, outstanding Treasury and other government bonds and corporate bonds recorded q-o-q gains of 1.2% and 2.1% in Q4 2025, respectively, as issuance volumes surpassed maturities.

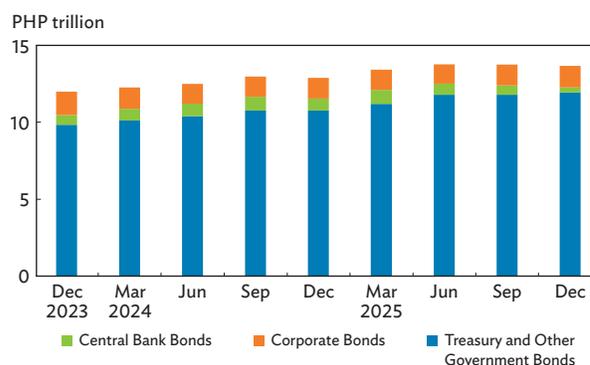
Reduced bond sales were observed across all bond segments during the quarter. Overall issuance tallied PHP1.7 trillion in Q4 2025, reflecting a 39.8% q-o-q drop from the previous quarter's PHP2.9 trillion (**Figure 3**).

Figure 1: The Philippines' Benchmark Yield Curve—Local Currency Government Bonds



Source: Based on data from Bloomberg LP.

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



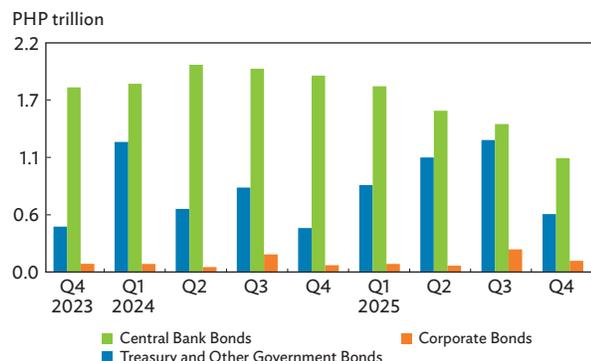
PHP = Philippine peso.

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.

Issuance of Treasury and other government bonds posted contraction of 56.4% q-o-q as the government fulfilled most of its annual financing target in the preceding quarters. Similarly, corporate bond issuance fell 51.5% q-o-q in Q4 2025. Issuance of central bank securities declined 23.3% q-o-q as the BSP discontinued its 56-day securities since November.

Figure 3: Composition of Local Currency Bond Issuance in the Philippines

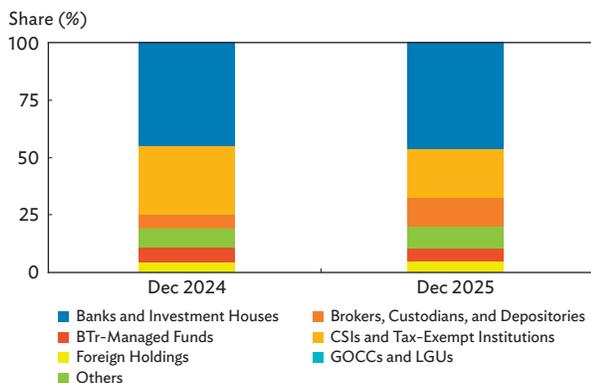


PHP = Philippine peso, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Note: Treasury and other government bonds comprise Treasury bonds, Treasury bills, and bonds issued by government agencies, entities, and corporations for which repayment is guaranteed by the Government of the Philippines.
 Sources: Bangko Sentral ng Pilipinas, Bureau of the Treasury, and Bloomberg LP.

Investor Profile

The investor profile remained largely stable in 2025. Banks and investment houses remained the largest investor group in the Philippines’ LCY government bond market, with their share rising to 46.4% at the end of December from 45.3% a year earlier (Figure 4). Holdings by brokers, custodians, and depositories increased to 12.9% from 6.1% over the same period, while foreign holdings edged up to 4.8% from 4.2%, supported by improving market liquidity, transparency, and resilience,

Figure 4: Investor Profile of Local Currency Government Bonds



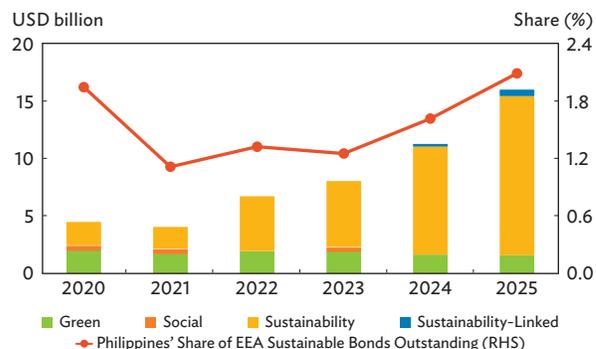
BTr = Bureau of the Treasury, CSI = contractual savings institution, GOCC = government-owned or -controlled corporation, LGU = local government unit.
 Note: At the end of December 2025, the aggregate holdings share for GOCCs and LGUs was 0.001%, amounting to PHP0.2 billion.
 Source: BTr.

as well as optimism following JPMorgan’s decision to place Philippine LCY government bonds on Index Watch-Positive in September 2025 for potential inclusion in its Government Bond Index for Emerging Markets. Market participants expect a final decision on the proposed 1% inclusion in March 2026. Meanwhile, the share held by contractual savings institutions and tax-exempt institutions stood at 21.2% in Q4, broadly similar to 21.5% in Q3. This was lower than 29.6% a year earlier and 28.1% in June 2025. The decline was largely driven by the BSP’s reverse repo operations as part of its open market operations. These transactions materially affected the reported holdings under the tax-exempt institutions category and were a key factor behind the declines observed in Q3 and Q4 2025.

Sustainable Bond Market

The Philippines’ outstanding sustainable bonds totaled USD16.0 billion at the end of 2025. The total sustainable bond stock increased 41.9% y-o-y in 2025, up from USD11.3 billion in 2024 (Figure 5). This lifted the Philippines’ market share in emerging East Asia’s total sustainable bond market to 2.1% from 1.6%.²⁵ The expansion was supported by strong investor demand, with total sustainable issuance tallying USD5.9 billion, about the same as the previous year’s volume. Both the private (53.3%) and public (46.7%) sectors were active market participants, with over 90% of sustainable bonds from the public sector carrying tenors of more than 5 years.

Figure 5: Sustainable Bonds Outstanding in the Philippines



EEA = emerging East Asia, RHS = right-hand side, USD = United States dollar.
 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.
 2. Data include both local currency and foreign currency sustainable bonds.
 3. Sustainability-linked bonds include transition-linked bonds.
 Source: AsianBondsOnline calculations based on Bloomberg LP data.

²⁵ 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.