# Emerging Asia (ex China) government bonds monthly

MONTHLY REPORT | **NOVEMBER 2026**

## Inflation dominates as markets mull AI

A second leg to the energy shock has driven inflation rates higher again in the EM (ex China) peer group, inducing rate increases from the BSP and RBI. Stability in Malaysian and Thailand inflation caused yield spreads to widen further versus the higher yielders, particularly India after the RBI raised rates, but India could benefit from investor focus on slowdown in the AI/Tech boom, evidence of which is seen in lower Korean bond yields. Favourable debt metrics may have limited the impact of Indonesian equity market weakness on govt bonds.

**Macro & policy backdrop – 2nd leg of energy shock forces more tightening**

Scale of the inflation shock is becoming more like 2022-23, in some economies, even if wider inflation target ranges give greater flexibility to accommodate inflation shocks, unlike the G7.

**Emerging Asia (ex China) govt bond markets – High yield/low yield divergence increases**

Stable Malaysian and Thai inflation underpin lower yields. RBI's reference to "calibrated tightening" leaves the option open to tighten policy further.

**Spotlight on Indonesia – Strong debt metrics protect bond market from equity index woes**

Indonesia's low government debt to ratio, and fiscal rules helped restrict the impact of equity market and rupiah weakness. But recent widening in the trade deficit increases sensitivity to capital flows.

**Yield levels & changes – Philippines yields moved above 8%, India and Indonesia to 7.5%**

Policy responses to the 2nd leg of the energy shock and higher inflation dominated EM Asia markets. Indian yields rose after the RBI move, but Indian debt might benefit most from an AI slowdown.

**Emerging Asia & global bond returns – Global yields more volatile as markets mull slower AI**

Early signs of investors pondering the global impact a slower AI cycle emerged in October, alongside bouts of risk-off. Korean govts & Treasuries were the strongest performers.

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Developed in collaboration with SGX, the EM Asia (ex China) govt bond monthly report combines the complementary expertise of LSEG and SGX, to explore key developments shaping these govt bond markets.

Chart 1: The RBI raised rates for the first time in the cycle in October, after higher inflation, and the BSP moved again after Philippines inflation increased to 7.2% y/y. Bank Indonesia held its main policy rate unchanged.

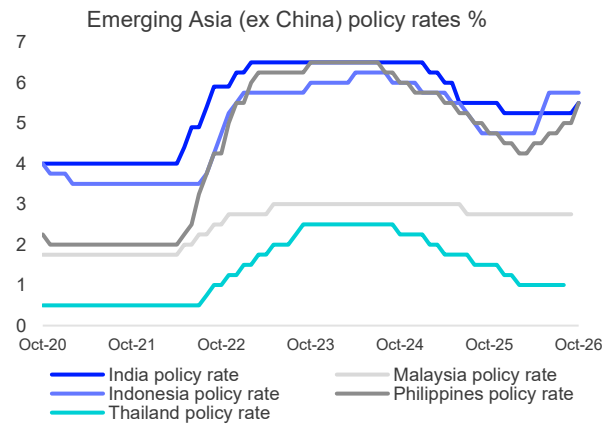
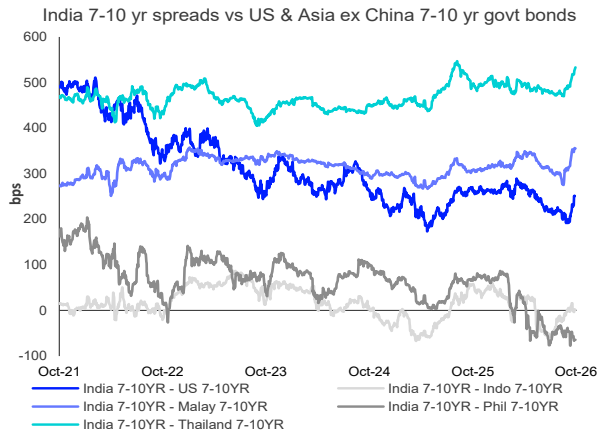



Chart 2: Recent widening in Indian spreads was driven by the RBI's rate increase, so some spreads are near post-Covid highs. But India could be a major beneficiary of any slowdown in the AI/Tech boom.




Source: FTSE Russell and LSEG, RBI. All data as of October 31, 2026. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices.

# Macro-economic backdrop & outlook – inflation shock still lingers

Energy price increases are still finding their way into final EM Asia inflation rates, and base effects are boosting y/y rates, but only Philippines inflation is above target ranges. We note the scale of the inflation shock in both India and Philippines is becoming more like 2022-23, even if the wider inflation target ranges give greater flexibility to accommodate inflation shocks, unlike the G7. The stability of Malaysian inflation at low levels continues and makes the higher term/real yield premium in Malaysian 10 yr yields seem anomalous, particularly when compared with Thailand's low real yields. Low Philippines real yields reflect the recent jump in inflation, but investors may yet require a bigger risk premium (Charts 1, 2 & 3).

Despite similarities between Thailand and Malaysia in nominal yield levels, low inflation and low personal savings ratios, the underlying economies have different structures. Thailand's low savings ratio, and high household debt (90% of GDP) reflect weak income growth and economic stress, increased by the energy shock. Malaysian consumers benefitted from terms of trade improving and positive income effects, so it seems consumers are confident to reduce savings (Charts 4 & 5).

Chart 1: Inflation rates increased again in September, as energy prices fed through into indices, led by the Philippines, where energy subsidies are the lowest for consumers. The stability of Malaysian inflation remains a feature.

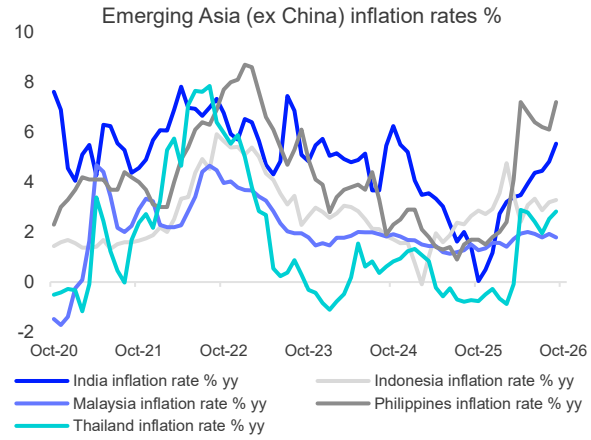



Chart 2: Inflation moved towards the top end of target ranges in most EM Asia countries, but within target, despite the oil shock. Philippines inflation is the outlier, where pass-through effects are much greater.

| Country | Inflation target & range | Current inflation rate | Target measure |
|---|---|---|---|
| India | 4% target<br>2 to 6% range | 5.5% y/y | Headline |
| Indonesia | 2.5% target<br>1.5 to 3.5% range | 3.3% y/y | Headline |
| Malaysia | 2026 forecast range = 1.3 to 2% | 1.8% y/y | Headline forecast, no target |
| Philippines | 2 to 4% target range 2026 | 7.2% y/y | Headline |
| Thailand | 1 to 3% target | 2.8% y/y | Headline |

Chart 3: Philippines 10 yr real yields are well below Indonesian, Indian and Malaysian levels. Stable & low Malaysian inflation makes 10 yr real yields appear anomalously high, but this reflects the recent jump in inflation.




Chart 4: Similar low personal savings ratios in Thailand & Malaysia tell different stories. Thai consumers preserve living standards by running down savings, while Malaysian consumers show voluntary dis-saving.

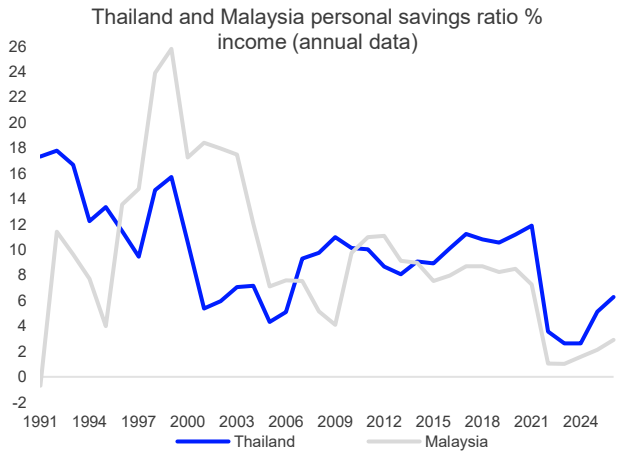
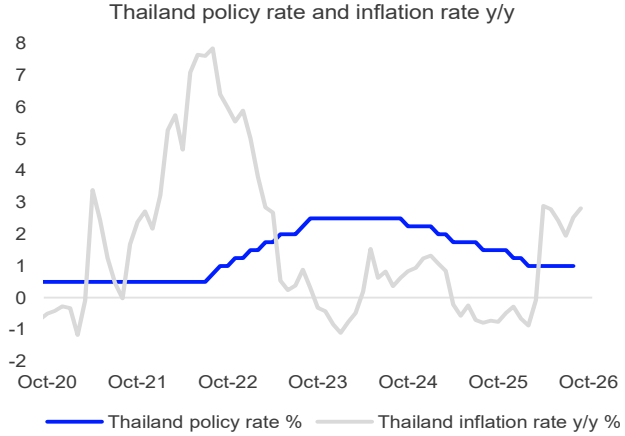



Chart 5: Reflecting lower underlying growth in Thailand, than the peer group, and Thai inflation still within target, the central bank has been able to hold policy rates unchanged since the energy shock.




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# Emerging Asia (ex China) govt bond markets, yields, curves and spreads

After EM Asia (ex China) govt bond markets struggled to escape upward pressure on global bond yields in September, markets returned to local factors in October. The high yield/low yield split remains evident, with little movement in the lower yield Malaysia and Thailand across the yield curve. In contrast, policy rate increases in India and the Philippines drove yield increases of 35 to 55bp. Although the 25bp RBI move to 5.5% in the repo rate was not a surprise, it had significant impact on yields, since it was the first tightening move and left open the option of another, with the unanimous vote and reference to "calibrated tightening". Indonesian yields increased but only modestly, despite pronounced equity market weakness (see page 4). Malaysian and Thai govt yields remain less volatile, helped by stable policy and low inflation (Charts 1, 2 & 3).

The most notable curve moves remain Philippines steepening in 7-10yrs versus 1-3 yrs, with 10 yr yields now above 8%. Bear flattening in India is also discernible, boosted by higher RBI short rates (October 21). Spreads versus the US widened sharply in the high yielders, led by Philippines, but Malaysia and Thai spreads have tightened since the energy shock in Q1, reflecting low inflation rates (Charts 4 & 5).

Chart 1: Indian and Philippines 3 yr yields increased sharply in October, after central bank policy rate increases. The RBI's reference to "calibrated tightening" leaves the option open to tighten policy further.

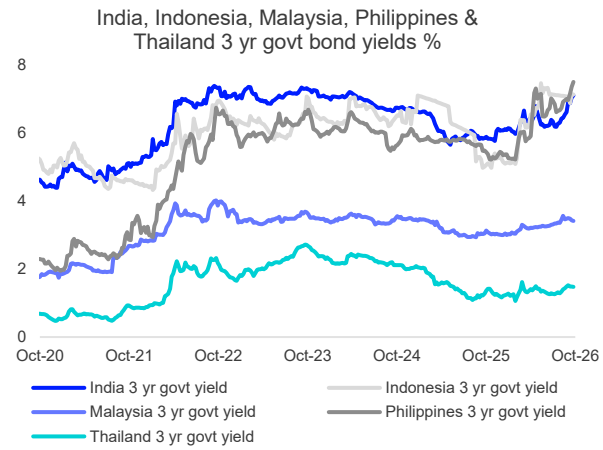



Chart 2: 5 yr yields tracked 3 yr India & Philippines yields higher, though Indonesian yields increased less. Bank Indonesia's decision not to make a broad rate increase helped short yields, though they still rose 20bp.

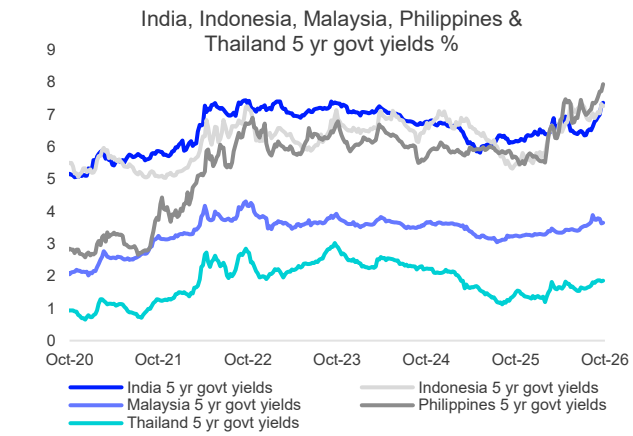



Chart 3: The higher yielding sovereigns, led by the Philippines diverged again from lower yielding Malaysia and Thailand in October, after the policy rate increases in India and Philippines, and rupiah weakness.

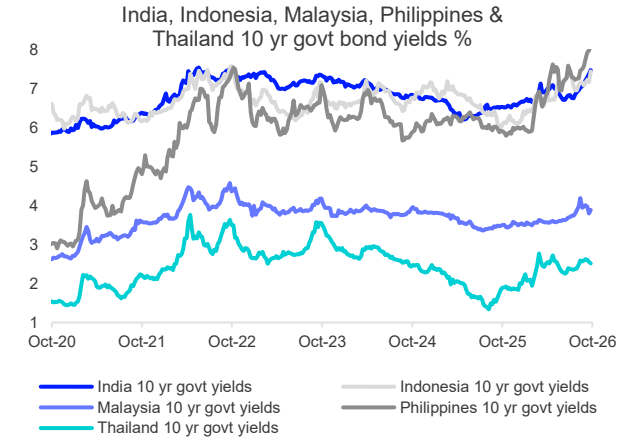



Chart 4: The higher yield Philippines and Indonesian yield curves have been most volatile since the energy shock in Q1, after policy tightening moves, with the Indian curve more stable, but tending to bear flatten.

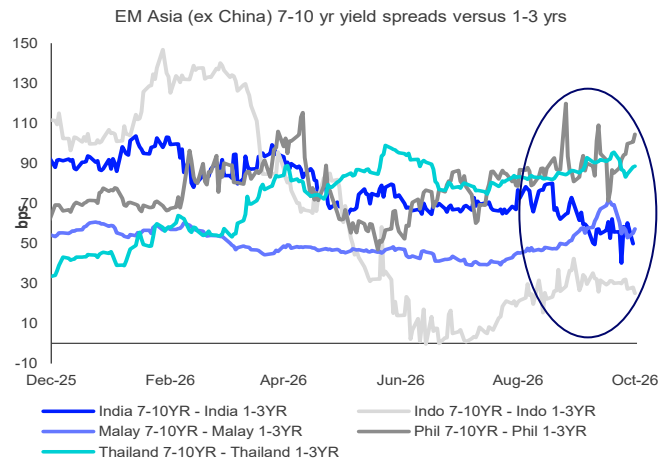
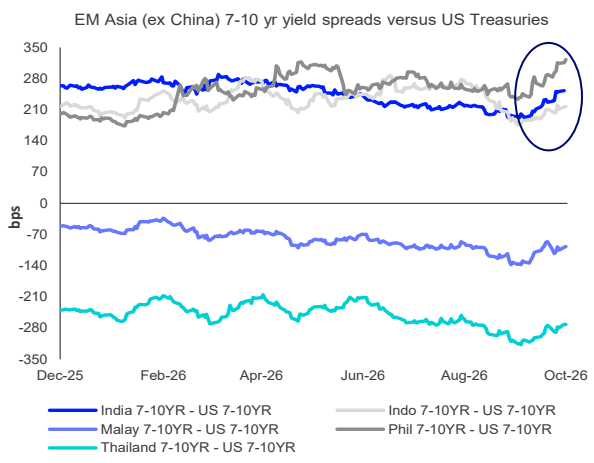



Chart 5: 7-10 yr spreads widened sharply vs the US, in India, Indonesia and Philippines since the Fed raised rates in September. Malaysian and Thai spreads merely unwound the Q3 tightening.




Source: FTSE Russell and LSEG. Thai Bond Market Association. All data as of October 31, 2026. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see end of report for important legal disclosures. Bond market index data is derived from FTSE Fixed Income Indices.

# Spotlight on Indonesia – Solid debt metrics limit bond market impact of equity woes

The impact of recent Indonesian equity market and rupiah weakness seems to be limited on government bond yield to date. We note yields rose more in India and the Philippines in October (see page 5), and that Indonesia has a lower general government debt to GDP ratio than the EM Asia peer group, and the broader EM peer group. At just over 40%, it is very low globally. This reflects the substantial reduction from 2001 to 2011, when nominal GDP grew rapidly, but the authorities also put in place a statutory 3% public sector deficit, and 60% debt to GDP, limits. Although the 3% deficit rule was relaxed after Covid, the 60% debt to GDP ratio remains in place. This fiscal credibility reduces any risk of a solvency crisis, particularly given the decline in external debt/GDP (Charts 1, 2 & 3). Rupiah weakness and higher September inflation did result in a 25bp increase in Bank Indonesia's deposit facility rate to support the rupiah. However, this was offset by a 200bp easing in reserve requirements, to ease domestic liquidity and stronger FX hedging incentives, to attract capital inflows. The importance of sustaining capital inflows is seen in the wider current account deficit since the energy shock (Chart 4 & 5).

Chart 1: Indonesian equities fell sharply after the announcement of possible global equity index changes, and fears of possible exclusion from global EM indexes reducing index matching demand from investors.

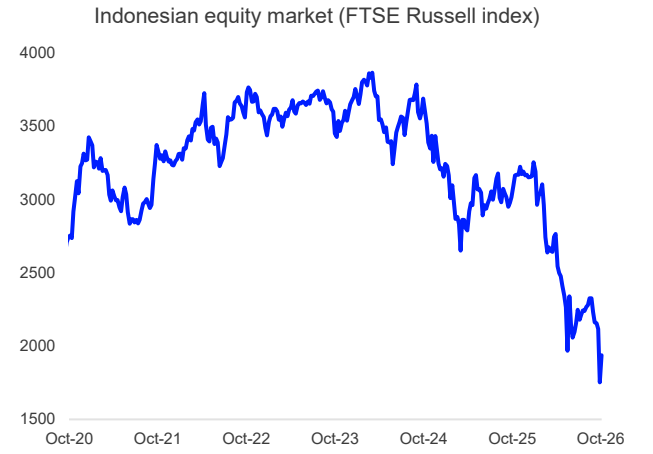



Chart 2: General govt debt to GDP is notably lower in Indonesia than both EM Asia peers, and the broader EM group. This helps explain why the bond yield impact of recent equity index moves has been limited.

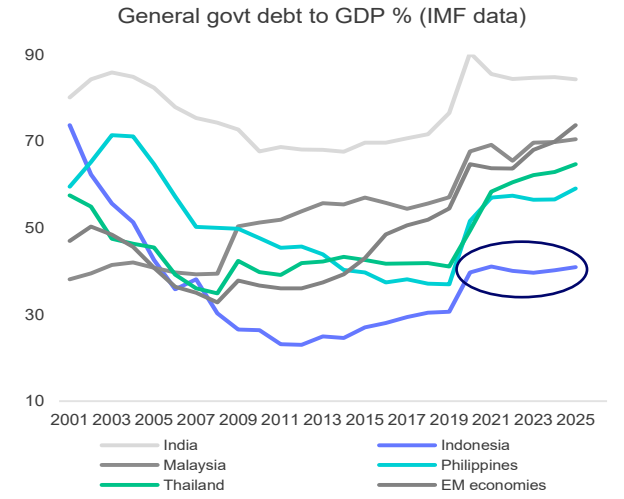



Chart 3: 7-10 yr Indonesian spreads have tightened against India and Philippines (even if widening against Malaysia and Thailand) despite concern over the impact of equity index re-classification.

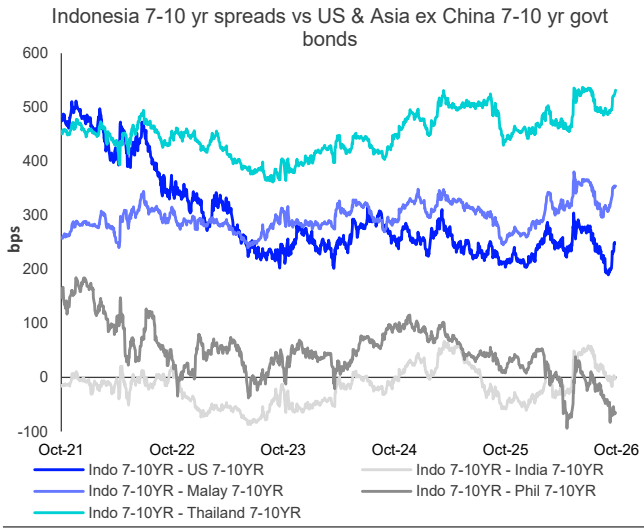



Chart 4: Although the rupiah fell against the US dollar, after the equity index review announcement, Bank Indonesia's FX hedging incentive scheme attracted $10 bn in inflows between June and October.




Chart 5: Widening in the Indonesian current account deficit since the energy shock is marked, underscoring the importance of capital inflows. The timing of recent equity market instability is more difficult as a result.




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## Emerging Asia (ex China) govt bonds – yield levels and changes in 2025-26

**Higher yield EM (ex China) govt bonds suffered another month of rising yields in October, taking yields above 8% in Philippines 10 yrs, and to 7.5-7.6% in India and Indonesia. Policy rate increases were a big driver with another 50bp rate increase from the BSP, and the first 25bp increase from the Reserve Bank of India (RBI) in this cycle. Indonesian yields increased, but mainly in 5-10 yrs, as Bank Indonesia eschewed a general increase in rates, despite pressure on the rupiah.**

Malaysian and Thai yields fell modestly in October, widening spreads with India, Indonesia and the Philippines. Malaysia has been seen as a safe haven during the energy shock, but has high AI and tech exposure, so could prove more vulnerable if the boom cools.

The RBI's first rate increase in 2025-26 was well discounted but still caused Indian government bond yields to back up sharply, after the unanimous vote and hawkish tone. But Indian fixed income may yet benefit from a slowing in the AI boom and softer commodity prices, given the economy has less overall exposure to the AI/tech boom than the peer group, but more to commodities.

Decrease Increase

| 1-3 yr maturity | Current yield October 30, 2026 | 1M change | 3M change | 12M change |
|---|---|---|---|---|
| India | 6.998 | 0.494 | 0.886 | 1.187 |
| Indonesia | 7.072 | 0.222 | 0.033 | 2.088 |
| Malaysia | 3.331 | -0.073 | 0.079 | 0.266 |
| Philippines | 7.242 | 0.561 | 0.569 | 1.835 |
| Thailand | 1.221 | -0.156 | 0.040 | -0.070 |
| **3-5 yr maturity** | **Current yield October 30, 2026** | **1M change** | **3M change** | **12M change** |
| India | 7.280 | 0.414 | 0.863 | 1.152 |
| Indonesia | 7.314 | 0.276 | 0.066 | 1.916 |
| Malaysia | 3.636 | -0.109 | 0.196 | 0.401 |
| Philippines | 7.951 | 0.663 | 0.736 | 2.312 |
| Thailand | 1.465 | -0.147 | 0.054 | 0.102 |
| **7-10 yr maturity** | **Current yield October 30, 2026** | **1M change** | **3M change** | **12M change** |
| India | 7.414 | 0.255 | 0.618 | 0.776 |
| Indonesia | 7.571 | 0.397 | 0.234 | 1.499 |
| Malaysia | 3.921 | -0.129 | 0.194 | 0.378 |
| Philippines | 8.176 | 0.556 | 0.719 | 2.275 |
| Thailand | 2.038 | -0.221 | 0.036 | 0.369 |

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# Emerging Asia (ex China) govt bonds in global context - govt bond returns (%)

**Global bond yields were volatile in October, drawing some support from a weaker US labour report, before falling back on inflation data, and possible Fed tightening in Q4. Stabilisation in the yen, after FX intervention in Q3, helped JGBs recover, with longs up 3.9-4%. But Korean bonds were strongest performers on both 1M and 3M. Technical support through buybacks and less long issuance may be a factor but also strong correlation to US Treasuries, and duration exposure.**

There were some signs of investors reacting to the impact a slower AI investment cycle might have on Asia and the US, in the bond movements in October, alongside bouts of risk-off in equity and credit markets. The rally in Korean govt bonds is evidence of this, given Korea's strong linkage to the semiconductor cycle, with gains of 7-9% in longs.

However, despite India being less leveraged to the AI/tech boom, and a potential beneficiary of a tech-led slowdown, yields rose after the RBI raised rates, and a higher inflation print for September (5.5%, y/y). Indonesia also suffered from concerns about equity market index re-classification, and rupiah weakness, though yields increased less than in India or the Philippines.

Top 15% Bottom 15%

| | | 1M | | 3M | | YTD | | 12M | |
|---|---|---|---|---|---|---|---|---|---|
| | | USD | LOCAL | USD | LOCAL | USD | LOCAL | USD | LOCAL |
| USA | 1-3 | 0.92 | 0.92 | 0.63 | 0.63 | 1.46 | 1.46 | 2.27 | 2.27 |
| | 7-10 | 3.06 | 3.06 | -0.24 | -0.24 | -1.76 | -1.76 | -1.34 | -1.34 |
| | 20+ | 5.57 | 5.57 | 0.75 | 0.75 | -3.23 | -3.23 | -5.00 | -5.00 |
| Japan | 1-3 | 0.09 | 0.32 | 1.01 | -0.10 | -0.27 | 0.20 | -2.15 | 0.03 |
| | 7-10 | 1.96 | 2.19 | 1.76 | 0.64 | -3.26 | -2.81 | -7.51 | -5.45 |
| | 20+ | 3.88 | 4.11 | 3.31 | 2.18 | -9.07 | -8.64 | -15.78 | -13.90 |
| Germany | 1-3 | -1.18 | 0.55 | -2.62 | 0.37 | -4.38 | 0.60 | -2.64 | 0.67 |
| | 7-10 | 0.44 | 2.20 | -3.21 | -0.24 | -5.82 | -0.91 | -5.34 | -2.12 |
| | 20+ | 3.44 | 5.25 | -1.95 | 1.06 | -5.87 | -0.97 | -8.68 | -5.58 |
| Korea | 1-3 | 2.31 | 0.86 | 7.90 | 0.98 | 9.82 | 1.72 | 8.76 | 1.86 |
| | 7-10 | 4.79 | 3.30 | 10.02 | 2.97 | 7.13 | -0.78 | 3.95 | -2.65 |
| | 20+ | 8.82 | 7.27 | 14.73 | 7.38 | -4.63 | -11.67 | -9.95 | -15.67 |
| Indonesia | 1-3 | -1.26 | 0.12 | 0.91 | 1.65 | -6.08 | 2.09 | -5.82 | 2.65 |
| | 7-10 | -3.18 | -1.83 | -0.38 | 0.35 | -10.76 | -2.99 | -10.57 | -2.53 |
| | 20+ | -4.74 | -3.41 | -2.19 | -1.48 | -12.10 | -4.45 | -11.28 | -3.30 |
| India | 1-3 | 0.64 | -0.29 | 0.57 | 0.08 | -2.33 | 3.18 | -2.45 | 4.34 |
| | 7-10 | -0.05 | -0.97 | -1.52 | -2.00 | -4.45 | 0.94 | -4.65 | 1.98 |
| | 20+ | -0.46 | -1.38 | -1.54 | -2.03 | -5.65 | -0.33 | -6.29 | 0.23 |
| Malaysia | 1-3 | 0.99 | 0.42 | 1.46 | 0.72 | 2.16 | 2.13 | 6.18 | 2.86 |
| | 7-10 | 1.77 | 1.19 | 0.37 | -0.36 | 0.21 | 0.19 | 4.34 | 1.08 |
| | 20+ | 2.31 | 1.73 | -2.31 | -3.01 | -2.37 | -2.39 | 2.03 | -1.16 |
| Philippines | 1-3 | -2.07 | -0.37 | -3.27 | 0.71 | -5.87 | 1.98 | -4.91 | 2.98 |
| | 7-10 | -4.37 | -2.71 | -6.35 | -2.51 | -14.44 | -7.31 | -14.27 | -7.15 |
| | 20+ | -6.13 | -4.50 | -8.41 | -4.65 | -19.49 | -12.78 | -17.64 | -10.80 |
| Thailand | 1-3 | 0.03 | 0.42 | -0.64 | 0.23 | -5.42 | 1.13 | -2.46 | 1.62 |
| | 7-10 | 1.54 | 1.94 | -0.60 | 0.27 | -8.01 | -1.64 | -4.31 | -0.31 |
| | 20+ | 2.76 | 3.17 | 0.12 | 1.00 | -14.42 | -8.50 | -12.52 | -8.87 |

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