

Emerging Asia (ex China) government bonds monthly

MONTHLY REPORT | OCTOBER 2026

Energy shock and stronger dollar limit bond rallies

Upward pressure on G7 yields, led by Treasuries, created a difficult backdrop for EM Asia (ex China) govt bond markets in Q3, even if EM Asia yield betas vary. Philippines yields show the highest correlation to Treasuries, reflecting a wider current account deficit, inflation uncertainty and risk premia for negative supply shocks in food and energy. Malaysia and Thailand show lower yield beta, with Malaysia gaining as a net energy exporter and leverage to the AI boom. India may yet benefit from the AI boom but an RBI rate increase in Q4 becomes more likely.

Macro & policy backdrop – inflation still generally within targets but higher oil prices linger

The long tail on the Q1 energy shock, and stronger US dollar give policy-makers little respite.

Emerging Asia (ex China) govt bond markets – Higher G7 yields pressurise EM Asia yields

Signs the limits of de-coupling of EM Asia (ex China) yields from the G7 may have been reached?

Spotlight on Philippines – Is the economy entering a higher inflation regime?

Inflation remains above 6% y/y, and the IMF revised its forecast to above 4% y/y for 2027. The economy is vulnerable to negative supply shocks, but much depends on 2nd round inflation effects.

Yield levels & changes – Philippines shows highest beta to G7 yields, Malaysia, Thailand least

For different reasons, Malaysia and Thailand have withstood much of the upward global pressure on bond yields in 2026. Philippines yields remain strongly correlated to Treasuries, and energy prices.

Emerging Asia and global bond returns – Global yields rise

The AI capex boom, fears about debt issuance, central bank tightening, and the energy shock drove nominal and real yields higher in Q3, as US growth accelerated. Indonesian yields held up best in EM Asia in Q3, followed by Malaysia and India.

CONTENTS	
Macroeconomic backdrop	2
Emerging Asia govt bond markets	3
Spotlight on Philippines	4
Yield levels and changes	5
Government bond returns	6
Appendices	7

AUTHOR
Robin Marshall, MA, MPhil
Head of FICC Research
FTSE Russell
Robin.Marshall@lseg.com

Chart 1: Policy rates remained unchanged in Emerging Asia (ex China) in September, as central banks awaited the impact of earlier tightening moves, though expectations of RBI tightening grew after an increase in Indian inflation.

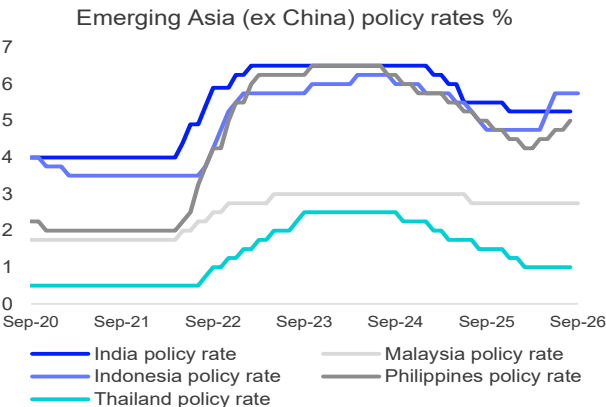
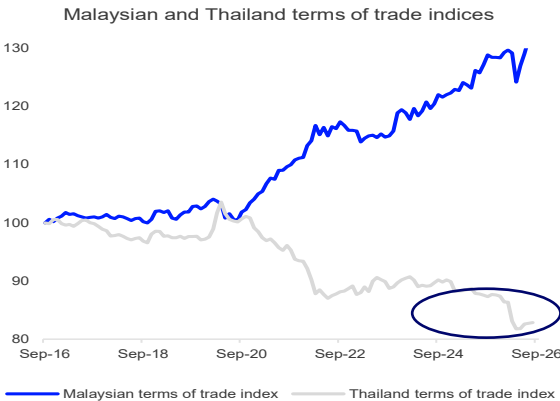


Chart 2: Although they are both low yielders, Malaysian & Thai terms of trade diverged substantially since Covid, with Malaysia also gaining from the AI boom, semi-conductor cycle and net energy exporter status.



Source: FTSE Russell and LSEG, RBI. All data as of September 30, 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 – Highest real yields in Malaysia & Indonesia

EM Asia (ex China) inflation rates continue to be within target, apart from the Philippines, despite the oil price rebound in Q3, so the scale of the inflation shock remains more modest than the 2022 version. Indonesian inflation has stabilised since the Q2 spike to above 4%, which may have helped 10 yr yields stabilise a little. Indian inflation increased most in August to 4.8%, causing expectations for an RBI rate hike in October to harden, and 10 yr Indian yields show strong correlation to inflation expectations (Charts 1, 2 & 3).

Subtracting the inflation rate from nominal yields to derive real yields, we find that Philippines 10 yr real yields are about 200 bp below the levels for Indonesia and Malaysia, despite the bigger inflation shocks in both 2022 and 2026. This may reflect an expectation that inflation will return quickly to the 2-4% target range in 2026-27, but is surprising given the higher inflation uncertainty and volatility compared to Malaysia or indeed Thailand. For that reason alone, the inflation risk premium might be higher, and above the levels of a low yielder like Malaysia. Domestic inflation appears a less powerful driver of Indonesian 10 yr yields than in India, suggesting global drivers may be key (Charts 4 & 5).

Chart 2: Inflation remains within target in the EM Asia (ex China) group, apart from the Philippines, where energy prices are not subsidised. 2nd round effects of the energy shock still remain modest.

Country	Inflation target & range	Current inflation rate	Target measure
India	4% target 2 to 6% range	4.8% y/y	Headline
Indonesia	2.5% target 1.5 to 3.5% range	3.2% y/y	Headline
Malaysia	2026 forecast range = 1.3 to 2%	1.9% y/y	Headline forecast, no target
Philippines	2 to 4% target range 2026	6.1% y/y	Headline
Thailand	1 to 3% target	2.5% y/y	Headline

Chart 4: Despite the sharp increase in 2026 inflation, 10 year real yields do not suggest an inflation premium is yet built into Philippines yields, which stand 200 bp below Indonesian and Malaysian real yields.

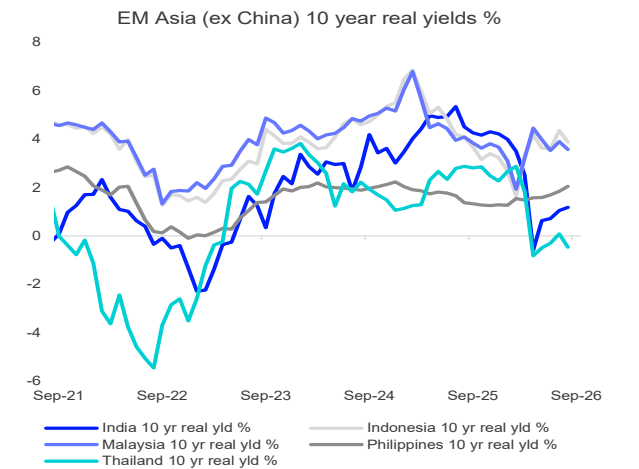


Chart 1: Inflation rates generally increased in August, reflecting higher oil prices, though only in the Philippines is the inflation shock comparable with 2022. Malaysian inflation shows little impact of the energy shock.

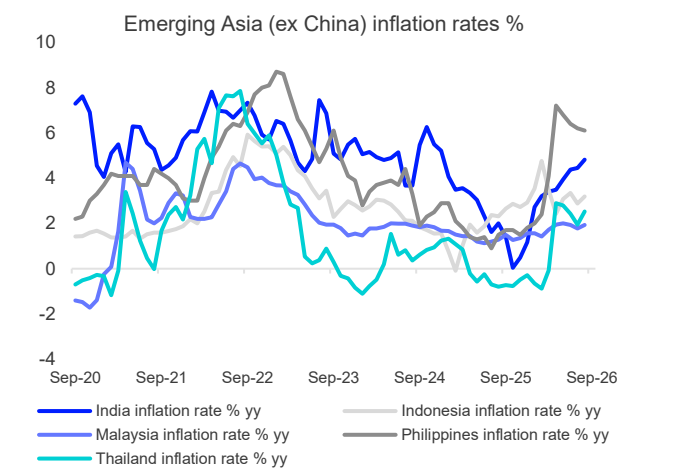


Chart 3: Indian yields show positive correlation with inflation, though 0.66 in levels since 2021 is boosted by auto-correlation. Correlation with inflation 6 months ahead is 0.35 suggesting expected inflation is a key driver.

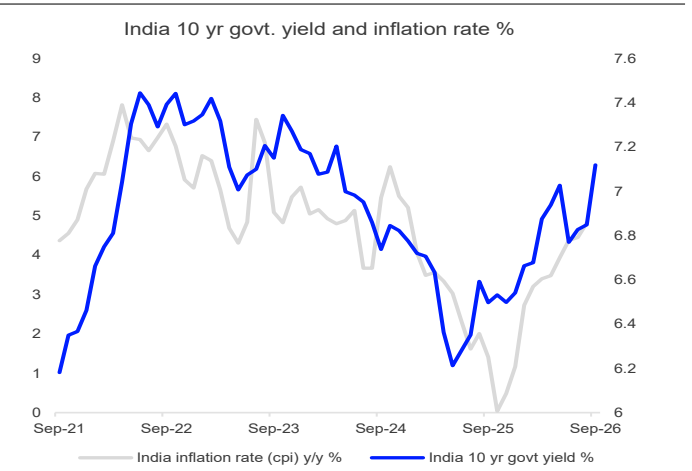
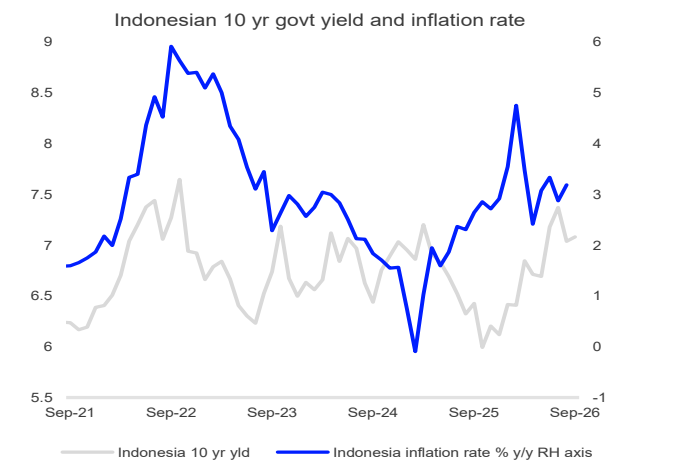


Chart 5: Indonesian 10 yr yields show a correlation of 0.28 with inflation, since 2021 (levels) – lower correlation than India. It is barely positive against inflation 6 months ahead, suggesting global drivers may be key.



Source: FTSE Russell and LSEG. All data as of September 30, 2026, unless shown. 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.

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

EM Asia (ex China) govt bond markets struggled to escape upward pressure on global bond yields in September, though Indonesia stabilised, supported by high real yields, and inflation remaining within target. Yield moves were also more modest in Malaysia, Thailand, and India. Malaysian yields are still close to the 2022 peaks, despite inflation of only 1.9% y/y, versus a peak of 4% y/y in 2022, and economic benefits from the AI boom. But Malaysian govt yields have remained less volatile than the peer group since Covid and the energy shocks (Charts 1, 2 & 3), helped by stable policy and low inflation.

Indian short yields have largely priced in an RBI rate increase in 2026-27, after inflation rose to 4.8% y/y (August), but a planned increase in longer debt issuance in 2026-27, and weaker rupee, pushed 10 year yields back up to 2024 levels in late-September. Philippines yields rose a further 40-50 bp, reflecting investor doubts over a return to the lower inflation regime, even though growth slowed sharply in Q2 (see page 4) . Yield spreads have widened against the peer group since the 2026 energy shock, particularly the lower yielders Thailand and Malaysia (Charts 4 & 5).

Chart 2: 5 yr yields tracked 3 yr yields higher, though again Indonesian yields were more stable, helped by inflation remaining within target, and the country's lower exposure to the energy shock.

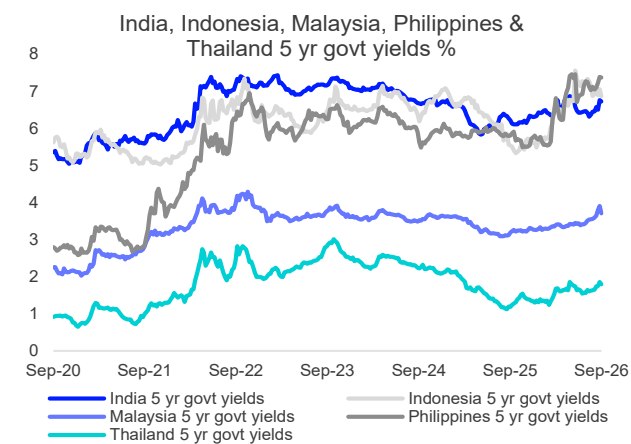


Chart 4: The higher yield Philippines and Indonesian yield curves have been most volatile since the energy shock in Q1, after policy tightening moves, with the Indian curve more stable, due to unchanged RBI policy.

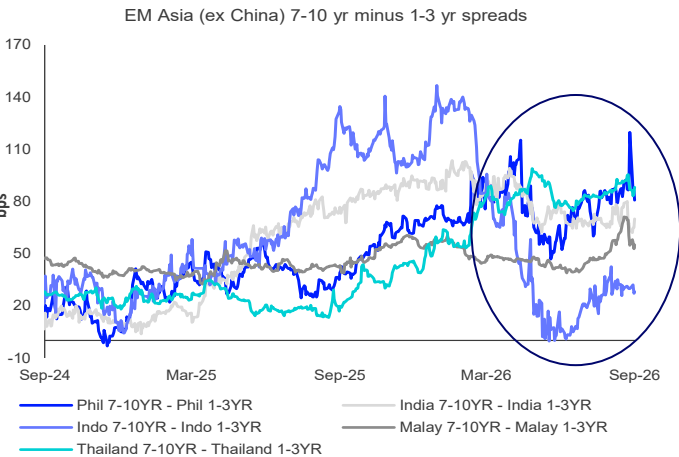


Chart 1: Higher oil prices and robust growth, despite the negative supply-side shock, drove expectations of policy tightening in Q4, notably in India, and increases in 3 yr yields in September. Indonesian yields stabilised.

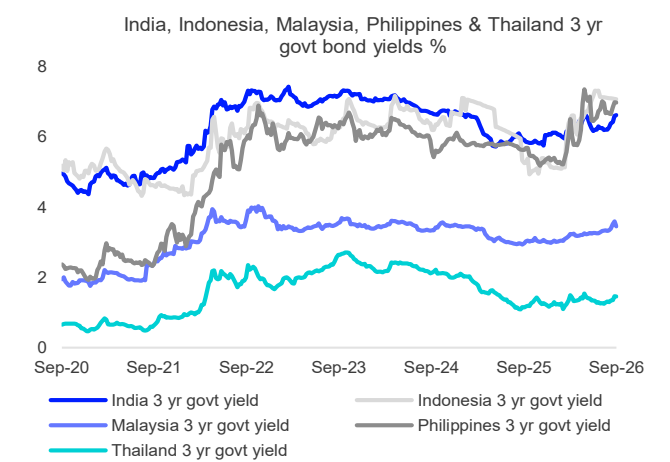
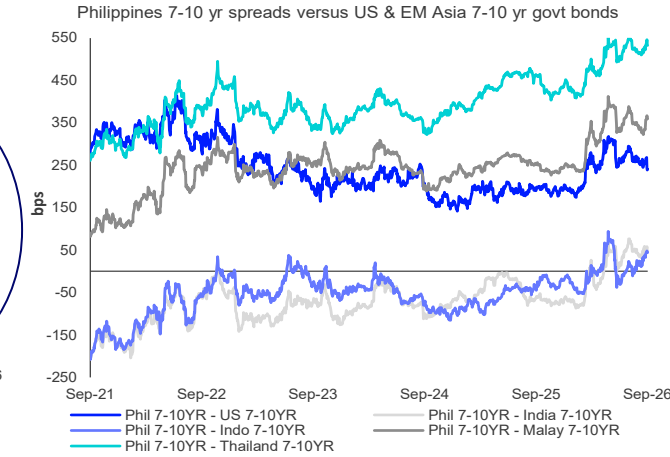


Chart 3: 10 yr yields failed to resist upward pressure globally in September and higher oil prices. India, Indonesia & Malaysia showed smaller moves, but Indian yields moved above 7.1% - the highest levels since May 2024.



Chart 5: Philippines spreads remain at cycle highs, versus the peer group, as investors assess whether there has been a structural shift to a higher inflation regime. But sovereign spreads remain stable vs the US.



Spotlight on Philippines – Is inflation entering a structurally higher regime?

The key question emerging on the Philippines economy, after the 2026 energy shock, is whether it is entering a structurally higher inflation regime, or inflation will return to the 2-4% target range sustainably in 2027. September IMF forecasts show inflation at 4.1% y/y in 2027, up from the previous 3.3% (April) forecast, and GDP growth of 3.4% in 2026, revised down from 3.9% in April. High food and energy weights in the CPI leave the economy vulnerable to negative supply and weather shocks, with rice alone having a 12% weight. (See Charts 1, 2 & 3).

Much will depend on 2nd round effects, and whether inflation expectations de-stabilise, since the oil price shock itself is a one-off change in the levels of inflation indices, rather than a permanent change in y/y inflation.

Slower GDP and demand growth should reduce 2nd round effects and pass-through of the energy shock and peso weakness to final consumer prices (Chart 4). But Philippines 10 yr yields remain strongly correlated with US Treasuries, and global duration moves, as Chart 5 shows, and more so than the peer group members, like India. We find this correlation of 10 yr yields is stronger than with Philippines inflation since Covid.

Chart 2: Consumer expenditure weights show the dominance of food, energy and transport particularly, with rice alone at 12%. Low energy subsidies mean consumers are fully exposed to the oil shock in 2026.

Philippines CPI weights (Expenditure category)	New weight (2018)	Notes
Food and beverages	37.8%	Heavy food weight (rice=12%)
Housing, water, electricity, gas, other fuels	21.4%	Low subsidies & high weight
Restaurants & accommodation services	9.6%	Increased from 2012 weighting
Transport	9.0%	Reflects energy prices
Information & communication	3.4%	
Personal care & miscellaneous services	4.5%	
Other sectors	14.3%	
Total	100%	Chained Laspeyres index build formula

Chart 4: The negative correlation between the Philippines exchange rate (vs US\$) & inflation increased since Q1, 2022, to -0.3 (6 month lagged). But inflation is most sensitive to food & energy supply shocks.

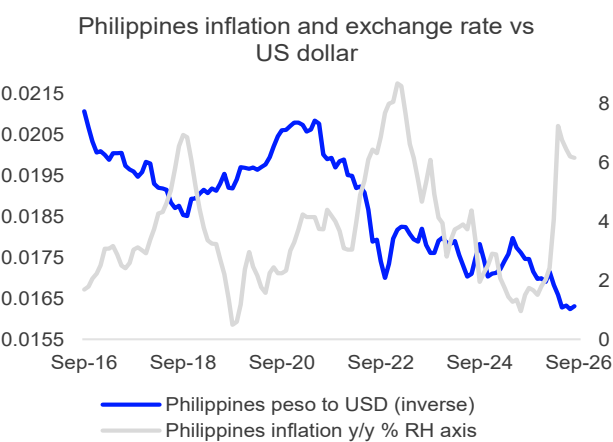


Chart 1: The Central bank has moved rates 75bp higher in 2026, but markets discount further tightening. September IMF forecast updates show Philippines inflation remaining above target at 4.1% y/y in 2027.



Chart 3: Philippines inflation and GDP growth show more evidence of stagflation from the energy shock. Growth slowed to 2.5% y/y in Q2, and the IMF has reduced its 2026 forecast to 3.4% from 3.9%.



Chart 5: Philippines 10 yr yields show stable spreads vs US, and strong correlation with the US, of 0.9 (levels) & 0.44 in 1st differences, suggesting they are driven more by US yields than the peer group.



Sources: FTSE Russell and LSEG, Reserve Bank of India. All data as of September 30, 2026, except where shown. 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 data is derived from FTSE Fixed Income Indices.

FTSE Russell | Emerging Asia (ex China) government bonds monthly – October 2026

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

Yields drifted higher in September, as EM Asia (ex China) bonds struggled to de-couple completely from rising G7 govt bond yields. Indonesia and Malaysia held up better than the peer group, with better inflation data supportive. Philippine yields were dragged higher by the market's strong correlation to US yields, and higher IMF inflation forecasts, although nominal 10 yr yields near 7.6% still give notably lower real yields than in Malaysia or Indonesia.

Only Indonesian yields declined in Q3, helped by inflation stabilising near 3% y/y and the high level of real yields (see page 2), though nominal yields are still 80 – 170bp higher on 12M.

In contrast, Indian 10 yr yields moved back above 7%, after inflation increased to 4.8% y/y, and the announcement of more debt issuance in longer maturities.

Decrease Increase

1-3 yr maturity	Current yield September 30, 2026	1M change	3M change	12M change
India	6.504	0.346	0.392	0.655
Indonesia	6.850	0.150	-0.190	1.703
Malaysia	3.404	0.122	0.152	0.348
Philippines	6.681	0.324	0.008	1.054
Thailand	1.377	0.182	0.196	0.177
3-5 yr maturity	Current yield September 30, 2026	1M change	3M change	12M change
India	6.866	0.353	0.449	0.669
Indonesia	7.037	0.162	-0.211	1.581
Malaysia	3.744	0.189	0.305	0.519
Philippines	7.288	0.278	0.073	1.450
Thailand	1.611	0.177	0.200	0.378
7-10 yr maturity	Current yield September 30, 2026	1M change	3M change	12M change
India	7.159	0.275	0.362	0.530
Indonesia	7.174	0.131	-0.163	0.803
Malaysia	4.050	0.191	0.324	0.553
Philippines	7.620	0.397	0.163	1.607
Thailand	2.259	0.196	0.257	0.838

Source: FTSE Russell and LSEG. All data as of September 30, 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.

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

Global bond yields increased again in September, as the Fed raised rates at the September FOMC, with a unanimous 12-0 vote to raise rates, and the BoJ followed suit, though with a less hawkish tone. Upward pressure on G7 yields hit EM Asia (ex China) bonds, though the impact varied. Longer maturities underperformed as markets re-priced duration risk, and focussed on higher fiscal deficits, debt issuance and inflation above target, with yields at new post-GFC highs.

Despite a threat of further FX intervention, the yen remained near 35 yr lows versus the USD in September, as the Fed's tightening offset the BoJ's 25bp move. Uncertainty about how far the BoJ will raise rates weighed on JGBs with losses of 12% YTD.

Indonesian bonds have held up well in Q3, including longer maturities, helped by more stable inflation and lower energy exposure than the peer group. Long-dated Thai and Philippines debt were hit hard by the sell-off in long dated debt with losses of 14-17% YTD.

Top 15% Bottom 15%

		1M		3M		YTD		12M	
		USD	LOCAL	USD	LOCAL	USD	LOCAL	USD	LOCAL
USA	1-3	-0.53	-0.53	-0.13	-0.13	0.54	0.54	1.68	1.68
	7-10	-3.34	-3.34	-4.54	-4.54	-4.68	-4.68	-3.61	-3.61
	20+	-5.30	-5.30	-8.86	-8.86	-8.34	-8.34	-8.73	-8.73
Japan	1-3	1.46	-0.17	2.93	-0.49	-0.36	-0.11	-6.15	-0.14
	7-10	0.95	-0.67	1.30	-2.06	-5.13	-4.89	-12.81	-7.23
	20+	1.86	0.22	-0.70	-3.99	-12.47	-12.25	-22.38	-17.42
Germany	1-3	-2.46	-0.25	-1.05	-0.40	-3.24	0.05	-2.96	0.39
	7-10	-3.94	-1.77	-4.95	-4.33	-6.23	-3.05	-6.70	-3.48
	20+	-4.28	-2.11	-8.90	-8.30	-9.00	-5.91	-11.99	-8.96
Korea	1-3	1.03	-0.08	14.86	0.35	7.34	0.85	4.70	1.00
	7-10	0.76	-0.36	12.98	-1.30	2.23	-3.94	-2.77	-6.21
	20+	0.91	-0.20	11.63	-2.48	-12.36	-17.66	-20.29	-23.11
Indonesia	1-3	-0.66	0.24	2.45	2.42	-4.88	1.97	-3.68	3.32
	7-10	-1.13	-0.24	1.99	1.96	-7.82	-1.19	-5.16	1.73
	20+	-1.52	-0.63	2.65	2.62	-7.72	-1.08	-4.03	2.93
India	1-3	-0.68	-0.01	-0.45	0.78	-2.95	3.47	-2.51	5.22
	7-10	-1.73	-1.06	-2.09	-0.88	-4.40	1.92	-4.10	3.50
	20+	-1.38	-0.71	-3.12	-1.92	-5.21	1.06	-5.62	1.87
Malaysia	1-3	-1.23	0.10	0.46	0.53	1.15	1.71	5.92	2.69
	7-10	-2.25	-0.94	-2.05	-1.99	-1.53	-0.99	3.00	-0.14
	20+	-4.09	-2.80	-4.67	-4.60	-4.57	-4.05	-0.60	-3.63
Philippines	1-3	-0.66	-0.04	-1.13	0.93	-3.88	2.35	-3.09	4.32
	7-10	-2.42	-1.82	-4.41	-2.43	-10.53	-4.73	-10.26	-3.41
	20+	-3.20	-2.60	-6.40	-4.46	-14.23	-8.67	-13.20	-6.57
Thailand	1-3	-1.43	-0.27	-1.05	-0.06	-5.44	0.70	-2.34	1.12
	7-10	-2.50	-1.35	-2.60	-1.62	-9.40	-3.52	-7.23	-3.94
	20+	-3.96	-2.83	-3.77	-2.81	-16.72	-11.30	-17.31	-14.39

Source: FTSE Russell and LSEG. All data as of September 30, 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.

ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 40 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

CONTACT US

To learn more, visit lseg.com/en/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810
North America +1 877 503 6437

Asia-Pacific
Hong Kong +852 2164 3333
Tokyo +81 3 6441 1430

© 2026 London Stock Exchange Group plc and its applicable group undertakings ("LSEG"). LSEG includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. "FTSE Canada", (4) FTSE Fixed Income LLC ("FTSE FI"), (5) FTSE (Beijing) Consulting Limited ("WOFE"), (6) FTSE EU SAS ("FTSE EU"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, WOFE, FTSE EU and other LSEG entities providing LSEGBenchmark and Index services. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "Refinitiv", "WMR™" "FR™" and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of LSEG or their respective licensors.

FTSE International Limited is authorised as a Benchmark Administrator and regulated in the United Kingdom (UK) by the Financial Conduct Authority ("FCA") under the UK Benchmarks Regulation. FTSE EU SAS is authorised as a Benchmark Administrator by the Autorité des Marchés Financiers ("AMF") and is supervised by the European Securities and Markets Authority ("ESMA") under the EU Benchmarks Regulation.

All information is provided for information purposes only. All information and data contained in this publication is obtained by LSEG, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical inaccuracy as well as other factors, however, such information and data is provided "as is" without warranty of any kind. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or LSEG Products, or of results to be obtained from the use of LSEG products, including but not limited to indices, rates, data and analytics, or the fitness or suitability of the LSEG products for any particular purpose to which they might be put. The user of the information assumes the entire risk of any use it may make or permit to be made of the information.

No responsibility or liability can be accepted by any member of LSEG nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any inaccuracy (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of LSEG is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of LSEG nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indices and rates cannot be invested in directly. Inclusion of an asset in an index or rate is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index or rate containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index and/or rate returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index or rate inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index or rate was officially launched. However, back-tested data may reflect the application of the index or rate methodology with the benefit of hindsight, and the historic calculations of an index or rate may change from month to month based on revisions to the underlying economic data used in the calculation of the index or rate.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of LSEG nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of LSEG. Use and distribution of LSEG data requires a licence from LSEG and/or its licensors.

The information contained in this report should not be considered "research" as defined in recital 28 of the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council ("MiFID II") and is provided for no fee.