

Pacifying the Pandemic Panic

*An Application of Structural Break Analysis in Philippine
Government Bond Yield Time Series Data*

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Outline

I. Background

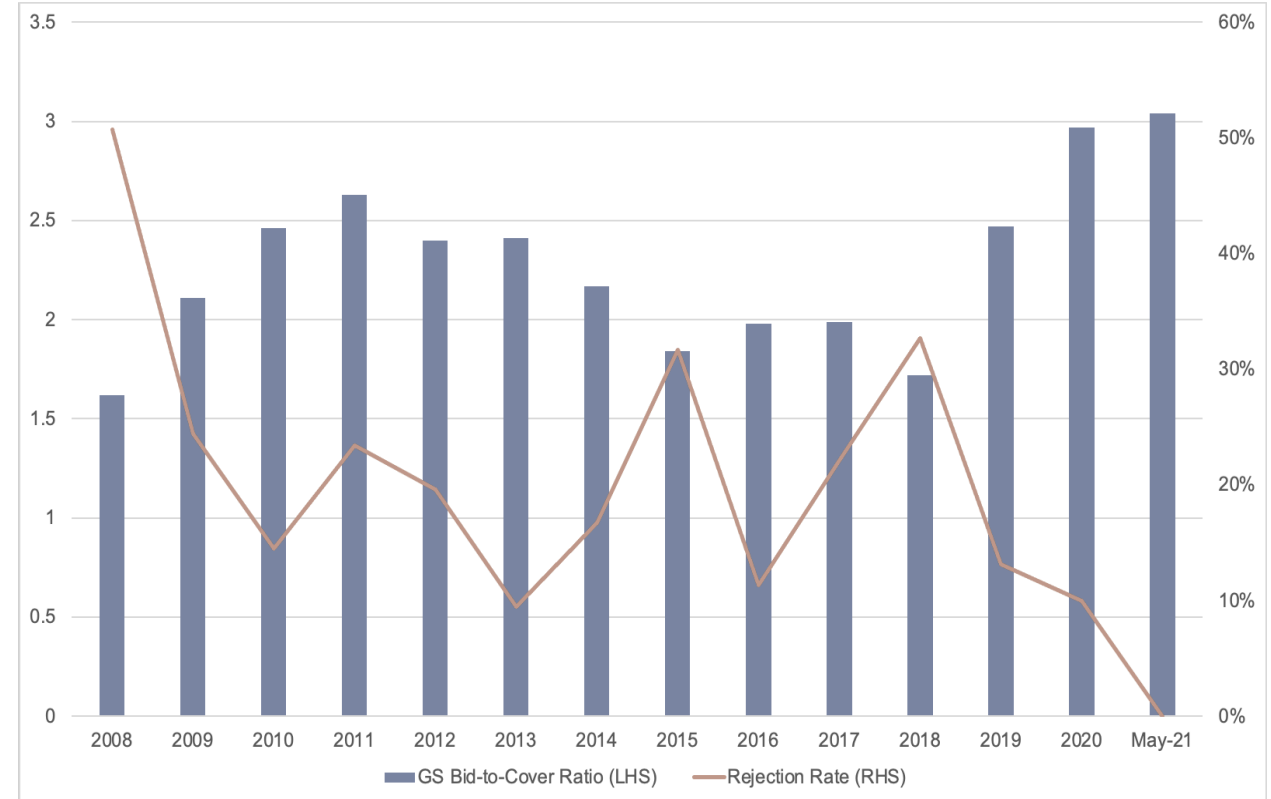
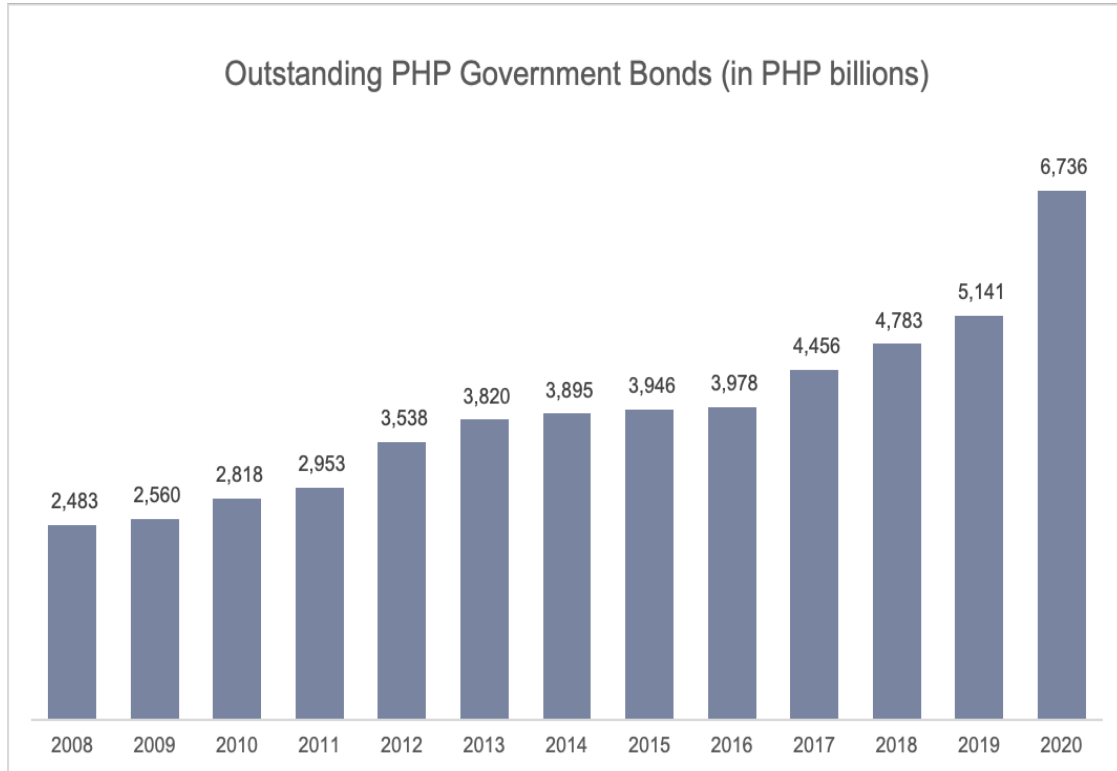
- Philippine local currency sovereign debt supply and demand
- Monetary and fiscal policy COVID-19 responses

II. Discussion

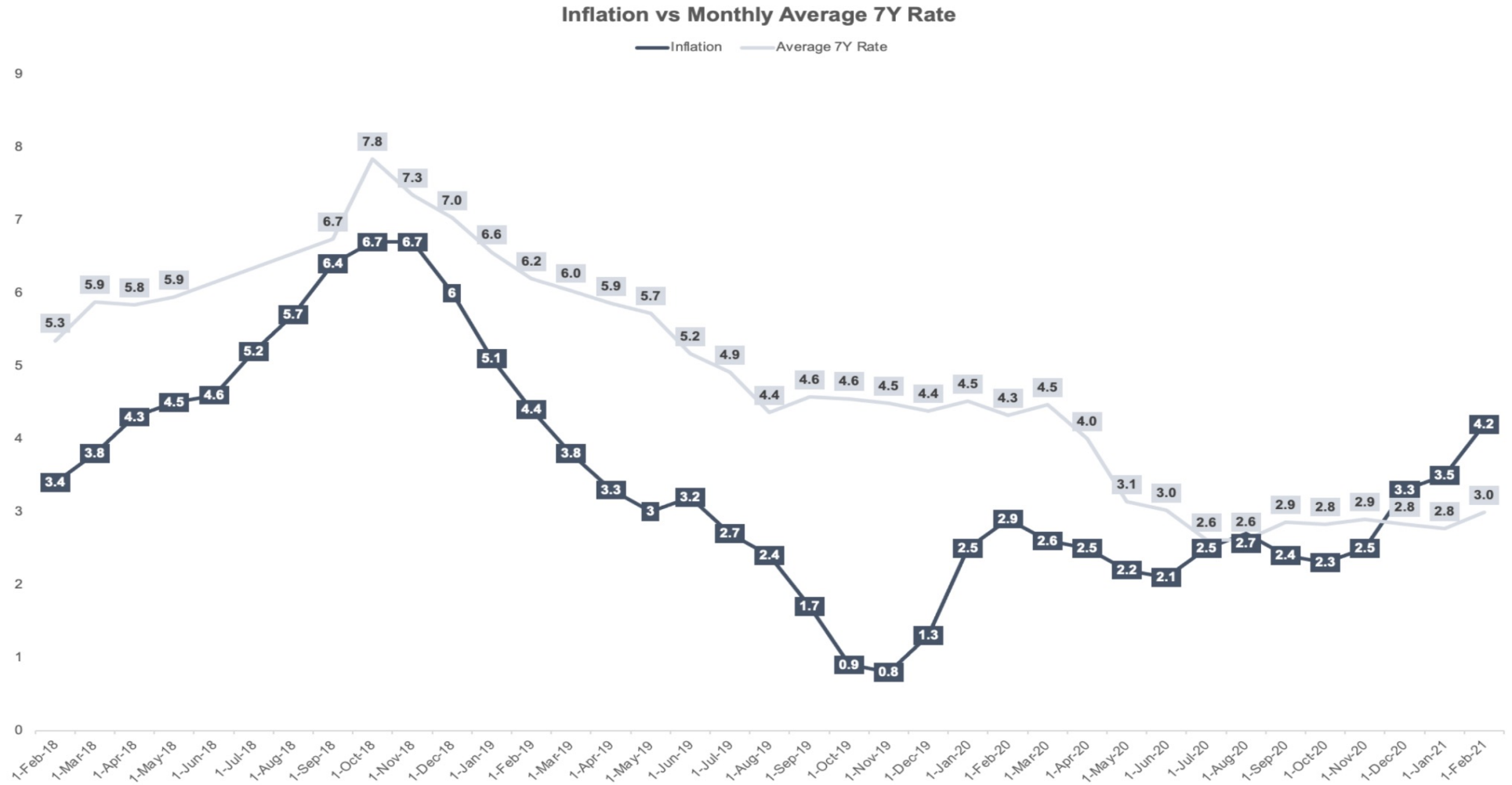
- Pandemic period macroeconomic and financial market developments
- Comparison with regional peers
- Structural break analysis

III. Conclusions

Government Debt Supply and Demand



Bond Yields and Inflation



Policy Responses

I. Monetary Policy

- Policy rate cuts
- Reserve Requirement Ratio (RRR) cuts
- GS purchases in the secondary market
- Provisional advances to the National Government (NG)

II. Fiscal Policy

- Bayanihan to Heal as One Act
- Bayanihan to Recover as One Act
- 2021 National Budget
- Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

Pandemic Period Developments



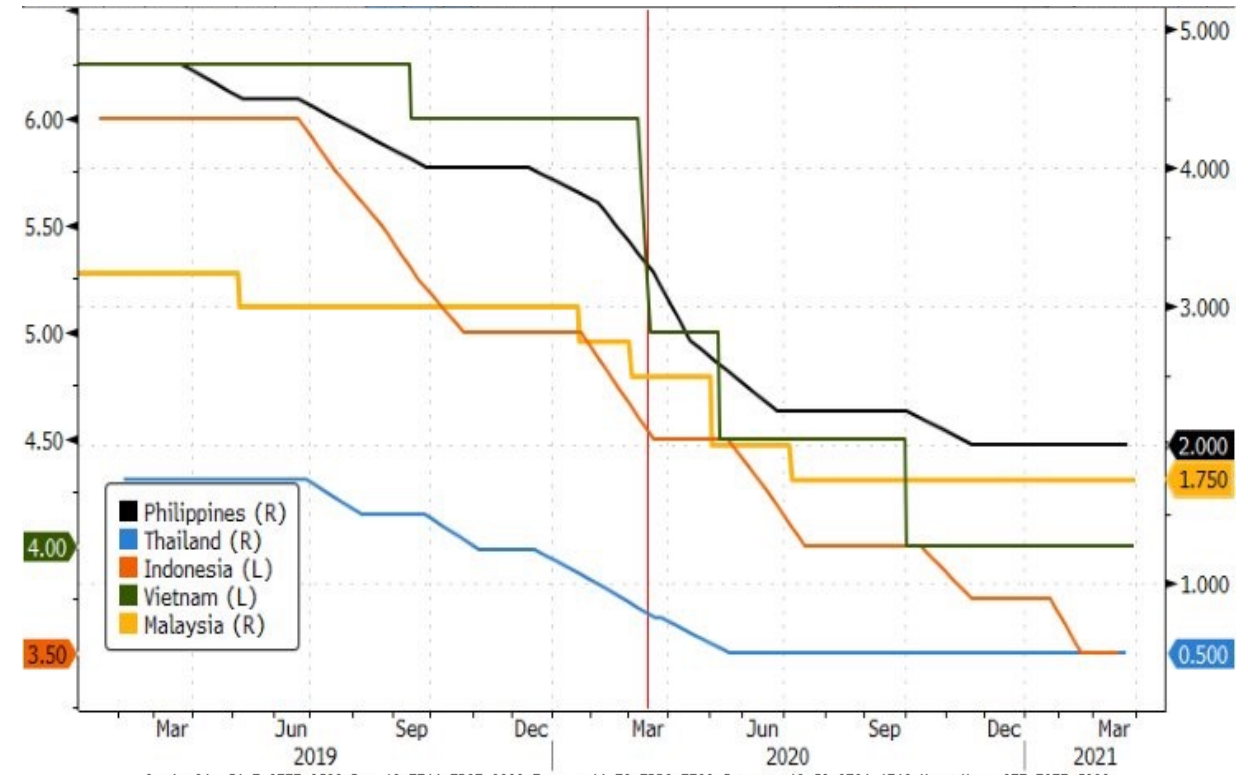
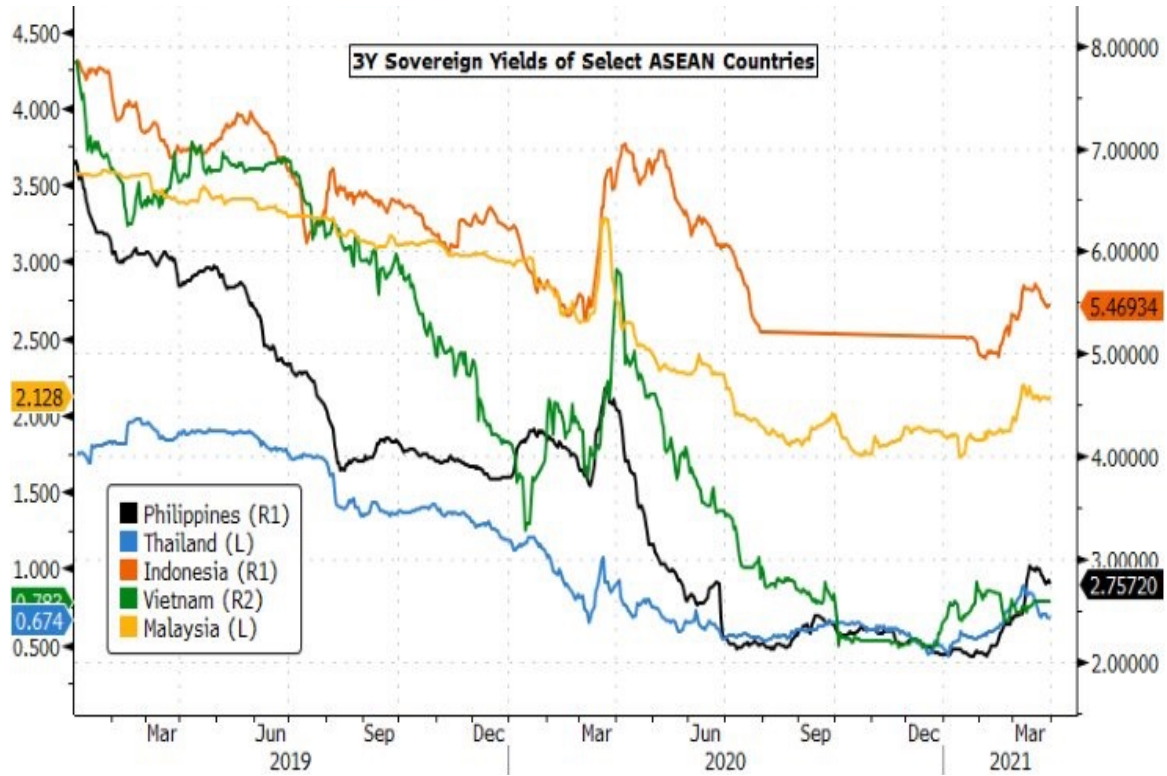
Tale of Two Upticks



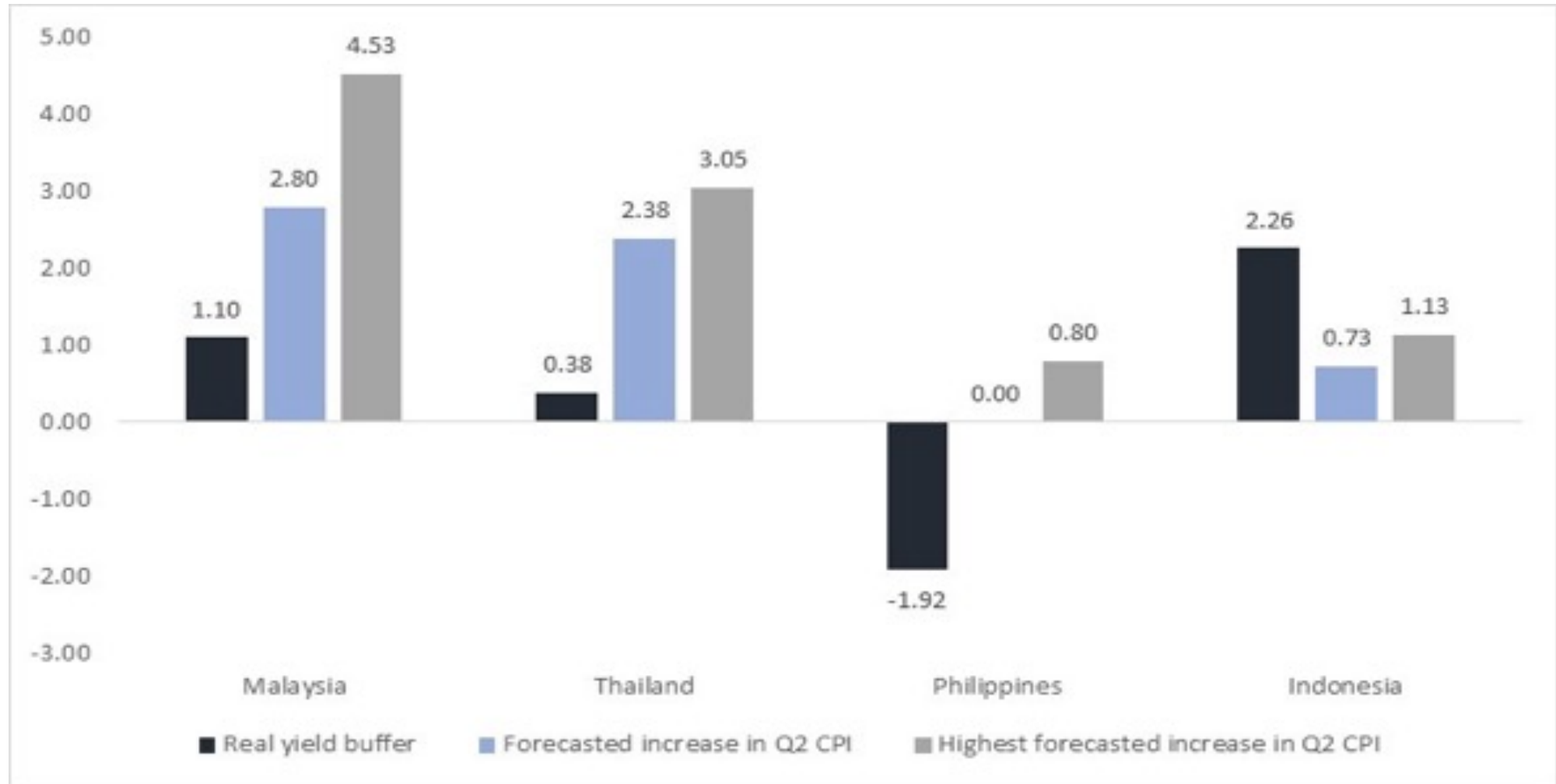
Where Liquidity is (not) Going



The ASEAN Story



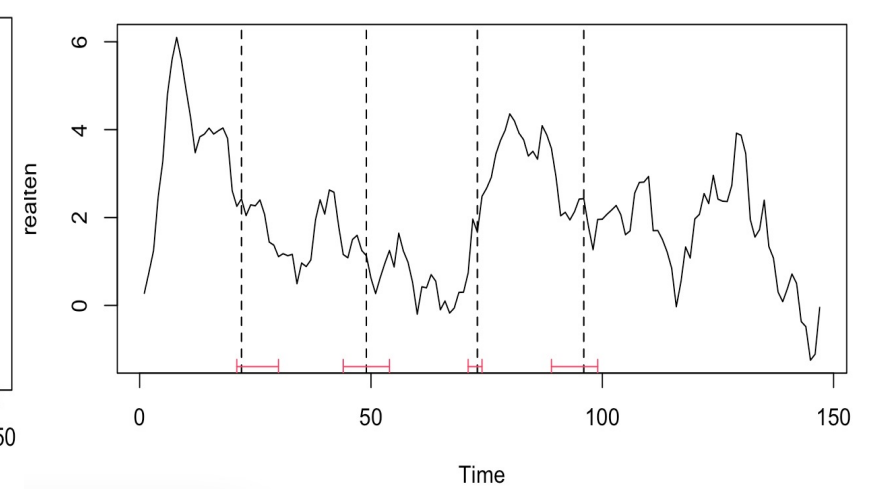
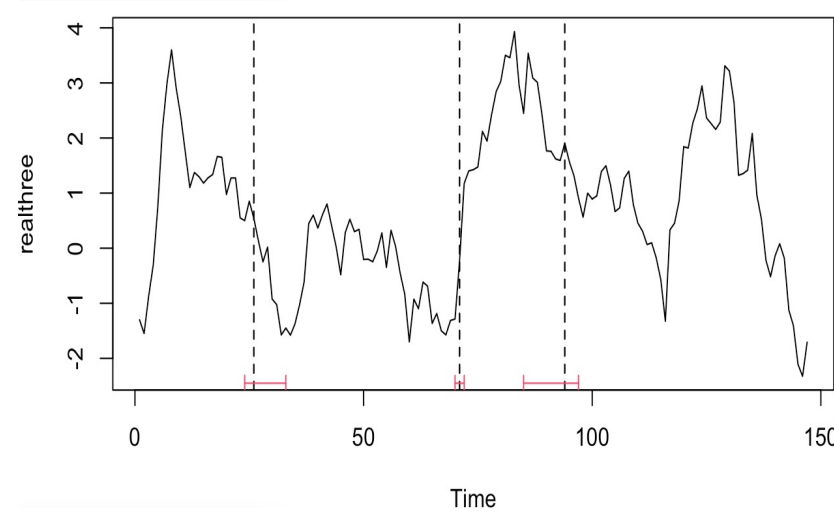
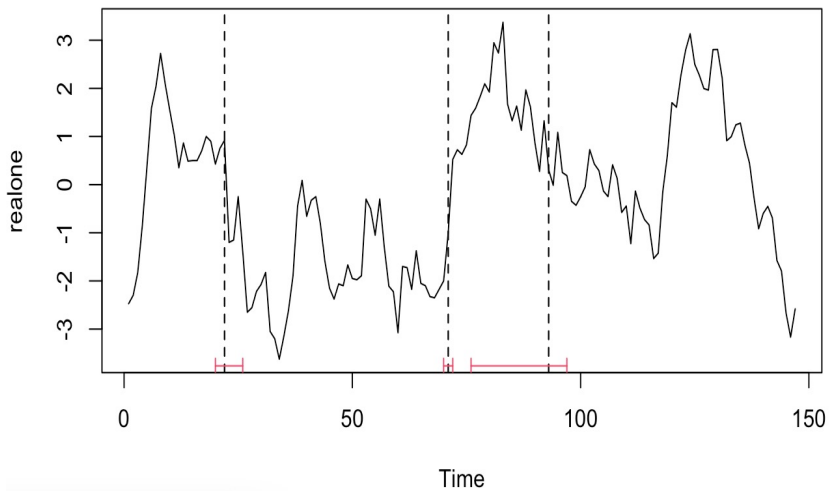
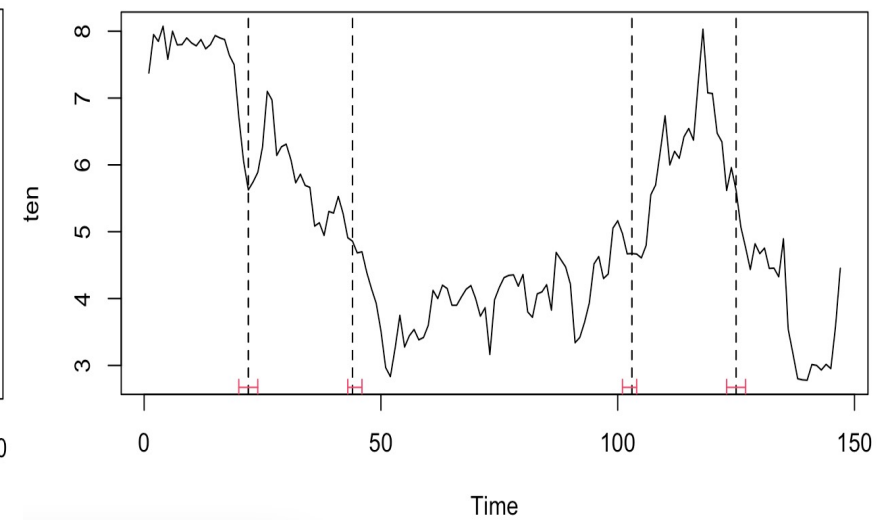
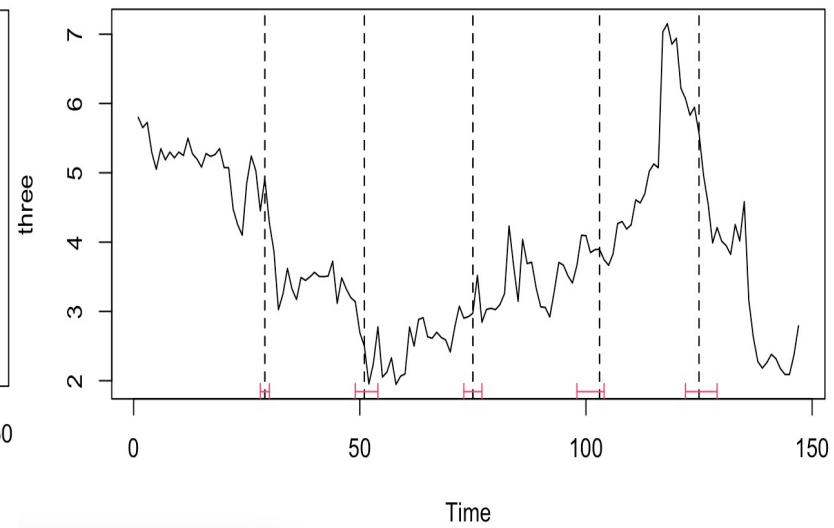
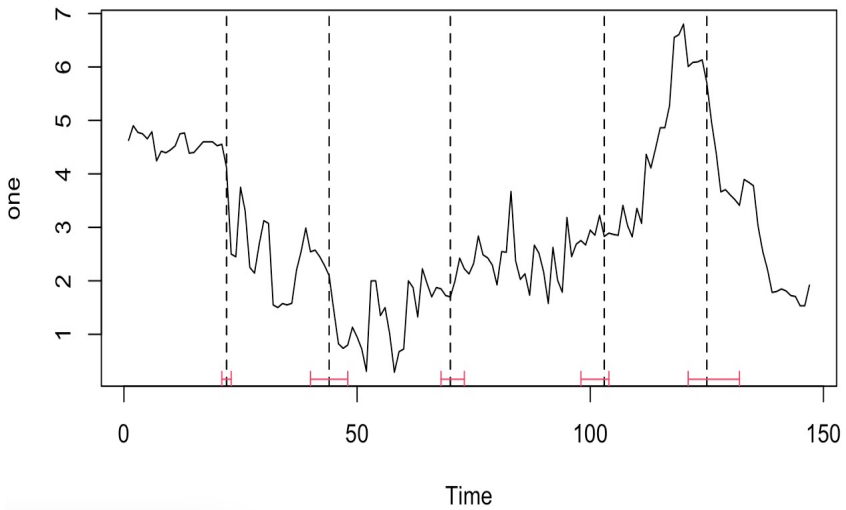
Where Rates Really Are



Structural Break Analysis: Post-GFC Picture

- **Longer-term perspective**
- **Scope: post-Global Financial Crisis**
- **Method: Bai-Perron test for structural breaks**
- **Applied to both nominal and real yields**

Structural Break Analysis: Post-GFC Picture



Conclusions

- The Philippine financial markets were not spared by uncertainties brought by the COVID-19 pandemic.
- Policymakers have been nimble in implementing monetary and fiscal policy measures while maintaining stability in the financial markets.
- Taking a longer-term perspective, **results of the Bai-Perron test show that there are no structural break points in government bond yield time series data in the period covering the pandemic**, suggesting that policies enacted have been effective in preventing turmoil in the market.