

ASIA FIX



A monthly brief on Fixed Income markets, sector performance, bond ETF flows and product trends

iShares Fixed Income Product Strategy

August 2025

July Market Highlights

Global Rates

July saw a wave of rate decisions from major central banks. The Fed kept rates unchanged as widely expected, albeit the decision was interpreted as hawkish with Chair Powell reiterating that FOMC was in no rush to cut. In Europe, the ECB also delivered a hawkish hold, with President Lagarde signaling that the 2% rate reached in June may well mark the end of its easing cycle. In APAC, the BOJ held rates at 0.5% as expected. The decision was unanimous, reflecting the central bank's cautious approach to policy normalization. Elsewhere, RBA also held rates unchanged at 3.85%. The decision was passed by a 6-3 vote, with the central bank citing a more balanced outlook for inflation and the labor market.

Credit

Credit spreads saw further compression in July as reduced macro tail risks driven by key US trade deals, coupled with solid corporate earnings and modest net supply in the primary market (particularly in APAC), resulted in a conducive backdrop for credit. As a result, despite sitting near their historic tight, US IG and HY spreads grinded tighter by 7bps and 12bps. The strong performance also resonated across Asia, with spreads tightening by 10 and 17bps across IG and HY.

Performance and yield level of key asset classes as of 2025/7/31

	Index	Total Return			Yield level			Spread level (bps) (credit only)		
		YTD	QTD	MTD	Jul-end	ΔMTD	ΔYTD	Jul-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	5.67%	-1.49%	-1.49%	3.57%	0.10%	-0.11%			
	US Aggregate	3.75%	-0.26%	-0.26%	4.64%	0.13%	-0.27%			
	Japan FI, N-BPI	-3.54%	-1.02%	-1.02%	1.51%	0.11%	0.41%			
Treasury & Agency	US Treasury	3.39%	-0.39%	-0.39%	4.19%	0.16%	-0.26%			
	Agency MBS	3.81%	-0.40%	-0.40%	5.07%	0.14%	-0.20%			
	China(CGB+PB)	0.60%	-0.17%	-0.17%	1.65%	0.04%	0.13%			
Credit (IG & HY)	US IG Corporates	4.24%	0.07%	0.07%	5.07%	0.08%	-0.26%	76	-7	-4
	US HY Corporates	5.04%	0.45%	0.45%	7.08%	0.02%	-0.41%	278	-12	-9
	Asia IG, JACI IG	4.31%	0.50%	0.50%	5.06%	-0.02%	-0.25%	110	-10	7
	Asia HY, JACI HY	5.54%	1.43%	1.43%	9.31%	-0.17%	-0.97%	478	-17	-43
Emerging Markets	EM HC, EMBI GD	6.98%	1.27%	1.27%	7.44%	-0.10%	-0.42%	299	-23	-26
	EM LC, GBI-EM	11.42%	-0.75%	-0.75%	5.96%	-0.05%	-0.44%	-	-	-

Source: Bloomberg, as of 31 July 2025. See notes at the bottom for indices used. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Indices are unmanaged and one cannot invest directly in an index.

FX Hedging: FX Forward Premium or Cost as of 2025/7/31

FX Forward Premium or Cost is associated mainly with short-term interest rate differential between domestic and foreign currency (& currency basis). This impact can be positive or negative depending on the currency pair.

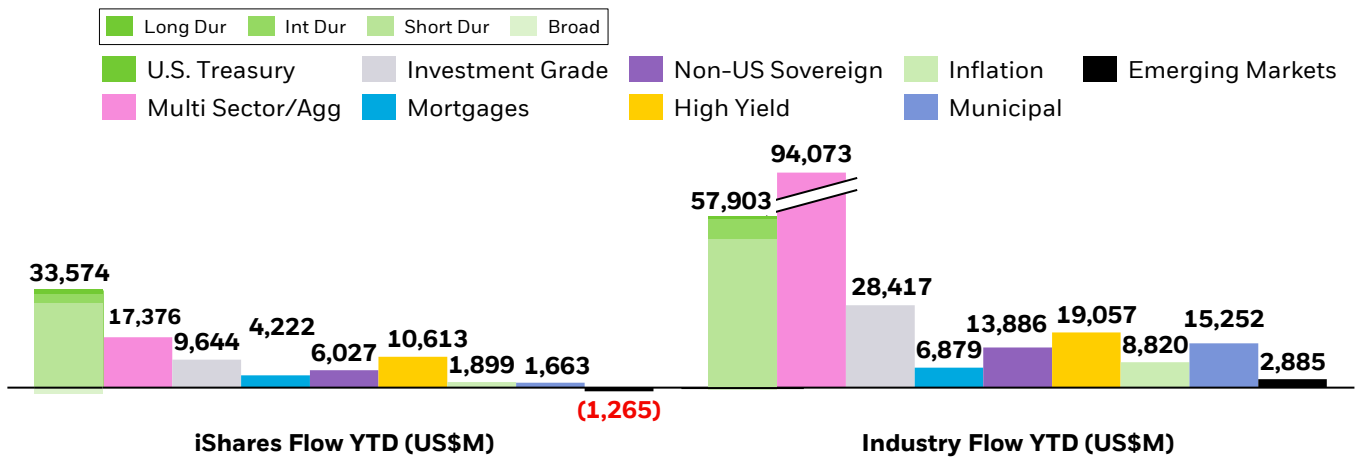
Currency to Hedge (Forward tenors: 3-month and 12-month, annualized)

Local Currency	3M		12M	
	USD	EUR	USD	EUR
JPY	-4.05%	-1.65%	-3.61%	-1.44%
KRW	-2.08%	+0.34%	-2.11%	+0.10%
AUD	-0.70%	+1.73%	-0.68%	+1.55%
CNY	-3.57%	-1.16%	-2.35%	-0.15%
SGD	-2.78%	-0.36%	-2.50%	-0.30%

Source: Bloomberg, as of 31 July 2025. Indices used: BBG Global Aggregate Index (USD, unhedged), BBG US Aggregate Index (USD), NOMURA BPI (JPY), BBG US Treasury Index (USD), BBG Agency MBS Index (USD), BBG China Treasury & Policy Bank Index (CNY), BBG US IG Corporate Index (USD), BBG US HY Corporate Index (USD), JP Morgan Asia Credit IG Index (USD), JP Morgan Asia Credit HY Index (USD), JP Morgan EMBI Global Diversified Index (USD), JP Morgan GBI-EM Index (USD, unhedged). Reference to the company name mentioned in this communications is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies.

2025 July iShares Status Flow

- Flow momentum continued into iShares fixed income ETFs following a record-breaking Q2 (+\$44B), gathering healthy inflows +\$8.7B**, bringing YTD total to +\$86B (vs +\$75B inflows YTD July 2024). Flows were led by US Treasury +\$4.5B, High Yield +\$2.2B, and Multi-Sector +\$1.4B.
- US Treasury saw a sharp rebound in July (+\$4.5B)**, having recorded modest net outflows last month. Inflows continued to be heavily driven by the 0-3M bucket adding +\$2.6B, while the 7-10Y bucket also notably added +\$824M. Outflows from the long end slowed, seeing -\$191M in flows.
- Demand for credit remained resilient, with High Yield logging inflows for the third consecutive month.** Our USD HY flagship exposures led with +\$846M in inflows while our EUR HY flagship exposure gained a remarkable +\$833M, reflecting continued interest in **global diversification** through EUR-denominated exposures.
- Outflows of -\$301M to EM debt was broadly driven by hard currency exposures, while local currency EMD continued recording inflows.** Our local currency flagship exposures added +\$211M while hard currency shed -\$657M. Elsewhere, international aggregate exposures continued to gain, bringing in +\$400M in July.
- Active and outcome-oriented strategies logged another strong month, drawing inflows of +\$2.9B – the highest since February.** Our flagship flexible income active strategy drew inflows of +\$887M while target maturity iBonds ETFs gained an impressive +\$1.3B.



Top/Bottom iShares Fixed Income ETF Sector Flows

Top 5 Exposures	MTD Flow (\$M)	% of AUM
U.S. Treasury – Short Dur	3,145	2%
High Yield – Broad	1,780	2%
Investment Grade – Short Dur	1,293	3%
U.S. Treasury – Inter Dur	1,262	2%
Multi Sector – Broad	1,101	1%
Top 5 Exposures Total	8,581	

Top 5 Exposures	YTD Flow (\$M)	% of AUM
U.S. Treasury – Short Dur	29,451	22%
Multi Sector – Broad	15,696	7%
High Yield – Broad	9,373	12%
Investment Grade – Fixed Maturity	5,195	17%
Investment Grade – Short Dur	4,401	9%
Top 5 Exposures Total	64,117	

Bottom 5 Exposures	MTD Flow (\$M)	% of AUM
Investment Grade – Broad	(2,515)	-2%
Non-US Sovereign – Broad	(397)	-1%
Inflation – Broad	(367)	-2%
Emerging Markets – Broad	(296)	-1%
Inflation – Short Dur	(258)	-2%
Bottom 5 Exposures Total	(3,833)	

Bottom 5 Exposures	YTD Flow (\$M)	% of AUM
U.S. Treasury – Broad	(2,312)	-7%
Emerging Markets – Broad	(1,238)	-3%
Inflation – Broad	(859)	-4%
Municipal – Broad	(483)	-1%
Investment Grade – Long Dur	(297)	-12%
Bottom 5 Exposures Total	(5,188)	

Source: BlackRock, as of July 31 2025. Reference to \$ refers to USD.

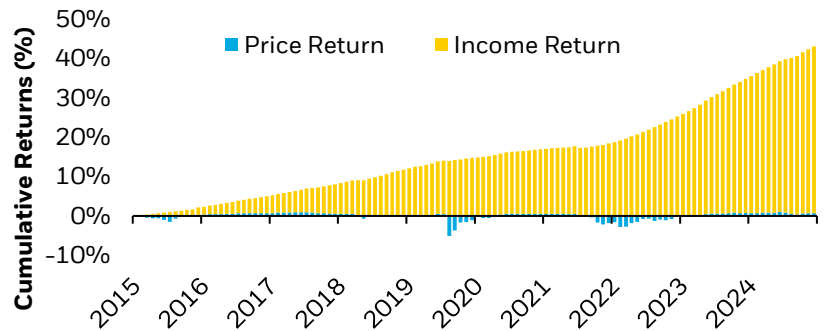
iShares and industry ETF flows encompass globally listed products. 'Broad' categories reference blended maturity products EM flows in the top tight chart are ex-China.

A CLOser look at CLOs

In a year where heightened rate volatility continues to dominate headlines, income remains a key theme driving fixed income returns. This has led to investors staying on the sidelines with cash, with over USD 7 trillion sitting in money market funds¹. Within fixed income, short duration exposures have been favored – short duration US Treasuries account for over 80% of iShares US Treasury ETF inflows year to date². At the same time, demand for **CLO ETFs has been robust with over USD 11B inflows** this year², buoyed by attractive all-in yields and a benign credit backdrop, even as markets adjust to a “higher for longer” rate regime. For investors looking to step out of cash while enhancing returns, **AAA CLOs** present a compelling opportunity for **uncorrelated income opportunities** while maintaining a low risk profile.

Today, the CLO market exceeds USD \$1.2T in size globally – comparable to the US high yield bond market. Although CLO ETFs are relatively new, they have experienced rapid growth, with AUM reaching USD 33B today, more than double what they were just a year ago. The ETF wrapper is proving transformative, unlocking **liquid access to an asset class that has been traditionally niche to the broader investor base**.

Figure 1: AAA CLO returns driven by stable income over time



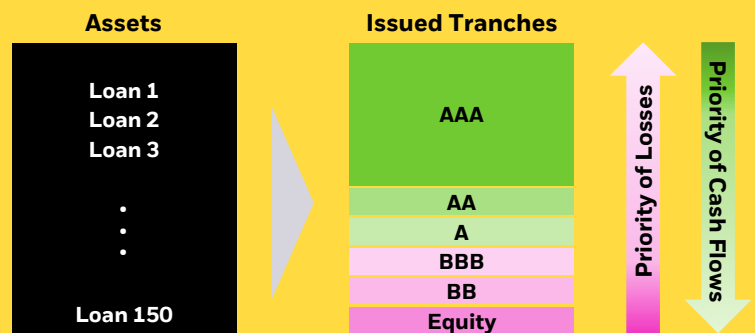
Source: BlackRock, JP Morgan, as of 31 July 2025. Reference to JCL0AAAT Index. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. 1 Source: BlackRock, iMoneyNet, as of 30 June 2025. 2 Source: BlackRock, as of 31 July 2025.

A quick refresher

A CLO is an investment vehicle that owns primarily high yield floating rate loans and issues tranches through the process of securitization. Subordination of cash flows across tranches means that each tranche offers different levels of exposure to credit events in the underlying pool of loans, hence varying in credit risk and ratings.

Through this process of credit enhancement, the senior AAA tranche is the lowest in credit risk, designed to be the last to absorb potential losses.

Figure 2: Subordination of cash flows provides the highest degree of protection for AAA CLOs

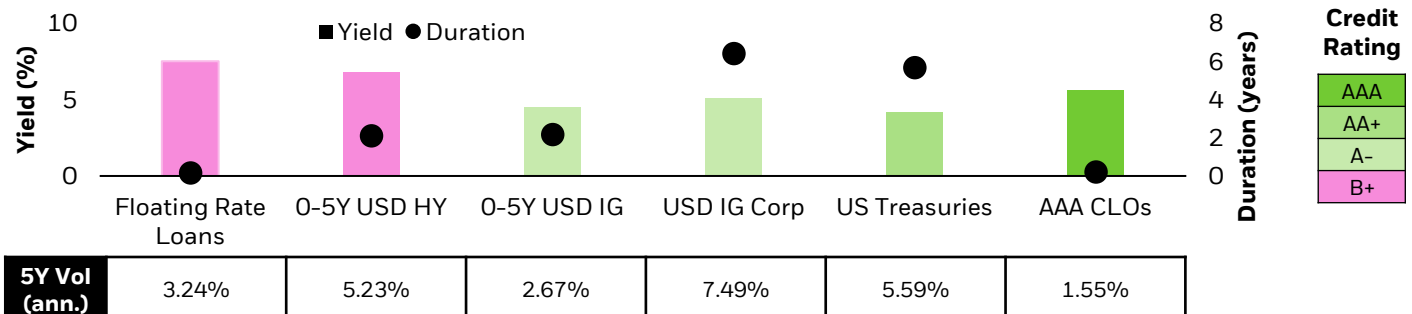


Did You Know? No AAA CLO has ever defaulted in the history of the asset class, weathering the Global Financial Crisis and Covid pandemic with minimal losses.

Source: BlackRock, S&P, as of 31 July 2025. For illustration purposes only.

Stepping out of cash

AAA CLOs currently offer 5.6% yield with a duration of just 0.2 years, an attractive pickup over cash rates at 4.2%, while boosting portfolio credit quality. Higher yielding than similarly rated corporate debt, the **floating rate nature of CLOs** also provides insulation against interest rate risk. AAA CLOs have demonstrated resilience in market stress – during Liberation Day, AAA CLOs saw a drawdown of just -0.41% against a -1.91% drawdown in USD IG credit³, reinforcing the lower volatility of the asset class and its appeal as a step out of cash solution.



Source: BlackRock, Bloomberg, as of 31 July 2025. Reference to SPBDAL, IBXXSHY1, IBXXSIG1, COAO, IDCOTC, JCL0AAAT Index. 3 Source: Bloomberg. Reference to COAO, JCL0AAAT Index. Liberation Day drawdown based on five-day period following Liberation Day tariff announcements (2 April 2025 to 8 April 2025).

To find out more about AAA CLO ETFs, contact your iShares representative.

Innovation Meets Opportunity

How years of constant fixed income ETF innovation are empowering investors to navigate today's markets and build portfolios for the new era

Last year, our whitepaper “**No Time to Yield**” discussed why investors may want to consider getting cash off the sidelines and employing bond ETFs in the new market regime.

In our latest paper “**Innovation Meets Opportunity**”, we highlight how accelerating bond ETF innovation has equipped investors with a robust ETF toolkit that simply did not exist the last time yields were at these levels, and how investors can use bond ETFs to navigate both today's and tomorrow's market environments.



Did you know?

1

Client demand for fixed income ETFs is driving significant asset growth with record flows in 2024 and on track to reach \$6 trillion in assets under management (AUM) by 2030, if not sooner. Globally, bond ETFs experienced the highest organic asset growth (20%) of any other asset class or investment vehicle last year. And so far in 2025, client adoption continues to accelerate, with assets up 22% on an annualized basis.

2

The flywheel of bond ETF innovation is powering this growth, helping more investors to access exposures and outcomes that were previously difficult to access. Last year a record 420 bond ETFs were launched, enabling investors to tailor their fixed income investments in ways previously unthinkable.

3

The ever-increasing toolkit allows investors to take advantage of a generational opportunity in fixed income. Yields are higher than they have been in 20 years. Globally, some 80% of fixed income assets now yield over 4% and we believe they'll remain elevated for the foreseeable future.

4

iShares has been spearheading innovation in bond ETFs for over two decades. Our diverse and evolving product set supports clients globally to navigate across market environments, with more modern, precise ways to reach nearly every part of the fixed income market. As the experts in portfolio construction with a strong heritage in risk management, we understand the tools and exposures that investors require to thrive in a changing world.

Source: BlackRock, "Innovation meets opportunity", as of April 2025. There is no guarantee that any forecasts made will come to pass. All \$ in USD unless otherwise stated.

Index Your Bonds with Asia Credit

Asia bond markets definitely have a part to play in the next leg of growth in index and ETF adoption. As investors continue to move beyond the “active versus passive” debate, constant product innovation will offer increasingly precise sources of potential returns, and help lead more investors to embrace bond index building blocks alongside high conviction active strategies in pursuit of optimal portfolio outcomes.

In this Asia-focused “**Index Your Bonds**” paper, we spotlight iShares Asia Credit exposures, provide insights on how they are managed in practice, and discuss how innovations such as ESG integration will make indexing an integral part of investing in Asia fixed income.



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