Asia FIX

iShares by BlackRock

August 2026

Bond ETF themes, flows, and market update

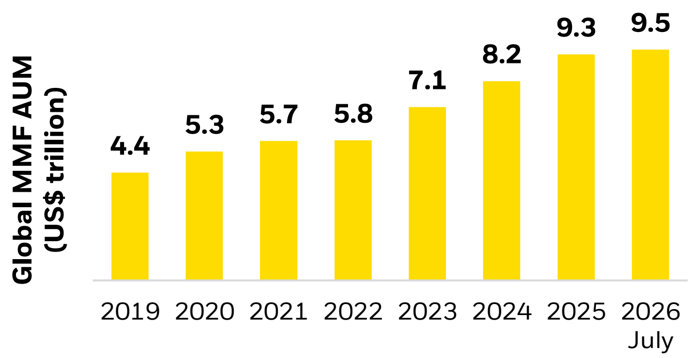
Cashing in on higher rates

Investors have continued to accumulate cash at a remarkable pace amidst persistent macro uncertainty, with global money market funds (MMFs) assets crossing **USD 9.5T** in July 2026 (Figure 1) – more than doubling from pre-Covid levels, underscoring the ongoing demand for liquidity and capital preservation.

While cash remains an effective tool for defensive positioning, staying on the sidelines with idle liquidity can come with **meaningful opportunity costs,** especially in a **higher-for-longer environment** as investors dial back on rate cut expectations given renewed inflation concerns.

For investors looking to put cash to work, cash and short duration ETFs offer a compelling middle ground that can effectively bridge the gap between **harvesting the incremental yield pickup** at today's elevated rates and **minimizing exposure to duration risk**, while maintaining liquidity and flexibility through an ETF vehicle.

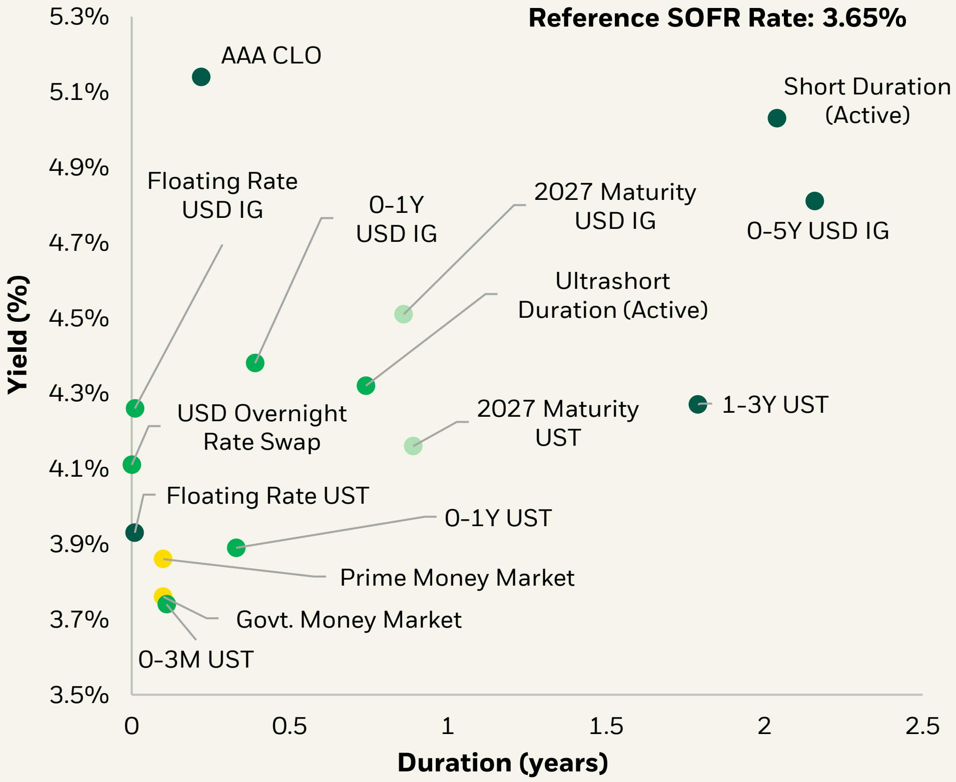
Figure 1: Global MMF AUM climbing to record highs



Source: BlackRock, iMoneyNet, as of 31 July 2026. Money Market Funds includes US MMFs and short-term ESMA regulated MMFs denominated in USD, EUR, and GBP.

The step out of cash suite revisited

Since our last feature back in **September 2025**, the cash continuum suite has continued to evolve, with ongoing innovation expanding the toolkit to include **money market and overnight-rate swap ETFs**. Combined with floating-rate, short-duration and target maturity bond ETFs, today's ETF toolkit offers investors more flexibility than ever to be deliberate with their cash exposure, and **tailor cash allocations based on their liquidity, income and risk objectives.**



Operating Cash

Cash solutions for clients seeking capital preservation and day-to-day liquidity

Avg yield: 3.81% **Avg duration:** 0.10 yrs

Core Cash

Potential for incremental return pick-up while maintaining capital stability

Avg yield: 4.06% **Avg duration:** 0.26 yrs

Core Cash – Fixed Maturity iBonds

Potential for incremental return pick-up alongside greater visibility over cash flow

Avg yield: 4.34% **Avg duration:** 0.88 yrs

Strategic Cash

Higher-yielding solutions to put longer-term cash to work

Avg yield: 4.70% **Avg duration:** 1.24 yrs

Source: BlackRock as of 28 July 2026. SOFR as of 28 July 2026. For illustrative purposes only and subject to change without notice. The yield figures refer to 'gross yield to maturity', which has been calculated using a weighted average of the underlying securities. The duration figures refer to the effective duration. These figures have been prepared by BlackRock and are for information purposes only.

To find out more about the Cash Continuum Suite, contact your iShares representative.

iShares flow update

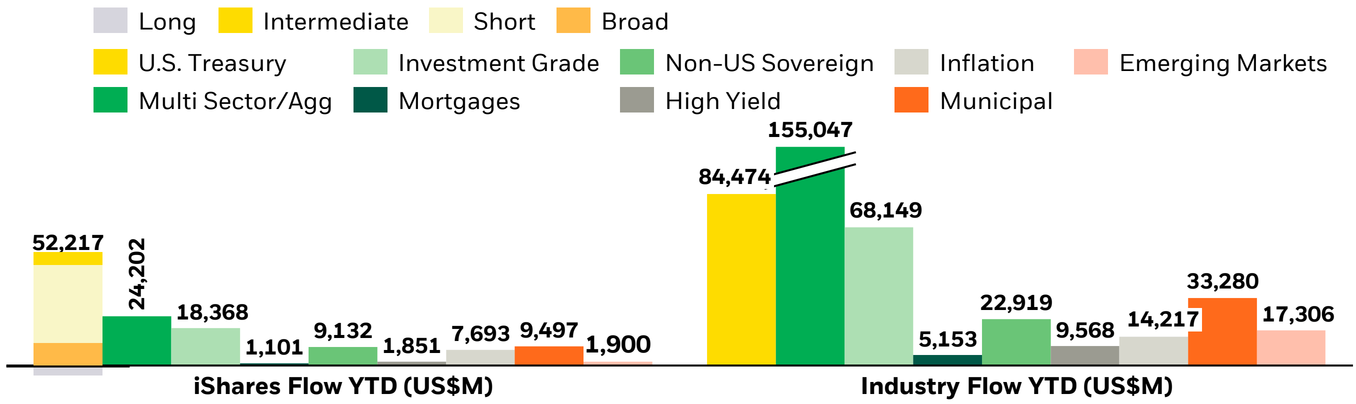
01 **iShares fixed income ETFs saw another healthy month in July, gathering ~$18B and taking YTD inflows to +$132B, significantly topping the +$86B seen over the same period last year**. Middle East tensions continued to drive sentiment, with positioning shifting toward rates as U.S. Treasuries led inflows (~$8B), followed by Multisector (+$3.7B) and Non-U.S. Sovereigns (+$2.0B).

02 **US Treasuries saw robust demand, albeit cash allocations remained firmly in focus.** The flagship 0–3M exposure gathered +$4B, while the 20Y+ vehicle reversed last month's outflows to add +$2.1B. Away from the U.S, EUR Govies attracted +$900M, while inflation demand also picked up across broad U.S. TIPS (+$630M) and short-duration exposures (+$360M)

03 **Credit momentum moderated following June's strong risk-on surge, albeit demand for IG remained elevated vs HY.** IG gathered +$1.6B, largely driven by USD exposures (~$1.3B), led by ~$1.0B into the 1–5Y exposure. HY saw modest outflows (-$181M), as selling in the flagship USD trading vehicle (-$737M) was partly offset by healthy broad U.S. HY inflows (+$391M).

04 **EM flows remained resilient, with hard currency and precision exposures continuing to lead demand**. Hard currency strategies added +$356M, while the Brazilian government bond exposure extended its run of inflows (+$96M). Other local EM exposures also remained positive, gathering +$62M on aggregate.

05 **Outcome-oriented and active strategies continued to gain traction**. iBonds gathered roughly +$1.2B, supported by investor interest in locking in higher yields and led by IG and government bond exposures. Active ETFs added +$1.5B, up from June, driven by the USD ultrashort-duration exposure (+$716M), while securitized exposures gathered +$245M, including +$174M into CLOs.



Top/bottom iShares bond ETF sector flows

Top 5 Exposures	MTD Flow ($M)	% of AUM
U.S. Treasury - Short Dur	4,093	2%
Multi Sector - Broad	2,641	1%
U.S. Treasury - Long Dur	2,276	4%
Investment Grade - Short Dur	1,929	3%
Sovereign - Broad	1,597	4%
Top 5 Exposures Total	**12,537**	

Bottom 5 Exposures	MTD Flow ($M)	% of AUM
Investment Grade - Broad	(1,574)	-1%
High Yield - Broad	(344)	0%
Municipal - Long Dur	(54)	-3%
Mortgages - Broad	(45)	0%
Multi Sector - Long Dur	(5)	-1%
Bottom 5 Exposures Total	**(2,022)**	

Top 5 Exposures	YTD ($M)	% of AUM
U.S. Treasury - Short Dur	37,304	19%
Multi Sector - Broad	20,212	8%
U.S. Treasury - Broad	11,309	22%
Sovereign - Broad	8,385	21%
U.S. Treasury - Inter Dur	6,180	7%
Top 5 Exposures Total	**83,391**	

Bottom 5 Exposures	YTD ($M)	% of AUM
U.S. Treasury - Long Dur	(4,310)	-7%
Covered Bond - Broad	(262)	-14%
High Yield - Short Dur	(126)	-2%
Multi Sector - Inter Dur	(34)	-1%
Multi Sector - ESG	(24)	-1%
Bottom 5 Exposures Total	**(4755)**	

Source: BlackRock, as of July 31 2026. 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. Sovereign is ex UST

Bond market update

Market recap

Rates

Global bond markets came under further pressure in July as persistent inflation risks and diminishing easing expectations pushed yields higher across major economies. In the U.S, the Treasury curve bear steepened as long-end yields breached decade-highs while front-end yields remained rangebound after the Federal Reserve left rates unchanged in a split decision. In Europe, the ECB also left rates unchanged while long-end government bond yields, notably those on German Bunds and UK gilts, climbed sharply. In Asia, Japan remained in focus after the yen slid to record lows against the dollar, partly reflecting the impact of yield differentials as the BoJ held rates steady at 1%.

Credit

Credit markets were mixed in July as supportive fundamentals were offset by technical and geopolitical headwinds. Elevated all-in yields and strong earnings continued to underpin demand, while a hectic (AI related) issuance calendar added pressure to spreads. Lingering uncertainty around the Middle East also remained a headwind. In the US, IG and HY spreads were wider by 4bps and 11bps MTD, respectively. Asia proved more resilient, with IG broadly unchanged at +1bp, while HY tightened by 11bps, supported by improved risk sentiment and strong technical demand.

Asset class in review

		Total Return			Yield level			Spread level (bps) (credit only)		
	Index	**YTD**	**QTD**	**MTD**	**Jul-end**	**ΔMTD**	**ΔYTD**	**Jul-end**	**ΔMTD**	**ΔYTD**
Aggregate	Global Aggregate	-0.75%	-0.53%	-0.53%	4.00%	0.20%	0.48%			
	US Aggregate	-0.69%	-1.30%	-1.30%	4.98%	0.25%	0.66%			
	Japan FI, N-BPI	-3.39%	-0.60%	-0.60%	2.46%	0.10%	0.52%			
Treasury & Agency	US Treasury	-0.84%	-1.11%	-1.11%	4.57%	0.20%	0.68%			
	Agency MBS	-0.45%	-1.42%	-1.42%	5.30%	0.33%	0.67%			
	China(CGB+PB)	2.25%	0.32%	0.32%	1.52%	-0.01%	-0.20%			
Credit (IG & HY)	US IG Corporates	-0.83%	-1.67%	-1.67%	5.46%	0.26%	0.65%	78	4	0
	US HY Corporates	1.71%	-0.25%	-0.25%	7.41%	0.25%	0.88%	279	9	13
	Asia IG, JACI IG	-0.13%	-0.95%	-0.95%	5.39%	0.29%	0.62%	98	1	-4
	Asia HY, JACI HY	4.18%	0.16%	0.16%	7.63%	0.05%	-0.44%	343	-11	-69
Emerging Markets	EM HC, EMBI GD	1.84%	-1.42%	-1.42%	7.26%	0.34%	0.46%	244	9	-9
	EM LC, GBI-EM	1.82%	0.30%	0.30%	6.26%	0.16%	0.39%	-	-	-

Source: Bloomberg, as of 31 July 2026. 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 hedge cost monitor

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 tenor - 3M)							
Investor Currency	**CCY**	**USD**	**EUR**	**JPY**	**KRW**	**AUD**	**CNY**	**SGD**
	USD	0.00%	1.45%	2.93%	0.65%	-0.61%	2.55%	2.59%
	EUR	-1.45%	0.00%	1.47%	-0.80%	-2.06%	1.09%	1.14%
	JPY	-2.93%	-1.47%	0.00%	-2.27%	-3.54%	-0.38%	-0.34%
	KRW	-0.65%	0.80%	2.27%	0.00%	-1.26%	1.89%	1.94%
	AUD	0.61%	2.06%	3.54%	1.26%	0.00%	3.16%	3.20%
	CNY	-2.55%	-1.09%	0.38%	-1.89%	-3.16%	0.00%	0.04%
	SGD	-2.59%	-1.14%	0.34%	-1.94%	-3.20%	-0.04%	0.00%

Source: Bloomberg, as of 31 July 2026. 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.

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A durable foundation

How bond ETFs are powering a portfolio evolution and fixed income revolution

Last year, our whitepaper **"Innovation Meets Opportunity"** discussed how accelerating bond ETF innovation has equipped investors with a robust ETF toolkit to navigate both today's and tomorrow's market environments.

In our latest paper **"A Durable Foundation",** we highlight how bond ETFs have emerged as the central implementation mechanism for powering a bond market revolution — translating the modernization of fixed income markets into scalable, transparent and efficient portfolio tools.

In the modern allocation framework, fixed income ETFs are not simply a component of the portfolio — they serve as the foundation to supporting the evolution to come in portfolios and the assets within them.

DOWNLOAD THE PAPER >

Key takeaways

1

Today's yield environment offers investors a generational opportunity just as the portfolio demands on fixed income broaden.

With yields meaningfully higher across global fixed income markets, bonds are positioned to potentially deliver attractive income and total return. At the same time, portfolios increasingly rely on fixed income to help manage volatility and liquidity and support disciplined rebalancing, making this moment uniquely important for strategic allocation decisions.

2

Bond ETFs are no longer just beta building blocks.

They have become the essential infrastructure of modern portfolio construction, providing structural benefits that extends beyond what single securities can provide. As the bond market has become more digitized and indexable, ETFs have evolved into scalable, transparent and liquid tools that unify indexed, active, systematic and outcome-oriented strategies within a single ecosystem.

3

As portfolios expand into private markets, digital assets, and thematic exposures, fixed income allocations become even more important for today's portfolios.

This portfolio evolution introduces different liquidity and volatility characteristics, placing greater structural demands on the core of the portfolio. Fixed income is no longer just a diversifier; it is a liquidity engine, an income anchor and a stabilizing force that helps allow innovation elsewhere in the portfolio to function without compromising resilience.

Source: BlackRock, "A durable foundation", as of April 2026. There is no guarantee that any forecasts made will come to pass. All $ in USD unless otherwise stated.

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