ASIA FIX

iShares by BlackRock

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

iShares Fixed Income Product Strategy

February 2026

January Market Highlights

Global Rates	Global rates opened 2026 on a steady footing, with the Fed keeping rates at 3.50%-3.75% as expected while maintaining a hawkish tilt amid still-sticky inflation. However, markets jolted late in the month after Trump nominated Warsh for Fed Chair, with yields grinding upwards alongside a dollar rally as expectations around future easing tightened. In Europe, the ECB held rates steady as inflation softened which reinforced its wait-and-see stance, while the BOE which kept rates at 3.75% in a narrow 5-4 vote. In Japan, the BOJ paused its ongoing rate hikes, though January was marked by rate volatility as long-end JGBs sold off with yields reaching record highs following PM Takaichi's expansionary fiscal stance.
Credit	Credit displayed notable resilience in January, shrugging off geopolitical headlines tied to Venezuela amidst a heavy issuance calendar. Spreads across regions continued their grind tighter, supported by robust demand-side technicals and elevated all-in yields. Asia HY was the outperformer, ending the month 43bps tighter, while Asia IG tightened by 4bps. In the US, spreads hovered near end-2025 levels, with IG spreads closing 5bps tighter, while HY spreads tightened by 1bp.

Performance and yield level of key asset classes as of 2026/1/30

		Total Return			Yield level			Spread level (bps) (credit only)		
	Index	YTD	QTD	MTD	Jan-end	ΔMTD	ΔYTD	Jan-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	0.94%	0.94%	0.94%	3.53%	0.01%	0.01%			
	US Aggregate	0.11%	0.11%	0.11%	4.36%	0.04%	0.04%			
	Japan FI, N-BPI	-1.26%	-1.26%	-1.26%	2.07%	0.13%	0.13%			
Treasury & Agency	US Treasury	-0.09%	-0.09%	-0.09%	3.97%	0.08%	0.08%			
	Agency MBS	0.41%	0.41%	0.41%	4.64%	0.01%	0.01%			
	China(CGB+PB)	0.36%	0.36%	0.36%	1.69%	-0.04%	-0.04%			
Credit (IG & HY)	US IG Corporates	0.18%	0.18%	0.18%	4.84%	0.03%	0.03%	73	-5	-5
	US HY Corporates	0.51%	0.51%	0.51%	6.58%	0.05%	0.05%	265	-1	-1
	Asia IG, JACI IG	-0.07%	-0.07%	-0.07%	4.86%	0.09%	0.09%	98	-4	-4
	Asia HY, JACI HY	2.24%	2.24%	2.24%	7.56%	-0.51%	-0.51%	369	-43	-43
Emerging Markets	EM HC, EMBI GD	0.68%	0.68%	0.68%	6.78%	-0.02%	-0.02%	245	-9	-9
	EM LC, GBI-EM	2.18%	2.18%	2.18%	5.86%	-0.01%	-0.01%	-	-	-

Source: Bloomberg, as of 30 January 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 Hedging: FX Forward Premium or Cost as of 2026/1/30

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	-3.04%	-1.35%	-2.62%	-1.12%
KRW	-1.24%	+0.46%	-1.07%	+0.46%
AUD	+0.23%	+1.93%	+0.71%	+2.26%
CNY	-1.65%	+0.04%	-1.94%	-0.40%
SGD	-2.48%	-0.79%	-2.22%	-0.70%

Source: Bloomberg, as of 30 January 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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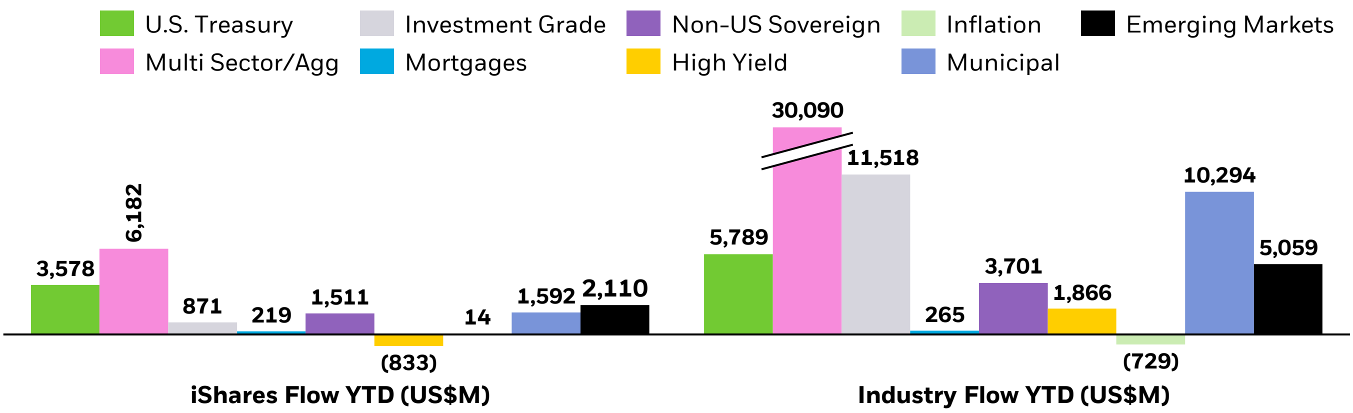
2026 January iShares Status Flow

1. **iShares fixed income ETFs kicked off 2026 on a strong note, gathering +$17B –** the strongest January since 2023. Inflows were led by Multisector (+$6B) and U.S. Treasuries (+$3.6B), with EM (+$2.1B) and Non-U.S. Sovereigns (+$1.5B) also contributing meaningfully.
2. **U.S Treasuries remained a key flow driver, with demand concentrated at the short and intermediate segments of the curve.** The 0–3M and 7–10Y buckets each attracted over +$1.4B, while the flagship broad duration exposure added +$1.9B. Outflows persisted at the long end, primarily driven by the 20Y+ trading vehicle.
3. **EM exposures logged their strongest month since June 2025, with inflows concentrated in local currency exposures while hard currency remained positive (+$365M).** Flagship local currency exposures stood out with +$1.1B, while single country government bond exposures were also positive including Brazil (+$205M), China (+$159M) and India (+$28M).
4. **Multisector exposures were the largest flow gatherer in January, logging the strongest month since September 2024.** Flows were led by the flagship Core U.S. Aggregate exposure, which gathered +$2.4B during the month. **Non-U.S. Sovereign** continued to gain traction with the flagship global government bond exposure attracting +$1.3B, **underscoring sustained investor demand for global diversification in portfolios.**
5. **Active and outcome-oriented strategies logged a robust month in flows, adding +$4.4B.** iBonds target maturity ETFs added (+$2B) while the flexible income strategy added (+$1.2B).



Top/Bottom iShares Fixed Income ETF Sector Flows

Top 5 Exposures	MTD Flow ($M)	% of AUM
Multi Sector – Broad	5,536	2%
U.S Treasury – Short Dur	2,314	1%
U.S Treasury – Inter Dur	2,132	2%
Emerging Markets – Broad	2,110	4%
U.S Treasury - Broad	1,813	4%
Top 5 Exposures Total	**13,906**	

Top 5 Exposures	2025 Flow ($M)	% of AUM
U.S. Treasury – Short Dur	46,397	30%
Multi Sector – Broad	31,829	14%
U.S Treasury – Inter Dur	16,035	19%
High Yield - Broad	15,264	18%
Investment Grade – Fixed Mat	8,539	24%
Top 5 Exposures Total	**118,064**	

Bottom 5 Exposures	MTD Flow ($M)	% of AUM
U.S Treasury – Lond Dur	(3,072)	-5%
Investment Grade – Broad	(1,457)	-1%
High Yield – Broad	(1,084)	-1%
Inflation Broad	(197)	-1%
Non U.S Sovereign – Long Dur	(58)	-1%
Bottom 5 Exposures Total	**(5868)**	

Bottom 5 Exposures	2025 Flow ($M)	% of AUM
Multi Sector - ESG	(155)	-8%
Inflation – Broad	(84)	0%
Covered - Intermediate	(30)	-6%
Emerging Markets – Short Term	(28)	-
Loans - Broad	3	5%
Bottom 5 Exposures Total	**(294)**	

Source: BlackRock, as of January 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.

Riding the Income in fixed income

Central bank policy shifts since 2022 ushered in **a golden age of fixed income** where bonds have become a primary engine for yield after an extended period of low interest rates. Currently, over 60% of fixed income assets still yield over 4%. As elevated yields continue to make income a key driver of steady returns, investors can benefit from using all the tools at their disposal to find **diversified and differentiated sources of income.**

Today, bond ETFs offer access to an array of fixed income global opportunities, allowing investors to make use of the full scope of the investing universe to construct a modern portfolio geared towards stable income generation. The outcome? **A 6% bond income portfolio made entirely from bond ETFs,** without needing to overextend on risk, both in terms of going down the credit quality spectrum or taking on too much duration.

The 6% Yield Portfolio

Exposure	Index	Yield	Duration	Weight
Treasuries	**UST 3-7Y**	3.82%	4.3Y	4%
	EUR Govies	4.58% *	6.9Y	4%
Securitised	**US MBS**	4.70%	5.3Y	12%
Investment Grade	**USD IG**	4.82%	6.3Y	5%
	EUR IG	4.85% *	4.4Y	5%
High Yield	**US HY**	6.85%	2.8Y	10%
	EUR HY	6.45% *	2.9Y	10%
	Asia HY	6.68%	2.6Y	5%
Loans	**US Bank Loans**	6.02% **	0.3Y	5%
AAA CLOs	**US CLOs**	4.95%	0.2Y	10%
	EUR CLOs	4.87% *	0.2Y	5%
AT1	**Global AT1s**	6.45% *	3.6Y	5%
BuyWrites	**HY BuyWrite**	8.40% **	2.7Y	5%
Emerging Markets	**EMD HC**	5.97%	6.7Y	3%
	EMD Corp	5.61%	4.3Y	3%
	EMD LC	6.18%	5.4Y	5%
	India Govies	6.64%	6.0Y	2%
	Brazil Govies	13.44%	2.3Y	2%

Yield	Duration	Risk	Rating
6.0 %	**3.5 Year**	**226 bps**	**A-**

What's the secret sauce?

1 Utilising the global opportunity set

Diverging central bank policy and geopolitical uncertainty means investors can benefit from a diversified global allocation – from **core USD exposures**, to **EUR exposures** hedged to USD for a yield pickup, to **Emerging Markets Debt** which offer diversification benefits and more attractive income

2 Leveling up with the securitized stack

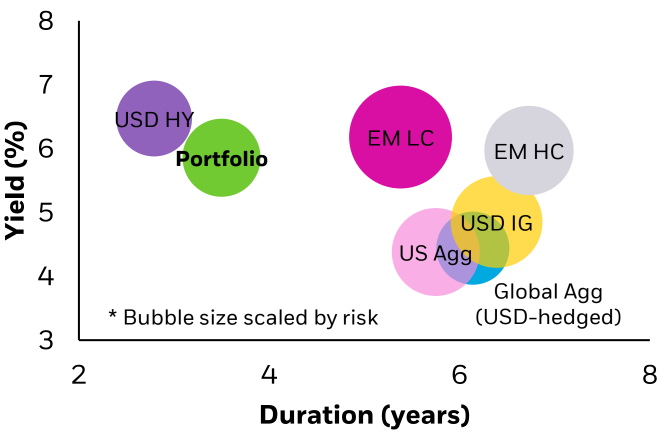
Bond ETFs now offer targeted exposure to plus sectors including **AAA CLOs** and **Global AT1s** through an actively managed approach, which offer attractive yields, as well as stronger relative value and uncorrelated sources of returns compared to traditional fixed income

3 Expanding the income toolkit

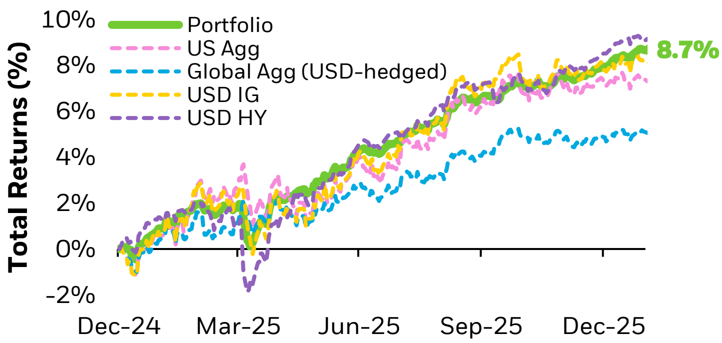
Innovative products such as **BuyWrite covered call ETFs** convert upside potential to coupon income, and can offer enhanced income potential through 2 distinct sources of income – the underlying ETF distributions and income from option premiums

Source: BlackRock, Bloomberg, as of 16 January 2026. Risk represents ex-ante risk analysis, based on 252 daily observations with 40-day half life.* Yields are USD-hedged. ** Net of US withholding tax after reclaiming Qualified Interest Income (QII), based on respective QII percentages.

Attractive yield with lower risk and duration than core fixed income exposures...



... and stable returns in an environment where fixed income returns have been rooted in income



	Port	US Agg	Global Agg	USD IG	USD HY
1Y Vol	1.30%	2.89%	1.94%	2.76%	2.67%

Source: BlackRock, as of 31 January 2026.* Risk represents ex-ante risk analysis, based on 252 daily observations with 40-day half life. Returns are based on a composite of daily index returns based on static weights as per the 6% Yield table above, with returns for each exposure on an unhedged/USD-hedged basis respectively.

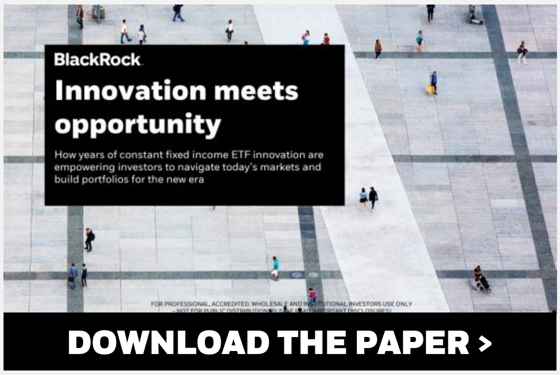
To find out more about building a Bond ETF Income Portfolio, contact your iShares representative.

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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