Asia FIX

iShares by BlackRock

July 2026

Bond ETF themes, flows, and market update

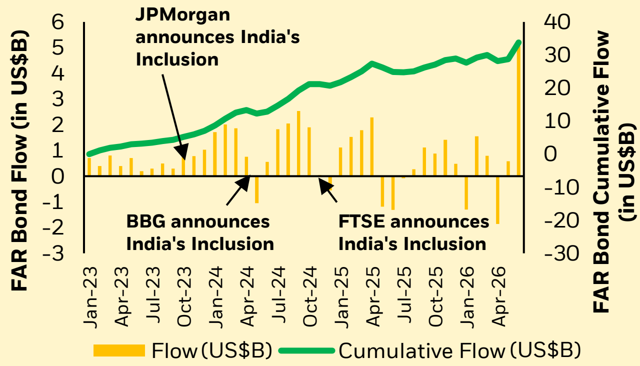
Taking the Accessible Route

Within **BlackRock's** renewed focus on EM local debt, Indian Government Bonds (IGBs) stand out as a high-conviction opportunity. **June's reforms have eliminated key tax and access barriers for foreign investors, strengthening the case for potential Bloomberg Global Aggregate inclusion**. This month, we explore why India bonds deserve renewed attention - and how ETFs can provide an efficient route to access that opportunity.

1 Renewed Index Momentum

India's latest reforms have **(1) cut WHT and CGT for foreign investors to 0%**, (2) expanded the Fully Accessible Route by including longer tenored IGBs. These changes strengthen the case by reducing key access barriers to the IGB market for **Global Agg inclusion, where India could receive an estimated 0.7% index weight, implying ~US$20B of potential inflows driven by index inclusion**. Investor response has already been strong, with foreign inflows into index-eligible bonds up ~US$5.1B since the reform announcement — the strongest monthly inflow since the announcement of India's inclusion in JP Morgan's local currency indices.

Figure 1. Strongest month of inflows into IGBs since JPM's index inclusion announcement

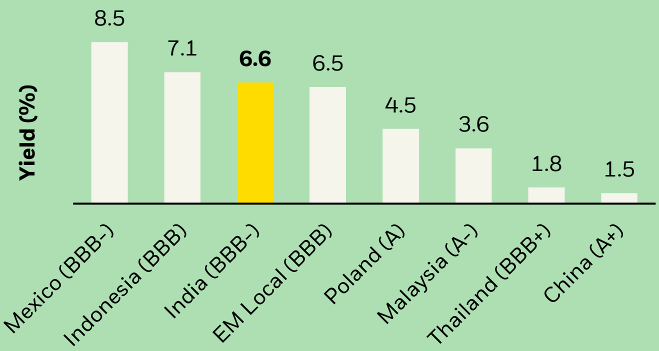


Source: CCIL, Reuters, BlackRock. Data from Jan 2023 to Jun 2026.

2 Income & Diversification Play

IGBs offer a meaningful yield pickup relative to similarly rated EM sovereigns, with recent tax reforms further improving the after-tax income profile for foreign investors. **Removing WHT alone on a ~6.8% nominal yield could add up to ~135bps to annualized income**. **Separately, foreign ownership remains low at just ~3.3% of outstanding G-Secs, despite India being one of EM's largest sovereign bond markets**, leaving room for global participation to rise as access barriers fall. With a deep domestic investor base and supportive macro backdrop, IGBs offer a differentiated source of income and diversification within global fixed income portfolios.

Figure 2. IGBs offer attractive yield pick-up relative to other EM sovereigns



Source: BlackRock, as of 30 June 2026. Yield (%) represents the country-level yield to worst of the J.P. Morgan GBI-EM Index.

Charting a route to India through ETFs

Direct investments in IGBs can involve complex documentation, trading, FX and repatriation requirements, with direct account setup often taking more than six months. Using an ETF helps investors bypass these direct-market hurdles and gain efficient exposure to Indian government bonds through an ETF wrapper.

Why ETFs for IGB exposure?

Democratizing access to a complex market

Ease of account opening	Operational efficiency	Flexible building block
Avoid the long lead time (~6 months) and complex process of registering as a Foreign Portfolio Investor	The ETF has an appropriate operating model in place to address challenges faced in bond/FX trading processes	Core IGB allocation or diversifier within global portfolios, with the flexibility of having a USD-hedged share class

To find out more about Indian Government Bond ETFs, contact your iShares representative.

iShares flow update

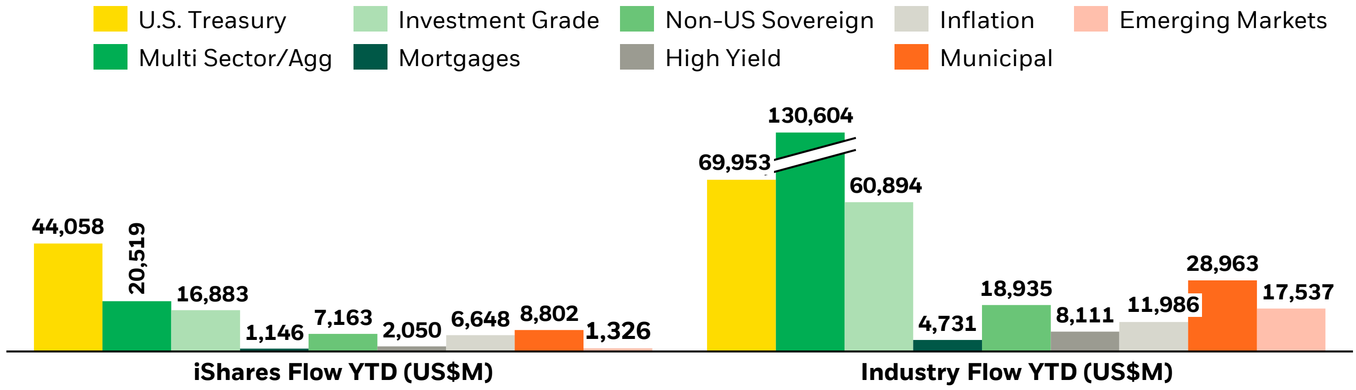
01 **iShares fixed income ETFs saw another strong month in June, gathering +$23.8B after May's record inflows. YTD inflows hit ~$114B, vs ~$77B seen during the same period last year.** De-escalation in Middle East tensions supported a risk-on tone, with Credit leading flows (IG +$7.7B; HY +$4.6B), while U.S. Treasuries (+$4.6B) and Multisector (+$2.2B) also remained key contributors.

02 **Credit saw strong traction given the risk-on sentiment, with a notable pick-up seen in HY allocations.** High yield gathered +$4.6B vs +$527M last month, driven by demand in flagship and broad USD exposures (+$1.7B each), alongside broad EUR HY (+$637M). IG also saw strong demand, led by the flagship USD exposure (+$4.1B), while USD floating rate strategies (+$719M) also saw notable interest.

03 **U.S. Treasuries saw healthy inflows, albeit demand remained sharply skewed to the shorter end, signaling continued interest in cash allocations.** The 0–3M exposure added +$4.3B, while broad duration strategies gathered +$1.7B. Further out the curve, intermediate and long-end exposures saw outflows, with the 20Y+ trading vehicle shedding -$1.2B and the 7–10Y bucket losing -$930M.

04 **EM flows remained constructive amidst continued appetite for risk, with demand concentrated in hard currency and precision exposures.** The hard currency exposure added ~$400M, while targeted country exposures continued to attract interest, led by Brazil (+$160M) and China (+$37M).

05 **Outcome-oriented and active strategies continued to see steady demand.** iBonds added roughly +$1.0B supported by demand to lock in higher yields, led by IG and government strategies, while active ETFs also gathered ~$1.0B, driven by the Global Government strategy (+$716M).



Top/bottom iShares bond ETF sector flows

Top 5 Exposures	MTD Flow ($M)	% of AUM
Investment Grade - Broad	5,507	4%
U.S. Treasury - Short Dur	5,470	3%
High Yield - Broad	4,199	5%
U.S. Treasury - Broad	1,694	3%
Multi Sector - Broad	1,422	1%
Top 5 Exposures Total	**18,291**	

Bottom 5 Exposures	MTD Flow ($M)	% of AUM
U.S. Treasury - Long Dur	(1,447)	-2%
U.S. Treasury - Inter Dur	(1,083)	-1%
Sovereign - Short Dur	(179)	-2%
Sovereign - Inter Dur	(179)	-3%
Sovereign - Long Dur	(76)	-2%
Bottom 5 Exposures Total	**(2,964)**	

Top 5 Exposures	YTD ($M)	% of AUM
U.S. Treasury - Short Dur	33,211	18%
Multi Sector - Broad	17,571	7%
U.S. Treasury - Broad	10,712	21%
Sovereign - Broad	6,814	18%
Investment Grade - Broad	6,687	5%
Top 5 Exposures Total	**74,995**	

Bottom 5 Exposures	YTD ($M)	% of AUM
U.S. Treasury - Long Dur	(6,586)	-11%
Covered Bond - Broad	(299)	-17%
High Yield - Short Dur	(241)	-3%
Multi Sector - Inter Dur	(97)	-2%
Sovereign - Long Dur	(72)	-2%
Bottom 5 Exposures Total	**(7295)**	

Source: BlackRock, as of June 30 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.

Bond market update

Market recap

Rates

Performance across global rates in June was mixed amid ongoing geopolitical tensions, elevated energy prices, and widening policy divergence. In the U.S., the Fed held rates steady at 3.50%-3.75% and signaled potential hikes, which led to the bear steepening of the yield curve. Elsewhere, the ECB raised rates by 25bps to 2.25% despite slowing growth to address rising inflation risks, while Gilts rallied modestly as the BoE held rates steady at 3.75%. In Asia, the BoJ raised rates by 25bps to 1.0%, the highest level since 1995, while outlining plans to scale back bond purchases, contrasting with the easing bias from the PBoC as rates on its overnight reverse repo debuted below market expectations.

Credit

Middle East headlines continued to dominate in June, and while tensions eased following the US-Iran ceasefire announcement, the improvement in sentiment was offset by a heavy issuance calendar. Elevated supply created a technical headwind for spreads, leading credit to drift modestly wider across most segments. In the US, IG spreads ended the month 2bps wider, while HY widened by 13bps, reflecting greater pressure across higher-beta credit. In Asia, IG spreads widened by 3bps, though HY bucked the broader trend, tightening by 12bps over the month.

Asset class in review

		Total Return			Yield level			Spread level (bps) (credit only)		
	Index	YTD	QTD	MTD	Jun-end	ΔMTD	ΔYTD	Jun-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	-0.21%	0.87%	-0.71%	3.80%	0.04%	0.28%			
	US Aggregate	0.62%	0.67%	0.24%	4.73%	0.06%	0.41%			
	Japan FI, N-BPI	-2.80%	-1.15%	0.01%	2.36%	0.04%	0.42%			
Treasury & Agency	US Treasury	0.28%	0.32%	0.28%	4.37%	0.08%	0.48%			
	Agency MBS	0.99%	0.58%	0.22%	4.97%	0.04%	0.34%			
	China(CGB+PB)	1.93%	1.11%	0.16%	1.53%	0.00%	-0.20%			
Credit (IG & HY)	US IG Corporates	0.86%	1.40%	0.19%	5.20%	0.07%	0.39%	74	2	-4
	US HY Corporates	1.96%	2.47%	0.27%	7.16%	0.20%	0.63%	270	13	4
	Asia IG, JACI IG	0.83%	1.34%	0.34%	5.10%	0.02%	0.33%	96	3	-5
	Asia HY, JACI HY	4.01%	4.15%	0.97%	7.58%	-0.16%	-0.49%	353	-12	-58
Emerging Markets	EM HC, EMBI GD	3.32%	4.63%	0.72%	6.92%	0.01%	0.12%	235	-2	-18
	EM LC, GBI-EM	1.52%	3.85%	0.20%	6.10%	-0.10%	0.23%	-	-	-

Source: Bloomberg, as of 30 June 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%	1.53%	2.96%	0.81%	-0.65%	2.71%	2.58%
	EUR	-1.53%	0.00%	1.43%	-0.72%	-2.18%	1.18%	1.05%
	JPY	-2.96%	-1.43%	0.00%	-2.15%	-3.61%	-0.25%	-0.38%
	KRW	-0.81%	0.72%	2.15%	0.00%	-1.46%	1.90%	1.77%
	AUD	0.65%	2.18%	3.61%	1.46%	0.00%	3.36%	3.23%
	CNY	-2.71%	-1.18%	0.25%	-1.90%	-3.36%	0.00%	-0.13%
	SGD	-2.58%	-1.05%	0.38%	-1.77%	-3.23%	0.13%	0.00%

Source: Bloomberg, as of 30 June 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.

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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