

Asia FIX



May 2026

Bond ETF themes, flows, and market update

Taking a hard look at hard currency EMD

Alongside [BlackRock's](#) preference for **Hard Currency Emerging Markets Debt**, the Middle East conflict has seen the asset class emerge as one way investors can position defensively against the geopolitical uncertainty.

Market focus has increasingly shifted towards identifying the likely winners and losers of energy shock, with outcomes expected to be shaped by energy import dependence. In the current environment, hard currency EMD could offer **relative resilience and a degree of insulation from the supply disruption**, supported by its meaningful exposure to Latam commodity exporters, which stand to benefit from higher energy prices.

The evolving landscape of hard currency EMD

Beyond the tactical case for the asset class amidst the geopolitical uncertainty, structural shifts in recent years have also seen hard currency EMD evolve into an exposure better positioned for today's backdrop.

- A lower duration exposure** – from its peak of nearly 9 years in 2020, the duration profile of the exposure has since declined to near two-decade lows of less than 7 years (Figure 1). Paired with over 6% in yields, the exposure offers **attractive carry and income potential alongside lower interest rate sensitivity** today.
- Increasingly higher quality** – stronger EM fundamentals owing to improving fiscal and monetary policy in the EM space has seen a rise in the credit quality of the exposure, backed by a wave of **sovereign rating upgrades especially among high yield countries**, and fewer number of downgrades (Figure 2).

Figure 1: Lower duration contribution across regions driving overall decline in duration

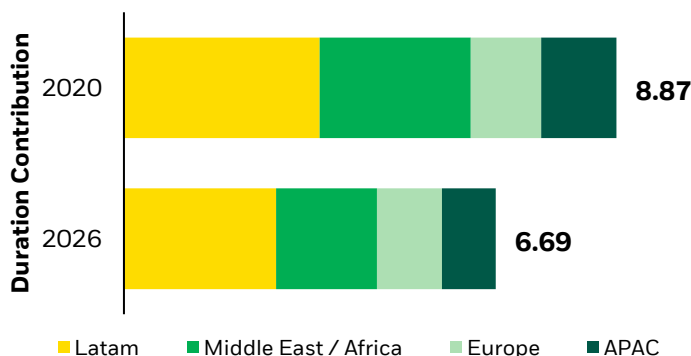
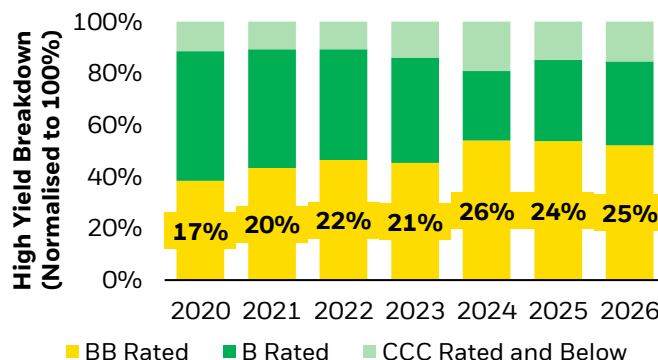


Figure 2: Improving credit quality driven by upgrades concentrated in EM high yield



Source: BlackRock, JP Morgan, as of 30 April 2026. Reference to JPEICORE Index.

The hard currency EMD ETF toolkit

Today, the ETF wrapper offers access not only to flagship hard currency EMD exposures, but increasingly varying ways to slice and dice within the universe across sectors and rating buckets, as well as actively managed solutions with the objective of maximizing total return.

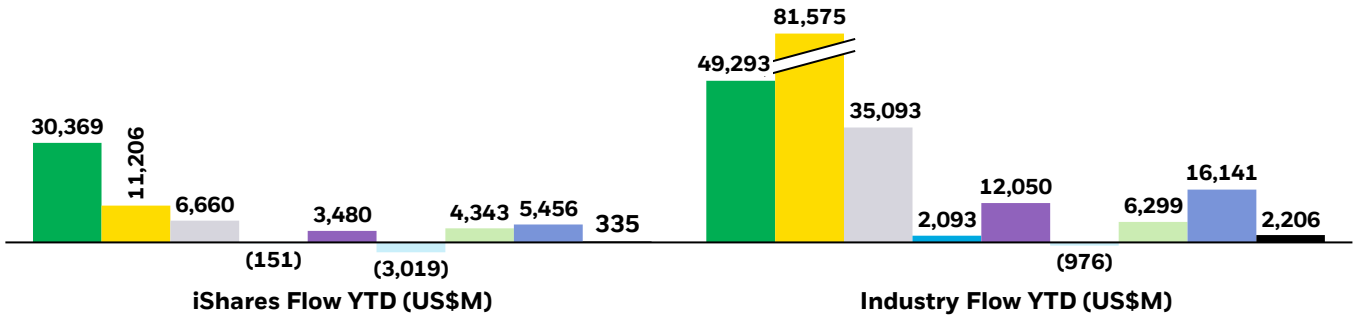
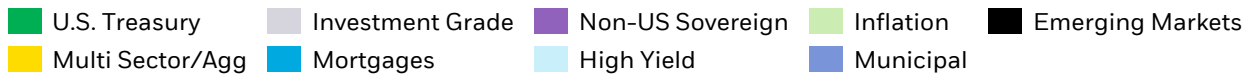
	Broad HC EMD	EM Corporates	EM Sov / Corp	EM High Yield	EM Investment Grade
Index	JPM EMBI Global Core Index	JPM CEMBI Broad Diversified Core Index	JPM EM Sovereign and Corporate Credit Core Index	JPM USD EM High Yield Bond Index	JPM Screened Tilted and Reweighted EMBI Global Div IG Index
Exposure	USD EM sov and quasi-sov bonds	USD EM corporate bonds	USD EM sov, quasi-sov and corporate bonds	USD EM sov, quasi-sov and corporate bonds (HY only)	USD EM sov and quasi-sov bonds (IG only)
Index Market Cap	USD 712B	USD 521B	USD 1,162B	USD 532B	USD 207B
Credit Rating	BB+ (53% IG)	BBB- (62% IG)	BBB- (58% IG)	B+ (100% HY)	BBB+ (100% IG)
Yield Duration	6.21% 6.69Y	5.92% 4.28Y	6.07% 5.65Y	7.33% 4.96Y	5.26% 7.27Y

Source: BlackRock, JP Morgan, as of 30 April 2026. Reference to JPEICORE, JBCDCORE, JPEIEMCR, JPEIEMHY, JPEIESGI Index.

To find out more about Hard Currency EMD ETFs, contact your iShares representative.

iShares flow update

- 01** | **iShares kicked off Q2 on a strong footing, gathering +\$15B in April following a robust Q1 (+\$47B), bringing YTD inflows to ~\$62B.** While uncertainty remained elevated, flows showed signs of selective re-risking, with Credit (+\$6.4B) and EM (+\$797M) rebounding after March outflows, while U.S. Treasuries (+\$5.2B) remained a core defensive anchor.
- 02** | **Credit saw a notable reversal in sentiment, rebounding to +\$6.4B after -\$9.1B of outflows in March.** The recovery was led by HY (+\$3.6B), suggesting renewed appetite for risk, with USD exposures firmly in focus - our flagship broad HY ETF added +\$2.4B, while the IG trading vehicle gathered +\$1.8B.
- 03** | **EM also saw traction after last month's risk-off unwind, attracting +\$797M as inflows returned across both hard and local currency exposures.** Precision exposures remained a key theme, with the Brazilian LTN exposure leading flows (+\$273M), while the flagship hard currency exposure added +\$255M.
- 04** | **U.S. Treasuries gathered +\$5.2B, though flows moderated from March's elevated safe-haven levels,** with demand still favoring the front end as the 0-3M exposure added +\$1.5B. **Inflation linkers continued to attract flows amid inflation concerns,** with demand shifting toward broader exposures, led by the flagship U.S. TIPS exposure (+\$879M) and EUR linkers (+\$121M).
- 05** | **Outcome-oriented and active strategies remained resilient.** iBonds added +\$732M, led by IG (+\$401M) and government strategies (+\$178M), while active ETF flows improved versus March (+\$480M), supported by demand for securitized exposures (+\$253M).



Top/bottom iShares bond ETF sector flows

Top 5 Exposures	MTD Flow (\$M)	% of AUM
High Yield - Broad	3,610	5%
U.S. Treasury - Short Dur	2,437	1%
U.S. Treasury - Long Dur	1,886	3%
Investment Grade - Broad	1,407	1%
Inflation - Broad	1,135	4%
Top 5 Exposures Total	10,475	
Bottom 5 Exposures	MTD Flow (\$M)	% of AUM
Multi Sector - Broad	(1,088)	0%
Mortgages - Broad	(413)	-1%
Developed Markets MMF - Money	(90)	-2%
Multi Sector - Inter Dur	(48)	-1%
Multi Sector - Long Dur	(23)	-2%
Bottom 5 Exposures Total	(1,662)	

Top 5 Exposures	YTD (\$M)	% of AUM
U.S. Treasury - Short Dur	20,380	12%
Multi Sector - Broad	9,645	4%
U.S. Treasury - Broad	8,085	17%
U.S. Treasury - Inter Dur	5,066	6%
Investment Grade - Fixed Maturity	3,236	9%
Top 5 Exposures Total	46,412	
Bottom 5 Exposures	YTD (\$M)	% of AUM
U.S. Treasury - Long Dur	(4,209)	-7%
High Yield - Broad	(2,637)	-3%
High Yield - ESG	(335)	-125%
High Yield - Short Dur	(334)	-4%
Covered Bond - Broad	(307)	-17%
Bottom 5 Exposures Total	(294)	

Source: BlackRock, as of April 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



April was a volatile month for global rates, with bond yields initially falling on news of a temporary ceasefire between US and Iran early in the month, before rebounding as negotiations stalled and markets refocused on rising stagflation risks. In the US, the Fed held rates at 3.50%-3.75% in a contentious decision marked by the highest level of dissents since 1992. In Europe, both the ECB and BOE kept rates unchanged at 2.0% and 3.75% respectively as the region grappled with accelerating inflation driven by higher energy prices. In Asia, the BOJ maintained its policy rate at 0.75% in a hawkish 6-3 vote, while JGB yields continued to challenge multi-decade highs.



Credit spreads tightened in April as headlines around the Middle East conflict remained in focus, with optimism over a potential permanent ceasefire helping support a broader recovery. Strong earnings, elevated all-in yields, and resilient demand technicals were also supportive for credit. Despite a busy primary market, supply was well digested, with on-the-break performance remaining constructive. In the US, IG spreads ended the month 11bps tighter, while HY narrowed by 49bps. In Asia, IG and HY spreads moved 10bps and 48bps tighter, respectively.

Asset class in review

	Index	Total Return			Yield level			Spread level (bps) (credit only)		
		YTD	QTD	MTD	Apr-end	ΔMTD	ΔYTD	Apr-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	0.16%	1.25%	1.25%	3.79%	0.01%	0.27%			
	US Aggregate	0.07%	0.11%	0.11%	4.61%	0.04%	0.29%			
	Japan FI, N-BPI	-2.29%	-0.63%	-0.63%	2.28%	0.09%	0.34%			
Treasury & Agency	US Treasury	-0.12%	-0.07%	-0.07%	4.21%	0.07%	0.32%			
	Agency MBS	0.47%	0.07%	0.07%	4.89%	0.06%	0.26%			
	China(CGB+PB)	1.28%	0.46%	0.46%	1.58%	-0.04%	-0.14%			
Credit (IG & HY)	US IG Corporates	-0.09%	0.45%	0.45%	5.14%	0.00%	0.33%	78	-11	0
	US HY Corporates	1.19%	1.69%	1.69%	6.98%	-0.42%	0.45%	268	-49	2
	Asia IG, JACI IG	0.11%	0.62%	0.62%	5.07%	-0.03%	0.30%	101	-10	-1
	Asia HY, JACI HY	1.91%	2.04%	2.04%	7.95%	-0.64%	-0.12%	385	-48	-27
Emerging Markets	EM HC, EMBI GD	1.57%	2.86%	2.86%	6.96%	-0.35%	0.16%	248	-41	-6
	EM LC, GBI-EM	0.46%	2.77%	2.77%	6.26%	-0.11%	0.39%	-	-	-

Source: Bloomberg, as of 30 April 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.

Investor Currency	Currency to Hedge (Forward tenor - 3M)							
	CCY	USD	EUR	JPY	KRW	AUD	CNY	SGD
USD		0.00%	1.57%	3.14%	1.07%	-0.72%	2.53%	2.55%
EUR		-1.57%	0.00%	1.57%	-0.50%	-2.29%	0.96%	0.98%
JPY		-3.14%	-1.57%	0.00%	-2.06%	-3.86%	-0.61%	-0.58%
KRW		-1.07%	0.50%	2.06%	0.00%	-1.79%	1.45%	1.48%
AUD		0.72%	2.29%	3.86%	1.79%	0.00%	3.25%	3.27%
CNY		-2.53%	-0.96%	0.61%	-1.45%	-3.25%	0.00%	0.02%
SGD		-2.55%	-0.98%	0.58%	-1.48%	-3.27%	-0.02%	0.00%

Source: Bloomberg, as of 30 April 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.



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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