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

October 2025

September Market Highlights

Global Rates	In line with expectations, the Fed delivered a 25bps cut to 4.00–4.25%, citing heightened downside risks to employment despite ongoing concerns around inflation. The decision, coupled with expectations of further easing, led to a rally in rates and risk assets. In Europe, the ECB held its deposit facility rate at 2%, though fiscal concerns weighed heavily on long duration rates, particularly in France, where political instability and a rating downgrade pushed the 30-year yields to 4.50%. Elsewhere, the BOE kept rates steady at 4%, citing upside risks to inflation and subdued growth. In APAC, the BOJ maintained its policy rate at 0.5%, while the RBA left its cash rate unchanged at 3.85%,
Credit	Despite the seasonal post summer rush in primary, a firm macro backdrop, healthy demand in primary, coupled with attractive all-in yields translated into further tightening of credit spreads. In the US, spreads again grinded tighter over the month - IG spreads closed 5bps lower at 74bps, while HY reached lows of 259bps before also ending the month 5bps lower at 267bps. A similar trend in Asia saw IG spreads finishing 12 bps tighter, while HY narrowed by 30bps.

Performance and yield level of key asset classes as of 2025/9/30

		Total Return			Yield level			Spread level (bps) (credit only)		
	Index	YTD	QTD	MTD	Sep-end	ΔMTD	ΔYTD	Sep-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	7.91%	0.60%	0.65%	3.48%	-0.01%	-0.20%			
	US Aggregate	6.13%	2.03%	1.09%	4.37%	-0.07%	-0.54%			
	Japan FI, N-BPI	-3.91%	-1.40%	-0.08%	1.63%	0.07%	0.53%			
Treasury & Agency	US Treasury	5.36%	1.51%	0.85%	3.94%	-0.03%	-0.51%			
	Agency MBS	6.76%	2.43%	1.22%	4.74%	-0.12%	-0.53%			
	China(CGB+PB)	-0.06%	-0.82%	-0.32%	1.76%	0.05%	0.24%			
Credit (IG & HY)	US IG Corporates	6.88%	2.60%	1.50%	4.81%	-0.10%	-0.52%	74	-5	-6
	US HY Corporates	7.22%	2.54%	0.82%	6.70%	-0.05%	-0.79%	267	-5	-20
	Asia IG, JACI IG	6.53%	2.64%	0.93%	4.79%	-0.12%	-0.52%	102	-12	-1
	Asia HY, JACI HY	9.05%	4.80%	1.85%	8.57%	-0.35%	-1.71%	437	-30	-84
Emerging Markets	EM HC, EMBI GD	10.66%	4.75%	1.78%	7.08%	-0.21%	-0.78%	284	-14	-42
	EM LC, GBI-EM	15.41%	2.80%	1.40%	5.93%	0.01%	-0.47%	-	-	-

Source: Bloomberg, as of 30 September 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 2025/9/30

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	-3.81%	-1.66%	-3.05%	-1.35%
KRW	-1.88%	+0.23%	-1.71%	+0.02%
AUD	-0.42%	+1.70%	-0.14%	+1.62%
CNY	-2.89%	-0.78%	-1.97%	-0.25%
SGD	-2.70%	-0.61%	-2.38%	-0.67%

Source: Bloomberg, as of 30 September 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.

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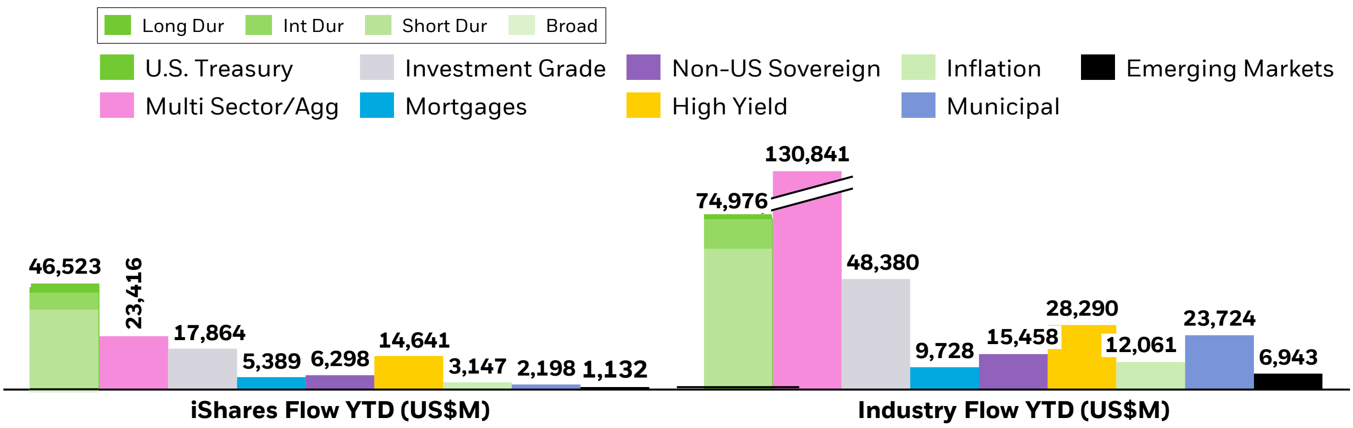
2025 September iShares Status Flow

1. **iShares ETFs added +$17.5B in September, lifting YTD inflows above +$123B –** already surpassing iShares full-year record inflows in 2022 and up roughly 22% vs 2024**.** Flows were led by U.S. Treasuries **+$6.0B**, Credit **+$5.7B (IG +$3.1B, HY +$2.6B)**, and Multi-Sector **+$2.6B**, while Emerging Markets **+$1.8B** also saw a remarkable pickup vs prior months.
2. **U.S. Treasuries remained a key flow driver (+$6.0B).** While the 0-3M bucket continued to see robust inflows **+$2.0B**, demand was concentrated in intermediate tenors, **with the 7–10Y bucket adding +$2.5B.** Long and broad duration exposures also gathered **+$700M.**
3. **A sustained risk-on tone fueled +$5.7B into credit.** USD flagship exposures drove inflows, with **IG +$822M** and **HY +$1B**. Conversely, EUR credit saw net outflows, as the **EUR IG flagship ETF** shed **-$470M**, partially offset by **+$282M** into **ultrashort EUR exposures**.
4. **Risk-on sentiment extended to EM exposures, which logged their largest inflows since June (+$1.8B).** Notably, hard currency dominated with the flagship exposure drawing its strongest inflows this year **+$1.4B** after seeing outflows for much of the year. Local currency momentum slowed with the flagship local currency exposure seeing outflows **-$314M**.
5. **Active and outcome-oriented ETFs posted their strongest month of 2025, gathering +$3.6B.** The flexible income active strategy attracted **+$1.2B**, while target maturity iBonds ETFs added **+$1.5B**, led by investment grade exposures.



Top/Bottom iShares Fixed Income ETF Sector Flows

Top 5 Exposures	MTD Flow ($M)	% of AUM
U.S. Treasury – Inter Dur	2,856	4%
High Yield- Broad	2,241	3%
EM - Broad	1,780	4%
Multi Sector – Broad	1,421	1%
Investment Grade - Broad	1402	1%
Top 5 Exposures Total	**9,701**	

Top 5 Exposures	YTD Flow ($M)	% of AUM
U.S. Treasury – Short Dur	35,934	25%
Multi Sector – Broad	20,719	9%
High Yield – Broad	12,647	16%
U.S Treasury – Inter	7,501	10%
Investment Grade – Fixed Mat	7,036	21%
Top 5 Exposures Total	**83,837**	

Bottom 5 Exposures	MTD Flow ($M)	% of AUM
Non U.S. Sovereign – Long Dur	(503)	-11%
Non U.S Sovereign – Broad	(381)	-1%
Municipal – Short Dur	(109)	-1%
Covered – Inter Dur	(14)	-3%
Non U.S. Sovereign– Fixed Mat	1	3%
Bottom 5 Exposures Total	**(1,007)**	

Bottom 5 Exposures	YTD Flow ($M)	% of AUM
U.S. Treasury – Broad	(1,456)	-4%
Inflation – Broad	(565)	-2%
Municipal – Broad	(213)	-
Investment Grade – Long Dur	(179)	-7%
Muti Sector - ESG	(69)	-3%
Bottom 5 Exposures Total	**(2,482)**	

Source: BlackRock, as of September 30 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.

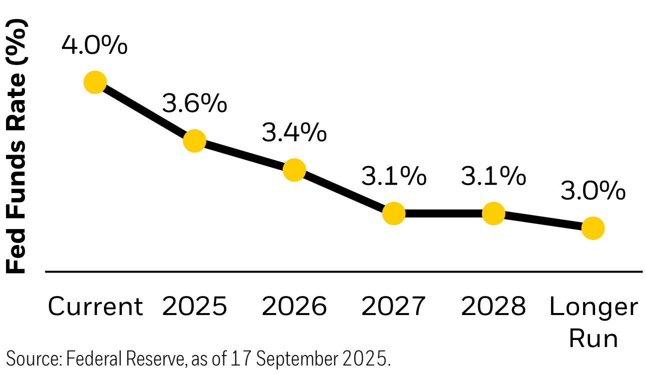
In the Driver's Seat with Bond ETFs

September marked the first Fed cut this year, with interest rates lowered by 25bps to 4%-4.25%. However, the path ahead is uncertain with rates remaining volatile. With the bond ETF toolkit available today, we ask investors to get in the driver's seat, take the wheel with bond ETFs, and ride out the bumpy curve with confidence.

The Fed's turn signal is on

Alongside the policy rate cut last month, the Fed also forecasted more reductions in its Summary of Economic Projections, indicating more cuts to come. If realized, the Fed policy downshift could reshape the yield curve and **influence the relative appeal of cash as an investment**, as investors will increasingly need to step out of cash to maintain the same levels of yields. Yet, as highlighted **last month**, investors have continued to stay on the sidelines in cash. Hence, we shift gears into key exposures for a rate cutting environment that can manage reinvestment risk while seeking price appreciation opportunities.

Figure 1: Median Fed Funds Rate forecast from September SEP indicates more cuts

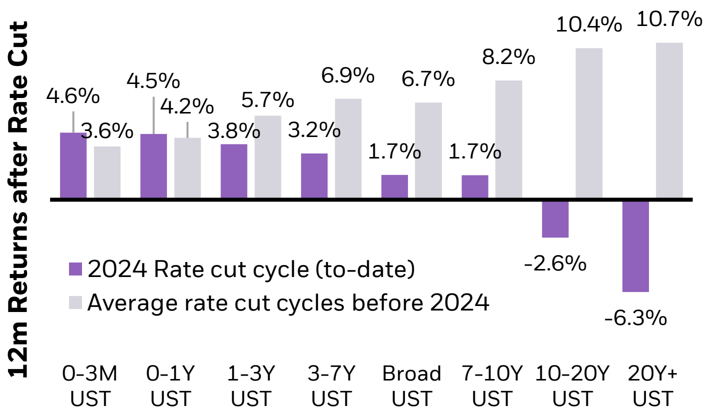


Source: Federal Reserve, as of 17 September 2025.

Take the Driver's Seat ...	... though duration positioning at the belly of the curve

This rate cut cycle is calling for granular risk control in duration positioning. Less dependent on policy rates than the short end and less sensitive to long-end volatility, the **3-7Y belly of the curve** remains the **sweet spot between income and duration**, offering a mix of downside insulation while also participating in the benefits of modest duration during an easing cycle.

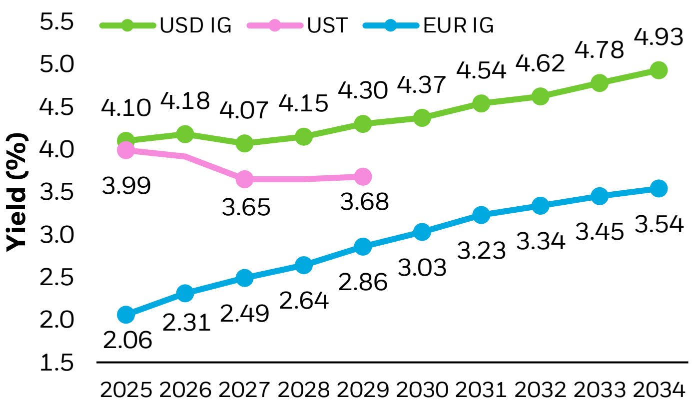
Figure 2: Not all rate cut cycles are the same, as average returns after the first rate cut has shown



Buckle Your Seat Belts ...	... locking in yields still at decade-highs with iBonds

Target maturity ETFs offer the opportunity to secure decade-high yields and reduce reinvestment risk before rates continue to fall. Designed to **mature like a bond** in a defined year, iBonds ETFs allow investors to "lock in" annualized **yields upwards of 4%** in USD IG for up to 10 years, through a **liquid** ETF vehicle offering **diversified** exposure to hundreds of bonds in one fund.

Figure 3: Decade-high yields remain available for investors to lock in across a 10 year period



Source: BlackRock, Bloomberg, as of 30 September 2025. Left chart reference to US Treasury average 12m returns based on historical rate cut cycles. Right chart reference to BBG MSCI December 20XX Maturity USD/EUR Corporate ESG Screened Index, ICE 20XX Maturity US Treasury UCITS Index.

Activate Power Steering ...	... using AAA CLOs for extra juice to maximise income

AAA CLOs present a compelling opportunity to keep **duration minimal yet maximise income**, all while staying in the highest quality. A traditionally niche exposure to the broader investor base, **AAA CLO ETFs** now offer liquid access to the floating rate asset class **yielding 5.4%.** Read all about AAA CLOs **here**.

Enable Cruise Control ...	... with active ETFs to outsource decision making

For investors looking to **outsource decision making and add dynamism** to portfolios, **active bond ETFs** provide access to active portfolio management across fundamental, systematic, and cash strategies. Notably, a **flexible income active ETF** takes an unconstrained approach to seek **attractive, risk-adjusted income.**

Regardless of how the rate environment plays out, bond ETFs are the vehicle of choice for investors to implement precise allocations across the bond market while quickly responding to changing conditions.

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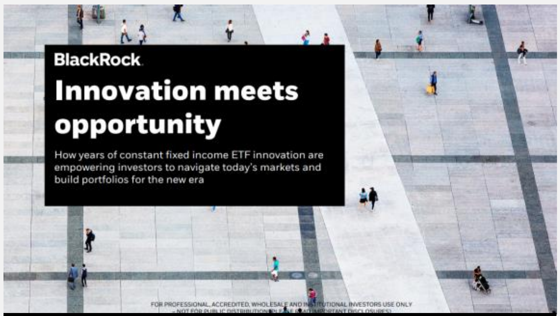
To find out more about the Rate Cutting Bond ETF Toolkit, contact your iShares representative.

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.



DOWNLOAD THE PAPER >

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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