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Asia FIX

iShares by BlackRock

October 2026

Bond ETF themes, flows, and market update

Gearing up for a steeper climb

Following a broad selloff across fixed income markets and a major repricing of the monetary policy path in September, investors are once again confronting the possibility that rates may remain higher than previously anticipated. This month, we present the **rising rate toolkit** - for those who wish to revisit the tools available to navigate a potentially turbulent rate environment ahead.

Figure 1: Sovereign bond yields globally have surged

Ten-year government bond yields (nominal, %)

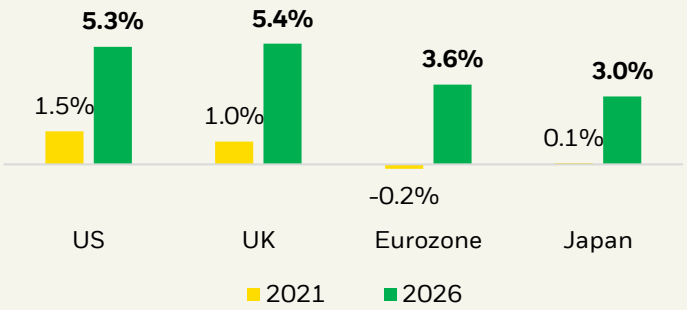
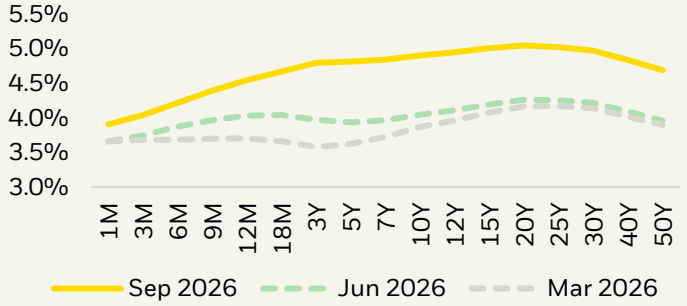


Figure 2: US treasury yields have reset materially higher

US Treasury yield curve as of...



Source: Bloomberg, as of 30 September 2026. Yields shown represent Bloomberg Generic 10-Year government bond yields for the U.S., U.K., Eurozone and Japan as of Sep 2021 and Sep 2026. Past performance is not indicative of future returns.

Given that yields have become relatively more competitive following the broad rise in rates, income can now provide a more meaningful cushion against further price volatility. At the same time, investors can also leverage the granularity of the ETF toolkit to be more **precise in managing risk in a rising rate environment**, including through short duration and interest rate hedged exposures that can reduce interest rate sensitivity, and floating rate exposures that can benefit should reference rates reset higher.

Rising Rate Toolkit

Short duration bond ETFs

With short maturities, short duration ETFs can reinvest at prevailing rates while keeping rate sensitivity low

Interest rate hedged ETFs

Rate hedging minimizes duration exposure, leaving credit spreads and income the main return drivers

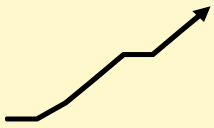
Floating rate bond ETFs

Floating rate coupons can reprice quickly as reference rates move higher

CLO ETFs

CLOs invest in floating rate loans, allowing income to quickly reset higher as reference rates rise

Longer term rates rise

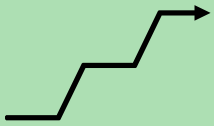


- Shorten portfolio duration and avoid long term bonds
- Hedge against interest rate risk, maintain exposure to credit risk

Short duration bond ETFs

Interest rate hedged ETFs

Rate hikes



- Move to short maturities or floating rate exposures
- Allocate to credit risk over interest rate risk

Floating rate bond ETFs

CLO ETFs

Source: BlackRock, as of 30 September 2026. For illustrative and educational purposes only, and are not a recommendation, offer or solicitation to buy or sell any securities to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

To find out more about the rising rate toolkit, contact your iShares representative.

iShares flow update

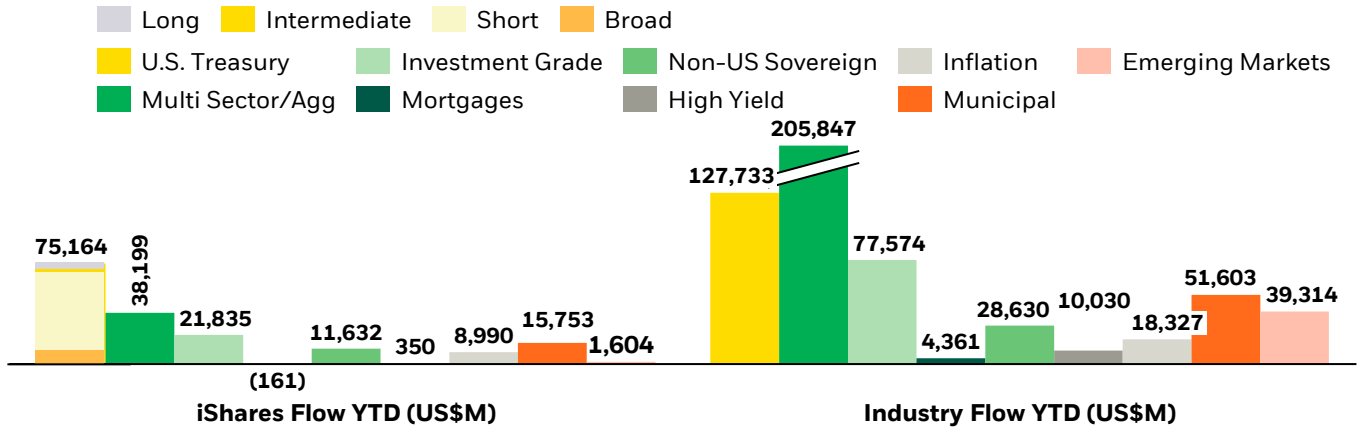
01 **iShares fixed income ETFs surged to a record month in September, gathering nearly +$30B and lifting YTD inflows to ~$180B versus ~$124B over the same period last year.** U.S. Treasuries dominated flows (+$15B), followed by Multisector (+$9.2B) and Municipals (+$5.2B), while Mortgages (-$2.0B) and EM (-$1.0B) saw outflows.

02 **In U.S. Treasuries, short duration allocations remained the dominant theme amid ongoing long end rates volatility.** +$10.7B flowed into shorter-dated Treasury exposures, led by our flagship 0–3M strategy (+$6.8B) and the 0–1Y bucket (+$3.2B). Despite the preference for the front end, long duration demand was also positive, largely driven by the 20Y+ trading vehicle (+$2.0B).

03 **Credit flows were muted overall, but positioning continued to display a quality bias.** IG attracted +$651M, supported by EUR IG exposures, while HY saw -$486M of outflows, largely driven by EUR HY, with USD HY also remaining positive (+$208M). Elsewhere, Emerging Markets Debt recorded -$1.0B of outflows amid a more cautious risk backdrop.

04 **Demand for diversified core bond exposures remained strong (+$9.2B), with allocations heavily skewed toward USD strategies.** Our Core Universal USD exposure gathered +$5.6B, while the U.S. Agg strategy added +$1.5B, underpinning another strong month for Multisector strategies.

05 **Outcome-oriented and active strategies continued to gain robust flows.** Active ETFs gathered +$2.5B, led by broad-market and government strategies, while fixed-maturity iBonds added +$1.2B, driven by IG (+$527M) and government strategies (+$363M).



Top/bottom iShares bond ETF sector flows

Top 5 Exposures	MTD ($M)	% of AUM
U.S. Treasury - Short Dur	10,678	5%
Multi Sector - Broad	8,604	3%
Municipal - Broad	4,324	8%
U.S. Treasury - Long Dur	2,441	4%
U.S. Treasury - Broad	1,024	2%
Top 5 Exposures Total	**27,072**	

Top 5 Exposures	YTD ($M)	% of AUM
U.S. Treasury - Short Dur	56,340	27%
Multi Sector - Broad	33,004	13%
Municipal - Broad	10,842	19%
U.S. Treasury - Broad	10,519	22%
Sovereign - Broad	9,961	25%
Top 5 Exposures Total	**120,666**	

Bottom 5 Exposures	MTD ($M)	% of AUM
Mortgages - Broad	(1,992)	-5%
Investment Grade - Broad	(1,271)	-1%
Emerging Markets - Broad	(1,040)	-2%
High Yield - Broad	(612)	-1%
Inflation - Broad	(271)	-1%
Bottom 5 Exposures Total	**(5,186)**	

Bottom 5 Exposures	YTD ($M)	% of AUM
High Yield - Broad	(218)	0%
Covered Bond - Broad	(173)	-9%
Mortgages - Broad	(161)	0%
Multi Sector - ESG	(63)	-4%
High Yield - ESG	(22)	-4%
Bottom 5 Exposures Total	**(638)**	

Source: BlackRock, as of September 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. Sovereign is ex UST.

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Bond market update

Market recap

Rates

Global bond markets experienced a sharp selloff in September driven by a repricing of real yields amid soaring energy prices, ballooning sovereign borrowing, and elevated corporate issuances that have crowded out demand for sovereign debt. In the U.S, the Fed raised rates for the first time in three years, with markets now pricing in three further hikes by 2027 as the yield curve bear steepened during the month. Tightening was not confined to the U.S. Elsewhere, the ECB cited inflationary pressures stemming from the ongoing US-Iran conflict, while in Asia, the RBA raised rates to a 15-year high and the BoJ continued its normalization cycle with an additional 25bps hike.

Credit

Credit markets similarly faced a softer backdrop in September, with higher rates, elevated oil prices and persistent Middle East tensions weighing on risk appetite, particularly across higher-beta segments. The combination of tighter financial conditions and renewed inflation concerns kept investors selective, although elevated all-in yields continued to underpin demand and helped new issuance clear reasonably well. In the US, IG spreads widened a modest 3bps while HY noticeably ended the month 44bps wider, with Asia IG and HY spreads moving 1bps and 9bps wider respectively.

Asset class in review

		Total Return			Yield level			Spread level (bps) (credit only)		
	Index	YTD	QTD	MTD	Sep-end	ΔMTD	ΔYTD	Sep-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	-2.67%	-2.46%	-2.38%	4.47%	0.38%	0.92%			
	US Aggregate	-2.91%	-3.51%	-2.61%	5.56%	0.55%	1.23%			
	Japan FI, N-BPI	-4.80%	-1.91%	-0.46%	3.04%	0.17%	0.97%			
Treasury & Agency	US Treasury	-2.77%	-3.04%	-2.24%	5.13%	0.51%	1.24%			
	Agency MBS	-3.31%	-4.25%	-3.38%	5.96%	0.64%	1.26%			
	China(CGB+PB)	2.79%	0.85%	0.28%	1.50%	-0.02%	-0.23%			
Credit (IG & HY)	US IG Corporates	-3.11%	-3.94%	-2.72%	6.03%	0.54%	1.22%	79	3	4
	US HY Corporates	0.10%	-1.82%	-2.52%	8.22%	1.04%	1.65%	298	44	26
	Asia IG, JACI IG	-0.59%	-1.76%	-1.37%	5.59%	0.50%	1.14%	59	1	-2
	Asia HY, JACI HY	3.87%	-0.13%	-1.36%	8.01%	0.68%	0.89%	297	9	-35
Emerging Markets	EM HC, EMBI GD	-0.67%	-3.86%	-3.34%	6.99%	0.69%	1.14%	185	17	3
	EM LC, GBI-EM	0.56%	-0.94%	-2.12%	7.05%	0.26%	0.84%	-	-	-

Source: BlackRock, as of 30 September 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%	1.59%	3.05%	0.79%	-0.54%	2.91%	2.57%
EUR	-1.59%	0.00%	1.46%	-0.81%	-2.13%	1.32%	0.98%
JPY	-3.05%	-1.46%	0.00%	-2.27%	-3.59%	-0.14%	-0.48%
KRW	-0.79%	0.81%	2.27%	0.00%	-1.32%	2.13%	1.79%
AUD	0.54%	2.13%	3.59%	1.32%	0.00%	3.45%	3.11%
CNY	-2.91%	-1.32%	0.14%	-2.13%	-3.45%	0.00%	-0.34%
SGD	-2.57%	-0.98%	0.48%	-1.79%	-3.11%	0.34%	0.00%

Source: Bloomberg, as of 30 September 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 extend 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. Diversification and asset allocation may not fully protect you from market risk or investment loss



Mission: Indexable

Unlocking the modern bond market with index investing

Over the past four decades, indexing in fixed income has been charting its steadfast course in transforming bond market investing.

Today, index fixed income has evolved from a nascent investment approach to a core allocation in portfolios as investors seek access to diversification, reliability and transparency. **Index fixed income assets have grown to more than $7T globally** across ETFs, index funds and separate accounts.

Mission: Indexable explores the **value indexing delivers to investors today**, how it has evolved to meet modern market realities, and how indexing has helped strengthen the bond market ecosystem.

Source: iShares Global Business Intelligence, as of 31 December 2025.

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