

ASIA FIX



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

iShares Fixed Income Product Strategy

September 2025

August Market Highlights

Global Rates

Powell’s dovish turn at Jackson Hole fueled expectations for the Fed to cut rates in September, though lingering doubts over Fed independence kept inflation expectations firm and curves steeper. In Europe, political jitters ahead of a confidence vote triggered a wave of fresh fears about the debt trajectory in France, and notably the spread between 10Y Italian BTPs and French OATs reached its tightest levels since 2003. On the policy front, the BOE cut rates by 25bps to 4%, in a rare two-round vote that reflected deep divisions on tackling sticky inflation versus a slowing economy. In APAC, the RBA delivered a 25bps rate cut to 3.6%, while the RBI and PBOC held steady at 5.5% and 3% respectively.

Credit

The month kicked off with broad risk off moves as the August 1 tariff deadline was in focus. That said, heightened expectations of a rate cut, coupled with favorable supply-demand technicals amidst the “usual” seasonal lull in primary remained supportive for credit. In the US, spreads grinded tighter over the month - IG spreads touched 73bps mid-August before closing at 79bps, while HY ended the month 6bps lower. A similar trend in Asia saw HY spreads finishing 11bps tighter, while IG closed 3bps wider.

Performance and yield level of key asset classes as of 2025/8/31

	Index	Total Return			Yield level			Spread level (bps) (credit only)		
		YTD	QTD	MTD	Aug-end	ΔMTD	ΔYTD	Aug-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	7.21%	-0.06%	1.45%	3.49%	-0.08%	-0.19%			
	US Aggregate	4.99%	0.93%	1.20%	4.44%	-0.20%	-0.47%			
	Japan FI, N-BPI	-3.84%	-1.32%	-0.31%	1.56%	0.05%	0.46%			
Treasury & Agency	US Treasury	4.48%	0.66%	1.06%	3.97%	-0.22%	-0.48%			
	Agency MBS	5.48%	1.20%	1.61%	4.86%	-0.21%	-0.41%			
	China(CGB+PB)	0.25%	-0.50%	-0.34%	1.71%	0.06%	0.19%			
Credit (IG & HY)	US IG Corporates	5.30%	1.08%	1.01%	4.91%	-0.16%	-0.42%	79	3	-1
	US HY Corporates	6.35%	1.71%	1.25%	6.75%	-0.33%	-0.74%	272	-6	-15
	Asia IG, JACI IG	5.55%	1.69%	1.18%	4.91%	-0.15%	-0.40%	114	3	11
	Asia HY, JACI HY	7.07%	2.90%	1.45%	8.92%	-0.39%	-1.36%	467	-11	-54
Emerging Markets	EM HC, EMBI GD	8.72%	2.92%	1.63%	7.29%	-0.15%	-0.57%	298	-1	-28
	EM LC, GBI-EM	13.82%	1.39%	2.15%	5.91%	-0.05%	-0.48%	-	-	-

Source: Bloomberg, as of 31 August 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 2025/8/31

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.

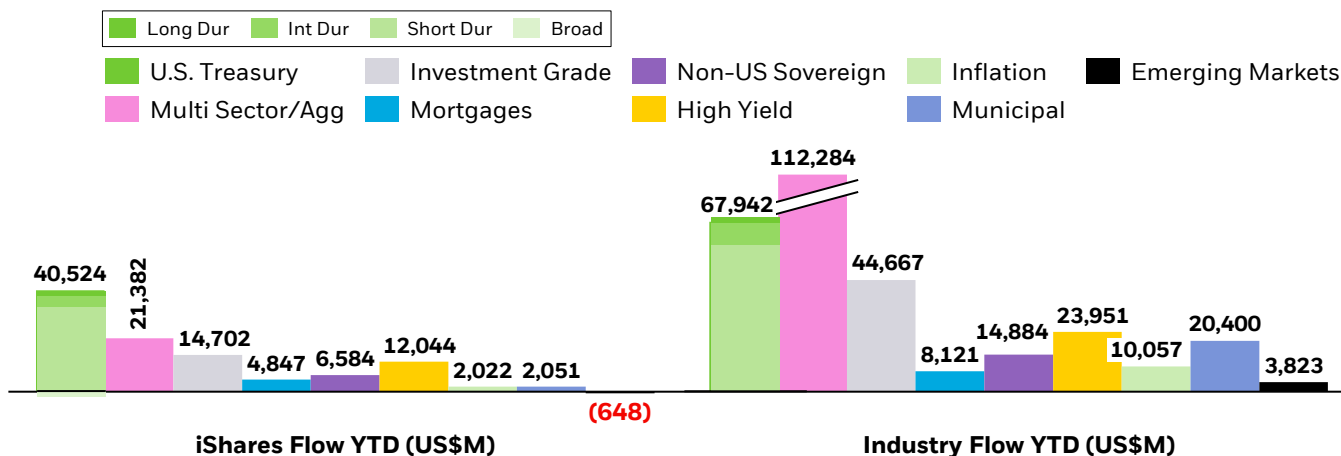
Currency to Hedge (Forward tenors: 3-month and 12-month, annualized)

Local Currency	3M		12M	
	USD	EUR	USD	EUR
JPY	-3.83%	-1.61%	-3.26%	-1.38%
KRW	-1.91%	+0.32%	-1.89%	+0.02%
AUD	-0.60%	+1.64%	-0.42%	+1.51%
CNY	-3.85%	-1.62%	-2.20%	-0.30%
SGD	-2.83%	-0.62%	-2.52%	-0.64%

Source: Bloomberg, as of 31 August 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.

2025 August iShares Status Flow

- iShares ETFs logged the second strongest month this year with +\$20.2B inflows in August**, trailing only the +\$28.2B seen in May. **Notably, YTD inflows surpassed the +\$100B mark** with +\$106B, up from +\$90B YTD August 2024 and on track for a record-breaking 2025. Flows were led by US Treasury +\$7.0B, Credit +\$6.7B (IG +\$5.3B, HY +\$1.4B) and Multi Sector +\$3.6B.
- US Treasuries continued to drive flows +\$7.0B**, with demand remaining strongly skewed towards the 0-3M bucket +\$4.3B. Yet, flows were positive across the curve, with the 1-3Y and 3-7Y adding +\$1B each, while the long end saw modest inflows of +\$300M, following two months of outflows.
- Demand for credit was particularly robust, led by broad IG exposures** as our USD IG flagship product added +\$3.5B. HY flows saw some moderation, albeit demand was broadly resilient. Notably, flows into EUR credit slowed, with our flagship EUR IG exposure seeing -\$602M.
- EM flows turned positive following a month of modest outflows.** The momentum into local currency continued with our flagship product leading inflows +\$237M, while hard currency exposures saw a +\$375M rebound. Elsewhere, international aggregate exposures added another +\$224M as global diversification remains an ongoing theme.
- Active and outcome-oriented strategies logged a robust month, drawing inflows of +\$3B – the highest since February.** The flexible income active strategy drew inflows of +\$809M, while target maturity iBonds ETFs gained an impressive +\$1.3B.



Top/Bottom iShares Fixed Income ETF Sector Flows

Top 5 Exposures	MTD Flow (\$M)	% of AUM
U.S. Treasury – Short Dur	5,162	4%
Investment Grade - Broad	4,255	3%
Multi Sector - Broad	3,603	2%
U.S. Treasury – Inter Dur	1,139	2%
High Yield - Broad	1,038	1%
Top 5 Exposures Total	15,197	

Top 5 Exposures	YTD Flow (\$M)	% of AUM
U.S. Treasury – Short Dur	34,613	25%
Multi Sector – Broad	19,300	9%
High Yield – Broad	10,411	13%
Investment Grade – Fixed Maturity	6,161	19%
Investment Grade – Short Dur	4,847	11%
Top 5 Exposures Total	75,333	

Bottom 5 Exposures	MTD Flow (\$M)	% of AUM
Investment Grade – Short Dur	(2,90)	-1%
Convertible - Broad	(167)	-6%
Inflation – Broad	(47)	Flat
Covered - Broad	(32)	-1%
Non U.S. Sovereign– Fixed Mat	1	6%
Bottom 5 Exposures Total	(534)	

Bottom 5 Exposures	YTD Flow (\$M)	% of AUM
U.S. Treasury – Broad	(2,133)	-6%
Inflation – Broad	(906)	-4%
Emerging Markets – Broad	(620)	-2%
Municipal – Broad	(406)	-1%
Investment Grade – Long Dur	(255)	-10%
Bottom 5 Exposures Total	(4,320)	

Source: BlackRock, as of August 31 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.

When Cash is King, Bonds still Rule

Despite three rate cuts since the Fed started easing in September last year, **investors have continued to stay on the sidelines** with cash as rates remain at decade-high levels. Over USD 7 trillion currently sit in cash, and money market funds have seen more inflows than equities and fixed income over the last three years. Yet, when cash is king, bonds eventually still rule in an easing cycle, and investors could stand to benefit from taking the opportunity to **put cash to work with fixed income**. This month, we highlight three potential options investors can consider ahead of further rate cuts, ranging from vanilla to more niche exposures.

1. Stick to the risk-free with 0-3M US Treasuries

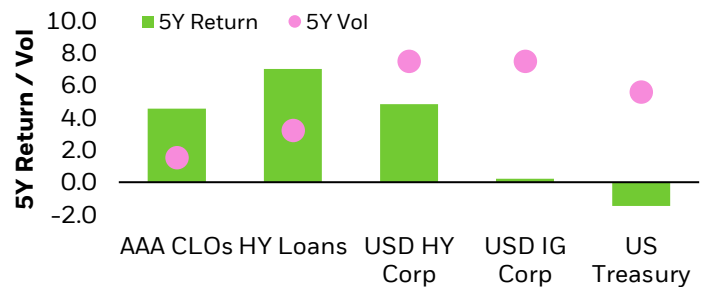
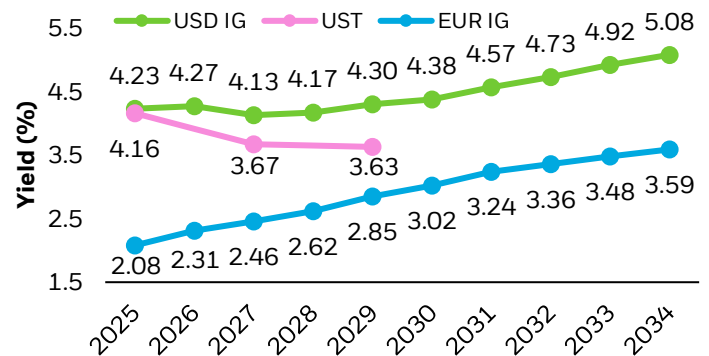
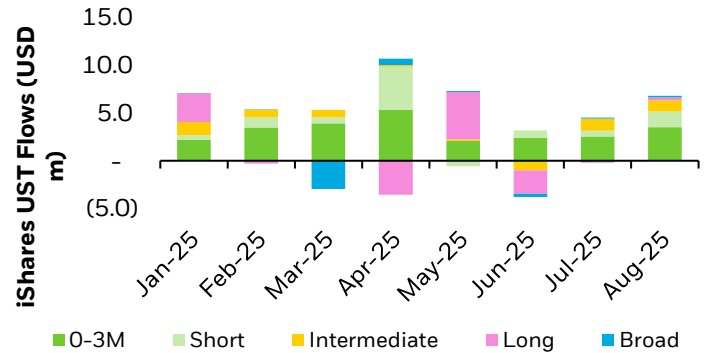
0-3 month US Treasuries remain the simplest way for investors to step out of cash while staying “risk free”. Short duration US Treasuries have accounted for over 85% of inflows to US Treasury ETFs within the iShares range year to date. In particular, the **top flow gatherer** across all bond ETFs globally by far this year has been our 0-3 month US Treasury ETF, with over USD 25B in inflows. Today, the T-bill exposure offers an **attractive yield of 4.3%**, giving investors a pickup over cash.

2. Lock in yields for up to 10 years with iBonds

With yields still at decade-highs, **target maturity ETFs** offer the opportunity to secure attractive income and reduce reinvestment risk for up to 10 years before rates continue to fall. Designed to **mature like a bond** in a defined year, short duration iBonds ETFs allow investors to “lock in” annualized **yields of 4.1% to 4.3% in USD IG over a 2 to 4 year investment horizon**, through an ETF vehicle offering intraday **liquidity** and holding a **diversified** pool of hundreds of bonds in each fund.

3. Maximize income with AAA CLOs

For investors looking to stay in **minimal duration yet maximise income**, **AAA CLOs** present a compelling opportunity for uncorrelated returns while maintaining a low risk profile. A traditionally niche exposure to the broader investor base, AAA CLO ETFs now offer liquid access to the asset class **yielding 5.6%**, while the **floating rate nature** allows investors to ride the remaining wave of income before rates fall from elevated levels. Read more about AAA CLOs [here](#).



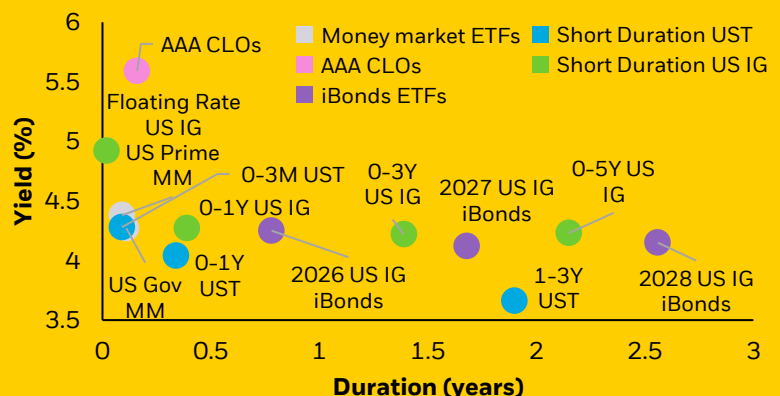
Rating	AAA	B+	B+	A-	AA+
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Source: BlackRock, Bloomberg, as of 31 August 2025. Top chart reference to flows to US Treasury ETFs within the iShares range. Middle chart reference to BBG MSCI December 20XX Maturity USD/EUR Corporate ESG Screened Index, ICE 20XX Maturity US Treasury UCITS Index. Bottom chart reference to JCL0AAAT, SPBDAL, IB0XHY, COAO, IDCOTC Index. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

The step out of cash suite

Within fixed income ETFs, investors today have a full spectrum of strategies to put cash to work, depending on differing liquidity, risk and return profiles. This ranges from new innovations such as money market ETFs offering similar exposure to money market funds in an ETF wrapper, target maturity iBonds ETFs, short duration bond ETFs for a yield pickup while extending slightly into duration, to higher yielding exposures that are traditionally harder to access for the broader investor base.

Source: BlackRock, as of 31 August 2025. Reference to government and prime money market yields, GATX, BFX5TRUU, IDCOTS, IBXXUSU1, IDCOT1, BMSRTRUU, IBXXSIG1, I37619US, I37984US, I37621US, JPMCL0AAAT Index.



To find out more about Bond ETFs to Put Cash to Work, 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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