

iBoxx USD Emerging Markets Monthly Commentary

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June 2025 Commentary

Market Overview

In June, economic uncertainty dominated the landscape, as market participants remained apprehensive about impending tariffs set to take effect on July 9, 2025, ongoing congressional deliberations of the Tax Cuts and Jobs Act and the U.S. Federal Reserve's anticipated decision on interest rates. The ISM Services PMI was 50.8%¹ in June, and the report stated that the services sector grew in June after one month of contraction. The Bureau of Labor Statistics released the non-farm payroll employment with a figure of 147,000 jobs added and the unemployment rate at 4.1%. Despite these seemingly positive numbers, the long-term unemployment rate increased by 190,000 to 1.6 million,² showing a shifting dynamic in the labor force. The Federal Reserve decided to not change its interest rate, citing a strong labor force coupled with a slightly elevated inflation rate.³

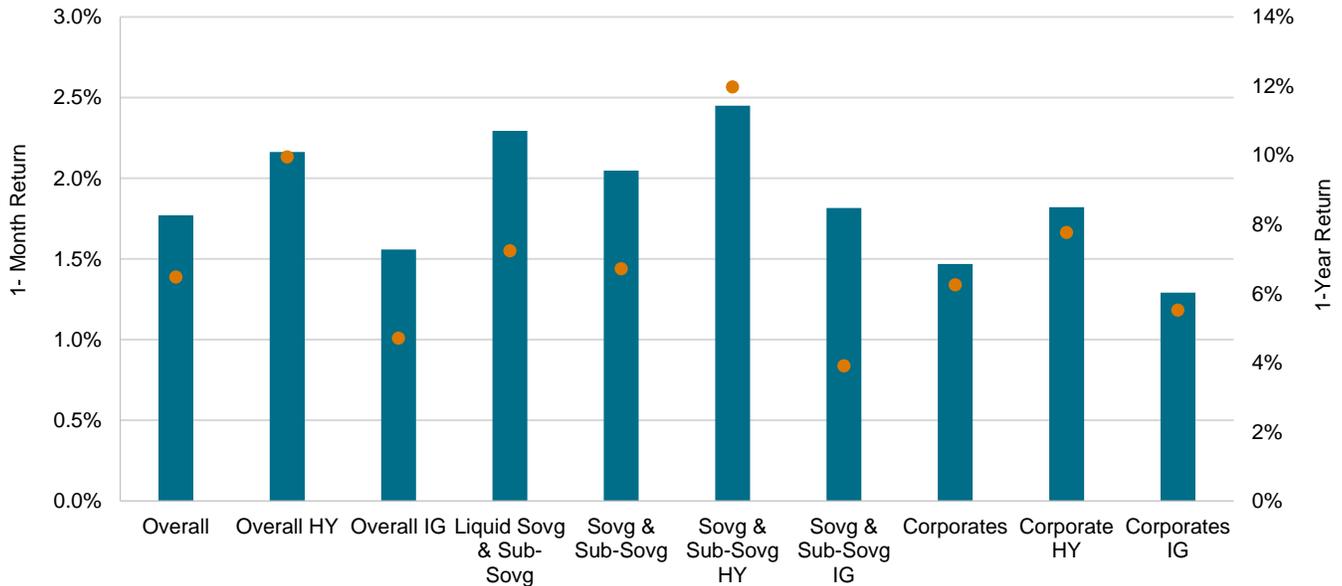
In Europe, the ECB lowered the key interest rate by 25 bps to 2.00%,⁴ citing a strong quarter but foreseeing a slowdown for the rest of the year, with a GDP average growth of 0.9% in 2025. In contrast, Brazil raised its interest rate (Selic overnight rate) to 15%,⁵ the highest in 20 years, citing a high inflation risk and a booming sector economy. At the same time, Banxico cut interest rates to 8%,⁶ the lowest in three years.

The HSBC India Manufacturing PMI rose to a 14-month high of 58.4⁷ in June, due to increases in production and sales volume, as well as new orders and a rise in exports.

iBoxx USD Emerging Markets Broad Indices

June 2025 Performance

Exhibit 1: Recent and Long-Term Index Performance



Please refer to the Appendix at the end of this document for the abbreviated index names.

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

In June 2025, all iBoxx USD Emerging Markets indices were positive, signaling robust performance across the board. The Overall benchmark was up 1.77%, reflecting a substantial increase of 115 bps from May. Within Sovg & Sub-Sovg, the Liquid Sovg & Sub-Sovg index was up 2.29%, an increase of 149 bps over the prior month. Notably, the Sovg and Sub-Sovg HY segment emerged as the standout performer, gaining 2.45% in line with its one-year return. Corporates HY outpaced Corporates by 35 bps, yielding 1.82% in June, while Corporates IG slightly underperformed at 1.29%. Overall, all indices are poised to either meet or exceed their one-year returns (please see the Appendix at the end of this document for the abbreviated index names).

Yields across the top 10 markets decreased compared to last month, with Mexico down 37 bps at 7.06% and Türkiye down 34 bps at 7.31% being the most pronounced. At the half-year mark, the top 10 markets are all positive YTD, with Mexico at 6.48%, Brazil at 4.71% and Chile at 4.71%. The combination of lower yields and robust returns in these economies underscores the market’s growing willingness to diversify strategies by incorporating emerging markets.

Exhibit 2: Top 10 Markets Performance

Market	Weight (%)	Delta from Last Month				June 2025			
		Δ Yield	Δ Duration	1-Month Return (%)	YTD Return	Yield	Duration	1-Month Return (%)	YTD Return
China	12.9%	-0.17	0.12	0.69	0.95	5.13	3.05	0.92	3.96
Saudi Arabia	8.3%	-0.14	-0.03	1.53	1.46	5.51	6.28	1.42	4.25
Mexico	8.0%	-0.37	0.09	2.18	3.42	7.06	6.84	3.31	6.48
South Korea	6.9%	-0.24	0.04	0.89	1.00	4.60	2.50	0.98	3.61
UAE	6.8%	-0.16	0.02	1.55	1.36	5.30	5.62	1.33	3.97
Brazil	5.7%	-0.20	0.03	1.17	1.49	6.97	5.24	1.44	4.71
Türkiye	5.0%	-0.34	0.01	0.93	2.05	7.31	3.80	2.01	3.86
Indonesia	4.7%	-0.18	0.02	1.31	1.84	5.54	6.88	1.80	4.20
Chile	3.3%	-0.20	-0.01	2.20	2.04	5.82	7.43	1.99	4.71
Qatar	2.8%	-0.11	-0.02	1.56	1.22	5.23	6.52	1.19	3.34

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on total return in USD. Δ Yield refers to change in semiannual yield for the month in percent. Delta Duration refers to change in semiannual modified duration for the month. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

iBoxx USD Emerging Markets Sovereigns & Sub-Sovereigns

June 2025 Performance

In June, the market's inclination toward shorter-dated bonds was notably evident in the hard currency emerging market bonds sector. The 1-3 Year maturity sleeve performed the best within Sovg & Sub-Sovg, at 7.38%. This was partially influenced by outlier bonds from Argentina and Sri Lanka. Overall, the best-performing segments in the Sovg & Sub-Sovg space were BBB at 2.23% and B at 2.64%. Within Liquid Sovg & Sub-Sovg, the 10+ Year sleeve returned 3.24%, a 268 bps increase when compared to May. Sovg & Sub-Sovg HY outperformed Sovg & Sub-Sovg IG by 63 bps, returning 2.45% in June.

Exhibit 3: Rating and Maturity Monthly Index Performance

Rating	0-1 Year (%)	1-3 Year (%)	3-5 Year (%)	5-7 Year (%)	7-10 Year (%)	10+ Year (%)	Overall (%)
Investment Grade	0.44	6.75	0.72	2.03	0.74	0.91	1.82
AA	0.40	2.70	0.87	3.49	0.62	0.95	1.33
A	0.43	4.30	0.63	2.15	0.51	1.19	1.55
BBB	0.49	13.28	0.70	1.55	0.99	0.78	2.23
High Yield	0.67	8.60	1.12	2.02	2.82	1.04	2.45
BB	0.58	6.23	1.05	2.32	1.55	1.34	2.13
B	0.63	7.00	1.35	2.27	3.44	1.26	2.64
CCC	2.07	44.53	0.91	1.13	10.02	0.45	3.22
Sovereigns & Sub-Sovereigns	0.53	7.38	0.87	2.03	1.42	0.95	2.05
Liquid Sovereigns & Sub-Sovereigns		1.01	1.41	2.13	2.04	3.24	2.29

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

June 2025 Rebalancing

Post-rebalancing, as of July 1, 2025, Sovg & Sub-Sovg had a yield of 6.32%, a duration of 6.28 years and an OAS of 198.7 bps. Liquid Sovg & Sub-Sovg posted a yield of 6.48%, a duration of 6.99 years and an OAS of 214 bps (see Exhibit 4).

Exhibit 4: Rebalancing Impact

Date	Yield (%)	Duration (Years)	OAS (bps)
iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns			
June 30, 2025	6.36	6.23	204.5
July 1, 2025	6.32	6.28	198.7
iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns			
June 30, 2025	6.53	6.88	220.7
July 1, 2025	6.48	6.99	214

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025, and July 1, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

iBoxx USD Emerging Markets Corporates

June 2025 Performance

In June, Non-Financials outpaced Financials by 99 bps, gaining 1.81% compared to 0.82%, respectively. As we reach the half-year milestone, the YTD performance across all corporate sectors remains positive. Within Financials, the Real Estate sector stands out with a YTD return of 5.45%, significantly influenced by companies from China and Mexico. Among Non-Financials, the top performers YTD include Energy at 5.09%, Health Care at 4.93% and Telecommunications at 4.55%. Conversely, the laggards YTD are Financial Services, up 3.54%, and Consumer Services, up 2.16%.

Exhibit 5: Corporate Indices Performance

Sector or Rating	Market Cap (USD Millions)	Yield (%)	Duration (Years)	Returns (%)		
				1-Month	QTD	YTD
Financials	408,207	5.83	2.34	0.82	1.59	3.81
Core Financials	247,985	5.70	2.32	0.83	1.67	3.68
Financial Services	119,064	5.35	2.10	0.77	1.51	3.54
Real Estate	41,158	7.94	3.14	0.91	1.40	5.45
Non-Financials	798,482	6.34	4.88	1.81	1.77	4.37
Basic Materials	140,796	6.63	4.89	1.59	1.40	4.07
Consumer Goods	74,545	5.78	3.55	1.49	1.93	4.41
Consumer Services	45,452	6.53	5.13	1.56	-0.31	2.16
Energy	209,194	6.97	6.13	2.74	2.30	5.09
Health Care	2,509	6.70	2.71	1.27	2.24	4.93
Industrials	87,422	6.09	3.73	1.34	1.88	4.35
Technology	60,824	5.24	5.10	1.44	1.69	4.49
Telecommunications	41,613	6.10	4.39	1.52	2.09	4.55
Utilities	136,126	6.00	4.41	1.45	1.81	4.17
Investment Grade	798,240	5.47	4.34	1.29	1.55	3.96
High Yield	408,448	8.28	3.39	1.82	2.03	4.61
Overall	1,206,688	6.31	4.02	1.47	1.71	4.17

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

In June, there was a noticeable preference for High Yield longer-dated bonds within the Corporates sector. The overall 10+ Year maturity segment was up 3.15%, with all rating components within the 10-Year category outperforming their shorter-maturity counterparts. In the short-dated maturity bucket, High Yield bonds surpassed Investment Grade bonds by 48 bps.

Exhibit 6: Rating and Maturity Performance

Rating	0-1 Year (%)	1-3 Year (%)	3-5 Year (%)	5-7 Year (%)	7-10 Year (%)	10+ Year (%)	Overall (%)
Investment Grade	0.46	0.76	1.11	1.63	1.88	2.74	1.29
AA	0.41	0.72	1.04	1.35	1.23	2.48	1.24
A	0.44	0.76	1.05	1.40	1.55	2.38	1.11
BBB	0.48	0.77	1.17	1.77	2.06	3.05	1.44
High Yield	0.94	0.98	1.55	2.31	2.35	4.67	1.82
BB	0.57	0.92	1.51	2.33	2.08	4.73	1.83
B	0.76	1.04	2.19	2.16	2.23	3.66	1.86
CCC	3.75	1.74	-3.15	2.92	5.41		1.52
CC	1.36	1.18					1.29
C	0.95						0.95
Overall	0.59	0.82	1.30	1.93	2.04	3.15	1.47

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

June 2025 Rebalancing

As of July 1, 2025, Corporates had a yield of 6.28%, a duration of 4.03 and an OAS of 207.4.

Exhibit 7: Rebalancing Impact

Date	Yield (%)	Duration (Years)	OAS (bps)
June 30, 2025	6.30	4.02	212.4
July 1, 2025	6.28	4.03	207.4

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025, and July 2, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Appendix

iBoxx USD Emerging Market Indices Overview

The iBoxx USD Emerging Markets Broad Overall measures the performance of USD-denominated bonds issued by entities domiciled in emerging markets. To qualify for the index, bonds must have a minimum notional amount of USD 250 million and no minimum time to maturity is required. As of June 30, 2025, the index had 3,006 bonds covering sovereigns, sub-sovereigns, corporates and covered bonds, and had a market value of USD 2.57 trillion.

The iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns is one of the headline indices within the iBoxx USD Emerging Markets Broad Overall Series. The index is a market-capitalization-weighted benchmark covering sovereign and sub-sovereign entities domiciled in emerging markets. As of June 30, 2025, the index included 1,043 bonds from 203 issuers and had a market value of USD 1.36 trillion. The index serves as the underlying benchmark for the iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns Index.

The iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns measures the performance of USD-denominated sovereign and sub-sovereign bonds issued by emerging markets entities. The index rules select only bonds with at least USD 1 billion in notional amount outstanding and one year to maturity. Within the emerging markets, the index focuses on economies whose gross national income (GNI) per capita is below two times the World Bank high income GNI cut-off. Gulf Cooperation Council (GCC) countries are also eligible for the index regardless of their GNI. A country cap is applied and reviewed annually in December, and the current cap is 7.5%. The index is designed to be used as part of the iBoxx tradable ecosystem.

The iBoxx USD Emerging Markets Broad Corporates is a headline index within the iBoxx USD Emerging Markets Broad Overall Series. The index is a market-capitalization-weighted benchmark that covers corporate and covered bonds issued by emerging markets issuers. As of June 30, 2025, the index included 1,964 bonds from 857 issuers and had a market value of USD 1.22 trillion.

Abbreviated Index Names

Please note the following abbreviated index names used throughout this paper:

- Overall: iBoxx USD Emerging Markets Broad Overall
- Overall HY: iBoxx USD Emerging Markets Broad High Yield
- Overall IG: iBoxx USD Emerging Markets Broad Investment Grade
- Sovg & Sub-Sovg: iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns

- Liquid Sovg & Sub-Sovg: iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns
- Sovg & Sub-Sovg HY: iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns High Yield
- Sovg & Sub-Sovg IG: iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns Investment Grade
- Corporates: iBoxx USD Emerging Markets Broad Corporates
- Corporates HY: iBoxx USD Emerging Markets Broad Corporates High Yield
- Corporates IG: iBoxx USD Emerging Markets Broad Corporates Investment Grade

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