iBoxx USD Emerging Markets Monthly Commentary

Contributor

Catalina Zota
Director
Fixed Income Product Management
elena.zota@spglobal.com

July 2025 Commentary

Market Overview

Lingering tariffs, disappointing readings from leading economic indicators[1] and a less-than-ideal U.S. jobs report weighed on the economy in July. The ISM Manufacturing PMI dropped to 48%[2] in July, a 1% decrease from June, with new orders contracting for the sixth month in a row. According to the Bureau of Labor Statistics, the U.S. economy added 73,000[3] jobs in July, while the May and June numbers were revised 285,000 lower than previously reported. The S&P 500 reached new record highs in July, ending the month at 6,339.39, up 0.65%. U.S. Treasury yields, as measured by iBoxx $ Treasuries, increased to 4.56%, up 16 bps from 4.40% in June. Against this backdrop, the U.S. Federal Reserve held interest rates unchanged in late July for the fifth consecutive meeting, keeping rates in the 4.25%-4.50% range.

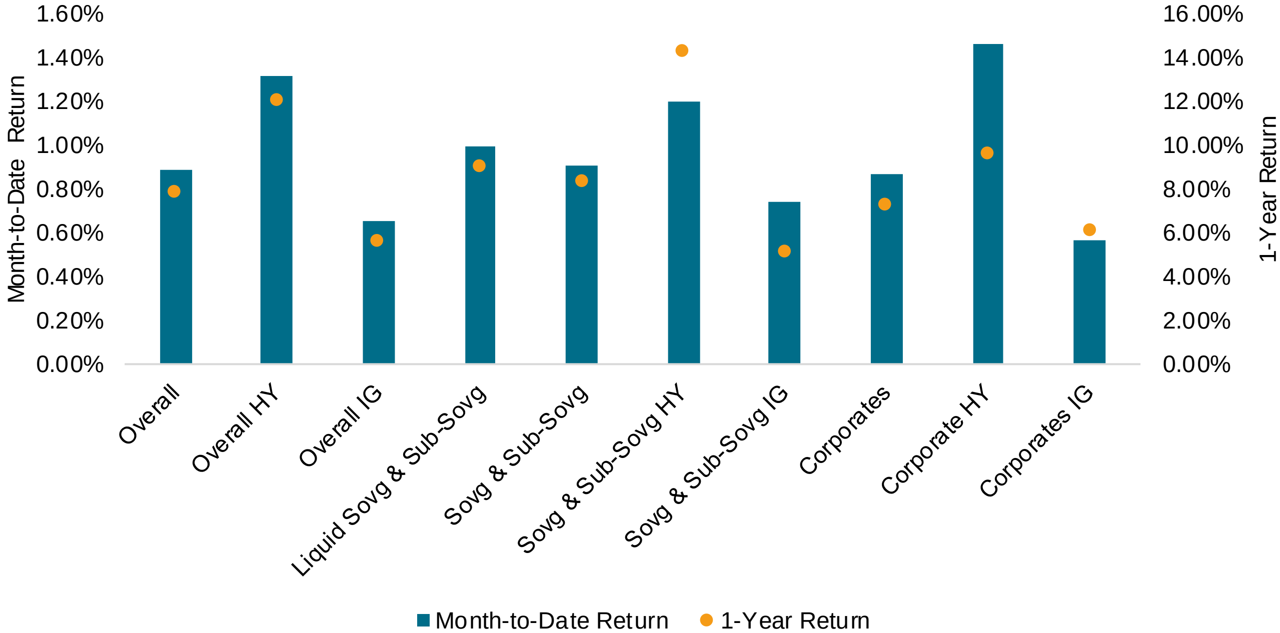
In Europe, the European Central Bank target inflation reached 2%[4] in July, in line with expectations. Among the measured countries, the highest inflation rates were recorded for Greece, at 3.7%, and Croatia, at 4.5%. On the tariffs front, the European Union negotiated a rate of 15%,[5] similar to Japan. In Latin America, the U.S. is still negotiating with Mexico, while Brazil was hit with a 50%[6] tariff, one of the highest rates seen thus far.

In Asia, the HSBC India Manufacturing PMI climbed to a 16-month high of 59.1[7] in July due to increases in new orders and outputs, as well as favorable demand from Indian goods producers.

iBoxx USD Emerging Markets Broad Indices

July 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 July 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

In July, all iBoxx USD Emerging Markets indices were down when compared to last month. The Overall index returned 0.89%, 88 bps less than June, while the Liquid Sovg & Sub-Sovg index returned 0.99%, 129 bps lower than the previous month. Liquid Sovg & Sub-Sovg outperformed its Sovg & Sub-Sovg benchmark by 8 bps, emphasizing the importance of liquid instruments in times of market uncertainty. Sovg & Sub-Sovg HY was up 1.19%, 125 bps less than the previous month but higher than Sovg & Sub-Sovg IG by 45 bps. Within Corporates, the Corporates HY index returned 1.46%, higher than its benchmark and IG counterpart.

July marked another yield contraction in the top 10 emerging markets, except for South Korea. Notably, Turkey had an 18 bps drop to bring its yield to 7.13% for July, followed by Mexico with a drop of 9 bps and a yield of 6.97%, and the UAE with a decrease of 7 bps and a yield of 5.22%. Compared to last month, returns for these markets were down across the board.

Exhibit 2: Top 10 Markets Performance

Market	Weight (%)	Delta from Last Month				July 2025			
		Δ Yield	Δ Duration	1-Month Return (%)	YTD Return	Yield	Duration	1-Month Return (%)	YTD Return
China	12.3	0.00	0.00	-0.58	0.35	5.14	3.05	0.34	4.32
Saudi Arabia	8.5	-0.04	0.05	-0.59	0.87	5.47	6.33	0.83	5.11
Mexico	8.1	-0.09	0.07	-1.75	1.66	6.97	6.91	1.56	8.14
South Korea	6.8	0.09	0.00	-0.77	0.21	4.69	2.49	0.21	3.82
UAE	6.9	-0.07	-0.01	-0.47	0.89	5.22	5.62	0.86	4.86
Brazil	5.7	-0.04	0.05	-1.12	0.33	6.93	5.30	0.32	5.04
Turkey	5.0	-0.18	-0.02	-0.69	1.38	7.13	3.77	1.32	5.24
Indonesia	4.7	-0.05	0.02	-0.93	0.90	5.49	6.90	0.87	5.10
Chile	3.3	-0.02	0.02	-1.33	0.69	5.80	7.45	0.66	5.40
Qatar	2.9	-0.05	-0.04	-0.47	0.75	5.18	6.47	0.72	4.09

Source: S&P Dow Jones Indices LLC. Data as of July 31, 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

July 2025 Performance

In July, results were mixed across Sovg & Sub-Sovg maturity sleeves and ratings. There was a preference for High Yield, which outpaced Investment Grade by 45 bps. Overall 10Y+ outperformed at 1.23%, 32 bps above the Sovg & Sub-Sovg benchmark. The best performers within High Yield were the Bs, which returned 1.85%. Within Investment Grade, the BBB segment outperformed the benchmark across all maturities. Within Liquid Sovg & Sub-Sovg, there was a preference for medium and longer-dated bonds, particularly 10Y+ (up 1.19%) and 5-7Y (up 1.16%).

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	0.35	0.27	0.44	0.64	0.77	1.17	0.74
AA	0.32	0.09	0.30	0.48	0.74	1.31	0.58
A	0.35	0.30	0.41	0.49	0.70	1.15	0.66
BBB	0.40	0.39	0.59	0.78	0.83	1.14	0.87
High Yield	0.58	0.93	1.09	1.74	1.16	1.37	1.19
BB	0.44	0.59	0.88	0.91	1.15	1.54	1.04
B	0.52	1.13	1.71	2.40	1.96	2.42	1.85
CCC	2.53	4.02	0.95	5.40	0.71	-0.05	0.86
Sovereigns & Sub-Sovereigns	0.45	0.49	0.71	1.11	0.92	1.23	0.91
Liquid Sovereigns & Sub-Sovereigns		0.58	0.73	1.16	0.98	1.19	0.99

Source: S&P Dow Jones Indices LLC. Data as of July 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

July 2025 Rebalancing

Post-rebalancing, as of Aug. 1, 2025, Sovg & Sub-Sovg had a yield of 6.27%, a duration of 6.29 years and an OAS of 195.18 bps. Liquid Sovg & Sub-Sovg posted a yield of 6.44%, a duration of 6.98 years and an OAS of 210.44 bps (see Exhibit 4).

Exhibit 4: Rebalancing Impact

Date	Yield (%)	Duration (Years)	OAS (bps)
iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns			
July 31, 2025	6.30	6.28	184.83
Aug. 1, 2025	6.27	6.29	195.18
iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns			
July 31, 2025	6.46	6.99	200.31
Aug. 1, 2025	6.44	6.98	210.44

Source: S&P Dow Jones Indices LLC. Data as of July 31, 2025, and Aug. 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

July 2025 Performance

Non-Financials outperformed Financials by 44 bps, returning 1.02% in July. The top three sectors were Energy at 1.99%, Utilities at 0.87% and Telecommunications at 0.82%. Within Financials, Real Estate was the best performer at 0.79%. Compared to June, yields contracted across all sectors, with Consumer Services dropping 29 bps and Real Estate declining 24 bps. The best performers YTD were Energy at 7.18% and Real Estate at 6.27%. The outperformance of Real Estate was partially influenced by Chinese corporate bonds.

Exhibit 5: Corporate Indices Performance

Sector or Rating	Market Cap (USD Millions)	Yield (%)	Duration (Years)	Returns (%)		
				1-Month	QTD	YTD
Financials	**406,617**	**5.77**	**2.35**	**0.57**	**0.57**	**4.41**
Core Financials	248,900	5.65	2.34	0.60	0.60	4.30
Financial Services	116,507	5.34	2.11	0.45	0.45	4.01
Real Estate	41,209	7.70	3.08	0.79	0.79	6.27
Non-Financials	**798,564**	**6.24**	**4.90**	**1.02**	**1.02**	**5.44**
Basic Materials	139,204	6.65	4.87	0.33	0.33	4.41
Consumer Goods	77,311	5.73	3.49	0.57	0.57	5.01
Consumer Services	44,614	6.24	5.22	1.05	1.05	3.23
Energy	210,603	6.80	6.21	1.99	1.99	7.18
Health Care	1,982	6.72	3.36	0.41	0.41	5.37
Industrials	87,696	6.02	3.72	0.80	0.80	5.19
Technology	60,692	5.22	5.10	0.56	0.56	5.08
Telecommunications	41,766	6.02	4.45	0.82	0.82	5.41
Utilities	134,695	5.93	4.43	0.87	0.87	5.08
Investment Grade	**796,714**	**5.44**	**4.36**	**0.56**	**0.56**	**4.54**
High Yield	**408,466**	**8.02**	**3.41**	**1.46**	**1.46**	**6.13**
Overall	**1,205,180**	**6.22**	**4.04**	**0.86**	**0.86**	**5.07**

Source: S&P Dow Jones Indices LLC. Data as of July 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Similar to June, Corporates HY outperformed Corporates IG by 89 bps. Notably, longer-dated HY bonds (10Y+) had higher returns than their shorter-dated counterparts. Additionally, the 10Y+ B sleeve returned 4.57% while 10Y+ BB returned 4.42%. Within IG, 10+Y BBB returned 1.58%, 29 bps above 10Y+ IG.

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	**0.35**	**0.29**	**0.41**	**0.47**	**0.87**	**1.29**	**0.56**
AA	0.26	0.15	0.30	0.25	0.76	1.18	0.47
A	0.33	0.17	0.23	0.11	0.57	0.93	0.36
BBB	0.39	0.41	0.58	0.67	0.99	1.58	0.73
High Yield	**0.87**	**0.73**	**1.29**	**1.63**	**1.22**	**4.42**	**1.46**
BB	0.61	0.66	1.11	1.46	1.49	4.42	1.45
B	1.06	1.09	1.70	1.70	1.53	4.57	1.58
CCC	2.40	0.57	0.11	3.86	-2.40		1.05
CC	0.50	0.83					0.62
C	0.24						0.24
Overall	**0.50**	**0.42**	**0.78**	**1.00**	**1.00**	**1.97**	**0.86**

Source: S&P Dow Jones Indices LLC. Data as of July 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

July 2025 Rebalancing

As of Aug. 1, 2025, Corporates had a yield of 6.17%, a duration of 4.06 and an OAS of 197.97.

Exhibit 7: Rebalancing Impact

Date	Yield (%)	Duration (Years)	OAS (bps)
July 31, 2025	6.22	4.04	187.32
Aug. 1, 2025	6.17	4.06	197.97

Source: S&P Dow Jones Indices LLC. Data as of July 31, 2025, and Aug. 1, 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 index inclusion, bonds must have a minimum notional amount of USD 250 million and no minimum time to maturity is required. As of July 31, 2025, the index had 3,021 bonds covering sovereigns, sub-sovereigns, corporates and covered bonds, and had a market value of USD 2.59 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 July 31, 2025, the index included 1,053 bonds from 156 issuers and had a market value of USD 1.37 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 market 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 includes corporate and covered bonds issued by emerging markets issuers. As of July 31, 2025, the index included 1,967 bonds from 860 issuers and had a market value of USD 1.23 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

References:

1. The Conference Board – US Leading Indicators
   https://www.conference-board.org/topics/us-leading-indicators/

2. ISM Manufacturing PMI
   https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/july/

3. BLS.Gov – Bureau of Labor Statistics
   https://www.bls.gov/news.release/empsit.nr0.htm

4. European Central Bank
   https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-01082025-ap

5. White House Statement
   Further Modifying the Reciprocal Tariff Rates – The White House

6. Brazil Tariffs – White House Statement
   Fact Sheet: President Donald J. Trump Addresses Threats to the United States from the Government of Brazil – The White House

7. HSBC India Manufacturing PMI
   https://www.pmi.spglobal.com/Public/Home/PressRelease/9806df5729e64068a9d3c6e17c8ee67b

General Disclaimer

It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. Index performance does not reflect trading costs, management fees or expenses. S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. S&P Dow Jones Indices is not an investment adviser, commodity trading advisor, commodity pool operator, broker dealer, fiduciary, promoter" (as defined in the Investment Company Act of 1940, as amended), "expert" as enumerated within 15 U.S.C. § 77k(a) or tax advisor. Inclusion of a security, commodity, crypto currency or other asset within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, commodity, crypto currency or other asset, nor is it considered to be investment advice or commodity trading advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global keeps certain activities of its various divisions and business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions and business units of S&P Global may have information that is not available to other business units. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a trademark of S&P and MSCI. Neither MSCI, S&P nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.