

# iBoxx USD Emerging Markets Monthly Commentary

## Contributor

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## September 2025 Commentary

### Market Overview

The U.S. Federal Reserve cut rates on Sept. 17 by 25 bps,<sup>1</sup> citing slowing job gains amid a mild inflationary environment. On Sept. 18, the Conference Board Leading Economic Index (LEI) was released, declining by 0.5% in August<sup>2</sup> owing to weak new manufacturing orders and consumer expectations along with an increase in unemployment claims. Against the backdrop, the 10-year U.S. Treasury rate, as measured by the iBoxx U.S. Treasuries Current 10 Year Index, ended the month at 4.19%.

Growth was relatively flat in the EU, with Germany experiencing a decrease in GDP of -0.3% in Q2 2025.<sup>3</sup> GDP growth in the EU area was led by Denmark, at 1.3%, followed by Croatia and Romania, both at 1.2%.<sup>4</sup>

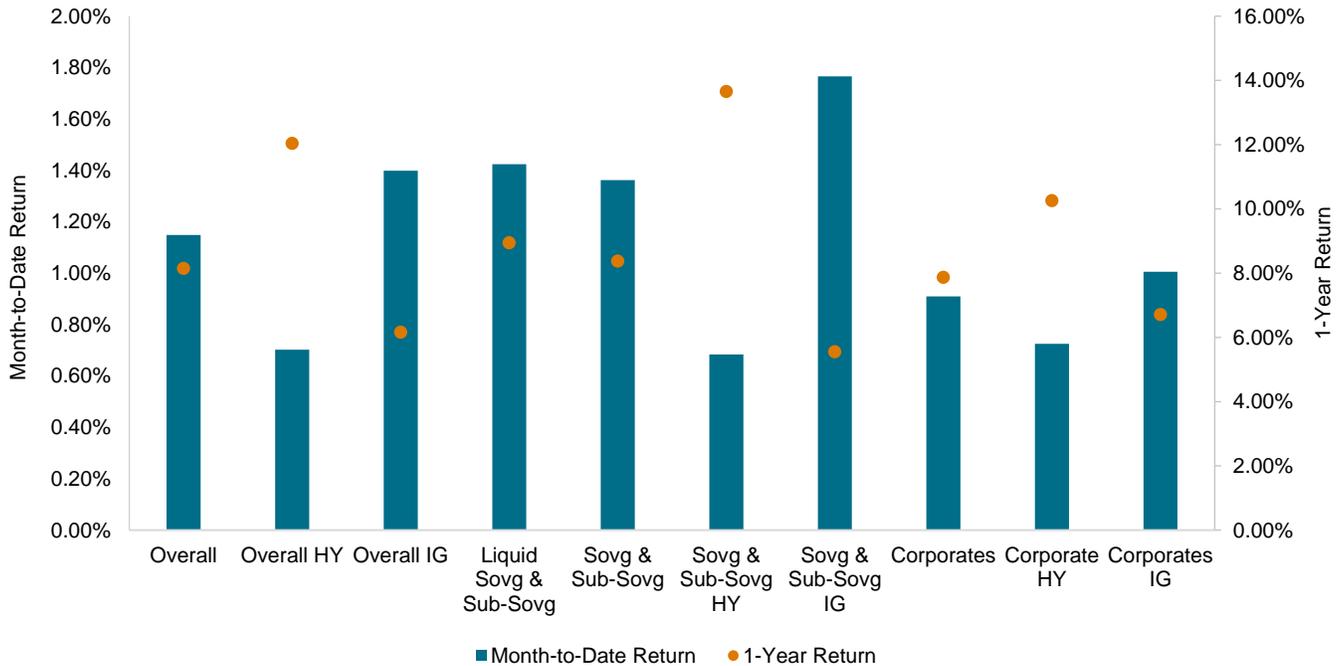
A softer picture was also painted in Asia. The HSBC India Manufacturing PMI declined to 57.7 in September from 59.3 in August due to higher costs, despite increasing international orders.<sup>5</sup>

In Latin America, Argentina faced significant economic headwinds as investor sentiment soured following political developments in Buenos Aires. This led to a sharp downturn in the local stock market, with the S&P Merval Index declining 10.70% in September, while authorities took steps to manage the currency.

# iBoxx USD Emerging Markets Broad Indices

## September 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 Sept. 30, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

September witnessed a decline in monthly index performance, with the exception of Sovereign and Sub-Sovereign Investment Grade (IG) bonds, which rose by 50 bps to 1.77%. Overall IG also posted a modest increase of 18 bps, reaching 1.40%. In contrast, the Sovereign and Sub-Sovereign High Yield (HY) bonds and Corporate HY bonds experienced the steepest declines in monthly performance compared to August, rising just 0.68% and 0.72%, respectively. Overall, Corporates HY underperformed its benchmark by 45 bps, closing the month at 0.70%. This trend underscores a market preference for higher-quality bonds and a risk-off sentiment amid volatility.

Among the top 10 emerging market economies, Mexico recorded the highest YTD performance at 13.21%, followed by Chile at 8.91% and Saudi Arabia at 7.97%. Mexico’s bond yields contracted by 32 bps when compared to August 2025, while Chile saw a yield contraction of 20 bps and Saudia Arabia of 15 bps. Yields contracted for all top 10 emerging market economies.

**Exhibit 2: Top 10 Markets Performance**

Market	Weight (%)	Delta from Last Month				September 25			
		Δ Yield	Δ Duration	1-Month Return (%)	YTD Return	Yield	Duration	1-Month Return (%)	YTD Return
China	11.9	-0.11	0.16	-0.33	0.73	4.84	3.21	0.69	6.11
Saudi Arabia	8.6	-0.15	0.05	0.29	1.59	5.20	6.35	1.49	7.97
Mexico	8.3	-0.32	0.09	1.21	3.22	6.46	7.09	2.93	13.21
UAE	6.9	-0.14	0.02	-0.03	1.32	4.94	5.61	1.24	7.51
South Korea	6.7	-0.05	-0.02	-0.52	0.50	4.38	2.46	0.48	5.36
Brazil	5.6	-0.12	-0.31	-1.76	-0.44	6.67	5.19	-0.41	6.01
Türkiye	5.1	-0.08	-0.10	-0.79	0.92	6.76	3.72	0.86	7.91
Indonesia	4.7	-0.07	-0.05	-0.20	1.02	5.31	6.85	0.96	7.34
Chile	3.3	-0.20	0.06	0.66	2.11	5.49	7.54	1.98	8.91
Qatar	2.9	-0.21	0.29	0.96	1.89	4.91	6.67	1.80	6.85

Source: S&P Dow Jones Indices LLC. Data as of Sept. 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

### September 2025 Performance

Preference for longer dated bonds was also noticed in September, with the 10+ year maturities of the Sovereigns & Sub-Sovereigns increasing 2.77% compared to 1.36% for the Overall index. A similar pattern was prevalent for the Liquid Sovereigns & Sub-Sovereigns, with the 10+ year bonds up 2.64%, while the benchmark rose 1.42%. High Yield underperformed when compared to Investment Grade, increasing 1.77% versus 0.68%. The worst performer was the CCC rating sleeve at -6.61%, influenced by Argentina's and Sri Lanka's sovereign bonds.

**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 (%)
<b>Investment Grade</b>	<b>0.36</b>	<b>0.51</b>	<b>0.68</b>	<b>1.04</b>	<b>1.41</b>	<b>3.48</b>	<b>1.77</b>
AA	0.35	0.49	0.64	1.00	1.20	3.59	1.41
A	0.35	0.49	0.63	0.63	1.20	3.61	1.55
BBB	0.37	0.55	0.76	1.23	1.71	3.40	2.08
<b>High Yield</b>	<b>0.42</b>	<b>0.88</b>	<b>-0.05</b>	<b>1.55</b>	<b>-0.37</b>	<b>1.40</b>	<b>0.68</b>
BB	0.39	0.75	1.18	1.40	1.93	3.52	1.98
B	0.54	1.12	1.48	1.87	2.34	4.60	2.25
CCC	-0.27	0.73	-4.99	-0.07	-5.87	-9.60	-6.61
<b>Sovereigns &amp; Sub-Sovereigns</b>	<b>0.38</b>	<b>0.63</b>	<b>0.38</b>	<b>1.26</b>	<b>0.69</b>	<b>2.77</b>	<b>1.36</b>
<b>Liquid Sovereigns &amp; Sub-Sovereigns</b>		<b>0.71</b>	<b>0.26</b>	<b>1.39</b>	<b>0.48</b>	<b>2.64</b>	<b>1.42</b>

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

## September 2025 Rebalancing

Post-rebalancing, as of Oct. 1, 2025, the iBoxx USD Emerging Markets Broad Sovereigns & Sub-Sovereigns index had a yield of 5.97%, a duration of 6.36 years and an OAS of 174.77 bps, while the Liquid index posted a yield of 6.14%, a duration of 7.03 years and an OAS of 190.46 bps (see Exhibit 4).

**Exhibit 4: Rebalancing Impact**

Date	Yield (%)	Duration (Years)	OAS (bps)
<b>iBoxx USD Emerging Markets Broad Sovereigns &amp; Sub-Sovereigns</b>			
Sept. 30, 2025	6.00	6.35	173.56
Oct. 1, 2025	5.97	6.36	174.77
<b>iBoxx USD Liquid Emerging Markets Sovereigns &amp; Sub-Sovereigns</b>			
Sept. 30, 2025	6.16	7.03	188.06
Oct. 1, 2025	6.14	7.03	190.46

Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2025, and Oct. 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

## September 2025 Performance

Continuing the trend from the previous month, Non-Financials outperformed Financials by 42 bps, increasing 1.06% in September. Year-to-date, the Energy sector led with impressive performance at 11.34%, followed by Real Estate at 8.79% and Health Care at 8.28%. Yields contracted across all sectors, with the Health Care segment experiencing a notable decrease of 48 bps, bringing its yield down to 5.86% in September.

### Exhibit 5: Corporate Indices Performance

Sector or Rating	Market Cap (USD Millions)	Yield (%)	Duration (Years)	Returns (%)		
				1-Month	QTD	YTD
<b>Financials</b>	<b>398,627</b>	<b>5.41</b>	<b>2.42</b>	<b>0.64</b>	<b>2.27</b>	<b>6.18</b>
Core Financials	242,813	5.28	2.43	0.64	2.26	6.01
Financial Services	113,062	5.03	2.16	0.60	1.95	5.56
Real Estate	42,752	7.15	3.08	0.71	3.17	8.79
<b>Non-Financials</b>	<b>813,296</b>	<b>5.95</b>	<b>4.92</b>	<b>1.06</b>	<b>3.48</b>	<b>8.01</b>
Basic Materials	137,958	6.44	4.79	-0.25	1.40	5.53
Consumer Goods	79,393	5.63	3.48	0.65	2.40	6.91
Consumer Services	46,343	5.93	5.14	1.30	3.77	6.02
Energy	217,060	6.40	6.31	2.34	5.96	11.34
Health Care	2,550	5.86	3.37	2.20	3.19	8.28
Industrials	88,085	5.63	3.80	0.09	2.24	6.69
Technology	60,687	4.92	5.19	1.07	3.03	7.66
Telecommunications	44,121	5.84	4.36	1.15	3.20	7.89
Utilities	137,099	5.64	4.43	1.08	3.25	7.56
<b>Investment Grade</b>	<b>795,064</b>	<b>5.15</b>	<b>4.47</b>	<b>1.01</b>	<b>2.76</b>	<b>6.83</b>
<b>High Yield</b>	<b>416,860</b>	<b>7.66</b>	<b>3.40</b>	<b>0.72</b>	<b>3.60</b>	<b>8.37</b>
<b>Overall</b>	<b>1,211,924</b>	<b>5.91</b>	<b>4.10</b>	<b>0.91</b>	<b>3.04</b>	<b>7.34</b>

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

Corporate investment grade bonds outperformed high yield bonds by 10 bps, up 1.01% in September. A risk-off sentiment was evident in the corporate bond market, characterized by a preference for longer-dated, higher-quality bonds. The 10+ year maturities rose 3.14%, significantly outpacing the shorter-dated maturities. The second-best performer was the 5-7 year segment, which was up 0.68%. However, the CCC 7-10 year bonds posted -1.75%, largely influenced by the performance of Chinese Real Estate bonds.

**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 (%)
<b>Investment Grade</b>	<b>0.40</b>	<b>0.50</b>	<b>0.60</b>	<b>0.87</b>	<b>1.28</b>	<b>2.81</b>	<b>1.01</b>
AA	0.39	0.45	0.41	0.79	1.31	2.52	1.03
A	0.35	0.46	0.49	0.54	1.03	2.95	0.89
BBB	0.45	0.53	0.71	1.02	1.36	2.78	1.09
<b>High Yield</b>	<b>0.55</b>	<b>0.22</b>	<b>0.49</b>	<b>0.47</b>	<b>-0.66</b>	<b>4.27</b>	<b>0.72</b>
BB	0.53	0.05	0.35	0.36	-0.95	4.66	0.77
B	0.82	1.13	0.79	0.53	0.54	-1.31	0.71
CCC	-0.01	-0.38	-0.52	3.47	-1.75		-0.08
CC	0.29	1.56					0.74
C	3.24						3.24
<b>Overall</b>	<b>0.45</b>	<b>0.42</b>	<b>0.55</b>	<b>0.68</b>	<b>0.54</b>	<b>3.14</b>	<b>0.91</b>

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

## September 2025 Rebalancing

As of Oct. 1, 2025, the iBoxx USD Emerging Markets Corporates index had a yield of 5.88%, a duration of 4.13 and an OAS of 180.8.

**Exhibit 7: Rebalancing Impact**

Date	Yield (%)	Duration (Years)	OAS (bps)
Sept. 30, 2025	5.90	4.09	176.97
Oct. 1, 2025	5.88	4.13	180.8

Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2025, and Oct. 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 Sept. 30, 2025, the index had 3,014 bonds covering sovereigns, sub-sovereigns, corporates and covered bonds, and had a market value of USD 2.65 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 Sept. 30, 2025, the index included 1,056 bonds from 156 issuers and had a market value of USD 1.41 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 market issuers. As of Sept. 30, 2025, the index included 1,954 bonds from 851 issuers and had a market value of USD 1.24 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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