

iBoxx Liquid Indices: A Delicate Balance of Liquidity and Diversification

Contributor

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Within the realm of fixed income, different indices have evolved to serve different objectives. For example, the iBoxx USD High Yield Developed Markets Index measures USD-denominated high yield corporate debt from developed countries. The benchmark is weighted by market cap to reflect the true distribution of bond and issuer sizes and their availability in the market.

However, as tradable ecosystems evolve, benchmarks have emerged that are fit for unique purposes. iBoxx Liquid Indices are designed to underlie and facilitate tradable products like exchange-traded funds (ETFs), total return swaps (TRS) and futures. The iBoxx USD Liquid High Yield Index and the iBoxx USD Liquid Investment Grade Index were initially designed to underlie ETFs, focusing on the most-liquid bonds in their category. As activity in the ETFs tracking these indices grew, standardized total return swap markets evolved around them. More recently, new, closely related indices were launched to support corporate bond futures, which we will discuss later in this report. First, let's define the methodology behind these iBoxx Liquid Indices.

Index Construction: Liquidity-Focused Rules

Unlike broader USD corporate bond benchmarks, the iBoxx Liquid Indices have a higher minimum par amount for a bond to be eligible for inclusion. They also instill unique issuer size criteria to ensure that an issuer is large enough to trade readily in its bonds. Furthermore, the iBoxx Liquid Indices have minimum runs and lockout periods. Minimum runs require that any bond entering the index must remain for at least six months (provided, in the case of the iBoxx USD Investment Grade Liquid Index, for example, it is not downgraded to sub-investment grade, defaulted or fully redeemed), while lockout periods exclude bonds that drop out of the index from re-entering for a three-month period. Together, these features reduce portfolio churn, limiting arbitrary trading activity and the trading fees incurred by the index.

Exhibits 1 and 2 summarize the key rule adjustments required to move from an iBoxx Benchmark to an iBoxx Liquid Index.

Exhibit 1: iBoxx USD Liquid High Yield Index versus Benchmark Rule Comparison

Metric	iBoxx USD Liquid High Yield Index	iBoxx USD High Yield Index
Amount Outstanding	USD 400 million	USD 200 million
Issuer Size	USD 1 billion	N/A
Issuer Cap	3%	N/A
Lockout Period	3 months	N/A
Minimum Run	6 months	N/A
Time to Maturity	12 months, 18 months for new insertions	12 months

Source: S&P Dow Jones Indices LLC. Criteria as of March 2026. Table is provided for illustrative purposes.

Exhibit 2: iBoxx USD Liquid Investment Grade Index versus Benchmark Rule Comparison

Metric	iBoxx USD Liquid Investment Grade Index	iBoxx USD Corporates
Amount Outstanding	USD 750 million	USD 500 million
Issuer Size	USD 2 billion	N/A
Issuer Cap	3%	N/A
Lockout Period	3 months	N/A
Minimum Run	6 months	N/A
Time to Maturity	3 years, 3.5 years for new insertions	12 months, 18 months for new insertions

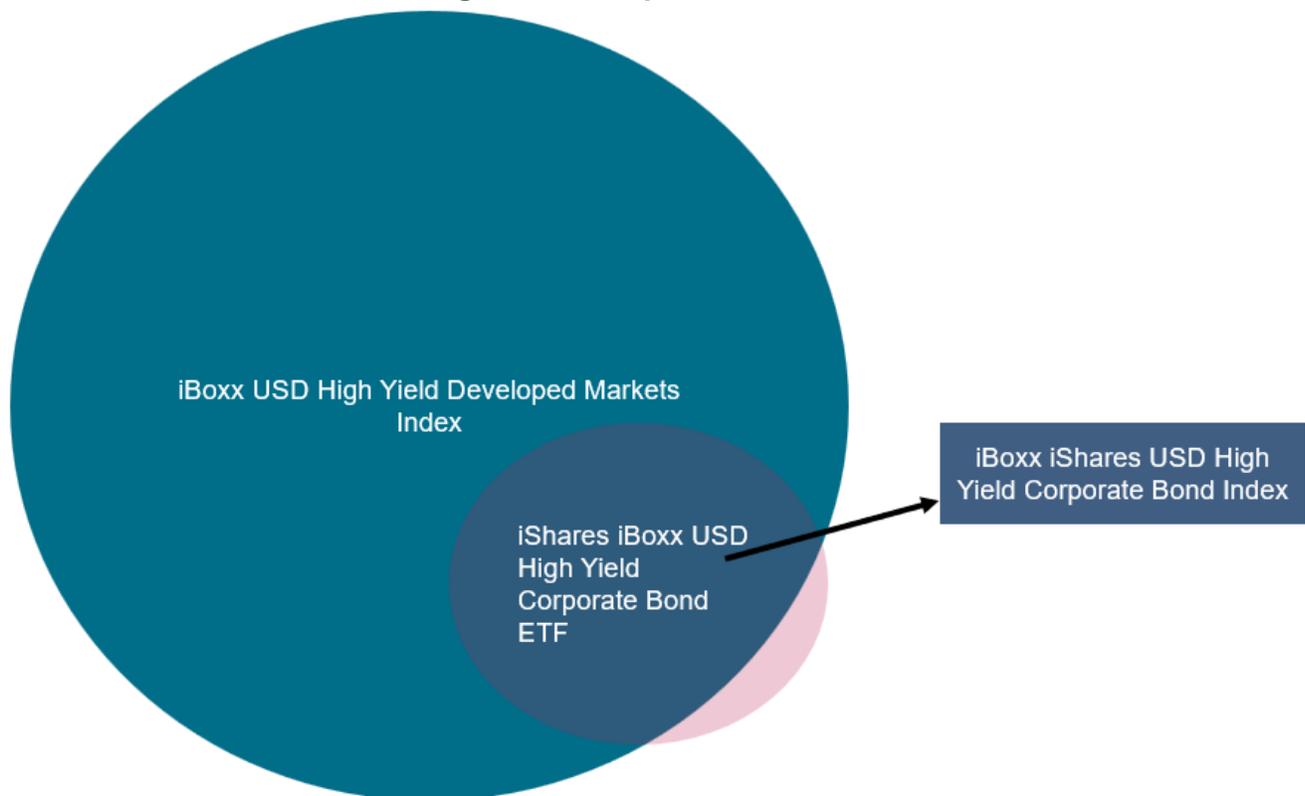
Source: S&P Dow Jones Indices LLC. Criteria as of March 2026. Table is provided for illustrative purposes.

Futures-Linked iBoxx iShares Indices

The iBoxx iShares USD High Yield Index and the iBoxx iShares USD Investment Grade Corporate Bond Index underlie listed futures. These indices are related to the iBoxx Liquid Indices in that they reflect the overlap between the broadest iBoxx measures of the USD corporate bond markets and the key ETFs tracking the USD iBoxx Liquid Indices. The iBoxx iShares USD Indices find the overlap between the ETF and the broader market benchmark to arrive at an index that's close to the ETF, recognizing that the ETF can hold bonds at the margin that fall outside their fund's benchmark. What results is the Venn diagram shown in Exhibit 3.

Due to this novel design—which includes the ETF holdings within the benchmark selection process, where the ETFs themselves track the iBoxx Liquid Indices—we can consider the iBoxx iShares USD Indices to be iBoxx Liquid Indices as well. A comparison of the risk characteristics of the iBoxx Liquid Indices, including the iBoxx iShares USD Indices, illustrates this point.

Exhibit 3: iBoxx iShares USD High Yield Corporate Bond Index Construction



Source: S&P Dow Jones Indices LLC. Criteria as of March 2026. Chart is provided for illustrative purposes.

Comparable Risk with Enhanced Liquidity

In moving from the benchmark indices to the liquid indices, there's a tradeoff between the breadth of market coverage and the liquidity of the index holdings. However, there's a middle ground that the iBoxx Liquid Indices were designed to reflect. Key characteristics of the risk/return profile and index characteristics are little changed in moving from the benchmark to the liquid index. For instance, despite including roughly 300 fewer bonds and USD 300 billion less in par value, the liquid index has essentially the same yield and duration as the benchmark index, as well as a similar spread.

Exhibit 4: iBoxx USD High Yield Index Series Characteristic Comparison

Characteristic	iBoxx iShares USD High Yield Corporate Bond Index	iBoxx USD Liquid High Yield Index	iBoxx USD High Yield Developed Markets Index
Market Value (USD Billion)	19.5	1,193.6	1,491.1
Par Value (USD Billion)	19.5	1,194.4	1,502.5
Number of Bonds	1,294	1,300	1,950
Yield (s.a.)	6.6	6.7	6.7
Modified Duration (s.a.)	2.8	2.8	2.9
Benchmark Spread (s.a.)	277.4	282.6	296.2

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2026. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

We see the same effect in the USD investment grade market, where moving from the benchmark to the liquid index results in roughly 4,600 fewer bonds and a staggering USD 4.6 trillion less in par amount included. The yields and spreads are nearly identical. There is a duration difference of roughly 1.7 years due to the iBoxx USD Liquid Investment Grade Index targeting a higher duration point via its more stringent time-to-maturity selection criteria (three years versus one year for the benchmark).

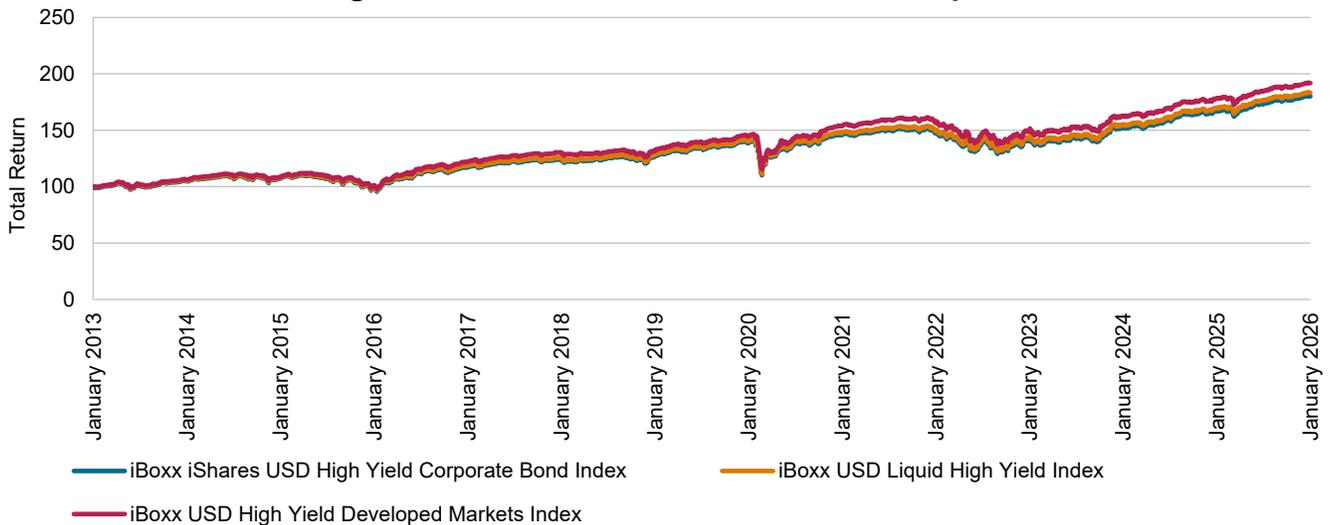
Exhibit 5: iBoxx USD Investment Grade Index Series Characteristic Comparison

Characteristic	iBoxx iShares USD Investment Grade Corporate Bond Index	iBoxx USD Liquid Investment Grade Index	iBoxx USD Corporates
Market Value (USD Billion)	29.8	3,863.6	8,334.4
Par Value (USD Billion)	31.7	4,088.3	8,613.1
Number of Bonds	3,027	3,039	8,797
Yield (s.a.)	5.3	5.3	5.2
Modified Duration (s.a.)	8.1	8.0	6.3
Benchmark Spread (s.a.)	84.3	84.3	83.8

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2026. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

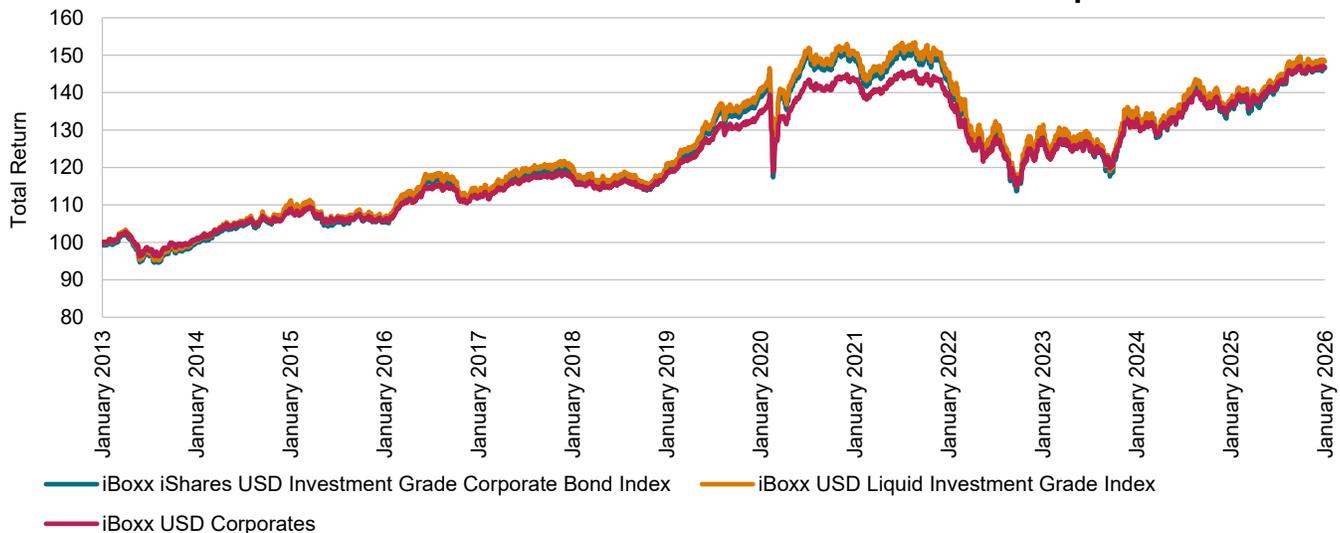
Now let's look at how historical performance has compared between various indices in the iBoxx High Yield Index Series. Exhibits 6 and 7 show near-identical performance across indices within their ratings category. In fact, the correlation of daily performance for all three high yield indices against each other was greater than 99%. The same held true for the three investment grade indices.

Exhibit 6: iBoxx USD High Yield Index Series Performance Comparison



Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2013, to Jan. 31, 2026. Indices were rebased to 100 on Jan. 31, 2013. Index performance based on total return in USD. The iBoxx iShares USD High Yield Corporate Bond Index was launched May 18, 2018. The iBoxx USD High Yield Developed Markets Index was launched July 20, 2018. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure linked at the end of this post for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 7: iBoxx USD Investment Grade Index Series Performance Comparison



Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2013, to Jan. 31, 2026. Indices were rebased to 100 on Jan. 31, 2013. Index performance based on total return in USD. The iBoxx iShares USD Investment Grade Corporate Bond Index was launched on May 18, 2018. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure linked at the end of this post for more information regarding the inherent limitations associated with back-tested performance.

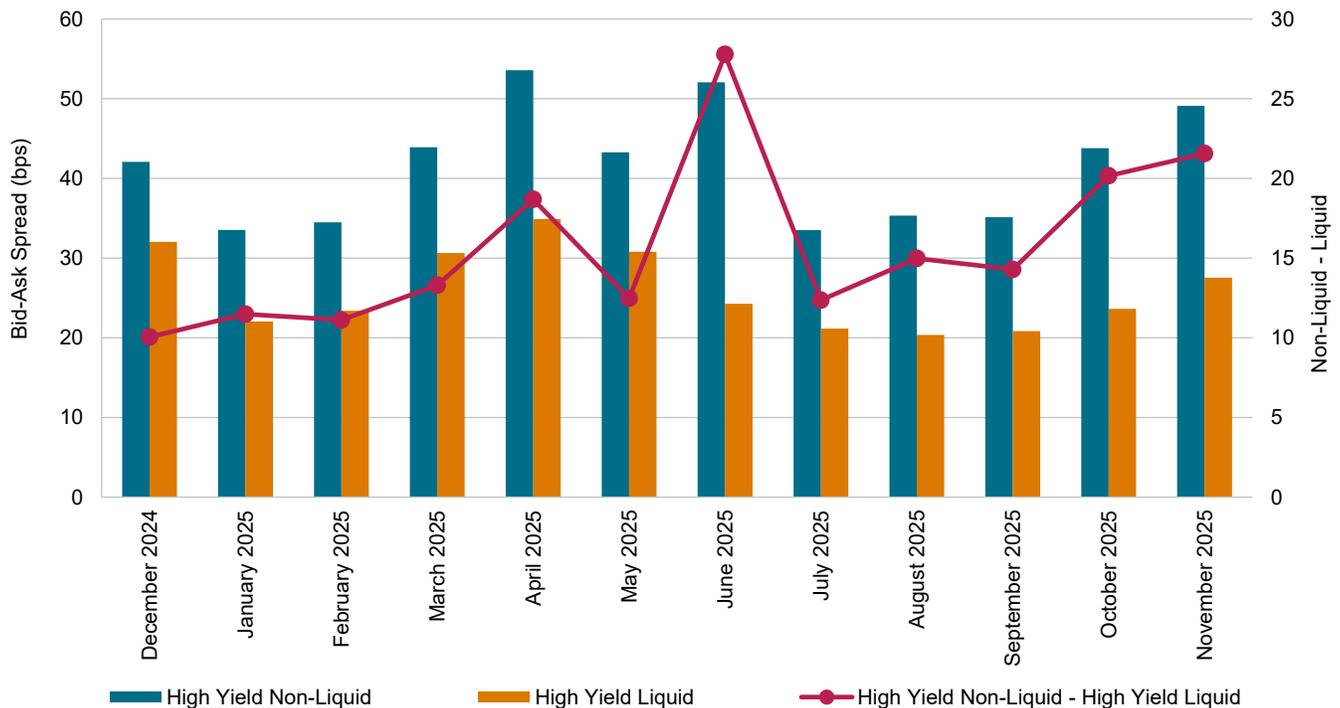
Trading Efficiency: The Liquidity Advantage

The overall effect on trading efficiency cannot be understated. The iBoxx Liquid Index Series had comparable performance to the iBoxx Benchmark Indices; however, they did so with fewer bonds and the most liquid, accessible bonds at that. This translates directly into trade efficiency, which we can observe by comparing the bid-ask spreads of each.

Exhibits 8 and 9, we calculate the average bid-ask spreads of the iBoxx Liquid Index for each monthly rebalancing date and perform the same for the non-liquid segment of the iBoxx Benchmark Indices. Here, “non-liquid” is defined as the bonds in the iBoxx Benchmark Indices that are not shared in the iBoxx Liquid Index Series.

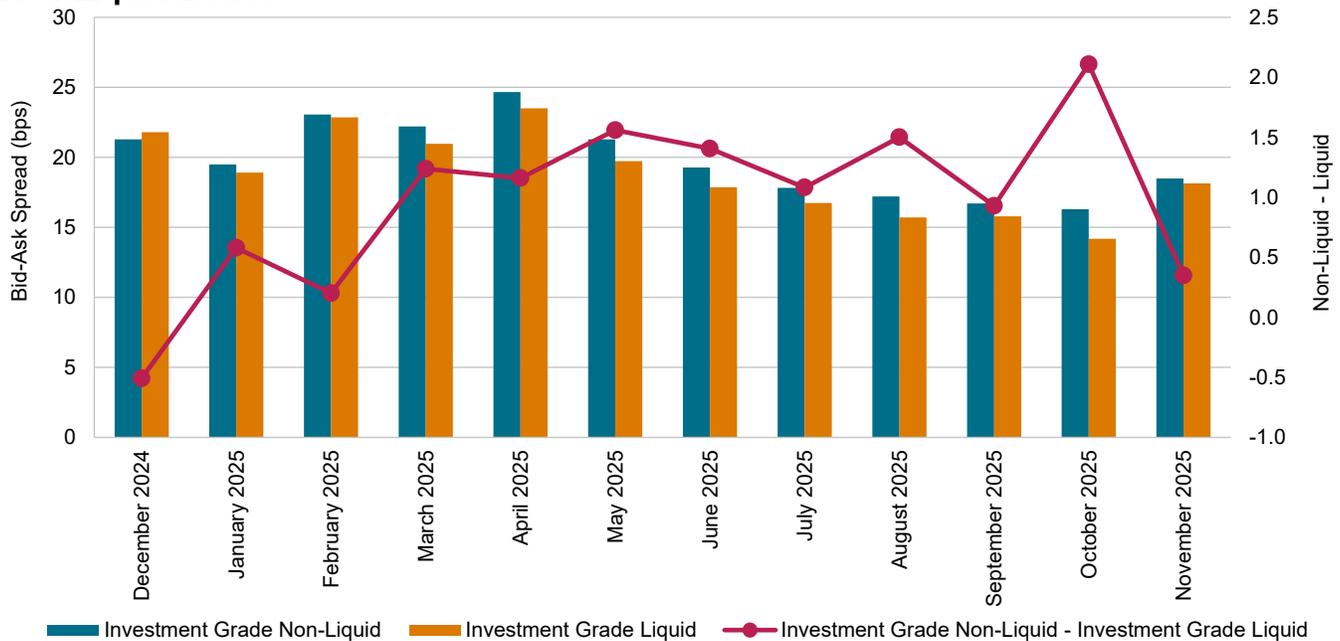
The strongest effect is observed in the USD high yield market, where liquid bonds traded at an average bid-ask spread that was 16 bps tighter than the non-liquid bonds. The effect on the investment grade market was more muted, with the average bid-ask spread being 1 bp lower when comparing liquid and non-liquid bonds.

Exhibit 8: Bid-Ask Spread of High Yield Liquid Bonds versus High Yield Non-Liquid Bonds



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2024, to Nov. 30, 2026. “High Yield Non-Liquid” is defined as the bonds in the iBoxx USD Benchmark Indices that are not shared with the iBoxx USD High Yield Liquid Index Series. “High Yield Liquid” is defined as the bonds in the iBoxx USD High Yield Benchmark Indices that are shared with the iBoxx USD Liquid Index Series. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Exhibit 9: Bid-Ask Spread of Investment Grade Liquid Bonds versus Investment Grade Non-Liquid Bonds



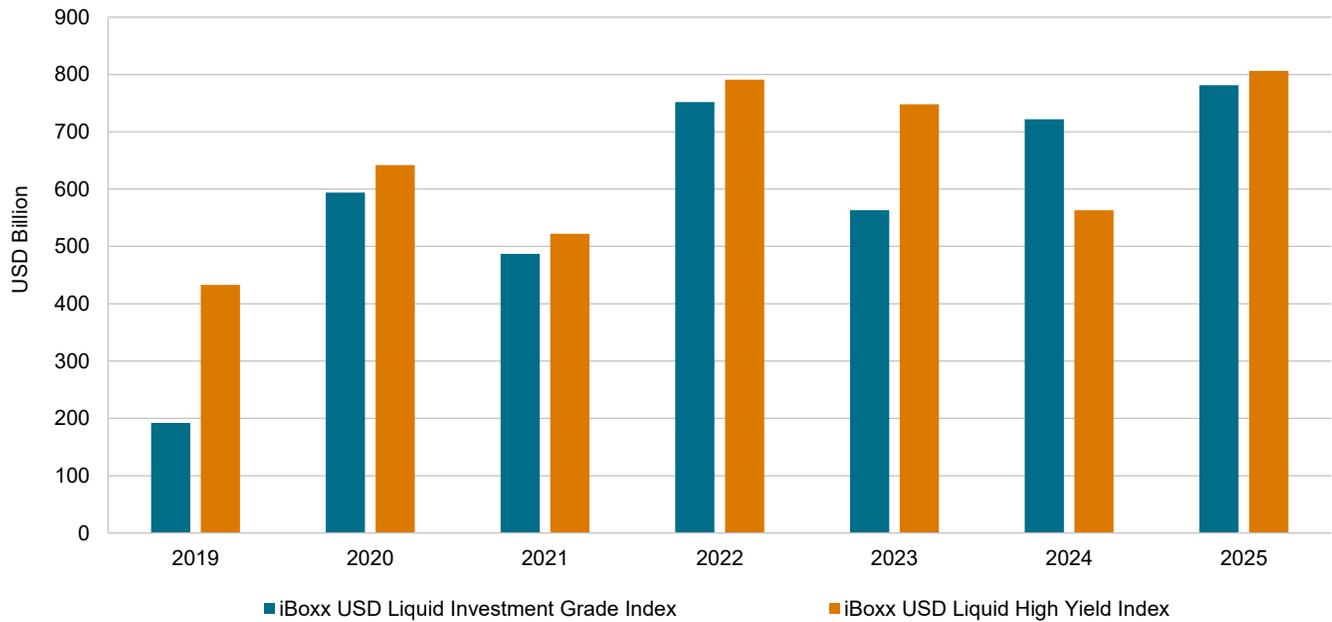
Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2024, to Nov. 30, 2025. “Investment Grade Non-Liquid” is defined as the bonds in the iBoxx USD Benchmark Indices that are not shared with the iBoxx USD Investment Grade Liquid Index Series. “Investment Grade Liquid” is defined as the bonds in the iBoxx USD Investment Grade Benchmark Indices that are shared with the iBoxx USD Liquid Index Series. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The Growing Tradable Ecosystem

Now, let’s turn our attention to the tradable ecosystem around the iBoxx Liquid Index Series. The tradable ecosystem comprises the myriad ways that investors trade in relation to these indices.

ETFs linked to the iBoxx USD Liquid Investment Grade Index and the iBoxx USD Liquid High Yield Index traded in record amounts in 2025 (USD 781.2 billion and USD 806.4 billion, respectively). Taken together, this equaled USD 1.6 trillion in volumes traded, which was roughly 24% greater than the prior year (see Exhibit 10).

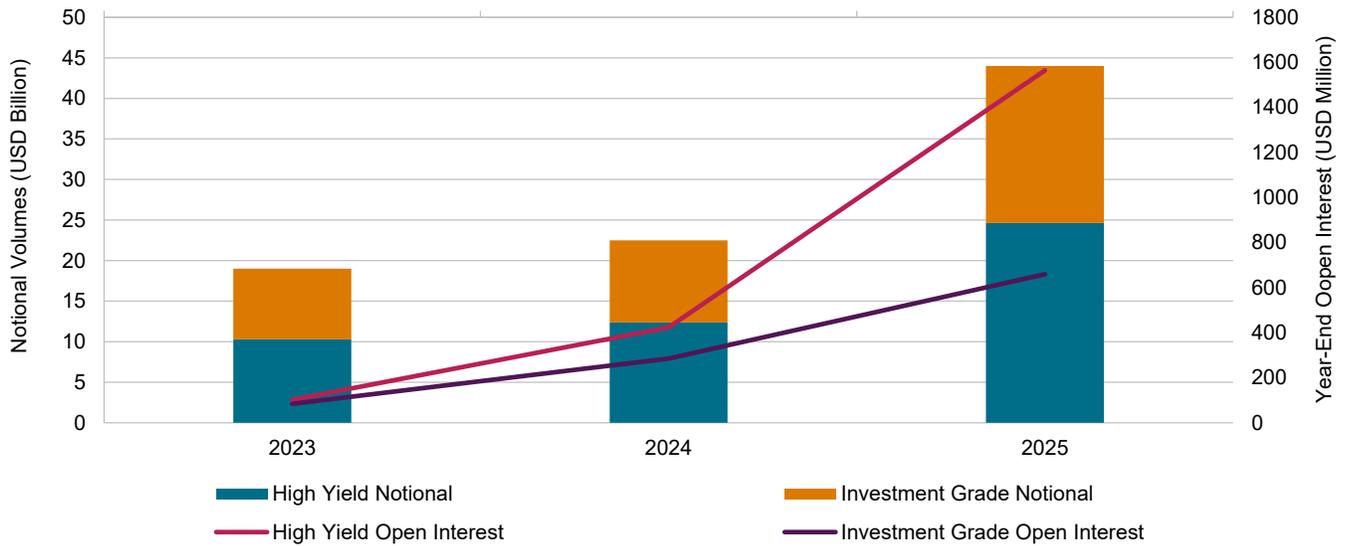
Exhibit 10: iBoxx USD Liquid High Yield Index and iBoxx USD Liquid Investment Grade Index – Annual ETF Volumes



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2018, to Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

2025 also saw a significant increase in futures activity linked to the iBoxx iShares USD High Yield Index and iBoxx iShares USD Investment Grade Corporate Bond Index. Combined notional trading nearly doubled in 2025 to USD 44 billion (USD 25 billion for high yield and USD 19 billion for investment grade), the strongest annual turnover since launch. More notably, year-end open interest—measured as average daily open interest in December 2025—expanded sharply, signaling a step-change in market depth entering 2026. High yield open interest rose to USD 1.56 billion, up from USD 423 million in 2024 and USD 102 million in 2023, while investment grade open interest reached USD 659 million, more than double 2024 levels and nearly eight times those of 2023.

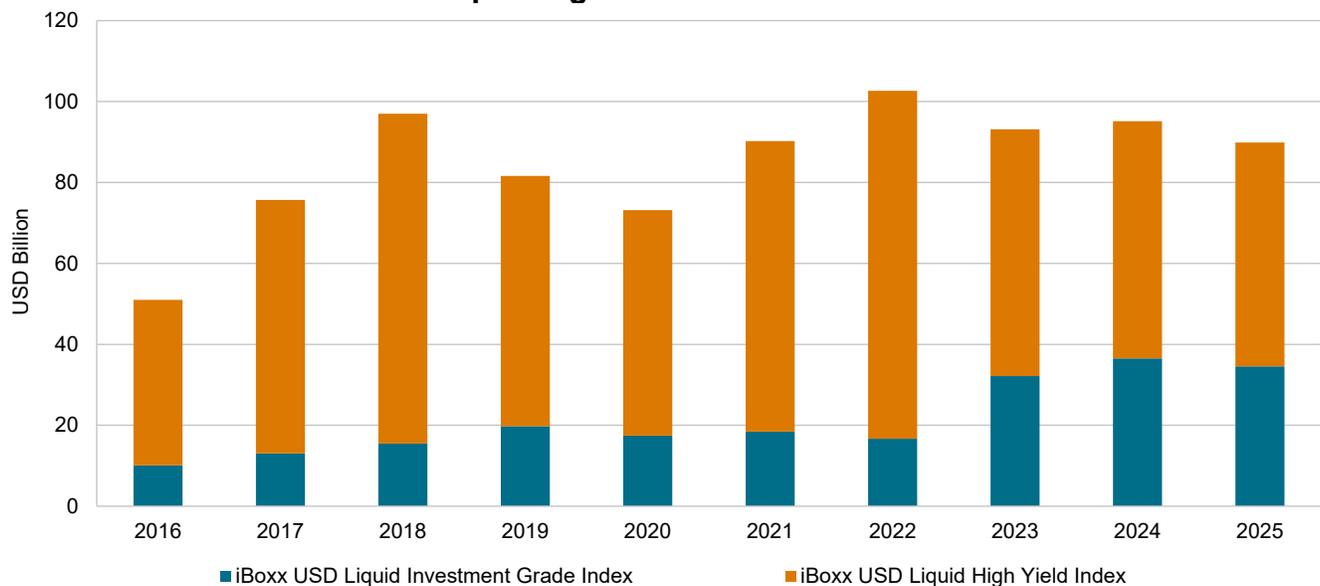
Exhibit 11: iBoxx iShares USD Corporate Bond Indices – Futures Volumes and Open Interest



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2022, to Dec. 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Robust activity was also observed in the Standardized iBoxx TRS market in 2025. The 2025 TRS trading volumes linked to the iBoxx USD Liquid High Yield Index and the iBoxx USD Liquid Investment Grade Index were USD 55.3 billion and USD 34.6 billion, respectively, and together traded roughly USD 90 billion.

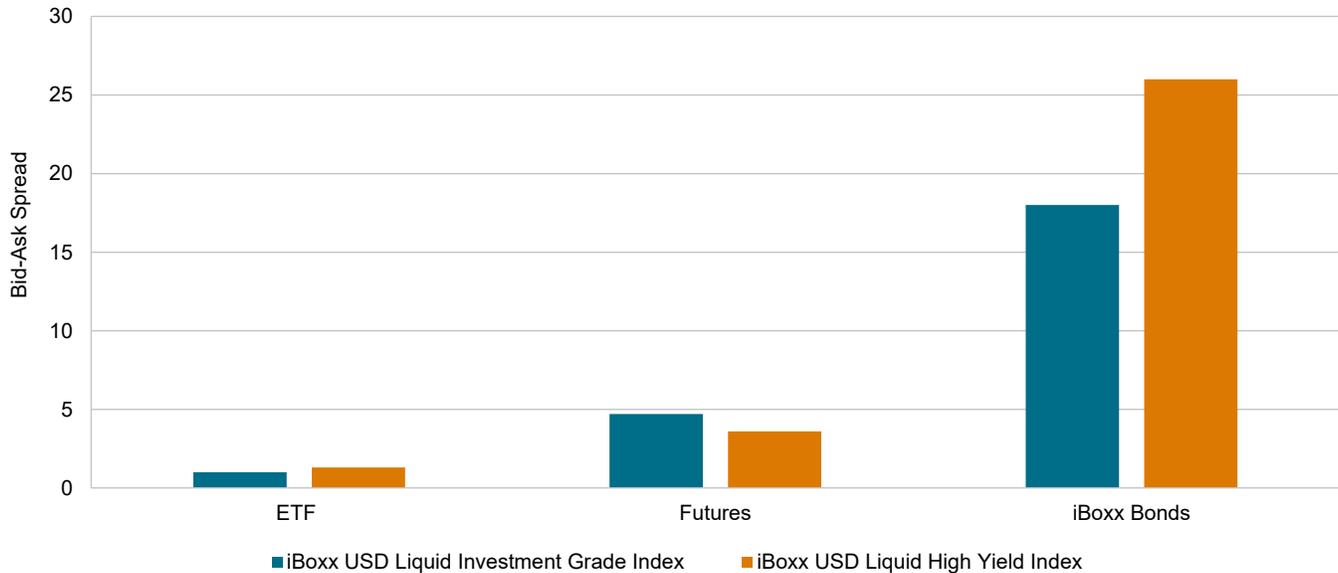
Exhibit 12: Standardized TRS Volumes Linked to the iBoxx USD Liquid Investment Grade Index and iBoxx USD Liquid High Yield Index



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2015, to Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Why do we care about increased index derivative activity linked to the iBoxx USD Corporate Bond Indices? Because increased activity means deeper markets and enhanced trade efficiency, much like what we observed in moving from the iBoxx USD Benchmark Indices to iBoxx USD Liquid Indices. With their average bid-ask spreads for 2025, we can directly observe how trade efficiency is enhanced moving from individual bonds to the ETFs and futures tracking these indices.

Exhibit 13: Bid-Ask Spreads – Cash Bonds versus ETFs and Futures



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2024, to Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The iBoxx USD Liquid High Yield Index and iBoxx USD Liquid Investment Grade Index were created to support a more efficient measurement of the USD corporate bond markets. By focusing on the largest bonds from the largest issuers, the iBoxx Liquid Indices are more replicable and trade efficient than broader benchmarks. The minimum runs and lockout periods keep index compositions stable and limit trading costs, all while delivering comparable risk and performance to corresponding broader benchmarks. This balance of liquidity and diversification has benefited a growing and evolving ecosystem of tools that revolve around the iBoxx USD Liquid High Yield Index and iBoxx USD Liquid Investment Grade Index.

Performance Disclosure/Back-Tested Data

The iBoxx iShares USD High Yield Corporate Bond Index was launched May 18, 2018. The iBoxx USD High Yield Developed Markets Index was launched July 20, 2018. The iBoxx iShares USD Investment Grade Corporate Bond Index was launched on May 18, 2018. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology in effect on the index launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at www.spglobal.com/spdji. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

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