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Asian Fixed Income: Resilient through the rates shock

Market update

25 September 2026

Summary

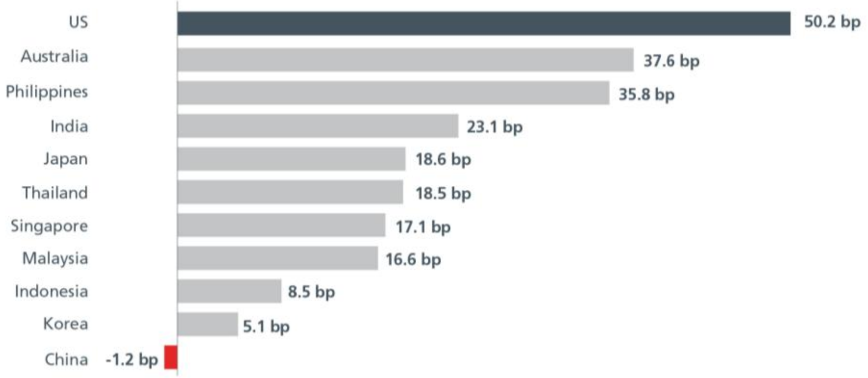
- Asian fixed income has absorbed less of the recent global rates shock, reflecting differentiated domestic inflation, growth and policy cycles.
- Asian fixed income has outperformed broader global credit, supported by lower rates sensitivity, shorter duration and resilient credit spreads.
- The sell-off has reset yields higher, creating more attractive income and selective relative-value opportunities across Asian markets, currencies and credit

Recent market developments

There have been sharp moves in global bond markets recently, driven largely by a significant repricing in global rates. Over the past month, 2, 5 and 10-year US Treasury yields have risen by around 69bp, 66bp and 50bp respectively.

What is notable, however, is that Asian rates markets have generally absorbed considerably less of that shock. In comparison, 10-year government bond yields rose by around 38bp in Australia, 36bp in the Philippines, 23bp in India, 19bp in Japan and Thailand, 17bp in Singapore, 17bp in Malaysia, 9bp in Indonesia and 5bp in Korea. Meanwhile, yields remain broadly unchanged in China. This demonstrates that Asian markets continue to be driven by differentiated domestic inflation, growth and policy cycles rather than simply moving one-for-one alongside US rates. Fig. 1.

Fig. 1. 1-month change in 10-year government bond yields (bp)



Source: Internal market data, as of 24 September 2026

The same relative resilience is visible in total returns. Year to date as of 24 Sep, the JP Morgan Asia Credit Index is relatively flat around -0.3% while the Bloomberg US Corporates Index is down 2.2%. While Asian local bonds, as measured by the iBoxx ALBI Index in USD, have declined -1.5%, they are still ahead of US corporates despite the negative currency impact from the stronger USD.

For Asian credits, part of that resilience is due to its somewhat shorter duration profile. At the same time, Asian credit spreads and technicals have also held up relatively well against a backdrop of heavier US corporate bond issuance.

For existing investors, the key message is that although Asia fixed income has not been immune to the global sell-off, it has generally shown lower sensitivity to US rates and better relative resilience than broader global fixed income. In other words, the recent price action in Asian fixed income has been more a function of the repricing in global rates than a breakdown in the Asia fixed income story.

For prospective investors, the correction has materially improved the forward-looking income opportunity. The same rise in yields that created short-term mark-to-market pressure has also resulted in more attractive starting nominal yields, real rates and carry for investors allocating to Asia fixed income today.

Importantly, Asia should not be viewed as one homogenous trade. The opportunity increasingly comes from being selective across markets, currencies and credit, taking advantage of differentiated policy cycles and relative-value opportunities rather than owning everything indiscriminately. Whilst we await a durable solution to the Middle East conflict, we remain selective - prioritising quality carry at the shorter end and belly of the curve while preparing to extend duration when the uncertainty recedes.

Investors should view Asia fixed income not as a market that is insulated from global volatility, but as a diverse opportunity set where lower correlations, attractive carry and differentiated policy cycles can help produce more resilient outcomes within a broader fixed income allocation. With global real rates at multi-year high levels, it is an exciting time to be in bonds again.

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