

November 2025



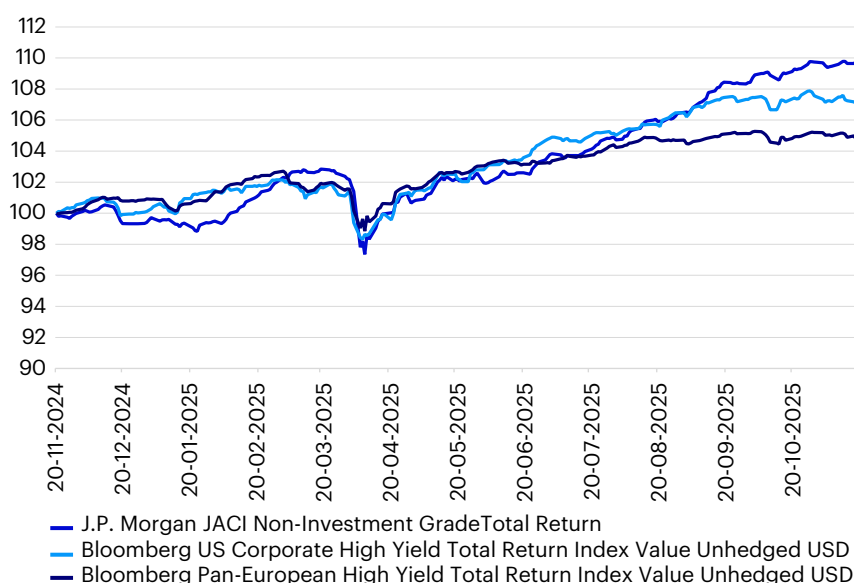
**Norbert Ling**  
Head of Fixed Income Portfolio  
Management, APAC

## Asia high yield : Sustained outperformance amid market contraction

Asia High Yield (HY) has maintained its lead over Pan-European and US HY markets year-to-date, as of November 7, 2025 (See Chart-1), and is on track for its second straight year of total return outperformance<sup>1</sup>. This underscores the positive role of Asian HY asset class in global fixed income portfolios – potentially enhancing diversification and contributing to returns.

This total return outperformance comes against the backdrop of a shrinking Asian HY market, despite the ongoing re-opening of HY primary issuance. We continue to see a decline in the total market size in 2025, with the market capitalization of the JACI HY Index at \$118bn at end- October, roughly half of the level recorded in December 2021<sup>2</sup>.

**Chart 1: Asia HY year-to-date outperformance compared to Pan European HY and US HY**



Source: Invesco, Bloomberg, data as of November 7, 2025. Used with the permission of Bloomberg Finance L.P.

## Low default rates and the role of private credit

We continue to see low default rates in Asia HY (excluding real estate) as discussed in the *Q4 Investment Outlook – Asia Fixed Income: High Yield*. However, we remain very vigilant regarding issuers with weak cash-to-short-term-debt coverage and persistently negative free cash flow. Additionally, we would highlight private credit as an alternative financing channel for Asia HY issuers. In this context, it is critical to focus on credit structuring and creditor protections as private credit investors are likely to be better positioned in any potential credit restructuring scenario.

1. Source: Bloomberg, November 7, 2025

2. Source: Invesco, JP Morgan, Aladdin, data as of November 9, 2025.

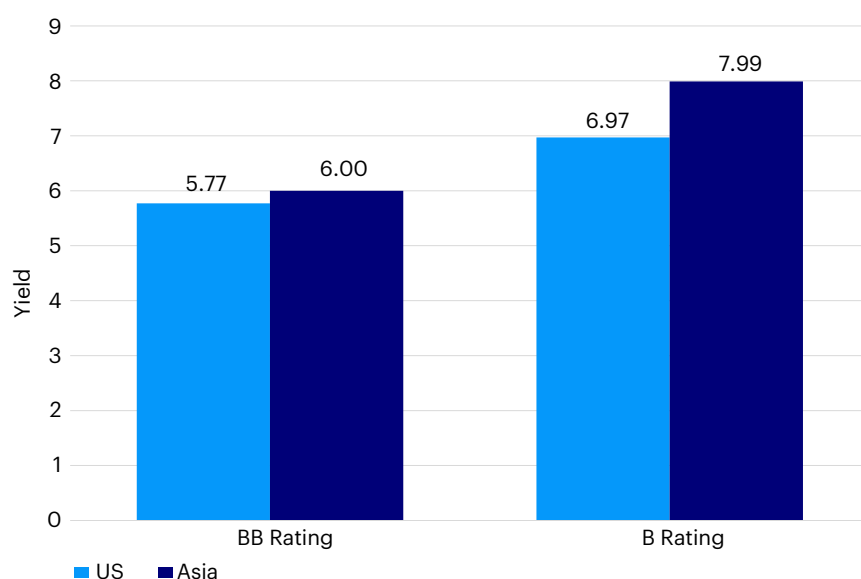
November 2025

## Relative valuations and front-end opportunities

With the continued outperformance of the asset class, the relative valuation advantage of Asian HY has narrowed, as evidenced by Asia BBs and US BBs now trading at nearly flat yields, while Asia B still offers about 90bp yield pickup<sup>3</sup> versus US B, as seen in Chart 2.

As such, we see greater value potential in front-end Asia HY paper (1- to 2-year tenors) which offer a healthy yield uplift of over 1-2%<sup>4</sup> compared to BBB paper. Preferred sectors in the front-end HY space include frontier sovereigns, subordinated bank capital, renewables and gaming, where we could see clear refinancing routes. We also identify select Single-B rated names with potential for 10% total return opportunities.

**Chart 2: Relative value: Asia HY versus US HY**



Source: Invesco, Bloomberg, data as of November 24, 2025. Used with the permission of Bloomberg Finance L.P.

## Capital appreciation potential: Pull-to-par dynamics

Given the more limited yield pickup compared to US HY, it is reasonable to consider if there is additional scope for capital appreciation within the Asia HY universe. As shown in Chart 3 below, the proportion of bonds trading over a cash price of 80 has steadily risen to over 90% during the last year.

The capital appreciation potential lies in performing credits priced between 80 and 100, which account for over 50% of the index<sup>5</sup> and could stand to benefit from further pull-to-par. This could help anchor total return expectations heading into 2026, with the index offering a coupon of 5.75%<sup>6</sup>.

3. Source: Invesco, Bloomberg, data as of November 7, 2025.

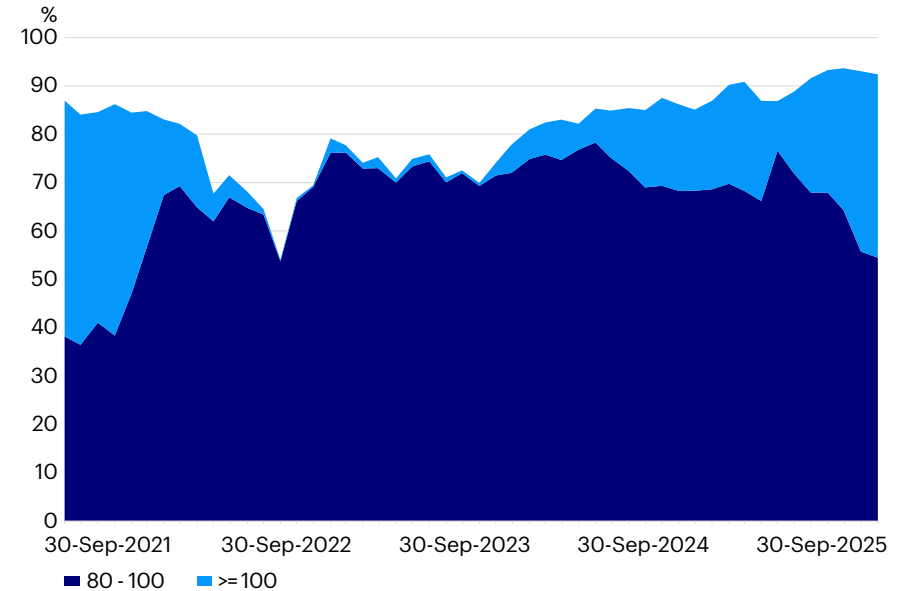
4. Source: Invesco, Bloomberg, data as of November 14, 2025.

5. Source: Invesco, JP Morgan, Aladdin, data as of November 9, 2025.

6. Source: JPMorgan Asia HY Index, data as of November 7, 2025.

November 2025

**Chart 3: Percentage of bonds in JACI Asia HY Index trading above a cash price of 80**



Source: Invesco, JP Morgan, Aladdin, data as of November 9, 2025.

## Navigating risks and capturing premium with active management

Despite the strong year-to-date outperformance of Asia HY, we continue to see a case for allocating to Asia HY within global fixed income portfolios, supported by low default rates and attractive yield pickup. Active management will be critical to navigating the Asia HY landscape and avoiding credits with downside risks.

Accordingly, we see active management plays a key role in optimizing and customizing the Asia HY exposure across countries, tenors and rating categories. In this vein, we perceive merit in an Asia bond strategy that flexibly allocates between IG and HY paper based on fundamentals and valuations, positioning it to capture potential credit risk premium in Asia credit markets and could deliver resilient income.

# 2026 Investment Outlook – Asia Fixed Income: High Yield

November 2025

---

## Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

When investing in less developed countries, you should be prepared to accept significantly large fluctuations in value.

Investment in certain securities listed in China can involve significant regulatory constraints that may affect liquidity and/or investment performance.

---

## Important information

**This document is for Professional Clients only in Dubai, Jersey, Guernsey, the Isle of Man, Continental Europe (as defined below) and the UK; for Institutional Investors only in the United States; for Professional/Qualified/Sophisticated Investors in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates; for AFPs and Qualified Investors in Chile; for Qualified Clients/Sophisticated Investors in Israel; for Sophisticated or Professional Investors in Australia; in New Zealand for wholesale investors (as defined in the Financial Markets Conduct Act); for Professional Investors in Hong Kong; for Qualified Institutional Investors in Japan; in Taiwan for Qualified Institutions/Sophisticated Investors; in Singapore for Institutional/Accredited Investors; for Qualified Institutional Investors and/or certain specific institutional investors in Thailand; for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China; for certain specific institutional investors in Malaysia upon request; for certain specific institutional investors in Brunei; for Qualified Professional Investors in Korea; for certain specific institutional investors in Indonesia; for qualified buyers in Philippines for informational purposes only; in Canada, this document is restricted to i) accredited investors and ii) permitted clients as defined under National Instrument 45-106 and 31-103 respectively. It is not intended for and should not be distributed to or relied upon by the public or retail investors. Please do not redistribute this document.**

Forward-looking statements are not a guarantee of future results. They involve risks, uncertainties, and assumptions. There can be no assurance that actual results will not differ materially from expectations.

This is marketing material and not financial advice. It is not intended as a recommendation to buy or sell any particular asset class, security, or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication.

By accepting this document, you consent to communicate with us in English, unless you inform us otherwise. Data as at November 2025, unless otherwise stated.

For the distribution of this document, Continental Europe is defined as Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, and Switzerland.

All articles in this publication are written, unless otherwise stated, by Invesco professionals. Views and opinions are based on current market conditions and are subject to change. This publication does not form part of any prospectus. This publication contains general information only and does not take into account individual objectives, taxation position or financial needs. Nor does this constitute a recommendation of the suitability of any investment strategy for a particular investor.

November 2025

This publication is not an invitation to subscribe for shares in a fund nor is it to be construed as an offer to buy or sell any financial instruments. As with all investments, there are associated inherent risks. This publication is by way of information only. This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else and you may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco. Asset management services are provided by Invesco in accordance with appropriate local legislation and regulations.

This publication is issued:

- in **Hong Kong** by Invesco Hong Kong Limited 景順投資管理有限公司, 45/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- in **Singapore** by Invesco Asset Management Singapore Ltd, 9 Raffles Place, #18-01 Republic Plaza, Singapore 048619.
- in **Taiwan** by Invesco Taiwan Limited, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800-045-066). **Invesco Taiwan Limited is operated and managed independently.**
- in **Japan** by Invesco Asset Management (Japan) Limited, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114; Registration Number: The Director- General of Kanto Local Finance Bureau (Kin-sho) 306; Member of the Investment Trusts Association, Japan and the Japan Investment Advisers Association.
- in **Australia** by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia which holds an Australian Financial Services Licence number 239916.

This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else. Information contained in this document may not have been prepared or tailored for an Australian audience and does not constitute an offer of a financial product in Australia. You may only reproduce, circulate, and use this document (or any part of it) with the consent of Invesco.

The information in this document has been prepared without taking into account any investor's investment objectives, financial situation or particular needs. Before acting on the information the investor should consider its appropriateness having regard to their investment objectives, financial situation, and needs.

You should note that this information:

- may contain references to dollar amounts which are not Australian dollars;
- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.

- in **New Zealand** by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia which holds an Australian Financial Services Licence number 239916.

This document is issued only to wholesale investors (as defined in the Financial Markets Conduct Act) in New Zealand to whom disclosure is not required under Part 3 of the Financial Markets Conduct Act. This document has been prepared only for those persons to whom it has been provided by Invesco.

It should not be relied upon by anyone else and must not be distributed to members of the public in New Zealand. Information contained in this document may not have been prepared or tailored for a New Zealand audience. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco. This document does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for, an opinion or guidance on Interests to members of the public in New Zealand. Applications or any requests for information from persons who are members of the public in New Zealand will not be accepted.

# 2026 Investment Outlook – Asia Fixed Income: High Yield

November 2025

- in the **United States** by Invesco Advisers, Inc., 1331 Spring Street NW, Suite 2500, Atlanta, GA 30309, USA.
- in **Canada** by Invesco Canada Ltd., 16 York Street, Suite 1200, Toronto, Ontario M5J 0E6.
- in **Austria and Germany** by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.
- in **Belgium, Denmark, Finland, France, Greece, Italy, Ireland, Luxembourg, Netherlands, Norway, Portugal, Spain and Sweden** by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.
- in **Dubai, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia** and the **United Arab Emirates** by Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.
- in the **Isle of Man, Jersey, Guernsey** and the **UK** by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom. Authorised and regulated by the Financial Conduct Authority.
- in **Switzerland** by Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland.
- in **Israel** by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority. This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 ("the Investment Advice Law"). Investors are encouraged to seek competent investment advice from a locally licensed investment advisor prior to making any investment. Neither Invesco Ltd. nor its subsidiaries are licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder.