

November 2025



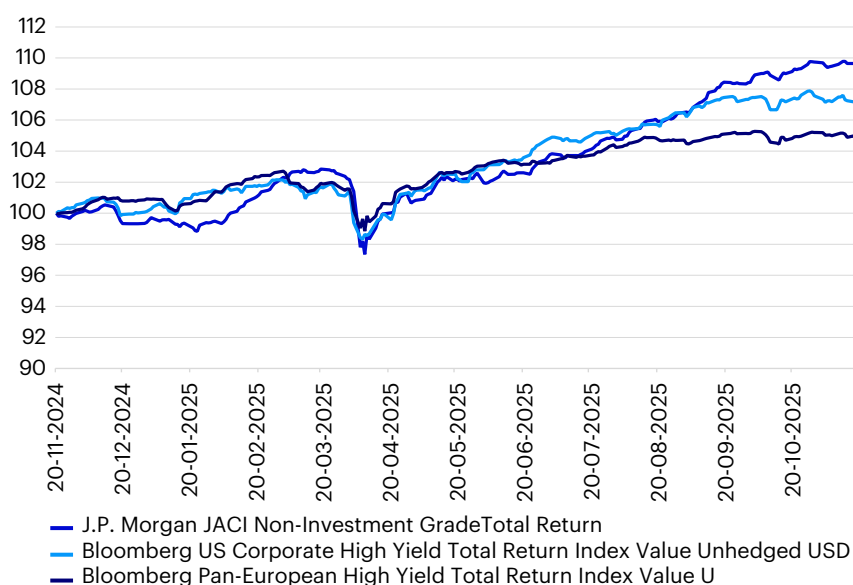
Norbert Ling
Head of Fixed Income Portfolio
Management, APAC

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 outperformance¹. 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 2021².

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



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 2025 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.

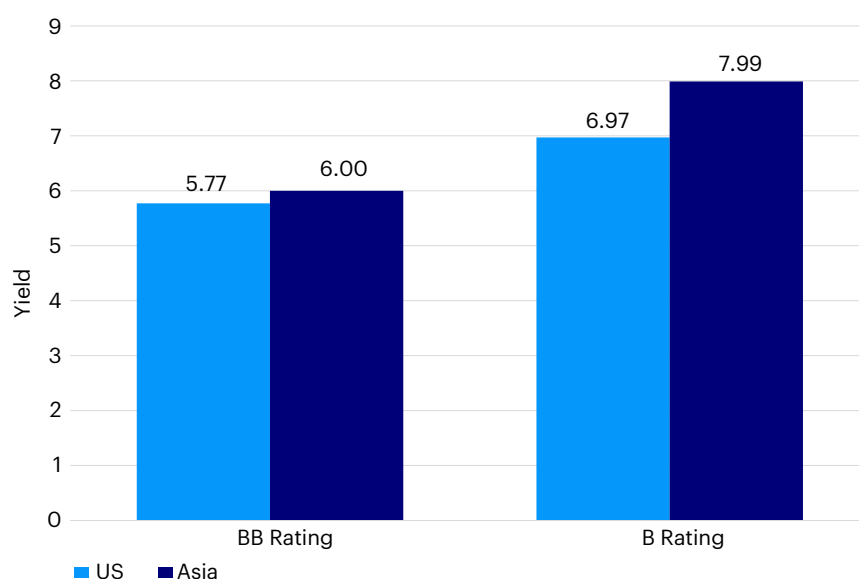
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Relative valuations and front-end opportunities

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 pickup³ 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%⁴ 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 index⁵ 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%⁶.

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

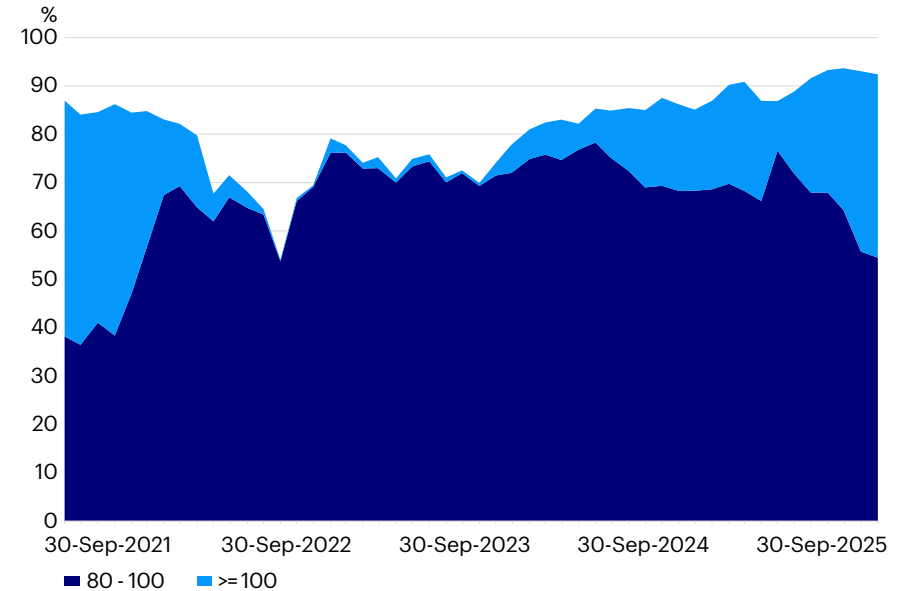
4. Source: Invesco, Bloomberg, data as of November 14, 2025.

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

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

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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

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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.

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