

# Bonds Powering Portfolios

## 2025 Midyear Fixed Income Outlook



### Offset volatility with income

With uncertainty and market volatility expected to persist through year-end, investors should use fixed income to generate income and help cushion volatility.

### Give yourself more credit

U.S. companies remain fundamentally strong. Be precise: look to high quality public and private corporate bonds.

### Stay shorter duration

Look to capture attractive yields with less volatility in short to intermediate U.S. Treasuries, corporates and international bonds.

### The “income” in fixed income is the hero of 2025

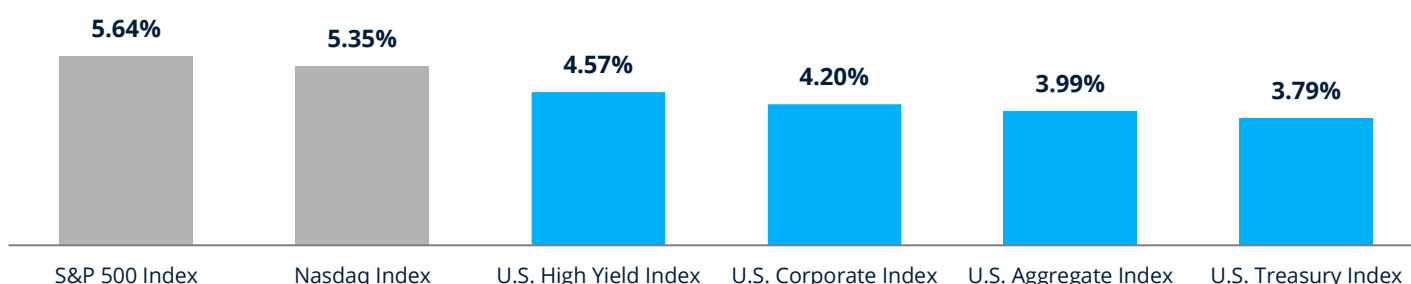
In the first half of 2025, U.S. fixed income continued to provide stability and attractive yields. While equities faced volatility driven by tariffs and global trade uncertainty, the “income” in fixed income cushioned price movements.

- **Credit:** BB rated high yield was the best performing sector of corporate bonds, due to lower interest rate sensitivity than investment grade and less volatility than lower rated high yield. The stability of the income return in this segment contributed +3.03% to the year-to-date total return of +4.91%.<sup>1</sup>
- **U.S. Treasuries:** The short-to-intermediate part of the curve functioned as a safe haven, outperforming long-dated U.S. Treasuries that were adversely affected by higher rate volatility, persistent inflation, and the rising U.S. deficit. The best performers along the curve were the 7- and 5-year target duration U.S. Treasury indices, at +5.32% and +5.09% year-to-date respectively.<sup>2</sup>

**We expect fixed income to continue to play an essential role in portfolios through year-end.** Yields remain near their highest levels in years, providing compelling income and powering total return. Current yield to maturity ranges for key fixed income indices: U.S. Treasuries +4-5%, U.S. Investment grade corporates +4-6%, U.S. high yield bonds +6-11%, and private credit +8-9%.<sup>3</sup>

### Major U.S. fixed income and equity performance year to date.<sup>4</sup>

FIGURE 1



### Within fixed income, more precise exposures outperformed broad categories year to date.<sup>5</sup>

FIGURE 2

Exposure	Index	Total Return	Yield
U.S. Treasury: 7 Year Duration	Bloomberg US Treasury 7 Year Duration Index	5.32%	4.11%
Investment Grade: BBB 5-10 Year	Bloomberg US Corporate BBB 5-10 Year Index	5.29%	5.14%
U.S. Treasury: 5 Year Duration	Bloomberg US Treasury 5 Year Duration Index	5.09%	3.85%
High Yield: BB	ICE BofA BB US Cash Pay High Yield Constrained Index	4.91%	5.80%
High Yield: B	ICE BofA B US Cash Pay High Yield Constrained Index	4.18%	7.05%

<sup>1-5</sup> Source: Bloomberg, as of 6/30/2025.

## Where to Focus Ahead: Shorter Duration and Credit

The outlook for the U.S. economy has improved as the impact of tariffs has lessened, though risks of ongoing trade uncertainty, growing budget deficit, and rising inflation remain. With yields still elevated, volatility lingering, and central banks exercising caution, we believe bonds will continue to drive portfolio returns. However, investing in bonds with precision matters more than ever. Here are the areas where we see opportunities for the second half of 2025.

### Short-to-Intermediate Duration U.S. Treasuries

Yields remain attractive in the short-end of the curve with low return volatility, while the intermediate-end could provide the potential for price appreciation if economic conditions weaken.

**XHLF**

BondBloxx 6 Month Target Duration  
US Treasury ETF

**XTRE**

BondBloxx 3 Year Target Duration  
US Treasury ETF

### Private Credit

With compelling yields and low volatility, private credit is a diversifier to other fixed income and equities. It exhibits solid fundamentals and may help reduce interest rate risk, due to the floating rate nature of this asset class.

**PCMM**

BondBloxx Private Credit CLO ETF

### U.S. Corporates with Specific Ratings

We continue to see favorable tailwinds for U.S. corporate bonds, including a resilient economy, strong fundamentals, high yields, manageable debt maturities, and Federal Reserve policy that is not overly restrictive.

**Investment grade corporates** entered this period of uncertainty from a strong fundamental position and are well positioned to manage through it. We prefer BBB rated given their coupon income in the +5-6% range.

**BBBS**

BondBloxx BBB Rated 1-5 Year  
Corporate Bond ETF

**BBBI**

BondBloxx BBB Rated 5-10 Year  
Corporate Bond ETF

**High yield corporates** offer better relative value due to their generous coupon income, which can mitigate return volatility. Specifically, BB rated bonds have coupons around +6%, with much lower default risk compared to broad high yield. CCC rated bonds provide higher income potential, with coupons around +11%.

**XBB**

BondBloxx BB Rated USD High Yield  
Corporate Bond ETF

**XCCC**

BondBloxx CCC Rated USD High Yield  
Corporate Bond ETF

**BondBloxx fixed income ETFs** span U.S. Treasuries, investment grade and high yield corporate bonds, emerging markets bonds, tax-aware strategies, and private credit. [View all.](#)

## DISCLOSURES

**Carefully consider the Funds' investment objectives, risks, charges, and expenses before investing. This and other information can be found in the Funds' prospectus or, if available, the summary prospectus, which may be obtained by visiting [bondbloxx.com](http://bondbloxx.com). Read the prospectus carefully before investing.**

There are risks associated with investing, including possible loss of principal. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Investment grade bonds have ratings of BBB- or above. High yield bonds have ratings of BB+ and below. BBB-rated bonds are typically subject to greater risk of downgrade than other investment grade bonds, especially during an economic downturn or substantial period of rising interest rates. Any downgrade of such bonds would relegate such bonds from the investment grade universe to the high yield (or "junk" bond) universe. Securities that are rated below investment-grade may be deemed speculative, may involve greater levels of risk than higher-rated securities of similar maturity and may be more likely to default. Investing in mortgage- and asset-backed securities involves interest rate, credit, valuation, extension and liquidity risks and the risk that payments on the underlying assets are delayed, prepaid, subordinated or defaulted on.

Nothing contained in this presentation constitutes investment, legal, tax, accounting, regulatory, or other advice. Information contained in this presentation does not constitute an offer to sell or a solicitation of an offer to buy any shares of any BondBloxx ETFs. The investments and strategies discussed may not be suitable for all investors and are not obligations of BondBloxx. The content of this presentation is intended to be for informational purposes only and is not intended to be investment advice. Not for distribution to the public. Decisions based on information contained in this presentation are the sole responsibility of the intended recipient. You should obtain relevant and specific professional advice before making any investment decision. This information is provided for informational purposes only and is subject to change without notice.

The content is provided by us and certain third parties and is intended for information purposes only. The Content has been obtained from, or is based on, sources believed by us to be reliable, but is not guaranteed as to its accuracy or completeness. The Content is provided without obligation on our part and on the understanding that any person or entity who acts upon it or changes his, her or its investment position in reliance on it does so entirely at his, her or its own risk.

Index definitions: The **ICE BofA Broad Market Index** (U.S. Aggregate Index) measures the performance of U.S. dollar-denominated, investment grade debt securities, including U.S. Treasury notes and bonds, quasi-government securities, corporate securities, residential and commercial mortgage-backed securities and asset-backed securities. The **ICE BofA U.S. Corporate Index** tracks the performance of U.S. dollar-denominated investment grade rated corporate debt publicly issued in the U.S. domestic market. The **ICE BofA U.S. High Yield Index** tracks the performance of U.S. dollar-denominated, below investment grade-rated corporate debt publicly issued in the U.S. domestic market. The **ICE BofA U.S. Treasury Index** tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market. The **NASDAQ Composite Index** measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market, including over 2,500 companies. The **S&P 500 Index** tracks the performance of 500 leading large-cap U.S. equities and covers approximately 80% of available market capitalization.

Private credit investments are generally illiquid and do not trade on public or established exchanges, though certain investment vehicles such as CLOs may offer exposure to these assets with secondary market trading. While these vehicles can provide more liquidity, the underlying private credit instruments may remain less liquid.

BondBloxx Investment Management LLC ("BondBloxx") is a registered investment adviser.

Distributor: Foreside Fund Services, LLC.