BondBloxx Midyear Outlook: Record Bond ETF Inflows in First Half of 2026 and the Case for Fixed Income as Stock Valuations Stretch

Income-focused ETF provider releases its midyear outlook, highlighting four bond ETF ideas for investors to consider instead of equities

LARKSPUR, Calif., July 20, 2026 – **BondBloxx Investment Management**, the first ETF issuer focused exclusively on fixed income, has released its Midyear Outlook, which contains a range of timely and compelling answers to the question *"Why Fixed Income Now?"*

"As we move into the second half of the year, bond yields are high enough to rival, and even outperform, equity returns," said JoAnne Bianco, CFA®, Senior Investment Strategist at BondBloxx. "The macro outlook for equities is rapidly turning less favorable as inflation remains stubbornly above the Federal Reserve's 2% target, valuations sit at historically high levels, and overall equity market gains have become concentrated in volatile sectors like mega-cap AI and energy."

"Against that backdrop, fixed income is reasserting its dual role of providing income generation and volatility stabilization, and bond ETFs continue to be the vehicle of choice to access fixed income" added JoAnne.

Fixed income ETFs had record inflows of over $300 billion in the first half of the year, putting them on pace to blow past the full-year record of $434 billion in 2025 which was itself a sharp jump from prior years.[1] Over 95% of U.S. Fixed Income ETF Morningstar categories posted net inflows year-to-date, with flows well-diversified across categories.[2] This growth mirrors the equity ETF trajectory as investors continue to use fixed income ETFs to position portfolios quickly and efficiently.

Looking to the second half of 2026, the BondBloxx team has identified four specific ideas for bond ETF investors:

- ***Target the Equity-Like Returns of High Yield Corporates*** – U.S. high yield bonds are now yielding between 5.75% and 12.0% depending on the credit rating, well above most areas of fixed income. Average credit quality is strong, and defaults remain persistently low.[3]

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[1] Source: Morningstar, BondBloxx, as of June 30, 2026.

[2] Source: Morningstar, BondBloxx, as of June 30, 2026.

[3] Source: JP Morgan, as of 4/1/2026. US high yield bond default rates for 2024 and 2025 were 1.5% and 1.9%, respectively. The 25-year average default rate for US high yield bonds is 3.2%.

- Targeted exposure across BB, B and CCC rating categories may offer material outperformance versus broad high yield benchmarks (see XB, BondBloxx B Rated USD High Yield Corporate Bond ETF).
- CCC rated bonds have the most compelling yield in the asset class, at 12.7% as of June 30, 2026[4], which is hard to match in any other corner of fixed income (see XCCC, BondBloxx CCC Rate USD High Yield Corporate Bond ETF).

► ***In Emerging Markets, Keep Duration Short Without Sacrificing Yield*** – EM fundamentals remain sound, supported by improved fiscal discipline and proactive central bank policy.

- The key is to keep duration short. EM sovereign debt in the 1-10 year range is currently yielding 5-6%[5], and shorter-duration EM debt has historically outperformed long-duration EM exposure with significantly less interest rate volatility (see XEMD, BondBloxx JPMorgan USD Emerging Markets 1-10 Year Bond ETF).

► ***Look Past the Noise in Private Credit and Access the Yield Premium*** – Manager quality, underwriting discipline, and structural protections are critical differentiators, since not all private credit is created equal. Diversification, not concentrated exposure to any single manager or loan, is the key to accessing the yield premium with confidence.

- ETFs now provide broader investor access to the asset class (see PCMM, BondBloxx Private Credit CLO ETF).

► ***To Help Maximize After-Tax Returns, Look Beyond Munis*** – As we've seen this year, a municipal bond-only approach can leave meaningful after-tax yield on the table, particularly when markets shift.

- Instead, incorporate flexibility to capture after-tax yield where it is most compelling, and rather than staying constrained to a single category, look for strategies that move dynamically across munis and taxable bonds as relative value shifts (see TAXX, the BondBloxx IR+M Tax-Aware Short Duration ETF).

To read the full BondBloxx Midyear Outlook, visit https://bondbloxxetf.com/2026-midyear-fixed-income-market-outlook/.

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[4] Source: Bloomberg, ICE Data Services, based on the ICE CCC US Cash Pay High Yield Constrained Index, as of June 30, 2026.

[5] Source: Bloomberg, based on the J.P. Morgan 1-10 Year Emerging Markets Sovereign Index, as of June 30, 2026.

About BondBloxx

BondBloxx Investment Management Corporation ("BondBloxx") is the first ETF issuer to focus solely on fixed income, offering a range of exposures spanning U.S. Treasuries, investment grade and high yield corporate bonds, emerging markets bonds, tax-aware strategies, and private credit. To learn more about BondBloxx's fixed income-first mission, visit BondBloxxETF.com. BondBloxx is a registered investment adviser and only transacts business in states where it is properly registered or is excluded or exempted from registration requirements.

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Disclosures

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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.

Bond ratings are grades given to bonds that indicate their credit quality as determined by select nationally recognized statistical rating organizations (NRSROs). These firms evaluate a bond issuer's financial strength or its ability to pay a bond's principal and interest in a timely fashion. Ratings are generally expressed as letters ranging from 'AAA', which are the highest grade, to 'C' or 'D', which are the lowest grade, depending on the agency's scale. As an example, according to the Standard & Poor's rating agency, investment grade bonds range from AAA to BBB- and high yield bonds have ratings of BB+ and below. Securities that are rated below investment-grade (sometimes referred to as "junk bonds"), or similar securities that are unrated, may be deemed speculative, may involve greater levels of risk than higher-rated securities of similar maturity and may be more likely to default.

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Index definitions: The **S&P 500 Index** tracks the performance of 500 leading large-cap U.S. equities and covers approximately 80% of available market capitalization. Indices are unmanaged and do not reflect fees, expenses, or transaction costs, and it is not possible to invest directly in an index. Past performance is not a guarantee of future results. The **ICE CCC US Cash Pay High Yield Constrained Index** contain all securities in the ICE BofA U.S. Cash Pay High Yield Index, broken down by the rating categories CCC1-CCC3. Index constituents are capitalization-weighted, based on their current amount outstanding. The **J.P. Morgan 1-10 Year Emerging Markets Sovereign Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi sovereign entities. The EMBIGDL 1-10 Index is based on the long-established J.P. Morgan EMBI Global Diversified Index and follows it methodology closely, but only includes securities with at least $1 billion in face amount outstanding and average life below 10 years. Indices are unmanaged and do not reflect fees, expenses, or transaction costs, and it is not possible to invest directly in an index. Past performance is not a guarantee of future results.

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.