

MARKET COMMENTARY: QUICK TAKE

# When Rates Rise, Bonds Fall. Right?

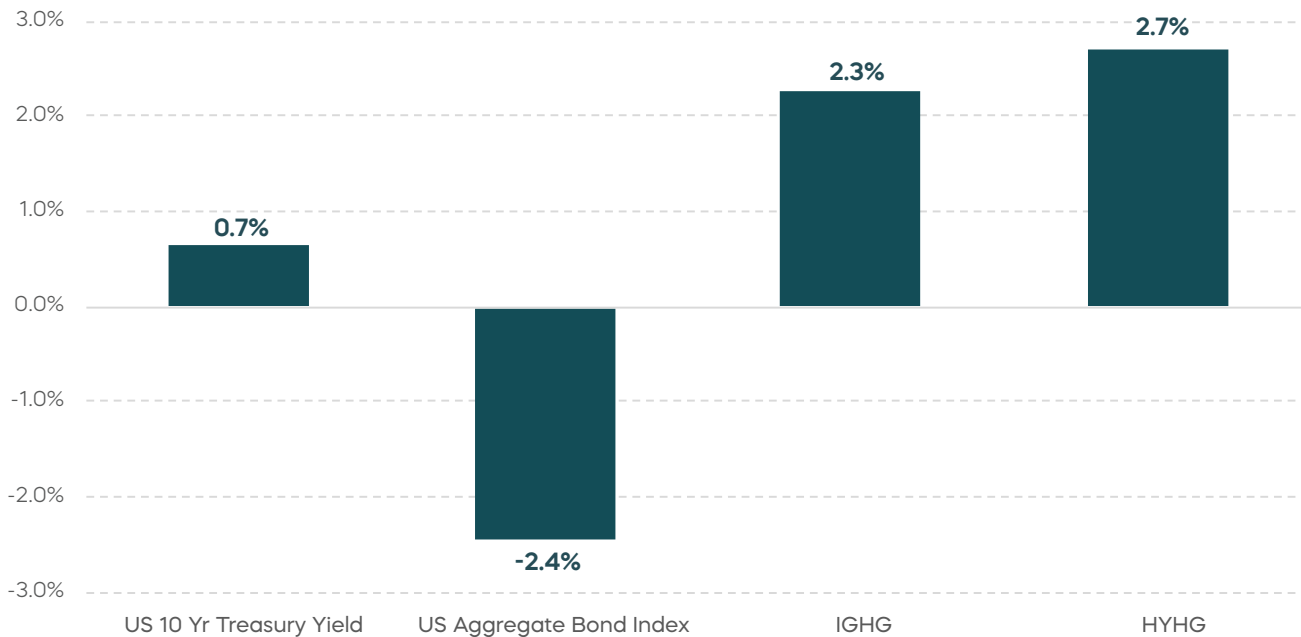


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The math is simple: When interest rates go up, bond prices usually fall. Unlike stocks that can grow their earnings, dividends and cash flow, most bonds pay fixed coupons. When interest rates rise, those coupons typically become less attractive.

Benchmark bond prices are weakening now. From the recent low at the end of February through mid-May, the yield on the U.S. 10-year Treasury rose more than 60 basis points, while the Bloomberg U.S. Aggregate Bond Index moved into negative territory.<sup>1</sup> As a result, prices for the Bloomberg U.S. Aggregate Bond Index are in the red. Meanwhile, expectations for higher rates by year-end are rising, according to CME FedWatch.

### Bonds Benchmarks Have Weakened while Rate Hedged ETFs Have Risen



Source: Bloomberg, data from 2/27/26 through 5/15/26. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

<sup>1</sup> Source: Bloomberg, data 2/27/26–5/15/26.

Standardized Performance (As of 3/31/26)	Q1 2026	YTD	1 YR	3 YR	5 YR	10 YR	IGHG Inception (11/5/13)
IGHG (NAV)	-0.24%	-0.24%	6.34%	8.23%	4.82%	4.66%	3.63%
IGHG (Market Price)	-0.13%	-0.13%	6.35%	8.08%	4.65%	4.70%	3.64%
CFIIIIGHG (Index)	0.10%	0.10%	6.00%	8.23%	5.17%	4.92%	3.90%
Standardized Performance (As of 3/31/26)	Q1 2026	YTD	1 YR	3 YR	5 YR	10 YR	HYHG Inception (5/21/13)
HYHG (NAV)	0.28%	0.28%	6.90%	9.48%	6.56%	6.26%	4.06%
HYHG (Market Price)	0.01%	0.01%	6.59%	9.28%	6.41%	6.23%	4.05%
CFIIHYHG (Index)	0.46%	0.46%	7.36%	9.94%	6.95%	6.89%	4.75%

Periods greater than one year are annualized.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. ET (when NAV is normally determined for most funds) and do not represent the returns you would receive if you traded shares at other times. Your brokerage commissions will reduce returns. Current performance may be lower or higher than the performance quoted. For standardized returns and performance data current to the most recent month end, see [IGHG](#) and [HYHG](#) product pages.

### Some Bond ETFs Are Built for Rising Rates

Interest-rate hedged ETFs may offer a measure of defense in the face of rising rates.

The [ProShares Investment Grade Interest Rate Hedged ETF \(IGHG\)](#) and the [ProShares High Yield Interest Rate Hedged ETF \(HYHG\)](#) are designed to provide corporate bond exposure with a built-in hedge against rising interest rates. Both strategies remained in positive territory during the latest round of rising rates, as shown above.

While credit risk remains in the corporate bond sector, we also note that debt levels for S&P 500 companies overall are less than half what they were at the turn of the century.<sup>2</sup>

For some investors, taking on measured credit risk may be more appealing than remaining fully exposed to the threat of rising interest rates.

<sup>2</sup> Source: Bloomberg, data as of 3/31/26.

## Learn More

### HYHG

#### High Yield - Interest Rate Hedged

Seeks investment results, before fees and expenses, that track the performance of the FTSE High Yield (Treasury Rate-Hedged) index.

### IGHG

#### Investment Grade - Interest Rate Hedged

Seeks investment results, before fees and expenses, that track the performance of the FTSE Corporate Investment Grade (Treasury Rate-Hedged) index.

**Investing involves risk, including the possible loss of principal.** These ProShares ETFs are diversified and entail certain risks, including risks associated with the use of derivatives (swap agreements, futures contracts and similar instruments), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. Please see summary and full [prospectuses](#) for a more complete description of risks. **There is no guarantee any ProShares ETF will achieve its investment objective.**

HYHG and IGHG do not attempt to mitigate factors other than rising Treasury interest rates that impact the price and yield of corporate bonds, such as changes to the market's perceived underlying credit risk of the corporate entity. HYHG and IGHG seek to hedge high yield bonds and investment grade bonds, respectively, against the negative impact of rising rates by taking short positions in Treasury futures. These positions lose value as Treasury prices increase. Investors may be better off in a long-only high yield or investment grade investment than investing in HYHG and IGHG when interest rates remain unchanged or fall, as hedging may limit potential gains or increase losses. No hedge is perfect. Because the duration hedge is reset on a monthly basis, interest rate risk can develop intra-month, and there is no guarantee the short positions will completely eliminate interest rate risk. Furthermore, while HYHG and IGHG seek to achieve an effective duration of zero, the hedges cannot fully account for changes in the shape of the Treasury interest rate (yield) curve. HYHG and IGHG may be more volatile than a long only investment in high yield or investment grade bonds. Performance of HYHG and IGHG could be particularly poor if high yield or investment grade credit deteriorates at the same time that Treasury interest rates fall. There is no guarantee the funds will have positive returns.

Bonds will decrease in value as interest rates rise.

High yield bonds may involve greater levels of credit, liquidity and valuation risk than higher-rated instruments. High yield bonds are more volatile than investment grade securities, and they involve a greater risk of loss (including loss of principal) from missed payments, defaults or downgrades because of their speculative nature.

Short positions in a security lose value as that security's price increases.

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