

# Fixed Income Insights

MONTHLY REPORT | JANUARY 2025

CANADA EDITION

## High yield credits top performance table in 2024

Markets are assessing more US fiscal stimulus and possible trade tariffs, after President-elect Trump's election victory. Higher for longer US rates and a strong dollar remain the dominant narrative. The Canadian economy is forecast to recover in 2025, but trade tariffs are a risk. High yield credits dominated performance in 2024 but long duration assets lagged.

**Macro and policy backdrop – A bold 50bp cut brings relief to consumers** Canada's consumer spending is improving, thanks to lower rates and temporary tax breaks. (page 2)

**Canadian govts – Canadian yield curve flattened versus 6M ago** Charting the yield curve at different points during 2024 shows a much flatter curve today than 6-12M ago, but one that has made a parallel shift upwards from 3M ago. (page 3)

**Canadian credit – US and Canadian IG corporate yields diverge** Canadian and US IG corporate yields are diverging, due to the Fed adopting a slower easing stance than the BoC. (pages 4-5)

**Global yields and spreads – Higher for longer rates hit long duration hardest** Long Treasuries and gilts fell in Q4 on higher for longer rates, issuance concerns & trade tariffs. Potentially pro-growth US policies also hit Canadian government bonds. (pages 6)

**Sovereign and climate bonds – Duration is a challenge for SI sovereigns** Duration has been the main factor driving relative performance for SI Sovereigns since 2022, but performance has begun to stabilise as rates peak. (page 7)

**Performance – High yield credits outshine other assets in 2024** High yield credits have outperformed other fixed income assets, especially in the US and EM, but Euro and Canadian also appear in the top 15 performance table for the year. (pages 8-10)

**Appendix (from page 11)** Canadian and Global bond market returns, historical bond yields, durations and market values and foreign exchange returns.

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### AUTHORS

Sandrine Soubeyran  
Director, Global Investment  
Research  
[Sandrine.Soubeyran@lseg.com](mailto:Sandrine.Soubeyran@lseg.com)

Robin Marshall  
Director, Global Investment  
Research  
[Robin.Marshall@lseg.com](mailto:Robin.Marshall@lseg.com)

Chart 1: 7-10 year nominal yield changes in December have been modest in Canada and Japan, compared to the back-up in Germany, the UK and US, led by real yields. Breakevens have been stable.

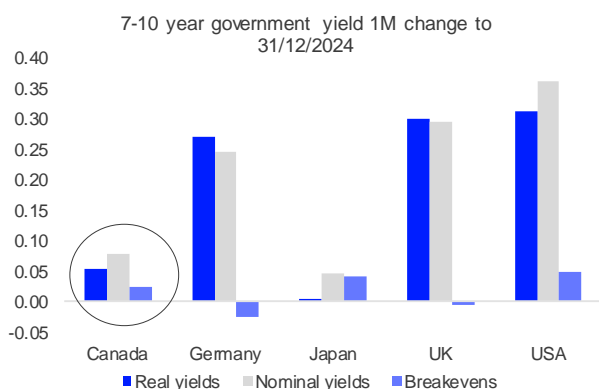
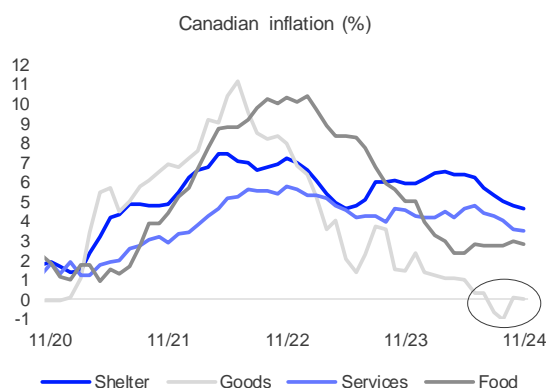


Chart 2: Canadian food, shelter and services inflation have stayed stable in Q4 but are still higher than pre-Covid levels. The modest rebound in goods inflation suggests consumer spending is improving.



Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

# Macroeconomic Backdrop – Growth and Inflation Expectations

Global markets assess the possible impact of more fiscal stimulus and trade tariffs after President-elect Trump's victory. Higher US rates for longer, and a strong dollar are the dominant narrative, with the Fed scaling back cuts in 2025, alongside the December rate cut, and at odds with projected PCE inflation of 2-3% until 2026-27. In Canada, forecasts show a recovery in 2025, but US tariffs are a risk. Recent BoC cuts and temporary GST tax breaks should underpin consumption.

The Trump card? Consensus forecasts point to mostly stronger G7 growth in 2025, though the US is forecast to slow to 2.1% growth, from 2.7%, despite (modest) Fed easing and possible tax cuts. Canada is forecast to deliver growth of around 2% (Chart 1), though US tariffs and uncertainty surrounding Canada's federal elections are risks. Fiscal stimulus is forecast to lift European growth in 2025.

US inflation (and higher for longer US rates) remains a key policy issue, after rising again in November to 2.7% y/y (Chart 2). Canadian inflation returned to sub-2% in November after shelter, food and services inflation eased. An uptick (from a very low base) in Canadian goods inflation (Chart 2, cover page) suggested consumption is improving, helped by aggressive BoC rate cuts. The Chinese economy appears in a deflationary spiral, despite signs of improving export growth. Eurozone HCIP modestly ticked up to 2.2% y/y in November, the second time since September, partly due to base effects, but also masking contrasting inflation levels within countries; Spain's CPI rose to 2.8% y/y, versus France and Italy's 1.3% y/y.

The Bank of Canada highlighted "excess supply" in the economy and "weaker growth" as reasons for implementing another bold 50bp cut in December (Chart 3), leaving interest rates 1.75% lower at the end of 2024, compared to January 2024. Canadian consumer spending is recovering, boosted by lower rates and a decline in household savings. A two-month GST/HST tax breaks (until Feb 15) on essentials goods such as food, beverages, children's clothing may boost consumer spending.

The US dollar rose after President-elect Trump's election victory, as markets revised upward US interest rate due to expectations of pro-growth policies, seen as inflationary; the revision up to the Fed's dot plots supported the dollar, with only 50bp of easing now projected for 2025, and the 25bp cut in Fed rates on December 18 was well discounted (Chart 4).

Chart 1: Economic growth forecasts for 2025 point to stronger economic growth, except in the US and China. Canada's economy is expected to rebound strongly in 2025, provided trade tariffs can be averted.

Latest Consensus Real GDP Forecasts (Median, %, December 2024)			
	2023	2024	2025
US	2.5	2.7	2.1
UK	0.1	0.9	1.4
Eurozone	0.5	0.8	1.0
Japan	1.3	0.4	1.1
China	5.2	4.8	4.5
Canada	1.1	1.1	1.8

Chart 3: The BoC boldly cut rates by another 50bp to 3.25% in Dec., thus widening the gap to 1.25% versus US Fed rates, despite a Fed cut of 0.25%. However, G7 rates remain at a 10-year high (except Japan).

Chart 2: Globally, inflation mainly rose in November, except China, where demand growth remains weak. Canada's CPI fell a little to 1.9% y/y, after shelter, food and services CPI eased (see cover Chart 2).

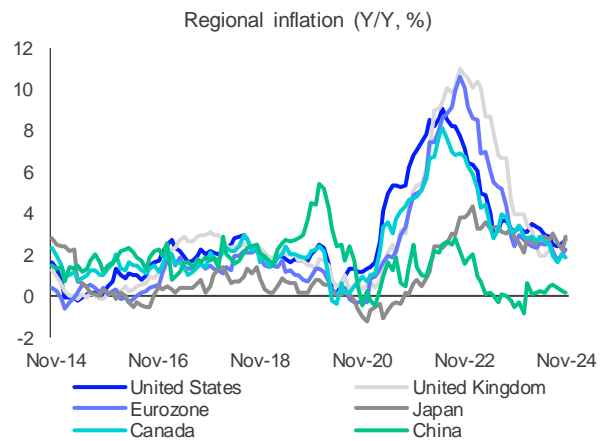
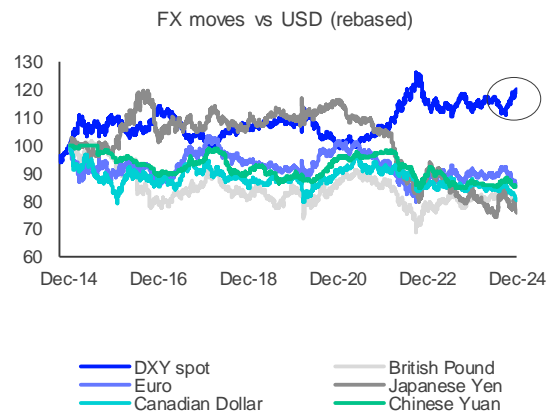
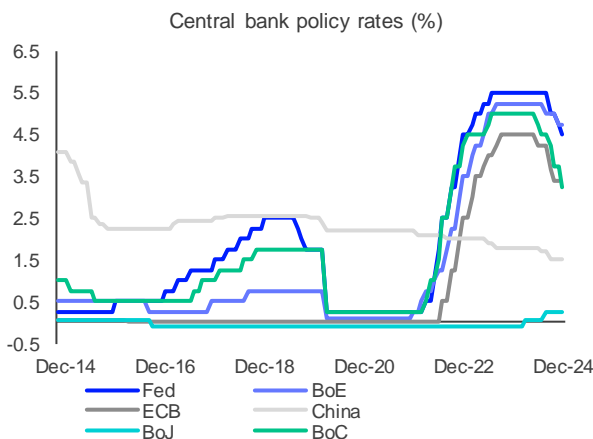


Chart 4: The US dollar spiked after President-elect Trump's election victory, as markets revised up US rate expectations based on his pro-growth policies, despite a well discounted Fed rate cut in December.



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# Canadian Governments, Provinces and Municipalities

Chart 1: A bear curve steepening resumed in both 10s/2s and 20s/2s curves in December, following the BoC's 50bp rate cut, as long yields rose, & 2 yr yields were suppressed by lower short rates.

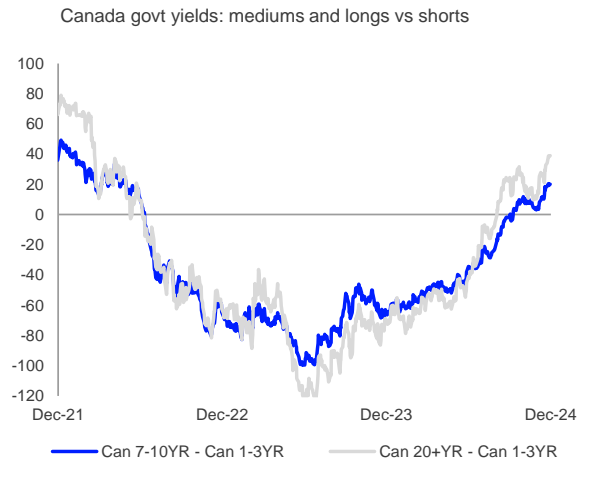


Chart 2: Short Canadian government bond yields fell in December after the BoC easing but 3-5yr are higher than 3M ago, and 15yr+ have risen to the levels of 3M ago. The 6M picture shows yields were notably higher.

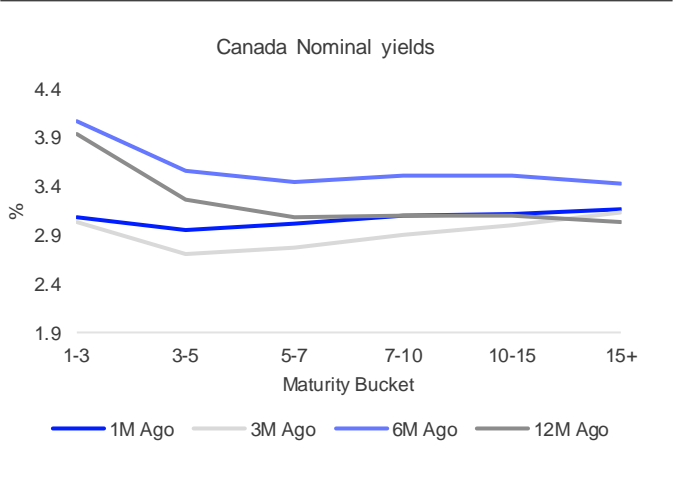


Chart 3: Higher longer Canadian bond yields resulted in higher spreads vs 7-10yr JGBs in Dec. Canadian spreads were flat/fell a little vs Bunds, while they continued to trade well through Treasuries and gilts.

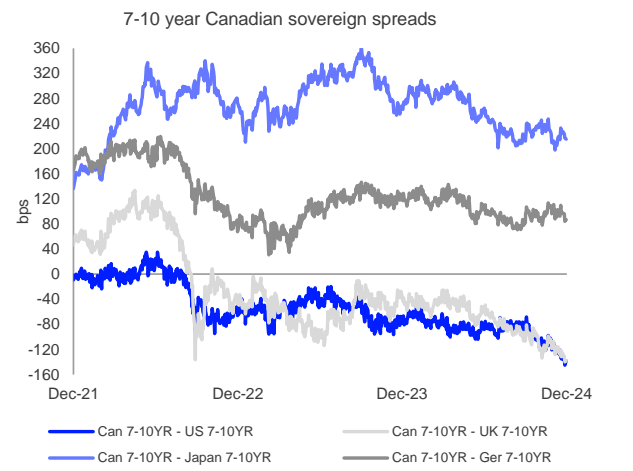


Chart 4: Long Canadian and German inflation breakevens have converged near 190bp, as inflation and policy rates reach similar levels, decoupling from the US and UK, where rates and inflation are higher.

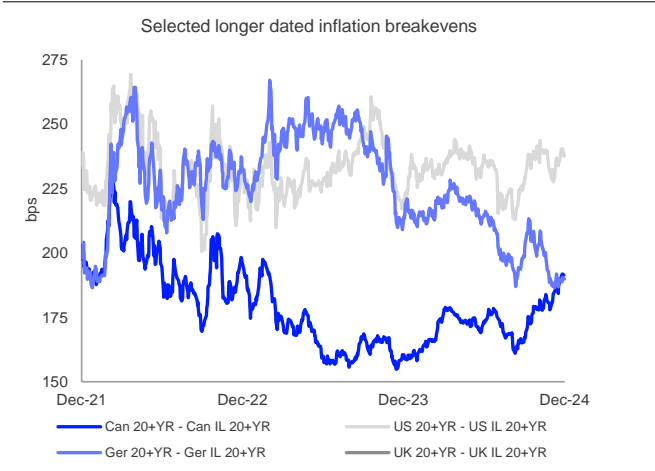


Chart 5: Oil extracting Alberta may be reaping the benefits from Trump's "Drill, baby, drill" plans as its spread nears 30bp due to a projected lower debt/GDP of 9.3% vs Quebec & Ontario's 39-40%.

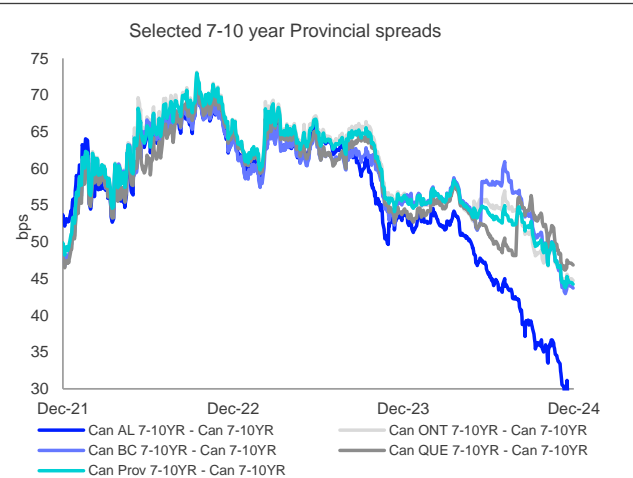
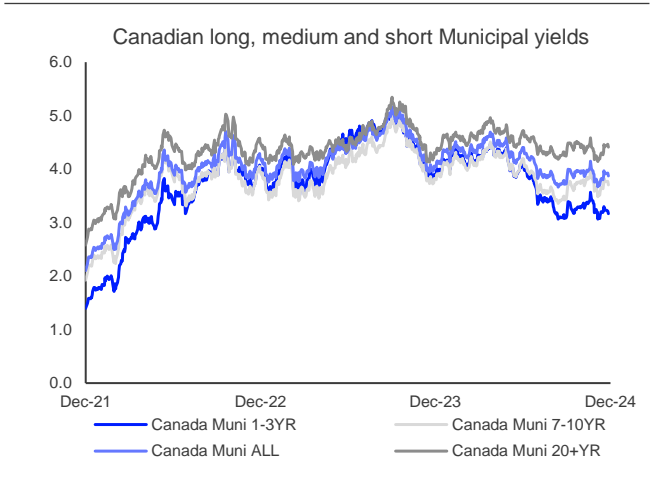


Chart 6: Canadian municipal yields have bounced back across all maturities in Dec. following increased uncertainty. Short muni yields, down 70bp, have fallen the most in 2024 vs flat moves elsewhere.



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# Canadian Investment Grade Credit Analysis

Chart 1: Canadian investment grade corporates with the highest quality have outperformed, with returns of 7-8% over the last three years. Gains for BBBs were more modest, but higher than As.

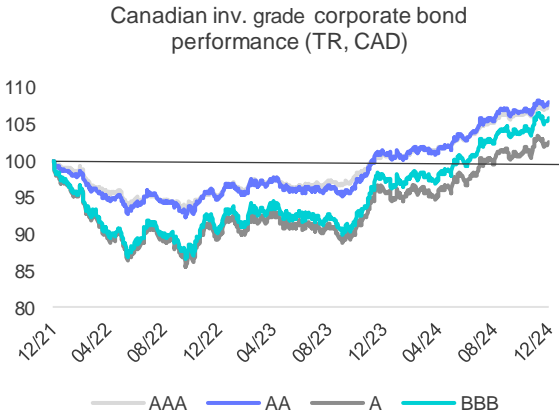


Chart 2: Canadian investment grade corporate bond yields have fallen in the 2023-24 risk rally, as spreads tightened, but remain higher than 2021 levels. BBB yields averaged 4% in Dec.

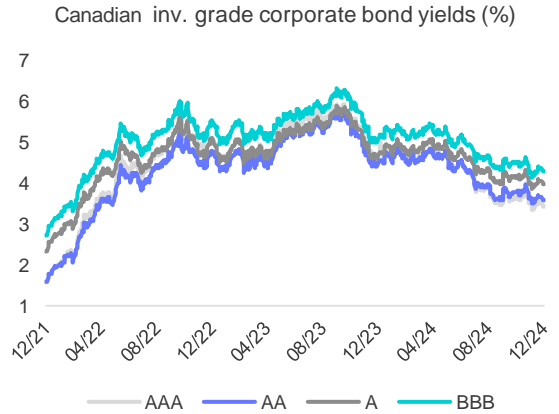


Chart 3: IG Canadian corporates of the highest quality benefited most from spreads tightening in 2024, with AAA/AA spreads down by nearly 100bp versus about 70bp for BBBs and As.

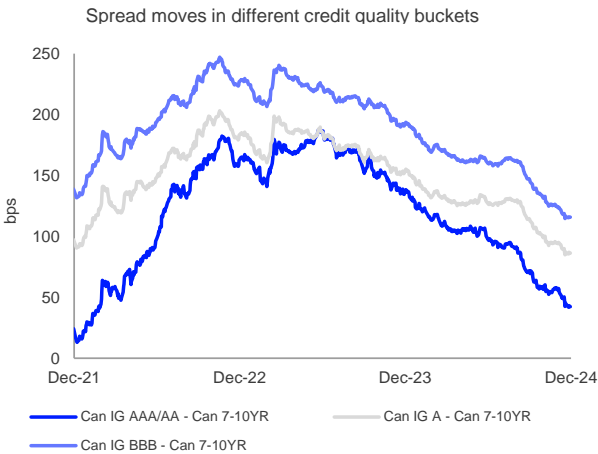


Chart 4: BBBs and single A Canadian IG corporates have dominated the universe, with the weight in As (48% in Dec) surpassing BBBs (44%) since 2021, due to lower default rates and improving credit quality.

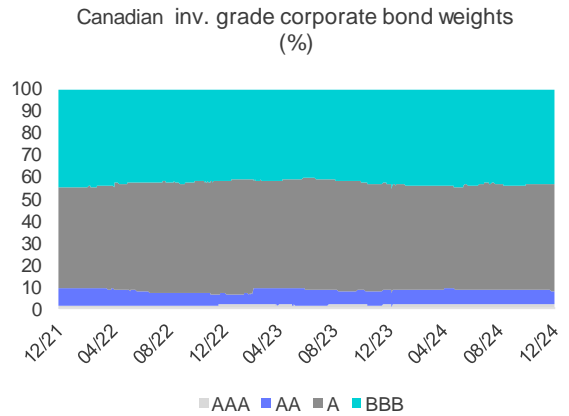


Chart 5: During 2024, rate sensitive IG corporate bond sectors have benefited the most from monetary easing; Real Estate and Financial spreads are lower by 117bp and 104bp, respectively over the year.

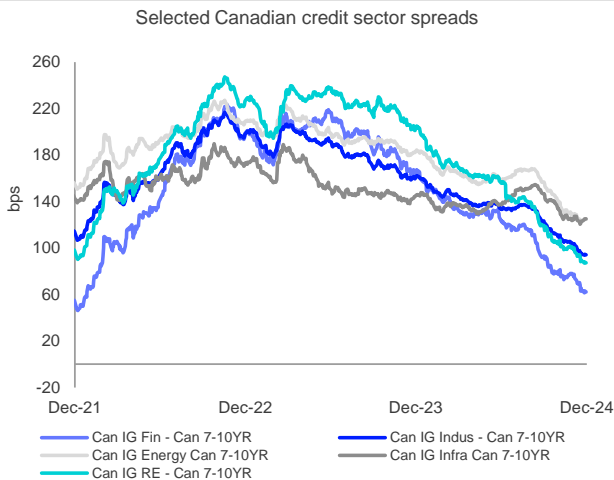
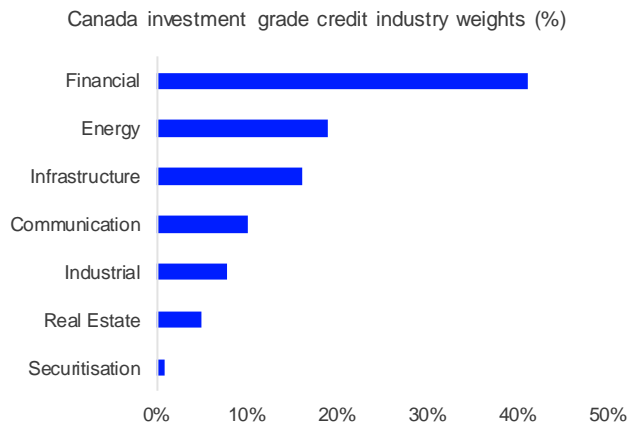


Chart 6: The Canadian IG corporate bond universe is dominated by Financials, with a weight 41%, and Real Estate (5%) in Dec., with the Financials weight having risen since Nov. (38%).



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# Canadian High Yield Credit Analysis

Chart 1: Yield divergence between Canadian and US IG corporates may be explained by each being closely aligned to its country's rate policy, with the Fed adopting a less aggressive easing stance vs BoC.

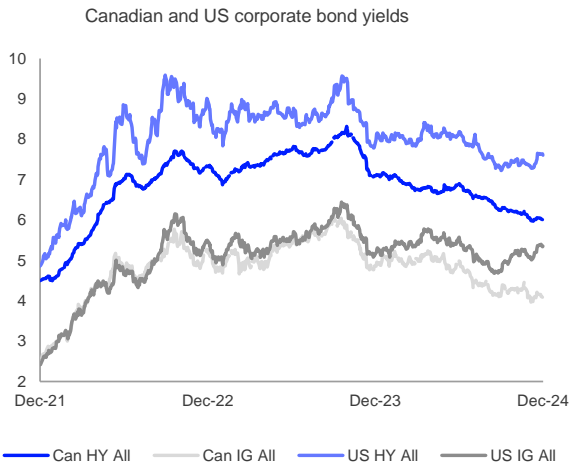


Chart 2: Both Canadian and US high yield spreads have tightened to levels close to 2021, in line with the risk-on equity rally observed over the last two years, as investors search for extra returns.

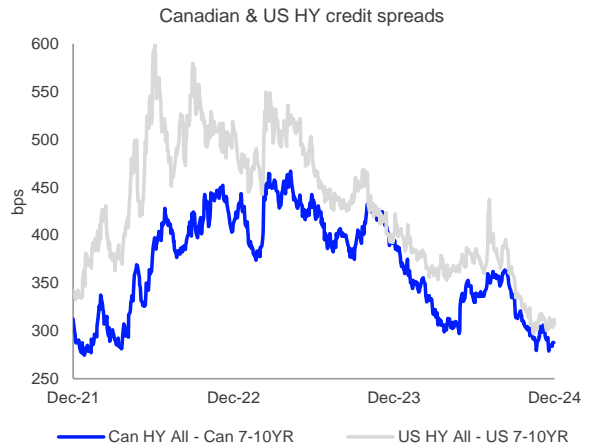


Chart 3: Canadian HY credit has performed strongly over the last three years, with risk-adjusted returns in BBs boosted by lower volatility, which dominate the universe (see Chart 4).

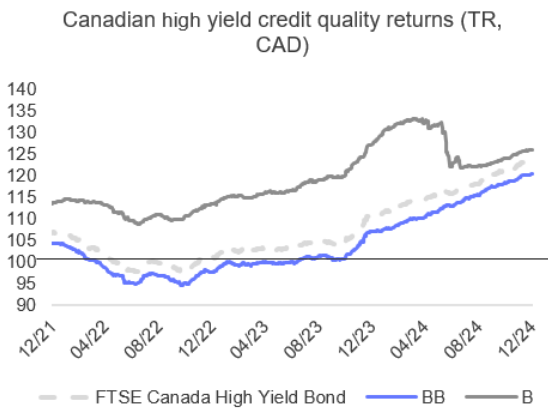


Chart 4: BBs represent 86% of the Canadian high yield credit universe, with little changes in weights over the last three years. CCCs represent less than 1% and are highly volatile, with a higher default rate.

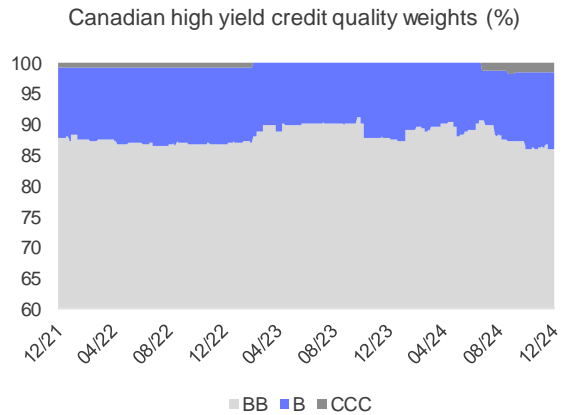


Chart 5: Energy and Financial sectors have led the Canadian high yield performance since 2019, with about 40% returns, in what has been a period of strong performance for the asset class.

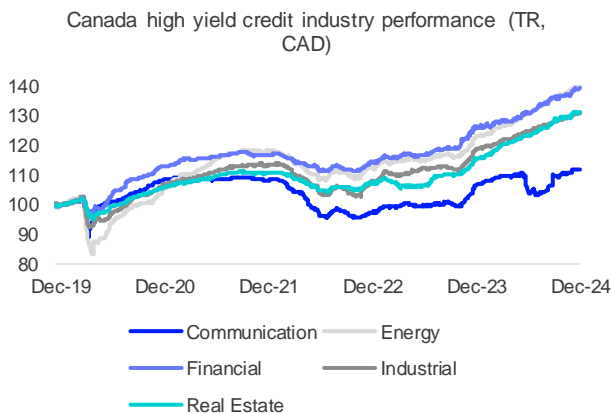
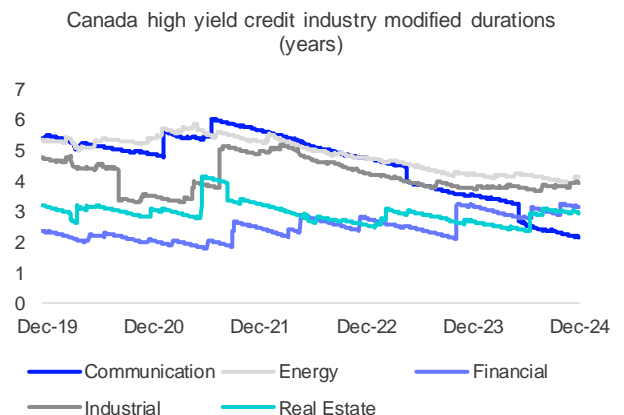


Chart 6: Industry duration for Canadian high yield credit averages about 3 years, except for Communication, which has a shorter 2-year duration, after falling sharply from its 6 years in 2019.



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# Global Yields, Curves and Breakevens

Chart 1: US Treasuries led G7 yields higher in December after the Fed scaled back easing expectations for 2025, and disappointing inflation data. The 50bp BoC rate cut caused spreads to widen further vs US.

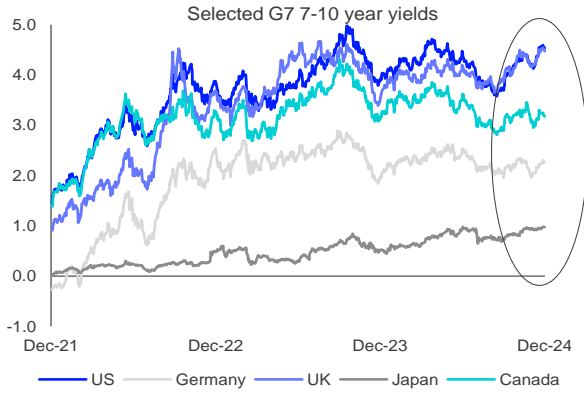


Chart 2: 7-10 yr real yields tracked nominals higher in December, led by US Tips as US growth remained robust in Q4. French real yields moved to new cycle highs, on concern over fiscal deficit levels.

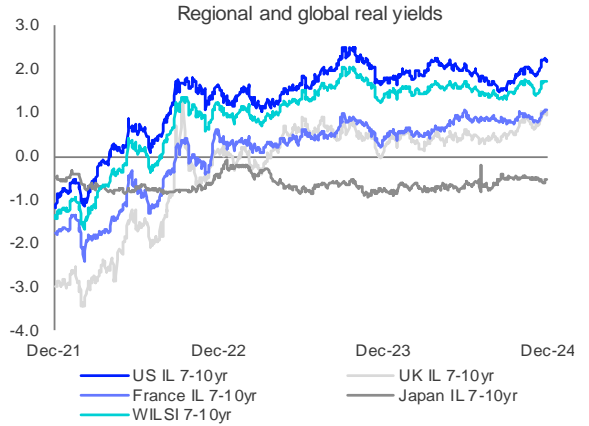


Chart 3: Curve steepening remains the dominant narrative, as debt levels prompted issuance fears, while policy easing has pulled 2-year yields lower, most notably in Canada and the Eurozone.

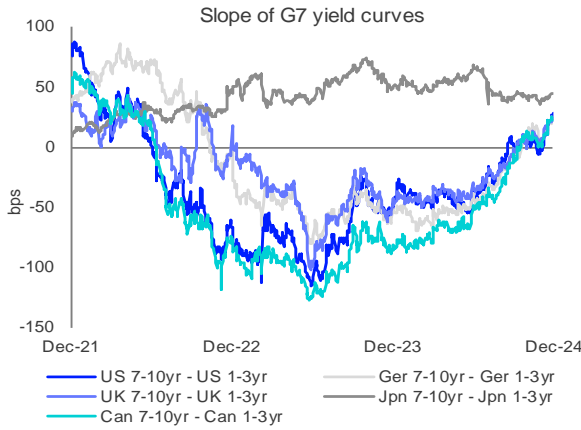


Chart 4: The long end of curves shows more pronounced steepening, notably in France, where political stalemate has prevented budget deficit reduction, but the gilt curve is now as steep as in the 2022 crisis.

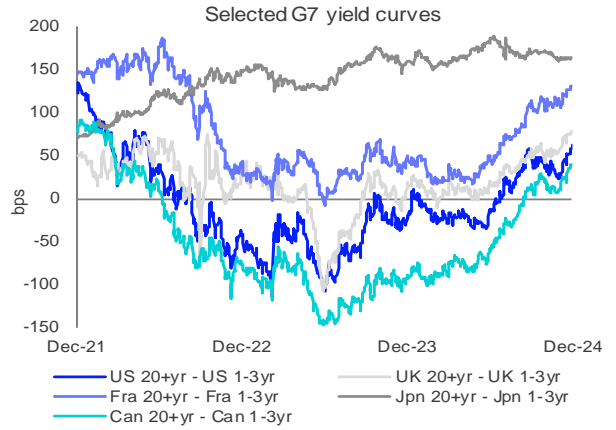


Chart 5: Beakevens generally remain stable, at around 2%, with nominal and real yields moving higher together in December. Stronger growth in the US caused breakevens to edge a little higher in Q4.

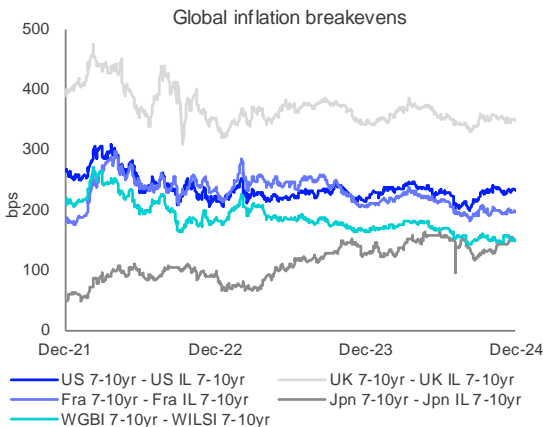
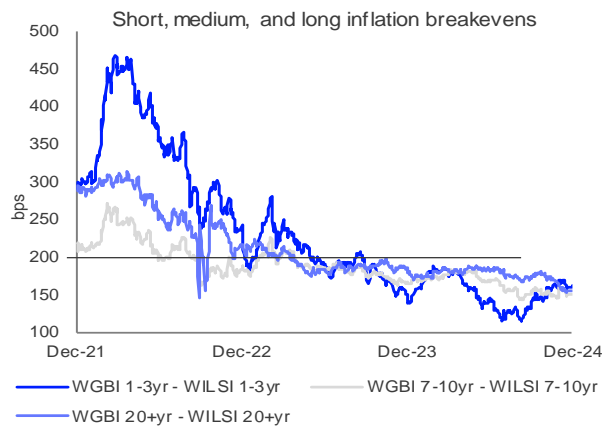


Chart 6: Stability in inflation breakevens has enabled central banks to ease policy in 2024, despite inflation remaining above 2% y/y targets in some economies for much of 2024 (notably the US and UK).



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# SI Sovereign Bond Analysis

Chart 1: SI Sovereign performance was mixed in Q4, with both ESG WGBI and Climate Risk-Adjusted WGBI underperforming, and Advanced Climate Risk-Adjusted WGBI outperforming. ESG EMGBIC was flat.

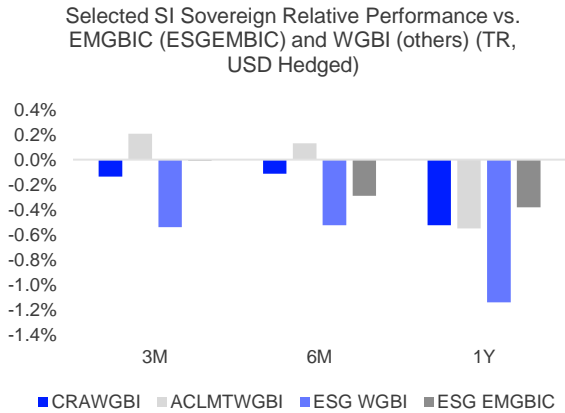


Chart 2: SI corporates largely outperformed in Q4, except PAB (Paris aligned benchmark) which underperformed vs. WGBI Corp over 3M. Green Corp was the largest outperformer in Q4, with a relative gain 2.0%.

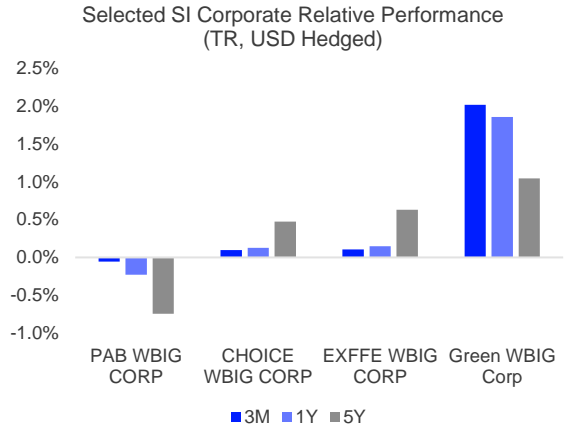


Chart 3: Since 2022, duration has been the main factor driving relative performance for SI Sovereigns. However, following peak rates in 2024, relative performance has begun to stabilise.

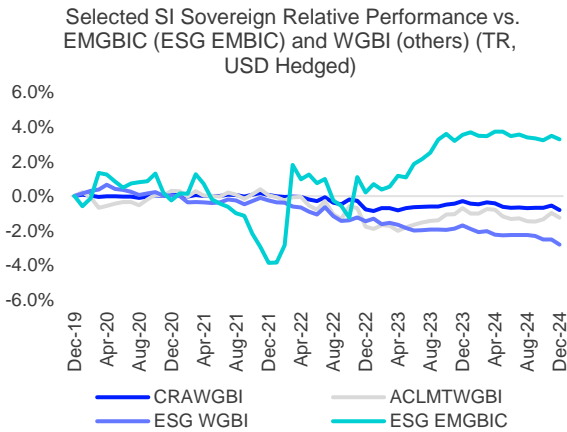


Chart 5: ESG EMGBIC has benefitted from a lower yield vs. EMGBIC. This trend reflects an overweight in countries more advanced in their rate easing cycles but has begun to slow as other central banks catch up.

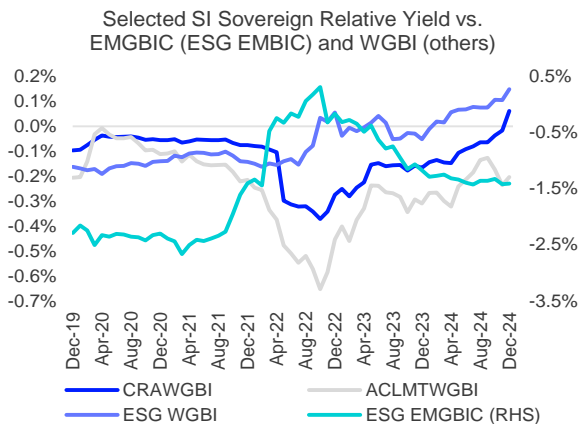


Chart 4: Duration largely explains performance divergence between Choice/ExFFE and PAB. For Green Corp, increased volatility was due to an underweight in the service industry and overweight in electric utilities.

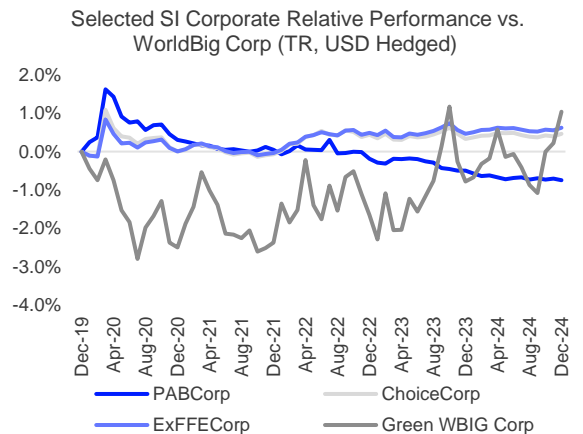
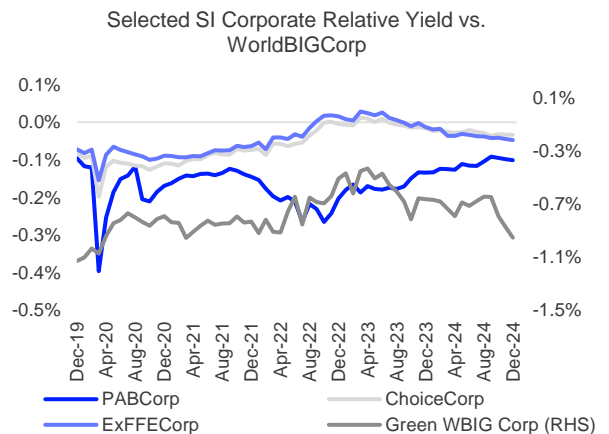


Chart 6: Except PAB, SI corporate indices have seen a decline in relative yield vs. non-SI indices. This is especially true for Green Corp, where relative yield-to-maturity has declined by ~0.3% versus WGBI Corp in Q4.



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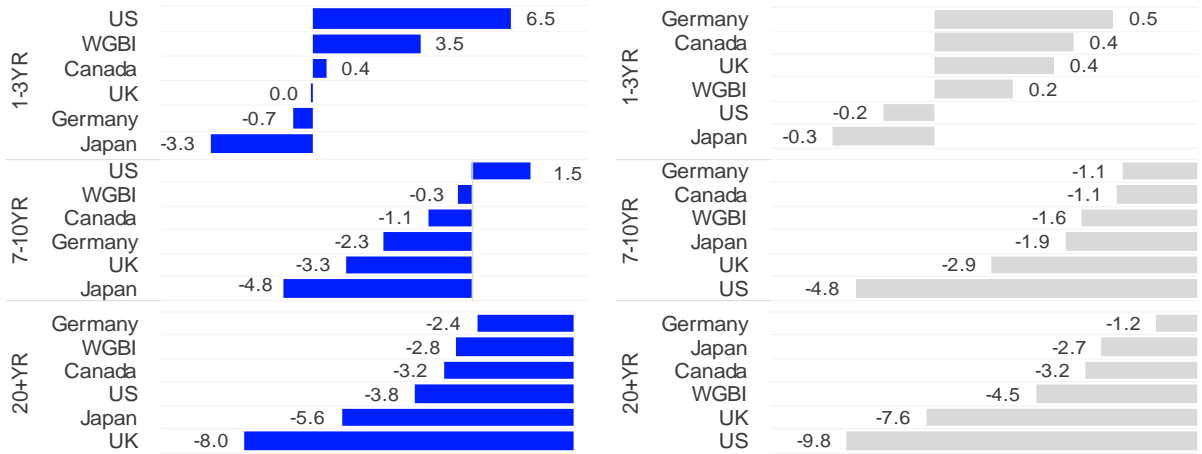
# Global Bond Market Returns – 3M & YTD % (CAD, LC, TR)

As in 2023, 2024 was a negative year for the performance of long governments, as inflation was stickier, and as a result, rates stayed higher for longer, while policy easing helped government bonds in regions with lower inflation (i.e., Canada and the Euro area). Currency moves were also important, with US dollar strength dominating markets and driving returns.

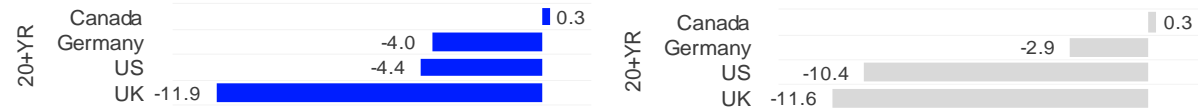
US Treasuries outperformed, after negative returns turned into gains for Canadian-dollar based investors, due to US dollar gains of 7%, and 9%, vs CAD, over 3M and 12M respectively (see page 17). Short and medium US Treasuries were up 2-7% in Q4, and 8-14% in 2024. The 10% decline in long Treasuries in Q4 was reduced to a smaller loss of 4% in Canadian dollar terms. The weaker EUR vs CAD reduced Bund returns in Q4, while yen weakness eroded JGB returns.

## CONVENTIONAL BONDS

3M CAD 3M LCY

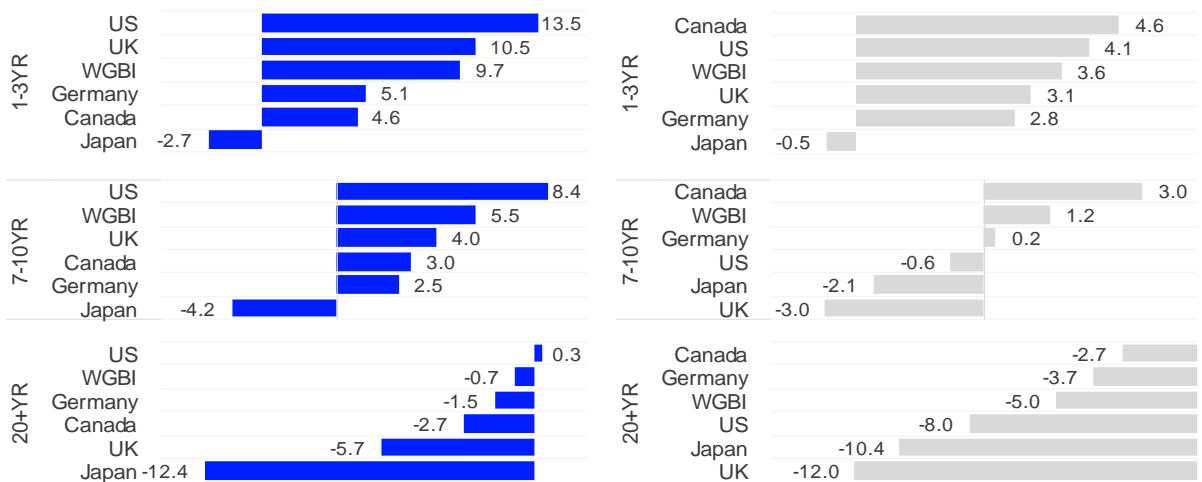


## INFLATION LINKED



## CONVENTIONAL BONDS

YTD CAD YTD LCY



## INFLATION LINKED



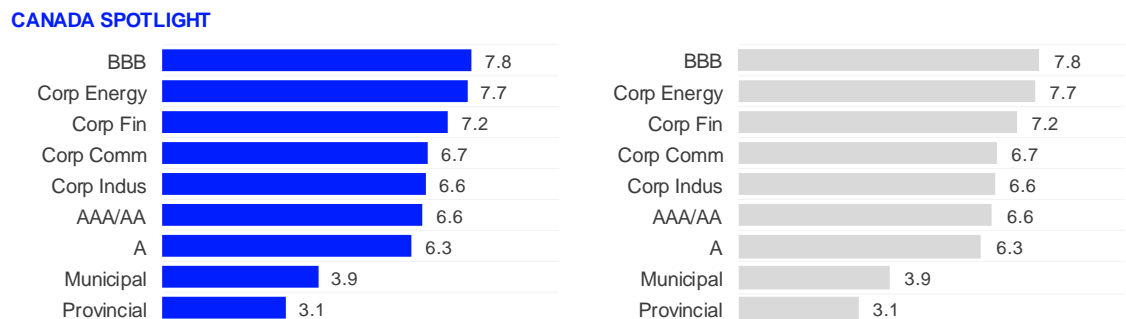
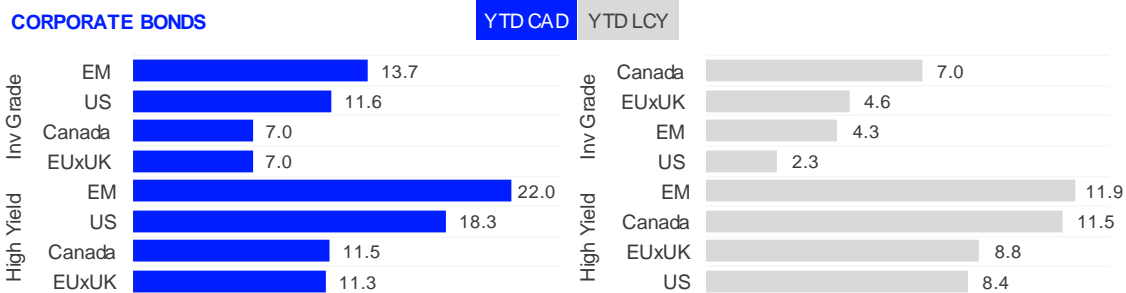
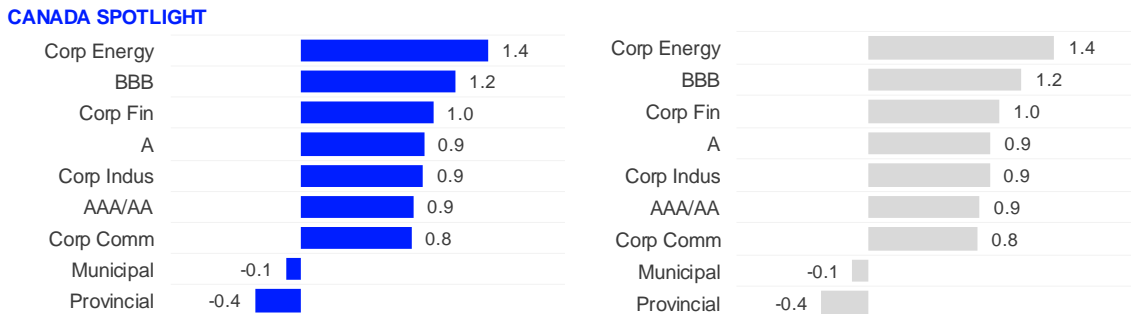
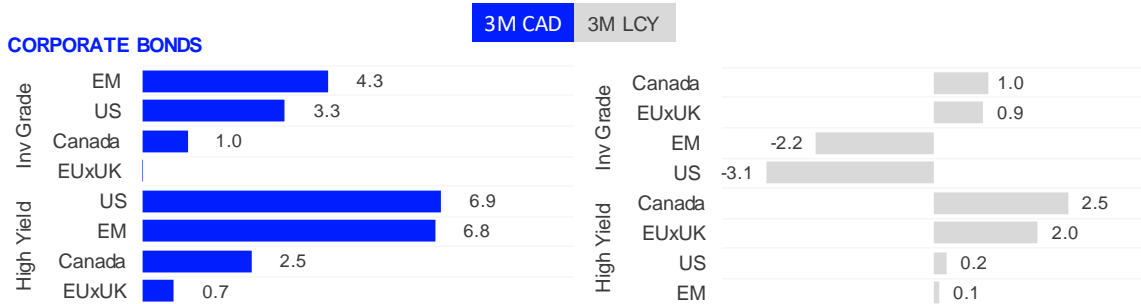
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## Canadian and Corporate Bond Returns – 3M & YTD % (CAD, LC, TR)

EM and US high yield credits have outperformed investment grade equivalents in Q4 and since January, in Canadian dollars. But Canadian credits performed well during both periods in local currency terms. Canadian municipal and provincial bond returns were modestly negative in Q4, as investors favoured the extra yields in lower grade corporates.

EM and US corporates led performance in both Q4 and YTD, with high yield outperforming investment grade corporates. The best performance came from EM high yield bonds, up 22% in Canadian dollars, benefitting from a stronger Chinese yuan vs CAD (see page 17). Canadian and Euro high yield credits gained 2-3% in Q4, and 9-12% over 12M. Canadian investment grade corporates still gained 7% in 2024, even if they were outperformed by high yield.



Indices used: FTSE Canada Corporate Bond Index (AAA/AA, A, BBB, Financial, Communication, Industrial, Energy, Overall), FTSE Canada High Yield Bond Index, FTSE Canada Provincial Bond Index, FTSE Canada Municipal Bond Index

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## Top and Bottom Bond Returns – 3M & YTD % (CAD, TR)

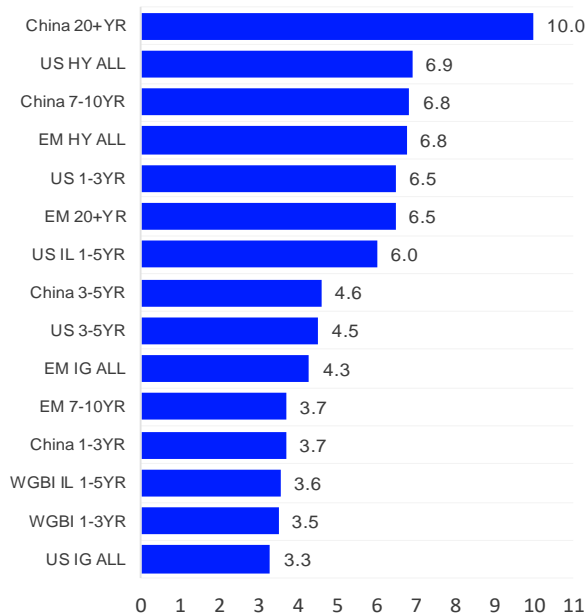
**Long Chinese (and EM) government bonds, and EM and US high yield credits have outperformed in Q4 and 2024, in Canadian dollars. By contrast, long inflation linked bonds in the UK, EM, Australia and France have underperformed, with losses of 5-12% in Q4, and 6-19% in 2024, both in Canadian dollar terms.**

Chinese (and EM) government bonds, especially longs, and high yield credits, notably EM and USD, have outperformed in 2024, with returns of 12- 27% in Canadian dollar terms. Euro and Canadian high yield credits, up 11-12%, also ranked in the top 15 of the performance table, as did US and EM investment grade corporates with similar returns. However, long UK, EM and Australian inflation linked bonds lost 10-12% in Q4, and 13-19% in 2024.

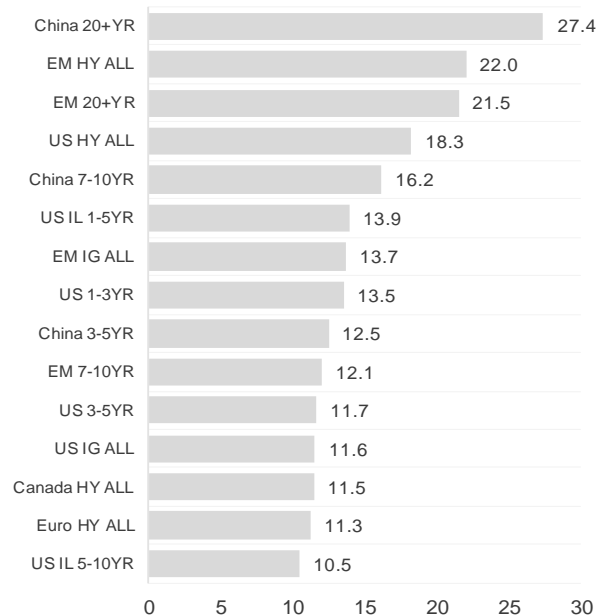
Political uncertainty also affected French government bonds, notably longs, after an attack by bond vigilantes, and yen weakness reduced JGB returns in 2024.

3M CAD YTD CAD

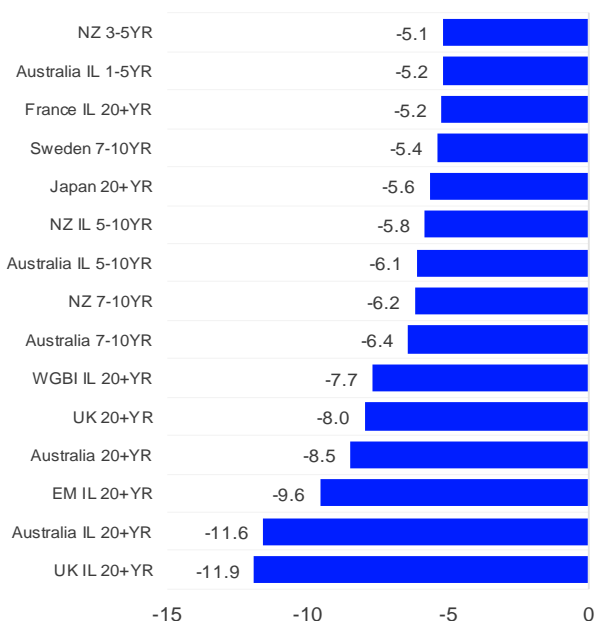
Top 15



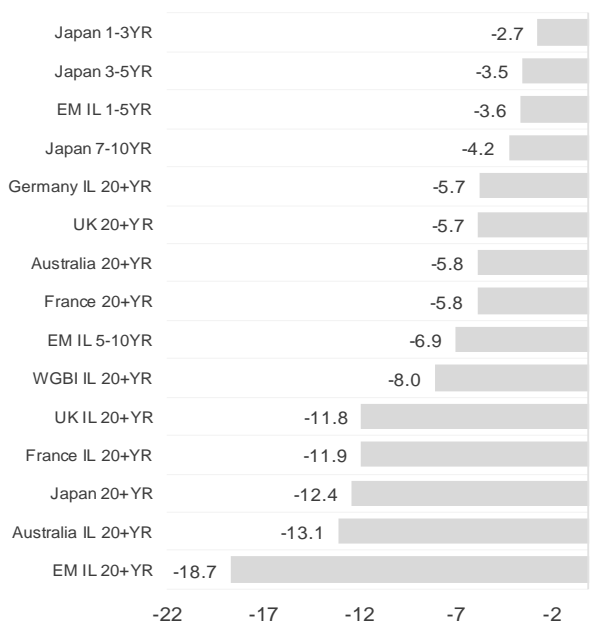
Top 15



Bottom 15



Bottom 15



Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

## Appendix – Canadian Bond Market Returns % (CAD vs USD, TR) – Dec 31, 2024

### Government and corporate bond returns

Top 15% Bottom 15%

Green highlight indicates highest 15%, red indicates lowest 15%.

		3M		6M		YTD		12M	
		Local	USD	Local	USD	Local	USD	Local	USD
<b>Government</b>	1-3YR	0.42	-5.84	3.37	-1.65	4.63	-4.07	4.63	-4.07
	7-10YR	-1.12	-7.29	4.05	-1.00	2.98	-5.59	2.98	-5.59
	20+YR	-3.15	-9.20	2.98	-2.02	-2.65	-10.75	-2.65	-10.75
<b>Inflation-Linked</b>	20+YR	0.26	-6.00	4.41	-0.66	3.49	-5.12	3.49	-5.12
<b>Corporate</b>	1-3YR	1.04	-5.27	4.85	-0.25	7.26	-1.66	7.26	-1.66
	7-10YR	0.93	-5.37	6.59	1.41	8.09	-0.90	8.09	-0.90
	20+YR	1.08	-5.23	7.12	1.92	5.52	-3.25	5.52	-3.25
<b>AAA/AA</b>	1-3YR	0.90	-5.40	4.63	-0.45	6.72	-2.16	6.72	-2.16
	7-10YR	0.87	-5.42	6.14	0.98	7.80	-1.16	7.80	-1.16
	20+YR	-0.01	-6.25	5.60	0.48	1.55	-6.90	1.55	-6.90
	All	0.85	-5.44	4.80	-0.29	6.57	-2.29	6.57	-2.29
<b>A</b>	1-3YR	0.96	-5.34	4.68	-0.41	7.00	-1.89	7.00	-1.89
	7-10YR	0.59	-5.69	6.13	0.98	7.03	-1.87	7.03	-1.87
	20+YR	0.99	-5.31	6.97	1.78	4.51	-4.18	4.51	-4.18
	All	0.93	-5.37	5.58	0.45	6.29	-2.54	6.29	-2.54
<b>BBB</b>	1-3YR	1.19	-5.13	5.14	0.03	7.76	-1.20	7.76	-1.20
	7-10YR	1.09	-5.21	6.82	1.64	8.60	-0.43	8.60	-0.43
	20+YR	1.26	-5.06	7.41	2.20	7.12	-1.79	7.12	-1.79
	All	1.17	-5.14	6.12	0.97	7.80	-1.17	7.80	-1.17
<b>Sectors</b>	Comm	0.84	-5.46	6.01	0.86	6.69	-2.18	6.69	-2.18
	Energy	1.42	-4.91	6.78	1.59	7.68	-1.28	7.68	-1.28
	Fin	1.00	-5.30	4.92	-0.18	7.21	-1.70	7.21	-1.70
	Indus	0.93	-5.37	5.73	0.59	6.64	-2.23	6.64	-2.23
	Infra	0.66	-5.62	6.25	1.09	5.06	-3.68	5.06	-3.68
	RE	1.13	-5.18	5.67	0.54	8.30	-0.70	8.30	-0.70
	Secur	1.10	-5.21	4.72	-0.37	7.35	-1.58	7.35	-1.58
<b>Provinces (All)</b>	1-3YR	0.45	-5.82	3.94	-1.11	5.30	-3.46	5.30	-3.46
	7-10YR	-0.23	-6.46	5.21	0.10	4.91	-3.82	4.91	-3.82
	20+YR	-0.81	-7.00	4.66	-0.42	0.83	-7.55	0.83	-7.55
	All	-0.36	-6.57	4.67	-0.41	3.10	-5.47	3.10	-5.47
<b>Ontario</b>	1-3YR	0.48	-5.79	3.97	-1.08	5.42	-3.35	5.42	-3.35
	7-10YR	-0.22	-6.45	5.25	0.14	5.01	-3.72	5.01	-3.72
	20+YR	-0.84	-7.02	4.72	-0.37	1.01	-7.39	1.01	-7.39
	All	-0.33	-6.55	4.68	-0.41	3.33	-5.26	3.33	-5.26
<b>Alberta</b>	1-3YR	0.50	-5.77	4.00	-1.05	5.41	-3.36	5.41	-3.36
	7-10YR	-0.13	-6.37	5.20	0.09	5.06	-3.67	5.06	-3.67
	20+YR	-0.62	-6.82	4.50	-0.58	1.16	-7.25	1.16	-7.25
	All	-0.18	-6.41	4.60	-0.48	3.53	-5.08	3.53	-5.08
<b>Quebec</b>	1-3YR	0.35	-5.91	3.70	-1.34	4.90	-3.82	4.90	-3.82
	7-10YR	-0.30	-6.52	5.07	-0.03	4.64	-4.06	4.64	-4.06
	20+YR	-0.91	-7.09	4.49	-0.59	0.25	-8.08	0.25	-8.08
	All	-0.48	-6.69	4.57	-0.51	2.48	-6.04	2.48	-6.04
<b>BC</b>	1-3YR	0.38	-5.89	4.26	-0.80	5.32	-3.44	5.32	-3.44
	7-10YR	-0.26	-6.48	5.34	0.22	4.82	-3.89	4.82	-3.89
	20+YR	-1.01	-7.19	4.55	-0.53	0.14	-8.18	0.14	-8.18
	All	-0.53	-6.74	4.80	-0.29	2.77	-5.78	2.77	-5.78

Indices used: FTSE Canada Non-Agency Bond Index (Short, Mid, Long), FTSE Canada RRB Canada Index, FTSE Canada Corporate Bond Index (Short, Mid, Long, AAA/AA, A, BBB), FTSE Canada Provincial Bond Index, FTSE Canada High Yield Bond Index.

Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

# Appendix – Global Bond Market Returns % (CAD vs LC, TR) – December 31, 2024

## Government bond returns

Top 15% Bottom 15%

Green highlight indicates highest 15%, red indicates lowest 15%.

		1M		3M		YTD		12M	
		Local	CAD	Local	CAD	Local	CAD	Local	CAD
<b>US</b>	1-3YR	0.26	2.98	-0.16	6.49	4.09	13.53	4.09	13.53
	7-10YR	-2.19	0.47	-4.81	1.53	-0.62	8.40	-0.62	8.40
	20+YR	-6.03	-3.48	-9.84	-3.84	-8.03	0.31	-8.03	0.31
	IG All	-1.82	0.85	-3.15	3.30	2.30	11.58	2.30	11.58
	HY All	-0.40	2.31	0.23	6.91	8.42	18.26	8.42	18.26
<b>UK</b>	1-3YR	0.12	1.33	0.36	-0.01	3.08	10.45	3.08	10.45
	7-10YR	-1.75	-0.56	-2.89	-3.25	-2.97	3.98	-2.97	3.98
	20+YR	-5.74	-4.60	-7.62	-7.97	-12.04	-5.75	-12.04	-5.75
<b>EUR</b>	IG All	-0.41	0.29	0.92	-0.29	4.61	6.96	4.61	6.96
	HY All	0.71	1.42	1.95	0.72	8.82	11.26	8.82	11.26
<b>Japan</b>	1-3YR	0.09	-1.76	-0.31	-3.34	-0.52	-2.67	-0.52	-2.67
	7-10YR	-0.28	-2.11	-1.86	-4.84	-2.08	-4.19	-2.08	-4.19
	20+YR	0.29	-1.55	-2.68	-5.64	-10.45	-12.38	-10.45	-12.38
<b>China</b>	1-3YR	0.62	2.41	1.16	3.70	3.90	10.11	3.90	10.11
	7-10YR	2.70	4.53	4.23	6.84	9.63	16.18	9.63	16.18
	20+YR	4.65	6.52	7.30	9.99	20.24	27.42	20.24	27.42
<b>EM</b>	1-3YR	0.49	2.13	1.07	2.84	4.62	9.03	4.62	9.03
	7-10YR	1.27	3.01	1.84	3.70	7.00	12.05	7.00	12.05
	20+YR	2.97	4.59	4.56	6.47	15.87	21.50	15.87	21.50
	IG All	-1.08	1.61	-2.22	4.29	4.25	13.71	4.25	13.71
	HY All	-0.11	2.61	0.10	6.76	11.87	22.02	11.87	22.02
<b>Germany</b>	1-3YR	-0.07	0.63	0.54	-0.67	2.78	5.09	2.78	5.09
	7-10YR	-1.70	-1.00	-1.06	-2.25	0.23	2.48	0.23	2.48
	20+YR	-4.88	-4.21	-1.16	-2.35	-3.67	-1.51	-3.67	-1.51
<b>Italy</b>	1-3YR	0.04	0.74	0.71	-0.50	3.79	6.12	3.79	6.12
	7-10YR	-1.42	-0.72	0.18	-1.03	5.70	8.07	5.70	8.07
	20+YR	-3.10	-2.41	0.90	-0.32	7.99	10.41	7.99	10.41
<b>Spain</b>	1-3YR	0.07	0.77	0.70	-0.51	3.52	5.84	3.52	5.84
	7-10YR	-1.44	-0.75	-0.20	-1.40	3.26	5.57	3.26	5.57
	20+YR	-4.23	-3.55	0.69	-0.52	4.01	6.34	4.01	6.34
<b>France</b>	1-3YR	0.01	0.71	0.70	-0.51	2.80	5.11	2.80	5.11
	7-10YR	-1.75	-1.06	-1.17	-2.36	-1.25	0.96	-1.25	0.96
	20+YR	-4.95	-4.28	-2.02	-3.20	-7.90	-5.84	-7.90	-5.84
<b>Sweden</b>	1-3YR	-0.65	0.85	-0.27	-2.98	3.27	2.73	3.27	2.73
	7-10YR	-3.29	-1.84	-2.72	-5.37	-0.33	-0.85	-0.33	-0.85
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Australia</b>	1-3YR	0.46	-1.93	0.51	-4.23	3.53	2.46	3.53	2.46
	7-10YR	-0.06	-2.44	-1.76	-6.40	1.46	0.42	1.46	0.42
	20+YR	-0.95	-3.30	-3.92	-8.45	-4.82	-5.80	-4.82	-5.80
<b>NZ</b>	1-3YR	0.75	-1.99	1.22	-4.99	6.51	2.80	6.51	2.80
	7-10YR	0.35	-2.38	-0.05	-6.18	4.56	0.92	4.56	0.92
<b>Canada</b>	1-3YR	0.31	0.31	0.42	0.42	4.63	4.63	4.63	4.63
	7-10YR	-0.49	-0.49	-1.12	-1.12	2.98	2.98	2.98	2.98
	20+YR	-3.61	-3.61	-3.15	-3.15	-2.65	-2.65	-2.65	-2.65

Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

# Appendix – Global Bond Market Returns % (CAD vs LC, TR) – December 31, 2024

## Inflation-Linked Bond Returns

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

		1M		3M		YTD		12M	
		Local	CAD	Local	CAD	Local	CAD	Local	CAD
<b>US</b>	1-5YR	-0.24	2.47	-0.60	6.01	4.46	13.93	4.46	13.93
	5-10YR	-1.84	0.83	-3.80	2.61	1.30	10.49	1.30	10.49
	20+YR	-6.49	-3.95	-10.38	-4.42	-6.76	1.70	-6.76	1.70
<b>UK</b>	1-5YR	-0.17	1.04	0.17	-0.20	1.75	9.02	1.75	9.02
	5-10YR	-1.67	-0.48	-2.34	-2.71	-2.37	4.61	-2.37	4.61
	20+YR	-8.16	-7.05	-11.56	-11.89	-17.73	-11.84	-17.73	-11.84
<b>EUxUK</b>	1-5YR	0.06	0.77	1.04	-0.18	2.72	5.02	2.72	5.02
	5-10YR	-1.32	-0.63	-0.26	-1.46	0.05	2.29	0.05	2.29
	20+YR	-4.63	-3.96	-2.87	-4.04	-7.78	-5.71	-7.78	-5.71
<b>Japan</b>	1-5YR	0.39	-1.46	0.59	-2.47	0.41	-1.76	0.41	-1.76
	5-10YR	0.28	-1.57	0.48	-2.57	0.96	-1.22	0.96	-1.22
<b>EM</b>	1-5YR	0.23	0.14	1.88	-0.92	8.82	-3.58	8.82	-3.58
	5-10YR	-0.87	-1.08	-0.83	-3.55	2.64	-6.93	2.64	-6.93
	20+YR	-2.97	-3.33	-6.21	-9.55	-8.34	-18.66	-8.34	-18.66
<b>Germany</b>	1-5YR	0.06	0.77	1.04	-0.18	2.72	5.02	2.72	5.02
	5-10YR	-1.32	-0.63	-0.26	-1.46	0.05	2.29	0.05	2.29
	20+YR	-4.63	-3.96	-2.87	-4.04	-7.78	-5.71	-7.78	-5.71
<b>Italy</b>	1-5YR	-0.25	0.45	0.82	-0.39	3.91	6.24	3.91	6.24
	5-10YR	-1.38	-0.69	0.01	-1.20	4.91	7.26	4.91	7.26
	20+YR	-4.30	-3.63	-0.81	-2.01	4.33	6.67	4.33	6.67
<b>Spain</b>	1-5YR	-0.11	0.60	0.73	-0.48	2.84	5.15	2.84	5.15
	5-10YR	-1.21	-0.51	-0.25	-1.46	2.69	5.00	2.69	5.00
<b>France</b>	1-5YR	-0.20	0.50	0.48	-0.73	1.03	3.30	1.03	3.30
	5-10YR	-1.28	-0.58	-0.81	-2.00	-1.88	0.32	-1.88	0.32
	20+YR	-5.34	-4.67	-4.06	-5.22	-13.82	-11.88	-13.82	-11.88
<b>Sweden</b>	1-5YR	-0.90	0.59	-0.17	-2.88	2.23	1.70	2.23	1.70
	5-10YR	-2.55	-1.09	-1.24	-3.93	0.98	0.46	0.98	0.46
<b>Australia</b>	1-5YR	0.32	-2.06	-0.47	-5.17	2.20	1.15	2.20	1.15
	5-10YR	-0.20	-2.57	-1.45	-6.10	0.90	-0.14	0.90	-0.14
	20+YR	-2.98	-5.28	-7.21	-11.58	-12.16	-13.07	-12.16	-13.07
<b>NZ</b>	5-10YR	0.15	-2.57	0.34	-5.81	4.91	1.25	4.91	1.25
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Canada</b>	20+YR	-0.88	-0.88	0.26	0.26	3.49	3.49	3.49	3.49

Indices used: FTSE Canada RRB Canada Bond Index.

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# Appendix – Canadian Historical Bond Yields % as of December 31, 2024

## Canadian Bond Yields

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

		1-3YR	7-10YR	20+YR	All Mat
<b>Canada</b>	Current	2.93	3.13	3.32	
	3M Ago	2.88	2.86	3.10	
	6M Ago	3.87	3.49	3.42	
	12M Ago	3.73	3.10	3.04	
<b>IL</b>	Current			1.40	
	3M Ago			1.45	
	6M Ago			1.71	
	12M Ago			1.45	
<b>Provincial</b>	Current	3.09	3.57	4.21	3.78
	3M Ago	2.99	3.38	4.08	3.65
	6M Ago	3.96	4.03	4.39	4.19
	12M Ago	3.82	3.66	4.01	3.86
<b>Ontario</b>	Current	3.09	3.58	4.18	3.74
	3M Ago	2.99	3.37	4.05	3.61
	6M Ago	3.95	4.05	4.37	4.17
	12M Ago	3.86	3.66	3.99	3.86
<b>Quebec</b>	Current	3.11	3.60	4.21	3.82
	3M Ago	2.99	3.40	4.07	3.68
	6M Ago	4.00	4.01	4.37	4.20
	12M Ago	3.74	3.64	3.96	3.83
<b>Alberta</b>	Current	3.05	3.41	4.22	3.67
	3M Ago	2.98	3.24	4.12	3.56
	6M Ago	3.91	3.95	4.38	4.13
	12M Ago	3.81	3.63	4.05	3.86
<b>BC</b>	Current	3.08	3.57	4.23	3.82
	3M Ago	2.98	3.39	4.09	3.67
	6M Ago	3.87	4.07	4.39	4.20
	12M Ago	3.87	3.65	3.99	3.85
<b>Municipal</b>	Current	3.14	3.69	4.40	3.86
	3M Ago	3.08	3.43	4.26	3.72
	6M Ago	4.03	4.10	4.61	4.32
	12M Ago	3.83	3.74	4.23	3.98
<b>Corporate</b>	Current	3.71	4.28	4.78	4.09
	3M Ago	3.76	4.22	4.76	4.10
	6M Ago	4.76	4.96	5.15	4.90
	12M Ago	4.76	4.71	4.84	4.77
<b>High Yield</b>	Current				6.01
	3M Ago				6.24
	6M Ago				6.87
	12M Ago				7.07

		1-5YR	5-10YR	20+YR	All Mat
<b>AAA/AA</b>	Current	3.47	3.94	4.45	3.55
	3M Ago	3.48	3.92	4.38	3.56
	6M Ago	4.47	4.59	4.66	4.49
	12M Ago	4.46	4.38	4.27	4.45
<b>A</b>	Current	3.64	4.07	4.60	3.99
	3M Ago	3.67	3.95	4.58	4.00
	6M Ago	4.69	4.69	4.97	4.78
	12M Ago	4.68	4.44	4.57	4.61
<b>BBB</b>	Current	3.87	4.39	5.07	4.29
	3M Ago	1.59	1.51	1.94	4.33
	6M Ago	2.34	2.04	2.28	5.11
	12M Ago	2.13	1.75	2.04	5.01
<b>Comm</b>	Current	4.32	5.17	3.82	4.34
	3M Ago	4.23	5.14	3.94	4.32
	6M Ago	4.93	5.47	4.91	5.02
	12M Ago	4.64	5.21	4.91	4.78
<b>Energy</b>	Current	3.82	4.34	4.81	4.38
	3M Ago	3.94	4.34	4.82	4.42
	6M Ago	4.91	5.06	5.23	5.09
	12M Ago	4.91	4.84	4.98	4.92
<b>Financial</b>	Current	3.68	4.22	4.73	3.75
	3M Ago	3.72	4.13	4.71	3.78
	6M Ago	4.73	4.91	5.03	4.75
	12M Ago	4.73	4.72	4.79	4.73
<b>Industrial</b>	Current	3.68	4.23	4.83	4.07
	3M Ago	3.70	4.19	4.79	4.08
	6M Ago	4.66	4.86	5.19	4.84
	12M Ago	4.66	4.58	4.90	4.70
<b>Infrastructure</b>	Current	3.50	4.09	4.65	4.38
	3M Ago	3.48	3.97	4.59	4.33
	6M Ago	4.42	4.71	4.99	4.87
	12M Ago	4.35	4.40	4.62	4.54
<b>Securitization</b>	Current	3.56			3.58
	3M Ago	3.66			3.68
	6M Ago	4.66			4.66
	12M Ago	4.82			4.82

Indices used: FTSE Canada Non-Agency Bond Index (Short, Mid, Long), FTSE Canada RRB Canada Index, FTSE Canada Corporate Bond Index (Short, Mid, Long, AAA/AA, A, BBB), FTSE Canada Provincial Bond Index, FTSE Canada High Yield Bond Index.

Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.



## Appendix – Historical Bond Yields % as of December 31, 2024

### Global Bond Yields

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.25	4.34	4.54	4.88	1.95	2.16	2.50	5.35	7.61
	3M Ago	3.73	3.58	3.74	4.21	1.59	1.51	1.94	4.76	7.30
	6M Ago	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	12M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
UK	Current	4.24	4.22	4.47	5.03	0.48	0.86	1.80		
	3M Ago	4.01	3.78	3.92	4.51	0.31	0.44	1.31		
	6M Ago	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	12M Ago	3.94	3.71	3.70	4.29	0.20	0.17	1.11		
Japan	Current	0.53	0.67	0.98	2.18	-1.20	-0.57			
	3M Ago	0.32	0.44	0.74	2.02	-0.96	-0.53			
	6M Ago	0.27	0.48	0.91	2.10	-1.32	-0.79			
	12M Ago	0.00	0.11	0.49	1.56	-1.74	-0.86			
China	Current	1.10	1.32	1.68	2.00					
	3M Ago	1.54	1.78	2.15	2.38					
	6M Ago	1.64	1.86	2.21	2.46					
	12M Ago	2.18	2.34	2.56	2.85					
EM	Current	2.99	3.20	3.98	3.49	6.51	5.83	6.25	5.55	8.05
	3M Ago	3.07	3.46	4.01	3.70	5.81	5.15	5.61	4.93	7.51
	6M Ago	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	12M Ago	3.44	3.90	4.71	4.25	4.42	4.42	5.02	5.58	9.90
Germany	Current	2.04	2.05	2.27	2.54	0.97	0.47	0.64		
	3M Ago	2.09	1.88	2.04	2.44	1.24	0.33	0.45		
	6M Ago	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	12M Ago	2.48	2.15	2.13	2.45	0.85	0.24	0.34		
Italy	Current	2.37	2.65	3.28	3.96	0.99	1.44	1.86		
	3M Ago	2.47	2.57	3.18	3.94	1.10	1.35	1.80		
	6M Ago	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	12M Ago	2.99	3.07	3.56	4.26	1.20	1.65	1.97		
France	Current	2.28	2.54	3.04	3.59	0.73	0.97	1.36		
	3M Ago	2.34	2.39	2.75	3.43	0.81	0.75	1.13		
	6M Ago	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	12M Ago	2.49	2.60	2.75	3.32	0.63	0.51	0.90		
Sweden	Current	2.07	2.14	2.33		0.92	0.69			
	3M Ago	1.68	1.66	1.90		0.88	0.47			
	6M Ago	2.42	2.23	2.19		1.41	0.74			
	12M Ago	2.59	2.48	2.40		1.62	1.05			
Australia	Current	3.88	3.89	4.32	4.87	1.77	1.92	2.45		
	3M Ago	3.62	3.54	3.91	4.56	1.31	1.45	2.00		
	6M Ago	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	12M Ago	3.71	3.78	4.14	4.56	1.20	1.54	1.93		
NZ	Current	3.58	3.70	4.35	5.11	0.00	2.29			
	3M Ago	3.75	3.74	4.20	4.87	2.65	2.20			
	6M Ago	4.78	4.56	4.65	5.00	2.51	2.33			
	12M Ago	4.71	4.75	4.77	5.02	1.97	2.48			
Canada	Current	2.93		3.13	3.32			1.40	4.09	6.01
	3M Ago	2.88		2.86	3.10			1.45	4.10	6.24
	6M Ago	3.87		3.49	3.42			1.71	4.90	6.87
	12M Ago	3.73		3.10	3.04			1.45	4.77	7.07

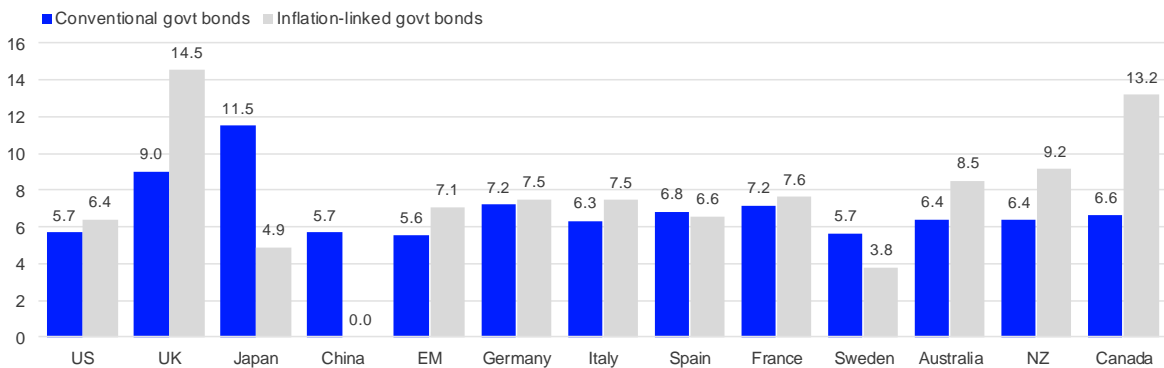
Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

## Appendix – Duration and Market Value (USD, Bn) – December 31, 2024

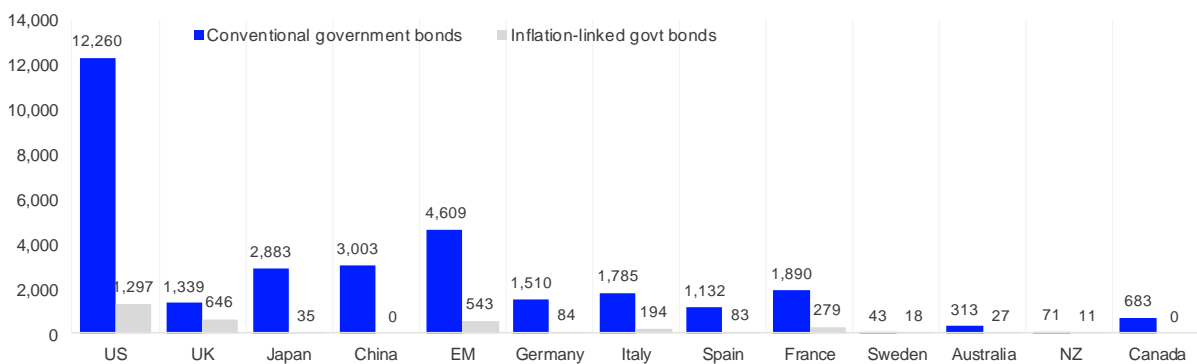
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
<b>US</b>	3.6	7.1	16.2	5.7	2,880.2	1,162.2	1,363.4	12,260.1	7.0	20.9	6.4	433.9	114.5	1297.4
<b>UK</b>	3.6	7.2	17.5	9.0	220.0	229.2	315.8	1,339.3	7.4	26.4	14.5	122.5	207.7	645.5
<b>Japan</b>	3.8	8.2	22.9	11.5	344.1	416.9	584.2	2,883.1	7.9		4.9	14.5		34.6
<b>China</b>	3.7	7.6	18.2	5.7	719.5	496.4	337.5	3,003.0						
<b>EM</b>	3.6	7.1	16.5	5.6	1024.80	810.29	443.03	4,609.5	5.8	12.8	7.1	93.2	134.4	542.6
<b>Germany</b>	3.7	7.6	21.1	7.2	311.38	241.00	167.75	1,509.5	6.0	20.5	7.5	42.4	16.9	84.3
<b>Italy</b>	3.6	7.1	16.9	6.3	315.30	263.23	154.53	1,784.8	6.9	25.2	7.5	58.2	5.5	193.7
<b>Spain</b>	3.7	7.3	18.7	6.8	240.51	210.69	95.83	1,131.7	7.1		6.6	49.4		83.2
<b>France</b>	3.8	7.5	18.9	7.2	386.63	313.46	233.27	1,890.4	6.4	23.5	7.6	76.7	20.0	278.6
<b>Sweden</b>	4.0	7.4		5.7	13.59	9.55		42.8	6.2		3.8	5.8		17.7
<b>Australia</b>	3.8	7.3	16.3	6.4	50.43	78.02	18.44	312.5	6.1	21.2	8.5	10.2	2.5	27.0
<b>NZ</b>	3.6	7.1	15.8	6.4	13.62	17.40	4.83	70.8	5.2		9.2	3.1		11.1
<b>Canada</b>		6.8	18.6	6.6		272.13	102.95	682.9		13.2	13.2			68.5

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
<b>US</b>	10.2	8.1	6.9	6.5	6.8	71.0	458.4	2,811.3	3,622.6	6,963.3	3.8	1,269.6
<b>Euro</b>	5.8	4.7	4.6	4.2	4.4	14.8	213.7	1,211.5	1,565.3	3,005.4	3.1	349.5
<b>EM</b>		6.5	5.4	5.3	5.4		38.71	209.58	231.6	479.9	3.6	196.5

Average Duration



Total Market Value (USD Billions)

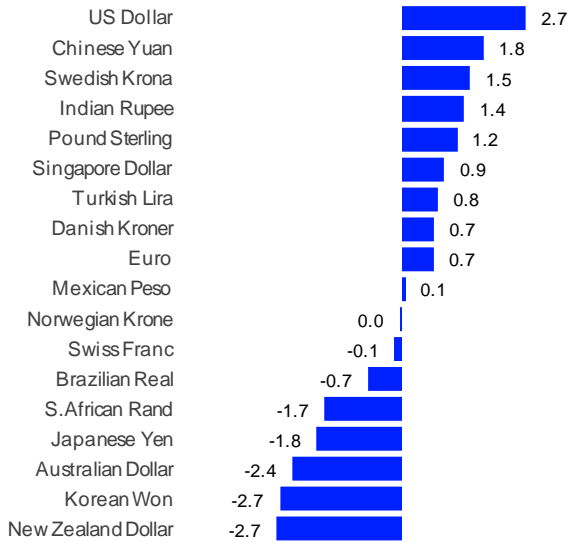


Indices used: FTSE Canada Non-Agency Bond Index (Mid, Long, Overall), FTSE Canada RRB Canada Bond Index.

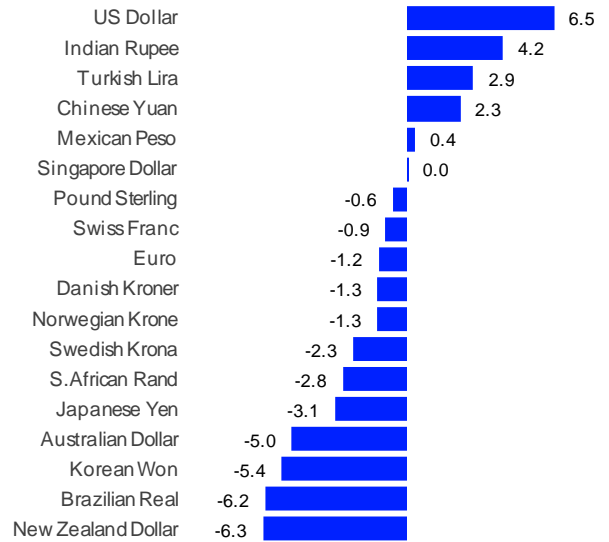
Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

## Appendix – Foreign Exchange Returns % as of December 31, 2024

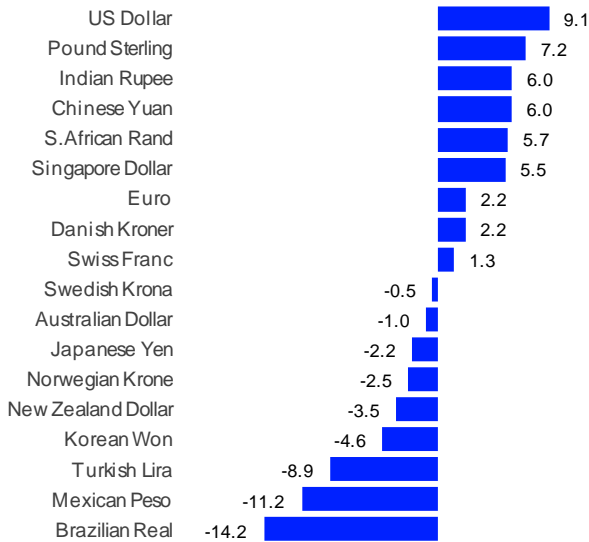
### FX Moves vs CAD - 1M



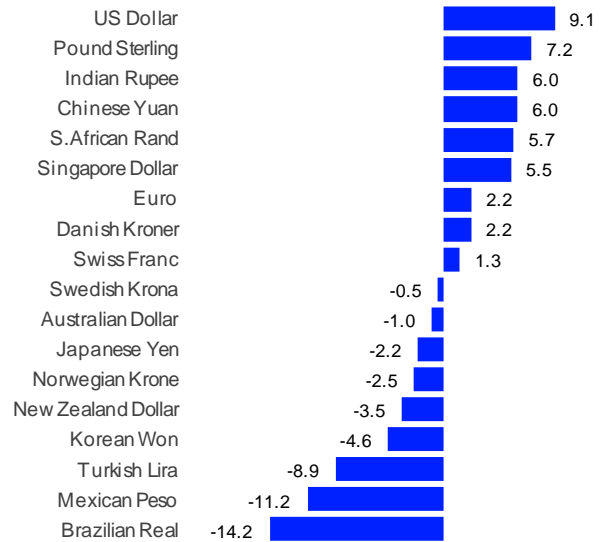
### FX Moves vs CAD - 3M



### FX Moves vs CAD - YTD



### FX Moves vs CAD - 12M



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## Appendix – Glossary

### **Bond markets are based on the following indices:**

FTSE Canada Universe Bond Index for all Canadian government and corporate bond markets\*

FTSE Canada High Yield Bond Index for the Canadian high yield market

FTSE Canada RRB Canada Index for the Canadian inflation-linked bond market

FTSE World Government Bond Index (WGBI) for all global government bond markets

FTSE World Inflation-Linked Securities Index (WorldILSI) for all global inflation-linked bond markets

FTSE US Broad Investment-Grade Bond Index (USBIG®) for the US corporate bond market

FTSE US High-Yield Market Index for the US high yield bond market

FTSE Euro Broad Investment-Grade Bond Index (EuroBIG®) for the Euro-denominated corporate bond market

FTSE European High-Yield Market Index for the European high yield market

FTSE Chinese Government and Policy Bank Bond Index (CNGPBI) for the Chinese government bond market

FTSE Emerging Markets Inflation-Linked Securities Index (EMILSI) for the emerging markets inflation-linked bond market

FTSE Emerging Markets Broad Bond Index (EMUSDBBI) for the emerging markets corporate bond market

### **List of Abbreviations used in charts:**

IL = Inflation-linked bonds

IG = Investment-grade bonds

HY = High-yield bonds

BPS = Basis points

EM = Emerging market

LC = Local currency

### **\* FTSE Canada Bond Indexes**

1-3YR = Short Term Bond Indices

7-10YR = Mid Term Bond Indices

20+ YR = Long Term Bond Indices

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