

Fixed Income Insights

MONTHLY REPORT | JULY 2024

CANADA EDITION

Canadian short govts and credits lifted by BoC easing

Short governments and credits benefited from lower inflation expectations and the BoC easing in June, even if an uptick in inflation reduced prospects for more imminent cuts, with a gradualist approach to easing likely. HY credit has outperformed since January, but valuations appear stretched. Canadian Provis have recovered from YTD losses in Q2.

Macro and policy backdrop – BoC initiates G7 easing cycle but US inflation delays Fed

The modest uptick in May inflation suggests a gradualist approach to BoC easing. (page 2)

Canadian govts – Canadian gov bonds benefit as easing expectations intensify Canadian government bonds across all maturities, notably longs, gained from the BoC easing in June, but the rally was not enough to erase Q2 losses, except in short governments. (page 3)

Canadian credit – Is the party over for Canadian HY? Canadian corporates, notably high yield credits, have gained 12% in the last 12M, and relative valuations look stretched. (pages 4-5)

Global yields and spreads – Signs of curve dis-inversion as easing cycle begins ECB and BoC cuts drove some dis-inversion, while credit spread tightening stalled. (pages 6)

Sovereign and climate bonds – Duration continues to dominate narrative ESG EMGBIC has been a strong outperformer since the rise in global yields due to lower relative duration. (page 7)

Performance – Shorts outperformed in Q2, helped by coupon effects New Zealand and Swedish government bonds were the best 3M performers, while long China government bonds and high yield credit were strongest on 12M. (pages 8-10)

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

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Chart 1: Canadian nominal yields have been driven higher by rising real yields since 2021, while breakeven inflation has remained comparatively stable since rising sharply in 2020.

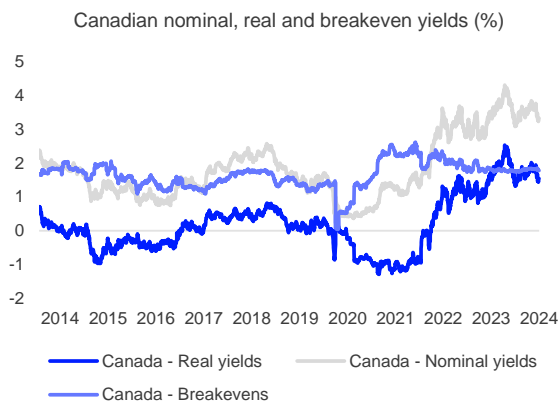
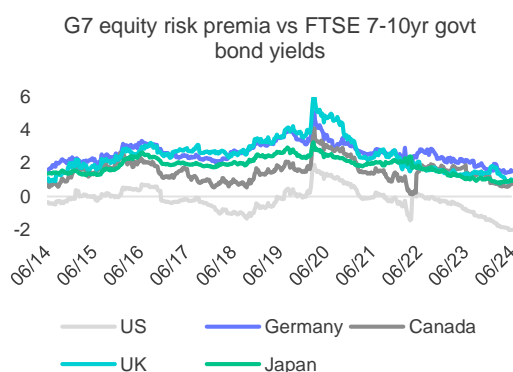


Chart 2: Canadian 7-10yr govts have cheapened vs equities after the strong equity rally in 2023-24. US cheapness is the most extreme. Bunds have also cheapened vs equities, with the risk premium at a post-Covid low.



Source: FTSE Russell and LSEG. All data as of June 30, 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

The Bank of Canada was the first G7 central bank to reverse policy and ease rates in June, but the uptick in inflation in May disappointed and reduces the likelihood of further cuts in the short term. Consensus Canadian growth expectations for 2024 remain subdued, but improved significantly for 2025, as one of the highest within the G7 economies. Wage pressures stabilised, but service sector inflation remains a concern.

Consensus forecasts are for weak growth in Canada, the Eurozone and Japan in 2024, but no recessions, after Canada's GDP grew 0.4% in Q1, following flat growth in the second half of 2023. By contrast, US forecasts barely show a slowdown in the US economy in 2024. The latest Atlanta Fed Now forecast shows Q2 growth rebounding to 2.2% (June 28), after de-stocking squeezed Q1 growth. European growth is slowly recovering from negative/flat growth since Q4 2022 (Chart 1).

Lower Canadian core inflation, after easing for five consecutive months and falling below 2%, the economy in "excess supply" and concerns about the impact on consumer demand from higher mortgage rates, elicited a rate cut by the BoC in June. But the 0.2% rise in inflation to 2.9% y/y in May disappointed, and higher service and shelter inflation raised the prospect of a more staggered approach to easing going forward. In Japan, yen weakness and higher wage awards are also sustaining inflation above 2%. Chinese deflation risks remain an outlier, reflecting weak domestic demand (Chart 2).

The BoC reduced its target rate by 0.25% in June to 4.75%, in advance of any US Fed easing. European central banks – the ECB, SNB and Riksbank – all eased rates in June, though the BoE did not (Chart 3). The ECB signalling also confirmed a more gradualist easing cycle likely in 2024-25. The Fed kept rates unchanged. While there is little urgency for a Fed move, given the economy is not recessionary, and service sector inflation remains above 5%, some easing in mortgage rates would help the housing market, and ease pressure on the broader real estate sector.

The Canadian labour market data show businesses continued to hire, although employment has been growing at a slower pace than the working age population. The unemployment rate rose modestly to 6.2% in May, after the jobless number increased by 28,000 to 1.365 million, taking some pressure off wage inflation, which appears to be stabilising, after weekly average earnings fell a little to 3.7% in April, from 4.1% in March (Chart 4).

Chart 1: Canadian, European and Japanese growth remain weak, but with no forecast recessions. US growth is expected to barely slow in 2024, despite high rates, and impact on sectors like housing.

Latest Consensus Real GDP Forecasts (Median, %, June 2024)			
	2023	2024	2025
US	2.5	2.4	1.8
UK	0.1	0.7	1.2
Eurozone	0.5	0.7	1.4
Japan	1.3	0.7	1.0
China	5.2	4.6	4.4
Canada	1.1	0.8	1.8

Chart 2: Canada's inflation bounced back to 2.9% y/y in May, a level last seen in March, after declining to 2.7% y/y in April, as service, shelter and wage inflation remain stubbornly high.

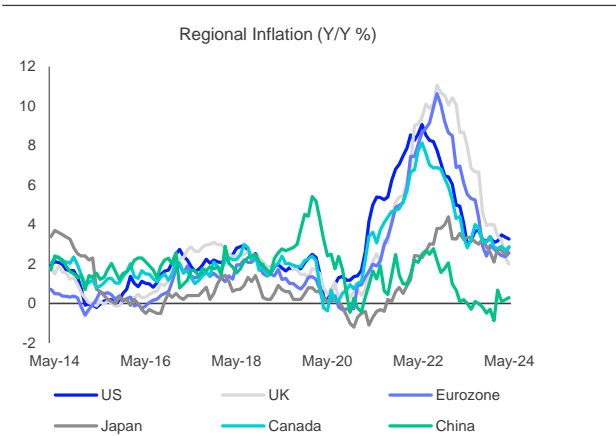


Chart 3: The BoC and ECB were the first G7 central banks to ease policy in June, after CPI came close to 2% (in Canada core CPI) in April, but the CPI uptick in May suggests a more gradualist approach to easing going forward.

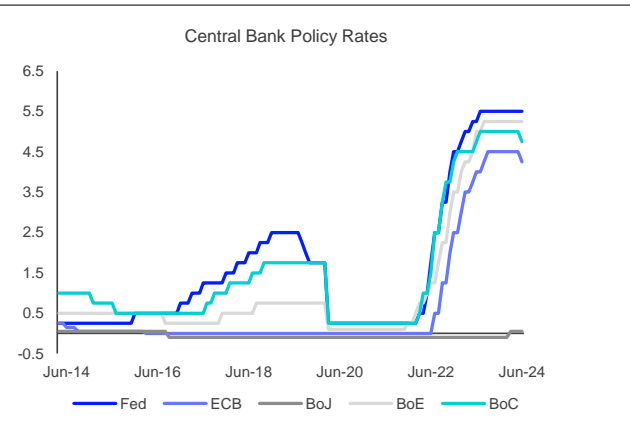
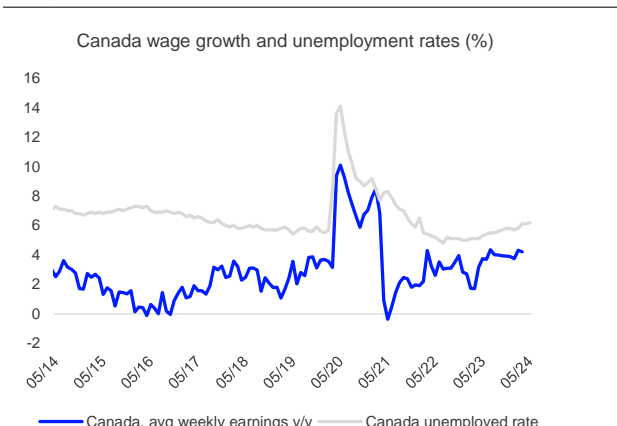


Chart 4: Canadian unemployment rose a little in May, taking much needed pressure off wage growth, which appears to be stabilising, after rising sharply in 2023.



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Canadian Governments, Provinces and Municipalities

Chart 1: The Canadian govt bond yield curve dis-inverted again after the BoC eased policy in June. However, both the 10/2 and 20/2 yield spreads have come off their deep 12-month lows, even if still negative.

Canada govt yields: mediums and longs vs shorts

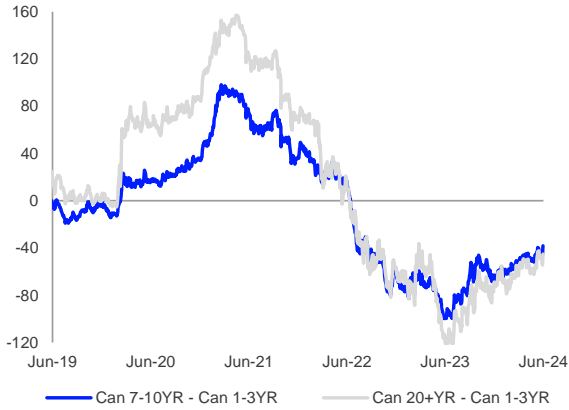


Chart 3: Both long-dated Canadian nominal real bond yields fell sharply in June, after the Bank of Canada eased in early June and despite inflation bouncing back modestly.

Long-dated Canadian nominal and real yields

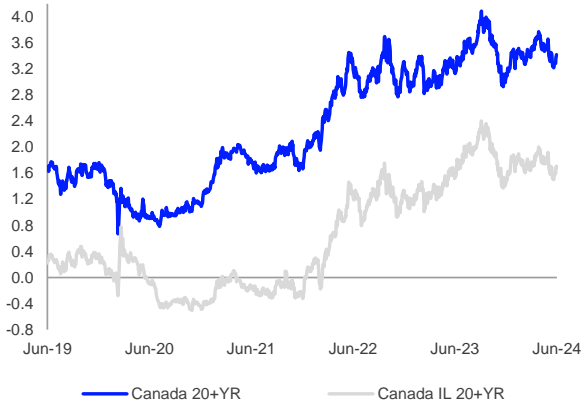


Chart 5: Canadian Provincial returns have steadily improved over the last 12M, and close to turning positive in Ontario, which dominate the sector (see Chart 6). Alberta continued to benefit from higher oil prices.

Canada Provincial bonds performance (TR, CAD)

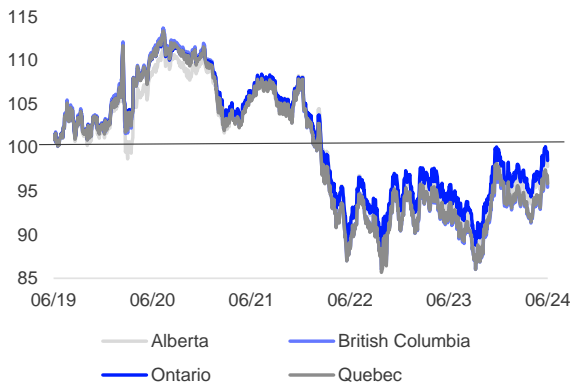


Chart 2: Canadian 7-10yr spreads have fallen sharply vs G7 equivalents, after the BoC easing, and remain negative versus US Treasuries and UK gilts, with neither the Fed nor BoE cutting rates so far in this cycle.

7-10 year Canadian sovereign spreads

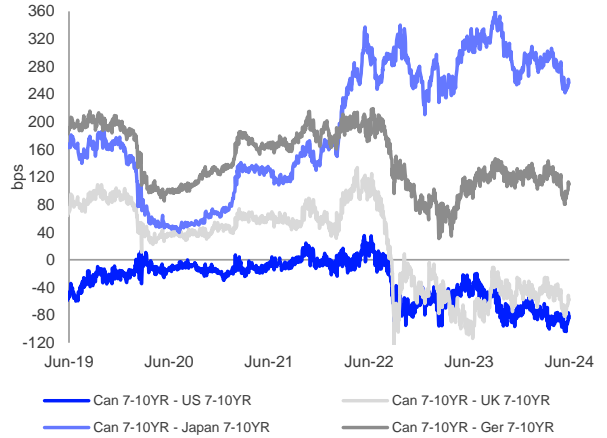


Chart 4: Long G7 inflation breakevens have stabilised, and even fallen a little, in June after rising for most of Q2 on stickier inflation and stronger economic growth. UK inflation breakevens reflect link to RPI, not CPI.

Selected longer dated inflation breakevens

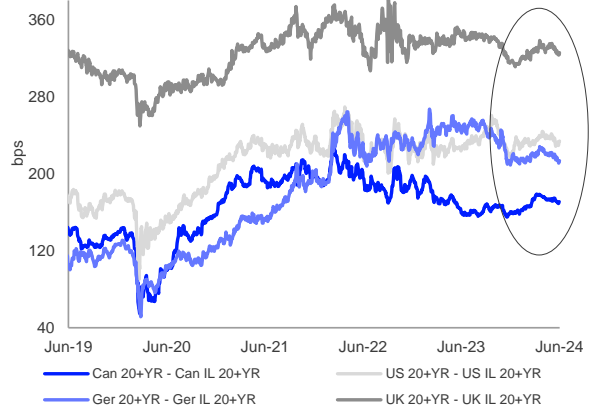
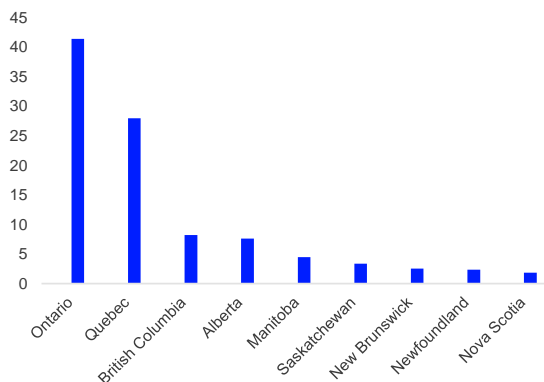


Chart 6: Ontario dominates the Canadian Provincial bond universe, with a weight of 41%, followed by Quebec's 28%. While both are AAs, Ontario's budget deficit is expected to be half that of Quebec in 2024-25.

Canadian Provincial bonds by market weights (%)



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Canadian Investment Grade Credit Analysis

Chart 1: Canadian BBB IG corporates have outperformed the IG index, highlighting the risk-on rally, demand for income and higher energy prices, as energy represents the largest sector, with its 35% weight.

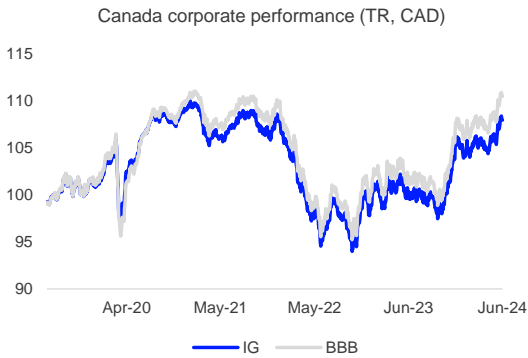


Chart 2: Mid and short maturities have dominated Canadian investment grade performance since 2019, with longs catching up since 2022 and showing more volatility.

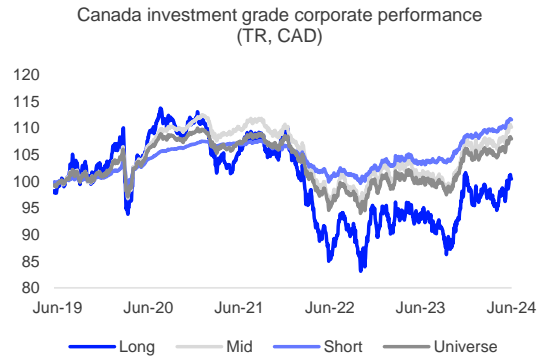


Chart 3: Canadian AAA IG spreads have recovered the most since 2021 and currently are tightest at 100bp, though this level is still higher than pre-Covid, unlike A and BBB spreads, which are at about pre-covid levels.

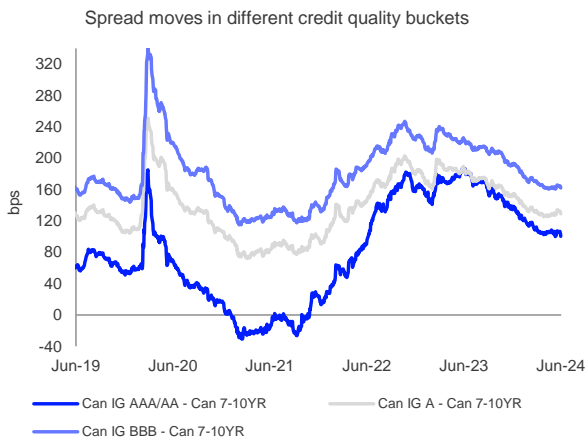


Chart 4: AAA and BBB investment grade spreads have tightened the most in Q2, as Chart 3 also shows, with the former benefiting the most from BoC easing, due to the closer correlation with government bonds.

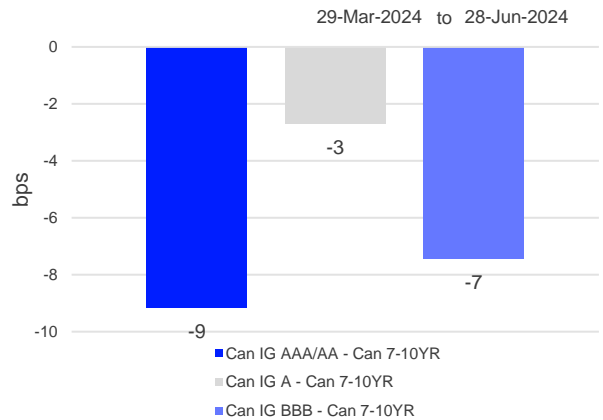


Chart 5: Real estate and energy spreads have converged at around 160bp. Infrastructure spreads have been the most stable since Covid and trade on similar spreads to the volatile financial sector at about 130bp.

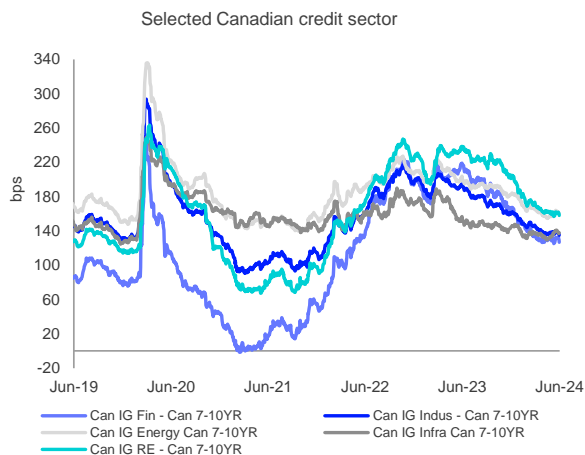
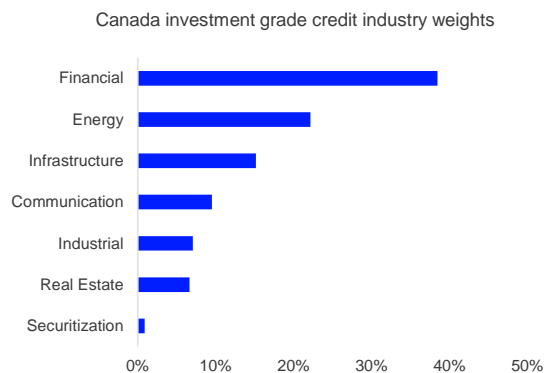


Chart 6: Financials represent the largest industry in the Canadian investment grade universe and together with energy and infrastructure make up about 76% of the universe.



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Canadian High Yield Credit Analysis

Chart 1: Canadian HY credits decoupled from those in the US and yield less than 7%, compared to US HY credits on 8% yields, though yield levels remain above pre-Covid. The same trend is observed with IG yields.

Canadian and US corporate bond yields

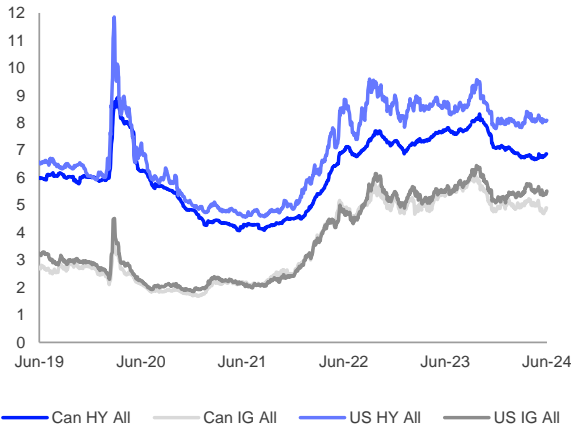


Chart 2: Canadian HY spreads reversed months of tightening and widened in June, possibly on the back of some profit-taking after the strong rally over the last year, but also due to lower govt bond yields..

Canadian & US HY credit spreads

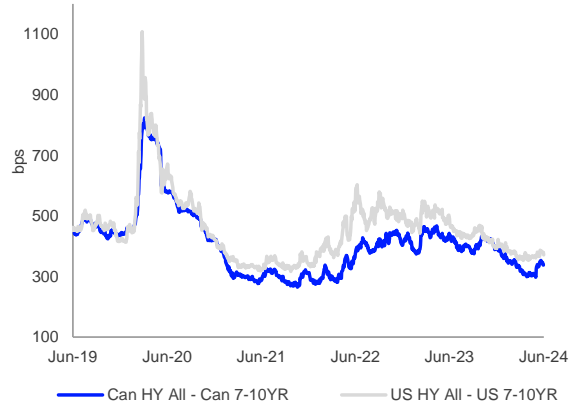


Chart 3: The energy sector, which is a dominant sector in Canadian HY, and also sizeable in Canadian IG, has driven both HY and IG indices higher, benefiting from higher oil prices in 2024.

Canadian HY & IG universe vs energy returns (TR, CAD)

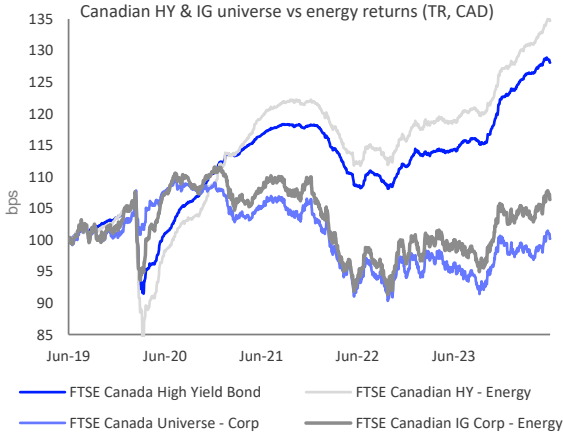


Chart 4: Energy represents over 45% of the Canadian high yield universe and is the second largest sector in the Canadian investment grade universe, with a weight of 20%.

Canadian IG & HY credit industry weights (%)

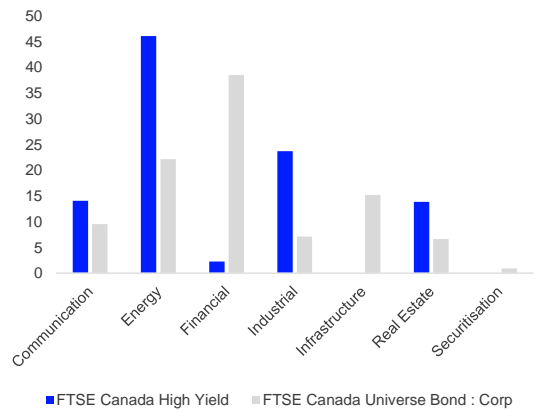


Chart 5: The financial sector, which is a very small segment of the Canadian HY universe (see also Chart 3), has outperformed, alongside the energy sector.

Canada high yield credit industry performance (TR, CAD)

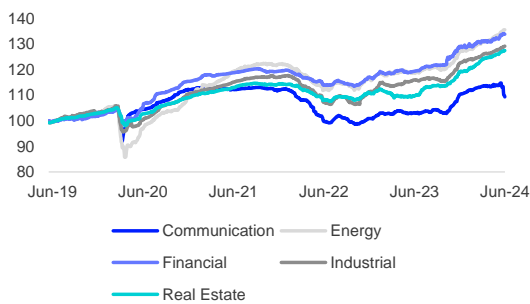
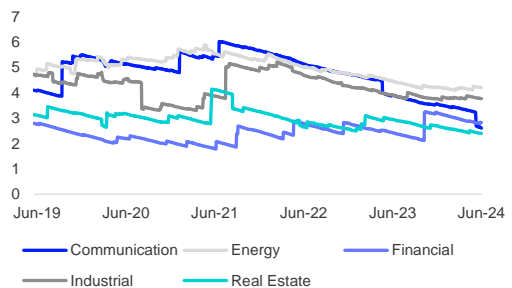


Chart 6: The duration in HY energy issues has fallen since 2019 but remains the highest in the HY universe. Real estate duration has remained relatively stable and the lowest during the same period.

Canada high yield credit industry modified durations (years)



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Global Yields, Curves and Breakevens

Chart 1: Central bank easing drove lower yields in much of the G7 in June, led by the Bank of Canada. Treasuries and gilts rallied as markets anticipated rate cuts later in Q3 and Q4. JGBs lagged the moves.

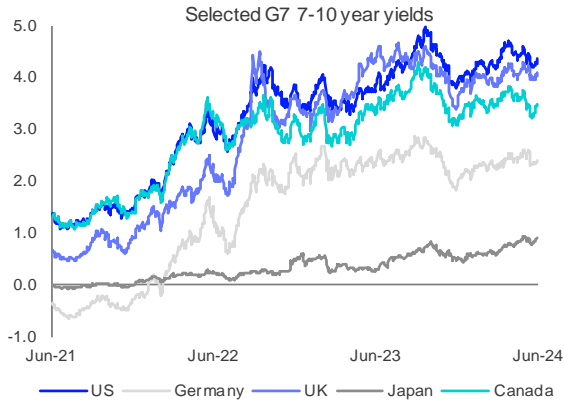


Chart 2: Real yields moved lower with nominals in June, but to a lesser extent, repeating the normal pattern of breakevens rising during sell-offs in nominal bonds, and declining during rallies.

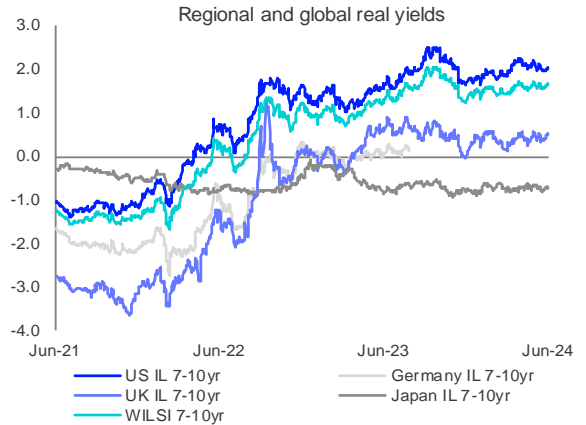


Chart 3: 10s/2s yield curves remain inverted, excluding JGBs. Lower policy rates in Canada and Eurozone were discounted, so 2-year yields reacted little. Re-investment risk is sustaining demand for 10-year maturities.

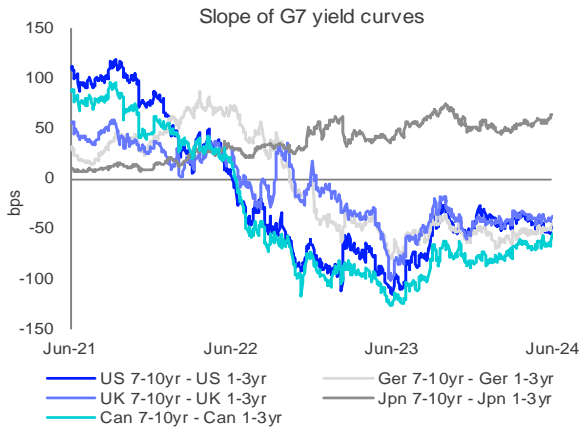


Chart 4: There has been more significant curve dis-inversion in long bonds, notably in JGBs, after the BoJ abandoned formal curve control. High debt/GDP ratios and positive term premia may also be factors.

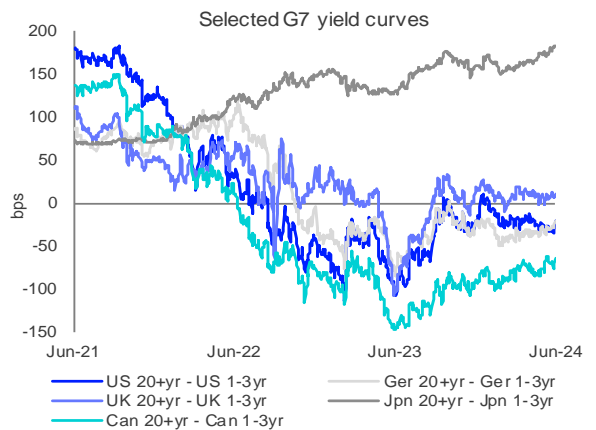


Chart 5: Inflation breakevens dipped in June, as nominal bonds rallied, and disinflation resumed in May data, notably in Europe. JGB breakevens remain near recent highs, as yen weakness continues.

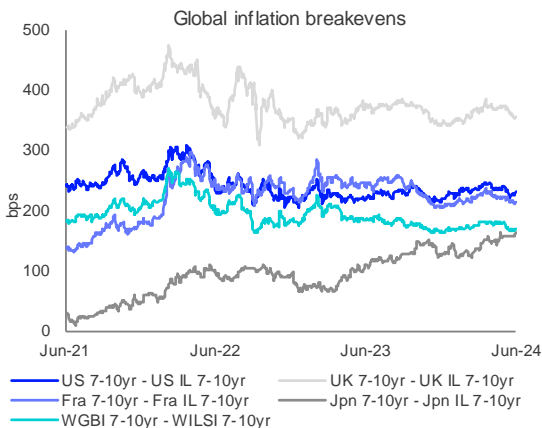
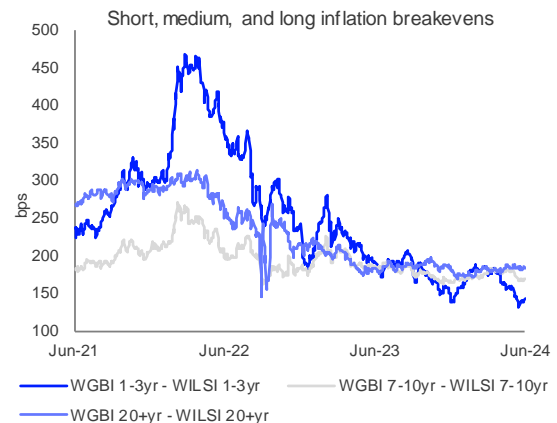


Chart 6: Short-dated breakevens have collapsed from the 2022 highs, reaching new lows in June, as inflation fell to 2% in parts of Europe. Longer breakevens have lagged the move but remain stable near 2%.



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SI Sovereign Bond Analysis

Chart 1: Duration has been the most significant differentiator of relative performance for SI Sovereigns since 2022, especially ESG EMGBIC due to a lower relative duration.

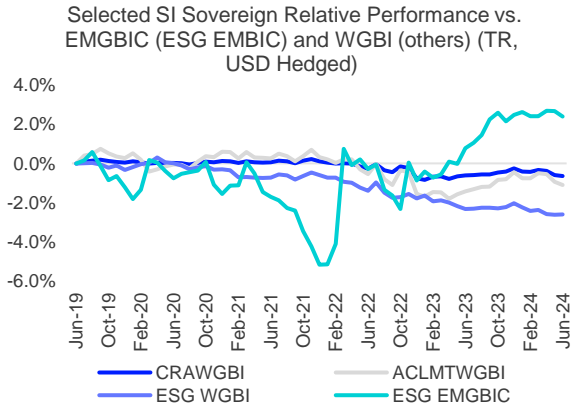


Chart 2: Within SI corporates, both Choice and Ex FFE have performed in line over the last two years due to their similar duration, despite differences in both credit quality and industry exposure.

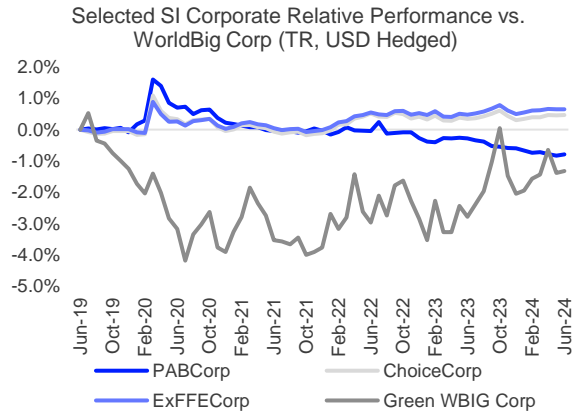


Chart 3: SI Sovereigns broadly underperformed in Q2, as yields for the indices rose by more than they did for their non-SI counterparts. Lower relative duration drove ESG EMGBIC outperformance over 1Y and 5Y.

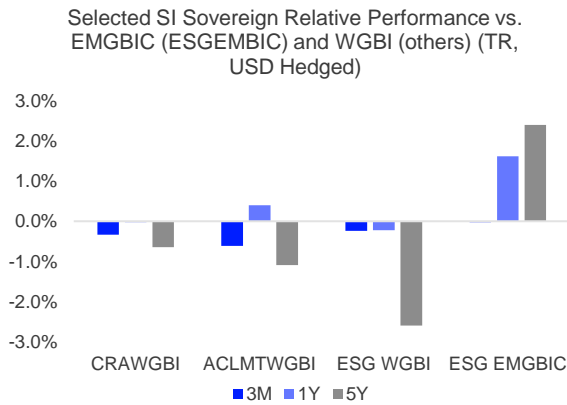


Chart 4: In contrast to sovereigns, SI corporates have largely outperformed in Q2, except for PAB (Paris aligned benchmark), which lost -0.1%. Green WBIG outperformed as it earned a 0.1% relative gain.

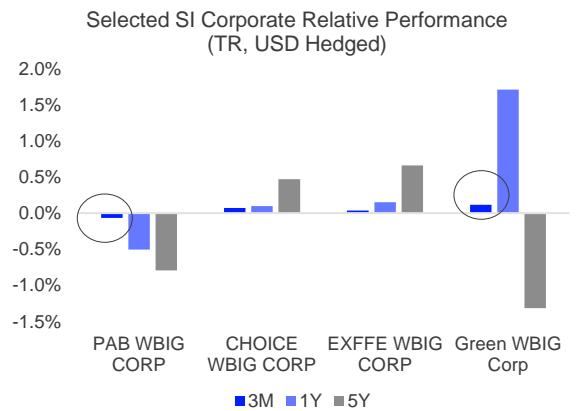


Chart 5: ESG EMGBIC has benefited recently from falling relative yields vs EMGBIC. This reflects an overweight in countries more advanced in their interest rate easing cycle vs those with high or increasing rates.

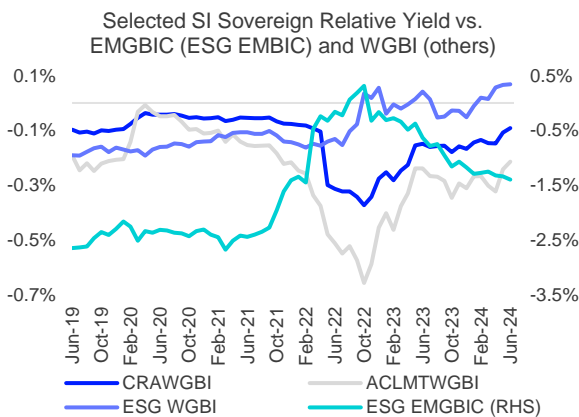
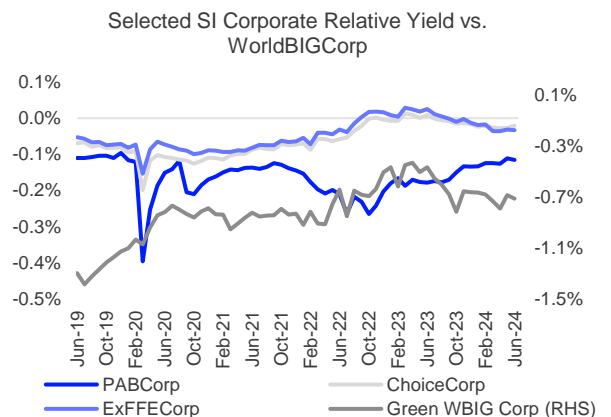


Chart 6: Most SI corporates have seen relative yields rise vs non-SI indices over 5 years, suggesting a longer term erosion in the SI premium. However, relative yields for Green WBIG, Ex FFE and Choice fell in the last 12M.



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

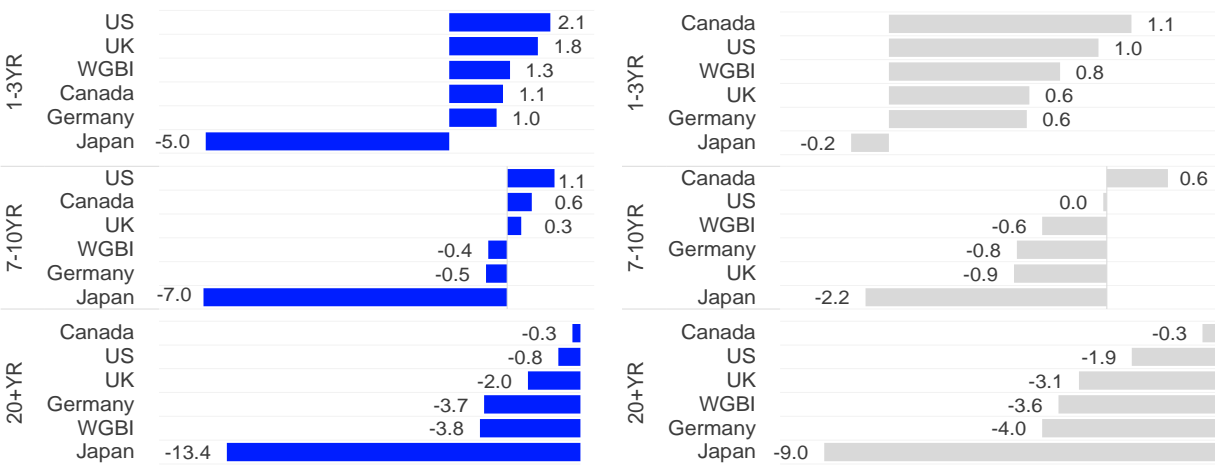
The Bank of Canada's rate cut in June helped short gov bond returns. US and UK shorts outperformed, helped by coupon effects, and currency strength helping UK gilts and US Treasuries in Canadian dollars. Yen weakness reduced JGB returns in Canadian dollar terms, resulting in Q2 and YTD losses of up to 13% and 18%, respectively.

The April sell-off was severe, and depressed Q2 government bond returns, despite a modest rally in May/June, as central banks began easing rates. Long JGBs lost 13% in Q2 alone, in Canadian dollars, after the BoJ suspended formal yield curve control, and the curve steepened. Sterling's relative strength propped up gilt returns.

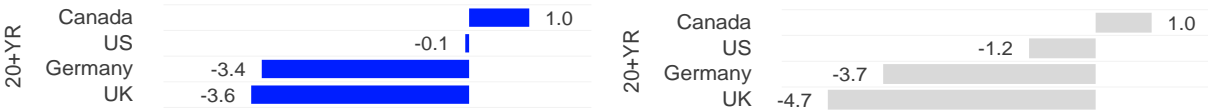
Duration generally counted against longs YTD, though this may change as central banks begin, or continue, easing.

CONVENTIONAL BONDS

3M CAD 3M LCY

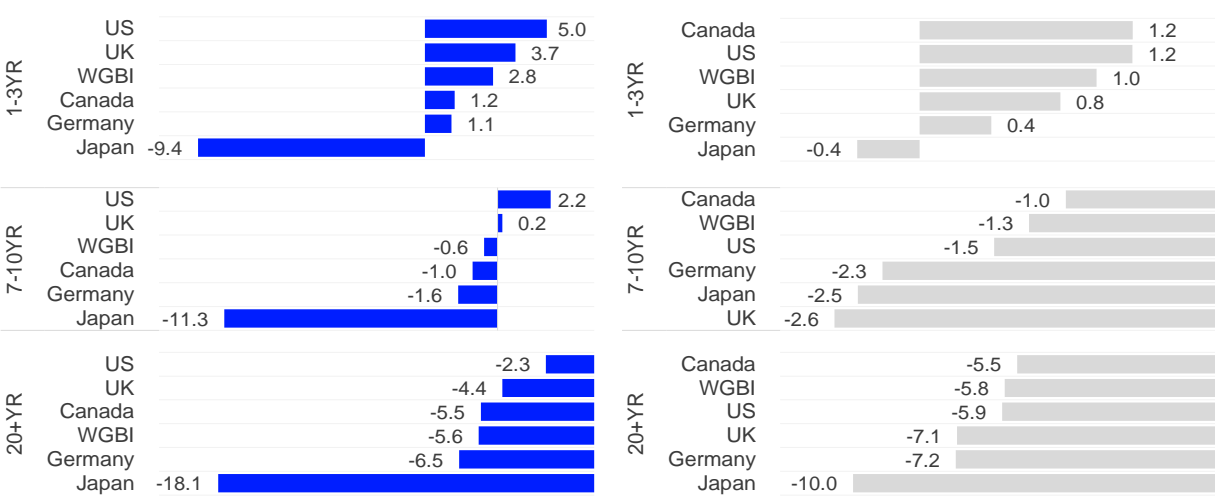


INFLATION LINKED



CONVENTIONAL BONDS

YTD CAD YTD LCY



INFLATION LINKED



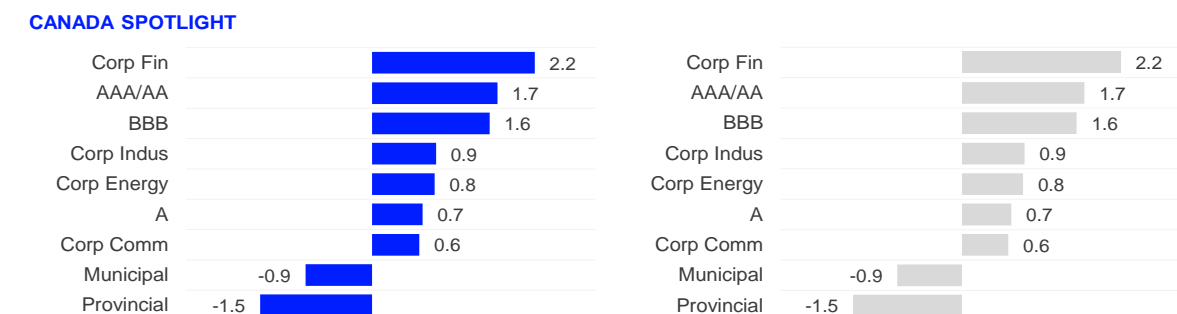
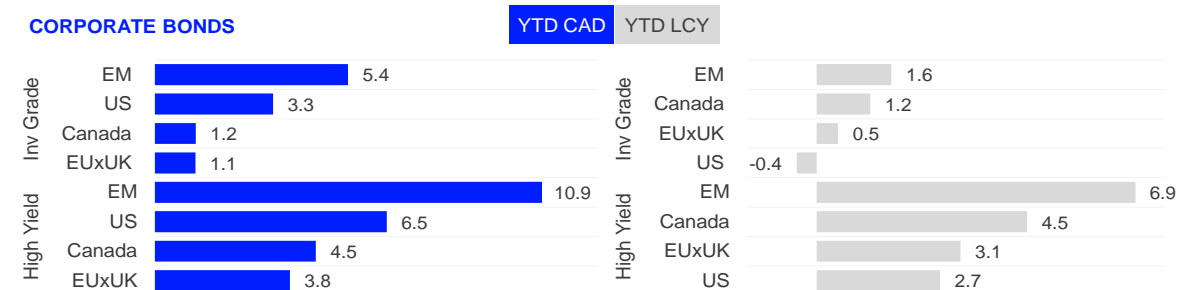
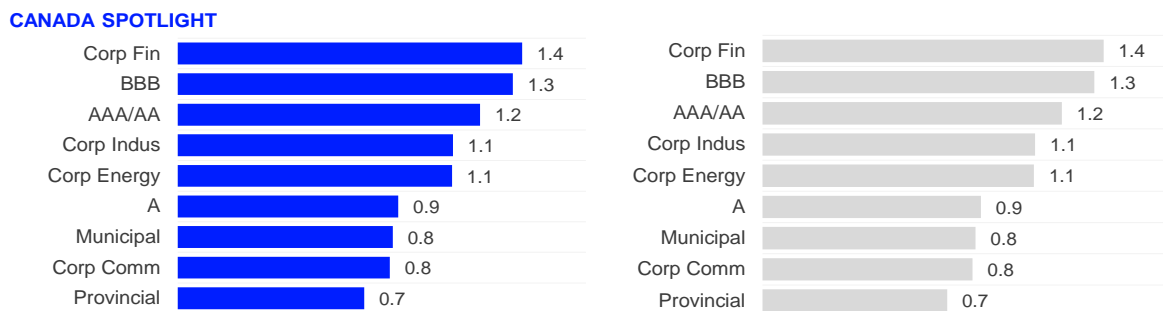
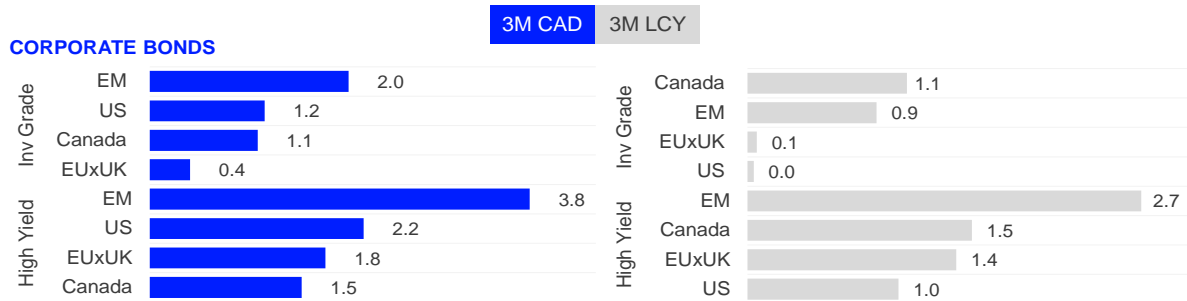
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Canadian and Corporate Bond Returns – 3M & YTD % (CAD, LC, TR)

Credit outperformed in Q2, benefiting from the risk rally and expectations of easing. High yield bonds, especially EM, have outperformed investment grade corporates, with returns improving on currency strength relative to the Canadian dollar, but valuations appear stretched. Canadian financials, energy and BBB-rated corps have outperformed Provincial and Municipal bonds, which recovered from YTD losses in Q2.

Credit comfortably outperformed as EM high yield led returns on 3M and YTD, with gains of 4-11%, helped by the risk rally and HY's shorter duration, relative to investment grade credit, which also showed positive returns of up to 2% YTD. Canadian high yield credits underperformed US equivalents, both during Q2 and YTD.

Canadian Provincial and Municipal bonds, up by about 1%, have recovered in Q2 from YTD losses, benefiting from lower inflation, the rally in government bonds and the BoC easing in June.



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)

New Zealand and Swedish gov bonds dominate the Top 15 returns in Q2, in Canadian dollars, buoyed by currency gains and the Riksbank rate cut. Long China and EM HY also feature in the top performance both in Q2 and YTD, benefiting from the global risk rally and policy easing. The worst performers were JGBs, which lost 13%, after further yen weakness, and long French gov bonds on increased political uncertainty. US, Canadian & Euro HY credit remained strong over 12M.

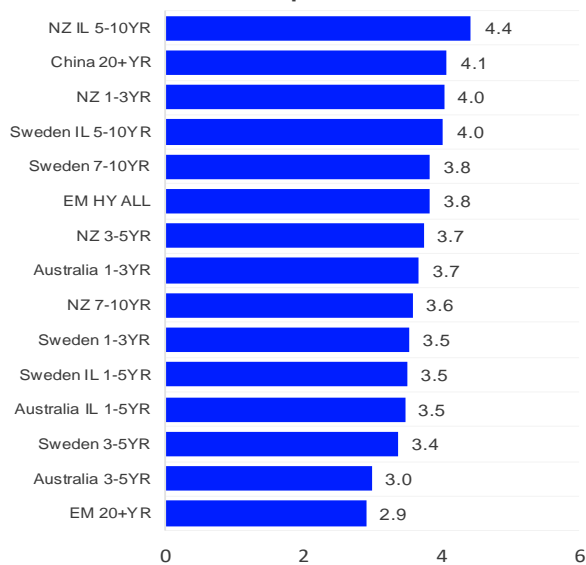
New Zealand and Swedish government bonds gained 4% on 3M, as NZ's high relative yields drew buyers, and the Swedish krone benefited from political uncertainty in the Eurozone, where French bond returns fell after the outcome of the EU elections, and President Macron's snap decision to call national French elections.

12M returns also show a strong performance by Swedish bonds, though China and high yield credit were even stronger, gaining 12-16%, in Canadian dollar terms, as the global risk rally helped HY credit generally, and long Chinese bonds benefited from substantial monetary easing by the PBoC.

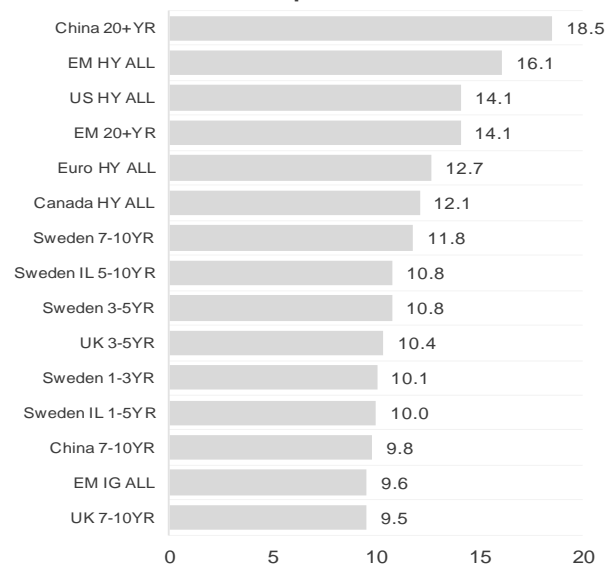
Long linkers & JGBs remain the weakest on 12M, with yen losses and the end of curve control driving losses of up to 23% in JGBs.

3M CAD 12M CAD

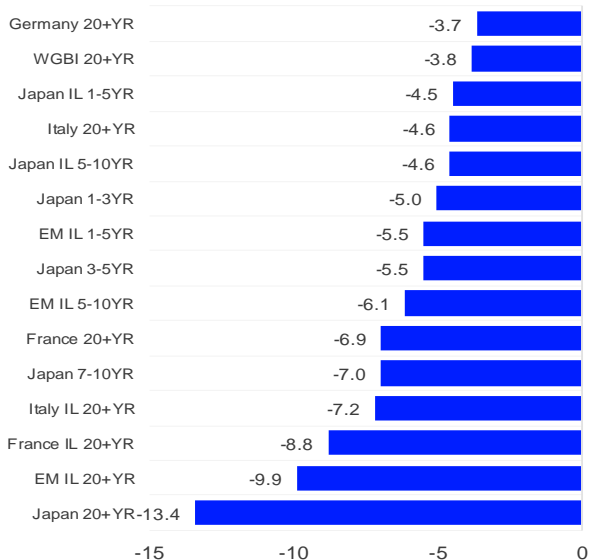
Top 15



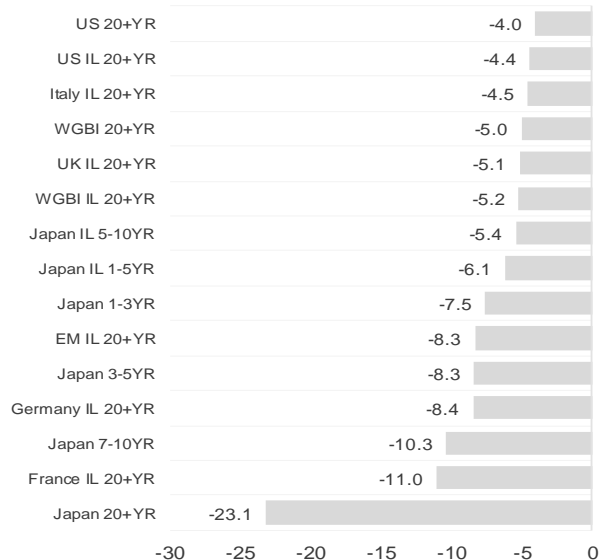
Top 15



Bottom 15



Bottom 15



Source: FTSE Russell and LSEG. All data as of June 30, 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) – June 28, 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
Government	1-3YR	1.11	0.00	1.22	-2.46	1.22	-2.46	4.60	1.15
	7-10YR	0.56	-0.55	-1.03	-4.63	-1.03	-4.63	2.25	-1.12
	20+YR	-0.30	-1.40	-5.47	-8.91	-5.47	-8.91	-2.95	-6.15
Inflation-Linked	20+YR	0.98	-0.13	-0.89	-4.49	-0.89	-4.49	1.24	-2.10
Corporate	1-3YR	1.42	0.30	2.30	-1.42	2.30	-1.42	7.32	3.79
	7-10YR	1.21	0.10	1.41	-2.28	1.41	-2.28	7.38	3.84
	20+YR	0.28	-0.83	-1.50	-5.08	-1.50	-5.08	3.95	0.52
AAA/AA	1-3YR	1.27	0.15	1.99	-1.72	1.99	-1.72	6.79	3.27
	7-10YR	1.22	0.10	1.57	-2.12	1.57	-2.12	7.36	3.82
	20+YR	-0.32	-1.42	-3.84	-7.34	-3.84	-7.34	1.92	-1.44
	All	1.19	0.07	1.69	-2.01	1.69	-2.01	6.87	3.35
A	1-3YR	1.37	0.25	2.22	-1.49	2.22	-1.49	7.19	3.66
	7-10YR	1.01	-0.11	0.85	-2.82	0.85	-2.82	6.38	2.88
	20+YR	-0.13	-1.24	-2.30	-5.85	-2.30	-5.85	2.71	-0.67
	All	0.86	-0.25	0.68	-2.98	0.68	-2.98	5.75	2.26
BBB	1-3YR	1.54	0.42	2.50	-1.23	2.50	-1.23	7.68	4.13
	7-10YR	1.31	0.19	1.66	-2.03	1.66	-2.03	7.87	4.32
	20+YR	0.88	-0.23	-0.27	-3.90	-0.27	-3.90	5.74	2.26
	All	1.31	0.20	1.58	-2.11	1.58	-2.11	7.16	3.63
Sectors	Comm	0.83	-0.28	0.64	-3.02	0.64	-3.02	6.40	2.90
	Energy	1.08	-0.04	0.84	-2.82	0.84	-2.82	6.21	2.71
	Fin	1.35	0.23	2.19	-1.53	2.19	-1.53	7.38	3.85
	Indus	1.08	-0.04	0.86	-2.81	0.86	-2.81	6.03	2.54
	Infra	0.40	-0.71	-1.12	-4.71	-1.12	-4.71	3.87	0.45
	RE	1.52	0.40	2.49	-1.23	2.49	-1.23	7.81	4.25
	Secur	1.39	0.27	2.52	-1.21	2.52	-1.21	7.20	3.66
Provinces (All)	1-3YR	1.24	0.12	1.31	-2.38	1.31	-2.38	5.06	1.60
	7-10YR	0.92	-0.20	-0.29	-3.91	-0.29	-3.91	4.06	0.63
	20+YR	0.32	-0.79	-3.66	-7.16	-3.66	-7.16	-0.11	-3.40
	All	0.73	-0.38	-1.50	-5.08	-1.50	-5.08	2.30	-1.07
Ontario	1-3YR	1.27	0.15	1.39	-2.29	1.39	-2.29	5.08	1.62
	7-10YR	0.93	-0.19	-0.22	-3.85	-0.22	-3.85	4.00	0.58
	20+YR	0.28	-0.83	-3.54	-7.05	-3.54	-7.05	-0.03	-3.33
	All	0.74	-0.37	-1.29	-4.88	-1.29	-4.88	2.50	-0.88
Alberta	1-3YR	1.29	0.18	1.36	-2.33	1.36	-2.33	5.07	1.61
	7-10YR	1.03	-0.08	-0.13	-3.76	-0.13	-3.76	4.50	1.06
	20+YR	1.02	-0.10	-3.19	-6.71	-3.19	-6.71	0.40	-2.91
	All	1.09	-0.02	-1.02	-4.62	-1.02	-4.62	2.82	-0.57
Quebec	1-3YR	1.21	0.09	1.16	-2.52	1.16	-2.52	5.12	1.65
	7-10YR	0.91	-0.21	-0.41	-4.03	-0.41	-4.03	4.05	0.62
	20+YR	0.13	-0.97	-4.06	-7.54	-4.06	-7.54	-0.43	-3.72
	All	0.60	-0.51	-2.00	-5.56	-2.00	-5.56	1.87	-1.48
BC	1-3YR	0.90	-0.21	1.02	-2.65	1.02	-2.65	4.54	1.09
	7-10YR	0.74	-0.37	-0.49	-4.11	-0.49	-4.11	3.77	0.35
	20+YR	-0.05	-1.15	-4.21	-7.69	-4.21	-7.69	-0.89	-4.16
	All	0.45	-0.66	-1.94	-5.51	-1.94	-5.51	1.75	-1.60

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 June 30, 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) – June 28, 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
US	1-3YR	0.58	0.96	0.96	2.09	1.22	5.04	4.53	8.10
	7-10YR	1.27	1.66	-0.03	1.08	-1.53	2.19	0.32	3.74
	20+YR	1.77	2.16	-1.92	-0.83	-5.88	-2.33	-7.15	-3.98
	IG All	0.59	0.97	0.04	1.16	-0.43	3.33	4.79	8.37
	HY All	1.00	1.39	1.03	2.16	2.66	6.53	10.36	14.12
UK	1-3YR	0.60	0.26	0.64	1.84	0.81	3.73	5.86	8.84
	7-10YR	1.30	0.96	-0.85	0.32	-2.62	0.20	6.53	9.53
	20+YR	2.01	1.66	-3.14	-1.99	-7.13	-4.43	-0.06	2.76
EUR	IG All	0.64	-0.27	0.06	0.41	0.46	1.15	6.39	8.08
	HY All	0.34	-0.56	1.43	1.77	3.10	3.80	10.93	12.69
Japan	1-3YR	0.15	-1.79	-0.17	-5.03	-0.36	-9.38	-0.48	-7.54
	7-10YR	0.28	-1.67	-2.22	-6.97	-2.46	-11.29	-3.51	-10.35
	20+YR	0.04	-1.89	-8.99	-13.42	-9.99	-18.14	-17.26	-23.12
China	1-3YR	0.39	0.46	1.03	1.61	2.03	3.34	3.12	6.61
	7-10YR	1.05	1.13	1.96	2.55	4.07	5.41	6.21	9.80
	20+YR	2.92	2.99	3.48	4.08	9.42	10.83	14.66	18.53
EM	1-3YR	0.46	0.01	1.14	0.97	2.22	2.57	4.06	6.09
	7-10YR	1.00	0.61	1.20	0.96	2.28	2.59	4.90	6.35
	20+YR	2.56	2.28	2.78	2.91	6.87	7.72	11.16	14.09
	IG All	0.81	1.20	0.88	2.01	1.61	5.45	5.95	9.56
	HY All	1.19	1.58	2.69	3.83	6.88	10.91	12.28	16.11
Germany	1-3YR	0.61	-0.29	0.63	0.98	0.41	1.10	3.00	4.63
	7-10YR	1.52	0.61	-0.83	-0.49	-2.30	-1.63	2.14	3.76
	20+YR	2.36	1.44	-3.98	-3.66	-7.16	-6.53	-3.60	-2.07
Italy	1-3YR	0.33	-0.57	0.48	0.82	0.59	1.28	3.95	5.60
	7-10YR	-0.43	-1.32	-1.68	-1.34	-0.70	-0.02	4.67	6.33
	20+YR	-1.73	-2.61	-4.89	-4.56	-2.07	-1.40	1.70	3.32
Spain	1-3YR	0.40	-0.51	0.53	0.87	0.62	1.31	3.48	5.12
	7-10YR	0.30	-0.60	-0.84	-0.50	-1.08	-0.40	4.37	6.02
	20+YR	-0.31	-1.20	-3.25	-2.92	-3.17	-2.51	2.62	4.24
France	1-3YR	0.31	-0.60	0.27	0.61	-0.05	0.63	2.91	4.53
	7-10YR	-0.64	-1.53	-2.47	-2.14	-3.84	-3.18	0.99	2.59
	20+YR	-2.83	-3.70	-7.27	-6.95	-10.00	-9.39	-4.86	-3.36
Sweden	1-3YR	1.12	0.81	1.41	3.53	1.39	0.13	4.34	10.05
	7-10YR	2.29	1.98	1.71	3.84	-0.31	-1.55	6.01	11.81
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1-3YR	0.25	1.05	0.16	3.68	1.02	2.60	3.97	7.87
	7-10YR	1.02	1.83	-1.42	2.04	-0.49	1.07	2.59	6.44
	20+YR	2.27	3.09	-4.01	-0.64	-3.98	-2.48	-1.42	2.28
NZ	1-3YR	0.50	0.06	1.00	4.04	1.85	1.72	5.16	8.16
	7-10YR	1.44	0.99	0.56	3.58	0.02	-0.11	4.73	7.71
Canada	1-3YR	0.70	0.70	1.11	1.11	1.22	1.22	4.60	4.60
	7-10YR	1.19	1.19	0.56	0.56	-1.03	-1.03	2.25	2.25
	20+YR	1.69	1.69	-0.30	-0.30	-5.47	-5.47	-2.95	-2.95

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Appendix – Global Bond Market Returns % (CAD vs LC, TR) – June 28, 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
US	1-5YR	0.71	1.10	1.56	2.69	2.11	5.96	5.28	8.87
	5-10YR	0.89	1.28	0.86	1.99	0.48	4.27	2.62	6.12
	20+YR	1.05	1.44	-1.17	-0.06	-3.95	-0.32	-7.53	-4.38
UK	1-5YR	0.09	-0.25	0.56	1.75	0.23	3.14	6.18	9.17
	5-10YR	0.10	-0.24	-0.70	0.48	-1.46	1.39	4.94	7.90
	20+YR	0.35	0.01	-4.69	-3.56	-8.68	-6.03	-7.74	-5.14
EUxUK	1-5YR	0.53	-0.37	0.75	1.10	0.46	1.14	2.17	3.79
	5-10YR	1.05	0.14	0.01	0.36	-1.28	-0.61	0.10	1.69
	20+YR	1.10	0.19	-3.72	-3.39	-6.58	-5.94	-9.87	-8.45
Japan	1-5YR	0.56	-1.39	0.41	-4.47	-0.06	-9.11	1.01	-6.15
	5-10YR	0.95	-1.01	0.30	-4.58	0.72	-8.40	1.83	-5.39
EM	1-5YR	0.71	-3.82	1.18	-5.48	3.61	-3.51	9.80	-0.05
	5-10YR	0.20	-3.70	-1.06	-6.13	-0.53	-5.89	4.55	-2.54
	20+YR	-0.95	-5.60	-2.96	-9.89	-6.14	-12.28	-1.33	-8.31
Germany	1-5YR	0.53	-0.37	0.75	1.10	0.46	1.14	2.17	3.79
	5-10YR	1.05	0.14	0.01	0.36	-1.28	-0.61	0.10	1.69
	20+YR	1.10	0.19	-3.72	-3.39	-6.58	-5.94	-9.87	-8.45
Italy	1-5YR	0.07	-0.83	0.14	0.49	0.32	1.00	4.05	5.70
	5-10YR	-0.91	-1.81	-1.39	-1.05	-0.08	0.60	2.98	4.61
	20+YR	-3.93	-4.79	-7.50	-7.18	-3.30	-2.64	-6.01	-4.52
Spain	1-5YR	0.22	-0.68	0.39	0.73	0.08	0.76	2.52	4.15
	5-10YR	-0.13	-1.02	-0.27	0.07	-0.05	0.63	2.80	4.43
France	1-5YR	-0.13	-1.03	-0.49	-0.14	-1.07	-0.39	0.92	2.52
	5-10YR	-0.88	-1.77	-1.83	-1.49	-3.02	-2.36	-0.85	0.72
	20+YR	-5.10	-5.95	-9.12	-8.80	-11.85	-11.25	-12.43	-11.04
Sweden	1-5YR	1.16	0.85	1.38	3.50	1.11	-0.15	4.33	10.03
	5-10YR	1.62	1.30	1.90	4.03	0.34	-0.91	5.06	10.80
Australia	1-5YR	0.26	1.07	-0.04	3.47	0.56	2.14	4.38	8.30
	5-10YR	0.50	1.31	-1.44	2.02	-0.89	0.66	4.04	7.94
	20+YR	1.18	1.99	-6.43	-3.15	-8.62	-7.19	-0.19	3.55
NZ	5-10YR	0.39	-0.05	1.38	4.43	2.34	2.21	6.30	9.33
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	1.60	1.60	0.98	0.98	-0.89	-0.89	1.24	1.24

Indices used: FTSE Canada RRB Canada Bond Index.

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Appendix – Canadian Historical Bond Yields % as of June 28, 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
Canada	Current	3.87	3.49	3.42	
	3M Ago	4.01	3.44	3.38	
	6M Ago	3.73	3.10	3.04	
	12M Ago	4.34	3.34	3.13	
IL	Current			1.71	
	3M Ago			1.65	
	6M Ago			1.45	
	12M Ago			1.54	
Provincial	Current	3.96	4.03	4.39	4.19
	3M Ago	4.15	4.00	4.34	4.20
	6M Ago	3.82	3.66	4.01	3.86
	12M Ago	4.43	3.99	4.11	4.15
Ontario	Current	3.95	4.05	4.37	4.17
	3M Ago	4.15	3.99	4.32	4.18
	6M Ago	3.86	3.66	3.99	3.86
	12M Ago	4.41	4.00	4.10	4.16
Quebec	Current	4.00	4.01	4.37	4.20
	3M Ago	4.10	3.99	4.32	4.18
	6M Ago	3.74	3.64	3.96	3.83
	12M Ago	4.47	3.98	4.06	4.11
Alberta	Current	3.91	3.95	4.38	4.13
	3M Ago	4.14	3.96	4.37	4.18
	6M Ago	3.81	3.63	4.05	3.86
	12M Ago	4.40	3.99	4.14	4.15
BC	Current	3.87	4.07	4.39	4.20
	3M Ago	4.21	4.00	4.32	4.19
	6M Ago	3.87	3.65	3.99	3.85
	12M Ago	4.50	3.97	4.09	4.11
Municipal	Current	4.03	4.10	4.61	4.32
	3M Ago	4.15	4.07	4.55	4.31
	6M Ago	3.83	3.74	4.23	3.98
	12M Ago	4.49	4.07	4.34	4.30
Corporate	Current	4.76	4.96	5.15	4.90
	3M Ago	4.86	4.92	5.07	4.92
	6M Ago	4.76	4.71	4.84	4.77
	12M Ago	5.54	5.23	5.05	5.36
High Yield	Current				6.87
	3M Ago				6.73
	6M Ago				7.07
	12M Ago				7.72

		1-5YR	5-10YR	20+YR	All Mat
AAA/AA	Current	4.47	4.59	4.66	4.49
	3M Ago	4.58	4.48	4.56	4.56
	6M Ago	4.46	4.38	4.27	4.45
	12M Ago	5.24	4.97	4.50	5.21
A	Current	4.69	4.69	4.97	4.78
	3M Ago	4.77	4.66	4.84	4.78
	6M Ago	4.68	4.44	4.57	4.61
	12M Ago	5.49	4.93	4.78	5.21
BBB	Current	4.94	5.11	5.45	5.11
	3M Ago	2.08	1.86	2.12	5.15
	6M Ago	2.20	1.72	1.96	5.01
	12M Ago	2.44	1.70	1.74	5.58
Comm	Current	4.93	5.47	4.91	5.02
	3M Ago	4.85	5.41	5.06	4.98
	6M Ago	4.64	5.21	4.91	4.78
	12M Ago	5.20	5.48	5.61	5.34
Energy	Current	4.91	5.06	5.23	5.09
	3M Ago	5.06	5.06	5.16	5.10
	6M Ago	4.91	4.84	4.98	4.92
	12M Ago	5.61	5.32	5.15	5.34
Financial	Current	4.73	4.91	5.03	4.75
	3M Ago	4.81	4.86	4.97	4.82
	6M Ago	4.73	4.72	4.79	4.73
	12M Ago	5.54	5.34	5.12	5.52
Industrial	Current	4.66	4.86	5.19	4.84
	3M Ago	4.84	4.83	5.13	4.91
	6M Ago	4.66	4.58	4.90	4.70
	12M Ago	5.45	5.08	5.10	5.26
Infrastructure	Current	4.42	4.71	4.99	4.87
	3M Ago	4.58	4.64	4.91	4.81
	6M Ago	4.35	4.40	4.62	4.54
	12M Ago	5.02	4.87	4.83	4.86
Securitization	Current	4.66			4.66
	3M Ago	4.86			4.86
	6M Ago	4.82			4.82
	12M Ago	5.55			5.55

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 June 30, 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 June 28, 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	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	3M Ago	4.73	4.32	4.21	4.43	2.08	1.86	2.12	5.35	7.83
	6M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
	12M Ago	5.01	4.31	3.85	3.95	2.45	1.72	1.68	5.53	8.61
UK	Current	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	3M Ago	4.31	3.88	3.85	4.35	0.08	0.14	1.07		
	6M Ago	3.94	3.45	3.46	4.07	-0.02	-0.02	0.91		
	12M Ago	5.36	5.28	4.63	4.58	2.17	1.04	1.11		
Japan	Current	0.27	0.48	0.91	2.10	-1.32	-0.79			
	3M Ago	0.12	0.27	0.60	1.70	-1.43	-0.84			
	6M Ago	0.00	0.13	0.50	1.60	-1.67	-0.81			
	12M Ago	-0.10	0.06	0.41	1.28	-1.64	-0.77			
China	Current	1.64	1.86	2.21	2.46					
	3M Ago	1.90	2.13	2.38	2.62					
	6M Ago	2.18	2.33	2.58	2.90					
	12M Ago	2.09	2.31	2.64	3.04					
EM	Current	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	3M Ago	3.30	3.91	4.60	3.90	4.92	4.70	5.38	5.68	8.89
	6M Ago	3.44	3.95	4.70	4.34	4.27	4.23	4.82	5.58	9.90
	12M Ago	3.67	4.13	4.77	4.39	3.57	4.25	4.93	5.94	12.00
Germany	Current	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	3M Ago	2.89	2.38	2.23	2.43	0.78	0.24	0.26		
	6M Ago	2.48	1.97	1.96	2.25	0.92	0.16	0.16		
	12M Ago	3.17	2.61	2.42	2.53	0.67	0.12	0.02		
Italy	Current	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	3M Ago	3.27	3.12	3.44	4.05	1.00	1.39	1.70		
	6M Ago	2.99	2.88	3.45	4.17	1.23	1.62	1.88		
	12M Ago	3.79	3.62	4.00	4.50	1.38	1.76	1.83		
France	Current	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	3M Ago	2.98	2.65	2.70	3.18	0.57	0.42	0.73		
	6M Ago	2.49	2.23	2.43	3.00	0.56	0.32	0.64		
	12M Ago	3.21	2.86	2.91	3.36	0.47	0.36	0.63		
Sweden	Current	2.42	2.23	2.19		1.41	0.74			
	3M Ago	2.93	2.40	2.33		1.55	0.88			
	6M Ago	2.59	2.04	2.01		1.12	0.59			
	12M Ago	3.43	3.08	2.83		1.23	1.05			
Australia	Current	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	3M Ago	3.75	3.61	3.92	4.36	1.11	1.37	1.78		
	6M Ago	3.71	3.63	3.90	4.30	0.85	1.27	1.61		
	12M Ago	4.17	3.92	4.22	4.65	1.08	1.67	2.06		
NZ	Current	4.78	4.56	4.65	5.00	2.51	2.33			
	3M Ago	4.91	4.41	4.53	4.91	1.87	2.29			
	6M Ago	4.71	4.24	4.31	4.60	1.45	2.12			
	12M Ago	5.08	5.07	5.03	5.22	2.24	2.67			
Canada	Current	3.87		3.49	3.42			1.71	4.90	6.87
	3M Ago	4.01		3.44	3.38			1.65	4.92	6.73
	6M Ago	3.73		3.10	3.04			1.45	4.77	7.07
	12M Ago	4.34		3.34	3.13			1.54	5.36	7.72

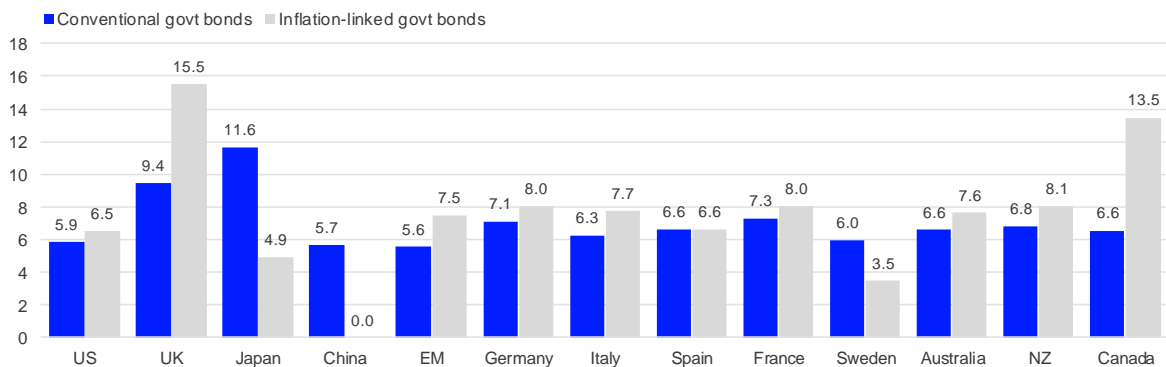
Source: FTSE Russell and LSEG. All data as of June 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix – Duration and Market Value (USD, Bn) – June 28, 2024

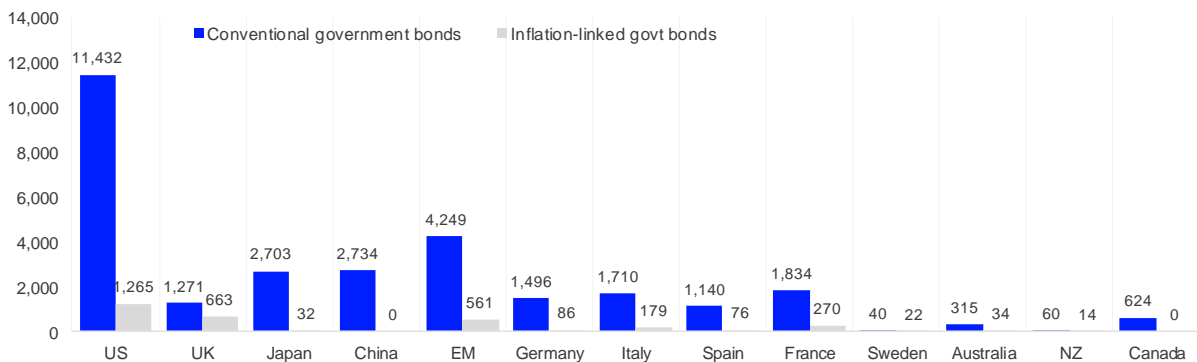
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.6	5.9	2,728.4	1,119.6	1,331.8	11,432.3	7.1	21.4	6.5	411.1	110.9	1265.3
UK	3.7	7.3	18.2	9.4	169.1	213.5	320.7	1,271.0	7.8	27.4	15.5	118.8	224.0	663.4
Japan	3.9	8.1	23.2	11.6	329.2	354.5	552.7	2,703.3	7.9		4.9	11.6		31.9
China	3.7	7.7	18.0	5.7	649.9	413.5	313.0	2,733.7						
EM	3.6	7.1	16.4	5.6	936.81	702.38	406.39	4,248.7	6.0	13.2	7.5	90.0	147.8	561.3
Germany	3.6	7.6	20.1	7.1	345.27	208.99	188.33	1,496.3	6.5	20.9	8.0	43.3	17.7	86.3
Italy	3.5	7.2	16.1	6.3	298.38	236.91	153.74	1,710.5	7.4	25.5	7.7	53.6	5.3	179.4
Spain	3.6	7.4	17.3	6.6	225.55	207.94	110.22	1,140.4	7.4		6.6	47.9		75.5
France	3.9	7.6	19.3	7.3	415.85	313.35	234.36	1,833.6	6.1	23.7	8.0	87.1	20.0	270.4
Sweden	3.7	7.9		6.0	6.70	9.77		40.0	6.5		3.5	5.7		22.2
Australia	3.8	7.4	16.7	6.6	47.18	106.61	20.23	314.6	6.5	21.7	7.6	10.4	2.7	34.2
NZ	4.1	7.4	16.0	6.8	10.93	16.47	5.25	60.1	5.6		8.1	3.3		14.3
Canada		7.0	18.7	6.6		238.15	93.96	623.6		13.5	13.5		66.3	

	Investment grade bonds						High Yield					
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.3	7.1	6.5	6.9	75.5	443.9	2,756.5	3,467.0	6,742.9	3.8	1,210.5
Euro	6.2	4.9	4.6	4.2	4.4	14.9	212.2	1,194.6	1,540.5	2,962.2	3.1	336.6
EM		6.8	5.1	5.5	5.4		36.72	215.54	256.3	508.6	3.5	184.8

Average Duration



Total Market Value (USD Billions)

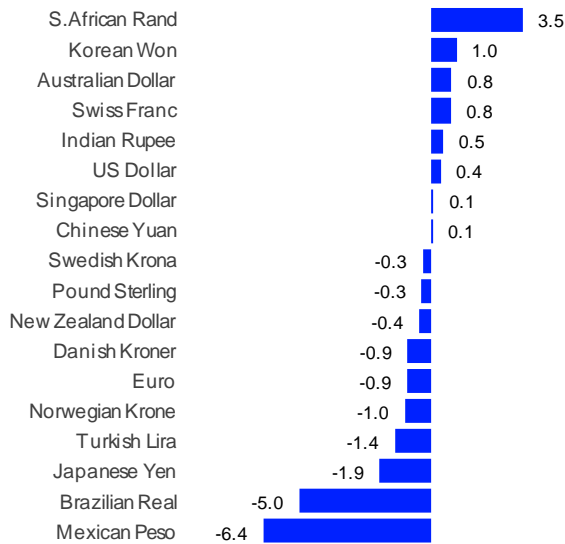


Indices used: FTSE Canada Non-Agency Bond Index (Mid, Long, Overall), FTSE Canada RRB Canada Bond Index.

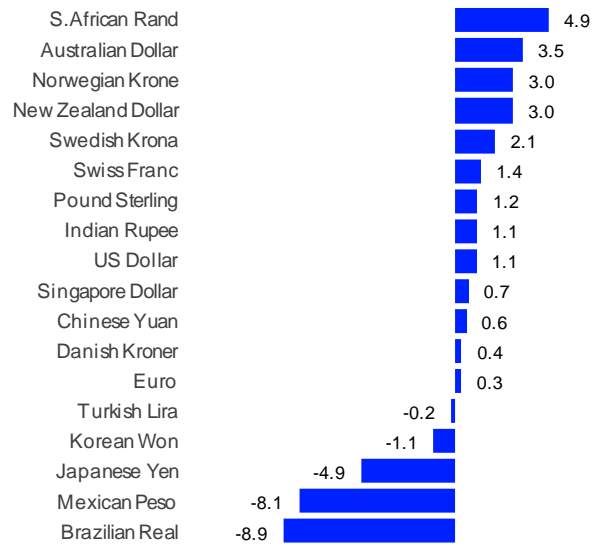
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Appendix – Foreign Exchange Returns % as of June 28, 2024

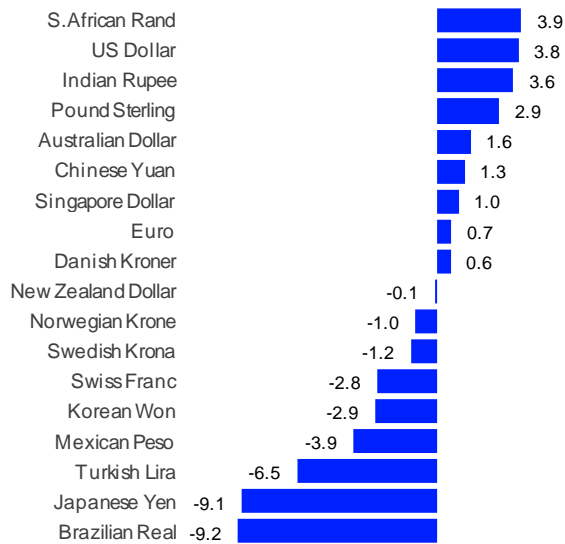
FX Moves vs CAD - 1M



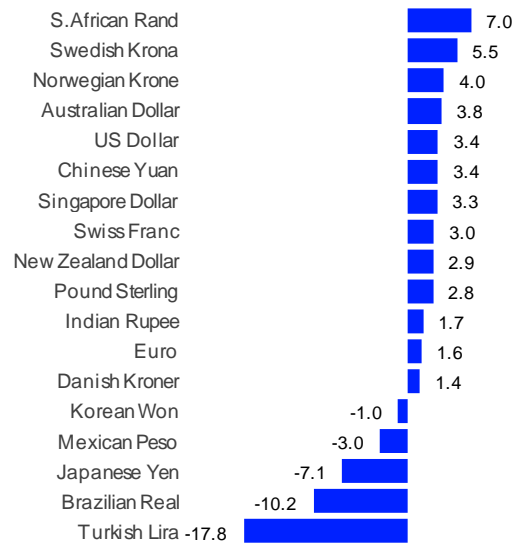
FX Moves vs CAD - 3M



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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