

Fixed Income Insights

CANADA EDITION

MONTHLY REPORT | JUNE 2024

Long Canadian provis outperform as rate cuts near

Improved inflation data helped Canadian long, corporate and real return bonds rally in May, as prospects of policy easing grew, and inflation approached target. Canadian provinces and municipals outperformed as investors capitalised on the extra yield pick-up, thereby reducing YTD losses. Canadian HY credit has gained 8% since January.

Macro and policy backdrop – The ‘last mile’ to inflation target tempers timing of rate cut expectations Lower inflation improved prospects for policy easing for the BoC and ECB, but the scale of rate cuts expected has been reduced. (page 2)

Canadian govts – Canadian govtyields mirror US moves in May

Canadian govtyield fell on lower inflation and weaker Q1 growth, and followed moves in the US after a softer PCE deflator improved US easing prospects (page 3)

Canadian credit – Canadian IG credit investors find extra yield pick-up in BBBs

Canadian IG credit has shown positive returns since 2022, with BBBs - 45% of the universe- outperforming higher grade corporate bonds by some margin (pages 4-5)

Global yields and spreads – Curves renewed their inversion in 7-10 years in May

Yield curves inverted further, as 7-10 year bonds outperformed modestly. (pages 6)

Sovereign and climate bonds – SI outperformance in 2024 partially reverses 2022-23

SI yields rose vs WGBI in 2022-23, and ESG WGBI yields are now above WGBI. (page 7)

Performance – Canadian credit remains in a sweet spot Canadian provinces and municipal led the rally in May, especially Alberta, and so has Canadian high yield credit since January. (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: G7 breakeven inflation has fallen in all countries, but Japan, where it remained positive. Real yields led the decline in US and Canadian nominal yields in May.

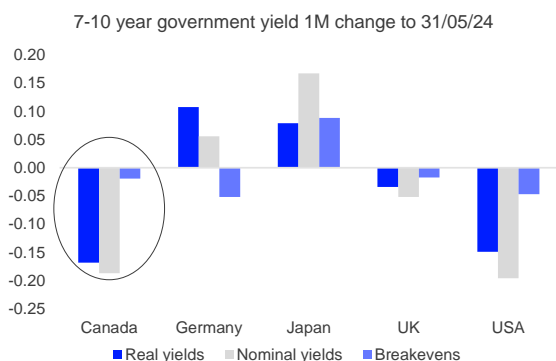
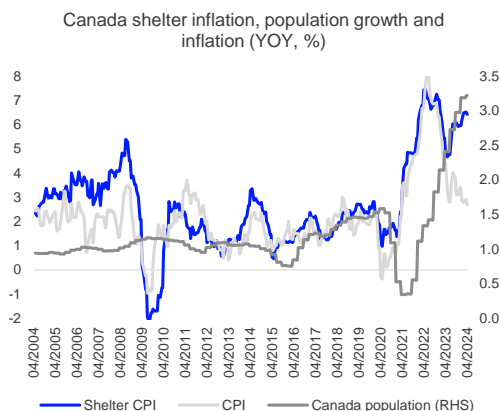


Chart 2: Rising Canadian shelter inflation, driven by population growth since 2021, appears to be moderating, making a policy easing ahead of the Fed in 2024 likely, after inflation fell further in April.



Source: FTSE Russell and LSEG. All data as of May 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

Robust labour markets and high services inflation have been red flags for most G7 central banks, which remained cautious about easing too early, and decided to pause policy again in May. The Fed pretty much ruled out a cut before Q4, if any, after US inflation stayed anchored in the 3% range and growth remained robust, leaving other central banks to ease first, such as the well flagged cut by the ECB expected in early June. Improving growth has lifted China out of deflation.

The Bank of Canada upgraded its growth forecast for 2024 to a higher level of 1.5% (from 0.8% in January) in April, following “a firmer US outlook, stronger domestic population growth and recovering household spending”. The more upbeat outlook was shared by Consensus forecasts, which show revised real GDP estimates for Canada of 0.8% (from 0.5%) and stronger real GDP growth of 2.4% for the US (from 2.1%). UK growth expectations in 2024 remain the weakest, despite an upgrade from 0.3% since Q1 (Chart 1).

G7 inflation fell further in April, but not evenly across regions. US CPI stayed at 3.4% y/y, despite a moderating PCE of 2.7% y/y and some encouraging signs of easing in labour shortages and food prices. Elsewhere, levels started to converge close to 2%, as Chart 2 shows, but the ‘last mile’ remains a challenge. In the Eurozone, the HICP ticked back up to 2.6% y/y (from 2.4%) in May, after German and Spanish CPIs rose 0.2% to 2.4% y/y, and 0.3% to 3.6% y/y respectively, on higher services, electricity and food prices. UK CPI fell sharply in April to 2.3% y/y (from 3.2% y/y in March) on lower gas and electricity prices.

G7 central banks kept policy unchanged in May, with the US Fed stating it needs to see more evidence of lower inflation before easing policy. For Canada, it is almost a year with short rates at 5% but lower inflation makes a Q3 cut possible, with obstacles such as high shelter inflation (see also Chart 2 on cover) and employment growth moderating. The ECB is expected to ease in June, but improving business sentiment and low unemployment could temper the scale and speed of cuts in 2024 (Chart 3).

Chart 4 shows the continued contraction in central banks’ balance sheet (except in Japan). In Canada, the BoC’s balance sheet has shrunk to about C\$280 billion (May 29), from a peak of C\$575 billion at the end of March 2021, as holdings continue to mature and not be replaced. The BoC has mentioned a provisional target of C\$20 to C\$60 billion range in settlement balances before ending QT and returning to ‘normal’ balance sheet management, some time in 2025.

Chart 1: Consensus real GDP estimates for 2024 have improved as economic growth remains better than expected due to robust labour markets, high services inflation and a strong US economy.

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

Chart 3: G7 central banks continued to pause policy in May, despite encouraging signs of tight labour markets easing a little and services inflation moderating. The Fed is not expected to ease for some time.

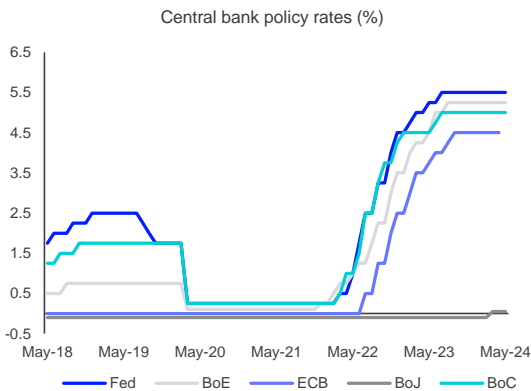


Chart 2: Most G7 inflation continued to converge close to the 2% target, though the ‘last mile’ remains a challenge, after CPI bounced back in the Eurozone in May. Chinese deflation appears to have stabilised.

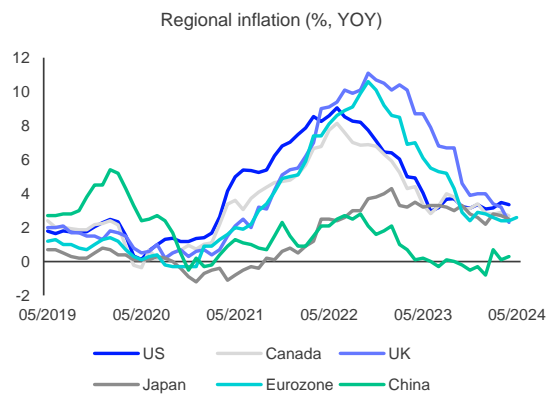
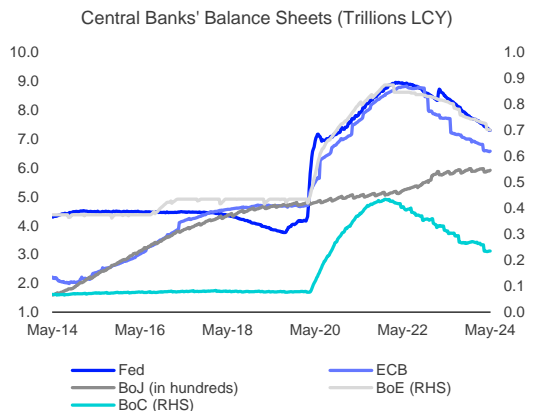


Chart 4: G7 central banks’ balance sheets have continued to decline, except in Japan. In Canada, the BoC has continued to ‘normalise’ its balance sheet, with a view of ending QT in 2025 after it reaches C\$20-60 billion.



Source: FTSE Russell, LSEG and US Federal Reserve. All data as of May 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.

Canadian Governments, Provinces and Municipalities

Chart 1: The Canadian govt yield curve stayed inverted in May after early growth estimates for Q1 were weaker than expected and low inflation, and mirrored the V-shaped US moves at month-end, on revival of a Fed cut.

Canada govt yields: mediums and longs vs shorts

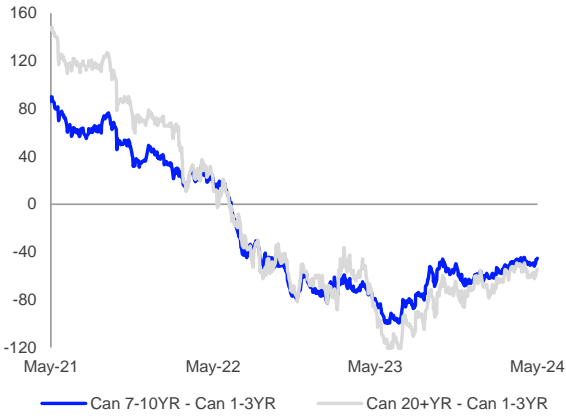


Chart 3: Canadian real yields tracked the V-shaped move of conventional yields in May, after lower inflation drove yields down but stronger economic prospects led markets to scale back the size of rate cuts.

Long-dated Canadian nominal and real yields

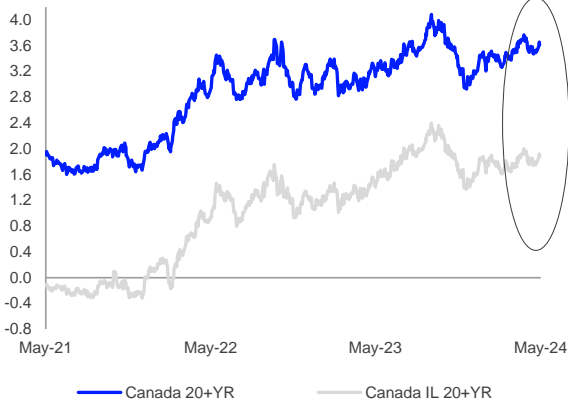


Chart 5: Alberta spreads have continued to decouple from other Canadian provinces in May and fallen to 50bp versus 55bp in other provinces, benefiting from a lower level of debt and higher oil revenues.

Selected 7-10 year Provincial spreads

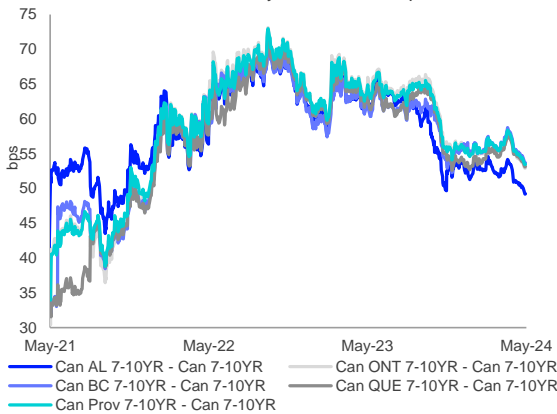


Chart 2: Canadian 7-10 year bonds slightly outperformed Bunds and broadly matched Treasuries in May (see page 8). Stubborn US inflation and a rebound in Eurozone CPI scaled back rate cut expectations.

7-10 year Canadian sovereign spreads

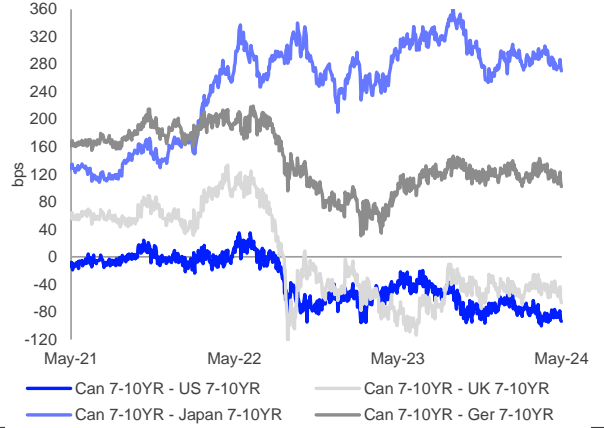


Chart 4: The UK was an outlier with long inflation breakevens rising a little in May, unlike Canada and Germany, where long breakevens have eased, on lower inflation expectations.

Selected longer dated inflation breakevens

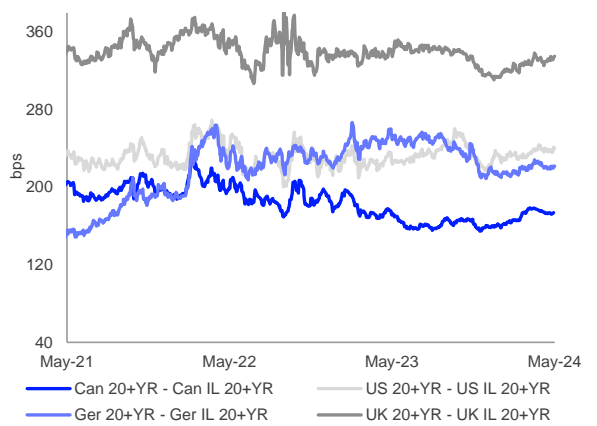
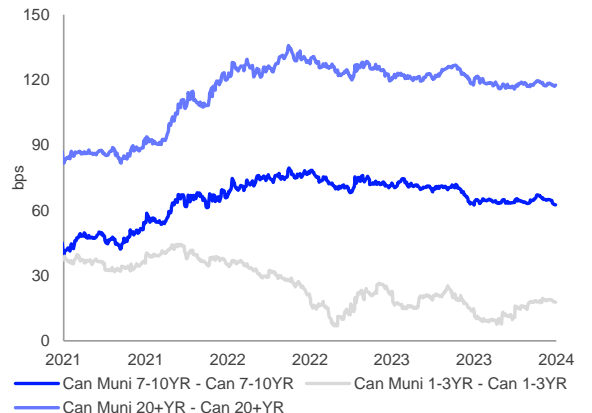


Chart 6: Short Canadian municipal spreads were stable in May, after the BoC maintained policy unchanged and rates stay higher for longer, while longer equivalents fell a little after govt yields backed up.

Duration matched Municipal spreads



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Canadian Investment Grade Credit Analysis

Chart 1: The performance of Canadian investment grade credit has been positive since 2022, with lower rated corporate bonds outperforming higher grade corporate bonds by some margin.

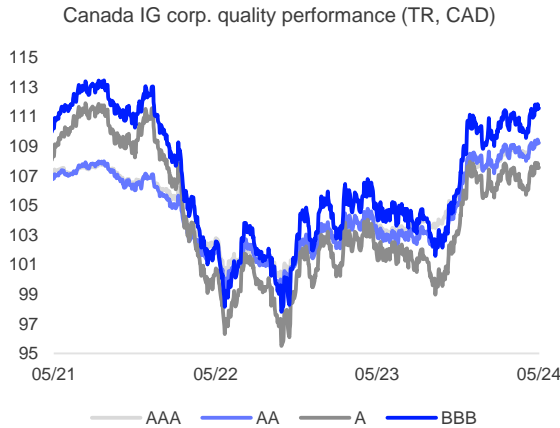


Chart 2: BBBs have increased in weight to 45% (from 41%) in the Canadian corporate bond universe over the last twelve months, while single As have reduced their dominance from 50%, to 46%.

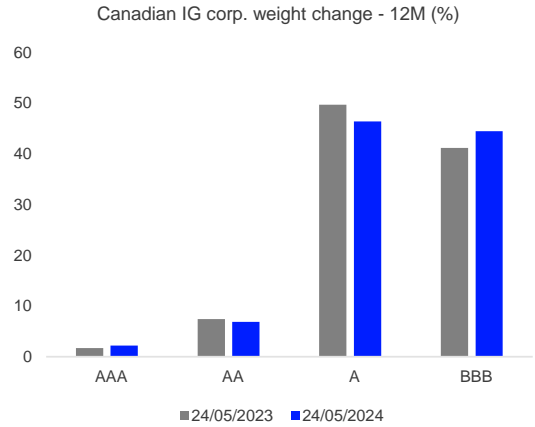


Chart 3: Canadian AAA corporate spreads have decoupled from A-rated peers and reflect the difference in risk premia, after converging in 2023.

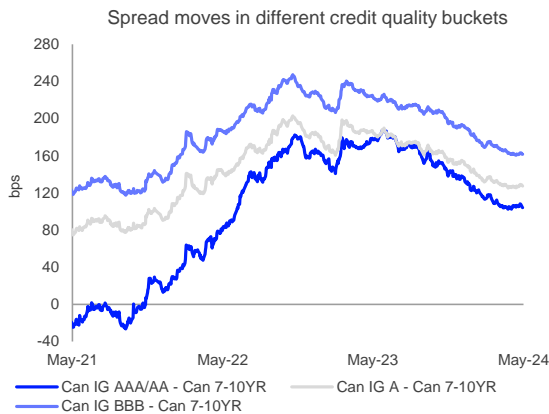


Chart 4: Higher quality corporate spreads have fallen a little more than AA/BBB rated peers in 2024, though demand for all quality buckets has remained high on expectations of rate cuts and lower inflation.

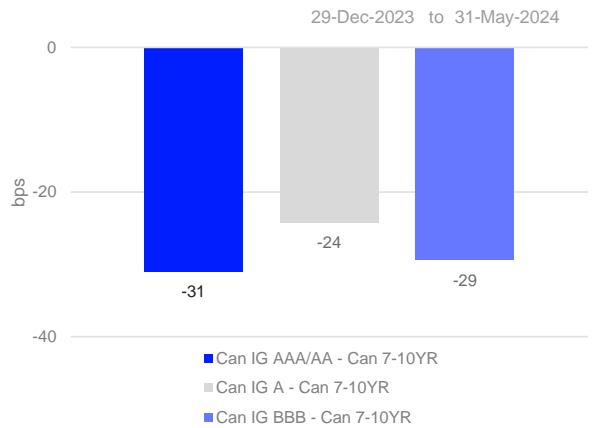


Chart 5: Canadian IG infrastructure, industrial and financial spreads converged in May. Real estate spreads have converged with those of energy at a higher level, moving well above industrials & infrastructure.

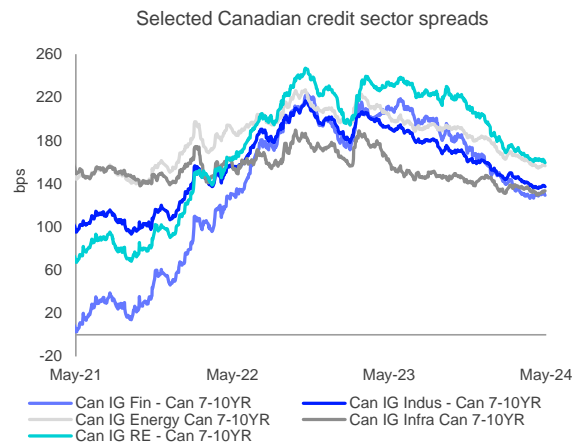
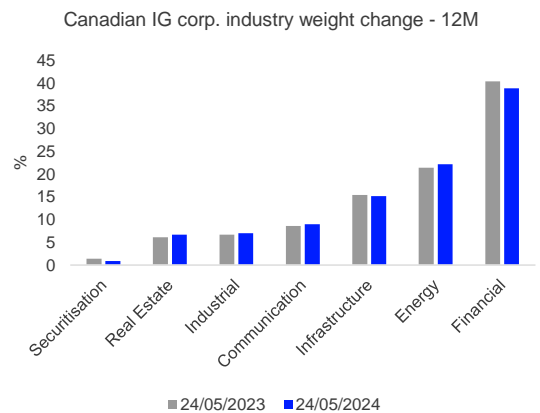


Chart 6: Canadian IG sector weights have stayed relatively unchanged over twelve months, with financials continuing to dominate the universe with a 39% weight in May vs 40% in 2023.



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Canadian High Yield Credit Analysis

Chart 1: Canadian HY credit yield decoupled from US HY in May, reflecting inflation differences, with Canadian CPI nearing target vs sticky US inflation. A similar trend can be observed with IG corporates.



Chart 3: Breaking down Canadian HY credit performance by industry shows energy, real estate and financial converging as the leading drivers of returns since 2019.

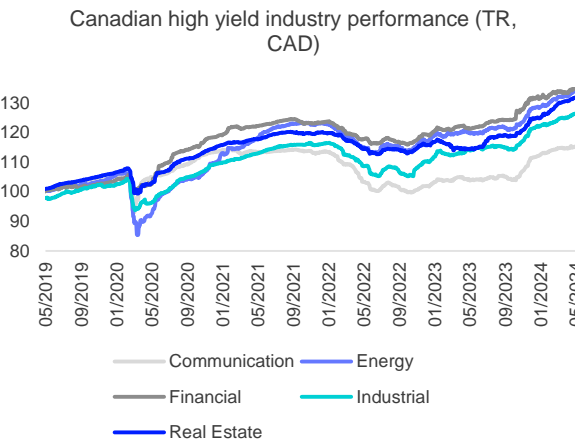


Chart 5: Yields of Canadian high yield sectors have nearly converged to around 6-7% in May. Financial yields are higher than real estate yields after real estate recovered and yields fell more sharply in the last year.

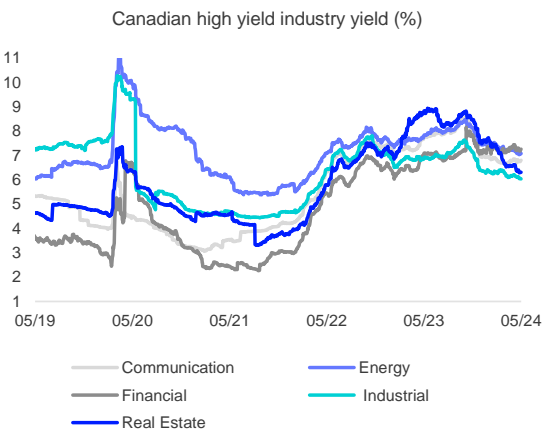


Chart 2: The decoupling in Canada/US HY credit yields is also evident in spreads, where Canadian spreads have continued to decline, unlike US HY spreads which stabilised in May.

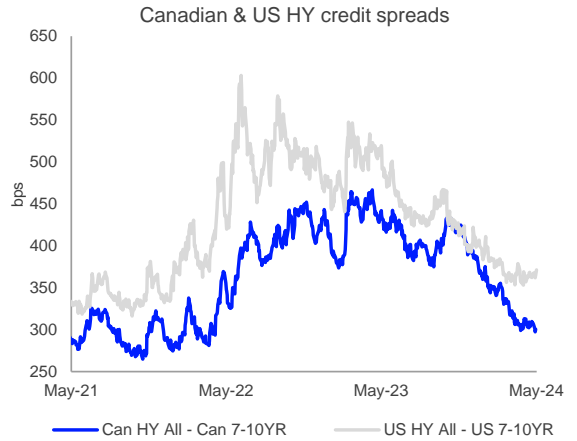


Chart 4: Financial and real estate HY industries have the shortest durations, and therefore are the most defensive, compared to energy, which has nearly twice their duration.

Canadian high yield industry duration since 2019 (years)

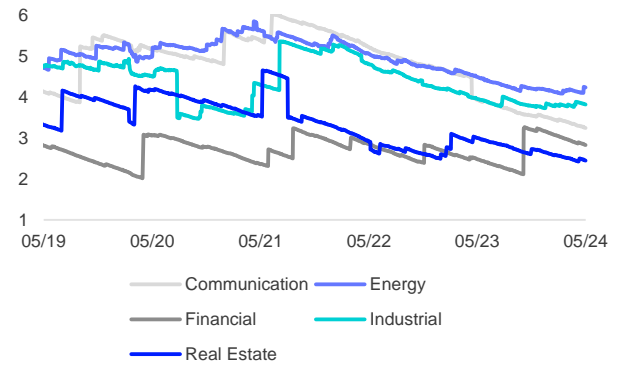
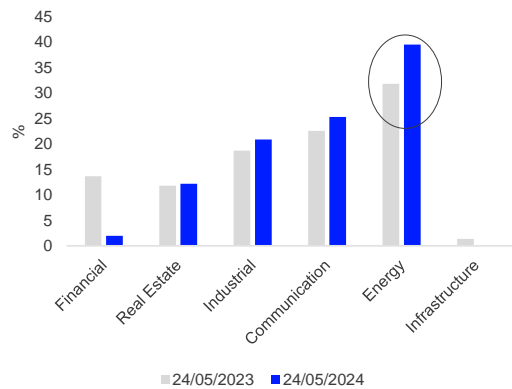


Chart 6: Energy is now the largest industry in the Canadian HY universe, after growing over the last twelve months to about 40% of the total universe, compared to a weight of 32% in 2023.

Canadian high yield industry weight change -12M



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields fell for much of May, as easing prospects improved for some central banks (i.e., BoC), but yields ticked back up towards month-end after markets scaled back the size of easing in 2024.

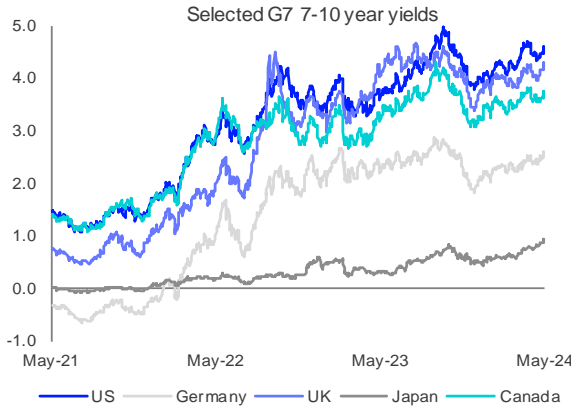


Chart 3: Yield curves inverted further, as 7-10 year bonds outperformed modestly. The JGB yield curve barely moved, with the gradient remaining around 50bp.

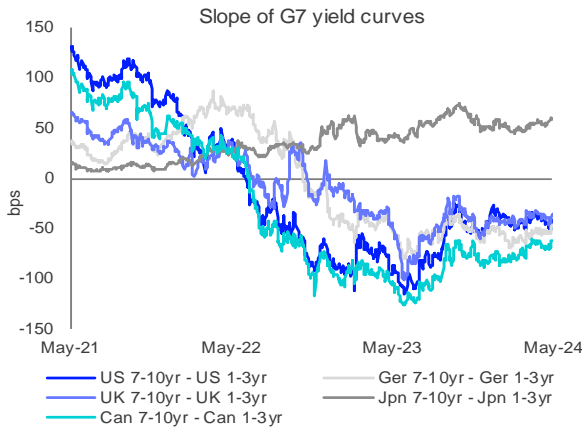


Chart 5: Inflation breakevens have moved a little higher in 2024, led by Japan and the UK, but generally remain stable near 2% inflation target levels (apart from the UK, where they are based on the RPI, not CPI).

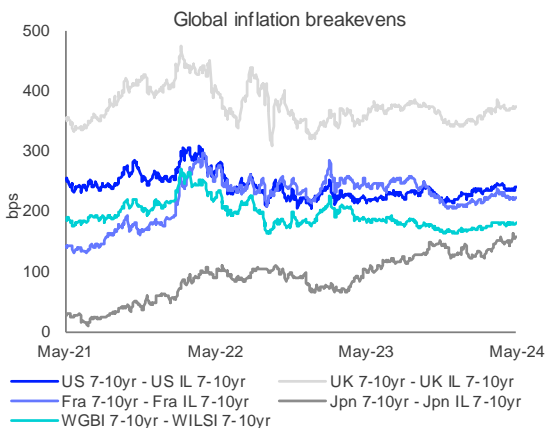


Chart 2: Real yields fell a little in sympathy with conventionals in May, though the moves were modest. JGBs largely missed the rally, as the BoJ stepped away from curve control.

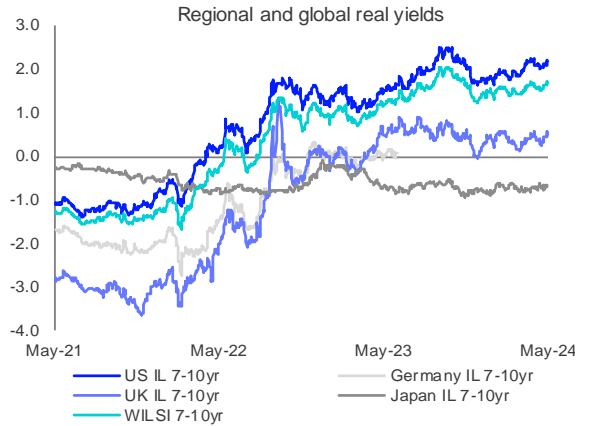


Chart 4: Curve inversion at the long end remains in Treasuries, Canada and Bunds, though the inversion is much less marked than a year ago, as expectations of easing moves in the Eurozone and Canada intensify.

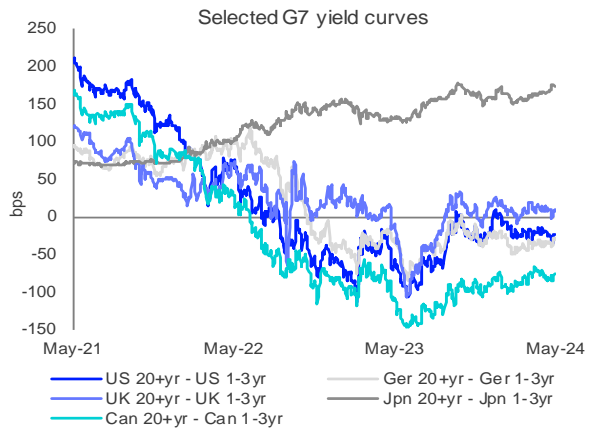


Chart 6: Globally, short breakevens have unwound the Ukraine spike in 2022, and converged with medium and long dated breakevens around the 2% level.



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SI Sovereign Bond Analysis

Chart 1: SI sovereign returns were all negative over the last 3M, due to the rise in DM yields, though the losses were modest. 12M returns are positive, as markets anticipate some policy easing.

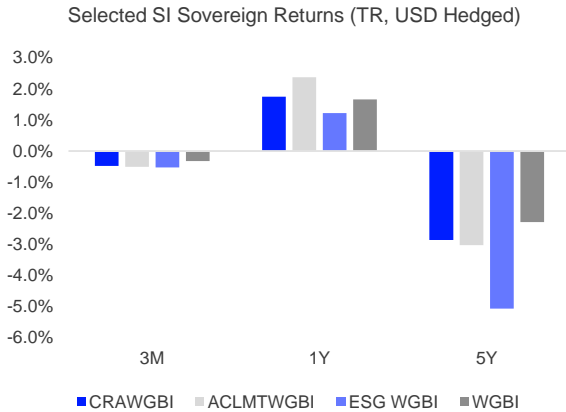


Chart 2: All three Sovereign SI indices underperformed vs WGBI over 5 years. But this trend reversed for the climate-adjusted indices, which benefited from a strong USD hedged performance of Euro sovereigns, which are overweight.

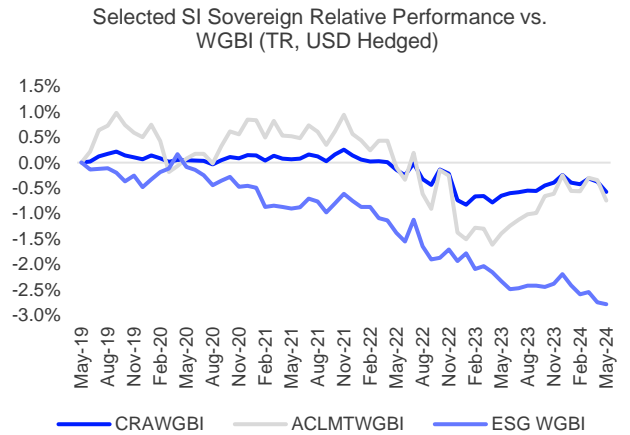


Chart 3: While the ESG WGBI has a small US overweight, climate indices are underweight, in favour of European sovereigns. This should remain a key determinant of relative performance going forward.

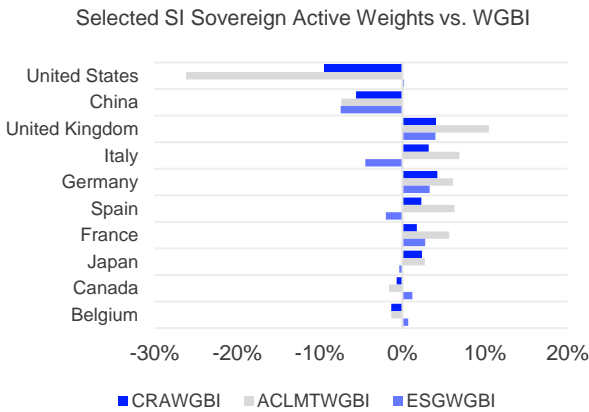


Chart 4: Relative to WGBI, the ESG WGBI have a higher credit quality, implying more developed and lower risk sovereigns will likely have higher ESG scores than their less developed counterparts.

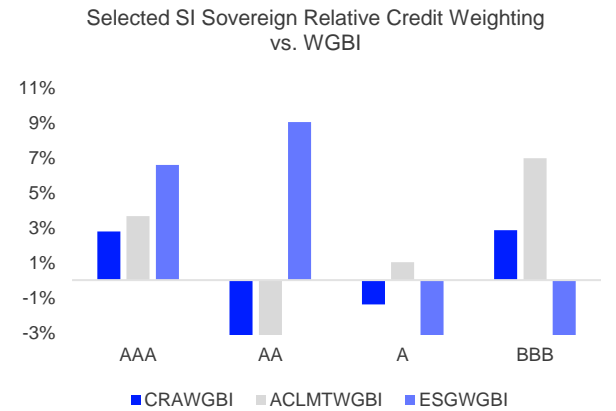


Chart 5: SI yields have risen vs WGBI in the last two years, with ESG WGBI yields now above WGBI. An overweight in Europe drove the combination of underperformance and falling relative yields in SI in 2022.

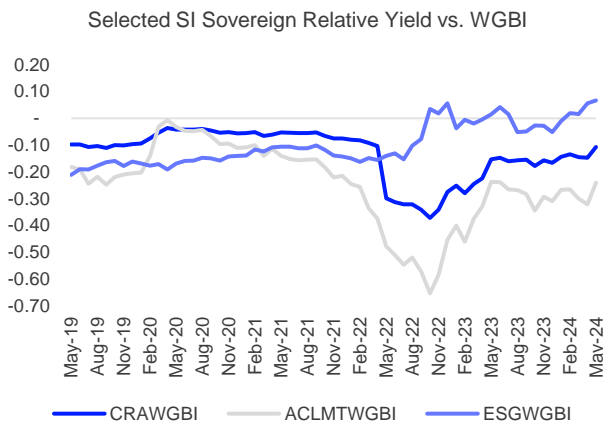
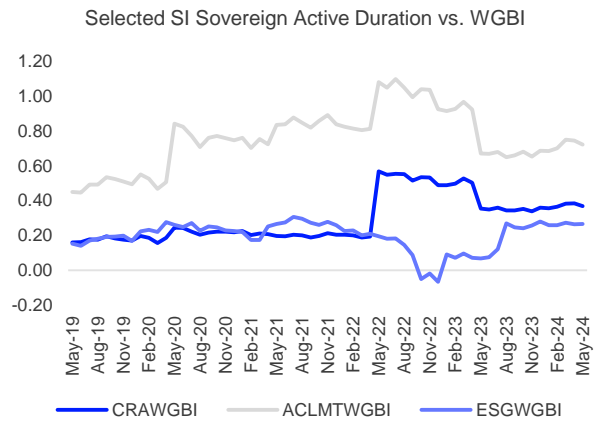


Chart 6: Except for negative active duration for the ESG WGBI in 2022, SI indices have shown positive active duration. Climate-adjusted indices show higher volatility in duration due to complex emissions-based re-weightings.



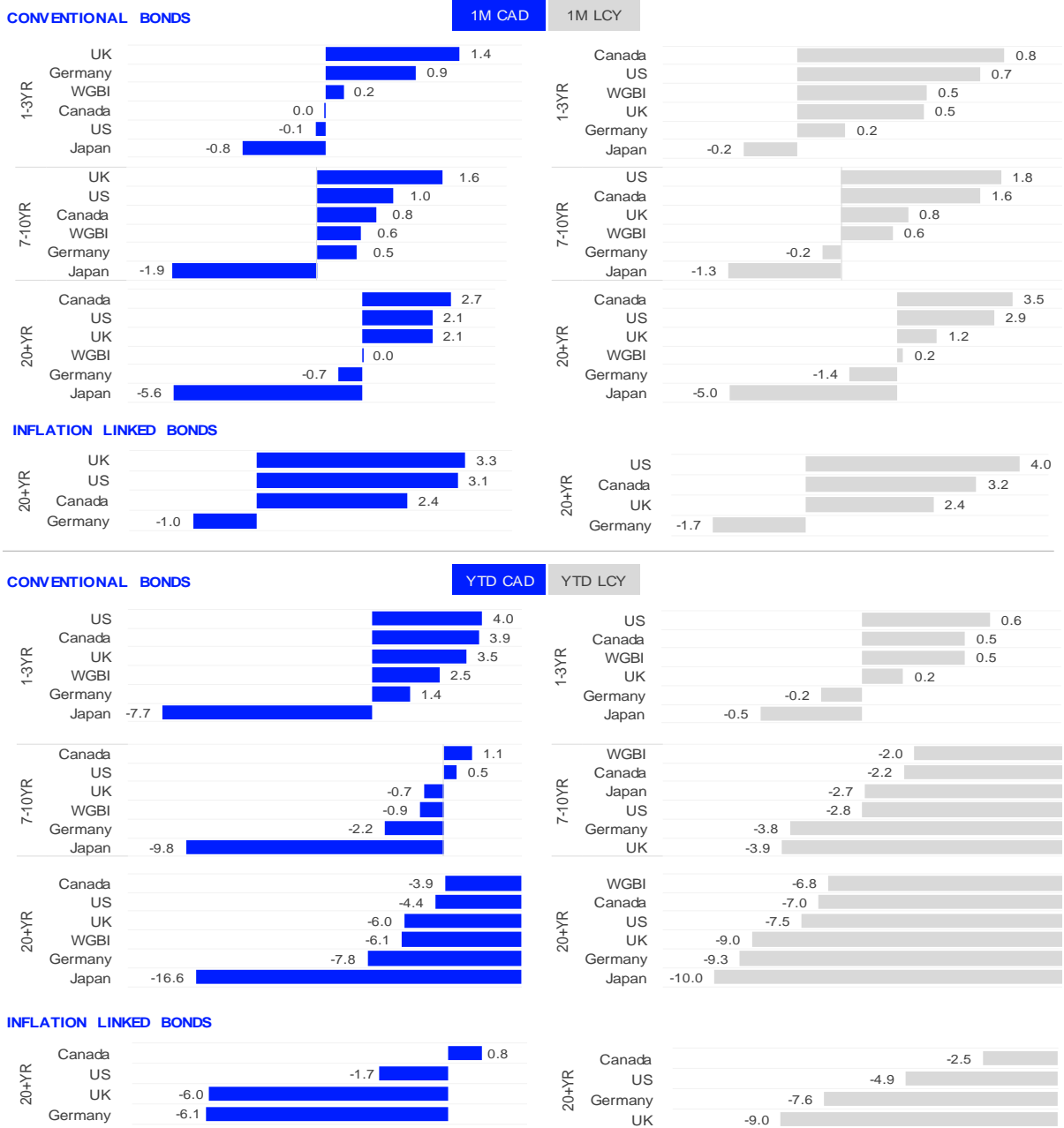
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Global Bond Market Returns – 1M & YTD % (CAD, LC, TR)

Improved inflation data helped government bonds rally in May, led by gilts and Bunds. Gilt returns were boosted by currency gains, versus the Canadian dollar. The yen stabilised but longer JGBs lost nearly 6%, after yield curve control ended in March. YTD returns still show long end losses of 4-17%, in Canadian dollars.

Weaker Canadian growth estimates for Q1 and lower inflation improved prospects for a BoC rate cut in Q3, and even a UK move in August, helping Canadian government bonds and gilts gain 1-3% in May. Bunds had discounted an ECB June rate cut in April and reacted little to the prospect in May, with the move expected to be modest. JGBs underperformed the most in May and YTD, down 1-6% and 8-17% respectively, with returns sharply eroded by yen weakness.

Except for Bunds, long inflation linked bonds also rallied in May, with returns of 2-3% in Canadian dollars. However, the rally was not large enough to overturn YTD losses in US Tips, gilt and Bund linkers, which were down 2-6% in Canadian dollar terms. Canadian real return bonds were the exception, with a modest gain of 1%.



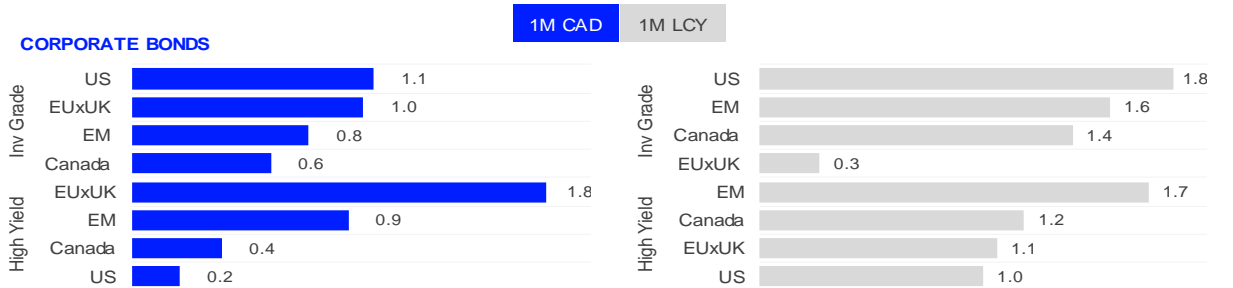
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Canadian and Corporate Bond Returns – 1M & YTD % (CAD, LC, TR)

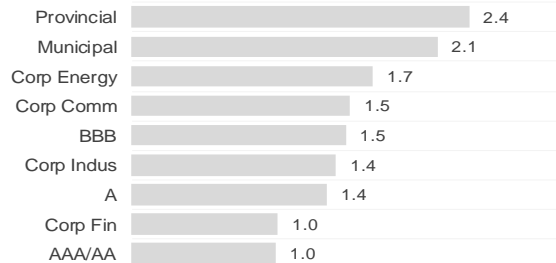
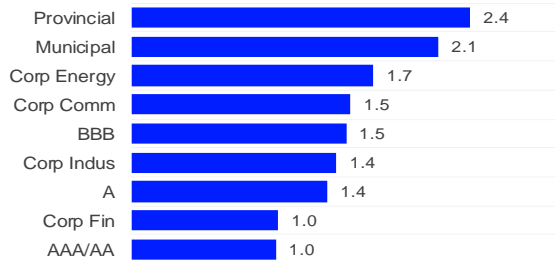
Credit remained in a sweet spot in May as inflation moderated, with expectations of rate cuts in 2024, even if scaled back. Eurozone corporate bonds outperformed with 1-2% gains in Canadian dollar terms, helped by a stronger euro versus the Canadian dollar. Canadian provis and munis also recovered in May from a poor YTD performance.

Provis and Munis recovered in May, with gains of about 2%, reducing YTD losses to 2-3%. BBB-rated corporates outperformed higher rated AAA/AA grade credits.

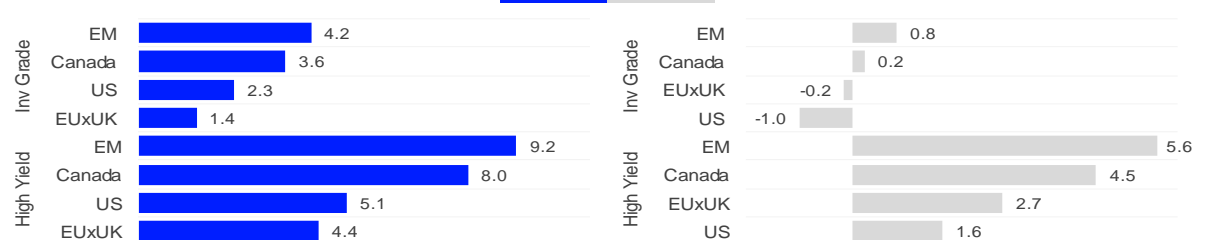
Corporate bond markets continued to be positive in May, extending year-to-date gains, with high yield credits modestly outperforming investment grade corporates, except in Canada. YTD, high yields, led by EM, have gained 4-9% in Canadian dollar terms, with Canadian high yield among the top performers, with a return of 8%.



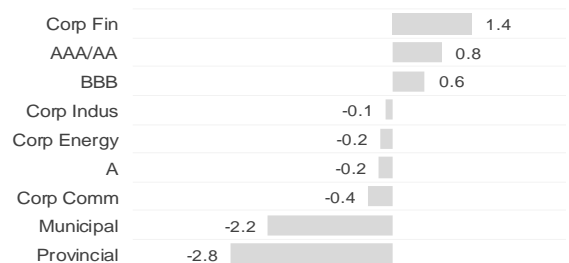
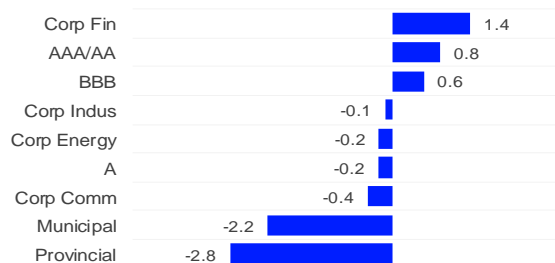
CANADA SPOTLIGHT



CORPORATE BONDS



CANADA SPOTLIGHT



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

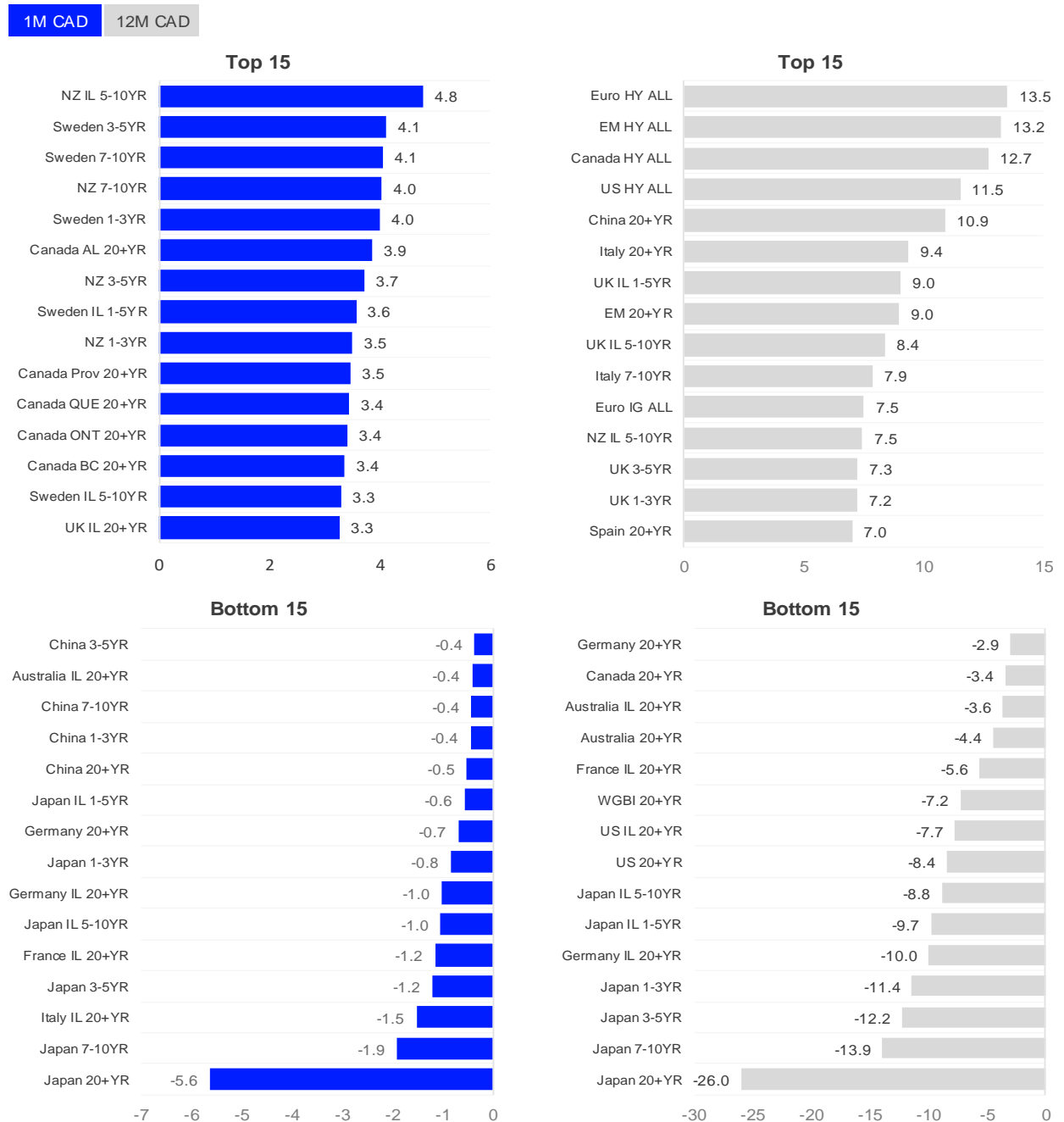
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Top and Bottom Bond Returns – 1M & YTD % (CAD, TR)

Longer duration Canadian provincial bonds clawed back some losses in May, with Alberta leading the recovery. A BoC rate cut became a more serious prospect, after inflation approached the 2% target, growth moderated and pricing pressures eased. NZ and Sweden govt bonds led with gains of 4-5%, helped by currency gains. JGBs led 12M losses.

NZ and Swedish government bonds broke into the Top 15 returns in May, helped by strong currencies, as did long Canadian provinces, all up 3-5% in Canadian dollars. Some easing in lending standards and high yields helped NZ govt bonds, though the RBNZ retained an official cash target of 5.5%. In Canada, Alberta outperformed other provinces, helped by lower indebtedness.

HY credit dominated the Top 15 12M returns, including Canadian, with gains of 13-14% in Canadian dollars. The biggest losses came in JGBs, 11% in shorts and up to 26% in longs, after a perfect storm of curve control ending, and yen weakness.



Source: FTSE Russell and LSEG. All data as of May 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) – May 31, 2024

Government and corporate bond returns

Top 15% Bottom 15%

		3M		6M		YTD		12M	
		Local	USD	Local	USD	Local	USD	Local	USD
Government	1-3YR	0.79	0.79	1.73	1.73	0.52	0.52	3.45	3.45
	7-10YR	0.02	0.02	1.41	1.41	-2.20	-2.20	0.42	0.42
	20+YR	-1.41	-1.41	-0.51	-0.51	-7.04	-7.04	-3.68	-3.68
Inflation-Linked	20+YR	0.94	0.94	1.19	1.19	-2.45	-2.45	-0.28	-0.28
Corporate	1-3YR	1.20	1.20	3.42	3.42	1.49	1.49	6.34	6.34
	7-10YR	0.82	0.82	4.29	4.29	0.27	0.27	5.96	5.96
	20+YR	-0.67	-0.67	2.93	2.93	-2.71	-2.71	3.95	3.95
AAA/AA	1-3YR	1.08	1.08	3.15	3.15	1.21	1.21	5.80	5.80
	7-10YR	0.80	0.80	4.18	4.18	0.48	0.48	5.66	5.66
	20+YR	-1.60	-1.60	1.44	1.44	-5.26	-5.26	2.21	2.21
	All	0.92	0.92	3.15	3.15	0.84	0.84	5.84	5.84
A	1-3YR	1.16	1.16	3.29	3.29	1.43	1.43	6.24	6.24
	7-10YR	0.58	0.58	3.54	3.54	-0.28	-0.28	4.93	4.93
	20+YR	-1.09	-1.09	2.05	2.05	-3.44	-3.44	2.72	2.72
	All	0.43	0.43	2.97	2.97	-0.24	-0.24	5.05	5.05
BBB	1-3YR	1.30	1.30	3.69	3.69	1.66	1.66	6.66	6.66
	7-10YR	0.93	0.93	4.66	4.66	0.53	0.53	6.49	6.49
	20+YR	-0.04	-0.04	4.22	4.22	-1.59	-1.59	5.73	5.73
	All	0.88	0.88	4.08	4.08	0.56	0.56	6.31	6.31
Sectors	Comm	0.22	0.22	3.64	3.64	-0.43	-0.43	5.46	5.46
	Energy	0.55	0.55	3.83	3.83	-0.22	-0.22	5.57	5.57
	Fin	1.17	1.17	3.56	3.56	1.37	1.37	6.48	6.48
	Indus	0.63	0.63	3.18	3.18	-0.12	-0.12	5.26	5.26
	Infra	-0.37	-0.37	2.40	2.40	-2.23	-2.23	3.35	3.35
	RE	1.13	1.13	4.27	4.27	1.57	1.57	6.81	6.81
	Secur	1.26	1.26	3.45	3.45	1.77	1.77	6.27	6.27
Provinces (All)	1-3YR	0.91	0.91	1.95	1.95	0.52	0.52	3.75	3.75
	7-10YR	0.42	0.42	2.01	2.01	-1.49	-1.49	2.36	2.36
	20+YR	-1.13	-1.13	0.46	0.46	-5.26	-5.26	-0.73	-0.73
	All	-0.19	-0.19	1.29	1.29	-2.81	-2.81	1.23	1.23
Ontario	1-3YR	0.90	0.90	1.96	1.96	0.58	0.58	3.75	3.75
	7-10YR	0.43	0.43	2.05	2.05	-1.42	-1.42	2.34	2.34
	20+YR	-1.09	-1.09	0.61	0.61	-5.13	-5.13	-0.67	-0.67
	All	-0.12	-0.12	1.40	1.40	-2.58	-2.58	1.39	1.39
Alberta	1-3YR	0.95	0.95	1.95	1.95	0.54	0.54	3.69	3.69
	7-10YR	0.52	0.52	2.05	2.05	-1.37	-1.37	2.66	2.66
	20+YR	-0.52	-0.52	0.98	0.98	-4.97	-4.97	-0.28	-0.28
	All	0.20	0.20	1.63	1.63	-2.36	-2.36	1.66	1.66
Quebec	1-3YR	0.89	0.89	1.92	1.92	0.36	0.36	3.80	3.80
	7-10YR	0.37	0.37	1.96	1.96	-1.65	-1.65	2.29	2.29
	20+YR	-1.36	-1.36	0.03	0.03	-5.63	-5.63	-0.97	-0.97
	All	-0.41	-0.41	0.98	0.98	-3.34	-3.34	0.87	0.87
BC	1-3YR	0.95	0.95	1.80	1.80	0.63	0.63	3.70	3.70
	7-10YR	0.39	0.39	1.86	1.86	-1.52	-1.52	2.26	2.26
	20+YR	-1.45	-1.45	0.21	0.21	-5.66	-5.66	-1.24	-1.24
	All	-0.37	-0.37	1.18	1.18	-3.11	-3.11	0.88	0.88

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.

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Appendix – Global Bond Market Returns % (CAD vs LC, TR) – May 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
US	1-3YR	0.69	-0.10	0.69	1.20	0.64	4.04	3.43	3.72
	7-10YR	1.80	1.01	-0.61	-0.11	-2.76	0.52	-2.18	-1.90
	20+YR	2.93	2.12	-2.85	-2.36	-7.52	-4.40	-8.63	-8.37
	IG All	1.85	1.05	0.51	1.02	-1.01	2.34	4.51	4.80
	HY All	1.00	0.21	1.33	1.84	1.64	5.07	11.21	11.53
UK	1-3YR	0.48	1.37	0.65	1.81	0.21	3.47	4.09	7.23
	7-10YR	0.75	1.65	-0.34	0.82	-3.87	-0.75	3.42	6.54
	20+YR	1.21	2.11	-2.28	-1.15	-8.95	-5.99	0.31	3.34
EUR	IG All	0.27	1.01	0.66	1.49	-0.17	1.42	5.30	7.53
	HY All	1.06	1.80	1.48	2.32	2.75	4.39	11.16	13.51
Japan	1-3YR	-0.20	-0.84	-0.30	-4.56	-0.51	-7.72	-0.60	-11.37
	7-10YR	-1.27	-1.90	-2.32	-6.50	-2.73	-9.79	-3.42	-13.89
	20+YR	-5.02	-5.63	-9.01	-12.90	-10.03	-16.56	-16.97	-25.97
China	1-3YR	0.37	-0.45	0.93	0.72	1.63	2.86	2.98	1.28
	7-10YR	0.40	-0.42	1.05	0.85	2.98	4.23	5.72	3.97
	20+YR	0.30	-0.51	-0.15	-0.35	6.32	7.61	12.76	10.90
EM	1-3YR	0.52	-0.14	0.96	0.70	1.75	2.56	4.00	2.64
	7-10YR	0.81	0.16	0.26	-0.02	1.27	1.96	4.59	3.04
	20+YR	0.50	-0.22	-0.48	-0.47	4.20	5.31	9.94	8.97
	IG All	1.56	0.77	0.94	1.44	0.79	4.20	5.24	5.54
	HY All	1.73	0.94	2.76	3.28	5.62	9.19	12.92	13.24
Germany	1-3YR	0.18	0.92	0.36	1.19	-0.20	1.39	1.72	3.87
	7-10YR	-0.21	0.52	-1.25	-0.43	-3.76	-2.22	-0.49	1.61
	20+YR	-1.42	-0.69	-4.20	-3.41	-9.30	-7.85	-4.96	-2.94
Italy	1-3YR	0.26	1.00	0.54	1.36	0.25	1.85	3.04	5.22
	7-10YR	0.03	0.77	0.23	1.05	-0.27	1.32	5.63	7.87
	20+YR	-0.63	0.10	-0.33	0.49	-0.35	1.24	7.10	9.36
Spain	1-3YR	0.22	0.96	0.50	1.32	0.23	1.83	2.46	4.63
	7-10YR	0.12	0.86	0.10	0.93	-1.37	0.20	3.46	5.66
	20+YR	-0.29	0.44	-0.45	0.36	-2.87	-1.32	4.80	7.02
France	1-3YR	0.21	0.95	0.28	1.10	-0.35	1.24	1.86	4.02
	7-10YR	-0.18	0.56	-1.01	-0.20	-3.22	-1.67	0.75	2.88
	20+YR	-0.97	-0.24	-3.20	-2.40	-7.38	-5.90	-0.80	1.30
Sweden	1-3YR	0.44	4.00	0.73	-0.40	0.27	-0.67	2.57	6.44
	7-10YR	0.49	4.06	0.58	-0.55	-2.54	-3.46	1.41	5.24
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1-3YR	0.30	1.93	0.33	2.99	0.77	1.54	2.68	5.82
	7-10YR	0.47	2.10	-0.86	1.76	-1.49	-0.75	-1.52	1.49
	20+YR	-0.26	1.36	-3.49	-0.93	-6.11	-5.40	-7.26	-4.43
NZ	1-3YR	0.47	3.51	1.13	2.49	1.35	1.67	4.04	6.95
	7-10YR	0.99	4.04	0.59	1.95	-1.40	-1.09	1.05	3.88
Canada	1-3YR	0.78	-0.01	0.79	1.30	0.52	3.92	3.45	3.74
	7-10YR	1.57	0.78	0.02	0.52	-2.20	1.11	0.42	0.71
	20+YR	3.48	2.67	-1.41	-0.92	-7.04	-3.90	-3.68	-3.41

Source: FTSE Russell and LSEG. All data as of May 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) – May 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
US	1-5YR	1.05	0.26	1.35	1.86	1.39	4.82	4.19	4.48
	5-10YR	1.92	1.13	0.81	1.32	-0.41	2.96	0.97	1.25
	20+YR	3.95	3.14	-1.65	-1.15	-4.94	-1.73	-7.95	-7.69
UK	1-5YR	0.57	1.46	1.73	2.91	0.14	3.40	5.84	9.04
	5-10YR	0.87	1.76	1.00	2.17	-1.56	1.64	5.20	8.38
	20+YR	2.36	3.27	-1.83	-0.69	-9.00	-6.05	-2.06	0.89
EUxUK	1-5YR	0.24	0.98	0.77	1.60	-0.08	1.52	0.69	2.82
	5-10YR	-0.16	0.57	-0.13	0.69	-2.31	-0.75	-1.93	0.15
	20+YR	-1.74	-1.01	-3.16	-2.36	-7.60	-6.12	-11.82	-9.95
Japan	1-5YR	0.07	-0.57	-0.39	-4.65	-0.62	-7.83	1.22	-9.75
	5-10YR	-0.40	-1.04	-0.28	-4.55	-0.22	-7.46	2.27	-8.81
EM	1-5YR	0.99	-0.30	1.31	-1.30	2.88	0.31	11.32	4.75
	5-10YR	0.91	-0.13	-1.01	-2.32	-0.72	-2.27	7.22	3.31
	20+YR	1.22	-0.26	-3.28	-5.55	-5.24	-7.08	2.24	1.90
Germany	1-5YR	0.24	0.98	0.77	1.60	-0.08	1.52	0.69	2.82
	5-10YR	-0.16	0.57	-0.13	0.69	-2.31	-0.75	-1.93	0.15
	20+YR	-1.74	-1.01	-3.16	-2.36	-7.60	-6.12	-11.82	-9.95
Italy	1-5YR	0.11	0.85	0.68	1.50	0.25	1.85	3.47	5.66
	5-10YR	-0.06	0.68	1.04	1.87	0.84	2.45	4.75	6.96
	20+YR	-2.25	-1.52	-0.45	0.37	0.65	2.26	1.20	3.35
Spain	1-5YR	0.05	0.79	0.74	1.57	-0.14	1.45	1.40	3.55
	5-10YR	0.09	0.83	1.07	1.90	0.08	1.67	2.31	4.48
France	1-5YR	0.00	0.74	-0.08	0.74	-0.94	0.64	0.11	2.23
	5-10YR	-0.24	0.50	-0.38	0.44	-2.16	-0.60	-1.13	0.96
	20+YR	-1.88	-1.16	-3.20	-2.41	-7.12	-5.63	-7.53	-5.57
Sweden	1-5YR	0.02	3.57	0.53	-0.60	-0.05	-0.99	2.40	6.27
	5-10YR	-0.24	3.30	1.41	0.27	-1.26	-2.18	1.61	5.45
Australia	1-5YR	-0.03	1.59	0.23	2.89	0.30	1.06	2.86	6.01
	5-10YR	-0.16	1.46	-0.58	2.05	-1.39	-0.64	0.90	3.99
	20+YR	-2.01	-0.42	-4.20	-1.66	-9.68	-9.00	-6.45	-3.59
NZ	5-10YR	1.71	4.78	2.33	3.71	1.94	2.26	4.54	7.46
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	3.16	2.36	0.94	1.45	-2.45	0.84	-0.28	0.00

Indices used: FTSE Canada RRB Canada Bond Index.

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Appendix – Canadian Historical Bond Yields % as of May 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
Canada	Current	4.08	3.62	3.53	
	3M Ago	4.10	3.51	3.40	
	6M Ago	4.08	3.58	3.43	
	12M Ago	4.04	3.22	3.18	
IL	Current			1.79	
	3M Ago			1.73	
	6M Ago			1.76	
	12M Ago			1.44	
Provincial	Current	4.23	4.16	4.48	4.33
	3M Ago	4.20	4.06	4.34	4.23
	6M Ago	4.21	4.14	4.38	4.27
	12M Ago	4.21	3.86	4.15	4.08
Ontario	Current	4.23	4.15	4.46	4.32
	3M Ago	4.21	4.06	4.32	4.22
	6M Ago	4.22	4.15	4.38	4.27
	12M Ago	4.24	3.86	4.14	4.09
Quebec	Current	4.20	4.15	4.47	4.33
	3M Ago	4.15	4.05	4.31	4.20
	6M Ago	4.14	4.13	4.34	4.24
	12M Ago	4.15	3.85	4.11	4.04
Alberta	Current	4.22	4.11	4.47	4.29
	3M Ago	4.19	4.03	4.37	4.22
	6M Ago	4.23	4.08	4.40	4.26
	12M Ago	4.20	3.85	4.18	4.09
BC	Current	4.28	4.16	4.47	4.34
	3M Ago	4.24	4.06	4.31	4.21
	6M Ago	4.29	4.12	4.38	4.27
	12M Ago	4.18	3.84	4.13	4.04
Municipal	Current	4.26	4.25	4.71	4.46
	3M Ago	4.20	4.14	4.56	4.35
	6M Ago	4.23	4.21	4.61	4.39
	12M Ago	4.25	3.94	4.38	4.22
Corporate	Current	4.93	5.08	5.22	5.03
	3M Ago	4.94	4.98	5.07	4.98
	6M Ago	5.29	5.31	5.27	5.29
	12M Ago	5.33	5.12	5.11	5.24
High Yield	Current				6.87
	3M Ago				6.94
	6M Ago				7.73
	12M Ago				7.61

		1-5YR	5-10YR	20+YR	All Mat
AAA/AA	Current	4.65	4.71	4.73	4.66
	3M Ago	4.65	4.61	4.55	4.64
	6M Ago	4.99	4.97	4.67	4.97
	12M Ago	5.03	4.80	4.58	5.01
A	Current	4.86	4.82	5.01	4.90
	3M Ago	4.86	4.70	4.83	4.83
	6M Ago	5.20	5.02	4.99	5.12
	12M Ago	5.28	4.81	4.84	5.09
BBB	Current	5.11	5.23	5.53	5.24
	3M Ago	1.99	1.88	2.12	5.20
	6M Ago	2.57	2.14	2.27	5.54
	12M Ago	2.21	1.63	1.71	5.47
Comm	Current	5.06	5.55	5.09	5.14
	3M Ago	4.90	5.39	5.13	5.01
	6M Ago	5.28	5.68	5.42	5.31
	12M Ago	5.08	5.53	5.38	5.23
Energy	Current	5.09	5.18	5.30	5.20
	3M Ago	5.13	5.13	5.16	5.14
	6M Ago	5.42	5.42	5.41	5.42
	12M Ago	5.38	5.23	5.21	5.27
Financial	Current	4.89	5.01	5.09	4.91
	3M Ago	4.90	4.99	4.99	4.91
	6M Ago	5.27	5.38	5.21	5.28
	12M Ago	5.35	5.25	5.24	5.34
Industrial	Current	4.88	4.99	5.26	4.99
	3M Ago	4.90	4.87	5.13	4.95
	6M Ago	5.15	5.16	5.31	5.19
	12M Ago	5.24	4.96	5.19	5.16
Infrastructure	Current	4.64	4.86	5.07	4.97
	3M Ago	4.62	4.70	4.90	4.82
	6M Ago	4.85	4.95	5.04	5.00
	12M Ago	4.82	4.77	4.87	4.85
Securitization	Current	4.88			4.88
	3M Ago	4.94			4.94
	6M Ago	5.28			5.28
	12M Ago	5.31			5.31

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.

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Appendix – Historical Bond Yields % as of May 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	4.94	4.58	4.50	4.70	2.35	2.08	2.30	5.55	8.21
	3M Ago	4.73	4.34	4.26	4.46	1.99	1.88	2.12	5.44	8.09
	6M Ago	4.82	4.39	4.35	4.63	2.57	2.14	2.27	5.64	8.47
	12M Ago	4.61	3.92	3.65	3.94	2.08	1.52	1.68	5.43	8.84
UK	Current	4.60	4.26	4.23	4.68	0.31	0.46	1.32		
	3M Ago	4.48	4.10	4.03	4.49	0.53	0.40	1.21		
	6M Ago	4.52	4.16	4.11	4.61	0.62	0.53	1.30		
	12M Ago	4.55	4.44	4.14	4.42	1.36	0.51	0.94		
Japan	Current	0.34	0.55	0.93	2.09	-1.19	-0.69			
	3M Ago	0.13	0.28	0.59	1.66	-1.51	-0.81			
	6M Ago	0.00	0.17	0.57	1.63	-2.08	-0.94			
	12M Ago	-0.08	0.00	0.33	1.22	-1.39	-0.80			
China	Current	1.77	1.99	2.31	2.61					
	3M Ago	1.99	2.16	2.38	2.57					
	6M Ago	2.37	2.47	2.66	3.02					
	12M Ago	2.13	2.37	2.70	3.11					
EM	Current	3.30	3.83	4.47	3.96	5.69	5.26	5.63	5.81	8.79
	3M Ago	3.29	3.90	4.56	4.03	4.69	4.53	5.24	5.74	9.18
	6M Ago	3.66	4.22	4.76	4.46	4.42	4.45	5.10	6.09	10.50
	12M Ago	3.74	4.10	4.82	4.46	4.38	4.20	4.92	5.77	12.26
Germany	Current	3.07	2.72	2.59	2.77	1.45	0.60	0.55		
	3M Ago	3.02	2.50	2.34	2.53	1.20	0.42	0.35		
	6M Ago	2.86	2.41	2.37	2.67	1.16	0.34	0.28		
	12M Ago	2.71	2.56	2.29	2.33	0.83	0.10	-0.11		
Italy	Current	3.46	3.42	3.73	4.30	1.54	1.68	1.91		
	3M Ago	3.35	3.25	3.61	4.22	1.31	1.63	1.84		
	6M Ago	3.39	3.40	3.93	4.59	1.60	1.97	2.15		
	12M Ago	3.35	3.78	4.00	4.35	1.74	1.85	1.75		
France	Current	3.20	2.99	3.02	3.45	0.94	0.79	0.97		
	3M Ago	3.05	2.74	2.78	3.24	0.80	0.57	0.79		
	6M Ago	3.01	2.73	2.87	3.46	0.84	0.63	0.95		
	12M Ago	2.83	3.12	3.08	3.43	0.93	0.61	0.72		
Sweden	Current	3.04	2.60	2.46		1.69	0.92			
	3M Ago	3.03	2.58	2.46		1.62	1.04			
	6M Ago	3.27	2.70	2.61		1.30	1.12			
	12M Ago	2.97	2.94	2.61		1.13	0.85			
Australia	Current	4.11	4.08	4.35	4.79	1.67	1.80	2.17		
	3M Ago	3.81	3.73	4.09	4.51	1.15	1.51	1.91		
	6M Ago	4.15	4.04	4.36	4.73	1.28	1.81	2.19		
	12M Ago	3.51	3.89	3.94	4.27	0.94	1.39	1.73		
NZ	Current	4.82	4.67	4.77	5.07	2.33	2.32			
	3M Ago	5.05	4.61	4.68	4.96	1.89	2.41			
	6M Ago	5.07	4.78	4.89	5.09	1.91	2.59			
	12M Ago	5.08	4.81	4.66	4.83	1.89	2.36			
Canada	Current	4.08		3.62	3.53			1.79	5.03	6.87
	3M Ago	4.10		3.51	3.40			1.73	4.98	6.94
	6M Ago	4.08		3.58	3.43			1.76	5.29	7.73
	12M Ago	4.04		3.22	3.18			1.44	5.24	7.61

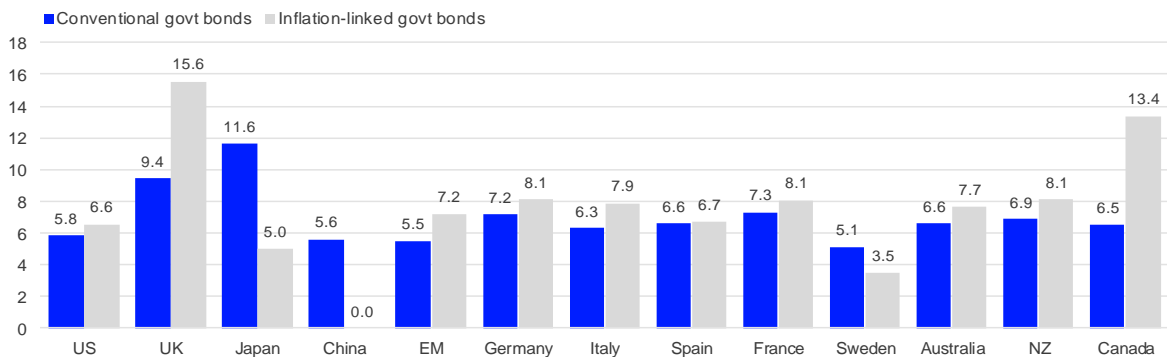
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

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

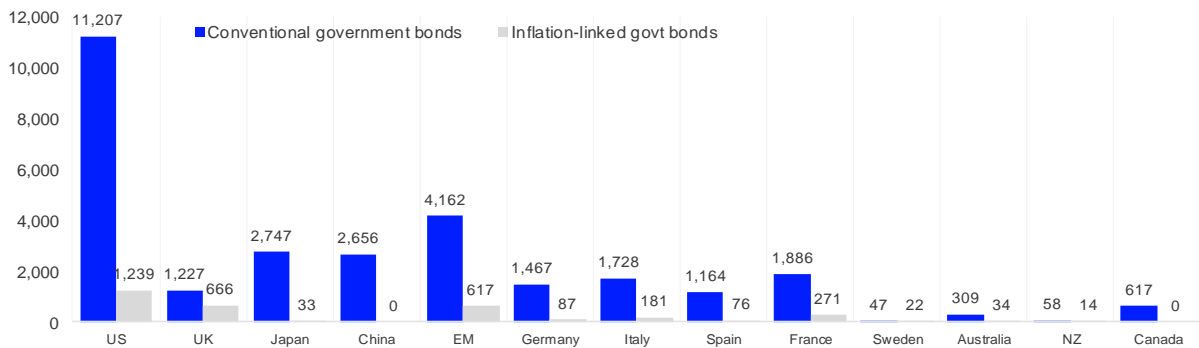
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	7.2	16.5	5.8	2,679.8	1,150.5	1,301.6	11,207.4	7.1	21.5	6.6	391.6	109.7	1239.4
UK	3.8	7.3	18.2	9.4	167.2	204.5	306.9	1,226.8	7.9	27.4	15.6	119.5	224.2	666.2
Japan	3.9	8.2	23.2	11.6	332.2	358.1	558.6	2,746.5	8.0		5.0	12.2		33.0
China	3.7	7.6	17.9	5.6	606.8	438.0	300.8	2,656.0						
EM	3.6	7.0	16.3	5.5	897.97	749.48	393.95	4,161.9	6.0	13.2	7.2	94.8	155.5	616.8
Germany	3.7	7.7	20.1	7.2	337.62	200.09	184.44	1,467.2	6.5	21.0	8.1	43.4	17.8	86.6
Italy	3.6	7.1	16.3	6.3	302.30	279.33	156.81	1,727.6	7.0	25.7	7.9	65.7	5.6	180.8
Spain	3.5	7.2	17.4	6.6	229.15	205.44	112.26	1,164.0	7.5		6.7	48.0		75.9
France	3.7	7.3	19.6	7.3	399.14	328.71	242.45	1,885.8	6.2	23.9	8.1	88.4	21.1	270.9
Sweden	3.8	7.5		5.1	6.64	13.93		46.9	6.5		3.5	5.5		22.1
Australia	3.9	7.3	16.5	6.6	45.74	91.86	19.73	309.2	6.5	21.8	7.7	10.4	2.7	33.8
NZ	4.1	7.1	16.0	6.9	10.63	16.68	5.21	58.5	5.7		8.1	3.3		14.4
Canada		6.7	16.1	6.5		210.69	121.44	617.2		13.4	13.4		66.0	

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.4	8.2	7.1	6.5	6.9	71.0	439.1	2,738.1	3,471.2	6,719.4	3.8	1,204.0
Euro	5.3	4.8	4.6	4.2	4.4	12.2	211.6	1,199.0	1,538.3	2,961.2	3.0	339.7
EM		6.8	5.1	5.4	5.4		36.44	214.57	274.7	525.7	3.3	171.3

Average Duration



Total Market Value (USD Billions)



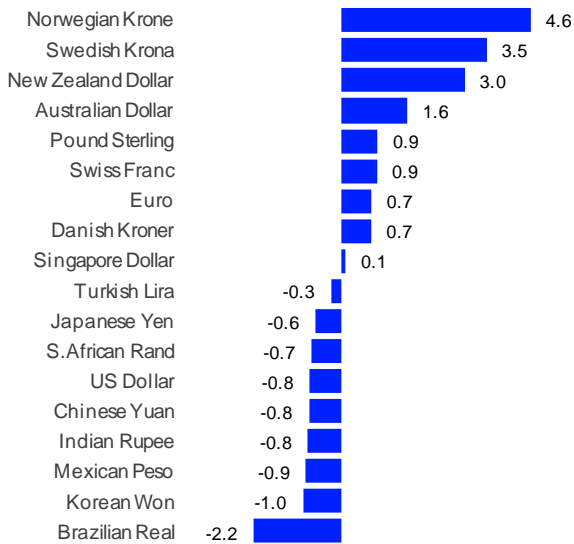
Data as of 2024-05-31

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

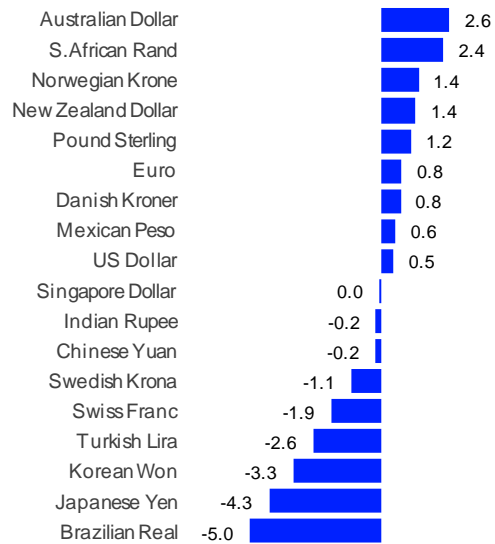
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

Appendix – Foreign Exchange Returns % as of May 31, 2024

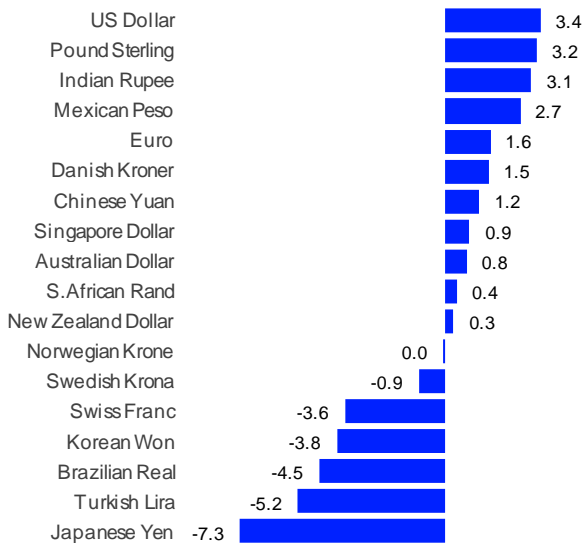
FX Moves vs CAD - 1M



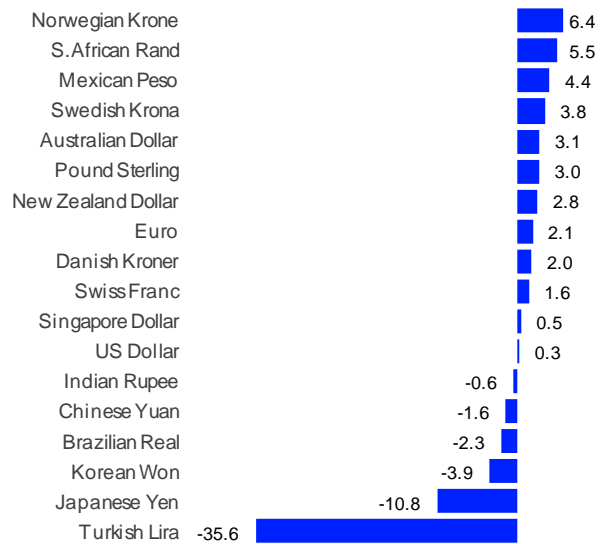
FX Moves vs CAD - 3M



FX Moves vs CAD - YTD



FX Moves vs CAD - 12M



Source: FTSE Russell and LSEG. All data as of May 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 – 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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