

Fixed Income Insights

MONTHLY REPORT | **DECEMBER 2024**

UK EDITION

Gilts rally in November, as relative value improves

G7 yields proved volatile in November. Fears about further US fiscal stimulus were eased by the new Treasury Secretary's nomination, and high relative yields in gilts & Treasuries. Bunds continue to benefit from deflationary strains in Germany, but the weak euro is reducing returns. Credit remains in a sweet spot, and China the best YTD performer.

Macro and policy backdrop – Data likely to dictate December BoE, Fed rate decisions

BoE and Fed rate decisions are close calls in December, as central banks re-calibrate the shift in monetary/fiscal policy balance. ECB & BoC under more easing pressure. (pages 2-3)

Yields, curves & spreads – Curves prove volatile in November, flattening end-month

After curve steepening and US spread widening, post-US elections, curves bull flattened. Credit spreads widened later in November on lower government yields. (pages 4-5)

IG credit & MBS – Credit remains in a sweet spot, as IG spreads dip below MBS in US

Credit stabilised in November, but BBB issues outperformed. Mortgage refis stall. (page 6)

High yield credit analysis – HY credits remain best performing fixed income class

Bank and service sectors lead HY returns in 2024. Other UK utilities under water. (page 7)

SI sovereign bond analysis – Green Sovereigns outperformed over 3M and 1Y

Green sovereign bonds benefited from higher duration in 2024, as yields fell. (page 8)

Performance – Long Eurozone bonds led 1 month returns, modest gilt recovery

German deflation risks continue, driving yields lower. China and EM bonds remain best YTD performers. Long JGBs and gilts remain weakest YTD. (pages 9-10)

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

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Chart 1: G7 yields proved volatile in November, rising on the US election result, before falling later in the month. Gilts recovered, after the October and early-November sell-off, helped by relative value.

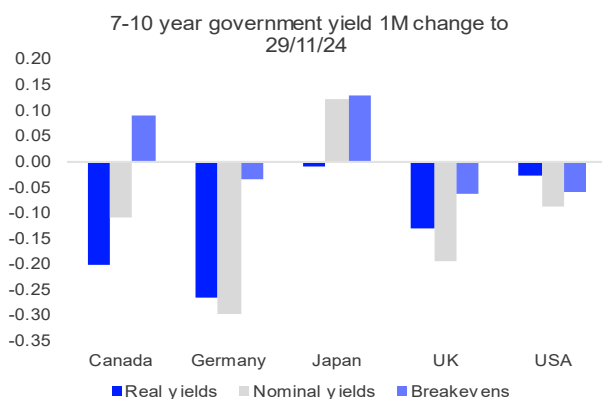
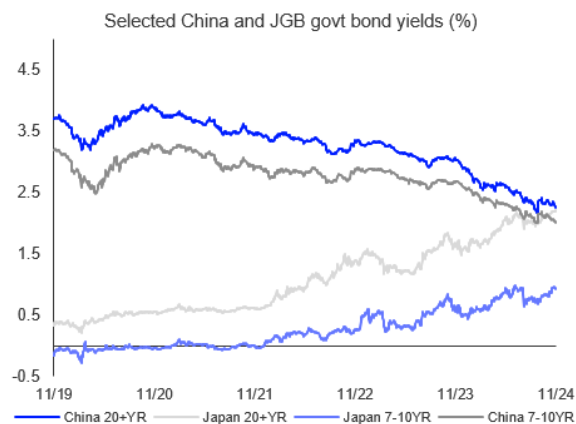


Chart 2: Deflationary strains in China, and the increase in BoJ interest rates, have driven Chinese government bond yields down to JGB levels, and now below, in some areas of the yield curve.



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

Post-US elections, focus has shifted to the global impact of higher trade tariffs, on growth and inflation. The pass-through on supply chains will affect final inflation, but clearly there is an intrinsic stagflation risk from higher tariffs, if they materialise. Greater fiscal stimulus, and sticky services inflation are other risks that may delay BoE easing.

Consensus forecasts show less growth divergence in 2025 (Chart 1), as growth recovers versus the US, helped by lower rates, and fiscal stimulus in the UK and China particularly (though details on China's programme are still awaited). The main risk to UK growth may be a sharp contraction in employment growth, after the UK budget increased NIC rates for employers.

UK inflation spiked back above target in October, as the increase in electricity prices impacted the y/y headline rate, rising to 2.3% y/y. Core and services inflation also edged higher, to 3.3% and 5.0% y/y respectively. The BoE is forecasting a modest rebound in headline inflation to 3% y/y, and expects the net fiscal stimulus in the budget to add a little to inflation pressures.

The increase in the UK unemployment rate in September, to 4.3%, was more in line with recent survey evidence suggesting a softening in the labour market. Productivity growth (output per hour) also fell 0.8% in Q3, after rising 0.2% in Q2, and has flat-lined since Covid. This will be of some concern to the BoE, since wage growth will need to fall considerably from the current 4.8% y/y to be consistent with the 2% inflation target, unless productivity growth accelerates.

Trade shares in GDP are shown in Chart 4, and demonstrate how low US exports and imports are compared to other high income nations. China's export share below 20% of GDP indicates why a transition to domestic demand-led growth is key for a sustainable economic recovery. Germany remains leveraged to global, and Eurozone, growth via its very high export share.

Chart 1: Growth forecasts show recoveries projected for 2025, helped by lower rates and inflation, and the US less of a growth outlier. German economic stagnation remains a major Eurozone risk.

| Latest Consensus Real GDP Forecasts (Median, %, November 2024) | | | |
|--|------|------|------|
| | 2023 | 2024 | 2025 |
| US | 2.5 | 2.7 | 2.0 |
| UK | 0.1 | 0.9 | 1.4 |
| Eurozone | 0.5 | 0.8 | 1.2 |
| Japan | 1.3 | 0.3 | 1.1 |
| China | 5.2 | 4.8 | 4.5 |
| Canada | 1.1 | 1.1 | 1.8 |

Chart 2: Inflation rates remain above target in both the UK and US, due to services despite lower energy and durable goods prices particularly. UK inflation rebounded on the October electricity price increase.

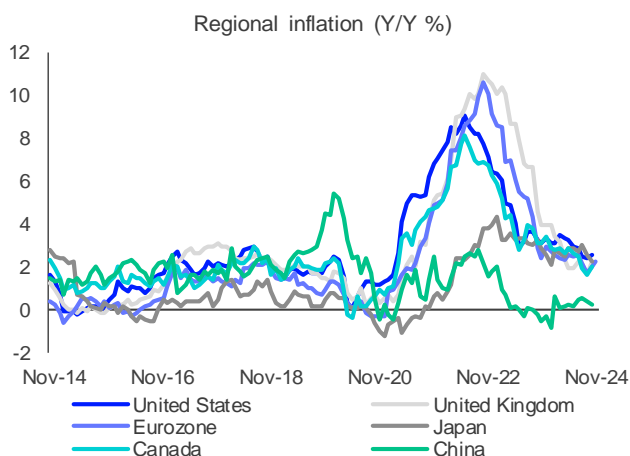


Chart 3: UK average weekly earnings growth slowed further to 4.8% y/y in September, the lowest since June 2022. Unemployment rose to 4.3%, more in line with signs elsewhere of a softer labour market.

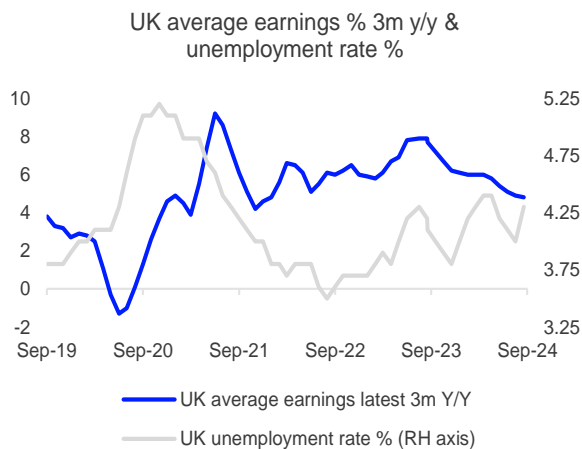


Chart 4: Trade shares in GDP vary considerably across high income nations but the main stand-outs are the low US share, and high German share. This leaves the US less exposed to a trade tariff war.

| Country | Exports% of GDP | Imports % of GDP | Trade to GDP ratio |
|----------------------------|-----------------|------------------|--------------------|
| Canada | 33.5 | 34.0 | 67.5 |
| US | 11.6 | 15.4 | 27.0 |
| Japan | 21.5 | 25.3 | 46.8 |
| China | 19.7 | 17.6 | 37.3 |
| Germany | 47.1 | 43.0 | 90.1 |
| France | 32.7 | 34.9 | 67.6 |
| Italy | 35.0 | 33.7 | 68.7 |
| UK | 32.2 | 33.4 | 65.6 |
| High income nation average | 32.0 | 31.0 | 63.0 |

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Financial Conditions and Monetary Policy Settings

Extra UK gilt financing for 2024-25 targets longs and mediums, suggesting more curve steepening, if the BoE eases policy further in December, particularly given the long duration of gilts outstanding. If Reaganomics-lite re-emerges in the US, a stronger dollar is a risk. However, President-elect Trump's view that the dollar is overvalued is shared by the IMF.

Chart 1 shows revised UK financing arithmetic for central gov't. in 2024-25, for the Debt Management Office's (DMO) gilt issuance. Extra short gilt issuance is modest versus planned medium and longer dated issuance of £16 bn. This may reflect the flat gilt curve, and DMO preference to issue longer gilts when the term premium is still modest. This suggests more curve steepening, and particularly given the high share of short gilts held by the BoE and probable further BoE easing in short rates.

The prospect of extra fiscal stimulus delaying Fed easing has supported the US dollar since the US elections, though the initial spike after the election has partially unwound, as currency markets re-calibrate for President-elect Trump's view the dollar is "overvalued", and the IMF estimates a 5-10% over-valuation. Sterling is supported by high relative rates, notably versus the Euro.

After November moves from the Fed and Bank of England, US and UK inflation data left unresolved further easing in December. The Fed remains data-driven so November payrolls data will be key, while UK inflation may decide the MPC (on Dec 19).

Chart 4 shows central bank balance sheets continue to contract, exc. the BoJ's, which has stabilised. The BoE target of a £100bn reduction in gilt holdings in 2024-25 may ease the supply shortage in short gilts somewhat, though low coupon issues face strong demand, given the discount to par.

Chart 1: The increased gilt issuance planned for 2024-25 is mainly targeted at medium and longer dated maturities, with only £3.1 bn currently planned for short gilts, though £8.5 bn remains unallocated.

| Revised UK financing arithmetic 2024-25 £bn | 2024-25 April revision | 2024-25 Autumn budget | Net change |
|---|------------------------|-----------------------|------------|
| Central gov't net cash requirement | 142.8 | 165.1 | +22.3 |
| Gilt redemptions | 139.9 | 139.9 | zero |
| Gross financing requirement | 289.2 | 311.5 | +22.3 |
| less National Savings & other | 11.5 | 11.6 | +0.1 |
| = Net financing requirement | 277.7 | 299.9 | +22.2 |
| of which- Short gilts | 100.7 | 103.8 | +3.1 |
| Medium gilts | 86.0 | 92.0 | +6.0 |
| Long gilts | 50.0 | 59.8 | +9.8 |
| Index-linked | 30.0 | 33.4 | +3.4 |
| Unallocated amount of gilts | 11.0 | 8.5 | |

Chart 2: The US dollar made initial gains on the US election result, based on fiscal policy preserving rate support, but this is offset by concerns about over-valuation, so more volatility may lie ahead.

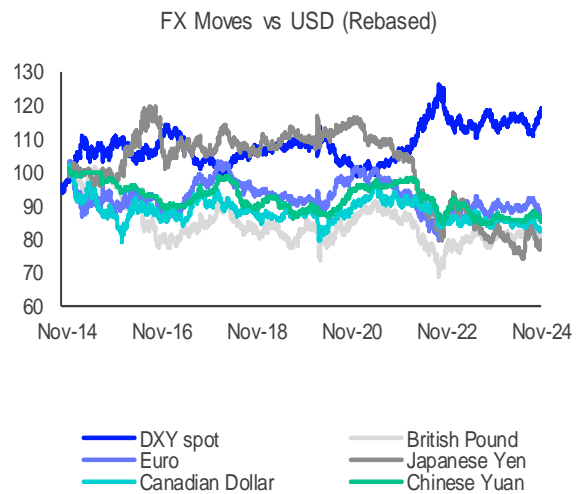


Chart 3: The BoE and Fed cut rates in November, though inflation data since raises doubts about December moves. The ECB and BoC are under more pressure to ease further from weaker growth and inflation.

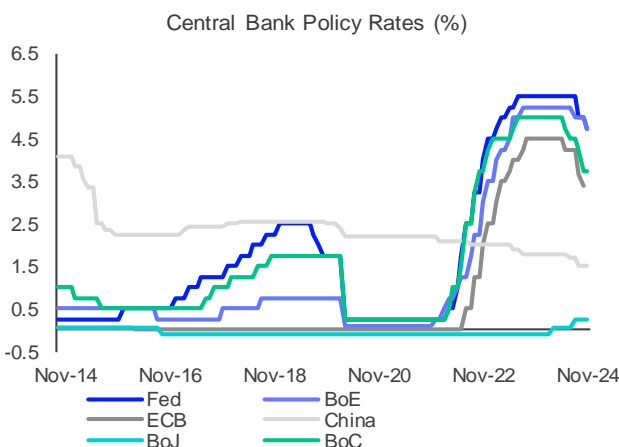
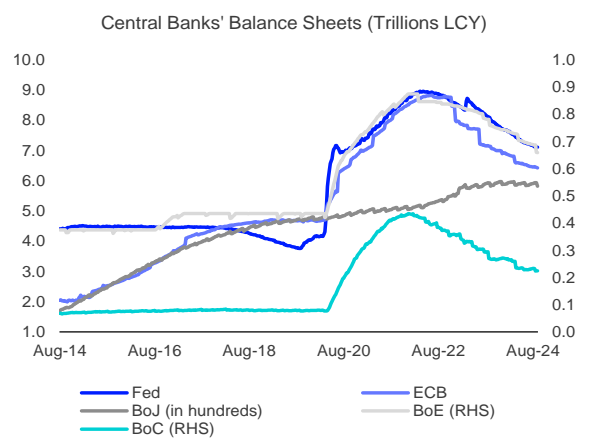


Chart 4: Central banks continue Quantitative Tightening programmes stressing interest rates remain their main monetary policy tools. The BoE is targeting a reduction in gilt holdings of £100 bn per annum.



Source: FTSE Russell, UK DMO and US Federal Reserve. All data as of November 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.

Global Yields, Curves and Breakevens

Chart 1: US Treasuries led G7 7-10 yr yields higher early in November, after the elections, on fears of a bigger fiscal boost. But Scott Bessent's nomination as Treasury Sec. helped markets rally later in the month.

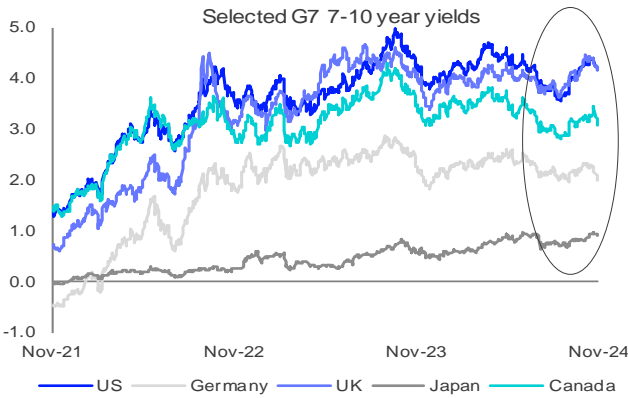


Chart 2: Real yields broadly tracked nominals, led by US Tips as markets focussed on the possible boost to real growth from more fiscal stimulus, as in the UK. But real yields fell late in the month.

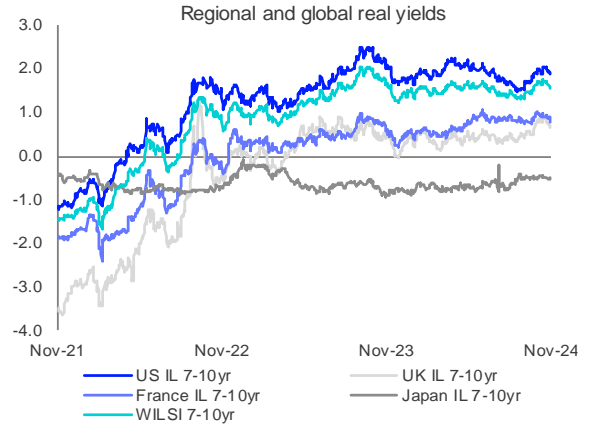


Chart 3: The US curve was volatile in November, as initial steepening on the US election result was unwound later in the month, as the PCE deflator data proved more benign, and the 7-10 yr area rallied.

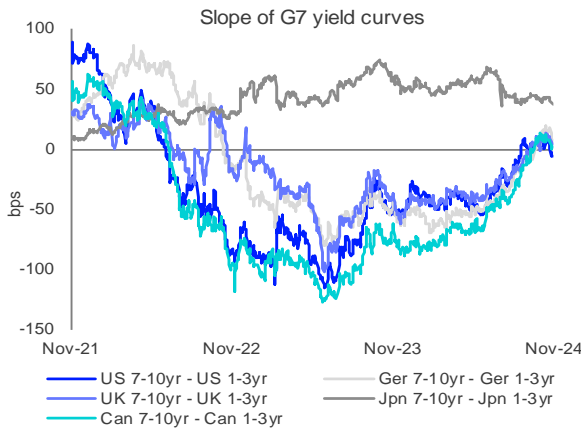


Chart 4: Initial steepening in longs was largely reversed over the course of November, as markets rallied on inflation data and Scott Bessent's nomination as US Treasury Secretary was well received.

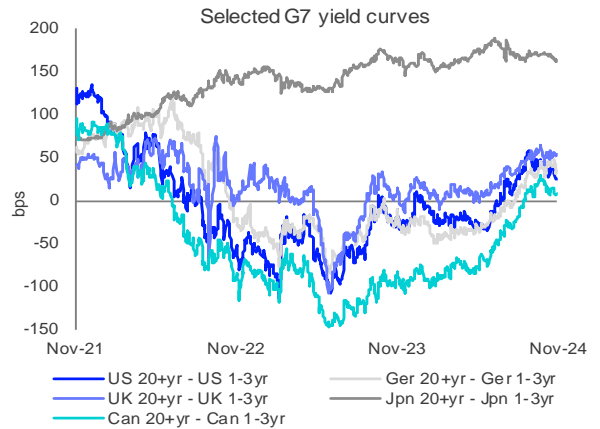


Chart 5: US inflation breakevens increased in November as markets priced in more fiscal stimulus, after the elections. Gilt breakevens increased, as increased issuance fears drove nominal yields higher.

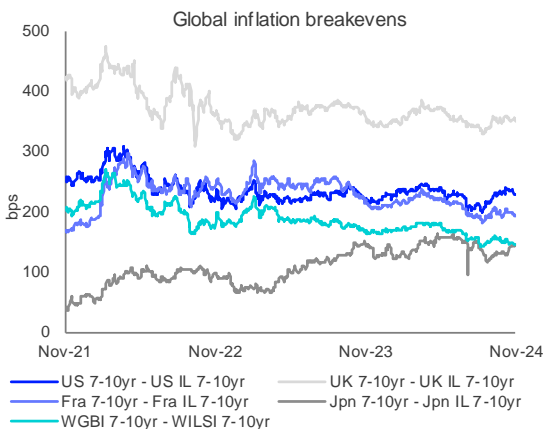


Chart 6: Globally, inflation breakevens remain below 2%. Mediums and longs show only modest impact from the US elections, though short dated breakevens have rebounded from very low levels, but remain below 2%.



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Yield Spreads and Credit Spread Analysis

Chart 1: Treasury spreads widened on the US election result, before stabilising somewhat, after the nomination of Scott Bessent as Treasury Secretary. Spreads versus Bunds are near cycle highs.

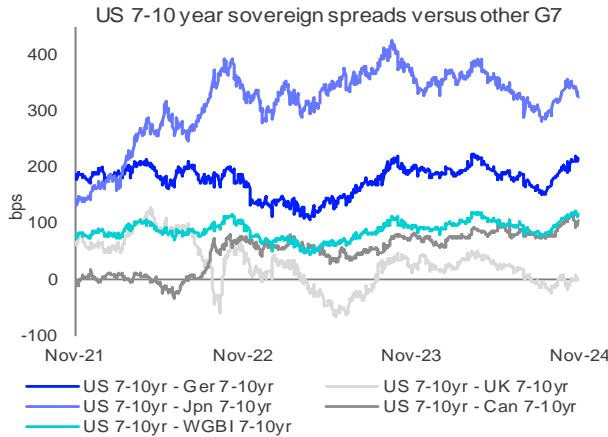


Chart 2: Italian spreads fell to new lows in November, as yields rose elsewhere, led by the US, UK and JGBs. Spreads moved less vs Canada and Bunds with more easing likely from the BoC and ECB.

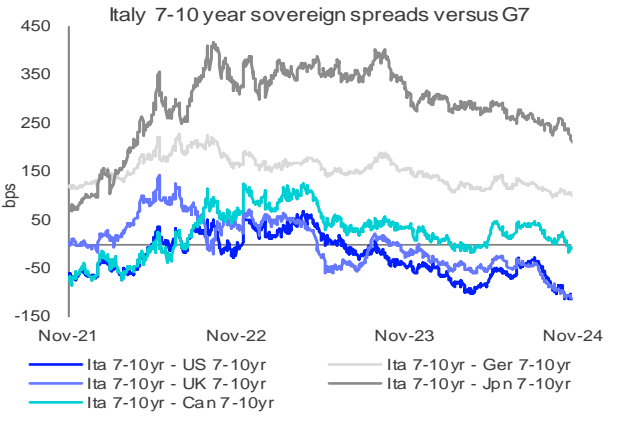


Chart 3: EM spreads first tightened in November, as G7 yields rose after the US election result. But the prospect of more easing in the Eurozone and Canada caused a modest reversal in spreads late on.

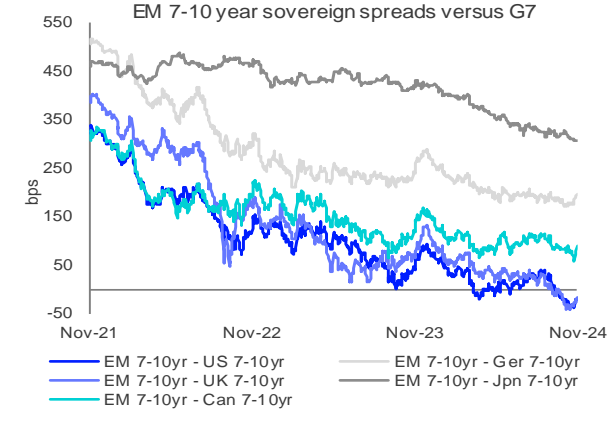


Chart 4: The lack of policy details on the Chinese fiscal stimulus announced in late-September and further weak economic data drove spreads to new lows, before G7 bonds stabilised late in the month.

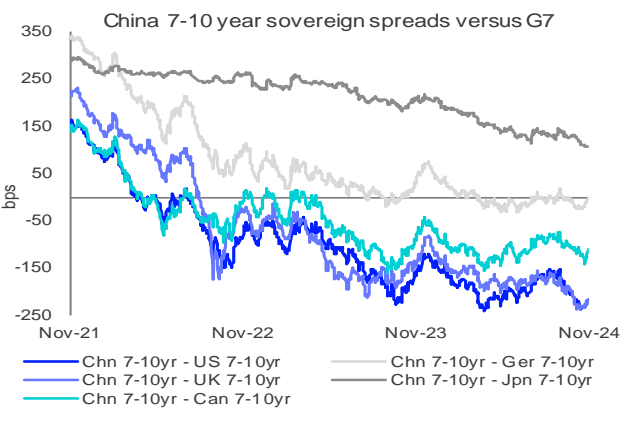


Chart 5: Credit spreads spent much of the month tightening further, before the recovery in Treasuries on Scott Bessent's nomination caused a partial reversal. US HY spreads now stand below 2019 levels.

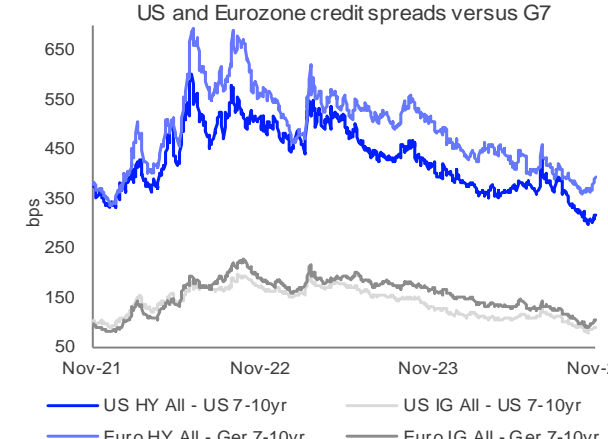
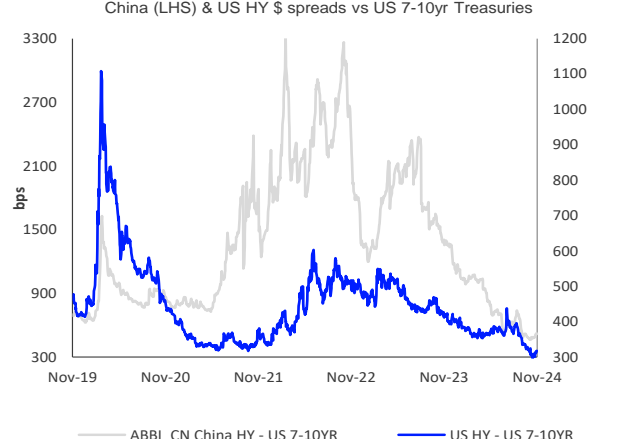


Chart 6: China HY spreads tightened substantially, and drew support from the recent outline Chinese govt. support package (end-Sept). Convergence in US spreads and the global risk rally has also helped.



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Investment Grade Credit and RMBS analysis

Chart 1: Outright IG yields remain at the high end of ranges since 2019, even if IG spreads tightened sharply in the 2023-24 risk rally. This has helped credit remain in a sweet spot through most of 2024.

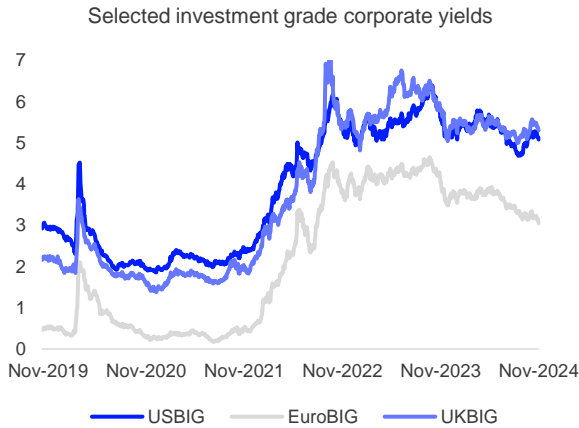


Chart 2: Despite a higher IG market weight of BBB credits in the early days of Covid, the share has fallen since 2020, and single-A credits have increased market weight sharply, as credit metrics improve.

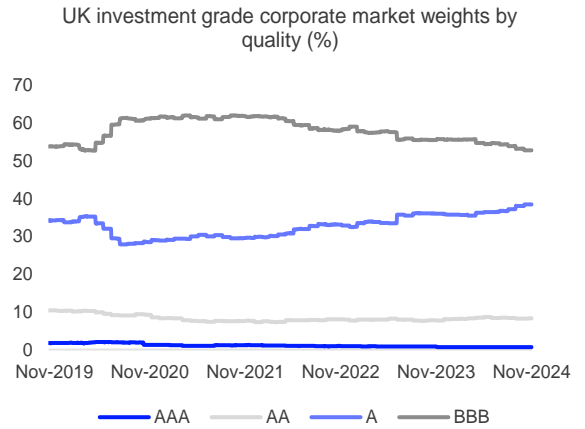


Chart 3: Banks and Insurance have both performed strongly in the risk rally in 2023-24, reflecting stronger capital buffers. The UK's "Other utility" sector shows higher beta due to water issues.

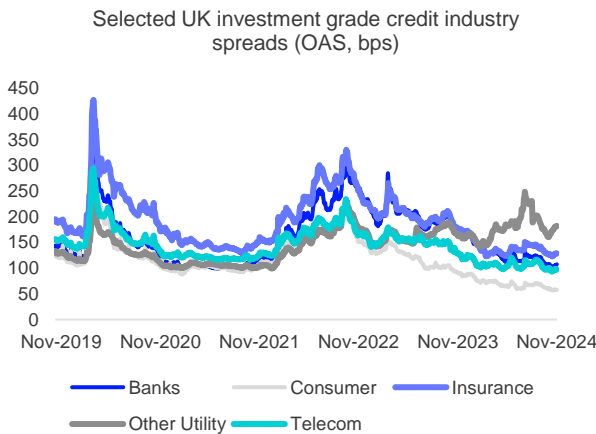


Chart 4: Short dated IG credit missed out on the IG rally in 2020-21, but the maturity bucket has outperformed strongly since rates and gilt yields increased from Q4 2021 onwards, notably vs 10+ yrs.

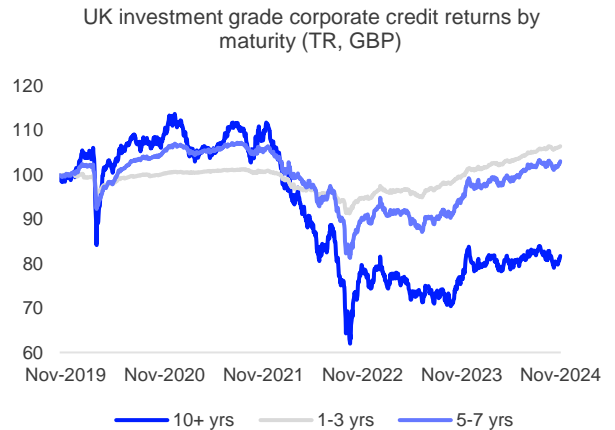


Chart 5: IG credit spreads briefly traded through RMBS 30yr spreads in November, for the first time in over 10 years. This partly reflects improved credit metrics in IG, and improved risk appetite in 2023-24.

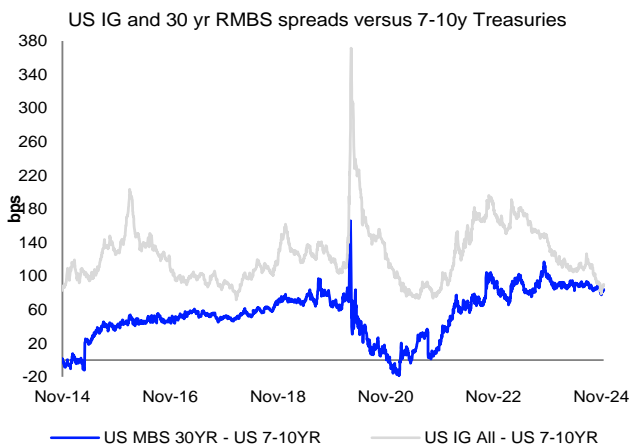
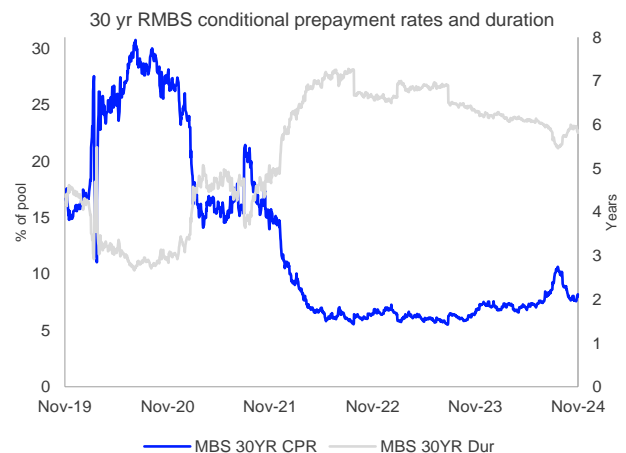


Chart 6: The bounce in mortgage refis and prepayments in Q3 was short-lived, as Treasury yields backed up in October/early Nov. This widened the gap between current mortgage rates and existing coupon.



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High Yield Credit Analysis

Chart 1: HY sectors show reasonably close grouping of returns, with financials outperforming. Other Utilities have stabilised but at deeply distressed levels, after the collapse in water sector credits.

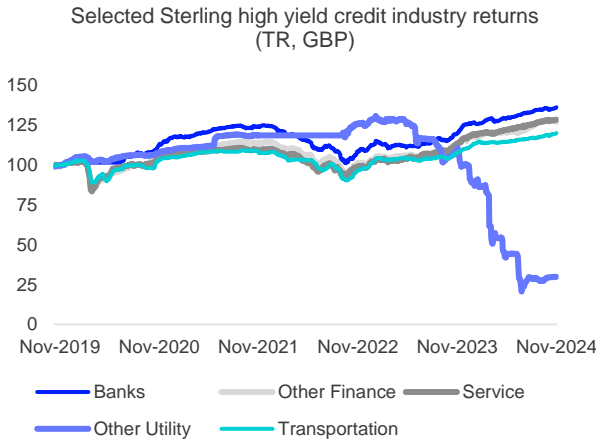


Chart 2: HY weights in the UK HY index show the dominance of Services. Other finance is also significant. Energy has a much lower weighting than in the US or Canada, at less than 5%.

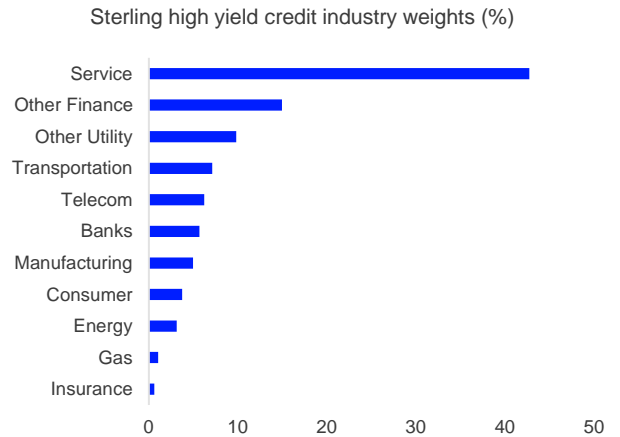


Chart 3: CCC outperformance remains a strong feature of the risk rally in 2023-24, and is a global phenomenon, as Chart 4 shows. It is even more marked in the UK. Single B also outperformed BB.

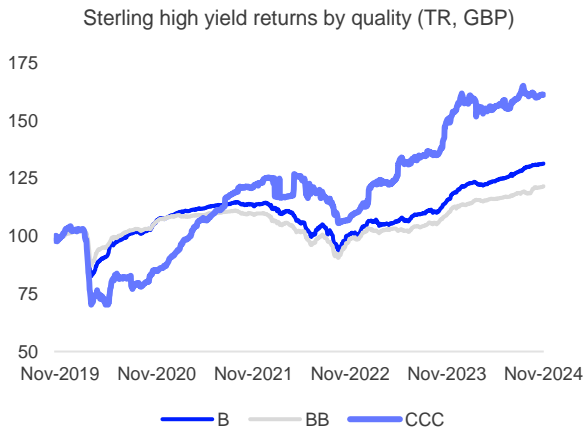


Chart 4: CCC returns accelerated in the US in November, boosted by the risk-on rally after the US elections. Higher volatility reduces returns adjusted by risk. Single B continues to outperform BB.

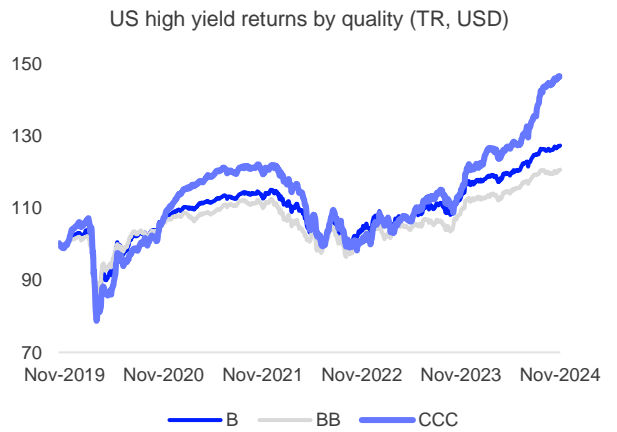


Chart 5: Short dated HY spreads remain more volatile as they have low duration, so yield sensitivity is higher to price moves – and are sensitive to sudden spikes in default fears as Covid showed.

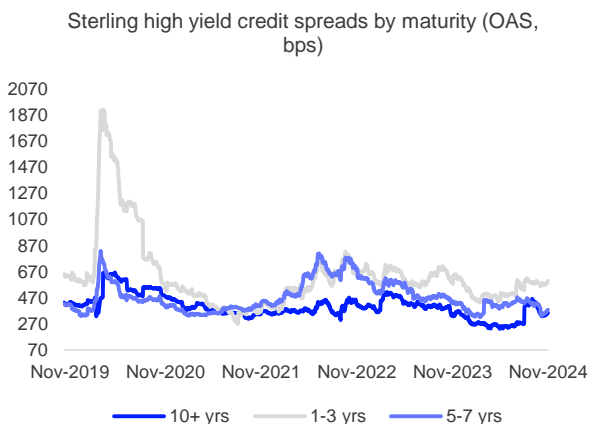
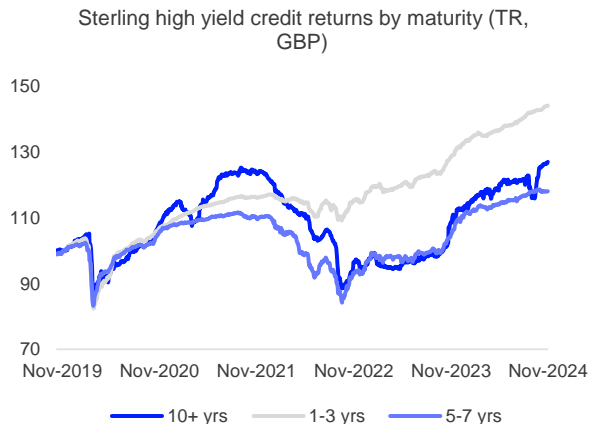


Chart 6: Despite volatility in spreads, shorter dated sterling HY issues delivered the best returns since Covid, helped by less exposure to higher rates, and strong correlation to equities in the risk rally.



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SI Sovereign Bond Analysis

Chart 1: Green bond performance has been positive in absolute terms over 12M. Green Sov have outperformed over both 3M and 1Y, with returns benefiting from the index's high duration as yields have fallen.

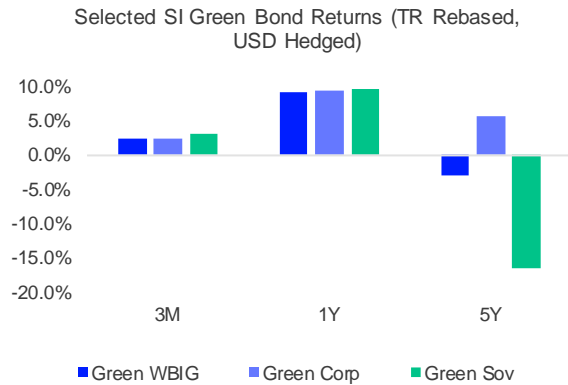


Chart 2: Green Bonds recovered in November, thanks to an underweight in USD bonds, which underperformed most other DM economies, following the US election.

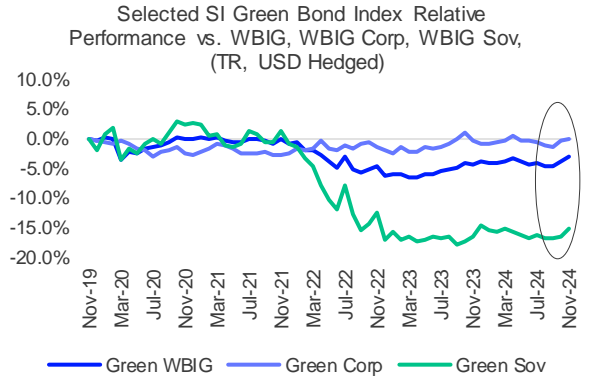


Chart 3: Due to the large amount of green bond issuance in Europe vs the US, both Green Sov and Green WBIG are heavily underweight USD bonds in favour of EUR bonds.

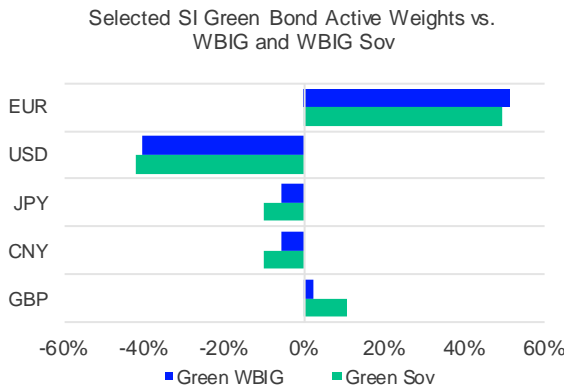


Chart 4: Banks and other financial institutions have been strong issuers of green bonds in recent years, leading to a modest overweight in those industries. Electric utilities are also overweight.

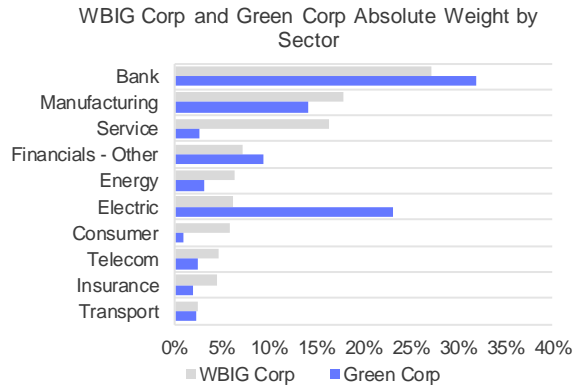


Chart 5: Green bond yields fell vs WBIG equivalents in October and November due to the US underweight, as US bond yields rose vs other DM economies before, and after, the US election.

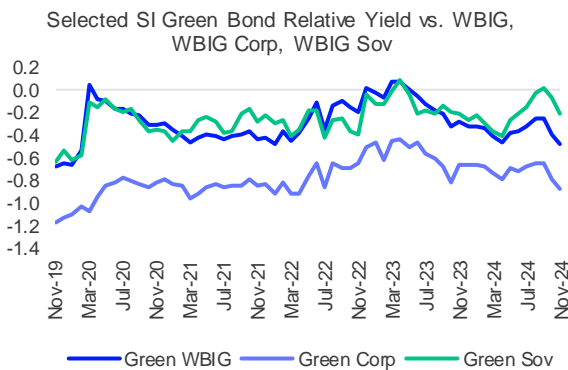
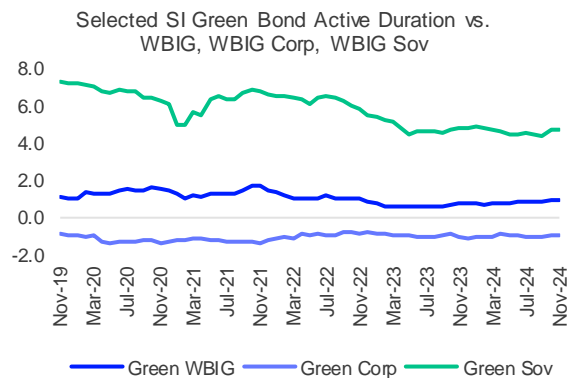


Chart 6: Despite trending lower, Green Sov still exhibit significant positive active duration. In contrast, corporate green bonds have seen a consistently lower duration than their non-green bond counterparts.



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

Despite an initial sell-off after the elections, Treasuries finished November marginally ahead, helped by coupon effects (with 4% yields). Longer Bunds performed best in GBP terms, helped by more prospective rate cuts and flat growth. Sterling moved little against major currencies, though the yen rallied. China and EM remain best YTD performers in GBP.

After the October sell-off, G7 bonds made a modest recovery in November, helped by Scott Bessent’s nomination as the new US Treasury Secretary. Since the outcome of the US elections were less of a surprise than 2016, market reactions were less extreme.

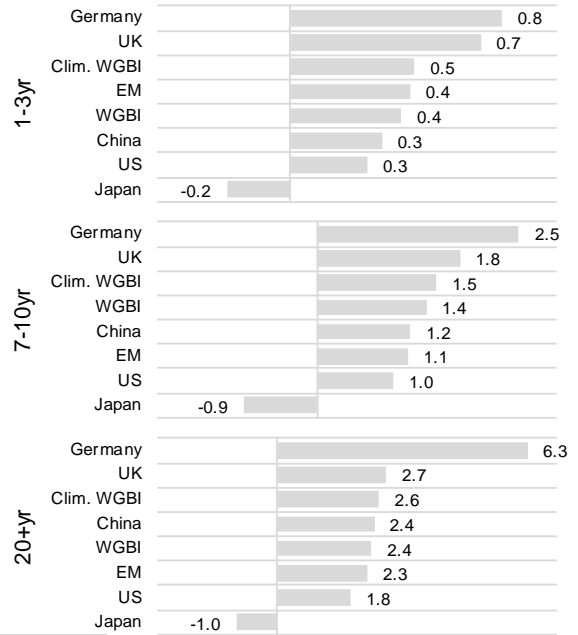
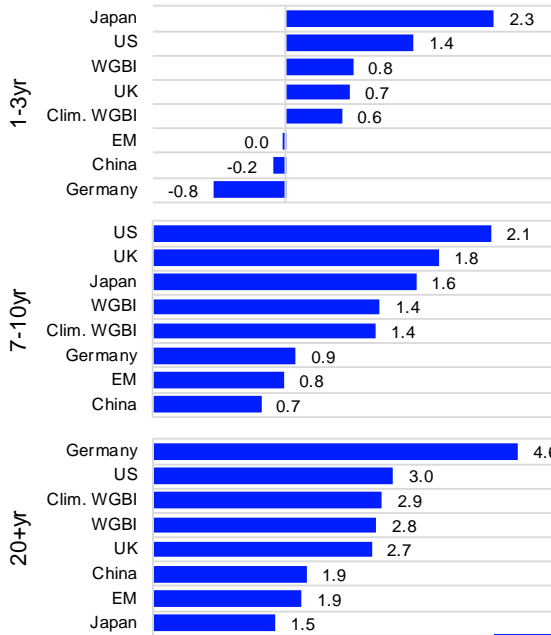
The dollar rallied, despite President-elect Trump’s statement it is overvalued, though the yen recovered giving small positive JGB returns on the month. But YTD JGB returns remain strongly negative, from 6-16%, on the end of curve control and a weak yen.

Chinese and EM government bonds gained most YTD, in GBP, despite weaker currencies, with 10-13% gains in longs.

CONVENTIONAL GOVT BONDS

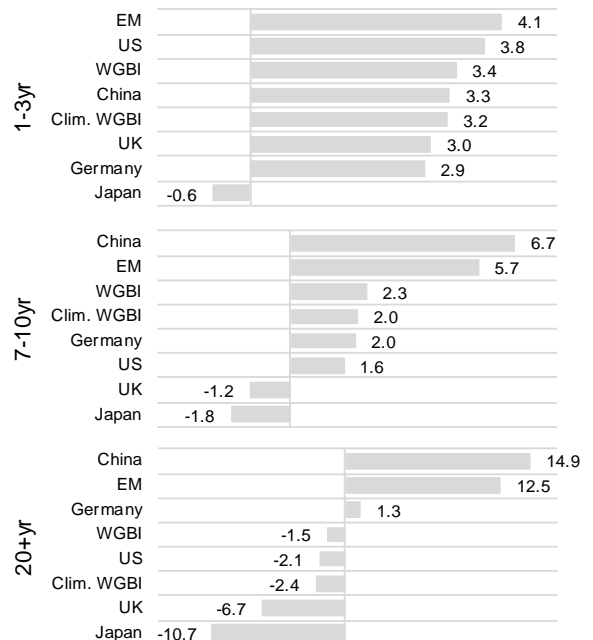
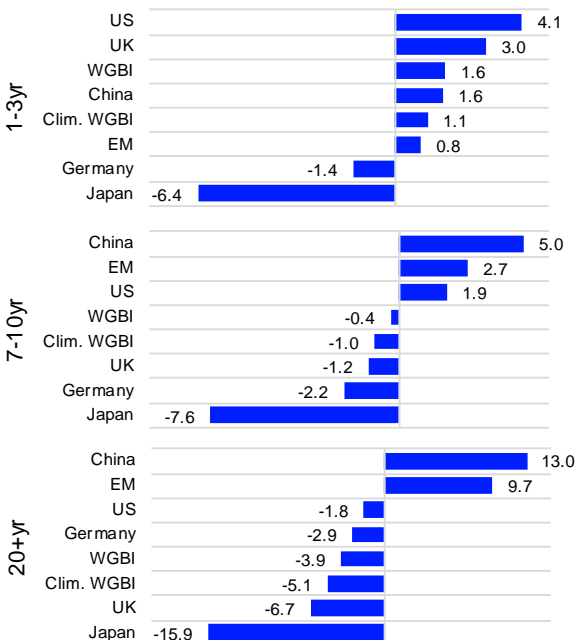
1M GBP

1M LCY



YTD GBP

YTD LCY



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

Global Inflation-Linked Bond Returns – 1M & YTD % (GBP, LC, TR)

Inflation-linked moved little overall in November, with currency effects driving returns in some markets, notably the stronger dollar helping Tips returns. JGBs managed net gains of about 2%, due to the yen rallying. Long UK linkers are weakest YTD, while HY credit is the strongest performer, gaining 9-12% in sterling, in US and EM, outperforming IG.

Bund linkers were strong performers in local currency terms, gaining up to 3% in November, but Euro weakness reduced GBP returns, as currency markets priced in more ECB easing.

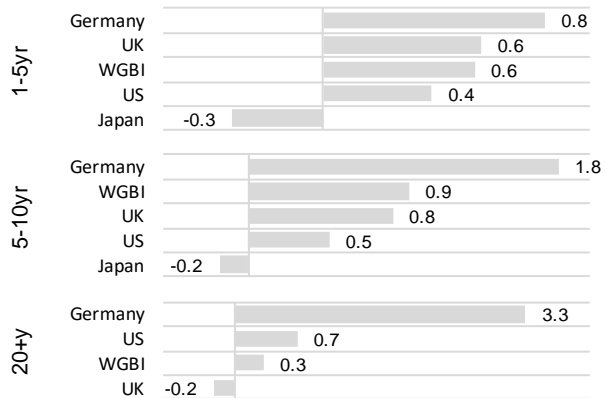
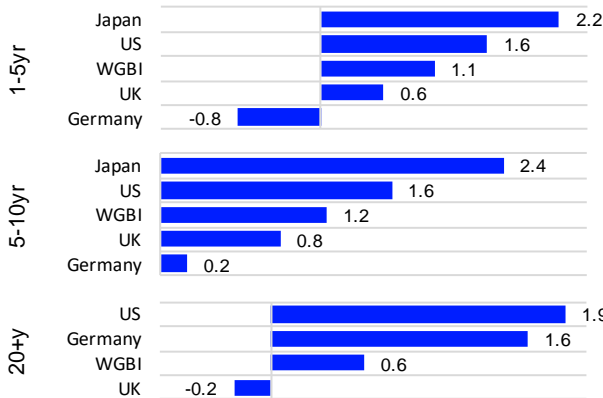
YTD, short and medium Tips have gained 4-5%, helped by lower Fed rates, though long Tips are flat, as the curve disinverted. With most real yield curves disinverting, longer duration markets like the UK have suffered, losing 10% YTD.

Credit has been in a sweet spot for much of 2024, benefitting from HY's correlation to equities, and improved financial metrics.

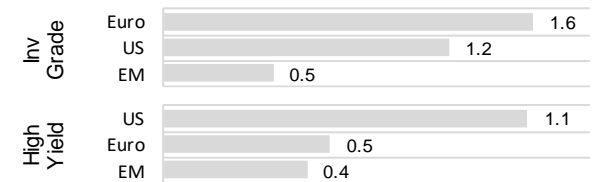
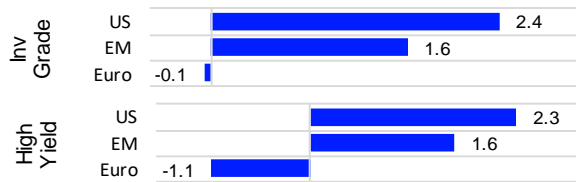
INFLATION LINKED BONDS

1M GBP

1M LCY



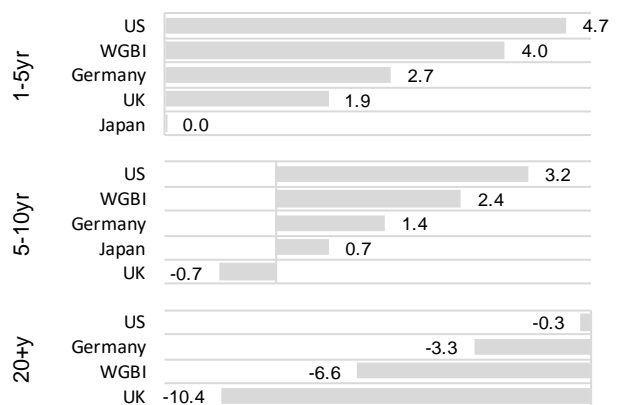
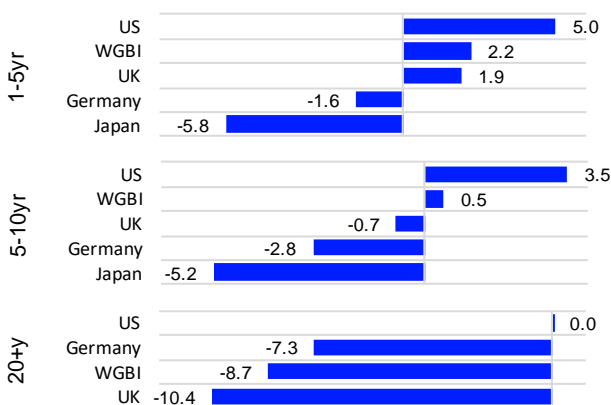
CORPORATE BONDS



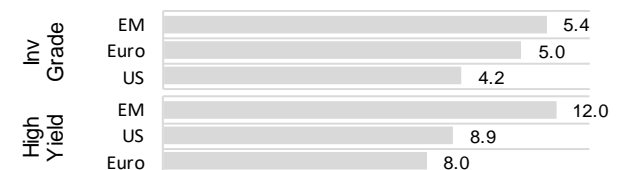
INFLATION LINKED BONDS

YTD GBP

YTD LCY



CORPORATE BONDS



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Top and Bottom Bond Returns – 1M & 12M % (GBP, TR)

Long Eurozone and Australian gov't bonds led 1 month returns in GBP, despite Euro weakness, gaining up to 5%, as signs of deflationary strains in Germany drove Eurozone yields lower. EM inflation linked were weakest on both 1M and 12M as the peso and real fell, even exceeding long JGB losses of 12% on 12M. Long China and Italian bonds led 12M returns.

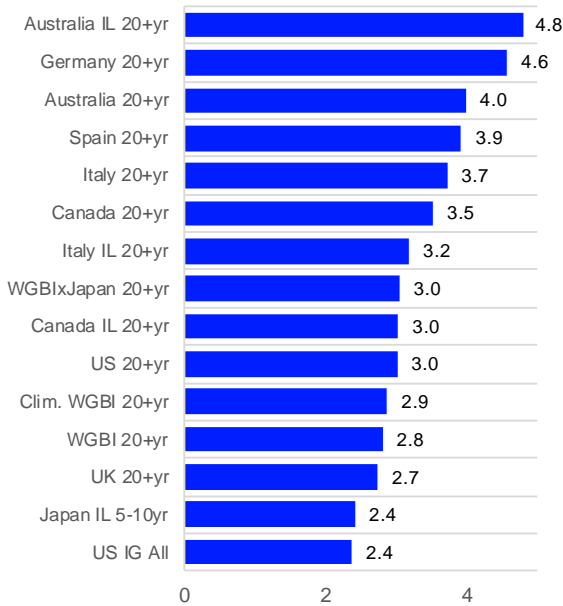
Concerns about trade tariffs and the USCMA trade agreement weighed on the Mexican peso in November, taking 12M EM inflation linked losses up to 15% in GBP. Euro HY lost 1% on growth fears in November, but gained 7% on 12M.

Renewed convergence trades in Spain and Italy versus Bunds and OATs drove gains of 8-16% over 12M, in GBP terms, despite the Euro losing 4% versus sterling. EM and US HY led credit returns in the risk rally with gains of 12-14% on 12M.

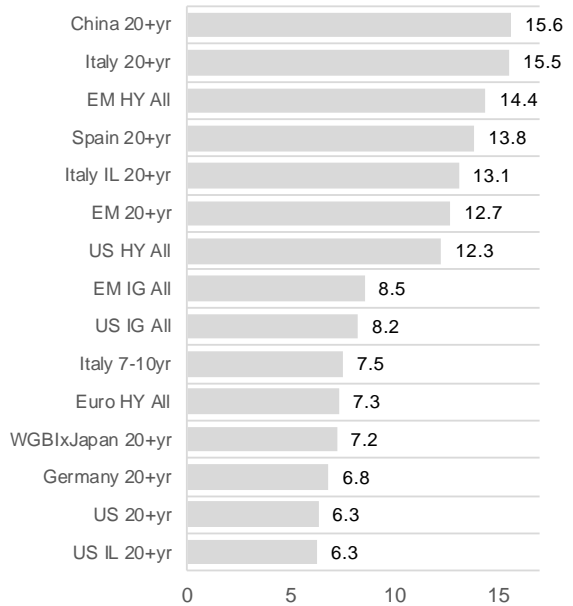
Long Chinese bonds have gained 16% on 12M in sterling terms, despite the large fiscal stimulus mooted by the authorities in late-Q3, and attempts to curb speculative purchases. China's high EM weighting also drove long end EM gains of 13% on 12M in GBP.

1M GBP 12M GBP

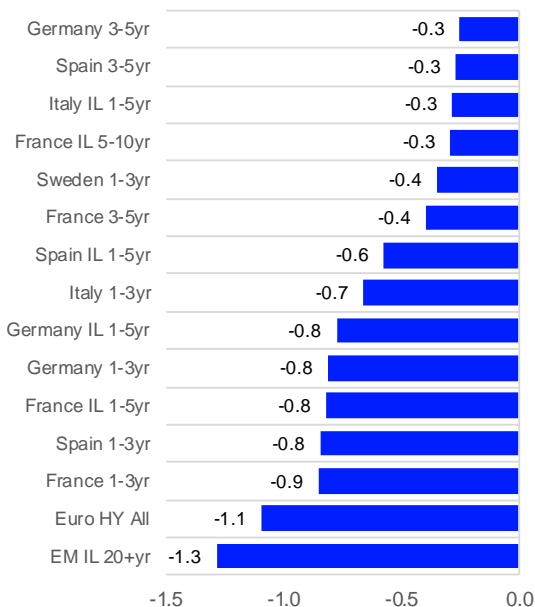
Top 15



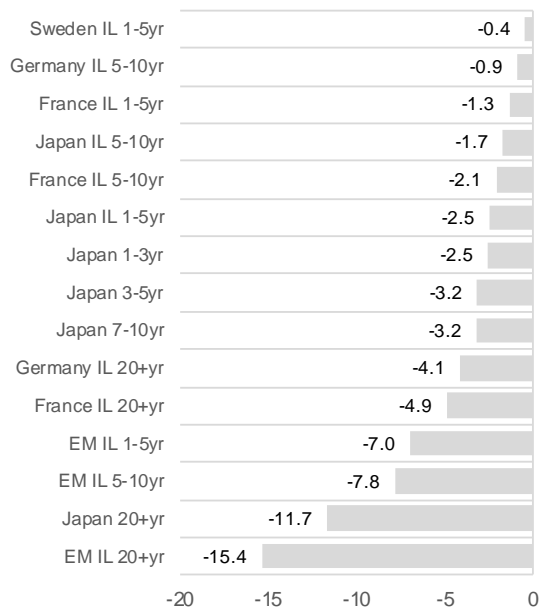
Top 15



Bottom 15



Bottom 15



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Appendix – Global Bond Market Returns % (GBP & LC, TR) – November 29, 2024

Government Bond Returns

Top 15% Bottom 15%

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

| | | 3M | | 6M | | YTD | | 12M | |
|--------------------|--------|-------|-------|-------|------|--------|--------|-------|--------|
| | | Local | GBP | Local | GBP | Local | GBP | Local | GBP |
| US | 1-3yr | 0.51 | 3.93 | 3.16 | 3.34 | 3.82 | 4.13 | 5.01 | 4.59 |
| | 7-10yr | -1.10 | 2.26 | 4.50 | 4.67 | 1.61 | 1.91 | 5.66 | 5.24 |
| | 20+yr | -1.86 | 1.48 | 5.84 | 6.02 | -2.12 | -1.84 | 6.74 | 6.32 |
| | IG All | 0.58 | 4.00 | 5.26 | 5.44 | 4.20 | 4.51 | 8.67 | 8.23 |
| | HY All | 2.31 | 5.79 | 7.09 | 7.28 | 8.85 | 9.17 | 12.71 | 12.26 |
| UK | 1-3yr | 0.80 | 0.80 | 2.74 | 2.74 | 2.96 | 2.96 | 4.47 | 4.47 |
| | 7-10yr | -0.75 | -0.75 | 2.74 | 2.74 | -1.23 | -1.23 | 3.98 | 3.98 |
| | 20+yr | -2.87 | -2.87 | 2.49 | 2.49 | -6.69 | -6.69 | 3.37 | 3.37 |
| Euro | IG All | 2.49 | 1.12 | 5.23 | 2.56 | 5.05 | 0.74 | 7.94 | 4.07 |
| | HY All | 2.20 | 0.83 | 5.16 | 2.48 | 8.05 | 3.61 | 11.30 | 7.31 |
| Japan | 1-3yr | -0.28 | -0.03 | -0.10 | 4.71 | -0.61 | -6.42 | -0.60 | -2.55 |
| | 7-10yr | -0.91 | -0.67 | 0.95 | 5.81 | -1.81 | -7.56 | -1.28 | -3.21 |
| | 20+yr | -2.82 | -2.58 | -0.75 | 4.03 | -10.71 | -15.93 | -9.92 | -11.68 |
| China | 1-3yr | 0.73 | 2.07 | 1.61 | 1.93 | 3.27 | 1.55 | 3.82 | 1.95 |
| | 7-10yr | 1.65 | 3.00 | 3.66 | 3.99 | 6.75 | 4.98 | 7.76 | 5.81 |
| | 20+yr | 2.87 | 4.23 | 8.07 | 8.41 | 14.90 | 12.99 | 17.74 | 15.61 |
| EM | 1-3yr | 0.97 | 1.90 | 2.32 | 1.51 | 4.11 | 0.84 | 4.81 | 1.64 |
| | 7-10yr | 1.31 | 2.31 | 4.34 | 4.04 | 5.66 | 2.75 | 7.57 | 4.94 |
| | 20+yr | 2.49 | 3.71 | 7.99 | 7.58 | 12.53 | 9.73 | 15.20 | 12.69 |
| | IG All | 0.21 | 3.62 | 4.56 | 4.74 | 5.39 | 5.70 | 8.97 | 8.54 |
| | HY All | 1.53 | 4.98 | 6.03 | 6.21 | 11.99 | 12.32 | 14.85 | 14.39 |
| Germany | 1-3yr | 1.30 | -0.05 | 3.06 | 0.44 | 2.85 | -1.37 | 3.82 | 0.10 |
| | 7-10yr | 2.01 | 0.64 | 5.94 | 3.25 | 1.96 | -2.22 | 5.45 | 1.67 |
| | 20+yr | 5.29 | 3.88 | 11.65 | 8.81 | 1.27 | -2.89 | 10.79 | 6.82 |
| Italy | 1-3yr | 1.57 | 0.21 | 3.48 | 0.85 | 3.75 | -0.51 | 4.83 | 1.07 |
| | 7-10yr | 4.15 | 2.76 | 7.51 | 4.77 | 7.22 | 2.82 | 11.50 | 7.50 |
| | 20+yr | 7.84 | 6.39 | 11.83 | 8.99 | 11.44 | 6.87 | 19.82 | 15.53 |
| Spain | 1-3yr | 1.38 | 0.02 | 3.22 | 0.59 | 3.45 | -0.79 | 4.52 | 0.77 |
| | 7-10yr | 2.85 | 1.48 | 6.23 | 3.52 | 4.77 | 0.47 | 8.93 | 5.02 |
| | 20+yr | 7.11 | 5.68 | 11.81 | 8.97 | 8.60 | 4.15 | 18.08 | 13.84 |
| France | 1-3yr | 1.40 | 0.04 | 3.16 | 0.53 | 2.79 | -1.43 | 4.01 | 0.28 |
| | 7-10yr | 1.42 | 0.06 | 3.85 | 1.21 | 0.51 | -3.62 | 4.39 | 0.64 |
| | 20+yr | 2.90 | 1.52 | 4.62 | 1.95 | -3.11 | -7.08 | 6.65 | 2.82 |
| Sweden | 1-3yr | 0.90 | -2.15 | 3.66 | 0.01 | 3.94 | -3.79 | 5.22 | 0.57 |
| | 7-10yr | 1.37 | -1.69 | 5.75 | 2.03 | 3.06 | -4.60 | 8.41 | 3.63 |
| Australia | 1-3yr | 0.37 | -0.35 | 2.26 | 0.34 | 3.05 | -1.32 | 4.22 | 1.99 |
| | 7-10yr | -1.38 | -2.09 | 3.07 | 1.13 | 1.53 | -2.78 | 5.49 | 3.23 |
| | 20+yr | -3.61 | -4.31 | 2.34 | 0.42 | -3.91 | -8.00 | 3.55 | 1.33 |
| New Zealand | 1-3yr | 1.24 | -1.02 | 4.31 | 0.60 | 5.72 | -0.94 | 6.91 | 1.98 |
| | 7-10yr | 0.35 | -1.90 | 5.69 | 1.93 | 4.20 | -2.36 | 9.19 | 4.15 |
| | 20+yr | -2.50 | -4.68 | 4.17 | 0.47 | -1.64 | -7.83 | 7.31 | 2.36 |
| Canada | 1-3yr | 1.15 | 0.67 | 3.30 | 0.74 | 4.31 | -1.47 | 5.21 | 1.48 |
| | 7-10yr | 0.81 | 0.34 | 5.81 | 3.18 | 3.15 | -2.57 | 7.15 | 3.34 |
| | 20+yr | 2.89 | 2.40 | 8.58 | 5.89 | 0.40 | -5.17 | 7.82 | 3.99 |

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Appendix – Global Bond Market Returns % (GBP & LC, TR) – November 29, 2024

Inflation-Linked Bond Returns

Top 15% Bottom 15%

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

| | | 3M | | 6M | | YTD | | 12M | |
|--------------------|--------|-------|-------|-------|--------|--------|--------|-------|--------|
| | | Local | JPY | Local | JPY | Local | JPY | Local | JPY |
| US | 1-5yr | 0.86 | 4.28 | 3.27 | 3.44 | 4.71 | 5.01 | 6.04 | 5.61 |
| | 5-10yr | -0.38 | 3.01 | 3.63 | 3.80 | 3.20 | 3.51 | 6.44 | 6.01 |
| | 20+yr | -1.52 | 1.83 | 4.90 | 5.07 | -0.29 | 0.00 | 6.68 | 6.25 |
| UK | 1-5yr | 0.61 | 0.61 | 1.77 | 1.77 | 1.91 | 1.91 | 4.22 | 4.22 |
| | 5-10yr | -0.58 | -0.58 | 0.86 | 0.86 | -0.71 | -0.71 | 3.08 | 3.08 |
| | 20+yr | -4.28 | -4.28 | -1.55 | -1.55 | -10.42 | -10.42 | -0.35 | -0.35 |
| Japan | 1-5yr | -0.32 | -0.08 | 0.64 | 5.49 | 0.02 | -5.83 | -0.52 | -2.47 |
| | 5-10yr | -0.55 | -0.30 | 0.91 | 5.76 | 0.68 | -5.21 | 0.27 | -1.70 |
| EM | 1-5yr | 2.45 | 1.59 | 5.53 | -6.39 | 8.57 | -9.05 | 10.41 | -6.95 |
| | 5-10yr | 0.85 | 0.18 | 4.30 | -6.11 | 3.54 | -11.13 | 6.19 | -7.83 |
| | 20+yr | -2.33 | -3.27 | -0.31 | -11.70 | -5.54 | -20.53 | -0.63 | -15.39 |
| Germany | 1-5yr | 1.38 | 0.02 | 2.74 | 0.12 | 2.66 | -1.56 | 3.41 | -0.30 |
| | 5-10yr | 1.92 | 0.56 | 3.78 | 1.14 | 1.39 | -2.77 | 2.81 | -0.88 |
| | 20+yr | 3.24 | 1.86 | 4.65 | 1.99 | -3.30 | -7.27 | -0.57 | -4.13 |
| Italy | 1-5yr | 2.15 | 0.79 | 3.91 | 1.27 | 4.17 | -0.10 | 5.62 | 1.83 |
| | 5-10yr | 3.77 | 2.38 | 5.49 | 2.81 | 6.38 | 2.01 | 9.51 | 5.58 |
| | 20+yr | 8.63 | 7.18 | 8.31 | 5.55 | 9.02 | 4.54 | 17.30 | 13.09 |
| Spain | 1-5yr | 1.50 | 0.15 | 3.10 | 0.47 | 2.95 | -1.27 | 4.01 | 0.27 |
| | 5-10yr | 2.30 | 0.93 | 3.87 | 1.23 | 3.95 | -0.32 | 6.16 | 2.35 |
| France | 1-5yr | 1.18 | -0.17 | 2.19 | -0.41 | 1.23 | -2.92 | 2.32 | -1.35 |
| | 5-10yr | 1.03 | -0.32 | 1.59 | -1.00 | -0.61 | -4.69 | 1.58 | -2.07 |
| | 20+yr | 1.47 | 0.12 | -1.98 | -4.48 | -8.96 | -12.69 | -1.34 | -4.88 |
| Sweden | 1-5yr | 1.08 | -1.97 | 3.21 | -0.42 | 3.16 | -4.51 | 4.17 | -0.43 |
| | 5-10yr | 1.87 | -1.21 | 4.95 | 1.26 | 3.63 | -4.07 | 7.36 | 2.62 |
| Australia | 1-5yr | -0.44 | -1.16 | 1.57 | -0.33 | 1.88 | -2.45 | 3.55 | 1.33 |
| | 5-10yr | -0.60 | -1.32 | 2.53 | 0.60 | 1.10 | -3.19 | 5.57 | 3.30 |
| | 20+yr | -3.78 | -4.48 | 0.24 | -1.64 | -9.47 | -13.31 | 3.72 | 1.50 |
| New Zealand | 5-10yr | 0.87 | -1.39 | 2.76 | -0.89 | 4.75 | -1.84 | 8.48 | 3.48 |
| Canada | 20+yr | 4.09 | 3.60 | 8.05 | 5.37 | 4.45 | -1.34 | 8.75 | 4.89 |

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Appendix – Historical Bond Yields % as of November 29, 2024

Global Bond Yields

Top 15% Bottom 15%

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

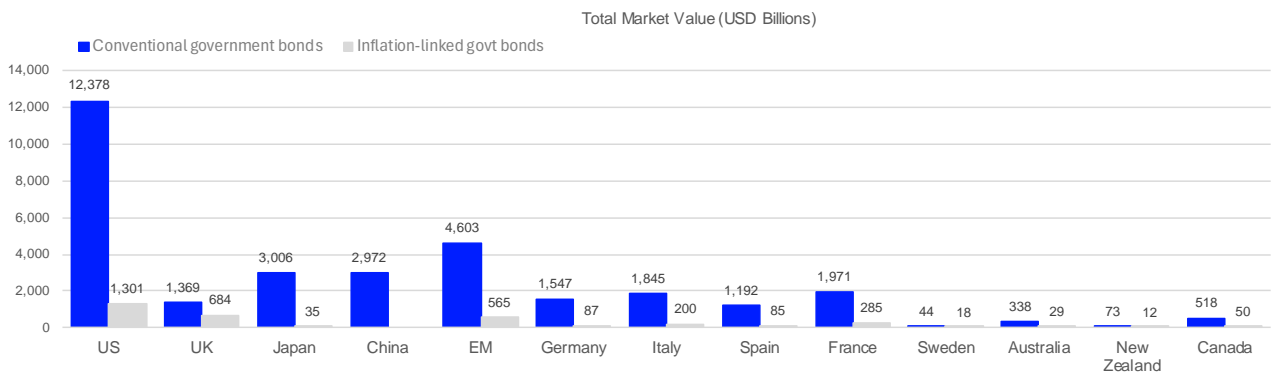
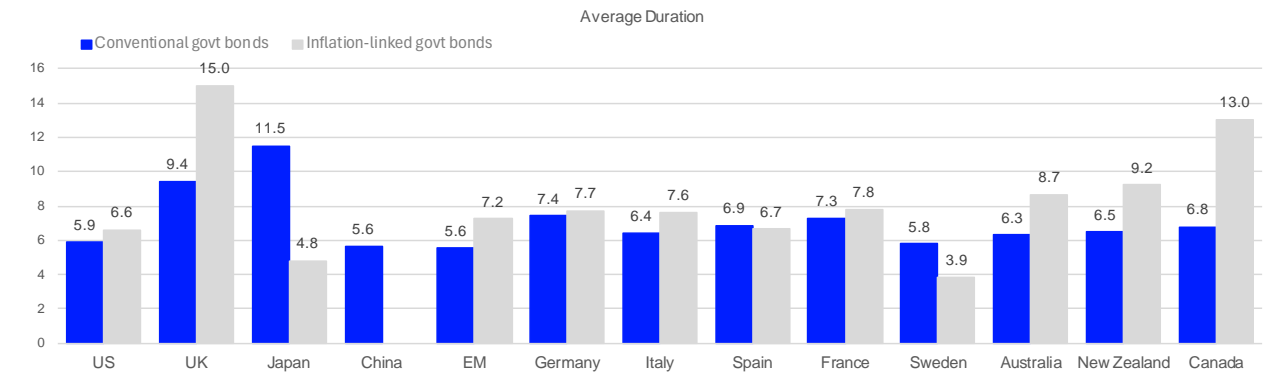
| | | Conventional government bonds | | | | Inflation-linked bonds | | | Inv Grade High Yld | |
|--------------------|---------|-------------------------------|-------|--------|-------|------------------------|--------|-------|--------------------|---------|
| | | 1-3YR | 3-5YR | 7-10YR | 20+YR | 1-5YR | 5-10YR | 20+YR | All Mat | All Mat |
| US | Current | 4.24 | 4.12 | 4.18 | 4.48 | 1.81 | 1.86 | 2.17 | 5.08 | 7.36 |
| | 3M Ago | 4.04 | 3.77 | 3.87 | 4.31 | 1.90 | 1.69 | 2.06 | 4.97 | 7.53 |
| | 6M Ago | 4.94 | 4.58 | 4.50 | 4.70 | 2.35 | 2.08 | 2.30 | 5.55 | 8.21 |
| | 12M Ago | 4.82 | 4.39 | 4.35 | 4.63 | 2.57 | 2.14 | 2.27 | 5.64 | 8.47 |
| UK | Current | 4.13 | 4.01 | 4.17 | 4.67 | 0.27 | 0.57 | 1.46 | | |
| | 3M Ago | 4.09 | 3.84 | 3.90 | 4.44 | 0.37 | 0.43 | 1.27 | | |
| | 6M Ago | 4.60 | 4.26 | 4.23 | 4.68 | 0.31 | 0.46 | 1.32 | | |
| | 12M Ago | 4.52 | 4.16 | 4.11 | 4.61 | 0.62 | 0.53 | 1.30 | | |
| Japan | Current | 0.55 | 0.67 | 0.93 | 2.18 | -1.06 | -0.58 | | | |
| | 3M Ago | 0.32 | 0.43 | 0.76 | 2.03 | -1.28 | -0.79 | | | |
| | 6M Ago | 0.34 | 0.55 | 0.93 | 2.09 | -1.19 | -0.69 | | | |
| | 12M Ago | 0.00 | 0.17 | 0.57 | 1.63 | -2.08 | -0.94 | | | |
| China | Current | 1.38 | 1.58 | 1.99 | 2.24 | | | | | |
| | 3M Ago | 1.55 | 1.77 | 2.14 | 2.37 | | | | | |
| | 6M Ago | 1.77 | 1.99 | 2.31 | 2.61 | | | | | |
| | 12M Ago | 2.37 | 2.47 | 2.66 | 3.02 | | | | | |
| EM | Current | 3.09 | 3.36 | 3.99 | 3.70 | 6.09 | 5.50 | 5.95 | 5.34 | 7.83 |
| | 3M Ago | 3.09 | 3.51 | 4.09 | 3.68 | 5.76 | 5.15 | 5.64 | 5.13 | 7.76 |
| | 6M Ago | 3.30 | 3.83 | 4.47 | 3.96 | 5.69 | 5.26 | 5.63 | 5.81 | 8.79 |
| | 12M Ago | 3.66 | 4.22 | 4.76 | 4.46 | 4.42 | 4.45 | 5.10 | 6.09 | 10.50 |
| Germany | Current | 1.94 | 1.85 | 2.02 | 2.29 | 0.72 | 0.19 | 0.39 | | |
| | 3M Ago | 2.45 | 2.15 | 2.18 | 2.50 | 1.46 | 0.49 | 0.54 | | |
| | 6M Ago | 3.07 | 2.72 | 2.59 | 2.77 | 1.45 | 0.60 | 0.55 | | |
| | 12M Ago | 2.86 | 2.41 | 2.37 | 2.67 | 1.16 | 0.34 | 0.28 | | |
| Italy | Current | 2.29 | 2.46 | 3.04 | 3.76 | 0.76 | 1.18 | 1.67 | | |
| | 3M Ago | 2.85 | 2.90 | 3.45 | 4.13 | 1.44 | 1.66 | 1.98 | | |
| | 6M Ago | 3.46 | 3.42 | 3.73 | 4.30 | 1.54 | 1.68 | 1.91 | | |
| | 12M Ago | 3.39 | 3.40 | 3.93 | 4.59 | 1.60 | 1.97 | 2.15 | | |
| France | Current | 2.20 | 2.39 | 2.74 | 3.32 | 0.55 | 0.72 | 1.11 | | |
| | 3M Ago | 2.64 | 2.60 | 2.84 | 3.42 | 0.97 | 0.85 | 1.16 | | |
| | 6M Ago | 3.20 | 2.99 | 3.02 | 3.45 | 0.94 | 0.79 | 0.97 | | |
| | 12M Ago | 3.01 | 2.73 | 2.87 | 3.46 | 0.84 | 0.63 | 0.95 | | |
| Sweden | Current | 1.64 | 1.66 | 1.87 | | 0.48 | 0.25 | | | |
| | 3M Ago | 1.87 | 1.80 | 1.98 | | 0.94 | 0.56 | | | |
| | 6M Ago | 3.04 | 2.60 | 2.46 | | 1.69 | 0.92 | | | |
| | 12M Ago | 3.27 | 2.70 | 2.61 | | 1.30 | 1.12 | | | |
| Australia | Current | 3.99 | 3.92 | 4.25 | 4.79 | 1.76 | 1.82 | 2.29 | | |
| | 3M Ago | 3.66 | 3.57 | 3.91 | 4.49 | 1.26 | 1.51 | 2.05 | | |
| | 6M Ago | 4.11 | 4.08 | 4.35 | 4.79 | 1.67 | 1.80 | 2.17 | | |
| | 12M Ago | 4.15 | 4.04 | 4.36 | 4.73 | 1.28 | 1.81 | 2.19 | | |
| New Zealand | Current | 3.81 | 3.90 | 4.35 | 4.97 | | 2.25 | | | |
| | 3M Ago | 3.97 | 3.86 | 4.24 | 4.74 | 2.47 | 2.21 | | | |
| | 6M Ago | 4.82 | 4.67 | 4.77 | 5.07 | 2.33 | 2.32 | | | |
| | 12M Ago | 5.07 | 4.78 | 4.89 | 5.09 | 1.91 | 2.59 | | | |
| Canada | Current | 3.08 | 2.96 | 3.10 | 3.16 | 1.18 | 1.21 | 1.43 | | |
| | 3M Ago | 3.47 | 3.05 | 3.10 | 3.26 | 1.53 | 1.39 | 1.62 | | |
| | 6M Ago | 4.26 | 3.73 | 3.64 | 3.50 | 1.85 | 1.81 | 1.74 | | |
| | 12M Ago | 4.27 | 3.71 | 3.58 | 3.38 | 1.80 | 1.81 | 1.69 | | |

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Appendix – Duration and Market Value (USD, Bn) as of November 29, 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 | 7.1 | 16.6 | 5.9 | 2,900.5 | 1,238.5 | 1,446.1 | 12,378.1 | 7.0 | 21.2 | 6.6 | 425.0 | 122.4 | 1,301.5 |
| UK | 3.7 | 7.3 | 18.1 | 9.4 | 213.8 | 231.9 | 338.6 | 1,369.2 | 7.5 | 26.7 | 15.0 | 126.4 | 229.5 | 684.2 |
| Japan | 3.9 | 8.2 | 22.9 | 11.5 | 353.8 | 430.9 | 607.2 | 3,006.3 | 7.9 | | 4.8 | 13.8 | | 34.9 |
| China | 3.7 | 7.6 | 18.1 | 5.6 | 676.6 | 508.0 | 325.4 | 2,972.3 | | | | | | |
| EM | 3.6 | 7.1 | 16.4 | 5.6 | 994.4 | 815.3 | 433.8 | 4,603.1 | 5.9 | 13.0 | 7.2 | 95.5 | 143.2 | 564.6 |
| Germany | 3.7 | 7.7 | 21.4 | 7.4 | 309.3 | 245.6 | 177.8 | 1,546.6 | 6.1 | 20.6 | 7.7 | 43.8 | 18.1 | 87.4 |
| Italy | 3.5 | 7.2 | 17.2 | 6.4 | 316.8 | 281.7 | 161.8 | 1,845.3 | 7.0 | 25.3 | 7.6 | 60.2 | 5.9 | 200.3 |
| Spain | 3.6 | 7.2 | 18.0 | 6.9 | 247.4 | 214.2 | 123.6 | 1,191.9 | 7.2 | | 6.7 | 50.2 | | 85.0 |
| France | 3.7 | 7.4 | 19.3 | 7.3 | 349.1 | 337.5 | 247.6 | 1,971.4 | 6.5 | 23.7 | 7.8 | 76.8 | 21.5 | 285.1 |
| Sweden | 3.3 | 7.5 | | 5.8 | 6.9 | 9.9 | | 43.6 | 6.3 | | 3.9 | 6.0 | | 18.3 |
| Australia | 3.5 | 7.2 | 16.3 | 6.3 | 52.1 | 98.7 | 19.8 | 338.5 | 6.2 | 21.4 | 8.7 | 10.7 | 2.8 | 28.5 |
| New Zealand | 3.7 | 7.2 | 16.0 | 6.5 | 13.8 | 18.0 | 5.2 | 73.3 | 5.3 | | 9.2 | 3.2 | | 11.8 |
| Canada | 3.8 | 7.3 | 19.4 | 6.8 | 83.3 | 115.8 | 76.7 | 517.7 | 6.0 | 20.2 | 13.0 | 8.2 | 20.6 | 49.7 |

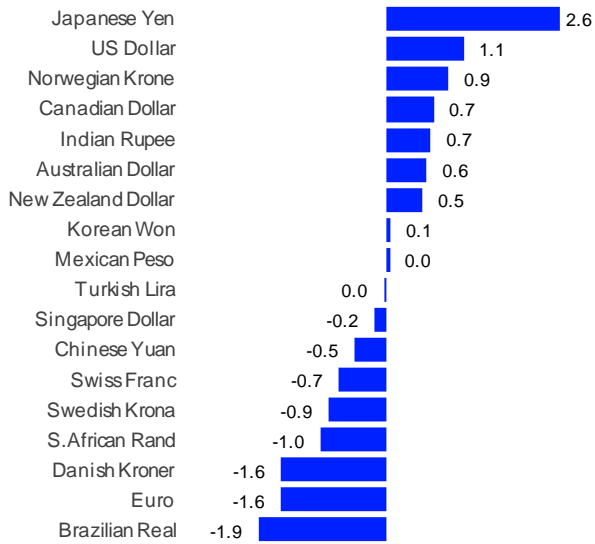
| | Investment grade bonds | | | | | | | | | | High Yield | |
|---------------|------------------------|-----|-----|-----|---------|--------------|-------|--------|--------|---------|------------|--------|
| | Duration | | | | | Market Value | | | | | Duration | MktVal |
| | AAA | AA | A | BBB | Overall | AAA | AA | A | BBB | Overall | | |
| US | 10.2 | 8.5 | 7.1 | 6.6 | 7.0 | 76.7 | 478.2 | 2832.1 | 3710.2 | 7097.1 | 3.8 | 1107.3 |
| Europe | 6.0 | 4.7 | 4.6 | 4.2 | 4.4 | 15.3 | 216.4 | 1249.7 | 1587.1 | 3068.5 | | |
| EM | | 6.6 | 5.5 | 5.4 | 5.5 | | 39.3 | 210.0 | 236.9 | 486.2 | 3.6 | 194.5 |



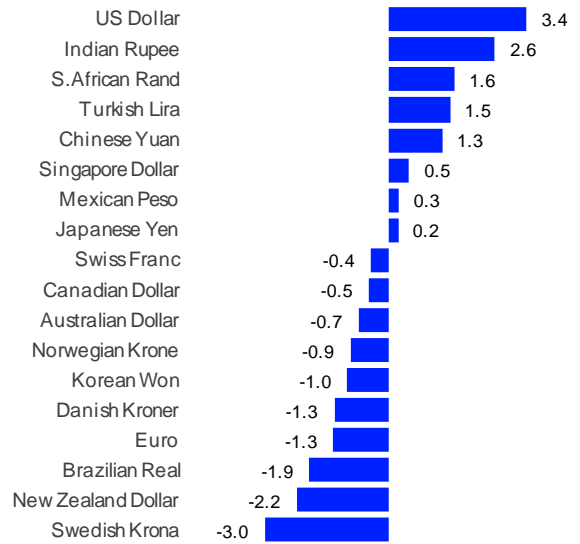
Source: FTSE Russell and LSEG. All data as of November 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Appendix – Foreign Exchange Returns % as of November 29, 2024

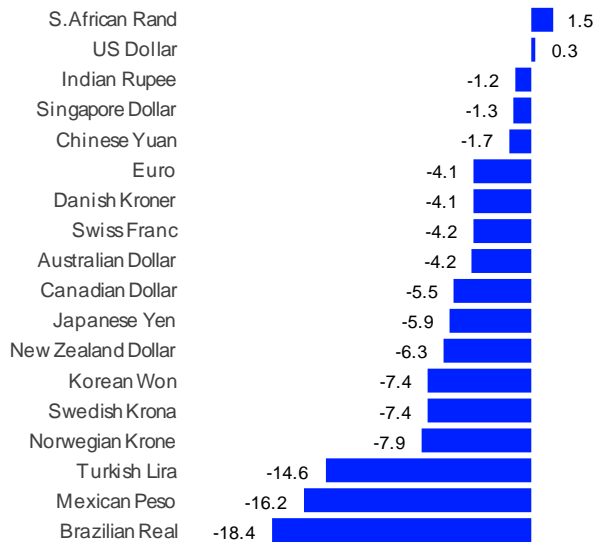
FX Moves vs GBP - 1M



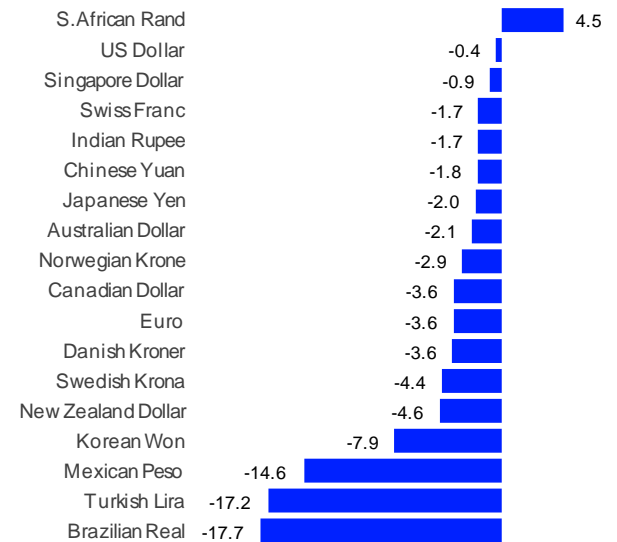
FX Moves vs GBP - 3M



FX Moves vs GBP - YTD



FX Moves vs GBP - 12M



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

Bond markets are based on the following indices:

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 Government Bond Index (EMGBI) for the emerging markets government bond market. Please note that over 50% of this index is invested in China

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

FTSE ESG World Government Bond Index for the global government bond markets with an ESG tilt

FTSE Climate Risk-Adjusted World Government Bond Index (Climate WGBI) and FTSE Advanced Climate Risk-Adjusted World Government Bond Index (Advanced Climate WGBI) for each country's relative exposure to climate risk, with respect to resilience and preparedness to the risks of climate change

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



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