Global Investment Research
Market Maps

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EUROPE
EUROZONE & UK EDITION

MONTHLY REPORT | **MARCH 2025**

Credit initially unscathed despite trade tariff test

Market confusion about tariffs, geopolitical uncertainty and weaker US data mainly benefitted safe havens like Treasuries and gold in February. Fiscal stimulus and stagflation fears tempered Bund and gilt gains but boosted European defence stocks. Credit held up well, and managed small positive returns. China and EM underperformed but were strongest on 3M and 12M.

Macro and policy backdrop – Tariffs weigh on global growth outlook Uncertainty over tariffs dented sentiment, as European fiscal stimulus and UK stagflation risks increase. (pages 2-4)

Yields, curves and spreads –.Curve steepening stalls on flight to quality US spreads tightened, particularly versus Bunds, as Treasuries gained as a safe haven. (pages 5-6)

Credit analysis – Yield opportunities? US, Australian and UK IG corporates offer investors a yield pick-up compared to Canadian and Euro equivalents. (pages 7-8)

Sovereign and climate bonds – Green bond universe is heavily underweighted USD The difference in European vs US green bond performance is explained by the overweight in EUR-denominated bonds due to high green bond issuance in Europe. (page 9)

Performance – Mini flight to quality underpinned Treasury rally US policy uncertainty and growth slowdown fears helped drive a rally in US Treasuries, though China and EM underperformed. Credit emerged largely unscathed. (pages 9-10)

Appendix (from page 12) Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

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AUTHORS

Sandrine Soubeyran
Director, Global Investment Research
Sandrine.Soubeyran@lseg.com

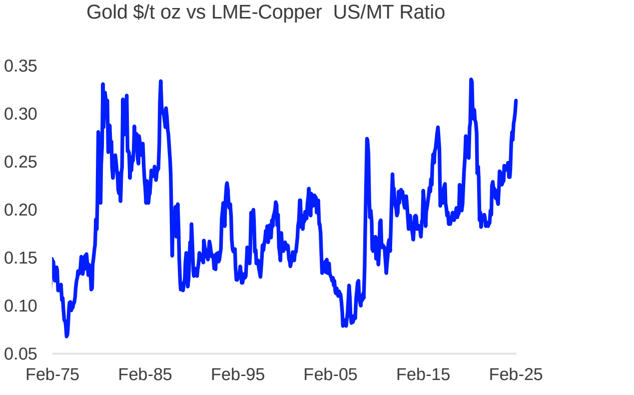
Robin Marshall
Director, Global Investment Research
Robin.Marshall@lseg.com

Chart 1: Germany and Italy are the most exposed to potential US tariffs within Europe, given their sizeable trade deficits. The mooted UK-US trade deal and US trade surplus reduces the risk of UK tariffs.

US trade surplus and deficit countries in 2024 (US Census)

Surplus	USDbn	Deficit	USDbn
Netherlands	55.5	China	-295.4
Hong Kong	21.9	Mexico	-171.8
UAE	19.5	Vietnam	-123.5
Australia	17.9	Ireland	-86.7
UK	**11.9**	**Germany**	**-84.8**
Panama	10.1	Taiwan	-73.9
Brazil	7.4	Japan	-68.5
Belgium	6.3	Korea, South	-66
Dominican Rep.	5.6	Canada	-63.3
Guatemala	4.7	India	-45.7
Bahamas	3.8	Thailand	-45.6
Egypt	3.5	**Italy**	**-44**
Morocco	3.4	Switzerland	-38.5
Singapore	2.8	Malaysia	-24.8
Paraguay	2.8	Indonesia	-17.9

Chart 2: The spike in the gold/copper price ratio suggests a flight to safe havens reminiscent of the GFC or Covid. But this may be distorted by central bank buying and is not consistent with a modest reaction in credit.



Macroeconomic Backdrop – Growth and Inflation Expectations

G7 forecasts reflect divergent productivity and economic policies. US policy uncertainty may be weighing on sentiment, judged by surveys, though higher European and UK defence spending may serve as a significant fiscal stimulus in 2025-26. Eurozone inflation returned close to target but sticky UK wage inflation remains a policy challenge. The US dollar fell back on weaker US data, and sterling and the euro both gained but a major bout of risk aversion would likely benefit the dollar.

Consensus forecasts for the US are lower than the IMF's upgraded 2025 growth forecast of 2.7%, at 2.2%, despite 2024 growth exceeding forecasts. Signs of weaker consumer and business sentiment in Q1 may reflect tariff uncertainty. European PMIs show some evidence of recovery, with prospects of a sizeable fiscal stimulus from higher defence spending emerging.

There are early signs of goods disinflation bottoming out, and proposed tariff increases would also exert some upward pressure on US inflation rates, depending on the pass-through to final prices, though this may be dampened by exchange rate movements. Services inflation remains the major challenge for the Fed, and BoE, with an obvious risk that trade tariffs could raise goods inflation.

G7 central banks confront divergent challenges, but the ECB has more freedom to ease policy again than either the Fed or BoE, with inflation now close to the 2% target in the Eurozone. The BoE faces stagflation risks with the higher minimum wage and wage inflation of 5.9% inconsistent with a 2% inflation target, unless productivity surges. This may delay further BoE easing.

The US dollar has fallen back in response to weaker US consumer data and PMI surveys in February, with the yen benefitting from improved rate differentials, as Fed easing expectations hardened modestly. Exchange rate moves may offset tariff effects on US inflation, as Treasury Secretary Bessent has stated, and BoE caution on rates continues to offer some support to sterling.

Chart 1: Consensus forecasts for US growth remain well below the IMF's upgraded 2.7% for 2025. Europe shows signs of recovery, though tariff risks remain, particularly for the Eurozone and Canada.

Latest Consensus Real GDP Forecasts (Median, %, February 2025)			
	2024	**2025**	**2026**
US	2.8	**2.2**	**2.0**
UK	0.9	**1.3**	**1.5**
Eurozone	0.7	**1.0**	**1.2**
Japan	0.8	**1.1**	**0.8**
China	4.9	**4.5**	**4.2**
Canada	1.3	**1.8**	**1.9**

Chart 2: Eurozone inflation fell in February to levels close to 2%, while stagflation risks persist in the UK, with energy price increases to come in Q2 (also see P4). Sticky services inflation remains a challenge for the Fed.

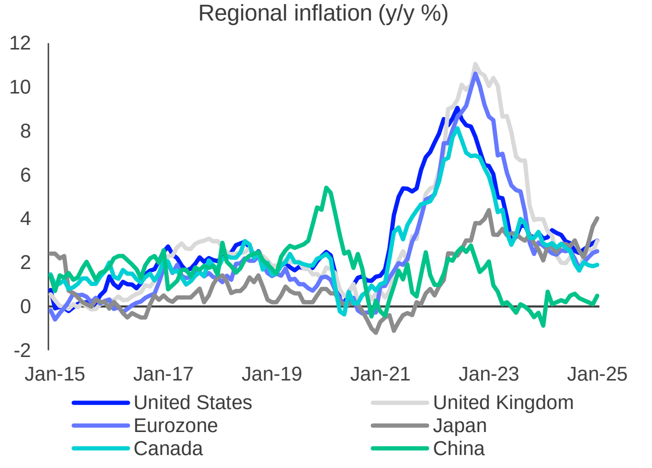


Chart 3: The ECB has room to ease further after inflation fell in February, with 75bp of cuts currently priced into the market. Higher services inflation in January is a challenge for the BoE.

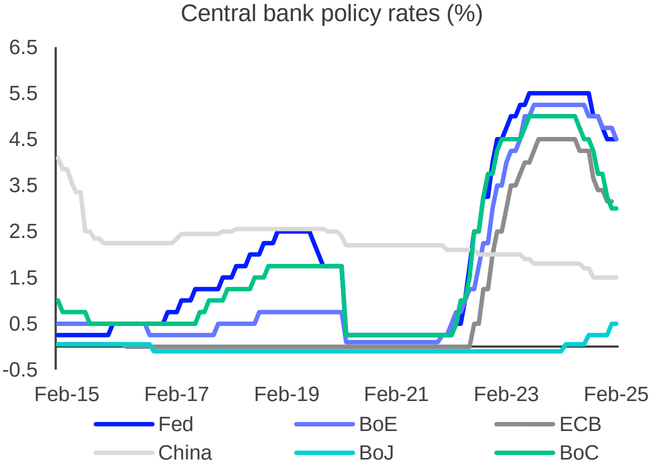
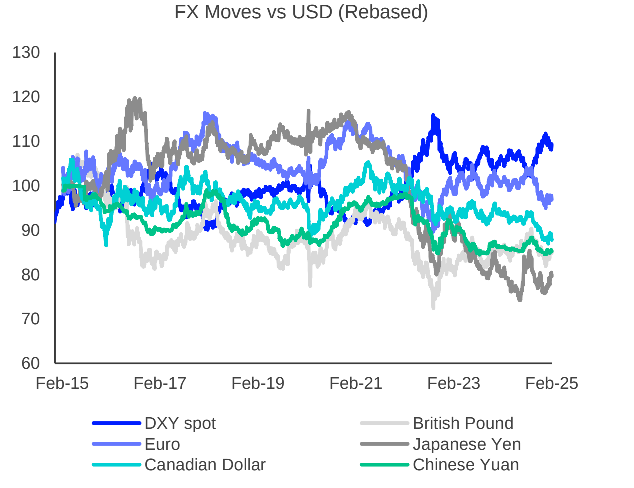


Chart 4: Recent dollar weakness reflects softer spending & sentiment surveys, as post-US election trades unwind. Improved rate differentials helped the yen, but tariff threats weighed on the Euro & Canadian dollar.



Macroeconomic and Political Backdrop - Europe

The ECB has achieved a steady decline in inflation, with concerns over stagflation easing after the February HCIP data showed a broad-based fall close to the 2% target. Despite tariff and geopolitical uncertainty, unemployment remains near lows, while the election of new German Chancellor Friedrich Merz resolves electoral uncertainty, and may lead to more German fiscal stimulus. The adoption of the French budget for 2025 eased fiscal concerns, while expectations of higher European defence spending boosted defence stocks.

Despite contractions in the French and German economies in Q4, the labour market has enjoyed a soft landing to date, with labour costs slowing only modestly, and unemployment near lows. But inflation remains near 2% (Chart 1), suggesting the disinflation process is still intact. German inflation of 2.3% is close to the ECB target in February, in line with the Eurozone average (2.4%), while inflation in Italy and France is below 2%. Higher electricity prices pushed Spanish inflation to 3.0% y/y.

Despite lower inflation, Eurozone government bond yields continued to rise in February, with tariff uncertainties fuelling some inflation fears and expectations of a bigger German fiscal stimulus, after the election of Friedrich Merz as the new German Chancellor. The resolution of the French budget for 2025 in February had minimal effect on bond markets, despite being a significant source of uncertainty during the second half of 2024 to early 2025 (Chart 2).

European aerospace and defence stocks surged in late-February, led by Germany, after EU members and the UK agreed in principle to increase defence spending. However, in credit, returns for Euro investment grade manufacturers and industrials were more mixed, and muted, with the possibility of US levies weighing on performance (Chart 3).

European holdings of US Treasuries increased sharply since 2015 as Chart 4 shows, compared to China, which has reduced its holdings, with the move accelerating since the imposition of tariffs in 2018. US Treasuries still play an important role in the currency reserves of many countries, but the share of foreign holdings in overall Treasury holdings has fallen since 2015.

Chart 1: Inflation has been contained in the Eurozone, despite labour costs being higher than pre-Covid levels and unemployment resilient, but weaker economic activity and tariffs could upend this?

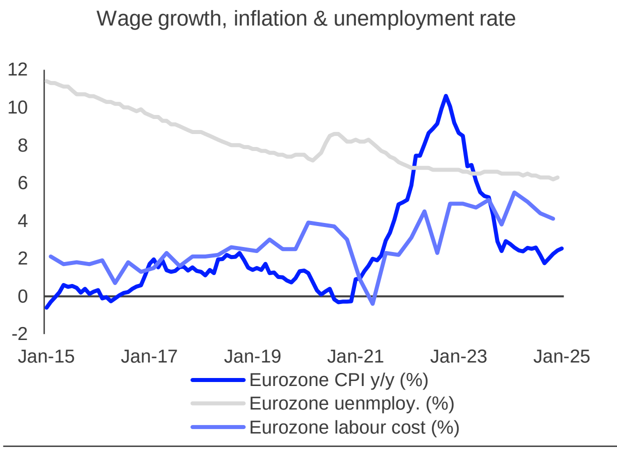


Chart 2: Euro govt. bond yields have stayed high, despite positive French budget resolution and German election. 7-10yr Greek yields have converged with Italian peers, while French yields are close Spain.

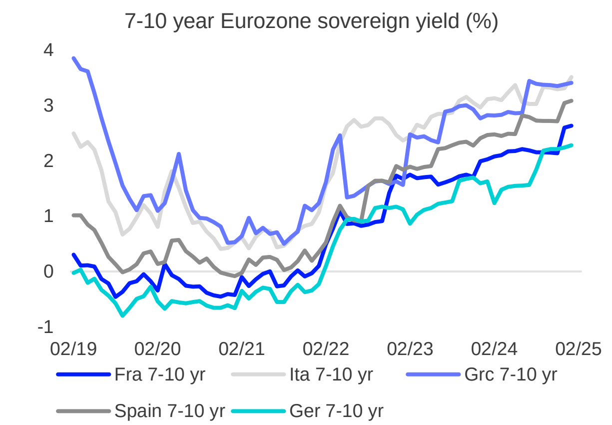


Chart 3: Euro Manufacturing/Industrial IG credit returns (EuroBIG) have been modest compared to the surge in Aerospace/Defence equities, after EU members agreed to increase defence spending.

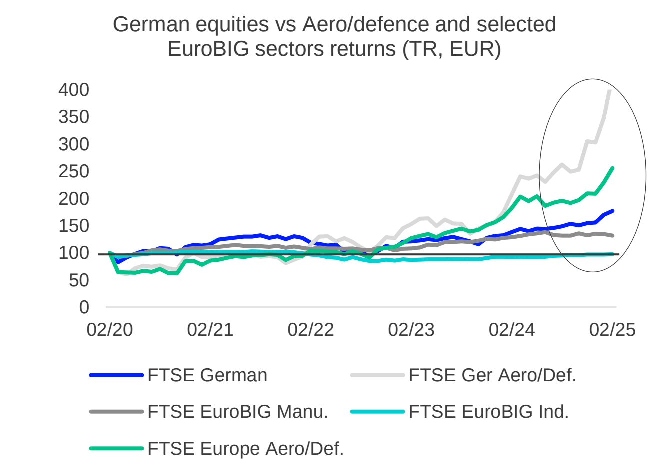
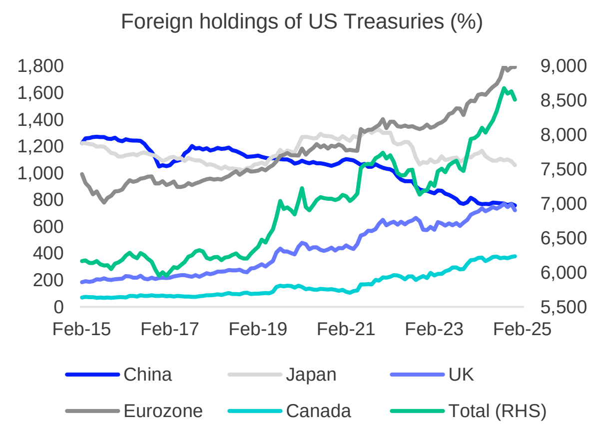


Chart 4: Things to come? Chinese holdings of US Treasuries have declined sharply since 2018, reflecting in part differences in rate cycle and lower trade with the US, following the imposition of tariffs.



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Macroeconomic and Political Backdrop - UK

UK wage inflation remains a challenge for the BoE in achieving a 2% inflation target, as the rebound to 5.9% y/y wage growth shows. Meanwhile, UK goods disinflation may be reversing, and services inflation remains at 5% y/y. Steeper UK yield curves may be driven by reduced demand from UK pension funds and insurers, meeting increased supply.

Strong private sector wage inflation of 6.2% y/y drove 5.9% average earnings growth in Q4, despite lower public sector wage gains of 4.7% in Q4. This occurred despite unemployment increasing to 4.4%. Broad gains of 6-6.5% in the service sector, including construction, are driving higher wage inflation. These labour market conditions are an obvious constraint on further easing in rates.

Higher food prices and utility price increases are causing UK goods inflation to recover, alongside sticky services inflation, led by rent, medical and education increases, as Chart 2 shows. Negative goods and energy inflation in 2024 dragged headline inflation down towards 2%, but base effects are now less favourable, with an electricity price increase to come in Q2. So, the BoE's forecast of around 2.75% CPI inflation in the 2nd half of 2025 may prove optimistic, from the current 3% y/y, unless domestic pressures ease.

Data on major gilt holdings from the DMO reveals that despite speculation about overseas gilt holdings falling sharply, there is little evidence to the end of Q3, 2024. In fact, overseas holdings have been more stable than the sharp declines in domestic institutional holdings, led by the BoE, UK banks, pension funds and insurance companies, as Chart 3 shows. BoE Quantitative Tightening and pension fund surpluses have reduced demand for longs, during a period when supply has increased sharply.

Because natural buyers of long dated gilts and inflation linked tend to be UK pension funds, and pension buy-out funds, their lower holdings may have weighed on the long end, and helped drive steeper yield curves in both nominal gilts and inflation-linked as seen in Chart 4. Overseas gilt holdings have been more stable, and official holders, like central banks, tend to hold shorter maturities.

Chart 1: Signs of UK stagflation are becoming an issue for the BoE, as wage inflation rebounded to 5.9% in Q4 y/y, despite higher unemployment at 4.4%. These cost-push pressures pose an obvious inflation threat.

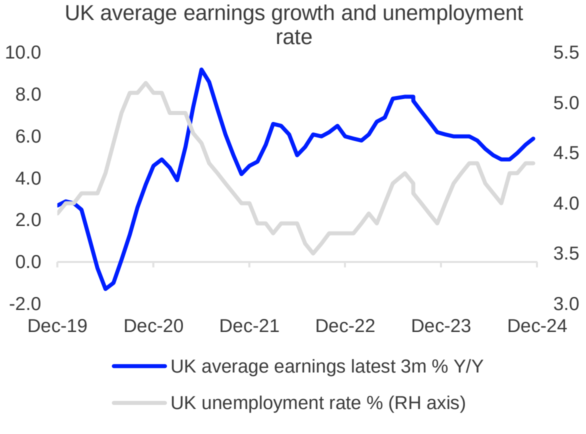


Chart 2: There are some signs of UK goods inflation bottoming out, after negative y/y rate in 2024. Food and water remain important components in this, with electricity price increases to come in Q2.

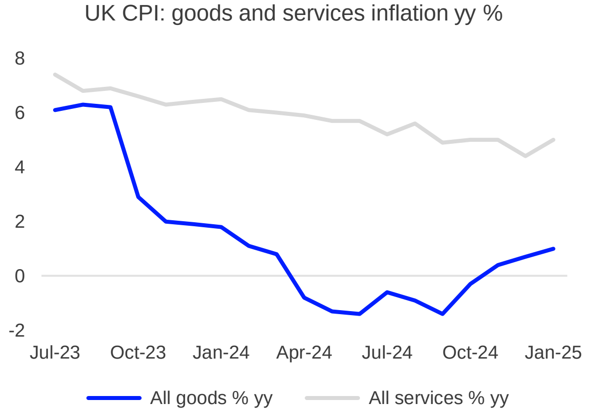


Chart 3: It is well known the BoE has reduced its gilt holdings sharply since 2022, but so have UK banks, pension funds and insurance companies. In fact, overseas holdings have fallen the least.

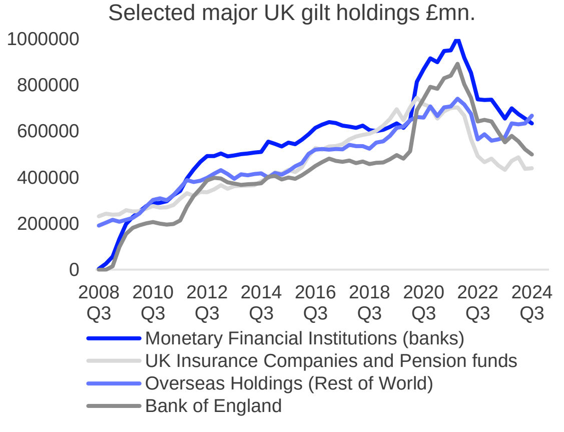
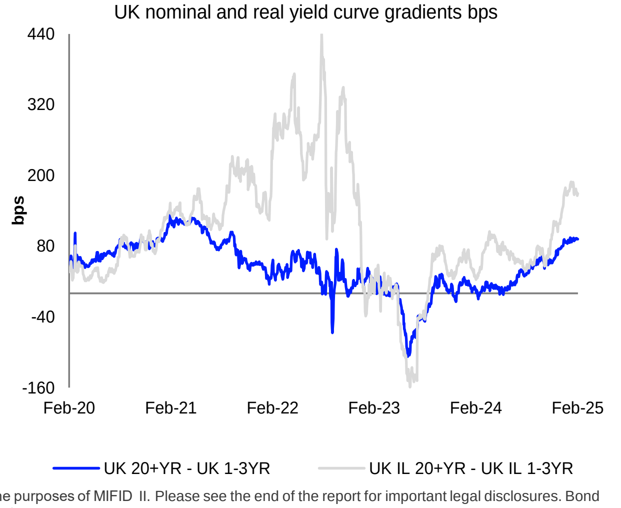


Chart 4: The gilt curve has steepened sharply since 2023, led by long UK inflation linked. Reduced pension fund demand, and increased supply in longs may have been key factors in driving a steeper curve.



Source: FTSE Russell, LSEG, DMO and ONS. All data up to February 28, 2025

Global Yields, Curves and Breakevens

Chart 1: US policy uncertainty and diminished risk appetite helped drive a rally in Treasuries, and lower yields in February, excluding Japan. Bunds underperformed, partly on political uncertainty post-elections.

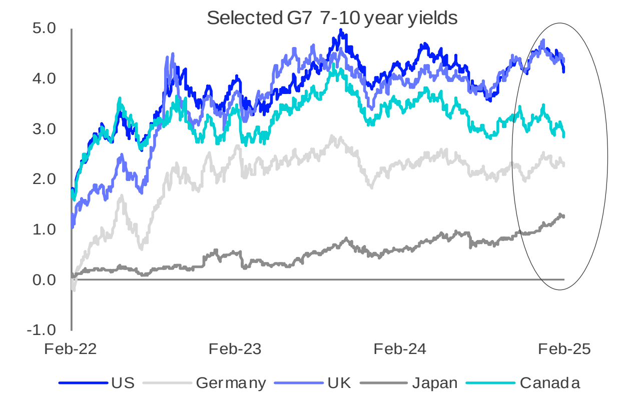


Chart 2: Real yields dipped in February, led by US Tips, as US real growth prospects weakened somewhat. The WILSI followed, though Eurozone inflation linked rallied less, as equities outperformed.

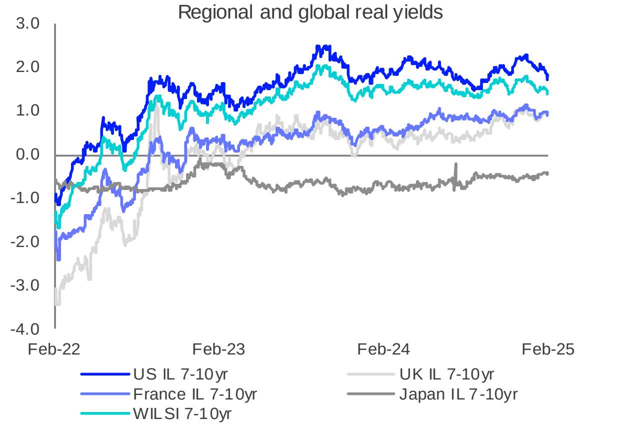


Chart 3: Curve steepening stalled in February, as a mini flight to quality on weaker growth and equities helped 10 year Treasuries, and above target inflation cooled Fed and BoE near-term easing prospects.

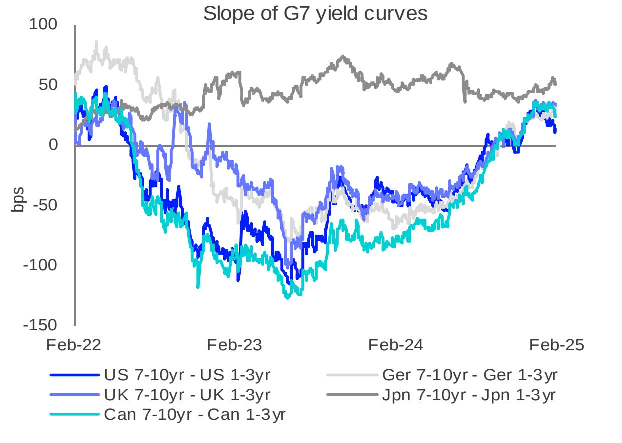


Chart 4: Long end yield curves showed mixed performance in February, with Bunds and gilts steepening a little further, but Canada and the US flattening. The JGB curve consolidated after the mild flattening of late.

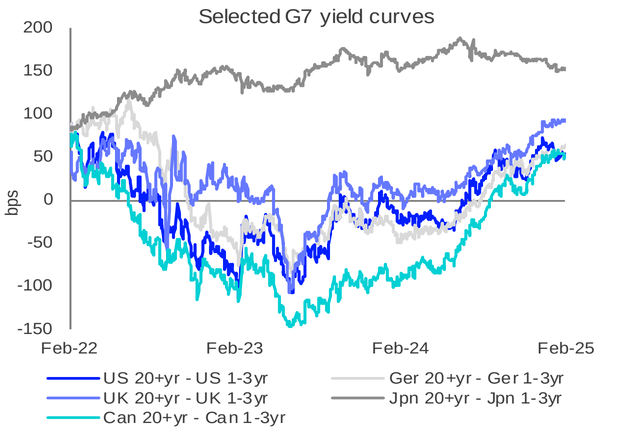


Chart 5: Inflation breakevens fell a little in late-February as softer US growth indications pushed real yields lower, though the moves were not uniform, and Japanese breakevens rose on stronger inflation data.

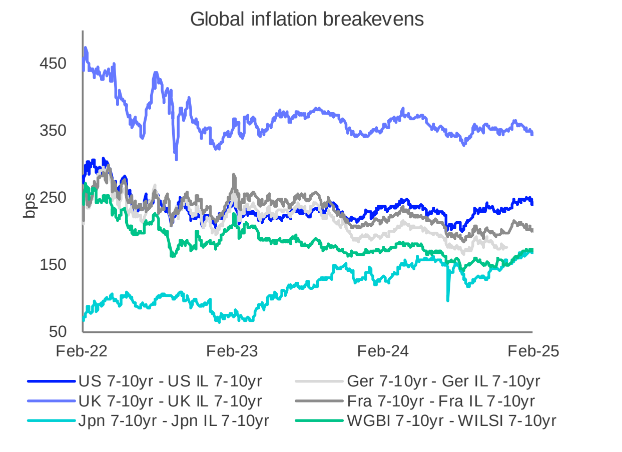
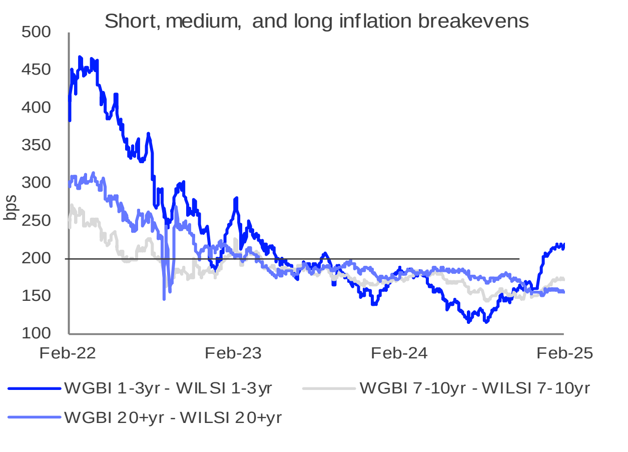


Chart 6: The spike in short-dated breakevens, since the US elections, cooled as US growth indications weakened, while medium and long dated inflation expectations remained stable, below 2% inflation targets.



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Yield Spreads and Credit Spread Analysis

Chart 1: US sovereign spreads have tightened in Q1, helped by softer US data for January, and turned negative again versus UK gilts. The move versus JGBs was the most marked as JGB yields flat-lined.

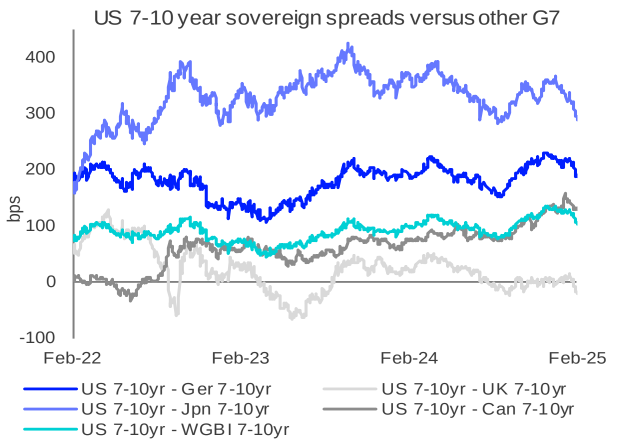


Chart 2: 7-10 yr BTP spreads edged out versus US and Canadian govt bonds but hardly moved against 7-10 yr Bunds or JGBs, where yields fell less in February. Spreads remain near post-Covid lows v US & UK.

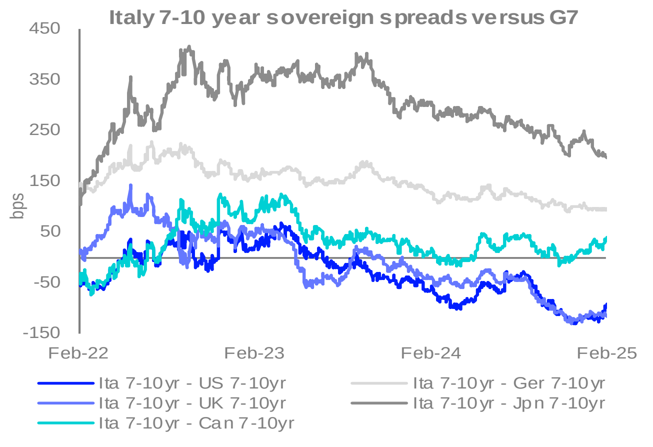


Chart 3: The rally in Treasuries and underperformance by China in February caused EM 7-10 yr spreads to edge back out, after the long period of tightening, though spreads barely moved vs Bunds and JGBs.

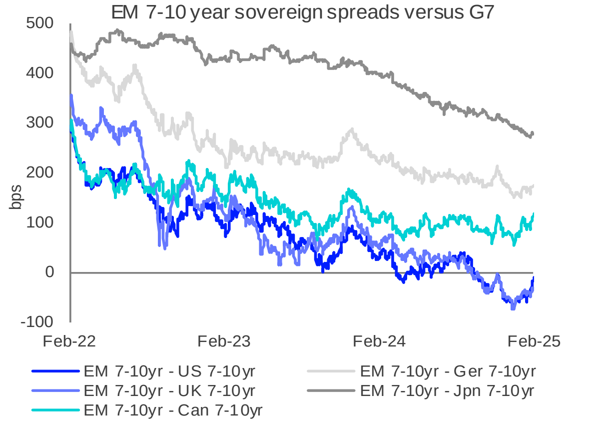


Chart 4: China spreads rebounded a bit further after the PBoC suspended bond buying to cool speculative purchases and G7 markets rallied on the mini flight to safety. Spreads moved least versus JGBs.

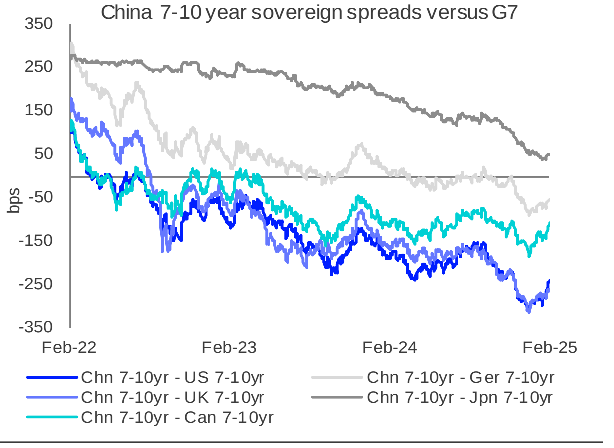


Chart 5: Credit emerged largely unscathed in February from the sell-off in US equities, and reduced risk appetite, though spread tightening stalled in both high yield and investment grade.

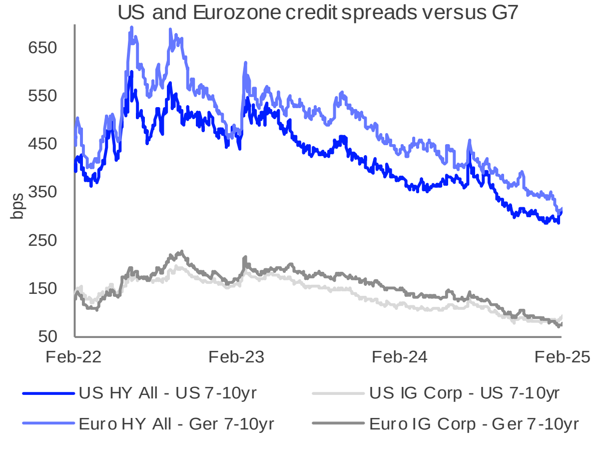
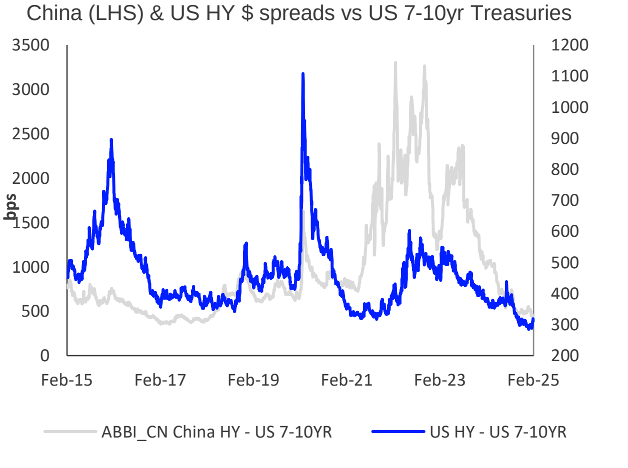


Chart 6: The modest back-up in China govt yields and relatively stable US high yield market meant spreads moved only modestly in February, and remain near the multi-year lows achieved in January.



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European Credit Analysis

Chart 1: The US, Australian and UK IG corporate bond markets offer investors a higher yield of about 5%, compared to Canadian IG corporate bond yields of 4%, and 3% for Euro equivalents.

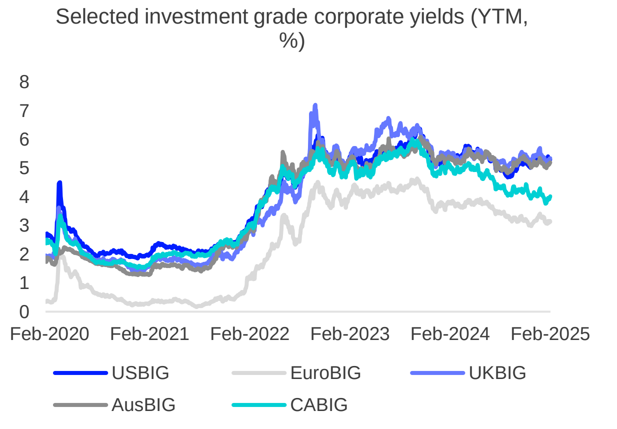


Chart 2: Australian IG corporate bonds have the shortest duration (sub-4 years). Canadian peers are around 6 years. UK and US IG corporate bond duration is the highest, despite easing since 2020.

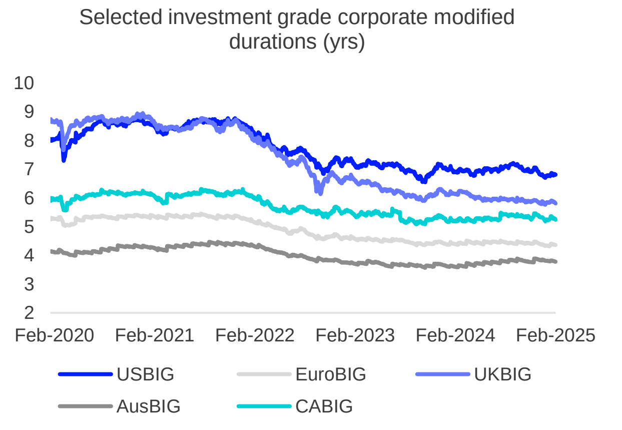


Chart 3: Euro investment grade corporates have benefitted from policy easing, with returns since 2020 for BBBs turning positive. AAA corporates have been less favoured with returns still negative.

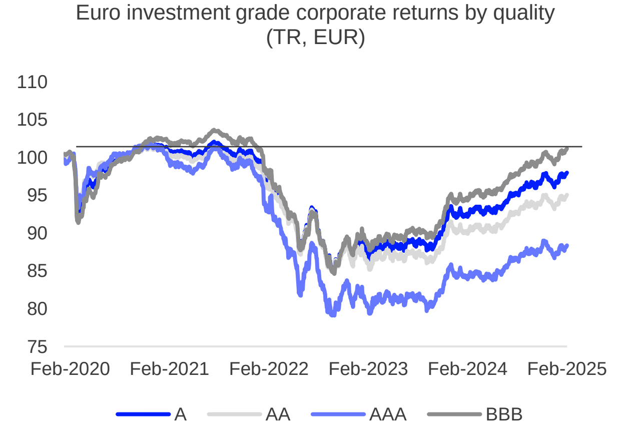


Chart 4: Banks and Manufacturing corporate bonds have gained the most since 2020, though returns have been modest. Lower rates and higher defence spending likely to underpin performance.

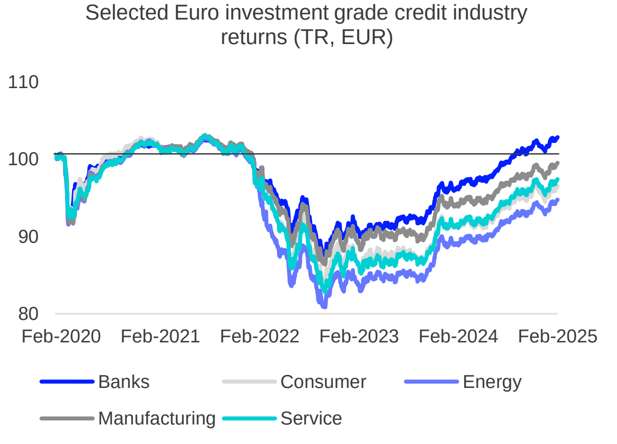


Chart 5: Euro HY credit returns have gained from the risk-on rally, notably since Dec. 2024, which have seen an outperformance from CCCs. Euro HY still rose in Feb., despite the more cautious mood.

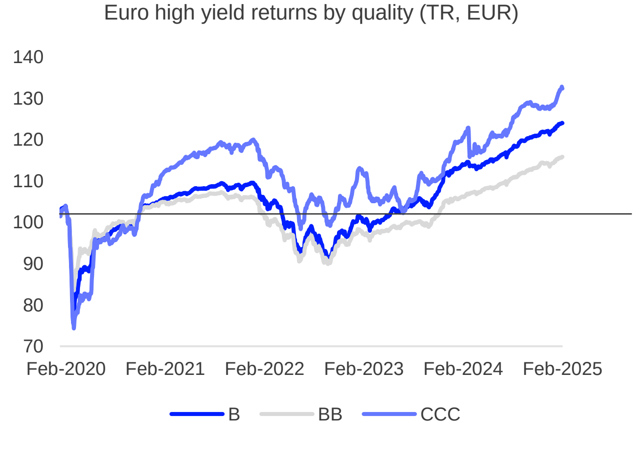
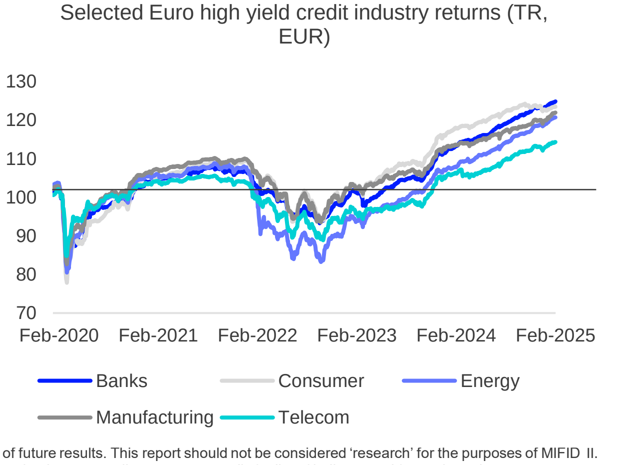


Chart 6: All Euro HY sectors have recovered since 2023, especially Banks and Consumer. Telecom corporate bonds have lagged but still delivered good level of returns since 2020.



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UK Credit Analysis

Chart 1: UK investment grade credit offers investors about the same yield levels as the US, with declines in yields constrained by higher rates and slower pace of BoE and Fed easing compared to the ECB.

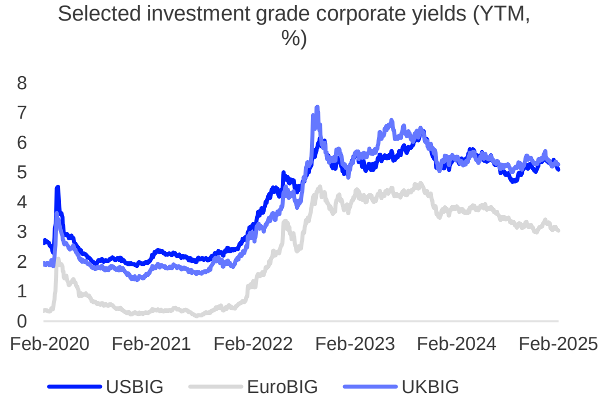


Chart 2: Short dated 1-3 yr sterling IG credits have performed best since Covid, with lower volatility as well. But with rates slowly declining, re-investment risk suggests 3-5 yr credits may now offer better value.

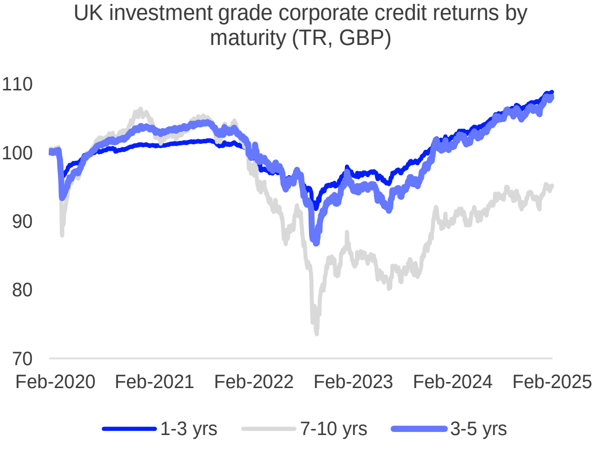


Chart 3: Financials outperformed other UK IG credit sectors, led by Banks and Insurance, helped by better capitalisation in this cycle, higher rates and net interest income. Telecoms recovered but lagged.

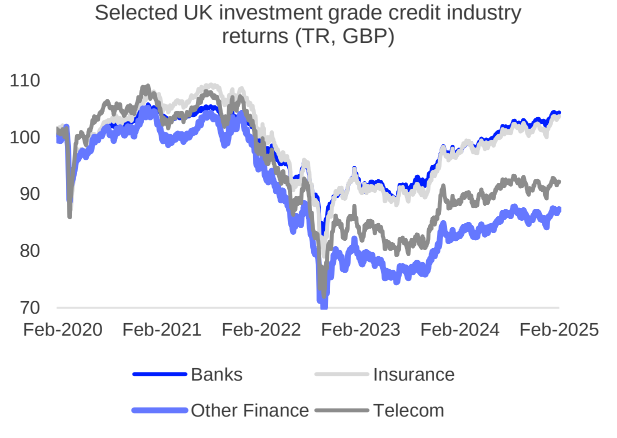


Chart 4: As in the US, CCC issues have outperformed in HY in the UK, though performance is volatile given higher default rates. All sectors have done well during the risk rally in 2023-24.

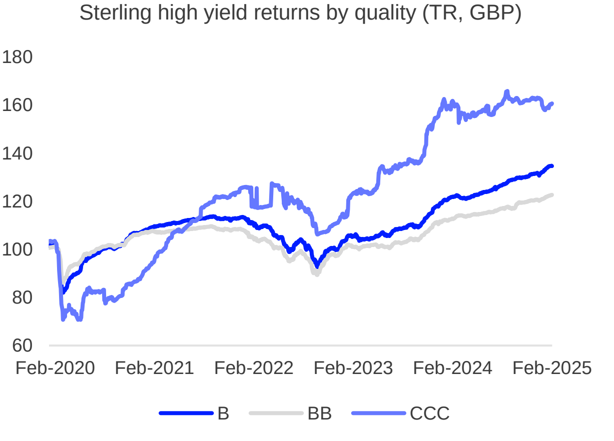


Chart 5: The share of BBB credits spiked, in the early days of Covid as fears about downgrades of IG issuers to high yield emerged. But these fears proved unfounded and the share of A has increased since 2021.

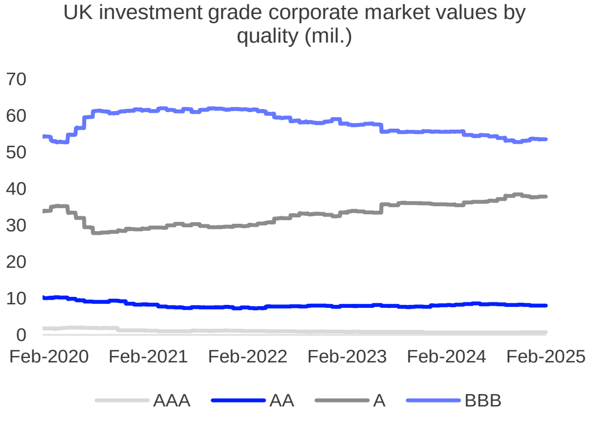
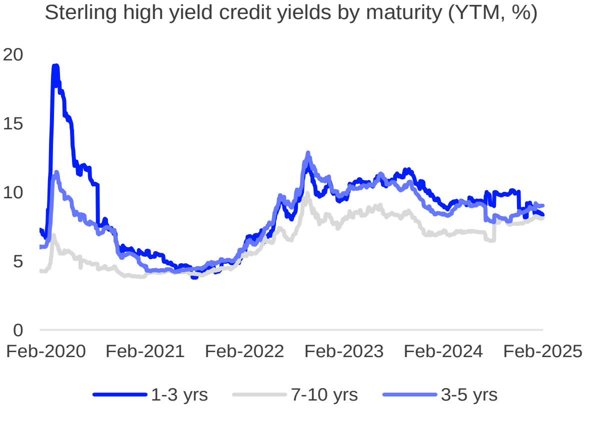


Chart 6: Investors receive very little, if any, extra yield for increasing duration in the UK high yield market. However, with rates falling, there is a stronger relative value case for 3-5 yrs given re-investment risk vs 1-3 yrs.



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SI Sovereign Bond Analysis

Chart 1: Green bonds' solid performance over the last year has been in line with the market. Green corporates have outperformed over both 3M and 1Y, with returns benefitting from spread tightening.

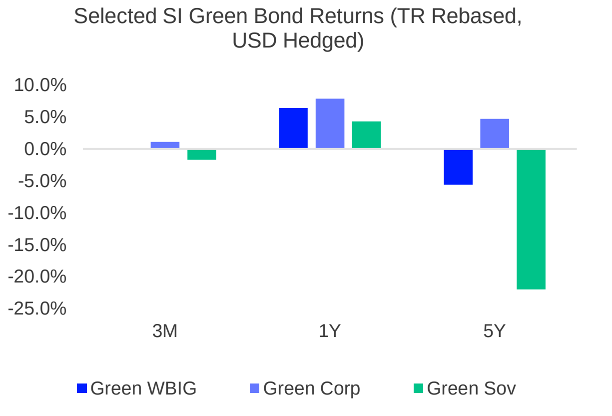


Chart 2: Returns for Green Sovereigns have been volatile over 12M due to a higher duration vs the market. Green Corporate spreads have continued to tighten thanks to a higher exposure to lower-grade credit.

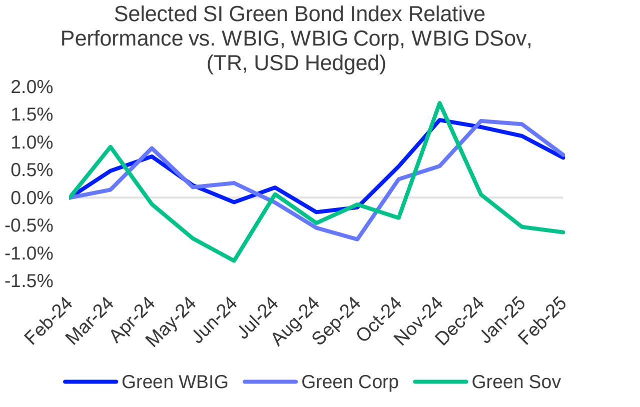


Chart 3: Green bond indices are heavily underweight USD, in favour of EUR bonds because of the large green bond issuance in Europe. This explains the difference in European vs US green bond performance.

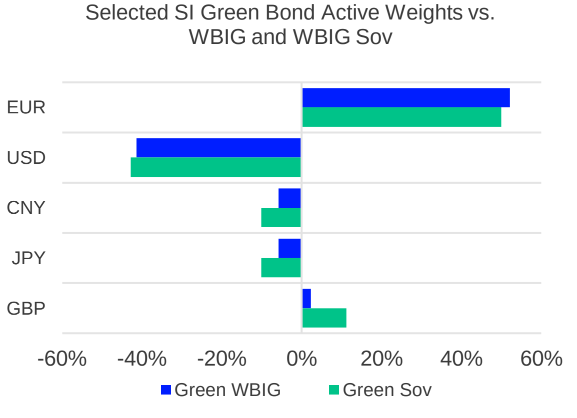


Chart 4: Compared with the broader WorldBIG corporate bond index, Green Corporates tend to hold more lower grade credit (BBBs) and has a lower exposure in AAA, AA and A-rated bonds.

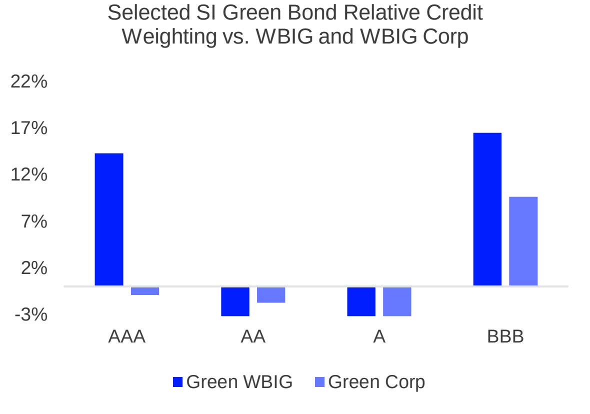


Chart 5: Despite falling, Green Sov still exhibits significant positive active duration. This contrasts corporate green bond duration, which has been consistently lower than their non-green bond counterparts.

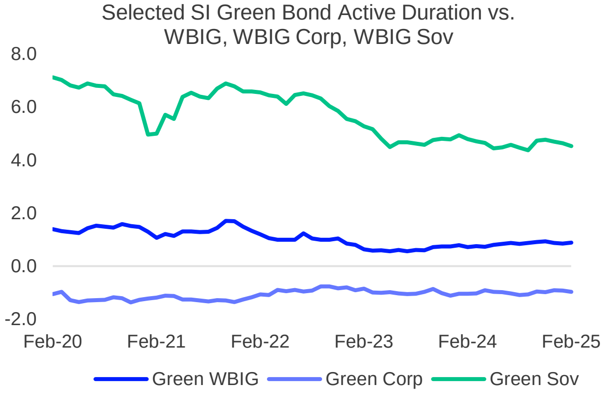
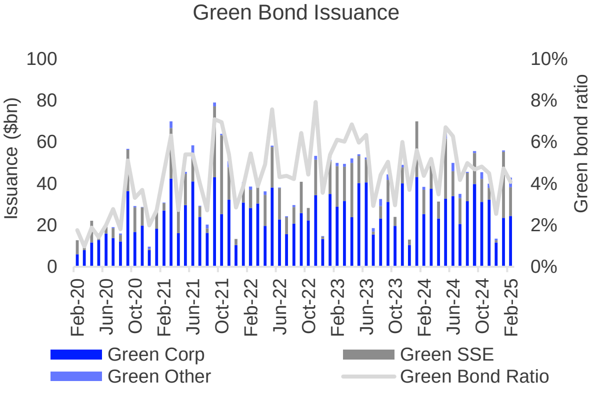


Chart 6: the green bond issuance ratio as a % of total bond issuance has averaged ~4.7% over 12M, roughly in-line with the 5-yr average of ~4.5%. Corporates are the most frequent green bonds issuers.



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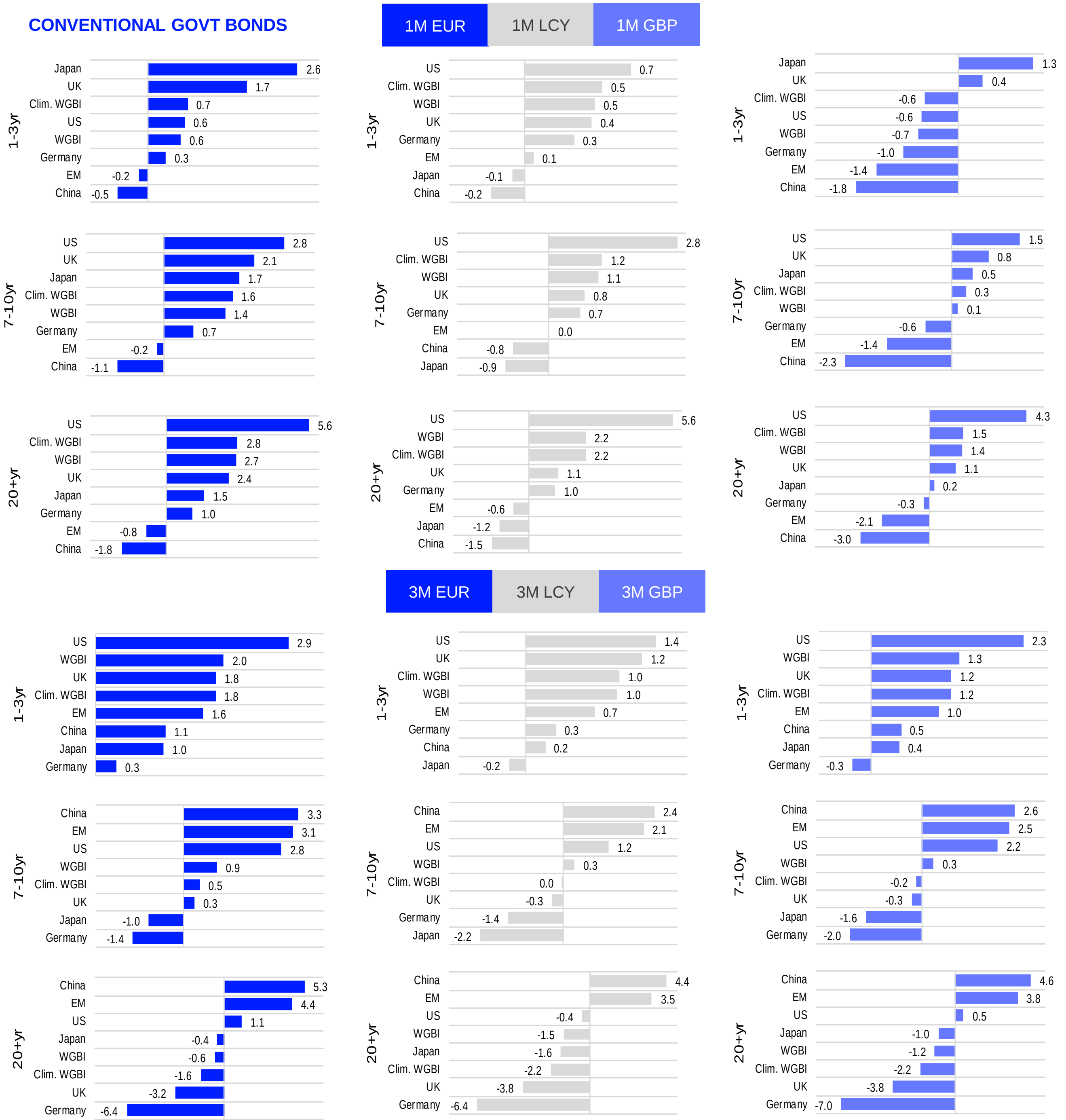
Global Bond Market Returns − 1M & 3M % (EUR, GBP, LC, TR)

G7 government bonds made solid gains in euros and sterling in February, led by US Treasuries, with short JGBs and gilts gaining up to 3%, thanks to weaker US data and dollar, and a mini flight to quality. Over three months, Chinese (and EM) government bonds still dominate the performance table, despite underperforming in February, after the PBoC suspended bond purchases. Over 3M, Bund performance has been negative, notably in longs, which were down 6%.

Weaker US consumer and PMI services data helped Treasuries rally in February, as the equity market fell back on tariff concerns, policy uncertainty, and reduced risk appetite. US Treasuries gained 6% in longs (local currency), and helped long WGBI and gilts gain 1-2%. Returns for short JGBs were flat, to modestly negative in local currency, but turned positive in both euro and sterling terms thanks to the yen appreciation (see page 17).

Chinese and EM govt bonds fell back in February, after the PBoC suspended bond purchases to control the fall in yields in January, and after Brazil raised rates again, but Chinese bonds remain the strongest 3M performers, with gains of up to 4% in local currency.



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Global Inflation-Linked Bond Returns − 1M & 3M % (EUR, GBP, LC, TR)

G7 inflation-linked bonds rallied with conventional bonds in February though gains were modest, apart from US Tips, which rose 1-5% across maturities in local currency terms, on the flight to quality. Shorter JGB linkers were boosted by the yen rally, as the dollar fell on lower US rate expectations. Credit held up well however, with IG corporates modestly outperforming in February, though high yield credit still shows 1-3% gains in local terms on 3M.

The rally in US Tips in February reflected US policy uncertainty and softer economic data. Long Tips outperformed, although shorter Tips also benefitted from lower rate expectations.

Credit delivered better returns over three months than in February, with high yield credit still outperforming investment grade equivalents, but only just, as post-US election trades in risk assets have unwound in Jan/Feb.

Returns for Bunds and UK linkers were flat to modestly negative in local currency terms in February, extending losses on three months to 7-9%, due to curve disinversion, lower pension fund demand and German political and trade tariff uncertainties.

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

US Treasuries and Tips, notably longs, rallied in February, led by renewed risk aversion, while prospects of lower inflation and further rate cuts underpinned shorter Swedish bonds and long Canadian bonds. Chinese bonds suffered after the PBoC suspended bond purchases. JGBs gains were mainly due to yen appreciation. High yield credits, long Chinese (and EM) sovereigns and US Treasuries still dominate the performance table over 12M.

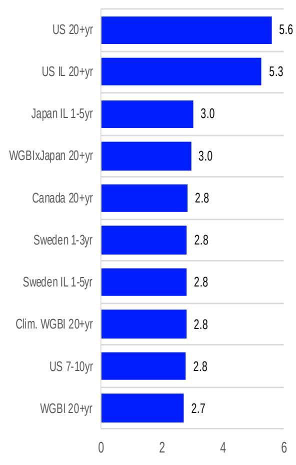
February saw some risk aversion as uncertainty increased over geo-politics and trade tariffs. Classic safe havens like US Treasuries out-performed, with longs gaining 4-6% (GBP/EUR), while Chinese (and EM) government bonds fell back, after the PBoC suspended bond purchases to stabilize the market and prevent speculation. Yen appreciation drove most JGB gains. Short Swedish bonds rallied on expectations of further Riksbank easing.

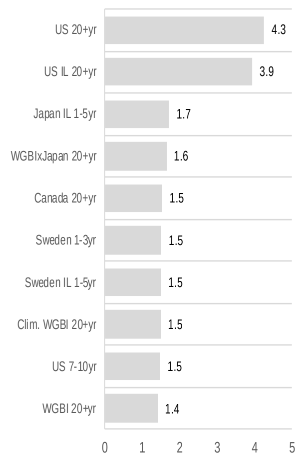
Over 12 months, China (and EM) government and high yield credits continued to lead performance. Euro high yield has returned 9% in local currency. EM and US Investment grade corporates have also fared well during the period.

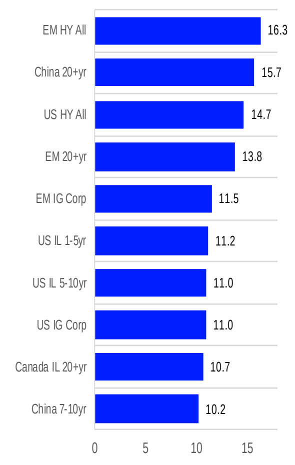
Performance of long inflation linked bonds in Europe and emerging markets remains deeply negative over 12 months.

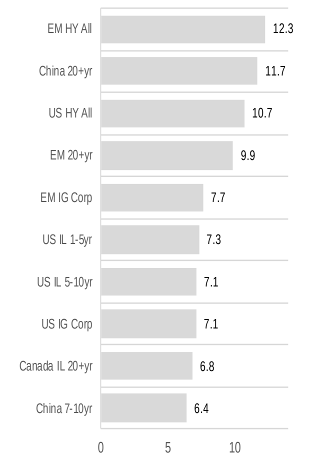
TOP 10

1M EUR | 1M GBP | 12M EUR | 12M GBP



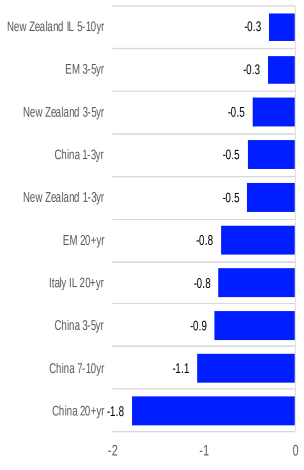


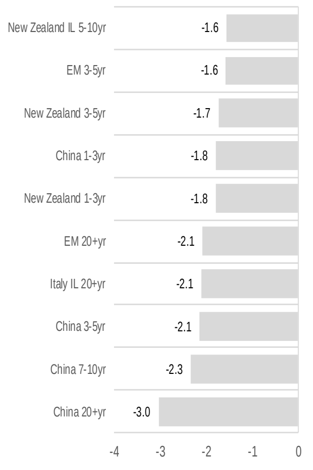


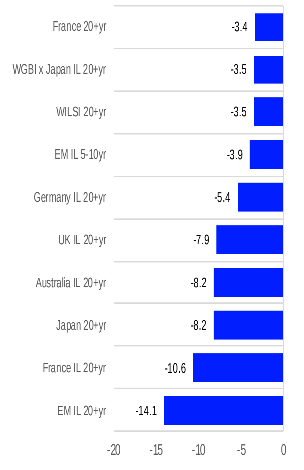


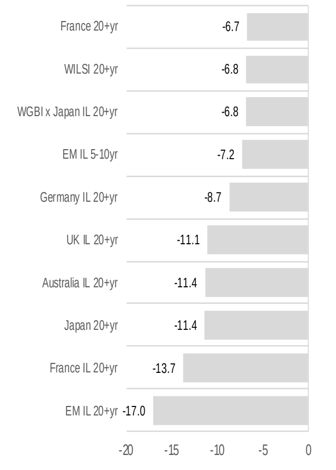
BOTTOM 10

1M EUR | 1M GBP | 12M EUR | 12M GBP









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Appendix − Global Bond Market Returns % (EUR, GBP & LC, TR) – Feb 28, 2025

Government bond returns

Top 15% | Bottom 15%

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

		3M			YTD			12M		
		Local	GBP	EUR	Local	GBP	EUR	Local	GBP	EUR
US	1-3YR	1.37	2.33	2.95	1.11	0.57	0.67	5.30	5.78	9.56
	7-10YR	1.20	2.15	2.77	3.46	2.91	3.02	5.10	5.59	9.36
	20+YR	-0.42	0.52	1.13	5.97	5.40	5.51	2.39	2.86	6.54
	IG All	0.79	1.75	2.36	2.66	2.11	2.22	6.64	7.13	10.96
	HY All	1.58	2.54	3.17	1.99	1.44	1.55	10.24	10.74	14.70
UK	1-3YR	1.23	1.23	1.84	1.11	1.11	1.21	4.68	4.68	8.42
	7-10YR	-0.30	-0.30	0.31	1.48	1.48	1.59	2.09	2.09	5.75
	20+YR	-3.81	-3.81	-3.22	2.05	2.05	2.15	-3.67	-3.67	-0.22
EUR	IG All	0.67	0.06	0.67	1.09	0.98	1.09	6.64	2.96	6.64
	HY All	2.30	1.68	2.30	1.58	1.47	1.58	9.18	5.41	9.18
Japan	1-3YR	-0.17	0.43	1.04	-0.26	3.46	3.57	-0.57	-0.79	2.76
	7-10YR	-2.17	-1.58	-0.99	-1.90	1.76	1.86	-3.54	-3.76	-0.31
	20+YR	-1.64	-1.04	-0.44	-1.92	1.74	1.84	-11.17	-11.37	-8.20
China	1-3YR	0.21	0.46	1.07	-0.41	-0.72	-0.62	2.76	1.96	5.61
	7-10YR	2.39	2.64	3.27	-0.30	-0.62	-0.52	7.25	6.41	10.22
	20+YR	4.36	4.62	5.25	-0.28	-0.59	-0.49	12.61	11.73	15.73
EM	1-3YR	0.73	1.03	1.64	0.23	0.12	0.23	4.05	2.09	5.74
	7-10YR	2.11	2.48	3.10	0.83	0.69	0.80	6.82	5.38	9.15
	20+YR	3.55	3.81	4.44	0.56	0.46	0.56	11.28	9.88	13.81
	IG All	1.54	2.50	3.13	2.66	2.11	2.21	7.17	7.66	11.51
	HY All	2.60	3.57	4.20	2.71	2.16	2.27	11.79	12.31	16.32
Germany	1-3YR	0.32	-0.28	0.32	0.39	0.29	0.39	3.76	0.18	3.76
	7-10YR	-1.44	-2.04	-1.44	0.26	0.15	0.26	3.12	-0.44	3.12
	20+YR	-6.40	-6.97	-6.40	-1.60	-1.71	-1.60	0.11	-3.35	0.11
Italy	1-3YR	0.66	0.06	0.66	0.62	0.52	0.62	4.73	1.11	4.73
	7-10YR	-0.47	-1.07	-0.47	0.97	0.86	0.97	7.25	3.55	7.25
	20+YR	-3.25	-3.83	-3.25	-0.15	-0.26	-0.15	7.85	4.13	7.85
Spain	1-3YR	0.57	-0.03	0.57	0.51	0.40	0.51	4.32	0.72	4.32
	7-10YR	-0.88	-1.48	-0.88	0.57	0.47	0.57	5.40	1.76	5.40
	20+YR	-4.98	-5.55	-4.98	-0.79	-0.89	-0.79	5.76	2.11	5.76
France	1-3YR	0.59	-0.02	0.59	0.58	0.48	0.58	4.05	0.46	4.05
	7-10YR	-0.43	-1.03	-0.43	1.34	1.24	1.34	2.36	-1.18	2.36
	20+YR	-4.57	-5.15	-4.57	0.40	0.29	0.40	-3.36	-6.70	-3.36
Sweden	1-3YR	-0.25	2.41	3.03	0.39	2.78	2.89	4.15	0.85	4.45
	7-10YR	-2.76	-0.16	0.45	0.56	2.94	3.05	3.43	0.16	3.74
Australia	1-3YR	1.30	-2.39	-1.80	0.84	0.73	0.84	3.94	-0.28	3.28
	7-10YR	1.47	-2.23	-1.63	1.53	1.43	1.54	3.68	-0.53	3.03
	20+YR	0.23	-3.42	-2.84	1.18	1.08	1.18	-1.01	-5.02	-1.63
NZ	1-3YR	1.34	-3.09	-2.51	0.59	0.07	0.17	6.91	-1.22	2.31
	7-10YR	1.04	-3.39	-2.80	0.69	0.17	0.27	7.41	-0.75	2.80
Canada	1-3YR	1.56	-0.35	0.25	1.25	0.54	0.65	6.23	0.48	4.07
	7-10YR	2.30	0.37	0.98	2.81	2.09	2.20	8.26	2.40	6.07
	20+YR	0.66	-1.24	-0.64	4.43	3.71	3.81	7.82	1.99	5.63

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Appendix − Global Bond Market Returns % (EUR, GBP, LC, TR) – Feb 28, 2025

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M			YTD			12M		
		Local	GBP	EUR	Local	GBP	EUR	Local	GBP	EUR
US	1-5YR	2.08	3.04	3.67	2.32	1.77	1.88	6.84	7.33	11.17
	5-10YR	2.09	3.05	3.68	4.00	3.44	3.55	6.65	7.14	10.97
	20+YR	0.36	1.31	1.93	7.33	6.75	6.86	3.55	4.02	7.74
UK	1-5YR	0.86	0.86	1.47	1.03	1.03	1.13	4.42	4.42	8.16
	5-10YR	-0.68	-0.68	-0.08	1.00	1.00	1.11	1.17	1.17	4.79
	20+YR	-7.97	-7.97	-7.41	0.21	0.21	0.31	-11.06	-11.06	-7.88
EUxUK	1-5YR	0.35	-0.25	0.35	0.29	0.19	0.29	3.89	0.31	3.89
	5-10YR	-1.09	-1.69	-1.09	0.24	0.13	0.24	2.52	-1.02	2.52
	20+YR	-6.65	-7.22	-6.65	-2.12	-2.22	-2.12	-5.40	-8.66	-5.40
Japan	1-5YR	1.15	1.76	2.38	0.77	4.53	4.63	1.41	1.19	4.81
	5-10YR	0.13	0.74	1.35	-0.15	3.58	3.69	0.76	0.53	4.13
EM	1-5YR	3.05	4.29	4.93	2.81	5.41	5.52	10.18	-4.74	-1.34
	5-10YR	1.51	2.31	2.93	2.41	4.69	4.79	4.80	-7.24	-3.92
	20+YR	-0.88	0.63	1.24	2.15	5.36	5.47	-4.44	-17.03	-14.06
Germany	1-5YR	0.35	-0.25	0.35	0.29	0.19	0.29	3.89	0.31	3.89
	5-10YR	-1.09	-1.69	-1.09	0.24	0.13	0.24	2.52	-1.02	2.52
	20+YR	-6.65	-7.22	-6.65	-2.12	-2.22	-2.12	-5.40	-8.66	-5.40
Italy	1-5YR	0.60	0.00	0.60	0.85	0.75	0.85	5.25	1.61	5.25
	5-10YR	-0.23	-0.83	-0.23	1.17	1.07	1.17	6.34	2.67	6.34
	20+YR	-6.07	-6.64	-6.07	-1.85	-1.95	-1.85	1.28	-2.22	1.28
Spain	1-5YR	0.44	-0.17	0.44	0.55	0.44	0.55	4.31	0.71	4.31
	5-10YR	-0.57	-1.17	-0.57	0.65	0.54	0.65	4.38	0.78	4.38
France	1-5YR	0.34	-0.27	0.34	0.54	0.44	0.54	2.45	-1.09	2.45
	5-10YR	-0.20	-0.80	-0.20	1.09	0.99	1.09	1.00	-2.49	1.00
	20+YR	-5.82	-6.39	-5.82	-0.51	-0.61	-0.51	-10.64	-13.73	-10.64
Sweden	1-5YR	-0.68	1.98	2.59	0.22	2.60	2.71	3.05	-0.21	3.36
	5-10YR	-2.45	0.15	0.76	0.10	2.48	2.59	3.82	0.53	4.12
Australia	1-5YR	1.26	-2.43	-1.84	0.93	0.83	0.94	3.09	-1.09	2.44
	5-10YR	0.78	-2.89	-2.30	0.98	0.88	0.98	2.73	-1.44	2.08
	20+YR	-3.78	-7.29	-6.72	-0.83	-0.93	-0.83	-7.60	-11.35	-8.18
NZ	5-10YR	1.16	-3.27	-2.68	1.01	0.49	0.59	6.38	-1.71	1.80
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	2.94	1.00	1.61	3.85	3.13	3.23	11.21	5.19	8.95

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Appendix − Historical Bond Yields % as of February 28, 2024

Global Bond Yields

Top 15% | Bottom 15%

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

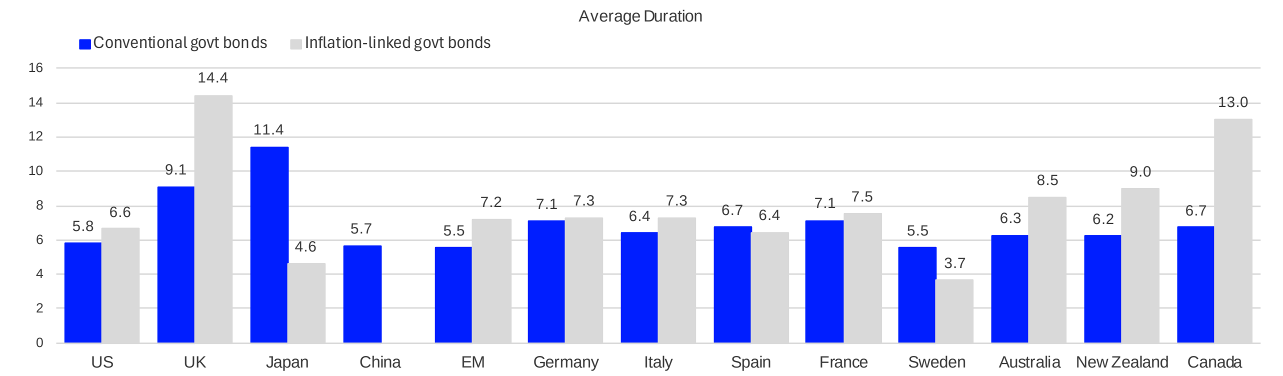
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.03	4.00	4.16	4.57	1.22	1.67	2.18		7.35
	3M Ago	4.24	4.12	4.18	4.48	1.81	1.86	2.17		7.36
	6M Ago	4.04	3.77	3.87	4.31	1.90	1.69	2.06		7.53
	12M Ago	4.73	4.34	4.26	4.46	1.99	1.88	2.12		8.09
UK	Current	4.04	4.04	4.37	4.96	0.24	0.82	1.82		
	3M Ago	4.13	4.01	4.17	4.67	0.27	0.57	1.46		
	6M Ago	4.09	3.84	3.90	4.44	0.37	0.43	1.27		
	12M Ago	4.48	4.10	4.03	4.49	0.53	0.40	1.21		
Japan	Current	0.75	0.93	1.25	2.29	-1.26	-0.43			
	3M Ago	0.55	0.67	0.93	2.18	-1.06	-0.58			
	6M Ago	0.32	0.43	0.76	2.03	-1.28	-0.79			
	12M Ago	0.13	0.28	0.59	1.66	-1.51	-0.81			
China	Current	1.45	1.58	1.75	2.04					
	3M Ago	1.38	1.58	1.99	2.24					
	6M Ago	1.55	1.77	2.14	2.37					
	12M Ago	1.99	2.16	2.38	2.57					
EM	Current	3.15	3.45	4.05	3.53	6.30	5.81	6.23		7.64
	3M Ago	3.09	3.36	3.99	3.70	6.09	5.50	5.95		7.83
	6M Ago	3.09	3.51	4.09	3.68	5.76	5.15	5.64		7.76
	12M Ago	3.29	3.90	4.56	4.03	4.69	4.53	5.24		9.18
Germany	Current	2.00	2.03	2.28	2.63	0.87	0.44	0.75		
	3M Ago	1.94	1.85	2.02	2.29	0.72	0.19	0.39		
	6M Ago	2.45	2.15	2.18	2.50	1.46	0.49	0.54		
	12M Ago	3.02	2.50	2.34	2.53	1.20	0.42	0.35		
Italy	Current	2.25	2.55	3.23	4.01	0.69	1.30	1.95		
	3M Ago	2.29	2.46	3.04	3.76	0.76	1.18	1.67		
	6M Ago	2.85	2.90	3.45	4.13	1.44	1.66	1.98		
	12M Ago	3.35	3.25	3.61	4.22	1.31	1.63	1.84		
France	Current	2.17	2.40	2.93	3.60	0.58	0.83	1.39		
	3M Ago	2.20	2.39	2.74	3.32	0.55	0.72	1.11		
	6M Ago	2.64	2.60	2.84	3.42	0.97	0.85	1.16		
	12M Ago	3.05	2.74	2.78	3.24	0.80	0.57	0.79		
Sweden	Current	2.03	2.09	2.31		1.03	0.74			
	3M Ago	1.64	1.66	1.87		0.48	0.25			
	6M Ago	1.87	1.80	1.98		0.94	0.56			
	12M Ago	3.03	2.58	2.46		1.62	1.04			
Australia	Current	3.76	3.79	4.22	4.84	1.67	1.87	2.52		
	3M Ago	3.99	3.92	4.25	4.79	1.76	1.82	2.29		
	6M Ago	3.66	3.57	3.91	4.49	1.26	1.51	2.05		
	12M Ago	3.81	3.73	4.09	4.51	1.15	1.51	1.91		
New Zealand	Current	3.56	3.80	4.35	5.07		2.23			
	3M Ago	3.81	3.90	4.35	4.97		2.25			
	6M Ago	3.97	3.86	4.24	4.74	2.47	2.21			
	12M Ago	5.05	4.61	4.68	4.96	1.89	2.41			
Canada	Current	2.60	2.58	2.85	3.12	0.59	0.80	1.28		
	3M Ago	3.08	2.96	3.10	3.16	1.18	1.21	1.43		
	6M Ago	3.47	3.05	3.10	3.26	1.53	1.39	1.62		
	12M Ago	4.31	3.66	3.51	3.38	1.69	1.70	1.71		

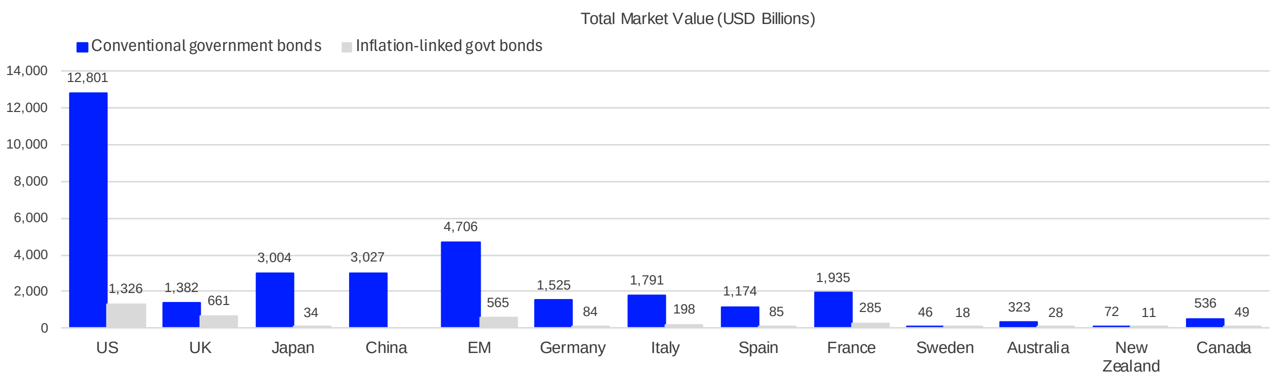
Source: FTSE Russell and LSEG. All data as of February 28, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix − Duration and Market Value (USD, Bn) as of February 28, 2024

	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	7.1	16.4	**5.8**	2,946.8	1,270.4	1,474.1	**12,801.0**	7.1	21.0	**6.6**	433.0	122.1	**1,325.6**
UK	3.5	7.1	17.9	**9.1**	214.4	241.7	304.8	**1,381.8**	7.5	26.2	**14.4**	151.2	215.6	**661.0**
Japan	3.8	8.2	22.7	**11.4**	360.3	445.7	609.4	**3,003.7**	8.0		**4.6**	12.7		**33.7**
China	3.7	7.6	18.1	**5.7**	689.3	518.1	346.1	**3,027.3**						
EM	3.6	7.0	16.4	**5.5**	1,022.9	843.8	458.3	**4,705.6**	5.7	12.8	**7.2**	102.0	142.9	**565.4**
Germany	3.7	7.5	20.8	**7.1**	313.2	245.5	168.2	**1,525.0**	5.8	20.3	**7.3**	42.6	16.6	**84.5**
Italy	3.6	7.1	16.6	**6.4**	327.9	248.1	161.4	**1,791.1**	6.8	25.0	**7.3**	60.1	5.4	**198.4**
Spain	3.6	7.1	18.5	**6.7**	244.0	214.0	97.4	**1,174.2**	6.9		**6.4**	49.9		**84.6**
France	3.6	7.4	18.7	**7.1**	392.6	326.4	239.1	**1,935.4**	6.3	23.4	**7.5**	79.4	20.2	**285.4**
Sweden	3.8	7.2		**5.5**	14.1	10.1		**45.6**	6.1		**3.7**	6.0		**18.3**
Australia	3.7	7.3	16.2	**6.3**	52.6	93.5	18.7	**323.2**	6.0	21.2	**8.5**	10.4	2.5	**27.8**
New Zealand	3.5	6.9	15.7	**6.2**	14.2	17.8	4.9	**72.5**	5.1		**9.0**	3.2		**11.2**
Canada	3.6	7.5	19.5	**6.7**	85.8	115.9	77.9	**536.4**	5.9	21.9	**13.0**	8.1	13.3	**49.3**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US											3.7	1123.7
Europe												
EM											3.6	196.9





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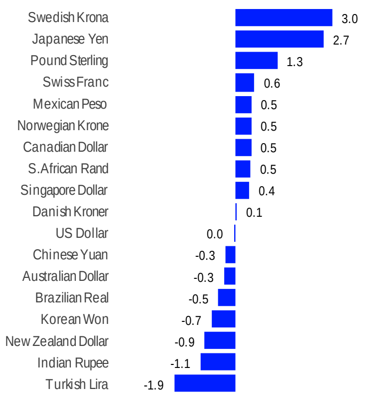
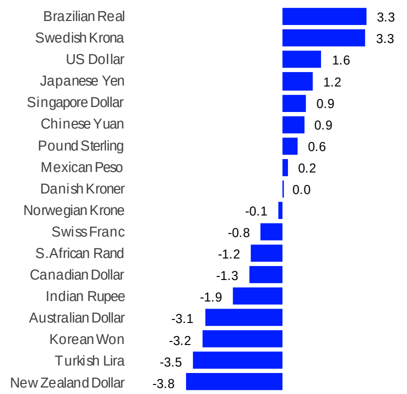
Appendix – Foreign Exchange Returns % as of February 28, 2024

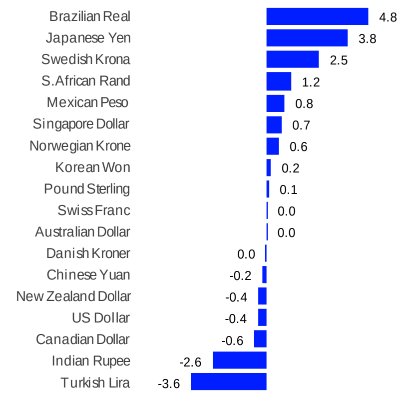
1M vs EUR



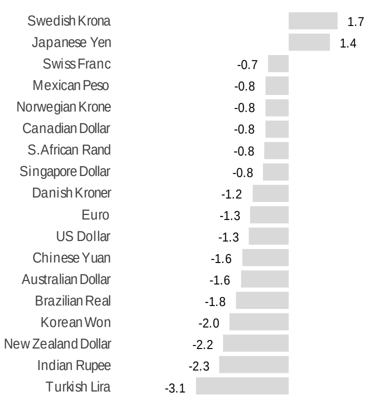
3M vs EUR



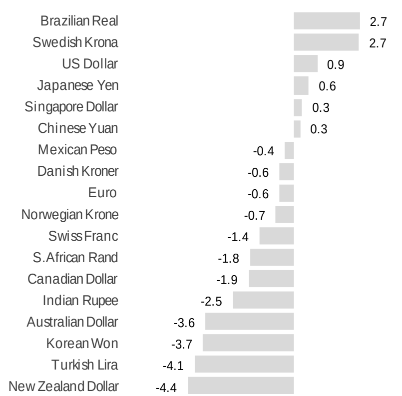
YTD vs EUR



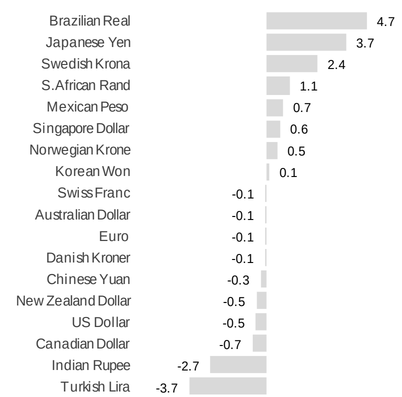
1M vs GBP



3M vs GBP



YTD vs GBP



Source: FTSE Russell and LSEG. All data as of February 28, 2025. 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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EMEA +44 (0) 20 7866 1810
North America +1 877 503 6437

Asia-Pacific
Hong Kong +852 2164 3333
Tokyo +81 3 6441 1430
Sydney +61 (0) 2 7228 5659