Global Investment Research
Market Maps

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Fixed Income Insights

EUROPE
EUROZONE & UK EDITION

MONTHLY REPORT | **FEBRUARY 2025**

More ECB easing but tariffs threat to risk rally?

G7 govt bond yields ended January little changed, but intra-month fluctuations arose, as markets absorbed new US policies. More trade tariffs would carry growth and inflation risks to Europe, if reciprocated. FX moves drove EM outperformance in Jan. HY credit gained from the equity rally, though market volatility may be high until clarity emerges on tariffs.

Macro and policy backdrop – Growth upgrades, trade tariffs may stall Fed easing
Fed caution likely reinforced by US trade tariffs, if implemented. BoC and ECB have room to ease further, but BoE trapped by stagflation even if UK escapes a tariff war. (pages 2-4)

Yields, curves and spreads – Longer yields stabilise but US & UK spreads widen
Longs stabilise after Q4 sell-off. Inflation and growth pressure US & UK spreads. (pages 5-6)

Credit analysis – IG credit spreads near 10 yr lows, as sovereign issuance increases
Credit spreads reflect strong IG, and even stronger HY performance, and low credit stress, though a major trade war would put credit and risk assets in jeopardy. (pages 7-8)

Sovereign and climate bonds – Quality bias in SI indices
PAB, Choice and ex- FFE corporate indices have a lower BBB exposure in favour of AAAs and AAs, indicating a quality bias versus WorldBIG Corp. (page 9)

Performance – Easing prospects lifted January returns, led by China, credit and EM
Long G7 bonds mainly stabilised in January, helped by expectations of further easing, though Bunds underperformed. Credit & China outperformed on 1M and 12M. (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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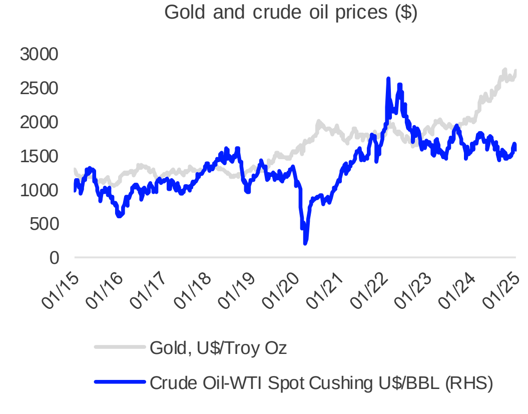
Chart 1: The US economy has a much lower trade/GDP ratio than the G7 and China but is a major export markets for other economies. This leaves Canada and the EU the most vulnerable in a trade war.

Country	Exports % of GDP	Imports % of GDP	Trade/ 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

Chart 2: Gold prices have continued to rise, amid heightened political uncertainty and higher central bank purchases, while crude oil prices have continued to stay range-bound, between $60-80 since 2022.



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Macroeconomic Backdrop – Growth and Inflation Expectations

IMF forecasts show growth divergence continuing in 2025 after a sharp revision up to the US forecast to 2.7%. Revisions to forecasts elsewhere are modest. But trade tariffs raise uncertainty, and would make achieving inflation targets an even bigger challenge for the Fed and BoE. This underpins US dollar strength despite over-valuation fears.

The IMF revised up its 2025 growth forecast for the US to 2.7% after positive growth surprises in the second half of 2024. Forecasts are more uncertain because the scale, and timing, of tariff increases and tax cuts are uncertain. But stronger US productivity growth than Europe is of note. German and French economies both contracted in Q4 2024 and economic growth in the region remains weak**.** UK growth also stalled in H2 2024, and high personal savings and low consumer confidence continue.

US inflation remains above target, as the economy shows resilient growth and demand, explaining the Fed decision not to ease in January. Eurozone inflation ticked up to 2.5% y/y in January, but the ECB forecasts it to average 2.1% for 2025. UK CPI inflation dipped to 2.5% y/y in Dec., so the BoE may ease on Feb 6th, given weak growth. How far US trade tariff increases would push up 2025 inflation would depend on pass-through from importers to final consumer prices, and the strength of consumer demand.

Unchanged Fed rates in January were discounted. Markets discount about 50bp of easing in 2025, but tariff increases would likely defer easing cuts for some time, given the inflation risks and buoyant growth. Both the BoC and ECB cut rates by 25bp to 3.0%, and 2.9% respectively (Chart 3). The BoJ raised rates to 0.5%, while UK easing is expected in Feb, after further weak growth.

The US dollar finished the month close to unchanged, unwinding early gains, but prospective US tariff increases may push it higher, whilst posing threats to Canadian dollar, peso and renminbi, from weaker economic growth and lower interest rates. The yen rallied on higher BoJ rates but much still depends on another strong round of wage increases. Sterling fell on UK stagflation.

Chart 1: The IMF forecasts little narrowing in growth differentials for 2025, though the recoveries in Europe are modest, and rely on policy easing boosting demand. Trade tariffs raise uncertainty on growth forecasts..

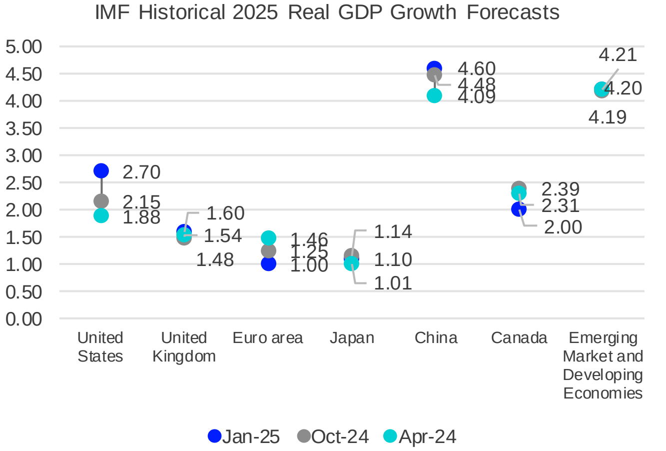


Chart 2: Inflation pressures diverge within the G7. Achieving 2% inflation is a major challenge in the US and UK, with services inflation the main issue, while Canada and the Eurozone have reached their 2% targets.

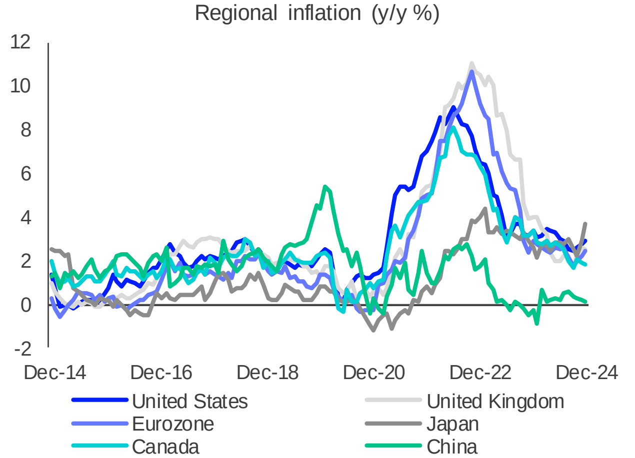


Chart 3: As expected, the Fed held rates unchanged at the January FOMC with inflation above target, and growth robust in Q4. But the BoC and ECB cut rates a further 25bp, helped by inflation at target and weak growth.

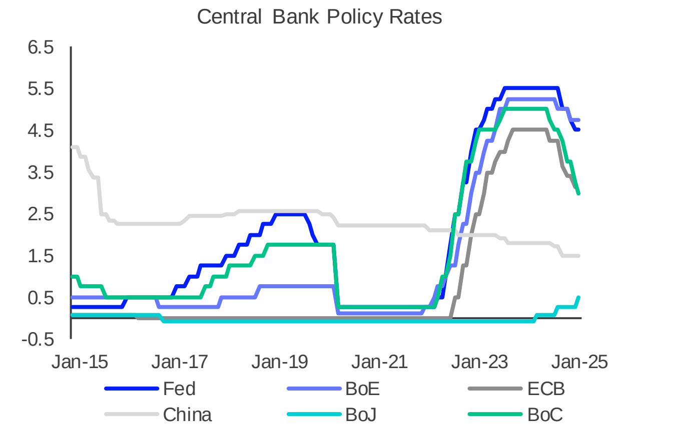
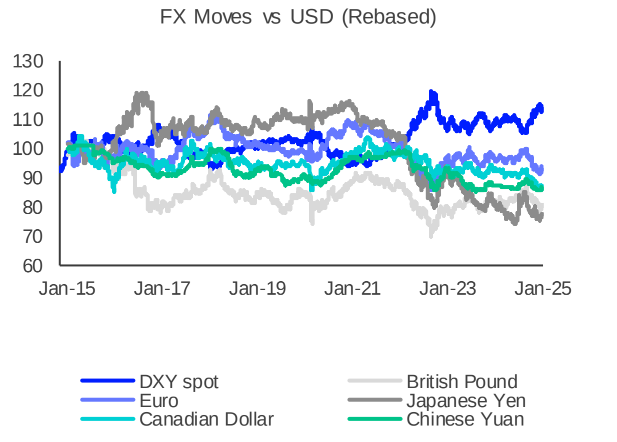


Chart 4: The dollar remains near 10yr highs, and the Fed's firm policy hold underpins the currency. UK stagflation weighed on sterling, while the Canadian dollar and Euro both dipped on further rate reductions.



Macroeconomic and Political Backdrop - Europe

Political uncertainty, weak growth, high debt levels, prospective trade tariffs and the war in Ukraine continue to dent EU consumer confidence, with saving ratios staying high, and rising. Manufacturing data shows Germany and Italy lagging peers, with political uncertainty in Germany driving 7-10 year Bund yields above Swedish yields.

Household saving ratios in the Euro area have risen sharply and exceed global financial crisis levels in 2007-08. Spain's ratio has increased from about 5% in 2007-08 to 14%, the Netherlands, from 10% to 15%, while Germany, which is traditionally high, is now at 20% (Chart 1). Italy is the only country with a lower ratio than 2007, at12%, likely due to the Superbonus tax incentives introduced in 2020, which provided generous tax breaks for home renovations and improvement.

Eurozone services inflation remained high, but stable, near 4% in 2024 (Chart 2), underpinned by low unemployment (6.3% in December 2024) and relatively high wage inflation. Meanwhile goods inflation has remained comparatively low, and returned to pre-Covid levels, reflecting the weakness in goods inflation globally.

The European manufacturing sector remains depressed, though recent PMIs in Italy and Austria show some improvement. German manufacturing has been lagging and surpassed by the Netherlands and Spain as the index in Chart 3 shows. An obvious threat to German manufacturing would arise from a trade tariff war, given the economy's high proportion of exports to GDP, which was 47% in 2023.

Economic and political uncertainty grip France and Germany, which is reflected in 7-10-year Bund yields, exceeding their Swedish equivalents, and French OAT yields, also rising above Spanish Bonos. Germany has scheduled a snap national election on February 23, following the collapse of Chancellor Olaf Scholz's three-way coalition, while in France, investors have been unnerved by the near collapse of budget talks under the new Prime Minister Bayrou.

Chart 1: Eurozone savings ratios are higher today than during the GFC in 2007-08, and rising, as consumer confidence remains weak in Europe. Spain's ratio has increased from about 5% to 14%.

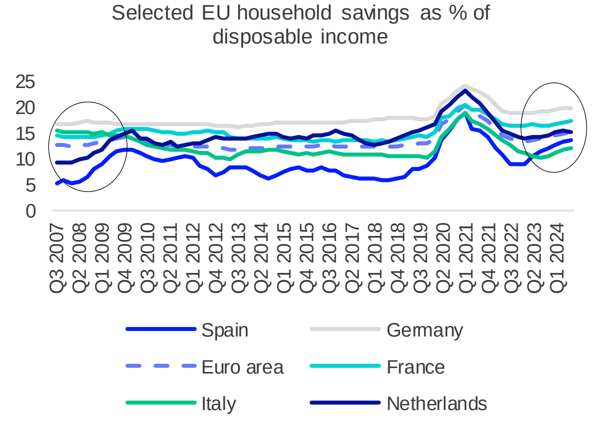


Chart 2: Services inflation has yet to decline and return to its pre-Covid levels, having stalled at around 4% in 2024. Meanwhile, goods inflation has returned to pre-covid lows, helped by global weakness.

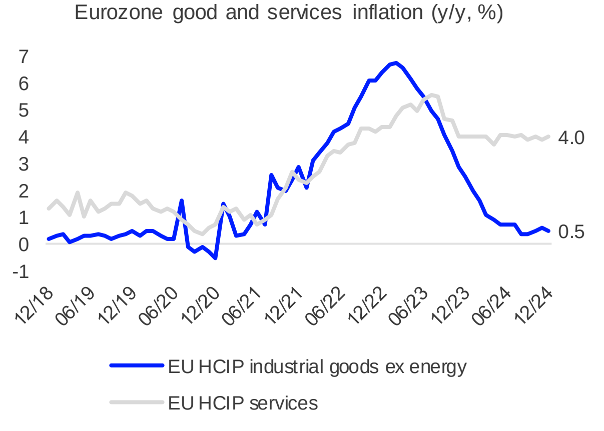


Chart 3: The production manufacturing index shows France has maintained its pre-Covid levels. However, Germany has been displaced by the Netherlands and has joined Italy as the weakest. Spain is flat.

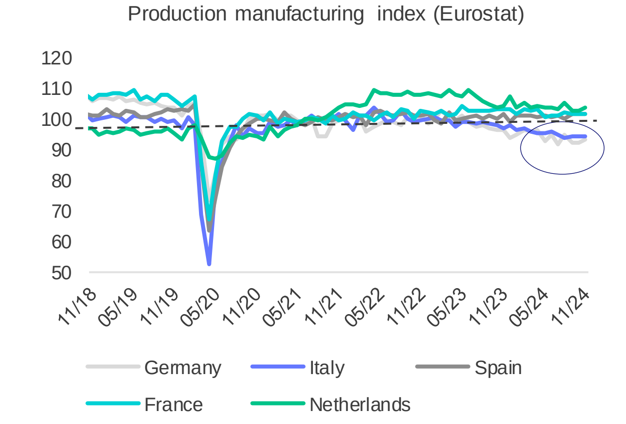
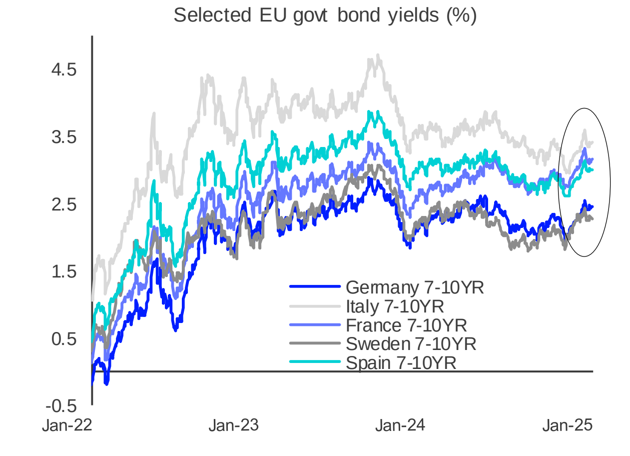


Chart 4: French 7-10 year yields have risen above Spanish peers, as have German yields relative to Swedish equivalents, reflecting ongoing political uncertainty in Germany and France in 2024-25.



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Macroeconomic and Political Backdrop - UK

UK sovereign spreads reached multi-year highs in January, as markets priced in the risks from high debt levels in a low growth economy. The gilt curve is normalising, as UK pension demand for longs contracts, though 10s/2s remains historically quite flat. The UK's modest trade balance with the US makes it less likely to attract large trade tariffs, should they be applied elsewhere. Foreign holdings of gilts remain near 30%, with little evidence of major capital flight, to date.

Gilt spreads stabilised later in January, but at levels characterised as "crisis" levels in 2022. Increased volatility in sovereign spreads is a feature of the post-Covid economy, as Chart 1 shows. The UK's stagflation, and weak productivity growth, has left longer gilts vulnerable, particularly given reduced UK pension fund demand and the flat yield curve (see Chart 2).

Although the UK curve disinverted, and there is a yield gain of 30bp from shorts to the 7-10 year area, it is not substantial, for the extra duration risk. Longs offer a bigger pick-up, at about 90bp over shorts, but given record issuance, this is not generous, when the pick-up was 100-170bp during the years of fiscal consolidation and low issuance from 2015-19, as Chart 2 shows.

The UK Debt Management Office (DMO)'s January consultation revealed market demand for less long gilt issuance in fiscal 2025-26, as evidence emerges of reduced UK pension fund demand for longs, partly reflecting more funding surpluses. The sharp increase in issuance of longs after the October budget (Chart 3) may have helped drive recent curve steepening. There may also be a revision up to the unallocated portion of funding for 2025-26 to give more flexibility in the remit.

Recent concerns about sudden selling of sovereign debt holdings by "bond vigilantes" are not evident in foreign holdings data, as Chart 4 shows, though the data does not yet capture H2 2024. Foreign holdings of UK gilts remain around 30%, though Treasuries have fallen as a share of total holdings since the taper tantrum in 2013, led by the decline in PBoC holdings.

Chart 1: Stunning buying opportunity in gilts, or regime shift? Gilt spreads widened substantially in 2024-25, and exceed the 2022 highs versus Canada and Spain. Only against the US are they more stable.

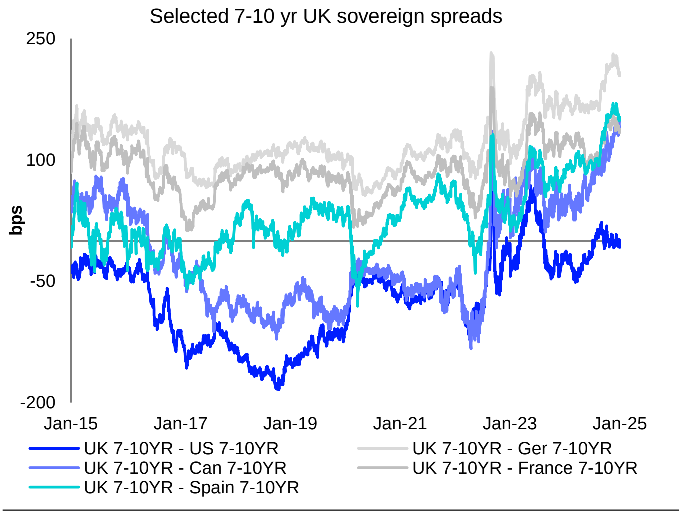


Chart 2: After Covid, and the deep curve inversion during the 2022-24 tightening, the gilt curve is mean-reverting to pre-Covid gradients. Note the gradient between mediums and longs has been more stable.

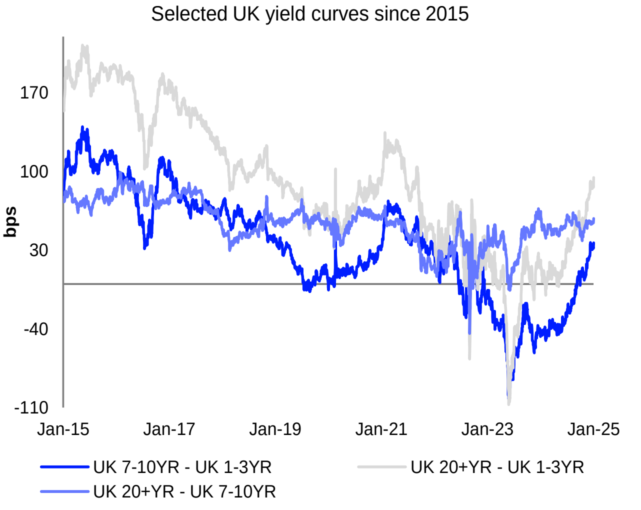
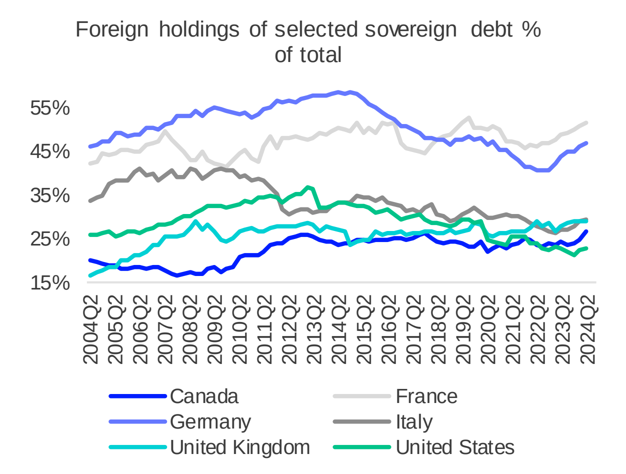


Chart 3: The DMO's gilt financing remit for 2025-26 will not be known until March but some adjustment in the balance between long gilts and shorts is likely, given evidence of lower demand for longs from pension funds.

Revised UK financing arithmetic 2024-25 £bn	2024-25 April revision	2024-25 Autumn budget	Net change
Central govt 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 4: Foreign holdings of Treasuries fell since 2013, due to central bank selling (i.e., PBoC), with a threat of further selling if a tariff war develops. French & German foreign holdings remain highest.



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Global Yields, Curves and Breakevens

Chart 1: G7 7-10 year yields finished January close to end-Q4 levels, after markets rallied in the 2nd half of the month. Canadian yields have fallen further, helped by the 200bp of BoC easing since June 2024.

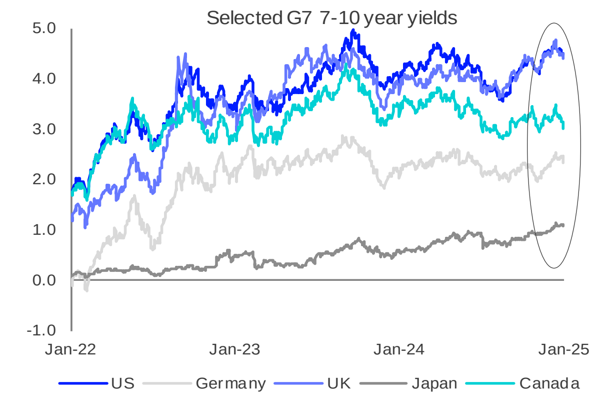


Chart 2: Real yields moved a little less than nominals in January, and breakevens rose a little (Chart 5). Real yields are still close to post-Covid highs in the 1-2% region, led by US Tips and UK linkers.

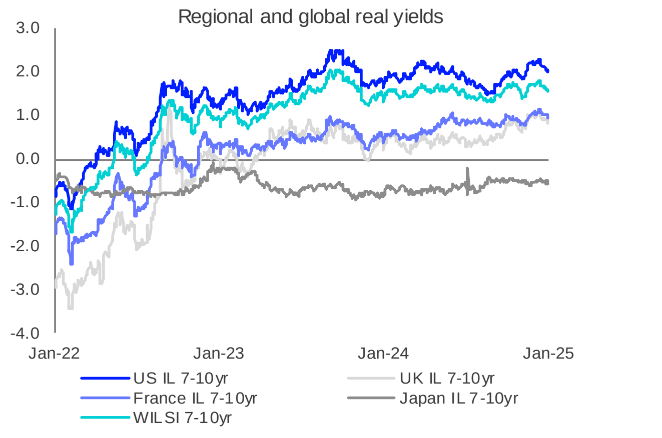


Chart 3: Yield curves oscillated in January, as 10 yr yields first backed up before falling back later in the month, but the steepening trend is broadly intact, particularly in Canada, where the BoC eased again.

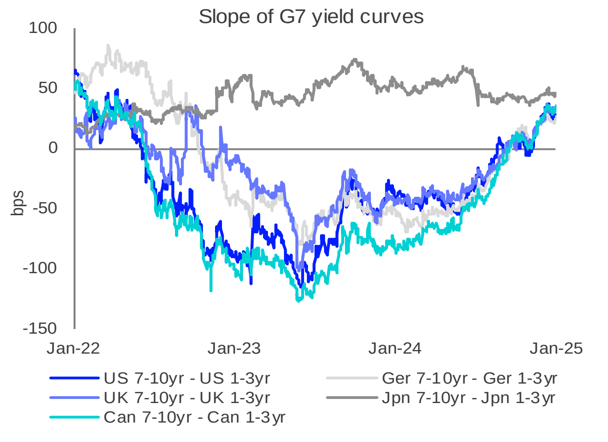


Chart 4: Similarly, the steepening trend is established in longs, apart from Japan, where the increase in the policy rate helped flatten the JGB curve. The UK curve has become the steepest, as stagflation fears mount.

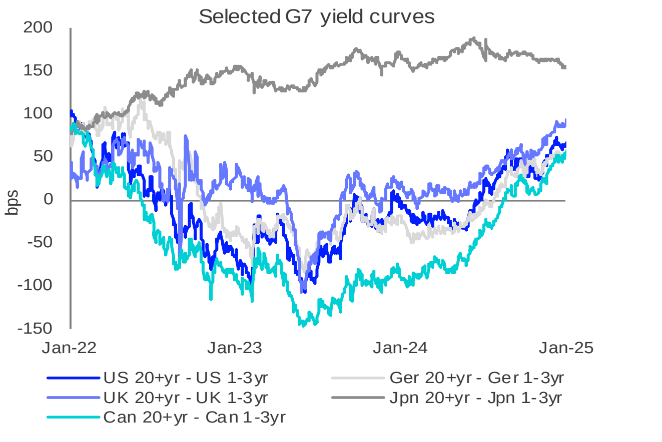


Chart 5: Breakevens edged higher in January, with US breakevens at the highest levels since the inflation shock in 2022. Sticky inflation in the 2-3% region in some economies may be a factor in this.

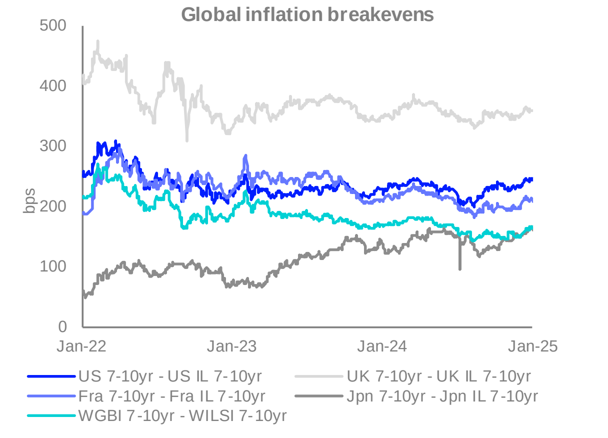
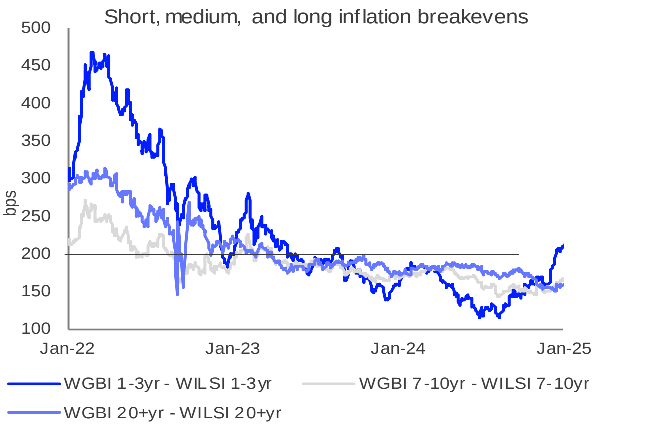


Chart 6: Globally, breakevens showed signs of bottoming out of late, though they are mostly below 2%. Short breakevens remain the most volatile, though the moves are modest versus the 2022 inflation shock.



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Yield Spreads and Credit Spread Analysis

Chart 1: US spreads remain near cycle highs versus most major markets, notably Canada and Germany. Only against gilts have spreads mean reverted, reflecting the slower pace of easing in the UK.

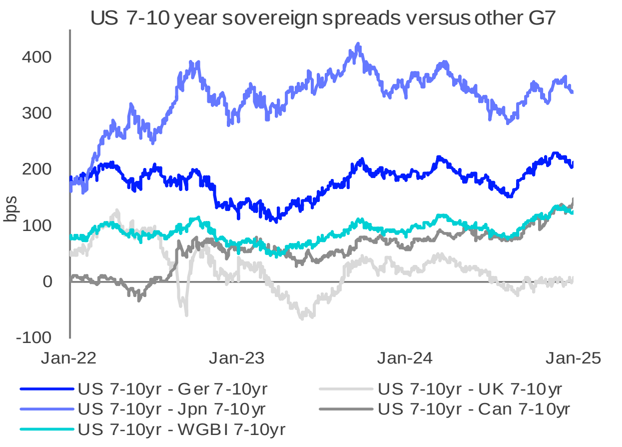


Chart 2: Italian sovereigns have been major beneficiaries of the risk rally and lower Italian inflation. Spreads are at post-Covid levels versus Bunds, but much lower versus French OATs.

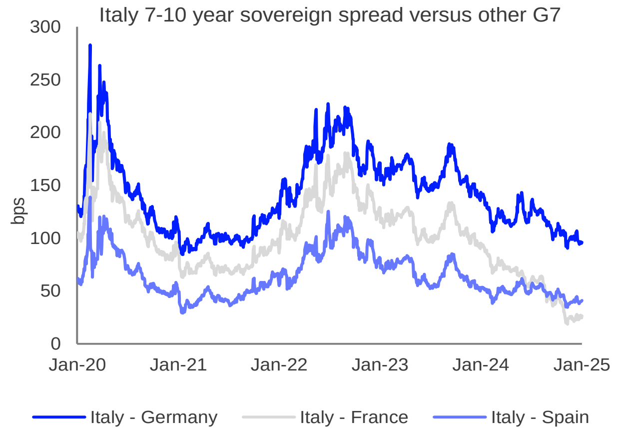


Chart 3: EM spreads have resumed their decline, and trade well through US Treasuries and UK gilts, helped by further declines in Chinese yields. Spreads moved by about 300 bp versus the US and UK since 2022.

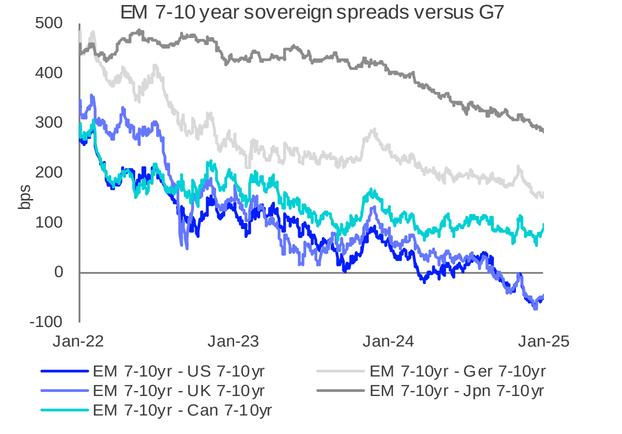


Chart 4: Chinese spreads show the scale of the divergence in inflation and monetary policy since Q1, 2022, when the Fed began tightening. Only JGB yields remain above Chinese yields in the 7-10 year area.

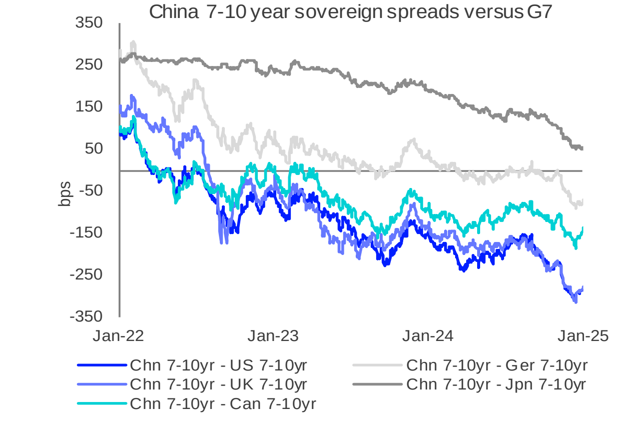


Chart 5: Credit spreads continue to tighten and are now at, or near, 10 year lows in the US and Eurozone. High yield spread convergence has been most marked. Low default rates and the risk rally are key drivers.

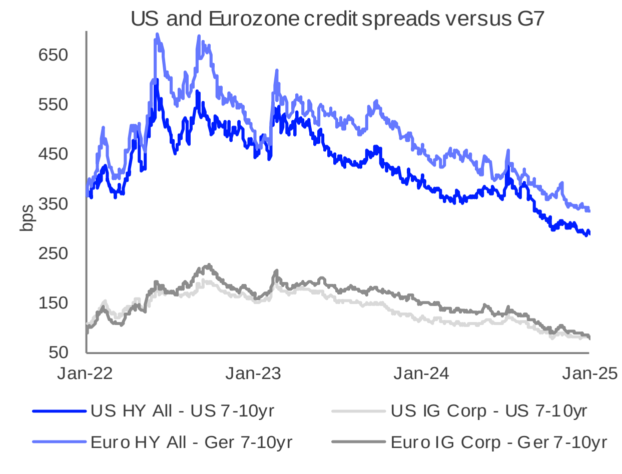
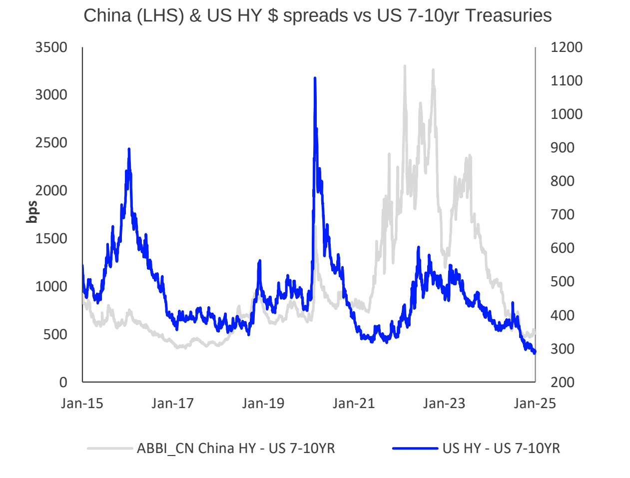


Chart 6: Chinese high yield spreads in dollars stabilised in January, but at the lowest levels since before Covid. Support measures for the Chinese property sector have been a big factor in this convergence.



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European Credit Analysis

Chart 1: Only BBB Euro credits showed positive returns since 2020, with concerns over the weak economy and political uncertainty, denting the outlook. Germany & France account for 35% of Eurozone credits.

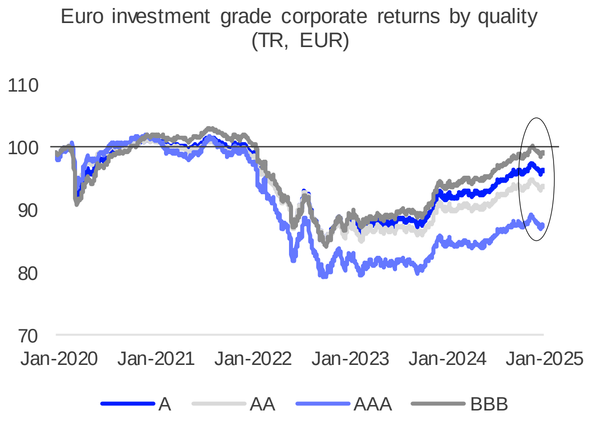


Chart 2: The strong performance of Euro high yield credit far exceeds that of its inv. grade equivalents. High yield credits have benefitted more from the equity rally and improving quality.

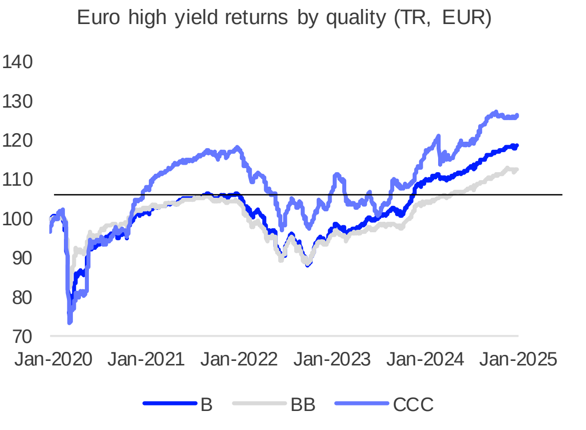


Chart 3: Euro investment grade corporate spreads have returned to about pre-covid levels. Only 12bp separate AAs from AAAs in January.

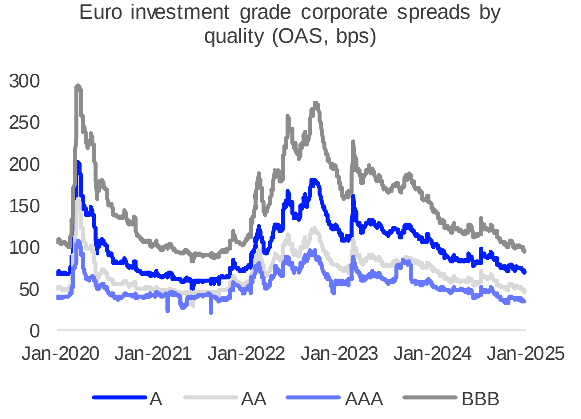


Chart 4: B and BB Euro HY spreads have fallen sharply, returning to pre-Covid levels, unlike CCC spreads, which have stabilised, but remain high. France, Italy and Germany make up 44% of the market.

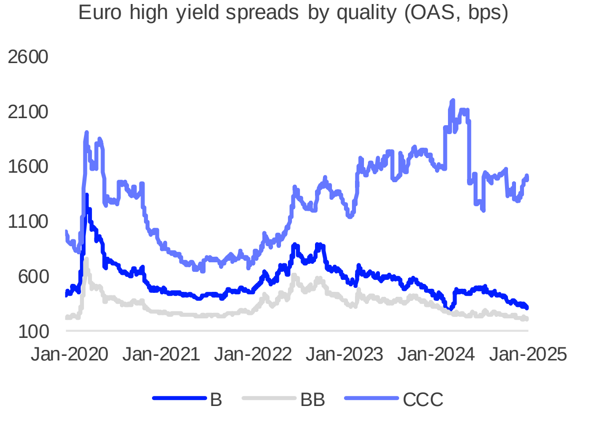


Chart 5: Euro investment grade corporate Banks have outperformed with modest returns, especially since 2023, gaining from yield curve disinversion and strong Tier 1 capital ratios.

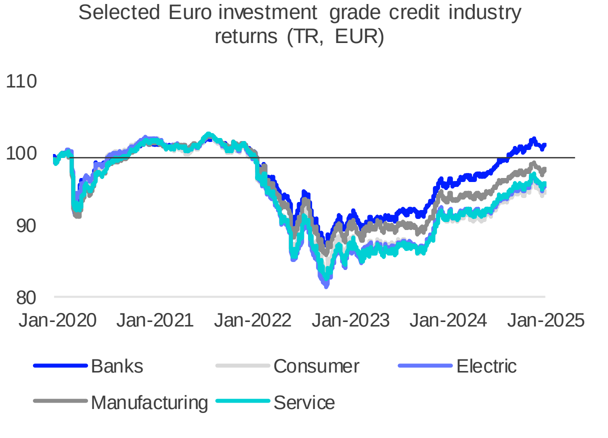
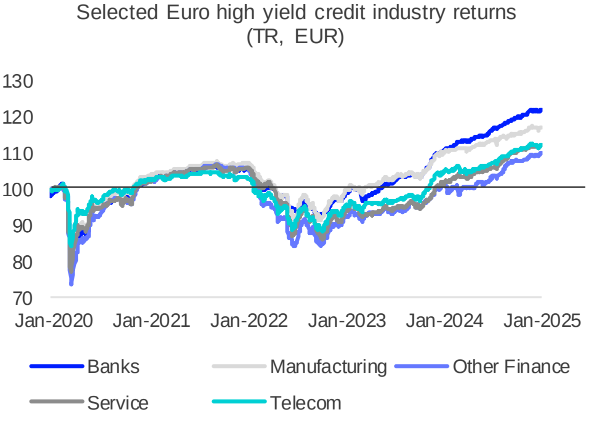


Chart 6: Like Euro IG, Euro high yield Banks have outperformed, followed closely by Manufacturing, both benefitting from yield curve disinversion and strong Tier 1 capital ratios.



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UK Credit Analysis

Chart 1: The pattern of outperformance by lower quality credit sectors continues to be a feature of the risk rally, since 2023. BBB has been the strongest performer as a result, and AAA the weakest.

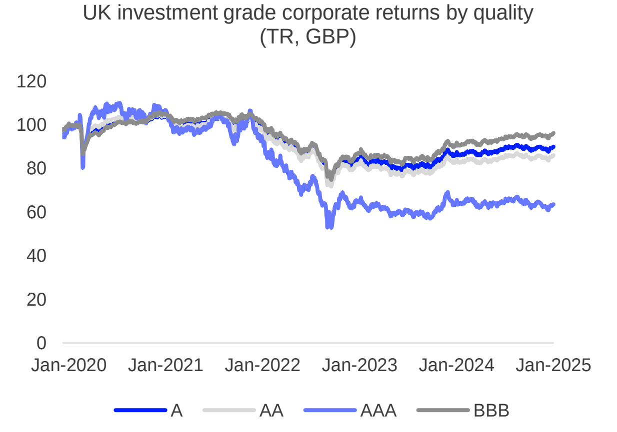


Chart 2: Low default rates and investor risk appetite helped CCC outperform other sectors in HY, since 2021. The performance gap versus B and BB widened notably in 2024, as the Chart shows.

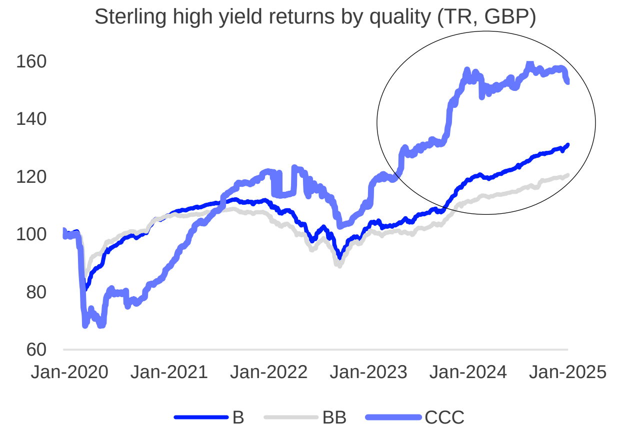


Chart 3: Financials have outperformed other UK IG credit sectors, led by Banks, though Insurance also rebounded from the sell-off after the Ukraine shock in 2022. Stronger capital reserves helped both sectors.

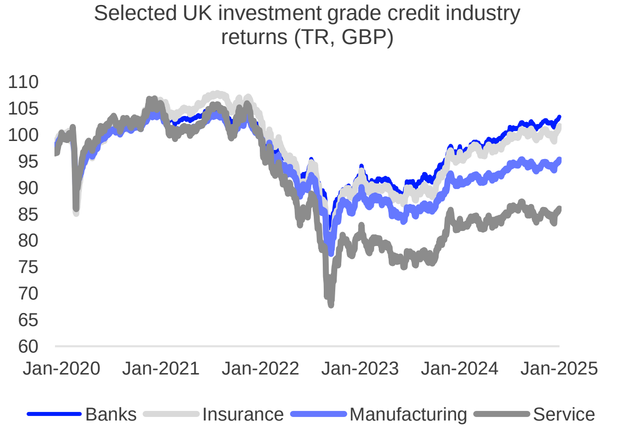


Chart 4: Other Utility has proved the weakest sector in sterling high yield, mainly due to the sell-off in Thames Water bonds, which proved far from liquid! Performance has been similar in other sectors.

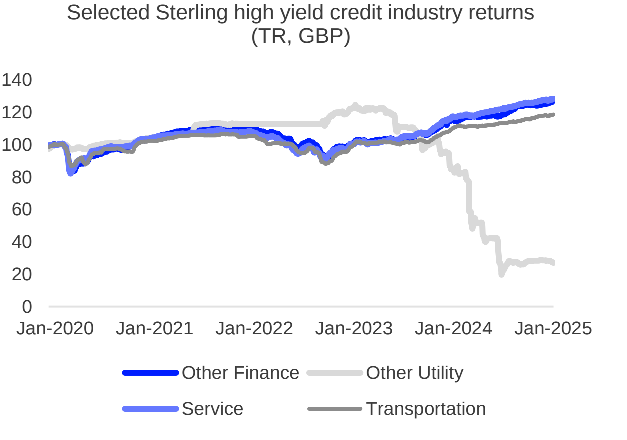


Chart 5: The share of BBB credits spiked, in the early days of Covid as fears about downgrades of IG issuers to high yield emerged. But these fears proved unfounded and the share of A has increased since 2021.

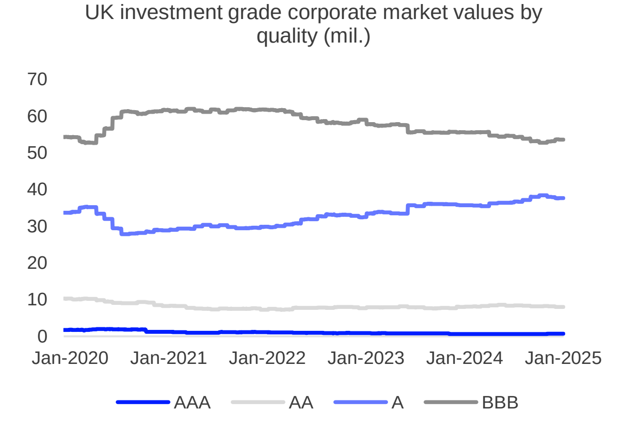
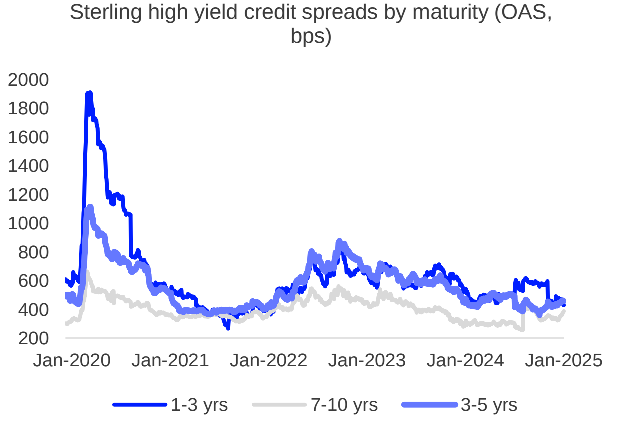


Chart 6: Investors receive very little, if any, extra credit spread for increasing duration in the UK high yield market. Indeed, 7-10 year high yield spreads are below those on shorter paper, reflecting the flat curve.



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SI Sovereign Bond Analysis

Chart 1: SI corporate returns have been positive over 3M, 1 year and 5 years. Over 3M, tighter credit spreads and higher carry from elevated yields have helped to offset the impact of higher interest rates.

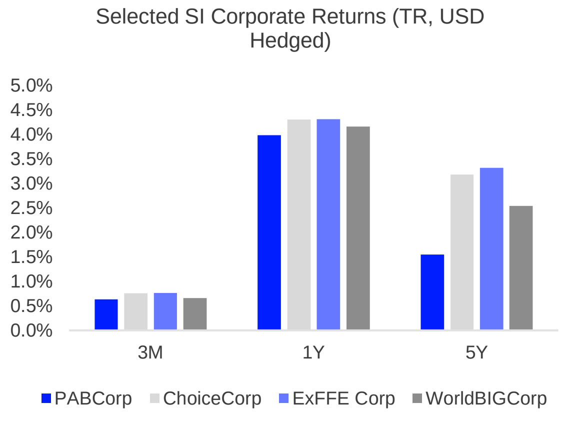


Chart 2: Relative performance was mostly due to duration, as yields have continued to rise. PAB has underperformed WorldBIG Corp post-Covid, while ExFFE and Choice have held up well.

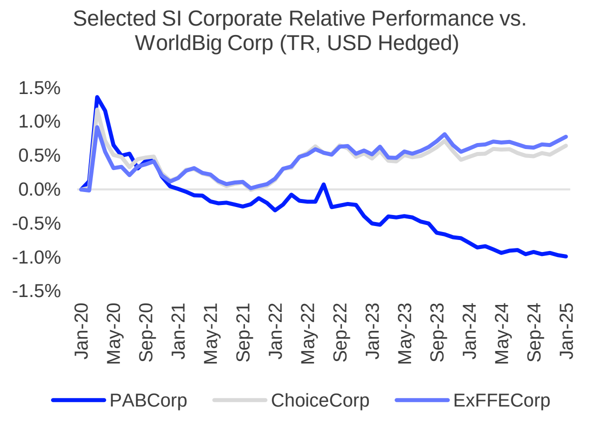


Chart 3: SI corp indices take a varied approach to active weights in the Financials, Electric and Manufacturing sectors, but all three continue to be overweight in Services and underweight Energy vs WorldBIG corp.

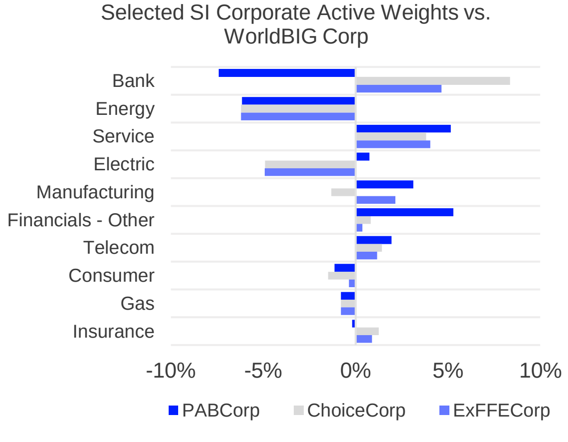


Chart 4: SI indices have a lower BBB exposure in favour of AAAs and AAs, indicating a quality bias vs WorldBIG Corp. We note no recent major changes in credit exposure, besides the PAB quality upgrade.

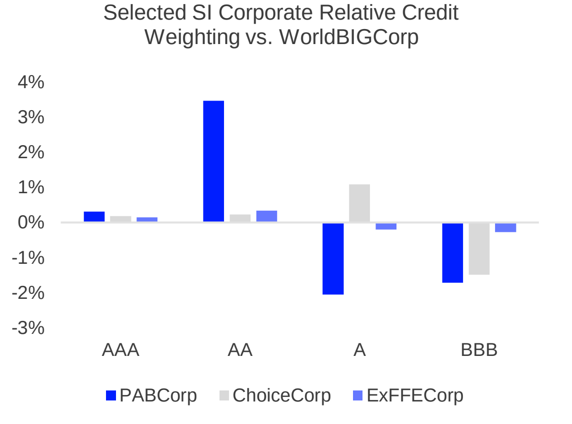


Chart 5: While yields are higher in all three indices over 3M, credit spreads have continued to tighten to near 5-year lows, resulting in an unusual divergence between absolute yields and credit spreads.

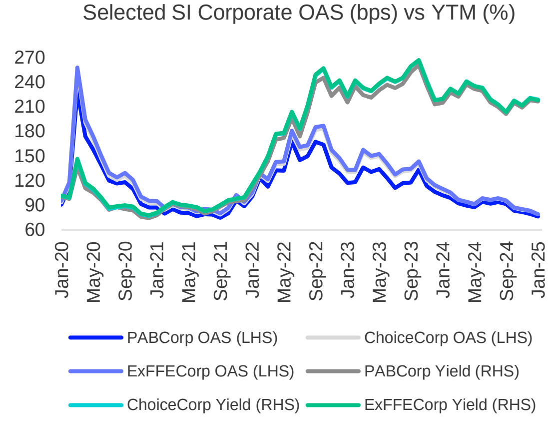
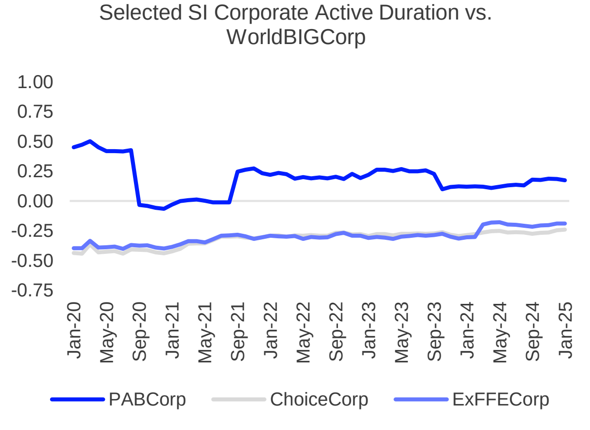


Chart 6: Active duration for PAB has been mostly positive over 5 years, despite some volatility. However, Choice and ExFFE have low volatility and consistently negative duration vs WorldBig Corp.



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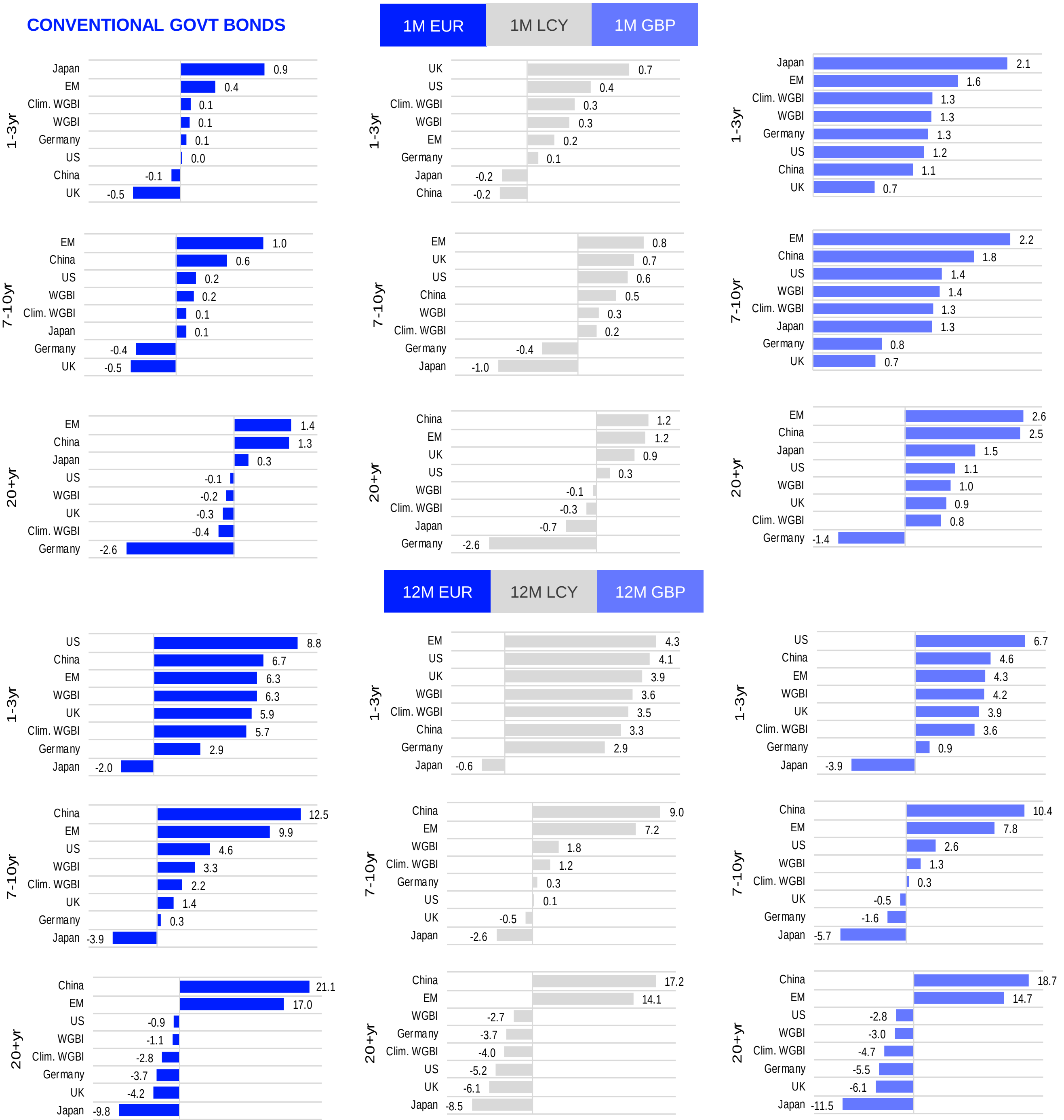
Global Bond Market Returns − 1M & YTD % (EUR, GBP, LC, TR)

Major govt bond markets moved in narrow ranges in January, awaiting the new US administration and policy proposals. Long Bunds were weakest, as political uncertainty increased and markets mulled a fiscal stimulus. Some sterling weakness meant overseas returns were boosted in sterling terms, in contrast to the Euro's rally, which reduced returns in Euro terms.

After some sharp moves and curve steepening in Q4, US Treasuries and gilts stabilised in January. Long China and EM again led performance, with gains of about 1% in local currency terms. Long Bunds underperformed and fell nearly 3% in euros in January, on concern over inflation, which bounced back to 2.6% y/y in December, and political uncertainty. However, the sharp drop in the HCIP in January (to 2.3% y/y) showed this was most likely a temporary blip, after lower food and energy prices eased pressure. Longs remain negative across regions over 12 months, led by JGBs, with yen depreciation eroding returns in euros and sterling.

UK gilts were caught between weak growth but sticky inflation in January, moving little overall, with the market expecting a 25bp rate cut in February. But on 12M, longer gilts show sizeable losses near 9%, on reduced pension fund demand and 5% services inflation.



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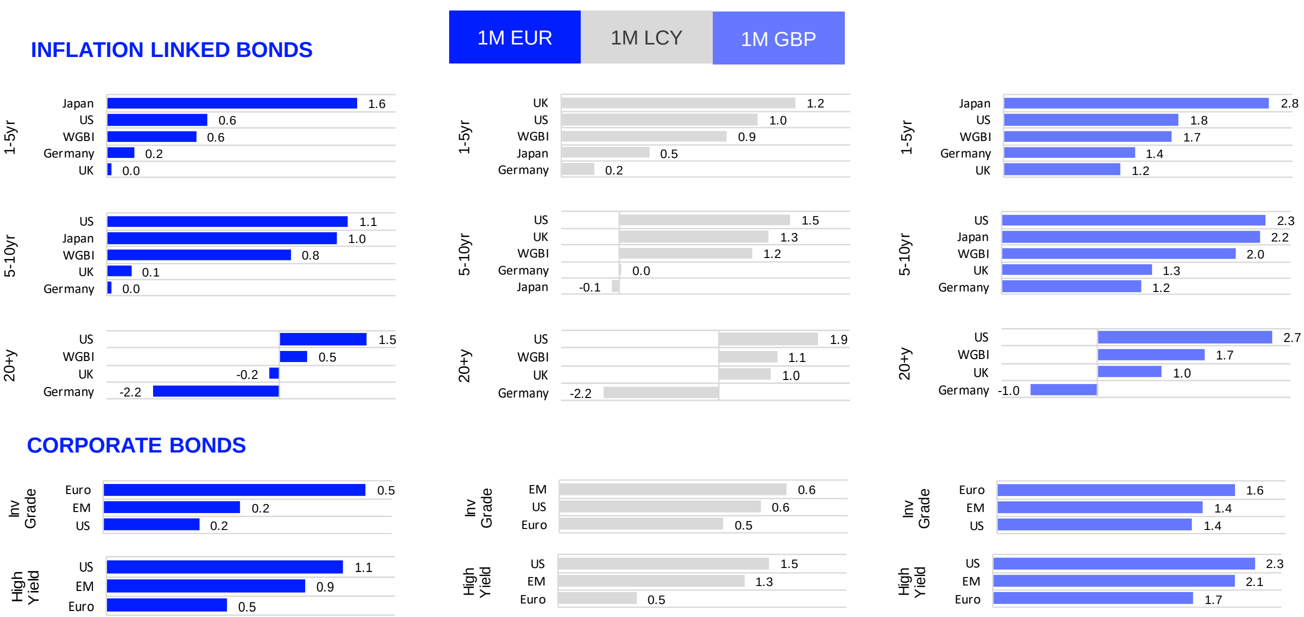
Global Inflation-Linked Bond Returns − 1M & 12M % (EUR, GBP, LC, TR)

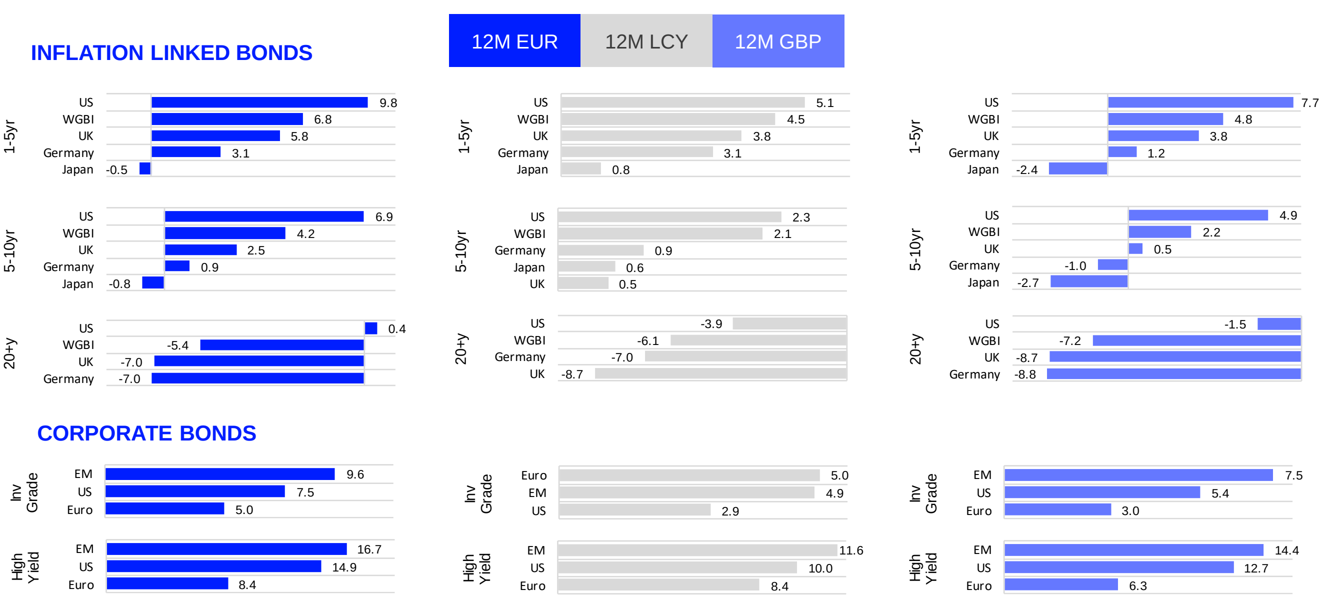
Shorter duration inflation linked bonds managed modest gains, but like conventionals, moved little in January after the major swings in Q4. Credit broadly matched linker gains in January, but far outperformed on 12 months, as risk rallied with double digit gains, versus losses of 7-9% in long UK and Bund linkers.

Linkers were close to unchanged in January, awaiting the new US administration and after economic data suggesting the Fed remains in a slow easing cycle. Short Bund and UK linkers managed very small gains, while long Bunds, down 2% in euros, continued to underperform.

Credit showed modest gains of up to 2%, with high yield modestly outperforming investment grade corporate bonds in January. On 12M, credit returns far exceeded those of other fixed income asset classes, as the risk rally, improved credit metrics and correlation with equities boosted returns, particularly of high yield.

Long inflation-linked led losses in the asset class on 12M, with Bunds down 7% in euros and UK linkers losing 9% in sterling.





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

Currency moves dominated 1M returns and long EM (and China) led returns, helped by Mexican peso and Brazilian real gains of 5-6% versus euro and sterling in January. But currency losses meant long EM inflation-linked lost 12-13% on 12M in euro/sterling terms. EM 7-10 year have led 12M returns, with the appreciation of the Chinese renminbi versus both the euro and sterling boosting returns.

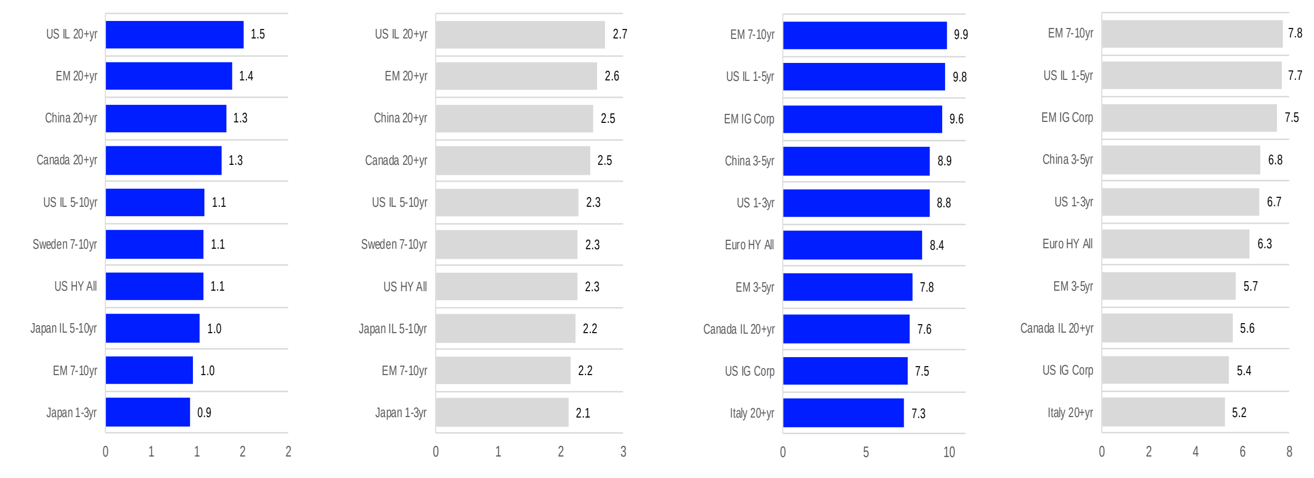
US Tips, especially longs, outperformed in January, on prospects of sticky inflation being difficult to tame, particularly if higher tariffs are implemented globally. Both EM and long Chinese conventional bonds led performance, helped by the stronger yuan versus sterling and the Euro.

Political uncertainty and the threat of higher issuance impacted European linkers, especially long Bunds and French government bonds, over both 1M and 12M, despite steady ECB rate cuts through 2024. Euro high yield, up 8% in euros, have continued to benefit from the equity rally and extra yield pick-up.

Long UK linkers lost 7-9% in euro/sterling terms on 12M, due to reduced UK pension fund demand, and issuance fears.

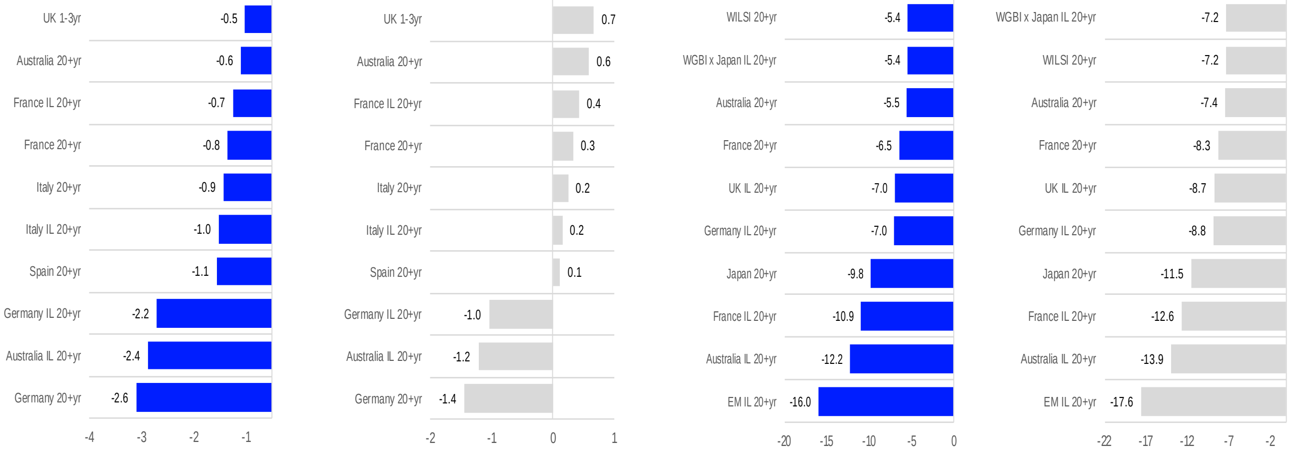
TOP 10

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) – Jan 31, 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	0.96	4.47	5.44	0.42	1.21	0.02	4.14	6.73	8.82
	7-10YR	-0.65	2.80	3.76	0.61	1.41	0.22	0.12	2.61	4.61
	20+YR	-4.01	-0.68	0.25	0.31	1.10	-0.08	-5.17	-2.81	-0.91
	IG All	-0.08	3.38	4.35	0.56	1.36	0.17	2.89	5.44	7.51
	HY All	2.19	5.73	6.72	1.46	2.27	1.07	9.98	12.72	14.92
UK	1-3YR	1.51	1.51	2.45	0.67	0.67	-0.51	3.92	3.92	5.95
	7-10YR	0.69	0.69	1.63	0.69	0.69	-0.49	-0.51	-0.51	1.44
	20+YR	-2.29	-2.29	-1.37	0.90	0.90	-0.28	-6.06	-6.06	-4.22
EUR	IG All	1.60	0.66	1.60	0.46	1.65	0.46	4.97	2.95	4.97
	HY All	1.77	0.83	1.77	0.54	1.74	0.54	8.41	6.32	8.41
Japan	1-3YR	-0.32	1.45	2.40	-0.17	2.12	0.92	-0.64	-3.87	-1.99
	7-10YR	-2.15	-0.41	0.52	-0.98	1.30	0.11	-2.56	-5.73	-3.89
	20+YR	-1.48	0.27	1.21	-0.75	1.53	0.34	-8.53	-11.51	-9.78
China	1-3YR	0.78	2.14	3.09	-0.18	1.09	-0.10	3.31	4.64	6.69
	7-10YR	4.40	5.81	6.79	0.47	1.75	0.56	8.96	10.36	12.52
	20+YR	8.51	9.97	11.00	1.23	2.52	1.32	17.24	18.75	21.07
EM	1-3YR	1.12	2.47	3.43	0.18	1.58	0.39	4.33	4.29	6.33
	7-10YR	3.25	4.83	5.81	0.81	2.16	0.96	7.23	7.75	9.86
	20+YR	6.54	7.99	9.00	1.18	2.59	1.38	14.10	14.71	16.96
	IG All	0.00	3.47	4.44	0.63	1.43	0.24	4.87	7.48	9.58
	HY All	1.62	5.15	6.13	1.29	2.09	0.90	11.64	14.42	16.65
Germany	1-3YR	0.79	-0.14	0.79	0.07	1.26	0.07	2.86	0.89	2.86
	7-10YR	0.36	-0.57	0.36	-0.43	0.75	-0.43	0.34	-1.58	0.34
	20+YR	-1.55	-2.46	-1.55	-2.60	-1.45	-2.60	-3.69	-5.54	-3.69
Italy	1-3YR	1.22	0.28	1.22	0.23	1.42	0.23	3.82	1.82	3.82
	7-10YR	1.61	0.67	1.61	0.14	1.33	0.14	5.60	3.58	5.60
	20+YR	1.19	0.25	1.19	-0.93	0.25	-0.93	7.30	5.24	7.30
Spain	1-3YR	0.99	0.05	0.99	0.16	1.35	0.16	3.53	1.54	3.53
	7-10YR	0.96	0.02	0.96	0.08	1.27	0.08	3.72	1.73	3.72
	20+YR	0.07	-0.85	0.07	-1.06	0.12	-1.06	4.77	2.76	4.77
France	1-3YR	0.92	-0.01	0.92	0.16	1.35	0.16	2.99	1.02	2.99
	7-10YR	0.31	-0.62	0.31	0.20	1.38	0.20	-0.56	-2.46	-0.56
	20+YR	-2.06	-2.96	-2.06	-0.85	0.33	-0.85	-6.46	-8.26	-6.46
Sweden	1-3YR	0.43	0.54	1.48	0.55	1.25	0.06	3.85	-0.57	1.38
	7-10YR	-0.10	0.00	0.94	1.56	2.27	1.07	2.41	-1.94	-0.02
Australia	1-3YR	1.38	-0.10	0.83	0.45	2.00	0.80	3.62	0.20	2.16
	7-10YR	1.82	0.33	1.26	0.28	1.83	0.63	1.82	-1.54	0.39
	20+YR	1.42	-0.07	0.86	-0.94	0.59	-0.59	-4.20	-7.35	-5.54
NZ	1-3YR	1.24	-0.50	0.43	0.18	1.89	0.70	6.61	0.35	2.32
	7-10YR	1.03	-0.70	0.22	-0.19	1.52	0.33	5.84	-0.38	1.57
Canada	1-3YR	1.57	1.16	2.10	0.81	0.90	-0.28	5.73	-0.03	1.92
	7-10YR	2.11	1.69	2.64	1.47	1.56	0.37	6.02	0.24	2.20
	20+YR	1.26	0.85	1.79	1.87	1.97	0.77	3.84	-1.82	0.10

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Appendix − Global Bond Market Returns % (EUR, GBP, LC, TR) – Jan 31, 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	1.19	4.70	5.68	1.02	1.82	0.63	5.06	7.67	9.78
	5-10YR	0.09	3.56	4.52	1.48	2.29	1.09	2.32	4.86	6.91
	20+YR	-4.03	-0.70	0.23	1.91	2.71	1.51	-3.93	-1.54	0.39
UK	1-5YR	1.65	1.65	2.60	1.22	1.22	0.03	3.75	3.75	5.78
	5-10YR	0.45	0.45	1.39	1.30	1.30	0.11	0.52	0.52	2.49
	20+YR	-7.46	-7.46	-6.60	1.00	1.00	-0.19	-8.74	-8.74	-6.95
EUxUK	1-5YR	1.07	0.13	1.07	0.17	1.36	0.17	3.15	1.17	3.15
	5-10YR	0.49	-0.44	0.49	0.02	1.21	0.02	0.89	-1.05	0.89
	20+YR	-3.68	-4.57	-3.68	-2.20	-1.04	-2.20	-7.01	-8.80	-7.01
Japan	1-5YR	0.50	2.29	3.24	0.46	2.76	1.56	0.83	-2.45	-0.54
	5-10YR	0.05	1.83	2.78	-0.06	2.23	1.04	0.59	-2.68	-0.78
EM	1-5YR	3.09	4.87	5.85	1.78	5.86	4.61	9.74	-3.87	-1.99
	5-10YR	1.32	2.45	3.40	1.37	4.86	3.63	4.08	-7.14	-5.32
	20+YR	-2.79	-1.21	-0.29	0.40	4.78	3.55	-6.39	-17.61	-16.00
Germany	1-5YR	1.07	0.13	1.07	0.17	1.36	0.17	3.15	1.17	3.15
	5-10YR	0.49	-0.44	0.49	0.02	1.21	0.02	0.89	-1.05	0.89
	20+YR	-3.68	-4.57	-3.68	-2.20	-1.04	-2.20	-7.01	-8.80	-7.01
Italy	1-5YR	1.67	0.73	1.67	0.59	1.78	0.59	4.51	2.51	4.51
	5-10YR	1.80	0.86	1.80	0.85	2.05	0.85	5.97	3.94	5.97
	20+YR	-0.68	-1.60	-0.68	-1.02	0.15	-1.02	5.27	3.25	5.27
Spain	1-5YR	1.35	0.41	1.35	0.42	1.61	0.42	3.54	1.55	3.54
	5-10YR	1.26	0.32	1.26	0.64	1.83	0.64	3.92	1.92	3.92
France	1-5YR	0.76	-0.17	0.76	0.18	1.37	0.18	1.37	-0.57	1.37
	5-10YR	0.65	-0.28	0.65	0.62	1.81	0.62	-0.50	-2.41	-0.50
	20+YR	-4.03	-4.92	-4.03	-0.75	0.43	-0.75	-10.94	-12.65	-10.94
Sweden	1-5YR	0.32	0.43	1.37	0.38	1.09	-0.10	3.02	-1.36	0.57
	5-10YR	-0.40	-0.29	0.64	0.89	1.60	0.40	3.33	-1.06	0.88
Australia	1-5YR	1.44	-0.05	0.89	0.54	2.09	0.89	2.80	-0.58	1.36
	5-10YR	1.58	0.09	1.02	0.35	1.90	0.71	1.66	-1.69	0.23
	20+YR	-1.66	-3.10	-2.20	-2.72	-1.22	-2.38	-11.00	-13.93	-12.25
NZ	5-10YR	1.80	0.06	0.99	0.36	2.08	0.88	6.25	0.01	1.97
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	3.55	3.12	4.09	2.63	2.73	1.52	9.56	3.58	5.61

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Appendix − Historical Bond Yields % as of January 31, 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	4.23	4.30	4.51	4.88	1.60	1.96	2.42	5.32	7.40
	3M Ago	4.21	4.16	4.26	4.57	1.86	1.88	2.19	5.18	7.48
	6M Ago	4.38	3.99	4.02	4.42	2.13	1.77	2.12	5.16	7.81
	12M Ago	4.33	3.93	3.93	4.31	1.98	1.64	2.01	5.14	7.97
UK	Current	4.06	4.11	4.43	5.01	0.06	0.70	1.77		
	3M Ago	4.38	4.23	4.37	4.80	0.58	0.70	1.46		
	6M Ago	4.19	3.82	3.89	4.47	0.27	0.37	1.25		
	12M Ago	4.21	3.73	3.75	4.39	0.16	0.21	1.25		
Japan	Current	0.67	0.84	1.12	2.22	-1.25	-0.47			
	3M Ago	0.39	0.50	0.80	2.12	-1.08	-0.57			
	6M Ago	0.37	0.57	0.94	2.11	-1.19	-0.59			
	12M Ago	0.04	0.20	0.59	1.73	-1.65	-0.83			
China	Current	1.27	1.39	1.63	1.94					
	3M Ago	1.49	1.72	2.12	2.37					
	6M Ago	1.53	1.76	2.10	2.38					
	12M Ago	2.07	2.22	2.46	2.70					
EM	Current	3.10	3.25	3.96	3.44	6.27	5.79	6.31	5.49	7.91
	3M Ago	3.21	3.43	4.04	3.77	6.04	5.46	5.91	5.33	7.71
	6M Ago	3.19	3.48	4.18	3.73	5.77	5.23	5.69	5.41	7.93
	12M Ago	3.34	3.81	4.64	4.17	4.38	4.41	5.03	5.58	9.35
Germany	Current	2.08	2.12	2.35	2.67	0.63	0.41	0.73		
	3M Ago	2.29	2.16	2.32	2.57	1.32	0.50	0.55		
	6M Ago	2.62	2.25	2.21	2.50	1.57	0.40	0.43		
	12M Ago	2.57	2.07	2.06	2.38	0.81	0.20	0.27		
Italy	Current	2.37	2.68	3.31	4.04	0.63	1.29	1.90		
	3M Ago	2.71	2.86	3.40	4.05	1.27	1.52	1.86		
	6M Ago	2.99	2.97	3.43	4.10	1.45	1.58	1.87		
	12M Ago	2.96	2.93	3.47	4.21	1.08	1.58	1.94		
France	Current	2.30	2.56	3.05	3.65	0.56	0.84	1.38		
	3M Ago	2.48	2.64	2.96	3.50	0.94	0.94	1.20		
	6M Ago	2.78	2.68	2.87	3.40	0.98	0.81	1.05		
	12M Ago	2.62	2.34	2.52	3.13	0.44	0.37	0.78		
Sweden	Current	1.85	1.94	2.15		0.93	0.60			
	3M Ago	1.84	1.89	2.07		0.71	0.42			
	6M Ago	2.15	1.96	1.98		0.95	0.51			
	12M Ago	2.68	2.21	2.18		1.26	0.76			
Australia	Current	3.81	3.87	4.34	4.95	1.71	1.92	2.60		
	3M Ago	4.06	4.04	4.42	4.97	1.81	1.97	2.46		
	6M Ago	3.86	3.76	4.07	4.62	1.38	1.56	2.04		
	12M Ago	3.69	3.60	3.97	4.42	1.04	1.39	1.81		
New Zealand	Current	3.64	3.85	4.43	5.14		2.29			
	3M Ago	3.81	3.91	4.41	5.01		2.42			
	6M Ago	4.21	4.04	4.31	4.81	2.47	2.21			
	12M Ago	4.89	4.44	4.55	4.87	1.72	2.39			
Canada	Current	2.66	2.72	3.01	3.22	0.77	1.00	1.35		
	3M Ago	3.11	3.01	3.21	3.29	1.36	1.41	1.56		
	6M Ago	3.64	3.11	3.15	3.23	1.41	1.34	1.52		
	12M Ago	4.21	3.50	3.36	3.28	1.55	1.60	1.72		

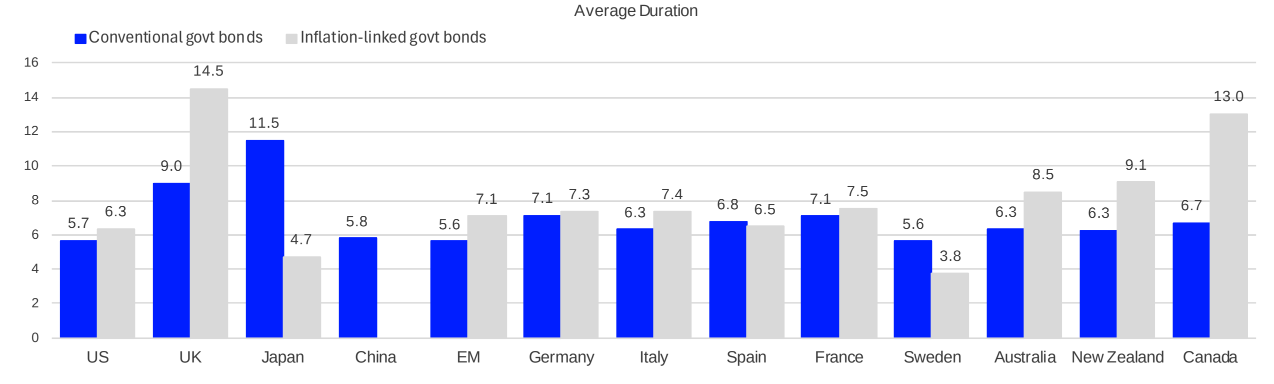
Source: FTSE Russell and LSEG. All data as of January 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix – Duration and Market Value (USD, Bn) as of January 31, 2024

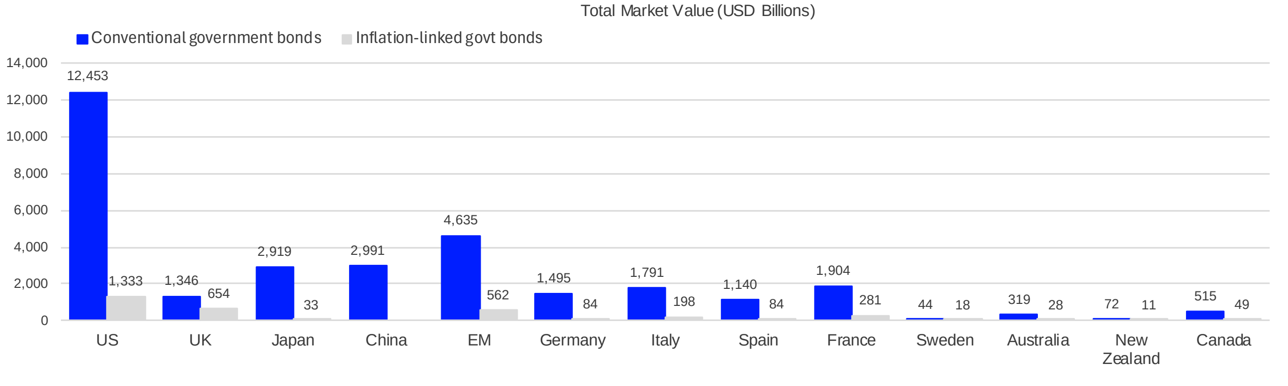
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	7.0	16.1	**5.7**	2,906.3	1,207.6	1,388.8	**12,453.3**	6.9	20.9	**6.3**	438.3	116.6	**1,332.6**
UK	3.6	7.2	17.6	**9.0**	202.9	231.0	315.9	**1,346.0**	7.3	26.3	**14.5**	124.7	213.2	**654.1**
Japan	3.9	8.3	22.9	**11.5**	344.1	428.1	591.1	**2,918.9**	8.1		**4.7**	12.5		**32.9**
China	3.7	7.6	18.2	**5.8**	714.5	508.4	352.3	**2,990.8**						
EM	3.6	7.0	16.5	**5.6**	1,036.0	823.6	461.4	**4,634.7**	5.7	12.7	**7.1**	98.1	141.0	**562.0**
Germany	3.7	7.5	20.9	**7.1**	315.5	244.6	164.0	**1,495.5**	5.9	20.4	**7.3**	42.5	16.6	**84.3**
Italy	3.7	7.1	16.7	**6.3**	326.0	247.5	154.8	**1,791.1**	6.8	25.1	**7.4**	59.9	5.5	**197.8**
Spain	3.7	7.2	18.6	**6.8**	240.1	212.9	95.2	**1,140.0**	7.0		**6.5**	49.9		**83.9**
France	3.7	7.4	18.8	**7.1**	389.4	315.3	233.4	**1,904.2**	6.4	23.4	**7.5**	78.1	19.9	**281.2**
Sweden	3.9	7.3		**5.6**	13.7	9.9		**44.0**	6.2		**3.8**	5.9		**17.8**
Australia	3.8	7.3	16.2	**6.3**	52.5	92.0	18.4	**319.0**	6.0	21.1	**8.5**	10.3	2.5	**27.7**
New Zealand	3.5	7.0	15.7	**6.3**	14.1	17.8	4.9	**72.1**	5.1		**9.1**	3.1		**11.2**
Canada	3.7	7.6	19.5	**6.7**	84.8	113.6	73.9	**514.8**	6.0	22.0	**13.0**	7.9	13.0	**48.6**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.1	8.1	6.8	6.5	6.8	71.2	454.3	2838.6	3605.7	6969.8	3.8	1126.0
Europe	5.8	4.6	4.5	4.1	4.3	14.6	205.1	1225.0	1570.9	3015.6	3.1	349.6
EM		6.2	5.2	5.3	5.4		69.1	178.1	232.5	479.7	3.6	195.9

Average Duration



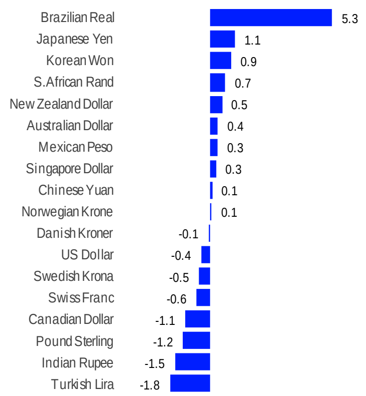
Total Market Value (USD Billions)



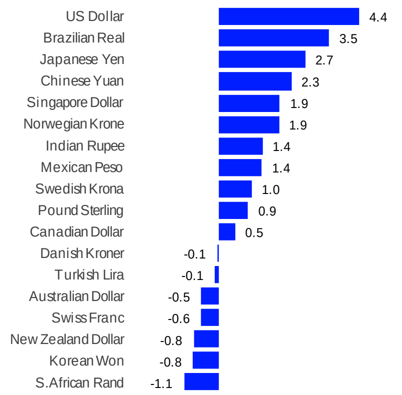
Source: FTSE Russell and LSEG. All data as of January 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix − Foreign Exchange Returns % as of January 31, 2024

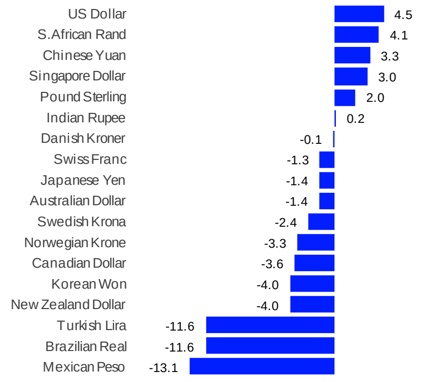
1M vs EUR



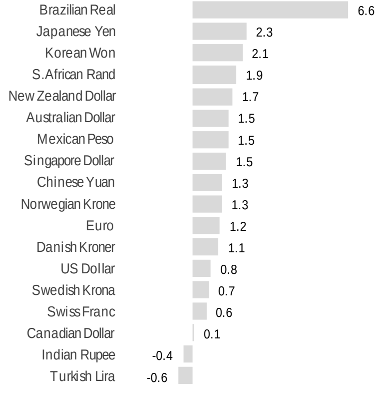
3M vs EUR



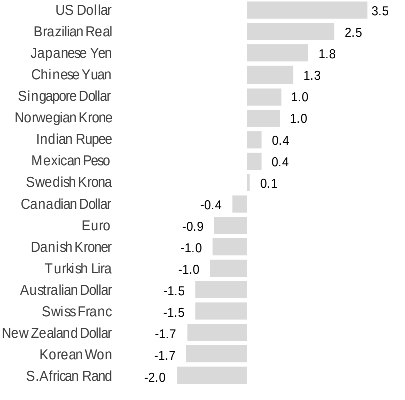
12M vs EUR



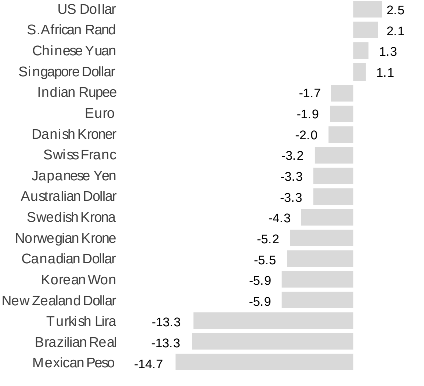
1M vs GBP



3M vs GBP



12M vs GBP



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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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