Fixed Income Insights

US EDITION

MONTHLY REPORT | **FEBRUARY 2025**

Trade tariff threat casts further doubt on Fed easing

If implemented, trade tariffs carry G7 inflation risks, and a threat to the risk rally, pending pass-through to final consumer prices, suggesting more delay to Fed easing, and further US spread widening. Surging sovereign issuance has helped drive credit spreads to 10-year lows, as credit metrics improve. China and EM lead returns on 1M and 12M.

Macro and policy backdrop – Growth upgrades, trade tariffs likely to stall Fed easing

Fed caution would likely be reinforced by trade tariffs, if implemented. BoC & ECB have more room to ease further. BoE trapped by stagflation even if UK escapes tariff war. (pages 2-3)

Yields, curves & spreads – Longer yields stabilize but US spread widening intact

Longs stabilize after Q4 sell-off. Inflation and growth pressure US spreads. (pages 4-5)

IG credit & MBS – IG credit spreads near 10 yr lows, as sovereign issuance increases

Credit spreads reflect strong IG performance, and low levels of credit stress, but threat to risk rally posed by a trade war. (page 6)

High yield credit analysis – HY spreads continue to edge tighter in risk rally

HY spreads have tightened even more than IG, reflecting sweet spot for credit. (page 7)

SI sovereign bond analysis – Quality bias in SI indices

PAB, Choice and exFFE corporate indices have a lower BBB exposure in favor of AAAs and AAs, indicating a quality bias versus WorldBIG Corp. (page 8)

Performance – China, EM and credit led returns in January, and on 12M

Long G7 bonds stabilized in January. Credit and China outperformed. (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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AUTHORS

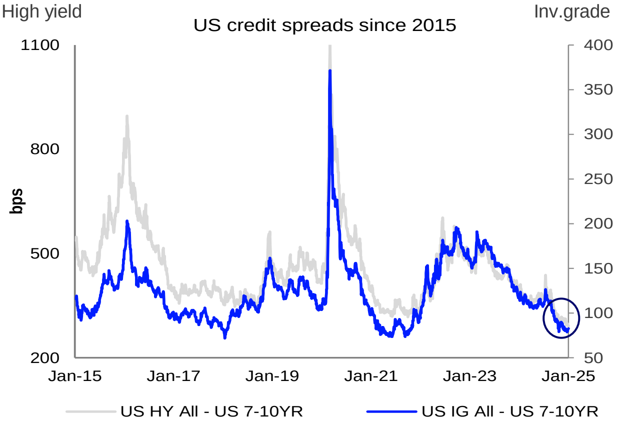
Robin Marshall
Director, Global Investment Research
Robin.Marshall@lseg.com

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

Chart 1: The US economy has a much lower trade/GDP ratio than the G7 and China, but is a major export market for other economies. This leaves Canada and the EU 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: Both US investment grade and high yield credit spreads have tightened in the 2024-25 risk rally to sit at 10 yr lows Increased sovereign issuance, improved credit quality and the risk rally have been key drivers.



Source: FTSE Russell and World Bank data (2023). Other 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.

Macroeconomic Backdrop – Growth and Inflation Expectations

IMF forecasts show divergent growth continuing in 2025 after a revision up to the US forecast to 2.7%. But growth and inflation forecasts are more uncertain after recent tariff increases. Achieving inflation targets remains a major challenge for the Fed and BoE, due to services inflation and labor shortages, slowing easing cycles. Gold and oil price correlation broke down since Covid.

The IMF revised up its 2025 growth forecast for the US to 2.7%, after positive growth surprises in the second half of 2024. But trade tariff increases would add considerable uncertainty to growth and inflation forecasts. Stronger US productivity growth than Europe is of note. UK growth stalled in H2 2024, and high personal savings and low consumer confidence continue.

US inflation remains above the 2% target, as the economy showed resilient growth in Q4. This gives the Fed a reason to delay easing, with the core PCE target measure at 2.8% y/y in December. UK CPI increased 2.5% y/y in December, with services slowing to 4.4% y/y from 5%.This gives the BoE a chance to ease on Feb 6th, given weak UK growth. How far US trade tariff increases push up 2025 inflation will depend on pass-through from importers to final consumer prices, and the strength of consumer demand.

The US labor market enjoyed a soft landing in 2024, with payroll growth slowing to 2.2 million from 3mn.The participation rate was unchanged at 62.5% in December, and between 62.5% and 62.7% in 2024 – compared to a peak 66-67% in the dot.com boom, reflecting an ageing labor force. Unemployment near 4% suggests Fed policy changes in 2025 may be modest, pending a shock.

As with other asset classes, correlation of the gold price with the oil price has been low since Covid first broke the link in 2020. Gold benefitted from a perfect storm of central bank purchases, lower rates and its established store of value characteristics in 2024-25.

Chart 1: Some narrowing in global growth differentials is forecast for 2025, though the recoveries in Europe are modest, and rely on policy easing boosting demand. China's growth outlook is the most uncertain.

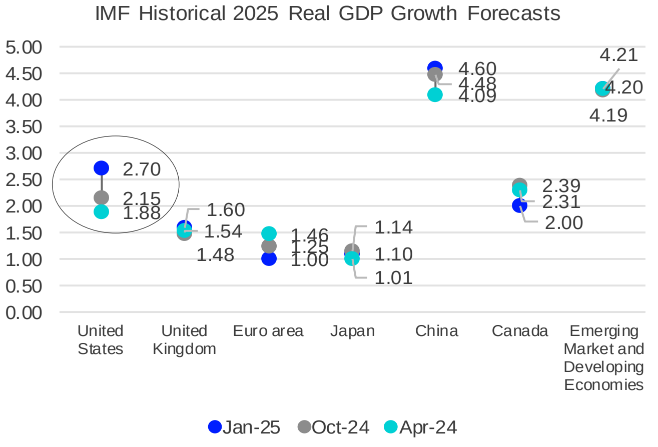


Chart 2: Inflation pressures diverge within the G7. Achieving 2% inflation is a major challenge in the US and UK, with services inflation the main issue, and now trade tariffs, while Canada and the EU are at 2% targets.

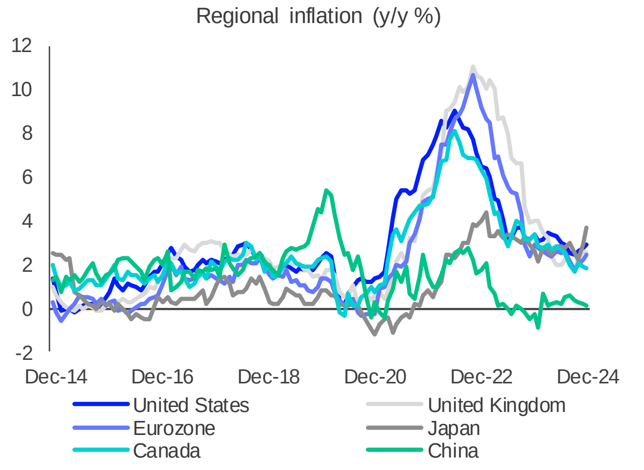


Chart 3: The US labor market remains robust, with unemployment and wage growth near 4%. Payroll growth slowed only modestly in 2024. The soft landing for employment reduces pressure for Fed easing.

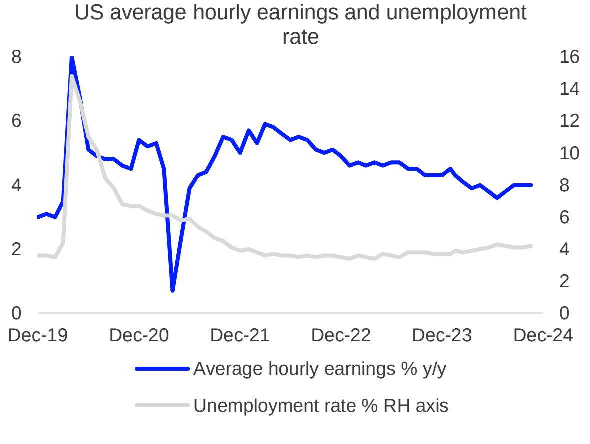
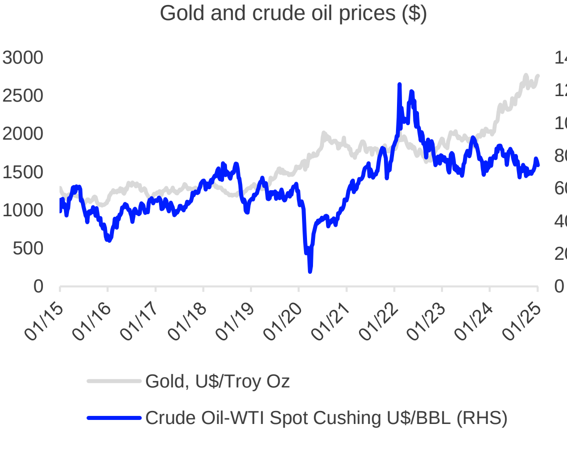


Chart 4: The gold price recovered in January after a brief dip following the US elections in Q4. Correlation of gold and oil prices has been low since Covid. Oil prices remain in the established $60-80 range.



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Financial Conditions and Monetary Policy Settings

Financial conditions and Fed policy have both eased since September, simplifying monetary policy. But US tariff increases carry obvious inflation and " higher for longer " rate risks, awaiting clarity on US fiscal policy and with GDP growth robust. Foreign official holdings of US Treasuries continue to fall, led by the PBoC, with little evidence to date of private sector sales.

US financial conditions and the Fed's policy rate have moved together since the Fed began easing rates in September, as Chart 1 shows. The re-establishment of a monotonic relationship between financial conditions and the Fed's policy rate simplifies monetary policy. Tighter credit spreads, a strong equity market and lower short rates have been the main drivers.

The US dollar was close to unchanged on the month, unwinding early gains. The late-month tech sell-off pulled the dollar lower, but the Fed's firm hold stabilized the currency. Recent US tariff rises may push the currency higher, while posing a threat to the Canadian dollar, peso and renminbi. The yen rallied on higher BoJ rates and sterling was weaker on UK stagflation.

The Fed decision to hold rates at 4.25 – 4.5 % was discounted, but tariff increases may now prevent US rate cuts for some time, given the inflation risks, buoyant growth and possible fiscal easing. The BoC cut rates to 3% (Chart 3), citing inflation at target and an economy in excess supply, noting a possible tariff war with the US increases uncertainty further. The BoJ raised rates to 0.5%, while the BoE is expected to ease again on Feb 6, after further weak growth.

Recent concerns about sudden selling of sovereign debt holdings by "bond vigilantes" are not yet evident in foreign holdings data, as Chart 4 shows, though the data doesn't yet show H2, 2024. Foreign holdings of US Treasuries fell as a share of total holdings since 2013, led by the decline in PBoC holdings, with a risk of more official selling if the tariff war escalates.

Chart 1: Anomaly resolved? US financial conditions have eased further since the Fed began easing rates in September 2024. For the Fed, a monotonic relationship would simplify monetary policy setting.

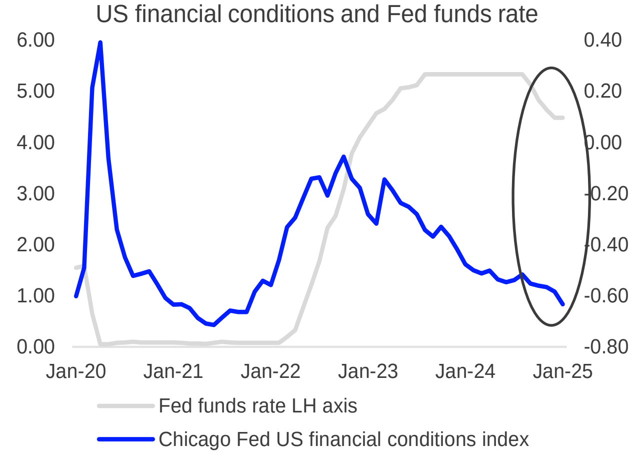


Chart 2: The dollar remains near 10 yr highs, and US tariff increases now underpin the currency. UK stagflation weighed on sterling, while the Canadian dollar is now threatened by US tariff increases.

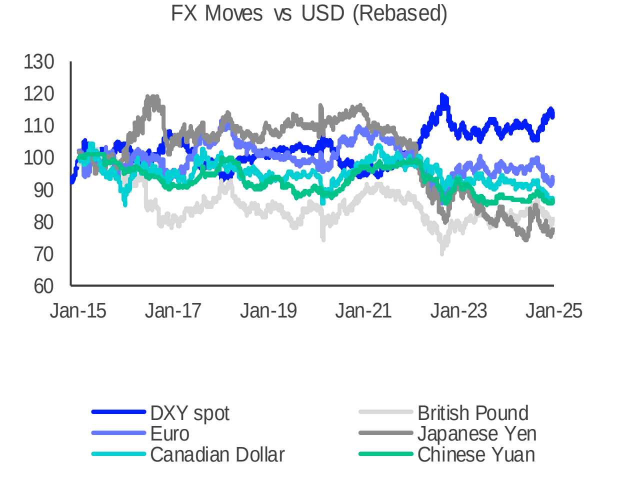


Chart 3: The Fed held rates unchanged at the January FOMC and recent tariff increases may prevent further easing for some time. But the BoC & ECB cut rates a further 25bp, helped by inflation & weak growth.

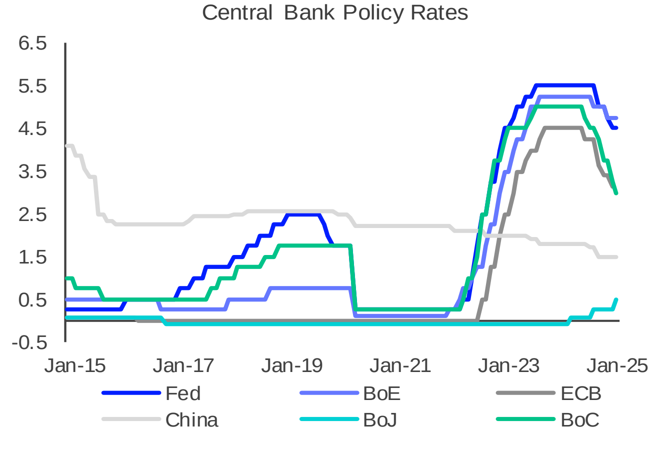
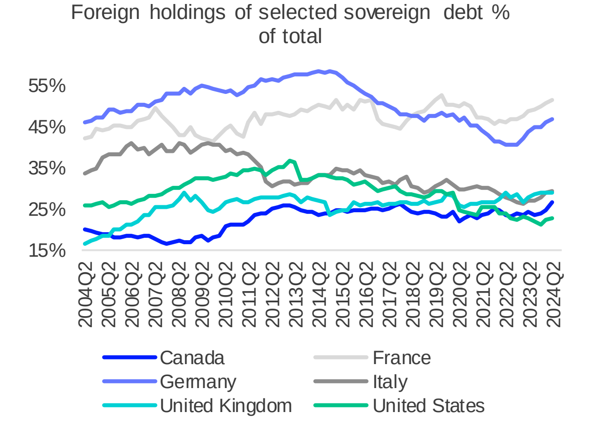


Chart 4: Foreign holdings of Treasuries fell steadily since 2013, mainly due to reduced central bank holdings (i.e., PBoC). French and German foreign holdings remain highest.



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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 declined the most, helped by the 200bp of BoC easing since June 2024.

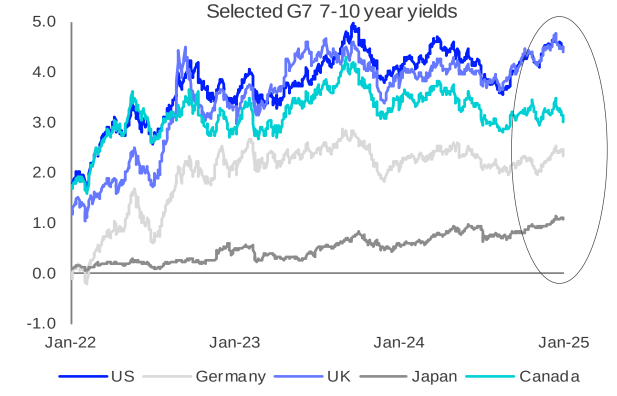


Chart 2: Real yields moved a little less than nominals in January, and breakevens rose a little (Chart 5). Real yields are still close to post-Covid highs in the 1-2% region, led by US Tips and UK linkers.

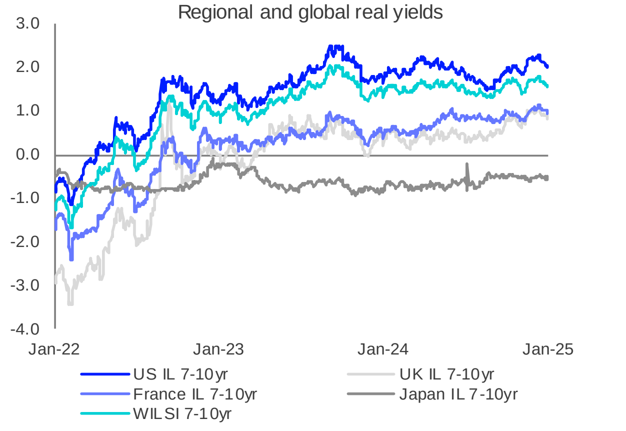


Chart 3: Yield curves oscillated in January, as 10 yr yields first backed up before falling back later in the month, but the steepening trend is broadly intact, particularly in Canada, where the BoC eased again.

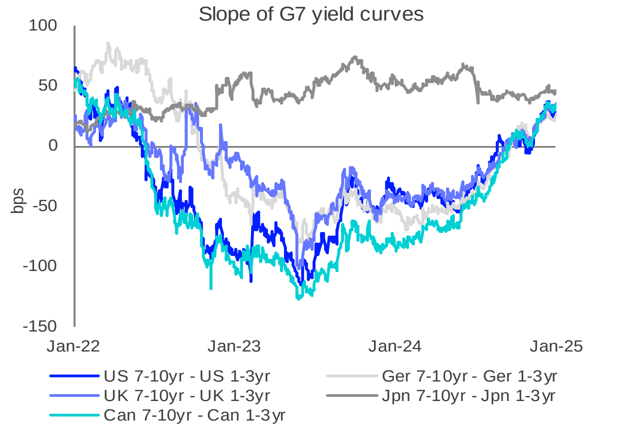


Chart 4: Similarly, the steepening trend is established in longs, apart from Japan, where the increase in the policy rate helped flatten the JGB curve. The UK curve has become the steepest, as stagflation fears mount.

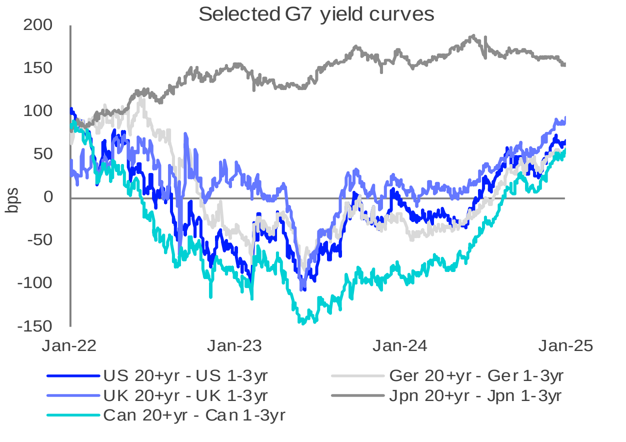


Chart 5: Breakevens edged higher in January, with US breakevens at the highest levels since the inflation shock in 2022. Sticky inflation in the 2-3% region in some economies may be a factor in this.

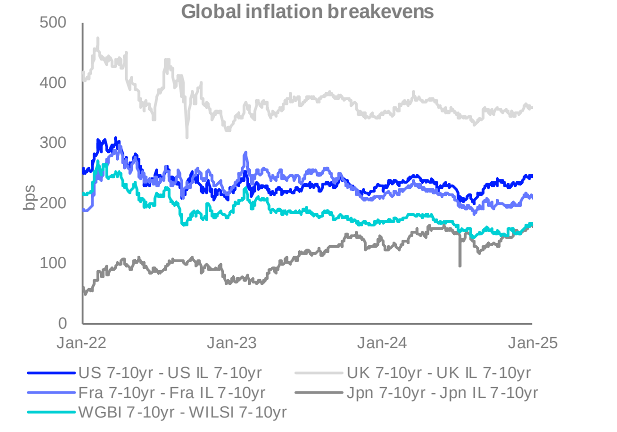
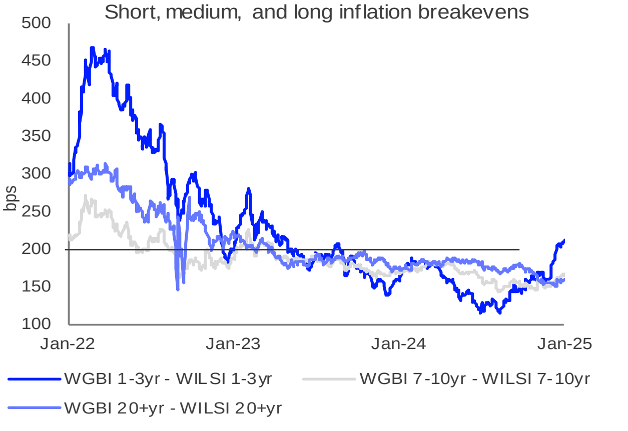


Chart 6: Globally, breakevens showed signs of bottoming out of late, though they are mostly below 2%. Short breakevens remain the most volatile, though the moves are modest versus the 2022 inflation shock.



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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.

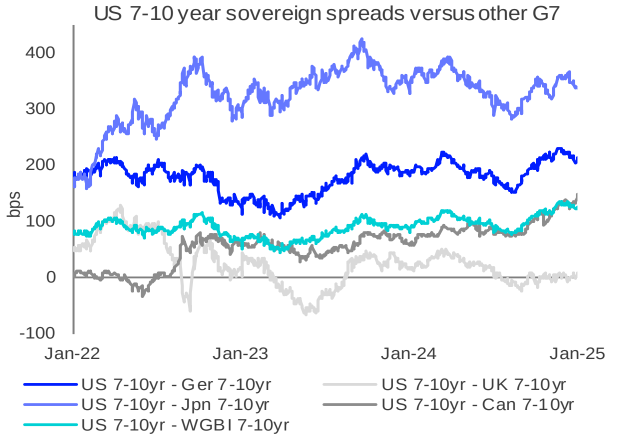

Chart 2: Italian sovereigns have been major beneficiaries of the risk rally, lower Italian inflation and more rapid ECB easing program in 2024. Spreads are at post-Covid levels vs Bunds, gilts and Treasuries.

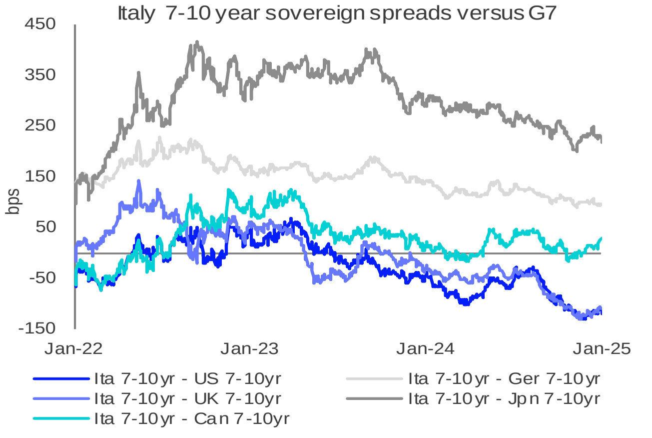

Chart 3: EM spreads have resumed their decline, and trade well through US Treasuries and UK gilts, helped by further declines in Chinese yields. Spreads moved by about 300bp versus the US and UK since 2022.

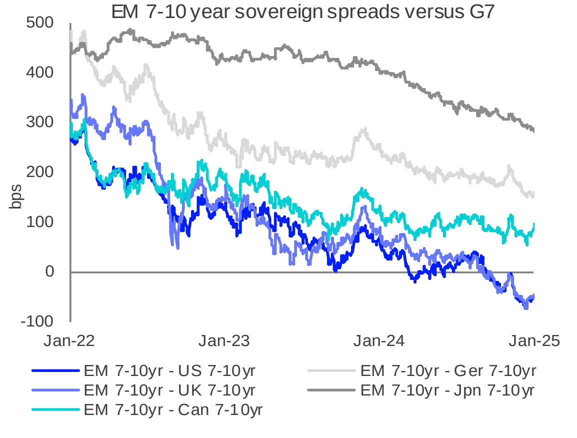

Chart 4: Chinese spreads show the scale of the divergence in inflation and monetary policy since Q1 2022, when the Fed began tightening. Only JGB yields remain above Chinese yields in the 7-10 year area.

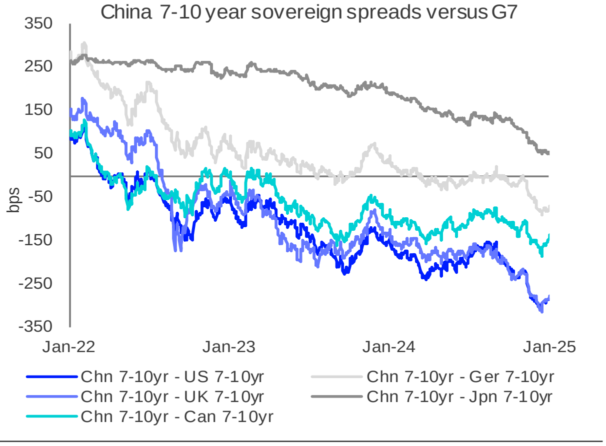

Chart 5: Credit spreads continue to tighten and are now at, or near, 10 year lows in the US and Eurozone. High yield spread convergence has been most marked. Low default rates and the risk rally are key drivers.

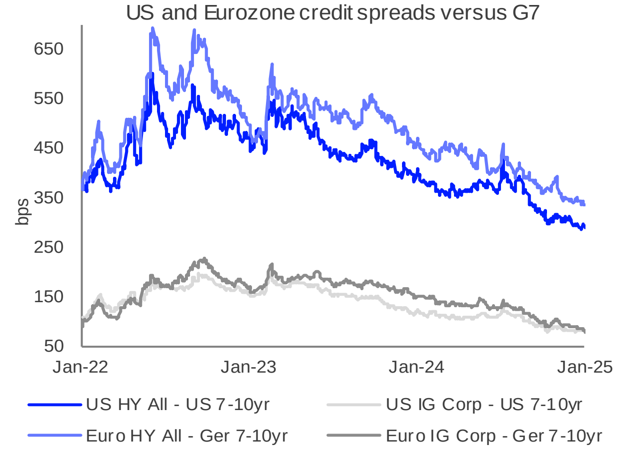

Chart 6: Chinese high yield spreads in dollars stabilized in January, but at the lowest levels since before Covid. Support measures for the Chinese property sector have been a big factor in this convergence.

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Investment Grade Credit and RMBS analysis

Chart 1: Faster policy easing by the ECB helped Euro IG yields fall faster, relative to the US and UK, where IG yields remain significantly higher. IG yields in all markets are still well above pre-Covid levels.

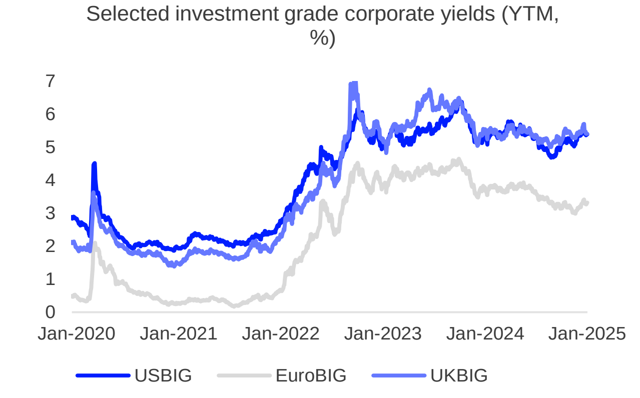


Chart 2: The New York Fed's corporate bond distress index shows low levels of distress, in both IG and HY, with the index just below its historical 5th percentile, and at post-Covid lows for distress.

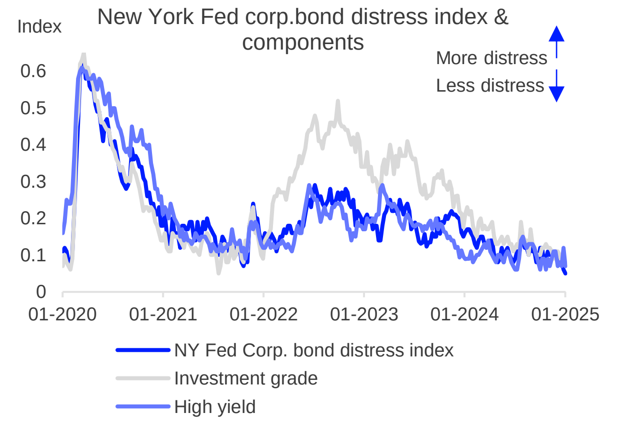


Chart 3: There was an initial surge in the share of BBB rated credits, and fall in the share of A credit, when Covid developed in Q1 2020, but since then, the share of A issues has increased, and BBB fallen.

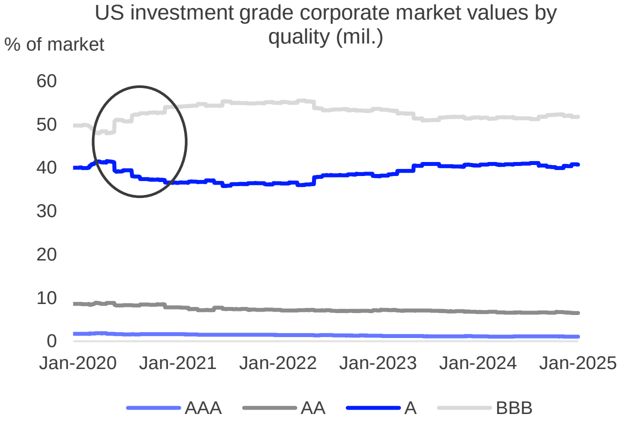


Chart 4: BBB credits remain the best performers in the IG sector, and AAA the worst performers since the Fed tightening cycle began. This reflects improved credit metrics in this cycle.

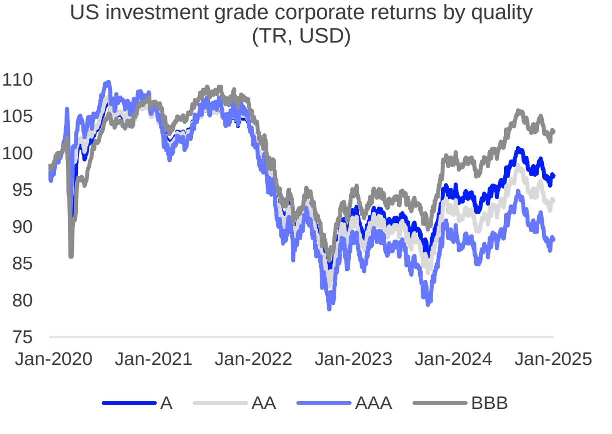


Chart 5: A tale of two markets? RMBS agency spreads have widened by about 100bp since Fed tightening and QT began, whereas IG spreads fell 15bp, despite the RMBS agency wrapper.

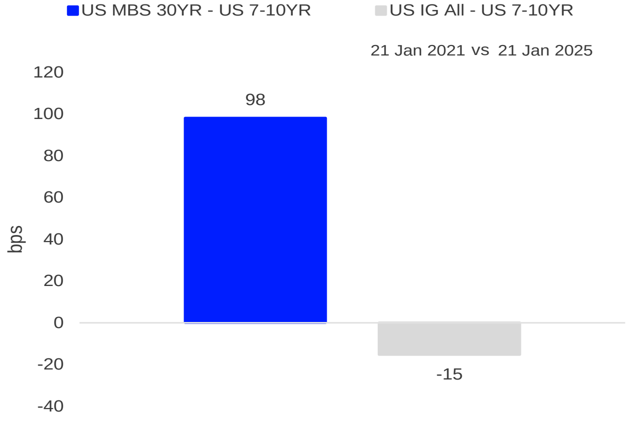
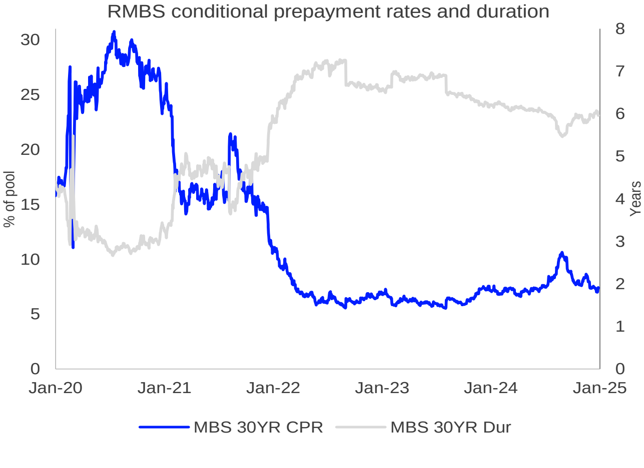


Chart 6: The brief spike in prepayment rates and refis when the Fed began easing in September 2024 proved just that, as it has become clear this will be a slow easing cycle, so RMBS duration increased again.



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High Yield Credit Analysis

Chart 1: HY markets continue to perform strongly, helped by improved credit quality and shorter duration. The Eurozone lagged, in US dollar returns, due to a weaker currency and exchange rate.

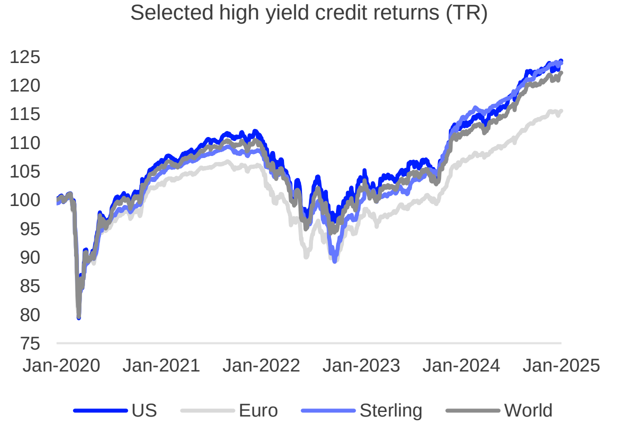


Chart 2: US HY spreads edged in towards post-Covid lows in January. Sterling HY spreads remain widest, which has been the pattern in recent years, particularly during the 2022 shocks.

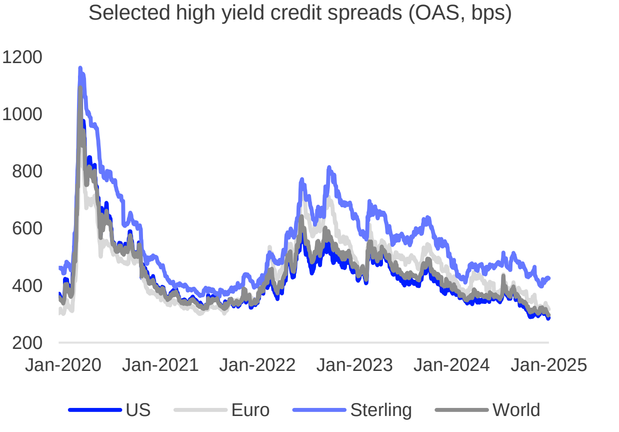


Chart 3: The smaller CCC sector of US high yield has outperformed consistently during the risk rally since Q4, 2023, followed by single B. Lower grade sectors have been helped by improved credit metrics.

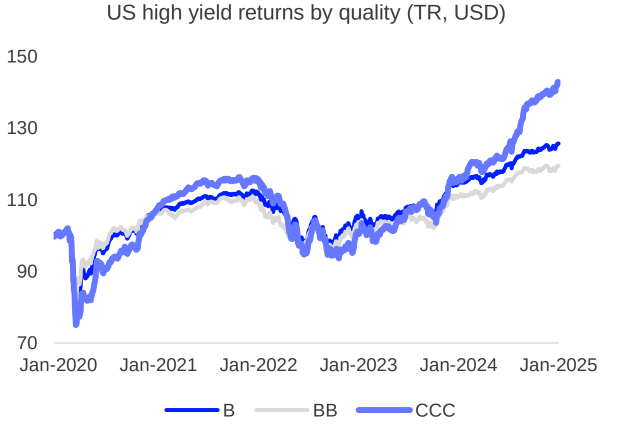


Chart 4: Shorter duration in the B and CCC sectors helped during the back-up in Treasury yields in 2022-23 particularly, and did not stop these sectors outperforming in the rally in 2024-25 a Chart 3 shows.

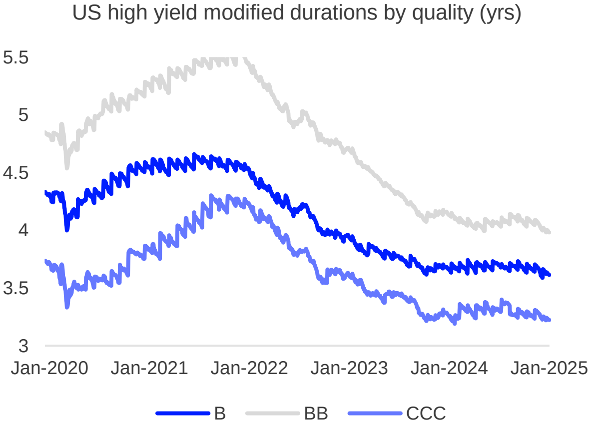


Chart 5: Telecoms remain the most volatile US sector in HY, reflecting the high capital intensity, but rallied strongly in 2024, as demand for fibre optic cabling increased, alongside the broader risk rally.

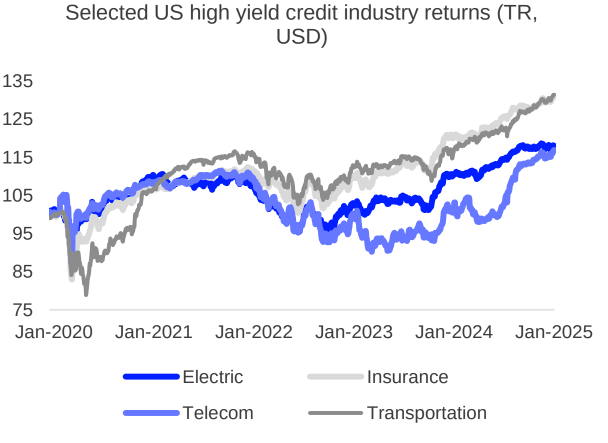
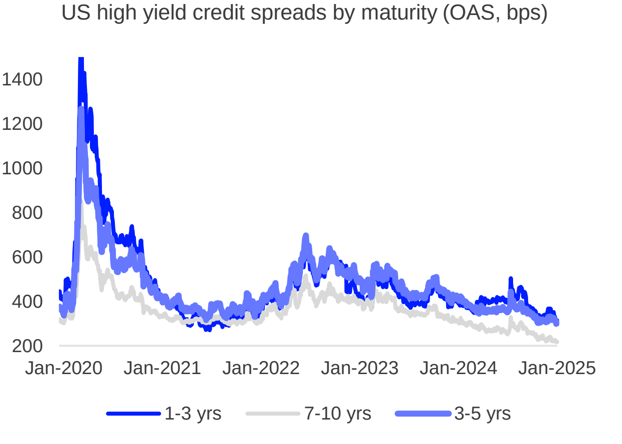


Chart 6: High yield spreads by maturity show an inverted curve in 7-10 yrs and no reward for extra duration risk. Key drivers of high yield returns have been investor risk appetite and growth expectations since Covid.



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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.

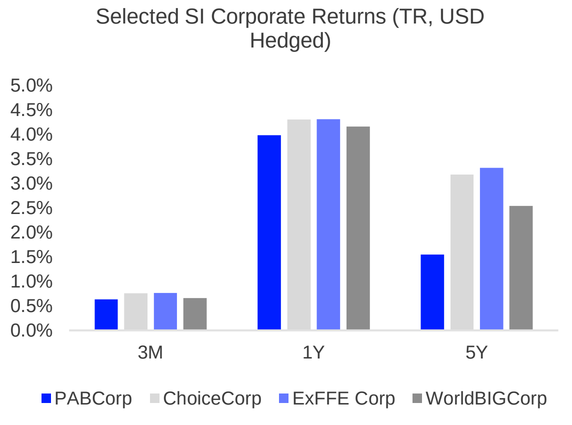


Chart 2: Relative performance was mostly due to duration, as yields have continued to rise. PAB has underperformed WorldBIG Corp post-Covid, while ExFFE and Choice have held up well.

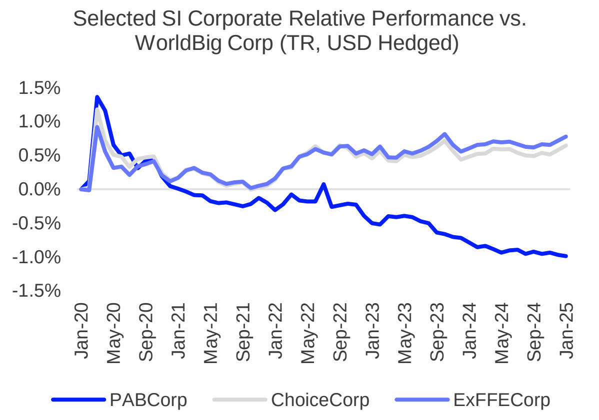


Chart 3: SI corp indices take a varied approach to active weights in the Financials, Electric and Manufacturing sectors, but all three continue to be overweight in Services and underweight Energy vs WorldBIG corp.

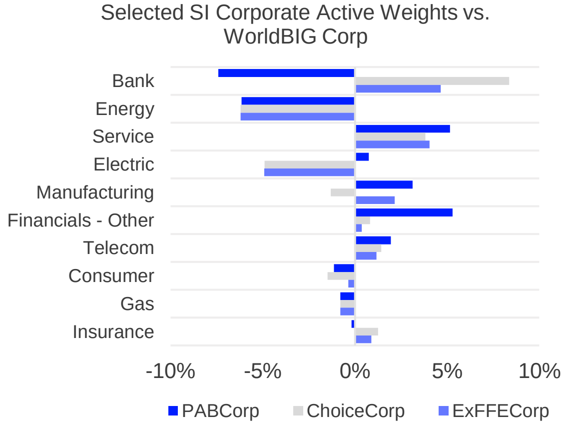


Chart 4: SI indices have a lower BBB exposure in favour of AAAs and AAs, indicating a quality bias vs WorldBIG Corp. We note no recent major changes in credit exposure, besides the PAB quality upgrade.

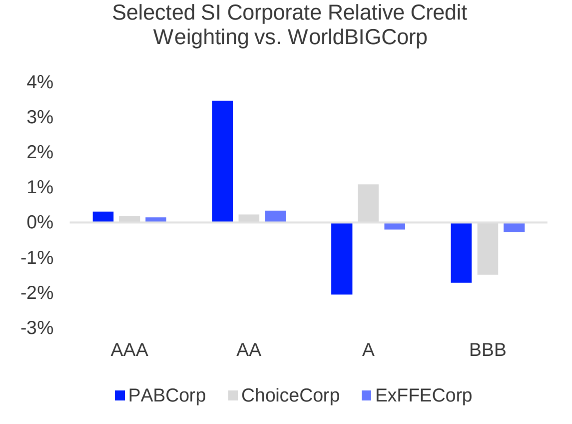


Chart 5: While yields are higher in all three indices over 3M, credit spreads have continued to tighten to near 5-year lows, resulting in an unusual divergence between absolute yields and credit spreads.

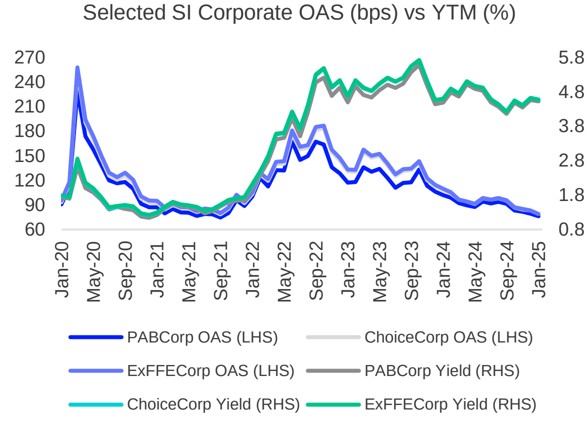
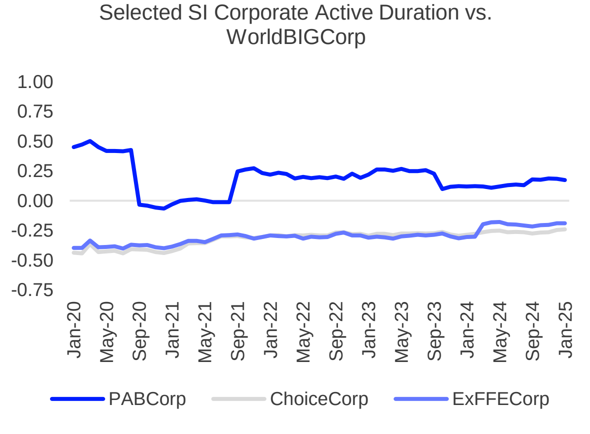


Chart 6: Active duration for PAB has been mostly positive over 5 years, despite some volatility. However, Choice and ExFFE have low volatility and consistently negative duration vs WorldBig Corp.



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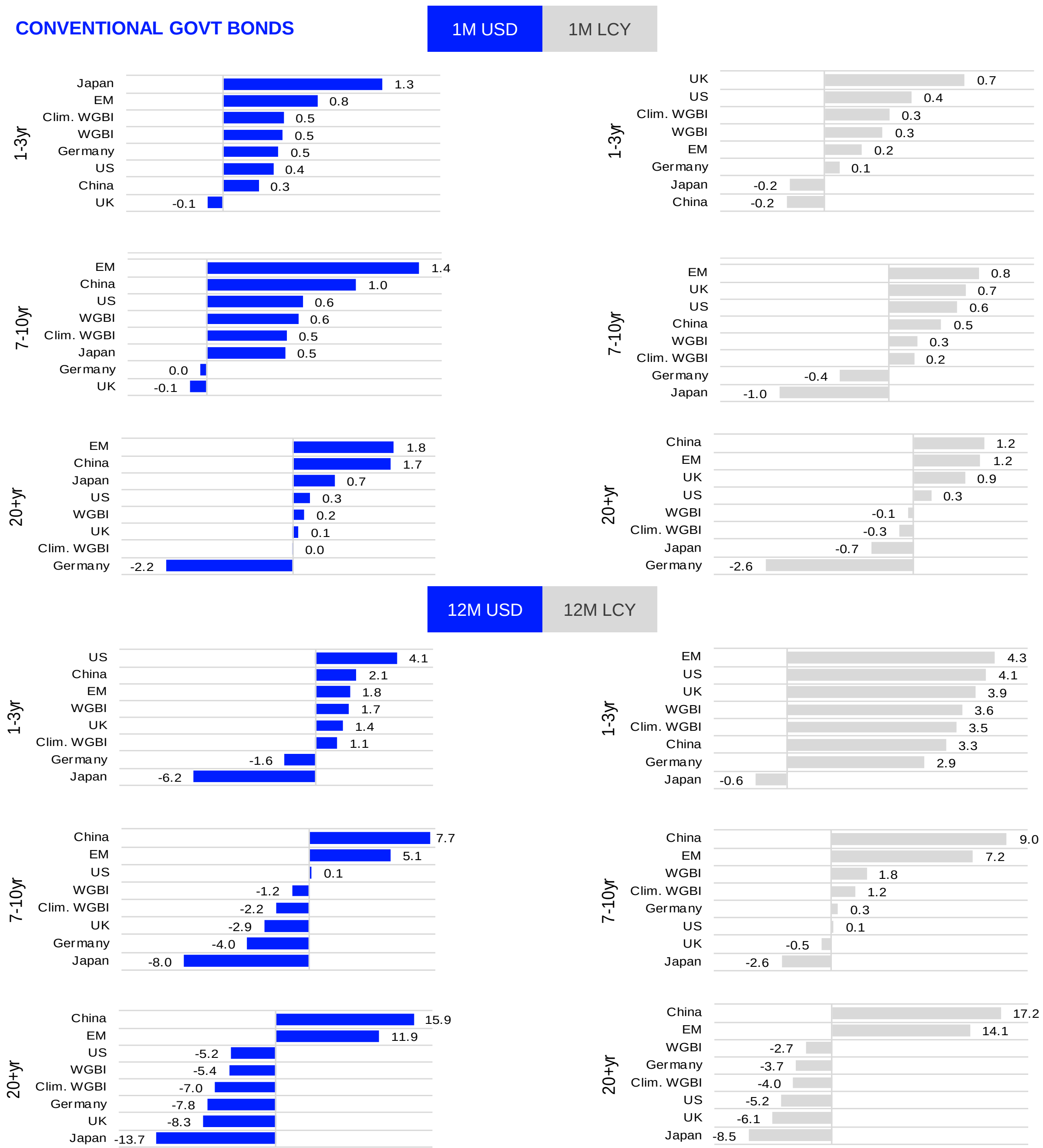
Conventional Government Bond Returns − 1M and 12M % (USD & LC, TR)

Most major govt bond markets moved in narrow ranges in January, awaiting the change of US administration and further details on proposed tax cuts and tariffs. Long Bunds were weakest, as political uncertainty increased and markets mulled a German fiscal stimulus. China and EM again outperformed on both 1M and 12M, with Chinese deflation fears dominant.

After some sharp moves and curve steepening in Q4, US Treasuries and gilts stabilized in January. China and EM again led performance with gains of up to 2% on 1M and 12M returns of 13 -16% in US dollar terms.

The dollar also stabilized in January, as the FX market digested US administration comments about over-valuation, but continues to show decent gains on 12M, helped by high rates, particularly against the yen, so long JGBs showed losses of nearly 14% in USD.

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. On 12M, longer gilts still show sizeable losses of up to 8%, on reduced UK pension fund demand and sticky inflation.



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.

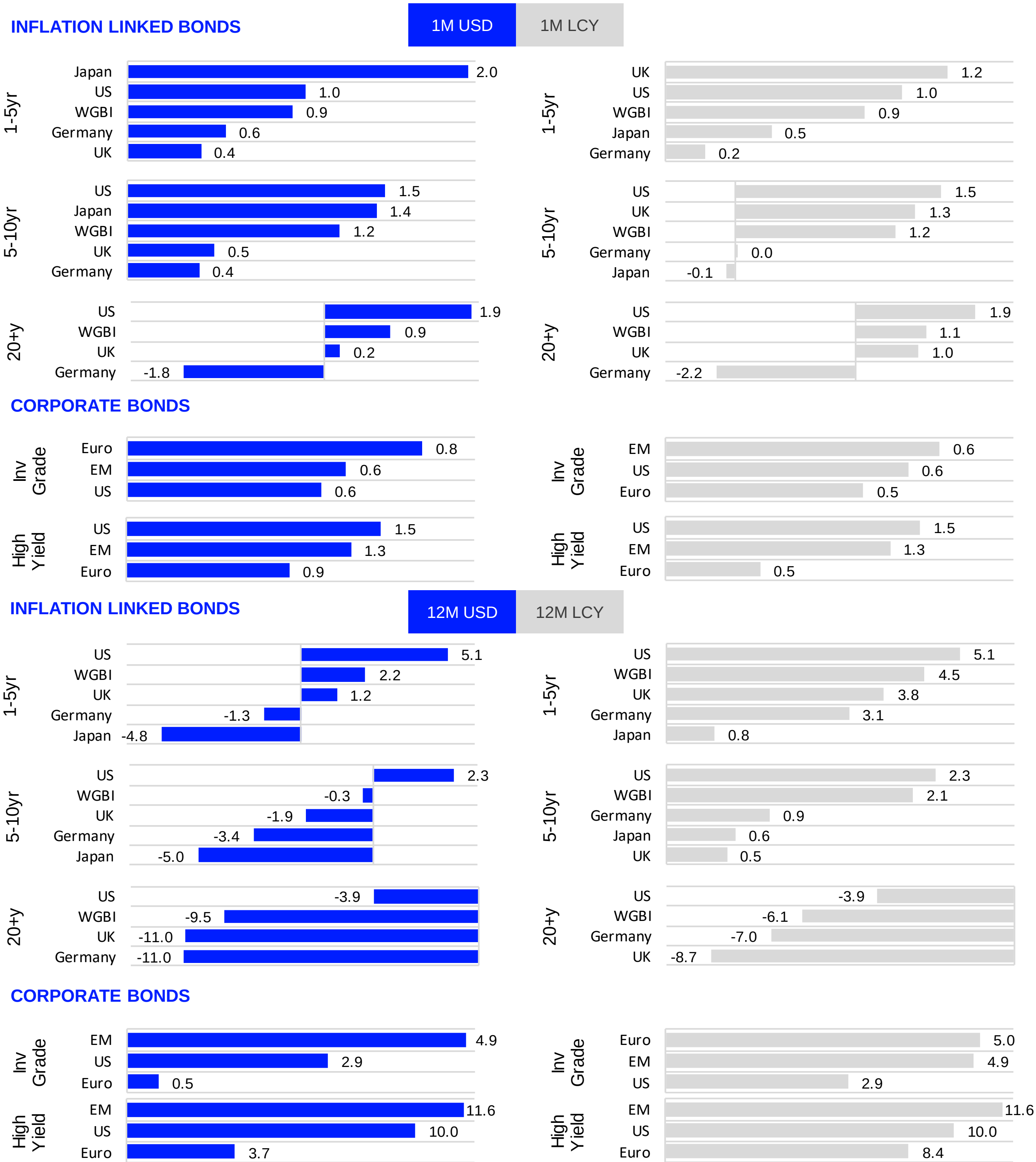
Global Inflation-Linked Bond Returns – 1M & 12M % (USD, LC, TR)

Shorter duration inflation linked bonds managed very modest gains in US dollar terms, but like conventionals, moved little in January after the major swings in Q4. Credit broadly matched linker gains in January, but far outperformed on 12M, as the broader risk rally continued, gaining 10-11% in USD terms, versus losses of 10-11% 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 JGB linkers managed small gains of 1-2% in dollars, helped by currency rallies.

Credit showed gains of up to 2%, led by Euro and US high yield credits. 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 and UK linker losses in USD compounded by FX losses.



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

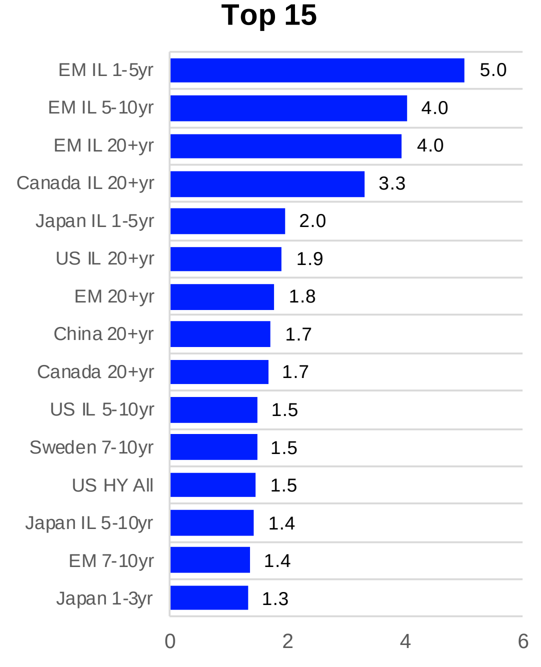
Currency moves dominated 1M returns and EM inflation linked led returns, helped by Mexican peso and Brazilian real gains of 3-5%, as tariff fears eased temporarily. But currency losses meant long EM inflation-linked lost 20% on 12M in USD terms. China again led 12M returns, as yields fell sharply, with gains of 16%, boosting EM returns to 12% in ÚSD terms.

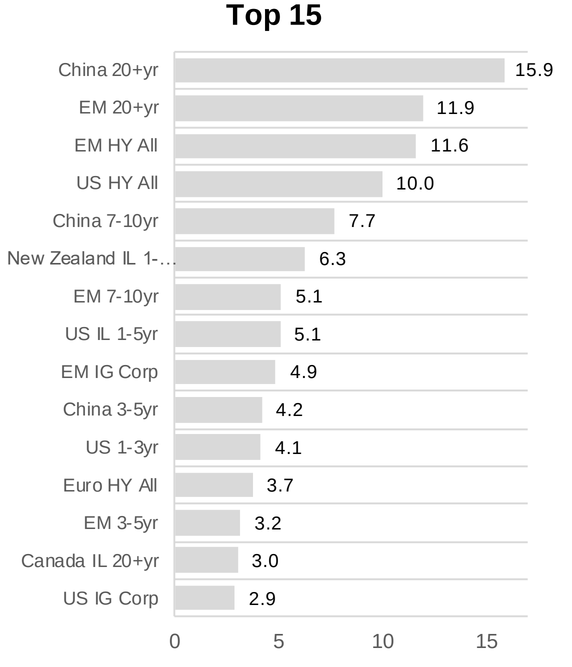
Top performers in January in USD terms were generally boosted by currency rallies versus the dollar, after losses in 2024.

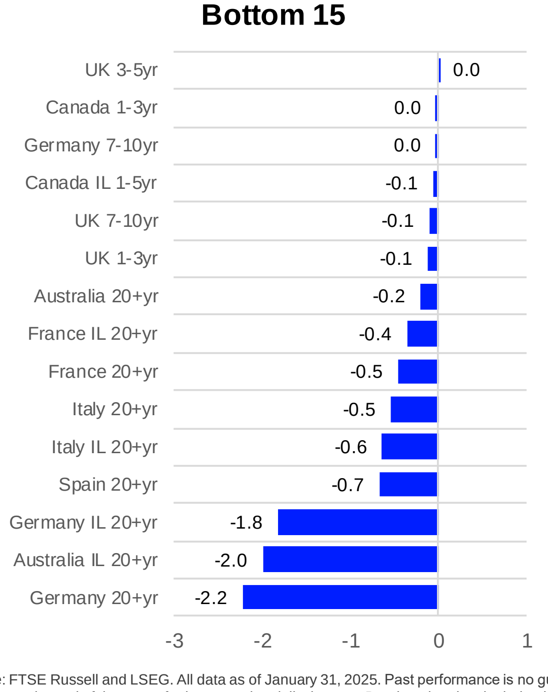
Political uncertainty weighed on long Bunds and French government bonds and inflation-linked, on both 1M and 12M with losses of 8-15% in USD on 12M, despite regular ECB rate cuts since June 2024.

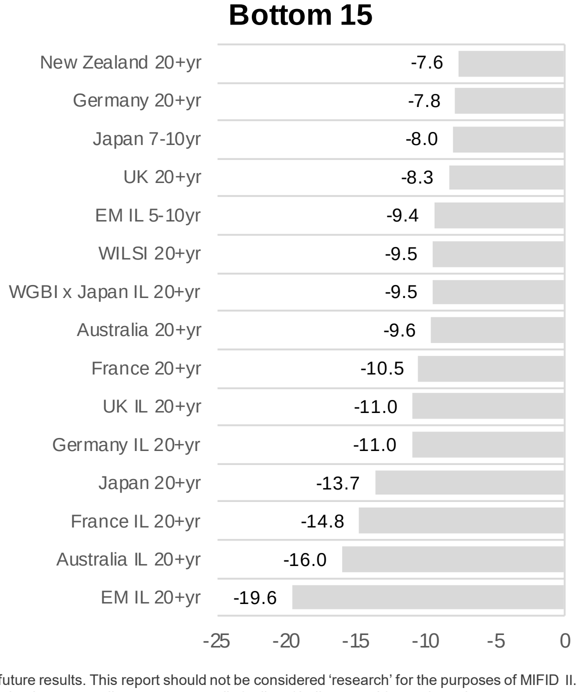
Long Australian linkers & JGBs lost 14-16% in USD, on 12M, due to the weak yen, curve normalisation and sticky Australian inflation.

1M USD 12M USD









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Appendix − Global Bond Market Returns % (USD & LC, TR) – Jan 31, 2024

Government Bond Returns

Top 15% | Bottom 15%

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

		1M		3M		YTD		12M	
		Local	USD	Local	USD	Local	USD	Local	USD
US	1-3yr	0.42	0.42	0.96	0.96	0.42	0.42	4.14	4.14
	7-10yr	0.61	0.61	-0.65	-0.65	0.61	0.61	0.12	0.12
	20+yr	0.31	0.31	-4.01	-4.01	0.31	0.31	-5.17	-5.17
	IG Corp	0.56	0.56	-0.08	-0.08	0.56	0.56	2.89	2.89
	HY All	1.46	1.46	2.19	2.19	1.46	1.46	9.98	9.98
UK	1-3yr	0.67	-0.12	1.51	-1.90	0.67	-0.12	3.92	1.39
	7-10yr	0.69	-0.10	0.69	-2.68	0.69	-0.10	-0.51	-2.92
	20+yr	0.90	0.11	-2.29	-5.56	0.90	0.11	-6.06	-8.34
Euro	IG Corp	0.46	0.85	1.60	-2.71	0.46	0.85	4.97	0.46
	HY All	0.54	0.94	1.77	-2.55	0.54	0.94	8.41	3.74
Japan	1-3yr	-0.17	1.32	-0.32	-1.95	-0.17	1.32	-0.64	-6.20
	7-10yr	-0.98	0.50	-2.15	-3.75	-0.98	0.50	-2.56	-8.02
	20+yr	-0.75	0.73	-1.48	-3.09	-0.75	0.73	-8.53	-13.66
China	1-3yr	-0.18	0.29	0.78	-1.29	-0.18	0.29	3.31	2.10
	7-10yr	0.47	0.95	4.40	2.26	0.47	0.95	8.96	7.69
	20+yr	1.23	1.72	8.51	6.28	1.23	1.72	17.24	15.87
EM	1-3yr	0.18	0.78	1.12	-0.97	0.18	0.78	4.33	1.76
	7-10yr	0.81	1.36	3.25	1.31	0.81	1.36	7.23	5.14
	20+yr	1.18	1.78	6.54	4.37	1.18	1.78	14.10	11.93
	IG Corp	0.63	0.63	0.00	0.00	0.63	0.63	4.87	4.87
	HY All	1.29	1.29	1.62	1.62	1.29	1.29	11.64	11.64
Germany	1-3yr	0.07	0.46	0.79	-3.49	0.07	0.46	2.86	-1.56
	7-10yr	-0.43	-0.04	0.36	-3.90	-0.43	-0.04	0.34	-3.97
	20+yr	-2.60	-2.22	-1.55	-5.73	-2.60	-2.22	-3.69	-7.83
Italy	1-3yr	0.23	0.62	1.22	-3.08	0.23	0.62	3.82	-0.65
	7-10yr	0.14	0.53	1.61	-2.70	0.14	0.53	5.60	1.06
	20+yr	-0.93	-0.54	1.19	-3.11	-0.93	-0.54	7.30	2.68
Spain	1-3yr	0.16	0.55	0.99	-3.30	0.16	0.55	3.53	-0.92
	7-10yr	0.08	0.47	0.96	-3.33	0.08	0.47	3.72	-0.74
	20+yr	-1.06	-0.67	0.07	-4.18	-1.06	-0.67	4.77	0.26
France	1-3yr	0.16	0.55	0.92	-3.36	0.16	0.55	2.99	-1.43
	7-10yr	0.20	0.59	0.31	-3.95	0.20	0.59	-0.56	-4.83
	20+yr	-0.85	-0.46	-2.06	-6.22	-0.85	-0.46	-6.46	-10.48
Sweden	1-3yr	0.55	0.46	0.43	-2.83	0.55	0.46	3.85	-2.98
	7-10yr	1.56	1.47	-0.10	-3.35	1.56	1.47	2.41	-4.32
Australia	1-3yr	0.45	1.20	1.38	-3.45	0.45	1.20	3.62	-2.23
	7-10yr	0.28	1.03	1.82	-3.04	0.28	1.03	1.82	-3.93
	20+yr	-0.94	-0.20	1.42	-3.42	-0.94	-0.20	-4.20	-9.60
New Zealand	1-3yr	0.18	1.09	1.24	-3.83	0.18	1.09	6.61	-2.08
	7-10yr	-0.19	0.72	1.03	-4.03	-0.19	0.72	5.84	-2.80
	20+yr	-0.13	0.78	-0.83	-5.79	-0.13	0.78	0.57	-7.64
Canada	1-3yr	0.66	-0.04	1.41	-2.39	0.66	-0.04	5.61	-2.57
	7-10yr	1.69	0.98	2.44	-1.40	1.69	0.98	6.27	-1.96
	20+yr	2.37	1.66	2.09	-1.73	2.37	1.66	4.48	-3.61

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Appendix − Global Bond Market Returns % (USD & LC, TR) – Jan 31, 2024

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		1M		3M		YTD		12M	
		Local	USD	Local	USD	Local	USD	Local	USD
US	1-5yr	1.02	1.02	1.19	1.19	1.02	1.02	5.06	5.06
	5-10yr	1.48	1.48	0.09	0.09	1.48	1.48	2.32	2.32
	20+yr	1.91	1.91	-4.03	-4.03	1.91	1.91	-3.93	-3.93
UK	1-5yr	1.22	0.42	1.65	-1.76	1.22	0.42	3.75	1.24
	5-10yr	1.30	0.50	0.45	-2.92	1.30	0.50	0.52	-1.92
	20+yr	1.00	0.20	-7.46	-10.56	1.00	0.20	-8.74	-10.95
Japan	1-5yr	0.46	1.95	0.50	-1.14	0.46	1.95	0.83	-4.82
	5-10yr	-0.06	1.43	0.05	-1.58	-0.06	1.43	0.59	-5.04
EM	1-5yr	1.78	5.02	3.09	1.36	1.78	5.02	9.74	-6.20
	5-10yr	1.37	4.03	1.32	-0.99	1.37	4.03	4.08	-9.39
	20+yr	0.40	3.96	-2.79	-4.52	0.40	3.96	-6.39	-19.61
Germany	1-5yr	0.17	0.56	1.07	-3.23	0.17	0.56	3.15	-1.29
	5-10yr	0.02	0.41	0.49	-3.78	0.02	0.41	0.89	-3.45
	20+yr	-2.20	-1.82	-3.68	-7.77	-2.20	-1.82	-7.01	-11.01
Italy	1-5yr	0.59	0.98	1.67	-2.64	0.59	0.98	4.51	0.02
	5-10yr	0.85	1.25	1.80	-2.53	0.85	1.25	5.97	1.42
	20+yr	-1.02	-0.64	-0.68	-4.90	-1.02	-0.64	5.27	0.75
Spain	1-5yr	0.42	0.81	1.35	-2.95	0.42	0.81	3.54	-0.91
	5-10yr	0.64	1.03	1.26	-3.04	0.64	1.03	3.92	-0.55
France	1-5yr	0.18	0.57	0.76	-3.51	0.18	0.57	1.37	-2.98
	5-10yr	0.62	1.01	0.65	-3.62	0.62	1.01	-0.50	-4.78
	20+yr	-0.75	-0.36	-4.03	-8.11	-0.75	-0.36	-10.94	-14.77
Sweden	1-5yr	0.38	0.29	0.32	-2.94	0.38	0.29	3.02	-3.75
	5-10yr	0.89	0.80	-0.40	-3.64	0.89	0.80	3.33	-3.46
Australia	1-5yr	0.54	1.29	1.44	-3.40	0.54	1.29	2.80	-3.00
	5-10yr	0.35	1.10	1.58	-3.27	0.35	1.10	1.66	-4.07
	20+yr	-2.72	-1.99	-1.66	-6.35	-2.72	-1.99	-11.00	-16.02
New Zealand	5-10yr	0.36	1.28	1.80	-3.29	0.36	1.28	6.25	-2.41
Canada	20+yr	4.03	3.31	4.93	1.00	4.03	3.31	11.67	3.02

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Appendix − Global Bond Market Returns % (USD & LC, TR) – Jan 31, 2024

Global Bond Yields

Top 15% | Bottom 15%

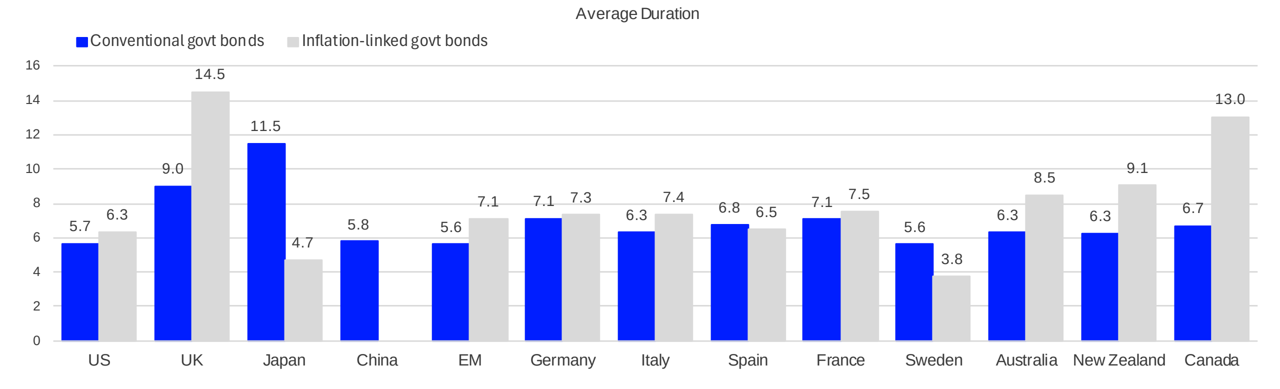
Green highlight indicates top 15%, red indicates bottom 15%.

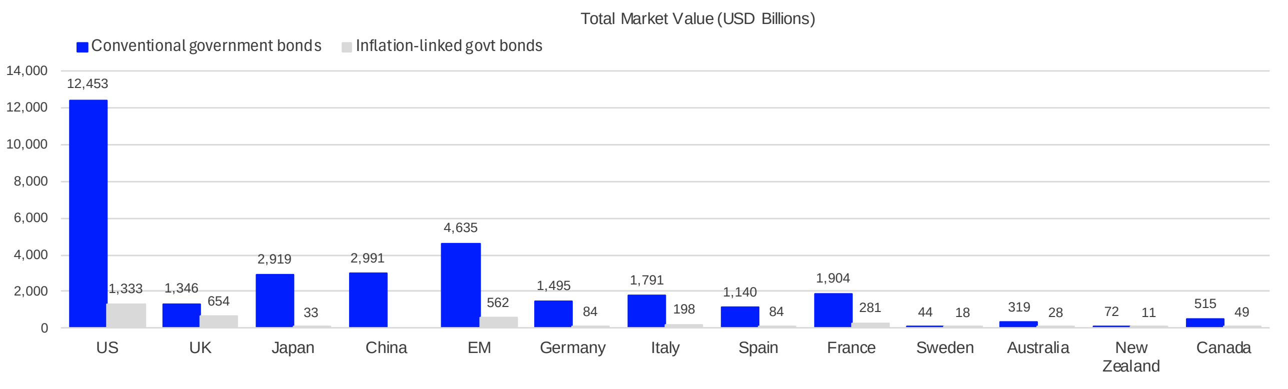
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.23	4.30	4.51	4.88	1.60	1.96	2.42	5.32	7.40
	3M Ago	4.21	4.16	4.26	4.57	1.86	1.88	2.19	5.18	7.48
	6M Ago	4.38	3.99	4.02	4.42	2.13	1.77	2.12	5.16	7.81
	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		

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**

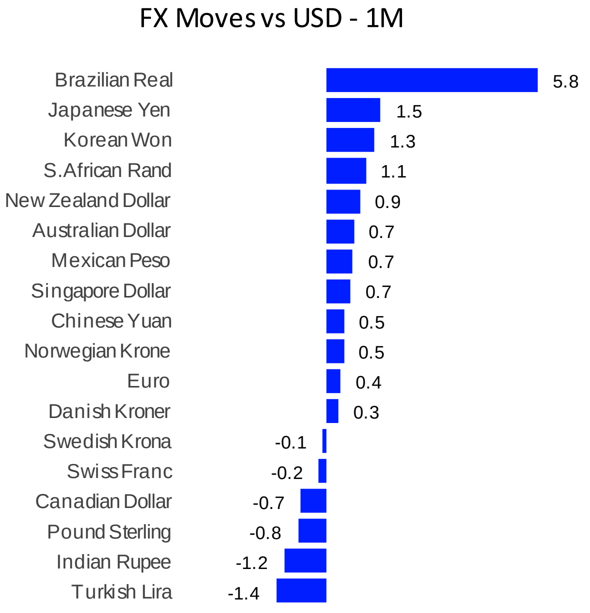
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.1	8.1	6.8	6.5	6.8	71.2	454.3	2838.6	3605.7	6969.8	3.8	1126.0
Europe	5.8	4.6	4.5	4.1	4.3	14.6	205.1	1225.0	1570.9	3015.6	3.1	349.6
EM		6.2	5.2	5.3	5.4		69.1	178.1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

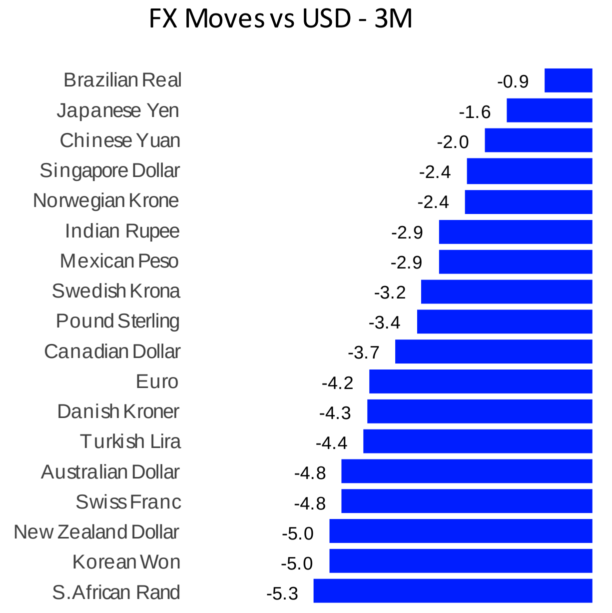


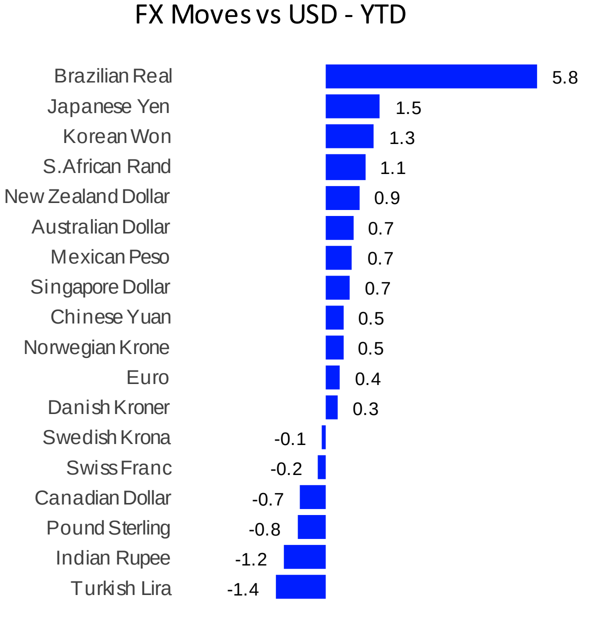


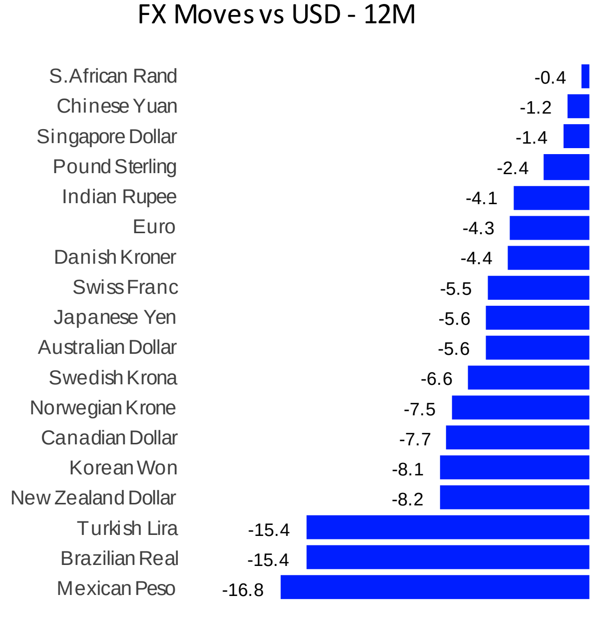
Source: FTSE Russell and LSEG. All data as of January 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

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









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 − 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

Source: FTSE Russell. All data as of January 31, 2025. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only

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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