FTSE RUSSELL
An LSEG Business

Fixed Income Insights

UK EDITION

MONTHLY REPORT | **JANUARY 2025**

Short gilts outperform as longs fret over inflation

Growth and inflation divergences persist, reflected in G7 policy divergence. Higher UK and US yields since monetary policy easing began has reduced its impact, and also driven dollar strength. Political uncertainty may explain higher Bund yields, after the recent bond vigilante attack on French OATs. China and HY credit proved best performers in 2024.

Macro and policy backdrop – Complexity of higher UK & US yields for central banks

Back-up in gilt and Treasury yields offsets policy easing, as higher UK IG yields raise the cost of capital. Further policy divergence likely, given inflation dispersion. (pages 2-3)

Yields, curves & spreads – US spreads widen on stronger growth. Curves steepen

Treasury and gilt yields backed up versus other markets. (pages 4-5)

IG credit & MBS – Outright US and UK yields still high, despite spread convergence

Despite outperformance in 2024, IG yields remain high versus pre-Covid levels. (page 6)

High yield credit analysis – High yield the strongest fixed income sector in 2024

Helped by the strong correlation to equities, HY outperformed in the risk rally. (page 7)

SI sovereign bond analysis – SI sovereigns mixed in Q4. SI corporates outperformed

Duration main driver of SI sovereigns. Advanced-climate WGBI performs well in Q4. (page 8)

Performance – Only long China government bonds showed positive returns in Q4

Diverse returns reflect policy divergence. Long Treasuries and gilts fell on higher for longer, inflation and issuance fears but deflationary strains drove gains in China. (pages 9-10)

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

CONTENTS

AUTHORS

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

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

Chart 1: US nominal and real 7-10 year yields rose most in December, as Fed caution on 2025 rate cuts weighed on sentiment. Gilt yields also backed up, as inflation rebounded. Breakevens were stable.

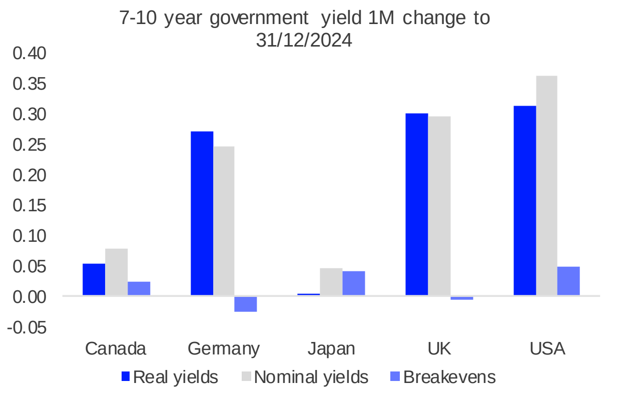
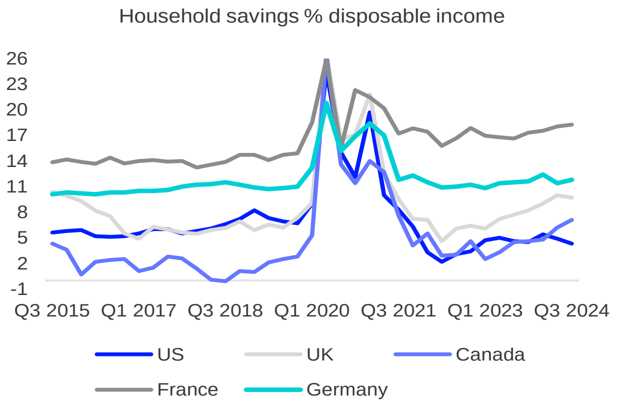


Chart 2: Saving for a rainy day? Recent increases in household savings in Europe may reflect buoyant wage growth, but also fragile consumer confidence, after the 2022 inflation shock, and with tax increases to come.



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

Macroeconomic Backdrop – Growth and Inflation Expectations

Divergent growth and inflation in the US, UK, Eurozone and APAC continue, despite Consensus forecasts of more convergence. Much hinges on policy easing boosting demand in Germany and China particularly, given higher exposure to a trade tariff war. UK services inflation appears stuck at 5% y/y, reflecting strong wage growth, as service sectors seek to rebuild margins post-Covid.

Consensus forecasts for 2025 show growth differentials narrowing, as they did for 2024, when US growth defied the forecast slowdown, and differentials barely moved (Chart 1), apart from a modest UK recovery. Gradual policy easing should help growth in 2025, though Germany and China are exposed to higher trade tariffs, should they materialise, and high debt/GDP ratios limit fiscal policy options.

Fears that achieving UK and US inflation below 2% would prove challenging, despite lower energy prices, were validated in 2023-24, as services inflation near 5% y/y prevented collapsing goods inflation pushing headline inflation below 2% (Chart 2). Wage inflation above 5% is a major factor in the UK (see Chart 3). Elsewhere, weak demand is increasing deflation risks in the Eurozone and China.

Chart 3 shows UK wage growth rebounding in October to above 5% y/y, despite unemployment ticking up to 4.3%. UK wage growth remains a key factor in services inflation because of the high share of labour costs in service sector costs. Only a surge in productivity growth would allow these higher labour costs to be absorbed. With the UK labour force participation rate at 78.3%, just 1.4% below the all-time high (2020), there is limited scope to pull extra workers back into the labour force to reduce upward pressure on wages.

The dispersion between goods and services inflation is shown in Chart 4. UK goods inflation appears to have bottomed out at -1.4% y/y in September. Only weaker fuel and transportation costs are keeping headline inflation down to 2.6% y/y, with some sectors showing considerably higher inflation: restaurant and hotel price inflation is at 4% y/y, and rent inflation at 7.6% y/y.

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.

Latest Consensus Real GDP Forecasts (Median, %, December 2024)			
	2023	**2024**	**2025**
US	2.5	**2.7**	**2.1**
UK	0.1	**0.9**	**1.4**
Eurozone	0.5	**0.8**	**1.0**
Japan	1.3	**0.4**	**1.1**
China	5.2	**4.8**	**4.5**
Canada	1.1	**1.1**	**1.8**

Chart 2: The last part of the journey to sub-2% inflation is proving toughest, particularly in the US and UK, due to services inflation, and base effects now being less favourable. Goods inflation remains weak.

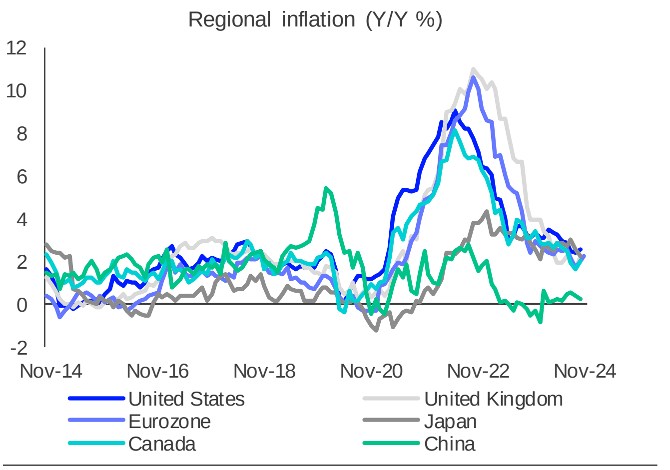


Chart 3: UK average earnings growth ticked up to 5.2% y/y in October, making a 2% inflation target challenging, unless productivity surges. 4.3% unemployment suggests limited spare labour market capacity.

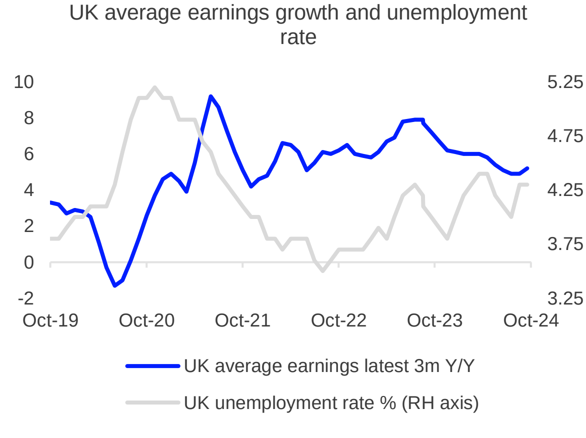
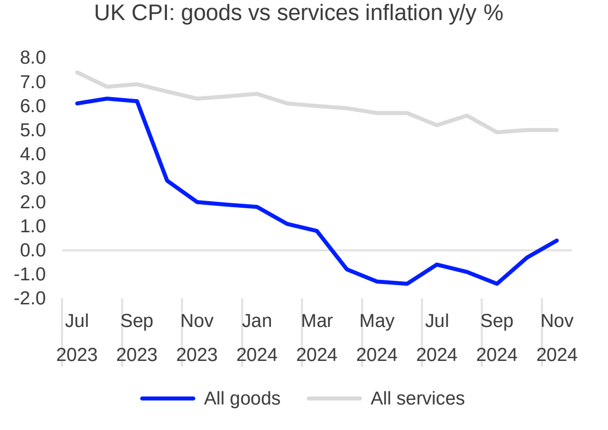


Chart 4: UK goods inflation turned positive again, but a bigger barrier to lower UK rates may be services inflation of 5% y/y reflecting wage growth at similar levels, and the attempt to rebuild margins after Covid.



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

Negative US Treasury and UK gilt market reactions to the monetary easing from the BoE and Fed since August 2024 reduce the impact of lower rates. In the UK, sovereign spreads are nearing the 2022 highs. "Higher for longer" remains the dominant theme for 2025 in the UK, despite weak growth, but deflationary strains in the Eurozone and China are driving a different narrative.

Gilt sovereign spreads have widened sharply against most major markets in recent months, apart from US Treasuries, and yields moved higher, despite the modest (50bp) easing in base rates by the MPC, as Chart 1 shows. Higher gilt yields and term premia may negate the impact of lower base rates, and raise the cost of capital: sterling IG yields have risen a little in recent months (see page 6).

The US dollar spiked higher after President-elect Trump's election victory, as markets revised up interest rate expectations (Chart 2), but comments about dollar overvaluation caused some unwinding of recent gains. Revision up to the Fed's dot plots supported the dollar, with the 25bp cut in rates in December well discounted, and higher UK rates also supported sterling, given the slow pace of UK easing.

The Fed cut rates a further 25bp (to 4.25%-4.50%) on Dec 18, as insurance against recession, with inflation above the 2% target. Growth and inflation projections were revised up for 2025 (to 2.5%), after stronger growth, and the pace of easing slows in the dot plots, with only 50bp of easing for 2025 (100bp previously). A higher for longer scenario on rates is consistent with the growth boost from fiscal stimulus. Elsewhere, pressure to lower rates from recessionary conditions is highest in the Eurozone core, led by Germany, and China.

Central banks continue to shrink balance sheets, ex Japan, with the BoE targeting £100bn in gilt sales in 2024-25, and discussing an equilibrium balance sheet size of around £375bn in the longer term (versus current near £700bn). This is not a formal target and the BoE faces significant uncertainty on the demand for reserves. QT may be affecting gilt yields, even if the BoE estimates only a modest impact.

Chart 1: Only against Treasuries were UK gilt spreads stable in recent months, reflecting higher for longer rates in both economies. UK spreads have even widened versus beleaguered French OATs.

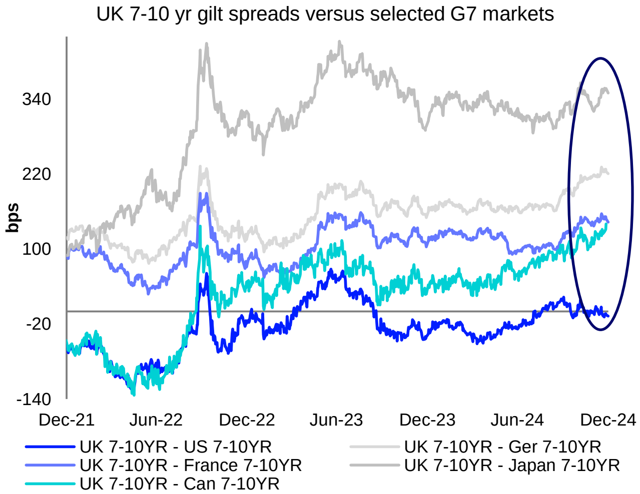


Chart 2: The US dollar strengthened and volatility increased since the Nov. elections as markets re-calibrated the impact of tax cuts and trade tariffs on Fed policy, and potential dollar over-valuation.

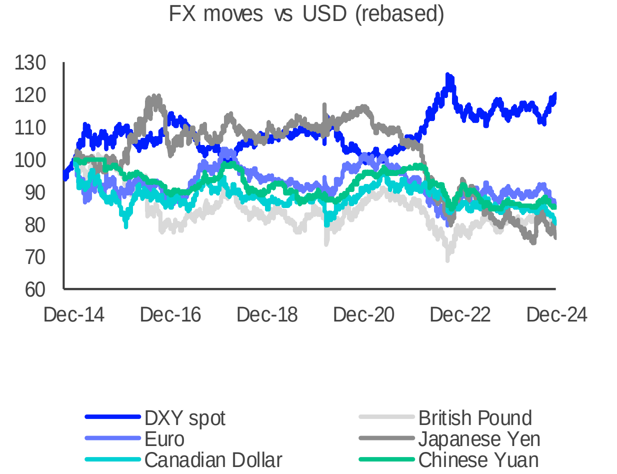


Chart 3: The Fed eased 25bp in December, but scaled back 2025 rate cut projections by 50bp. In contrast, the BoC eased 50bp after weak growth. The UK's Q4 fiscal stimulus & higher inflation prevented a further BoE cut.

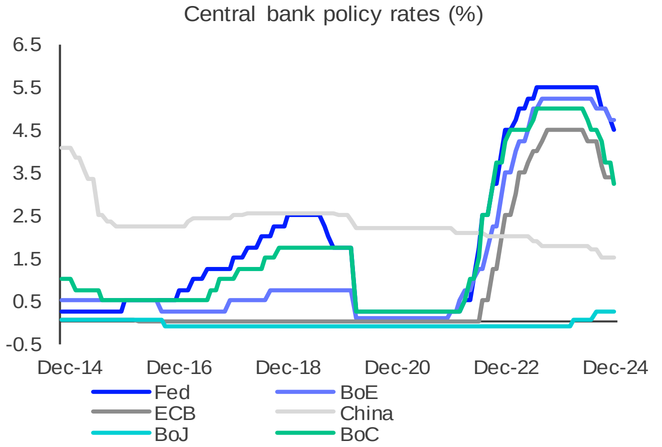
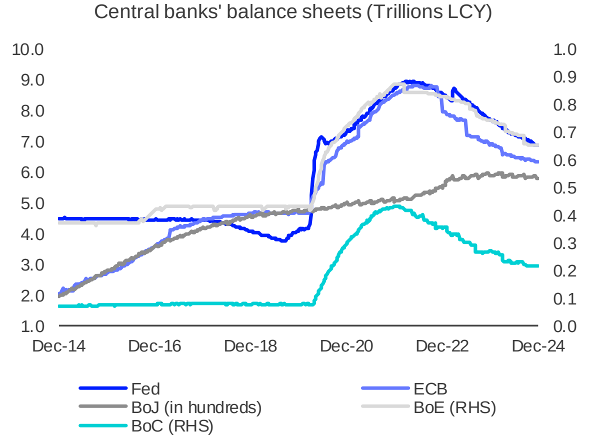


Chart 4: Quantitative Tightening continues alongside cuts in short policy rates, as central banks seek to re-allocate principle risk in govt bonds to the private sector. Could this be keeping gilt yields higher?



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

Global Yields, Curves and Breakevens

Chart 1: US Treasuries led G7 yields higher in December after the Fed scaled back easing expectations for 2025, and disappointing inflation data. The 50bp rate BoC rate cut caused spreads to widen further vs US.

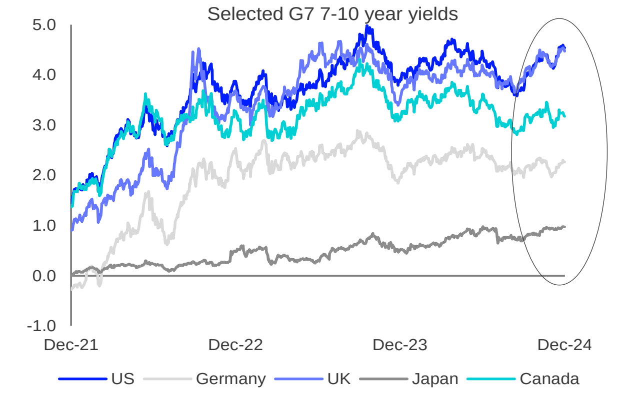


Chart 2: 7-10 year real yields tracked nominals higher in December, led by US Tips as US growth remained robust in Q4. French real yields moved to new cycle highs, on concern over fiscal deficit levels.

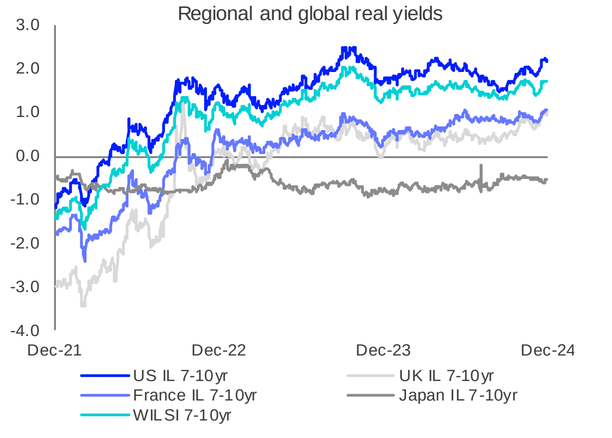


Chart 3: Curve steepening remains the dominant narrative, as debt levels prompted issuance fears, while policy easing has pulled 2-year yields lower, most notably in Canada and the Eurozone.

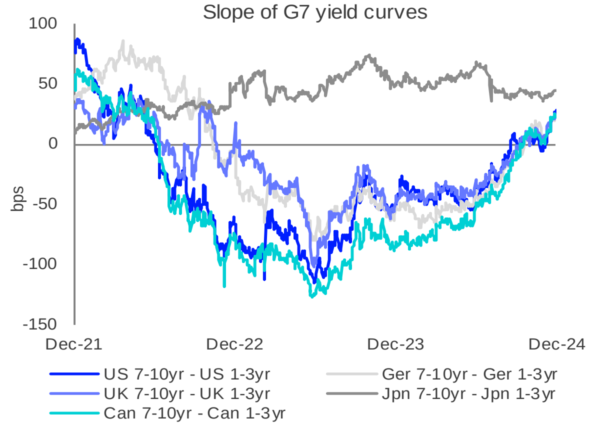


Chart 4: The long end of curves shows more pronounced steepening, notably in France, where political stalemate has prevented budget deficit reduction, but the gilt curve is now as steep as in the 2022 crisis.

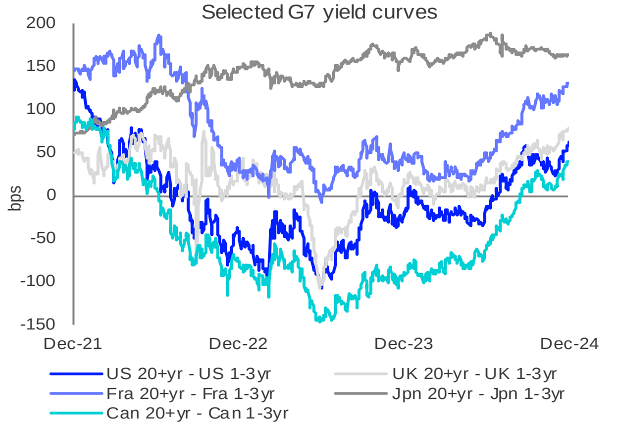


Chart 5: Breakevens generally remain fairly stable around 2%, with nominal and real yields moving higher together in December. Stronger growth in the US caused breakevens to edge a little higher in Q4.

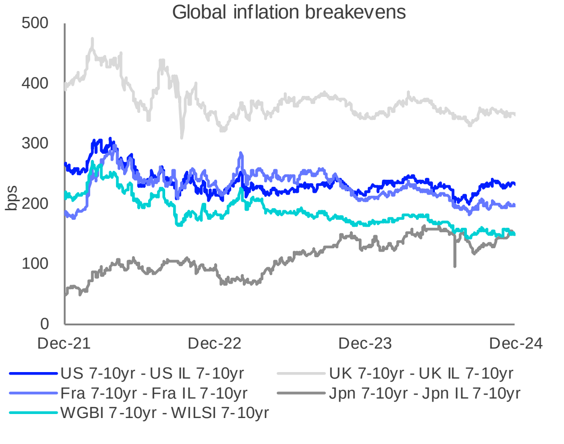
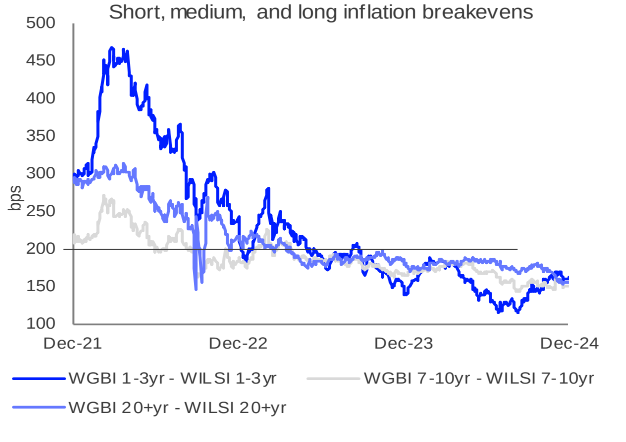


Chart 6: Stability in inflation breakevens has enabled central banks to ease policy in 2024, despite inflation remaining above 2% y/y targets in some economies for much of 2024 (notably the US and UK).



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

Yield Spreads and Credit Spread Analysis

Chart 1: US sovereign spreads reflect stronger growth and inflation in the US, with spreads moving to new post-Covid highs versus WGBI, Germany and Canada. 7-10 year gilt spreads remained near zero.

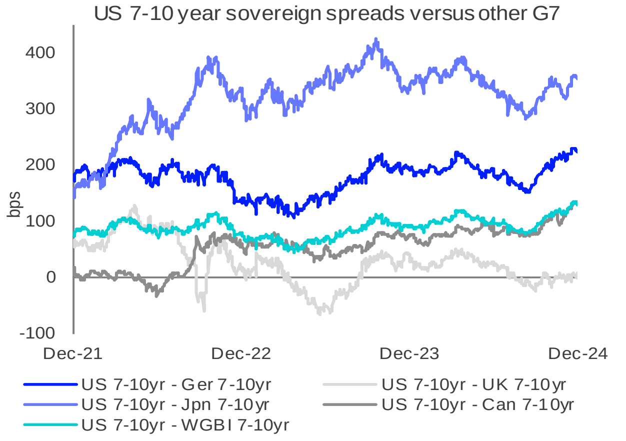


Chart 2: Italian spreads tightened further against US Treasuries and gilts in December, as 7-10 year yields rose in the US and UK. Spreads moved less versus Canada, after the BoC's 50bp rate cut.

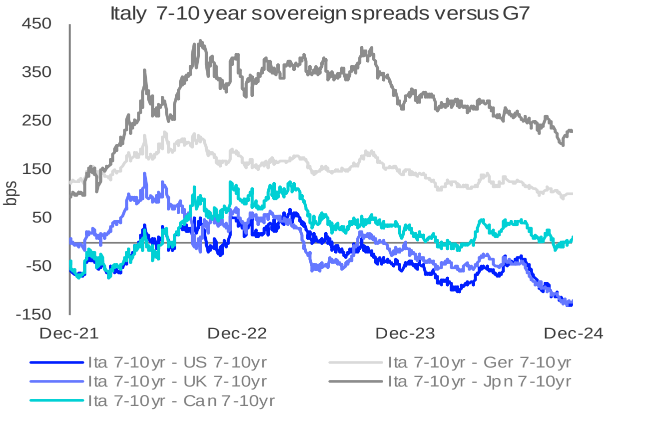


Chart 3: A broad re-rating of EM has continued in 2024, though it varies across the asset class. The decline in Chinese yields has also helped drive spreads lower, due to the high China weight in EM indices.

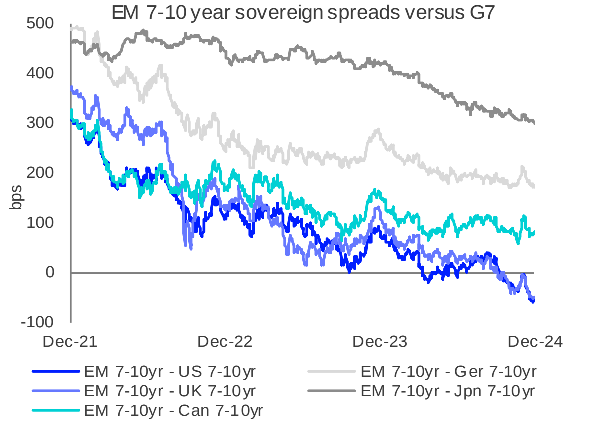


Chart 4: China 7-10 year yields fell again in December after more policy easing by the PBoC, as spreads moved to new lows vs Treasuries and UK gilts, trading almost 300bp below US and UK yields.

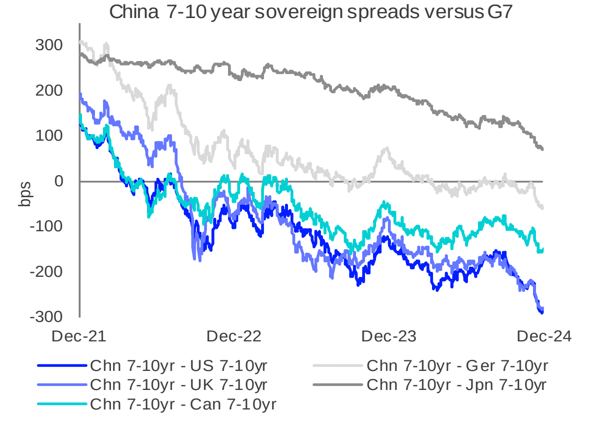


Chart 5: Credit spreads edged tighter in December, mainly due to higher US Treasury and Bund yield, with spreads returning to pre-inflation shock levels in both high yield and investment grade credits.

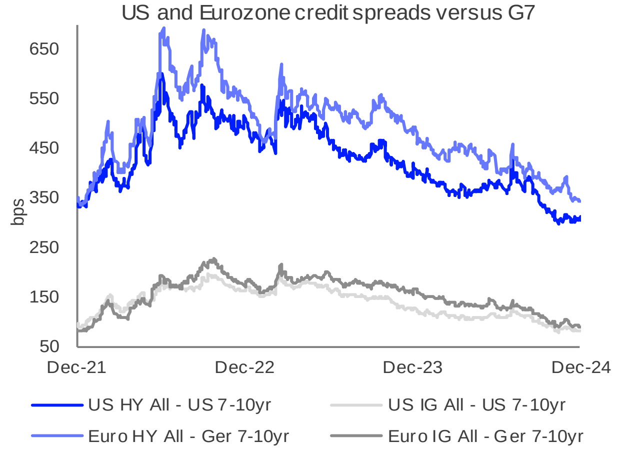
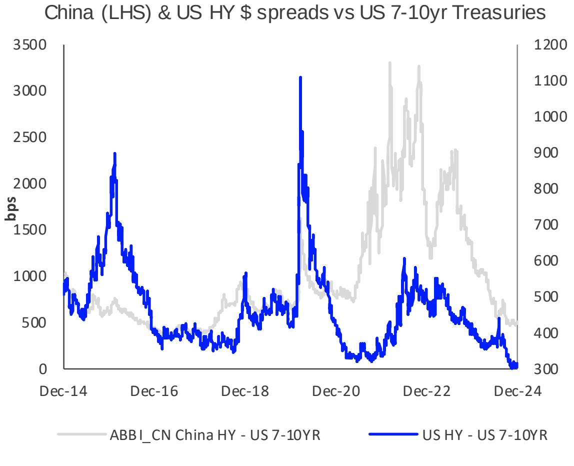


Chart 6: Since the 2022 property crash in China HY credits, spreads tightened after support measures, although bond exchanges and re-schedulings make spreads a less reliable indicator of performance.



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

Chart 1: Despite the tightening in IG credit spreads during the risk rally in 2023-24, investment grade yields remain attractive, particularly in US and UK credits, benchmarked against pre-Covid levels.

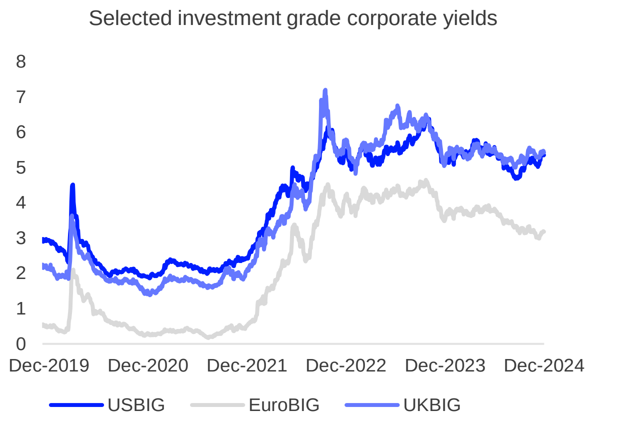


Chart 2: The market weight of BBB credits rose in the early days of Covid, but the share has fallen since 2020, and single-A credits have increased market weight sharply, as credit metrics have improved.

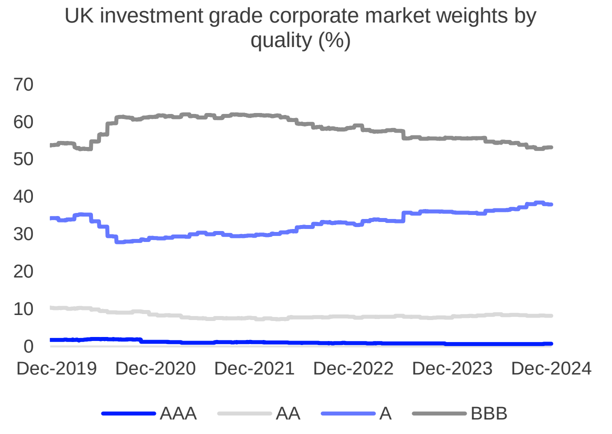


Chart 3: Banks and insurance led UK IG sector returns helped by higher non-life premia. Asset-backed lagged but was still positive with low default and delinquency rates, despite the back-up in rates.

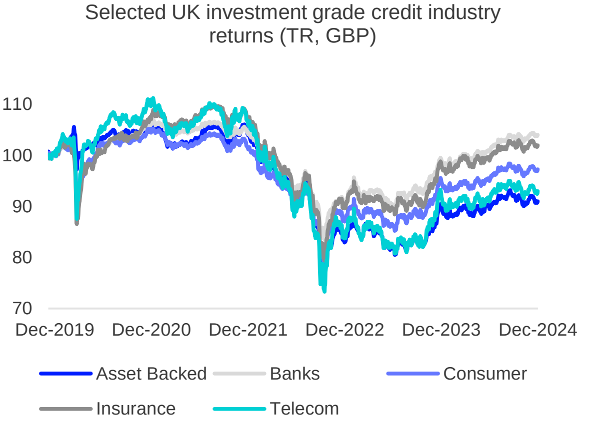


Chart 4: Short dated IG credit missed out on the IG rally in 2020-21, but short dates have outperformed strongly since rates and gilt yields increased from Q4 2021 onwards, notably vs 10+ years maturities.

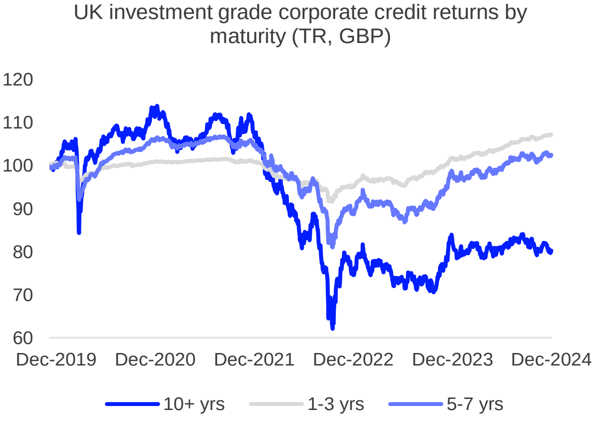


Chart 5: Benchmarked against recent trading history, RMBS spreads are now attractive versus IG credits, after IG spreads converged versus RMBS, particularly given the agency-guarantee on RMBS.

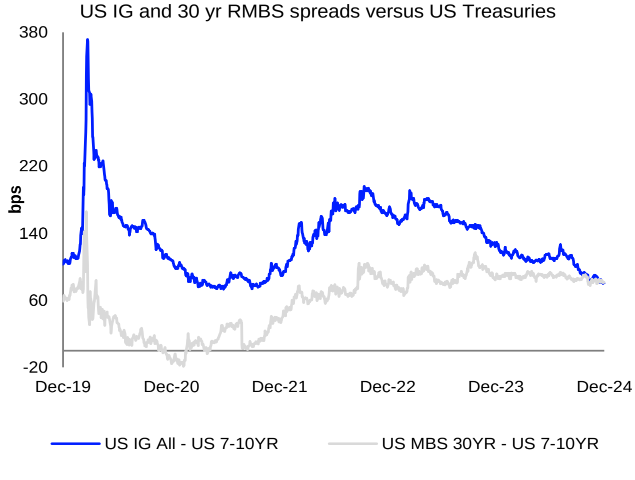
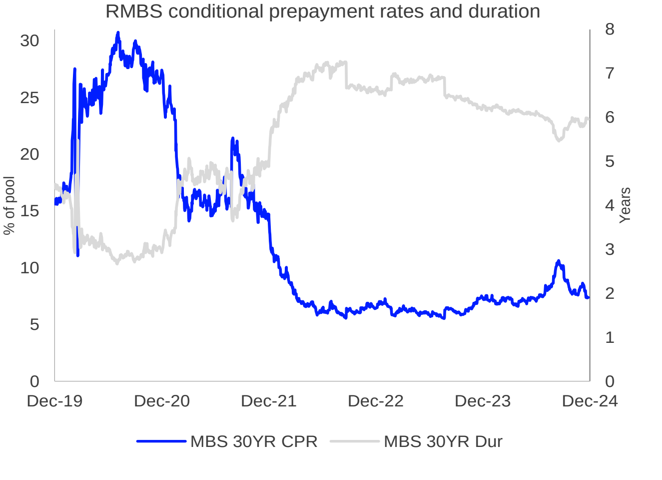


Chart 6: The Q4 bounce in mortgage refinancings was short-lived, as yields and mortgage rates rebounded, so prepayments remain subdued. RMBS duration increases as yields rise due to negative convexity.



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

High Yield Credit Analysis

Chart 1: HY markets have shown strong returns globally in the 2023-24 risk rally, helped by improved credit quality. The Eurozone lagged, in US dollar returns, due to a weaker currency and exchange rate.

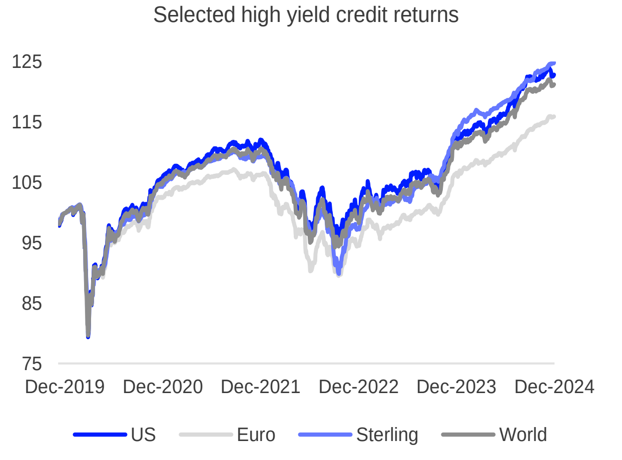


Chart 2: Defaults in the water sector hit the Other Utility sector in 2024, while Financials outperformed, with Insurance particularly strong, reflecting non-life premium increases after the inflation shock in 2022.

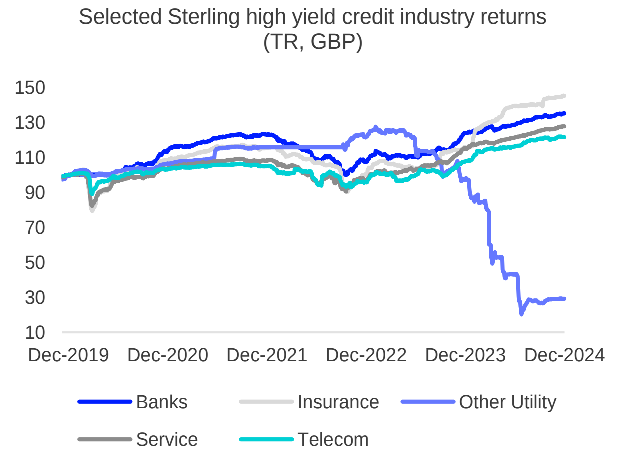


Chart 3: CCC outperformance remains a strong feature of the risk rally in 2023-24, and is a global phenomenon (as Chart 4 shows). It is even more marked in the UK. Single B also outperformed BB.

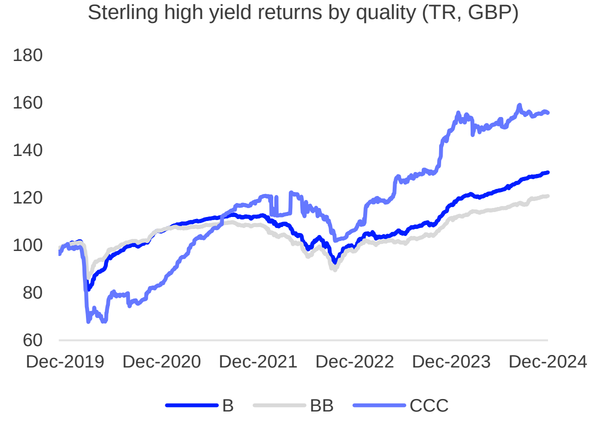


Chart 4: CCC returns accelerated in the US in November, boosted by the risk-on rally after the US elections. Higher volatility reduce risk adjusted returns. Single B continues to outperform BB.

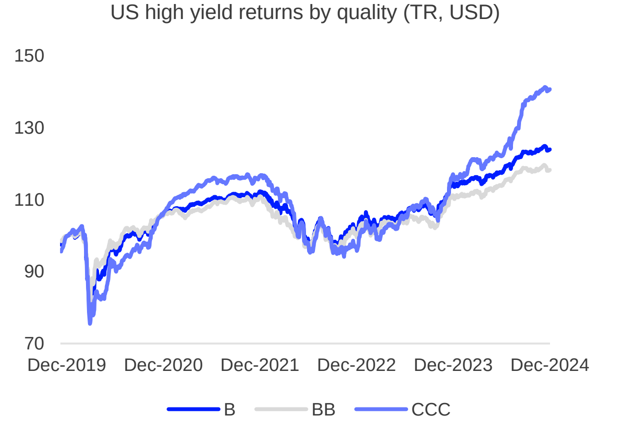


Chart 5: Short dated HY spreads are more volatile as they have lower duration. But growth and default expectations remain the main drivers of HY performance and spreads as the Covid experience showed.

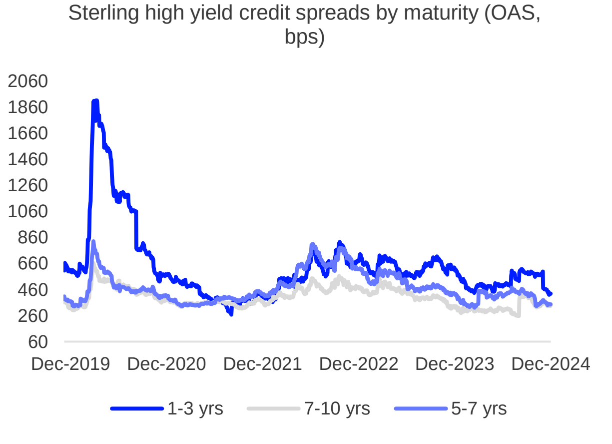
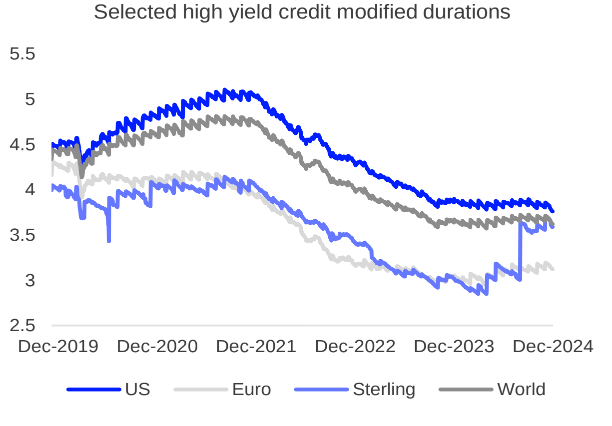


Chart 6: HY duration fell sharply during the bond sell-off in 2021-23, though stabilised in 2024, as yields fell. Duration has been a less critical variable in driving HY returns than IG, given higher correlation to equities.



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

SI Sovereign and Corporate Bond Analysis

Chart 1: SI Sovereign performance was mixed in Q4, with both ESG WGBI and Climate Risk-Adjusted WGBI underperforming, and Advanced Climate Risk-Adjusted WGBI outperforming. ESG EMGBIC was flat.

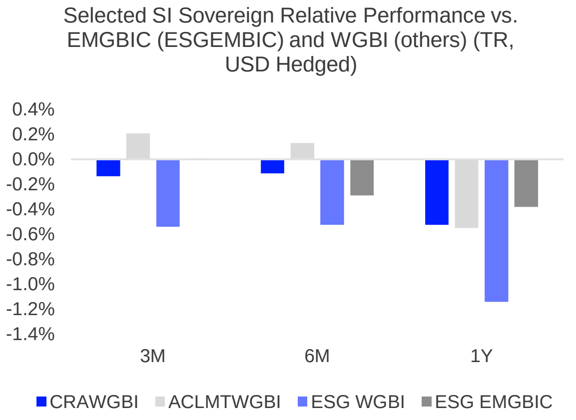


Chart 2: SI corporates largely outperformed in Q4, except PAB (Paris aligned benchmark) which underperformed vs. WBIG Corp over 3M. Green Corp was the largest outperformer in Q4, with a relative gain 2.0%.

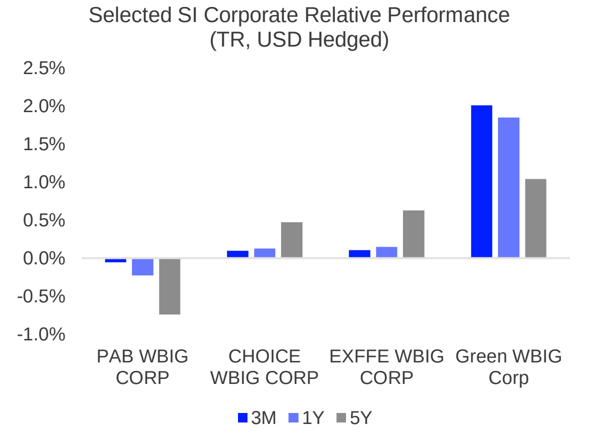


Chart 3: Since 2022, duration has been the main factor driving relative performance for SI Sovereigns. However, following peak rates in 2024, relative performance has begun to stabilise.

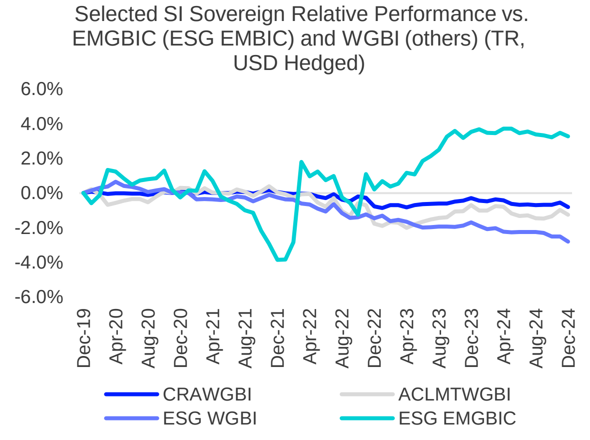


Chart 4: Duration largely explains performance divergence between Choice/ExFFe and PAB. For Green Corp, increased volatility was due to an underweight in the service industry and overweight in electric utilities.

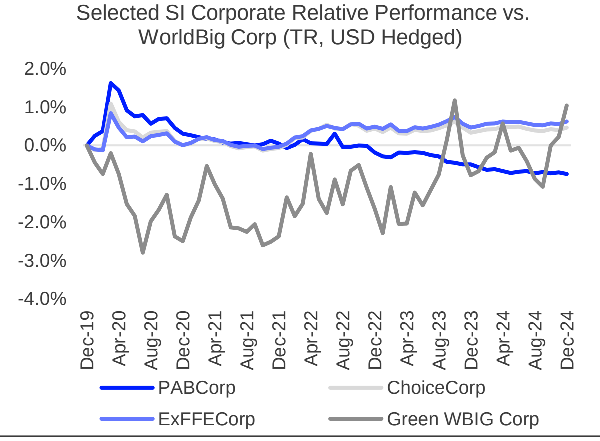


Chart 5: ESG EMGBIC has benefitted from a lower yield vs. EMGBIC. This trend reflects an overweight in countries more advanced in their rate easing cycles but has begun to slow as other central banks catch up.

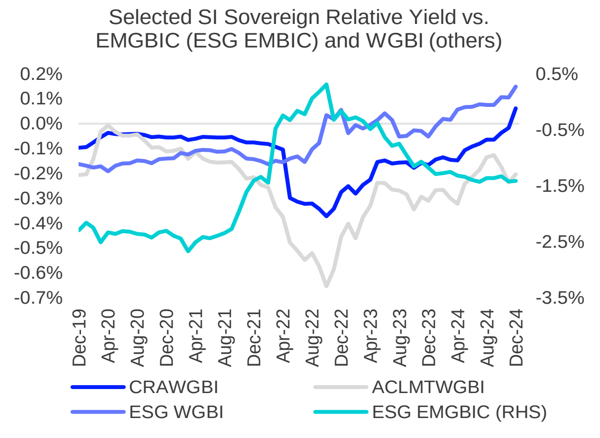
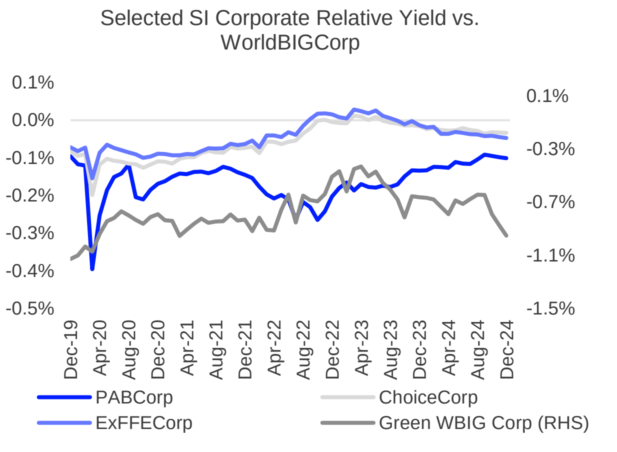


Chart 6: Except PAB, SI corporate indices have seen a decline in relative yield vs. non-SI indices. This is especially true for Green Corp, where relative yield-to-maturity has declined by ~0.3% versus WBIG Corp in Q4.



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

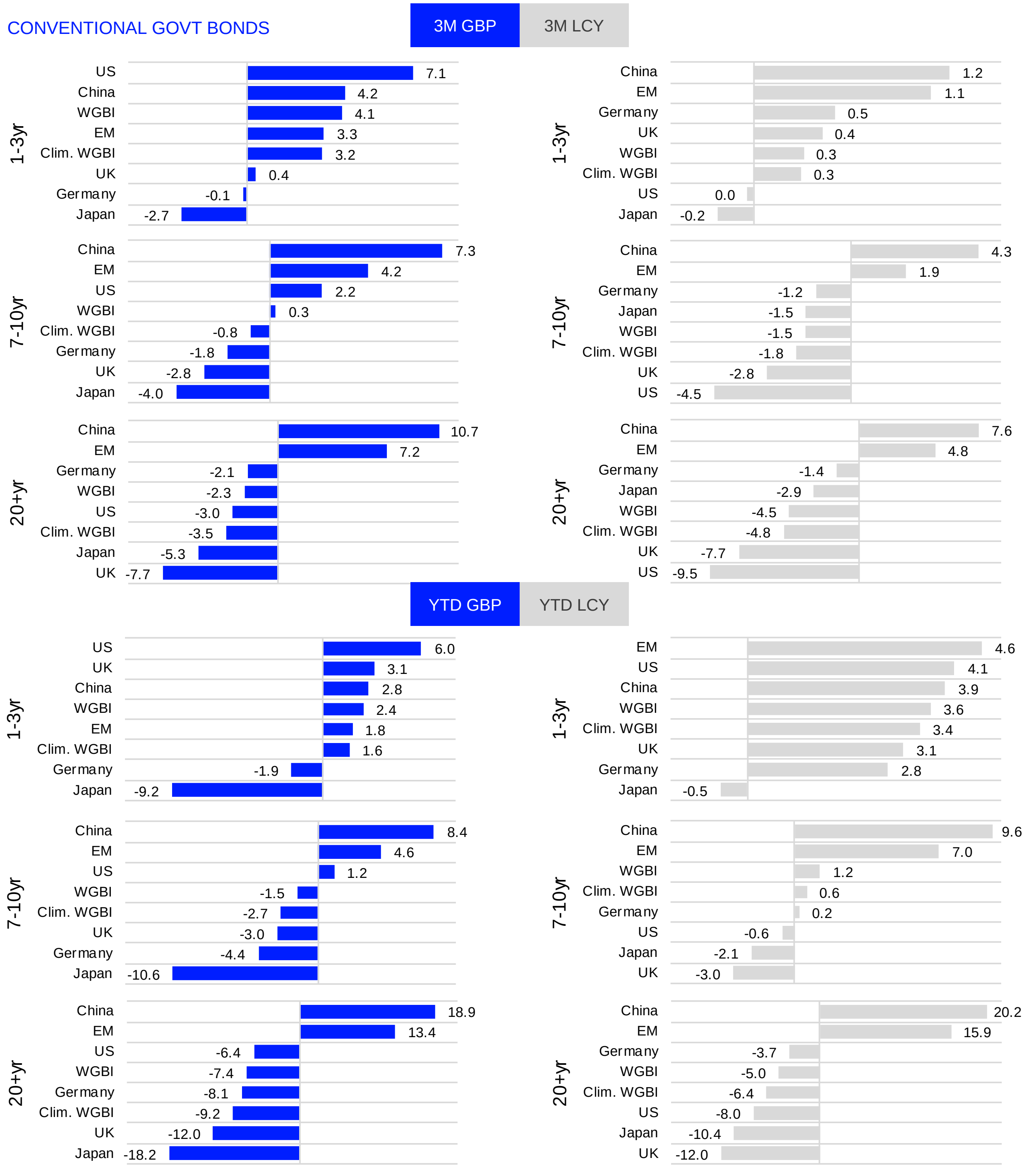
Global Bond Market Returns − 3M & YTD % (GBP, LC, TR)

Chinese and EM sovereigns, shorter dated Treasuries and the WGBI showed positive Q4 returns in sterling, partly due to stronger currencies. China also led 2024 returns in sterling, with 19% gains in longs, even if the PBoC only cut the loan prime rate 35bp in 2024. Yen weakness and the end of curve control drove sharp losses of up to 18% in long JGBs in 2024.

US Treasuries and gilts fell in December, as markets focussed on reduced prospects for Fed and BoE easing in 2025, and higher issuance. Long gilts and Treasuries lost 3-8% in Q4, as the term premium rose, but short US gained 7% in 2024 due to USD strength.

A stronger RMB boosted China govt bonds further in sterling terms, in Q4, with gains of 4-11%. EM bonds also gained 3-7% in Q4.

Apart from Chinese bonds, longer duration proved the investor's enemy again in 2024, with losses of 6-12% in sterling terms, in long Treasuries, Bunds, Climate WGBI and WGBI. Losses were increased by sterling's strength, as high UK rates boosted the currency.



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

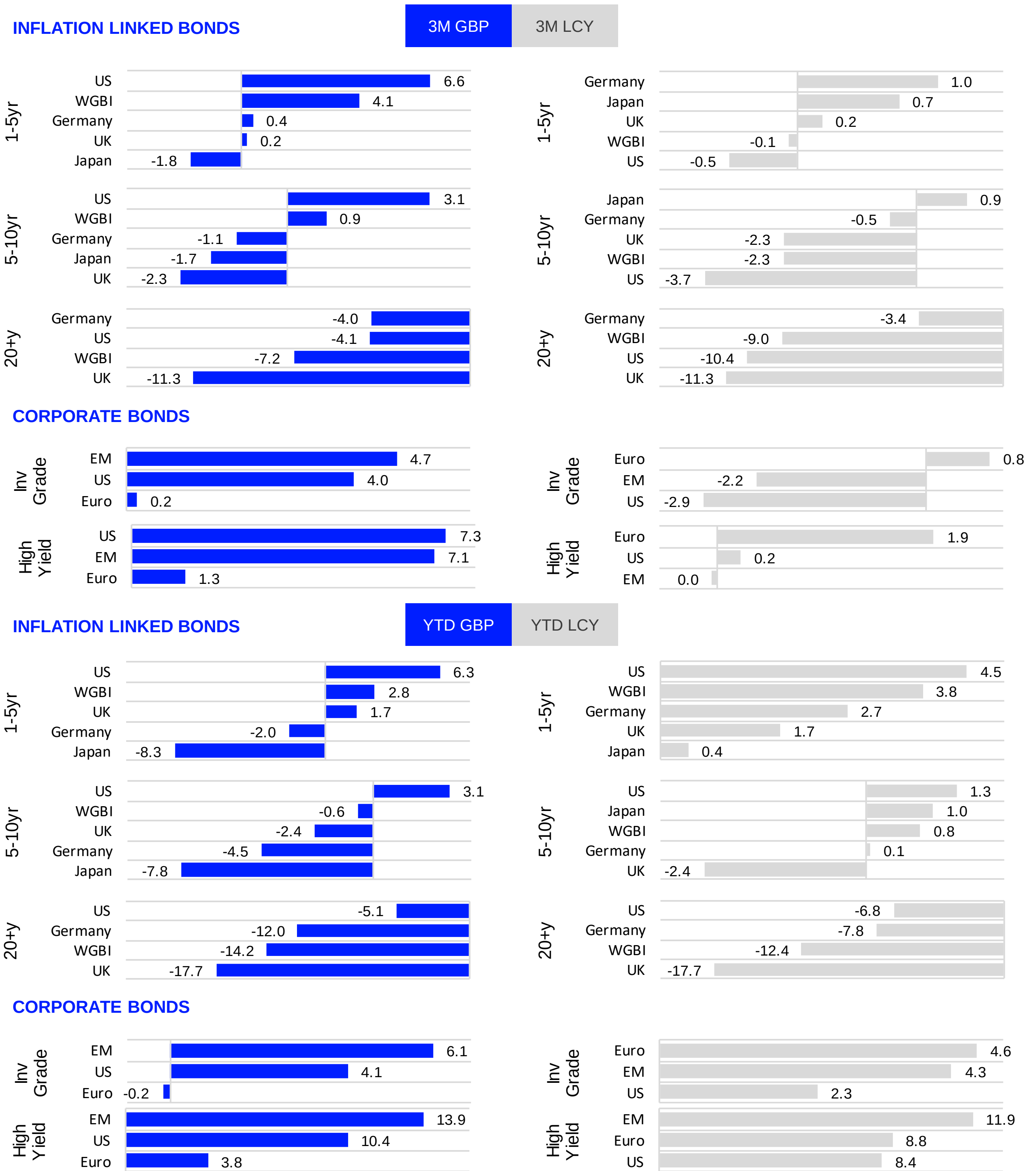
Global Inflation-Linked Bond Returns − 3M & YTD % (GBP, LC, TR)

Like conventionals, currencies impacted linker & credit returns in Q4, though longs were weak anyway, with real yields rising sharply in longer Tips and UK linkers. Longs lost 4-11% in GBP. IG credits gained in Q4 in sterling, led by US and EM credits, mainly due to stronger USD and EM currencies. Credit outperformed in 2024, with 10-14% gains in US and EM HY.

The strong US dollar drove gains of 3-7% in GBP, in short and medium Tips, IG and HY credits, in Q4, even if long Tips still fell.

Extra duration took its toll on long UK linkers which fell 18% for the year, and 11% in Q4. Long Bunds also fell nearly 12% for the year, in GBP, with losses compounded by Euro weakness.

JGB linker losses in 2024 were entirely due to yen weakness, with small gains in local currency terms, but losses of 8% in GBP terms.



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

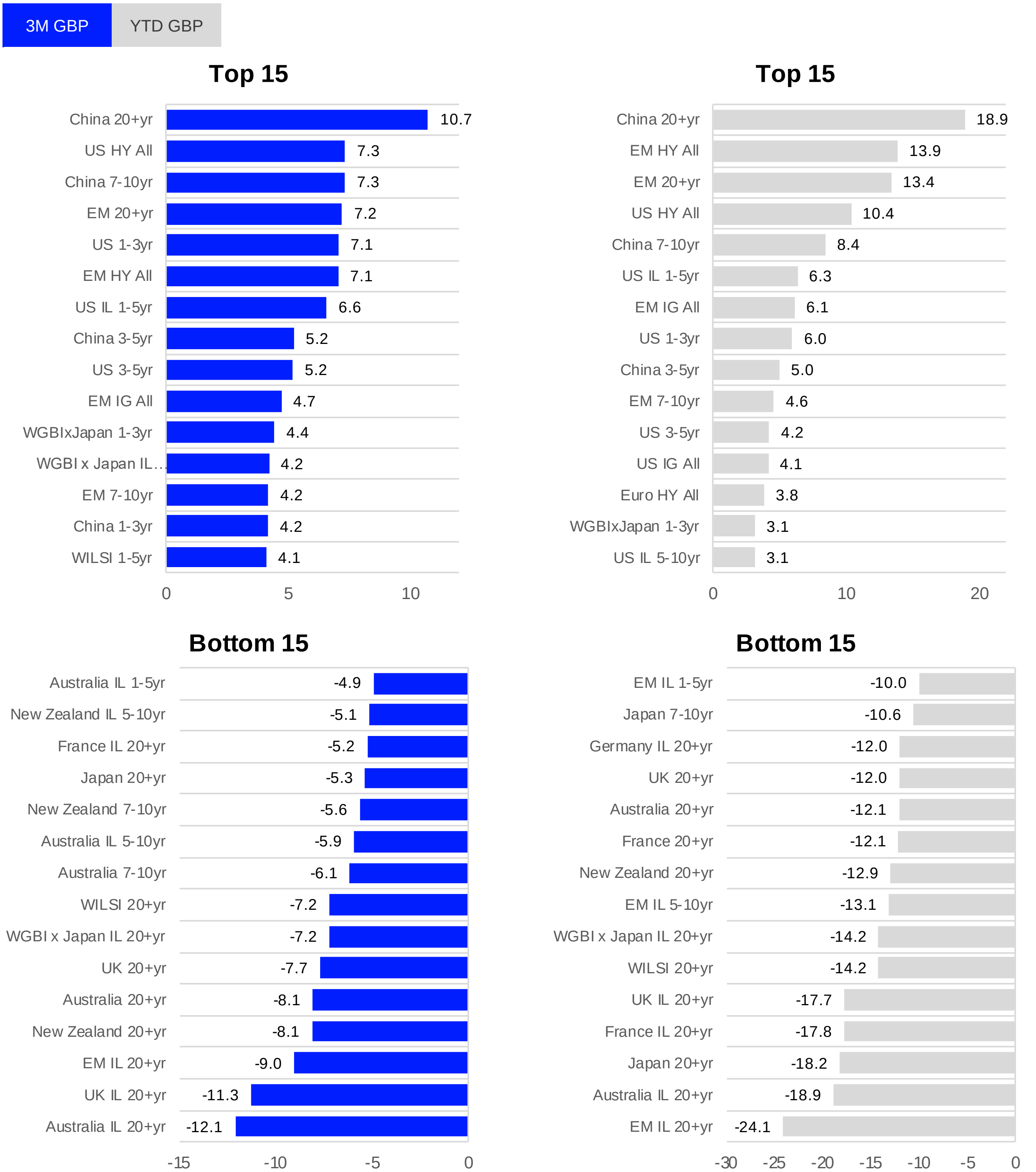
Top and Bottom Bond Returns − 3M & YTD % (GBP, TR)

Long China government bonds headed returns in Q4, with gains of nearly 11%, and made 19% in GBP in 2024, as inflation remained near zero, and the PBoC eased policy. EM HY credit was another strong performer with gains of nearly 14% in GBP. Long inflation linked were the worst performers, on both 3M and YTD, with losses of up to 24% in GBP, led by EM.

EM inflation linked losses were largely driven by a decline of 17-20% in the Mexican peso and Brazilian real vs sterling in 2024. Other long inflation linked fell sharply in Q4, with currency losses driving negative returns in Australasian bonds of 13-19% in GBP.

Diverse currency movements in EM currencies in 2024 also affected fixed income returns significantly with the Chinese RMB losing only 1%, compared to the losses of 15- 20% in Turkish lira, Mexican peso and Brazilian real (see page 16).

Political uncertainty and high debt levels took their toll on long French and German govt bonds, which fell 5-12% in Q4, and YTD.



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

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

Government Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3yr	-0.04	7.06	2.83	3.79	4.09	5.95	4.09	5.95
	7-10yr	-4.54	2.24	0.92	1.86	-0.62	1.16	-0.62	1.16
	20+yr	-9.48	-3.05	-2.28	-1.37	-8.03	-6.38	-8.03	-6.38
	IG All	-2.93	3.97	2.74	3.70	2.30	4.13	2.30	4.13
	HY All	0.21	7.33	5.61	6.60	8.42	10.36	8.42	10.36
UK	1-3yr	0.42	0.42	2.25	2.25	3.08	3.08	3.08	3.08
	7-10yr	-2.78	-2.78	-0.35	-0.35	-2.97	-2.97	-2.97	-2.97
	20+yr	-7.68	-7.68	-5.29	-5.29	-12.04	-12.04	-12.04	-12.04
Euro	IG All	0.82	0.19	4.13	1.55	4.61	-0.18	4.61	-0.18
	HY All	1.90	1.26	5.54	2.93	8.82	3.83	8.82	3.83
Japan	1-3yr	-0.21	-2.73	-0.16	3.14	-0.52	-9.17	-0.52	-9.17
	7-10yr	-1.49	-3.97	0.39	3.72	-2.08	-10.59	-2.08	-10.59
	20+yr	-2.89	-5.33	-0.50	2.79	-10.45	-18.23	-10.45	-18.23
China	1-3yr	1.19	4.17	1.84	2.32	3.90	2.76	3.90	2.76
	7-10yr	4.25	7.32	5.34	5.85	9.63	8.42	9.63	8.42
	20+yr	7.58	10.75	9.89	10.41	20.24	18.92	20.24	18.92
EM	1-3yr	1.08	3.30	2.35	2.08	4.62	1.75	4.62	1.75
	7-10yr	1.85	4.19	4.62	4.89	7.00	4.57	7.00	4.57
	20+yr	4.80	7.21	8.41	8.32	15.87	13.39	15.87	13.39
	IG All	-2.23	4.71	2.60	3.55	4.25	6.11	4.25	6.11
	HY All	-0.05	7.05	4.67	5.65	11.87	13.87	11.87	13.87
Germany	1-3yr	0.49	-0.14	2.36	-0.18	2.78	-1.93	2.78	-1.93
	7-10yr	-1.17	-1.79	2.59	0.04	0.23	-4.36	0.23	-4.36
	20+yr	-1.45	-2.07	3.76	1.18	-3.67	-8.09	-3.67	-8.09
Italy	1-3yr	0.72	0.08	3.18	0.62	3.79	-0.97	3.79	-0.97
	7-10yr	0.17	-0.46	6.44	3.80	5.70	0.85	5.70	0.85
	20+yr	0.89	0.26	10.27	7.54	7.99	3.04	7.99	3.04
Spain	1-3yr	0.68	0.05	2.88	0.33	3.52	-1.22	3.52	-1.22
	7-10yr	-0.24	-0.87	4.39	1.80	3.26	-1.47	3.26	-1.47
	20+yr	0.56	-0.07	7.42	4.75	4.01	-0.76	4.01	-0.76
France	1-3yr	0.66	0.03	2.85	0.30	2.80	-1.91	2.80	-1.91
	7-10yr	-1.25	-1.87	2.69	0.14	-1.25	-5.78	-1.25	-5.78
	20+yr	-2.22	-2.83	2.33	-0.21	-7.90	-12.13	-7.90	-12.13
Sweden	1-3yr	-0.29	-2.03	1.85	-1.47	3.27	-4.13	3.27	-4.13
	7-10yr	-2.75	-4.44	-0.03	-3.29	-0.33	-7.47	-0.33	-7.47
Australia	1-3yr	0.47	-3.97	2.48	-4.10	3.53	-4.38	3.53	-4.38
	7-10yr	-1.80	-6.13	1.96	-4.59	1.46	-6.29	1.46	-6.29
	20+yr	-3.81	-8.05	-0.87	-7.24	-4.82	-12.09	-4.82	-12.09
New Zealand	1-3yr	1.22	-4.54	4.57	-2.95	6.51	-4.06	6.51	-4.06
	7-10yr	0.07	-5.63	4.55	-2.98	4.56	-5.82	4.56	-5.82
	20+yr	-2.56	-8.11	0.70	-6.55	-3.34	-12.94	-3.34	-12.94
Canada	1-3yr	0.73	1.34	3.16	-0.94	4.80	-2.20	4.80	-2.20
	7-10yr	-1.26	-0.66	4.24	0.10	2.82	-4.04	2.82	-4.04
	20+yr	-2.92	-2.33	3.36	-0.74	-2.60	-9.10	-2.60	-9.10

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

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

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5yr	-0.49	6.58	2.30	3.25	4.46	6.33	4.46	6.33
	5-10yr	-3.71	3.12	0.82	1.76	1.30	3.12	1.30	3.12
	20+yr	-10.44	-4.07	-2.93	-2.02	-6.76	-5.09	-6.76	-5.09
UK	1-5yr	0.18	0.18	1.51	1.51	1.75	1.75	1.75	1.75
	5-10yr	-2.33	-2.33	-0.92	-0.92	-2.37	-2.37	-2.37	-2.37
	20+yr	-11.27	-11.27	-9.90	-9.90	-17.73	-17.73	-17.73	-17.73
Japan	1-5yr	0.74	-1.80	0.47	3.80	0.41	-8.32	0.41	-8.32
	5-10yr	0.86	-1.68	0.24	3.56	0.96	-7.81	0.96	-7.81
EM	1-5yr	1.82	-0.40	5.03	-4.03	8.82	-10.01	8.82	-10.01
	5-10yr	-0.98	-3.10	3.19	-5.03	2.64	-13.14	2.64	-13.14
	20+yr	-6.22	-9.02	-2.34	-10.95	-8.34	-24.09	-8.34	-24.09
Germany	1-5yr	1.02	0.39	2.25	-0.28	2.72	-1.99	2.72	-1.99
	5-10yr	-0.48	-1.10	1.35	-1.17	0.05	-4.54	0.05	-4.54
	20+yr	-3.42	-4.02	-1.29	-3.73	-7.78	-12.01	-7.78	-12.01
Italy	1-5yr	0.82	0.19	3.58	1.01	3.91	-0.85	3.91	-0.85
	5-10yr	-0.01	-0.64	4.99	2.39	4.91	0.10	4.91	0.10
	20+yr	-0.87	-1.49	7.89	5.21	4.33	-0.45	4.33	-0.45
Spain	1-5yr	0.69	0.06	2.75	0.21	2.84	-1.87	2.84	-1.87
	5-10yr	-0.34	-0.97	2.74	0.20	2.69	-2.01	2.69	-2.01
France	1-5yr	0.41	-0.22	2.12	-0.41	1.03	-3.60	1.03	-3.60
	5-10yr	-0.96	-1.59	1.18	-1.33	-1.88	-6.37	-1.88	-6.37
	20+yr	-4.64	-5.24	-2.23	-4.65	-13.82	-17.77	-13.82	-17.77
Sweden	1-5yr	-0.19	-1.93	1.11	-2.18	2.23	-5.09	2.23	-5.09
	5-10yr	-1.49	-3.21	0.64	-2.64	0.98	-6.25	0.98	-6.25
Australia	1-5yr	-0.52	-4.91	1.64	-4.90	2.20	-5.60	2.20	-5.60
	5-10yr	-1.57	-5.91	1.81	-4.73	0.90	-6.81	0.90	-6.81
	20+yr	-8.05	-12.10	-3.88	-10.06	-12.16	-18.87	-12.16	-18.87
New Zealand	5-10yr	0.60	-5.12	2.51	-4.87	4.91	-5.51	4.91	-5.51
Canada	20+yr	0.20	0.81	4.58	0.43	2.98	-3.89	2.98	-3.89

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

Appendix − Historical Bond Yields % as of December 31, 2024

Global Bond Yields

Top 15% | Bottom 15%

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

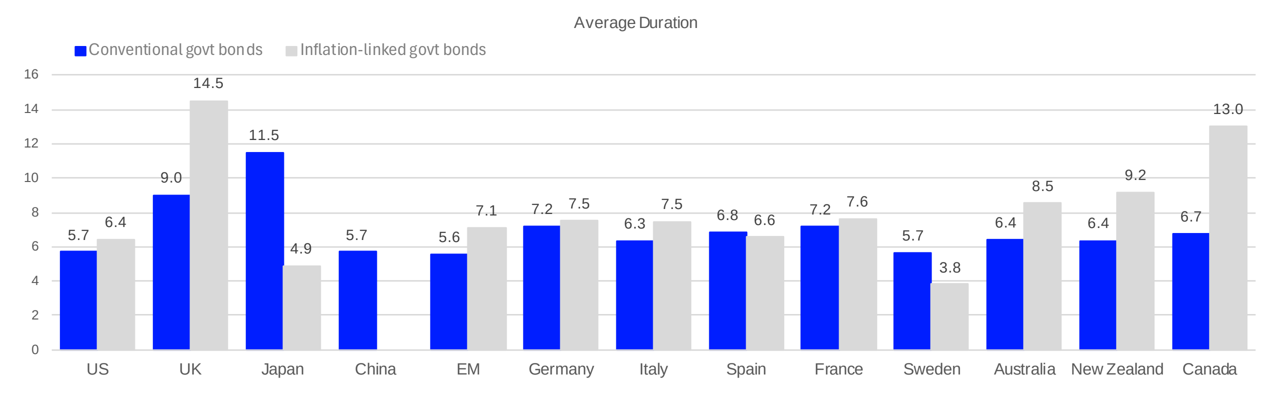
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.25	4.34	4.54	4.88	1.95	2.16	2.50	5.35	7.61
	3M Ago	3.73	3.58	3.74	4.21	1.59	1.51	1.94	4.76	7.30
	6M Ago	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	12M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
UK	Current	4.24	4.22	4.47	5.03	0.48	0.86	1.80		
	3M Ago	4.01	3.78	3.92	4.51	0.31	0.44	1.31		
	6M Ago	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	12M Ago	3.94	3.45	3.46	4.07	-0.02	-0.02	0.91		
Japan	Current	0.53	0.67	0.98	2.18	-1.20	-0.57			
	3M Ago	0.32	0.44	0.74	2.02	-0.96	-0.53			
	6M Ago	0.27	0.48	0.91	2.10	-1.32	-0.79			
	12M Ago	0.00	0.13	0.50	1.60	-1.67	-0.81			
China	Current	1.10	1.32	1.68	2.00					
	3M Ago	1.54	1.78	2.15	2.38					
	6M Ago	1.64	1.86	2.21	2.46					
	12M Ago	2.18	2.33	2.58	2.90					
EM	Current	2.99	3.20	3.98	3.49	6.51	5.83	6.25	5.55	8.05
	3M Ago	3.07	3.46	4.01	3.70	5.81	5.15	5.61	4.93	7.51
	6M Ago	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	12M Ago	3.44	3.95	4.70	4.34	4.27	4.23	4.82	5.58	9.90
Germany	Current	2.04	2.05	2.27	2.54	0.97	0.47	0.64		
	3M Ago	2.09	1.88	2.04	2.44	1.24	0.33	0.45		
	6M Ago	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	12M Ago	2.48	1.97	1.96	2.25	0.92	0.16	0.16		
Italy	Current	2.37	2.65	3.28	3.96	0.99	1.44	1.86		
	3M Ago	2.47	2.57	3.18	3.94	1.10	1.35	1.80		
	6M Ago	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	12M Ago	2.99	2.88	3.45	4.17	1.23	1.62	1.88		
France	Current	2.28	2.54	3.04	3.59	0.73	0.97	1.36		
	3M Ago	2.34	2.39	2.75	3.43	0.81	0.75	1.13		
	6M Ago	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	12M Ago	2.49	2.23	2.43	3.00	0.56	0.32	0.64		
Sweden	Current	2.07	2.14	2.33		0.92	0.69			
	3M Ago	1.68	1.66	1.90		0.88	0.47			
	6M Ago	2.42	2.23	2.19		1.41	0.74			
	12M Ago	2.59	2.04	2.01		1.12	0.59			
Australia	Current	3.88	3.89	4.32	4.87	1.77	1.92	2.45		
	3M Ago	3.62	3.54	3.91	4.56	1.31	1.45	2.00		
	6M Ago	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	12M Ago	3.71	3.63	3.90	4.30	0.85	1.27	1.61		
New Zealand	Current	3.58	3.70	4.35	5.11		2.29			
	3M Ago	3.75	3.74	4.20	4.87	2.65	2.20			
	6M Ago	4.78	4.56	4.65	5.00	2.51	2.33			
	12M Ago	4.71	4.24	4.31	4.60	1.45	2.12			
Canada	Current	2.93	2.94	3.17	3.33	1.07	1.26	1.53		
	3M Ago	3.03	2.71	2.90	3.14	1.44	1.29	1.53		
	6M Ago	4.07	3.56	3.51	3.42	1.70	1.72	1.68		
	12M Ago	3.94	3.26	3.10	3.04	1.31	1.35	1.51		

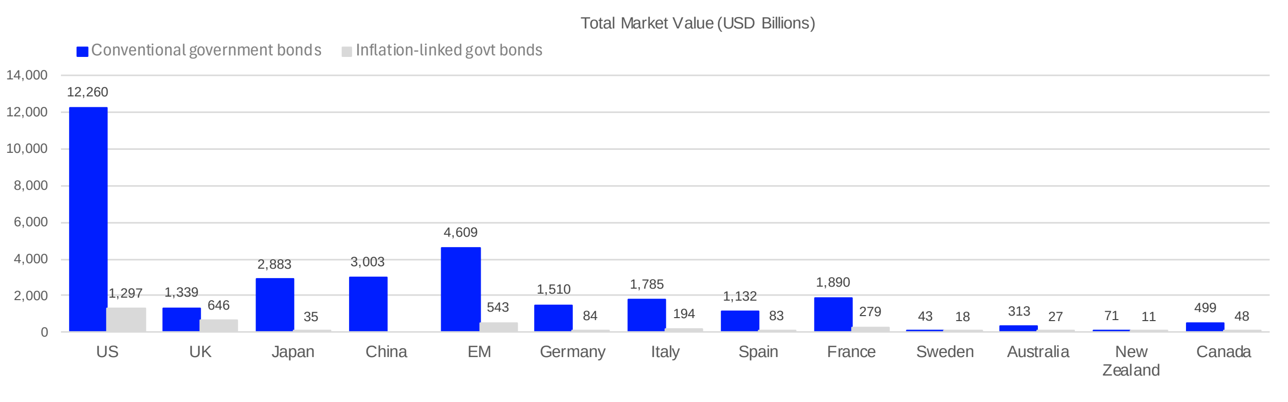
Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Appendix – Duration and Market Value (USD, Bn) as of December 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	7.1	16.2	**5.7**	2,880.2	1,162.2	1,363.4	**12,260.1**	7.0	20.9	**6.4**	433.9	114.5	**1,297.4**
UK	3.6	7.2	17.5	**9.0**	220.0	229.2	315.8	**1,339.3**	7.4	26.4	**14.5**	122.5	207.7	**645.5**
Japan	3.8	8.2	22.9	**11.5**	344.1	416.9	584.2	**2,883.1**	7.9		**4.9**	14.5		**34.6**
China	3.7	7.6	18.2	**5.7**	719.5	496.4	337.5	**3,003.0**						
EM	3.6	7.1	16.5	**5.6**	1,024.8	810.3	443.0	**4,609.5**	5.8	12.8	**7.1**	93.2	134.4	**542.6**
Germany	3.7	7.6	21.1	**7.2**	311.4	241.0	167.8	**1,509.5**	6.0	20.5	**7.5**	42.4	16.9	**84.3**
Italy	3.6	7.1	16.9	**6.3**	315.3	263.2	154.5	**1,784.8**	6.9	25.2	**7.5**	58.2	5.5	**193.7**
Spain	3.7	7.3	18.7	**6.8**	240.5	210.7	95.8	**1,131.7**	7.1		**6.6**	49.4		**83.2**
France	3.8	7.5	18.9	**7.2**	386.6	313.5	233.3	**1,890.4**	6.4	23.5	**7.6**	76.7	20.0	**278.6**
Sweden	4.0	7.4		**5.7**	13.6	9.5		**42.8**	6.2		**3.8**	5.8		**17.7**
Australia	3.8	7.3	16.3	**6.4**	50.4	78.0	18.4	**312.5**	6.1	21.2	**8.5**	10.2	2.5	**27.0**
New Zealand	3.6	7.1	15.8	**6.4**	13.6	17.4	4.8	**70.8**	5.2		**9.2**	3.1		**11.1**
Canada	3.7	7.3	19.4	**6.7**	81.1	111.0	71.4	**499.4**	6.1	20.1	**13.0**	7.9	19.6	**47.6**

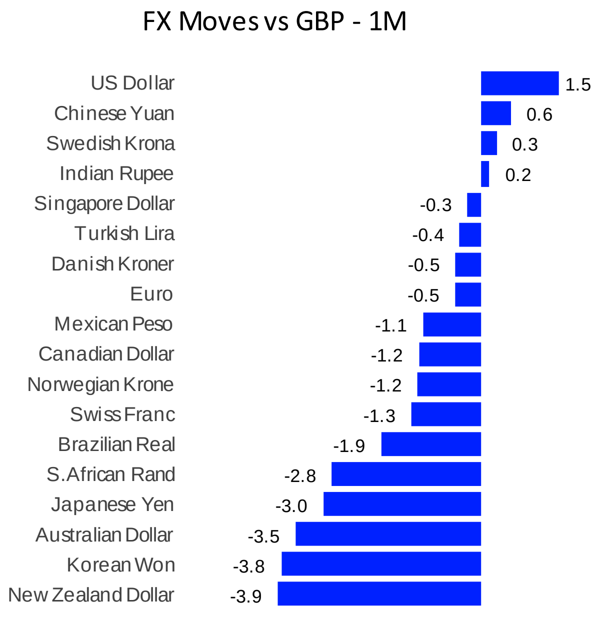
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.1	6.9	6.5	6.8	71.0	458.4	2811.3	3622.6	6963.3	3.8	1107.6
Europe	5.8	4.7	4.6	4.2	4.4	14.8	213.7	1211.5	1565.3	3005.4		
EM		6.5	5.4	5.3	5.4		38.7	209.6	231.6	479.9	3.6	196.5

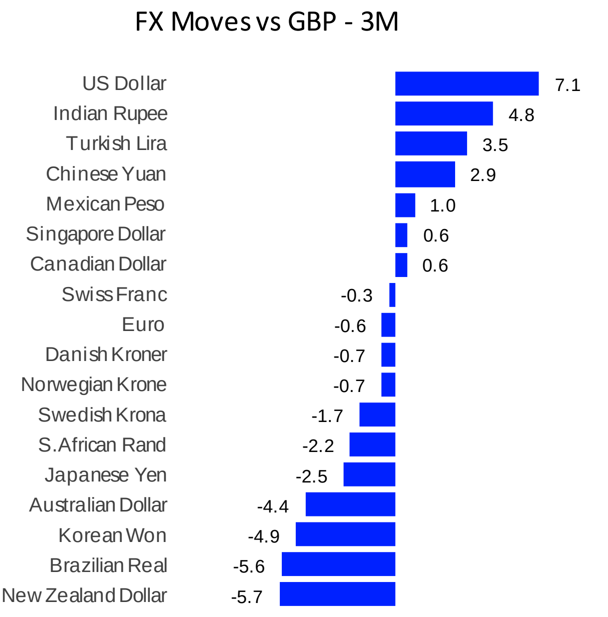


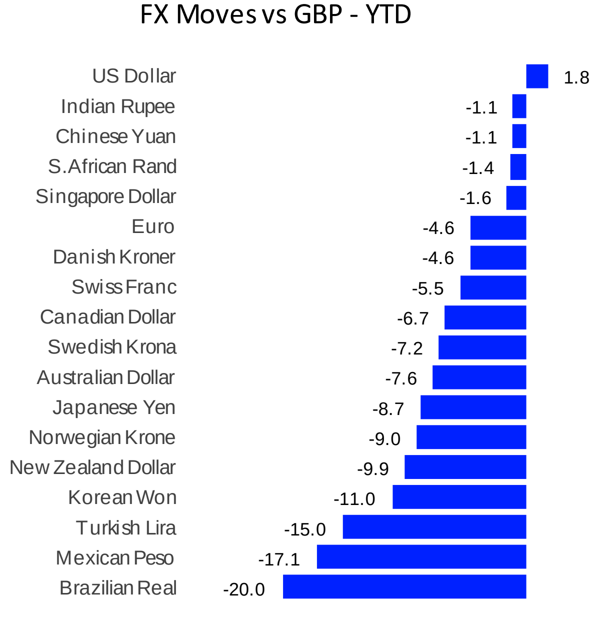


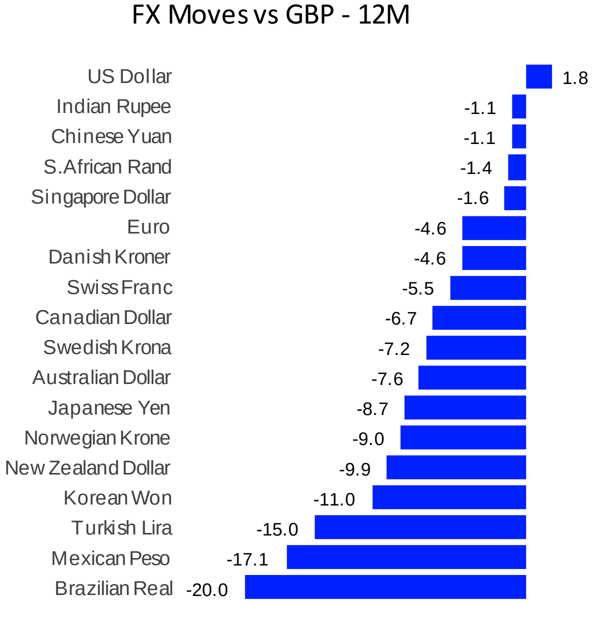
Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

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









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

Appendix − Glossary

Bond markets are based on the following indices:

FTSE 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

FTSE RUSSELL
An LSEG Business

ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.
Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.
For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

CONTACT US

To learn more, visit lseg.com/en/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

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