Global Investment Research
Market Maps

FTSE RUSSELL
An LSEG Business

Fixed Income Insights

US EDITION

MONTHLY REPORT | **JANUARY 2025**

Higher for longer still the dominant US narrative

Growth and inflation divergences persist, reflected in G7 policy settings. The Fed's, and BoE's, higher for longer stance on rates is driving wider US and UK spreads and dollar strength. Political uncertainty may explain higher Bund yields, after another bond vigilante attack on French OATs. China and HY credit proved the best performers in 2024.

Macro and policy backdrop – Fed eases but scales back expectations for 2025

Fed dot plots show only a further 50bp of rate cuts in 2025, with growth and inflation projections higher. 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, but corporates outperformed

Duration is the main driver of SI sovereigns. Advanced-climate WGBI has performed well in Q4. (page 8)

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

Diverse returns reflect economic divergence. Long Treasuries and gilts fell in Q4 on higher for longer rates 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.

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Chart 1: US nominal and real 7-10 yr 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.

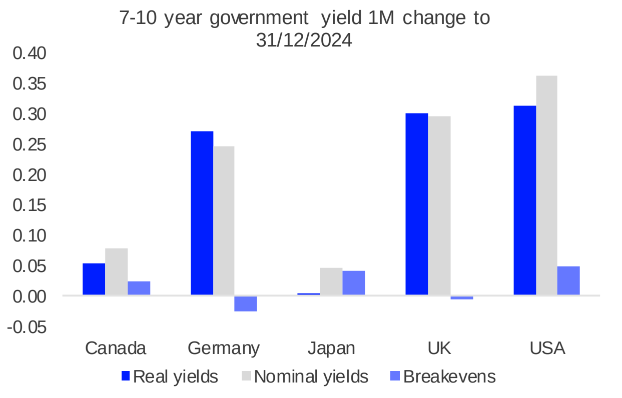
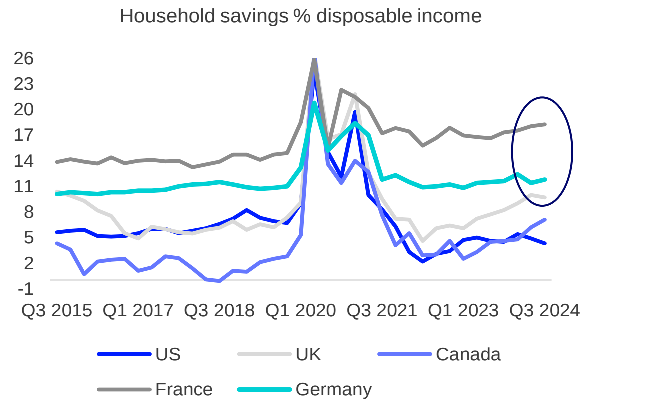


Chart 2: Saving for a rainy day? Recent increases in household savings in Europe suggest fragile consumer confidence, despite low unemployment, after the recent inflation shock, and with tax increases to come.



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Macroeconomic Backdrop – Growth and Inflation Expectations

Divergent growth and inflation paths in the US, Eurozone and APAC continue, despite Consensus forecasts of more convergence. Much hinges on policy easing boosting domestic demand in Germany and China particularly, given higher exposure to a trade tariff war, and deflation risks. US Federal debt levels may constrain fiscal easing, which would give the Fed more room to ease.

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 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). The UK faces the same challenge, with wage inflation of 4% and above, in both economies. Weak demand is helping drive inflation lower in the Eurozone and China.

Although employment growth slowed in Q4, partly due to hurricane effects, and unemployment rose above 4%, there is little sign of a sharp slowdown typical of recessions. Labor hoarding may be a factor as labor force growth slowed, and the participation rate stalled at 62.5%, versus 67% at the 2000 peak. Wage inflation below 4% may be required for the Fed to reach the 2% inflation target.

The stock of US Federal debt has doubled, approximately, since President-elect Trump first took office in 2016-17, as Chart 4 shows. The expansion in debt has increased under both Republican and Democrat administrations, due to tax cuts, Covid support and increased infra-structure spending (i.e., IRA). As a result, public sector deficits have also doubled to over 6% of GDP in fiscal 2024, versus 3% in 2016. Foreign holdings of Federal debt have fallen to about 35%, from nearly 50% in 2016, as foreign central banks diversified reserve holdings.

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 favorable. Goods inflation is very weak globally.

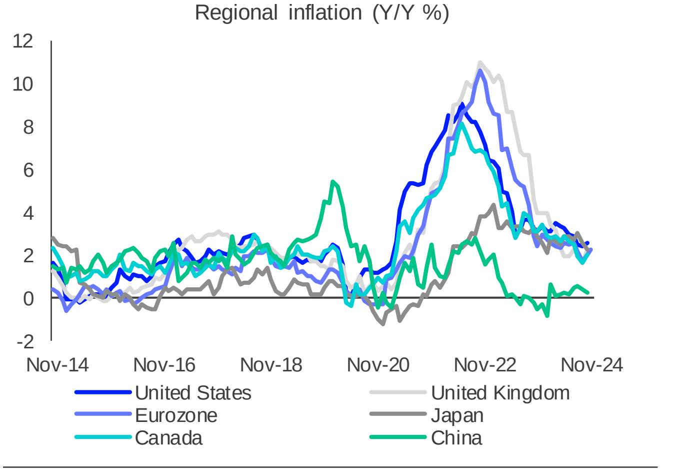


Chart 3: US unemployment ticked up to 4.2% in Nov., as employment growth slowed, but wage growth remains at 4% y/y, making it difficult to hit an inflation target of 2%, unless productivity accelerates.

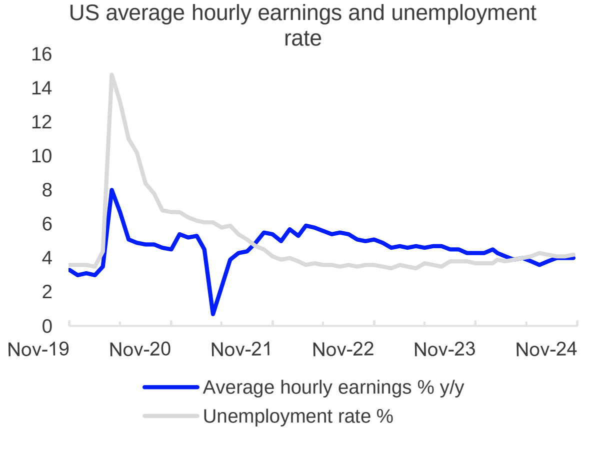
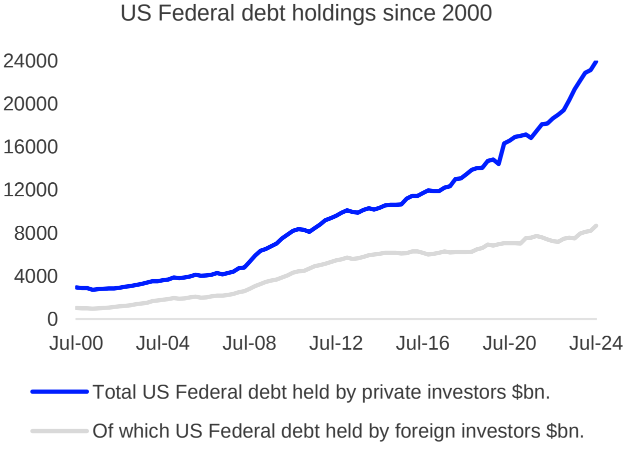


Chart 4: Private sector holdings of US debt doubled since 2016, when President-elect Trump first took office. Of the total, foreign holdings fell as a share, partly because foreign central bank holdings have slowed.



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Financial Conditions and Monetary Policy Settings

Market reactions to the 100bp of Fed easing since September reflect the lack of a clearcut case for lower rates, with 10-year yields increasing, and a greater term premium. "Higher for longer" is priced into market rate expectations, and Fed dot plots as the dominant narrative for 2025, driving a steeper curve and higher dollar volatility since the US elections in November.

10-year Treasury yields have fallen in advance of the first Fed easing in previous cycles, as Chart 1 shows (only the 1990-91 easing shows a delay to the decline in yields). But 10-year yields backed up since the Fed cut rates in Q3 2024, with the yield curve disinverting sharply. This may reflect robust growth in Q4 and the case for easing not being clear-cut, driving a positive gradient in 10s/2s.

The US dollar spiked higher after President-elect Trump's election victory, as markets revised up interest rate expectations (Chart 2), but comments from the President-elect about dollar overvaluation caused some unwinding of recent gains. The revision up to the Fed's dot plots supported the dollar, with the 25bp cut in rates in December well discounted, and the two-way pull has increased dollar volatility.

The Fed cut rates a further 25bp (to 4.25%-4.50%) on December 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.

Despite the decline in US inflation since 2022, the term premium is still near recent highs, as fears about US Treasury issuance and the doubling in the budget deficit from 3% of GDP to over 6% of GDP in fiscal 2024, weigh on investor sentiment. The tax cuts mooted by President-elect Trump in the election campaign is another factor that may be pushing Treasury yields higher.

Chart 1: 10-year yields generally fell after the first moves in previous Fed easing cycles, but increased since September, when the Fed first cut rates in this cycle. The December easing was well discounted.

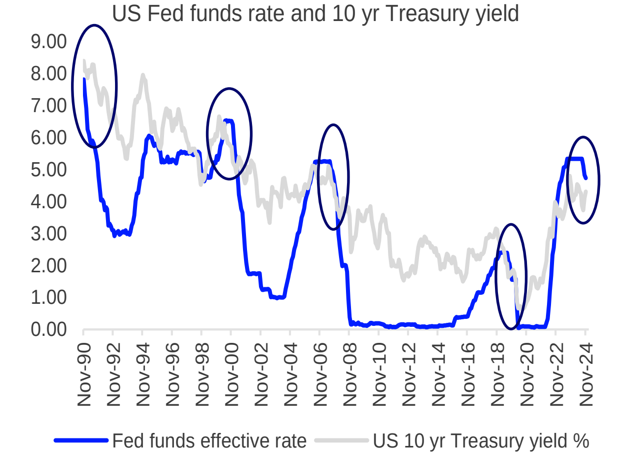


Chart 2: The US dollar strengthened and volatility increased since the Nov. elections as markets re-calibrated the impact of tax cuts and trade tariffs on Fed policy, and potential dollar over-valuation.

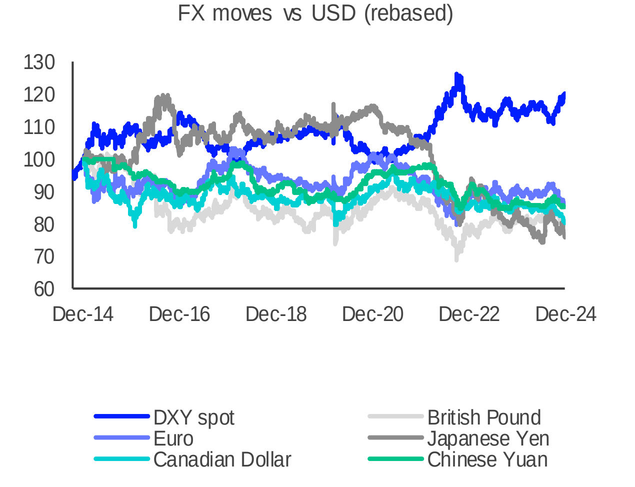


Chart 3: The Fed eased 25bp in December, but scaled back 2025 rate cut projections by 50bp. In contrast, the BoC eased 50bp after weak growth. The UK's Q4 fiscal stimulus & higher inflation prevented a further BoE cut.

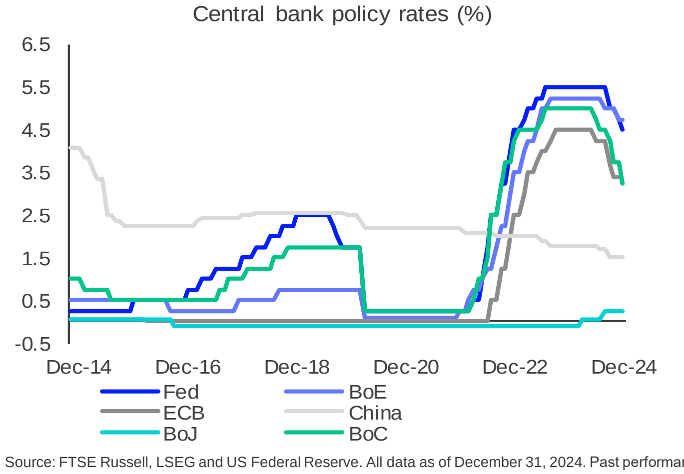
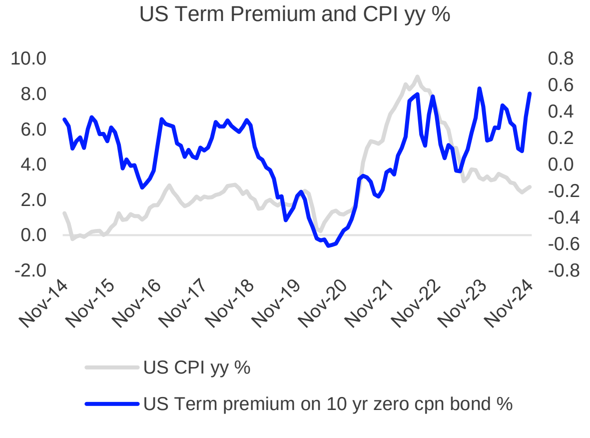


Chart 4: The 10-year Term premium has increased to the levels it reached during the inflation spike in 2022, despite CPI inflation at 2.6% y/y in November, versus a peak of 8.1% y/y in July 2022.



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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 BoC rate cut caused spreads to widen further vs US.

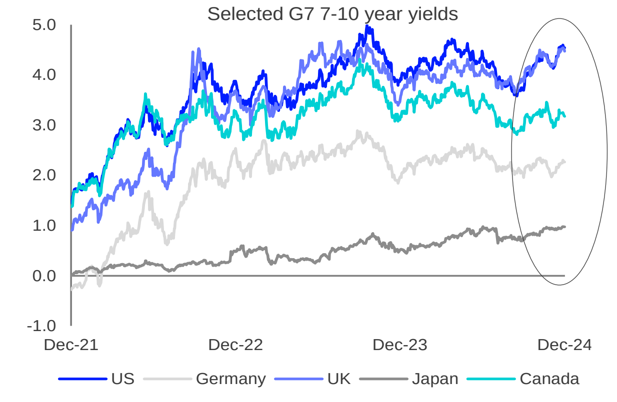


Chart 2: 7-10 yr real yields tracked nominals higher in December, led by US Tips as US growth remained robust in Q4. French real yields moved to new cycle highs, on concern over fiscal deficit levels.

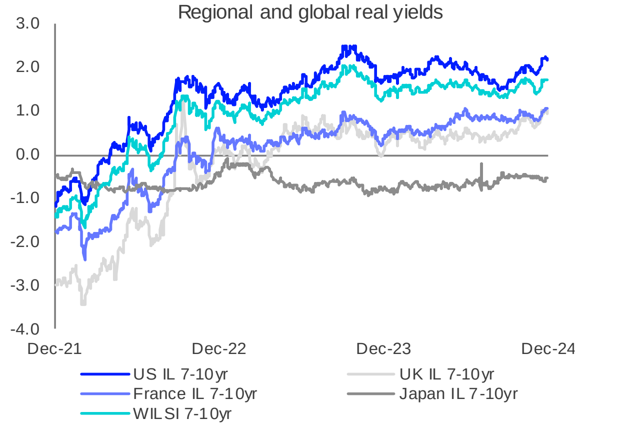


Chart 3: Curve steepening remains the dominant narrative, as debt levels prompted issuance fears, while policy easing has pulled 2-year yields lower, most notably in Canada and the Eurozone.

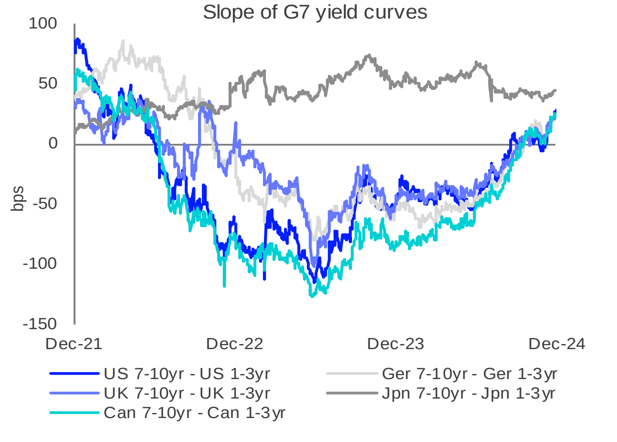


Chart 4: The long end of curves shows more pronounced steepening, notably in France, where political stalemate has prevented budget deficit reduction, but the gilt curve is now as steep as in the 2022 crisis.

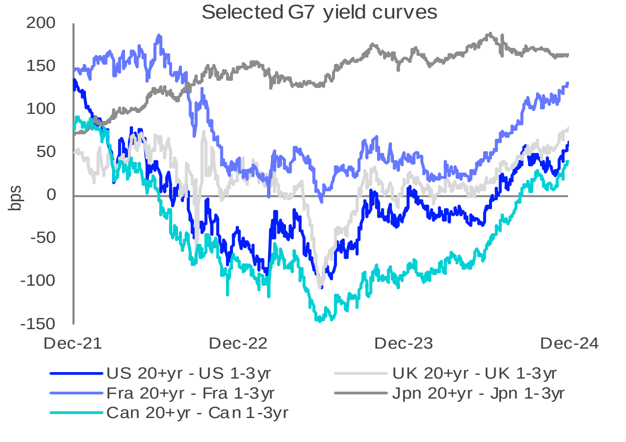


Chart 5: Breakevens generally remain fairly stable around 2%, with nominal and real yields moving higher together in December. Stronger growth in the US caused breakevens to edge a little higher in Q4.

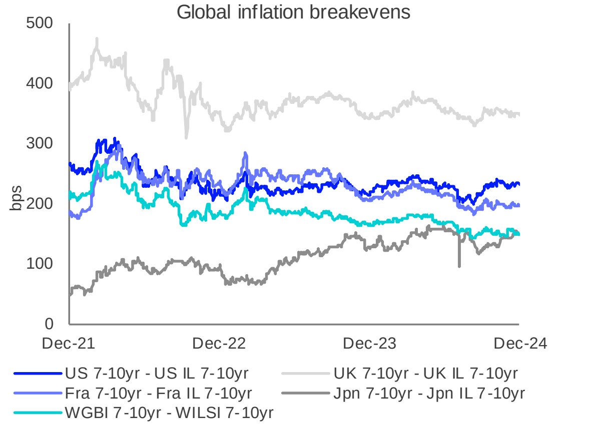
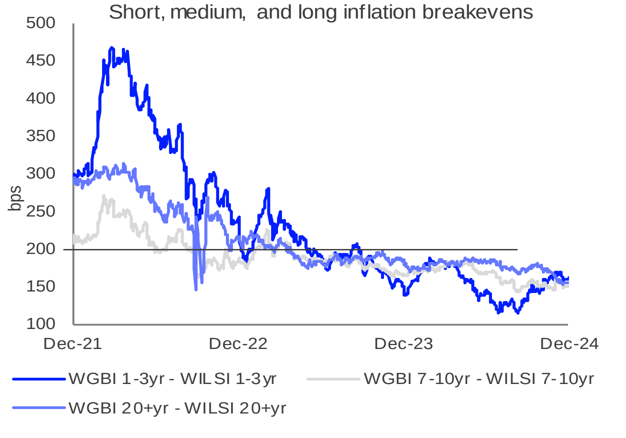


Chart 6: Stability in inflation breakevens has enabled central banks to ease policy in 2024, despite inflation remaining above 2% y/y targets in some economies for much of 2024 (notably the US and UK).



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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.

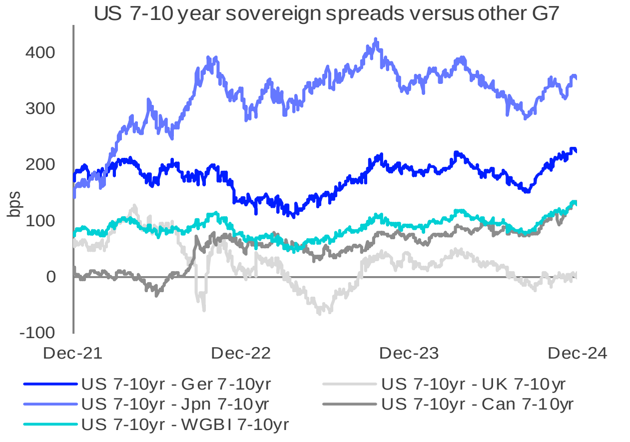


Chart 2: Italian spreads tightened further against US Treasuries and gilts in December, as 7-10 year yields rose in the US and UK. Spreads moved less versus Canada, after the BoC's 50bp rate cut.

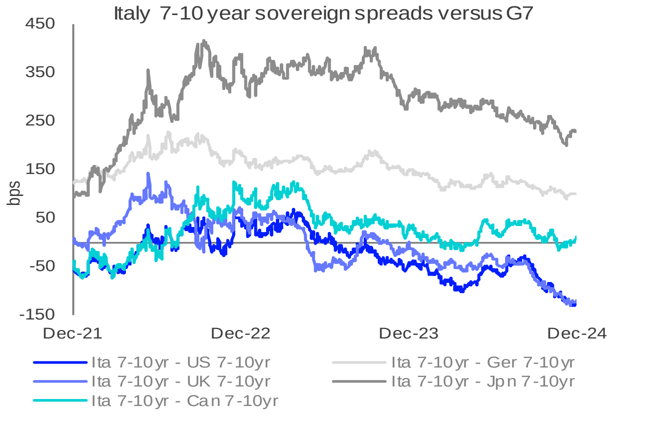


Chart 3: A broad re-rating of EM has continued in 2024, though it varies across the asset class. The decline in Chinese yields has also helped drive spreads lower, due to the high China weight in EM indices.

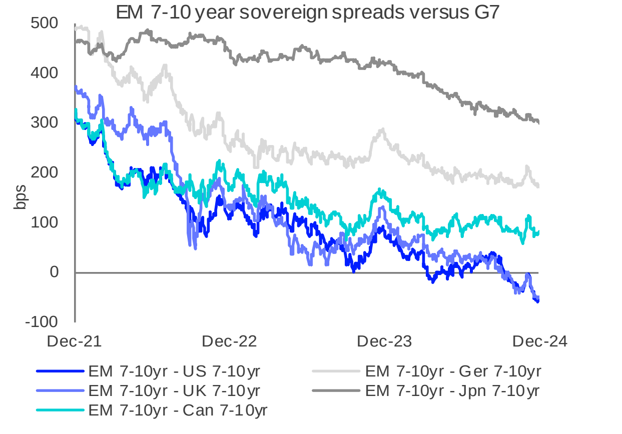


Chart 4: China 7-10 year yields fell again in December after more policy easing by the PBoC, as spreads moved to new lows vs Treasuries and UK gilts, trading almost 300bp below US and UK yields.

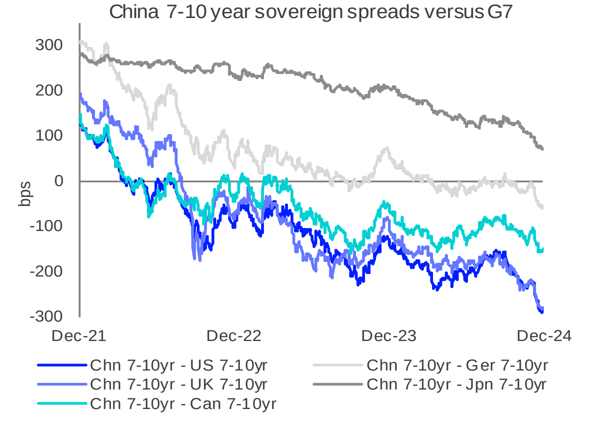


Chart 5: Credit spreads edged tighter in December, mainly due to higher US Treasury and Bund yield, with spreads returning to pre-inflation shock levels in both high yield and investment grade credits.

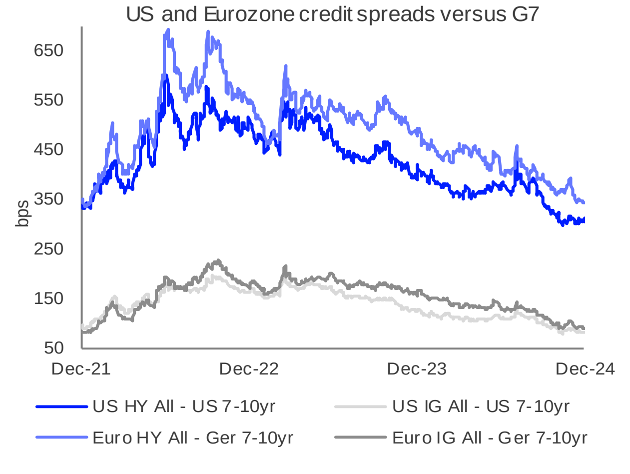
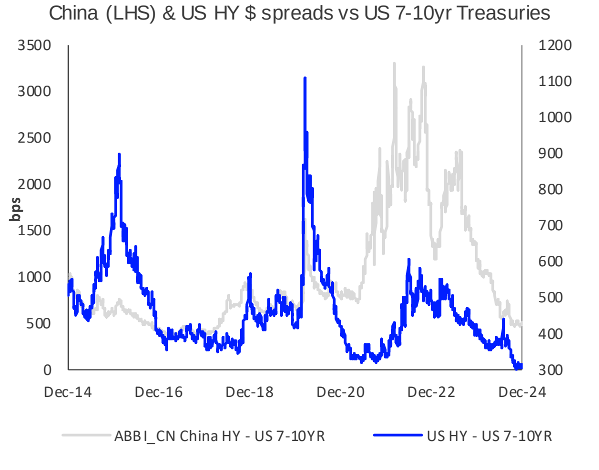


Chart 6: Since the 2022 property crash in China HY credits, spreads tightened after support measures, although bond exchanges and re-schedulings make spreads a less reliable indicator of performance.



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Investment Grade Credit and RMBS analysis

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.

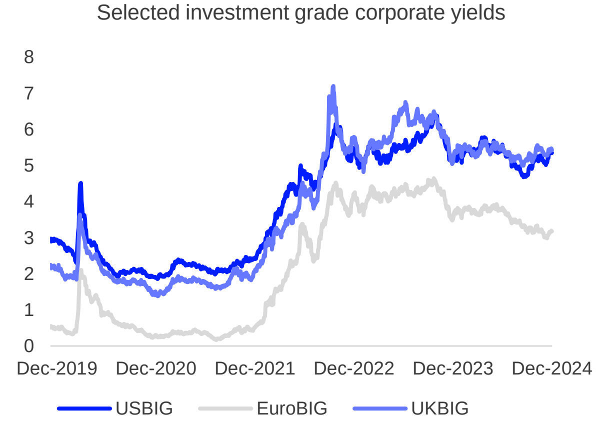


Chart 2: Looking at sector performance, asset-backed have shown a more favorable risk-return profile, with a smaller drawdown when Treasury yields spiked in 2021-22. Banks have become lower beta.

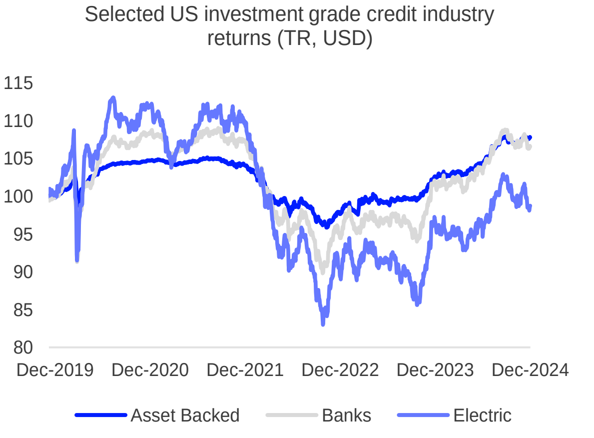


Chart 3: Duration has shortened most in AA credits, reflecting the increase in yields during the Fed tightening phase in 2022-23. BBB credits were less affected, reflecting lower correlation to Treasuries.

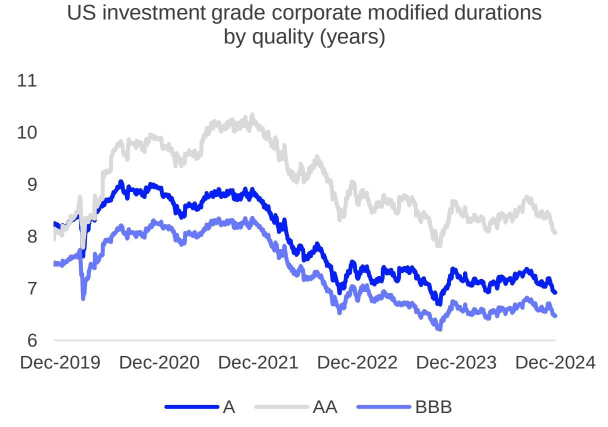


Chart 4: After the sell-off early in Covid, BBB has consistently outperformed A and AA issues, and particularly in the 2023-24 risk rally. AA returns have been dominated by US Treasury yield moves.

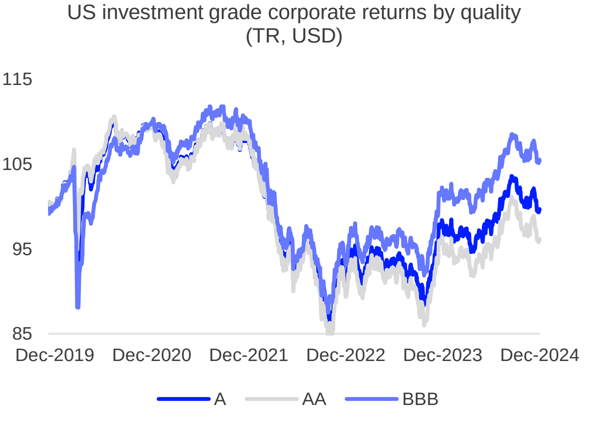


Chart 5: Benchmarked against recent trading history, RMBS spreads are now attractive versus IG credits, after IG spreads converged versus RMBS, particularly given the agency-guarantee on RMBS.

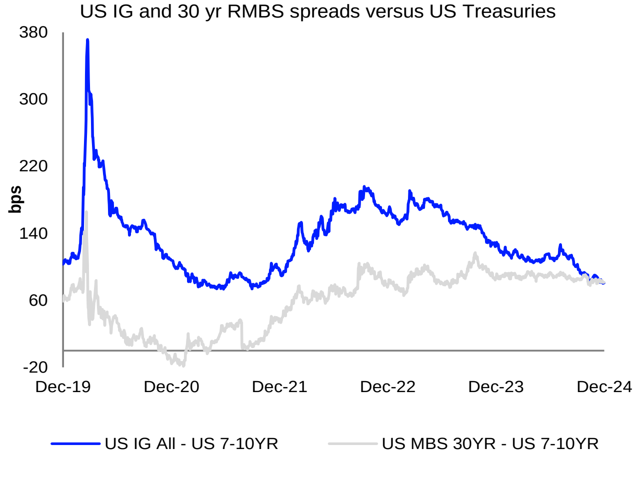
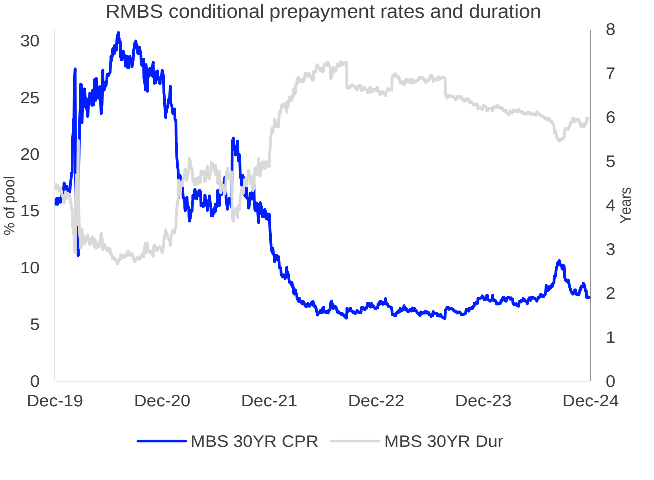


Chart 6: The Q4 bounce in mortgage refinancings was short-lived, as yields and mortgage rates rebounded, so prepayments remain subdued. RMBS duration increases as yields rise due to negative convexity.



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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.

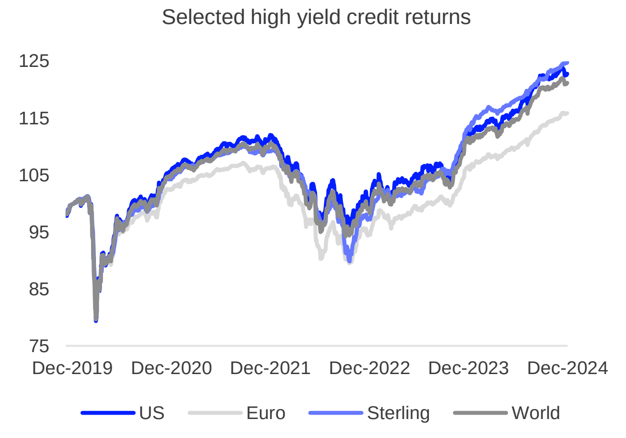


Chart 2: US high yield spreads fell to new post-Covid lows in Q4 before a modest rebound. Sterling HY spreads remain widest, which is the pattern in recent years, particularly during the 2022 shocks.

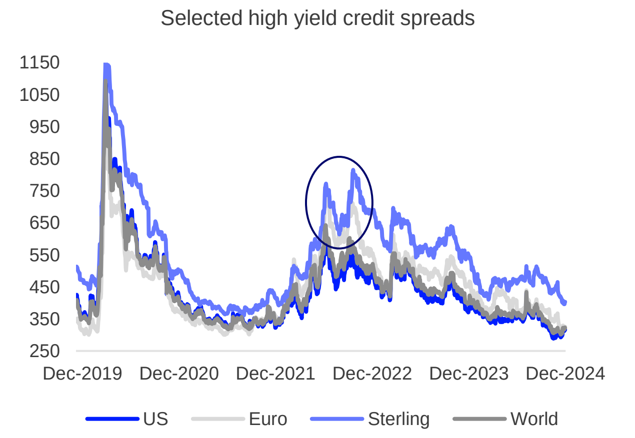


Chart 3: Longer maturities in HY are a smaller asset class and after some outperformance in 2020-21, have underperformed 1-3 years since late-2021. 5-7 year maturities also underperformed short HY.

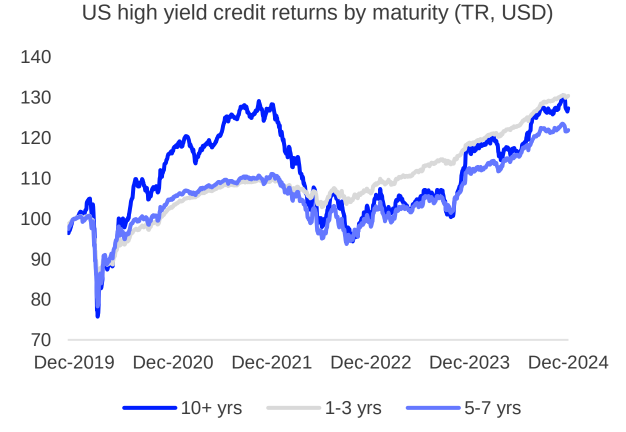


Chart 4: The HY curve tends to be fairly flat, so there is little, or no extra yield for taking extra duration risk in HY credits. The US HY curve briefly had a positive gradient in 2020-21, but this proved short-lived.

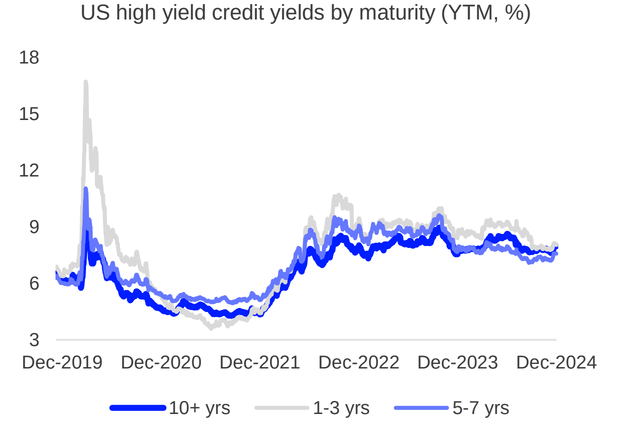


Chart 5: Performance of the larger US HY credit sectors shows the recovery in Telecom in 2024, helped by consolidation in the sector. Energy and manufacturing outperformed in the 2023-24 risk rally.

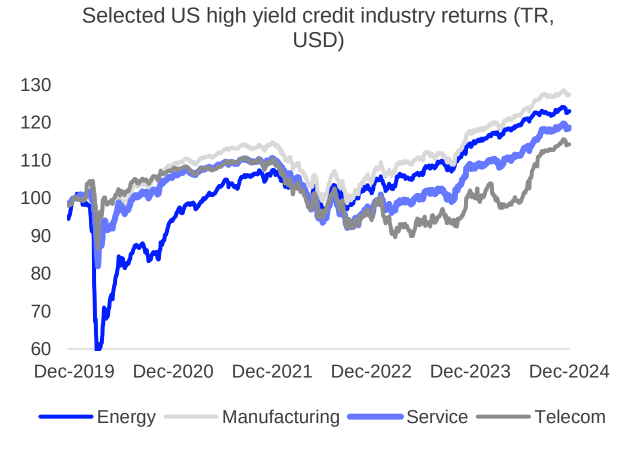
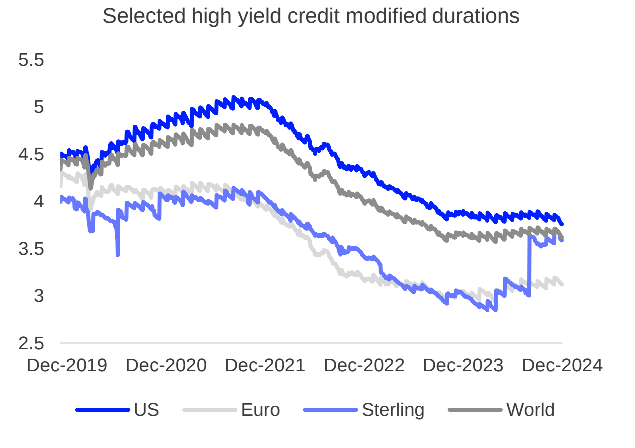


Chart 6: HY duration fell sharply during the bond sell-off in 2021-23, though stabilized in 2024, as yields fell. Duration has been a less critical variable in driving HY returns than IG, given higher correlation to equities.



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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.

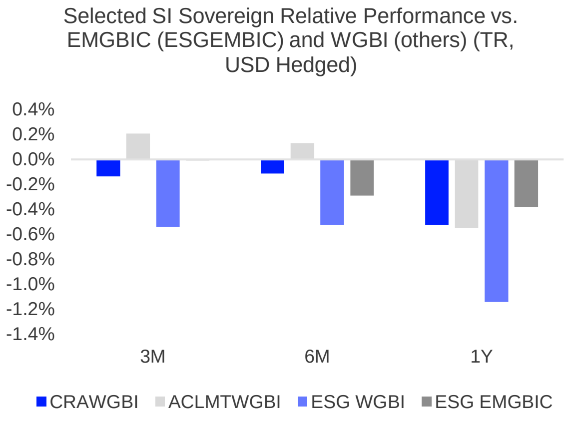


Chart 2: SI corporates largely outperformed in Q4, except PAB (Paris aligned benchmark) which underperformed vs. WBIG Corp over 3M. Green Corp was the largest outperformer in Q4, with a relative gain 2.0%.

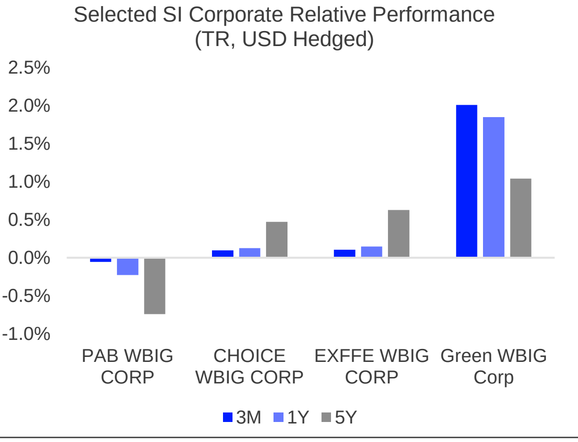


Chart 3: Since 2022, duration has been the main factor driving relative performance for SI Sovereigns. However, following peak rates in 2024, relative performance has begun to stabilize.

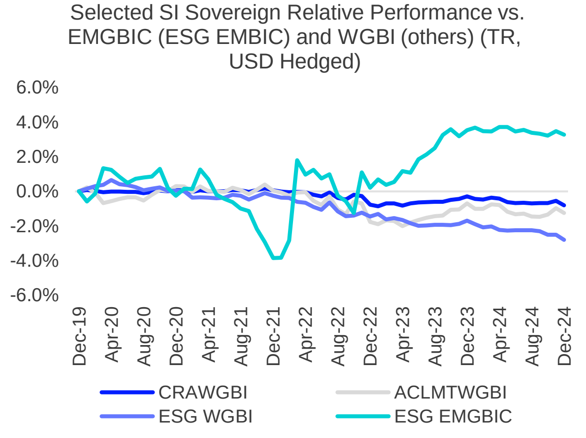


Chart 4: Duration largely explains performance divergence between Choice/ExFFe and PAB. For Green Corp, increased volatility was due to an underweight in the service industry and overweight in electric utilities.

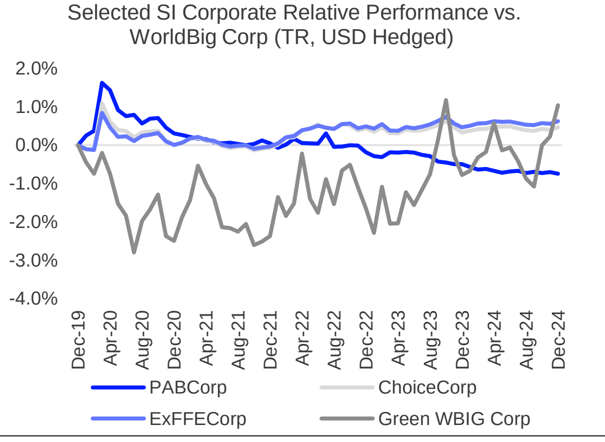


Chart 5: ESG EMGBIC has benefited from a lower yield vs. EMGBIC. This trend reflects an overweight in countries more advanced in their rate easing cycles but has begun to slow as other central banks catch up.

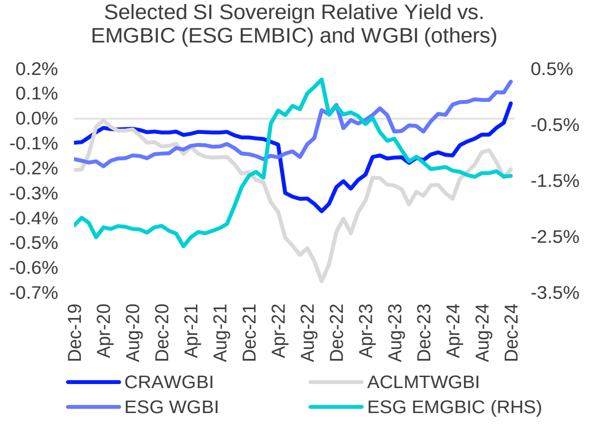
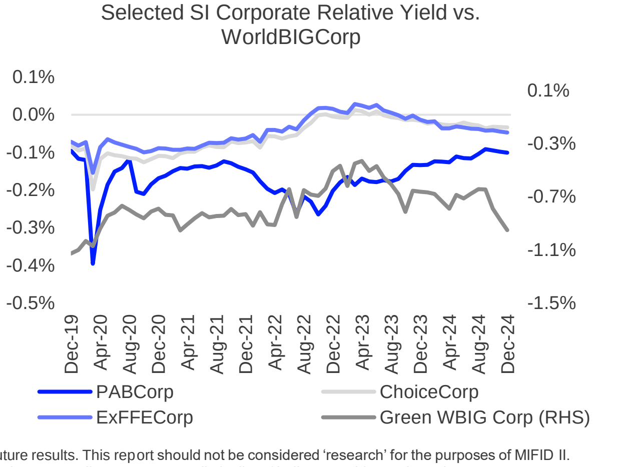


Chart 6: Except PAB, SI corporate indices have seen a decline in relative yield vs. non-SI indices. This is especially true for Green Corp, where relative yield-to-maturity has declined by ~0.3% versus WBIG Corp in Q4.



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.

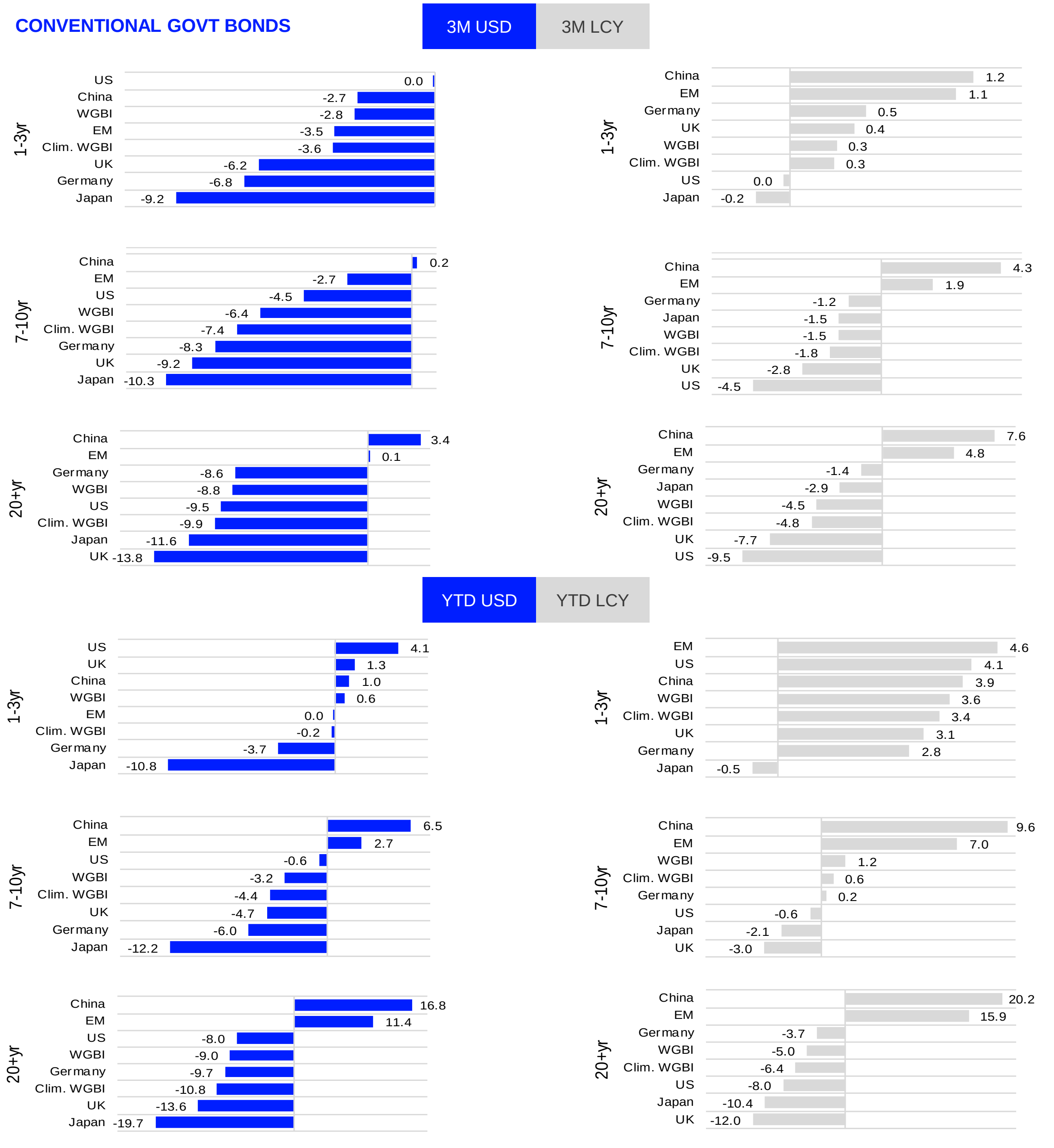
Conventional Government Bond Returns − 3M and YTD % (USD & LC, TR)

US dollar strength squeezed overseas returns hard in USD in Q4, as the dollar rallied on reduced Fed easing expectations, and bigger rate cuts in Europe and Asia. Only Chinese sovereigns showed positive Q4 returns, and China also led 2024 returns in USD, with 17% gains in longs, even if the PBoC only cut the one-year loan prime rate by 35bp in 2024. Yen weakness and the end of BoJ curve control drove sharp losses of up to 20% in long JGBs.

The Treasury recovery in late-November dissipated in December, as markets focused on reduced prospects for Fed easing in 2025, and higher issuance. Long Treasuries lost 9.5% in Q4, as the term premium rose, but shorts gained 4% in 2024 after Fed easing.

The RMB fell less against the USD in Q4 than most currencies, so returns in Chinese government bonds were hit less. Losses of 6-10% were widespread versus the USD in Q4, turning modest bond losses in Bunds in mediums and longs into 8-9% losses in USD.

Long gilts fell sharply in Q4, as UK inflation rebounded, and the UK's fiscal stimulus increased issuance fears, with losses of 9-14%.



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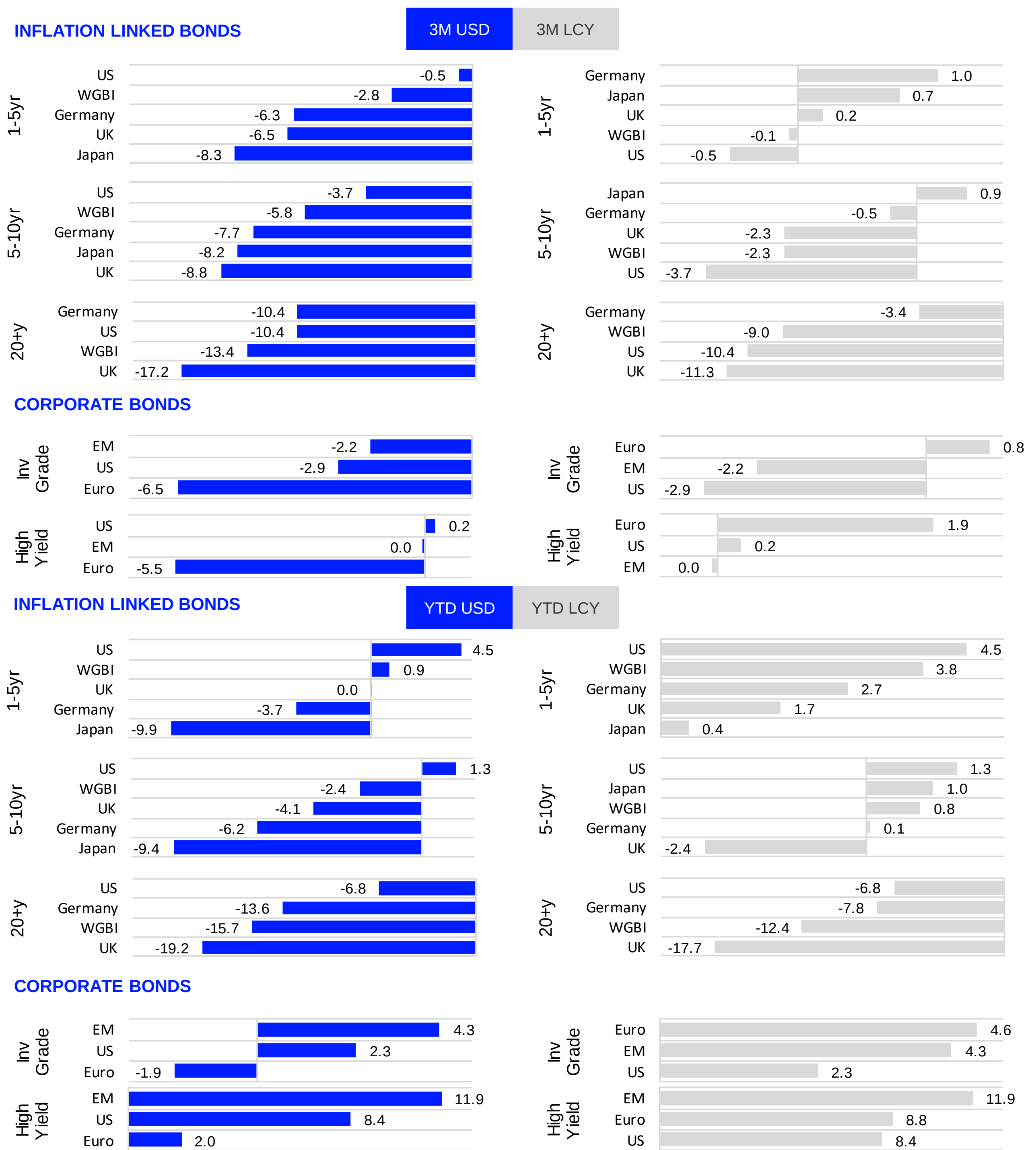
Global Inflation-Linked Bond Returns − 3M & YTD % (USD, LC, TR)

Like conventionals, currency effects dominated linker & credit returns in Q4, though longs were weak anyway, with real yields rising sharply in longer Tips and UK linkers. Longs lost 10-17% in USD. IG credits also fell in Q4, led by Euro credits, as the weak Euro squeezed USD returns. Credit outperformed strongly for the year, with 8-12% gains in US and EM HY.

Only US and EM high yield credits showed positive returns in Q4, though the gains were very modest, and Euro credits were hit by currency weakness with losses of 6-7% in USD.

Extra duration took its toll on long UK linkers, which fell 19% for the year in USD, and 17% in Q4, when sterling weakness added to losses in dollar terms. Long Bunds also fell nearly 14% for the year, with losses compounded by Euro weakness.

JGB linker losses in Q4 were entirely due to yen weakness, with small gains in local currency terms, but losses of 8% in USD terms.



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Top and Bottom Bond Returns – 3M & YTD % (USD, TR)

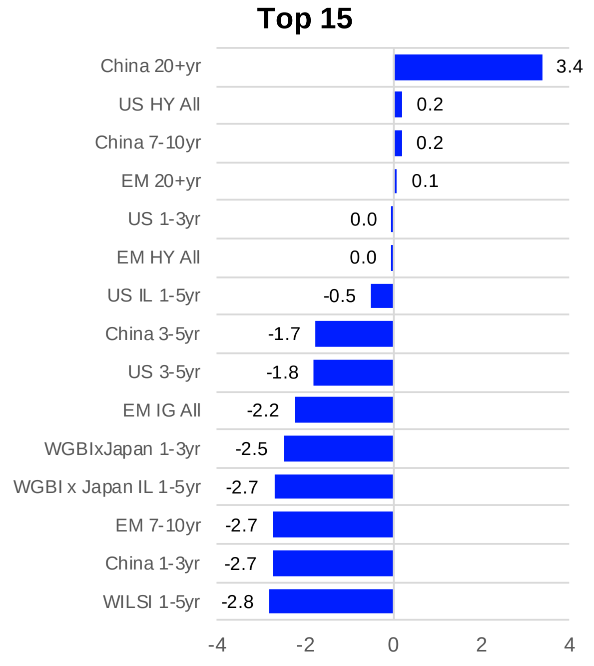
Only long Chinese government bonds gained materially in Q4, by 3.4%, and made 17% in dollars for the year, as inflation remained near zero, and the PBoC eased policy. EM HY credit was another strong performer with gains of nearly 12% in USD. Long inflation linked were the worst performers, on both 3M and YTD, with losses of up to 25% in USD, led by EM.

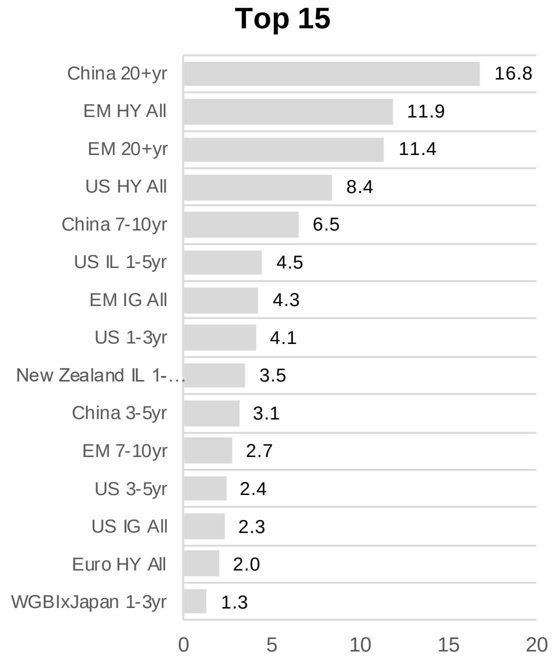
EM inflation linked losses were largely driven by a decline of 19-21% in the Mexican peso and Brazilian real vs the USD in 2024. Other long inflation linked fell sharply in Q4, with currency losses driving negative returns in Australasian bonds of 11-18% in USD.

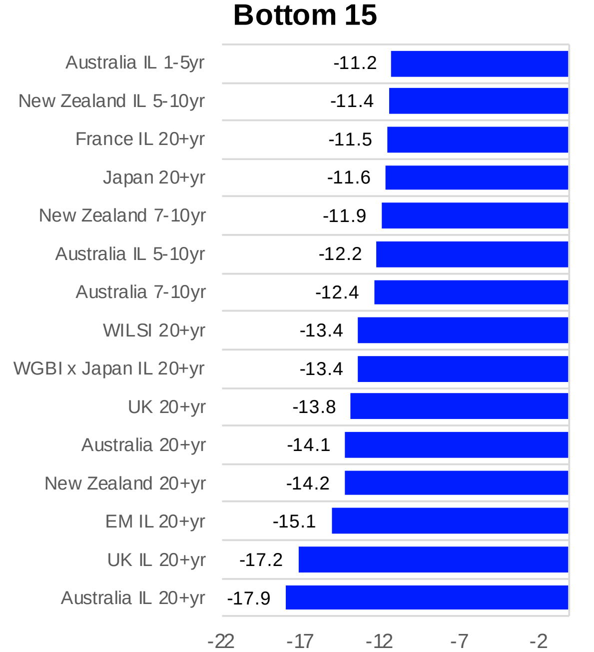
Diverse currency movements in EM currencies in 2024 also affected fixed income returns significantly with the Chinese RMB losing only 3%, compared to the losses of 17- 21% in Turkish lira, Mexican peso and Brazilian real (see page 16).

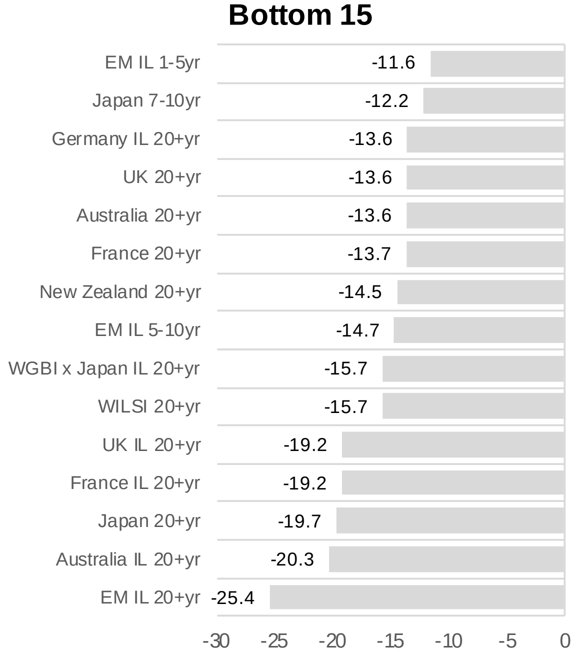
Finally, political stalemate and high debt levels took their toll on long French government bonds, which fell 12-14% in Q4, and YTD.

3M USD | YTD USD









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

Government Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	USD	Local	USD	Local	USD	Local	USD
US	1-3yr	-0.04	-0.04	2.83	2.83	4.09	4.09	4.09	4.09
	7-10yr	-4.54	-4.54	0.92	0.92	-0.62	-0.62	-0.62	-0.62
	20+yr	-9.48	-9.48	-2.28	-2.28	-8.03	-8.03	-8.03	-8.03
	IG All	-2.93	-2.93	2.74	2.74	2.30	2.30	2.30	2.30
	HY All	0.21	0.21	5.61	5.61	8.42	8.42	8.42	8.42
UK	1-3yr	0.42	-6.24	2.25	1.31	3.08	1.27	3.08	1.27
	7-10yr	-2.78	-9.23	-0.35	-1.27	-2.97	-4.67	-2.97	-4.67
	20+yr	-7.68	-13.80	-5.29	-6.17	-12.04	-13.59	-12.04	-13.59
Euro	IG All	0.82	-6.45	4.13	0.61	4.61	-1.93	4.61	-1.93
	HY All	1.90	-5.46	5.54	1.97	8.82	2.00	8.82	2.00
Japan	1-3yr	-0.21	-9.18	-0.16	2.19	-0.52	-10.76	-0.52	-10.76
	7-10yr	-1.49	-10.34	0.39	2.76	-2.08	-12.16	-2.08	-12.16
	20+yr	-2.89	-11.61	-0.50	1.84	-10.45	-19.67	-10.45	-19.67
China	1-3yr	1.19	-2.74	1.84	1.38	3.90	0.96	3.90	0.96
	7-10yr	4.25	0.21	5.34	4.87	9.63	6.52	9.63	6.52
	20+yr	7.58	3.40	9.89	9.39	20.24	16.83	20.24	16.83
EM	1-3yr	1.08	-3.55	2.35	1.13	4.62	-0.04	4.62	-0.04
	7-10yr	1.85	-2.72	4.62	3.92	7.00	2.73	7.00	2.73
	20+yr	4.80	0.10	8.41	7.32	15.87	11.40	15.87	11.40
	IG All	-2.23	-2.23	2.60	2.60	4.25	4.25	4.25	4.25
	HY All	-0.05	-0.05	4.67	4.67	11.87	11.87	11.87	11.87
Germany	1-3yr	0.49	-6.76	2.36	-1.10	2.78	-3.65	2.78	-3.65
	7-10yr	-1.17	-8.30	2.59	-0.88	0.23	-6.04	0.23	-6.04
	20+yr	-1.45	-8.56	3.76	0.25	-3.67	-9.70	-3.67	-9.70
Italy	1-3yr	0.72	-6.55	3.18	-0.31	3.79	-2.71	3.79	-2.71
	7-10yr	0.17	-7.06	6.44	2.84	5.70	-0.92	5.70	-0.92
	20+yr	0.89	-6.39	10.27	6.54	7.99	1.23	7.99	1.23
Spain	1-3yr	0.68	-6.58	2.88	-0.60	3.52	-2.96	3.52	-2.96
	7-10yr	-0.24	-7.44	4.39	0.85	3.26	-3.21	3.26	-3.21
	20+yr	0.56	-6.70	7.42	3.78	4.01	-2.50	4.01	-2.50
France	1-3yr	0.66	-6.60	2.85	-0.63	2.80	-3.64	2.80	-3.64
	7-10yr	-1.25	-8.38	2.69	-0.78	-1.25	-7.43	-1.25	-7.43
	20+yr	-2.22	-9.28	2.33	-1.13	-7.90	-13.67	-7.90	-13.67
Sweden	1-3yr	-0.29	-8.52	1.85	-2.38	3.27	-5.81	3.27	-5.81
	7-10yr	-2.75	-10.78	-0.03	-4.18	-0.33	-9.10	-0.33	-9.10
Australia	1-3yr	0.47	-10.34	2.48	-4.99	3.53	-6.06	3.53	-6.06
	7-10yr	-1.80	-12.36	1.96	-5.48	1.46	-7.93	1.46	-7.93
	20+yr	-3.81	-14.15	-0.87	-8.10	-4.82	-13.64	-4.82	-13.64
New Zealand	1-3yr	1.22	-10.87	4.57	-3.85	6.51	-5.75	6.51	-5.75
	7-10yr	0.07	-11.89	4.55	-3.88	4.56	-7.48	4.56	-7.48
	20+yr	-2.56	-14.20	0.70	-7.41	-3.34	-14.47	-3.34	-14.47
Canada	1-3yr	0.73	-5.38	3.16	-1.85	4.80	-3.92	4.80	-3.92
	7-10yr	-1.26	-7.25	4.24	-0.83	2.82	-5.73	2.82	-5.73
	20+yr	-2.92	-8.81	3.36	-1.66	-2.60	-10.70	-2.60	-10.70

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

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	USD	Local	USD	Local	USD	Local	USD
US	1-5yr	-0.49	-0.49	2.30	2.30	4.46	4.46	4.46	4.46
	5-10yr	-3.71	-3.71	0.82	0.82	1.30	1.30	1.30	1.30
	20+yr	-10.44	-10.44	-2.93	-2.93	-6.76	-6.76	-6.76	-6.76
UK	1-5yr	0.18	-6.46	1.51	0.57	1.75	-0.04	1.75	-0.04
	5-10yr	-2.33	-8.81	-0.92	-1.84	-2.37	-4.09	-2.37	-4.09
	20+yr	-11.27	-17.15	-9.90	-10.74	-17.73	-19.17	-17.73	-19.17
Japan	1-5yr	0.74	-8.31	0.47	2.83	0.41	-9.93	0.41	-9.93
	5-10yr	0.86	-8.20	0.24	2.60	0.96	-9.43	0.96	-9.43
EM	1-5yr	1.82	-7.00	5.03	-4.92	8.82	-11.59	8.82	-11.59
	5-10yr	-0.98	-9.53	3.19	-5.90	2.64	-14.67	2.64	-14.67
	20+yr	-6.22	-15.05	-2.34	-11.77	-8.34	-25.43	-8.34	-25.43
Germany	1-5yr	1.02	-6.27	2.25	-1.20	2.72	-3.71	2.72	-3.71
	5-10yr	-0.48	-7.66	1.35	-2.08	0.05	-6.21	0.05	-6.21
	20+yr	-3.42	-10.39	-1.29	-4.63	-7.78	-13.55	-7.78	-13.55
Italy	1-5yr	0.82	-6.46	3.58	0.08	3.91	-2.59	3.91	-2.59
	5-10yr	-0.01	-7.23	4.99	1.44	4.91	-1.66	4.91	-1.66
	20+yr	-0.87	-8.03	7.89	4.24	4.33	-2.20	4.33	-2.20
Spain	1-5yr	0.69	-6.58	2.75	-0.72	2.84	-3.60	2.84	-3.60
	5-10yr	-0.34	-7.54	2.74	-0.73	2.69	-3.74	2.69	-3.74
France	1-5yr	0.41	-6.84	2.12	-1.34	1.03	-5.29	1.03	-5.29
	5-10yr	-0.96	-8.11	1.18	-2.24	-1.88	-8.02	-1.88	-8.02
	20+yr	-4.64	-11.53	-2.23	-5.54	-13.82	-19.21	-13.82	-19.21
Sweden	1-5yr	-0.19	-8.44	1.11	-3.09	2.23	-6.76	2.23	-6.76
	5-10yr	-1.49	-9.63	0.64	-3.54	0.98	-7.89	0.98	-7.89
Australia	1-5yr	-0.52	-11.22	1.64	-5.78	2.20	-7.26	2.20	-7.26
	5-10yr	-1.57	-12.15	1.81	-5.62	0.90	-8.45	0.90	-8.45
	20+yr	-8.05	-17.93	-3.88	-10.89	-12.16	-20.30	-12.16	-20.30
New Zealand	5-10yr	0.60	-11.41	2.51	-5.75	4.91	-7.17	4.91	-7.17
Canada	20+yr	0.20	-5.88	4.58	-0.50	2.98	-5.58	2.98	-5.58

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Appendix − Global Bond Market Returns % (USD & LC, TR) – Dec 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	4.25	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		

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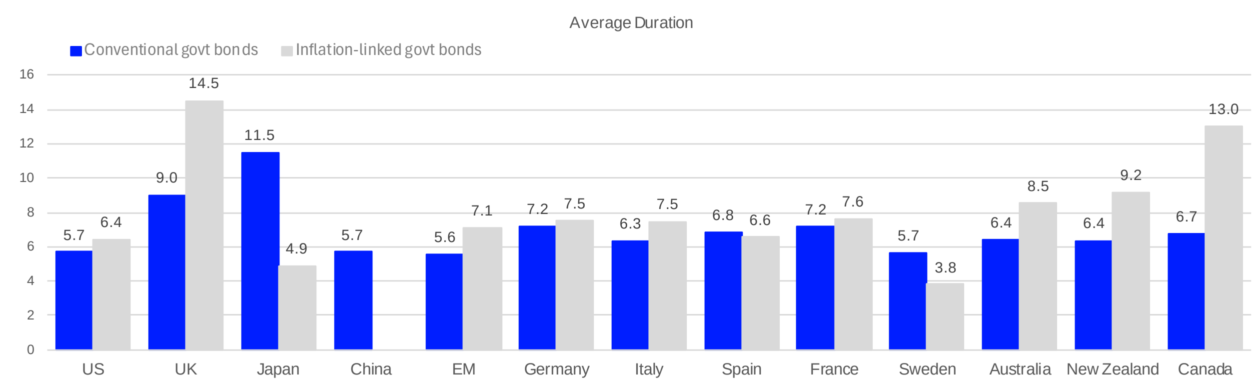
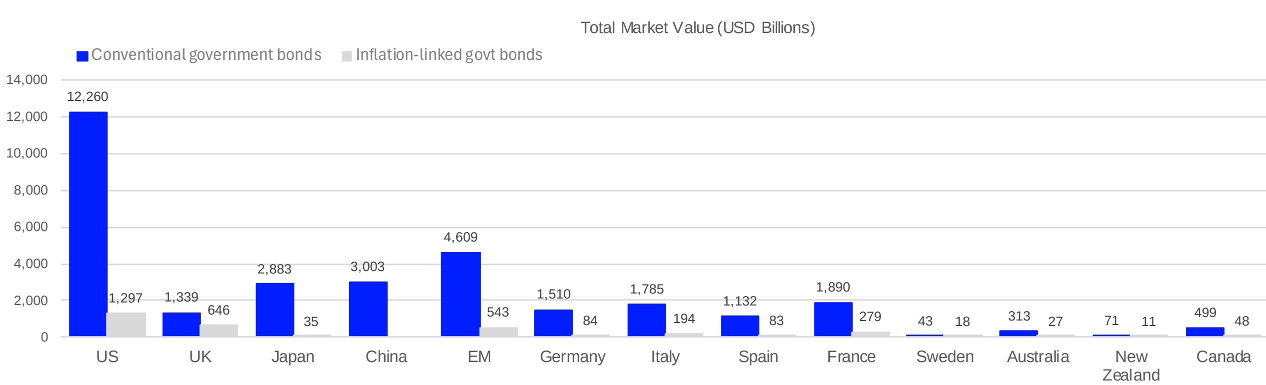
Appendix – Duration and Market Value (USD, Bn) as of December 31, 2024

	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**

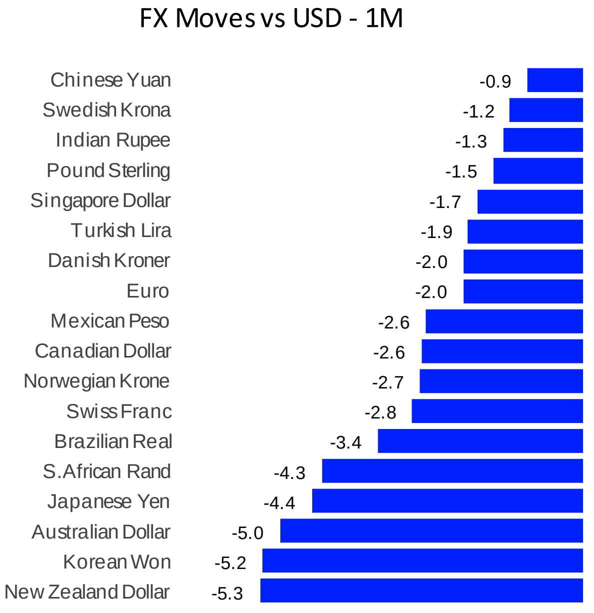
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.1	6.9	6.5	6.8	71.0	458.4	2811.3	3622.6	6963.3	3.8	1107.6
Europe	5.8	4.7	4.6	4.2	4.4	14.8	213.7	1211.5	1565.3	3005.4		
EM		6.5	5.4	5.3	5.4		38.7	209.6	231.6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

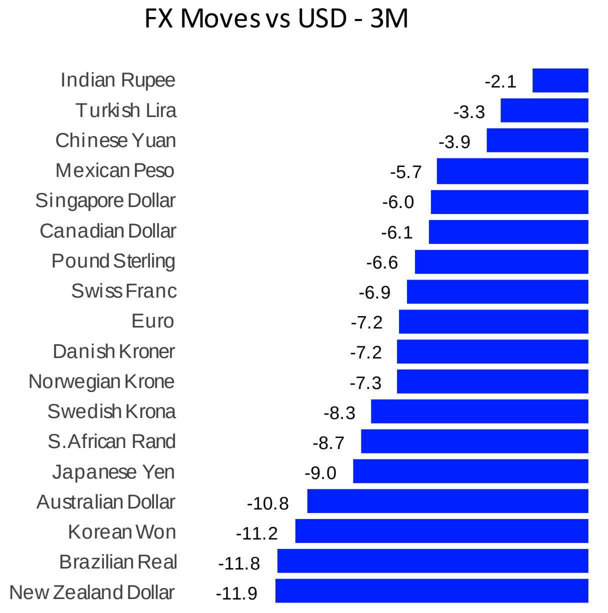


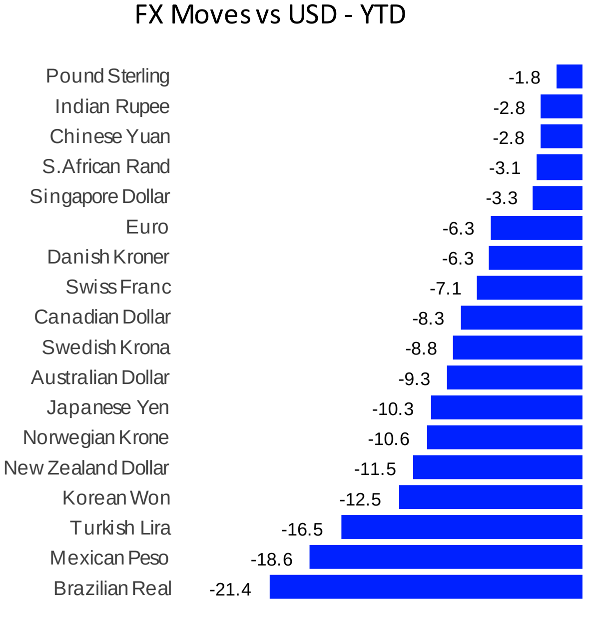


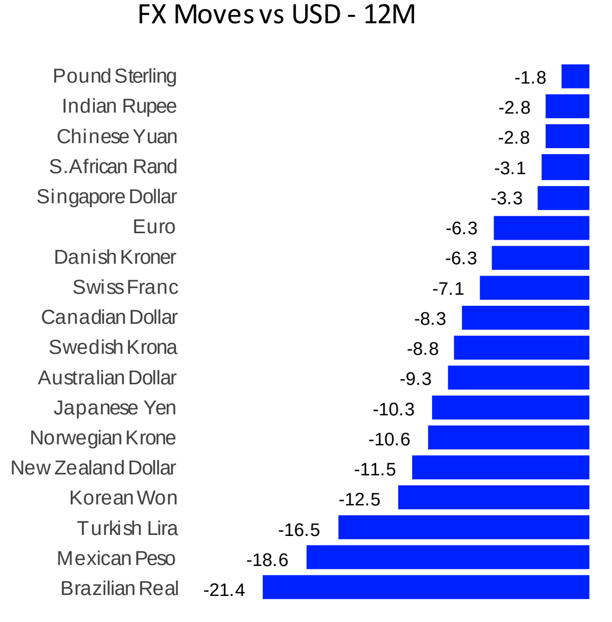
Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Source: FTSE Russell. All data as of December 31, 2024. 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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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.

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