FTSE RUSSELL
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Fixed Income Insights

UK EDITION

MONTHLY REPORT | **JULY 2024**

Relative value favours gilts as easing cycle nears

With no GFC, or pandemic, a slow-motion easing cycle is underway, led by Europe. Gilts cheapened versus equities, and credit, and are well placed for an easing cycle, or risk-off phase, given their convexity. HY credit outperformed YTD but valuations are now more stretched.

Macro and policy backdrop – a slow-motion G7 easing cycle is underway

Possible UK rate cut in August. BoE signals desire to extend QT and transfer interest rate risk back to private sector. (pages 2-3)

Yields, curves and spreads – signs of curve dis-inversion as easing cycle begins

European & BoC rate cuts drove some dis-inversion. Spread tightening stalls. (pages 4-5)

IG credit & MBS – Less relative value in credits and negative convexity traps MBS

After several months of spread compression, less value in credit. (page 6)

High yield credit analysis – Strong EM HY, but signs of HY rally stalling in G7

Single B remains strongest performing HY credit sector, on a risk-adjusted basis. (page 7)

SI sovereign & corporate bond analysis – Duration continues to dominate narrative

ESG EMGBIC has been a strong outperformer since the rise in global yields due to lower relative duration. (page 8)

Performance – Short govts, NZ and Swedish bonds strongest in Q2

New Zealand and Swedish bonds were the best 3M performers, while long China govts and high yield credit strongest on 12M. (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: UK yields and inflation breakevens have been broadly stable in 2024, with little movement during the UK election campaign. But more UK inflation data near 2% may be needed for an August BoE rate cut.

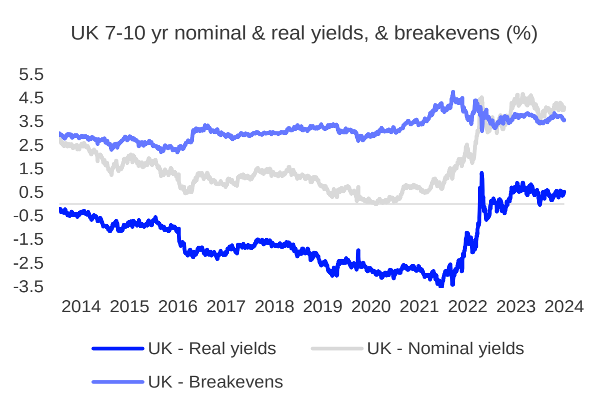
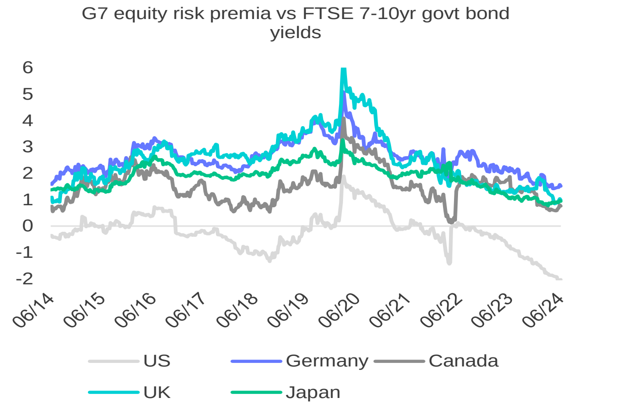


Chart 2: Gilts have cheapened substantially versus UK equities after the strong equity market rally in 2023-24, with the risk premium at a post-Covid low. Similarly, US Treasuries are extremely cheap versus equities.



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Macroeconomic Backdrop – Growth and Inflation Expectations

G7 disinflation eases the strain on consumer incomes, with ECB easing reinforcing this effect, even if the move from 3% to 2% inflation is proving the most onerous, due to stubborn core and wage inflation. Low labour supply elasticity is another factor sustaining higher wage growth in much of the G7, including the UK, where employment rates never recovered to pre-Covid levels. The slow-motion slowdown in 2023-24 suggests gradual easing, unlike Covid and the GFC. UK and Eurozone savings edged back up, in response to higher rates, but not the US, where positive wealth effects have helped consumers.

Consensus GDP growth forecasts barely show a slowdown in the US in 2024, although Q1 growth was only 1.3% annualised (Chart 1). The latest Atlanta Fed Now forecast shows Q2 growth rebounding to 2.2%, after de-stocking squeezed Q1 growth. UK GDP rebounded in Q1, after the 2023 recession, but April data showed a further stall, and consumer demand weakened in Q2. Eurozone growth is recovering after the 2023 recession, but the bigger energy shock in Europe is acting as more of a drag on the recovery.

Disinflation resumed in Q2, helped by food prices in April and May, and base effects, so the BoC and ECB were able to ease rates. US services inflation at 5.3% y/y , ex energy, and shelter inflation at 5.4% y/y remain stubbornly high, despite headline inflation at 3.3% y/y. Service inflation is a key issue, particularly in the US and UK, driven by wage inflation, with UK services inflation at 5.7% y/y, and core inflation at 3.5% y/y, despite headline CPI at 2% y/y in May. Indeed, the BoE is forecasting a 2.5% y/y CPI in 2H 2024.

UK unemployment is trending higher, at 4.4%, compared to a low of 3.5%, as the labour market softens, but wage growth is still at 6% (Chart 3), and decelerating only slowly, and a long way above 2% headline inflation. The labour market's reduced supply elasticity is a factor in driving higher wage inflation in much of the G7, including the UK, and makes the achievement of 2% inflation targets more demanding as recent experience shows. The UK's employment rate at 74.3% is still almost 2% below pre-Covid levels.

Chart 4 shows a divergence in household savings ratios in 2023-24, with US savings continuing to fall in 2024, while savings rose in the UK and Eurozone, in response to 2022-23 interest rate increases. Higher inflation drove higher UK savings ratios in the 1970s and 1980s, as consumers preserved the value of savings. The UK savings ratio rose to a post-Covid high of 11.1% in Q2 2024.

Chart 1: Consensus growth forecasts show US growth barely slowing in 2024, despite high rates, and impact on sectors like housing. UK and Eurozone growth remain weak, but with no recessions forecast for 2024.

Latest Consensus Real GDP Forecasts (Median, %, June 2024)			
	2023	**2024**	**2025**
US	2.5	**2.4**	**1.8**
UK	0.1	**0.7**	**1.2**
Eurozone	0.5	**0.7**	**1.4**
Japan	1.3	**0.7**	**1.0**
China	5.2	**4.6**	**4.4**
Canada	1.1	**0.8**	**1.8**

Chart 2: The move from 3% to 2% inflation is proving the most demanding G7 disinflation leg, led by the US, delaying Fed and BoE easing. Yen weakness and higher wages helped sustain Japanese inflation above 2% y/y.

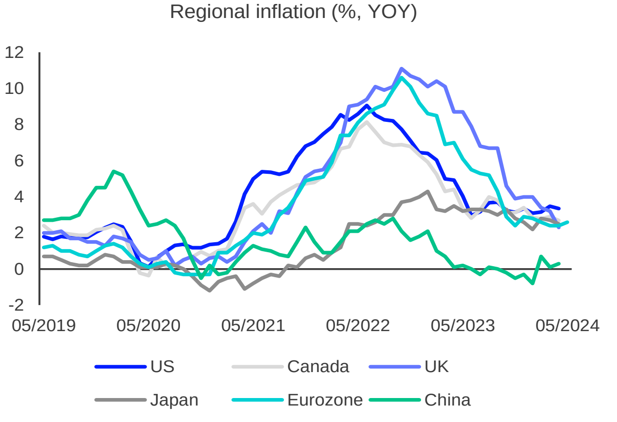


Chart 3: The UK labour market has softened, with unemployment now almost 1% above the 2022 low of 3.5%. But wage inflation is still 6% and well above inflation, leaving the MPC cautious about cutting rates.

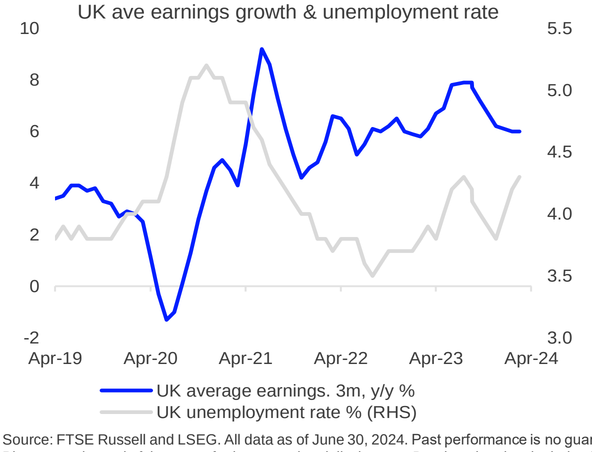
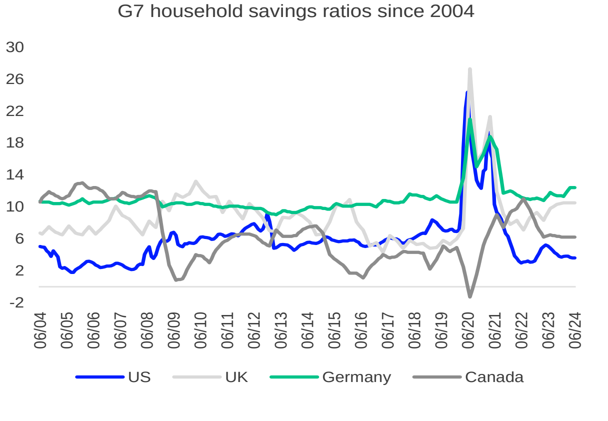


Chart 4. Savings ratios show consumer caution in the Eurozone and UK. US savings fell to a post-Covid low in Q1 driven by positive wealth effects from the stock market, Covid windfalls, and solid wage gains.



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Financial Conditions and Monetary Policy Settings

US and UK financial conditions have eased in advance of any Fed and BoE rate cuts, helped by tighter credit spreads and the equity market rally, raising uncertainty about the tightness of policy. This easing may be offset by further dollar and sterling strength, if other central banks follow the ECB and BoC. Historically, UK 10-year yields have fallen in advance of bank rate. A BoE easing in August cannot be ruled out, with inflation now at the 2% target, but the sustainability of 2% inflation will be key.

The UK gilt market has front-run previous BoE easing cycles, as Chart 1 shows, though the scale of the emergency base rate cuts in 2008-09 dwarfed the decline in 10-year yields. During the back-up in inflation and gilt yields in 2021-23, gilt yields moved higher well in advance of base rates, as the term premium increased, and 10-year yields have declined in advance of base rate cuts in 2023-24.

Exchange rates responded only modestly to the June rate cuts, which were well discounted. Markets are pricing in about the same policy easing in both the US and UK in the second half of 2024 – about 40bp – so sterling/dollar remains rangebound. The yen edged towards the Y160 level in June, versus the US dollar, though the threat of more heavy BoJ intervention at that level, after almost Y10 trn of intervention in late-April, prevented a breach of Y160.

European central banks – the ECB, SNB and Riksbank – all eased in June, though the BoE did not (Chart 3). The BoE voted 7-2 for unchanged rates, citing the need to deliver 2% inflation sustainably. There is little urgency for a Fed move, given the economy is not recessionary. ECB signalling confirms gradualist easing is likely in 2024-25. Fed focus on service inflation suggests weaker wage inflation remains a key factor.

Chart 4 shows Quantitative Tightening (QT) continues. BoE Governor Bailey's recent speech (May 21) referenced the Bank's Preferred Minimum Level of Reserves as £345 – 490bn.This compares with current reserves of £760bn, suggesting the BoE's QT will continue for a further 2-3 years, assuming gilt run-offs of £100bn per annum. But the Bank has also signalled it would prefer to transfer more interest rate risk back to the private sector, suggesting increased use of repo facilities, after £74bn in gilt losses since 2021.

Chart 1: UK gilt yields often front-run BoE policy easing and tightening cycles. This can change financial conditions in advance of policy changes, complicating policy-setting, though the move to date is not extreme.

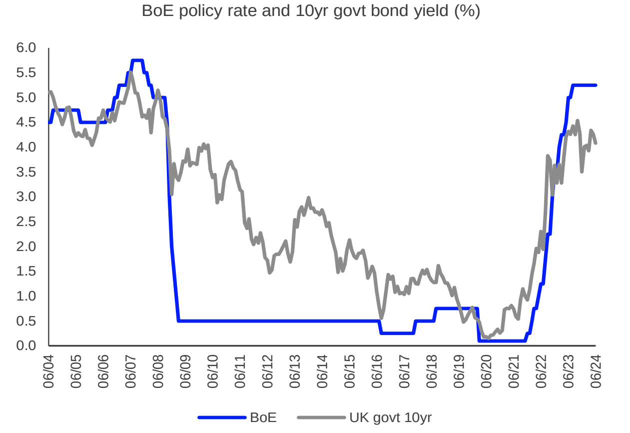


Chart 2: FX rate moves in June were modest, though the Euro gave up some ground after the ECB rate cut and increased French political uncertainty. Sterling reacted little to the ongoing UK election campaign.

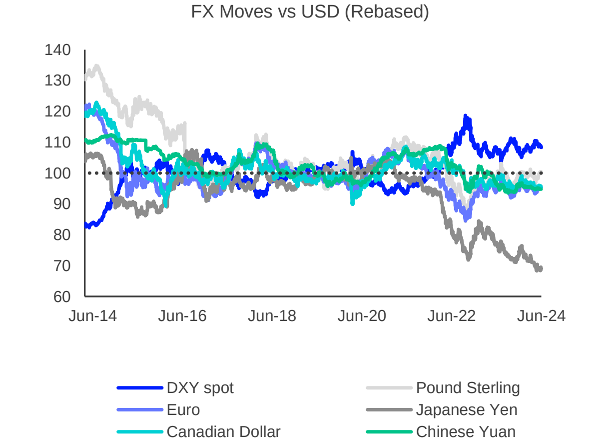


Chart 3: The ECB cut rates on June 6, as did the BoC on June 5. Stubborn services inflation is delaying a Fed rate cut. The UK's MPC appears closer to easing rates, with inflation at 2%, for now at least.

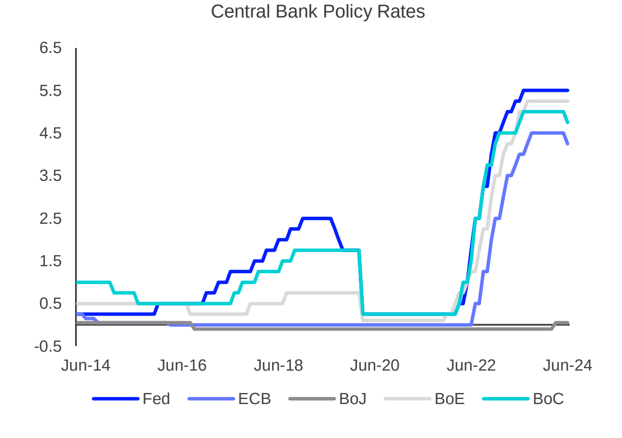
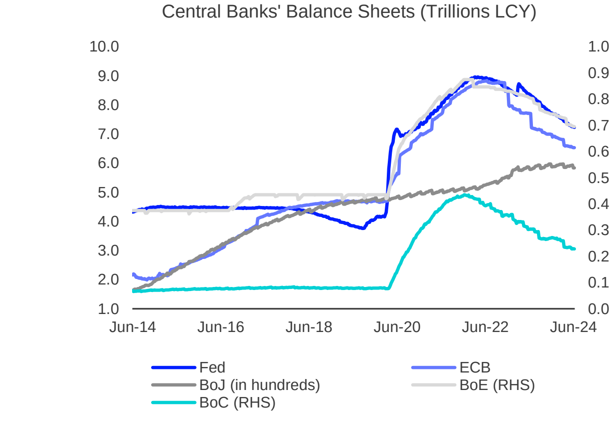


Chart 4: QT continues as central banks seek to normalise balance sheets. Recent speeches suggest the BoE intends to switch more of its reserve management by using repos, in preference to gilt holdings.



Global Yields, Curves and Breakevens

Chart 1: Central bank easing drove lower yields in much of the G7 in June, led by the Bank of Canada. Treasuries and gilts rallied as markets anticipated rate cuts later in H2, but yields backed up at end-month.

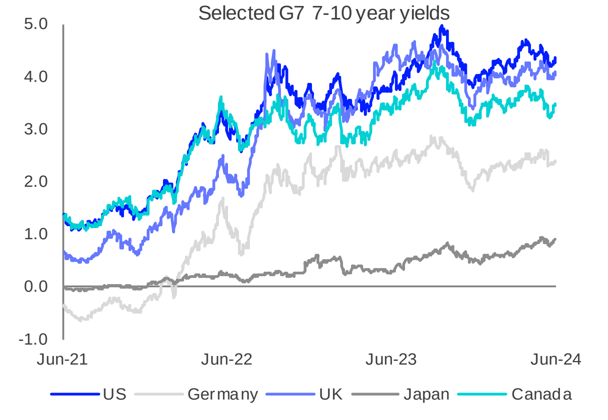


Chart 2: Real yields moved lower with nominals in June, but to a lesser extent, repeating the normal pattern of breakevens rising during sell-offs in nominal bonds, and declining during rallies.

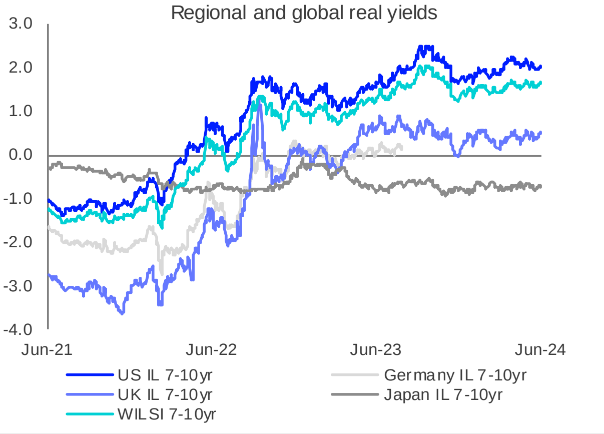


Chart 3: 10s/2s yield curves remain inverted, excluding JGBs. Lower policy rates in Canada and Eurozone were discounted, so 2-year yields reacted little. Re-investment risk is sustaining demand for 10-year maturities.

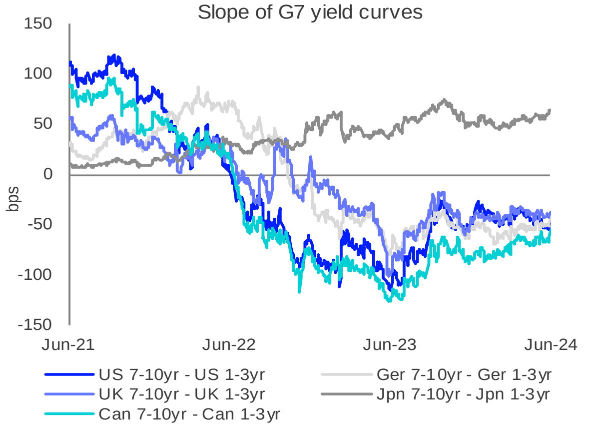


Chart 4: There has been more significant curve dis-inversion in longs, particularly in JGBs, after the BoJ abandoned formal curve control. High debt/GDP ratios and positive term premia may also be factors.

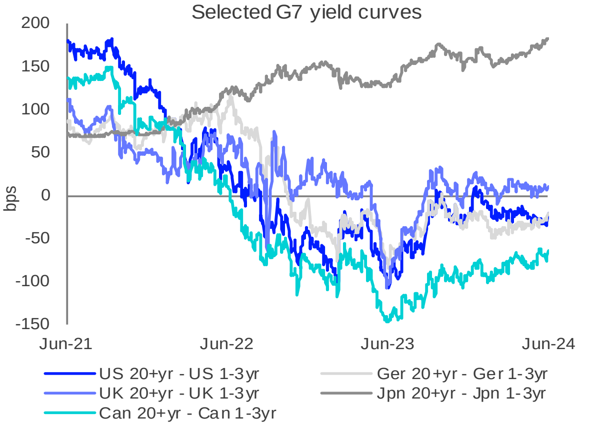


Chart 5: Inflation breakevens dipped in June, as nominal bonds rallied, and disinflation resumed in May data, notably in Europe. JGB breakevens remain near recent highs, as yen weakness continues.

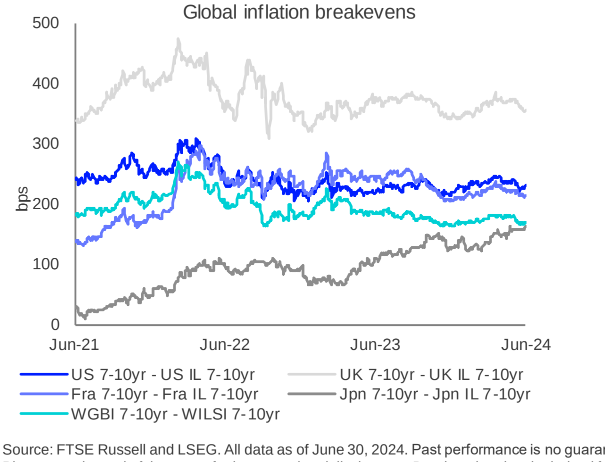
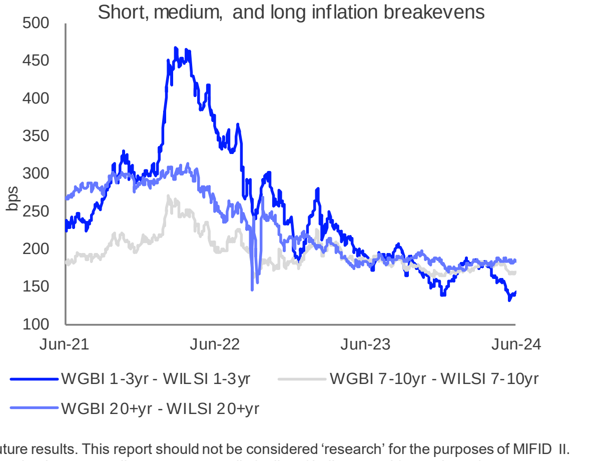


Chart 6: Short-dated breakevens have collapsed from the 2022 highs, reaching new lows in June, as inflation fell to 2% in parts of Europe. Longer breakevens have lagged the move but remain stable near 2%.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads generally remain pro-cyclical, rising during sell-offs, and tightening during rallies, the pattern since Covid. However, spreads widened against Canada, after the BoC rate cut.

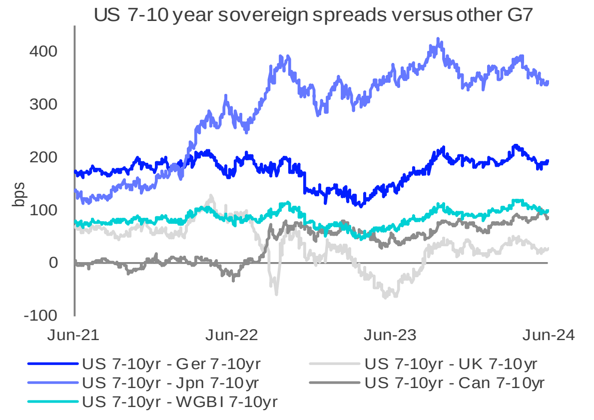


Chart 2: Political uncertainty increased in Europe, after a strong showing of far right parties in the elections. Spreads widened within the Eurozone, but mainly in France, after President Macron called national elections.

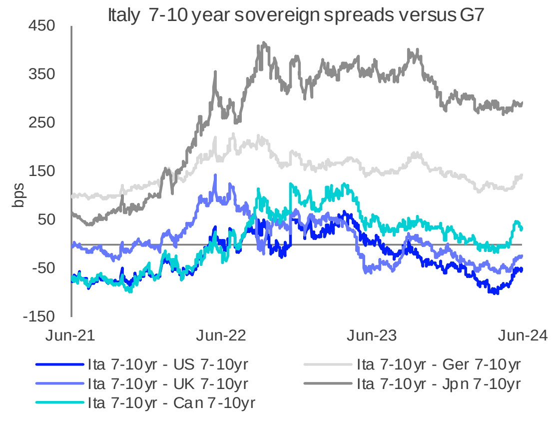


Chart 3: Rate cuts at the ECB and BoC drove EM spreads a little wider v Germany & Canada, but spreads remain near post-Covid lows, reflecting stronger EM fundamentals and China's independence from the G7 cycle.

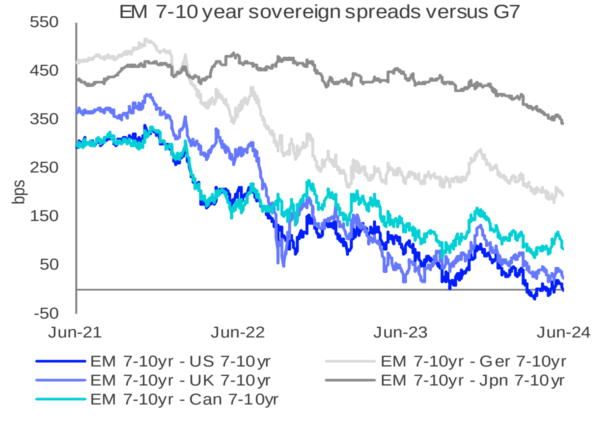


Chart 4: As in the broader EM, Chinese spreads widened versus Germany and Canada, after the rate cuts. Spreads elsewhere remain near multi-year lows, despite improving prospects for more G7 rate cuts.

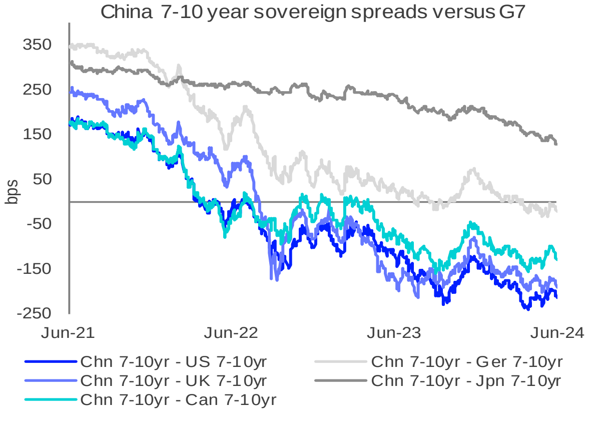


Chart 5:.There are signs of the risk rally in credit in 2023-24 at least pausing, as HY spreads widened in June, though lower govt yields helped drive this. IG spreads also edged wider, but IG spreads are not as tight.

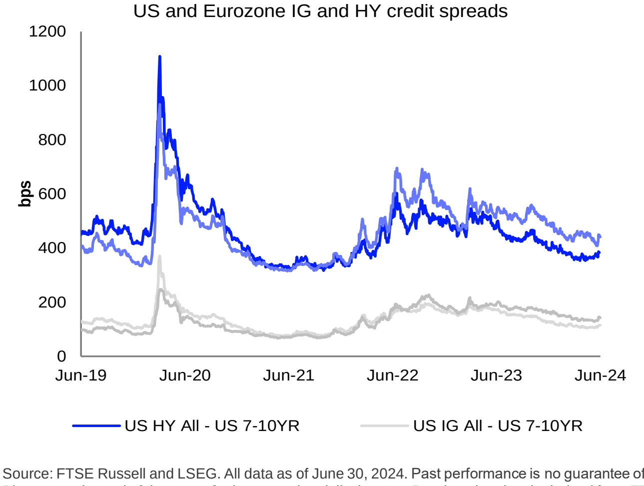
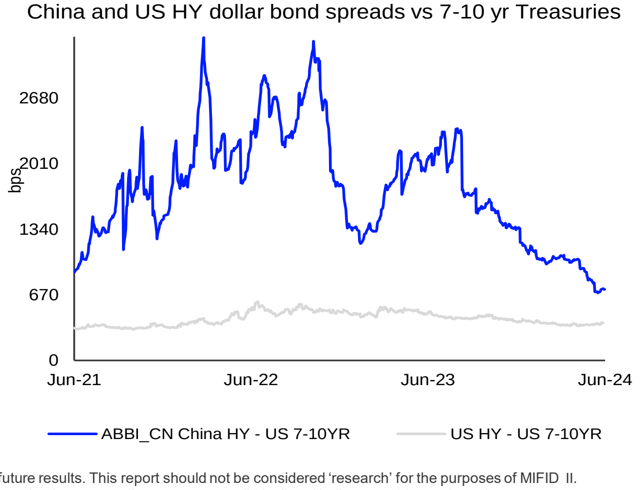


Chart 6: China HY dollar bonds – which are dominated by property sector issuers- rallied strongly after a series of property sector support measures from the authorities, though bond exchanges and restructurings continue.



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Investment Grade Credit and MBS analysis

Chart 1: UK BBB credits continue to outperform in UK investment grade, with less impact from higher gilt yields in 2023-24, than AAA and AA credits. This is a complete reversal of the early days of Covid and QE.

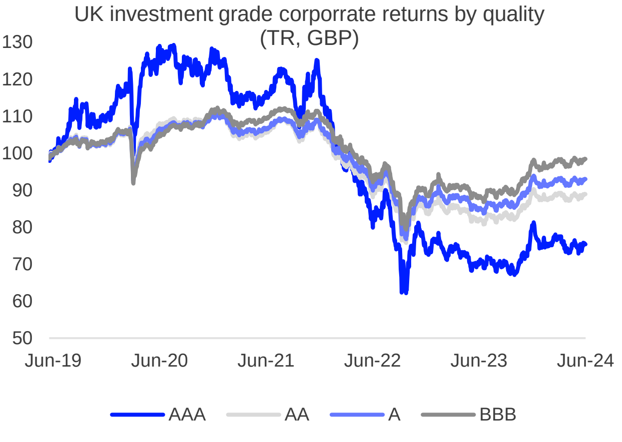


Chart 2: Similarly, on credit spreads, BBB spreads spiked sharply after Covid and Ukraine, but have fallen substantially since. Current valuations are more demanding however, relative to the gilt market.

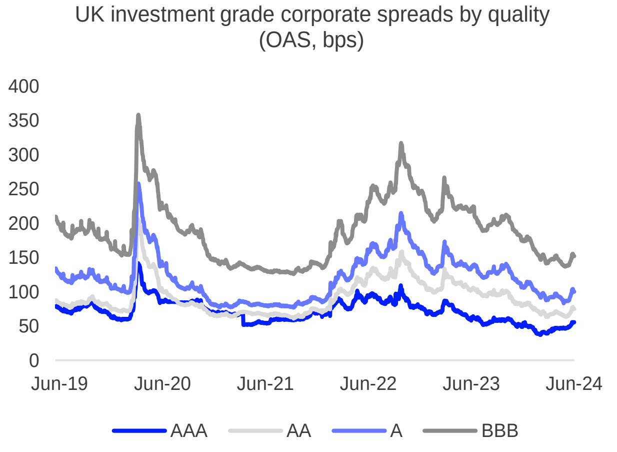


Chart 3: Bank credits continue to show the strongest returns in 2023-24, buoyed by stronger net interest income and higher for longer rates. Gas and transportation credits have underperformed.

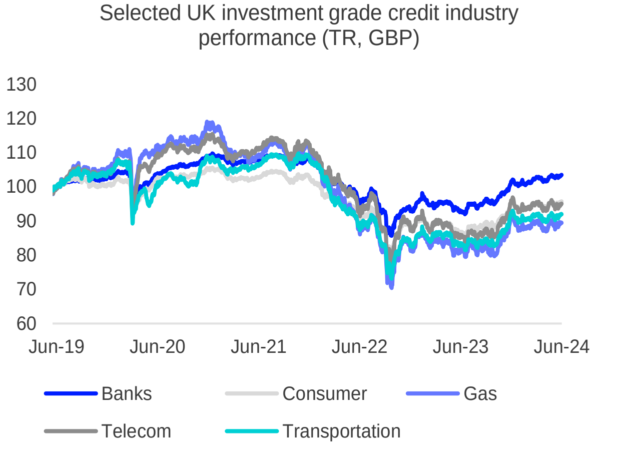


Chart 4: Sector spreads edged back out in June, but this was largely due to gilt yields falling relative to credit. Spreads are back at pre-Covid levels, suggesting demanding valuations may now weigh on returns.

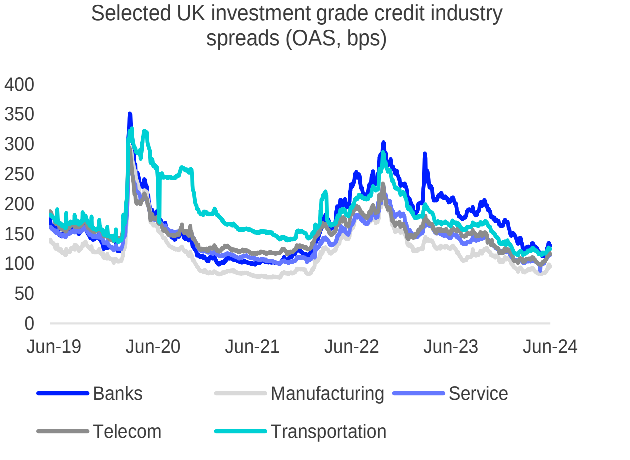


Chart 5: RMBS issues are less attractive as yields rise because of negative convexity, so yields rose versus credit and govts. This was compounded by the Fed ending RMBS purchases and reducing holdings.

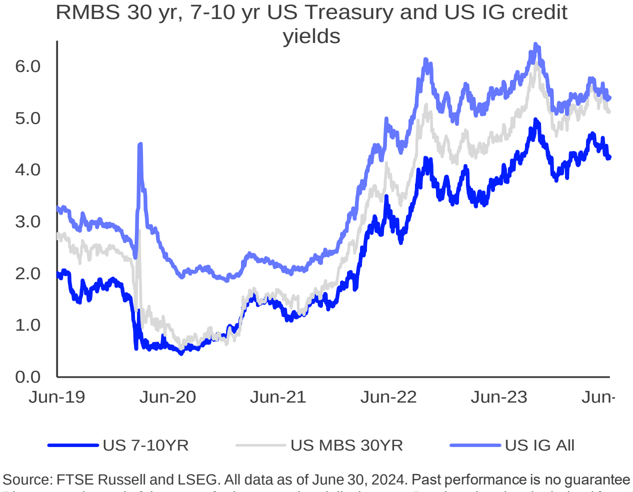
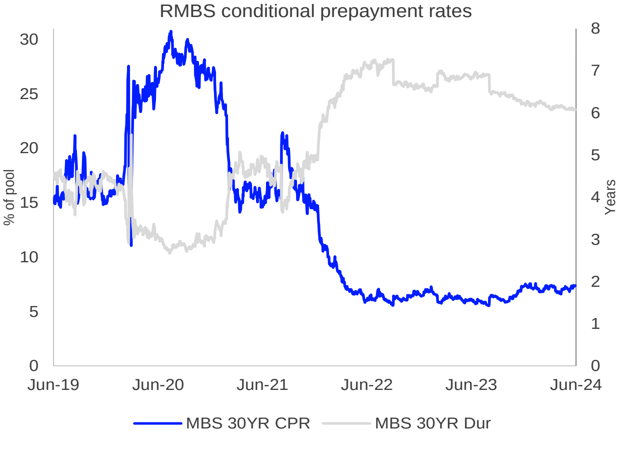


Chart 6: The market that froze? The collapse in prepayments and refinancings reflects the big discrepancy between current mortgage rates and the coupons issued a few years ago, giving no incentive to refinance.



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High Yield Credit Analysis

Chart 1: Sterling HY has low duration and interest rate sensitivity, and gained from the risk rally. Financials also have a significant sector weighting (see Chart 6), and bank issues can benefit from higher rates.

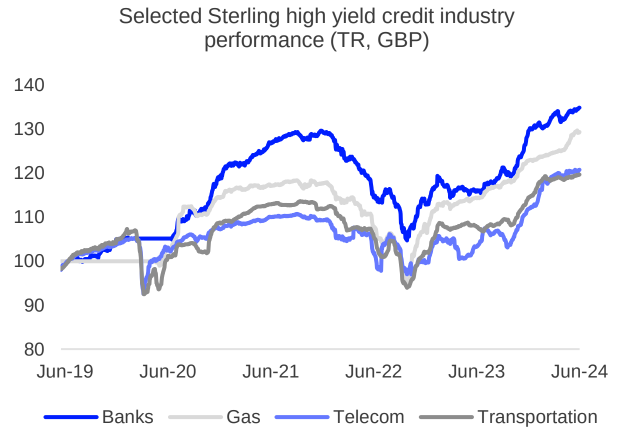


Chart 2: Transportation has been the strongest US HY sector performer though consumer issues have done well. Telco has underperformed. Banks have picked up of late, but not as strongly as in sterling HY.

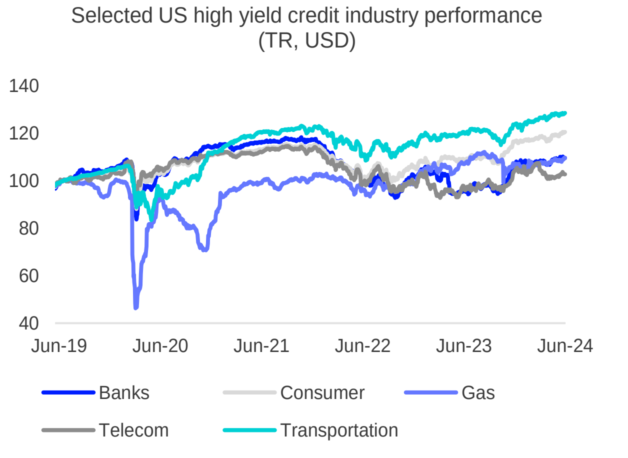


Chart 3: Performance returns show sterling CCC issues have outperformed higher grade issues during the risk rally in 2023-24, but remain volatile, reflecting the cooling of the equity market rally in June.

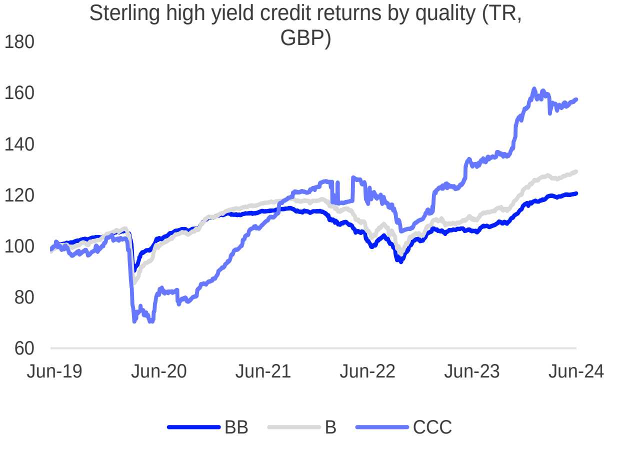


Chart 4: CCC spreads have edged out in Q2, as B and BB spreads continue to tighten. There is less relative value in CCC issues, given that credit spreads are still below pre-Covid levels.

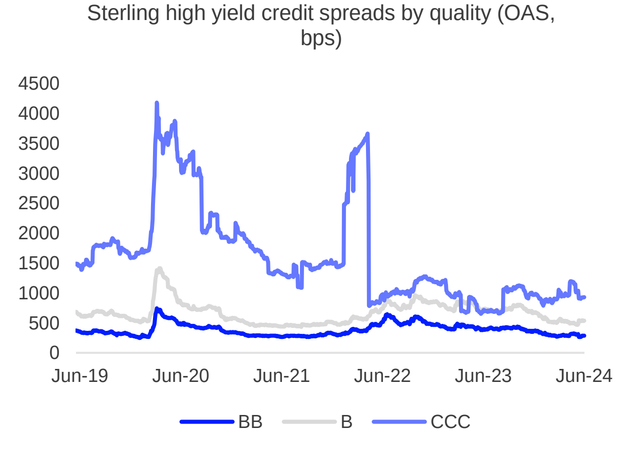


Chart 5: Short dated HY spreads remain more volatile as they capture short rate expectations and UK base rate moves. Yield sensitivity is also higher to price moves, as the Covid and post-Ukraine spikes show.

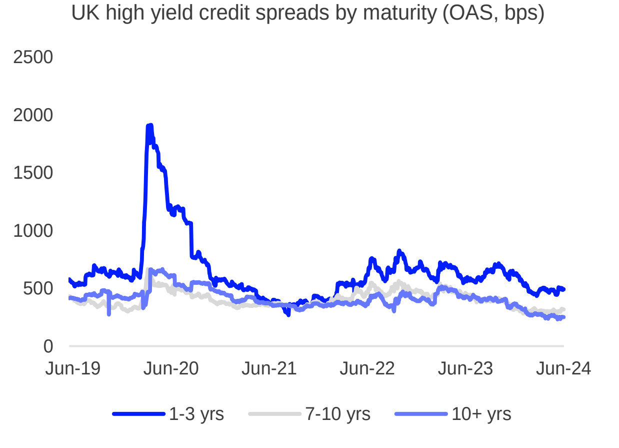
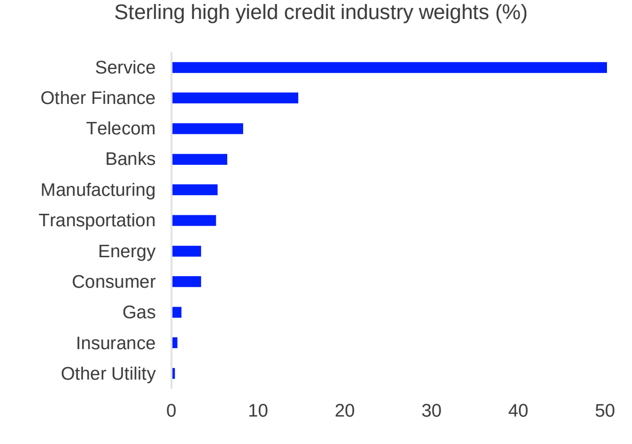


Chart 6: Sterling HY sector weights show the dominance of service sector issues, and to a lesser extent, financials. Utilities have only a modest weighting compared to US dollar HY issuance.



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SI Sovereign and Corporate Bond Analysis

Chart 1: Duration has been the most significant differentiator of relative performance for SI Sovereigns since 2022, especially ESG EMGBIC due to a lower relative duration.

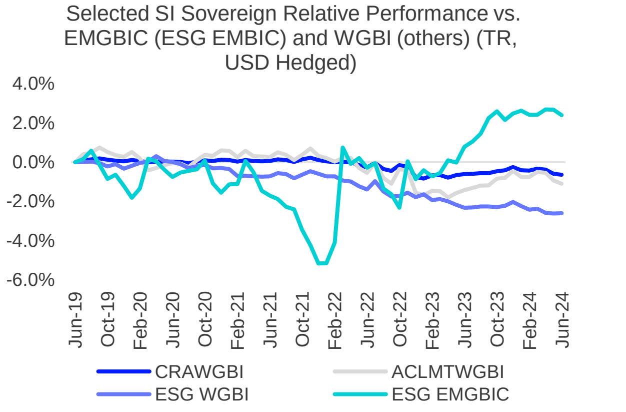


Chart 2: Within SI corporates, both Choice and Ex FFE have performed in line over the last two years due to their similar duration, despite differences in both credit quality and industry exposure.

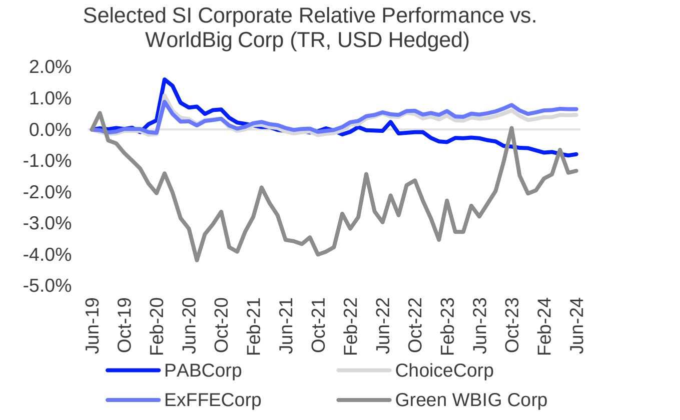


Chart 3: SI Sovereigns broadly underperformed in Q2, as yields for the indices rose by more than they did for their non-SI counterparts. Lower relative duration drove ESG EMGBIC outperformance over 1Y and 5Y.

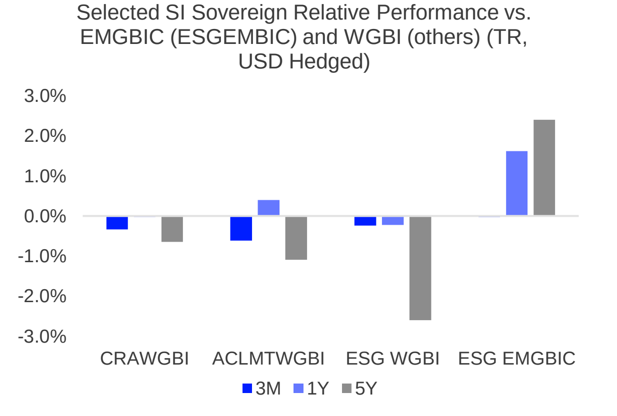


Chart 4: In contrast to sovereigns, SI corporates have largely outperformed in Q2, except for PAB (Paris aligned benchmark), which lost ~0.1%. Green WBIG outperformed as it earned a 0.1% relative gain.

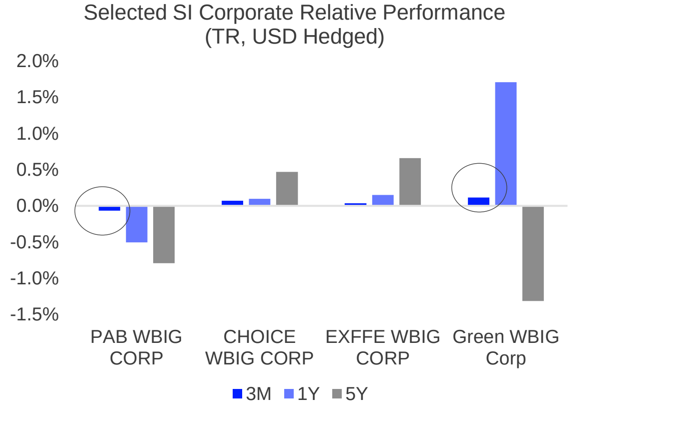


Chart 5: ESG EMGBIC has benefited recently from falling relative yields vs EMGBIC. This reflects an overweight in countries more advanced in their interest rate easing cycle vs those with high or increasing rates.

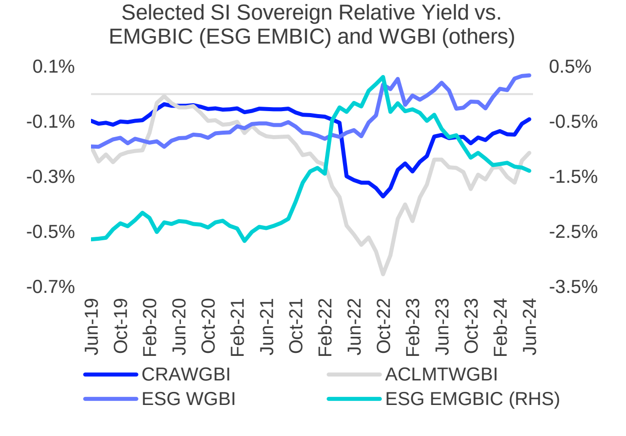
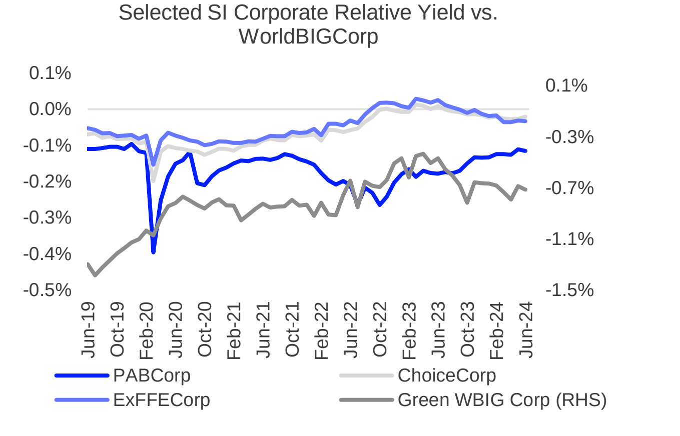


Chart 6: Most SI corporates have seen relative yields rise vs non-SI indices over 5 years, suggesting a longer term erosion in the SI premium. However, relative yields for Green WBIG, Ex FFE and Choice fell in the last 12M.



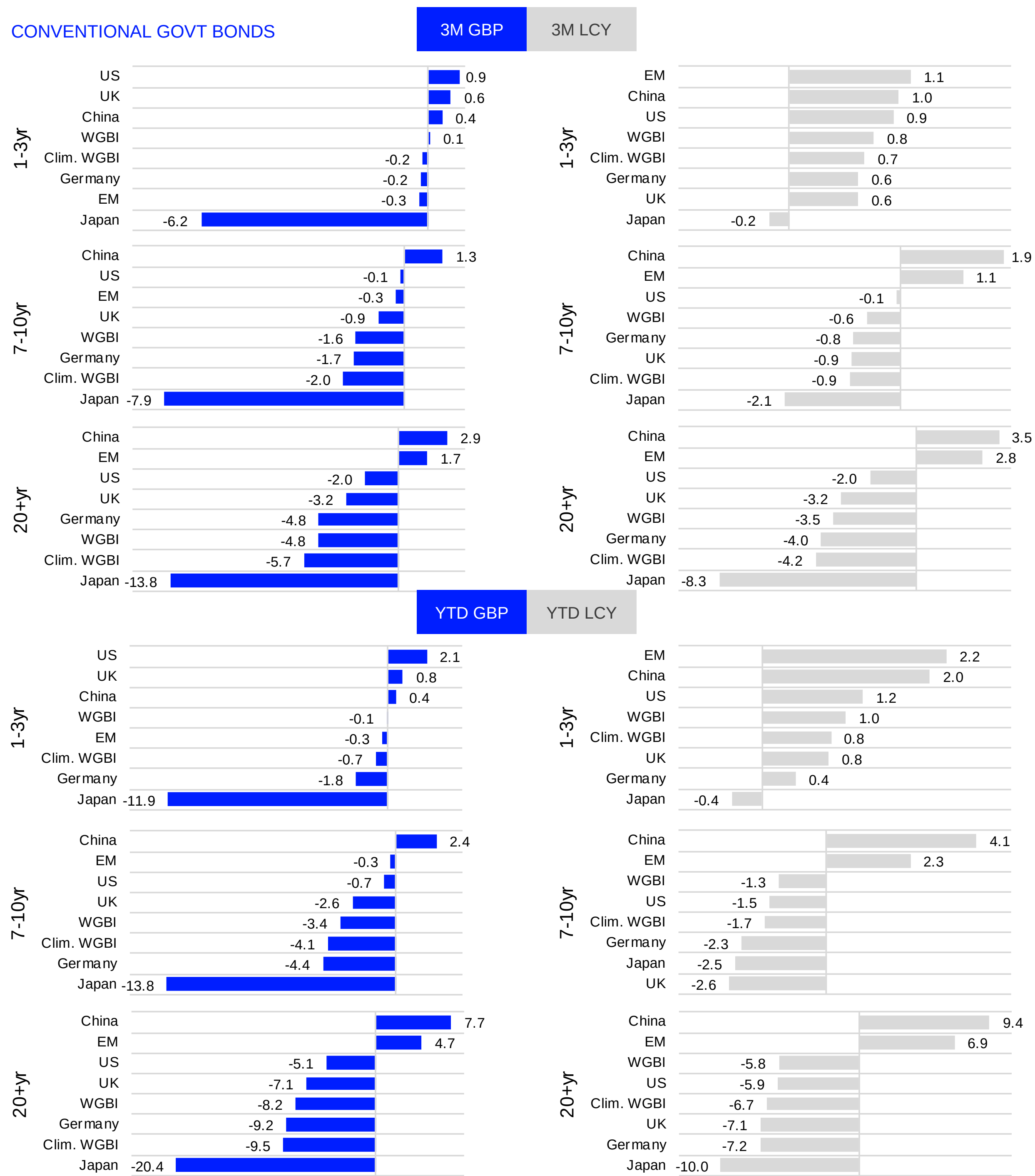
Source: FTSE Russell and LSEG. All data as of June 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

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

Central bank easing moves in Europe helped short bonds in June, and shorts outperformed on 3M, with coupon effects helping gilts and Treasuries return 1% in sterling. Strong sterling squeezed non-UK returns YTD with losses of up to 20% in sterling in JGBs. China and EM bonds again proved safe havens YTD, with gains of 5-8% in longs.

The April sell-off depressed Q2 govt bond returns, despite the modest rally in May/June, as central banks began easing rates. With the BoE still on hold, sterling gains also weighed on overseas returns in sterling terms, most notably on long JGBs which lost 14% in Q2 alone, in sterling, after the BoJ suspended formal yield curve control, and the curve steepened.

Sterling's relative strength weighed on long Bunds and WGBI, which also lost 5-6% in sterling terms. Duration generally counted against longs YTD, apart from China and EM, though this may change as central banks begin easing.



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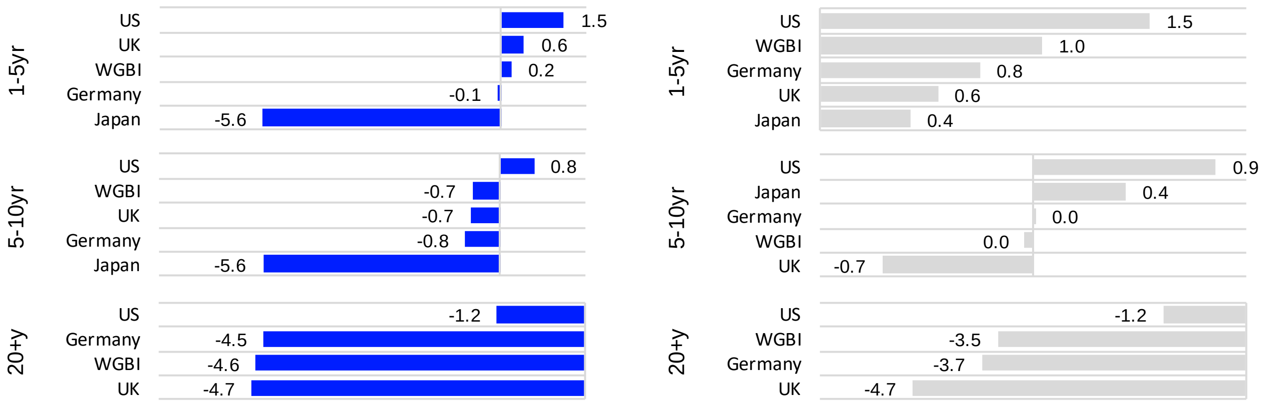
Global Inflation-Linked Bond Returns – 3M & YTD % (GBP, LC, TR)

3M inflation-linked returns still show the impact of the brutal sell-off in April in longs, though US Tips outperformed conventionals in Q2. JGB linkers show the impact of yen weakness with losses of 6% on 3M and up to 12% YTD. Credit outperformed, as the risk rally continued, led by EM HY.

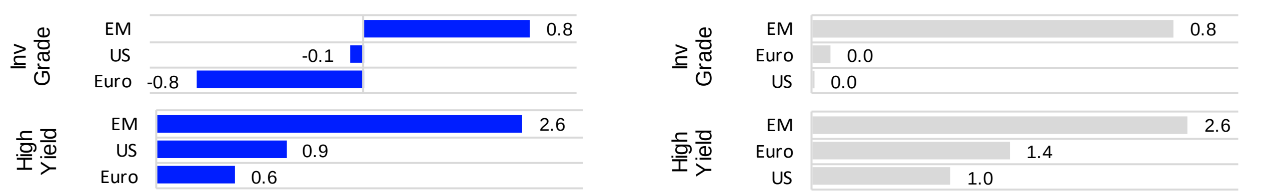
The start of central bank easing cycles helped linkers rally a little in June. But 3M returns were still modest in sterling and longs fell up to 5%, in WÍLSI and Bunds, with only medium dated Tips showing positive returns, of 1%, on 3M.

Credit comfortably outperformed as EM High Yield led returns on 3M and YTD, with gains of 3-8%, helped by the risk rally and HY's short duration, relative to IG credit and inflation linked. IG Credits also showed positive returns of up to 3% in EM IG, YTD.

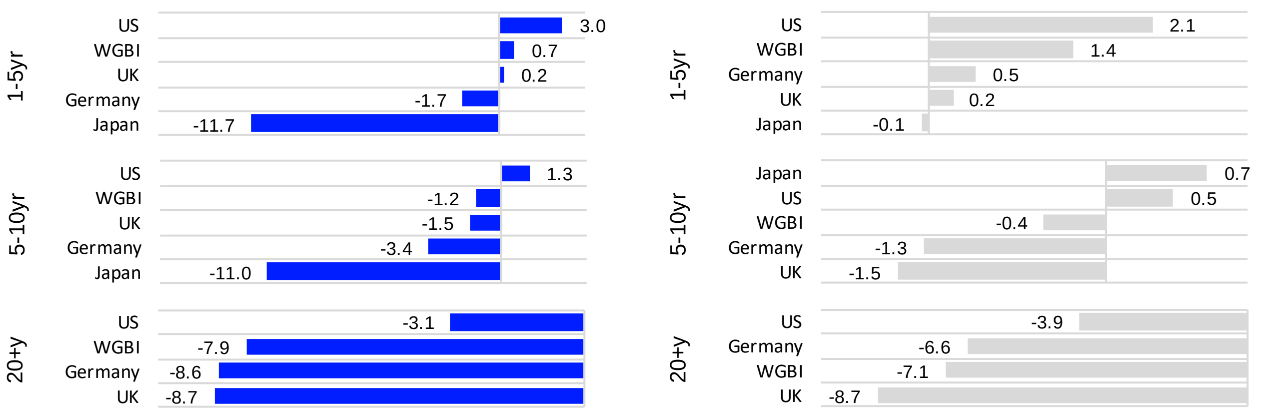
INFLATION LINKED BONDS 3M GBP 3M LCY



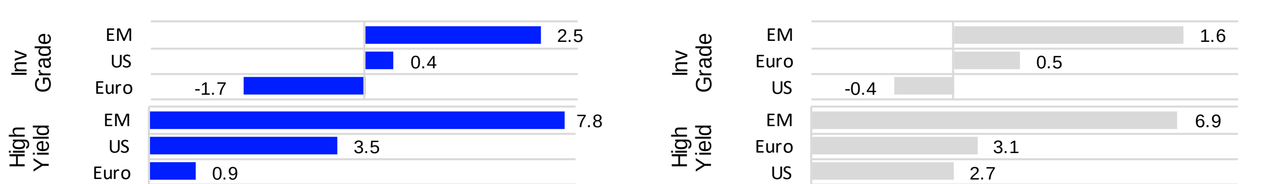
CORPORATE BONDS



INFLATION LINKED BONDS YTD GBP YTD LCY



CORPORATE BONDS



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Top and Bottom Bond Returns − 3M & 12M % (GBP, TR)

New Zealand and Swedish govts dominate the Top 15 returns on 3M, in sterling, buoyed by currency gains and the Riksbank rate cut. The worst performers were JGBs, after further yen weakness, EM inflation linked, and long French govts, on increased political uncertainty, losing 7-14%. On 12M, long China govts. and EM & US HY credit were strongest.

NZ and Swedish govt bonds gained 3% on 3M, as NZ's high relative yields drew buyers, and the Swedish krone benefitted from political uncertainty in the Eurozone, where French bonds were hit by the outcome of EU elections showing gains for the far Right, and President Macron's decision to call national French elections.

12M returns also show a strong performance by Swedish and NZ bonds, though China and EM HY credit gained 12-15%, as the global risk rally helped HY credit generally, and long Chinese bonds benefitted from substantial monetary easing by the PBoC.

Long linkers & JGBs remain weakest on 12M, with yen losses and the end of curve control driving losses of up to 25% in JGBs.

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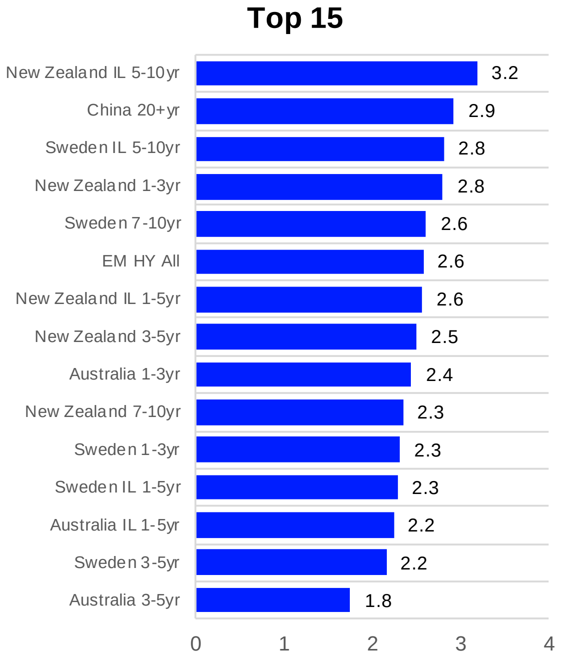
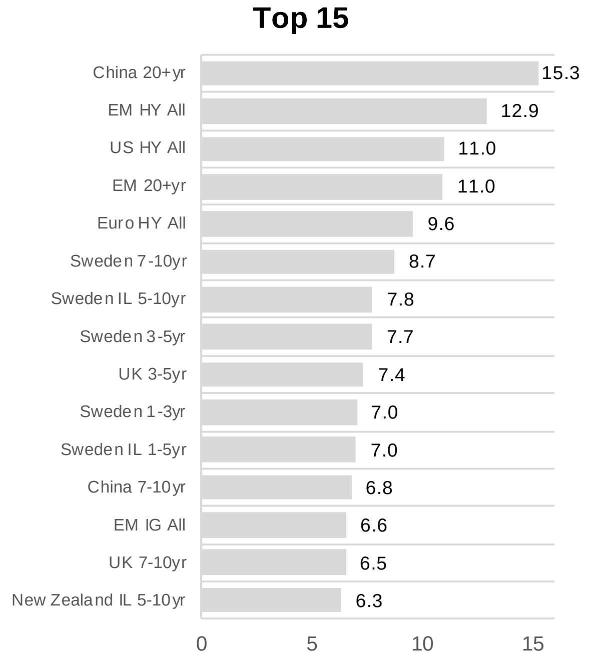
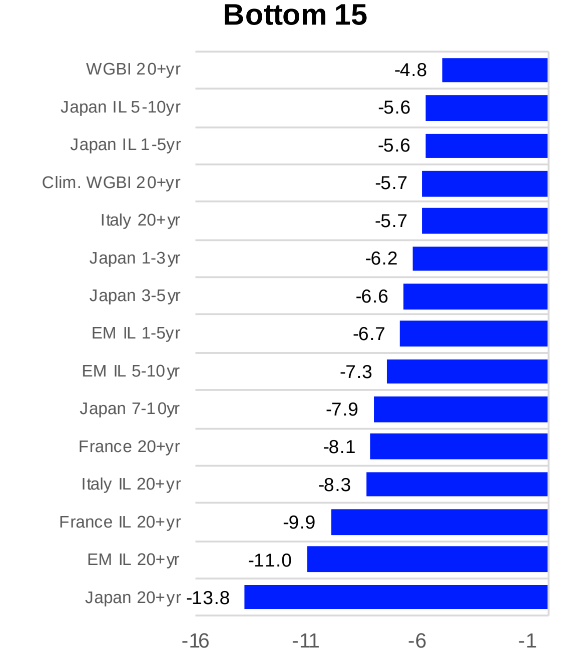
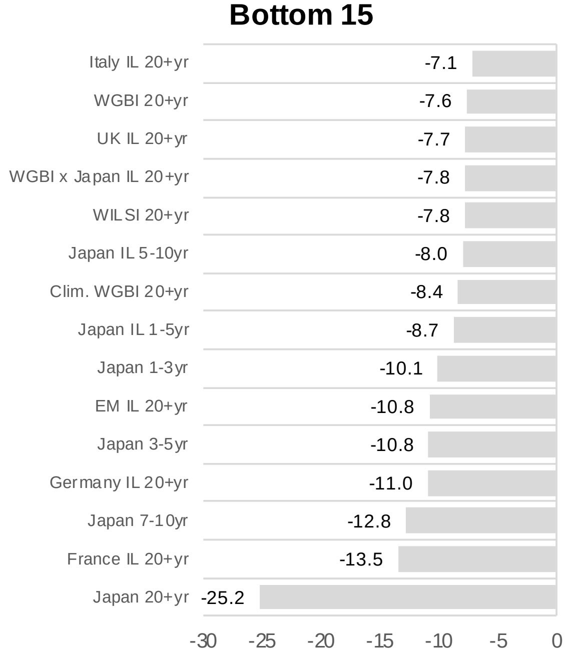
3M GBP | 12M GBP









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Appendix − Global Bond Market Returns % (GBP & LC, TR) – June 28, 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	0.94	0.87	1.22	2.08	1.22	2.08	4.53	5.13
	7-10yr	-0.06	-0.12	-1.53	-0.69	-1.53	-0.69	0.32	0.90
	20+yr	-1.95	-2.02	-5.88	-5.09	-5.88	-5.09	-7.15	-6.62
	IG All	0.01	-0.06	-0.43	0.42	-0.43	0.42	4.79	5.39
	HY All	0.98	0.91	2.66	3.53	2.66	3.53	10.36	11.00
UK	1-3yr	0.62	0.62	0.81	0.81	0.81	0.81	5.86	5.86
	7-10yr	-0.87	-0.87	-2.62	-2.62	-2.62	-2.62	6.53	6.53
	20+yr	-3.16	-3.16	-7.13	-7.13	-7.13	-7.13	-0.06	-0.06
Euro	IG All	0.04	-0.79	0.46	-1.70	0.46	-1.70	6.39	5.11
	HY All	1.39	0.55	3.10	0.88	3.10	0.88	10.93	9.60
Japan	1-3yr	-0.19	-6.15	-0.36	-11.93	-0.36	-11.93	-0.48	-10.07
	7-10yr	-2.08	-7.93	-2.46	-13.80	-2.46	-13.80	-3.51	-12.81
	20+yr	-8.29	-13.77	-9.99	-20.45	-9.99	-20.45	-17.26	-25.23
China	1-3yr	0.99	0.38	2.03	0.43	2.03	0.43	3.12	3.68
	7-10yr	1.89	1.28	4.07	2.44	4.07	2.44	6.21	6.79
	20+yr	3.55	2.93	9.42	7.71	9.42	7.71	14.66	15.28
EM	1-3yr	1.10	-0.25	2.22	-0.32	2.22	-0.32	4.06	3.18
	7-10yr	1.14	-0.28	2.28	-0.30	2.28	-0.30	4.90	3.44
	20+yr	2.81	1.73	6.87	4.68	6.87	4.68	11.16	10.96
	IG All	0.85	0.78	1.61	2.47	1.61	2.47	5.95	6.55
	HY All	2.64	2.58	6.88	7.79	6.88	7.79	12.28	12.93
Germany	1-3yr	0.62	-0.21	0.41	-1.75	0.41	-1.75	3.00	1.76
	7-10yr	-0.84	-1.66	-2.30	-4.40	-2.30	-4.40	2.14	0.91
	20+yr	-4.00	-4.80	-7.16	-9.16	-7.16	-9.16	-3.60	-4.75
Italy	1-3yr	0.46	-0.38	0.59	-1.58	0.59	-1.58	3.95	2.70
	7-10yr	-1.70	-2.52	-0.70	-2.84	-0.70	-2.84	4.67	3.41
	20+yr	-4.92	-5.71	-2.07	-4.18	-2.07	-4.18	1.70	0.48
Spain	1-3yr	0.51	-0.32	0.62	-1.55	0.62	-1.55	3.48	2.24
	7-10yr	-0.86	-1.68	-1.08	-3.21	-1.08	-3.21	4.37	3.11
	20+yr	-3.27	-4.08	-3.17	-5.26	-3.17	-5.26	2.62	1.38
France	1-3yr	0.26	-0.58	-0.05	-2.20	-0.05	-2.20	2.91	1.67
	7-10yr	-2.49	-3.30	-3.84	-5.91	-3.84	-5.91	0.99	-0.23
	20+yr	-7.29	-8.06	-10.00	-11.94	-10.00	-11.94	-4.86	-6.01
Sweden	1-3yr	1.40	2.31	1.39	-2.70	1.39	-2.70	4.34	7.03
	7-10yr	1.70	2.61	-0.31	-4.33	-0.31	-4.33	6.01	8.75
Australia	1-3yr	0.14	2.45	1.02	-0.29	1.02	-0.29	3.97	4.91
	7-10yr	-1.44	0.83	-0.49	-1.78	-0.49	-1.78	2.59	3.52
	20+yr	-4.04	-1.83	-3.98	-5.23	-3.98	-5.23	-1.42	-0.53
New Zealand	1-3yr	0.98	2.80	1.85	-1.14	1.85	-1.14	5.16	5.19
	7-10yr	0.53	2.35	0.02	-2.93	0.02	-2.93	4.73	4.76
	20+yr	-0.19	1.61	-4.01	-6.84	-4.01	-6.84	1.28	1.31
Canada	1-3yr	1.21	0.03	1.59	-1.27	1.59	-1.27	4.83	1.96
	7-10yr	0.60	-0.58	-1.36	-4.14	-1.36	-4.14	1.91	-0.88
	20+yr	-0.04	-1.21	-5.76	-8.42	-5.76	-8.42	-2.61	-5.28

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Appendix − Global Bond Market Returns % (GBP & LC, TR) – June 28, 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	1.55	1.48	2.11	2.98	2.11	2.98	5.28	5.89
	5-10yr	0.86	0.79	0.48	1.33	0.48	1.33	2.62	3.21
	20+yr	-1.17	-1.24	-3.95	-3.13	-3.95	-3.13	-7.53	-7.00
UK	1-5yr	0.55	0.55	0.23	0.23	0.23	0.23	6.18	6.18
	5-10yr	-0.71	-0.71	-1.46	-1.46	-1.46	-1.46	4.94	4.94
	20+yr	-4.69	-4.69	-8.68	-8.68	-8.68	-8.68	-7.74	-7.74
Japan	1-5yr	0.43	-5.58	-0.06	-11.67	-0.06	-11.67	1.01	-8.72
	5-10yr	0.43	-5.57	0.72	-10.98	0.72	-10.98	1.83	-7.98
EM	1-5yr	1.05	-6.71	3.61	-6.24	3.61	-6.24	9.80	-2.79
	5-10yr	-1.13	-7.30	-0.53	-8.55	-0.53	-8.55	4.55	-5.21
	20+yr	-2.98	-10.97	-6.14	-14.76	-6.14	-14.76	-1.33	-10.82
Germany	1-5yr	0.75	-0.09	0.46	-1.71	0.46	-1.71	2.17	0.95
	5-10yr	0.01	-0.82	-1.28	-3.41	-1.28	-3.41	0.10	-1.10
	20+yr	-3.72	-4.52	-6.58	-8.59	-6.58	-8.59	-9.87	-10.95
Italy	1-5yr	0.13	-0.70	0.32	-1.84	0.32	-1.84	4.05	2.80
	5-10yr	-1.40	-2.22	-0.08	-2.24	-0.08	-2.24	2.98	1.74
	20+yr	-7.50	-8.27	-3.30	-5.39	-3.30	-5.39	-6.01	-7.14
Spain	1-5yr	0.38	-0.45	0.08	-2.08	0.08	-2.08	2.52	1.29
	5-10yr	-0.28	-1.11	-0.05	-2.21	-0.05	-2.21	2.80	1.57
France	1-5yr	-0.49	-1.32	-1.07	-3.20	-1.07	-3.20	0.92	-0.29
	5-10yr	-1.84	-2.65	-3.02	-5.11	-3.02	-5.11	-0.85	-2.04
	20+yr	-9.12	-9.87	-11.85	-13.75	-11.85	-13.75	-12.43	-13.48
Sweden	1-5yr	1.38	2.29	1.11	-2.97	1.11	-2.97	4.33	7.02
	5-10yr	1.90	2.81	0.34	-3.71	0.34	-3.71	5.06	7.77
Australia	1-5yr	-0.06	2.24	0.56	-0.75	0.56	-0.75	4.38	5.33
	5-10yr	-1.45	0.81	-0.89	-2.18	-0.89	-2.18	4.04	4.98
	20+yr	-6.44	-4.29	-8.62	-9.80	-8.62	-9.80	-0.19	0.71
New Zealand	5-10yr	1.36	3.19	2.34	-0.68	2.34	-0.68	6.30	6.33
Canada	20+yr	0.28	-0.89	-1.53	-4.31	-1.53	-4.31	-0.96	-3.67

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Appendix – Historical Bond Yields % as of June 28, 2024

Global Bond Yields

Top 15% | Bottom 15%

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

		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	3M Ago	4.73	4.32	4.21	4.43	2.08	1.86	2.12	5.35	7.83
	6M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
	12M Ago	5.01	4.31	3.85	3.95	2.45	1.72	1.68	5.53	8.61
UK	Current	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	3M Ago	4.31	3.88	3.85	4.35	0.08	0.14	1.07		
	6M Ago	3.94	3.45	3.46	4.07	-0.02	-0.02	0.91		
	12M Ago	5.36	5.04	4.38	4.35	1.78	0.72	0.90		
Japan	Current	0.27	0.48	0.91	2.10	-1.32	-0.79			
	3M Ago	0.12	0.27	0.60	1.70	-1.43	-0.84			
	6M Ago	0.00	0.13	0.50	1.60	-1.67	-0.81			
	12M Ago	-0.10	-0.01	0.29	1.21	-1.64	-0.87			
China	Current	1.64	1.86	2.21	2.46					
	3M Ago	1.90	2.13	2.38	2.62					
	6M Ago	2.18	2.33	2.58	2.90					
	12M Ago	2.09	2.33	2.66	3.08					
EM	Current	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	3M Ago	3.30	3.91	4.60	3.90	4.92	4.70	5.38	5.68	8.89
	6M Ago	3.44	3.95	4.70	4.34	4.27	4.23	4.82	5.58	9.90
	12M Ago	3.67	4.04	4.79	4.42	4.15	4.07	4.86	5.94	12.00
Germany	Current	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	3M Ago	2.89	2.38	2.23	2.43	0.78	0.24	0.26		
	6M Ago	2.48	1.97	1.96	2.25	0.92	0.16	0.16		
	12M Ago	3.17	2.66	2.37	2.36	0.96	0.19	-0.06		
Italy	Current	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	3M Ago	3.27	3.12	3.44	4.05	1.00	1.39	1.70		
	6M Ago	2.99	2.88	3.45	4.17	1.23	1.62	1.88		
	12M Ago	3.79	3.71	3.87	4.25	1.74	1.78	1.70		
France	Current	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	3M Ago	2.98	2.65	2.70	3.18	0.57	0.42	0.73		
	6M Ago	2.49	2.23	2.43	3.00	0.56	0.32	0.64		
	12M Ago	3.21	2.94	2.85	3.19	0.88	0.47	0.55		
Sweden	Current	2.42	2.23	2.19		1.41	0.74			
	3M Ago	2.93	2.40	2.33		1.55	0.88			
	6M Ago	2.59	2.04	2.01		1.12	0.59			
	12M Ago	3.43	2.94	2.61		1.18	0.91			
Australia	Current	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	3M Ago	3.75	3.61	3.92	4.36	1.11	1.37	1.78		
	6M Ago	3.71	3.63	3.90	4.30	0.85	1.27	1.61		
	12M Ago	4.17	3.99	4.02	4.36	1.04	1.47	1.85		
New Zealand	Current	4.78	4.56	4.65	5.00	2.51	2.33			
	3M Ago	4.91	4.41	4.53	4.91	1.87	2.29			
	6M Ago	4.71	4.24	4.31	4.60	1.45	2.12			
	12M Ago	5.08	4.67	4.61	4.77	1.53	2.15			
Canada	Current	4.07	3.56	3.51	3.42	1.70	1.72	1.68		
	3M Ago	4.28	3.64	3.48	3.37	1.66	1.65	1.61		
	6M Ago	3.94	3.26	3.10	3.04	1.31	1.35	1.51		
	12M Ago	4.60	3.84	3.35	3.12	1.90	1.57	1.43		

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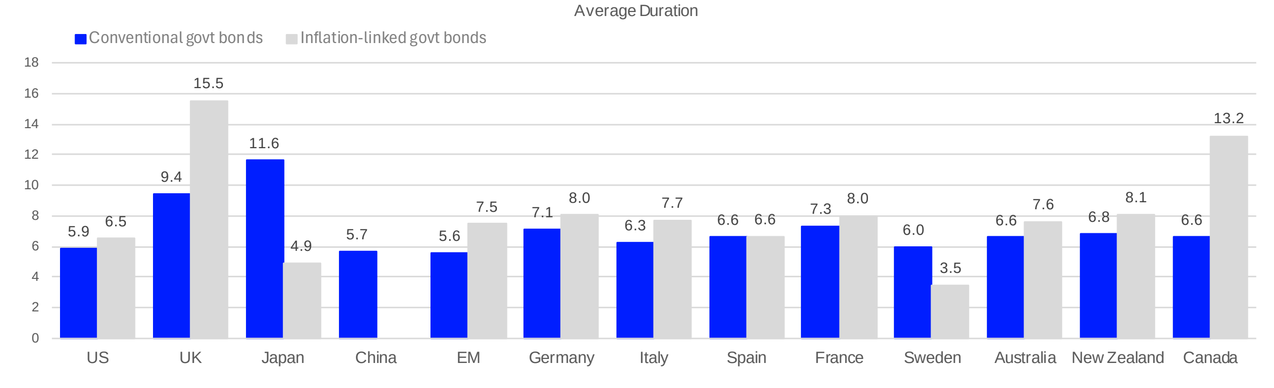
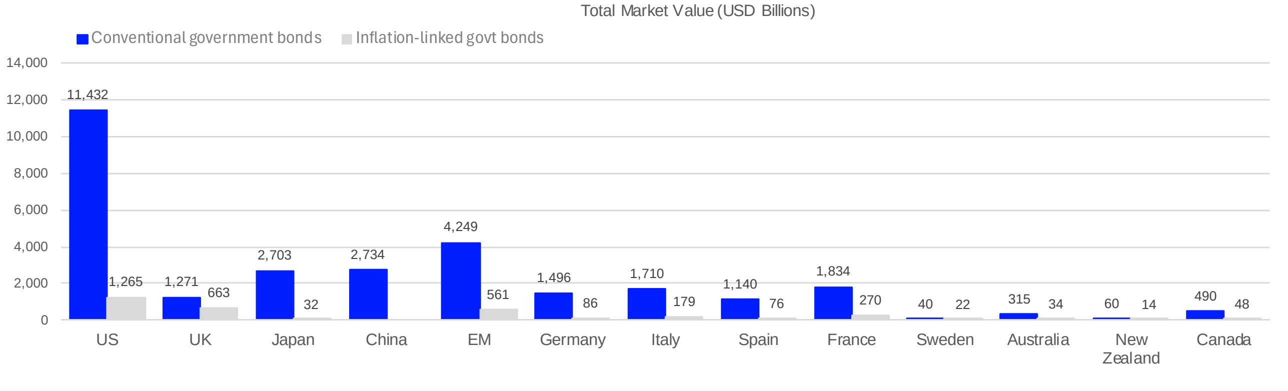
Appendix – Duration and Market Value (USD, Bn) as of June 28, 2024

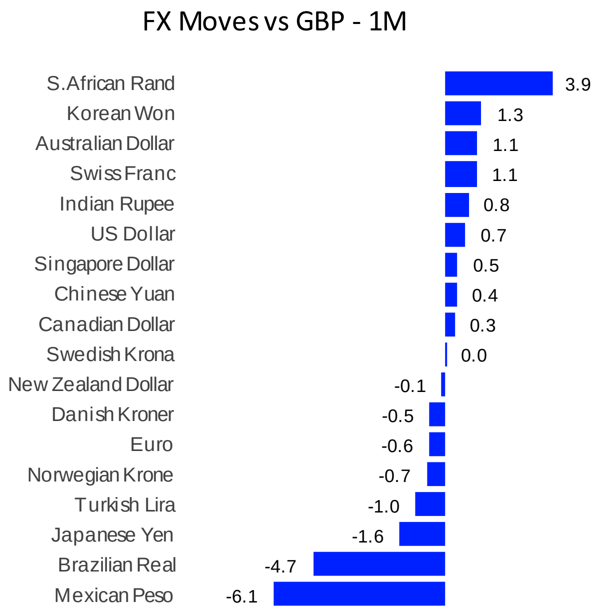
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.6	**5.9**	2,728.4	1,119.6	1,331.8	**11,432.3**	7.1	21.4	**6.5**	411.1	110.9	**1,265.3**
UK	3.7	7.3	18.2	**9.4**	169.1	213.5	320.7	**1,271.0**	7.8	27.4	**15.5**	118.8	224.0	**663.4**
Japan	3.9	8.1	23.2	**11.6**	329.2	354.5	552.7	**2,703.3**	7.9		**4.9**	11.6		**31.9**
China	3.7	7.7	18.0	**5.7**	649.9	413.5	313.0	**2,733.7**						
EM	3.6	7.1	16.4	**5.6**	936.8	702.4	406.4	**4,248.7**	6.0	13.2	**7.5**	90.0	147.8	**561.3**
Germany	3.6	7.6	20.1	**7.1**	345.3	209.0	188.3	**1,496.3**	6.5	20.9	**8.0**	43.3	17.7	**86.3**
Italy	3.5	7.2	16.1	**6.3**	298.4	236.9	153.7	**1,710.5**	7.4	25.5	**7.7**	53.6	5.3	**179.4**
Spain	3.6	7.4	17.3	**6.6**	225.6	207.9	110.2	**1,140.4**	7.4		**6.6**	47.9		**75.5**
France	3.9	7.6	19.3	**7.3**	415.8	313.3	234.4	**1,833.6**	6.1	23.7	**8.0**	87.1	20.0	**270.4**
Sweden	3.7	7.9		**6.0**	6.7	9.8		**40.0**	6.5		**3.5**	5.7		**22.2**
Australia	3.8	7.4	16.7	**6.6**	47.2	106.6	20.2	**314.6**	6.5	21.7	**7.6**	10.4	2.7	**34.2**
New Zealand	4.1	7.4	16.0	**6.8**	10.9	16.5	5.3	**60.1**	5.6		**8.1**	3.3		**14.3**
Canada	3.6	7.2	19.5	**6.6**	68.0	111.6	68.5	**490.4**	6.4	20.4	**13.2**	8.0	19.9	**48.4**

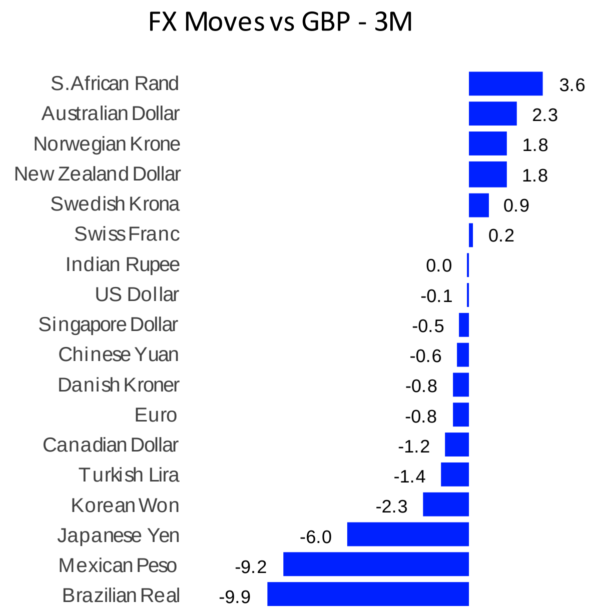
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.3	7.1	6.5	6.9	75.5	443.9	2756.5	3467.0	6742.9	3.8	1061.2
Europe	6.2	4.9	4.6	4.2	4.4	14.9	212.2	1194.6	1540.5	2962.2		
EM		6.8	5.1	5.5	5.4		36.7	215.5	256.3	508.6	3.5	184.8

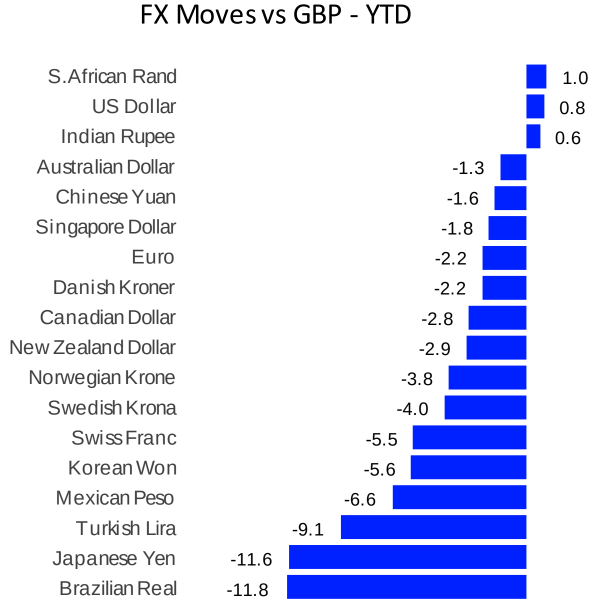


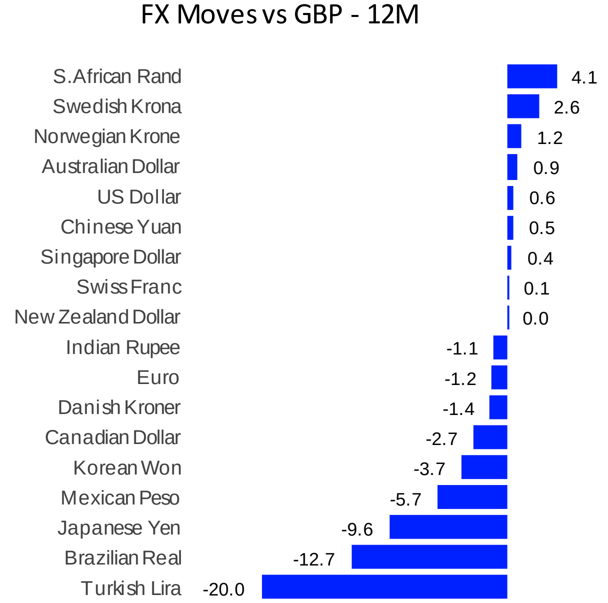


Appendix – Foreign Exchange Returns % as of June 28, 2024









Source: FTSE Russell and LSEG. All data as of June 30, 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

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