

Fixed Income Insights

US EDITION

MONTHLY REPORT | JULY 2024

Relative value and convexity favors Treasuries

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

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

Fed under little easing pressure, despite frozen housing market. (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 government bonds are the best 3M performers, while long China governments and high yield credit the 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: US 7-10 year real yields have broadly stabilised with inflation breakevens in 2024, while nominal yields are more volatile, as easing expectations oscillate. Both markets cheapened a lot versus equities.

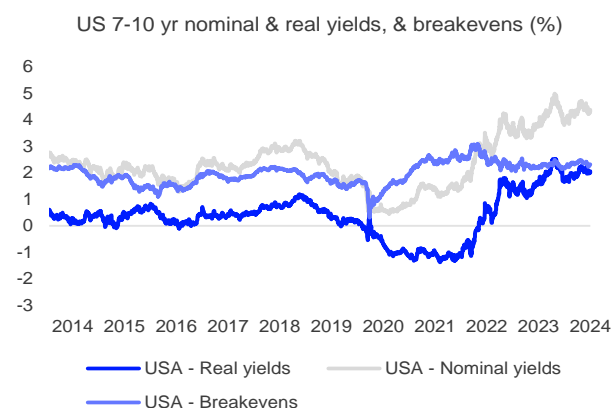
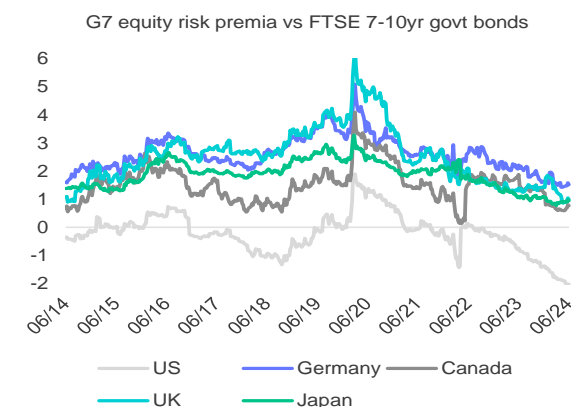


Chart 2: US 7-10yr Treasuries have cheapened substantially versus US equities after the strong equity market rally in 2023-24. UK gilts have also cheapened relative to equities, with the risk premium at a post-Covid low.



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.

Macroeconomic Backdrop – Growth and Inflation Expectations

Growth forecasts show the US as a strong outlier. The move from 3% to 2% in G7 inflation is proving onerous, due to stubborn core and wage inflation, with low labour supply elasticity a key factor in higher wage growth. The slow-motion slowdown in 2023-24 suggests a gradual easing cycle, unlike Covid and the GFC. G7 savings ratios edged back up, in response to higher rates, apart from the US, where wealth effects helped consumers.

Consensus growth forecasts barely show the US slowing in 2024, although Q1 growth was only 1.3% annualized (Chart 1). The latest Atlanta Fed Now forecast shows Q2 growth rebounding to 2.2%, after de-stocking squeezed Q1 growth. Domestic demand slowed in Q1, but remains more robust than in Canada. Lagged effects from Fed tightening may suppress growth in 2024, given weak commercial real estate and housing, but strong capex is an offset. European growth is slowly recovering after the 2023 recessions.

Disinflation resumed in Q2, helped by soft food prices, and base effects. US services inflation at 5.3% y/y, exc. energy, and shelter inflation at 5.4% y/y remain high, despite headline at 3.3% y/y. Services inflation is a key issue in the US and UK, and driven by wage inflation. Yen weakness and higher wage awards are sustaining Japanese inflation above 2%.

The US labor market remains stable, with solid employment gains of 272,000 in May, vs 232,000 12 mntn average, and unemployment at 4% (Chart 3). The labor force participation rate is stable at 62.5%, and employment/population ratio at 60.1%, some 4-5% below the early-2000 peaks, reflecting an ageing labour force and workers not returning after Covid. Reduced labor force supply elasticity is a factor in driving higher wage inflation in much of the G7, and makes achieving 2% inflation targets more demanding.

Chart 4 shows divergence in household savings, with US savings falling in 2024, while savings rose in the UK and Eurozone, in response to higher rates. Positive wealth effects from equities and house prices since the GFC helped US consumers. UK and Eurozone consumers faced a deeper energy shock and squeeze on real incomes in 2022-24, which may explain higher savings ratios.

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

Latest Consensus Real GDP Forecasts (Median, %, May 2024)			
	2023	2024	2025
US	2.5	2.4	1.8
UK	0.1	0.5	1.2
Eurozone	0.5	0.7	1.3
Japan	1.3	0.7	1.1
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.

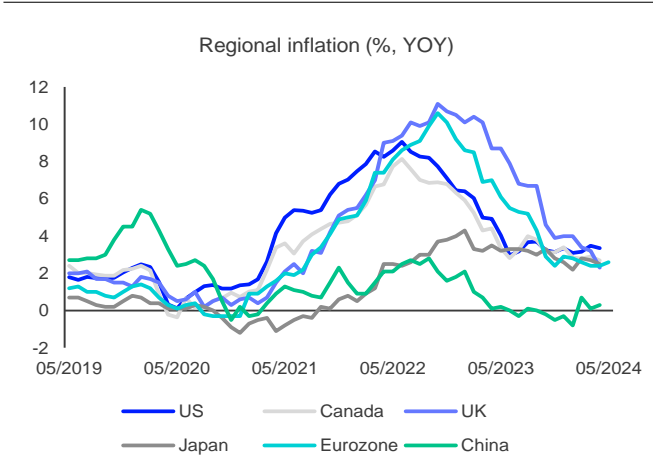
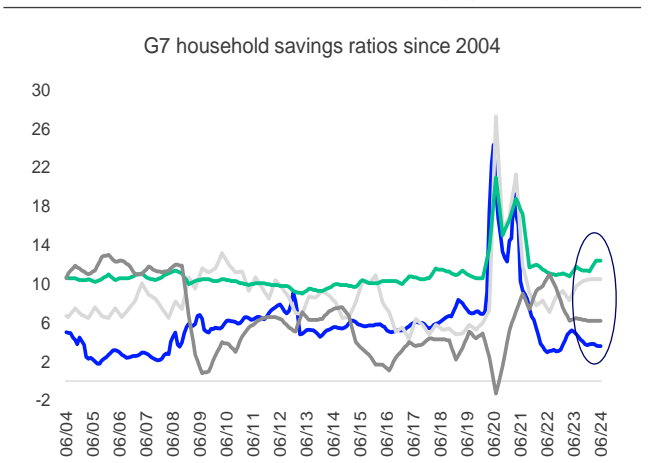


Chart 3: The US labor market shows few signs of recession strains. Wage inflation rebounded to 4.1% in May, and unemployment remained at 4%, still near full employment, though up from 3.7% a year ago.



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 financial conditions have eased well in advance of any Fed policy easing in 2023-24, helped by the risk rally and equity market, increasing uncertainty about the tightness of policy and reducing pressure for a rate cut. But this may be offset by further dollar strength if other central banks follow the ECB and BoC June moves. The gap between US mortgage rates and 10-year Treasury yields widened, as negative convexity squeezes demand for MBS, and the Fed reduces holdings.

US Treasuries typically front-run easing cycles (Chart 1), with 10-yr yields falling ahead of Fed easing. This front running of Fed easing may cause financial conditions to ease, particularly if the need to hedge duration in MBS drives further purchases of Treasuries, as yields fall. Easing in financial conditions during the risk rally reduces pressure on the Fed to ease, but complicates policy-setting.

Exchange rates responded little to the June rate cuts, which were discounted. Markets price in about the same policy easing in the US and UK in H2 2024 – about 40bp – keeping sterling/dollar rangebound. The yen edged towards Y160 in June, vs the US dollar, though the threat of more heavy BoJ intervention at that level, prevented a breach of Y160.

Some European central banks eased in June, though the BoE did not (Chart 3). The Fed remains on hold, given the economy is not recessionary, though lower mortgage rates would help the US housing market. ECB signalling confirms gradual easing is likely in 2024-25. Fed focus on service inflation suggests weaker wage inflation is key so the May uptick wasn't helpful.

Chart 4 shows the gap has widened between 10-year Treasury yields and the 30-year fixed mortgage rates. This has averaged about 170bp since the GFC, but now stands at 260bp. The spread widens in a rising rate environment, since MBS have negative convexity, and MBS duration rises as rates increase. An additional factor is reduced demand for RMBS as the Fed shrinks its balance sheet. High mortgage rates reduce the affordability of US housing, squeezing demand for housing, and housing investment (see page 6).

Chart 1: US Treasuries normally front-run Fed easing, though the premature 2023 rally has instilled more caution in 2024. Easing in financial conditions in the risk rally has reduced pressure on the Fed to cut rates.

Chart 2: FX rate moves in June were modest, though the Euro gave up some ground after the ECB rate cut and increased political uncertainty. The yen tested the Y160 vs USD before stabilizing on intervention fears.

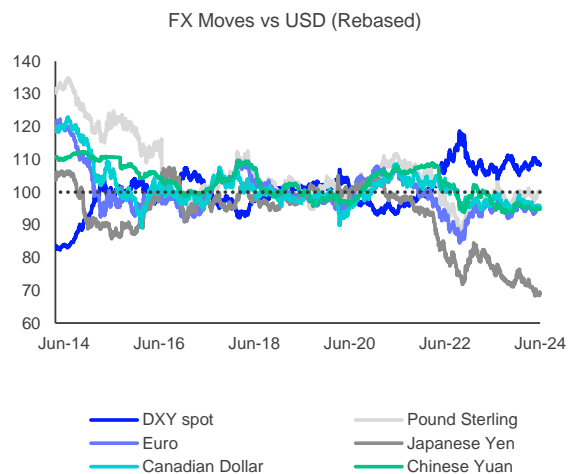
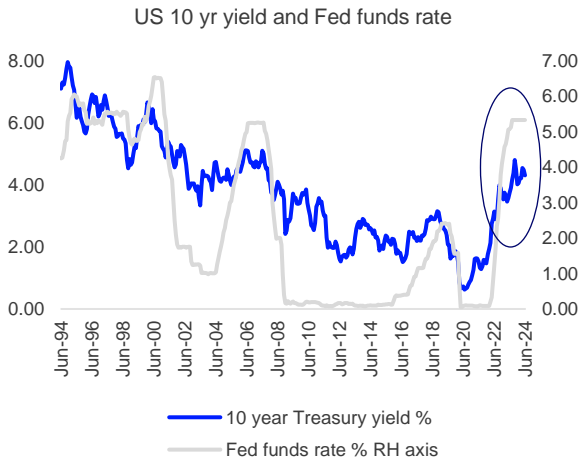
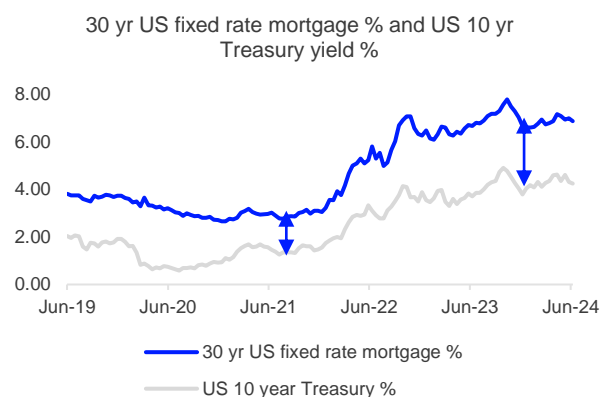
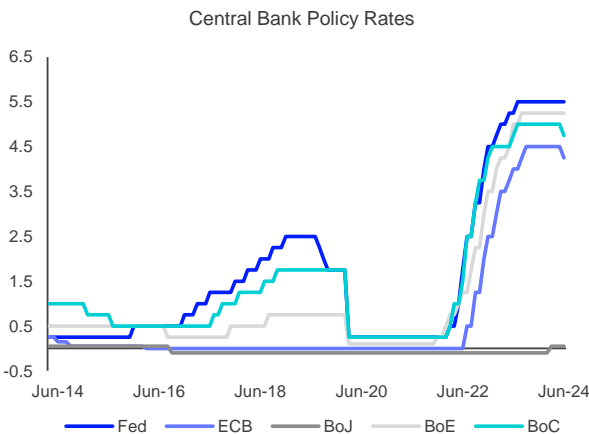


Chart 3: The ECB duly cut rates on June 6, following the BoC on June 5. Stubborn services inflation continues to delay a Fed rate cut, though the UK's MPC appears close to easing rates, with inflation now at 2% y/y.

Chart 4: Mind the gap! The spread between US 10yr gov't yields and 30yr mortgage rates widened, due to lower RMBS demand in a higher rate environment, when RMBS duration extends, & reduced Fed MBS holdings.



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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 Q3 and Q4. JGBs lagged the moves.

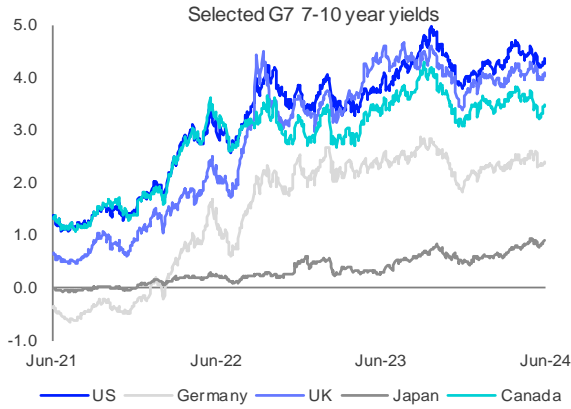


Chart 2: Real yields moved lower with nominals in June, but to a lesser extent, repeating the normal pattern of breakevens rising during sell-offs in nominal bonds, and declining during rallies.

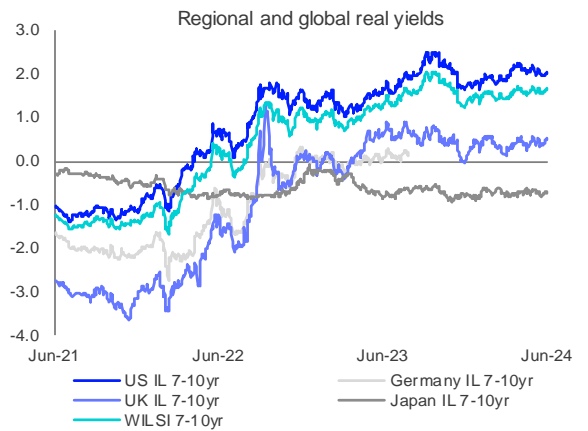


Chart 3: 10s/2s yield curves remain inverted, excluding JGBs. Lower policy rates in Canada and Eurozone were discounted, so 2-year yields reacted little. Re-investment risk is sustaining demand for 10-year maturities.

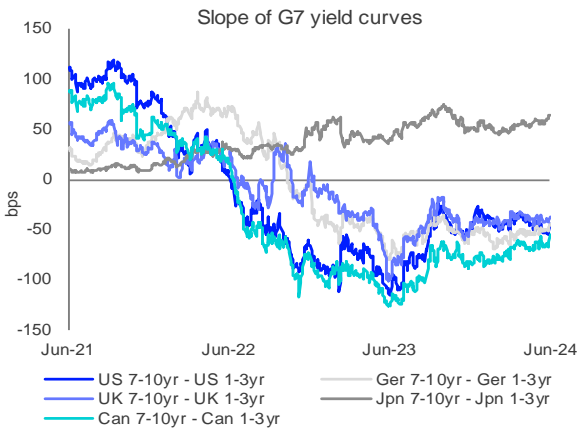


Chart 4: There has been more significant curve dis-inversion in longs, particularly in JGBs, after the BoJ abandoned formal curve control. High debt/GDP ratios and positive term premia may also be factors.

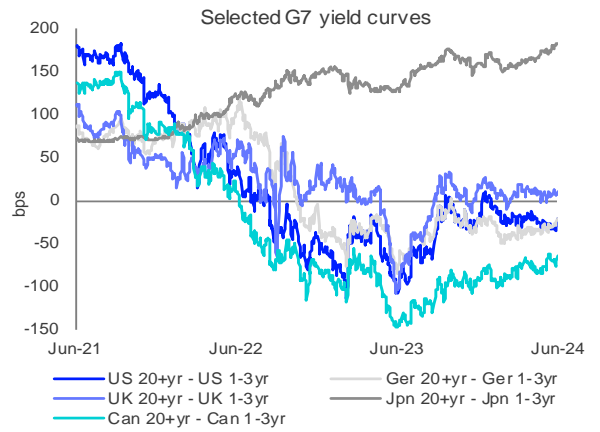


Chart 5: Inflation breakevens dipped in June, as nominal bonds rallied, and disinflation resumed in May data, notably in Europe. JGB breakevens remain near recent highs, as yen weakness continues.

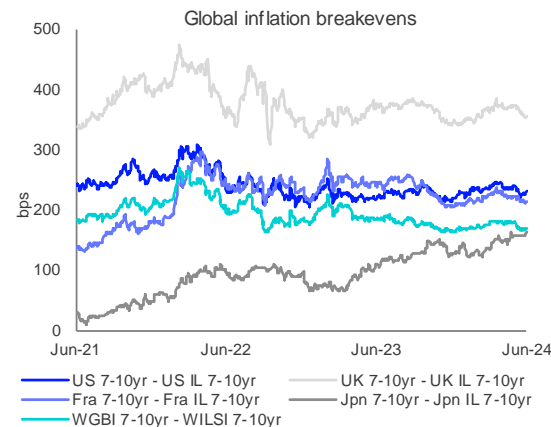
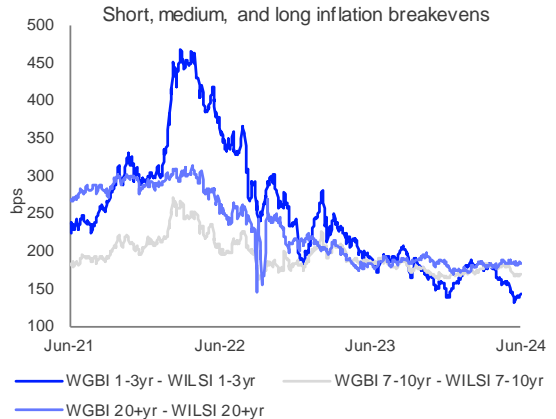


Chart 6: Short-dated breakevens have collapsed from the 2022 highs, reaching new lows in June, as inflation fell to 2% in parts of Europe. Longer breakevens have lagged the move but remain stable near 2%.



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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.

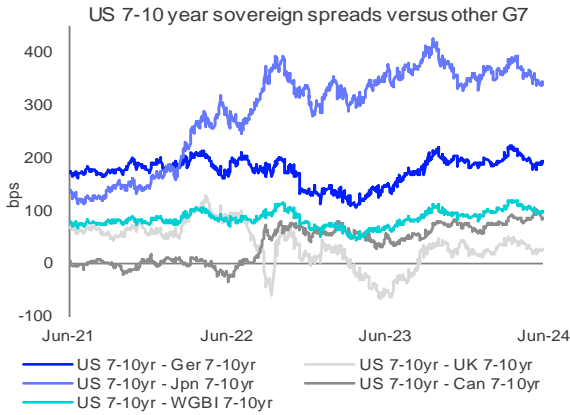


Chart 2: Higher Italian spreads show increased political uncertainty in Europe, after a strong showing of far right parties in the EU and French national elections.

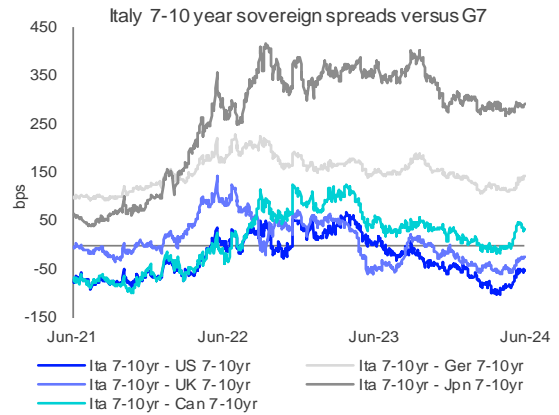


Chart 3: Rate cuts at the ECB and BoC drove EM spreads a little wider vs Germany & Canada, but spreads remain near post-Covid lows, reflecting stronger EM fundamentals and China's independence from the G7 cycle.

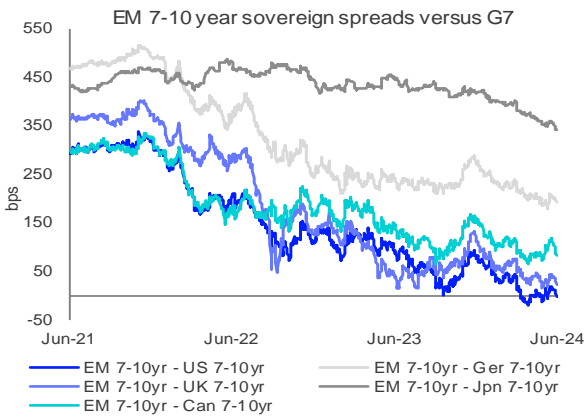


Chart 4: As in the broader EM, Chinese spreads widened versus Germany and Canada, after the rate cuts. Spreads elsewhere remain near multi-year lows, despite improving prospects for more G7 rate cuts.

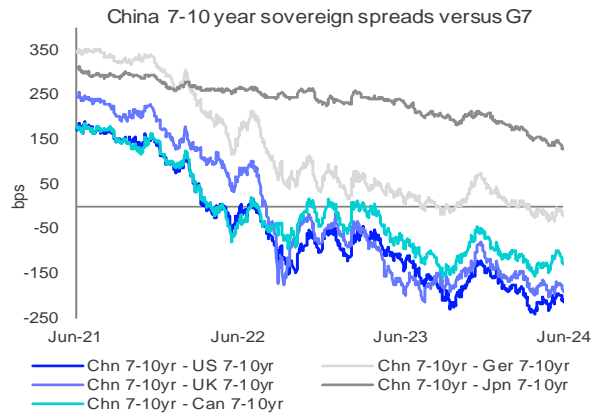


Chart 5: There are signs of the risk rally in credit in 2023-24 is at least pausing, as HY spreads widened in June, though lower gov't yields helped drive this. IG spreads also edged wider, but IG spreads are not as tight.

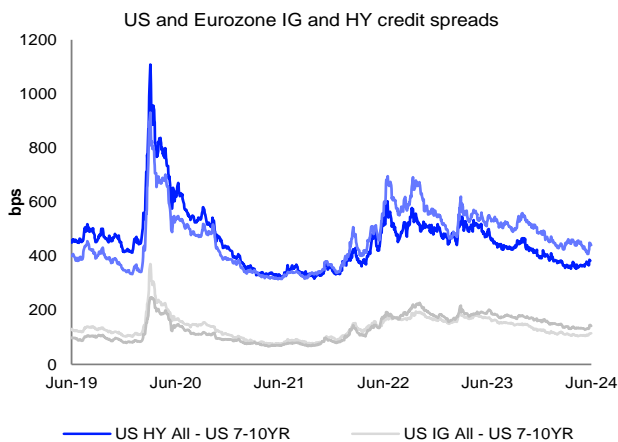
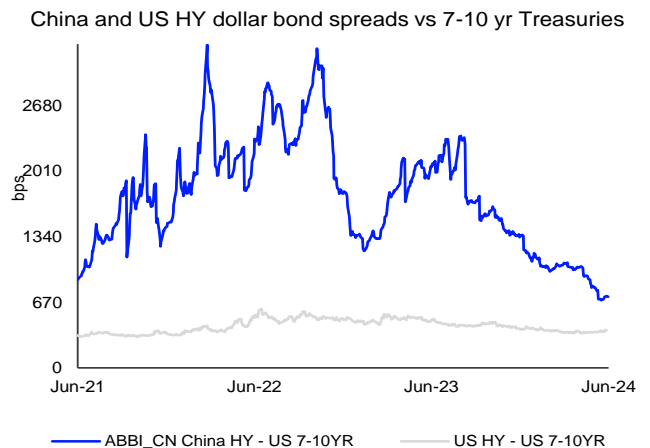


Chart 6: China HY dollar bonds – which are dominated by property sector issuers – rallied strongly after a series of property sector support measures from the authorities, though bond exchanges and restructurings continue.



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Investment Grade Credit and RMBS analysis

Chart 1: Despite fears the BBB IG bucket would suffer a major shake-out and downgrades to HY, the sector held up well and outperformed in the risk rally, in which higher quality issues have underperformed.

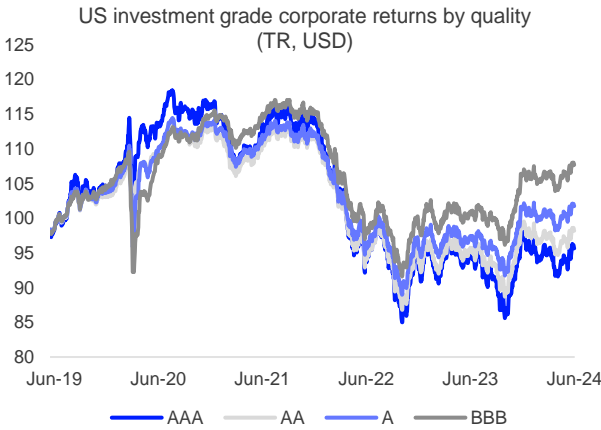


Chart 2: Sector spreads in IG credit show general convergence, with the weaker sectors, led by energy and banks now recovering after the Covid and Ukraine shocks. Electrical issues have benefited from the AI boom.

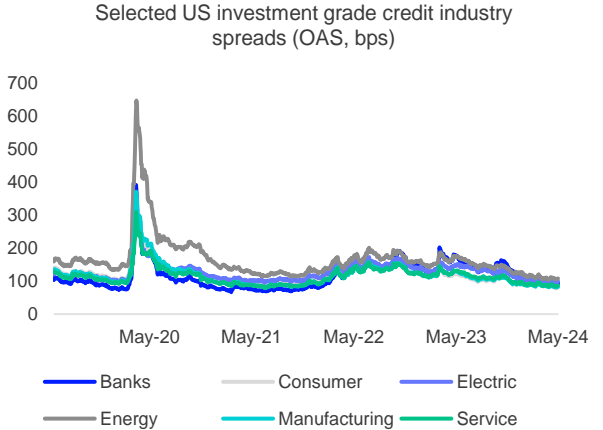


Chart 3: IG credit duration has fallen in the transition to higher yields, but not as sharply as HY credits (see Chart on page 7). US bank issues tend to be shorter duration because of the call options often embedded.

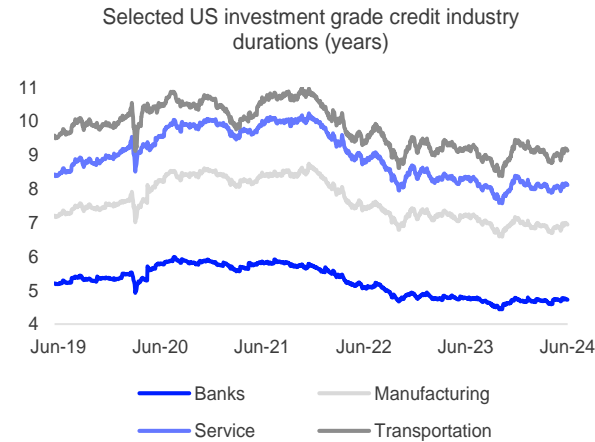


Chart 4: Sector weights show banks and other financials are now the largest sector, followed closely by services and manufacturing.

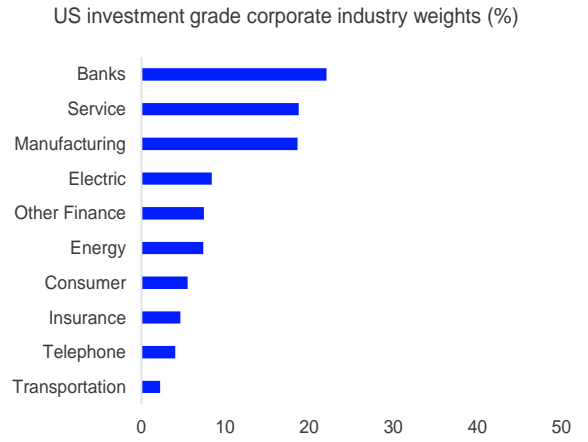


Chart 5: RMBS issues are less attractive as yields rise because of negative convexity, so yields rose versus credit and govts. This was compounded by the Fed ending RMBS purchases and reducing holdings.

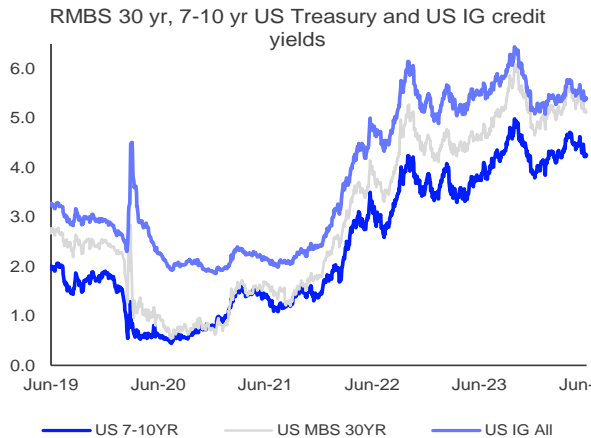
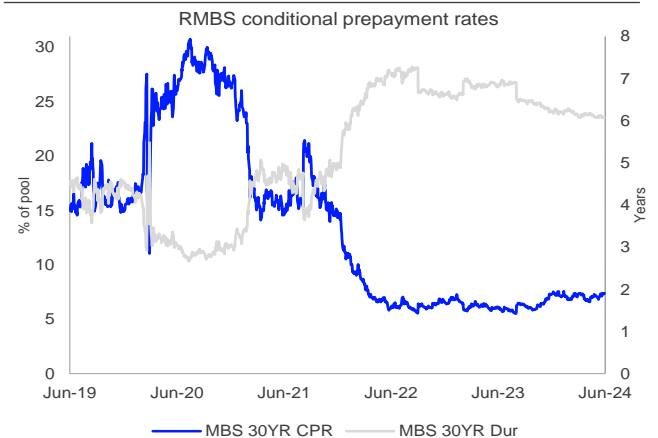


Chart 6: The market that froze? The collapse in prepayments and refinancings reflects the big discrepancy between current mortgage rates and the coupons issued a few years ago (also see Chart 4 on page 3).



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High Yield Credit Analysis

Chart 1: In sectors, transportation remains strong and consumer credits. Telco underperformed as the cost of new networks weighs on the sector. Outperformance by bank credits has stalled, as rate expectations ease.

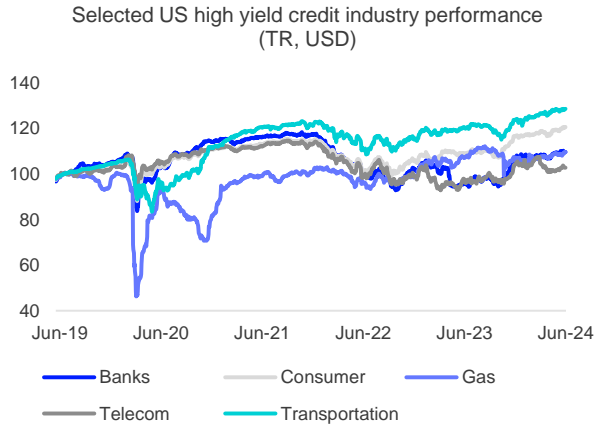


Chart 2: Bank credits have performed better in the Eurozone than the US, after underperforming in 2022. Consumer and transportation credits performed well, despite lower freight rates and challenges of digitisation.

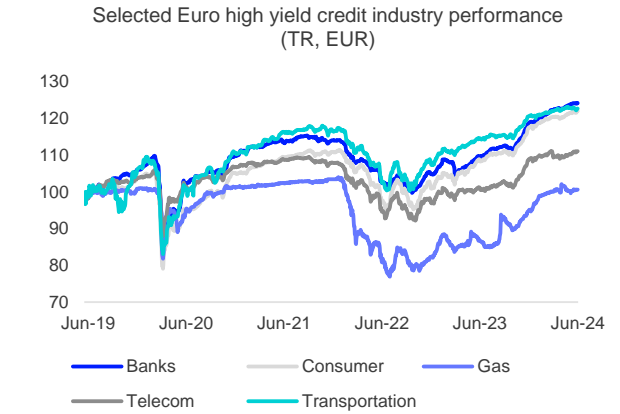


Chart 3: Single B remains the strongest performing HY credit sector, on a risk-adjusted basis, though CCC has recovered strongly in the risk rally. BB held up best during the Covid and Ukraine shocks and sell-offs.

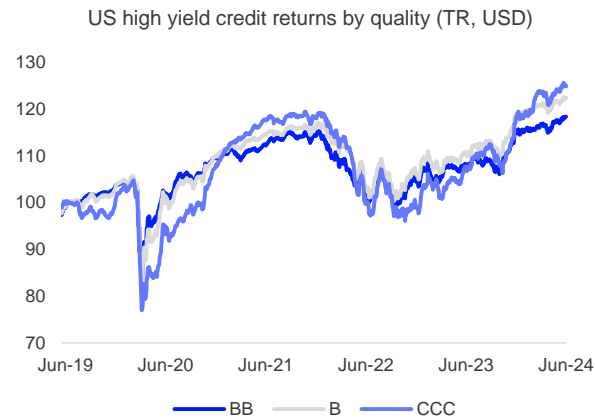


Chart 4: CCC spreads stabilized in June, after the widening in May. Spreads have returned to pre-Covid levels, in all sectors, suggesting relative value is not as attractive and may weigh on future HY returns.

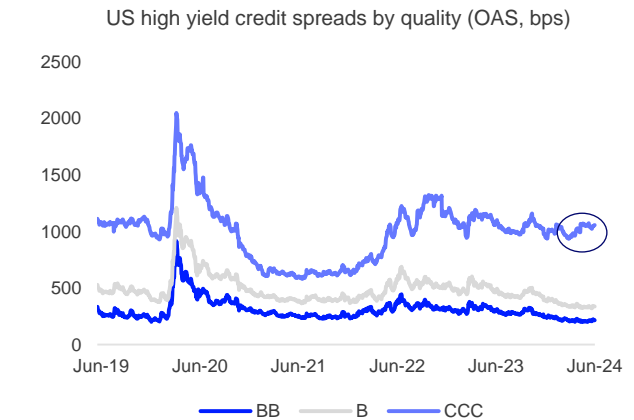


Chart 5: US HY duration is showing some signs of stabilization, after the steep falls during the period of rising rates in 2022-23, when the sector de-coupled from, and outperformed, government bonds and IG credits.

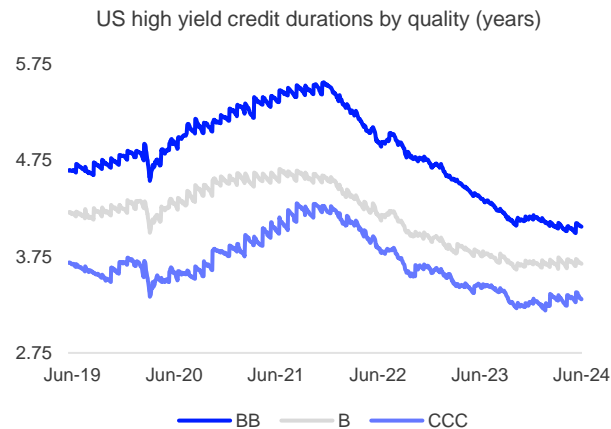
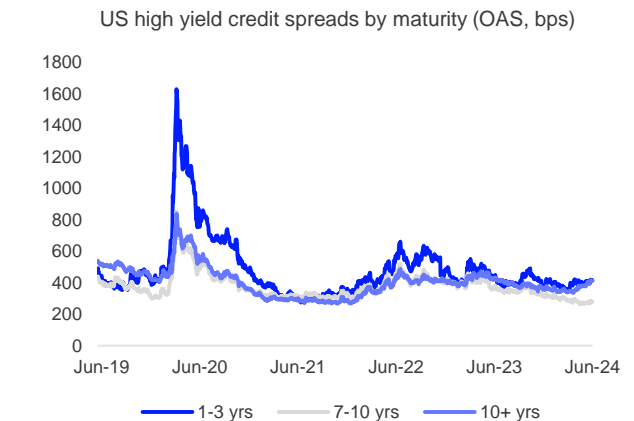


Chart 6: Credit spreads have converged in all maturities in the 2023-24 risk rally, but 7-10-year HY spreads are tightest. Short-dated credits look the best relative value, given the inverted 10s-2s yield curve in govts.



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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.

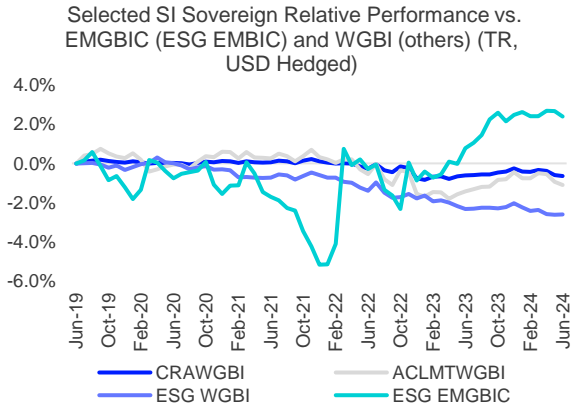


Chart 2: Within SI corporates, both Choice and Ex FFE have performed in line over the last two years due to their similar duration, despite differences in both credit quality and industry exposure.

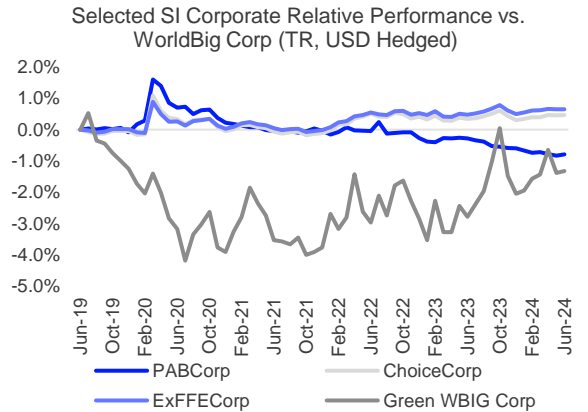


Chart 3: SI Sovereigns broadly underperformed in Q2, as yields for the indices rose by more than they did for their non-SI counterparts. Lower relative duration drove ESG EMGBIC outperformance over 1Y and 5Y.

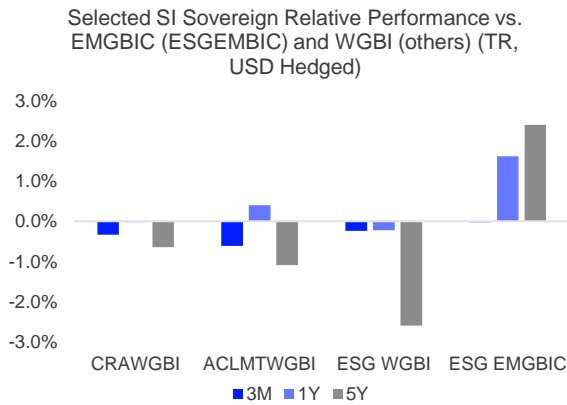


Chart 4: In contrast to sovereigns, SI corporates have largely outperformed in Q2, except for PAB (Paris aligned benchmark), which lost -0.1%. Green WBIG outperformed as it earned a 0.1% relative gain.

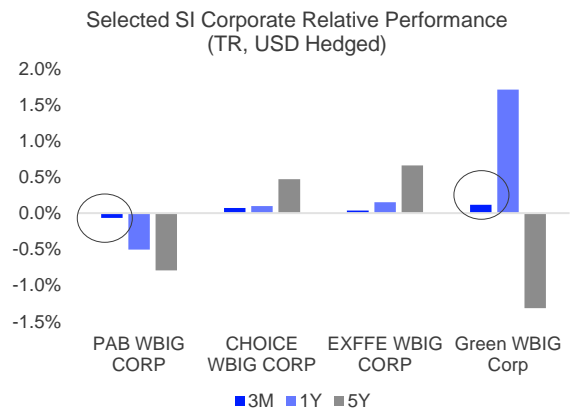


Chart 5: ESG EMGBIC has benefited recently from falling relative yields vs EMGBIC. This reflects an overweight in countries more advanced in their interest rate easing cycle vs those with high or increasing rates.

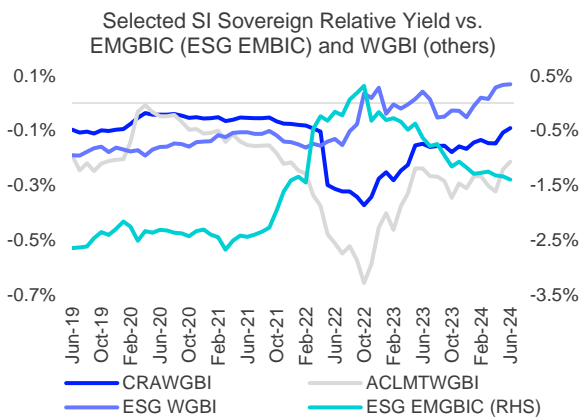
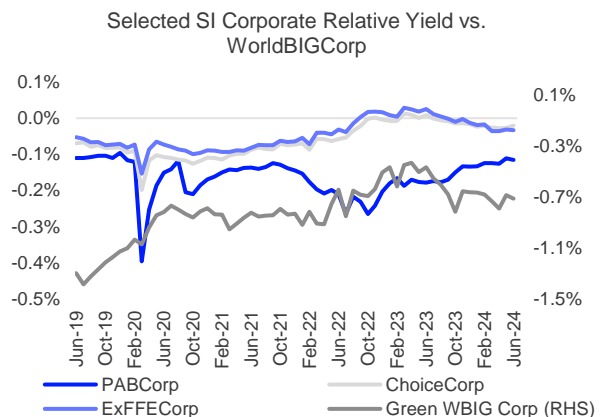


Chart 6: Most SI corporates have seen relative yields rise vs non-SI indices over 5 years, suggesting a longer term erosion in the SI premium. However, relative yields for Green WBIG, Ex FFE and Choice fell in the last 12M.



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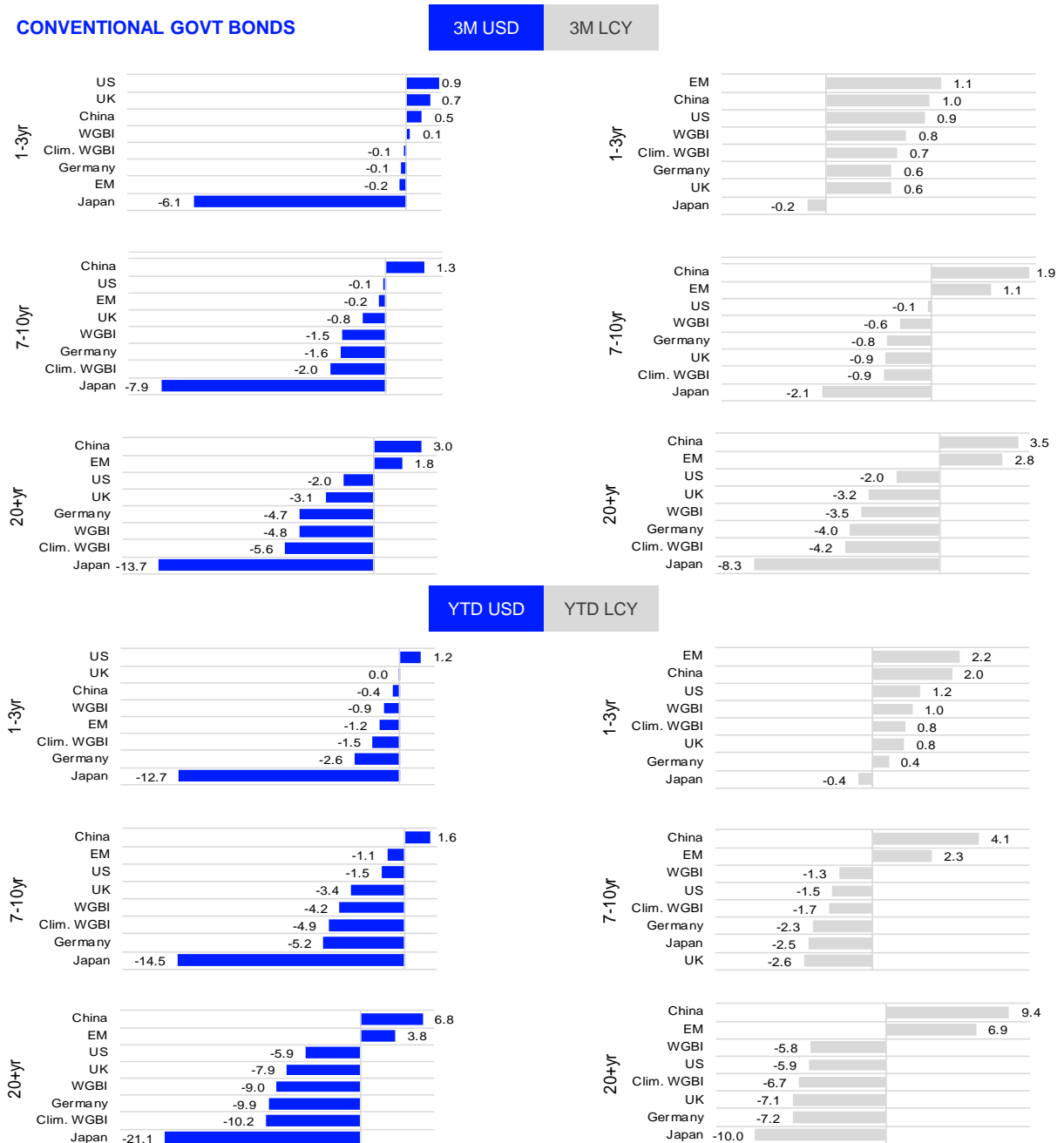
Global Conventional Bond Returns – 3M and YTD % (USD & LC, TR)

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 dollars. The strong dollar squeezed non-US returns YTD with losses of up to 21% in dollars in JGBs. China and EM bonds again proved safe havens YTD, with gains of 4-7% in longs.

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

Sterling's relative strength propped up gilt returns, though long gilts, Bunds and WGBI lost 6-10% YTD in USD. Duration generally counted against longs YTD, apart from China and EM, though this may change as central banks begin easing.

CONVENTIONAL GOVT BONDS



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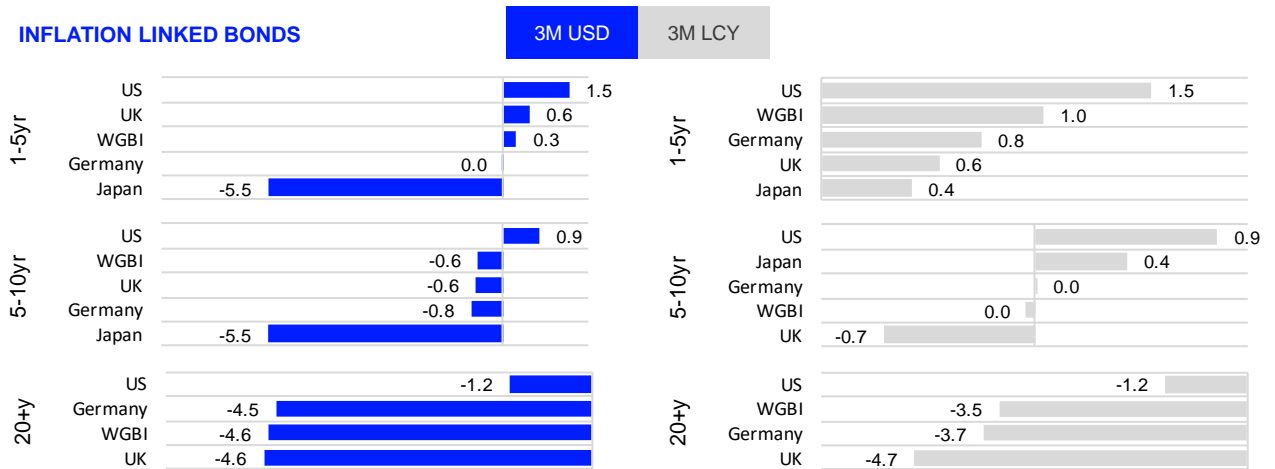
Global Inflation-Linked Bond Returns – 3M & YTD % (USD, LC, TR)

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 12% YTD. Credit outperformed again, as the risk rally continued, led by EM HY.

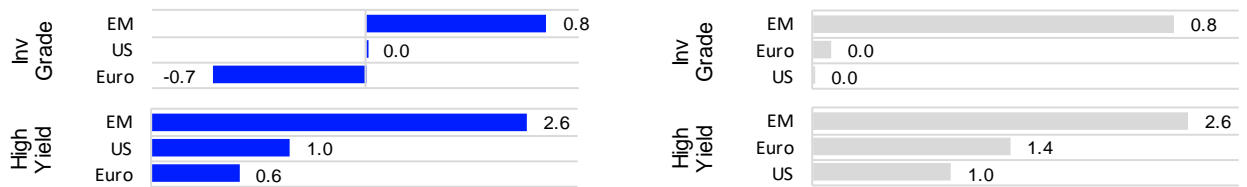
The start of central bank easing cycles helped linkers rally a little in June, even if 3M returns were still modest in USD and longs fell up to 5%, in WILSI and Bunds, with only long Tips showing positive returns on 3M.

Credit comfortably outperformed as EM high yield led returns on 3M and YTD, with gains of 3-7%, helped by the risk rally and its short duration, relative to IG credit and government linkers. Only EM IG Credits showed positive returns YTD of approx. 2%.

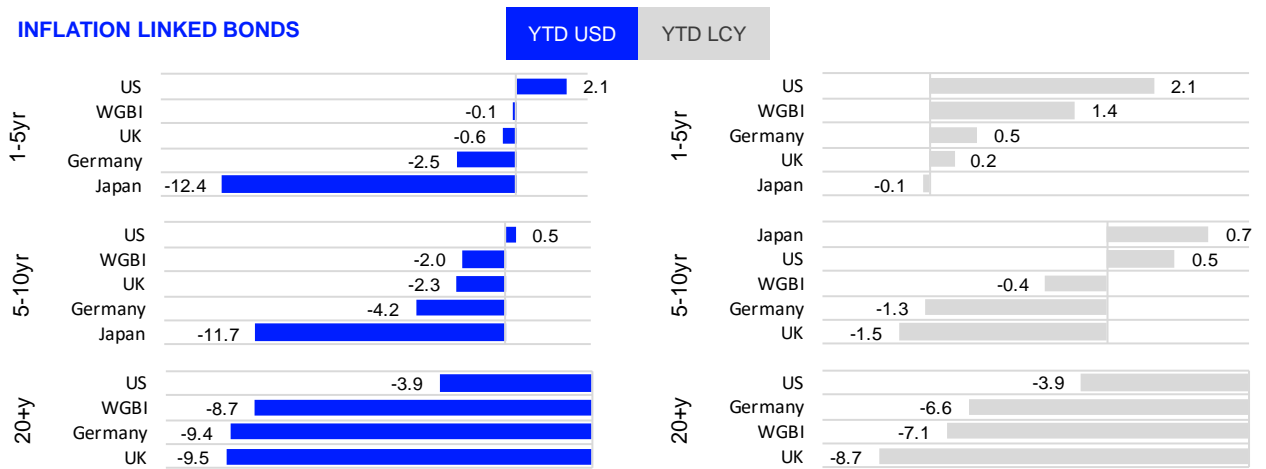
INFLATION LINKED BONDS



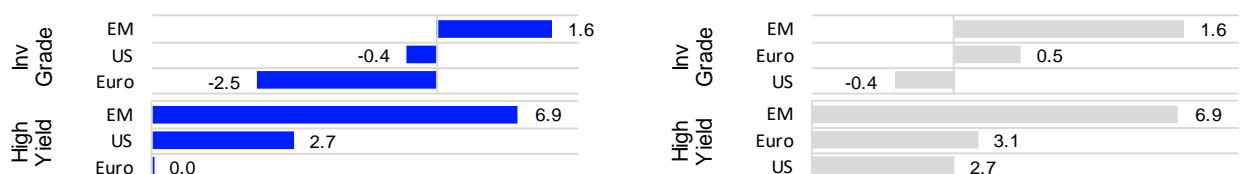
CORPORATE BONDS



INFLATION LINKED BONDS



CORPORATE BONDS



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.

Top and Bottom Bond Returns – 3M & 12M % (USD, TR)

New Zealand and Swedish govts dominate the Top 15 returns on 3M, in US dollars, 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.

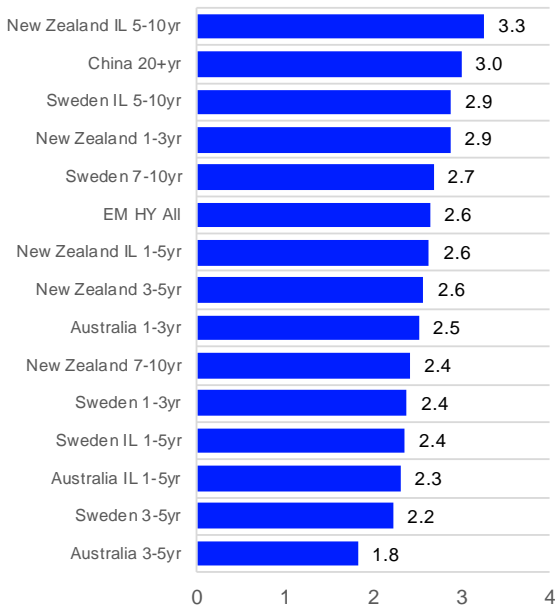
NZ and Swedish govt bonds gained 3% on 3M, as NZ's high relative yields drew buyers, and the Swedish krona benefited from political uncertainty in the Eurozone, where French bonds were hit by the outcome of EU elections showing gains for the far Right, and President Macron's decision to call national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

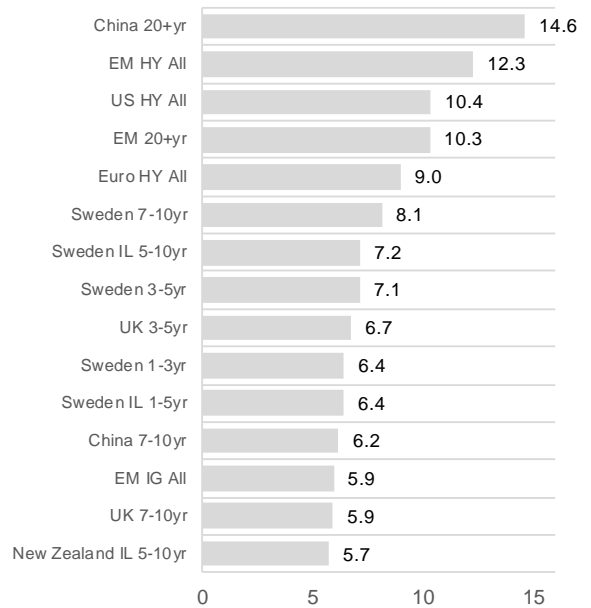
Long linkers & JGBs remain weakest on 12M, with yen losses and the end of curve control driving losses of up to 26% in JGBs.

3M USD 12M USD

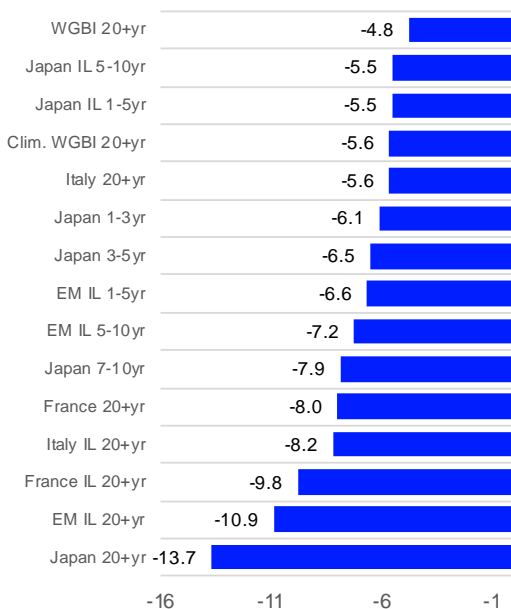
Top 15



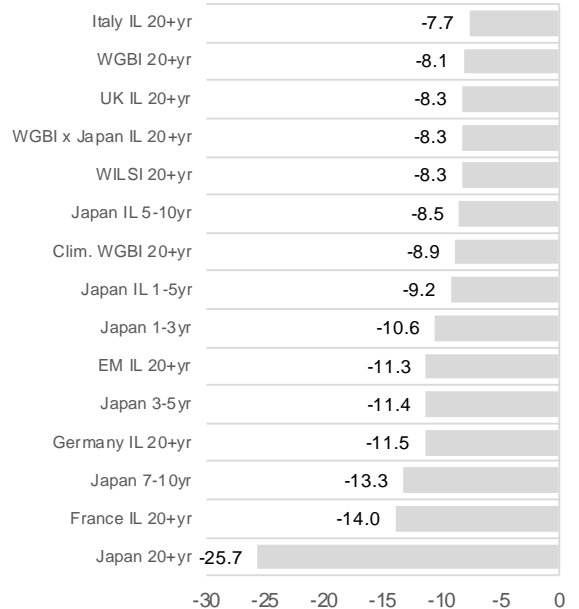
Top 15



Bottom 15



Bottom 15



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Appendix – Global Bond Market Returns % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-3yr	0.94	0.94	1.22	1.22	1.22	1.22	4.53	4.53
	7-10yr	-0.06	-0.06	-1.53	-1.53	-1.53	-1.53	0.32	0.32
	20+yr	-1.95	-1.95	-5.88	-5.88	-5.88	-5.88	-7.15	-7.15
	IG All	0.01	0.01	-0.43	-0.43	-0.43	-0.43	4.79	4.79
	HY All	0.98	0.98	2.66	2.66	2.66	2.66	10.36	10.36
UK	1-3yr	0.62	0.69	0.81	-0.04	0.81	-0.04	5.86	5.25
	7-10yr	-0.87	-0.81	-2.62	-3.44	-2.62	-3.44	6.53	5.92
	20+yr	-3.16	-3.10	-7.13	-7.91	-7.13	-7.91	-0.06	-0.63
Euro	IG All	0.04	-0.72	0.46	-2.53	0.46	-2.53	6.39	4.52
	HY All	1.39	0.62	3.10	0.03	3.10	0.03	10.93	8.98
Japan	1-3yr	-0.19	-6.09	-0.36	-12.67	-0.36	-12.67	-0.48	-10.58
	7-10yr	-2.08	-7.87	-2.46	-14.52	-2.46	-14.52	-3.51	-13.30
	20+yr	-8.29	-13.71	-9.99	-21.12	-9.99	-21.12	-17.26	-25.66
China	1-3yr	0.99	0.45	2.03	-0.41	2.03	-0.41	3.12	3.09
	7-10yr	1.89	1.35	4.07	1.58	4.07	1.58	6.21	6.18
	20+yr	3.55	3.00	9.42	6.80	9.42	6.80	14.66	14.63
EM	1-3yr	1.10	-0.18	2.22	-1.16	2.22	-1.16	4.06	2.59
	7-10yr	1.14	-0.21	2.28	-1.14	2.28	-1.14	4.90	2.85
	20+yr	2.81	1.80	6.87	3.80	6.87	3.80	11.16	10.33
	IG All	0.85	0.85	1.61	1.61	1.61	1.61	5.95	5.95
	HY All	2.64	2.64	6.88	6.88	6.88	6.88	12.28	12.28
Germany	1-3yr	0.62	-0.14	0.41	-2.58	0.41	-2.58	3.00	1.18
	7-10yr	-0.84	-1.60	-2.30	-5.21	-2.30	-5.21	2.14	0.34
	20+yr	-4.00	-4.73	-7.16	-9.92	-7.16	-9.92	-3.60	-5.30
Italy	1-3yr	0.46	-0.31	0.59	-2.41	0.59	-2.41	3.95	2.12
	7-10yr	-1.70	-2.45	-0.70	-3.66	-0.70	-3.66	4.67	2.82
	20+yr	-4.92	-5.64	-2.07	-4.99	-2.07	-4.99	1.70	-0.09
Spain	1-3yr	0.51	-0.26	0.62	-2.37	0.62	-2.37	3.48	1.66
	7-10yr	-0.86	-1.62	-1.08	-4.03	-1.08	-4.03	4.37	2.52
	20+yr	-3.27	-4.01	-3.17	-6.05	-3.17	-6.05	2.62	0.81
France	1-3yr	0.26	-0.51	-0.05	-3.03	-0.05	-3.03	2.91	1.09
	7-10yr	-2.49	-3.23	-3.84	-6.70	-3.84	-6.70	0.99	-0.80
	20+yr	-7.29	-8.00	-10.00	-12.68	-10.00	-12.68	-4.86	-6.54
Sweden	1-3yr	1.40	2.38	1.39	-3.51	1.39	-3.51	4.34	6.42
	7-10yr	1.70	2.68	-0.31	-5.13	-0.31	-5.13	6.01	8.13
Australia	1-3yr	0.14	2.52	1.02	-1.13	1.02	-1.13	3.97	4.31
	7-10yr	-1.44	0.90	-0.49	-2.60	-0.49	-2.60	2.59	2.93
	20+yr	-4.04	-1.77	-3.98	-6.02	-3.98	-6.02	-1.42	-1.09
New Zealand	1-3yr	0.98	2.87	1.85	-1.97	1.85	-1.97	5.16	4.59
	7-10yr	0.53	2.42	0.02	-3.74	0.02	-3.74	4.73	4.16
	20+yr	-0.19	1.68	-4.01	-7.62	-4.01	-7.62	1.28	0.74
Canada	1-3yr	1.21	0.10	1.59	-2.10	1.59	-2.10	4.83	1.37
	7-10yr	0.60	-0.51	-1.36	-4.94	-1.36	-4.94	1.91	-1.45
	20+yr	-0.04	-1.14	-5.76	-9.19	-5.76	-9.19	-2.61	-5.82

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Appendix – Global Bond Market Returns % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-5yr	1.55	1.55	2.11	2.11	2.11	2.11	5.28	5.28
	5-10yr	0.86	0.86	0.48	0.48	0.48	0.48	2.62	2.62
	20+yr	-1.17	-1.17	-3.95	-3.95	-3.95	-3.95	-7.53	-7.53
UK	1-5yr	0.55	0.62	0.23	-0.61	0.23	-0.61	6.18	5.58
	5-10yr	-0.71	-0.64	-1.46	-2.29	-1.46	-2.29	4.94	4.34
	20+yr	-4.69	-4.63	-8.68	-9.45	-8.68	-9.45	-7.74	-8.26
Japan	1-5yr	0.43	-5.51	-0.06	-12.41	-0.06	-12.41	1.01	-9.24
	5-10yr	0.43	-5.51	0.72	-11.73	0.72	-11.73	1.83	-8.51
EM	1-5yr	1.05	-6.65	3.61	-7.02	3.61	-7.02	9.80	-3.34
	5-10yr	-1.13	-7.23	-0.53	-9.31	-0.53	-9.31	4.55	-5.75
	20+yr	-2.98	-10.91	-6.14	-15.47	-6.14	-15.47	-1.33	-11.33
Germany	1-5yr	0.75	-0.02	0.46	-2.54	0.46	-2.54	2.17	0.37
	5-10yr	0.01	-0.75	-1.28	-4.22	-1.28	-4.22	0.10	-1.66
	20+yr	-3.72	-4.46	-6.58	-9.36	-6.58	-9.36	-9.87	-11.46
Italy	1-5yr	0.13	-0.64	0.32	-2.67	0.32	-2.67	4.05	2.21
	5-10yr	-1.40	-2.15	-0.08	-3.06	-0.08	-3.06	2.98	1.16
	20+yr	-7.50	-8.21	-3.30	-6.18	-3.30	-6.18	-6.01	-7.67
Spain	1-5yr	0.38	-0.38	0.08	-2.90	0.08	-2.90	2.52	0.71
	5-10yr	-0.28	-1.04	-0.05	-3.03	-0.05	-3.03	2.80	0.99
France	1-5yr	-0.49	-1.25	-1.07	-4.01	-1.07	-4.01	0.92	-0.86
	5-10yr	-1.84	-2.59	-3.02	-5.91	-3.02	-5.91	-0.85	-2.60
	20+yr	-9.12	-9.81	-11.85	-14.48	-11.85	-14.48	-12.43	-13.97
Sweden	1-5yr	1.38	2.36	1.11	-3.78	1.11	-3.78	4.33	6.41
	5-10yr	1.90	2.88	0.34	-4.51	0.34	-4.51	5.06	7.15
Australia	1-5yr	-0.06	2.31	0.56	-1.58	0.56	-1.58	4.38	4.73
	5-10yr	-1.45	0.88	-0.89	-3.00	-0.89	-3.00	4.04	4.38
	20+yr	-6.44	-4.22	-8.62	-10.56	-8.62	-10.56	-0.19	0.14
New Zealand	5-10yr	1.36	3.26	2.34	-1.51	2.34	-1.51	6.30	5.73
Canada	20+yr	0.28	-0.83	-1.53	-5.11	-1.53	-5.11	-0.96	-4.22

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Appendix – Global Bond Market Returns % (USD & LC, TR) – June 28, 2024

Global Bond Yields

Top 15% Bottom 15%

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

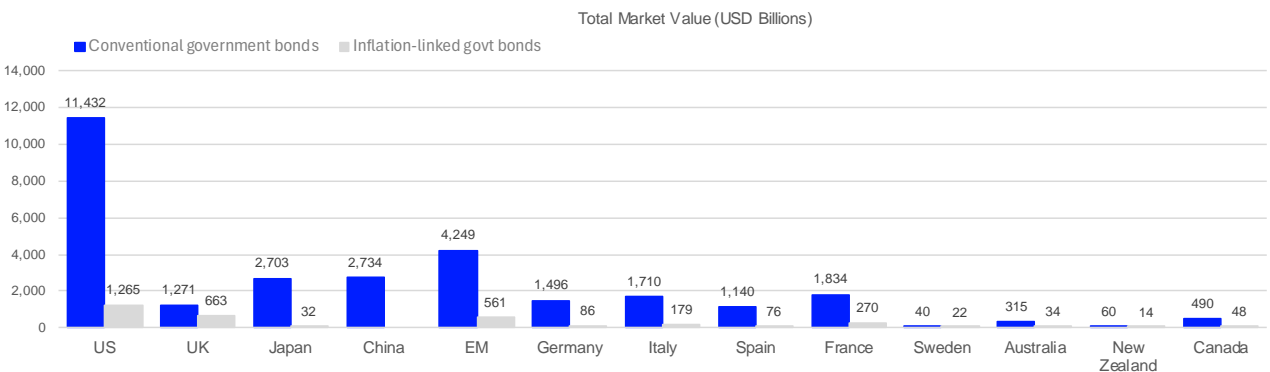
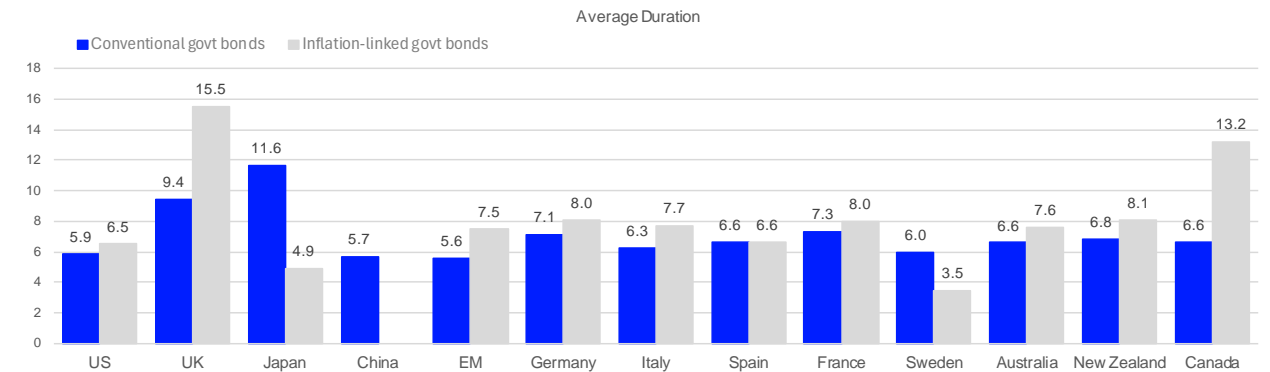
		Conventional government bonds				Inflation-linked bonds			Inv Grade High Yld	
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	3M Ago	4.73	4.32	4.21	4.43	2.08	1.86	2.12	5.35	7.83
	6M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
	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

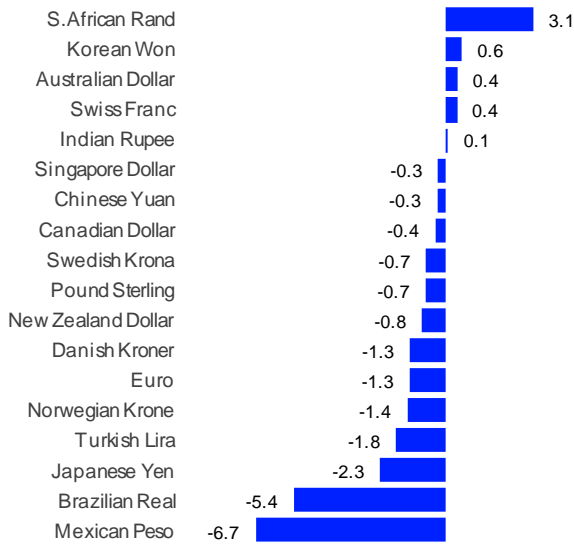
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.3	7.1	6.5	6.9	75.5	443.9	2756.5	3467.0	6742.9	3.8	1061.2
Europe	6.2	4.9	4.6	4.2	4.4	14.9	212.2	1194.6	1540.5	2962.2		
EM		6.8	5.1	5.5	5.4		36.7	215.5	256.3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



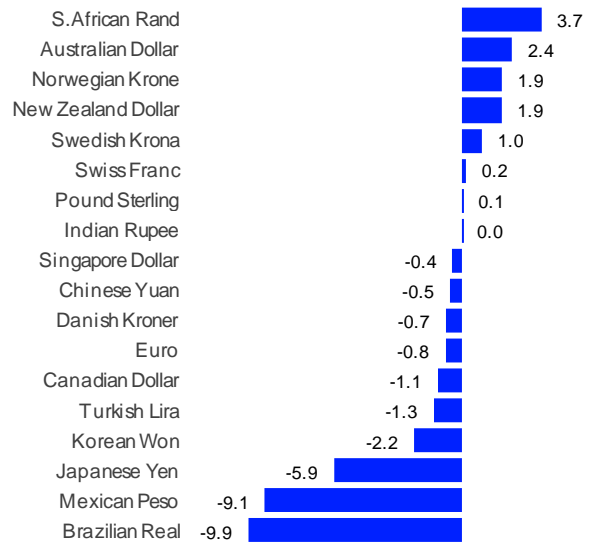
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Appendix – Foreign Exchange Returns % as of June 28, 2024

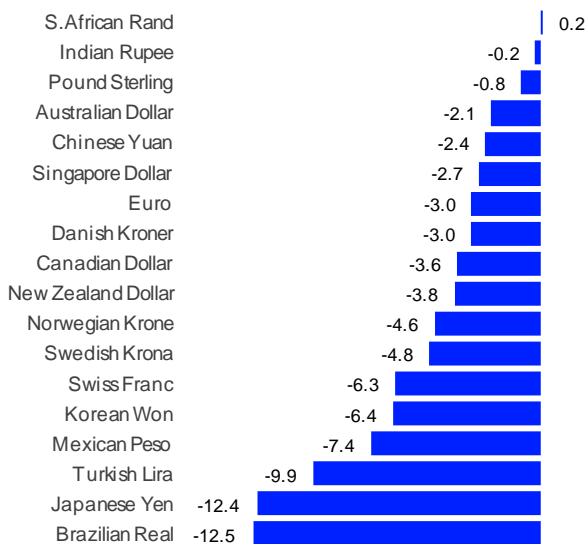
FX Moves vs USD - 1M



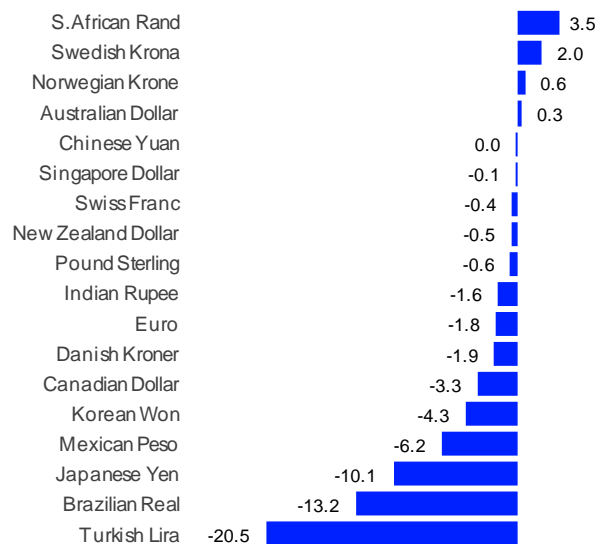
FX Moves vs USD - 3M



FX Moves vs USD - YTD



FX Moves vs USD - 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.

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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