

Fixed Income Insights

MONTHLY REPORT | JUNE 2024

EUROZONE EDITION

Bunds await the ECB as it breaks G7 ranks?

A de-synchronised easing cycle may start in June, with the ECB signalling a likely easing move, while a Fed move may be some way away. A protracted easing cycle would suggest trading ranges could persist on government bonds. Credit still in a sweet spot, with Euro high yield up 3% YTD, but relative value now less obvious.

Macro and policy backdrop – The ‘last mile’ to the inflation target tempers scale of rate cut expectations Lower inflation has improved prospects of easing for some central banks, like the BoC, BoE and ECB, but the size of rate cut expectations has been scaled back. (pages 2-3)

Yields, curves and spreads – Curves renewed their inversion in 7-10 years in May Yield curves inverted further, as 7-10 year bonds outperformed modestly. (pages 4-5)

Credit analysis – Banks lead Euro investment grade performance since 2019 Euro investment grade corporates have recovered from a low base since the Ukraine war in 2022, with banks leading the performance, benefiting from higher for longer rates and stronger capital buffers. (page 6-7)

Sovereign and climate bonds – SI outperformance in 2024 partially reverses 2022-23 SI yields rose vs WGBI in 2022-23, and ESG WGBI yields are now above WGBI. (page 8)

Performance – Short Euro govts and Euro HY credit show modest returns in May, awaiting ECB move Bunds made modest moves, awaiting ECB meeting. NZ and Sweden govts gained on strong currencies, while JGBs lost further ground. (pages 9-11)

Appendix (from page 12) Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

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Chart 1: G7 breakeven inflation has fallen in all countries, but Japan, where it remained positive. German real yields were positive in May and drove nominal yields.

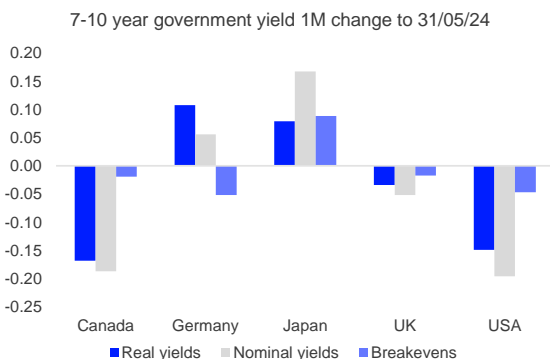
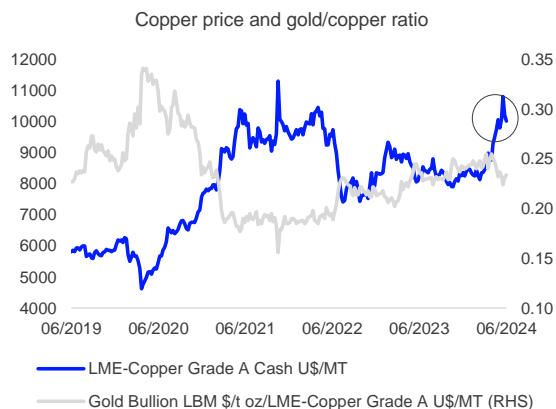


Chart 2: The copper price reversed sharply in May, possibly on fears of lower demand as economies slow. However, the copper price has still surged in 2024 from AI-led demand for electricity and data servers.



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

Macroeconomic Backdrop – Growth and Inflation Expectations

Economic growth is forecast to remain subdued, but not recessionary in 2024 in most countries, apart from the US, where growth remains stronger. Apart from the US, inflation is close to central bank targets, despite a modest spike in the Eurozone in May, while improving growth has lifted China out of deflation. Eurozone unemployment has stabilised, as has wage growth. G7 manufacturing PMIs are still weak but show some recovery.

Consensus forecasts have a more upbeat outlook on growth, as policy easing becomes more likely, with revisions to real GDP estimates for the US to 2.4% (from 2.1%), the UK to 0.5% (from 0.3%) and Eurozone to 0.7% (from 0.5%) since Q1 (Chart 1).

G7 inflation fell further in April, but not evenly across regions, reflecting disparate energy shocks and growth. US CPI stayed higher at 3.4% y/y, despite the PCE deflator at 2.7% y/y, and some easing in labour shortages and food costs. Elsewhere, CPI levels began to converge closer to 2% y/y, as Chart 2 shows, but the 'last mile' remains a challenge. This is true in the Eurozone, where inflation ticked back up to 2.6% y/y (from 2.4%) in May, after German and Spanish inflation rose by 0.2% and 0.3%, to 2.4% y/y, and 3.6% y/y respectively, on higher services, electricity and food prices. The UK saw the largest drop in April, after CPI reached 2.3% y/y (from 3.2% y/y in March) on weaker gas and electricity prices.

Eurozone unemployment fell to 6.4% in April (from 6.5%), remaining historically low, while labour costs have moderated after sharp increases in 2021-2023 (Chart 3)

Chart 4 shows subdued, but modestly improving manufacturing PMIs. Canada's Ivey PMI is an outlier after growing to 63 in April. Service PMIs remained positive and above 50.

Chart 1: Consensus real GDP estimates for 2024 have been upgraded due to robust labour markets and prospects of lower rates, even if US growth slowed sharply in Q1, and consumer caution prevails in Europe.

| 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: Most G7 inflation rates are converging close to 2% targets, though the 'last mile' remains a challenge, after May CPI bounced back in the Eurozone. Chinese deflation has stabilised, after CPI rose.

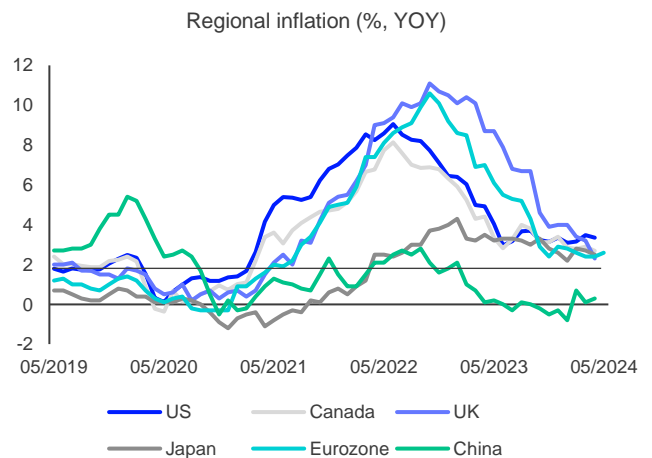
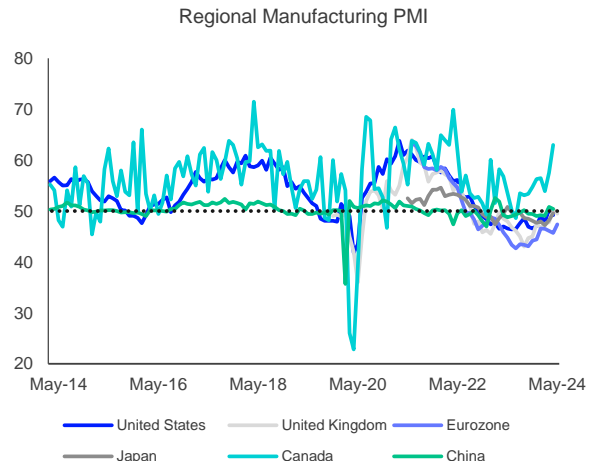


Chart 3: Eurozone unemployment fell in April and remains historically low, while unit labour costs appear to be stabilising in 2024, after rising sharply in 2021-23.

Chart 4: Manufacturing PMIs remain subdued overall, but have improved, including in the Eurozone (i.e., Germany), where sentiment has been more positive. Canada sees the IVEY PMI jump sharply to 63.



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Financial Conditions and Monetary Policy Settings

Robust labour markets and high services inflation have been red flags for most G7 central banks, which remain cautious about easing too early, and paused policy again in May. A Fed cut has not been ruled out before the end of the year but Fed Chairman Powell stated in May that the Fed “needs to be patient and let restrictive policy do its work”. Other central banks are expected to ease first, such as the ECB’s well flagged June cut. Exchange rates moved little in May with an ECB move now fully discounted, though yen weakness persisted.

There is some evidence of M2 growth recovering in the Eurozone as Chart 1 show, after increasing since January, albeit from depressed levels, given weak loan demand, high household savings and higher for longer rates.

Apart from further yen weakness, the main currency pairs were quite stable in May, as markets anticipated an ECB rate cut in June, while US dollar gains were capped by a decline in inflation in the April data. Pressure on the yen continued, with no real protest from the Japanese authorities, given their revealed preference for higher imported inflation, and the benefit of increased export competitiveness from yen weakness (Chart 2).

G7 central banks kept policy unchanged in May, with the Fed stating it needs to see more evidence of falling inflation before easing policy. The ECB is expected to ease in June, though the uptick in Eurozone inflation in May, led by higher German and Spanish inflation, is likely to temper the size and/or speed of rate cuts (Chart 3).

Central bank balance sheets have contracted sharply since 2022 when QT was adopted, with the ECB’s now reaching EUR 6.6 trillion (from a peak level of E9Tr) in mid-May as Chart 4 shows. Further decreases are expected in the second half of 2024, once the ECB also reduces its pandemic emergency portfolio (PEPP) by about €7.5 billion each month, and reinvestments of maturing bonds will end in 2024. However, there is some policy tension between lowering rates, and continuing QT.

Chart 1: Eurozone money supply M2 growth has improved in 2024 from a low base but remains restrictive, with rates staying high for longer, despite a cut expected in June, and a high household savings ratio.

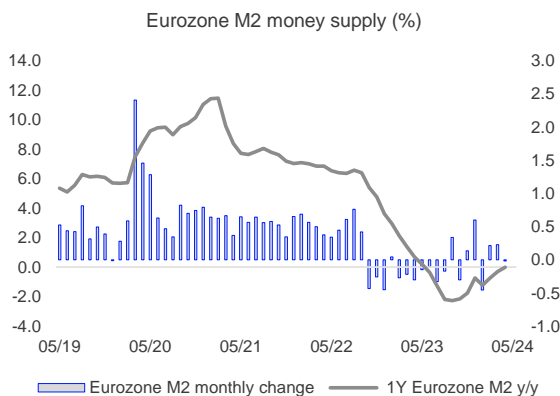


Chart 2: The weak yen remained the main FX feature in May, with other currency pairs moving in relatively narrow ranges. Markets discounted an ECB rate cut in June, but lower inflation capped US dollar gains.

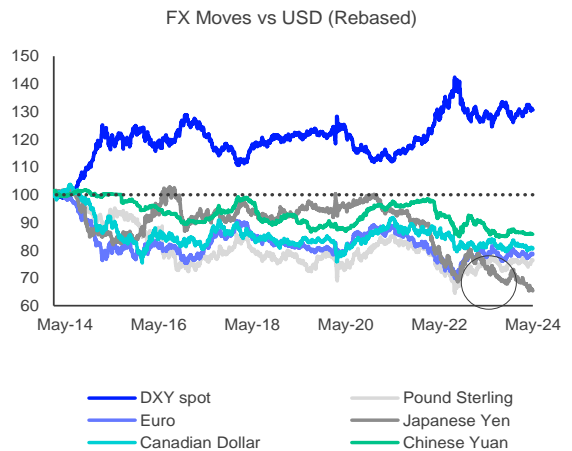


Chart 3: G7 central banks paused policy in May, despite encouraging signs of easing labour shortages and services inflation moderating. The Fed is not expected to ease for some time, despite mild PCE inflation.

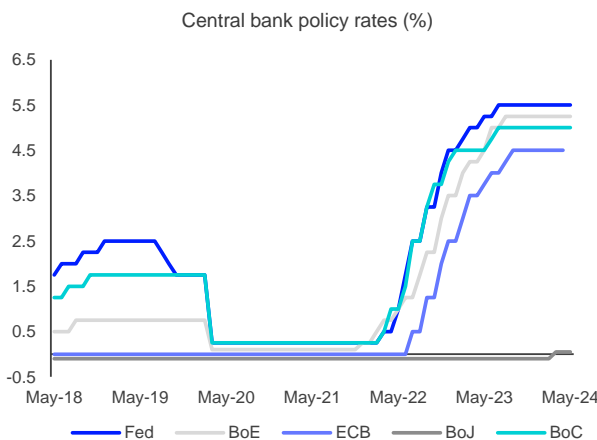
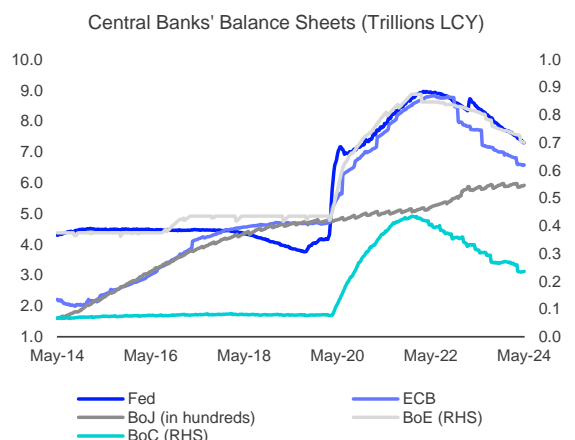


Chart 4: The ECB balance sheet has fallen sharply since quantitative tightening was adopted in 2022, with the further reduction in the PEPP portfolio expected in the second half of 2024.



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Global Yields, Curves and Breakevens Analysis

Chart 1: 7-10 year yields fell for much of May, as easing prospects improved for some central banks, like the ECB, but yields ticked back up towards month-end after markets scaled back the size of easing in 2024.

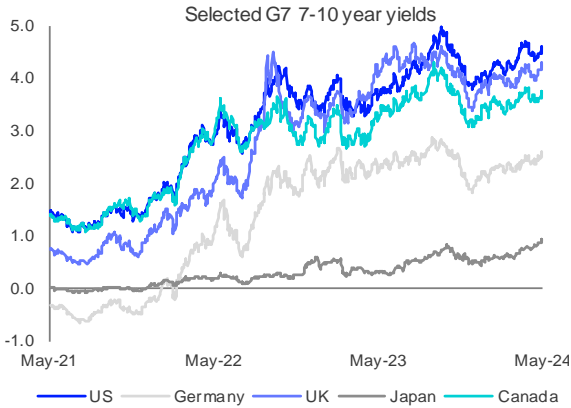


Chart 2: Real yields fell a little in sympathy with conventional bonds in May, though the moves were modest after a small uptick at month-end. JGBs largely missed the rally, as the BoJ stepped away from curve control.

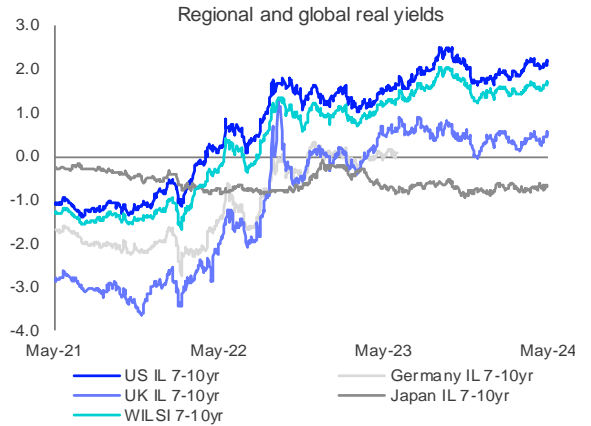


Chart 3: Yield curves inverted further, as 7-10 year bonds outperformed modestly. The JGB yield curve steepened after curve control ended, but only modestly, with the gradient remaining around 50bp.

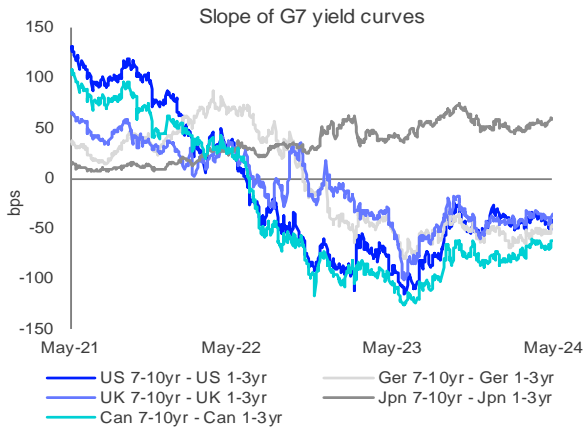


Chart 4: Curve inversion at the long end remains in Treasuries, Canada and Bunds, though the inversion is much less marked than a year ago, as expectations of easing moves in the Eurozone and Canada intensify.

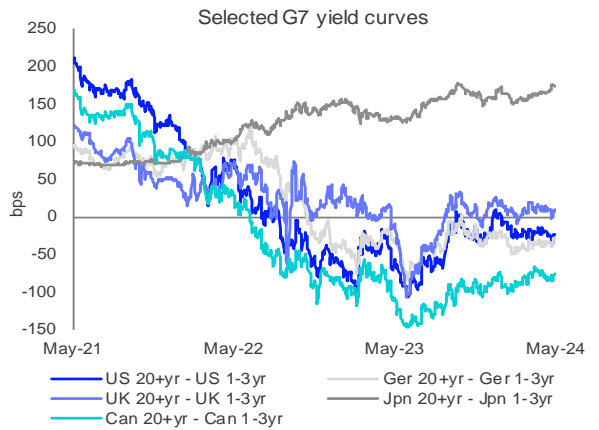


Chart 5: Inflation breakevens have moved a little higher in 2024, led by Japan and the UK, but generally remain stable near 2% inflation target levels (apart from the UK, where they are based on the RPI, not CPI).

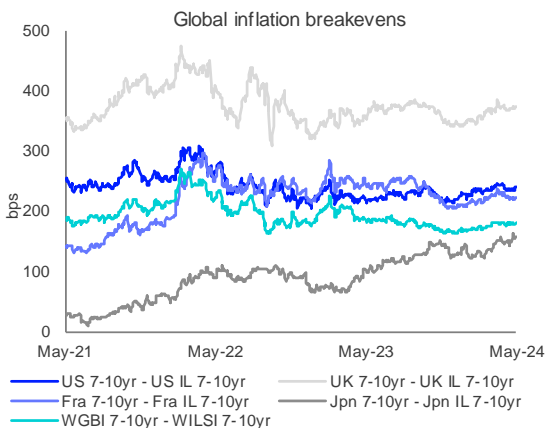


Chart 6: Globally, short breakevens have unwound the Ukraine spike in 2022, and converged with medium and long dated breakevens around the 2% level.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads declined in May, as Treasuries rallied a little overall on lower US inflation data, unwinding recent spread widening during the back-up in G7 yields from January to April.

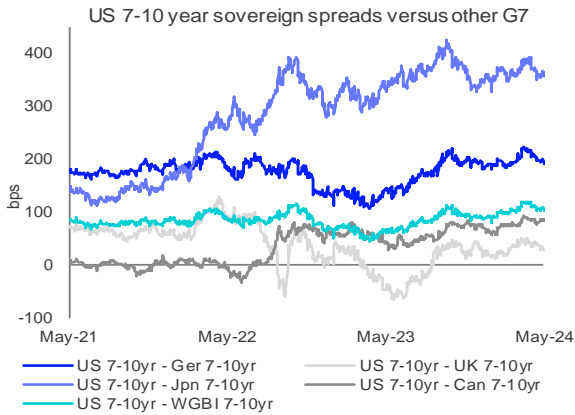


Chart 2: BTP spreads remain closely correlated to the risk rally in equities, and are at, or below pre-Covid levels versus all major markets. The ECB's TPI may have helped spreads converge.

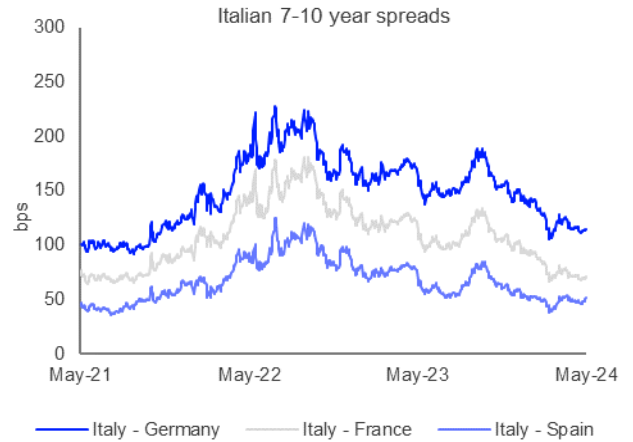


Chart 3: EM sovereign spreads remain near lows, reflecting EM success in countering inflation, after early policy tightening. This is a complete reversal of the typical spread widening in Fed tightening cycles.

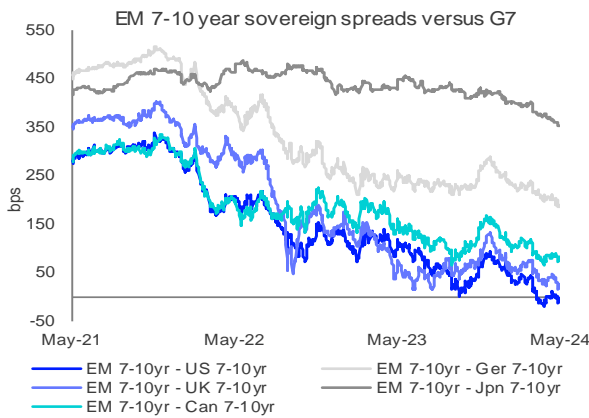


Chart 4: China's decoupling from the G7 economic and financial cycle is found in sovereign spreads, which are now negative versus all major markets, excluding Japan. Spreads versus Japan continue to fall also.

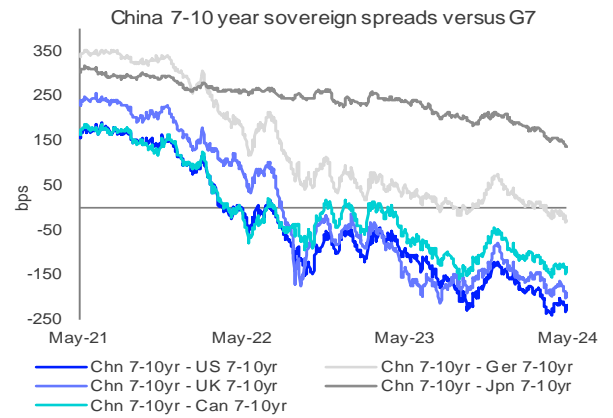


Chart 5: The Australian yield curve has remained relatively flat in 2024, after the pronounced flattening move in 2022-23. The NZ curve unwound much of the inversion in 2022-23, though the RBNZ remains on hold.

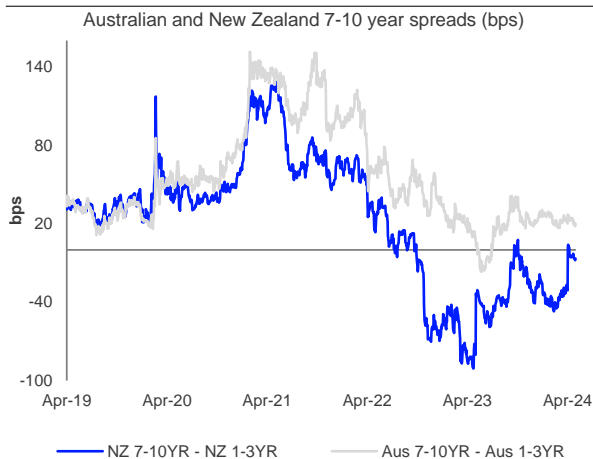
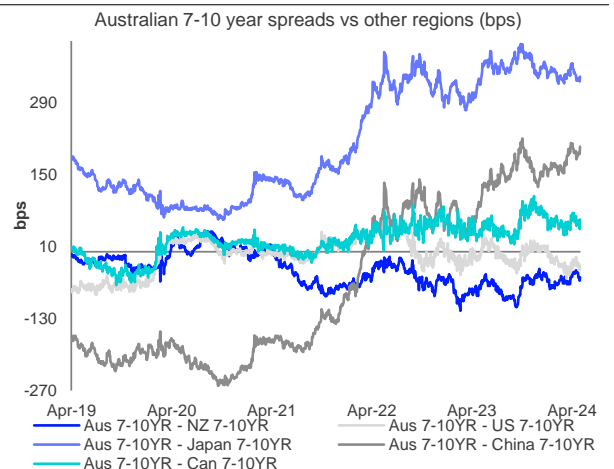


Chart 6: Australian bonds continue to trade through the US and New Zealand, though spreads remain large over Japan and China, after a substantial policy tightening cycle, taking short rates to 4.35%.



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Credit sector analysis

Chart 1: Euro investment grade corporates have recovered from a low base since the Ukraine war in 2022, with banks leading the outperformance after benefiting from higher for longer rates.

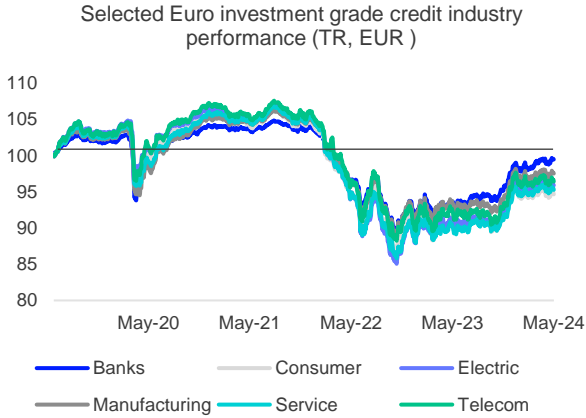


Chart 2: Euro IG corporate spreads have contracted over the last year, especially banks and services, where spreads have converged close to 100bp. Consumer spreads are the tightest, at around 70bp in May.

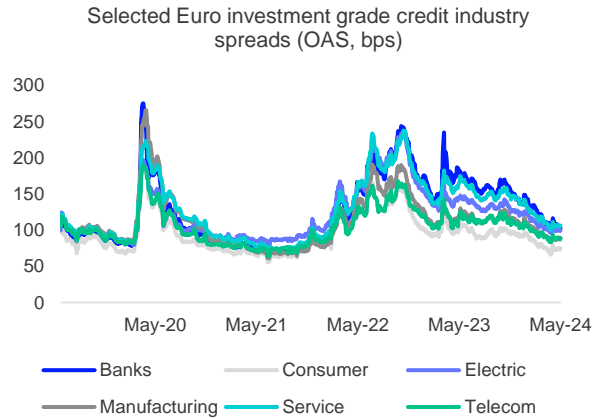


Chart 3: UK IG corporate banks have outperformed and are the only sector to have generated a positive performance in the last five years. However, most industries have recovered since the Ukraine war in 2022.

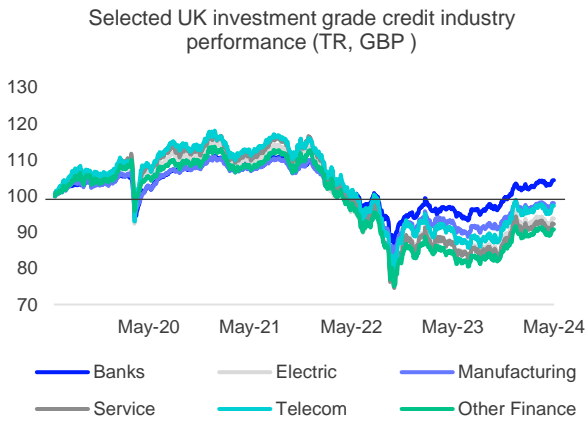


Chart 4: UK manufacturing IG spreads have tightened to 80bp, which are lower than pre-covid levels and in line with the 2021 lows versus higher UK financial spreads

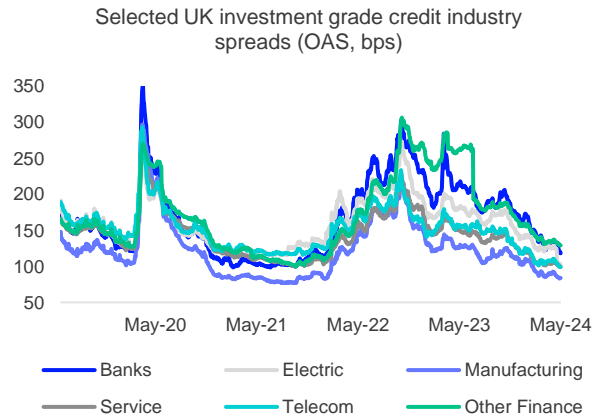


Chart 5: Most US IG corporates have gained 5-8% since 2019, with bank returns close to 8%. Returns for the electrical sector were the lowest, and flat during the same period.

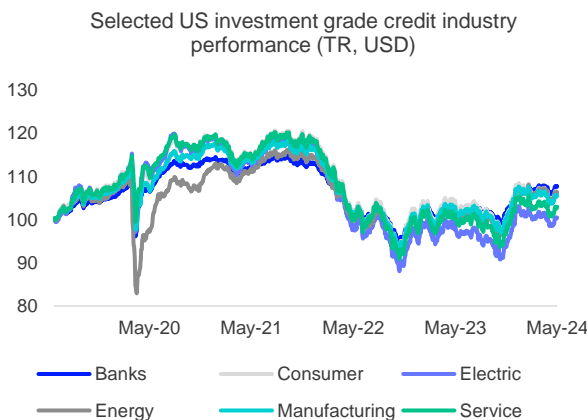
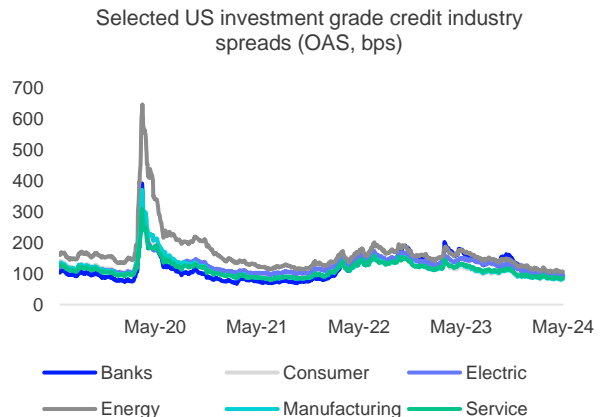


Chart 6: Sector spreads in IG credit show general convergence, with the weaker sectors now recovering after the Covid and Ukraine shocks. Energy spreads have tightened the most since Covid lockdowns.



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High Yield Credit Analysis

Chart 1: Convergence in high yield spreads stalled in May, though mainly tracked movements in govt yields. US HY spreads are below pre-Covid levels, though still slightly above in Eurozone HY spreads.

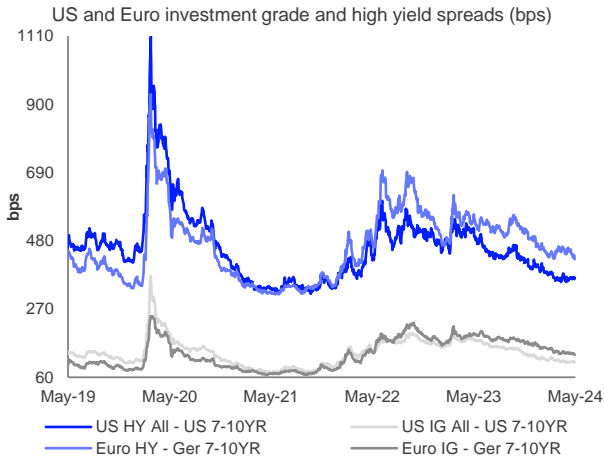


Chart 2: Service and manufacturing make up the largest exposure in the Euro high yield universe, with a weight of 31% for service and 23% for manufacturing.

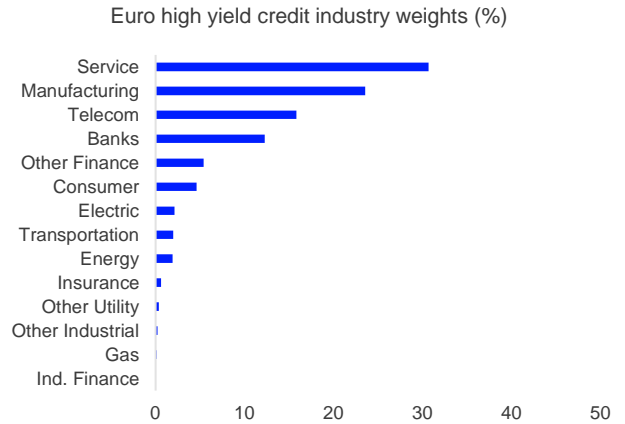
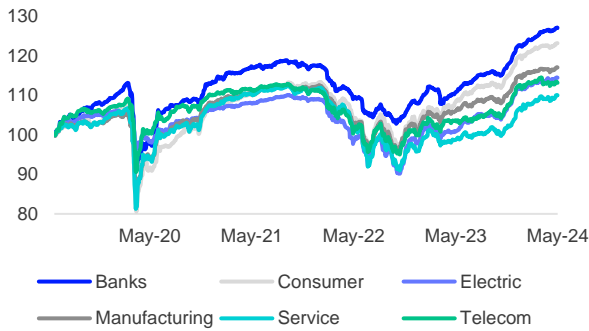


Chart 3: Eurozone IG bank credits have outperformed, benefiting from higher rates and recovering from both the Covid shock and Ukraine war since 2019. Services, the largest sector, also gained, but underperformed.

Chart 4: Bank spreads are the tightest within Euro HY sectors, having more than halved pre-Covid spread levels, while service sector spreads have risen and close to 600bp.

Selected Euro high yield credit industry performance (TR, EUR)



Selected Euro high yield credit industry spreads (OAS, bps)

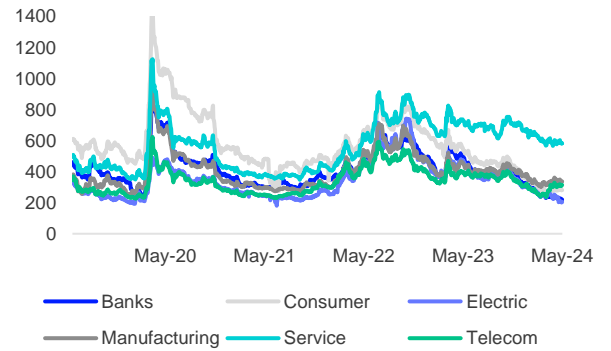
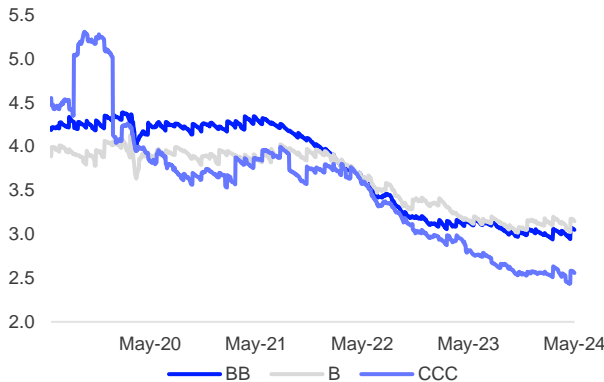


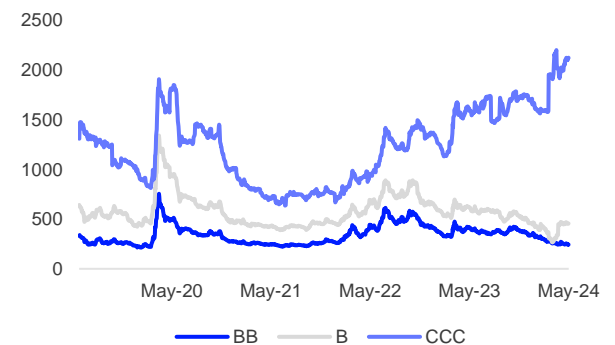
Chart 5: After falling to the lowest duration since 2019, Euro high yield duration for CCCs has ticked up a little in May, while the duration of BBs and Bs has recoupled, and is only separated by 0.10 years.

Chart 6: Euro high yield CCC spreads have risen sharply since 2022, following the war in Ukraine, the Eurozone energy crisis and rising rates vs lower B/BBs spreads, which have benefited from improved risk appetite.

Euro high yield credit durations by quality (years)



Euro high yield credit spreads by quality (OAS, bps)



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SI Sovereign Bond Analysis

Chart 1: SI sovereign returns were all negative over the last 3M, due to the rise in DM yields, though the losses were modest. 12M returns are positive, as markets anticipate some policy easing.

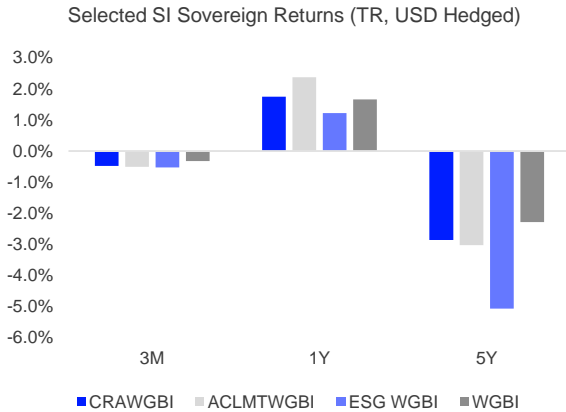


Chart 2: All three Sovereign SI indices underperformed vs WGBI over 5 years. But this trend reversed for the climate-adjusted indices, which benefited from a strong USD hedged performance of Euro sovereigns, which are overweight.

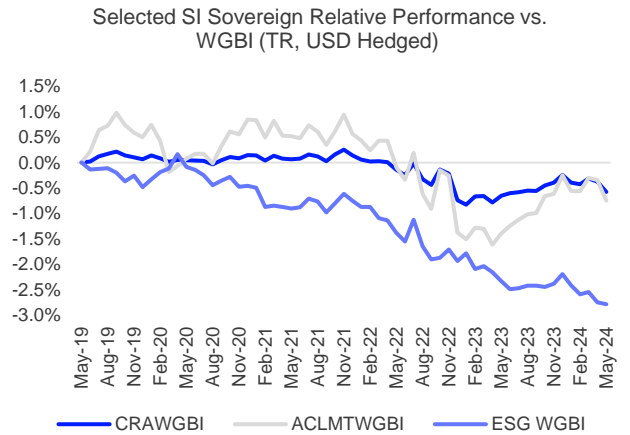


Chart 3: While the ESG WGBI has a small US overweight, climate indices are underweight, in favour of European sovereigns. This should remain a key determinant of relative performance going forward.

Chart 4: Relative to WGBI, the ESG WGBI have a higher credit quality, implying more developed and lower risk sovereigns will likely have higher ESG scores than their less developed counterparts.

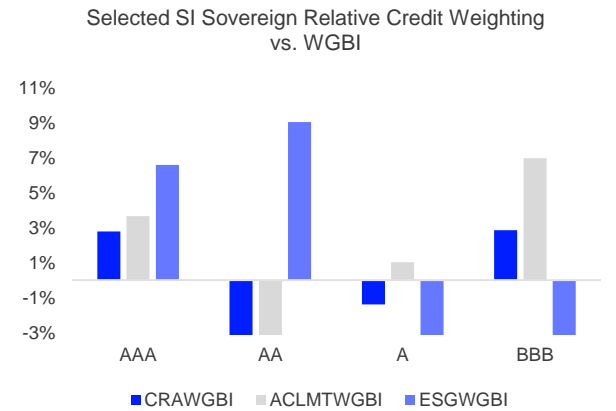
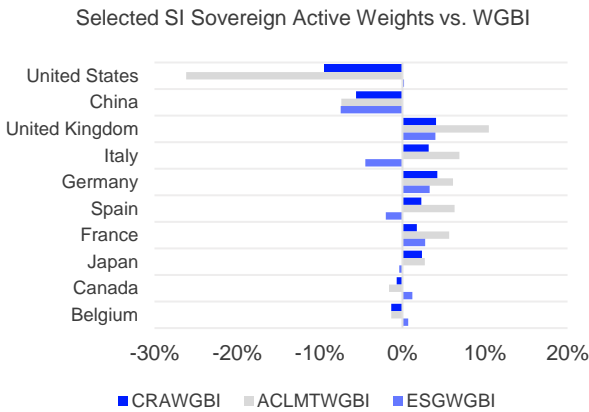
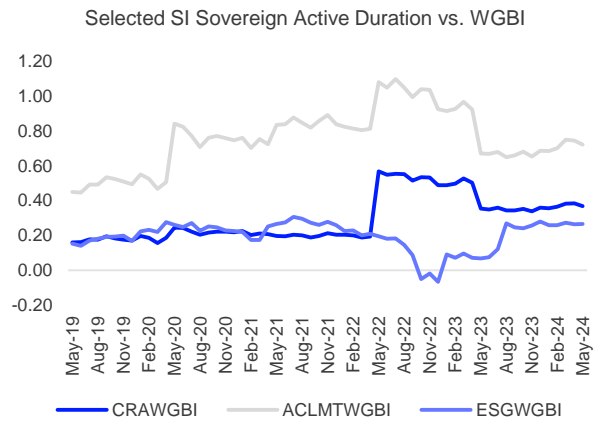
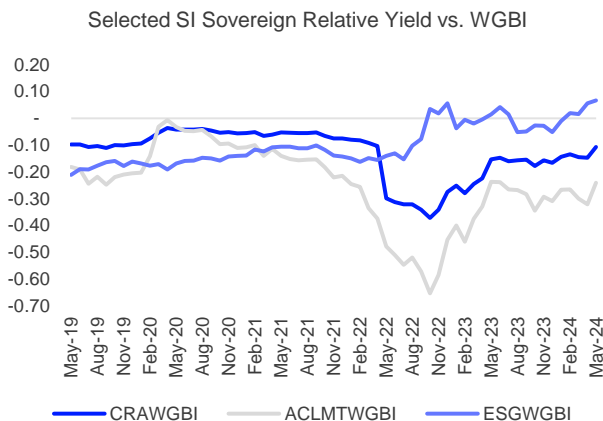


Chart 5: SI yields have risen vs WGBI in the last two years, with ESG WGBI yields now above WGBI. An overweight in Europe drove the combination of underperformance and falling relative yields in SI in 2022.

Chart 6: Except for negative active duration for the ESG WGBI in 2022, SI indices have shown positive active duration. Climate-adjusted indices show higher volatility in duration due to complex emissions-based re-weightings.



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Global Bond Market Returns – 1M & YTD % (EUR, LC, TR)

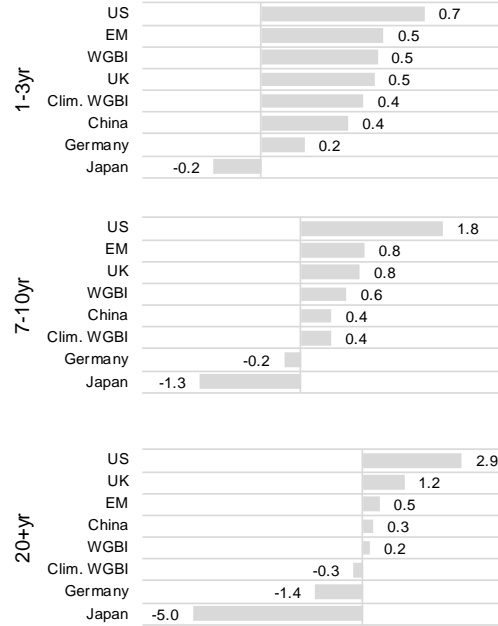
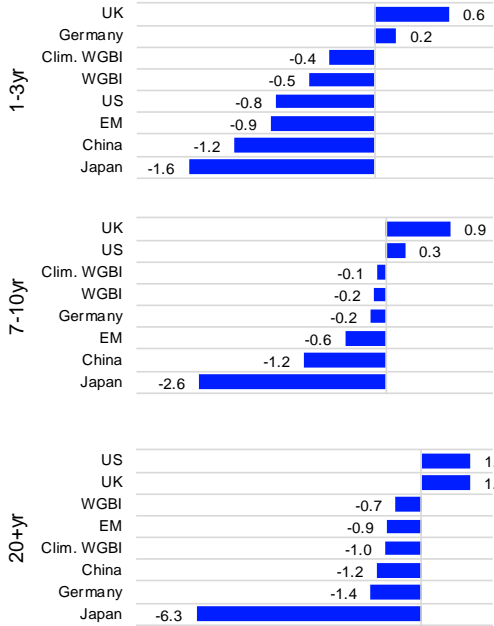
Improved inflation data helped government bonds rally in the first half of May though the second half saw a reversal of most gains, with euro strength also eroding overseas returns in euro terms. Gilts outperformed, with returns boosted by stronger sterling, however. The yen fell further in the month, and longer JGBs lost about 6%, with the BoJ no longer committed to curve control. YTD returns still show long end losses of 6-18% in euros, with only long China (and EM) showing positive returns of 4-6% in euros.

The government bond rally lost momentum in mid-May after easing expectations were scaled back and inflation rose in Europe, but softer US PCE inflation figures offered investors some relief at end-month, sending bond yields lower again.

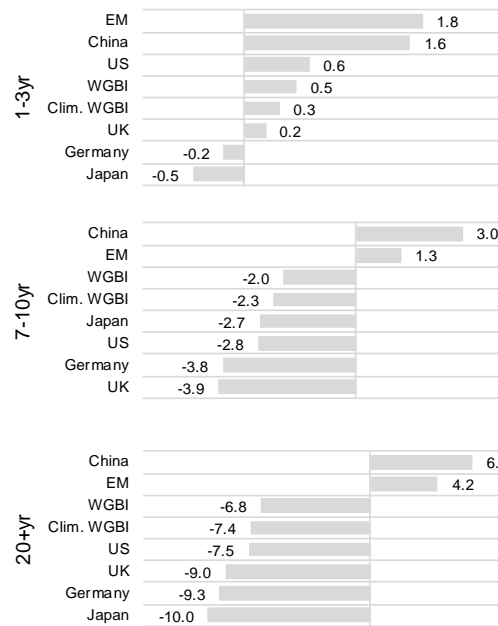
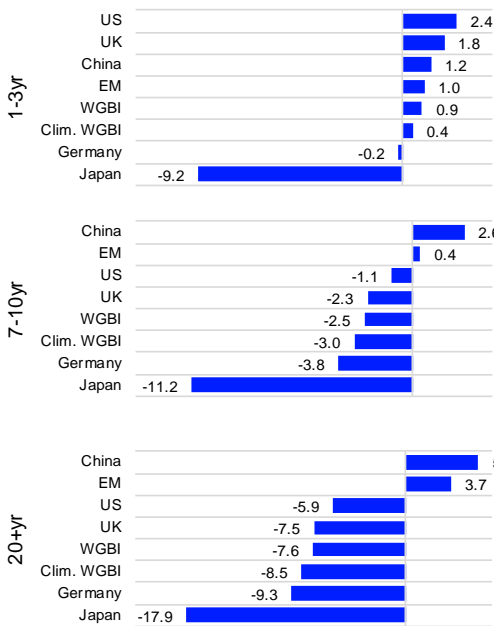
China and EM underperformed G7 returns in May, due to weaker currencies versus the Euro, but still managed modest gains, and they remain the strongest performers YTD, helped by policy easing measures, most notably in China.

CONVENTIONAL GOVT BONDS

1M EUR 1M LCY



YTD EUR YTD LCY



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

Inflation linked bonds outperformed conventional bonds in May, especially in long duration. German inflation linked were an exception, with losses in longs of about 2%. Credit returns were flat in May, though Euro HY outperformed.

Most index linked bonds recovered a little in May, as G7 easing prospects improved with better inflation data for April, but the uptick in Eurozone inflation erased some of the gains. Credit was broadly flat in May, though Euro HY gained 1%, as equities reversed April losses, but euro strength reduced overseas returns in euros.

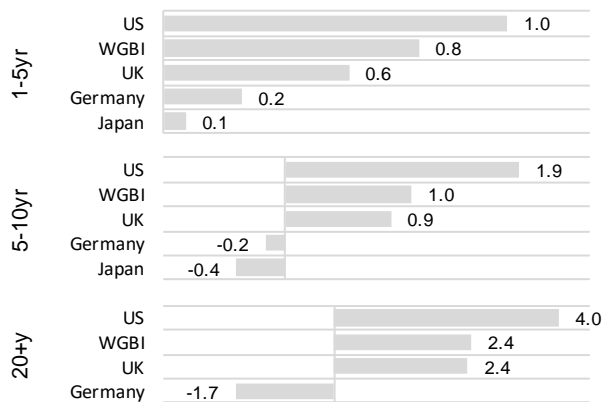
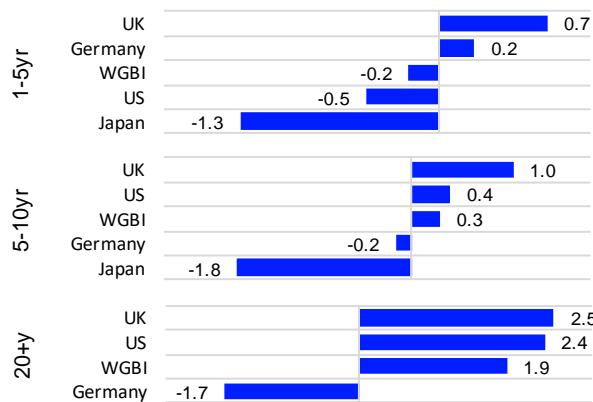
YTD returns reflect the sell-off in index linked in Q1, and April, with losses of up to 9%, led by JGBs on yen weakness, with long duration also weighing on Bund inflation linked, which lost 8%.

HY credit performance remains the strongest YTD, with gains of 8% in the EM, and 3% in the Eurozone.

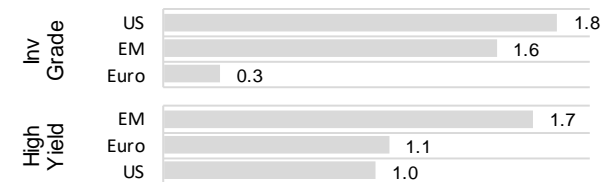
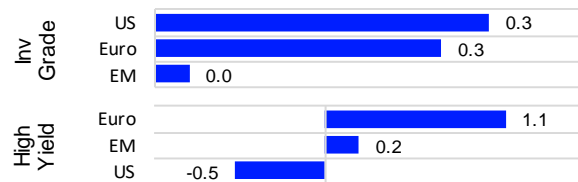
INFLATION LINKED BONDS

1M EUR

1M LCY



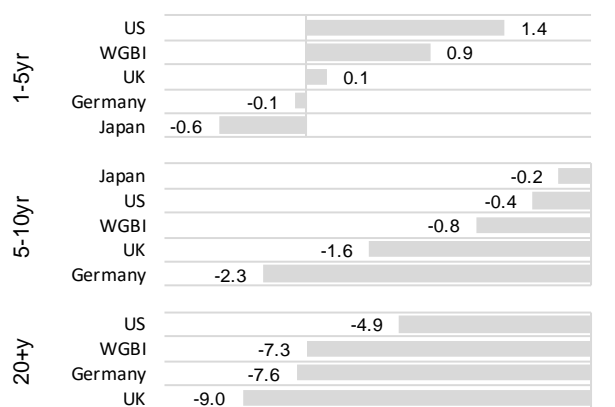
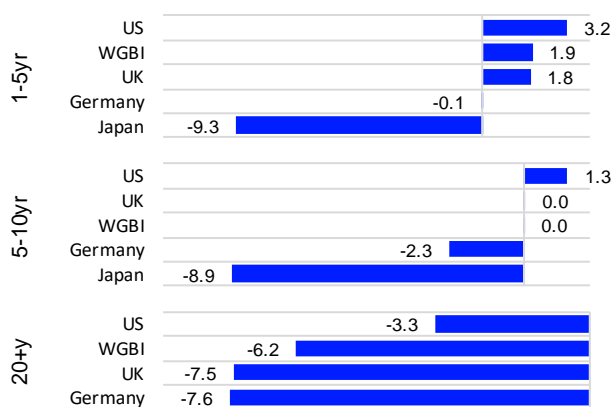
CORPORATE BONDS



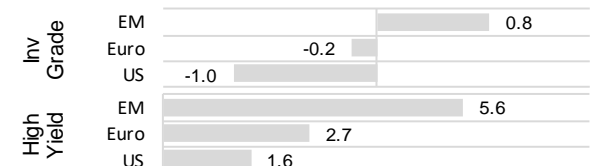
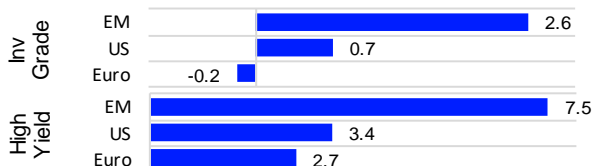
INFLATION LINKED BONDS

YTD EUR

YTD LCY



CORPORATE BONDS



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

Top and Bottom Bond Returns – 1M & 12M % (EUR, TR)

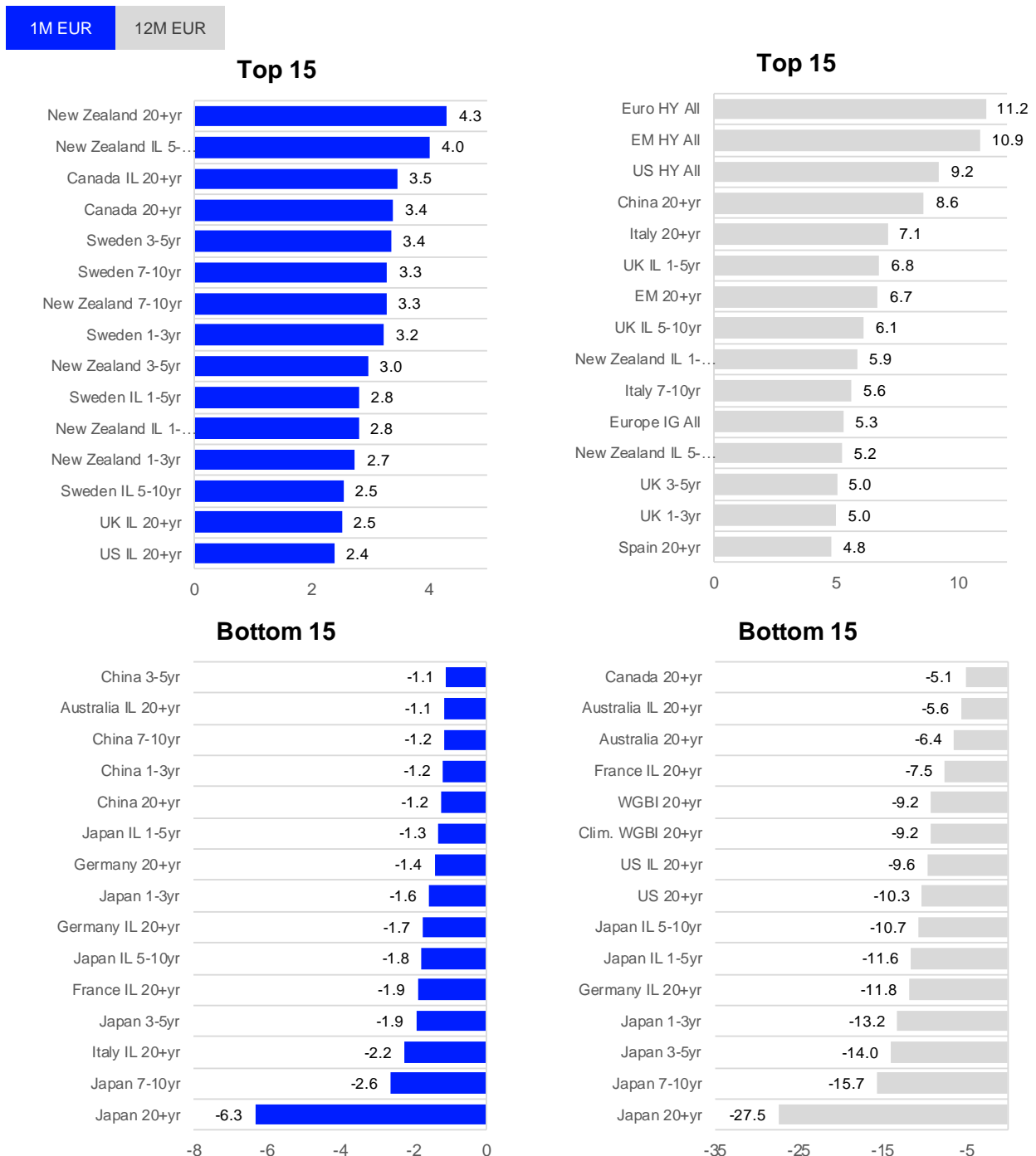
NZ and Swedish government bonds broke into the Top 15 returns in May, helped by strong currencies, as did long Canadian real return bonds, up by about 4% in euros. The high level of NZGB yields attracted investors, and the RBNZ eased mortgage lending restrictions, but retained short rates at 5.5%. HY credits outperformed over 12M.

NZ and Sweden led returns with gains of 3-4%, helped by strong currencies, while JGBs led 1M and 12M losses.

High yield credit again dominates the Top 15 12M returns, with gains of 9-11% in euros. The biggest losses came from JGBs, with losses of 12-13% in shorts, and up to 28% in longs, after a perfect storm of curve control ending, and yen weakness.

Italian BTPs continued to feature in the Top 15 of the performance table over the last twelve months, highlighting renewed risk appetite (see link below for further reading).

[*Italian sovereigns: escape from Westphalia or ECB noise? | LSEG](#)



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

Appendix – Global Bond Market Returns % (EUR & LC, TR) – May 31, 2024

Government bond returns

Top 15% Bottom 15%

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

| | | 3M | | 6M | | YTD | | 12M | |
|--------------------|--------|-------|--------|-------|--------|--------|--------|--------|--------|
| | | Local | EUR | Local | EUR | Local | EUR | Local | EUR |
| US | 1-3yr | 0.69 | 0.37 | 1.79 | 2.31 | 0.64 | 2.41 | 3.43 | 1.57 |
| | 7-10yr | -0.61 | -0.92 | 1.12 | 1.63 | -2.76 | -1.06 | -2.18 | -3.94 |
| | 20+yr | -2.85 | -3.16 | 0.86 | 1.37 | -7.52 | -5.90 | -8.63 | -10.27 |
| | IG All | 0.51 | 0.19 | 3.24 | 3.76 | -1.01 | 0.73 | 4.51 | 2.63 |
| | HY All | 1.33 | 1.01 | 5.25 | 5.78 | 1.64 | 3.42 | 11.21 | 9.22 |
| UK | 1-3yr | 0.65 | 0.98 | 1.68 | 2.78 | 0.21 | 1.84 | 4.09 | 5.01 |
| | 7-10yr | -0.34 | -0.01 | 1.21 | 2.30 | -3.87 | -2.31 | 3.42 | 4.33 |
| | 20+yr | -2.28 | -1.96 | 0.86 | 1.95 | -8.95 | -7.47 | 0.31 | 1.20 |
| Euro | IG All | 0.66 | 0.66 | 2.58 | 2.58 | -0.17 | -0.17 | 5.30 | 5.30 |
| | HY All | 1.48 | 1.48 | 5.85 | 5.85 | 2.75 | 2.75 | 11.16 | 11.16 |
| Japan | 1-3yr | -0.30 | -5.34 | -0.50 | -5.92 | -0.51 | -9.17 | -0.60 | -13.21 |
| | 7-10yr | -2.32 | -7.26 | -2.20 | -7.53 | -2.73 | -11.21 | -3.42 | -15.68 |
| | 20+yr | -9.01 | -13.61 | -9.24 | -14.18 | -10.03 | -17.87 | -16.97 | -27.51 |
| China | 1-3yr | 0.93 | -0.10 | 2.18 | 1.09 | 1.63 | 1.25 | 2.98 | -0.82 |
| | 7-10yr | 1.05 | 0.03 | 3.96 | 2.85 | 2.98 | 2.59 | 5.72 | 1.82 |
| | 20+yr | -0.15 | -1.16 | 8.95 | 7.79 | 6.32 | 5.92 | 12.76 | 8.60 |
| EM | 1-3yr | 0.96 | -0.12 | 2.43 | 1.21 | 1.75 | 0.95 | 4.00 | 0.51 |
| | 7-10yr | 0.26 | -0.83 | 3.10 | 1.96 | 1.27 | 0.36 | 4.59 | 0.90 |
| | 20+yr | -0.48 | -1.28 | 6.68 | 5.88 | 4.20 | 3.66 | 9.94 | 6.71 |
| | IG All | 0.94 | 0.61 | 4.22 | 4.75 | 0.79 | 2.56 | 5.24 | 3.35 |
| | HY All | 2.76 | 2.43 | 8.32 | 8.87 | 5.62 | 7.48 | 12.92 | 10.89 |
| Germany | 1-3yr | 0.36 | 0.36 | 0.74 | 0.74 | -0.20 | -0.20 | 1.72 | 1.72 |
| | 7-10yr | -1.25 | -1.25 | -0.46 | -0.46 | -3.76 | -3.76 | -0.49 | -0.49 |
| | 20+yr | -4.20 | -4.20 | -0.77 | -0.77 | -9.30 | -9.30 | -4.96 | -4.96 |
| Italy | 1-3yr | 0.54 | 0.54 | 1.30 | 1.30 | 0.25 | 0.25 | 3.04 | 3.04 |
| | 7-10yr | 0.23 | 0.23 | 3.71 | 3.71 | -0.27 | -0.27 | 5.63 | 5.63 |
| | 20+yr | -0.33 | -0.33 | 7.15 | 7.15 | -0.35 | -0.35 | 7.10 | 7.10 |
| Spain | 1-3yr | 0.50 | 0.50 | 1.26 | 1.26 | 0.23 | 0.23 | 2.46 | 2.46 |
| | 7-10yr | 0.10 | 0.10 | 2.55 | 2.55 | -1.37 | -1.37 | 3.46 | 3.46 |
| | 20+yr | -0.45 | -0.45 | 5.61 | 5.61 | -2.87 | -2.87 | 4.80 | 4.80 |
| France | 1-3yr | 0.28 | 0.28 | 0.83 | 0.83 | -0.35 | -0.35 | 1.86 | 1.86 |
| | 7-10yr | -1.01 | -1.01 | 0.52 | 0.52 | -3.22 | -3.22 | 0.75 | 0.75 |
| | 20+yr | -3.20 | -3.20 | 1.94 | 1.94 | -7.38 | -7.38 | -0.80 | -0.80 |
| Sweden | 1-3yr | 0.73 | -1.21 | 1.51 | 1.65 | 0.27 | -2.23 | 2.57 | 4.23 |
| | 7-10yr | 0.58 | -1.36 | 2.52 | 2.66 | -2.54 | -4.97 | 1.41 | 3.06 |
| Australia | 1-3yr | 0.33 | 2.15 | 1.91 | 2.74 | 0.77 | -0.06 | 2.68 | 3.62 |
| | 7-10yr | -0.86 | 0.93 | 2.36 | 3.18 | -1.49 | -2.31 | -1.52 | -0.61 |
| | 20+yr | -3.49 | -1.74 | 1.18 | 2.00 | -6.11 | -6.88 | -7.26 | -6.41 |
| New Zealand | 1-3yr | 1.13 | 1.66 | 2.49 | 2.47 | 1.35 | 0.07 | 4.04 | 4.73 |
| | 7-10yr | 0.59 | 1.12 | 3.31 | 3.29 | -1.40 | -2.65 | 1.05 | 1.73 |
| | 20+yr | -0.54 | -0.01 | 3.01 | 2.99 | -5.58 | -6.77 | -5.24 | -4.60 |
| Canada | 1-3yr | 0.96 | 0.13 | 1.85 | 1.82 | 0.98 | -0.61 | 3.89 | 1.74 |
| | 7-10yr | -0.06 | -0.87 | 1.27 | 1.23 | -2.51 | -4.04 | 0.05 | -2.02 |
| | 20+yr | -1.60 | -2.40 | -0.69 | -0.73 | -7.53 | -8.98 | -3.10 | -5.11 |

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Appendix – Global Bond Market Returns % (EUR & LC, TR) – May 31, 2024

Inflation-Linked Bond Returns

Top 15% Bottom 15%

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

| | | 3M | | 6M | | YTD | | 12M | |
|--------------------|--------|-------|-------|-------|-------|-------|--------|--------|--------|
| | | Local | EUR | Local | EUR | Local | EUR | Local | EUR |
| US | 1-5yr | 1.35 | 1.03 | 2.68 | 3.20 | 1.39 | 3.17 | 4.19 | 2.32 |
| | 5-10yr | 0.81 | 0.49 | 2.71 | 3.23 | -0.41 | 1.34 | 0.97 | -0.85 |
| | 20+yr | -1.65 | -1.96 | 1.70 | 2.21 | -4.94 | -3.28 | -7.95 | -9.61 |
| UK | 1-5yr | 1.73 | 2.07 | 2.41 | 3.51 | 0.14 | 1.77 | 5.84 | 6.78 |
| | 5-10yr | 1.00 | 1.34 | 2.21 | 3.31 | -1.56 | 0.04 | 5.20 | 6.13 |
| | 20+yr | -1.83 | -1.50 | 1.22 | 2.31 | -9.00 | -7.52 | -2.06 | -1.20 |
| Japan | 1-5yr | -0.39 | -5.43 | -1.16 | -6.54 | -0.62 | -9.28 | 1.22 | -11.62 |
| | 5-10yr | -0.28 | -5.33 | -0.63 | -6.05 | -0.22 | -8.92 | 2.27 | -10.71 |
| EM | 1-5yr | 1.31 | -2.11 | 4.62 | 0.47 | 2.88 | -1.26 | 11.32 | 2.58 |
| | 5-10yr | -1.01 | -3.12 | 1.82 | -0.77 | -0.72 | -3.81 | 7.22 | 1.16 |
| | 20+yr | -3.28 | -6.32 | -0.32 | -3.14 | -5.24 | -8.54 | 2.24 | -0.21 |
| Germany | 1-5yr | 0.77 | 0.77 | 0.65 | 0.65 | -0.08 | -0.08 | 0.69 | 0.69 |
| | 5-10yr | -0.13 | -0.13 | -0.94 | -0.94 | -2.31 | -2.31 | -1.93 | -1.93 |
| | 20+yr | -3.16 | -3.16 | -4.99 | -4.99 | -7.60 | -7.60 | -11.82 | -11.82 |
| Italy | 1-5yr | 0.68 | 0.68 | 1.64 | 1.64 | 0.25 | 0.25 | 3.47 | 3.47 |
| | 5-10yr | 1.04 | 1.04 | 3.81 | 3.81 | 0.84 | 0.84 | 4.75 | 4.75 |
| | 20+yr | -0.45 | -0.45 | 8.30 | 8.30 | 0.65 | 0.65 | 1.20 | 1.20 |
| Spain | 1-5yr | 0.74 | 0.74 | 0.88 | 0.88 | -0.14 | -0.14 | 1.40 | 1.40 |
| | 5-10yr | 1.07 | 1.07 | 2.20 | 2.20 | 0.08 | 0.08 | 2.31 | 2.31 |
| France | 1-5yr | -0.08 | -0.08 | 0.13 | 0.13 | -0.94 | -0.94 | 0.11 | 0.11 |
| | 5-10yr | -0.38 | -0.38 | -0.01 | -0.01 | -2.16 | -2.16 | -1.13 | -1.13 |
| | 20+yr | -3.20 | -3.20 | 0.65 | 0.65 | -7.12 | -7.12 | -7.53 | -7.53 |
| Sweden | 1-5yr | 0.53 | -1.41 | 0.93 | 1.07 | -0.05 | -2.55 | 2.40 | 4.07 |
| | 5-10yr | 1.41 | -0.55 | 2.29 | 2.44 | -1.26 | -3.72 | 1.61 | 3.26 |
| Australia | 1-5yr | 0.23 | 2.05 | 1.94 | 2.77 | 0.30 | -0.53 | 2.86 | 3.81 |
| | 5-10yr | -0.58 | 1.22 | 2.97 | 3.80 | -1.39 | -2.20 | 0.90 | 1.83 |
| | 20+yr | -4.20 | -2.46 | 3.47 | 4.31 | -9.68 | -10.43 | -6.45 | -5.59 |
| New Zealand | 5-10yr | 2.33 | 2.87 | 5.56 | 5.54 | 1.94 | 0.65 | 4.54 | 5.24 |
| Canada | 20+yr | 0.71 | -0.11 | 0.65 | 0.62 | -3.33 | -4.85 | -2.33 | -4.36 |

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

Appendix – Historical Bond Yields % as of May 31, 2024

Global Bond Yields

Top 15% Bottom 15%

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

| | | Conventional government bonds | | | | Inflation-linked bonds | | | Inv Grade | High Yld |
|--------------------|---------|-------------------------------|-------|--------|-------|------------------------|--------|-------|-----------|----------|
| | | 1-3YR | 3-5YR | 7-10YR | 20+YR | 1-5YR | 5-10YR | 20+YR | All Mat | All Mat |
| US | Current | 4.94 | 4.58 | 4.50 | 4.70 | 2.35 | 2.08 | 2.30 | 5.55 | 8.21 |
| | 3M Ago | 4.73 | 4.34 | 4.26 | 4.46 | 1.99 | 1.88 | 2.12 | 5.44 | 8.09 |
| | 6M Ago | 4.82 | 4.39 | 4.35 | 4.63 | 2.57 | 2.14 | 2.27 | 5.64 | 8.47 |
| | 12M Ago | 4.61 | 3.92 | 3.65 | 3.94 | 2.08 | 1.52 | 1.68 | 5.43 | 8.84 |
| UK | Current | 4.60 | 4.26 | 4.23 | 4.68 | 0.31 | 0.46 | 1.32 | | |
| | 3M Ago | 4.48 | 4.10 | 4.03 | 4.49 | 0.53 | 0.40 | 1.21 | | |
| | 6M Ago | 4.52 | 4.16 | 4.11 | 4.61 | 0.62 | 0.53 | 1.30 | | |
| | 12M Ago | 4.55 | 4.33 | 4.10 | 4.45 | 1.18 | 0.54 | 1.06 | | |
| Japan | Current | 0.34 | 0.55 | 0.93 | 2.09 | -1.19 | -0.69 | | | |
| | 3M Ago | 0.13 | 0.28 | 0.59 | 1.66 | -1.51 | -0.81 | | | |
| | 6M Ago | 0.00 | 0.17 | 0.57 | 1.63 | -2.08 | -0.94 | | | |
| | 12M Ago | -0.08 | 0.01 | 0.33 | 1.22 | -1.51 | -0.77 | | | |
| China | Current | 1.77 | 1.99 | 2.31 | 2.61 | | | | | |
| | 3M Ago | 1.99 | 2.16 | 2.38 | 2.57 | | | | | |
| | 6M Ago | 2.37 | 2.47 | 2.66 | 3.02 | | | | | |
| | 12M Ago | 2.13 | 2.36 | 2.70 | 3.14 | | | | | |
| EM | Current | 3.30 | 3.83 | 4.47 | 3.96 | 5.69 | 5.26 | 5.63 | 5.81 | 8.79 |
| | 3M Ago | 3.29 | 3.90 | 4.56 | 4.03 | 4.69 | 4.53 | 5.24 | 5.74 | 9.18 |
| | 6M Ago | 3.66 | 4.22 | 4.76 | 4.46 | 4.42 | 4.45 | 5.10 | 6.09 | 10.50 |
| | 12M Ago | 3.74 | 4.16 | 4.62 | 4.44 | 4.34 | 4.24 | 5.00 | 5.77 | 12.26 |
| Germany | Current | 3.07 | 2.72 | 2.59 | 2.77 | 1.45 | 0.60 | 0.55 | | |
| | 3M Ago | 3.02 | 2.50 | 2.34 | 2.53 | 1.20 | 0.42 | 0.35 | | |
| | 6M Ago | 2.86 | 2.41 | 2.37 | 2.67 | 1.16 | 0.34 | 0.28 | | |
| | 12M Ago | 2.71 | 2.30 | 2.20 | 2.40 | 0.37 | -0.04 | -0.13 | | |
| Italy | Current | 3.46 | 3.42 | 3.73 | 4.30 | 1.54 | 1.68 | 1.91 | | |
| | 3M Ago | 3.35 | 3.25 | 3.61 | 4.22 | 1.31 | 1.63 | 1.84 | | |
| | 6M Ago | 3.39 | 3.40 | 3.93 | 4.59 | 1.60 | 1.97 | 2.15 | | |
| | 12M Ago | 3.35 | 3.42 | 3.89 | 4.43 | 1.11 | 1.62 | 1.80 | | |
| France | Current | 3.20 | 2.99 | 3.02 | 3.45 | 0.94 | 0.79 | 0.97 | | |
| | 3M Ago | 3.05 | 2.74 | 2.78 | 3.24 | 0.80 | 0.57 | 0.79 | | |
| | 6M Ago | 3.01 | 2.73 | 2.87 | 3.46 | 0.84 | 0.63 | 0.95 | | |
| | 12M Ago | 2.83 | 2.63 | 2.68 | 3.24 | 0.22 | 0.20 | 0.53 | | |
| Sweden | Current | 3.04 | 2.60 | 2.46 | | 1.69 | 0.92 | | | |
| | 3M Ago | 3.03 | 2.58 | 2.46 | | 1.62 | 1.04 | | | |
| | 6M Ago | 3.27 | 2.70 | 2.61 | | 1.30 | 1.12 | | | |
| | 12M Ago | 2.97 | 2.62 | 2.31 | | 0.74 | 0.55 | | | |
| Australia | Current | 4.11 | 4.08 | 4.35 | 4.79 | 1.67 | 1.80 | 2.17 | | |
| | 3M Ago | 3.81 | 3.73 | 4.09 | 4.51 | 1.15 | 1.51 | 1.91 | | |
| | 6M Ago | 4.15 | 4.04 | 4.36 | 4.73 | 1.28 | 1.81 | 2.19 | | |
| | 12M Ago | 3.51 | 3.38 | 3.58 | 4.12 | 0.42 | 1.03 | 1.59 | | |
| New Zealand | Current | 4.82 | 4.67 | 4.77 | 5.07 | 2.33 | 2.32 | | | |
| | 3M Ago | 5.05 | 4.61 | 4.68 | 4.96 | 1.89 | 2.41 | | | |
| | 6M Ago | 5.07 | 4.78 | 4.89 | 5.09 | 1.91 | 2.59 | | | |
| | 12M Ago | 5.08 | 4.35 | 4.28 | 4.46 | 1.23 | 1.85 | | | |
| Canada | Current | 4.26 | 3.73 | 3.64 | 3.50 | 1.85 | 1.81 | 1.74 | | |
| | 3M Ago | 4.31 | 3.66 | 3.51 | 3.38 | 1.69 | 1.70 | 1.71 | | |
| | 6M Ago | 4.27 | 3.71 | 3.58 | 3.38 | 1.80 | 1.81 | 1.69 | | |
| | 12M Ago | 4.29 | 3.56 | 3.22 | 3.18 | 1.60 | 1.38 | 1.41 | | |

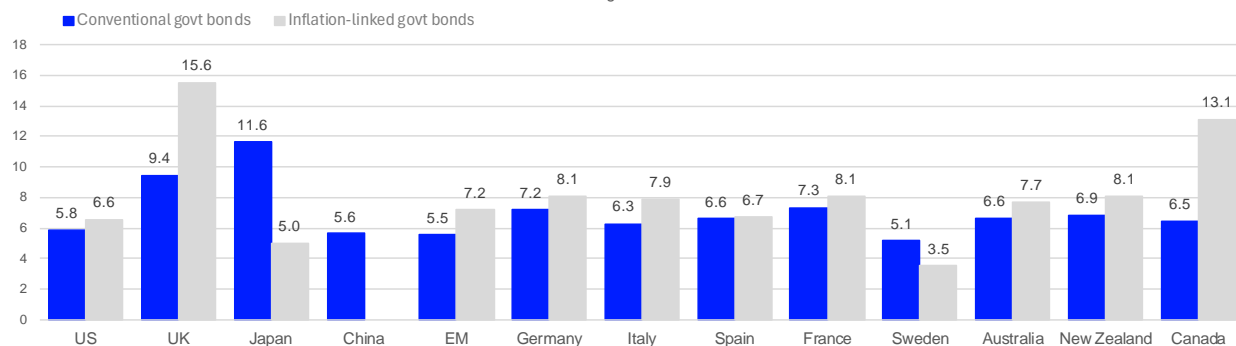
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

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

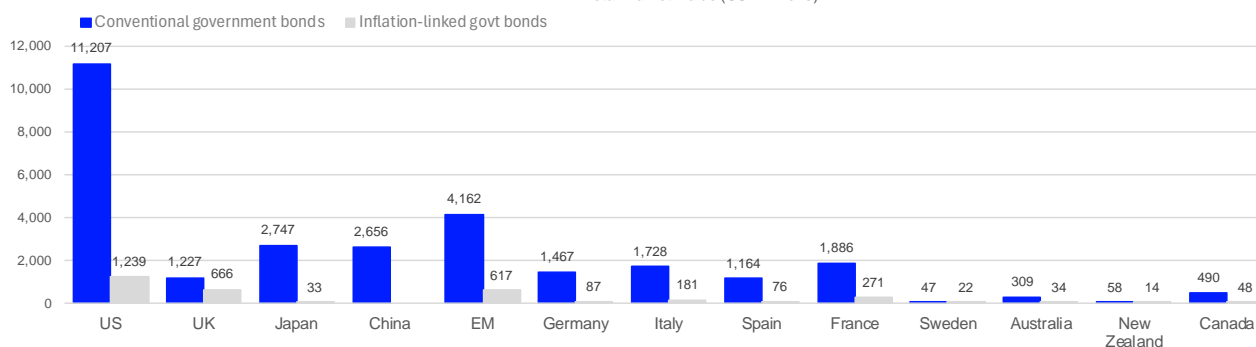
| | Conventional government bonds | | | | | | | | Inflation-linked government bonds | | | | | |
|--------------------|-------------------------------|--------|-------|-------------|--------------|---------|---------|-----------------|-----------------------------------|-------|-------------|--------------|-------|----------------|
| | 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 | 7.2 | 16.5 | 5.8 | 2,679.8 | 1,150.5 | 1,301.6 | 11,207.4 | 7.1 | 21.5 | 6.6 | 391.6 | 109.7 | 1,239.4 |
| UK | 3.8 | 7.3 | 18.2 | 9.4 | 167.2 | 204.5 | 306.9 | 1,226.8 | 7.9 | 27.4 | 15.6 | 119.5 | 224.2 | 666.2 |
| Japan | 3.9 | 8.2 | 23.2 | 11.6 | 332.2 | 358.1 | 558.6 | 2,746.5 | 8.0 | | 5.0 | 12.2 | | 33.0 |
| China | 3.7 | 7.6 | 17.9 | 5.6 | 606.8 | 438.0 | 300.8 | 2,656.0 | | | | | | |
| EM | 3.6 | 7.0 | 16.3 | 5.5 | 898.0 | 749.5 | 393.9 | 4,161.9 | 6.0 | 13.2 | 7.2 | 94.8 | 155.5 | 616.8 |
| Germany | 3.7 | 7.7 | 20.1 | 7.2 | 337.6 | 200.1 | 184.4 | 1,467.2 | 6.5 | 21.0 | 8.1 | 43.4 | 17.8 | 86.6 |
| Italy | 3.6 | 7.1 | 16.3 | 6.3 | 302.3 | 279.3 | 156.8 | 1,727.6 | 7.0 | 25.7 | 7.9 | 65.7 | 5.6 | 180.8 |
| Spain | 3.5 | 7.2 | 17.4 | 6.6 | 229.1 | 205.4 | 112.3 | 1,164.0 | 7.5 | | 6.7 | 48.0 | | 75.9 |
| France | 3.7 | 7.3 | 19.6 | 7.3 | 399.1 | 328.7 | 242.5 | 1,885.8 | 6.2 | 23.9 | 8.1 | 88.4 | 21.1 | 270.9 |
| Sweden | 3.8 | 7.5 | | 5.1 | 6.6 | 13.9 | | 46.9 | 6.5 | | 3.5 | 5.5 | | 22.1 |
| Australia | 3.9 | 7.3 | 16.5 | 6.6 | 45.7 | 91.9 | 19.7 | 309.2 | 6.5 | 21.8 | 7.7 | 10.4 | 2.7 | 33.8 |
| New Zealand | 4.1 | 7.1 | 16.0 | 6.9 | 10.6 | 16.7 | 5.2 | 58.5 | 5.7 | | 8.1 | 3.3 | | 14.4 |
| Canada | 3.7 | 7.2 | 19.2 | 6.5 | 67.7 | 112.1 | 67.2 | 489.5 | 6.3 | 20.3 | 13.1 | 8.1 | 19.7 | 48.4 |

| | Investment grade bonds | | | | | | | | | | High Yield | |
|---------------|------------------------|-----|-----|-----|---------|--------------|-------|--------|--------|---------|------------|--------|
| | Duration | | | | | Market Value | | | | | Duration | MktVal |
| | AAA | AA | A | BBB | Overall | AAA | AA | A | BBB | Overall | | |
| US | 10.4 | 8.2 | 7.1 | 6.5 | 6.9 | 71.0 | 439.1 | 2738.1 | 3471.2 | 6719.4 | 3.8 | 1051.2 |
| Europe | 5.3 | 4.8 | 4.6 | 4.2 | 4.4 | 12.2 | 211.6 | 1199.0 | 1538.3 | 2961.2 | | |
| EM | | 6.8 | 5.1 | 5.4 | 5.4 | | 36.4 | 214.6 | 274.7 | 525.7 | 3.3 | 171.3 |

Average Duration



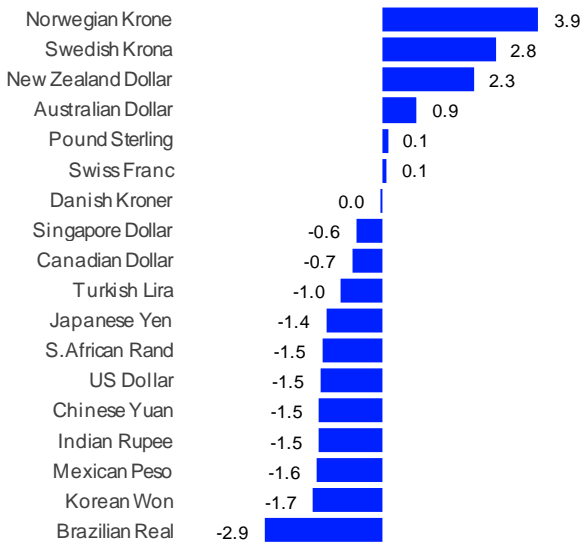
Total Market Value (USD Billions)



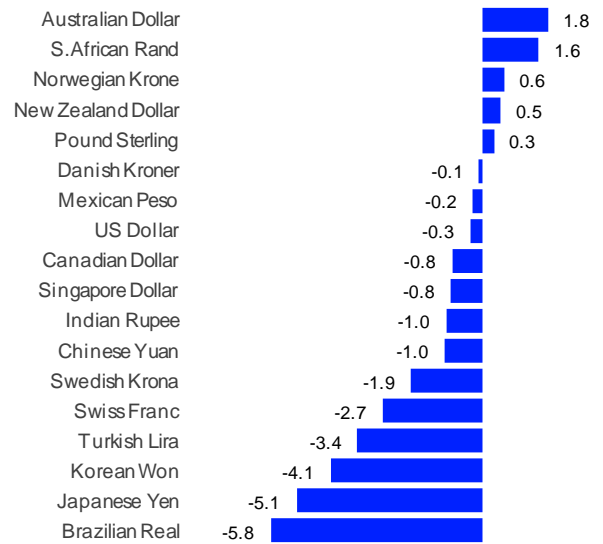
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

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

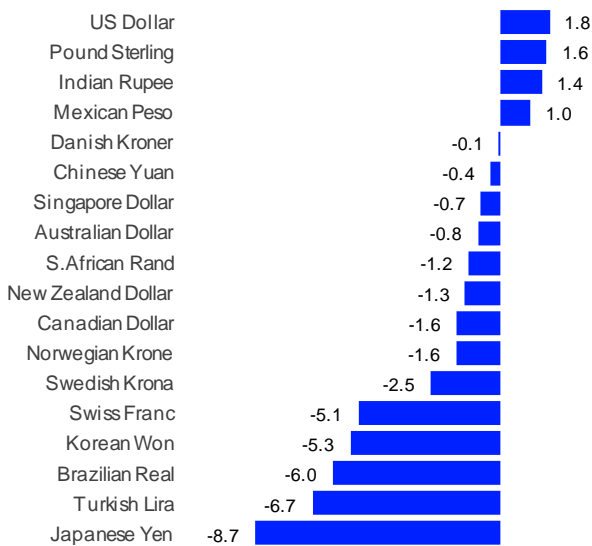
FX Moves vs EUR - 1M



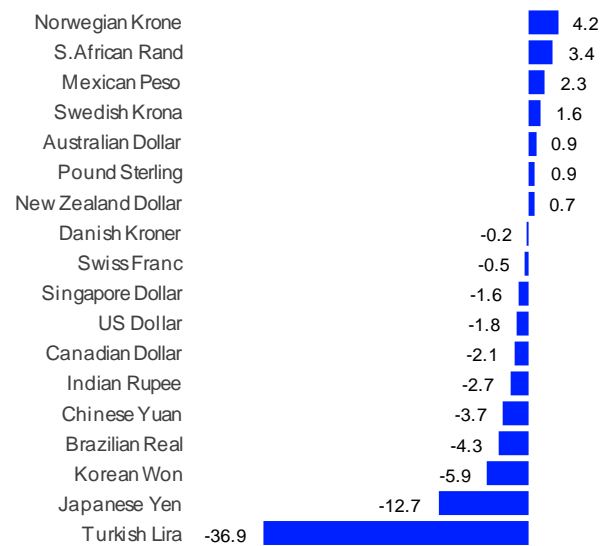
FX Moves vs EUR - 3M



FX Moves vs EUR - YTD



FX Moves vs EUR - 12M



Source: FTSE Russell and LSEG. All data as of May 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



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