Global Investment Research
Market Maps

FTSE RUSSELL
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Fixed Income Insights

UK EDITION

MONTHLY REPORT | **JUNE 2024**

Gilt market eyes August rate cut

A de-synchronised easing cycle may start in June, with the ECB signalling a likely easing move, but the Fed is some way away. This looks like a long, flat, U-shaped easing cycle, suggesting trading ranges persist on government bonds. Credit has outperformed in 2023-24 but spreads suggest relative value is now less obvious.

Macro and policy backdrop – Less synchronised easing cycles ahead?

Weaker growth & inflation allow ECB easing. Service sector constrains BoE. (pages 2-3)

Yields, curves and spreads – Markets rally on inflation and front-run policy easing

US spreads tightened and curves renewed their inversion in 7-10 yrs in May. (pages 4-5)

Credit and MBS analysis – Freddie moves to revive secondary mortgage market

IG credits close to same spreads as RMBS, despite agency-guarantee. (page 6)

High yield credit analysis – Tight spreads beginning to impact HY credits?

HY spreads fell sharply in 2022-23, delivering strong returns. (page 7)

SI sovereign bond analysis – SI outperformance in 2024 partially reverses 2022-23

SI yields rose vs WGBI in 2023-24, and ESG WGBI yields are now above WGBI. (page 8)

Performance – Longer duration govts & linkers rallied; IG credit outperformed HY
Longs clawed back some YTD losses, though JGBs lost further ground. (pages 9-10)

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

CONTENTS

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Chart 1: US Treasuries and Canadian govts rallied modestly in May, after better inflation data. Bunds fell on higher May inflation, despite the likely ECB rate cut. JGB yields edged higher with curve control ended.

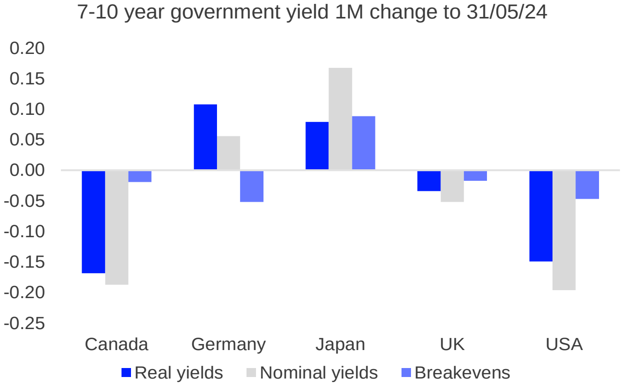
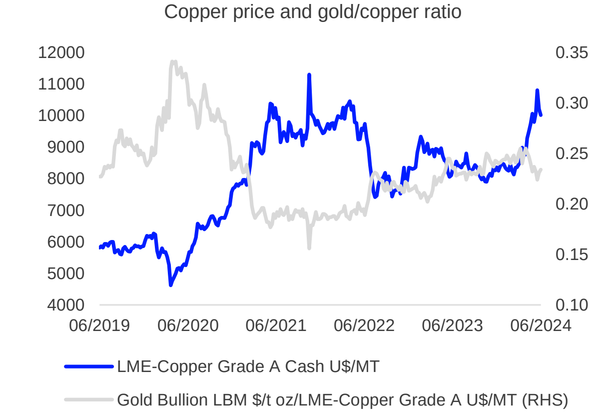


Chart 2: The copper price fell back in late- May, possibly on fears of weaker demand as economies slow. However, prices have still surged higher in 2024, on AI-led demand for electricity and data servers.



Macroeconomic Backdrop – Growth and Inflation Expectations

The easing in global supply chain pressures, and lower goods inflation, are important offsets to stubborn service sector inflation in the G7, but the latter is delaying policy easing for the Fed and BoE. Lower European inflation and weaker growth give the ECB more room to ease policy, though the BoE must still contend with 5.9% service sector inflation, and a possible change of government and fiscal policy in July. The US labour market's soft landing reduces pressure on the Fed to ease policy quickly, with wage inflation now below 4% y/y, but some signs of slower growth have emerged of late.

GDP growth forecasts show the US as a marked outlier in the G7, and forecasts of convergence in 2024 growth with Europe have mostly been revised away (Chart 1), despite weaker US growth in Q1, of 1.3%. Weaker demand for goods, led by trucks and light vehicles, and de-stocking in durable goods, were key factors in the US Q1 slowdown. But strong capex, and stimulative fiscal policy remain key drivers of US growth. UK GDP did grow by 0.6% in Q1, after the recession in H2 2023, though y/y GDP in Q1 growth was still only 0.2%.

G7 disinflation resumed in April. US CPI fell to 3.4% y/y in April, but services inflation remained at 5.3% y/y, and the core PCE deflator at 2.8%, well above the Fed's 2% target. Stubbornly high services inflation remains a global feature, with UK services inflation at 5.9% y/y, even though headline CPI dropped to 2.3% y/y, helped by base effects. In the Fed's May FOMC minutes, there is concern the economy may be less rate sensitive than previously, given the high share of fixed rate mortgages, slowing the decline in inflation. But the April data reduces the risk of further tightening.

The UK labour market is easing, but only gradually. Unemployment increased to 4.3% in the three months to March, even if wage growth remains at 6% y/y. The ONS has conceded labour force survey data is not yet fully reliable, after the number of respondents fell sharply during Covid, and recent revisions to the data have been weaker, so unemployment is now well above the 2022 Q3 low of 3.6%. Average earnings growth has also slowed from a peak of 7.9% in August 2023 to the current 6% y/y. However, the increase in the minimum wage in April 2024 may yet push up the year-on-year rate in Q2.

Chart 4 shows standard deviations of the NY Fed global supply chain index, from its mean in recent years. The index fell in April, and has unwound the Covid and Ukraine shocks. This may be due to localisation of supply chains, and reduced demand for tradeable goods, after the switch from goods to services in 2023-24. Reduced demand for tradeable goods is evident in G7 goods inflation near zero, or negative y/y in recent months.

Chart 1: Growth forecasts show the US as an outlier in 2024, though some convergence in 2025. Chinese forecasts are cautious after the weak Q1. Faster easing may reduce European divergence from US.

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: Stubbornly high services inflation remains the main barrier to inflation returning to 2%, notably in the US and UK. Eurozone inflation increased in May, but this is unlikely to prevent policy easing in June.

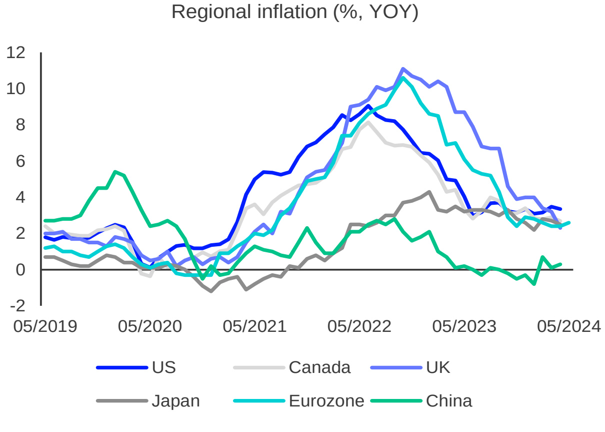


Chart 3: There are more signs emerging of the UK labour market slowing, with unemployment increasing to 4.3%, though wage growth remains at 6%, well above inflation, which is propping up consumer spending.

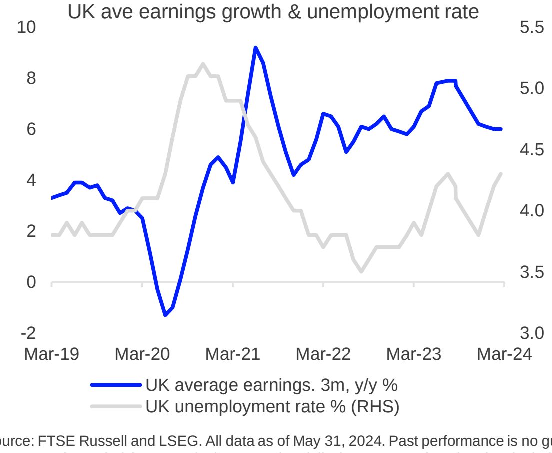
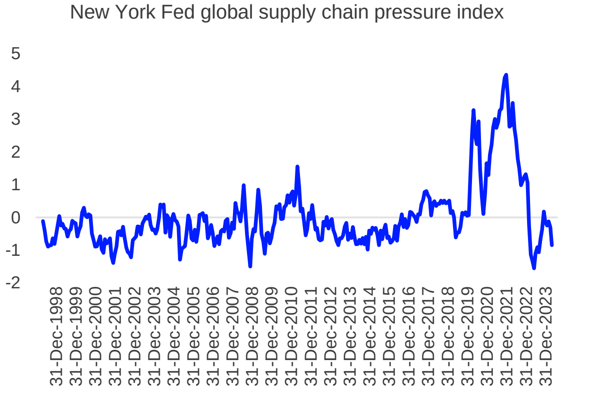


Chart 4: Global supply pressures eased further, with the NY Fed index falling in April. Some localisation in supply chains may have eased pressure on global supply chains since the Covid and Ukraine shocks.



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.

Financial Conditions and Monetary Policy Settings

A less synchronised policy easing cycle may be about to start with the ECB signalling an easing move on June 6, and UK inflation falling sharply in Q2, even if the softer landing in the US, and uncertainty about the restrictiveness of policy, have left the FOMC on hold. Steepening at the long end of the UK gilt curve may reflect reduced pension fund gilt holdings, and could complicate fiscal policy. Exchange rates were more stable in May, with an ECB move now fully discounted, though yen weakness persisted. Quantitative tightening (QT) continues but may need to slow if policy easing is imminent.

Although steepening in the gilt curve has stabilised, the fall in UK private pension fund govt bond holdings was pronounced from 2019-23, when holdings fell approx. 37% (ONS data). Chart 1 shows marked curve steepening in the last year, despite the 10s/2s curve remaining inverted, (Chart 3 on page 4). Higher yields may be a factor in reducing demand for gilts, as pension fund deficits fall when discount rates rise for future liabilities. But tougher rules on leveraging gilt holdings for LDI, since the 2022 spike in yields, may have also caused a structural decline in demand for longs. The combination of a steeper yield curve, and higher rates could constrain UK fiscal policy by increasing UK debt service costs further.

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.

Prospects for a less synchronised rate cutting cycle increased after the ECB signalled a rate cut is likely in June, while the Fed signalled more evidence is required of lower inflation before easing policy (see Chart 3). A round of European rate cuts in advance of the Fed would be justified by weaker growth and lower inflation. The BoE normally makes policy changes when updating forecasts, suggesting August is a plausible option, after a 6-3 split vote at the May meeting, but may wish to see the outcome of the UK election and any fiscal adjustment before easing rates.

Central banks continue QT programmes (ex the BoJ), despite mulling an easing in policy rates. Central banks have made it clear that policy rates are their key instrument for monetary policy, but there is tension between easing rates and draining liquidity via QT. Chart 4 shows, however, that central bank balance sheets are still considerably above the size they were at the time of Covid, so it is likely that QT may continue, in a scaled down form, even when policy rates are being eased, assuming balance sheets were close to an equilibrium size in 2020.

Chart 1: UK pension fund govt bond holdings fell further in 2023, and this may have contributed to notable steepening in long dated conventional and inflation linked yield curves, relative to medium dates.

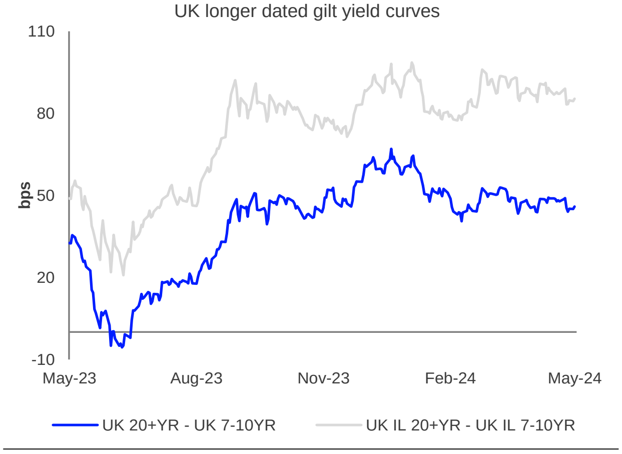


Chart 2: The weak yen remained the main fx feature in May, with other currency pairs moving in relatively narrow ranges. Markets discounted an ECB rate cut in June, but lower inflation capped US dollar gains.

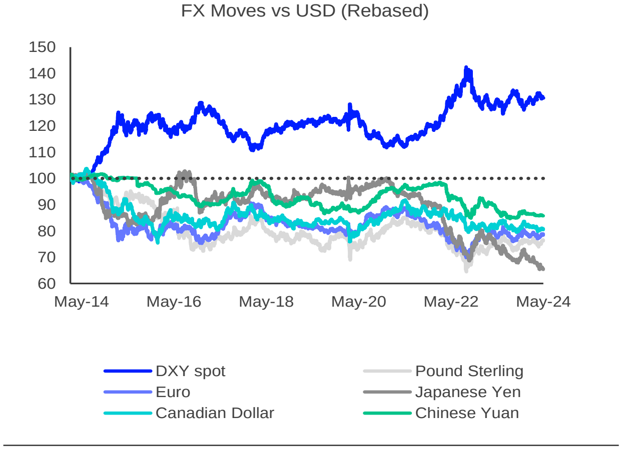


Chart 3: The ECB has signalled a rate cut is likely on June 6, breaking the deadlock on policy rates since Q3, 2024. Other European rate cuts became more likely, including the UK, after the 6-3 split vote in May.

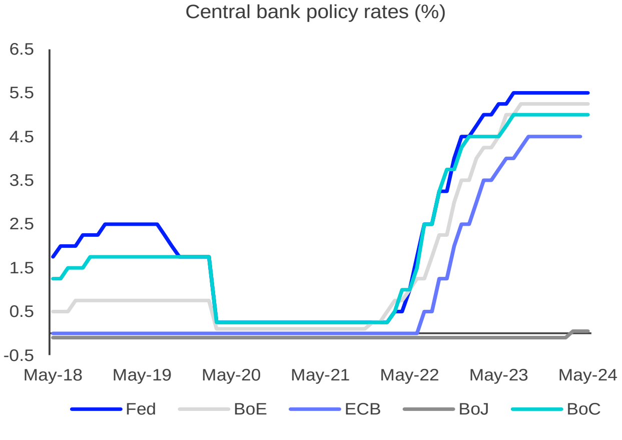
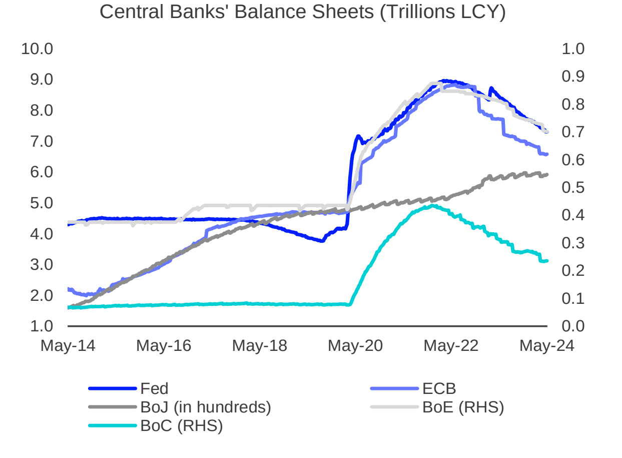


Chart 4: Central bank QT continues, as they consider easing policy rates, excluding the BoJ. The BoE is planning to reduce its gilt holdings to £658bn, or approx. 15%, between Oct 2023 and Sept 2024.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields were volatile in May, as central bank easing prospects improved, led by the ECB, after better inflation data, but Fed caution prevailed. JGBs remained weak, with the yen under pressure.

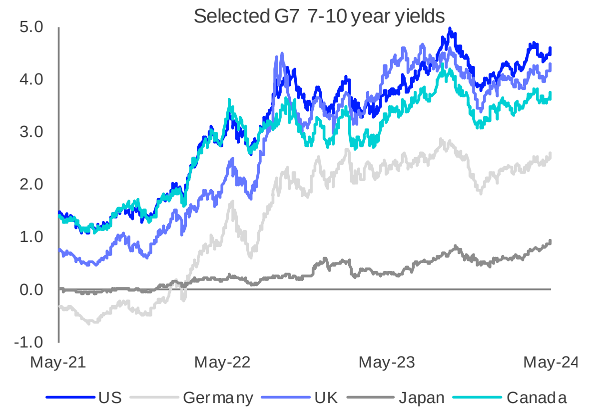


Chart 2: Real yields remained volatile with conventional bonds in May, though the moves were modest overall. JGB linkers remained in narrow ranges, despite the BoJ abandoning yield curve control.

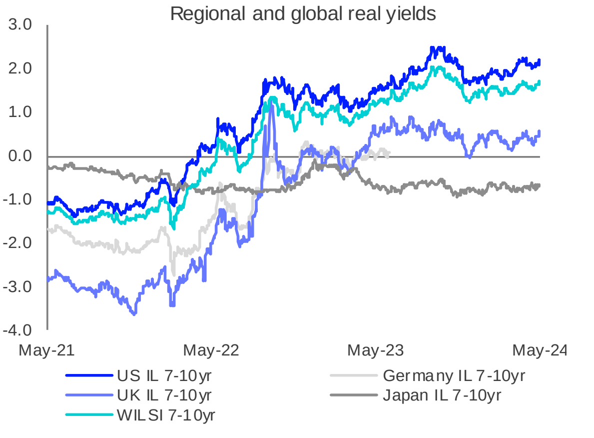


Chart 3: Yield curves inverted further, as 7-10 yr bonds outperformed modestly. The JGB yield curve steepened a little, with the curve gradient edging above 50bp.

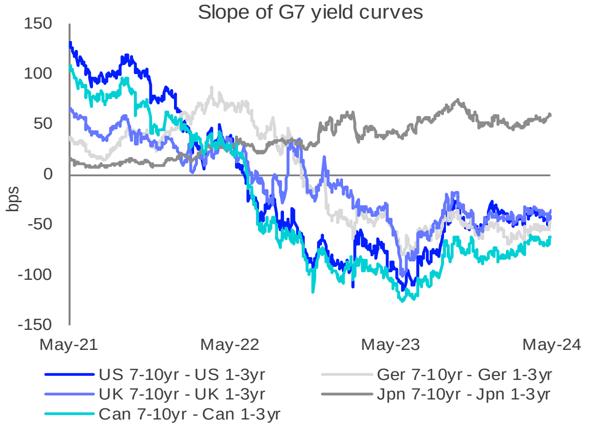


Chart 4: Curve inversion at the long end remains in Treasuries, Canada and Bunds, though the inversion is much less marked than a year ago, as expectations of easing moves in the Eurozone and Canada intensify.

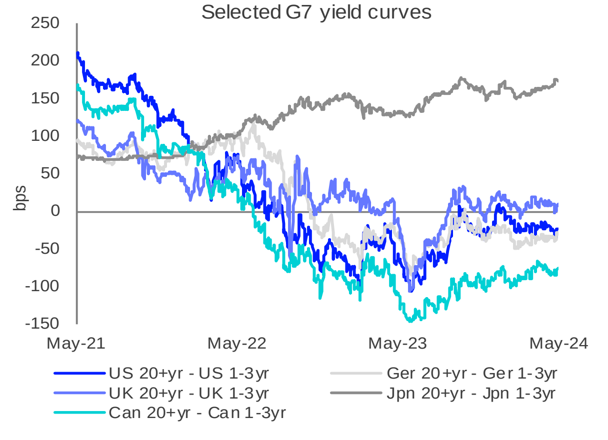


Chart 5: Inflation breakevens have moved a little higher in 2024, led by Japan and the UK, but generally remain stable near a 2% inflation target levels (ex the UK, where they are based on the RPI, not CPI).

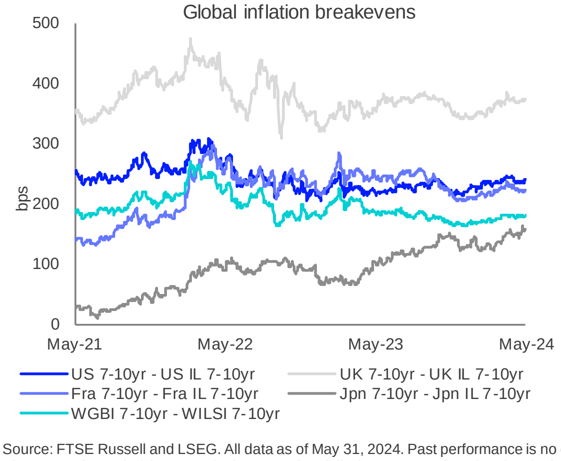
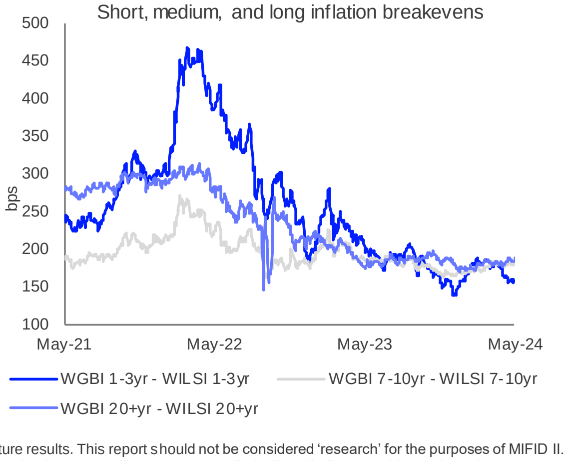


Chart 6: Globally, short breakevens have unwound the Ukraine spike in 2022, and converged with medium and long dated breakevens around the 2% level.



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Yield Spread and Credit Spread Analysis

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

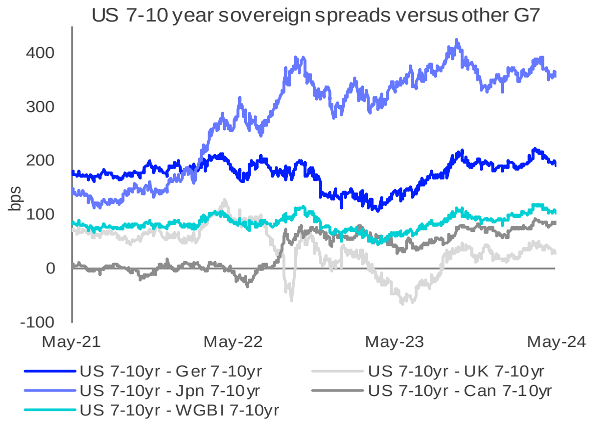


Chart 2: BTP spreads remain closely correlated to the risk rally in equities, and are at, or below pre-Covid levels versus all major markets, apart from Japan. The ECB's TPI may have helped spreads converge.

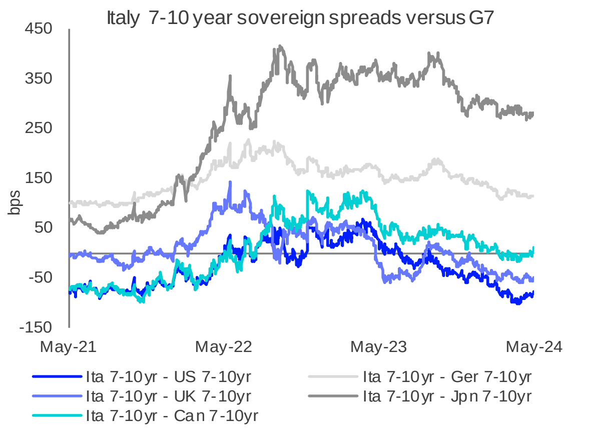


Chart 3: EM sovereign spreads remain near post-Covid lows, reflecting EM success in countering inflation, after early policy tightening. This is a complete reversal of the typical spread widening in Fed tightening cycles.

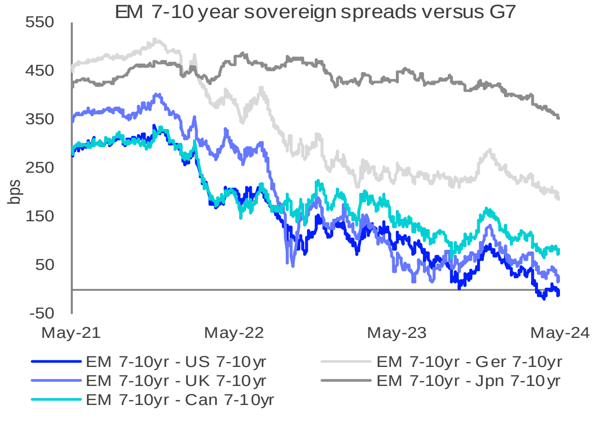


Chart 4: China's decoupling from the G7 economic and financial cycle is found in sovereign spreads, which are now negative versus all major markets, excluding Japan. Spreads versus Japan also continue to fall.

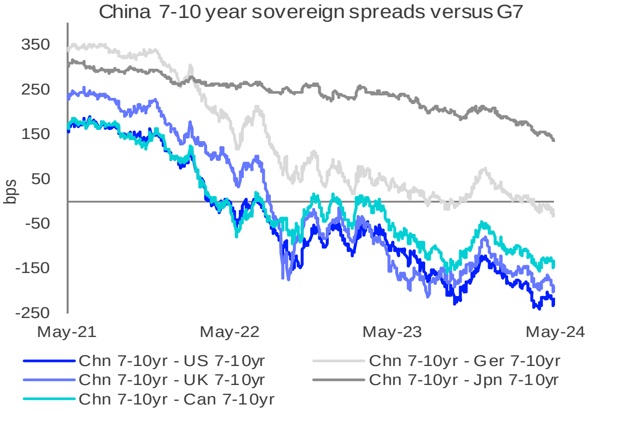


Chart 5: Convergence in high yield spreads stalled in May, though mainly tracked movements in govt yields. US HY spreads are below pre-Covid levels, but still slightly above in Eurozone HY spreads.

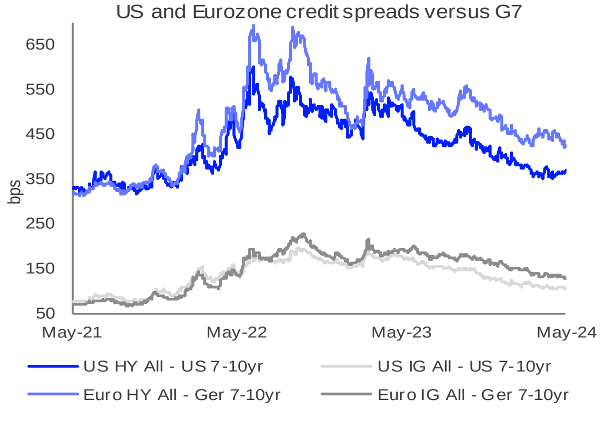
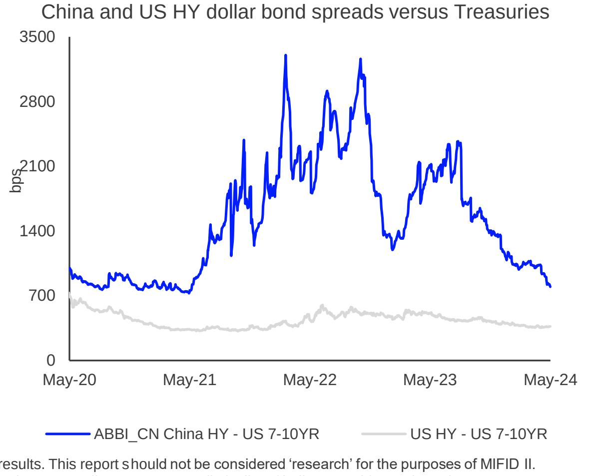


Chart 6: Chinese $ high yield spreads fell further in May, and have now returned to 2021 levels, helped by a series of property support measures, with property issues making up 28% of the overall index.



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Investment Grade Credit and MBS analysis

Chart 1: In UK IG credit, the impact of higher gilt yields and weak returns is most marked on AAA and AA corporates, as the Chart shows. Lower grade BBB credits have outperformed, helped by the risk rally.

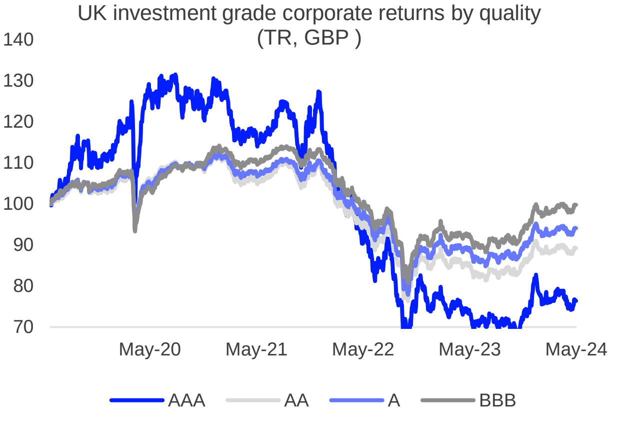


Chart 2: It is a similar story in credit spreads, where BBB spreads have fallen sharply since the Covid and Ukraine spikes. However, spreads fell in all quality buckets and particularly in lower quality BBBs and As.

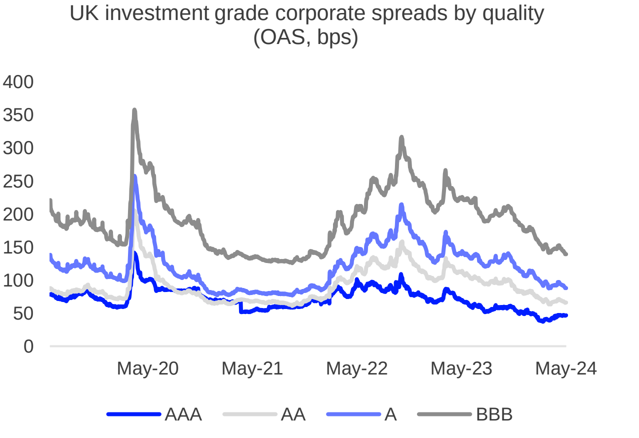


Chart 3: Financials, led by banks, have been the strongest performers in the IG credit rally, buoyed by higher interest rates, and stronger balance sheets, since Basel 3 enforced a re-capitalisation and leverage reduction.

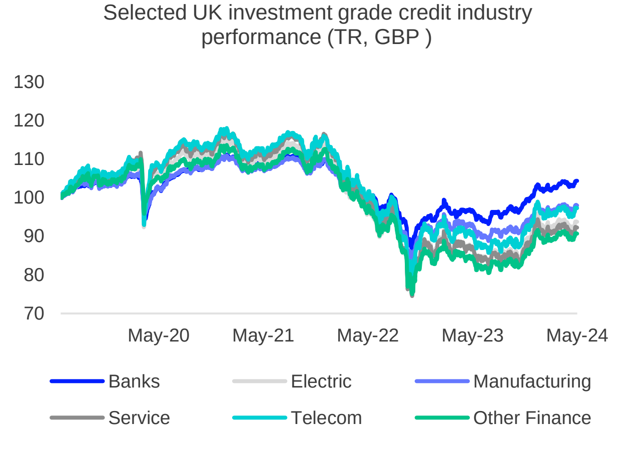


Chart 4: Spread tightening has left most sector spreads back at pre-Covid levels, with some spreads even below 2019 levels. This raises the question of relative value, though yields are much higher than 2019.

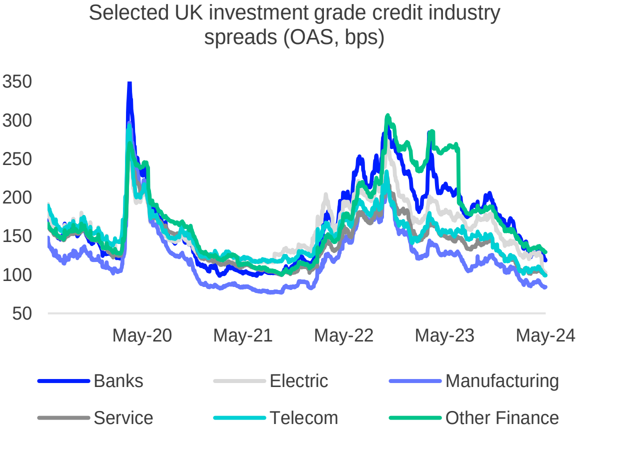


Chart 5: IG credit spreads are now at their lowest levels relative to RMBS spreads in the last 10 years, as the Fed's RMBS run-offs and negative convexity have adversely affected agency RMBS valuations

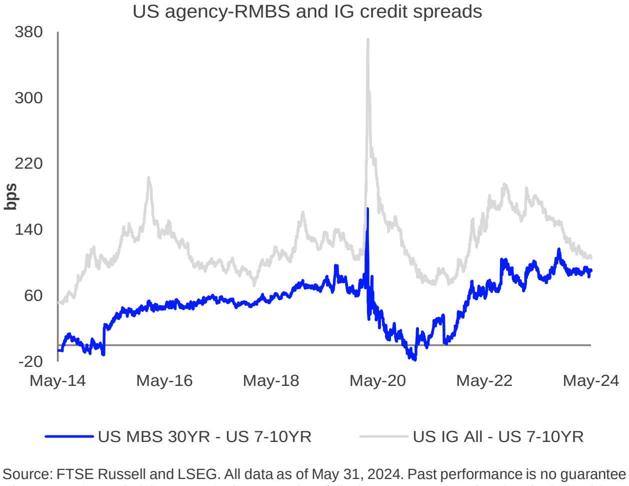
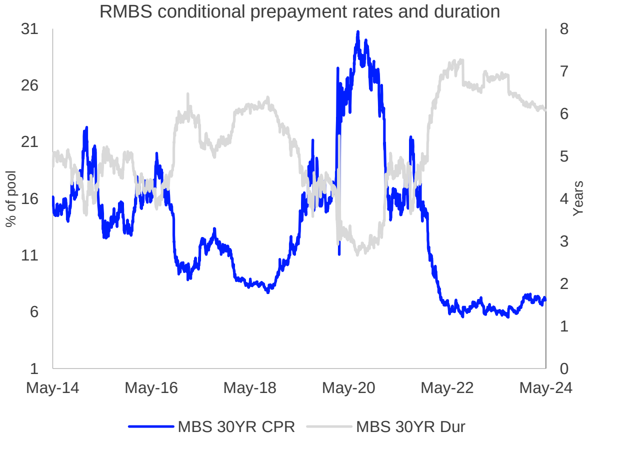


Chart 6: Freddie Mac's application to enter the secondary mortgage market with home equity loans reflects the primary market freeze, with very little refi activity, due to mortgage rates well above fixed coupons.



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High Yield Credit Analysis

Chart 1: As in IG, banks have been strong performers in sterling high yield, helped by higher rates and net interest income. Sterling HY has low duration and rate sensitivity, and has gained from the risk rally.

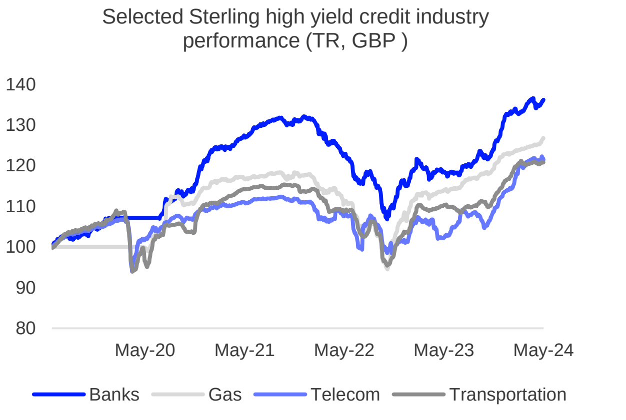


Chart 2: Transportation has been the strongest US HY sector performer though consumer issues have done well. Telco has underperformed. Banks have picked up of late, but not as strongly as in sterling HY.

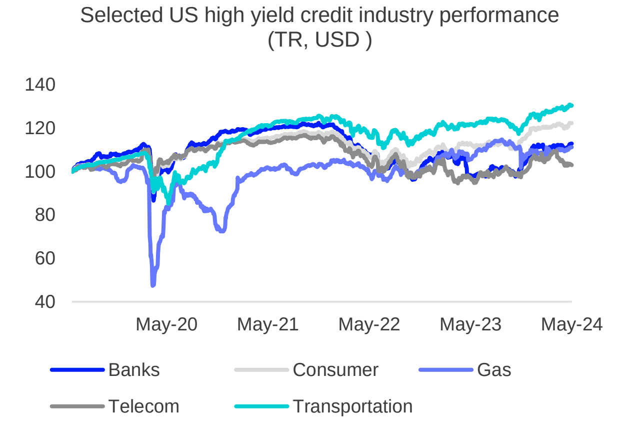


Chart 3: Performance returns show sterling CCC issues have outperformed higher grade issues during the risk rally in 2023-24, but remain volatile, reflecting the ebbs and flows of investor risk appetite.

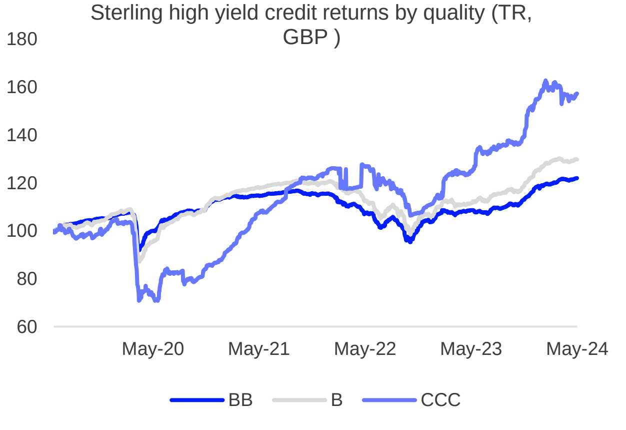


Chart 4: CCC spreads have edged out in Q2, as B and BB spreads continue to tighten. There is less relative value in CCC issues, given that credit spreads are still below pre-Covid levels.

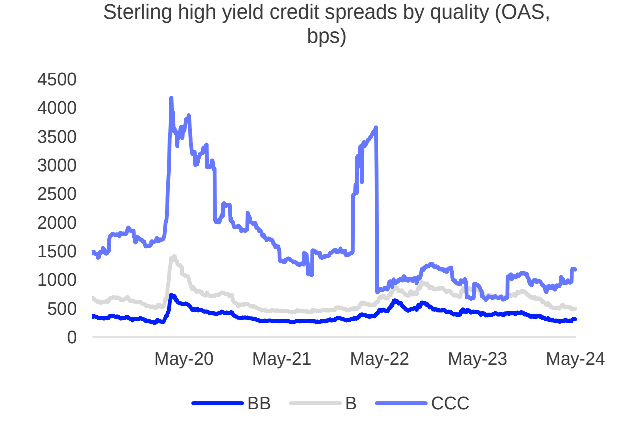


Chart 5: Short dated HY spreads remain more volatile as they capture short rate expectations and UK base rate moves. Yield sensitivity is also higher to price moves, as the Covid and post-Ukraine spikes show.

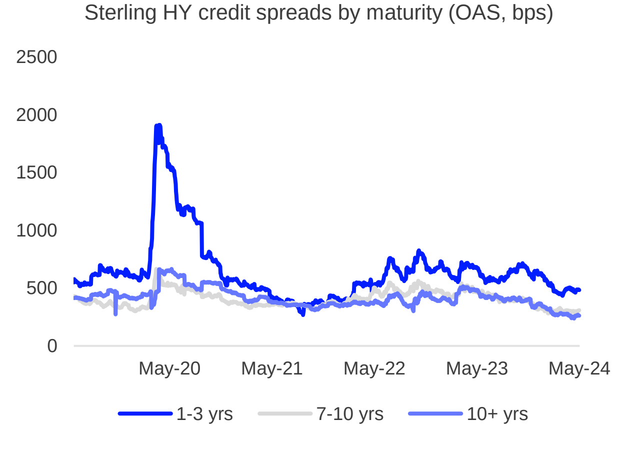
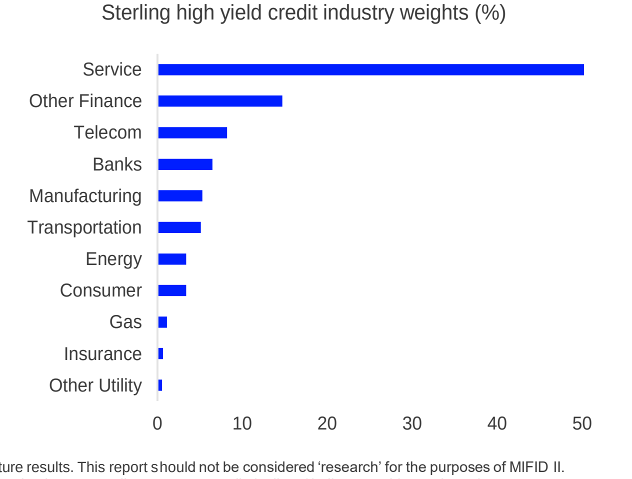


Chart 6: Sterling HY sector weights show the dominance of service sector issues, and to a lesser extent, financials. Utilities have only a modest weighting compared to US dollar HY issuance.



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SI Sovereign 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.

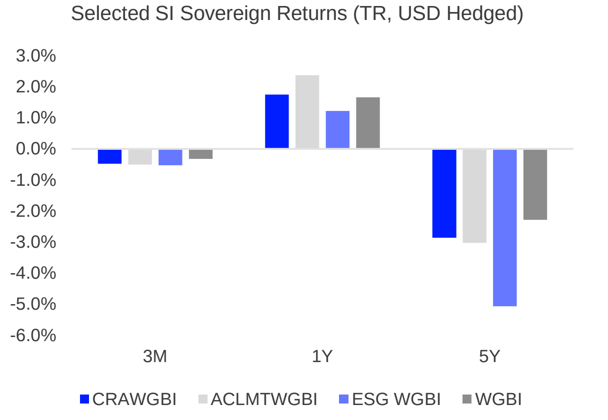


Chart 2: All three Sovereign SI indices underperformed vs WGBI over 5 years. But this trend reversed for the climate-adjusted indices, which benefited from a strong USD hedged performance of Euro sovereigns, which are overweight.

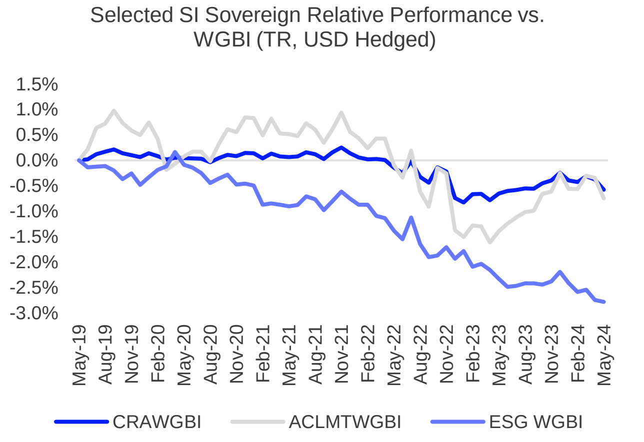


Chart 3: While the ESG WGBI has a small US overweight, climate indices are underweight, in favour of European sovereigns. This should remain a key determinant of relative performance going forward.

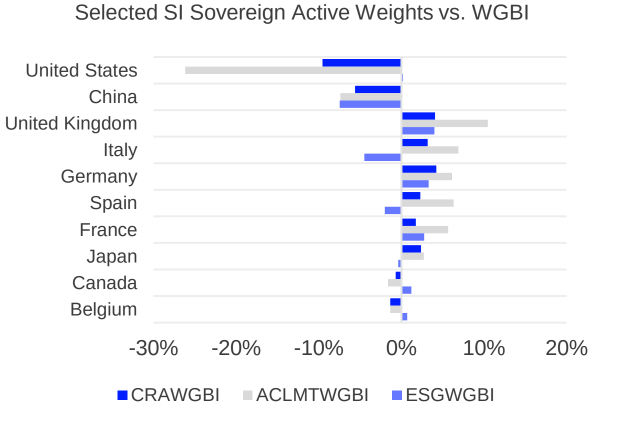


Chart 4: Relative to WGBI, the ESG WGBI have a higher credit quality, implying more developed and lower risk sovereigns will likely have higher ESG scores than their less developed counterparts.

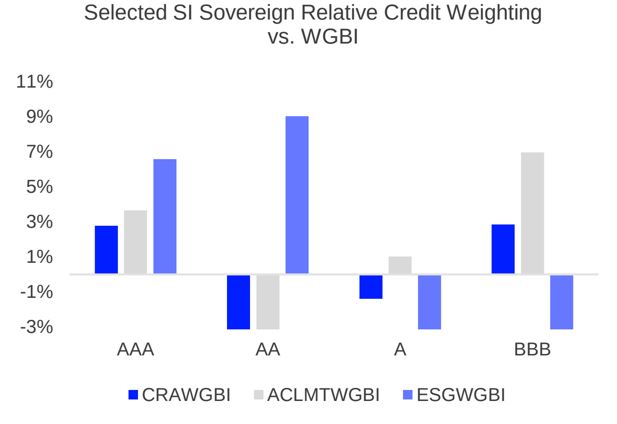


Chart 5: SI yields have risen vs WGBI in the last two years, with ESG WGBI yields now above WGBI. An overweight in Europe drove the combination of underperformance and falling relative yields in SI in 2022.

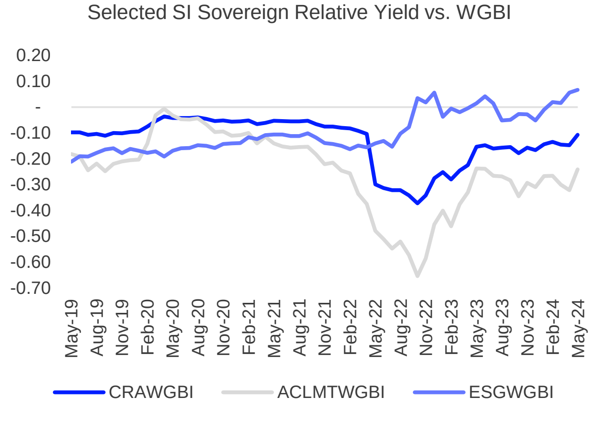
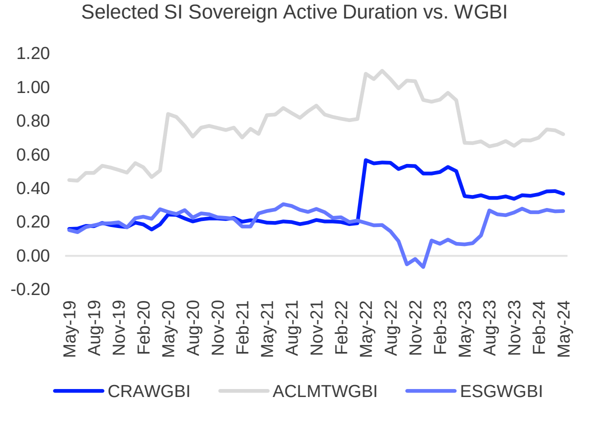


Chart 6: Except for negative active duration for the ESG WGBI in 2022, SI indices have shown positive active duration. Climate-adjusted indices show higher volatility in duration due to complex emissions-based re-weightings.



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.

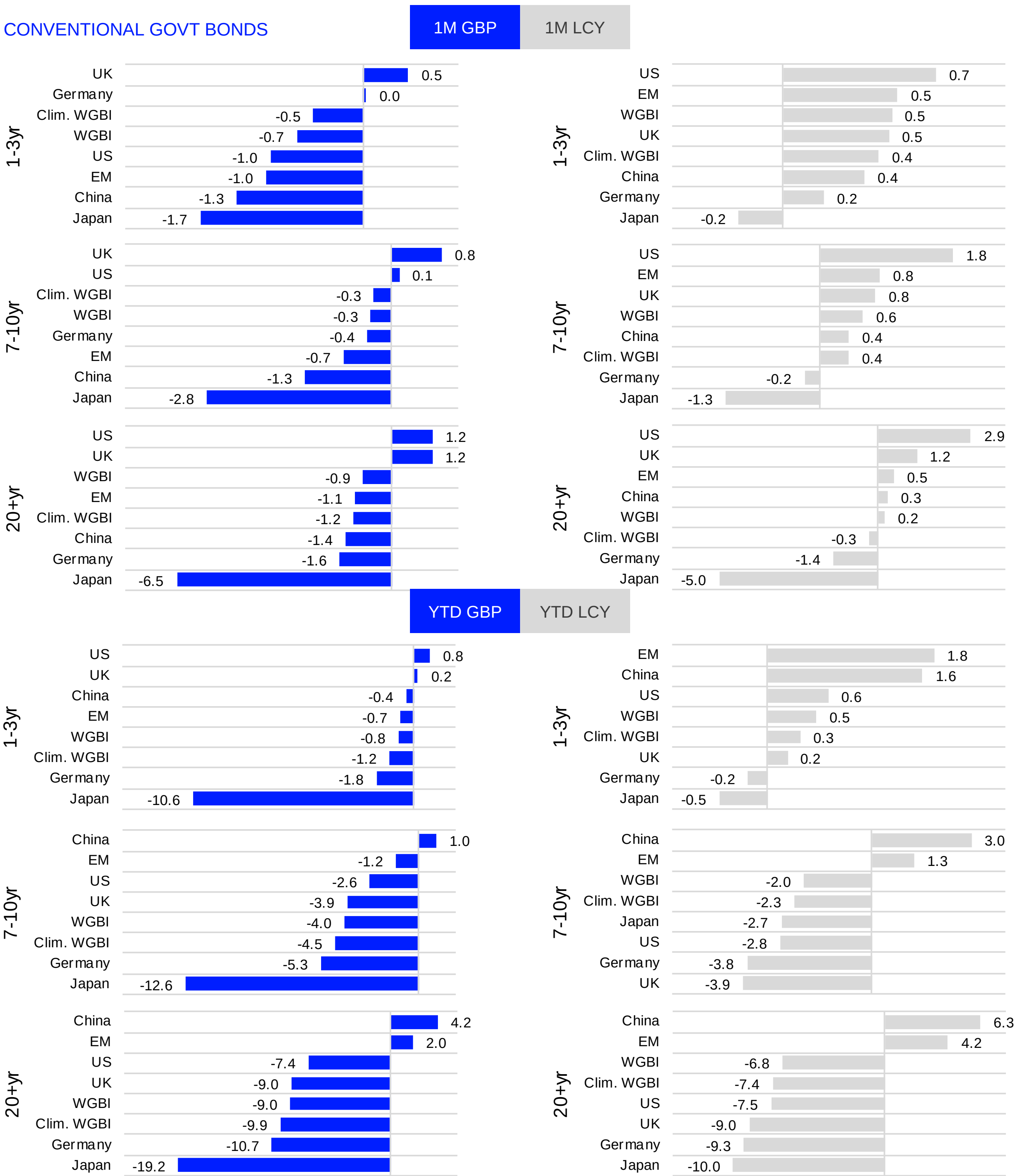
Global Bond Market Returns – 1M & YTD % (GBP, LC, TR)

Lower inflation data helped government bonds stabilise in May, led by gilts and Treasuries. Gilts reacted little to the UK election announcement. The yen fell further and long JGBs lost nearly 7%, in sterling terms, after curve control ended. YTD returns show losses of 7-19% in longs, in sterling, but China and EM gained 2-4%, proving safe havens.

Improving prospects for European rate cuts, and even a UK move in August, helped gilts rally 1-3% in May.

The US dollar fell back modestly after softer US inflation data, though the Fed's Powell made clear policy easing is data-dependent and awaits sustained lower inflation. However, slightly slower growth helped Treasuries rally.

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



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

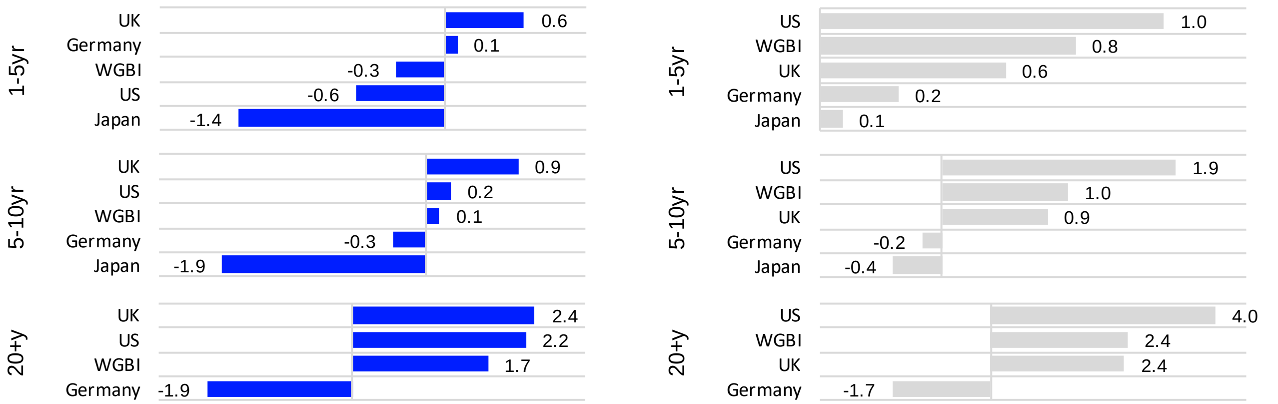
Linkers outperformed conventionals in May, with long duration UK and US linkers strongest in sterling terms, dragging the long WILSI 2% higher. IG credit rallied in May, helped by stronger Treasuries and Bunds, but HY outperformed YTD.

Most linkers recovered a little May, as G7 easing prospects improved with lower inflation data for April. Credit also rallied further, reversing April losses, led by IG financials and utilities, though Euro HY also gained 1%, as equities reversed April losses.

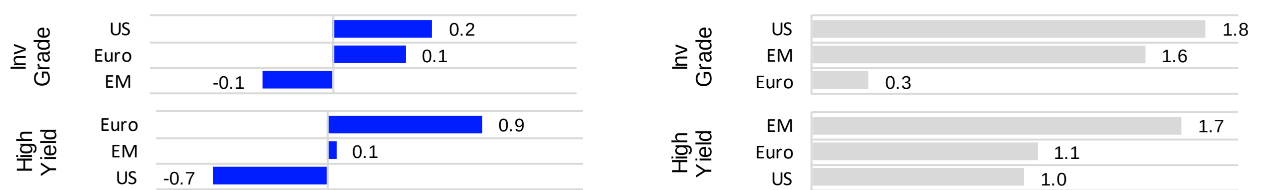
YTD returns still reflect the sell-off in linkers in Q1, and April, with losses of up to 11% in sterling, led by JGBs on yen weakness, but duration also weighed on UK and Bund linkers which lost 9%. HY credit remains strongest YTD, gaining 6% in the Eurozone.

INFLATION LINKED BONDS

1M GBP | 1M LCY

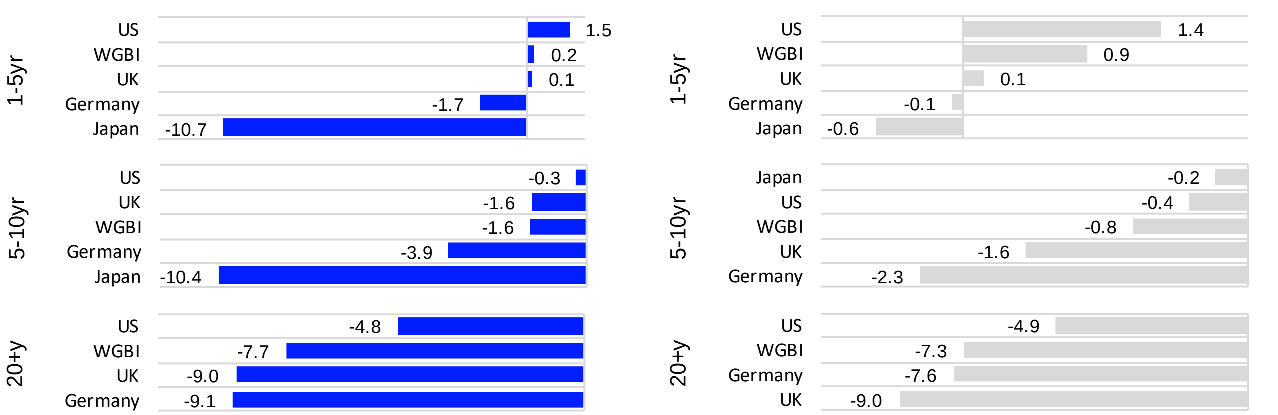


CORPORATE BONDS

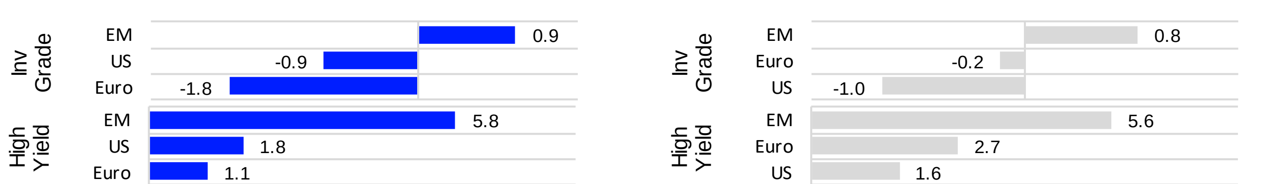


INFLATION LINKED BONDS

YTD GBP | YTD LCY



CORPORATE BONDS



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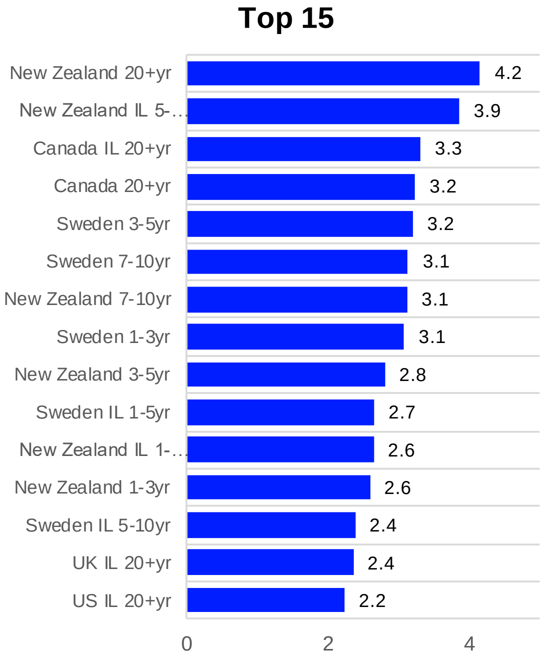
Top and Bottom Bond Returns – 1M & 12M % (GBP, TR)

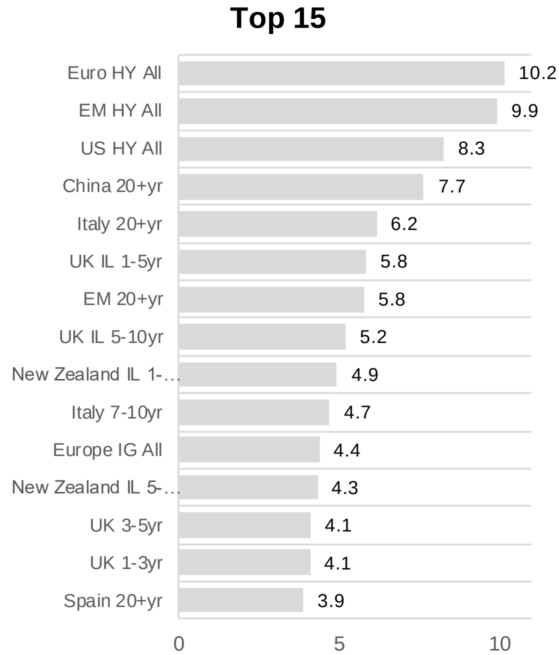
Long bonds clawed back some losses in May, after weak performance from January to April, led by NZ, Sweden and Canada. Krone and NZ dollar gains boosted returns in sterling. The Riksbank cut rates and a BoC rate cut became more likely as inflation approached 2% target levels, and growth remained weak. JGBs led 1M and 12M losses.

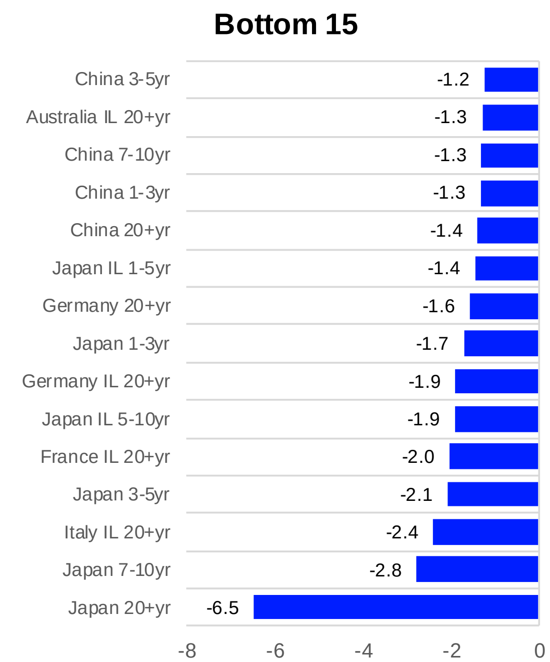
NZ and Swedish shorter dated bonds broke into the Top 15 returns in May, helped by stronger currencies, and the Riksbank rate cut. Some easing in lending standards helped NZ govt bonds, though the RBNZ retained the official cash target at 5.5%.

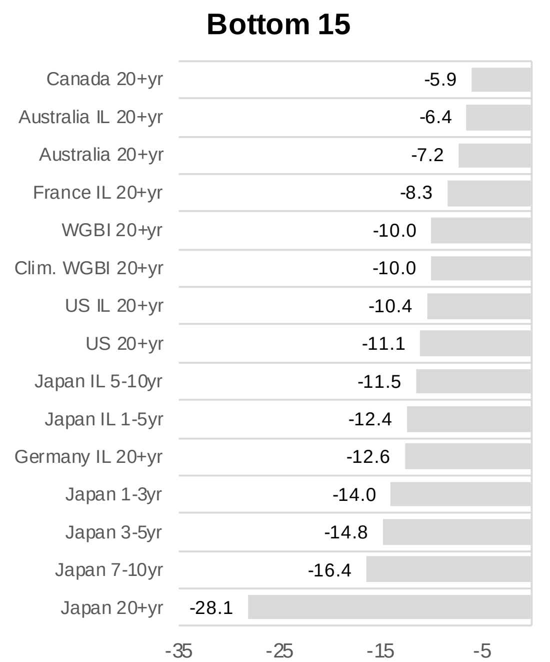
Euro and EM HY credit dominates Top 15 12M returns, gaining 10% in sterling, followed by long China and EM bonds. But JGBs lost 14-28%, after a perfect storm of curve control ending, and pronounced yen weakness.

1M GBP | 12M GBP









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Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3yr	0.69	0.04	1.79	1.21	0.64	0.77	3.43	0.69
	7-10yr	-0.61	-1.25	1.12	0.54	-2.76	-2.64	-2.18	-4.78
	20+yr	-2.85	-3.48	0.86	0.28	-7.52	-7.41	-8.63	-11.06
	IG All	0.51	-0.14	3.24	2.65	-1.01	-0.88	4.51	1.73
	HY All	1.33	0.67	5.25	4.65	1.64	1.77	11.21	8.26
UK	1-3yr	0.65	0.65	1.68	1.68	0.21	0.21	4.09	4.09
	7-10yr	-0.34	-0.34	1.21	1.21	-3.87	-3.87	3.42	3.42
	20+yr	-2.28	-2.28	0.86	0.86	-8.95	-8.95	0.31	0.31
Euro	IG All	0.66	0.33	2.58	1.48	-0.17	-1.77	5.30	4.38
	HY All	1.48	1.15	5.85	4.71	2.75	1.10	11.16	10.19
Japan	1-3yr	-0.30	-5.66	-0.50	-6.93	-0.51	-10.63	-0.60	-13.97
	7-10yr	-2.32	-7.57	-2.20	-8.52	-2.73	-12.63	-3.42	-16.42
	20+yr	-9.01	-13.90	-9.24	-15.10	-10.03	-19.19	-16.97	-28.14
China	1-3yr	0.93	-0.43	2.18	0.01	1.63	-0.37	2.98	-1.68
	7-10yr	1.05	-0.31	3.96	1.75	2.98	0.95	5.72	0.93
	20+yr	-0.15	-1.49	8.95	6.64	6.32	4.22	12.76	7.65
EM	1-3yr	0.96	-0.45	2.43	0.13	1.75	-0.66	4.00	-0.37
	7-10yr	0.26	-1.16	3.10	0.87	1.27	-1.24	4.59	0.02
	20+yr	-0.48	-1.61	6.68	4.75	4.20	2.00	9.94	5.78
	IG All	0.94	0.28	4.22	3.62	0.79	0.92	5.24	2.45
	HY All	2.76	2.09	8.32	7.71	5.62	5.76	12.92	9.92
Germany	1-3yr	0.36	0.03	0.74	-0.34	-0.20	-1.80	1.72	0.83
	7-10yr	-1.25	-1.57	-0.46	-1.53	-3.76	-5.30	-0.49	-1.36
	20+yr	-4.20	-4.52	-0.77	-1.83	-9.30	-10.75	-4.96	-5.79
Italy	1-3yr	0.54	0.20	1.30	0.21	0.25	-1.35	3.04	2.14
	7-10yr	0.23	-0.11	3.71	2.60	-0.27	-1.87	5.63	4.71
	20+yr	-0.33	-0.66	7.15	6.00	-0.35	-1.95	7.10	6.16
Spain	1-3yr	0.50	0.16	1.26	0.18	0.23	-1.38	2.46	1.56
	7-10yr	0.10	-0.23	2.55	1.45	-1.37	-2.95	3.46	2.56
	20+yr	-0.45	-0.78	5.61	4.47	-2.87	-4.42	4.80	3.88
France	1-3yr	0.28	-0.05	0.83	-0.25	-0.35	-1.95	1.86	0.97
	7-10yr	-1.01	-1.34	0.52	-0.56	-3.22	-4.77	0.75	-0.13
	20+yr	-3.20	-3.52	1.94	0.85	-7.38	-8.86	-0.80	-1.67
Sweden	1-3yr	0.73	-1.54	1.51	0.56	0.27	-3.80	2.57	3.32
	7-10yr	0.58	-1.68	2.52	1.57	-2.54	-6.49	1.41	2.15
Australia	1-3yr	0.33	1.81	1.91	1.64	0.77	-1.66	2.68	2.72
	7-10yr	-0.86	0.60	2.36	2.08	-1.49	-3.87	-1.52	-1.48
	20+yr	-3.49	-2.06	1.18	0.91	-6.11	-8.38	-7.26	-7.23
New Zealand	1-3yr	1.13	1.32	2.49	1.37	1.35	-1.53	4.04	3.82
	7-10yr	0.59	0.78	3.31	2.18	-1.40	-4.20	1.05	0.84
	20+yr	-0.54	-0.35	3.01	1.88	-5.58	-8.26	-5.24	-5.44
Canada	1-3yr	0.96	-0.20	1.85	0.73	0.98	-2.20	3.89	0.85
	7-10yr	-0.06	-1.20	1.27	0.15	-2.51	-5.58	0.05	-2.88
	20+yr	-1.60	-2.72	-0.69	-1.79	-7.53	-10.44	-3.10	-5.94

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Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5yr	1.35	0.69	2.68	2.09	1.39	1.52	4.19	1.42
	5-10yr	0.81	0.16	2.71	2.13	-0.41	-0.28	0.97	-1.71
	20+yr	-1.65	-2.28	1.70	1.12	-4.94	-4.82	-7.95	-10.40
UK	1-5yr	1.73	1.73	2.41	2.41	0.14	0.14	5.84	5.84
	5-10yr	1.00	1.00	2.21	2.21	-1.56	-1.56	5.20	5.20
	20+yr	-1.83	-1.83	1.22	1.22	-9.00	-9.00	-2.06	-2.06
Japan	1-5yr	-0.39	-5.74	-1.16	-7.54	-0.62	-10.73	1.22	-12.39
	5-10yr	-0.28	-5.64	-0.63	-7.05	-0.22	-10.38	2.27	-11.49
EM	1-5yr	1.31	-2.43	4.62	-0.60	2.88	-2.84	11.32	1.69
	5-10yr	-1.01	-3.44	1.82	-1.83	-0.72	-5.35	7.22	0.28
	20+yr	-3.28	-6.63	-0.32	-4.18	-5.24	-10.00	2.24	-1.09
Germany	1-5yr	0.77	0.44	0.65	-0.42	-0.08	-1.68	0.69	-0.19
	5-10yr	-0.13	-0.46	-0.94	-2.00	-2.31	-3.87	-1.93	-2.79
	20+yr	-3.16	-3.48	-4.99	-6.00	-7.60	-9.08	-11.82	-12.59
Italy	1-5yr	0.68	0.34	1.64	0.55	0.25	-1.36	3.47	2.56
	5-10yr	1.04	0.70	3.81	2.70	0.84	-0.77	4.75	3.83
	20+yr	-0.45	-0.78	8.30	7.14	0.65	-0.96	1.20	0.32
Spain	1-5yr	0.74	0.41	0.88	-0.20	-0.14	-1.74	1.40	0.51
	5-10yr	1.07	0.73	2.20	1.11	0.08	-1.53	2.31	1.42
France	1-5yr	-0.08	-0.42	0.13	-0.94	-0.94	-2.52	0.11	-0.77
	5-10yr	-0.38	-0.71	-0.01	-1.08	-2.16	-3.73	-1.13	-2.00
	20+yr	-3.20	-3.52	0.65	-0.42	-7.12	-8.60	-7.53	-8.34
Sweden	1-5yr	0.53	-1.74	0.93	-0.01	-0.05	-4.11	2.40	3.16
	5-10yr	1.41	-0.88	2.29	1.34	-1.26	-5.26	1.61	2.36
Australia	1-5yr	0.23	1.71	1.94	1.67	0.30	-2.12	2.86	2.90
	5-10yr	-0.58	0.89	2.97	2.69	-1.39	-3.77	0.90	0.94
	20+yr	-4.20	-2.79	3.47	3.19	-9.68	-11.86	-6.45	-6.41
New Zealand	5-10yr	2.33	2.53	5.56	4.41	1.94	-0.96	4.54	4.32
Canada	20+yr	0.71	-0.45	0.65	-0.46	-3.33	-6.37	-2.33	-5.19

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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		

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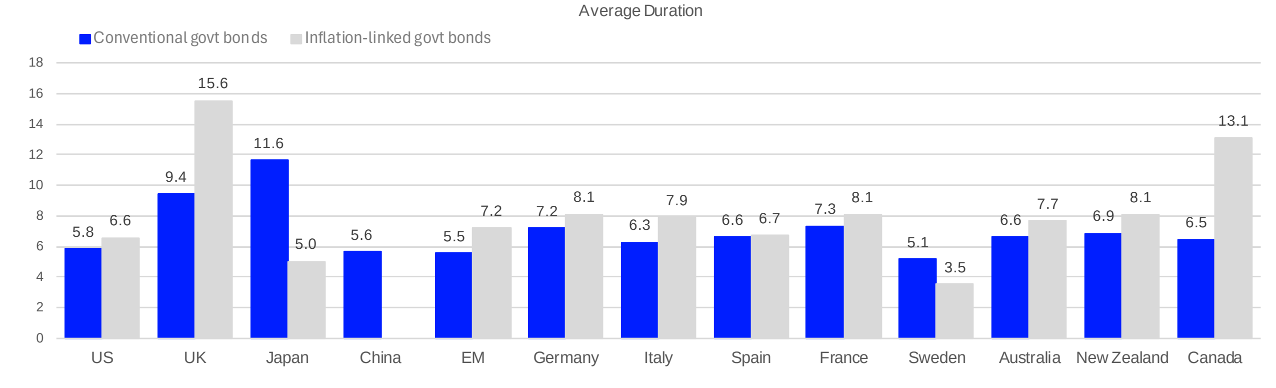
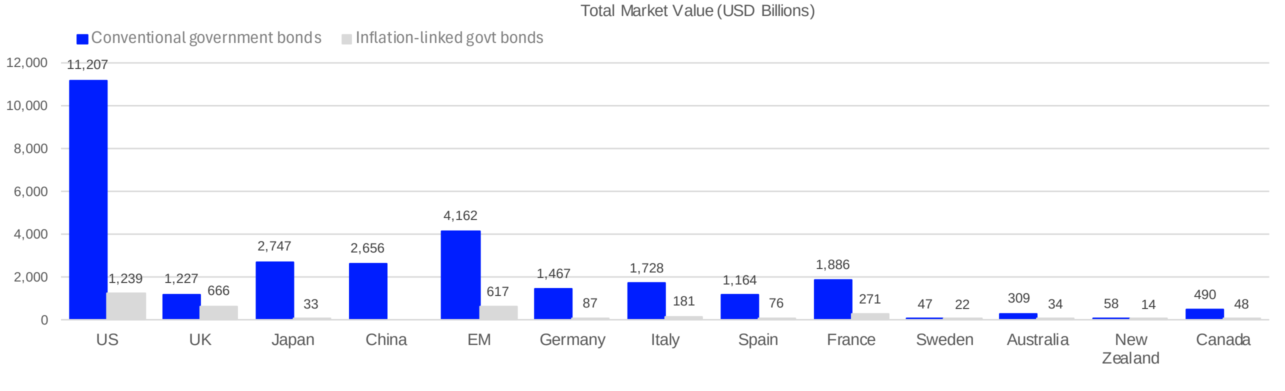
Appendix – Duration and Market Value (USD, Bn) as of May 31, 2024

	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**

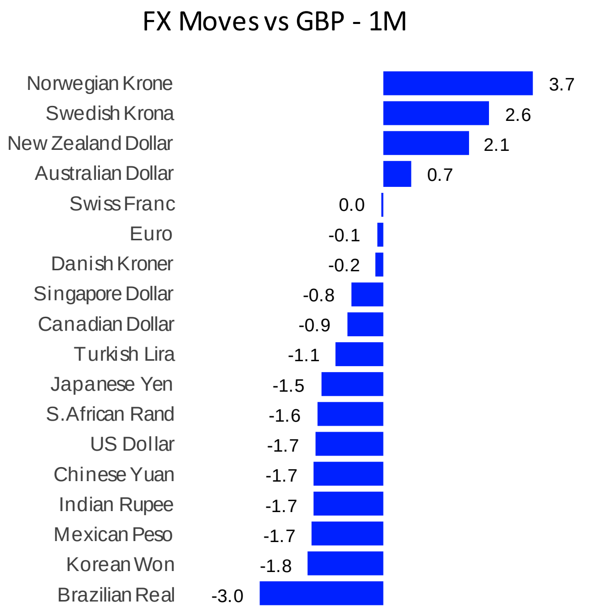
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.4	8.2	7.1	6.5	6.9	71.0	439.1	2738.1	3471.2	6719.4	3.8	1051.2
Europe	5.3	4.8	4.6	4.2	4.4	12.2	211.6	1199.0	1538.3	2961.2		
EM		6.8	5.1	5.4	5.4		36.4	214.6	274.7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

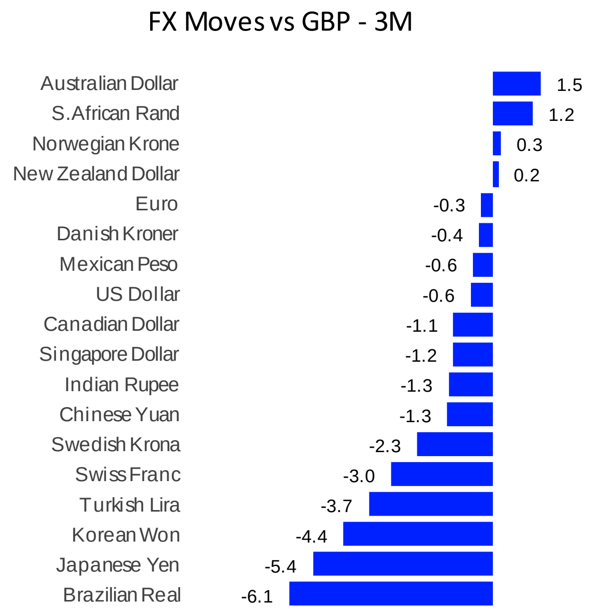


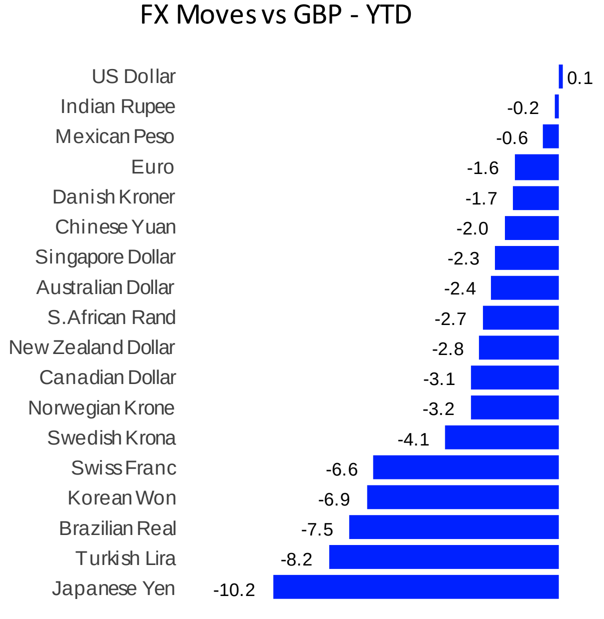


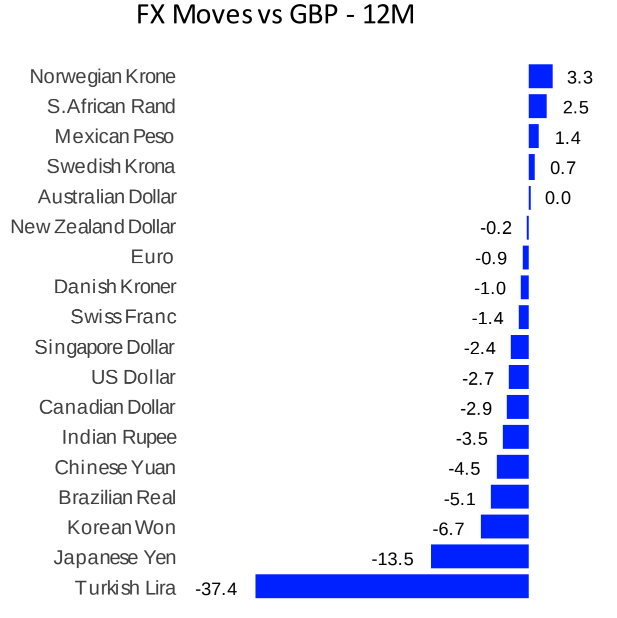
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

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









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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