Global Investment Research
Market Maps

FTSE RUSSELL
An LSEG Business

Fixed Income Insights

US EDITION

MONTHLY REPORT | **JUNE 2024**

Treasuries await Fed, but signs of slower growth?

A de-synchronised easing cycle may start in June, with the ECB signalling a likely easing move, even if the Fed is some months from easing. This looks like a long, flat, U-shaped easing cycle, suggesting trading ranges persist on government bonds. Credit is still in a sweet spot, but spreads are getting tight.

Macro and policy backdrop – Less synchronised easing cycles ahead

Weaker growth & inflation allow ECB easing. Service sector constrains Fed. (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

US 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 2022-23, 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

AUTHORS

Robin Marshall
Director, Global Investment Research
Robin.Marshall@lseg.com

Sandrine Soubeyran
Director, Global Investment Research
Sandrine.Soubeyran@lseg.com

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.

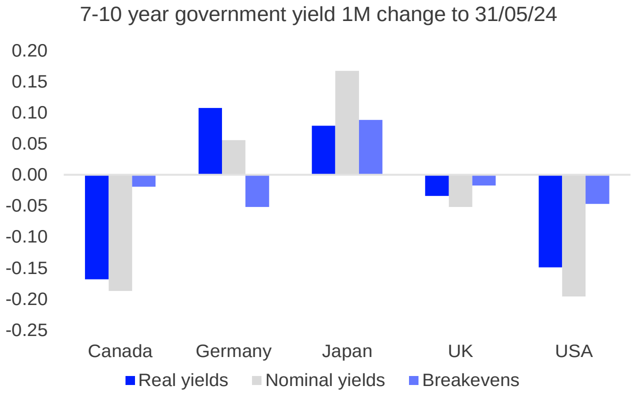
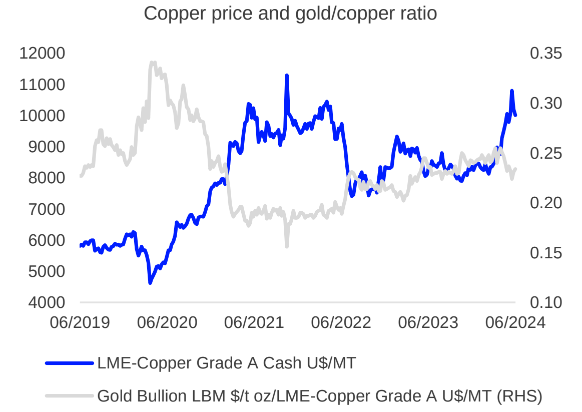


Chart 2: The copper price reversed sharply in May, possibly on fears of weaker demand as economies slow. However, prices have still surged higher in 2024, on AI-led demand for electricity and data servers.



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 US Fed. Lower European inflation and weaker growth give the ECB more room to ease policy, though the BoE must still contend with a 6% service sector inflation, and a possible change of govternment 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.

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 Q1 slowdown, consistent with very weak inflation in goods. But strong capex, and stimulative fiscal policy remain key drivers of US growth. US Q2 GDP growth is tracking at 2.6% in the Atlanta Nowcast estimate, with some evidence US consumers have become more cautious.

G7 disinflation resumed in April, after mixed data in Q1. US inflation fell to 3.4% 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 service sector inflation remains a global feature, with UK services inflation at 6% y/y. In minutes from the Fed's May FOMC meeting, there is some concern the economy may be less interest rate sensitive than previously, given the high share of fixed rate mortgages, slowing the decline in inflation. But the April inflation data reduces the risk of further tightening.

The US labour market is easing, but only gradually. Employment gains slowed from the 12 month average of 242k to 175k in April. The unemployment rate and average earnings growth y/y have converged on 3.9%, after the April report, with the participation rate stuck at 62.7%. This compares with a participation rate of 67.3% at the peak of the dot.com cycle in 2000, reflecting the ageing labour force.

Chart 4 shows standard deviations of the New York 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 demand 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. A faster easing cycle may reduce European divergence from the 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.

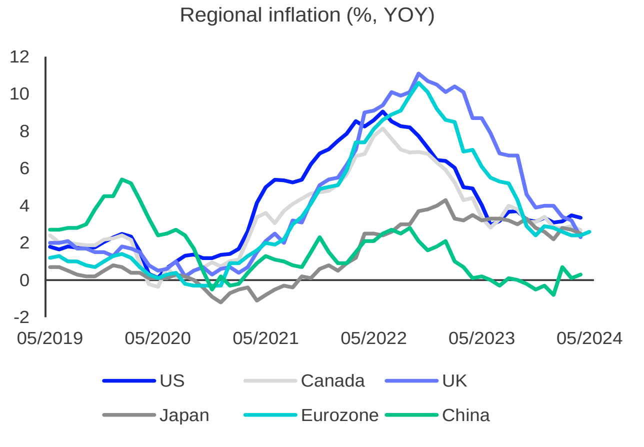


Chart 3: The US labour market is enjoying a soft landing, with employment growth still positive, and unemployment below 4%. Average hourly earnings growth also slowed, easing inflation pressures.

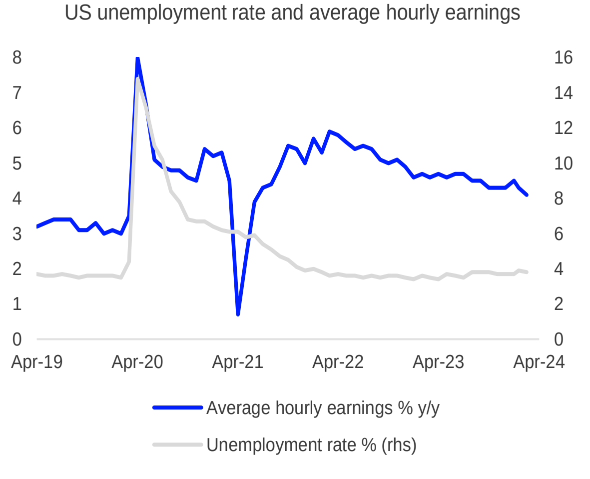
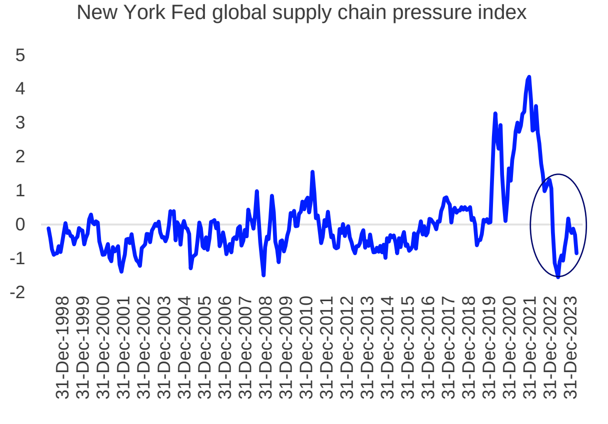


Chart 4: Global supply pressures eased further, with the NY Fed index falling again in April. Some localization in supply chains may have eased pressure on global supply chains since the Covid & Ukraine shocks.



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 a likely easing move on June 6, while the soft landing in the US, and uncertainty about the restrictiveness of policy, have combined to leave the FOMC firmly on hold. Exchange rates were more stable in May with an ECB move now fully discounted, though yen weakness persisted. The combination of increased US house prices over the last decade, and higher stock prices have driven US household net worth to new highs, underpinning US consumer expenditure growth.

Fed policy rates have remained unchanged since July 2023, but this masks a significant easing in US financial conditions since the risk rally developed, as Chart 1 shows. Declining credit spreads, the reduced cost of capital, after equity market gains, and a slightly less inverted yield curve have all contributed to the easing. Some FOMC members highlighted uncertainty about policy restrictiveness at the May meeting, and conjectured that the high share of fixed rate mortgages might have shielded consumers from the monetary tightening. These factors may delay rate cuts, given the soft landing.

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 synchronized rate cutting cycle have increased after the ECB signaled a rate cut is likely on June 6, while the US Fed signaled in May that the Fed needs more evidence of lower inflation before easing policy. A round of European rate cuts in advance of the Fed would be justified by weaker growth and lower inflation, than the US. The Bank of England prefers to make policy changes when releasing the updated Quarterly Inflation report, suggesting August is a plausible option, after a 6-3 split vote at the May meeting (see Chart 3).

Although US house prices fell back in 2022-23, they have since stabilized, and remain a long way above the levels of 10 years ago, driving owners' equity in real estate back up to the highs of 2021, as Chart 1 shows. This has helped drive US household net worth to new highs, underpinning consumer confidence and spending growth. Stock market gains have also boosted household net worth substantially, since the GFC.

Chart 1: US financial conditions have been easing since late-2023, despite unchanged Fed funds. The Fed raised the issue of uncertainty regarding the restrictiveness of policy, given the easing in conditions.

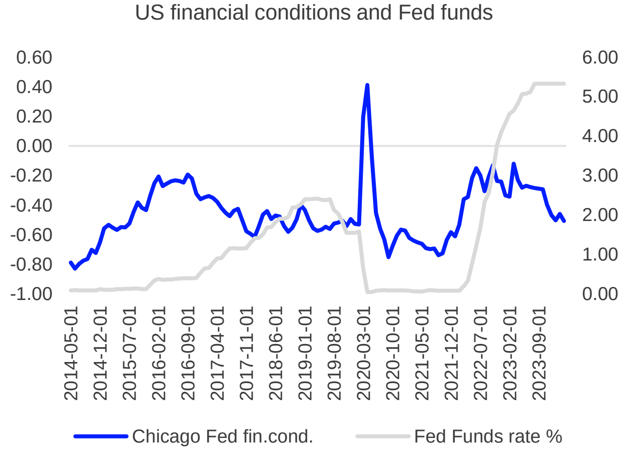


Chart 2: The weak yen remained the main FX feature in May, with other currency pairs moving in relatively narrow ranges. Markets discounted an ECB rate cut in June, but lower inflation capped US dollar gains.

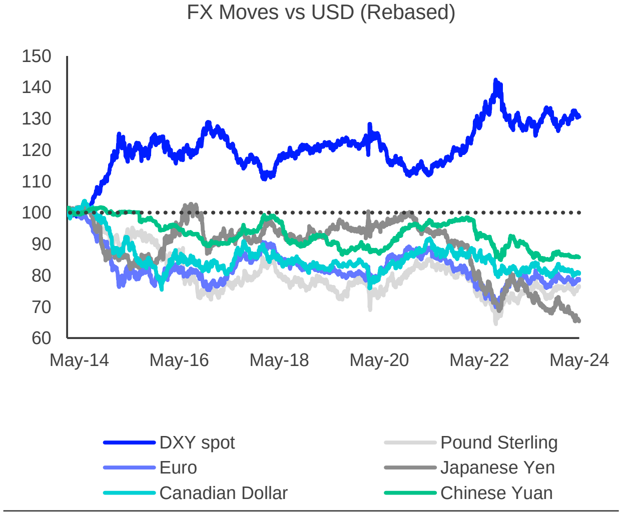


Chart 3: The ECB has signaled a rate cut is likely on June 6, breaking the deadlock on policy rates since Q3 2024. Other European rate cuts became more likely, including the UK, after the 6-3 split vote in May.

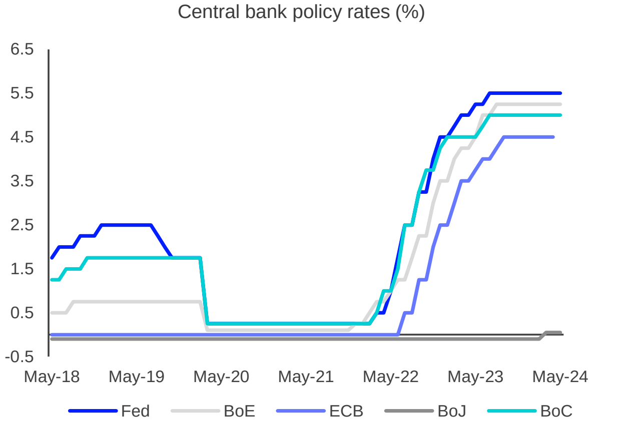
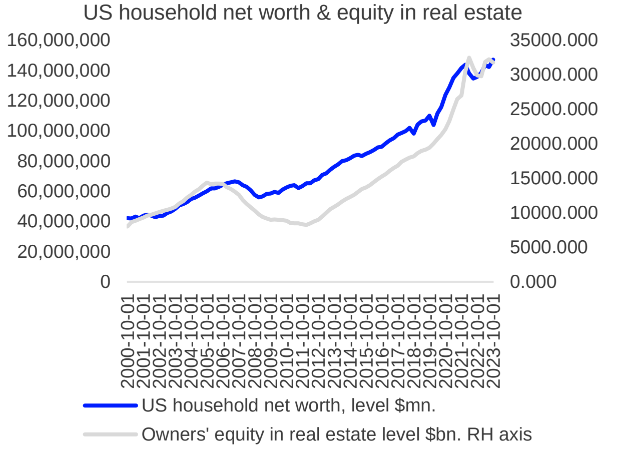


Chart 4: The increase in US house prices over the last decade has increased owners' equity in real estate, and, in turn, helped raise the level of US household net worth, as the Chart shows.



Source: FTSE Russell, LSEG and US Federal Reserve. 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 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.

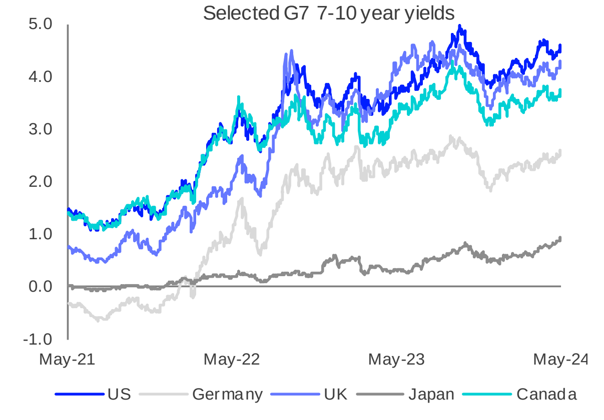


Chart 2: Real yields remained volatile with conventional bonds in May, though the moves were modest overall. JGB linkers remained in narrow ranges, despite the BoJ abandoning yield curve control.

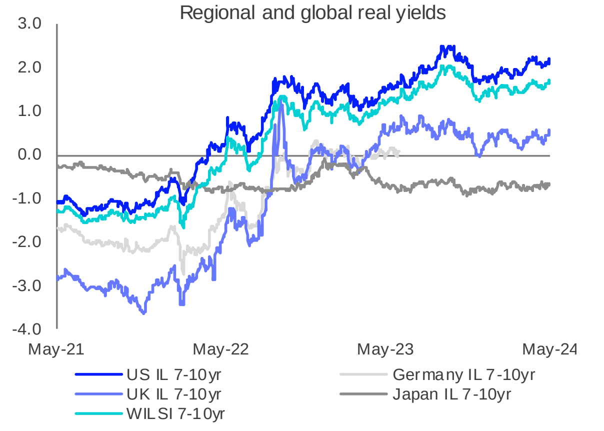


Chart 3: Yield curves inverted further, as 7-10 year bonds outperformed modestly. The JGB yield curve steepened a little, with the curve gradient edging above 50bp.

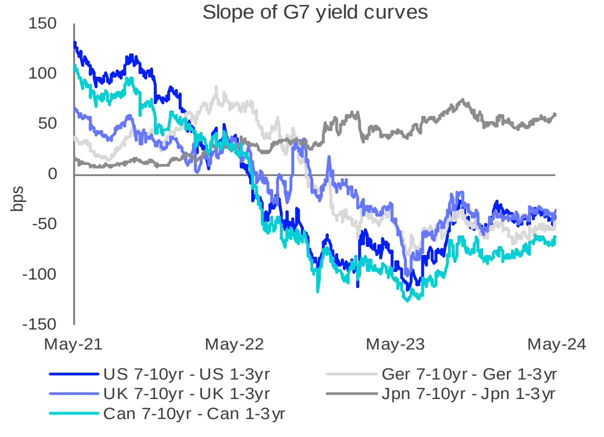


Chart 4: Curve inversion at the long end remains in Treasuries, Canada and Bunds, though the inversion is much less marked than a year ago, as expectations of easing moves in the Eurozone and Canada intensify.

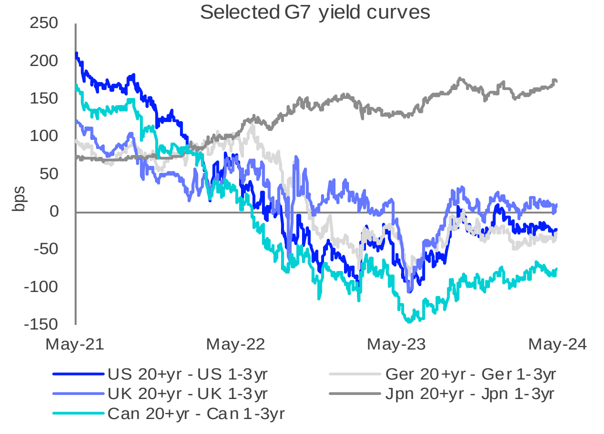


Chart 5: Inflation breakevens have moved a little higher in 2024, led by Japan and the UK, but generally remain stable near 2% inflation target levels (apart from the UK, where they are based on the RPI, not CPI).

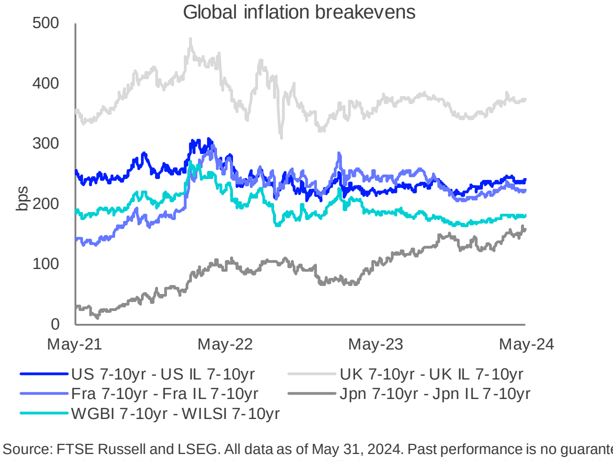
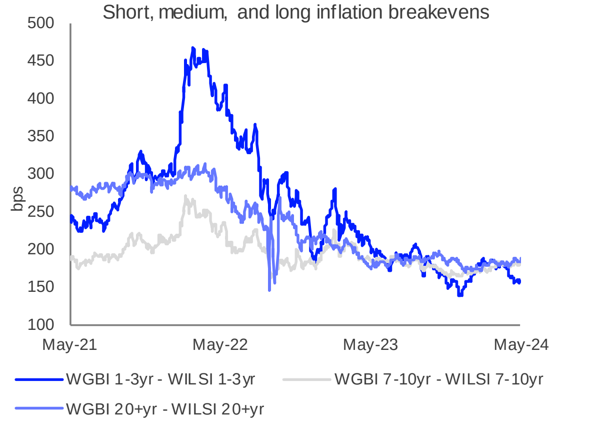


Chart 6: Globally, short breakevens have unwound the Ukraine spike in 2022, and converged with medium and long dated breakevens around the 2% level.



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.

Yield Spread and Credit Spread Analysis

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

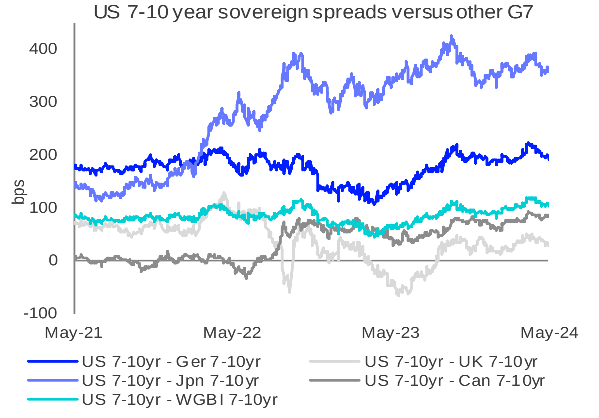


Chart 2: BTP spreads remain closely correlated to the risk rally in equities, and are at, or below pre-Covid levels versus all major markets, apart from Japan. The ECB's TPI may have helped spreads converge.

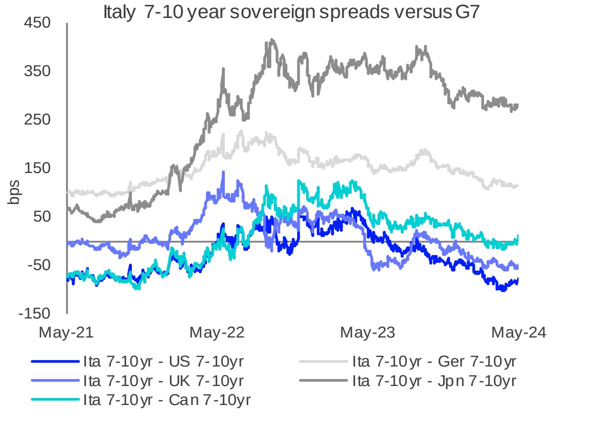


Chart 3: EM sovereign spreads remain near post-Covid lows, reflecting EM success in countering inflation, after early policy tightening. This is a complete reversal of the typical spread widening in Fed tightening cycles.

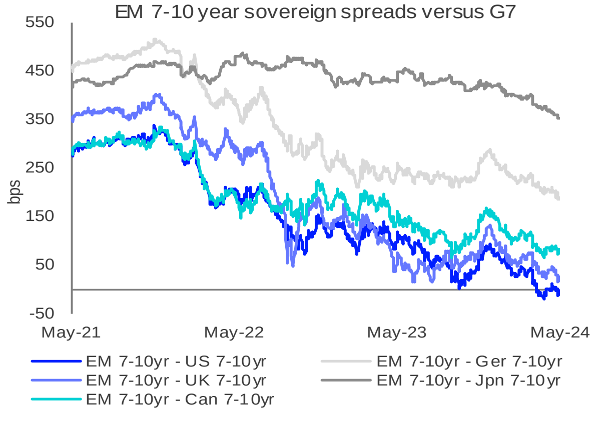


Chart 4: China's de-coupling from the G7 economic and financial cycle is found in sovereign spreads, which are now negative versus all major markets, excluding Japan. Spreads versus Japan continue to fall also.

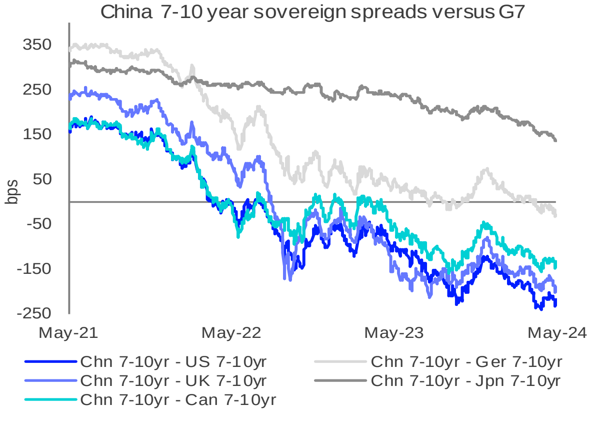


Chart 5: Convergence in high yield spreads stalled in May, though mainly tracked movements in govt yields. US HY spreads are below pre-Covid levels, though still slightly above in Eurozone HY spreads.

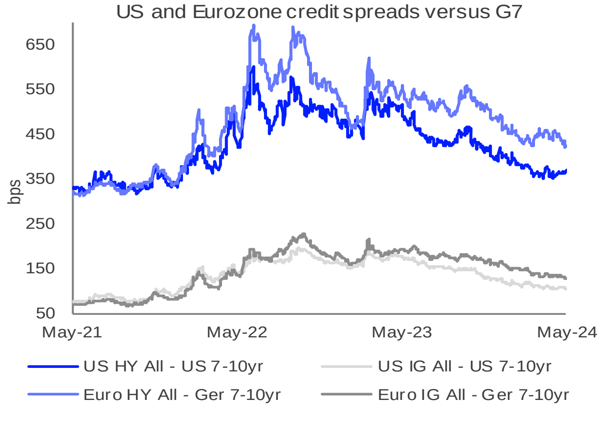
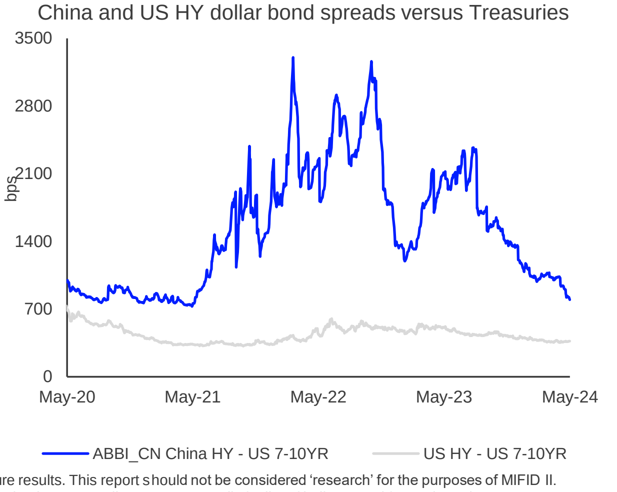


Chart 6: Chinese $ high yield spreads fell further in May, and have now returned to 2021 levels, helped by a series of property support measures, with property issues making up 28% of the overall index.



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.

Investment Grade Credit and RMBS analysis

Chart 1: Longer maturity IG spreads have tightened most since pre-Covid, and are now below pre-Covid levels, despite weaker covenants in many issues. Short dated spreads have fallen notably less.

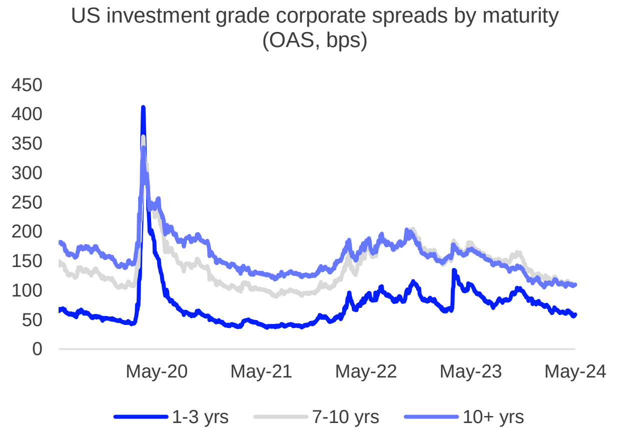


Chart 2: Sector spreads in IG credit show general convergence, with the weaker sectors now recovering after the Covid and Ukraine shocks. Energy spreads have tightened the most since Covid Lockdowns.

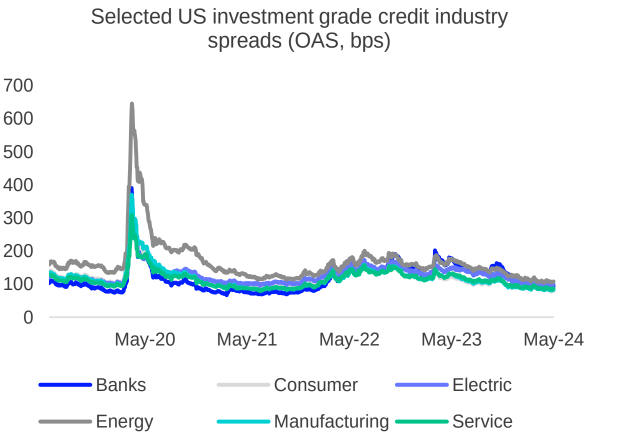


Chart 3: IG credit duration has fallen in the transition to higher yields, but not as sharply as HY credits (see Chart on page 7). Bank sector duration has fallen less than other sectors.

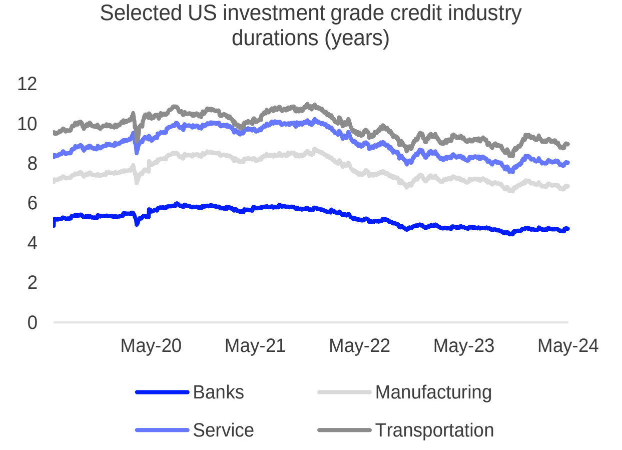


Chart 4: The tortoise overtakes the hare? Short dated IG credits now show better returns than longer duration credits, since 2019, and with much lower volatility. Long-dated credits show the weakest returns.

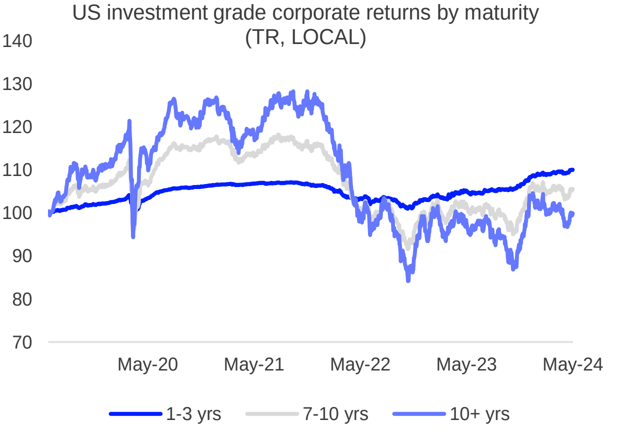


Chart 5: IG credit spreads are now at their lowest levels relative to RMBS spreads in the last 10 years, as the Fed's RMBS run-offs and negative convexity have adversely affected agency RMBS valuations.

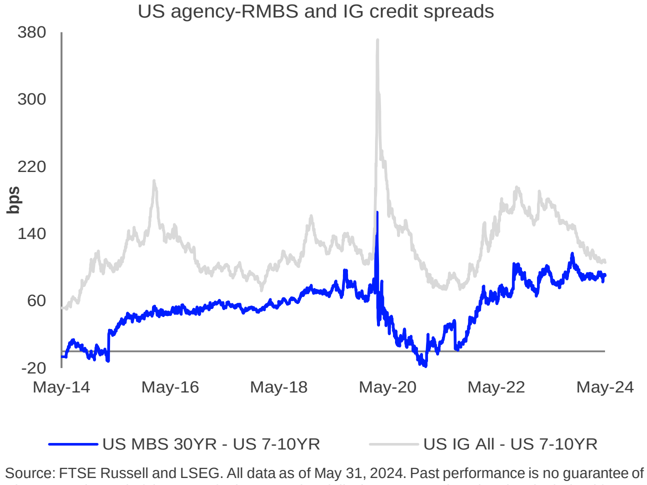
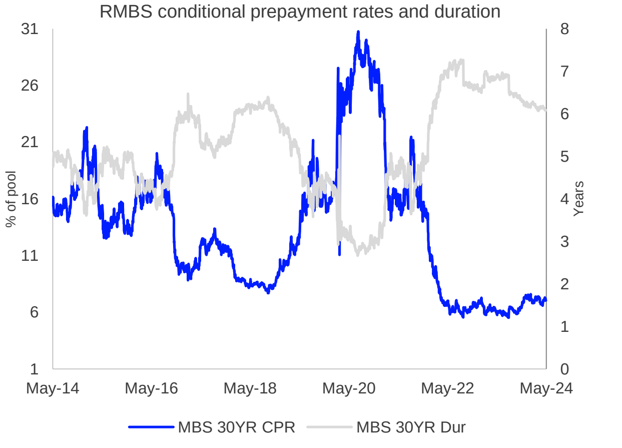


Chart 6: Freddie Mac's recent application to enter the secondary mortgage market with home equity loans reflects a primary market freeze, with refis near 10 yr lows, due to current mortgage rates well above fixed coupons.



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.

High Yield Credit Analysis

Chart 1: Transportation remains the strongest US HY sector performer, and gas has normalized, after the Covid collapse. Banks continue to benefit from higher rates, despite the inverted yield curve.

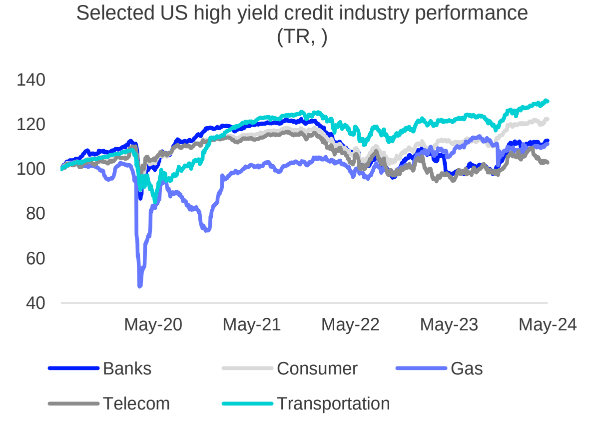


Chart 2: Bank credits have been even stronger performers in the Eurozone than the US, and have withstood the impact of inverted yield curves with some aplomb, helped by enforced higher capital buffers.

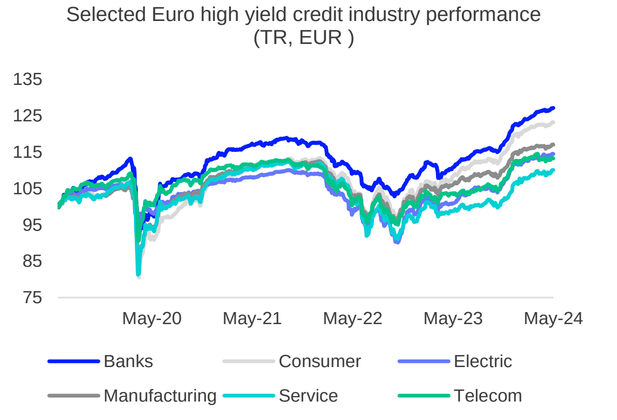


Chart 3: Single B outperformed both BB and CCC credits since Covid, risk-adjusted, though CCC has rallied strongly since the initial Covid and Ukraine shocks. BB credits have been less volatile than B or CCC.

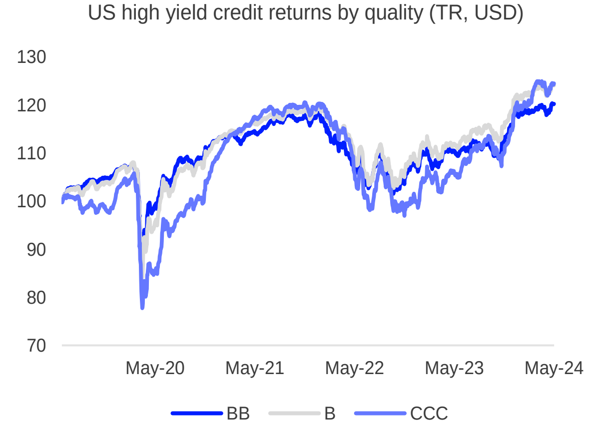


Chart 4: There is recent evidence of CCC spreads widening relative to higher quality credits, like BB, as default rates creep higher. This may be a valuation effect as CCC spreads remain well below 2022 levels.

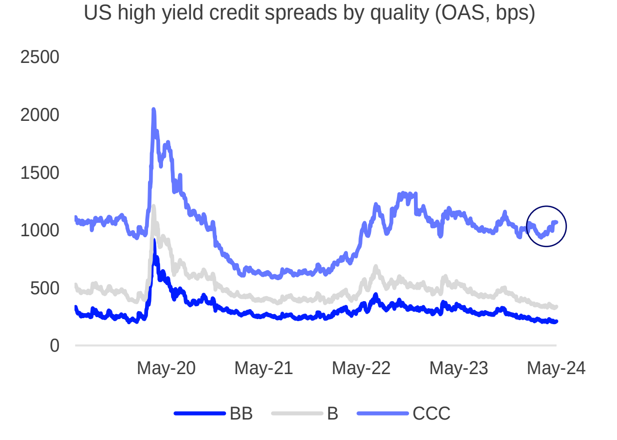


Chart 5: Observed HY duration fell sharply across different credit quality buckets, as govt yields rose, but HY credit did not always follow. This reflects different drivers for HY, where growth and default expectations are often key.

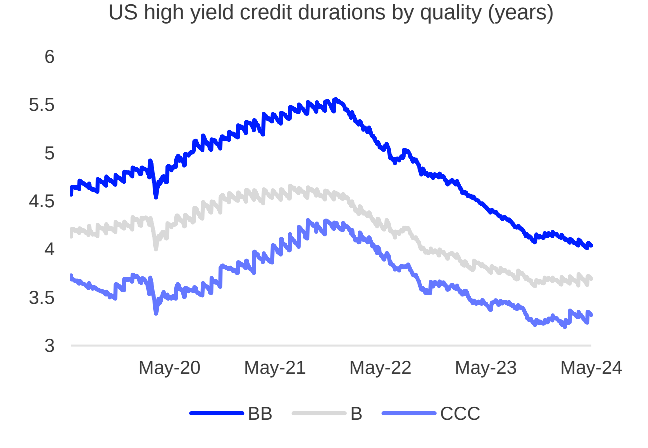
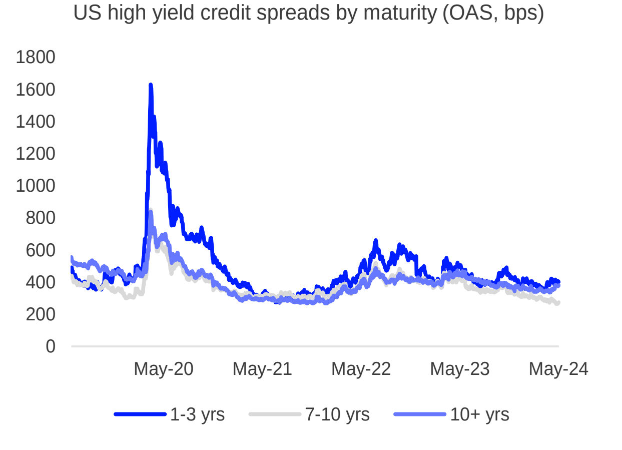


Chart 6: Credit spreads returned to pre-Covid levels in HY, reflecting strong relative performance, versus IG. Short spreads are more volatile, in line with the greater yield sensitivity to price changes in shorter bonds.



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.

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.

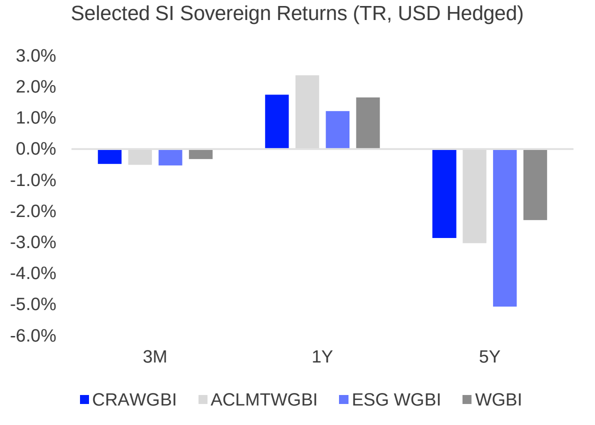


Chart 2: All three Sovereign SI indices underperformed vs WGBI over 5 years. But this trend reversed for the climate-adjusted indices, which benefited from a strong USD hedged performance of Euro sovereigns, which are overweight.

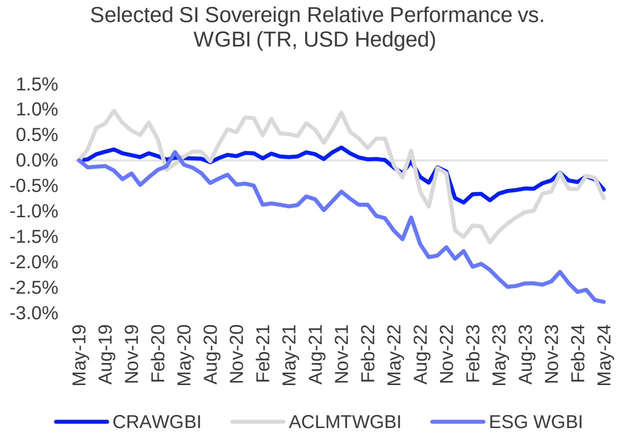


Chart 3: While the ESG WGBI has a small US overweight, climate indices are underweight, in favour of European sovereigns. This should remain a key determinant of relative performance going forward.

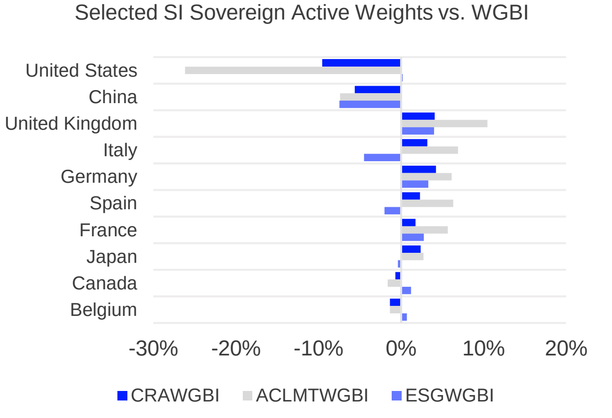


Chart 4: Relative to WGBI, the ESG WGBI have a higher credit quality, implying more developed and lower risk sovereigns will likely have higher ESG scores than their less developed counterparts.

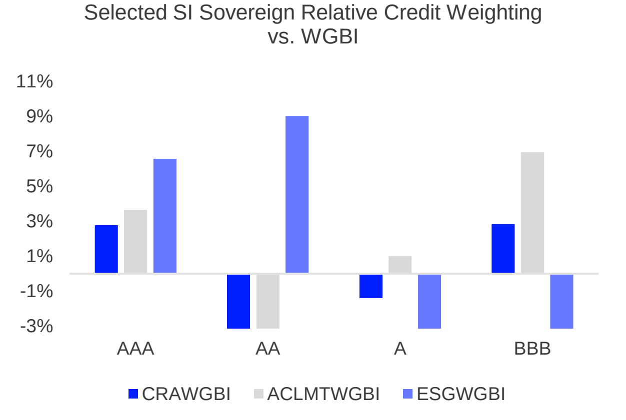


Chart 5: SI yields have risen vs WGBI in the last two years, with ESG WGBI yields now above WGBI. An overweight in Europe drove the combination of underperformance and falling relative yields in SI in 2022.

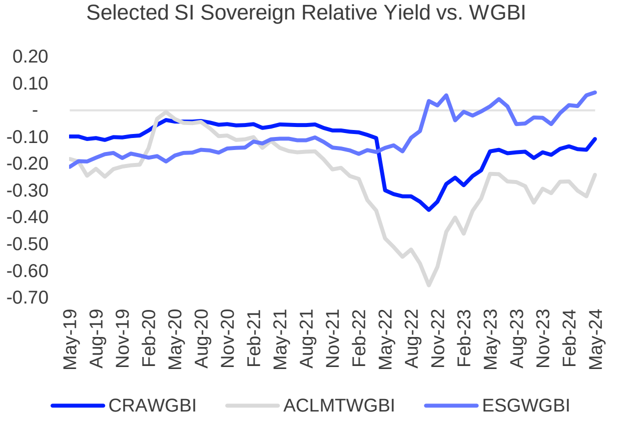
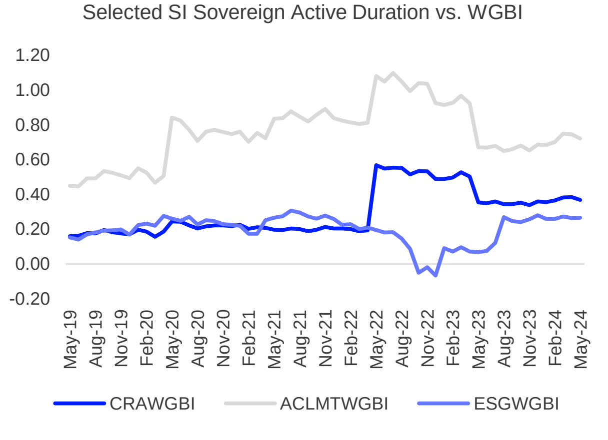


Chart 6: Except for negative active duration for the ESG WGBI in 2022, SI indices have shown positive active duration. Climate-adjusted indices show higher volatility in duration due to complex emissions-based re-weightings.



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.

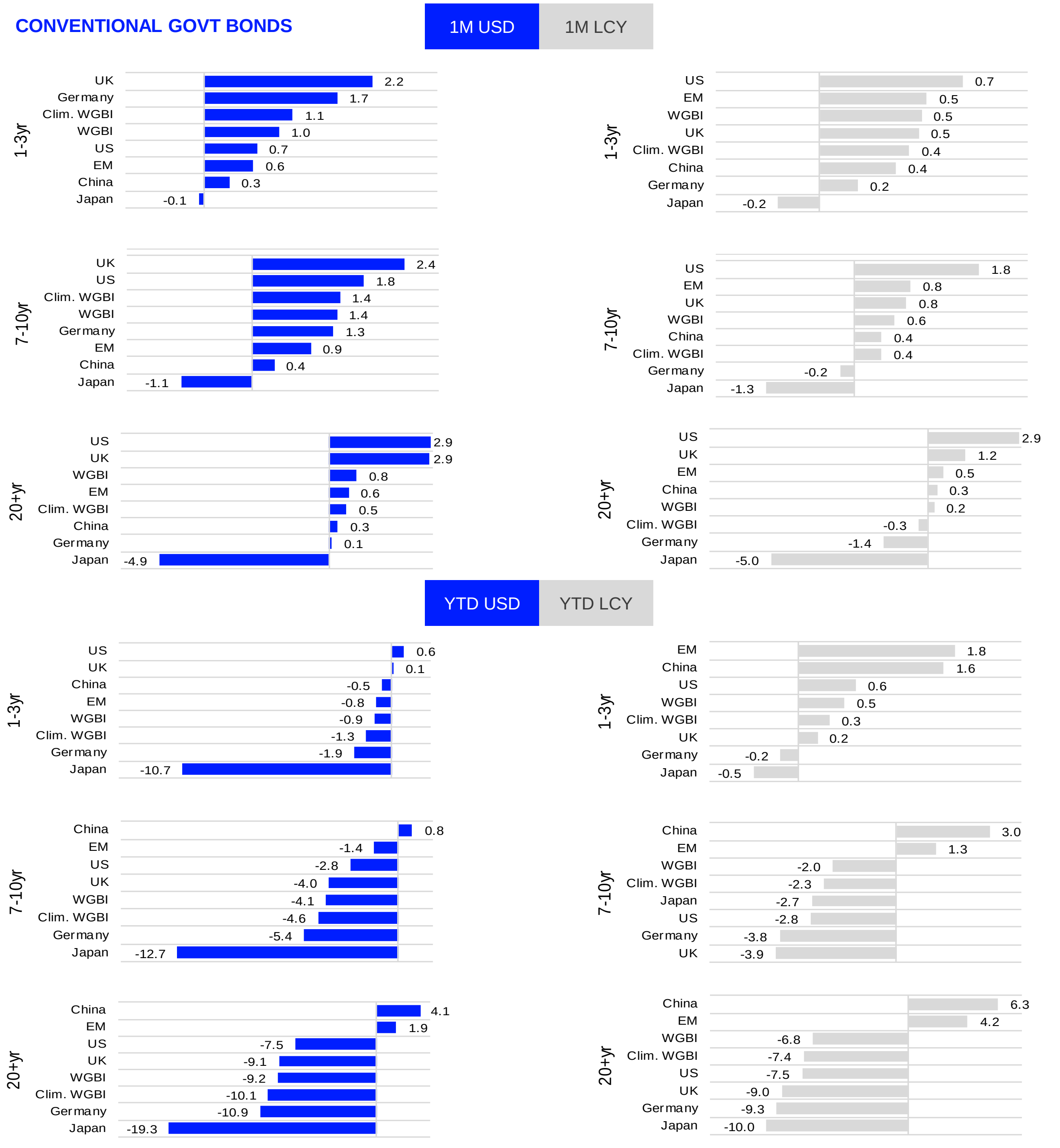
Global Sovereign Bond Returns – 1M and YTD % (USD & LC, TR)

Improved inflation data helped government bonds stabilize in May, led by gilts and US Treasuries. Gilt returns were boosted, in US dollar terms, by sterling gains. The yen stabilized but longer JGBs lost nearly 5%, with curve control gone. YTD returns show long end losses of 8-19%, in dollars, but China and EM proved safe havens, gaining 2-4%.

Improving prospects for an ECB rate cut in June, and even a UK move in August, helped Bunds and 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 at the May FOMC, earlier in the month, and will require more evidence of sustained lower inflation.

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.



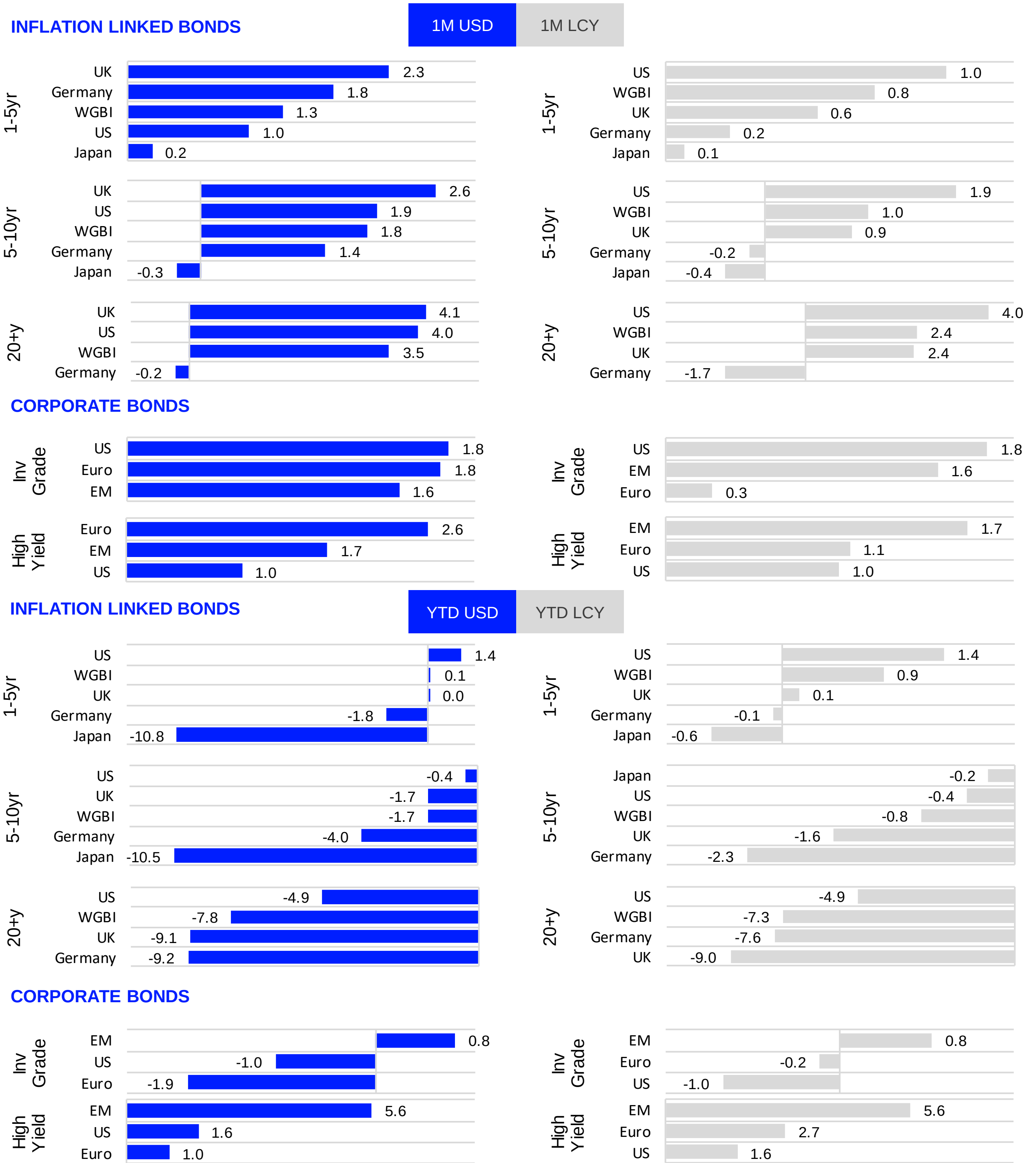
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

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

Linkers outperformed conventionals in May, with long duration UK and US linkers strongest in dollar terms, dragging the long WILSI 4% higher. IG credit rallied in May, helped by the rally in Treasuries and Bunds, but HY outperformed YTD.

Most linkers recovered a little May, as G7 easing prospects improved with better inflation data for April. Credit also rallied further, reversing April losses, led by IG financials and utilities, though HY also gained 1-3%, as equities reversed April losses.

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



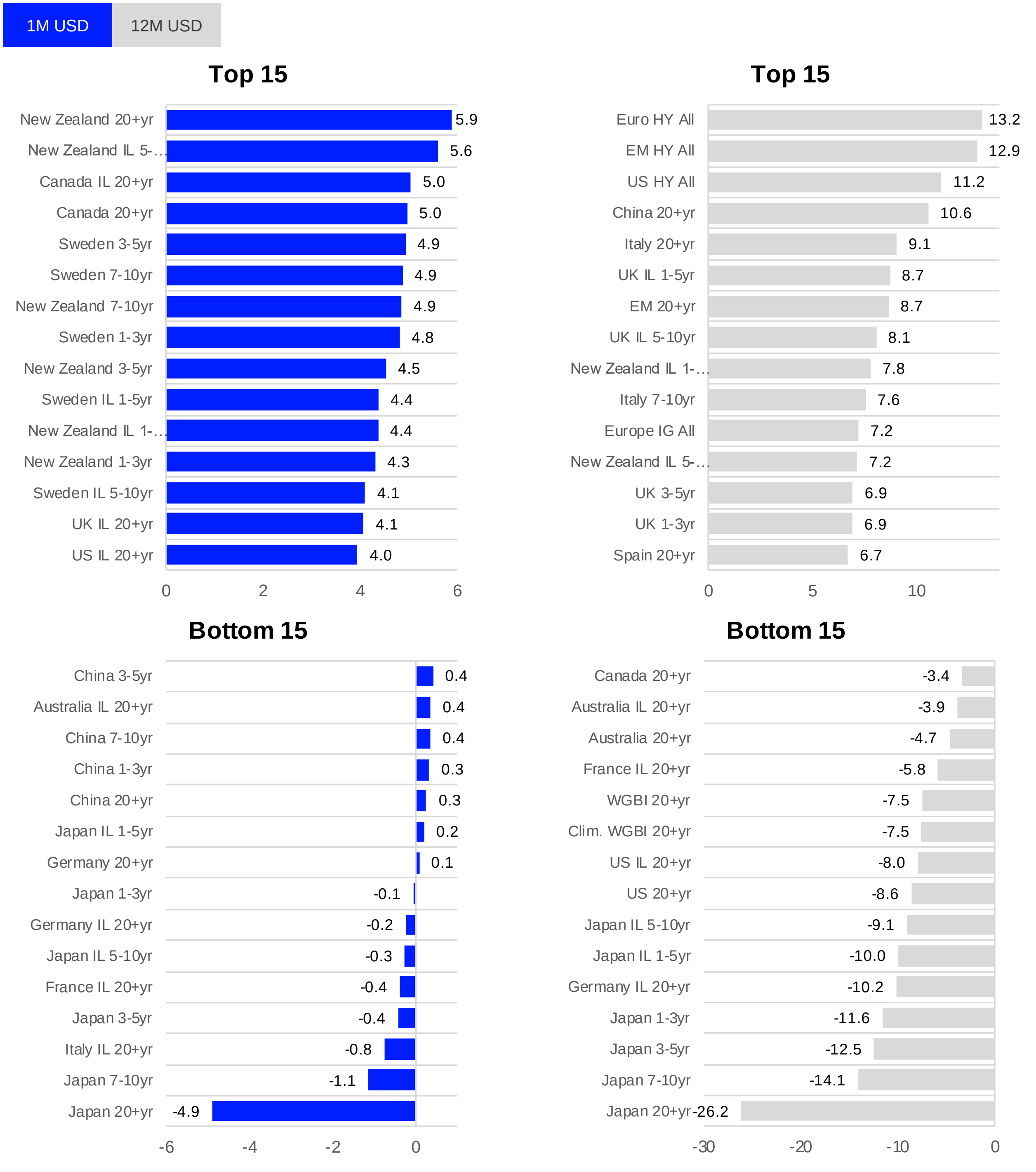
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

Top and Bottom Bond Returns − 1M & 12M % (USD, TR)

Longer duration bonds clawed back some losses in May, after the weak performance from January to April, led by NZ and Canada, where currency gains also boosted returns in dollar terms. A BoC rate cut became a more serious prospect with inflation approaching 2% target levels, and growth weak. JGBs led the one month & 12 month 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%.

HY credit dominates Top 15 12M returns, gaining 11-13% in dollars, followed by long China and EM bonds. Biggest losses came in JGBs, of 10% in shorts and up to 26% in longs, after a perfect storm of curve control ending, and yen weakness.



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 % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-3yr	0.69	0.69	1.79	1.79	0.64	0.64	3.43	3.43
	7-10yr	-0.61	-0.61	1.12	1.12	-2.76	-2.76	-2.18	-2.18
	20+yr	-2.85	-2.85	0.86	0.86	-7.52	-7.52	-8.63	-8.63
	IG All	0.51	0.51	3.24	3.24	-1.01	-1.01	4.51	4.51
	HY All	1.33	1.33	5.25	5.25	1.64	1.64	11.21	11.21
UK	1-3yr	0.65	1.31	1.68	2.26	0.21	0.08	4.09	6.93
	7-10yr	-0.34	0.31	1.21	1.79	-3.87	-3.99	3.42	6.24
	20+yr	-2.28	-1.65	0.86	1.44	-8.95	-9.07	0.31	3.05
Euro	IG All	0.66	0.98	2.58	2.06	-0.17	-1.90	5.30	7.22
	HY All	1.48	1.81	5.85	5.31	2.75	0.98	11.16	13.19
Japan	1-3yr	-0.30	-5.04	-0.50	-6.39	-0.51	-10.74	-0.60	-11.63
	7-10yr	-2.32	-6.97	-2.20	-8.00	-2.73	-12.74	-3.42	-14.14
	20+yr	-9.01	-13.34	-9.24	-14.61	-10.03	-19.29	-16.97	-26.18
China	1-3yr	0.93	0.22	2.18	0.58	1.63	-0.50	2.98	1.00
	7-10yr	1.05	0.34	3.96	2.33	2.98	0.82	5.72	3.68
	20+yr	-0.15	-0.85	8.95	7.25	6.32	4.09	12.76	10.59
EM	1-3yr	0.96	0.19	2.43	0.70	1.75	-0.79	4.00	2.35
	7-10yr	0.26	-0.52	3.10	1.45	1.27	-1.37	4.59	2.75
	20+yr	-0.48	-0.97	6.68	5.35	4.20	1.87	9.94	8.66
	IG All	0.94	0.94	4.22	4.22	0.79	0.79	5.24	5.24
	HY All	2.76	2.76	8.32	8.32	5.62	5.62	12.92	12.92
Germany	1-3yr	0.36	0.68	0.74	0.23	-0.20	-1.92	1.72	3.58
	7-10yr	-1.25	-0.93	-0.46	-0.97	-3.76	-5.42	-0.49	1.33
	20+yr	-4.20	-3.90	-0.77	-1.27	-9.30	-10.86	-4.96	-3.22
Italy	1-3yr	0.54	0.86	1.30	0.79	0.25	-1.47	3.04	4.92
	7-10yr	0.23	0.54	3.71	3.19	-0.27	-1.99	5.63	7.56
	20+yr	-0.33	-0.01	7.15	6.61	-0.35	-2.07	7.10	9.06
Spain	1-3yr	0.50	0.82	1.26	0.75	0.23	-1.50	2.46	4.33
	7-10yr	0.10	0.42	2.55	2.03	-1.37	-3.07	3.46	5.36
	20+yr	-0.45	-0.14	5.61	5.07	-2.87	-4.54	4.80	6.71
France	1-3yr	0.28	0.60	0.83	0.32	-0.35	-2.07	1.86	3.72
	7-10yr	-1.01	-0.70	0.52	0.01	-3.22	-4.89	0.75	2.59
	20+yr	-3.20	-2.89	1.94	1.43	-7.38	-8.98	-0.80	1.01
Sweden	1-3yr	0.73	-0.90	1.51	1.14	0.27	-3.92	2.57	6.14
	7-10yr	0.58	-1.04	2.52	2.15	-2.54	-6.61	1.41	4.94
Australia	1-3yr	0.33	2.47	1.91	2.22	0.77	-1.78	2.68	5.52
	7-10yr	-0.86	1.26	2.36	2.66	-1.49	-3.99	-1.52	1.21
	20+yr	-3.49	-1.42	1.18	1.49	-6.11	-8.49	-7.26	-4.70
New Zealand	1-3yr	1.13	1.98	2.49	1.95	1.35	-1.66	4.04	6.65
	7-10yr	0.59	1.44	3.31	2.77	-1.40	-4.32	1.05	3.59
	20+yr	-0.54	0.30	3.01	2.47	-5.58	-8.38	-5.24	-2.86
Canada	1-3yr	0.96	0.45	1.85	1.31	0.98	-2.32	3.89	3.60
	7-10yr	-0.06	-0.56	1.27	0.72	-2.51	-5.70	0.05	-0.23
	20+yr	-1.60	-2.09	-0.69	-1.23	-7.53	-10.55	-3.10	-3.37

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 % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-5yr	1.35	1.35	2.68	2.68	1.39	1.39	4.19	4.19
	5-10yr	0.81	0.81	2.71	2.71	-0.41	-0.41	0.97	0.97
	20+yr	-1.65	-1.65	1.70	1.70	-4.94	-4.94	-7.95	-7.95
UK	1-5yr	1.73	2.39	2.41	2.99	0.14	0.02	5.84	8.73
	5-10yr	1.00	1.66	2.21	2.79	-1.56	-1.68	5.20	8.07
	20+yr	-1.83	-1.19	1.22	1.80	-9.00	-9.12	-2.06	0.61
Japan	1-5yr	-0.39	-5.12	-1.16	-7.01	-0.62	-10.84	1.22	-10.00
	5-10yr	-0.28	-5.03	-0.63	-6.52	-0.22	-10.49	2.27	-9.07
EM	1-5yr	1.31	-1.80	4.62	-0.04	2.88	-2.96	11.32	4.46
	5-10yr	-1.01	-2.81	1.82	-1.27	-0.72	-5.47	7.22	3.02
	20+yr	-3.28	-6.02	-0.32	-3.63	-5.24	-10.11	2.24	1.61
Germany	1-5yr	0.77	1.09	0.65	0.15	-0.08	-1.80	0.69	2.53
	5-10yr	-0.13	0.19	-0.94	-1.44	-2.31	-3.99	-1.93	-0.14
	20+yr	-3.16	-2.85	-4.99	-5.46	-7.60	-9.19	-11.82	-10.21
Italy	1-5yr	0.68	1.00	1.64	1.13	0.25	-1.48	3.47	5.36
	5-10yr	1.04	1.36	3.81	3.29	0.84	-0.90	4.75	6.66
	20+yr	-0.45	-0.13	8.30	7.75	0.65	-1.08	1.20	3.05
Spain	1-5yr	0.74	1.06	0.88	0.37	-0.14	-1.86	1.40	3.26
	5-10yr	1.07	1.39	2.20	1.69	0.08	-1.65	2.31	4.18
France	1-5yr	-0.08	0.23	0.13	-0.37	-0.94	-2.64	0.11	1.94
	5-10yr	-0.38	-0.06	-0.01	-0.51	-2.16	-3.85	-1.13	0.68
	20+yr	-3.20	-2.90	0.65	0.15	-7.12	-8.72	-7.53	-5.84
Sweden	1-5yr	0.53	-1.10	0.93	0.56	-0.05	-4.23	2.40	5.97
	5-10yr	1.41	-0.23	2.29	1.92	-1.26	-5.38	1.61	5.15
Australia	1-5yr	0.23	2.37	1.94	2.25	0.30	-2.25	2.86	5.71
	5-10yr	-0.58	1.54	2.97	3.28	-1.39	-3.89	0.90	3.69
	20+yr	-4.20	-2.15	3.47	3.78	-9.68	-11.97	-6.45	-3.86
New Zealand	5-10yr	2.33	3.20	5.56	5.01	1.94	-1.08	4.54	7.16
Canada	20+yr	0.71	0.20	0.65	0.11	-3.33	-6.49	-2.33	-2.61

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 % (USD & LC, TR) – May 31, 2024

Global Bond Yields

Top 15% | Bottom 15%

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

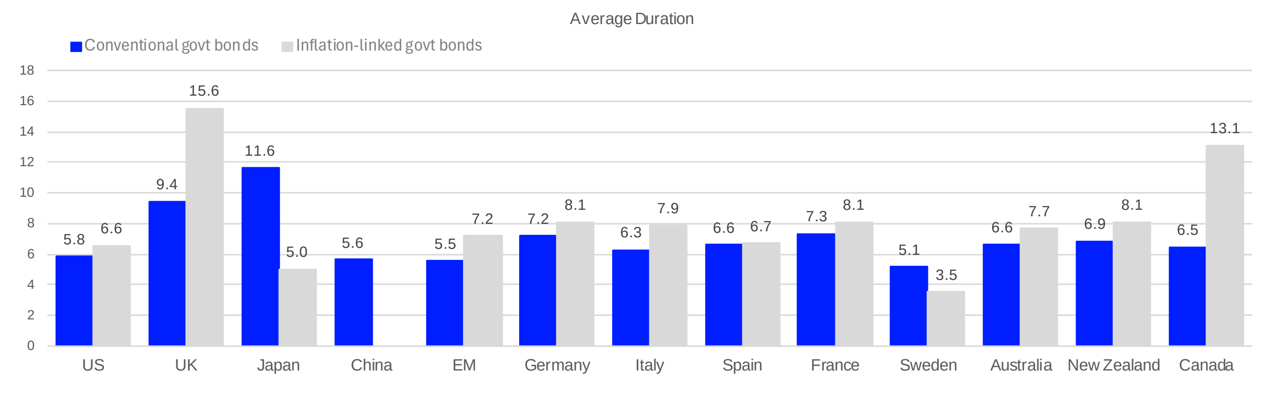
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.94	4.58	4.50	4.70	2.35	2.08	2.30	5.55	8.21
	3M Ago	4.73	4.34	4.26	4.46	1.99	1.88	2.12	5.44	8.09
	6M Ago	4.82	4.39	4.35	4.63	2.57	2.14	2.27	5.64	8.47
	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		

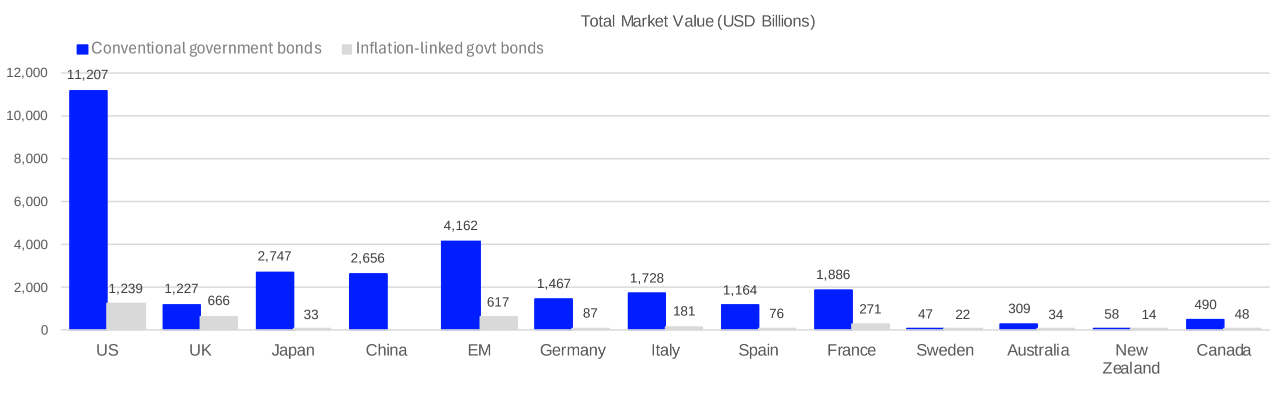
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

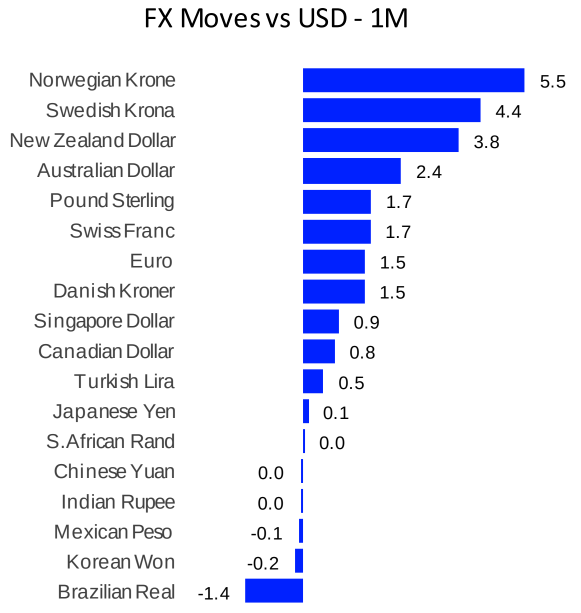
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.4	8.2	7.1	6.5	6.9	71.0	439.1	2738.1	3471.2	6719.4	3.8	1051.2
Europe	5.3	4.8	4.6	4.2	4.4	12.2	211.6	1199.0	1538.3	2961.2		
EM		6.8	5.1	5.4	5.4		36.4	214.6	274.7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

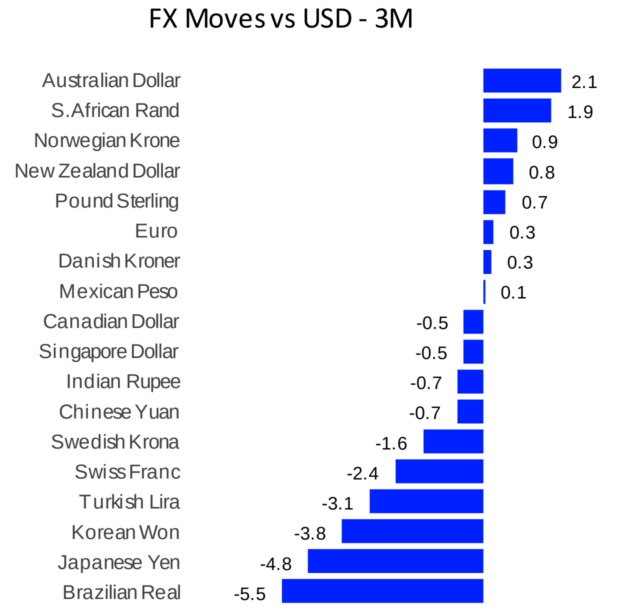


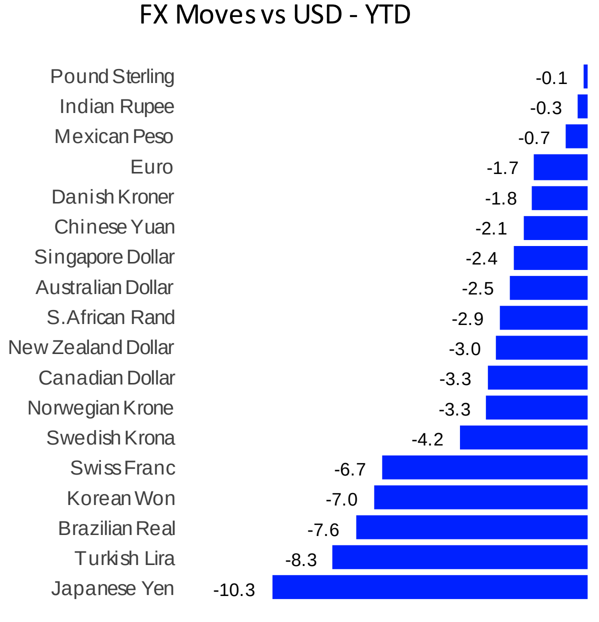


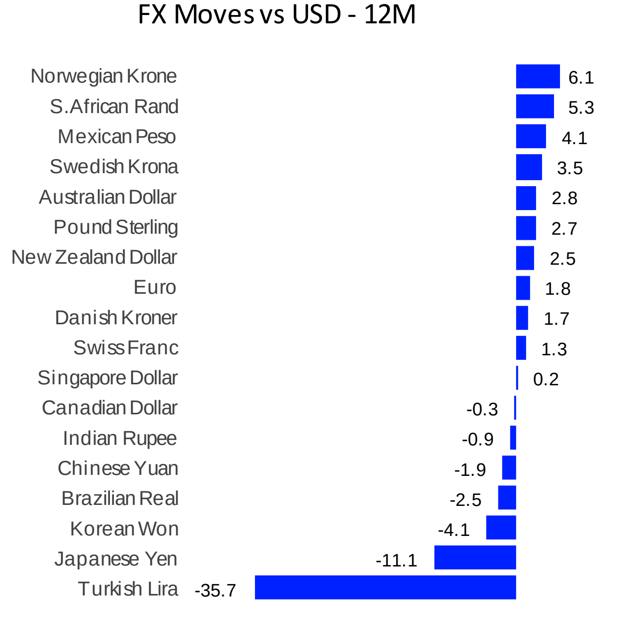
Source: FTSE Russell and LSEG. All data as of May 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income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

Source: FTSE Russell. All data as of May 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only

FTSE RUSSELL
An LSEG Business

ABOUT FTSE RUSSELL
FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.
Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.
For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

CONTACT US
To learn more, visit .lseg.com/en/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810
North America +1 877 503 6437

Asia-Pacific
Hong Kong +852 2164 3333
Tokyo +81 3 6441 1430
Sydney +61 (0) 2 7228 5659