Fixed Income Insights

MONTHLY REPORT – **MAY 2024 | GBP EDITION**

FOR PROFESSIONAL INVESTORS ONLY

Safety in shorts as negative carry and duration weigh on longer gilts

Higher US and UK yields reflect the US inflation uptick and buoyant US demand, as the Fed confirmed no policy change. Sticky UK inflation leaves the BoE in a similar bind, despite weak growth. Duration weighed on longer gilts in April but credit survived the risk rally reversal, and financials glean support from higher rates.

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Chart 1: Higher US inflation dragged yields higher in April, led by the US and UK. Breakevens also edged up. Lower inflation meant Bunds moved less.

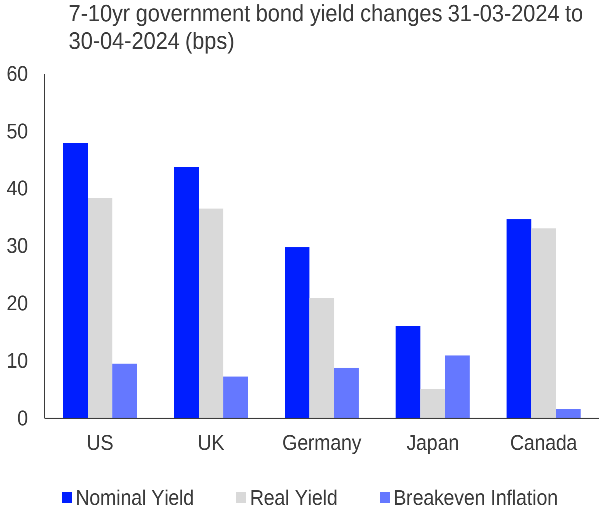
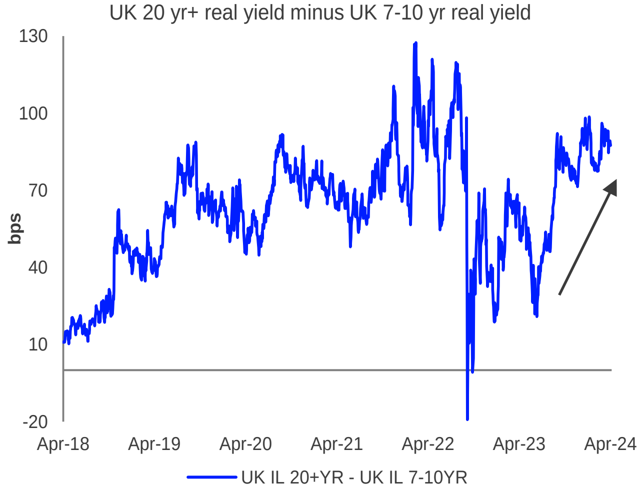


Chart 2: Trouble with the curve? Steepening in the longer dated UK inflation linked curve in 2023-24, might reflect reduced LDI demand for long linkers.



Source: FTSE Russell and Lipper. Data available as of April 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end 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

The US is a growth outlier in the G7, and consumer demand still grew at 2.5% in Q1, even if headline GDP growth slowed to 1.6%. The UK and Europe showed modest recovery signs, after near stagnation in Q4 2023. Expansionary US fiscal policy offsets higher rates and contrasts with substantial fiscal drag in the UK. March's G7 inflation data confirms the last leg of disinflation is most difficult, not least because labour markets remain near full employment.

IMF forecasts show upward revision to US growth for 2024, as easier fiscal policy, low unemployment and positive consumer wealth effects from equity market gains, offset the impact of Fed tightening. UK forecasts have barely changed, and remain below 1%, even if the UK consumer has sustained some spending growth, helped by low unemployment, but the lack of fiscal stimulus remains a constraint on demand. Further fiscal stimulus continues in China, as the authorities attempt the transition to demand-led growth

Headline inflation rates show reduced G7 dispersion (Chart 2), and underlying dynamics are similar, with far lower goods inflation than sticky services inflation. The move from 3% to 2% inflation is proving the most difficult leg of the journey for the Fed, and Bank of England, after the rapid disinflation in 2023, helped by base effects. UK services sector inflation is at 6% y/y, in line with services sector wage inflation. UK inflation is still comfortably above target at 3.2% y/y, despite favourable base effects in March.

Chart 3 shows some evidence of the UK labour market softening, with unemployment moving above 4%, and average earnings slowing to 6% y/y in the three months to February 2024. Furthermore, the latest 3M annualised increase in average earnings slowed to 4.8% (v 6% y/y). Construction wage growth slowed sharply to 3.1% in the last 3M, but service sector wage growth of 6-7% continues, in financial, manufacturing, retail, and business services. So, this mixed picture suggests unchanged UK rates.

Manufacturing PMIs have shown a modest rebound in April, after being stuck at, or below 50, consistent with stagnation or net contraction in manufacturing. Only Canada shows a meaningful rebound from the depressed winter 2023-24 levels, and that may be driven by the energy sector. Manufacturing has suffered from the post-Covid switch in demand away from goods and towards services, as economies fully re-opened. Sterling's relative strength in 2023-24 has also squeezed net exports.

Chart 1: IMF forecasts show the US is a G7 growth outlier, partly due to easier fiscal policy, and a surge in tech-led capex. European growth shows modest signs of recovery from 2023's near stagnation.

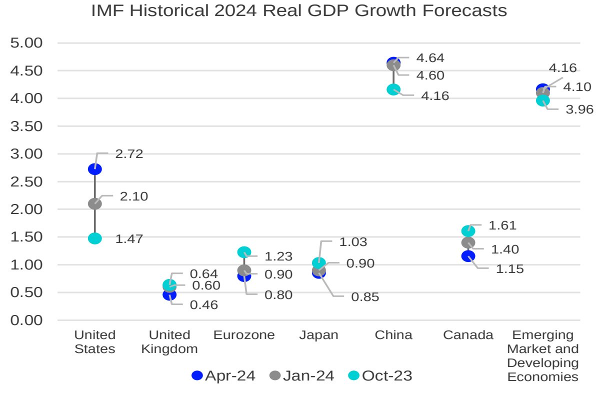


Chart 2: US inflation ticked above UK in March (3.5% v 3.2% y/y), for the first time in this cycle, due to higher US services inflation, notably housing rents & UK base effects. Parts of the Eurozone now have inflation below 2%.

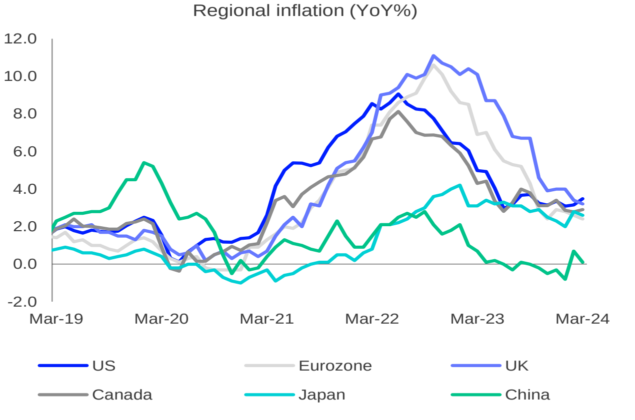


Chart 3: Latest labour market data shows UK unemployment back above 4% and wage inflation softening, though wage inflation in services remains robust, and the ONS remains cautious about the data.

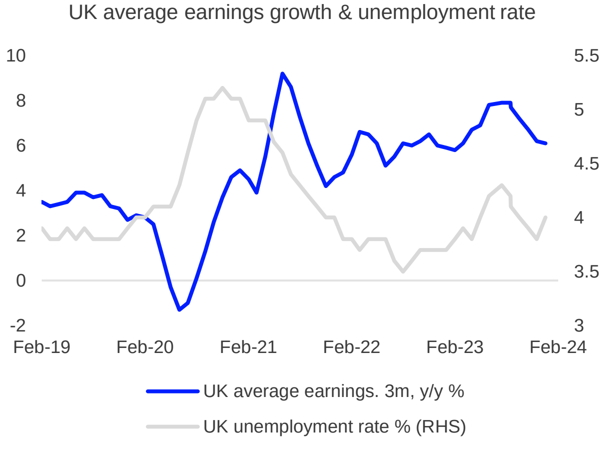
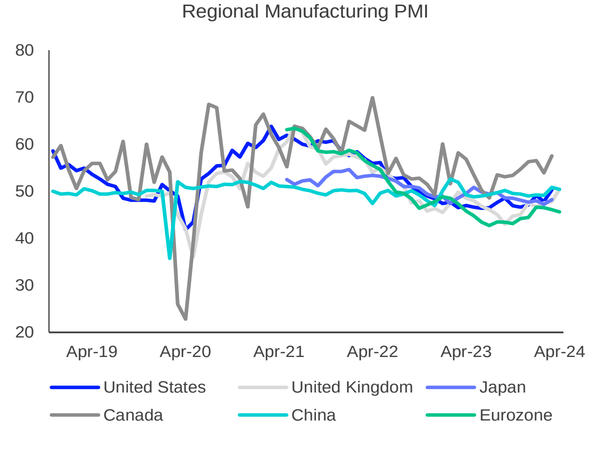


Chart 4: Regional manufacturing PMIs show modest signs of recovery, though services sectors continue to benefit most from demand switched from goods. Only Canada shows a meaningful rebound at this stage.



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Financial Conditions and Monetary Policy Settings

The recovery in capital buffers in financial systems is reducing the risk of 2009-10 type credit crunches, but UK monetary and fiscal policy settings remain restrictive, supporting sterling. Improved rate differentials also support the US dollar, and weaken the yen, with the BoJ anxious to sustain higher Japanese inflation. Lower eurozone inflation makes a June rate cut plausible, questioning the logic of further ECB QT. Similarly, stagflationary outcomes in the UK leave the BoE in a major bind.

Well capitalised global banks and financial systems are evident in Chart 1, which shows Tier 1, or loss-absorbing, capital ratios by region, under Basel 3. Financials performed well in the Q1 equity rally, and in sterling credit, helped by bigger capital buffers and higher net interest income, even with inverted curves (see Chart 1 on page 7). US regional banks did suffer from duration mis-matches in 2023, but the Fed contained systemic risk.

Exchange rate moves remain dominated by the return of the higher for longer narrative on US policy rates, and the revision higher to US short rate expectations (Chart 2), driving rates further in favour of the dollar. Sterling also drew support from high UK rates, as the yen remained weak, after only a marginal increase in BoJ short rates at end-March. The carry trade out of yen has continued to work well, with ongoing yen weakness in 2023-24.Similarly, policy easing in China pushed the RMB to 2024 lows in April.

Although UK inflation dropped sharply in the March data, to 3.2% y/y, this was due to temporary base effects and still above the BoE forecast of a temporary dip to 2% y/y in Q2. UK base rates have now been at 5.25% since August 2023, and the BoE has made clear it needs sustained evidence of inflation at the 2% target before easing rates, particularly given service sector inflation of 6% y/y.

Only the BoJ's balance sheet is not contracting, as Quantitative Tightening (QT) continues elsewhere (Chart 4). With the BoJ not committed to curve control, the balance sheet may now stabilise somewhat. There are few signs of the money market strains that occurred in 2019, during the Fed's QT programme then. An ECB rate cut would raise serious questions about suspending QT.

Chart 1: Financial systems rebuilt capital buffers since the GFC and after changes to bank regulation under Basel 3. European banks increased capital ratios most, though they exceed required levels of 8% globally.

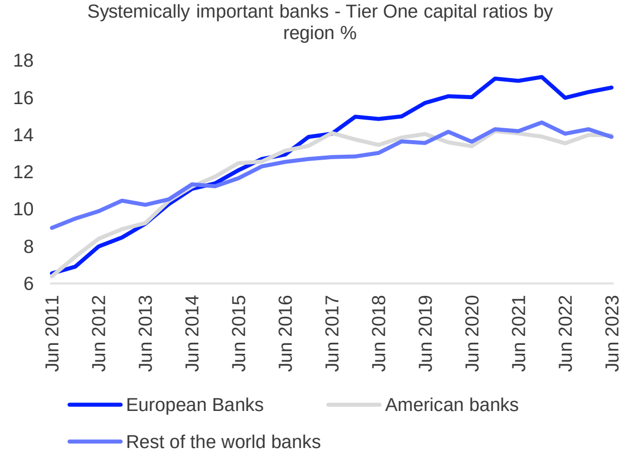


Chart 2: Interest rate differentials moved in favour of the US dollar in April helping the currency gain, particularly versus the yen. The Euro drifted lower after softer inflation data, but sterling drew support from sticky UK inflation.

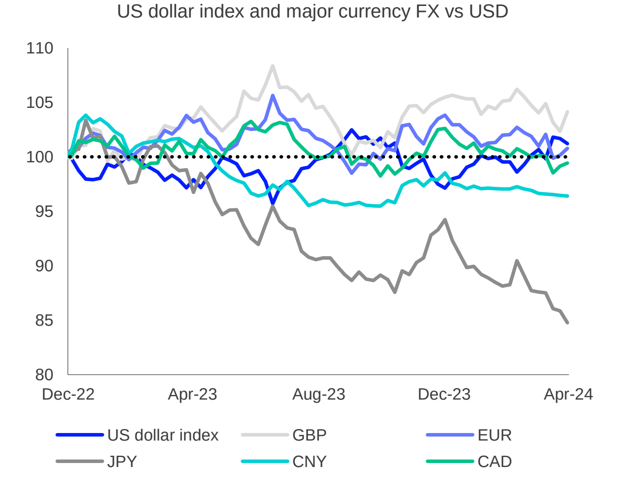


Chart 3: The BoJ made no policy changes in April, after the tiny 10bp increase in rates in March. The BoE has signalled a UK rate cut is unlikely at the May 9 meeting, while the US inflation uptick kept the Fed on hold.

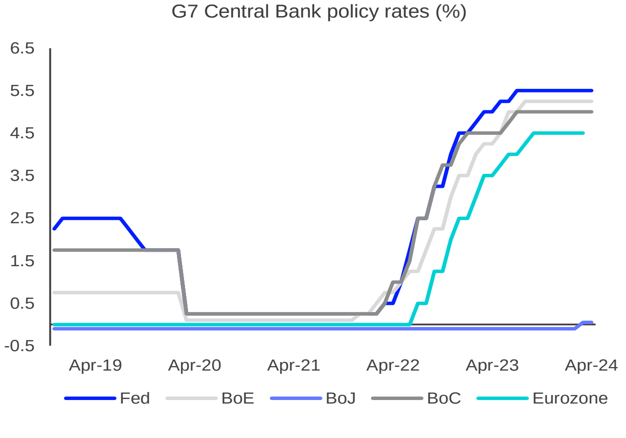
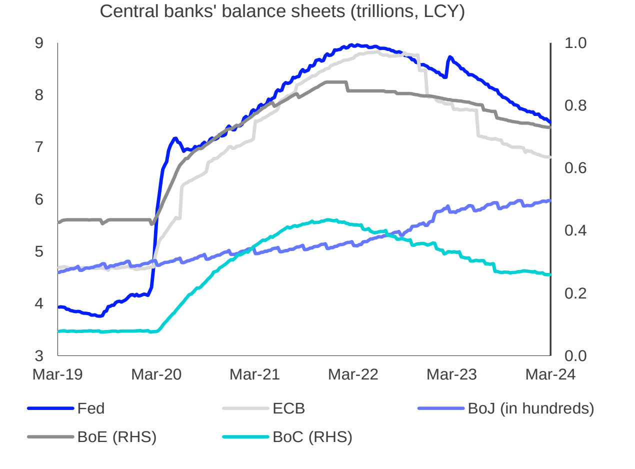


Chart 4: Central bank balance sheets contracted again in April, ex the BoJ, though the BoJ's shows signs of stabilising, after abandonment of curve control. The BoC has moved faster than others to normalize its balance sheet.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields generally backed up further in April, led by the US, after the inflation uptick in March. Better Eurozone inflation numbers restricted the rise in Bund yields. JGB yields edged higher.

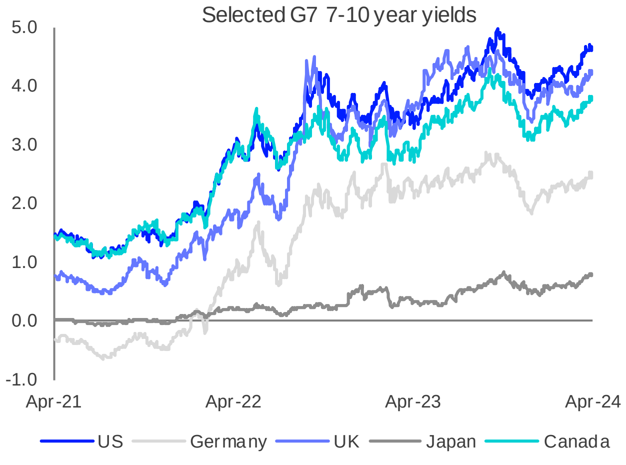


Chart 2: Real yields were led higher by US Tips in April, as real US growth remained buoyant. Real yields elsewhere moved higher, as markets adjusted rate expectations to receding prospects of early easing.

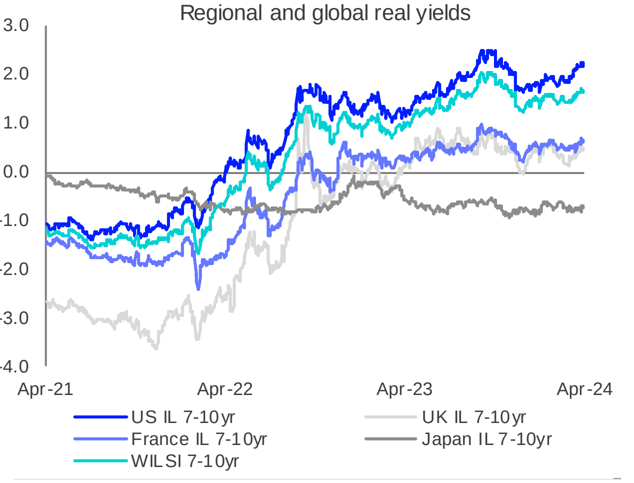


Chart 3: Yield curves dis-inverted a little further as longer dated yields backed up in April. The JGB curve reacted only modestly to the end of BoJ curve control, but the 10s/2s yield curve did steepen a little.

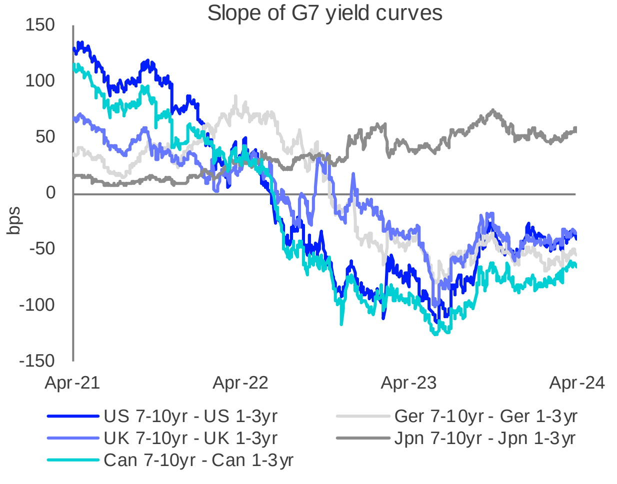


Chart 4: Long end yields backed up further, as the higher for longer narrative dominated most govt bond markets. However, better German inflation data restricted the dis-inversion of the long Bund curve.

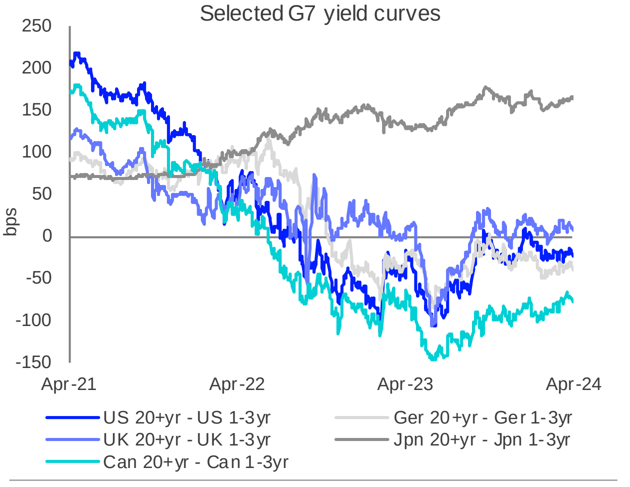


Chart 5: Inflation breakevens were driven higher in April, following the inflation uptick in March data. This was the pattern throughout the G7 and the BoJ will welcome Japanese breakevens near cycle highs.

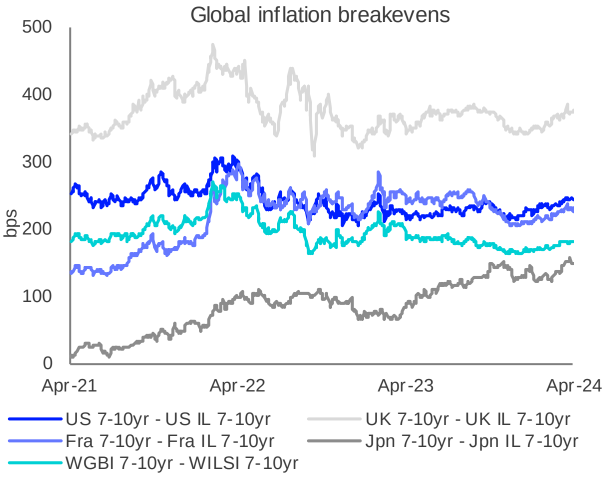
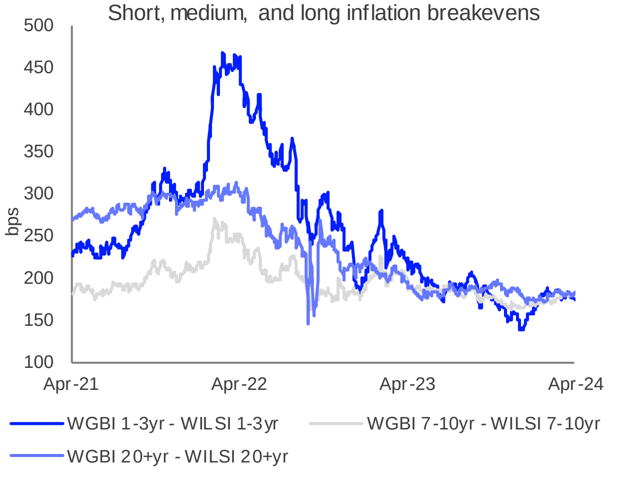


Chart 6: There is not much sign of the Q1 inflation uptick affecting global inflation breakevens, which remain stable around 2%. Short dated breakevens remain most sensitive to spot inflation rates.



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Yield Spread and Credit Spread Analysis

Chart 1: The US position as a stronger growth outlier in 2023-24 has caused US sovereign spreads in 7-10 years to trend wider, with spreads moving close to post-Covid highs versus WGBI in April.

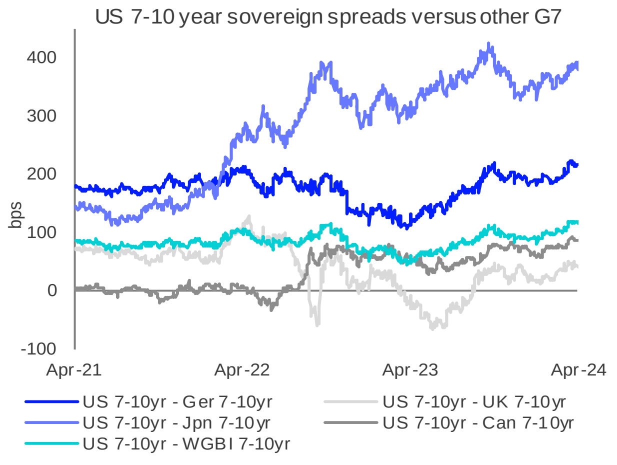


Chart 2: Italian sovereign spreads edged back out in April as the Q1 risk rally showed signs of reversing. However, the moves were modest, after the pronounced narrowing in spreads over the last 12 months.

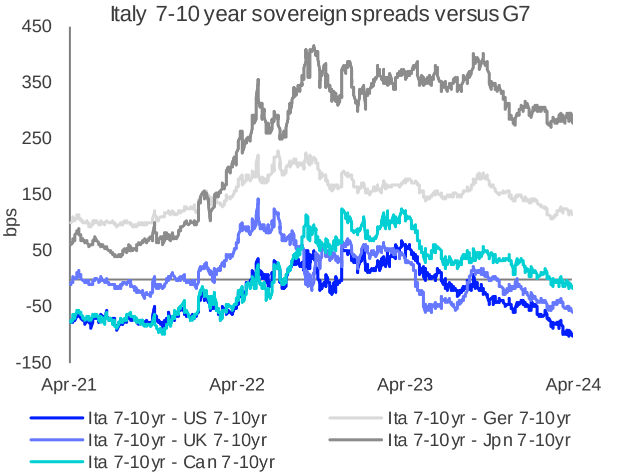


Chart 3: Helped by the decline in Chinese 7-10 year bond yields, EM 7-10 year spreads narrowed further, to new cycle lows versus the US, Germany and Japan, after the ending of curve control.

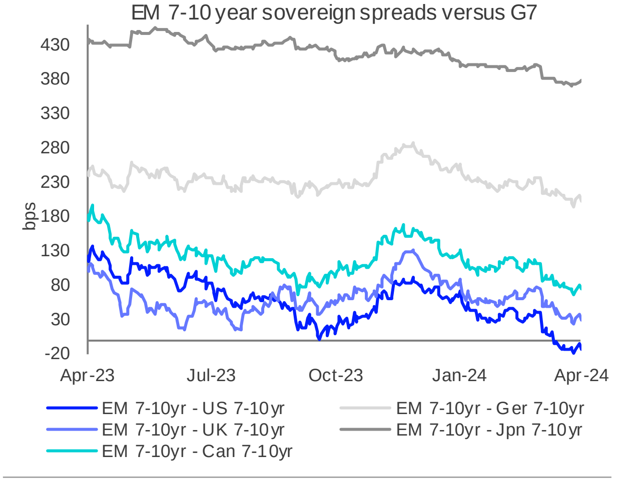


Chart 4: Chinese spreads tighter further versus the G7, partly on higher G7 yields, and partly on lower Chinese yields, as monetary easing continued. Sovereign spreads are either at, or very close to, cycle lows.

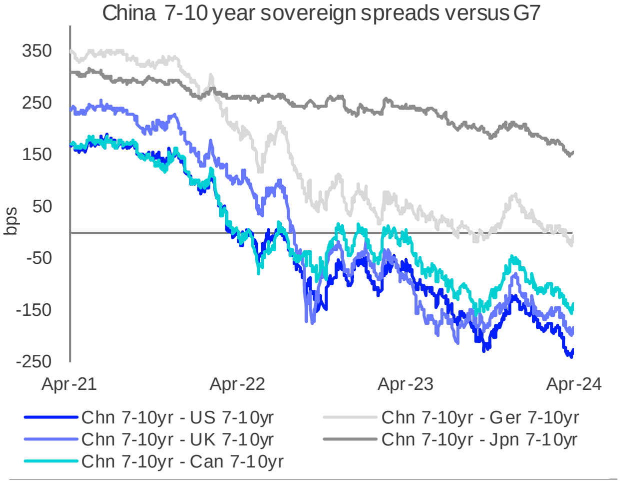


Chart 5: Credit spreads broadly went sideways in April, as the risk rally stalled. The increase in govt yields prevented a significant move in spreads. Euro HY spreads moved back out the most, after the narrowing in 2023-24.

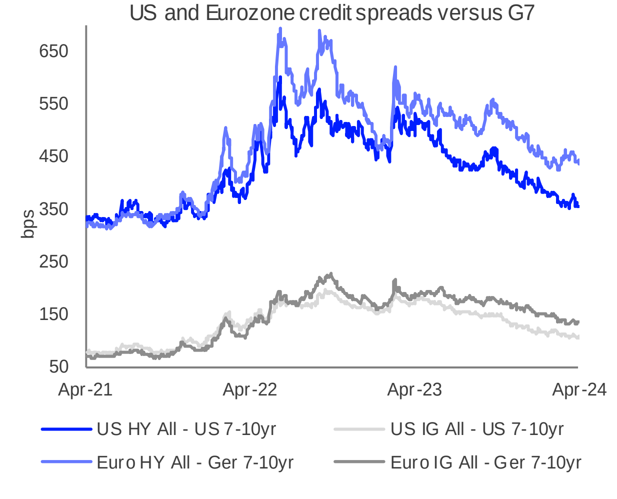
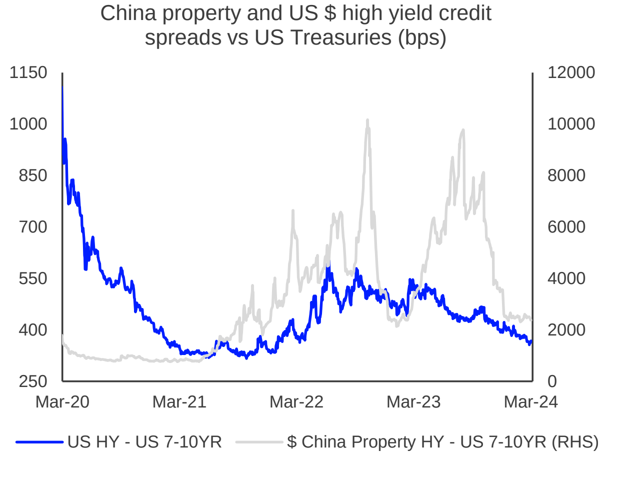


Chart 6: Recent spread tightening for both US and Chinese $ HY stalled in April, as Treasury yields returned to levels last seen in November. China's property bond spreads stabilised at about 2400bps.



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Investment Grade Credit and MBS analysis

Chart 1: Short dated IG credits have outperformed in the years since Covid in 2020, even if they missed the QE boom in 2020-21. Longer credits were dragged lower by gilts since the BoE began raising rates in Q4, 2021.

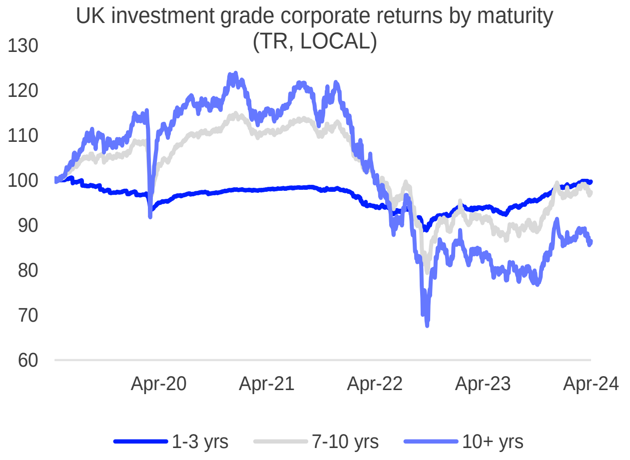


Chart 2: Bank spreads have tightened strongly in 2023-24, after a brief scare on the US regional banking crisis in Q1, 2023. Higher rates also help bank credits. Consumer issues continue to perform well.

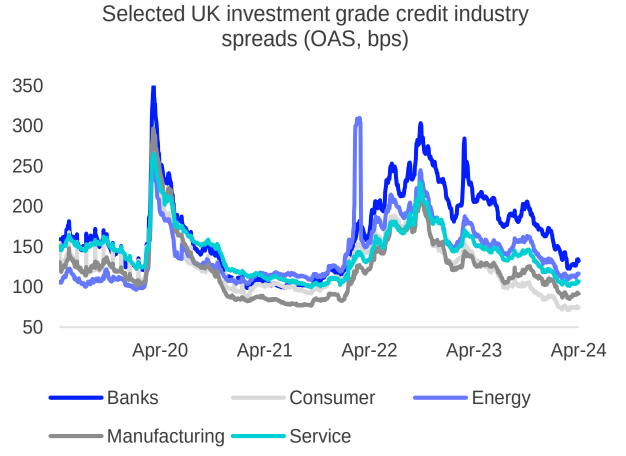


Chart 3: Globally, credit spreads are back near pre-Covid levels, but the absolute level of yields is much higher. Europe suffered more spread widening after the Ukraine shock in 2022, but this has largely unwound.

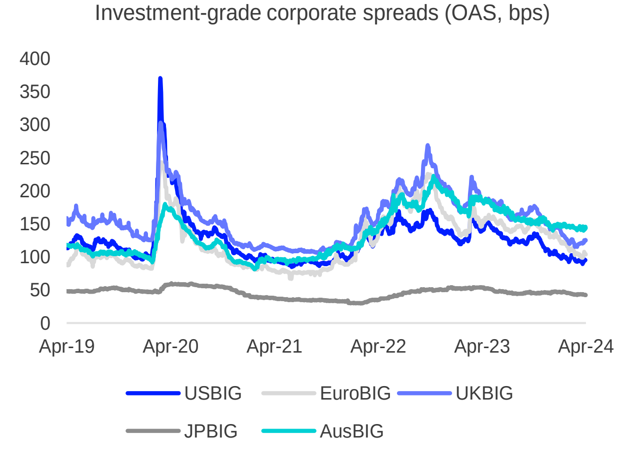


Chart 4: BBB spreads tightened most since the risk rally began in Q4 2022. Spread convergence in higher quality credits has been more modest, just as the divergence was less extreme in 2021-22.

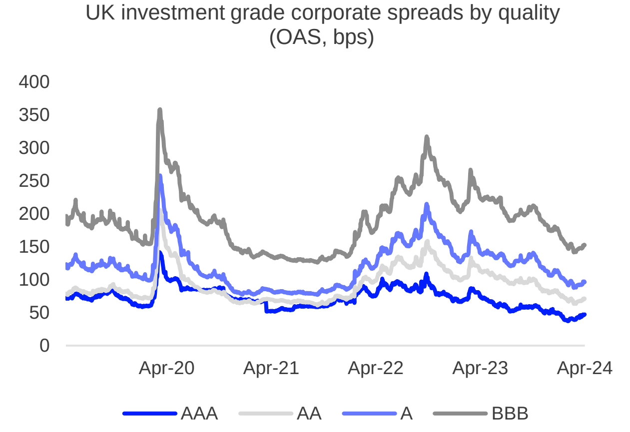


Chart 5: Mind the gap! Credit spreads between agency-RMBS and IG credits (versus Treasuries) are almost equal. The Fed rundown of RMBS holdings and risk rally driving in IG spreads have mainly driven these spreads moves.

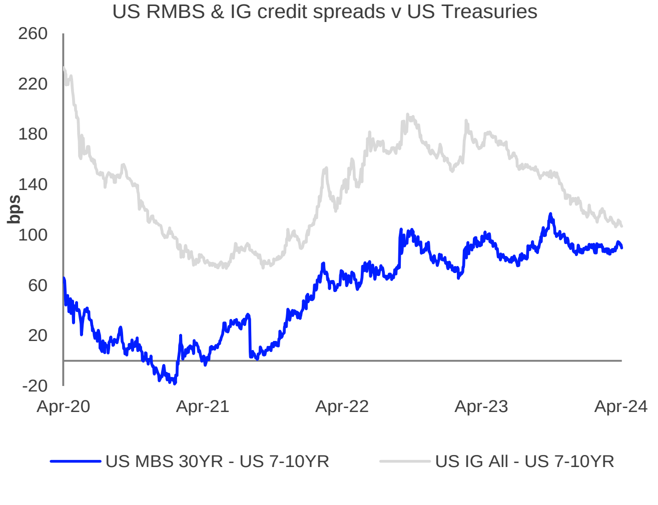
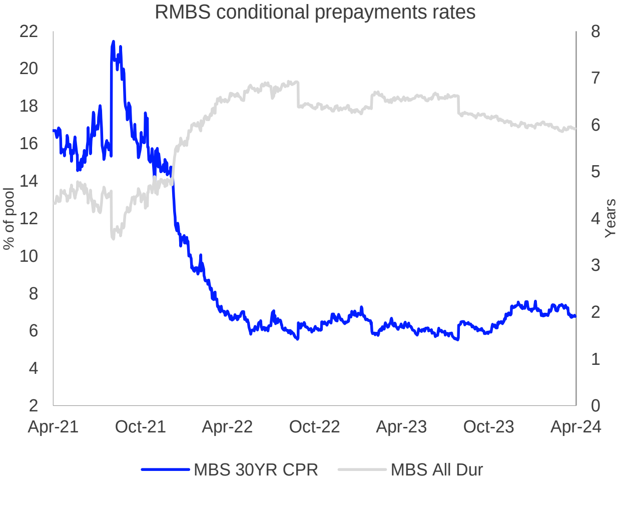


Chart 6: Evidence of a frozen US housing market can be found in the very low levels of mortgage refis and prepayments, due to mortgage rates now standing so far above coupon rates on older mortgages.



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High Yield Credit Analysis

Chart 1: Banks have been strong performers in sterling high yield, helped by higher for longer rates and net interest income. Like US HY, sterling HY has low duration and rate sensitivity, and has gained from the risk rally.

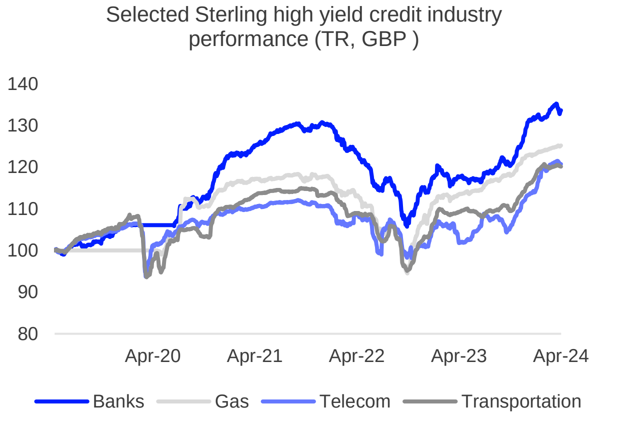


Chart 2: Transportation has been the strongest US HY sector performer, and gas has recovered. Banks suffered during the Covid and Ukraine shocks, but have rallied during the period of higher rates.

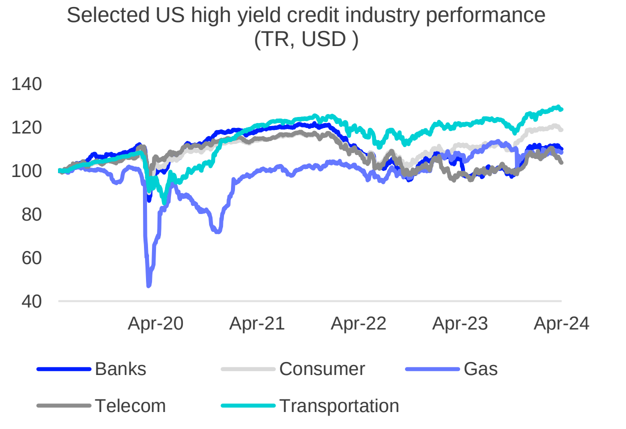


Chart 3: Performance returns show sterling CCC issues have outperformed higher grade issues during the risk rally in 2023-24, but remain volatile. Judged by spreads (Chart 4), CCC valuations are now extended.

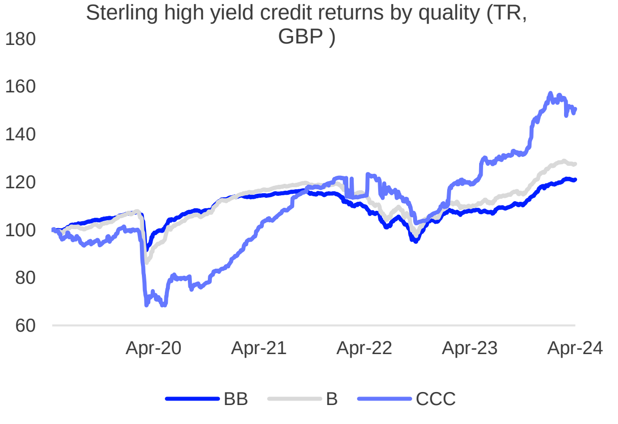


Chart 4: Lower grade CCC issues are more at risk of default or exchange, causing yield spikes as the Chart shows, both during Covid and after Ukraine. But CCC spreads are now below pre-Covid levels.

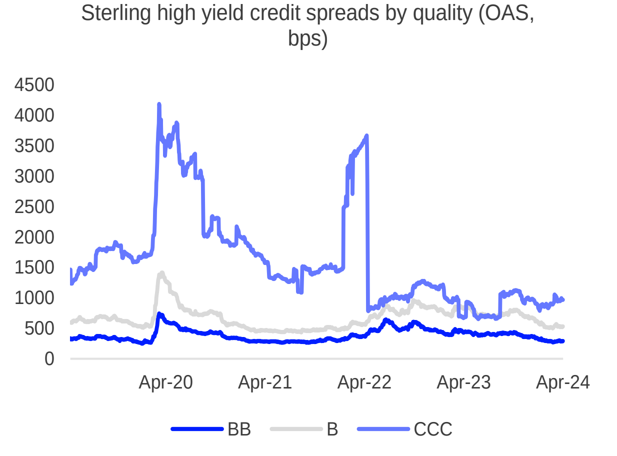


Chart 5: The risk rally has reduced sensitivity of HY bonds to rates, so duration has fallen. Bond exchanges and issuance can also change index duration, as the Chart shows, though duration fell overall since 2021.

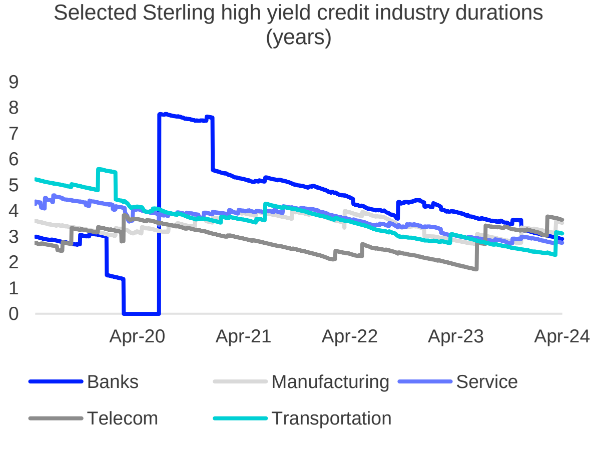
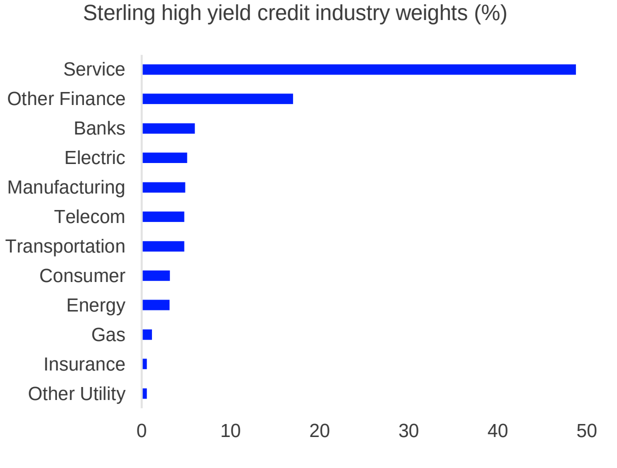


Chart 6: Sterling HY sector weights show the dominance of service sector issues, and to a lesser extent, financials. Utilities have only a modest weighting compared to US dollar HY issuance.



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SI Corporate Bond Analysis

Chart 1: SI corporate returns were all negative over three months, with PAB (Paris aligned benchmark) weakest, losing near 2%. However, returns for the indices remain positive over 1-year and 5-year periods.

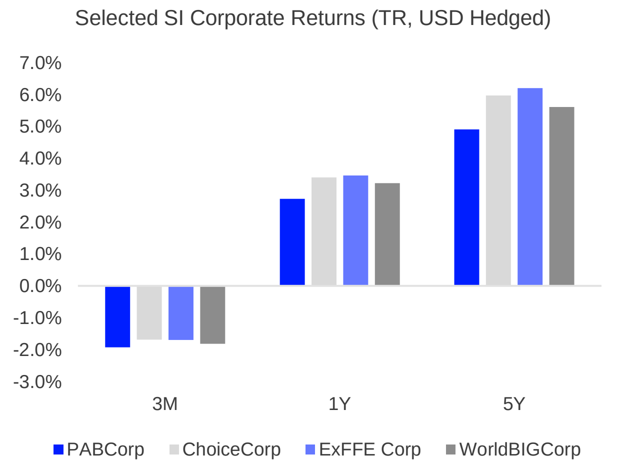


Chart 2: On a relative basis, PAB has underperformed WorldBIG Corp post-Covid, while Ex FFE and Choice outperformed. Performance variation has largely been driven by duration as yields have continued to climb.

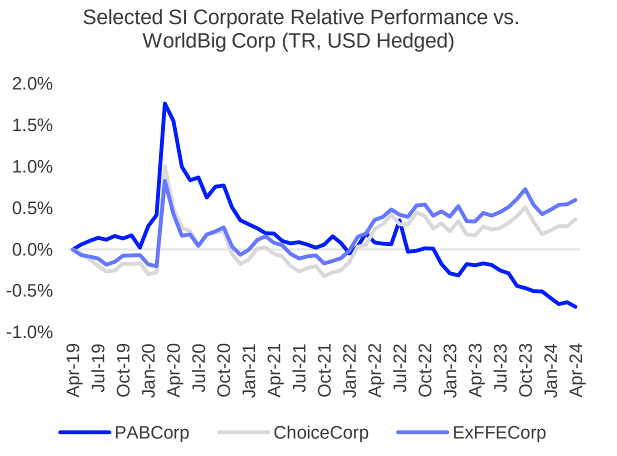


Chart 3: Also contributing to the divergence in performance was the PAB underweight in Banks - a strong performer over the past 12 months following the US banking crisis in 2023, and helped by higher rates.

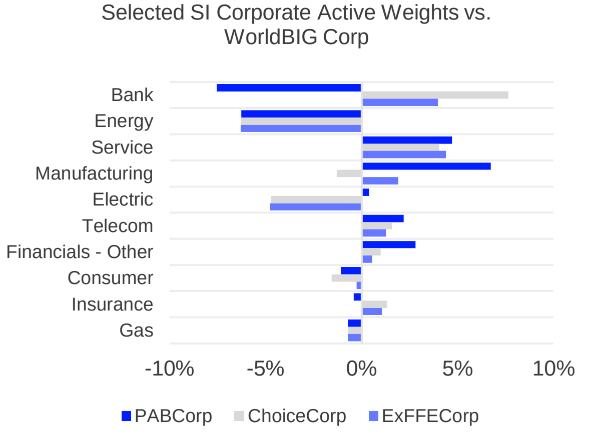


Chart 4: Relative to WorldBIG Corp, SI Indices exhibit lower BBB exposure in favor of AAA and AA. PAB shows the highest credit quality, resulting in underperformance as lower grade credit has outperformed.

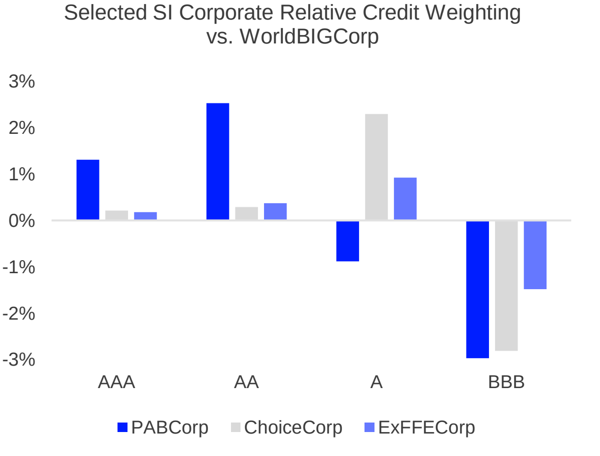


Chart 5: Spread tightening in recent months has occurred despite yields at high levels. Dislocation between spreads and yields suggests spread tightening has driven a large share of recent performance.

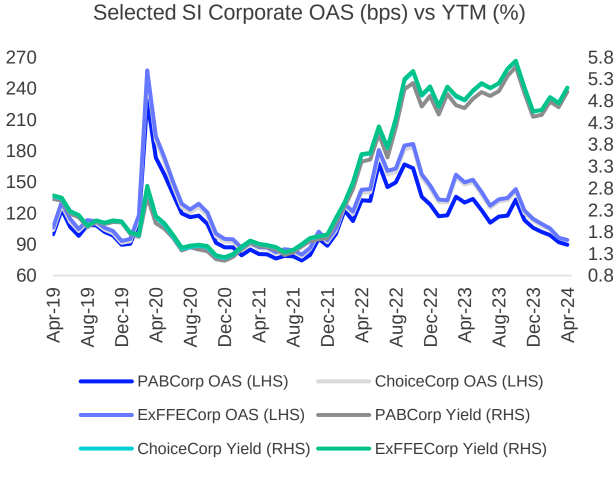
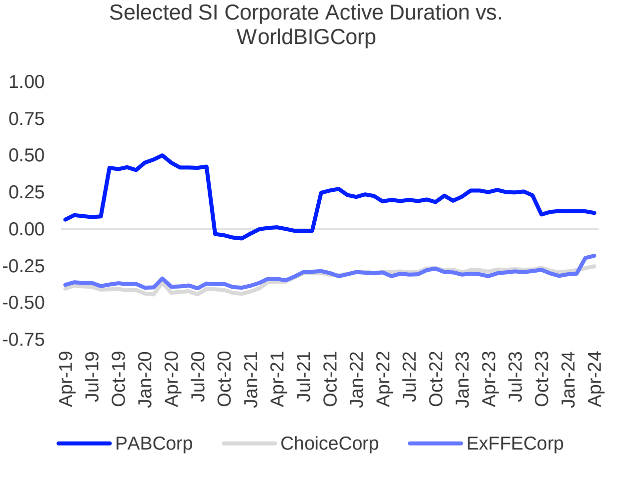


Chart 6: Active duration for PAB has been mostly positive in the last five years, despite some volatility. In contrast, Choice and Ex FFE show low vol and consistently negative active duration vs WorldBIG Corp.



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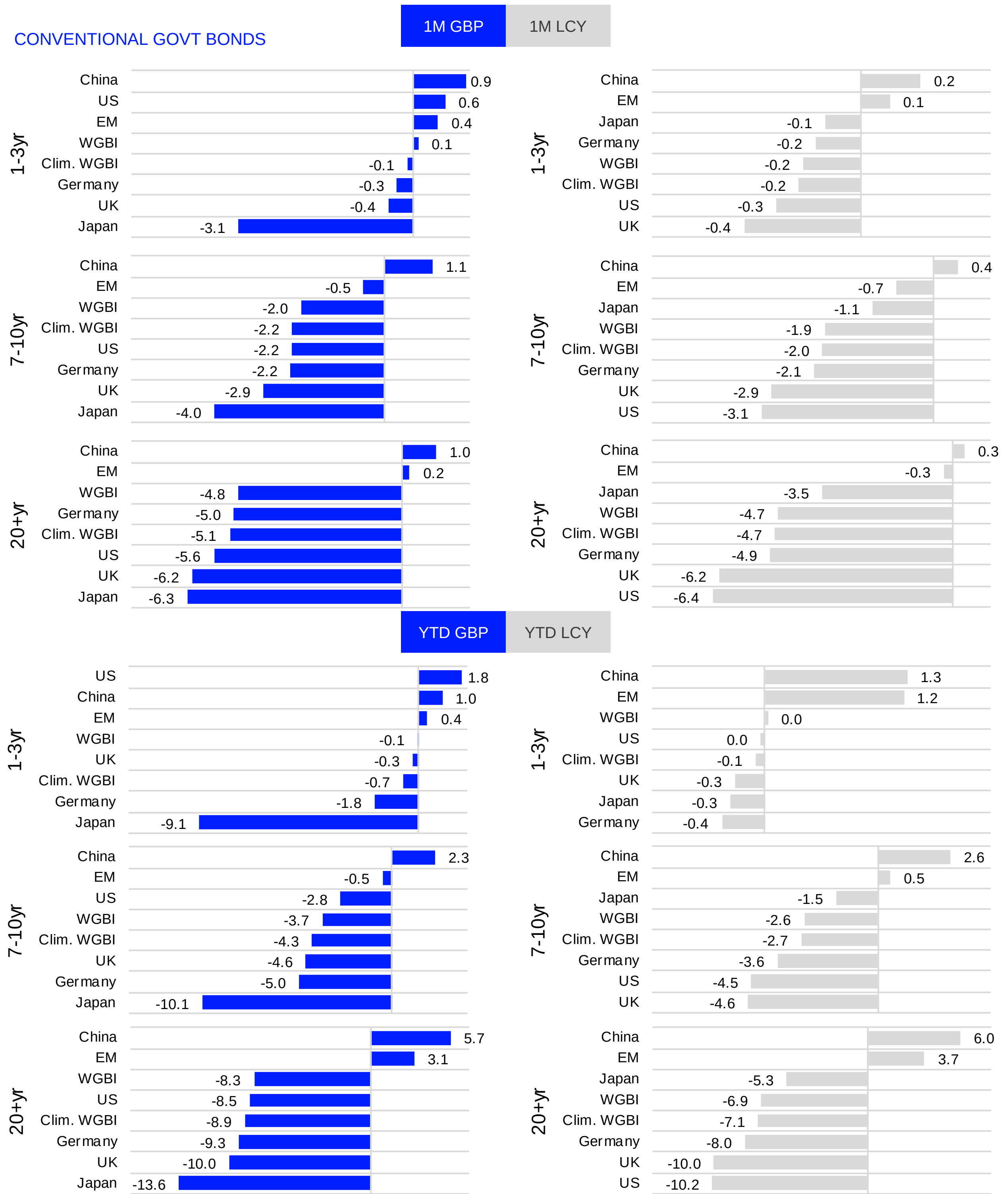
Global Bond Market Returns – 1M & YTD (GBP, LC, TR)

Conventional bonds fell back further in April, led by longs and JGBs in sterling terms. The higher for longer narrative prědominates, and negative carry has become more of a factor. Currency weakness depressed JGB returns, and long gilts suffered from extra duration, though long Bunds and Treasuries also lost about 5-6% in April. 12M returns show a similar profile.

Only China and EM bonds escaped further losses in April, in sterling terms. JGBs again proved weakest, due to the weak yen, with losses of 3-6% across the curve.

YTD returns pick up more severe yen weakness, with JGBs losing 9-14% terms, in sterling terms. But duration also took its toll on long gilts, Treasuries, WGBI and Bunds, with losses of 8-10%. But China and EM bonds showed gains of 1-6% YTD, in sterling terms, reflecting monetary easing, with currencies also showing modest gains versus sterling.



Source: FTSE Russell and LSEG. All data as of April 30, 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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

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

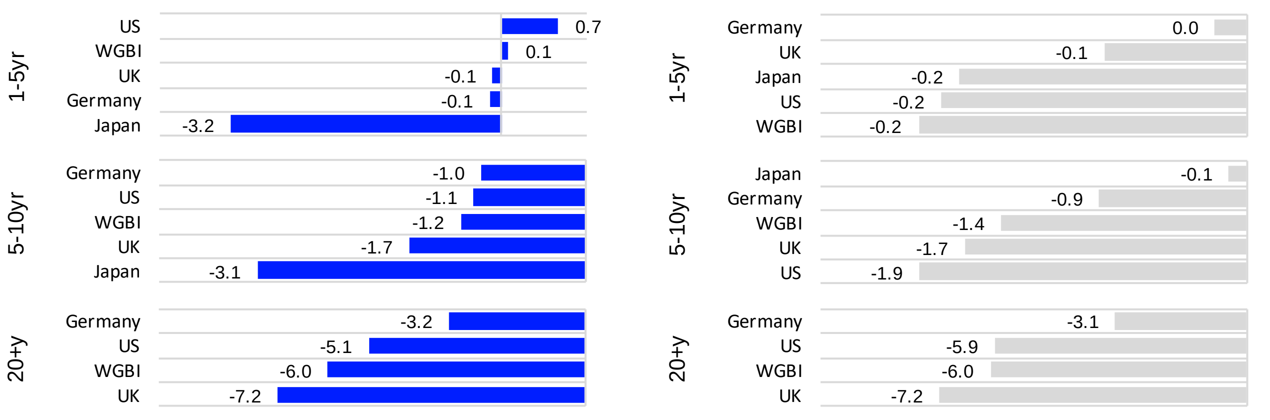
Inflation-linked bonds followed conventional bonds lower in April. Short linkers barely moved locally, but longs lost up to 7%, in sterling terms. Credit held up well but lost some ground as the risk rally reversed. HY outperformed, as it has YTD. Long UK linkers lost up to 11% YTD, reversing Q4 2023 gains.

Duration again took its toll on longer inflation linked in April, and YTD. Short JGBs were hit by further yen weakness, losing 3% in sterling terms, despite the modest 10bp increase in BoJ rates at end-March, which was well discounted.

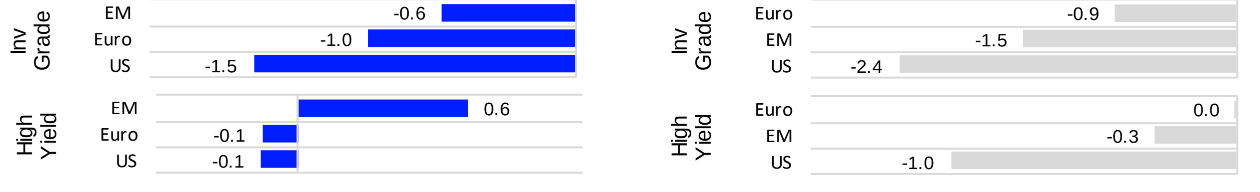
IG credit followed equities lower in April, as the risk rally faltered, but HY credits barely moved, and US and EM HY are up 3-6% YTD.

1M GBP | 1M LCY

INFLATION LINKED BONDS

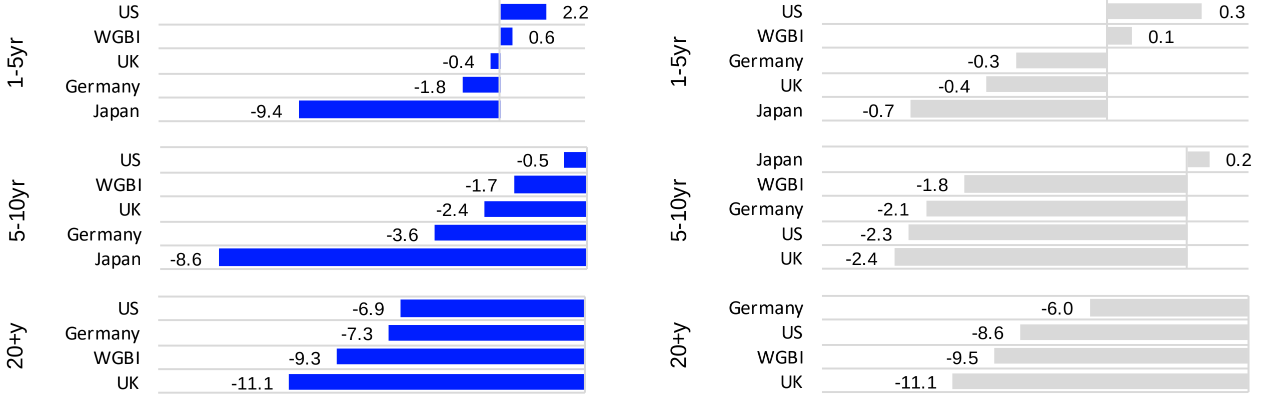


CORPORATE BONDS



YTD GBP | YTD LCY

INFLATION LINKED BONDS



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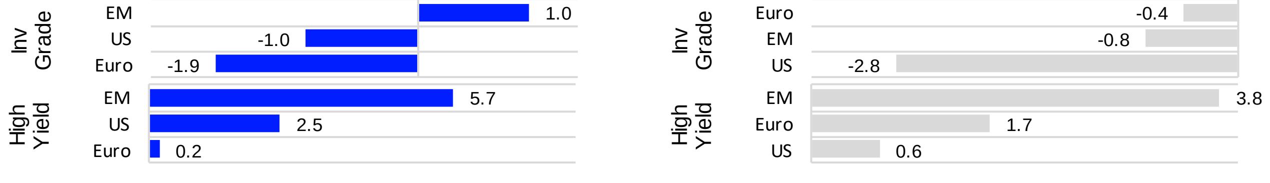

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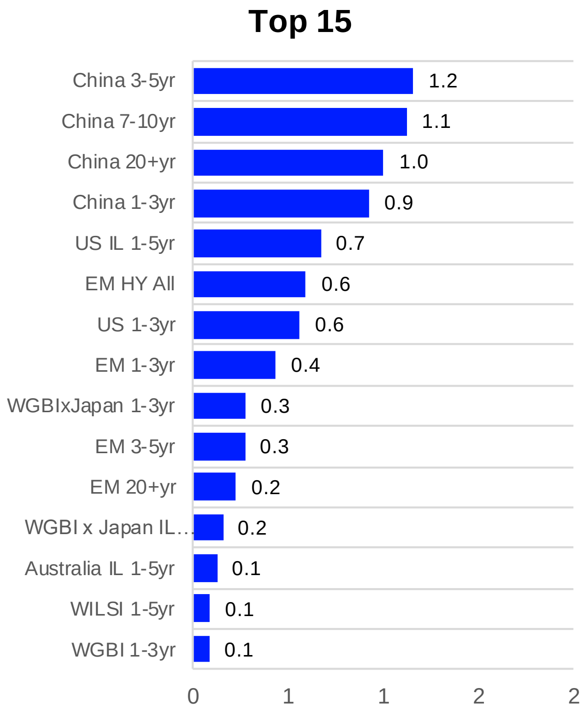
Top and Bottom Bond Returns – 1M & 12M % (GBP, TR)

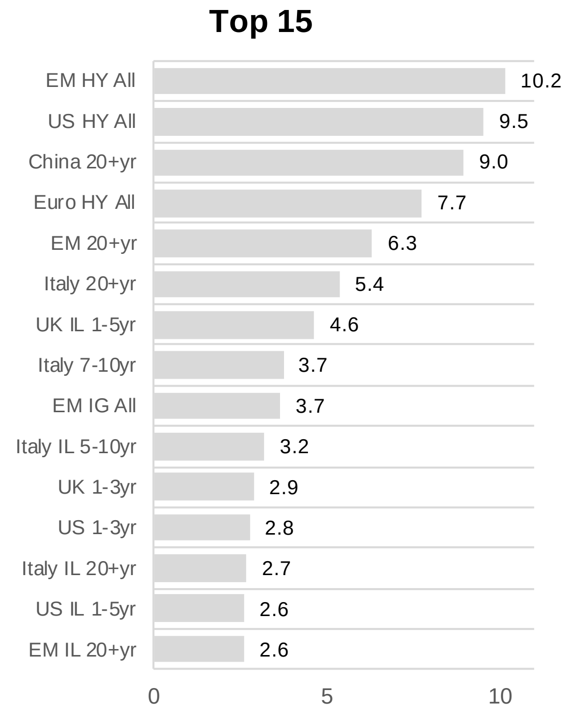
China and EM govt bonds managed small positive returns in April, in sterling terms. Short govt bonds outperformed long govt bonds, some of which lost 5-7%, led by ultra long UK linkers. On 12M, HY credit was the best performer, globally, plus long China and EM govts. JGBs suffered losses of up to 24%, compounded by yen weakness.

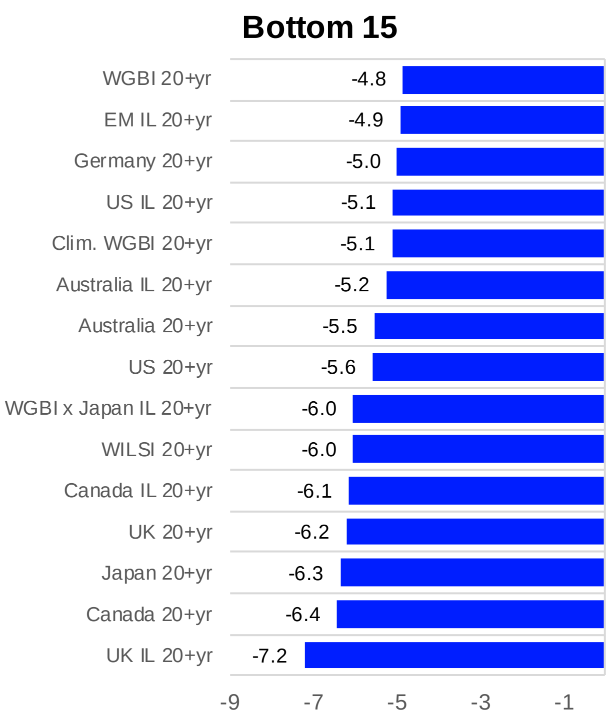
Duration again proved the investor's foe in April, apart from longer China and EM bonds, which escaped largely unscathed. All of the Bottom 15 performers were long dated bonds on 1M, as they were on 12M, apart from JGBs of all maturities, due to the weak yen.

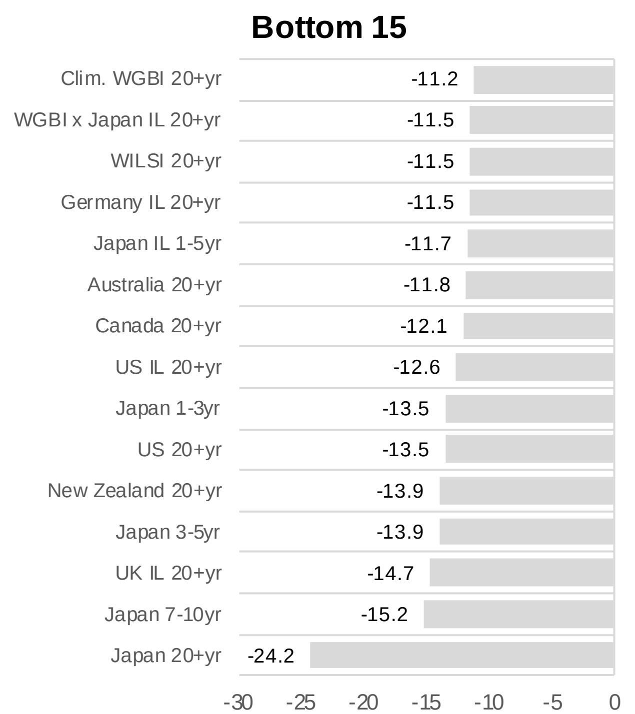
High yield credit continued to outperform IG credits, boosted by the risk rally, with returns of 8-10% on 12M, led by EM and US HY.

1M GBP | 12M GBP









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Appendix − Global Bond Market Returns % (GBP & LC, TR) – April 30, 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	-0.41	1.29	2.12	-1.04	-0.05	1.76	2.38	2.77
	7-10yr	-4.36	-2.73	3.82	0.61	-4.48	-2.75	-5.30	-4.94
	20+yr	-7.64	-6.07	7.75	4.42	-10.15	-8.53	-13.82	-13.49
	IG All	-2.79	-1.14	7.40	4.08	-2.80	-1.04	1.13	1.51
	HY All	0.61	2.32	9.07	5.70	0.64	2.46	9.12	9.53
UK	1-3yr	-0.12	-0.12	1.83	1.83	-0.26	-0.26	2.89	2.89
	7-10yr	-2.84	-2.84	3.30	3.30	-4.59	-4.59	-0.50	-0.50
	20+yr	-4.78	-4.78	5.71	5.71	-10.04	-10.04	-8.16	-8.16
Euro	IG All	-0.56	-0.45	4.68	2.62	-0.44	-1.89	5.17	2.25
	HY All	0.74	0.85	7.73	5.61	1.67	0.20	10.83	7.75
Japan	1-3yr	-0.26	-5.77	-0.12	-6.85	-0.31	-9.07	-0.40	-13.49
	7-10yr	-0.99	-6.47	1.30	-5.52	-1.48	-10.14	-2.35	-15.18
	20+yr	-2.52	-7.92	0.03	-6.71	-5.28	-13.60	-12.76	-24.22
China	1-3yr	0.87	1.71	1.83	-0.27	1.26	0.97	3.13	-0.95
	7-10yr	1.47	2.31	3.85	1.71	2.58	2.28	6.12	1.92
	20+yr	2.10	2.95	9.93	7.66	6.00	5.69	13.45	8.95
EM	1-3yr	0.76	1.27	2.26	-0.01	1.23	0.36	4.13	0.59
	7-10yr	-0.15	0.33	4.20	1.61	0.45	-0.53	4.86	1.06
	20+yr	0.91	1.70	8.50	6.17	3.69	3.13	9.94	6.32
	IG All	-0.79	0.90	6.77	3.47	-0.76	1.04	3.27	3.66
	HY All	2.29	4.03	10.13	6.72	3.83	5.70	9.75	10.17
Germany	1-3yr	-0.38	-0.27	1.15	-0.84	-0.38	-1.83	1.73	-1.10
	7-10yr	-3.03	-2.92	2.48	0.46	-3.56	-4.96	0.32	-2.47
	20+yr	-5.55	-5.45	9.20	7.05	-7.99	-9.33	-3.87	-6.55
Italy	1-3yr	-0.21	-0.10	2.05	0.05	-0.01	-1.46	3.12	0.25
	7-10yr	-0.53	-0.42	7.90	5.78	-0.31	-1.76	6.70	3.73
	20+yr	0.57	0.68	16.58	14.29	0.28	-1.17	8.38	5.37
Spain	1-3yr	-0.15	-0.04	1.68	-0.32	0.01	-1.45	2.48	-0.37
	7-10yr	-1.13	-1.02	5.76	3.68	-1.49	-2.92	3.92	1.03
	20+yr	-0.83	-0.72	14.51	12.25	-2.59	-4.00	4.71	1.80
France	1-3yr	-0.53	-0.42	1.27	-0.73	-0.56	-2.00	1.89	-0.94
	7-10yr	-2.55	-2.44	3.78	1.74	-3.04	-4.45	1.50	-1.32
	20+yr	-4.19	-4.09	12.34	10.13	-6.47	-7.83	0.23	-2.56
Sweden	1-3yr	-0.15	-4.41	1.58	0.20	-0.17	-6.68	2.22	-4.11
	7-10yr	-1.88	-6.06	4.84	3.42	-3.02	-9.34	1.06	-5.20
Australia	1-3yr	0.11	0.01	2.63	2.01	0.47	-2.66	1.74	0.35
	7-10yr	-1.89	-1.99	6.25	5.60	-1.95	-5.01	-3.69	-5.01
	20+yr	-4.35	-4.44	12.35	11.66	-5.87	-8.80	-10.57	-11.80
New Zealand	1-3yr	0.78	-1.47	3.28	1.83	0.87	-4.02	3.69	-0.28
	7-10yr	-1.00	-3.21	7.91	6.39	-2.37	-7.10	-1.04	-4.83
	20+yr	-3.58	-5.73	11.71	10.13	-7.44	-11.93	-10.51	-13.94
Canada	1-3yr	0.42	-0.68	2.31	0.19	0.31	-1.98	2.62	1.70
	7-10yr	-2.56	-3.62	3.68	1.53	-4.13	-6.32	-4.27	-5.14
	20+yr	-6.97	-7.99	5.27	3.09	-11.22	-13.25	-11.25	-12.05

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Appendix – Global Bond Market Returns % (GBP & LC, TR) – April 30, 2024

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	JPY	Local	JPY	Local	JPY	Local	JPY
US	1-5yr	-0.10	1.60	2.82	-0.36	0.34	2.15	2.23	2.61
	5-10yr	-2.75	-1.10	3.85	0.64	-2.29	-0.52	-2.48	-2.11
	20+yr	-7.54	-5.97	6.14	2.86	-8.56	-6.90	-12.95	-12.62
UK	1-5yr	0.33	0.33	2.61	2.61	-0.42	-0.42	4.64	4.64
	5-10yr	-0.81	-0.81	3.05	3.05	-2.41	-2.41	2.41	2.41
	20+yr	-2.36	-2.36	5.21	5.21	-11.10	-11.10	-14.69	-14.69
Japan	1-5yr	-0.72	-6.21	-0.08	-6.81	-0.69	-9.42	1.65	-11.71
	5-10yr	-0.13	-5.66	2.02	-4.86	0.17	-8.63	3.82	-9.83
EM	1-5yr	0.93	-0.78	4.56	-0.97	1.87	-1.68	10.73	2.39
	5-10yr	-1.58	-2.50	3.76	0.01	-1.61	-4.38	6.65	1.56
	20+yr	-4.78	-5.69	3.93	0.56	-6.38	-8.96	3.66	2.61
Germany	1-5yr	-0.07	0.04	0.22	-1.75	-0.32	-1.77	0.72	-2.08
	5-10yr	-1.35	-1.24	0.45	-1.53	-2.15	-3.57	-1.00	-3.75
	20+yr	-3.05	-2.94	5.41	3.34	-5.97	-7.33	-8.99	-11.52
Italy	1-5yr	0.13	0.24	2.66	0.64	0.14	-1.32	3.79	0.91
	5-10yr	1.07	1.18	7.45	5.34	0.90	-0.57	6.15	3.20
	20+yr	4.97	5.08	23.15	20.72	2.97	1.47	5.62	2.68
Spain	1-5yr	0.07	0.18	1.21	-0.78	-0.19	-1.64	1.81	-1.02
	5-10yr	0.54	0.65	3.81	1.77	-0.02	-1.47	3.08	0.21
France	1-5yr	-0.78	-0.67	0.38	-1.60	-0.94	-2.38	0.30	-2.49
	5-10yr	-1.16	-1.05	1.47	-0.53	-1.93	-3.35	-0.19	-2.97
	20+yr	-1.43	-1.33	11.76	9.56	-5.33	-6.71	-3.88	-6.55
Sweden	1-5yr	0.31	-3.96	1.75	0.37	-0.07	-6.59	3.07	-3.31
	5-10yr	0.39	-3.89	4.34	2.93	-1.02	-7.47	3.86	-2.58
Australia	1-5yr	0.38	0.28	3.01	2.38	0.33	-2.80	2.58	1.18
	5-10yr	-0.84	-0.94	5.43	4.79	-1.24	-4.31	0.33	-1.04
	20+yr	-4.00	-4.10	14.39	13.69	-7.83	-10.71	-5.75	-7.04
New Zealand	5-10yr	1.14	-1.12	7.36	5.85	0.22	-4.64	1.93	-1.97
Canada	20+yr	-3.32	-4.38	7.60	5.37	-7.25	-9.37	-7.56	-8.39

derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix – Historical Bond Yields % as of April 30, 2024

Global Bond Yields

Top 15% | Bottom 15%

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

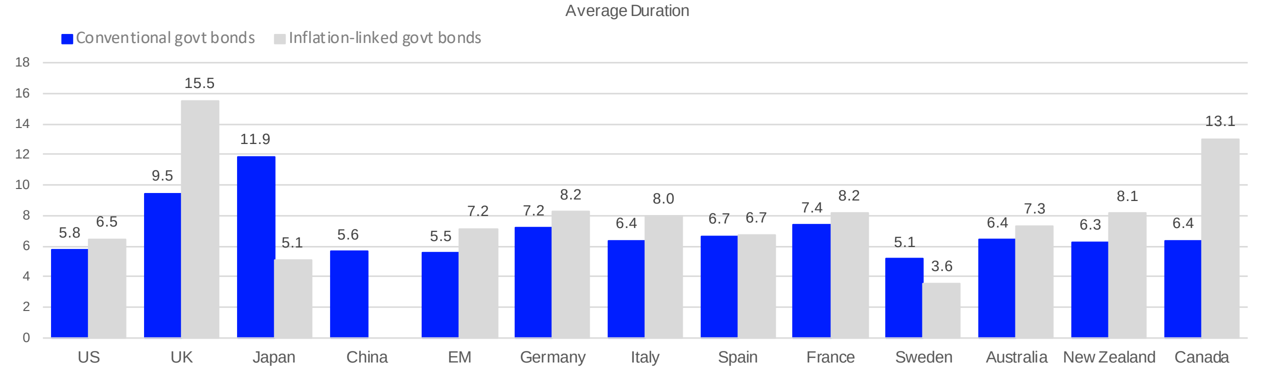
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	5.09	4.80	4.69	4.85	2.41	2.24	2.44	5.75	8.22
	3M Ago	4.33	3.93	3.93	4.31	1.98	1.64	2.01	5.14	7.97
	6M Ago	5.17	4.87	4.90	5.19	2.82	2.50	2.64	6.38	9.46
	12M Ago	4.24	3.62	3.41	3.75	1.68	1.23	1.58	5.15	8.47
UK	Current	4.64	4.31	4.28	4.72	0.30	0.49	1.38		
	3M Ago	4.21	3.73	3.75	4.39	0.16	0.21	1.25		
	6M Ago	4.67	4.45	4.43	4.91	0.65	0.71	1.51		
	12M Ago	4.05	3.77	3.64	4.02	0.39	0.14	0.63		
Japan	Current	0.21	0.39	0.76	1.86	-1.21	-0.76			
	3M Ago	0.04	0.20	0.59	1.73	-1.65	-0.83			
	6M Ago	0.09	0.34	0.83	1.82	-1.55	-0.65			
	12M Ago	-0.07	0.02	0.30	1.20	-1.31	-0.63			
China	Current	1.89	2.06	2.34	2.61					
	3M Ago	2.07	2.22	2.46	2.70					
	6M Ago	2.27	2.42	2.67	3.08					
	12M Ago	2.28	2.51	2.78	3.17					
EM	Current	3.42	3.86	4.56	3.94	5.65	5.21	5.67	6.01	9.15
	3M Ago	3.34	3.81	4.64	4.17	4.38	4.41	5.03	5.58	9.35
	6M Ago	3.71	4.43	5.00	4.55	4.20	4.73	5.46	6.71	11.34
	12M Ago	3.74	4.37	4.66	4.46	3.84	4.04	5.15	5.60	11.79
Germany	Current	3.08	2.67	2.53	2.69	1.12	0.46	0.43		
	3M Ago	2.57	2.07	2.06	2.38	0.81	0.20	0.27		
	6M Ago	3.09	2.66	2.70	3.05	0.90	0.45	0.65		
	12M Ago	2.72	2.35	2.25	2.37	0.16	-0.06	-0.11		
Italy	Current	3.45	3.38	3.68	4.24	1.25	1.54	1.79		
	3M Ago	2.96	2.93	3.47	4.21	1.08	1.58	1.94		
	6M Ago	3.77	3.88	4.45	5.06	1.77	2.35	2.53		
	12M Ago	3.36	3.49	3.97	4.45	0.80	1.65	1.83		
France	Current	3.17	2.93	2.96	3.39	0.72	0.65	0.86		
	3M Ago	2.62	2.34	2.52	3.13	0.44	0.37	0.78		
	6M Ago	3.21	3.01	3.23	3.88	0.93	0.78	1.28		
	12M Ago	2.84	2.66	2.73	3.23	-0.06	0.17	0.58		
Sweden	Current	3.14	2.68	2.50		1.60	0.85			
	3M Ago	2.68	2.21	2.18		1.26	0.76			
	6M Ago	3.43	3.05	2.94		1.34	1.30			
	12M Ago	2.89	2.59	2.31		0.71	0.73			
Australia	Current	4.16	4.05	4.36	4.75	1.40	1.71	2.06		
	3M Ago	3.69	3.60	3.97	4.42	1.04	1.39	1.81		
	6M Ago	4.49	4.48	4.87	5.33	1.47	2.04	2.53		
	12M Ago	3.13	3.05	3.30	3.88	0.09	0.84	1.50		
New Zealand	Current	5.16	4.77	4.85	5.17	2.29	2.51			
	3M Ago	4.89	4.44	4.55	4.87	1.72	2.39			
	6M Ago	5.49	5.37	5.55	5.69	2.47	3.05			
	12M Ago	4.89	4.15	4.08	4.23	0.95	1.61			
Canada	Current	4.47	3.92	3.82	3.70	1.97	1.98	1.90		
	3M Ago	4.21	3.50	3.36	3.28	1.55	1.60	1.72		
	6M Ago	4.70	4.18	4.09	3.88	2.25	2.32	2.21		
	12M Ago	3.81	3.09	2.82	2.93	1.12	1.06	1.32		

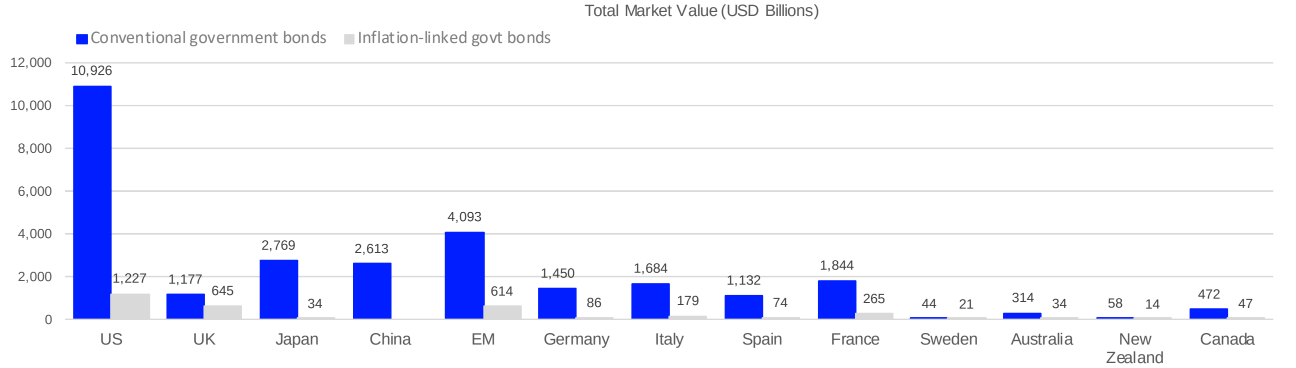
derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix – Duration and Market Value (USD, Bn) as of April 30, 2024

	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.3	**5.8**	2,616.2	1,102.1	1,256.2	**10,925.6**	7.0	21.5	**6.5**	404.3	105.6	**1,226.6**
UK	3.8	7.4	18.2	**9.5**	160.5	190.7	298.0	**1,176.6**	7.9	27.4	**15.5**	114.6	215.7	**644.7**
Japan	4.0	8.2	23.5	**11.9**	325.3	351.8	575.8	**2,769.1**	8.1		**5.1**	12.3		**33.6**
China	3.7	7.6	18.0	**5.6**	614.4	420.5	300.0	**2,613.4**						
EM	3.6	7.0	16.4	**5.5**	889.6	733.2	390.4	**4,093.2**	5.9	13.1	**7.2**	103.2	154.6	**614.5**
Germany	3.7	7.7	20.2	**7.2**	337.4	191.8	182.7	**1,449.7**	6.6	21.1	**8.2**	42.8	17.8	**85.7**
Italy	3.6	7.1	16.5	**6.4**	312.6	299.0	155.4	**1,684.1**	7.1	25.7	**8.0**	64.9	5.6	**178.9**
Spain	3.6	7.3	17.5	**6.7**	223.3	201.7	109.6	**1,131.8**	7.6		**6.7**	47.2		**74.1**
France	3.7	7.3	19.4	**7.4**	340.7	317.3	242.1	**1,844.1**	6.3	23.9	**8.2**	87.3	20.9	**265.0**
Sweden	3.9	7.5		**5.1**	6.4	13.0		**44.4**	6.6		**3.6**	5.3		**21.1**
Australia	3.4	7.3	16.6	**6.4**	46.5	88.9	19.3	**313.8**	6.6	21.8	**7.3**	10.1	2.7	**34.0**
New Zealand	3.3	7.1	15.7	**6.3**	11.3	15.8	5.0	**57.7**	5.7		**8.1**	3.1		**13.6**
Canada	3.8	7.3	19.1	**6.4**	66.5	109.3	64.0	**472.0**	6.4	20.3	**13.1**	7.9	18.7	**46.6**

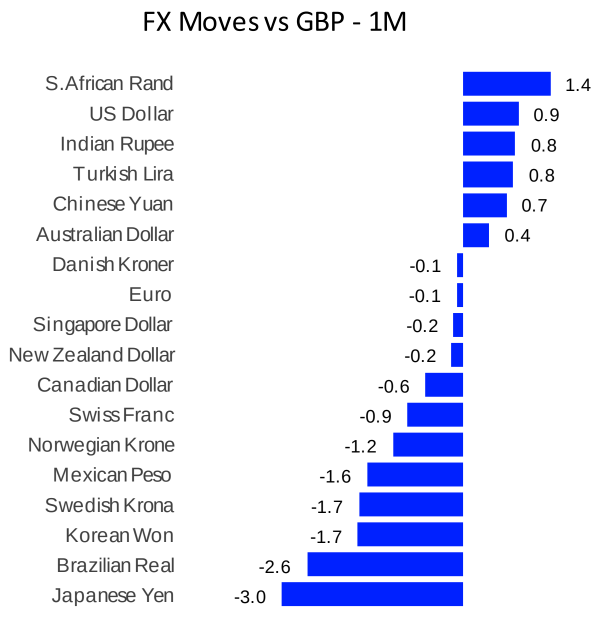
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.1	6.9	6.4	6.8	70.1	441.0	2701.8	3432.8	6645.6	3.8	1040.9
Europe	5.2	4.8	4.6	4.2	4.4	11.6	214.4	1205.8	1531.0	2962.9		
EM		6.6	5.1	5.3	5.3		36.0	214.7	275.0	525.7	3.3	170.6

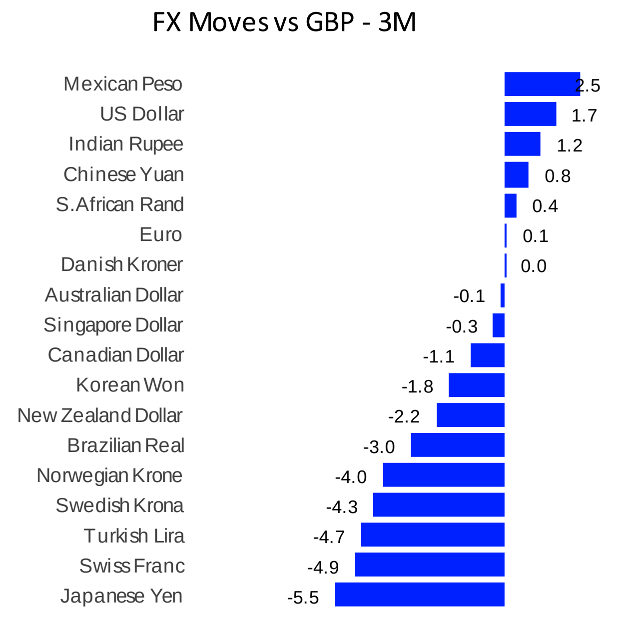


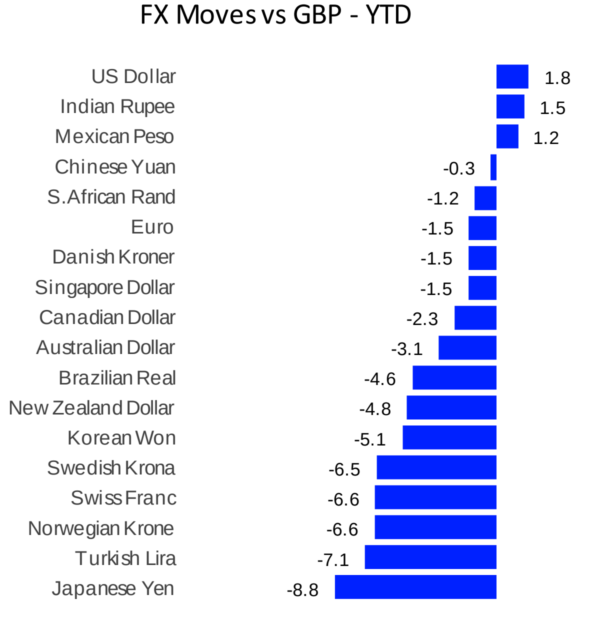


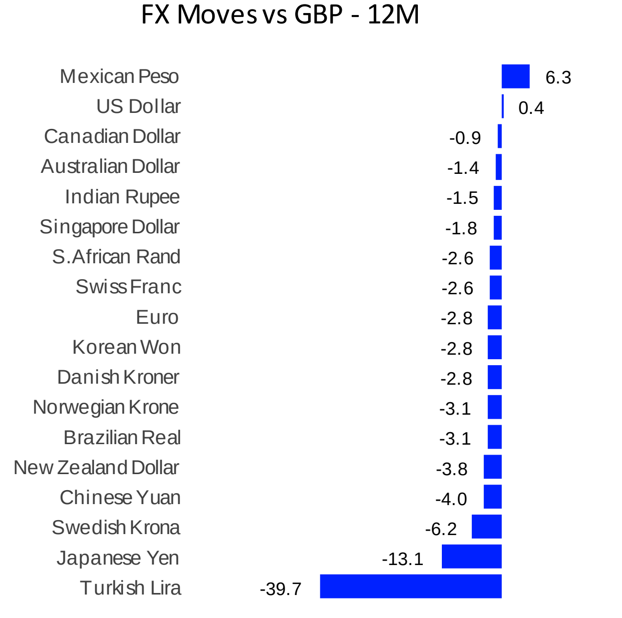
Source: FTSE Russell and LSEG. All data as of April 30, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix – Foreign Exchange Returns % as of April 30, 2024









Source: FTSE Russell and LSEG. All data as of April 30, 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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

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

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.

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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.

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