Global Investment Research
Market Maps

FTSE RUSSELL
An LSEG Business

Fixed Income Insights

US EDITION

MONTHLY REPORT | **NOVEMBER 2024**

Treasury focus shifts to post-election policy balance

US yields rose in October after a strong end to Q3, still confounding curve predictions of recession. Fiscal stimulus in China and the UK signals a shift away from reliance on lower rates to boost growth, driving term premia higher. Credit spreads narrowed but mainly on higher govt yields, though credit quality improved. The US dollar rally resumed.

Macro and policy backdrop – Market eyes post-US election monetary/fiscal balance

Buoyant US growth confirms a gradualist Fed easing cycle. Fiscal stimulus programs in China and the UK confirm a bigger role for fiscal policy, despite debt levels. (pages 2-3)

Yields, curves and spreads – G7 curves bear steepen as term premia rise

ECB and BoC rate cuts did not prevent long yields rising. US spreads widened. (pages 4-5)

IG credit & MBS – Credit spreads tighten, and sector betas may be changing

Banks & electrical utilities outperform. ABS performed well, despite high issuance. (page 6)

High yield credit analysis – The share of Fallen Angels (FA) in HY is at a 20-year low

Low FA share may signal improved credit quality in this cycle. CCC outperforms. (page 7)

SI sovereign bond analysis – Quality matters?

ESG WGBI has higher credit quality vs WGBI, implying more developed sovereigns are likely to have higher ESG scores than their less developed counterparts. (page 8)

Performance – Q3 rally stalls after stronger US growth – only China returns positive

Government bonds gave up some of the Q3 gains in October, led by JGBs, as term premia rose. China outperformed after further policy easing. (pages 9-10)

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

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Chart 1: Yields increased most sharply in the US and UK in October, as stronger economic data weighed on US Treasuries, and fears about higher gilt issuance pushed UK yields higher.

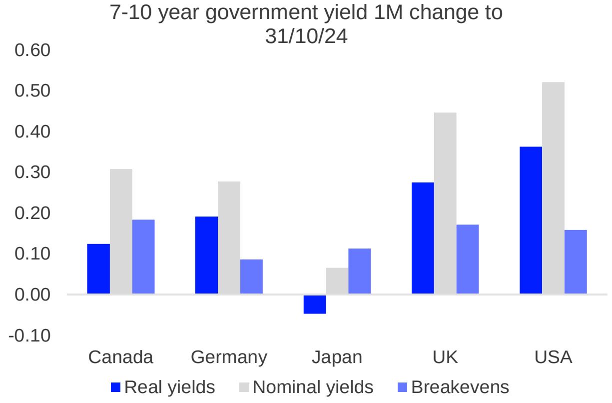
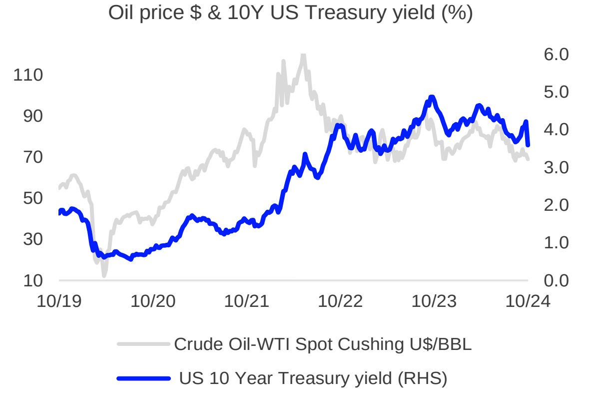


Chart 2: The 10-year US yield correlation with oil prices broke down in October, as the decline in oil prices was not matched by lower yields. Post-US election fallout may make the relationship unpredictable in Q4.



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Macroeconomic Backdrop – Growth and Inflation Expectations

October IMF forecasts show little substantive change for the US and Eurozone for 2024, and global growth still at 3.2% in 2025, despite growing Chinese and Eurozone deflationary risks, and rising geo-political tension. The US has proved better insulated from weaker global growth, with a much lower share of net trade than Germany or China. Stronger US consumption growth is underpinned by high employment and increases in household net worth.

US GDP growth of 2.8%, and final sales growth of 3.2%, were in line with the IMF's forecast for 2024 (Chart 1). Consumer confidence hit a 9-month high in October, and the US is less exposed to weaker global growth, as a service-based economy with a low share of net trade (9%). Markets await more detail on the Chinese fiscal stimulus programme, as deflation risks persist.

Inflation rates dipped further in Q3, driven by weaker energy prices (Chart 2), with the headline US CPI now up 2.4% y/y in September, but Canadian inflation fell further below target, to 1.6% y/y. US services inflation did ease to 4.7% y/y in September, but is still more than 2% above headline inflation. The uptick in wage inflation suggests US services inflation may remain sticky, even if shelter inflation has eased to below 5% y/y. Elsewhere, low Eurozone inflation raises the spectre of deflation again.

The US labor market remains buoyant, though the October payroll report was distorted by the Florida hurricanes, and Boeing strike, so payrolls only increased by 12,000 on the month. Nonetheless, average earnings growth remained at 4% y/y and the unemployment rate at 4.1% (see Chart 3), helped by the participation rate dipping to 62.6%.

Low levels of unemployment are also helping consumer confidence – which reached a 9-month high in October, preventing a significant increase in the savings ratio, despite higher interest rates. Chart 4 shows personal savings and the unemployment rate to be strongly correlated. This helped drive consumer spending growth of 3.7% in Q3 and explains why developments in the labor market are a key factor for the Fed, after the policy pivot in July.

Chart 1: The IMF's October forecasts show little change for the US and Eurozone for 2024, though a significant downgrade for Japan. 2025 global growth is projected to remain at 3.2%, in line with 2024.

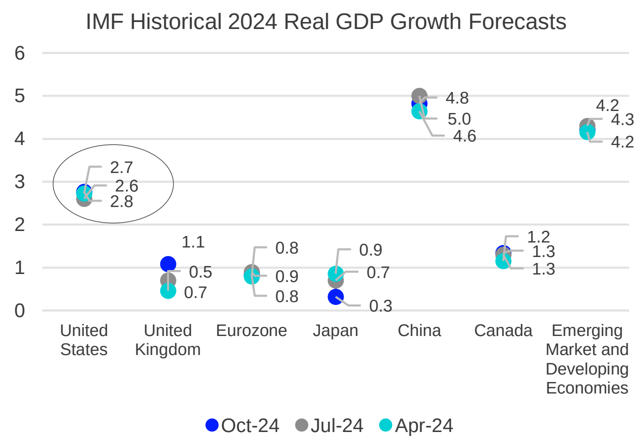


Chart 2: Weaker energy prices have offset sticky services inflation in driving global inflation rates lower in Q3. However, shelter inflation at 4.9% y/y and services inflation at 4.7% y/y remain challenges for the Fed.

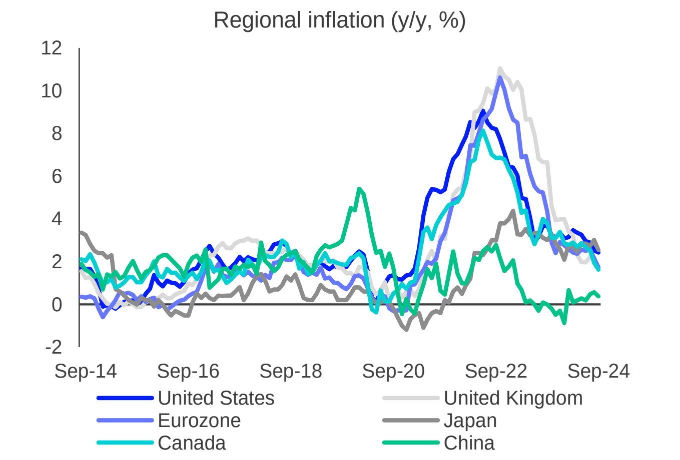


Chart 3: The US labor market remains buoyant though the October report was noisy, given the hurricanes and strikes. The report was weak enough to allow a further Fed easing of 25bp on Nov 7.

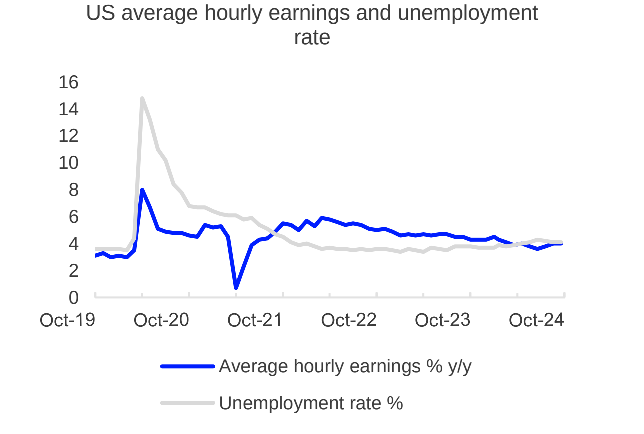
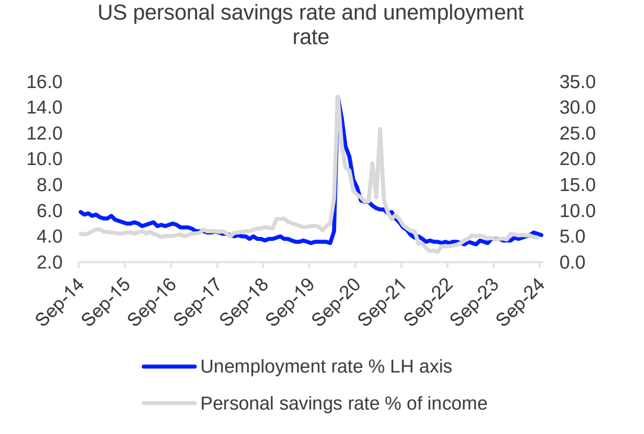


Chart 4: Low US unemployment has kept the personal savings ratio low, and consumer confidence high, even if the saving rate increased modestly in response to higher interest rates on cash.



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Financial Conditions and Monetary Policy Settings

US financial conditions continue to loosen, with markets discounting another 25bp interest rate cut on Nov 7, but at least a more gradual easing cycle is now discounted, after expectations were re-framed to a more conventional cycle. In the aftermath of the US elections, the key question may become the balance between monetary and fiscal policy.

Financial conditions eased well before the Fed cut rates in mid-September, and further since then, as Chart 1 shows. This is consistent with markets reacting to Fed signals in advance of policy moves, thus financial conditions tightened well before the Fed began raising rates in March 2022, as they did in 2014-15. The risk in this cycle is that the pace of Fed rate cuts fails to validate market easing expectations, as it did in H1 2024.

Dollar weakness reversed in October, after stronger US data, and a sharp revision to Fed easing expectations, as Chart 2 shows. Relative rate differentials moved in favour of the US dollar, especially versus the Euro, after the ECB and BoC cut rates in October. The sharp sell-off in the yen in October may not be unwelcome to the BoJ in its quest for sustained higher inflation.

Central bank easing continues but with the ECB and Bank of Canada moving before the US Fed and Bank of England. Markets fully discount a 25bp move by the Fed on November 7, and having pivoted to focus on maximizing employment growth in July, the Fed may feel another 25bp is warranted as an insurance policy, after a weaker October report, albeit hurricane affected.

US housing equity continues to support household net worth and consumer spending, as Chart 4 shows, with the dip in prices around Covid, and then when the Fed raised rates 525 bp in 2022-23, proving short-lived. Restricted supply in US housing is a strong driver of prices, with mortgage refi activity restricted by the high level of mortgage rates, and many homeowners locked into mortgages at much lower rates (65% of mortgages are at rates below 4%).

Chart 1: US financial conditions have both tightened and eased in advance of Fed policy moves, in recent years. This reflects markets reacting to Fed signalling. Directional de-coupling is less common.

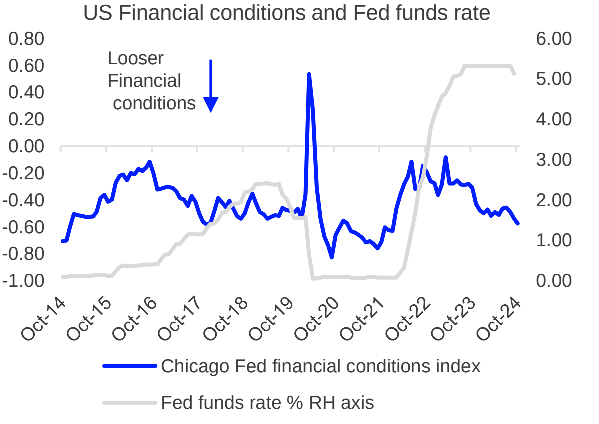


Chart 2: Improved rate differentials drove a dollar rally in October, after stronger economic data, and easing by other central banks. The yen fell sharply as interest revived in carry trades.

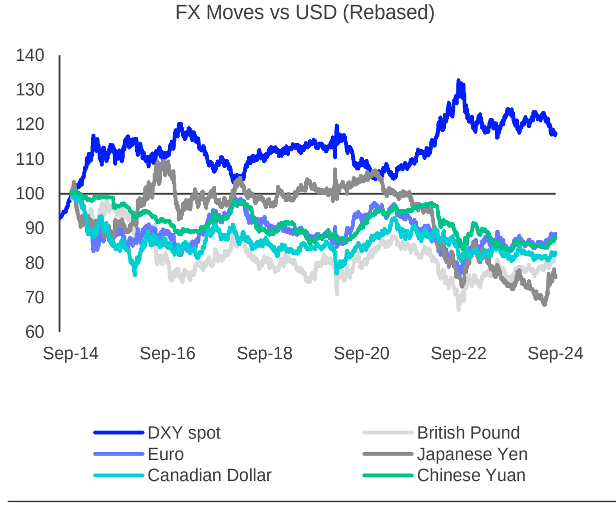


Chart 3: De-synchronised easing continues. The BoC and ECB eased again in October, as inflation fell below target. The weaker US payroll report for October helped the case for Fed easing on Nov 7.

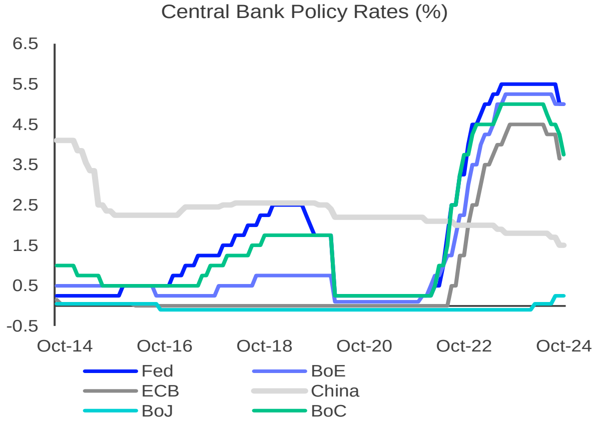
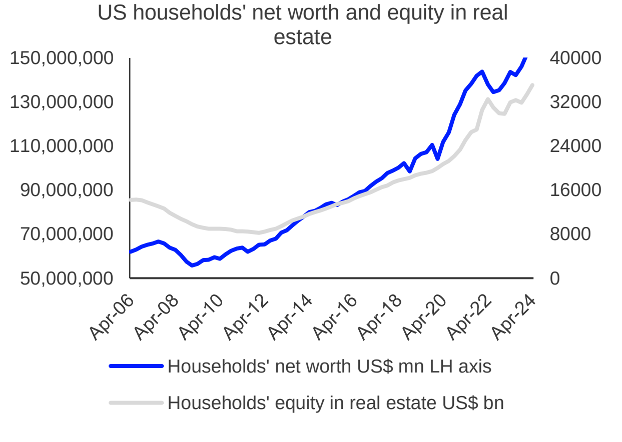


Chart 4: After a dip during Covid, and when the Fed raised rates, US house prices have rebounded, driving household equity in real estate and net worth higher. Note the decline in equity during the GFC.



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Global Yields, Curves and Breakevens

Chart 1: G7 yields rebounded in October, led by Treasuries and UK gilts, as US growth strengthened and gilt funding fears emerged ahead of the UK budget. Bund yields moved less after ECB easing.

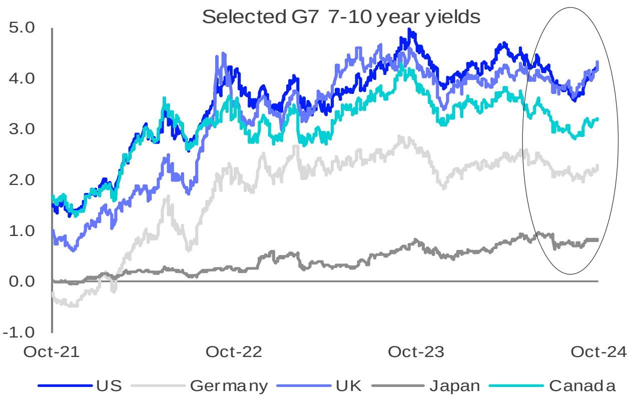


Chart 2: Real yields followed nominal yields higher, led by US Tips, though moved less. Eurozone real yields were helped by ECB easing. In the UK, gilt funding fears were focussed on conventionals.

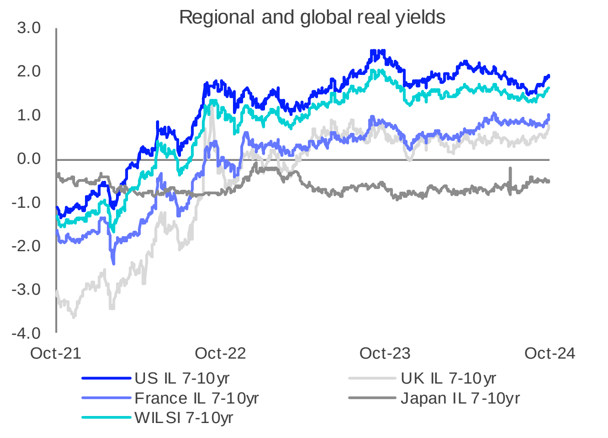


Chart 3: Yield curves disinverted in 2024, as central bank easing drove driven short yields lower, versus longer maturities. The Canadian curve has disinverted most, as the BoC continues to ease more than the Fed.

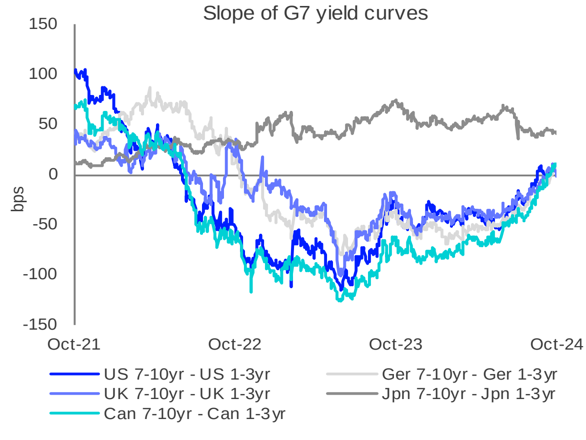


Chart 4: Yield curves have steepened a bit more in longs, than mediums, reflecting increased issuance fears, although moves are similar. The JGB curve has steepened most, as curve control ended.

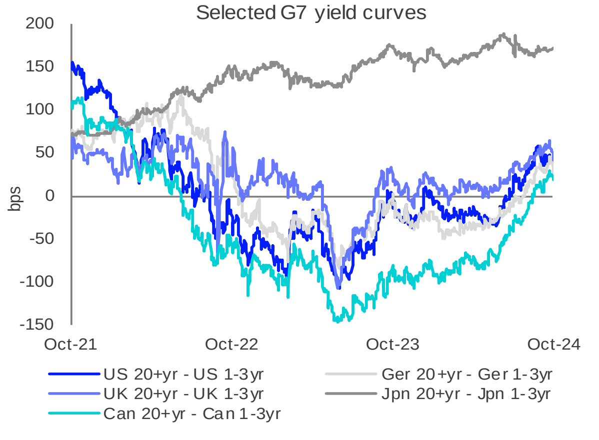


Chart 5: Inflation breakevens moved higher in October, as nominal yields proved more sensitive to the US growth rebound and sticky US inflation. ECB easing restricted the move in Eurozone breakevens.

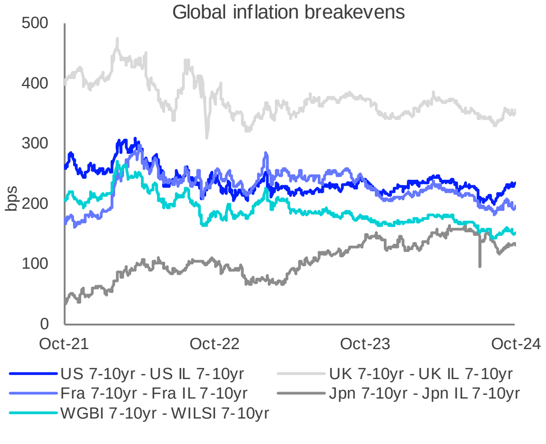
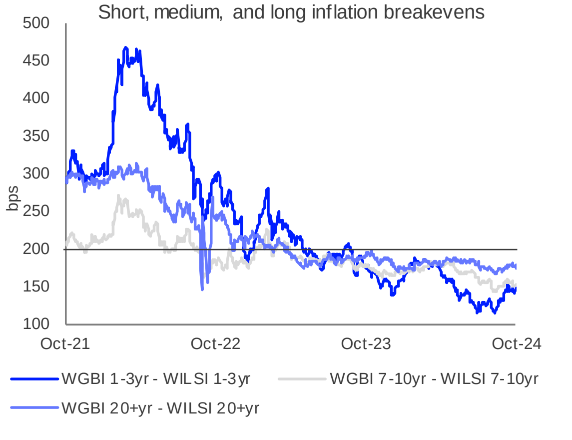


Chart 6: Globally, breakevens remain near cycle-lows, helped by lower oil prices, even if they rebounded in October. Short breakevens also remain below medium and long, as they did in the lowflation regime, pre-Covid.



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Yield Spreads and Credit Spread Analysis

Chart 1: Stronger US growth in Q3 drove US spreads wider as markets re-framed Fed easing, pricing in more gradual easing. Spreads v Bunds moved sharply as the ECB eased policy again.

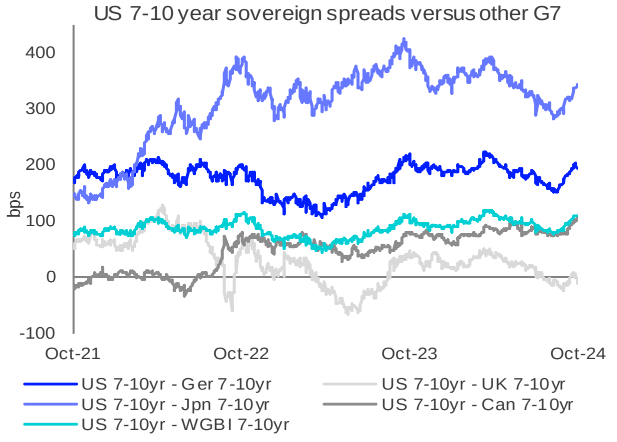

Chart 2: Italian sovereign spreads converged further, helped by ECB policy easing, and post-Covid EÚ fiscal support. The biggest moves were versus gilts and Treasuries as yields rose in the UK and US.

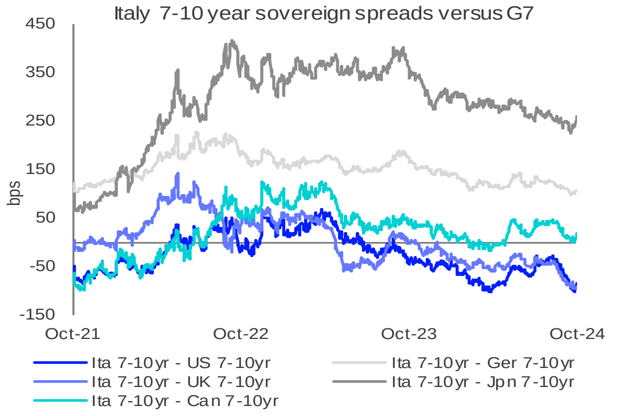

Chart 3: EM sovereign spreads resumed their tightening trend, as G7 yields backed up in October, and China yields edged lower. Spreads moved close to new lows versus US Treasuries and UK gilts.

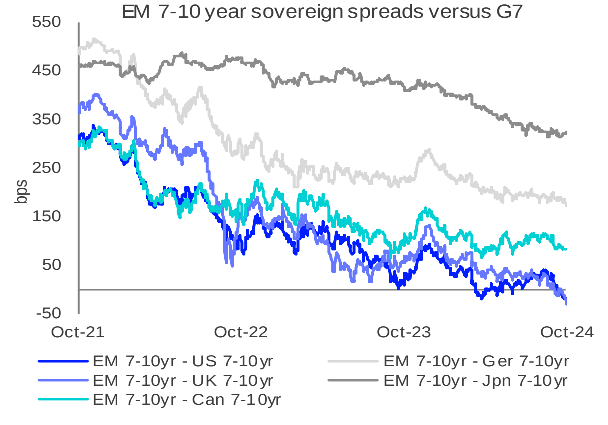

Chart 4: Further PBOC easing and a rebound in G7 yields in October drove China spreads sharply lower, and close to 2023-24 lows. Spreads even fell versus Canada, despite more BoC policy easing.

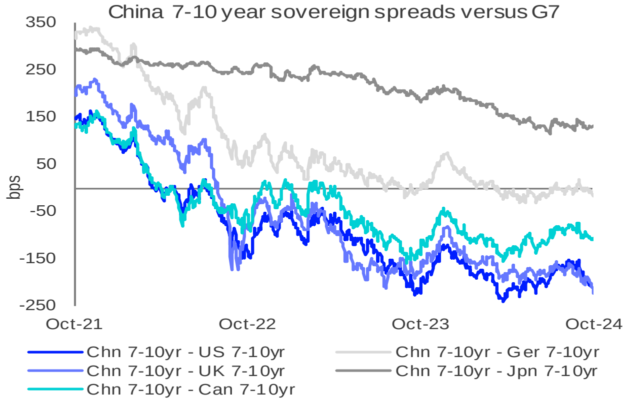

Chart 5: Credit spreads fell further in October, but mainly due to the back-up in govt bond yields, led by US Treasuries. HY spreads fell to below pre-Covid levels in the US, helped by improved credit quality.

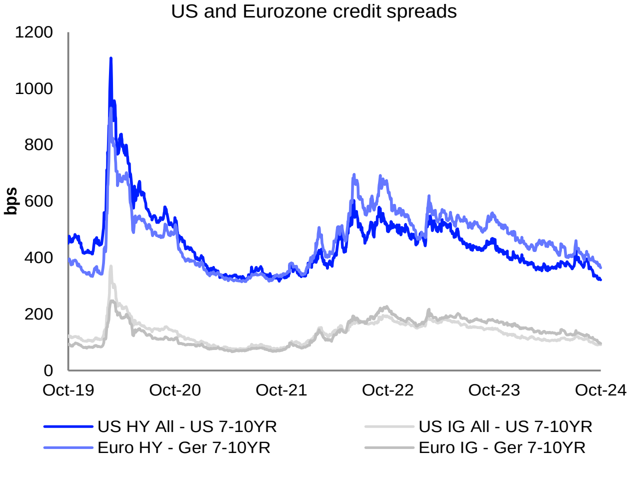

Chart 6: After the crash, China high yield spreads have collapsed aided by a series of support measures for the property sector, and bond exchanges. US HY spreads have also fallen sharply.

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Investment Grade Credit and RMBS analysis

Chart 1: Banks and electrical utilities outperformed, helped by the AI boom, and higher for longer rates, so spreads tightened sharply. Asset backed securities have performed well, despite record issuance.

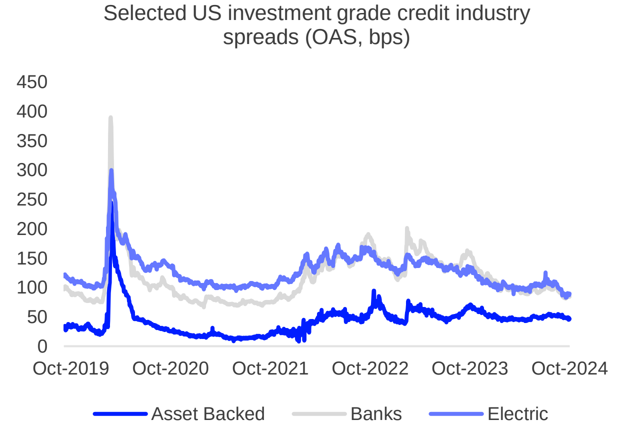


Chart 2: Asset backed securities have continued to show lower beta, and strong returns since 2022, benefitting from credit upgrades. CMBS remains the weakest area of asset backed.

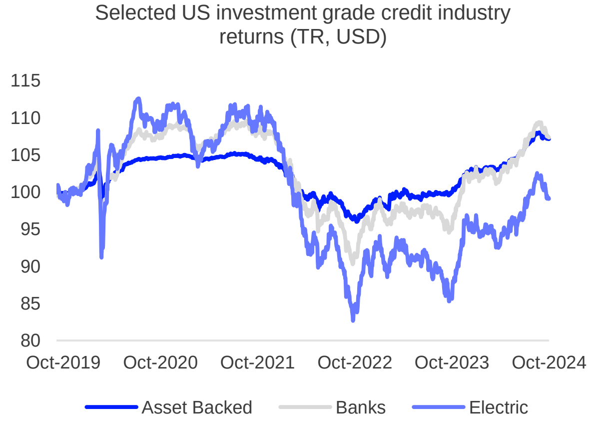


Chart 3: The weight of BBB issues in IG increased after Covid, and a brief spike in Fallen Angels occurred (downgrades to HY). But the share of BBB has fallen since, and share of single A has increased.

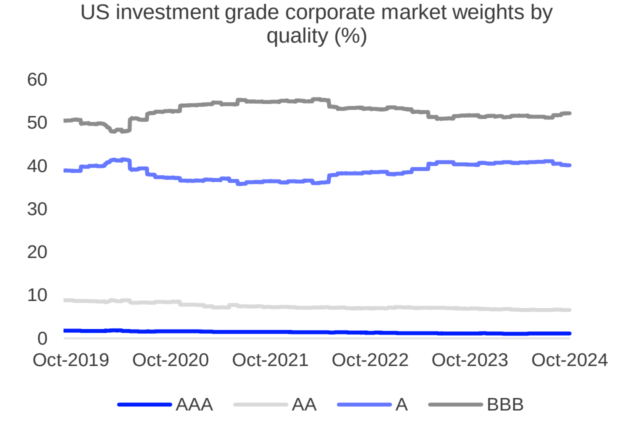


Chart 4: The BBB sector has outperformed, most notably in the risk rally in 2023-24, when lower correlation to Treasuries, and higher correlation to equities helped performance, vs higher grade issues.

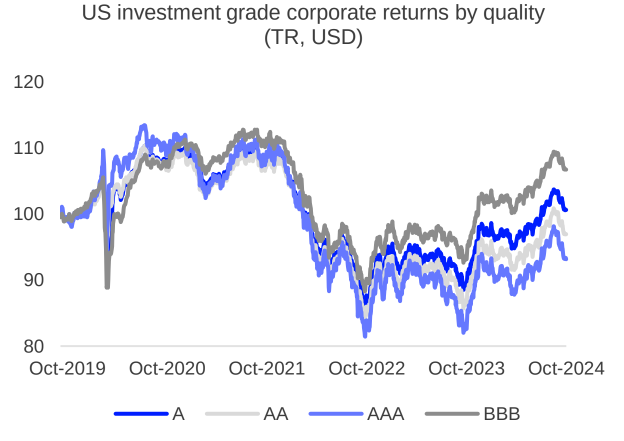


Chart 5: IG credit spreads have almost converged to the level of agency-RMBS spreads, helped by improved credit metrics, and less stock buy-backs. RMBS spreads now look attractive historically.

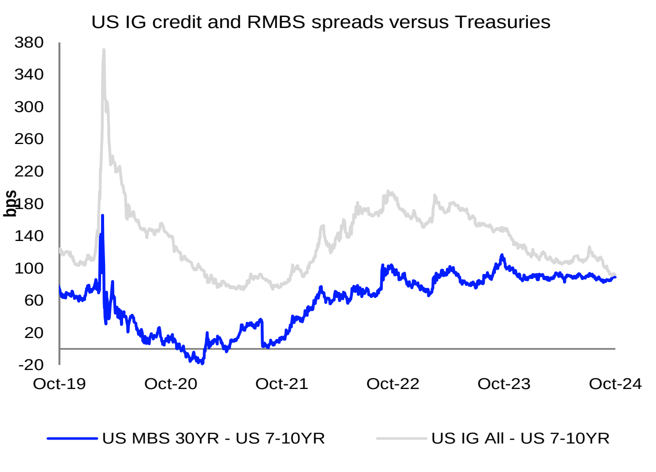
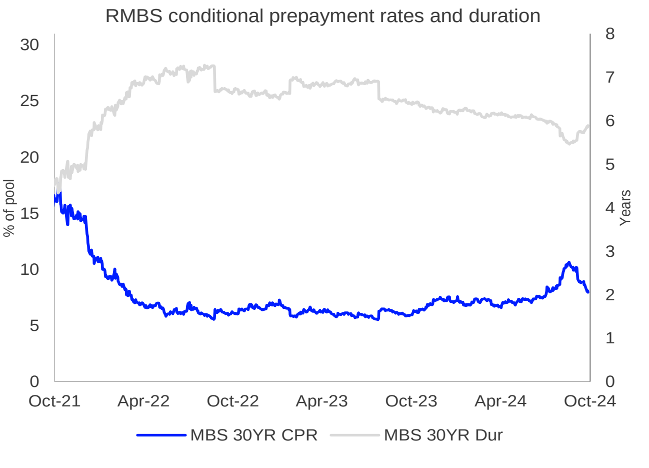


Chart 6: Increased mortgage refinancings and prepayments in Q3 started to reverse, after the rebound in 10 year yields in October, with mortgage holders locked into lower coupon fixed rate mortgages.



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High Yield Credit Analysis

Chart 1:The share of Fallen Angels in the US HY market is at a 25 yr low, and has fallen steadily since Covid. This may reflect tighter financial control, reduced stock buy-backs and better debt metrics.

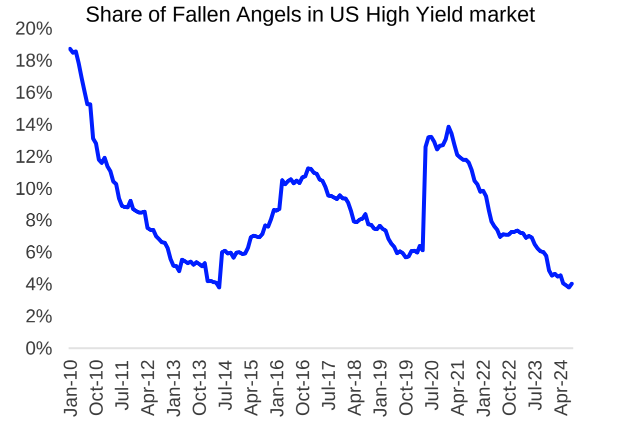


Chart 2: CCC credits have outperformed steadily in the risk rally in 2023-24, reflecting low default rates and successful refinancing. Single B rated credits have also performed well.

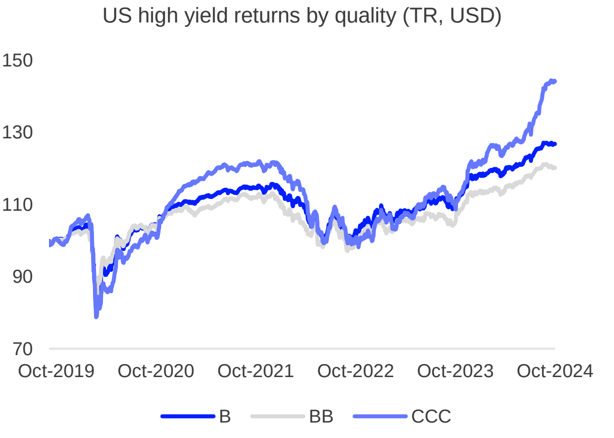


Chart 3: HY returns are less sensitive to Treasury yields than IG, though there was a negative duration effect on 7-10 yr HY issues in 2022-23. Growth & default expectations tend to dominate HY returns.

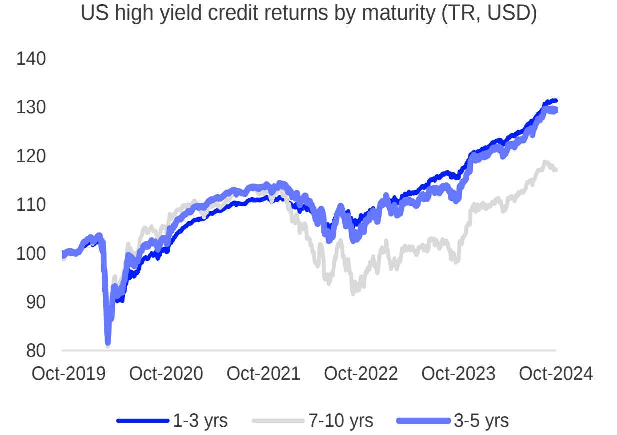


Chart 4: BB issues form the biggest share of US HY. There was a surge in the share of single B issues after Covid, but this has stabilised. Fears of a collapse in HY credit quality proved exaggerated.

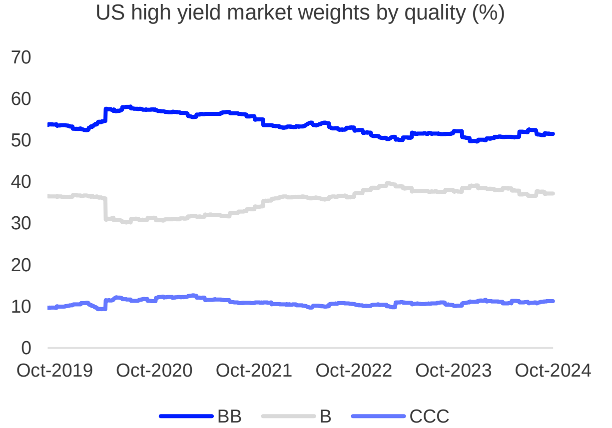


Chart 5: Some of the smaller HY sectors continue to perform strongly in US HY, led by insurance, and banks (weighting of less than 1%). Telecom recovered well in 2024, helped by lower interest rates.

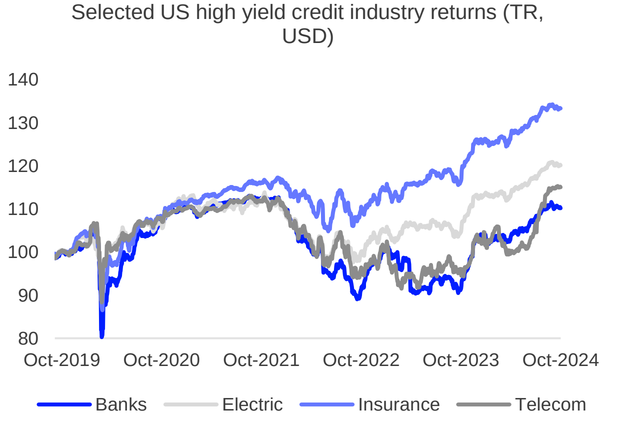
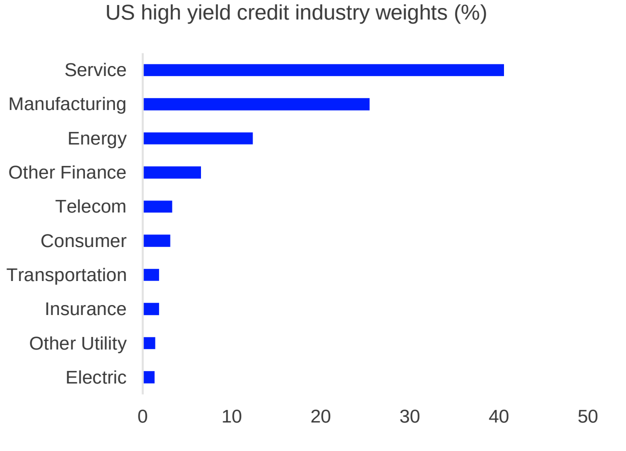


Chart 6: The HY market is dominated by services and manufacturing sector issuers. Financial issues have low weights, and energy a sector weight of only12%, despite a widespread perception of a higher weight.



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SI Sovereign Bond Analysis

Chart 1: Absolute returns for the SI Sovereign indices have been strong over 1 year and roughly in-line with WGBI returns, helped by central bank easing and lower interest rate expectations.

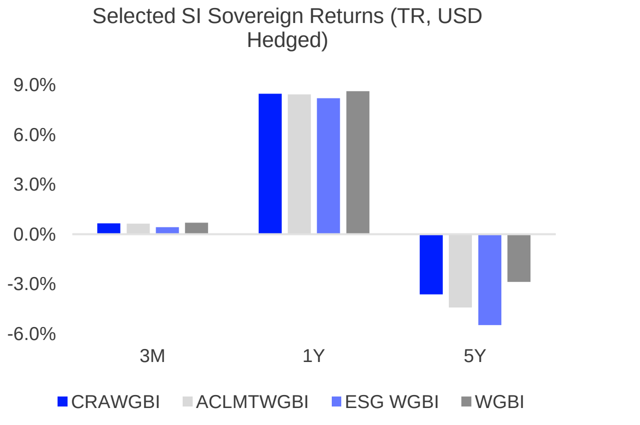


Chart 2: Relative SI Sovereign performance has been mixed over both 1Y and 3M, as the benefit of higher duration in a falling rate environment was offset by SI yields falling less than WGBI yields.

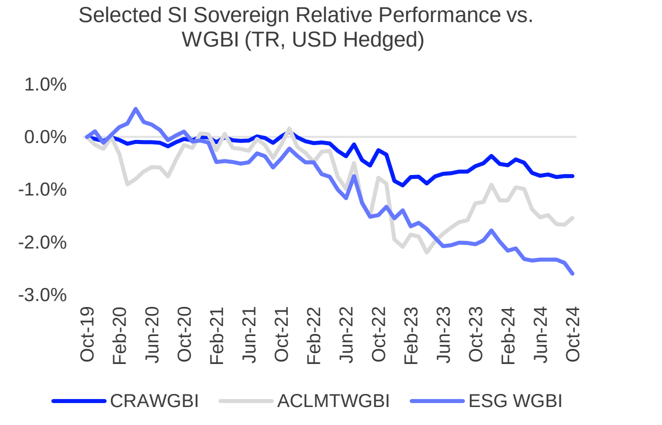


Chart 3: The ESG WGBI has a modest US overweight, while the climate indices are both underweight the US in favour of European sovereigns. Country allocation has led the recent relative performance.

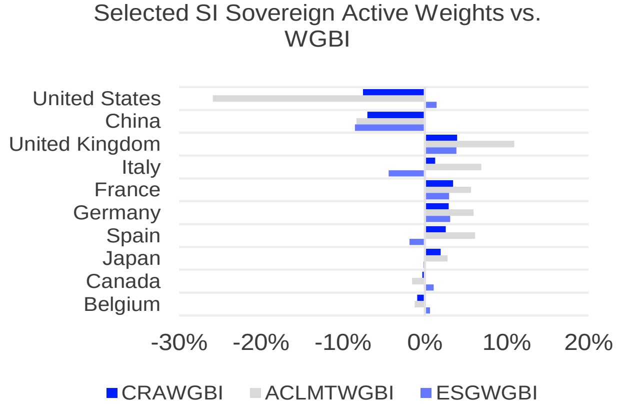


Chart 4: The ESG WGBI vs WGBI has a clear quality bias, implying that more developed, lower risk sovereigns are likely to have higher ESG scores than their less developed counterparts.

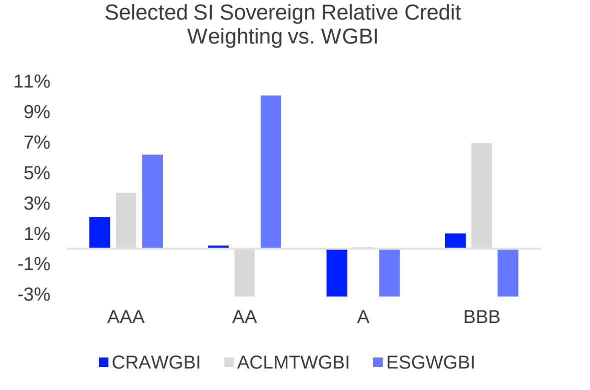


Chart 5: SI sovereign yields vs WGBI have risen over the last two years. The higher US yield increase vs Europe led to a fall in the Adv. Climate yields vs WGBI in October due to its large US underweight.

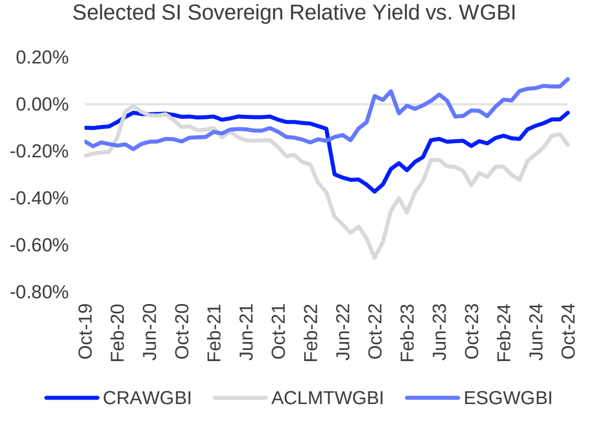
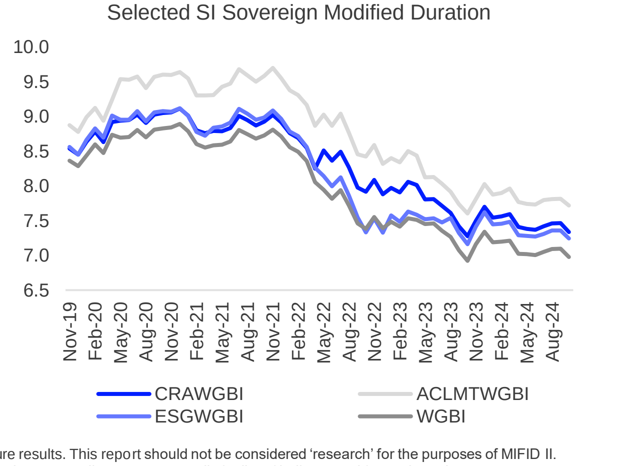


Chart 6: Despite falling over the last 3 years, there have been no major changes in duration for any of the indices over 12 months. The SI Sovereign indices have a positive active duration vs WGBI currently.



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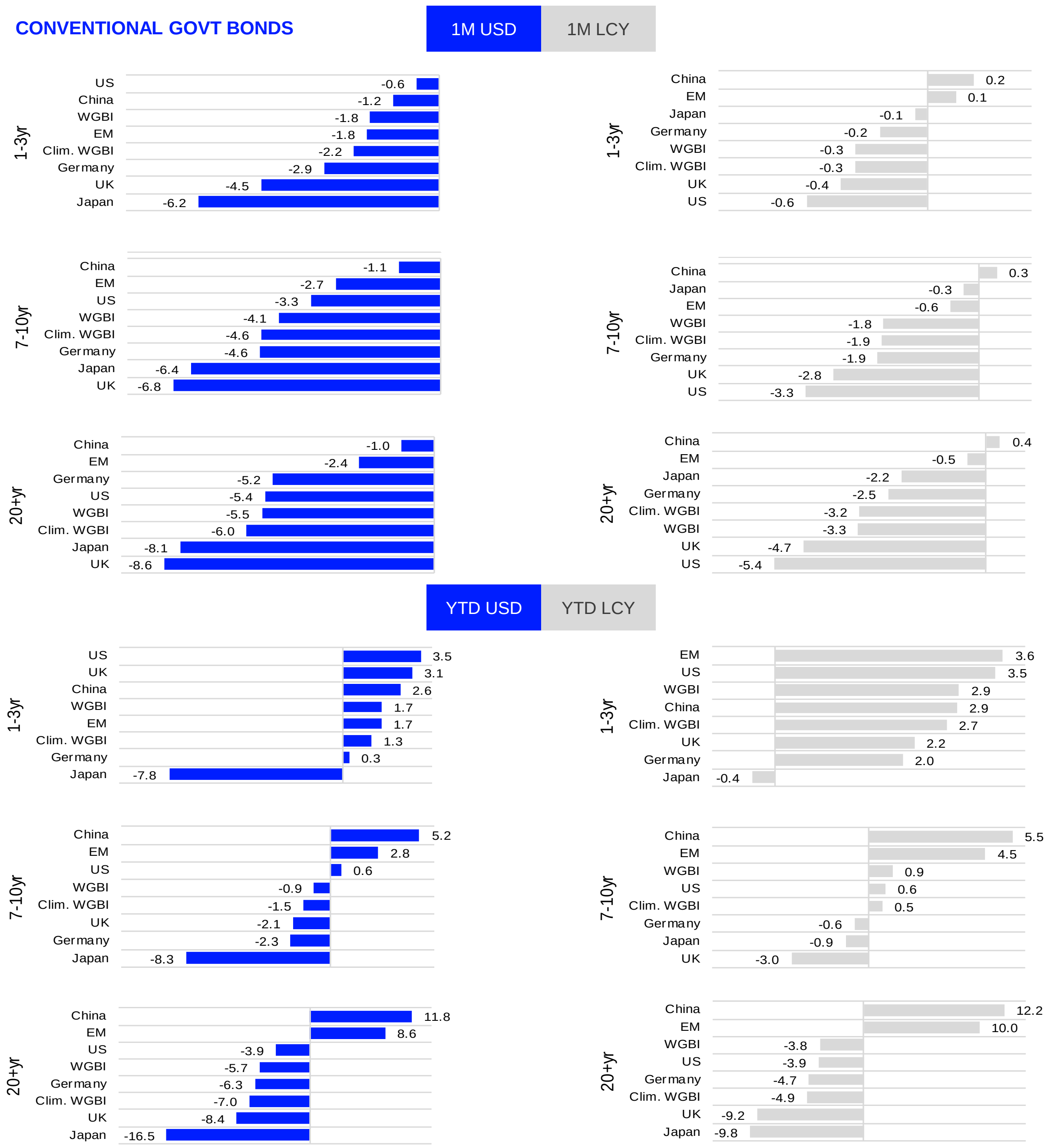
Conventional Government Bond Returns − 1M and YTD % (USD & LC, TR)

Stronger US economic data, including more sticky inflation data and a US dollar rally combined to drive negative returns in G7 govt bonds in October, in dollar terms, despite rising Middle East tensions. JGBs lost 6-8% in USD as the yen fell sharply on adverse rate differentials. Gilts fell 5-9% on higher issuance fears, ahead of the UK budget.

In a reversal of Q3 gains, govt bonds fell back in October, as markets re-priced a slower Fed easing cycle, after unemployment fell and GDP growth of 2.8% in Q3. Further ECB easing helped Bunds but a weaker Euro still meant losses of 3-5% in USD terms.

Long China and EM bonds outperformed, reflecting PBOC rate cuts, monetary easing, and deflation risks, and gained 9-12% YTD. In contrast, the extra duration in long gilts, and issuance fears, drove losses of 8% YTD, though offset by sterling strength. JGB losses of 8-17% YTD in dollar terms dwarf losses elsewhere, reflecting higher rates and the end of curve control in March.



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

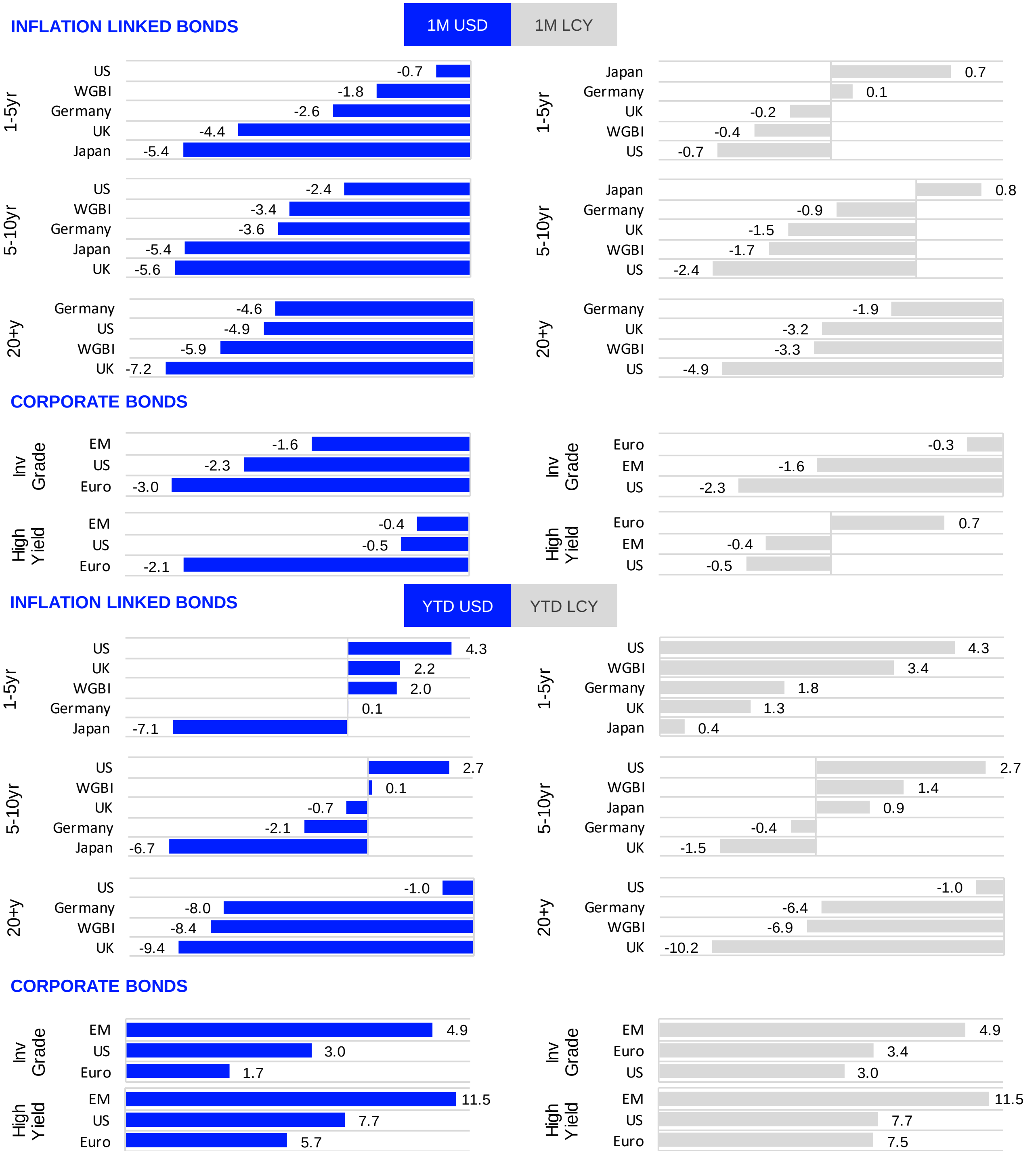
Global Inflation-Linked Bond Returns – 1M & YTD % (USD, LC, TR)

Inflation-linked bonds fell back in local currencies in October, but more in US dollar terms on the stronger dollar. US Tips retreated on stronger growth and sticky US inflation. JGB linkers lost 5% in dollar terms, mainly on yen weakness. Credit fell a little in October, but is strongly ahead YTD with HY gains of 6-12%, led by EM.

Linkers drifted lower in October but reacted less than conventionals to stronger US data, and the prospect of slower Fed easing. Dollar strength squeezed overseas returns, however, with losses of up to 7% in long UK linkers, exceeding 5% losses in Tips.

Credit also drifted lower in October, with small losses of up to 3% in dollar terms in Euro IG and HY, mainly on Euro weakness as the ECB eased policy again, while the fx market scaled back Fed easing expectations.

HY credit remains the best performer YTD, and the least interest rate sensitive asset, retaining strong correlation to equities.



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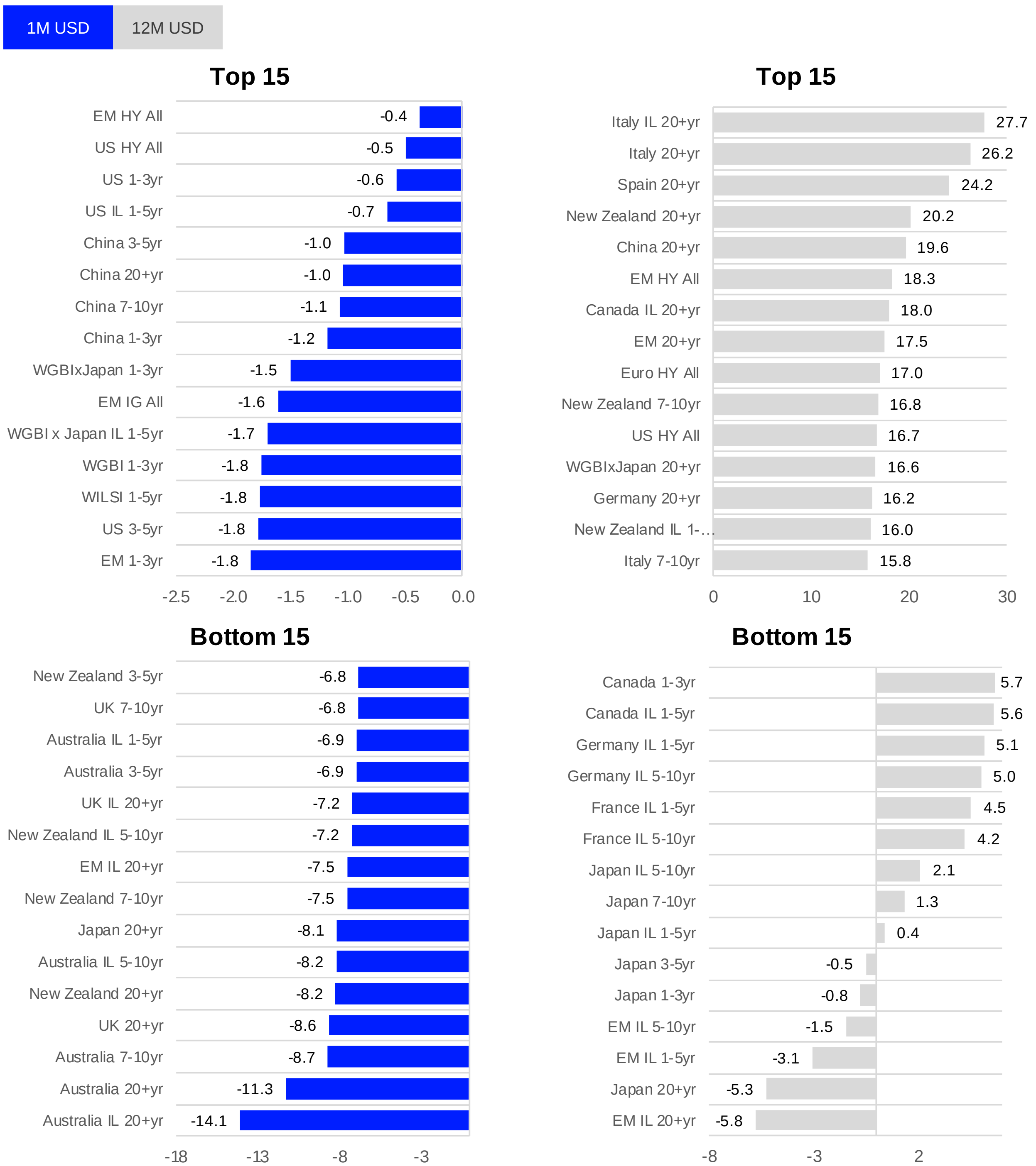
Top and Bottom Bond Returns – 1M & 12M % (USD, TR)

No fixed income asset class showed positive returns in October, as both credit and govt bonds followed US markets lower, with losses compounded in dollar terms by the USD rally. Long-dated Australasian and UK bonds lost 7-14% on the month. On 12M however, Spanish, Italian, Chinese and NZ govt bonds have all gained between 17 and 28%, in USD terms.

The Q3 bond market rally stalled in October, as stronger US growth caused a re-pricing of Fed easing prospects, and the dollar recovered. APAC bond markets suffered the biggest losses in dollar terms, led by JGBs on yen weakness.

Long gilts also lost 7-9% in October, in USD terms, as the market fell on fears of higher gilt issuance, which were confirmed in the budget on October 30.

12M returns show a different picture, with central bank easing driving strong returns in the Eurozone, and high yields in NZ govts attracting investors. China and EM bonds gained 18-20% on 12M. Long JGBs and EM linker returns suffered from weak currencies.



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Appendix − Global Bond Market Returns % (USD & LC, TR) – Oct 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	1.12	1.12	3.57	3.57	3.53	3.53	5.76	5.76
	7-10yr	-0.67	-0.67	5.37	5.37	0.64	0.64	9.38	9.38
	20+yr	-1.42	-1.42	6.96	6.96	-3.89	-3.89	15.26	15.26
	IG All	0.91	0.91	5.93	5.93	2.96	2.96	13.77	13.77
	HY All	2.80	2.80	6.97	6.97	7.66	7.66	16.67	16.67
UK	1-3yr	0.52	0.62	2.50	5.24	2.23	3.10	4.38	10.59
	7-10yr	-2.19	-2.10	1.70	4.42	-2.97	-2.15	5.05	11.30
	20+yr	-4.70	-4.61	0.96	3.67	-9.17	-8.40	6.73	13.08
Euro	IG All	1.22	1.56	3.89	5.49	3.43	1.66	8.76	11.70
	HY All	2.94	3.28	5.73	7.35	7.50	5.65	13.91	16.99
Japan	1-3yr	0.11	-1.12	-0.06	3.25	-0.37	-7.79	-0.18	-0.76
	7-10yr	1.59	0.35	0.59	3.92	-0.90	-8.28	1.90	1.31
	20+yr	0.35	-0.87	-4.75	-1.60	-9.78	-16.50	-4.72	-5.27
China	1-3yr	0.50	2.07	1.63	3.43	2.91	2.57	3.49	6.44
	7-10yr	0.39	1.96	2.86	4.68	5.51	5.16	6.82	9.86
	20+yr	0.87	2.45	5.82	7.70	12.17	11.81	16.33	19.64
EM	1-3yr	0.84	1.83	2.39	3.19	3.65	1.73	4.70	6.47
	7-10yr	0.71	1.83	4.00	5.19	4.47	2.78	8.37	10.29
	20+yr	1.18	2.31	6.12	7.25	10.04	8.64	15.14	17.49
	IG All	1.50	1.50	5.71	5.71	4.91	4.91	12.86	12.86
	HY All	2.68	2.68	7.40	7.40	11.50	11.50	18.27	18.27
Germany	1-3yr	0.98	1.31	2.44	4.01	2.04	0.29	3.61	6.42
	7-10yr	-0.07	0.26	3.11	4.69	-0.56	-2.27	5.66	8.53
	20+yr	-0.87	-0.55	3.58	5.16	-4.70	-6.34	13.10	16.17
Italy	1-3yr	1.09	1.42	2.78	4.36	2.77	1.01	4.89	7.74
	7-10yr	1.44	1.78	4.49	6.09	4.17	2.37	12.74	15.80
	20+yr	2.06	2.39	5.43	7.05	5.73	3.91	22.92	26.25
Spain	1-3yr	1.15	1.48	2.67	4.24	2.67	0.91	4.39	7.22
	7-10yr	0.91	1.24	3.91	5.50	2.36	0.60	9.89	12.87
	20+yr	1.39	1.72	5.57	7.19	2.84	1.07	20.88	24.16
France	1-3yr	1.14	1.47	2.60	4.17	2.02	0.27	3.89	6.71
	7-10yr	0.02	0.34	1.73	3.29	-1.37	-3.06	5.57	8.44
	20+yr	-1.03	-0.71	-0.32	1.21	-6.77	-8.37	11.98	15.01
Sweden	1-3yr	1.15	1.32	3.56	6.23	3.39	-2.63	5.19	9.84
	7-10yr	-0.17	-0.01	4.48	7.17	1.33	-4.56	9.54	14.38
Australia	1-3yr	0.59	0.90	2.10	2.98	2.57	-1.54	4.78	8.40
	7-10yr	-1.50	-1.19	1.92	2.81	-0.07	-4.08	8.29	12.03
	20+yr	-4.47	-4.18	-1.24	-0.38	-7.04	-10.76	10.95	14.78
New Zealand	1-3yr	1.81	2.01	4.49	5.09	5.40	-0.93	7.92	10.42
	7-10yr	0.34	0.54	5.82	6.42	3.31	-2.89	14.18	16.83
	20+yr	-1.93	-1.73	5.17	5.77	-2.65	-8.50	17.48	20.21
Canada	1-3yr	1.40	0.49	3.70	2.20	4.02	-1.60	6.09	5.66
	7-10yr	0.38	-0.52	6.46	4.93	2.07	-3.45	10.38	9.93
	20+yr	-0.38	-1.28	10.01	8.43	-2.33	-7.61	15.81	15.34

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Appendix − Global Bond Market Returns % (USD & LC, TR) – Oct 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	1.06	1.06	3.93	3.93	4.28	4.28	6.86	6.86
	5-10yr	0.00	0.00	5.12	5.12	2.72	2.72	9.17	9.17
	20+yr	-0.76	-0.76	8.28	8.28	-0.99	-0.99	14.93	14.93
UK	1-5yr	-0.04	0.05	1.74	4.46	1.31	2.18	4.40	10.61
	5-10yr	-1.58	-1.49	0.88	3.58	-1.54	-0.71	3.96	10.15
	20+yr	-4.28	-4.19	1.00	3.71	-10.21	-9.44	6.27	12.59
Japan	1-5yr	0.58	-0.65	1.06	4.40	0.37	-7.11	0.98	0.40
	5-10yr	1.41	0.17	0.68	4.01	0.85	-6.66	2.71	2.11
EM	1-5yr	2.45	-1.39	5.47	-5.15	7.45	-8.40	10.28	-3.07
	5-10yr	1.33	-1.82	4.38	-4.54	2.69	-10.34	8.30	-1.48
	20+yr	-0.75	-4.14	1.12	-9.20	-5.33	-18.80	5.09	-5.78
Germany	1-5yr	1.02	1.35	2.13	3.70	1.81	0.06	2.36	5.13
	5-10yr	-0.29	0.04	1.77	3.33	-0.42	-2.13	2.22	4.99
	20+yr	-2.13	-1.81	-0.43	1.10	-6.37	-7.98	4.96	7.80
Italy	1-5yr	1.10	1.43	2.66	4.23	2.80	1.03	5.39	8.24
	5-10yr	1.12	1.46	3.00	4.58	3.93	2.14	10.68	13.68
	20+yr	1.10	1.43	0.98	2.53	3.97	2.19	24.35	27.72
Spain	1-5yr	0.84	1.17	2.09	3.66	1.89	0.14	3.33	6.13
	5-10yr	0.26	0.59	2.08	3.64	2.06	0.31	5.97	8.84
France	1-5yr	0.56	0.89	1.39	2.95	0.44	-1.28	1.78	4.54
	5-10yr	-0.50	-0.18	0.02	1.56	-1.91	-3.59	1.49	4.24
	20+yr	-3.10	-2.78	-5.85	-4.40	-10.87	-12.40	5.23	8.08
Sweden	1-5yr	0.25	0.42	2.37	5.01	2.29	-3.66	4.15	8.75
	5-10yr	0.16	0.32	3.34	6.01	2.29	-3.66	7.82	12.59
Australia	1-5yr	-0.42	-0.11	0.96	1.84	1.29	-2.77	4.00	7.59
	5-10yr	-1.31	-1.01	0.93	1.81	-0.32	-4.31	6.41	10.08
	20+yr	-7.42	-7.14	-5.72	-4.90	-13.11	-16.59	7.84	11.56
New Zealand	5-10yr	-0.05	0.15	3.19	3.79	3.42	-2.79	10.79	13.36
Canada	20+yr	-0.43	-1.32	10.08	8.49	2.09	-3.43	18.44	17.96

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Appendix − Global Bond Market Returns % (USD & LC, TR) – Oct 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	4.21	4.16	4.26	4.57	1.86	1.88	2.19	5.18	7.48
	3M Ago	4.38	3.99	4.02	4.42	2.13	1.77	2.12	5.16	7.81
	6M Ago	5.09	4.80	4.69	4.85	2.41	2.24	2.44	5.75	8.22
	12M Ago	5.17	4.87	4.90	5.19	2.82	2.50	2.64	6.38	9.46
UK	Current	4.38	4.23	4.37	4.80	0.58	0.70	1.46		
	3M Ago	4.19	3.82	3.89	4.47	0.27	0.37	1.25		
	6M Ago	4.64	4.31	4.28	4.72	0.30	0.49	1.38		
	12M Ago	4.67	4.45	4.43	4.91	0.65	0.71	1.51		
Japan	Current	0.39	0.50	0.80	2.12	-1.08	-0.57			
	3M Ago	0.37	0.57	0.94	2.11	-1.19	-0.59			
	6M Ago	0.21	0.39	0.76	1.86	-1.21	-0.76			
	12M Ago	0.09	0.34	0.83	1.82	-1.55	-0.65			
China	Current	1.49	1.72	2.12	2.37					
	3M Ago	1.53	1.76	2.10	2.38					
	6M Ago	1.89	2.06	2.34	2.61					
	12M Ago	2.27	2.42	2.67	3.08					
EM	Current	3.21	3.43	4.04	3.77	6.04	5.46	5.91	5.33	7.71
	3M Ago	3.19	3.48	4.18	3.73	5.77	5.23	5.69	5.41	7.93
	6M Ago	3.42	3.86	4.56	3.94	5.65	5.21	5.67	6.01	9.15
	12M Ago	3.71	4.43	5.00	4.55	4.20	4.73	5.46	6.71	11.34
Germany	Current	2.29	2.16	2.32	2.57	1.32	0.50	0.55		
	3M Ago	2.62	2.25	2.21	2.50	1.57	0.40	0.43		
	6M Ago	3.08	2.67	2.53	2.69	1.12	0.46	0.43		
	12M Ago	3.09	2.66	2.70	3.05	0.90	0.45	0.65		
Italy	Current	2.71	2.86	3.40	4.05	1.27	1.52	1.86		
	3M Ago	2.99	2.97	3.43	4.10	1.45	1.58	1.87		
	6M Ago	3.45	3.38	3.68	4.24	1.25	1.54	1.79		
	12M Ago	3.77	3.88	4.45	5.06	1.77	2.35	2.53		
France	Current	2.48	2.64	2.96	3.50	0.94	0.94	1.20		
	3M Ago	2.78	2.68	2.87	3.40	0.98	0.81	1.05		
	6M Ago	3.17	2.93	2.96	3.39	0.72	0.65	0.86		
	12M Ago	3.21	3.01	3.23	3.88	0.93	0.78	1.28		
Sweden	Current	1.84	1.89	2.07		0.71	0.42			
	3M Ago	2.15	1.96	1.98		0.95	0.51			
	6M Ago	3.14	2.68	2.50		1.60	0.85			
	12M Ago	3.43	3.05	2.94		1.34	1.30			
Australia	Current	4.06	4.04	4.42	4.97	1.81	1.97	2.46		
	3M Ago	3.86	3.76	4.07	4.62	1.38	1.56	2.04		
	6M Ago	4.16	4.05	4.36	4.75	1.40	1.71	2.06		
	12M Ago	4.49	4.48	4.87	5.33	1.47	2.04	2.53		
New Zealand	Current	3.81	3.91	4.41	5.01		2.42			
	3M Ago	4.21	4.04	4.31	4.81	2.47	2.21			
	6M Ago	5.16	4.77	4.85	5.17	2.29	2.51			
	12M Ago	5.49	5.37	5.55	5.69	2.47	3.05			
Canada	Current	3.11	3.01	3.21	3.29	1.36	1.41	1.56		
	3M Ago	3.64	3.11	3.15	3.23	1.41	1.34	1.52		
	6M Ago	4.47	3.92	3.82	3.70	1.97	1.98	1.90		
	12M Ago	4.70	4.18	4.09	3.88	2.25	2.32	2.21		

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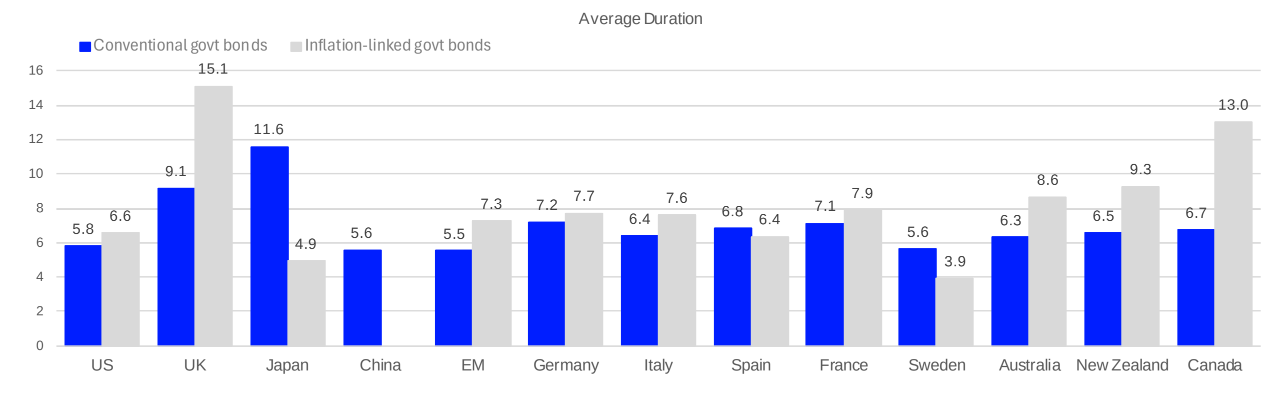
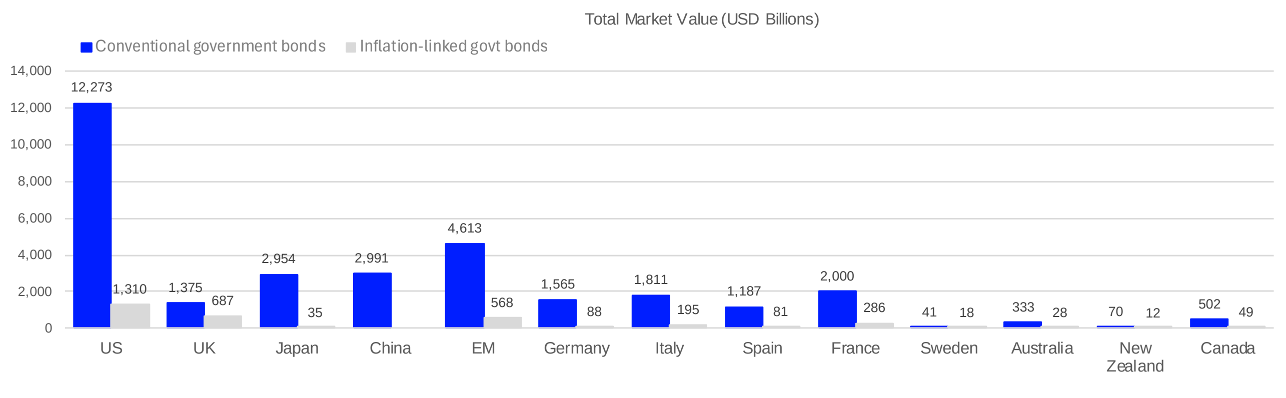
Appendix – Duration and Market Value (USD, Bn) as of October 31, 2024

	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	7.1	16.4	**5.8**	2,882.6	1,199.7	1,413.1	**12,272.9**	7.1	21.3	**6.6**	423.2	121.7	**1,310.5**
UK	3.6	7.2	17.9	**9.1**	191.1	240.7	330.6	**1,374.5**	7.5	26.9	**15.1**	127.1	231.8	**687.3**
Japan	3.9	8.3	23.1	**11.6**	347.6	411.3	595.1	**2,953.6**	8.0		**4.9**	14.0		**34.9**
China	3.7	7.6	18.0	**5.6**	697.7	498.5	323.0	**2,990.8**						
EM	3.6	7.1	16.4	**5.5**	1,004.7	791.4	427.8	**4,613.3**	5.9	13.0	**7.3**	96.0	146.1	**567.8**
Germany	3.6	7.7	21.2	**7.2**	337.3	235.6	170.4	**1,565.3**	6.2	20.6	**7.7**	44.2	18.0	**88.2**
Italy	3.6	7.2	17.0	**6.4**	310.6	282.3	153.0	**1,810.7**	7.1	25.3	**7.6**	59.3	5.7	**195.4**
Spain	3.7	7.2	17.8	**6.8**	249.4	215.2	119.0	**1,186.6**	7.2		**6.4**	51.1		**81.5**
France	3.6	7.4	19.2	**7.1**	415.4	341.0	241.5	**1,999.8**	6.6	23.7	**7.9**	77.2	21.7	**286.3**
Sweden	3.4	7.5		**5.6**	6.8	10.0		**41.0**	6.4		**3.9**	5.9		**18.4**
Australia	3.5	7.2	16.2	**6.3**	50.7	97.3	19.2	**332.9**	6.2	21.3	**8.6**	10.6	2.6	**28.1**
New Zealand	3.8	7.2	15.7	**6.5**	13.6	17.7	5.3	**69.7**	5.3		**9.3**	3.2		**11.6**
Canada	3.9	7.3	19.3	**6.7**	83.3	113.6	73.6	**501.8**	6.1	20.2	**13.0**	8.2	20.2	**49.2**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.4	7.1	6.6	6.9	75.6	459.3	2812.8	3659.7	7007.5	3.8	1097.2
Europe	6.0	4.8	4.6	4.2	4.4	15.5	221.9	1270.9	1601.3	3109.6		
EM		6.6	5.5	5.4	5.5		38.0	207.8	235.5	481.2	3.6	190.0





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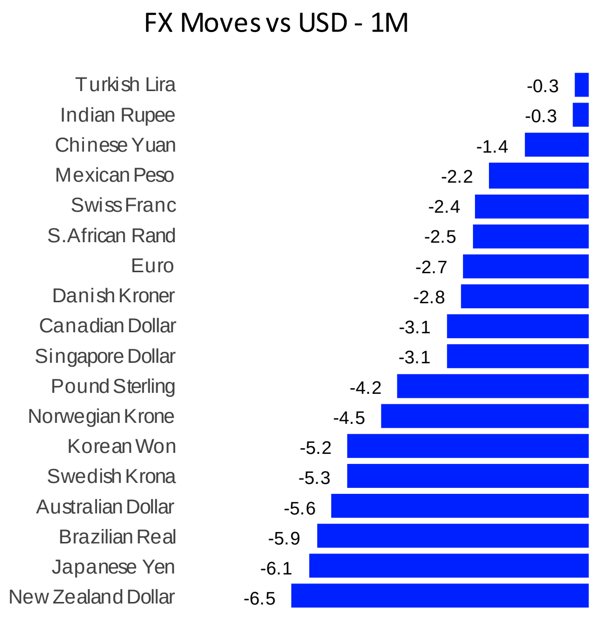
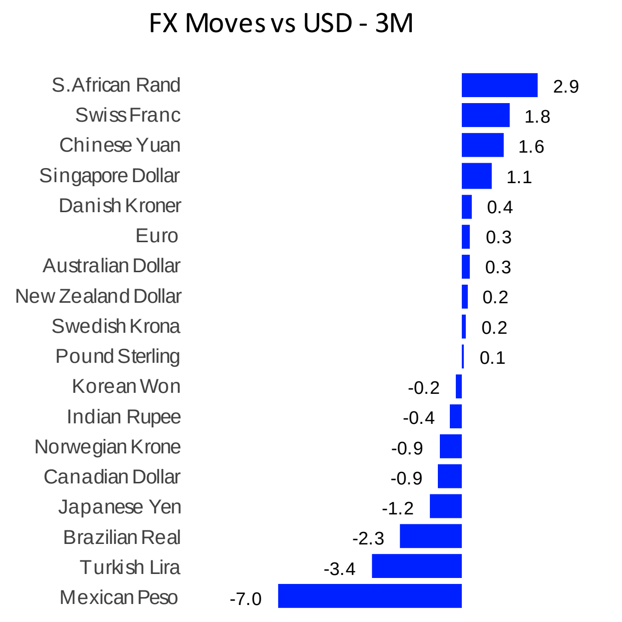
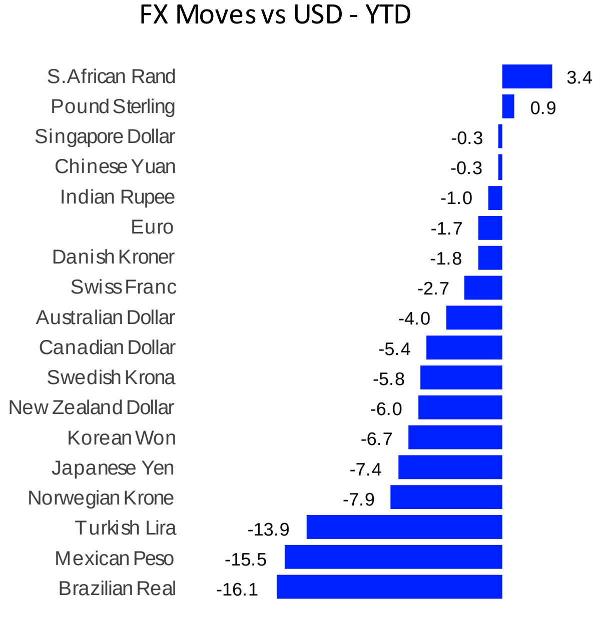
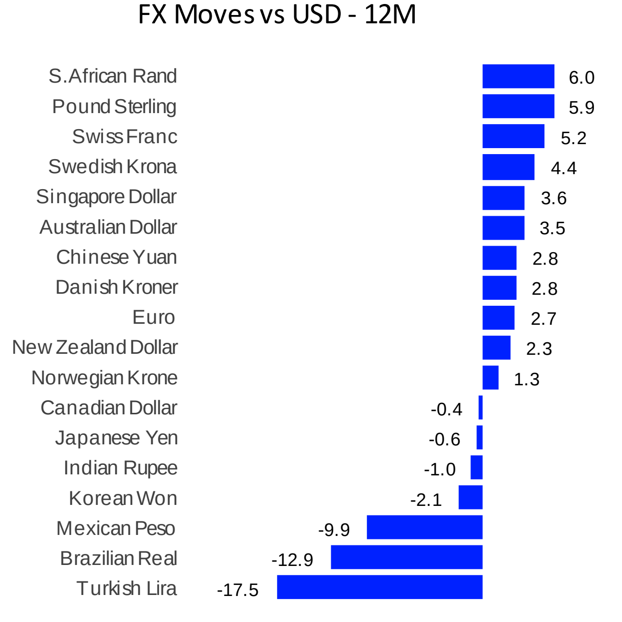
Appendix − Foreign Exchange Returns % as of October 31, 2024









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

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