

Fixed Income Insights

MONTHLY REPORT | OCTOBER 2024

EUROZONE EDITION

Bunds lifted by ECB cuts, as deflation risks loom

Central bank easing and lower inflation lifted global bond markets in Q3. Europe's sharp drop in inflation raises the spectre of deflation. Some unwinding of the yen carry trade converted modest JGB returns into top returns of up to 11% in euros, while Euro IG and HY credits outperformed. Strong gold performance highlights rising uncertainty and risks.

Macro and policy backdrop – Deflation risks? The sharp drop in Eurozone inflation in Q3 puts the region at risk of deflation, despite better growth in Spain and the Netherlands, offsetting lacklustre growth elsewhere in Europe. (pages 2-3)

Yields, curves and spreads – Bull steepening continues Yield curves generally bull steepened in September, as 1-3 year yields priced in more central bank policy easing, and 7-10yr yields were more stable. (pages 4-5)

Credit analysis – IG sector spreads converge, but BBB outperforms Credit spreads have converged across sectors; BBB and Bank credits were the strongest. (page 6-7)

Sovereign and climate bonds – The recent slow erosion of the SI-premium may be ending? After rising in 2022-23, relative yields fell recently for Green Corp, Ex FFE and Choice. (page 8)

Performance – Long bonds outperformed, but a weak dollar dominated Q3 returns The yen rally drove strong gains in JGBs in euros in Q3. Longs were the best performers, despite curve steepening. China and EM show biggest gains YTD. (pages 9-10).

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

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Chart 1: Topsy-Turvey. French 10-year OAT yields are higher than Portuguese peers and yield the same as Spanish Bonos, following France's political stalemate and concerns over rising public debt.

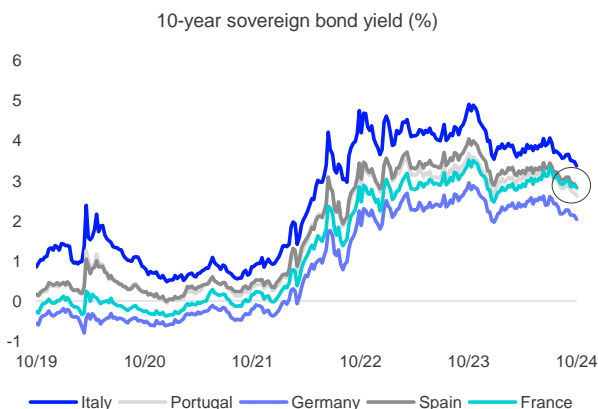
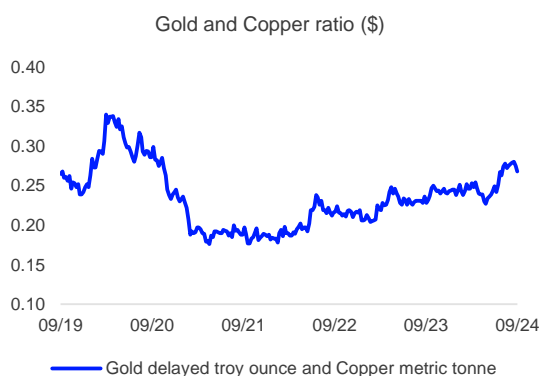


Chart 2: The strong rise in Gold vs Copper this year highlights election uncertainty, geopolitical risks, economic slowdown and higher gold purchases from central banks like Turkey, China, Poland, to name a few.



Source: FTSE Russell and LSEG. All data as of September 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 of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Macroeconomic Backdrop – Growth and Inflation Expectations

Eurozone growth forecasts were revised modestly higher by Consensus in September for 2024, following better economic growth from Spain and the Netherlands in Q2, offsetting lacklustre growth in Germany, France and Italy. Eurozone inflation has fallen below 2% y/y, with an average HCIP of 1.8% y/y. Unemployment remains low, and rising wages have stabilised. The Supply Chain index has mean reverted, though disruption risks are increasing, with geo-political risks.

Weak growth in Germany, France and Italy is being offset by stronger growth in Spain and the Netherlands, where Q2 growth of 0.8% and 1.0% was much higher than the Eurozone average of 0.2% q/q. Like Consensus, the ECB's GDP growth forecast is 0.8% for the region in 2024 (Chart 1). Consensus continues to project a soft landing for the global economy, helped by lower rates and substantial PBoC monetary stimulus measures to revive China's troubled economy.

Eurozone inflation fell sharply in August and is now sub-2% at 1.8% y/y (Chart 2), driven by weak goods inflation and a fall in private consumption and investment, with the region now at risk of deflation. Core inflation is also close to 2% y/y, or below, such as in France (1.7% y/y). Weak growth and low inflation provide room for the ECB to cut rates more aggressively.

However the Eurozone labour market has remained robust, and the unemployment rate was unchanged in August, at 6.4%. At the same time, employment growth slowed to 0.2% in Q2, from 0.3% in Q1. Recent survey indicators also point to a further moderation in demand for labour, and the job vacancy rate has fallen closer to pre-pandemic levels (Chart 3).

Supply chain pressures have normalised, as Chart 4 shows. More disruption to Red Sea shipping routes is a risk, as geopolitical tension escalates, but this is offset by more localisation of supply chains, a shift to a digital economy and weaker demand for tradeable goods. Weak energy prices have reinforced the impact of weak goods prices in driving G7 inflation lower.

Chart 1: Despite a contraction in Germany, Consensus revised Eurozone GDP by 0.1% in September. 2025 will see Canadian growth matching the US, which is expected to be weaker.

Latest Consensus Real GDP Forecasts (Median, %, September 2024)			
	2023	2024	2025
US	2.5	2.5	1.8
UK	0.1	1.1	1.3
Eurozone	0.5	0.8	1.3
Japan	1.3	0.6	1.0
China	5.2	5.0	4.5
Canada	1.1	1.0	1.8

Chart 2: Inflation has fallen sharply, especially in the Eurozone, where HCPI is now below 2% and at risk of deflation. This suggests the ECB may have room to cut rates more aggressively before the end of the year.

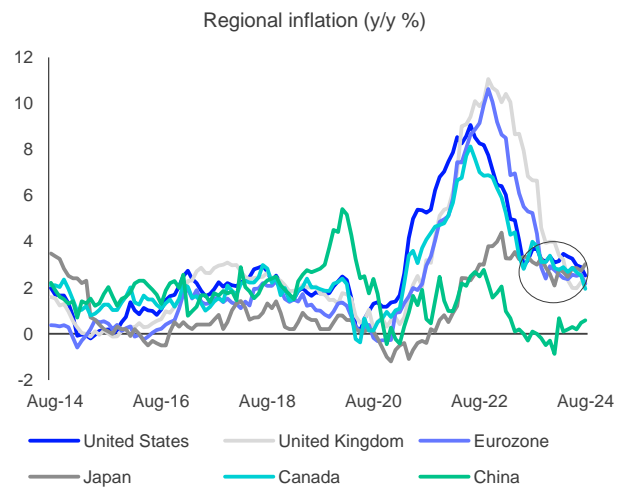


Chart 3: Eurozone unemployment has been resilient with rates close to historical lows, despite subdued economic growth. Hourly wages have moderated but remain high.

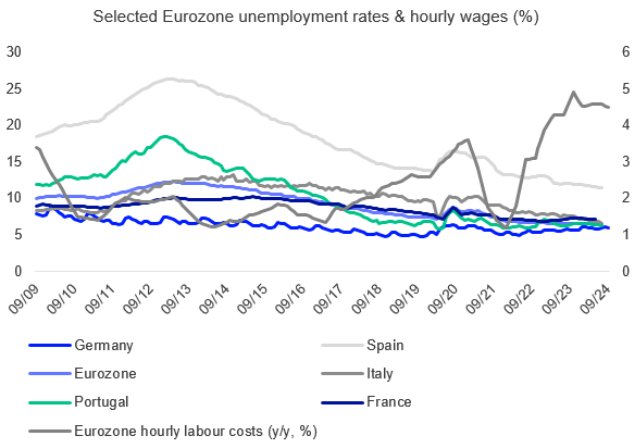
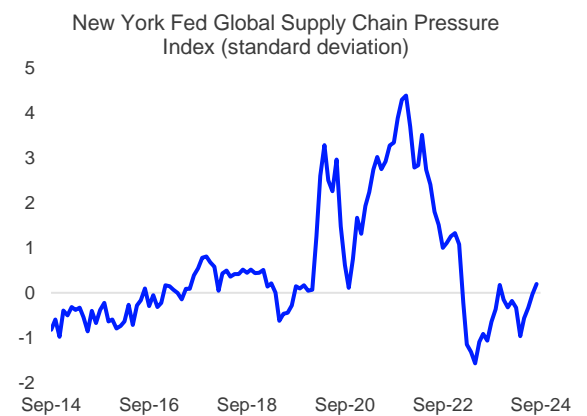


Chart 4: Supply chain indices have mean-reverted in 2024. Reduced demand for tradeable goods, as demand switched to services, and the global slowdown eased pressures, with deflation in some goods' prices.



Source: FTSE Russell and LSEG. All data as of September 30, 2024. Chart 4 date to July 26, 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

Household savings ratios in Europe have risen since Q4 2023, notably in Spain and Portugal, reflecting higher wages, but also fragile German consumer confidence. The adverse impact on the US dollar of lower rate differentials persists, but it remains the safe haven of choice, and the ECB, BoE and PBoC are under pressure to ease further, given weak growth. Shrinking central bank balance sheets, alongside monetary policy easing, raise the issue of consistency.

The savings ratio as a percentage of disposable income has increased in most countries since Q4 2023, with Spain catching up with the Eurozone average. Savings have been boosted by the combination of higher wages, due to labour shortages during the post-Covid recovery, and higher rates. Fragile consumer confidence may also be a driver in Germany (Chart 1).

US dollar weakness continues, as the currency market prices in more US easing, and forward rate differentials deteriorate. The Euro and sterling have gained, as the BoE and the ECB failed to match the Fed easing move in September. But the dollar remains a safe haven of choice, should a bout of risk-off develop in Q4, as geo-political tension rises (Chart 2).

Most major central banks are now easing policy, following the early moves from Switzerland's SNB and Sweden's Riksbank in March and May 2024, respectively. The US Fed took the decision to reduce rates by 50bp to 5% in September, following much debate on the timing and size. With inflation reaching target and the labour market in "excess capacity", the BoC has confirmed the likelihood of more cuts before the end of the year, while the ECB and BoE are also expected to reduce rates again. Japan remains an outlier, with the BoJ expected to tighten policy again before the end of 2024 (Chart 3).

Central banks continue to shrink balance sheets (except the BoJ), despite easing rates, as Chart 4 shows. This raises the issue of consistency, and equilibrium balance sheet size. Both the Fed and BoE have signalled they believe it is much smaller than current size, and the BoE has stated it wishes to transfer duration risk back to the private sector by reducing gilt holdings.

Chart 1: The savings ratio/disposable income is historically high in Europe, but the level has risen in most countries since Q4 23. Spain and Portugal ratios are now close to the Eurozone average.

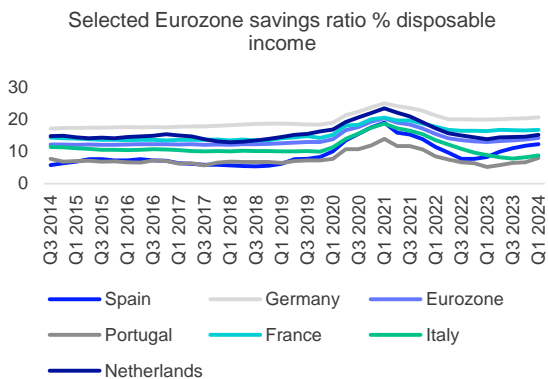


Chart 2: US dollar weakness persists as the US Fed is expected to ease policy further and the BoJ increase rates. Both sterling and the euro have remained strong, despite recent BoE and ECB rate cuts.

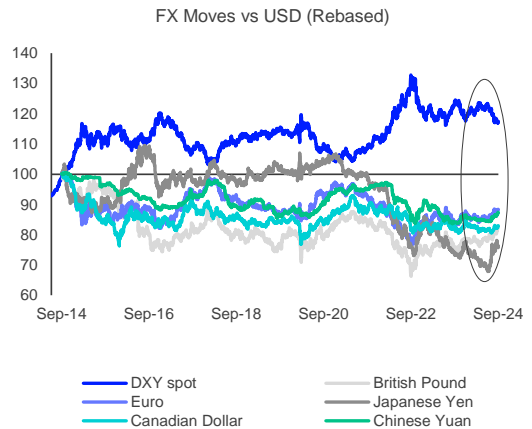


Chart 3: At last, the US Fed joined peers in easing monetary policy, with a much-awaited 50bp cut, to 5% in Sept. The BoC also eased by 25bp, as did the ECB. Only the BoE left rates unchanged at 5%.

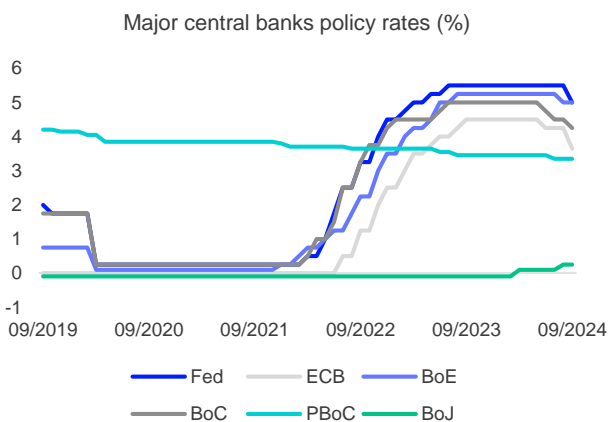
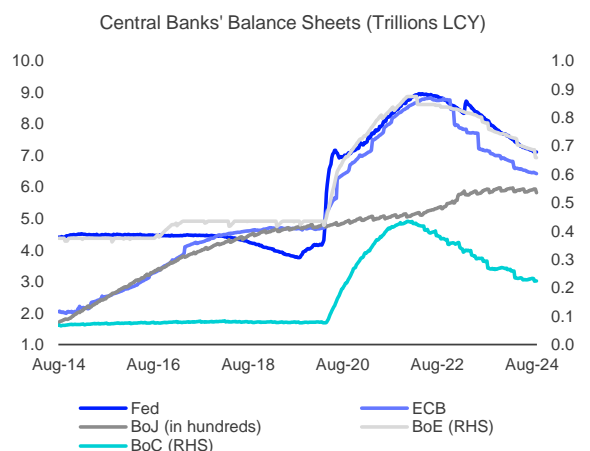


Chart 4: G7 central banks' balance sheets have fallen in most countries, where restrictive policies are mixed with monetary policy easing, raising issues of consistency.



Source: FTSE Russell, LSEG and US Federal Reserve. All data up to September 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 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 broadly stable in September, with bigger moves in short yields than 7-10 year, as central banks signalled rate cuts. Lower inflation rates supported the 7-10yr area.

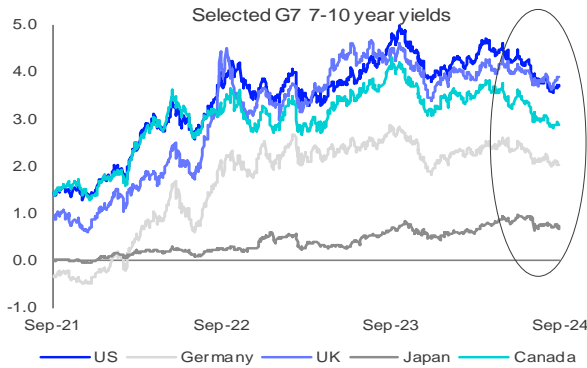


Chart 2: US TIPS real yields fell most in September, and Q3, as US real growth and inflation slowed, and the Fed pivoted to ease rates. JGB real yields moved higher on fears of higher BoJ rates.

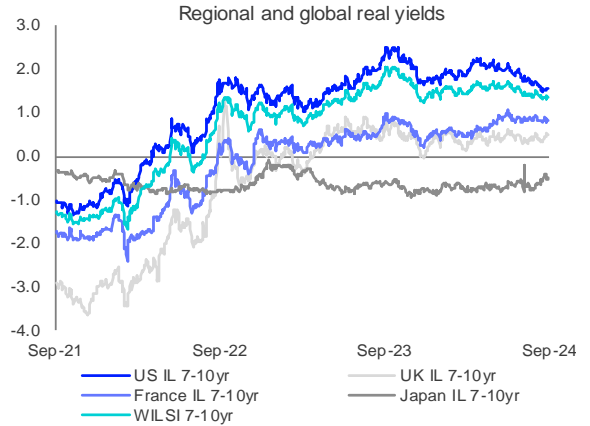


Chart 3: Yield curves generally bull steepened in September, as 1-3 year yields priced in more central bank policy easing, and 7-10yr yields were more stable. The JGB curve flattened on fears of higher BoJ rates.

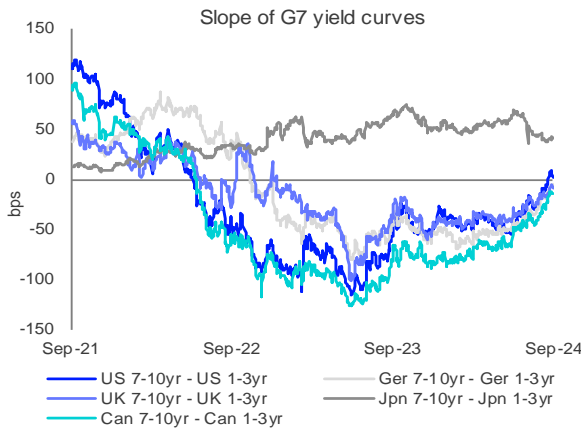


Chart 4: Long end yields also fell less than 1-3yr yields, with curves now showing positive gradients throughout the G7, led by JGBs. The Canadian curve has disinverted by about 150bp over the last 12M.

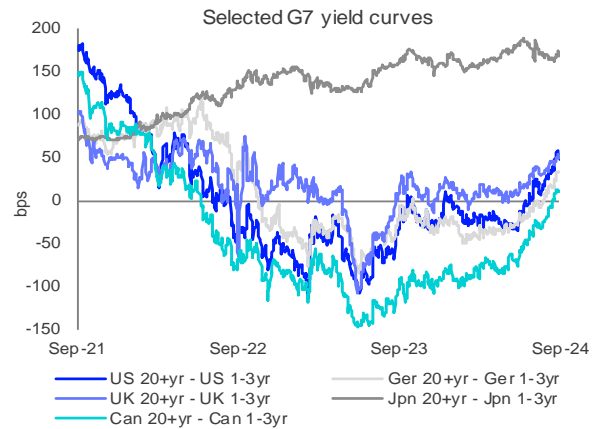


Chart 5: 7-10 year inflation breakevens have stabilised near 2% target levels, aside from the UK (although UK RPI breakevens are converging towards 3%, which is close to 2% on the CPI).

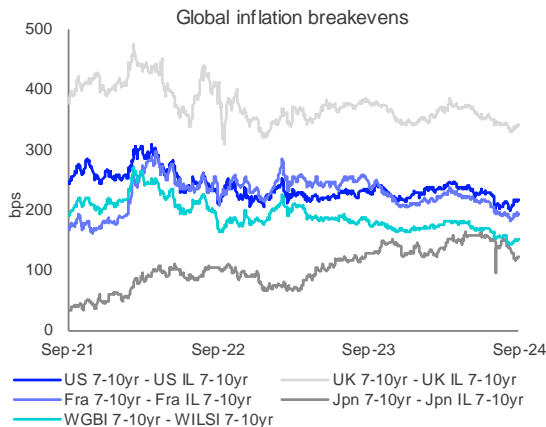


Chart 6: Short dated breakevens are now well below longer dated, reflecting a sharp drop in inflation since 2022. Fed Chairman Powell has stressed the importance of stable long run breakevens in policy easing.



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Yield Spreads and Credit Spread Analysis

Chart 1: US spreads remain at, or near, recent lows, particularly versus the UK, where the BoE did not ease policy in September. Very low Eurozone inflation caused spreads to reverse modestly.

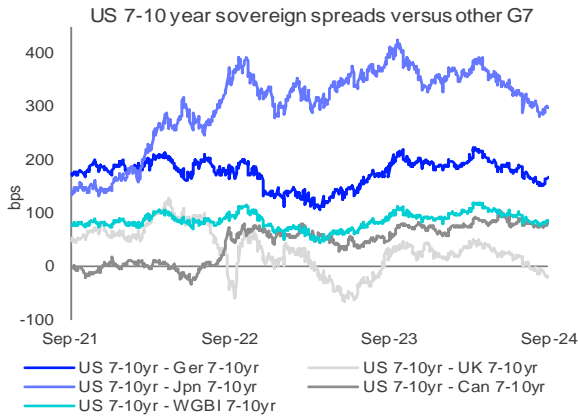


Chart 2: 10-year Italian spreads have converged with French and Spanish equivalents on increased risk appetite, while concerns grow about political instability and fiscal policy in France and Germany.

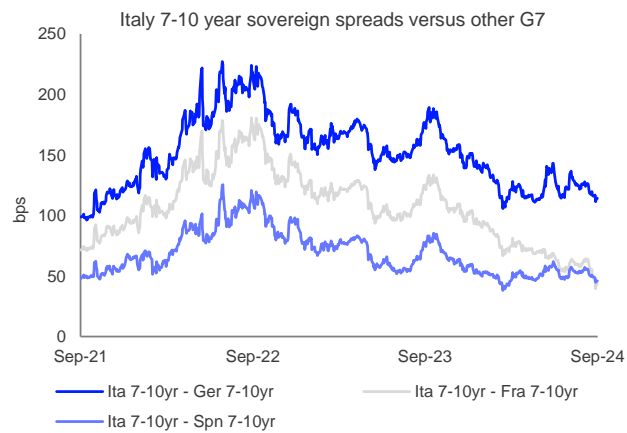


Chart 3: EM 7-10 year spreads remain near cycle lows, despite recent declines in G7 yields, after central bank easing. Spreads have fallen steadily throughout the Fed's tightening cycle, unlike previous cycles.

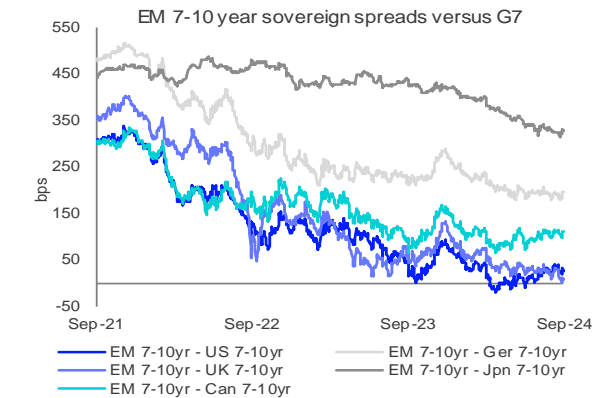


Chart 4: Further policy easing measures in China, in both fiscal and monetary policy, caused some volatility in Chinese govt bond spreads, alongside lower 7-10 yr G7 yields. But spreads remain near cycle lows.

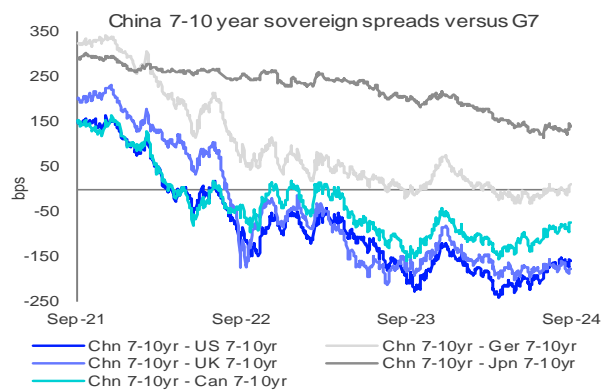


Chart 5: Valuation matters? US & Eurozone credit looks dear, if benchmarked versus pre-Covid levels on spreads. But spreads were lower in 2021, before the Ukraine and inflation shocks in 2022-23.

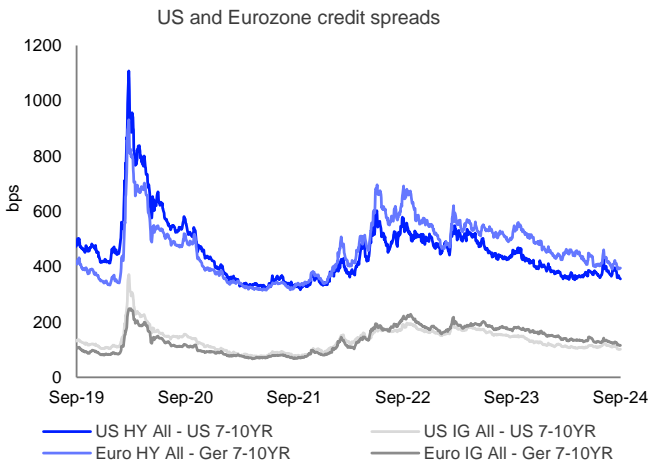


Chart 6: The Sept 24 support measures from the PBoC, targeted at property, and another 50bp rate cut, have helped Chinese high yield spreads narrow further, though is it too little, too late?



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Credit sector analysis

Chart 1: Outperformance of BBBs has continued with the risk rally in Q3, with returns driven by lower inflation and rate expectations. AAA have underperformed and returns are negative since 2019.

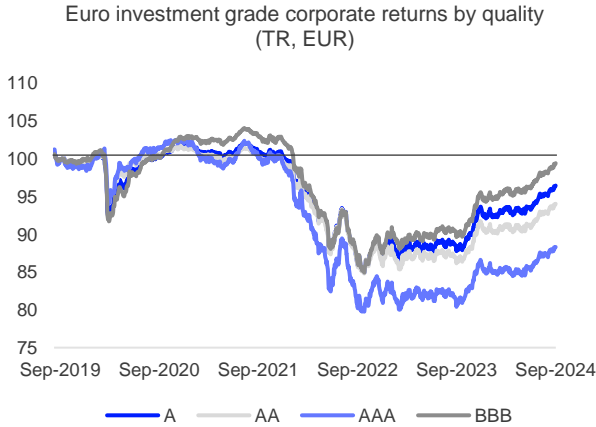


Chart 2: BBB spreads have declined significantly more than better quality credits over the last five years and are near pre-Covid levels. AAA corporate spreads have been the most stable.

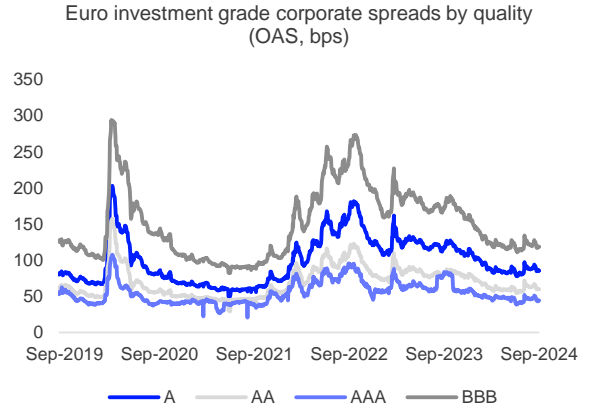


Chart 3: The returns for Banks and Manufacturing corporates have diverged from other industries, with Banks benefiting from steepening in the yield curve and improved net interest income.

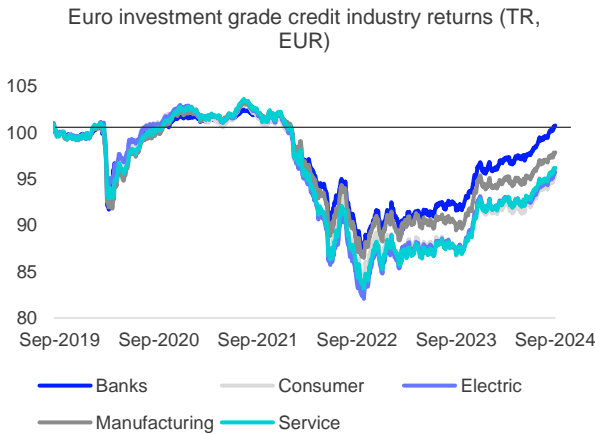


Chart 4: Banks make up close to 40% of the Euro investment grade universe, followed by about 20% in Manufacturing.

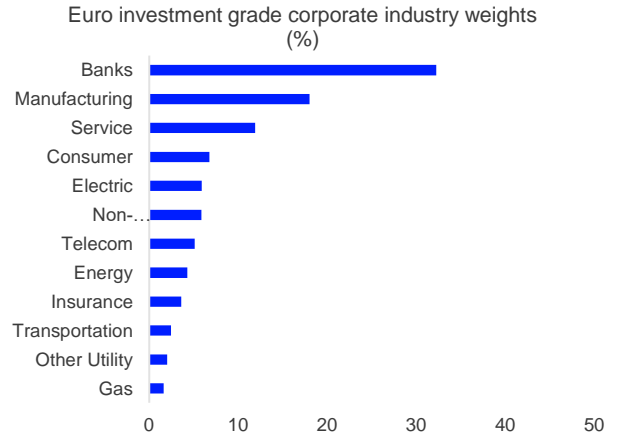


Chart 5: UK IG corporates have not had as strong a rally as their Euro IG peers, with returns still negative since 2019. BBBs have also led performance, while AAA returns are deeply negative.

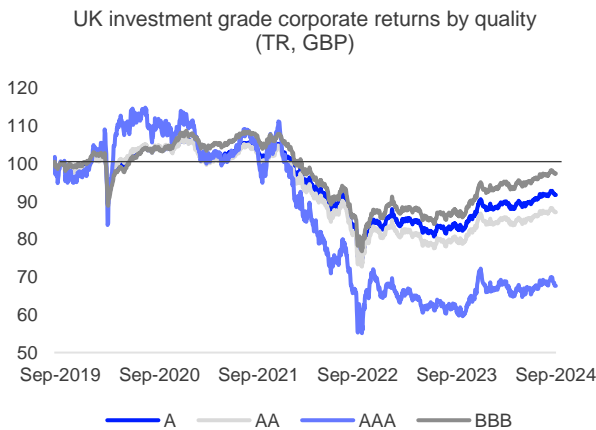
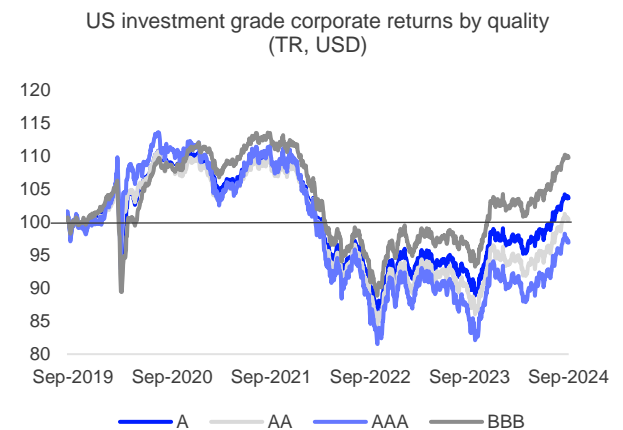


Chart 6: Unlike UK and Euro investment grade corporate bonds, US corporate bond performance has been positive since 2023, with BBBs leading performance.



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High Yield Credit Analysis

Chart 1: High yield performance has been led by the lowest CCC credits, benefiting from a strong correlation to the equity rally since January, followed by Bs and BBs.

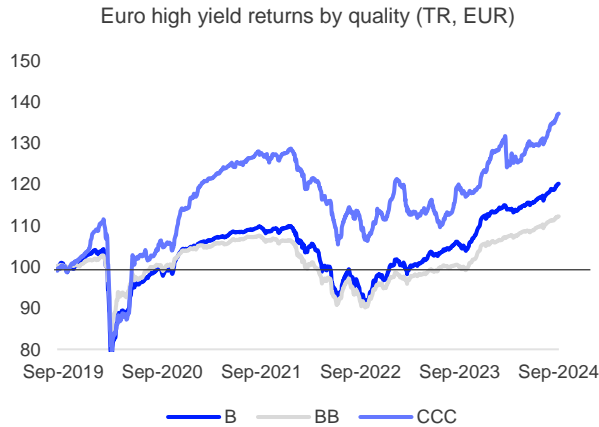


Chart 2: B and BB high yield credit spreads have tightened and remain more stable than the more volatile CCCs. CCC spreads have fallen sharply in 2024.

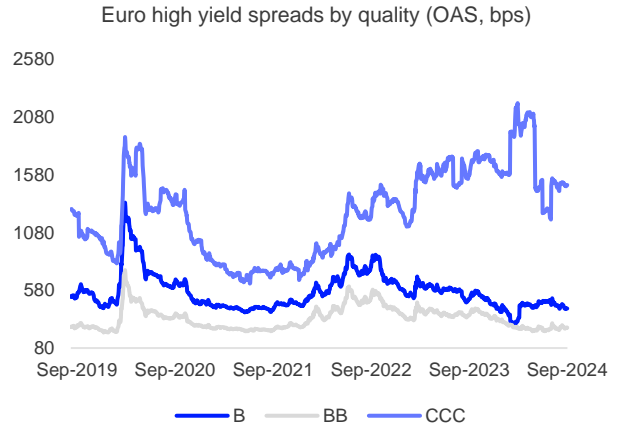


Chart 3: The compensation of extra credit risk has fallen sharply for CCC investors in 2024, though the yield remains high compared to B and BB high yield credits, and well above pre-Covid levels.



Chart 4: All Euro HY industries have performed strongly since Covid. But Banks particularly and Manufacturing have outperformed notably in the risk rally since 2023.

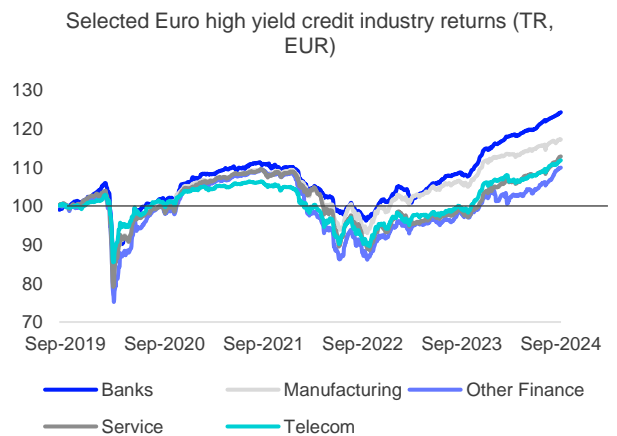
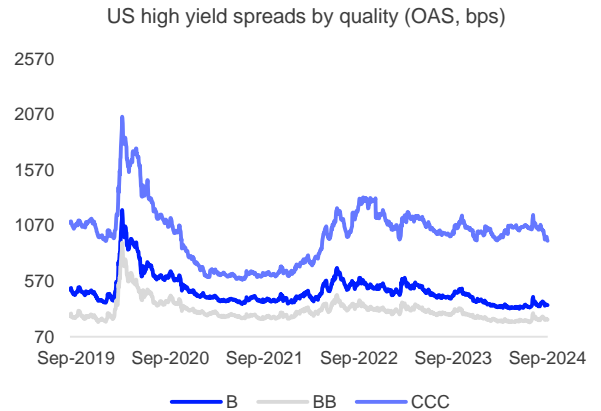


Chart 5: US CCC high yield credits have gained around 40% in returns since 2019, with much of the uplift seen in Q3, helped by the equity rally and lower inflation.



Chart 6: CCC US high yield spreads have been less volatile than their Euro high yield equivalents (see Chart 2), as defaults have remained relatively low.



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SI Sovereign Bond Analysis

Chart 1: SI sovereign performance was mixed in Q3, as ESG WGBI and Climate Risk-Adjusted WGBI outperformed. Advanced Climate Risk-Adjusted WGBI and ESG EMGBIC underperformed their non-SI peers.

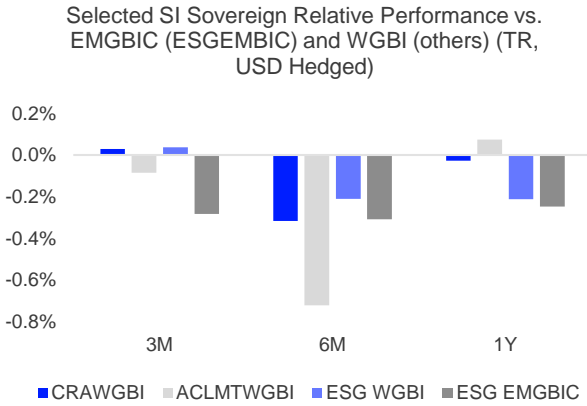


Chart 2: SI corporates largely underperformed in Q3, except PAB (Paris aligned benchmark) which was flat vs WBIG over 3M. Green Corp was the largest underperformer in Q3, registering a -1.0% relative return.

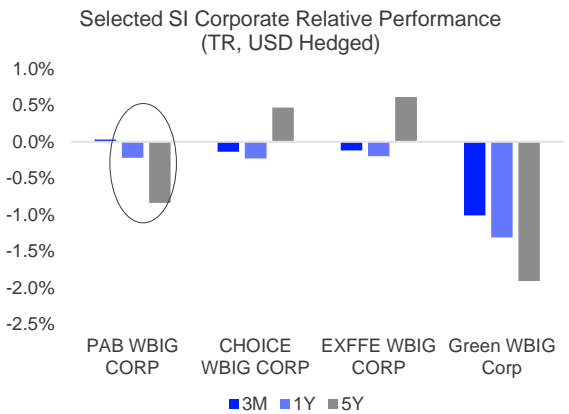


Chart 3: Since 2022, duration has been the main factor driving relative performance for SI Sovereigns. However, with lower rates, relative performance has begun to stabilise, notably for ESG EMGBIC.

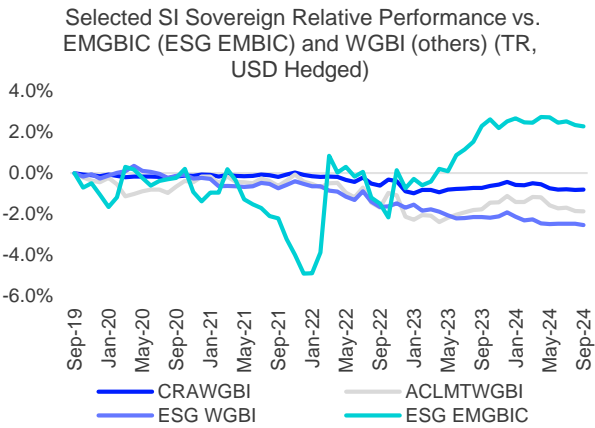


Chart 4: Duration largely explains divergent relative performance between Choice/ExFFE and PAB. For Green Corp, higher active weights at the industry-level have led to more volatile relative performance.

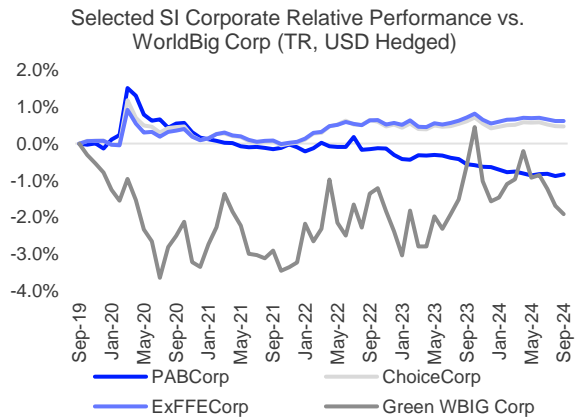


Chart 5: EMGBIC has benefited from lower yield vs EMGBIC. This trend reflects an overweight in countries more advanced in their rate easing cycle but has begun to slow as other central banks catch-up.

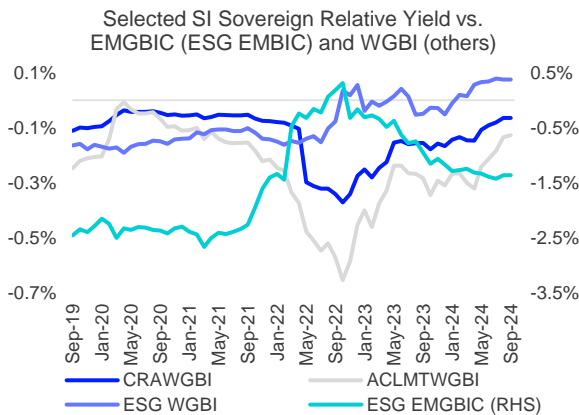
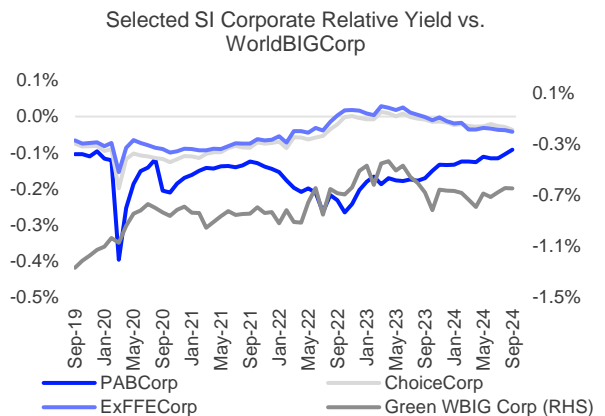


Chart 6: Most SI corporates yields are higher vs non-SI indices over 5yrs, suggesting a slow erosion in the SI-premium in the longer term. But yields have fallen more recently for Green Corp, ExFFE and Choice.



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Global Bond Market Returns – 3M & YTD % (EUR, LC, TR)

The appreciation of the Japanese yen has propelled JGBs to the top of the performance table in Q3, though sterling strength also helped the performance of gilts. US Treasury returns were significantly eroded in euros, by a weak USD.

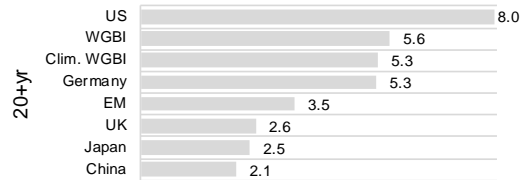
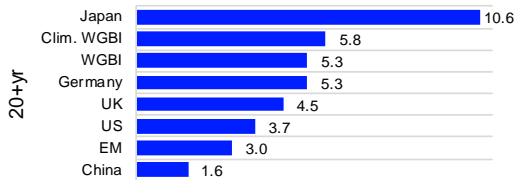
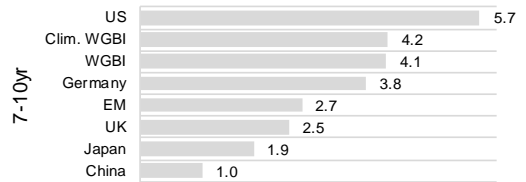
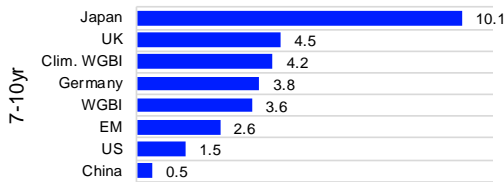
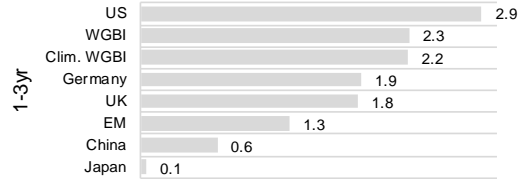
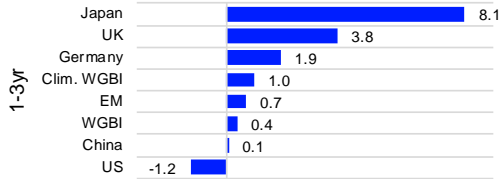
JGB returns benefited from the 8% appreciation of JPY vs EUR in Q3, turning modest returns into top performance. Therefore, JGBs returns were as high as 8-11% in euros, compared to 1-3% in yen. In Europe, returns for gilts were also boosted by sterling strength, while Bunds were lifted by ECB easing and lower inflation. By contrast, the performance for US Treasuries, which have outperformed after the Fed eased by 50bp in September, was eroded by the US dollar weakness (see page 17).

YTD, the strength of sterling (+4%) improved gilt returns, up to 7% in euros, notably in shorts, which benefited from policy easing and bull curve steepening. Weak performance and yen depreciation since January have weighed on JGB returns in euros. Long China and EM outperformed, with gains of 10-12% in euro terms.

CONVENTIONAL GOVT BONDS

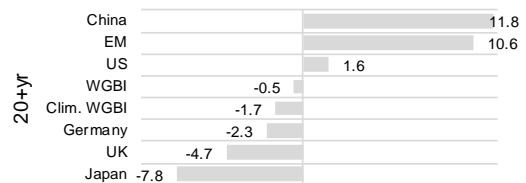
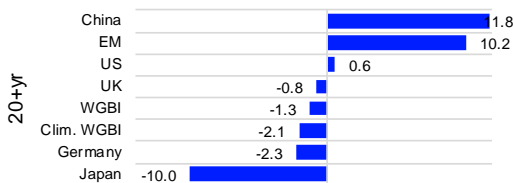
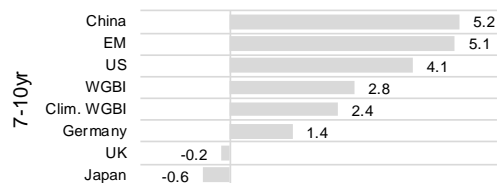
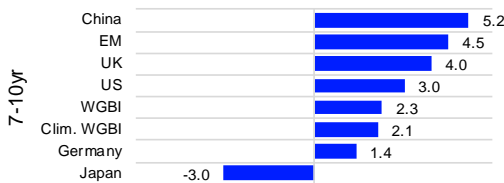
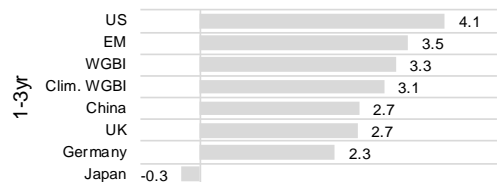
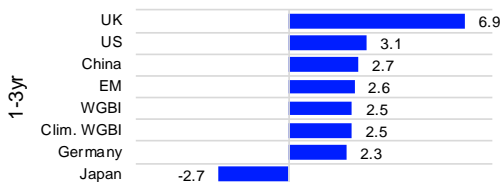
3M EUR

3M LCY



YTD EUR

YTD LCY



Source: FTSE Russell and LSEG. All data as of September 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 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 – 3M & YTD % (EUR, LC, TR)

US Tips performed strongly in Q3, helped by falling inflation and prospects of lower rates. Inflation linked Bunds also held up well on lower ECB rates. JGBs underperformed in local currency terms, following further BoJ tightening, but the strong yen rally turned JGBs into top performers. High yield credits outperformed IG credits YTD.

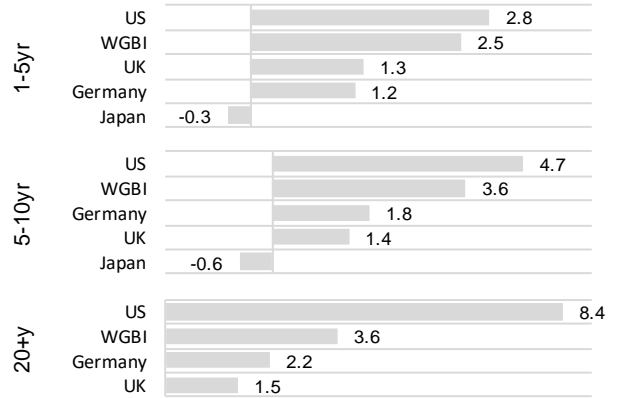
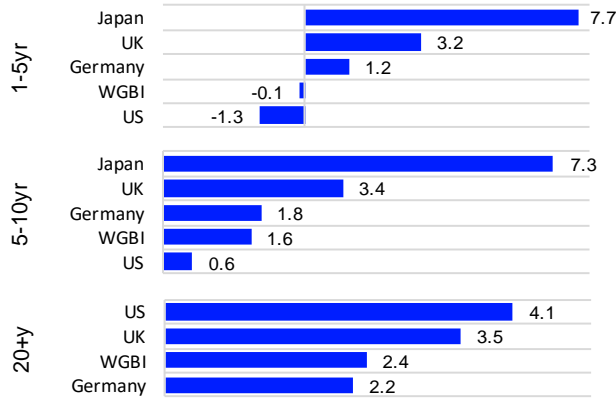
Longer US Tips outperformed in local currency terms, as the Fed pivoted and then cut rates in Q3, helping long duration assets. Non-US linkers advanced more due to currency rallies versus the weak dollar.

Credit had another strong quarter, led by Euros, but did even better YTD, helped by the risk rally in equities. EM led the gains, with returns of 11% in euros. IG credits also did well YTD showing returns of 4-6%, though HY outperformed, aided by the stronger correlation to equities.

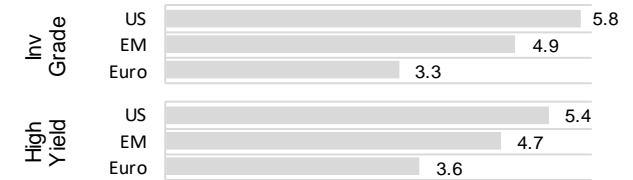
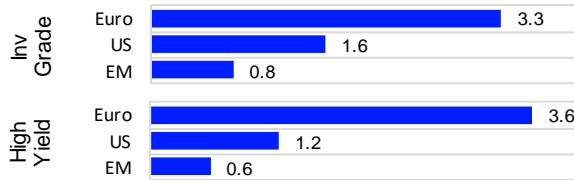
INFLATION LINKED BONDS

3M EUR

3M LCY



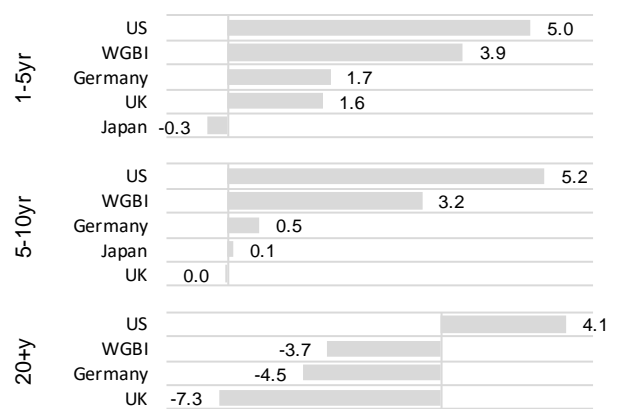
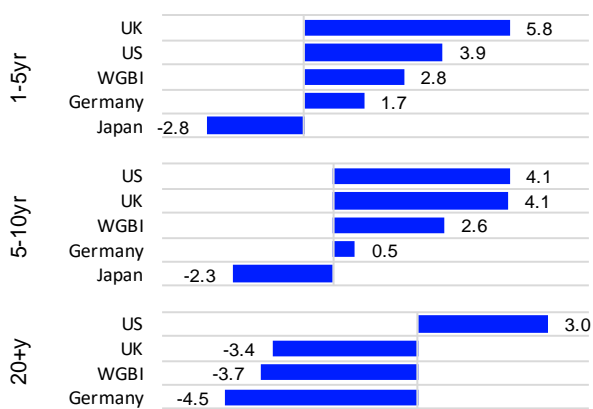
CORPORATE BONDS



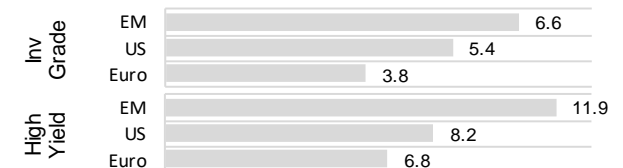
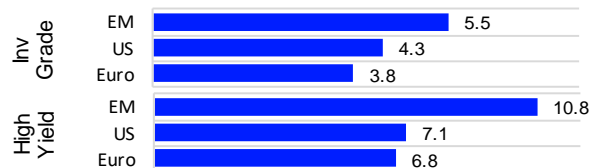
INFLATION LINKED BONDS

YTD EUR

YTD LCY



CORPORATE BONDS



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

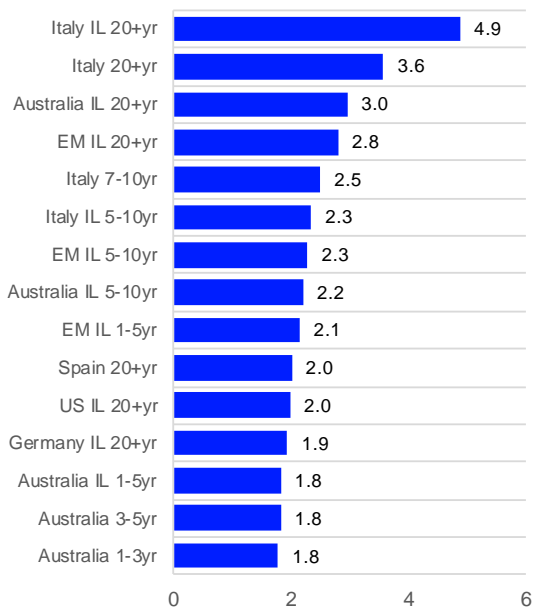
Italian government bonds outperformed in September, especially longs, as spreads converged with Bunds, followed by long Australian bonds and EM. Long Bunds gained 2% in September and 15% on 12 months, aided by ECB rate cuts, but concerns about political instability and the widening budget deficit weighed on French OATs, which missed out on the September rally. EM and China bonds also showed strong gains of 13-14% on 12M in Euros.

Italian BTPs were beneficiaries of the risk rally in 2024 over 1M and 12M, with gains in euros of 2-5%, and 15-24% respectively. Stronger growth, falling inflation and rates, and a lower budget deficit also drove long Spanish Bonos gains in September. Underperformance in September came from shorter Canadian, US and Japanese government bonds (all flat to modestly negative), and long New Zealand government bonds, down 1% in euros.

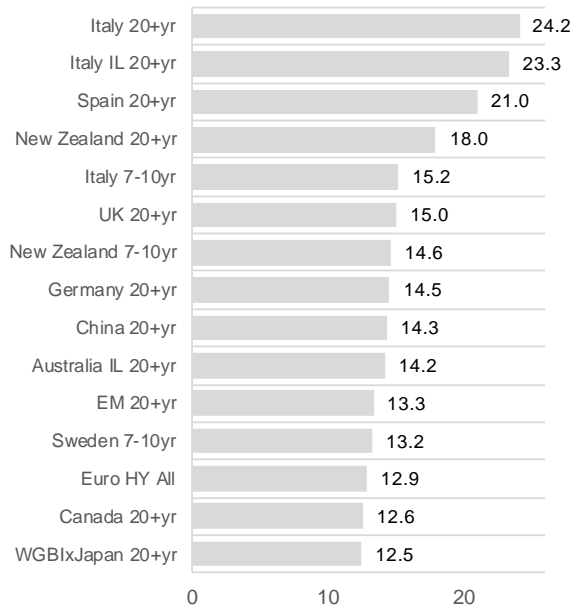
Duration is becoming the investor's friend again, as central banks ease rates, so the best 12M performers were mainly long government bonds, in euro terms. Lower ECB and Riksbank rates boosted Bunds and Swedish government bonds.

1M EUR 12M EUR

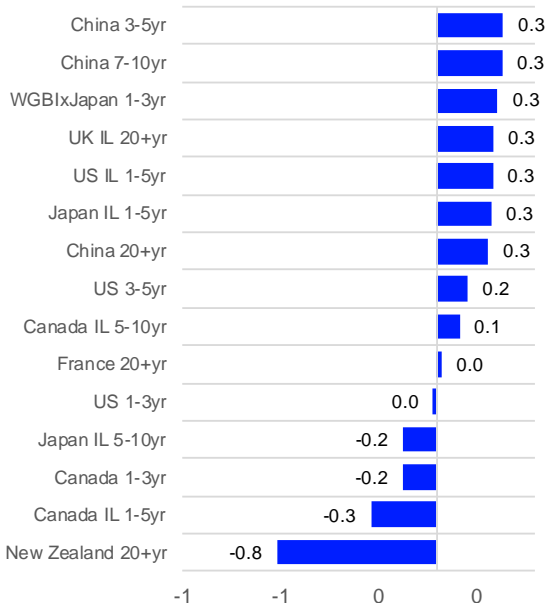
Top 15



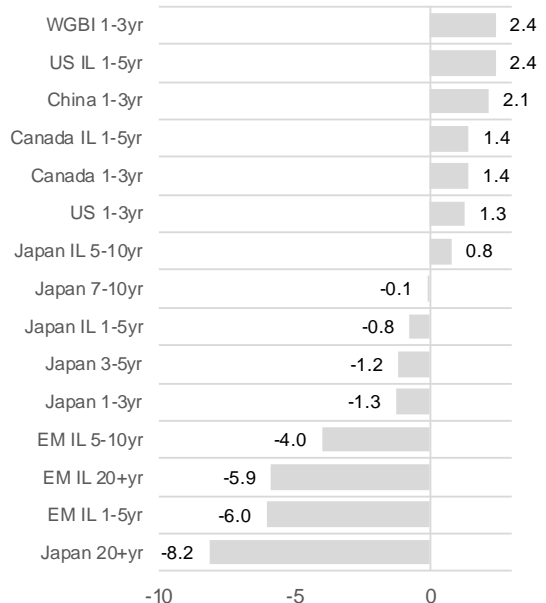
Top 15



Bottom 15



Bottom 15



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Appendix – Global Bond Market Returns % (EUR & LC, TR) – Sept 30, 2024

Government bond returns

Top 15% Bottom 15%

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-3yr	2.87	-1.21	3.84	0.48	4.13	3.06	6.75	1.27
	7-10yr	5.72	1.52	5.66	2.25	4.11	3.04	10.96	5.27
	20+yr	7.96	3.67	5.85	2.43	1.60	0.57	15.18	9.26
	IG All	5.84	1.64	5.84	2.42	5.38	4.31	14.15	8.29
	HY All	5.39	1.21	6.42	2.98	8.19	7.09	15.70	9.76
UK	1-3yr	1.83	3.76	2.46	5.29	2.65	6.91	5.28	9.76
	7-10yr	2.51	4.45	1.61	4.41	-0.19	3.95	7.79	12.38
	20+yr	2.58	4.53	-0.67	2.07	-4.73	-0.78	10.33	15.03
Euro	IG All	3.28	3.28	3.33	3.33	3.76	3.76	9.55	9.55
	HY All	3.58	3.58	5.02	5.02	6.79	6.79	12.87	12.87
Japan	1-3yr	0.05	8.05	-0.13	2.25	-0.31	-2.75	-0.24	-1.27
	7-10yr	1.91	10.05	-0.21	2.17	-0.60	-3.04	0.94	-0.10
	20+yr	2.45	10.64	-6.04	-3.79	-7.79	-10.04	-7.20	-8.16
China	1-3yr	0.64	0.09	1.64	1.32	2.68	2.74	3.42	2.14
	7-10yr	1.05	0.49	2.96	2.63	5.16	5.21	6.93	5.60
	20+yr	2.15	1.59	5.77	5.43	11.77	11.83	15.76	14.32
EM	1-3yr	1.25	0.69	2.36	1.28	3.51	2.58	4.73	2.73
	7-10yr	2.72	2.58	3.89	3.15	5.06	4.53	8.95	6.90
	20+yr	3.45	2.96	6.36	5.62	10.56	10.15	15.40	13.33
	IG All	4.94	0.77	5.83	2.41	6.63	5.54	13.26	7.45
	HY All	4.72	0.56	7.49	4.02	11.93	10.78	17.62	11.58
Germany	1-3yr	1.86	1.86	2.49	2.49	2.28	2.28	4.33	4.33
	7-10yr	3.80	3.80	2.93	2.93	1.42	1.42	8.42	8.42
	20+yr	5.28	5.28	1.07	1.07	-2.25	-2.25	14.54	14.54
Italy	1-3yr	2.45	2.45	2.91	2.91	3.05	3.05	5.85	5.85
	7-10yr	6.25	6.25	4.45	4.45	5.51	5.51	15.18	15.18
	20+yr	9.30	9.30	3.92	3.92	7.04	7.04	24.19	24.19
Spain	1-3yr	2.18	2.18	2.70	2.70	2.82	2.82	5.16	5.16
	7-10yr	4.64	4.64	3.74	3.74	3.51	3.51	11.99	11.99
	20+yr	6.82	6.82	3.32	3.32	3.44	3.44	20.98	20.98
France	1-3yr	2.17	2.17	2.43	2.43	2.12	2.12	4.53	4.53
	7-10yr	3.99	3.99	1.40	1.40	0.00	0.00	7.55	7.55
	20+yr	4.65	4.65	-2.98	-2.98	-5.81	-5.81	11.41	11.41
Sweden	1-3yr	2.14	2.47	3.57	5.72	3.56	1.91	5.78	7.55
	7-10yr	2.80	3.13	4.54	6.72	2.48	0.85	11.37	13.24
Australia	1-3yr	2.01	1.76	2.15	5.12	3.04	3.70	4.94	7.01
	7-10yr	3.83	3.57	2.33	5.31	3.32	3.97	8.74	10.88
	20+yr	3.05	2.79	-1.12	1.75	-1.06	-0.43	9.62	11.79
New Zealand	1-3yr	3.31	3.59	4.32	7.38	5.23	4.66	8.50	8.99
	7-10yr	4.48	4.76	5.03	8.11	4.49	3.93	14.10	14.62
	20+yr	3.35	3.62	3.15	6.17	-0.80	-1.33	17.42	17.96
Canada	1-3yr	2.41	-0.39	3.65	0.47	4.04	0.51	6.80	1.39
	7-10yr	5.56	2.68	6.19	2.94	4.13	0.60	12.83	7.12
	20+yr	6.47	3.56	6.42	3.16	0.34	-3.07	18.55	12.55

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Appendix – Global Bond Market Returns % (EUR & LC, TR) – Sept 30, 2024

Inflation-Linked Bond Returns

Top 15% Bottom 15%

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-5yr	2.80	-1.28	4.40	1.02	4.97	3.90	7.94	2.40
	5-10yr	4.71	0.55	5.61	2.19	5.21	4.14	10.78	5.10
	20+yr	8.38	4.08	7.11	3.65	4.10	3.04	14.91	9.01
UK	1-5yr	1.32	3.25	1.89	4.69	1.56	5.77	4.88	9.34
	5-10yr	1.44	3.37	0.73	3.50	-0.04	4.10	4.91	9.37
	20+yr	1.54	3.47	-3.23	-0.56	-7.28	-3.43	6.97	11.52
Japan	1-5yr	-0.27	7.70	0.15	2.55	-0.33	-2.77	0.28	-0.76
	5-10yr	-0.61	7.33	-0.18	2.20	0.10	-2.35	1.82	0.77
EM	1-5yr	3.15	-1.82	4.23	-7.64	6.87	-5.91	9.66	-6.05
	5-10yr	4.21	-0.13	3.03	-6.64	3.66	-6.65	8.98	-4.00
	20+yr	4.14	-0.26	1.03	-10.46	-2.26	-13.11	7.34	-5.86
Germany	1-5yr	1.22	1.22	1.98	1.98	1.68	1.68	2.76	2.76
	5-10yr	1.83	1.83	1.84	1.84	0.53	0.53	3.69	3.69
	20+yr	2.21	2.21	-1.60	-1.60	-4.52	-4.52	4.68	4.68
Italy	1-5yr	2.74	2.74	2.87	2.87	3.07	3.07	6.47	6.47
	5-10yr	5.00	5.00	3.53	3.53	4.92	4.92	12.17	12.17
	20+yr	8.84	8.84	0.67	0.67	5.25	5.25	23.32	23.32
Spain	1-5yr	2.05	2.05	2.44	2.44	2.13	2.13	4.16	4.16
	5-10yr	3.10	3.10	2.81	2.81	3.05	3.05	7.86	7.86
France	1-5yr	1.70	1.70	1.20	1.20	0.62	0.62	2.57	2.57
	5-10yr	2.17	2.17	0.29	0.29	-0.92	-0.92	3.00	3.00
	20+yr	2.53	2.53	-6.82	-6.82	-9.62	-9.62	3.08	3.08
Sweden	1-5yr	1.31	1.64	2.70	4.83	2.43	0.80	4.68	6.44
	5-10yr	2.16	2.50	4.10	6.26	2.51	0.88	8.06	9.87
Australia	1-5yr	2.17	1.92	2.11	5.07	2.74	3.39	5.49	7.58
	5-10yr	3.43	3.18	1.93	4.89	2.51	3.16	7.96	10.09
	20+yr	4.53	4.27	-2.20	0.64	-4.48	-3.88	11.96	14.17
New Zealand	5-10yr	1.89	2.17	3.28	6.31	4.27	3.71	11.36	11.87
Canada	20+yr	4.37	1.52	4.66	1.45	2.77	-0.71	17.94	11.97

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

Global Bond Yields

Top 15% Bottom 15%

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

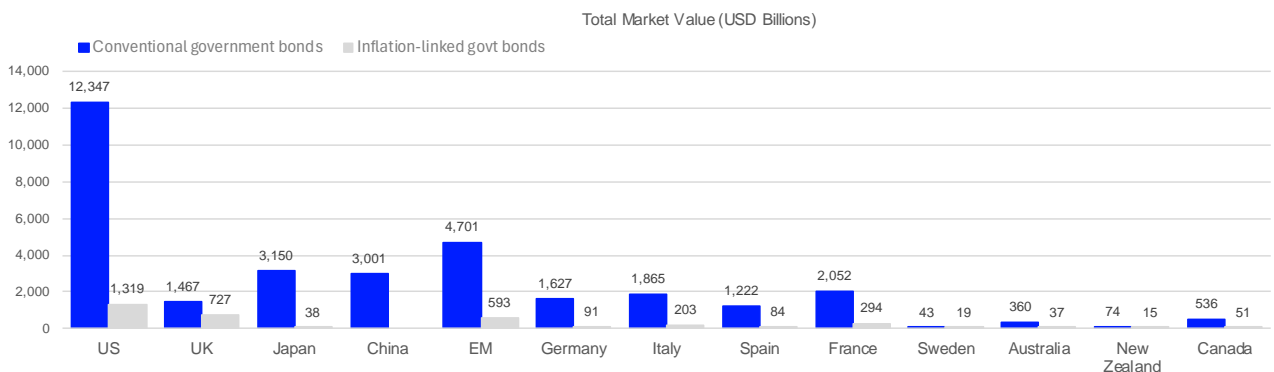
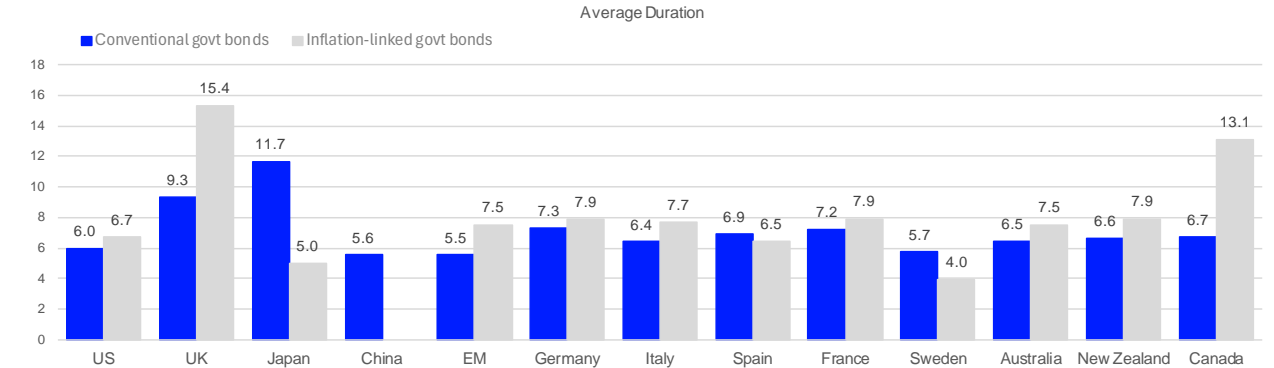
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	3.73	3.58	3.74	4.21	1.59	1.51	1.94	4.76	7.30
	3M Ago	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	6M Ago	4.73	4.32	4.21	4.43	2.08	1.86	2.12	5.35	7.83
	12M Ago	5.16	4.71	4.59	4.82	2.72	2.29	2.37	6.06	8.93
UK	Current	4.01	3.78	3.92	4.51	0.31	0.44	1.31		
	3M Ago	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	6M Ago	4.31	3.88	3.85	4.35	0.08	0.14	1.07		
	12M Ago	4.73	4.46	4.35	4.81	0.55	0.53	1.39		
Japan	Current	0.32	0.44	0.74	2.02	-0.96	-0.53			
	3M Ago	0.27	0.48	0.91	2.10	-1.32	-0.79			
	6M Ago	0.12	0.27	0.60	1.70	-1.43	-0.84			
	12M Ago	0.01	0.21	0.66	1.61	-1.75	-0.70			
China	Current	1.54	1.78	2.15	2.38					
	3M Ago	1.64	1.86	2.21	2.46					
	6M Ago	1.90	2.13	2.38	2.62					
	12M Ago	2.24	2.42	2.70	3.06					
EM	Current	3.07	3.46	4.01	3.70	5.81	5.15	5.61	4.93	7.51
	3M Ago	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	6M Ago	3.30	3.91	4.60	3.90	4.92	4.70	5.38	5.68	8.89
	12M Ago	3.58	4.52	5.05	4.51	3.27	4.48	5.32	6.45	11.13
Germany	Current	2.09	1.88	2.04	2.44	1.24	0.33	0.45		
	3M Ago	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	6M Ago	2.89	2.38	2.23	2.43	0.78	0.24	0.26		
	12M Ago	3.21	2.78	2.75	2.97	0.87	0.44	0.52		
Italy	Current	2.47	2.57	3.18	3.94	1.10	1.35	1.80		
	3M Ago	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	6M Ago	3.27	3.12	3.44	4.05	1.00	1.39	1.70		
	12M Ago	3.94	4.03	4.50	5.02	1.68	2.31	2.43		
France	Current	2.34	2.39	2.75	3.43	0.81	0.75	1.13		
	3M Ago	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	6M Ago	2.98	2.65	2.70	3.18	0.57	0.42	0.73		
	12M Ago	3.33	3.14	3.26	3.79	0.82	0.75	1.12		
Sweden	Current	1.68	1.66	1.90		0.88	0.47			
	3M Ago	2.42	2.23	2.19		1.41	0.74			
	6M Ago	2.93	2.40	2.33		1.55	0.88			
	12M Ago	3.50	3.18	2.98		1.42	1.28			
Australia	Current	3.62	3.54	3.91	4.56	1.31	1.45	2.00		
	3M Ago	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	6M Ago	3.75	3.61	3.92	4.36	1.11	1.37	1.78		
	12M Ago	4.14	4.10	4.43	4.86	1.30	1.78	2.24		
New Zealand	Current	3.75	3.74	4.20	4.87	2.65	2.20			
	3M Ago	4.78	4.56	4.65	5.00	2.51	2.33			
	6M Ago	4.91	4.41	4.53	4.91	1.87	2.29			
	12M Ago	5.63	5.35	5.32	5.54	2.50	2.89			
Canada	Current	3.03	2.71	2.90	3.14	1.44	1.29	1.53		
	3M Ago	4.07	3.56	3.51	3.42	1.70	1.72	1.68		
	6M Ago	4.28	3.64	3.48	3.37	1.66	1.65	1.61		
	12M Ago	4.88	4.37	4.07	3.85	2.35	2.29	2.13		

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Appendix – Duration and Market Value (USD, Bn) as of September 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	16.9	6.0	2,913.4	1,202.0	1,471.4	12,347.4	7.1	21.5	6.7	416.1	128.0	1,319.4
UK	3.7	7.2	18.3	9.3	196.6	228.8	359.1	1,466.6	7.6	27.1	15.4	129.9	248.5	726.8
Japan	3.9	8.2	23.2	11.7	376.3	434.4	648.8	3,150.0	8.0		5.0	15.4		37.6
China	3.7	7.6	18.0	5.6	656.1	483.7	329.1	3,000.9						
EM	3.6	7.1	16.4	5.5	977.4	794.3	438.4	4,700.8	6.0	13.3	7.5	99.7	156.5	593.0
Germany	3.7	7.8	21.4	7.3	350.8	241.8	177.2	1,627.0	6.3	20.8	7.9	45.9	18.9	91.4
Italy	3.6	7.3	16.5	6.4	345.2	292.8	176.2	1,865.1	7.2	25.4	7.7	61.5	6.0	202.7
Spain	3.7	7.2	17.5	6.9	255.6	225.5	126.3	1,222.2	7.3		6.5	52.3		83.6
France	3.7	7.4	19.4	7.2	461.1	355.1	248.2	2,052.1	6.6	23.8	7.9	78.5	22.3	293.7
Sweden	3.5	7.6		5.7	7.2	10.6		43.2	6.4		4.0	6.2		19.3
Australia	3.6	7.3	16.7	6.5	53.7	107.0	21.6	360.4	6.3	21.6	7.5	11.4	3.1	37.1
New Zealand	3.8	7.2	15.9	6.6	14.5	19.1	5.7	74.4	5.4		7.9	3.5		15.2
Canada	3.6	7.4	19.6	6.7	75.6	119.6	76.7	535.6	6.2	20.3	13.1	8.5	21.0	51.0

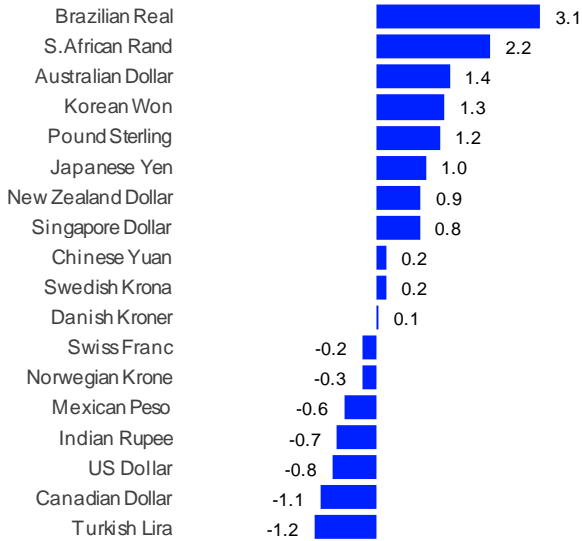
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.5	8.6	7.3	6.7	7.1	79.6	474.7	2894.0	3701.9	7150.1	3.8	1100.0
Europe	6.1	4.9	4.6	4.2	4.4	16.0	229.6	1297.3	1643.4	3186.3		
EM		6.8	5.5	5.5	5.6		39.2	220.0	238.1	497.4	3.6	192.3



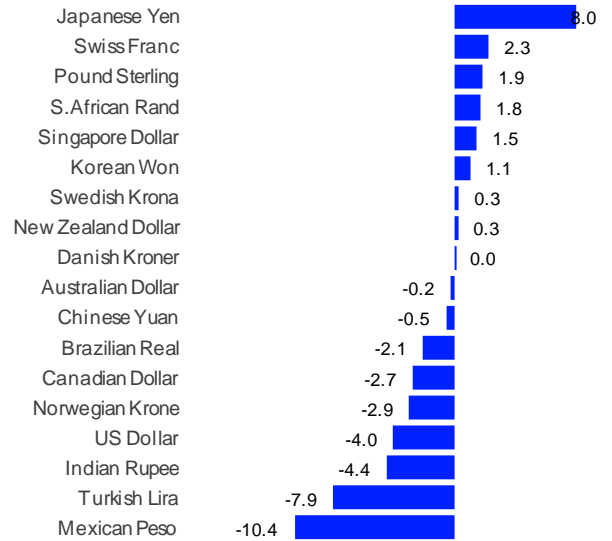
Source: FTSE Russell and LSEG. All data as of September 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

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

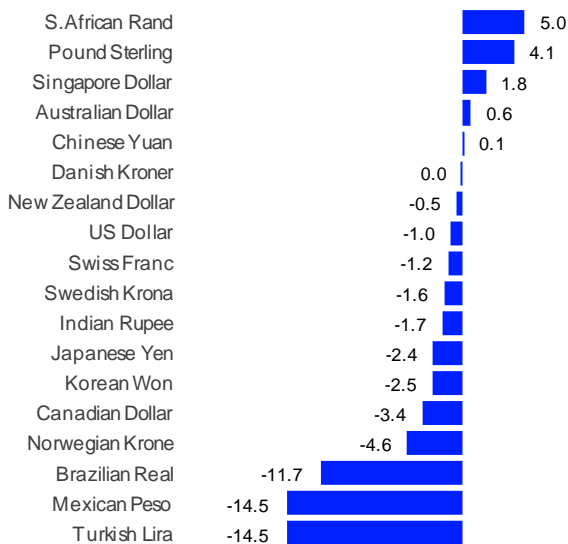
FX Moves vs EUR - 1M



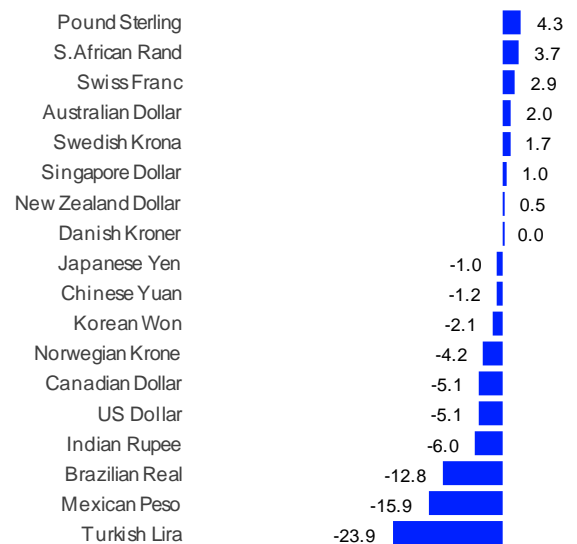
FX Moves vs EUR - 3M



FX Moves vs EUR - YTD



FX Moves vs EUR - 12M



Source: FTSE Russell and LSEG. All data as of September 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 of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix – Glossary

Bond markets are based on the following indices:

FTSE World Government Bond Index (WGBI) for all global government bond markets

FTSE World Inflation-Linked Securities Index (WorldILSI) for all global inflation linked bond markets

FTSE US Broad Investment Grade Bond Index (USBIG®) for the US corporate bond market

FTSE US High-Yield Market Index for the US high yield bond market

FTSE Euro Broad Investment Grade Bond Index (EuroBIG ®) for the Euro denominated corporate bond market

FTSE European High Yield Market Index for the European high yield market

FTSE Chinese Government and Policy Bank Bond Index (CNGPBI) for the Chinese government bond market

FTSE Emerging Markets Inflation-Linked Securities Index (EMILSI) for the emerging markets inflation linked bond market

FTSE Emerging Markets Government Bond Index (EMGBI) for the emerging markets government bond market. Please note that over 50% of this index is invested in China

FTSE Emerging Markets Broad Bond Index (EMUSDBBI) for the emerging markets corporate bond market

FTSE ESG World Government Bond Index for the global government bond markets with an ESG tilt

FTSE Climate Risk Adjusted World Government Bond Index (Climate WGBI) and FTSE Advanced Climate Risk Adjusted World Government Bond Index (Advanced Climate WGBI) for each country's relative exposure to climate risk, with respect to resilience and preparedness to the risks of climate change

List of Abbreviations used in charts:

IL = Inflation-linked bonds

IG = Investment-grade bonds

HY = High-yield bonds

BPS = Basis points

EM = Emerging market

LC = Local currency



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