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Fixed Income Insights

UK EDITION

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BoE caution as gilt market awaits UK budget

Cautious easing cycles from the Fed and BoE remain the central case. The gilt curve steepened further, as duration effects start to dominate G7 easing cycles, but the long end awaits the UK budget on Oct 30. Government bonds may draw support from safe-haven demand as geo-political risks rise. China and EM bonds remain strongest performers YTD.

Macro and policy backdrop – Fed joins G7 easing but Powell signals gradualism

The Fed's 50bp easing was followed by caution about future rate cuts, as the BoE resisted further easing. Deepening geo-political risks in the Middle East carry threat to risk assets. (pages 2-3)

Yields, curves and spreads – Bull steepening continues, led by Treasuries

The bull steepening typical of easing cycles intensified, right down the curve. (pages 4-5)

IG credit & MBS – IG sector spreads converge, but BBB outperforms

Credit spreads have converged across sectors, BBB and bank credits strongest. (page 6)

High yield credit analysis – Yields remain well above pre-Covid levels

UK HY sector performed well in the risk rally, apart from distressed water sector. (page 7)

SI sov bond analysis – Recent slow erosion of the SI-premium may be ending?

After rising in 2022-23, relative yields fell for Green Corp, Ex FFE & Choice. (page 8)

Performance – Longs outperformed, but weak dollar dominated Q3 returns

The yen rally drove strong gains in JGBs in USD in Q3. Longs were the strongest performers, despite curve steepening. China and EM show biggest gains YTD. (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: 7-10 year yields generally edged lower in September, as inflation fell further, and central banks signalled more easing, exc. Japan. Rising geo-political risks may drive safe-haven demand.

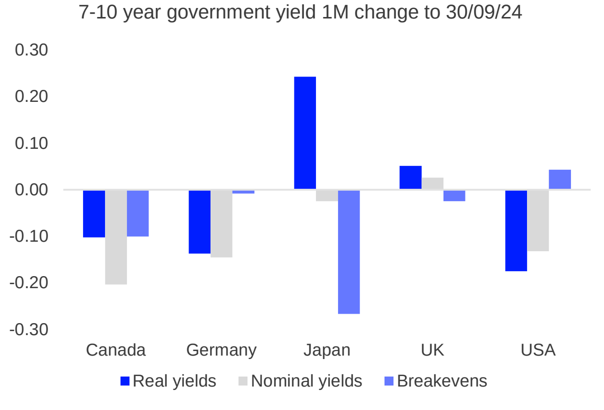
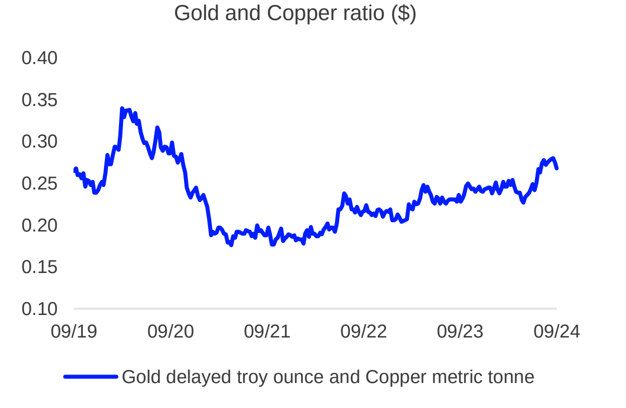


Chart 2: A perfect storm for gold continued. Increased EM central bank and safe-haven demand, and lower dollar rates pushed gold prices higher. Copper suffered from weaker global growth prospects.



Macroeconomic Backdrop – Growth and Inflation Expectations

Consensus forecasts show no recessions, despite the Q3 slowdown in US employment growth. Weak energy prices have reinforced the impact of weak goods prices in driving G7 inflation lower, though the escalation of geo-political tension in the Middle East carries risks to supply chains in tradeable goods and energy prices. UK wage growth and services inflation remain key for the BoE, with public sector wage awards still to impact the labour market data.

Despite recession signals from the inverted yield curve in 2023-24, Q3 data shows US growth tracking at 3.1% saar (Atlanta Fed nowcast), with stronger capex offsetting weaker consumption. So, Consensus forecasts remain a soft landing for the G7, helped by lower rates (Chart 1). Lack of global growth locomotives is an issue, as the US slows and doubts about weak Chinese growth drove another Chinese stimulus package in September. Fears about fiscal tightening may be slowing UK spending growth.

Market focus has shifted to weaker growth, with G7 inflation nearing 2%, despite persistent services inflation. Weaker energy prices are reinforcing weak goods inflation, so headline UK CPI dropped to 2.2% y/y in August versus a peak of 11.1% y/y. Core CPI is now up 3.6% y/y, but UK services inflation rebounded to 5.6% y/y, from 5.2% y/y in July, and continues to delay rate cuts.

The UK labour market has softened, though wage growth of 5.1% y/y remains well above the inflation rate of 2.2% y/y (see Chart 3). Public sector wage growth of 5.7% y/y is well above 4.9% y/y in the private sector. Recent NHS settlements may push wage inflation higher in August, though slower employment growth seems to be slowing private sector wage growth. The ONS remains cautious about labour market data, but there is broad consistency to suggest employment growth has slowed but is still positive.

Supply chain pressures have normalised, as the NY Fed index shows (Chart 4). But more disruption to Red Sea shipping routes is a risk, as Middle East tension escalates, even if offset by more localisation of supply chains and weaker demand for goods.

Chart 1: Growth forecasts show a modest recovery in Europe, helped by lower rates, in 2024-25, but a US slowdown, and growth risks emerged to the downside in Q3, led by China.

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: Weakness in goods inflation is dragging headline inflation rates lower, though UK services inflation rebounded to 5.6% y/y in August. Global goods disinflation remains, however, easing central bank concern.

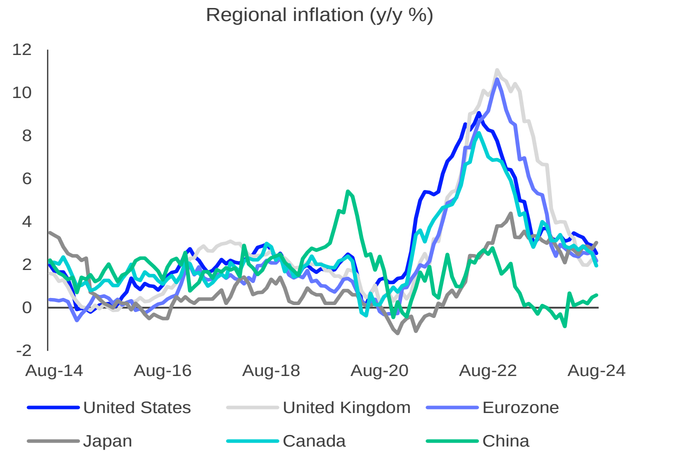


Chart 3: UK average weekly earnings growth slowed to 5.1% y/y in July, the lowest since June 2022, as the Chart shows. Unemployment fell a little, but the UK employment rate remains stable at 74.8%.

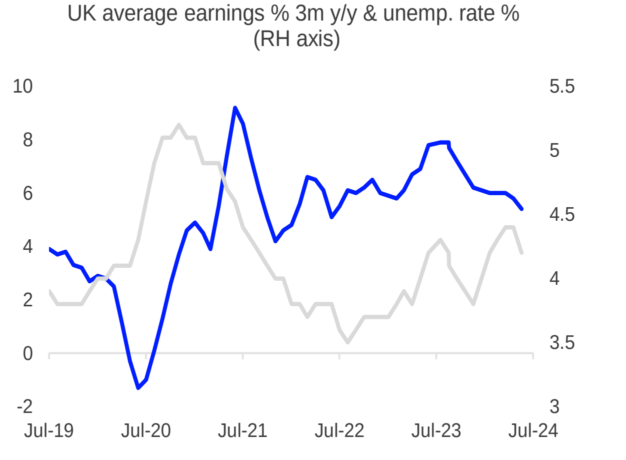
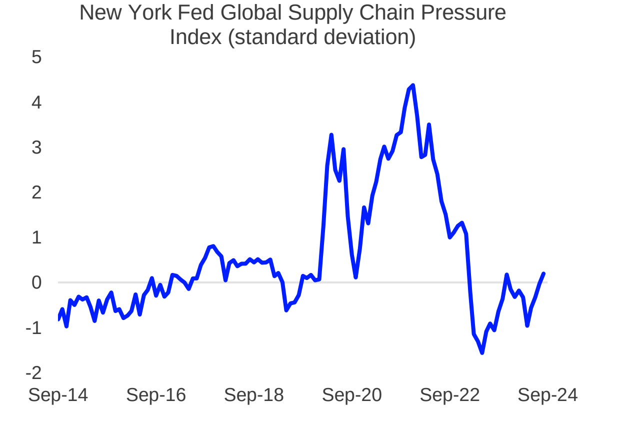


Chart 4: Supply chain indices have mean-reverted in 2024. Reduced demand for tradeable goods, as demand switched to services, and the global slowdown eased pressures, with deflation in some goods' prices.



Source: FTSE Russell and LSEG. All data as of September 30, 2024. 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

Previous cycles show pronounced bull steepening of yield curves ahead of, and during, Fed and BoE easing cycles, and occurring again in 2024, as monetary conditions ease. US dollar weakness on adverse rate differentials continues, but its safe-haven appeal remains & the ECB, BoE and PBoC remain under pressure to ease further, given weak growth.

The gilt curve bull steepened in advance of, and since, the August 2024 base rate cut, as it did before, and after the August 2016 and March 2020 base rate cuts, though UK base rates were only 0.50% and 0.75% before those moves. Performance data on Treasuries shows it has paid investors to increase duration early in easing cycles, as duration effects dominate curve steepening.

Dollar weakness continues, as the fx market prices in more US easing, and rate differentials deteriorate. Yen and sterling gained notably, as the BoE failed to match the Fed move. But the dollar remains a safe haven of choice, should risk-off develop in Q4.

A 50bp cut in rates from the Fed is a large move, as the first in the cycle. And Fed Chairman Powell has suggested the Fed may revert to 25bp easing moves, should further easing be required. The pivot to maximising employment is a major re-calibration of policy. The rebound in UK service sector inflation, to 5.6%, may have been critical in preventing a BoE move in September. Elsewhere, with Eurozone inflation now at 1.8% y/y and fiscal policy offering little support to growth, further rate cuts are likely.

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

*See " Fed easing cycles and US Treasuries; taking the long view ", FTSE Russell, September 2024.

Chart 1: Take the long view after the first BoE rate cut? A steepening gilt curve correlates with easing cycles, and curve inversion maps closely to the tightening cycle from December 2021 to August 2023.

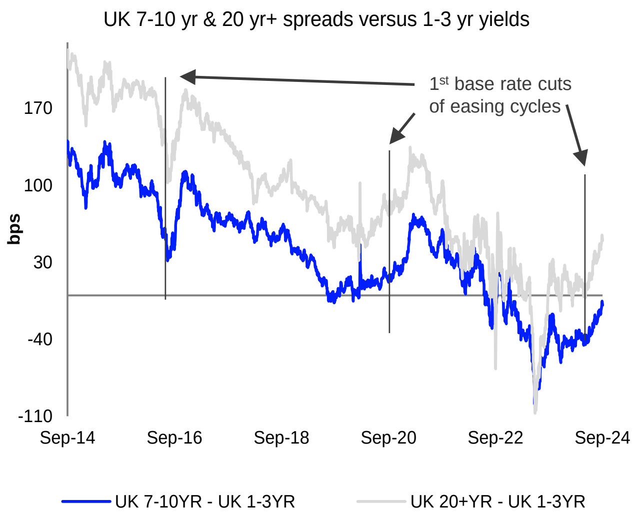


Chart 2: The US dollar remained weak, as markets priced in further Fed easing in Q4, and the prospect of higher BoJ rates. But the dollar may draw support from its status as a safe haven of choice.

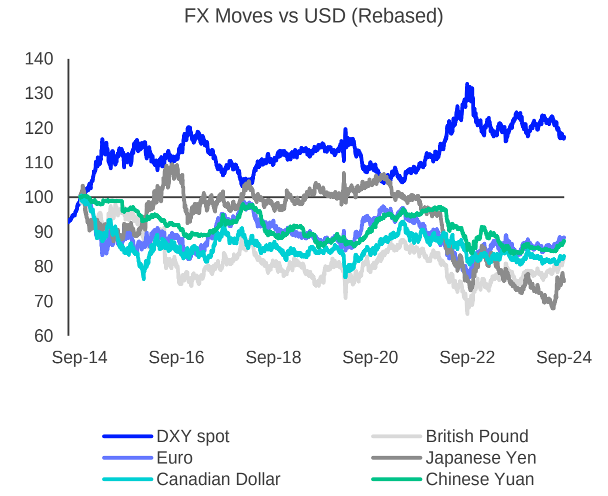


Chart 3: The Fed's 50bp rate cut may suggests some "catch-up" and the dot plots project 3% rates. Rebounding service inflation prevented a BoE move. Eurozone inflation below 2% suggests more Q4 easing.

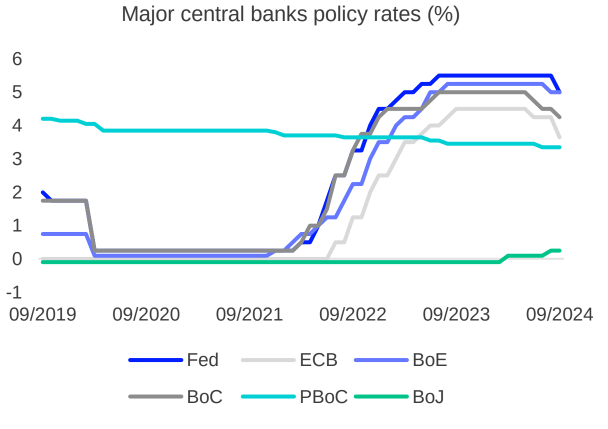
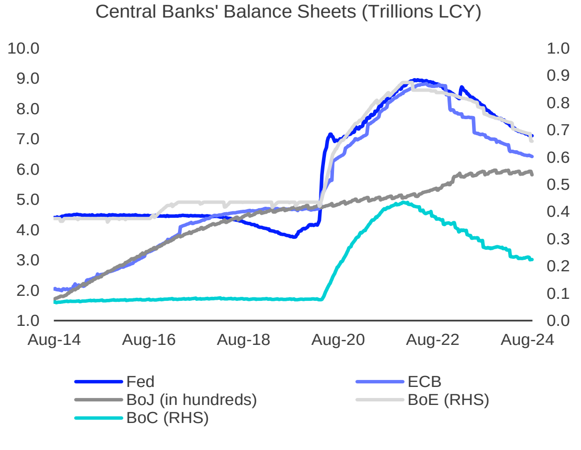


Chart 4: C. bank balance sheets are shrinking, offsetting the impact of lower rates, raising issues of consistency. The BoE has signalled a wish to reduce balance sheet size, independent of the policy cycle.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields were broadly stable, or edged lower, in September, with bigger moves in 1-3 year yields, as central banks signalled rate cuts. Lower inflation rates supported the 7-10yr area.

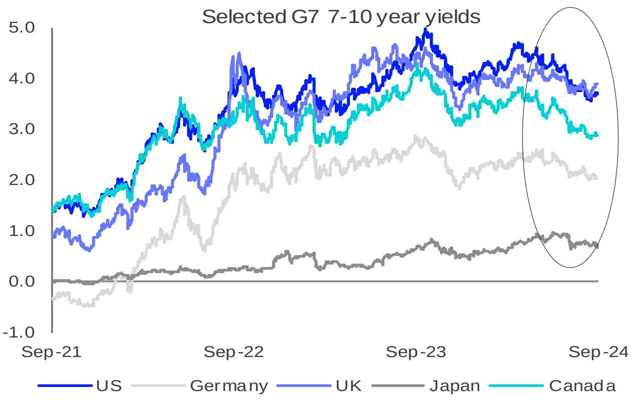


Chart 2: US Tips real yields fell most in September, and Q3, as US real growth and inflation slowed, and the Fed pivoted to ease rates. JGB real yields moved higher on fears of higher BoJ rates.

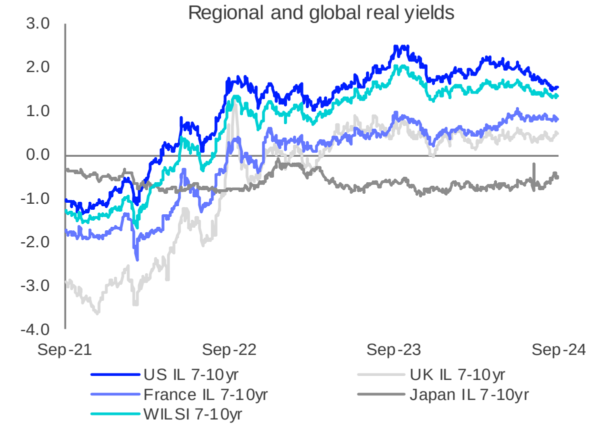


Chart 3: Yield curves generally bull steepened in September, as 1-3 year yields priced in more central bank policy easing, and 7-10 yr yields were more stable. The JGB curve flattened on fears of higher BoJ rates.

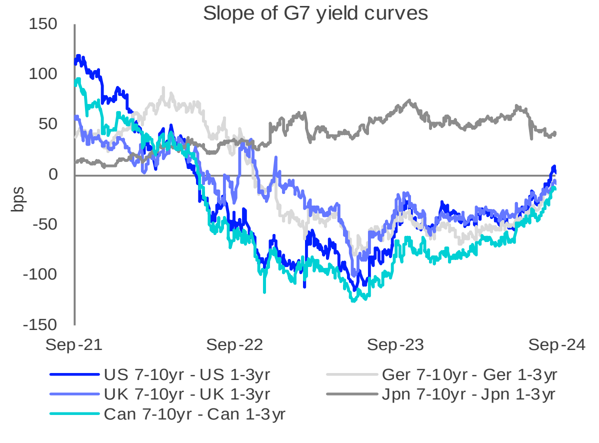


Chart 4: Long end yields also fell less than 1-3 yr yields, with curves now showing positive gradients throughout the G7, led by JGBs. The Canadian curve has dis-inverted by about 150 bp over the last 12M.

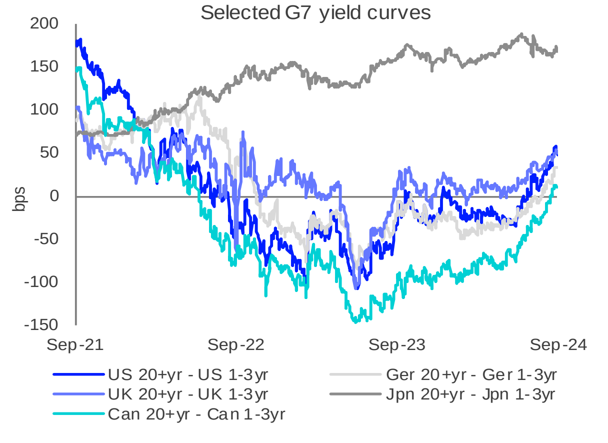


Chart 5: 7-10 yr inflation breakevens have stabilised near 2% target levels, aside from the UK (although UK RPI breakevens are converging towards 3%, which is close to 2% on the CPI).

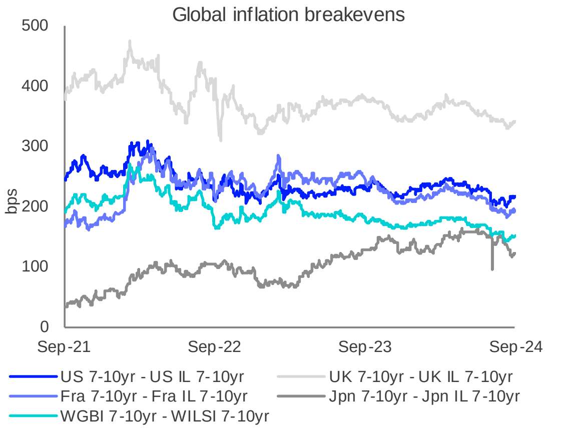
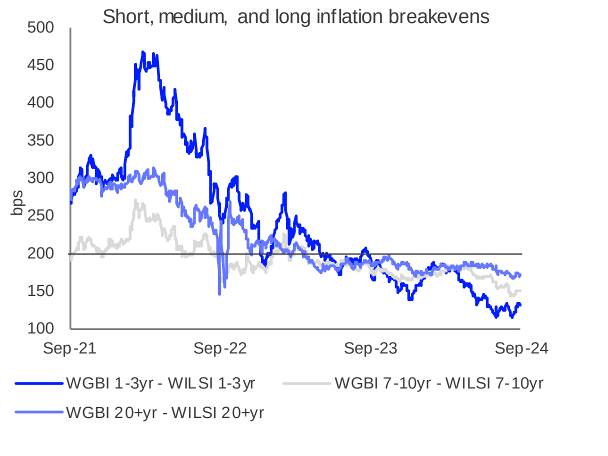


Chart 6: Short dated breakevens are now well below longer dated, reflecting a sharp drop in inflation since 2022. Fed Chairman Powell has stressed the importance of stable long run breakevens in policy easing.



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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.

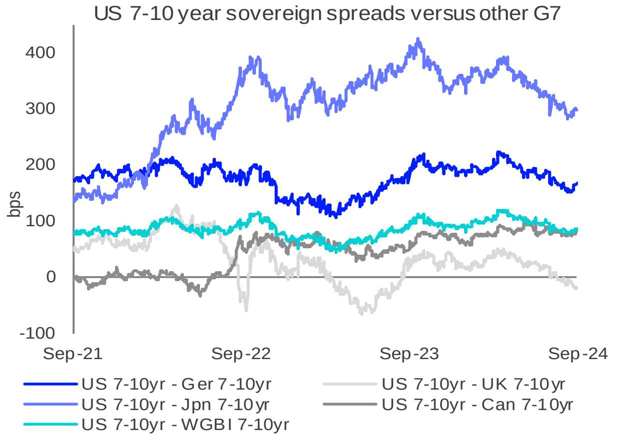


Chart 2: Investors have shown increased risk appetite for peripheral Eurozone govt bonds, led by Italy and Spain in Q3, as concerns grow about political instability and fiscal policy in France and Germany.

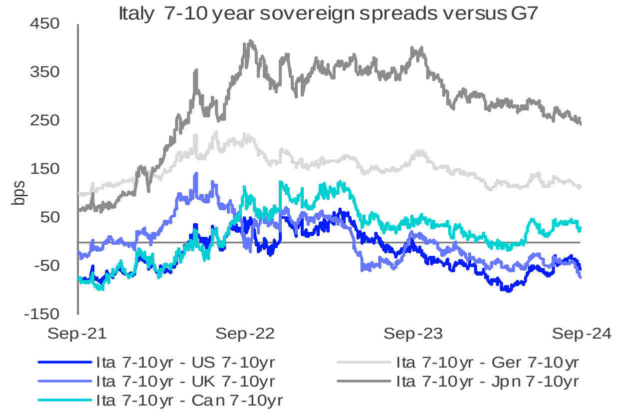


Chart 3: EM 7-10 yr sov. spreads remain near cycle lows, despite recent declines in G7 yields, after central bank easing. Spreads fell steadily throughout the Fed's tightening cycle, unlike previous cycles.

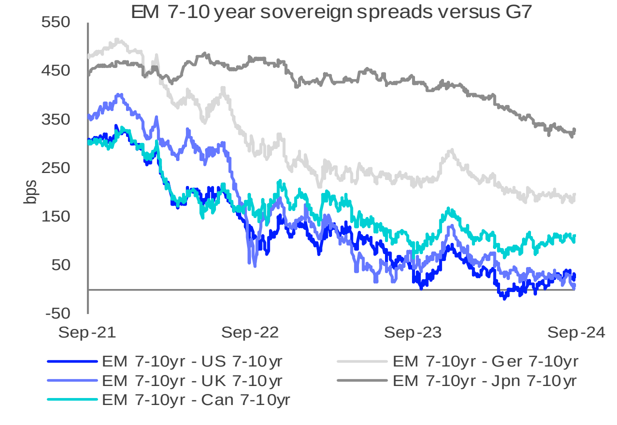


Chart 4: Further policy easing measures in China, in both fiscal and monetary policy, caused some volatility in Chinese govt bond spreads, alongside lower 7-10yr G7 yields. But spreads remain near cycle lows.

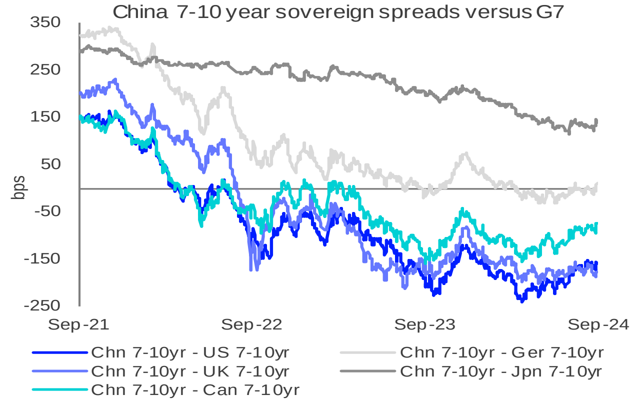


Chart 5: Valuation matters? US & Eurozone credit looks dear, if benchmarked versus pre-Covid levels on spreads. But spreads were lower in 2021, before the Ukraine and inflation shocks in 2022-23.

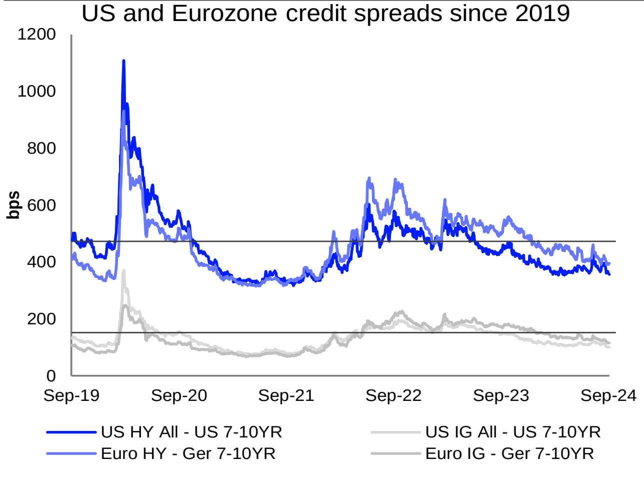
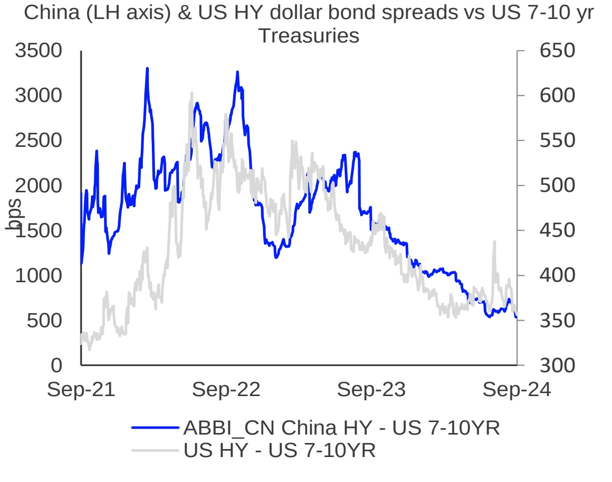


Chart 6: The Sept 24 support measures from the PBoC, targeted at property, and another 50bp rate cut, have helped Chinese high yield spreads narrow further, though is it too little, too late?



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Investment Grade Credit and RMBS analysis

Chart 1: UK IG credits show banks and insurers as strongest performers, followed by Telecoms. Other Utilities were the weakest performers, hit hard by the problems in the water sector.

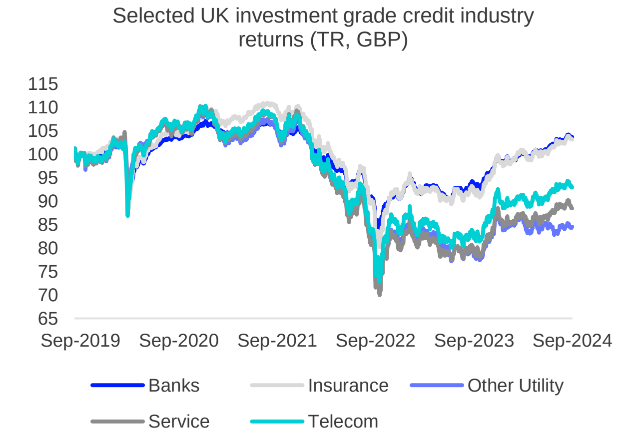


Chart 2: This is also reflected in the spike in other Utility spreads, despite some stabilisation in Q3. Banks and insurers recovered strongly from the Ukraine shock in 2022, helped by higher rates.

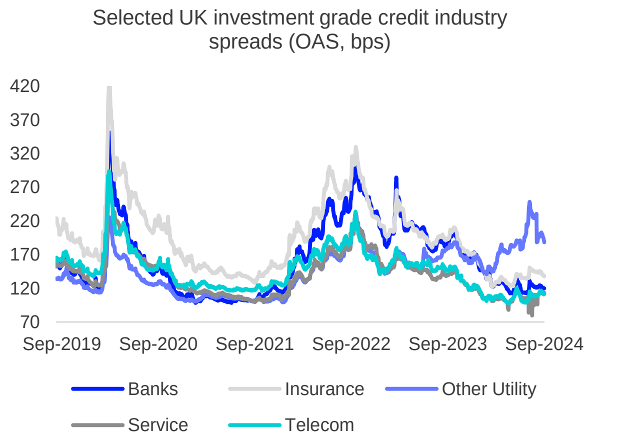


Chart 3: AAA credits have been most exposed to higher rates, and duration risk during the period of higher rates. BBB credits continued to perform strongly, helped by the strong correlation to equities.

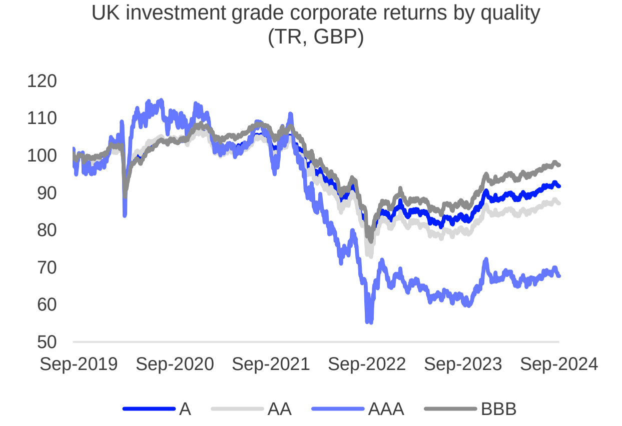


Chart 4: Although short dated IG credit missed out on the rally in 2020-21, the maturity bucket has outperformed strongly since rates and gilt yields increased from Q4 2021 onwards, notably vs 10+ yrs.

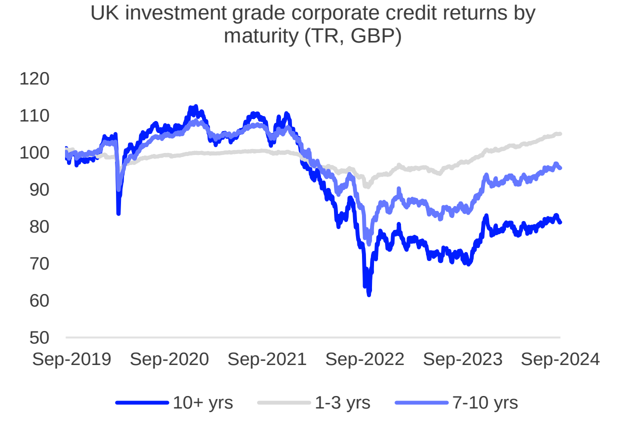


Chart 5: After falling sharply relative to RMBS spreads, IG spreads briefly spiked in August before tightening as risk appetite recovered. Agency-RMBS spreads were protected by the agency-guarantee.

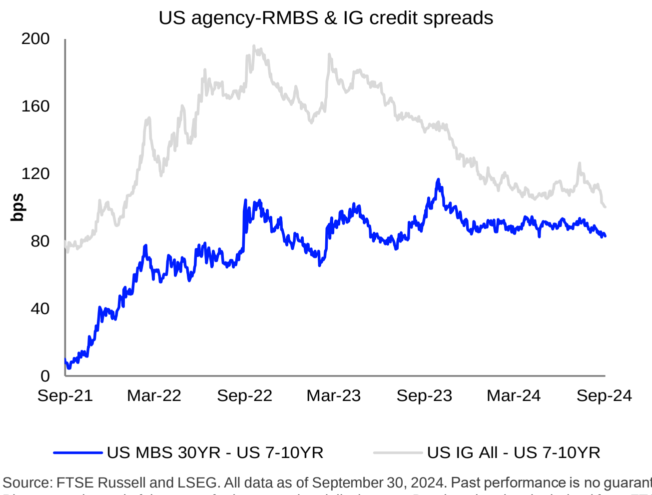
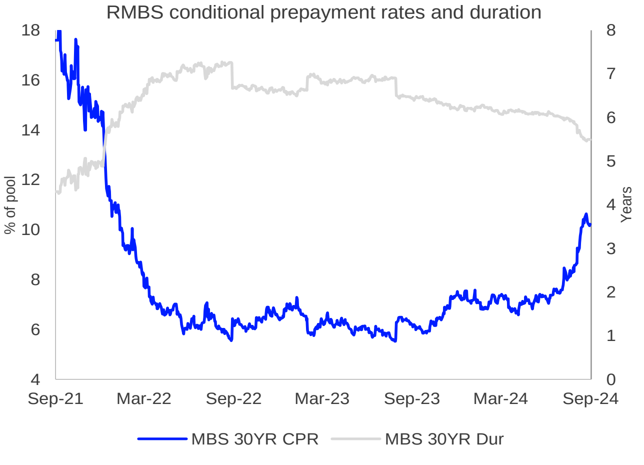


Chart 6: Mortgage refis and RMBS prepayments have picked up, as the Fed began easing in September. However, mortgage rates are still well above most MBS coupons, restricting mortgage refi activity.



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High Yield Credit Analysis

Chart 1: Sterling HY industry returns show the collapse in the other Utility sector (about 10% of the overall HY index), and includes the distressed Thames Water bonds. Other sectors gained in the risk rally.

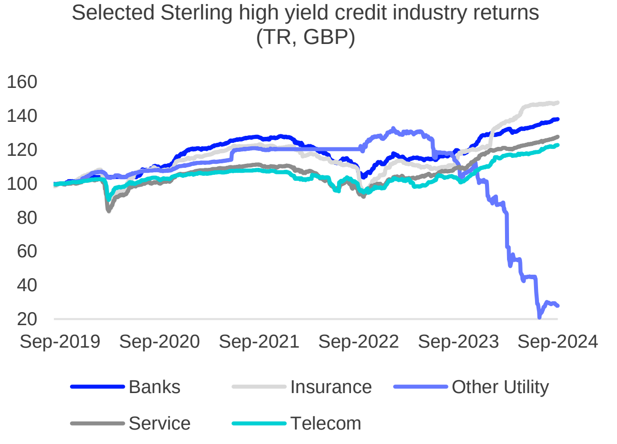


Chart 2: Mind the gap! Globally, yield levels in HY credits are still above pre-Covid levels, despite spread tightening, and strong returns, in the 2023-24 risk rally. This gives HY more protection in a bout of risk-off.

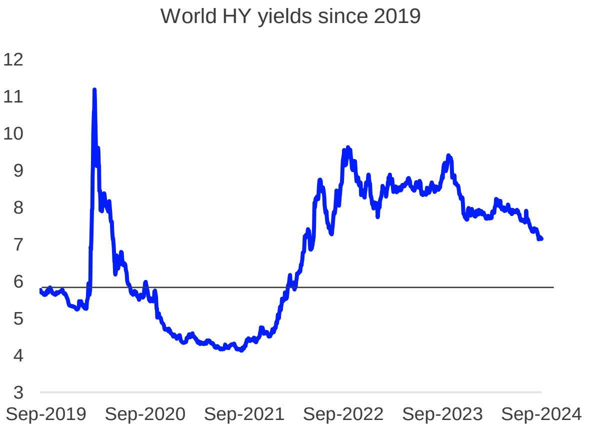


Chart 3: BB has underperformed single B, since Covid, but CCC has delivered the strongest returns in the risk-rally in 2023-24. This is a global phenomenon (see Chart 4) though CCC has high volatility.

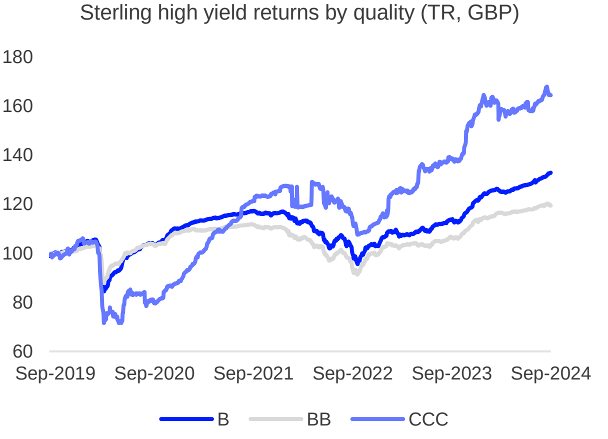


Chart 4: As in the UK, CCC has outperformed in the US, the biggest HY market globally, since the risk rally began in Q4 2023. Single B issues also outperformed BB, the largest sector in HY markets.

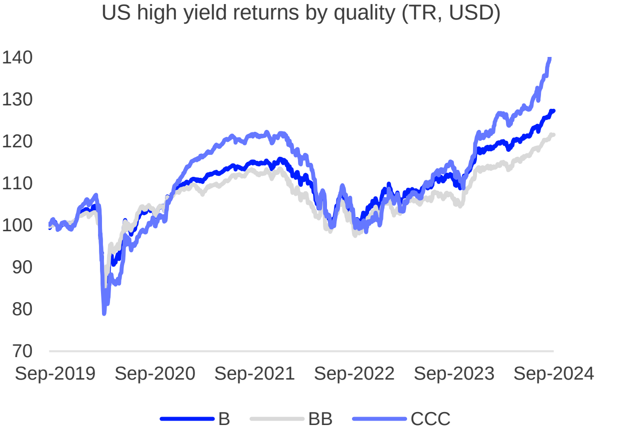


Chart 5: Short dated HY spreads remain more volatile as they have low duration, so yield sensitivity is higher to price moves – and they are also sensitive to a sudden spike in default expectations (Covid).

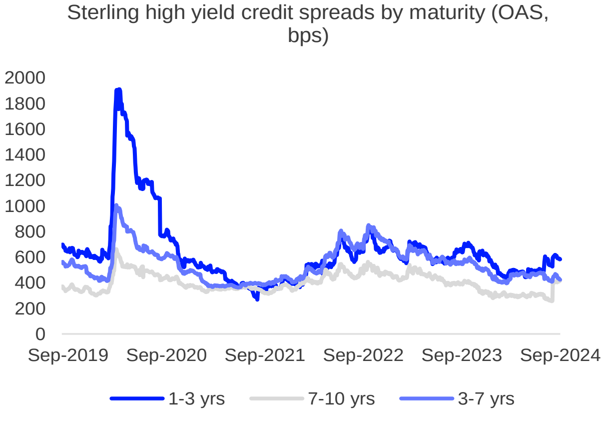
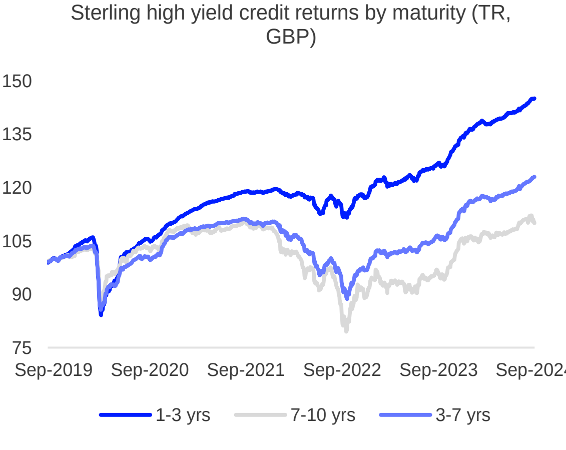


Chart 6: Shorter dated sterling HY issues delivered the strongest returns since Covid, being less exposed to higher rates, and still enjoying strong correlation to equities in the risk rally.



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SI Sovereign and Corporate Bond Analysis

Chart 1: SI Sovereign performance was mixed in Q3. ESG WGBI and Climate Risk-Adjusted WGBI outperformed but Advanced Climate Risk-Adjusted WGBI and ESG EMGBIC underperformed non-SI counterparts.

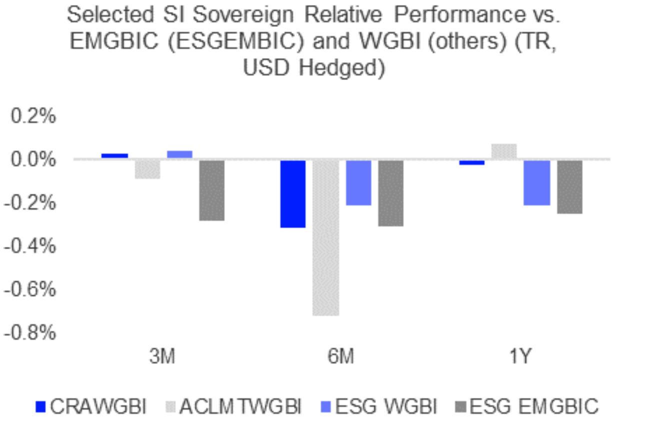


Chart 2: SI corporates largely underperformed in Q3, apart from PAB (Paris aligned benchmark) which was flat vs. WBIG over 3M. Green Corp was the largest underperformer in Q3, registering a -1.0% relative return.

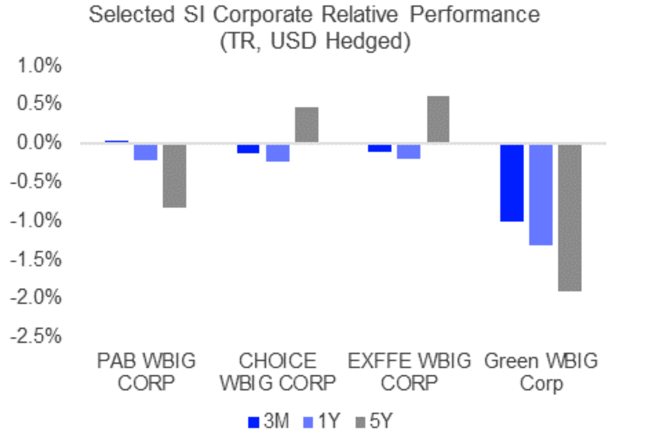


Chart 3: Since 2022, duration has driven relative performance for SI Sovereigns. But with markets pricing in lower rates in 2024-25, performance has stabilised and even turned, notably for ESG EMGBIC.

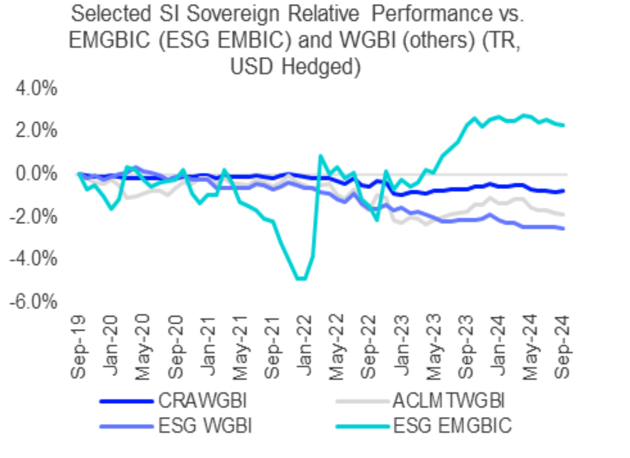


Chart 4: Within SI corporates, duration explains divergent performance between Choice/ExFFe and PAB. For Green Corp, higher active weights at the industry-level led to more volatile relative performance.

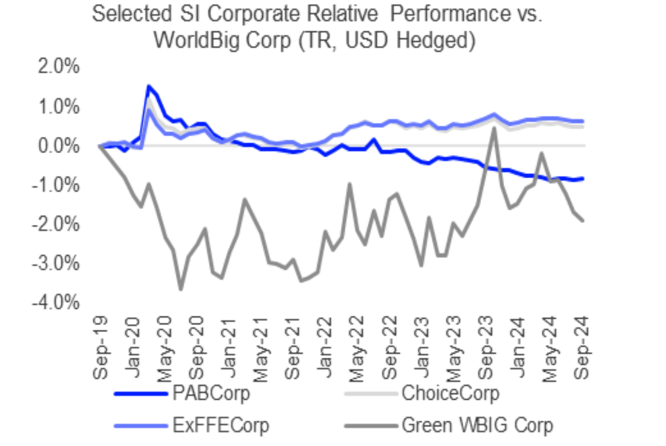


Chart 5: In 2022-24, EMGBIC ESG benefitted from falling yields vs EMGBIC. This reflects overweights in countries further through easing cycles but has begun to slow, as other cent. banks catch-up.

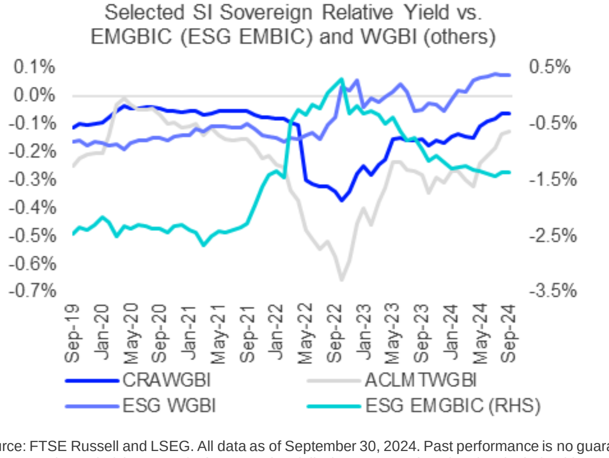
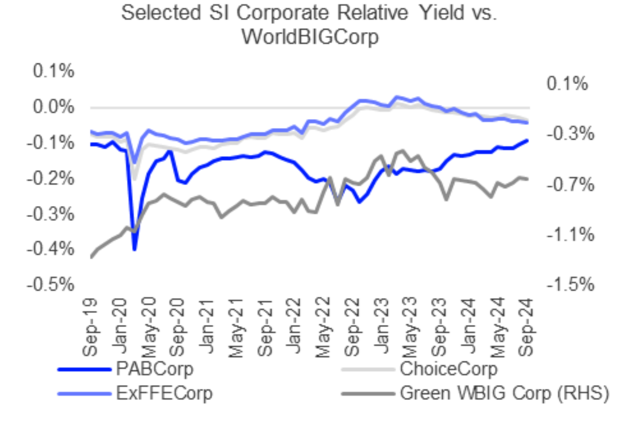


Chart 6:Most SI corporates have seen relative yields rise vs non-SI indices over 5 years, suggesting slow erosion of the SI-premium. But note relative yields fell more recently for Green Corp, Ex FFE and Choice.



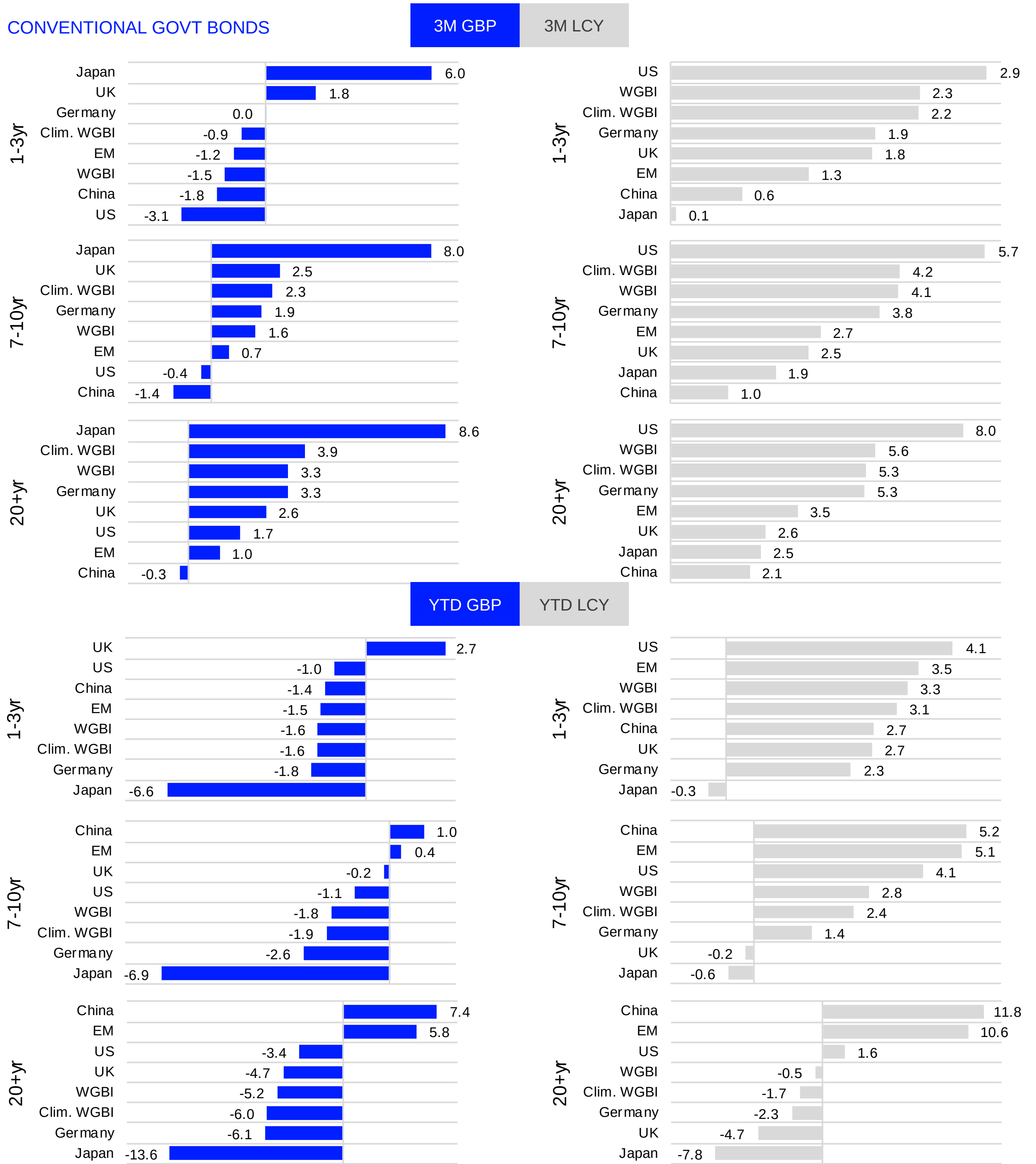
Source: FTSE Russell and LSEG. All data as of September 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Global Bond Market Returns − 3M & YTD % (GBP, LC, TR)

A weaker US dollar and stronger yen dominate Q3 returns, but sterling strength squeezed overseas returns. Longs outperformed as central banks eased. JGBs gained 6-9% in sterling, but short and medium Treasuries lost 0.4-3%. China and EM were strongest YTD performers, with gains of 6-7%, while yen weakness drove long JGB returns down 14%.

Higher BoJ rates and unwinding of some carry trades drove a strong yen rally in Q3, particularly versus the US dollar, as markets priced in lower Fed rates. Gilts, Bunds and WGBI also rallied, returning 2-4% in sterling terms.

Despite measures to restrict speculation, long China bonds have advanced 12% in local currency terms, and 7% in sterling, YTD, as the PBoC continues to cut rates. Short and medium dated G7 bonds show modest losses of up to 6% in sterling, except JGBs, mainly on sterling strength, and despite policy pivots to ease in Europe and the US.



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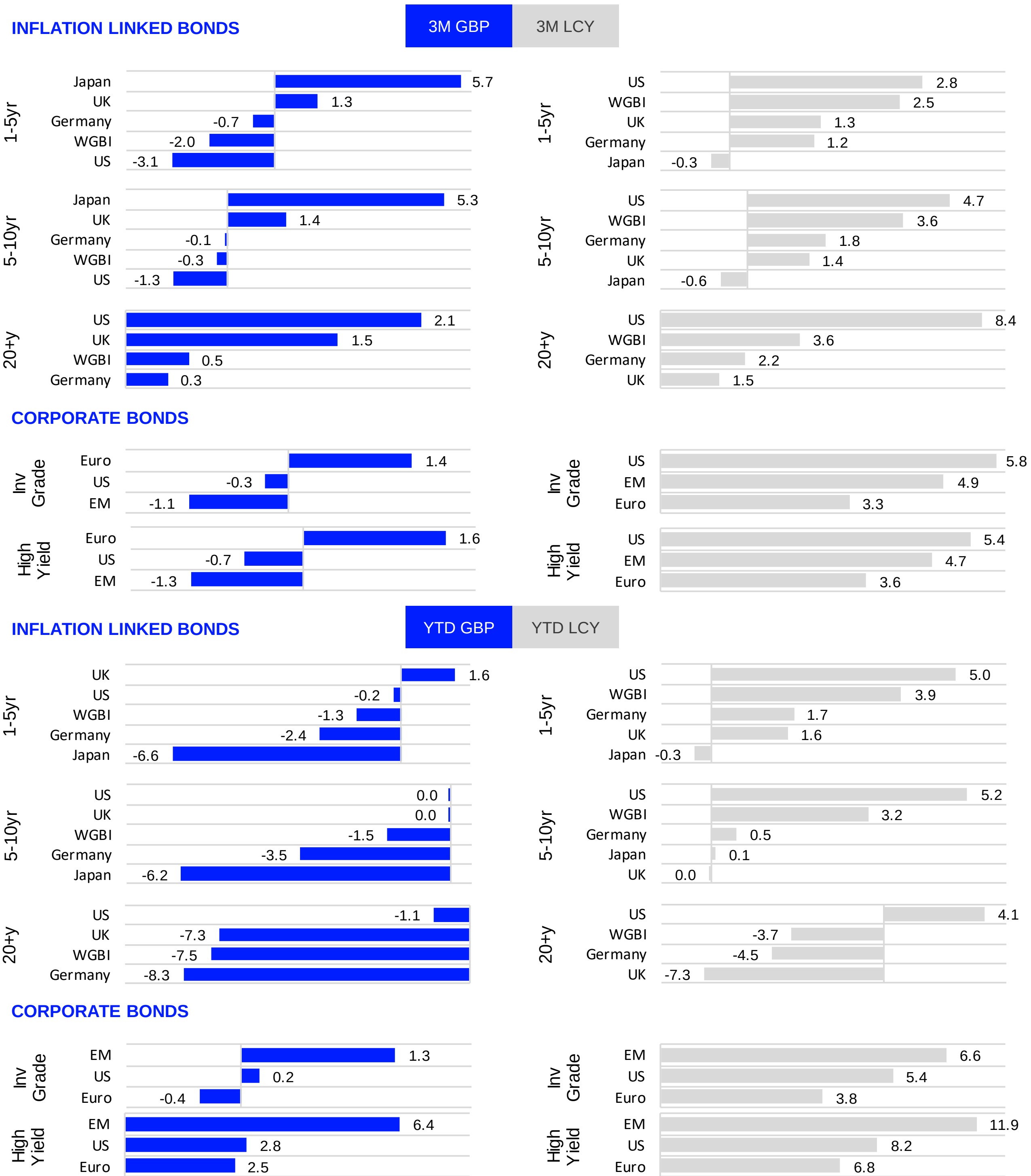
Global Inflation-Linked Bond Returns – 3M & YTD % (GBP, LC, TR)

Inflation-linked joined the rally in conventionals in Q3, but sterling strength meant only JGBs, Tips and gilts offered returns above 1% in sterling terms. JGB linkers gained 5-6%, on FX gains. Euro credits managed small gains, with IG and HY moving broadly in line. YTD, HY credit returned 3-6% in sterling, led by EM, despite sterling strength.

Longer US Tips outperformed, as the Fed pivoted and then cut rates in Q3, helping longer duration assets, though the weak US dollar crimped returns, in sterling terms, with losses of 1-3% in shorter Tips.

Credit had another strong quarter in local currencies, led by the US, and helped by the risk rally in equities, but sterling strength meant only Euro credits showed positive returns of 1-2%. YTD, EM HY led the gains, with returns of 6% in sterling. IG credits also gained 1.3% YTD . HY outperformed generally, aided by the stronger correlation to equities.



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

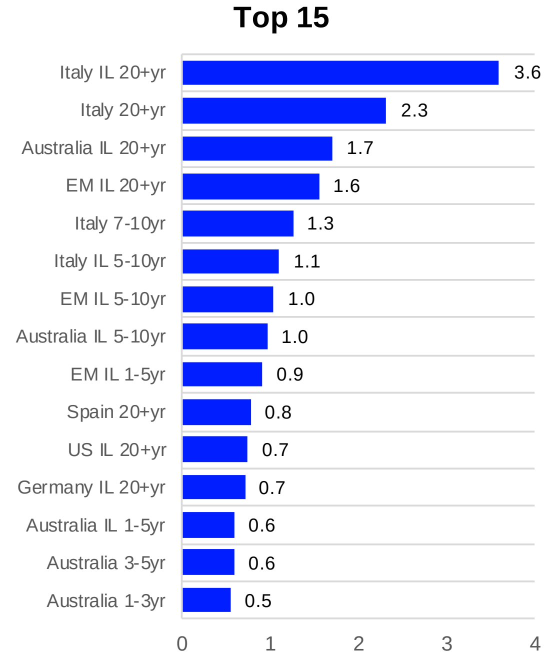
Long Italian and Spanish government bonds proved strongest performers on 12M, in sterling, returning 16-19%, as spreads converged sharply to Bunds and OATs. Concerns about political instability and the widening budget deficit weighed on OATs, which fell on the month. Other longer dated bonds showed strong gains of 8-13%, in sterling, on 12M.

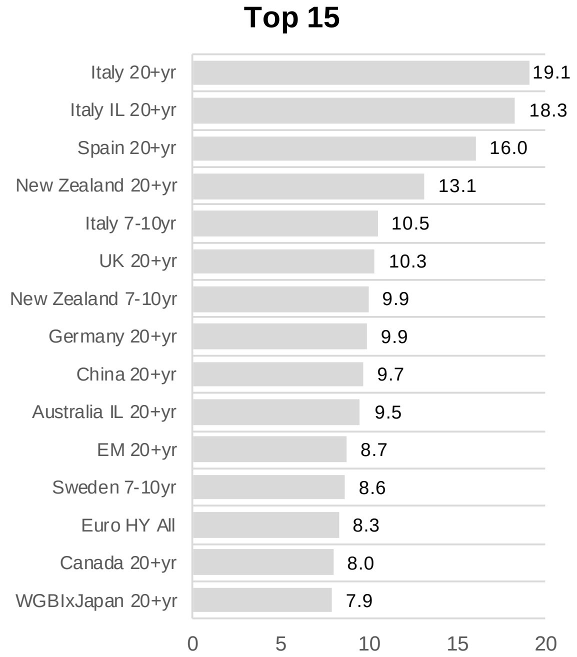
Italian BTPs were big beneficiaries of the risk rally in 2024, and stronger growth, falling inflation and ECB rates and a lower budget deficit drove Spanish bond gains. Lower ECB and Riksbank rates boosted Bunds and Swedish govt bonds, particularly on 12M.

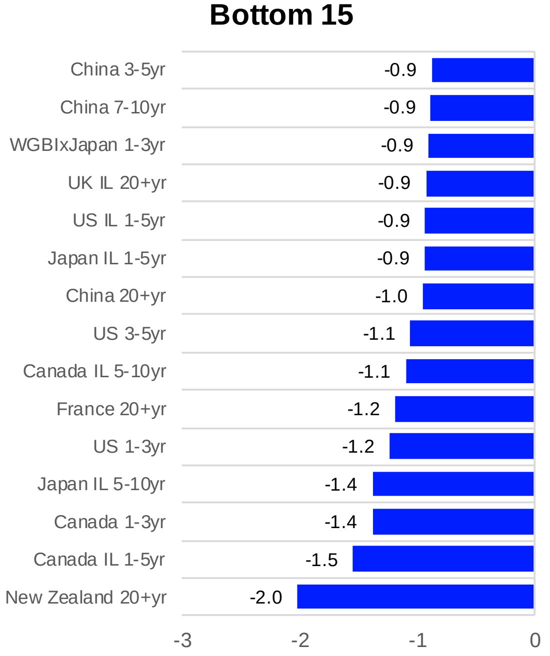
JGBs show losses of 3-12% on 12M, in sterling, mainly on yen weakness earlier in 2023-24, before the Q3 rally. EM inflation linked suffered from Brazilian real and Mexican peso weakness, and lost 8-10% in sterling terms.

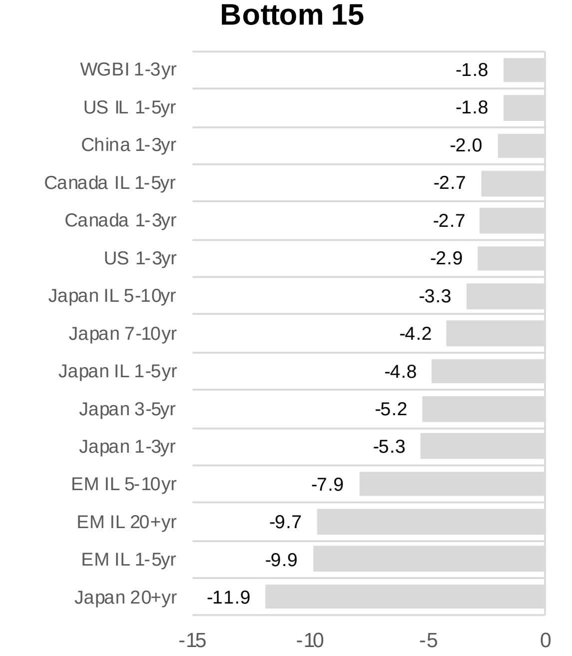
Duration is becoming the investor's friend again, as central banks ease rates, so the best 12M performers were mainly longs, including WGBI, except Japan, which benefitted from China's strong performance, without the weakness in JGBs.

1M GBP | 12M GBP









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Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3yr	2.87	-3.05	3.84	-2.21	4.13	-1.04	6.75	-2.86
	7-10yr	5.72	-0.37	5.66	-0.49	4.11	-1.06	10.96	0.97
	20+yr	7.96	1.74	5.85	-0.32	1.60	-3.44	15.18	4.80
	IG All	5.84	-0.26	5.84	-0.32	5.38	0.16	14.15	3.87
	HY All	5.39	-0.68	6.42	0.22	8.19	2.82	15.70	5.28
UK	1-3yr	1.83	1.83	2.46	2.46	2.65	2.65	5.28	5.28
	7-10yr	2.51	2.51	1.61	1.61	-0.19	-0.19	7.79	7.79
	20+yr	2.58	2.58	-0.67	-0.67	-4.73	-4.73	10.33	10.33
Euro	IG All	3.28	1.36	3.33	0.56	3.76	-0.37	9.55	5.08
	HY All	3.58	1.65	5.02	2.21	6.79	2.54	12.87	8.26
Japan	1-3yr	0.05	6.04	-0.13	-0.49	-0.31	-6.62	-0.24	-5.30
	7-10yr	1.91	8.00	-0.21	-0.57	-0.60	-6.90	0.94	-4.18
	20+yr	2.45	8.58	-6.04	-6.37	-7.79	-13.62	-7.20	-11.91
China	1-3yr	0.64	-1.77	1.64	-1.39	2.68	-1.35	3.42	-2.03
	7-10yr	1.05	-1.38	2.96	-0.12	5.16	1.03	6.93	1.29
	20+yr	2.15	-0.31	5.77	2.61	11.77	7.38	15.76	9.66
EM	1-3yr	1.25	-1.18	2.36	-1.43	3.51	-1.50	4.73	-1.47
	7-10yr	2.72	0.67	3.89	0.39	5.06	0.37	8.95	2.54
	20+yr	3.45	1.04	6.36	2.79	10.56	5.77	15.40	8.71
	IG All	4.94	-1.11	5.83	-0.34	6.63	1.34	13.26	3.06
	HY All	4.72	-1.31	7.49	1.23	11.93	6.37	17.62	7.03
Germany	1-3yr	1.86	-0.04	2.49	-0.25	2.28	-1.79	4.33	0.07
	7-10yr	3.80	1.86	2.93	0.17	1.42	-2.62	8.42	3.99
	20+yr	5.28	3.32	1.07	-1.63	-2.25	-6.15	14.54	9.86
Italy	1-3yr	2.45	0.54	2.91	0.16	3.05	-1.05	5.85	1.53
	7-10yr	6.25	4.27	4.45	1.65	5.51	1.31	15.18	10.48
	20+yr	9.30	7.26	3.92	1.14	7.04	2.78	24.19	19.12
Spain	1-3yr	2.18	0.28	2.70	-0.05	2.82	-1.27	5.16	0.87
	7-10yr	4.64	2.69	3.74	0.96	3.51	-0.61	11.99	7.42
	20+yr	6.82	4.83	3.32	0.55	3.44	-0.68	20.98	16.04
France	1-3yr	2.17	0.27	2.43	-0.31	2.12	-1.94	4.53	0.27
	7-10yr	3.99	2.05	1.40	-1.31	0.00	-3.98	7.55	3.16
	20+yr	4.65	2.70	-2.98	-5.58	-5.81	-9.56	11.41	6.86
Sweden	1-3yr	2.14	0.56	3.57	2.89	3.56	-2.15	5.78	3.16
	7-10yr	2.80	1.21	4.54	3.86	2.48	-3.17	11.37	8.62
Australia	1-3yr	2.01	-0.14	2.15	2.30	3.04	-0.43	4.94	2.64
	7-10yr	3.83	1.64	2.33	2.48	3.32	-0.17	8.74	6.36
	20+yr	3.05	0.88	-1.12	-0.97	-1.06	-4.39	9.62	7.22
New Zealand	1-3yr	3.31	1.66	4.32	4.51	5.23	0.49	8.50	4.54
	7-10yr	4.48	2.80	5.03	5.22	4.49	-0.21	14.10	9.94
	20+yr	3.35	1.69	3.15	3.33	-0.80	-5.26	17.42	13.14
Canada	1-3yr	2.41	-2.24	3.65	-2.22	4.04	-3.49	6.80	-2.75
	7-10yr	5.56	0.77	6.19	0.18	4.13	-3.41	12.83	2.75
	20+yr	6.47	1.63	6.42	0.40	0.34	-6.93	18.55	7.96

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Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5yr	2.80	-3.12	4.40	-1.68	4.97	-0.23	7.94	-1.78
	5-10yr	4.71	-1.32	5.61	-0.54	5.21	-0.01	10.78	0.81
	20+yr	8.38	2.14	7.11	0.87	4.10	-1.06	14.91	4.56
UK	1-5yr	1.32	1.32	1.89	1.89	1.56	1.56	4.88	4.88
	5-10yr	1.44	1.44	0.73	0.73	-0.04	-0.04	4.91	4.91
	20+yr	1.54	1.54	-3.23	-3.23	-7.28	-7.28	6.97	6.97
Japan	1-5yr	-0.27	5.69	0.15	-0.20	-0.33	-6.64	0.28	-4.81
	5-10yr	-0.61	5.33	-0.18	-0.54	0.10	-6.24	1.82	-3.34
EM	1-5yr	3.15	-3.65	4.23	-10.11	6.87	-9.66	9.66	-9.88
	5-10yr	4.21	-1.99	3.03	-9.14	3.66	-10.36	8.98	-7.92
	20+yr	4.14	-2.12	1.03	-12.85	-2.26	-16.57	7.34	-9.70
Germany	1-5yr	1.22	-0.67	1.98	-0.75	1.68	-2.37	2.76	-1.44
	5-10yr	1.83	-0.07	1.84	-0.88	0.53	-3.47	3.69	-0.55
	20+yr	2.21	0.30	-1.60	-4.23	-4.52	-8.32	4.68	0.41
Italy	1-5yr	2.74	0.82	2.87	0.11	3.07	-1.04	6.47	2.12
	5-10yr	5.00	3.04	3.53	0.76	4.92	0.74	12.17	7.59
	20+yr	8.84	6.81	0.67	-2.02	5.25	1.06	23.32	18.29
Spain	1-5yr	2.05	0.15	2.44	-0.30	2.13	-1.93	4.16	-0.09
	5-10yr	3.10	1.18	2.81	0.06	3.05	-1.05	7.86	3.46
France	1-5yr	1.70	-0.19	1.20	-1.51	0.62	-3.39	2.57	-1.61
	5-10yr	2.17	0.26	0.29	-2.40	-0.92	-4.86	3.00	-1.20
	20+yr	2.53	0.62	-6.82	-9.31	-9.62	-13.22	3.08	-1.13
Sweden	1-5yr	1.31	-0.26	2.70	2.03	2.43	-3.22	4.68	2.09
	5-10yr	2.16	0.59	4.10	3.42	2.51	-3.14	8.06	5.39
Australia	1-5yr	2.17	0.02	2.11	2.26	2.74	-0.73	5.49	3.18
	5-10yr	3.43	1.25	1.93	2.08	2.51	-0.95	7.96	5.59
	20+yr	4.53	2.33	-2.20	-2.06	-4.48	-7.70	11.96	9.51
New Zealand	5-10yr	1.89	0.26	3.28	3.46	4.27	-0.41	11.36	7.31
Canada	20+yr	4.37	-0.37	4.66	-1.26	2.77	-4.66	17.94	7.40

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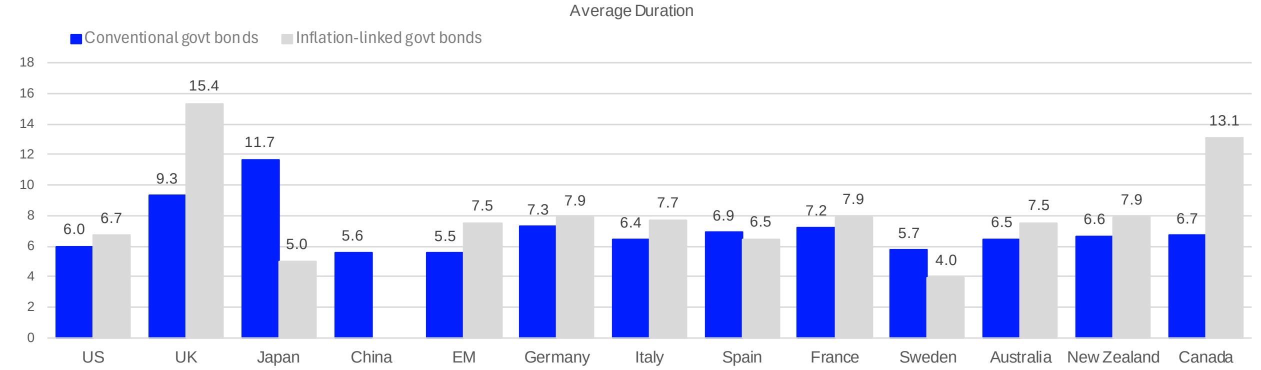
Appendix – Duration and Market Value (USD, Bn) as of September 30, 2024

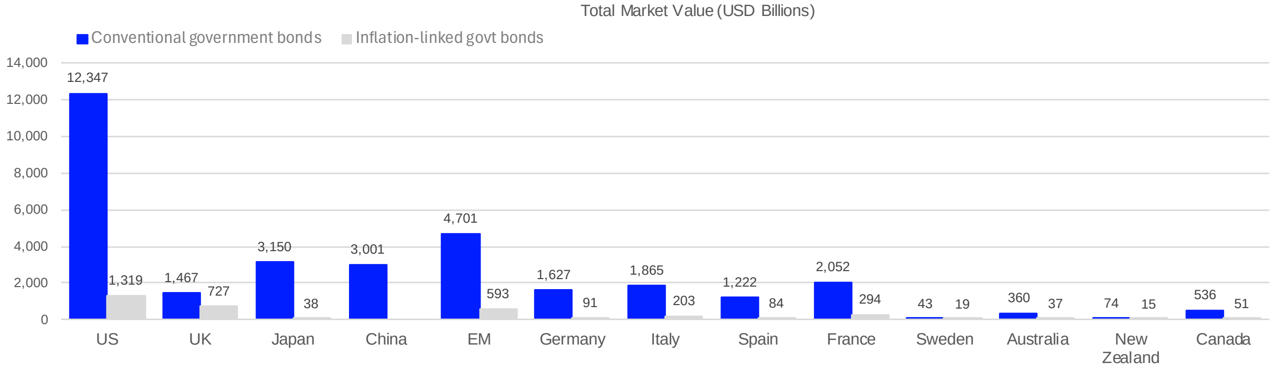
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.9	**6.0**	2,913.4	1,202.0	1,471.4	**12,347.4**	7.1	21.5	**6.7**	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

Average Duration

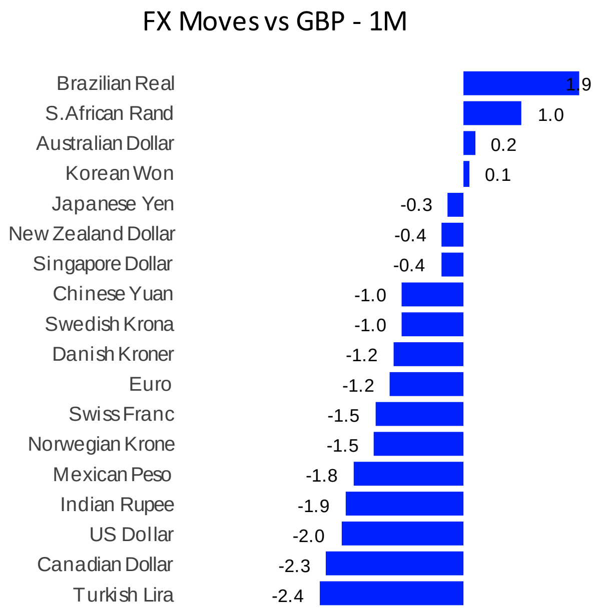


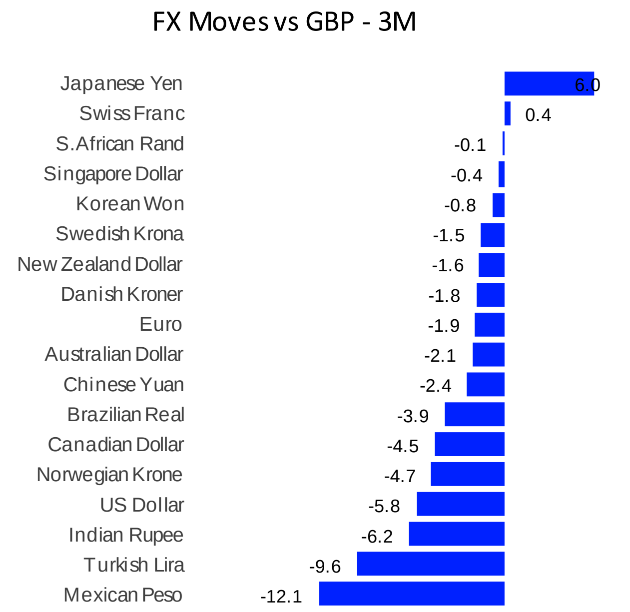
Total Market Value (USD Billions)

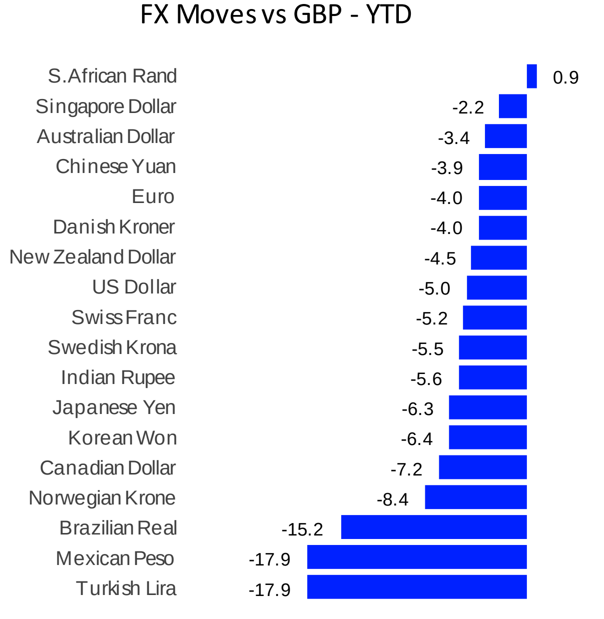


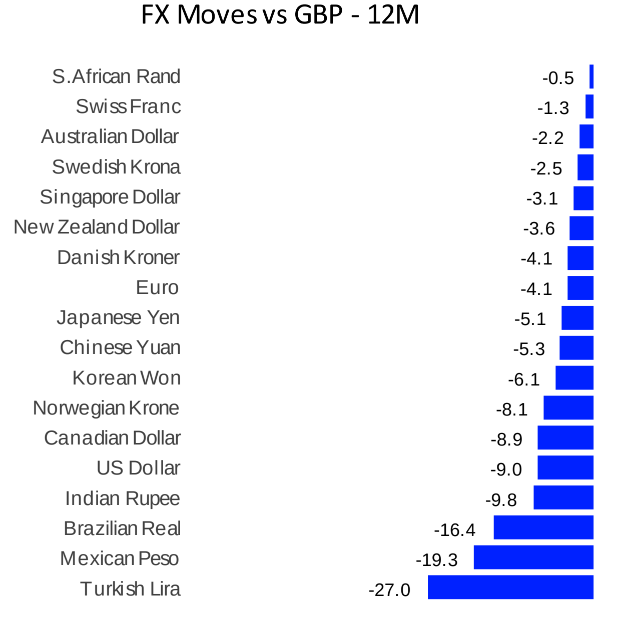
Source: FTSE Russell and LSEG. All data as of September 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

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









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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