Global Investment Research
Market Maps

FTSE RUSSELL
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Fixed Income Insights

US EDITION

MONTHLY REPORT | **OCTOBER 2024**

Fed joins G7 easing but signals gradualism

A cautious easing cycle from the Fed remains the central case, despite an opening move of 50bp. This may limit US dollar weakness, particularly as geopolitical risks rise. Curves bull steepened further, as duration effects start to dominate in G7 easing cycles. China and EM bonds remain strongest performers YTD. JGBs gained in Q3 from yen rally.

Macro and policy backdrop – Fed signals a cautious easing cycle, barring shocks

The Fed's 50bp easing was bold, but swiftly followed by caution about the speed of rate cuts. Deepening geopolitical risks in the middle east carry clear threat to risk rally.

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 – Successful HY refinancing in H1, but spreads are tight

Refinancings dominated HY issuance YTD. Telecoms rallied on lower rates. (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 and Choice. (page 8)

Performance – Longs outperformed, but weak dollar dominated Q3 returns

The yen rally drove strong gains in JGBs in USD in Q3. Longer maturities outperformed, 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 signaled more easing, ex Japan. Rising geopolitical risks may drive safe-haven demand.

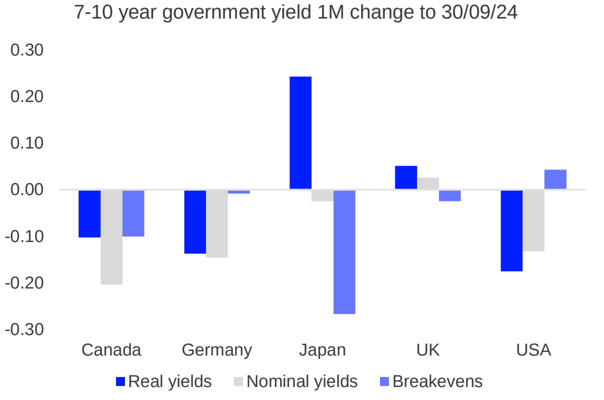
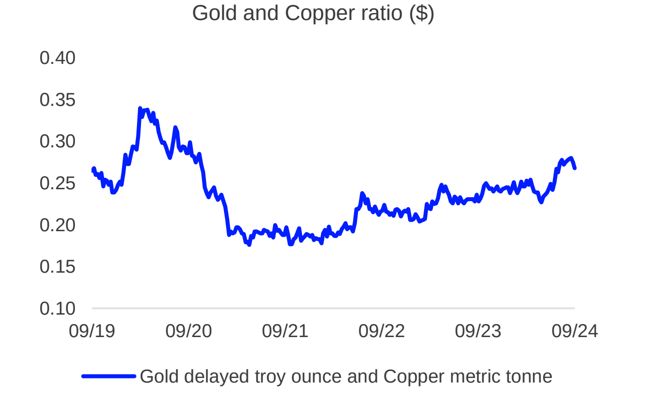


Chart 2: The perfect storm for gold continued. Increased EM central bank demand, lower dollar rates, and safe-haven demand pushed bullion prices higher. Copper suffered from weaker global growth prospects.



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Macroeconomic Backdrop – Growth and Inflation Expectations

Consensus forecasts show little sign of a US recession, despite the Q3 slowdown in 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. The US labor market is now key for the Fed, after the policy pivot.

Despite US recession signals from the inverted 10s/2s yield curve in 2023-24, Q3 data shows US growth still tracking at 3.1% saar (Atlanta Fed nowcast), with stronger capex offsetting weaker consumption. So, Consensus forecasts remain a soft landing for US growth, helped by lower rates, with the Fed now easing (Chart 1). The lack of global growth locomotives remains an issue, as doubts about weak Chinese demand and growth drove another Chinese stimulus package at end-September.

Market focus has shifted to weaker growth, with G7 inflation converging near 2%, despite persistent services inflation. Weaker energy prices are reinforcing weak goods inflation, so headline US CPI dropped to 2.5% y/y in August versus a peak of 9.1% y/y. Core CPI is now up 3.2% y/y, and shelter at 5.2% y/y. Eurozone inflation has dropped well below 2% y/y in some countries, notably France, as Paris Olympic effects unwound, and energy prices fell sharply, clearing the way for more ECB easing.

The US labour market has moved center stage since the Fed policy pivot, and 50bp easing in September. Spikes in unemployment were a feature of previous recessions, even if labor hoarding has been evident in 2023-24. Employment growth has dropped sharply to average 116k in Q3, though the unemployment rate remains at 4.2%.

Supply chain pressures normalized, as the NY Fed index shows (Chart 4). More disruption to Red Sea shipping routes is a risk, as geopolitical tension escalates, but this is offset by more localisation of supply chains and weaker demand for tradeable goods.

Chart 1: Growth forecasts show a modest improvement in Europe, helped by policy easing, in 2024-25, relative to the US. But growth risks to the downside emerged globally 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: Global weakness in goods inflation is dragging headline inflation rates lower. US services inflation remained at 4.9% yy (August) but market focus shifted to signs of a growth slowdown.

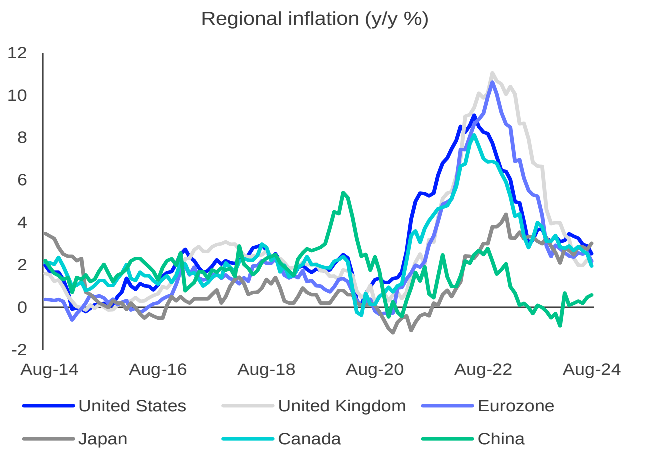


Chart 3: Payroll growth has slowed in the US, even if unemployment dipped to 4.2% in August (on lower labour supply). The Fed remains highly sensitive to labor market data, after the policy pivot.

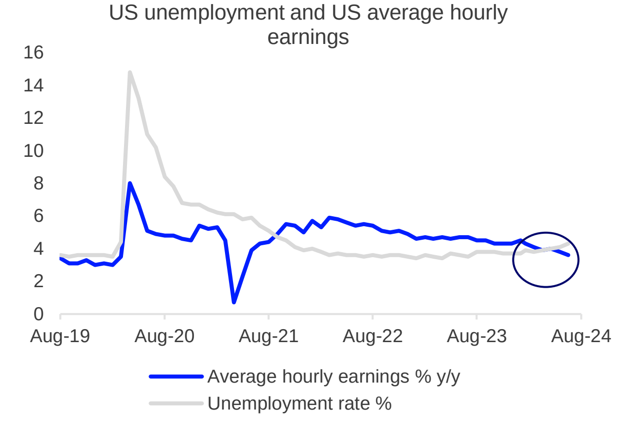
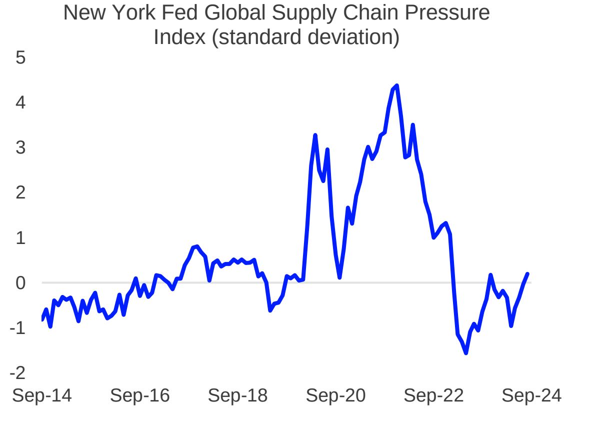


Chart 4: Supply chain indices have mean-reverted in 2024. Reduced demand for tradeable goods, as demand switched to services, and the global slowdown eased pressures, with deflation in some goods' prices.



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Financial Conditions and Monetary Policy Settings

Previous cycles show pronounced bull steepening of the curve ahead of Fed easing, and this occurred again in 2024. But longs still outperformed after the first Fed rate cut. US dollar weakness on adverse rate differentials continues, but its safe-haven appeal remains, and the ECB, BoE and PBoC remain under pressure to ease further, given weak growth.

The US Treasury curve has bull steepened in all easing cycles since 2000, as monetary conditions eased, as Chart 1 shows. The steepening normally starts a few months in advance of the first rate cut, as the Fed pivots towards easing, and the market front-runs policy easing – the current cycle is no exception. Despite the bull steepening of the curve, performance returns show it has paid investors to increase duration very early in the easing cycle, as the duration effect dominates 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 historically, as the first in the cycle. But Fed Chairman Powell has suggested the Fed will likely revert to 25bp moves, should further easing be required in Q4. The pivot to maximising employment is a major re-calibration of policy. Elsewhere, with fiscal policy offering little support to growth in Europe, 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 signaled 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 Fed rate cut? A steepening curve strongly correlates with easing cycles. But despite the bigger fall in short yields, longer maturities have outperformed in these cycles.

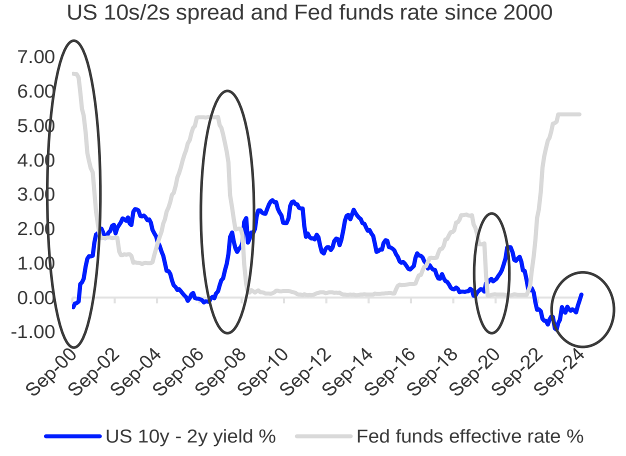


Chart 2: The US dollar remained weak, as markets priced in further Fed easing in Q4, and the prospect of higher BoJ rates. But the dollar may draw support from its status as a safe haven of choice.

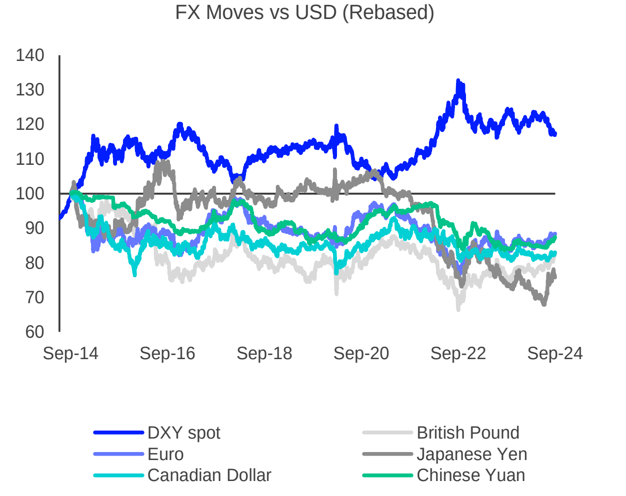


Chart 3: The Fed's 50bp Sept. move was bold, reflecting some policy "catch-up". The dot plots project easing to near 3%. Weak growth and low inflation sustain pressure for easing in Europe and China.

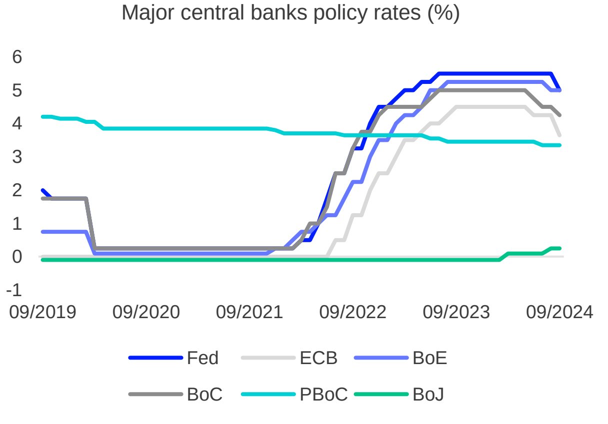
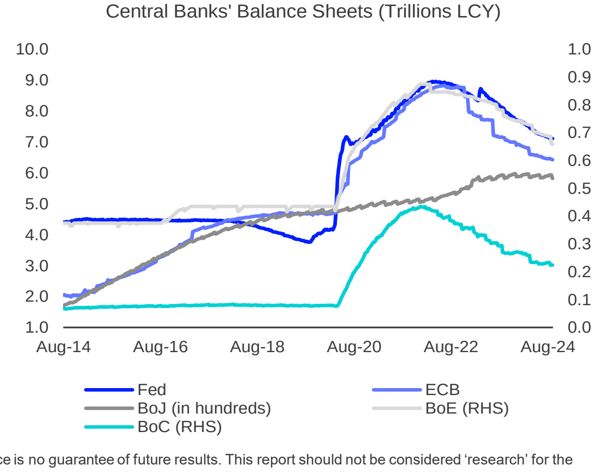


Chart 4: C. bank balance sheets are shrinking, offsetting the impact of lower rates, raising issues of consistency. Some have signaled a wish to reduce balance sheet size, independent of the policy cycle.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields were broadly stable 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.

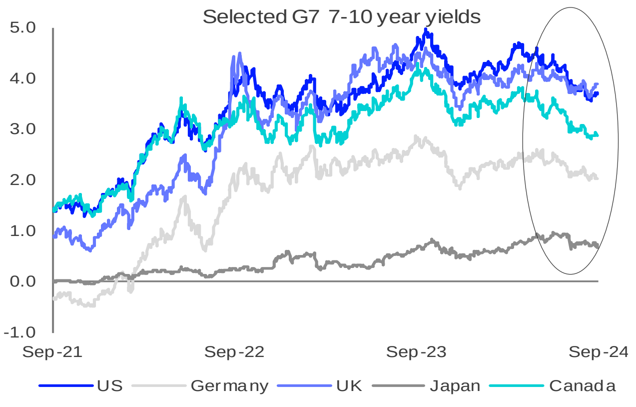


Chart 2: US Tips real yields fell most in September, and Q3, as US real growth and inflation slowed, and the Fed pivoted to ease rates. JGB real yields moved higher on fears of higher BoJ rates.

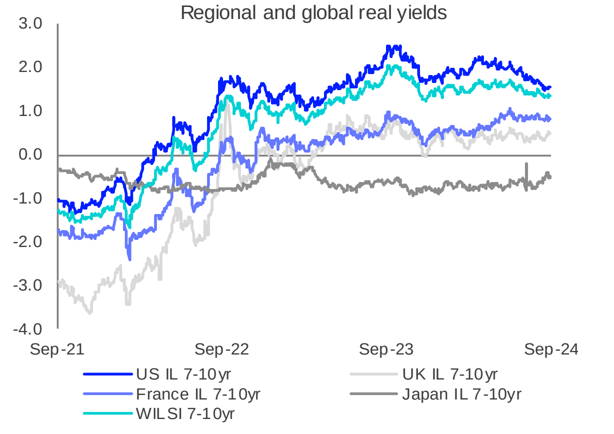


Chart 3: Yield curves generally bull steepened in September, as 1-3 year yields priced in more central bank policy easing, and 7-10 yr yields were more stable. The JGB curve flattened on fears of higher BoJ rates.

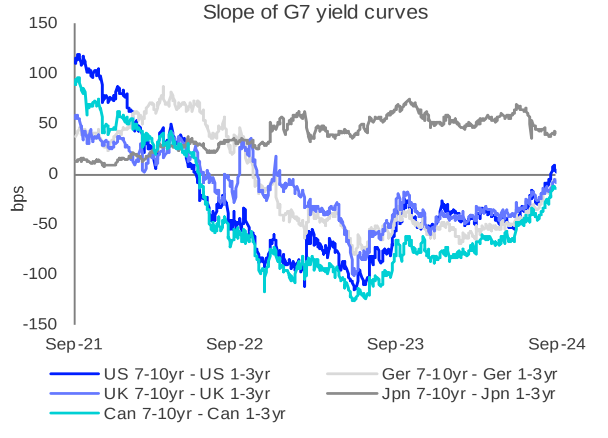


Chart 4: Long end yields also fell less than 1-3yr yields, with curves now showing positive gradients throughout the G7, led by JGBs. The Canadian curve has disinverted by about 150 bp over the last 12M.

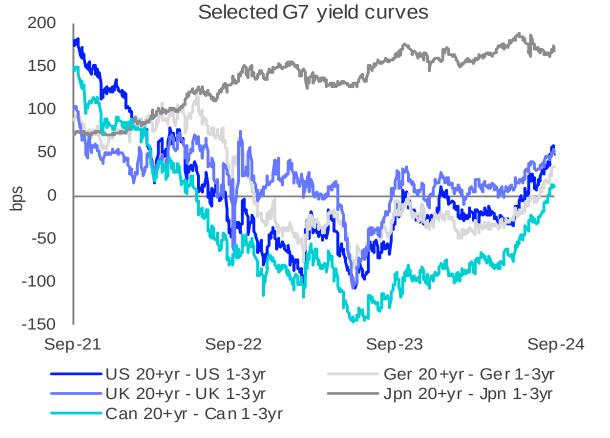


Chart 5: 7-10 year inflation breakevens have stabilised near 2% target levels, aside from the UK (although UK RPI breakevens are converging towards 3%, which is close to 2% on the CPI).

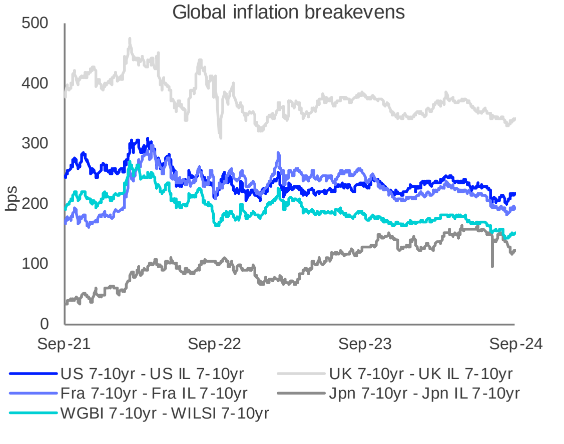
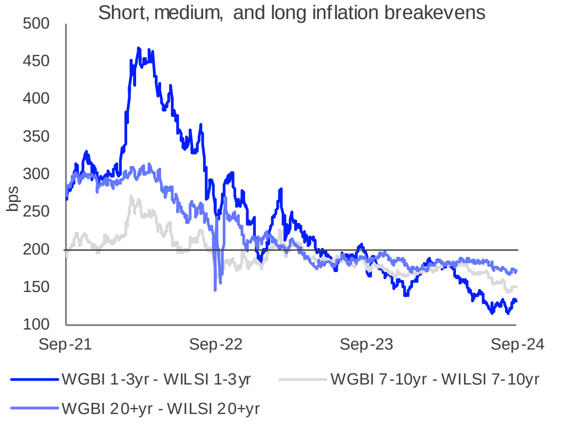


Chart 6: Short dated breakevens are now well below longer dated, reflecting a sharp drop in inflation since 2022. Fed Chairman Powell has stressed the importance of stable long run breakevens in policy easing.



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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.

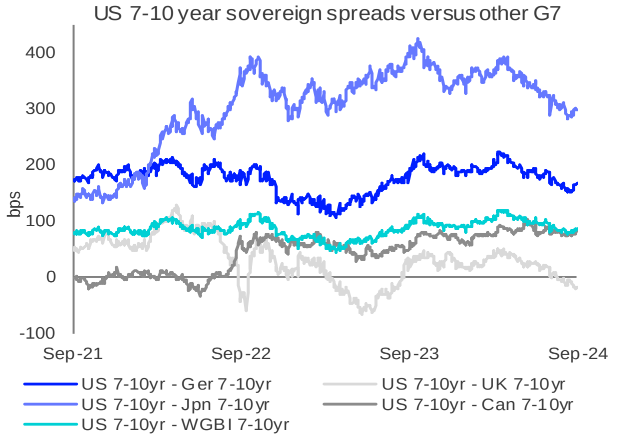


Chart 2: Investors have shown increased risk appetite for peripheral Eurozone govt bonds, led by Italy and Spain in Q3, as concerns grow about political instability and fiscal policy in France and Germany.

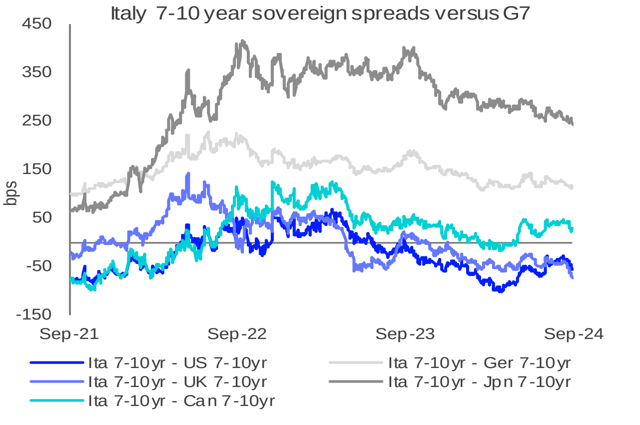


Chart 3: EM 7-10 year sov. spreads remain near cycle lows, despite recent declines in G7 yields, after central bank easing. Spreads fell steadily throughout the Fed's tightening cycle, unlike previous cycles.

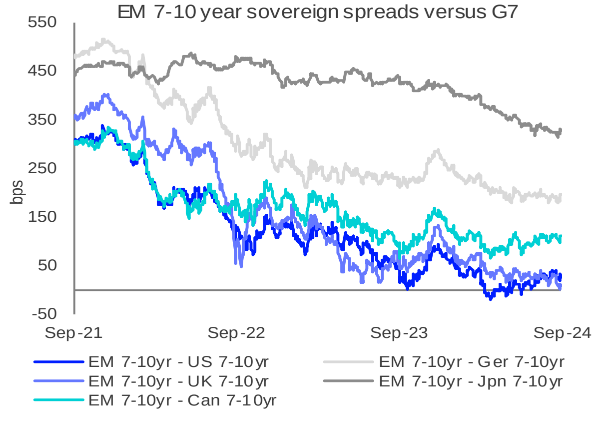


Chart 4: Further policy easing measures in China, in both fiscal and monetary policy, caused some volatility in Chinese govt bond spreads, alongside lower 7-10yr G7 yields. But spreads remain near cycle lows.

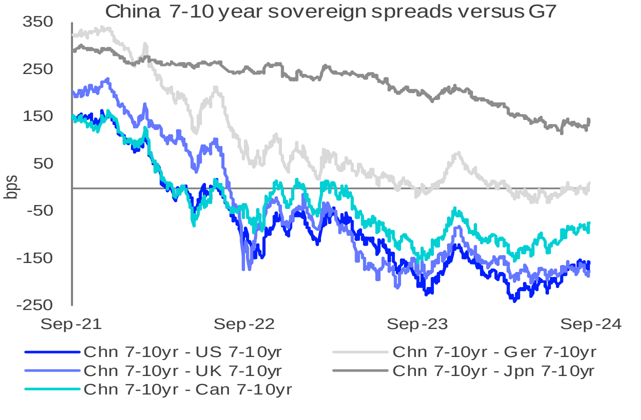


Chart 5: Valuation matters? US & Eurozone credit looks dear, if benchmarked versus pre-Covid levels on spreads. But spreads were lower in 2021, before the Ukraine and inflation shocks in 2022-23.

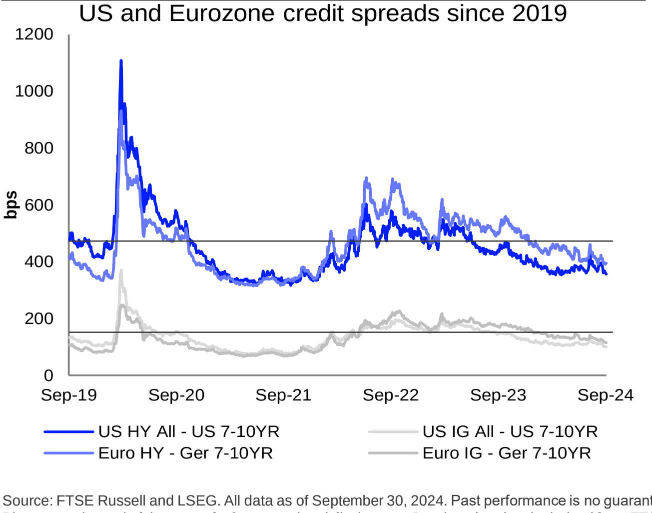
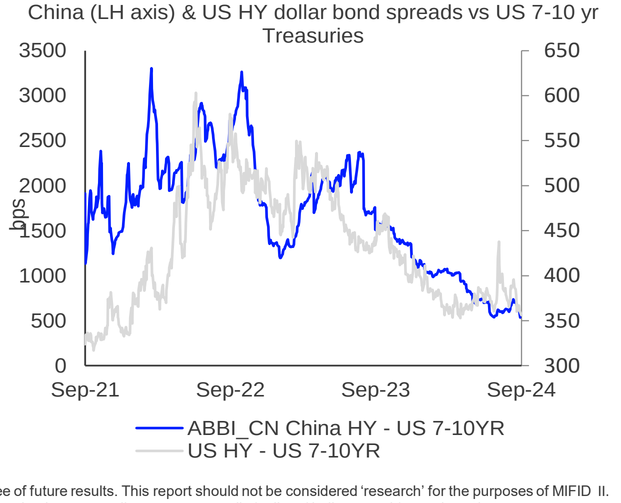


Chart 6: The Sept 24 support measures from the PBOC, targeted at property, and another 50bp rate cut, have helped Chinese high yield spreads narrow further, though is it too little, too late?



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Investment Grade Credit and RMBS analysis

Chart 1: US IG industry spreads have converged at pre-Covid levels, or below, in the risk rally since Q4 2023, including energy, after a period of higher volatility after the Covid and Ukraine shocks.

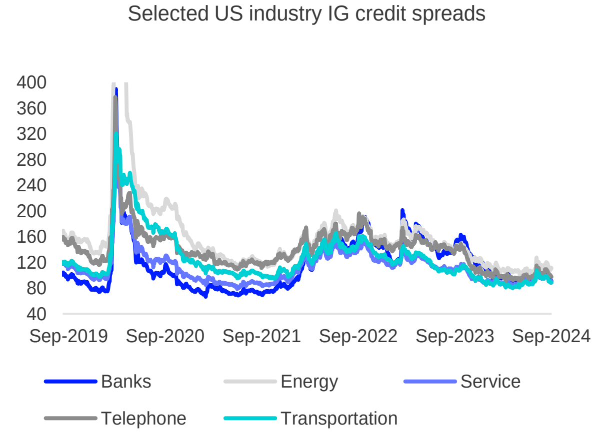


Chart 2: Bank sector IG returns have generally been the strongest, helped by higher rates since March 2022, and a soft landing for the US economy in 2023-24. Energy returns have stabilized in 2024.

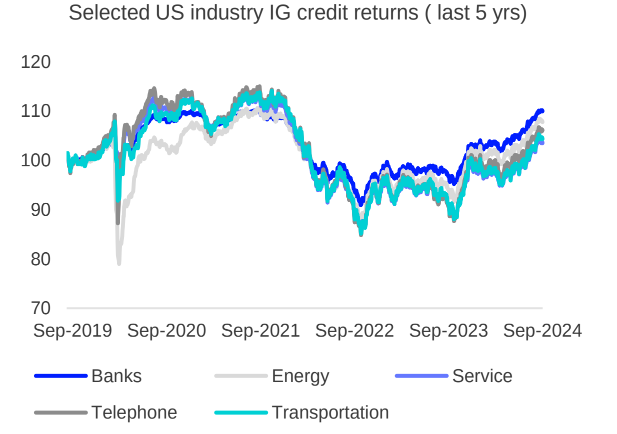


Chart 3: BBB spreads fell most in the risk rally, and are at Q1 2020 levels, reflecting the risk rally in 2023-24, and higher correlation to equities. Fears of a major sell-off in BBBs proved exaggerated

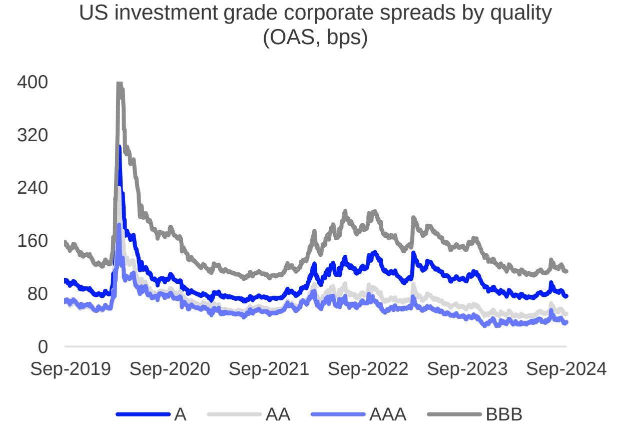


Chart 4: The BBB sector has outperformed, most notably in the risk rally in 2023-24, when lower correlation to Treasuries, and higher correlation to equities helped performance, vs higher grade issues.

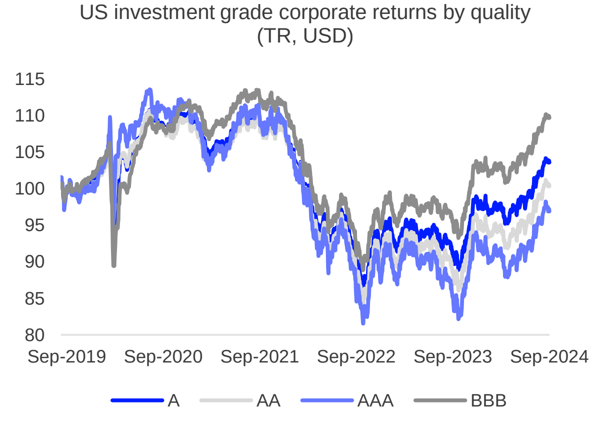


Chart 5: After falling sharply relative to RMBS spreads, IG spreads briefly spiked in August before tightening as risk appetite recovered. Agency-RMBS spreads were protected by the agency-guarantee.

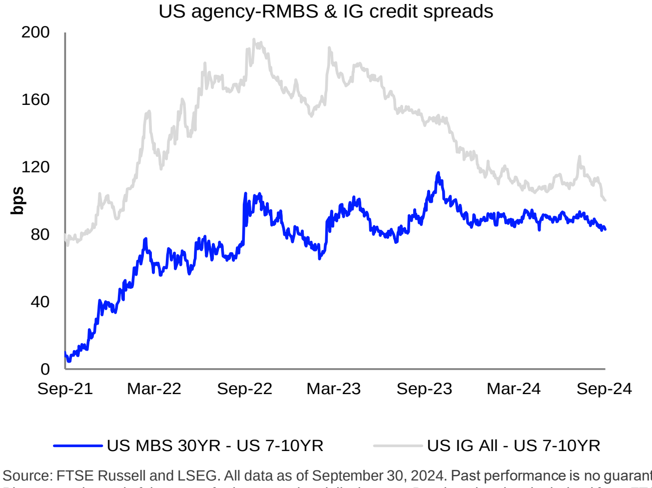
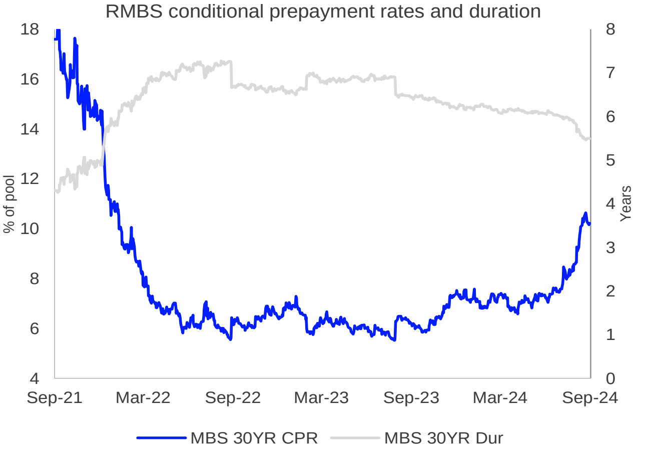


Chart 6: Mortgage refis and RMBS prepayments have picked up, as the Fed began easing in September. However, mortgage rates are still well above most MBS coupons, restricting mortgage refi activity.



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High Yield Credit Analysis

Chart 1: Focusing on larger HY sectors, energy spreads have been most volatile since Covid, in line with its higher equity sector beta. The Telecom sector performed well in Q3, helped by lower rates.

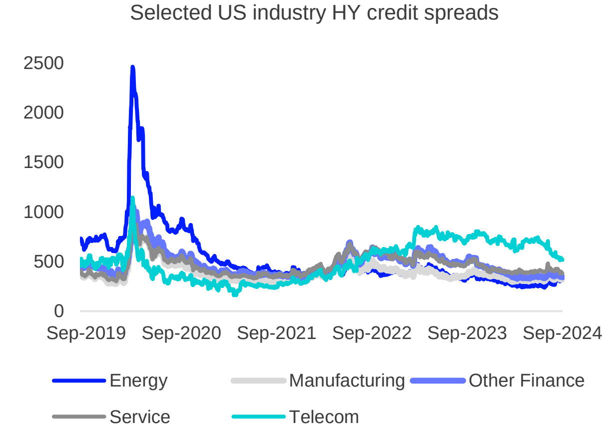

Chart 2: Financials have much lower weights in the US HY sector, than IG sector. HY issuance surged in H1 2024, but mainly due to refinancing needs. New issuance fell sharply with few LBO deals.

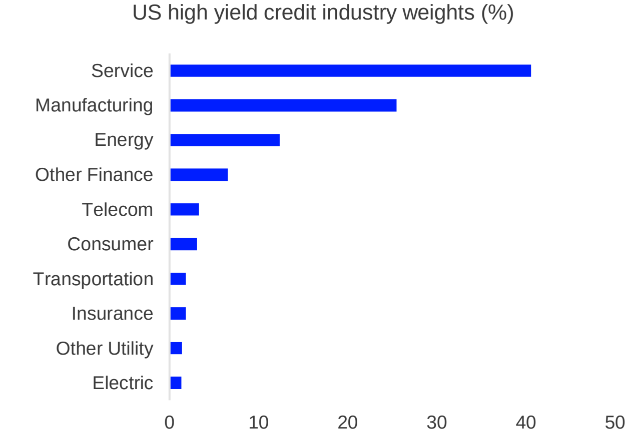

Chart 3: Short dated US HY outperformed since Covid, showing HY duration is a less reliable guide to performance, given that HY returns are more strongly correlated to equities than Treasuries.

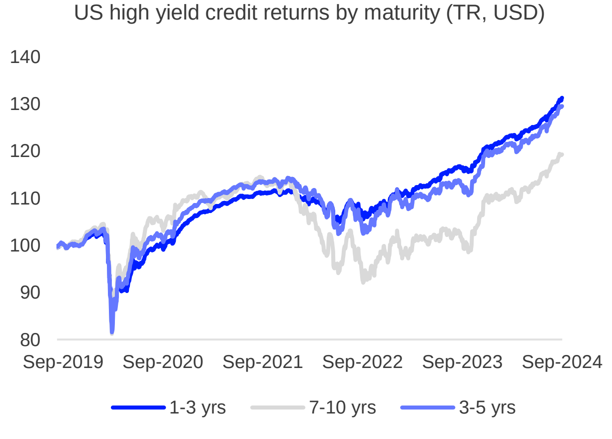

Chart 4: Lower grade CCC issues have also performed strongly during the risk-on phase, but with notably higher volatility. These issues would clearly become vulnerable in a risk-off phase in markets.

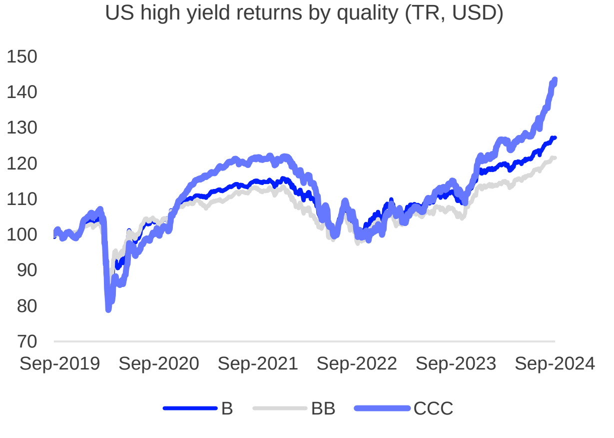

Chart 5: Lower duration in CCC credits made the sector less sensitive to the back-up in Treasury yields in 2022-23, whereas the BB sector was hit harder. Higher correlation to equities also helped CCC credits.

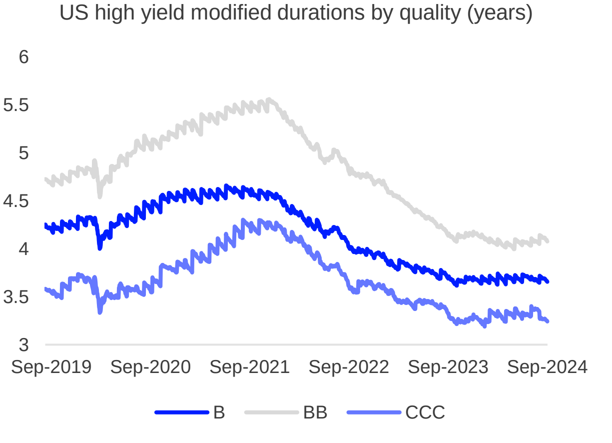

Chart 6: The HY market quickly stabilized after the August bout of risk-off, but spreads have fallen to levels which make them vulnerable to any risk-off, after the strong rally in HY credits in 2023-24, led by CCC.

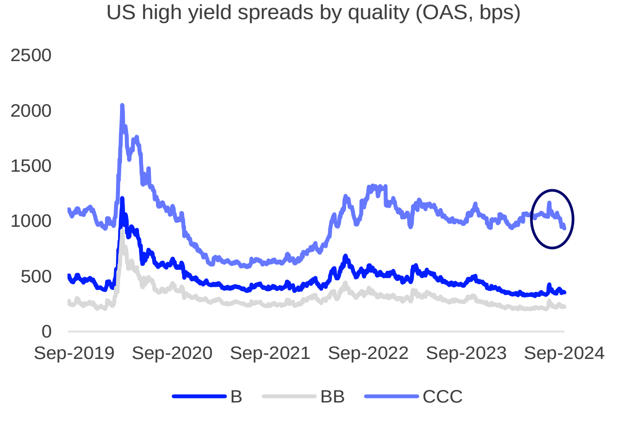

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Chart 1: SI Sovereign performance was mixed in Q3. ESG WGBI and Climate Risk-Adjusted WGBI outperformed but Advanced Climate Risk-Adjusted WGBI and ESG EMGBIC underperformed non-SI counterparts.

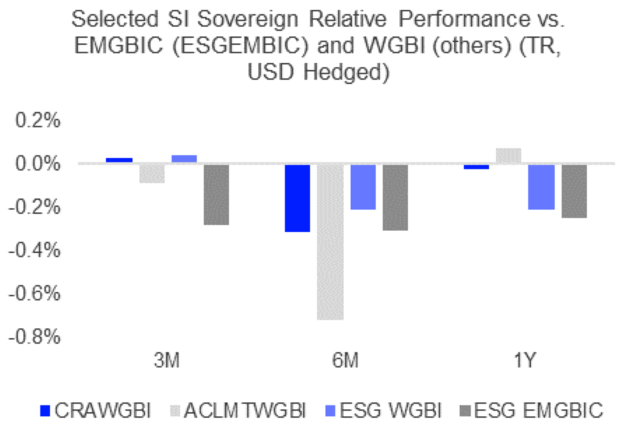


Chart 2: SI corporates largely underperformed in Q3, apart from PAB (Paris aligned benchmark) which was flat vs. WBIG over 3M. Green Corp was the largest underperformer in Q3, registering a -1.0% relative return.

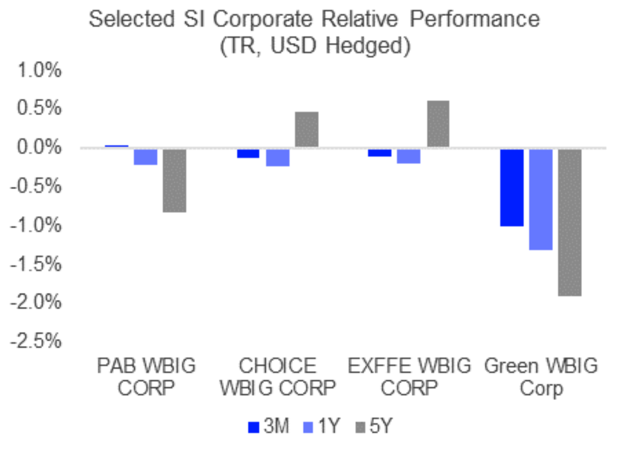


Chart 3: Since 2022, duration has driven relative performance for SI Sovereigns. But with markets pricing in lower rates in 2024-25, performance has stabilised and even turned, notably for ESG EMGBIC.

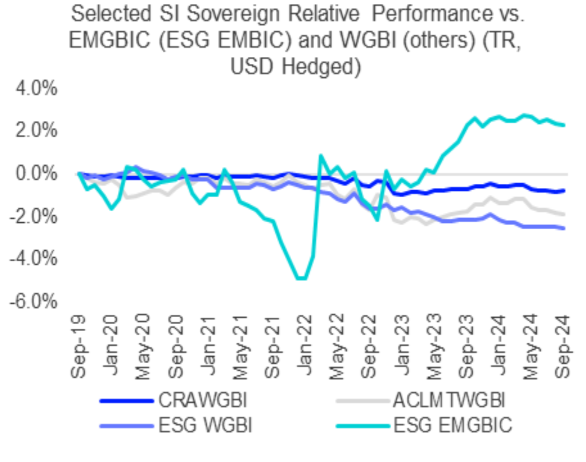


Chart 4: Within SI corporates, duration explains divergent performance between Choice/ExFFe and PAB. For Green Corp, higher active weights at the industry-level led to more volatile relative performance.

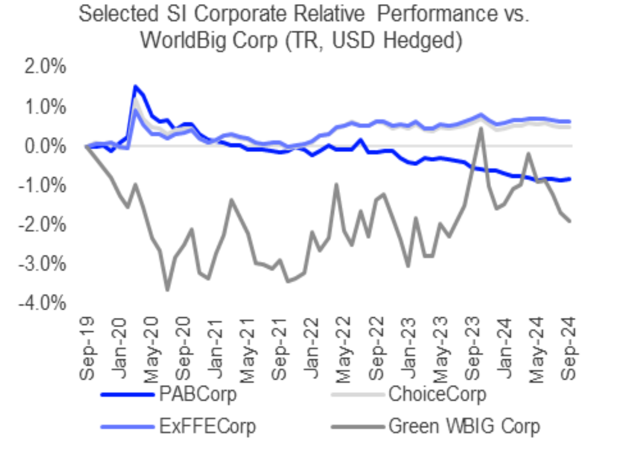


Chart 5: In 2022-24, EMGBIC ESG benefitted from falling yields vs EMGBIC. This reflects overweights in countries further through easing cycles but has begun to slow, as other cent. banks catch-up.

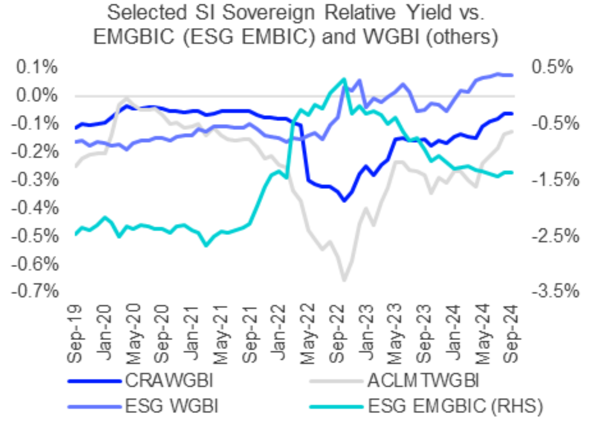
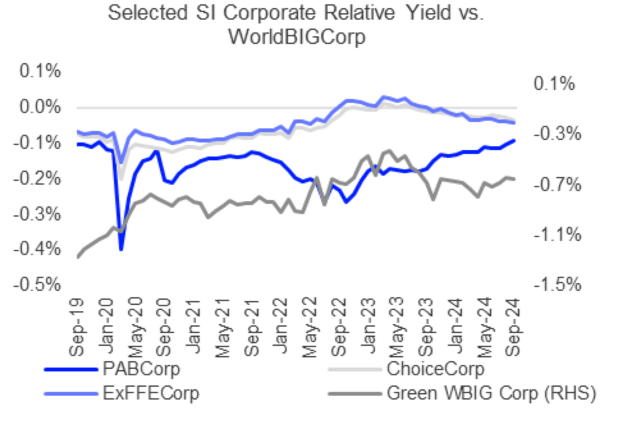


Chart 6: Most SI corporates have seen relative yields rise vs non-SI indices over 5 years, suggesting slow erosion of the SI-premium. But note relative yields fell more recently for Green Corp, Ex FFE and Choice.



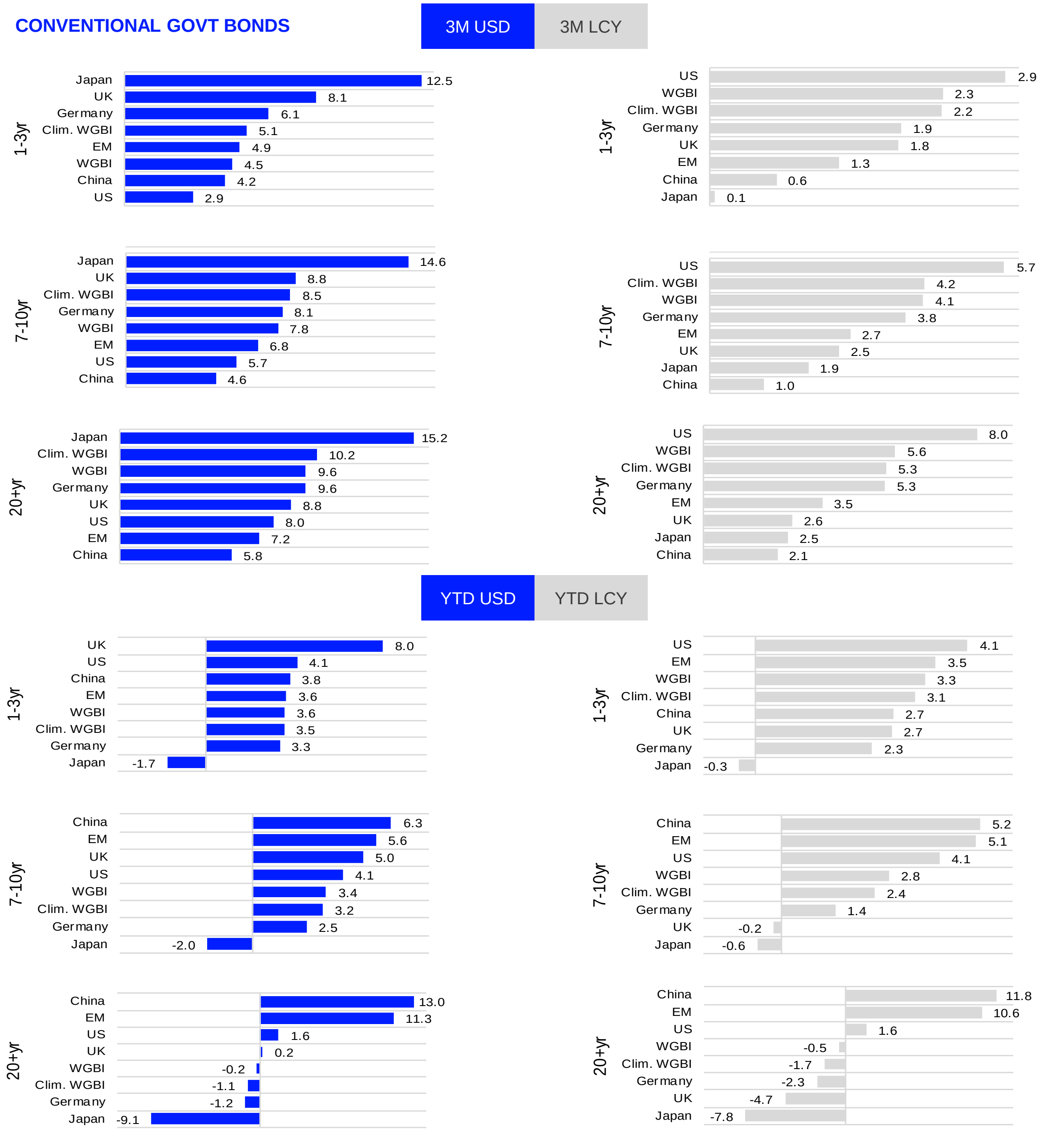
Source: FTSE Russell and LSEG. All data as of September 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Conventional Government Bond Returns − 3M and YTD % (USD & LC, TR)

A weaker US dollar dominates Q3 returns, with returns in non-US markets boosted materially for a US$ based investor. Longs outperformed as central banks eased policy, including the Fed, with gains of 6-15%, led by long JGBs. China and EM show strongest YTD performance with gains of 11-13%, while yen weakness drove long JGB returns down 9%.

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 did well, in dollar terms, returning 9-10%, helped by currency gains.

Despite measures to restrict speculation, long China bonds have advanced 12% in local currency terms, and 13% in US dollars, YTD, as the PBoC continues to cut rates. Short and medium dated G7 bonds show modest gains of 3-8% YTD in dollars, ex JGBs, reflecting policy pivots to ease in Europe and the US, though only long Treasuries achieved positive returns YTD (up 1.5%).



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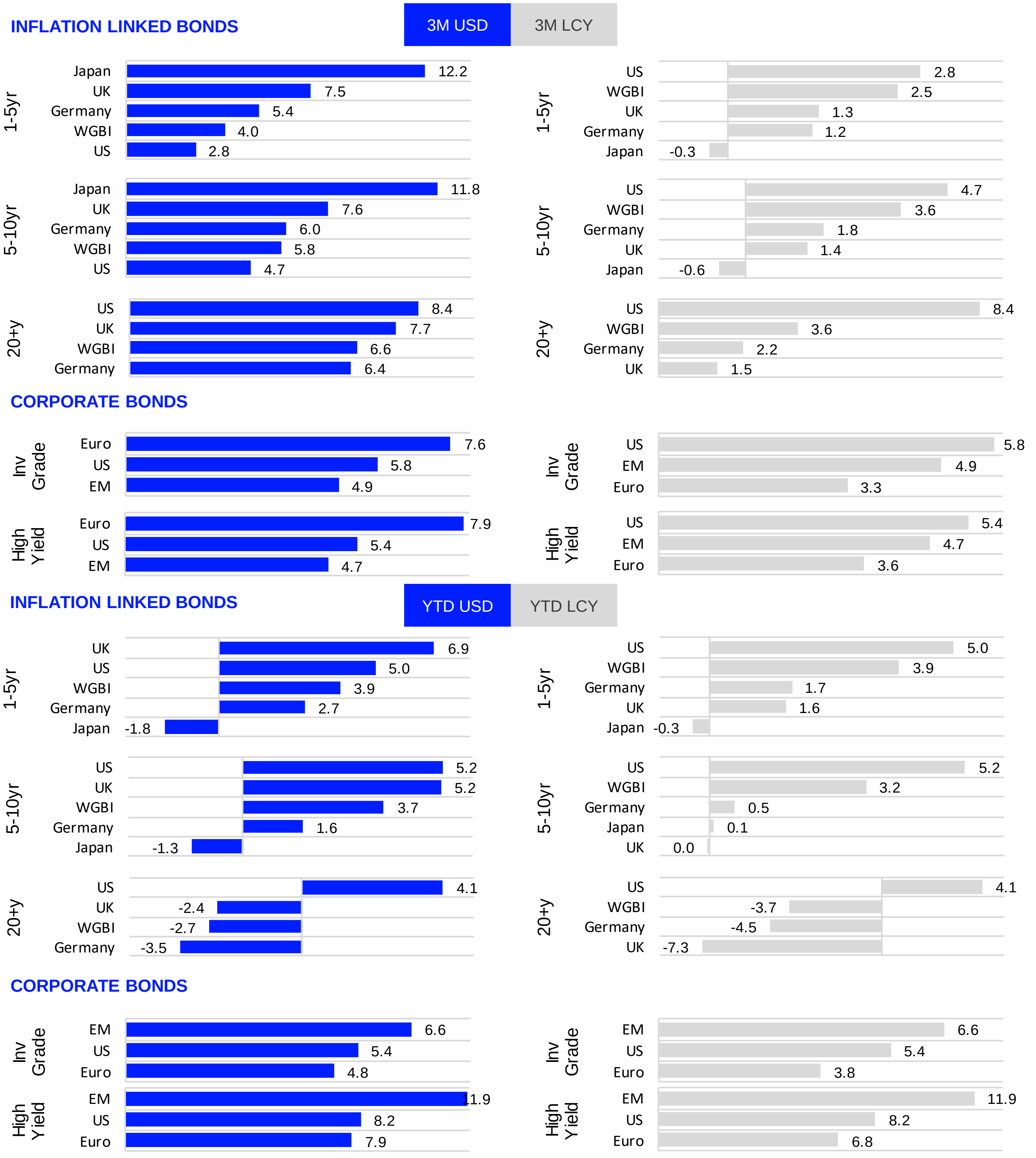
Global Inflation-Linked Bond Returns – 3M & YTD % (USD, LC, TR)

Inflation-linked joined the rally in conventionals in Q3, with returns in non-US markets again boosted by USD weakness. JGB linkers gained 12%, on FX gains. Credit performed well, with IG and HY moving broadly in line, gaining 5-8% in dollar terms, led by Euros. YTD, HY credit returns of 8-12% far exceed the modest gains of 2-7% in G7 linkers.

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, with overall gains of 5-8% in dollars in Q3.

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 12% in US dollars. IG credits also did well YTD showing returns of 5-7%, though HY outperformed, aided by the stronger correlation to equities.



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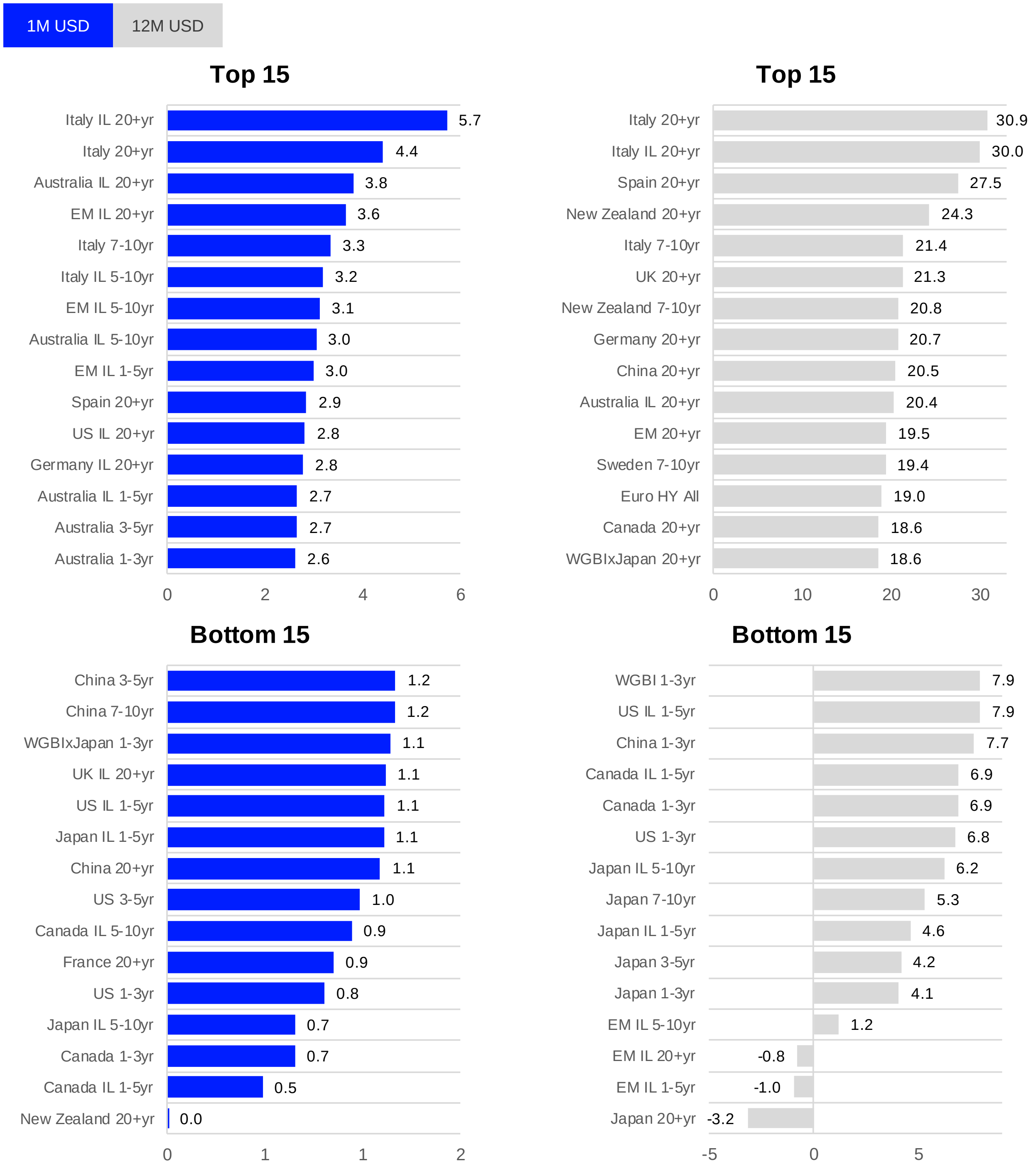
Top and Bottom Bond Returns − 1M & 12M % (USD, TR)

Long Italian and Spanish govt bonds proved strongest performers on both 1M and 12M, in dollar terms, as spreads converged sharply to Bunds and OATs. Concerns about political instability and the widening budget deficit weighed on OATs, which missed out on the September rally. EM and China bonds showed strong gains of 20-21% on 12M in USD.

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.

Only long JGBs show meaningful negative returns in dollars on 12M, of 3%, in US dollars, mainly on yen weakness earlier in 2023-24, before the rally. EM inflation linked suffered from Brazilian real and Mexican peso weakness, which lost 8-11% vs the USD.

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



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Appendix − Global Bond Market Returns % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-3yr	2.87	2.87	3.84	3.84	4.13	4.13	6.75	6.75
	7-10yr	5.72	5.72	5.66	5.66	4.11	4.11	10.96	10.96
	20+yr	7.96	7.96	5.85	5.85	1.60	1.60	15.18	15.18
	IG All	5.84	5.84	5.84	5.84	5.38	5.38	14.15	14.15
	HY All	5.39	5.39	6.42	6.42	8.19	8.19	15.70	15.70
UK	1-3yr	1.83	8.05	2.46	8.80	2.65	8.01	5.28	15.70
	7-10yr	2.51	8.77	1.61	7.89	-0.19	5.03	7.79	18.46
	20+yr	2.58	8.85	-0.67	5.48	-4.73	0.24	10.33	21.25
Euro	IG All	3.28	7.55	3.33	6.78	3.76	4.83	9.55	15.48
	HY All	3.58	7.86	5.02	8.53	6.79	7.89	12.87	18.98
Japan	1-3yr	0.05	12.52	-0.13	5.66	-0.31	-1.74	-0.24	4.08
	7-10yr	1.91	14.60	-0.21	5.58	-0.60	-2.04	0.94	5.31
	20+yr	2.45	15.22	-6.04	-0.58	-7.79	-9.11	-7.20	-3.19
China	1-3yr	0.64	4.23	1.64	4.70	2.68	3.80	3.42	7.67
	7-10yr	1.05	4.65	2.96	6.06	5.16	6.30	6.93	11.32
	20+yr	2.15	5.78	5.77	8.95	11.77	12.98	15.76	20.51
EM	1-3yr	1.25	4.85	2.36	4.66	3.51	3.64	4.73	8.29
	7-10yr	2.72	6.82	3.89	6.59	5.06	5.61	8.95	12.68
	20+yr	3.45	7.21	6.36	9.15	10.56	11.29	15.40	19.47
	IG All	4.94	4.94	5.83	5.83	6.63	6.63	13.26	13.26
	HY All	4.72	4.72	7.49	7.49	11.93	11.93	17.62	17.62
Germany	1-3yr	1.86	6.07	2.49	5.91	2.28	3.33	4.33	9.98
	7-10yr	3.80	8.09	2.93	6.36	1.42	2.46	8.42	14.28
	20+yr	5.28	9.63	1.07	4.45	-2.25	-1.25	14.54	20.74
Italy	1-3yr	2.45	6.68	2.91	6.35	3.05	4.11	5.85	11.58
	7-10yr	6.25	10.65	4.45	7.93	5.51	6.60	15.18	21.42
	20+yr	9.30	13.82	3.92	7.39	7.04	8.14	24.19	30.91
Spain	1-3yr	2.18	6.40	2.70	6.13	2.82	3.88	5.16	10.85
	7-10yr	4.64	8.96	3.74	7.20	3.51	4.58	11.99	18.05
	20+yr	6.82	11.24	3.32	6.77	3.44	4.50	20.98	27.53
France	1-3yr	2.17	6.40	2.43	5.85	2.12	3.18	4.53	10.19
	7-10yr	3.99	8.29	1.40	4.79	0.00	1.03	7.55	13.38
	20+yr	4.65	8.98	-2.98	0.26	-5.81	-4.84	11.41	17.44
Sweden	1-3yr	2.14	6.71	3.57	9.25	3.56	2.96	5.78	13.37
	7-10yr	2.80	7.40	4.54	10.28	2.48	1.89	11.37	19.37
Australia	1-3yr	2.01	5.96	2.15	8.63	3.04	4.77	4.94	12.80
	7-10yr	3.83	7.85	2.33	8.82	3.32	5.05	8.74	16.88
	20+yr	3.05	7.04	-1.12	5.15	-1.06	0.60	9.62	17.84
New Zealand	1-3yr	3.31	7.87	4.32	10.97	5.23	5.74	8.50	14.89
	7-10yr	4.48	9.09	5.03	11.72	4.49	5.00	14.10	20.82
	20+yr	3.35	7.91	3.15	9.72	-0.80	-0.31	17.42	24.34
Canada	1-3yr	2.41	3.73	3.65	3.83	4.04	1.55	6.80	6.88
	7-10yr	5.56	6.92	6.19	6.38	4.13	1.64	12.83	12.92
	20+yr	6.47	7.84	6.42	6.61	0.34	-2.07	18.55	18.64

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Appendix − Global Bond Market Returns % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-5yr	2.80	2.80	4.40	4.40	4.97	4.97	7.94	7.94
	5-10yr	4.71	4.71	5.61	5.61	5.21	5.21	10.78	10.78
	20+yr	8.38	8.38	7.11	7.11	4.10	4.10	14.91	14.91
UK	1-5yr	1.32	7.52	1.89	8.19	1.56	6.86	4.88	15.26
	5-10yr	1.44	7.64	0.73	6.95	-0.04	5.18	4.91	15.29
	20+yr	1.54	7.75	-3.23	2.76	-7.28	-2.44	6.97	17.56
Japan	1-5yr	-0.27	12.15	0.15	5.97	-0.33	-1.77	0.28	4.61
	5-10yr	-0.61	11.77	-0.18	5.61	0.10	-1.34	1.82	6.22
EM	1-5yr	3.15	2.24	4.23	-4.56	6.87	-4.94	9.66	-0.96
	5-10yr	4.21	4.00	3.03	-3.52	3.66	-5.68	8.98	1.19
	20+yr	4.14	3.86	1.03	-7.47	-2.26	-12.21	7.34	-0.77
Germany	1-5yr	1.22	5.40	1.98	5.38	1.68	2.73	2.76	8.32
	5-10yr	1.83	6.04	1.84	5.24	0.53	1.57	3.69	9.30
	20+yr	2.21	6.43	-1.60	1.69	-4.52	-3.53	4.68	10.34
Italy	1-5yr	2.74	6.98	2.87	6.30	3.07	4.13	6.47	12.23
	5-10yr	5.00	9.34	3.53	6.99	4.92	6.00	12.17	18.24
	20+yr	8.84	13.34	0.67	4.03	5.25	6.33	23.32	30.00
Spain	1-5yr	2.05	6.27	2.44	5.86	2.13	3.19	4.16	9.80
	5-10yr	3.10	7.36	2.81	6.24	3.05	4.11	7.86	13.70
France	1-5yr	1.70	5.91	1.20	4.58	0.62	1.66	2.57	8.12
	5-10yr	2.17	6.39	0.29	3.64	-0.92	0.10	3.00	8.58
	20+yr	2.53	6.77	-6.82	-3.71	-9.62	-8.69	3.08	8.66
Sweden	1-5yr	1.31	5.84	2.70	8.33	2.43	1.84	4.68	12.20
	5-10yr	2.16	6.73	4.10	9.81	2.51	1.92	8.06	15.82
Australia	1-5yr	2.17	6.13	2.11	8.58	2.74	4.46	5.49	13.40
	5-10yr	3.43	7.44	1.93	8.39	2.51	4.22	7.96	16.04
	20+yr	4.53	8.58	-2.20	4.00	-4.48	-2.88	11.96	20.35
New Zealand	5-10yr	1.89	6.39	3.28	9.85	4.27	4.79	11.36	17.93
Canada	20+yr	4.37	5.71	4.66	4.84	2.77	0.31	17.94	18.03

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Appendix – Global Bond Market Returns % (USD & LC, TR) – Sept 30, 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	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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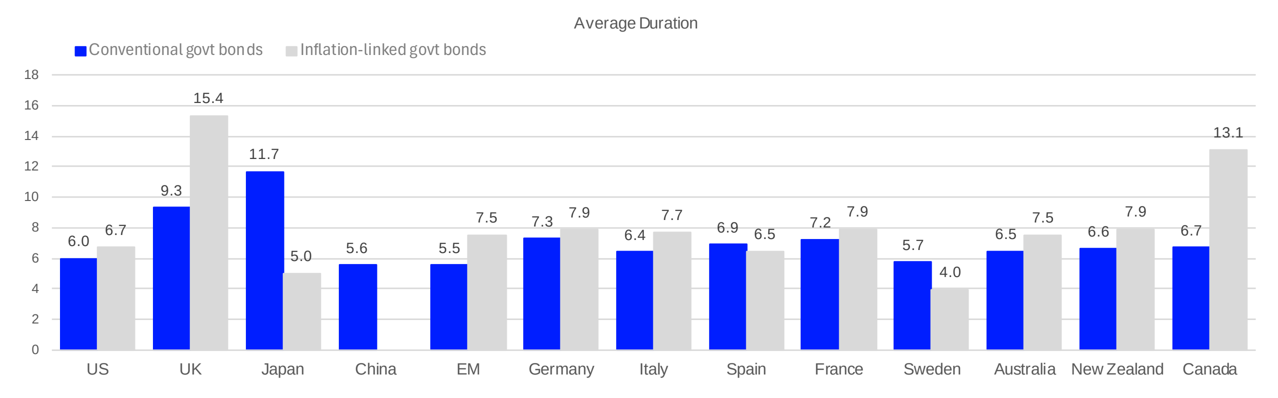
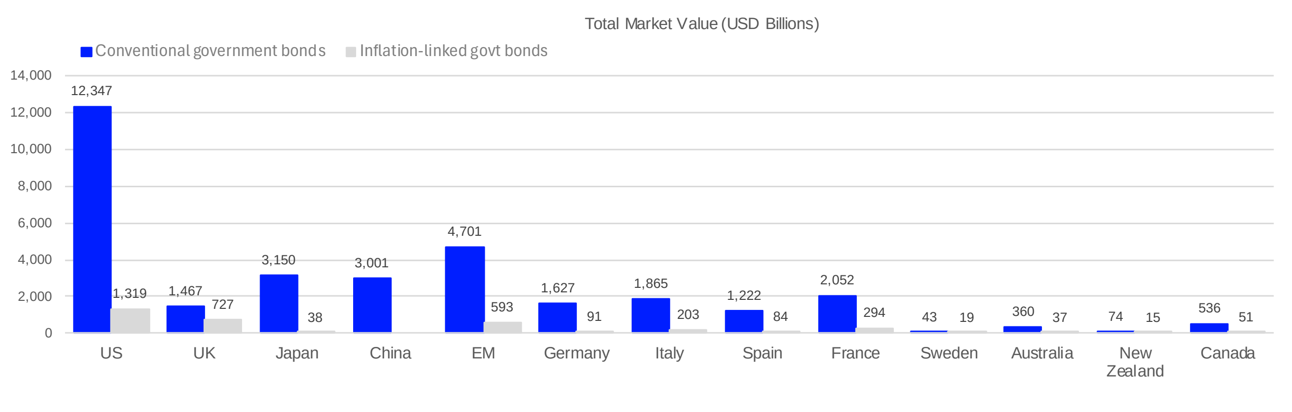
Appendix – Duration and Market Value (USD, Bn) as of September 30, 2024

	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**

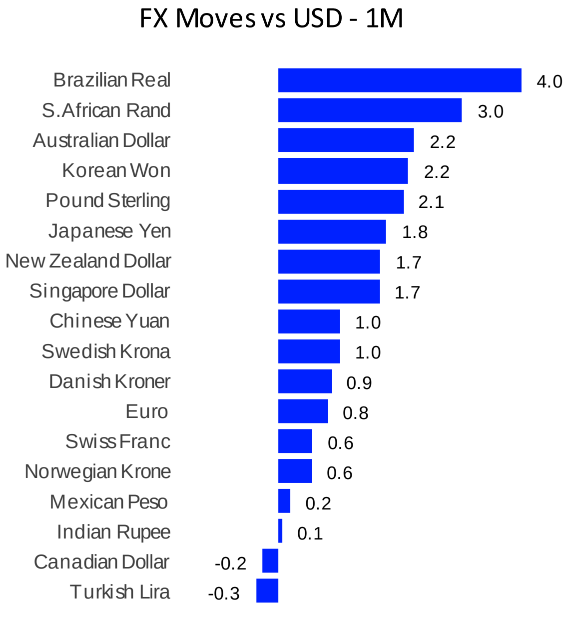
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.5	8.6	7.3	6.7	7.1	79.6	474.7	2894.0	3701.9	7150.1	3.8	1100.0
Europe	6.1	4.9	4.6	4.2	4.4	16.0	229.6	1297.3	1643.4	3186.3		
EM		6.8	5.5	5.5	5.6		39.2	220.0	238.1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

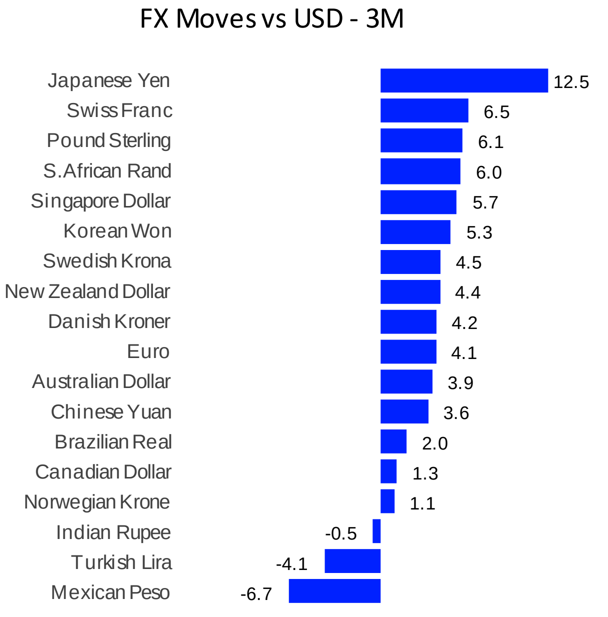


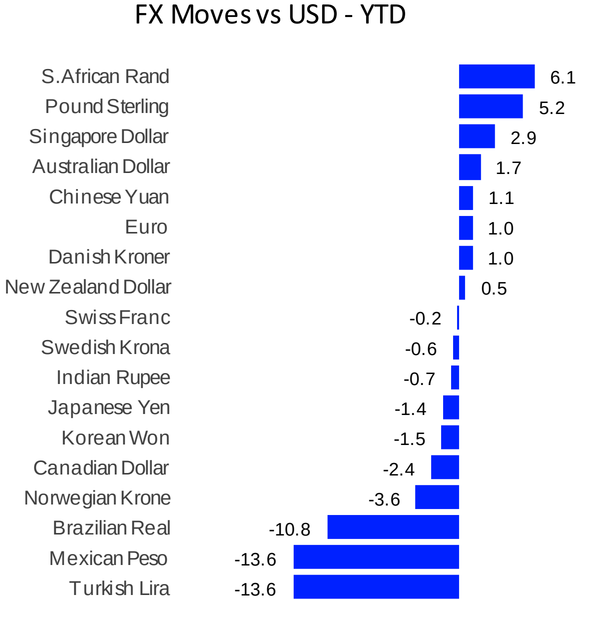


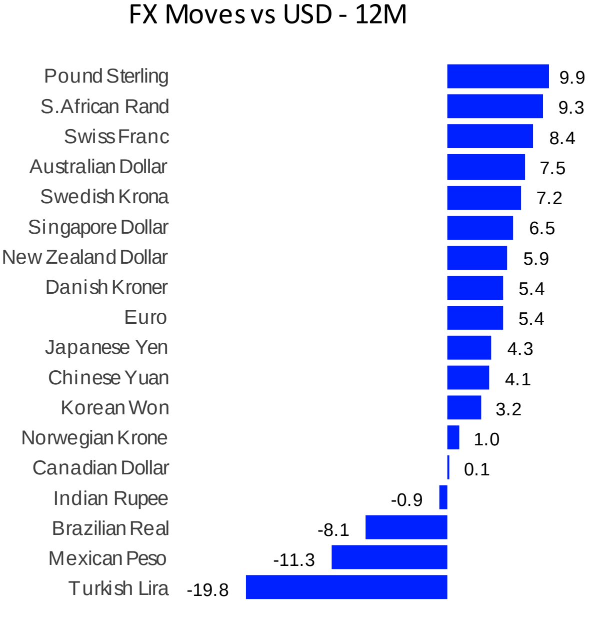
Source: FTSE Russell and LSEG. All data as of September 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

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









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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