Fixed Income Insights

EUROZONE EDITION

MONTHLY REPORT | **SEPTEMBER 2024**

Euro HY gains in August despite brief risk-off phase

The risk-off phase in early August had only a brief impact on risk assets, but some unwinding of yen carry trades and yen strength pushed JGBs to strong gains. Weak German growth creates a further challenge for the ECB, but lower inflation increases scope for further easing. Currency moves were key to August returns.

Macro and policy backdrop – Germany loses its title as growth engine of Eurozone Spain's strong economic growth contrasts with subdued growth in the rest of Europe, especially in Germany. (pages 2-3)

Yields, curves and spreads – Nominals outperformed as G7 curves bull steepened Yields fell modestly in August, after a brief bout of risk-off, as breakevens fall. (pages 4-5)

Credit analysis – Banks outperformed in Euro IG credit markets Euro investment grade Banks have benefited from the higher rates since 2022 and are the only sector to have mostly recovered losses since the Covid and Ukraine shocks. (page 6-7)

Sovereign and climate bonds – ESG EMGBIC shows lower duration than non-ESG parent ESG EMGBIC outperformed on 12M, mainly due to European overweights. (page 8)

Performance – Australasian, Japanese and Swedish bonds strongest in August JGBs gained but Australasian long bonds proved strongest performers in August, as easing cycle broadens out globally. Strength in Asian currencies lifted investment returns. (pages 9-11)

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:As in July, nominal yields fell versus real yields in August, as breakevens and inflation fell (apart from Japan). This also reflects the bout of risk-off, when nominal yields tend to fall more.

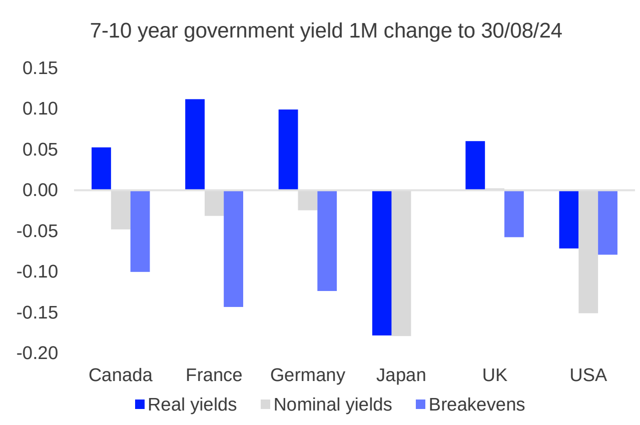
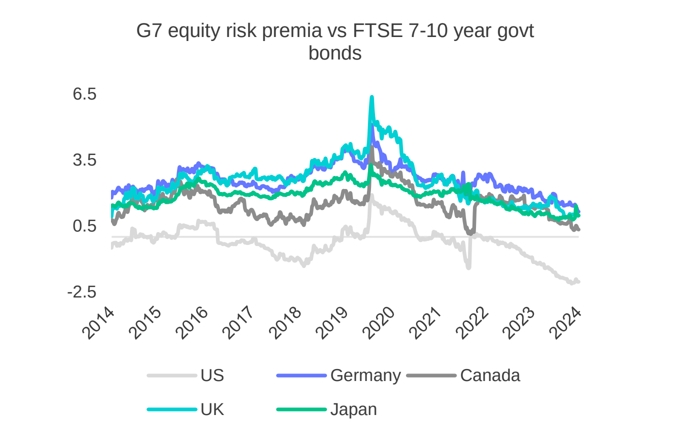


Chart 2: The bout of risk-off in August was too short-lived to make a notable change to G7 equity risk premia. German equity risk premium is close to its 10-year mean. Only US equity valuations are more extreme.



Macroeconomic Backdrop – Growth and Inflation Expectations

Consensus forecasts show modest growth globally, despite upward revisions for 2024 in Canada, China and the UK, after a stronger than expected first half of 2024. After much speculation on the timing of a rate cut and sharp market declines in early August, resulting in the unwinding of the yen carry trade, the US Fed Chair Jerome Powell signalled an easing move is likely at the September FOMC meeting. Inflation is below the 2% target in parts of the Eurozone.

Consensus growth forecasts remain skewed towards weak recoveries in Europe, helped by lower rates, and a soft, or no, landing in the US, where consumer spending remains robust. Within regions, Germany shows the weakest growth in the Eurozone, and the relative strength of Spain is a new challenge for the ECB. Both China and the UK also saw revisions up to their 2024 estimates (Chart 1), the former having benefited from stimulus measures to boost consumption.

Lower inflation in G7 economies (Chart 2) mean central banks should have more room to ease before the end of 2024. Eurozone inflation fell to 2.2% y/y in August (vs 2.6% in July). Inflation in Germany, France and Italy are now sub-2%, while in Spain, it is close to target, at 2.2% y/y. Subdued growth and less overheated labour markets (see Chart 3 for Euro area) have increased the likelihood of further rate cuts in Canada, the Eurozone and the UK this year. The US Fed is likely to ease in September after the chair Jerome Powell grew in “confidence that inflation is on a sustainable path back to 2%”.

The gold price hit new highs in August, and re-established its negative correlation to US real yields, as Chart 4 shows. Lower real yields were part of a perfect storm for higher gold prices, as the US dollar fell, central banks continued to buy gold and geo-political risks intensified in the Middle East. The gold price has performed strongly since inflation and rates peaked in 2022-23.

Chart 1: Consensus forecasts higher growth in 2024 in Canada, the UK and China. Eurozone estimates have remained subdued, led by weak growth in Germany, as were those for Japan.

Latest Consensus Real GDP Forecasts (Median, %, August 2024)

	2023	**2024**	**2025**
US	2.5	**2.5**	**1.8**
UK	0.1	**1.1**	**1.3**
Eurozone	0.5	**0.7**	**1.3**
Japan	1.3	**0.6**	**1.1**
China	5.2	**5.0**	**4.5**
Canada	1.1	**1.0**	**1.8**

Chart 2: G7 inflation rates are converging close to 2%, as labour markets soften. US CPI fell below 3% and is expected to “sustainably return back to 2%”. The Euro area’s HICP dropped to 2.2% y/y in August.

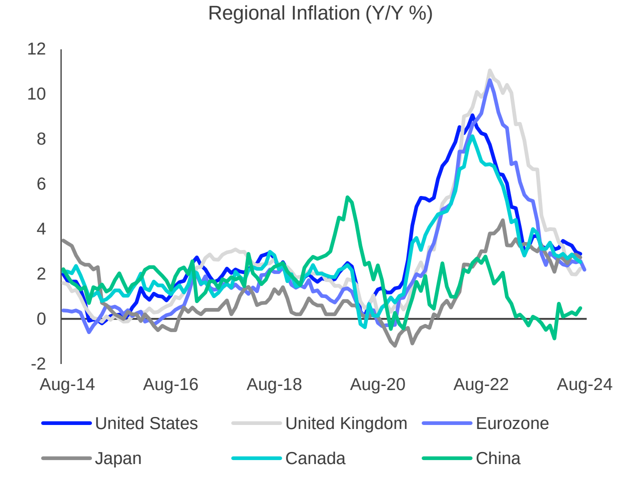


Chart 3: Eurozone unemployment has remained at historic lows, but this masks divergences between, Germany, where the jobless rate is at a 3-year high and rising, vs Spain, at the lowest since Q3 2008.

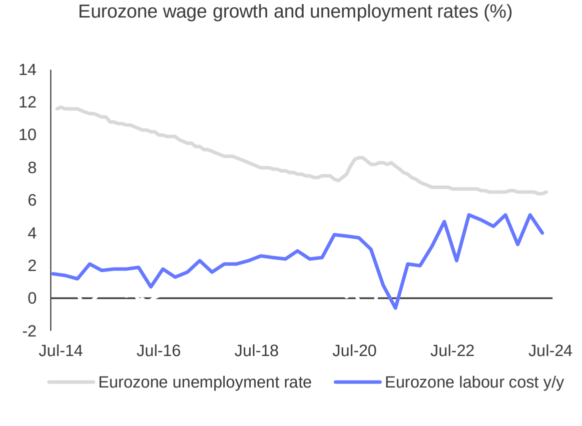
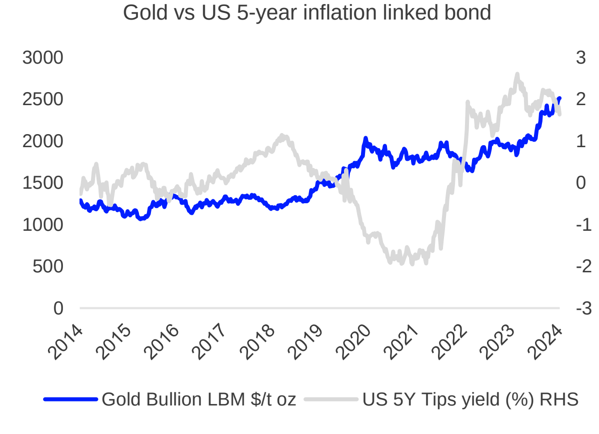


Chart 4: Helped by a decline in real yields, and a weaker US dollar, the gold price hit new highs in August. Central bank buying of gold and geopolitical risks have also helped the gold price strengthen.



Source: FTSE Russell and LSEG. All data as of August 31, 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

Divergence in economic growth between Spain and Germany creates a new policy challenge for the ECB. As prospects of a Fed rate cut improved, the US dollar weakened sharply in August, while some unwinding of the yen carry trade, drove the yen to gain 1% versus the Euro. Germany's savings ratio remains the highest in the Eurozone, as consumer caution prevails, and is now above pre-Covid levels (with unemployment now at a 3 year high).

Germany is no longer the growth engine of Europe, with divergences in the major economies posing a new challenge for the ECB. Spain is outstripping growth expectations and positioning itself as one of the most dynamic economies within the Eurozone. Its economy grew by 0.8% in Q2 2024, led by services, representing a growth rate of 6.2% y/y, compared to Germany, where growth was flat y/y, and contracted in Q2. Growth in France and Italy was subdued, up only 0.2%

As expectations of Fed easing intensified, following weak July payrolls, the dollar fell (though tempered by a brief bout of risk-off, and safe haven buying of Treasuries and the US dollar). Nonetheless, the yen has rallied sharply in Q3, as rate differentials improved for the currency. European currencies also gained against the dollar (Chart 2).

Although de-synchronised, all G7 central banks have now eased policy apart from the US Fed, which has signalled it will do so on September 18. The BoC cut its rates by 0.25% for a third time to 4.25% in September (Chart 3). This cycle has a different feel to the deep, and rapid, rate cuts of the Covid and GFC cycles, after deep deflationary shocks. Gradualism is likely to remain the main feature of the cycle, barring another financial shock.

Over the last 10 years, Eurozone savings ratios have increased, partly because of Covid, higher rates and Ricardian equivalence effects (fear of higher taxes to pay for state support during Covid). The German savings ratio has grown from 17% to nearly 21%, while Spain's savings ratio has doubled, to over 12% today, having increased the most since tightening began in 2022 as Chart 4 shows. Italy is an outlier, where the savings ratio has dropped to about 9%, from 11% in 2014.

Chart 1: Spain stands out for its stronger GDP growth in Q2 2024 of 0.8% q/q, compared to flat growth in most of the rest of Europe. Year-on-year % change GDP data also highlights this.

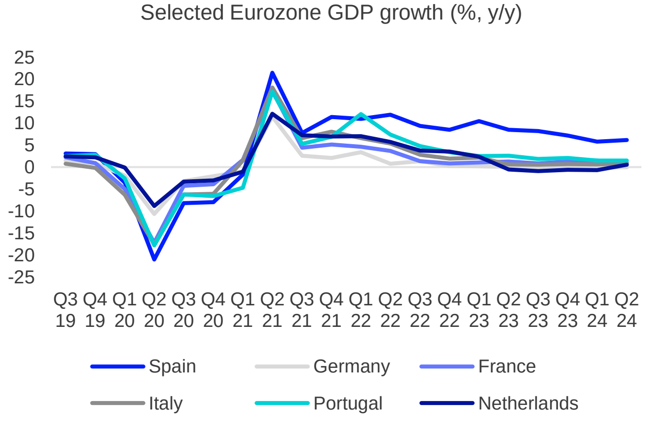


Chart 2: The US dollar depreciated in August, following a more dovish economic outlook and expectations of several rate cuts by the end of December. A weaker US dollar also reduced the pressure on the yen.

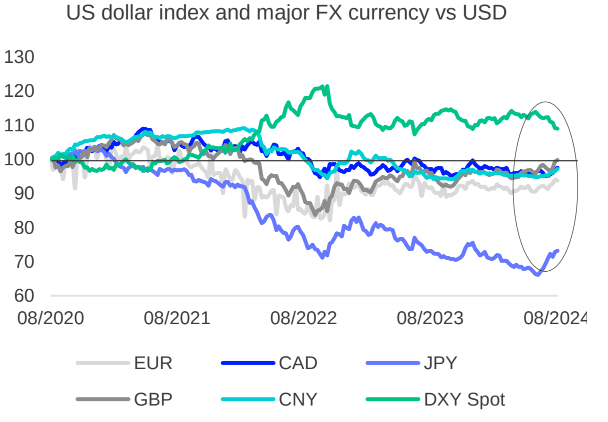


Chart 3: Central banks are now easing and managing to a soft landing, after inflation fell close to target. The Fed is expected to join Canada, the ECB and the UK by easing at its next policy meeting.

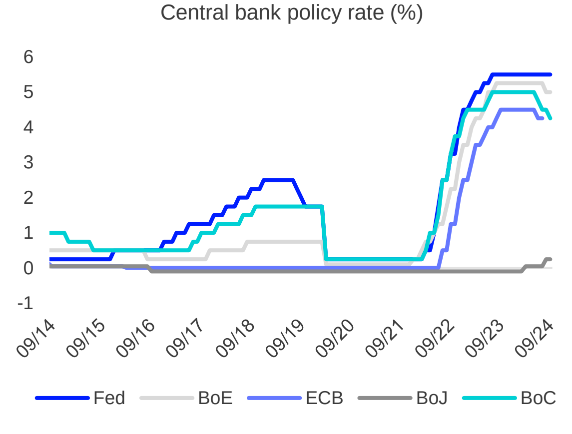
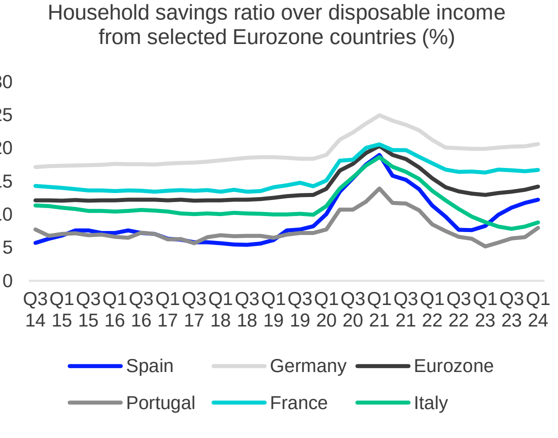


Chart 4: Eurozone savings ratios have increased again in 2023-24, led by Germany. Spain's savings also rose sharply since 2022. Higher rates, Covid windfalls and fear of higher taxes are the main drivers.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields edged lower again in August, after a bout of risk-off, and lower inflation. Markets also moved to price in more central bank easing over the rest of 2024.

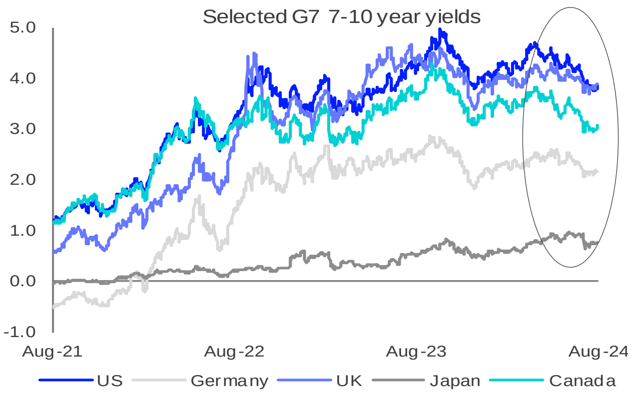


Chart 2: Real yields also fell but less than nominals, in 7-10 years, as inflation fell. Conventional bonds proved the bigger beneficiary of risk-off early in August - the normal pattern in risk-off phases.

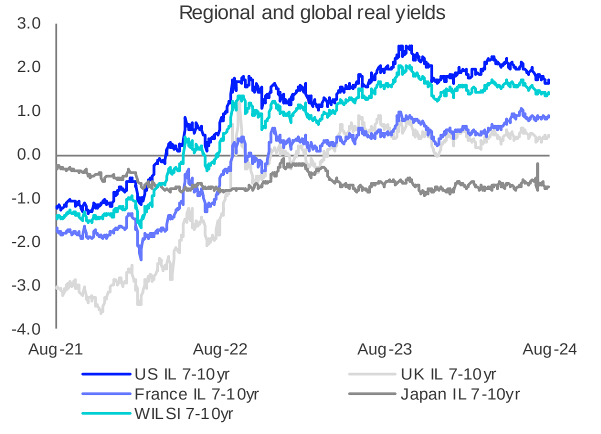


Chart 3: Bull steepening of curves developed in Q3, except in Japan, where the BoJ is tightening policy, and not loosening. Market discounting of central bank rate cuts caused short yields to drop more than medium.

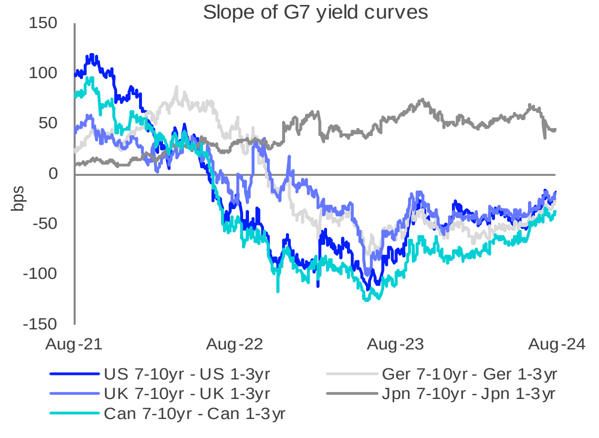


Chart 4: Yield curves steepened in longs in August, as shorter yields fell more, and taking curves to positive gradients in all markets ex Canada. JGBs steepened less, on prospects of higher short rates.

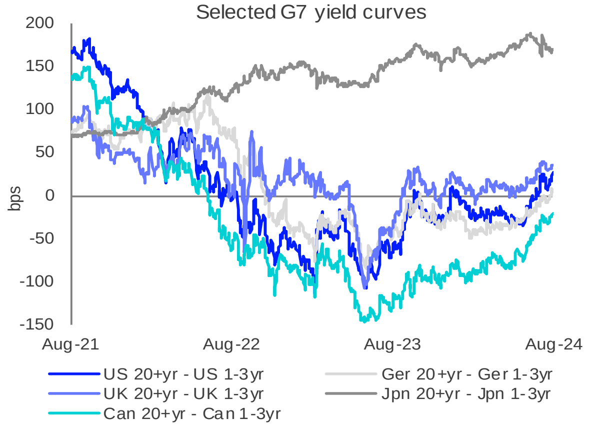


Chart 5: Inflation breakevens fell back, as nominal yields fell more, notably in the bout of risk-off in early August. Stable breakevens at, or below, 2% remain a key support for central bank easing.

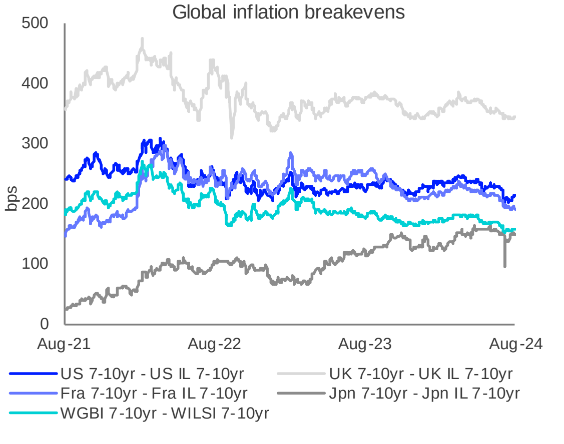
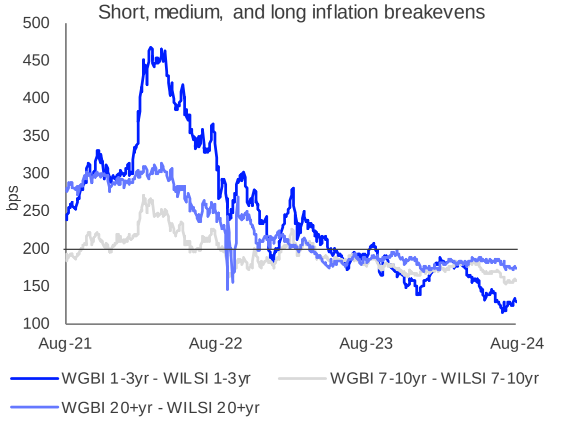


Chart 6: Longer breakevens reacted less to the risk-off in August, but short breakevens dropped steeply, before recovering as markets stabilised. Lower energy prices also helped reduce short b/evens.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads edged in a little further in August, as 10 year Treasuries proved the safe haven of choice during the risk-off phase. Treasuries now trade through UK gilts again.

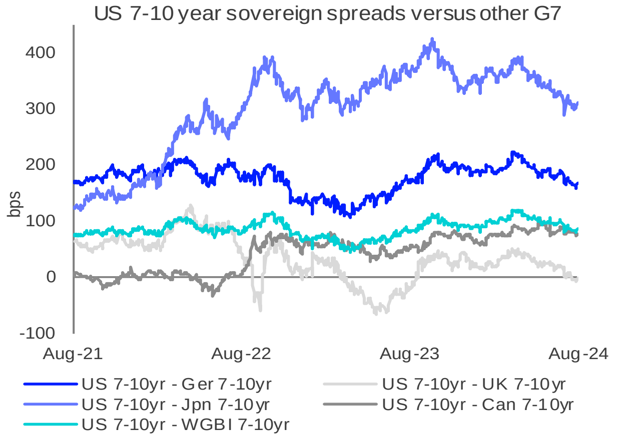


Chart 2: BTPs were volatile relative to Bunds in August as spreads spiked out during the brief risk-off phase, while they matched the modest decline in Spanish Bonos and French OAT yields.

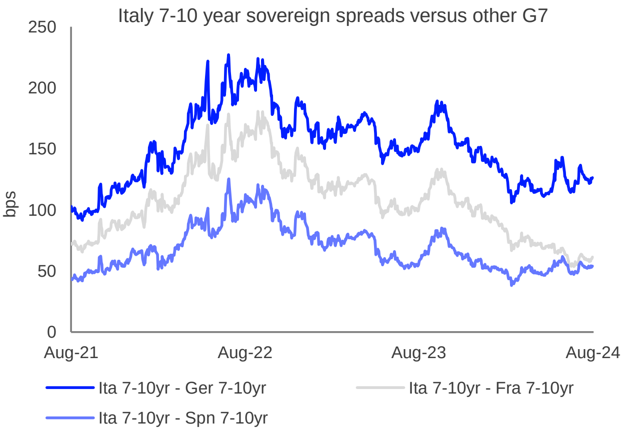


Chart 3: EM spreads edged out versus the G7 in August, though mainly because G7 yields fell more, notably in Canada. EM spreads remain near cycle lows versus the UK and Germany.

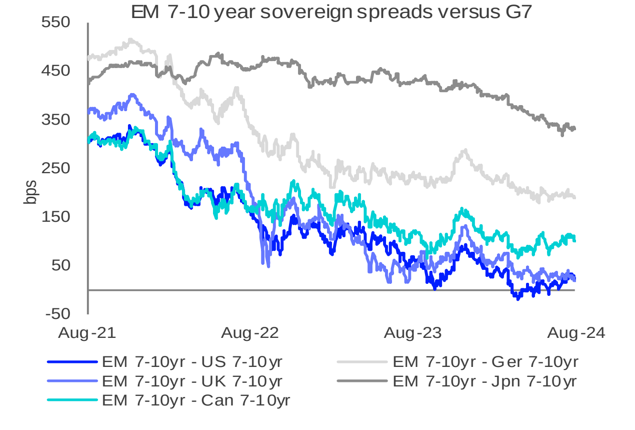


Chart 4: Chinese spreads widened in August, as G7 yields declined more in response to easing expectations for central banks. However, Chinese yields remain well below most G7 markets, led by US and UK.

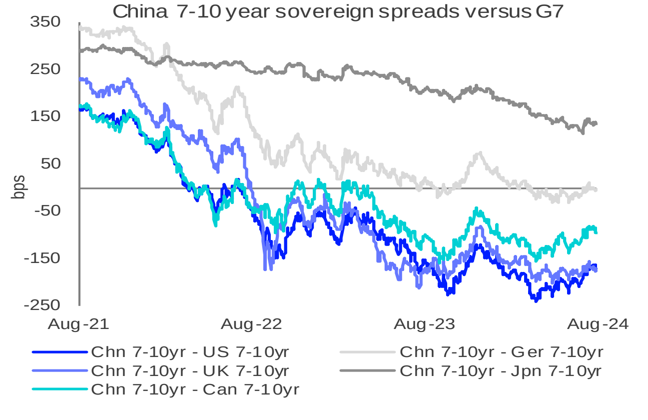


Chart 5: US HY spreads are now well below pre-Covid levels, by almost 130bp, after the strong risk rally in 2023-24, signalling some HY valuation risks. Only Eurozone IG spreads are above pre-Covid levels.

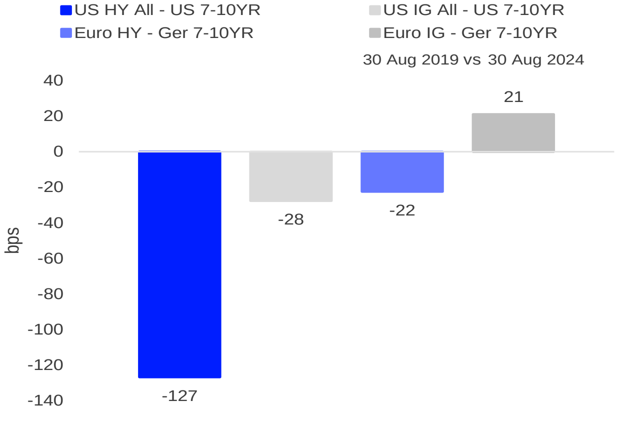
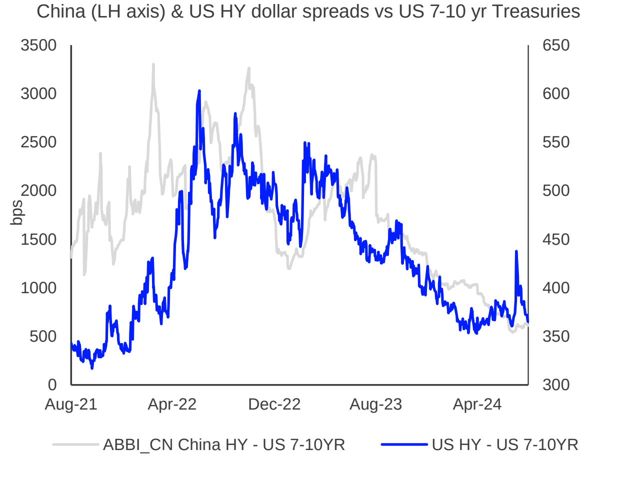


Chart 6: Since the collapse in China HY dollar issues in 2021-22, spreads have fallen sharply, exceeding the decline in US HY spreads, driven by Chinese property market support measures.



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Credit sector analysis

Chart 1: Euro IG BBB corporates have outperformed since 2019, even during the tightening phase in 2023. Highest quality AAA corporate returns are still deeply negative.

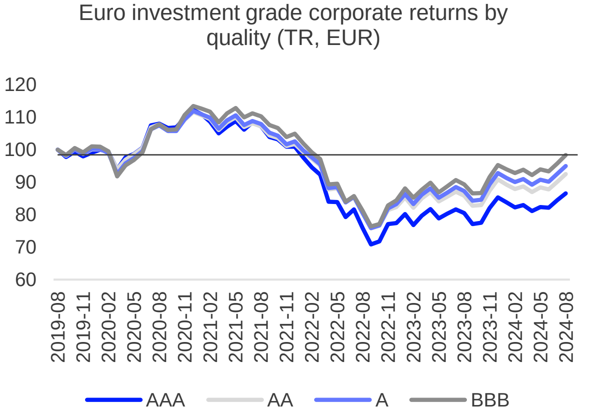


Chart 2: Euro IG spreads are tightest in AAAs, which have been more stable vs their lower quality peers. BBBs have been more volatile than AAAs and have a higher spread of about 70bp.

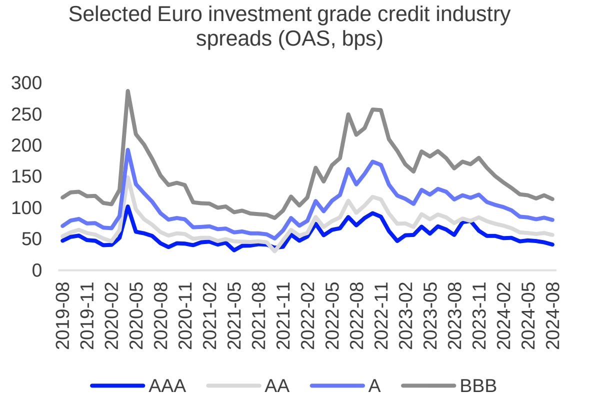


Chart 3: Euro investment grade Banks have benefited from the tightening cycle since 2022 and are the only sector to have mostly recovered the losses since Covid.

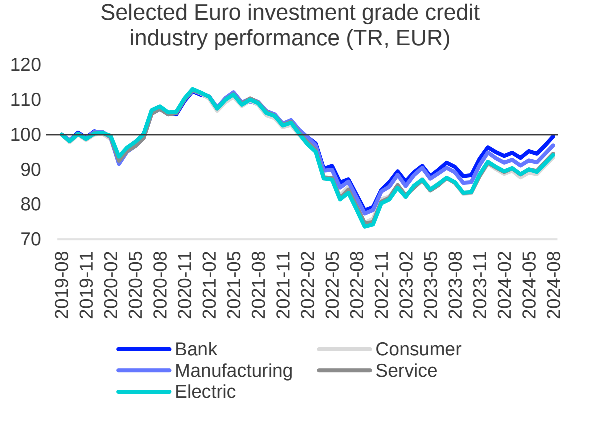


Chart 4: Selected industry spreads in Euro IG credits are converging towards 100bp. Consumer spreads are the tightest at about 70bp.

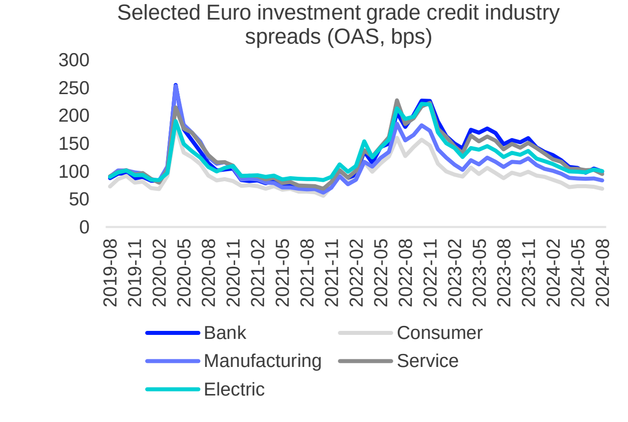


Chart 5: Like Euro IG, UK IG returns are the highest in BBBs, which turned positive in August for the first time in four years. AAA returns are still deeply negative, due to the impact of higher rates.

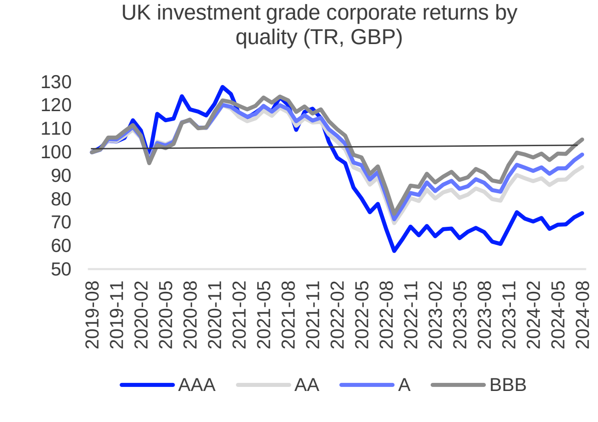
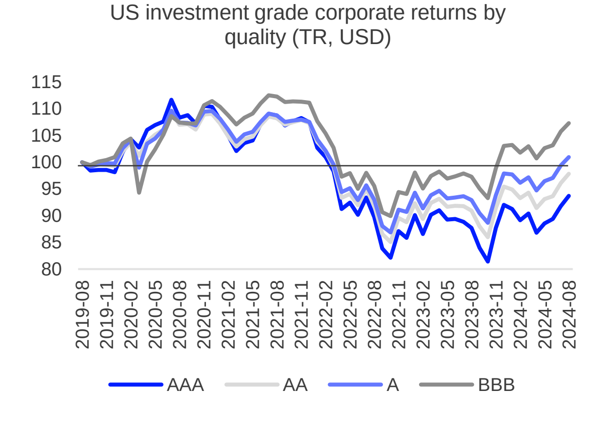


Chart 6: Similarly, in US credits, BBBs are leading performance in IG credits. US single A credit returns have only just turned positive, unlike equivalent returns in Europe.



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High Yield Credit Analysis

Chart 1: Like investment grade credits, high yield performance has been led by the lowest CCC credits, followed by Bs and BBs, the latter making up the bulk of the universe.

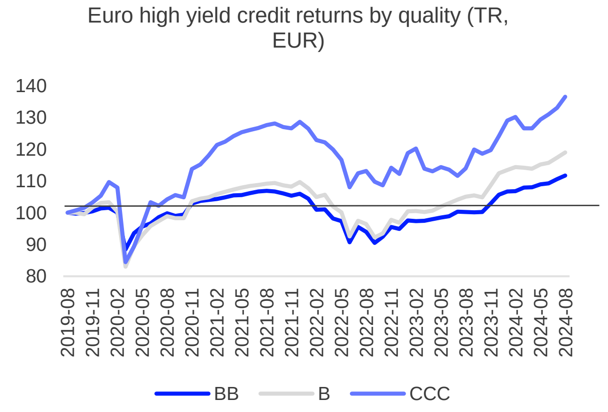


Chart 2: The bout of risk-off phase in early August can be observed in CCC spreads, which have widened. BB Euro credit spreads are tighter than during pre-Covid levels.

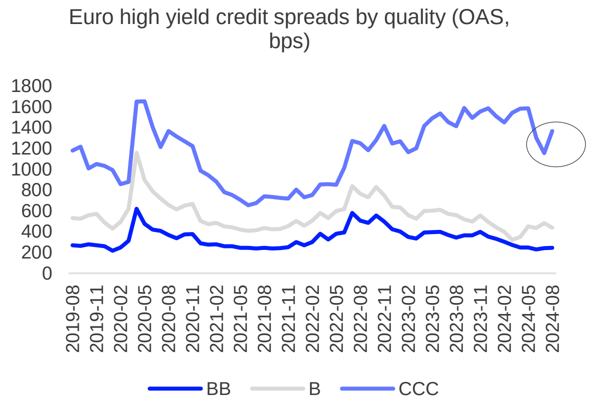


Chart 3: Investors receive a higher yield of 17%, to compensate for the higher risk in CCCs Euro HY, compared to a yield of 7% for Bs.

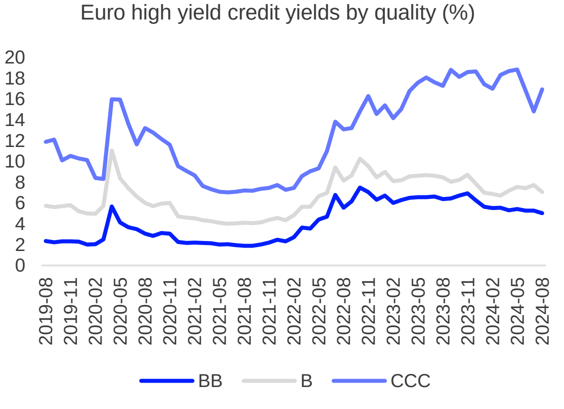


Chart 4: All Euro HY industries have performed strongly since Covid, with Banks leading the outperformance, especially since 2023.

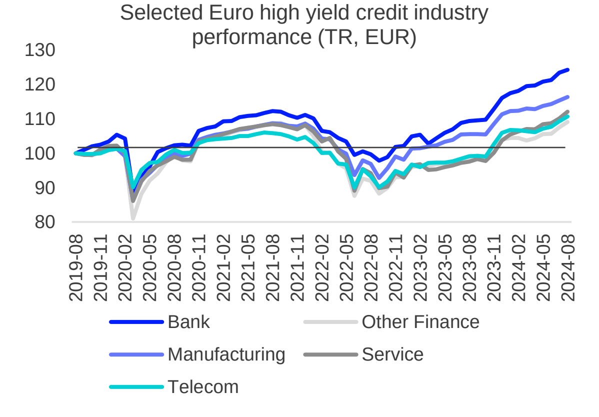


Chart 5: World HY CCC credits have only outperformed Bs by 2% since 2021. The extent of the rally in CCCs raises valuation issues, and exposure to a more substantial risk-off phase, than in August.

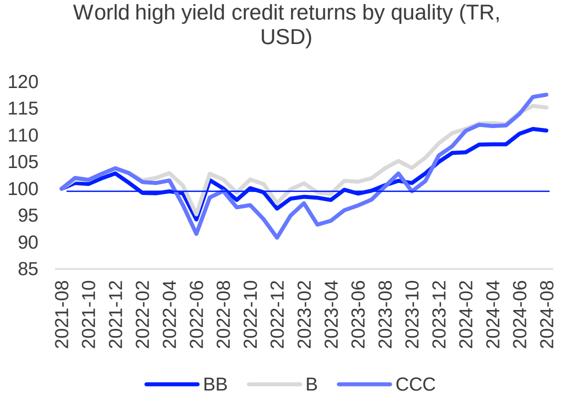
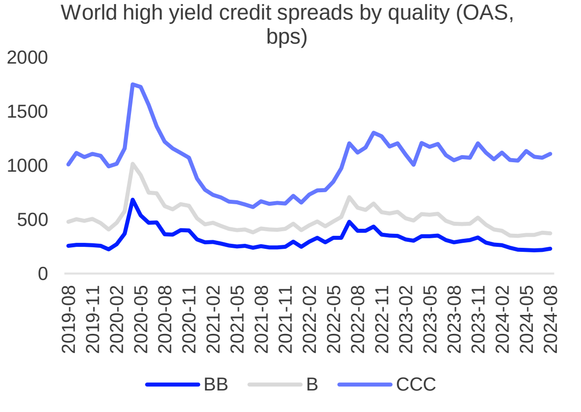


Chart 6: World HY spreads have remained reasonably stable in CCCs and risen a little since 2021, compared to B and BB credit spreads which have fallen, the latter by as much as 106bp and 29bp for Bs.



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SI Sovereign Bond Analysis

Chart 1: Like its non-ESG counterpart, the FTSE EM Govt Bond Index (ESG EMGBIC) showed positive returns over 3M, 1Y and 5Y periods. EM returns have drawn strength over 12M from a pause in rate hikes.

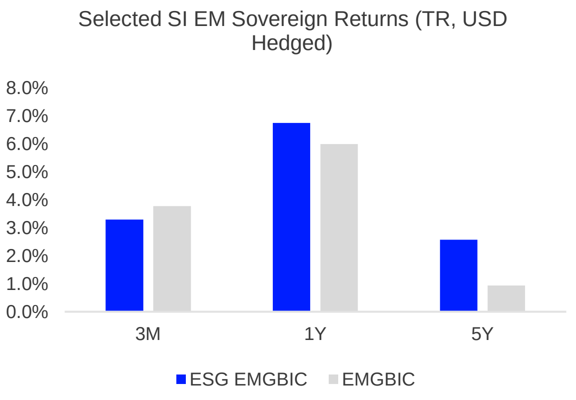


Chart 2: On a relative basis, ESG EMGBIC outperformed over 12M, largely due to European overweights, like Poland, Hungary and Romania, which enjoyed an earlier pause in interest rate hikes vs other EMs.

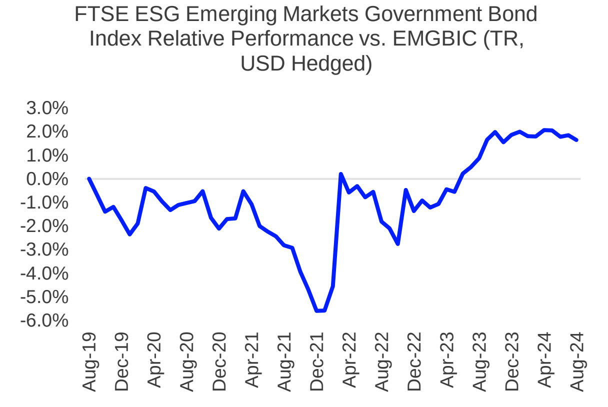


Chart 3: Compared its non-ESG counterpart, the FTSE ESG EMGBI has a slight bias towards both European sovereigns and higher income countries in Asia and the Americas.

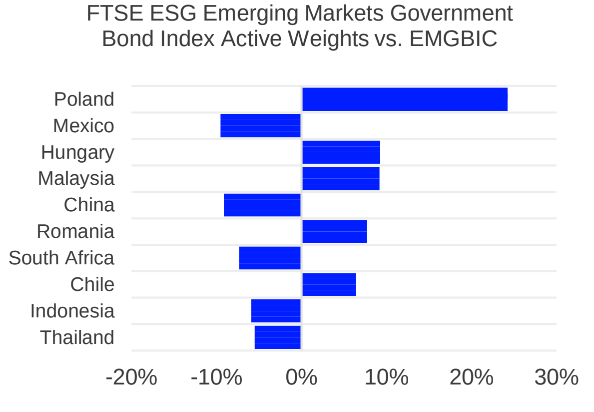


Chart 4: ESG EMGBIC shows clear improvement in credit quality, with a rise in A weighting. This implies more developed, lower risk sovereigns are more likely to have higher ESG scores.

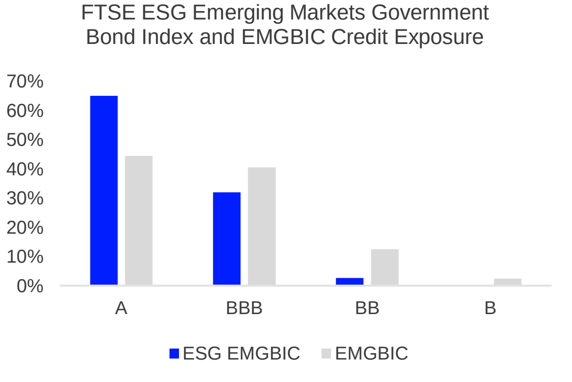


Chart 5: During 2021-22, yields in overweight ESG EMGBIC countries rose on a relative basis, surpassing the yield of EMGBIC. The move has partially reversed since 2023.

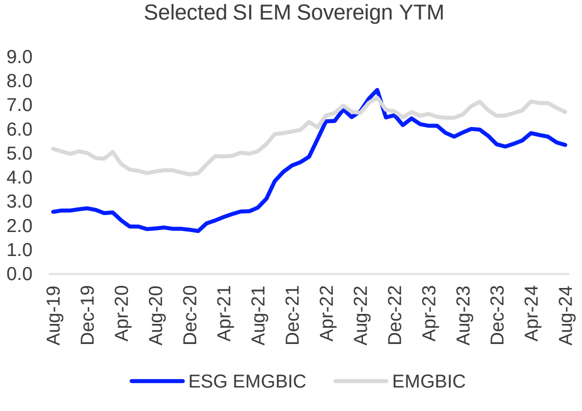
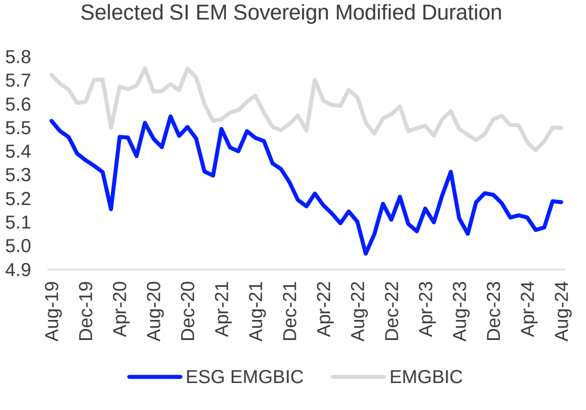


Chart 6: Despite volatility in duration, ESG EMGBIC has shown lower duration than its non-ESG counterpart. This is a contrast to other SI sovereign indices, which have typically seen positive active duration.



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

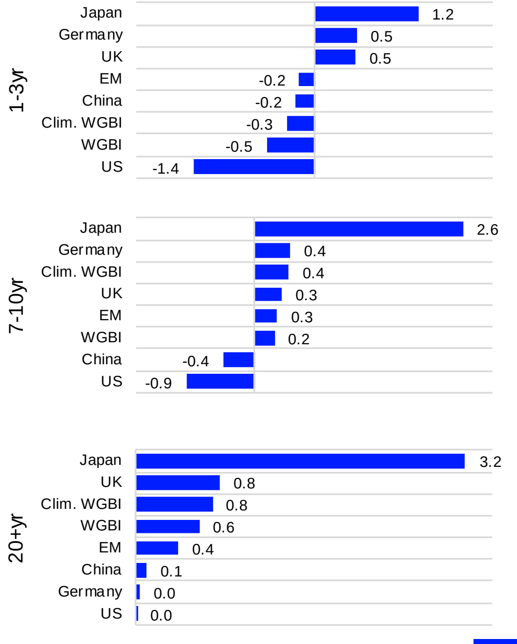
Yields fell a little further across the curve in August, notably in longs, which outperformed, but returns were eroded by Euro strength. Yen strength, underpinned by the unwinding of some carry trades in early August, drove strong JGB gains for Euro-based investors. Longer Chinese (and EM) govt bonds have remained top performers YTD.

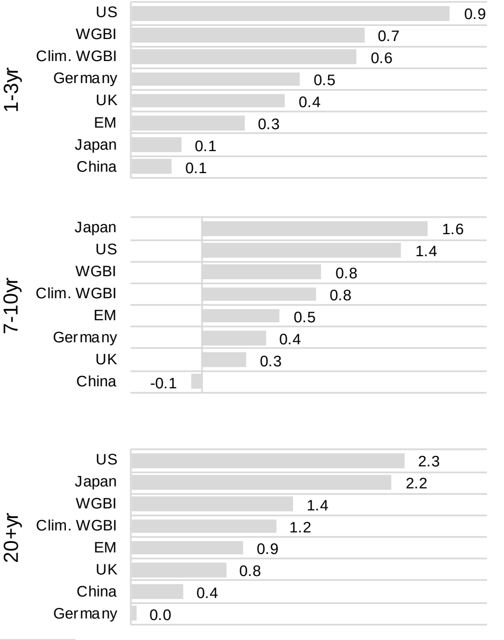
Global government bond returns benefited from a combination of rate cut expectations and risk aversion in early August, after recession fears increased for the US. This caused some yen carry trades to unwind and the US dollar to weaken, especially after the Fed confirmed a likely easing move on September 18. JGBs were up 1-4% in August, while US Treasuries underperformed, due to the weaker USD, in Euro terms.

YTD, short Bunds, gilts and US Treasuries have gained 2-5% and long Chinese and EM government bonds were up 8-10%. Long JGBs show losses of 4-11%, mostly due to the weak yen for the year as a whole.

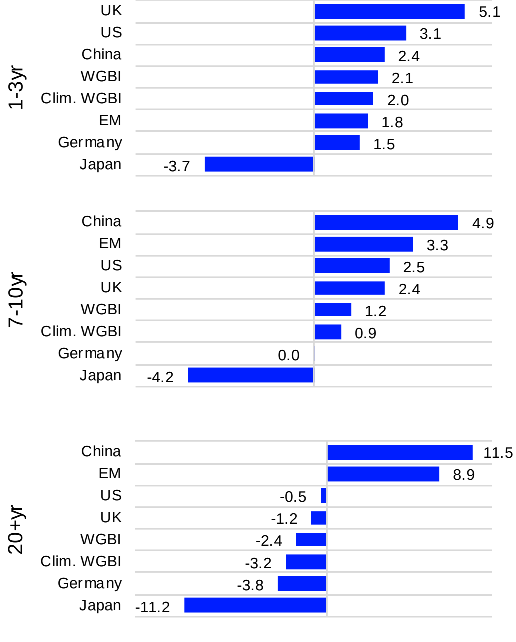
CONVENTIONAL GOVT BONDS

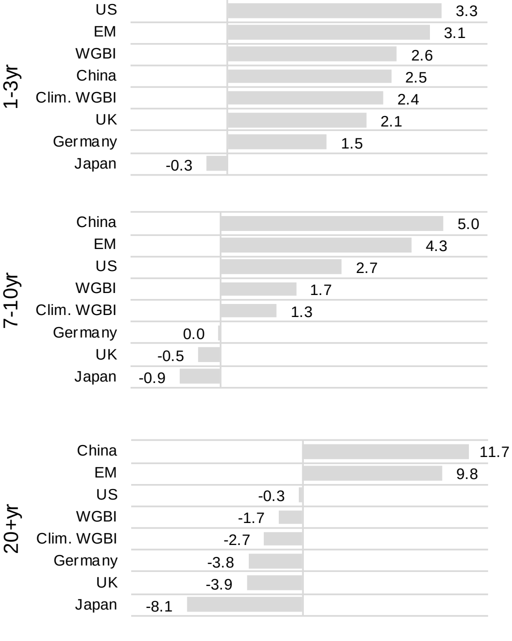
1M EUR | 1M LCY





YTD EUR | YTD LCY





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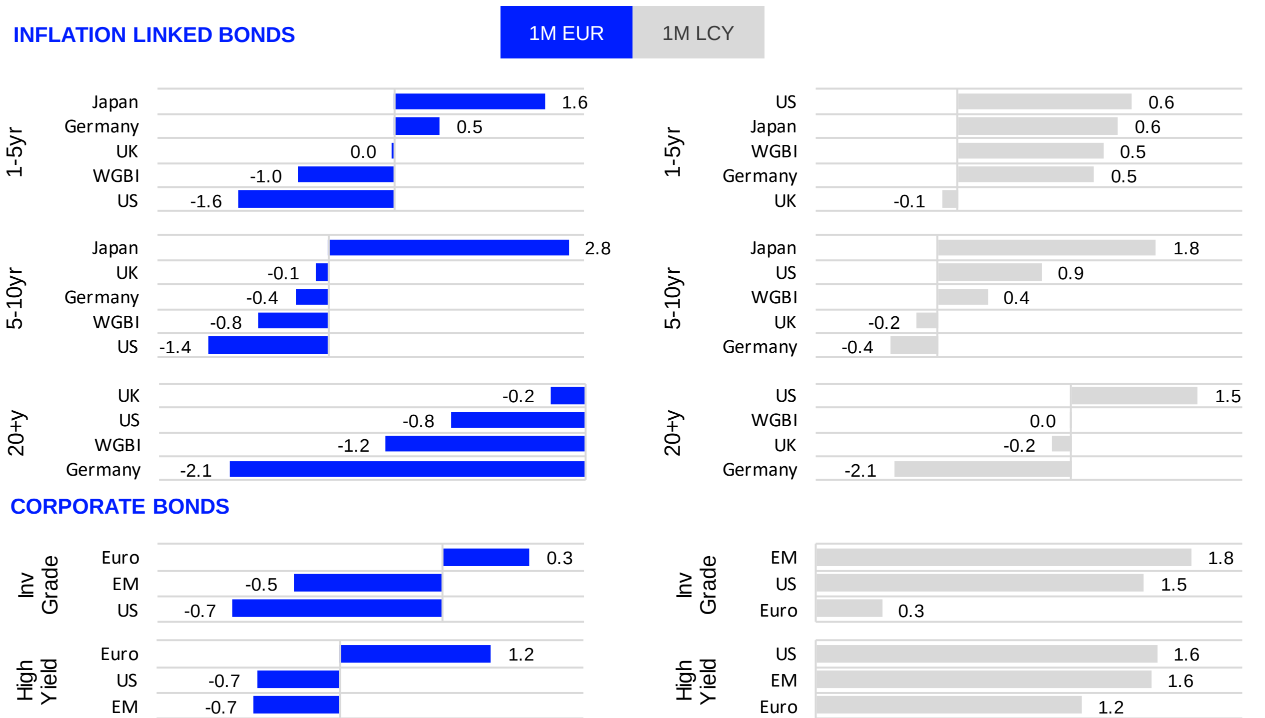
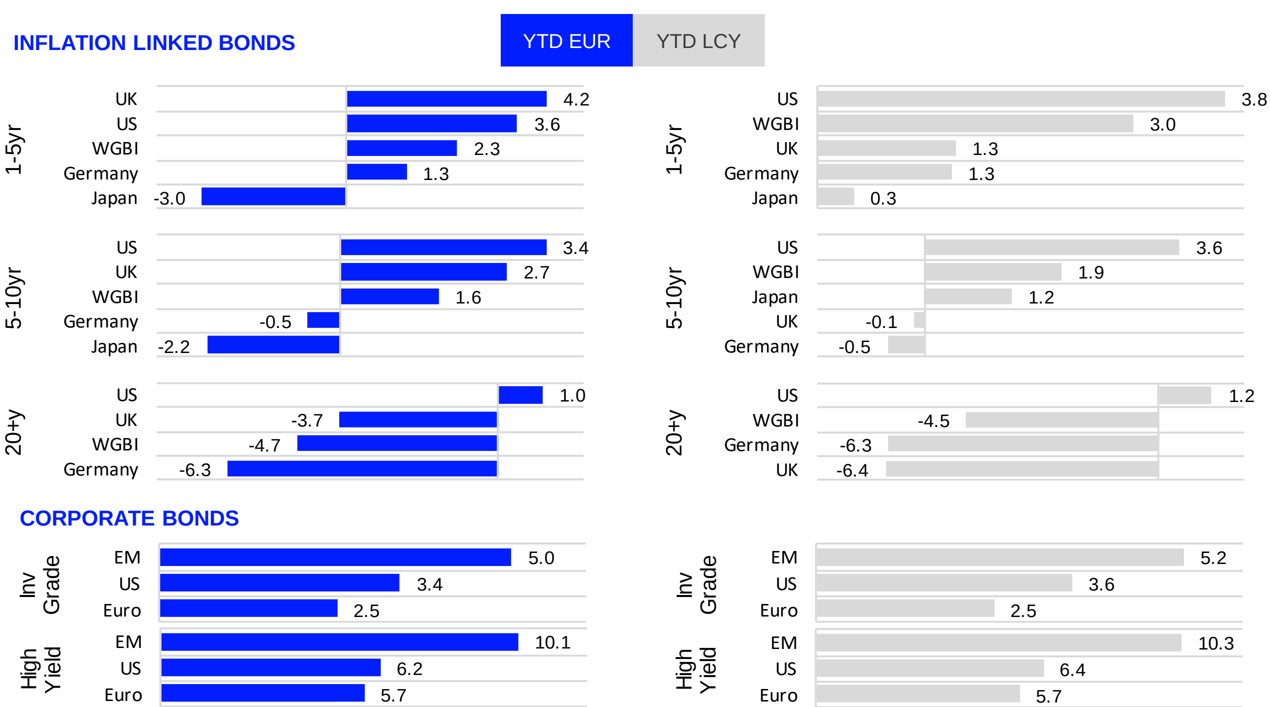
Global Inflation-Linked Bond Returns – 1M & YTD % (EUR, LC, TR)

Some inflation-linked bonds joined conventionals in the August rally, though gains were modest, and currencies dominated returns. Shorter JGB linkers were the strongest performers in euros, thanks to yen gains. Inflation linked bonds underperformed conventionals, after a bout of risk-off in early August. Credit recovered over the month, and still shows gains of 3-9% YTD, led by EM and Euro HY credits.

Currency moves were key to August returns, as the yen gained 1% on the month vs the Euro, driving JGB linker gains of 2-3%. Euro IG and HY credits made modest returns of up to 1%, unlike the negative returns of US and EM credits.

Long Bund, WILSI and gilts show losses of 2-5% YTD, in euros, apart from Tips which gained 2-3%, mainly due to the August rally. Euro credit outperformance continued, boosted by the risk rally, and correlation to equities, with HY strongest.





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

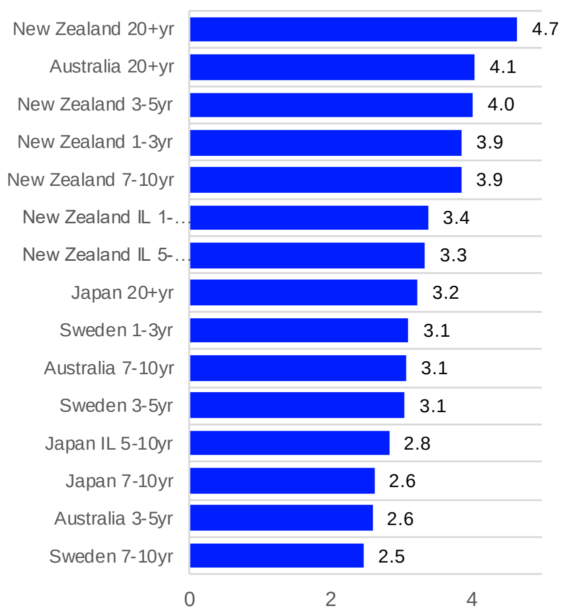
Longer Australasian governments led global returns in August, in euro terms, with gains of 2-5% enhanced by Australian and New Zealand dollar strength, and the RBNZ's first rate cut on Aug 14. Long China, Swedish and New Zealand bonds led the 12M gains, helped by currency resilience and rate cuts, with gains of 10-15%. HY credit shows strong 12M returns, with Canada up 13%, Euro HY 15% and EM HY 16% for a euro investor.

The ongoing rally in NZ government bonds continued, and, although the RBA ruled out a rate cut, Australian govt bonds rallied as well, in anticipation of lower rates. The Swedish Riskbank cut rates on August 20 (to 3.5%) and hinted at further cuts this year. Short US Treasuries lagged in August, as the weak dollar reduced returns in euro terms.

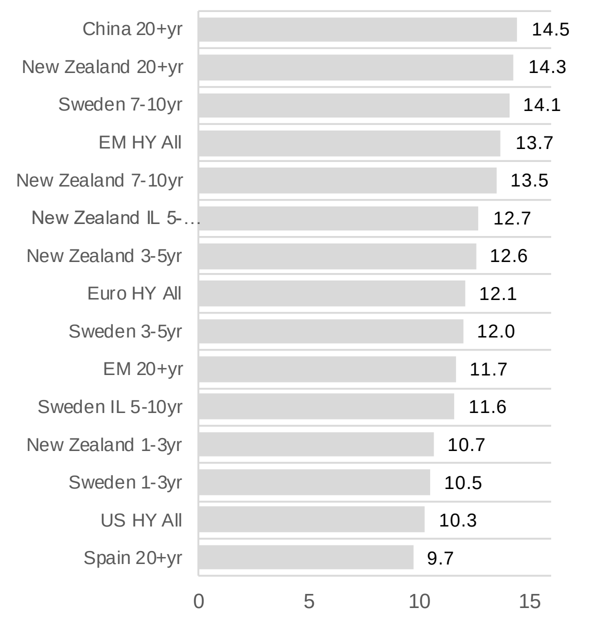
On 12M, long JGBs lost 10%, reflecting yen weakness and the end of curve control. EM inflation linked were hit by weakness in the real, rupee and peso vs the Euro.

1M EUR | 12M EUR

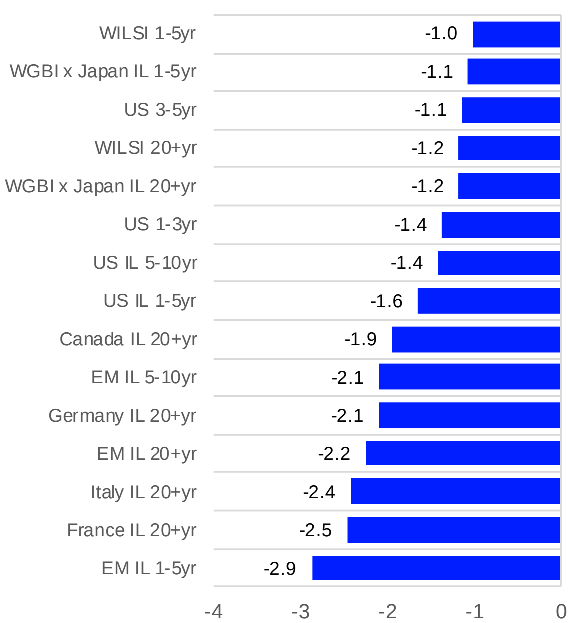
Top 15



Top 15



Bottom 15



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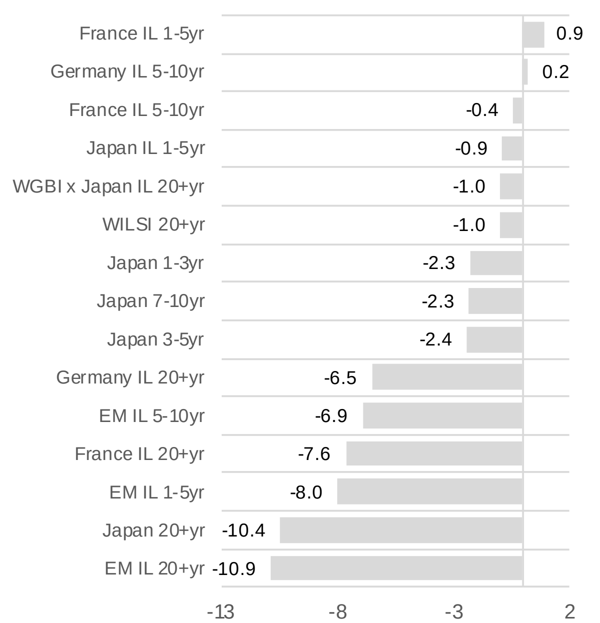

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Appendix − Global Bond Market Returns % (EUR & LC, TR) – August 30, 2024

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	2.64	0.66	3.35	1.04	3.30	3.09	5.89	3.83
	7-10yr	5.66	3.63	5.02	2.67	2.74	2.53	6.11	4.05
	20+yr	7.84	5.77	4.77	2.43	-0.27	-0.47	4.13	2.10
	IG All	4.65	2.64	5.19	2.84	3.60	3.39	9.39	7.26
	HY All	4.68	2.66	6.07	3.69	6.39	6.18	12.46	10.27
UK	1-3yr	1.92	3.19	2.59	4.20	2.14	5.09	5.52	7.31
	7-10yr	3.52	4.80	3.17	4.79	-0.49	2.38	7.54	9.37
	20+yr	5.51	6.82	3.10	4.72	-3.93	-1.16	6.20	8.00
Euro	IG All	2.68	2.68	3.36	3.36	2.50	2.50	7.29	7.29
	HY All	2.90	2.90	4.43	4.43	5.73	5.73	12.09	12.09
Japan	1-3yr	0.18	6.03	-0.12	0.37	-0.33	-3.69	-0.30	-2.26
	7-10yr	1.88	7.84	-0.49	0.01	-0.90	-4.25	-0.35	-2.30
	20+yr	2.13	8.10	-7.07	-6.62	-8.12	-11.22	-8.64	-10.43
China	1-3yr	0.87	1.10	1.81	1.00	2.52	2.37	3.14	4.02
	7-10yr	1.98	2.21	3.05	2.24	5.02	4.86	6.11	7.01
	20+yr	5.06	5.30	4.90	4.08	11.70	11.53	13.52	14.48
EM	1-3yr	1.34	0.84	2.31	0.72	3.11	1.81	4.30	3.55
	7-10yr	3.00	2.95	3.27	2.09	4.30	3.32	6.50	5.68
	20+yr	5.36	5.01	4.85	3.67	9.79	8.85	11.97	11.66
	IG All	4.34	2.33	5.32	2.96	5.17	4.96	10.11	7.96
	HY All	4.43	2.42	7.31	4.91	10.30	10.08	16.00	13.74
Germany	1-3yr	1.74	1.74	2.10	2.10	1.53	1.53	3.37	3.37
	7-10yr	3.86	3.86	2.57	2.57	-0.05	-0.05	4.16	4.16
	20+yr	6.04	6.04	1.58	1.58	-3.82	-3.82	3.45	3.45
Italy	1-3yr	1.88	1.88	2.43	2.43	2.14	2.14	4.45	4.45
	7-10yr	3.22	3.22	3.46	3.46	2.94	2.94	7.81	7.81
	20+yr	3.71	3.71	3.37	3.37	3.34	3.34	9.30	9.30
Spain	1-3yr	1.82	1.82	2.32	2.32	2.05	2.05	4.14	4.14
	7-10yr	3.28	3.28	3.38	3.38	1.86	1.86	7.03	7.03
	20+yr	4.39	4.39	3.92	3.92	1.40	1.40	9.71	9.71
France	1-3yr	1.73	1.73	2.01	2.01	1.37	1.37	3.54	3.54
	7-10yr	2.40	2.40	1.36	1.36	-0.90	-0.90	3.72	3.72
	20+yr	1.67	1.67	-1.58	-1.58	-5.84	-5.84	2.42	2.42
Sweden	1-3yr	2.73	3.48	3.48	2.22	3.01	1.16	5.40	10.50
	7-10yr	4.31	5.07	4.92	3.64	1.66	-0.16	8.81	14.08
Australia	1-3yr	1.88	1.94	2.22	4.13	2.67	1.88	4.35	7.19
	7-10yr	4.51	4.57	3.61	5.55	2.95	2.16	5.12	7.98
	20+yr	6.17	6.23	2.47	4.39	-0.32	-1.08	2.81	5.61
New Zealand	1-3yr	3.04	2.90	4.20	4.61	4.42	2.98	7.41	10.66
	7-10yr	5.32	5.18	5.94	6.36	3.84	2.40	10.17	13.51
	20+yr	6.84	6.71	6.27	6.69	0.88	-0.52	10.97	14.33
Canada	1-3yr	2.13	1.30	3.10	1.44	3.12	0.69	5.89	4.23
	7-10yr	4.95	4.11	4.89	3.20	2.32	-0.10	7.48	5.79
	20+yr	5.53	4.68	3.85	2.17	-2.41	-4.72	6.22	4.55

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Appendix − Global Bond Market Returns % (EUR & LC, TR) – August 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	2.39	0.42	3.78	1.46	3.82	3.61	6.43	4.36
	5-10yr	4.02	2.02	4.86	2.52	3.59	3.38	6.74	4.66
	20+yr	6.51	4.46	4.76	2.42	1.25	1.04	3.73	1.71
UK	1-5yr	1.15	2.41	2.91	4.53	1.30	4.22	5.87	7.67
	5-10yr	1.44	2.70	2.46	4.07	-0.14	2.74	5.15	6.93
	20+yr	2.85	4.12	0.97	2.56	-6.41	-3.71	-0.65	1.04
Japan	1-5yr	0.97	6.87	0.58	1.07	0.34	-3.04	1.12	-0.87
	5-10yr	1.46	7.40	1.17	1.67	1.23	-2.18	2.97	0.95
EM	1-5yr	3.01	-6.71	4.36	-8.68	5.97	-7.89	7.85	-7.97
	5-10yr	3.41	-5.12	2.37	-8.08	2.67	-8.73	6.48	-6.89
	20+yr	2.06	-7.58	-1.29	-13.42	-3.29	-15.47	2.60	-10.85
Germany	1-5yr	1.34	1.34	2.12	2.12	1.26	1.26	1.72	1.72
	5-10yr	1.83	1.83	1.70	1.70	-0.52	-0.52	0.21	0.21
	20+yr	1.37	1.37	-1.83	-1.83	-6.33	-6.33	-6.50	-6.50
Italy	1-5yr	1.72	1.72	2.41	2.41	1.98	1.98	4.26	4.26
	5-10yr	1.66	1.66	2.71	2.71	2.52	2.52	4.66	4.66
	20+yr	-0.29	-0.29	-0.74	-0.74	0.36	0.36	1.22	1.22
Spain	1-5yr	1.57	1.57	2.32	2.32	1.43	1.43	2.72	2.72
	5-10yr	1.53	1.53	2.61	2.61	1.61	1.61	3.47	3.47
France	1-5yr	0.99	0.99	0.91	0.91	0.05	0.05	0.92	0.92
	5-10yr	0.55	0.55	0.17	0.17	-1.62	-1.62	-0.40	-0.40
	20+yr	-3.41	-3.41	-6.50	-6.50	-10.28	-10.28	-7.62	-7.62
Sweden	1-5yr	2.11	2.85	2.65	1.40	2.06	0.23	4.20	9.25
	5-10yr	3.02	3.77	4.47	3.20	1.73	-0.09	6.46	11.61
Australia	1-5yr	2.02	2.08	2.26	4.17	2.32	1.54	4.64	7.49
	5-10yr	3.15	3.21	2.55	4.47	1.71	0.93	5.02	7.88
	20+yr	4.18	4.24	-0.20	1.67	-5.91	-6.63	1.15	3.90
New Zealand	5-10yr	1.87	1.74	4.25	4.66	3.85	2.41	9.42	12.73
Canada	20+yr	3.80	2.96	4.53	2.85	0.34	-2.03	8.74	7.03

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Appendix − Historical Bond Yields % as of August 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	4.04	3.77	3.87	4.31	1.90	1.69	2.06	4.97	7.53
	3M Ago	4.94	4.58	4.50	4.70	2.35	2.08	2.30	5.55	8.21
	6M Ago	4.73	4.34	4.26	4.46	1.99	1.88	2.12	5.44	8.09
	12M Ago	4.99	4.39	4.12	4.32	2.50	1.94	2.01	5.65	8.44
UK	Current	4.09	3.84	3.90	4.44	0.37	0.43	1.27		
	3M Ago	4.60	4.26	4.23	4.68	0.31	0.46	1.32		
	6M Ago	4.48	4.10	4.03	4.49	0.53	0.40	1.21		
	12M Ago	4.91	4.63	4.31	4.53	1.11	0.67	1.12		
Japan	Current	0.32	0.43	0.76	2.03	-1.28	-0.79			
	3M Ago	0.34	0.55	0.93	2.09	-1.19	-0.69			
	6M Ago	0.13	0.28	0.59	1.66	-1.51	-0.81			
	12M Ago	-0.02	0.14	0.53	1.55	-1.82	-0.76			
China	Current	1.55	1.77	2.14	2.37					
	3M Ago	1.77	1.99	2.31	2.61					
	6M Ago	1.99	2.16	2.38	2.57					
	12M Ago	2.06	2.28	2.59	2.93					
EM	Current	3.09	3.51	4.09	3.68	5.76	5.15	5.64	5.13	7.76
	3M Ago	3.30	3.83	4.47	3.96	5.69	5.26	5.63	5.81	8.79
	6M Ago	3.29	3.90	4.56	4.03	4.69	4.53	5.24	5.74	9.18
	12M Ago	3.50	4.22	4.80	4.34	2.84	4.28	5.01	6.16	11.59
Germany	Current	2.45	2.15	2.18	2.50	1.46	0.49	0.54		
	3M Ago	3.07	2.72	2.59	2.77	1.45	0.60	0.55		
	6M Ago	3.02	2.50	2.34	2.53	1.20	0.42	0.35		
	12M Ago	3.03	2.53	2.38	2.55	0.64	0.13	0.11		
Italy	Current	2.85	2.90	3.45	4.13	1.44	1.66	1.98		
	3M Ago	3.46	3.42	3.73	4.30	1.54	1.68	1.91		
	6M Ago	3.35	3.25	3.61	4.22	1.31	1.63	1.84		
	12M Ago	3.56	3.53	3.87	4.41	1.37	1.72	1.86		
France	Current	2.64	2.60	2.84	3.42	0.97	0.85	1.16		
	3M Ago	3.20	2.99	3.02	3.45	0.94	0.79	0.97		
	6M Ago	3.05	2.74	2.78	3.24	0.80	0.57	0.79		
	12M Ago	3.09	2.85	2.87	3.36	0.48	0.37	0.71		
Sweden	Current	1.87	1.80	1.98		0.94	0.56			
	3M Ago	3.04	2.60	2.46		1.69	0.92			
	6M Ago	3.03	2.58	2.46		1.62	1.04			
	12M Ago	3.43	3.00	2.75		1.33	1.14			
Australia	Current	3.66	3.57	3.91	4.49	1.26	1.51	2.05		
	3M Ago	4.11	4.08	4.35	4.79	1.67	1.80	2.17		
	6M Ago	3.81	3.73	4.09	4.51	1.15	1.51	1.91		
	12M Ago	3.85	3.75	3.99	4.42	0.97	1.43	1.84		
New Zealand	Current	3.97	3.86	4.24	4.74	2.47	2.21			
	3M Ago	4.82	4.67	4.77	5.07	2.33	2.32			
	6M Ago	5.05	4.61	4.68	4.96	1.89	2.41			
	12M Ago	5.30	4.96	4.89	5.07	2.15	2.58			
Canada	Current	3.47	3.05	3.10	3.26	1.53	1.39	1.62		
	3M Ago	4.26	3.73	3.64	3.50	1.85	1.81	1.74		
	6M Ago	4.31	3.66	3.51	3.38	1.69	1.70	1.71		
	12M Ago	4.72	4.04	3.62	3.41	2.09	1.87	1.82		

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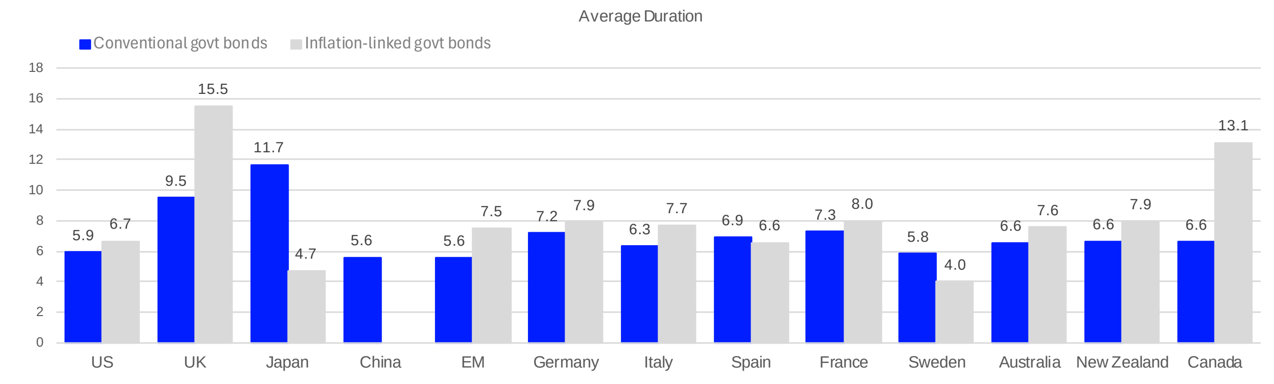
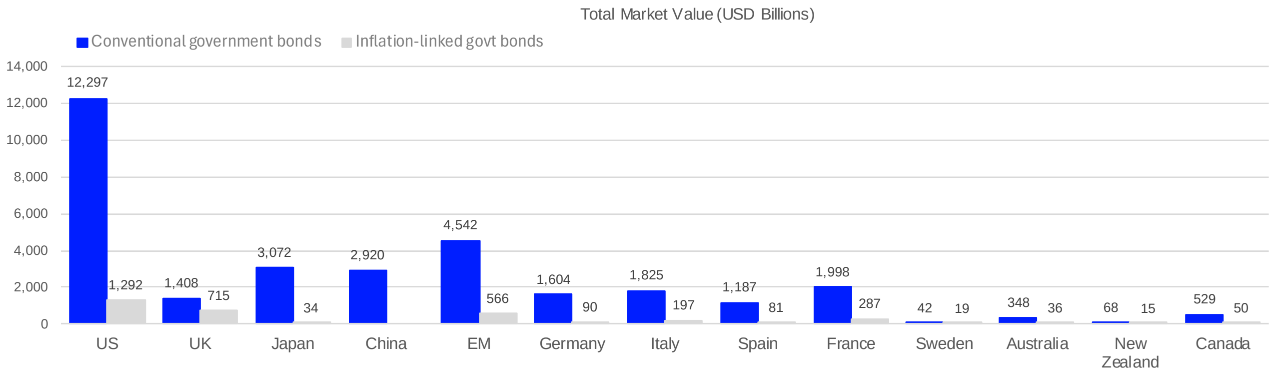
Appendix – Duration and Market Value (USD, Bn) as of August 30, 2024

	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	3.6	7.1	16.8	**5.9**	2,868.3	1,285.7	1,444.2	**12,297.3**	7.2	21.5	**6.7**	409.8	116.2	**1,292.0**
UK	3.7	7.2	18.4	**9.5**	184.6	232.5	354.8	**1,408.2**	7.7	27.2	**15.5**	127.3	246.0	**714.8**
Japan	3.9	8.2	23.2	**11.7**	363.1	416.6	632.8	**3,072.0**	7.7		**4.7**	12.2		**34.2**
China	3.8	7.7	18.0	**5.6**	648.2	460.3	326.9	**2,920.1**						
EM	3.7	7.1	16.4	**5.6**	946.0	763.1	428.1	**4,541.9**	5.9	13.2	**7.5**	91.8	149.4	**565.8**
Germany	3.6	7.6	21.4	**7.2**	348.8	258.1	170.8	**1,604.1**	6.3	20.8	**7.9**	45.0	18.4	**89.7**
Italy	3.5	7.2	16.2	**6.3**	329.0	269.8	169.2	**1,825.3**	7.2	25.4	**7.7**	59.8	5.7	**197.2**
Spain	3.8	7.3	17.5	**6.9**	250.7	220.1	120.8	**1,187.4**	7.3		**6.6**	51.2		**80.7**
France	3.7	7.5	19.5	**7.3**	450.5	347.5	243.1	**1,998.1**	6.7	23.8	**8.0**	77.4	21.6	**287.0**
Sweden	3.6	7.7		**5.8**	7.1	10.4		**42.3**	6.4		**4.0**	6.0		**19.0**
Australia	3.7	7.4	16.7	**6.6**	50.8	103.3	21.5	**347.8**	6.4	21.7	**7.6**	11.1	3.0	**36.0**
New Zealand	3.9	7.3	16.2	**6.6**	14.1	18.4	5.7	**68.3**	5.5		**7.9**	3.4		**14.9**
Canada	3.6	7.5	19.5	**6.6**	75.7	117.9	74.7	**528.9**	6.3	20.3	**13.1**	8.4	20.5	**50.2**

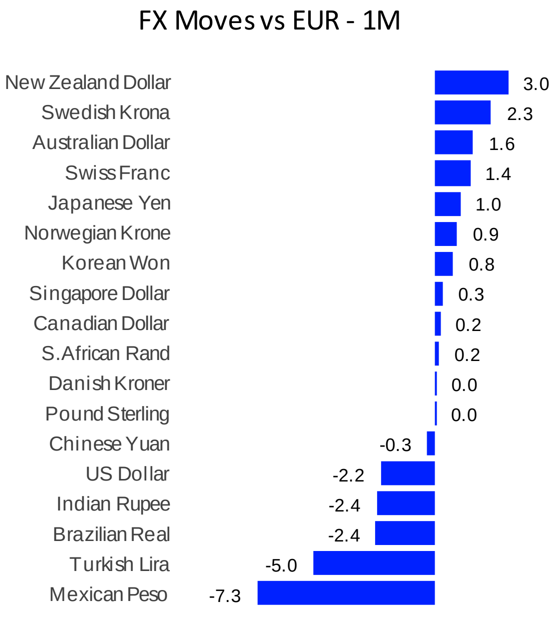
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.4	8.5	7.2	6.6	7.0	78.6	459.8	2878.1	3587.2	7003.7	3.8	1083.4
Europe	6.1	4.9	4.6	4.2	4.4	15.7	227.8	1265.6	1617.9	3126.9		
EM		6.8	5.4	5.5	5.5		38.7	220.4	236.3	495.5	3.6	190.6

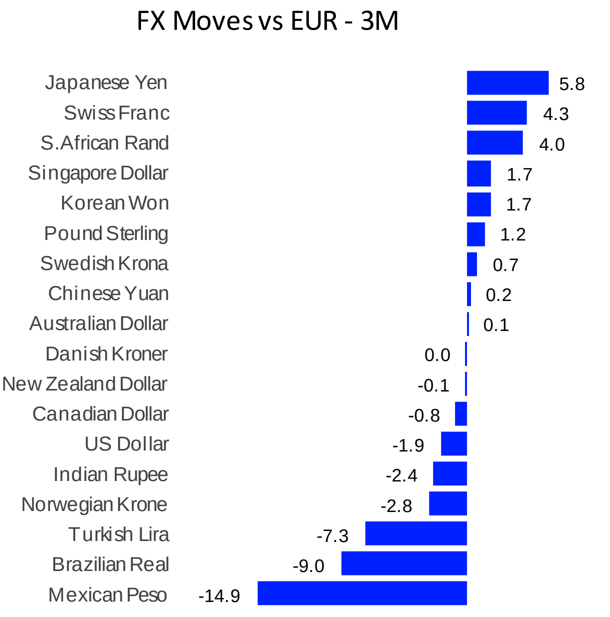


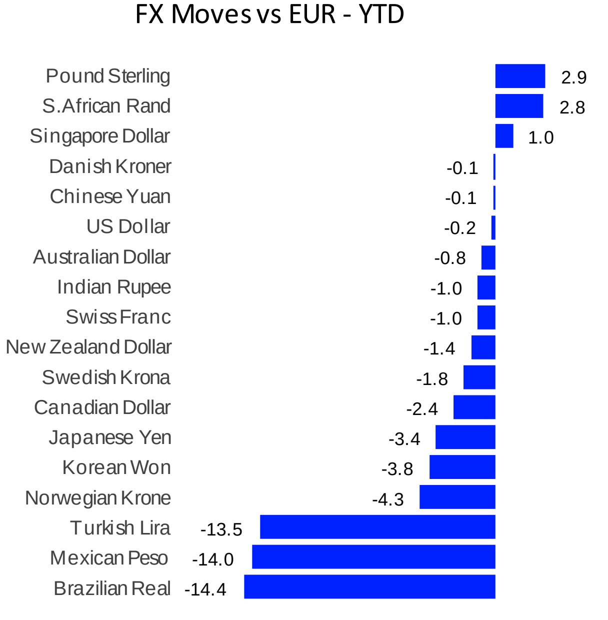


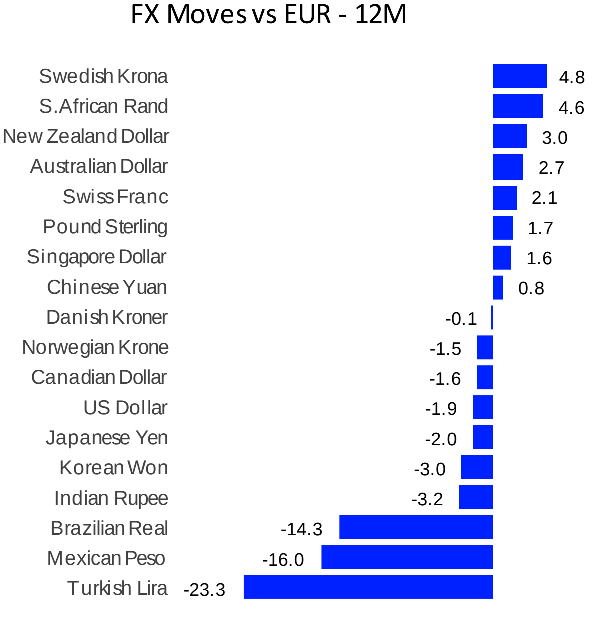
Source: FTSE Russell and LSEG. All data as of August 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

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









Source: FTSE Russell and LSEG. All data as of August 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix − Glossary

Bond markets are based on the following indices:

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

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

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

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

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

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

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

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

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

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

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

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

List of Abbreviations used in charts:

IL = Inflation-linked bonds
IG = Investment-grade bonds
HY = High-yield bonds
BPS = Basis points
EM = Emerging market
LC = Local currency

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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