Global Investment Research
Market Maps

FTSE RUSSELL
An LSEG Business

Fixed Income Insights

UK EDITION

MONTHLY REPORT | **SEPTEMBER 2024**

Growth rebound and inflation risk to BoE easing

Markets discount rapid easing by year-end, after recent Fed signalling, drives bull steepening of curves, while August's risk-off bout confirms some risk asset vulnerability. UK recovery and Q4 inflation rebound may delay BoE easing. Sterling strength squeezed overseas returns in August, but credit was helped by active refinancing in the risk rally.

Macro and policy backdrop – Fed appears poised to join G7 easing cycle…at last

Stable inflation expectations key to lower rates. Risk of UK inflation spike in Q4. (pages 2-3)

Yields, curves and spreads – Nominals outperform as G7 curves bull steepen

Yields fall again in August, after brief bout of risk-off, as breakevens fall. (pages 4-5)

IG credit & MBS – Higher coupons and the risk rally drive BBB outperformance

Credit escapes largely unscathed from August's risk aversion phase. (page 6)

High yield credit analysis – HY spreads recover, after brief spike

Short dated UK HY shows duration can be an unreliable guide to HY returns. (page 7)

SI sovereign bond analysis – ESG EMGBIC shows lower duration than non-ESG parent

But ESG EMGBIC still outperformed on 12M, due to European overweights. (page 8)

Performance – Nominal yields fall a little in August, but strong yen dominates returns

JGBs outperformed in the G7 but Australasian long bonds proved strongest performers in August, as easing cycle widened. Credit recovers poise quickly. (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: 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

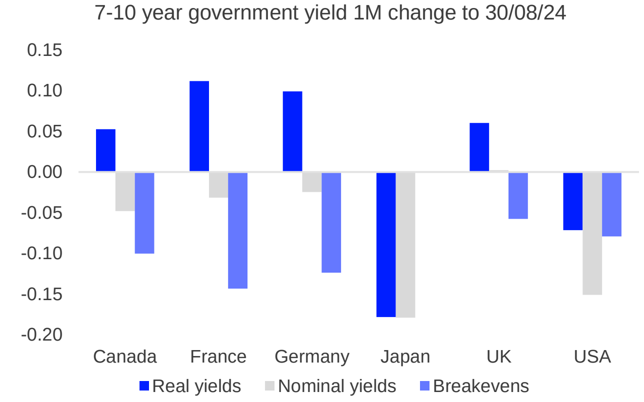
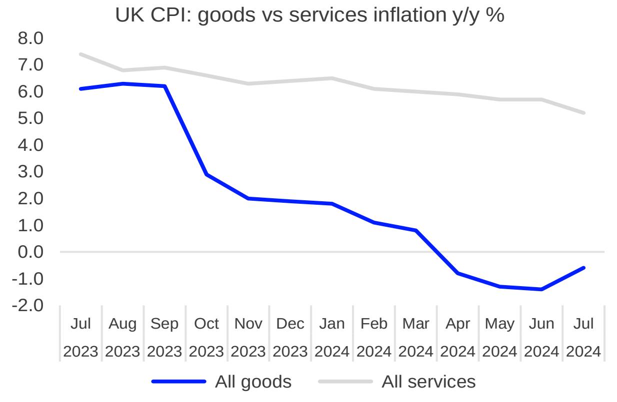


Chart 2: Stickiness in service sector inflation remains a key policy issue for the BoE, even if the collapse in goods inflation drove CPI inflation down to 2.2% in July. There is some risk of a spike in Q4.



Macroeconomic Backdrop – Growth and Inflation Expectations

As inflation converges in the G7 in 2024, GDP growth remains divergent, confirming the outlook for a less co-ordinated rate cutting cycle. Consumer spending underpinned US growth in H1 2024, but benchmark revisions lower to employment confirm a weaker outlook. UK GDP growth recovered from the 2023 recession, helped by stronger real wage growth. Lower inflation and interest rate expectations have helped drive gold to new highs.

Consensus growth forecasts remain skewed towards weak recoveries in Europe, helped by lower rates, and a soft landing in the US. UK GDP has recovered in H1 2024, with growth of 0.7% in Q2, led by services, which grew 0.8%. Lower mortgage rates, and stronger real wage growth, helped by NI cuts, helped sustain growth in Q2, after 0.6% growth in Q1.

Convergence towards 2% targets in G7 inflation continues, led by Canada, UK and Eurozone. UK services inflation – almost 50% of the index - was at 5.2% y/y in July, with rent inflation still above 7% y/y. Lower energy prices helped drive inflation lower. The risk of a Q4 spike in UK inflation remains with electricity prices set to increase in Q4, as govt subsidies are removed.

The UK labour market continues to ease, albeit slowly. Wage inflation dropped to 5.4% y/y for the 3 months to June, excluding bonuses, the lowest since July 2022, and compared to a recent peak of 7.9% y/y in June 2023. Public sector pay continues to grow faster than the private sector (6% vs 5.2% y/y), with another boost likely from the NHS settlements in July. The ONS is cautious about the quality of labour market data, and another spike in wage inflation would clearly be an issue for the BoE.

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 still show the US as a growth outlier, with Eurozone growth subdued by weak German growth. Fragile consumer spending remains a constraint on the Chinese recovery.

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: Inflation rates are gravitating towards 2% y/y, led by Canada, Eurozone and UK. US CPI also fell below 3% y/y for July. UK inflation remains at 2% y/y, but risks spiking in Q4 when electricity prices increase.

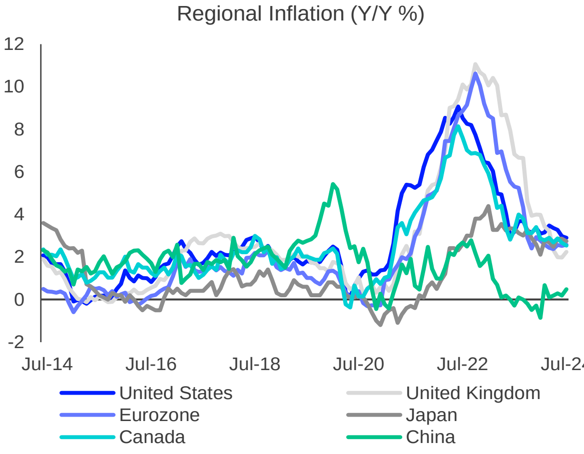


Chart 3: The UK labour market is gradually slowing, but wage inflation is at 6% y/y in the public sector, even before recent NHS settlements. Unemployment increased since 2022, but fell in June.

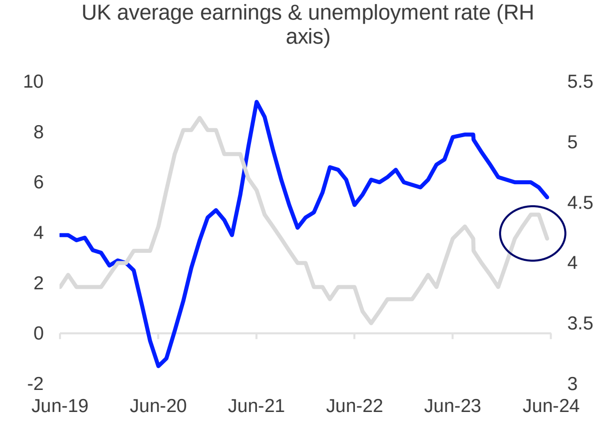
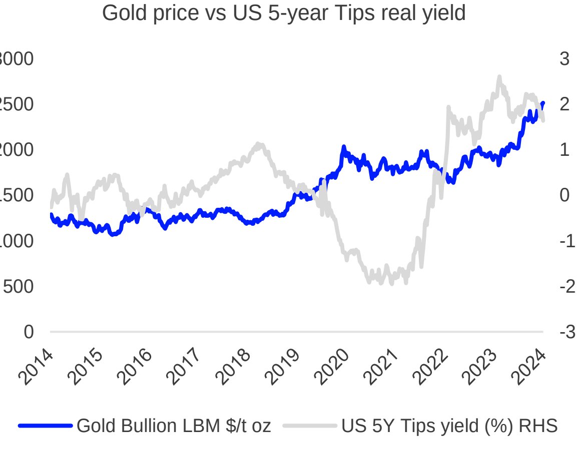


Chart 4: Helped by a decline in real yields, and a weaker US dollar, the gold price hit new highs in August. Central bank buying of gold and geo-political risks have also helped the gold price strengthen.



Financial Conditions and Monetary Policy Settings

After leading recent easing cycles, the Fed will likely be the last G7 central bank to ease in 2024, if it does so in September. Stable inflation expectations are central to easing in the G7, and UK breakevens show mean reversion to pre-Covid levels. Whether the Fed eases as much as the market expects, by year-end, is less certain, though this weighed on the dollar of late. After a long risk rally, a risk-off phase in August highlighted some elevated valuations, though mainly US equities, not UK.

Fed Chairman Powell cited stable longer run US inflation expectations as a key factor in recent disinflation in his Jackson Hole speech, and the BoE has made similar observations about the UK. Chart 1 shows recent UK stabilisation, despite the 2020-22 shocks, with longer run inflation expectations barely exceeding 4% (based on the RPI). This may be because markets expect supply-shocks to unwind quickly, not BoE tightening. This stability suggests a lower inflation regime is intact in the UK.

As expectations of Fed easing intensified, following weak July payrolls, the US dollar fell (though tempered by a bout of risk-off, and safe haven buying of Treasuries). Nonetheless, the yen has rallied sharply in Q3, as rate differentials improved. European currencies gained against the dollar, including sterling, since UK rate cuts may be delayed by an inflation spike in Q4.

Although de-synchronised, all G7 central banks have now eased policy apart from the US Fed, which has signalled it will ease 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 shape to the deep, and rapid, rate cuts of the Covid and GFC cycles, after deep deflationary shocks. Gradualism is likely to remain the main characteristic of UK easing, with the risk of an inflation spike in Q4.

G7 equity risk premia only moved marginally after the bout of risk-off in August, as Chart 4 shows, and excluding the US, risk premia are close to the 10 year mean, reflecting relatively high 7-10 year government bond yields, rather than extreme P/E multiples in equities. The US remains an exception, with the (low dividend) Tech sector leading equity market gains.

Chart 1: Longer dated UK inflation breakevens remained stable during the twin shocks of Covid and Ukraine, unlike short breakevens. Stable longer breakevens strengthens the case for further BoE easing.

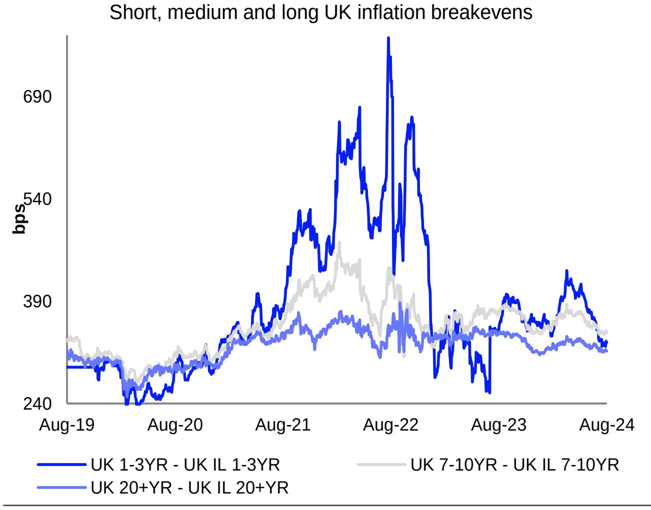


Chart 2: The dollar fell back sharply in August, as the FX markets priced in about 100bp of Fed easing over the rest of 2024. The yen benefitted from renewed expectations of higher BoJ policy rates.

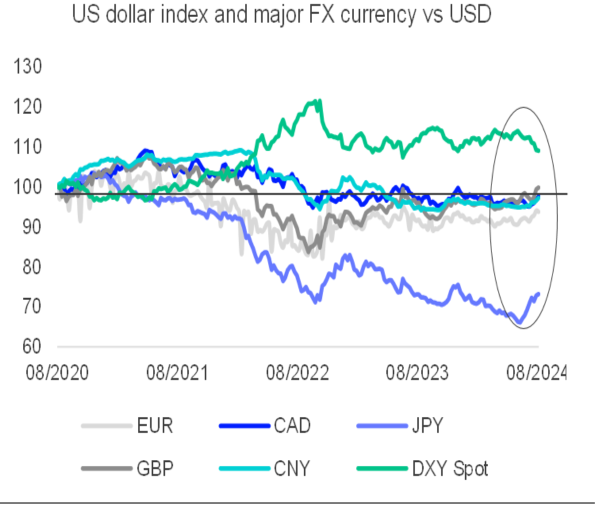


Chart 3: Markets await Fed easing in September, after recent signalling. Lower inflation is driving lower rates in Europe, including the UK, but the BoE faces an inflation spike risk in Q4, suggesting a slow easing cycle.

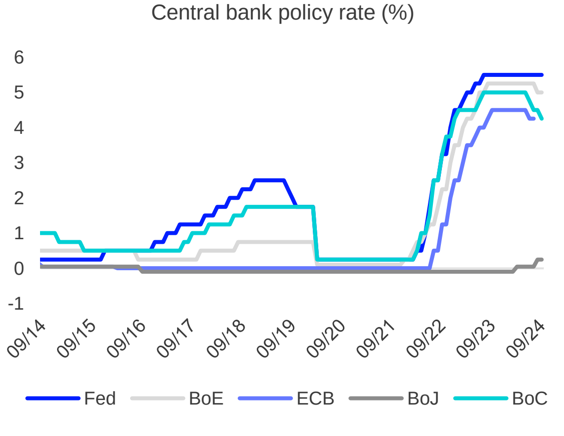
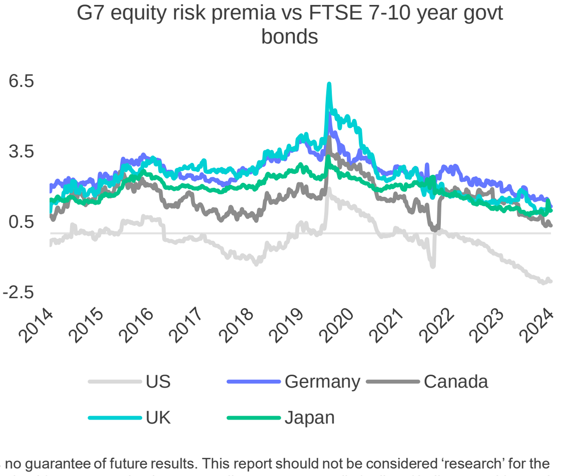


Chart 4: The bout of risk-off in August was too short-lived to make a significant change to G7 equity risk premia. Only in the US is the equity risk premium at extreme levels versus the 10 year mean.



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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.

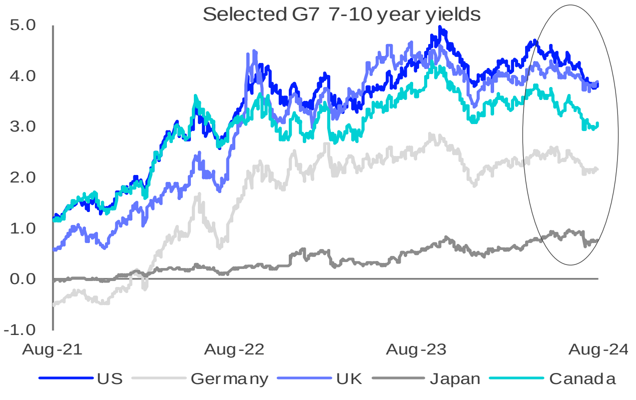


Chart 2: Real yields also fell but less than nominals, in 7-10 years, as inflation fell. Conventional bonds proved the bigger beneficiary of of risk-off early in August - the normal pattern in risk-off phases.

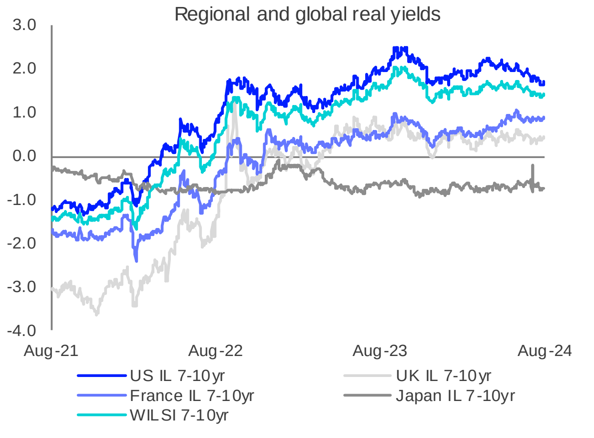


Chart 3: Bull steepening of curves developed in Q3, except Japan, where the BoJ is tightening policy, and not loosening. Market discounting of central bank rate cuts caused short yields to drop more than medium.

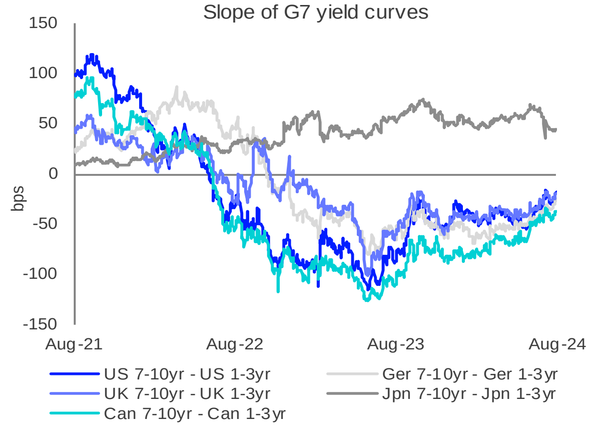


Chart 4: Yield curves steepened in longs in August, as shorter yields fell more, and taking curves to positive gradients in all markets ex Canada. JGBs steepened less, on prospects of higher short rates.

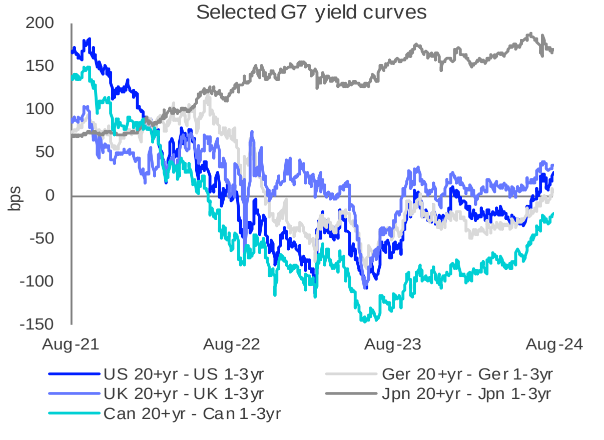


Chart 5: Inflation breakevens fell back, as nominal yields fell more, notably in the bout of risk-off in early-August. Stable breakevens at, or below, 2% remain a key support for central bank easing.

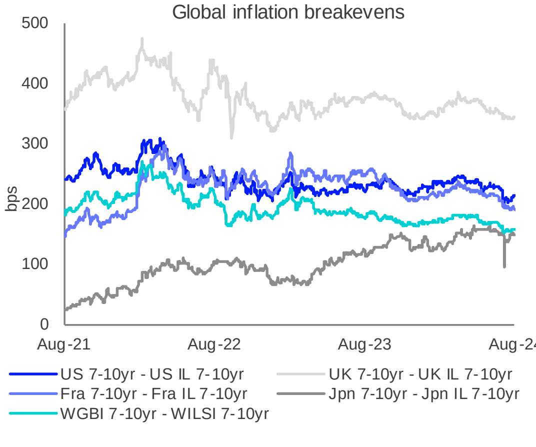
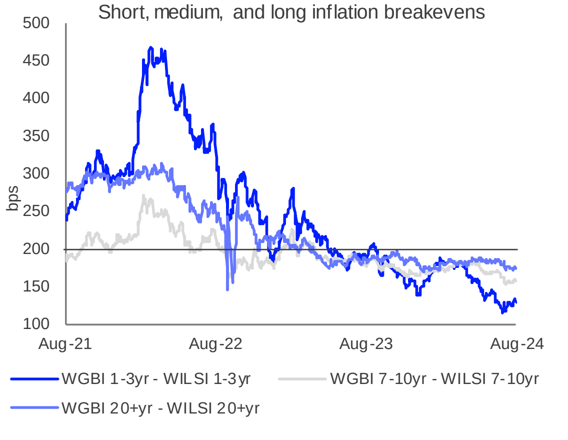


Chart 6: Longer breakevens reacted less to the bout of risk-off in August, but short breakevens dropped steeply, before recovering as markets stabilised. Lower energy prices also helped reduce short b/evens.



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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.

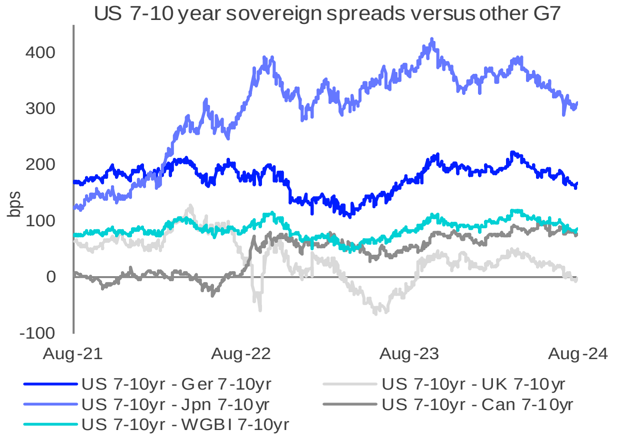


Chart 2: BTPs broadly matched the modest declines in Bund yields in August, though spreads spiked out briefly during the risk-off phase, notably against US Treasuries, before stabilising.

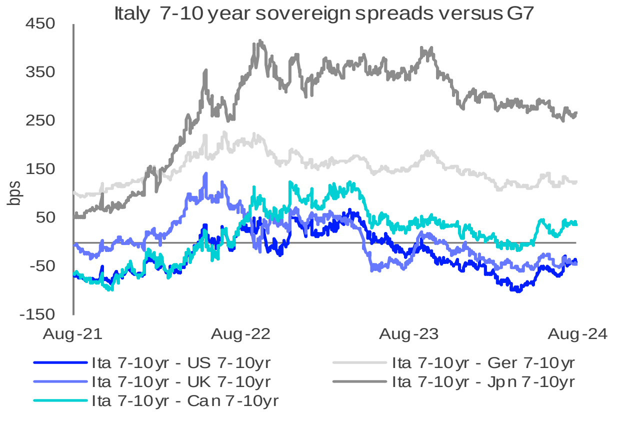


Chart 3: EM spreads edged out versus the G7 in August, though mainly because G7 yields fell more, notably in Canada. EM spreads remain near cycle lows versus the UK and Germany.

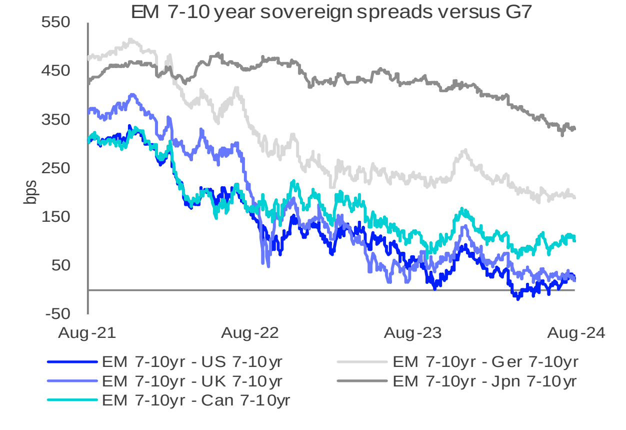


Chart 4: Chinese spreads widened in August, as G7 yields declined more in response to easing expectations for central banks. However, Chinese yields remain well below most G7 markets, led by US and UK.

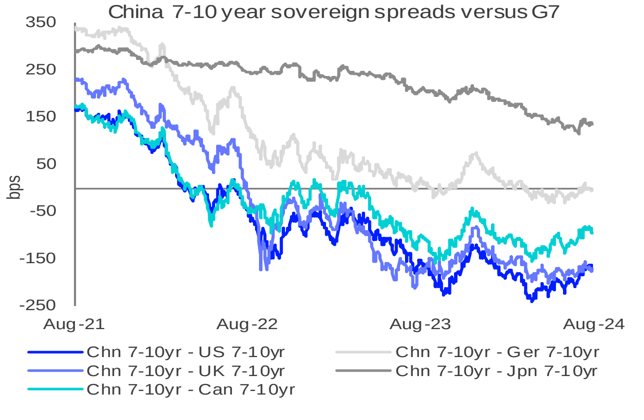


Chart 5: US HY spreads are now well below pre-Covid levels, by almost 130bp, after the strong risk rally in 2023-24, signalling some valuation risks. Only Eurozone IG spreads are above pre-Covid levels.

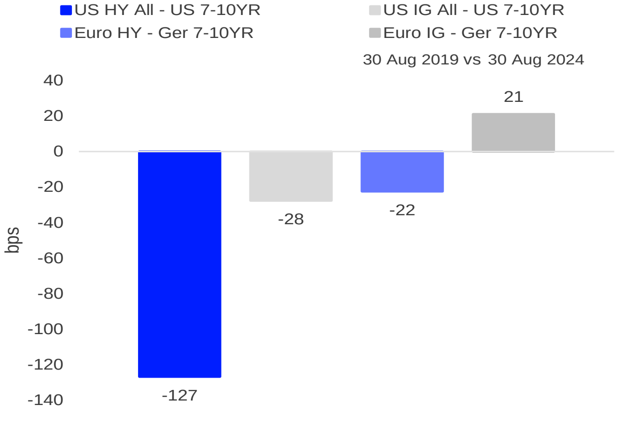
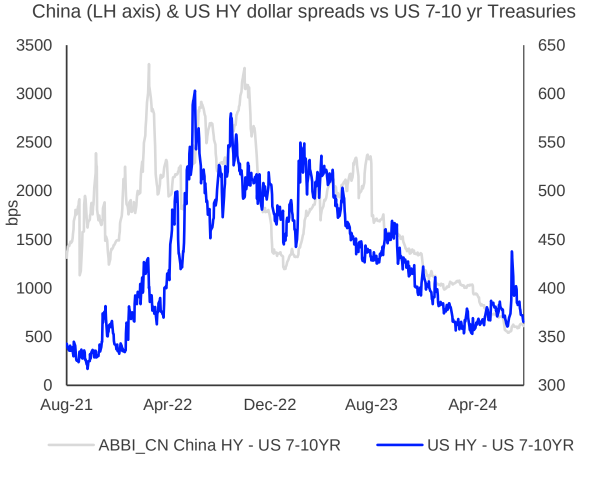


Chart 6: Since the collapse in China HY dollar issues in 2021-22, spreads have fallen sharply, exceeding the decline in US HY spreads, driven by Chinese property market support measures.



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Investment Grade Credit and RMBS analysis

Chart 1: UK IG credits show financials performing strongly since the Ukraine and inflation shocks in 2022, and other Utilities are one of the weakest sectors, after tougher regulation of water companies.

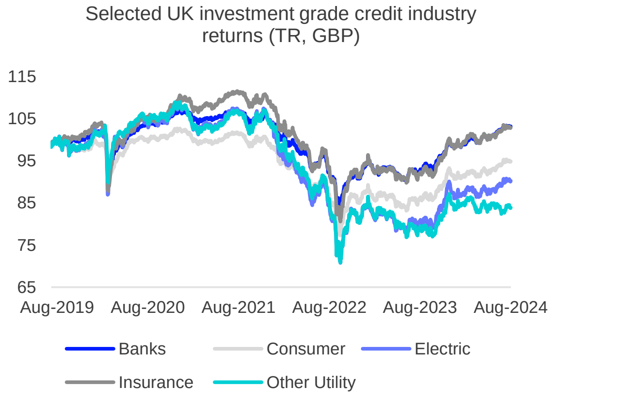


Chart 2: This is also reflected in the spike in other Utility spreads, despite the risk rally in recent months. Consumer credits have been a strong performer, alongside Banks and Insurers.

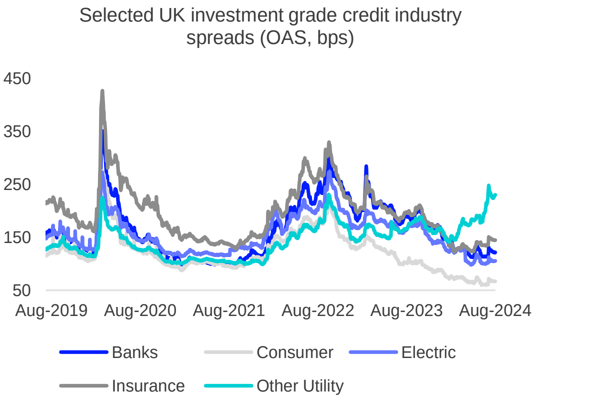


Chart 3: AAA credits have been most exposed to higher rates, and duration risk during the period of higher rates. BBB credits have drawn support from the risk rally and higher correlation to equities.

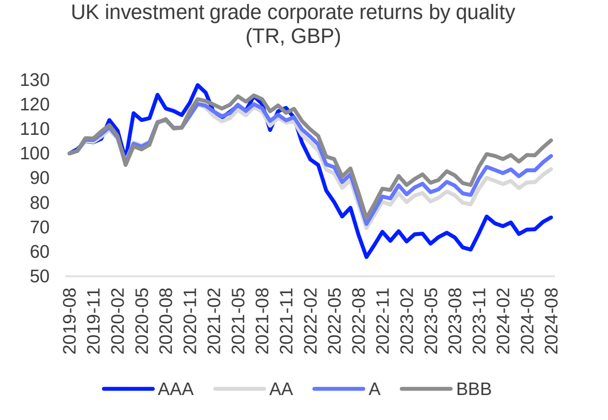


Chart 4: Duration of IG credit dropped sharply since central banks raised rates from Q4 2021, and yields rose, with UK duration falling most. Duration has begun to creep back up in 2024, as yields fell.

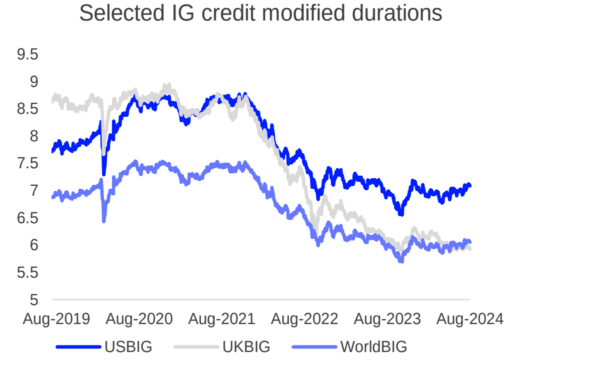


Chart 5: After falling sharply relative to RMBS spreads, IG spreads briefly spiked in August before tightening as risk appetite recovered. Agency-RMBS spreads were protected by the agency-guarantee.

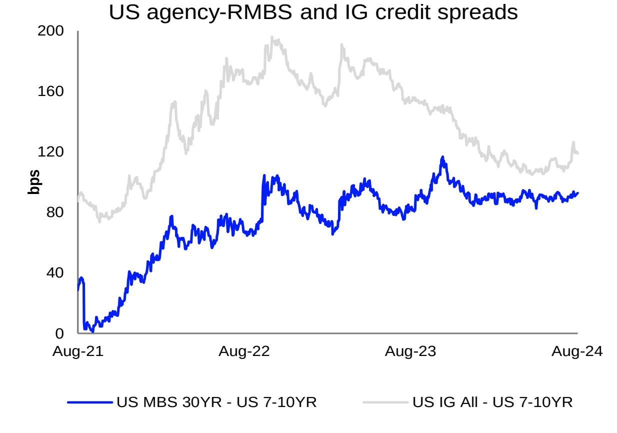
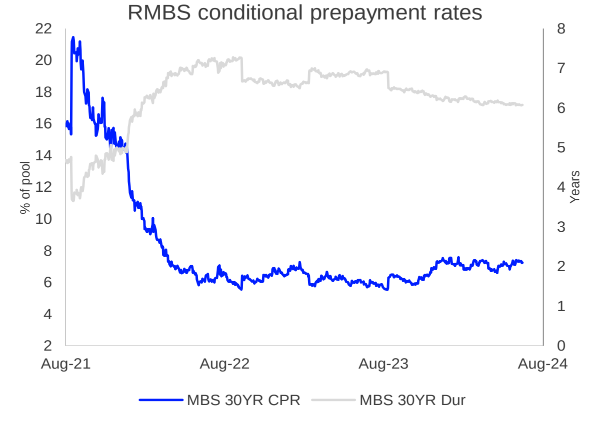


Chart 6: Mortgage refis and RMBS prepayments remain subdued, as markets await Fed easing, with current mortgage rates still far above most MBS coupons. Mortgage delinquency rates remain low.



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High Yield Credit Analysis

Chart 1: UK HY spreads have returned to pre-Covid levels, after the Covid and Ukraine shocks. Bank spreads remained more stable than most industries, since 2022, reflecting the benefits of higher rates.

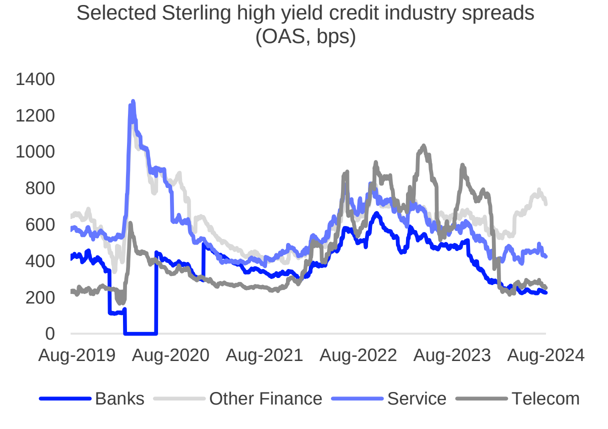


Chart 2: Services dominate HY issuance in the UK market, with much lower energy and utilities' issuance than the US, but a higher share of Financials, in line with the higher UK financials equity market weight.

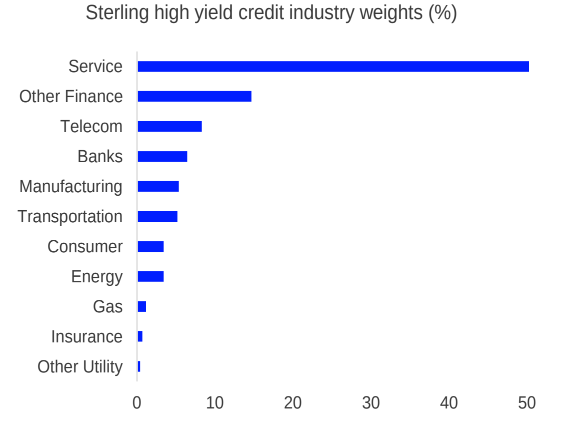


Chart 3: BB has underperformed single B, since Covid, but CCC has delivered the strongest returns in the risk-rally in 2023-24. CCC issues soon recovered after the brief August bout of risk-off.

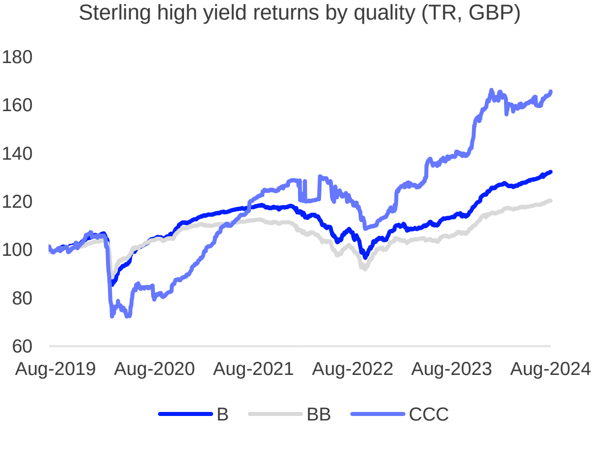


Chart 4: As in the UK, CCC has outperformed in HY markets globally since the risk rally began in Q4 2023. Single B issues have also outperformed BB, which is the largest sector in HY markets.

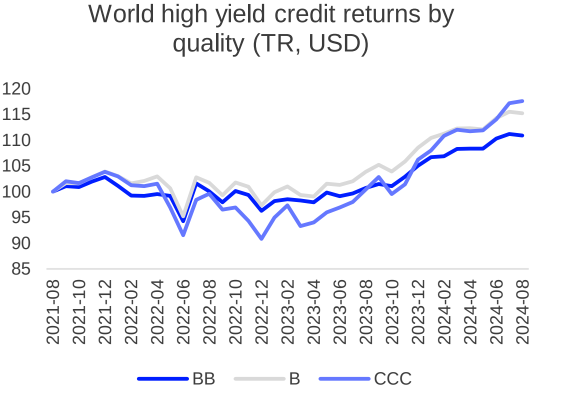


Chart 5: Short dated HY spreads remain more volatile as they capture short rate expectations and UK base rate moves. Yield sensitivity is also higher to price moves, as the Covid phase shows.

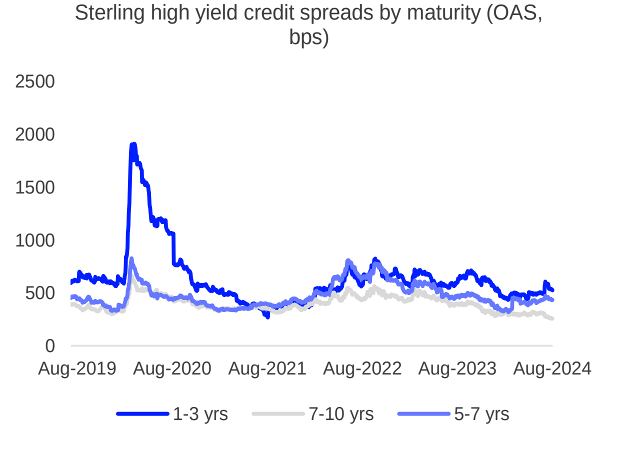
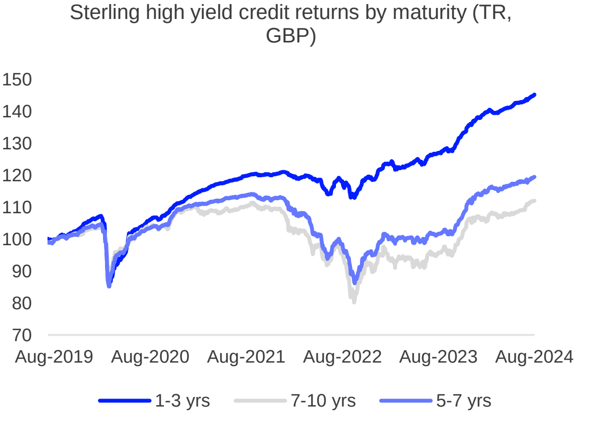


Chart 6: It is notable that shorter dated sterling HY issues delivered the strongest returns since Covid, being less exposed to higher rates, and still enjoying strong correlation to equities in the risk rally.



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SI Sovereign 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 drew strength over 12M from an improved int.rate outlook.

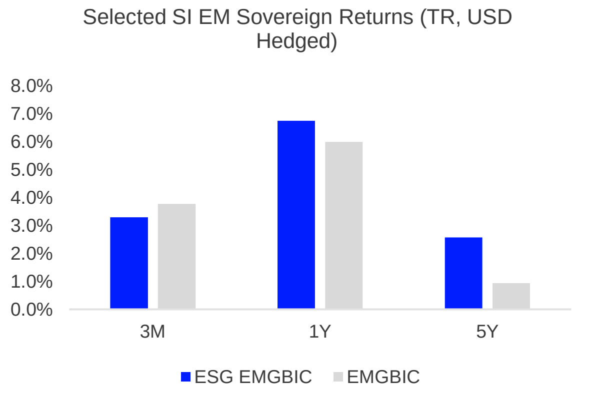


Chart 2: On a relative basis, ESG EMGBIC outperformed over 12M, largely due to European overweights, like Poland, Hungary and Romania, which enjoyed an earlier pause in interest rate hikes vs other EMs.

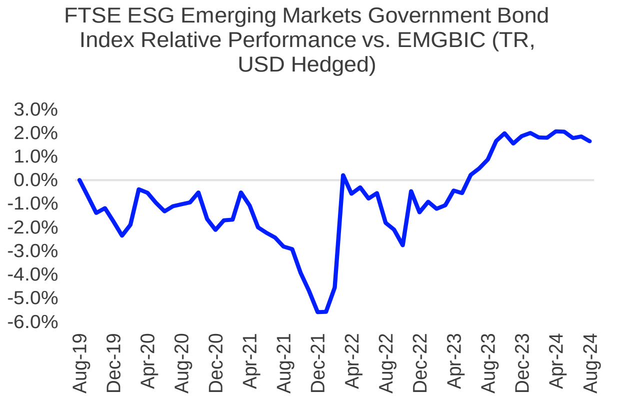


Chart 3: Compared to its non-ESG counterpart, the FTSE ESG EMGBI has a slight bias towards both European sovereigns and higher income countries in Asia and the Americas.

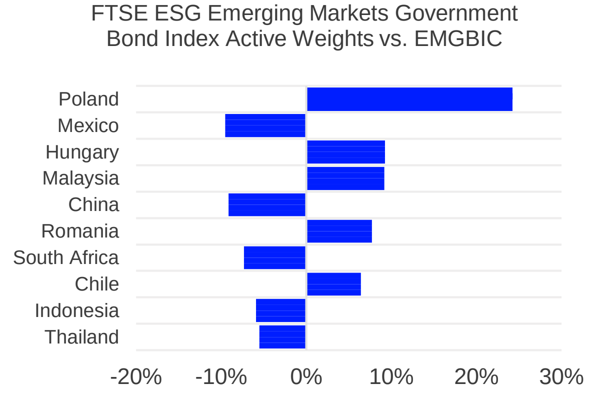


Chart 4: ESG EMGBIC shows clear improvement in credit quality, with a rise in A weighting. This implies more developed, lower risk sovereigns are more likely to have higher ESG scores.

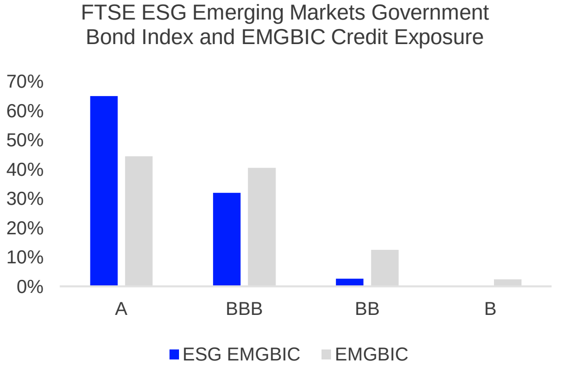


Chart 5: During 2021-22, yields in overweight ESG EMGBIC countries rose on a relative basis, surpassing the yield of EMGBIC. The move has partially reversed since 2023.

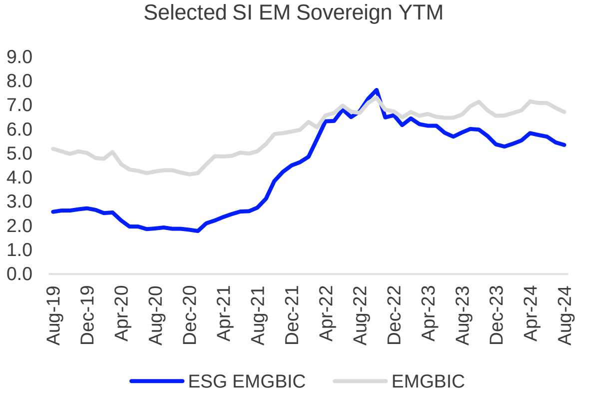
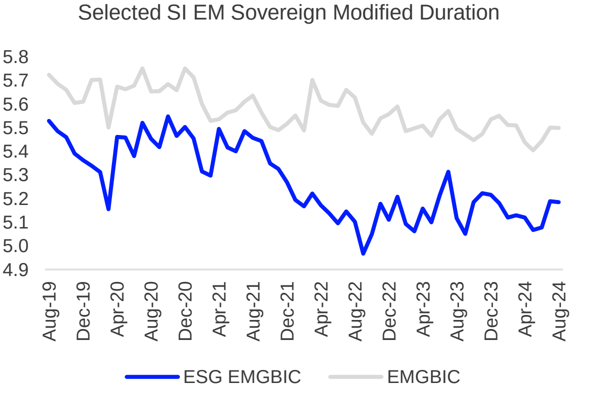


Chart 6: Despite volatility in duration, ESG EMGBIC has shown lower duration than its non-ESG counterpart. This is a contrast to other SI sovereign indices, which have typically seen positive active duration.



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

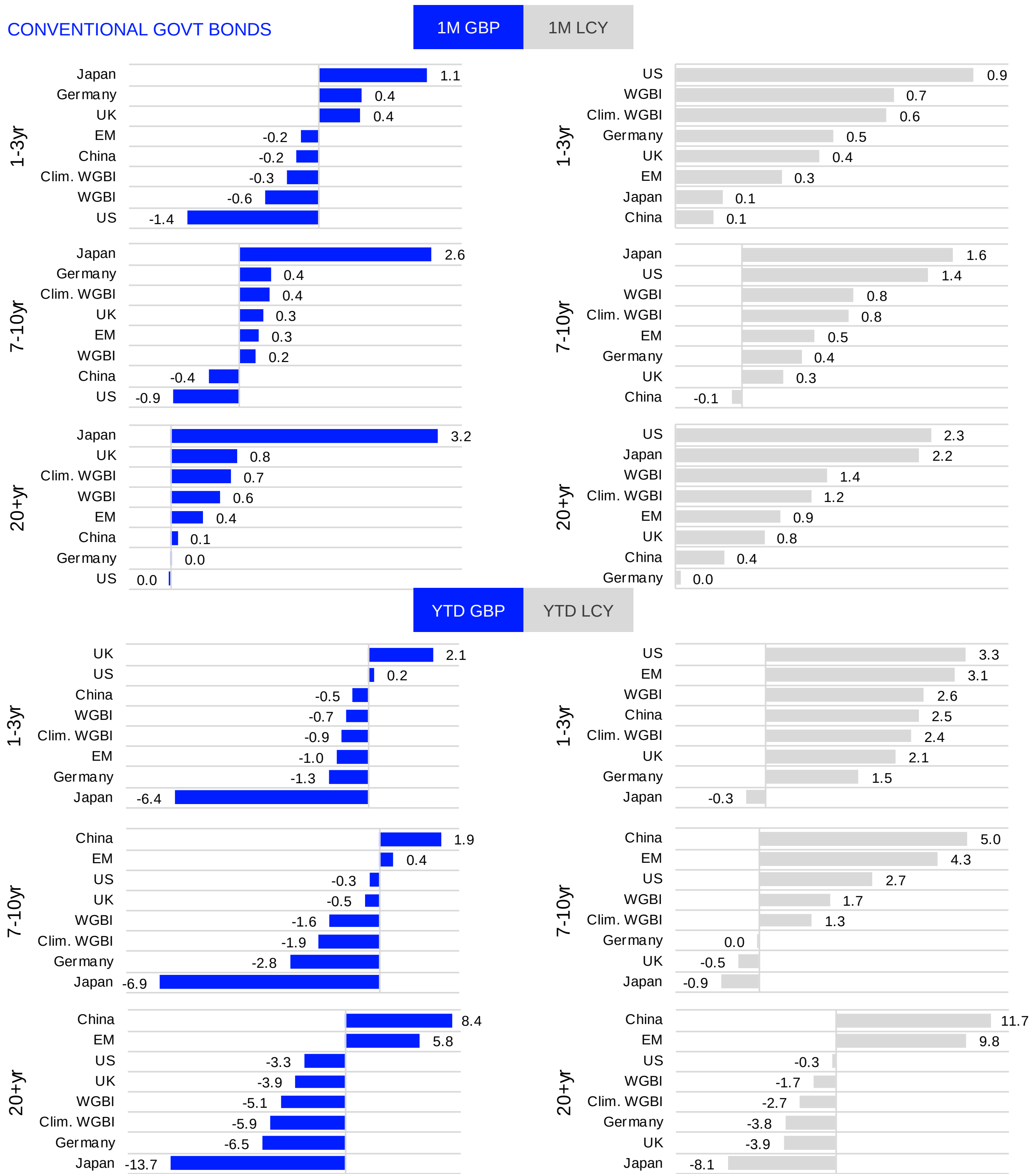
Yields fell further, across the curve, in August, though a slightly stronger GBP reduced returns in overseas markets for a sterling-based investor. JGBs benefitted from the yen rally, with gains of 1-3%. China and EM bonds underperformed but remain strongest YTD, while long JGBs still show losses of 14% YTD, due to the end of curve control & weak yen.

Fed Chairman Powell's statement the time has come "for policy to adjust" (at Jackson Hole), lower inflation, and weak payrolls drove bond markets marginally higher in August, and the dollar lower, as markets priced in substantial Fed easing by end 2024.

Longs led the modest August rally. JGBs and gilts gained 1-3%, though US dollar weakness squeezed US Treasuries' returns.

YTD, China and EM bonds gained 6-8%, reflecting rate cuts and duration benefits when rates fall. But G7 longs show losses of 3-14% YTD.

CONVENTIONAL GOVT BONDS



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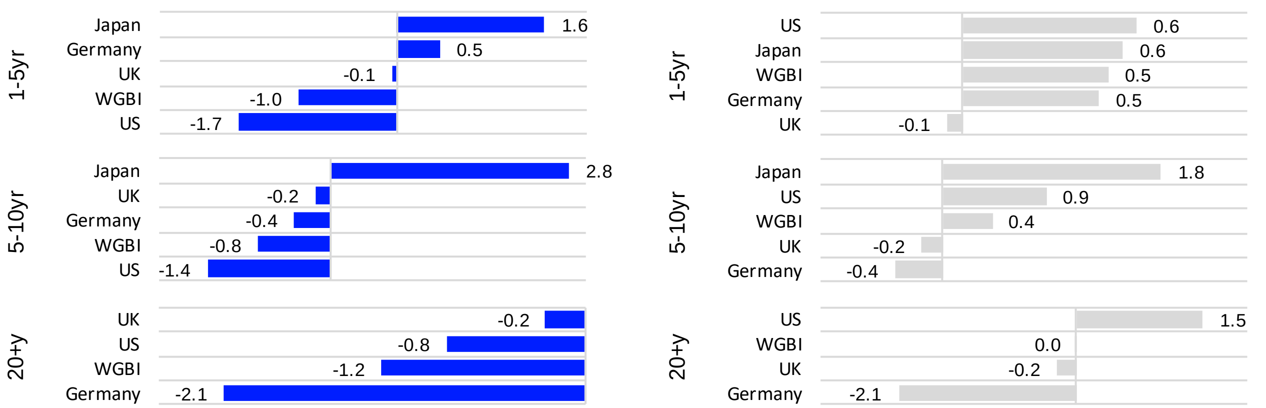
Global Inflation-Linked Bond Returns − 1M & YTD % (GBP, LC, TR)

Inflation-linked underperformed conventionals in the August rally, after a bout of risk-off in August, though moves were modest. Yen strength boosted JGB returns for a sterling investor, with JGB linkers the strongest performers. Credit recovered over the month, and still shows gains of 2-7% YTD, led by EM and Euro HY credits.

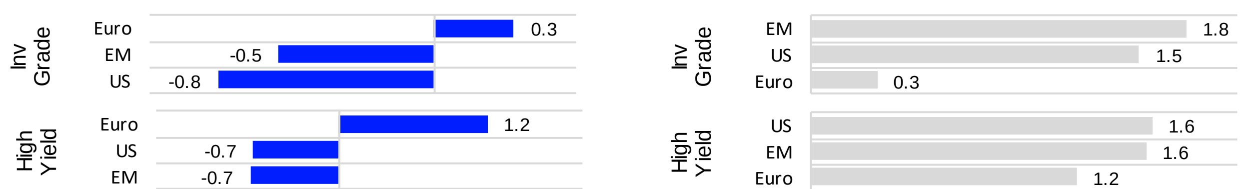
Currency moves were key to August returns, as the USD fell on lower rate expectations, and the yen gained versus GBP, driving JGB linker gains of 2-3%. Euro IG and HY credits eked out modest gains, in sterling terms, as the Euro held its own.

Long Bund, WILSI and UK linkers show losses of 6-9% YTD, in sterling terms, as long duration took its toll. Credit out-performance continues, boosted by the risk rally, and correlation to equities, with HY strongest.

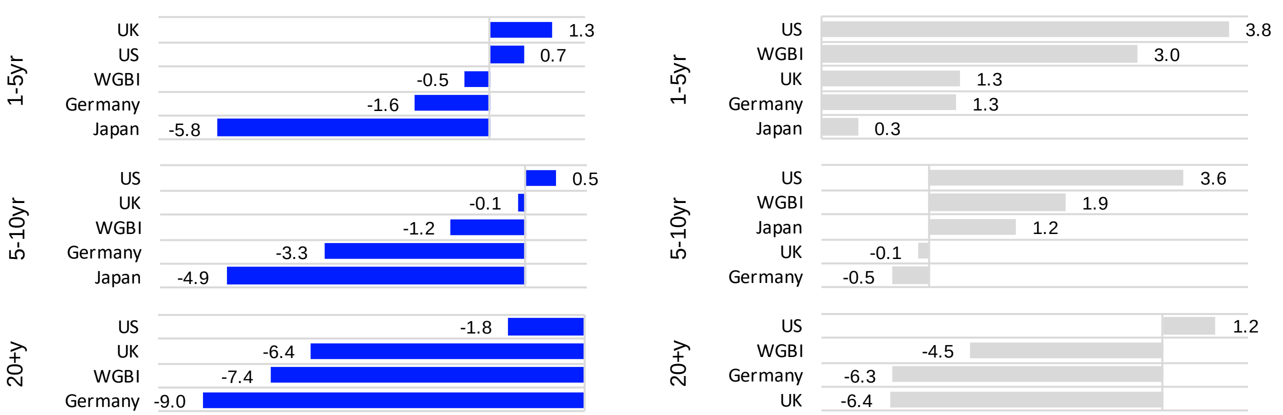
INFLATION LINKED BONDS 1M GBP | 1M LCY



CORPORATE BONDS



INFLATION LINKED BONDS YTD GBP | YTD LCY



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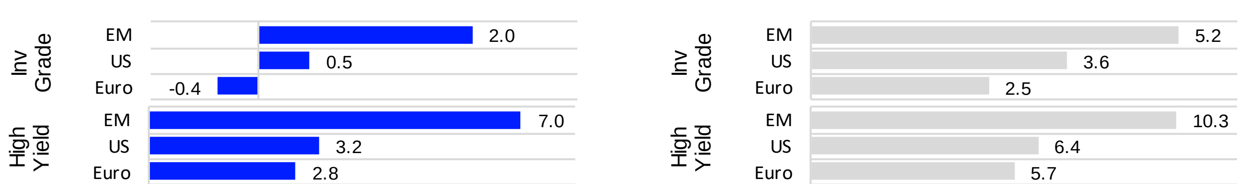

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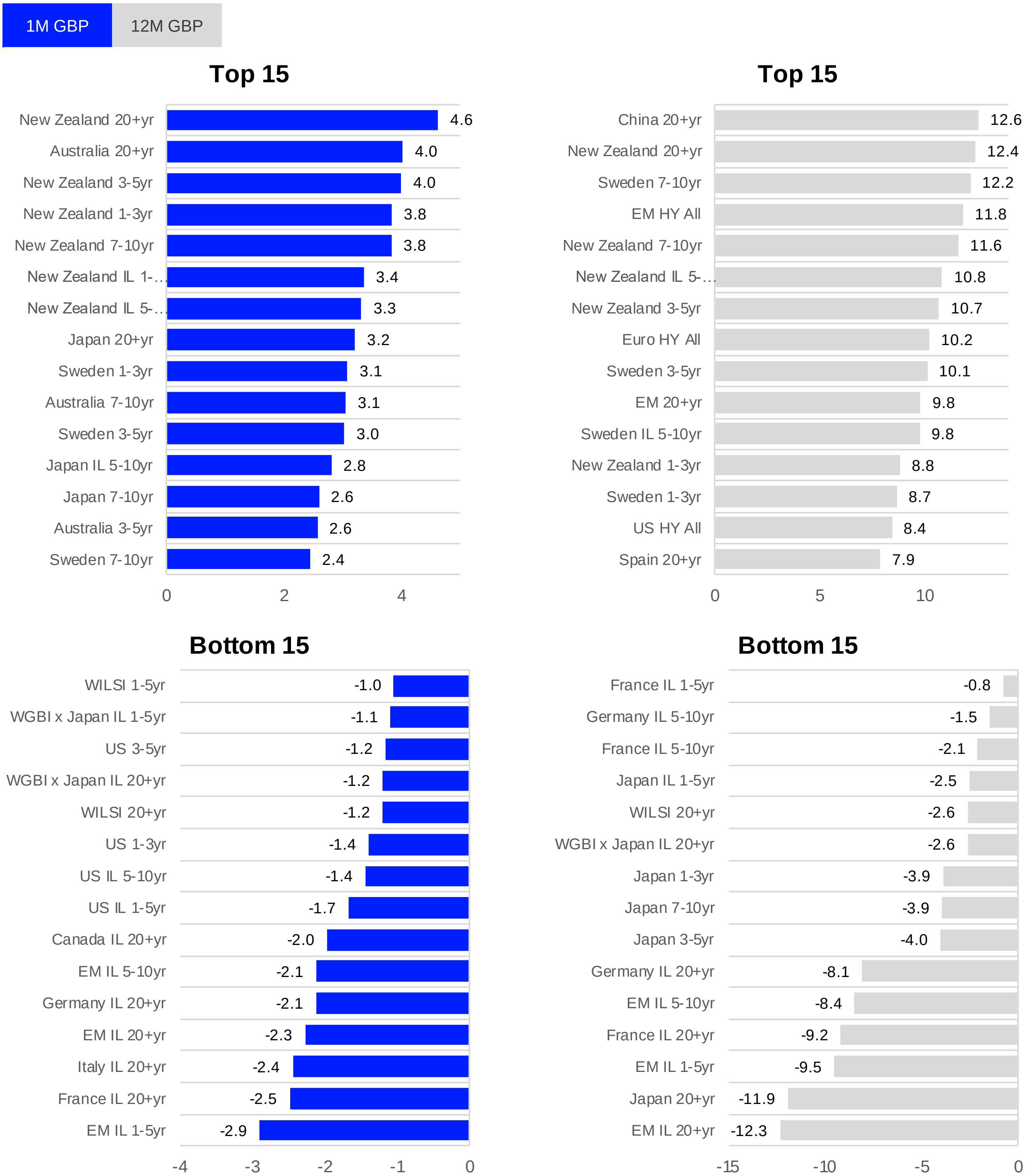
Top and Bottom Bond Returns − 1M & 12M % (GBP, TR)

Longer Australasian govts led global returns in August, in sterling terms, with gains of 3-5% enhanced by the RBNZ's first rate cut (Aug 14). NZGBs, Chinese, and Swedish bonds also led 12M gains, helped by currency resilience and rate cuts, with gains of 9-13%. HY credit also shows strong 12M returns, but JGBs remained weakest on 12M.

The rally in NZ govt 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 again on August 20 (to 3.5%), hinting at further cuts this year.

Linkers lagged in August, as the risk-off phase and lower inflation drove breakevens lower. On 12M, long JGBs and EM inflation linked lost 12%, after yen weakness and the end of curve control. EM inflation linked were hit by weakness in the real and peso.



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Appendix – Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3yr	2.64	-0.57	3.35	-0.53	3.30	0.20	5.89	2.10
	7-10yr	5.66	2.36	5.02	1.08	2.74	-0.34	6.11	2.31
	20+yr	7.84	4.48	4.77	0.84	-0.27	-3.26	4.13	0.39
	IG All	4.65	1.38	5.19	1.24	3.60	0.49	9.39	5.47
	HY All	4.68	1.41	6.07	2.09	6.39	3.20	12.46	8.43
UK	1-3yr	1.92	1.92	2.59	2.59	2.14	2.14	5.52	5.52
	7-10yr	3.52	3.52	3.17	3.17	-0.49	-0.49	7.54	7.54
	20+yr	5.51	5.51	3.10	3.10	-3.93	-3.93	6.20	6.20
Euro	IG All	2.68	1.42	3.36	1.76	2.50	-0.37	7.29	5.50
	HY All	2.90	1.64	4.43	2.81	5.73	2.76	12.09	10.22
Japan	1-3yr	0.18	4.74	-0.12	-1.19	-0.33	-6.39	-0.30	-3.89
	7-10yr	1.88	6.52	-0.49	-1.54	-0.90	-6.93	-0.35	-3.93
	20+yr	2.13	6.78	-7.07	-8.06	-8.12	-13.71	-8.64	-11.93
China	1-3yr	0.87	-0.13	1.81	-0.56	2.52	-0.50	3.14	2.28
	7-10yr	1.98	0.96	3.05	0.65	5.02	1.92	6.11	5.22
	20+yr	5.06	4.01	4.90	2.46	11.70	8.41	13.52	12.57
EM	1-3yr	1.34	-0.39	2.31	-0.84	3.11	-1.05	4.30	1.83
	7-10yr	3.00	1.69	3.27	0.51	4.30	0.43	6.50	3.92
	20+yr	5.36	3.73	4.85	2.06	9.79	5.80	11.97	9.80
	IG All	4.34	1.08	5.32	1.37	5.17	2.01	10.11	6.16
	HY All	4.43	1.17	7.31	3.29	10.30	6.99	16.00	11.84
Germany	1-3yr	1.74	0.49	2.10	0.52	1.53	-1.32	3.37	1.64
	7-10yr	3.86	2.59	2.57	0.98	-0.05	-2.85	4.16	2.42
	20+yr	6.04	4.74	1.58	0.01	-3.82	-6.52	3.45	1.73
Italy	1-3yr	1.88	0.64	2.43	0.84	2.14	-0.72	4.45	2.71
	7-10yr	3.22	1.96	3.46	1.85	2.94	0.06	7.81	6.01
	20+yr	3.71	2.44	3.37	1.77	3.34	0.45	9.30	7.47
Spain	1-3yr	1.82	0.57	2.32	0.74	2.05	-0.81	4.14	2.41
	7-10yr	3.28	2.01	3.38	1.78	1.86	-1.00	7.03	5.25
	20+yr	4.39	3.12	3.92	2.31	1.40	-1.45	9.71	7.88
France	1-3yr	1.73	0.49	2.01	0.43	1.37	-1.47	3.54	1.81
	7-10yr	2.40	1.15	1.36	-0.21	-0.90	-3.68	3.72	1.98
	20+yr	1.67	0.42	-1.58	-3.11	-5.84	-8.48	2.42	0.71
Sweden	1-3yr	2.73	2.21	3.48	0.64	3.01	-1.67	5.40	8.66
	7-10yr	4.31	3.78	4.92	2.04	1.66	-2.96	8.81	12.18
Australia	1-3yr	1.88	0.70	2.22	2.52	2.67	-0.98	4.35	5.40
	7-10yr	4.51	3.29	3.61	3.91	2.95	-0.71	5.12	6.18
	20+yr	6.17	4.93	2.47	2.77	-0.32	-3.85	2.81	3.84
New Zealand	1-3yr	3.04	1.64	4.20	2.99	4.42	0.09	7.41	8.81
	7-10yr	5.32	3.90	5.94	4.71	3.84	-0.47	10.17	11.61
	20+yr	6.84	5.40	6.27	5.04	0.88	-3.31	10.97	12.42
Canada	1-3yr	2.13	0.07	3.10	-0.13	3.12	-2.14	5.89	2.49
	7-10yr	4.95	2.84	4.89	1.60	2.32	-2.90	7.48	4.03
	20+yr	5.53	3.40	3.85	0.59	-2.41	-7.39	6.22	2.81

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Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5yr	2.39	-0.80	3.78	-0.12	3.82	0.70	6.43	2.61
	5-10yr	4.02	0.77	4.86	0.93	3.59	0.48	6.74	2.92
	20+yr	6.51	3.19	4.76	0.83	1.25	-1.79	3.73	0.02
UK	1-5yr	1.15	1.15	2.91	2.91	1.30	1.30	5.87	5.87
	5-10yr	1.44	1.44	2.46	2.46	-0.14	-0.14	5.15	5.15
	20+yr	2.85	2.85	0.97	0.97	-6.41	-6.41	-0.65	-0.65
Japan	1-5yr	0.97	5.57	0.58	-0.49	0.34	-5.76	1.12	-2.52
	5-10yr	1.46	6.08	1.17	0.10	1.23	-4.92	2.97	-0.74
EM	1-5yr	3.01	-7.85	4.36	-10.09	5.97	-10.47	7.85	-9.50
	5-10yr	3.41	-6.28	2.37	-9.50	2.67	-11.29	6.48	-8.45
	20+yr	2.06	-8.71	-1.29	-14.77	-3.29	-17.84	2.60	-12.34
Germany	1-5yr	1.34	0.10	2.12	0.54	1.26	-1.58	1.72	0.02
	5-10yr	1.83	0.59	1.70	0.13	-0.52	-3.31	0.21	-1.46
	20+yr	1.37	0.13	-1.83	-3.36	-6.33	-8.96	-6.50	-8.06
Italy	1-5yr	1.72	0.48	2.41	0.82	1.98	-0.88	4.26	2.52
	5-10yr	1.66	0.42	2.71	1.12	2.52	-0.36	4.66	2.91
	20+yr	-0.29	-1.51	-0.74	-2.28	0.36	-2.46	1.22	-0.46
Spain	1-5yr	1.57	0.33	2.32	0.73	1.43	-1.42	2.72	1.00
	5-10yr	1.53	0.29	2.61	1.02	1.61	-1.24	3.47	1.74
France	1-5yr	0.99	-0.24	0.91	-0.65	0.05	-2.76	0.92	-0.77
	5-10yr	0.55	-0.68	0.17	-1.38	-1.62	-4.38	-0.40	-2.07
	20+yr	-3.41	-4.59	-6.50	-7.95	-10.28	-12.80	-7.62	-9.16
Sweden	1-5yr	2.11	1.59	2.65	-0.18	2.06	-2.58	4.20	7.43
	5-10yr	3.02	2.50	4.47	1.60	1.73	-2.89	6.46	9.75
Australia	1-5yr	2.02	0.83	2.26	2.56	2.32	-1.31	4.64	5.70
	5-10yr	3.15	1.95	2.55	2.85	1.71	-1.90	5.02	6.07
	20+yr	4.18	2.96	-0.20	0.10	-5.91	-9.25	1.15	2.17
New Zealand	5-10yr	1.87	0.50	4.25	3.04	3.85	-0.46	9.42	10.85
Canada	20+yr	3.80	1.71	4.53	1.25	0.34	-4.77	8.74	5.25

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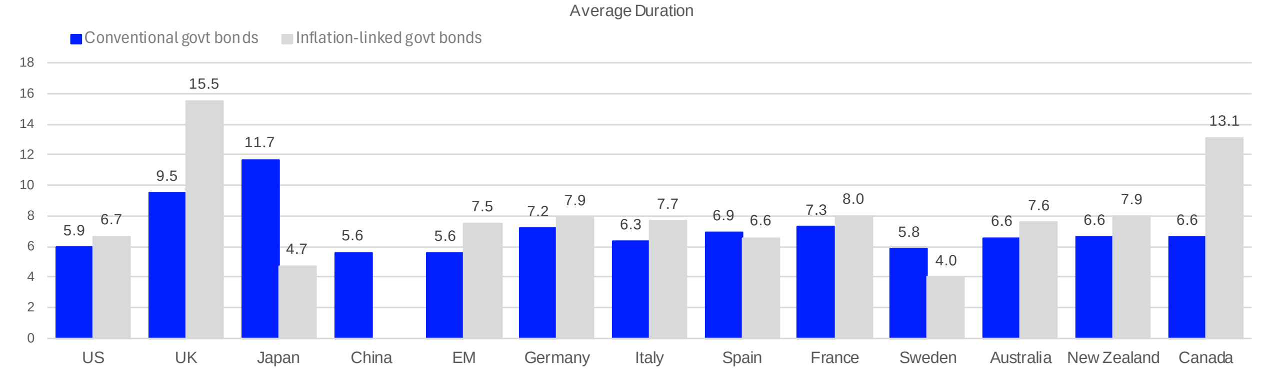
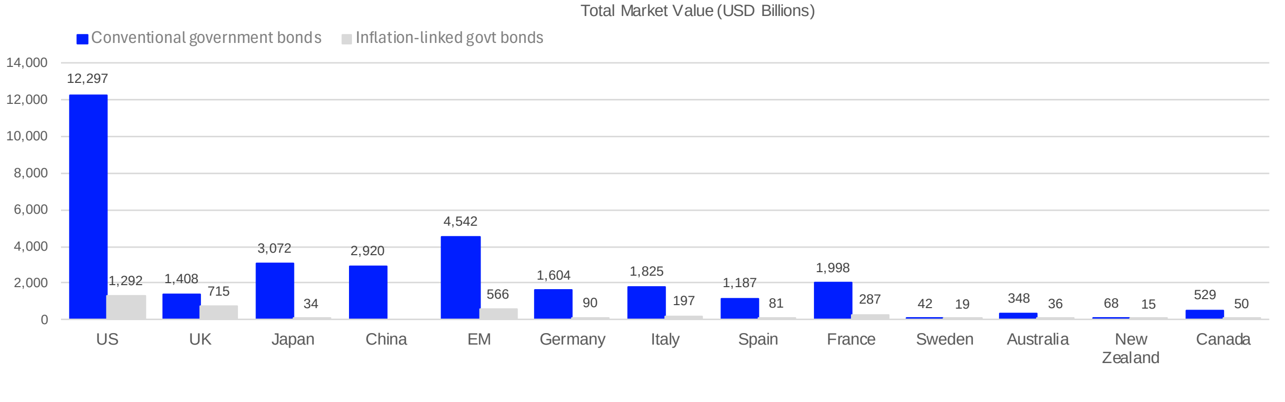
Appendix – Duration and Market Value (USD, Bn) as of August 30, 2024

	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**

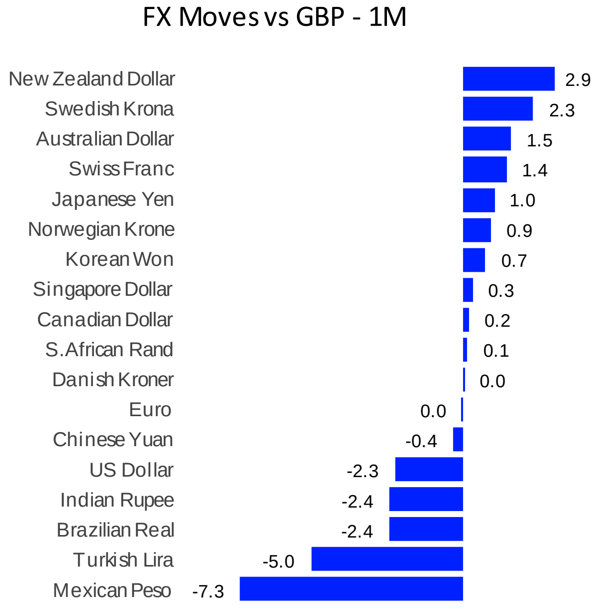
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.4	8.5	7.2	6.6	7.0	78.6	459.8	2878.1	3587.2	7003.7	3.8	1083.4
Europe	6.1	4.9	4.6	4.2	4.4	15.7	227.8	1265.6	1617.9	3126.9		
EM		6.8	5.4	5.5	5.5		38.7	220.4	236.3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

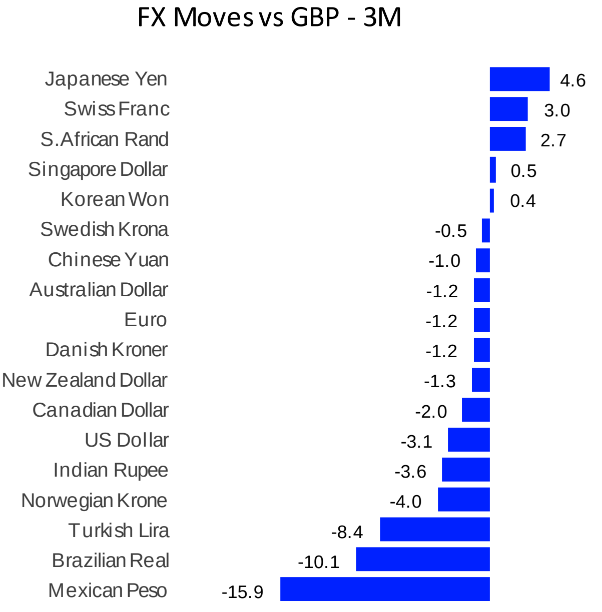


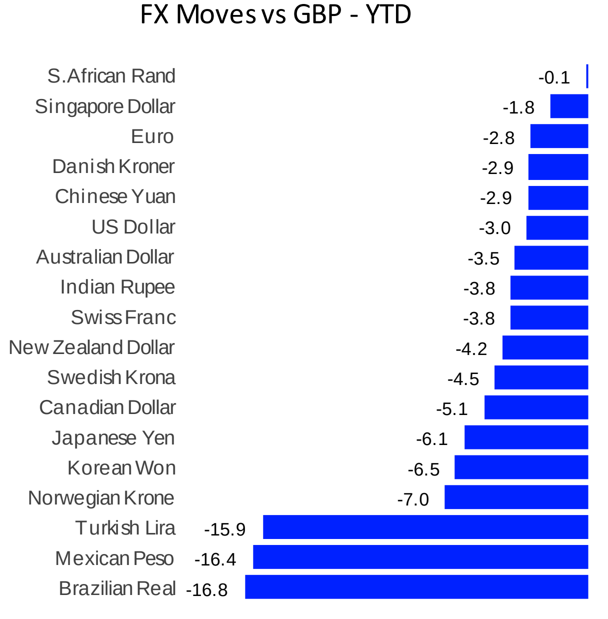


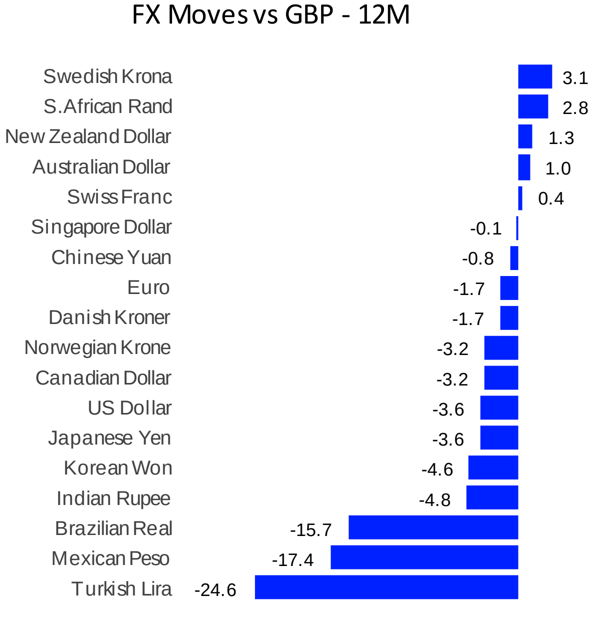
Source: FTSE Russell and LSEG. All data as of August 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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