Fixed Income Insights

US EDITION

MONTHLY REPORT | **SEPTEMBER 2024**

Strong Fed signaling drives bull steepening

Markets discount rapid easing by year-end, after recent Fed signaling, driving bull steepening of the curve and some dollar weakness. August's risk-off bout is a reminder of risk asset vulnerability to weak growth and real estate particularly. Dollar weakness boosted overseas markets with credit helped by active refinancing in the risk rally.

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

Fed signals probable September move; stable inflation expectations key. (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 HY shows duration is an unreliable guide to HY performance. (page 7)

SI sov 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 as dollar weakness boosts JGBs, gilts & Bunds

JGBs outperformed in the G7 but Australasian long bonds proved strongest performers in August, as easing cycle broadens out globally. 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.

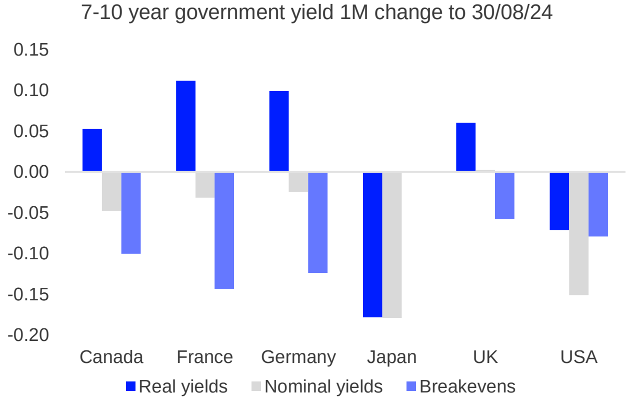
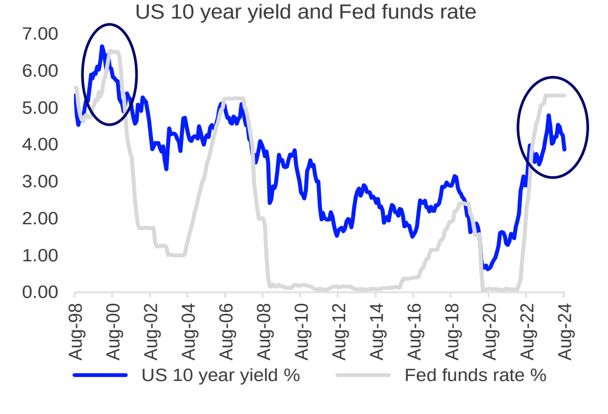


Chart 2: 10-year yields typically front-run Fed policy changes, and the 2024 easing cycle appears the same. In more "conventional" easing cycles, like 2000, the degree of front-running is generally greater.



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 higher unemployment and benchmark revisions lower to employment confirm a weaker outlook. Lower inflation and 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, or no, landing in the US, where consumer spending remains robust (the Atlanta Fed now-cast estimate is 2.0% for Q3). Within regions, the weakness of Germany in the Eurozone, and relative strength of the periphery is a new challenge for the ECB.

Convergence towards 2% targets in G7 inflation continues, led by Canada and Eurozone. US services inflation dipped below 5% y/y in July, as overall CPI inflation fell below 3% y/y. Shelter inflation fell to 5% y/y, from a peak of 8.2% in March 2023, which is important, since it was a key driver of the 2022-23 spike in inflation. Lower energy prices are also helping drive inflation lower.

With the Fed pivoting to focus on maximising employment (in July), the US labour market has become key in assessing Fed policy. The unemployment rate ticked above average earnings growth in June and July, for the first time since August 2021, as Chart 3 shows. With earnings growth at pre-Covid levels, at 3.6% y/y, cost push pressure on services sector inflation is lower, giving scope for policy easing. Benchmark revisions also revised down employment growth by over 900,000 for 2024 to date.

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 slowly towards 2% target levels, led by Canada and Eurozone. US CPI fell below 3% y/y in July (2.9%) for the first time since March 2021, helped by weak goods inflation.

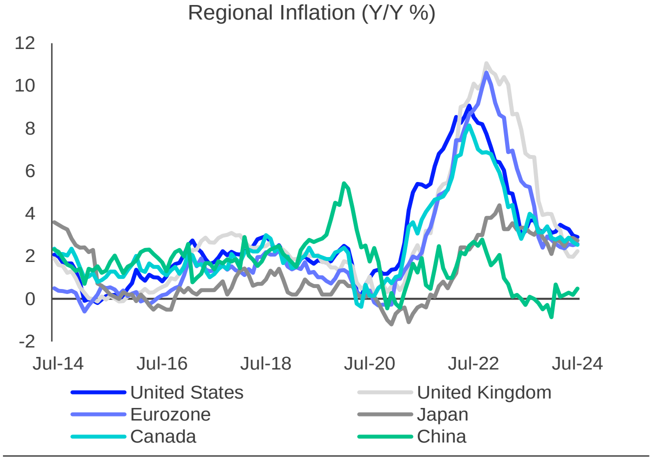


Chart 3: The US labor market moved center stage after the Fed pivot in July. The increase in unemployment to 4.3%, and wage inflation sub-4% may give the Fed scope to ease policy in Sept.

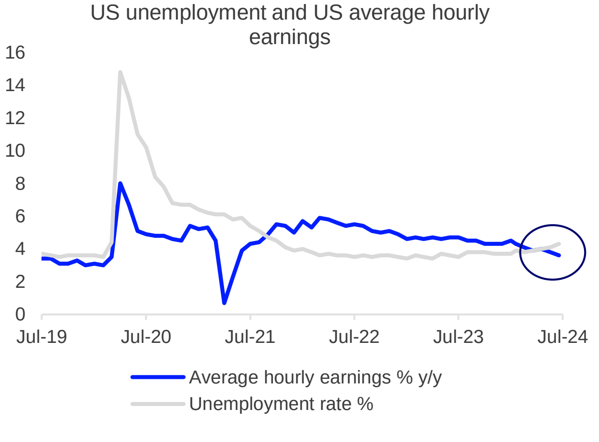
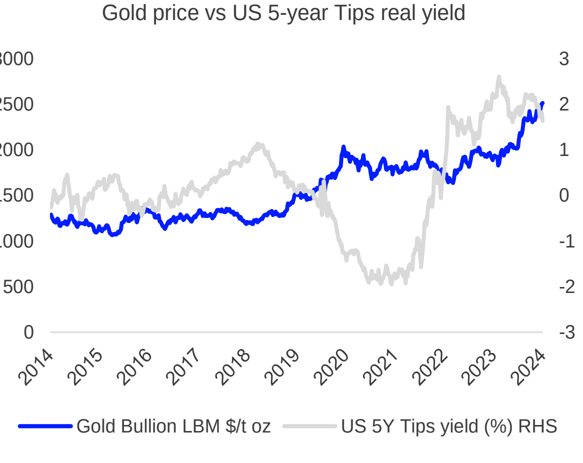


Chart 4: Helped by a decline in real yields, and a weaker US dollar, the gold price hit new highs in August. Central bank buying of gold and geo-political risks have also helped the gold price strengthen.



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Financial Conditions and Monetary Policy Settings

After leading the GFC and Covid easing cycles, the Fed will be the last G7 central bank to ease in 2024, if it does so on September 18. Stable inflation expectations are central to this easing process. Whether the Fed eases as much as the market now discounts, by year-end, is less certain, though this weighed on the dollar in August. After a long risk rally, the bout of risk-off in August highlighted some elevated risk asset valuations, particularly US equities, as the risk premium shows.

Fed Chairman Powell cited stable longer run US inflation expectations as a key factor in the 2023-24 disinflation in his Jackson Hole speech. Chart 1 shows the stability, despite the 2021-22 inflation shock, with longer run expectations never exceeding 3%. This stability may be due to markets expecting the Covid and Ukraine supply shocks to unwind quickly, rather than Fed tightening. Either way, the stability opens the way for Fed easing and suggests a lower inflation regime may be returning.

As expectations of Fed easing intensified, following weak July payrolls, the 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-synchronized, all G7 central banks have now eased policy apart from the US Fed, which has signaled 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 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 characteristic of the cycle, barring another financial shock.

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 US inflation breakevens remained stable during the twin shocks of Covid and Ukraine, unlike short breakevens. Stability in longer inflation breakevens strengthens the case for Fed easing.

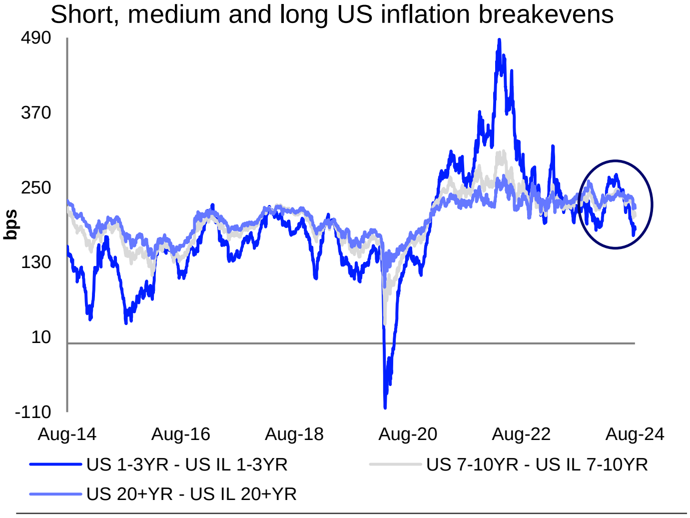


Chart 2: The dollar fell back sharply in August, as the FX markets priced in about 100bp of Fed easing over the rest of 2024. The yen benefitted from renewed expectations of higher BoJ policy rates.

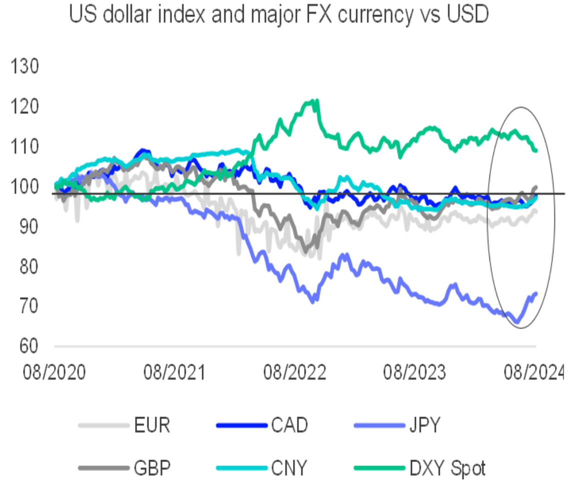


Chart 3: Markets await a Fed easing move in September, after the July pivot. Lower inflation is driving lower rates in Europe and Canada. The BoJ is an outlier, but aggressive tightening would risk renewed deflation.

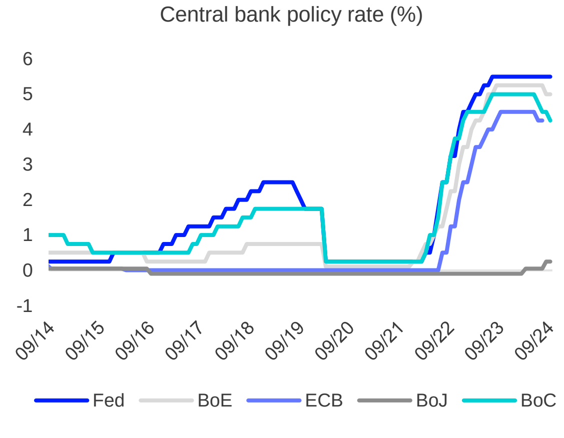
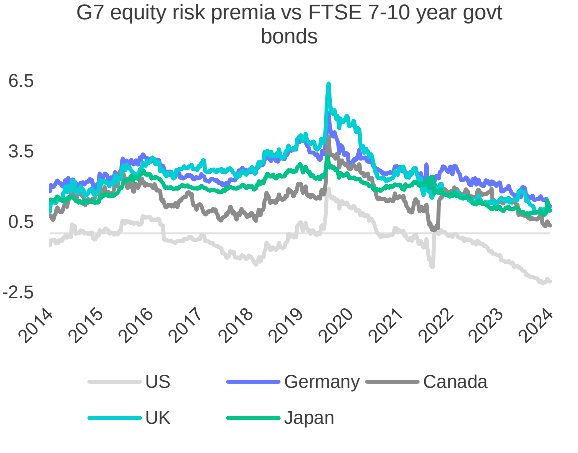


Chart 4: The bout of risk-off in August was too short-lived to make a significant change to G7 equity risk premia. Only in the US is the equity risk premium at extreme levels versus the 10-year mean.



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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.

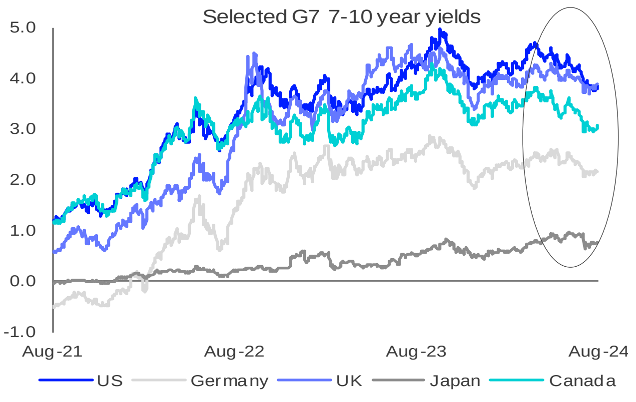


Chart 2: Real yields also fell but less than nominals, in 7-10 years, as inflation fell. Conventional bonds proved the bigger beneficiary of risk-off early in August - the normal pattern in risk-off phases.

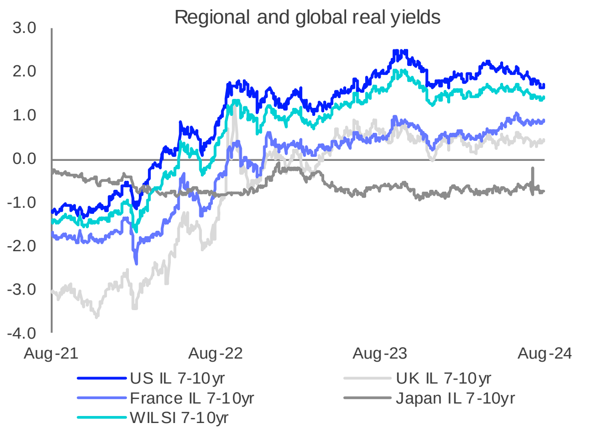


Chart 3: Bull steepening of curves developed in Q3, except in Japan, where the BoJ is tightening policy, and not loosening. Market discounting of central bank rate cuts caused short yields to drop more than medium.

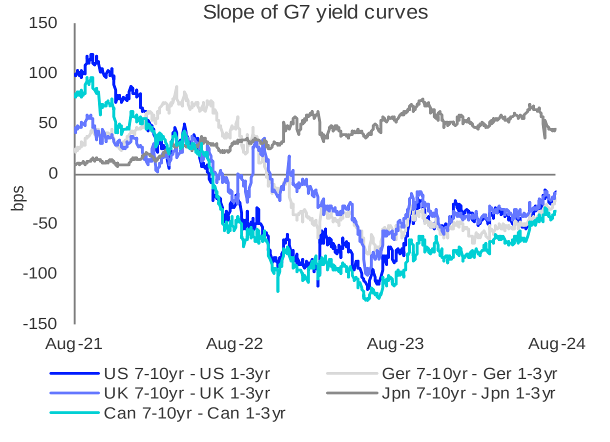


Chart 4: Yield curves steepened in longs in August, as shorter yields fell more, and taking curves to positive gradients in all markets ex Canada. JGBs steepened less, on prospects of higher short rates.

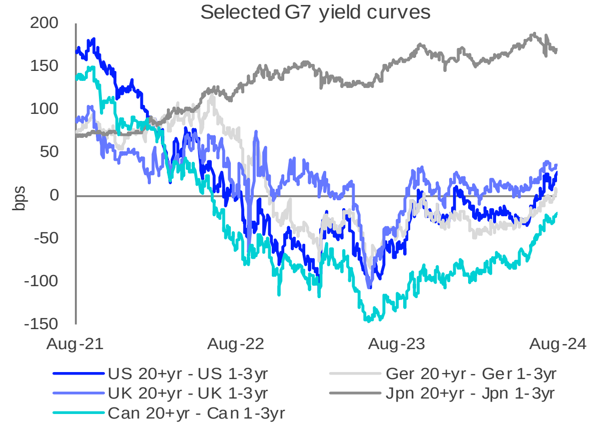


Chart 5: Inflation breakevens fell back, as nominal yields fell more, notably in the bout of risk-off in early August. Stable breakevens at, or below, 2% remain a key support for central bank easing.

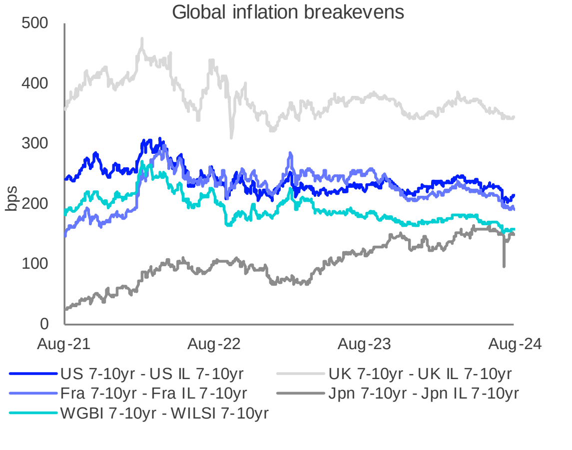
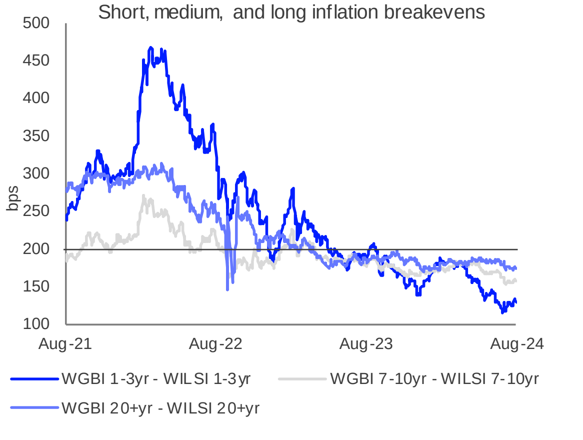


Chart 6: Longer breakevens reacted less to the risk-off in August, but short breakevens dropped steeply, before recovering as markets stabilised. Lower energy prices also helped reduce short b/evens.



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Yield Spreads 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.

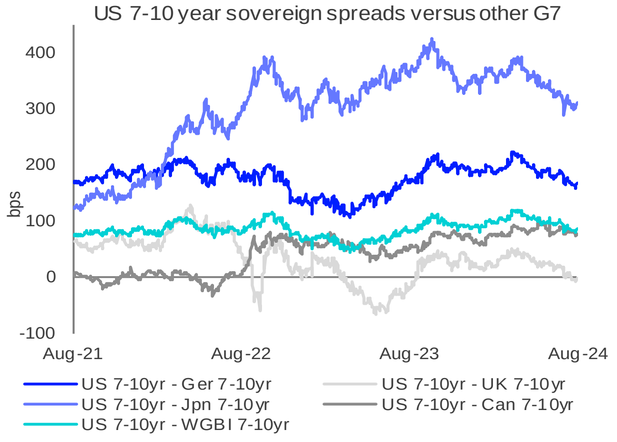


Chart 2: BTPs broadly matched the modest declines in Bund yields in August, though spreads spiked out briefly during the risk-off phase, notably against US Treasuries, before stabilizing.

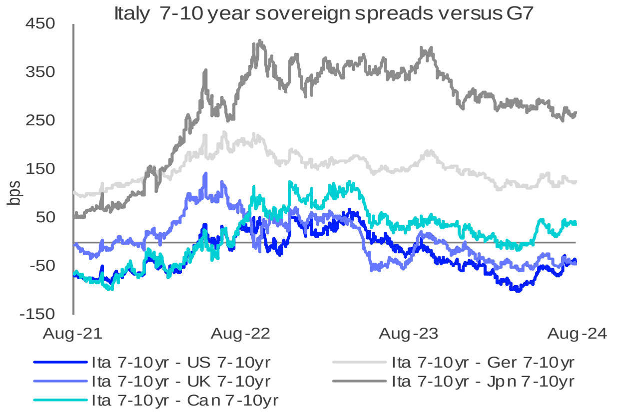


Chart 3: EM spreads edged out versus the G7 in August, though mainly because G7 yields fell more, notably in Canada. EM spreads remain near cycle lows versus the UK and Germany.

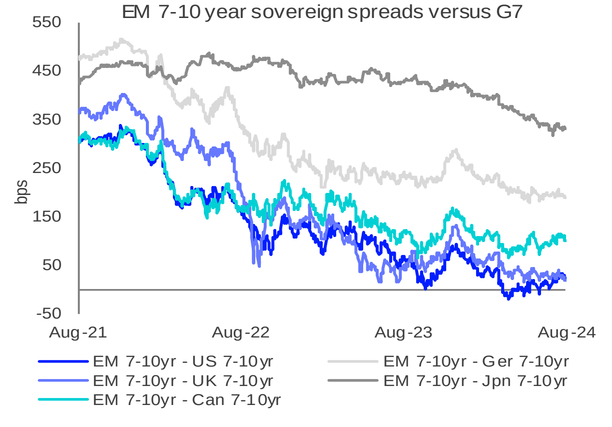


Chart 4: Chinese spreads widened in August, as G7 yields declined more in response to easing expectations for central banks. However, Chinese yields remain well below most G7 markets, led by US and UK.

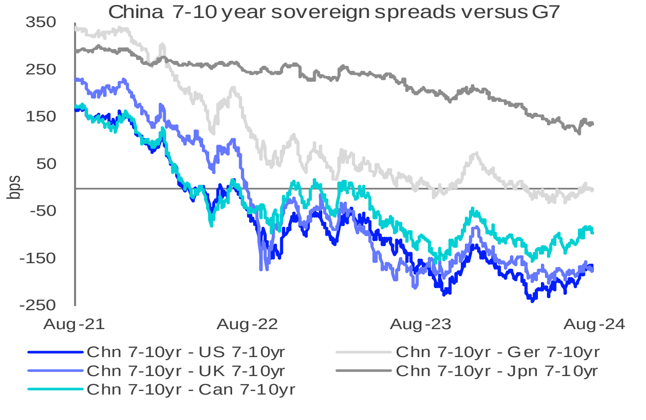


Chart 5: US HY spreads are now well below pre-Covid levels, by almost 130bp, after the strong risk rally in 2023-24, signaling some valuation risks. Only Eurozone IG spreads are above pre-Covid levels.

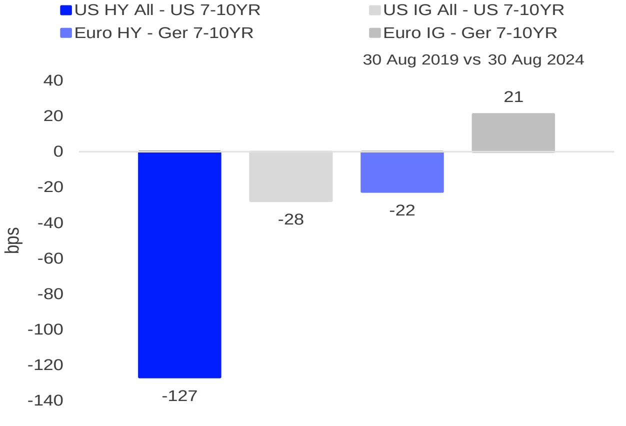
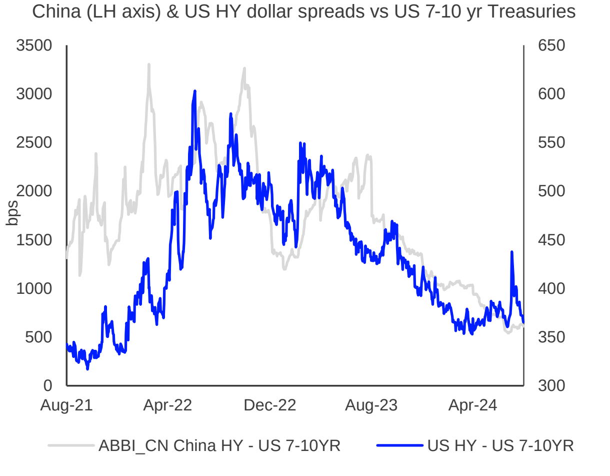


Chart 6: Since the collapse in China HY dollar issues in 2021-22, spreads have fallen sharply, exceeding the decline in US HY spreads, driven by Chinese property market support measures.



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Investment Grade Credit and RMBS analysis

Chart 1: US IG spreads moved only modestly during the risk-off bout in August. Spreads have normalized to pre-Covid levels, or below, including Energy. Bank spreads have a much lower beta in this cycle.

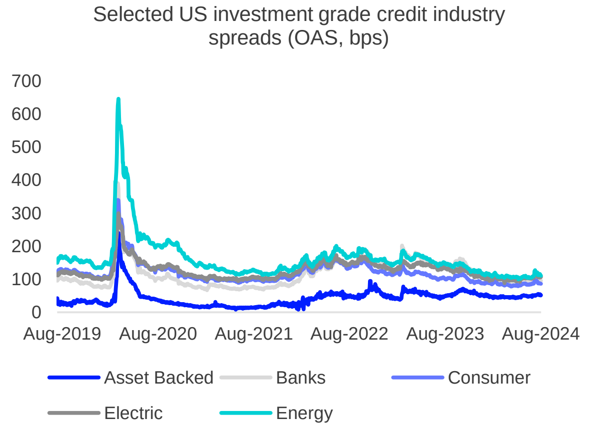


Chart 2: BBB spreads fell most during the risk rally, and are back at Q1 2020 levels, reflecting the risk rally in 2023-24, and higher correlation to equities. Higher grade credits benefited less.

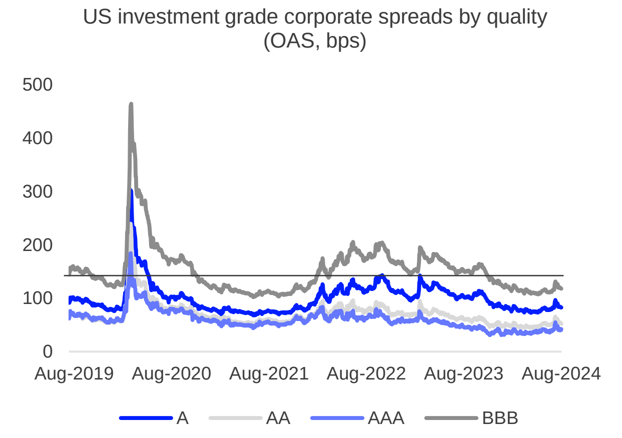


Chart 3: Higher coupons and the risk rally drove outperformance by BBB credits in 2023-24, though even higher grade credits have outperformed government bonds in 2024 (see page 9).

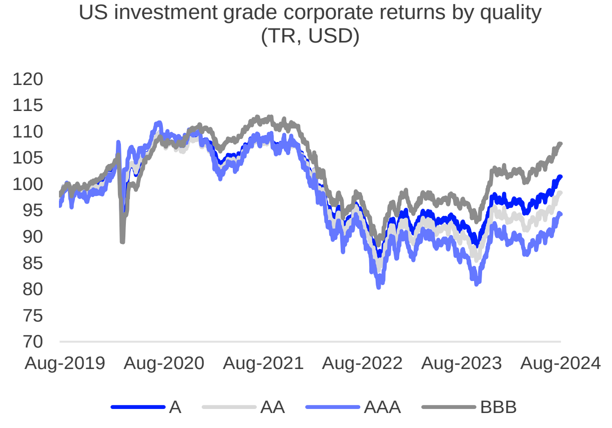


Chart 4: Duration of IG credit dropped sharply since central banks raised rates from Q4 2021, and yields rose, with UK duration falling most. Duration has begun to creep back up in 2024, as yields fell.

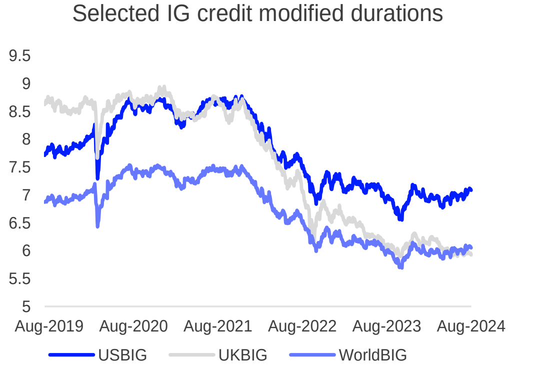


Chart 5: After falling sharply relative to RMBS spreads, IG spreads briefly spiked in August before tightening as risk appetite recovered. Agency-RMBS spreads were protected by the agency-guarantee.

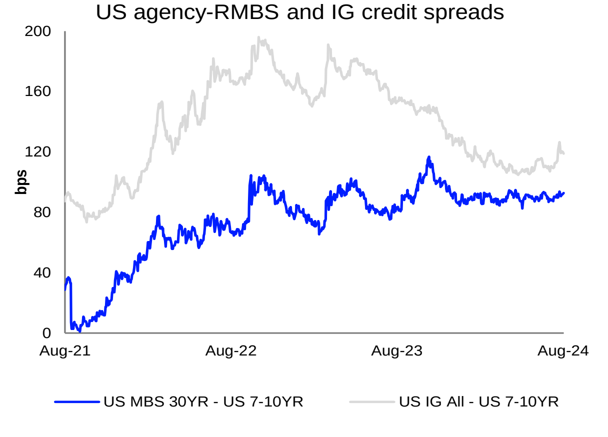
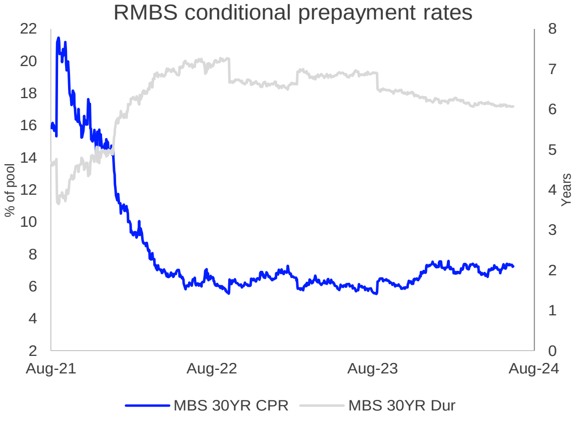


Chart 6: Mortgage refis and RMBS prepayments remain subdued, as markets await Fed easing, with current mortgage rates still far above most MBS coupons. But mortgage delinquency rates remain low.



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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 high equity sector beta. Slower earnings growth drove Telcom spreads wider in 2022-23.

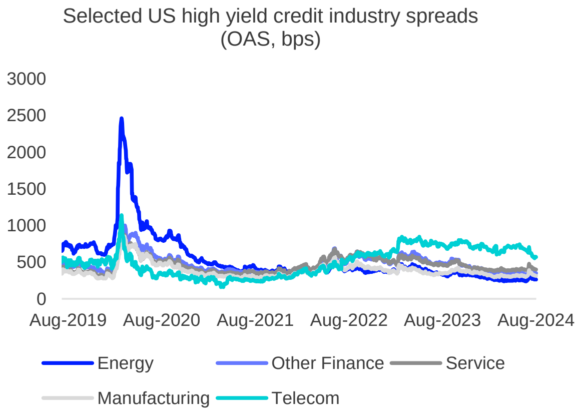


Chart 2: Financials have very low weights in the US HY sector, which is dominated by Services, Manufacturing and Energy. Utilities also have very low weights, despite being regular debt issuers.

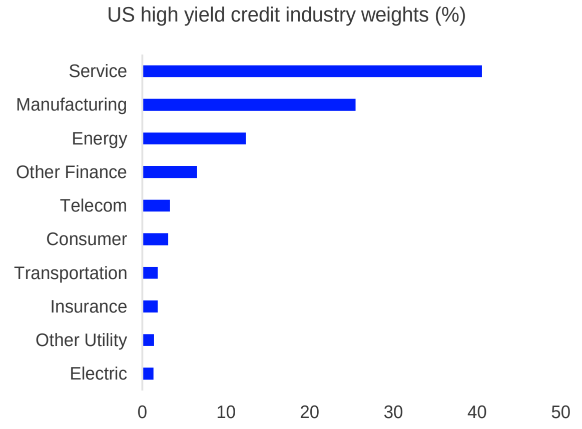


Chart 3: Short-dated US HY outperformed on risk/return since Covid, showing duration in HY issues can be a less reliable guide to performance, because of HY's stronger correlation to risk assets.

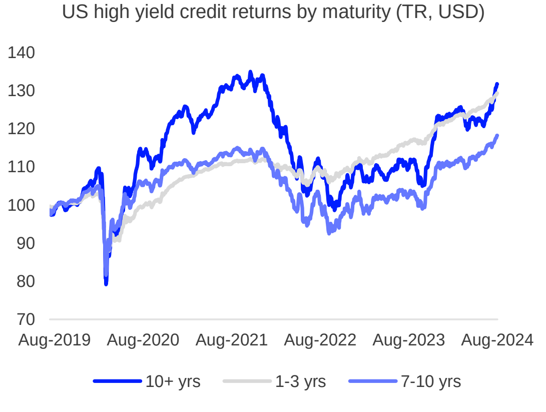


Chart 4: Lower grade CCC issues have also performed strongly during the risk-on phase, but with notably higher volatility. These issues would clearly become vulnerable in a risk-off phase in markets.

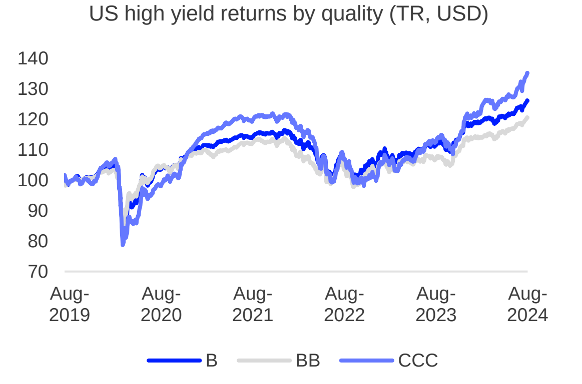


Chart 5: Duration fell most in BB credits in HY, which is a far bigger share of the US market (52% vs 10.9% only for CCC). The higher share of BB re-financings has proceeded successfully in the risk rally.

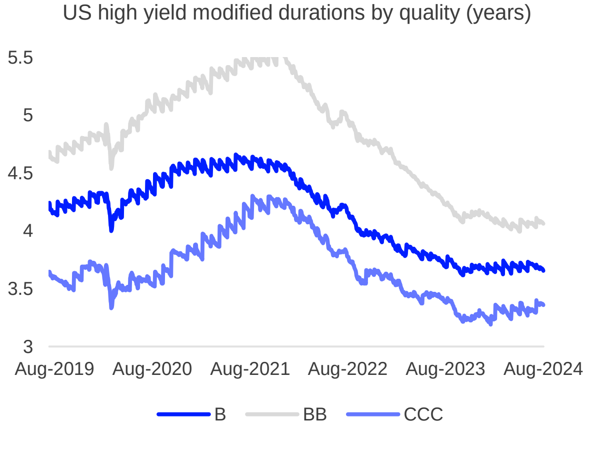
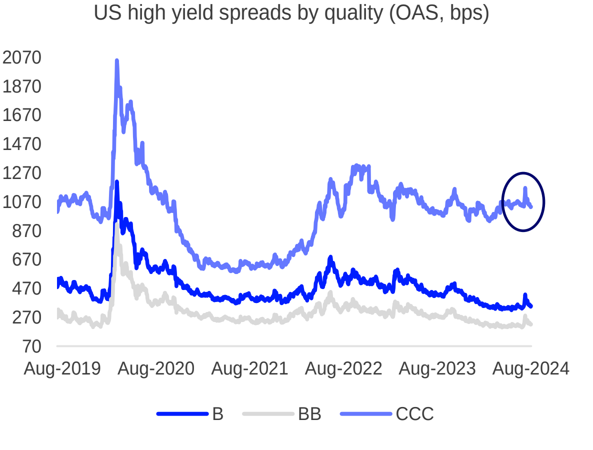


Chart 6: The brief spike in spreads in August on recession fears, hit CCC spreads most, though the HY market quickly stabilised. High coupons and low default rates have helped returns in 2023-24.



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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.

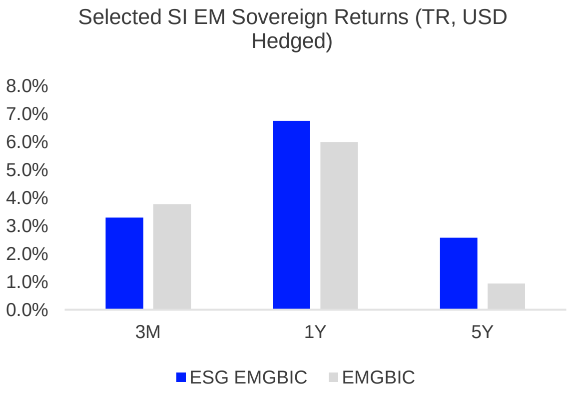


Chart 2: On a relative basis, ESG EMGBIC outperformed over 12M, largely due to European overweights, like Poland, Hungary and Romania, which enjoyed an earlier pause in interest rate hikes vs other EMs.

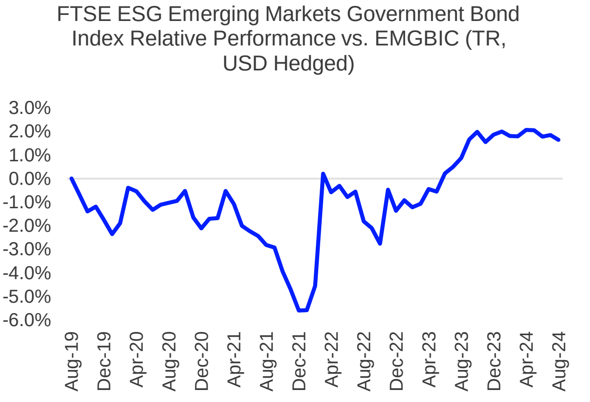


Chart 3: Compared its non-ESG counterpart, the FTSE ESG EMGBI has a slight bias towards both European sovereigns and higher income countries in Asia and the Americas.

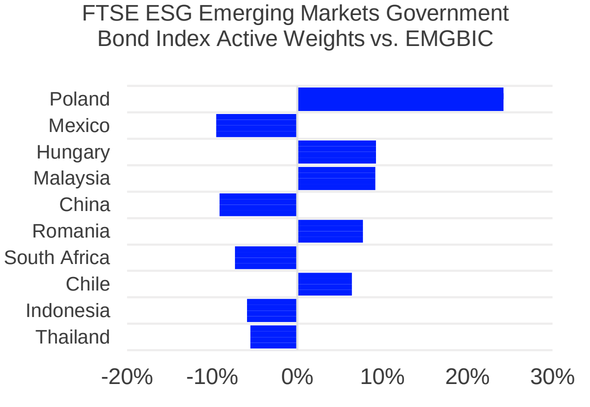


Chart 4: ESG EMGBIC shows clear improvement in credit quality, with a rise in A weighting. This implies more developed, lower risk sovereigns are more likely to have higher ESG scores.

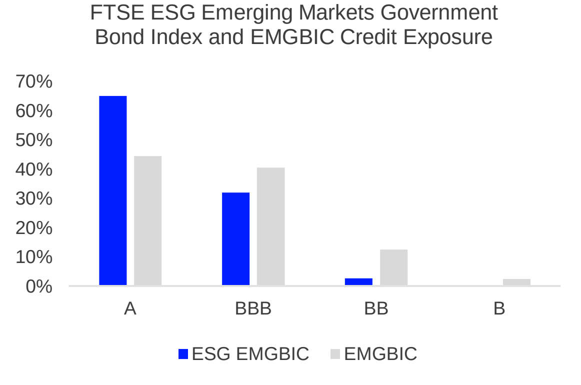


Chart 5: During 2021-22, yields in overweight ESG EMGBIC countries rose on a relative basis, surpassing the yield of EMGBIC. The move has partially reversed since 2023.

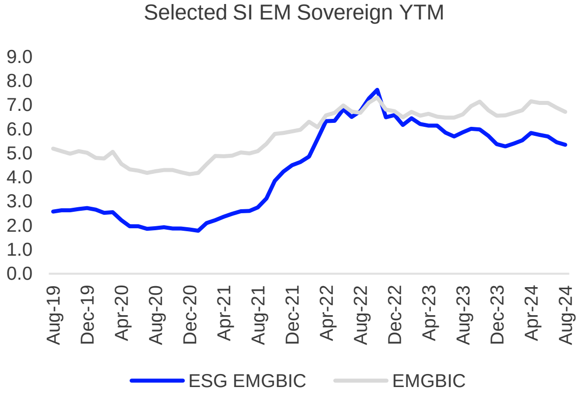
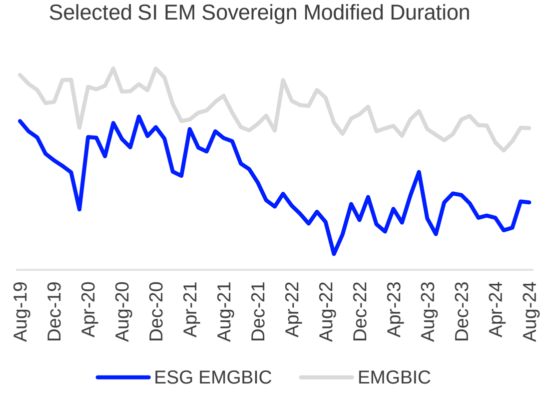


Chart 6: Despite volatility in duration, ESG EMGBIC has shown lower duration than its non-ESG counterpart. This is a contrast to other SI sovereign indices, which have typically seen positive active duration.



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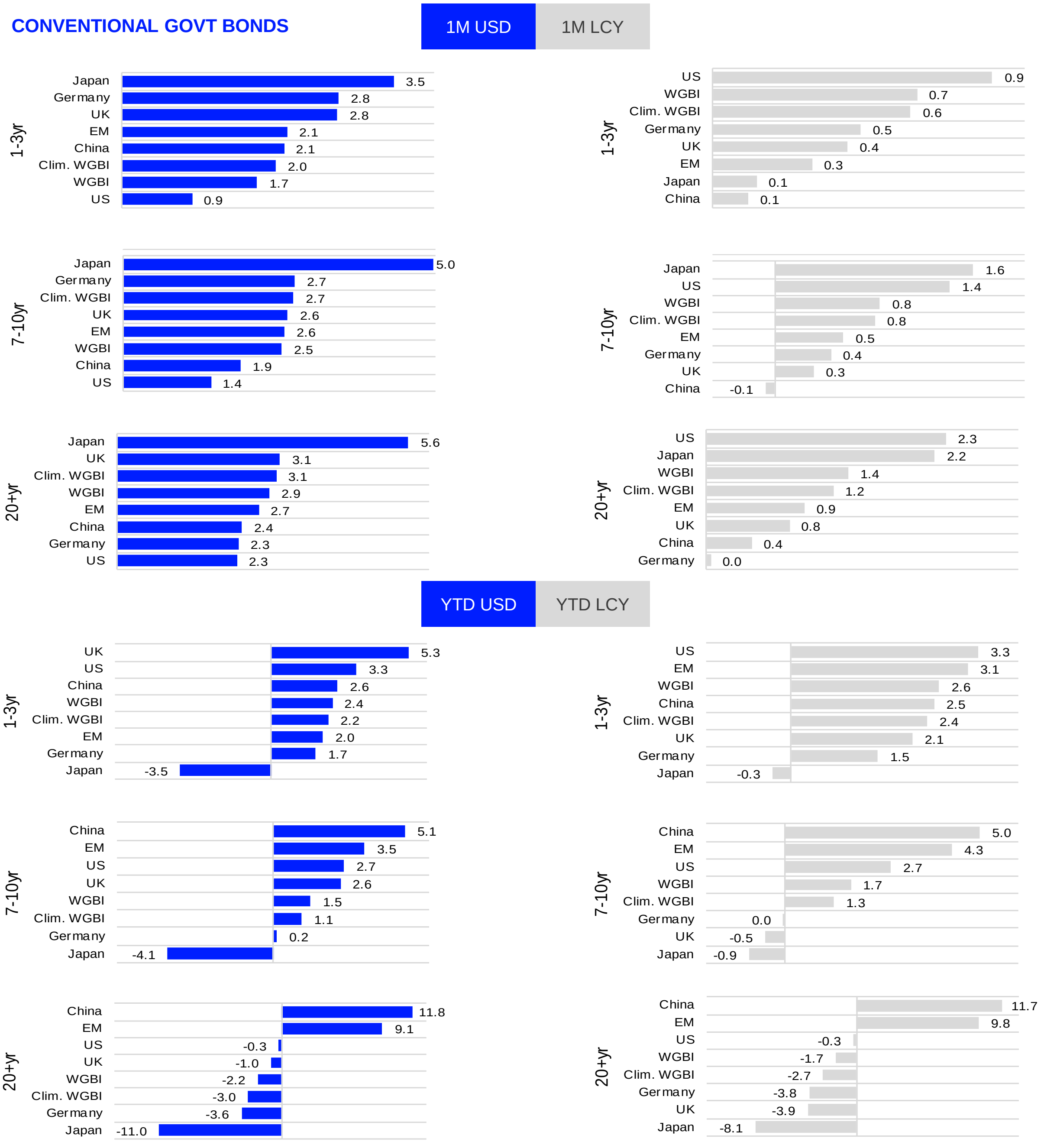
Conventional Government Bond Returns – 1M and YTD % (USD & LC, TR)

Yields fell further, across the curve, in August, as a weaker US dollar boosted returns for a dollar-based investor in overseas markets. JGBs again benefited from the yen rally, with gains of 4-6%. China and EM bonds underperformed but remain strongest YTD, while long JGBs still show losses of 11% 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 higher in August, and the US dollar lower, as markets priced in substantial Fed easing by end 2024.

Longs led the August rally. Bunds and gilts gained 2-3%, helped by stronger currencies, though less than JGBs.

YTD, China and EM bonds gained 9-12%, reflecting rate cuts and duration benefits when rates fall. But G7 longs show losses of up to 10% YTD.



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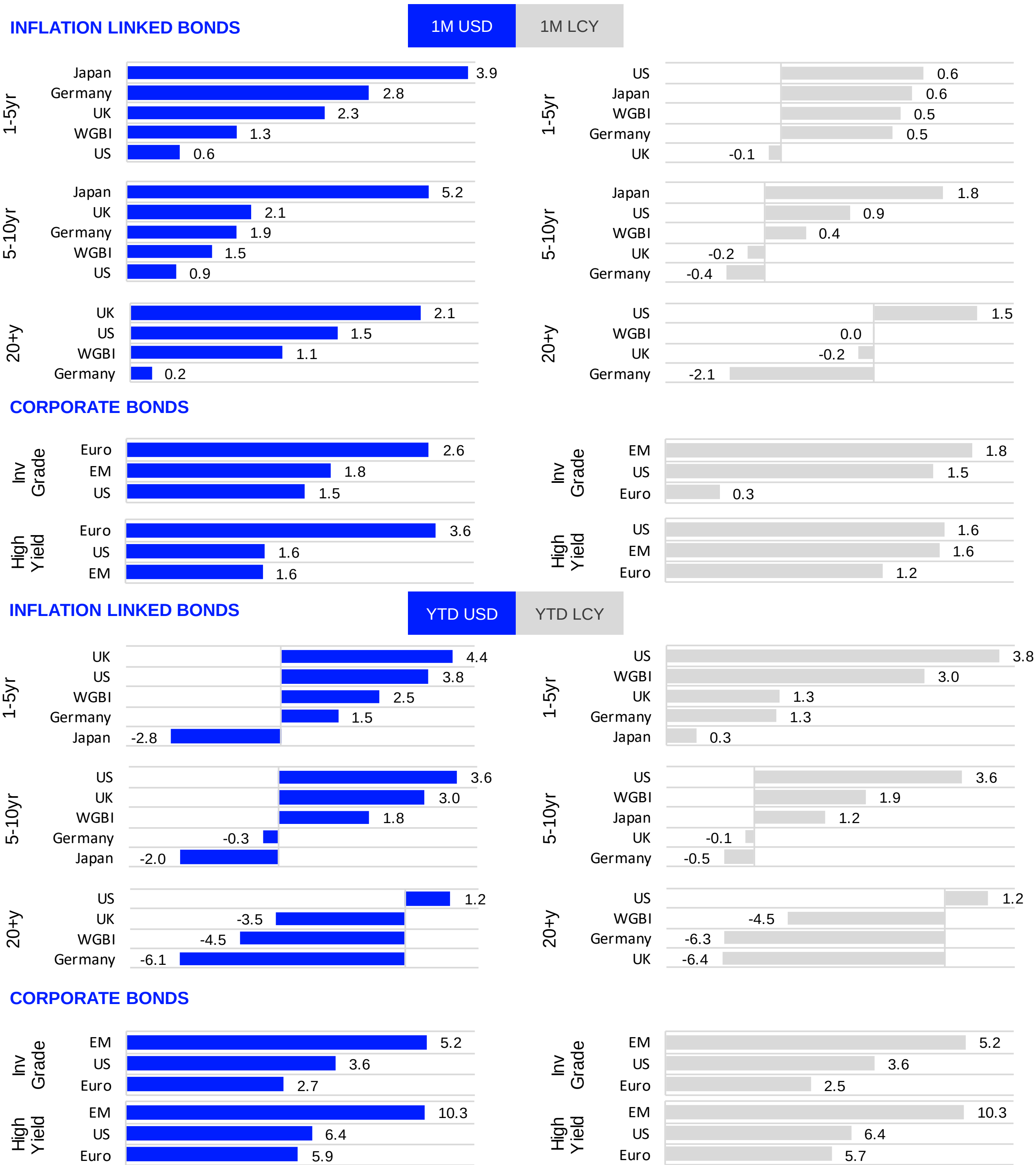
Global Inflation-Linked Bond Returns – 1M & YTD % (USD, LC, TR)

Some inflation-linkers joined conventionals in the August rally, though currencies dominated returns, with JGB linkers the strongest performers in US dollars, due to yen gains. Linkers underperformed conventionals, after a bout of risk-off in early August. Credit recovered over the month, and still shows gains of 6-10% YTD, led by EM and Euro HY credits.

Currency moves were key to August returns, as the USD fell on lower US rate expectations, and the yen gained over 3% on the month vs USD, driving JGB linker gains of 4-5%. Euro IG and HY credits gained 3-4% in dollar terms, as the Euro advanced.

Long Bund, WILSI and UK linkers show losses of 4-6% YTD, in dollars, apart from longer Tips which gained 1%, mainly due to the August rally. Credit out-performance continues, boosted by the risk rally, and correlation to equities, with HY strongest.



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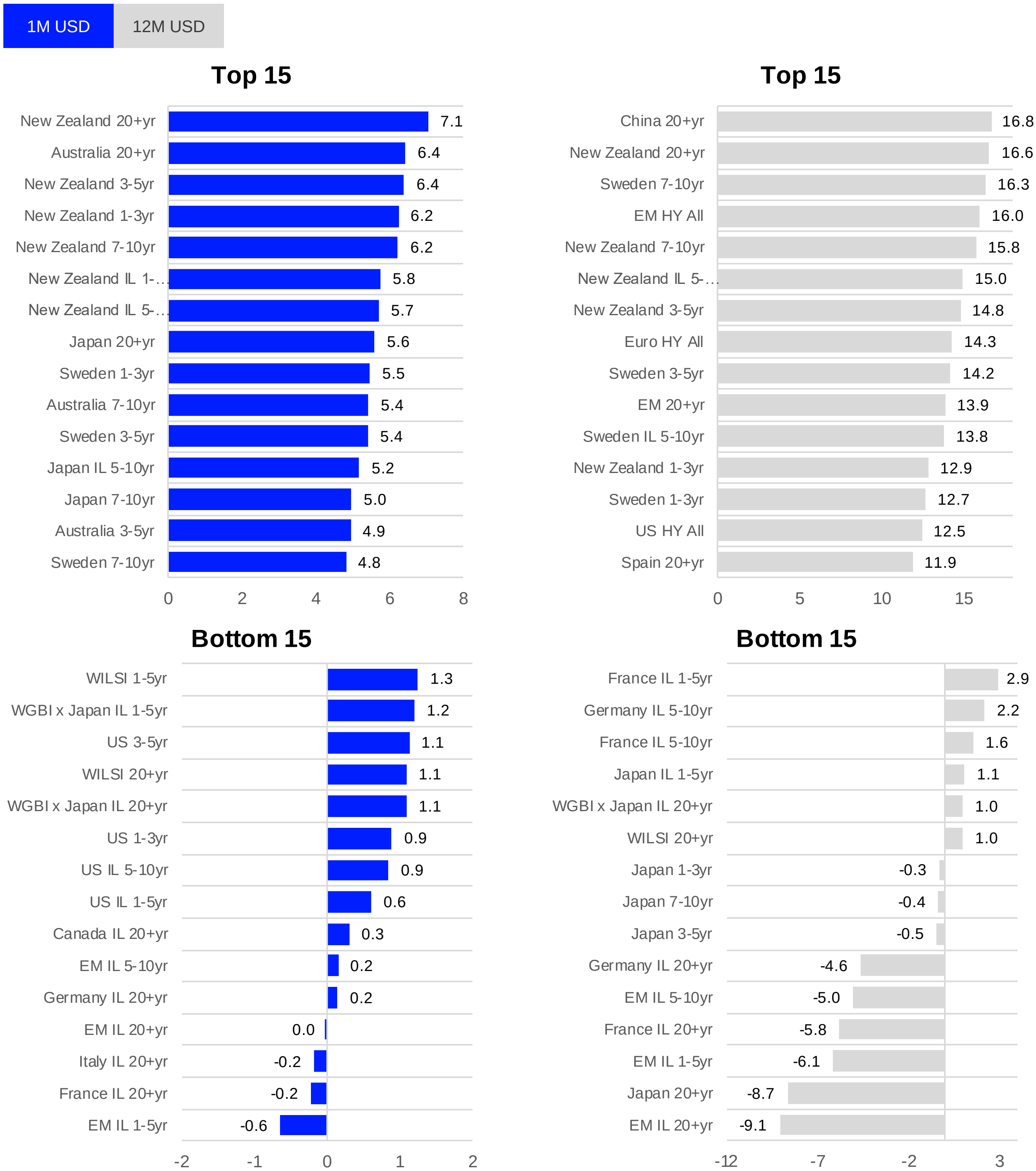
Top and Bottom Bond Returns − 1M & 12M % (USD, TR)

Longer Australasian govts led global returns in August, in dollar terms, with gains of 6-7% enhanced by USD weakness, and the RBNZ's first rate cut (Aug 14). Long NZGBs, Chinese and Swedish bonds led 12M gains, helped by currency resilience and rate cuts, with gains of 16-17%. HY credit shows strong 12M returns, with JGBs weakest.

The ongoing 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.

Short Treasuries lagged in August, as the weak dollar boosted overseas returns for a dollar investor. On 12M, long JGBs lost 9%, reflecting yen weakness and the end of curve control. EM inflation linked were hit by weakness in the real and peso, vs the USD.



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Appendix − Global Bond Market Returns % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-3yr	2.64	2.64	3.35	3.35	3.30	3.30	5.89	5.89
	7-10yr	5.66	5.66	5.02	5.02	2.74	2.74	6.11	6.11
	20+yr	7.84	7.84	4.77	4.77	-0.27	-0.27	4.13	4.13
	IG All	4.65	4.65	5.19	5.19	3.60	3.60	9.39	9.39
	HY All	4.68	4.68	6.07	6.07	6.39	6.39	12.46	12.46
UK	1-3yr	1.92	5.21	2.59	6.58	2.14	5.30	5.52	9.44
	7-10yr	3.52	6.86	3.17	7.19	-0.49	2.59	7.54	11.54
	20+yr	5.51	8.91	3.10	7.12	-3.93	-0.96	6.20	10.15
Euro	IG All	2.68	4.69	3.36	5.73	2.50	2.71	7.29	9.42
	HY All	2.90	4.92	4.43	6.81	5.73	5.94	12.09	14.32
Japan	1-3yr	0.18	8.11	-0.12	2.67	-0.33	-3.50	-0.30	-0.31
	7-10yr	1.88	9.95	-0.49	2.29	-0.90	-4.05	-0.35	-0.36
	20+yr	2.13	10.22	-7.07	-4.48	-8.12	-11.04	-8.64	-8.65
China	1-3yr	0.87	3.09	1.81	3.31	2.52	2.58	3.14	6.08
	7-10yr	1.98	4.22	3.05	4.58	5.02	5.08	6.11	9.13
	20+yr	5.06	7.37	4.90	6.46	11.70	11.76	13.52	16.75
EM	1-3yr	1.34	2.82	2.31	3.02	3.11	2.01	4.30	5.61
	7-10yr	3.00	4.97	3.27	4.43	4.30	3.53	6.50	7.78
	20+yr	5.36	7.07	4.85	6.04	9.79	9.07	11.97	13.88
	IG All	4.34	4.34	5.32	5.32	5.17	5.17	10.11	10.11
	HY All	4.43	4.43	7.31	7.31	10.30	10.30	16.00	16.00
Germany	1-3yr	1.74	3.73	2.10	4.44	1.53	1.74	3.37	5.42
	7-10yr	3.86	5.90	2.57	4.91	-0.05	0.16	4.16	6.23
	20+yr	6.04	8.12	1.58	3.90	-3.82	-3.63	3.45	5.51
Italy	1-3yr	1.88	3.88	2.43	4.77	2.14	2.35	4.45	6.53
	7-10yr	3.22	5.25	3.46	5.82	2.94	3.15	7.81	9.95
	20+yr	3.71	5.74	3.37	5.73	3.34	3.55	9.30	11.47
Spain	1-3yr	1.82	3.81	2.32	4.66	2.05	2.26	4.14	6.21
	7-10yr	3.28	5.30	3.38	5.75	1.86	2.07	7.03	9.16
	20+yr	4.39	6.44	3.92	6.29	1.40	1.60	9.71	11.89
France	1-3yr	1.73	3.73	2.01	4.35	1.37	1.58	3.54	5.59
	7-10yr	2.40	4.41	1.36	3.68	-0.90	-0.70	3.72	5.77
	20+yr	1.67	3.66	-1.58	0.67	-5.84	-5.64	2.42	4.45
Sweden	1-3yr	2.73	5.51	3.48	4.56	3.01	1.37	5.40	12.70
	7-10yr	4.31	7.13	4.92	6.01	1.66	0.05	8.81	16.35
Australia	1-3yr	1.88	3.94	2.22	6.51	2.67	2.09	4.35	9.32
	7-10yr	4.51	6.62	3.61	7.96	2.95	2.37	5.12	10.12
	20+yr	6.17	8.32	2.47	6.77	-0.32	-0.88	2.81	7.70
New Zealand	1-3yr	3.04	4.92	4.20	7.00	4.42	3.19	7.41	12.85
	7-10yr	5.32	7.25	5.94	8.79	3.84	2.61	10.17	15.76
	20+yr	6.84	8.80	6.27	9.13	0.88	-0.32	10.97	16.60
Canada	1-3yr	2.13	3.29	3.10	3.76	3.12	0.89	5.89	6.30
	7-10yr	4.95	6.15	4.89	5.56	2.32	0.11	7.48	7.89
	20+yr	5.53	6.74	3.85	4.51	-2.41	-4.52	6.22	6.63

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Appendix − Global Bond Market Returns % (USD & LC, TR) – Aug 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	2.39	2.39	3.78	3.78	3.82	3.82	6.43	6.43
	5-10yr	4.02	4.02	4.86	4.86	3.59	3.59	6.74	6.74
	20+yr	6.51	6.51	4.76	4.76	1.25	1.25	3.73	3.73
UK	1-5yr	1.15	4.42	2.91	6.92	1.30	4.43	5.87	9.80
	5-10yr	1.44	4.71	2.46	6.45	-0.14	2.95	5.15	9.05
	20+yr	2.85	6.16	0.97	4.90	-6.41	-3.51	-0.65	3.04
Japan	1-5yr	0.97	8.97	0.58	3.39	0.34	-2.84	1.12	1.10
	5-10yr	1.46	9.50	1.17	4.00	1.23	-1.98	2.97	2.95
EM	1-5yr	3.01	-4.88	4.36	-6.59	5.97	-7.70	7.85	-6.14
	5-10yr	3.41	-3.25	2.37	-5.97	2.67	-8.54	6.48	-5.04
	20+yr	2.06	-5.77	-1.29	-11.44	-3.29	-15.30	2.60	-9.08
Germany	1-5yr	1.34	3.33	2.12	4.46	1.26	1.47	1.72	3.74
	5-10yr	1.83	3.83	1.70	4.03	-0.52	-0.31	0.21	2.20
	20+yr	1.37	3.36	-1.83	0.41	-6.33	-6.14	-6.50	-4.64
Italy	1-5yr	1.72	3.72	2.41	4.75	1.98	2.18	4.26	6.33
	5-10yr	1.66	3.65	2.71	5.06	2.52	2.72	4.66	6.74
	20+yr	-0.29	1.66	-0.74	1.53	0.36	0.56	1.22	3.23
Spain	1-5yr	1.57	3.56	2.32	4.66	1.43	1.63	2.72	4.75
	5-10yr	1.53	3.52	2.61	4.96	1.61	1.82	3.47	5.52
France	1-5yr	0.99	2.98	0.91	3.22	0.05	0.25	0.92	2.92
	5-10yr	0.55	2.53	0.17	2.46	-1.62	-1.42	-0.40	1.57
	20+yr	-3.41	-1.51	-6.50	-4.36	-10.28	-10.10	-7.62	-5.79
Sweden	1-5yr	2.11	4.86	2.65	3.72	2.06	0.43	4.20	11.42
	5-10yr	3.02	5.80	4.47	5.56	1.73	0.11	6.46	13.83
Australia	1-5yr	2.02	4.08	2.26	6.55	2.32	1.75	4.64	9.62
	5-10yr	3.15	5.23	2.55	6.86	1.71	1.14	5.02	10.02
	20+yr	4.18	6.28	-0.20	4.00	-5.91	-6.44	1.15	5.97
New Zealand	5-10yr	1.87	3.74	4.25	7.06	3.85	2.62	9.42	14.97
Canada	20+yr	3.80	4.98	4.53	5.20	0.34	-1.83	8.74	9.16

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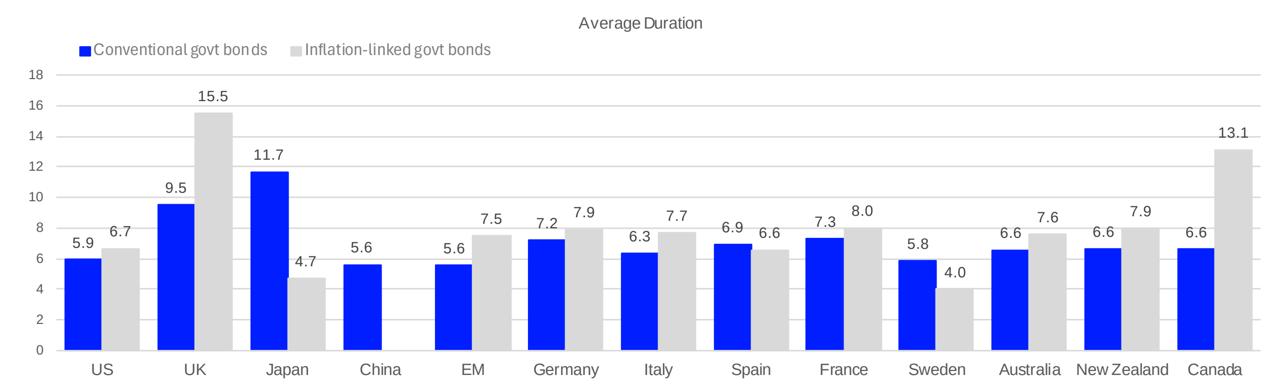
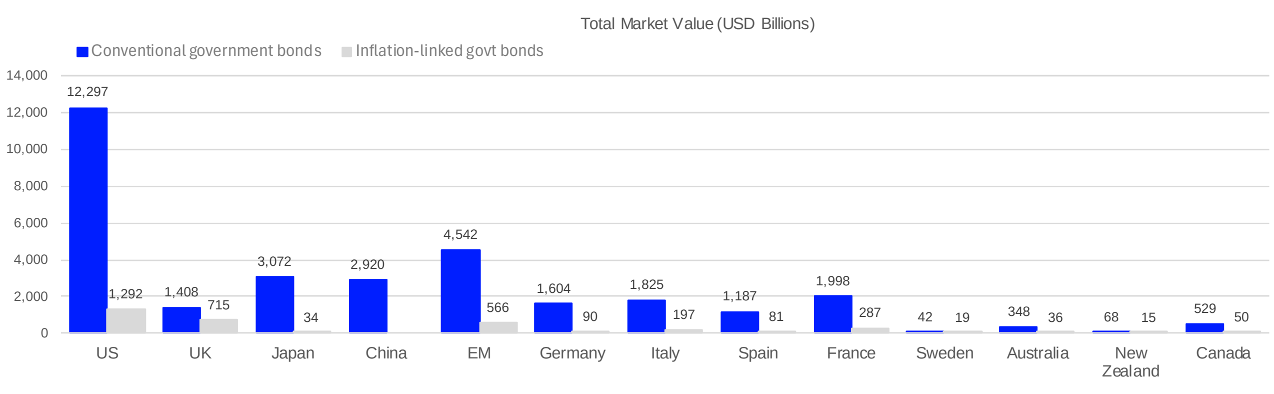
Appendix – Duration and Market Value (USD, Bn) as of August 30, 2024

	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





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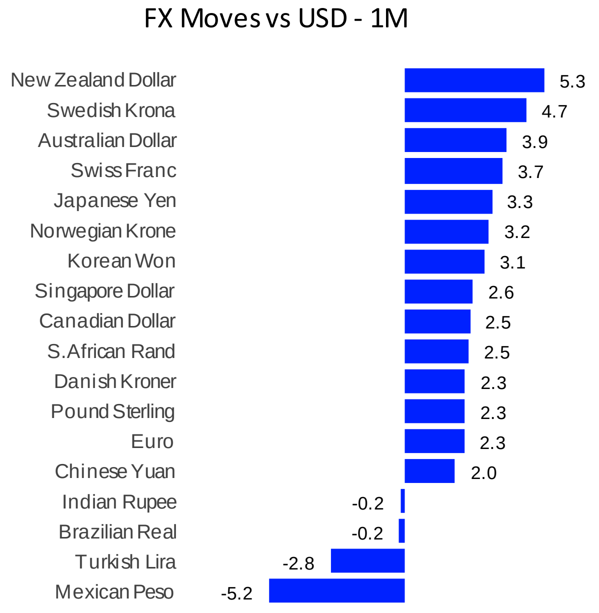
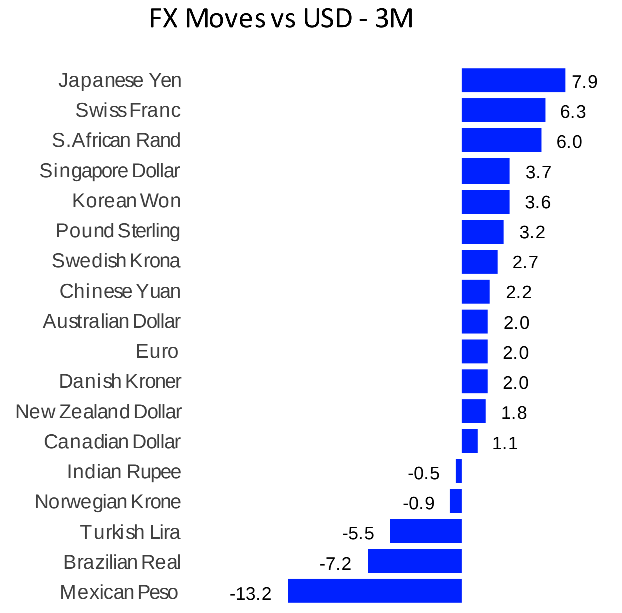
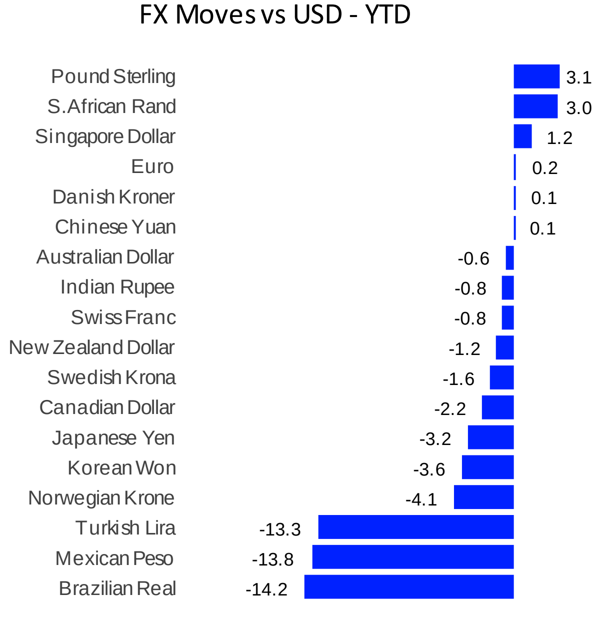
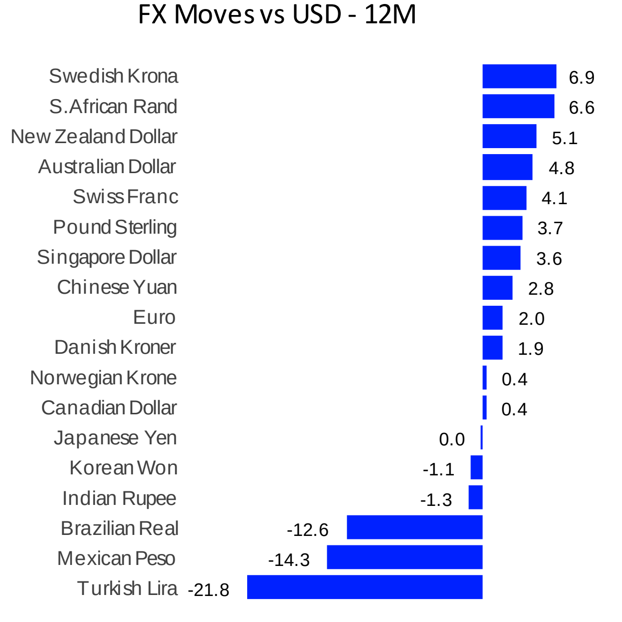
Appendix – Foreign Exchange Returns % as of August 30, 2024









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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