Fixed Income Insights

EUROZONE EDITION

MONTHLY REPORT | **AUGUST 2024**

Policy easing broadens, boosting bonds in July

Prospects of reduced inflation and lower rates lifted conventional, inflation linked and corporates bond performance in July. Italian BTPs outperformed in the rally, while JGBs benefited from yen appreciation. Long duration bonds still show negative returns YTD, while high yield bonds and Chinese governments dominate performance.

Macro and policy backdrop – July/August saw notable policy shifts Much awaited central bank easing crystalised in July/early August after BoC and BoE rate cuts of 25bp. In contrast, the BoJ raised rates, taking pressure off the weak yen. (pages 2-3)

Yields, curves and spreads – Breakevens moved pro-cyclically with rate expectations Real yields in the 7-10 year area edged lower, though most nominal yields fell further than real, as inflation breakevens tend to fall during easing cycles. (pages 4-5)

Credit analysis – Banks lead the recovery in Euro investment grade corporate performance Euro IG corporates have recovered strongly from the Ukraine war lows in 2022, with Banks leading performance, followed closely by Manufacturing. (page 6-7)

Sovereign and climate bonds – Green sovereigns' duration was helpful in recovery Green sovereign duration boosts recent recovery. Bank & utility overweight help green credit. (page 8)

Performance – Bond rally driven by rate cuts and currency moves Italian BTPs led performance in July as risk appetite endured, while JGB returns were driven by yen appreciation. (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: Real yields drove nominal yields lower in July, in line with the normal pattern of breakeven inflation moving pro-cyclically with rate expectations. Japan is an outlier.

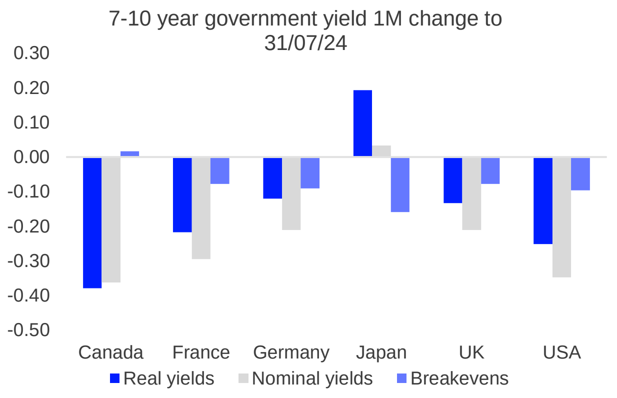
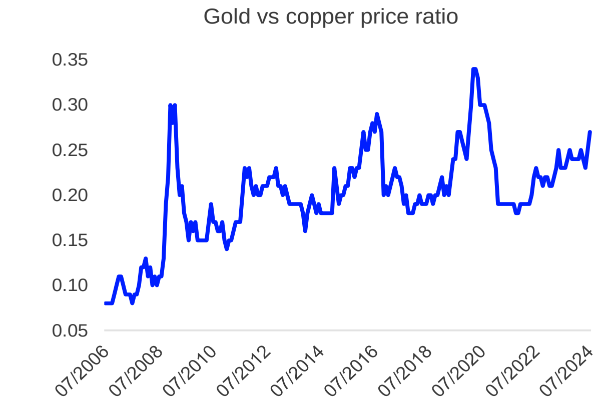


Chart 2: A bout of risk-off? A spike in the gold/copper ratio was a good risk-off indicator after GFC & Covid. Gold has risen more than copper, on lower rates and geopolitics, despite copper's 2024 gains on the AI boom.



Source: FTSE Russell and LSEG. All data as of July 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.

Macroeconomic Backdrop – Growth and Inflation Expectations

The IMF predicts a soft landing for the global economy in 2024-25. US growth showed signs of slowing in July, with unemployment ticking up modestly, though inflation remains sticky and stronger US growth is still an outlier within the G7 economies. REITs bounced in July but remain vulnerable, unless rates fall quickly.

Updated IMF growth forecasts show marginal upgrades in all regions, except Japan and the US, and stronger US growth is the exception in the G7 economies. The Euro area expanded by 0.3% in Q2 (q/q), led by Ireland, Spain and France, but the German economy contracted on weak exports – the fifth consecutive quarter with no growth.

Most G7 inflation levels are at 2%, or within the 2% range, as Chart 2 shows. But with food and energy inflation almost back to pre-pandemic levels in many countries, and shelter/service inflation still high, central banks are likely to remain cautious and adopt a gradual easing approach. This may include the Fed, where its 3% y/y CPI remains above the 2% target, despite signs of the US economy cooling and unemployment rising to 4.1% in June. German inflation ticked back up to 2.3% (from 2.2%) y/y, though higher inflation is in line with ECB expectations of inflation falling gradually, and unevenly.

Some Eurozone labour markets remain tight. Wage growth has stayed high, above 5%, and the unemployment rate of 6.5% is close to historic lows. By contrast, German unemployment is rising, having moved from a 5% low in 2022, to 6% in July 2024.

Hopes for lower rates caused a bounce in the real estate sector in July (Chart 4). REITs show a negative return YTD in Europe, but not in the US and UK, despite the troubled office sector driven by higher rates, and the structural fall in demand since Covid. US delinquency rates on office loans have risen to nearly 10%, raising questions about regional bank exposures. The European Banking Authority expects EU non-performing loans for corporates to rise in 2024, with small lenders the most exposed.

Chart 1: The IMF growth forecasts continue to show US growth as an outlier in the G7, with little scope of fiscal stimulus. Eurozone Real GDP was modestly upgraded to 0.9% (from 0.8% previously).

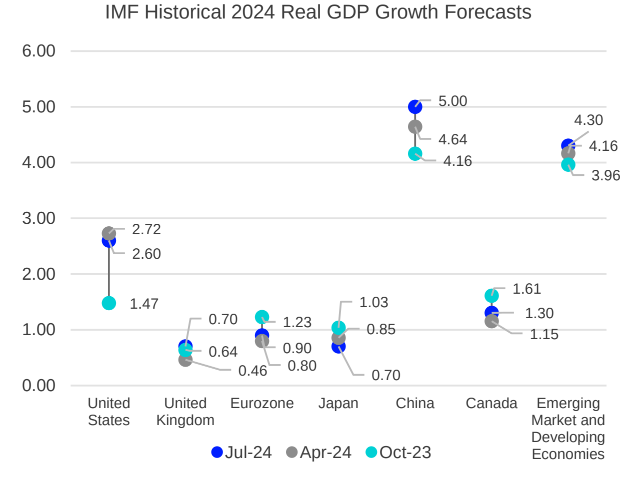


Chart 2: G7 inflation is converging close to target as global inflation and tight labour conditions ease. US CPI, still stuck at 3% y/y, is an exception, but progress in Q2 gives scope for gradual easing cycles.

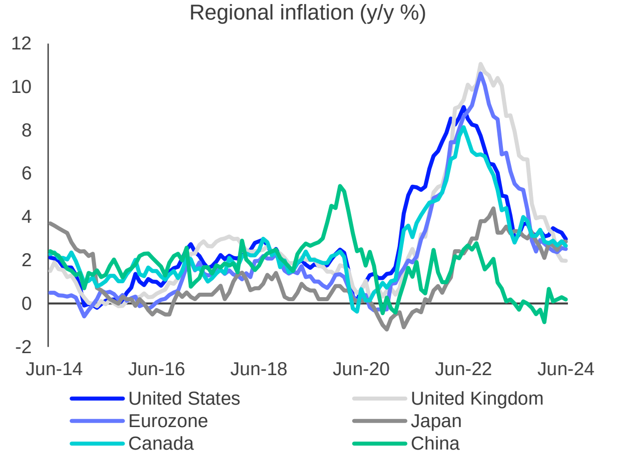
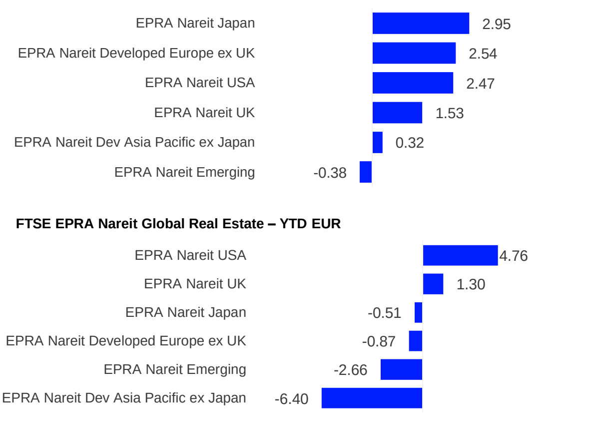


Chart 3: The eurozone unemployment rate has remained stable, and low, while wage growth is still high. German unemployment is rising as its economy contracts – a contrast with the rest of Europe.

Chart 4: REITS bounced back in July, on rate cut expectations, but generally remain lower YTD, with weakness in the office sector the key feature, reflecting the structural fall in demand since Covid.



Source: FTSE Russell and LSEG. All data as of July 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

The ECB left rates unchanged in July, in line with a gradualist approach to easing, as headline inflation ticked back up, while both the BoC and BoE cut rates by 0.25%. The BoJ raised short-term rates modestly, taking pressure off the depreciating yen. The US Fed remains an outlier in not having eased, but weak July payrolls increases the chances of a move. Easing in financial conditions in the risk rally is offset by central banks' balance sheet contraction.

Central banks' balance sheets have continued to contract since 2022 as Chart 1 shows. Alongside high short rates, this has reduced any easing in financial conditions in the risk rally, even if the recent easing in rates, with the ECB's 0.25% cut, offsets it. The ECB's balance sheet has fallen by about €2,000 billion, to about 6.5 trillion, or more than 20% since 2022, due in large part to banks repaying their Eurosystem loans via the targeted long-term refinancing operations (LTRO).

Currency moves were also an important feature in July as Chart 2 shows. The BoJ both hiked rates (Chart 3) and intervened in currency markets to prop up the yen, which appreciated by 6% vs EUR in July (see appendix on page 16), with some unwinding also of the JPY/USD carry trade, though a trend reversal may require substantially lower US rates. The Canadian dollar depreciated by about 2% vs the euro, after the BoC cut rates a further 0.25% to 4.5%. Sterling has remained strong, though started to depreciate after the BoE took advantage of inflation at 2% to make its first 0.25% cut on August 1.

Among other policy moves in Chart 3, the PBoC cut the 1Y loan prime rate (LPR) by 10bp to 3.35%, a new record low, to help a fragile economic recovery. But the Fed is reluctant to begin the easing cycle, with services inflation around 5% y/y, increasing concerns over recession.

After three substantial global shocks, and weak G7 growth, since 2008 – the GFC, Covid and Ukraine – public sector bailouts have driven debt/GDP ratios to 100% or above; reaching levels last seen after WW2, in the late-1940s. This matters more in a higher rate regime, given debt service costs, constraining the use of fiscal policy for counter-cyclical purposes.

Chart 1: Most central banks' balance sheets have fallen sharply since 2022, ex Japan. The ECB level has seen a drop of about 20%, with tight financial conditions benefiting from the 25bp cut.

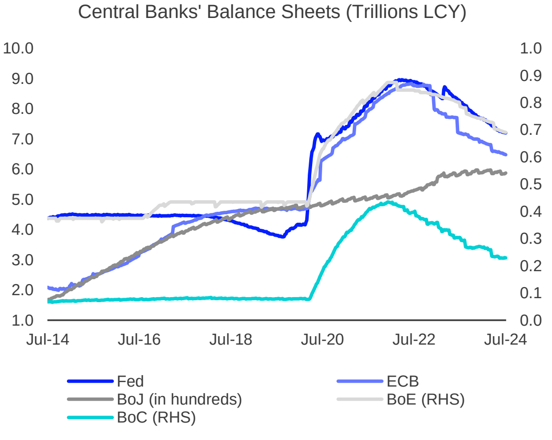


Chart 2: The US dollar appreciation waned in July after rising since 2021. The yen surged after the BoJ intervened and raised short-term rates. Sterling has yet to recover from the Brexit shock in 2016.

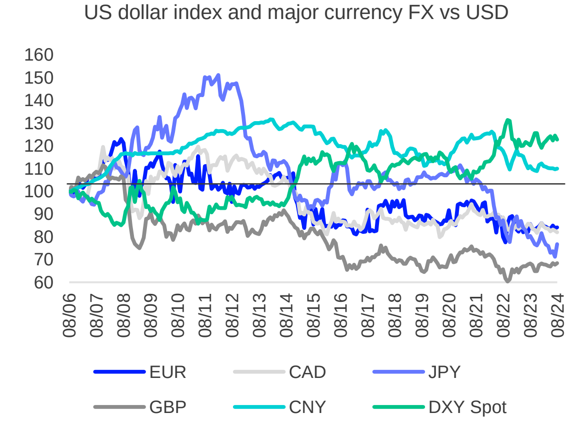


Chart 3: The BoE and BoC cut rates by 0.25% in July/early August, as central banks take a gradual approach to easing. The ECB kept its rate unchanged at 4.25%, while the BoJ raised its short rate.

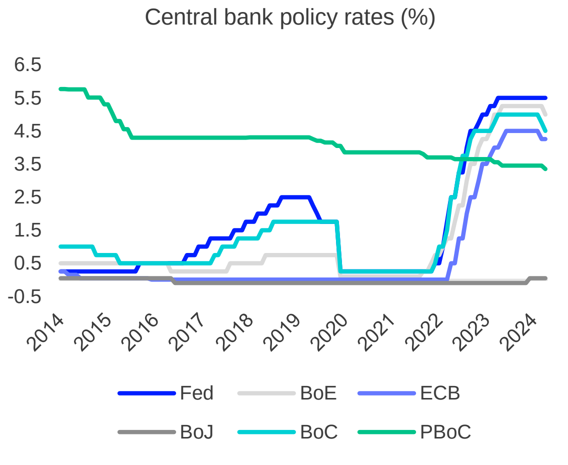
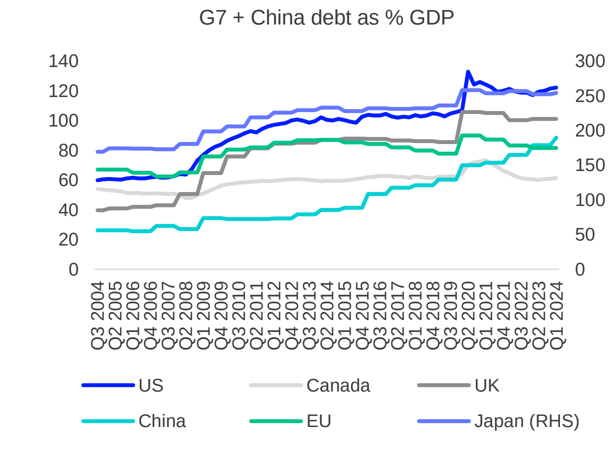


Chart 4: G7 + China debt/GDP ratios almost doubled since the GFC, Covid and Ukraine shocks. This constrains fiscal policy as a counter-cyclical stabiliser, leaving the onus on monetary policy.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields fell modestly in July, after improved inflation data and signalling of more easing from central banks, even if the US Fed remains on hold.

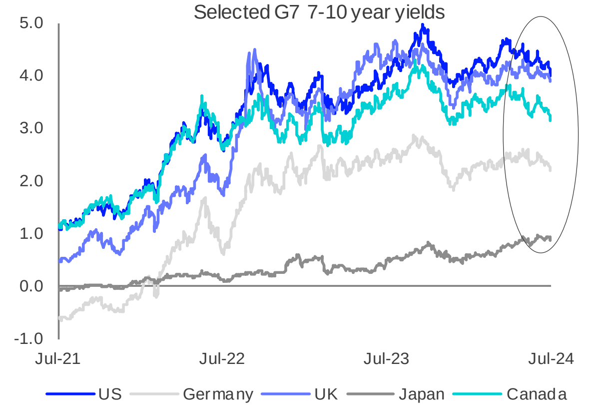


Chart 2: Real yields in the 7-10 year area also edged a little lower, though nominal yields fell further than real. This is the normal pattern during easing cycles, when breakevens tend to fall.

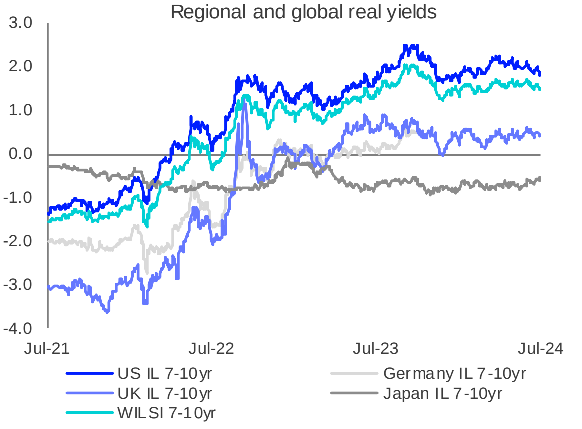


Chart 3: Yield curves are slowly dis-inverting, apart from Japan, where the BoJ is proceeding to raise short rates. The BoC's 50 bps in cuts in June & July removed much of Canada's curve inversion.

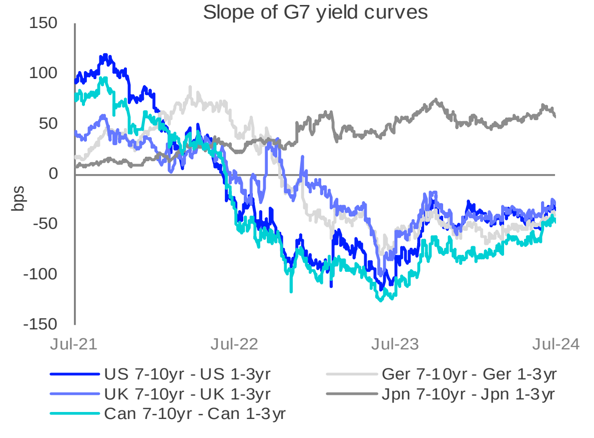


Chart 4: Yield curves steepened in long maturities in July, as shorter yields fell more, after central banks signalled more easing is likely in Q3/Q4. JGBs steepened less, on prospects of a rise in short rates.

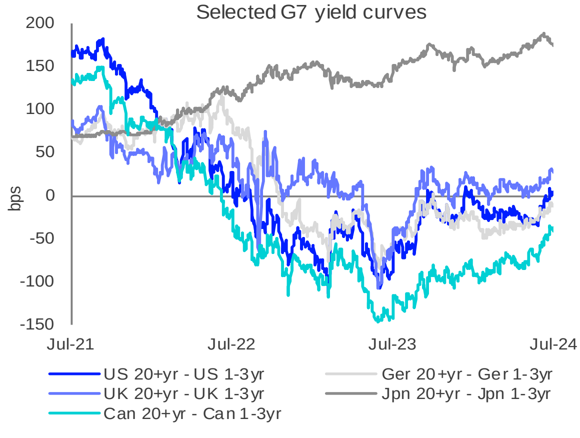


Chart 5: Inflation breakevens fell back, as nominal yields fell more, and inflation data for June was lower. This is the normal cyclical pattern of breakevens moving pro-cyclically with rate expectations.

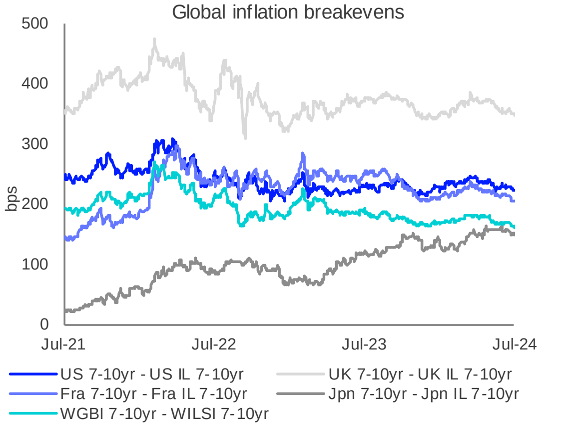
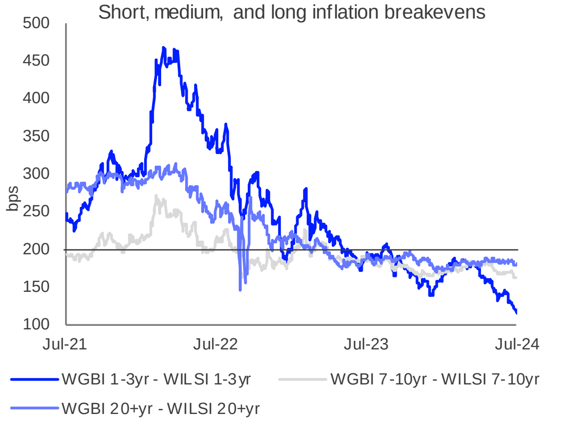


Chart 6: Short-dated breakevens fell sharply in July, and are well below the 2% inflation target level. Hope for further central bank easing is an important driver. Longer dated breakevens remain stable near 2%.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads mostly converged further in July, though not against Canadian 7-10 year maturities, where yields fell after BoC easing. Higher JGB yields reinforced US convergence.

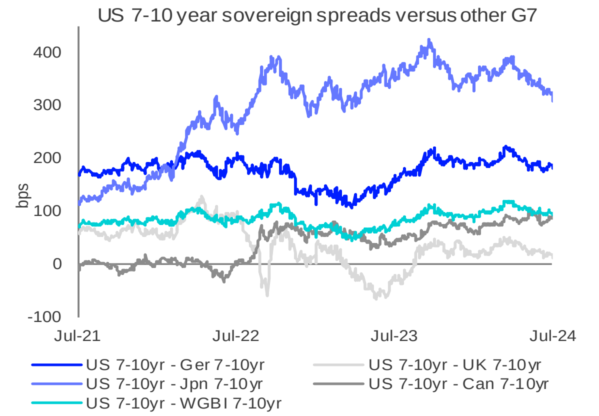


Chart 2: BTP spreads resumed tightening in July and unwound the June widening, on prospects of further rate cuts by the ECB in September, after leaving them unchanged in July.

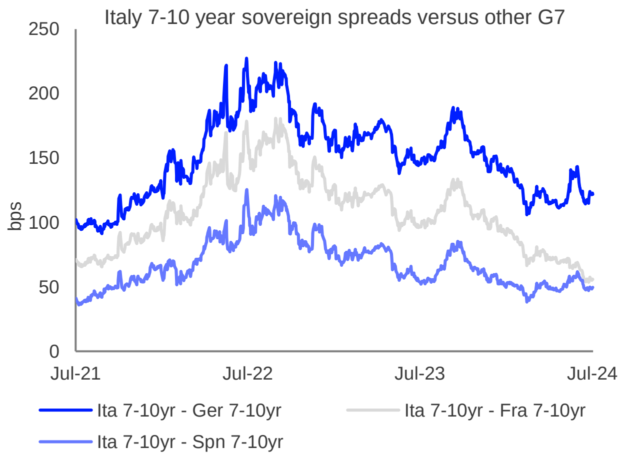


Chart 3: The China effect helped EM spreads tighten versus JGBs mainly, though spreads moved less elsewhere in July. This is an unprecedented cycle as spreads narrowed in the Fed tightening phase.

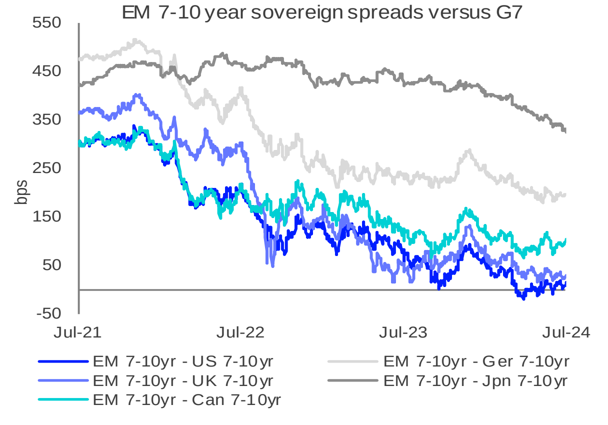


Chart 4: Chinese spreads generally remained near recent lows, after the PBoC cut rates again, though they turned slightly less negative versus the US and Canada, as yields fell even more than in China.

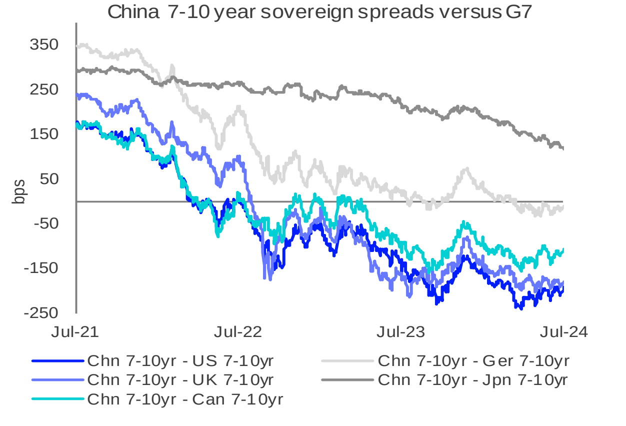


Chart 5: Although absolute yields remain well above pre-Covid levels, US and Eurozone credit spreads are at, or below those levels, leaving them vulnerable to a bout of risk-off, after a long risk rally.

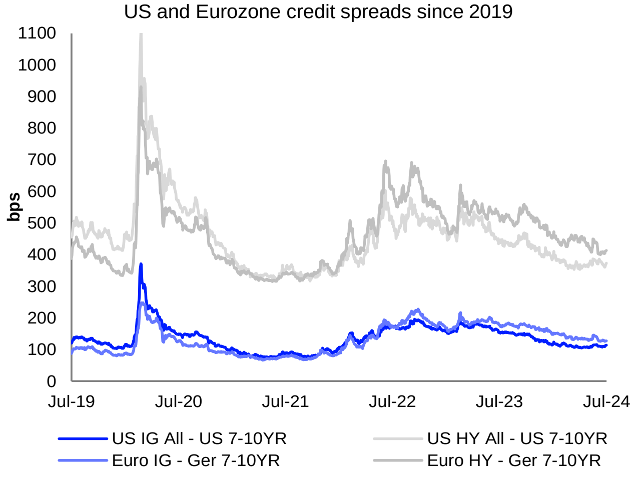
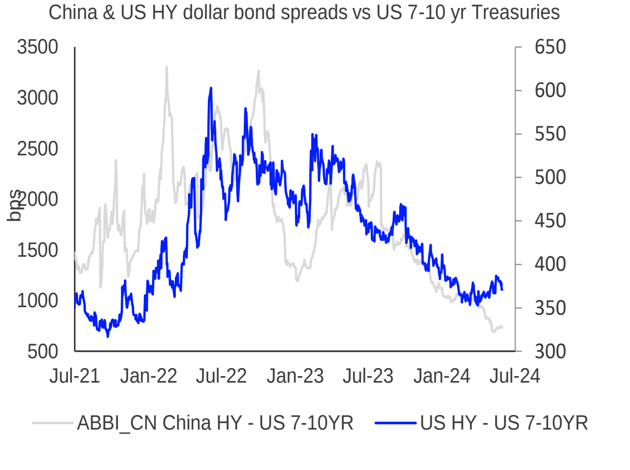


Chart 6: A series of support measures and PBoC rate cuts have helped Chinese HY dollar spreads tighten sharply. US HY spreads have also tightened sharply in the risk rally, since the 2022 peaks.



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Credit sector analysis

Chart 1: Euro investment grade corporates have recovered from a low base since the Ukraine war in 2022, with Banks leading the performance, followed closely by Manufacturing, as growth recovers.

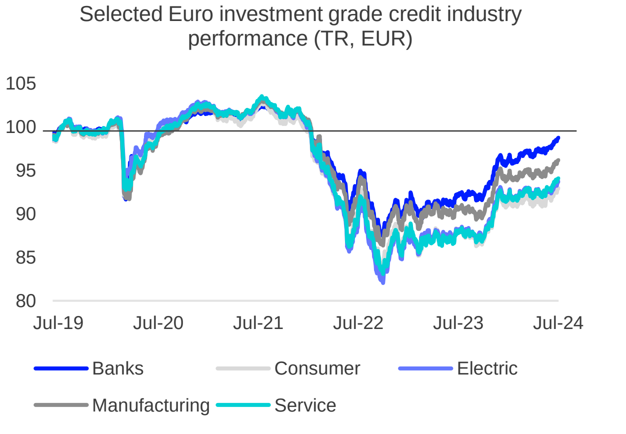


Chart 2: The Consumer and Manufacturing sectors, which have been beneficiaries of higher pricing, have the tightest spreads, after falling to 70-80bp respectively during 2023.

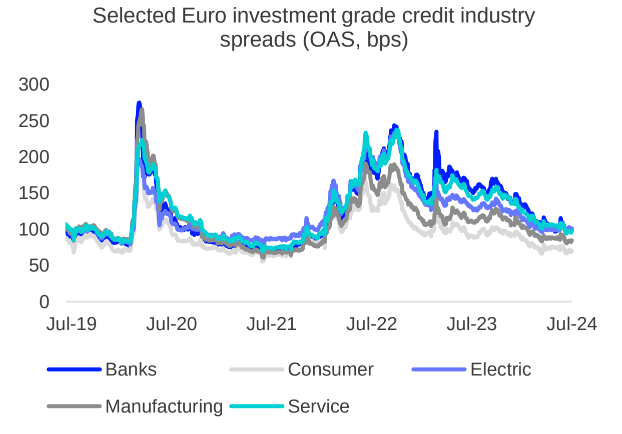


Chart 3: UK IG banks have outperformed and are the only sector to have generated positive returns in the last five years. Manufacturing has recovered with the 5-year performance close to zero.

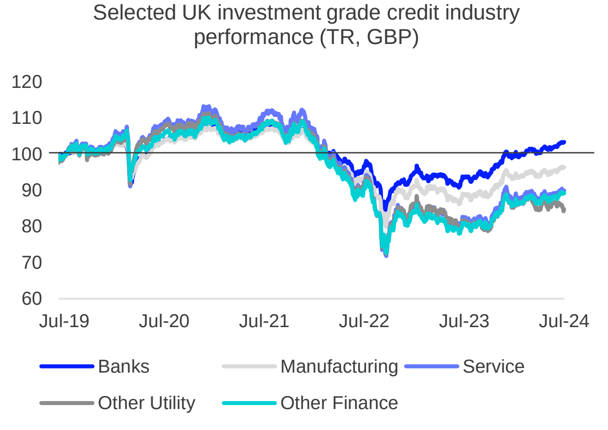


Chart 4: The jump in the Other Utility sector spread follows poor performance in UK water utilities. Elsewhere, spreads have fallen, with Manufacturing spreads the tightest at about 85bp.

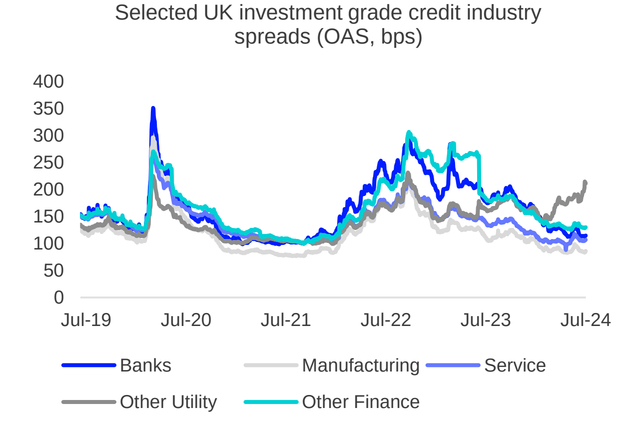


Chart 5: US Banks, Energy and Manufacturing are up 5-8% since 2019, while returns in the Electric sector have remained negative, despite a strong recovery since July 2022.

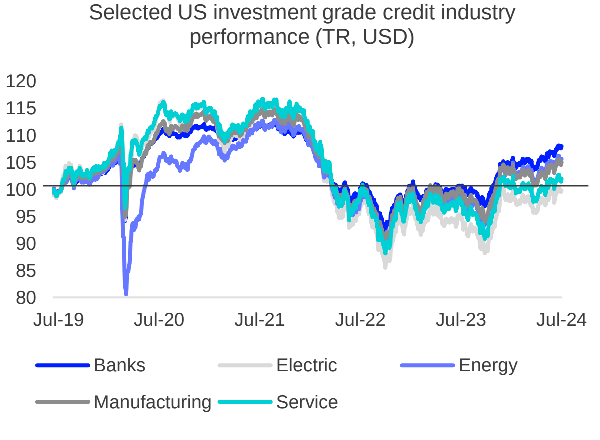
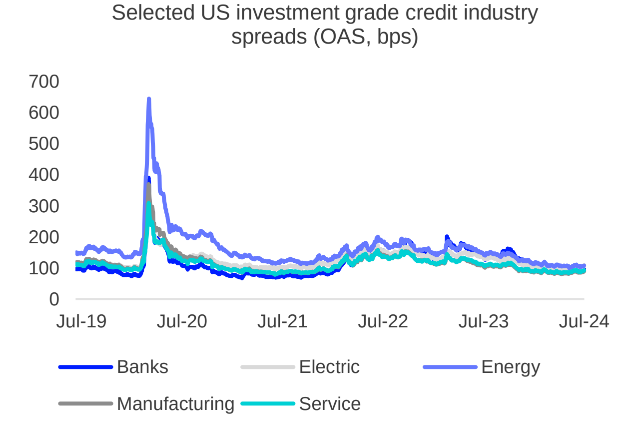


Chart 6: US investment grade industry spreads have fallen quite sharply since 2020 and have settled at around 90-110bp in July, with, US Manufacturing spreads tightest, as in the UK. Energy stabilised.



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High Yield Credit Analysis

Chart 1: Banks have outperformed since June 2019, benefiting from the higher interest rate environment. Strong performance also came from Manufacturing, the second largest sector.

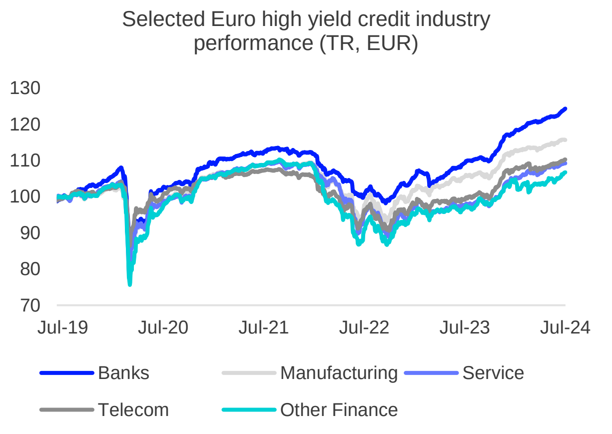

Chart 2: Other Finance spreads have been the most volatile since 2021, with spreads at around 700bp, followed by Services, where spreads are at about 500bp. Bank spreads are the tightest, at 200bp.

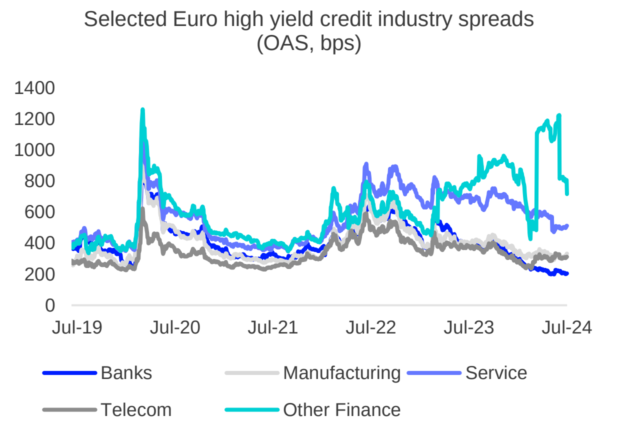

Chart 3: The two largest sectors, Services and Other Finance, have driven the outperformance of the Sterling HY index, especially since 2022, during the tightening phase.

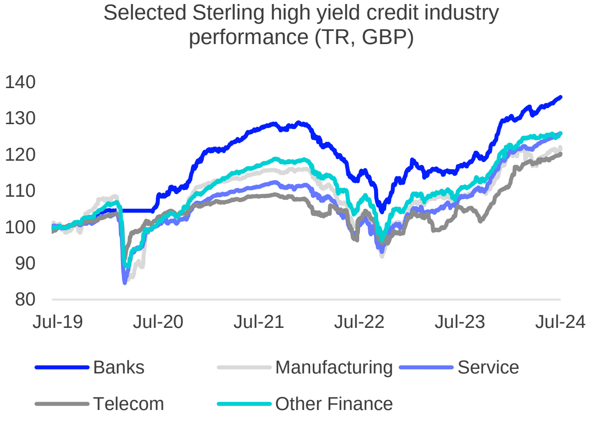

Chart 4: UK industry spreads for Other Finance and Manufacturing are the highest, while those for Banks and Telecoms have narrowed to 220-280bp respectively in July.

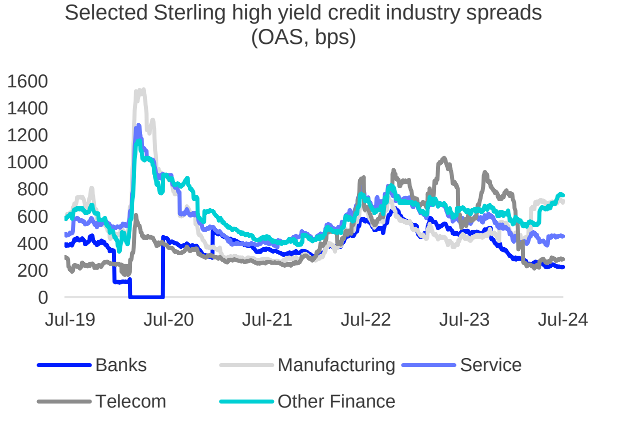

Chart 5: Manufacturing has led performance in the US HY universe, especially since 2022, followed by Other Finance, which make up 7% of the universe, but has benefited from higher rates.

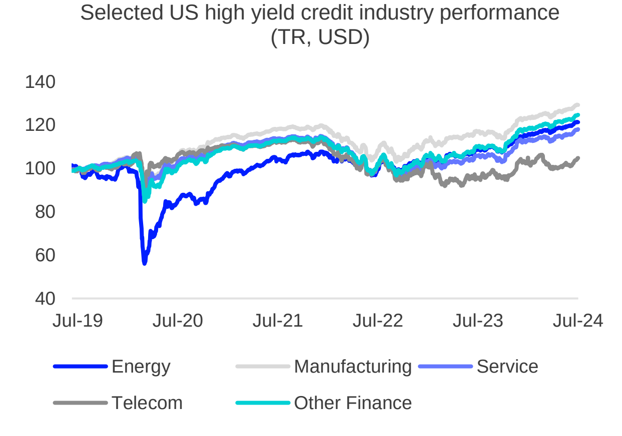

Chart 6: Telecom spreads jump out as the sector with the highest spread (660bp) after rising in 2022 during the tightening cycle. Energy spreads are the narrowest, down to 250bp in July.

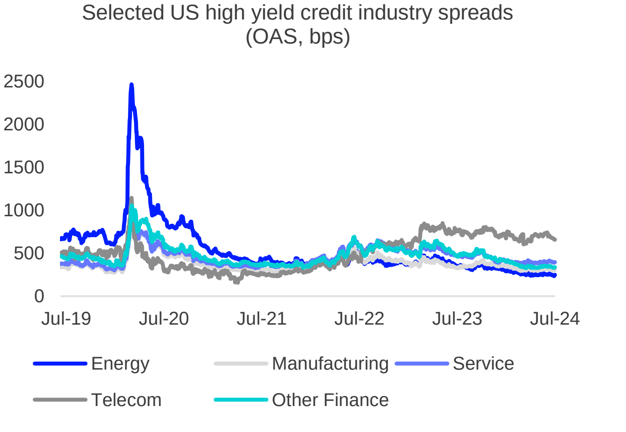

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Chart 1: SI green bond performance was positive over 3M, with returns benefiting from falling yields, notably in Europe, where issuance is most dominant. 12M returns were also positive, unlike over 5 years.

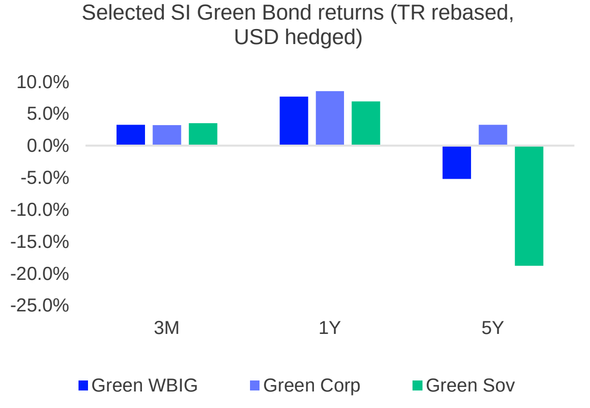


Chart 2: Green Bonds have underperformed over 5yrs. Underperformance in Green Sov has largely been a function of the index's high active duration. Recent relative performance for Green Corp has been more positive.

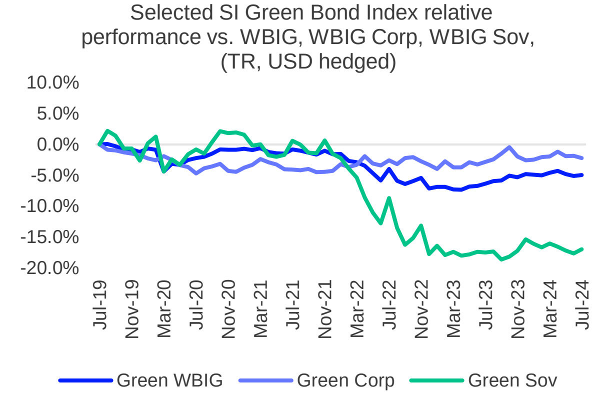


Chart 3: Within Green Sov, currency exposure is heavily weighted towards EUR due to the large amount of issuance in Europe and a lack of issuance in the US (resulting in no USD holdings in the index).

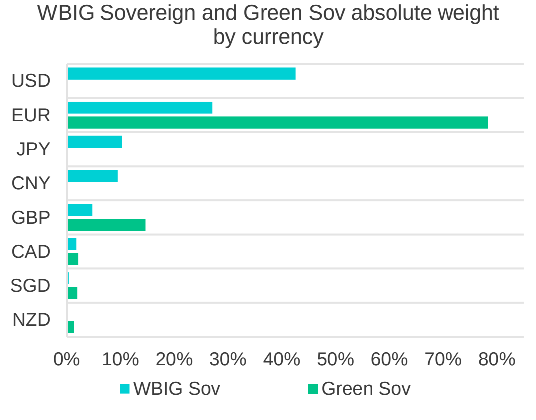


Chart 4: Banks and other financial institutions have been strong issuers of green bonds, leading to a modest overweight in the Green Corp index, alongside a sizeable overweight in electric utilities.

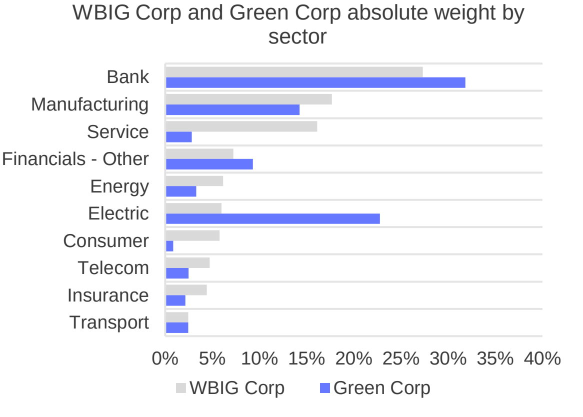


Chart 5: Despite falling in recent years, Green Sov still has a significant positive active duration. However, corporate green bonds have had a lower duration than their non-green bond counterparts.

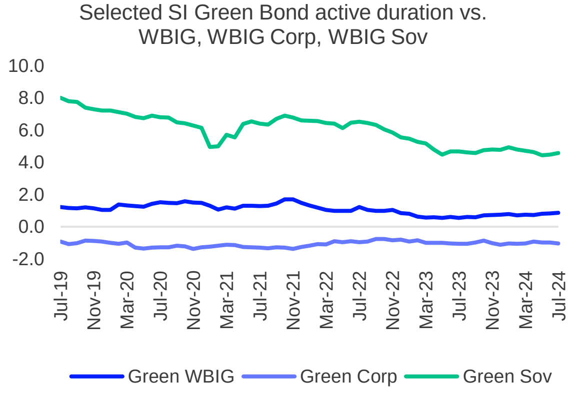
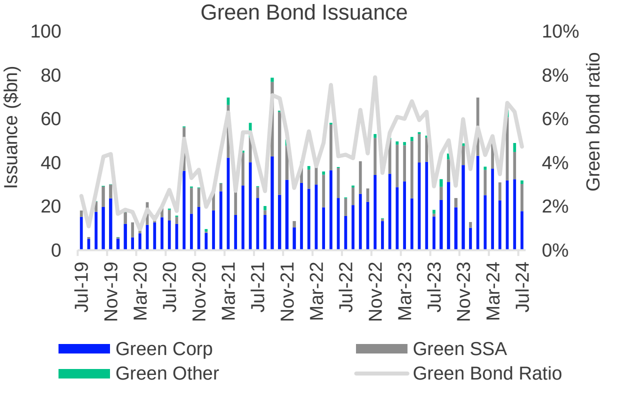


Chart 6: Green bond issuance as a percentage of total bond issuance fell to 4.7% in July, after reaching highs not seen since early 2023 in both May and June (6.7% and 6.3%, respectively).



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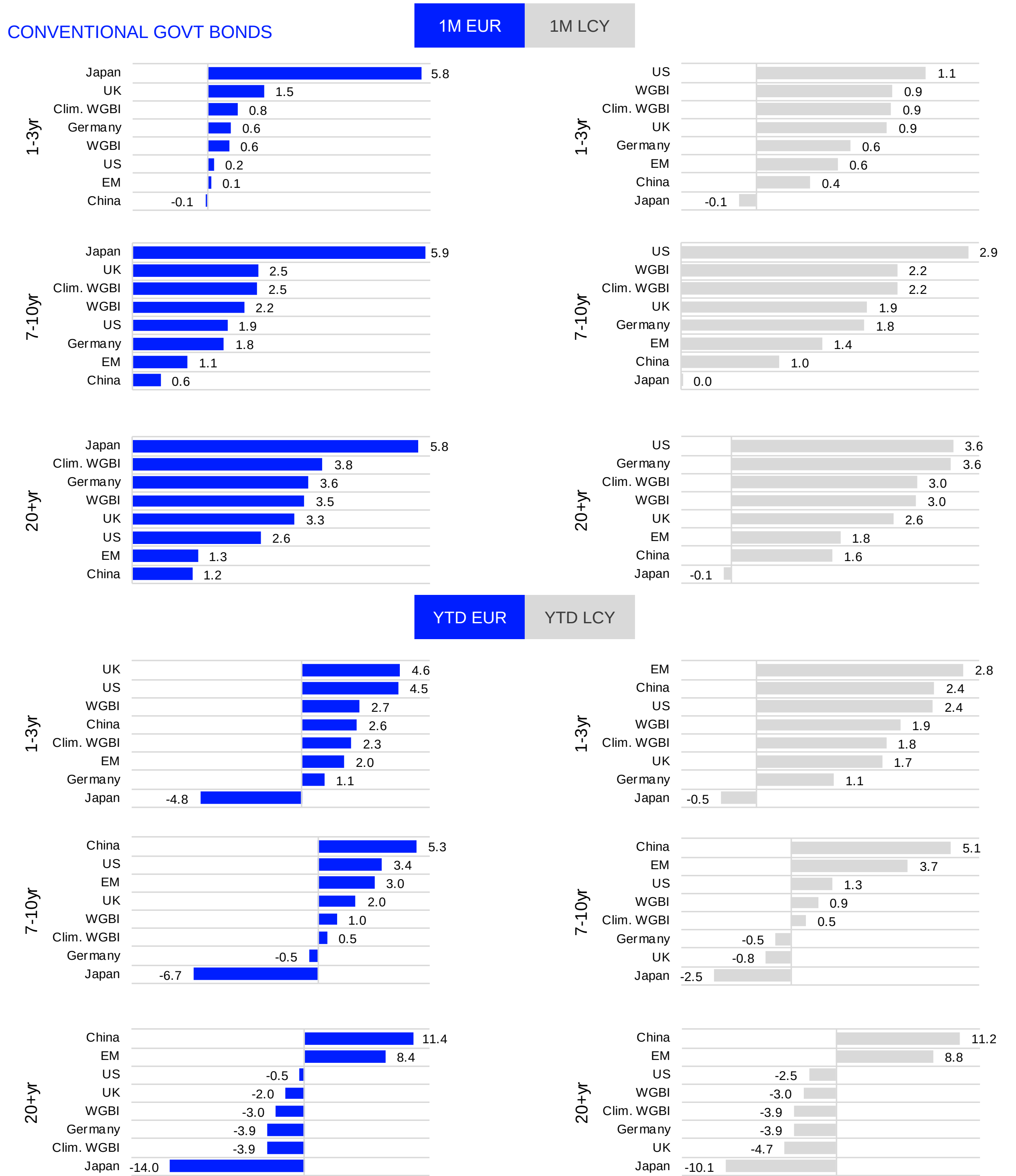
Global Bond Market Returns – 1M & YTD % (EUR, LC, TR)

G7 conventionals rallied in July as investors switched to more defensive assets, following some rotation out of large US technology stocks, and an outage at CrowdStrike. Slower inflation and growth improved prospects for rate cuts. The BoJ's rate hike and fX intervention propped up the yen, improving JGB returns in Euros. China (and EM) were negative.

G7 conventional bonds gained in July, with long and medium returns bouncing back, with positive returns seen across the curve. Currency gains drove JGB returns of 6% in July, in euros, after the BoJ intervened to support the yen, and some yen carry trades were closed. JGBs showed near zero returns in yen.

YTD, long returns remained negative, despite the rally in July. JGBs were down 5-14%, as yen weakness eroded JGB returns. Shorts have outperformed, led by the US and UK, both up by about 5% in euros, while China retained its leadership with gains of 3-11%, as the PBoC continued to cut rates to support weak economic growth and encourage consumer spending.



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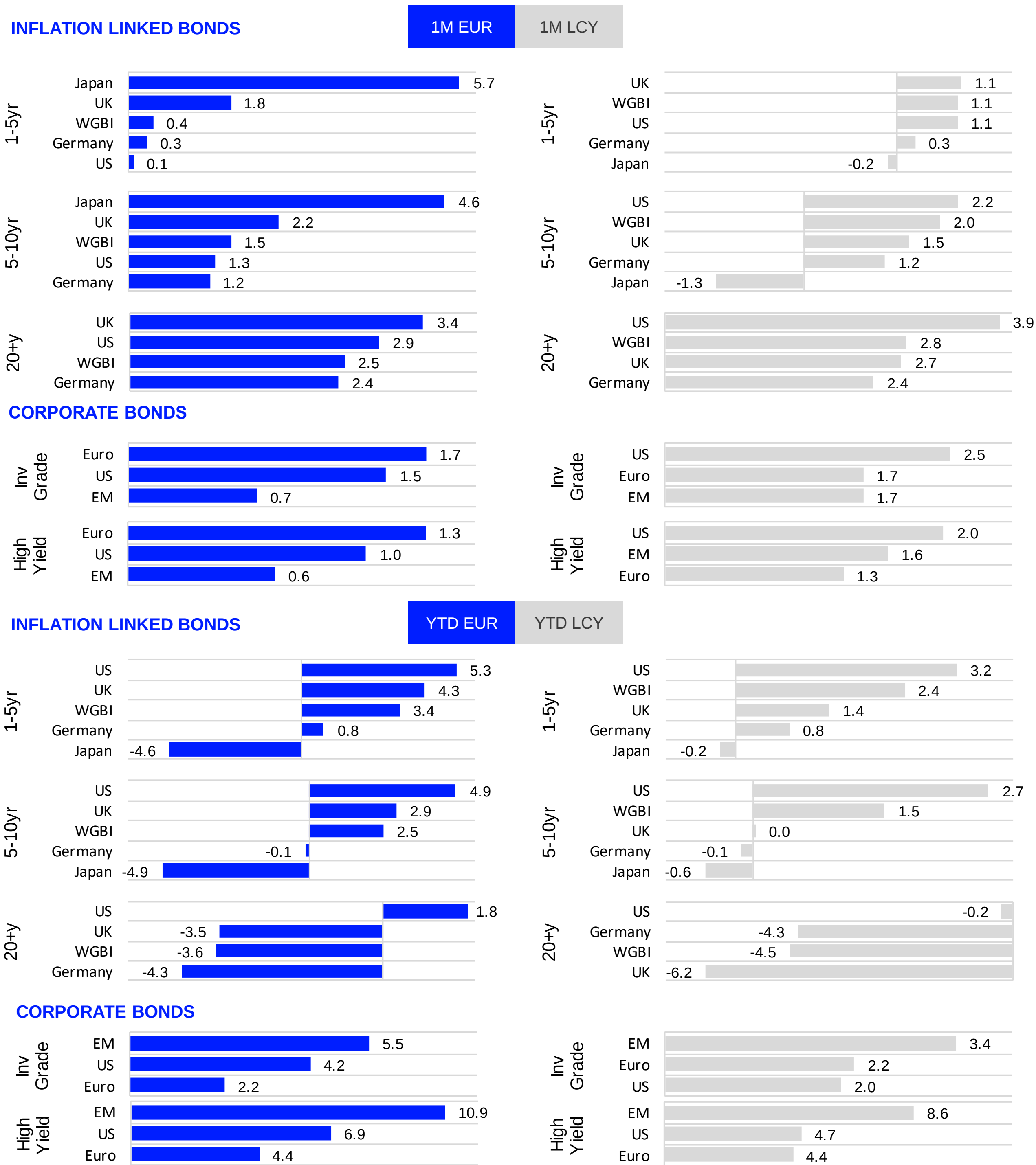
Global Inflation-Linked Bond Returns – 1M & YTD % (EUR, LC, TR)

Inflation linked bonds followed nominal yields lower in July, with JGB returns in euros driven completely by the yen rally. Short to medium JGB linkers gained 5-6% in euros, but fell in yen. Currency effects boosted UK index-linked bonds, as sterling appreciated on the month. Credit again outperformed, led by Euro credits in July and EM YTD.

Returns were generally dominated by currency effects in July, led by JGBs, after the yen rally. Both IG and HY credits showed positive returns, with Euro credits gaining 1-2%.

EM credits lagged in July but still showed the strongest returns of 6-11% in euros YTD, with HY the star performer, reflecting the risk rally globally in 1H 2024, and short duration.



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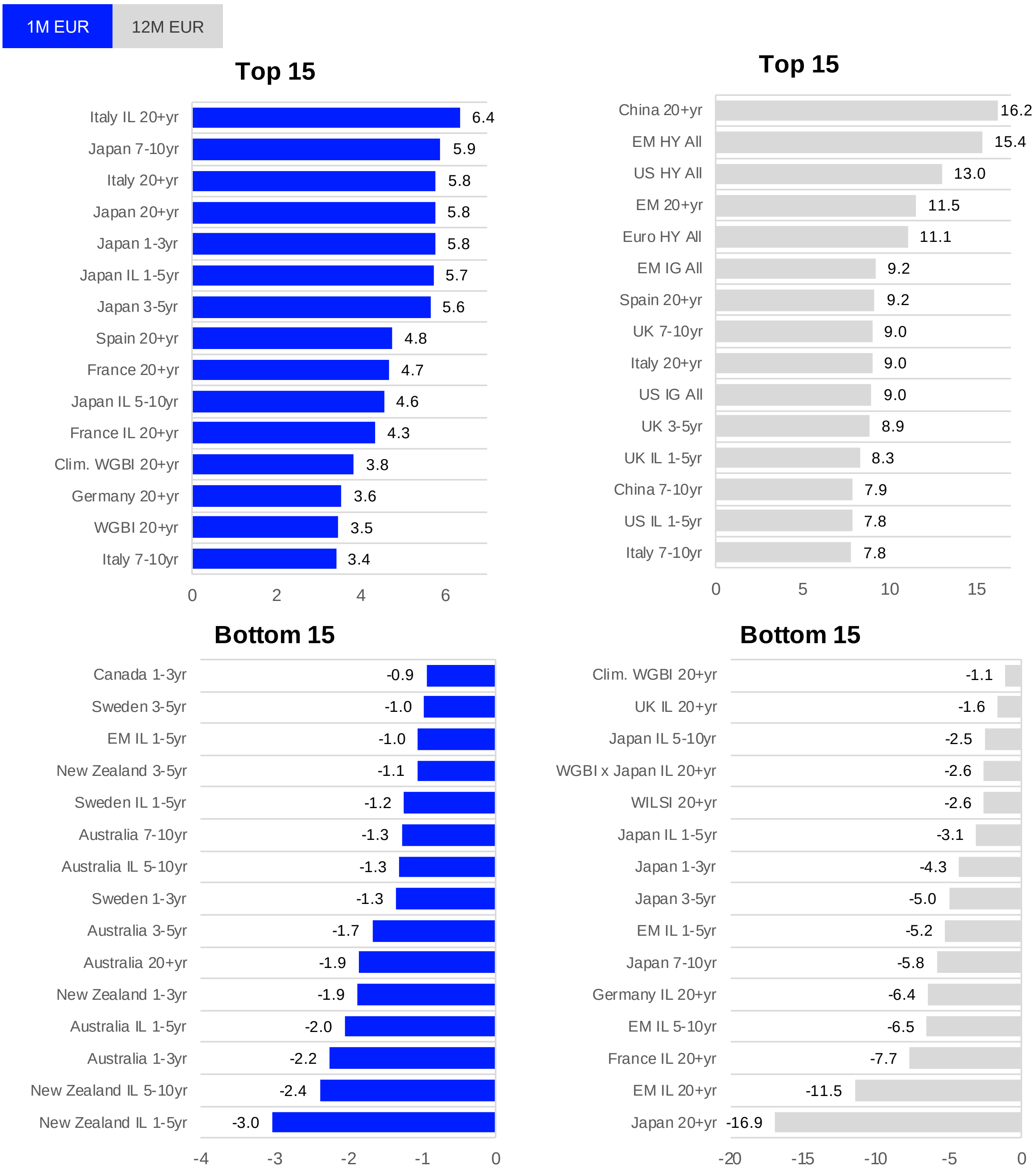
Top and Bottom Bond Returns − 1M & 12M % (EUR, TR)

Strong performance in July came from JGBs, and long European sovereigns, notably BTPs. By contrast, Australian and New Zealand bonds underperformed, after sticky inflation reduced prospects for imminent rate cuts. High yield, led by EM, and long Chinese governments dominated the 12M performance table.

The BoJ intervention in July to prop up the yen pushed JGB returns to near the top end of the performance table, with gains of 5-6%. Eurozone sovereigns, especially long Italian BTPs, also returned 6%. Australian and New Zealand government bonds underperformed in July, with losses of 1-3%, as the RBA and RZB mulled further rate increases.

High yield credits have maintained their lead over twelve months and returned 11% in Euro HY and 15% in EM HY. Strong performance also came from all EM government and investment grade corporate bonds, up 9-12% in euros. Long Chinese government bonds have continued to benefit from easing. By contrast, JGBs have lost 3-17% in euros.



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Appendix − Global Bond Market Returns % (EUR & LC, TR) – July 31, 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	2.43	1.21	2.01	2.40	2.38	4.51	5.36	7.35
	7-10yr	6.07	4.81	1.45	1.84	1.32	3.43	3.87	5.83
	20+yr	8.50	7.21	0.21	0.60	-2.51	-0.48	-1.42	0.44
	IG All	4.97	3.72	2.04	2.43	2.03	4.15	6.96	8.98
	HY All	4.05	2.82	4.69	5.09	4.72	6.90	10.93	13.03
UK	1-3yr	1.97	3.36	1.84	3.12	1.70	4.60	5.69	7.51
	7-10yr	3.97	5.39	1.02	2.28	-0.80	2.04	7.16	9.00
	20+yr	5.95	7.39	0.88	2.14	-4.69	-1.97	2.99	4.76
Euro	IG All	2.64	2.64	2.07	2.07	2.18	2.18	7.12	7.12
	HY All	2.71	2.71	3.47	3.47	4.43	4.43	11.06	11.06
Japan	1-3yr	-0.17	3.18	-0.42	-2.89	-0.47	-4.80	-0.49	-4.25
	7-10yr	-0.99	2.32	-1.97	-4.40	-2.45	-6.69	-2.09	-5.79
	20+yr	-5.09	-1.91	-7.48	-9.77	-10.10	-14.00	-13.64	-16.91
China	1-3yr	1.12	0.12	2.00	1.72	2.40	2.58	3.25	4.04
	7-10yr	2.46	1.44	3.96	3.68	5.10	5.28	7.06	7.87
	20+yr	4.92	3.88	7.12	6.82	11.21	11.41	15.38	16.25
EM	1-3yr	1.54	0.13	2.31	1.29	2.79	1.98	4.26	3.60
	7-10yr	3.26	2.07	3.11	2.30	3.73	3.03	6.11	5.04
	20+yr	4.89	3.58	5.85	5.22	8.76	8.39	11.99	11.54
	IG All	4.14	2.90	3.32	3.71	3.35	5.51	7.17	9.19
	HY All	4.60	3.35	6.99	7.40	8.60	10.86	13.23	15.37
Germany	1-3yr	1.44	1.44	1.06	1.06	1.05	1.05	3.25	3.25
	7-10yr	3.18	3.18	0.05	0.05	-0.49	-0.49	4.16	4.16
	20+yr	4.49	4.49	-1.32	-1.32	-3.86	-3.86	3.20	3.20
Italy	1-3yr	1.67	1.67	1.46	1.46	1.66	1.66	4.35	4.35
	7-10yr	3.00	3.00	2.45	2.45	2.68	2.68	7.80	7.80
	20+yr	3.30	3.30	3.90	3.90	3.60	3.60	8.99	8.99
Spain	1-3yr	1.50	1.50	1.35	1.35	1.51	1.51	3.99	3.99
	7-10yr	2.97	2.97	1.81	1.81	1.44	1.44	7.14	7.14
	20+yr	4.12	4.12	3.26	3.26	1.43	1.43	9.15	9.15
France	1-3yr	1.44	1.44	0.90	0.90	0.87	0.87	3.42	3.42
	7-10yr	1.71	1.71	-0.88	-0.88	-1.38	-1.38	3.74	3.74
	20+yr	0.72	0.72	-3.50	-3.50	-5.79	-5.79	2.60	2.60
Sweden	1-3yr	2.38	3.60	2.22	-1.07	2.21	-1.89	4.69	4.58
	7-10yr	4.66	5.91	2.70	-0.61	1.50	-2.57	7.31	7.20
Australia	1-3yr	1.49	0.85	1.60	0.75	1.97	-0.38	4.30	2.98
	7-10yr	3.47	2.82	1.52	0.66	1.45	-0.89	4.31	2.99
	20+yr	3.38	2.72	-1.12	-1.95	-2.69	-4.93	0.32	-0.95
New Zealand	1-3yr	2.64	1.80	3.44	0.19	3.53	-0.86	6.74	3.79
	7-10yr	5.46	4.59	4.41	1.13	2.96	-1.41	8.12	5.13
	20+yr	7.24	6.36	3.40	0.16	-0.74	-4.94	6.12	3.19
Canada	1-3yr	2.27	0.50	2.70	-0.29	2.59	-0.04	5.82	2.73
	7-10yr	6.06	4.22	3.35	0.34	1.68	-0.92	6.65	3.53
	20+yr	10.43	8.52	2.73	-0.26	-1.95	-4.46	5.38	2.30

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Appendix − Global Bond Market Returns % (EUR & LC, TR) – July 31, 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	2.84	1.62	2.73	3.13	3.19	5.34	5.83	7.83
	5-10yr	5.12	3.88	2.23	2.62	2.72	4.86	4.53	6.50
	20+yr	9.10	7.81	0.87	1.26	-0.23	1.85	-1.87	-0.02
UK	1-5yr	1.78	3.17	2.11	3.39	1.36	4.25	6.45	8.28
	5-10yr	2.50	3.89	1.67	2.95	0.03	2.89	5.36	7.17
	20+yr	5.52	6.95	3.03	4.32	-6.19	-3.51	-3.27	-1.61
Japan	1-5yr	0.47	3.83	-0.25	-2.72	-0.22	-4.56	0.73	-3.08
	5-10yr	-0.73	2.60	-0.86	-3.31	-0.55	-4.88	1.33	-2.50
EM	1-5yr	2.95	-4.95	3.91	-5.79	4.88	-5.17	8.24	-5.22
	5-10yr	3.01	-3.93	1.38	-6.43	1.35	-6.78	4.72	-6.47
	20+yr	1.89	-6.40	-2.98	-11.82	-4.62	-13.53	-0.16	-11.45
Germany	1-5yr	1.10	1.10	1.03	1.03	0.78	0.78	1.41	1.41
	5-10yr	2.06	2.06	0.69	0.69	-0.13	-0.13	0.39	0.39
	20+yr	1.74	1.74	-1.36	-1.36	-4.33	-4.33	-6.40	-6.40
Italy	1-5yr	1.54	1.54	1.67	1.67	1.68	1.68	4.08	4.08
	5-10yr	1.86	1.86	2.95	2.95	2.78	2.78	4.64	4.64
	20+yr	-0.12	-0.12	4.84	4.84	2.84	2.84	-0.60	-0.60
Spain	1-5yr	1.25	1.25	1.32	1.32	1.05	1.05	2.51	2.51
	5-10yr	1.81	1.81	2.36	2.36	1.80	1.80	3.65	3.65
France	1-5yr	0.83	0.83	0.04	0.04	-0.12	-0.12	1.10	1.10
	5-10yr	0.53	0.53	-0.64	-0.64	-1.41	-1.41	0.07	0.07
	20+yr	-2.84	-2.84	-4.23	-4.23	-8.02	-8.02	-7.65	-7.65
Sweden	1-5yr	2.11	3.33	2.43	-0.88	2.03	-2.06	4.25	4.14
	5-10yr	3.18	4.41	3.58	0.24	2.13	-1.97	5.46	5.34
Australia	1-5yr	1.39	0.75	1.77	0.91	1.72	-0.63	4.84	3.52
	5-10yr	2.27	1.62	1.41	0.56	1.00	-1.33	5.29	3.96
	20+yr	1.83	1.19	-2.24	-3.06	-6.14	-8.31	0.42	-0.85
New Zealand	5-10yr	3.25	2.40	4.43	1.15	3.48	-0.91	8.44	5.45
Canada	20+yr	10.55	8.64	6.88	3.77	2.53	-0.09	8.35	5.18

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Appendix – Historical Bond Yields % as of July 31, 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	4.38	3.99	4.02	4.42	2.13	1.77	2.12	5.16	7.81
	3M Ago	5.09	4.80	4.69	4.85	2.41	2.24	2.44	5.75	8.22
	6M Ago	4.33	3.93	3.93	4.31	1.98	1.64	2.01	5.14	7.97
	12M Ago	5.01	4.33	3.97	4.11	2.44	1.72	1.80	5.50	8.36
UK	Current	4.19	3.82	3.89	4.47	0.27	0.37	1.25		
	3M Ago	4.64	4.31	4.28	4.72	0.30	0.49	1.38		
	6M Ago	4.21	3.73	3.75	4.39	0.16	0.21	1.25		
	12M Ago	5.04	4.69	4.25	4.39	1.86	0.65	1.00		
Japan	Current	0.37	0.57	0.94	2.11	-1.19	-0.59			
	3M Ago	0.21	0.39	0.76	1.86	-1.21	-0.76			
	6M Ago	0.04	0.20	0.59	1.73	-1.65	-0.83			
	12M Ago	-0.04	0.08	0.50	1.40	-1.70	-0.74			
China	Current	1.53	1.76	2.10	2.38					
	3M Ago	1.89	2.06	2.34	2.61					
	6M Ago	2.07	2.22	2.46	2.70					
	12M Ago	2.08	2.34	2.66	3.04					
EM	Current	3.19	3.48	4.18	3.73	5.77	5.23	5.69	5.41	7.93
	3M Ago	3.42	3.86	4.56	3.94	5.65	5.21	5.67	6.01	9.15
	6M Ago	3.34	3.81	4.64	4.17	4.38	4.41	5.03	5.58	9.35
	12M Ago	3.58	4.17	4.80	4.41	3.05	4.07	4.88	5.92	11.65
Germany	Current	2.62	2.25	2.21	2.50	1.57	0.40	0.43		
	3M Ago	3.08	2.67	2.53	2.69	1.12	0.46	0.43		
	6M Ago	2.57	2.07	2.06	2.38	0.81	0.20	0.27		
	12M Ago	3.09	2.60	2.41	2.53	0.60	0.07	0.01		
Italy	Current	2.99	2.97	3.43	4.10	1.45	1.58	1.87		
	3M Ago	3.45	3.38	3.68	4.24	1.25	1.54	1.79		
	6M Ago	2.96	2.93	3.47	4.21	1.08	1.58	1.94		
	12M Ago	3.60	3.55	3.86	4.35	1.30	1.64	1.69		
France	Current	2.78	2.68	2.87	3.40	0.98	0.81	1.05		
	3M Ago	3.17	2.93	2.96	3.39	0.72	0.65	0.86		
	6M Ago	2.62	2.34	2.52	3.13	0.44	0.37	0.78		
	12M Ago	3.15	2.90	2.90	3.35	0.58	0.37	0.60		
Sweden	Current	2.15	1.96	1.98		0.95	0.51			
	3M Ago	3.14	2.68	2.50		1.60	0.85			
	6M Ago	2.68	2.21	2.18		1.26	0.76			
	12M Ago	3.33	2.83	2.57		0.96	0.74			
Australia	Current	3.86	3.76	4.07	4.62	1.38	1.56	2.04		
	3M Ago	4.16	4.05	4.36	4.75	1.40	1.71	2.06		
	6M Ago	3.69	3.60	3.97	4.42	1.04	1.39	1.81		
	12M Ago	4.02	3.86	4.03	4.40	1.03	1.47	1.79		
New Zealand	Current	4.21	4.04	4.31	4.81	2.47	2.21			
	3M Ago	5.16	4.77	4.85	5.17	2.29	2.51			
	6M Ago	4.89	4.44	4.55	4.87	1.72	2.39			
	12M Ago	5.21	4.80	4.70	4.87	1.94	2.39			
Canada	Current	3.64	3.11	3.15	3.23	1.41	1.34	1.52		
	3M Ago	4.47	3.92	3.82	3.70	1.97	1.98	1.90		
	6M Ago	4.21	3.50	3.36	3.28	1.55	1.60	1.72		
	12M Ago	4.76	4.02	3.56	3.33	2.11	1.80	1.69		

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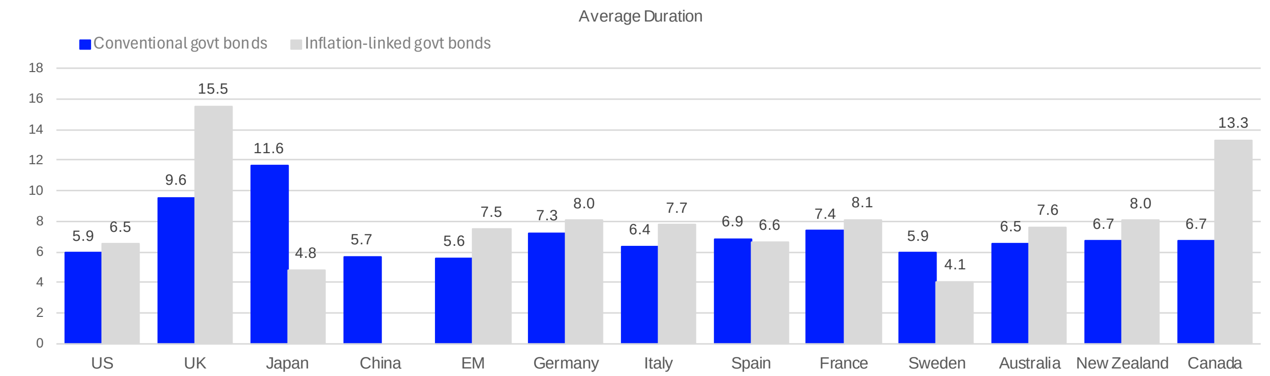
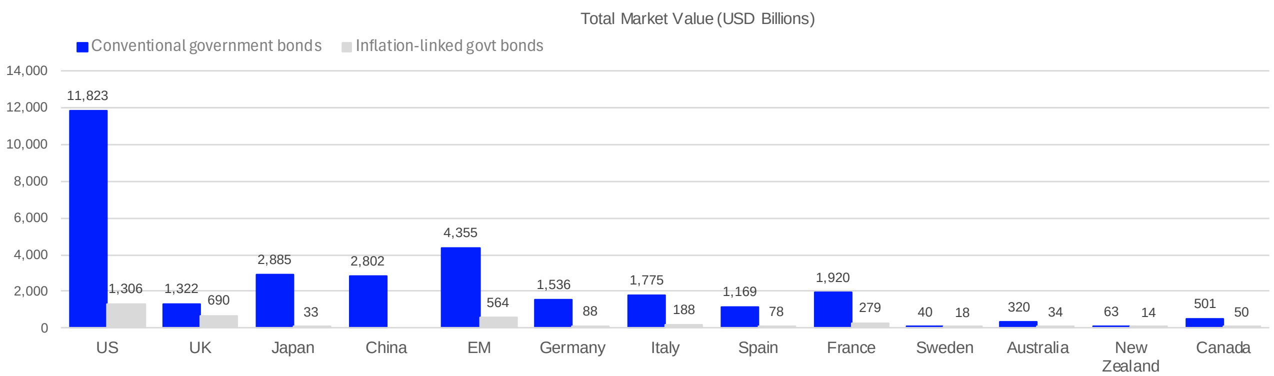
Appendix – Duration and Market Value (USD, Bn) as of July 31, 2024

	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.6	**5.9**	2,814.6	1,192.3	1,401.1	**11,823.0**	7.0	21.4	**6.5**	418.9	115.1	**1,306.3**
UK	3.6	7.3	18.5	**9.6**	174.5	219.0	335.2	**1,321.9**	7.7	27.3	**15.5**	122.2	235.2	**689.9**
Japan	4.0	8.2	23.2	**11.6**	344.5	385.0	588.9	**2,885.2**	7.8		**4.8**	12.1		**33.4**
China	3.8	7.7	18.0	**5.7**	658.6	439.8	319.2	**2,801.8**						
EM	3.7	7.1	16.4	**5.6**	945.9	737.1	416.4	**4,354.8**	5.9	13.2	**7.5**	92.0	149.2	**563.8**
Germany	3.6	7.6	20.2	**7.3**	356.1	220.3	201.0	**1,536.1**	6.4	20.9	**8.0**	44.2	18.3	**88.2**
Italy	3.5	7.1	16.3	**6.4**	307.1	250.1	165.5	**1,775.2**	7.4	25.5	**7.7**	57.3	5.7	**187.7**
Spain	3.7	7.4	17.6	**6.9**	240.4	214.3	118.1	**1,168.8**	7.4		**6.6**	49.3		**78.1**
France	3.8	7.6	19.6	**7.4**	434.4	326.5	235.4	**1,920.4**	6.2	23.8	**8.1**	88.1	21.3	**278.8**
Sweden	3.7	7.8		**5.9**	6.7	9.9		**40.3**	6.5		**4.1**	5.8		**18.2**
Australia	3.8	7.4	16.7	**6.5**	47.4	97.3	20.0	**319.5**	6.4	21.7	**7.6**	10.5	2.8	**34.3**
New Zealand	4.0	7.3	16.2	**6.7**	12.9	16.9	5.3	**62.8**	5.6		**8.0**	3.2		**14.1**
Canada	3.7	7.6	19.6	**6.7**	73.5	114.3	71.9	**501.2**	6.4	20.5	**13.3**	8.2	20.5	**49.6**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.3	8.4	7.2	6.6	7.0	77.3	451.6	2817.6	3537.7	6884.3	3.8	1076.0
Europe	6.2	4.9	4.6	4.2	4.4	15.3	222.3	1233.0	1590.4	3060.9		
EM		6.8	5.3	5.6	5.5		38.0	218.9	250.4	507.3	3.5	190.1





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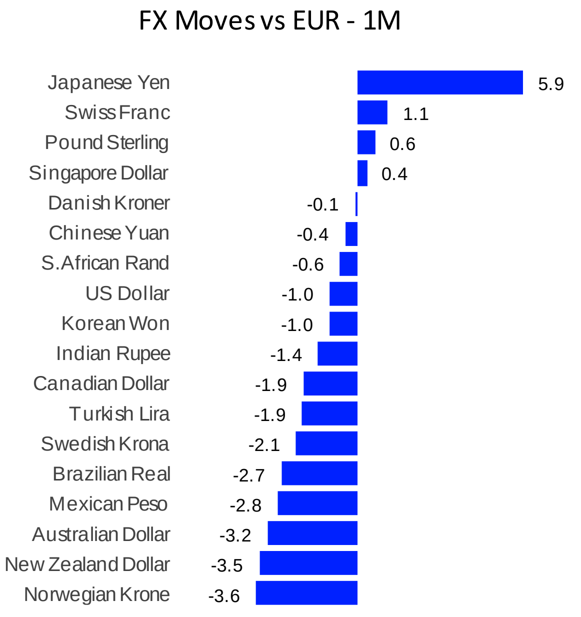
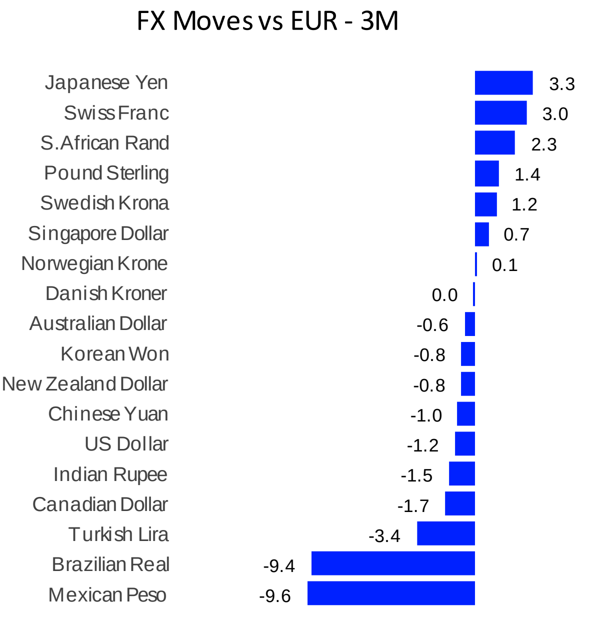
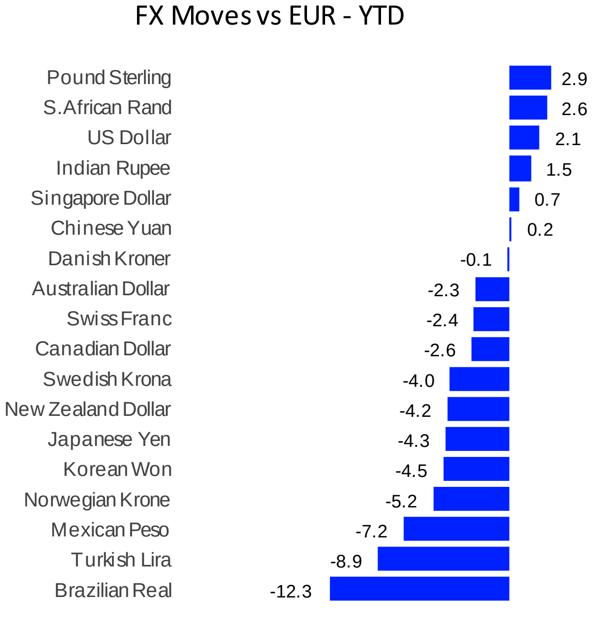
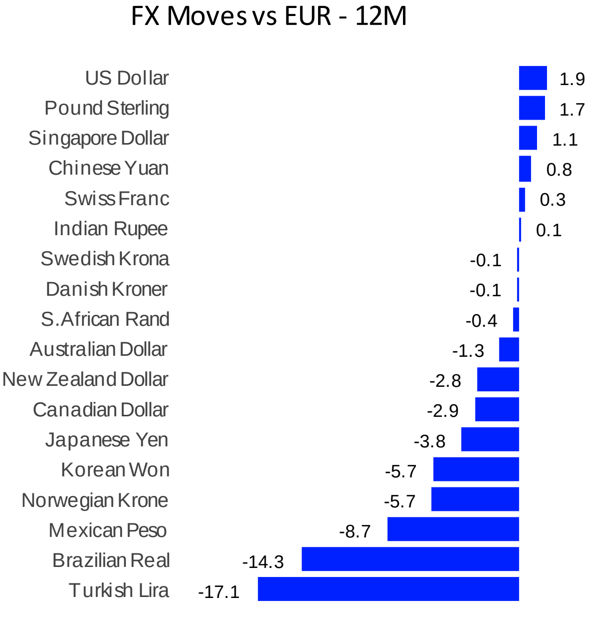
Appendix – Foreign Exchange Returns % as of July 31, 2024









Source: FTSE Russell and LSEG. All data as of July 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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