Global Investment Research
Market Maps

FTSE RUSSELL
An LSEG Business

Fixed Income Insights

UK EDITION

MONTHLY REPORT | **AUGUST 2024**

Gilts front-run the BoE, as UK inflation falls

Amidst weaker Q3 growth, policy easing and risk-off, gilts benefitted from extra duration and convexity in July. Nominal yields led real yields lower in July, as markets anticipated more easing, led by the Fed. JGB returns were boosted by the yen, as rate differentials narrowed. Credit performed well YTD, but spreads are now tight.

Macro and policy backdrop – BoE cuts rates as inflation remains at 2% target

Notable policy changes in July, within the G7, as BoJ goes its own way. (pages 2-3)

Yields, curves and spreads – Exc. Japan, easing moves drive curve dis-inversion

Further G7 easing & strong signalling from the Fed, drove short yields lower. (pages 4-5)

IG credit & MBS – BBB credits continue to lead returns, RMBS spreads stabilise

Lower rate prospects helped RMBS. IG spreads edged out as Treasury yields fell. (page 6)

High yield credit analysis – Banks and manufacturing outperform

High debt levels weigh on telecoms. Financials and banks show strong returns. (page 7)

SI sovereign & corporate bond analysis – Green sovereigns' duration helpful

Green duration boosts recovery. Bank and utility overweight helps green credit. (page 8)

Performance – Yen drove JGB gains in July; policy easing boosted other markets

JGBs outperformed in sterling, on the strong yen. Other G7 govt bonds helped by lower rates, including gilts. Credit still delivering positive returns. (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: Nominal yields led real lower in July, as breakevens mostly fell. Yields fell more in the US and Canada, as bonds front-run Fed easing and after BoC easing. Gilt yields anticipated BoE easing.

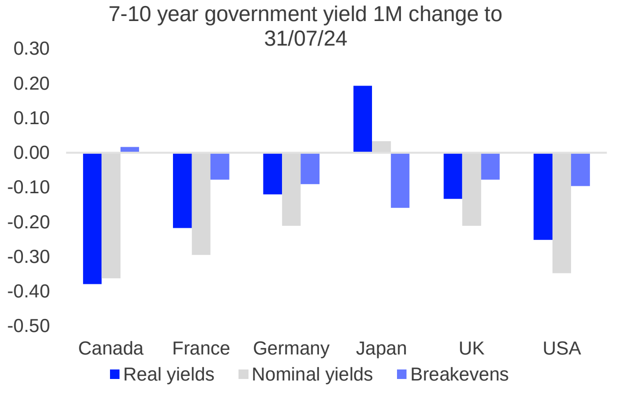
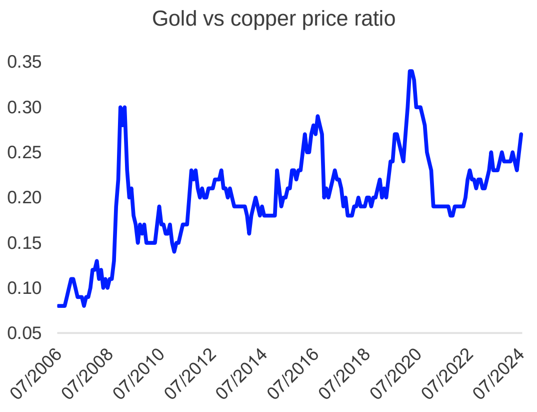


Chart 2: The gold/copper price ratio soared and signalled severe risk-off in the GFC and Covid. Copper gained from the AI boom in 2023-24 but geopolitics & lower rates drove even bigger gains for gold.



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

Growth forecasts from the IMF reflect a slow-motion cycle, with the US the stronger growth outlier. UK growth rebounded in Q1, but consumer caution prevails. G7 inflation is nearing 2% targets, though services inflation remains sticky, near 5% in both the US and UK. UK inflation sustainably below 2% is likely to require slower wage growth.

Updated IMF forecasts show marginal upgrades to China, Canada and EM, but modest downgrades elsewhere, with a weak growth outlook in Europe and the UK, as Chart 1 shows. UK growth did recover in Q1, with GDP increasing 0.7%, and up 0.3% y/y, led by services gaining 0.8%. Interest rate sensitive sectors, like construction, contracted again in Q1. Q2 may show some benefit from the European football championships, but overall consumers remain cautious.

Regional inflation rates show some convergence close to the 2% inflation target level. China remains an outlier with its deflation risks, reflecting weak domestic demand, which drove more easing in July. UK inflation fell to 2% y/y in Q2, though service sector inflation is still at 5.7% y/y (June data). Sticky services inflation remains a feature throughout the G7, but particularly in the UK and US. It ran at 2.5% to 3% y/y in the UK pre-Covid, so has doubled since, and remains a challenge for the BoE.

Chart 3 shows the UK labour market softening, with unemployment up almost 1% from the cycle low of 3.5%, at 4.4%. Wage inflation has slowed to 5.7% y/y, excluding bonus, from the peak above 8%, but recent public sector wage awards since the election suggest it may rebound again. This may make 2% inflation difficult to sustain, unless productivity surges unexpectedly.

UK consumers have become more cautious, and responded to the rate increases since Dec. 2021 by steadily raising savings out of disposable income, as Chart 4 shows. Lower inflation is boosting real incomes,and may offset the impact on savings from the reduced winter fuel subsidy. However, until UK interest rates fall sharply, a major rebound in consumption is unlikely.

Chart 1: IMF growth forecasts continue to show the US as a strong growth outlier in the G7, with little scope for fiscal stimulus in the G7. Central bank rate cuts are likely to remain measured and gradual.

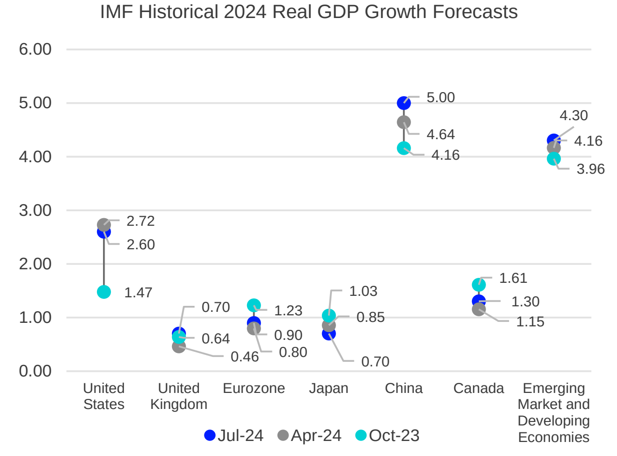


Chart 2: Squeezing inflation down to 2% from 3% y/y remains a challenge, particularly in the US and UK, given higher services inflation. But progress in Q2 gives scope for gradual easing cycles.

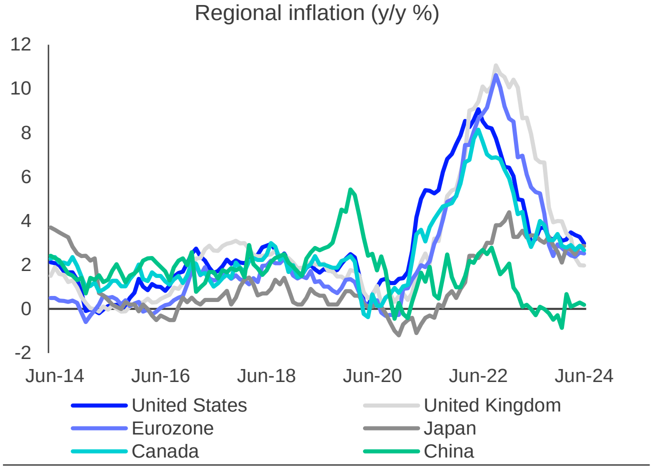


Chart 3: Average earnings growth slowed to 5.7% in May y/y, as unemployment moved higher to 4.4%. However, this remains high unless UK productivity surges to reduce unit labour costs.

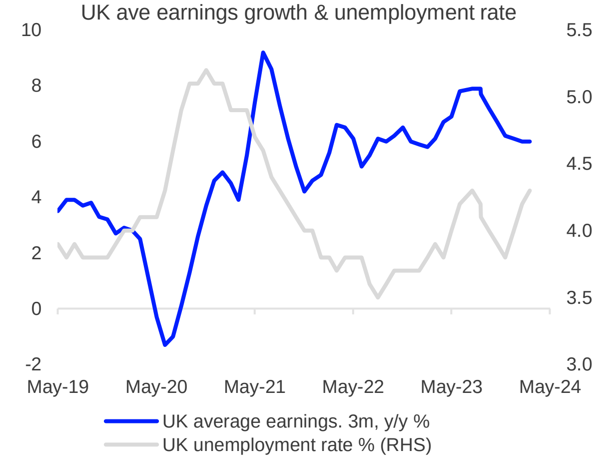
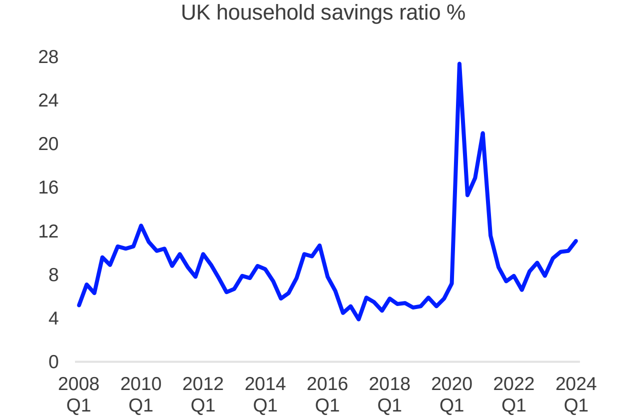


Chart 4: UK households have increased savings sharply since the BoE began raising rates (Dec. 2021), taking the savings ratio above pre-Covid levels, and above 11%. This is close to GFC levels near 12%.



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Financial Conditions and Monetary Policy Settings

Both the BoE and UK domestic institutions have reduced gilt holdings sharply since 2021, but overseas holdings are more stable. BoJ intervention caused unwinding of carry trades in JPY/USD, though the BoJ would not welcome a strong yen. Better Q2 inflation data allowed the BoC and BoE to ease rates. The soft landing delayed Fed easing but weaker Q3 growth bodes well for a September move. High debt/GDP ratios restrict G7 fiscal policy as a counter-cyclical tool.

Overseas gilt holdings have been more stable than those of domestic institutions, led by the BoE, and increased in 2023. Overseas holdings amount to about 25% of total gilts outstanding at end-2023 (DMO data). BoE holdings have fallen below overseas holdings, to less than £600bn, versus nearly £900bn in Q4 2021 (Chart 1). The BoE has stated it wishes to transfer interest rate and duration risk back to the private sector and intends to use repo operations, rather than QE, more in future.

FX moves show the strong US dollar and weak yen since Covid. High employment and strong growth has meant the US has acquiesced in a stronger dollar, and the yen carry trade has been a factor as well. BoJ intervention drove a yen rally in July but a trend reversal may require notably lower US rates. The Canadian dollar held up well, despite BoC easing before the Fed.

After focussing on inflation control since 2022, the Fed pivoted to focus on the dual mandate of employment and inflation, on July 31, making a September rate cut more likely. The BoC has eased 50bps, faced by weaker domestic demand and inflation in Canada (2.7% y/y). The BoE took advantage of inflation at 2% y/y to begin cutting rates, but it was a split vote (5-4). The increase in BoJ short rates to 0.25% surprised markets, with the hint of further rate increases to come.

After substantial global shocks (GFC, Covid and Ukraine), and weak G7 growth, public sector bailouts have driven debt/GDP ratios to 100% or above (Chart 4), though these ratios were much larger in the late-1940s, reaching 250% of GDP in the UK. However, this matters in a higher rate regime, given debt service costs, constraining fiscal policy for counter-cyclical purposes.

Chart 1: Gilt holdings show the sharp increase, and then contraction in BoE holdings, after QE, and now QT. Insurance companies and pension funds holdings also fell sharply. But overseas gilt holdings fell less.

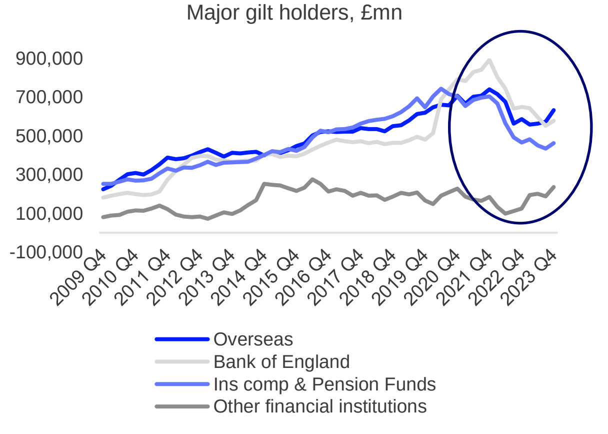


Chart 2: The US dollar has been on a strengthening trend since pre-Covid, helped by stronger relative growth. Sterling fell sharply after the Brexit vote in 2016, and has never really recovered.

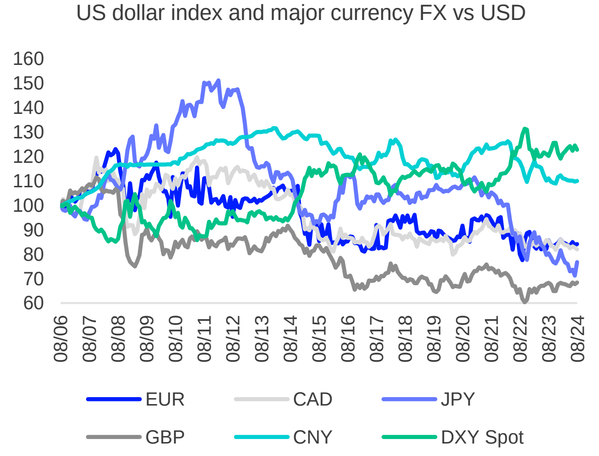


Chart 3: The Fed pivoted to focus on the dual mandate of employment and inflation, making a September rate cut very likely. The BoE cut rates 25bp, helped by the decline to 2% inflation in Q2.

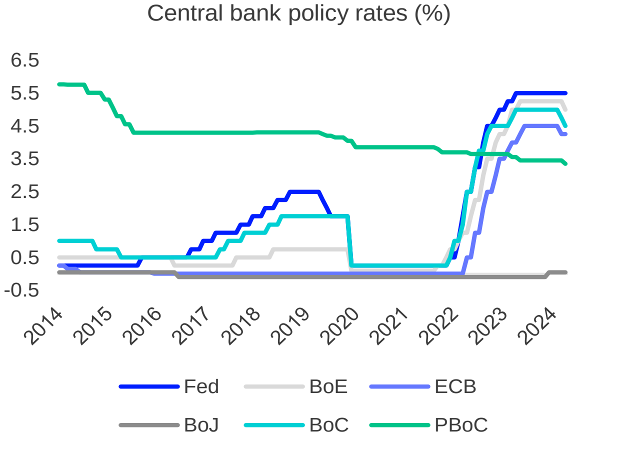
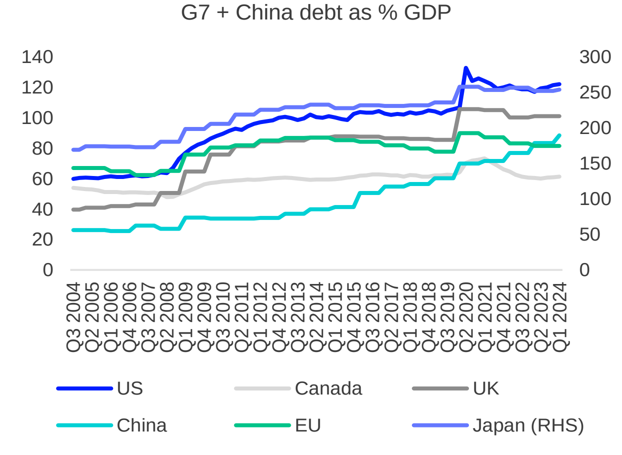


Chart 4: G7 + China debt/GDP ratios almost doubled since the GFC, Covid and Ukraine shocks, including the UK. This constrains fiscal policy as a counter-cyclical tool, and leaves the onus on monetary policy.



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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.

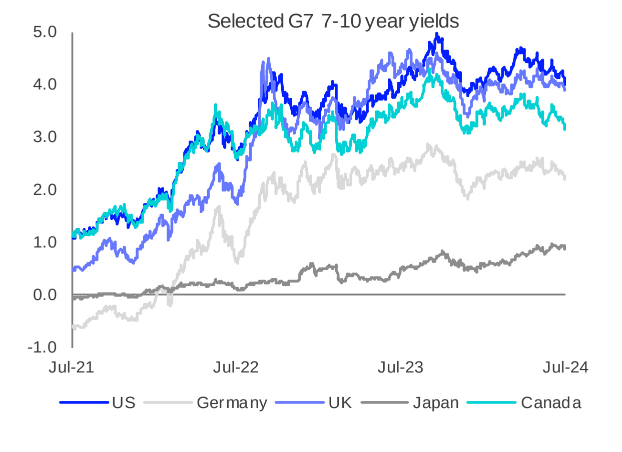


Chart 2: Real yields in the 7-10 year area also edged a little lower, though nominal yields fell further than real yields. This is the normal pattern during easing cycles, when inflation breakevens tend to fall.

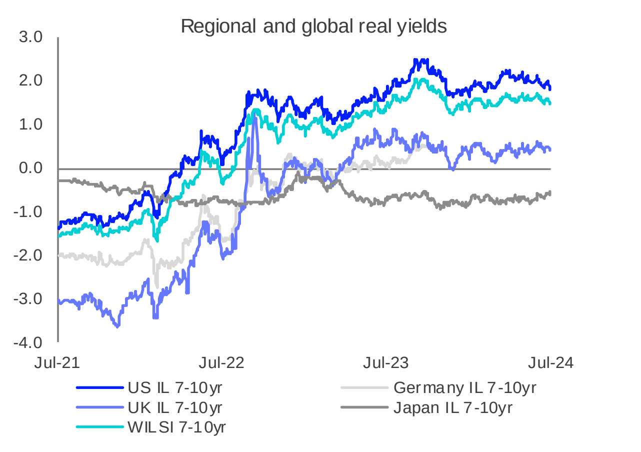


Chart 3: Yield curves are slowly dis-inverting, apart from Japan, where the BoJ is proceeding to raise short rates. The BoC's 50 bps in cuts in June & July removed much of Canada's curve inversion.

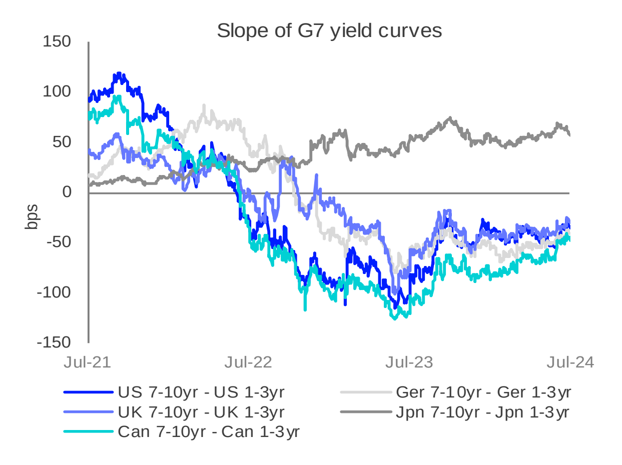


Chart 4: Yield curves steepened in long maturities in July, as shorter yields fell more, after central banks signalled more easing is likely in Q3/Q4. JGBs steepened less, as short rate expectations rose.

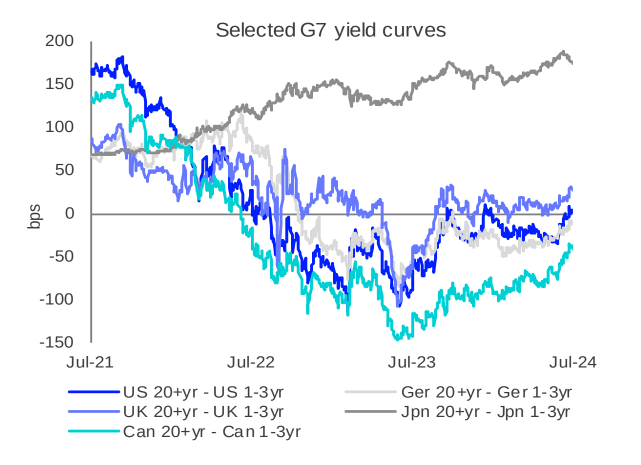


Chart 5: Inflation breakevens fell back, as nominal yields fell more & inflation data released in July was lower. This is the normal cyclical pattern of breakevens moving pro-cyclically with rate expectations.

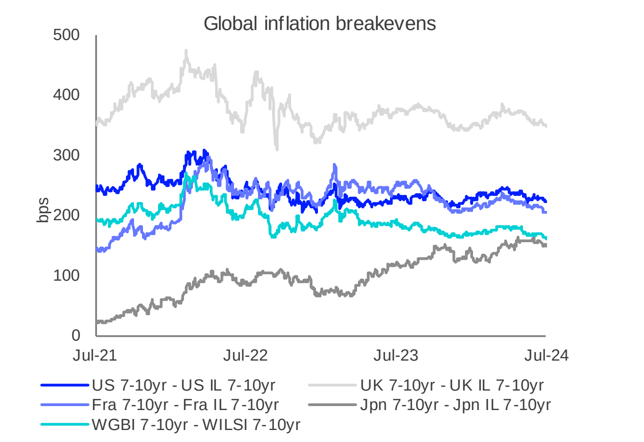
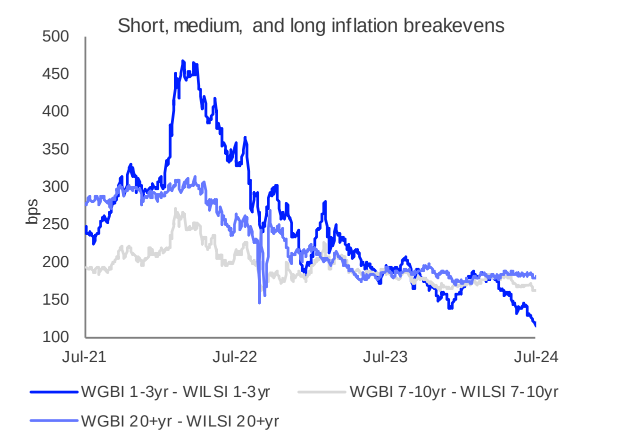


Chart 6: Short-dated breakevens fell sharply in July, and are well below 2% inflation target levels. Hope for further central bank easing is an important driver. Longer dated breakevens remain stable near 2%.



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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.

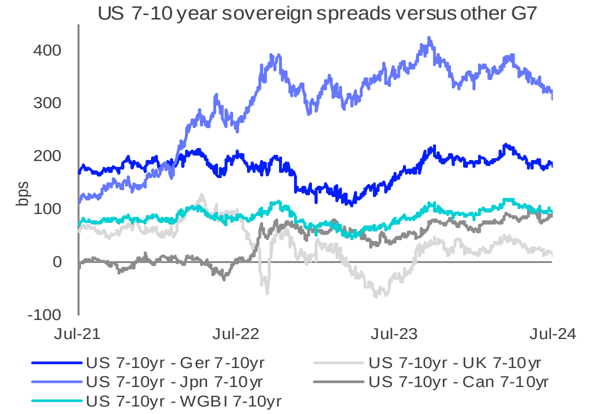


Chart 2: BTP spreads resumed tightening in July,and unwound the June widening. Spreads reached 2-year lows versus JGBs as the BoJ raised short rates again.

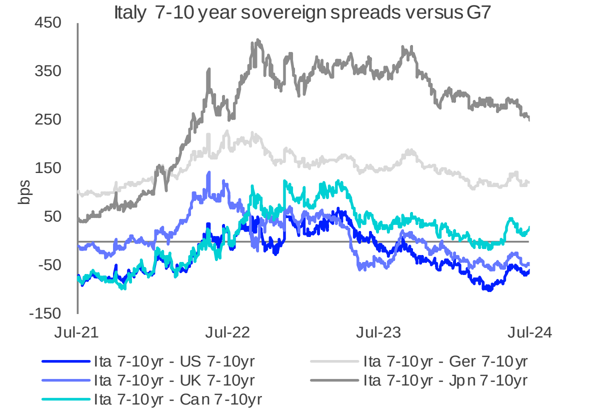


Chart 3: The China effect helped EM spreads tighten versus JGBs mainly, though spreads moved less elsewhere in July. This is an unprecedented cycle as spreads narrowed in the Fed tightening phase.

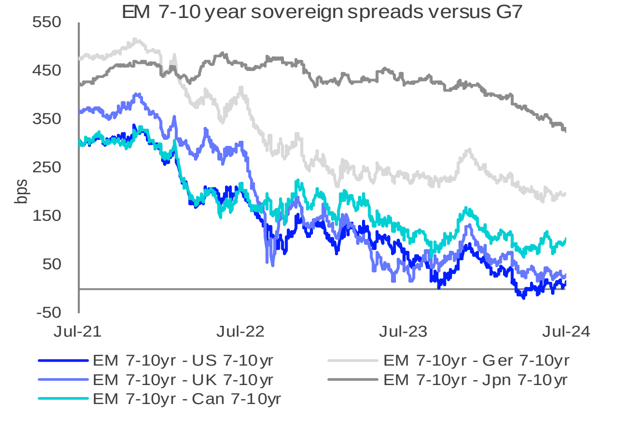


Chart 4: Chinese spreads generally remained near recent lows, after the PBOC cut rates again, though they turned slightly less negative versus the US and Canada as yields fell even more than in China.

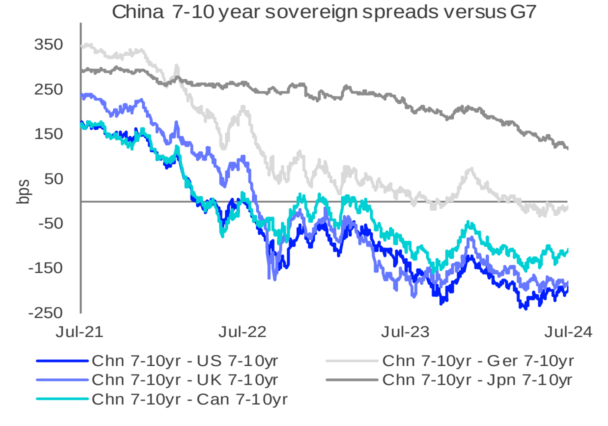


Chart 5: Although absolute yields remain well above pre-Covid levels, US and Eurozone credit spreads are at, or below those levels, leaving them vulnerable to a bout of risk-off, after a long risk rally.

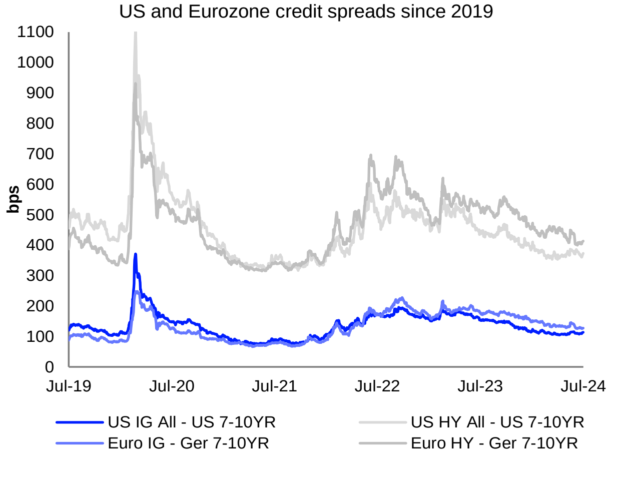
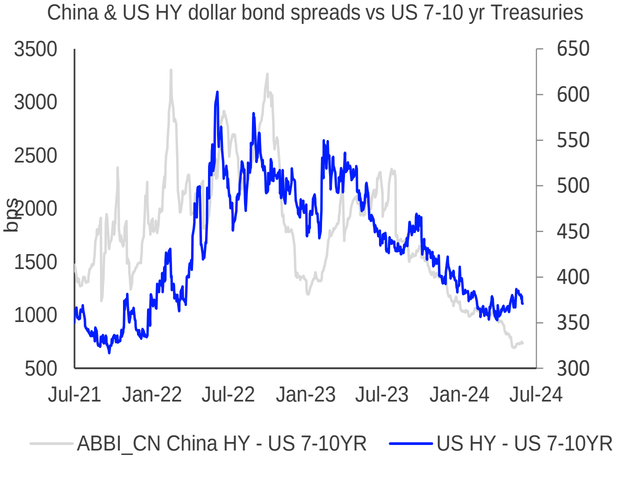


Chart 6: A series of support measures and PBOC rate cuts have helped Chinese HY dollar spreads tighten sharply. US HY spreads have also tightened sharply in the risk rally, since the 2022 peaks.



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Investment Grade Credit and MBS analysis

Chart 1: Lower grade IG issues in sterling have reaped the benefit of the risk rally and higher correlation to equities in recent months, whereas AAA issues have rallied less from the 2022 lows.

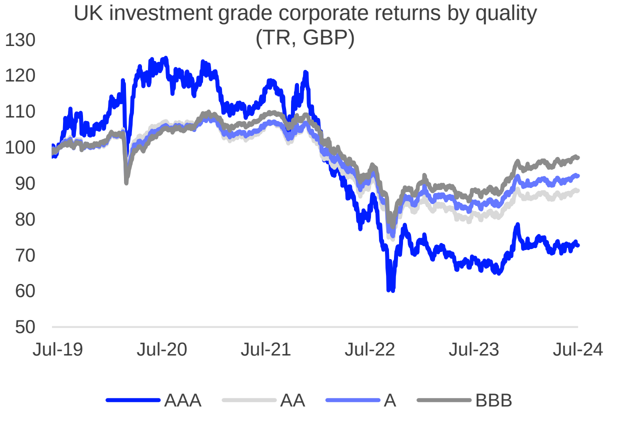


Chart 2: Spreads are now tighter than pre-Covid levels in some quality buckets, notably BBB and A, reflecting the long risk-on phase since Q4 2023. This suggests less attractive relative value.

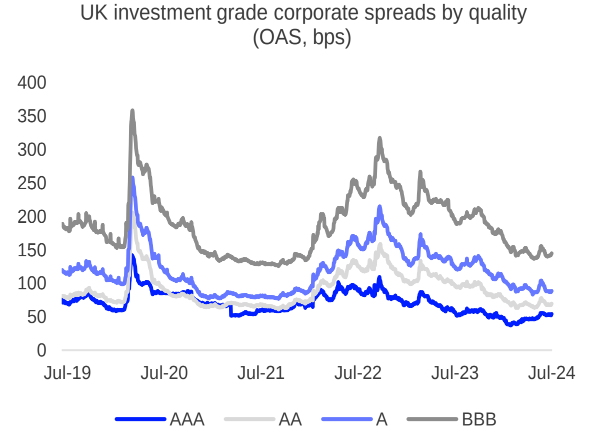


Chart 3: Banks and other finance remain the strongest performing IG credits since the 2022 sell-off. Concern about tougher regulatory treatment may be weighing on Other Utility issues, notably water.

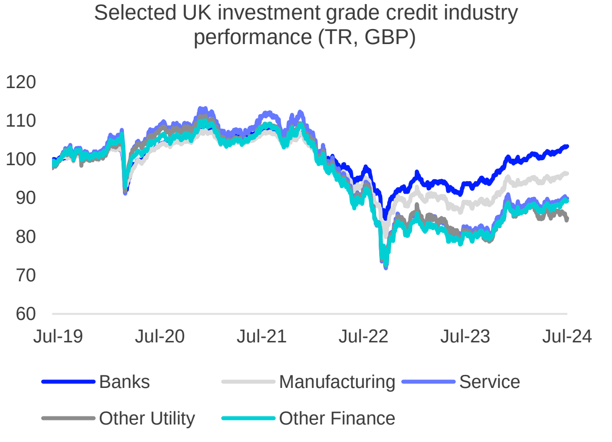


Chart 4: Gilts have never recovered the underperformance in 2022 vs Supras, Agency and Foreign Sovereign issues in sterling. Gilt yields spiked on announcement of unfunded tax cuts in Sept/Oct 2022.

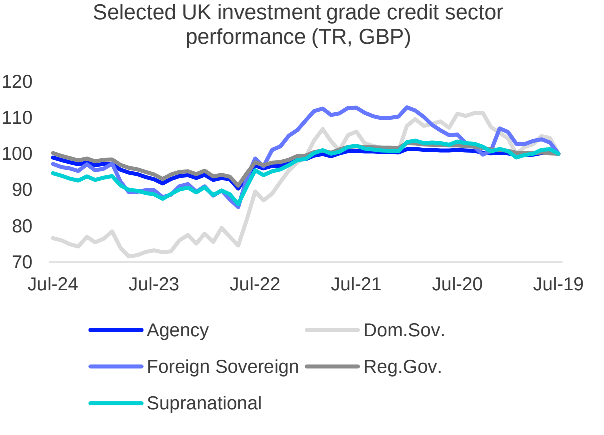


Chart 5: RMBS spreads remain stable near 90bp, while convergence in IG credit stalled in 2024. Negative convexity is an issue for RMBS even if rates fall, but offset by the agency guarantee.

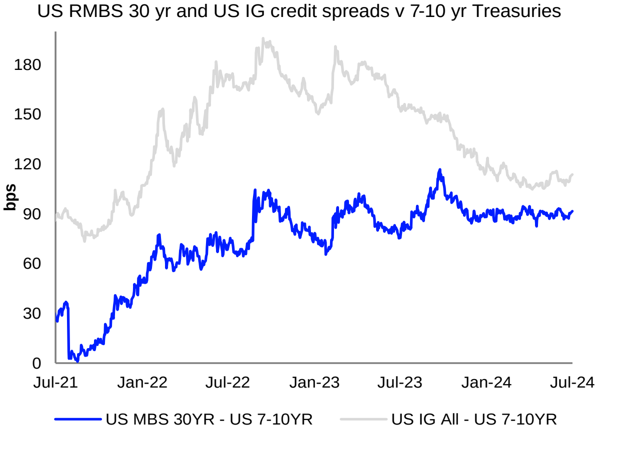
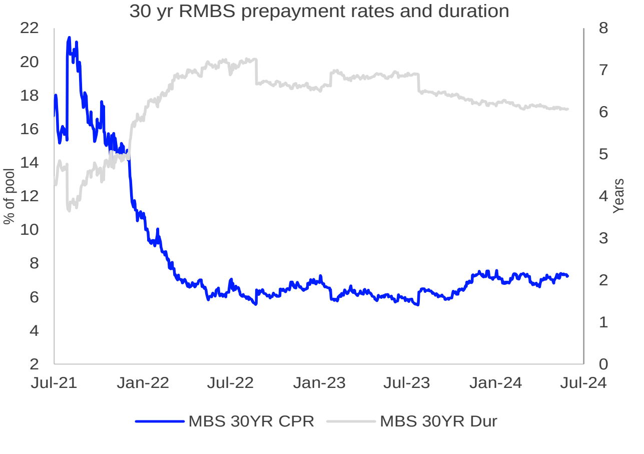


Chart 6: There are some signs of mortgage refis and pre-payment rates creeping up, but an increase in pre-payments will likely await Fed rate cuts, and a decline in mortgage rates, as 10 year yields fall.



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High Yield Credit Analysis

Chart 1: UK Bank credits have outperformed steadily since Covid, helped by higher rates and the boost to net interest income. Telecom underperformed, reflecting high debt levels and barriers to mergers.

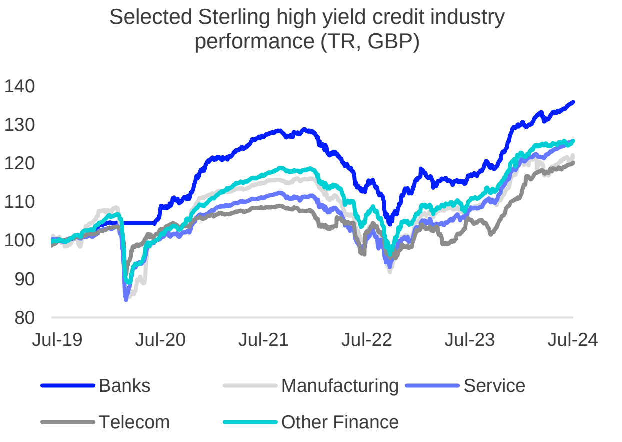


Chart 2: Bank outperformance is even more marked in Eurozone HY. As in the UK, Telecom has underperformed, reflecting debt burdens and national regulation preventing mergers and consolidation in Europe.

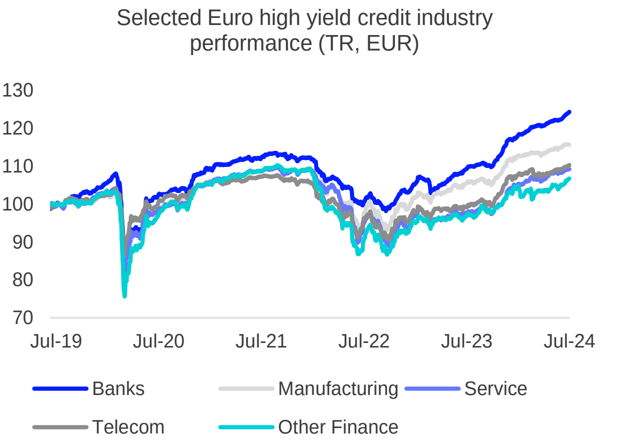


Chart 3: Performance returns show sterling CCC issues outperformed higher grade issues during the risk rally in 2023-24, but remain volatile. High yield credits generally have enjoyed a strong 2024.

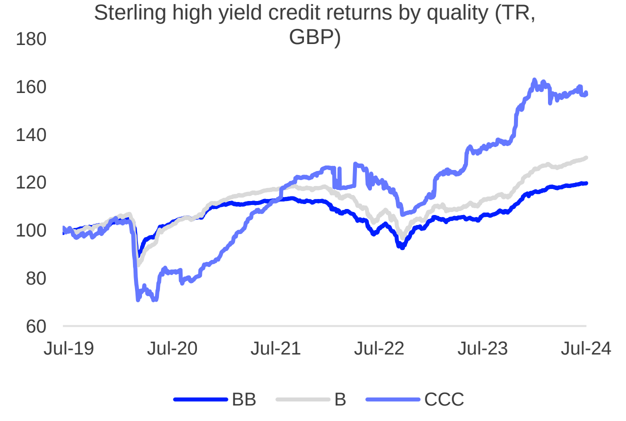


Chart 4: CCC spreads have edged out, but the high coupons kept returns positive (Chart 3). BB and B spreads are also below pre-Covid levels, suggesting overall vulnerability to a bout of risk-off.

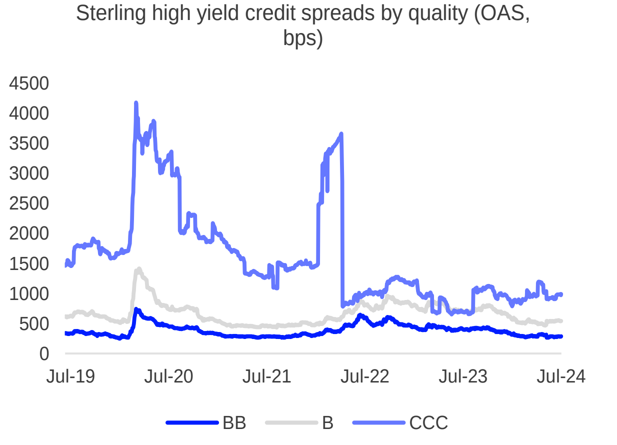


Chart 5: Short dated HY spreads remain more volatile as they capture short rate expectations and UK base rate moves. Yield sensitivity is also higher to price moves, as the Covid phase shows.

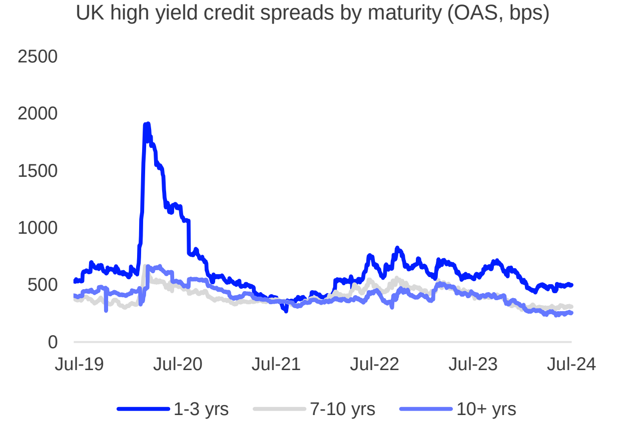
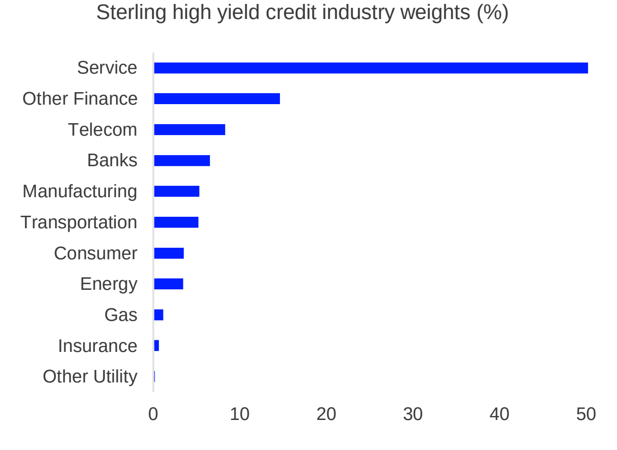


Chart 6: Sterling HY sector weights show the dominance of the Service sector issues, and to a lesser extent, Financials. Utilities have only a modest weighting compared to US dollar HY issuance.



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SI Sovereign and Corporate Bond Analysis

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

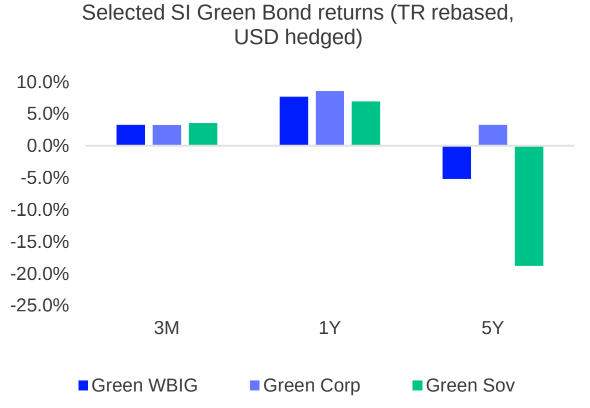


Chart 2: Green Bonds have underperformed over 5yrs. Underperformance in Green Sov has largely been a function of the index's high active duration. Recent relative performance for Green Corp has been more positive.

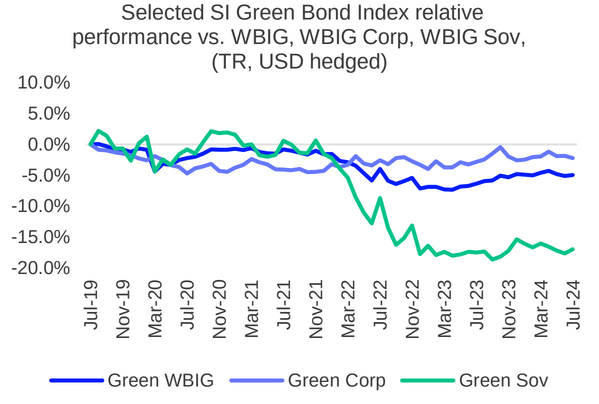


Chart 3: Within Green Sov, currency exposure is heavily weighted towards EUR due to the large amount of issuance in Europe and a lack of issuance in the US (resulting in no USD holdings in the index).

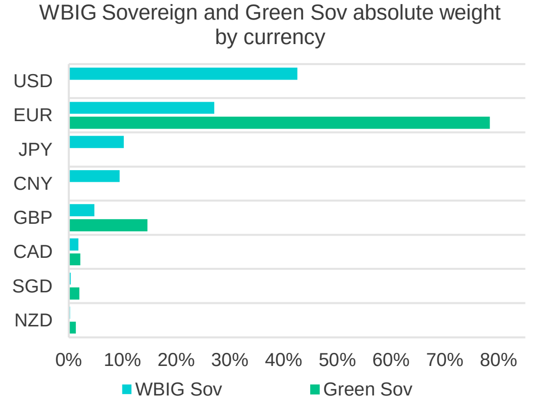


Chart 4: Banks and other financial institutions have been strong issuers of green bonds, leading to a modest overweight in the Green Corp index, alongside a sizeable overweight in electric utilities.

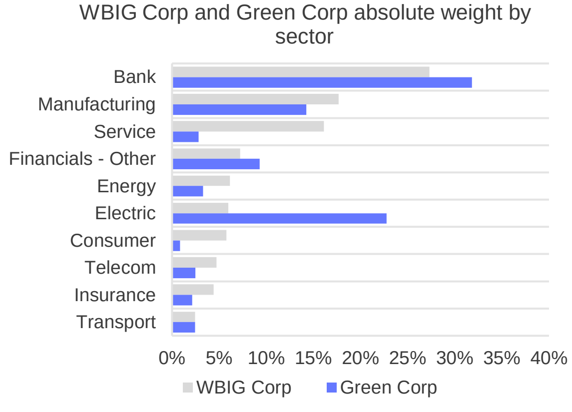


Chart 5: Despite falling in recent years, Green Sov still has a significant positive active duration. However, corporate green bonds have had a lower duration than their non-green bond counterparts.

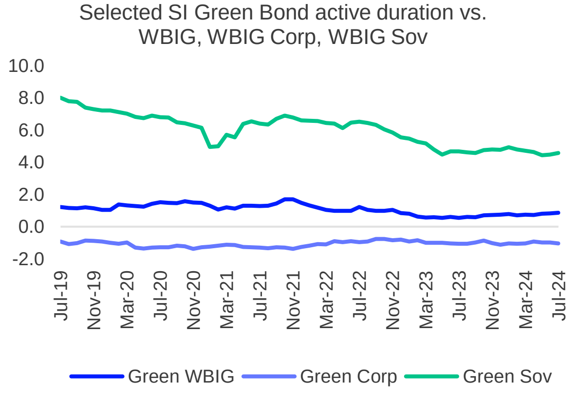
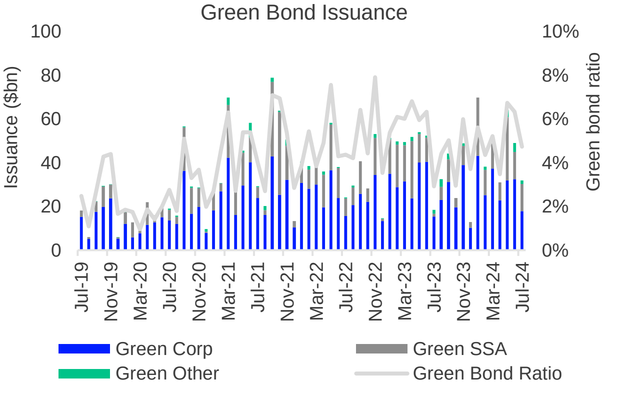


Chart 6: Green bond issuance as a percentage of total bond issuance fell to 4.7% in July, after reaching highs not seen since early 2023 in both May and June (6.7% and 6.3%, respectively).



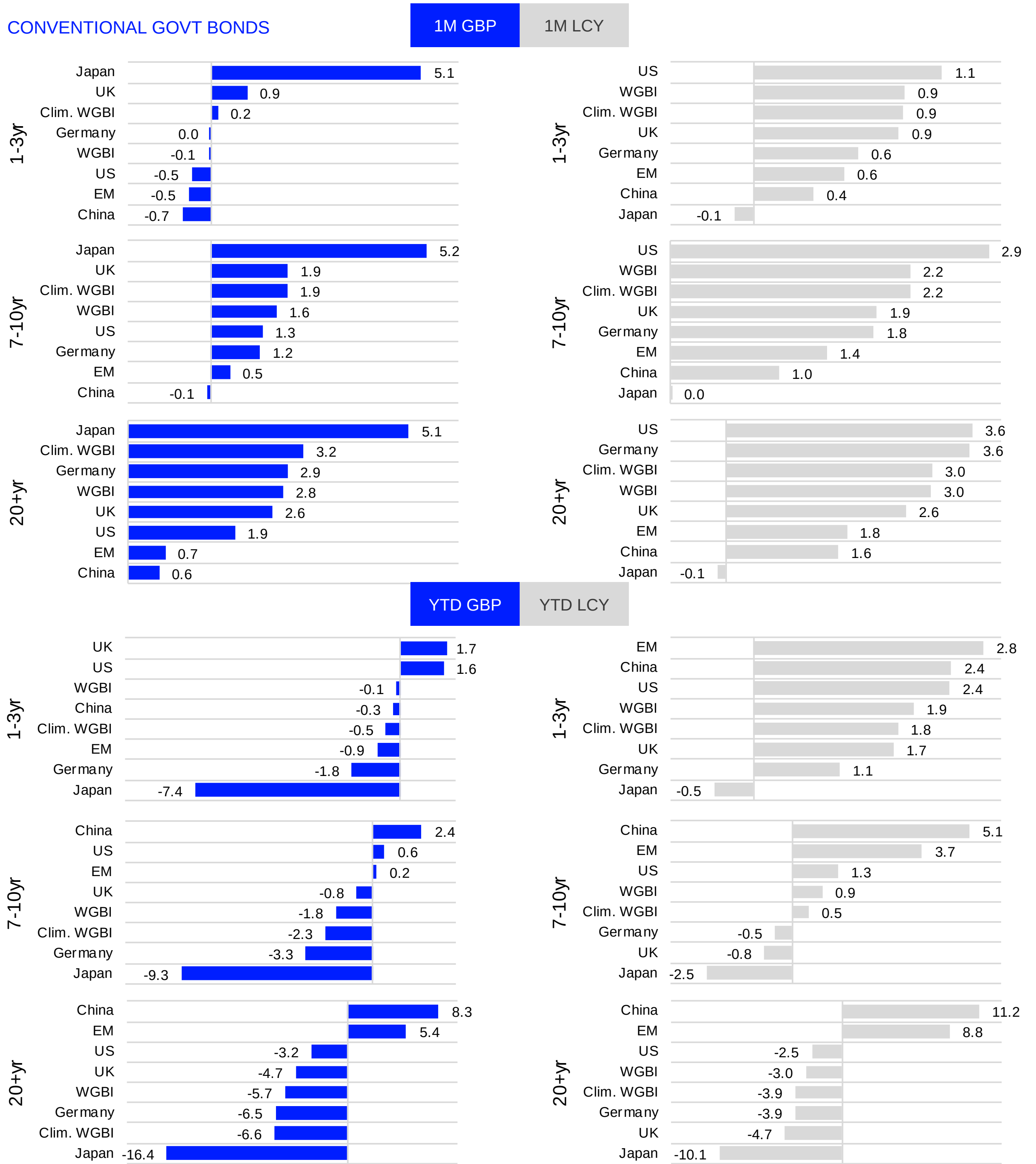
Source: FTSE Russell and LSEG. All data as of July 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

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

Helped by lower inflation, expectations of further easing and a weaker US dollar, G7 and EM govt bonds rallied in July, with JGB returns boosted by the weaker yen, for a sterling investor, after the yen rally. Apart from China and EM, YTD returns remain negative, however, led by long JGBs, with losses of up to 16%, in sterling. Other long maturities remain down by 3-8%, in sterling terms, not helped by issuance levels. Short gilts and Treasuries gained 2% YTD.

Currency gains drove JGB returns of 5% in July, for a sterling investor, after the BoJ intervened to buy yen, and some yen carry trades were closed. JGBs showed near zero returns in yen. Sterling squeezed overseas returns a little, apart from JGBs.

YTD returns generally remain negative, however, reflecting the stronger dollar and impact of longer duration, though long China and EM governments gained 5-8% in sterling terms, as the PBoC has cut rates steadily YTD.



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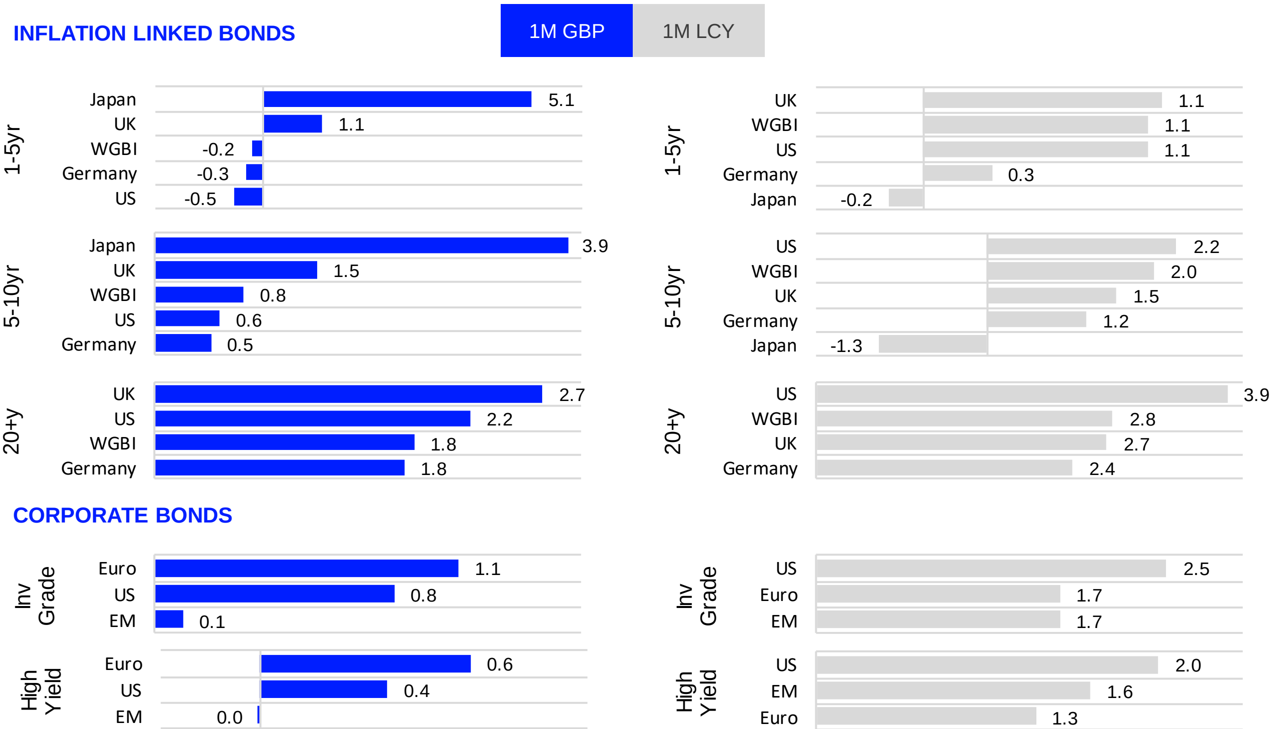
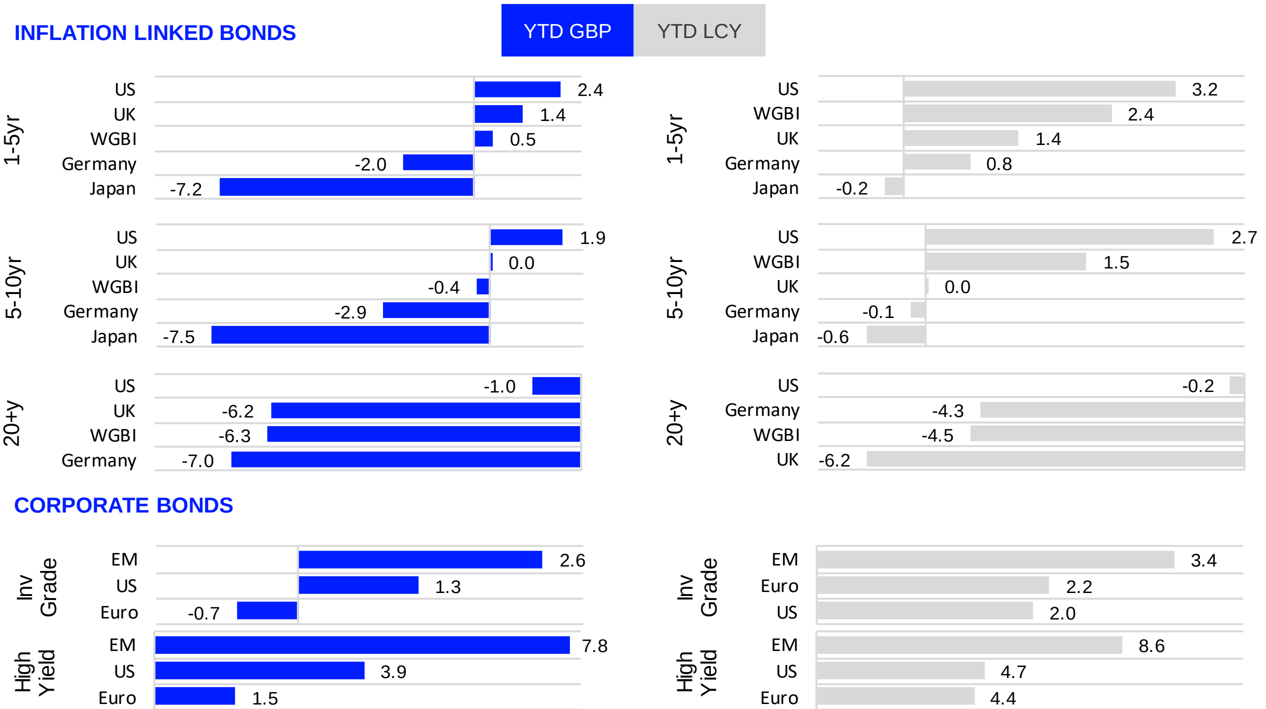
Global Inflation-Linked Bond Returns − 1M & YTD % (GBP, LC, TR)

Inflation linked bonds also rallied in July, with JGB returns in sterling driven completely by currency gains. Short to medium JGB linkers gained 4-5% in sterling, but were down in yen. Credit made small gains in Euro IG and EM credit were flat on the month. But EM and US HY credits outperformed YTD with gains of 3-8% in sterling terms.

JGB returns were dominated by currency effects in July, after the yen rally. Sterling strength squeezed overseas returns otherwise, with most inflation linked close to unchanged. Euro and US IG credits were up just 1%.

YTD, inflation linked continue to show the impact of pronounced weakness in Q1 and April, with losses of up to 8%, led by 5-10 year JGB linkers. Long Bunds, WILSI and UK linkers also lost 6-7%, as the extra duration took its toll.





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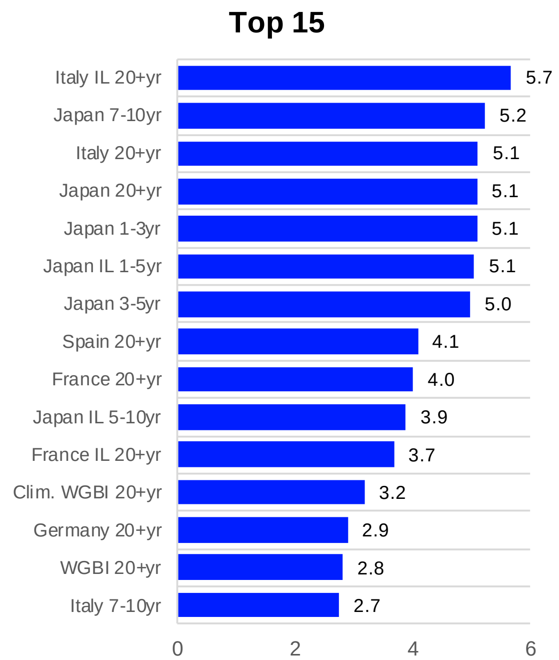
Top and Bottom Bond Returns − 1M & 12M % (GBP, TR)

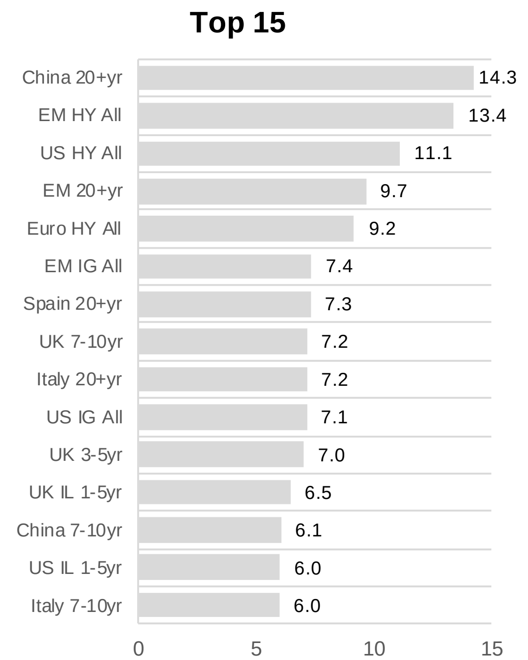
JGBs and long dated Italian govt bonds dominate the top 15 performers in July, with returns of up to 6% in sterling terms. Other Eurozone bonds, notably France and Spain also did well, helped by further ECB policy easing. But yen weakness YTD and curve steepening after curve control ended drove losses of 18% in long JGBs.

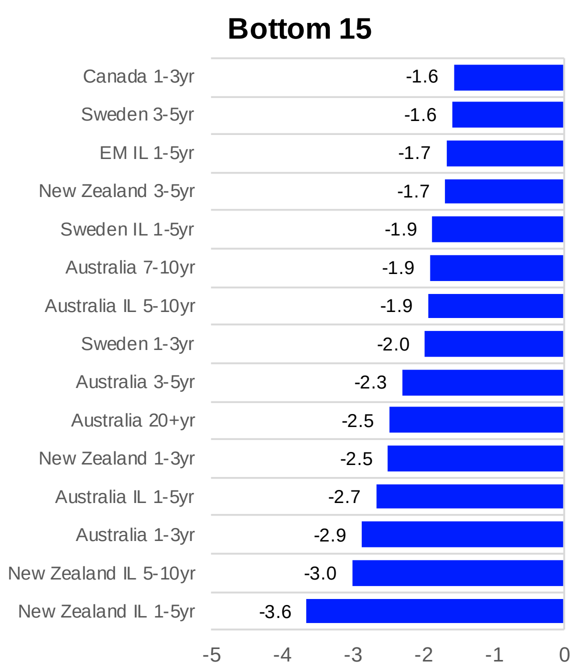
NZ and Swedish govt bonds gave up some ground in July, after the strong Q2 performance. Above target inflation remains a constraint on early policy easing in Australia or New Zealand. However, the yen rally drove strong JGB returns.

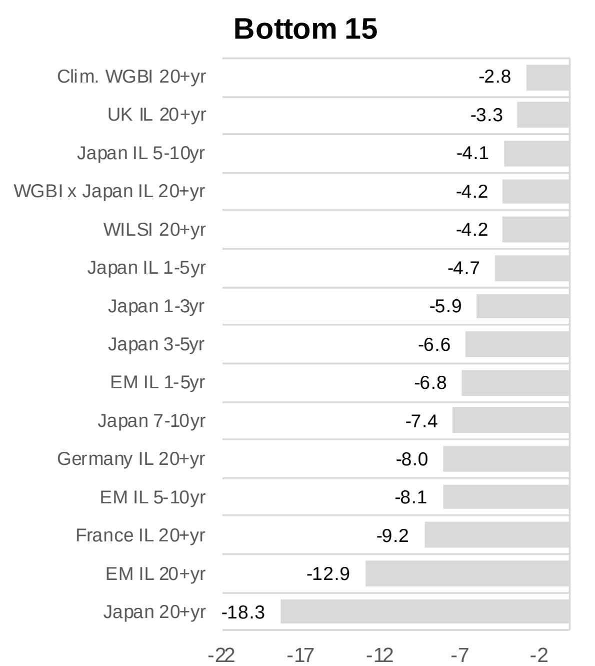
YTD returns are led by HY credits. EM HY, US and Euro HY and long China govts gained 9-14% in sterling, helped by the protracted risk rally, and strong correlation to equities. China government bonds benefitted from inflation near zero, and a series of PBoC rate cuts.

1M GBP | 12M GBP









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Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3yr	2.43	-0.15	2.01	1.13	2.38	1.61	5.36	5.54
	7-10yr	6.07	3.41	1.45	0.58	1.32	0.56	3.87	4.04
	20+yr	8.50	5.77	0.21	-0.65	-2.51	-3.25	-1.42	-1.25
	IG All	4.97	2.33	2.04	1.17	2.03	1.26	6.96	7.14
	HY All	4.05	1.44	4.69	3.79	4.72	3.93	10.93	11.12
UK	1-3yr	1.97	1.97	1.84	1.84	1.70	1.70	5.69	5.69
	7-10yr	3.97	3.97	1.02	1.02	-0.80	-0.80	7.16	7.16
	20+yr	5.95	5.95	0.88	0.88	-4.69	-4.69	2.99	2.99
Euro	IG All	2.64	1.26	2.07	0.80	2.18	-0.65	7.12	5.31
	HY All	2.71	1.33	3.47	2.19	4.43	1.53	11.06	9.18
Japan	1-3yr	-0.17	1.79	-0.42	-4.09	-0.47	-7.44	-0.49	-5.87
	7-10yr	-0.99	0.95	-1.97	-5.58	-2.45	-9.29	-2.09	-7.38
	20+yr	-5.09	-3.23	-7.48	-10.89	-10.10	-16.39	-13.64	-18.31
China	1-3yr	1.12	-1.22	2.00	0.46	2.40	-0.27	3.25	2.28
	7-10yr	2.46	0.08	3.96	2.40	5.10	2.36	7.06	6.05
	20+yr	4.92	2.48	7.12	5.50	11.21	8.32	15.38	14.29
EM	1-3yr	1.54	-1.21	2.31	0.04	2.79	-0.85	4.26	1.85
	7-10yr	3.26	0.70	3.11	1.03	3.73	0.17	6.11	3.27
	20+yr	4.89	2.19	5.85	3.92	8.76	5.38	11.99	9.66
	IG All	4.14	1.52	3.32	2.43	3.35	2.57	7.17	7.35
	HY All	4.60	1.97	6.99	6.08	8.60	7.78	13.23	13.42
Germany	1-3yr	1.44	0.08	1.06	-0.19	1.05	-1.76	3.25	1.51
	7-10yr	3.18	1.79	0.05	-1.18	-0.49	-3.25	4.16	2.40
	20+yr	4.49	3.08	-1.32	-2.54	-3.86	-6.53	3.20	1.46
Italy	1-3yr	1.67	0.31	1.46	0.20	1.66	-1.16	4.35	2.59
	7-10yr	3.00	1.62	2.45	1.19	2.68	-0.17	7.80	5.99
	20+yr	3.30	1.92	3.90	2.61	3.60	0.72	8.99	7.15
Spain	1-3yr	1.50	0.14	1.35	0.10	1.51	-1.31	3.99	2.24
	7-10yr	2.97	1.59	1.81	0.55	1.44	-1.38	7.14	5.34
	20+yr	4.12	2.72	3.26	1.99	1.43	-1.39	9.15	7.31
France	1-3yr	1.44	0.07	0.90	-0.35	0.87	-1.93	3.42	1.68
	7-10yr	1.71	0.35	-0.88	-2.10	-1.38	-4.12	3.74	1.99
	20+yr	0.72	-0.63	-3.50	-4.69	-5.79	-8.41	2.60	0.87
Sweden	1-3yr	2.38	2.21	2.22	-2.30	2.21	-4.61	4.69	2.81
	7-10yr	4.66	4.49	2.70	-1.84	1.50	-5.27	7.31	5.39
Australia	1-3yr	1.49	-0.50	1.60	-0.49	1.97	-3.15	4.30	1.25
	7-10yr	3.47	1.43	1.52	-0.58	1.45	-3.64	4.31	1.25
	20+yr	3.38	1.35	-1.12	-3.16	-2.69	-7.57	0.32	-2.62
New Zealand	1-3yr	2.64	0.43	3.44	-1.04	3.53	-3.61	6.74	2.04
	7-10yr	5.46	3.19	4.41	-0.12	2.96	-4.14	8.12	3.36
	20+yr	7.24	4.93	3.40	-1.08	-0.74	-7.58	6.12	1.45
Canada	1-3yr	2.27	-0.85	2.70	-1.52	2.59	-2.82	5.82	1.00
	7-10yr	6.06	2.82	3.35	-0.90	1.68	-3.67	6.65	1.79
	20+yr	10.43	7.06	2.73	-1.49	-1.95	-7.12	5.38	0.58

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Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5yr	2.84	0.25	2.73	1.85	3.19	2.41	5.83	6.02
	5-10yr	5.12	2.48	2.23	1.36	2.72	1.95	4.53	4.70
	20+yr	9.10	6.36	0.87	0.01	-0.23	-0.98	-1.87	-1.70
UK	1-5yr	1.78	1.78	2.11	2.11	1.36	1.36	6.45	6.45
	5-10yr	2.50	2.50	1.67	1.67	0.03	0.03	5.36	5.36
	20+yr	5.52	5.52	3.03	3.03	-6.19	-6.19	-3.27	-3.27
Japan	1-5yr	0.47	2.44	-0.25	-3.92	-0.22	-7.21	0.73	-4.72
	5-10yr	-0.73	1.22	-0.86	-4.51	-0.55	-7.52	1.33	-4.15
EM	1-5yr	2.95	-6.23	3.91	-6.96	4.88	-7.80	8.24	-6.82
	5-10yr	3.01	-5.22	1.38	-7.59	1.35	-9.37	4.72	-8.05
	20+yr	1.89	-7.66	-2.98	-12.91	-4.62	-15.93	-0.16	-12.94
Germany	1-5yr	1.10	-0.26	1.03	-0.22	0.78	-2.02	1.41	-0.30
	5-10yr	2.06	0.69	0.69	-0.55	-0.13	-2.90	0.39	-1.31
	20+yr	1.74	0.37	-1.36	-2.58	-4.33	-6.99	-6.40	-7.98
Italy	1-5yr	1.54	0.18	1.67	0.42	1.68	-1.14	4.08	2.32
	5-10yr	1.86	0.49	2.95	1.67	2.78	-0.08	4.64	2.88
	20+yr	-0.12	-1.46	4.84	3.55	2.84	-0.02	-0.60	-2.28
Spain	1-5yr	1.25	-0.11	1.32	0.06	1.05	-1.76	2.51	0.79
	5-10yr	1.81	0.45	2.36	1.10	1.80	-1.03	3.65	1.90
France	1-5yr	0.83	-0.53	0.04	-1.19	-0.12	-2.89	1.10	-0.61
	5-10yr	0.53	-0.82	-0.64	-1.87	-1.41	-4.15	0.07	-1.61
	20+yr	-2.84	-4.14	-4.23	-5.42	-8.02	-10.58	-7.65	-9.21
Sweden	1-5yr	2.11	1.94	2.43	-2.10	2.03	-4.78	4.25	2.38
	5-10yr	3.18	3.01	3.58	-1.00	2.13	-4.69	5.46	3.57
Australia	1-5yr	1.39	-0.61	1.77	-0.33	1.72	-3.39	4.84	1.77
	5-10yr	2.27	0.26	1.41	-0.68	1.00	-4.07	5.29	2.21
	20+yr	1.83	-0.17	-2.24	-4.26	-6.14	-10.86	0.42	-2.52
New Zealand	5-10yr	3.25	1.03	4.43	-0.10	3.48	-3.66	8.44	3.67
Canada	20+yr	10.55	7.18	6.88	2.49	2.53	-2.87	8.35	3.41

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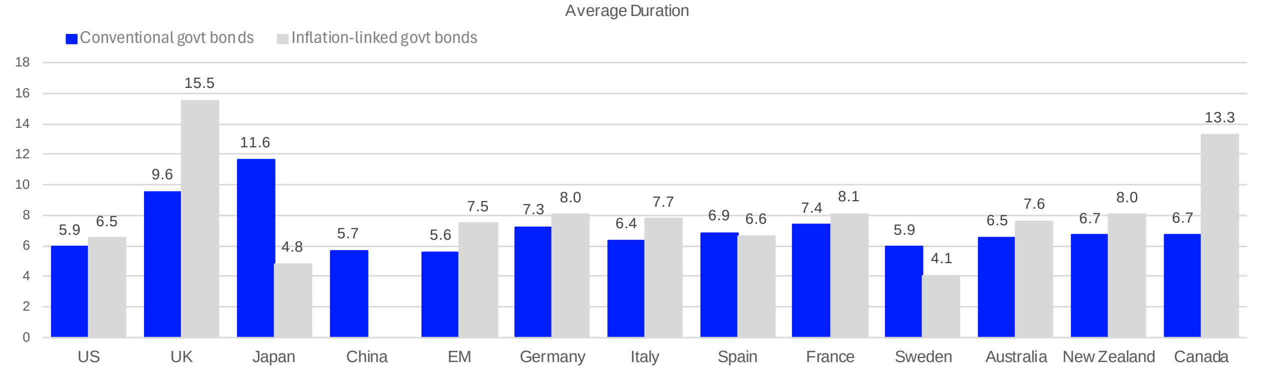
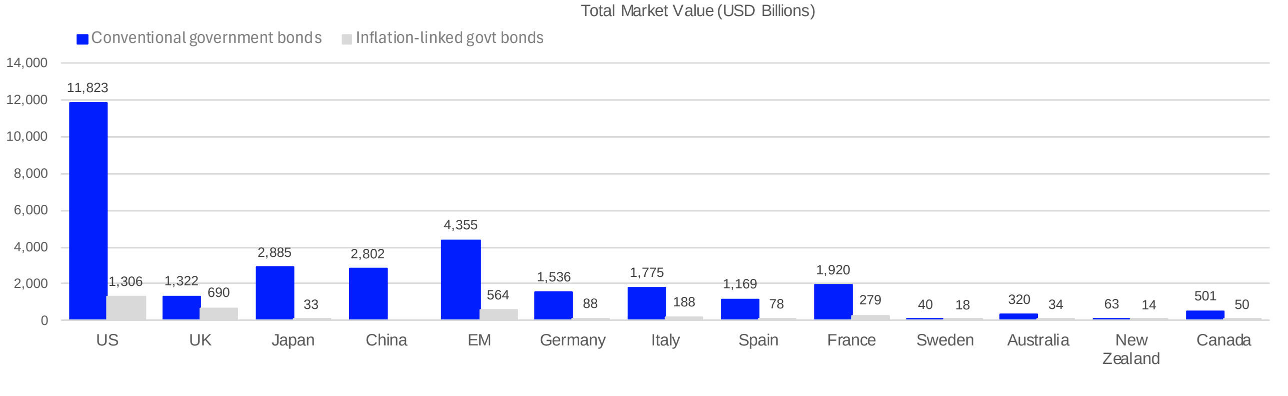
Appendix – Duration and Market Value (USD, Bn) as of July 31, 2024

	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**

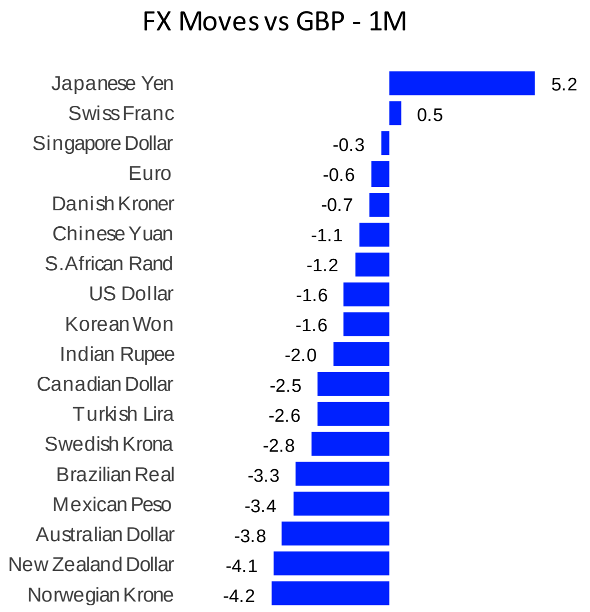
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.3	8.4	7.2	6.6	7.0	77.3	451.6	2817.6	3537.7	6884.3	3.8	1076.0
Europe	6.2	4.9	4.6	4.2	4.4	15.3	222.3	1233.0	1590.4	3060.9		
EM		6.8	5.3	5.6	5.5		38.0	218.9	250.4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

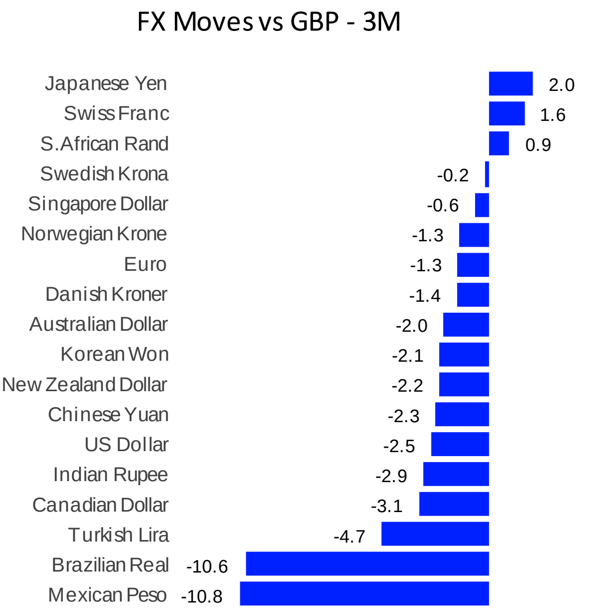


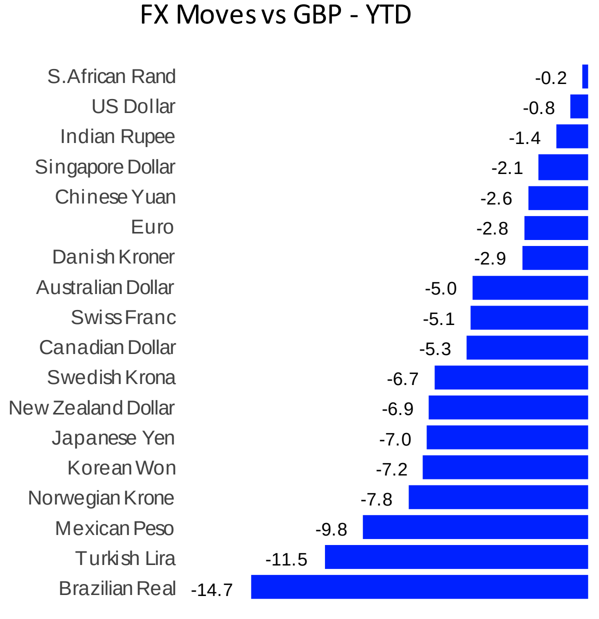


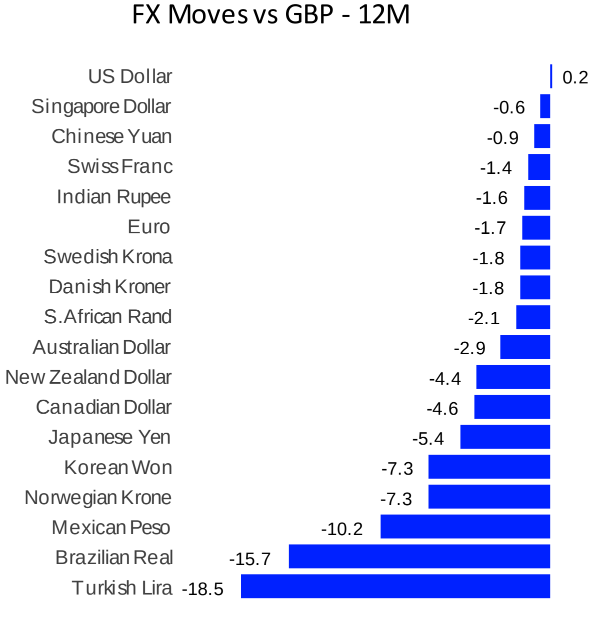
Source: FTSE Russell and LSEG. All data as of July 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Appendix – 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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