Fixed Income Insights

MONTHLY REPORT – **MAY 2024 | US EDITION**

FOR PROFESSIONAL INVESTORS ONLY

Safety in shorts and credit as negative carry and duration weigh on longs

Spread widening, higher US yields and IMF growth forecasts, all reflect stronger US growth, as the Fed confirmed higher for longer rates. Looser fiscal/tight US monetary policy underpin the dollar. Duration & negative carry weighed on longs in April but credit survived the risk rally reversal. Financials glean support from higher for longer rates.

Chart 1: Higher US inflation dragged yields higher in April, led by the US and UK. Breakevens also edged up. Lower inflation meant Bunds moved less.

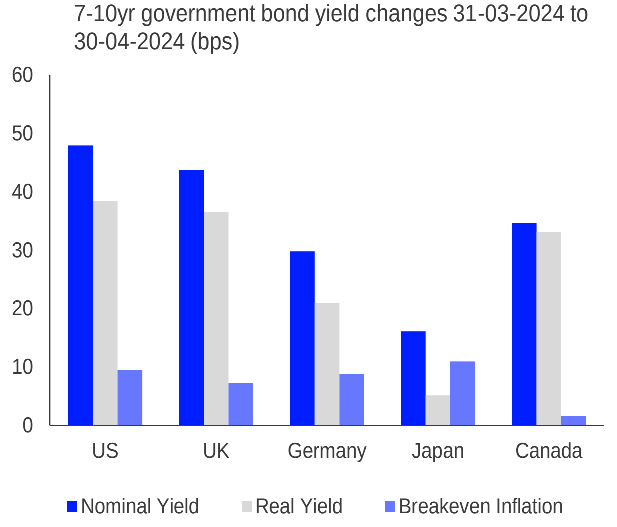


Chart 2: The Fed's preferred inflation expectations gauge has moved higher since the pivot to easing in Q4 2023, as disinflation has stalled in 2024.

Source: FTSE Russell and Lipper. Data available as of April 30, 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 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 US is still a growth outlier in the G7, and consumer spending growth was still 2.5% in Q1, even if headline GDP slowed to 1.6%. Europe showed recovery signs, after near stagnation in Q4 2023. Expansionary US fiscal policy offsets higher rates and contrasts with attempts to tighten policy in Europe. March's inflation uptick confirms the last leg of disinflation is most difficult, not least because labor markets remain near full employment. US consumer wealth effects may have helped spending growth.

IMF forecasts show upward revision to US growth for 2024, as easier fiscal policy, low unemployment and positive consumer wealth effects from equity market gains, offset the impact of Fed tightening. After growth stagnation in 2023-24, there are some signs of European growth recovering marginally, helped by lower inflation boosting real incomes but the lack of fiscal stimulus remains a constraint on demand. Further fiscal stimulus continues in China, as the authorities attempt the transition to demand-led growth.

Headline inflation rates show reduced G7 dispersion (Chart 2), and underlying dynamics are similar, with far lower goods inflation – minus 2% y/y in the US – than sticky services inflation (5.3% y/y in the US). The move from 3% to 2% inflation is proving the most difficult leg of the journey for the Fed, and Bank of England, after the rapid disinflation in 2023, helped by base effects. This persists as a challenge in 2024, given low unemployment and the high share of labor costs in service sector inflation.

US employment growth remained buoyant through Q1, with a gain of 303,000 in March, and unemployment ending the quarter below 4%, as Chart 3 shows, suggesting the January surge in employment was more genuine than first seemed likely. Average weekly earnings growth picked up, to 4.1% y/y, so 0.6% y/y in real terms, suggesting the economy remains near full employment, and that further declines in US inflation towards the target of 2% y/y will be a challenge for the Fed until final demand slows.

Chart 4 shows the boost to US household net worth from Covid windfalls, US stock market and housing market gains. This has driven a sharp decline in the US savings ratio, after the initial spike on Covid, when unemployment increased briefly, and much of the economy was in Lockdown. Savings have now declined to pre-Covid levels, despite the increase in interest rates making savings more attractive, relative to consumption.

Chart 1: IMF forecasts show a notable revision higher, to 2.7% US growth from 2.1%. Forecasts for other regions have been tracking close to January forecasts, with little change in policy settings since January.

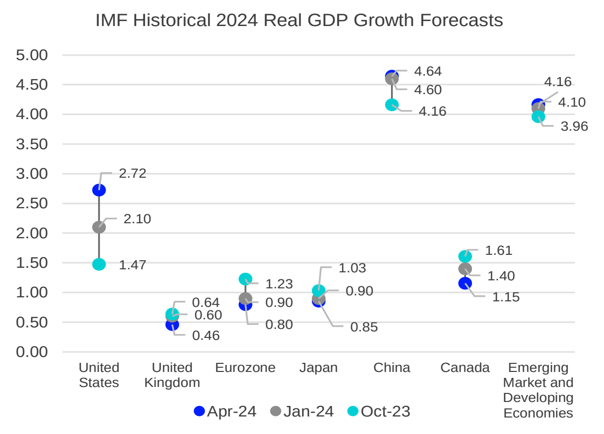


Chart 2: US inflation ticked above UK in March (3.5% v 3.2% y/y), for the first time in this cycle, mainly due to higher US services inflation, notably housing rents & base effects. Parts of the Eurozone now have inflation below 2%.

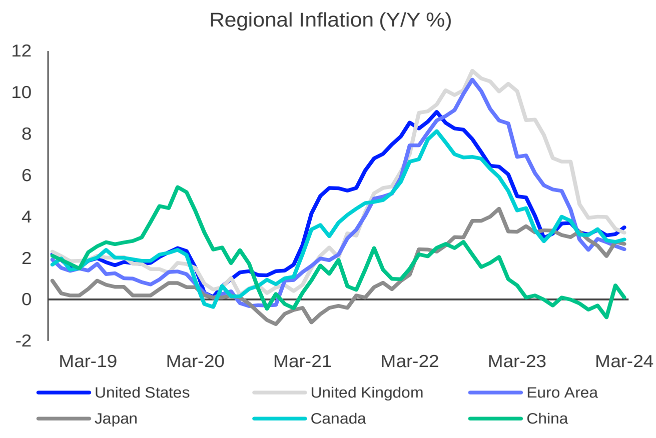


Chart 3: US unemployment has been near 3.9% since Q3 2023, and labor force participation near 63%, suggesting an economy near full employment. Hourly earnings growth has dipped to 4.1% y/y but remains above inflation.

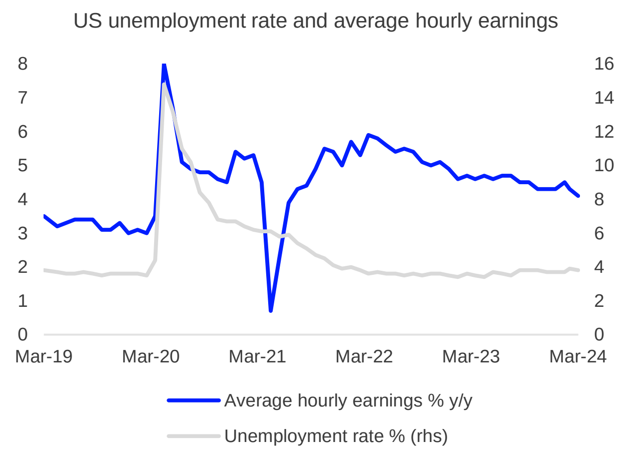
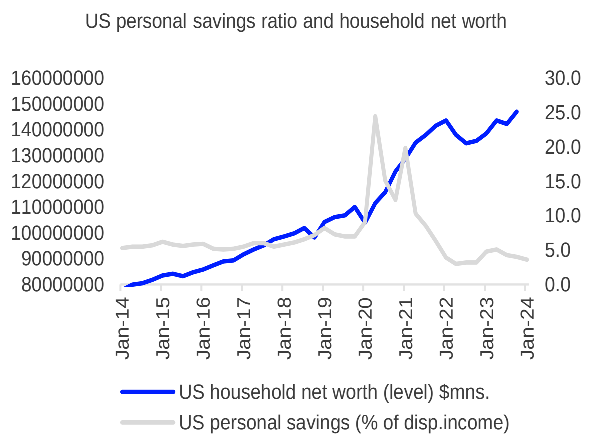


Chart 4: Since the Covid spike, the US personal savings ratio has fallen sharply, helped by the surge in household net worth from stock market and housing market gains, and low unemployment levels (see Chart 3).



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Financial Conditions and Monetary Policy Settings

The recovery in capitalization of global financial systems severely reduces the risk of 2009-10 type credit crunches in 2024-25. Improved rate differentials continue to support the US dollar, and weaken the yen, with the BoJ anxious to sustain higher Japanese inflation, and reluctant to support the yen. Lower Eurozone inflation makes a June rate cut plausible, questioning the logic of ECB balance sheet shrinkage. The BoC normalized its balance sheet faster than other G7 central banks.

Well capitalized global banks and financial systems are evident in Chart 1, which shows Tier 1, or loss-absorbing, capital ratios by region, under Basel 3. Thus, financials performed well in the Q1 equity rally, helped by better capital buffers and net interest income, even with inverted curves. US regional banks did suffer from duration mis-matches in 2023, but the Fed contained systemic risk.

Exchange rate moves were driven by the return of the higher for longer narrative on US policy rates, and the revision higher to US short rate expectations (Chart 2), driving rate differentials further in favor of the US dollar. The yen remains particularly weak, after only a marginal increase in BoJ short rates at end-March. The carry trade out of yen and into US dollars has continued to work well, with ongoing yen weakness in 2023-24*. Similarly, policy easing in China pushed the RMB to 2024 lows in April.

Chart 3 shows G7 central banks held policy unchanged in April, with the BoJ retaining the option to make JGB 10 year purchases, if needed, to stabilize yields. Lower European growth and inflation support a possible June rate cut by the ECB, though sticky UK services inflation reduces the prospects for a BoE move. Disappointing US inflation data, increases the risk of a Fed tightening move.

Only the BoJ's balance sheet is not contracting, as Quantitative Tightening (QT) continues elsewhere (Chart 4). With the BoJ not committed to curve control, the balance sheet may now stabilize somewhat. There are few signs of the money market strains that occurred in 2019, during the Fed's QT program then. An ECB rate cut would raise serious questions about suspending QT.

* See "A currency hedge that didn't need to be trimmed" – FTSE Russell, August 2023.

Chart 1: Financial systems rebuilt capital buffers since the GFC and after changes to bank regulation under Basel 3. European banks increased capital ratios most, though they exceed required levels of 8% globally.

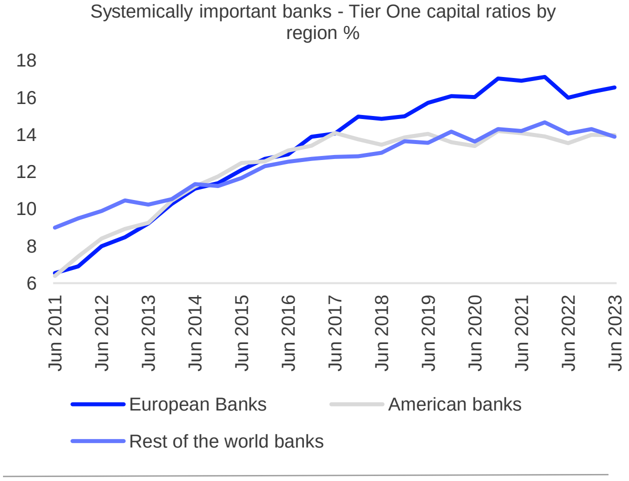


Chart 2: Interest rate differentials moved in favor of the US dollar in April helping the currency gain, particularly versus the yen. The Euro drifted lower after softer inflation data, but sterling drew support from sticky UK inflation.

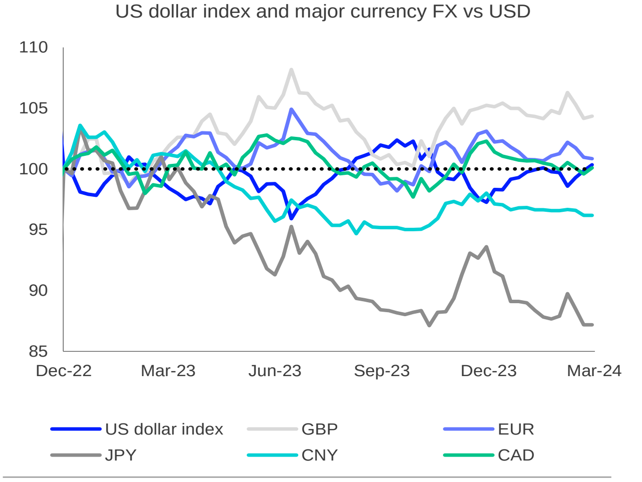


Chart 3: The BoJ made no policy changes in April, after the tiny 10bp increase in rates in March. Prospects for an ECB rate cut in Q2 improved after lower inflation, but the US inflation uptick have kept the Fed on hold.

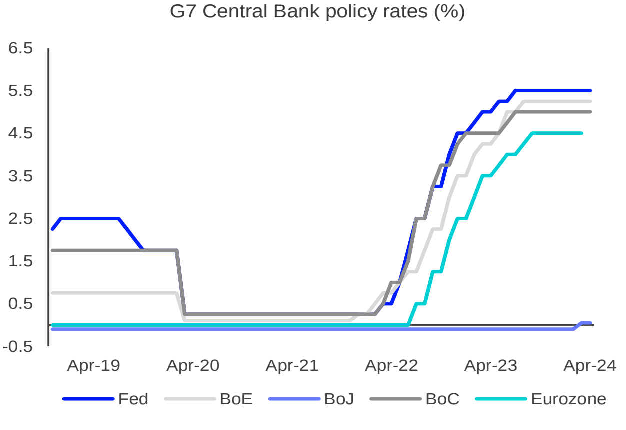
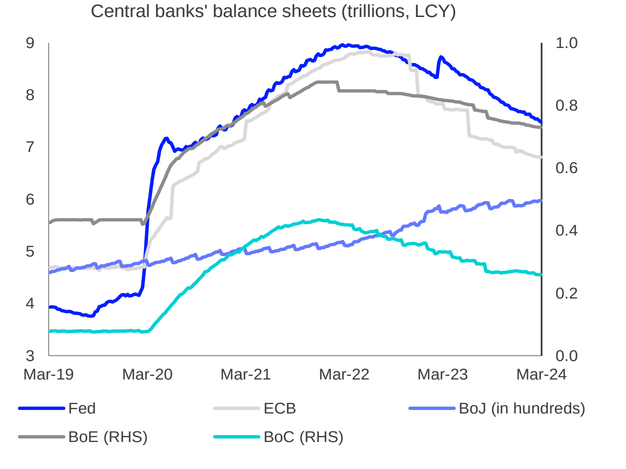


Chart 4: Central bank balance sheets contracted again in April, ex the BoJ, though the BoJ's shows signs of stabilizing, after abandonment of curve control. The BoC has moved faster than others to normalize its balance sheet.



Source: FTSE Russell, LSEG, ECB, US Federal Reserve. Data available as of April 30, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields generally backed up further in April, led by the US, after the inflation uptick in March. Better Eurozone inflation numbers restricted the rise in Bund yields. JGB yields edged higher.

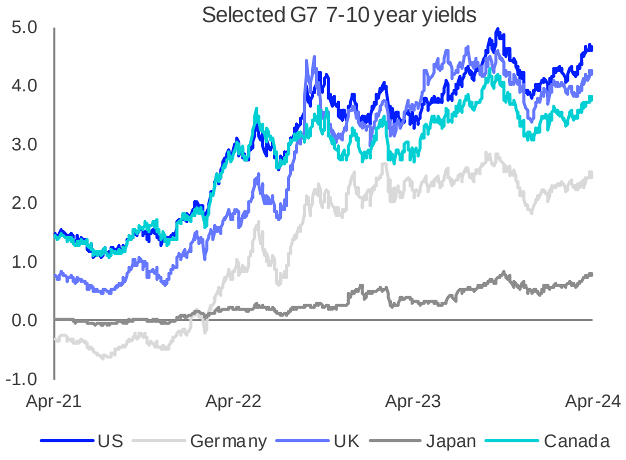


Chart 2: Real yields were led higher by US Tips in April, as real US growth remained buoyant. Real yields elsewhere moved higher, as markets adjusted rate expectations to receding prospects of early easing.

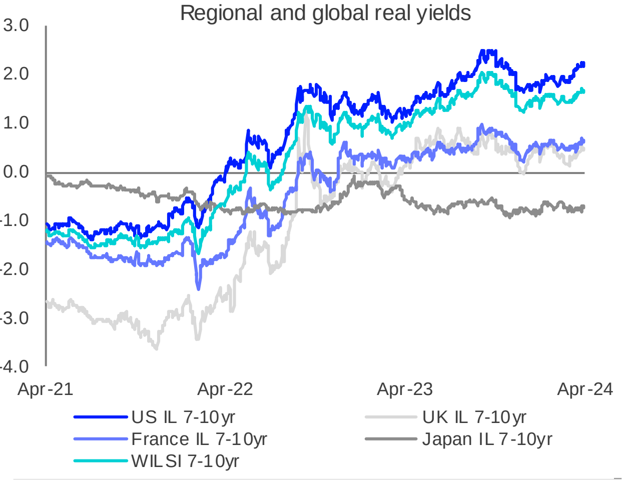


Chart 3: Yield curves dis-inverted a little further as longer dated yields backed up in April. The JGB curve reacted only modestly to the end of BoJ curve control, but the 10s/2s yield curve did steepen a little.

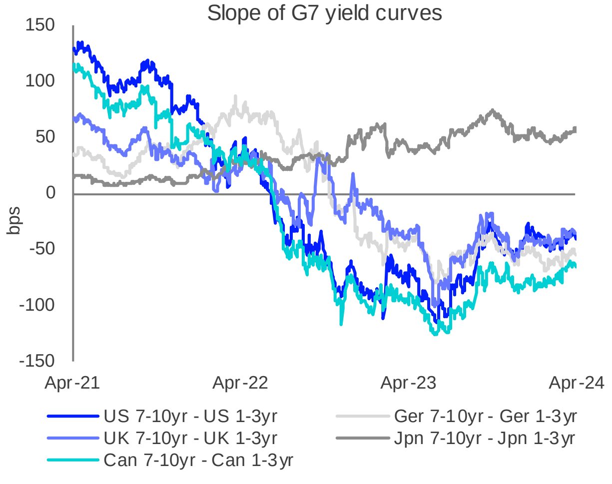


Chart 4: Long end yields backed up further, as the higher for longer narrative dominated most govt bond markets. However, better German inflation data restricted the dis-inversion of the long Bund curve.

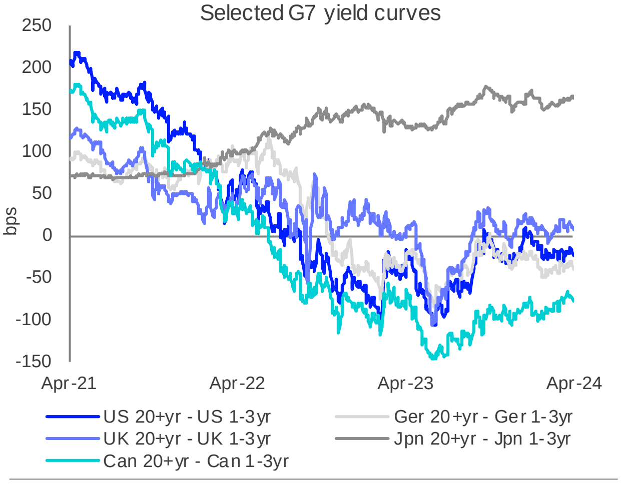


Chart 5: Inflation breakevens were driven higher in April, following the inflation uptick in the March data. This was the pattern throughout the G7 and the BoJ will welcome Japanese breakevens near cycle highs.

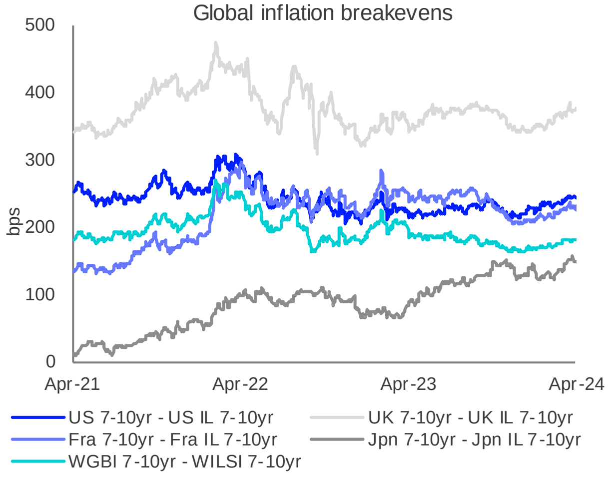
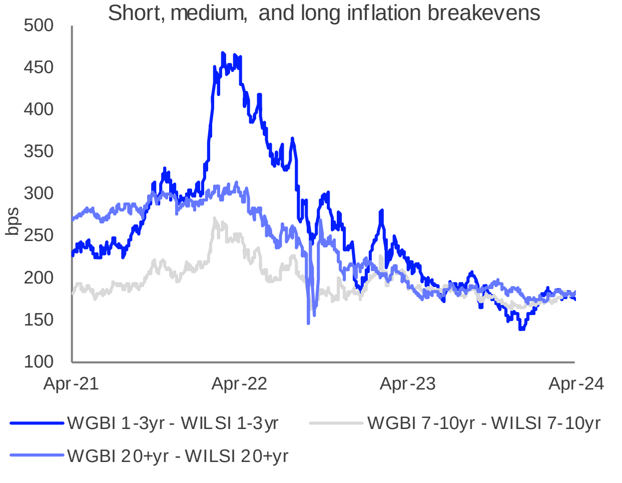


Chart 6: There is not much sign of the Q1 inflation uptick affecting global inflation breakevens, which remain stable around 2%. Short dated breakevens remain most sensitive to spot inflation rates.



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Yield Spread and Credit Spread Analysis

Chart 1: The US position as a stronger growth outlier in 2023-24 has caused US sovereign spreads in 7-10 years to trend wider, with spreads moving close to post-Covid highs versus WGBI in April.

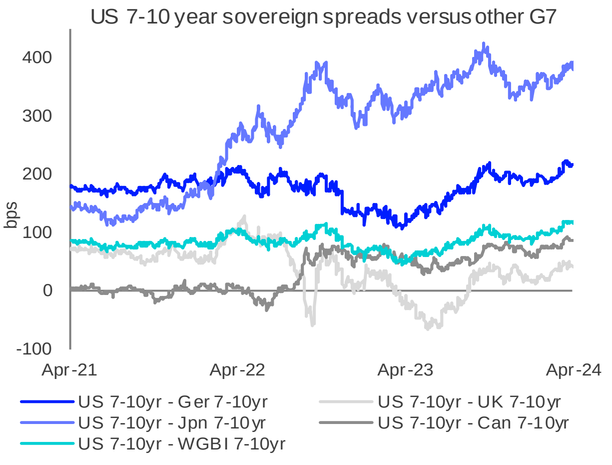


Chart 2: Italian sovereign spreads edged back out in April as the Q1 risk rally showed signs of reversing. However, the moves were modest, after the pronounced narrowing in spreads over the last 12 months.

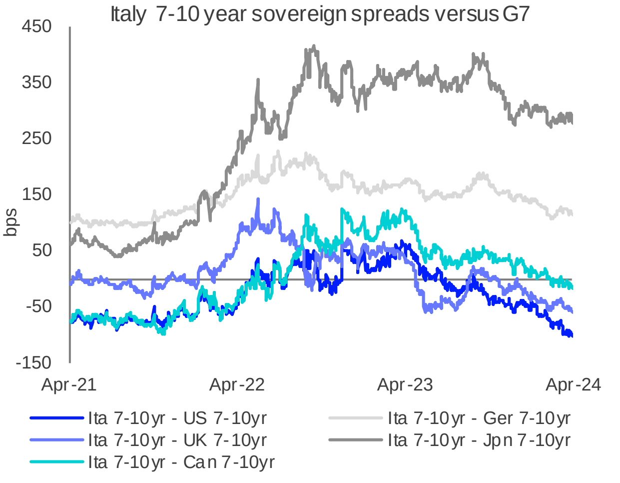


Chart 3: Helped by the decline in Chinese 7-10 year bond yields, EM 7-10 year spreads narrowed further, to new cycle lows versus the US, Germany and Japan, after the ending of curve control.

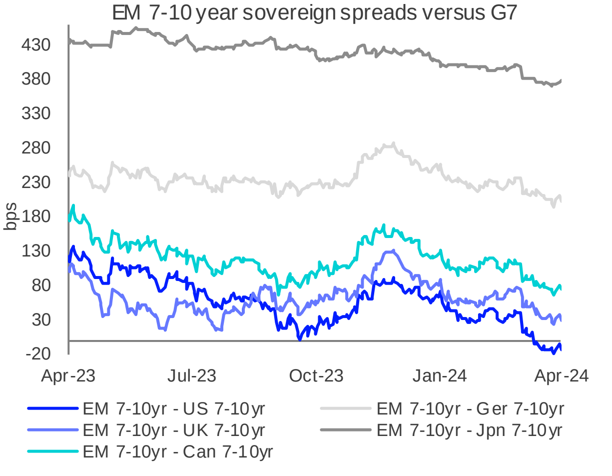


Chart 4: Chinese spreads tighter further versus the G7, partly on higher G7 yields, and partly on lower Chinese yields, as monetary easing continued. Sovereign spreads are either at, or very close to, cycle lows.

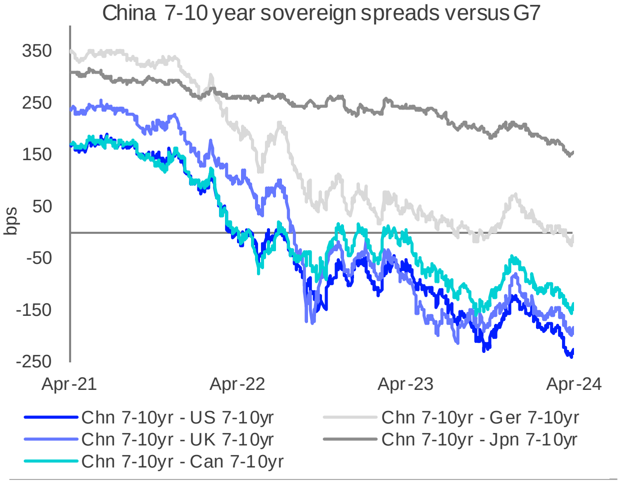


Chart 5: Credit spreads broadly went sideways in April, as the risk rally stalled. The increase in govt yields prevented a significant move in spreads. Euro HY spreads moved back out the most, after the narrowing in 2023-24.

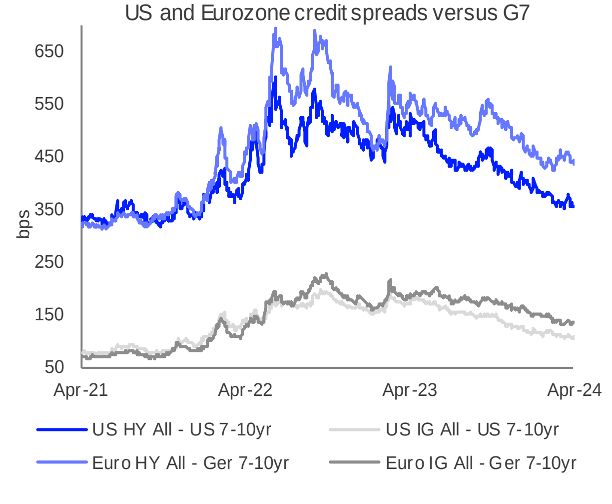
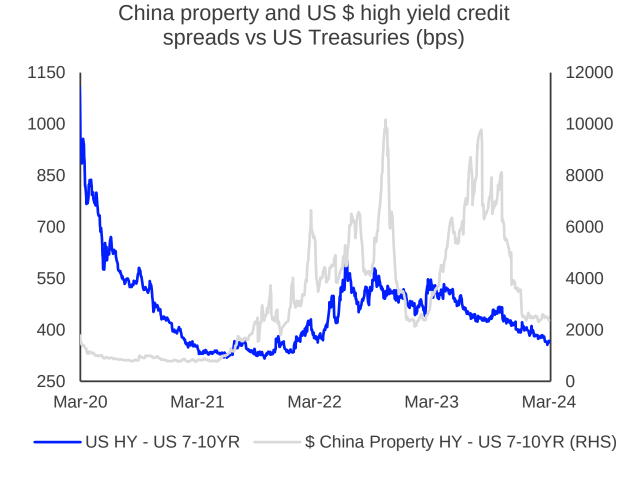


Chart 6: Recent spread tightening for both US and Chinese $ HY stalled in April, as Treasury yields returned to levels last seen in November. China's property bond spreads stabilized at about 2400bps.



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Investment Grade Credit and RMBS analysis

Chart 1: Short dated IG credits have outperformed in the years since Covid in 2020, even if they missed the QE boom in 2020-21. Longer credits were dragged lower by Treasuries since the Fed raised rates in 2022.

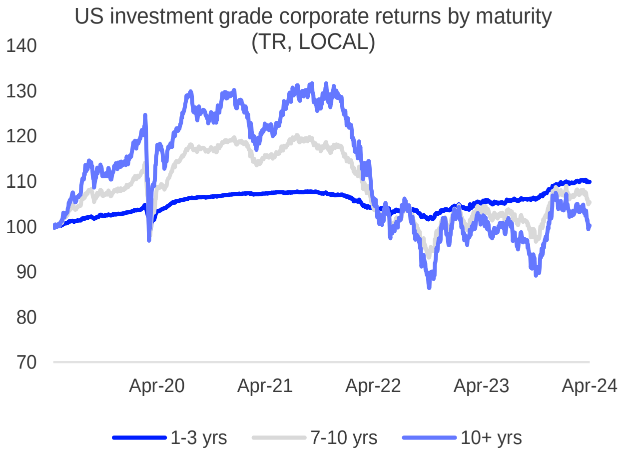


Chart 2: Pre-Covid, there were fears of a large cliff-edge effect in BBB credits, if a high share of these bonds slipped below IG. But BBB credits outperformed, also proving less sensitive to higher US Treasury yields.

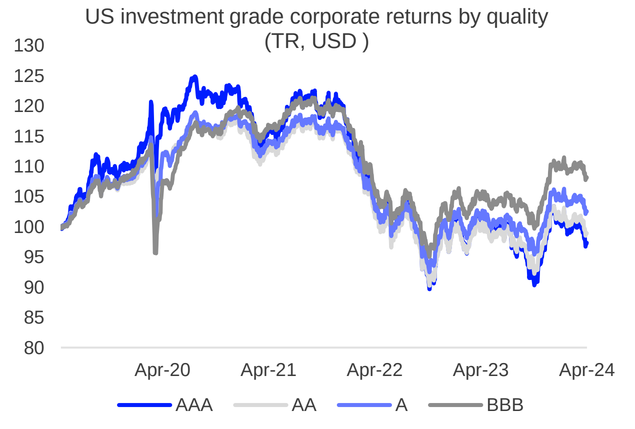


Chart 3: Globally, credit spreads are back near pre-Covid levels, but the absolute level of yields is much higher. Europe suffered more spread widening after the Ukraine shock in 2022, but this has largely unwound.

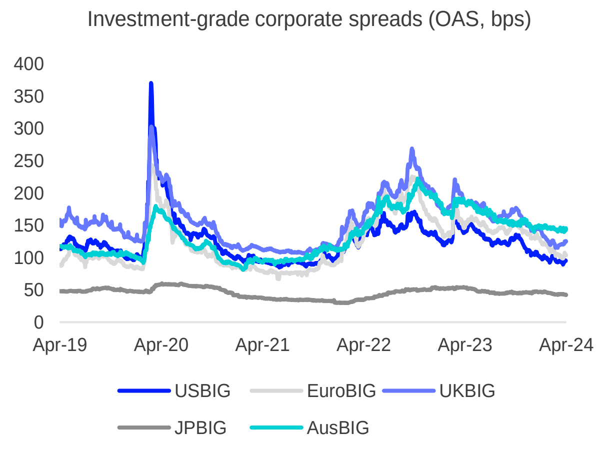


Chart 4: US IG credit spreads have normalized at pre-Covid levels, though absolute yields are much higher. Spread tightening was largely uniform across sectors, helped by slightly higher US Treasury yields YTD.

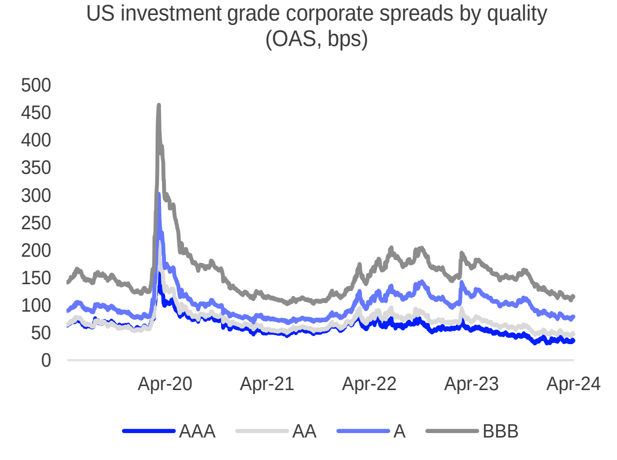


Chart 5: Mind the gap! Credit spreads between agency-RMBS and IG credits (versus Treasuries) are almost equal. The Fed rundown of RMBS holdings and risk rally driving in IG spreads have mainly driven these spreads moves.

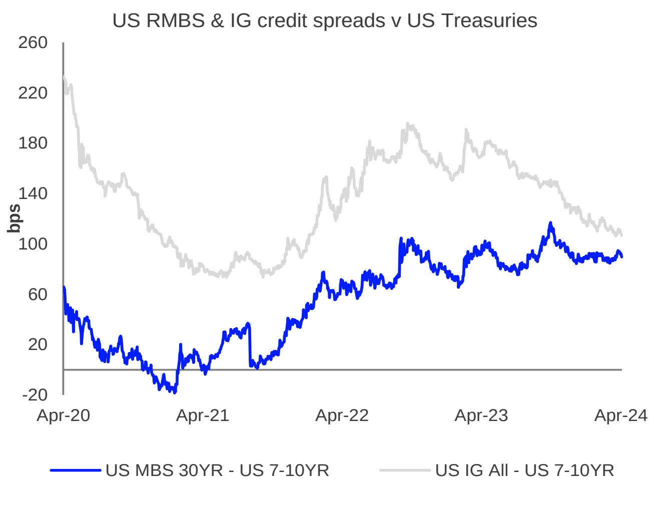
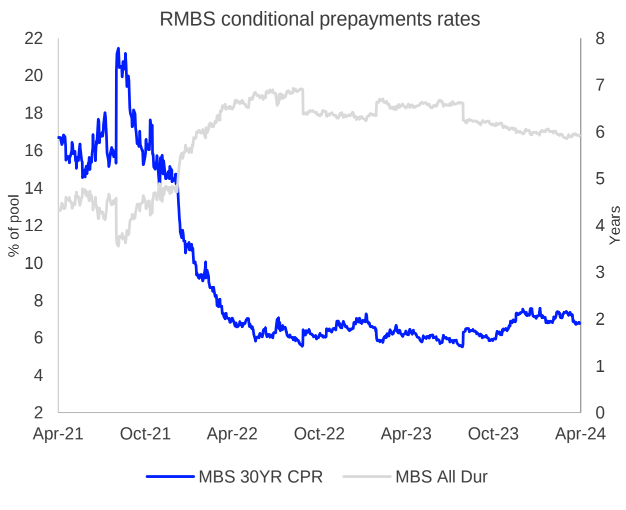


Chart 6: Evidence of a frozen US housing market can be found in the very low levels of mortgage refis and prepayments, due to mortgage rates now standing so far above coupon rates on older mortgages.



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High Yield Credit Analysis

Chart 1: Transportation has been the strongest US HY sector performer, and gas has recovered. Banks suffered during the Covid and Ukraine shocks, but have rallied during the period of higher rates.

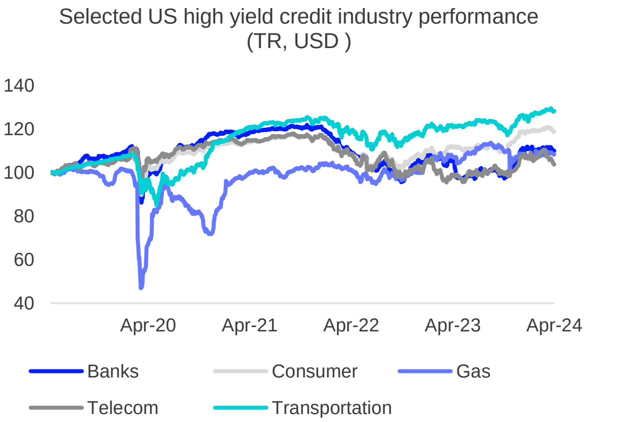


Chart 2: Banks have been strong performers in sterling high yield, helped by higher for longer rates and net interest income. Like US HY, sterling HY has low duration and rate sensitivity, and has gained from the risk rally.

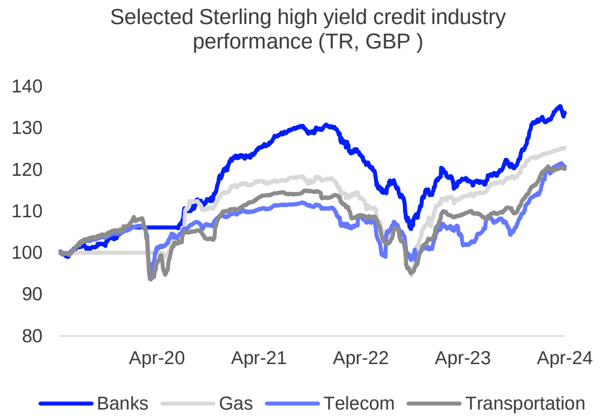


Chart 3: Single B outperformed both BB and CCC credits since Covid, risk-adjusted, though CCC has rallied strongly since the initial Covid and Ukraine shocks. BB credits have been less volatile than B or CCC.

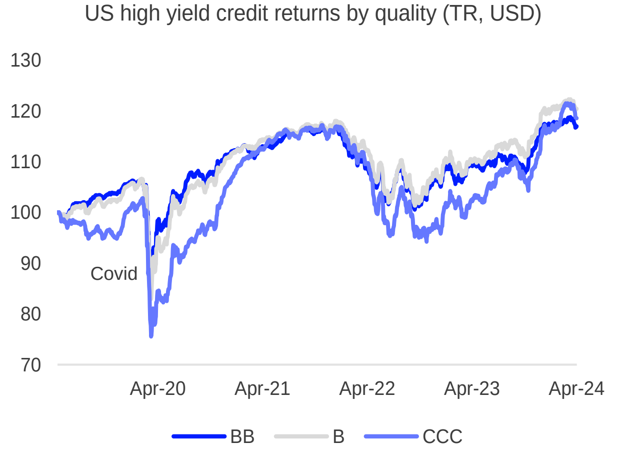


Chart 4: CCC spreads have widened relative to B, as default rates have risen in 2023-24, but spreads remain almost 1000bp below Covid peaks, which proved short-lived. BB spreads have returned to pre-Covid levels.

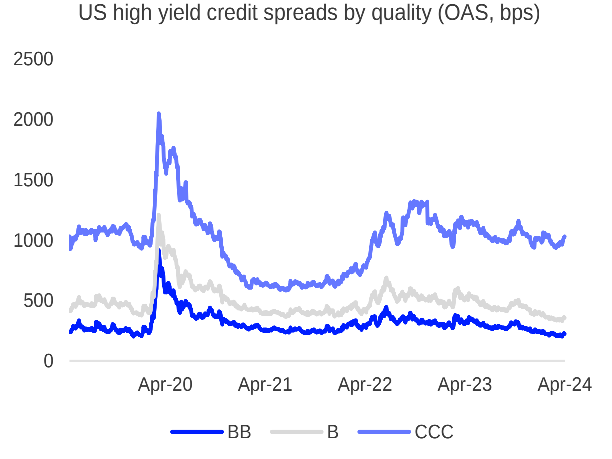


Chart 5: HY credit has held up well during the back-up in US Treasury yields. Growth expectations and the strong correlation to equities have overpowered the impact of higher Treasury yields on HY credit pricing,

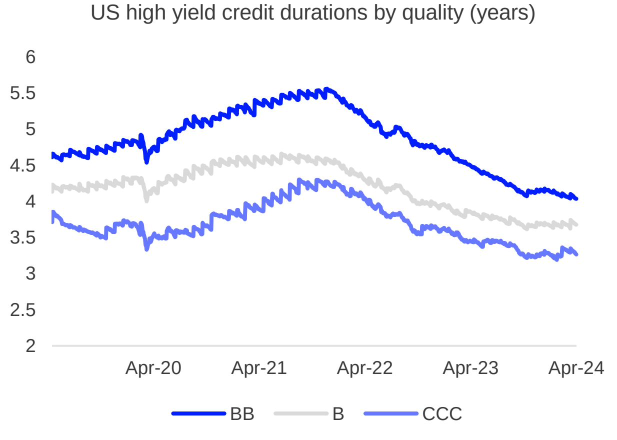
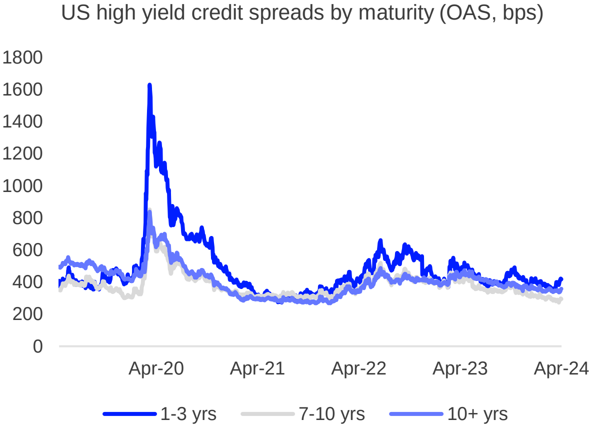


Chart 6: Credit spreads returned to pre-Covid levels in HY, reflecting the strong relative performance, versus IG. Short spreads are more volatile, in line with the greater yield sensitivity to price changes in short duration bonds.



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SI Corporate Bond Analysis

Chart 1: SI corporate returns were all negative over three months, with PAB (Paris aligned benchmark) weakest, losing near 2%. However, returns for the indices remain positive over 1-year and 5-year periods.

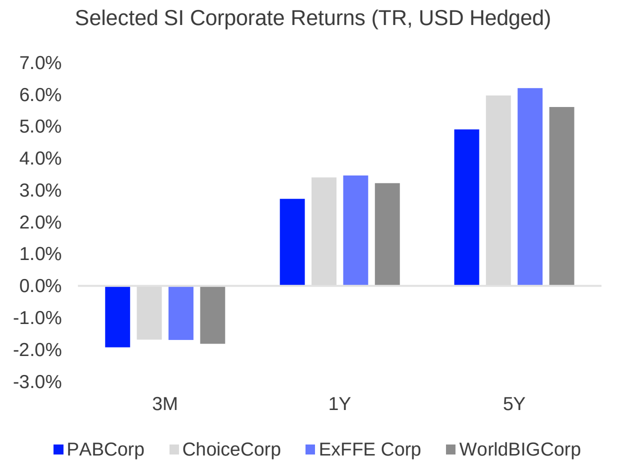


Chart 2: On a relative basis, PAB has underperformed WorldBIG Corp post-Covid, while Ex FFE and Choice outperformed. Performance variation has largely been driven by duration as yields have continued to climb.

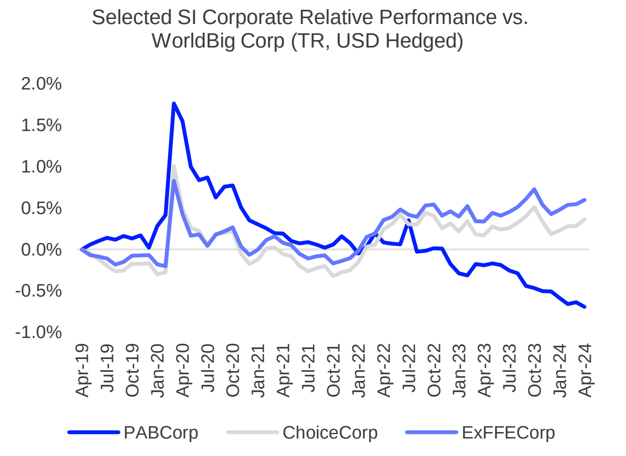


Chart 3: Also contributing to the divergence in performance was the PAB underweight in Banks - a strong performer over the past 12 months following the US banking crisis in 2023, and helped by higher rates.

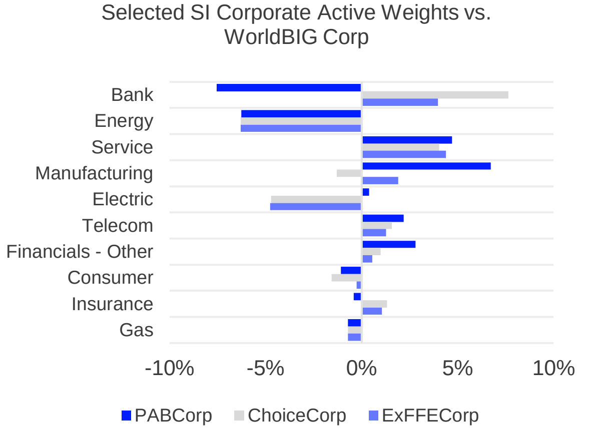


Chart 4: Relative to WorldBIG Corp, SI Indices exhibit lower BBB exposure in favor of AAA and AA. PAB shows the highest credit quality, resulting in underperformance as lower grade credit has outperformed.

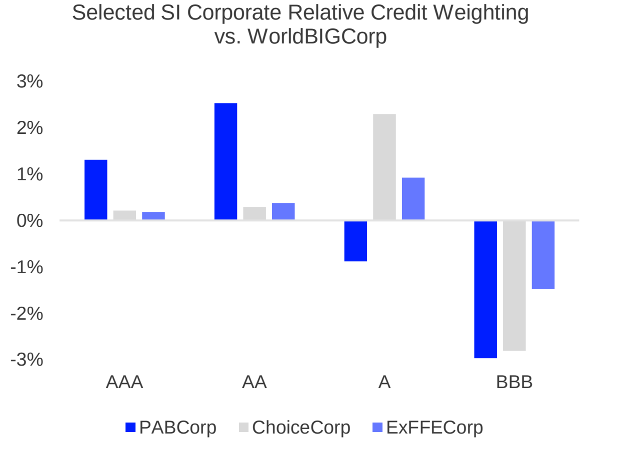


Chart 5: Spread tightening in recent months has occurred despite yields at high levels. Dislocation between spreads and yields suggests spread tightening has driven a large share of recent performance.

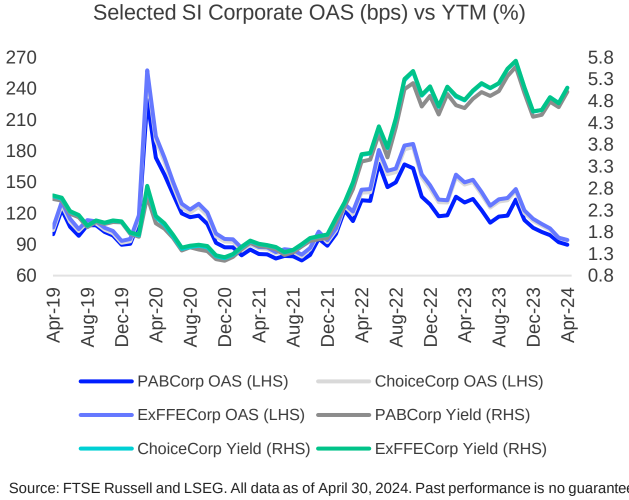
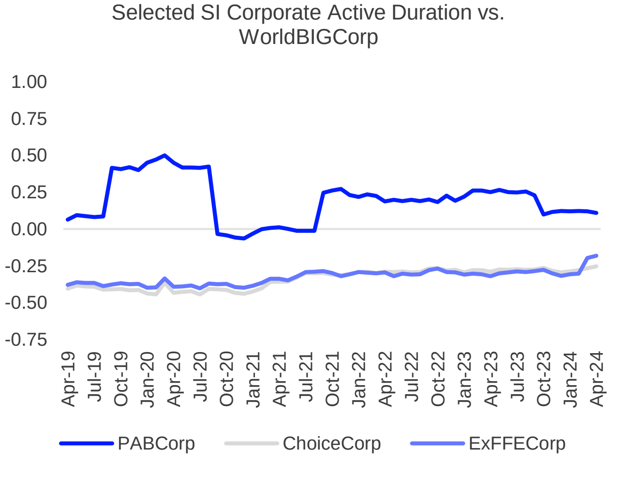


Chart 6: Active duration for PAB has been mostly positive in the last five years, despite some volatility. In contrast, Choice and Ex FFE show low vol and consistently negative active duration versus WorldBIG Corp.



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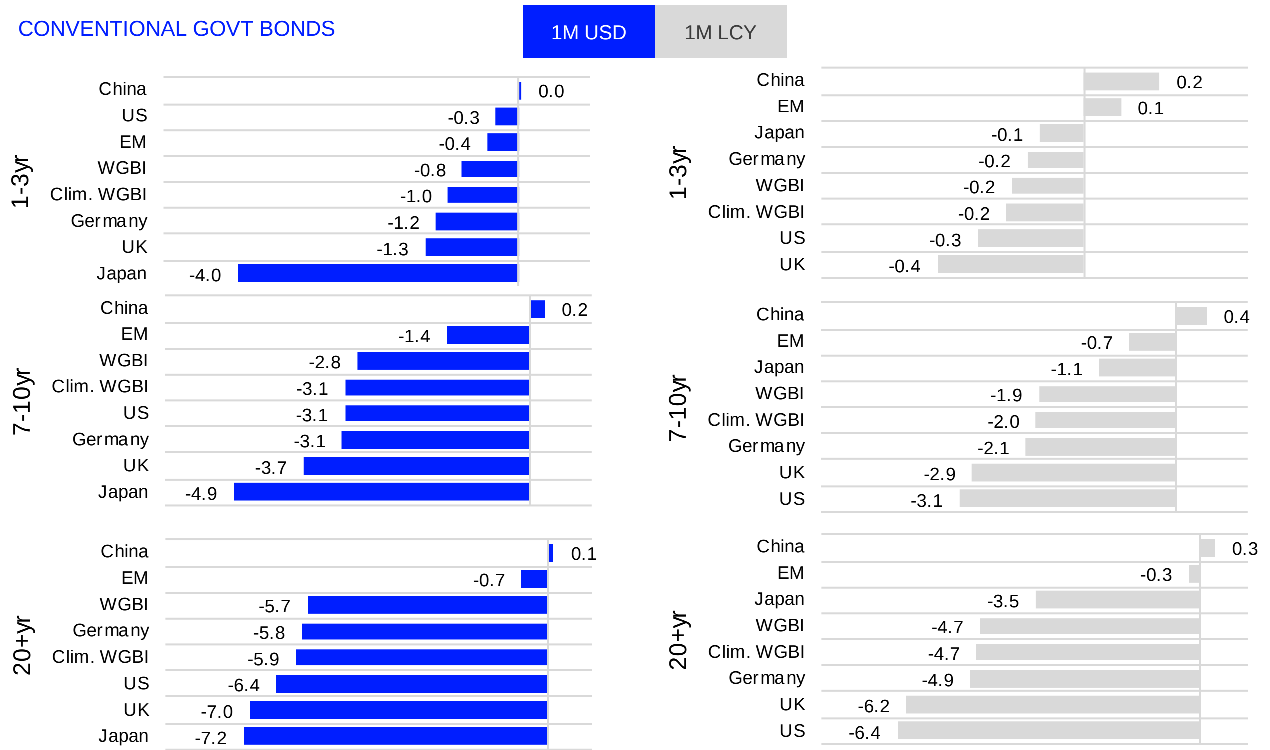
Global Sovereign Bond Returns – 1M and YTD % (USD & LC, TR)

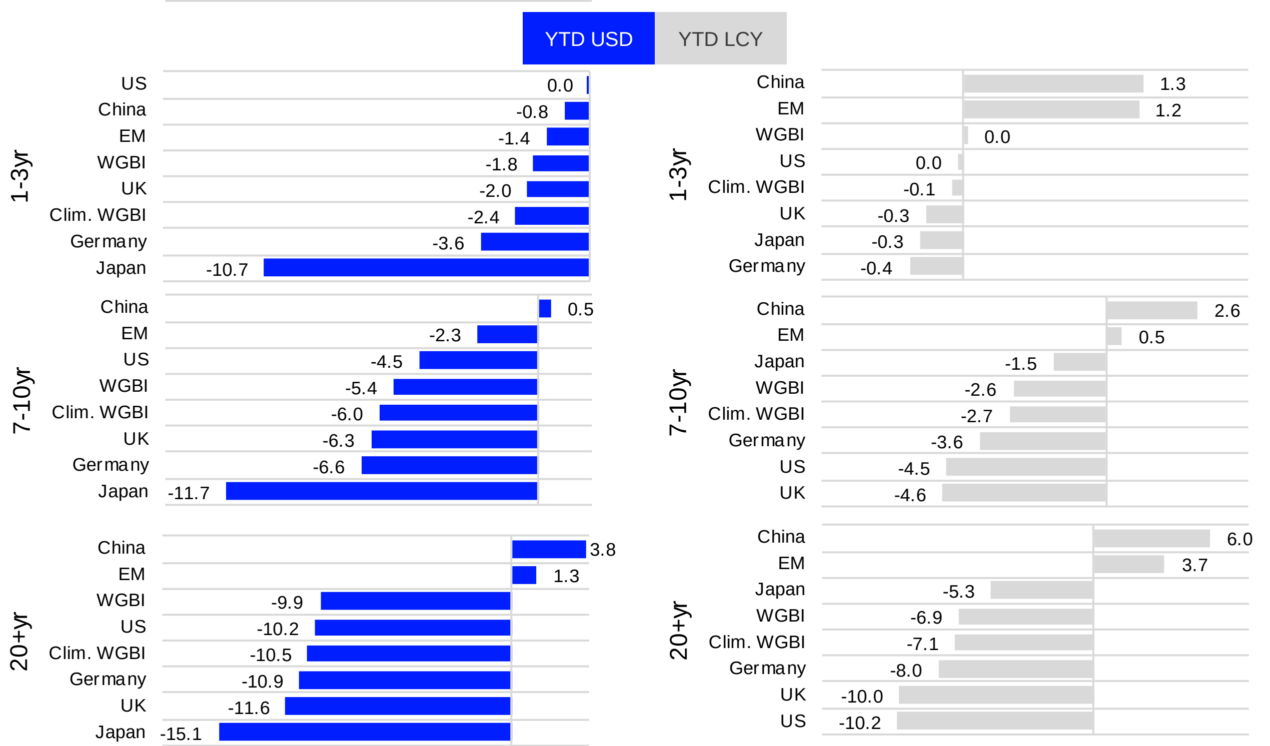
Conventional bonds fell back a little further in April, led by longs and JGBs in US dollar terms. The higher for longer narrative still predominates, and negative carry has become more of a factor. Currency weakness depressed JGB returns, and long gilts suffered from extra duration, though long Bunds and Treasuries also lost about 6% in April. YTD returns show a similar profile.

Only China and EM bonds escaped further losses in April, in US dollar terms, with the stronger dollar increasing losses in dollars. JGBS again proved weakest, due to the weak yen, with losses of 4-7% across the curve.

YTD returns pick up more severe yen weakness, with JGBs losing 11-15% in dollar terms, as the USD far outperformed forward rates. But duration also took its toll on long gilts, Treasuries, WGBI and Bunds, with losses of 10-12%. But China and EM bonds showed gains of 1-4% YTD, in dollar terms, reflecting monetary easing, even if currencies showed modest losses versus the strong US dollar.

CONVENTIONAL GOVT BONDS





Source: FTSE Russell and LSEG. All data as of April 30, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

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

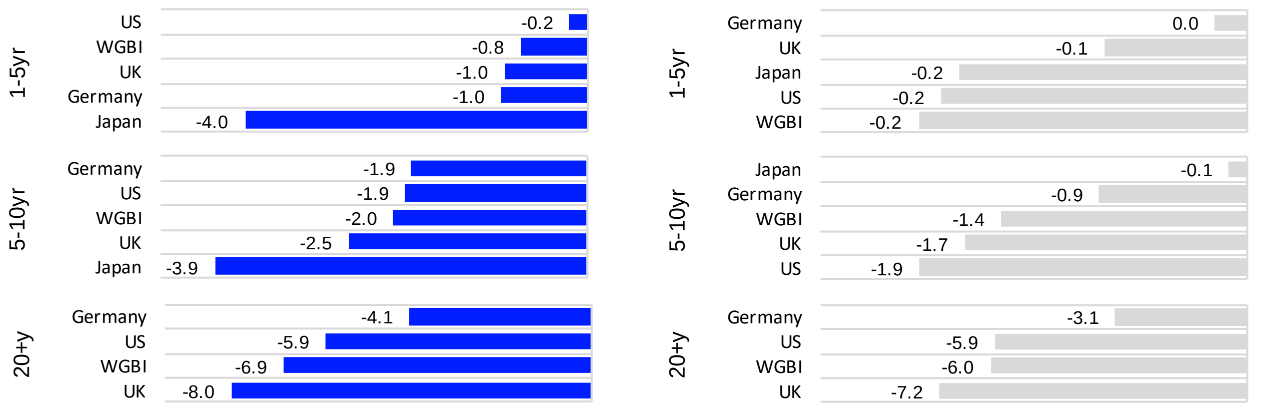
Inflation-linked bonds followed conventionals lower in April. The strong dollar squeezed non-US returns for a dollar-based investor. Short linkers barely moved locally, but longs lost up to 7%, and 8% in USD. Credit held up well but lost some ground as the risk rally reversed. HY outperformed, as it has YTD. Long UK linkers lost up to 13% YTD, reversing Q4 2023 gains.

Duration again took its toll on longer inflation linked in April, and YTD. Short JGBs were hit by further yen weakness, losing 4% in dollar terms, despite the modest 10bp increase in BoJ rates at end-March, which was well discounted.

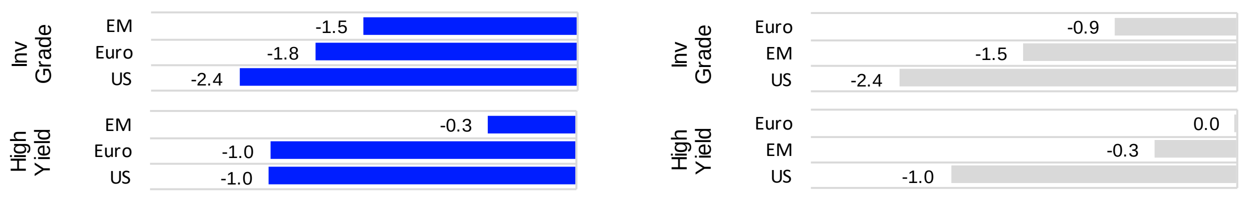
Credit markets reflected weakness in equities in April, as the risk rally faltered, but HY credits only lost 1%, and EM HY is up 4% YTD.

INFLATION LINKED BONDS

1M USD | 1M LCY

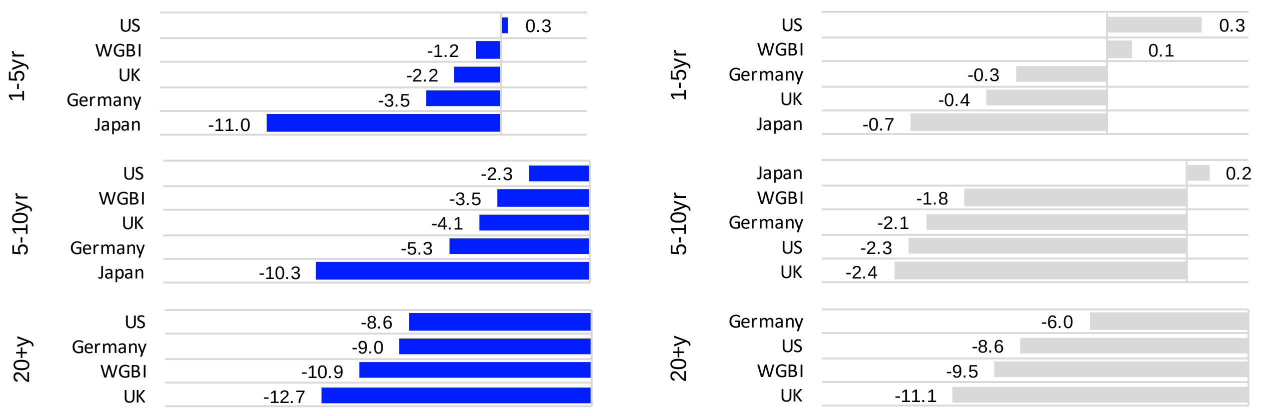


CORPORATE BONDS

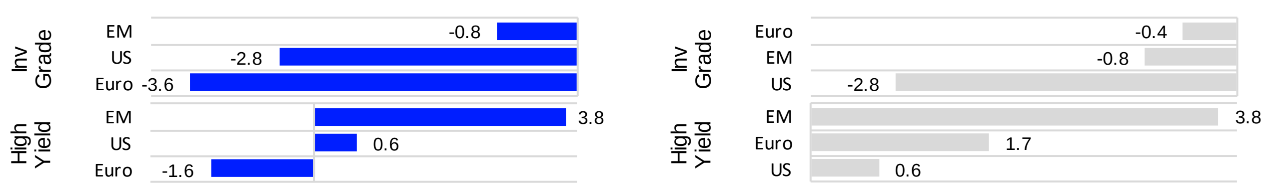


INFLATION LINKED BONDS

YTD USD | YTD LCY



CORPORATE BONDS



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

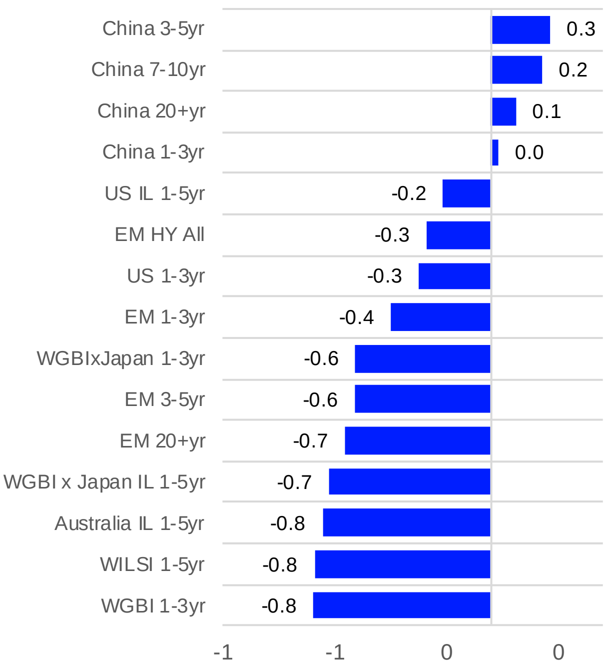
Only China govt bonds managed positive returns in April, in dollar terms. Short govt bonds outperformed long government bonds, some of which lost 7-8%, led by ultra long UK linkers. On 12M, HY credit was the best performer, globally, plus long China and EM govts. JGBs suffered losses of up to 25%, compounded by yen weakness.

Duration again proved the investor's foe in April, apart from longer China and EM bonds, which escaped largely unscathed. All of the Bottom 15 performers were long dated bonds on 1M, as they were on 12M, apart from JGBs of all maturities, due to the weak yen.

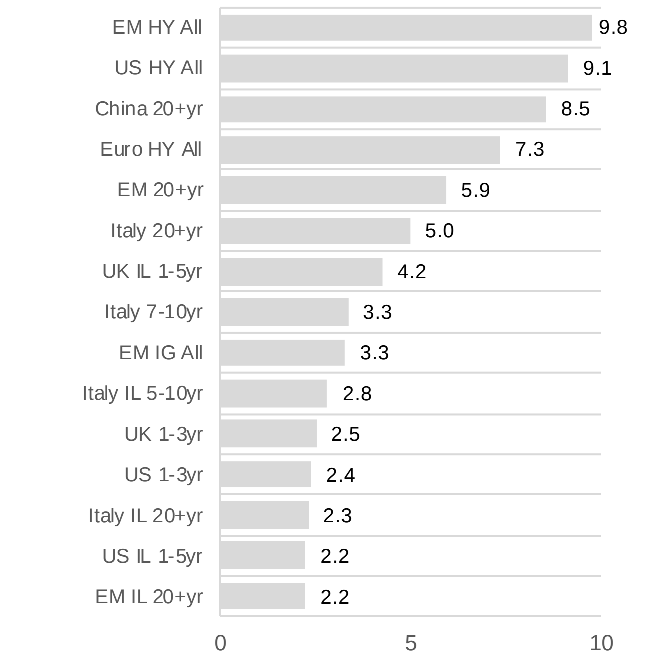
High yield credit continued to outperform IG credits, boosted by the risk rally, with returns of 7-10% on 12M, led by EM and US HY.

1M USD | 12M USD

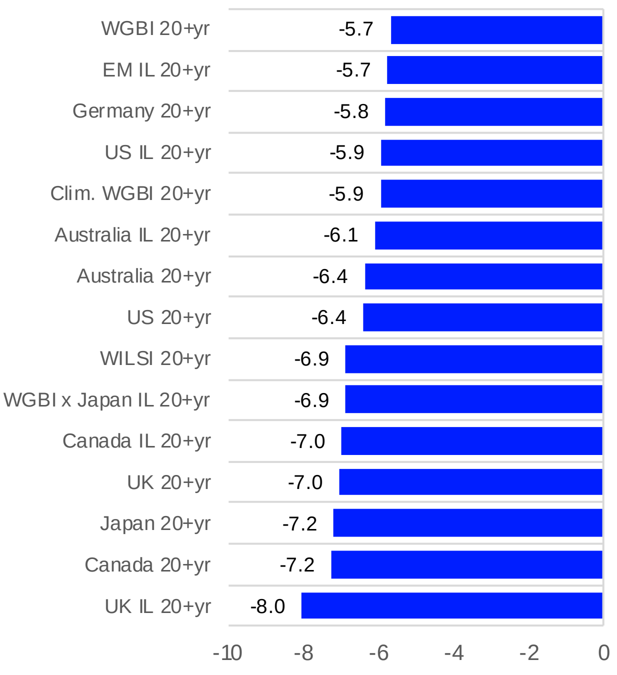
Top 15



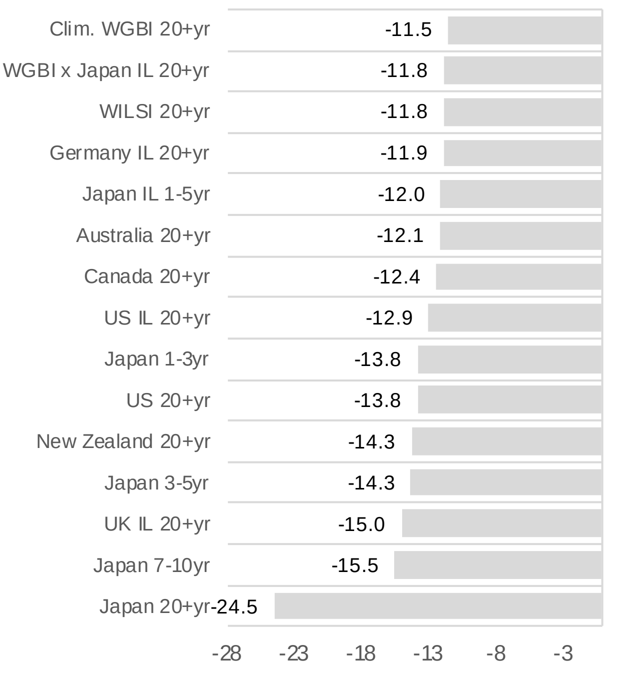
Top 15



Bottom 15



Bottom 15



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Appendix – Global Bond Market Returns % (USD & LC, TR) – April 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	-0.41	-0.41	2.12	2.12	-0.05	-0.05	2.38	2.38
	7-10yr	-4.36	-4.36	3.82	3.82	-4.48	-4.48	-5.30	-5.30
	20+yr	-7.64	-7.64	7.75	7.75	-10.15	-10.15	-13.82	-13.82
	IG All	-2.79	-2.79	7.40	7.40	-2.80	-2.80	1.13	1.13
	HY All	0.61	0.61	9.07	9.07	0.64	0.64	9.12	9.12
UK	1-3yr	-0.12	-1.79	1.83	5.08	-0.26	-2.04	2.89	2.50
	7-10yr	-2.84	-4.47	3.30	6.60	-4.59	-6.28	-0.50	-0.87
	20+yr	-4.78	-6.37	5.71	9.08	-10.04	-11.64	-8.16	-8.50
Euro	IG All	-0.56	-2.11	4.68	5.89	-0.44	-3.63	5.17	1.86
	HY All	0.74	-0.83	7.73	8.98	1.67	-1.59	10.83	7.34
Japan	1-3yr	-0.26	-7.35	-0.12	-3.88	-0.31	-10.69	-0.40	-13.81
	7-10yr	-0.99	-8.03	1.30	-2.51	-1.48	-11.74	-2.35	-15.50
	20+yr	-2.52	-9.46	0.03	-3.73	-5.28	-15.14	-12.76	-24.51
China	1-3yr	0.87	0.01	1.83	2.91	1.26	-0.83	3.13	-1.33
	7-10yr	1.47	0.60	3.85	4.95	2.58	0.46	6.12	1.53
	20+yr	2.10	1.22	9.93	11.10	6.00	3.82	13.45	8.54
EM	1-3yr	0.76	-0.43	2.26	3.18	1.23	-1.42	4.13	0.21
	7-10yr	-0.15	-1.34	4.20	4.85	0.45	-2.29	4.86	0.68
	20+yr	0.91	0.00	8.50	9.55	3.69	1.30	9.94	5.92
	IG All	-0.79	-0.79	6.77	6.77	-0.76	-0.76	3.27	3.27
	HY All	2.29	2.29	10.13	10.13	3.83	3.83	9.75	9.75
Germany	1-3yr	-0.38	-1.94	1.15	2.32	-0.38	-3.58	1.73	-1.47
	7-10yr	-3.03	-4.55	2.48	3.66	-3.56	-6.65	0.32	-2.84
	20+yr	-5.55	-7.03	9.20	10.46	-7.99	-10.94	-3.87	-6.90
Italy	1-3yr	-0.21	-1.77	2.05	3.24	-0.01	-3.21	3.12	-0.13
	7-10yr	-0.53	-2.09	7.90	9.15	-0.31	-3.50	6.70	3.34
	20+yr	0.57	-1.00	16.58	17.94	0.28	-2.93	8.38	4.97
Spain	1-3yr	-0.15	-1.71	1.68	2.86	0.01	-3.20	2.48	-0.75
	7-10yr	-1.13	-2.68	5.76	6.99	-1.49	-4.64	3.92	0.64
	20+yr	-0.83	-2.38	14.51	15.83	-2.59	-5.71	4.71	1.42
France	1-3yr	-0.53	-2.09	1.27	2.44	-0.56	-3.75	1.89	-1.31
	7-10yr	-2.55	-4.08	3.78	4.98	-3.04	-6.15	1.50	-1.69
	20+yr	-4.19	-5.69	12.34	13.64	-6.47	-9.47	0.23	-2.93
Sweden	1-3yr	-0.15	-6.01	1.58	3.40	-0.17	-8.33	2.22	-4.47
	7-10yr	-1.88	-7.63	4.84	6.72	-3.02	-10.95	1.06	-5.56
Australia	1-3yr	0.11	-1.67	2.63	5.26	0.47	-4.39	1.74	-0.03
	7-10yr	-1.89	-3.62	6.25	8.97	-1.95	-6.70	-3.69	-5.37
	20+yr	-4.35	-6.04	12.35	15.23	-5.87	-10.42	-10.57	-12.13
New Zealand	1-3yr	0.78	-3.11	3.28	5.08	0.87	-5.73	3.69	-0.66
	7-10yr	-1.00	-4.83	7.91	9.78	-2.37	-8.76	-1.04	-5.19
	20+yr	-3.58	-7.30	11.71	13.65	-7.44	-13.49	-10.51	-14.26
Canada	1-3yr	0.42	-2.34	2.31	3.38	0.31	-3.72	2.62	1.31
	7-10yr	-2.56	-5.24	3.68	4.77	-4.13	-7.98	-4.27	-5.50
	20+yr	-6.97	-9.53	5.27	6.38	-11.22	-14.79	-11.25	-12.39

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Inflation-Linked Bond Returns

Top 15% Bottom 15%

Green highlight indicates highest 15%, red indicates lowest 15%

		3M		6M		YTD		12M	
		Local	JPY	Local	JPY	Local	JPY	Local	JPY
US	1-5yr	-0.10	-0.10	2.82	2.82	0.34	0.34	2.23	2.23
	5-10yr	-2.75	-2.75	3.85	3.85	-2.29	-2.29	-2.48	-2.48
	20+yr	-7.54	-7.54	6.14	6.14	-8.56	-8.56	-12.95	-12.95
UK	1-5yr	0.33	-1.35	2.61	5.88	-0.42	-2.19	4.64	4.25
	5-10yr	-0.81	-2.46	3.05	6.34	-2.41	-4.14	2.41	2.02
	20+yr	-2.36	-3.99	5.21	8.57	-11.10	-12.68	-14.69	-15.01
Japan	1-5yr	-0.72	-7.78	-0.08	-3.84	-0.69	-11.03	1.65	-12.05
	5-10yr	-0.13	-7.23	2.02	-1.82	0.17	-10.26	3.82	-10.17
EM	1-5yr	0.93	-2.44	4.56	2.19	1.87	-3.43	10.73	2.00
	5-10yr	-1.58	-4.13	3.76	3.20	-1.61	-6.08	6.65	1.17
	20+yr	-4.78	-7.27	3.93	3.76	-6.38	-10.58	3.66	2.22
Germany	1-5yr	-0.07	-1.64	0.22	1.38	-0.32	-3.51	0.72	-2.45
	5-10yr	-1.35	-2.89	0.45	1.61	-2.15	-5.28	-1.00	-4.12
	20+yr	-3.05	-4.56	5.41	6.63	-5.97	-8.98	-8.99	-11.85
Italy	1-5yr	0.13	-1.44	2.66	3.85	0.14	-3.07	3.79	0.53
	5-10yr	1.07	-0.51	7.45	8.70	0.90	-2.33	6.15	2.81
	20+yr	4.97	3.33	23.15	24.57	2.97	-0.33	5.62	2.29
Spain	1-5yr	0.07	-1.50	1.21	2.38	-0.19	-3.39	1.81	-1.40
	5-10yr	0.54	-1.04	3.81	5.01	-0.02	-3.22	3.08	-0.17
France	1-5yr	-0.78	-2.33	0.38	1.54	-0.94	-4.11	0.30	-2.86
	5-10yr	-1.16	-2.71	1.47	2.64	-1.93	-5.07	-0.19	-3.34
	20+yr	-1.43	-2.98	11.76	13.06	-5.33	-8.37	-3.88	-6.90
Sweden	1-5yr	0.31	-5.57	1.75	3.57	-0.07	-8.25	3.07	-3.68
	5-10yr	0.39	-5.49	4.34	6.21	-1.02	-9.11	3.86	-2.94
Australia	1-5yr	0.38	-1.40	3.01	5.65	0.33	-4.53	2.58	0.80
	5-10yr	-0.84	-2.59	5.43	8.13	-1.24	-6.01	0.33	-1.41
	20+yr	-4.00	-5.70	14.39	17.31	-7.83	-12.29	-5.75	-7.39
New Zealand	5-10yr	1.14	-2.77	7.36	9.22	0.22	-6.33	1.93	-2.34
Canada	20+yr	-3.32	-5.98	7.60	8.73	-7.25	-10.98	-7.56	-8.74

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Appendix – Historical Bond Yields % as of April 30, 2024

Global Bond Yields

Top 15% | Bottom 15%

Green highlight indicates highest 15%, red indicates lowest 15%

		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	5.09	4.80	4.69	4.85	2.41	2.24	2.44	5.75	8.22
	3M Ago	4.33	3.93	3.93	4.31	1.98	1.64	2.01	5.14	7.97
	6M Ago	5.17	4.87	4.90	5.19	2.82	2.50	2.64	6.38	9.46
	12M Ago	4.24	3.62	3.41	3.75	1.68	1.23	1.58	5.15	8.47
UK	Current	4.64	4.31	4.28	4.72	0.30	0.49	1.38		
	3M Ago	4.21	3.73	3.75	4.39	0.16	0.21	1.25		
	6M Ago	4.67	4.45	4.43	4.91	0.65	0.71	1.51		
	12M Ago	4.05	3.77	3.64	4.02	0.39	0.14	0.63		
Japan	Current	0.21	0.39	0.76	1.86	-1.21	-0.76			
	3M Ago	0.04	0.20	0.59	1.73	-1.65	-0.83			
	6M Ago	0.09	0.34	0.83	1.82	-1.55	-0.65			
	12M Ago	-0.07	0.02	0.30	1.20	-1.31	-0.63			
China	Current	1.89	2.06	2.34	2.61					
	3M Ago	2.07	2.22	2.46	2.70					
	6M Ago	2.27	2.42	2.67	3.08					
	12M Ago	2.28	2.51	2.78	3.17					
EM	Current	3.42	3.86	4.56	3.94	5.65	5.21	5.67	6.01	9.15
	3M Ago	3.34	3.81	4.64	4.17	4.38	4.41	5.03	5.58	9.35
	6M Ago	3.71	4.43	5.00	4.55	4.20	4.73	5.46	6.71	11.34
	12M Ago	3.74	4.37	4.66	4.46	3.84	4.04	5.15	5.60	11.79
Germany	Current	3.08	2.67	2.53	2.69	1.12	0.46	0.43		
	3M Ago	2.57	2.07	2.06	2.38	0.81	0.20	0.27		
	6M Ago	3.09	2.66	2.70	3.05	0.90	0.45	0.65		
	12M Ago	2.72	2.35	2.25	2.37	0.16	-0.06	-0.11		
Italy	Current	3.45	3.38	3.68	4.24	1.25	1.54	1.79		
	3M Ago	2.96	2.93	3.47	4.21	1.08	1.58	1.94		
	6M Ago	3.77	3.88	4.45	5.06	1.77	2.35	2.53		
	12M Ago	3.36	3.49	3.97	4.45	0.80	1.65	1.83		
France	Current	3.17	2.93	2.96	3.39	0.72	0.65	0.86		
	3M Ago	2.62	2.34	2.52	3.13	0.44	0.37	0.78		
	6M Ago	3.21	3.01	3.23	3.88	0.93	0.78	1.28		
	12M Ago	2.84	2.66	2.73	3.23	-0.06	0.17	0.58		
Sweden	Current	3.14	2.68	2.50		1.60	0.85			
	3M Ago	2.68	2.21	2.18		1.26	0.76			
	6M Ago	3.43	3.05	2.94		1.34	1.30			
	12M Ago	2.89	2.59	2.31		0.71	0.73			
Australia	Current	4.16	4.05	4.36	4.75	1.40	1.71	2.06		
	3M Ago	3.69	3.60	3.97	4.42	1.04	1.39	1.81		
	6M Ago	4.49	4.48	4.87	5.33	1.47	2.04	2.53		
	12M Ago	3.13	3.05	3.30	3.88	0.09	0.84	1.50		
New Zealand	Current	5.16	4.77	4.85	5.17	2.29	2.51			
	3M Ago	4.89	4.44	4.55	4.87	1.72	2.39			
	6M Ago	5.49	5.37	5.55	5.69	2.47	3.05			
	12M Ago	4.89	4.15	4.08	4.23	0.95	1.61			
Canada	Current	4.47	3.92	3.82	3.70	1.97	1.98	1.90		
	3M Ago	4.21	3.50	3.36	3.28	1.55	1.60	1.72		
	6M Ago	4.70	4.18	4.09	3.88	2.25	2.32	2.21		
	12M Ago	3.81	3.09	2.82	2.93	1.12	1.06	1.32		

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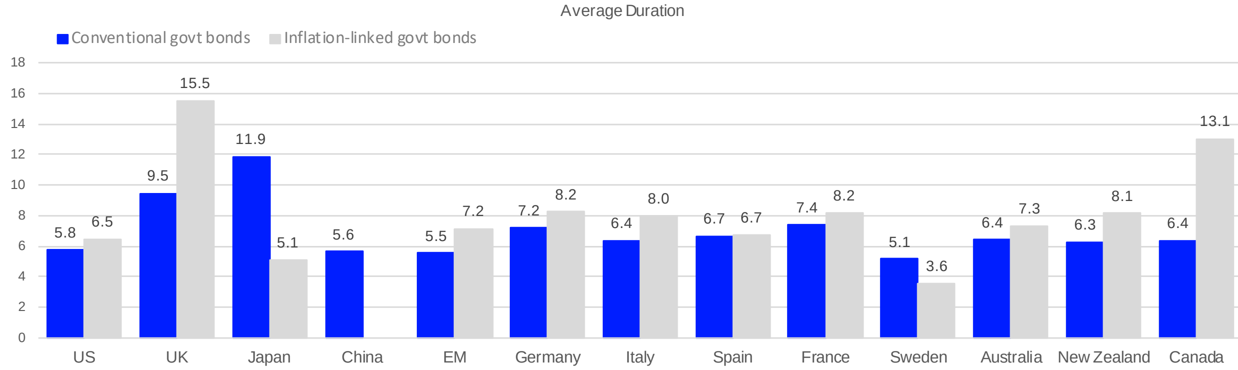
Appendix – Duration and Market Value (USD, Bn) as of April 30, 2024

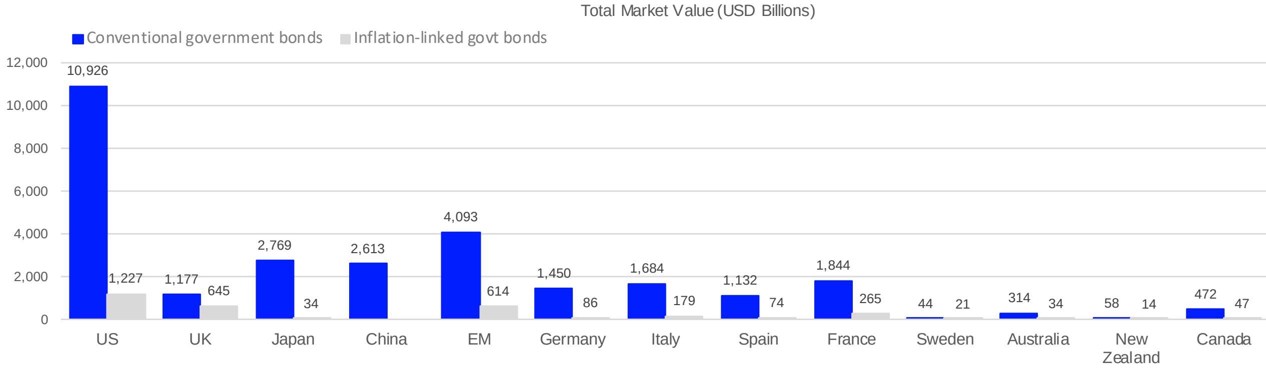
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.3	**5.8**	2,616.2	1,102.1	1,256.2	**10,925.6**	7.0	21.5	**6.5**	404.3	105.6	**1,226.6**
UK	3.8	7.4	18.2	**9.5**	160.5	190.7	298.0	**1,176.6**	7.9	27.4	**15.5**	114.6	215.7	**644.7**
Japan	4.0	8.2	23.5	**11.9**	325.3	351.8	575.8	**2,769.1**	8.1		**5.1**	12.3		**33.6**
China	3.7	7.6	18.0	**5.6**	614.4	420.5	300.0	**2,613.4**						
EM	3.6	7.0	16.4	**5.5**	889.6	733.2	390.4	**4,093.2**	5.9	13.1	**7.2**	103.2	154.6	**614.5**
Germany	3.7	7.7	20.2	**7.2**	337.4	191.8	182.7	**1,449.7**	6.6	21.1	**8.2**	42.8	17.8	**85.7**
Italy	3.6	7.1	16.5	**6.4**	312.6	299.0	155.4	**1,684.1**	7.1	25.7	**8.0**	64.9	5.6	**178.9**
Spain	3.6	7.3	17.5	**6.7**	223.3	201.7	109.6	**1,131.8**	7.6		**6.7**	47.2		**74.1**
France	3.7	7.3	19.4	**7.4**	340.7	317.3	242.1	**1,844.1**	6.3	23.9	**8.2**	87.3	20.9	**265.0**
Sweden	3.9	7.5		**5.1**	6.4	13.0		**44.4**	6.6		**3.6**	5.3		**21.1**
Australia	3.4	7.3	16.6	**6.4**	46.5	88.9	19.3	**313.8**	6.6	21.8	**7.3**	10.1	2.7	**34.0**
New Zealand	3.3	7.1	15.7	**6.3**	11.3	15.8	5.0	**57.7**	5.7		**8.1**	3.1		**13.6**
Canada	3.8	7.3	19.1	**6.4**	66.5	109.3	64.0	**472.0**	6.4	20.3	**13.1**	7.9	18.7	**46.6**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.1	6.9	6.4	6.8	70.1	441.0	2701.8	3432.8	6645.6	3.8	1040.9
Europe	5.2	4.8	4.6	4.2	4.4	11.6	214.4	1205.8	1531.0	2962.9		
EM		6.6	5.1	5.3	5.3		36.0	214.7	275.0	525.7	3.3	170.6

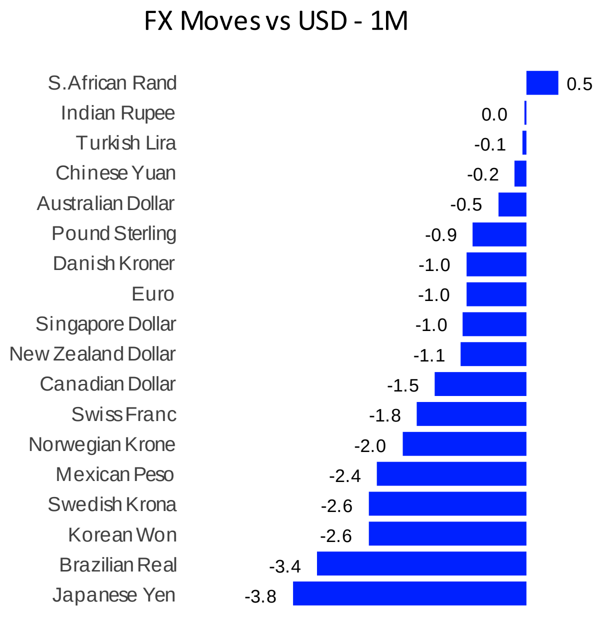
Average Duration

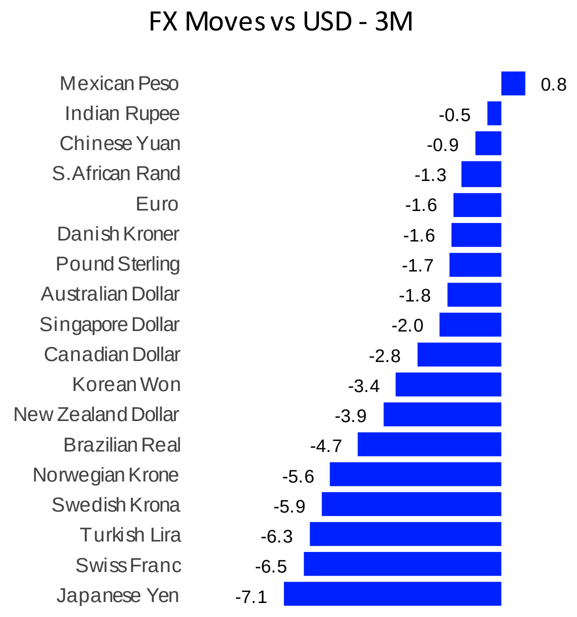


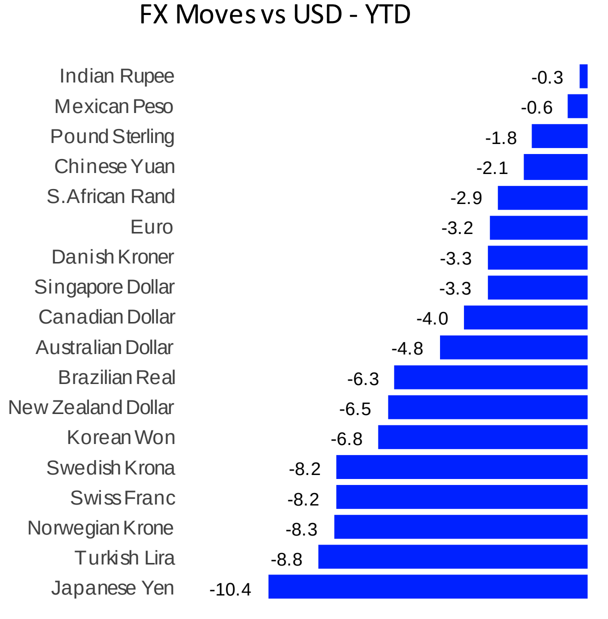
Total Market Value (USD Billions)

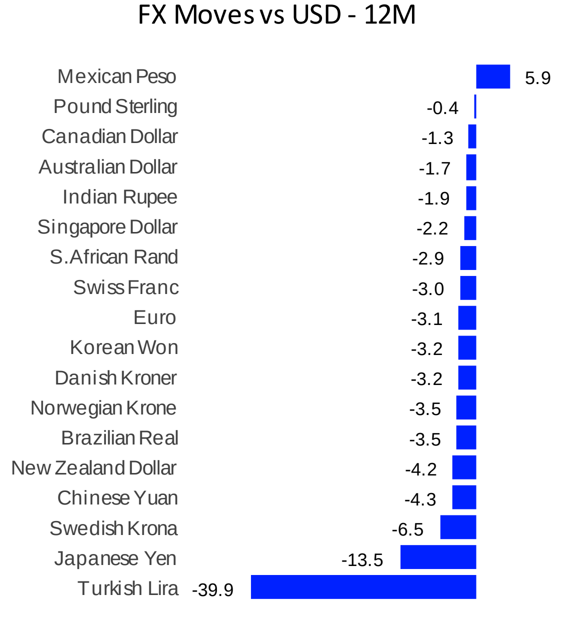


Source: FTSE Russell and LSEG. All data as of April 30, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.









Source: FTSE Russell and LSEG. All data as of April 30, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

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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ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

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

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