

Fixed Income Insights

MONTHLY REPORT | FEBRUARY 2025

CANADA EDITION

Canadian bonds gain, as BoC eases again

Global government bond yields ended January at similar levels as they had started, though masking sharp intra-month fluctuations, as markets absorbed new Trump policy proposals, including higher trade tariffs. Currency gains vs the Canadian dollar contributed to EM bond outperformance in January, while high yield credit also benefitted from the equity rally.

Macro and policy backdrop – The BoC proceeded with expected 25bp cut Lower/ stable inflation allowed the BoC to implement another 25bp rate cut to 3.0%, partly as insurance against the recession threat posed by higher US trade tariffs. (page 2)

Canadian govts – Flatter Canadian yield curve in January Short Canadian yields have collapsed over 12M, as the BoC eased 200bp, and longs risen, normalising the Canadian curve over the last 12M, though the curve flattened a little in January. (page 3)

Canadian credit – More spread tightening? Canadian (and US) high yield credit spreads have tightened a long way, resulting in sizeable returns for investors over 12M. (pages 4-5)

Global yields and spreads – Sticky US inflation drove higher breakevens? Breakevens edged higher in January, with US breakevens at the highest levels since the inflation shock in 2022. Sticky inflation in the 2-3% region in some economies may be a factor in this. (pages 6)

Sovereign and climate bonds – Quality bias in SI indices PAB, Choice and exFFE corporate indices have a lower BBB exposure in favour of AAAs and AAs, indicating a quality bias versus WorldBIG Corp. (page 7)

Performance – Easing prospects lift returns in January Global government bonds delivered positive returns in January, benefitting from expectations of further easing (i.e., Canada, EU and UK). Coupon effects also helped. Long German inflation linked underperformed, despite ECB easing, and weak Eurozone growth (pages 8-10).

Appendix (from page 11) Canadian and Global bond market returns, historical bond yields, durations and market values and foreign exchange returns.

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Chart 1: Gold prices have continued to rise, amid heightened political uncertainty and higher central bank purchases, while crude oil prices have continued to stay range-bound, between \$60-80 since 2022.

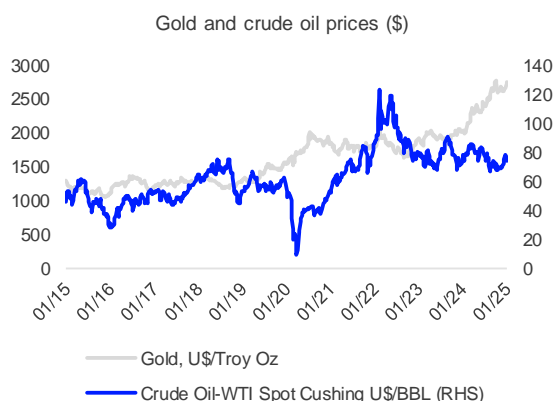
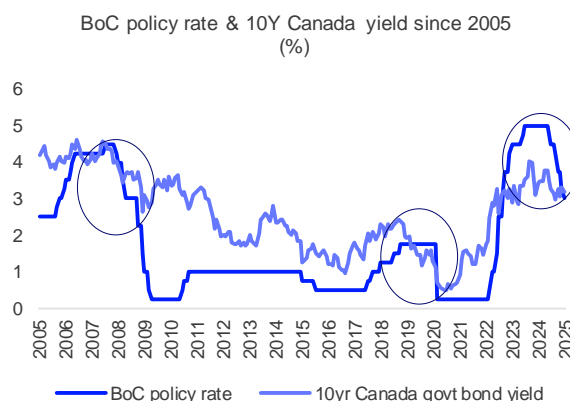


Chart 2: Canadian 10-year yields have generally fallen in advance of BoC easing of short rates, as markets anticipate policy easing. Similarly, 10yr yields generally front-run BoC tightening, and so it has been in this cycle.



Source: FTSE Russell and LSEG. All data as of January 2025. 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

Global growth is expected to be stable in 2025, and modestly improve from 2024 levels, according to IMF forecasts. However, economic divergences may persist, with the US and Canadian economies projected to remain robust versus tepid growth in Europe, Japan and China. However, if implemented US-Canada tariffs could send the Canadian economy into recession, and revive US inflation, since 50%+ of US oil supply is imported from Canada. The BoC cut rates by 25bp due to stable inflation.

The IMF expects global growth to be stable at 3.3% in 2025, but below its historical average of 3.7% (2000-2019). Canada is projected to grow by 2.0% in 2025 (or 1.8% according to BoC estimates), and benefit from robust US GDP of 2.7%, though imposition of higher tariffs could force a Canadian recession and impact US trade and inflation (Chart 1). Growth in China, Japan, the UK and EU is expected to be stable, but below historical averages, though this will also depend on the outcome of tariff negotiations now underway.

Inflation picked up in most regions in December, except in Canada, which at 1.8% y/y, remains within the BoC 2% target. Japan's CPI shot up to 3.6% y/y, due to higher food prices, the US rose to 2.9% y/y, its third consecutive rise, as did the Eurozone's HCIP, which ticked up to 2.4% y/y, raising some stagflation concerns, after EU growth was flat in Q4 2024 and on prospects of higher US tariffs. UK inflation was a little lower in December, at 2.5% y/y (Chart 2).

Central bank policies continue to diverge. The BoC and ECB reduced policy rates by 25bp to 3.0%, and 2.9% respectively in January, as inflation remains close to target. In Japan, the BoJ raised short-term interest rates by 25bp to 0.5%, the highest level in 17 years and the third increase since negative interest rates ended in March 2024. Meanwhile, the Fed paused policy rates at 4.5%, with fewer cuts expected in 2025. In addition, the BoC ended quantitative tightening, with the view of "normalising" its balance sheet to pre-crisis operational levels (Chart 3).

Canadian shelter, goods, services and food inflation have all continued to fall in December, especially food inflation (Chart 4), paving the way for the BoC to cut policy rates in January. Although still high, average weekly earnings fell to 5% y/y in Nov. (from 5.3%).

Chart 1: Global growth is forecast to improve modestly in 2025, led by robust US growth. Canada is forecast to grow by 2.0% in 2025 but trade tariffs raise uncertainty over the growth and inflation outlook.

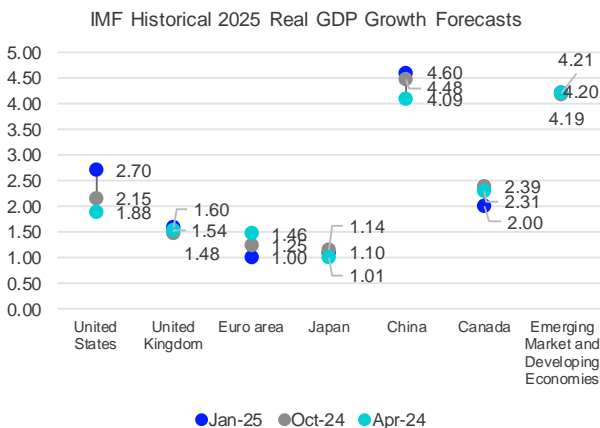


Chart 2: Inflation has ticked up in most regions, except in Canada, where at 1.8% y/y, it has remained within the BoC's target. Inflation is expected to return to target in Europe but could rise in the US due to trade wars.

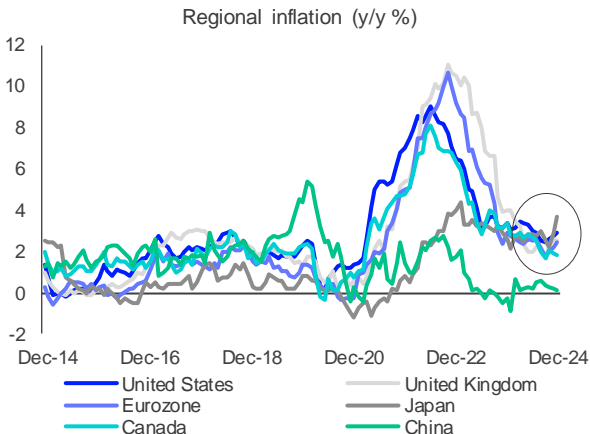


Chart 3: The BoC and ECB cut policy rates by 25bp in Jan., to similar levels, while the Fed paused policy, keeping rates at 4.25%, despite US administration pressure for lower rates. The BoJ raised rates by 25bp.

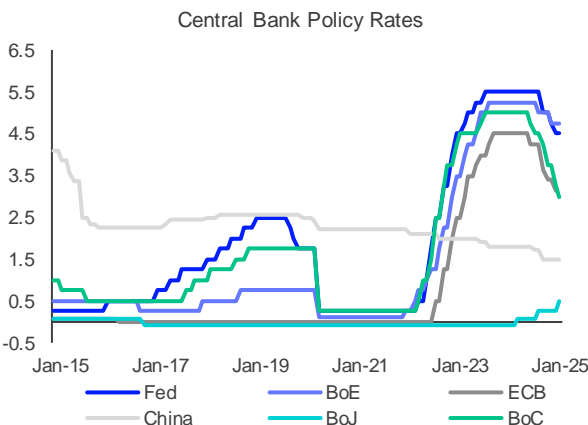


Chart 4: Canadian shelter, goods, services and food inflation all eased in December, especially food inflation, while average weekly earnings are still high, but easing to 5% y/y in November (from 5.3%).



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Canadian Governments, Provinces and Municipalities

Chart 1: Canadian curve steepening continued in January but affected the 20s/2s curve more than 10/2s. 7-10 yr yields moved more following concerns over weaker growth due to higher tariffs.

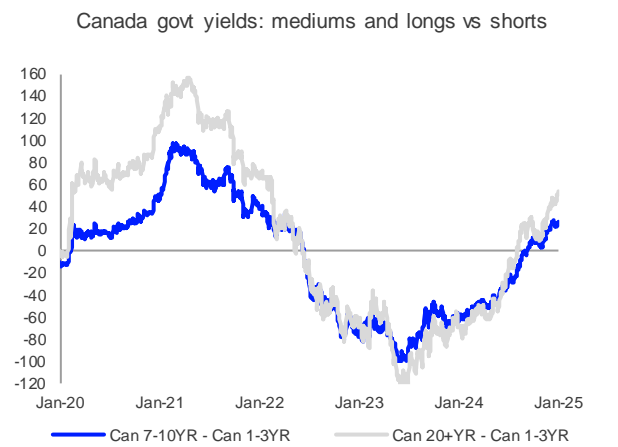


Chart 2: Short Canadian yields have collapsed, and longs risen, as the Canadian curve has normalised over the last 12M, after the BoC cut interest rates by 200bp to 3.0% in January. The curve is flatter over 1M.

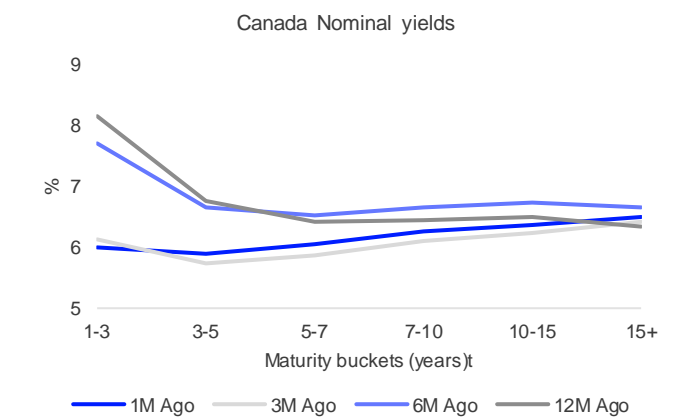


Chart 3: Canadian spreads are trading through US and UK on expectations of higher inflation in the US and UK, and fewer policy cuts, unlike Canada, which has reduced policy rates by 2% over 12M.

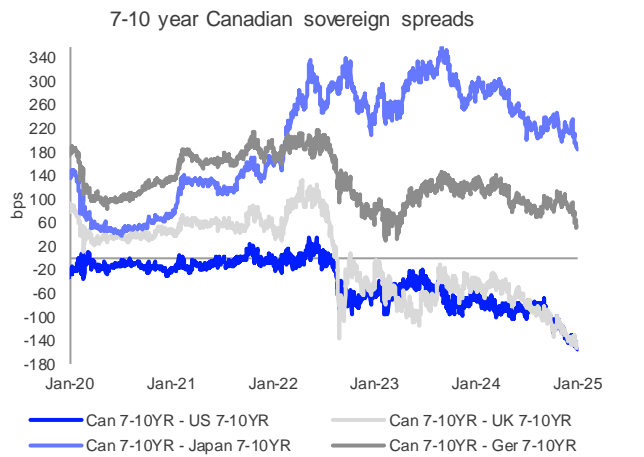


Chart 4: Inflation breakevens have risen across all regions in January, following uncertainty over the impact of new US administration policies, some of which are expected to be inflationary.

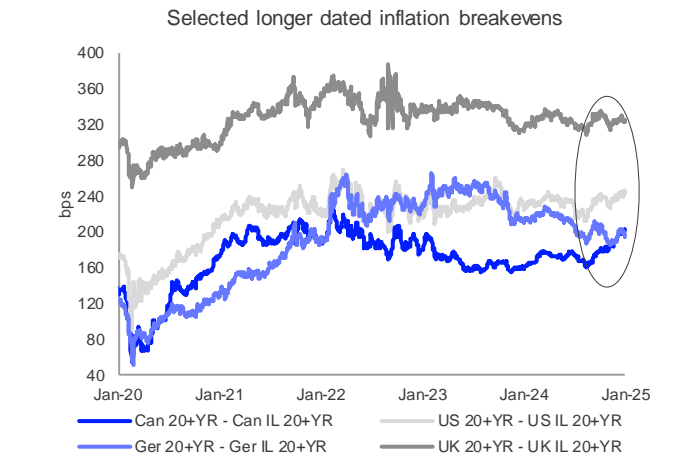


Chart 5: Canadian real return yields have tracked nominal yields lower, after CPI fell below the BoC target, and following higher US tariffs, which, if applied, could send the Canadian economy into recession.

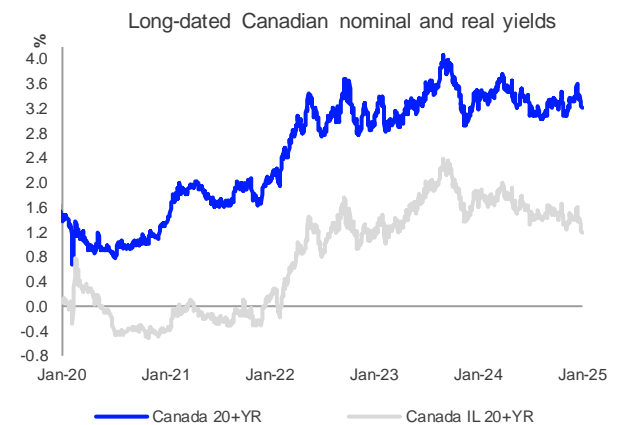
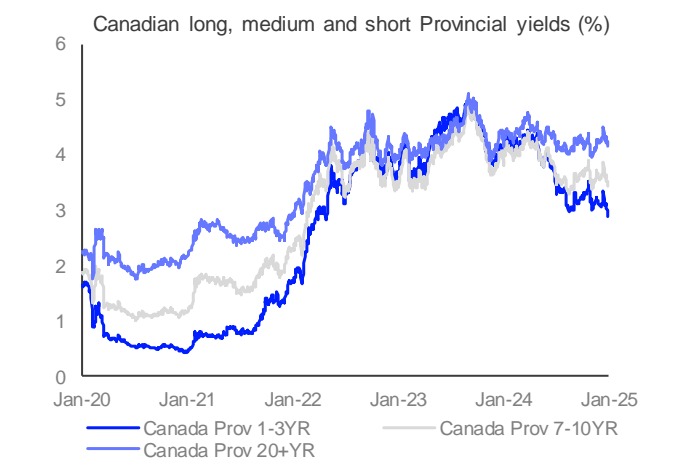


Chart 6: Canadian provincial bond yields have tracked nominal yields lower in January, following the 25bp BoC cut and prospects of further easing following concerns over economic growth prospects.



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Canadian Investment Grade Credit Analysis

Chart 1: Both the highest AA/AAA and lowest BBB quality Canadian corporate bonds have made similar returns over the last five years as demand for BBBs has grown in 2024.

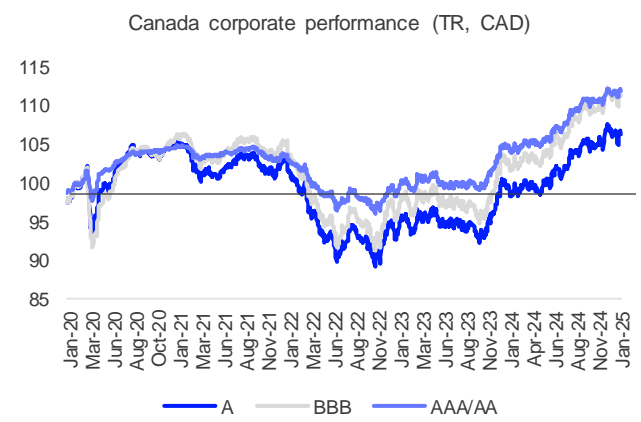


Chart 2: After nearly converging for much of 2022-24, Canadian investment grade corporate bond yields are decoupling once again, though yield differentials between quality remain marginal.

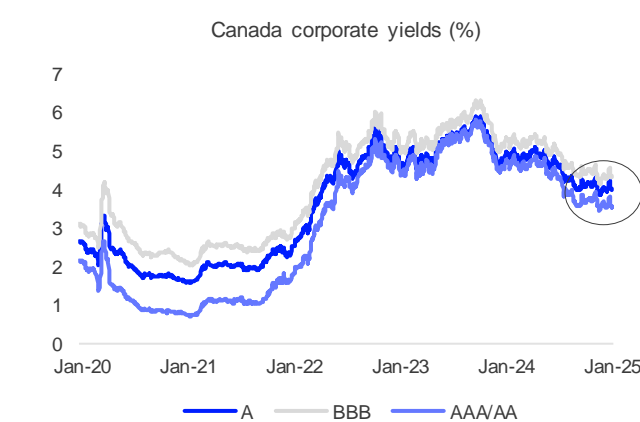


Chart 3: Canadian IG spreads have continued to tighten overall in January, on expectation of further rate cuts, but spreads widened a little at month-end on prospects of higher tariffs and a weaker economy.

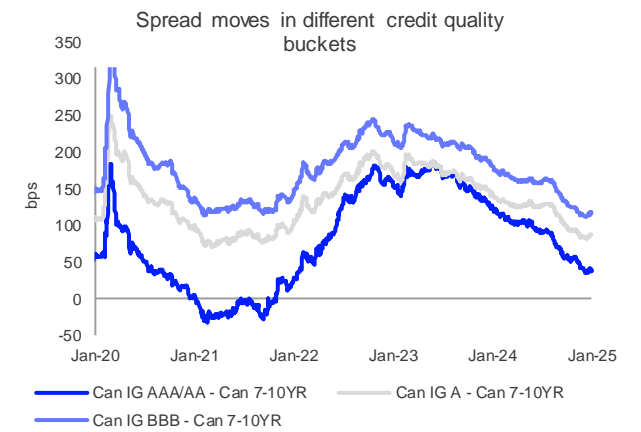


Chart 4: Duration for A-rated corporate bonds has fallen sharply, from 9yr to about 7 years since 2020, and decoupled from BBBs, which is a bit lower. Duration is shortest among the highest AAA/AA quality corporates.

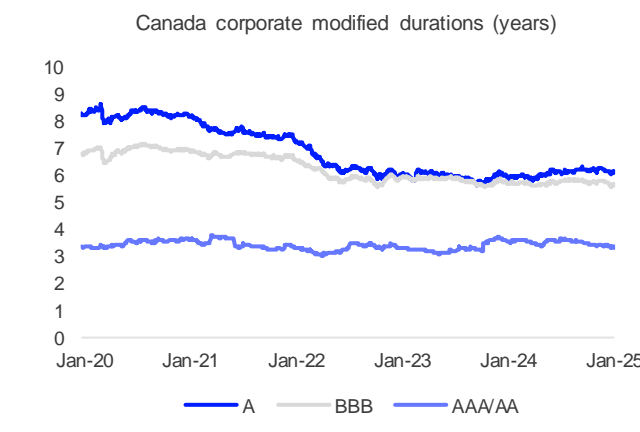


Chart 5: Canadian sector spreads have fallen sharply since 2020, and during 2024, benefitting from lower rates. Spreads for rate sensitive industries (i.e., Financials and Real Estate) have narrowed the most.

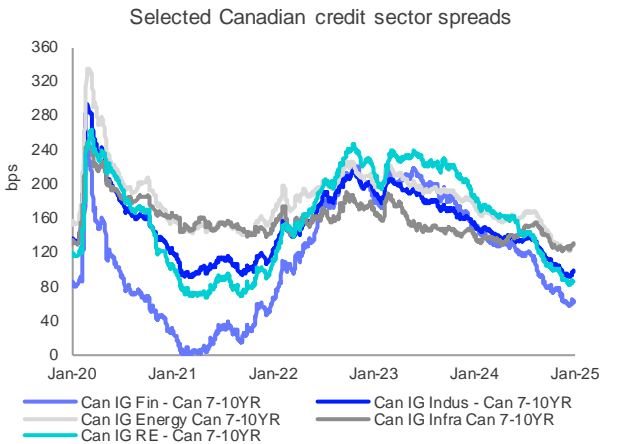
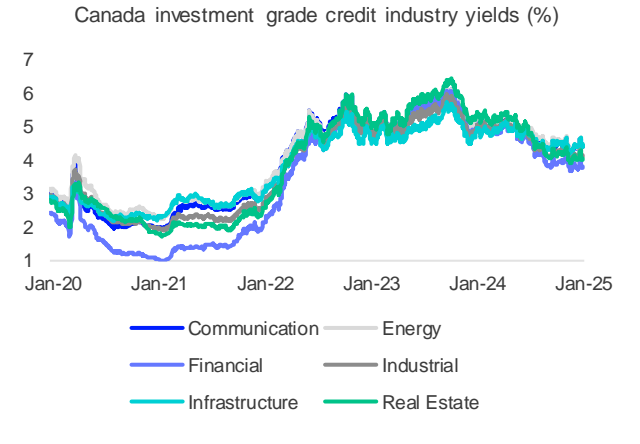


Chart 6: Canadian credit yields have remained close to the 4% mark since 2022: Financials have the lowest yield, below 4%, and Real Estate at 4%, while other sectors are all yielding around 4.5%.



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Canadian High Yield Credit Analysis

Chart 1: Canadian HY credit yields fell in January, and more than US HY, which were flat over the month. Canadian corporate yields have flatlined, while US IG yields have risen as Fed rates were unchanged.

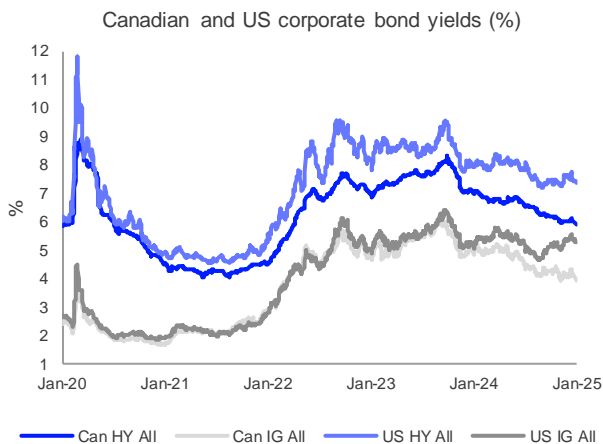


Chart 2: How much further? This 5-year chart serves to highlight how far Canadian (and US) high yield credit spreads have fallen, and the resulting sizeable return this has generated for investors (page 9).

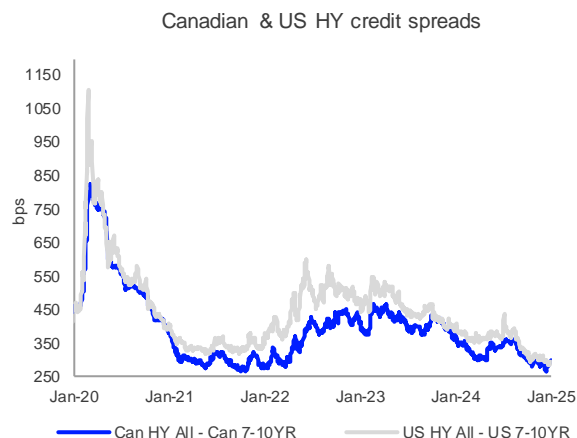


Chart 3: Canadian high yield credit has performed strongly over the last three years, with risk-adjusted returns in BBs boosted by lower volatility.

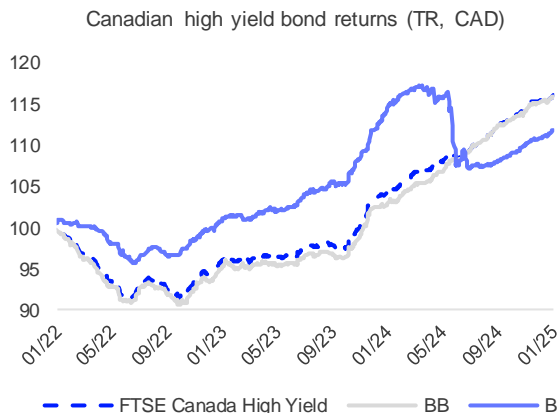


Chart 4: The Canadian high yield credit universe is dominated by energy, which represents some 44% of the market, followed by industrials, with a weight of 25%.

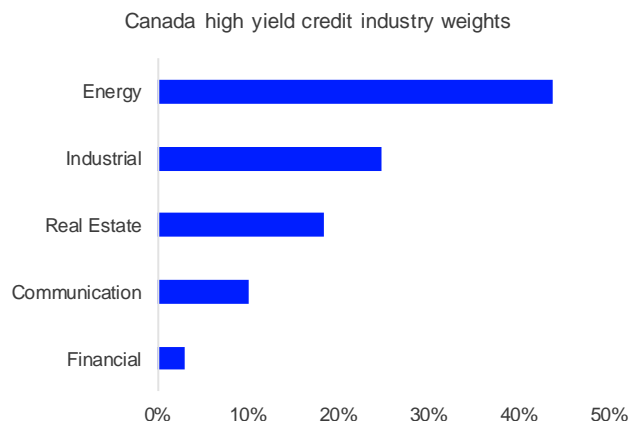


Chart 5: Both Financials and Energy have outperformed over the last five years, the former benefitting from higher rates, and the latter, from higher oil prices.

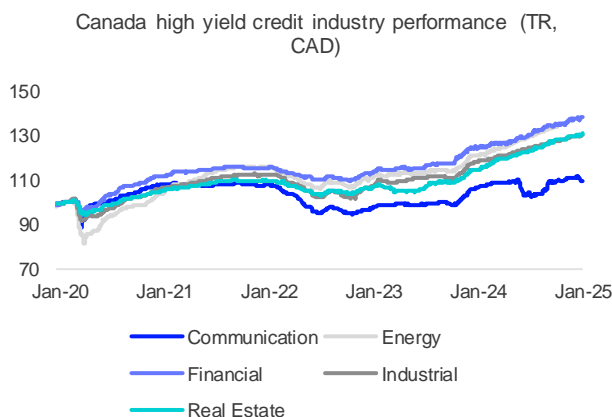
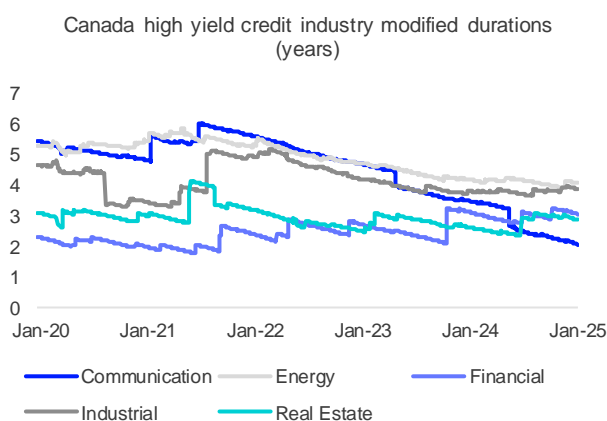


Chart 6: Duration in the Canadian high yield universe is relatively short, especially in industries such as Communications, Financials and Real Estate, where duration is around 2-3 years.



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Global Yields, Curves and Breakevens

Chart 1: G7 7-10 year yields finished January close to end-Q4 levels, after markets rallied in the 2nd half of the month. Canadian yields have declined the most, helped by the 200bp of BoC easing since June 2024.

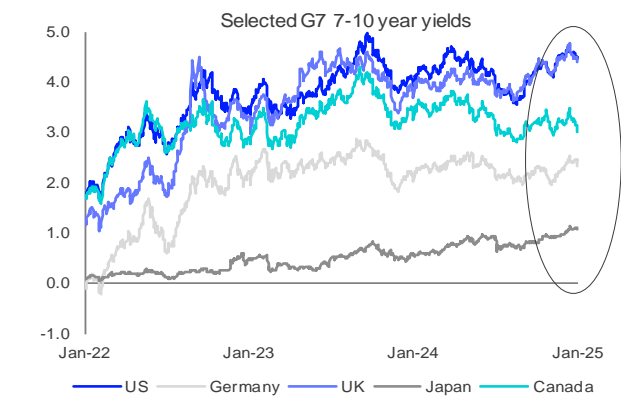


Chart 2: Real yields moved a little less than nominals in January, and breakevens rose a little (Chart 5). Real yields are now close to post-Covid highs in the 1-2% region, led by US Tips and UK linkers.

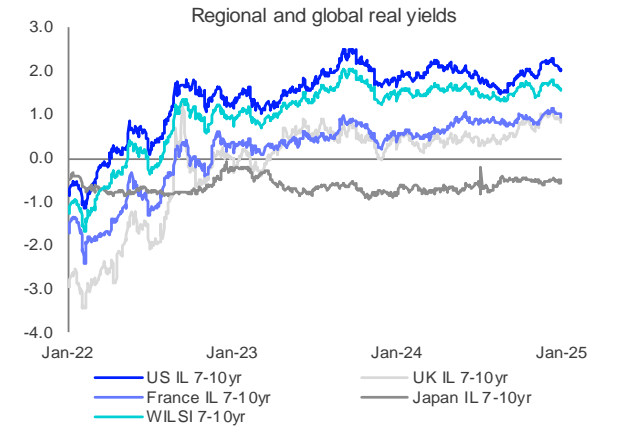


Chart 3: Yield curves oscillated in January, as 10-year yields first backed up before falling back later in the month, but the steepening trend is broadly intact, notably in Canada, where the BoC eased again.

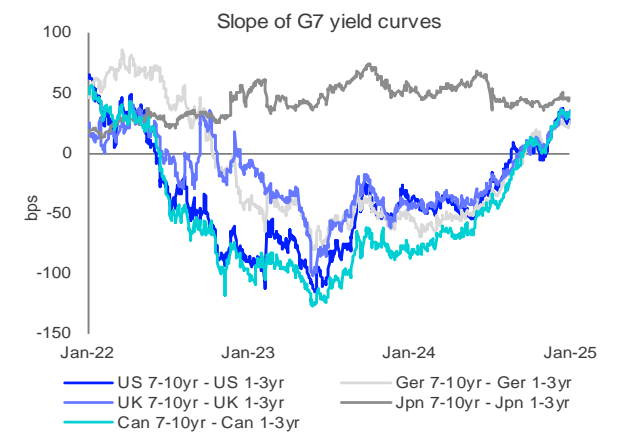


Chart 4: Similarly, the steepening trend is established in longs, apart from Japan, where the increase in the policy rate helped flatten the JGB curve. The UK curve has become the steepest, as stagflation fears mount.

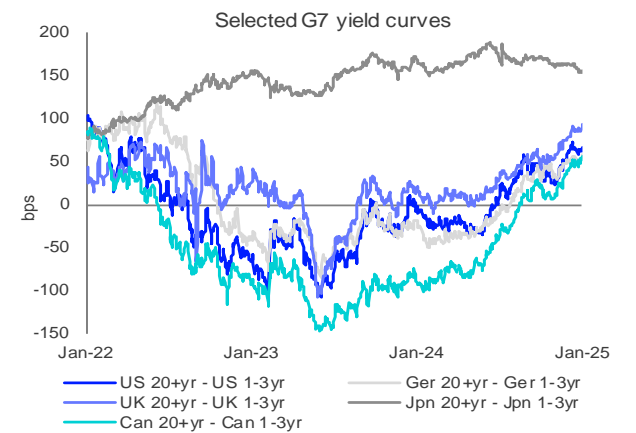


Chart 5: Breakevens edged higher in January, with US breakevens at the highest levels since the inflation shock in 2022. Sticky inflation in the 2-3% region in some economies may be a factor in this.

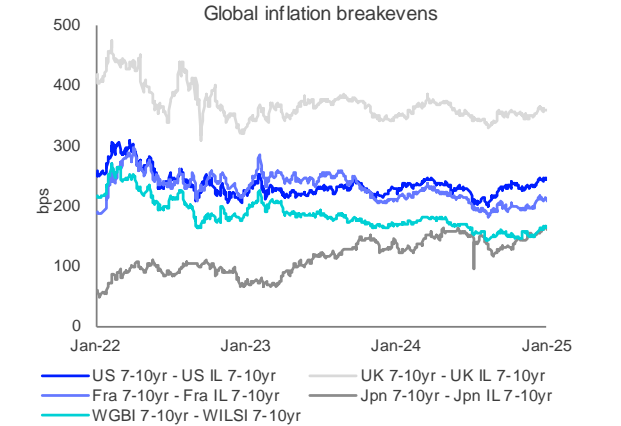
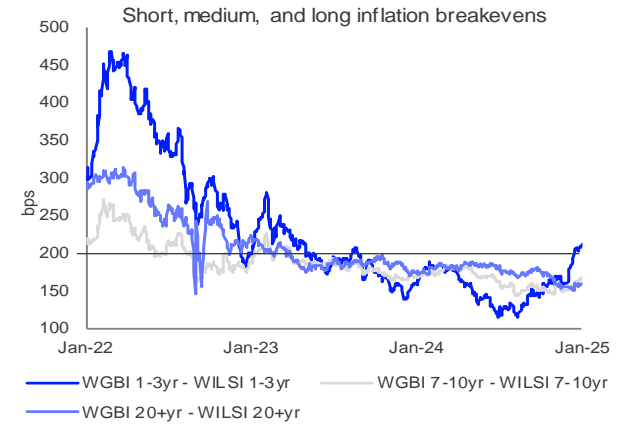


Chart 6: Globally, breakevens showed signs of bottoming out of late, though they are mostly below 2%. Short breakevens remain the most volatile, though the moves are modest versus the 2022 inflation shock.



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SI Sovereign Bond Analysis

Chart 1: SI corporate returns have been positive over 3M, 1 year and 5 years. Over 3M, tighter credit spreads and higher carry from elevated yields have helped to offset the impact of higher interest rates.

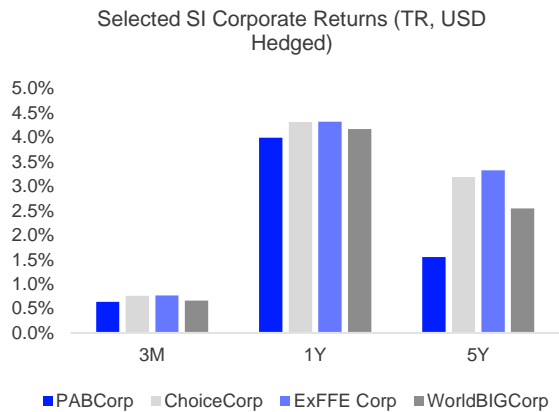


Chart 2: Relative performance was mostly due to duration, as yields have continued to rise. PAB has underperformed WorldBIG Corp post-Covid, while ExFFE and Choice have held up well.

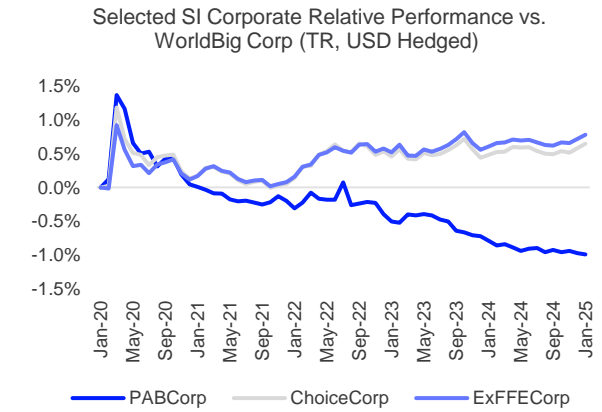


Chart 3: SI corp indices take a varied approach to active weights in the Financials, Electric and Manufacturing sectors, but all three continue to be overweight in Services and underweight Energy vs WorldBIG corp.

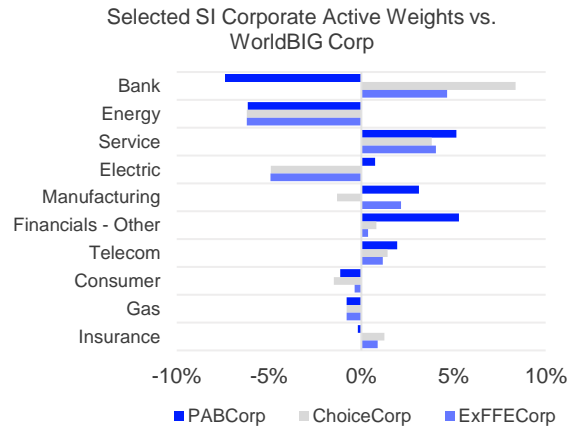


Chart 4: SI indices have a lower BBB exposure in favour of AAAs and AAs, indicating a quality bias vs WorldBIG Corp. We note no recent major changes in credit exposure, besides the PAB quality upgrade.

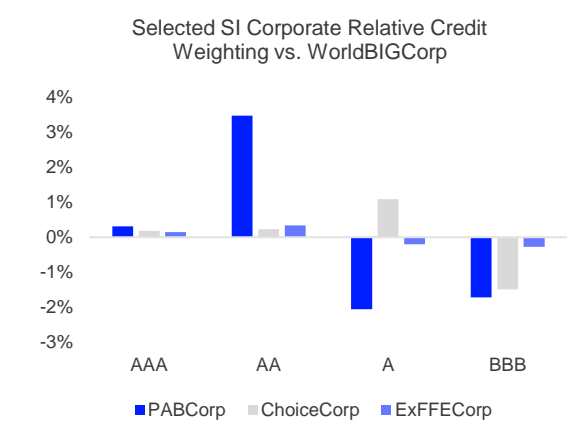


Chart 5: While yields are higher in all three indices over 3M, credit spreads have continued to tighten to near 5-year lows, resulting in an unusual divergence between absolute yields and credit spreads.

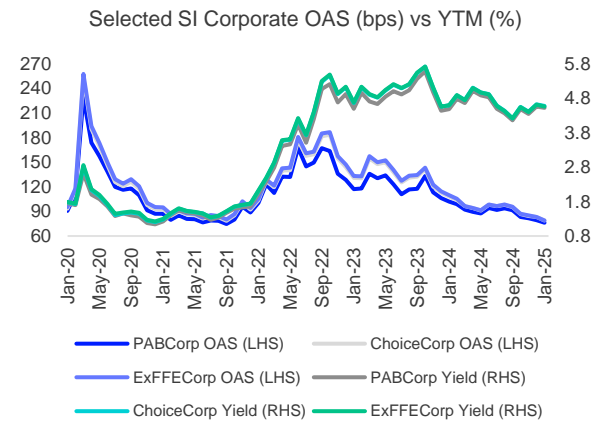
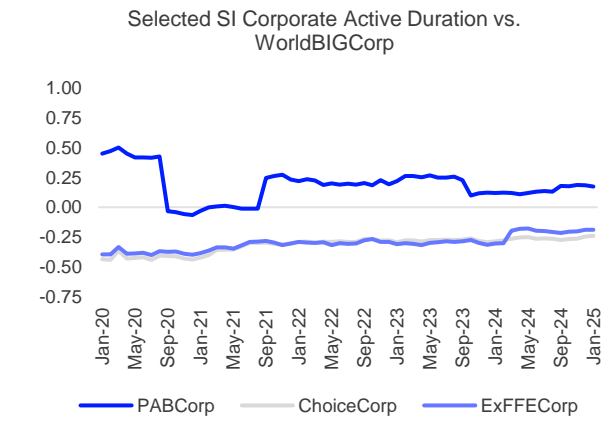


Chart 6: Active duration for PAB has been mostly positive over 5 years, despite some volatility. However, Choice and ExFFE have low volatility and consistently negative duration vs WorldBIG Corp.



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Global Bond Market Returns – 1M & 12M % (CAD, LC, TR)

What a volatile month January 2025 proved to be, after markets digested new US administration policies, some of which were seen as inflationary, notably the imposition of 25% tariffs on Canada and Mexico, still pending despite a 30-day reprieve. Canadian 10-year conventional yields briefly touched a yield of 4.5%, before ending the month lower, near 3.0%, close to where they had started. Overseas-based returns generally improved due to the weaker Canadian dollar.

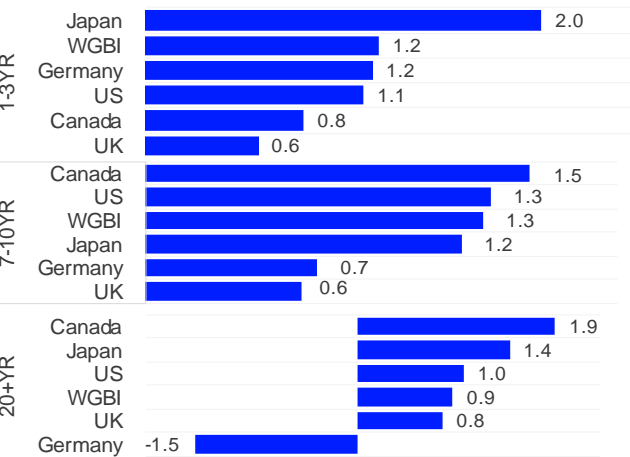
Helped by the growth risks, global government bond returns finished January on a positive note, benefiting from expectations of further easing (i.e., Canada, EU and UK) or rates staying the same (i.e., US). Long Canadian real returns, up 2.6%, outperformed conventional peers. Continued yen appreciation boosted JGB returns, in Canadian dollars.

Shorts extended their 12-month gains in January, with 1-3Y Canada and WGBI up 6% and 10%, respectively in Canadian dollars.

CONVENTIONAL BONDS

1M CAD

1M LCY



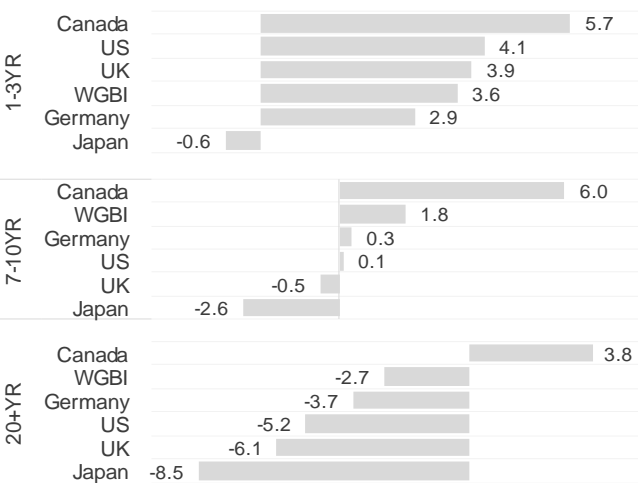
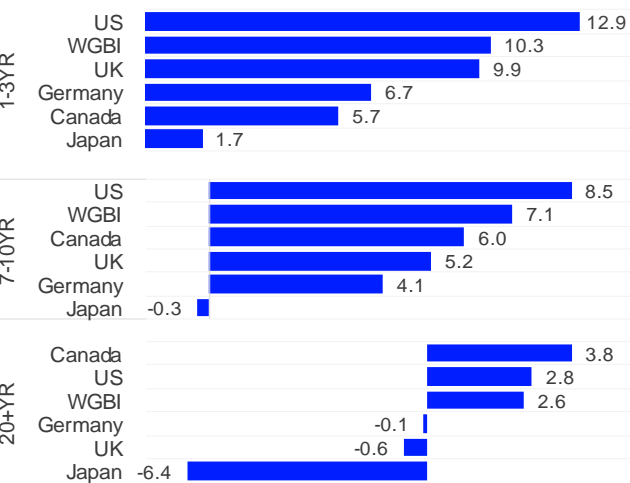
INFLATION LINKED BONDS



CONVENTIONAL BONDS

12M CAD

12M LCY



INFLATION LINKED BONDS



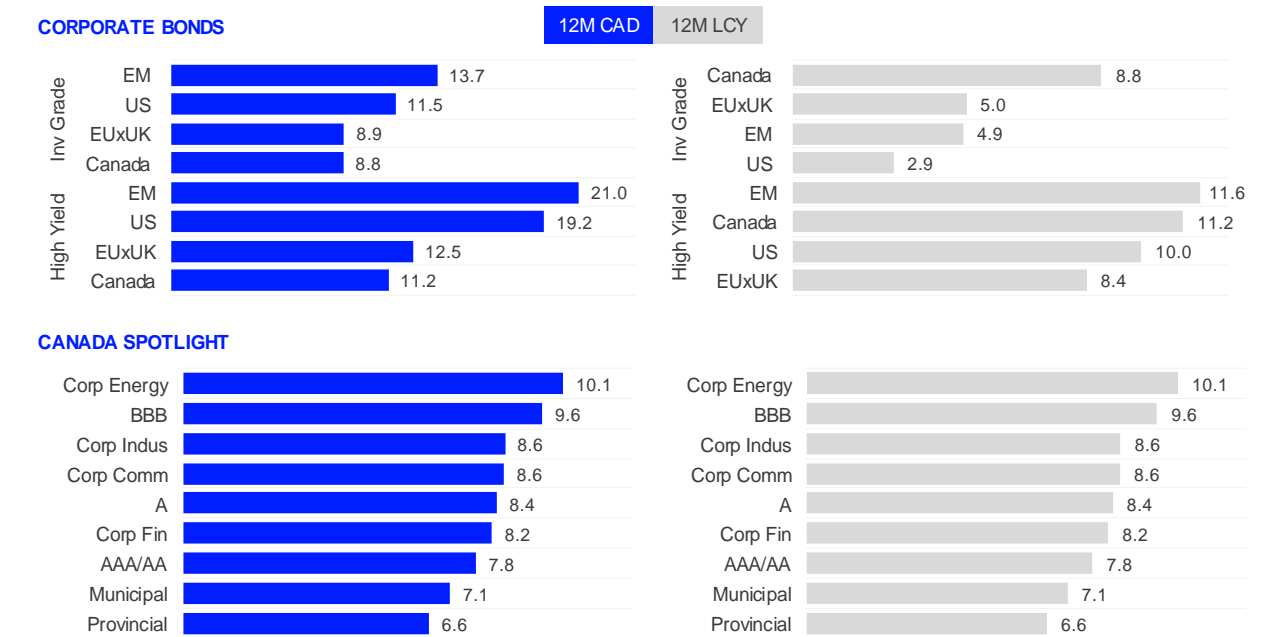
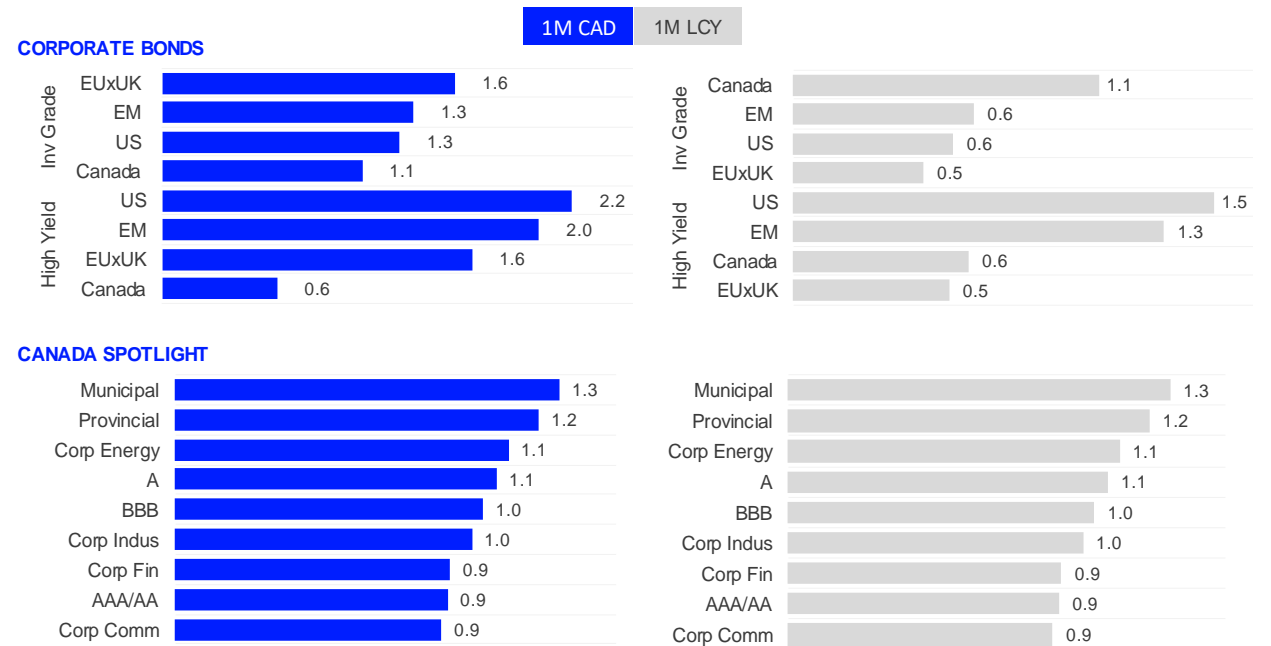
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Canadian and Corporate Bond Returns – 1M & 12M % (CAD, LC, TR)

High yield and investment grade corporate performance benefitted from the equity market rally and lower rates in January. Canada led investment grade corporate bond performance but lost its top position relative to other regions because of the depreciation of the Canadian dollar versus other currencies. Both investment grade and high yield credits were up 1-2% overall, despite significant market volatility.

January returns for credit were relatively modest, with corporates including Canada, up 1-2% in most regions in Canadian dollar terms. 12-month corporate bond performance continued to show 7-21% returns, led by EM and US high yield credits (up 19-21% respectively) in Canadian dollar terms.

Canadian investment grade and high yield corporates have gained 9-11% respectively.



Indices used: FTSE Canada Corporate Bond Index (AAA/AA, A, BBB, Financial, Communication, Industrial, Energy, Overall), FTSE Canada High Yield Bond Index, FTSE Canada Provincial Bond Index, FTSE Canada Municipal Bond Index

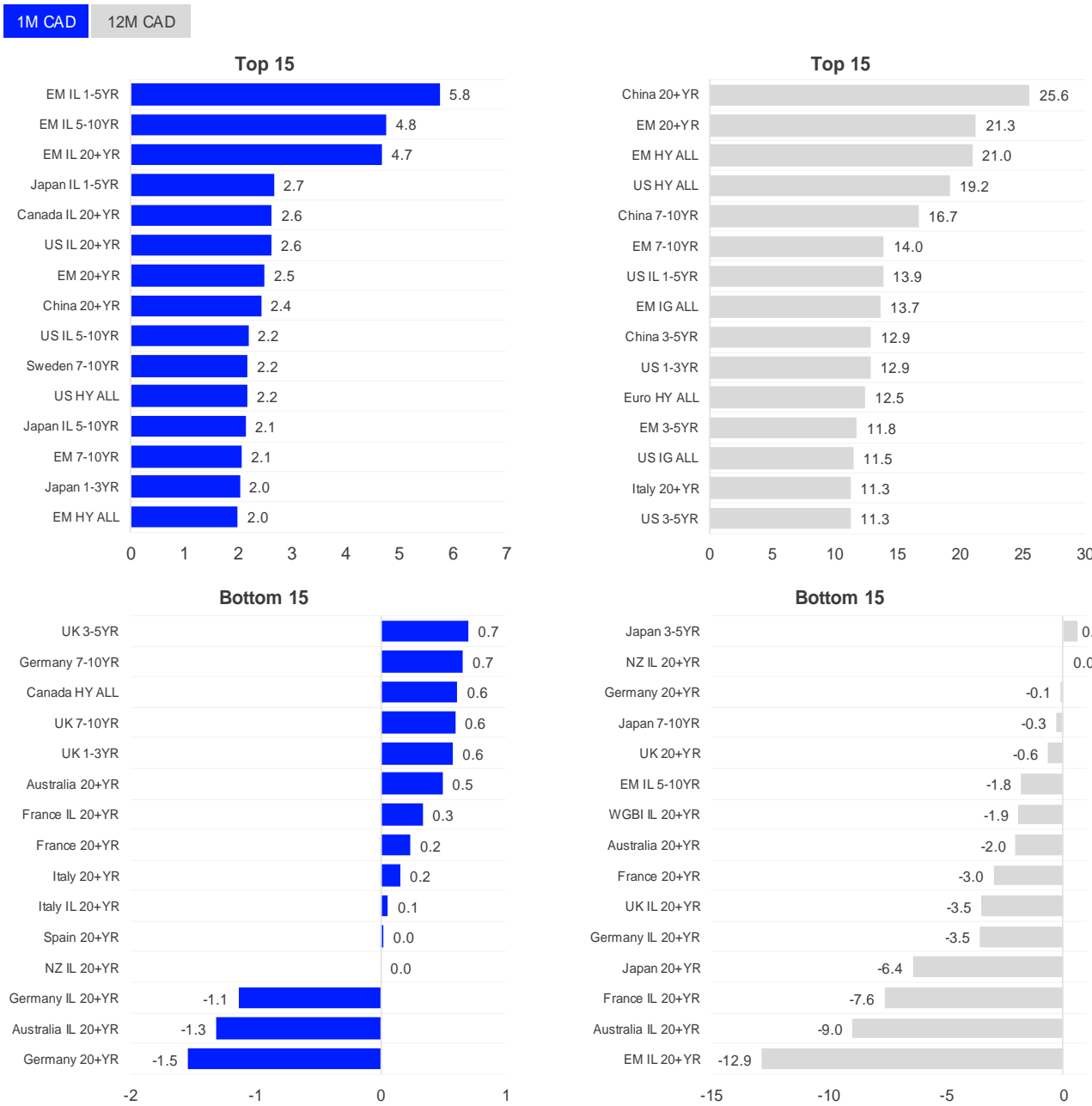
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Top and Bottom Bond Returns – 1M & 12M % (CAD, TR)

EM inflation-linked and conventional bonds, especially longs, long Canadian real return and US Tips all outperformed in January. The appreciation of the Brazilian real and Chinese renminbi versus the Canadian dollar improved Brazilian and Chinese government bond returns. Australian government bond yields fell sharply, following a larger drop than expected in inflation, which raised the likelihood of a RBA cut in February.

EM inflation linked bonds were up 5-6% across maturities in Canadian terms, leading performance in January. The appreciation of the Brazilian real (up nearly 7% in January), Chinese renminbi and Mexican peso versus the Canadian dollar improved performance, as Brazilian and Mexican government bonds make up over 70% of the EM linker market. Long European government bonds underperformed, notably Bunds, down 1-2% in Canadian dollars.

Chinese (and EM) conventional bonds and high yield credits continued to dominate the top 15 performance table over 12 months, with returns of 21-26%. High yield credit extended 12-month gains in January, with most regions showing gains, including 13% in the Eurozone and 21% in EM high yield credit, all in Canadian dollar terms.



Appendix – Canadian Bond Market Returns % (CAD vs USD, TR) – Jan 31, 2024

Government and corporate 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
Government	1-3YR	1.64	-2.36	2.85	-1.89	0.81	0.11	5.73	-2.46
	7-10YR	2.32	-1.72	2.69	-2.05	1.47	0.76	6.02	-2.20
	20+YR	2.14	-1.89	1.10	-3.56	1.87	1.17	3.84	-4.20
Inflation-Linked	20+YR	4.19	0.08	3.60	-1.18	2.63	1.92	9.56	1.07
Corporate	1-3YR	2.17	-1.86	4.02	-0.77	0.88	0.18	8.16	-0.22
	7-10YR	3.26	-0.81	5.06	0.21	1.27	0.56	10.02	1.50
	20+YR	3.99	-0.11	5.29	0.44	1.29	0.59	9.47	0.98
AAA/AA	1-3YR	2.03	-1.99	3.80	-0.99	0.85	0.15	7.68	-0.66
	7-10YR	3.19	-0.88	4.79	-0.05	1.35	0.65	9.59	1.10
	20+YR	3.93	-0.17	4.01	-0.79	1.59	0.89	6.84	-1.43
	All	2.21	-1.82	3.89	-0.91	0.93	0.23	7.81	-0.55
A	1-3YR	2.10	-1.92	3.91	-0.89	0.89	0.19	7.91	-0.45
	7-10YR	3.16	-0.91	4.66	-0.17	1.31	0.60	9.15	0.69
	20+YR	4.04	-0.06	5.16	0.31	1.37	0.66	8.72	0.30
	All	2.86	-1.20	4.40	-0.42	1.09	0.39	8.36	-0.04
BBB	1-3YR	2.31	-1.72	4.25	-0.56	0.89	0.19	8.64	0.23
	7-10YR	3.31	-0.76	5.25	0.40	1.24	0.54	10.45	1.90
	20+YR	3.92	-0.18	5.55	0.68	1.17	0.46	10.62	2.05
	All	2.95	-1.11	4.82	-0.01	1.05	0.35	9.57	1.09
Sectors	Comm	2.69	-1.36	4.39	-0.42	0.91	0.21	8.55	0.14
	Energy	3.47	-0.61	5.32	0.46	1.13	0.43	10.15	1.61
	Fin	2.27	-1.76	4.06	-0.74	0.94	0.24	8.24	-0.15
	Indus	2.84	-1.22	4.37	-0.44	1.01	0.31	8.57	0.16
	Infra	3.55	-0.53	4.73	-0.10	1.40	0.70	8.57	0.16
	RE	2.65	-1.40	4.70	-0.13	1.09	0.39	9.36	0.89
	Secur	2.10	-1.92	3.96	-0.83	0.85	0.15	7.99	-0.38
Provinces (All)	1-3YR	1.92	-2.10	3.29	-1.48	0.95	0.25	6.63	-1.63
	7-10YR	2.82	-1.23	3.77	-1.01	1.47	0.77	7.80	-0.55
	20+YR	2.68	-1.37	2.91	-1.83	1.21	0.51	5.63	-2.55
	All	2.58	-1.47	3.26	-1.50	1.24	0.54	6.56	-1.70
Ontario	1-3YR	1.93	-2.09	3.30	-1.47	0.96	0.25	6.72	-1.55
	7-10YR	2.80	-1.25	3.78	-1.01	1.47	0.76	7.87	-0.49
	20+YR	2.68	-1.37	2.96	-1.79	1.25	0.55	5.81	-2.38
	All	2.57	-1.47	3.28	-1.48	1.24	0.54	6.68	-1.58
Alberta	1-3YR	1.84	-2.18	3.27	-1.49	0.89	0.19	6.69	-1.58
	7-10YR	2.74	-1.31	3.80	-0.99	1.39	0.69	7.87	-0.48
	20+YR	2.86	-1.19	2.92	-1.83	1.19	0.49	6.35	-1.89
	All	2.56	-1.49	3.30	-1.47	1.19	0.49	6.95	-1.34
Quebec	1-3YR	1.94	-2.08	3.21	-1.55	0.98	0.28	6.33	-1.90
	7-10YR	2.86	-1.19	3.71	-1.07	1.51	0.81	7.64	-0.70
	20+YR	2.50	-1.54	2.71	-2.02	1.17	0.47	5.04	-3.09
	All	2.51	-1.53	3.13	-1.63	1.24	0.53	6.15	-2.08
BC	1-3YR	1.94	-2.08	3.36	-1.40	0.97	0.27	6.64	-1.63
	7-10YR	2.78	-1.27	3.78	-1.00	1.44	0.73	7.67	-0.67
	20+YR	2.52	-1.52	2.73	-2.01	1.14	0.44	4.76	-3.35
	All	2.56	-1.49	3.25	-1.51	1.25	0.55	6.24	-1.99

Indices used: FTSE Canada Non-Agency Bond Index (Short, Mid, Long), FTSE Canada RRB Canada Index, FTSE Canada Corporate Bond Index (Short, Mid, Long, AAA/AA, A, BBB), FTSE Canada Provincial Bond Index, FTSE Canada High Yield Bond Index.

Source: FTSE Russell and LSEG. All data as of January 31, 2025. 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.

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Appendix – Global Bond Market Returns % (CAD vs LC, TR) – January 31, 2024

Government bond returns

Top 15% Bottom 15%

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

		1M		3M		YTD		12M	
		Local	CAD	Local	CAD	Local	CAD	Local	CAD
US	1-3YR	0.42	1.12	0.99	5.13	0.42	1.12	4.14	12.89
	7-10YR	0.61	1.32	-0.69	3.39	0.61	1.32	0.12	8.52
	20+YR	0.31	1.01	-3.82	0.13	0.31	1.01	-5.17	2.80
	IG All	0.56	1.26	-0.13	3.97	0.56	1.26	2.89	11.53
	HY All	1.46	2.17	2.04	6.23	1.46	2.17	9.98	19.22
UK	1-3YR	0.67	0.58	1.31	0.73	0.67	0.58	3.92	9.91
	7-10YR	0.69	0.59	0.07	-0.50	0.69	0.59	-0.51	5.23
	20+YR	0.90	0.81	-2.97	-3.52	0.90	0.81	-6.06	-0.64
EUR	IG All	0.46	1.55	1.48	1.09	0.46	1.55	4.97	8.89
	HY All	0.54	1.64	1.70	1.31	0.54	1.64	8.41	12.46
Japan	1-3YR	-0.17	2.03	-0.31	2.65	-0.17	2.03	-0.64	1.67
	7-10YR	-0.98	1.20	-2.02	0.89	-0.98	1.20	-2.56	-0.29
	20+YR	-0.75	1.44	-1.27	1.67	-0.75	1.44	-8.53	-6.41
China	1-3YR	-0.18	0.99	0.81	2.90	-0.18	0.99	3.31	10.68
	7-10YR	0.47	1.66	4.47	6.64	0.47	1.66	8.96	16.73
	20+YR	1.23	2.43	8.59	10.84	1.23	2.43	17.24	25.60
EM	1-3YR	0.18	1.49	1.14	3.22	0.18	1.49	4.33	10.30
	7-10YR	0.81	2.06	3.28	5.58	0.81	2.06	7.23	13.97
	20+YR	1.18	2.49	6.54	8.78	1.18	2.49	14.10	21.33
	IG All	0.63	1.33	0.00	4.11	0.63	1.33	4.87	13.68
	HY All	1.29	2.00	1.54	5.70	1.29	2.00	11.64	21.01
Germany	1-3YR	0.07	1.16	0.74	0.36	0.07	1.16	2.86	6.71
	7-10YR	-0.43	0.66	0.24	-0.14	-0.43	0.66	0.34	4.09
	20+YR	-2.60	-1.54	-0.89	-1.27	-2.60	-1.54	-3.69	-0.09
Italy	1-3YR	0.23	1.33	1.14	0.75	0.23	1.33	3.82	7.70
	7-10YR	0.14	1.23	1.38	0.99	0.14	1.23	5.60	9.55
	20+YR	-0.93	0.15	1.21	0.83	-0.93	0.15	7.30	11.31
Spain	1-3YR	0.16	1.26	0.96	0.57	0.16	1.26	3.53	7.40
	7-10YR	0.08	1.18	0.91	0.52	0.08	1.18	3.72	7.60
	20+YR	-1.06	0.02	0.47	0.09	-1.06	0.02	4.77	8.68
France	1-3YR	0.16	1.25	0.88	0.50	0.16	1.25	2.99	6.84
	7-10YR	0.20	1.29	0.26	-0.12	0.20	1.29	-0.56	3.16
	20+YR	-0.85	0.24	-1.40	-1.78	-0.85	0.24	-6.46	-2.96
Sweden	1-3YR	0.55	1.16	0.30	0.73	0.55	1.16	3.85	5.17
	7-10YR	1.56	2.18	-0.43	0.00	1.56	2.18	2.41	3.72
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1-3YR	0.45	1.90	1.32	-0.04	0.45	1.90	3.62	5.98
	7-10YR	0.28	1.73	1.57	0.21	0.28	1.73	1.82	4.14
	20+YR	-0.94	0.49	1.06	-0.29	-0.94	0.49	-4.20	-2.01
NZ	1-3YR	0.18	1.80	1.22	-0.47	0.18	1.80	6.61	6.14
	7-10YR	-0.19	1.42	0.93	-0.76	-0.19	1.42	5.84	5.37
Canada	1-3YR	0.81	0.81	1.64	1.64	0.81	0.81	5.73	5.73
	7-10YR	1.47	1.47	2.32	2.32	1.47	1.47	6.02	6.02
	20+YR	1.87	1.87	2.14	2.14	1.87	1.87	3.84	3.84

Appendix – Global Bond Market Returns % (CAD vs LC, TR) – January 31, 2024

Inflation-Linked Bond Returns

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

		1M		3M		YTD		12M	
		Local	CAD	Local	CAD	Local	CAD	Local	CAD
US	1-5YR	1.02	1.73	1.22	5.38	1.02	1.73	5.06	13.89
	5-10YR	1.48	2.19	-0.06	4.04	1.48	2.19	2.32	10.91
	20+YR	1.91	2.62	-4.45	-0.53	1.91	2.62	-3.93	4.14
UK	1-5YR	1.22	1.12	1.63	1.05	1.22	1.12	3.75	9.74
	5-10YR	1.30	1.20	0.34	-0.23	1.30	1.20	0.52	6.32
	20+YR	1.00	0.90	-8.23	-8.76	1.00	0.90	-8.74	-3.47
EUxUK	1-5YR	0.17	1.27	1.10	0.72	0.17	1.27	3.15	7.00
	5-10YR	0.02	1.11	0.56	0.18	0.02	1.11	0.89	4.66
	20+YR	-2.20	-1.13	-2.88	-3.25	-2.20	-1.13	-7.01	-3.54
Japan	1-5YR	0.46	2.67	0.49	3.47	0.46	2.67	0.83	3.18
	5-10YR	-0.06	2.14	0.06	3.04	-0.06	2.14	0.59	2.93
EM	1-5YR	1.78	5.76	2.98	5.51	1.78	5.76	9.74	1.67
	5-10YR	1.37	4.76	1.21	3.10	1.37	4.76	4.08	-1.78
	20+YR	0.40	4.68	-2.95	-0.65	0.40	4.68	-6.39	-12.86
Germany	1-5YR	0.17	1.27	1.10	0.72	0.17	1.27	3.15	7.00
	5-10YR	0.02	1.11	0.56	0.18	0.02	1.11	0.89	4.66
	20+YR	-2.20	-1.13	-2.88	-3.25	-2.20	-1.13	-7.01	-3.54
Italy	1-5YR	0.59	1.69	1.69	1.31	0.59	1.69	4.51	8.42
	5-10YR	0.85	1.95	1.81	1.43	0.85	1.95	5.97	9.94
	20+YR	-1.02	0.06	0.10	-0.28	-1.02	0.06	5.27	9.21
Spain	1-5YR	0.42	1.51	1.45	1.07	0.42	1.51	3.54	7.41
	5-10YR	0.64	1.74	1.38	1.00	0.64	1.74	3.92	7.80
France	1-5YR	0.18	1.27	0.87	0.49	0.18	1.27	1.37	5.16
	5-10YR	0.62	1.72	0.77	0.39	0.62	1.72	-0.50	3.22
	20+YR	-0.75	0.34	-2.70	-3.07	-0.75	0.34	-10.94	-7.61
Sweden	1-5YR	0.38	0.99	0.17	0.61	0.38	0.99	3.02	4.33
	5-10YR	0.89	1.50	-0.68	-0.25	0.89	1.50	3.33	4.65
Australia	1-5YR	0.54	1.99	1.44	0.08	0.54	1.99	2.80	5.15
	5-10YR	0.35	1.81	1.53	0.17	0.35	1.81	1.66	3.98
	20+YR	-2.72	-1.31	-1.83	-3.15	-2.72	-1.31	-11.00	-8.97
NZ	5-10YR	0.36	1.98	1.56	-0.13	0.36	1.98	6.25	5.78
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	2.63	2.63	4.19	4.19	2.63	2.63	9.56	9.56

Indices used: FTSE Canada RRB Canada Bond Index.

Source: FTSE Russell and LSEG. All data as of January 31, 2025. 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 – Canadian Historical Bond Yields % as of January 31, 2024

Canadian Bond Yields

Top 15%

Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

		1-3YR	7-10YR	20+YR	All Mat
Canada	Current	2.68	2.94	3.22	
	3M Ago	3.06	3.15	3.28	
	6M Ago	3.44	3.12	3.23	
	12M Ago	3.99	3.35	3.30	
IL	Current			1.19	
	3M Ago			1.49	
	6M Ago			1.47	
	12M Ago			1.70	
Provincial	Current	2.84	3.39	4.14	3.64
	3M Ago	3.22	3.64	4.22	3.84
	6M Ago	3.52	3.65	4.21	3.90
	12M Ago	4.07	3.91	4.26	4.11
Ontario	Current	2.84	3.41	4.11	3.60
	3M Ago	3.21	3.63	4.19	3.80
	6M Ago	3.52	3.67	4.19	3.87
	12M Ago	4.10	3.91	4.24	4.11
Quebec	Current	2.86	3.42	4.15	3.69
	3M Ago	3.22	3.68	4.21	3.87
	6M Ago	3.56	3.61	4.18	3.90
	12M Ago	4.00	3.89	4.22	4.08
Alberta	Current	2.80	3.22	4.15	3.54
	3M Ago	3.19	3.51	4.24	3.74
	6M Ago	3.48	3.56	4.23	3.83
	12M Ago	4.05	3.88	4.30	4.11
BC	Current	2.84	3.37	4.15	3.68
	3M Ago	3.21	3.65	4.23	3.87
	6M Ago	3.43	3.70	4.22	3.92
	12M Ago	4.12	3.91	4.22	4.09
Municipal	Current	2.89	3.51	4.31	3.70
	3M Ago	3.27	3.73	4.41	3.92
	6M Ago	3.59	3.72	4.41	4.00
	12M Ago	4.07	3.99	4.47	4.23
Corporate	Current	3.50	4.12	4.71	3.93
	3M Ago	3.92	4.45	4.88	4.26
	6M Ago	4.29	4.55	4.94	4.51
	12M Ago	4.90	4.90	5.06	4.94
High Yield	Current				5.92
	3M Ago				6.20
	6M Ago				6.60
	12M Ago				7.04

		1-5YR	5-10YR	20+YR	All Mat
AAA/AA	Current	3.24	3.75	4.37	3.33
	3M Ago	3.67	4.12	4.50	3.74
	6M Ago	4.01	4.20	4.48	4.05
	12M Ago	4.60	4.53	4.51	4.60
A	Current	3.43	3.92	4.52	3.84
	3M Ago	3.84	4.22	4.70	4.16
	6M Ago	4.22	4.30	4.75	4.40
	12M Ago	4.81	4.62	4.81	4.79
BBB	Current	3.67	4.26	5.01	4.13
	3M Ago	1.86	1.88	2.19	4.48
	6M Ago	2.13	1.77	2.12	4.72
	12M Ago	2.07	1.89	2.18	5.17
Comm	Current	4.19	5.14	3.63	4.22
	3M Ago	4.45	5.25	4.07	4.49
	6M Ago	4.55	5.27	4.47	4.67
	12M Ago	4.81	5.41	5.10	4.96
Energy	Current	3.63	4.22	4.74	4.25
	3M Ago	4.07	4.56	4.94	4.56
	6M Ago	4.47	4.67	5.01	4.75
	12M Ago	5.10	5.06	5.17	5.12
Financial	Current	3.47	4.06	4.66	3.56
	3M Ago	3.89	4.38	4.74	3.95
	6M Ago	4.26	4.50	4.83	4.30
	12M Ago	4.85	4.88	4.98	4.86
Industrial	Current	3.48	4.08	4.78	3.92
	3M Ago	3.89	4.41	4.93	4.26
	6M Ago	4.21	4.49	4.97	4.46
	12M Ago	4.82	4.76	5.13	4.88
Infrastructure	Current	3.29	3.92	4.56	4.25
	3M Ago	3.71	4.22	4.73	4.49
	6M Ago	3.98	4.32	4.77	4.58
	12M Ago	4.56	4.60	4.86	4.77
Securitization	Current	3.36			3.36
	3M Ago	3.77			3.80
	6M Ago	4.21			4.21
	12M Ago	4.88			4.88

Indices used: FTSE Canada Non-Agency Bond Index (Short, Mid, Long), FTSE Canada RRB Canada Index, FTSE Canada Corporate Bond Index (Short, Mid, Long, AAA/AA, A, BBB), FTSE Canada Provincial Bond Index, FTSE Canada High Yield Bond Index.

Source: FTSE Russell and LSEG. All data as of January 31, 2025. 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 – Historical Bond Yields % as of January 31, 2024

Global Bond Yields

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

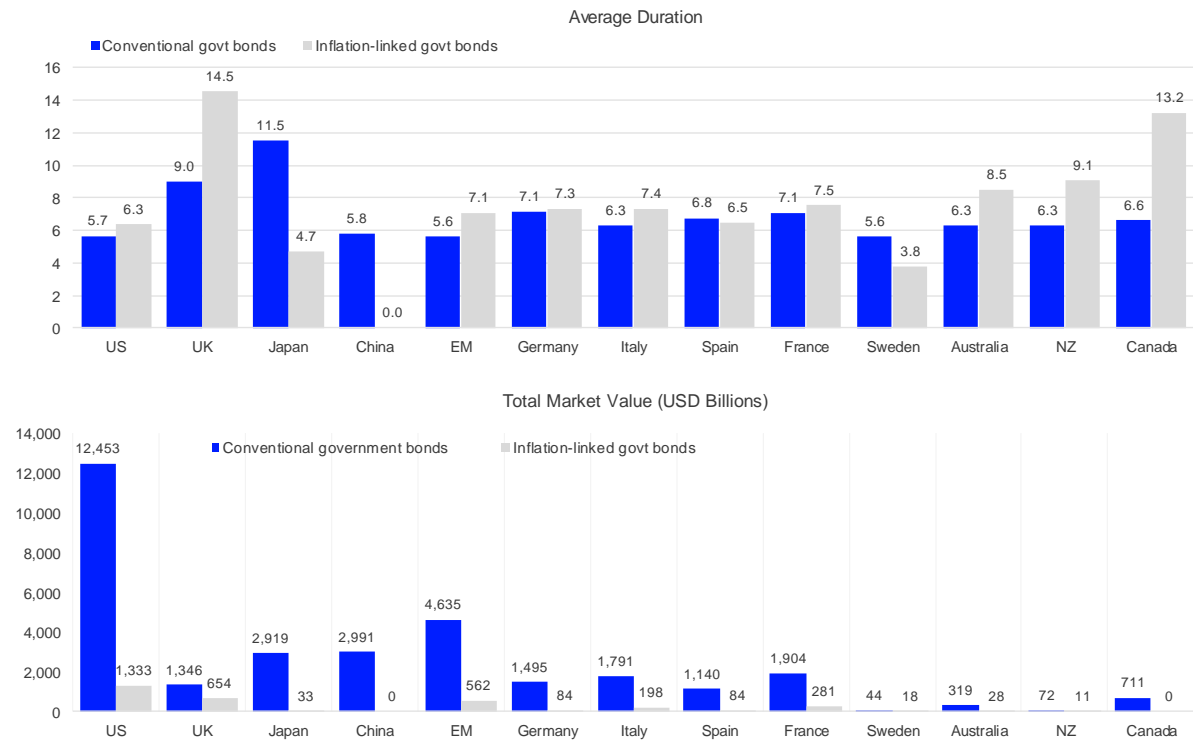
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.23	4.30	4.51	4.88	1.60	1.96	2.42	5.32	7.40
	3M Ago	4.21	4.16	4.26	4.57	1.86	1.88	2.19	5.18	7.48
	6M Ago	4.38	3.99	4.02	4.42	2.13	1.77	2.12	5.16	7.81
	12M Ago	4.33	3.93	3.93	4.31	1.98	1.64	2.01	5.14	7.97
UK	Current	4.06	4.11	4.43	5.01	0.06	0.70	1.77		
	3M Ago	4.38	4.23	4.37	4.80	0.58	0.70	1.46		
	6M Ago	4.19	3.82	3.89	4.47	0.27	0.37	1.25		
	12M Ago	4.21	3.91	3.91	4.49	0.37	0.35	1.31		
Japan	Current	0.67	0.84	1.12	2.22	-1.25	-0.47			
	3M Ago	0.39	0.50	0.80	2.12	-1.08	-0.57			
	6M Ago	0.37	0.57	0.94	2.11	-1.19	-0.59			
	12M Ago	0.04	0.22	0.59	1.69	-1.37	-0.69			
China	Current	1.27	1.39	1.63	1.94					
	3M Ago	1.49	1.72	2.12	2.37					
	6M Ago	1.53	1.76	2.10	2.38					
	12M Ago	2.07	2.24	2.49	2.71					
EM	Current	3.10	3.25	3.96	3.44	6.27	5.79	6.31	5.49	7.91
	3M Ago	3.21	3.43	4.04	3.77	6.04	5.46	5.91	5.33	7.71
	6M Ago	3.19	3.48	4.18	3.73	5.77	5.23	5.69	5.41	7.93
	12M Ago	3.34	3.92	4.59	4.13	4.60	4.46	5.20	5.58	9.35
Germany	Current	2.08	2.12	2.35	2.67	0.63	0.41	0.73		
	3M Ago	2.29	2.16	2.32	2.57	1.32	0.50	0.55		
	6M Ago	2.62	2.25	2.21	2.50	1.57	0.40	0.43		
	12M Ago	2.57	2.53	2.38	2.58	1.23	0.48	0.41		
Italy	Current	2.37	2.68	3.31	4.04	0.63	1.29	1.90		
	3M Ago	2.71	2.86	3.40	4.05	1.27	1.52	1.86		
	6M Ago	2.99	2.97	3.43	4.10	1.45	1.58	1.87		
	12M Ago	2.96	3.16	3.49	4.11	1.25	1.54	1.76		
France	Current	2.30	2.56	3.05	3.65	0.56	0.84	1.38		
	3M Ago	2.48	2.64	2.96	3.50	0.94	0.94	1.20		
	6M Ago	2.78	2.68	2.87	3.40	0.98	0.81	1.05		
	12M Ago	2.62	2.61	2.66	3.14	0.71	0.49	0.75		
Sweden	Current	1.85	1.94	2.15		0.93	0.60			
	3M Ago	1.84	1.89	2.07		0.71	0.42			
	6M Ago	2.15	1.96	1.98		0.95	0.51			
	12M Ago	2.68	2.46	2.39		1.67	0.99			
Australia	Current	3.81	3.87	4.34	4.95	1.71	1.92	2.60		
	3M Ago	4.06	4.04	4.42	4.97	1.81	1.97	2.46		
	6M Ago	3.86	3.76	4.07	4.62	1.38	1.56	2.04		
	12M Ago	3.69	3.72	4.04	4.51	1.22	1.47	1.89		
NZ	Current	3.64	3.85	4.43	5.14	0.00	2.29			
	3M Ago	3.81	3.91	4.41	5.01	0.00	2.42			
	6M Ago	4.21	4.04	4.31	4.81	2.47	2.21			
	12M Ago	4.89	4.43	4.55	4.93	1.88	2.31			
Canada	Current	2.68		2.94	3.22			1.19	3.93	5.92
	3M Ago	3.06		3.15	3.28			1.49	4.26	6.20
	6M Ago	3.44		3.12	3.23			1.47	4.51	6.60
	12M Ago	3.99		3.35	3.30			1.70	4.94	7.04

Source: FTSE Russell and LSEG. All data as of January 31, 2025. 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 – Duration and Market Value (USD, Bn) – January 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	3.6	7.0	16.1	5.7	2,906.3	1,207.6	1,388.8	12,453.3	6.9	20.9	6.3	438.3	116.6	1332.6
UK	3.6	7.2	17.6	9.0	202.9	231.0	315.9	1,346.0	7.3	26.3	14.5	124.7	213.2	654.1
Japan	3.9	8.3	22.9	11.5	344.1	428.1	591.1	2,918.9	8.1		4.7	12.5		32.9
China	3.7	7.6	18.2	5.8	714.5	508.4	352.3	2,990.8						
EM	3.6	7.0	16.5	5.6	1036.00	823.56	461.37	4,634.7	5.7	12.7	7.1	98.1	141.0	562.0
Germany	3.7	7.5	20.9	7.1	315.50	244.64	164.03	1,495.5	5.9	20.4	7.3	42.5	16.6	84.3
Italy	3.7	7.1	16.7	6.3	325.96	247.47	154.76	1,791.1	6.8	25.1	7.4	59.9	5.5	197.8
Spain	3.7	7.2	18.6	6.8	240.05	212.92	95.18	1,140.0	7.0		6.5	49.9		83.9
France	3.7	7.4	18.8	7.1	389.41	315.30	233.43	1,904.2	6.4	23.4	7.5	78.1	19.9	281.2
Sweden	3.9	7.3		5.6	13.70	9.87		44.0	6.2		3.8	5.9		17.8
Australia	3.8	7.3	16.2	6.3	52.46	92.02	18.40	319.0	6.0	21.1	8.5	10.3	2.5	27.7
NZ	3.5	7.0	15.7	6.3	14.09	17.75	4.87	72.1	5.1		9.1	3.1		11.2
Canada		6.7	18.1	6.6		282.16	113.73	711.5		13.2	13.2			70.3

	Investment grade bonds								High Yield			
	Duration					Market Value				Duration		MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.1	8.1	6.8	6.5	6.8	71.2	454.3	2,838.6	3,605.7	6,969.8	3.7	1,289.2
Euro	5.8	4.6	4.5	4.1	4.3	14.6	205.1	1,225.0	1,570.9	3,015.6	3.1	349.6
EM		6.2	5.2	5.3	5.4		69.09	178.07	232.5	479.7	3.6	195.9

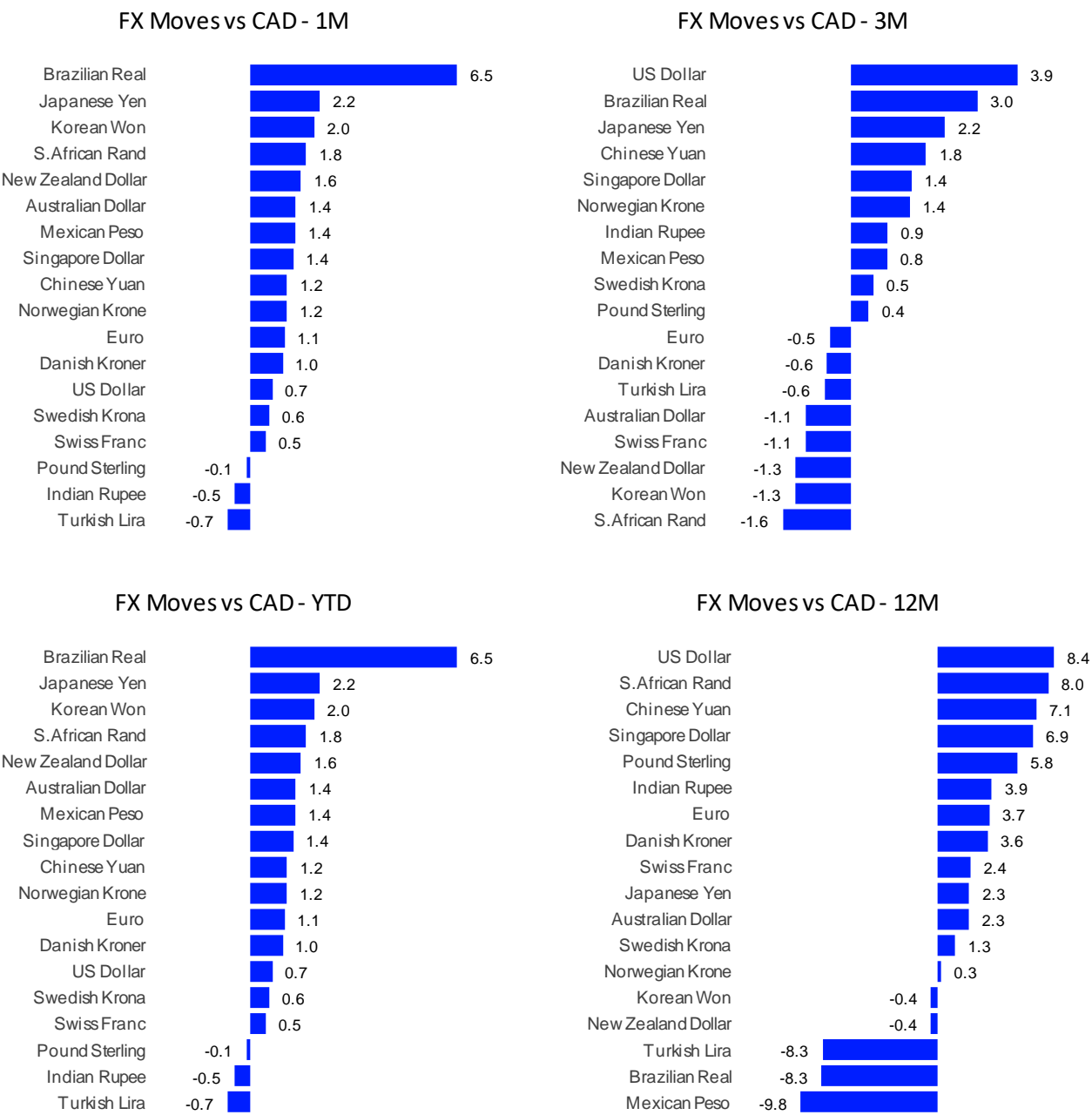


Data as of 2025-01-31

Indices used: FTSE Canada Non-Agency Bond Index (Mid, Long, Overall), FTSE Canada RRB Canada Bond Index.

Source: FTSE Russell and LSEG. All data as of January 31, 2025. 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 January 31, 2024



Appendix – Glossary

Bond markets are based on the following indices:

FTSE Canada Universe Bond Index for all Canadian government and corporate bond markets*

FTSE Canada High Yield Bond Index for the Canadian high yield market

FTSE Canada RRB Canada Index for the Canadian inflation-linked bond market

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 Broad Bond Index (EMUSDBBI) for the emerging markets corporate bond market

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

*** FTSE Canada Bond Indexes**

1-3YR = Short Term Bond Indices

7-10YR = Mid Term Bond Indices

20+ YR = Long Term Bond Indices

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