

Fixed Income Insights

MONTHLY REPORT - JANUARY 2024 | CANADA EDITION

FOR PROFESSIONAL INVESTORS ONLY

Long Canadian Sovereigns, Munis and Provis make double digit returns in Q4

Long duration eventually proved the investor's friend in 2023, after falling inflation and hints of a Fed pivot sharply reversed the direction of G7 yields. Yields ended December back at Q1, 2023 levels. Canadian long government bonds, municipal and provincial bonds took centre stage, with returns of up 16% in Q4.

Macro and policy backdrop – The Fed pivot and Q4 disinflation fuelled expectations of BoC easing in 2024

The slowdown in the Canadian economy drove expectations the BoC could follow the US pivot, or even front-run it, after the economy stalled in Q3, despite the BoC's 'higher rate for longer' narrative, with the door still open for more rate rises. (page 2)

Canadian govts and credit – Long governments, munis and provis gained up to 16% in the Q4 Canadian bond rally

The Canadian curve continued to disinvert in December, as 20-year bond yields fell sharply on expectations of aggressive rate cuts, despite the Bank of Canada caution on its rate policy. (pages 3-4)

Global yields and spreads – Yield curves remained deeply inverted, after G7 curves bull flattened

Q4, notably December, saw a rapid decline in bond yields, across the curve, which erased 12 months of yield rises, as median Fed dot plots show 75bp in cuts for 2024. (pages 5-6)

Sovereign and climate bonds – Climate WGBI outperformed, helped by duration

Duration boosted Climate and adjusted-Climate WGBI, despite the lower US weight, as curves bull flattened. (page 7)

Performance – Bunds and gilts performed best in Q4

The US dollar and European yields fell after the Fed pivot, boosting returns in non-US markets. (pages 8-10)

Appendix (from page 11)

Canadian & Global bond market returns, historical bond yields, durations and market values and foreign exchange returns.

Chart 1: Except in Japan, breakeven inflations have turned negative over the last 12 months. In Germany, they have collapsed. Real yields are only positive in the US.

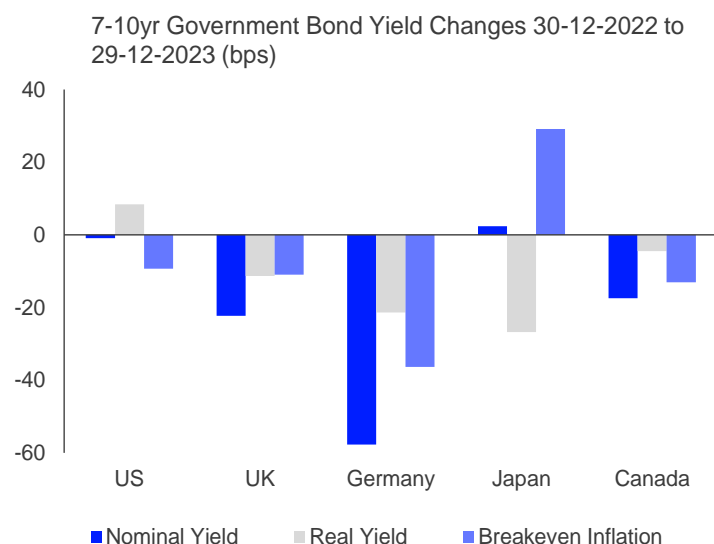
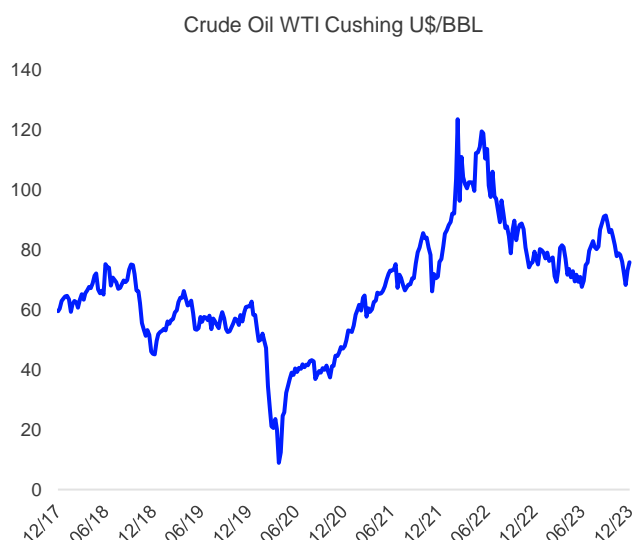


Chart 2: The oil price rebounded modestly in December, though remained close to recent lows, despite wars in Europe and the Middle East and recent OPEC+ cuts.



Source: FTSE Russell and LSEG. Latest data available as of December 29, 2023. 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 Fed pivot and Q4 disinflation fuelled expectations of aggressive easing in 2024, despite a soft landing for growth in 2023, and an economy close to full employment. Forecasters are reluctant to predict recessions in 2024, despite lags in the impact of policy, leaving recession risks for 2024. Lowering inflation from 3% to 2% may prove challenging.

The Canadian economy slowed sharply, after real GDP contracted by 1.1% in the third quarter – its first contraction since the second quarter of 2021 – contrasting significantly with market expectations of a slight expansion, following growth of 1.4% in Q2 2023. Even so, the economy is expected to have grown by 1.1% in 2023, according to Consensus forecasts (Chart 1).

Chart two shows the annual inflation rate for Canada stayed unchanged at 3.1% y/y in November of 2023, while core inflation ticked up by 0.1% to 2.8% y/y, though remaining lower than many of its peers. The theory that the last 1-2% of disinflation to 2% target levels has higher costs than earlier disinflation will now be tested in the US, Canada and Eurozone.

Central banks left rates unchanged at their last meetings for 2023 (Chart 3), but only the Fed hinted at a pivot in 2024. Canadian policy rates have remained at 5% since September 2023. The growth slowdown and disinflation may give the BoC the opportunity to at least match Fed easing moves in 2024, given lower core inflation, but the BoC did not match the Fed pivot in Q4.

Housing starts declined sharply in November, from October, as 'higher for longer' rates impacted housing sales (Chart 4). However, robust immigration and population growth are expected to keep the level of Starts high in 2024.

Chart 1: 2023 saw better growth than expected, with recessions being averted. Forecasts for 2024 also suggest a soft landing, although US and Canadian growth are forecast to slow vs Europe.

Latest Consensus Real GDP Forecasts (% , December 2023)			
	2022	2023	2024
US	2.1	2.4	1.2
UK	4.1	0.5	0.4
Euro Area	3.5	0.5	0.6
Japan	1.6	0.8	1.1
China	2.8	5.0	4.4
Canada	3.5	1.1	0.7

Chart 2: Inflation levels mostly moved to the 2-3% territory, though the 'last mile' to 2% may be more challenging, judged by previous cycles. Canadian core inflation of 2.8% y/y is lower than peers.

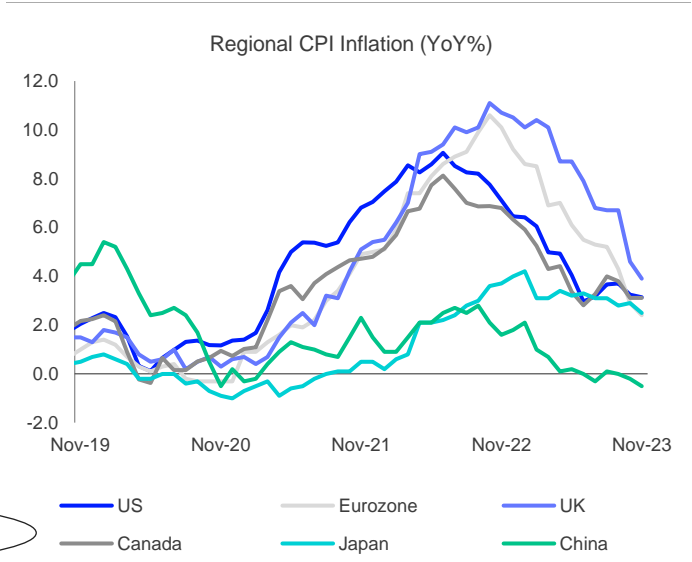


Chart 3: Further signs of an uncoordinated G7 monetary policy cycle emerged in December after the Fed pivoted towards easing, while the ECB and the BoC remained firmly on hold.

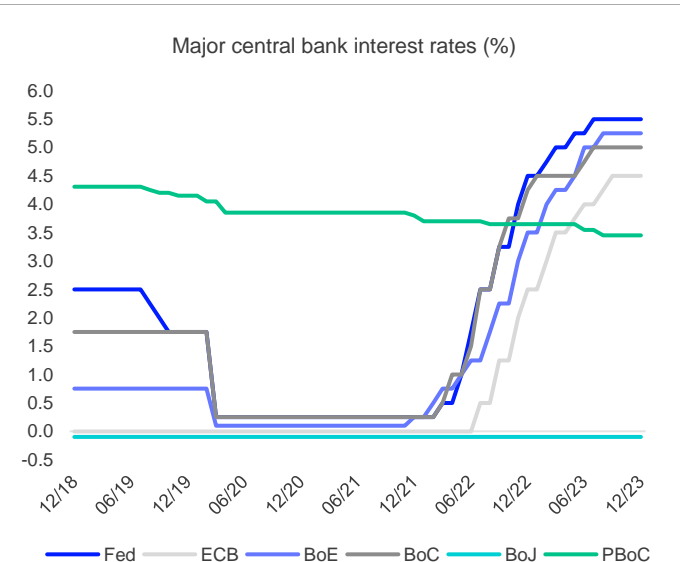
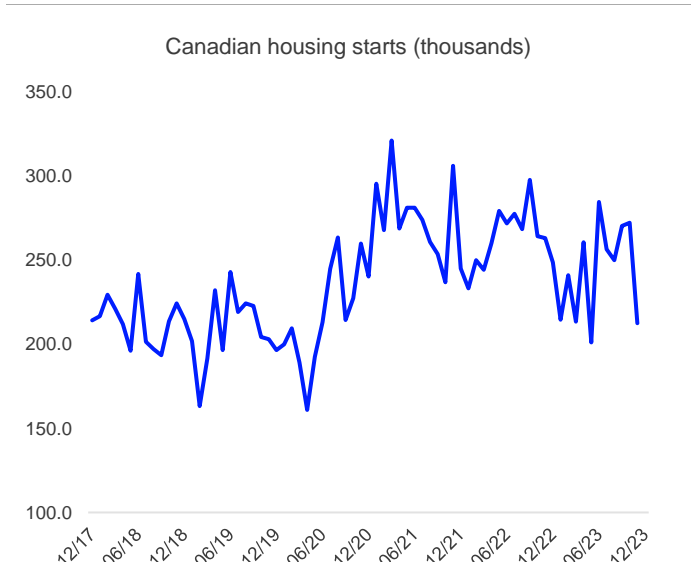


Chart 4: Despite a sharp drop in housing starts in November, expectations are that levels should stabilise in 2024 as BoC policy turns accommodative and population growth remains robust.



Source: FTSE Russell and Refinitiv. Latest data available as of December 29, 2023. 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.

Canadian Governments, Provinces and Municipalities

Chart 1: The Canadian curve remained deeply inverted in December, after long bonds rallied, despite an unchanged inflation level and the BoC remaining cautious on rate policy.

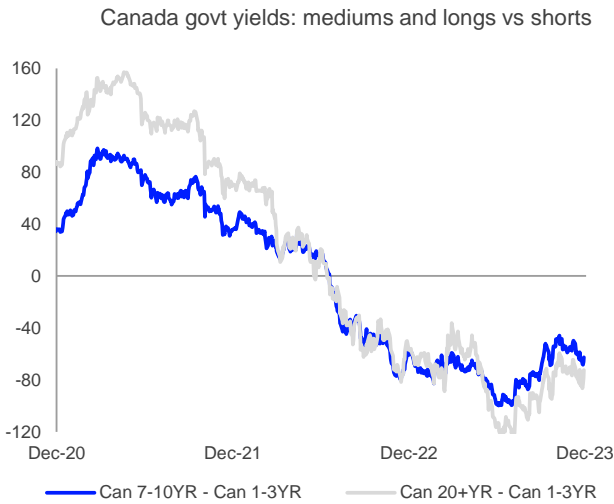


Chart 2: Canadian 7-10yr bond spreads rose a little vs peers in Q4 (ex vs JGBs), as yields fell faster elsewhere in the G7. However, Canadian spreads vs the UK and US remain deeply negative.

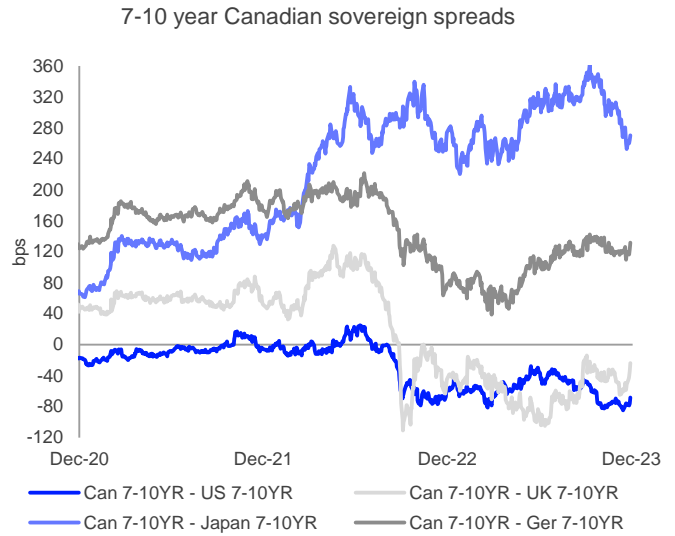


Chart 3: Long-dated Canadian real yields tracked nominal yields sharply lower, following slowing growth and expectations of policy easing from the BoC in 2024.

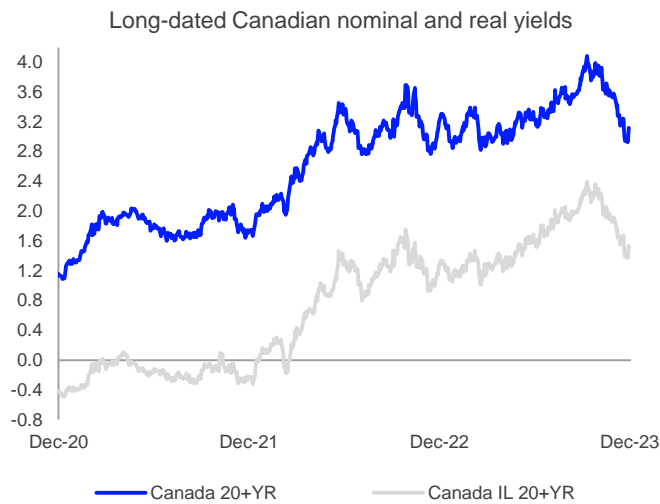


Chart 4: Inflation breakevens fell in December as inflation eased. Canadian breakevens fell less, as inflation stayed the same and the BoC left the door open for more hikes 'if needed'.

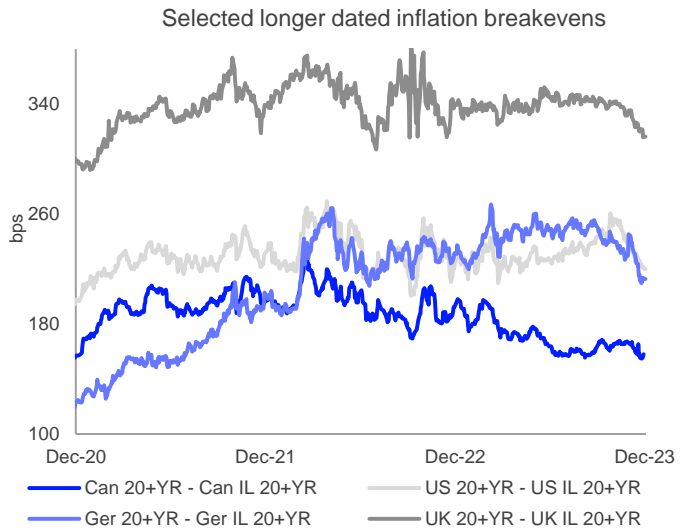


Chart 5: Alberta spreads remain volatile, but re-coupled with other Provinces in December, as energy prices fell, after trading through other provinces for much of 2023.

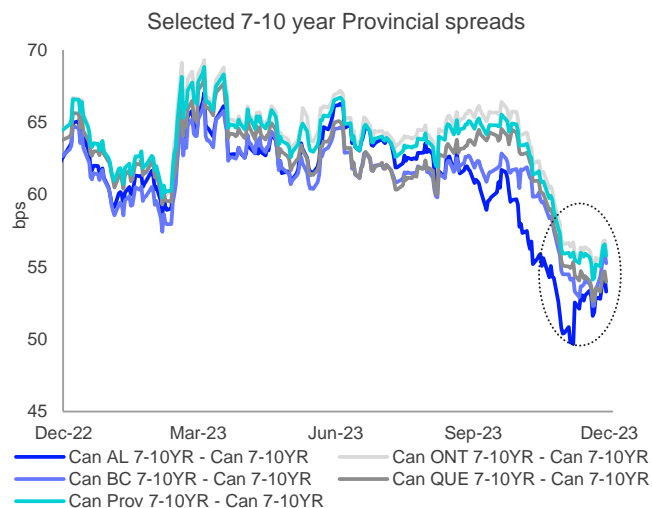
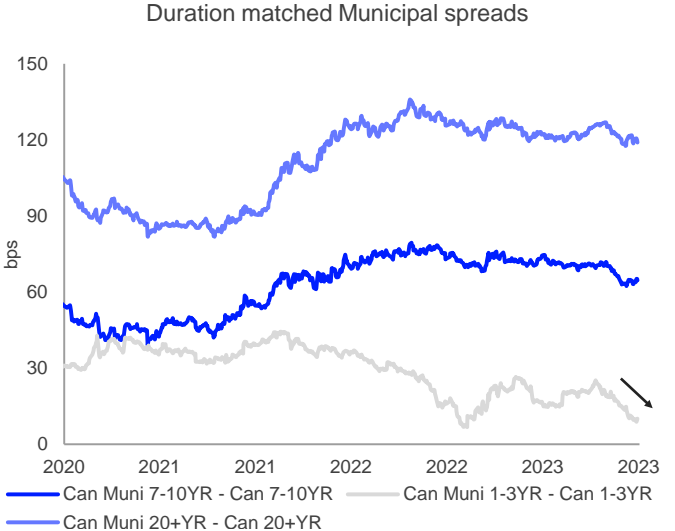


Chart 6: Short Canadian Municipals spreads fell in December, in anticipation of BoC policy easing in 2024, while those in longer maturities were more stable.



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Canadian Corporate Bonds

Chart 1: US and Canadian HY credits outperformed IG equivalents, as the risk rally continued, following better inflation news and forecasts of soft landing in the economy.

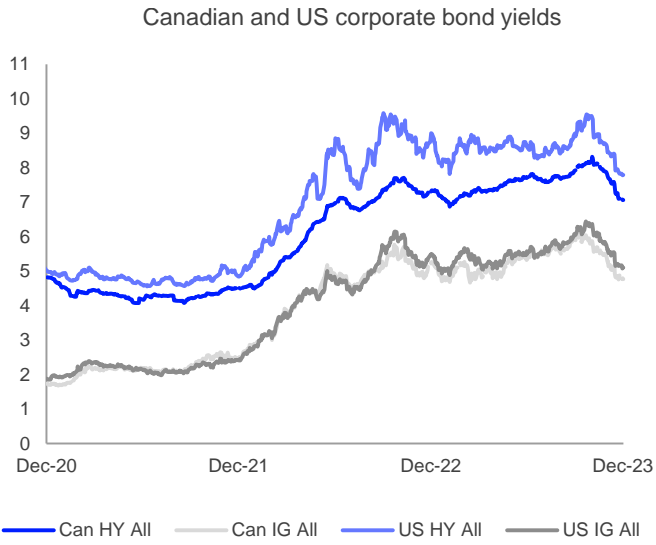


Chart 2: Infrastructure spreads were more stable than peers since 2020, and did not widen sharply in 2022. However, spreads tightened in 2023, as did real estate in Q4, on lower rate hopes.

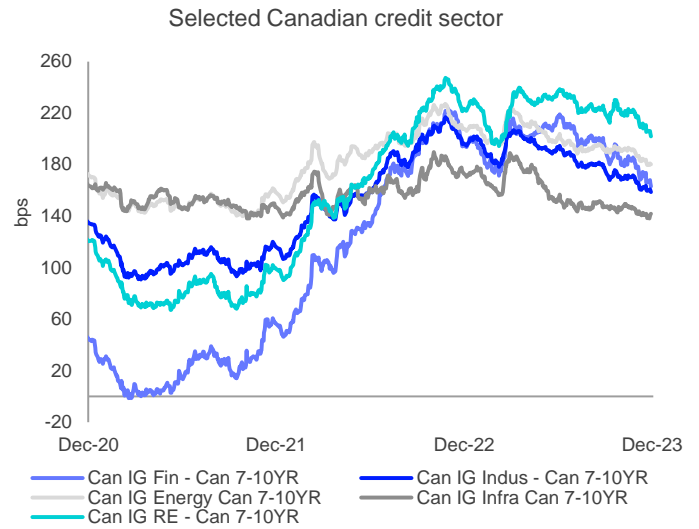


Chart 3: US HY spreads have converged with those of their Canadian equivalents, close to 400bp, the first time since 2020, after risk appetite recovered on expectations of aggressive cuts in 2024.

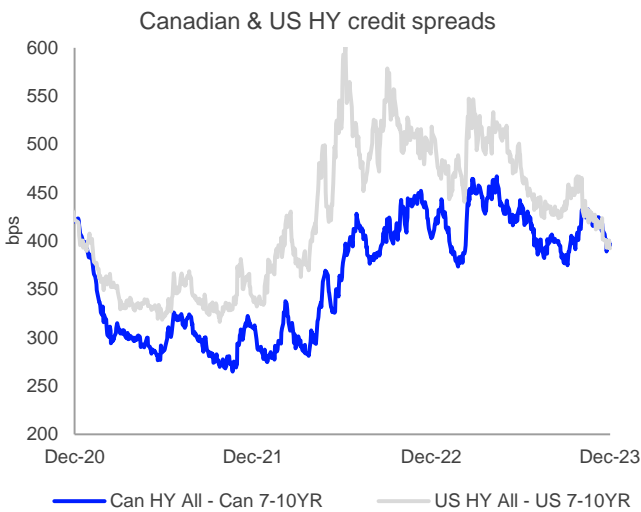


Chart 4: Credit spreads tightened in December, with AAA spreads tightening as much as lower quality credits, despite the risk rally. Credit spreads have been pro-cyclical in 2022-23.

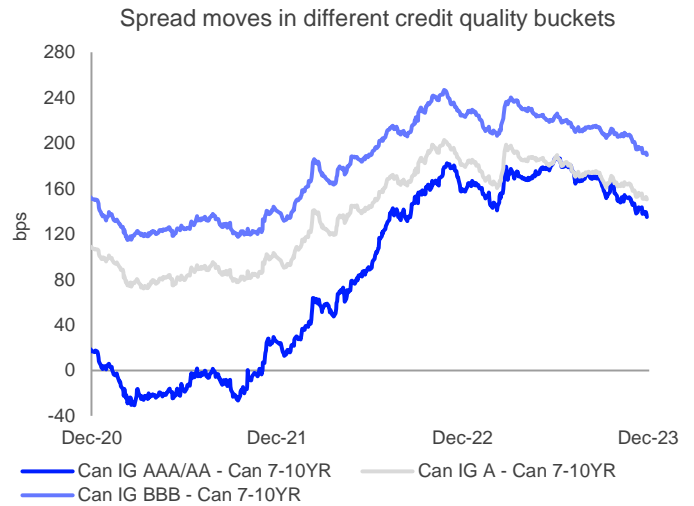


Chart 5: The difference in spreads across the quality spectrum has been modest in 2023, but the risk rally drove more tightening in BBB spreads than higher credit quality buckets.

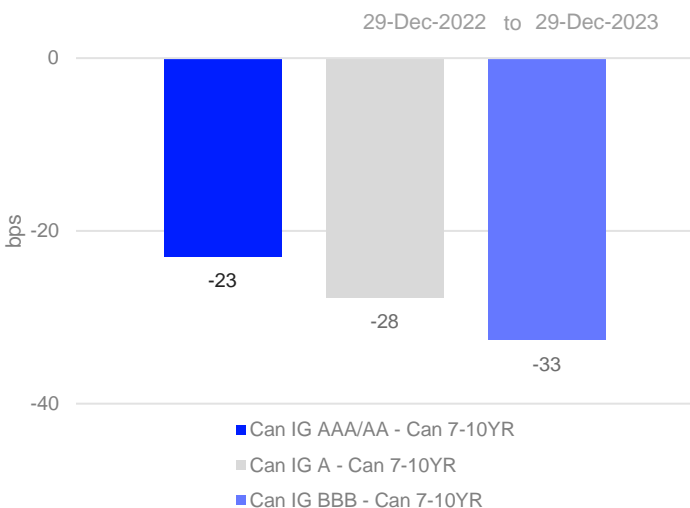
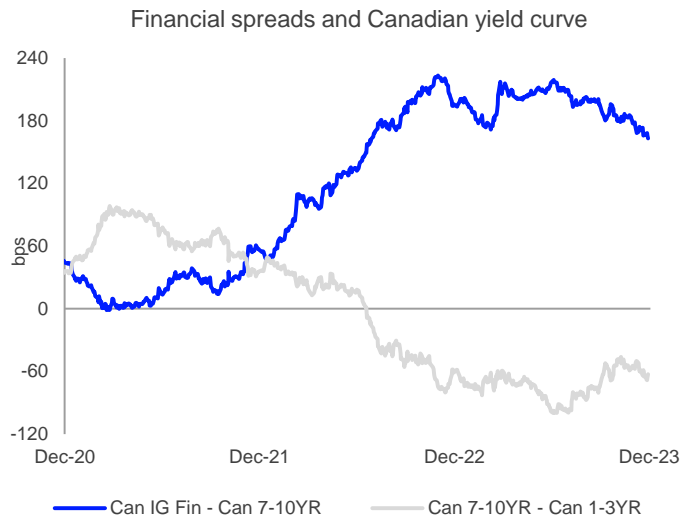


Chart 6: Sweet spot? Financial spreads fell in Q4 2023, despite further modest inversion in the yield curve – a contrast with recent spread moves. Easing in financial conditions may explain this.



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Global Yields, Curves and Spread Analysis

Chart 1: Q4, notably December, saw a rapid decline in G7 bond yields, erasing 12M of rises, on expectations of Fed easing. Disinflation and the Fed pivot towards easing drove the move.

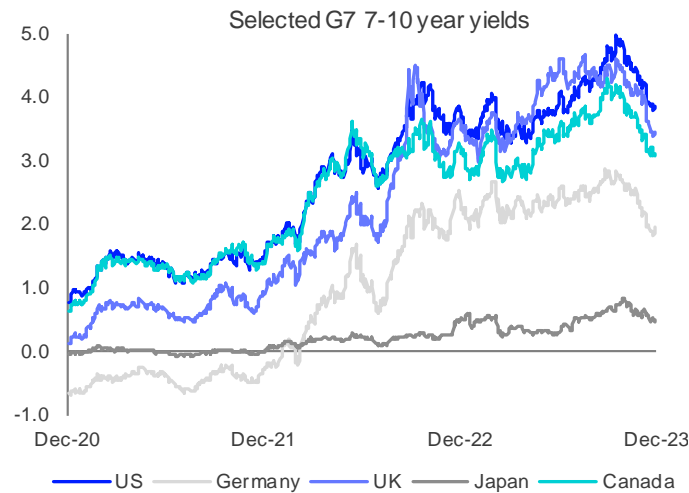


Chart 2: Excluding Japan, real yields fell sharply in Q4, tracking nominal yields lower, as economic growth slowed in response to the sharp rate rises in 2023.

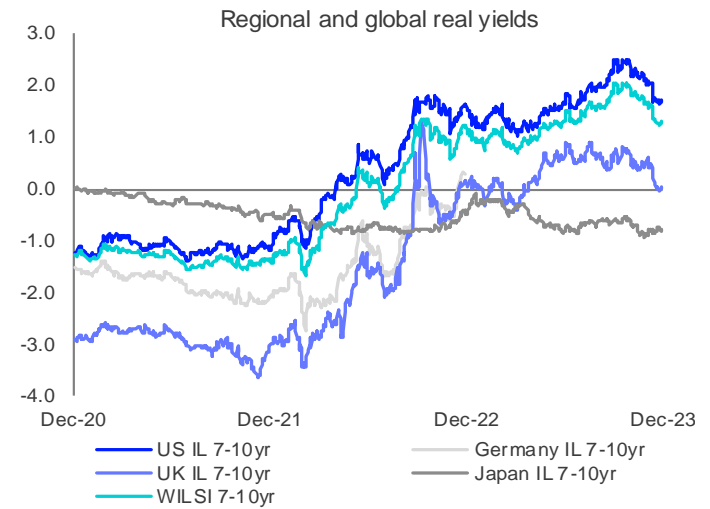


Chart 3: Yield curves have remained deeply inverted, after G7 curves bull flattened, with the Canadian yield curve remaining the most inverted.

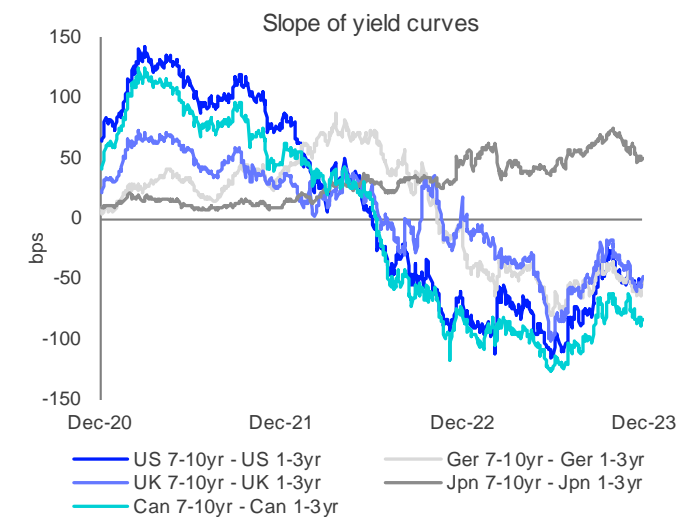


Chart 4: Most long G7 yield curves remained inverted in Q4, though the UK curve remains close to flat. The Canadian curve remained more inverted than peers and dis-inverted less in 2023.

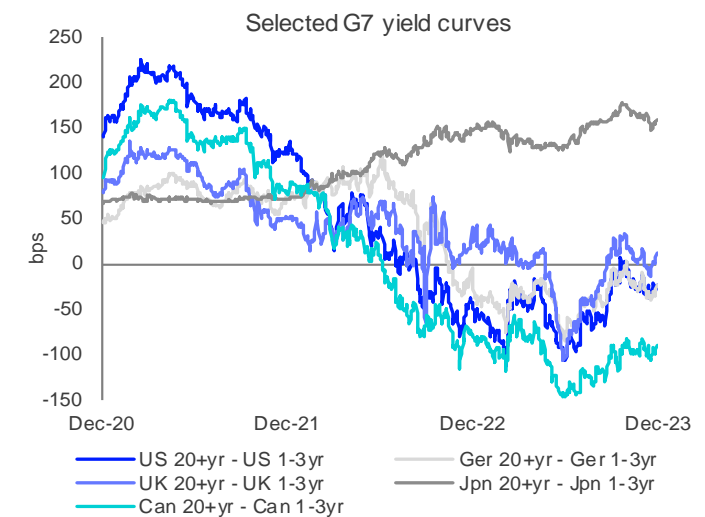


Chart 5: G7 inflation breakevens fell in Q4, remaining correlated with (lower) spot inflation. Japanese breakevens fell sharply, as the 2022-23 increase in inflation began to unwind.

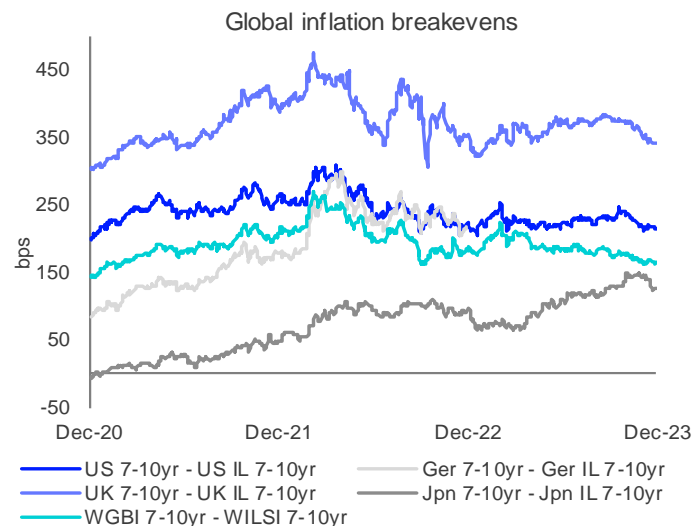
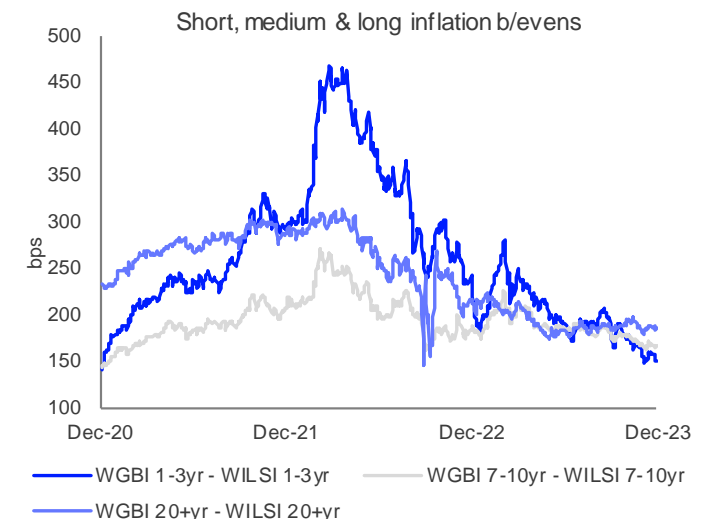


Chart 6: Global breakevens have fallen to pre-2020 levels, after global inflation eased on weaker economic growth and lower energy costs. Food inflation, while still high, has also eased.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads proved pro-cyclical in 2023, rising as yields increased until October, before falling in Q4, although the decline in spreads is less marked than during Covid.

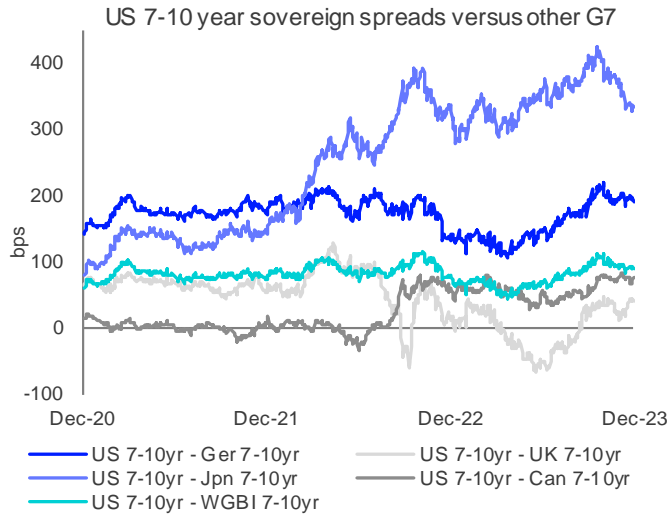


Chart 2: Italian spreads fell sharply in Q4 in anticipation of aggressive cuts and after Pres. Lagarde stressed ECB commitment to successful policy transmission, despite caution on easing rates.

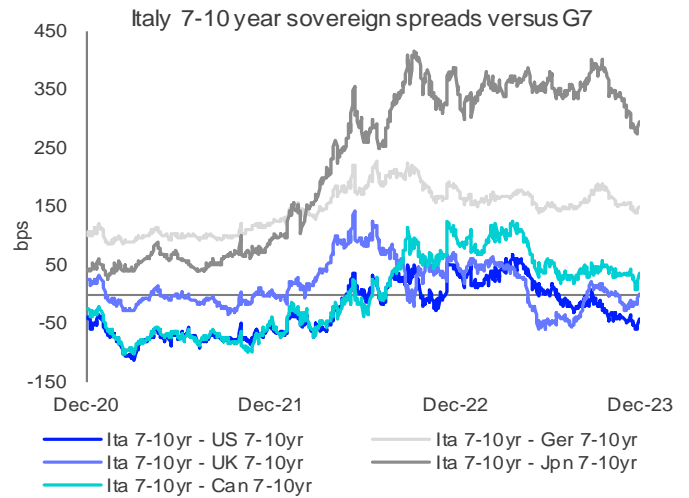


Chart 3: EM spreads widened in December, as the G7 bond market rally gathered momentum, ex JGBs, where yields fell less. Spillover effects from lower US Treasury yields may help EM spreads in Q1.

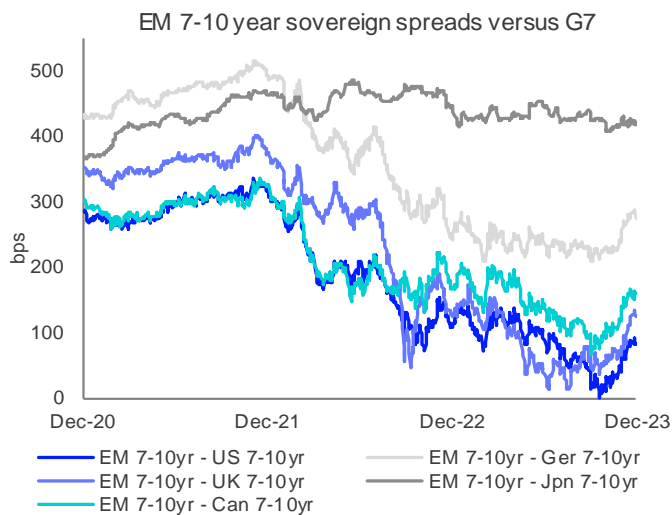


Chart 4: Chinese spreads vs the G7 have trended lower since 2020. They have generally been counter-cyclical, rising when G7 yields fall (Q4) and vice versa, offering diversification benefits to investors.

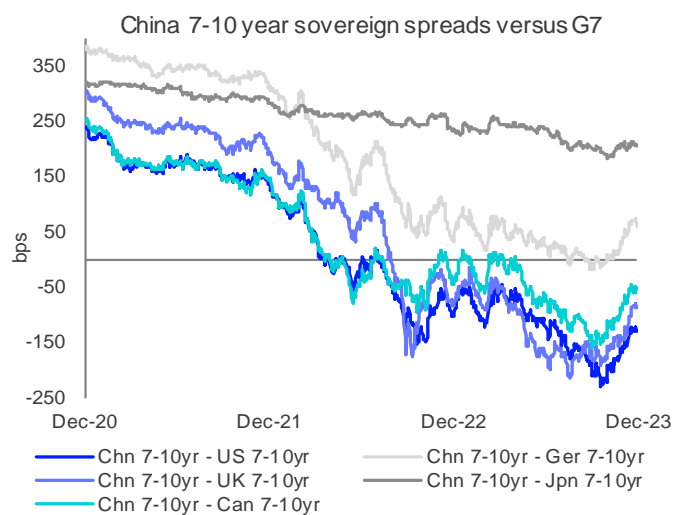


Chart 5: Credit spreads fell in Q4, led by HY, as the Fed pivot helped the G7 recovery in risk appetite, and risk assets rallied. HY outperformed IG in 2023, despite near recession in Europe.

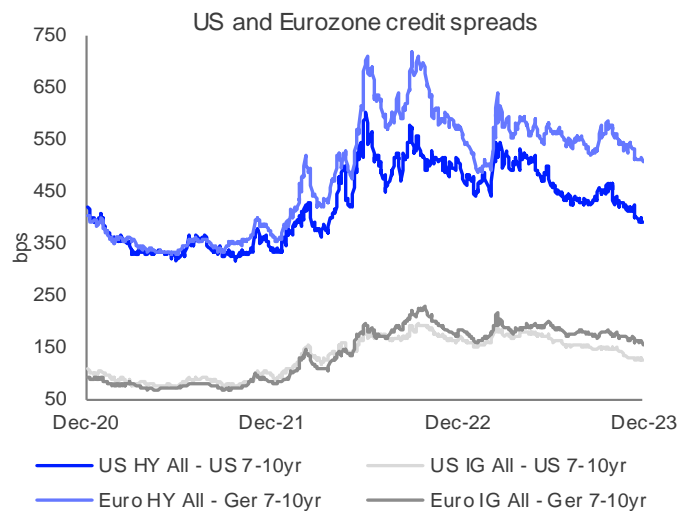
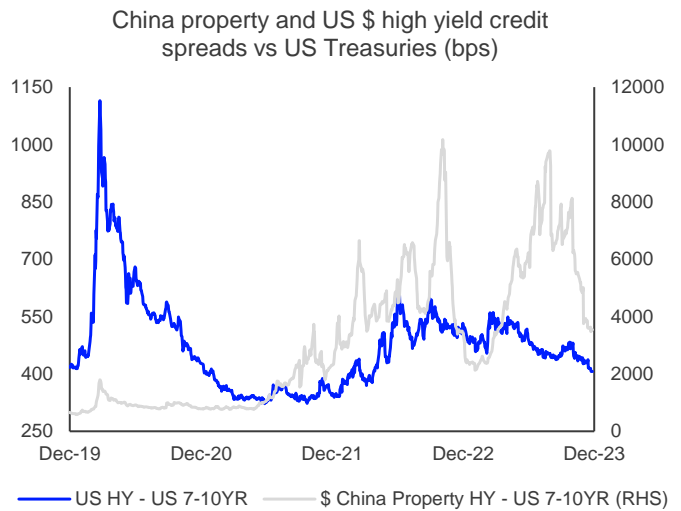


Chart 6: Chinese \$ HY spreads eased further in December to 3500bps, a level last seen a year ago. US HY spreads tightened by about 120bps during 2023 as risk appetite recovered.



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Sovereign and Climate Bonds Analysis

Chart 1: The recovery in Emerging Markets ESG was the most striking move in 2023 and reflects a high Eastern Europe weight. Re-balancing of the ACWGBI towards Europe helped it recover.

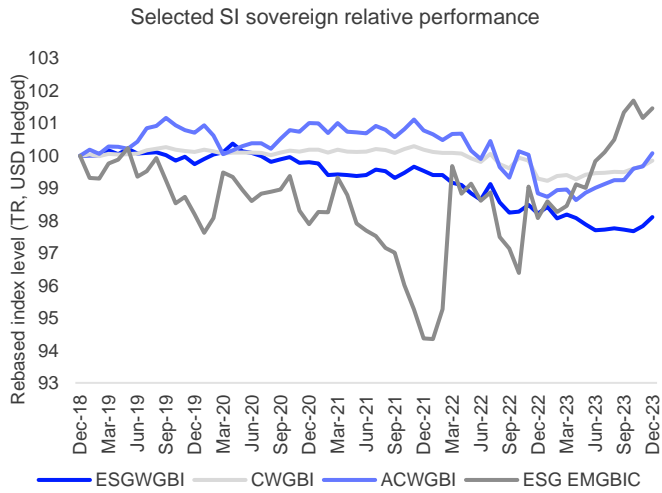


Chart 2: ESG WGBI has a higher US weighting, and big underweight in China, reflected in its spread widening in 2022-23. Out-performance by Eurozone bonds drove ACWGBI spreads tighter.

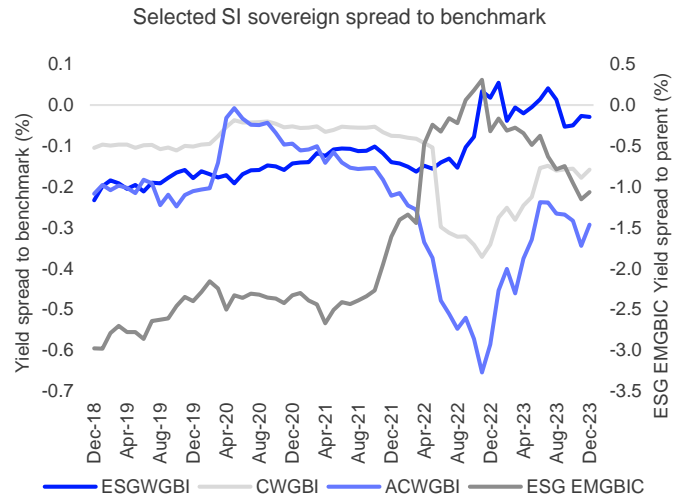


Chart 3: Paris-aligned PAB Corp outperformed strongly early in Covid, after oil prices collapsed, but has underperformed since. More subtly tilted indices, like Choice Corp, have been more stable.

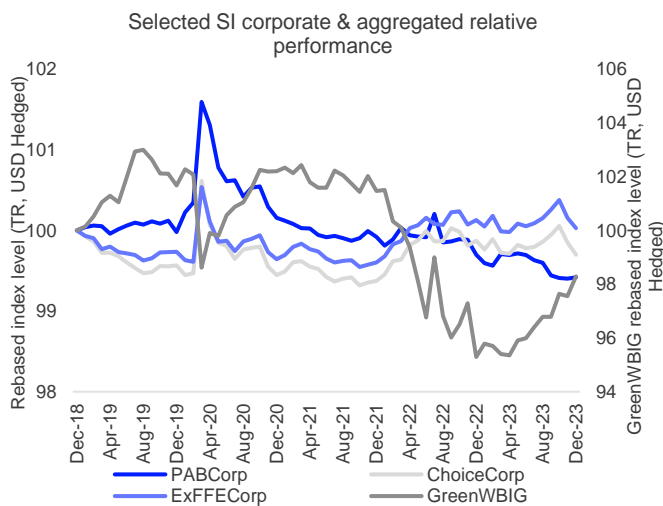


Chart 4: Spread widening in Green corporates in 2022/23 reflects heavy issuance but this reversed in 2023. The Paris-aligned PAB Corp is tilted away from fossil-fuels, so reflects energy price moves.

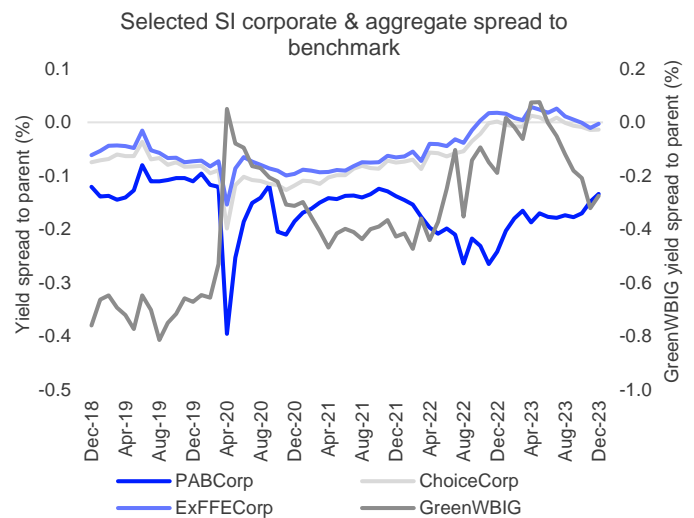


Chart 5: Extra duration in Climate WGBI helped it vs WGBI, as sovereign curves bull flattened in Bunds and JGBs in Q4. But this was offset by WGBI's heavier US weight and tighter US spreads.

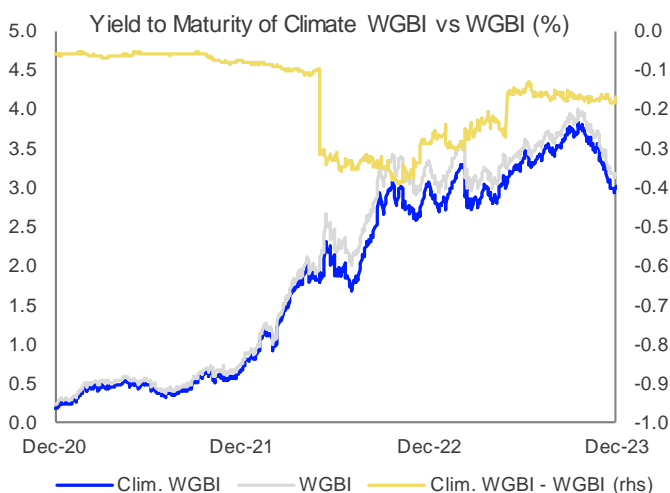
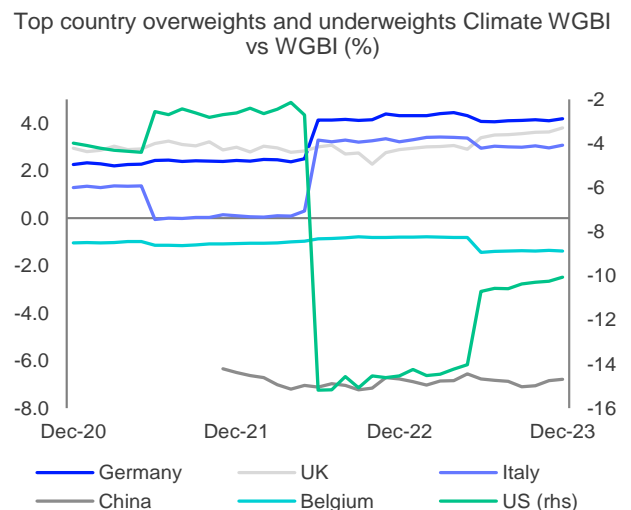


Chart 6: Changes in country weights in Climate WGBI (CW) impacted performance; the underweight in China & overweight in Europe caused the underperformance of CW vs WGBI in 2022-23.



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Global Bond Market Returns – 3M & YTD % (CAD, LCY) as of Dec 29, 2023

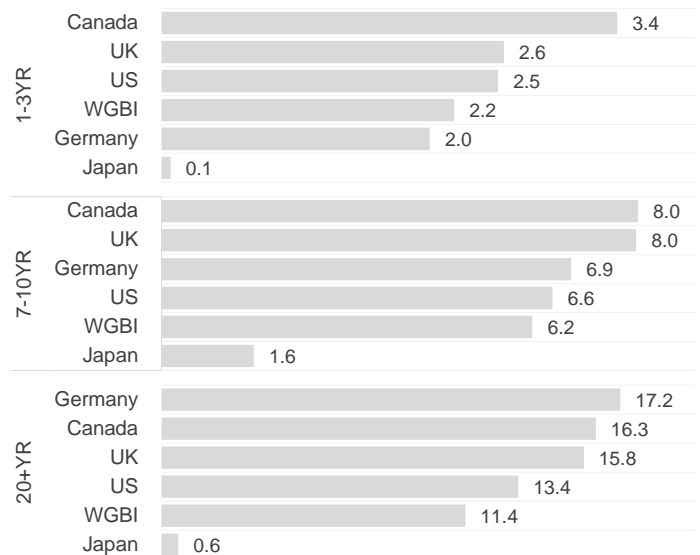
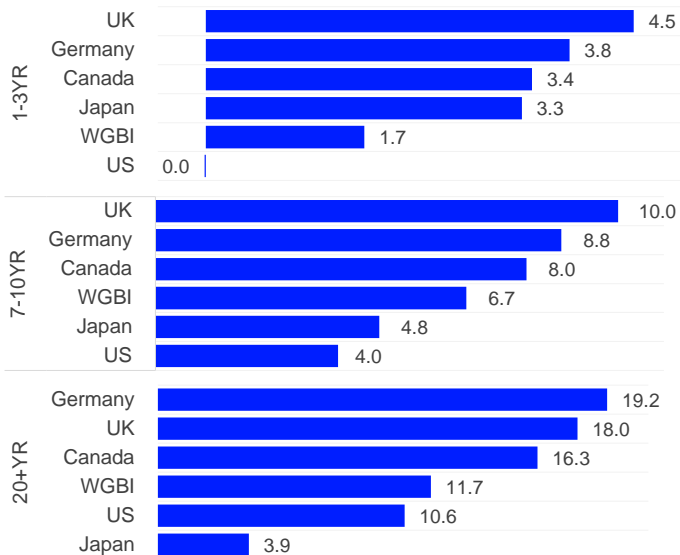
After a volatile Q4, government bonds finished 2023 with strong positive returns, led by longs, despite the October sell-off. Bunds and gilts performed best in Canadian dollars, while US Treasury returns were offset by dollar weakness after the Fed pivot. YTD, only JGBs gave negative returns, with losses of up to 9%. Shorter dated gilts were up 7-9%, helped by sterling.

Duration was eventually the investor's friend in Q4, after the Fed pivot. Investors anticipated similar easing pivots in Europe and Canada, with long German, UK and Canadian bonds offering Canadian dollar returns of 16-19% in Q4 overall.

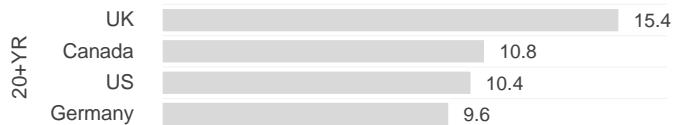
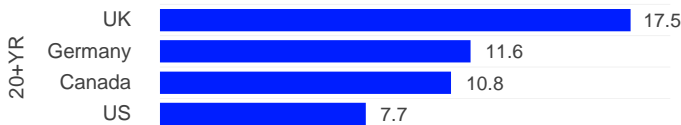
CONVENTIONAL BONDS

3M CAD

3M LCY



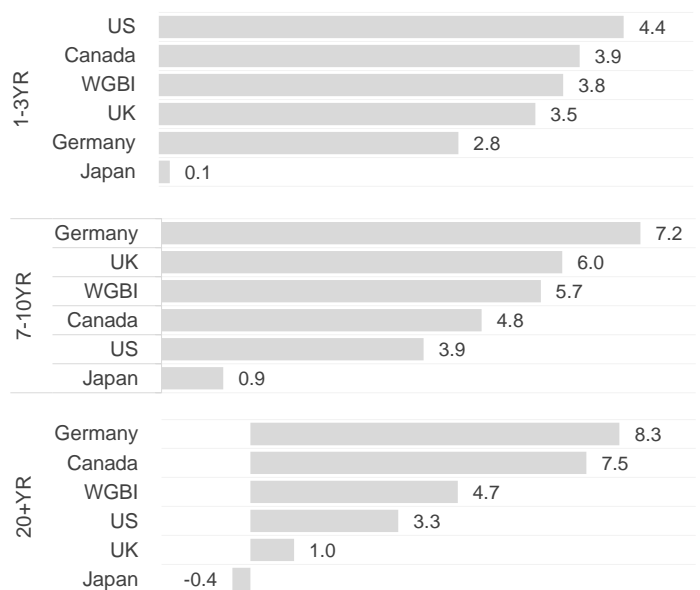
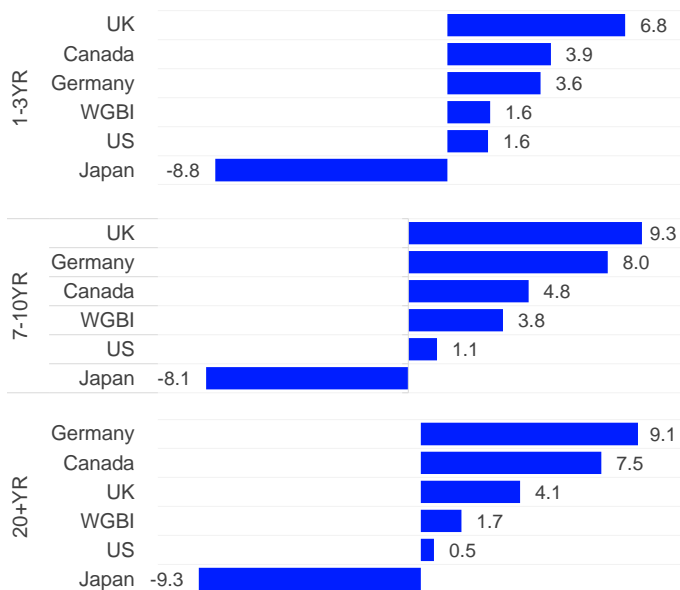
INFLATION LINKED BONDS



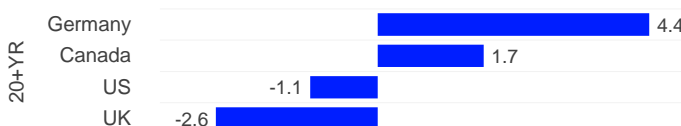
CONVENTIONAL BONDS

YTD CAD

YTD LCY



INFLATION LINKED BONDS

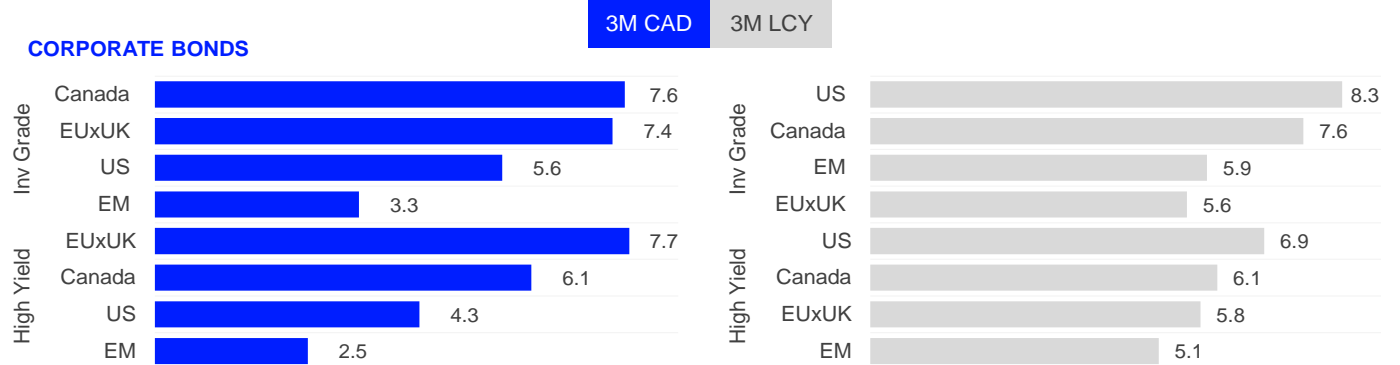


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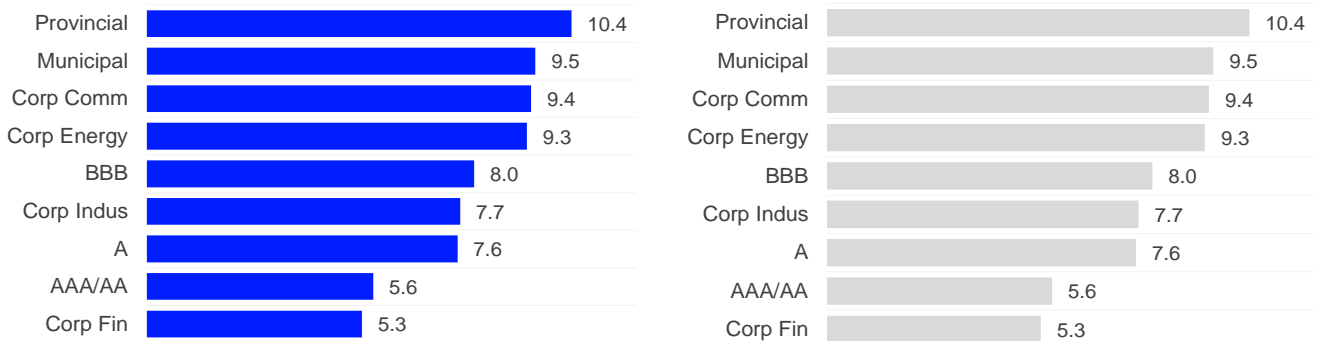
Canadian and Corporate Bond Returns – 3M & YTD % (CAD, LC, TR) as of Dec 29, 2023

Both investment grade and high yield credits rallied in Q4, as risk appetite improved on lower inflation, expectations of rate cuts and a soft landing in the economy. Lower inflation and a stronger currency helped Euro HY credits gain 14% in Canadian dollars, YTD. Provis and munis have returned close to 10% in Q4, and BBB corporates outperformed AAA peers.

Canadian munis and provis recovered in Q4, following a lacklustre performance in the last twelve months and finished the year up 7-8%. BBB corporates have outperformed higher quality credits on improved risk appetite.

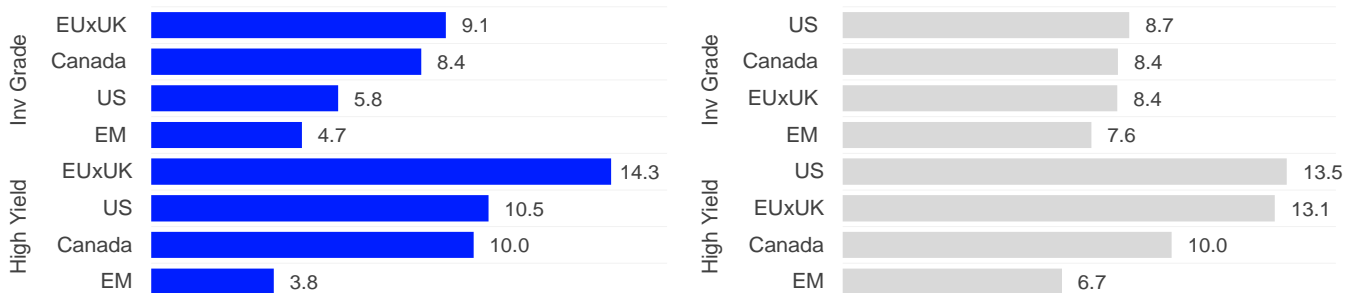


CANADA SPOTLIGHT

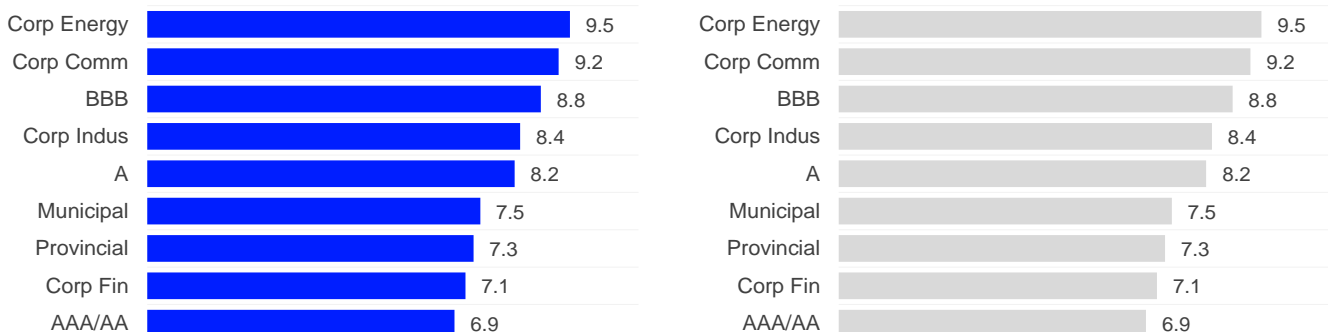


CORPORATE BONDS

YTD CAD | YTD LCY



CANADA SPOTLIGHT



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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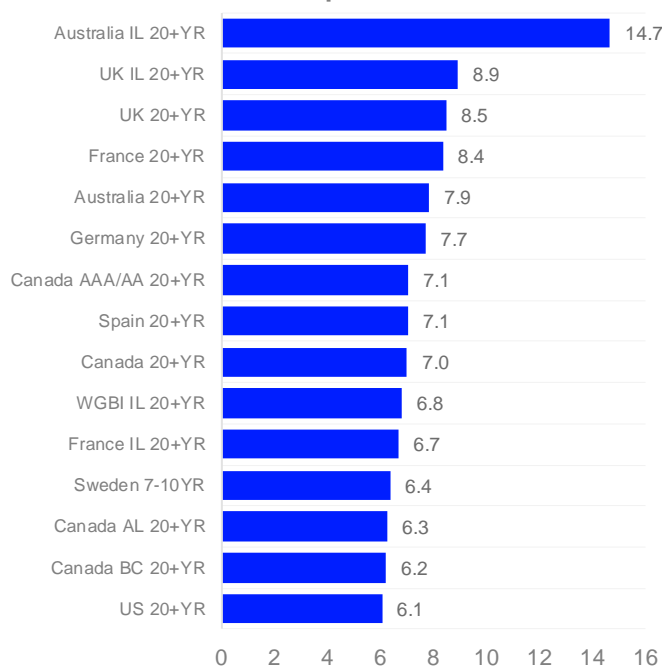
Top and Bottom Bond Returns – 1M & 12M % (CAD, TR) as of December 29, 2023

Longer duration proved the investor's friend in December. Both inflation linked and conventional Australasian, UK, Canadian and Eurozone sovereigns rallied strongly and registered returns of 7-15% in Canadian dollar terms. China and short US Treasuries were weakest, and delivered modest losses in December, mainly on weaker currencies.

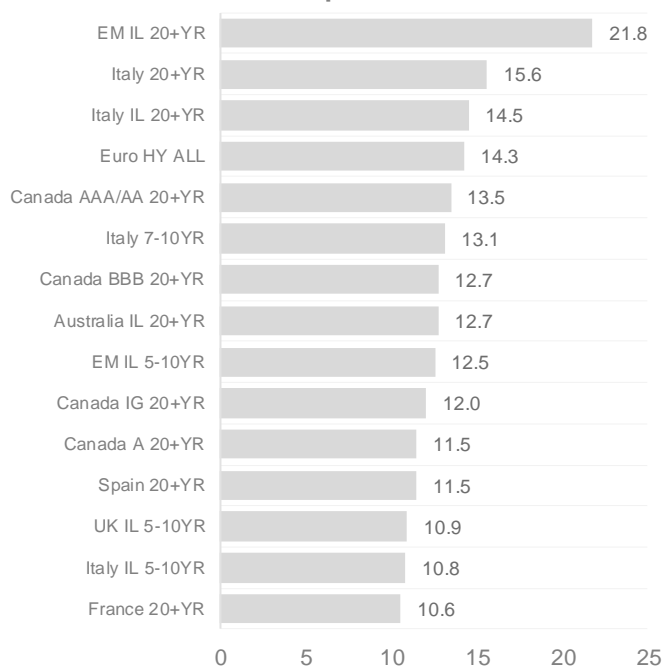
The strength of the bond market rally in Q4 2023 erased losses in long bonds for the year, and they finished with robust positive returns. Long EM inflation bonds retained their leadership over 12 months, followed closely by long Italian bonds, Euro high yield credits, and long Canadian AAA corporates, with returns of 14-22%.

1M CAD 12M CAD

Top 15



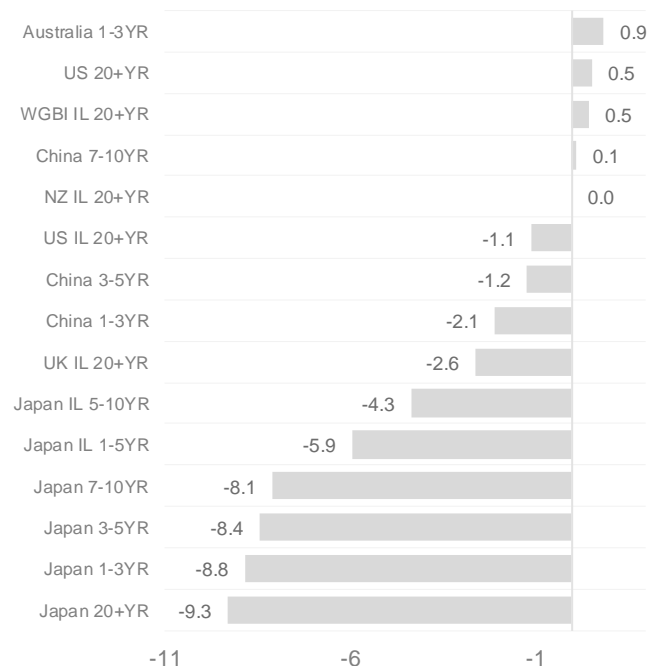
Top 15



Bottom 15



Bottom 15



Source: FTSE Russell. All data as of December 29, 2023. This analysis is taken from 130+ FTSE Russell sub-indices. 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 – Canadian Bond Market Returns % (CAD vs USD, TR)

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	3.41	6.03	3.33	3.70	3.94	6.80	3.94	6.80
	7-10YR	8.03	10.76	3.32	3.68	4.79	7.68	4.79	7.68
	20+YR	16.26	19.21	2.66	3.03	7.55	10.51	7.55	10.51
Inflation-Linked	20+YR	10.84	13.64	2.15	2.51	1.71	4.51	1.71	4.51
Corporate	1-3YR	4.78	7.43	4.91	5.28	6.68	9.62	6.68	9.62
	7-10YR	8.67	11.42	5.89	6.26	8.53	11.52	8.53	11.52
	20+YR	13.61	16.48	5.53	5.90	12.04	15.13	12.04	15.13
AAA/AA	1-3YR	4.76	7.41	4.71	5.08	6.26	9.19	6.26	9.19
	7-10YR	7.93	10.66	5.70	6.07	7.16	10.12	7.16	10.12
	20+YR	17.13	20.10	5.99	6.37	13.47	16.60	13.47	16.60
	All	5.55	8.23	5.10	5.47	6.88	9.83	6.88	9.83
A	1-3YR	4.64	7.29	4.86	5.23	6.55	9.49	6.55	9.49
	7-10YR	8.35	11.09	5.49	5.86	8.08	11.06	8.08	11.06
	20+YR	13.47	16.34	5.13	5.50	11.48	14.55	11.48	14.55
	All	7.62	10.35	5.04	5.41	8.23	11.21	8.23	11.21
BBB	1-3YR	4.96	7.62	5.06	5.43	6.99	9.94	6.99	9.94
	7-10YR	8.87	11.63	6.10	6.48	8.87	11.87	8.87	11.87
	20+YR	13.66	16.54	6.03	6.40	12.75	15.86	12.75	15.86
	All	8.02	10.76	5.49	5.86	8.82	11.82	8.82	11.82
Sectors	Comm	9.42	12.19	5.73	6.10	9.22	12.23	9.22	12.23
	Energy	9.32	12.09	5.32	5.70	9.47	12.48	9.47	12.48
	Fin	5.28	7.94	5.08	5.46	7.13	10.08	7.13	10.08
	Indus	7.68	10.41	5.13	5.50	8.35	11.34	8.35	11.34
	Infra	11.12	13.93	5.05	5.42	9.92	12.95	9.92	12.95
	RE	6.01	8.69	5.18	5.55	7.24	10.20	7.24	10.20
	Secur	4.18	6.82	4.57	4.94	6.34	9.27	6.34	9.27
Provinces (All)	1-3YR	4.13	6.77	3.71	4.07	4.52	7.40	4.52	7.40
	7-10YR	8.29	11.03	4.36	4.73	6.42	9.36	6.42	9.36
	20+YR	15.04	17.96	3.68	4.05	9.21	12.22	9.21	12.22
	All	10.42	13.21	3.86	4.22	7.31	10.27	7.31	10.27
Ontario	1-3YR	4.06	6.69	3.64	4.00	4.47	7.35	4.47	7.35
	7-10YR	8.24	10.98	4.24	4.61	6.39	9.32	6.39	9.32
	20+YR	15.10	18.01	3.64	4.00	9.33	12.34	9.33	12.34
	All	10.08	12.87	3.84	4.20	7.23	10.18	7.23	10.18
Alberta	1-3YR	3.95	6.58	3.66	4.03	4.39	7.27	4.39	7.27
	7-10YR	8.02	10.76	4.63	5.00	6.50	9.44	6.50	9.44
	20+YR	15.29	18.21	3.71	4.07	8.64	11.63	8.64	11.63
	All	10.01	12.80	3.88	4.24	6.78	9.73	6.78	9.73
Quebec	1-3YR	4.43	7.08	3.91	4.28	4.76	7.64	4.76	7.64
	7-10YR	8.57	11.32	4.48	4.85	6.51	9.45	6.51	9.45
	20+YR	15.08	18.00	3.77	4.14	9.35	12.36	9.35	12.36
	All	11.09	13.90	3.95	4.32	7.65	10.62	7.65	10.62
BC	1-3YR	3.54	6.16	3.48	3.85	4.25	7.13	4.25	7.13
	7-10YR	8.07	10.81	4.28	4.65	6.29	9.22	6.29	9.22
	20+YR	15.10	18.02	3.47	3.83	8.85	11.85	8.85	11.85
	All	10.66	13.46	3.76	4.13	7.22	10.17	7.22	10.17

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. All data as of December 29, 2023. 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 – Global Bond Market Returns % (CAD vs LC, TR)

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	1.14	-1.64	2.52	-0.01	4.35	1.55	4.35	1.55
	7-10YR	3.99	1.13	6.58	3.95	3.92	1.14	3.92	1.14
	20+YR	9.06	6.06	13.36	10.56	3.32	0.55	3.32	0.55
	IG All	4.29	1.42	8.32	5.64	8.71	5.80	8.71	5.80
	HY All	3.55	0.70	6.94	4.30	13.50	10.46	13.50	10.46
UK	1-3YR	1.47	-0.63	2.56	4.48	3.52	6.77	3.52	6.77
	7-10YR	5.28	3.11	7.99	10.01	6.00	9.32	6.00	9.32
	20+YR	10.78	8.49	15.81	17.97	0.98	4.14	0.98	4.14
EUR	IG All	2.75	1.17	5.58	7.43	8.35	9.14	8.35	9.14
	HY All	3.00	1.36	5.82	7.71	13.14	14.26	13.14	14.26
Japan	1-3YR	0.01	1.99	0.07	3.30	0.10	-8.83	0.10	-8.83
	7-10YR	0.54	2.53	1.56	4.84	0.92	-8.08	0.92	-8.08
	20+YR	0.89	2.89	0.63	3.89	-0.41	-9.29	-0.41	-9.29
China	1-3YR	0.54	-1.69	0.72	1.17	2.67	-2.06	2.67	-2.06
	7-10YR	0.94	-1.29	1.68	2.13	4.98	0.14	4.98	0.14
	20+YR	2.47	0.20	3.57	4.03	9.79	4.73	9.79	4.73
EM	1-3YR	0.67	-1.29	1.18	1.90	4.04	1.42	4.04	1.42
	7-10YR	1.81	0.03	3.70	4.07	7.33	4.23	7.33	4.23
	20+YR	2.38	0.57	4.37	4.70	9.38	5.35	9.38	5.35
	IG All	3.21	0.38	5.93	3.32	7.56	4.68	7.56	4.68
	HY All	2.60	-0.22	5.08	2.48	6.66	3.80	6.66	3.80
Germany	1-3YR	0.94	-0.61	2.01	3.80	2.80	3.55	2.80	3.55
	7-10YR	3.42	1.83	6.90	8.78	7.17	7.95	7.17	7.95
	20+YR	9.41	7.72	17.18	19.24	8.29	9.08	8.29	9.08
Italy	1-3YR	1.04	-0.52	2.72	4.52	4.35	5.11	4.35	5.11
	7-10YR	4.00	2.40	9.17	11.09	12.33	13.14	12.33	13.14
	20+YR	7.52	5.87	16.02	18.06	14.78	15.61	14.78	15.61
Spain	1-3YR	1.03	-0.52	2.28	4.08	3.41	4.17	3.41	4.17
	7-10YR	3.97	2.37	8.20	10.10	8.84	9.64	8.84	9.64
	20+YR	8.73	7.05	16.96	19.02	10.67	11.48	10.67	11.48
France	1-3YR	1.18	-0.37	2.36	4.16	3.48	4.23	3.48	4.23
	7-10YR	3.86	2.26	7.56	9.45	7.76	8.55	7.76	8.55
	20+YR	10.06	8.37	18.28	20.36	9.76	10.56	9.76	10.56
Sweden	1-3YR	1.23	2.37	2.14	7.39	3.16	3.79	3.16	3.79
	7-10YR	5.19	6.37	8.67	14.26	5.52	6.17	5.52	6.17
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1-3YR	1.13	1.22	1.84	5.01	3.02	0.88	3.02	0.88
	7-10YR	3.91	3.99	5.24	8.52	5.10	2.92	5.10	2.92
	20+YR	7.76	7.85	10.79	14.24	5.07	2.88	5.07	2.88
NZ	1-3YR	1.13	0.82	3.11	5.97	4.73	2.03	4.73	2.03
	7-10YR	4.78	4.46	9.19	12.22	5.87	3.15	5.87	3.15
Canada	1-3YR	1.20	1.20	3.41	3.41	3.94	3.94	3.94	3.94
	7-10YR	3.69	3.69	8.03	8.03	4.79	4.79	4.79	4.79
	20+YR	7.03	7.03	16.26	16.26	7.55	7.55	7.55	7.55

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

Source: FTSE Russell. All data as of December 29, 2023. 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 – Global Bond Market Returns % (CAD vs LC, TR)

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	1.27	-1.51	2.83	0.29	4.51	1.71	4.51	1.71
	5-10YR	3.14	0.30	5.30	2.69	4.21	1.41	4.21	1.41
	20+YR	6.99	4.05	10.38	7.65	1.64	-1.08	1.64	-1.08
UK	1-5YR	2.26	0.15	3.27	5.20	5.82	9.14	5.82	9.14
	5-10YR	3.83	1.68	4.95	6.91	7.56	10.93	7.56	10.93
	20+YR	11.23	8.93	15.37	17.52	-5.56	-2.60	-5.56	-2.60
EUxUK	1-5YR	0.73	-0.82	1.06	2.83	2.03	2.77	2.03	2.77
	5-10YR	1.40	-0.16	3.14	4.95	4.18	4.94	4.18	4.94
	20+YR	2.83	1.24	9.63	11.56	3.62	4.37	3.62	4.37
Japan	1-5YR	-0.54	1.43	0.61	3.86	3.28	-5.93	3.28	-5.93
	5-10YR	-0.41	1.56	1.72	5.01	5.02	-4.34	5.02	-4.34
EM	1-5YR	1.69	0.19	2.61	1.61	12.38	10.22	12.38	10.22
	5-10YR	2.56	1.57	5.13	4.64	12.11	12.54	12.11	12.54
	20+YR	5.19	4.27	9.82	10.24	15.31	21.78	15.31	21.78
Germany	1-5YR	0.73	-0.82	1.06	2.83	2.03	2.77	2.03	2.77
	5-10YR	1.40	-0.16	3.14	4.95	4.18	4.94	4.18	4.94
	20+YR	2.83	1.24	9.63	11.56	3.62	4.37	3.62	4.37
Italy	1-5YR	1.39	-0.17	3.30	5.11	5.18	5.95	5.18	5.95
	5-10YR	2.94	1.36	6.91	8.79	10.03	10.83	10.03	10.83
	20+YR	7.60	5.94	17.17	19.23	13.71	14.53	13.71	14.53
Spain	1-5YR	1.02	-0.53	1.99	3.78	3.24	3.99	3.24	3.99
	5-10YR	2.12	0.55	4.67	6.51	5.70	6.47	5.70	6.47
France	1-5YR	1.08	-0.48	1.94	3.73	2.55	3.29	2.55	3.29
	5-10YR	2.20	0.62	3.96	5.79	4.93	5.69	4.93	5.69
	20+YR	8.36	6.70	14.05	16.06	6.84	7.62	6.84	7.62
Sweden	1-5YR	0.98	2.12	2.20	7.45	3.74	4.38	3.74	4.38
	5-10YR	3.60	4.76	5.42	10.83	5.01	5.66	5.01	5.66
Australia	1-5YR	1.64	1.72	2.68	5.88	6.70	4.48	6.70	4.48
	5-10YR	4.42	4.51	5.32	8.59	9.45	7.17	9.45	7.17
	20+YR	14.56	14.66	17.21	20.86	15.14	12.75	15.14	12.75
NZ	5-10YR	3.56	3.24	6.80	9.76	8.18	5.39	8.18	5.39
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	3.73	3.73	10.84	10.84	1.71	1.71	1.71	1.71

Indices used: FTSE Canada RRB Canada Bond Index.

Source: FTSE Russell. All data as of December 29, 2023. 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 – Canadian Historical Bond Yields % as of December 29, 2023

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	3.73	3.10	3.04	
	3M Ago	4.70	4.07	3.88	
	6M Ago	4.34	3.34	3.13	
	12M Ago	3.90	3.30	3.31	
IL	Current			1.45	
	3M Ago			2.22	
	6M Ago			1.54	
	12M Ago			1.33	
Provincial	Current	3.82	3.66	4.01	3.86
	3M Ago	4.87	4.72	4.90	4.84
	6M Ago	4.43	3.99	4.11	4.15
	12M Ago	4.03	3.97	4.32	4.15
Ontario	Current	3.86	3.66	3.99	3.86
	3M Ago	4.88	4.73	4.90	4.85
	6M Ago	4.41	4.00	4.10	4.16
	12M Ago	4.05	3.97	4.32	4.15
Quebec	Current	3.74	3.64	3.96	3.83
	3M Ago	4.80	4.71	4.86	4.81
	6M Ago	4.47	3.98	4.06	4.11
	12M Ago	3.99	3.96	4.28	4.13
Alberta	Current	3.81	3.63	4.05	3.86
	3M Ago	4.89	4.68	4.89	4.82
	6M Ago	4.40	3.99	4.14	4.15
	12M Ago	3.99	3.95	4.29	4.11
BC	Current	3.87	3.65	3.99	3.85
	3M Ago	4.93	4.69	4.88	4.82
	6M Ago	4.50	3.97	4.09	4.11
	12M Ago	3.97	3.95	4.28	4.12
Municipal	Current	3.83	3.74	4.23	3.98
	3M Ago	4.93	4.78	5.14	4.98
	6M Ago	4.49	4.07	4.34	4.30
	12M Ago	4.08	4.05	4.58	4.29
Corporate	Current	4.76	4.71	4.84	4.77
	3M Ago	5.94	5.91	5.78	5.90
	6M Ago	5.54	5.23	5.05	5.36
	12M Ago	5.28	5.18	5.33	5.27
High Yield	Current				7.07
	3M Ago				7.93
	6M Ago				7.72
	12M Ago				7.34

		1-5YR	5-10YR	20+YR	All Mat
AAA/AA	Current	4.46	4.38	4.27	4.45
	3M Ago	5.66	5.65	5.21	5.65
	6M Ago	5.24	4.97	4.50	5.21
	12M Ago	4.94	4.70	4.78	4.89
A	Current	4.68	4.44	4.57	4.61
	3M Ago	5.85	5.61	5.49	5.72
	6M Ago	5.49	4.93	4.78	5.21
	12M Ago	5.16	4.92	5.06	5.10
BBB	Current	4.97	4.87	5.24	5.01
	3M Ago	2.72	2.29	2.37	6.15
	6M Ago	2.45	1.72	1.68	5.58
	12M Ago	1.89	1.31	1.43	5.54
Comm	Current	4.64	5.21	4.91	4.78
	3M Ago	5.94	6.24	6.07	5.97
	6M Ago	5.20	5.48	5.61	5.34
	12M Ago	5.18	5.78	5.31	5.42
Energy	Current	4.91	4.84	4.98	4.92
	3M Ago	6.07	6.01	5.91	5.99
	6M Ago	5.61	5.32	5.15	5.34
	12M Ago	5.31	5.35	5.42	5.37
Financial	Current	4.73	4.72	4.79	4.73
	3M Ago	5.93	6.01	5.75	5.93
	6M Ago	5.54	5.34	5.12	5.52
	12M Ago	5.26	5.10	5.45	5.25
Industrial	Current	4.66	4.58	4.90	4.70
	3M Ago	5.81	5.72	5.81	5.79
	6M Ago	5.45	5.08	5.10	5.26
	12M Ago	5.26	5.09	5.45	5.26
Infrastructure	Current	4.35	4.40	4.62	4.54
	3M Ago	5.51	5.53	5.55	5.54
	6M Ago	5.02	4.87	4.83	4.86
	12M Ago	4.83	4.80	5.10	5.01
Securitization	Current	4.82			4.82
	3M Ago	5.90			5.91
	6M Ago	5.55			5.55
	12M Ago	5.25			5.25

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. All data as of December 29, 2023. 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 – Historical Bond Yields % as of December 29, 2023

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	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	0.00
	3M Ago	5.16	4.71	4.59	4.82	2.72	2.29	2.37	6.06	0.00
	6M Ago	5.01	4.31	3.85	3.95	2.45	1.72	1.68	5.53	0.00
	12M Ago	4.54	4.13	3.88	4.11	2.09	1.68	1.82	5.50	0.00
UK	Current	3.94	3.45	3.46	4.07	-0.02	-0.02	0.91		
	3M Ago	4.73	4.46	4.35	4.81	0.55	0.53	1.39		
	6M Ago	5.36	5.04	4.38	4.35	1.78	0.72	0.90		
	12M Ago	3.50	3.45	3.47	3.83	-0.28	0.17	0.52		
Japan	Current	0.00	0.13	0.50	1.60	-1.67	-0.81			
	3M Ago	0.01	0.21	0.66	1.61	-1.75	-0.70			
	6M Ago	-0.10	-0.01	0.29	1.21	-1.64	-0.87			
	12M Ago	0.03	0.21	0.58	1.57	-1.06	-0.27			
China	Current	2.18	2.33	2.58	2.90					
	3M Ago	2.24	2.42	2.70	3.06					
	6M Ago	2.09	2.33	2.66	3.08					
	12M Ago	2.28	2.61	2.88	3.30					
EM	Current	3.44	3.95	4.70	4.34	4.27	4.23	4.82	5.57	10.03
	3M Ago	3.58	4.52	5.05	4.51	3.27	4.48	5.32	6.43	11.01
	6M Ago	3.67	4.04	4.79	4.42	4.15	4.07	4.86	5.95	11.86
	12M Ago	3.78	4.29	4.77	4.56	3.02	3.35	5.23	5.92	11.40
Germany	Current	2.48	1.97	1.96	2.25	0.92	0.16	0.16		
	3M Ago	3.21	2.78	2.75	2.97	0.87	0.44	0.52		
	6M Ago	3.17	2.66	2.37	2.36	0.96	0.19	-0.06		
	12M Ago	2.56	2.35	2.23	2.20	0.42	0.13	-0.11		
Italy	Current	2.99	2.88	3.45	4.17	1.23	1.62	1.88		
	3M Ago	3.94	4.03	4.50	5.02	1.68	2.31	2.43		
	6M Ago	3.79	3.71	3.87	4.25	1.74	1.78	1.70		
	12M Ago	3.34	3.18	3.67	4.15	0.86	1.56	1.72		
France	Current	2.49	2.23	2.43	3.00	0.56	0.32	0.64		
	3M Ago	3.33	3.14	3.26	3.79	0.82	0.75	1.12		
	6M Ago	3.21	2.94	2.85	3.19	0.88	0.47	0.55		
	12M Ago	2.85	2.61	2.65	3.03	0.09	0.21	0.51		
Sweden	Current	2.59	2.04	2.01	0.00	1.12	0.59			
	3M Ago	3.50	3.18	2.98	0.00	1.42	1.28			
	6M Ago	3.43	2.94	2.61	0.00	1.18	0.91			
	12M Ago	2.80	2.61	2.40	0.00	0.42	0.62			
Australia	Current	3.71	3.63	3.90	4.30	0.85	1.27	1.61		
	3M Ago	4.14	4.10	4.43	4.86	1.30	1.78	2.24		
	6M Ago	4.17	3.99	4.02	4.36	1.04	1.47	1.85		
	12M Ago	3.43	3.61	3.80	4.18	0.44	1.18	1.70		
NZ	Current	4.71	4.24	4.31	4.60	1.45	2.12	0.00	0.00	0.00
	3M Ago	5.63	5.35	5.32	5.54	2.50	2.89	0.00	0.00	0.00
	6M Ago	5.08	4.67	4.61	4.77	1.53	2.15	0.00	0.00	0.00
	12M Ago	5.00	4.75	4.65	4.76	1.45	2.13	0.00	0.00	0.00
Canada	Current	3.73		3.10	3.04			1.45	4.77	7.07
	3M Ago	4.70		4.07	3.88			2.22	5.90	7.93
	6M Ago	4.34		3.34	3.13			1.54	5.36	7.72
	12M Ago	3.90		3.30	3.31			1.33	5.27	7.34

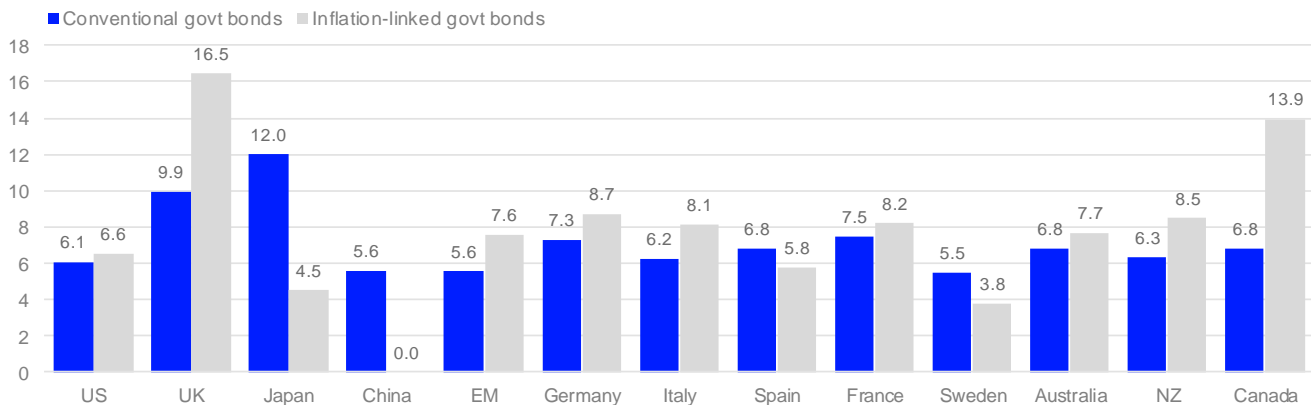
Source: FTSE Russell. All data as of December 29, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Duration and Market Value (USD, Bn) as of December 29, 2023

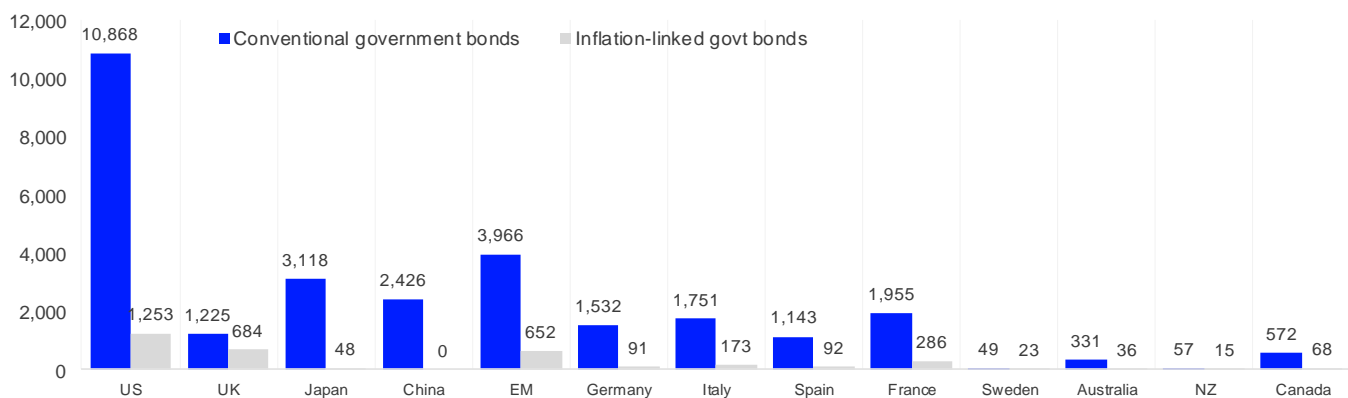
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.4	17.2	6.1	2,522.9	1,098.8	1,336.4	10,868.3	7.0	21.2	6.6	423.2	126.7	1253.5
UK	3.6	7.4	18.8	9.9	140.0	190.5	346.2	1,225.4	6.9	27.4	16.5	113.2	268.0	684.3
Japan	3.8	8.0	23.7	12.0	378.7	370.5	673.5	3,117.7	7.2		4.5	21.0		48.1
China	3.7	7.6	17.7	5.6	595.9	358.8	277.5	2,426.4						
EM	3.5	7.0	15.9	5.6	894.36	689.37	380.18	3,966.2	5.8	13.9	7.6	118.7	177.5	651.7
Germany	3.8	7.6	20.8	7.3	358.49	239.49	185.01	1,532.5	7.0	21.5	8.7	45.3	19.6	90.9
Italy	3.6	7.2	16.4	6.2	309.20	305.12	152.96	1,750.6	7.5	26.1	8.1	63.9	5.6	173.0
Spain	3.8	7.7	18.1	6.8	211.84	204.73	108.23	1,143.4	6.5		5.8	24.0		91.8
France	3.9	7.6	20.2	7.5	330.38	307.24	245.38	1,954.8	6.4	24.3	8.2	110.9	22.4	286.4
Sweden	4.2	7.8		5.5	7.08	14.34		49.2	5.6		3.8	10.7		22.8
Australia	3.7	7.5	17.2	6.8	48.81	106.77	21.71	331.3	6.9	22.3	7.7	10.6	2.9	36.0
NZ	3.6	7.4	17.2	6.3	11.09	16.04	2.93	57.4	6.0		8.5	3.3		14.7
Canada		7.0	18.8	6.8		213.90	96.20	572.1		13.9	13.9		67.7	67.7

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.7	8.6	7.3	6.7	7.1	77.6	459.8	2,747.0	3,470.9	6,755.4	3.9	1,182.0
Euro	5.7	4.8	4.6	4.2	4.4	11.2	205.4	1,277.8	1,553.0	3,047.4	3.0	428.2
EM		6.1	4.9	5.2	5.1		37.00	218.07	311.3	566.3	3.3	161.1

Average Duration



Total Market Value (USD Billions)



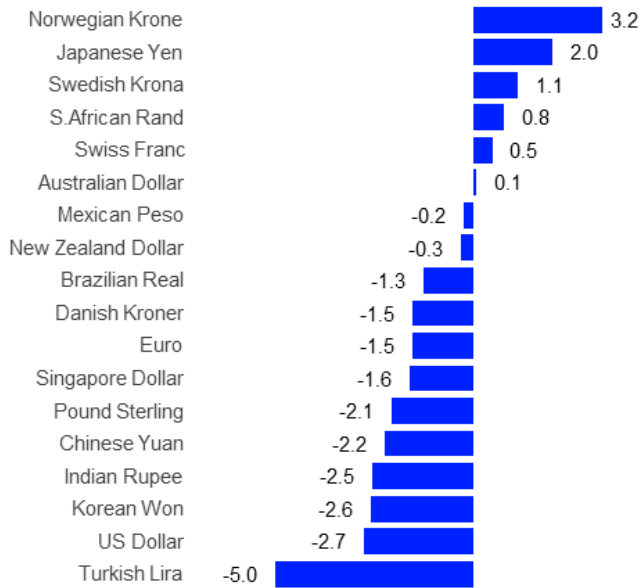
Data as of 2023-12-29

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

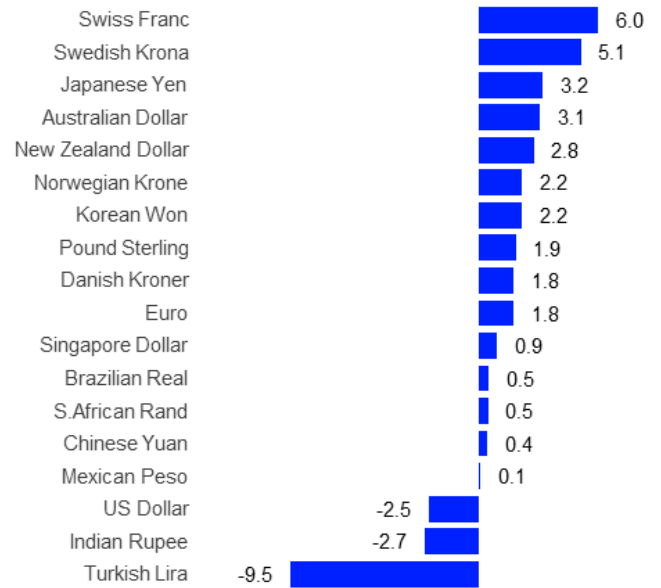
Source: FTSE Russell. All data as of December 29, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix – Foreign Exchange Returns % as of December 29, 2023

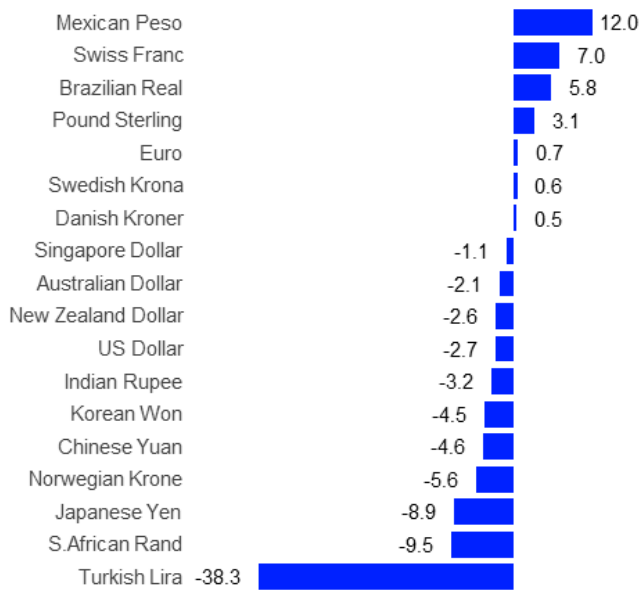
FX Moves vs CAD - 1M



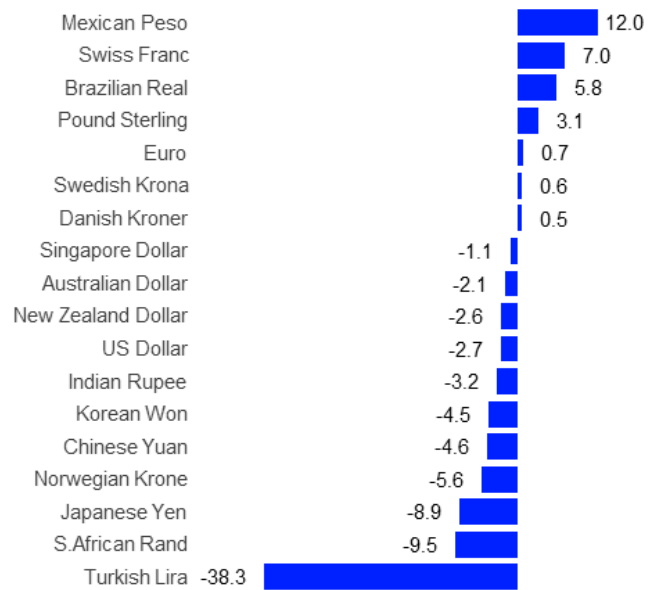
FX Moves vs CAD - 3M



FX Moves vs CAD - YTD



FX Moves vs CAD - 12M



Source: FTSE Russell and Refinitiv. All data as of December 2023. 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 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

Total Returns

Growth/Inflation

Financial Conditions

Govt. Bonds

Corporate Bonds

Spreads

Inflation-Linked

Credit/Equities

Appendix

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