

Fixed Income Insights

MONTHLY REPORT | OCTOBER 2024

CANADA EDITION

Canadian bonds boosted by faster BoC easing

Central bank easing and lower inflation lifted global bond markets in Q3. Canadian conventionals gained 3-6%, while some unwinding of the yen carry trade converted modest JGB returns into strong returns of up to 14% in CAD. Euro and sterling strength boosted Bunds and gilt returns. Strong gold performance highlights rising uncertainty and risks.

Macro and policy backdrop – BoC moves on growth concerns Canadian inflation fell to the target level of 2% y/y in August, leaving the Bank of Canada room to cut rates further in 2024, as a weaker labour market replaces worries over inflation. (page 2)

Canadian govts – Canadian yield curve normalises after three BoC cuts Continued disinversion in the Canadian yield curve finally shows 20/2s turning positive for the first time since 2022. The 10s/2s curve was flat in September. (page 3)

Canadian credit – Canadian corporates have recovered since Covid Canadian investment grade corporate sectors have gained 9-14% since 2019. Infrastructure returns turned positive, having recovered from some years of underperformance. (pages 4-5)

Global yields and spreads – Bull steepening continues Yield curves generally bull steepened in September, as 1-3 year yields priced in more rate cuts, and 7-10 year yields were more stable. (pages 6)

Sovereign and climate bonds – Recent slow erosion of the SI-premium may be ending? After rising in 2022-23, relative yields fell in 2024 for Green Corp, Ex FFE & Choice. (page 7)

Performance – Long Canadian conventionals outperform real return peers Long Canadian real return rallied in Q3, resulting in flat YTD returns, but underperformed conventional bonds. EM HY gained nearly 15% since January in CAD. (pages 8-10)

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

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Chart 1: Canada's real yields and inflation breakevens reflect lower inflation, falling yields and weak economic growth. The US is the only market, where breakevens are positive.

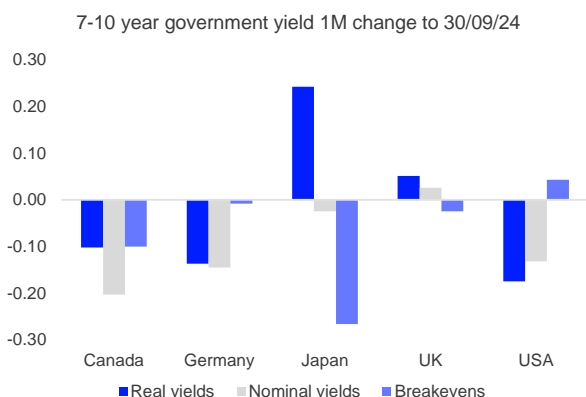
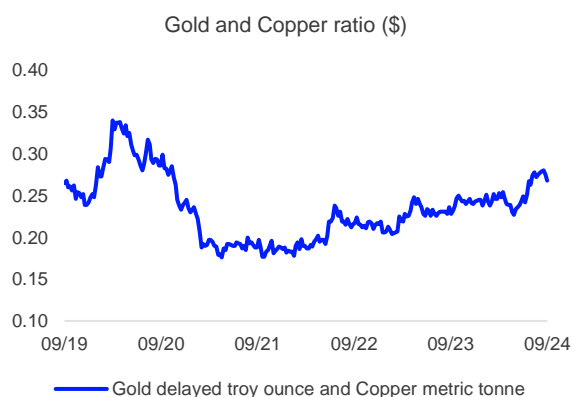


Chart 2: The strong rise in Gold vs Copper this year highlights election uncertainty, geopolitical risks, economic slowdown and higher gold purchases from central banks like Turkey, China, Poland, to name a few.



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Macroeconomic Backdrop – Growth and Inflation Expectations

Canadian inflation reached its intended target of 2% y/y in August, leaving the Bank of Canada room to cut rates further before the end of the year, especially given excess capacity in the labour market. This poses some risks to the “soft landing” scenario forecast by Consensus, which projects Canada to grow as much as the US in 2025.

2024 - a year of two halves? Canada slowed in Q3, offsetting a more buoyant H1, underpinned by strong US growth and demand for Canadian oil and automotive parts. Consensus growth estimates of 1.0% GDP for Canada in 2024 remain, and a near doubling of growth to 1.8% in 2025 (Chart 1). Such a soft landing for the global economy, helped by lower rates and the PBoC’s substantial stimulus in China, clearly hinges on labour markets remaining robust, and geopolitical risks contained.

Although Canadian headline CPI reached the 2% target in August, the BoC continues to monitor services inflation, which has remained stable, but elevated, since its surge during Covid lockdowns, as demand shifted away from goods markets. A revival in services inflation could disrupt further BoC easing. Global excess supply in sectors like autos, and the switch in demand to services, means goods inflation has stayed negative since its collapse in 2021-22 (Chart 2).

Most major central banks are now easing policy, following the early moves from Switzerland’s SNB, the BoC and Sweden’s Riksbank in March and May 2024, respectively. The US Fed made a bold rate cut by 50bp in September, following much debate on the timing and size. With inflation reaching target and the labour market showing “excess capacity”, the BoC has confirmed the likelihood of more cuts before the end of the year, while markets also discount further ECB and BoE easing in Q4. Japan remains an outlier, with the BoJ expected to tighten policy again before the end of 2024 (Chart 3).

The steady rise in Canadian unemployment since February is a key concern for the BoC, with the labour market softening clearly, as the growth in vacancies eases. Even so, Chart 4 shows the jobless rate of 6.6% y/y in August remains on the low side historically. The big policy issue is whether the surge in the labour force since 2021 now leads to a spike in unemployment.

Chart 1: Consensus forecasts show Canadian growth matching that of the US, in 2025. Despite a contraction in Germany, Consensus revised Eurozone growth for 2024 up by 0.1% in September.

Latest Consensus Real GDP Forecasts (Median, %, September 2024)			
	2023	2024	2025
US	2.5	2.5	1.8
UK	0.1	1.1	1.3
Eurozone	0.5	0.8	1.3
Japan	1.3	0.6	1.0
China	5.2	5.0	4.5
Canada	1.1	1.0	1.8

Chart 2: Canadian services inflation remains high, especially versus the collapse in goods inflation, which has yet to recover from the trade disruptions during Covid and the shift in demand towards services.

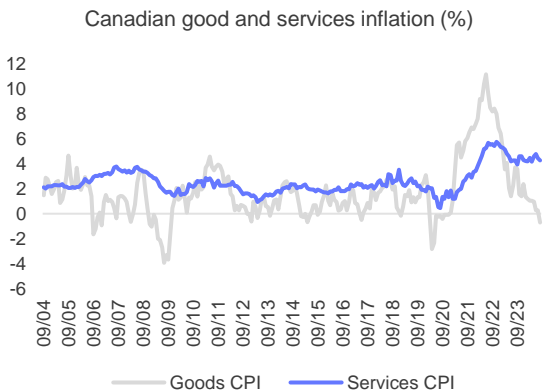


Chart 3: At last, the US Fed joined peers in easing monetary policy in September, with a much-awaited 50bp cut, to 5%. The BoC also eased by 0.25% as did the ECB. Only the BoE left rates unchanged at 5%.

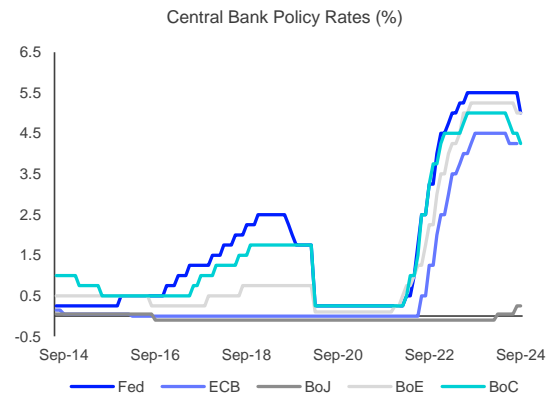
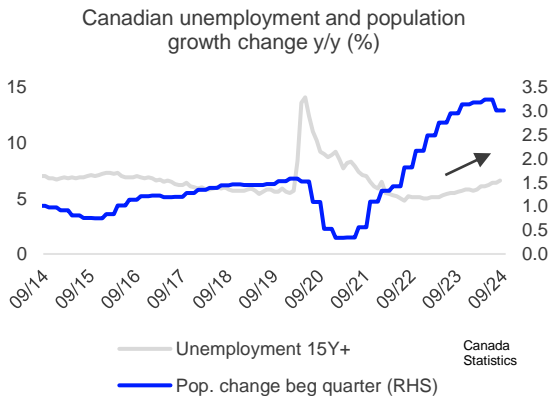


Chart 4: Strike it lucky ? Canadian restricted labour markets in 2020-23 found relief from the surge in immigration, though softening unemployment has now created some excess capacity.



Source: FTSE Russell, LSEG and US Federal Reserve. All data as of September 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 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.

Canadian Governments, Provinces and Municipalities

Chart 1: Continued disinversion in the Canadian yield curve shows 20/2s turning positive for the first time since 2022, as the curve normalises. 10s/2s were flat in September.

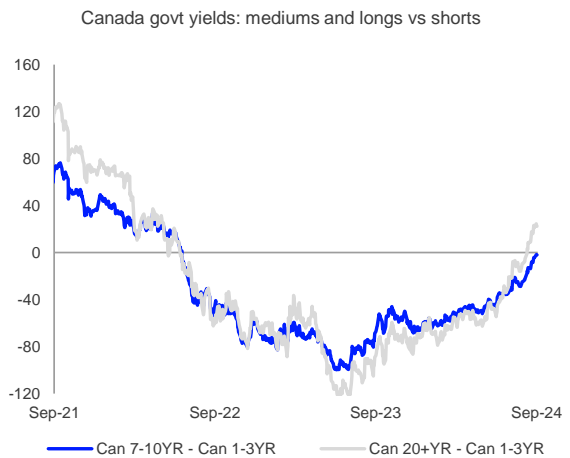


Chart 3: Long Canadian nominal yields have been relatively stable in 2024, matching real yields, following lower inflation and rate expectations.

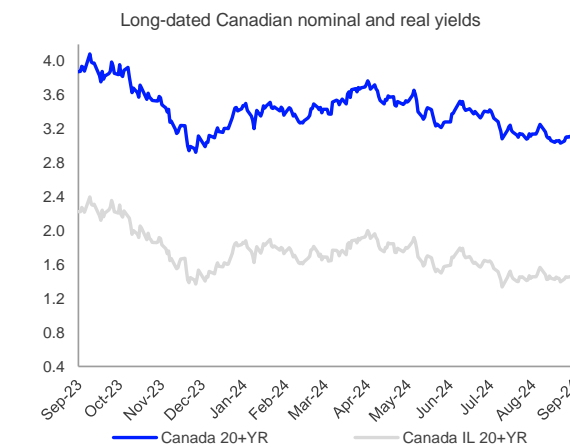


Chart 5: The market is increasingly differentiating between Provincial credits. Alberta spreads have benefited from having one of the lowest projected debt/GDP ratios in 2024-25.

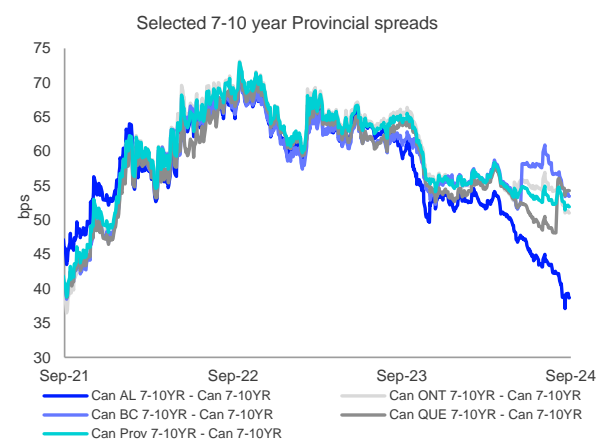


Chart 2: Canadian-UK 7-10yr sovereign spreads are trading through US equivalents, following three 0.25% BoC rate cut vs one 0.25% in the UK. Canadian spreads ticked up modestly vs Eurozone peers in Sept.

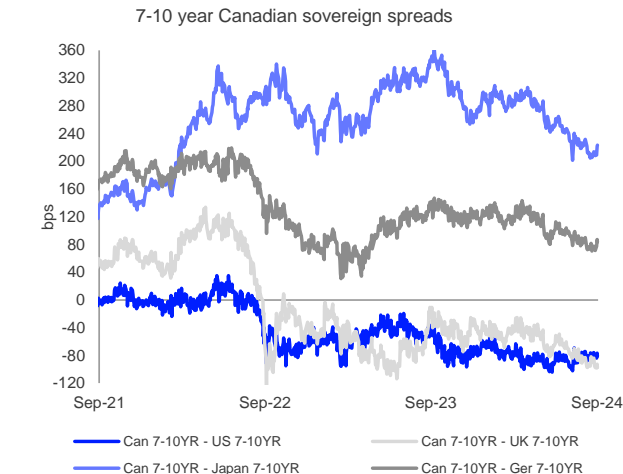


Chart 4: G7 inflation breakevens have generally declined in 2024. The Eurozone breakevens have fallen sharply as French, German, Spanish and Italian inflation drops below 2% and catches up with Canadian peers.

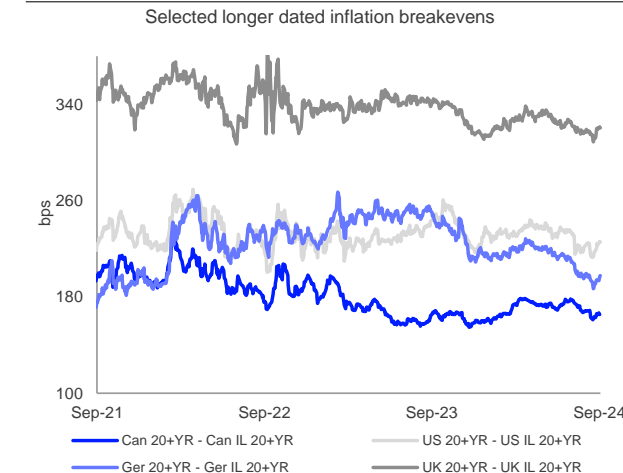
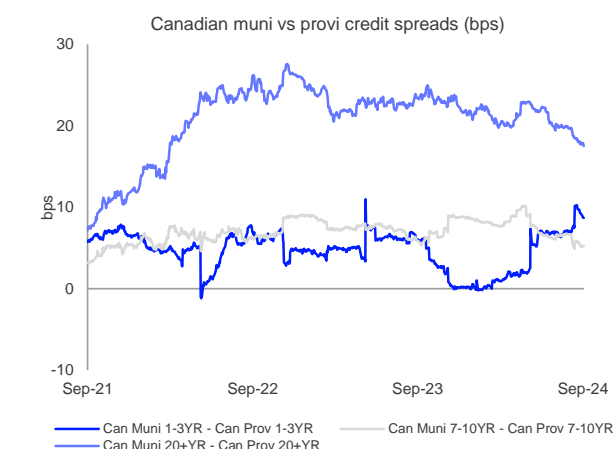


Chart 6: Municipal spreads, though generally wider than Provincial peers, have tightened back to 2022 levels in longs. But short 1-3 year muni vs provi spreads have widened the most in 2024.



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Canadian Investment Grade Credit Analysis

Chart 1: Canadian dollar investment grade corporate bonds have performed strongly, notably since 2022, with gains of 9-14% in most industries since 2019. Infrastructure returns have lagged.

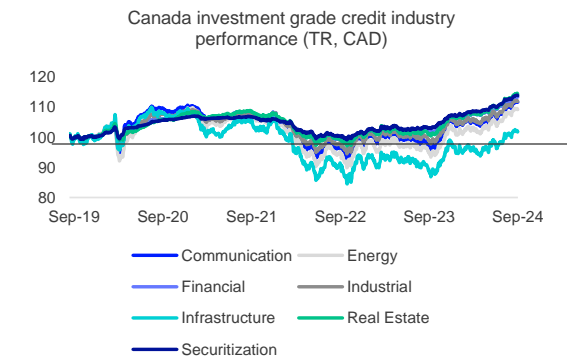


Chart 2: Financial and energy are the largest industries in the Canadian corporate universe, though rate sensitive sectors dominate with a weight of 46% (Financial, RE & Securitization).

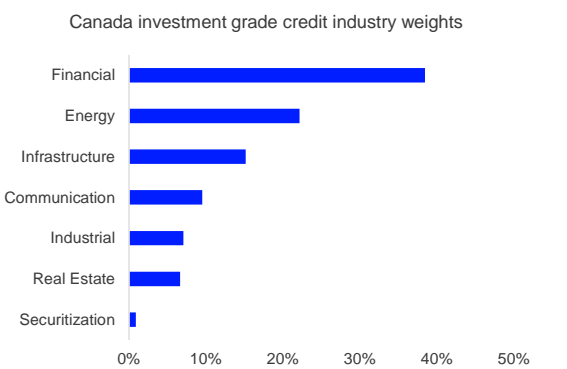


Chart 3: Canadian IG spreads have tightened across the quality spectrum, though quality differentiations can still be observed, with the highest spreads only 70bp wider than government equivalents.

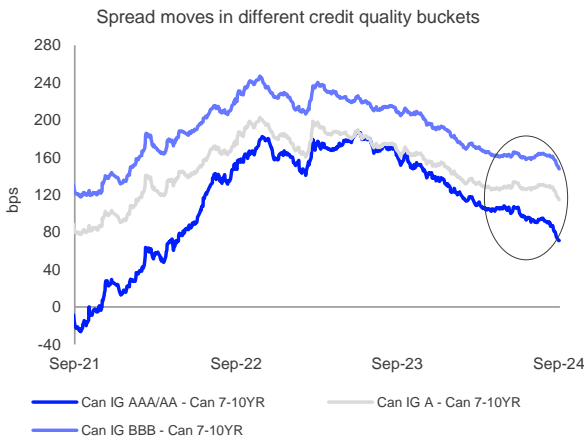


Chart 4: Infrastructure has the highest duration of nearly 10 years, compared to the much shorter durations of 3-4 years for Financials and Real Estate.

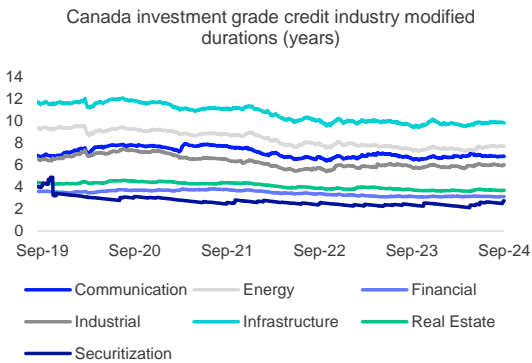


Chart 5: Canadian investment grade corporate yields have fallen sharply over the last year in line with lower rate expectations, and converged around 4%

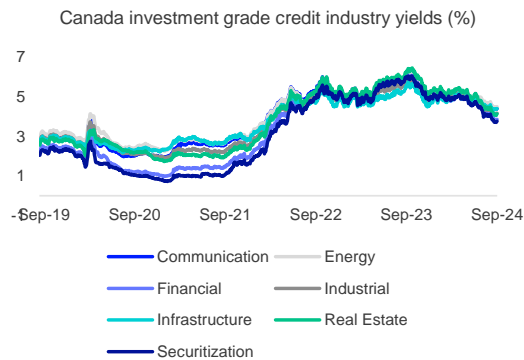
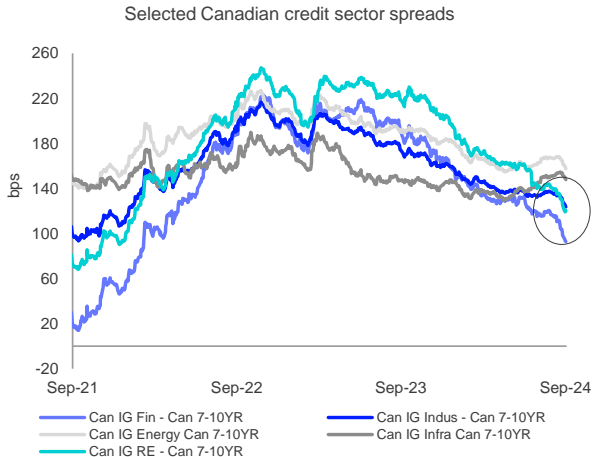


Chart 6: Canadian Financial spreads fell sharply in September, as did the other highly rate sensitive sector, Real Estate, on expectations of further rate cuts after a third BoC easing.



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Canadian High Yield Credit Analysis

Chart 1: Both US and Canadian HY and IG yields fell in September, after the Fed cut rates by 50bp and the BoC by a third 25bp, with IG spread differentials narrowing again as a result.

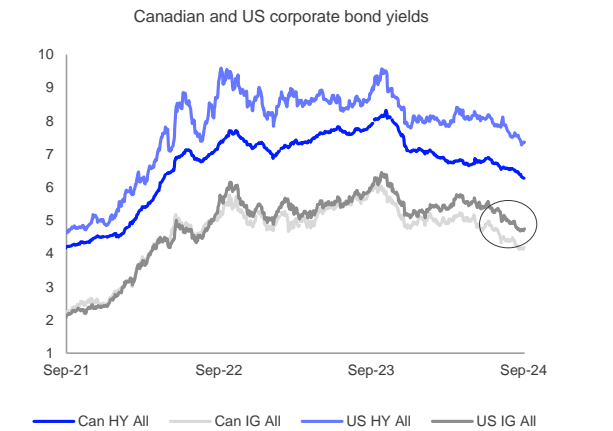


Chart 2: Canadian and US HY Spreads almost converged in September, with a spread difference of only 30bp, following the risk-on rally and central bank easing.

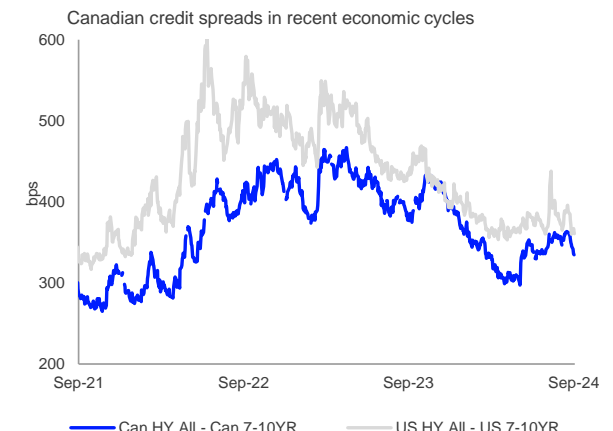


Chart 3: Since 2019, Canadian HY Financials and Energy credits have outperformed other sectors, with gains of about 38%, helped by the risk rally, relatively low defaults and lower rate expectations

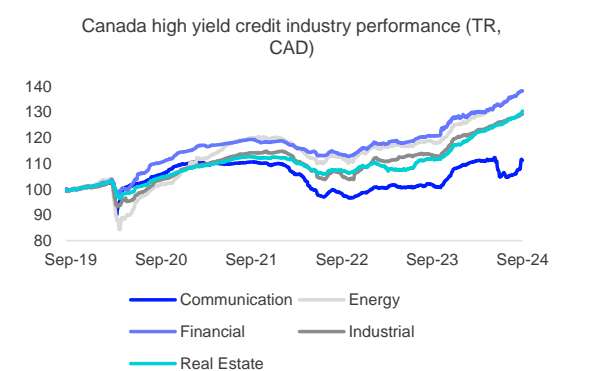


Chart 4: The weight of Energy in the Canadian HY universe has increased to 46% from 44% recently. The Financial industry represents less than 3% of the universe.

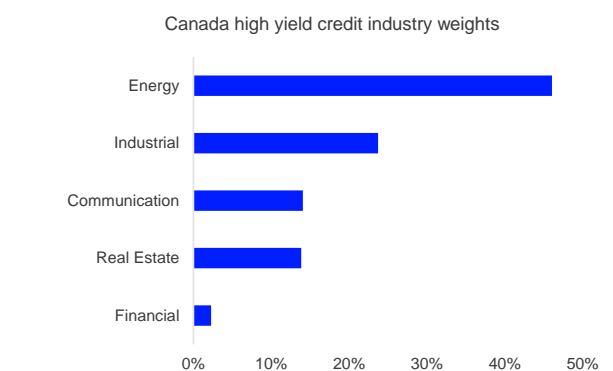


Chart 5: The Canadian HY Communication yield has fallen to around 8% from about 9%, a yield level last observed in Q2 before the Corus downgrade.

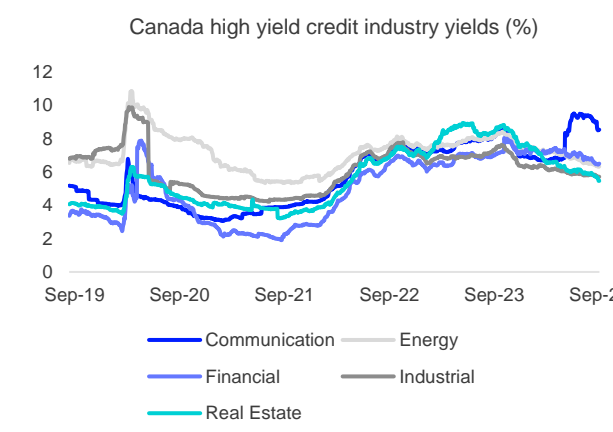
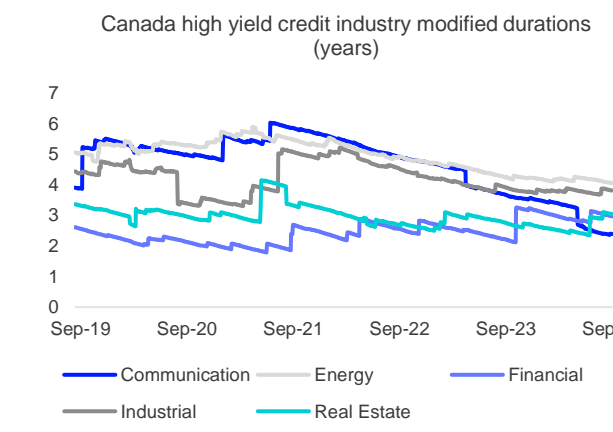


Chart 6: Canadian HY industry duration is low, at around 2-3 years, having mostly fallen since 2021. Duration for real estate has bucked the trend and ticked up modestly. At 4yrs, energy has the highest duration.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields were broadly stable in September, with bigger moves in short yields than 7-10 year, as central banks signalled rate cuts. Lower inflation rates supported the 7-10yr area.

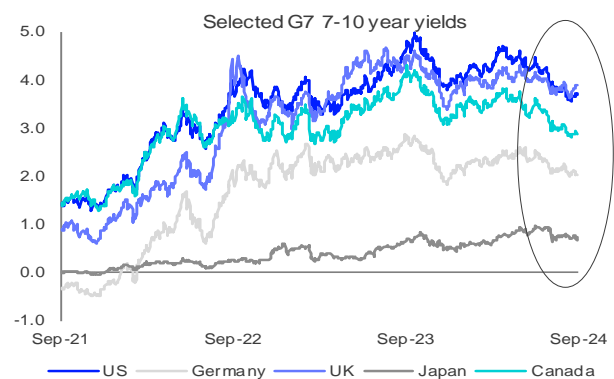


Chart 2: US Tips real yields fell most in September, and Q3, as US real growth and inflation slowed, and the Fed pivoted to ease rates. JGB real yields moved higher on fears of higher BoJ rates.

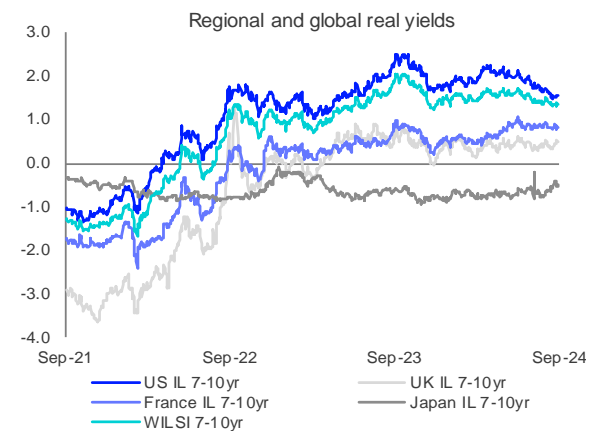


Chart 3: Yield curves generally bull steepened in Sept, as 1-3yr yields priced in more central bank policy easing, and 7-10yr yields were more stable. The JGB curve flattened on fears of higher BoJ rates.

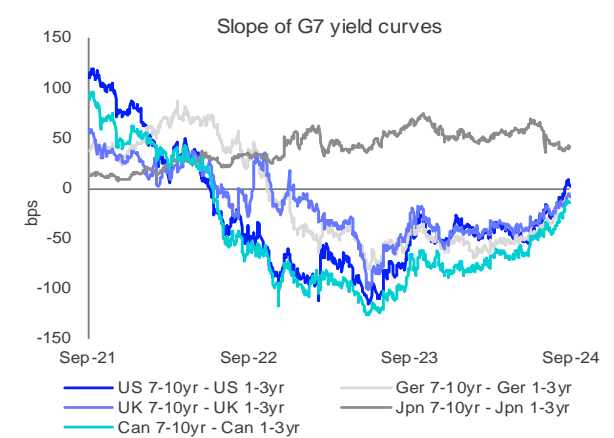


Chart 4: Long end yields also fell less than 1-3yr yields, with curves now showing positive gradients throughout the G7, led by JGBs. The Canadian curve has disinverted by about 150bp over the last 12M.

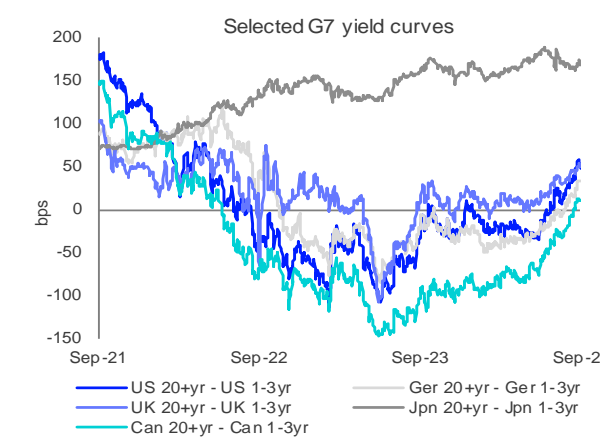


Chart 5: 7-10 year inflation breakevens have stabilised near 2% target levels, aside from the UK (although UK RPI breakevens are converging towards 3%, which is close to 2% on the CPI).

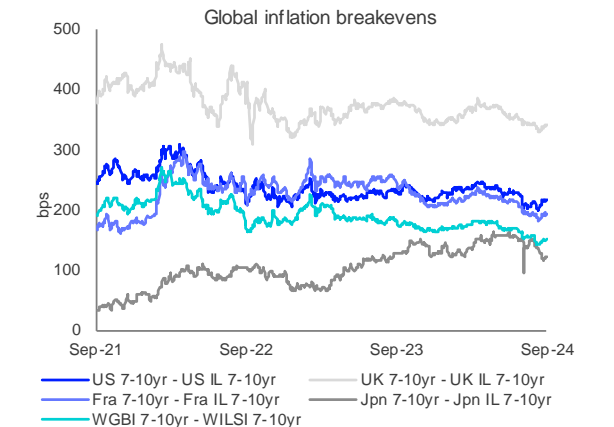
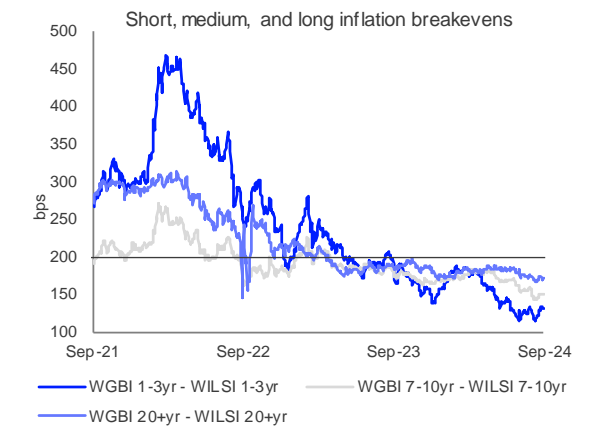


Chart 6: Short dated breakevens are now well below longer dated, reflecting a sharp drop in inflation since 2022. Fed Chairman Powell has stressed the importance of stable long run breakevens in policy easing.



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SI Sovereign Bond Analysis

Chart 1: SI sovereign performance was mixed in Q3, as ESG WGBI and Climate Risk-Adjusted WGBI outperformed. Advanced Climate Risk-Adjusted WGBI and ESG EMGBIC underperformed their non-SI peers.

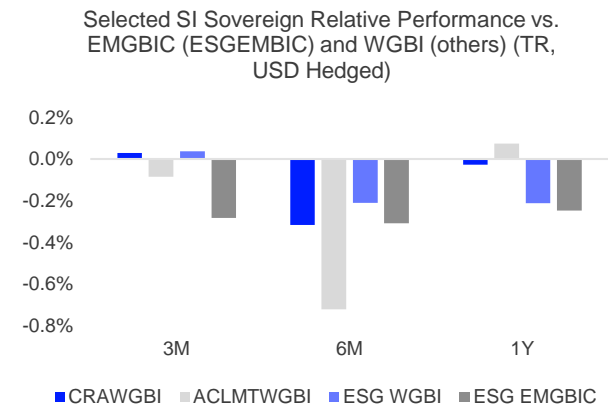


Chart 2: SI corporates largely underperformed in Q3, except PAB (Paris aligned benchmark) which was flat vs WBIG over 3M. Green Corp was the largest underperformer in Q3, registering a -1.0% relative return.

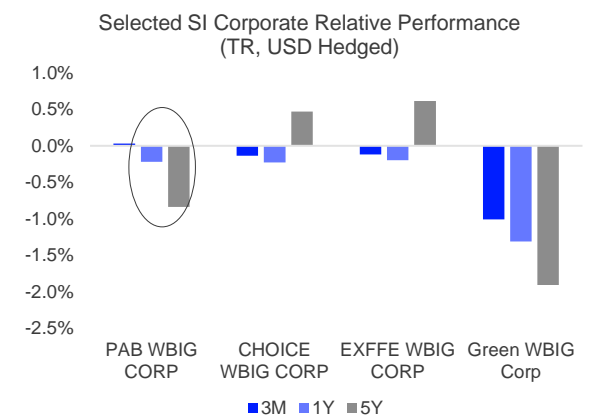


Chart 3: Since 2022, duration has been the main factor driving relative performance for SI Sovereigns. However, with lower rates, relative performance has begun to stabilise, notably for ESG EMGBIC.

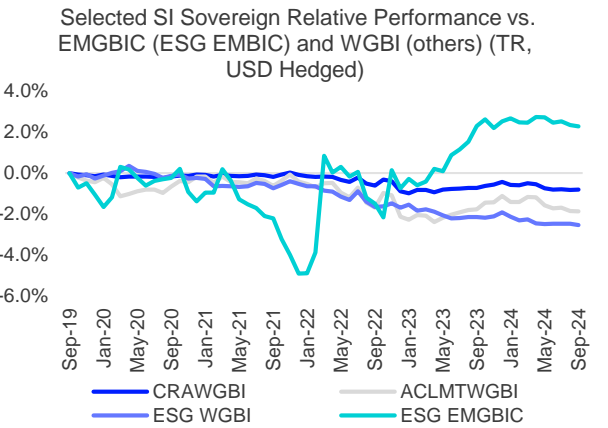


Chart 4: Duration largely explains divergent relative performance between Choice/ExFFE and PAB. For Green Corp, higher active weights at the industry-level have led to more volatile relative performance.

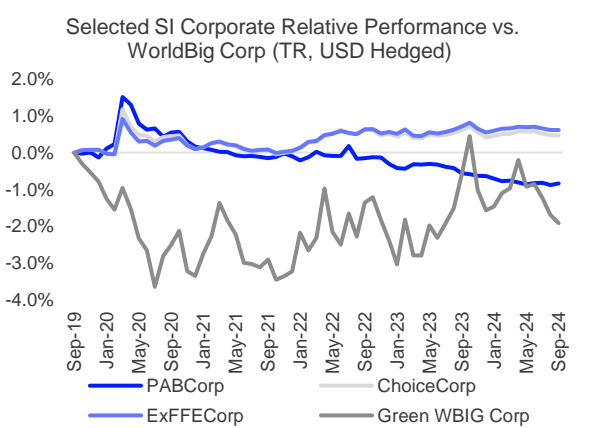


Chart 5: EMGBIC has benefited from lower yield vs EMGBIC. This trend reflects an overweight in countries more advanced in their rate easing cycle but has begun to slow as other central banks catch-up.

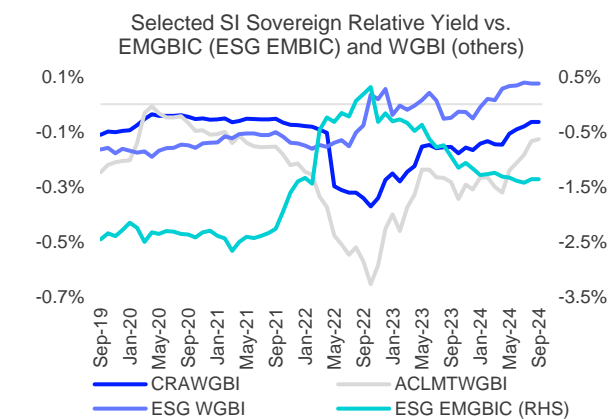
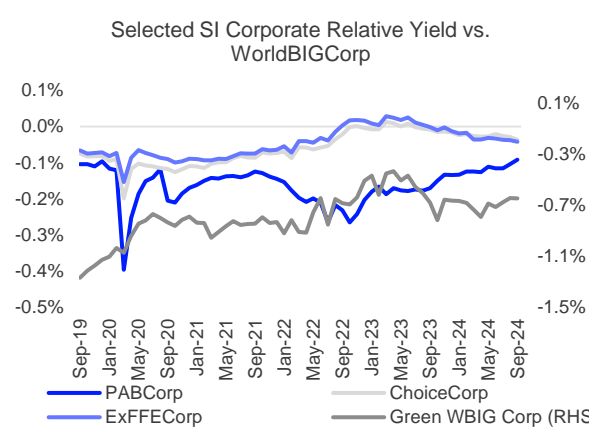


Chart 6: Most SI corporates yields are higher vs non-SI indices over 5yrs, suggesting a slow erosion in the SI-premium in the longer term. But yields have fallen more recently for Green Corp, ExFFE and Choice.



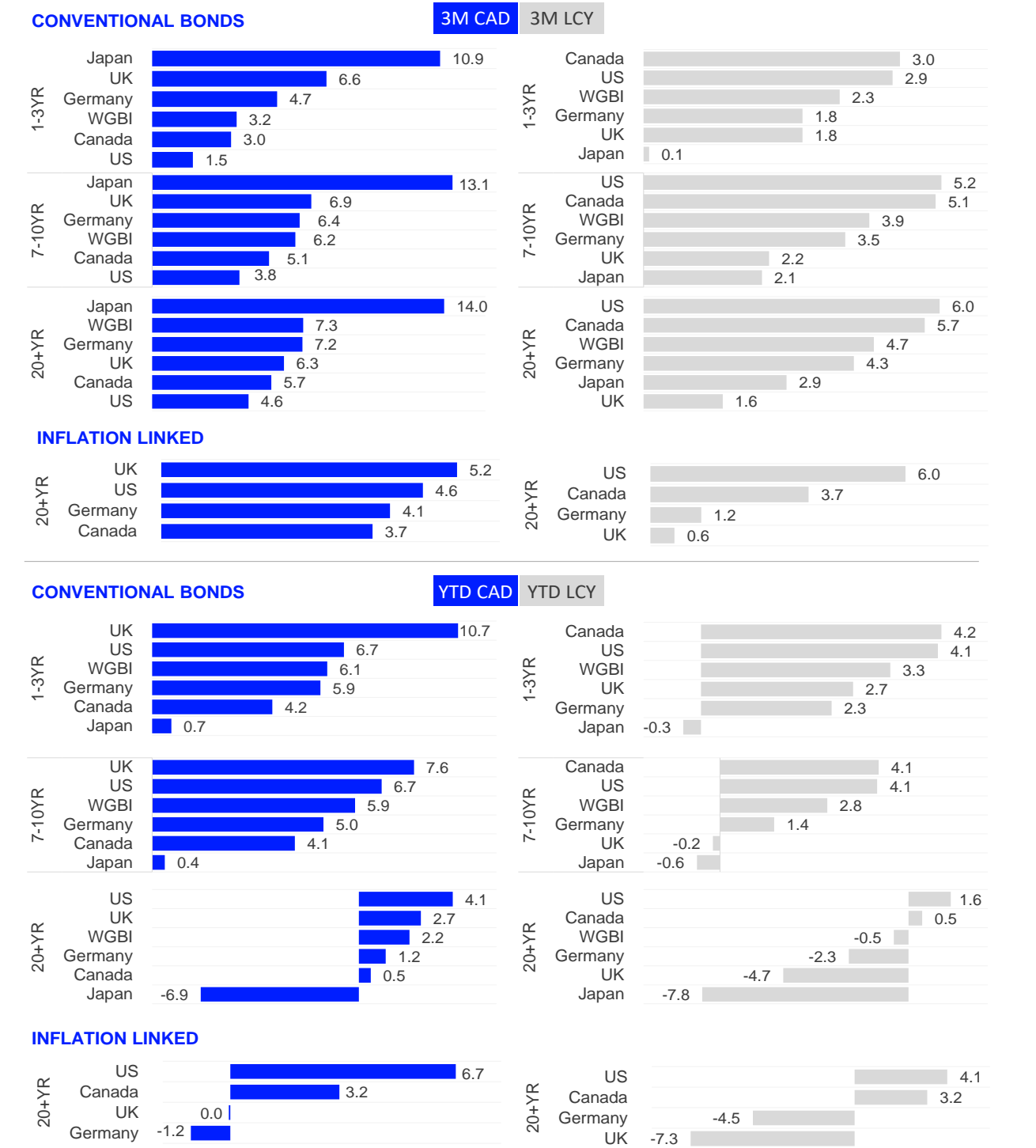
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Global Bond Market Returns – 1M & YTD % (CAD, LC, TR)

The appreciation of JPY vs CAD propelled JGBs to the top of the performance table in Q3, though sterling and euro strength helped the performance of gilts and Bunds. US Treasury returns were eroded by a weak USD in Canadian dollars.

JGB returns benefited from the yen appreciation (11%) vs the Canadian dollar in Q3, turning modest returns into top performance. Therefore, JGBs returns ranged from 11-14% in Canadian dollars, compared to only 3-6% in local currency terms. In Europe, returns for both gilts and Bunds were also boosted by sterling and euro strength. In contrast, the performance of US Treasuries, which outperformed after the Fed eased by 50bp in September, was eroded by US dollar weakness (see page 17).

YTD, the strength of sterling (+8%) helped lift gilt returns up to 11% in Canadian dollars, notably in shorts, which benefited from policy easing and curve steepening. Long Canadian conventional returns were flat, but long real return bonds gained 3%.



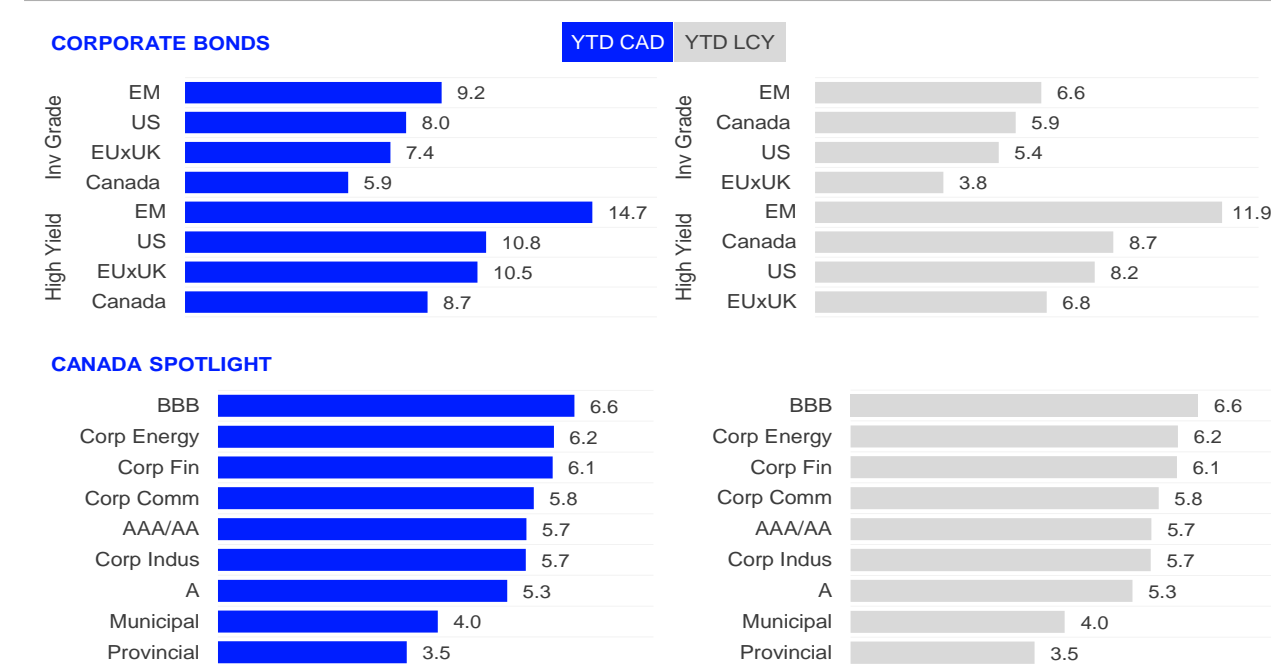
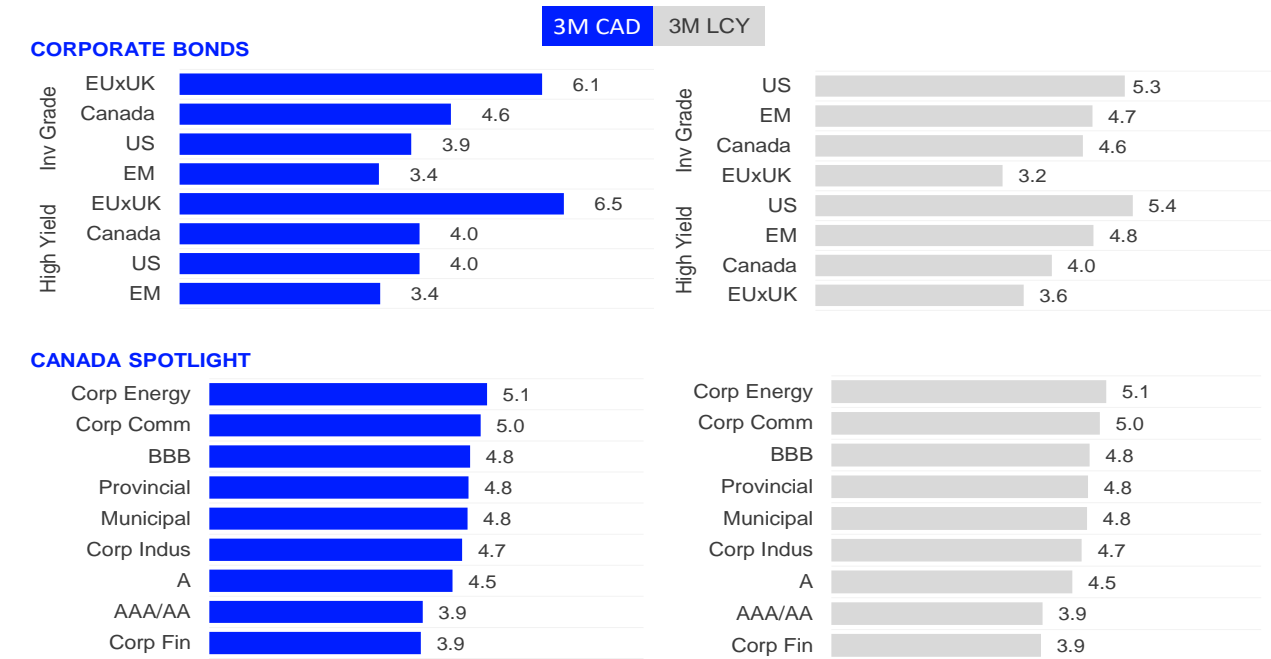
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Canadian and Corporate Bond Returns – 1M & YTD % (CAD, LC, TR)

Credits have extended their strong YTD performance in Q3, with IG corporates benefiting from lower inflation and rates and, the HY sector gaining from the equity rally. Both Canadian munis and provis gained about 5%. YTD, HY credits have remained the best performers, notably EM HY, up 15% in CAD. Canadian HY bonds gained 9%.

Corporate bonds rallied again in Q3, with both Euro ex UK HY and IG credits outperforming peers as euro strength boosted performance. Both Canadian HY and IG credits were up by about 5%. Lower rated Canadian credits marginally outperformed AAA/AA corporates. Currency movements boosted EM returns for Canadian-based investors.

Year to date, high yield credits have outperformed IG credits, up 9-15%, with EM HY and IG outperforming in both local currency and Canadian dollar terms. Q3 performance lifted munis and provi returns, up around 4% since January.



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

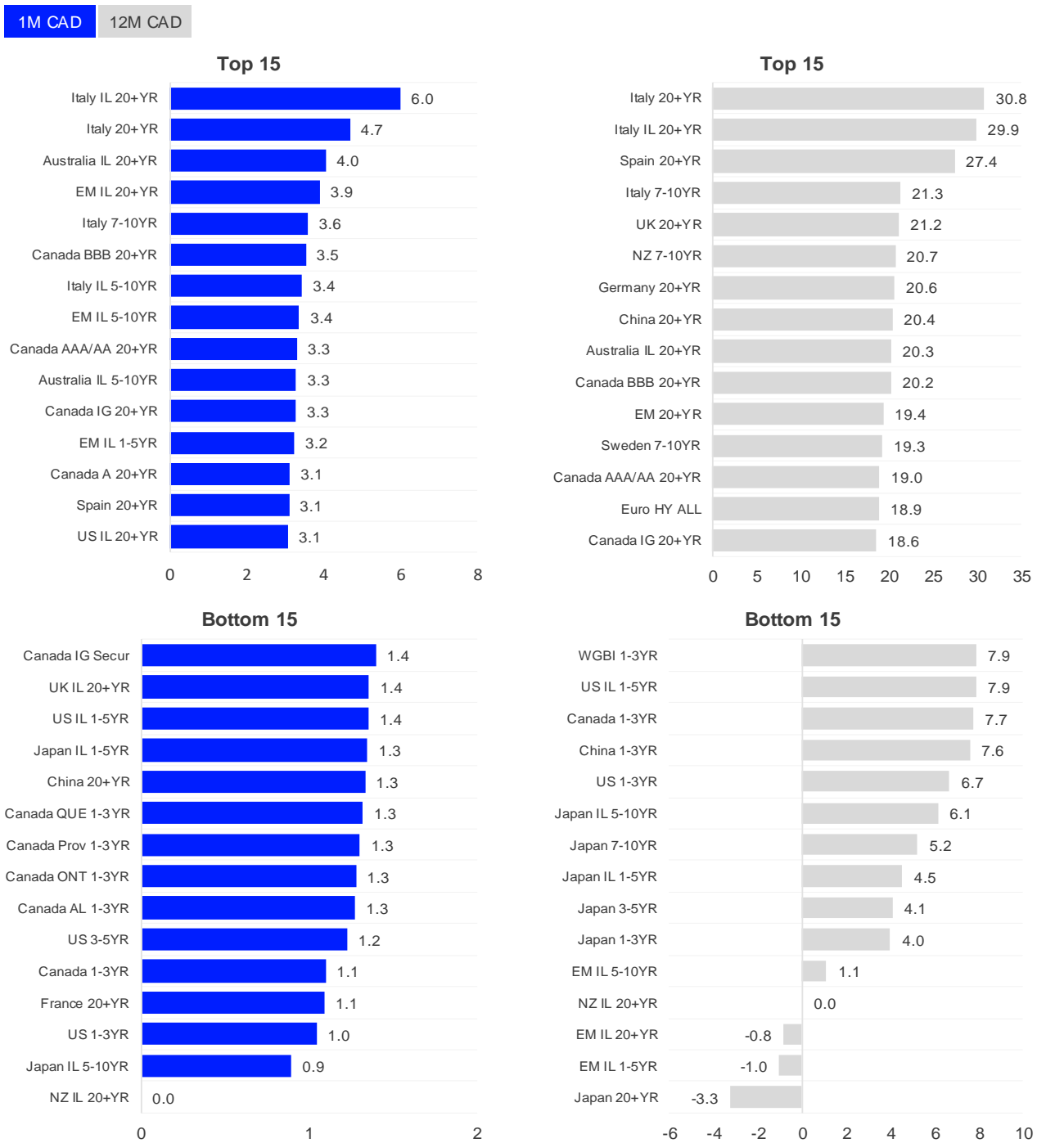
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Top and Bottom Bond Returns – 1M & 12M % (CAD, TR)

Italian government bonds outperformed in September, especially longs, followed by long Australian bonds and EM. Long Canadian BBB corporates outperformed over 1M and 12M, with the 4% return in September extending 12-month gains of 20%. Short Canadian governments and provinces underperformed.

Italian BTPs were beneficiaries of the risk rally in 2024 over 1M and 12M, with gains in Canadian dollar terms of 3-6%, and 21-31% respectively. Stronger growth, falling inflation and rates, and a lower budget deficit also drove long Spanish Bonos gains in September. Underperformance came from shorter Canadian, US and Japanese government bonds, up by about 1% over 1M.

Duration is becoming the investor's friend again, as central banks ease rates, so the best 12M performers were mainly long government bonds, in Canadian dollars. Lower ECB and Riksbank rates boosted Bunds and Swedish government bonds over 12M.



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Appendix – Canadian Bond Market Returns % (CAD vs USD, TR) – Sept 30, 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	2.98	4.54	4.08	4.45	4.19	1.88	7.75	8.03
	7-10YR	5.09	6.69	5.82	6.20	4.15	1.84	12.50	12.80
	20+YR	5.72	7.32	6.02	6.40	0.52	-1.71	16.86	17.17
Inflation-Linked	20+YR	3.74	5.32	5.17	5.54	3.22	0.93	14.40	14.71
Corporate	1-3YR	3.81	5.39	5.24	5.62	6.15	3.80	11.22	11.51
	7-10YR	5.53	7.13	6.89	7.27	7.09	4.72	16.37	16.68
	20+YR	5.57	7.17	6.27	6.65	4.39	2.08	18.59	18.91
AAA/AA	1-3YR	3.75	5.33	5.02	5.40	5.77	3.43	10.80	11.09
	7-10YR	5.15	6.75	6.50	6.88	6.87	4.50	15.34	15.65
	20+YR	5.16	6.76	5.28	5.66	1.56	-0.69	18.96	19.28
	All	3.93	5.51	5.15	5.52	5.67	3.33	11.54	11.83
A	1-3YR	3.73	5.30	5.10	5.47	5.98	3.64	10.90	11.19
	7-10YR	5.42	7.03	6.57	6.95	6.40	4.05	15.29	15.59
	20+YR	5.50	7.11	5.78	6.16	3.49	1.20	17.43	17.74
	All	4.48	6.07	5.50	5.88	5.31	2.98	13.34	13.64
BBB	1-3YR	3.95	5.53	5.51	5.88	6.50	4.14	11.78	12.08
	7-10YR	5.59	7.20	7.05	7.43	7.43	5.05	16.96	17.26
	20+YR	5.69	7.29	7.01	7.39	5.79	3.44	20.24	20.56
	All	4.81	6.40	6.27	6.65	6.55	4.19	15.10	15.40
Sectors	Comm	5.00	6.59	6.01	6.39	5.80	3.46	15.77	16.08
	Energy	5.12	6.71	6.41	6.79	6.17	3.82	16.07	16.37
	Fin	3.90	5.48	5.28	5.65	6.15	3.80	11.75	12.04
	Indus	4.66	6.25	5.89	6.26	5.66	3.32	13.78	14.08
	Infra	5.25	6.85	5.97	6.35	4.37	2.06	15.97	16.28
	RE	4.49	6.08	6.08	6.46	7.10	4.72	13.53	13.83
	Secur	3.64	5.22	5.02	5.39	6.19	3.84	10.63	10.92
Provinces (All)	1-3YR	3.52	5.10	4.75	5.13	4.83	2.51	9.15	9.44
	7-10YR	5.32	6.92	6.42	6.80	5.15	2.82	13.86	14.16
	20+YR	5.01	6.61	5.85	6.22	1.65	-0.60	16.94	17.25
	All	4.78	6.37	5.81	6.19	3.47	1.18	14.25	14.55
Ontario	1-3YR	3.52	5.10	4.79	5.16	4.92	2.59	9.17	9.46
	7-10YR	5.34	6.94	6.46	6.83	5.24	2.91	13.92	14.22
	20+YR	5.10	6.70	5.90	6.28	1.86	-0.39	17.24	17.55
	All	4.77	6.36	5.80	6.18	3.67	1.38	14.12	14.42
Alberta	1-3YR	3.54	5.12	4.82	5.19	4.88	2.56	9.03	9.32
	7-10YR	5.25	6.85	6.42	6.80	5.20	2.87	13.64	13.94
	20+YR	4.63	6.22	6.21	6.59	1.79	-0.46	17.35	17.66
	All	4.55	6.14	5.93	6.31	3.72	1.43	14.11	14.41
Quebec	1-3YR	3.38	4.96	4.59	4.96	4.54	2.22	9.17	9.45
	7-10YR	5.27	6.87	6.34	6.72	4.95	2.63	13.94	14.24
	20+YR	4.95	6.55	5.59	5.97	1.17	-1.07	16.44	16.74
	All	4.79	6.38	5.71	6.08	2.98	0.70	14.39	14.69
BC	1-3YR	3.90	5.48	4.80	5.18	4.93	2.60	8.64	8.93
	7-10YR	5.46	7.06	6.39	6.77	5.09	2.77	13.57	13.87
	20+YR	5.10	6.70	5.57	5.94	1.17	-1.07	16.45	16.76
	All	5.06	6.66	5.83	6.21	3.32	1.03	14.33	14.63

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 September 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 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.
FTSE Russell | Fixed Income Insight Report - October 2024

Appendix – Global Bond Market Returns % (CAD vs LC, TR) – Sept 30, 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	0.80	1.04	2.89	1.54	4.13	6.68	6.75	6.67
	7-10YR	1.33	1.57	5.19	3.81	4.11	6.66	10.96	10.88
	20+YR	1.88	2.12	6.02	4.62	1.60	4.10	15.18	15.09
	IG All	1.72	1.96	5.29	3.91	5.38	7.97	14.15	14.06
	HY All	1.69	1.93	5.43	4.05	8.19	10.85	15.70	15.61
UK	1-3YR	0.50	2.82	1.85	6.58	2.65	10.66	5.28	15.61
	7-10YR	0.30	2.62	2.19	6.94	-0.19	7.60	7.79	18.37
	20+YR	-0.83	1.46	1.61	6.33	-4.73	2.70	10.33	21.16
EUR	IG All	1.23	2.31	3.20	6.11	3.76	7.40	9.55	15.39
	HY All	1.01	2.08	3.56	6.48	6.79	10.54	12.87	18.88
Japan	1-3YR	0.02	2.06	0.06	10.87	-0.31	0.67	-0.24	3.99
	7-10YR	0.30	2.34	2.06	13.08	-0.60	0.37	0.94	5.23
	20+YR	0.36	2.41	2.91	14.02	-7.79	-6.88	-7.20	-3.26
China	1-3YR	0.16	1.43	0.67	2.92	2.68	6.34	3.42	7.58
	7-10YR	0.14	1.40	1.14	3.40	5.16	8.91	6.93	11.23
	20+YR	0.06	1.33	2.39	4.68	11.77	15.75	15.76	20.42
EM	1-3YR	0.38	1.84	1.29	3.62	3.51	6.18	4.73	8.20
	7-10YR	0.73	2.24	2.83	5.65	5.06	8.20	8.95	12.60
	20+YR	0.71	2.27	3.72	6.23	10.56	14.02	15.40	19.37
	IG All	1.39	1.63	4.74	3.36	6.63	9.24	13.26	13.18
	HY All	1.47	1.71	4.76	3.38	11.93	14.67	17.62	17.53
Germany	1-3YR	0.73	1.81	1.85	4.72	2.28	5.87	4.33	9.89
	7-10YR	1.46	2.54	3.51	6.43	1.42	4.98	8.42	14.19
	20+YR	1.63	2.71	4.27	7.21	-2.25	1.18	14.54	20.64
Italy	1-3YR	0.89	1.96	2.43	5.32	3.05	6.67	5.85	11.49
	7-10YR	2.50	3.59	5.99	8.97	5.51	9.22	15.18	21.32
	20+YR	3.57	4.68	8.64	11.70	7.04	10.79	24.19	30.81
Spain	1-3YR	0.75	1.83	2.17	5.05	2.82	6.43	5.16	10.77
	7-10YR	1.62	2.70	4.53	7.48	3.51	7.14	11.99	17.96
	20+YR	2.01	3.10	6.32	9.31	3.44	7.07	20.98	27.43
France	1-3YR	0.74	1.82	2.16	5.04	2.12	5.71	4.53	10.10
	7-10YR	0.90	1.98	3.76	6.68	0.00	3.51	7.55	13.29
	20+YR	0.02	1.09	3.81	6.73	-5.81	-2.51	11.41	17.35
Sweden	1-3YR	0.54	1.81	2.17	5.48	3.56	5.49	5.78	13.28
	7-10YR	0.81	2.08	2.78	6.11	2.48	4.39	11.37	19.27
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1-3YR	0.37	2.87	2.23	5.11	3.04	7.34	4.94	12.71
	7-10YR	0.36	2.86	4.62	7.57	3.32	7.62	8.74	16.79
	20+YR	-0.74	1.73	4.63	7.58	-1.06	3.06	9.62	17.74
NZ	1-3YR	0.77	2.72	3.33	6.47	5.23	8.33	8.50	14.80
	7-10YR	0.63	2.58	4.51	7.67	4.49	7.58	14.10	20.73
Canada	1-3YR	1.10	1.10	2.98	2.98	4.19	4.19	7.75	7.75
	7-10YR	1.84	1.84	5.09	5.09	4.15	4.15	12.50	12.50
	20+YR	2.75	2.75	5.72	5.72	0.52	0.52	16.86	16.86

Source: FTSE Russell and LSEG. All data as of September 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 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 – Global Bond Market Returns % (CAD vs LC, TR) – Sept 30, 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	1.11	1.35	2.88	1.53	4.97	7.55	7.94	7.86
	5-10YR	1.56	1.80	4.37	2.99	5.21	7.79	10.78	10.70
	20+YR	2.82	3.07	6.03	4.64	4.10	6.66	14.91	14.82
UK	1-5YR	0.26	2.57	1.34	6.05	1.56	9.48	4.88	15.17
	5-10YR	0.10	2.40	1.31	6.02	-0.04	7.76	4.91	15.20
	20+YR	-0.93	1.36	0.57	5.24	-7.28	-0.04	6.97	17.47
EUxUK	1-5YR	0.41	1.48	1.18	4.03	1.68	5.25	2.76	8.23
	5-10YR	1.05	2.13	1.54	4.40	0.53	4.06	3.69	9.21
	20+YR	1.94	3.03	1.20	4.06	-4.52	-1.16	4.68	10.26
Japan	1-5YR	-0.67	1.35	-0.18	10.60	-0.33	0.64	0.28	4.53
	5-10YR	-1.12	0.89	-0.22	10.55	0.10	1.08	1.82	6.14
EM	1-5YR	0.85	3.24	3.24	1.00	6.87	-2.61	9.66	-1.04
	5-10YR	0.97	3.37	4.32	2.87	3.66	-3.37	8.98	1.11
	20+YR	1.06	3.89	4.28	2.64	-2.26	-10.06	7.34	-0.84
Germany	1-5YR	0.41	1.48	1.18	4.03	1.68	5.25	2.76	8.23
	5-10YR	1.05	2.13	1.54	4.40	0.53	4.06	3.69	9.21
	20+YR	1.94	3.03	1.20	4.06	-4.52	-1.16	4.68	10.26
Italy	1-5YR	1.07	2.15	2.70	5.59	3.07	6.69	6.47	12.14
	5-10YR	2.34	3.43	4.68	7.63	4.92	8.60	12.17	18.15
	20+YR	4.87	5.99	7.63	10.66	5.25	8.94	23.32	29.89
Spain	1-5YR	0.70	1.77	2.01	4.88	2.13	5.72	4.16	9.71
	5-10YR	1.42	2.50	2.93	5.83	3.05	6.66	7.86	13.61
France	1-5YR	0.57	1.64	1.69	4.55	0.62	4.15	2.57	8.04
	5-10YR	0.71	1.78	2.01	4.88	-0.92	2.56	3.00	8.49
	20+YR	0.74	1.81	1.28	4.14	-9.62	-6.45	3.08	8.57
Sweden	1-5YR	0.37	1.64	1.25	4.53	2.43	4.33	4.68	12.11
	5-10YR	0.77	2.04	2.00	5.31	2.51	4.42	8.06	15.73
Australia	1-5YR	0.41	2.91	2.41	5.30	2.74	7.02	5.49	13.31
	5-10YR	0.78	3.29	4.19	7.12	2.51	6.78	7.96	15.95
	20+YR	1.52	4.05	7.13	10.15	-4.48	-0.50	11.96	20.26
NZ	5-10YR	0.41	2.35	1.92	5.01	4.27	7.36	11.36	17.83
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	2.00	2.00	3.74	3.74	3.22	3.22	14.40	14.40

Appendix – Canadian Historical Bond Yields % as of September 30, 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	2.88	2.86	3.10	
	3M Ago	3.87	3.49	3.42	
	6M Ago	4.01	3.44	3.38	
	12M Ago	4.70	4.07	3.88	
IL	Current			1.45	
	3M Ago			1.71	
	6M Ago			1.65	
	12M Ago			2.22	
Provincial	Current	2.99	3.38	4.08	3.65
	3M Ago	3.96	4.03	4.39	4.19
	6M Ago	4.15	4.00	4.34	4.20
	12M Ago	4.87	4.72	4.90	4.84
Ontario	Current	2.99	3.37	4.05	3.61
	3M Ago	3.95	4.05	4.37	4.17
	6M Ago	4.15	3.99	4.32	4.18
	12M Ago	4.88	4.73	4.90	4.85
Quebec	Current	2.99	3.40	4.07	3.68
	3M Ago	4.00	4.01	4.37	4.20
	6M Ago	4.10	3.99	4.32	4.18
	12M Ago	4.80	4.71	4.86	4.81
Alberta	Current	2.98	3.24	4.12	3.56
	3M Ago	3.91	3.95	4.38	4.13
	6M Ago	4.14	3.96	4.37	4.18
	12M Ago	4.89	4.68	4.89	4.82
BC	Current	2.98	3.39	4.09	3.67
	3M Ago	3.87	4.07	4.39	4.20
	6M Ago	4.21	4.00	4.32	4.19
	12M Ago	4.93	4.69	4.88	4.82
Municipal	Current	3.08	3.43	4.26	3.72
	3M Ago	4.03	4.10	4.61	4.32
	6M Ago	4.15	4.07	4.55	4.31
	12M Ago	4.93	4.78	5.14	4.98
Corporate	Current	3.76	4.22	4.76	4.10
	3M Ago	4.76	4.96	5.15	4.90
	6M Ago	4.86	4.92	5.07	4.92
	12M Ago	5.94	5.91	5.78	5.90
High Yield	Current				6.24
	3M Ago				6.87
	6M Ago				6.73
	12M Ago				7.93

		1-5YR	5-10YR	20+YR	All Mat
AAA/AA	Current	3.48	3.92	4.38	3.56
	3M Ago	4.47	4.59	4.66	4.49
	6M Ago	4.58	4.48	4.56	4.56
	12M Ago	5.66	5.65	5.21	5.65
A	Current	3.67	3.95	4.58	4.00
	3M Ago	4.69	4.69	4.97	4.78
	6M Ago	4.77	4.66	4.84	4.78
	12M Ago	5.85	5.61	5.49	5.72
BBB	Current	3.97	4.36	5.06	4.33
	3M Ago	2.34	2.04	2.28	5.11
	6M Ago	2.08	1.86	2.12	5.15
	12M Ago	2.75	2.30	2.39	6.15
Comm	Current	4.23	5.14	3.94	4.32
	3M Ago	4.93	5.47	4.91	5.02
	6M Ago	4.85	5.41	5.06	4.98
	12M Ago	5.94	6.24	6.07	5.97
Energy	Current	3.94	4.34	4.82	4.42
	3M Ago	4.91	5.06	5.23	5.09
	6M Ago	5.06	5.06	5.16	5.10
	12M Ago	6.07	6.01	5.91	5.99
Financial	Current	3.72	4.13	4.71	3.78
	3M Ago	4.73	4.91	5.03	4.75
	6M Ago	4.81	4.86	4.97	4.82
	12M Ago	5.93	6.01	5.75	5.93
Industrial	Current	3.70	4.19	4.79	4.08
	3M Ago	4.66	4.86	5.19	4.84
	6M Ago	4.84	4.83	5.13	4.91
	12M Ago	5.81	5.72	5.81	5.79
Infrastructure	Current	3.48	3.97	4.59	4.33
	3M Ago	4.42	4.71	4.99	4.87
	6M Ago	4.58	4.64	4.91	4.81
	12M Ago	5.51	5.53	5.55	5.54
Securitization	Current	3.66			3.68
	3M Ago	4.66			4.66
	6M Ago	4.86			4.86
	12M Ago	5.90			5.91

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

Global Bond Yields

Top 15% Bottom 15%

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

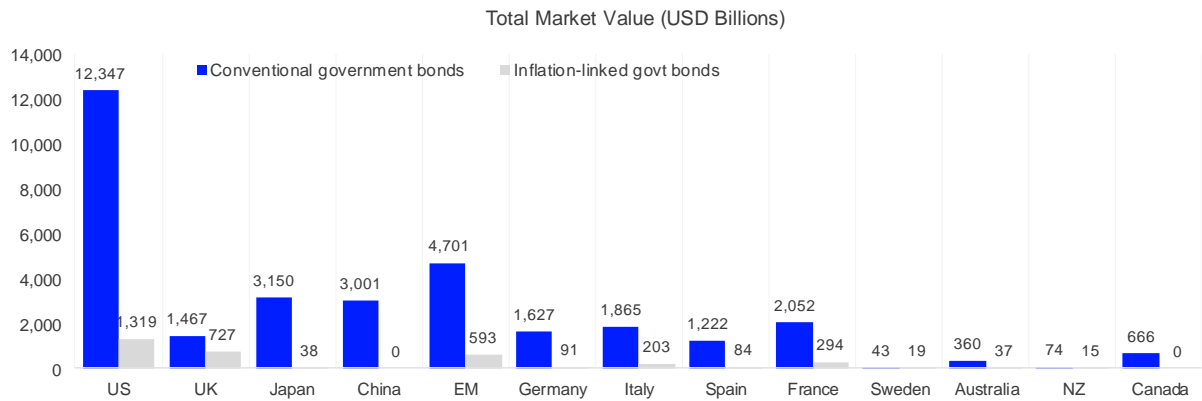
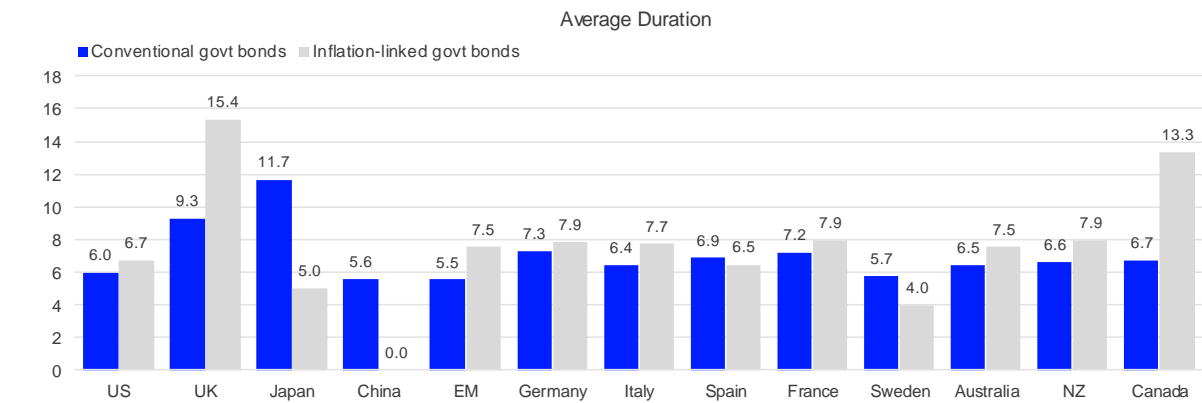
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	3.73	3.58	3.74	4.21	1.59	1.51	1.94	4.76	7.30
	3M Ago	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	6M Ago	4.73	4.32	4.21	4.43	2.08	1.86	2.12	5.35	7.83
	12M Ago	5.16	4.71	4.59	4.82	2.72	2.29	2.37	6.06	8.93
UK	Current	4.01	3.78	3.92	4.51	0.31	0.44	1.31		
	3M Ago	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	6M Ago	4.31	3.88	3.85	4.35	0.08	0.14	1.07		
	12M Ago	4.73	4.52	4.48	4.93	0.73	0.71	1.51		
Japan	Current	0.32	0.44	0.74	2.02	-0.96	-0.53			
	3M Ago	0.27	0.48	0.91	2.10	-1.32	-0.79			
	6M Ago	0.12	0.27	0.60	1.70	-1.43	-0.84			
	12M Ago	0.01	0.22	0.66	1.67	-1.51	-0.72			
China	Current	1.54	1.78	2.15	2.38					
	3M Ago	1.64	1.86	2.21	2.46					
	6M Ago	1.90	2.13	2.38	2.62					
	12M Ago	2.24	2.47	2.69	3.05					
EM	Current	3.07	3.46	4.01	3.70	5.81	5.15	5.61	4.93	7.51
	3M Ago	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	6M Ago	3.30	3.91	4.60	3.90	4.92	4.70	5.38	5.68	8.89
	12M Ago	3.58	4.50	5.02	4.53	3.71	4.47	5.43	6.45	11.13
Germany	Current	2.09	1.88	2.04	2.44	1.24	0.33	0.45		
	3M Ago	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	6M Ago	2.89	2.38	2.23	2.43	0.78	0.24	0.26		
	12M Ago	3.21	2.69	2.73	3.07	0.84	0.45	0.68		
Italy	Current	2.47	2.57	3.18	3.94	1.10	1.35	1.80		
	3M Ago	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	6M Ago	3.27	3.12	3.44	4.05	1.00	1.39	1.70		
	12M Ago	3.94	3.77	4.30	4.92	1.74	2.24	2.42		
France	Current	2.34	2.39	2.75	3.43	0.81	0.75	1.13		
	3M Ago	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	6M Ago	2.98	2.65	2.70	3.18	0.57	0.42	0.73		
	12M Ago	3.33	2.93	3.05	3.60	0.99	0.77	1.07		
Sweden	Current	1.68	1.66	1.90		0.88	0.47			
	3M Ago	2.42	2.23	2.19		1.41	0.74			
	6M Ago	2.93	2.40	2.33		1.55	0.88			
	12M Ago	3.50	2.88	2.74		1.39	1.25			
Australia	Current	3.62	3.54	3.91	4.56	1.31	1.45	2.00		
	3M Ago	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	6M Ago	3.75	3.61	3.92	4.36	1.11	1.37	1.78		
	12M Ago	4.14	4.16	4.45	4.85	1.28	1.77	2.24		
NZ	Current	3.75	3.74	4.20	4.87	2.65	2.20			
	3M Ago	4.78	4.56	4.65	5.00	2.51	2.33			
	6M Ago	4.91	4.41	4.53	4.91	1.87	2.29			
	12M Ago	5.63	4.92	5.00	5.18	1.97	2.65			
Canada	Current	2.88		2.86	3.10			1.45	4.10	6.24
	3M Ago	3.87		3.49	3.42			1.71	4.90	6.87
	6M Ago	4.01		3.44	3.38			1.65	4.92	6.73
	12M Ago	4.70		4.07	3.88			2.22	5.90	7.93

Source: FTSE Russell and LSEG. All data as of September 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 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) – September 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	16.9	6.0	2,913.4	1,202.0	1,471.4	12,347.4	7.1	21.5	6.7	416.1	128.0	1319.4
UK	3.7	7.2	18.3	9.3	196.6	228.8	359.1	1,466.6	7.6	27.1	15.4	129.9	248.5	726.8
Japan	3.9	8.2	23.2	11.7	376.3	434.4	648.8	3,150.0	8.0		5.0	15.4		37.6
China	3.7	7.6	18.0	5.6	656.1	483.7	329.1	3,000.9						
EM	3.6	7.1	16.4	5.5	977.44	794.31	438.40	4,700.8	6.0	13.3	7.5	99.7	156.5	593.0
Germany	3.7	7.8	21.4	7.3	350.75	241.78	177.21	1,627.0	6.3	20.8	7.9	45.9	18.9	91.4
Italy	3.6	7.3	16.5	6.4	345.20	292.80	176.15	1,865.1	7.2	25.4	7.7	61.5	6.0	202.7
Spain	3.7	7.2	17.5	6.9	255.58	225.48	126.31	1,222.2	7.3		6.5	52.3		83.6
France	3.7	7.4	19.4	7.2	461.05	355.10	248.24	2,052.1	6.6	23.8	7.9	78.5	22.3	293.7
Sweden	3.5	7.6		5.7	7.18	10.59		43.2	6.4		4.0	6.2		19.3
Australia	3.6	7.3	16.7	6.5	53.73	106.98	21.63	360.4	6.3	21.6	7.5	11.4	3.1	37.1
NZ	3.8	7.2	15.9	6.6	14.50	19.08	5.70	74.4	5.4		7.9	3.5		15.2
Canada		6.9	17.5	6.7		234.83	119.13	665.6		13.3	13.3		69.1	

Investment grade bonds										High Yield		
Duration						Market Value				Duration	MktVal	
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.5	8.6	7.3	6.7	7.1	79.6	474.7	2,894.0	3,701.9	7,150.1	3.8	1,258.2
Euro	6.1	4.9	4.6	4.2	4.4	16.0	229.6	1,297.3	1,643.4	3,186.3	3.1	360.0
EM		6.8	5.5	5.5	5.6		39.19	220.05	238.1	497.4	3.6	192.3

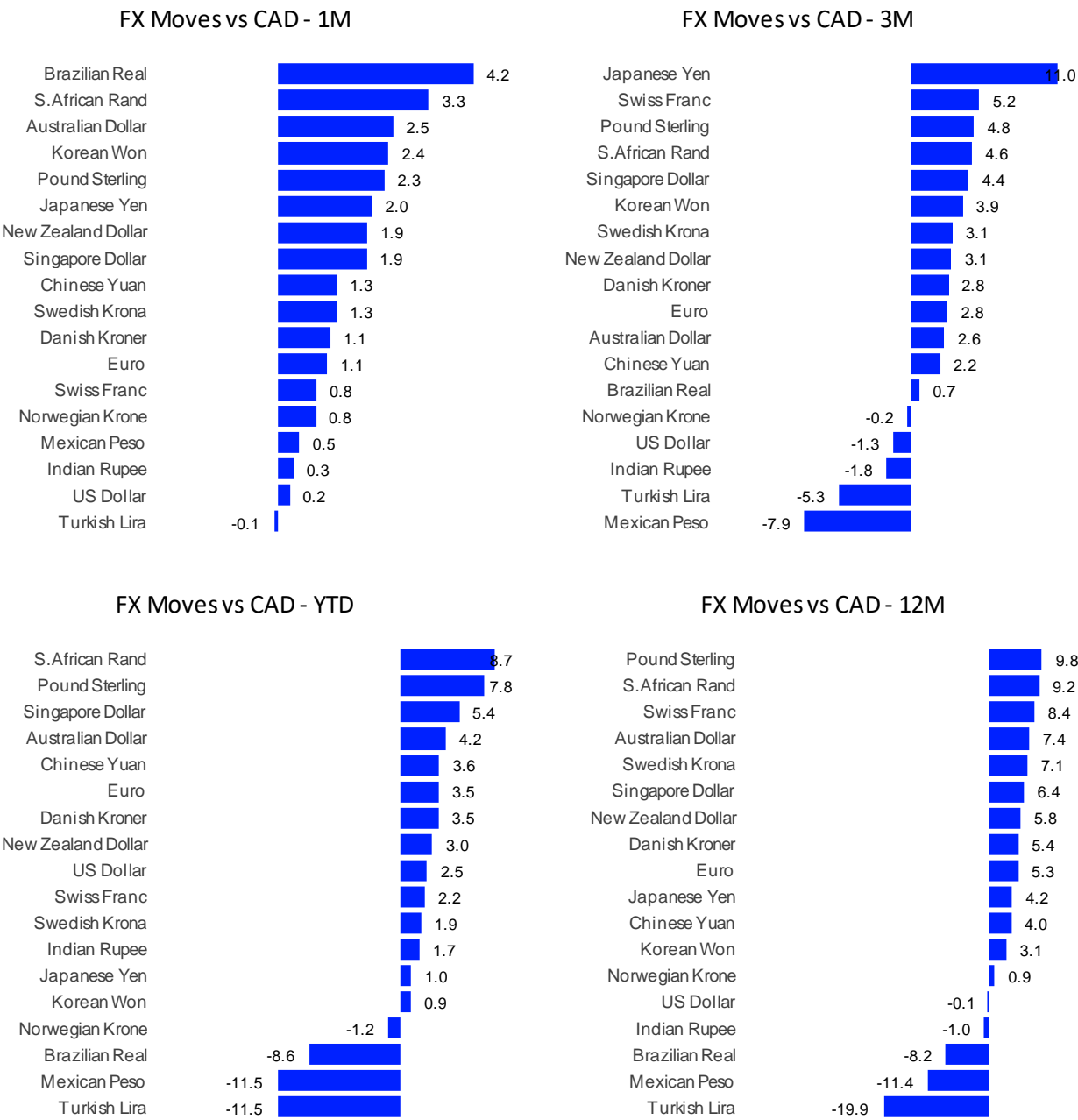


Indices used: FTSE Canada Non-Agency Bond Index (Mid, Long, Overall), FTSE Canada RRB Canada Bond Index.

Source: FTSE Russell and LSEG. All data as of September 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 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 – Foreign Exchange Returns % as of September 30, 2024



Source: FTSE Russell and LSEG. All data as of September 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 of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix – Glossary

Bond markets are based on the following indices:

FTSE 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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