Fixed Income Insights

MONTHLY REPORT – **APRIL 2024 | GBP EDITION**

FOR PROFESSIONAL INVESTORS ONLY

Modest March gilt rally but "higher for longer" still the dominant narrative

Government bonds stabilised in March but failed to match equity market gains, as early easing prospects receded. Gilts rallied on lower headline inflation, but rallies remain capped by high UK service sector inflation and BoE caution on rates. High yield credit's closer correlation to equities drove further gains in Q1.

Macro and policy backdrop – US soft landing and stall in disinflation herald return of "higher for longer" rates
Modestly improved UK headline inflation data but service sector inflation of 6% and tight labour market remain. (pages 2-3)

Yields, curves and spreads – Curves revert to bear inversion in Q1 after brief bull steepening in Q4
As markets reduce easing expectations, 10s/2s curves re-invert. End of BoJ curve control has little initial impact. (pages 4-5)

Credit and MBS analysis – Spreads tighten further, and IG spreads converge on RMBS despite agency guarantee
Higher govt bond yields in Q1 and the risk rally drove spreads tighter. Fed RMBS divestment weighs on RMBS. (page 6)

High yield credit analysis – CCC credits have outperformed in 2023-24, buoyed by the risk rally
HY spreads have returned to pre-Covid levels, after a period of high volatility, and strong performance in 2023-24. (page 7)

Sovereign and climate bonds – SI bonds broadly tracked parent indices in Q1, though Green WBIG outperformed
Green WBIG recovery continues. The most striking sovereign SI outperformer in 2023-24 has been the EM index. (page 8)

Performance – HY credit again outperformed in Q1, as G7 govt bonds de-coupled from equity market rallies
HY credit's higher correlation to equities drove further gains in Q1. JGBs were again weakest performers. (pages 9-10)

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

Chart 1: Gilts and Bunds benefitted from lower inflation in March, but still fell overall in Q1, as markets priced in delayed central bank easing.

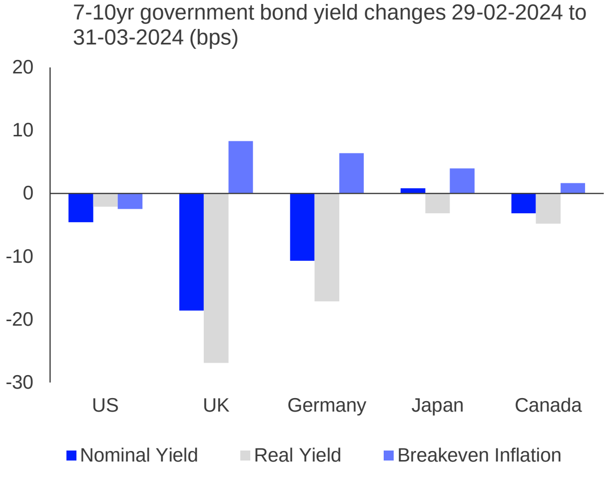
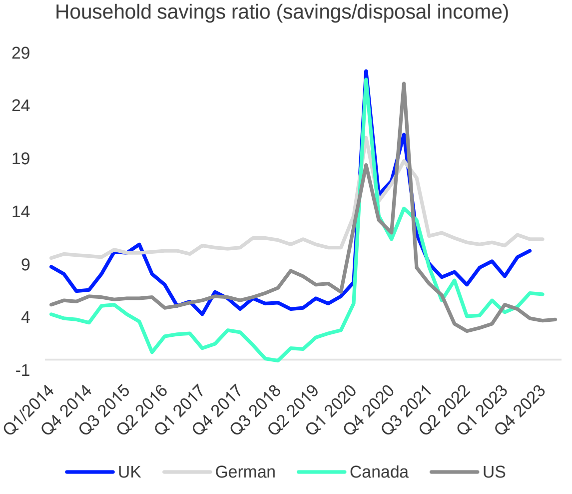


Chart 2: The UK household savings ratio has increased steadily since the BoE began raising rates in Q4, 2021, and now exceeds pre-Covid levels.



Source: FTSE Russell and Lipper. Data available as of March 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end 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

There are few compelling signs of a US recession, with growth tracking at 2% in Q1, 2024. European growth is weaker, with signs the UK may escape recession in Q1. G7 disinflation stalled in Q1, confirming the difficulty of the move to 2% inflation, particularly with tight labour markets, as the UK shows, with service sector inflation still above 6% y/y. The UK savings ratio has increased with higher rates, but is well below Covid windfall levels, reflecting the real income squeeze.

US growth has proved more resilient than the rest of the G7 to the 2022-23 policy tightening, and easing in other financial conditions may have offset the impact (Chart 1). The latest Atlanta Fed Now forecast for Q1 GDP shows growth at 2.1%, confirming the very strong January data was probably boosted by mild weather. European growth remains weak, despite relatively high employment, as Covid windfalls are largely spent, but there are some signs of recovery in manufacturing.

Chart 2 shows how the sharp G7 disinflation in 2023, helped by base effects, stalled around 3-4% y/y in Q1.Service sector inflation is delaying achievement of 2% inflation, given tight labour markets, and the high share of wage costs in service sector costs. UK inflation fell to 3.4% in February and lower energy bills may drive it lower again in Q2, but UK inflation has high inertia, and service sector inflation is still at 6.1% y/y, so the BoE is forecasting inflation still above target at 2.8% y/y in Q4, 2024.

The UK labour market remains close to full employment, though unemployment has edged up towards 4% in Q1. Lower labour force participation since Covid has reduced labour supply, and exacerbated shortages in some sectors, although vacancies have been falling steadily in recent months and wage growth has moderated (to 6.1% y/y from 7.9% y/y). The BoE has stated wage growth will need to moderate further before a policy easing.

Less predictable correlations of asset returns has been a notable feature since the post-Covid inflation shock emerged in 2021-22. Chart 4 shows that the reliable negative correlation between real yields on US Tips and the gold price has become less so since Covid, with the gold price continuing to rise despite Tips real yields increasing in 2023-24 (also see "A marriage of inconvenience? The remarkable harmony between stocks and bonds", FTSE Russell, April 2023).

Chart 1: Consensus GDP forecasts continue to show weaker growth in 2024, after the 2022-23 policy tightening, and growth divergences between Europe and North America narrowing in 2025.

Consensus Real GDP Forecasts (Avg., %, March 2024)			
	2023	**2024**	**2025**
US	2.5	**2.1**	**1.7**
UK	0.1	**0.3**	**1.2**
Eurozone	0.5	**0.5**	**1.3**
Japan	1.9	**0.7**	**1.0**
China	5.2	**4.6**	**4.5**
Canada	1.1	**0.5**	**2.0**

Chart 2: Base effects helped UK inflation fall in Q1, and UK energy bills may drive a temporary dip in headline inflation to near 2% y/y in Q2. But a sustained decline in inflation may be required for the BoE to cut rates.

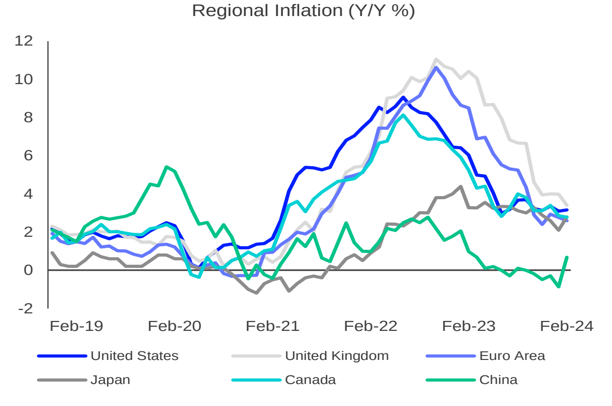


Chart 3: The ONS has downgraded the status of UK labour market data, after reduced survey responses. Latest data shows wage growth beginning to decelerate, and unemployment ticking up towards 4%.

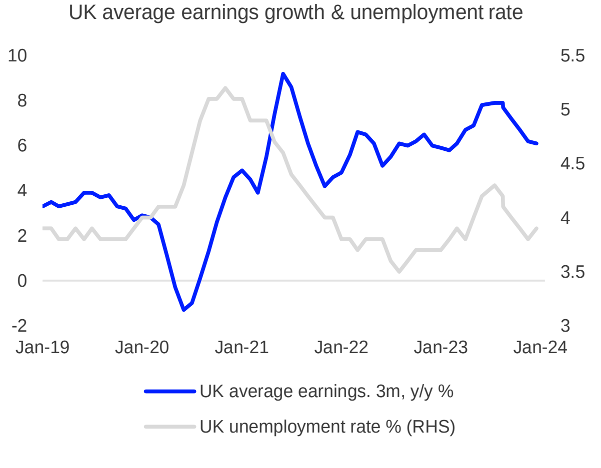
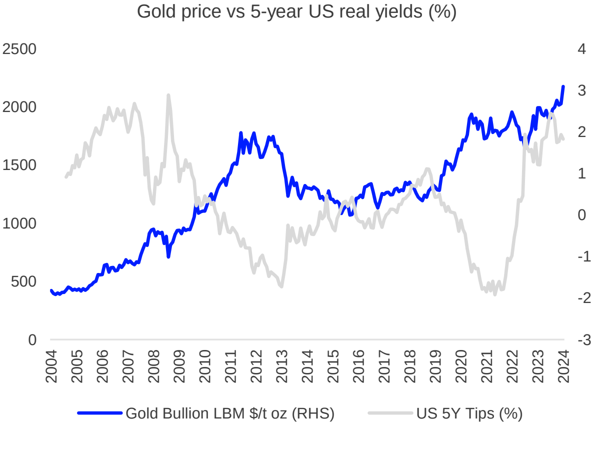


Chart 4: The gold price has reached new highs in 2023-24, despite the surge in US real yields, and the negative correlation of the pre-Covid era has broken down. This may reflect geo-political uncertainty, or a new era?



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Financial Conditions and Monetary Policy Settings

Market expectations on US rate cuts were scaled back by about 75bp in Q1, but increased risk appetite drove easier financial conditions, as the risk rally continues. UK consumer credit growth remains robust, despite higher rates, but delinquency rates remain low, helped by low unemployment. Sterling and the dollar remain supported by 5-5.25% policy rates with little prospect of an early cut in UK policy rates. The BoJ decision to end curve control and negative rates was well discounted.

UK consumer credit growth is above pre-Covid levels, despite higher lending rates, as Chart 1 shows. This would appear evidence of increased distressed debt. However, mortgage and credit card delinquency rates remain stable, helped by low unemployment in 2022-24. A bigger test may come as consumers seek to refinance mortgages at 4-6% after 1-2% fixed rate deals mature in 2024-25.

Diminishing prospects of early Fed easing, and buoyant growth helped the dollar rally in the second half of March, with a break above the Y150 level. The BoJ decision to end negative rates and curve control on March 19 was well discounted, with no sign of when tightening might begin, and “broadly the same amount” of JGB purchases as before. Sterling dipped after the lower inflation data for February, but remains well supported by 5.25% UK base rates, with little prospect of an early cut in rates (Chart 2).

Apart from the BoJ pivot, other G7 central banks remain on hold, after mixed Q1 data. The BoE is not forecasting UK inflation back below target in 2024, with three MPC members still voting for higher rates at the March meeting, so a Q2 cut in rates appears unlikely. The Fed seems relaxed by the easing in US financial conditions, with 5% y/y US service sector inflation a major constraint on policy easing. The 75bp gap between market and Fed expectations on policy easing in 2024 has now disappeared (Chart 3).

Fed QT continues, and with GDP growth around 2% and no sign of money market disruption, there is little pressure to end QT. The problems of New York Community Bancorp are not deemed a systemic risk by the Fed. The BoJ gave no indication on when it may shift to QT, suggesting it would like to see more sustained inflation above 2% before considering balance sheet shrinkage (Chart 4).

Chart 1: After the Covid-related collapse in consumer credit, UK credit growth rebounded strongly, including credit card borrowing, despite higher rates. This suggests some distressed debt, though delinquency rates are still low.

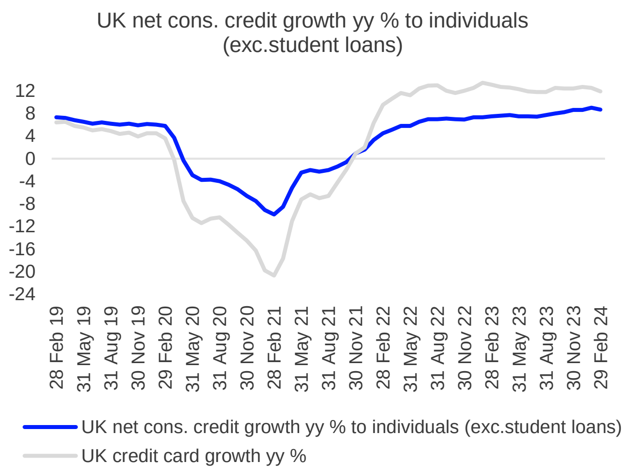


Chart 2: The US dollar edged higher in March, helped by stronger data and Fed caution. Yen and CNY weakness reflect rate differentials. Sterling dipped on lower inflation, but is still underpinned by 5.25% UK base rates.

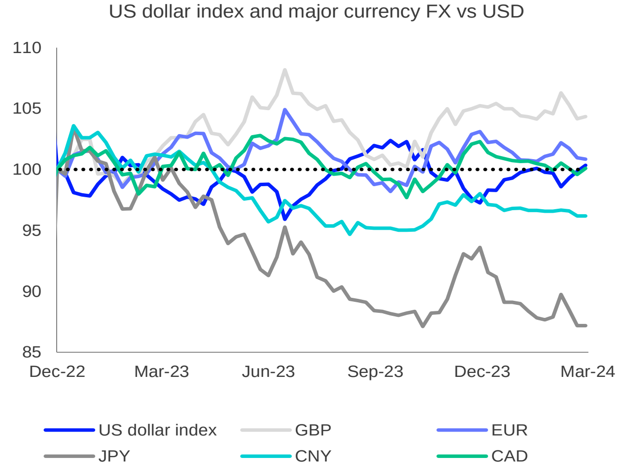


Chart 3: The BoJ finally ended negative rates, with a new target of 0-0.1% for short rates. The Fed remains on hold, though dot plots show 75bp of easing in 2024. Slower wage growth is required before BoE policy easing.

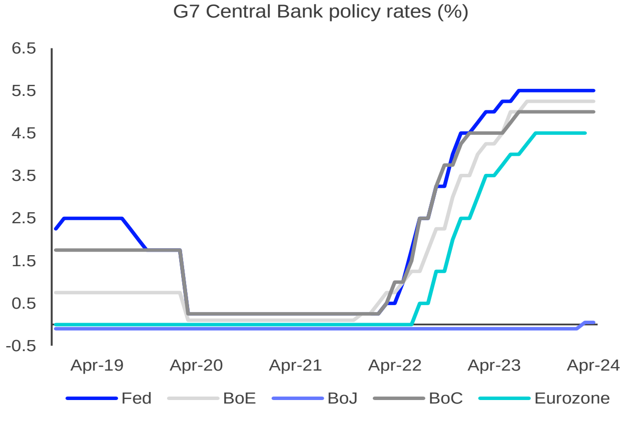
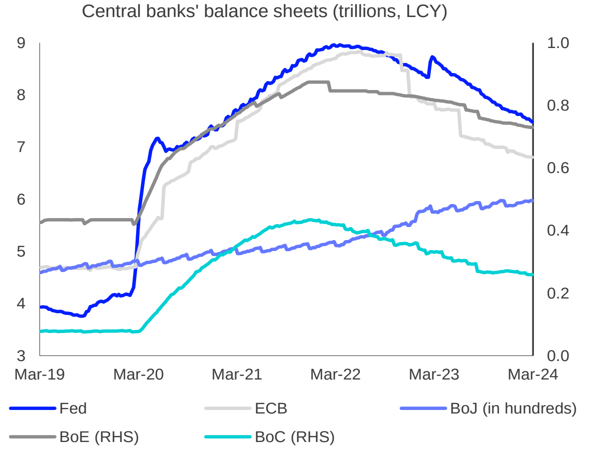


Chart 4: With financial conditions easing in the risk rally, inflation above target and buoyant growth, the Fed is under little pressure to end QT. Although the BoJ ended curve control on March 19, QE purchases slowed sharply already.



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Global Yields, Curves and Breakevens

Chart 1: G7 7-10 year yields were rangebound in March, but higher in Q1, as the market re-priced central bank easing prospects. UK gilt and US Treasury yields backed up more in Q1, after falling sharply in Q4.

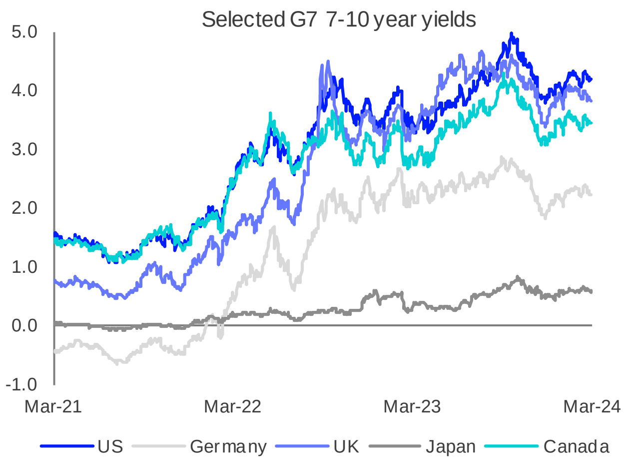


Chart 2: Real yields broadly tracked nominals in Q1, with inflation breakevens remaining stable. Stronger US growth data pushed Tips real yields higher. Real yields remain below the 2023 cycle highs.

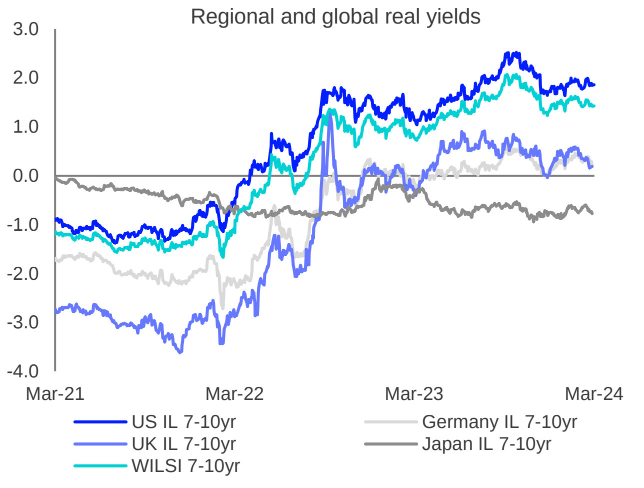


Chart 3: “Higher for longer“ returned as the dominant G7 fixed income narrative, and curves remained deeply inverted, as markets scaled back easing expectations. JGBs reacted little to the end of curve control.

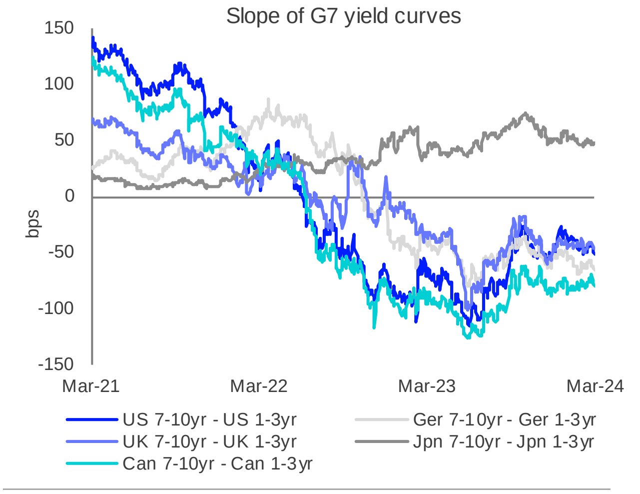


Chart 4: Longer dated curves are less inverted than 10s/2s, with the exception of Canada, and UK longs now show a tiny yield pick-up over 1-3 yrs. Re-investment risk may have kept curves flat in 2023-24.

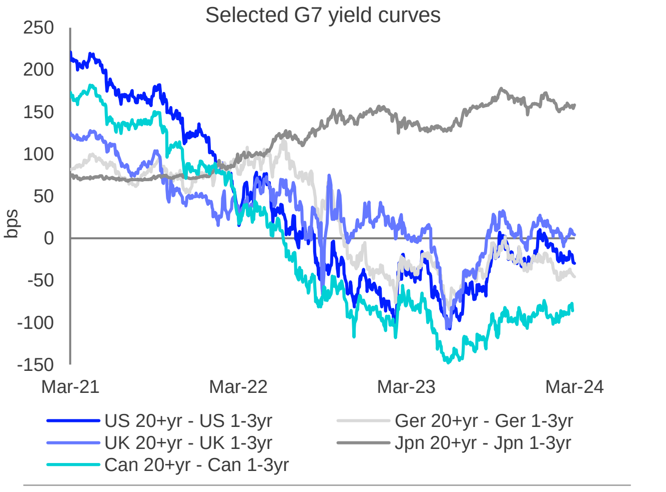


Chart 5: G7 7-10 year inflation breakevens backed up modestly in Q1, after dipping in Q4 2023, after the Fed pivot. This is the normal pro-cyclical pattern whereby breakevens rise when yields rise, and vice versa.

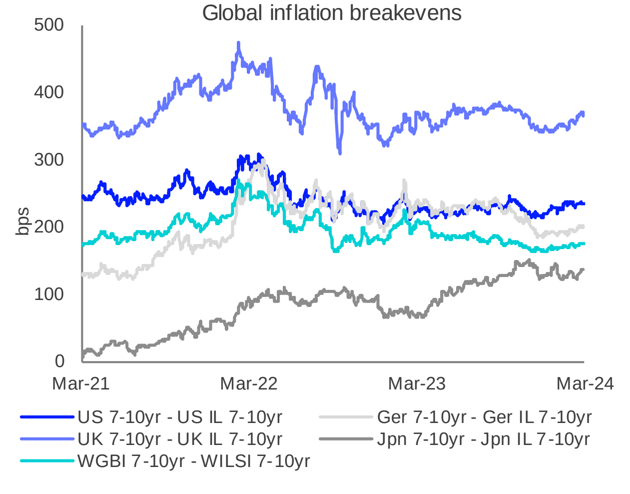
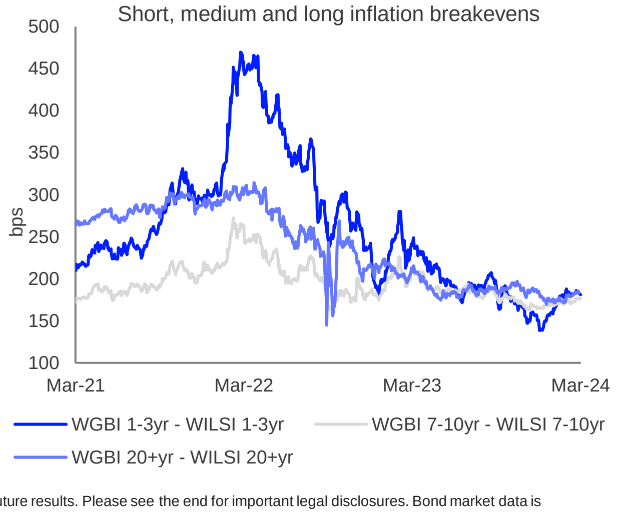


Chart 6: Inflation breakevens of all maturities have converged just below 2%, globally, which is strong evidence that inflation expectations have not de-stabilised and entered a new and higher regime.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads remain cyclical, rising sharply during the Fed tightening cycle in 2022-23, but falling since the Fed pivot in December. Recent doubts about Fed easing pushed spreads a bit wider.

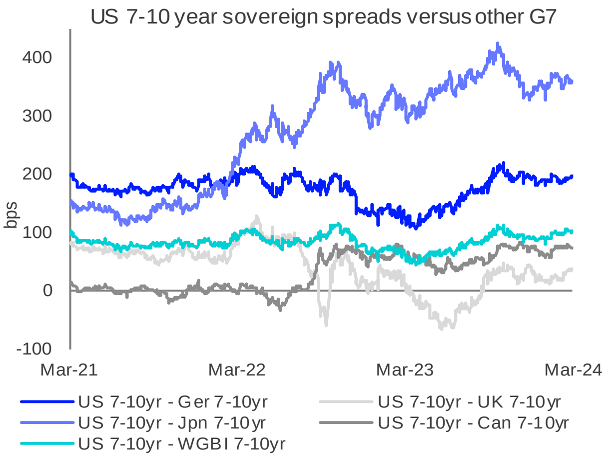


Chart 2: The ECB's TPI (transmission protection instrument) helped stabilize Italian spreads in 2022, which peaked around 200 bp v Bunds. The risk rally has also helped BTP spreads tighten in 2023-24.

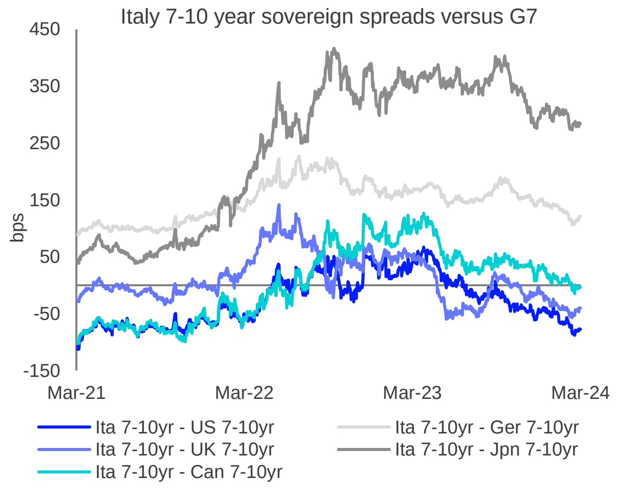


Chart 3: EM spreads widened during the Q4 rally in G7 govt bonds but the back-up in yields in Q1 has caused spreads to tighten again. 2022-24 has proved the G7 tightening cycle in which EM spreads have fallen the most.

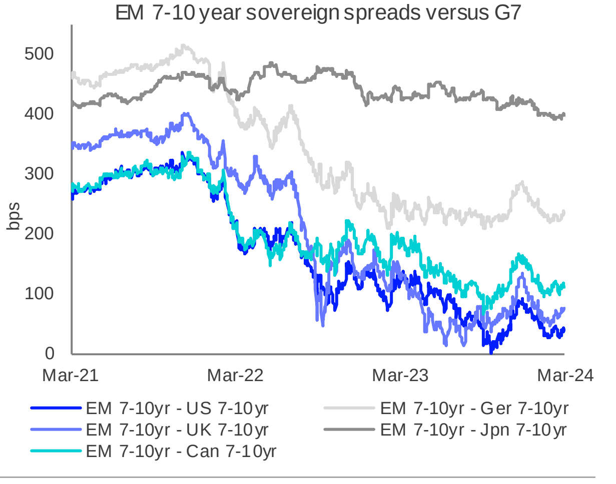


Chart 4: Chinese spreads remain near multi-decade lows versus the G7, after the PBOC eased rates during the period of rising G7 rates. Spreads have moved less versus JGBs, reflecting curve control in Japan.

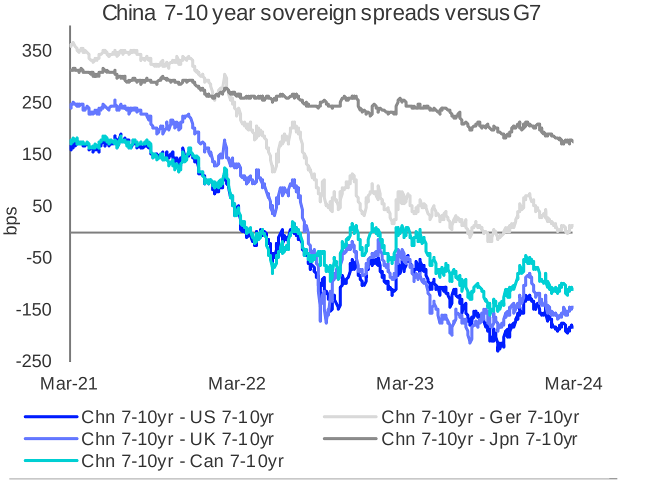


Chart 5: High yield (HY) spreads have tightened by over 200 bp since 2022, driven by the risk rally, with US HY spreads now close to pre-Ukraine shock levels. Eurozone spreads narrowed less after a bigger energy shock.

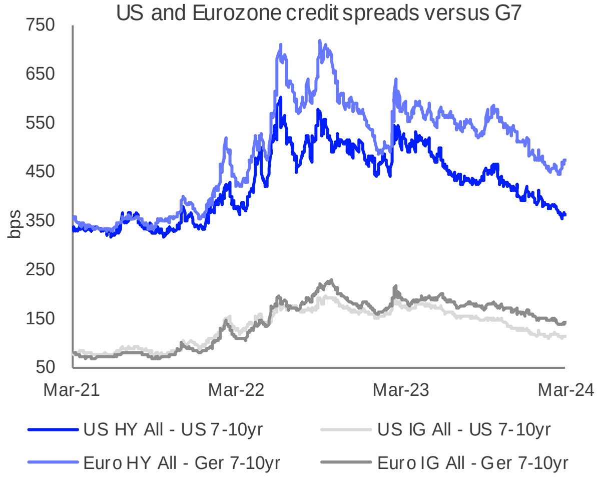
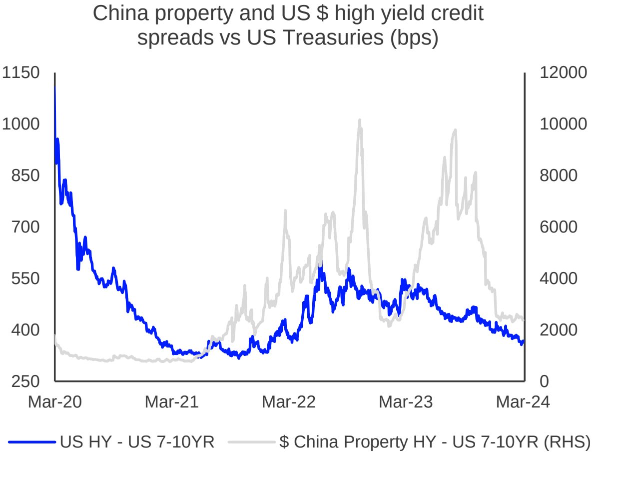


Chart 6: Both US and Chinese $ HY spreads tightened in Q1, as US govt. yields backed up. China's property spreads reflect mixed performance – both rises and falls – as sector support was accompanied by further defaults.



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Investment Grade Credit and MBS analysis

Chart 1 :UK IG credit spreads narrowed further in March, including banks. Some spreads are below pre-Covid levels, though absolute yields are much higher. Spreads tightened despite a surge in issuance.

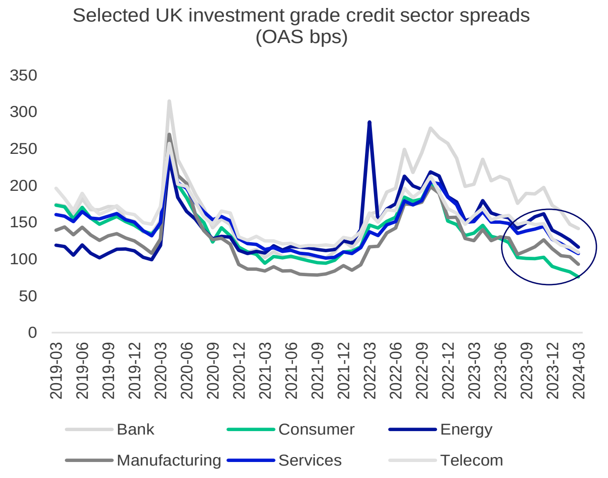

Chart 2: The UK IG credit recovery continues from the lows of Q4, 2022, led by banks – which benefit from a higher rate environment – and telecoms. Gas issues remains the most volatile performers.

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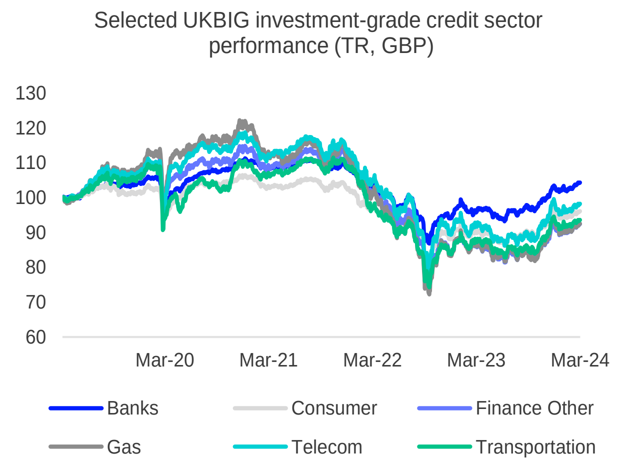


Chart 3: As the risk rally continued in March, US IG spreads narrowed again, though partly due to a modest back-up in US Treasury yields. HY continues to outperform IG credits, due to closer correlation with equities.

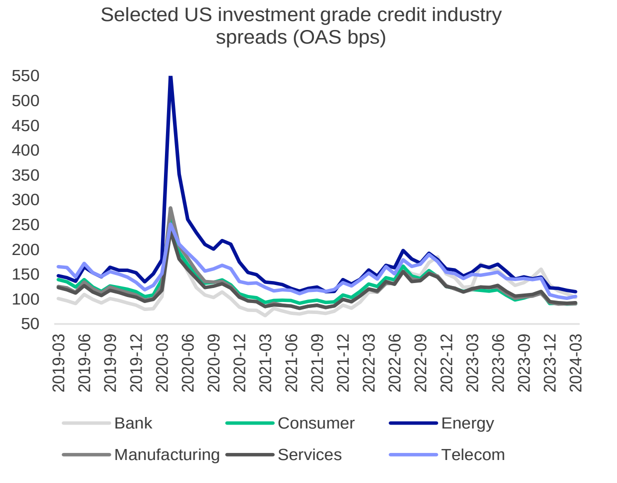


Chart 4: Eurozone IG credits have largely reversed the spike in spreads following the Ukraine war shock in Feb.2022, though insurance sector spreads are still higher. Consumer sector spreads have remained tighter.

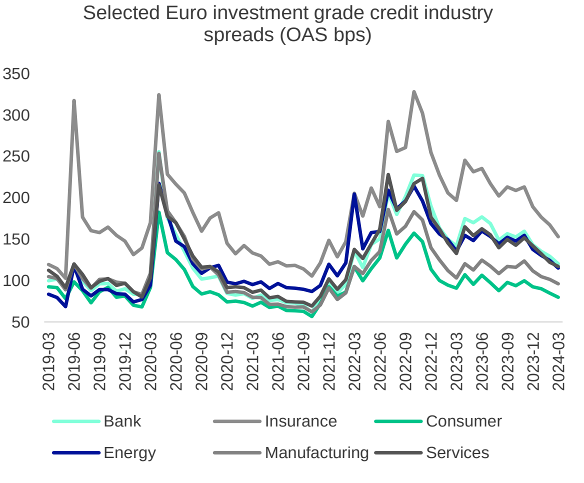


Chart 5: IG credit spreads have almost converged on RMBS spreads, despite the agency guarantee supporting RMBS. RMBS run-offs of up to $35bn monthly from the Fed's balance sheet, with no re-investment, is a factor here.

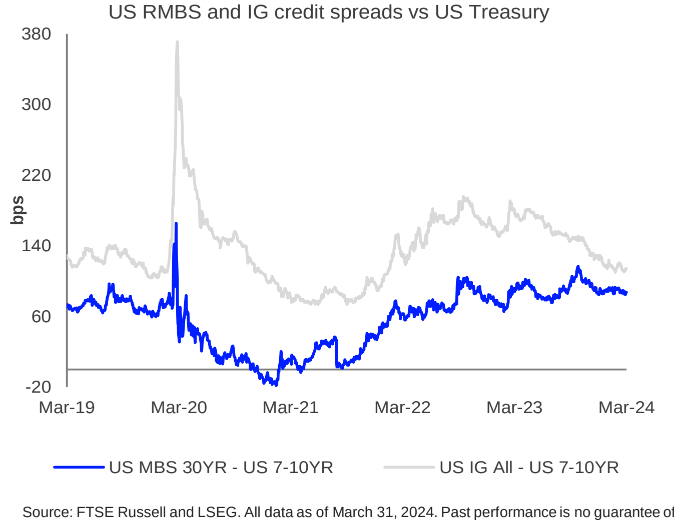
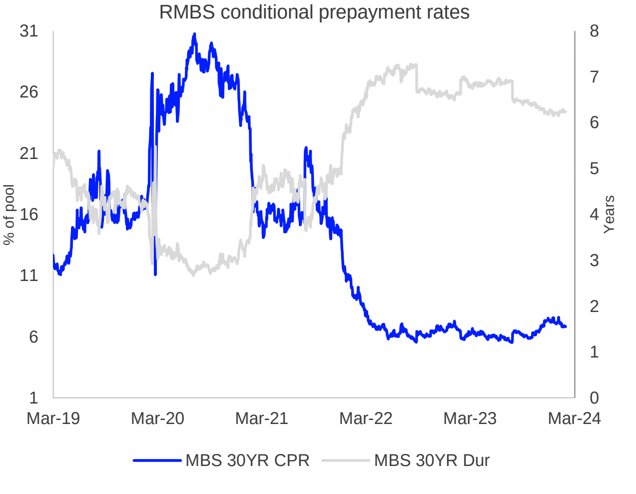


Chart 6: Low RMBS prepayment rates have pre-dominated since the Fed hiked rates in 2022-23, and the incentive to refinance mortgages disappeared. This has led to housing market turnover at low levels.



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High Yield Credit Analysis

Chart 1: Sterling HY sector performance converged after more dispersion during the Covid era, when services were periodically very weak as the sector was in lockdown. HY, as a whole, gained from the equity market rally.

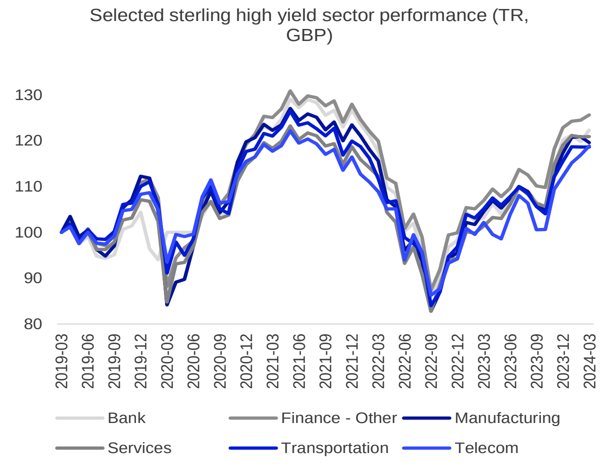


Chart 2: US HY sector performance has generally been similar to the UK's since 2019, apart from the extreme volatility in energy sector issues. Services have been more stable, and are the largest sector in US HY.

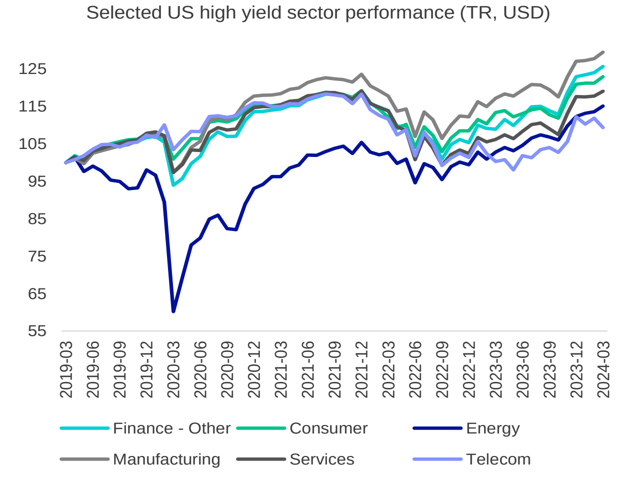


Chart 3: Lower grade CCC issues are more at risk of default or exchange, causing yield spikes as the Chart shows, both during Covid and after Ukraine. But CCC spreads are now below pre-Covid levels.

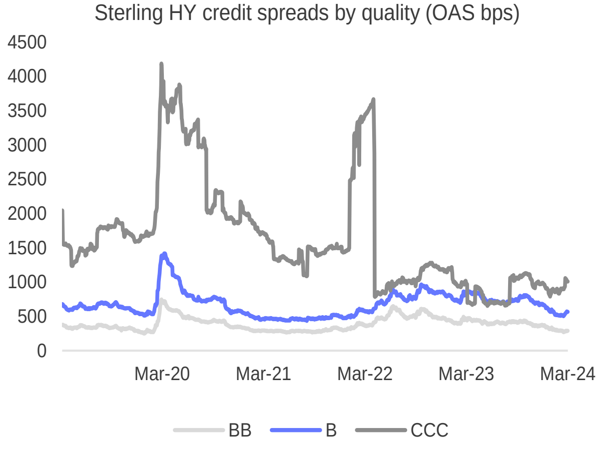


Chart 4: Performance returns show sterling CCC issues have outperformed higher grade issues during the risk rally in 2023-24, but remain volatile. Judged by spreads, CCC valuations are now extended.

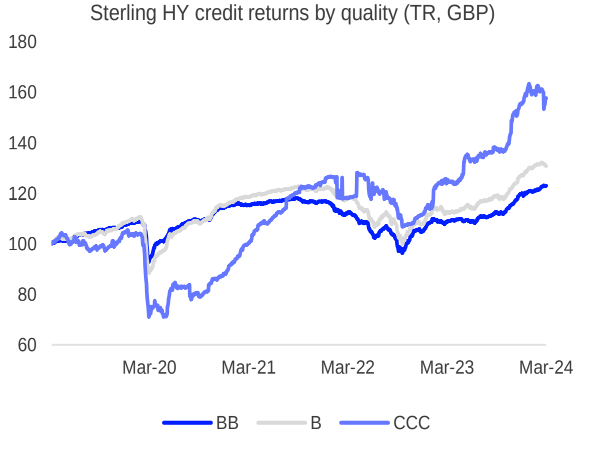


Chart 5: Expected cash flows and default risks can dominate performance of HY credit, causing duration to be less predictable. The risk rally since Q1 2023 has reduced sensitivity of HY bonds to rates, so duration has fallen.

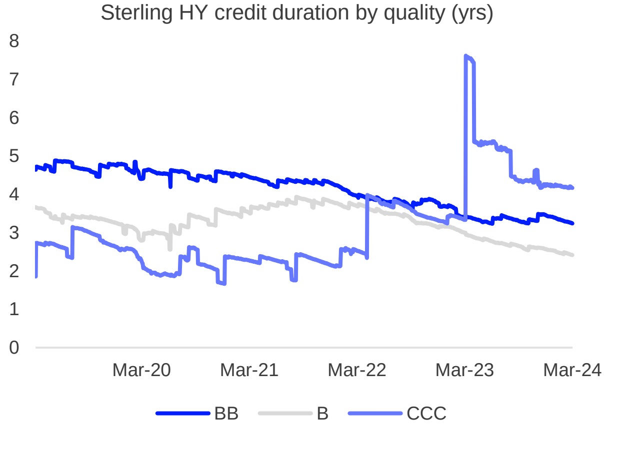
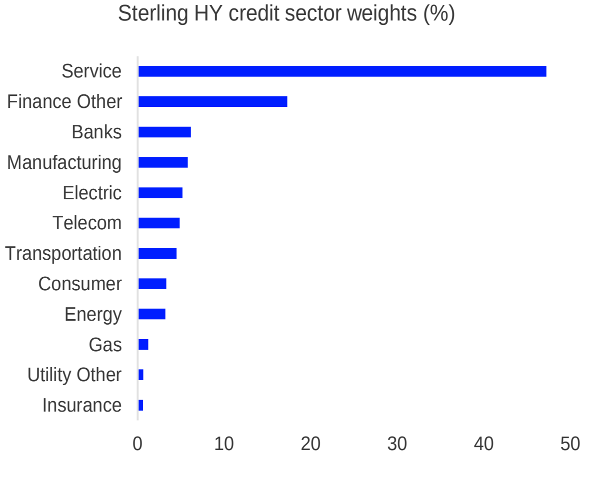


Chart 6: Sterling HY sector weights show the dominance of service sector issues, and to a lesser extent, financials. Utilities have only a modest weighting compared to US dollar HY issuance.



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Sovereign and Climate Bonds Analysis

Chart 1: SI sovereign performance shows the extra duration in the ESGWGBI, over the last 5 years, when yields backed up in 2022-23. Heavy weightings in Europe drove climate WGBI outperformance in 2023.

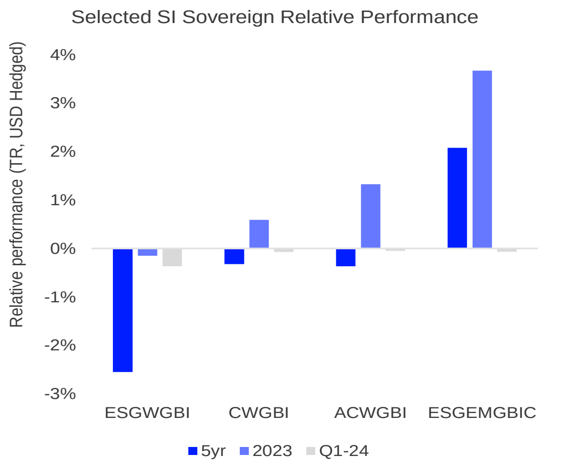


Chart 2: Compared to sovereign bonds, SI corporates outperformed a little in Q1. The Green WBIG showed a modest 0.2% relative gain, though the PAB (Paris aligned benchmark) lost 0.1%.

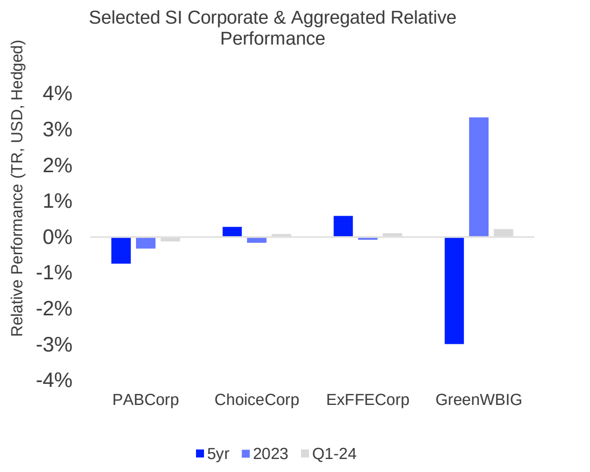


Chart 3: The most striking SI outperformer in 2023-24 has been the EM index, reflecting high weightings of Poland (25%), Hungary (10%) and Malaysia (9%). Longer duration drove underperformance of ESGWGBI.

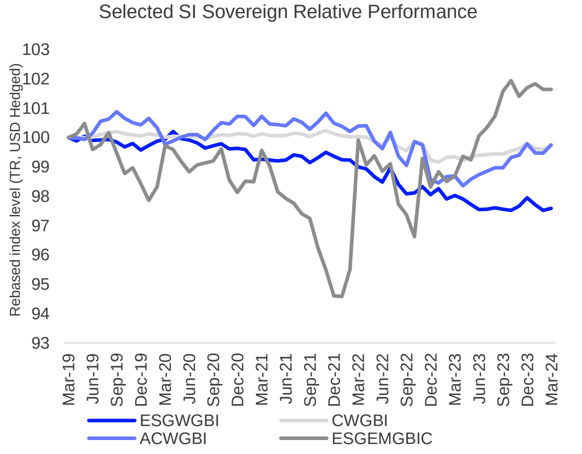


Chart 4:The Green WBÍG index fell sharply in the 2022-23 bond sell-off, due to its extra duration versus parent WBIG. But the higher European sovereign weighting drove outperformance in 2023-24.

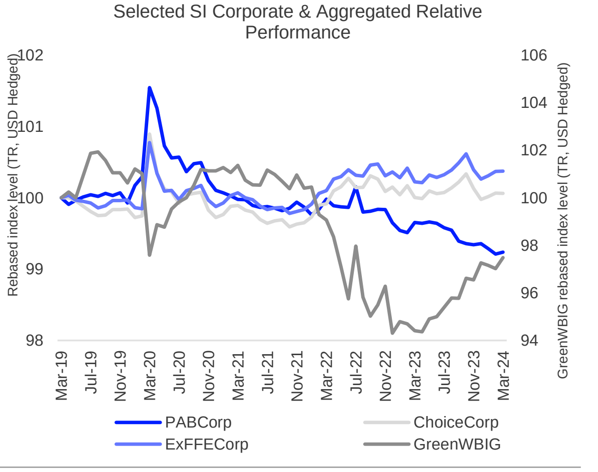


Chart 5: Recent outperformance by the EM ESG index is reflected in spreads as well. Yields fell in the climate WGBI relative to WGBI partly because of the high European weighting, which increased in Q1, 2022.

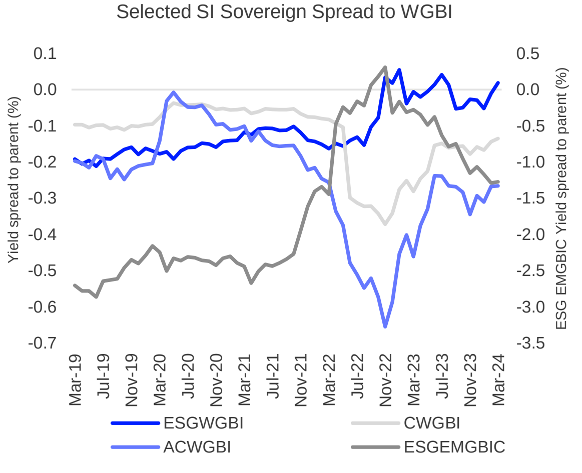
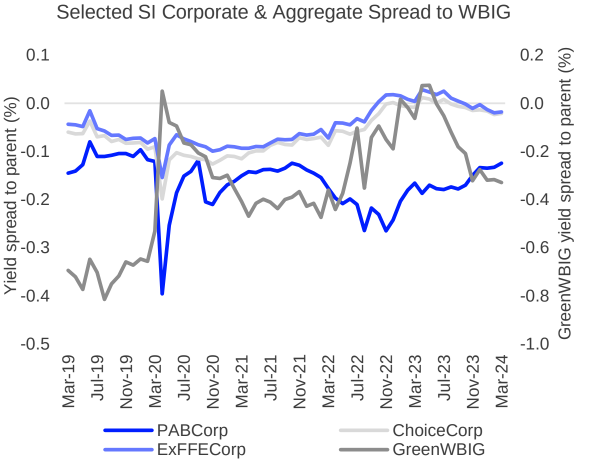


Chart 6: Heavy issuance as yields rose removed the "greenium" spread in 2022 in Green WBIG, but this returned in 2023-24. Yield spreads may not map precisely to performance because of index duration differences.



Source: FTSE Russell and LSEG. All data as of March 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

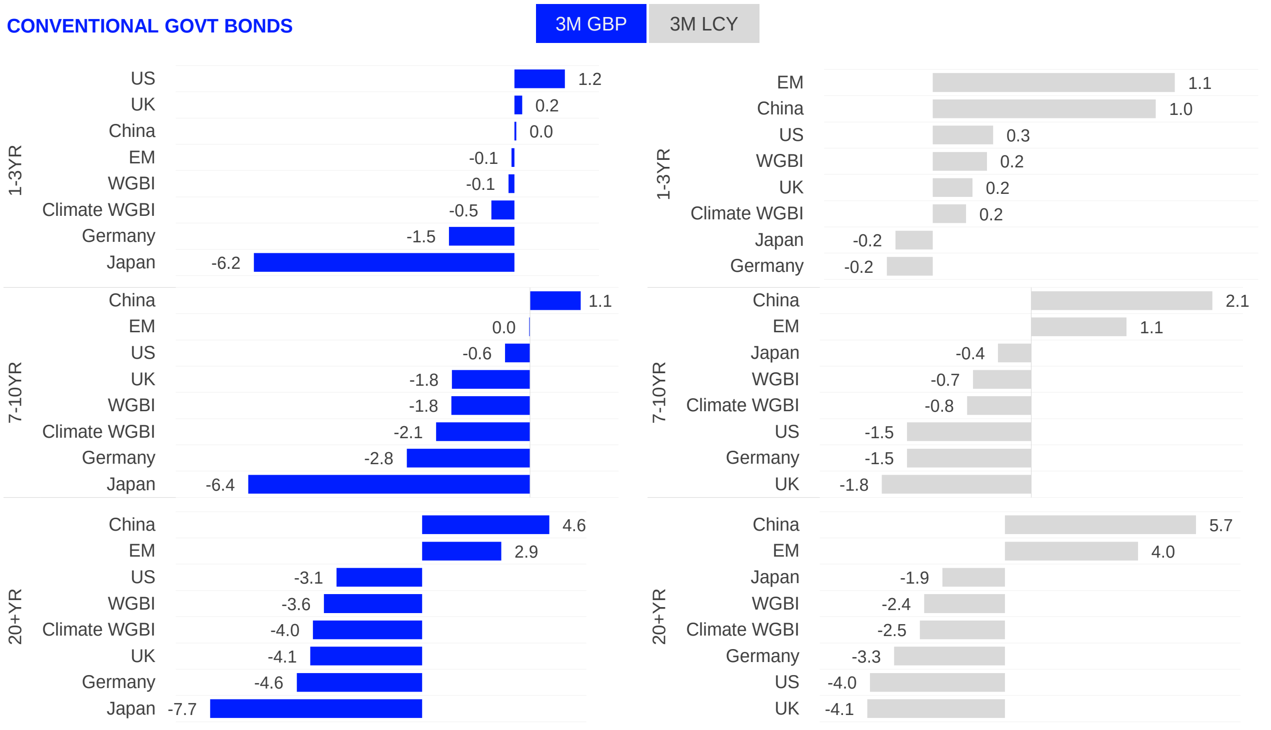
Global Bond Market Returns − 3M & 12M (GBP, LC, TR)

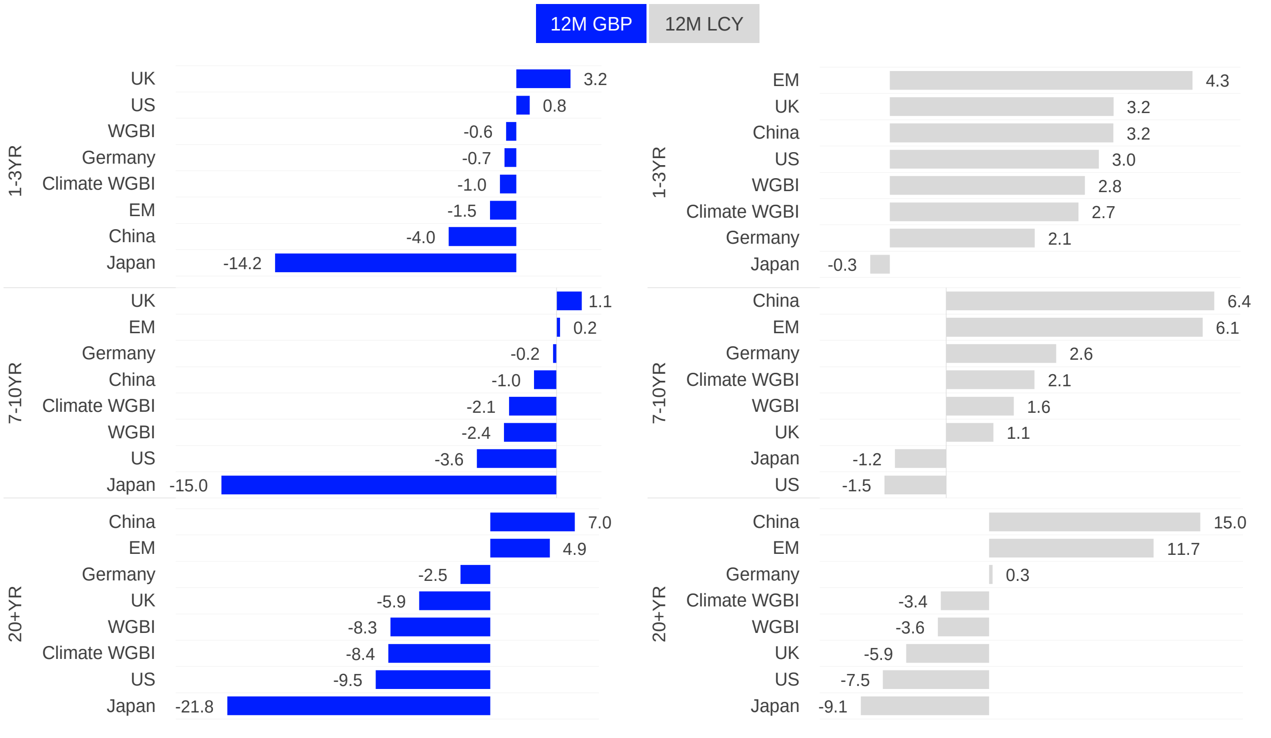
Conventional government bonds mostly show negative returns in sterling, for Q1, led by longs. Stronger data and a stall in disinflation caused re-assessment of policy easing prospects. Only China, and EM showed significant positive returns, and also outperformed on 12M, returning up to 7%. In contrast, JGBs were hit hard by yen weakness, losing up to 22% on 12M.

G7 sovereign bonds stabilised in March, though still showed losses in Q1 overall, led by JGB losses of 6-8%, with the yen falling below Y150 versus the US dollar. The BoJ decision to raise rates (March 19) was well discounted and failed to spark a yen rally.

Shorter UK gilts held up well, particularly on 12M, gaining up to 3%, helped by high running yields, though longs lost 6%. PBoC easing and disinflation boosted China government bond returns on 3M and 12M, despite the weaker RMB versus sterling.

CONVENTIONAL GOVT BONDS





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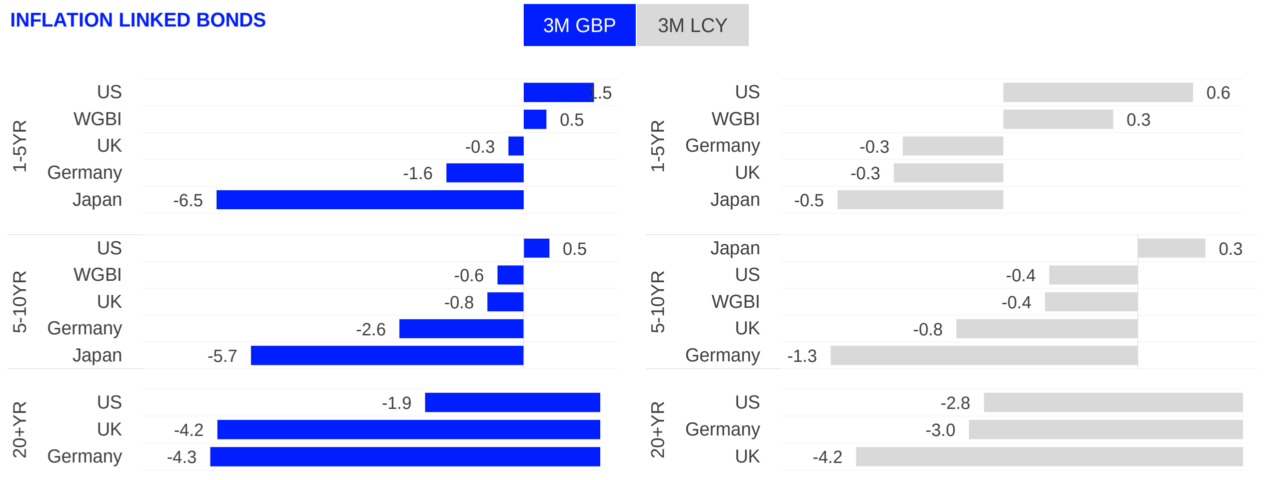
Global Inflation-Linked Bond Returns − 3M & 12M % (GBP, LC, TR)

Inflation linked bonds fell with conventionals in Q1, as euphoria over possible rate cuts faded, and economic data strengthened. Longs gave up 2-4% in sterling terms on 3M led by Bunds and gilts. JGBs were squeezed hard by yen weakness, losing 6-12% on 3M & 12M. Credit outperformed, particularly on 12M, with HY gains of 8-9% in sterling; the risk rally and strong equities boosted HY returns. IG credit also gained, by 2-4% on 12M, but was constrained by closer correlation to govt. bonds.

Only short US Tips showed positive returns in Q1. Extra duration meant longs lost more ground, led by the UK, with losses of 14% on 12M. JGB inflation-linked losses were solely due to yen weakness, which fell 14% versus sterling.

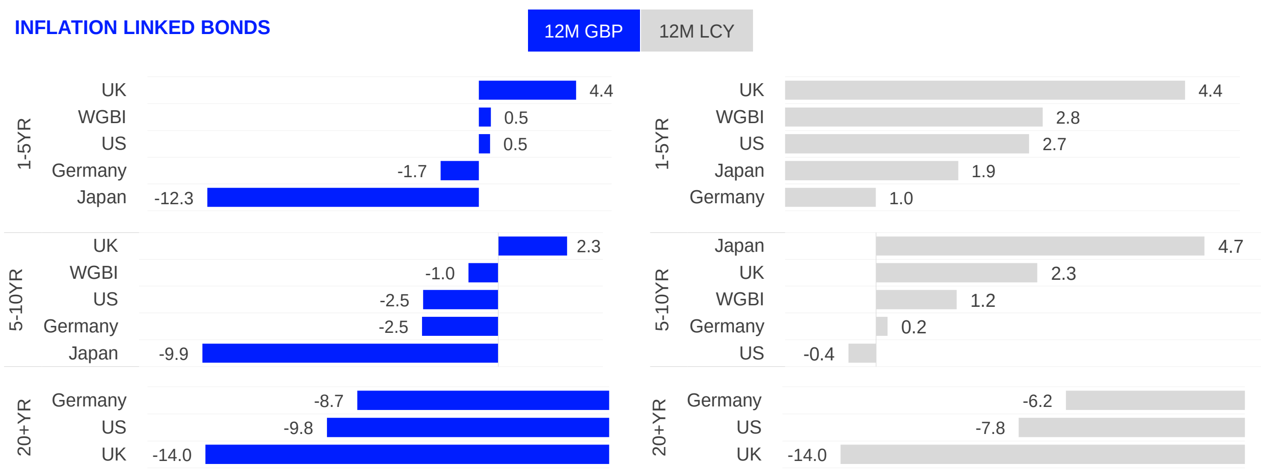
EM HY credit gained 5% in Q1, eclipsing US HY returns of 3%. But on 12M, US and Euro HY benefitted most from the global risk rally.

INFLATION LINKED BONDS

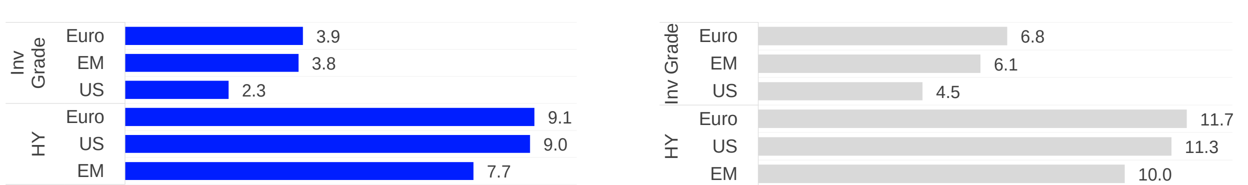


CORPORATE BONDS

INFLATION LINKED BONDS



CORPORATE BONDS



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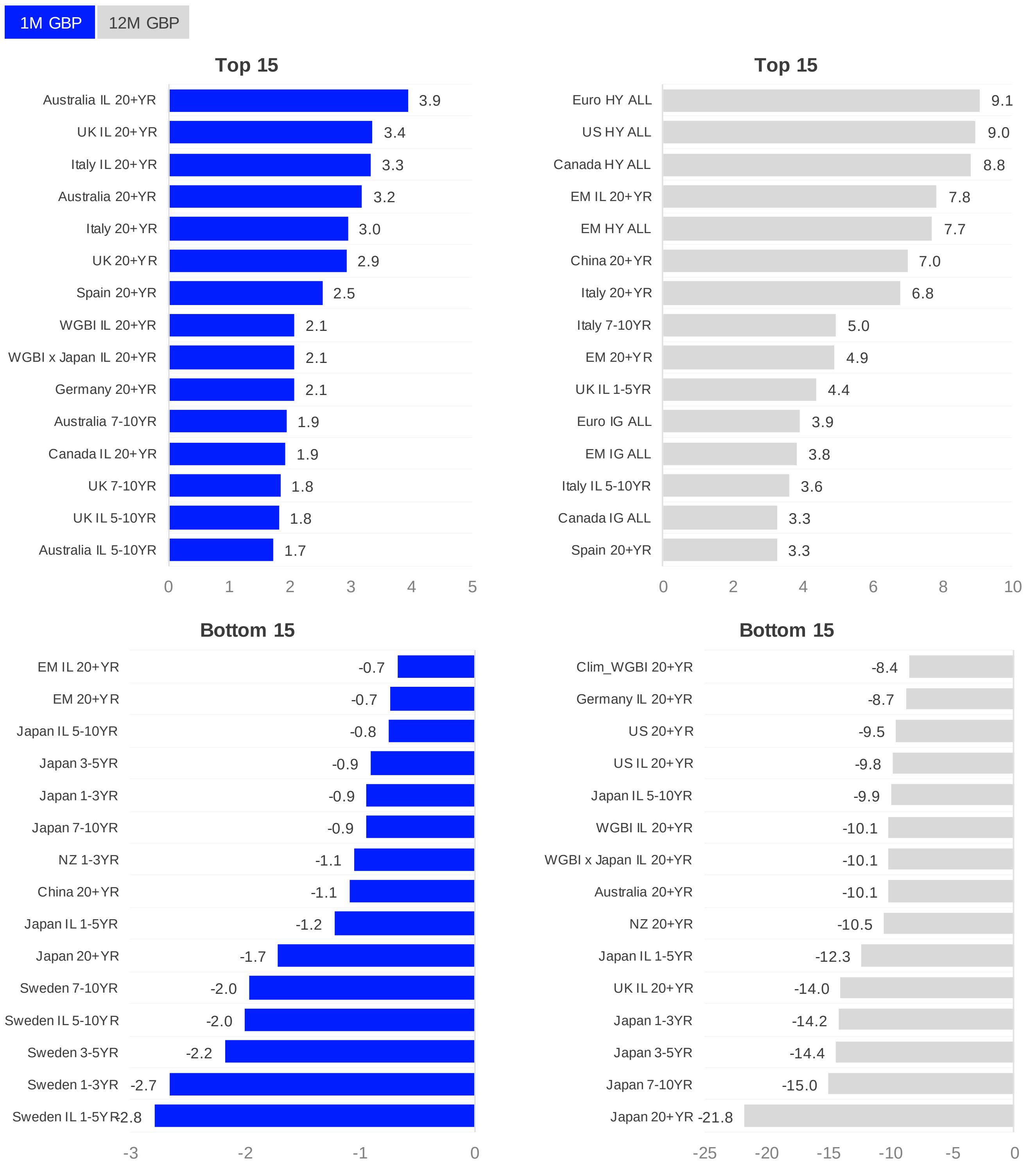
Top and Bottom Bond Returns – 1M & 12M % (GBP, TR)

Despite the weaker Q1 overall, there were some selective bond gains in March, of up to 4% in sterling, in long Australian and Italian linkers, helped by the risk rally, which boosted HY credit on 12M. Swedish bonds fell on the weak kroner. JGBs and long UK linkers were weakest 12M performers, driven by the UK's long duration and weak yen.

The ECB's transmission protection instrument (introduced in 2022) and the risk rally helped peripheral Eurozone bond returns on both 3M and 12M with both BTPs and Spanish govt bonds outperforming Bunds in USD. Gilts rallied on lower UK inflation in March.

Climate WGBI longs crept into the Bottom 15 on 12M, with long Bund linkers, not helped by long duration, which caused long UK linkers to lose 14%. The yen's 14% loss on 12M versus sterling drove negative JGB returns of 14-22% in sterling.



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Government Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3yr	0.28	1.20	2.81	-0.67	0.28	1.20	2.98	0.79
	7-10yr	-1.47	-0.57	5.02	1.47	-1.47	-0.57	-1.46	-3.55
	20+yr	-4.01	-3.13	8.81	5.14	-4.01	-3.13	-7.52	-9.48
	IG All	-0.43	0.48	7.85	4.20	-0.43	0.48	4.51	2.29
	HY All	1.66	2.59	8.72	5.04	1.66	2.59	11.33	8.97
UK	1-3yr	0.18	0.18	2.75	2.75	0.18	0.18	3.19	3.19
	7-10yr	-1.77	-1.77	6.09	6.09	-1.77	-1.77	1.13	1.13
	20+yr	-4.09	-4.09	11.07	11.07	-4.09	-4.09	-5.87	-5.87
Euro	IG All	0.42	-0.92	6.02	4.49	0.42	-0.92	6.82	3.94
	HY All	1.80	0.58	7.72	6.35	1.80	0.58	11.75	9.07
Japan	1-3yr	-0.17	-6.16	-0.10	-4.83	-0.17	-6.16	-0.28	-14.17
	7-10yr	-0.39	-6.37	1.16	-3.63	-0.39	-6.37	-1.21	-14.97
	20+yr	-1.86	-7.75	-1.24	-5.91	-1.86	-7.75	-9.10	-21.76
China	1-3yr	1.03	0.04	1.76	-0.64	1.03	0.04	3.19	-3.97
	7-10yr	2.14	1.15	3.86	1.41	2.14	1.15	6.37	-1.01
	20+yr	5.57	4.55	9.34	6.77	5.57	4.55	14.86	6.90
EM	1-3yr	1.12	-0.07	2.31	-0.03	1.12	-0.07	4.31	-1.55
	7-10yr	1.13	-0.02	4.87	2.14	1.13	-0.02	6.10	0.16
	20+yr	3.84	2.86	8.38	5.72	3.84	2.86	11.55	4.88
	IG All	0.81	1.73	6.79	3.18	0.81	1.73	6.09	3.84
	HY All	4.11	5.06	9.40	5.70	4.11	5.06	10.05	7.71
Germany	1-3yr	-0.21	-1.55	1.79	0.33	-0.21	-1.55	2.06	-0.69
	7-10yr	-1.47	-2.79	5.33	3.81	-1.47	-2.79	2.62	-0.16
	20+yr	-3.29	-4.59	13.32	11.69	-3.29	-4.59	0.26	-2.45
Italy	1-3yr	0.18	-0.95	2.90	1.64	0.18	-0.95	3.44	0.86
	7-10yr	1.36	0.21	10.65	9.29	1.36	0.21	8.24	5.54
	20+yr	3.63	2.46	20.23	18.76	3.63	2.46	10.44	7.68
Spain	1-3yr	0.13	-1.00	2.41	1.15	0.13	-1.00	2.65	0.09
	7-10yr	-0.06	-1.19	8.13	6.80	-0.06	-1.19	5.31	2.68
	20+yr	0.38	-0.75	17.41	15.96	0.38	-0.75	6.42	3.76
France	1-3yr	-0.28	-1.41	2.07	0.81	-0.28	-1.41	2.33	-0.22
	7-10yr	-1.39	-2.71	6.07	4.54	-1.39	-2.71	3.28	0.48
	20+yr	-2.60	-3.70	15.21	13.79	-2.60	-3.70	3.31	0.73
Sweden	1-3yr	0.00	-4.13	2.14	1.07	0.00	-4.13	2.56	-1.88
	7-10yr	-2.08	-6.13	6.41	5.29	-2.08	-6.13	1.73	-2.67
Australia	1-3yr	0.87	-2.67	2.73	0.33	0.87	-2.67	2.24	-2.52
	7-10yr	0.96	-2.59	6.26	3.78	0.96	-2.59	-0.80	-5.42
	20+yr	-0.66	-4.13	10.06	7.52	-0.66	-4.13	-6.40	-10.74
New Zealand	1-3yr	0.78	-3.60	3.91	0.28	0.78	-3.60	3.91	-2.45
	7-10yr	-0.69	-5.01	8.43	4.65	-0.69	-5.01	2.17	-4.08
	20+yr	-4.16	-8.33	13.44	9.48	-4.16	-8.33	-4.70	-10.53
Canada	1-3yr	0.38	-1.30	3.04	-0.54	0.38	-1.30	2.97	0.80
	7-10yr	-1.94	-3.58	6.25	2.56	-1.94	-3.58	-1.36	-3.45
	20+yr	-5.60	-7.54	11.54	7.25	-5.60	-7.54	-3.05	-5.46

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Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	JPY	Local	JPY	Local	JPY	Local	JPY
US	1-5yr	0.55	1.47	3.40	-0.10	0.55	1.47	2.68	0.50
	5-10yr	-0.37	0.54	4.90	1.36	-0.37	0.54	-0.40	-2.51
	20+yr	-2.80	-1.92	7.29	3.66	-2.80	-1.92	-7.83	-9.78
UK	1-5yr	-0.32	-0.32	2.94	2.94	-0.32	-0.32	4.40	4.40
	5-10yr	-1.01	-1.01	3.89	3.89	-1.01	-1.01	2.05	2.05
	20+yr	-4.71	-4.71	9.93	9.93	-4.71	-4.71	-14.46	-14.46
Japan	1-5yr	-0.49	-6.45	0.12	-4.62	-0.49	-6.45	1.90	-12.29
	5-10yr	0.32	-5.69	2.05	-2.78	0.32	-5.69	4.74	-9.85
EM	1-5yr	2.29	0.80	4.96	0.54	2.29	0.80	9.80	2.39
	5-10yr	0.47	-1.01	5.63	1.68	0.47	-1.01	8.56	3.16
	20+yr	-3.54	-4.01	5.93	3.89	-3.54	-4.01	8.06	8.13
Germany	1-5yr	-0.27	-1.39	0.79	-0.45	-0.27	-1.39	1.02	-1.50
	5-10yr	-1.40	-2.51	1.70	0.45	-1.40	-2.51	0.06	-2.44
	20+yr	-2.87	-3.96	6.49	5.18	-2.87	-3.96	-6.10	-8.44
Italy	1-5yr	0.29	-0.84	3.60	2.33	0.29	-0.84	4.01	1.42
	5-10yr	1.70	0.56	8.73	7.40	1.70	0.56	6.88	4.22
	20+yr	6.13	4.94	24.36	22.83	6.13	4.94	7.11	4.44
Spain	1-5yr	-0.24	-1.36	1.74	0.49	-0.24	-1.36	1.76	-0.78
	5-10yr	0.38	-0.75	5.07	3.77	0.38	-0.75	3.28	0.70
France	1-5yr	-0.54	-1.66	1.39	0.14	-0.54	-1.66	1.10	-1.43
	5-10yr	-1.17	-2.28	2.74	1.48	-1.17	-2.28	0.87	-1.65
	20+yr	-2.41	-3.51	11.31	9.94	-2.41	-3.51	-1.24	-3.70
Sweden	1-5yr	-0.19	-4.32	2.00	0.93	-0.19	-4.32	2.18	-2.24
	5-10yr	-1.39	-5.46	3.95	2.86	-1.39	-5.46	1.72	-2.68
Australia	1-5yr	0.60	-2.92	3.29	0.91	0.60	-2.92	3.27	-1.52
	5-10yr	0.46	-3.04	5.80	3.36	0.46	-3.04	2.56	-2.19
	20+yr	-2.78	-6.18	13.95	11.32	-2.78	-6.18	-1.40	-5.97
New Zealand	5-10yr	0.78	-3.60	7.63	3.87	0.78	-3.60	4.03	-2.33
Canada	20+yr	-1.67	-3.69	12.84	8.50	-1.67	-3.69	-0.33	-2.82

derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix – Historical Bond Yields % as of March 29, 2024

Global Bond Yields

Top 15% | Bottom 15%

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

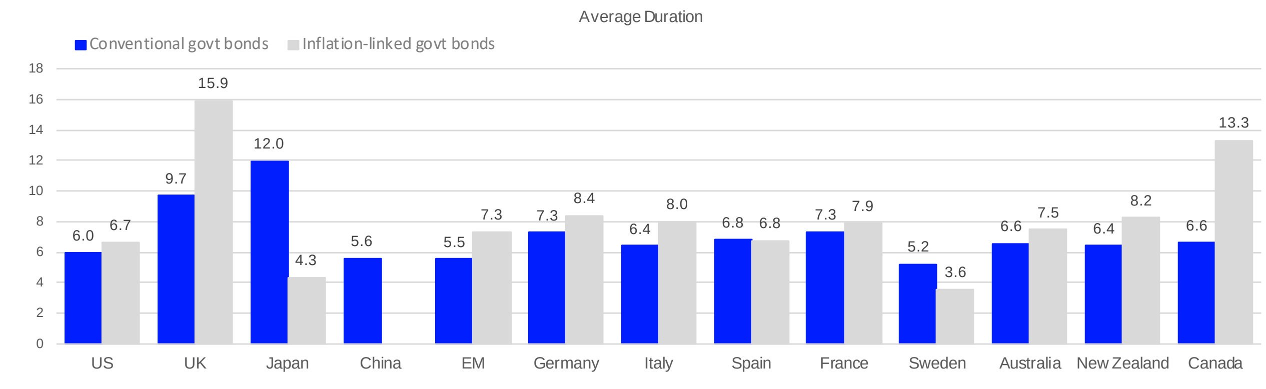
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.73	4.32	4.21	4.43	2.08	1.86	2.12	5.35	7.83
	3M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
	6M Ago	5.16	4.71	4.59	4.82	2.72	2.29	2.37	6.06	8.91
	12M Ago	4.20	3.72	3.49	3.76	1.44	1.17	1.53	5.25	8.43
UK	Current	4.31	3.88	3.85	4.35	0.08	0.14	1.07		
	3M Ago	3.94	3.45	3.46	4.07	-0.02	-0.02	0.91		
	6M Ago	4.73	4.46	4.35	4.81	0.55	0.53	1.39		
	12M Ago	3.79	3.55	3.43	3.80	0.00	-0.27	0.35		
Japan	Current	0.12	0.27	0.60	1.70	-1.43	-0.84			
	3M Ago	0.00	0.13	0.50	1.60	-1.67	-0.81			
	6M Ago	0.01	0.21	0.66	1.61	-1.75	-0.70			
	12M Ago	-0.09	0.02	0.30	1.22	-1.30	-0.51			
China	Current	1.90	2.13	2.38	2.62					
	3M Ago	2.18	2.33	2.58	2.90					
	6M Ago	2.24	2.42	2.70	3.06					
	12M Ago	2.31	2.56	2.84	3.25					
EM	Current	3.30	3.91	4.60	3.90	4.92	4.70	5.38	5.66	8.81
	3M Ago	3.44	3.95	4.70	4.34	4.27	4.23	4.82	5.57	10.03
	6M Ago	3.58	4.52	5.05	4.51	3.27	4.48	5.32	6.43	11.01
	12M Ago	3.62	4.37	4.69	4.52	2.59	3.67	5.15	5.77	11.18
Germany	Current	2.89	2.38	2.23	2.43	0.78	0.24	0.26		
	3M Ago	2.48	1.97	1.96	2.25	0.92	0.16	0.16		
	6M Ago	3.21	2.78	2.75	2.97	0.87	0.44	0.52		
	12M Ago	2.69	2.36	2.24	2.33	-0.02	-0.12	-0.15		
Italy	Current	3.27	3.12	3.44	4.05	1.00	1.39	1.70		
	3M Ago	2.99	2.88	3.45	4.17	1.23	1.62	1.88		
	6M Ago	3.94	4.03	4.50	5.02	1.68	2.31	2.43		
	12M Ago	3.27	3.43	3.88	4.34	0.45	1.50	1.74		
France	Current	2.98	2.65	2.70	3.18	0.57	0.42	0.73		
	3M Ago	2.49	2.23	2.43	3.00	0.56	0.32	0.64		
	6M Ago	3.33	3.14	3.26	3.79	0.82	0.75	1.12		
	12M Ago	2.83	2.66	2.70	3.17	-0.29	0.05	0.53		
Sweden	Current	2.93	2.40	2.33		1.55	0.88			
	3M Ago	2.59	2.04	2.01		1.12	0.59			
	6M Ago	3.50	3.18	2.98		1.42	1.28			
	12M Ago	2.85	2.56	2.25		0.09	0.32			
Australia	Current	3.75	3.61	3.92	4.36	1.11	1.37	1.78		
	3M Ago	3.71	3.63	3.90	4.30	0.85	1.27	1.61		
	6M Ago	4.14	4.10	4.43	4.86	1.30	1.78	2.24		
	12M Ago	3.03	3.00	3.27	3.82	0.01	0.82	1.43		
New Zealand	Current	4.91	4.41	4.53	4.91	1.87	2.29			
	3M Ago	4.71	4.24	4.31	4.60	1.45	2.12			
	6M Ago	5.63	5.35	5.32	5.54	2.50	2.89			
	12M Ago	4.78	4.37	4.23	4.37	1.04	1.72			
Canada	Current	4.28	3.64	3.48	3.37	1.66	1.65	1.61		
	3M Ago	3.94	3.26	3.10	3.04	1.31	1.35	1.51		
	6M Ago	4.88	4.37	4.07	3.85	2.35	2.29	2.13		
	12M Ago	3.85	3.19	2.89	3.05	1.11	1.08	1.37		

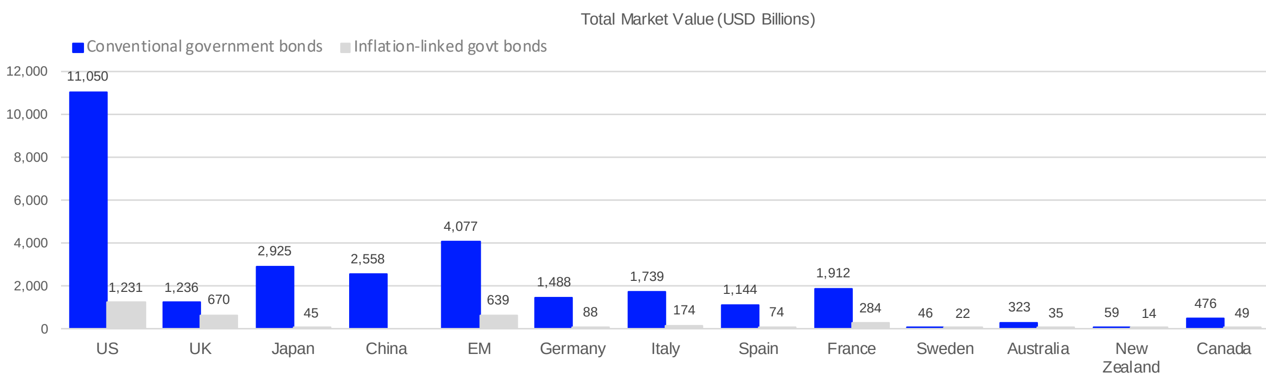
derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

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

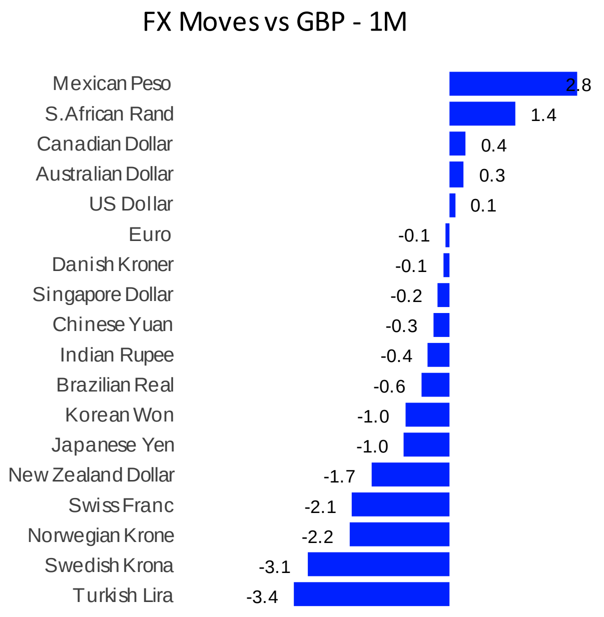
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.3	16.8	**6.0**	2,611.1	1,098.3	1,320.3	**11,050.4**	7.1	21.7	**6.7**	396.7	112.3	**1,231.5**
UK	3.8	7.5	18.6	**9.7**	174.8	191.5	321.2	**1,235.8**	6.8	26.9	**15.9**	117.6	255.4	**670.1**
Japan	3.8	8.1	23.6	**12.0**	345.2	369.6	627.7	**2,924.9**	7.1		**4.3**	19.7		**44.8**
China	3.7	7.5	17.9	**5.6**	569.0	388.9	297.9	**2,558.5**						
EM	3.5	6.9	16.4	**5.5**	858.3	709.4	390.0	**4,077.4**	6.0	13.4	**7.3**	105.7	163.0	**638.8**
Germany	3.8	7.8	20.5	**7.3**	344.6	193.0	186.8	**1,487.7**	6.7	21.2	**8.4**	43.7	18.6	**87.7**
Italy	3.7	7.1	16.7	**6.4**	318.3	282.0	161.7	**1,739.4**	7.2	25.9	**8.0**	64.5	5.8	**174.0**
Spain	3.7	7.4	17.8	**6.8**	224.6	203.2	113.8	**1,144.5**	7.7		**6.8**	47.8		**74.2**
France	3.8	7.4	19.6	**7.3**	336.2	316.4	245.6	**1,911.6**	6.1	24.1	**7.9**	111.2	21.6	**283.5**
Sweden	3.9	7.6		**5.2**	6.6	13.2		**45.7**	6.6		**3.6**	5.3		**21.5**
Australia	3.5	7.4	17.0	**6.6**	47.6	92.3	20.6	**323.2**	6.7	22.0	**7.5**	10.3	2.8	**34.6**
New Zealand	3.3	7.2	16.0	**6.4**	11.1	15.9	5.2	**58.7**	5.8		**8.2**	3.2		**13.9**
Canada	3.5	7.3	19.5	**6.6**	58.9	110.6	67.4	**475.6**	6.5	20.5	**13.3**	8.2	20.1	**49.0**

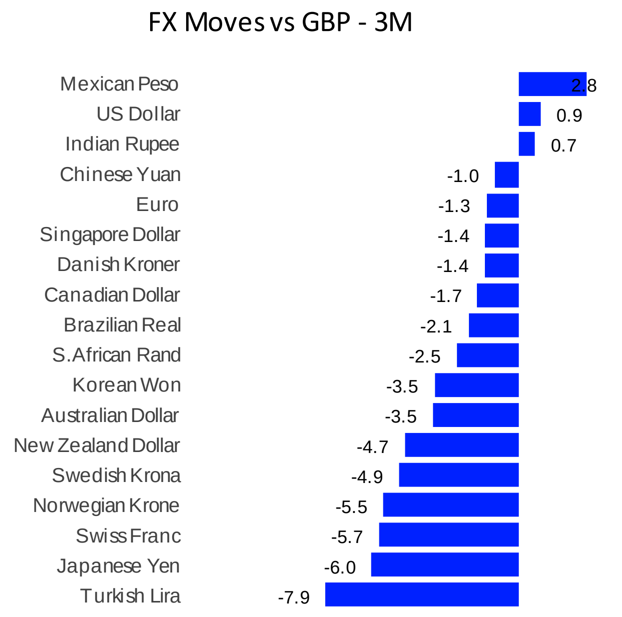
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.7	8.3	7.1	6.5	7.0	72.3	458.7	2767.5	3473.8	6772.4	3.8	1061.1
Europe	5.5	4.9	4.6	4.2	4.4	10.8	221.7	1227.3	1545.0	3004.8		
EM		5.8	4.8	5.2	5.1		38.9	220.4	305.5	564.8	3.4	179.0

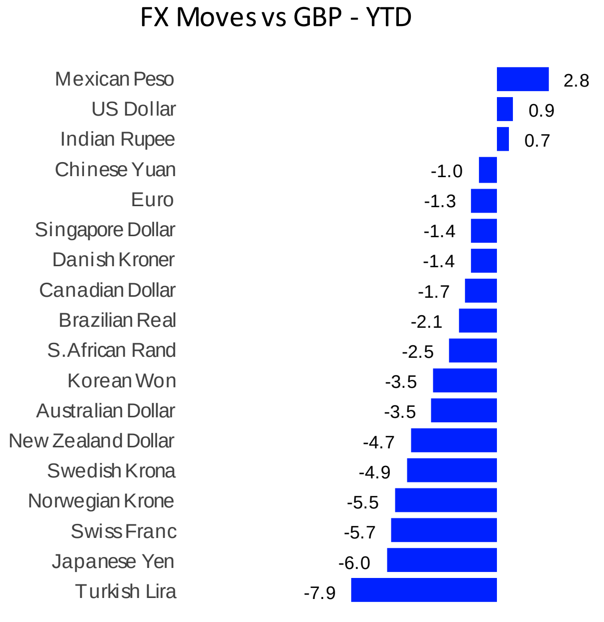


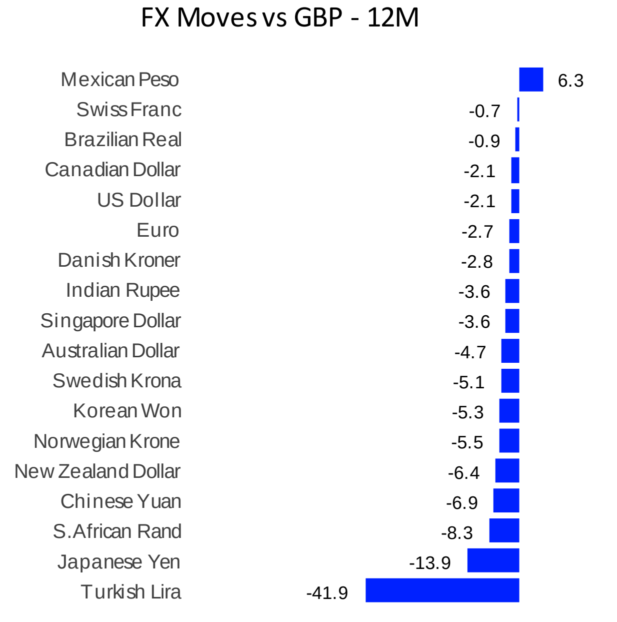


Source: FTSE Russell and LSEG. All data as of March 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.









Source: FTSE Russell and LSEG. All data as of March 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix - Glossary

Bond markets are based on the following indices:

FTSE World Government Bond Index (WGBI) for all global government bond markets

FTSE World Inflation-Linked Securities Index (WorldILSI) for all global inflation-linked bond markets

FTSE US Broad Investment-Grade Bond Index (USBIG®) for the US corporate bond market

FTSE US High-Yield Market Index for the US high yield bond market

FTSE Euro Broad Investment-Grade Bond Index (EuroBIG®) for the Euro-denominated corporate bond market

FTSE European High-Yield Market Index for the European high yield market

FTSE Chinese Government and Policy Bank Bond Index (CNGPBI) for the Chinese government bond market

FTSE Emerging Markets Inflation-Linked Securities Index (EMILSI) for the emerging markets inflation-linked bond market

FTSE Emerging Markets Government Bond Index (EMGBI) for the emerging markets government bond market. Please note that over 50% of this index is invested in China

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

FTSE ESG World Government Bond Index for the global government bond markets with an ESG tilt

FTSE Climate Risk-Adjusted World Government Bond Index (Climate WGBI) and FTSE Advanced Climate Risk-Adjusted World Government Bond Index (Advanced Climate WGBI) for each country's relative exposure to climate risk, with respect to resilience and preparedness to the risks of climate change

List of Abbreviations used in charts:

IL = Inflation-linked bonds

IG = Investment-grade bonds

HY = High-yield bonds

BPS = Basis points

EM = Emerging market

LC = Local currency

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To learn more, visit lseg.com/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810
North America +1 877 503 6437

Asia-Pacific
Hong Kong +852 2164 3333
Tokyo +81 3 6441 1430
Sydney +61 (0) 2 7228 5659