Fixed Income Insights

EUROPE
EUROZONE & UK EDITION

QUARTERLY REPORT | **APRIL 2026**

More benign European setting for 2026 energy shock

European bond markets discount modest policy tightening moves in 2026-27 on inflation risks from the Q1 energy shock. This may be premature, given more benign macro settings than 2022 and Q1 tightening in financial conditions. But the underestimation of rate risks in 2022 may explain this, even if APAC is more exposed in 2026. Adverse duration effects caused longs to underperform in Q1. Credit held up well and remains an outperformer on 12M, on improved quality, and fair fundamental value, with spreads normalising.

Macro & policy backdrop – More benign conditions than 2022 for an energy shock

After the energy shock, the BoE stagflation challenge is greater than the ECB's, but neither faces an inflation shock like 2022, and financial conditions have tightened already.

Spotlight on Middle East energy shock – APAC more exposed but global stagflation risk

APAC economies worse hit but global stagflation risks increase on the energy shock. Major G7 stagflations were driven by oil shocks, but stable inflation expectations lower repeat risk.

FX – USD regains some safe haven status. Yen suffers from Japan's energy exposure.

The US switch to a net energy exporter helped the USD recover safe-haven status in Q1.

Eurozone govt bonds and credit– Bear flattening on the energy shock dominates

Credit spread widening and yield levels leave credit attractively valued?

UK govt bonds and credit analysis – A rare de-coupling of nominal and real yields

Directional de-coupling of gilt yields notable. Credit held up well in March sell-off.

Performance – Longs underperform after energy shock. USD rebound helps Treasuries.

Treasuries boosted by USD rebound in EUR and GBP terms, but China govts best performer. Curves flattened but duration hit longs. Credit far outperforms govts. on 12M.

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Chart 1: Higher energy prices drove 7-10 yr nominal yields and breakevens sharply higher in March. Real yields fell in Europe however, causing a rare directional de-coupling of nominal and real yields.

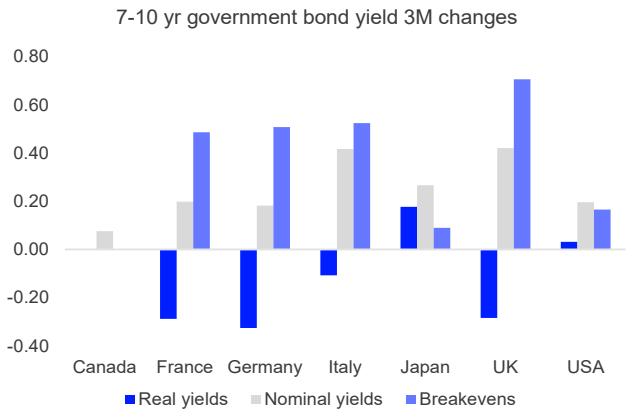
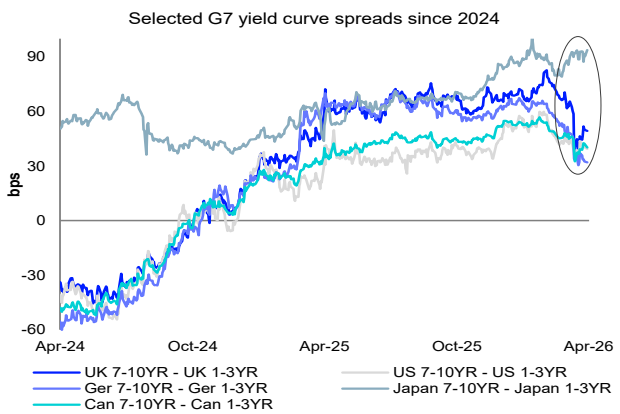


Chart 2: G7 yield curves underwent substantial bear flattening since the Middle East conflagration at end-February. The energy shock has driven a sharp increase in policy rate expectations, which may be premature.



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Eurozone macroeconomic and policy conditions – confronting an energy shock

Eurozone and UK exposure to energy shocks remains substantial (in contrast to the US) with net imports 50-80% of use, as Chart 1 shows. The current negative supply shock affects Europe less than the Ukraine shock, and APAC more, but the inflation sensitivity to global energy prices remains substantial. Direct energy weights of 7-8% in German and French CPI baskets seem modest, but the indirect weights in areas like transport fares and food, boost weights significantly (Chart 2). Consensus GDP forecasts for the Eurozone may not fully capture the impact of the energy shock (Chart 3), and will clearly hinge on underlying assumptions on energy prices, given high net energy exposures in Europe.

The inflation backdrop is also much more favourable than 2022, after the Ukraine and Covid rebound inflation shocks, as Chart 4 shows. Germany has been in recession for much of the period since 2022, and domestic demand remains weak, even if fiscal stimulus now boosts aggregate demand. So the inflation challenge from the energy shock should be seen in context, even if a period of inflation above target is now likely. Stable inflation expectations will be important in that regard; provided they are, an early policy change seems unlikely (Chart 5).

Chart 1: Eurozone (and UK) economies show high net energy imports and exposure to global energy prices. This has not declined significantly since the Ukraine shock in 2022, apart from a modest dip in France.

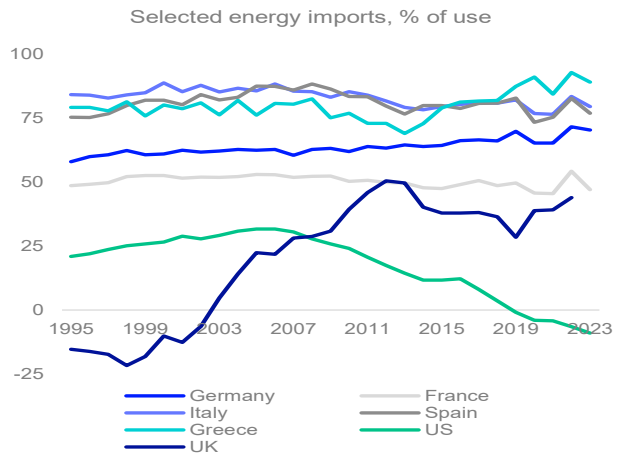


Chart 2: The direct energy weight in German and French CPIs is quite low, at 7.4% and 8.1% respectively (IEA data, 2025), but the indirect effect on transportation, & food raises the overall impact sizeably.

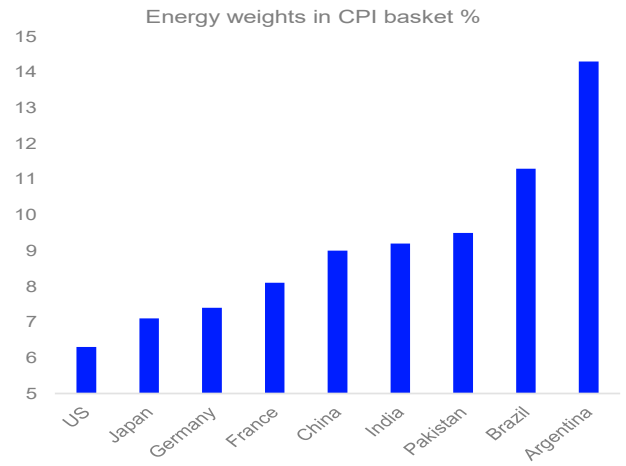


Chart 3: Consensus GDP forecasts have yet to reflect the energy shock in Q1 2026 and will likely be revised lower in Q2. The Eurozone faces higher net energy exposures than most so growth downgrades are likely.

Latest Consensus Real GDP Forecasts (Median, %, March 2026)			
	2024	**2025**	**2026**
US	2.8	**2.2**	**2.4**
UK	0.9	**1.4**	**1.0**
Eurozone	0.7	**1.5**	**1.2**
Japan	0.8	**0.8**	**0.9**
China	4.9	**4.9**	**4.5**
Canada	1.3	**1.7**	**1.2**

Chart 4: Although inflation sensitivity to energy is high in Europe, the inflation backdrop is much more favourable than 2022, when it was accelerating, as demand and growth recovered from Covid shutdowns.

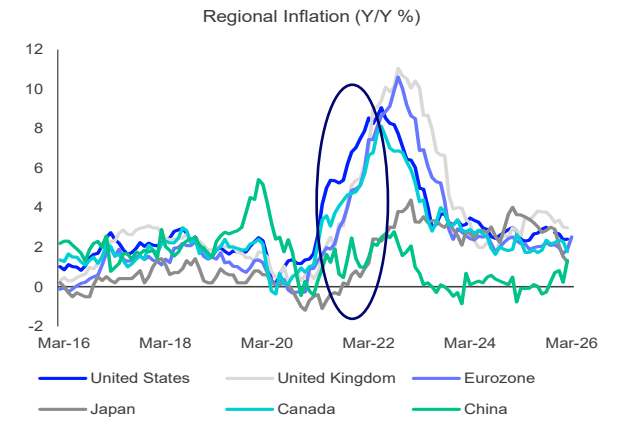
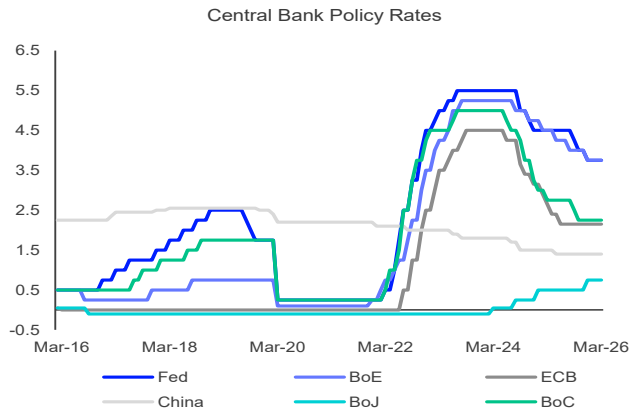


Chart 5: Stagflation pressures dominate the policy outlook for central banks. The ECB remained on hold since Q2 2025, with inflation near 2%, but March's spike to 2.5% y/y on energy underscores the challenge.



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UK macroeconomic and policy conditions – recession risks grow after energy shock

UK recession risks in 2026 have increased further after the energy shock, given cautious consumers, and relatively high net energy imports to the UK. Previous economic shocks, both inflationary and deflationary, have driven sharp increases in UK household savings, as Keynes' precautionary savings spiked. The only real exception was the first oil shock in October 1973, before inflation rates accelerated in the mid-1970s, and households may have then suffered money illusion. Since then, high base rates, recessions and stagflationary episodes, have all driven the UK savings ratio towards 15%, in response to the increased uncertainty (Charts 1 and 2).

Energy prices have generally increased the amplitude of UK inflation cycles in recent years, since although the direct weight of energy in the UK CPI is only 6.1%, it has significant impact on transportation and food inflation (Chart 3). Meanwhile, higher gilt yields, bear flattening of the yield curve and wider credit spreads in March have already caused a tightening in UK financial conditions (Chart 4), reducing pressure on the BoE to raise base rates. Apart from the energy shock, broader global supply pressures are more benign than in 2022 (Chart 5).

Chart 1: IMF forecasts for 2026 will almost certainly be downgraded after the energy shock, particularly for high net energy importers, including the UK (Chart 1, page 2). Recession risks in the UK in 2026 are now material.

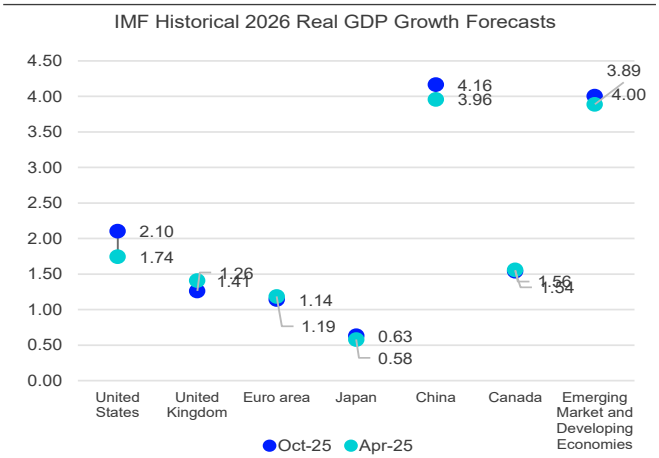


Chart 2: The UK household savings ratio (from disposable income) rose sharply after the 1978-79 oil shock, as Keynes' precautionary savings soared, and again in the early-1990s ERM and 2009 financial crisis.

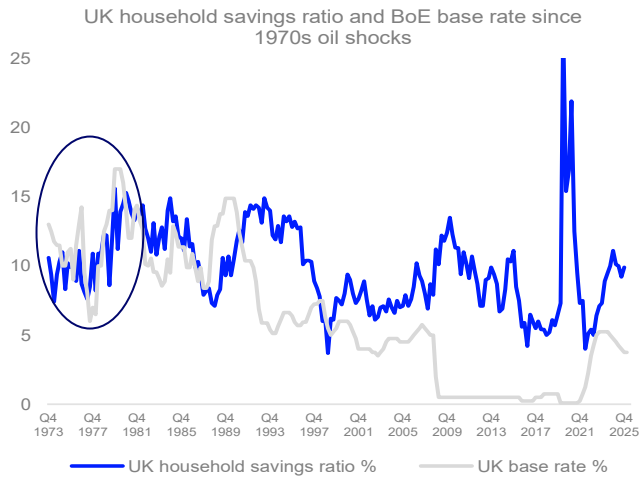


Chart 3: Energy price inflation has tended to increase the amplitude of UK inflation cycles, with a notably higher peak in 2022, and low point in September 2024, when inflation briefly dipped below the 2% target.

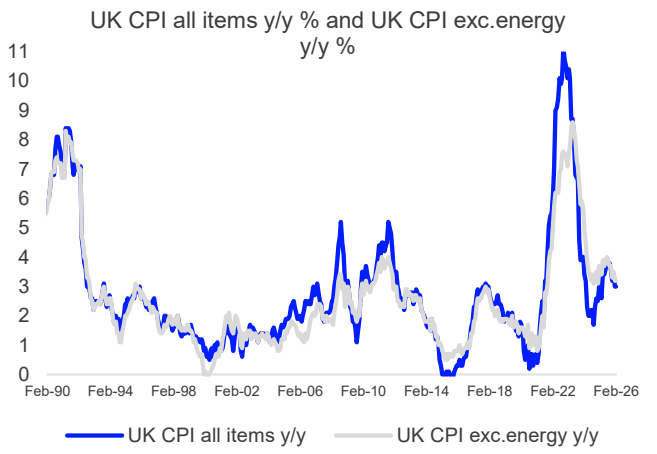


Chart 4: Financial conditions have tightened notably in the UK, during Q1, as gilt yields increased and credit spreads widened. They are close to the mean since the early 90s, reducing pressure on the BoE to raise rates.

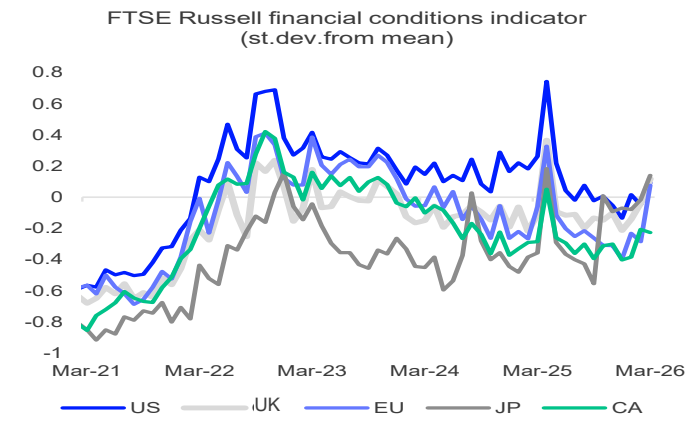
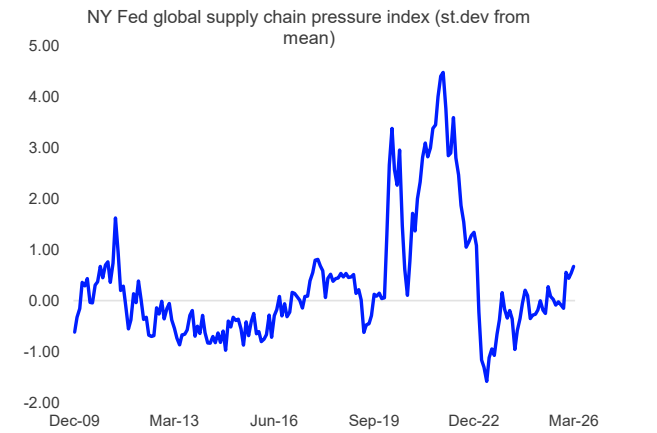


Chart 5: Broader global supply pressures increased since the energy shock, though supply lags mean pressures are less than one standard deviation from the mean, and modest compared to the Covid shock.



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Spotlight on 2026 energy shock - APAC's version of 2022 shock as stagflation risks increase?

The energy shock has raised concerns on stagflation risks, but only short dated inflation breakevens have reacted materially (Chart 1). Economic history shows extreme stagflation episodes are rare, as Chart 2 shows, but most were triggered by oil shocks and the policy responses to them (ie, Paul Volcker's Fed did not accommodate the cost-push inflation in 1980 that followed, and squeezed US demand hard with bank prime rates reaching 20%).

But Chart 3 shows the US is now a net energy exporter, leaving Europe and APAC more regionally exposed to energy shocks, even if US inflation is strongly correlated with oil prices (page 2). APAC particularly could be more vulnerable given its heavier reliance on energy flows from the Persian Gulf. Additionally, we note that net energy imports of economies such as Japan, Korea, Taiwan and Singapore were more than 80% of their energy use.

The macro starting point also differs from 2022 (Chart 4). Inflation is relatively contained globally in 2026, energy markets in excess supply, and most central banks are not in tightening mode. This gives central banks room to hike rates, should inflation pressure intensify. Equity–bond correlations have also spiked, as they did after Covid and the Ukraine-Russia conflict (Chart 5).

Chart 1: Globally, short dated inflation breakevens have moved more than longs since the energy shock, as they did after the Ukraine and tariff shocks. Stable 7-10 yr breakevens are important for central banks.

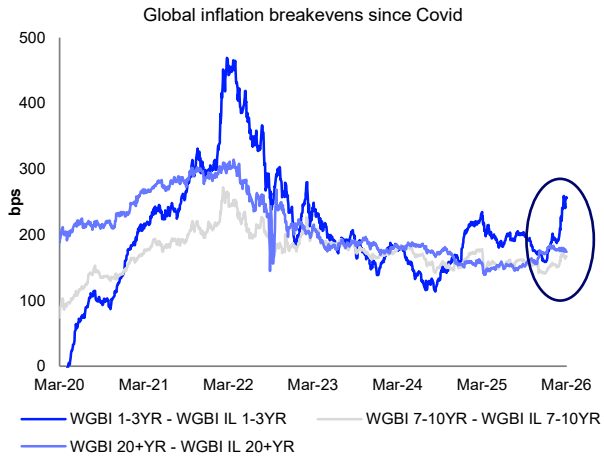


Chart 2: Extreme stagflation episodes, with growth contractions and inflation above 6% are rare, as US history since 1967 shows. But those that occurred were caused by severe oil shocks and policy responses.

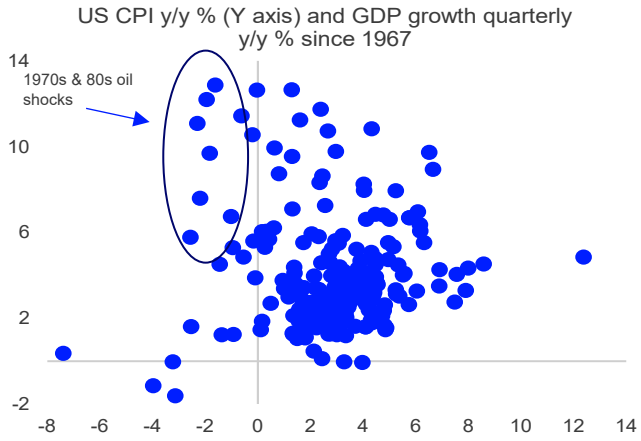


Chart 3: Both Europe and APAC have high net energy exposure, as the map shows. But APAC countries rely more on energy supplied via the Persian gulf, increasing vulnerabilities to the 2026 shock.

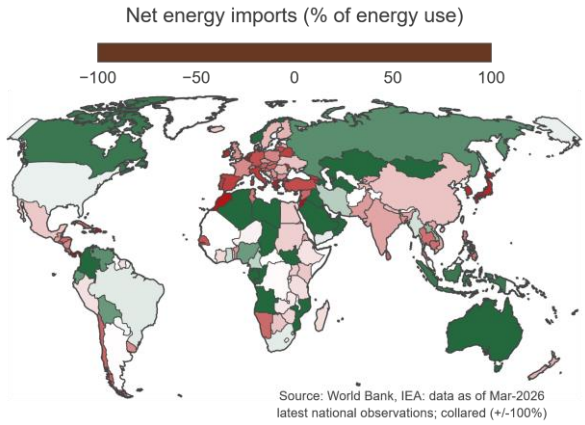
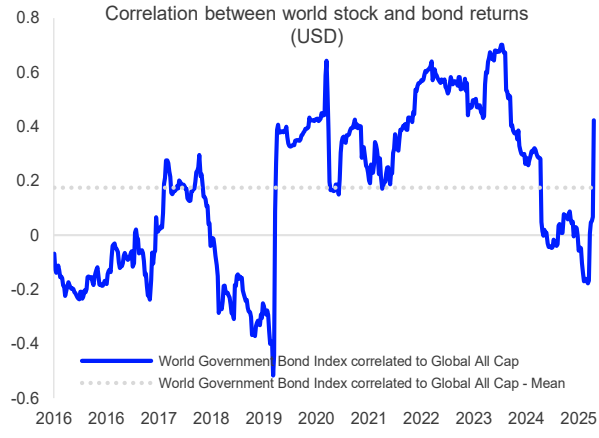


Chart 4: At least global inflation rates were relatively modest, when the 2026 shock occurred, with central banks generally easing rates, and not raising rates, as in 2022 when the Ukraine shock occurred.

	Latest headline CPI y/y (%)	Central bank target/ target range	vs inflation target/ mid-point of target range
Japan	1.3	2%	-0.7%
Australia	3.7	2-3%	1.2%
China	1.3	~2%*	-0.7%
India	3.2	2-6%	-0.8%
Korea	2.2	2%	0.2%
Taiwan	1.8	2%	-0.2%
Indonesia	3.5	1.5-3.5%	1.0%
Thailand	-0.9	1-3%	-2.9%
Malaysia	1.4	<3%*	-1.6%
Philippines	2.4	2-4%	-0.6%
New Zealand	3.1	1-3%	1.1%
USA	2.4	2%	0.4%
EU	2.5	2%	0.5%
UK	3.0	2%	1.0%

*China's 2026 CPI target is around 2%. The central bank of Malaysia doesn't have an explicit target, but 3% is a level markets believe to be the BNM's comfort zone.

Chart 5: The correlation of stock and bond returns spiked since the energy shock & stagflation fears increased sharply. This repeats the pattern seen after the post-Covid & Ukraine inflation shocks.



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FX – USD regains its safe haven position, energy exposure weighs on JPY & EUR

The dollar strengthened against most currencies in Q1 2026, particularly in March. Conflagration in the Middle East drove safe-haven flows back to the USD (Chart 1) and the DXY index rose 2.4% in March. Chart 2 shows how the US has become a net energy exporter country since 2019, after the shale revolution, limiting the impact of the energy shock on US growth, even if US inflation is boosted by higher energy prices.

In March, CAD depreciated 2.3% against USD, stronger than many net energy importers and high beta currencies (Chart 3). CAD appreciated against the dollar initially after the outbreak of Middle East conflicts. However, as the BoC emphasized downside risks on growth, CAD weakened later in March. The EUR fell 2.4% and CHF 4.5% against USD. The Swiss Franc lagged the EUR due to the uncertain inflation outlook and dovish SNB.

Australia was the first DM central bank to reverse its easing due to inflation and increases in Australian rate hike expectations led to AUD outperformance over 3M. That said, as the USD rose on safe-haven demand in March, the AUD has reversed its gains due to its valuation and high beta characteristic.

Chart 1: USD weakness reversed in March, and strengthened on the Middle East conflagration. JPY remains weak on Japan's net energy exposure. AUD and CHF have retraced their recent strength.

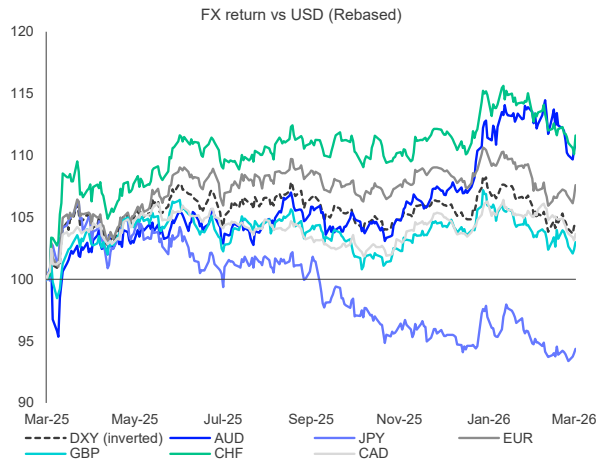


Chart 2: The dependence of imported energy is higher than it was in 2000s for Japan, UK and Switzerland. The US, in contrast, has become a net energy exporter from 2019.

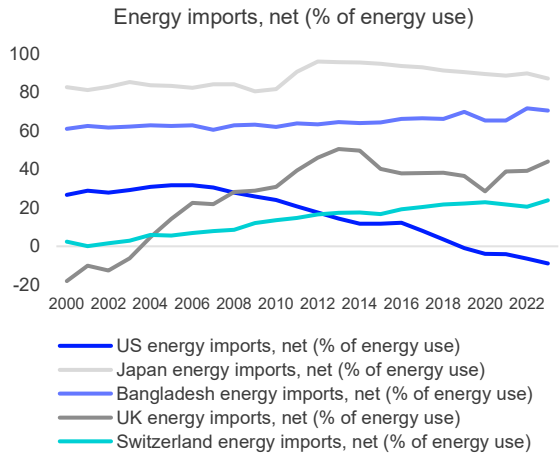


Chart 3: USD showed strength amid the Middle East conflicts. The Korean Won underperformed due to its high beta characteristic and strong foreign equity outflows.

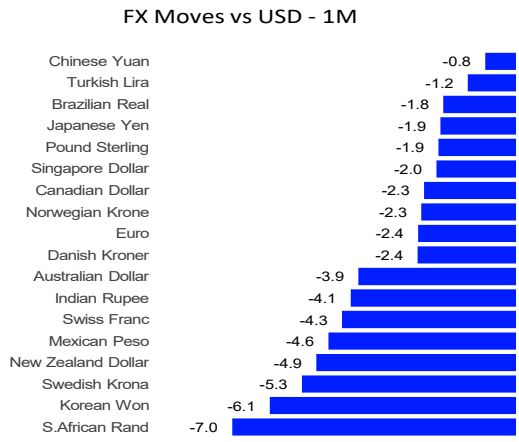


Chart 4: Over 3M, the AUD posted positive returns against the dollar (+2.7%), reflecting heightened RBA rate hike expectations and higher yields. AUD/USD fell 3.9% in March.

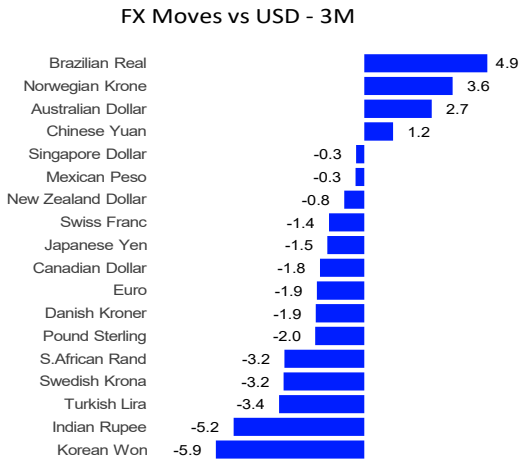
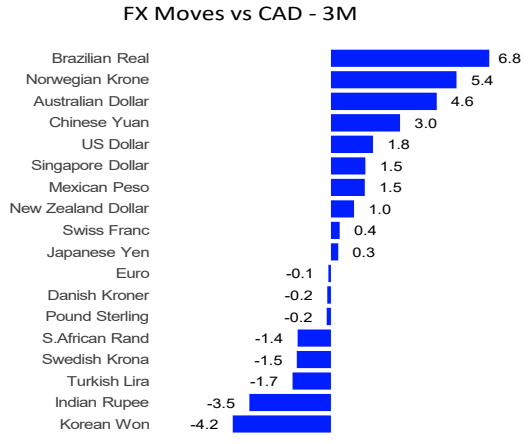


Chart 5: CAD appreciated against the dollar initially after the Middle East conflagration. However, after the BoC delivered a dovish stance on growth, the CAD fell back, despite Canada's energy exporter status.



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Eurozone govt bond analysis – bear flattening on the energy shock dominates

Markets re-priced the ECB policy outlook substantially in March, on the stagflation risks from the energy shock, to include higher rates for the first time since the ECB began easing in June 2024. This caused 1-3 yr Bund yields to spike about 60 bp from end-February levels, and a significant bear flattening of the yield curve (Chart 1 & 2). Despite the 2-way pull on interest rates from the energy shock, the Bund market reacted to inflation rather than ongoing recession risks, with short breakevens spiking by about 1% (Chart 3).

This pronounced front end yield reaction may be the legacy of under-estimating the scale of the 2022 inflation shock, and subsequent ECB policy tightening, despite Eurozone economic conditions being more benign in 2026, with much weaker growth and inflation. The higher delta of Italian yields to market shocks also caused some reversal in the tightening of Italian spreads versus Bunds evident since 2022 (Charts 4 & 5), but we note Eurozone yields broadly moved higher together in March, so there is little evidence of a trend reversal. Indeed, Spanish yields continue to trade well through French govt yields, reflecting the less fragile fiscal position in Spain.

Chart 1: The biggest yield increases in Q1 were in short-dated Bunds, as markets focussed on the inflation impact of the energy shock, rather than weaker growth. Note long yields are now at cycle highs

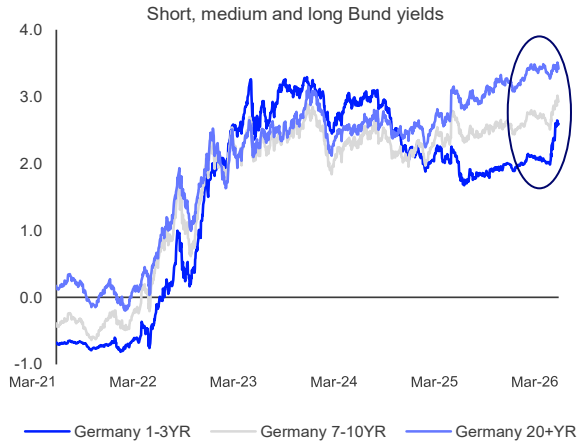


Chart 3: Bear flattening in Bunds was sizeable in March, led by longs vs 1-3 yr yields. Underestimation of inflation risks in 2022 and high Eurozone energy exposure may explain the scale of flattening.

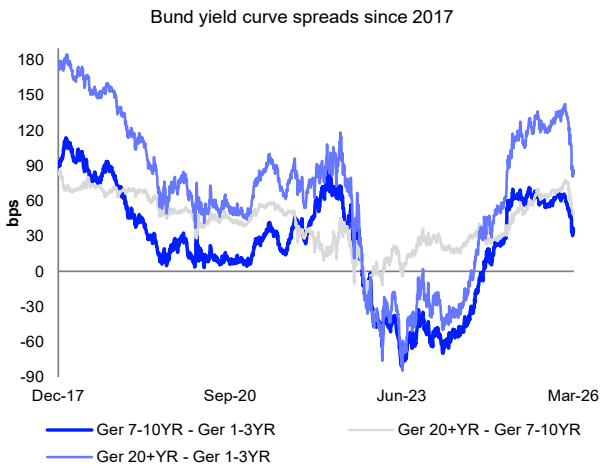


Chart 3: German short dated inflation breakevens spiked higher by approx.1% in March, after the energy shock. Longer dated breakevens increased by less. Stable inflation expectations are key to ECB policy.

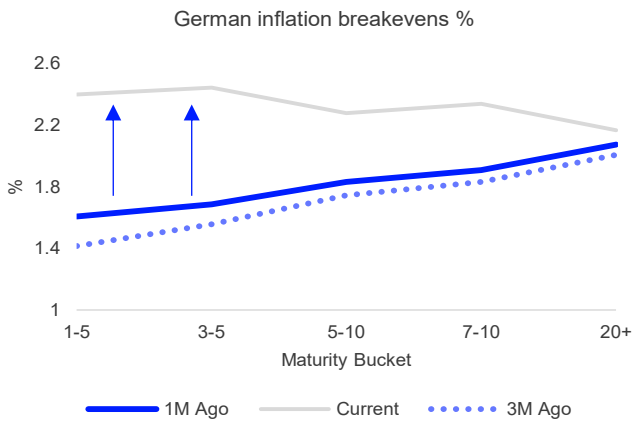


Chart 4: Some of the spread convergence that dominated Eurozone govt markets since 2022 reversed in Q1 as investors re-priced risks in Italy. However, there is little to suggest a trend reversal is imminent.

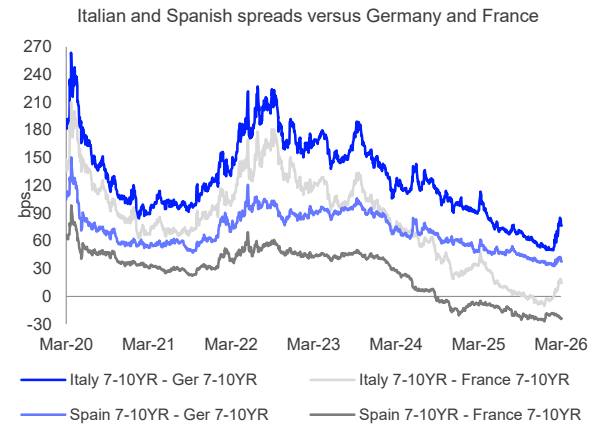
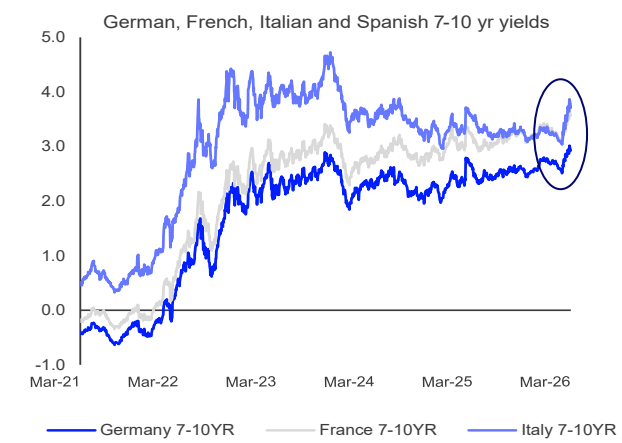


Chart 5: Italian yields show higher sensitivity to the energy shock, due to Italy's high net energy exposure, and generally higher delta to bond market shocks, but directionally, Eurozone yields all increased together.



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Eurozone IG and HY credit – financials outperform but 2026 boost for covered bonds?

Eurozone credit spreads do not suggest valuations are extreme after the March widening of spreads. Both IG and HY spreads have returned to pre-Ukraine shock and ECB tightening levels in early 2022. Since credit quality has improved since then, judged by the higher share of single A credits, a case can be made that these spreads now offer at least fair value, particularly as yields are notably higher now than in 2022 in both IG and HY credit (Charts 1, 2 and 3).

Yields may still rise further if the negative energy supply shock intensifies, and govt yields rise further, given the Eurozone is a high net energy importer, but relative value appears fair at least in credit, gauged by conventional metrics. Evidence that the energy shock is not a major credit event to date may be seen in the relatively uniform moves in credit sectors, which even includes the energy sector itself (only 3.9% of the IG index and 3% of the HY index). This suggests a general re-pricing of the risk premium in credit, rather than a sector-specific event, like the GFC (Charts 4 & 5). But much depends on the duration of the shock and ECB response. At least it has occurred in more benign conditions than 2022.

Chart 1: The correction in Eurozone credit spreads on the energy shock in March has returned spreads to the levels seen before the Ukraine shock in Feb 2022. So credit valuations are no longer extreme.

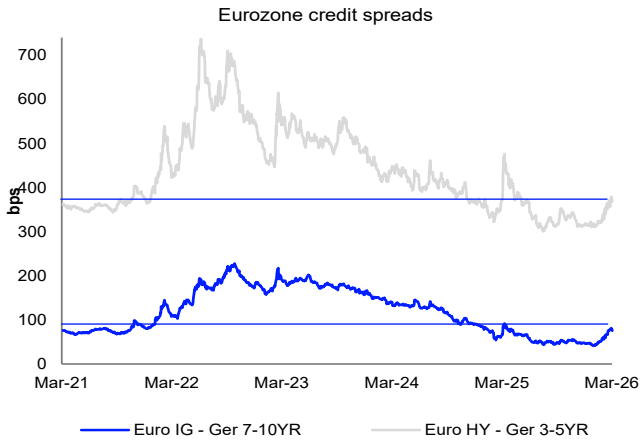


Chart 2: Outright yields are now well above the 2022 levels, in both IG and HY credits, when credit spreads were at about the same level. But credit quality has improved, suggesting solid value in credit.

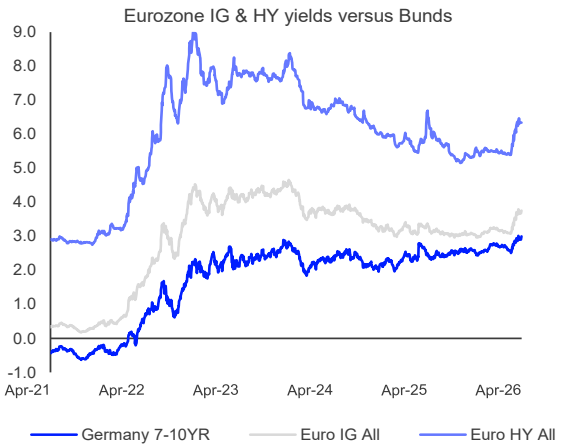


Chart 3: As in other markets, credit quality has improved with the share of single-A credits increasing in Eurozone IG since Covid, and the share of BBB credit falling. The shares of AAA & AA are low & stable.

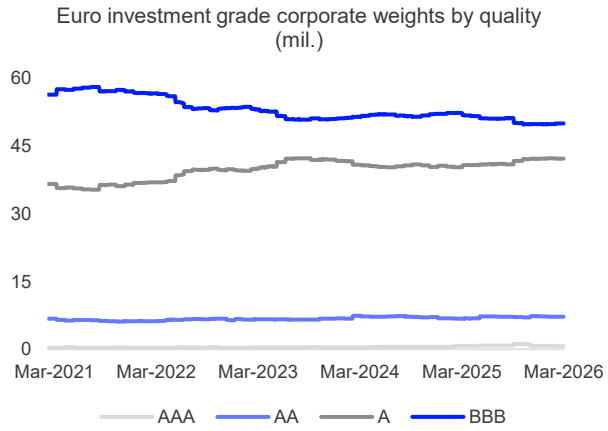


Chart 4: Eurozone credit was hit hard after the Ukraine shock but recovered steadily in 2024-25, as the ECB cut rates and risk rallied. Dollar weakness reduced US returns in 2025 but recovered in Q1.

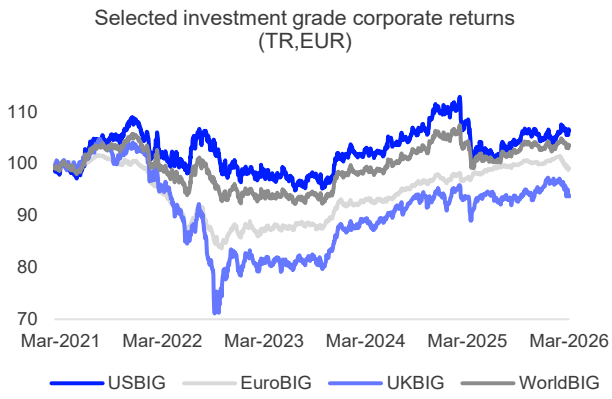
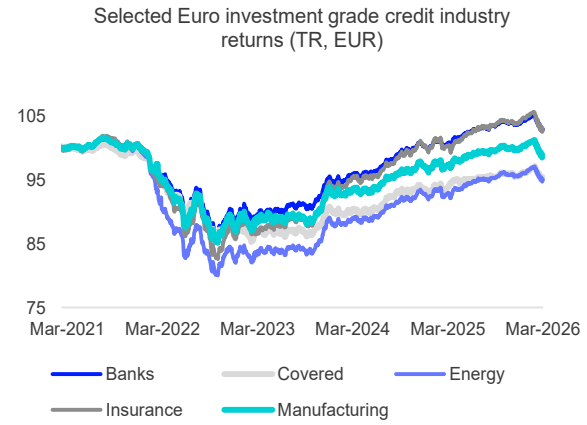


Chart 5: Credit sectors fell in uniform fashion in the energy shock in March, in a general re-pricing of risk. Energy also fell, as upward pressure from govt bond yields overwhelmed higher energy prices.



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UK govt bond analysis – energy shock drives rare de-coupling of nominal & real yields

The front end of the gilt market reacted more than any other G7 market to the energy shock in March, with a significant spike in inflation breakevens (of over 1.5%), and short dated bond yields (Charts 1). Given the weakness of UK GDP growth of 0-1%, awaiting Q1 data, and the contractionary effect of an energy shock, the BoE is likely to be cautious about raising rates, as Governor Bailey pointed out (April 1).

The scale of the front end yield reaction may be the legacy of under-estimating the scale of the 2022 inflation shock, and subsequent BoE policy tightening to 5% base rates. Evidence that higher inflation expectations drove the back-up in short yields can be found in the decomposition of 1-3 yr nominal and real yield moves for March (Chart 2), which shows the decline in real yields, and increase in nominal yields. This drove a pronounced bear flattening of the yield curve (Charts 3 & 5).

Directional de-coupling of nominal and real yields is rare, and often requires a substantial shock, or regime change. We note that it also occurred briefly after the GFC in 2008-09, when real yields rose sharply as deflation fears escalated.

Chart 1: 1-3 yr UK inflation breakevens spiked to around 5% in March – a dramatic reaction to the energy shock, of over 1.5%, far exceeding moves in other markets. Breakevens increased far less in long maturities.

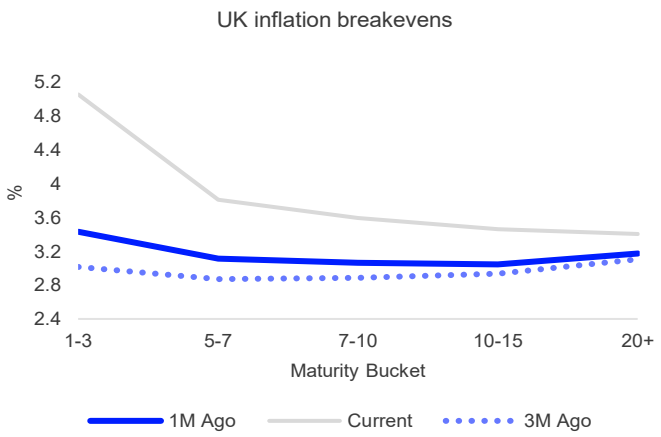


Chart 2: Decomposing UK yield moves after the energy shock in March, we find nominal yields increased sharply, and real yields actually fell. This confirms that the main driver was higher inflation expectations.

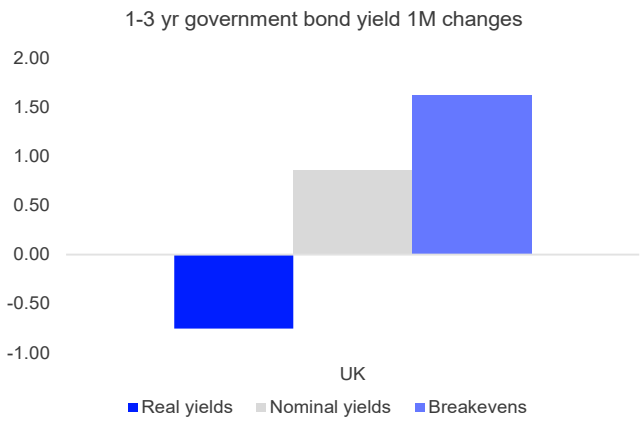


Chart 3: As a result of the sell-off in 1-3 yr yields, sizeable bear flattening of the curve transpired in March, led by longs vs shorts. This increase in short yields occurred despite caution on rates from BoE Gov. Bailey.

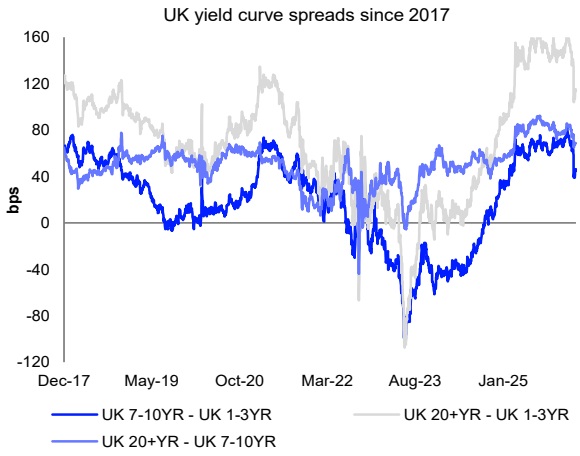


Chart 4: UK real yields remain near cycle highs, only exceeded by US. Given real yields have been seen as a proxy for real growth and weak UK growth, real yields may now signal concerns about debt capacity.

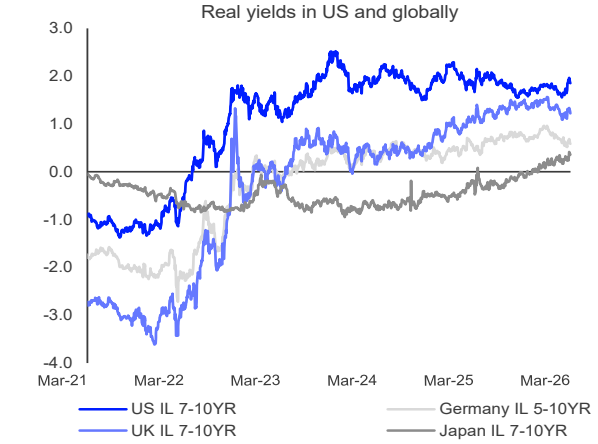
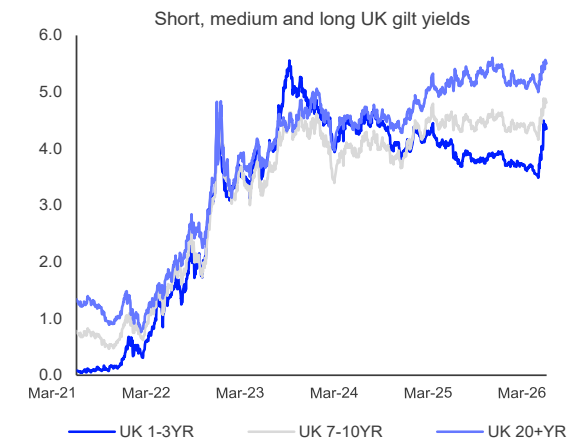


Chart 5: As in other G7 govt bond markets, the gilt market reversed easing expectations in March, to discount modest base rate increases later in 2026-27. Medium and longer dated gilt yields increased less.



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UK IG and HY credit analysis – a more robust sector on improved credit quality

UK credit has fallen back in response to higher gilt yields and the energy shock, which has driven a general re-pricing of risk in credit. Since financials dominate the UK IG sector, with a weighting near 50% in total, and bank issues comprising 31%, overall IG performance will be driven by how robust financial performance proves (Chart 1). Financials have outperformed since early 2023, led by banks, which were helped by high net interest income and steeper yield curve since 2024-25. Higher capital ratios have been another favourable factor.

Although the UK yield curve flattened sharply in March, improved credit quality and shorter duration makes UK credit less vulnerable to an interest rate shock than in 2021 (Charts 2 & 3). We note that the duration of UK IG credits has fallen more than other markets since 2021 (Chart 3).

UK HY credit offers a significant yield premium over other markets (Chart 4), which was not the case before the Ukraine shock and policy tightening cycle in 2022-23. But we note this is a much smaller market than the US, and performance was skewed by defaults and re-structuring in the water sector.

Chart 1: UK IG credit performance shows outperformance of financials since the Ukraine shock in 2022. There is little evidence yet of a major credit event in the Q1 energy shock, with improved credit quality a factor.

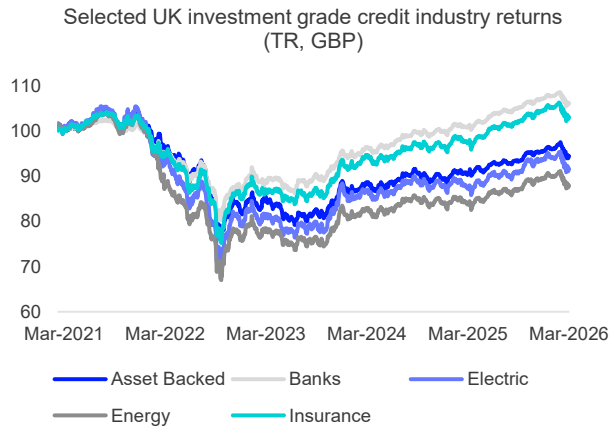


Chart 2: Since Covid and the increase in BBB-rated issues on rating downgrades, there has been a steady decline in BBB issues in UK IG credit and increase in single A rated issues, as quality improved.

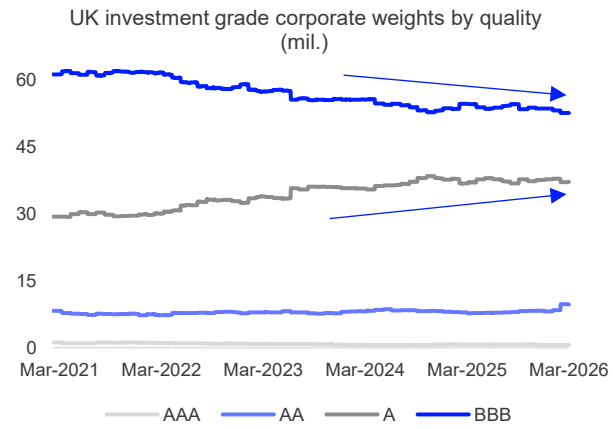


Chart 3: IG credit has notably shorter duration globally than 5 yrs ago, with UK duration shortening the most since 2021. This clearly reduces sensitivity to an interest rate shock, should the BoE now raise rates.

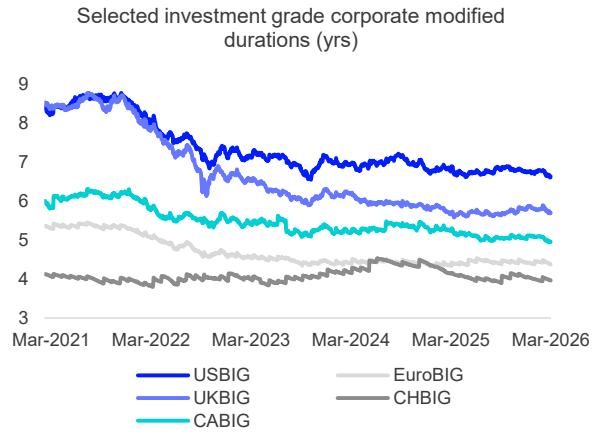


Chart 4: The UK HY market suffered a sharp back-up in yields on the energy shock, broadly in line with other HY markets. UK HY now offers a sizeable yield premium over other markets, unlike 2021-22.

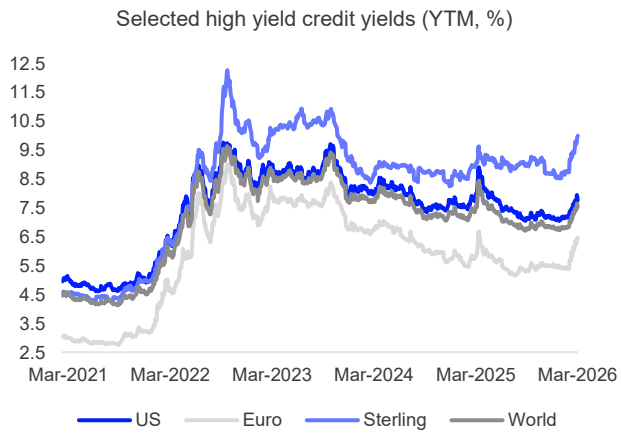
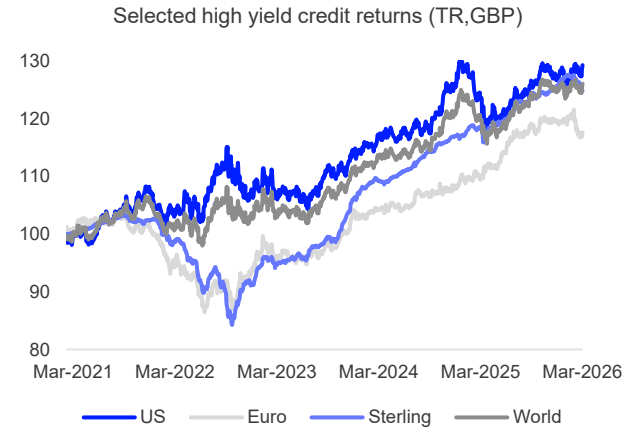


Chart 5: HY credit returns show improved UK performance since the collapse in 2022. But the UK HY market is less liquid than the US, and returns were skewed by water utility defaults & re-structurings in 2022-23.



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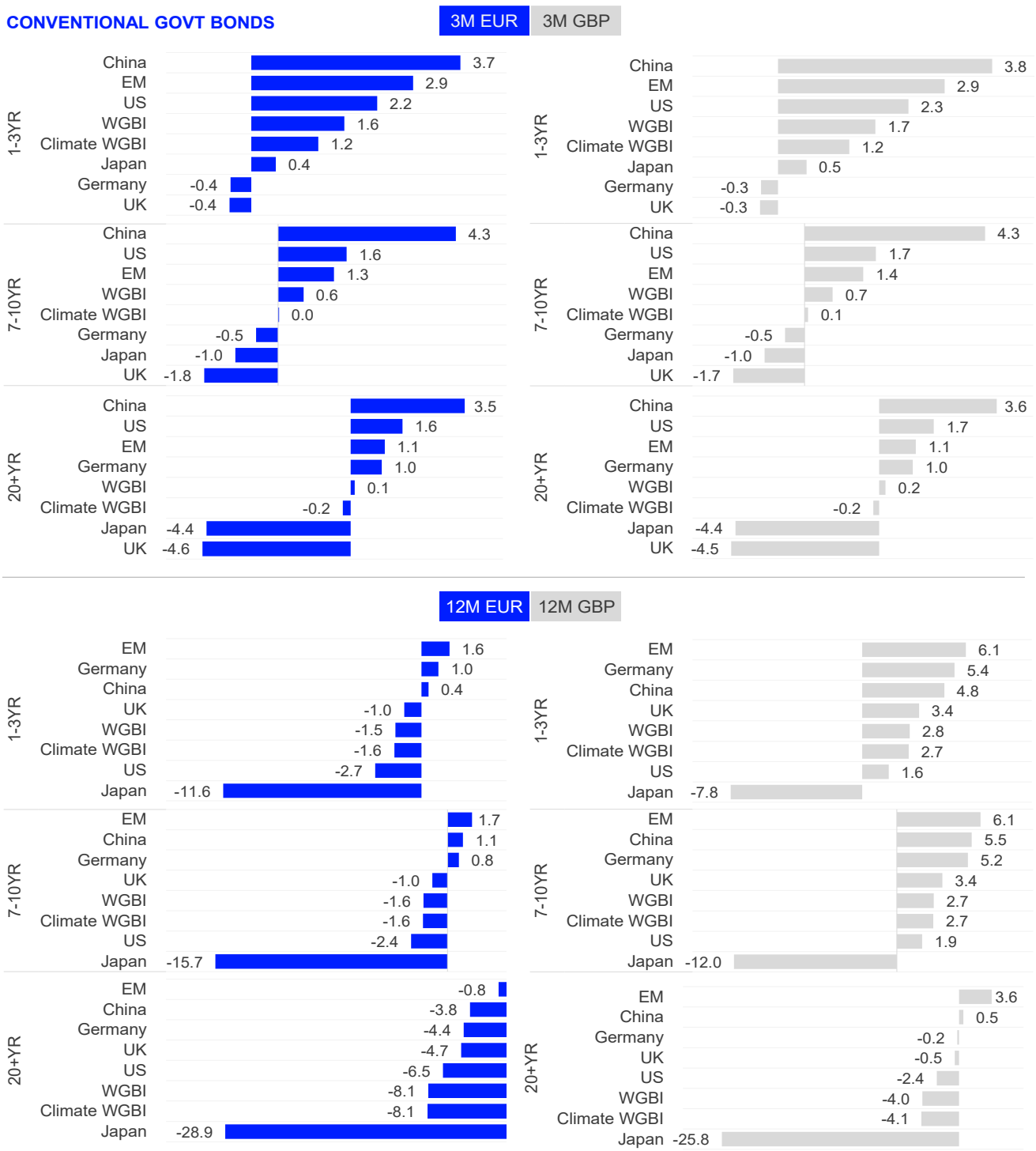
Conventional Government Bond Returns − 3M & 12M % (EUR, GBP, TR)

The energy shock in Q1 squeezed govt bond returns in March, and left long returns mostly negative in Q1, excl China, led by UK gilts, on stagflation fears. The Euro and yen fell as the USD resumed a safe haven role, with the US less exposed to the energy shock than Europe or Japan. Yen and JGB weakness combined to give 26-29% JGB losses in sterling and euros on 12M, as the JGB curve bear steepened. China and EM were the strongest performers in Q1.

China led returns on 3M, with gains of 3-4%, helped by the stronger renminbi, even though China is still a big energy importer. Safe haven buying of China govt bonds was driven by concern over credit risks in some local authorities, and prospects for more PBOC easing. Curves generally bear flattened in Q1, but the duration effect drove bigger losses in longs, led by gilts and JGBs.



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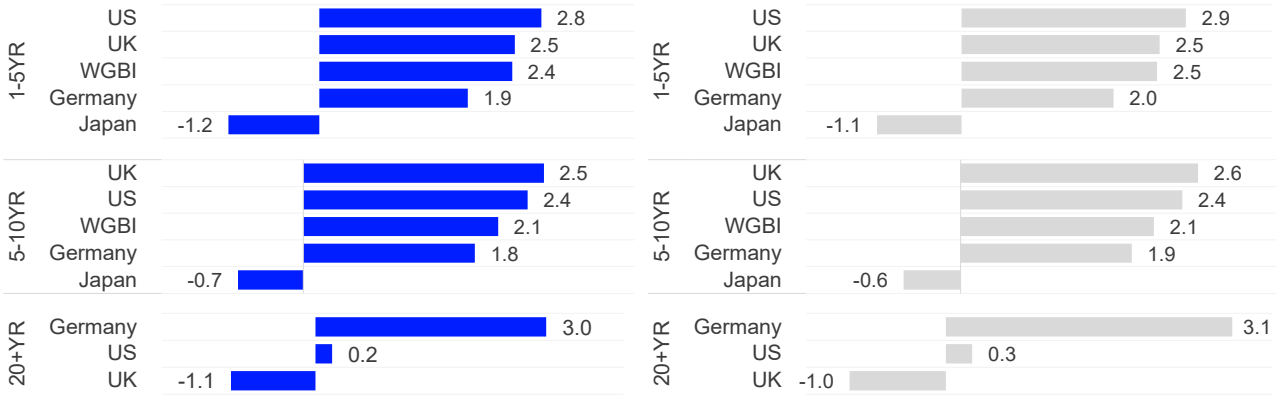
Global Inflation-Linked and Credit Returns − 3M & 12M % (EUR, GBP, TR)

Like conventionals, linkers ended Q1 on a weak note, as markets fretted over the energy shock, and stagflation risks. But linkers outperformed conventionals in Q1, even if JGBs and long UK linkers lost 1%. Shorter dated UK linkers and Tips were strongest, as inflation accruals and the USD rebound helped returns. EM credits showed 1-3% gains in sterling and Euros. On 12M, longer dated Tips and JGB linkers were weakest, with losses of 6-14% due to higher real yields and the weak yen.

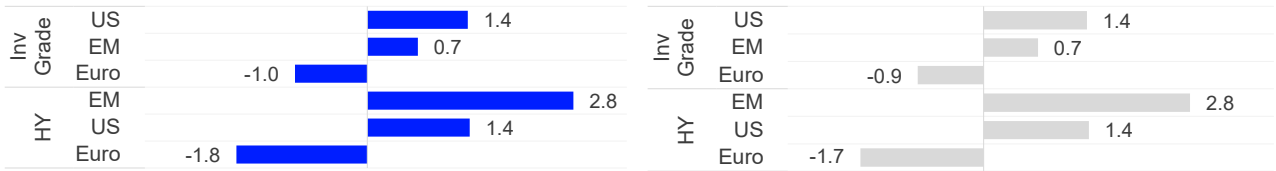
Increases in long US real yields on 12M are a puzzle, given growth slowed, and the Fed eased 75bp in Q4. Long Tips underperformed Treasuries on 12M by 4%, so this doesn't look a pure term premium effect. Euro HY credit gained 7% on 12M, though it suffered a reversal in Q1, as the energy shock unfolded. US credit returns were also more modest, and may be showing some valuation effects.

INFLATION LINKED BONDS

3M EUR | 3M GBP

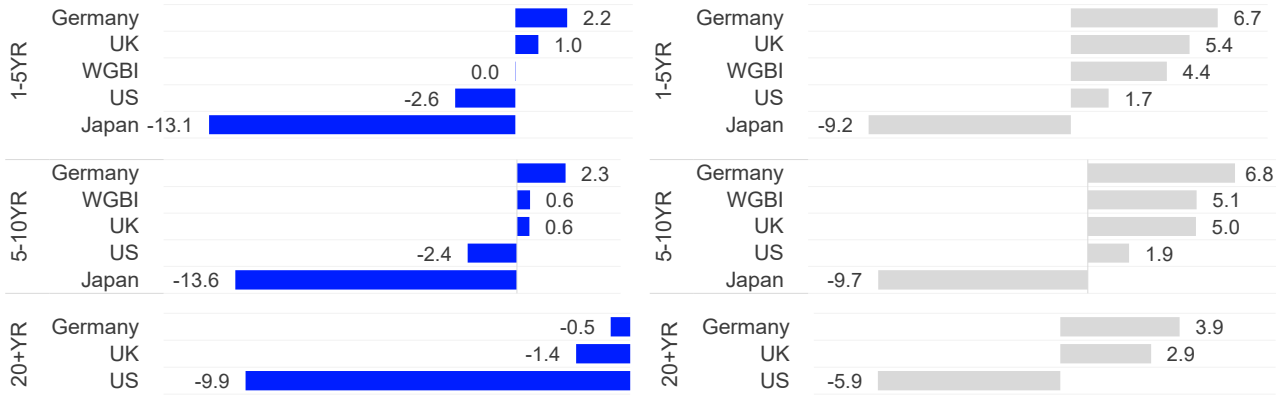


CORPORATE BONDS

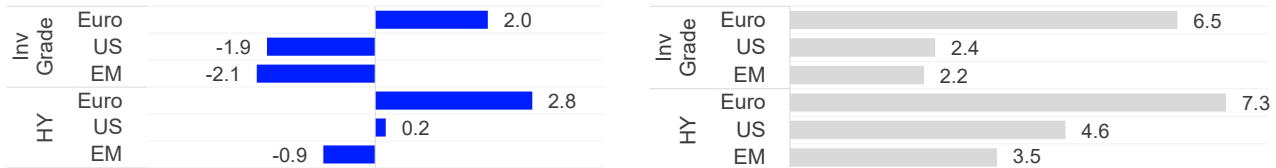


INFLATION LINKED BONDS

12M EUR | 12M GBP



CORPORATE BONDS



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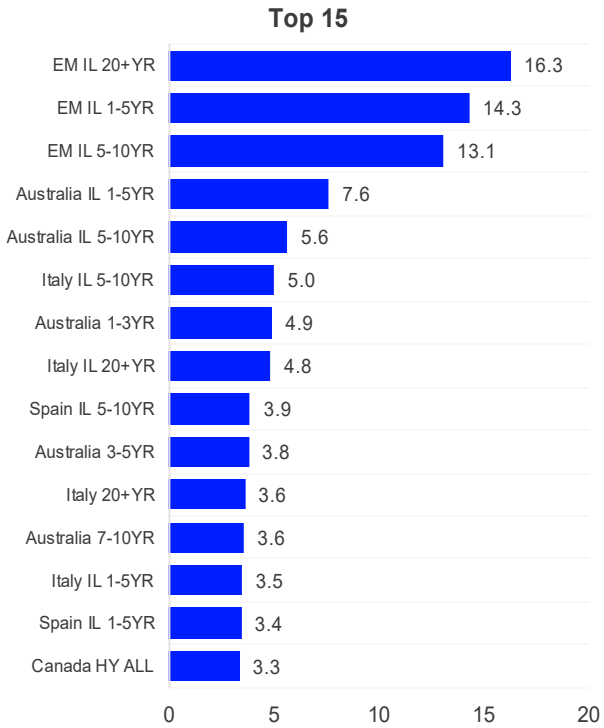
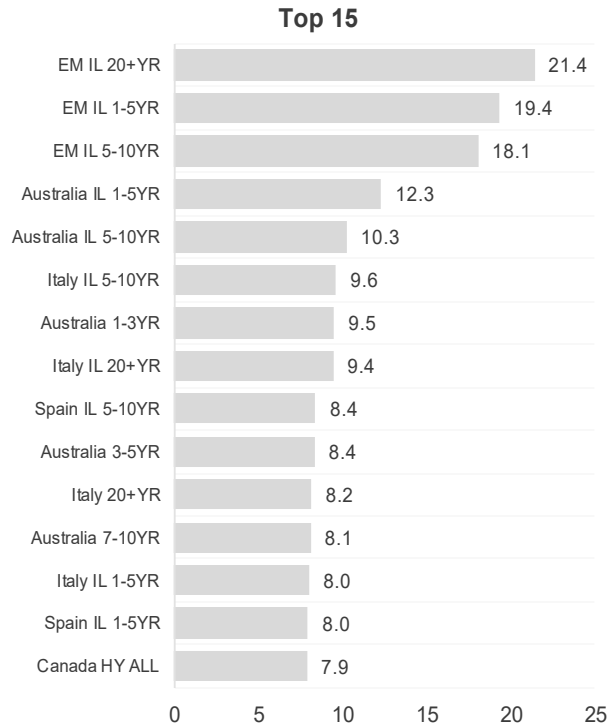
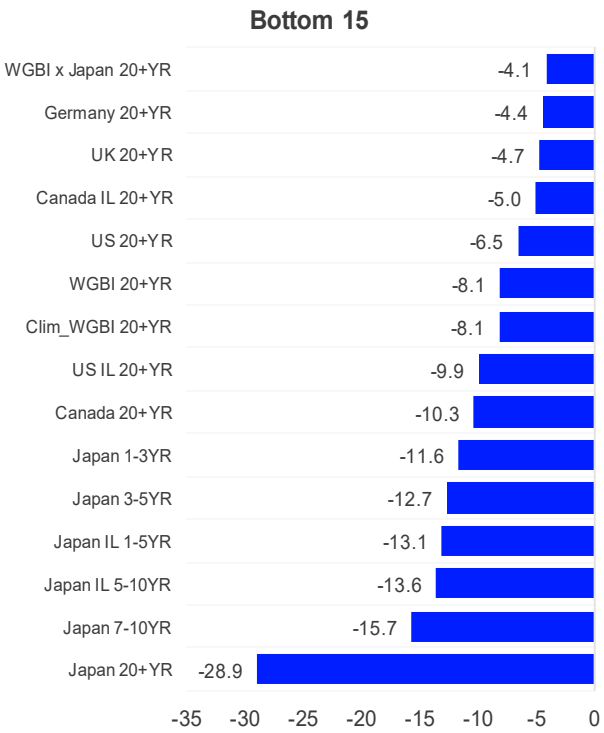
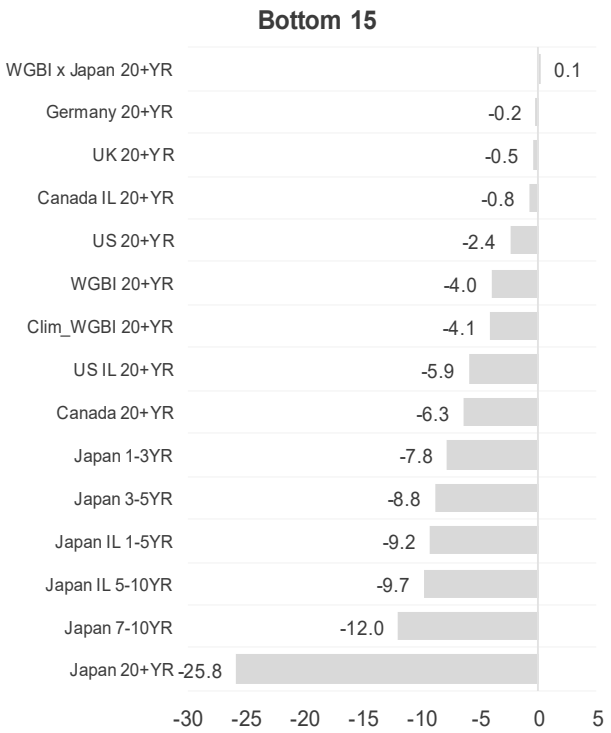
Appendix − Top and Bottom Bond Returns − 12M % (EUR, GBP, TR)

12M EUR | 12M GBP









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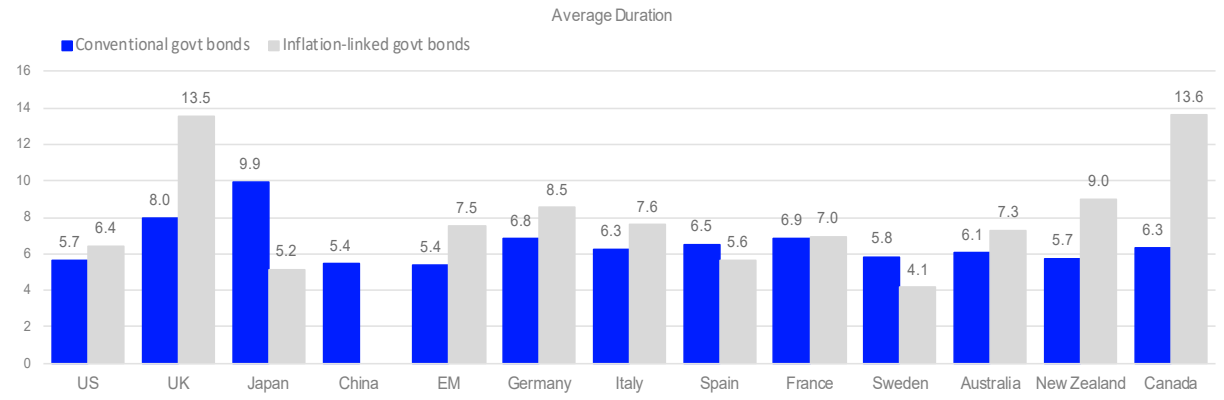
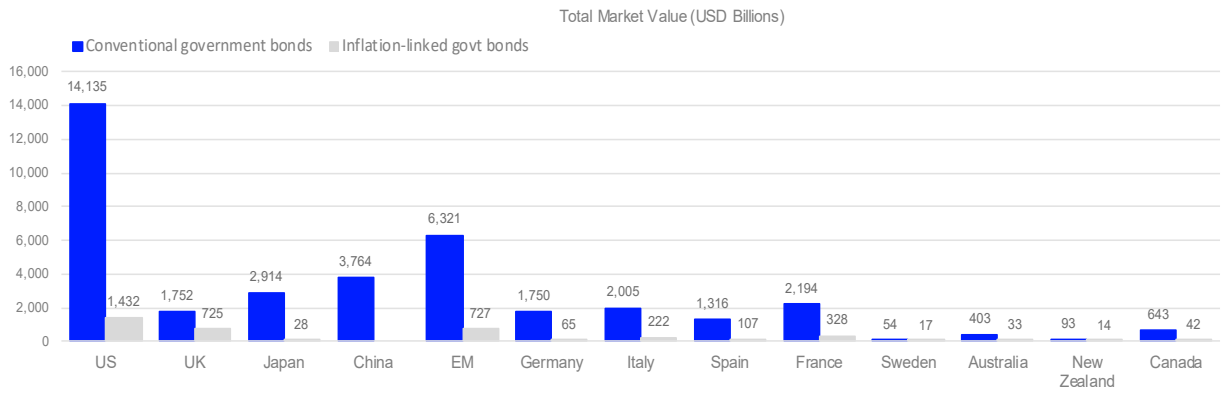
Appendix − Duration and Market Value (USD, Bn) as of March 31, 2026

	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	7.0	15.7	**5.7**	3,121.1	1,335.0	1,597.4	**14,134.9**	7.0	20.8	**6.4**	483.0	109.3	**1,432.4**
UK	3.5	7.1	16.7	**8.0**	218.2	293.4	314.5	**1,751.9**	7.1	25.3	**13.5**	170.2	218.2	**724.6**
Japan	3.8	8.0	21.0	**9.9**	407.0	525.7	484.6	**2,914.5**	7.6		**5.2**	15.6		**28.0**
China	3.7	7.8	17.7	**5.4**	849.8	628.6	373.8	**3,763.8**						
EM	3.5	7.1	15.1	**5.4**	1,427.2	1,118.3	615.1	**6,321.1**	6.0	13.3	**7.5**	190.3	185.0	**726.7**
Germany	3.8	7.5	19.2	**6.8**	376.9	272.7	209.5	**1,749.6**	6.8	19.1	**8.5**	14.6	17.0	**65.2**
Italy	3.7	7.0	15.9	**6.3**	397.9	309.4	177.1	**2,004.6**	6.9	22.4	**7.6**	83.6	10.8	**222.4**
Spain	3.5	7.1	17.5	**6.5**	243.1	235.3	111.5	**1,315.8**	7.2		**5.6**	31.1		**106.8**
France	3.7	7.1	17.5	**6.9**	436.3	387.1	256.5	**2,194.3**	5.9	22.4	**7.0**	76.8	22.0	**327.8**
Sweden	3.5	7.5		**5.8**	8.9	15.1		**54.2**	6.0		**4.1**	3.5		**16.6**
Australia	3.6	7.0	15.4	**6.1**	70.2	108.4	21.2	**403.1**	7.6	20.1	**7.3**	11.5	2.6	**33.2**
New Zealand	3.3	6.7	15.0	**5.7**	19.6	23.4	5.3	**93.2**	8.3	16.8	**9.0**	5.4	1.2	**13.6**
Canada	3.7	7.3	18.6	**6.3**	148.6	143.0	78.7	**642.6**	5.0	20.8	**13.6**	8.2	12.5	**41.9**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.1	6.7	6.3	6.6	69.3	533.1	3128.5	3714.0	7445.0	3.7	1190.7
Europe	6.2	4.9	4.5	4.2	4.4	23.3	245.8	1447.0	1712.8	3428.9	3.2	392.0
EM		5.9	5.7	5.1	5.4		75.1	171.8	242.3	489.2	3.6	194.0





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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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