Fixed Income Insights

NORTH AMERICA
US & CANADA EDITION

QUARTERLY REPORT | **APRIL 2026**

More benign macro setting for 2026 energy shock

Short Treasuries and Canadian govt bond markets discount modest 25-50bp tightening moves in 2026-27 on inflation risks from the Q1 energy shock. This may be premature in Canada, given inflation at target and weak growth, though the Fed faces a bigger inflation challenge. Underestimation of interest rate risks in 2022 may explain this, even if APAC is more exposed in 2026. Adverse duration effects caused longs to under-perform in Q1, even as curves flattened. Credit held up well and remains a strong outperformer on 12M.

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

US inflation above target means a bigger challenge for the Fed than the BoC, from an energy shock. Canadian inflation at target and large energy sector a more benign setting.

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

APAC economies worse hit but global stagflation risks increase on 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.

US Treasuries and credit – Short breakevens spike and term premia increase

Breakeven curve signals doubts on Fed inflation target. Credit stable despite the oil shock.

Canadian govts, provis and munis – Short yields price in modest BoC tightening

Curve bear flattens, and provi and muni spreads widen as markets price in tightening after the energy shock, despite the BoC focusing on downside risks to growth and inflation at target.

Canadian IG & HY credit – Investors re-price risk in Q1, but no major credit event to date

Yield levels, credit quality & large HY energy weighting restricted Q1 credit losses.

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

Treasuries boosted by USD rebound in CAD terms. Curves flattened but duration effect hit longs. Canadian credit outperformed govt bonds on 12M, with modest losses in Q1.

CONTENTS

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Chart 1: Curiously, long yield changes are less in Germany than in Canada, in the month following the energy shock, despite higher net energy exposures. UK gilts suffered the biggest yield increases.

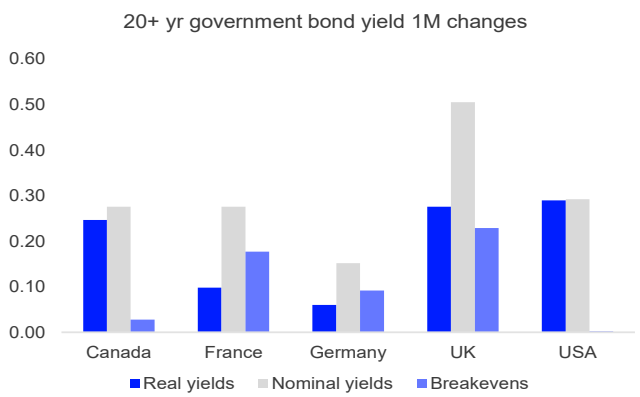
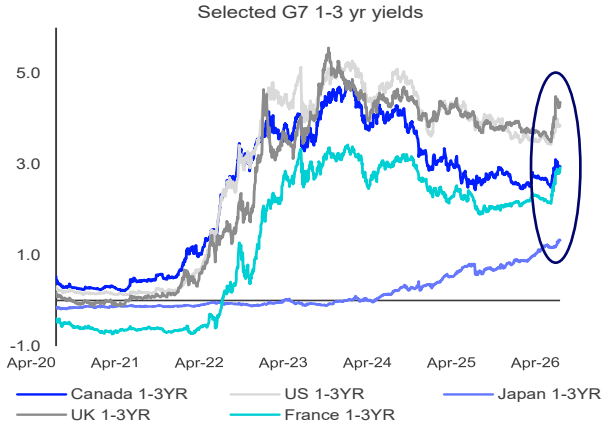


Chart 2: Markets rapidly re-priced the policy rate outlook, after the energy shock, with 1-3 yr yields rising to signal policy tightening. This may be premature, given the 2-way pull on rates from stagflation.



Source: FTSE Russell and Datastream. Other data as of March 31, 2026, except where shown. 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.

US macroeconomic and policy conditions – inflation above target changes policy risks

The calm before the inflation storm? Relatively benign US inflation conditions in Q1 – even if inflation is above the 2% target – were transformed by the energy shock in March. Chart 1 shows a strong correlation between oil prices and US inflation, both because of energy's direct weight in the CPI (Chart 3) and the indirect effect on inflation via transport costs and food prices, etc.

Since the US is now a net energy exporter (see page 5), impact on the economy will be less than in previous energy shocks, but the disruption to the supply chain in the Persian gulf may keep energy prices elevated for some months. The timing of the shock is less unfavourable than the Ukraine shock in 2022. Back then inflation was accelerating, the Fed was in tightening mode, and global supply chains were still recovering from Covid (Chart 5).

The change in the Fed Chair from May – assuming Mr. Warsh is confirmed by Congress – is also a factor in Q2. Unchanged policy seems likely, until more clarity emerges on the inflation impact of the shock (Chart 4). This may not be until Q3, and Q1 tightening in financial conditions has already tightened policy for the Fed.

Chart 1: Previous US inflation cycles show strong correlation with oil prices- particularly since 2014. Much depends on how long oil prices remain elevated, and if consumer demand weakens.

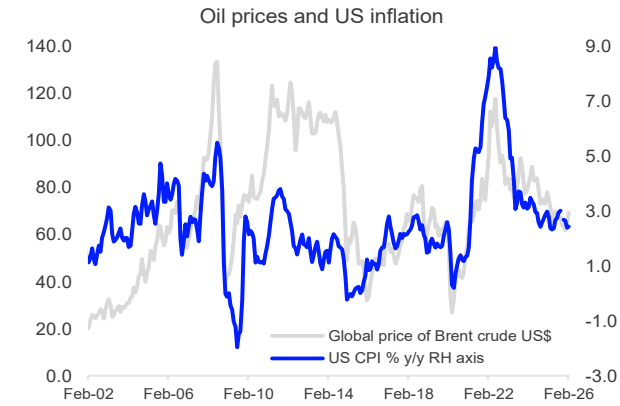


Chart 2: "Breakeven" employment gains required to hold US unemployment steady fell steadily since Covid, as workers left the labour force and retired. So even with a flat employment growth, unemployment rose only marginally.

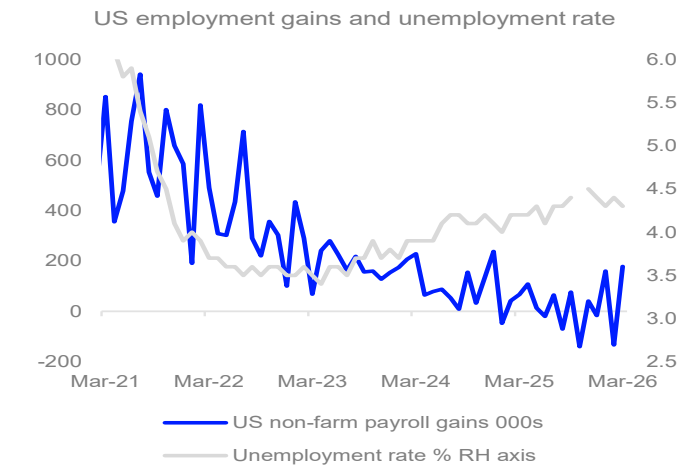


Chart 3: The direct energy weight in the US CPI is quite low, at 6.3% (IEA data, 2025), but the indirect effect on components such as transportation & food, explains the oil price correlation with US inflation.

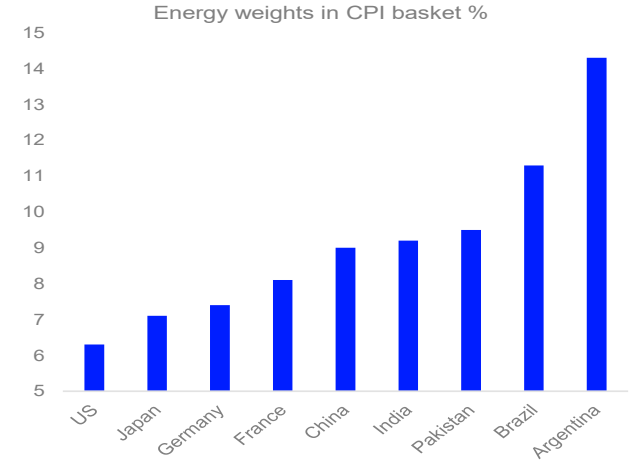


Chart 4: Stagflation pressures dominate the outlook for central banks, and their revealed preference is to hold policy unchanged, awaiting more data on inflation. Stable inflation expectations also key to preventing tightening.

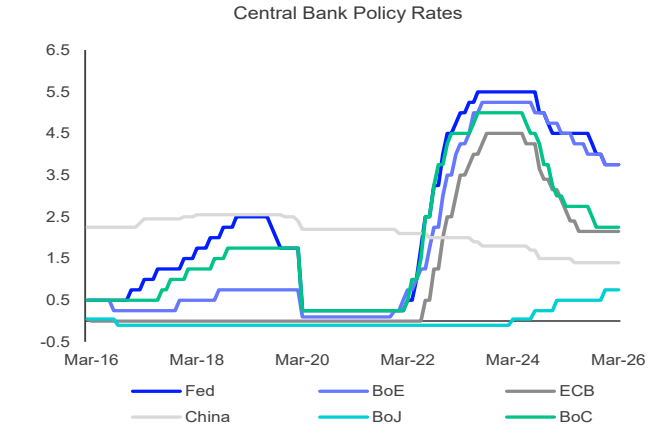


Chart 5: Broader supply pressures increased since the energy shock, though leads and lags mean pressures are still less than one standard deviation from the mean, and modest compared to the Covid shock.

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Canadian macroeconomic & policy conditions - benign conditions for an energy shock?

Given Canada's net energy exporter status, the impact of higher equilibrium energy prices is likely to be less negative than on big energy importers like the UK and Japan. The main impact is likely to be via higher inflation, rather than weaker growth. Consensus growth forecasts show a slowdown in 2026 growth (Chart 1), reflecting weaker domestic demand and US tariff uncertainty, but headline inflation is close to the 2% target at 1.8% y/y (Charts 2 & 3). The economy is not recessionary, so the BoC is under little immediate pressure to change policy.

Overall Canadian financial conditions (FC) have tightened (see Chart 4) as bond yields have backed up, short rate expectations increased and credit spreads widened modestly. But the impact on FC to date is much less in Canada than for tariffs in 2025, or the Ukraine/inflation shock in 2022, when the inflation shock was combined with a significant policy tightening from the BoC, driving bond yields higher. Chart 5 shows the largest moves in 7-10 yr govt bond yields have been in large energy importers, like Japan and the UK, though Canadian yields still increased.

Chart 1: Consensus GDP forecasts have yet to reflect the impact of the energy shock in 2026 and will likely be revised lower in Q2. Canada is in a more favourable position than most, as it's a net energy exporter.

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 2: Inflation data does not yet capture the energy shock in March, so the numbers remain benign. Canadian inflation dipped to 1.8% y/y in February, with slower food inflation, and deflation in transport prices y/y.

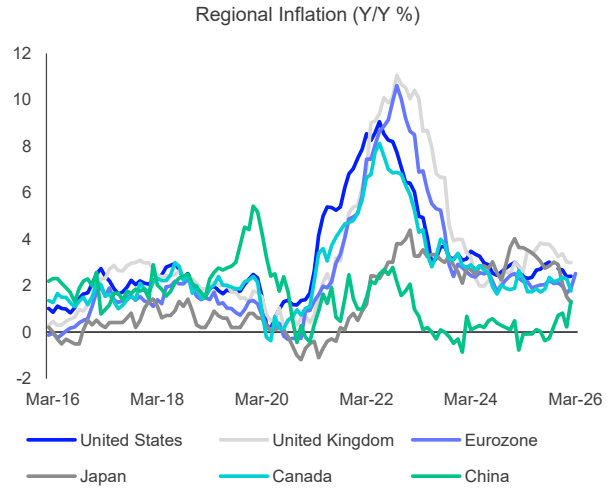


Chart 3: Dispersion of Canadian inflation rates had returned to the low levels of 2021 before the energy shock, with CPI below the 2% y/y target. This will likely change as higher energy prices emerge.

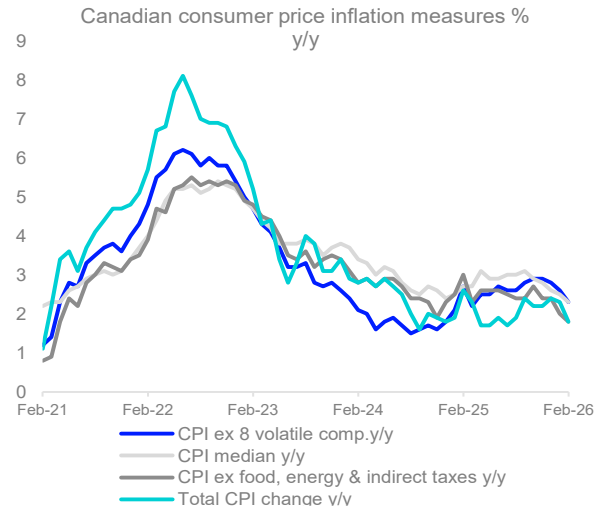


Chart 4: Tightening in financial conditions since the energy shock is barely discernible in Canada, due to Canada's net energy exporter status (Chart 3, page 4). The biggest tightening moves are in Europe, UK & Japan.

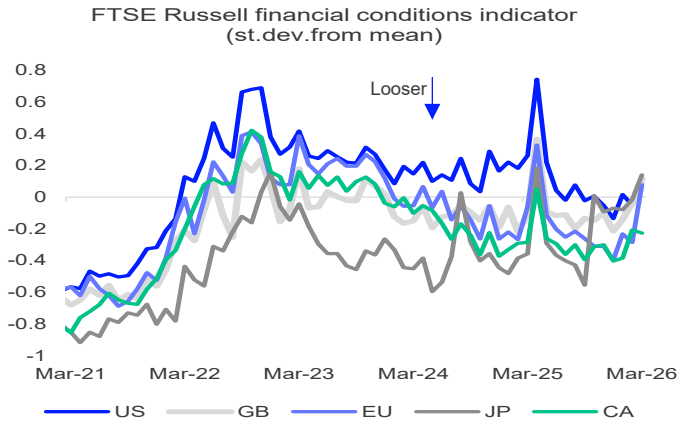
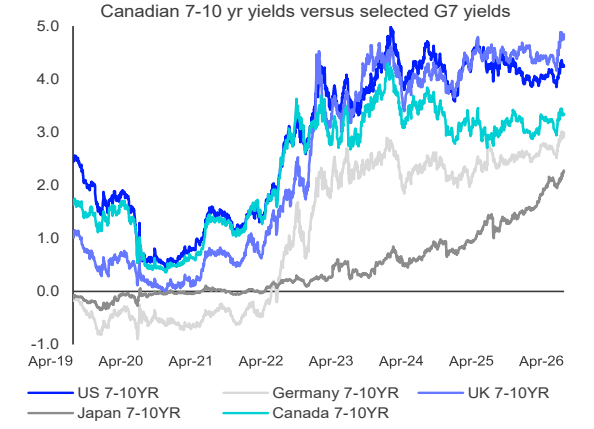


Chart 5. Canadian 7-10 yr yields increased since the energy shock began, though UK yields particularly increased more. The more muted move in Canada may be due to Canada's energy exporter status.



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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.

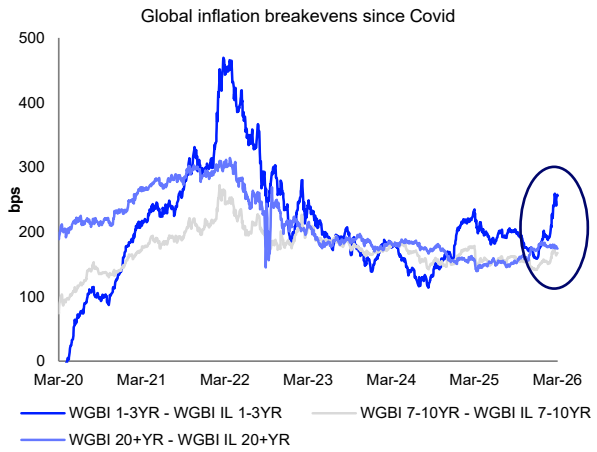


Chart 2: Extreme stagflation episodes, with growth contractions and inflation above 6% are rare, as US history since 1967 shows. But those that occurred were caused by severe oil shocks and policy responses.

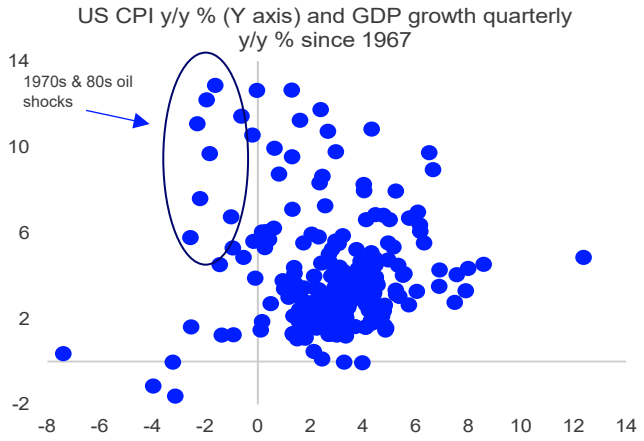


Chart 3: Both Europe and APAC have high net energy exposure, as the map shows. But APAC countries rely more on energy supplied via the Persian gulf, increasing vulnerabilities to the 2026 shock.

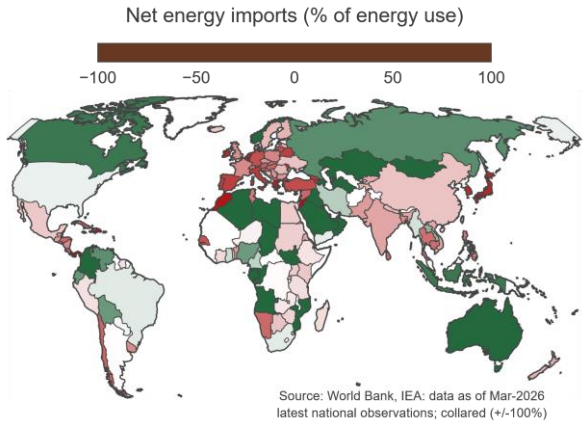
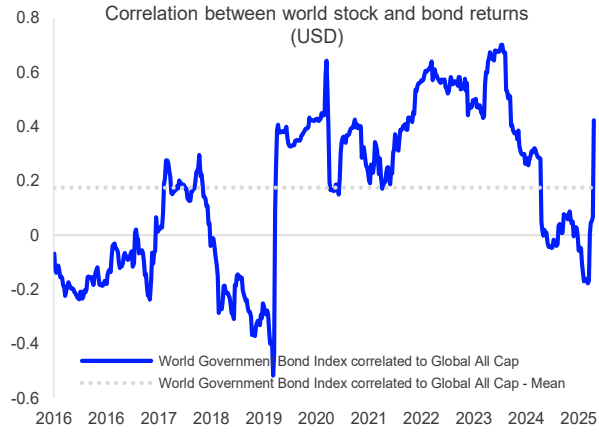


Chart 4: At least global inflation rates were relatively modest, when the 2026 shock occurred, with central banks generally easing rates, and not raising rates, as in 2022 when the Ukraine shock occurred.

	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.

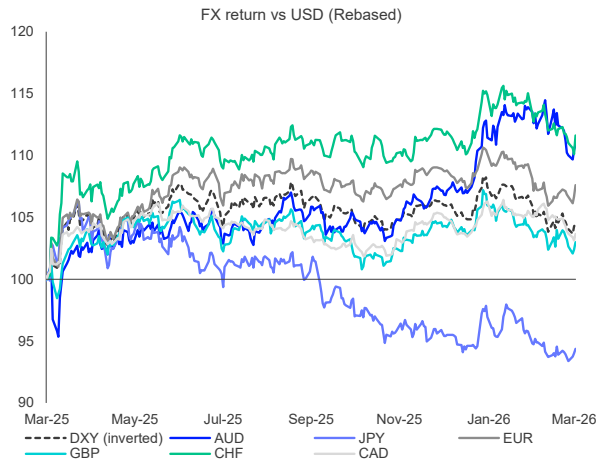


Chart 2: The dependence of imported energy is higher than it was in 2000s for Japan, UK and Switzerland. The US, in contrast, has become a net energy exporter from 2019.

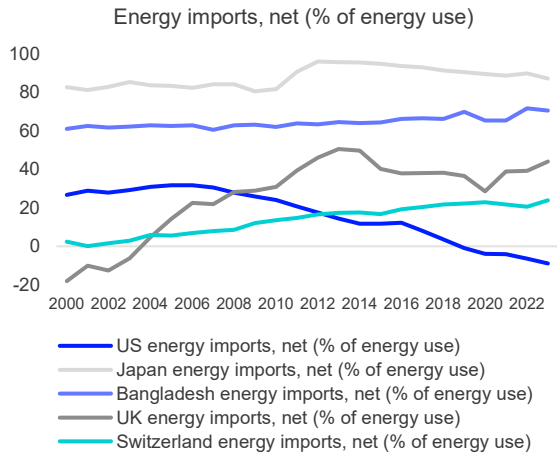


Chart 3: USD showed strength amid the Middle East conflicts. The Korean Won underperformed due to its high beta characteristic and strong foreign equity outflows.

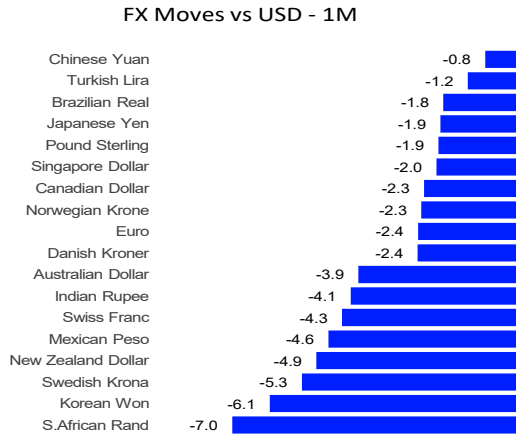


Chart 4: Over 3M, the AUD posted positive returns against the dollar (+2.7%), reflecting heightened RBA rate hike expectations and higher yields. AUD/USD fell 3.9% in March.

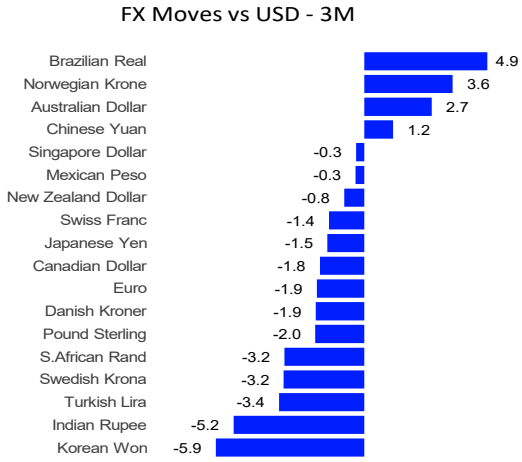
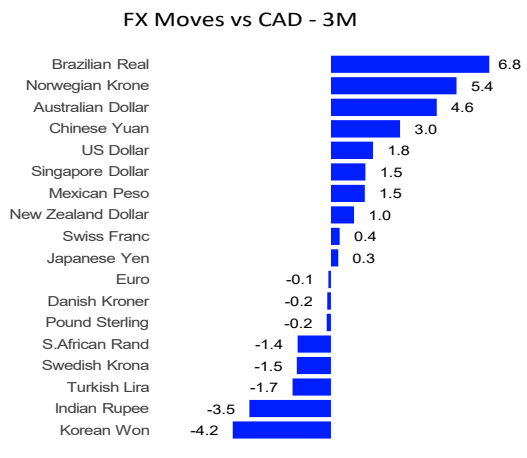


Chart 5: CAD appreciated against the dollar initially after the Middle East conflagration. However, after the BoC delivered a dovish stance on growth, the CAD fell back, despite Canada's energy exporter status.



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US Treasury analysis – markets re-price policy risks for energy shock

Higher short dated inflation breakevens reflect the energy shock in March, though they had already increased discernibly before the conflagration (Chart 1). The Fed will be comforted by the stability of longer dated breakevens, but the fact breakevens are above 2% in all maturities is less reassuring. It may suggest deepening market conviction a 2% US inflation target is incompatible with a shrinking US labour force, as baby boomers retire, and negative net labour migration. The nominal curve bear flattened since the energy shock, as short yields rose on the view the next Fed rate move may be a tightening, though the information content of the yield curve may be diminished by QE and QT, in predicting recessions (Charts 2 & 3).

In contrast, the Tips real yield curve steepened, as the inflation protection in short Tips drew buyers, suppressing real yields, with higher inflation soon appearing in the March CPI (Chart 4). The increase in long yields and term premia may reflect (1) greater issuance fears, as the US defence budget increases, and (2) a decline in the overseas demand for US Treasuries (Charts 4 & 5).

Chart 1: Short-dated US breakevens show a near-1% increase in Q1, though longer dated breakevens are stable. Market doubts about the Fed's 2% inflation target may be evident in breakevens being > 2%.

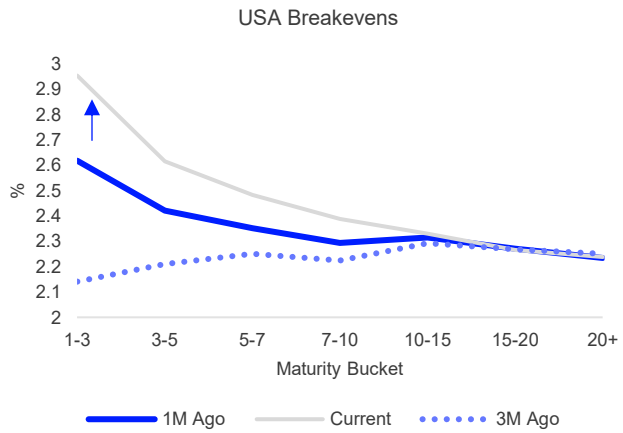


Chart 2: The US curve has normalised after steep inversion in 2022-24, during the Fed tightening cycle. Inversion in the 10s/2s curve was not followed by recession, suggesting curve signals may be reduced by QE.

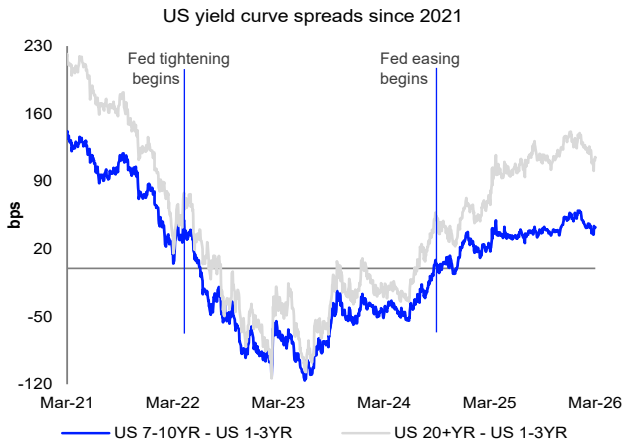


Chart 3: In Q1, yield curves were volatile, bear flattening initially as the market removed Fed easing expectations in 2026-27, driving short yields higher, and then steepening on higher inflation fears.

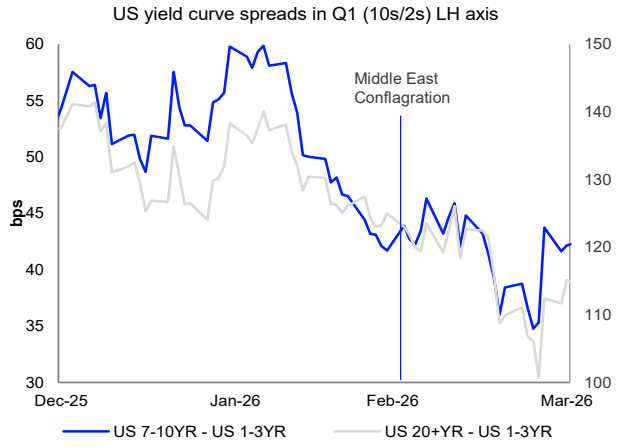


Chart 4: The US real yield curve steepened versus the conventional curve in March, and breakevens rose. This may be due to higher short rate expectations, and demand for short Tips for inflation protection.

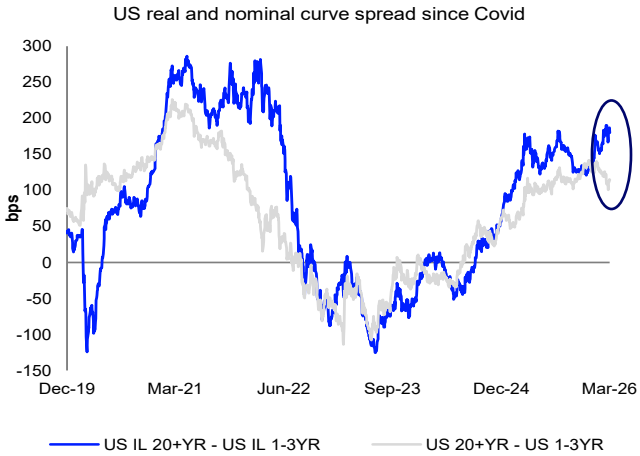
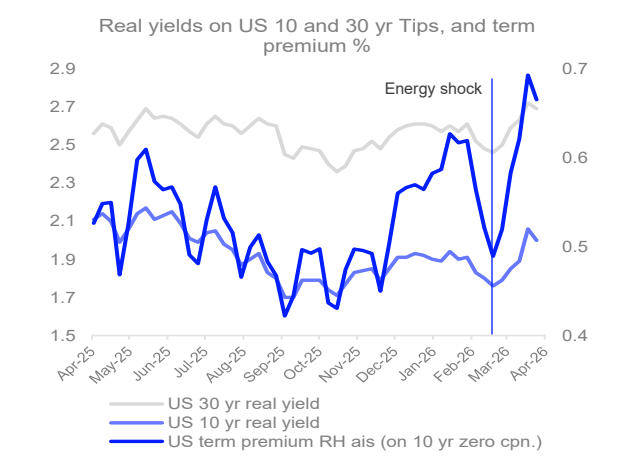


Chart 5: Despite weaker growth, 30 yr US real yields remain at cycle highs, unlike short yields. Higher inflation uncertainty since the energy shock may explain this, and the higher term premium.



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US Credit analysis: Improved credit quality and shorter duration improve resilience

Credit spreads have widened only modestly since the Middle East conflagration intensified at end-February (Chart 1). This may be due to the stagflationary impact of the energy shock pushing govt bond yields higher, but it contrasts with the rapid credit spread widening, particularly after Covid. Improved credit quality in this cycle, and shorter duration may make credit better able to withstand an inflation shock than in 2022, after Ukraine. Chart 2 shows how the share of A issues has risen since 2022, while the BBB share has fallen. As an asset class, credit has enjoyed a re-rating in recent years, relative to government bonds, with improved financial metrics, and the share of fallen angels is now at a 25-year low in the high yield market.*

Energy has a higher weighting in the US HY index, at 10.7%, versus 7.6% only in IG, and energy returns were strongest in March, unsurprisingly (Chart 3). Elsewhere, in securitised credit, mortgage refis fell back again as 10 yr Treasury yields increased. Negative convexity, Fed MBS disposals and the risk mortgage agencies are privatised still weigh on MBS.

*** Are Fallen Angels still angelic performers ? October 2025, LSEG**

Chart 1: Crisis, what crisis? There is little evidence yet in US credit spreads of a major energy/stagflation shock. Neither IG nor HY credits have shown more than modest spread widening since late-February.

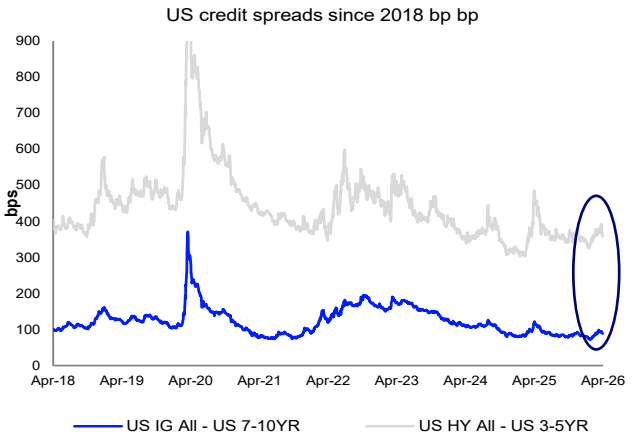


Chart 2: The share of AAA and AA issues remains stable in IG credits, but the share of BBBs has fallen steadily, due to upgrades to single A. Fears of a surge in Fallen Angels after the Covid shock also proved unfounded.

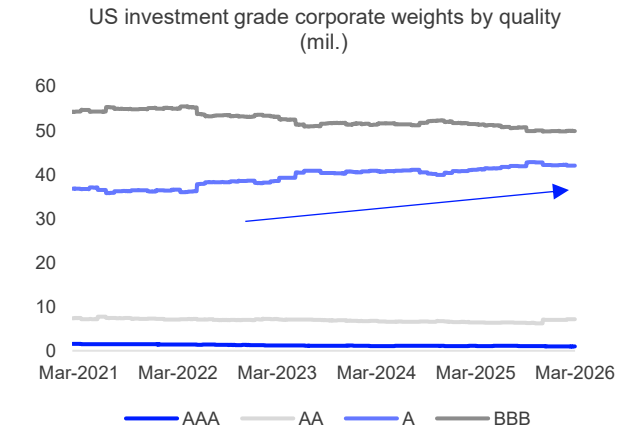


Chart 3: Unsurprisingly, energy credits proved the strongest performers in Q1, and other sectors gave up ground, though the losses were modest (see returns page 10).

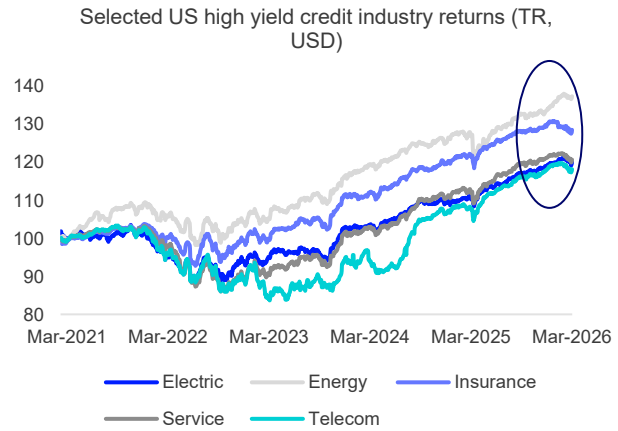


Chart 4: Mortgage refinancings and prepayments were hit by higher 10 yr yields in March, as markets priced out further Fed easing in 2026. Low affordability and existing low coupon mortgages remain key constraints.

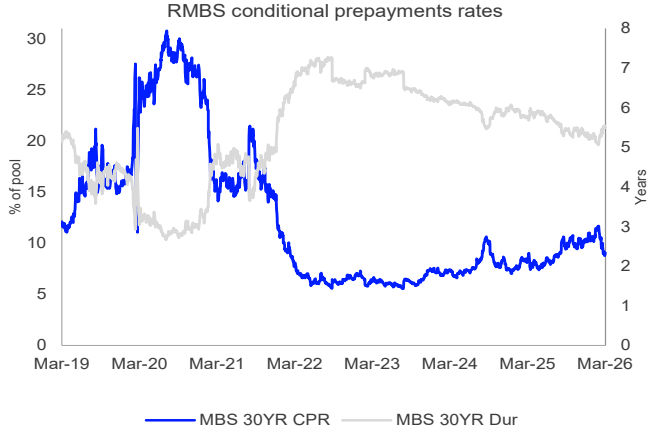
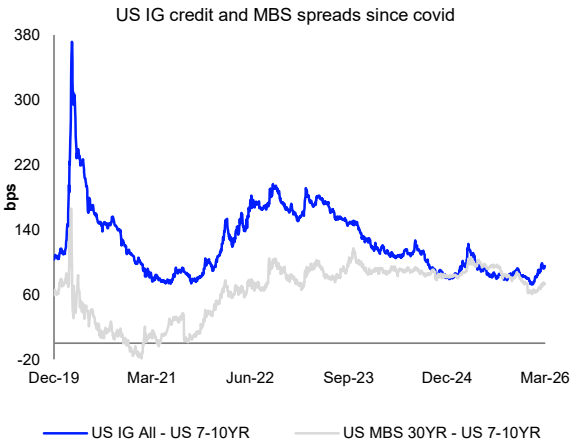


Chart 5: US IG credit spreads widened a little more than MBS spreads in March, but spreads remain near 7-year lows versus MBS. This may reflect investor anxiety about privatisation of MBS agencies.



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Canadian Govts, Provis & Munis: markets re-price for energy shock, but modestly.

The negative supply shock in global energy markets in March changes the outlook for Canadian bond markets, even if Canada is a net energy exporter, so the overall impact should be less than for Japan or Europe. Short dated yields now discount a higher path for BoC policy rates, and higher inflation breakevens (Charts 1, & 2). But with inflation at target, before the energy shock hit, relative stability in longer breakevens will reassure the BoC, and after stressing downside risks to growth in recent meetings from US tariffs and weaker domestic demand, the BoC seems unlikely to tighten policy quickly.

Investors may be chastened by the 2022-23 experience of under-predicting the scale of the inflation shock and extent of the increase in BoC policy rates and govt bond yields, which nearly reached 5% in 1-3 yrs (Chart 3). Recent increases in bond yields and credit spread widening have also tightened financial conditions modestly, reducing the pressure for BoC tightening (see page 3, Chart 4). Provi and muni spreads have widened a little during the back up in govt yields, on reduced risk appetite, weaker growth, and increased supply concerns.

Chart 1: Short Canadian breakevens spiked above 2%, in response to the energy shock, but longer dated show more stability, around 2%. The moves to date are modest, offering reassurance to the BoC.

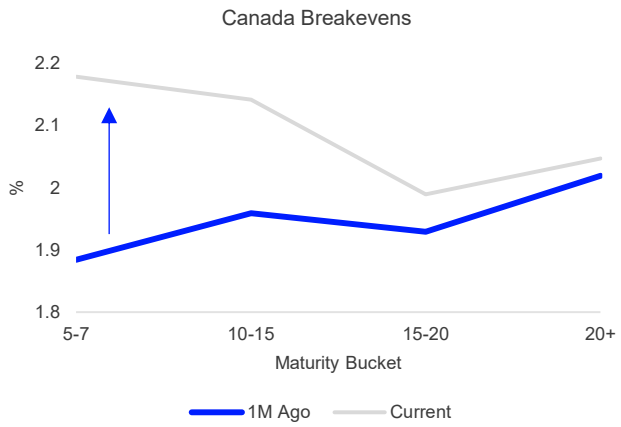


Chart 2: Assessing Canadian curve moves after the March energy shock is complicated by different macro settings in 2026 vs 2022. A late-cycle slowdown in 2026 differs sharply from faster growth and inflation in 2022.

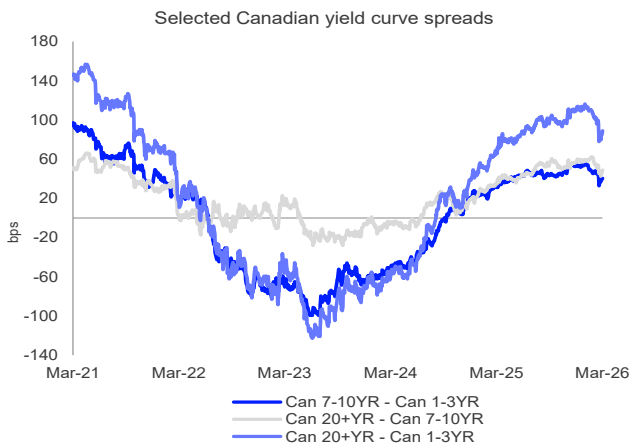


Chart 3: Markets generally failed to forecast the extent of the inflation shock in 2021-22, but short yields eventually moved well above longer dated as the curve inverted. Will there be a replay in 2026?

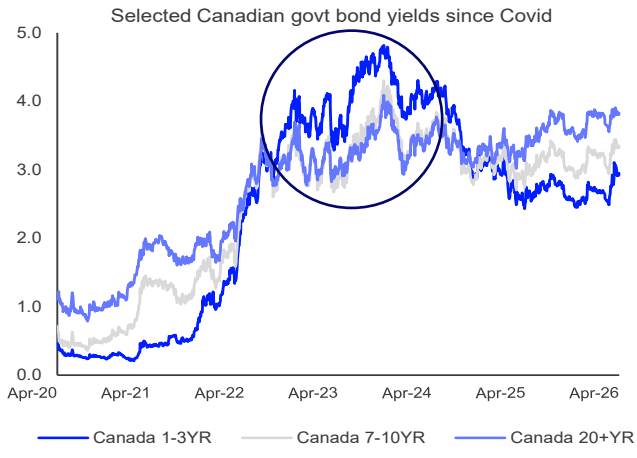


Chart 4: Reduced risk appetite, weaker growth, higher projected budget deficits and bond issuance in 2026-27 (notably Alberta & British Columbia) drove provi spreads wider in Q1, from historically low levels.

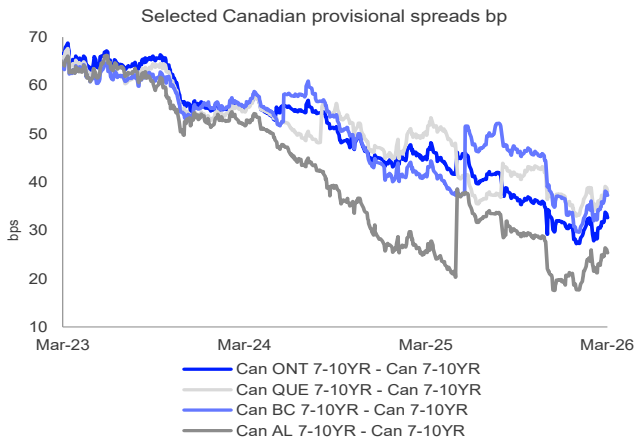
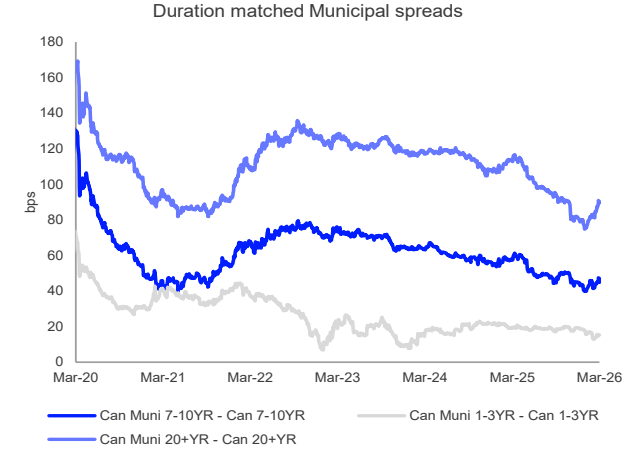


Chart 5: Canadian muni spreads also widened in March, in the re-pricing of risk, but from historically low levels. Spreads moved less than provis, although the threat of less favourable tax treatment remains.



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Canada: IG and HY Credit – energy shock drives spreads wider

Canadian credit spreads widened in a general re-pricing of risk following the Middle East conflagration, but from historically low levels, and only modestly. There is little evidence of a major credit stress event to date, even if investors generally sought higher yields for increased uncertainty in March. Financial and real estate spreads widened the most in investment grade credit, as the yield curve bear flattened, while energy and infrastructure credits widened least (Charts 1 & 2).

Evidence that the spread widening in March does not signal a major credit event is also found in similar, modest spread widening moves in BBB and AAA credits (Chart 3), rather than a bigger move in BBB credits, which occurred in the 2022 risk-off episode.

Banks enter a period of weaker growth (driven initially by US tariff uncertainty) with relatively strong capital ratios, even if yield curve flattening drove spreads a little wider in March (Chart 4). The outright level of IG & HY yields still offers investors protection so spreads alone are misleading (Chart 5).

Chart 1: In IG, financial spreads widened most in March, driven by bear flattening of the curve. Real estate also underperformed as markets priced in a higher interest rate profile. Energy outperformed.

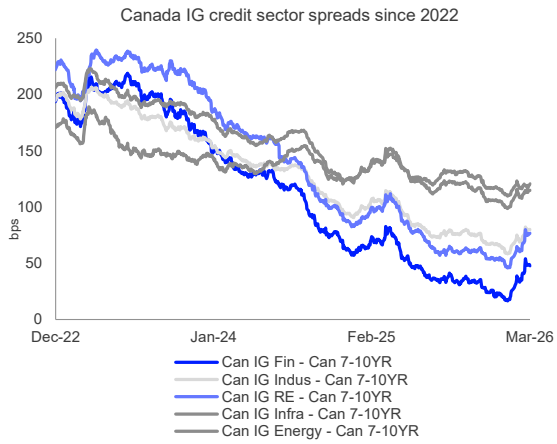


Chart 2: Crisis what crisis? Credit spreads show little evidence of stress, including HY. Energy's heavy weight in HY is a factor in that, but yield levels still offer protection even if spreads are low historically.

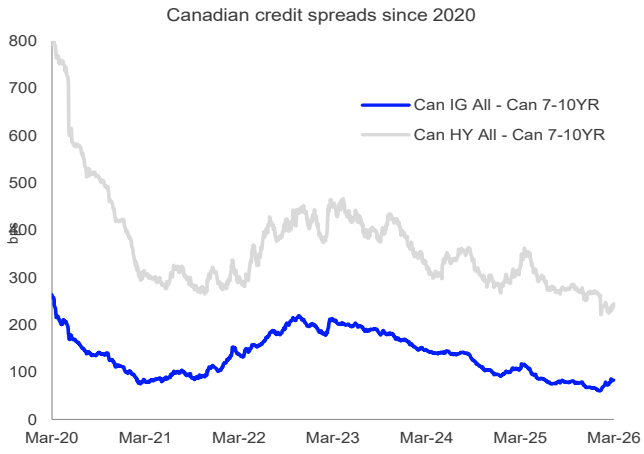


Chart 3: BBB spreads widened further and faster than higher grade credits during the inflation shock and BoC policy tightening in 2022-23. But there is little evidence so far of a repeat after the 2026 energy shock.

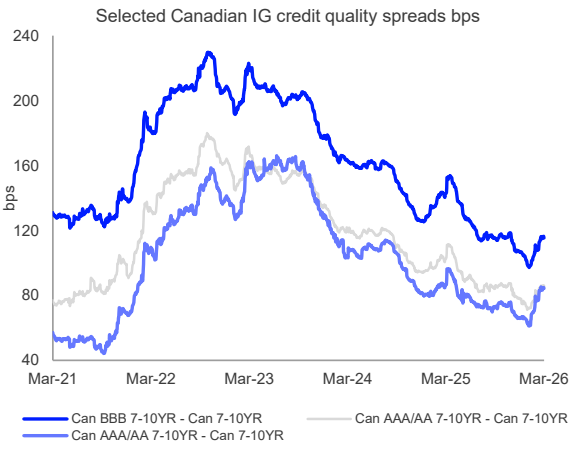


Chart 4: Canadian financial spreads retain their strong negative correlation to the shape of the yield curve, so spreads widened during the curve flattening in Q1, after a long period of spread compression.

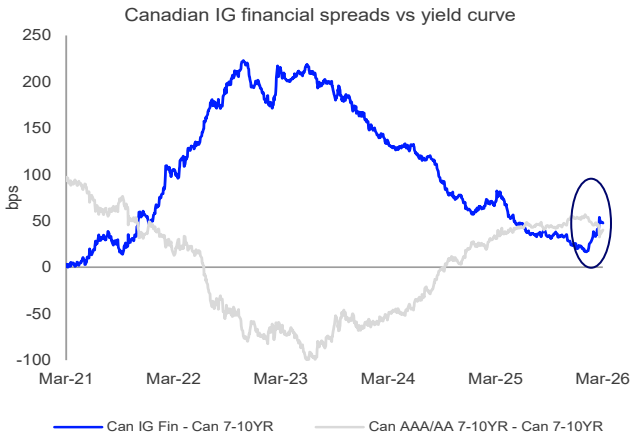
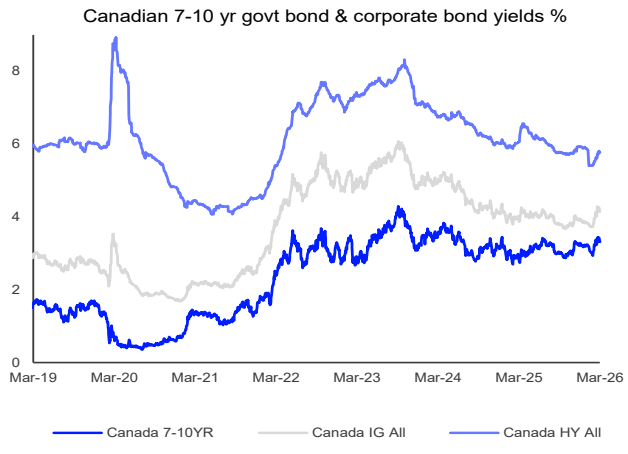


Chart 5: Corporate bond yields remain well above pre-BoC tightening levels in 2022, particularly IG credits. This is because risk-free Canadian govt bond yields are at high levels by recent historical standards.



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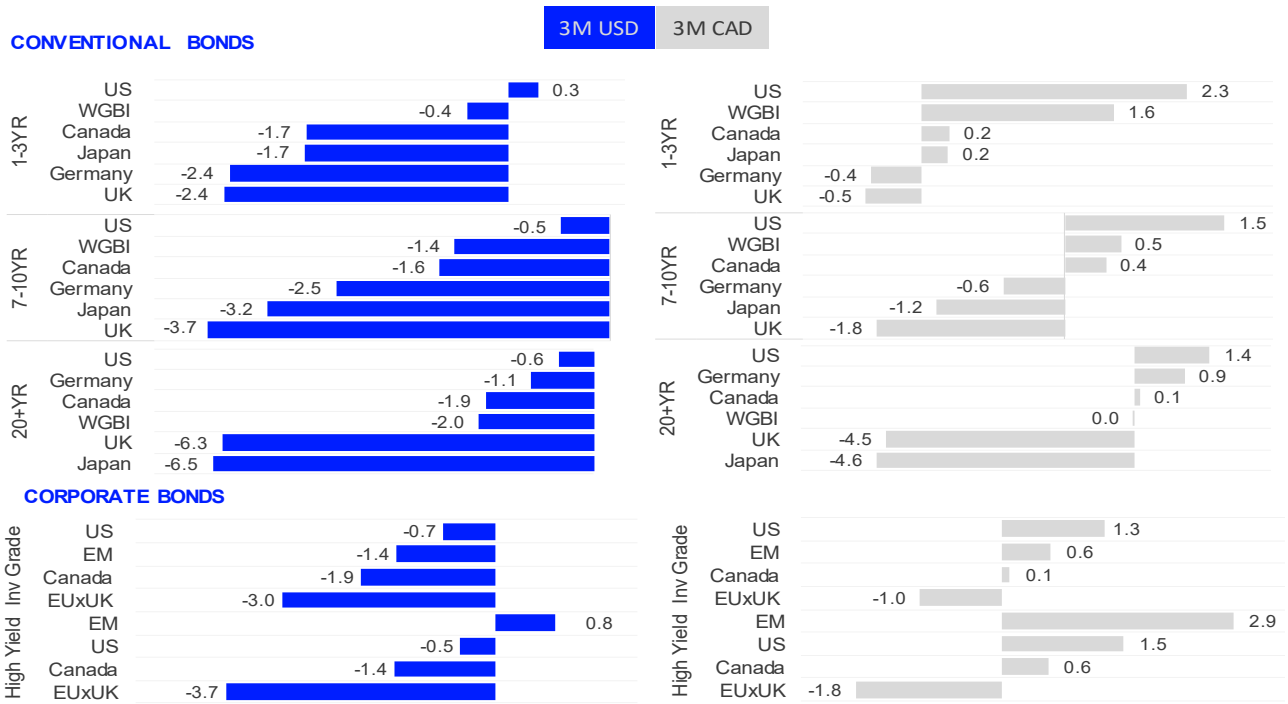
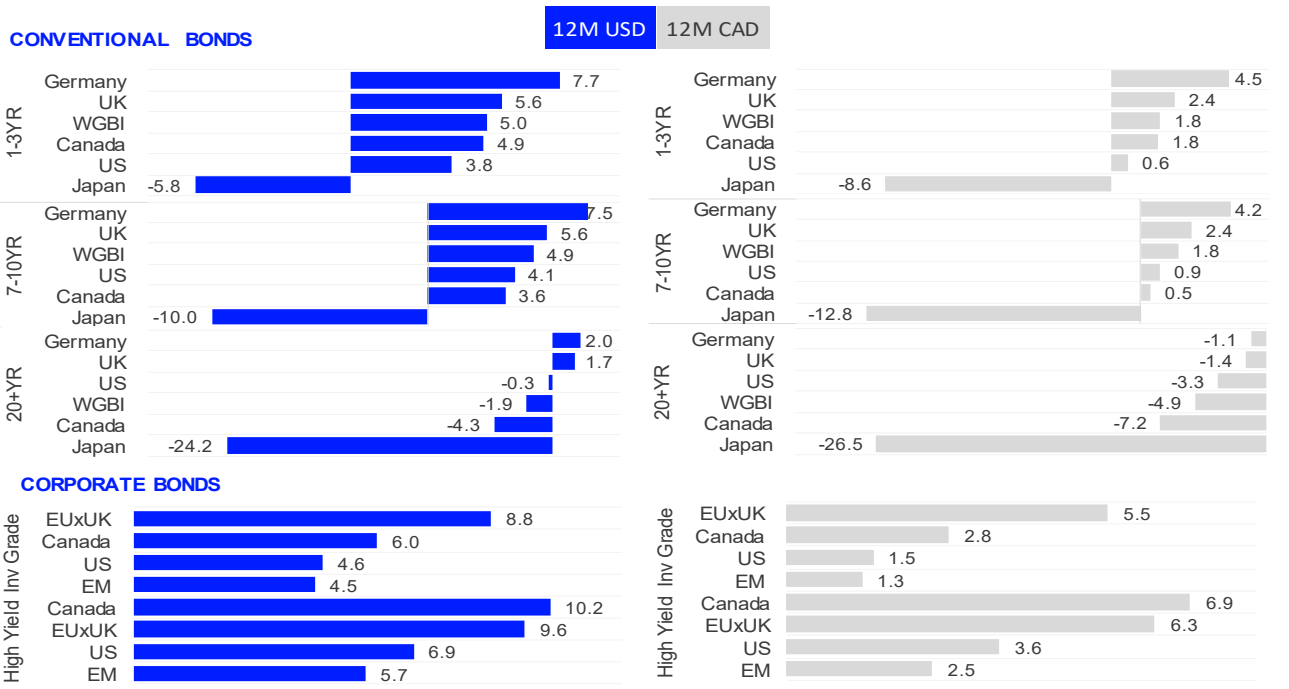
Conventional Government Bond Returns − 1M & YTD % (USD, CAD, TR)

The energy shock squeezed govt returns in March, and left long returns negative in Q1, led by long UK gilts and JGBs, on stagflation fears. Treasuries were more resilient and showed positive returns of 1-2% in CAD, helped by the USD Q1 rebound. The Euro and yen fell as the USD resumed a safe haven role, with the US less exposed to energy shocks than Europe or Japan. Yen and JGB weakness combined gave 24-27% JGB losses in USD and CAD terms on 12M, as the JGB curve bear steepened.

Curves generally bear flattened in Q1 but the duration effect drove bigger losses in longs, as markets scaled back easing expectations. Credit outperformed govt. bonds substantially on 12 months, as the risk rally, central bank easing and improved credit quality all drove strong demand for credit globally, in both IG and HY, led by HY.

Canadian HY credit gained 7-10% on 12 months, and Euro credits 9-10%, for a USD based investor, reflecting USD weakness.





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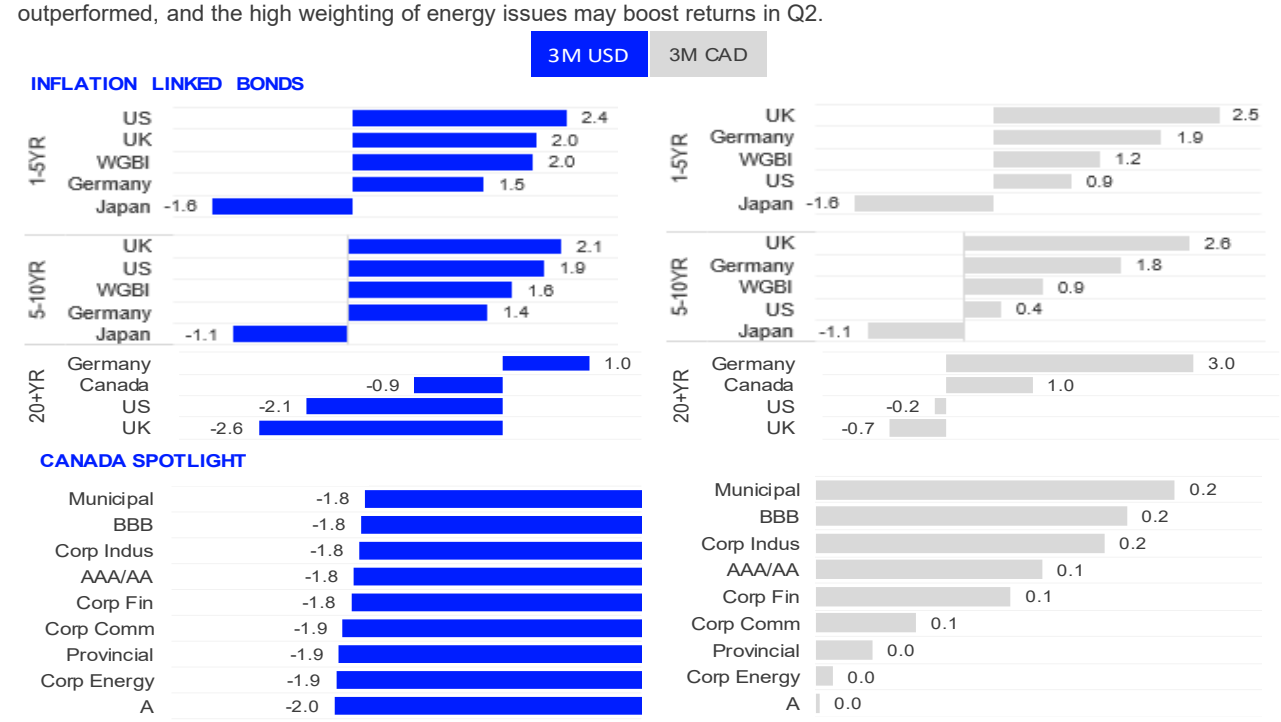
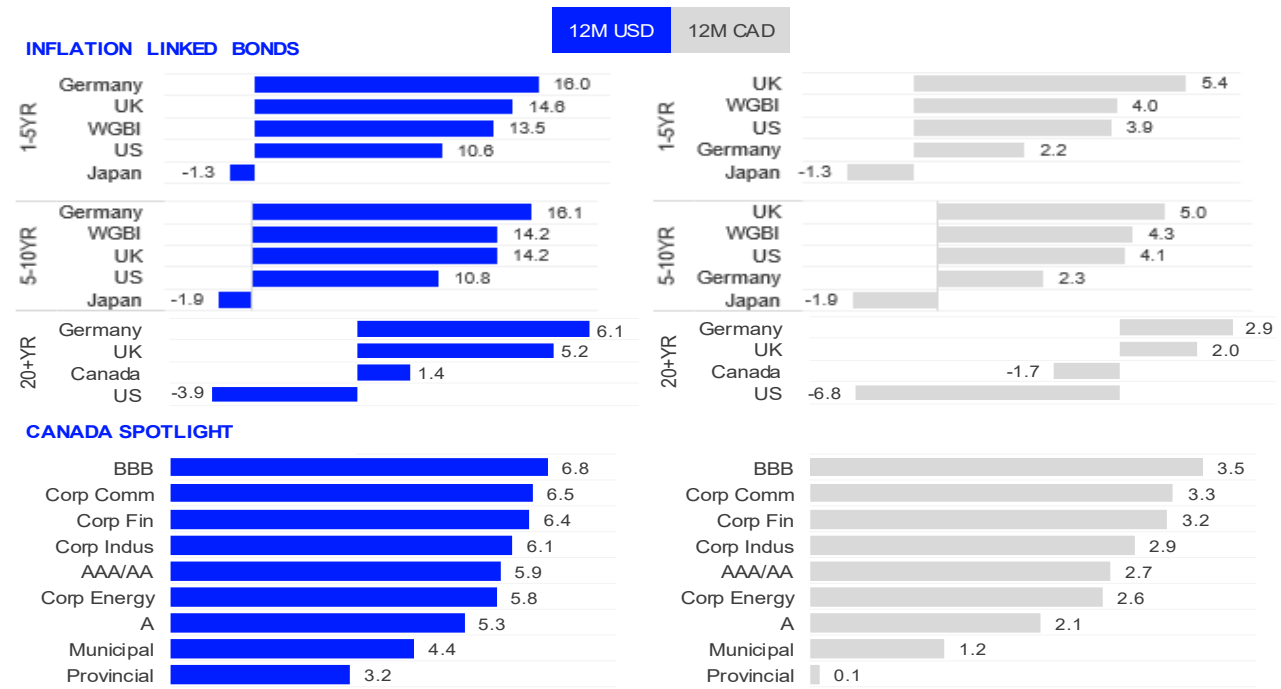
Real return bonds and Canada spotlight − 1M & YTD % (USD, CAD, TR)

Like conventionals, linkers ended Q1 on a weak note, as markets fretted over the energy shock, and higher rate risks. Linkers outperformed conventionals in Q1, though JGBs and long UK linkers lost 2-3% in USD terms. Shorter dated UK linkers and Tips did best, helped by inflation accruals and inflation protection. On 12M, a weaker USD boosted returns significantly for a USD based investor, with returns of 14-16% in short gilt and Bund linkers, and 3-5% in CAD.

Increases in long US real yields on 12M are a puzzle, given growth slowed, and central banks eased. Long Tips underperformed Treasuries on 12M by over 3%, 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.

Canadian munis and credit were broadly unchanged in Q1, with no fresh impetus from lower rates. Fears that the muni tax exemption for investors will be repealed drove higher issuance in 2025, and may have reduced returns in Q1. BBB credits outperformed, and the high weighting of energy issues may boost returns in Q2.





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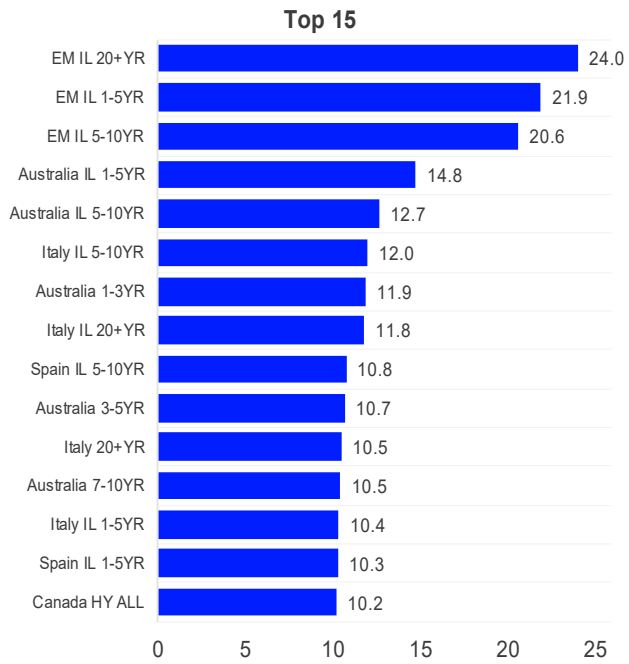
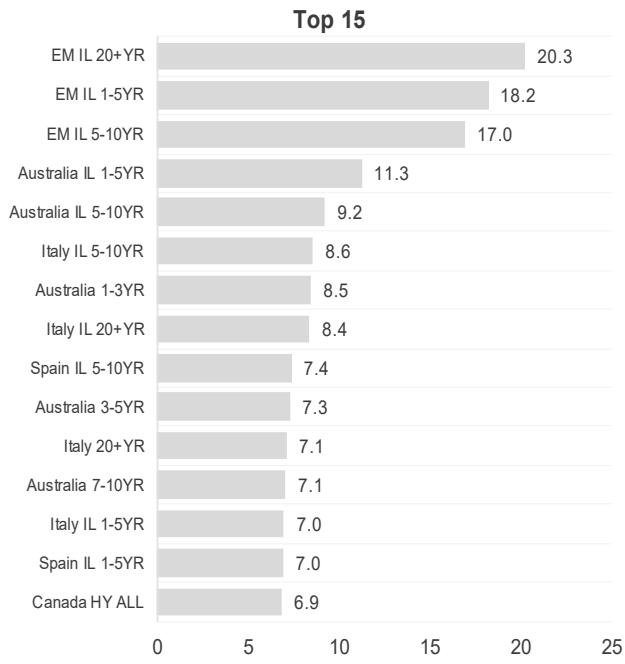
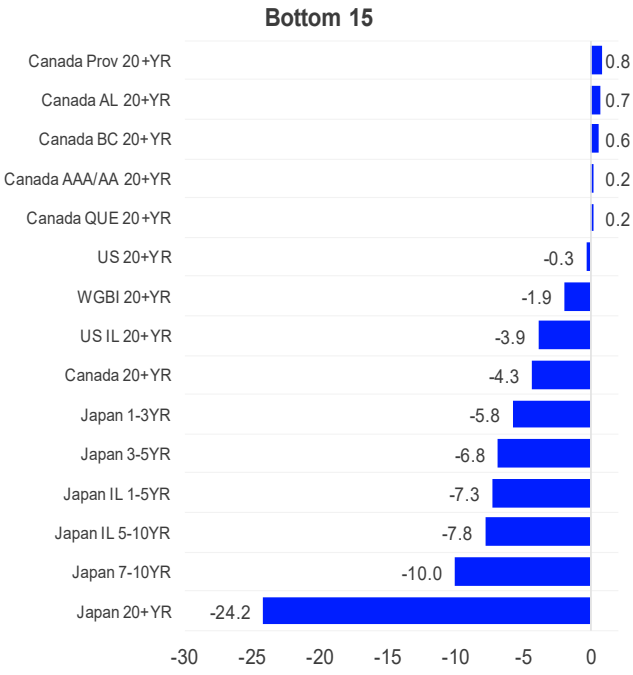
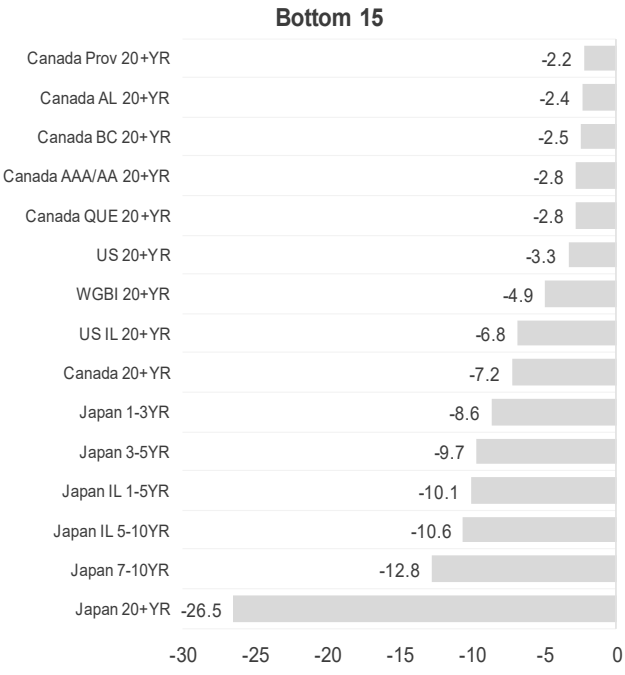
Appendix − Top and Bottom Bond Returns − 12M % (USD, CAD, TR)

12M USD | 12M CAD









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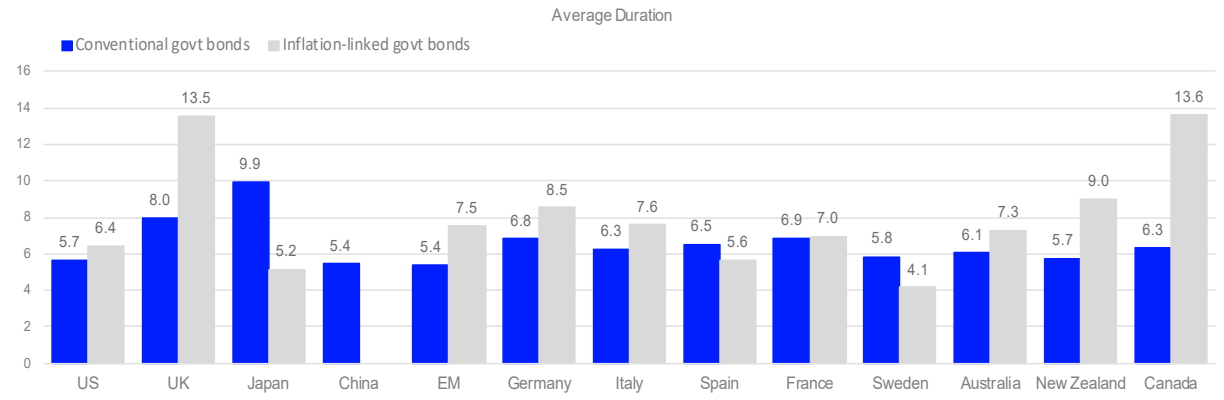
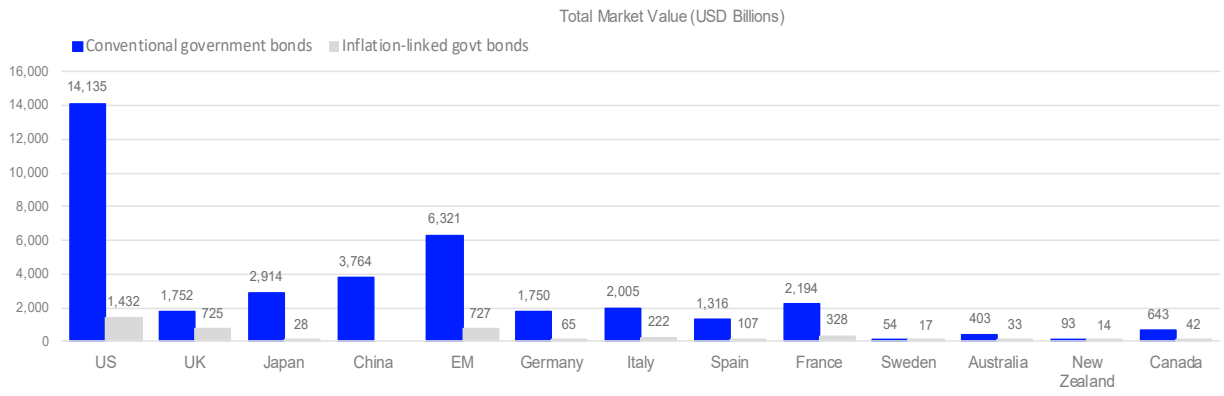
Appendix − Duration and Market Value (USD, Bn) as of March 31, 2026

	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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