Fixed Income Insights

EUROPE
EUROZONE & UK EDITION

MONTHLY REPORT | **AUGUST 2025**

Curves steepen but 4-5% yields attractive?

G7 govt. bonds stabilised in July, but curves steepened. Strong relative value in longs may attract LDI flows, given improved pension funding. Gold retains 2025 gains, despite lower uncertainty, due to a broader portfolio role*. Stagflation complicates Fed & BoE policy, but weak growth may force easing. European rate cuts and a weak USD dominate returns YTD.

Macro and policy backdrop – Stagflation complexity for Fed vs policy freedom for ECB

Weakening US & UK labour markets an issue for Fed & BoE, as growth slows on tariff effects, even if stagflation risks complicate policy. Lower inflation gives ECB more options. (pages 2-3)

Yields, curves & spreads – Steepening trend intact. US sovereign spreads stabilise

US spreads tightened a little, but mainly due to higher JGB and Canadian yields. (pages 4-5)

IG credit & MBS – Yield per unit of duration risk still attractive in IG

Lower duration in credit and higher yields are an attractive combination. (page 6)

High yield credit analysis – Risk rally and improved credit quality offer support

Share of BB in HY market has increased. Only CCC issues have not fully unwound tariff-related spike in spreads. Yield per unit of duration risk also attractive in HY. (page 7)

SI bond analysis – OAS spreads tightened for green bond indices, to a 5-year low

Since widening in April on tariff effects, green spreads have tightened steadily. (page 8)

Performance – Short Bunds, gilts, Euro credit & climate-WGBI lead YTD returns

Despite July's USD rally, dollar weakness and European rate cuts still dominate performance returns, led by short Bunds and gilts, and Euro credit. (pages 9-10)

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

*See Gold in a fragmented world: Safe haven and strategic asset | LSEG

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Chart 1: The US dollar rallied in July, but remains sharply lower YTD, and has trended lower since the 2022 peak, despite a brief surge after the November 2024 elections, and improving interest rate differentials.

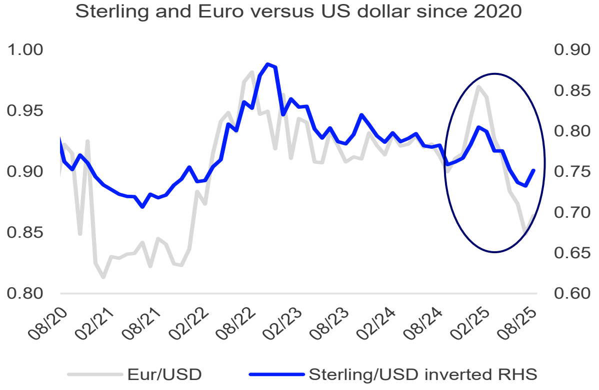
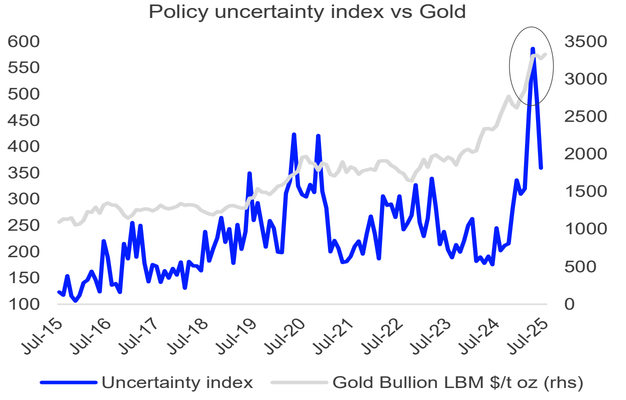


Chart 2: Despite a dip in policy uncertainty, as tariff deals were struck in July, gold largely held on to the price gains from earlier in 2025. This suggests recent price gains are not purely due to gold's safe haven role.



Source: FTSE Russell and LSEG. All data as of July 31, 2025. 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.

Macroeconomic Backdrop – Growth and Inflation Expectations

Much weaker July US payrolls and US growth of only 1.25% in H1 suggest US tariff effects as employers become more cautious, and June inflation data also showed higher price effects in tariff-sensitive goods. The Baltic Dry Index shows a sharp rise since July, but there may be some noise in the data due to re-routing of shipping − another stagflation effect.

Consensus growth forecasts reflect the view lower ECB rates and fiscal stimulus will overpower tariff effects on Eurozone and UK growth, while higher rates and tariffs may restrict US growth in 2025, causing some convergence in growth (Chart 1). US GDP growth recovered to 3% in Q2, but only 1.25% in H1, with the three-month average employment gain falling to only 35,000 in July (see Chart 3). Tariff outcomes around 15% appear unlikely to derail recoveries but may slow them.

Inflation remains stubbornly above target in the US, and the UK, with evidence of less favourable growth/inflation trade-offs (Chart 2). Evidence tariff increases are reaching final consumer prices emerged in tariff-sensitive goods, like autos, in June data (2.7% y/y). This followed subdued April and May data, helped by goods being priced off pre-tariff inventories and lower energy prices.

Chart 3 shows the US labour market softening – with US July payrolls showing employment growth of only 73,000 and revisions lower of 258,000 to May and June data. Unemployment also increased to 4.2%, as signs of tariff effects emerged. Excess demand for labour that arose in 2022-23, is long gone, and the sharp May to July slowdown makes Fed easing move more likely in H2.

Higher shipping cost effects of geopolitical tensions are emerging in the Baltic Dry index (BDI) (Chart 4), which measures the cost to ship bulk cargo over 20 ocean routes. Since supply of bulk ship capacity is highly inelastic, BDI picks up demand changes quickly and often signals turning points in economic activity. However, re-routing of shipping may have introduced some noise to the data.

Chart 1: Consensus forecasts show some convergence at lower growth rates in 2025 and 2026, but this would reverse recent performance, with faster US growth. China remains exposed to weak domestic demand.

Latest Consensus Real GDP Forecasts (Median, %, July 2025)			
	2024	2025	2026
US	2.8	1.5	1.6
UK	0.9	1.1	1.2
Eurozone	0.7	1.0	1.2
Japan	0.8	0.4	0.7
China	4.9	4.6	4.2
Canada	1.3	1.3	1.3

Chart 2: A return to inflation target levels in Europe and Canada has given central banks more options to ease quickly. Tariff effects emerged in June US inflation data, notably in autos and household goods.

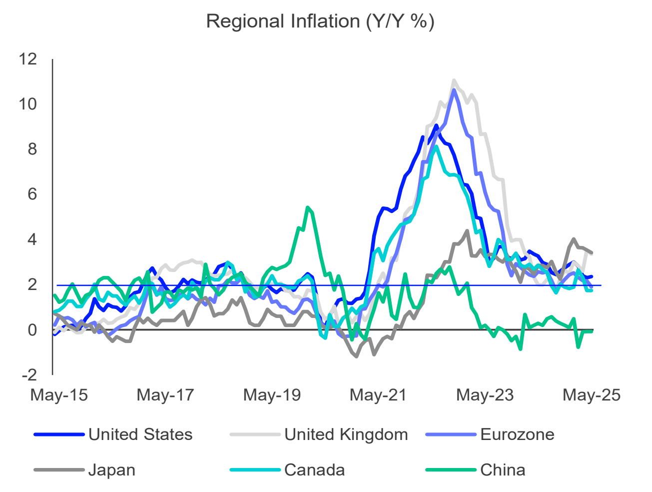


Chart 3: Excess demand for labour and unfilled openings reached 4.7m jobs in October 2022, putting upward pressure on wages. But the labour market has slowed in 2025, with more signs in July payrolls of tariff effects.

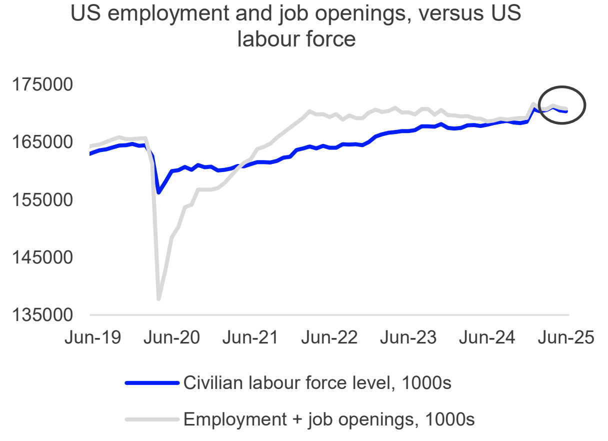
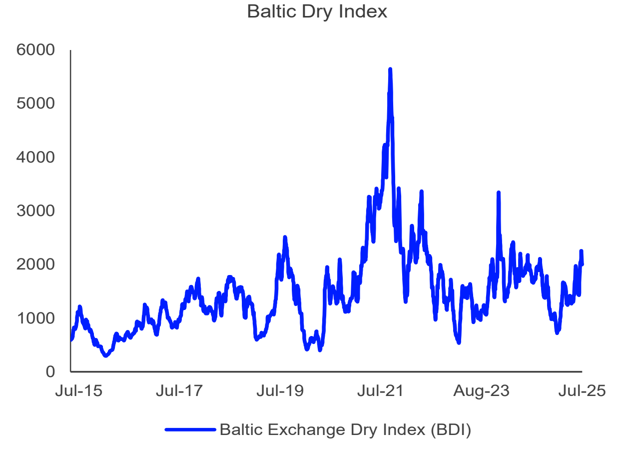


Chart 4: The BDI remains in the 1,000-2,000 trading range, but it has moved sharply higher since end-January. The BDI picked up the Covid recession and recovery early, but there may be some noise in the data.



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Macroeconomic and Financial Backdrop – Europe

July surveys suggest that consumer confidence is mixed within Europe, with Northern economies feeling more bullish, after the announcement of fiscal stimuli, notably in Germany, compared to their southern neighbours, where sentiment has deteriorated. This could be a signal that economic activity within peripheral European countries may be softening. High saving ratios still point to cautious mood, also reflected by strong EUR money market flows even if flows into Eurozone equities and EUR high yield credit continue.

The latest LSEG / IPSOS consumer confidence survey shows a North-South European divide, with sentiment about the current and future state of the economy, personal finances, and willingness to spend/ invest improving within Northern European countries, while turning more bearish in Spain and Italy. The more positive sentiment may be attributed to the recent boost in fiscal spending, notably in Germany, aimed at improving infrastructure, defence and the energy transition towards renewables. French consumer sentiment has turned more bearish over 12M due to fiscal deficit and tax fears, and political uncertainty (Chart 1).

EU household savings per disposable income remain higher than 10 years ago, with the average ratio staying close to about 16% in Q1 2025. Ratios in Germany and France, at about 20% and 18% respectively, are the highest among the major EU economies (Chart 2).

EU CPI has stayed within the 2% ECB target for the second consecutive month in June, as modestly higher/lower services, food and goods inflation balanced each other (Chart 3). Eurozone services inflation remains higher, even if easing, while goods inflation is weak, despite ticking up.

EUR fund flows in July point to investors turning cautiously optimistic, helped in part by the EU-US trade deal, with risk-on flows into Eurozone equities and Euro high yield credits, but counter-balanced by strong demand for money market funds (Chart 4).

Chart 1: Northern European consumer confidence (i.e. Germany, Sweden) appears to be improving, compared to a noticeable deterioration in sentiment from Southern European consumers.

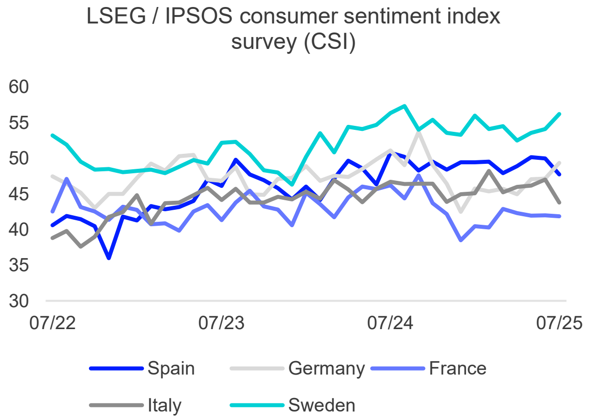


Chart 2: Household saving ratios have stayed relatively high and unchanged over the last twelve months to Q1 25. At nearly 20%, German households have the highest saving rate.

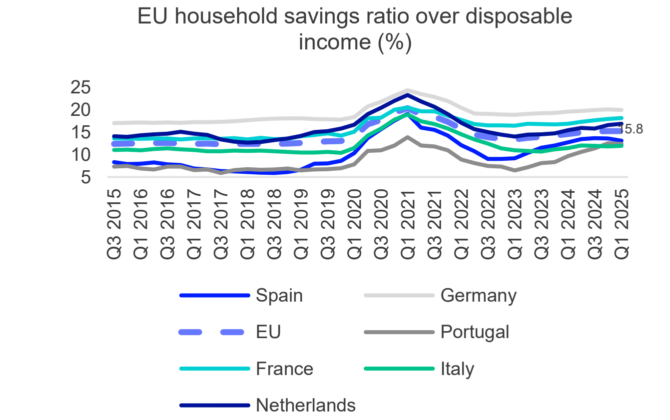


Chart 3: EU inflation held steady at 2% y/y and within the ECB target for the second consecutive month, with modestly higher/lower services, food and goods inflation offsetting each other in June.

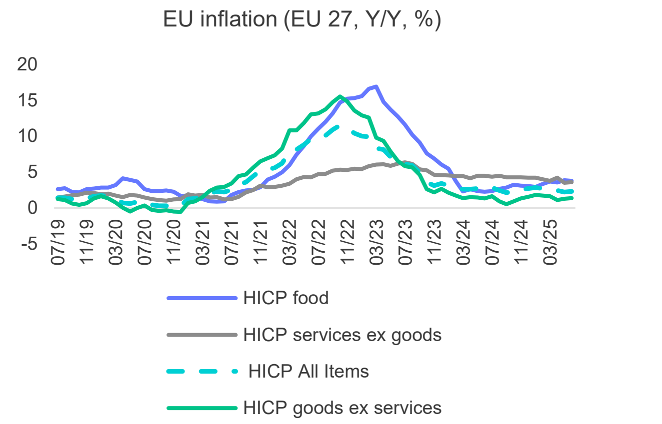
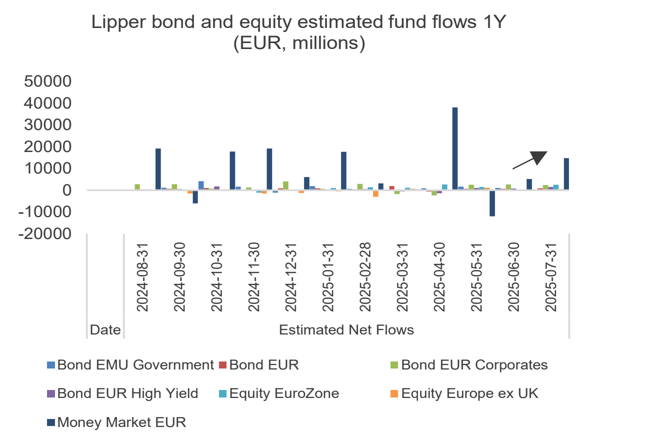


Chart 4: Flows into EUR money market funds picked up in July, together with stronger demand for Eurozone equities and Euro high yield credits, highlighting cautious optimism, helped in part by EU-US trade deal.



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Macroeconomic and Financial Backdrop – UK

Softening in the labour market accelerated, as a higher minimum wage and employers' NICs squeeze employment. 5% wage growth is uncomfortable for the BoE, given a 2% inflation target, but the slowdown gives scope to ease, notably as balance sheet contraction continues. Longer UK real yields are near 1%, if adjusted for 1% lower inflation accruals from 2030, and long breakevens are near 3%, suggesting investors require a risk premium for inflation above the 2% target.

Although the ONS has expressed repeated caution about UK labour market surveys, there appears clearer evidence of softening in the UK labour market, with the unemployment rising to 4.7%, the highest levels for four years in the three months to May, and wage inflation slowing to 5%, the lowest for three years (Chart 1). Other indicators confirm the softening – job vacancies fell again, as did payrolled employees. The higher minimum wage and NICs from April 2025 appear key drivers, as well as tariff related uncertainties.

Chart 2 shows how far UK real yields have increased since Covid, and the high volatility in short real yields since the sell-off in Q3, 2022. The most striking move is the 4% increase in long-dated UK real yields, leaving real yields at close to 2%. However, UK inflation linked switch to lower CPI inflation accruals in 2030, from RPI accruals, reducing accruals by about 1%, given RPI has been 0.8-1% higher per annum than the UK CPI. This will not affect 1-3 year real yields which mature before 2030.

The BoE continues to contract its balance sheet (Chart 3), despite easing rates in 2025, partly on its view a balance sheet of £345 – 490bn is big enough for financial stability, rather than the current £670bn, and also to transfer gilt principle risk back to the market.

A key policy issue for the BoE remains stable inflation expectations, near 2%. In theory, longer breakevens should converge towards 2%, if CPI accrues at 2% in line with the inflation target after 2030. But Chart 4 shows they are near 3% per annum, suggesting markets have not fully adjusted to lower accruals after 2030, or that they are sceptical about the 2% inflation target being achieved and require a risk premium to hold long conventionals.

Chart 1: Wage growth has moderated in 2025, as employers face higher minimum wages and NICs, and tariff trade uncertainty. This is reflected in the increase to 4.7% in unemployment rate and decline in job vacancies.

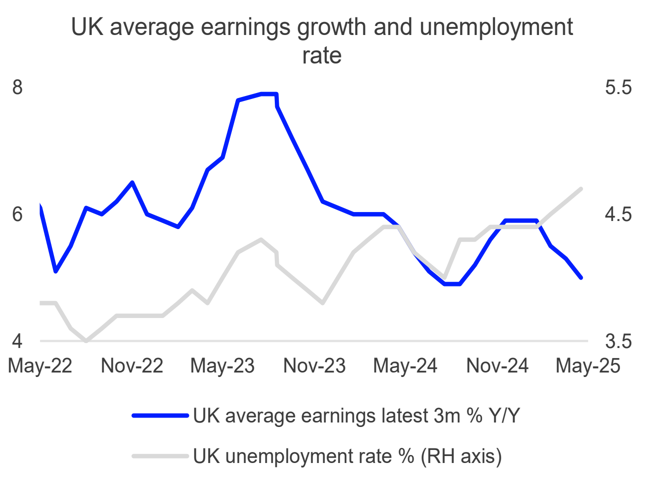


Chart 2: The volatility in short UK real yields reflects the high sensitivity of short bond yields to price changes, but the most striking move is the increase in long-dated real yields to over 2%, from minus 2% in 2022.

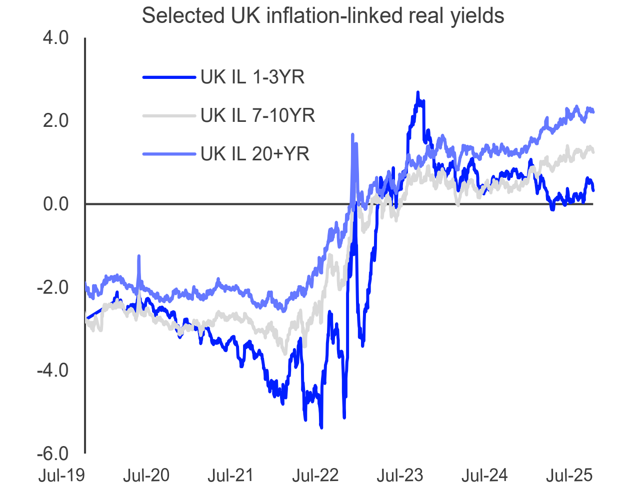


Chart 3: The BoE is reducing its gilt holdings at a pace of £100 bn per annum, with the aim of reducing its balance sheet to below £500 bn. Curve steepening & long yields above 5% may slow the pace of sales.

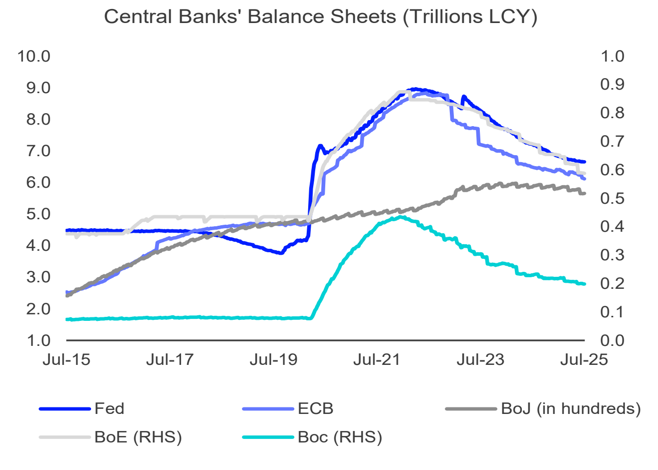
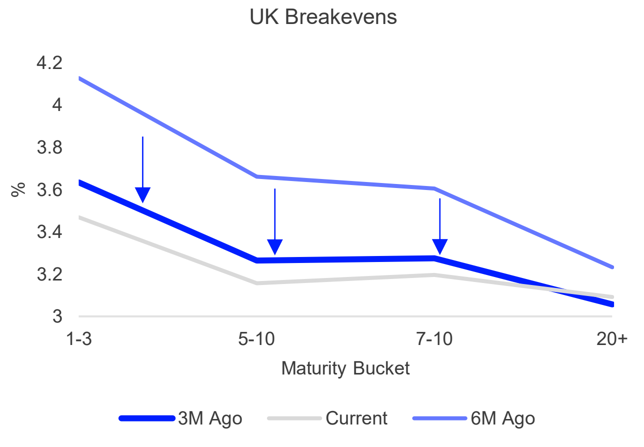


Chart 4: The UK inflation breakeven curve remains inverted, though less so than earlier in the year, during the tariff turbulence. Medium dated breakevens have fallen sharply, which will reassure the BoE.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 year yields backed up in Canada and Japan but mostly traded sideways in July elsewhere in the G7, as central banks held policy unchanged, and awaited US tariff negotiation outcomes.

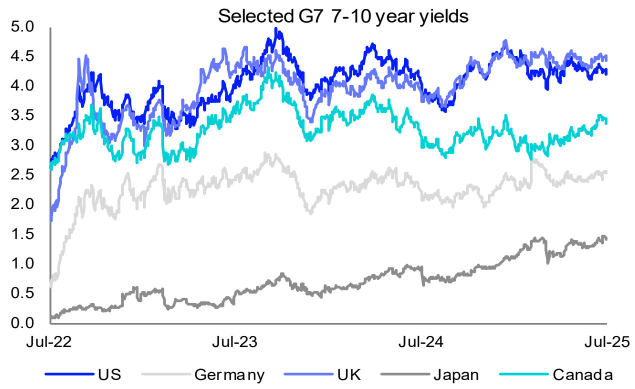


Chart 2: 7-10 yr real yields broadly matched nominal yield moves,and held near end-Q2 levels. UK real yields edged towards post-Covid highs, after higher inflation dimmed prospects for an August rate cut.

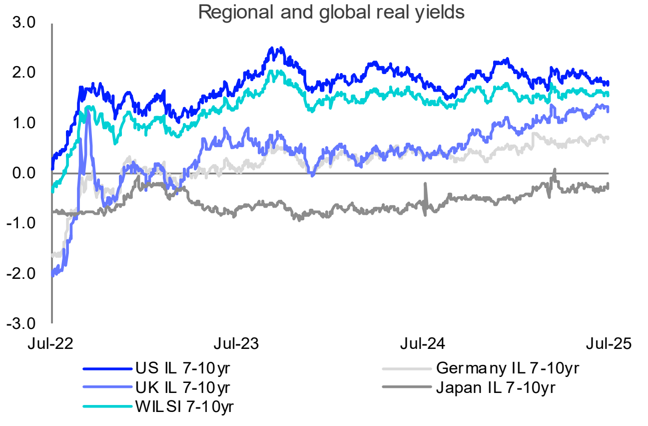


Chart 3: The curve steepening trend in 10s/2s remains intact, although Fed caution on easing has caused US steepening to stall. Eurozone and UK markets have shown more steepening this year, as short rates eased.

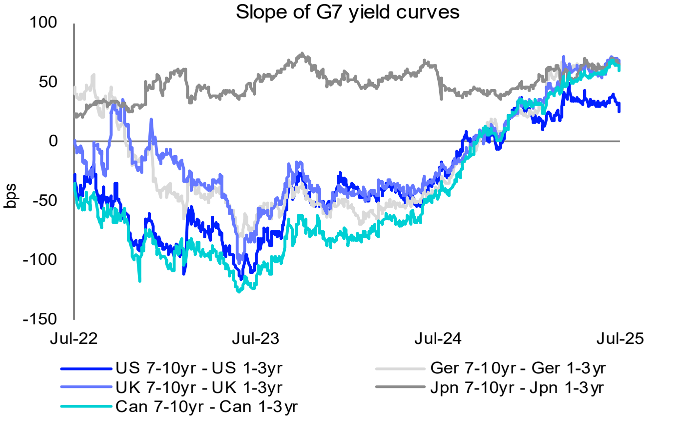


Chart 4: Long end curve steepening is more pronounced than in the 7-10 year area, and more of a bear steepening (yields rising more in longs than shorts). This reflects increased debt issuance fears.

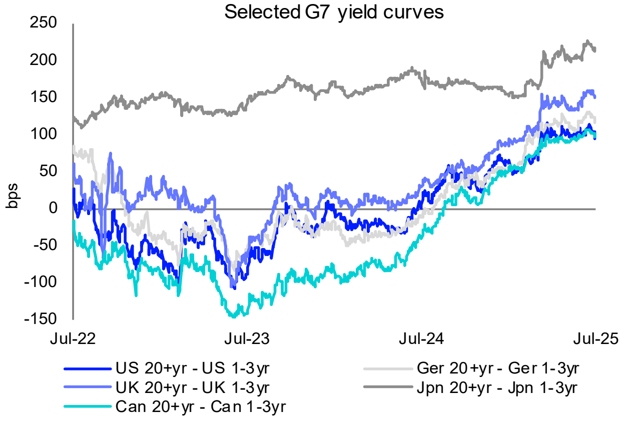


Chart 5: 7-10 year inflation breakevens remain stable, and under 2% globally, as the WGBI versus WILSI shows. US breakevens remain above 2% (reflecting sticky US inflation), which the Fed monitors closely.

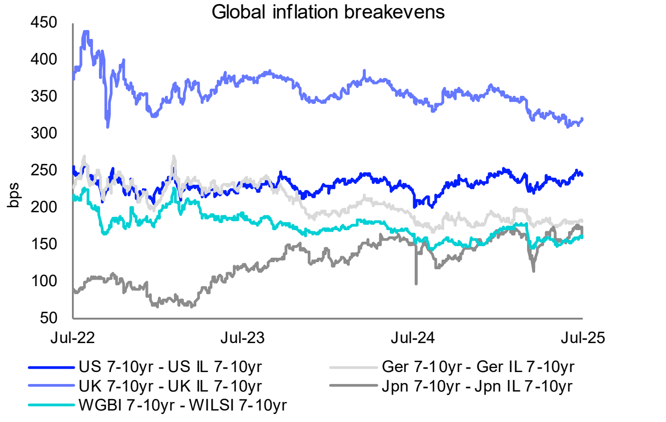
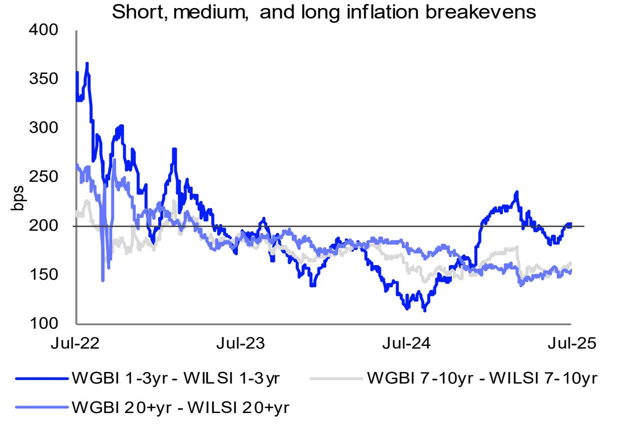


Chart 6: The tariff spike in short-dated inflation breakevens has largely unwound, and longer dated breakevens remain stable, as in the inflation spike in 2022, giving a flat breakeven curve.



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Yield Spreads and Credit Spread Analysis

Chart 1: US spreads edged in against 7-10 yr JGBs and Canada, mainly on yields rising more in Japan and Canada, after hawkish signals from the BoJ particularly, and BoC. Spreads vs WGBI edged out a little.

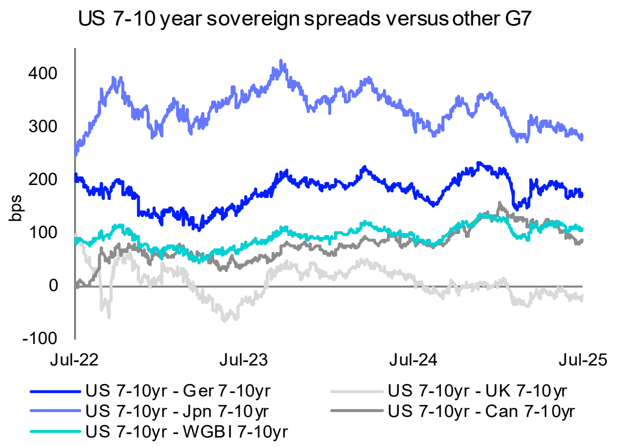


Chart 2: The prospect of more fiscal stability in Italy, with a deficit target of 2.8% within 2 yrs, has driven spread convergence, notably versus France & Germany, where there is more doubt on fiscal consolidation.

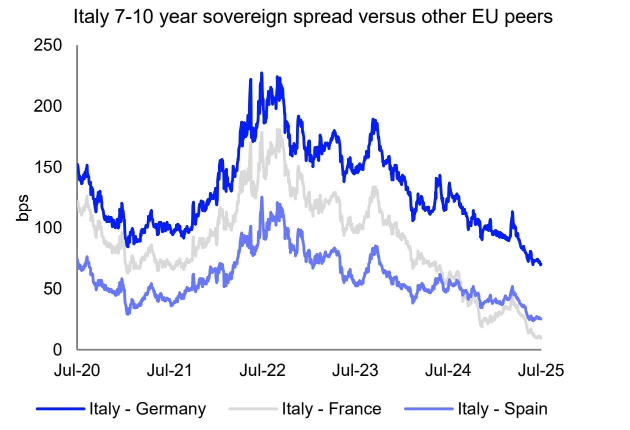


Chart 3: 7-10 yr sovereign spreads have stabilised at multi-year lows, but show no signs of reversing, reflecting higher debt issuance in the G7, and the prospect of more policy easing in China, versus tightening in Japan.

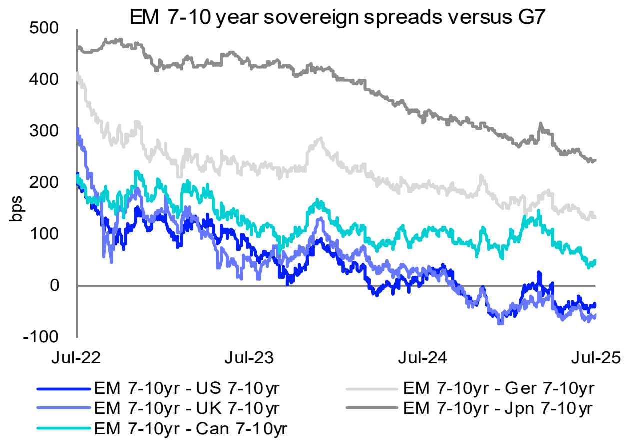


Chart 4: China 7-10 yr yields now trade through most G7 markets apart from Japan. Although the PBoC is reluctant to cut rates too far, for fear of igniting another property bubble, deflation risks point to more easing.

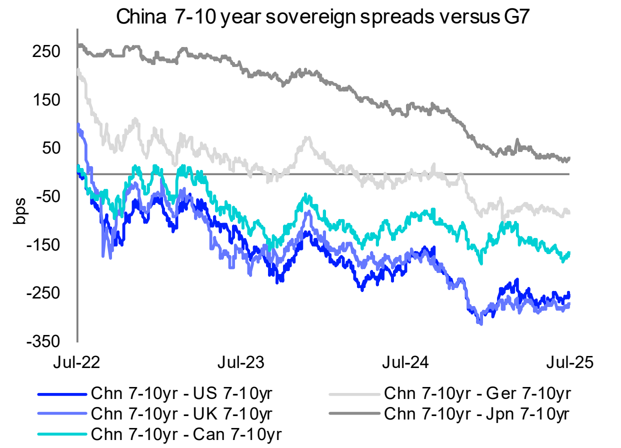


Chart 5: Higher govt debt issuance, and improved financial metrics have combined to drive credit spreads to 10 yr lows in the US and Eurozone. The risk rally also helped HY, given the strong correlation to equities.

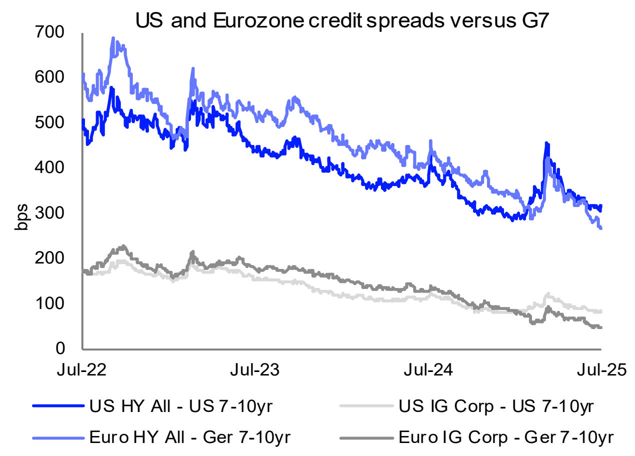
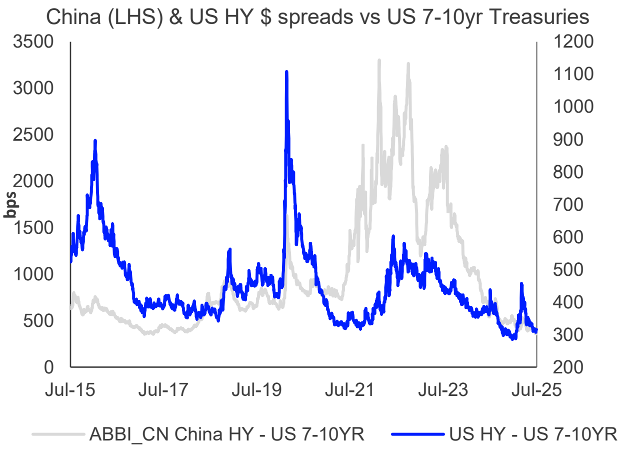


Chart 6: Credit spreads continue to test 10 year lows in China HY dollar issues, with the property sector benefitting from targeted support measures, including “white list” real estate project loans.



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European Credit Analysis

Chart 1: Canadian investment grade corporate bonds have outperformed G7 peers, in Euro terms. Euro IG improved in 2025, helped by FX gains and surpassed US IG returns.

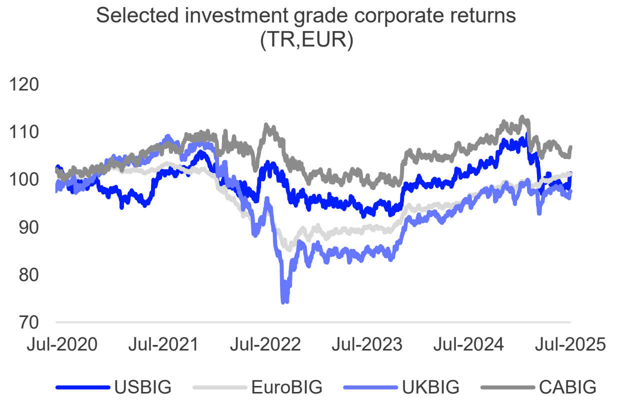


Chart 2: Investment grade corporate bond spreads have tightened sharply since January, with WorldBIG OAS spreads down to 77bp. EuroBIG OAS spreads are the tightest, at 68bp, at the end of July.

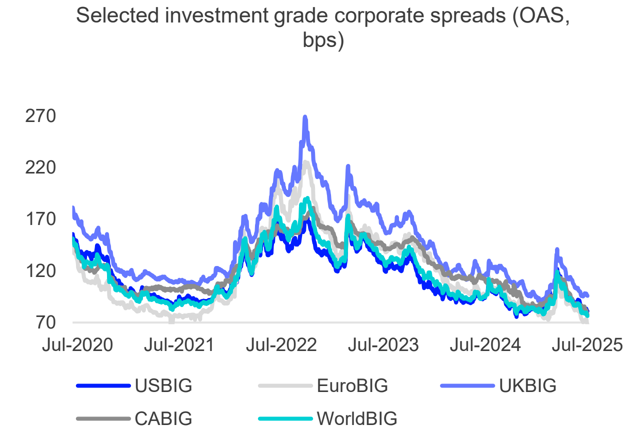


Chart 3: BBB Euro investment grade corporates have outperformed since 2020, while AAAs have underperformed, despite their rally during 2024 when the ECB began to ease policy.

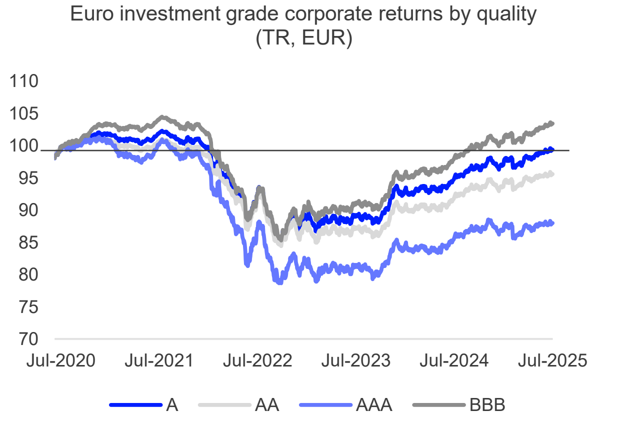


Chart 4: Euro investment grade AAA OAS corporate spreads are only 30bp, while BBB OAS spreads are about 79bp, after falling sharply from 177bp since 2020.

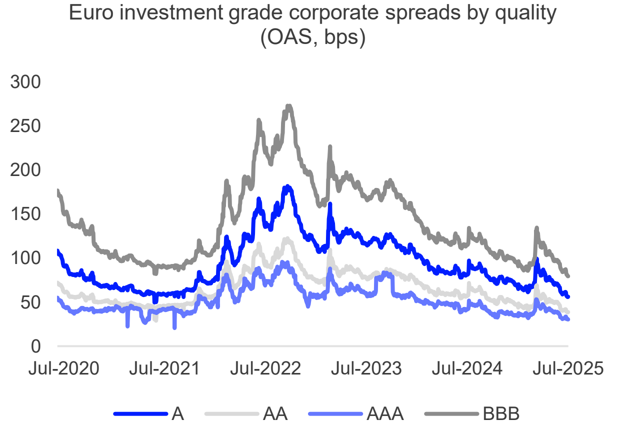


Chart 5: In line with investment grade issues, the lowest quality Euro high yield credits (i.e., CCCs) have outperformed better quality issues, during the risk-on rally.

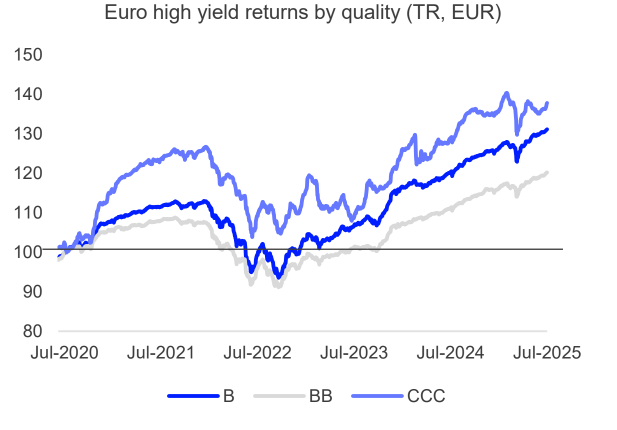
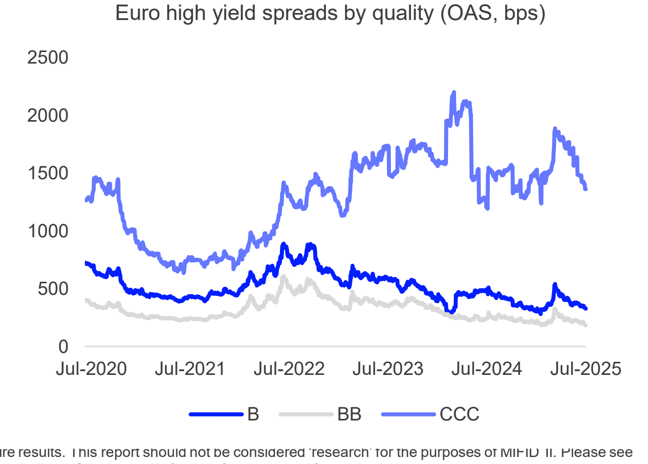


Chart 6: Euro HY credit OAS spreads for CCCs of about 1360bp offer investors significant yield protection for the higher default risk, compared to 2021, when spreads were much tighter, helped by QE.



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UK Credit Analysis

Chart 1: UK and US are the stand-out higher yield IG markets, reflecting the slower policy easing in the US and UK. Absolute yields remain well above pre-Covid levels in all major credit markets.

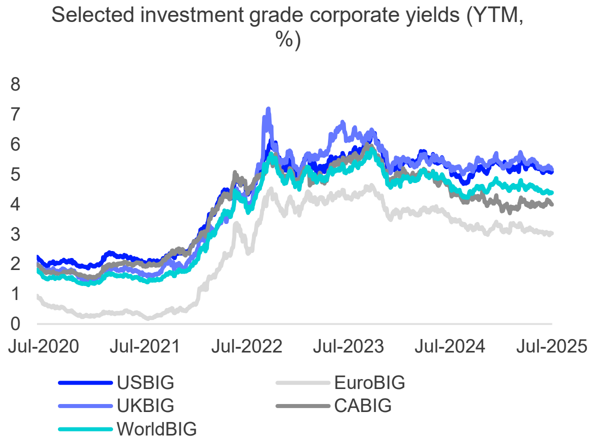


Chart 2: Yield per unit of duration risk is much higher than pre-Covid, thanks to the combination of higher yields and lower duration, which has shortened across all major markets, partly due to lower prices.

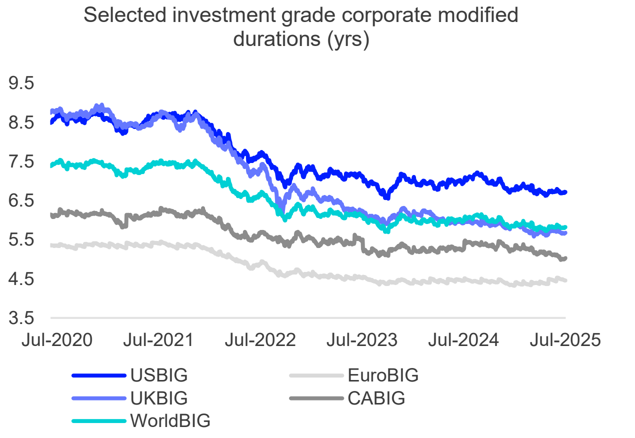


Chart 3: Financials have outperformed strongly in the IG credit rally since 2022, led by banks, which have the largest weight in the IG index (32%). Insurance (6.5% weight) broadly matched bank returns .

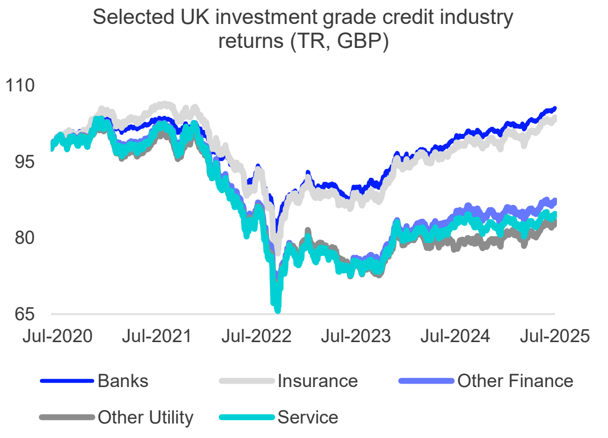


Chart 4: Chinese IG is the strongest performer since Covid, but mainly because it was not affected by rate increases in 2022-23. Since UK fixed income crashed in Sept 2022, UK IG has performed best.

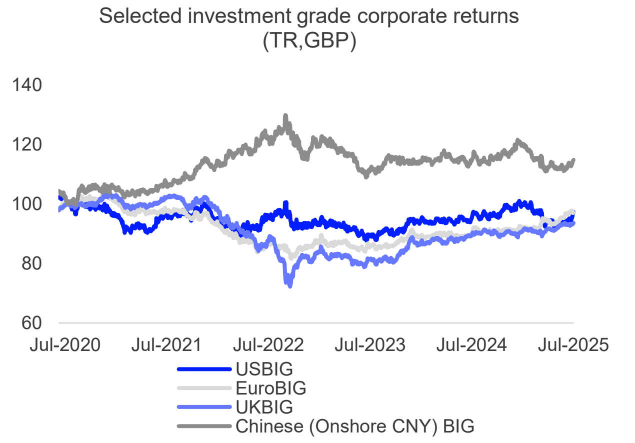


Chart 5: The collapse in Other Utility returns after the defaults in the water sector dominate UK HY returns. Telecom has recovered after more consolidation in the sector, but other finance still leads returns.

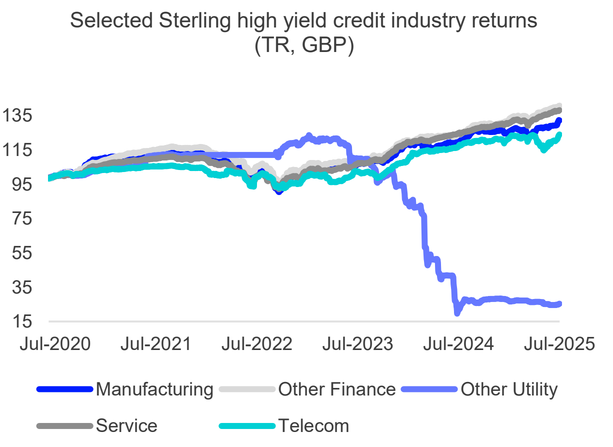
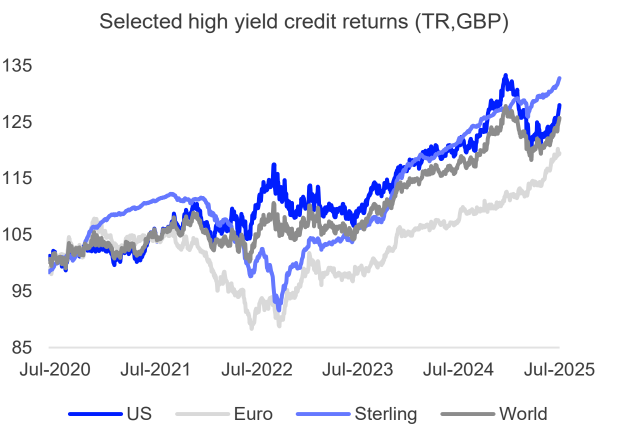


Chart 6: The impact of dollar weakness is clear in the underperformance of US high yield and the world HY index, in sterling in 2025. In contrast, sterling & Euro high yield have shown favourable returns in sterling terms.



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SI Sovereign Bond Analysis

Chart 1: Despite some volatility, green bond performance has been positive over 3M and 1Y, but negative over 5Y for green sovereigns. Over 3M green corp (~1.9%) have led sovereigns (~0.5%).

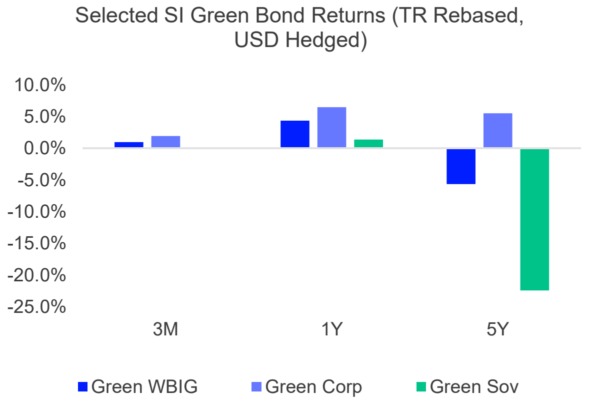


Chart 2: Both green corps and green sovereigns vs WGBI performed broadly in-line with their non-green peers. Over 5Y, green sov have underperformed, with performance more stable since 2023.

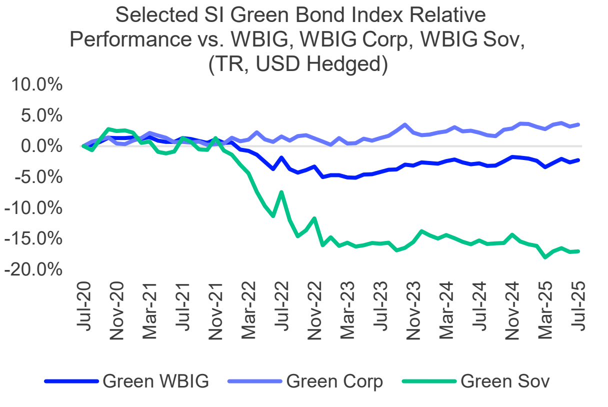


Chart 3: Currency exposure remains heavily weighted towards EUR in green sovereign bonds due to the issuance in Europe and a lack of sovereign green bond issuance in the US.

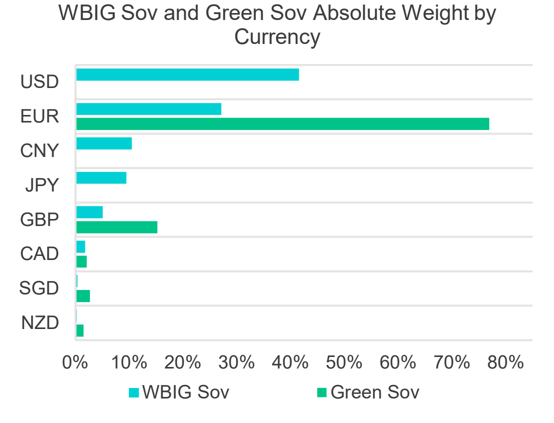


Chart 4: Green corporate's weights have been largely unchanged over 3M, but the index saw a slight increase in its weight in Banks and fall in Electric Utilities – both remain the two largest sector overweights.

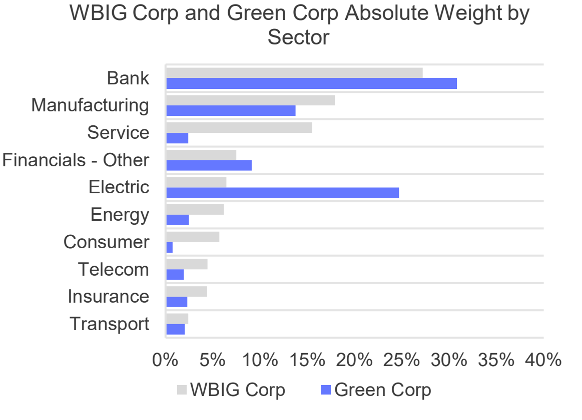


Chart 5: Since widening in April, following the US liberation day tariffs, OAS spreads have continued to narrow for green and non-green-bond indices. Green corp spreads are at a 5-year low.

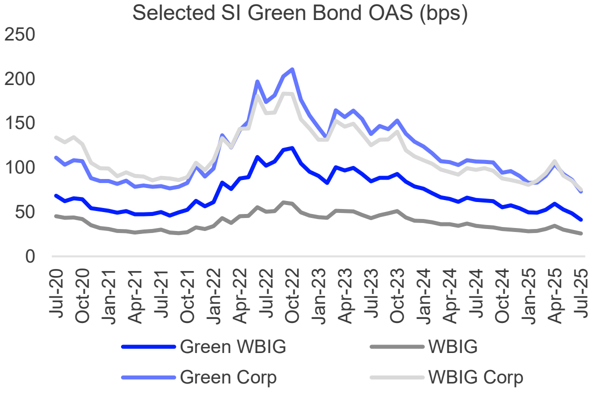
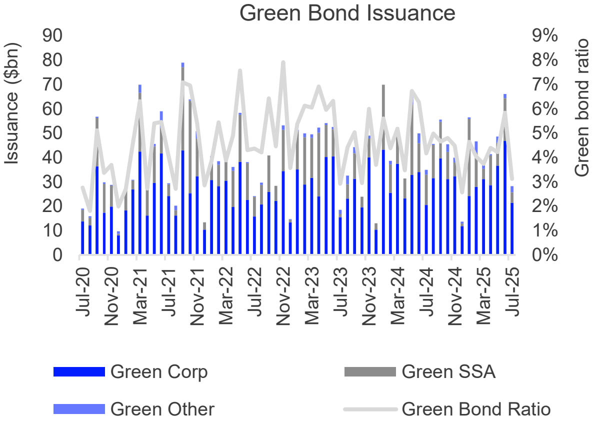


Chart 6: Absolute green bond issuance rose over 3M (vs. the prior 3M), as did the green bond ratio, which reached 5.8% in June – the highest level in 12M, before declining to lower-than-average levels in July.



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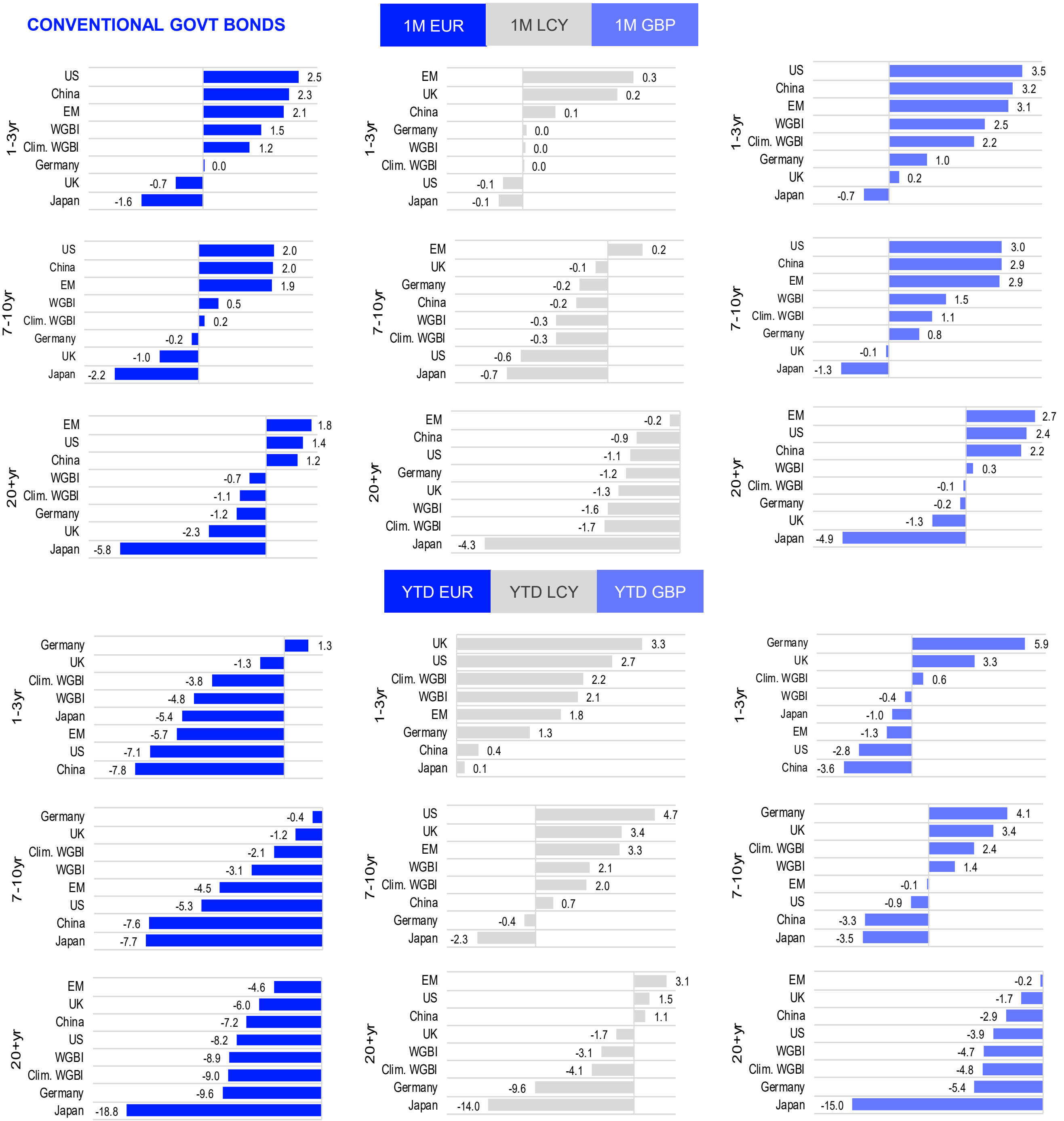
Conventional Government Bond Returns – 1M & YTD % (EUR, GBP, LC, TR)

A modest dollar and renminbi rally in July boosted US, EM and China government bond returns for both Euro and sterling-based investors, with gains of 2-4%, led by shorts. YTD, it is a different story, with dollar, and renminbi weakness dominant themes, and losses of 6-8% in Treasuries, China and EM bonds. Long JGBs fell back on both one month & YTD, as the curve bear steepened, and the yen fell against the Euro, with losses of up to 19% in Euros, and 15% for a sterling-based investor.

JGBs lost further ground, led by longs, with losses of 5-8% in July, after the ruling LDP lost its majority in the Upper House in the July elections, increasing fears of tax cuts and more debt issuance, driven by Opposition parties. The BoJ left rates unchanged on July 31, but raised its 2025 inflation forecast to 2.7% from 2.2%, and hinted at an October rate increase, should yen weakness continue.

Treasuries were broadly stable in July, despite the passage of further US fiscal stimulus measures through Congress. The first signs of a tariff inflation effect, in June data, did not unnerve sentiment, though longs drifted lower with WGBI, gilts and Bunds, losing 1%.



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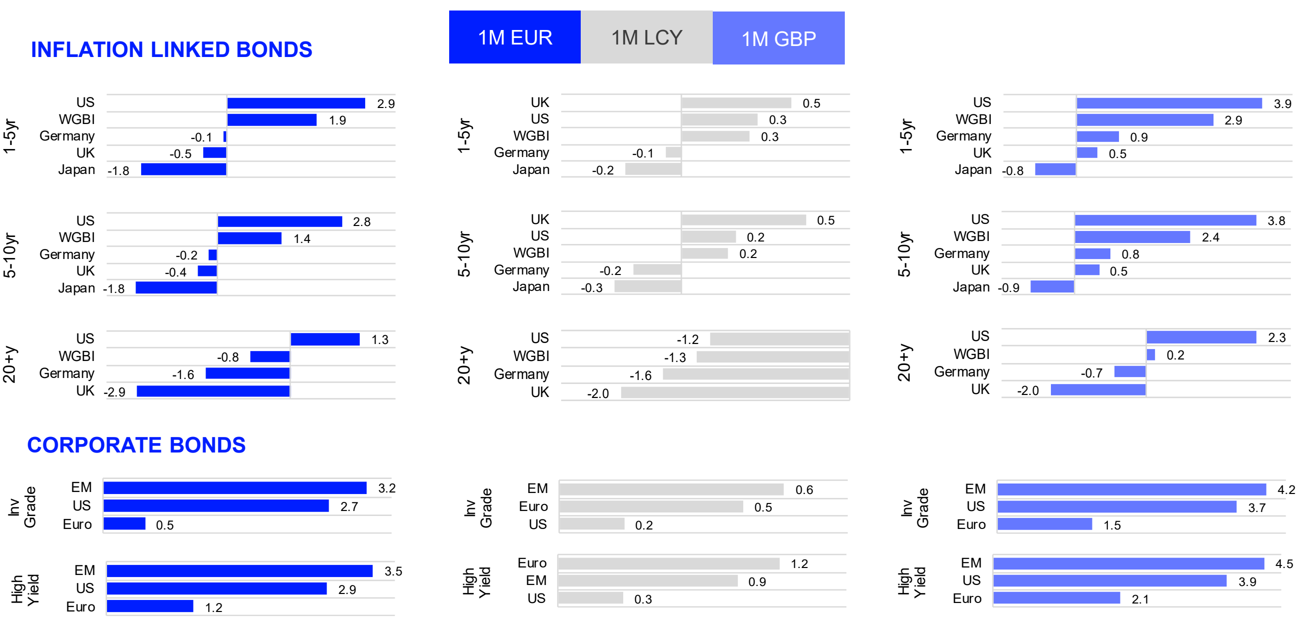
Global Inflation-Linked Bond Returns − 1M & YTD % (EUR, GBP, LC, TR)

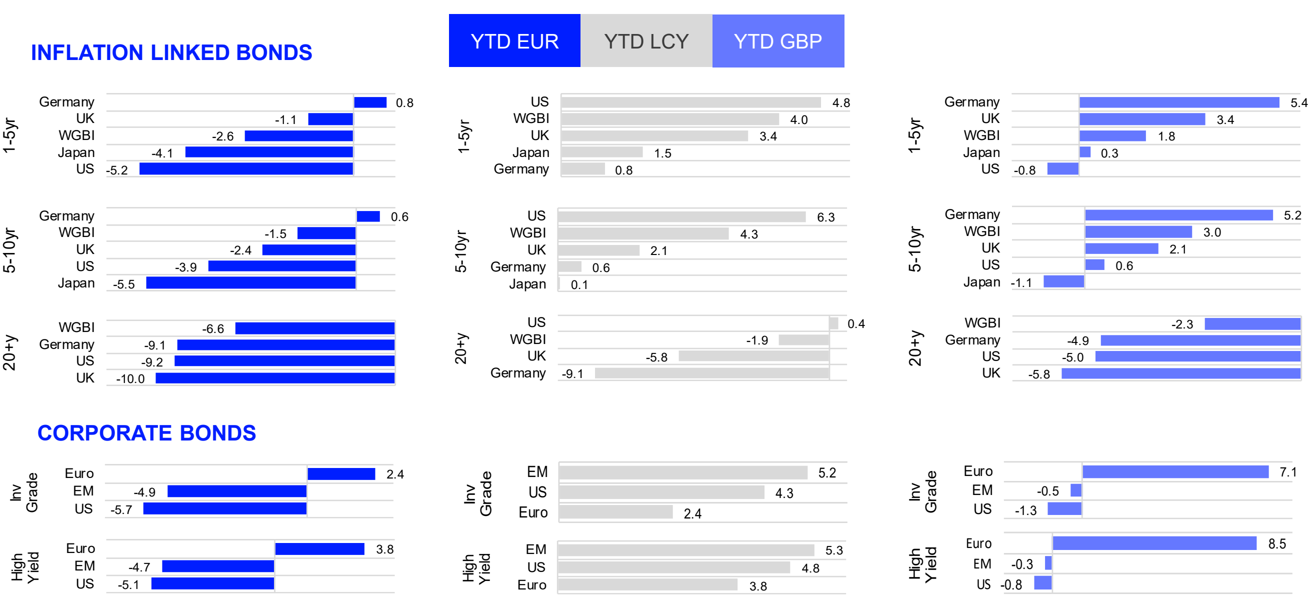
Inflation-linked returns show a similar pattern to conventional bonds in July, with longs underperforming, and overseas returns boosted by Euro and sterling weakness. Short and medium Tips and WILSI gained 1-4% in Euro and sterling terms. Credit was broadly stable in July, but US and EM credit gained 3-4% helped by currency gains.

YTD, Euro strength particularly meant all overseas markets lost ground in Euro terms, despite local currency gains in Tips and shorter gilt linkers.

Credit barely moved on 1M, although equity gains caused high yield credit to outperform marginally, both in July and YTD, thanks to the stronger correlation HY markets have with equities.

Long linkers lagged as curves bear steepened, with losses of 5-10% in Euros and sterling, led by long UK linkers and US Tips. Long Bund linkers lost 9% in local currency terms, not helped by long duration..





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

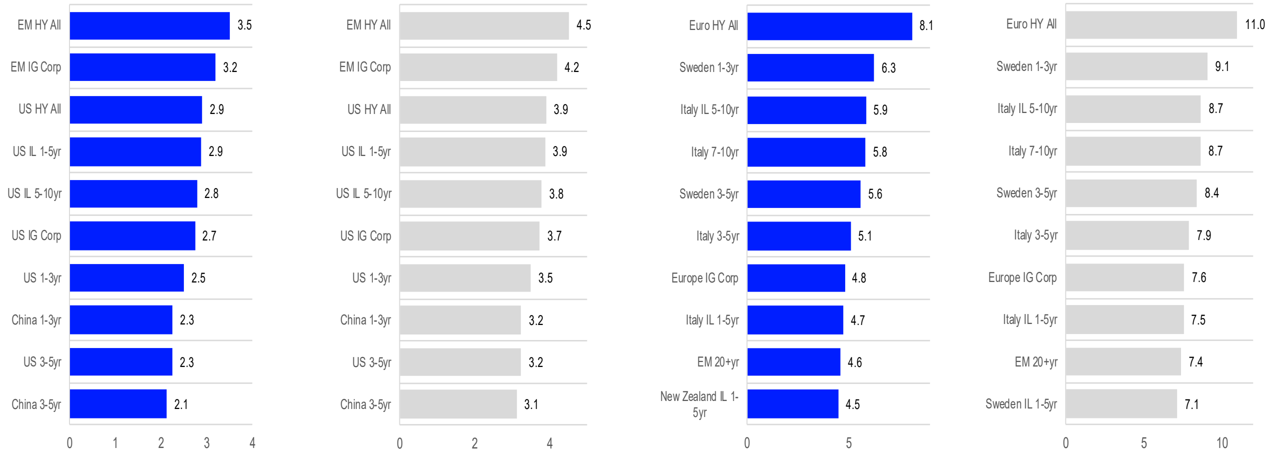
Currency rallies and modest credit gains meant EM and US credit delivered the best returns in July to both Euro and sterling-based investors, with gains of 3-5%. China government bonds and US Tips also gained 2-4%. In contrast, on 12M, USD weakness and sizeable European rate cuts dominated returns with gains of 5-11%, in the Top 15, led by Euro high yield credit and short Swedish bonds. The latter benefitted from rate cuts of 200bp, and a strong krone.

Long UK and Australian inflation-linked, and conventional JGBs, led losses on 12M in Euro and sterling, as yield curves bear steepened, and the BoJ moved towards higher rates. Fears of more fiscal stimulus and higher debt issuance did not help sentiment either on JGBs, or long UK linkers, which lost 17-20%. All Bottom 10 performers on 12M were long-dated bonds.

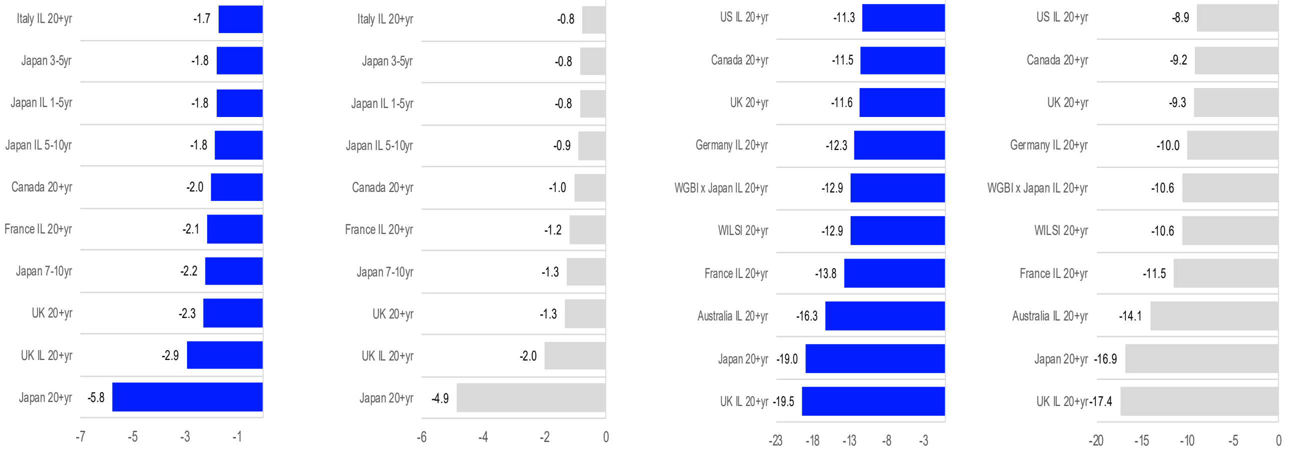
Yield convergence in the Eurozone, driven by a recovery in risk appetite, and deterioration in Germany's fiscal metrics, as well as a strong Euro, and ECB rate cuts, boosted Italian and Spanish bond returns.

Credit survived the tariff turmoil, boosted by the continuing equity market rally, as regional equity leadership switched to Europe.

TOP 10 1M EUR 1M GBP 12M EUR 12M GBP



BOTTOM 10 1M EUR 1M GBP 12M EUR 12M GBP



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Appendix − Global Bond Market Returns % (EUR, GBP & LC, TR) – July 31, 2025

Government bond returns

Top 15% | Bottom 15%

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

		3M			YTD			12M		
		Local	GBP	EUR	Local	GBP	EUR	Local	GBP	EUR
US	1-3YR	0.33	1.27	-0.35	2.72	-2.78	-7.06	4.44	1.37	-1.26
	7-10YR	-0.21	0.72	-0.89	4.68	-0.93	-5.29	2.68	-0.34	-2.92
	20+YR	-1.72	-0.80	-2.39	1.50	-3.94	-8.17	-4.24	-7.05	-9.46
	IG All	1.96	2.91	1.26	4.27	-1.32	-5.66	4.55	1.48	-1.15
	HY All	3.93	4.90	3.22	4.85	-0.77	-5.14	8.56	5.36	2.63
UK	1-3YR	0.79	0.79	-0.82	3.25	3.25	-1.29	4.66	4.66	1.94
	7-10YR	0.36	0.36	-1.25	3.38	3.38	-1.17	1.13	1.13	-1.50
	20+YR	-2.11	-2.11	-3.68	-1.69	-1.69	-6.01	-9.27	-9.27	-11.62
EUR	IG All	1.33	2.97	1.33	2.37	7.09	2.37	4.81	7.60	4.81
	HY All	3.03	4.70	3.03	3.76	8.54	3.76	8.12	11.00	8.12
Japan	1-3YR	-0.01	-4.34	-5.87	0.14	-1.03	-5.39	0.09	-2.88	-5.39
	7-10YR	-1.46	-5.73	-7.24	-2.32	-3.47	-7.72	-1.95	-4.86	-7.32
	20+YR	-7.12	-11.15	-12.57	-14.01	-15.02	-18.76	-14.35	-16.89	-19.04
China	1-3YR	0.48	2.40	0.77	0.38	-3.60	-7.84	1.86	-0.67	-3.25
	7-10YR	-0.02	1.89	0.26	0.66	-3.33	-7.58	5.00	2.40	-0.25
	20+YR	-1.18	0.71	-0.90	1.08	-2.92	-7.20	9.29	6.58	3.81
EM	1-3YR	0.98	2.89	1.24	1.82	-1.31	-5.66	3.64	1.28	-1.35
	7-10YR	1.16	2.97	1.32	3.28	-0.10	-4.50	6.54	4.29	1.59
	20+YR	0.44	2.61	0.97	3.13	-0.20	-4.59	9.87	7.39	4.60
	IG All	2.23	3.19	1.54	5.16	-0.47	-4.86	6.08	2.96	0.29
	HY All	3.71	4.68	3.00	5.34	-0.31	-4.70	8.51	5.32	2.59
Germany	1-3YR	0.03	1.65	0.03	1.28	5.94	1.28	3.01	5.75	3.01
	7-10YR	-0.86	0.75	-0.86	-0.44	4.15	-0.44	0.28	2.95	0.28
	20+YR	-4.46	-2.91	-4.46	-9.55	-5.38	-9.55	-9.37	-6.96	-9.37
Italy	1-3YR	0.24	1.87	0.24	1.84	6.53	1.84	3.97	6.74	3.97
	7-10YR	1.19	2.84	1.19	2.82	7.55	2.82	5.83	8.65	5.83
	20+YR	1.57	3.22	1.57	-0.88	3.69	-0.88	3.33	6.08	3.33
Spain	1-3YR	0.16	1.79	0.16	1.58	6.26	1.58	3.59	6.35	3.59
	7-10YR	0.07	1.70	0.07	1.16	5.82	1.16	2.97	5.71	2.97
	20+YR	-1.07	0.54	-1.07	-4.49	-0.09	-4.49	-2.06	0.54	-2.06
France	1-3YR	0.18	1.81	0.18	1.68	6.36	1.68	3.62	6.38	3.62
	7-10YR	-0.48	1.14	-0.48	1.40	6.06	1.40	1.53	4.23	1.53
	20+YR	-3.55	-1.98	-3.55	-5.83	-1.49	-5.83	-7.94	-5.49	-7.94
Sweden	1-3YR	0.26	0.00	-1.60	1.30	8.53	3.76	2.35	9.09	6.26
	7-10YR	-0.32	-0.57	-2.16	1.51	8.76	3.97	-0.33	6.24	3.48
Australia	1-3YR	0.73	2.31	0.67	2.94	1.31	-3.15	4.51	0.02	-2.57
	7-10YR	0.54	2.11	0.48	4.40	2.75	-1.78	4.42	-0.07	-2.66
	20+YR	-1.32	0.22	-1.38	1.60	-0.01	-4.41	-0.63	-4.90	-7.37
NZ	1-3YR	1.05	1.46	-0.17	2.72	2.44	-2.07	5.68	1.95	-0.69
	7-10YR	0.64	1.05	-0.57	2.67	2.39	-2.12	4.28	0.60	-2.01
Canada	1-3YR	-0.14	0.70	-0.91	1.56	-0.02	-4.42	3.61	0.49	-2.12
	7-10YR	-1.51	-0.68	-2.27	0.86	-0.70	-5.07	2.08	-1.00	-3.57
	20+YR	-4.91	-4.11	-5.64	-4.91	-6.39	-10.51	-5.63	-8.48	-10.85

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Appendix − Global Bond Market Returns % (EUR, GBP, LC, TR) – July 31, 2025

Inflation-Linked Bond Returns

Top 15% Bottom 15%

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

		3M			YTD			12M		
		Local	GBP	EUR	Local	GBP	EUR	Local	GBP	EUR
US	1-5YR	0.46	1.40	-0.22	4.77	-0.84	-5.21	6.06	2.95	0.28
	5-10YR	1.08	2.03	0.40	6.26	0.57	-3.86	4.80	1.72	-0.92
	20+YR	-1.32	-0.40	-1.99	0.38	-5.00	-9.18	-6.18	-8.94	-11.30
UK	1-5YR	1.54	1.54	-0.08	3.44	3.44	-1.12	3.84	3.84	1.14
	5-10YR	0.91	0.91	-0.71	2.06	2.06	-2.44	-0.40	-0.40	-2.98
	20+YR	-1.47	-1.47	-3.05	-5.81	-5.81	-9.96	-17.40	-17.40	-19.54
EUxUK	1-5YR	0.19	1.82	0.19	0.79	5.43	0.79	2.73	5.46	2.73
	5-10YR	-0.05	1.58	-0.05	0.59	5.22	0.59	0.77	3.45	0.77
	20+YR	-1.69	-0.09	-1.69	-9.06	-4.87	-9.06	-12.34	-10.01	-12.34
Japan	1-5YR	1.26	-3.13	-4.68	1.50	0.31	-4.11	2.14	-0.89	-3.46
	5-10YR	0.47	-3.88	-5.42	0.05	-1.12	-5.47	1.58	-1.43	-3.99
EM	1-5YR	2.15	4.04	2.37	8.17	8.66	3.88	12.24	6.06	3.31
	5-10YR	1.91	4.37	2.70	7.67	8.66	3.88	9.05	4.14	1.44
	20+YR	3.25	6.31	4.61	9.14	12.78	7.81	4.87	1.83	-0.81
Germany	1-5YR	0.19	1.82	0.19	0.79	5.43	0.79	2.73	5.46	2.73
	5-10YR	-0.05	1.58	-0.05	0.59	5.22	0.59	0.77	3.45	0.77
	20+YR	-1.69	-0.09	-1.69	-9.06	-4.87	-9.06	-12.34	-10.01	-12.34
Italy	1-5YR	0.94	2.58	0.94	2.50	7.22	2.50	4.75	7.54	4.75
	5-10YR	1.83	3.49	1.83	3.70	8.48	3.70	5.85	8.67	5.85
	20+YR	2.96	4.64	2.96	-4.24	0.17	-4.24	-2.85	-0.27	-2.85
Spain	1-5YR	0.72	2.36	0.72	2.13	6.83	2.13	3.94	6.70	3.94
	5-10YR	0.82	2.46	0.82	1.62	6.30	1.62	2.51	5.24	2.51
France	1-5YR	0.62	2.26	0.62	1.92	6.61	1.92	3.09	5.83	3.09
	5-10YR	0.35	1.98	0.35	1.83	6.52	1.83	1.35	4.05	1.35
	20+YR	-2.01	-0.41	-2.01	-8.00	-3.76	-8.00	-13.80	-11.50	-13.80
Sweden	1-5YR	-0.36	-0.62	-2.21	0.32	7.49	2.76	0.52	7.14	4.36
	5-10YR	-0.40	-0.66	-2.25	0.59	7.78	3.03	-0.53	6.02	3.27
Australia	1-5YR	1.28	2.86	1.22	3.42	1.78	-2.70	3.92	-0.55	-3.13
	5-10YR	1.42	3.01	1.36	3.46	1.82	-2.67	3.35	-1.10	-3.66
	20+YR	-0.14	1.43	-0.20	-4.11	-5.63	-9.79	-10.26	-14.12	-16.35
NZ	5-10YR	0.83	1.24	-0.38	4.10	3.82	-0.75	5.54	1.82	-0.82
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	-1.06	-0.23	-1.82	0.37	-1.19	-5.54	1.32	-1.74	-4.29

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Appendix − Historical Bond Yields % as of July 31, 2025

Global Bond Yields

Top 15% Bottom 15%

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

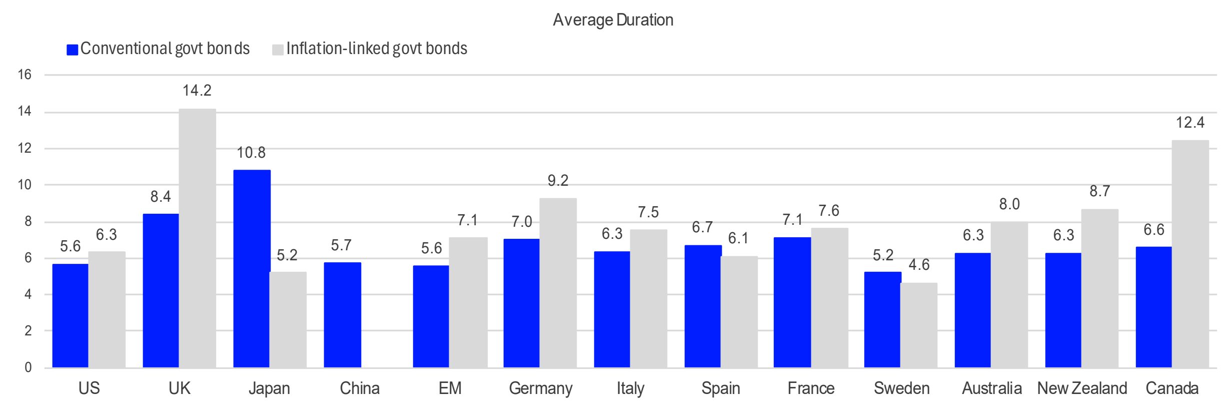
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.01	3.92	4.26	4.95	1.27	1.73	2.63	5.09	7.43
	3M Ago	3.69	3.65	4.06	4.77	0.98	1.70	2.50	5.17	8.05
	6M Ago	4.23	4.30	4.51	4.88	1.60	1.96	2.42	5.32	7.40
	12M Ago	4.38	3.99	4.02	4.42	2.13	1.77	2.12	5.16	7.81
UK	Current	3.79	3.86	4.44	5.30	0.44	1.12	2.20		
	3M Ago	3.70	3.76	4.29	5.10	0.18	0.90	2.04		
	6M Ago	4.06	4.11	4.43	5.01	0.06	0.70	1.77		
	12M Ago	4.19	3.82	3.89	4.47	0.27	0.37	1.25		
Japan	Current	0.76	0.99	1.42	2.93	-1.10	-0.26			
	3M Ago	0.64	0.81	1.17	2.56	-0.99	-0.35			
	6M Ago	0.67	0.84	1.12	2.22	-1.25	-0.47			
	12M Ago	0.37	0.57	0.94	2.11	-1.19	-0.59			
China	Current	1.37	1.49	1.72	2.00					
	3M Ago	1.43	1.47	1.66	1.91					
	6M Ago	1.27	1.39	1.63	1.94					
	12M Ago	1.53	1.76	2.10	2.38					
EM	Current	3.02	3.30	3.87	3.61	15.27	12.45	10.83	5.17	7.73
	3M Ago	3.12	3.30	4.11	3.50	15.02	12.66	11.14	5.27	8.27
	6M Ago	3.10	3.25	3.96	3.44	15.87	13.59	11.02	5.49	7.91
	12M Ago	3.19	3.48	4.18	3.73	17.52	15.91	10.54	5.41	7.93
Germany	Current	1.92	2.11	2.54	3.10	0.55	0.71	1.19		
	3M Ago	1.70	1.86	2.33	2.84	0.82	0.39	1.03		
	6M Ago	2.08	2.12	2.35	2.67	0.63	0.41	0.73		
	12M Ago	2.62	2.25	2.21	2.50	1.57	0.40	0.43		
Italy	Current	2.11	2.48	3.24	4.17	0.77	1.32	2.26		
	3M Ago	1.95	2.36	3.28	4.19	0.51	1.24	2.18		
	6M Ago	2.37	2.68	3.31	4.04	0.63	1.29	1.90		
	12M Ago	2.99	2.97	3.43	4.10	1.45	1.58	1.87		
France	Current	2.09	2.46	3.14	4.04	0.60	0.97	1.80		
	3M Ago	1.90	2.23	2.92	3.78	0.43	0.81	1.65		
	6M Ago	2.30	2.56	3.05	3.65	0.56	0.84	1.38		
	12M Ago	2.78	2.68	2.87	3.40	0.98	0.81	1.05		
Sweden	Current	1.95	2.05	2.38		0.89	0.62			
	3M Ago	1.83	1.93	2.19		1.27	0.70			
	6M Ago	1.85	1.94	2.15		0.93	0.60			
	12M Ago	2.15	1.96	1.98		0.95	0.51			
Australia	Current	3.36	3.50	4.12	4.94	1.19	1.68	2.77		
	3M Ago	3.34	3.39	4.00	4.79	1.38	1.78	2.70		
	6M Ago	3.81	3.87	4.34	4.95	1.71	1.92	2.60		
	12M Ago	3.86	3.76	4.07	4.62	1.38	1.56	2.04		
New Zealand	Current	3.38	3.75	4.42	5.22		2.01			
	3M Ago	3.25	3.55	4.26	5.15		1.94			
	6M Ago	3.64	3.85	4.43	5.14		2.29			
	12M Ago	4.21	4.04	4.31	4.81	2.47	2.21			
Canada	Current	2.78	2.97	3.38	3.75	0.73	1.22	1.76		
	3M Ago	2.49	2.62	3.00	3.42	0.30	0.96	1.60		
	6M Ago	2.66	2.72	3.01	3.22	0.77	1.00	1.35		
	12M Ago	3.64	3.11	3.15	3.23	1.41	1.34	1.52		

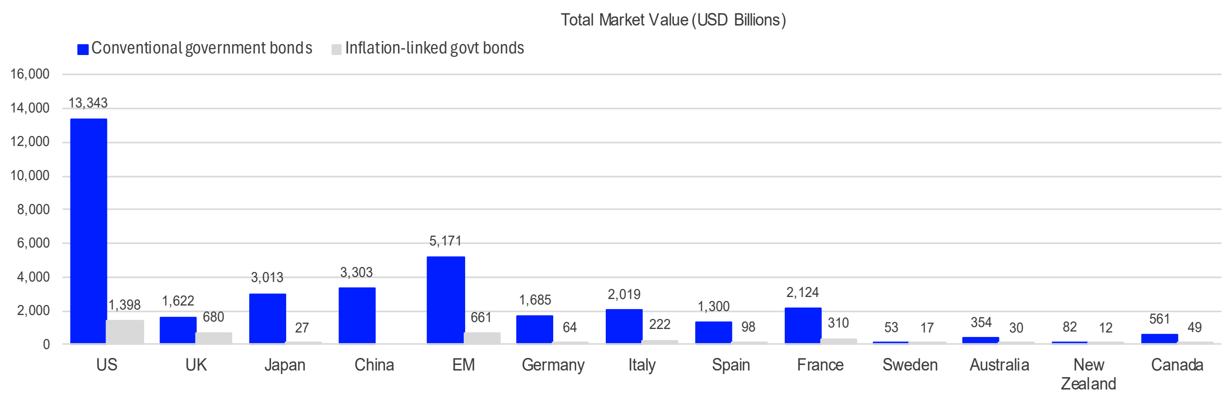
Source: FTSE Russell and LSEG. All data as of July 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix − Duration and Market Value (USD, Bn) as of July 31, 2025

	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	15.9	**5.6**	3,003.2	1,290.4	1,473.2	**13,342.8**	6.9	20.9	**6.3**	476.6	104.5	**1,398.2**
UK	3.6	7.2	17.3	**8.4**	186.1	235.4	324.8	**1,622.4**	7.1	25.8	**14.2**	161.7	207.7	**680.4**
Japan	3.9	8.2	22.0	**10.8**	372.9	489.5	546.1	**3,013.4**	7.7		**5.2**	13.1		**27.1**
China	3.7	7.7	18.1	**5.7**	790.2	597.5	366.8	**3,302.7**						
EM	3.6	7.1	16.3	**5.6**	1,153.2	957.5	498.1	**5,171.1**	5.7	13.2	**7.1**	178.1	147.7	**660.8**
Germany	3.6	7.5	20.0	**7.0**	351.9	301.8	195.4	**1,684.6**	7.5	19.8	**9.2**	14.3	17.0	**64.0**
Italy	3.6	7.1	16.3	**6.3**	377.9	310.3	166.0	**2,019.2**	7.2	23.2	**7.5**	47.4	9.4	**222.1**
Spain	3.6	7.0	17.7	**6.7**	256.4	238.6	107.1	**1,300.1**	6.5		**6.1**	58.1		**98.3**
France	3.7	7.2	18.8	**7.1**	474.2	424.0	228.7	**2,123.8**	6.1	23.0	**7.6**	94.6	21.6	**310.0**
Sweden	4.1	8.0		**5.2**	8.8	11.1		**52.9**	6.7		**4.6**	3.5		**16.5**
Australia	3.8	7.3	16.0	**6.3**	62.2	101.2	19.9	**354.2**	5.6	20.7	**8.0**	11.6	2.5	**29.9**
New Zealand	3.9	7.1	15.5	**6.3**	17.0	21.5	5.2	**82.4**	4.7		**8.7**	3.4		**12.1**
Canada	3.8	7.5	18.7	**6.6**	117.3	124.2	77.8	**560.5**	5.6	21.4	**12.4**	8.2	12.7	**49.2**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	9.6	8.1	6.8	6.4	6.7	78.0	462.9	3003.4	3658.1	7202.4	3.7	1174.0
Europe	6.2	5.0	4.6	4.2	4.5	26.3	244.0	1381.6	1723.2	3375.2	3.2	387.4
EM		6.3	5.5	5.4	5.5		71.8	176.1	244.0	491.8	3.6	187.2

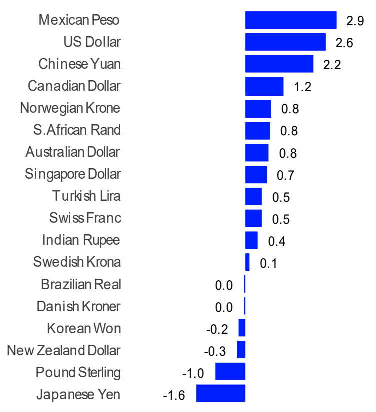




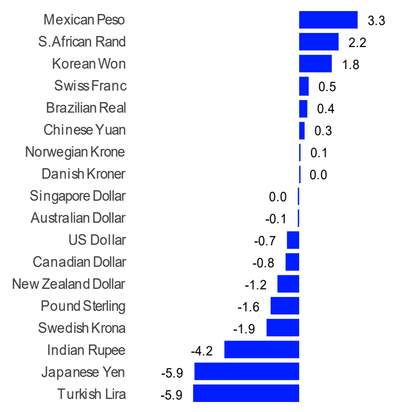
Source: FTSE Russell and LSEG. All data as of July 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix − Foreign Exchange Returns % as of July 31, 2025

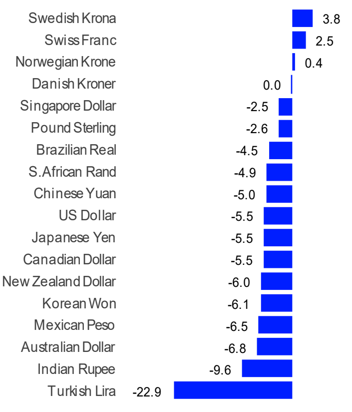
1M vs EUR



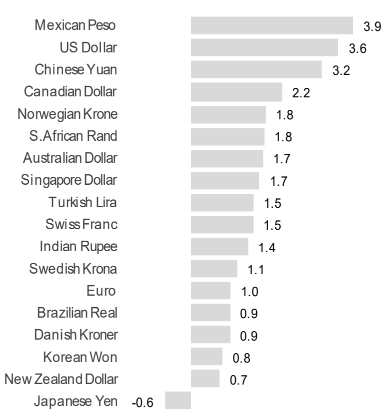
3M vs EUR



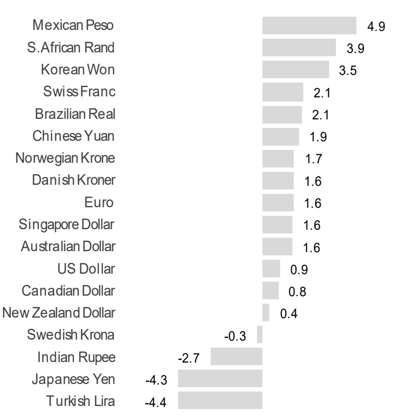
12M vs EUR



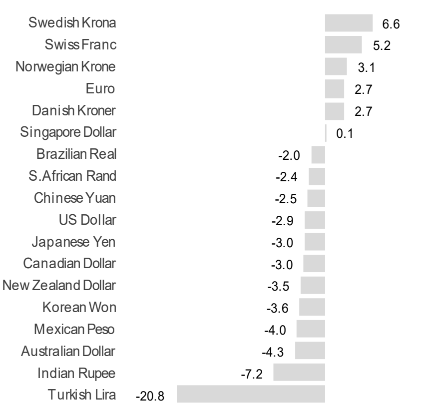
1M vs GBP



3M vs GBP



12M vs GBP



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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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For over 40 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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