Fixed Income Insights

MONTHLY REPORT - **February 2023 | UK EDITION** FOR PROFESSIONAL INVESTORS ONLY

BoE and Fed caution on inflation leaves higher for longer rate risks

G7 central banks, including the BoE, remain more cautious about persistent inflation than bond markets. The rally and bull inversion of yield curves has parallels with 2018/19, but is at risk if labour markets tighten again. Short-dated credit remains in a sweet spot, helped by evidence of a soft landing, and low default rates.

Growth & inflation expectations – US soft landing remains intact, but European inflation is sticky
Evidence of a soft landing for US inflation increases, but UK inflation is stickier, and wage pressures remain a challenge for the BoE, as industrial action widens. Recession signals evident in Europe, while Covid weighs on China's outlook. (pages 2-3).

Yields, curves and spreads – Disconnect between cautious central banks and market optimism on rates widened
Curves flattened, or inverted more, as markets anticipate policy easing and 2018/19 re-run, but with tail risks? (pages 4-5).

Performance – Duration became the investor's friend in the January rally, but 12M returns remain deeply negative
Despite January gains of up to 6% in longs, losses of up to 45% on 12M show the extent of the 2022 drawdown. (pages 6-8).

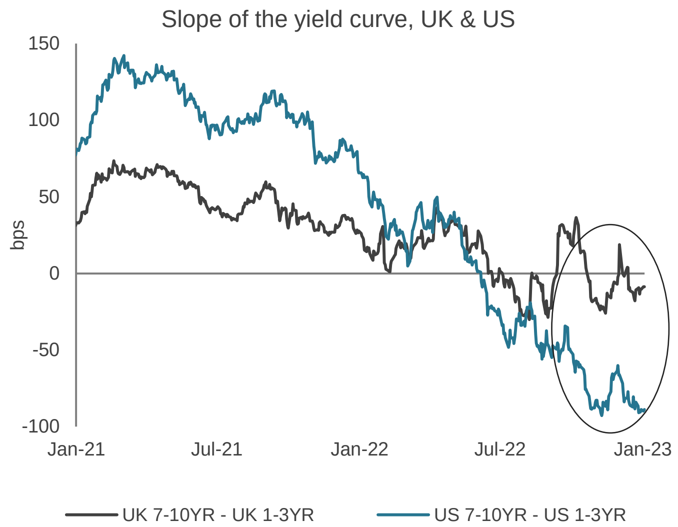
Sovereign and climate bonds – Swings in relative performance in 2022/23 were led by duration and country weights
Climate WGBI failed to sustain Q4 recovery vs WGBI, after the underperformance of (overweight) JGBs (page 9).

Appendix (from page 10)

Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

Chart 1: The UK labour market tightened substantially since pre-Covid, and industrial action on wages reinforces wage inflation pressure.

Chart 2: UK 10s/2s yield curve is less inverted than Treasuries, though risks to Gilts remain if BoE rates are higher for longer.



Source: FTSE Russell. All data as of January 31, 2023. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Macroeconomic Backdrop – Growth and Inflation Expectations

Consensus forecasts show G7 economies suffering mild recessions at worst in 2023, with Europe the worst hit by 2022's energy shock and tightening. Forecasters are equivocal on 2023 recessions, but weak consumer spending has brought the UK to the recession brink, even if lower inflation slowly improves the UK outlook by reducing tightening pressure.

GDP growth forecasts for 2023 continue to project a soft landing for the G7 economies, with outright contraction only forecast for the UK and Eurozone. UK GDP continues to flat-line, as consumer spending is constrained by the surge in fuel costs and rising pricing pressures elsewhere. But much still hinges on how much further central banks tighten, including for the Bank of England (Chart 1).

UK CPI has fallen a little to 10.5% y/y from the peak of 11.1% in October 2022, so the decline is modest. Lagged increases in utility prices may prevent UK inflation falling meaningfully until later in 2023, so forecasts project only a slow decline overall (Chart 2).

Chart 3 shows the transformation of the UK labour market since Covid, with wage growth sharply higher, driving inflation higher. UK wage growth is still trending higher, and increased UK industrial action suggests higher pay awards for 2023.

Lower inflation expectations, helped by weaker commodity prices, are shown in Chart 4. 7-10-year breakevens have fallen 40-50bp in the G7 and are evidence markets expect inflation to mean-revert towards pre-Covid levels in 2023-2024.

Chart 1: Consensus forecasts show sharp slowdowns but soft landings for G7 growth, with only the UK contracting. Labour shortages and Covid fallout restrict Japanese and Chinese growth.

Latest Consensus Real GDP Forecasts (%, January 2023)

	2022	**2023**	**2024**
US	2.1	**0.5**	**1.3**
UK	4.1	**-0.9**	**0.8**
Eurozone	3.3	**0.1**	**1.3**
Japan	1.6	**1.1**	**1.1**
China	3.0	**4.9**	**5.0**
Canada	3.5	**0.5**	**1.5**

Chart 2: Inflation fell more quickly in the US, since Q3, reflecting sharp falls in fuel prices. UK and Eurozone inflation is falling slowly due to administered price increases. China remains an outlier.

Consensus Inflation Forecasts (%, January 2023)

	2023	*Change Since Jan-22 (Bps)*	**2024**	*Change Since Jan-22 (Bps)*
US	**3.7**	*130*	**2.5**	*20*
UK	**7.0**	*480*	**2.5**	*40*
Eurozone	**6.0**	*430*	**2.5**	*70*
Japan	**1.8**	*110*	**1.3**	*80*
China	**2.3**	*20*	**2.3**	*30*
Canada	**3.7**	*150*	**2.2**	*0*

Chart 3: Cost-push pressures from wage inflation remains an issue for the BoE, with unemployment near a 50-year low, and industrial action surging in both private and public sectors.

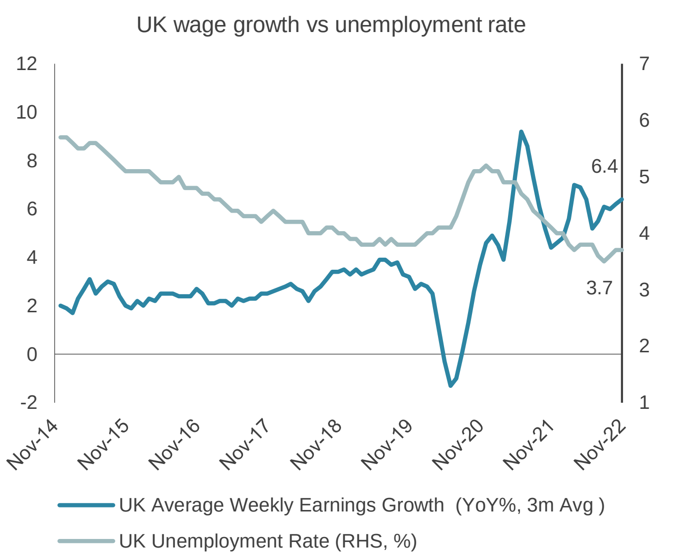
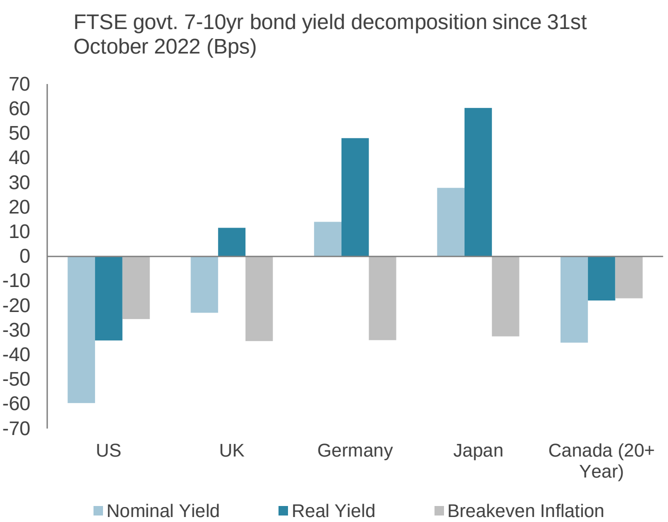


Chart 4: Inflation breakevens fell steadily since Q4, moving lower with nominal yields. The relative stability of breakevens during the 2022 inflation shock is reassuring for central banks.



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Financial Conditions and Monetary Policy Settings

Markets rallied further in January, as lower inflation reinforced expectations of only one more 50bp Fed tightening move, and policy easing in Q4 2023. Recent exchange rate moves reflect the view the Fed may be first to finish tightening, and the BoE and ECB amongst the last. Sticky UK inflation and the tight labour market drove the BoE's 50bp move on Feb 2.

Monetary tightening has caused M2 growth to slow sharply in the G7, although the decline in velocity, particularly in the US, has made M2 an unreliable indicator for future inflation, as Chart 1 shows.

Chart 2 shows the US dollar retreating further from its 2022 highs, as markets price in lower US interest rates, and risk appetite recovers. Sterling drew support from the BoE's hawkish messaging on inflation, QT and fiscal austerity, after the September crash.

G7 central banks tightened again in January, and early-February, with 25bp rate increases in the US, Canada and Eurozone, and a 50bp move from the BoE. The tight labour market, with unemployment near 50-year lows, and sticky UK inflation (above 10% y/y) explain the BoE's rate increase on Feb 2.

The Bank of England became the first G7 central bank to sell government bonds outright in its QT programme in Q4, to shrink its balance sheet (Chart 4), though like the Fed, the BoE has stressed UK bank rate is the key policy tool. The BoE is reducing its balance sheet at about the same pace as the Fed (approximately 10% per annum).

Chart 1: M2 growth has slowed sharply in the UK, but has become a less reliable indicator of future inflation, given its unstable velocity. UK M2 growth has trended lower since end-2020.

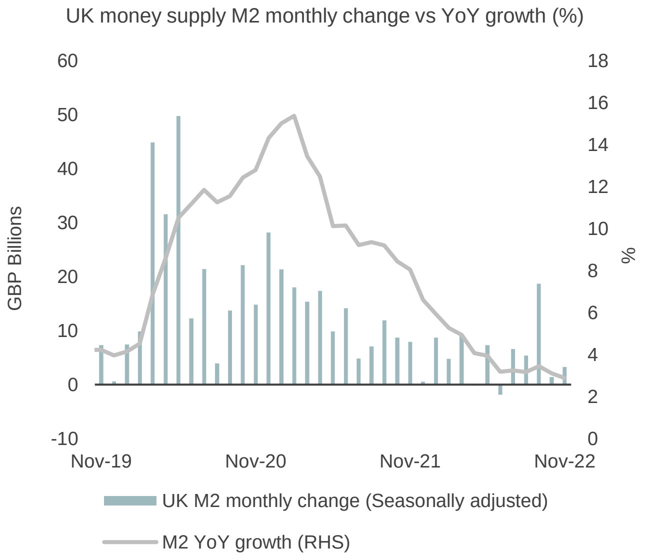


Chart 2: The dip in the US dollar, from Q4 highs, reflects the revision down to Fed tightening expectations as US inflation fell. Sterling recovered after the Sept crash on proposed UK tax cuts.

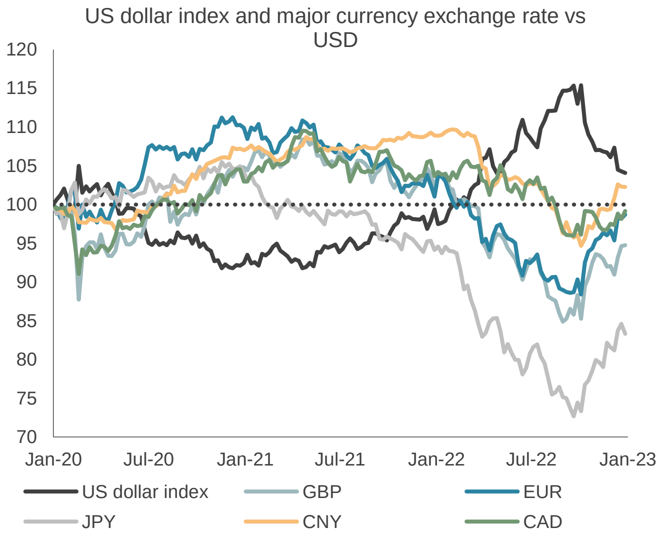


Chart 3: Steep G7 central bank rate rises were main drivers of the tightening in financial conditions in 2022. Sticky UK inflation and the tight labour market may yet cause further BoE rate increases.

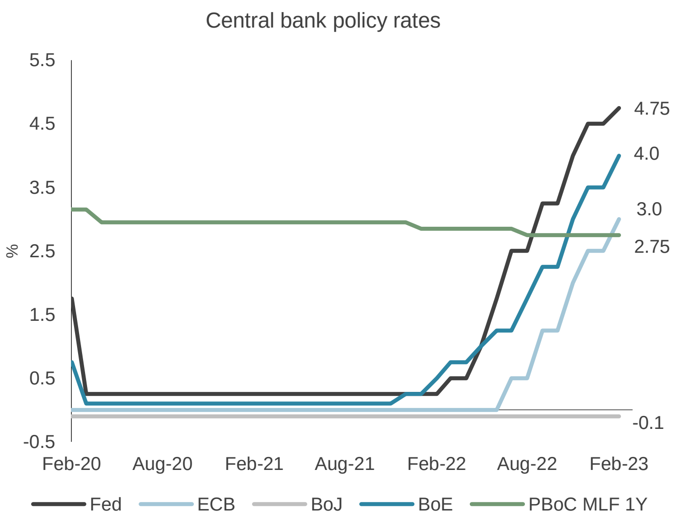
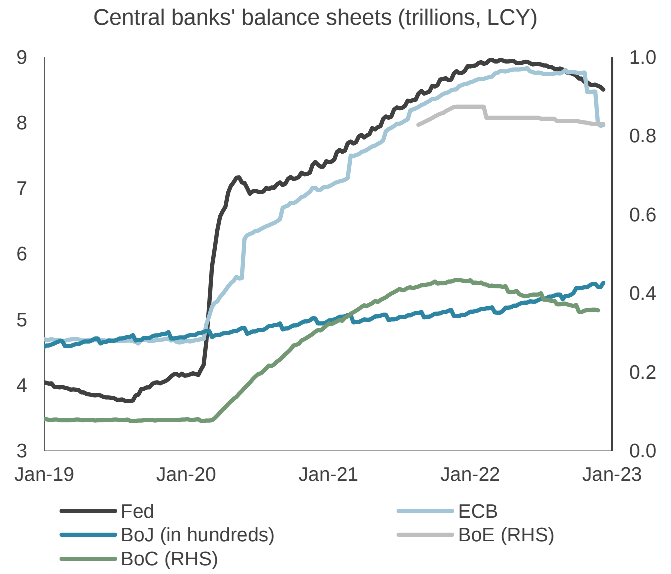


Chart 4: Getting slimmer? The BoE sold gilts outright to shrink its balance sheet in Q4 and is allowing gilts to mature to reduce the balance sheet by £80bn per annum. (about 10% of its total size).



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Global Yields, Curves and Spread Analysis

Chart 1: G7 conventional bond yields declined sharply in January as inflation weakened further, led by US Treasuries, as markets anticipated a pause, or even a reversal, in policy tightening.

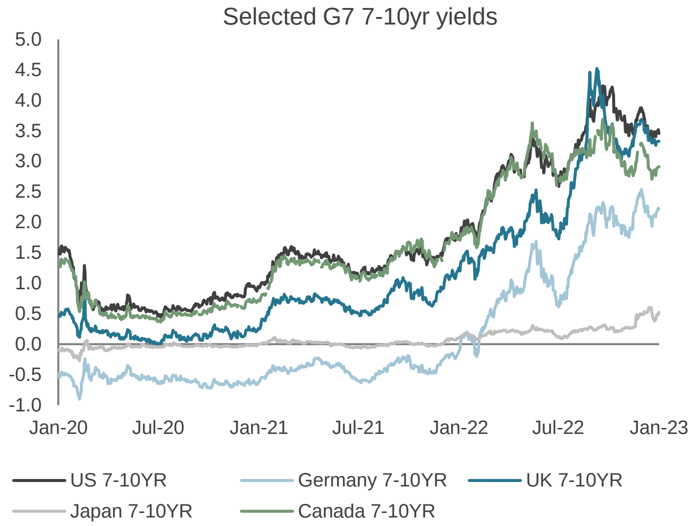


Chart 2: Inflation-linked (IL) real yields have turned positive in most G7 markets, including the UK and Germany. In Japan, inflation-linked bond yields are still just negative.

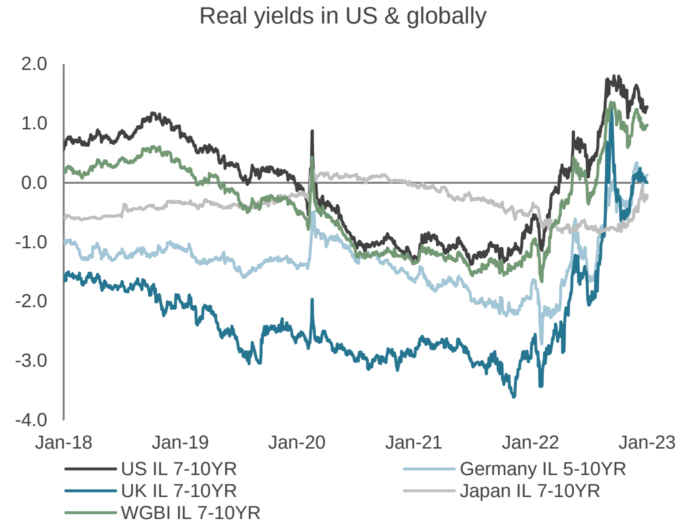


Chart 3: G7 10/2s yield curves remained inverted, or deeply inverted (except in Japan) in January, notably in the US. A bull inversion of 10s/2s (falling yields) has been a strong recession signal previously.

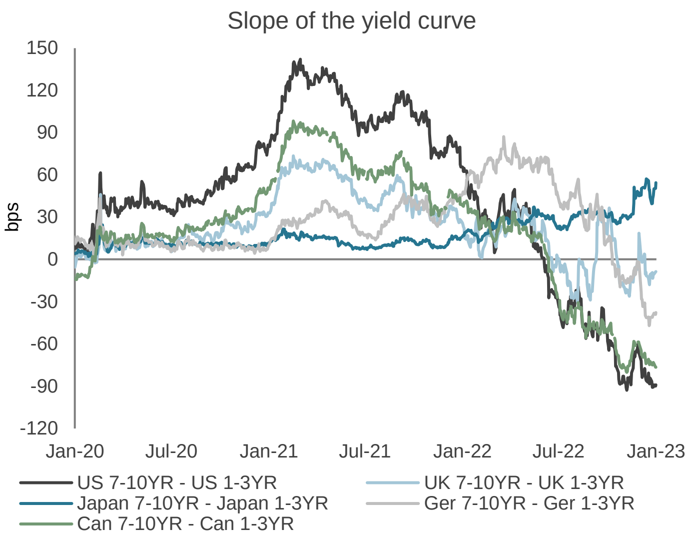


Chart 4: For 20/2s, only Japan and the UK have retained normally-shaped curves, unlike the US, Germany and Canada, which, like 10/2s in Chart 3, have deeply inverted curves.

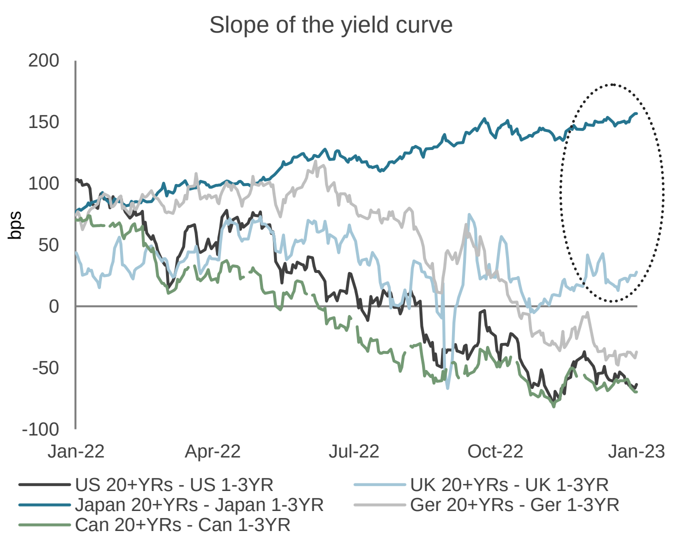


Chart 5: The rate of decline in 7-10yr breakevens has differed across regions, but the trend to lower inflation expectations appears intact globally, even in the UK where inflation is still above 10% y/y.

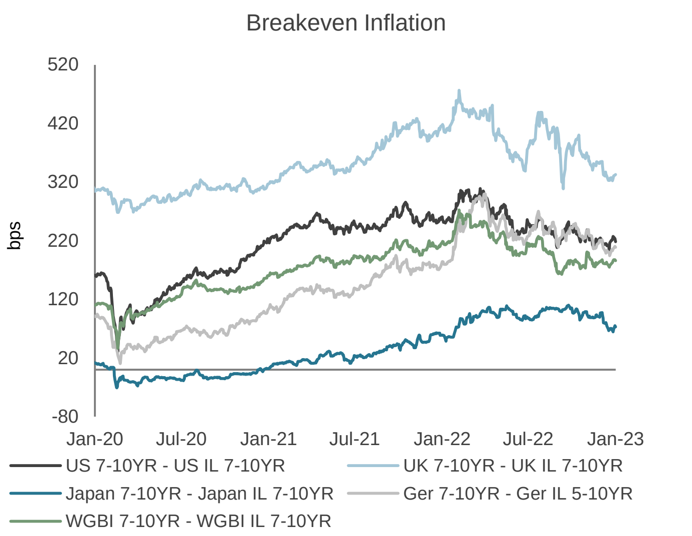
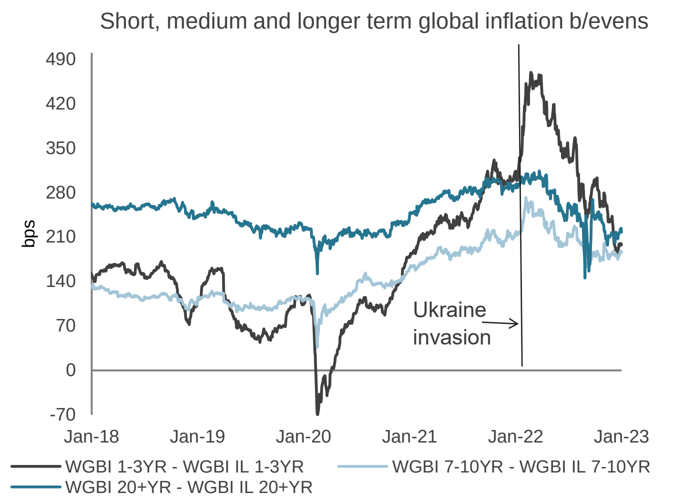


Chart 6: Short breakevens fell on lower commodity prices and policy tightening since the 2022 Ukraine spike. Note short b/evens dipped below longs in January, like the pre-Covid, low inflation era.



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Yield Spread and Credit Spread Analysis

Chart 1: US 7-10-yr spreads have narrowed pro-cyclically in most G7 markets as yields fell since the Treasury rally began in October, even against Japan, despite BoJ retaining some yield curve control.

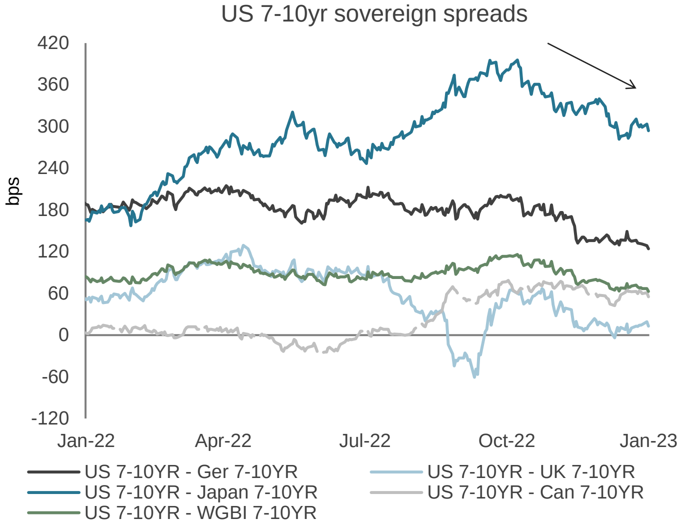

Chart 2: Increased risk appetite and lower US inflation particularly have helped Italian spreads tighten a little as Treasury and Bund yields fell since Q4, despite the ECB moving towards QT.

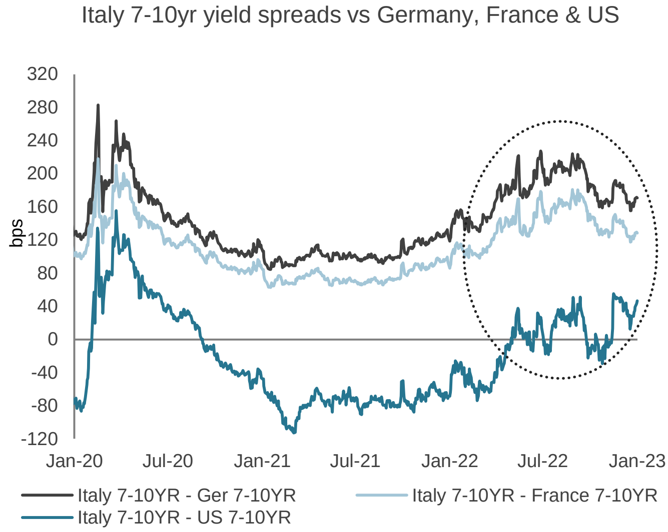

Chart 3: Crisis, what EM crisis? Spread narrowing partly reflects higher G7 yields in 2022, but at no point have EM spreads spiked since Covid, as they did in genuine crises previously.

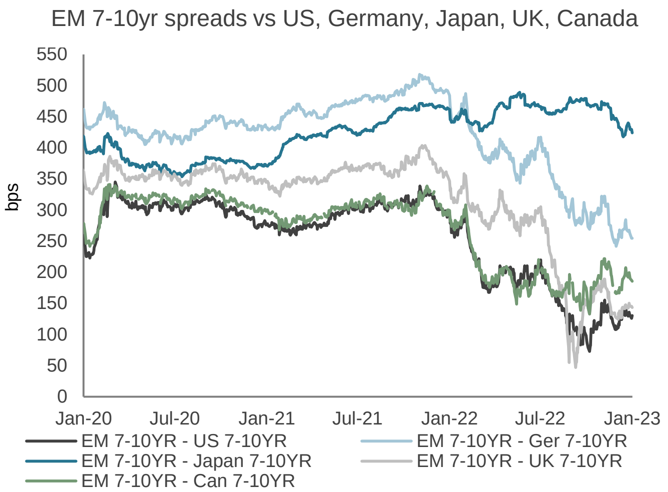

Chart 4: Low correlation of Chinese yields to G7 yields is well established, and is not directional, as the Chart shows, enhancing the portfolio diversification benefits of Chinese government bonds.

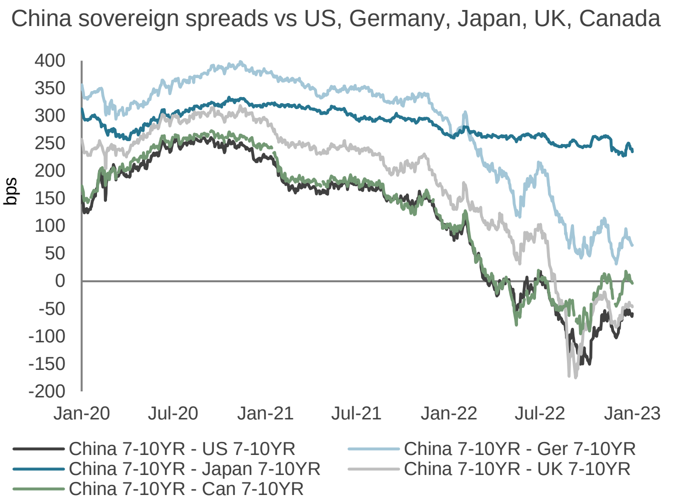

Chart 5: Credit spreads fell since the US Treasury rally began in October 2022, with Eurozone HY spreads the biggest movers. Low default rates and renewed risk appetite have helped drive the rally.

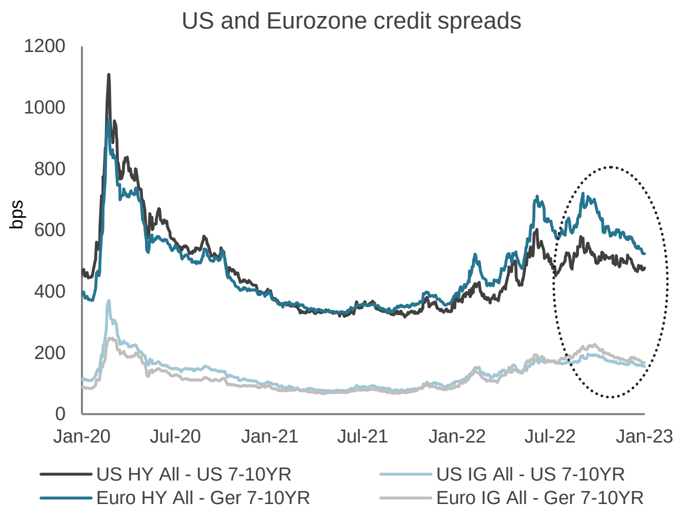

Chart 6: Chinese $ HY spreads tightened further vs Treasuries in January, to about 2300bps (last seen pre-Ukraine), helped by support measures for the property sector, and the US HY rally.

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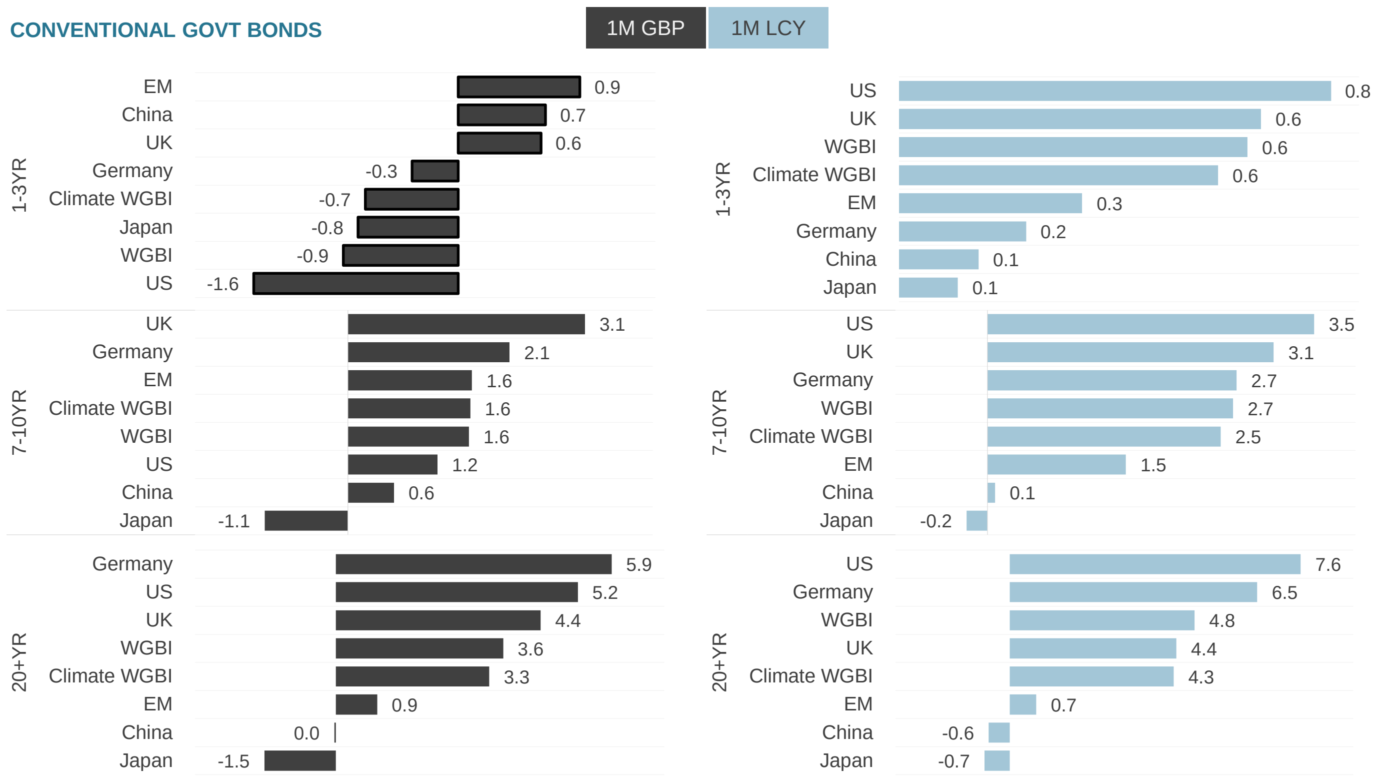
Global Sovereign Bond Returns – 1M and 12M % (GBP & LC, TR) as of January 31, 2023

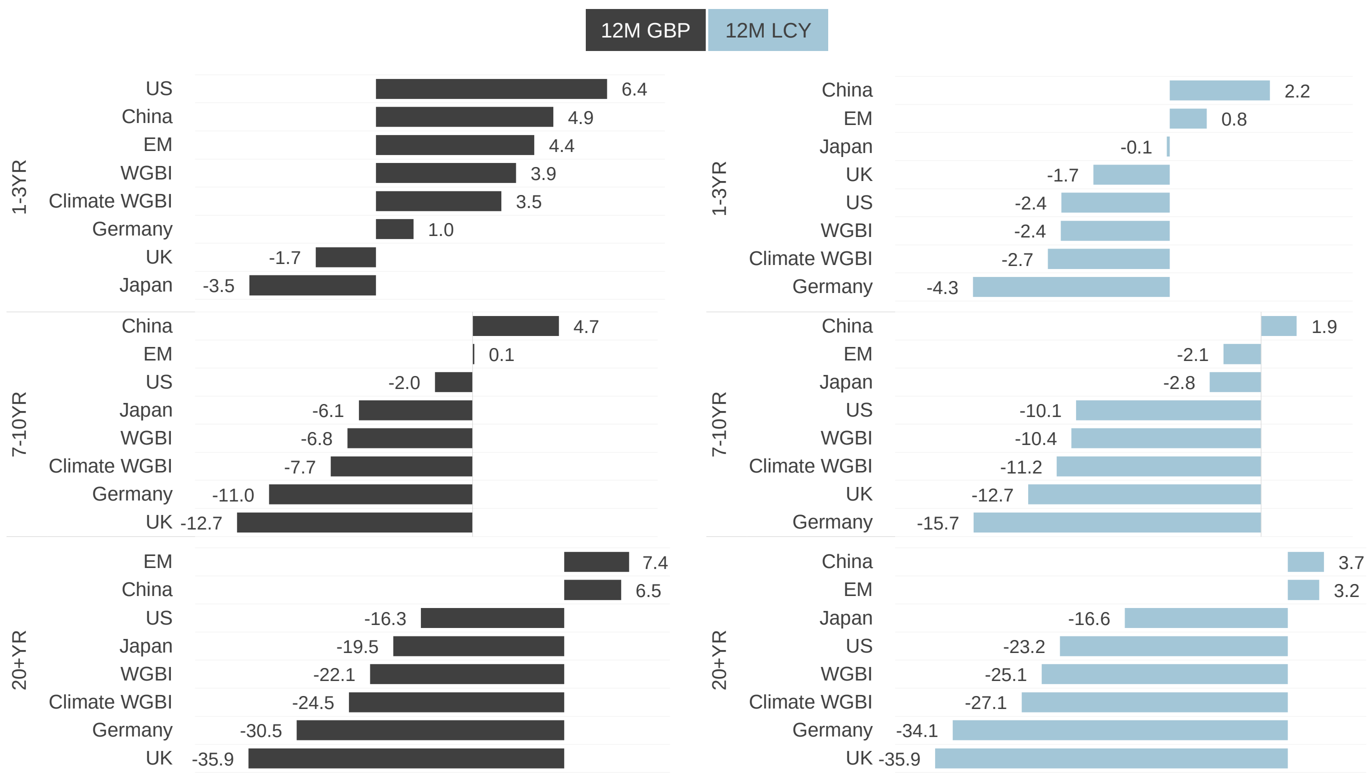
Global bond markets rallied further in January as lower inflation reinforced expectations that policy tightening is nearing completion in the G7. 7-10-year Gilts outperformed G7 equivalents in January.

Long-duration conventional bonds benefited the most from the rally, with WGBI achieving a 3.6% return in January, while Bunds, up about 6% in sterling, outperformed. Longer Gilts also benefited from their extra duration, gaining over 4% in the month.

Despite the rally since October, 12M returns are still strongly negative, reflecting the steep rise in inflation and policy rates in 2022.

JGBs remained a laggard, as fears remained the BoJ's yield curve control might end soon, and 10yr+ yields failed to match declines elsewhere.





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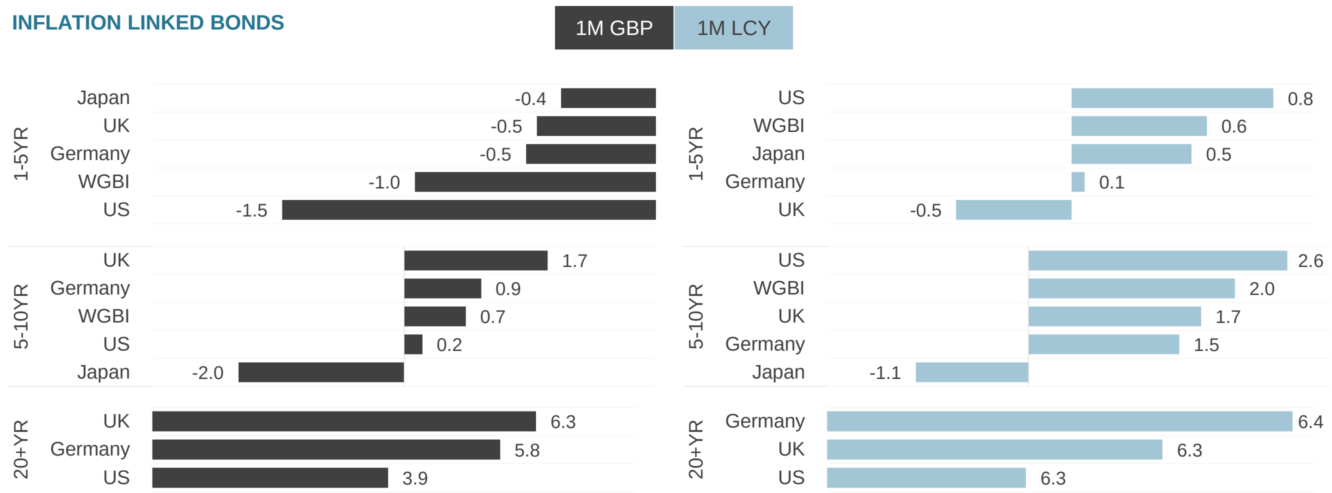
Global Inflation-Linked Bond Returns – 1M & 12M % (GBP, LC, TR) as of January 31, 2023

Global inflation-linked bonds also rallied further in January, as investors scaled back policy tightening expectations, and real yields fell. Long duration Tips, Gilts and Bund inflation-linked bonds rallied 4-6% in sterling terms, as duration became the investor's friend, in a reversal of 2022's brutal sell-off. Credit markets also gained up to 3%, led by Euro high yield credit.

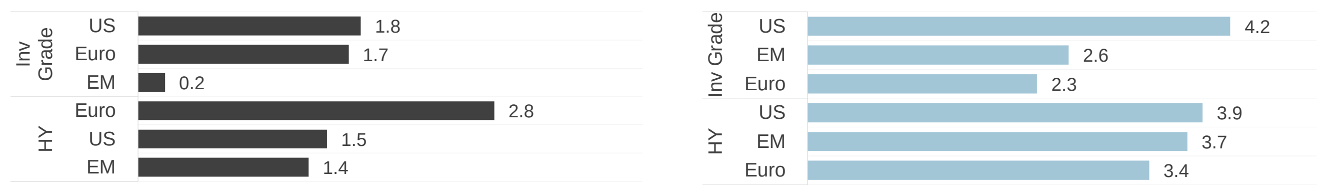
Only Japanese inflation-linked bonds failed to participate in the January rally, with a 1% sterling gain (see page 14) eroding yen returns for a UK-based investor. Lower issuance after UK fiscal consolidation has helped UK index-linked bonds recover since Q3 2022.

But 12M returns still show losses of 19-45% in long maturities, with higher discount rates on cashflows swamping stronger inflation accruals, notably for long inflation bonds. Credit benefited from decent spreads and outright yields, and low default rates continue.

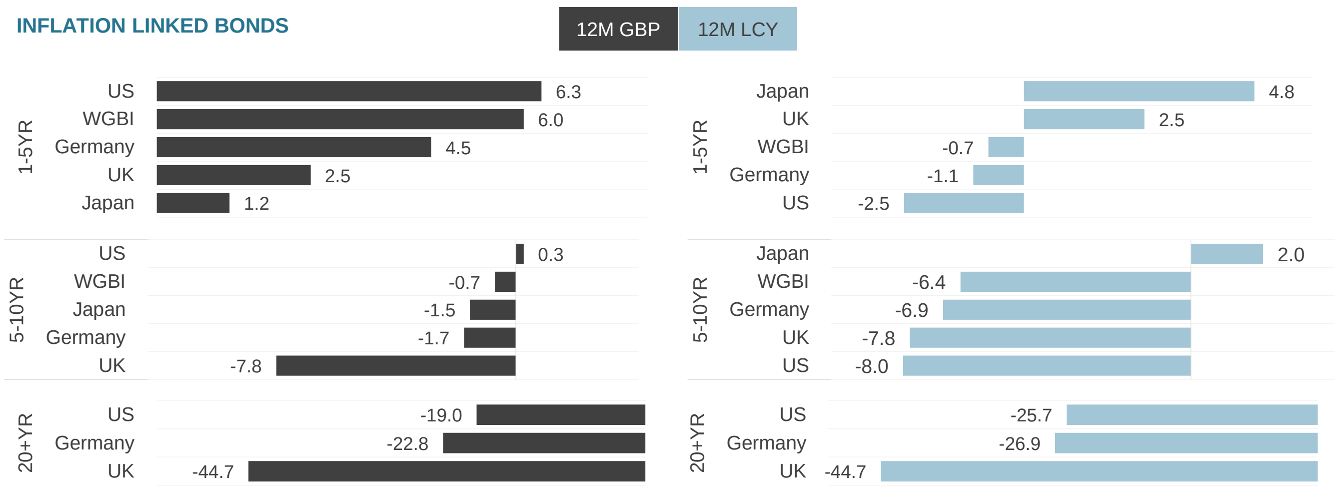
INFLATION LINKED BONDS



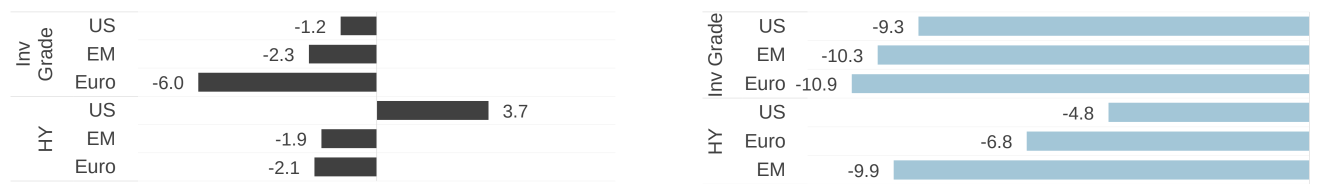
CORPORATE BONDS



INFLATION LINKED BONDS



CORPORATE BONDS



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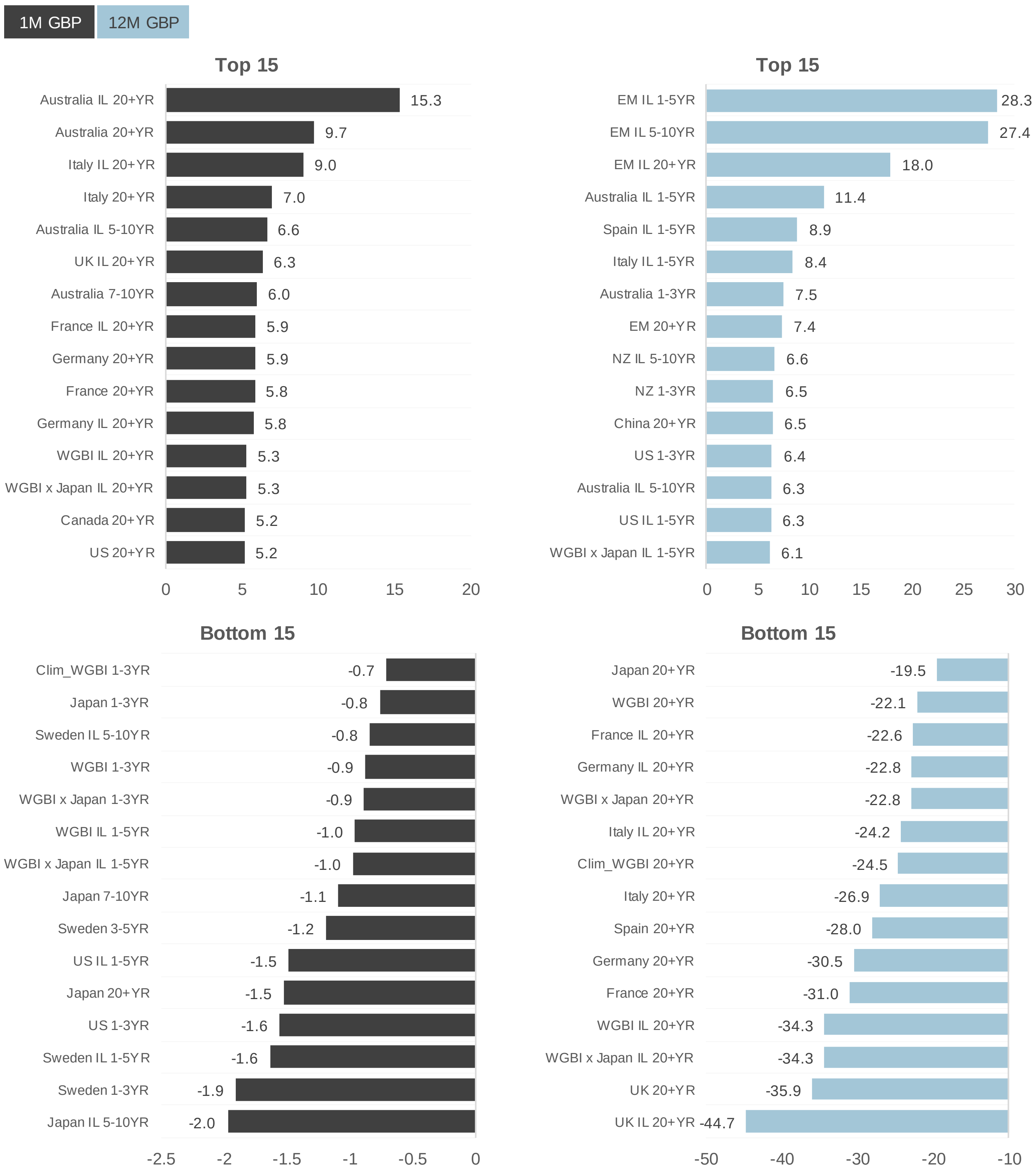
Top and Bottom Bond Returns – 1M & 12M % (GBP,TR) as of January 31, 2023

Long-dated conventional and inflation-linked (IL) bonds dominated the January rally, led by Australian IL bonds, which gained 15% in sterling terms, helped by currency gains. Short bonds and JGBs underperformed on central bank caution, and curves flattened further. EM IL showed strong positive returns on 12M, with returns of 18-28%.

Despite the January rally in longs, short-dated government bonds offered modest negative returns, as cautious central banks provided little hope of early rate cuts, and increased rates again. JGBs underperformed as end of curve control fears increased.

Long conventional and inflation-linked markets still show sizeable losses of 20-45% on 12M in sterling, led by long UK linkers.



Source: FTSE Russell. All data as of January 31, 2023. This analysis is taken from 100+ FTSE Russell sub-indices. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of Indices used for each market. For professional investors only.

Sovereign and Climate Bonds Analysis

Chart 1: Climate WGBI failed to sustain its Q4 recovery vs WGBI, after the underperformance of JGBs (given Japan's overweight).

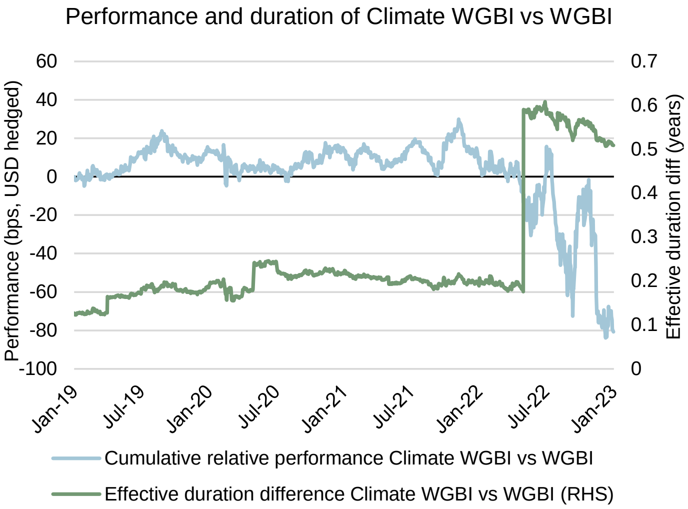


Chart 2: Japan's overweight, and the US underweight are the most significant in the climate WGBI, driving 2022/23 performance.

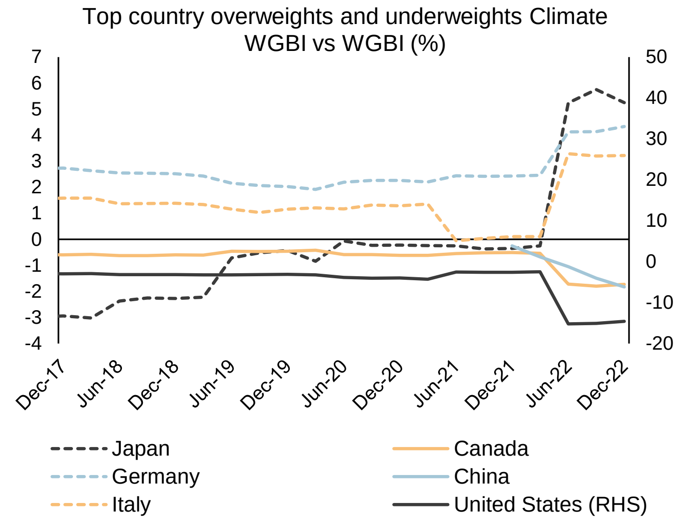


Chart 3: Climate WGBI has a lower yield to maturity versus WGBI, reflecting the higher weight of lower yield Europe and Japan.

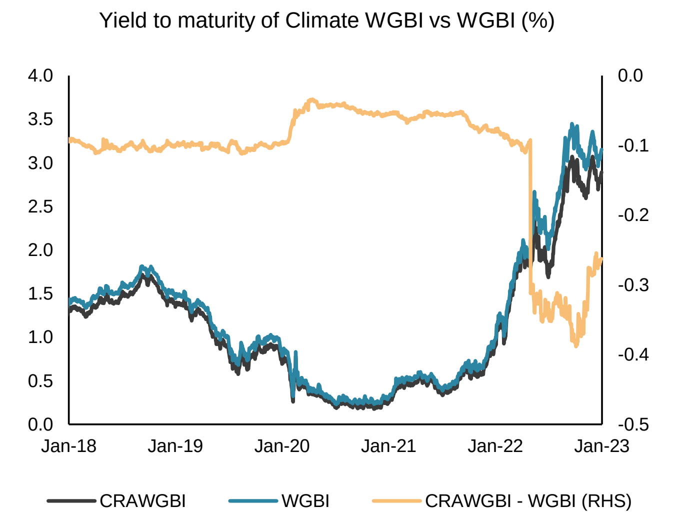


Chart 4: Big differences in Credit Quality: Climate WGBI has a lower weight in AA and a higher weight in AAA, A & BBB vs WGBI.

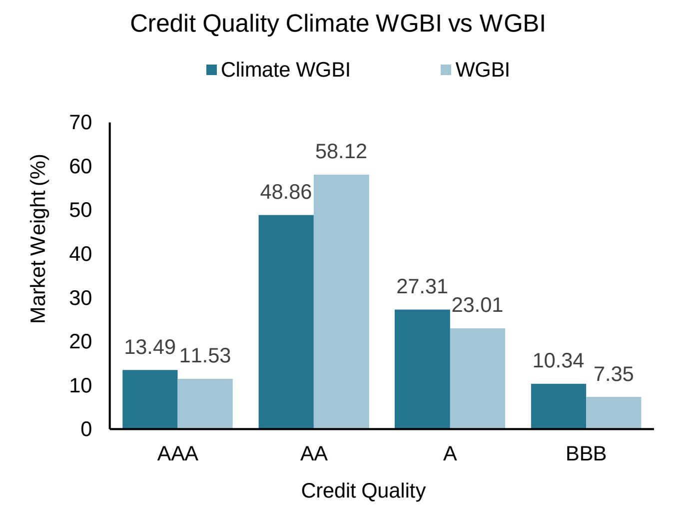


Chart 5: Yields increased more in WGBI indices in 2022, led by US, but climate WGBI's extra duration caused underperformance.

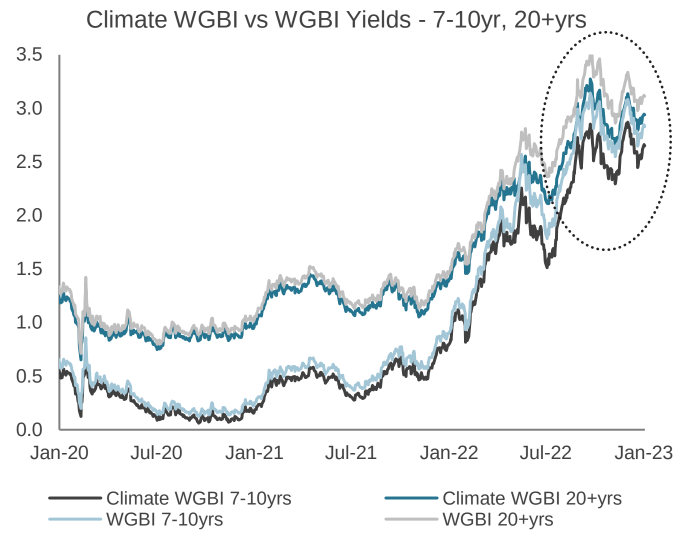
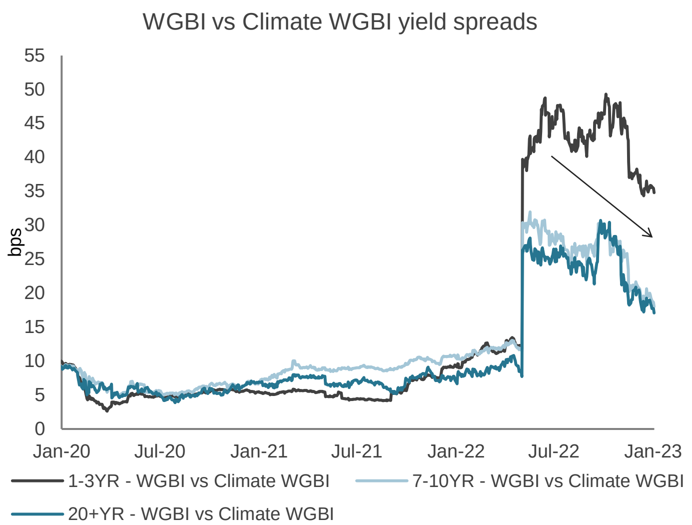


Chart 6: Yield spreads narrowed in the US rally, as US spreads have narrowed versus Europe and Japan (see Chart 1, page 5).



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Appendix − Global Bond Market Returns % (GBP & LC, TR) – January 31, 2023

Government Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3YR	1.54	-5.04	-0.47	-1.62	0.75	-1.56	-2.37	6.40
	7-10YR	5.70	-1.15	-4.52	-5.62	3.55	1.18	-10.11	-2.04
	20+YR	12.49	5.20	-7.50	-8.57	7.62	5.16	-23.21	-16.32
	IG All	8.82	1.77	-0.75	-1.90	4.15	1.77	-9.35	-1.21
	HY All	4.53	-2.24	1.06	-0.10	3.88	1.50	-4.80	3.74
UK	1-3YR	0.90	0.90	-1.14	-1.14	0.63	0.63	-1.67	-1.67
	7-10YR	2.66	2.66	-9.91	-9.91	3.11	3.11	-12.73	-12.73
	20+YR	-1.12	-1.12	-21.85	-21.85	4.36	4.36	-35.93	-35.93
EUR	IG All	3.17	6.03	-4.36	0.69	2.25	1.67	-10.94	-5.97
	HY All	6.53	9.17	2.64	7.48	3.36	2.82	-6.76	-2.09
Japan	1-3YR	-0.04	6.85	-0.13	1.45	0.10	-0.76	-0.06	-3.50
	7-10YR	-2.03	4.73	-2.93	-1.39	-0.23	-1.09	-2.80	-6.15
	20+YR	-4.73	1.83	-9.11	-7.67	-0.67	-1.52	-16.60	-19.47
China	1-3YR	0.02	1.04	0.85	-0.60	0.14	0.66	2.19	4.91
	7-10YR	-0.61	0.40	0.79	-0.66	0.08	0.61	1.95	4.66
	20+YR	-1.97	-0.97	1.45	-0.01	-0.56	-0.04	3.69	6.45
EM	1-3YR	0.99	1.97	1.68	1.83	0.32	0.93	0.81	4.39
	7-10YR	3.44	3.60	2.83	2.15	1.50	1.63	-2.07	0.09
	20+YR	1.77	2.51	2.91	2.33	0.69	0.88	3.21	7.37
	IG All	8.42	1.40	1.22	0.05	2.56	0.21	-10.32	-2.27
	HY All	15.09	7.64	9.08	7.83	3.73	1.35	-9.94	-1.85
Germany	1-3YR	-0.56	2.19	-3.12	2.00	0.22	-0.35	-4.30	1.04
	7-10YR	-0.53	2.22	-10.56	-5.83	2.71	2.12	-15.72	-11.01
	20+YR	0.53	3.31	-21.44	-17.29	6.48	5.88	-34.13	-30.45
Italy	1-3YR	0.28	3.05	-1.57	3.63	0.65	0.07	-3.61	1.77
	7-10YR	1.59	4.40	-5.66	-0.68	3.97	3.38	-16.11	-11.43
	20+YR	2.26	5.09	-13.05	-8.46	7.59	6.98	-30.77	-26.91
Spain	1-3YR	-0.47	2.29	-3.22	1.89	0.42	-0.15	-4.51	0.82
	7-10YR	-0.08	2.68	-9.59	-4.81	2.78	2.19	-15.70	-11.00
	20+YR	1.01	3.80	-18.10	-13.77	5.66	5.06	-31.79	-27.99
France	1-3YR	-0.51	2.25	-3.39	1.71	0.51	-0.06	-4.54	0.79
	7-10YR	-0.54	2.22	-10.08	-5.32	2.94	2.35	-15.24	-10.51
	20+YR	0.99	3.78	-19.28	-15.01	6.44	5.83	-34.64	-30.99
Sweden	1-3YR	0.31	-0.98	-0.32	-4.05	0.88	-1.91	-2.52	-5.29
	7-10YR	1.60	0.29	-4.65	-8.22	2.80	-0.04	-11.79	-14.30
	20+YR					0.00	0.00	0.00	0.00
Australia	1-3YR	0.95	4.03	0.31	0.13	0.84	2.38	-1.36	7.52
	7-10YR	2.50	5.63	-1.95	-2.13	4.38	5.98	-9.21	-1.04
	20+YR	3.66	6.83	-7.23	-7.40	8.07	9.72	-21.87	-14.85
NZ	1-3YR	0.55	4.61	-0.57	1.29	0.99	0.83	-0.64	6.55
	7-10YR	1.63	5.73	-3.75	-1.95	3.18	3.02	-7.39	-0.68
Canada	1-3YR	1.45	-3.01	0.03	-5.05	0.97	0.18	-2.19	1.60
	7-10YR	3.61	-0.95	-0.86	-5.90	3.25	2.44	-6.21	-2.57
	20+YR	6.64	1.95	-2.79	-7.72	6.02	5.19	-13.80	-10.47

Source: FTSE Russell. All data as of January 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix − Global Bond Market Returns % (GBP & LC, TR) – January 31, 2023

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5YR	1.00	-5.54	-3.18	-4.30	0.83	-1.48	-2.49	6.27
	5-10YR	3.26	-3.43	-6.16	-7.24	2.57	0.22	-8.00	0.26
	20+YR	7.78	0.80	-11.66	-12.68	6.34	3.90	-25.66	-18.98
UK	1-5YR	-0.12	-0.12	-1.21	-1.21	-0.47	-0.47	2.51	2.51
	5-10YR	2.64	2.64	-7.29	-7.29	1.71	1.71	-7.81	-7.81
	20+YR	1.55	1.55	-24.96	-24.96	6.35	6.35	-44.66	-44.66
EUxUK	1-5YR	-1.17	1.56	-5.70	-0.72	0.05	-0.52	-1.05	4.47
	5-10YR	-0.82	1.92	-8.53	-3.69	1.50	0.92	-6.89	-1.69
	20+YR	0.65	3.43	-18.97	-14.69	6.36	5.75	-26.85	-22.77
Japan	1-5YR	0.67	7.61	1.64	3.26	0.49	-0.38	4.79	1.19
	5-10YR	-2.17	4.57	-1.39	0.17	-1.12	-1.97	2.01	-1.50
EM	1-5YR	1.47	-1.46	8.53	9.08	0.88	1.47	20.77	28.31
	5-10YR	2.16	-0.69	9.98	11.14	-0.23	0.13	21.31	27.43
	20+YR	1.71	-0.03	3.07	5.61	-0.49	0.56	4.57	17.96
Germany	1-5YR	-1.17	1.56	-5.70	-0.72	0.05	-0.52	-1.05	4.47
	5-10YR	-0.82	1.92	-8.53	-3.69	1.50	0.92	-6.89	-1.69
	20+YR	0.65	3.43	-18.97	-14.69	6.36	5.75	-26.85	-22.77
Italy	1-5YR	0.62	3.40	-1.21	4.01	0.25	-0.33	2.71	8.44
	5-10YR	1.75	4.56	-2.64	2.50	2.48	1.89	-5.42	-0.15
	20+YR	3.01	5.86	-11.50	-6.82	9.64	9.02	-28.19	-24.18
Spain	1-5YR	0.06	2.83	-2.53	2.62	0.11	-0.46	3.12	8.88
	5-10YR	-0.36	2.40	-6.86	-1.94	1.07	0.49	-5.46	-0.18
France	1-5YR	-0.86	1.89	-4.78	0.25	0.02	-0.55	-0.68	4.86
	5-10YR	-1.15	1.59	-8.17	-3.31	1.32	0.74	-6.20	-0.97
	20+YR	1.24	4.04	-17.25	-12.88	6.49	5.89	-26.67	-22.57
Sweden	1-5YR	1.73	0.41	1.21	-2.58	1.16	-1.63	3.81	0.86
	5-10YR	1.04	-0.26	-4.72	-8.28	1.98	-0.84	-3.14	-5.90
Australia	1-5YR	2.31	5.44	1.92	1.73	2.03	3.59	2.22	11.41
	5-10YR	4.40	7.60	2.30	2.11	5.00	6.61	-2.48	6.29
	20+YR	9.67	13.02	1.49	1.30	13.61	15.34	-18.52	-11.19
NZ	5-10YR	4.20	8.41	-1.08	0.77	2.77	2.61	-0.55	6.65
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	4.08	-0.50	-2.43	-7.39	1.73	0.93	-6.79	-3.18

Appendix − Historical Bond Yields % as of January 31, 2023

Global Bond Yields

Top 15% | Bottom 15%

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

		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.35	3.74	3.46	3.71	1.85	1.32	1.54	5.01	8.23
	3M Ago	4.58	4.37	4.05	4.34	1.76	1.65	1.84	5.97	8.97
	6M Ago	2.93	2.78	2.66	3.19	-0.23	0.06	0.87	4.39	7.63
	12M Ago	1.10	1.52	1.76	2.13	-1.84	-0.94	-0.13	2.83	5.55
UK	Current	3.42	3.26	3.33	3.70	0.31	0.00	0.30		
	3M Ago	3.38	3.55	3.56	3.62	-2.33	-0.13	0.24		
	6M Ago	1.78	1.66	1.79	2.39	-3.22	-2.08	-0.92		
	12M Ago	1.00	1.27	1.36	1.46	-3.26	-2.78	-2.05		
Japan	Current	-0.02	0.11	0.52	1.55	-1.33	-0.34			
	3M Ago	-0.06	0.02	0.24	1.31	-1.37	-0.81			
	6M Ago	-0.11	-0.07	0.11	1.09	-1.17	-0.80			
	12M Ago	-0.06	0.00	0.16	0.80	-0.54	-0.43			
China	Current	2.30	2.57	2.87	3.31					
	3M Ago	1.93	2.30	2.68	3.15					
	6M Ago	2.05	2.42	2.78	3.30					
	12M Ago	2.14	2.44	2.81	3.40					
EM	Current	3.59	4.30	4.76	4.57	3.11	3.37	5.25	5.52	10.25
	3M Ago	3.67	4.37	5.03	4.77	1.66	3.00	5.23	6.70	13.96
	6M Ago	3.45	4.27	4.77	4.77	3.54	3.65	5.21	4.99	12.42
	12M Ago	3.37	3.95	4.68	4.79	3.02	3.34	4.85	3.14	8.81
Germany	Current	2.59	2.31	2.21	2.22	0.38	0.13	-0.09		
	3M Ago	1.94	1.95	2.07	2.22	-0.76	-0.35	-0.17		
	6M Ago	0.20	0.36	0.67	1.04	-2.37	-1.60	-1.16		
	12M Ago	-0.58	-0.28	0.03	0.32	-3.33	-2.07	-1.69		
Italy	Current	3.17	3.42	3.92	4.29	1.18	1.87	1.85		
	3M Ago	2.82	3.30	3.95	4.36	0.25	1.64	1.84		
	6M Ago	1.37	2.00	2.80	3.35	-2.34	0.45	1.23		
	12M Ago	-0.14	0.46	1.26	2.18	-3.53	-1.23	0.14		
France	Current	2.71	2.58	2.64	3.01	0.24	0.30	0.52		
	3M Ago	2.15	2.20	2.44	3.02	-0.91	-0.16	0.46		
	6M Ago	0.40	0.67	1.13	1.95	-3.30	-1.52	-0.38		
	12M Ago	-0.50	0.12	0.50	1.24	-3.49	-2.08	-1.06		
Sweden	Current	2.50	2.27	2.05		-0.17	0.14			
	3M Ago	2.34	2.38	2.25		-0.59	-0.17			
	6M Ago	1.71	1.57	1.39		-1.66	-1.45			
	12M Ago	-0.06	0.69	0.83		-2.26	-1.91			
Australia	Current	3.17	3.24	3.51	3.96	0.23	0.92	1.37		
	3M Ago	3.21	3.35	3.70	4.10	-0.01	1.05	1.67		
	6M Ago	2.56	2.76	3.03	3.44	-0.75	0.40	1.24		
	12M Ago	0.86	2.31	2.68	3.16	-0.81	-0.02	0.87		
NZ	Current	4.67	4.18	4.11	4.41	1.28	1.79			
	3M Ago	4.31	4.28	4.18	4.44	1.43	2.04			
	6M Ago	3.28	3.28	3.40	3.75	0.07	1.03			
	12M Ago	1.96	3.07	3.33	3.56	0.06	0.82			
Canada	Current	3.68		2.91	3.00			1.20	4.83	6.99
	3M Ago	3.81		3.29	3.35			1.38	5.42	7.60
	6M Ago	2.87		2.60	2.77			0.80	4.44	6.84
	12M Ago	1.34		1.73	2.05			0.12	2.93	4.55

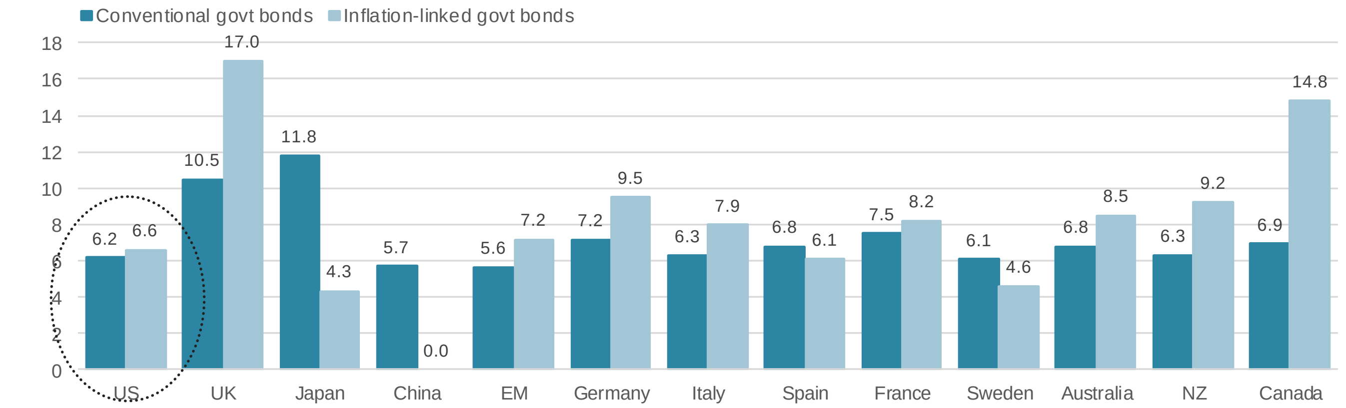
Source: FTSE Russell. All data as of January 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix − Duration and Market Value (USD, Bn) as of January 31, 2023

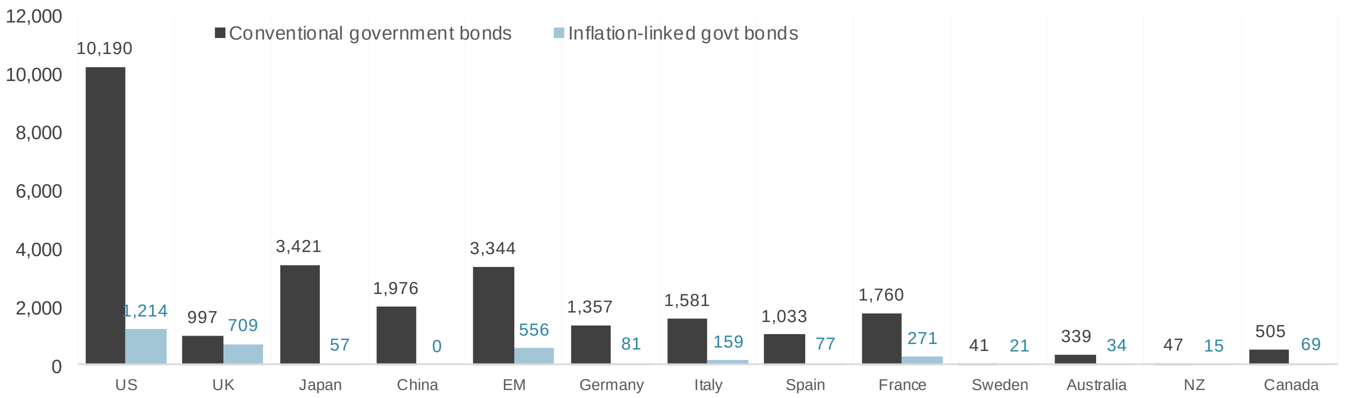
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.6	17.7	**6.2**	2,197.8	1,036.7	1,295.4	**10,189.6**	6.8	21.5	**6.6**	424.7	129.8	**1214.3**
UK	3.7	7.8	19.8	**10.5**	112.7	129.5	288.0	**996.8**	7.1	29.1	**17.0**	124.2	276.9	**708.5**
Japan	4.0	8.0	23.7	**11.8**	388.7	462.8	700.8	**3,420.7**	6.7		**4.3**	25.6		**57.1**
China	3.7	7.5	17.4	**5.7**	462.2	322.3	234.9	**1,976.0**						
EM	3.6	7.0	15.7	**5.6**	739.00	597.42	333.42	**3,344.5**	5.4	13.5	**7.2**	113.5	138.3	**556.1**
Germany	3.8	7.7	20.8	**7.2**	277.25	229.92	143.13	**1,356.6**	6.9	22.4	**9.5**	30.2	17.8	**81.2**
Italy	3.6	7.4	16.7	**6.3**	319.81	242.45	134.74	**1,581.0**	6.9	26.9	**7.9**	54.0	5.4	**159.4**
Spain	3.6	7.6	17.9	**6.8**	196.05	184.62	100.12	**1,033.3**	7.3		**6.1**	21.3		**76.7**
France	3.6	7.8	20.5	**7.5**	327.64	316.80	208.29	**1,760.0**	6.9	24.8	**8.2**	113.2	20.3	**271.2**
Sweden	3.6	8.2		**6.1**	7.66	9.23		**41.4**	6.4		**4.6**	9.8		**20.9**
Australia	3.7	7.9	18.1	**6.8**	58.38	93.04	16.73	**339.1**	7.7	23.1	**8.5**	9.9	3.0	**34.5**
NZ	3.5	7.9	17.7	**6.3**	8.95	6.79	2.36	**47.1**	6.7		**9.2**	3.3		**14.6**
Canada		7.4	18.4	**6.9**		170.90	91.60	**505.4**		14.8	**14.8**		69.2	**69.2**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	11.1	8.8	7.4	7.0	**7.3**	78.5	447.7	2,402.8	3,384.9	**6,313.9**	4.3	1,158.0
Euro	6.5	5.0	4.7	4.4	**4.6**	8.8	179.0	1,067.1	1,445.9	**2,700.8**	3.2	435.8
EM		5.7	4.9	5.2	**5.1**		37.64	219.55	358.1	**615.3**	3.6	213.1

Average Duration



Total Market Value (USD Billions)

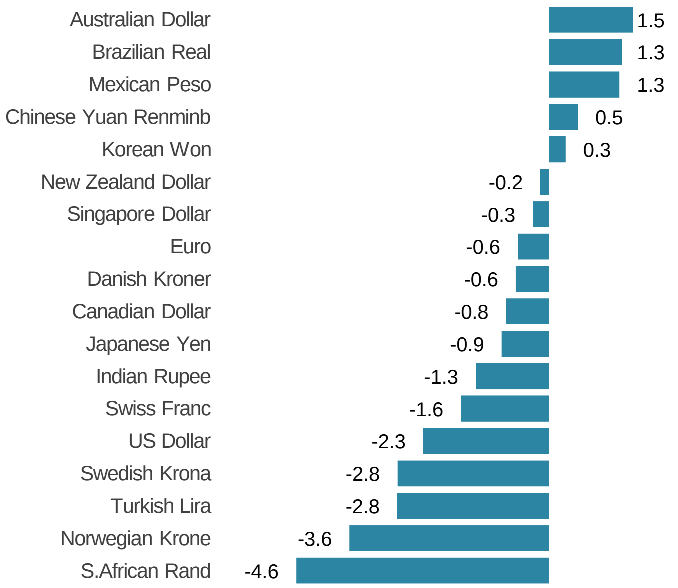


Data as of 2023-01-31

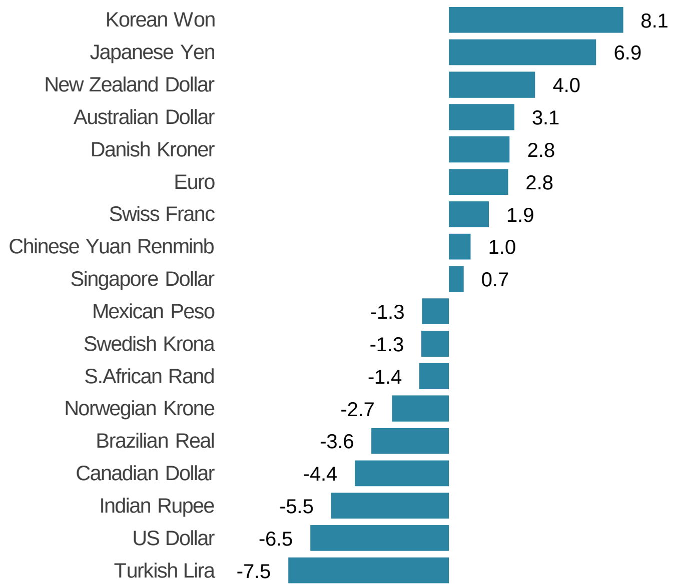
Source: FTSE Russell. All data as of January 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix − Foreign Exchange Returns % as of January 31, 2023

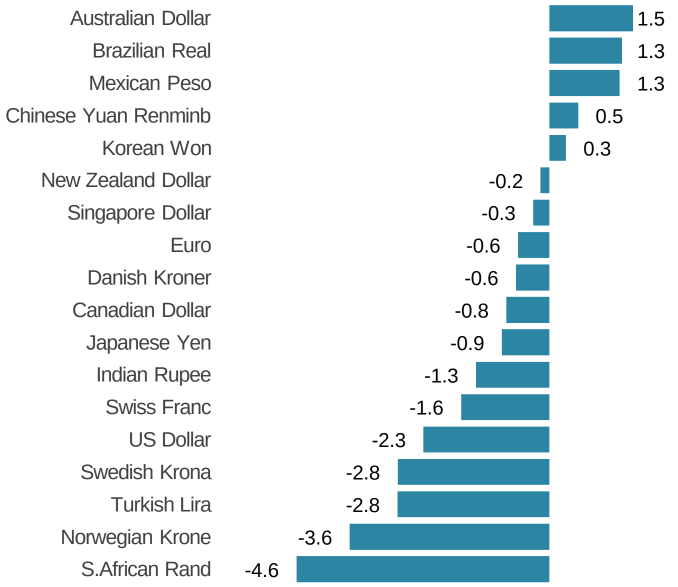
FX Moves vs GBP - 1M



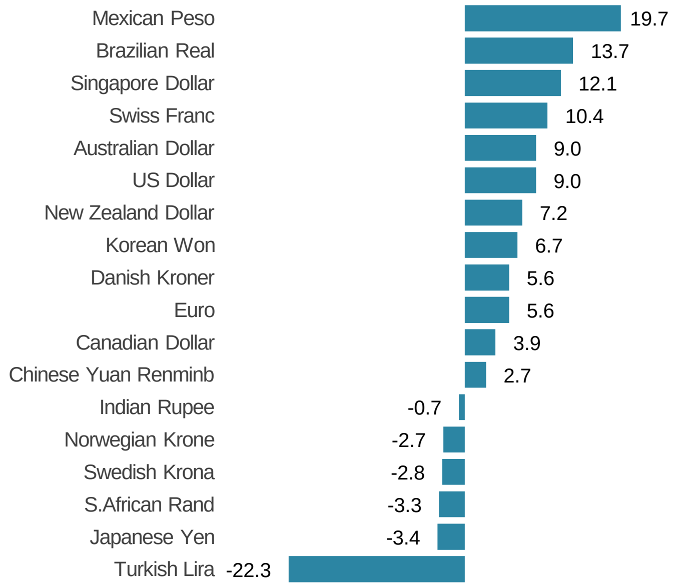
FX Moves vs GBP - 3M



FX Moves vs GBP - YTD



FX Moves vs GBP - 12M



Source: FTSE Russell and Refinitiv. All data as of January 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

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