Fixed Income Insights

MONTHLY REPORT – **FEBRUARY 2024 | EUROZONE EDITION** FOR PROFESSIONAL INVESTORS ONLY

Slower easing prospects worry markets, despite scope for rate cuts

Central banks sought to defuse early easing expectations, driving bond yields back up in January, after inflation rose. China and EM bonds proved safer havens, as did credit, despite high issuance. Middle East tension has not yet driven safe haven buying of government bonds, or major damage to supply chains.

Chart 1: What a change a few weeks makes! Yields increased across the G7 in January, led by nominal yields, so breakevens edged higher, reversing some of Q4's moves. The UK and Canada led the moves.

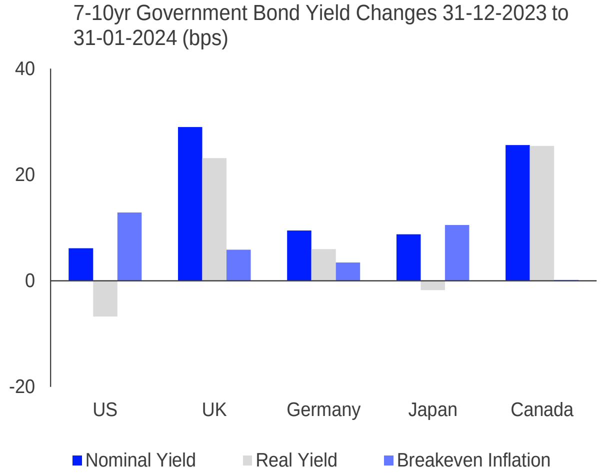
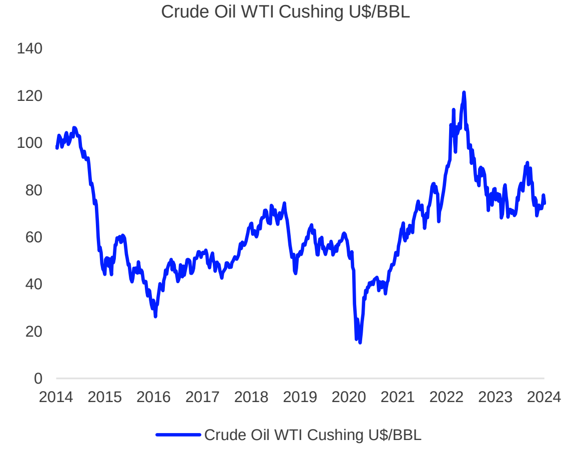


Chart 4: Oil prices reacted only modestly to increased middle east geo-political tension, and disruption to Red Sea shipping. This may reflect excess supply and larger non-OPEC production, led by the US.



Source: FTSE Russel and LSEG. All data as of January 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Macroeconomic Backdrop – Growth and Inflation Expectations

Central bank messaging on pivoting to ease policy was suitably cautious in January, after inflation levels ticked up modestly, underpinned by wage growth and higher US economic growth in Q4. The 'soft landing' narrative remains intact, according to Consensus estimates, despite the Eurozone moving into a mild recession. Shipping disruptions in the Red Sea present risks to growth and inflation in 2024, if supply chains truncate again, though these are modest to date.

Consensus growth forecasts show little revision to the Eurozone or UK growth outlook in 2024, but US, Japanese and Canadian growth fell sharply, despite financial conditions easing and persistently low unemployment rates (Chart 1). Policy lags of 12-18 months after 2022-23 rate increases leave recession risks in Europe.

Chart 2 shows G7 inflation ticking up modestly in December, as energy prices reflected less favourable base effects. The Eurozone saw inflation rise to 2.9% y/y in December (from 2.4% y/y), but this was well flagged by the ECB. Headline inflation is still nearly 1% above target, but core inflation, while falling thanks to lower goods inflation, remained even higher, at 3.4% y/y.

Disruption to shipping trade routes in the Red Sea has not yet had major impact on shipping costs, judged by the level of the Baltic Dry Index, which appears to be stabilising (as Chart 3 shows). However, backlogs in ports, diversions around the Cape of Good Hope, reduced availability of ships and increased insurance costs could yet trigger more stagflationary pressure in 2024-25.

The Eurozone labour market remains near full employment, with unemployment at historic lows of 6.4% (Chart 4). Wage growth stabilised at a healthy level of around 5% y/y, underpinning the case for a soft landing. Germany and the Netherlands show the lowest rates at 3.1% and 3.5% y/y, respectively, though at the same time, demand for labour is slowing. The question is whether the ECB lags behind other central bank easing pivots, since it delayed tightening policy in 2022, versus other major central banks?

Chart 1: Consensus estimates has revised down its 2024 real growth estimates for Canada and the Eurozone, which, with the UK, are expected to be flat. Only the US and Japan see improvements.

Latest Consensus Real GDP Forecasts (%, January 2024)			
	2022	**2023**	**2024**
US	2.1	**2.4**	**1.4**
UK	4.1	**0.4**	**0.4**
Euro Area	3.5	**0.5**	**0.5**
Japan	1.6	**0.8**	**1.1**
China	2.8	**5.2**	**4.6**
Canada	3.5	**1.1**	**0.5**

Chart 2: Inflation ticked higher in December and may prove stickier, above 2%, than markets presume. Eurozone core inflation is still near 3.4% y/y, despite falling, and base effects are less favourable in 2024.

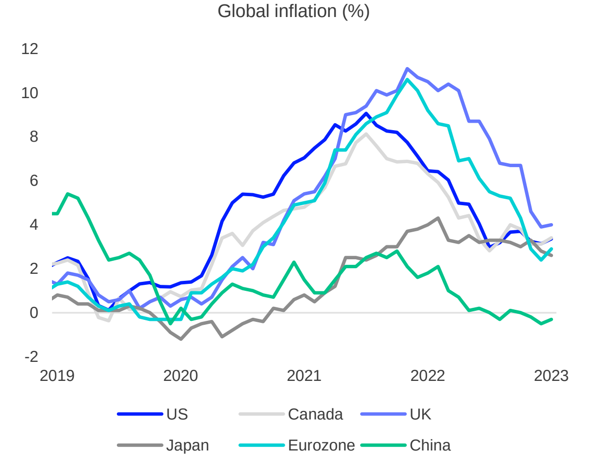


Chart 3: One to watch. The modest rise in the cost of shipping raw materials after disruptions in the Middle East suggests the situation is perceived to be under control and not inflationary, for the time being.

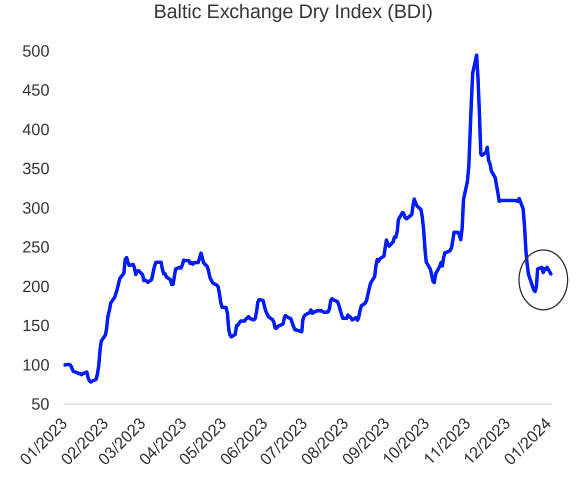
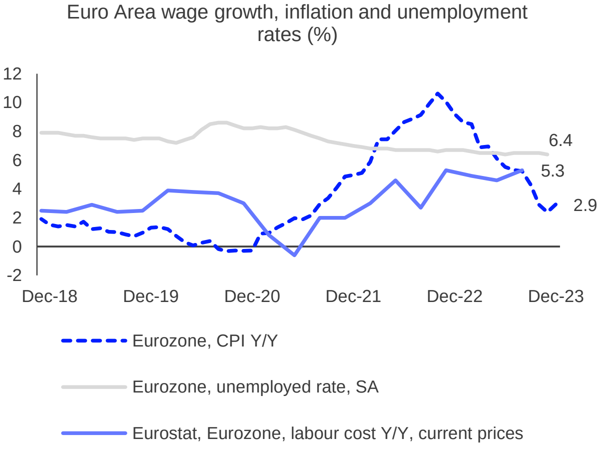


Chart 4: The Eurozone labour market remains near full employment, with unemployment at historic lows of 6.4%. Wage growth stabilised at a healthy level of 5.3% y/y, underpinning the case for a soft landing.



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Financial Conditions and Monetary Policy Settings

Markets moved to front-run central bank easing in Q4, 2023, with easing already priced into bond yields, but central banks cautioned on timing, when extending policy pauses in January (and early February). The US Fed Chairman, Jay Powell, recognised the case for cuts in 2024, but not immediately. However, the Fed's real neutral rate estimates suggest scope for significant rate cuts. Elsewhere, the euro weakened against the US dollar, after the latter strengthened in January.

Markets priced in ECB easing in Q4, resulting in a significant gap between the 10-year bond yield and the ECB policy rate level (Chart 1). Despite ECB caution, the continued deterioration in the Eurozone economy, which stalled in Q4 2023, sustained the impetus for an early rate cut, and Bund yields backed up notably less than gilt yields (see Chart 1, page 1).

Chart 2 shows the appreciation of the US dollar in January, after the US economy finished 2023 on a stronger note than expected. This contrasted weaker growth in Europe and a weaker euro as a result. In Japan, the yen returned close to its Y150 low.

Central banks paused policy yet again in January (Chart 3), amid significant discussion of the timing of rate cuts. G7 policy rates have remained broadly stable for some months, as central banks await the full impact of the 2022-23 tightening, and disinflation continued until late-Q4. But the threat of supply-chain disturbances, after disruption to shipping in the Red Sea, and its impact on inflation, may delay policy easing. The case for a rapid easing cycle, like the Covid and GFC easing cycles, remains unclear.

The US Fed estimates a neutral real rate of about -0.7 for the Eurozone as shown in Chart 4. Adding the 2% inflation target would result in a nominal rate of 1.3%, therefore implying interest rate cuts of about 300bp at current levels (policy rate of 4.5%), though this easing could be dragged out over 2-3 years, like the 2000-03 G7 easing cycles.

Chart 1: Mind the gap. Investors have been frontrunning an ECB pivot in 2023, despite the central bank cautioning on rates needed to stay higher for longer, while inflation remains above 2%.

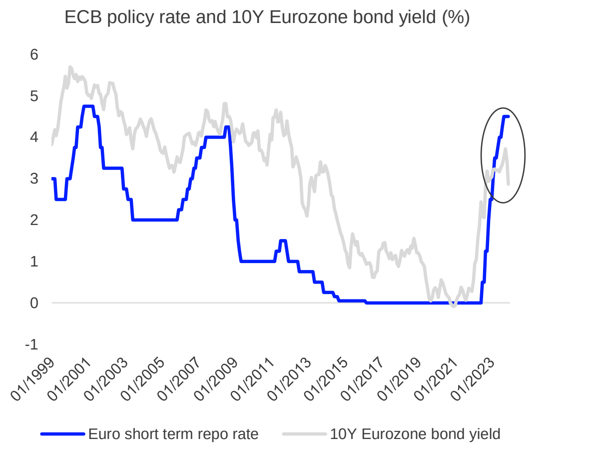


Chart 2: The US dollar appreciated in January against most major currencies, after economic data pointed to continued robust economic growth and the Fed suggested cuts would not be imminent.

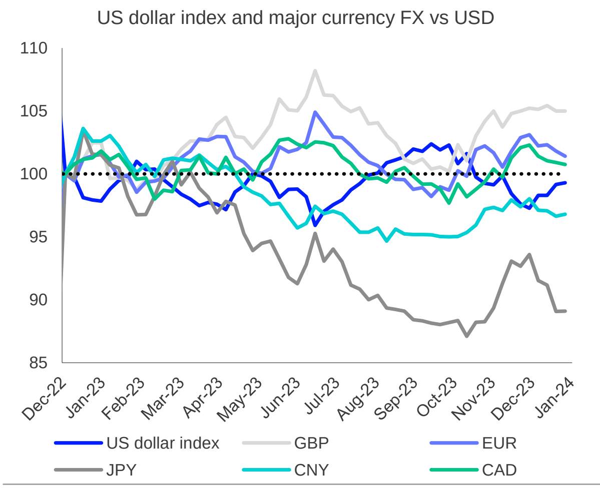


Chart 3: G7 central banks paused for the fourth time in January, maintaining rates 'higher for longer' as inflation modestly ticked up in Dec., heightening the debate on the timing of the first rate cuts.

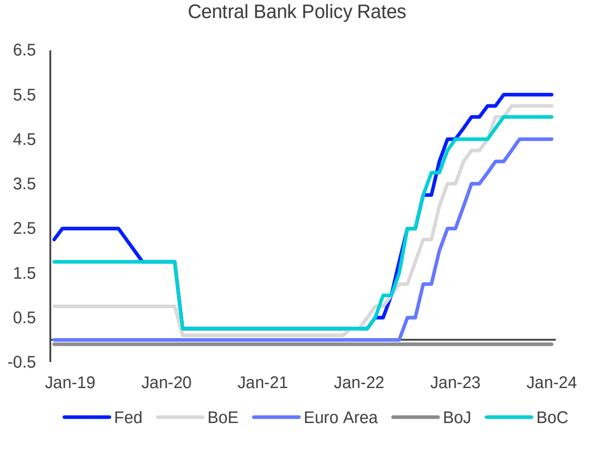
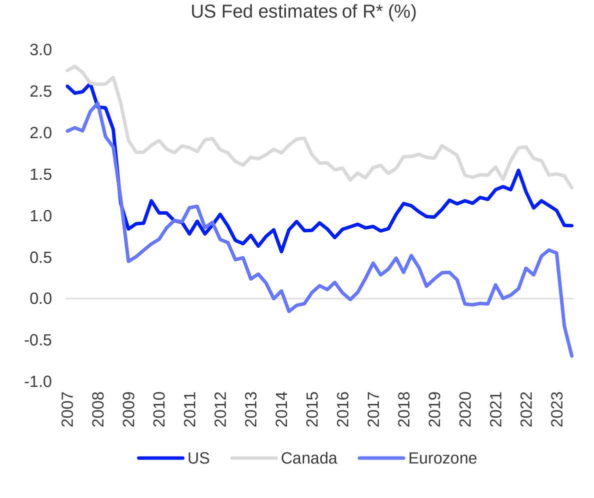


Chart 4: The US Fed estimates a neutral real rate of about -0.7 for the Eurozone. Adding the 2% inflation target would result in a nominal rate of 1.3%, therefore implying interest rate cuts of about 300bp at current levels.



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Global Yields, Curves and Spread Analysis

Chart 1: Yields backed up across the board in January, with JGB yields moving the least, thanks to BoJ curve control. The markets that had rallied the most in Q4, like Canada, suffered some of the biggest losses.

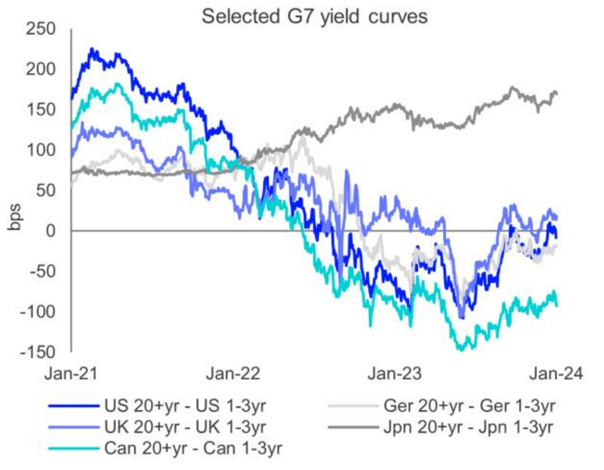

Chart 2: 7-10 year real yields also increased in January, though US Tips moved less. UK index linked bonds gave up more ground after the strong Q4 rally. BoE caution on rates weighed on UK gilts.

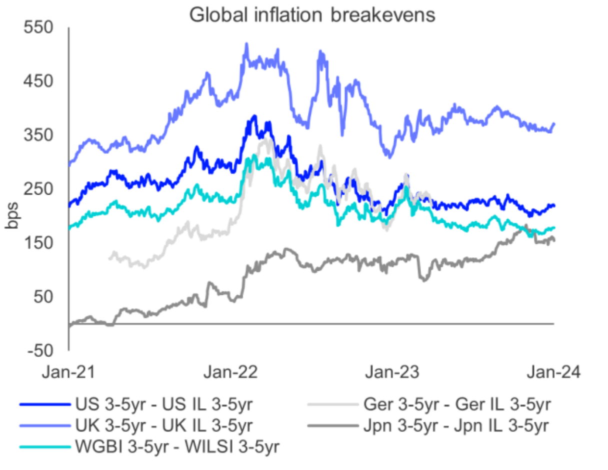

Chart 3: Yield curves bear steepened in January, as 7-10 year yields rose more than shorter dates, though the moves were modest, and curves remain deeply inverted, apart from JGBs due to curve control.

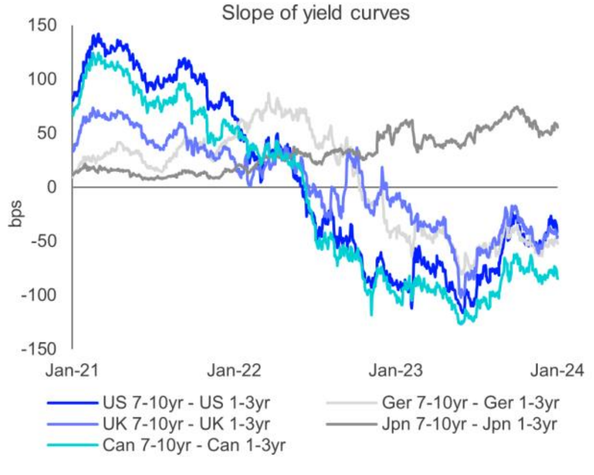

Chart 4: Long end yields moved higher by more than shorts, taking yield curves back to positive gradients in the UK and US in January. German bond yields were more stable, and the curve stayed inverted.

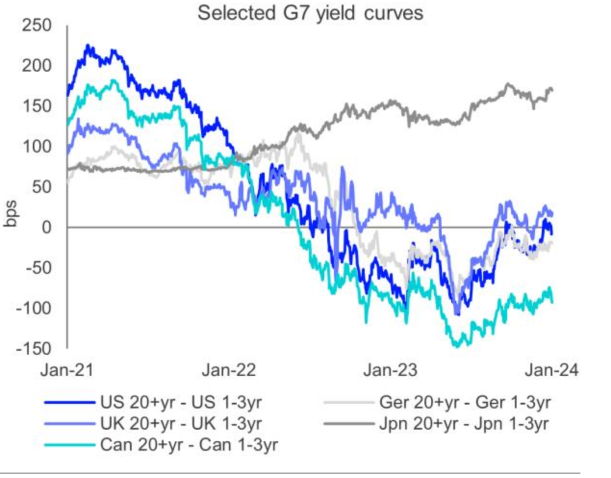

Chart 5: Breakeven inflation were mixed in January, though globally most fell modestly, including in Germany. The US and Japan were exceptions, with rising breakevens explained by higher growth and an uptick in inflation.

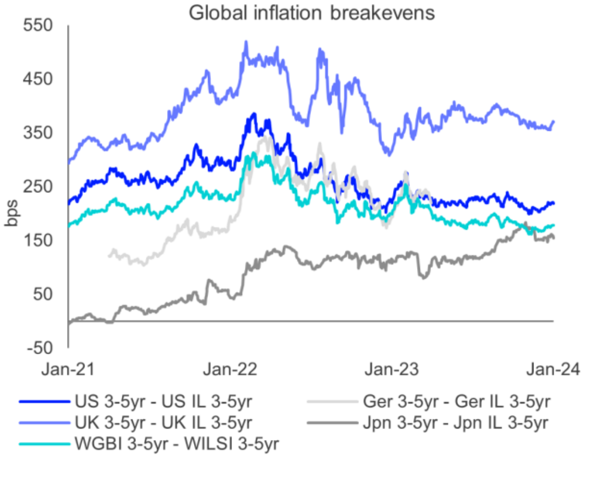

Chart 6: Global inflation breakevens have fallen sharply since the war in Ukraine in 2022, with curve flattening and converging near 150bp, following the recent back-up in short yields and the drop in 20yr+ maturities.

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Yield Spread and Credit Spread Analysis

Chart 1: US spreads widened versus Japan in January, but were stable elsewhere, with yields in most markets increasing, as central banks proved cautious about the possibility of near-term rate cuts.

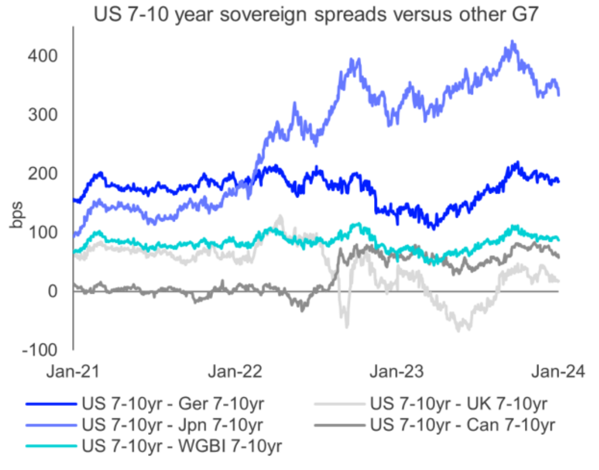


Chart 2: 7-10 year Italian spreads have held up well during the market sell-offs in January and have continued to tighten, with spreads close to 2021 levels.

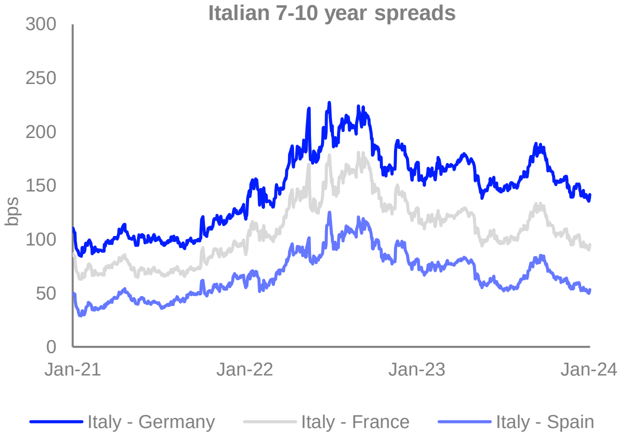


Chart 3: EM spreads tightened versus the G7 in January, helped by the fall in Chinese yields and the high Chinese weighting in the EMGBI. Spreads have steadily tightened in EM since Covid.

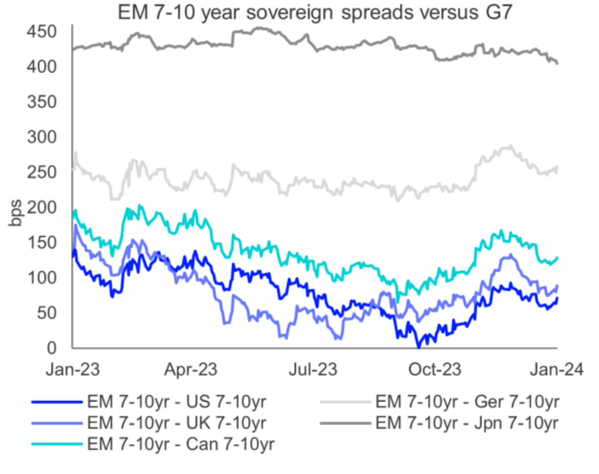


Chart 4: China's yield correlation with G7 yields has remained consistenly low since the Covid crisis in 2020. Chinese yields trended lower since Covid versus the rising G7 trend (exc.Japan).

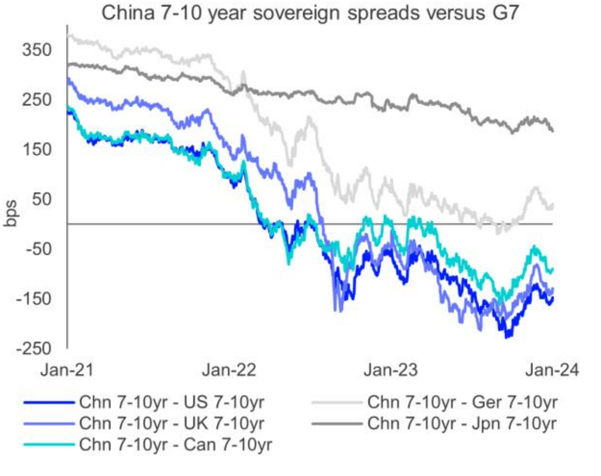


Chart 5: Credit spreads tightened a little in January mainly due to the rise in government bond yields. High yield spreads have converged more than IG in 2023-24.

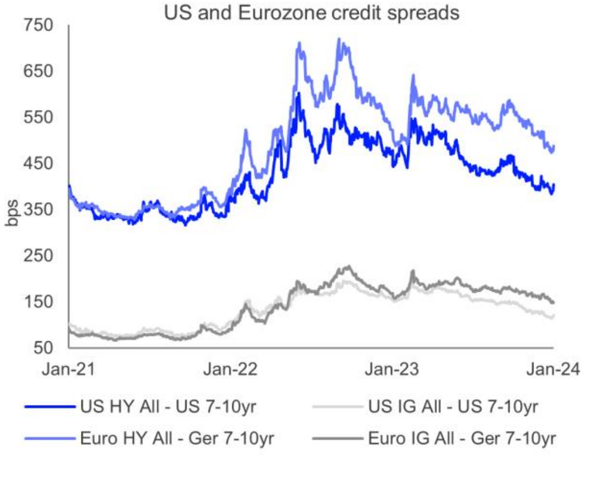
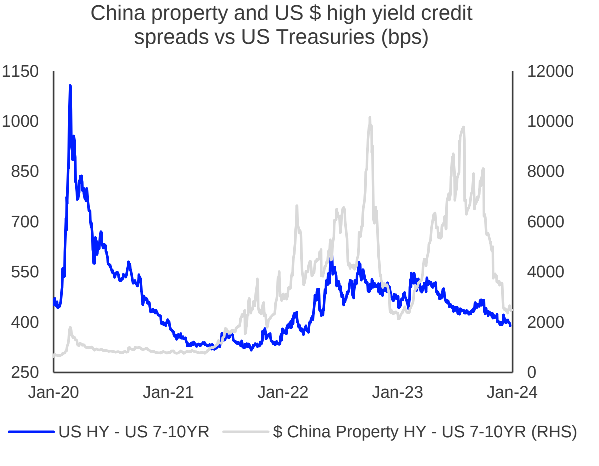


Chart 6: Chinese $ HY rallied and spreads eased to 2400bps in January, as Treasury yields rose. But the number of issues within Chinese HY property fell to ≤ 20, from a peak of 140+ in 2020.



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Credit sector and MBS analysis

Chart 1: Eurozone IG spreads tightened further in January. The Ukraine shock effect on Eurozone insurance spreads has largely unwound, though spreads remain above pre-Ukraine levels.

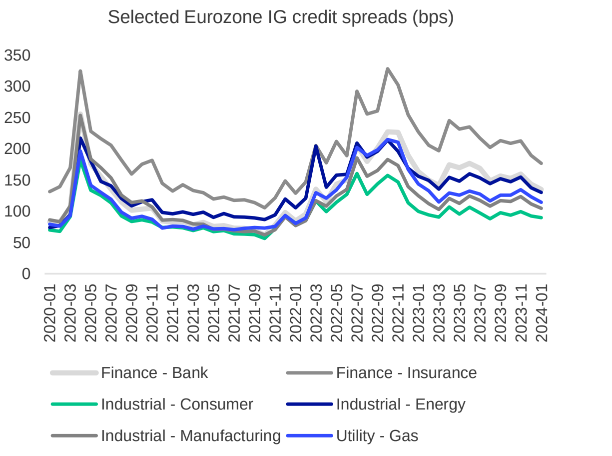


Chart 2: Insurance spreads have had the biggest moves but have normalised since the 2022 spike. Consumer spreads have tightened the most, despite the spending slowdown.

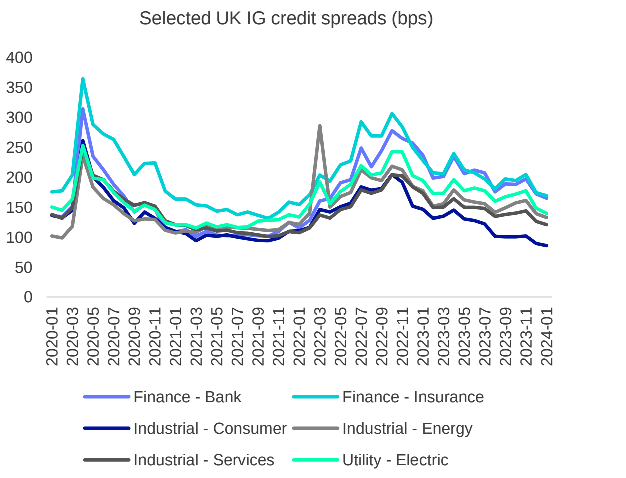


Chart 3: Most sector spreads have tightened, as government yields rose in January. The Energy sector spread has proved most volatile and has fallen to post-Covid lows in January, helped by higher oil prices.

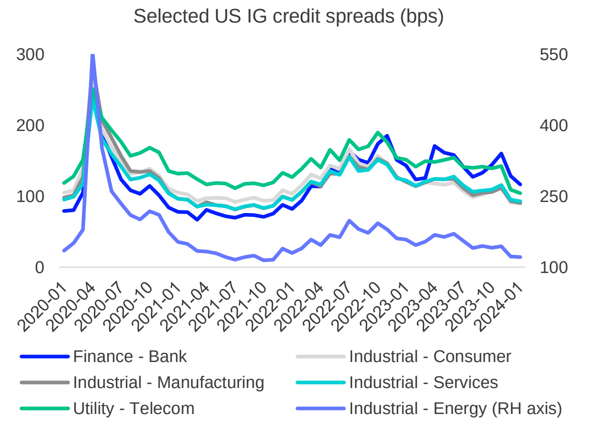


Chart 4: Interest rate sensitive sectors, like real estate, benefitted from the Fed pivot in December, and spreads are finally narrowing, despite the structural issues for commercial real estate (like working from home).

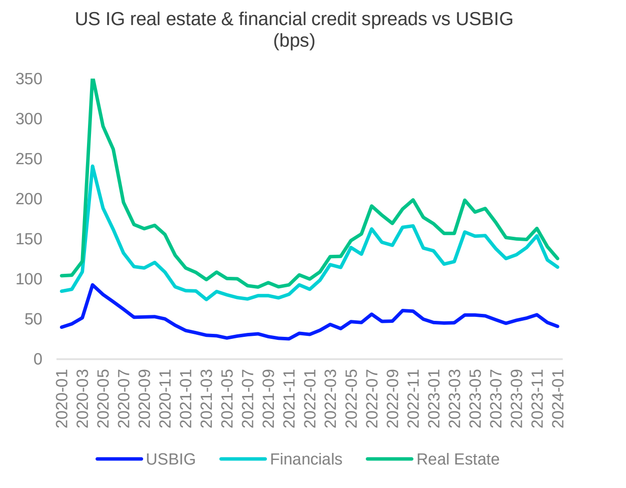


Chart 5: RMBS spreads have widened relative to IG credit, as the Fed has run down its RMBS holdings. Higher US yields also reduce mortgage refis and increase RMBS duration, so spreads tend to be cyclical, and fell in Q4.

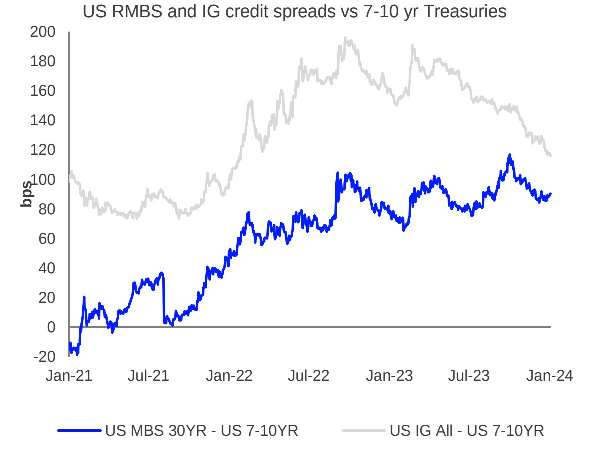
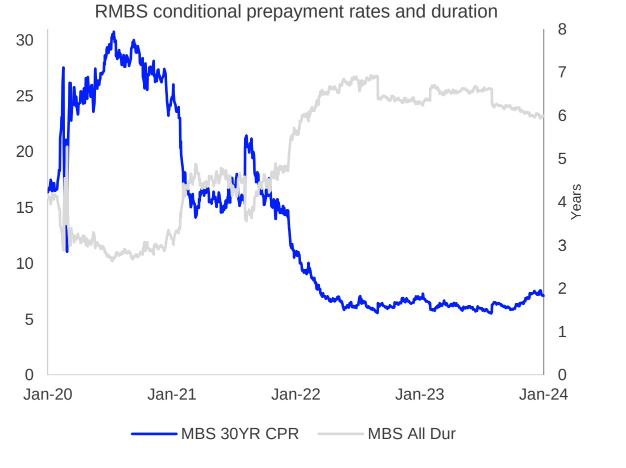


Chart 6: The inverse relationship between RMBS duration and prepayment rates is shown below. Higher rates make it unattractive to refinance mortgages, so RMBS duration increases as yields rise



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Sovereign and Climate Bonds Analysis

Chart 1: The underperformance of Green Sov. bonds was driven by their extra duration, and heavy issuance (see Chart 5). However, Green Sovereign bonds outperformed in the Q4 rally, thanks to extra duration.

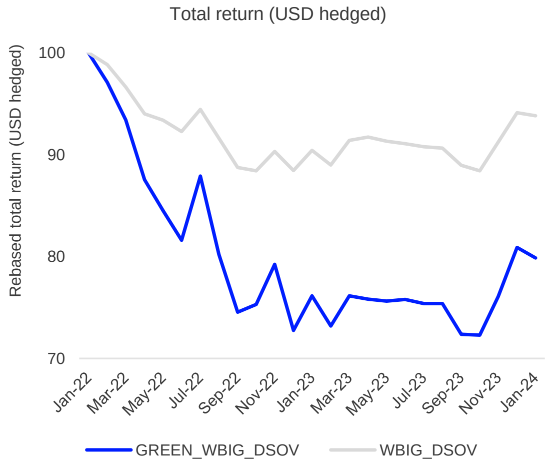


Chart 2: The long duration of Green Sovereign bonds caught many investors out during the bond market sell-off in 2022-23. Duration fell more in Green Sovereigns relative to straight sovs., as prices fell.

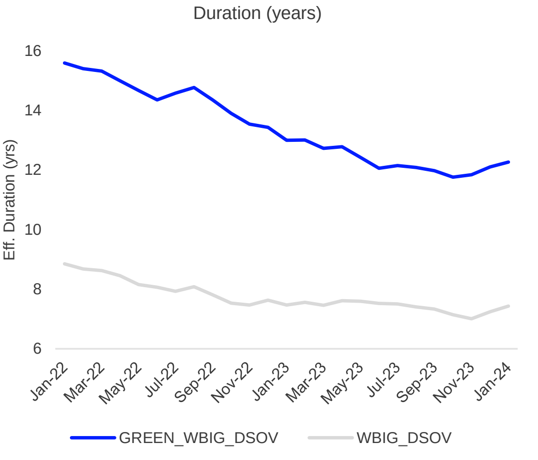


Chart 3: Relative returns in Green IG Corporates have been closer to other IG Corporates since 2022. Spread narrowing during Q4's rally helped Green Corporates outperform.

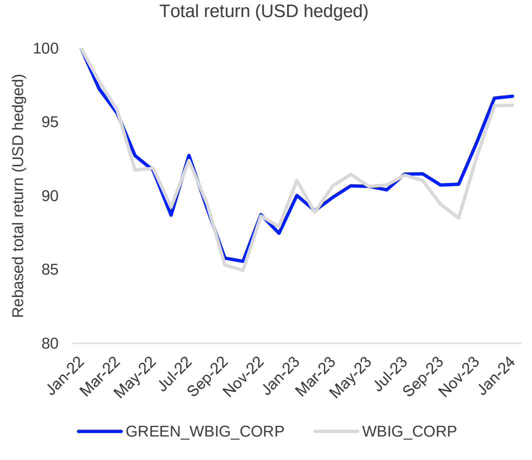


Chart 4: Unlike Sovereigns, Green IG corporates have shorter duration than other IG corporates, though the duration differential is more modest than in Sovereigns.

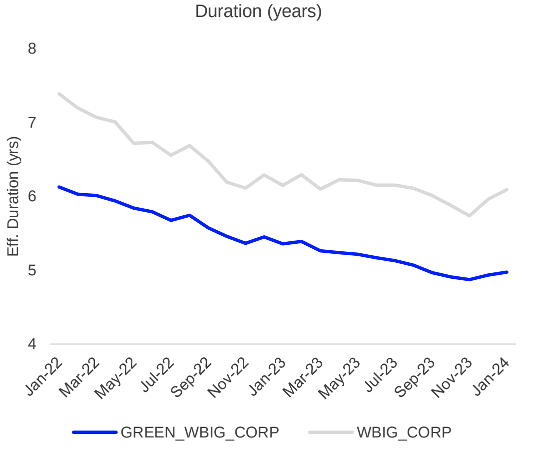


Chart 5: European sovereigns tend to dominate Green sovereign Issuance, as they seek to fill out a Green yield curve. The issues tend to be large, like the recent £10bn Green Gilt 2053 re-opening.

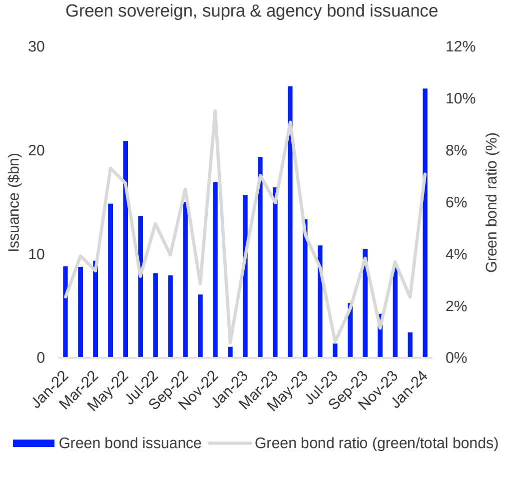
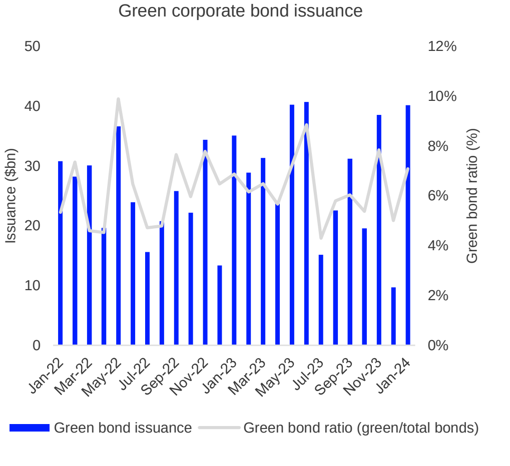


Chart 6: The ratio of green bond issuance to total bond issuance has rebounded to 7%, after falling to only 4% in July 2023. January 2024's Green issuance of about $40bn was close to a monthly record.



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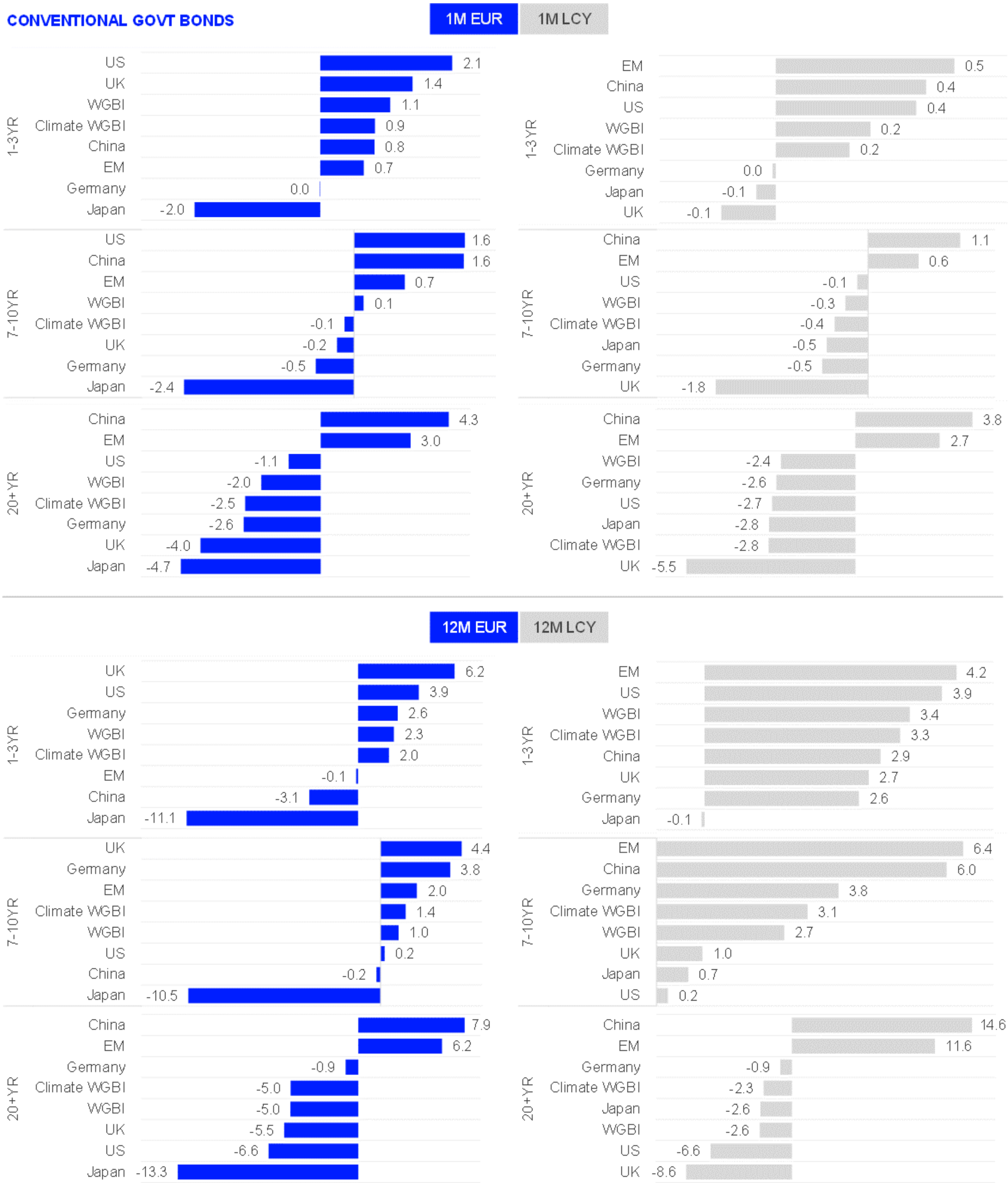
Global Bond Market Returns − 1M & 12M % (EUR, LC, TR)

Global bond yields backed up in January, reversing some of the sharp falls in Q4, following central bank caution on the timing of interest rate cuts. Long conventionals suffered most, notably in the UK and Germany. China and EM showed their defensive qualities. 12M returns are similar, with longs underperforming on duration effects as yields rose sharply until Q4.

Only China and EM managed gains of 1-4% across the curve in euro terms in January, showing safe haven qualities, as G7 bonds fell back. Short UK gilts and Treasuries outperformed, helped by sterling and US dollar strength versus the Euro.

12M returns show losses of 8-13% in long government bonds in euros, despite the Q4 rally, with the weak yen a main factor behind the underperformance of JGBs, which also lost 10-11% in short and medium bonds.



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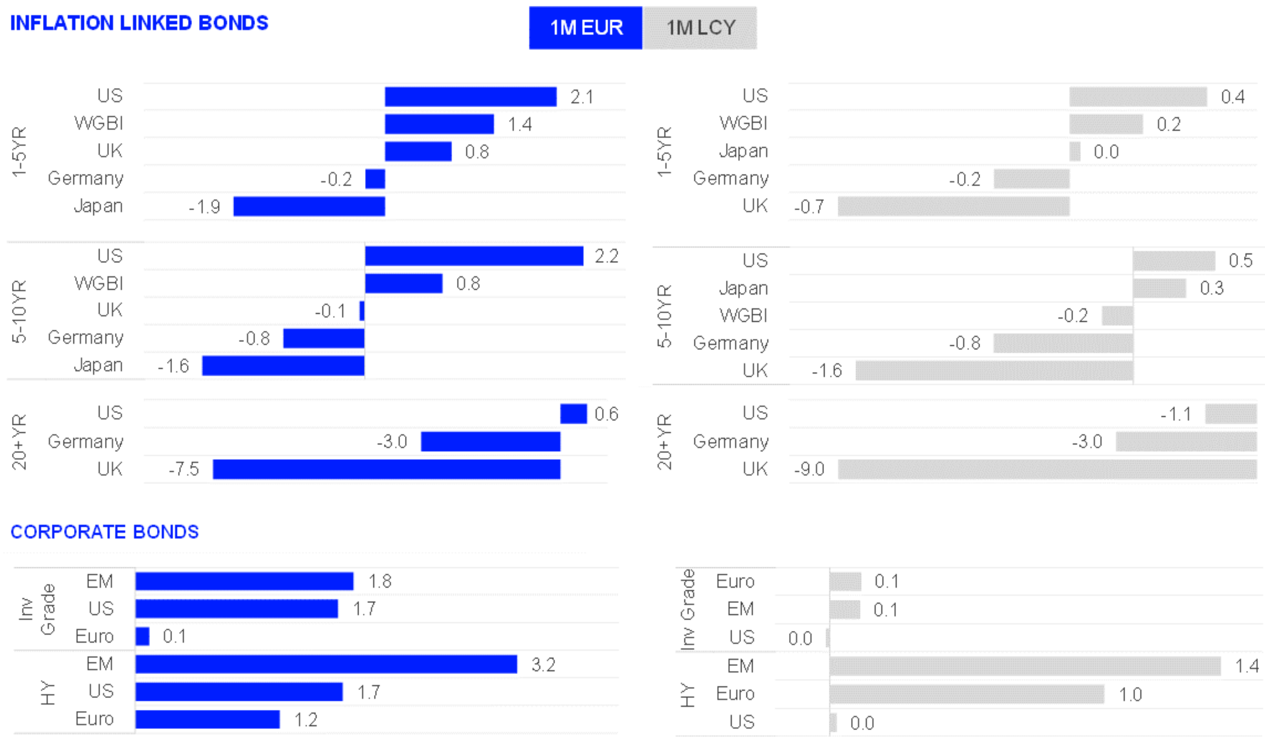
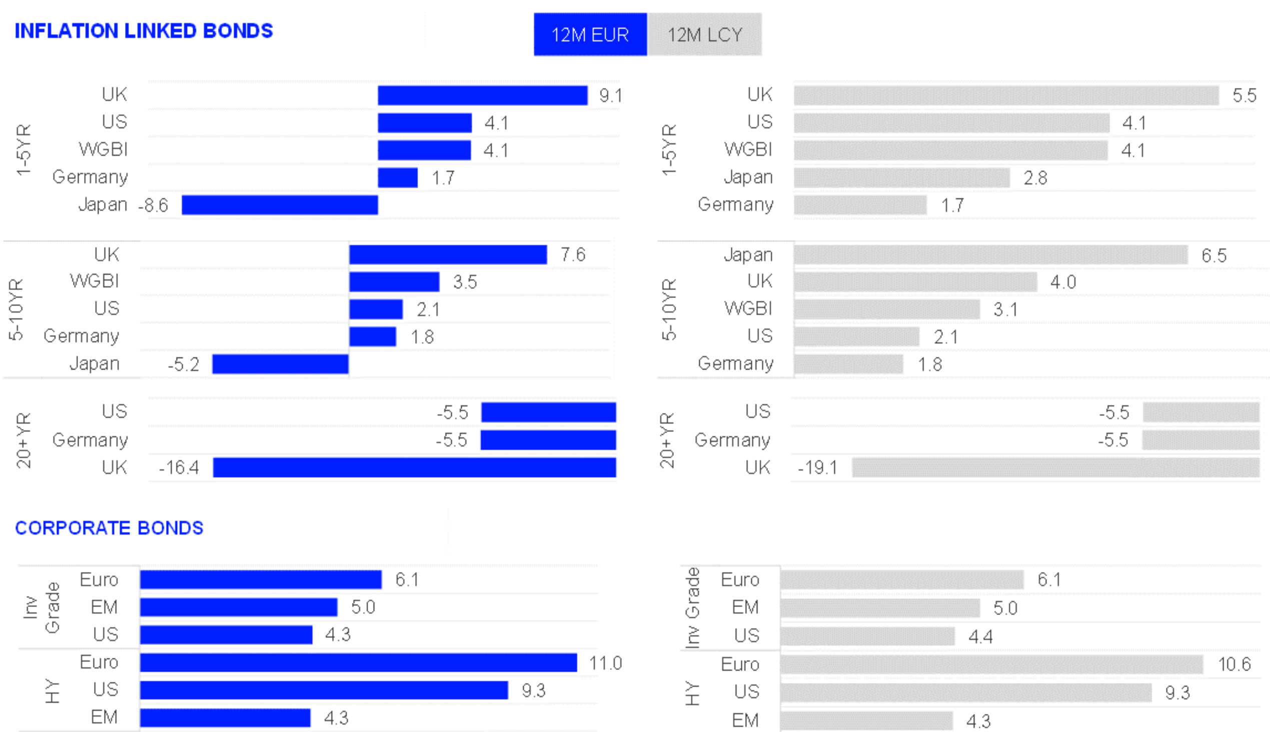
Global Inflation-Linked Bond Returns − 1M & YTD % (EUR, LC, TR)

High yield (HY) credits outperformed investment grade (IG) equivalents in January, extending the strong performance of the last 12 months. By contrast, inflation linked bonds tracked the underperformance of conventional bonds, especially in long maturities. Returns on UK index linked bonds were the weakest in local currency terms but improved in euros.

January was a difficult month for inflation linked (linkers) bonds as yields rose sharply across maturities and regions. Returns for long linkers, especially in the UK, were negative, down 1-8%. Short US Tips, UK and WGBI linkers made modest gains in euros.

Over 12 months, similar returns can be observed in long maturities, which were deeply negative, especially UK index linked bonds, losing about 16% in euros. High yield credit was up, however, benefiting from improved risk appetite and the equity rally.





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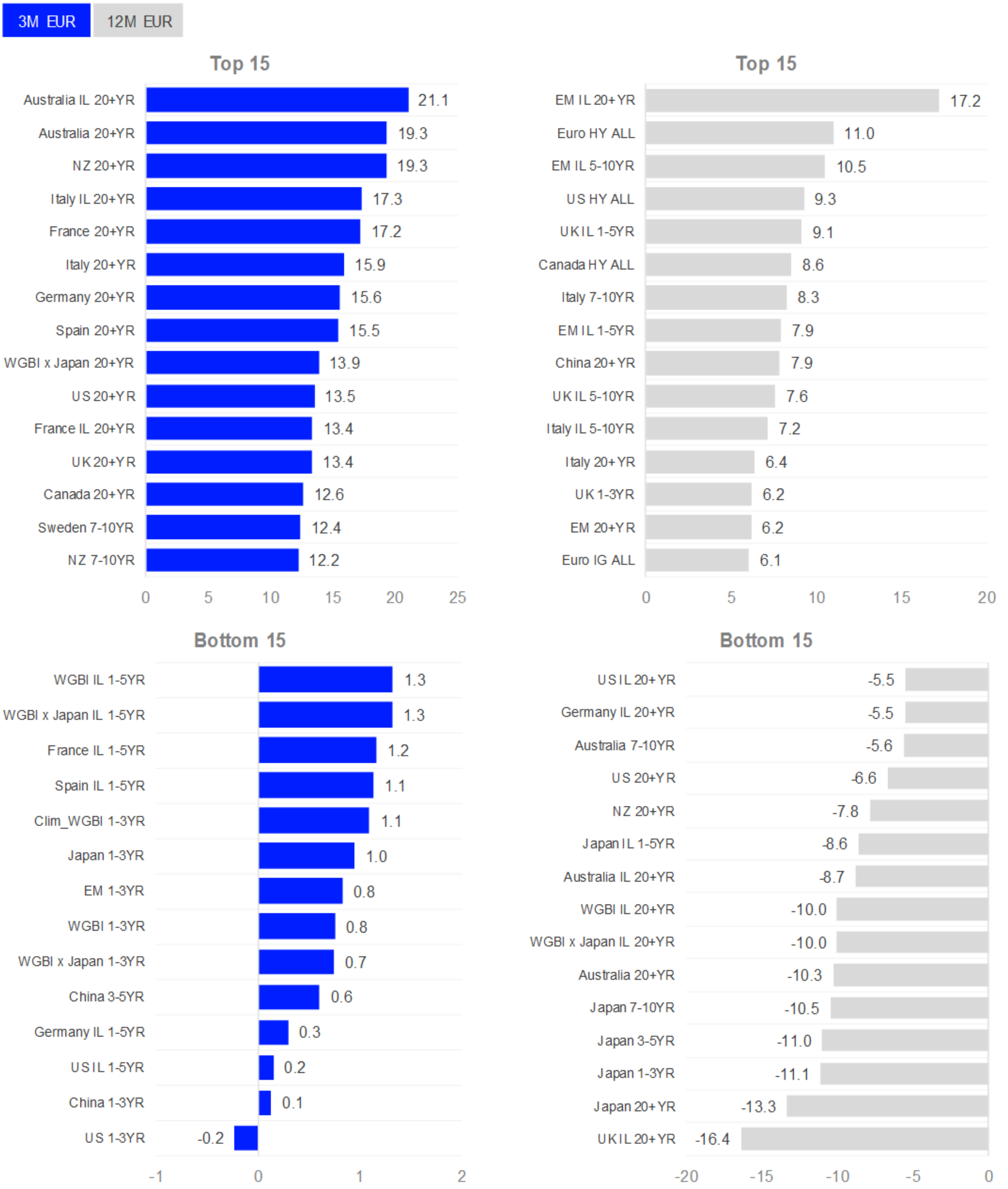
Top and Bottom Bond Returns − 3M & 12M % (EUR, TR)

3M returns have a very different profile from 1M returns, and capture the Q4 rally in longs, as well as the January dip. The main driver was the decline in yields since end-October, led by long Eurozone government bonds, as inflation fell and markets discounted policy easing. 12M returns capture the weakness in longs earlier in 2023, as policy rates rose.

Long Australian, Eurozone, US and Canadian govt bonds gained strongly over three months, with returns of 12-21% in euros.

Euro high yield credit and EM inflation linked were consistently strong performers over 12M, returning 11-17% in euro terms. Conversely, long UK linkers suffered from ultra-long duration, losing 16%, and JGBs from yen weakness, losing 11-13% in euros.



Source: FTSE Russell. All data as of January 31, 2024. 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.

Appendix − Global Bond Market Returns % (EUR & LC, TR) – January 31, 2024

Government Bond Returns

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-3YR	2.54	-0.23	3.29	4.84	0.36	2.06	3.95	3.93
	7-10YR	8.55	5.63	2.38	3.92	-0.13	1.57	0.24	0.22
	20+YR	16.67	13.52	-1.63	-0.15	-2.72	-1.07	-6.61	-6.63
	IG All	10.48	7.51	4.81	6.39	-0.01	1.68	4.37	4.35
	HY All	8.40	5.48	5.96	7.55	0.03	1.72	9.29	9.27
UK	1-3YR	1.96	4.12	3.78	4.26	-0.14	1.44	2.73	6.24
	7-10YR	6.32	8.58	6.08	6.56	-1.80	-0.24	0.95	4.41
	20+YR	11.02	13.37	2.09	2.56	-5.53	-4.03	-8.59	-5.47
EUR	IG All	5.27	5.27	4.95	4.95	0.12	0.12	6.09	6.09
	HY All	7.14	7.41	7.68	7.75	1.02	1.20	10.58	11.01
Japan	1-3YR	0.13	0.95	-0.07	-1.41	-0.05	-1.97	-0.05	-11.10
	7-10YR	2.32	3.16	-0.12	-1.46	-0.49	-2.40	0.66	-10.46
	20+YR	2.62	3.46	-6.65	-7.91	-2.82	-4.69	-2.57	-13.34
China	1-3YR	0.96	0.13	1.23	2.28	0.39	0.85	2.93	-3.15
	7-10YR	2.35	1.51	2.98	4.05	1.09	1.55	6.04	-0.22
	20+YR	7.67	6.80	7.71	8.83	3.82	4.30	14.63	7.86
EM	1-3YR	1.49	0.83	1.90	2.27	0.46	0.68	4.19	-0.13
	7-10YR	4.35	3.42	2.91	2.68	0.60	0.72	6.38	1.96
	20+YR	7.51	6.60	5.80	6.01	2.75	3.02	11.62	6.19
	IG All	7.30	4.41	3.81	5.37	0.11	1.81	4.99	4.97
	HY All	7.88	4.97	5.77	7.36	1.45	3.17	4.32	4.30
Germany	1-3YR	1.53	1.53	2.17	2.17	-0.01	-0.01	2.57	2.57
	7-10YR	5.68	5.68	4.10	4.10	-0.54	-0.54	3.78	3.78
	20+YR	15.62	15.62	4.58	4.58	-2.58	-2.58	-0.93	-0.93
Italy	1-3YR	2.27	2.27	2.85	2.85	0.20	0.20	3.90	3.90
	7-10YR	8.48	8.48	5.22	5.22	0.23	0.23	8.28	8.28
	20+YR	15.92	15.92	4.91	4.91	-0.29	-0.29	6.38	6.38
Spain	1-3YR	1.83	1.83	2.61	2.61	0.16	0.16	3.14	3.14
	7-10YR	6.97	6.97	5.24	5.24	-0.36	-0.36	5.52	5.52
	20+YR	15.46	15.46	5.71	5.71	-1.77	-1.77	2.89	2.89
France	1-3YR	1.81	1.81	2.50	2.50	-0.03	-0.03	2.92	2.92
	7-10YR	6.49	6.49	4.66	4.66	-0.51	-0.51	4.16	4.16
	20+YR	17.25	17.25	6.32	6.32	-2.38	-2.38	0.67	0.67
Sweden	1-3YR	1.73	7.04	2.41	5.71	-0.01	-0.83	2.25	3.59
	7-10YR	6.85	12.43	4.49	7.86	-1.16	-1.96	1.45	2.78
Australia	1-3YR	2.52	4.16	2.65	2.22	0.36	-1.13	2.53	-3.83
	7-10YR	8.29	10.02	2.75	2.31	-0.07	-1.55	0.62	-5.62
	20+YR	17.46	19.33	1.45	1.02	-1.59	-3.05	-4.32	-10.26
NZ	1-3YR	2.48	5.53	3.19	3.59	0.09	-1.05	3.79	-1.16
	7-10YR	8.99	12.24	3.56	3.96	-1.39	-2.51	1.19	-3.64
Canada	1-3YR	2.41	3.55	3.22	3.22	-0.24	0.13	2.69	2.54
	7-10YR	6.15	7.33	3.25	3.25	-1.44	-1.08	0.03	-0.12
	20+YR	11.39	12.63	1.73	1.73	-4.50	-4.15	-3.12	-3.26

FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Inflation-Linked Bond Returns

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-5YR	2.92	0.15	3.02	4.56	0.44	2.14	4.11	4.09
	5-10YR	6.79	3.92	2.24	3.78	0.48	2.18	2.08	2.06
	20+YR	14.80	11.71	-2.72	-1.26	-1.10	0.58	-5.46	-5.48
UK	1-5YR	2.28	4.44	4.25	4.73	-0.74	0.83	5.53	9.14
	5-10YR	3.89	6.09	3.63	4.11	-1.61	-0.05	4.04	7.60
	20+YR	7.75	10.04	-6.12	-5.68	-8.95	-7.51	-19.15	-16.38
EUxUK	1-5YR	0.30	0.30	0.39	0.39	-0.24	-0.24	1.72	1.72
	5-10YR	1.82	1.82	-0.30	-0.30	-0.81	-0.81	1.81	1.81
	20+YR	8.72	8.72	-5.11	-5.11	-3.01	-3.01	-5.51	-5.51
Japan	1-5YR	0.65	1.47	0.98	-0.37	0.03	-1.89	2.81	-8.55
	5-10YR	2.15	2.98	2.21	0.84	0.31	-1.62	6.54	-5.24
EM	1-5YR	3.60	1.92	4.17	0.61	0.93	0.66	12.44	7.93
	5-10YR	5.43	4.76	3.29	-0.04	-0.03	-0.37	12.32	10.54
	20+YR	9.14	8.88	2.91	0.42	-1.69	-1.93	13.93	17.24
Germany	1-5YR	0.30	0.30	0.39	0.39	-0.24	-0.24	1.72	1.72
	5-10YR	1.82	1.82	-0.30	-0.30	-0.81	-0.81	1.81	1.81
	20+YR	8.72	8.72	-5.11	-5.11	-3.01	-3.01	-5.51	-5.51
Italy	1-5YR	2.53	2.53	2.36	2.36	0.01	0.01	4.94	4.94
	5-10YR	6.32	6.32	1.65	1.65	-0.17	-0.17	7.19	7.19
	20+YR	17.32	17.32	-5.20	-5.20	-1.91	-1.91	1.72	1.72
Spain	1-5YR	1.14	1.14	1.18	1.18	-0.26	-0.26	2.85	2.85
	5-10YR	3.25	3.25	1.26	1.26	-0.55	-0.55	4.01	4.01
France	1-5YR	1.17	1.17	1.05	1.05	-0.16	-0.16	2.37	2.37
	5-10YR	2.66	2.66	0.72	0.72	-0.77	-0.77	2.76	2.76
	20+YR	13.39	13.39	-3.57	-3.57	-3.96	-3.96	-3.64	-3.64
Sweden	1-5YR	1.43	6.72	1.78	5.06	-0.38	-1.19	2.16	3.50
	5-10YR	3.93	9.36	1.81	5.09	-1.40	-2.20	1.53	2.86
Australia	1-5YR	2.63	4.26	3.02	2.58	-0.05	-1.53	4.53	-1.96
	5-10YR	6.33	8.02	3.83	3.38	-0.40	-1.87	3.82	-2.62
	20+YR	19.15	21.05	2.72	2.28	-3.99	-5.41	-2.70	-8.73
NZ	5-10YR	6.15	9.31	3.84	4.25	-0.91	-2.03	4.31	-0.67
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	7.23	8.50	1.87	1.87	-3.06	-2.71	-3.08	-3.22

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

Appendix − Historical Bond Yields % as of January 31, 2024

Global Bond Yields

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	4.45	3.93	3.93	4.31	1.98	1.75	2.01	5.14	7.97
	3M Ago	5.17	4.87	4.90	5.19	2.82	2.50	2.64	6.38	9.46
	6M Ago	5.01	4.33	3.97	4.11	2.44	1.72	1.80	5.50	8.34
	12M Ago	4.35	3.74	3.46	3.71	1.85	1.32	1.54	5.01	8.22
UK	Current	4.21	3.73	3.75	4.39	0.16	0.21	1.25		
	3M Ago	4.67	4.45	4.43	4.91	0.65	0.71	1.51		
	6M Ago	5.04	4.69	4.25	4.39	1.86	0.65	1.00		
	12M Ago	3.42	3.26	3.33	3.70	0.31	0.00	0.30		
Japan	Current	0.04	0.20	0.59	1.73	-1.65	-0.83			
	3M Ago	0.09	0.34	0.83	1.82	-1.55	-0.65			
	6M Ago	-0.04	0.08	0.50	1.40	-1.70	-0.74			
	12M Ago	-0.02	0.11	0.52	1.55	-1.33	-0.34			
China	Current	2.07	2.22	2.46	2.80					
	3M Ago	2.27	2.42	2.67	3.08					
	6M Ago	2.08	2.34	2.66	3.04					
	12M Ago	2.30	2.57	2.87	3.31					
EM	Current	3.34	3.81	4.64	4.17	4.38	4.41	5.03	5.56	9.29
	3M Ago	3.71	4.43	5.00	4.55	4.20	4.73	5.46	6.68	11.30
	6M Ago	3.58	4.17	4.80	4.41	3.05	4.07	4.88	5.93	11.51
	12M Ago	3.59	4.30	4.76	4.57	3.11	3.37	5.25	5.52	10.25
Germany	Current	2.57	2.07	2.06	2.38	0.81	0.20	0.27		
	3M Ago	3.09	2.66	2.70	3.05	0.90	0.45	0.65		
	6M Ago	3.09	2.60	2.41	2.53	0.60	0.07	0.01		
	12M Ago	2.59	2.31	2.21	2.22	0.38	0.13	-0.09		
Italy	Current	2.96	2.93	3.47	4.21	1.08	1.58	1.94		
	3M Ago	3.77	3.88	4.45	5.06	1.77	2.35	2.53		
	6M Ago	3.60	3.55	3.86	4.35	1.30	1.64	1.69		
	12M Ago	3.17	3.42	3.92	4.29	1.18	1.87	1.85		
France	Current	2.62	2.34	2.52	3.13	0.44	0.37	0.78		
	3M Ago	3.21	3.01	3.23	3.88	0.93	0.78	1.28		
	6M Ago	3.15	2.90	2.90	3.35	0.58	0.37	0.60		
	12M Ago	2.71	2.58	2.64	3.01	0.24	0.30	0.52		
Sweden	Current	2.68	2.21	2.18		1.26	0.76			
	3M Ago	3.43	3.05	2.94		1.34	1.30			
	6M Ago	3.33	2.83	2.57		0.96	0.74			
	12M Ago	2.50	2.27	2.05		-0.17	0.14			
Australia	Current	3.69	3.60	3.97	4.42	1.04	1.39	1.81		
	3M Ago	4.49	4.48	4.87	5.33	1.47	2.04	2.53		
	6M Ago	4.02	3.86	4.03	4.40	1.03	1.47	1.79		
	12M Ago	3.17	3.24	3.51	3.96	0.23	0.92	1.37		
New Zealand	Current	4.89	4.44	4.55	4.87	1.72	2.51			
	3M Ago	5.49	5.37	5.55	5.69	2.47	3.05			
	6M Ago	5.21	4.80	4.70	4.87	1.94	2.39			
	12M Ago	4.67	4.18	4.11	4.41	1.28	1.79			
Canada	Current	4.21	3.50	3.36	3.28	1.55	1.60	1.72		
	3M Ago	4.70	4.18	4.09	3.88	2.25	2.32	2.21		
	6M Ago	4.76	4.02	3.56	3.33	2.11	1.80	1.69		
	12M Ago	3.92	3.14	2.91	3.00	1.29	1.13	1.16		

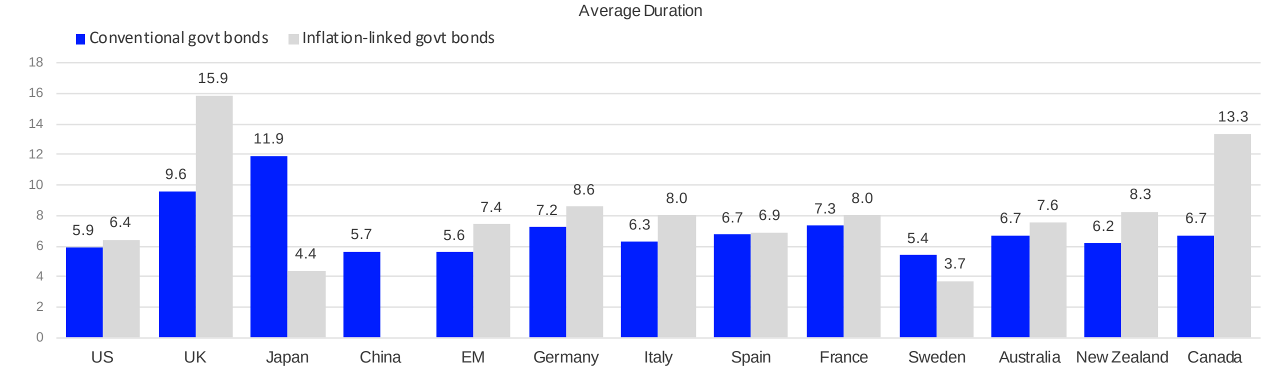
Source: FTSE Russell. All data as of January 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors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

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

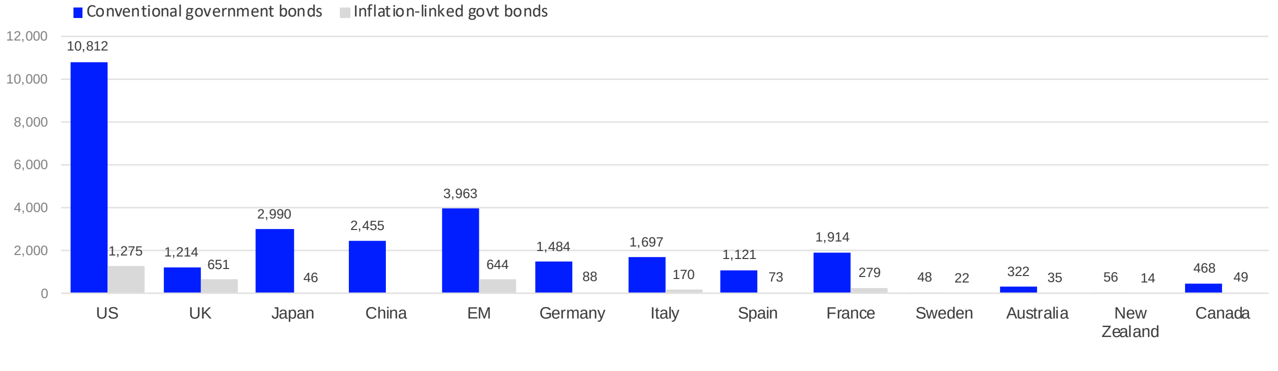
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.3	16.9	**5.9**	2,559.5	1,136.5	1,323.2	**10,812.1**	6.9	21.1	**6.4**	420.8	125.3	**1,275.1**
UK	3.6	7.7	18.4	**9.6**	161.3	161.0	330.4	**1,213.7**	6.9	26.9	**15.9**	113.1	243.8	**651.1**
Japan	3.9	8.1	23.6	**11.9**	353.5	358.8	629.6	**2,989.9**	7.1		**4.4**	19.7		**45.9**
China	3.7	7.6	17.8	**5.7**	571.3	374.7	282.9	**2,454.8**						
EM	3.6	6.9	16.1	**5.6**	837.4	704.8	389.0	**3,963.4**	6.1	13.7	**7.4**	102.7	172.4	**644.2**
Germany	3.8	7.5	20.6	**7.2**	350.7	237.0	177.2	**1,484.4**	6.9	21.4	**8.6**	44.2	18.7	**88.4**
Italy	3.7	7.2	16.3	**6.3**	307.2	278.1	150.0	**1,697.0**	7.4	26.0	**8.0**	62.7	5.4	**169.6**
Spain	3.7	7.6	17.9	**6.7**	208.3	200.6	104.5	**1,120.6**	7.8		**6.9**	47.7		**72.8**
France	3.8	7.5	20.0	**7.3**	325.1	301.8	235.6	**1,913.6**	6.3	24.2	**8.0**	109.0	21.2	**279.4**
Sweden	4.1	7.7		**5.4**	6.9	14.0		**47.9**	6.8		**3.7**	5.5		**22.2**
Australia	3.6	7.6	17.0	**6.7**	47.5	92.1	20.7	**321.7**	6.8	22.1	**7.6**	10.3	2.8	**34.8**
New Zealand	3.5	7.3	16.9	**6.2**	10.9	15.7	2.8	**56.0**	5.9		**8.3**	3.2		**13.8**
Canada	3.6	7.5	19.8	**6.7**	60.3	112.4	67.4	**468.4**	6.7	20.5	**13.3**	8.3	19.9	**49.1**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.5	8.5	7.2	6.6	7.0	76.8	454.5	2729.7	3479.0	6739.9	3.8	1035.8
Europe	5.6	4.8	4.6	4.2	4.4	11.0	204.6	1248.0	1529.7	2993.4		
EM		5.9	4.8	5.2	5.1		37.9	221.5	309.4	568.9	3.3	183.5

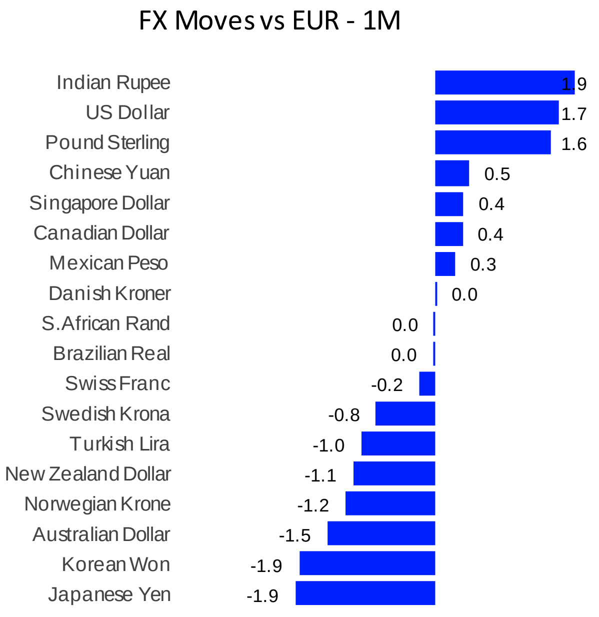
Average Duration

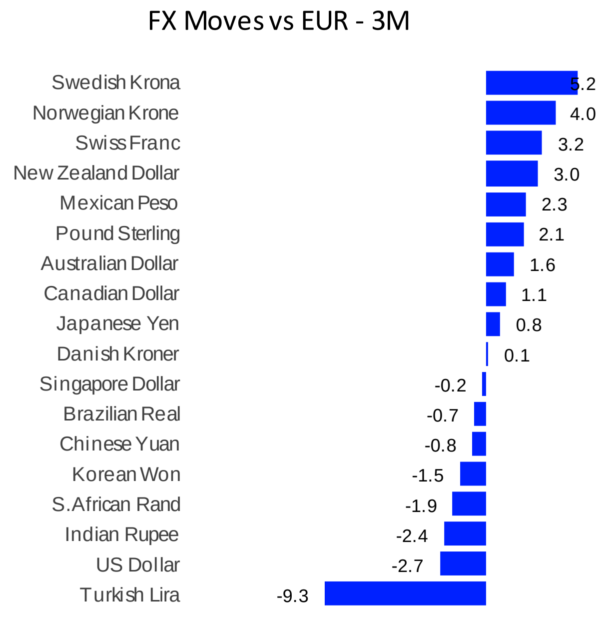


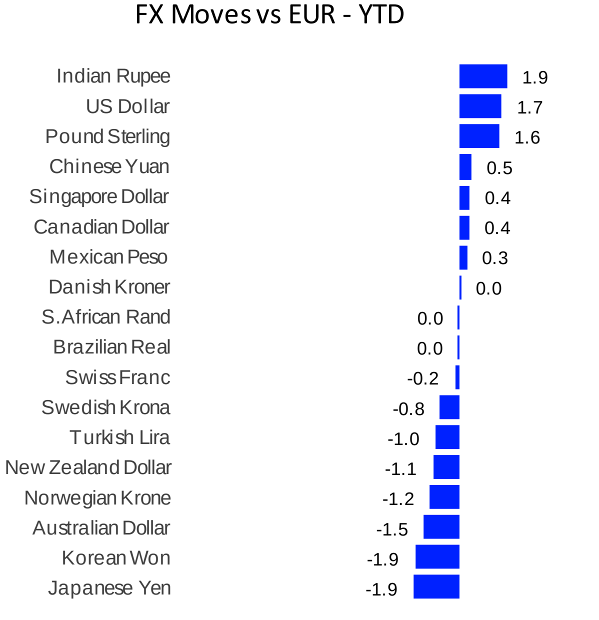
Total Market Value (USD Billions)

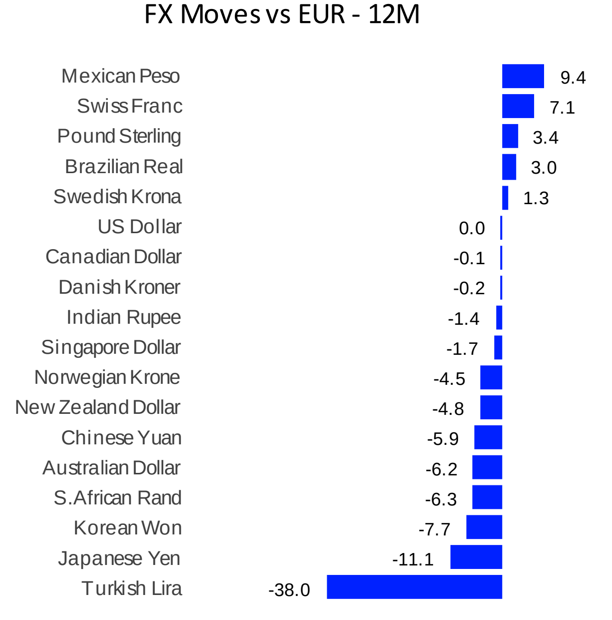


Source: FTSE Russell. All data as of January 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors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









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

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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