Fixed Income Insights

MONTHLY REPORT – **FEBRUARY 2024 | GBP EDITION**

FOR PROFESSIONAL INVESTORS ONLY

Longer gilts remain trapped by sticky UK inflation

Central bank caution and an inflation uptick drove a sharp long end sell-off in January, as markets re-assessed how quickly rates will fall. China and EM bonds proved safer havens, as did credit, despite high issuance. Middle East tension has not yet driven safe haven buying of govt bonds, or major damage to supply chains.

Macro and policy backdrop – Market realisation grows that the case for a rapid easing cycle is unclear

A re-run of 2000-03, and not the GFC or Covid easing cycles? Fed estimates of R* suggest scope for sizeable rate cuts in 2024-25, but central bank caution prevails, with the BoE still discussing a rate increase. (pages 2-3)

Yields, curves and spreads – Modest bear steepening as curves adjust to central bank caution

In a reversal of the Q4 rally, the long end sold off in most markets, with sovereign spreads fairly stable. (pages 4-5)

Credit and MBS analysis – Credit spreads tightened further as govt yields rose, and credit proved a safer haven

A surge in corporate issuance did not prevent credit spreads edging in again, mainly on higher govt yields. (page 6)

Sovereign and climate bonds – Green bonds recover after duration-led sell-off in sovereigns in 2022-23

Extra duration drove a sharp sell-off in Green Sovereigns, as yields rose, but Green credit held up well. (page 7)

Performance – Longs gave up the bulk of Q4 gains in January. Credit, China & EM bonds held up well in sell-off

UK long linkers fell 9%, in January, amidst a broad sell-off. China, credit and EM outperformed. (pages 9-10)

Appendix (from page 11)

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

Chart 1: Yields backed up across the G7 in January, led by the UK, after policy caution from central banks and the inflation uptick.

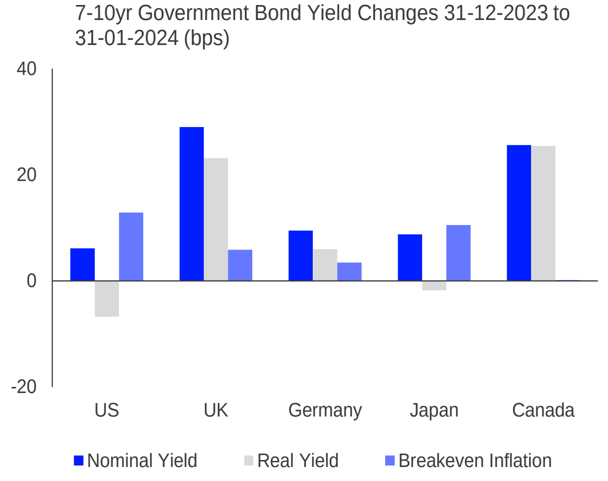
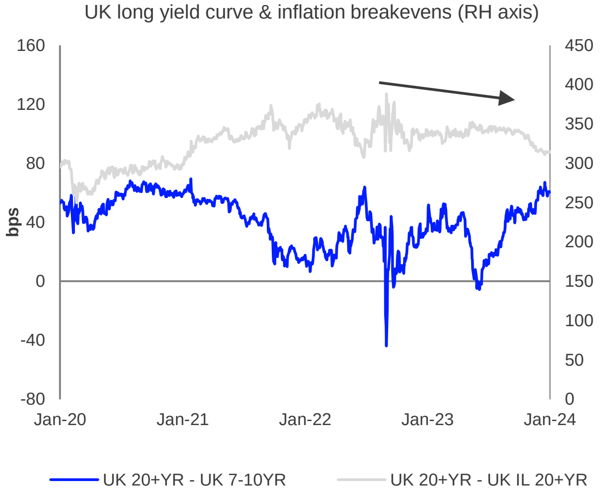


Chart 2: Trouble with the curve? Long gilt yields rose sharply vs mediums since 2023, but inflation expectations fell, suggesting stable term premia.



Source: FTSE Russell and Lipper. Data available 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

After 2023's soft landing for growth and inflation, IMF forecasts for 2024 are upgraded for the US, unsurprisingly, and also in China, though forecasts elsewhere are weaker. There is little concession to the risk policy lags from 2022-23's tightening drive recessions. The UK labour market continues to defy the growth slowdown, even if wage inflation has slowed. Despite disruption to Red Sea trade routes, global supply-chain pressures remain modest to date.

The IMF's January forecasts for 2024 (Chart 1) show a significant upgrade to US growth to 2.1%, after 2023's soft landing, and China, to 4.6% from 4.2%, though forecasts elsewhere are largely unchanged or a little weaker (Eurozone, Japan and Canada). An unchanged UK forecast suggests little expectation of significant fiscal stimulus ahead of the forthcoming election. Delayed policy easing, Middle east geo-political tension, Red Sea trade disruption, and higher energy prices remain 2024 growth threats.

Inflation mostly ticked up in December, as energy prices stabilised (Chart 1).Most central banks forecast a rebound in inflation in H1 2024, reflecting less favourable base effects and recent evidence of supply chain disruption in tradeables. Core US inflation exceeds headline, at 3.9% vs 3.4% y/y, with shelter inflation at 6.2%, but falling. Market focus may have switched to growth, but a renewed rebound in inflation in Q1 may change the narrative, with rapid rate cuts already discounted in the US.

There are some signs of the UK labour market slowing, with wage growth falling again to 6.6% in the three months to November, versus the 8% peak in Q2 2023 (Chart 3). However, the BoE has signalled this remains uncomfortably high, even if the risks of a wage/price spiral have receded somewhat. With unemployment still at 4.2%, the labour market has defied the growth slowdown, reflecting lower UK labour participation rates since Covid, and labour shortages remain an issue in some sectors.

A notable feature of recent geopolitical tensions in the middle east and Red Sea has been limited impact on global supply chains, though this may change. Neither govt bonds nor gold has attracted safe haven buying as a result. This may reflect weaker global growth and demand for shipping, compared to the global economy in 2021-22, when fractured supply chains met surging demand for tradeable goods. Chart 4 shows supply chain pressure has moved only modestly higher to date.

Chart 1: IMF forecasts show a significant upgrade to US and China growth forecasts for 2024. European forecasts have barely changed, with growth very weak, and not yet affected by the recent easing in financial conditions.

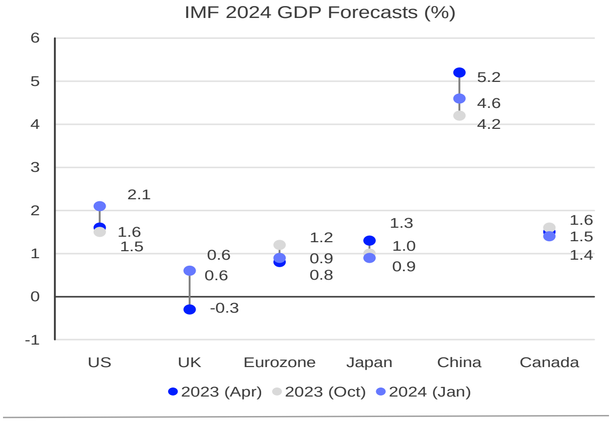


Chart 2: Inflation rates generally ticked higher in December data, as energy prices stabilised and base effects were less favourable. The BoE is not projecting UK inflation at the 2% target until mid-2025.

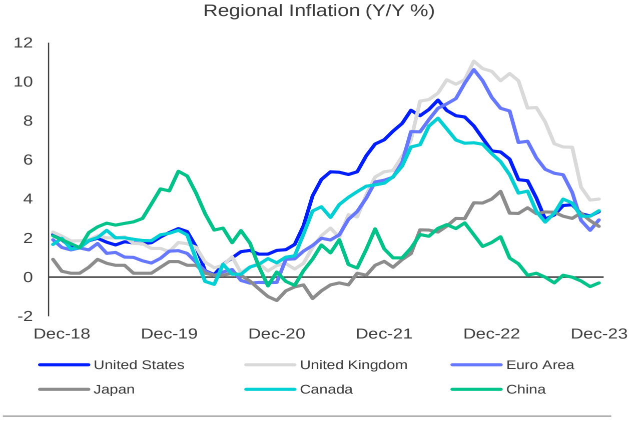


Chart 3: UK wage inflation has slowed but remains well above BoE comfort levels, at 6.6% y/y (exc. bonuses). The tight UK labour market remains a key constraint on BoE policy easing in 2024.

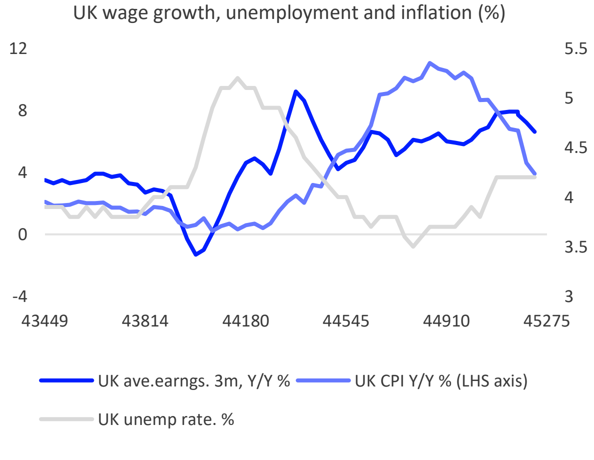
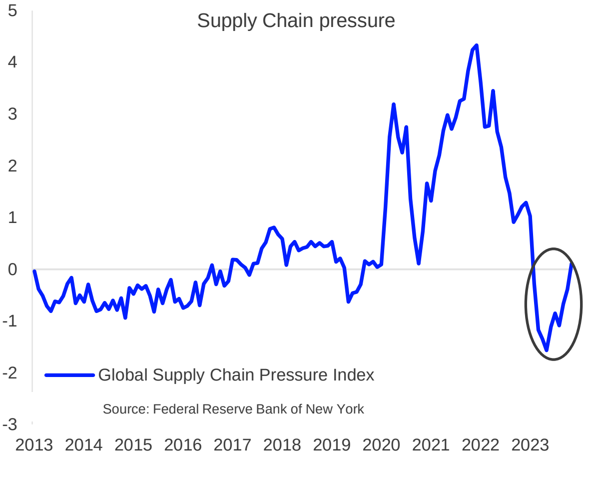


Chart 4: Pressure on supply chain costs from disruption to trade via the Red Sea has proved modest to date and may reflect weaker global growth. This suggests some recovery in global supply chains since Covid (see Chart 4, p 3).



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Financial Conditions and Monetary Policy Settings

G7 financial conditions continue to ease, even though bond yields rose in January. Credit spreads tightened, though mainly because govt yields rose, as corporate yields barely changed. The US dollar stabilised after the sharp sell-off in Q4, as the Fed cautioned on rate cuts, as did the BoE, underpinning sterling. Scope for rapid G7 policy easing remains limited, barring a deflationary shock. UK curve steepening is a feature in long maturities but is not matched in higher breakevens.

Chart 1 shows significant loosening in US financial conditions in recent months, despite higher Fed funds and the tightening spike on the US regional banking crisis in March 2023. Lower Treasury yields, tighter credit spreads, strong US equities and the weaker US dollar were the main drivers. In fact, conditions are now easier than when the Fed began raising rates in March 2022, on both the Chicago and St Louis Fed indices. This may help explain the soft landing in the economy to date.

The US dollar clawed back some of the Q4 losses in January, as rate differentials improved after Fed caution on imminent rate cuts, as Chart 2 shows. The yen's Q4 rally also reversed after lower Japanese inflation in December cast doubt on an early end to curve control. Sterling drew support from higher December inflation data and the prospect of higher UK energy price re-sets in Q1.

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. The case for a rapid easing cycle, remains unclear, and Fed Chairman Powell stressed this at the January FOMC. The BoE's split vote in favour of unchanged rates also suggests the MPC is some way from easing policy.

A notable feature of increased geopolitical tension in the Middle East has been the muted response of oil prices (see Chart 4). This may be explained by weaker global growth, with evidence of excess supply, and an increased share of non-Opec production, particularly from the US. US production has reached record levels of 13mb/d, compared with only 9.6mb/d during the Covid pandemic (US Energy Information Administration data).

Chart 1: US financial conditions have continued to loosen in Q1, and have returned to pre-Fed tightening levels, despite higher short rates, and Fed caution on the speed of policy easing.

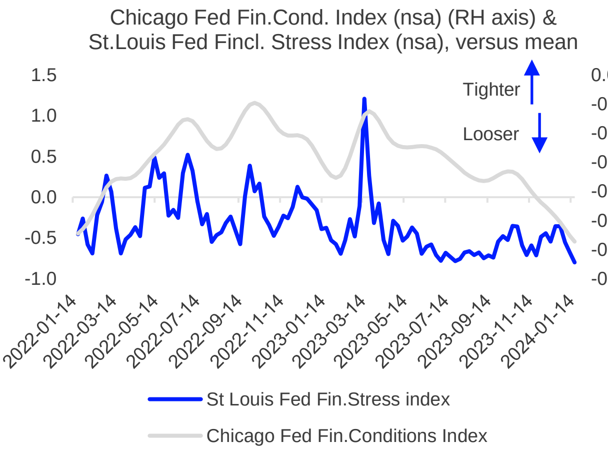


Chart 2: The US dollar recovered in January, after Fed caution on rate cuts. Sterling remains near Q4 highs with little prospect of lower rates. The yen gave up most of the Q4 gains as inflation fell back.

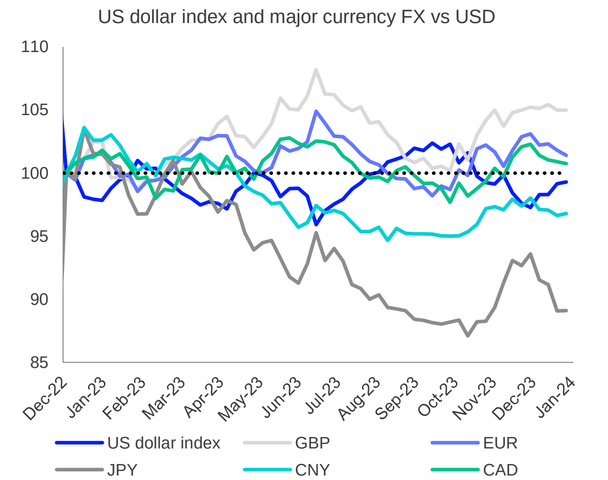


Chart 3: G7 central banks caution on easing policy continues, even if the Fed has pivoted away from further tightening. The BoE's 5-2-1 vote in favour of unchanged rates suggests UK policy easing is still distant.

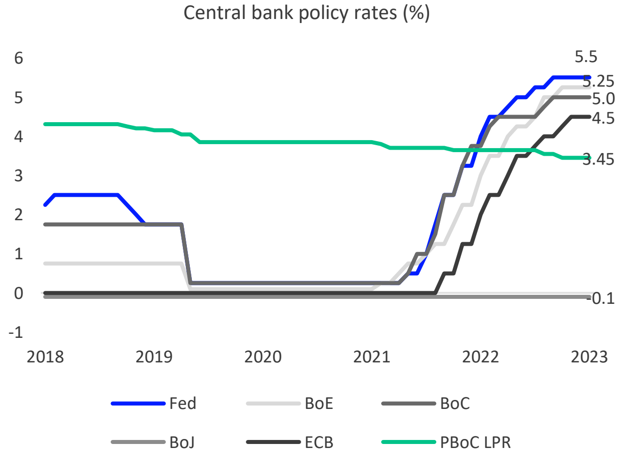
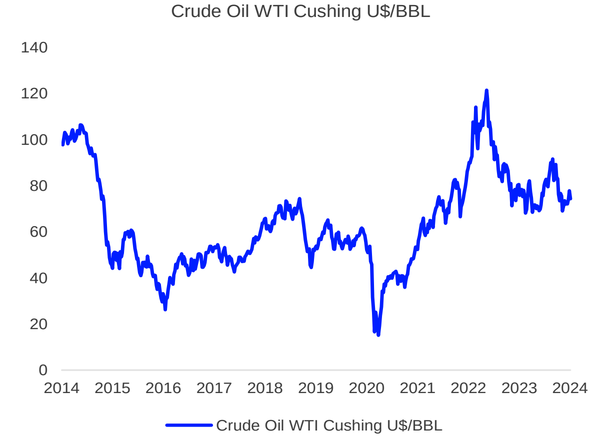


Chart 4: Oil prices reacted only modestly to increased middle east geo-political tension, and disruption to Red Sea shipping. This may reflect excess supply and larger non-OPEC production, led by the US.



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Global Yields, Curves and Breakevens

Chart 1: Q4, notably December, saw a rapid decline in bond yields, erasing 12 months of rises. Disinflation and expectations of policy easing in 2024, after the Fed pivot, were the main drivers.

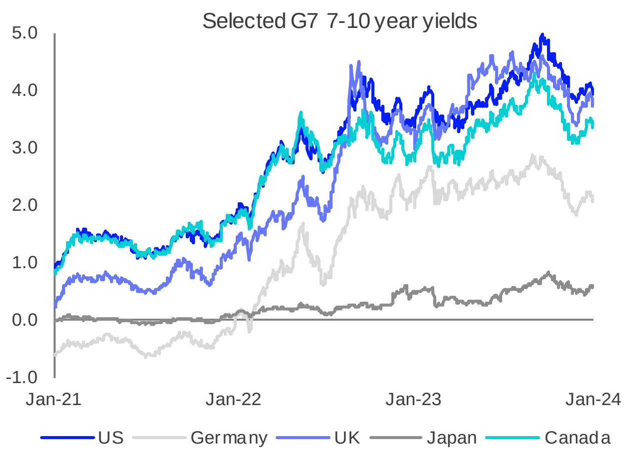


Chart 2: Excluding Japan, real yields also fell sharply in Q4, reflecting weaker real growth as global economic activity feels the impact of the sharp rate rises during 2023.

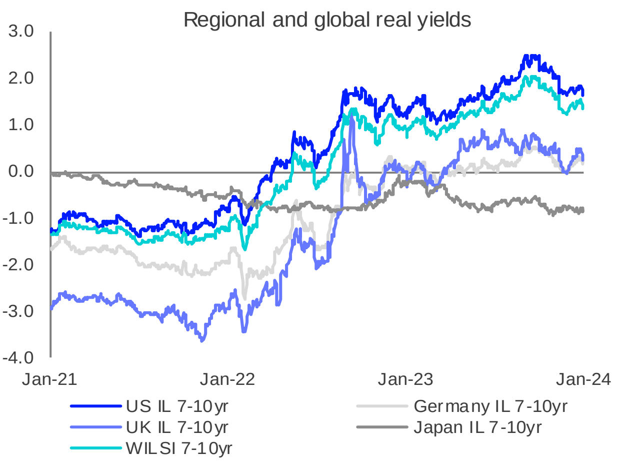


Chart 3: Yield curves have remained deeply inverted, after G7 curves bull flattened, with the Canadian yield curve the most inverted. Even the Japanese yield curve bull flattened, as inflation fell, and the yen rallied.

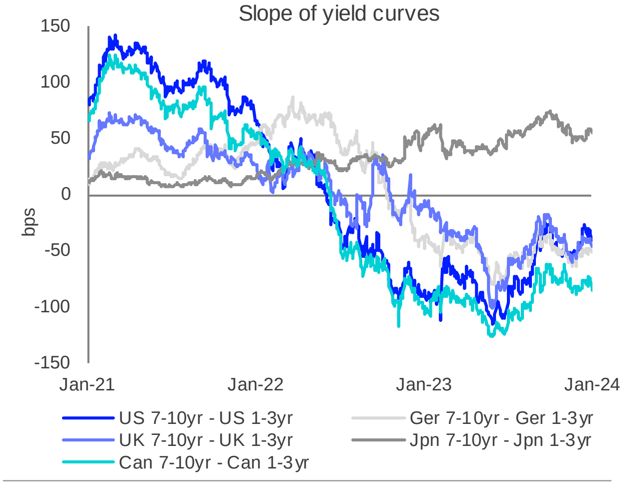


Chart 4: Most long G7 yield curves remained inverted in Q4, though the UK curve remains close to flat. The Canadian curve remained more inverted than peers and dis-inverted less in 2023.

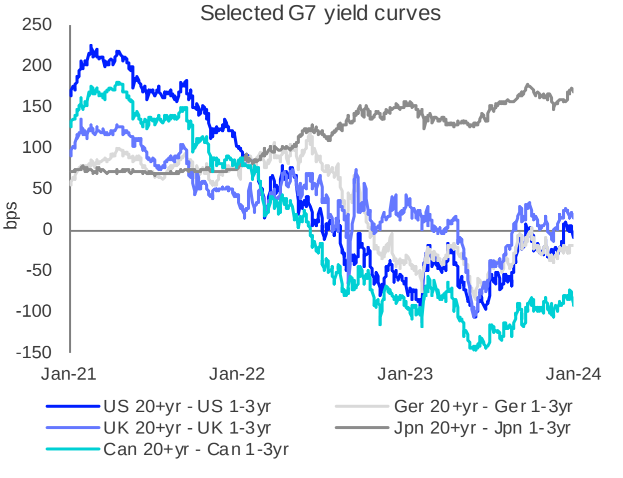


Chart 5: G7 inflation breakevens fell in Q4, remaining correlated with (lower) spot inflation. Japanese breakevens fell sharply, as the 2022-23 increase in inflation began to unwind and investors favoured nominal bonds.

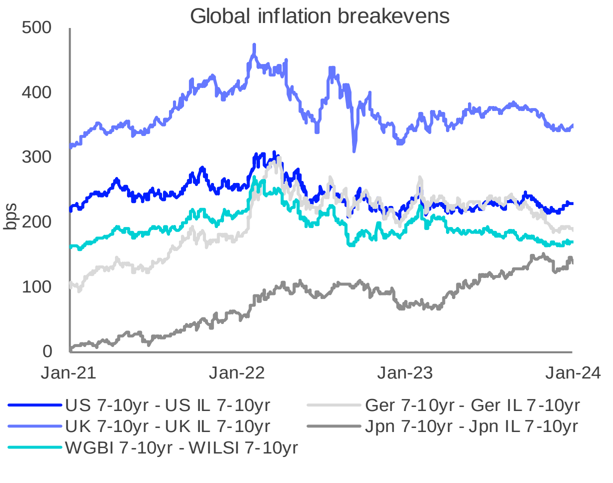
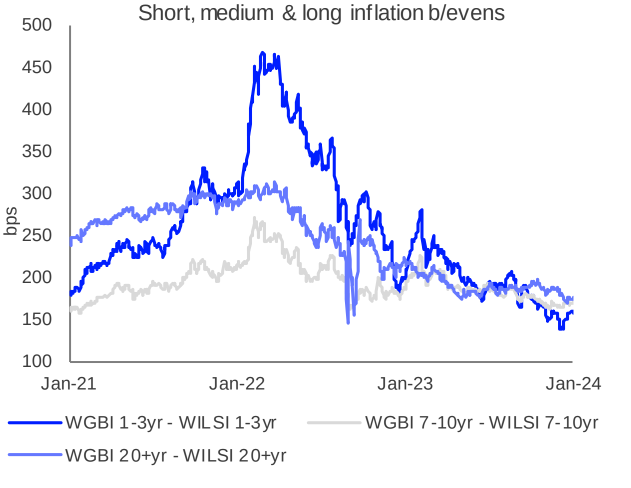


Chart 6: Global breakevens have fallen to pre-2020 levels, after global inflation eased on weaker economic growth and lower energy costs. Food inflation, while still high, has also eased.



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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.

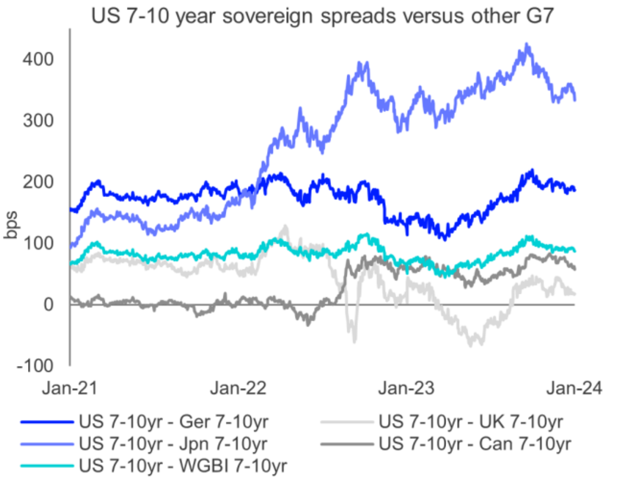

Chart 2: Italian spreads held up well during the market sell-offs in January, widening mainly against Japan, where curve control continues. The support pledged by the ECB on peripheral spreads helped.

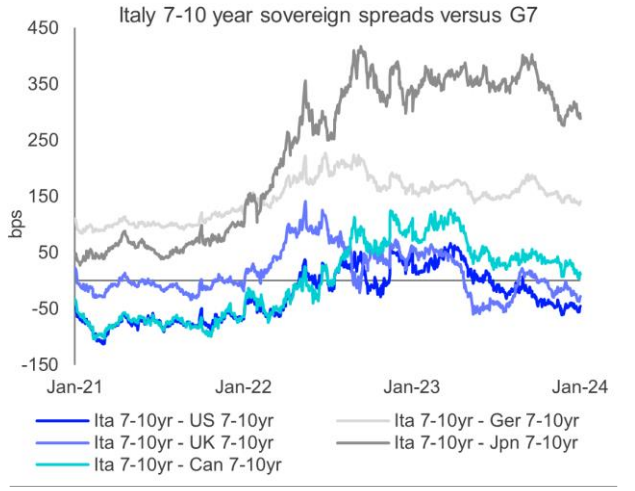

Chart 3: EM spreads tightened versus the G7 in January, helped by the decline in Chinese yields, and the high weighting of China in the EMGBI index. Spreads have steadily tightened in EM since the early days of Covid.

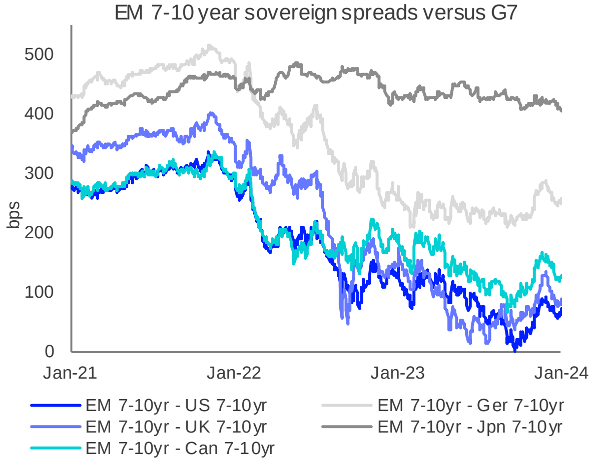

Chart 4: China's yield correlation with G7 yields has remained low since the Covid crisis first erupted in 2020. Chinese yields fell steadily since then, versus the rising G7 trend. Only JGB yields have remained stable.

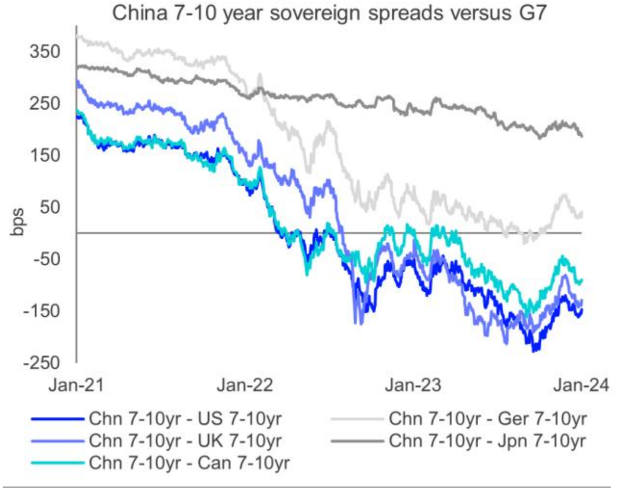

Chart 5: Credit spreads tightened a little in January, but mainly due to the rise in govt bond yields. A surge in corporate issuance restricted tightening in spreads. High yield spreads have converged more than IG in 2023/24.

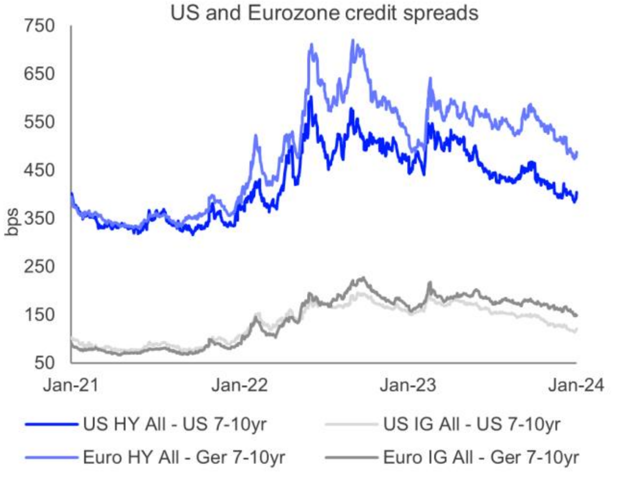

Chart 6: Chinese HY dollar spreads eased to 2400bp in January, as US Treasury yields rose. But the number of issues within Chinese HY property has fallen to less than 20, compared with over 140 in 2020.

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Credit sector and MBS analysis

Chart 1: UK credit spreads have broadly tracked Eurozone spreads since Covid. Insurance spreads normalised since the 2022 spike, but consumer spreads tightened most, despite the spending slowdown.

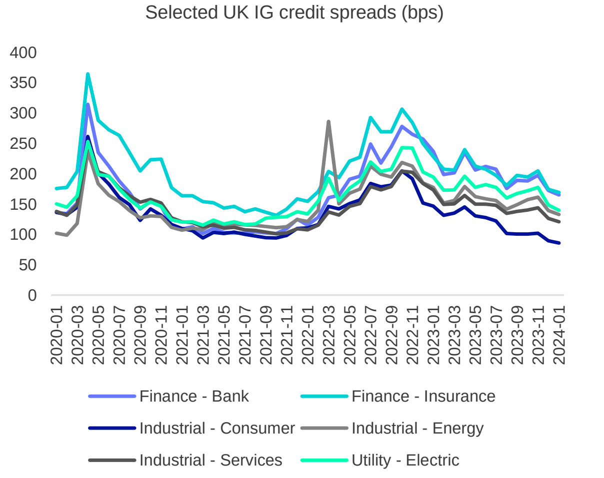


Chart 2: The Ukraine shock effect on Eurozone insurance spreads has largely unwound, though spreads remain above pre-Ukraine levels. Despite heavy IG issuance in January, spreads still edged in.

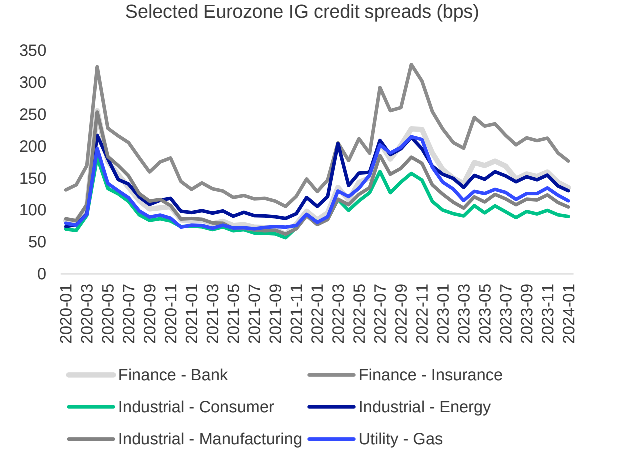


Chart 3: Energy and bank sector spreads have proved most volatile since Covid, and fell to post-Covid lows in January, helped by higher oil prices. Most sector spreads tightened, as govt yields rose in January.

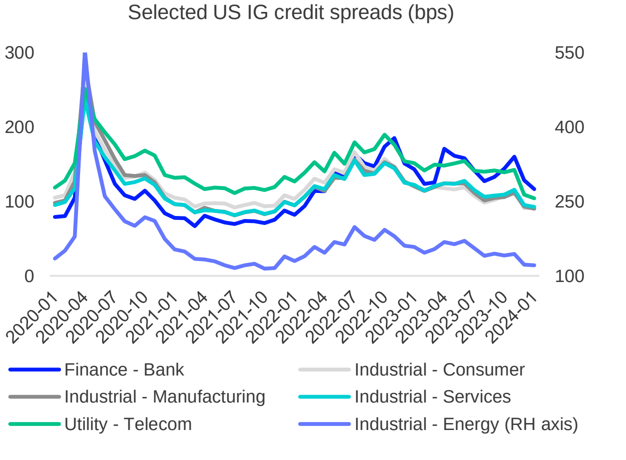


Chart 4: Interest rate sensitive sectors like real estate benefited from the Fed pivot in December, and spreads are finally narrowing, despite the structural issues for commercial real estate (like working from home).

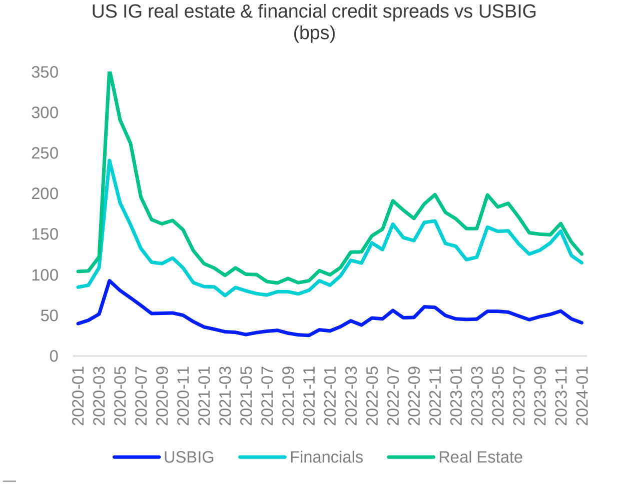


Chart 5: RMBS spreads have widened relative to IG credit, as the Fed has run down its RMBS holdings. Higher US yields also reduce mortgage refis and increase RMBS duration, so spreads tend to be cyclical, and fell in Q4.

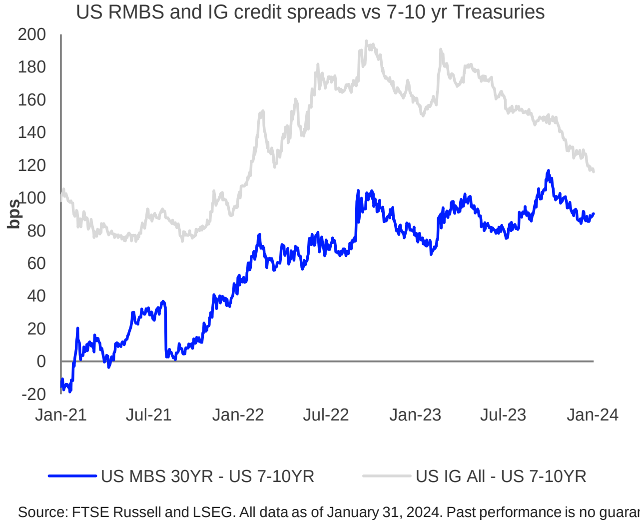
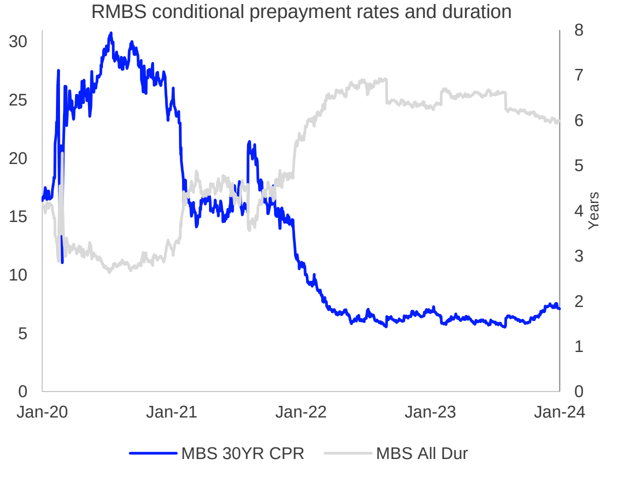


Chart 6: The inverse relationship between RMBS duration and prepayment rates is shown below. Higher rates make it unattractive to refinance mortgages, so RMBS duration increases as yields rise.



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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 in 2021-22. However, Green Sovereign bonds outperformed in the Q4 rally, thanks to extra duration.

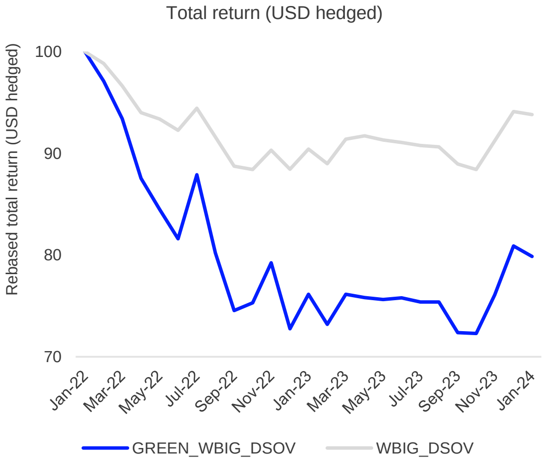


Chart 2: Relative returns in Green IG Corporates have been closer to other IG Corporates since 2022, reflecting similar duration (Chart 4). Spread narrowing during Q4's rally helped Green Corporates outperform.

Chart 3: 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.

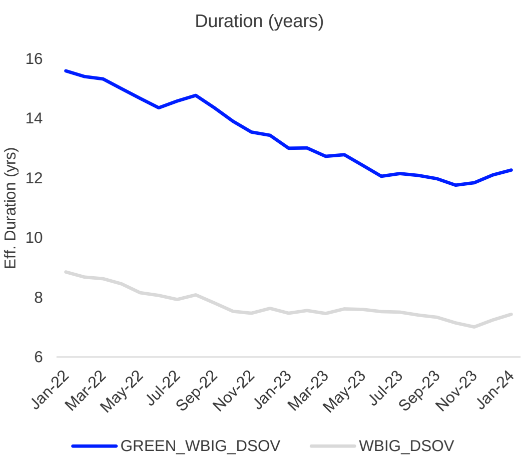


Chart 4: Unlike Sovereigns, Green IG corporates have shorter duration than other IG corporates, though the duration differential is more modest than in Sovereigns.

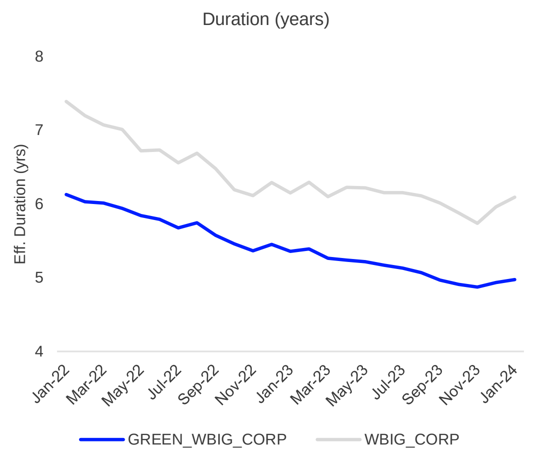


Chart 5: European sovereigns tend to dominate Green sovereign Issuance, as they seek to fill out a Green yield curve. The issues tend to be large, like the recent £10bn Green Gilt 2053 re-opening.

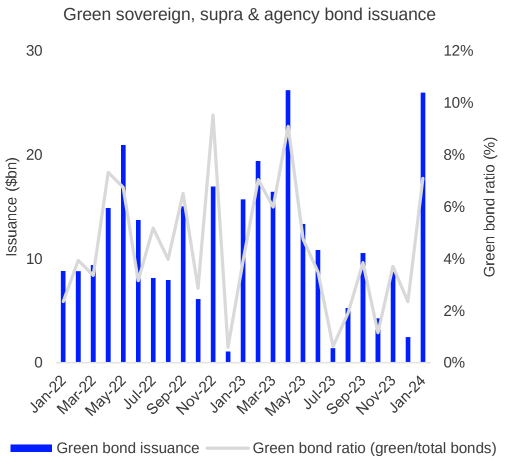
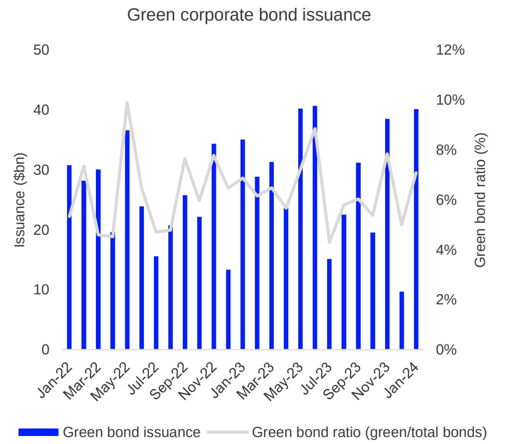


Chart 6: The ratio of green bond issuance to total bond issuance has rebounded to 7%, after falling to only 4% in July 2023. January 2024's Green issuance of about $40bn was close to a monthly record.



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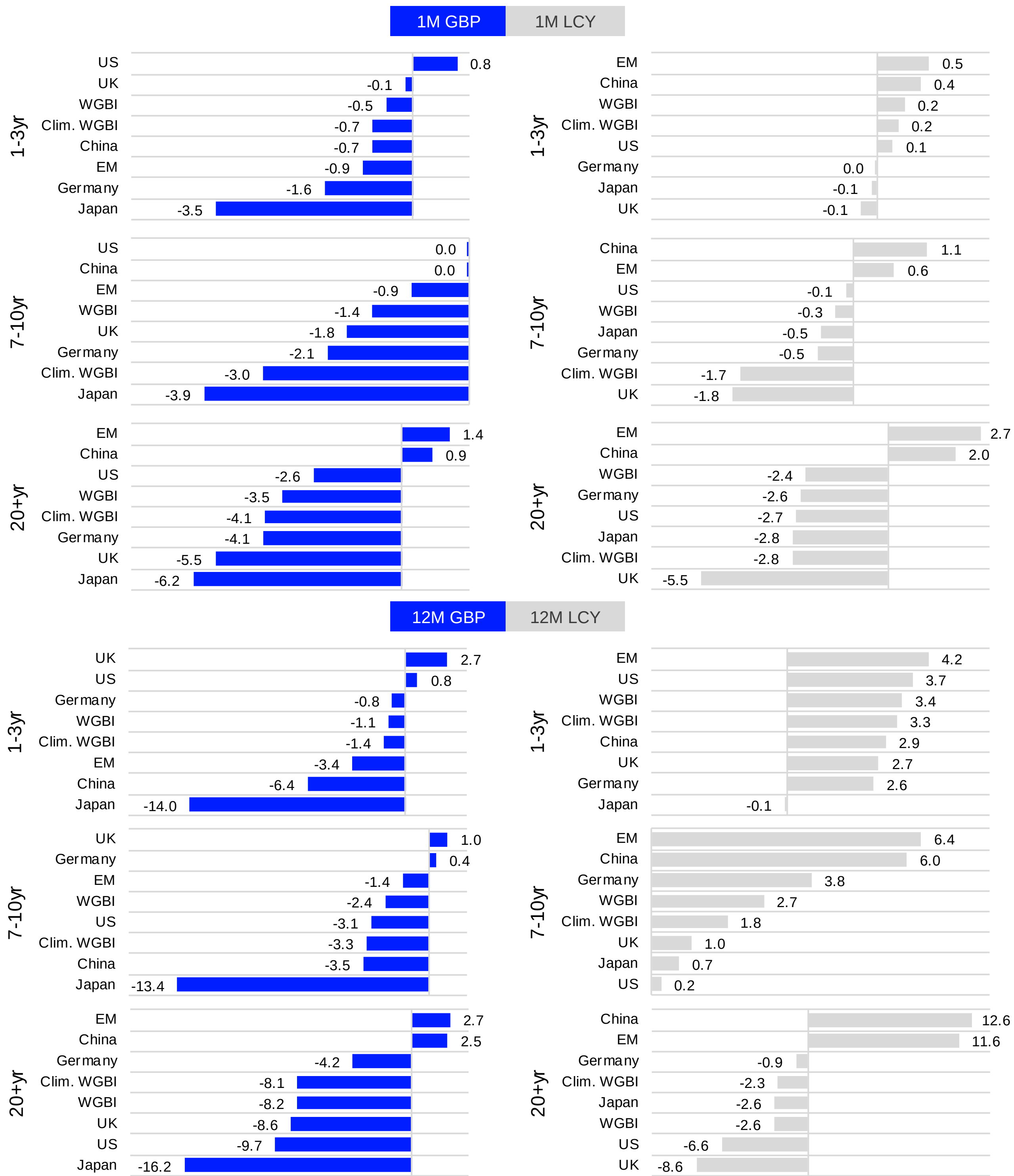
Global Bond Market Returns – 1M & 12M % (GBP, LC, TR)

Government bonds fell in January, after inflation ticked higher, and central bank caution on easing, following the powerful Q4 rally. Longer maturities fell most, led by UK gilts and JGBs, falling 3-6% in sterling. China and EM bonds showed their defensive qualities on 1M. 12M returns show JGBs underperforming substantially due to yen weakness.

Long China and EM made modest gains in January, proving safe havens as G7 bonds equivalents fell back. Rising geopolitical tensions in the Middle East failed to drive a flight to quality in governments, and sterling strength also squeezed overseas returns.

12M returns show similar losses in longs, despite the Q4 rally in UK gilts, Treasuries and WGBI, but the weak yen drove bigger losses of 13-16% in JGBs. Short UK gilts, Treasuries and Chinese governments outperformed, helped by lower PBoC rates.

CONVENTIONAL GOVT BONDS



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Global Inflation-Linked Bond Returns – 1M & 12M % (GBP, LC, TR)

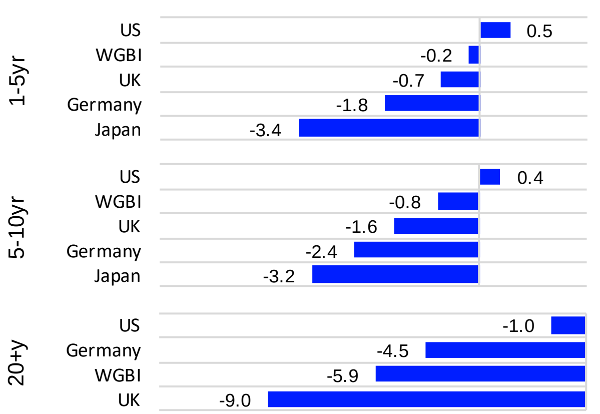
- **Inflation linked govt bonds followed conventionals lower in January, with long UK linkers very weak, losing 9%. Extra duration in UK linkers and little prospect of early UK rate cuts weighed on longs. Credit barely moved though Euro IG lost 1.4%. 12M returns tell a similar story in long linkers with losses of 9-19% in Tips, JGBs, Bunds and UK inflation linked.**

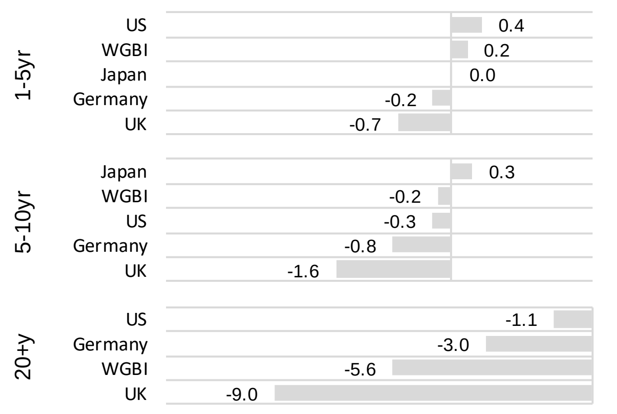
Sterling strength squeezed overseas returns in January, for sterling-based investors, but the main moves were driven by higher long end yields and the duration effect on returns. Markets reversed some of Q4's gains in the longs, though US Tips held up well.

Credit continues to show strong gains on 12M, helped by the equity rally, with gains of 6-7% in Euro and US HY in sterling.

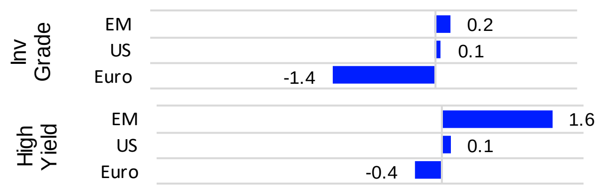
INFLATION LINKED BONDS

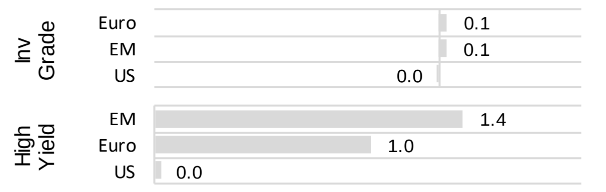
1M GBP | 1M LCY





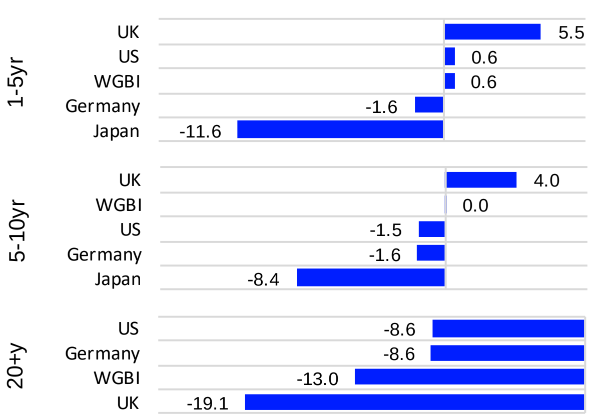
CORPORATE BONDS

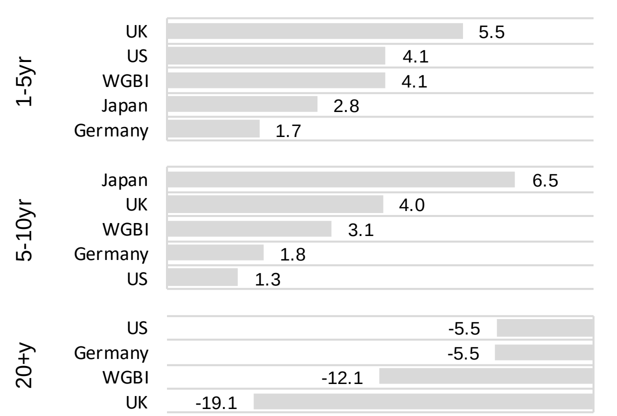




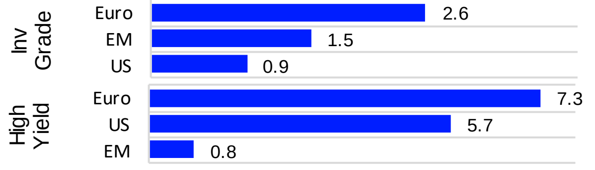
INFLATION LINKED BONDS

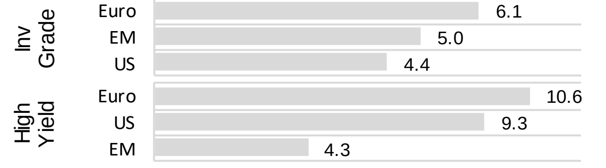
12M GBP | 12M LCY





CORPORATE BONDS





Source: FTSE Russell and LSEG. All data as of October 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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

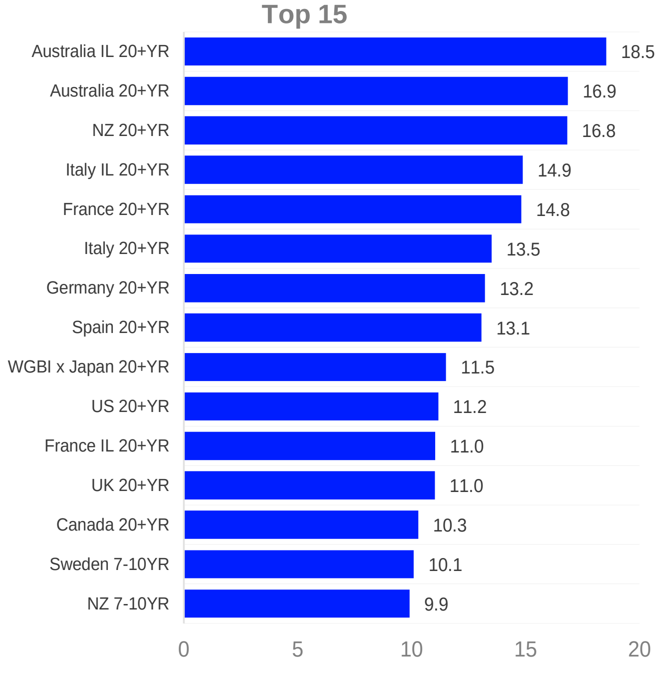
Top and Bottom Bond Returns − 3M & 12M % (GBP, TR)

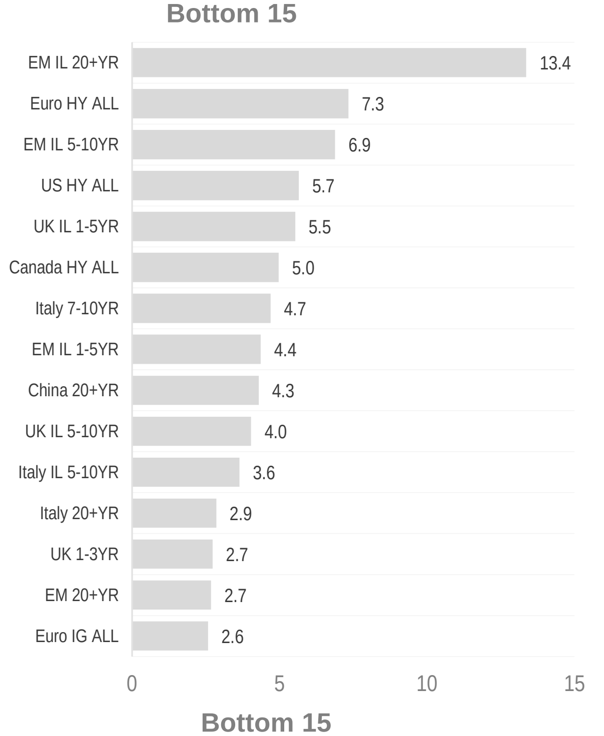
3M returns have a very different profile from 1M, and capture the Q4 rally in longs, as well as the January dip. The main driver was the decline in yields since October, led by long Eurozone govts. 12M returns capture the weakness in longs for much of 2023, as policy rates rose.

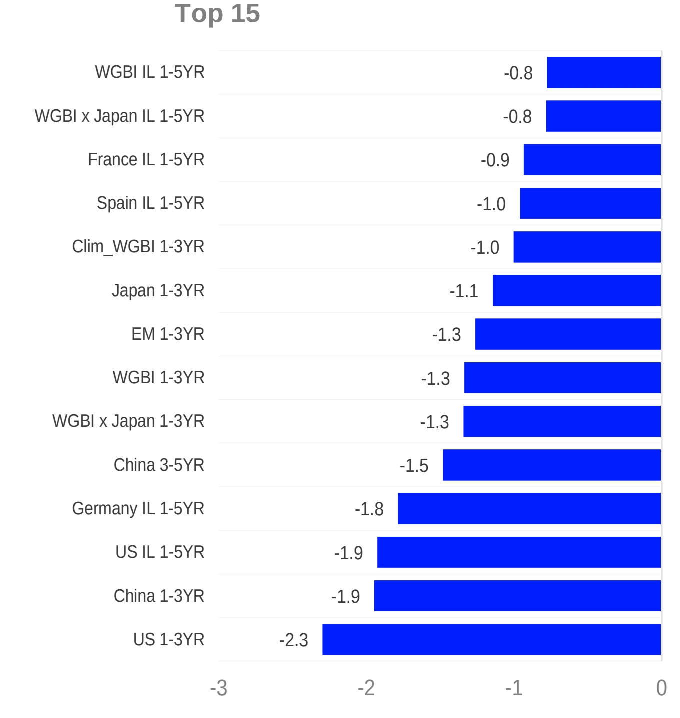
The surge in longs in November and December after the Fed pivot drove sterling returns of 10-19% on 3M, in the Eurozone, UK and Australasia. Short maturities lagged the three month rally (but outperformed strongly on 1 month- see page 9).

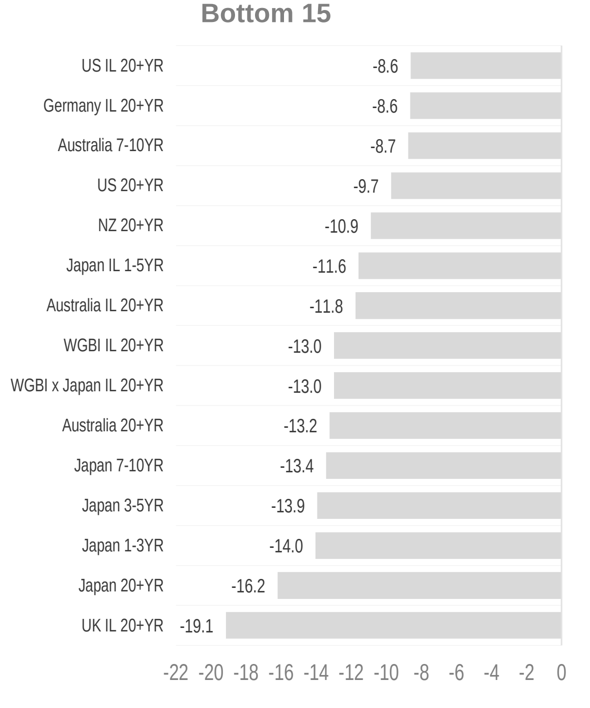
Credit and EM inflation linked have been consistently strong performers over 12M, returning 7-13% in sterling. Conversely, long UK linkers have suffered from their ultra-long duration, losing 19%, and JGBs from yen weakness, losing 14-16% in sterling.

3M GBP | 12M GBP









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

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	2.54	-2.30	3.29	4.36	0.36	0.47	3.95	0.49
	7-10YR	8.55	3.43	2.38	3.45	-0.13	-0.02	0.24	-3.10
	20+YR	16.67	11.17	-1.63	-0.61	-2.72	-2.62	-6.61	-9.71
	IG All	10.48	5.28	4.81	5.90	-0.01	0.09	4.37	0.89
	HY All	8.40	3.30	5.96	7.06	0.03	0.13	9.29	5.66
UK	1-3YR	1.96	1.96	3.78	3.78	-0.14	-0.14	2.73	2.73
	7-10YR	6.32	6.32	6.08	6.08	-1.80	-1.80	0.95	0.95
	20+YR	11.02	11.02	2.09	2.09	-5.53	-5.53	-8.59	-8.59
EUR	IG All	5.27	3.08	4.95	4.47	0.12	-1.45	6.09	2.58
	HY All	7.14	5.18	7.68	7.26	1.02	-0.38	10.58	7.34
Japan	1-3YR	0.13	-1.14	-0.07	-1.86	-0.05	-3.50	-0.05	-14.04
	7-10YR	2.32	1.02	-0.12	-1.91	-0.49	-3.92	0.66	-13.43
	20+YR	2.62	1.31	-6.65	-8.33	-2.82	-6.18	-2.57	-16.20
China	1-3YR	0.96	-1.95	1.23	1.81	0.39	-0.73	2.93	-6.35
	7-10YR	2.35	-0.59	2.98	3.57	1.09	-0.03	6.04	-3.52
	20+YR	7.67	4.58	7.71	8.33	3.82	2.67	14.63	4.30
EM	1-3YR	1.49	-1.26	1.90	1.81	0.46	-0.89	4.19	-3.43
	7-10YR	4.35	1.27	2.91	2.21	0.60	-0.86	6.38	-1.41
	20+YR	7.51	4.39	5.80	5.52	2.75	1.41	11.62	2.68
	IG All	7.30	2.24	3.81	4.88	0.11	0.22	4.99	1.50
	HY All	7.88	2.79	5.77	6.87	1.45	1.55	4.32	0.85
Germany	1-3YR	1.53	-0.58	2.17	1.70	-0.01	-1.57	2.57	-0.83
	7-10YR	5.68	3.49	4.10	3.63	-0.54	-2.09	3.78	0.35
	20+YR	15.62	13.22	4.58	4.10	-2.58	-4.10	-0.93	-4.21
Italy	1-3YR	2.27	0.15	2.85	2.38	0.20	-1.36	3.90	0.46
	7-10YR	8.48	6.23	5.22	4.74	0.23	-1.34	8.28	4.70
	20+YR	15.92	13.52	4.91	4.43	-0.29	-1.84	6.38	2.86
Spain	1-3YR	1.83	-0.28	2.61	2.14	0.16	-1.41	3.14	-0.27
	7-10YR	6.97	4.75	5.24	4.76	-0.36	-1.92	5.52	2.03
	20+YR	15.46	13.07	5.71	5.22	-1.77	-3.31	2.89	-0.52
France	1-3YR	1.81	-0.31	2.50	2.03	-0.03	-1.59	2.92	-0.48
	7-10YR	6.49	4.28	4.66	4.19	-0.51	-2.06	4.16	0.71
	20+YR	17.25	14.82	6.32	5.83	-2.38	-3.90	0.67	-2.66
Sweden	1-3YR	1.73	4.82	2.41	5.23	-0.01	-2.37	2.25	0.16
	7-10YR	6.85	10.09	4.49	7.37	-1.16	-3.49	1.45	-0.62
Australia	1-3YR	2.52	2.00	2.65	1.75	0.36	-2.67	2.53	-7.01
	7-10YR	8.29	7.74	2.75	1.84	-0.07	-3.08	0.62	-8.74
	20+YR	17.46	16.86	1.45	0.56	-1.59	-4.56	-4.32	-13.23
NZ	1-3YR	2.48	3.34	3.19	3.12	0.09	-2.59	3.79	-4.43
	7-10YR	8.99	9.91	3.56	3.49	-1.39	-4.03	1.19	-6.83
Canada	1-3YR	2.41	1.40	3.22	2.75	-0.24	-1.44	2.69	-0.85
	7-10YR	6.15	5.10	3.25	2.77	-1.44	-2.63	0.03	-3.42
	20+YR	11.39	10.29	1.73	1.26	-4.50	-5.64	-3.12	-6.46

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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

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

Inflation-Linked 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	1-5YR	2.92	-1.93	3.02	4.08	0.44	0.55	4.11	0.65
	5-10YR	6.79	1.76	2.24	3.30	0.48	0.58	2.08	-1.31
	20+YR	14.80	9.39	-2.72	-1.72	-1.10	-0.99	-5.46	-8.61
UK	1-5YR	2.28	2.28	4.25	4.25	-0.74	-0.74	5.53	5.53
	5-10YR	3.89	3.89	3.63	3.63	-1.61	-1.61	4.04	4.04
	20+YR	7.75	7.75	-6.12	-6.12	-8.95	-8.95	-19.15	-19.15
EUxUK	1-5YR	0.30	-1.79	0.39	-0.07	-0.24	-1.80	1.72	-1.64
	5-10YR	1.82	-0.30	-0.30	-0.76	-0.81	-2.36	1.81	-1.56
	20+YR	8.72	6.47	-5.11	-5.54	-3.01	-4.53	-5.51	-8.64
Japan	1-5YR	0.65	-0.64	0.98	-0.83	0.03	-3.42	2.81	-11.58
	5-10YR	2.15	0.85	2.21	0.38	0.31	-3.16	6.54	-8.37
EM	1-5YR	3.60	-0.19	4.17	0.15	0.93	-0.91	12.44	4.36
	5-10YR	5.43	2.58	3.29	-0.50	-0.03	-1.93	12.32	6.89
	20+YR	9.14	6.63	2.91	-0.03	-1.69	-3.47	13.93	13.36
Germany	1-5YR	0.30	-1.79	0.39	-0.07	-0.24	-1.80	1.72	-1.64
	5-10YR	1.82	-0.30	-0.30	-0.76	-0.81	-2.36	1.81	-1.56
	20+YR	8.72	6.47	-5.11	-5.54	-3.01	-4.53	-5.51	-8.64
Italy	1-5YR	2.53	0.40	2.36	1.90	0.01	-1.55	4.94	1.47
	5-10YR	6.32	4.11	1.65	1.18	-0.17	-1.72	7.19	3.65
	20+YR	17.32	14.88	-5.20	-5.63	-1.91	-3.44	1.72	-1.64
Spain	1-5YR	1.14	-0.96	1.18	0.72	-0.26	-1.82	2.85	-0.55
	5-10YR	3.25	1.11	1.26	0.80	-0.55	-2.10	4.01	0.57
France	1-5YR	1.17	-0.93	1.05	0.59	-0.16	-1.72	2.37	-1.02
	5-10YR	2.66	0.53	0.72	0.26	-0.77	-2.32	2.76	-0.64
	20+YR	13.39	11.04	-3.57	-4.01	-3.96	-5.46	-3.64	-6.83
Sweden	1-5YR	1.43	4.51	1.78	4.58	-0.38	-2.74	2.16	0.07
	5-10YR	3.93	7.09	1.81	4.61	-1.40	-3.73	1.53	-0.54
Australia	1-5YR	2.63	2.10	3.02	2.11	-0.05	-3.07	4.53	-5.20
	5-10YR	6.33	5.78	3.83	2.91	-0.40	-3.41	3.82	-5.84
	20+YR	19.15	18.54	2.72	1.82	-3.99	-6.89	-2.70	-11.75
NZ	5-10YR	6.15	7.04	3.84	3.77	-0.91	-3.56	4.31	-3.95
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	7.23	5.94	1.87	1.40	-3.06	-4.22	-3.08	-6.42

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

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	4.45	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		

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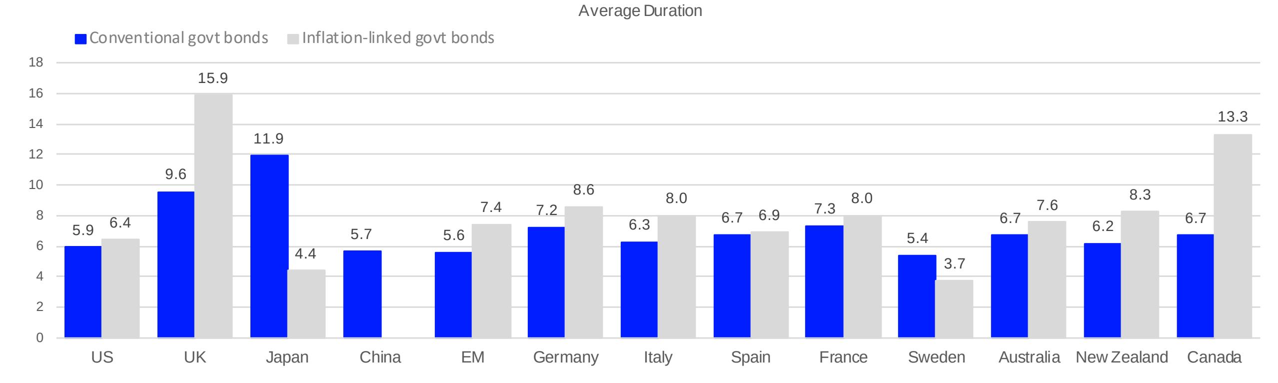
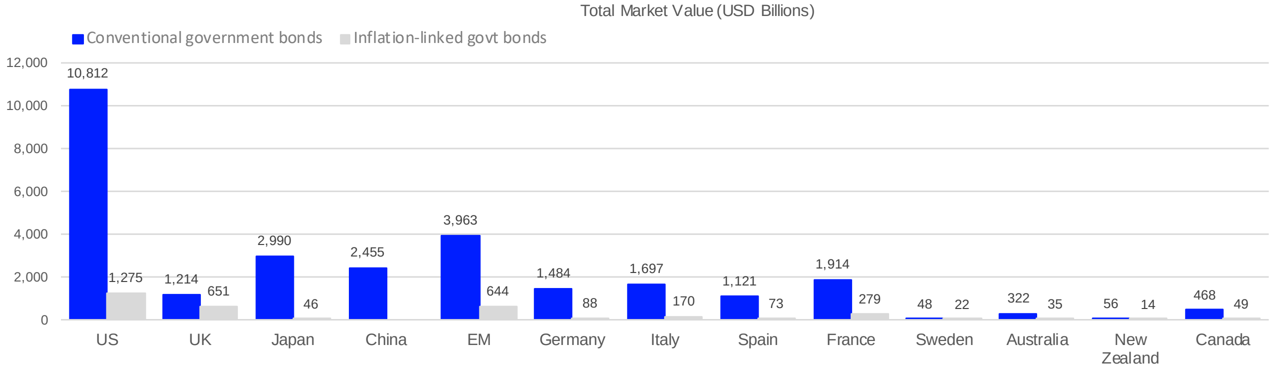
Appendix – Duration and Market Value (USD, Bn) as of January 31, 2024

	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





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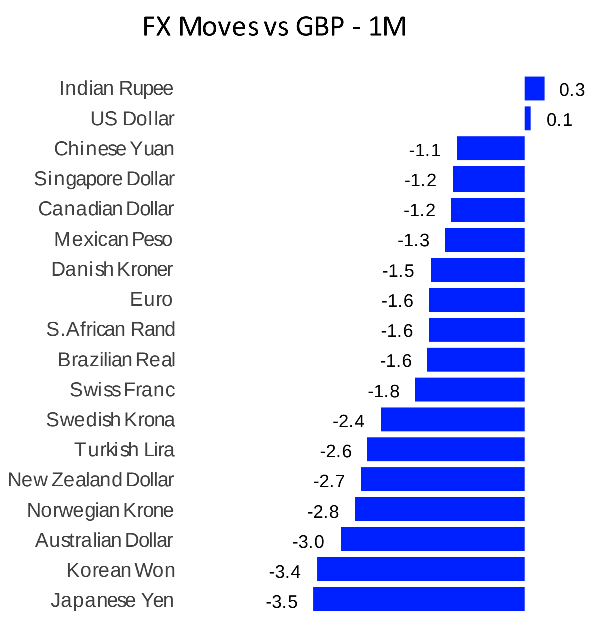
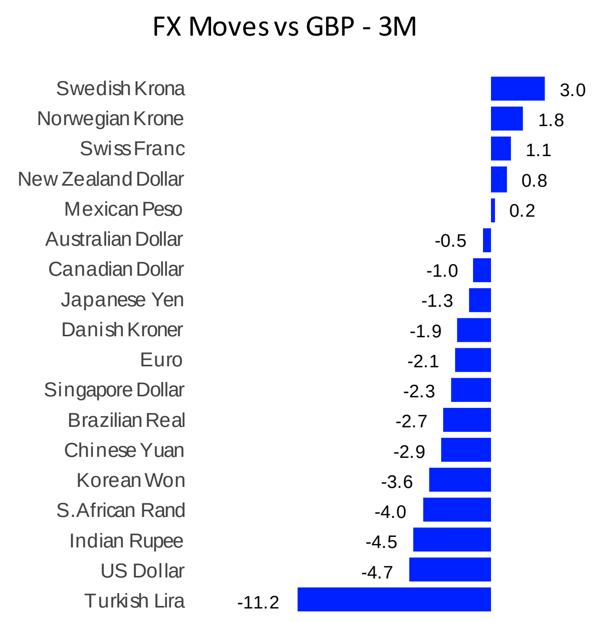
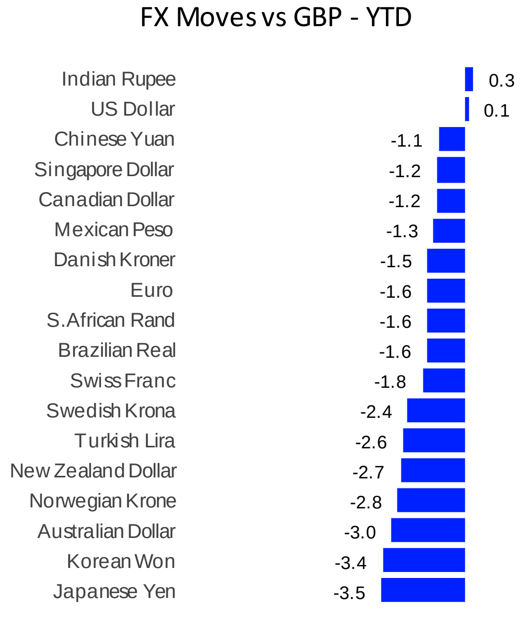
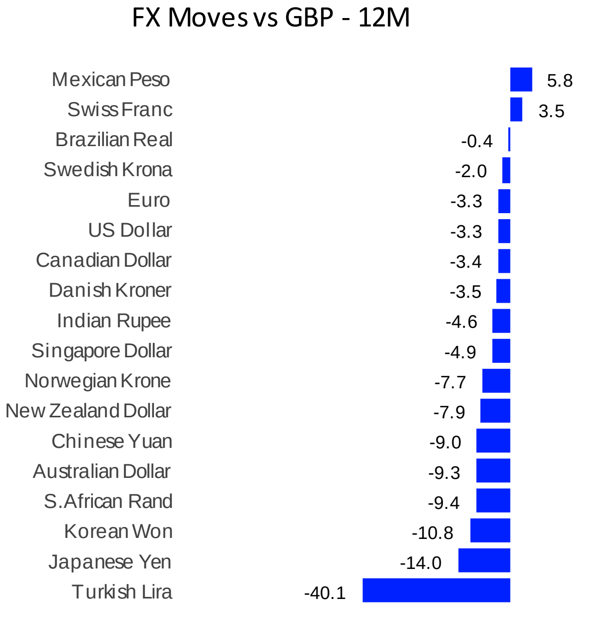
Appendix – Foreign Exchange Returns % as of January 31, 2024









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 Indexes. See Appendix Glossary for list of indexes 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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For over 35 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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