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Fixed Income Insights

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

FOR PROFESSIONAL INVESTORS ONLY

Slower easing prospects worry markets, despite scope for rate cuts

Central bank caution and an inflation uptick drove a 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 government bonds, or major damage to supply chains.

Macro and policy backdrop – Realisation 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 slower than markets expect. (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, though 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 some Q4 gains in January. Credit, China and EM bonds held up well in sell-off
UK long linkers fell 9% in USD in January, amid a broad sell-off in longs. China, credit & 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.

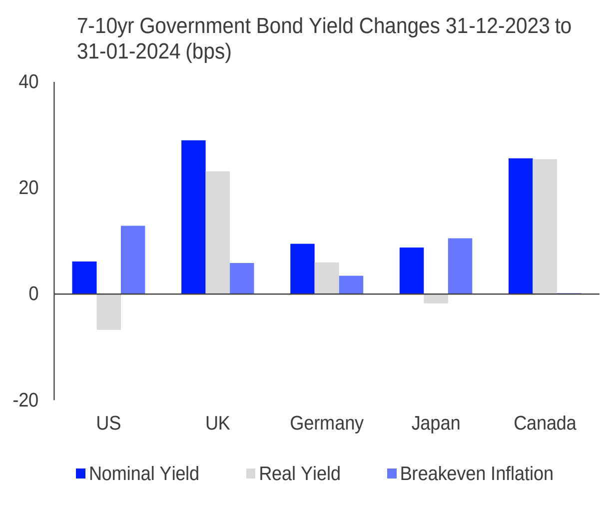
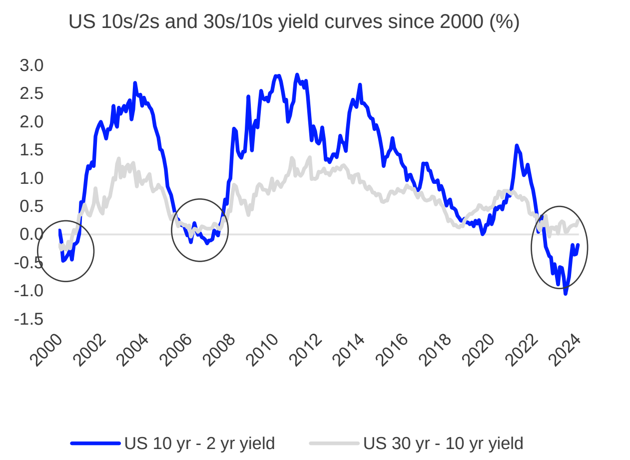


Chart 2: Have markets been looking at the wrong curve? 30s/10s has not inverted in 2022-24 but did before previous US recessions.



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 US labour market remains near full employment, 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 geopolitical tension, Red Sea trade disruption, and higher energy prices remain 2024 growth threats.

Inflation mostly ticked up in December, as energy prices stabilized (Chart 1). Most central banks are forecasting a rebound in inflation in H1 2024, reflecting less favorable base effects, and pass through of labour cost increases. Core US inflation exceeds headline, at 3.9% v 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.

The soft landing for the US labour market remains intact, with unemployment still below 4%, and wage inflation stabilizing around 4% y/y. The labor force participation rate has never recovered to pre-Covid levels, at 62.7%, which compares with 66-67% in the Goldilocks period. Despite ageing demographics, the participation rate has dropped most in the 20-24 years age cohort.

A notable feature to date of recent geopolitical tensions in the Middle East and Red Sea has been limited impact on oil prices and 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.

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

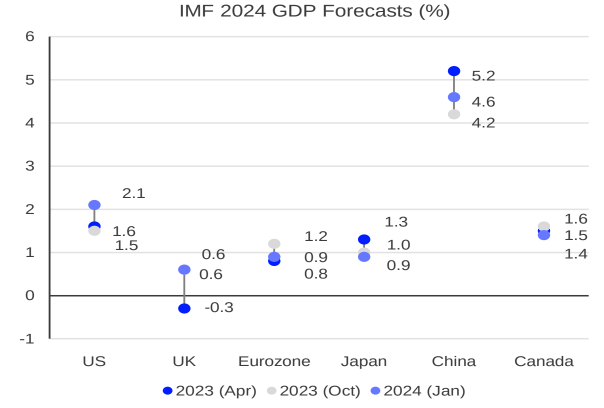


Chart 2: Inflation ticked higher in December, and may prove stickier above 2% than markets presume. US core inflation is still near 4% y/y, and base effects are less favorable in 2024. Chinese deflation risks remain.

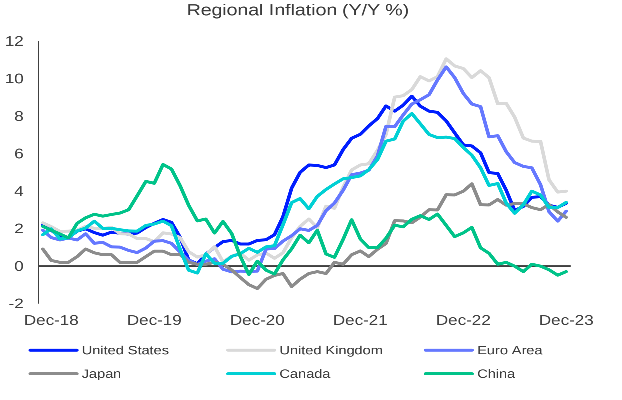
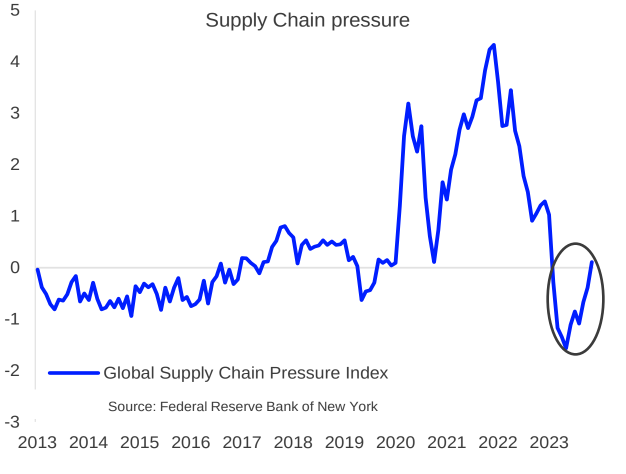


Chart 3: Immaculate disinflation? The US labor market is near full employment, with unemployment at 3.7%, helped by lower lab. participation at 62.7% (63.3% pre-Covid). Wage growth stabilized near 4% y/y.

Chart 4: Pressure on supply chain costs from disruption to trade routes in the Red Sea has proved modest to date and may reflect weaker global growth. This suggests global supply chains have recovered since Covid.



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Financial Conditions and Monetary Policy Settings

Financial conditions continue to ease, even though bond yields rose in January. Credit spreads tightened further, mainly because govt bond yields rose (see page 5). The dollar stabilized after the sharp sell-off in Q4, as the Fed cautioned on early rate cuts, as did other central banks. Scope for rapid policy easing remains limited, barring a deflationary shock, even if the Fed's R* estimates for the neutral policy rate suggest 200bp + of easing is plausible over the cycle, if accurate.

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. 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 Covid and GFC easing, remains unclear.

NY Fed* estimates of r*,or the real interest rate consistent with full employment and inflation at target, are close to 1% as Chart 4 shows. This equates to 3% Fed funds, with 2% inflation. Chairman Powell has said the Fed will not be a slave to these estimates, but if accurate, they suggest scope for 200 bp+ in easing, even if the easing is dragged out over 2-3 yrs, like the 2000-03 easing cycle.

* Holston, Laubach, and Williams, NY Fed. June 2023

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.

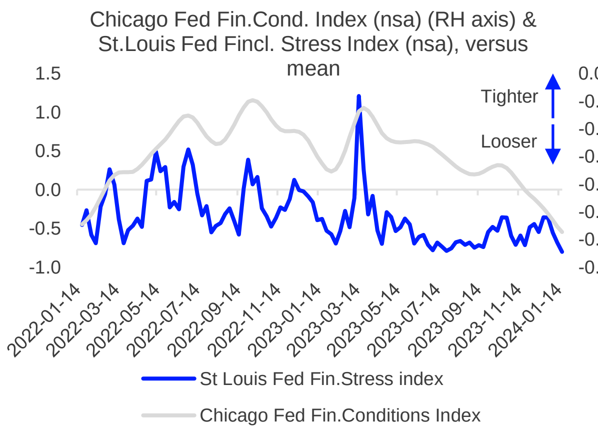


Chart 2: The US dollar recovered in January, after Fed caution on rate cuts, lower Japanese inflation and ECB discussion of easing. The yen gave up most Q4 gains as prospects receded of an early end to curve control.

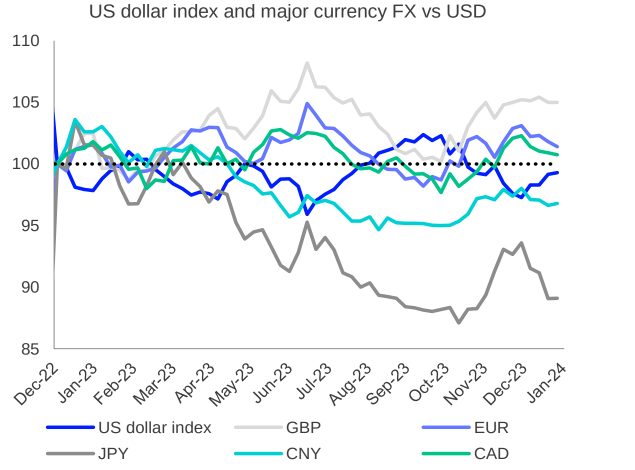


Chart 3: Central banks remain cautious about rapid easing, even if growth is very weak in Europe, and inflation near targets generally. A protracted easing cycle looks more likely than a GFC or Covid re-run.

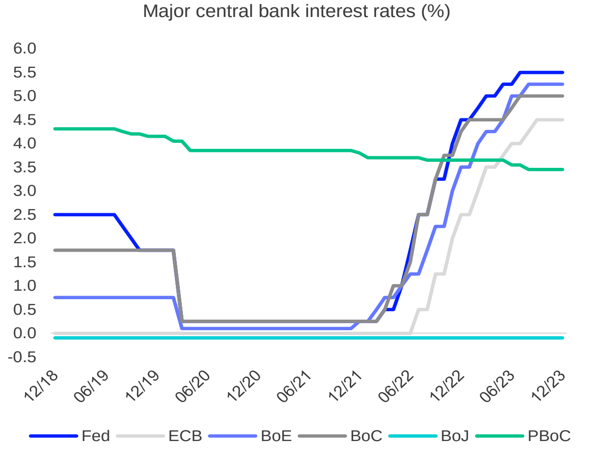
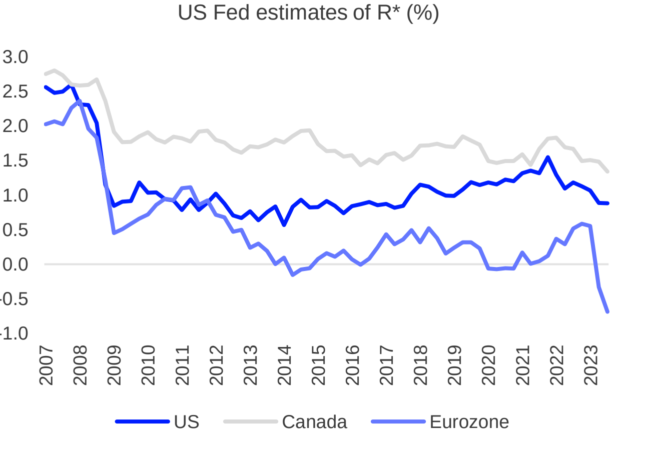


Chart 4: Latest Fed estimates of the neutral real rate (R*) for the US are near 1%, or 3% in nominal terms (given the 2% inflation target). With Fed funds above 5%, this gives scope for sizeable rate cuts, but not quickly?



Source: FTSE Russell, LSEG, US Federal Reserve. Data available 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 Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Global Yields, Curves and Breakevens

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

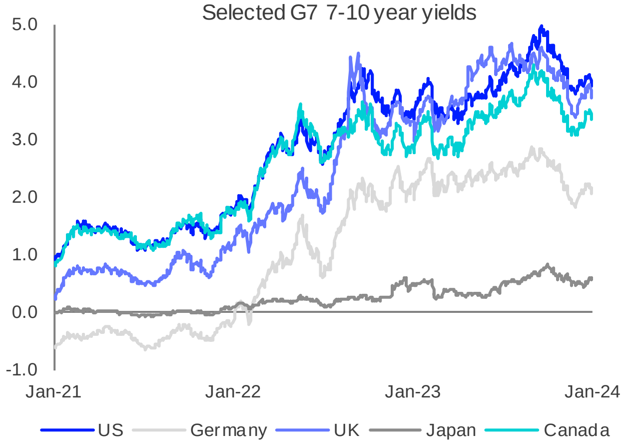


Chart 2: 7-10 year real yields also increased in January, though US Tips moved less. UK linkers gave up more ground after the strong Q4 rally. BoE caution on rates weighed on UK gilts.

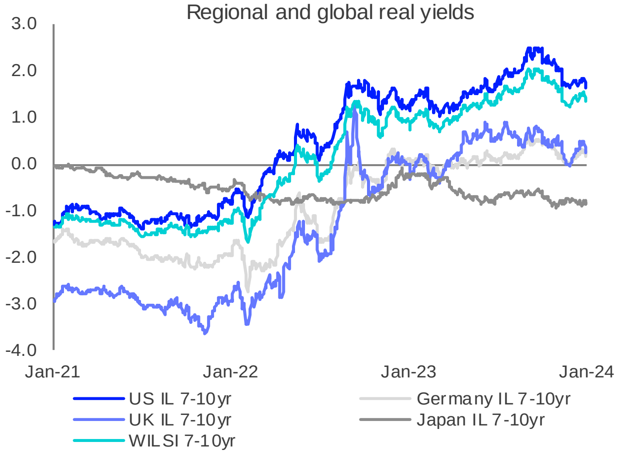


Chart 3: Yield curves bear steepened in January, as 7-10 year yields rose more than shorter dates, though the moves were modest, and curves remain deeply inverted, apart from JGB curve control.

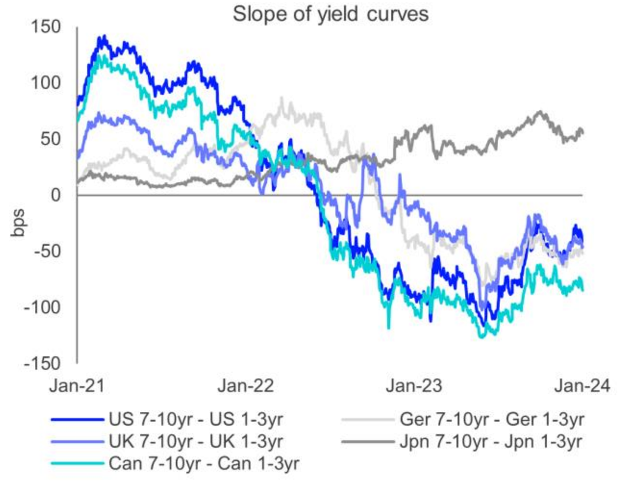


Chart 4: It was a similar story at the long end, taking yield curves back to positive gradients in the UK and US, in January. There was further steepening in long JGBs, as the market reversed some of the Q4 gains.

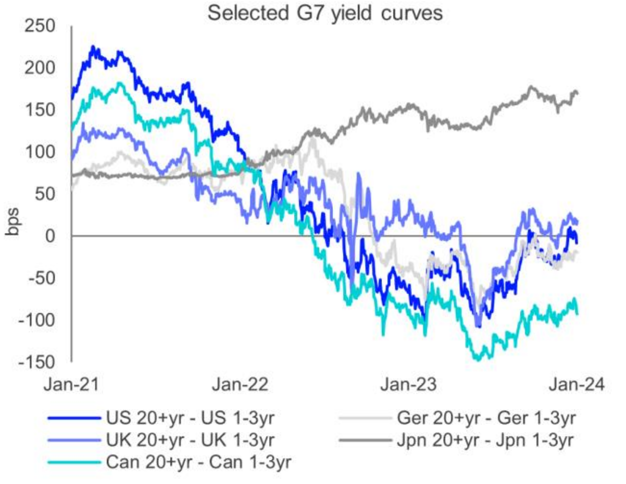


Chart 5: Inflation breakevens mostly ticked higher, led by the US, after the inflation uptick in December data. Breakevens tend to be directionally correlated with nominal yields, and tracked nominal yields higher in Jan.

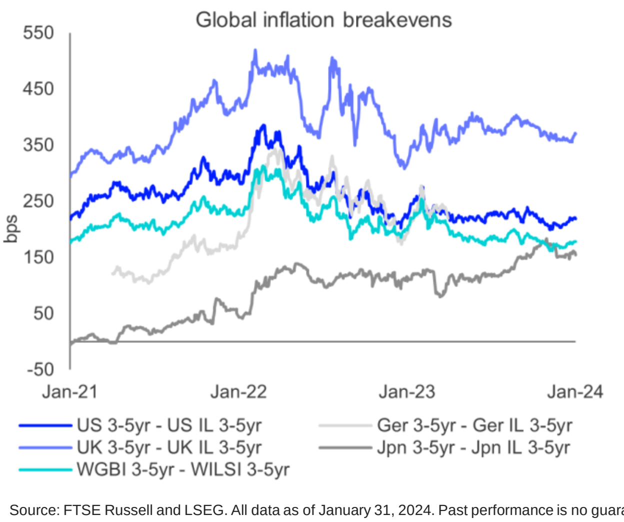
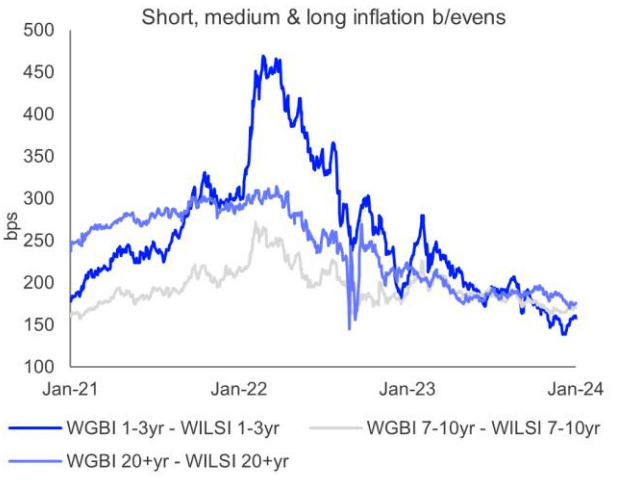


Chart 6: Globally, inflation breakevens have converged below 2%, despite a modest uptick in January. The Chart shows shorter breakevens are more sensitive to short term moves in spot inflation.



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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.

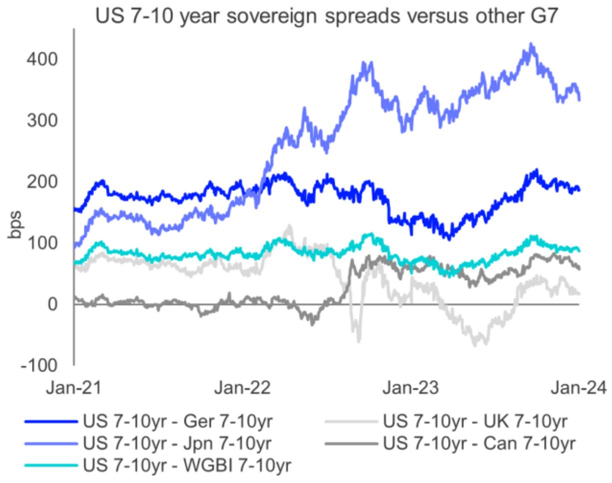


Chart 2: Italian spreads held up well during the market sell-offs in January, widening mainly against Japan, where curve control continues. The support pledged by the ECB on peripheral spreads helped.

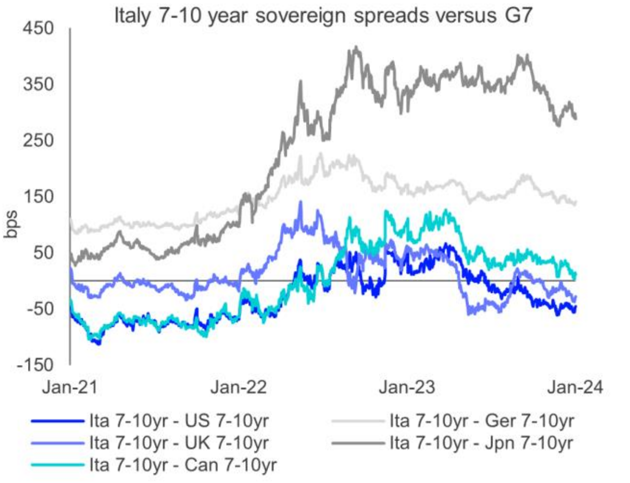


Chart 3: EM spreads tightened versus the G7 in January, helped by the decline in Chinese yields, and the high weighting of China in the EMGBI index. Spreads have steadily tightened in EM since the early days of Covid.

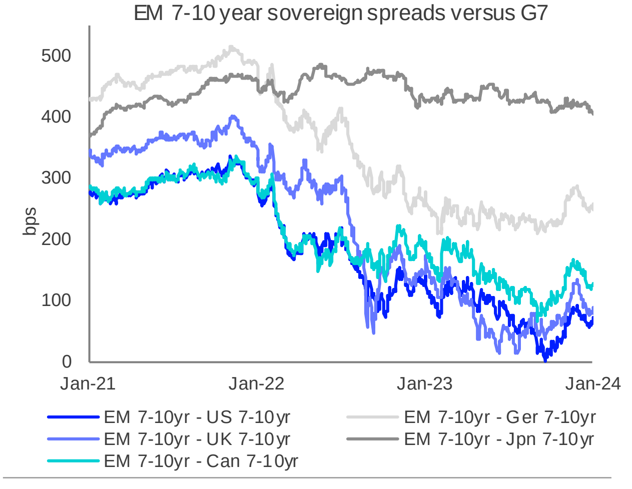


Chart 4: China's yield correlation with G7 yields has remained low since the Covid crisis first erupted in 2020. Chinese yields fell steadily since then, versus the rising G7 trend. Only JGB yields have remained stable.

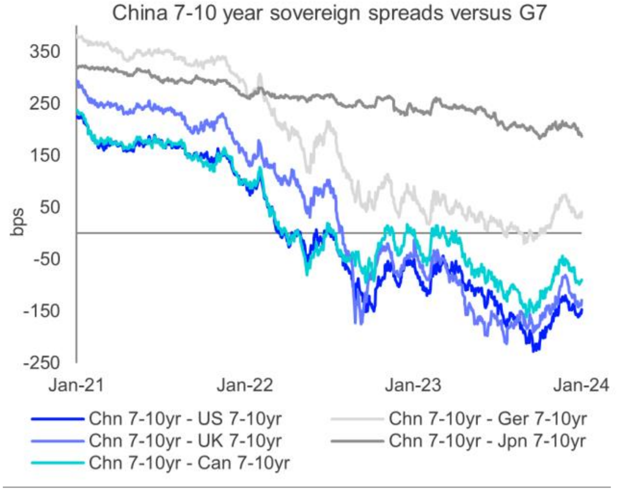


Chart 5: Credit spreads tightened a little in January, but mainly due to the rise in govt bond yields. A surge in corporate issuance restricted tightening in spreads. High yield spreads have converged more than IG in 2023/24.

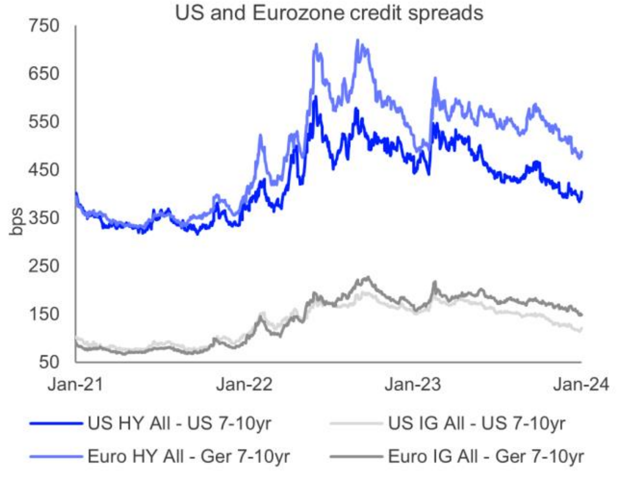
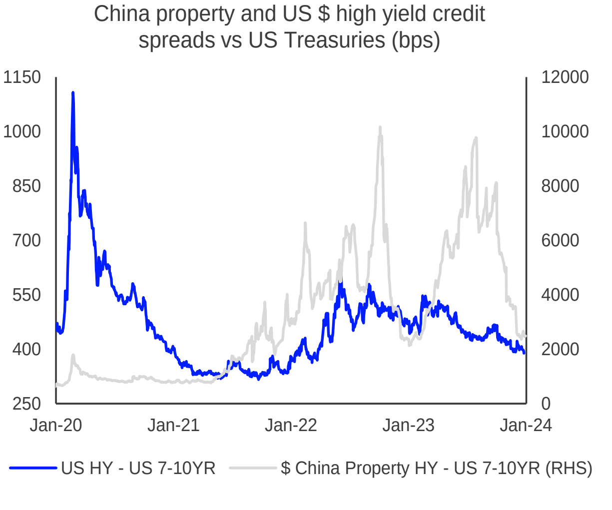


Chart 6: Chinese HY dollar spreads eased to 2400 bp in January, as US Treasury yields rose. But the number of issues within Chinese HY property has fallen to less than 20, compared with over 140 in 2020.



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Credit sector and MBS analysis

Chart 1: 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.

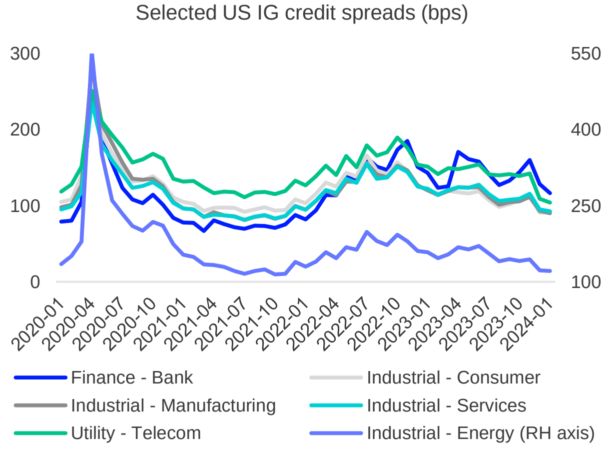


Chart 2: The Ukraine shock effect on Eurozone insurance spreads has largely unwound, though spreads remain above pre-Ukraine levels. Despite heavy IG issuance in January, spreads still edged in.

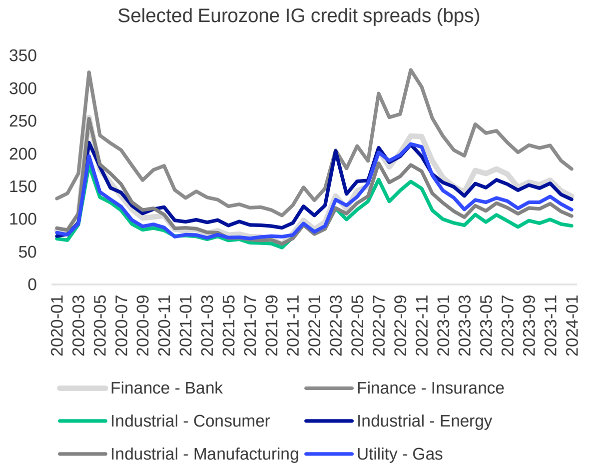


Chart 3: UK credit spreads have broadly tracked Eurozone spreads since Covid. Insurance spreads normalised since the 2022 spike, but consumer spreads tightened most, despite the spending slowdown.

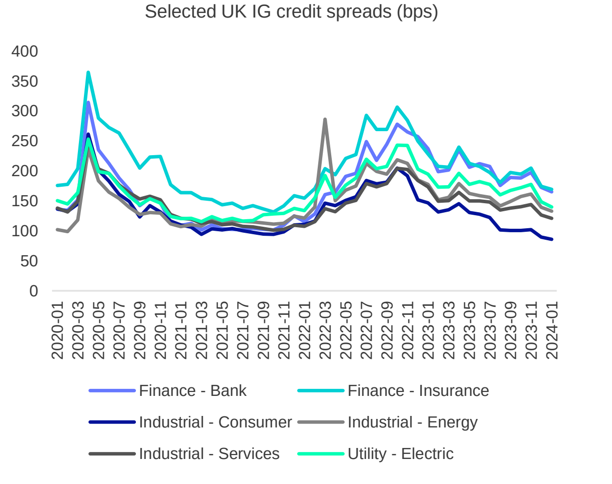


Chart 4: Interest rate sensitive sectors like real estate benefited from the Fed pivot in December, and spreads are finally narrowing, despite the structural issues for commercial real estate (like working from home).

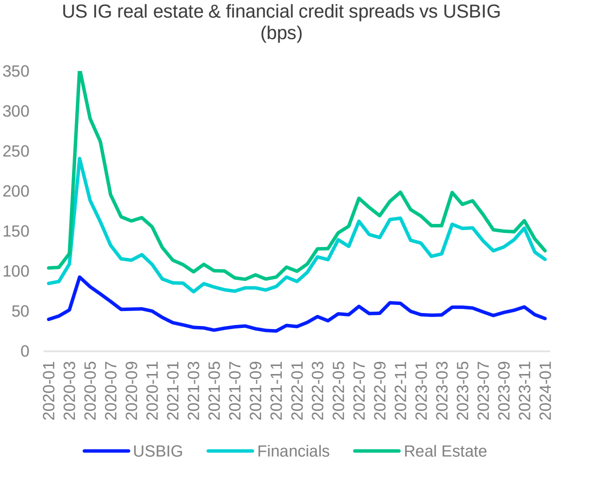


Chart 5: RMBS spreads have widened relative to IG credit, as the Fed has run down its RMBS holdings. Higher US yields also reduce mortgage refis and increase RMBS duration, so spreads tend to be cyclical, and fell in Q4.

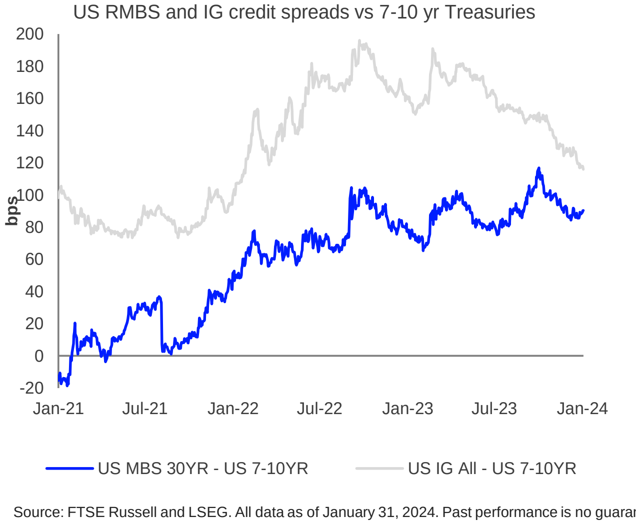
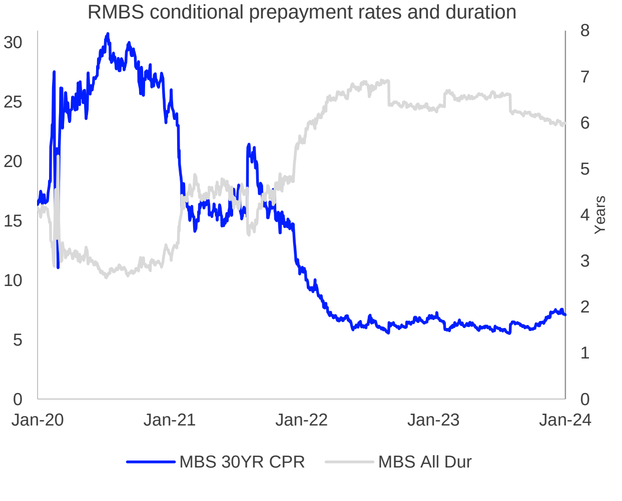


Chart 6: The inverse relationship between RMBS duration and prepayment rates is shown below. Higher rates make it unattractive to refinance mortgages, so RMBS duration increases as yields rise.



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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.

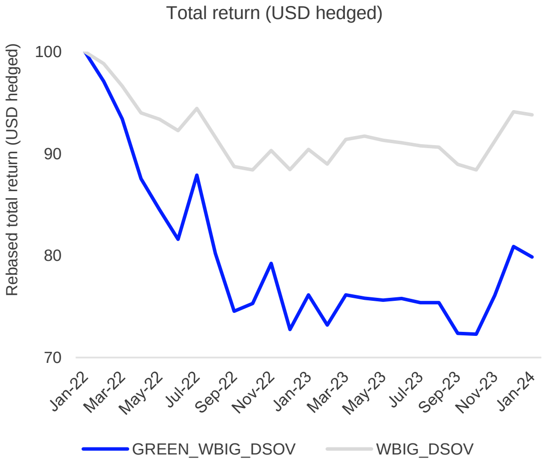


Chart 2: Relative returns in Green IG Corporates have been closer to other IG Corporates since 2022, reflecting similar duration (Chart 4). Spread narrowing during Q4's rally helped Green Corporates outperform.

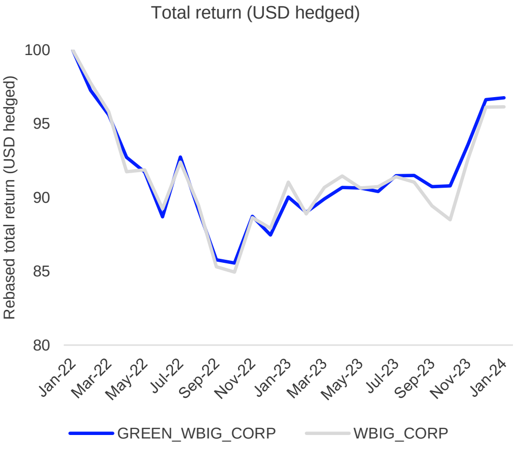


Chart 3:The long duration of Green Sovereign bonds caught many investors out during the bond market sell-off in 2022-23. Duration fell more in Green Sovereigns relative to straight sovs., as prices fell.

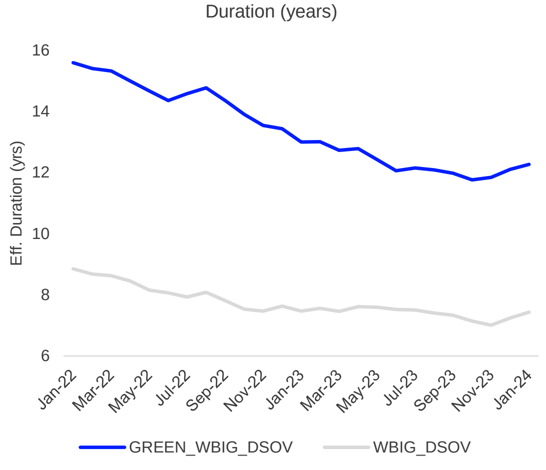


Chart 4: Unlike Sovereigns, Green IG corporates have shorter duration than other IG corporates, though the duration differential is more modest than in Sovereigns.

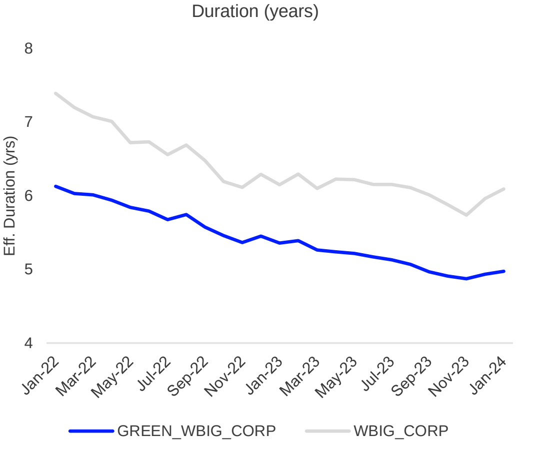


Chart 5: European sovereigns tend to dominate Green sovereign Issuance, as they seek to fill out a Green yield curve. The issues tend to be large, like the recent £10bn Green Gilt 2053 re-opening.

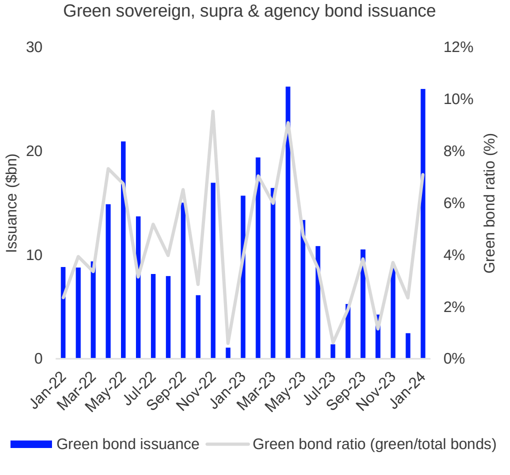
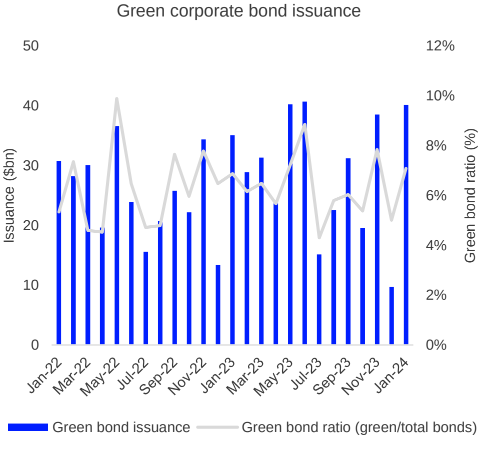


Chart 6: The ratio of green bond issuance to total bond issuance has rebounded to 7%, after falling to only 4% in July 2023. January 2024's Green issuance of about $40bn was close to a monthly record.



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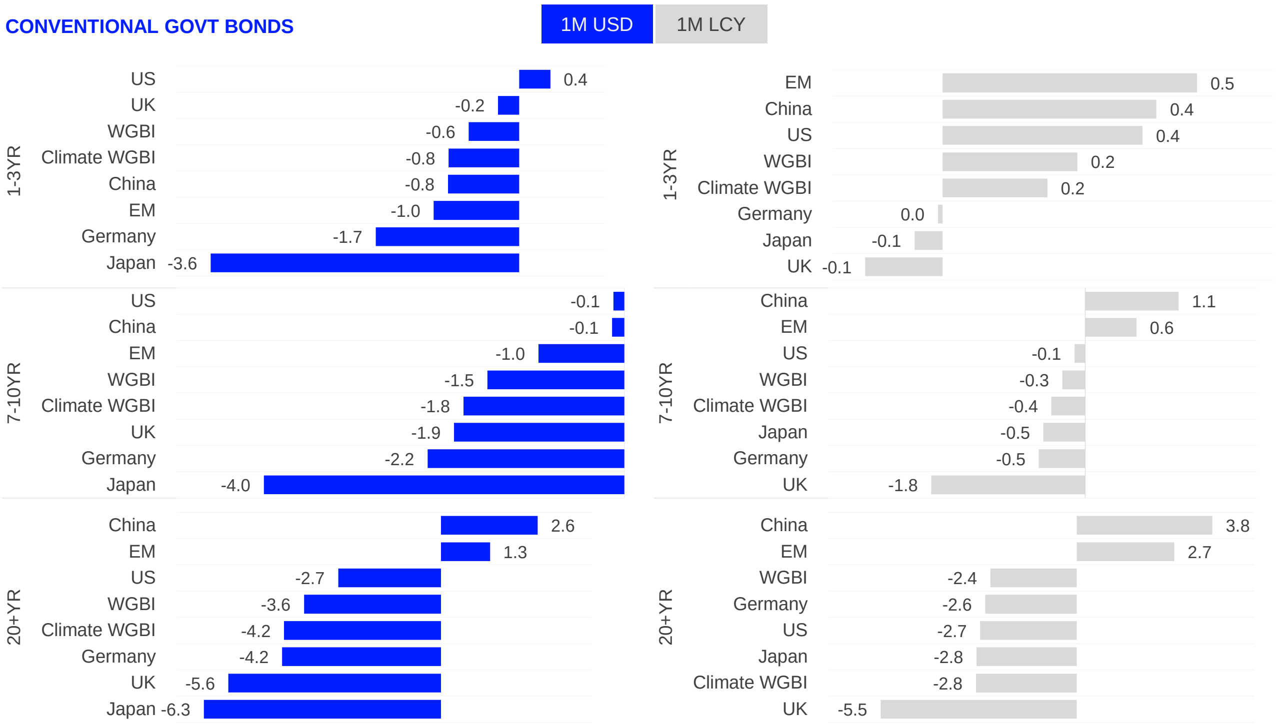
Global Sovereign Bond Returns − 1M and 12M % (USD & LC, TR)

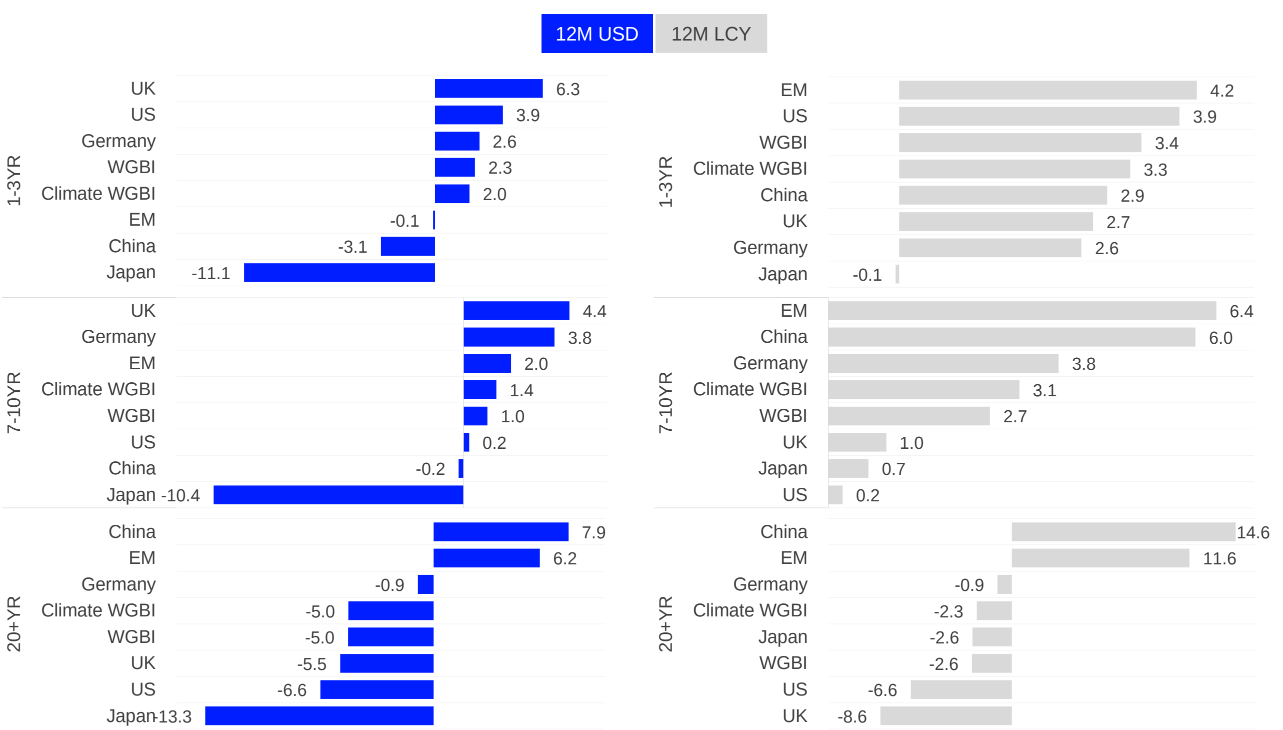
Government bonds fell in January, after inflation ticked higher, and central bank caution on easing, following the powerful Q4 rally. Longer maturities fell most, led by UK gilts and JGBs, falling 4-6% in US dollars. China and EM bonds showed their defensive qualities on both 1M and 12M. 12M returns show JGBs underperforming substantially due to yen weakness.

Only China and EM managed gains of 1% in US dollar terms in January, proving safe havens as G7 bonds fell back. Rising geo-political tensions in the Middle East failed to drive a flight to quality in govt bonds, perhaps because oil prices rebounded somewhat.

12M returns show similar losses in longs in US dollar, despite the Q4 UK gilt, Treasury and WGBI rally, but the weak yen drove bigger losses of 10-13% in JGBs. Short UK gilts, Treasuries and Chinese govts outperformed, helped by sterling and lower PBoC rates.

CONVENTIONAL GOVT BONDS





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

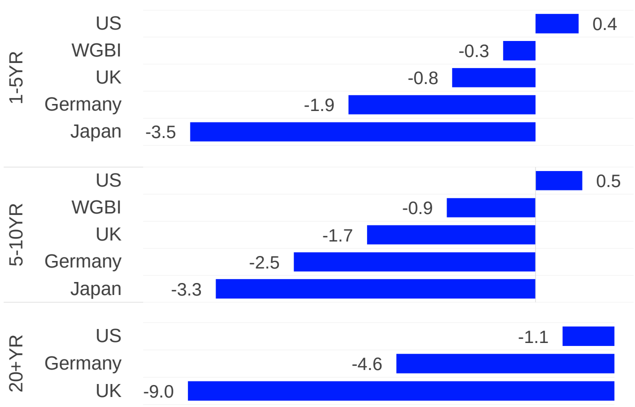
Inflation linked govt bonds followed conventional bonds lower in January, with long UK linkers very weak, losing 9% in dollars. Extra duration in UK linkers and little prospect of early rate cuts weighed on longs. Credit barely moved though Euro IG lost 1.6%. 12M returns tell a similar story in long linkers of 6-16% in Tips, JGBs, Bunds and UK inflation linked.

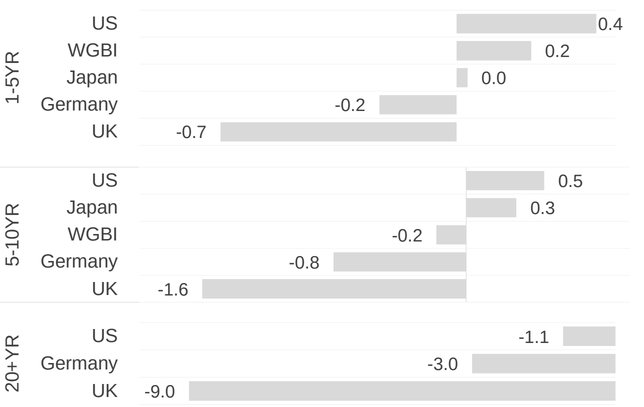
A stronger dollar squeezed some overseas returns in January, for US dollar investors, but the main moves were driven by higher long end yields and the duration effect on returns. Markets reversed some of Q4's gains in the longs, though US Tips held up well.

Credit continues to show strong gains on 12M, helped by the equity rally, with gains of 9-11% in Euro and US HY in US dollars.

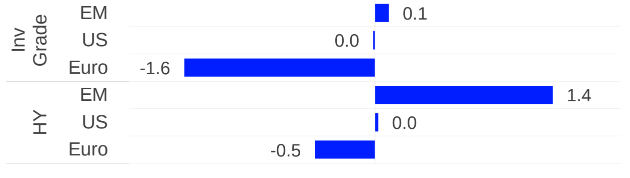
INFLATION LINKED BONDS

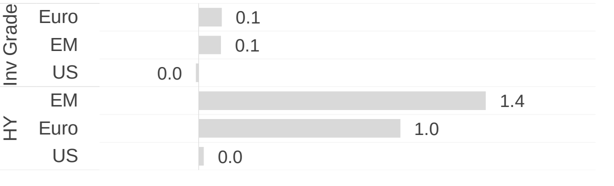
1M USD | 1M LCY





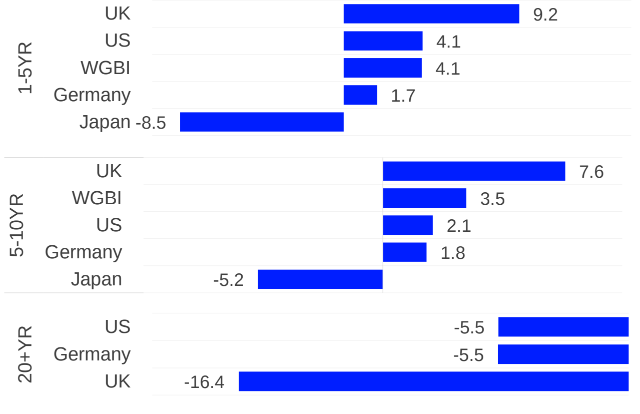
CORPORATE BONDS

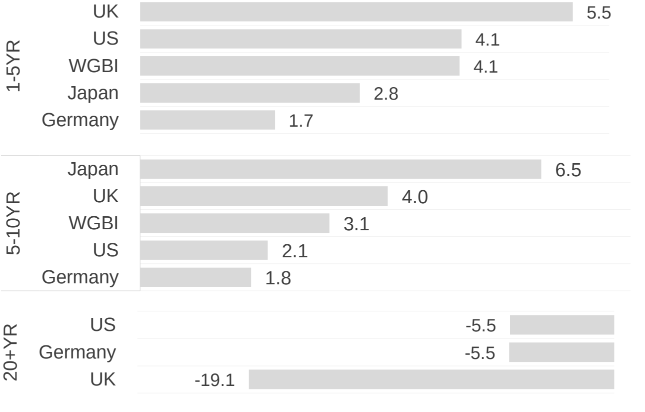




INFLATION LINKED BONDS

12M USD | 12M LCY





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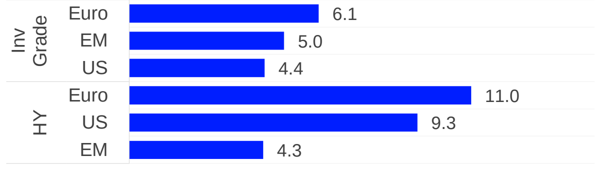
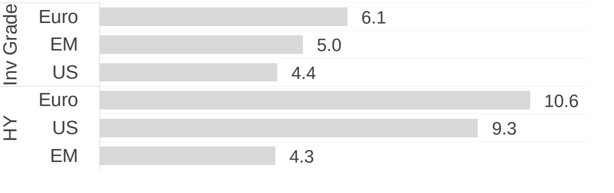




Source: FTSE Russell and LSEG. All data as of January 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional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

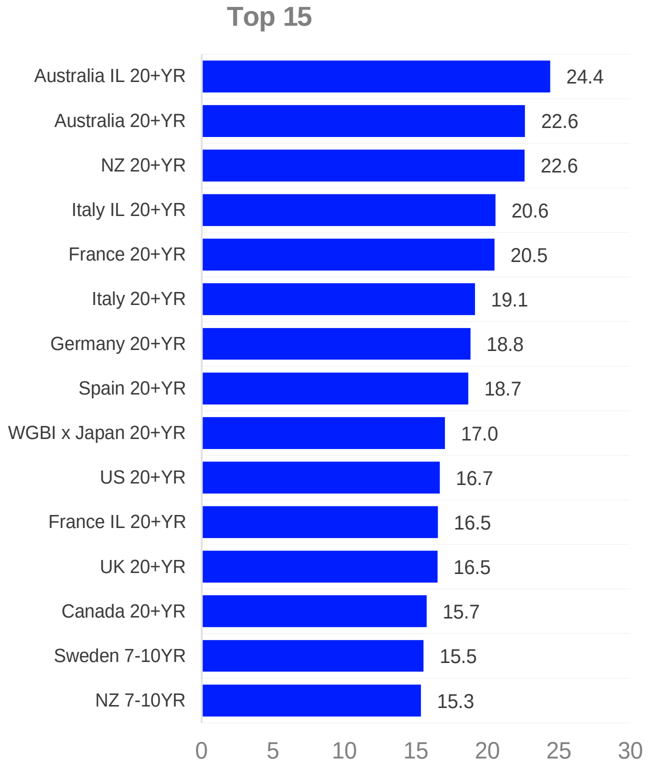
Top and Bottom Bond Returns – 3M & 12M % (USD, TR)

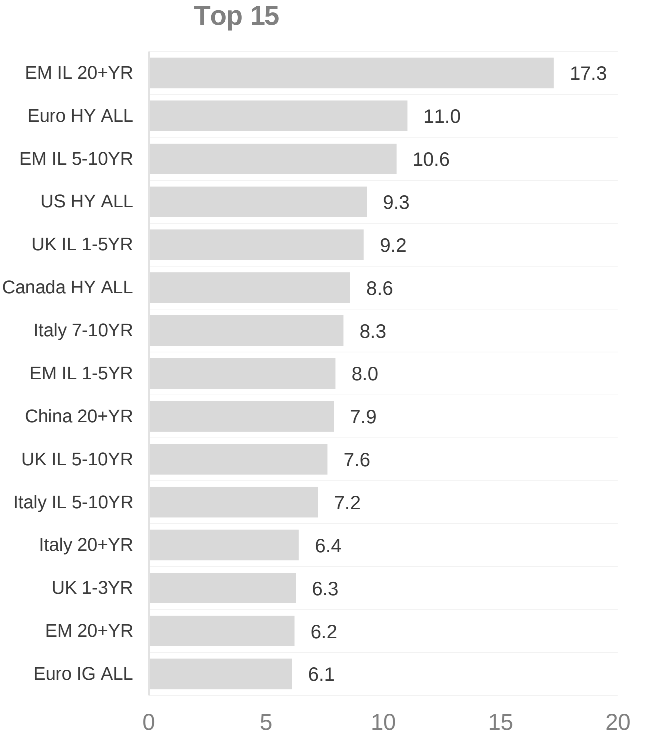
3M returns have a very different profile from 1M, and capture the Q4 rally in longs, as well as the January dip. The weaker dollar on 3M also boosted returns in dollars, particularly versus JGBs, but the main driver was the decline in yields since October, led by long Eurozone govts. 12M returns show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

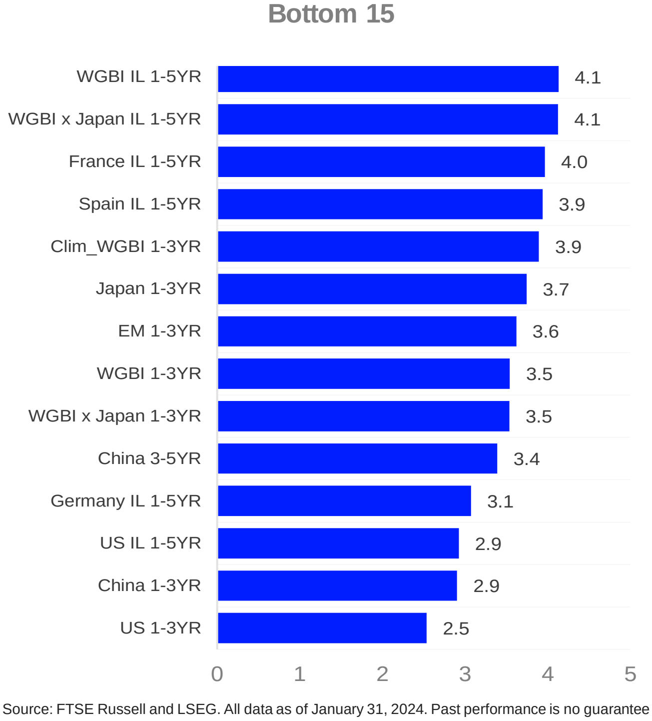
The combination of dollar weakness and the surge in longs in November and December drove dollar returns of 15-24% on 3M, in the Eurozone, UK and Australasia. Short maturities lagged the 3 month rally (but outperformed strongly on 1 month – see page 9).

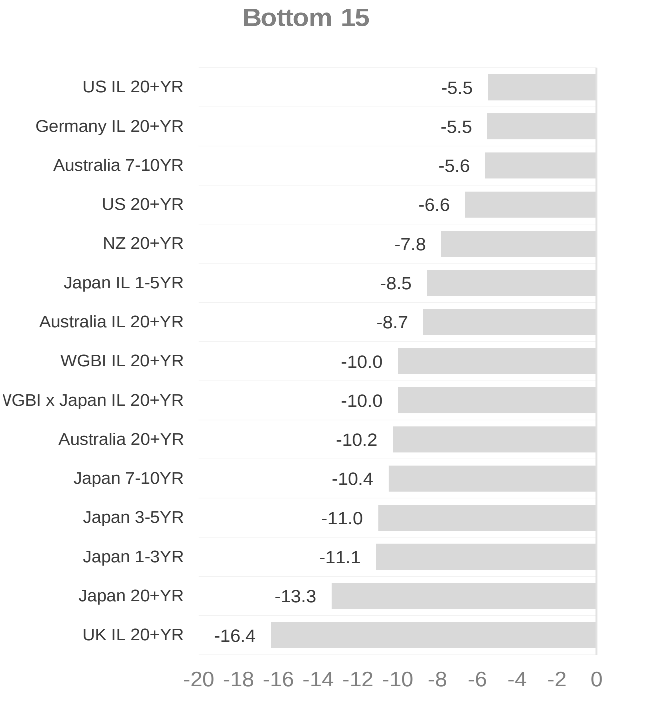
Credit and EM inflation linked have been consistently strong performers over 12M. Euro and US HY have returned 9-11% in USD.

3M USD | 12M USD









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Appendix − Global Bond Market Returns % (USD & 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	USD	Local	USD	Local	USD	Local	USD
US	1-3YR	2.54	2.54	3.29	3.29	0.36	0.36	3.95	3.95
	7-10YR	8.55	8.55	2.38	2.38	-0.13	-0.13	0.24	0.24
	20+YR	16.67	16.67	-1.63	-1.63	-2.72	-2.72	-6.61	-6.61
	IG All	10.48	10.48	4.81	4.81	-0.01	-0.01	4.37	4.37
	HY All	8.40	8.40	5.96	5.96	0.03	0.03	9.29	9.29
UK	1-3YR	1.96	7.00	3.78	2.72	-0.14	-0.25	2.73	6.26
	7-10YR	6.32	11.58	6.08	4.99	-1.80	-1.90	0.95	4.43
	20+YR	11.02	16.51	2.09	1.04	-5.53	-5.63	-8.59	-5.45
EUR	IG All	5.27	8.18	4.95	3.40	0.12	-1.55	6.09	6.11
	HY All	7.14	10.38	7.68	6.16	1.02	-0.49	10.58	11.03
Japan	1-3YR	0.13	3.74	-0.07	-2.86	-0.05	-3.60	-0.05	-11.08
	7-10YR	2.32	6.01	-0.12	-2.91	-0.49	-4.03	0.66	-10.45
	20+YR	2.62	6.32	-6.65	-9.27	-2.82	-6.28	-2.57	-13.32
China	1-3YR	0.96	2.90	1.23	0.76	0.39	-0.83	2.93	-3.13
	7-10YR	2.35	4.32	2.98	2.51	1.09	-0.14	6.04	-0.21
	20+YR	7.67	9.75	7.71	7.22	3.82	2.56	14.63	7.88
EM	1-3YR	1.49	3.62	1.90	0.76	0.46	-1.00	4.19	-0.11
	7-10YR	4.35	6.28	2.91	1.16	0.60	-0.96	6.38	1.98
	20+YR	7.51	9.56	5.80	4.44	2.75	1.30	11.62	6.21
	IG All	7.30	7.30	3.81	3.81	0.11	0.11	4.99	4.99
	HY All	7.88	7.88	5.77	5.77	1.45	1.45	4.32	4.32
Germany	1-3YR	1.53	4.34	2.17	0.66	-0.01	-1.67	2.57	2.59
	7-10YR	5.68	8.60	4.10	2.56	-0.54	-2.20	3.78	3.80
	20+YR	15.62	18.82	4.58	3.03	-2.58	-4.20	-0.93	-0.91
Italy	1-3YR	2.27	5.10	2.85	1.33	0.20	-1.47	3.90	3.91
	7-10YR	8.48	11.48	5.22	3.67	0.23	-1.44	8.28	8.30
	20+YR	15.92	19.13	4.91	3.36	-0.29	-1.95	6.38	6.40
Spain	1-3YR	1.83	4.65	2.61	1.09	0.16	-1.51	3.14	3.16
	7-10YR	6.97	9.93	5.24	3.68	-0.36	-2.02	5.52	5.54
	20+YR	15.46	18.66	5.71	4.15	-1.77	-3.41	2.89	2.90
France	1-3YR	1.81	4.62	2.50	0.99	-0.03	-1.69	2.92	2.94
	7-10YR	6.49	9.44	4.66	3.12	-0.51	-2.16	4.16	4.17
	20+YR	17.25	20.49	6.32	4.75	-2.38	-4.00	0.67	0.69
Sweden	1-3YR	1.73	10.00	2.41	4.15	-0.01	-2.48	2.25	3.61
	7-10YR	6.85	15.54	4.49	6.26	-1.16	-3.60	1.45	2.80
	20+YR								
Australia	1-3YR	2.52	7.04	2.65	0.70	0.36	-2.77	2.53	-3.82
	7-10YR	8.29	13.06	2.75	0.80	-0.07	-3.19	0.62	-5.60
	20+YR	17.46	22.63	1.45	-0.47	-1.59	-4.66	-4.32	-10.24
NZ	1-3YR	2.48	8.45	3.19	2.06	0.09	-2.70	3.79	-1.14
	7-10YR	8.99	15.35	3.56	2.43	-1.39	-4.13	1.19	-3.62
Canada	1-3YR	2.41	6.41	3.22	1.69	-0.24	-1.54	2.69	2.56
	7-10YR	6.15	10.30	3.25	1.72	-1.44	-2.73	0.03	-0.10
	20+YR	11.39	15.74	1.73	0.23	-4.50	-5.74	-3.12	-3.24

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Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	USD	Local	USD	Local	USD	Local	USD
US	1-5YR	2.92	2.92	3.02	3.02	0.44	0.44	4.11	4.11
	5-10YR	6.79	6.79	2.24	2.24	0.48	0.48	2.08	2.08
	20+YR	14.80	14.80	-2.72	-2.72	-1.10	-1.10	-5.46	-5.46
UK	1-5YR	2.28	7.33	4.25	3.18	-0.74	-0.85	5.53	9.16
	5-10YR	3.89	9.03	3.63	2.57	-1.61	-1.72	4.04	7.62
	20+YR	7.75	13.08	-6.12	-7.08	-8.95	-9.05	-19.15	-16.37
EUxUK	1-5YR	0.30	3.07	0.39	-1.10	-0.24	-1.91	1.72	1.74
	5-10YR	1.82	4.63	-0.30	-1.77	-0.81	-2.46	1.81	1.83
	20+YR	8.72	11.73	-5.11	-6.51	-3.01	-4.63	-5.51	-5.49
Japan	1-5YR	0.65	4.28	0.98	-1.85	0.03	-3.52	2.81	-8.53
	5-10YR	2.15	5.83	2.21	-0.65	0.31	-3.26	6.54	-5.22
EM	1-5YR	3.60	4.74	4.17	-0.88	0.93	-1.01	12.44	7.95
	5-10YR	5.43	7.66	3.29	-1.52	-0.03	-2.03	12.32	10.56
	20+YR	9.14	11.90	2.91	-1.06	-1.69	-3.57	13.93	17.26
Germany	1-5YR	0.30	3.07	0.39	-1.10	-0.24	-1.91	1.72	1.74
	5-10YR	1.82	4.63	-0.30	-1.77	-0.81	-2.46	1.81	1.83
	20+YR	8.72	11.73	-5.11	-6.51	-3.01	-4.63	-5.51	-5.49
Italy	1-5YR	2.53	5.36	2.36	0.85	0.01	-1.66	4.94	4.96
	5-10YR	6.32	9.26	1.65	0.14	-0.17	-1.83	7.19	7.21
	20+YR	17.32	20.56	-5.20	-6.60	-1.91	-3.54	1.72	1.74
Spain	1-5YR	1.14	3.94	1.18	-0.31	-0.26	-1.92	2.85	2.87
	5-10YR	3.25	6.11	1.26	-0.24	-0.55	-2.21	4.01	4.03
France	1-5YR	1.17	3.97	1.05	-0.44	-0.16	-1.82	2.37	2.39
	5-10YR	2.66	5.50	0.72	-0.77	-0.77	-2.43	2.76	2.78
	20+YR	13.39	16.53	-3.57	-4.99	-3.96	-5.56	-3.64	-3.62
Sweden	1-5YR	1.43	9.68	1.78	3.50	-0.38	-2.84	2.16	3.52
	5-10YR	3.93	12.38	1.81	3.53	-1.40	-3.83	1.53	2.88
Australia	1-5YR	2.63	7.15	3.02	1.07	-0.05	-3.17	4.53	-1.94
	5-10YR	6.33	11.01	3.83	1.85	-0.40	-3.51	3.82	-2.60
	20+YR	19.15	24.40	2.72	0.77	-3.99	-6.99	-2.70	-8.72
NZ	5-10YR	6.15	12.33	3.84	2.71	-0.91	-3.66	4.31	-0.65
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	7.23	10.99	1.87	0.36	-3.06	-4.33	-3.08	-3.20

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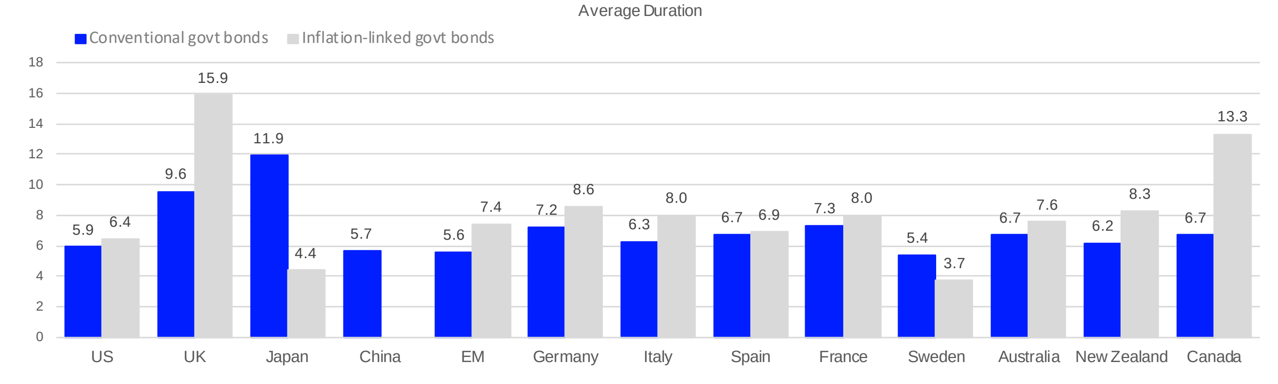
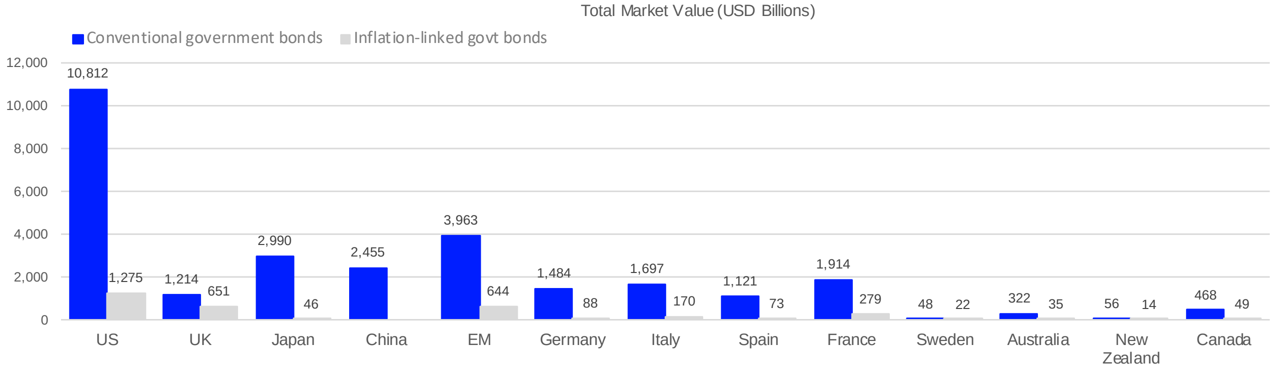
Appendix – Duration and Market Value (USD, Bn) as of January 31, 2024

	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**

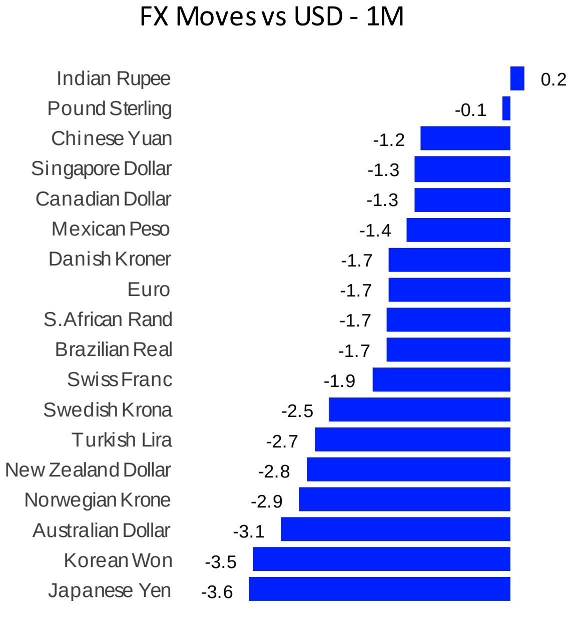
	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.5	8.5	7.2	6.6	7.0	76.8	454.5	2729.7	3479.0	6739.9	3.8	1035.8
Europe	5.6	4.8	4.6	4.2	4.4	11.0	204.6	1248.0	1529.7	2993.4		
EM		5.9	4.8	5.2	5.1		37.9	221.5	309.4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

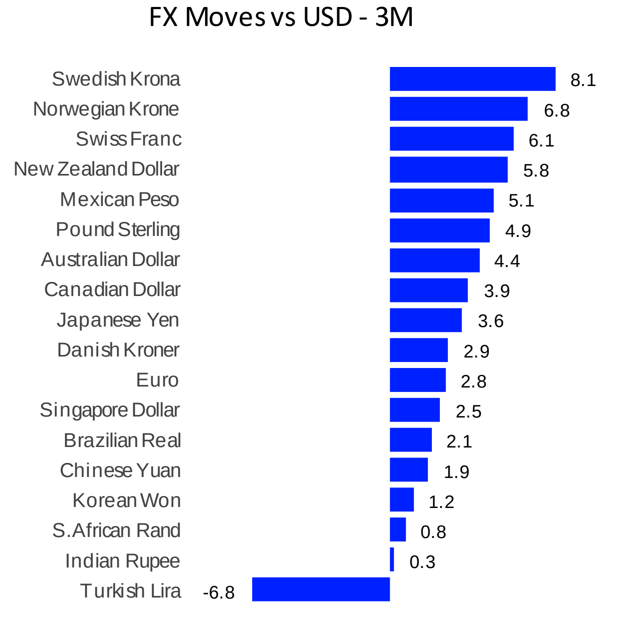


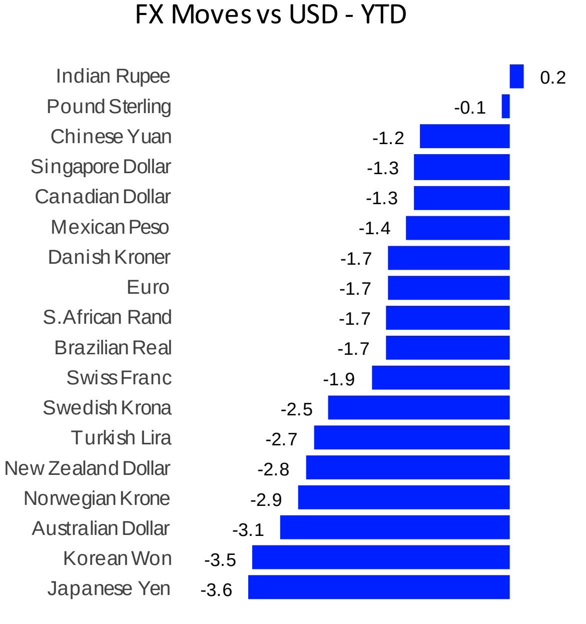


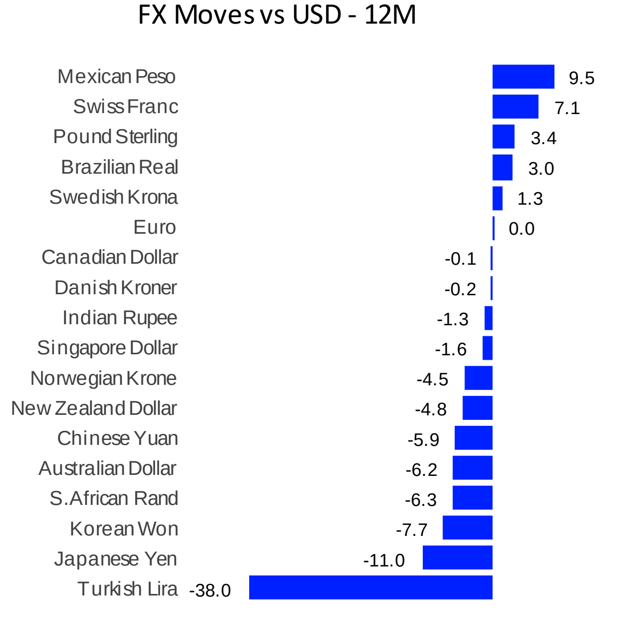
Source: FTSE Russell and LSEG. All data as of January 31, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional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

Appendix − 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 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

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.

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