

Fixed Income Insights

MONTHLY REPORT - JANUARY 2023 | UK EDITION

FOR PROFESSIONAL INVESTORS ONLY

Sticky UK inflation and tight labour market risk delaying policy pivot

The global bond rally lost steam in December after central banks implemented further rate hikes to control sticky inflation, despite softer inflation data. UK gilts (10/2s) recovered from the turmoil in September in Q4, while EM IL bonds outperformed in 2022. Euro high yield credit gained 6% in sterling in Q4.

Growth and inflation expectations – Further regional policy divergences likely?

Falling inflation and weaker growth increase the likelihood of a central bank tightening pause in H1 2023. But regional divergences in inflation and the impact of energy shocks suggest further policy divergence in 2023. (page 2)

Yields, curves and spreads – Most G7 sovereign yields fell in Q4, despite the back-up in December

G7 conventional bond yields rebounded in December, after the November rally, following a series of central bank rate rises. JGBs reached the top of their newly-raised upper band. (pages 3-4)

Performance – Shorter UK gilts shone in Q4, but EM IL were the best performers in 2022 and long gilts the worst

EM inflation-linked bonds, up 19-34% in sterling, gained the most in 2022, while long-dated gilts lost up to 50%. (pages 5-7)

Sovereign and climate bonds – Climate WGBI outperformed WGBI in Q4, despite losses in December

Despite gains in Q4, Climate WGBI and WGBI ended 2022 with negative returns, notably in longer-dated maturities. (page 8)

Appendix

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

Chart 1: Peaking? YoY inflation has been easing in the US, Canada and China, but not in Japan, and very modestly so in the Eurozone and UK.

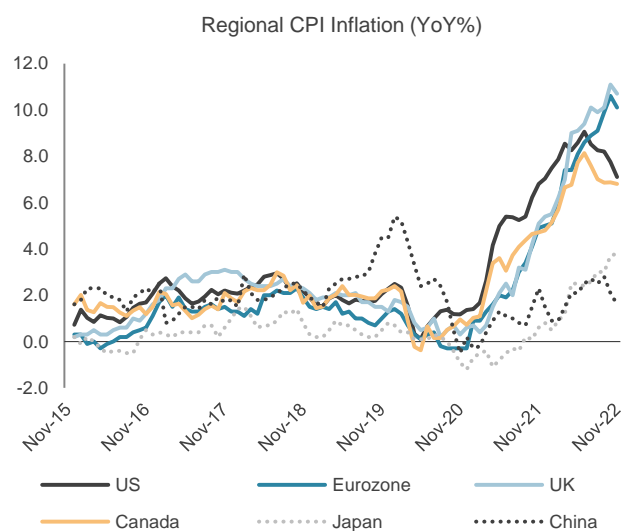
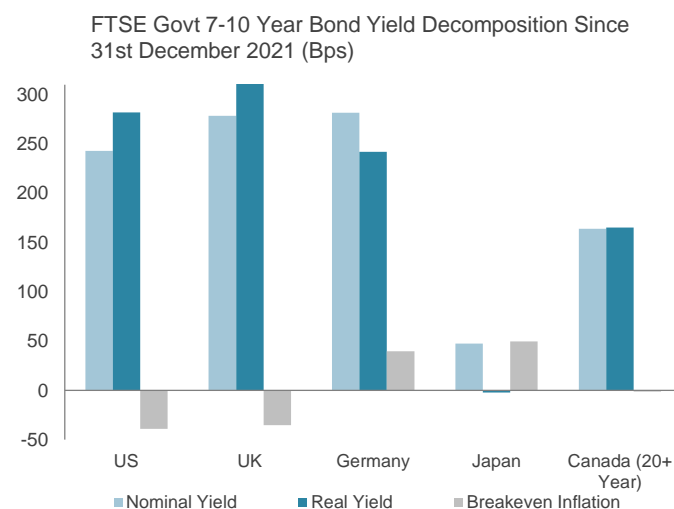


Chart 2: Real yields have been pushing up nominal yields in the US, UK, Canada, and mostly in Germany. Japan is the outlier.



Source: FTSE Russell. All data as of December 31, 2022. 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

As 2023 begins, G7 central banks continue to prioritise fighting inflation, despite recession risks with the Fed dashing hopes of an early pivot in December, even if the BoC hinted at a pause. More generally, recession risks, sizeable tightening in 2022, lags in its impact on inflation and lower energy prices make a pause in tightening more likely in Q1/Q2, 2023.

Consensus growth expectations highlight negative or weak economic growth for most G7 countries and China in 2023, reflecting the scale of 2022 policy tightening, and energy and Ukraine shocks. The UK is forecast to contract the most in 2023 (Chart 1).

G7 inflation levels eased a little due to weakening growth and lower energy prices in Q4 2022. But the BoE noted in December “further increases in Bank Rate may be required” to secure inflation at target, given the stickiness in UK inflation (Chart 2).

The BoE’s 50bp increase in December matched the Fed, and inflation base effects at least become more favourable in Q1. But the tight labour market and private wage inflation now near 7% are a major concern for the BoE, reducing prospects for an early pivot.

Although bank rate is the main policy tool, the BoE’s Quantitative Tightening (QT) programme, targets annual contraction of £80bn in the Bank’s balance sheet, or about 10%, to reinforce it. This is close to the Fed’s current \$1.1 trillion annual pace of QT. Fed research* has estimated \$2.5trn to be equivalent to a 50bp increase in Fed Funds, or about 20bp for the current \$1.1trn pace.

*Crawley, Edmund, Etienne Gagnon, James Hebden, and James Trevino. 2022. “Substitutability between Balance Sheet Reductions and Policy Rate Hikes: Some Illustrations and a Discussion.” FEDS Notes. Washington: Board of Governors of the Federal Reserve System (June 2022).

Chart 1: Consensus 2023 GDP growth expectations in December project a sharp slowdown, but with net contraction only in the UK and Eurozone. The Covid surge increases uncertainty in China.

Latest Consensus GDP Forecasts (% December 2022)			
	2021	2022	2023
US	5.6	1.9	0.3
UK	7.2	4.4	-0.9
Eurozone	5.2	3.2	-0.1
Japan	1.6	1.6	1.1
China	8.1	3.2	5.0
Canada	4.7	3.2	0.8

Chart 2: Inflation for most G7 countries is expected to remain sticky in 2023, and well above target, despite some signs of easing and steep rate rises. China is an outlier with low inflation.

Consensus Inflation Forecasts (% December 2022)				
	2022	Change Since Jan-22 (Bps)	2023	Change Since Jan-22 (Bps)
US	8.1	340	4.1	170
UK	9.1	460	7.4	520
Eurozone	8.5	550	6.0	430
Japan	2.8	190	1.8	110
China	2.2	0	2.3	20
Canada	6.8	330	3.6	140

Chart 3: Steep G7 central bank rate rises were main drivers of the tightening in financial conditions in 2022. But policies in Japan and China diverged, increasing the rate differentials with other nations.

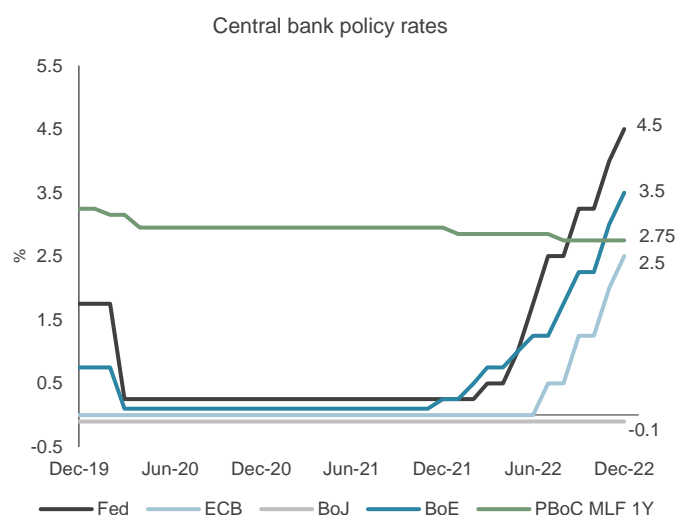
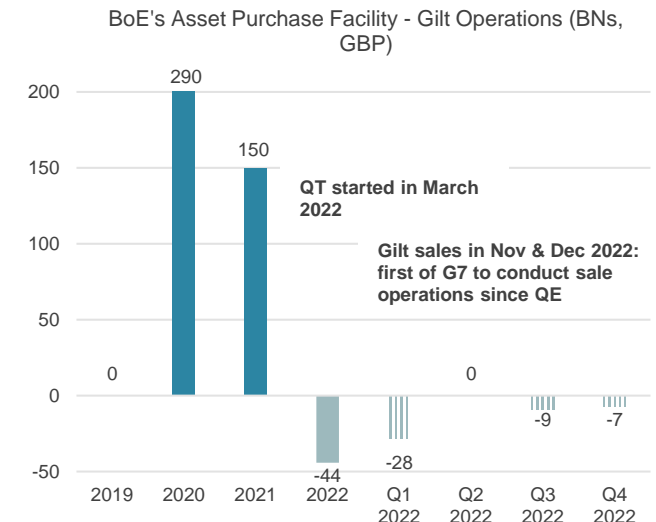


Chart 4: Getting slimmer? The BoE began QT first, in March 2022, and is targeting annual contraction of £80bn; a 10% reduction in its balance sheet; about the same pace of contraction as the Fed.



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Global Yields, Curves and Spread Analysis

Chart 1: G7 conventional yields rebounded in December, following a series of G7 rate rises and cautious central bank messaging. Gilts have stabilized since the September crisis, and fiscal consolidation.

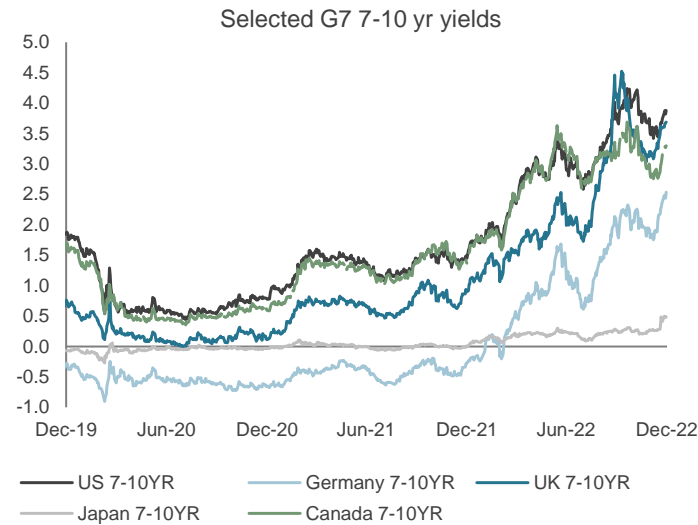


Chart 3: Despite spiking up as central banks raised rates further, G7 10/2s yield curves stayed inverted (except in Japan and the UK). JGB yields ticked up as the BoJ widened its curve control bands.

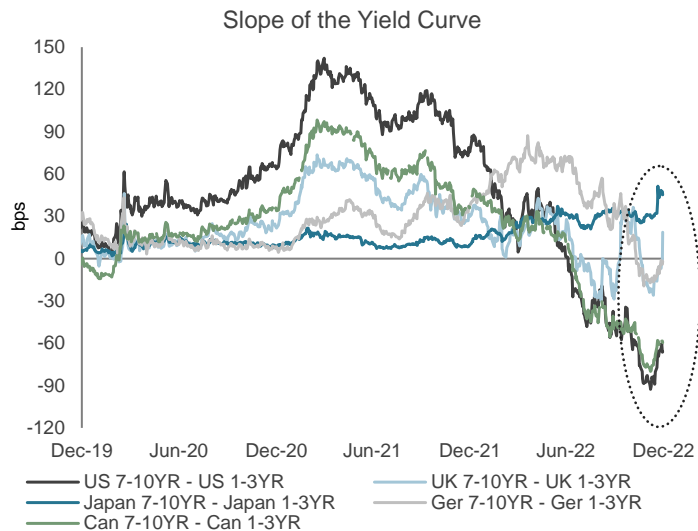
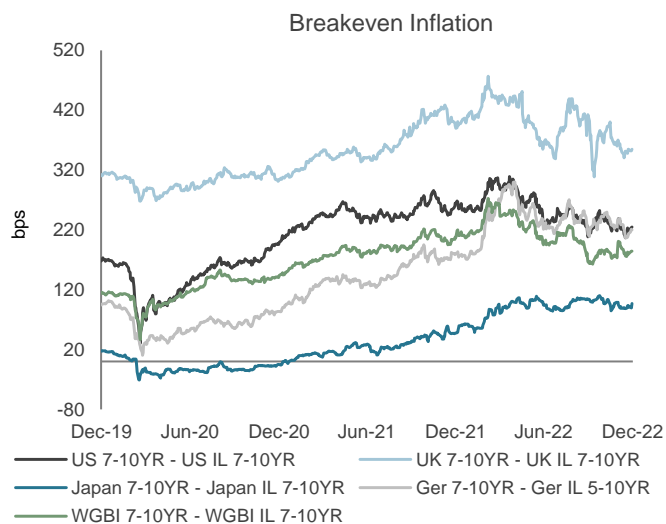


Chart 5: Regional inflation breakevens have stabilised after the 2021 rise during the reflation trade and brief spike after the Ukraine invasion. Fiscal consolidation eased UK breakevens in Q4.



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Chart 2: Inflation-linked bond yields have mostly risen in 2022, though there was an initial, short-lived, decline post the Ukraine invasion shock, as investors sought inflation protection.

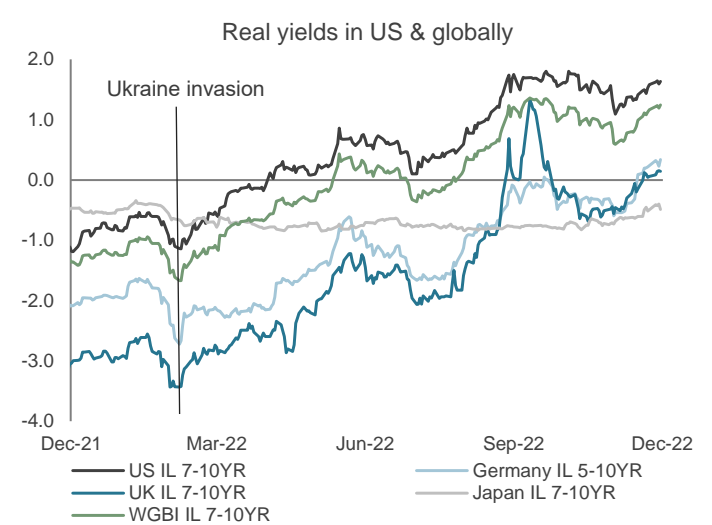


Chart 4: A similar story applies to the long end, with the JGB curve having resisted the big flattening trend, due to BoJ curve control. Note the degree of curve flattening since policy tightening began.

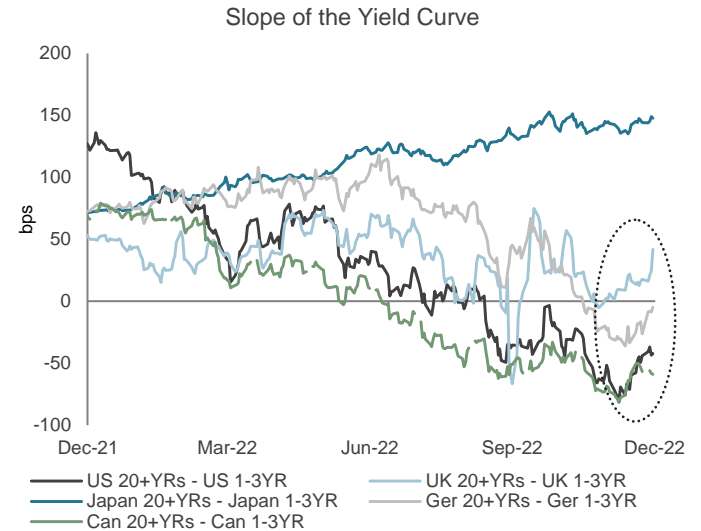
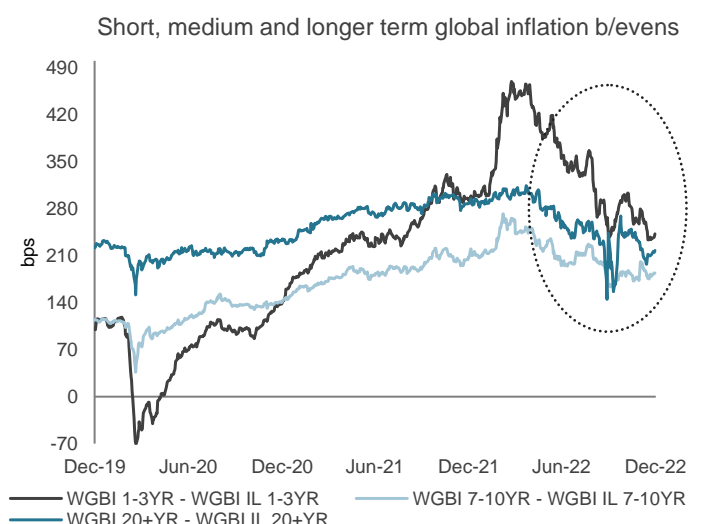


Chart 6: Short breakevens globally led longer ones lower since the Ukraine spike, as commodity prices fell. Short breakevens were often below long b/evens during the pre-Covid, low inflation era.



Yield Spread and Credit Spread Analysis

Chart 1: Treasury spreads proved pro-cyclical in 2020-2022, collapsing on Covid before increasing in the reflation trade as the Fed tightened. US spreads versus the UK are now close to zero.

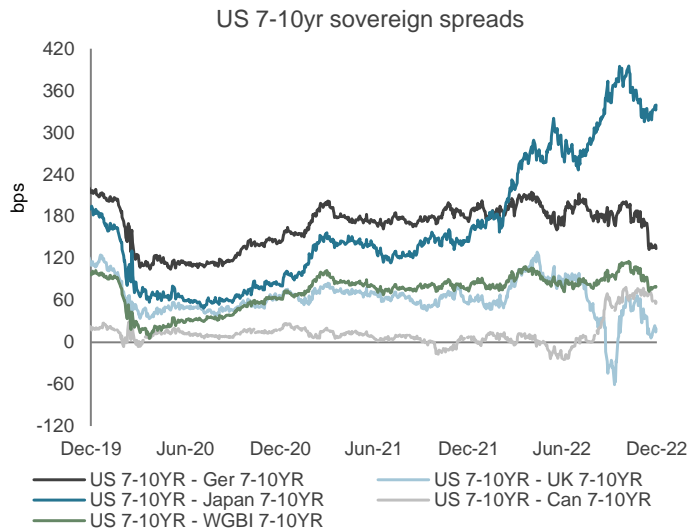


Chart 2: Despite support from ECB market operations, Italian sovereign spreads have been volatile in 2022 as systemic risk increased with the Ukraine invasion shock and rising rates.

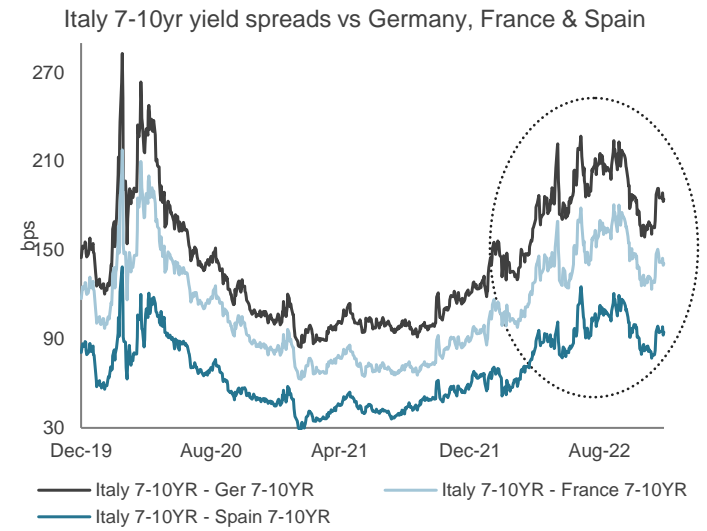


Chart 3: Crisis, what EM crisis? EM sovereign spreads have collapsed during 2022 versus their 7-10-year G7 peers, thanks to official support and regional policy divergences (i.e., China).

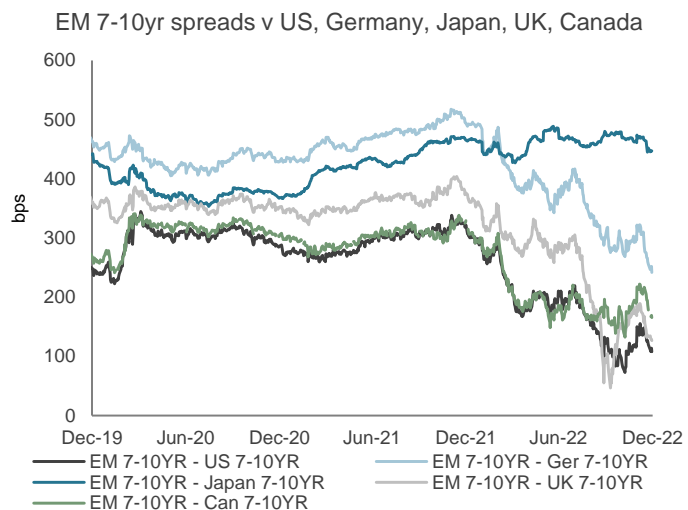


Chart 4: China sovereign spreads have fallen sharply in 2022 versus the G7, and less so vs Japan, where the BoJ retained curve control. China's correlation to the G7 financial cycle remains low.

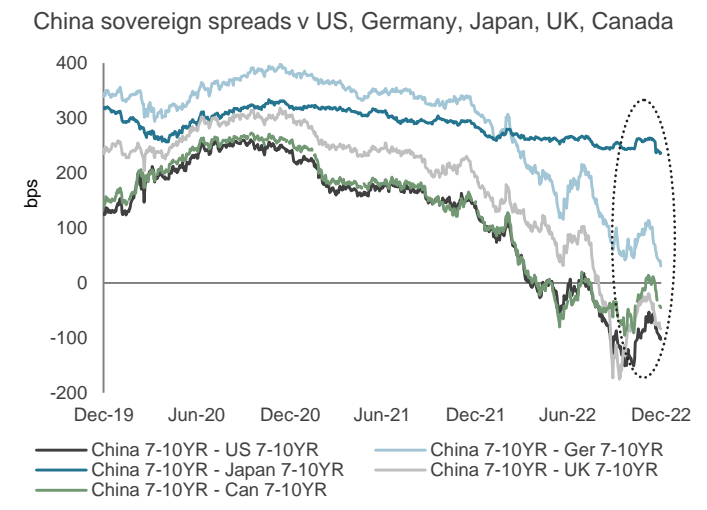


Chart 5: Euro and US credit spreads have declined in Q4 2022, with those in high yield credit seeing the largest moves on revival of risk appetite, and despite heightened recession fears.

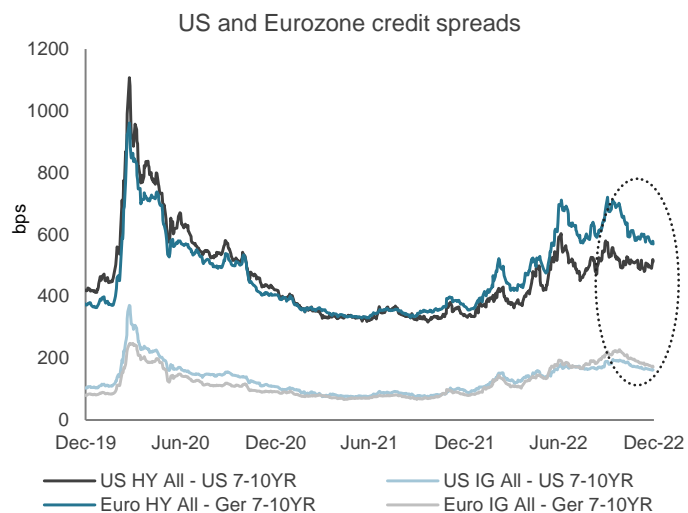


Chart 6: Chinese \$ high-yield spreads tightened further (3400bp) in December, after support measures for the property sector and the US HY rally, but remain well above pre-Covid levels.



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Global Sovereign Bond Returns – 3M & YTD % (GBP & LC, TR) as of December 31, 2022

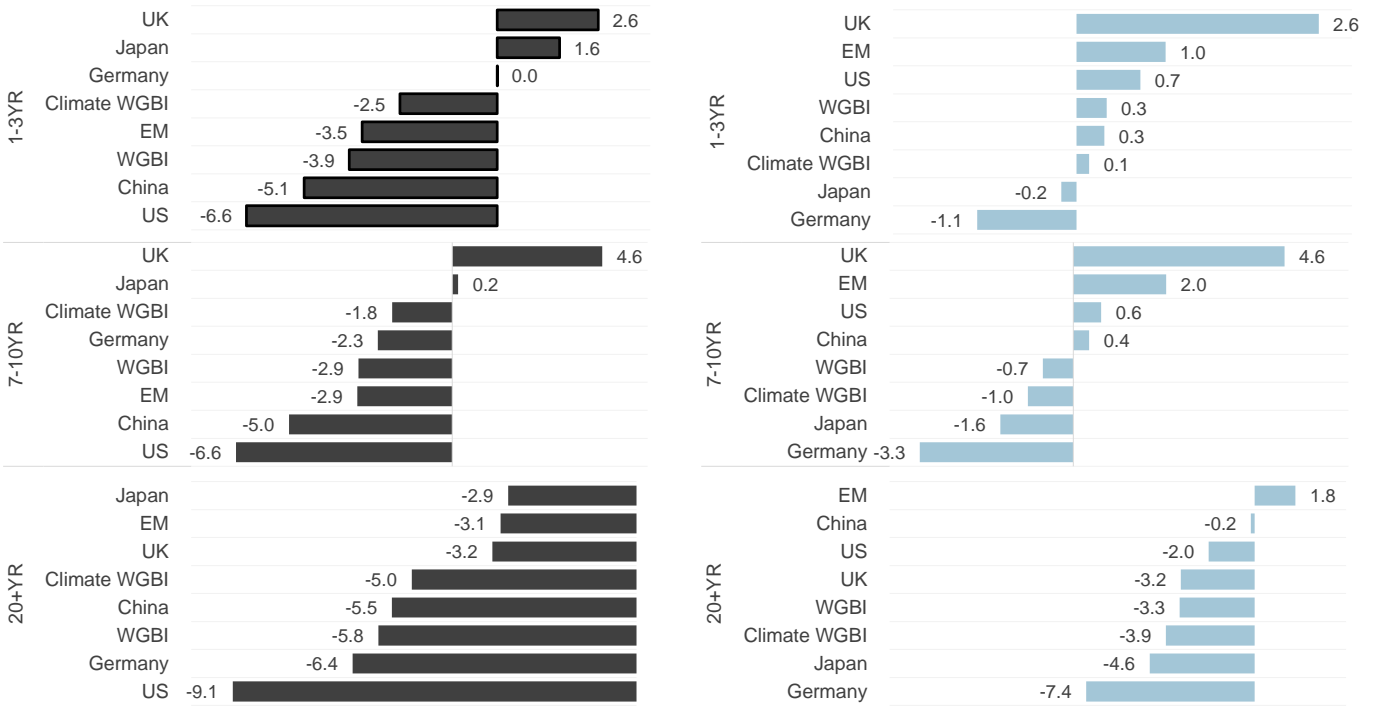
The most notable feature for a sterling based investor in Q4 was the rally in sterling and gilts, after the UK government reversed the unfunded tax cuts proposed in September. Short JGBs managed small gains on the strong yen. For 2022, short bonds outperformed, as duration proved the investor’s enemy, apart from China where the PBOC could ease rates.

UK government bonds rallied in Q4 with the best performance in shorts and mediums, with gains of 3-5% in sterling terms, as fiscal consolidation stabilised the gilt market. Long Treasuries, Bunds and WGBI suffered losses of 6-9%, as sterling rallied.

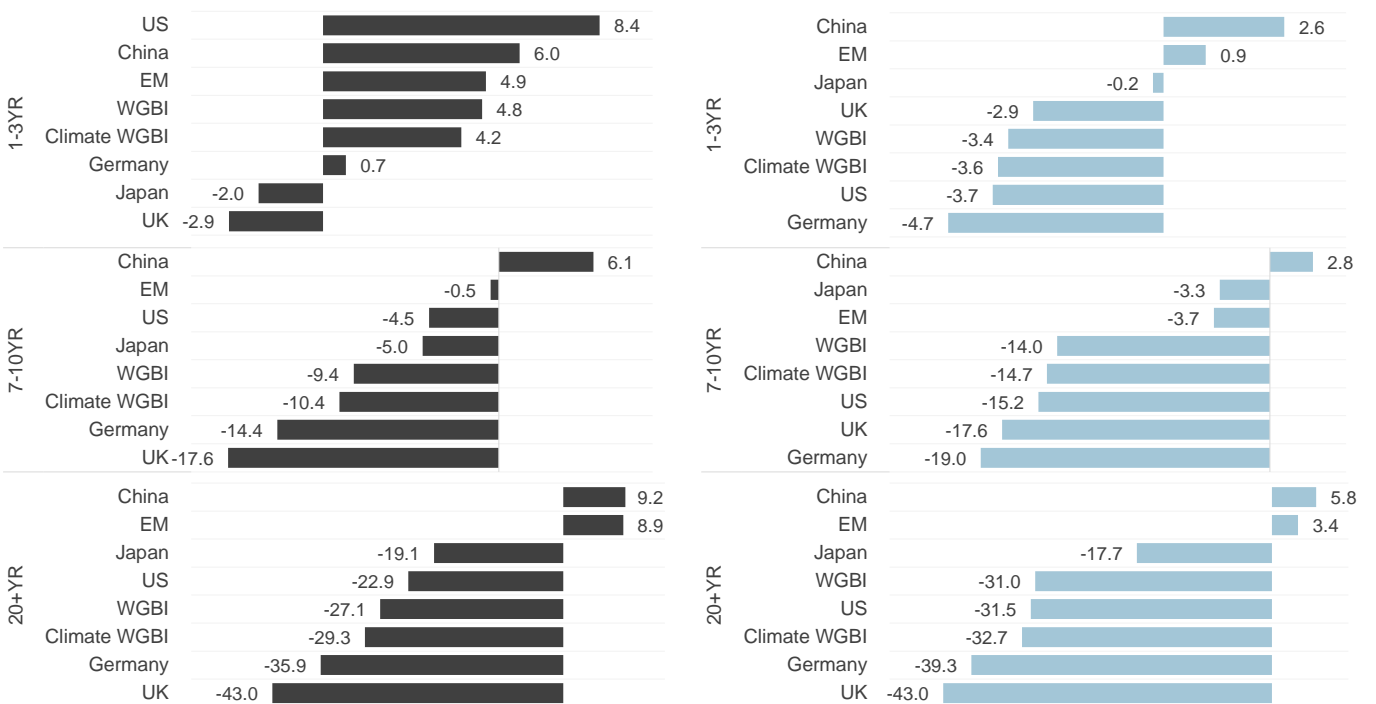
In 2022 overall, short Treasuries, Chinese bonds and EM bonds all delivered modest positive returns in sterling of 4-8%, though only China and EM sovereigns delivered positive returns in long dates, of about 9%, benefiting from lower rates and inflation.

CONVENTIONAL GOVT BONDS

3M GBP 3M LCY



YTD GBP YTD LCY



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Global Inflation-Linked Bond Returns – 3M & YTD % (USD, LC, TR) as of December 31, 2022

The rally in sterling and short to medium inflation linked gilts dominated returns in sterling terms in Q4, driving overseas returns strongly negative in Tips notably. However, long UK IL gave up ground, not helped by long duration. Duration generally proved the investor's foe in 2022, as real yields rose sharply, erasing gains from higher inflation accruals.

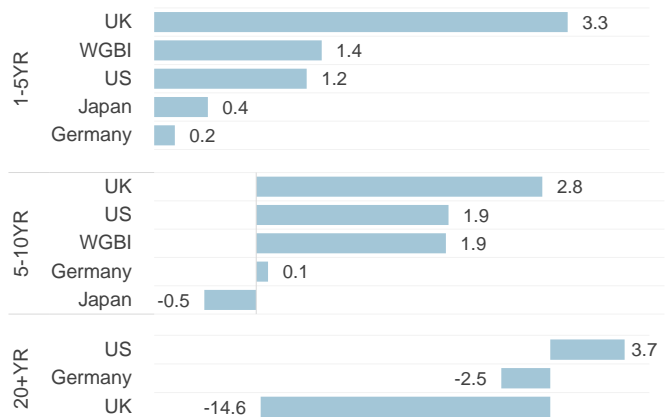
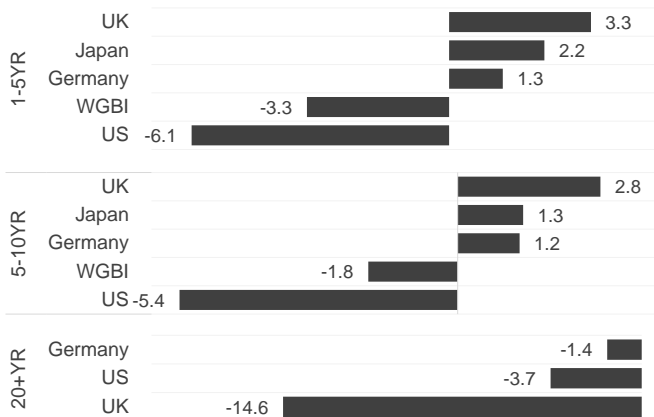
Short and medium-dated UK index-linked bonds rallied by about 3% in Q4, supported by expectations of modest index-linked issuance in 2022-23. Euro credits rallied strongly, led by HY, which gained nearly 6% in sterling terms.

For 2022 as a whole, credit and inflation linked generally fell back, and for long duration assets, the year proved a disaster, with losses of 26-50% in long Bunds, Tips and UK IL. But currency gains and strong inflation accruals drove positive returns in short Tips, Bund, WGBI, UK and JGB inflation linked, of 2-8%.

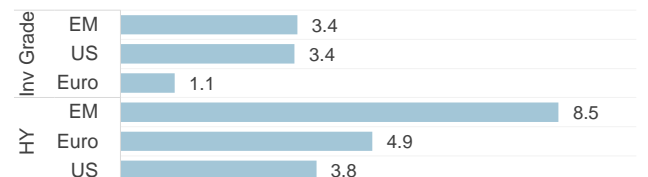
INFLATION LINKED BONDS

3M GBP

3M LCY



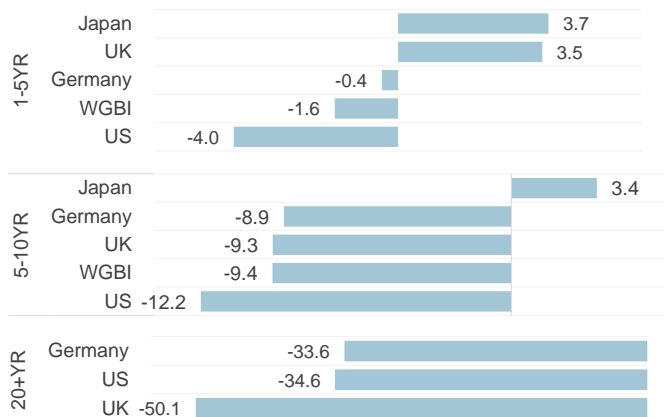
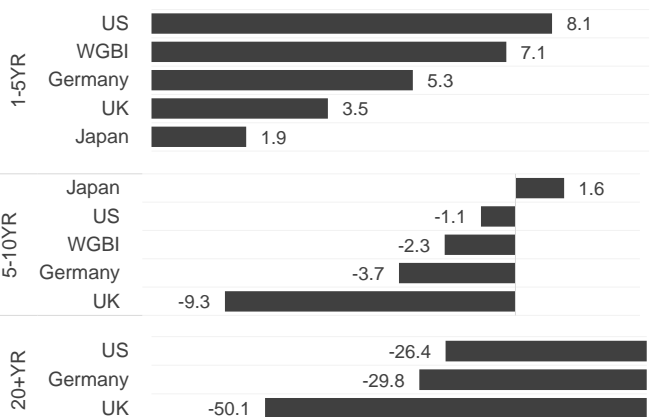
CORPORATE BONDS



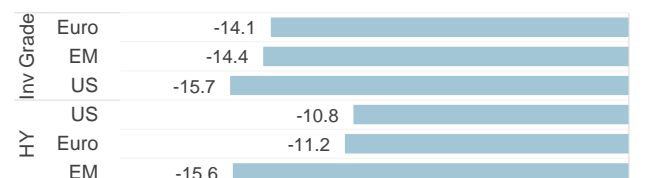
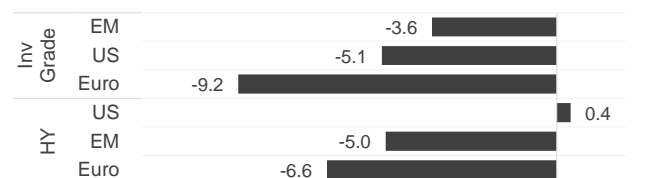
INFLATION LINKED BONDS

YTD GBP

YTD LCY



CORPORATE BONDS



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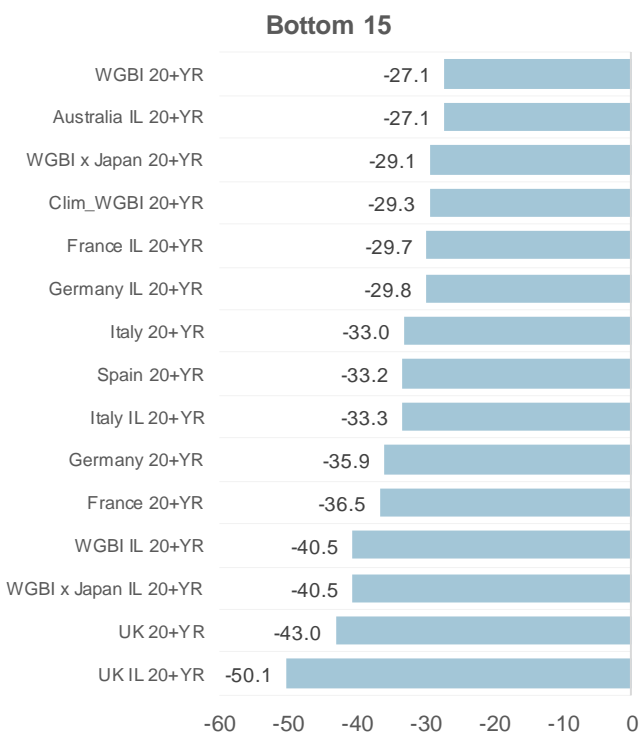
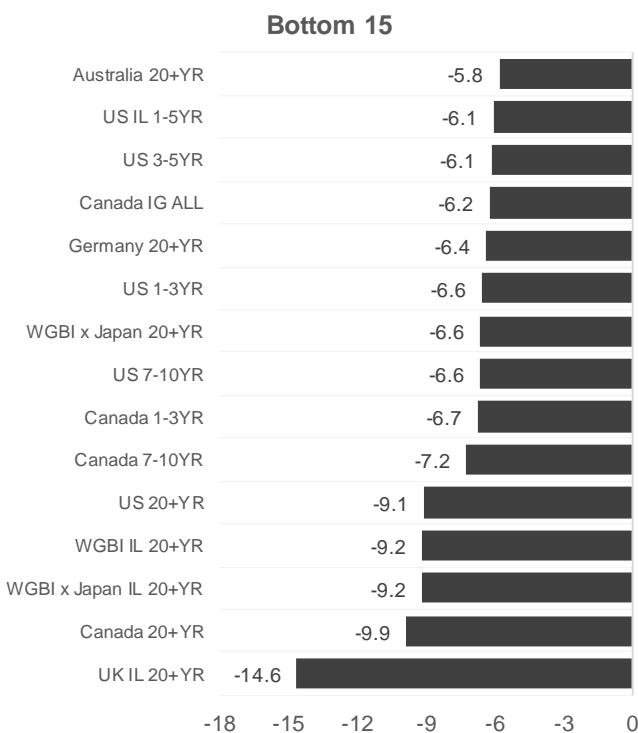
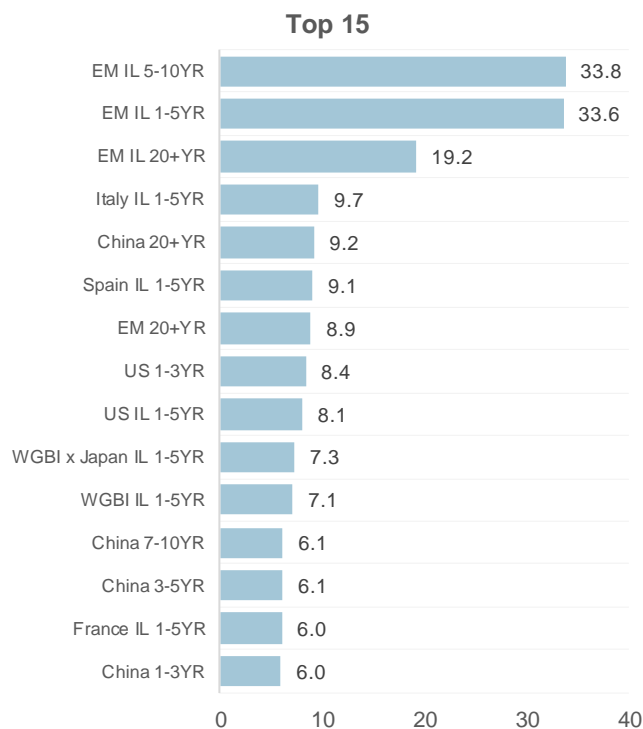
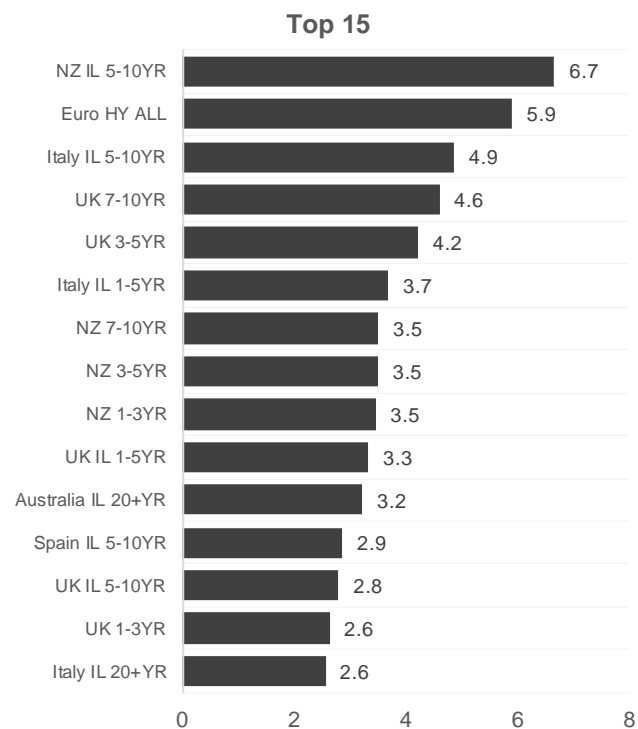
Top and Bottom Bond Returns – 3M & YTD % (GBP,TR) as of December 31, 2022

The Q4 bond rally saw long-dated New Zealand and Euro HY credit, peripheral European sovereign IL, and short to medium gilts offer returns of 3-7%, in sterling terms, but EM inflation-linked bonds far outperformed in 2022, helped by strong currencies, with returns of 19-34%. Long duration bonds suffered sizeable losses, led by long gilts and WGBI.

A revival in risk appetite helped Euro HY credit, and peripheral sovereigns perform strongly, and medium NZ inflation-linked bonds were strongest of all in Q4. Most of the strong performing assets in Q4, were short to medium dated bonds, with strong currencies.

All bottom 15 performing asset classes in sterling terms were long duration bonds in 2022, with the largest losses in long UK gilts and inflation linked, of 43-50%; the longest duration of all markets. Long-dated Euro IL and WGBI also suffered 30-40% losses.

3M GBP YTD GBP



Source: FTSE Russell. All data as of December 31, 2022. This analysis is taken from 100+ FTSE Russell sub-indices. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of Indices used for each market. For professional investors only.

Sovereign and Climate Bonds Analysis

Chart 1: Climate WGBI reversed its gains vs WGBI in December, returning to levels last seen in early Q4, amid a volatile period.

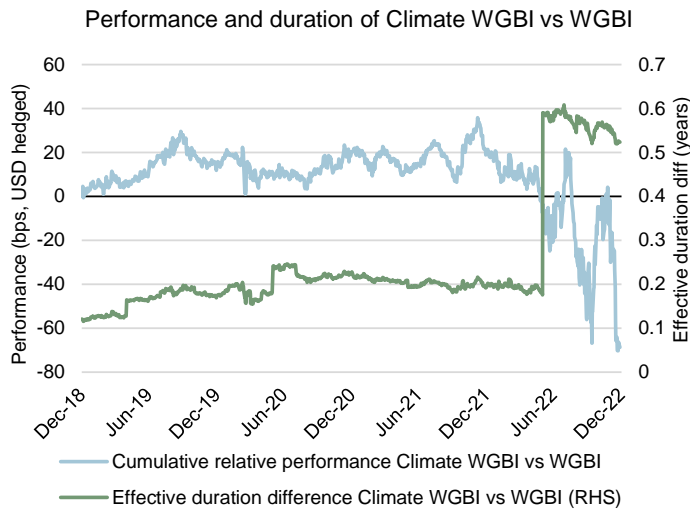


Chart 2: Overweights in the UK and Italy helped relative performance of Climate WGBI but the US underweight did not.

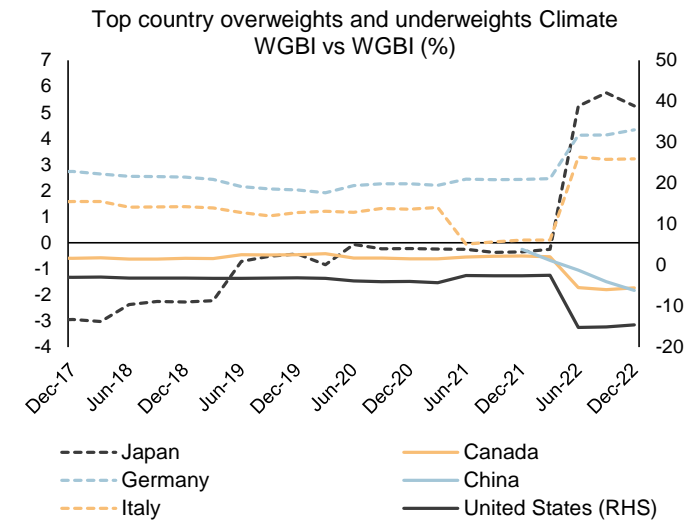


Chart 3: Climate WGBI has a lower yield to maturity versus WGBI, reflecting the higher weight of lower yield European issuers.

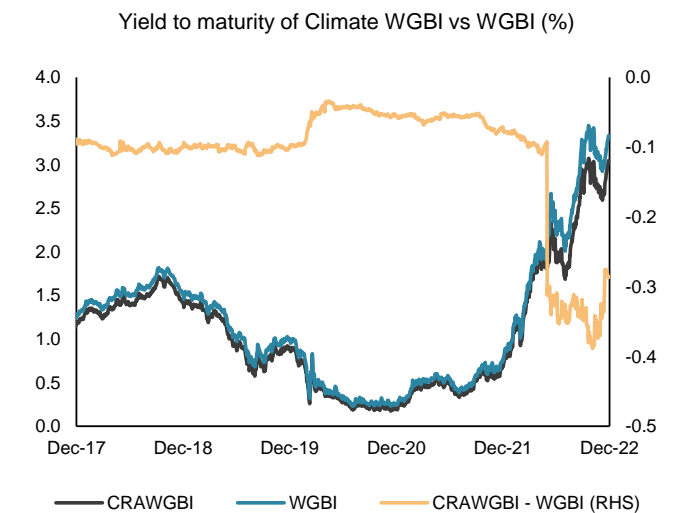


Chart 4: Big differences in Credit Quality: Climate WGBI has a lower weight in AA and a higher weight in AAA, A & BBB vs WGBI.

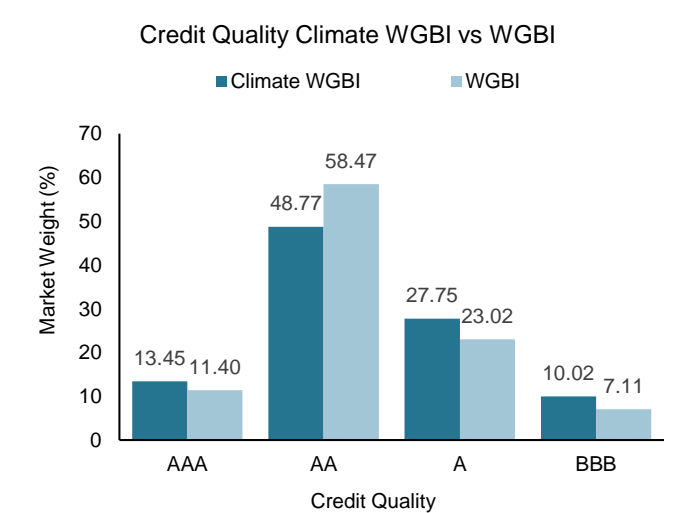


Chart 5: Yield differentials between 20yr+ Climate WGBI and WGBI have widened in 2022 compared to previous years.

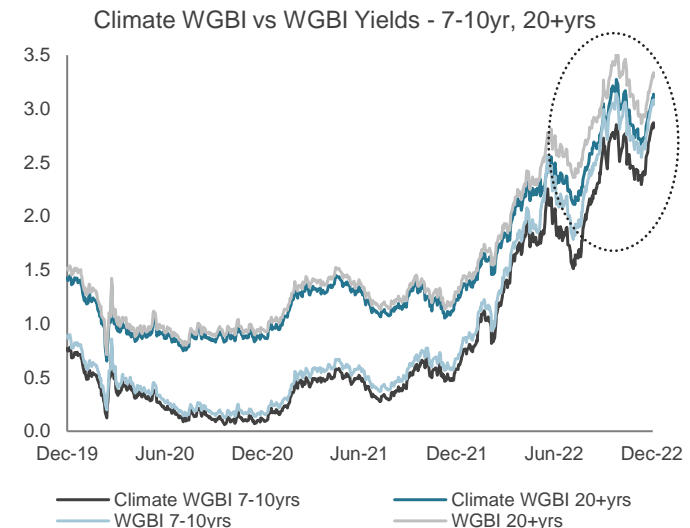
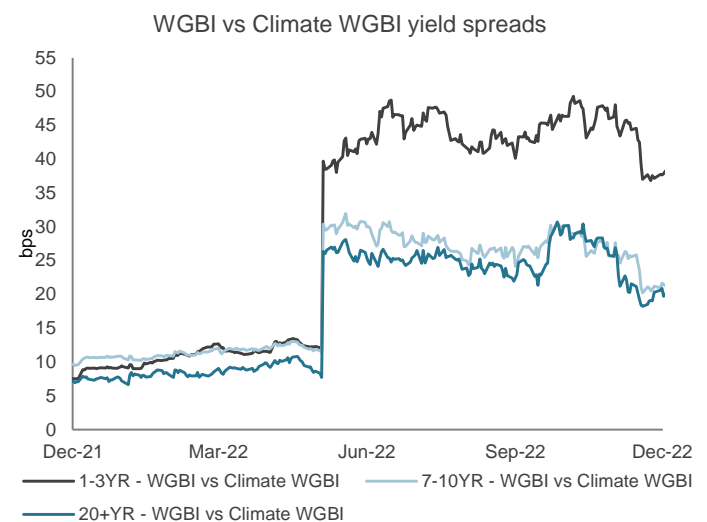


Chart 6: Longer-dated spreads between Climate WGBI and WGBI have remained relatively stable at around 25bp.



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Appendix – Global Bond Market Returns % (GBP & LC, TR) – December 31, 2022

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	0.69	-6.55	-0.88	0.07	-3.74	8.39	-3.74	8.39
	7-10YR	0.61	-6.63	-5.22	-4.31	-15.22	-4.54	-15.22	-4.54
	20+YR	-2.02	-9.07	-12.60	-11.76	-31.54	-22.92	-31.54	-22.92
	IG All	3.37	-4.07	-1.78	-0.84	-15.68	-5.06	-15.68	-5.06
	HY All	3.80	-3.67	3.32	4.31	-10.83	0.40	-10.83	0.40
UK	1-3YR	2.64	2.64	-1.28	-1.28	-2.86	-2.86	-2.86	-2.86
	7-10YR	4.60	4.60	-9.74	-9.74	-17.61	-17.61	-17.61	-17.61
	20+YR	-3.24	-3.24	-22.13	-22.13	-43.00	-43.00	-43.00	-43.00
EUR	IG All	1.05	2.16	-2.09	0.91	-14.09	-9.21	-14.09	-9.21
	HY All	4.88	5.90	4.25	7.12	-11.17	-6.65	-11.17	-6.65
Japan	1-3YR	-0.17	1.63	-0.19	3.75	-0.23	-1.95	-0.23	-1.95
	7-10YR	-1.59	0.19	-1.65	2.24	-3.29	-4.97	-3.29	-4.97
	20+YR	-4.60	-2.88	-7.67	-4.02	-17.67	-19.09	-17.67	-19.09
China	1-3YR	0.30	-5.05	1.16	-1.65	2.65	5.96	2.65	5.96
	7-10YR	0.35	-5.01	1.61	-1.22	2.82	6.15	2.82	6.15
	20+YR	-0.16	-5.49	3.26	0.39	5.77	9.19	5.77	9.19
EM	1-3YR	0.97	-3.53	1.97	0.39	0.93	4.94	0.93	4.94
	7-10YR	2.03	-2.91	2.99	1.01	-3.68	-0.53	-3.68	-0.53
	20+YR	1.78	-3.05	4.08	2.31	3.41	8.89	3.41	8.89
	IG All	3.43	-4.02	-0.32	0.63	-14.39	-3.61	-14.39	-3.61
	HY All	8.49	0.68	4.84	5.85	-15.59	-4.95	-15.59	-4.95
Germany	1-3YR	-1.08	0.00	-2.61	0.38	-4.71	0.69	-4.71	0.69
	7-10YR	-3.34	-2.28	-8.59	-5.79	-19.01	-14.41	-19.01	-14.41
	20+YR	-7.39	-6.37	-16.96	-14.41	-39.32	-35.88	-39.32	-35.88
Italy	1-3YR	0.03	1.13	-1.99	1.02	-4.23	1.20	-4.23	1.20
	7-10YR	-0.43	0.66	-7.29	-4.45	-19.91	-15.37	-19.91	-15.37
	20+YR	-4.57	-3.52	-15.30	-12.70	-36.62	-33.03	-36.62	-33.03
Spain	1-3YR	-0.83	0.26	-2.72	0.26	-5.25	0.12	-5.25	0.12
	7-10YR	-2.17	-1.10	-7.45	-4.61	-19.02	-14.43	-19.02	-14.43
	20+YR	-4.65	-3.60	-13.08	-10.41	-36.83	-33.25	-36.83	-33.25
France	1-3YR	-1.24	-0.16	-2.95	0.02	-5.21	0.16	-5.21	0.16
	7-10YR	-3.05	-1.98	-7.83	-5.01	-18.78	-14.17	-18.78	-14.17
	20+YR	-5.43	-4.39	-14.17	-11.54	-39.93	-36.52	-39.93	-36.52
Sweden	1-3YR	-0.37	-1.53	-0.91	-1.61	-3.59	-5.67	-3.59	-5.67
	7-10YR	-1.24	-2.39	-4.55	-5.22	-15.32	-17.14	-15.32	-17.14
	20+YR					0.00	0.00	0.00	0.00
Australia	1-3YR	0.85	-1.29	0.55	0.12	-2.52	2.38	-2.52	2.38
	7-10YR	-0.24	-2.35	-1.19	-1.62	-14.25	-9.94	-14.25	-9.94
	20+YR	-3.77	-5.81	-6.92	-7.32	-28.52	-24.92	-28.52	-24.92
NZ	1-3YR	-0.28	3.47	-0.68	2.00	-1.76	2.18	-1.76	2.18
	7-10YR	-0.23	3.52	-2.66	-0.03	-11.78	-8.24	-11.78	-8.24
Canada	1-3YR	0.44	-6.74	-0.01	-3.90	-3.84	0.93	-3.84	0.93
	7-10YR	-0.10	-7.24	0.81	-3.10	-11.53	-7.14	-11.53	-7.14
	20+YR	-2.91	-9.85	-1.10	-4.94	-24.41	-20.65	-24.41	-20.65

Source: FTSE Russell. All data as of December 31, 2022. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Global Bond Market Returns % (GBP & LC, TR) – December 31, 2022

Inflation-Linked Bond Returns

Top 15% Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5YR	1.23	-6.06	-2.04	-1.10	-4.04	8.05	-4.04	8.05
	5-10YR	1.89	-5.45	-3.69	-2.76	-12.17	-1.11	-12.17	-1.11
	20+YR	3.75	-3.72	-10.94	-10.08	-34.61	-26.37	-34.61	-26.37
UK	1-5YR	3.34	3.34	1.12	1.12	3.55	3.55	3.55	3.55
	5-10YR	2.80	2.80	-5.12	-5.12	-9.35	-9.35	-9.35	-9.35
	20+YR	-14.63	-14.63	-24.15	-24.15	-50.08	-50.08	-50.08	-50.08
EUxUK	1-5YR	0.17	1.27	-2.36	0.63	-0.40	5.25	-0.40	5.25
	5-10YR	0.12	1.22	-4.53	-1.61	-8.91	-3.75	-8.91	-3.75
	20+YR	-2.48	-1.41	-12.12	-9.42	-33.59	-29.83	-33.59	-29.83
Japan	1-5YR	0.43	2.25	1.00	4.99	3.70	1.90	3.70	1.90
	5-10YR	-0.51	1.29	0.43	4.40	3.35	1.56	3.35	1.56
EM	1-5YR	3.35	-1.94	7.26	5.94	21.36	33.57	21.36	33.57
	5-10YR	5.36	0.24	9.91	8.92	23.64	33.76	23.64	33.76
	20+YR	2.34	-1.63	4.81	6.28	2.17	19.21	2.17	19.21
Germany	1-5YR	0.17	1.27	-2.36	0.63	-0.40	5.25	-0.40	5.25
	5-10YR	0.12	1.22	-4.53	-1.61	-8.91	-3.75	-8.91	-3.75
	20+YR	-2.48	-1.41	-12.12	-9.42	-33.59	-29.83	-33.59	-29.83
Italy	1-5YR	2.56	3.69	0.15	3.22	3.77	9.66	3.77	9.66
	5-10YR	3.73	4.87	-2.07	0.93	-7.27	-2.00	-7.27	-2.00
	20+YR	1.45	2.56	-12.29	-9.60	-36.84	-33.25	-36.84	-33.25
Spain	1-5YR	0.89	2.00	-0.41	2.64	3.20	9.06	3.20	9.06
	5-10YR	1.75	2.87	-1.88	1.13	-6.67	-1.38	-6.67	-1.38
France	1-5YR	0.80	1.91	-3.12	-0.15	0.35	6.04	0.35	6.04
	5-10YR	0.70	1.80	-4.26	-1.32	-7.45	-2.20	-7.45	-2.20
	20+YR	0.03	1.13	-9.41	-6.63	-33.45	-29.68	-33.45	-29.68
Sweden	1-5YR	1.86	0.67	2.22	1.49	2.19	-0.02	2.19	-0.02
	5-10YR	0.26	-0.90	-2.99	-3.68	-6.21	-8.23	-6.21	-8.23
Australia	1-5YR	3.28	1.10	1.31	0.87	-0.07	4.96	-0.07	4.96
	5-10YR	3.43	1.24	1.80	1.36	-8.05	-3.43	-8.05	-3.43
	20+YR	5.46	3.23	-1.03	-1.46	-30.57	-27.08	-30.57	-27.08
NZ	5-10YR	2.80	6.67	2.38	5.14	-5.20	-1.40	-5.20	-1.40
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	2.97	-4.40	3.96	-0.08	-14.78	-10.55	-14.78	-10.55

Source: FTSE Russell. All data as of December 31, 2022. 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 December 31, 2022

Global Bond Yields

Top 15% Bottom 15%

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

		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.54	4.13	3.88	4.11	2.09	1.68	1.82	5.50	9.00
	3M Ago	4.31	4.18	3.83	3.95	2.11	1.82	1.95	5.72	9.55
	6M Ago	2.96	3.03	2.97	3.28	-0.04	0.64	1.14	4.74	8.86
	12M Ago	0.69	1.14	1.45	1.91	-2.21	-1.30	-0.45	2.41	4.87
UK	Current	3.50	3.65	3.69	3.92	-0.68	0.15	0.49		
	3M Ago	4.39	4.44	4.16	3.72	-0.88	0.08	-0.16		
	6M Ago	1.94	1.91	2.15	2.57	-2.66	-1.56	-0.70		
	12M Ago	0.60	0.89	1.10	1.25	-3.49	-2.94	-2.18		
Japan	Current	0.03	0.15	0.48	1.50	-1.22	-0.54			
	3M Ago	-0.07	0.01	0.26	1.27	-1.37	-0.78			
	6M Ago	-0.09	-0.02	0.24	1.12	-1.29	-0.73			
	12M Ago	-0.09	-0.06	0.06	0.65	-0.63	-0.61			
China	Current	2.28	2.53	2.85	3.26					
	3M Ago	2.06	2.42	2.79	3.21					
	6M Ago	2.19	2.53	2.87	3.36					
	12M Ago	2.35	2.43	2.79	3.39					
EM	Current	3.78	4.38	4.95	4.61	2.79	3.04	5.15	5.92	11.40
	3M Ago	3.70	4.31	5.05	4.78	2.51	3.42	5.19	6.09	13.35
	6M Ago	3.64	4.45	5.07	4.92	2.79	3.28	5.25	5.08	12.30
	12M Ago	3.39	3.73	4.69	4.70	3.13	3.41	4.79	2.71	7.95
Germany	Current	2.56	2.53	2.54	2.51	0.40	0.34	0.18		
	3M Ago	1.66	1.82	2.03	2.11	-0.52	-0.10	-0.07		
	6M Ago	0.56	0.93	1.26	1.61	-1.62	-0.95	-0.59		
	12M Ago	-0.65	-0.44	-0.18	0.12	-2.54	-1.94	-1.79		
Italy	Current	3.34	3.72	4.38	4.72	1.16	2.19	2.18		
	3M Ago	2.87	3.45	4.16	4.37	-0.14	2.02	2.10		
	6M Ago	1.34	2.12	3.04	3.60	-1.94	0.78	1.49		
	12M Ago	-0.16	0.67	1.38	2.21	-1.99	-0.44	0.48		
France	Current	2.85	2.82	2.97	3.30	0.15	0.44	0.77		
	3M Ago	1.91	2.12	2.46	2.99	-0.58	0.21	0.63		
	6M Ago	0.81	1.23	1.76	2.49	-2.85	-0.79	0.17		
	12M Ago	-0.57	0.05	0.47	1.12	-2.53	-1.52	-0.90		
Sweden	Current	2.80	2.65	2.37		-0.24	0.25			
	3M Ago	2.31	2.41	2.22		-0.72	-0.23			
	6M Ago	1.74	1.82	1.75		-1.30	-1.01			
	12M Ago	-0.18	0.43	0.65		-1.73	-1.51			
Australia	Current	3.43	3.62	4.01	4.37	0.60	1.45	1.88		
	3M Ago	3.44	3.64	3.87	4.10	0.80	1.58	2.01		
	6M Ago	2.92	3.30	3.62	3.86	-0.46	0.97	1.65		
	12M Ago	0.66	1.79	2.18	2.78	-1.06	-0.28	0.63		
NZ	Current	5.00	4.62	4.46	4.54	1.54	2.06			
	3M Ago	4.20	4.25	4.30	4.62	1.21	2.13			
	6M Ago	3.54	3.67	3.87	4.17	0.81	1.78			
	12M Ago	1.78	2.61	2.79	3.13	-0.13	0.60			
Canada	Current	3.90		3.30	3.31			1.33	5.27	7.34
	3M Ago	3.65		3.19	3.13			1.43	5.20	7.38
	6M Ago	3.08		3.21	3.18			1.23	4.83	6.98
	12M Ago	1.01		1.37	1.67			-0.32	2.45	4.49

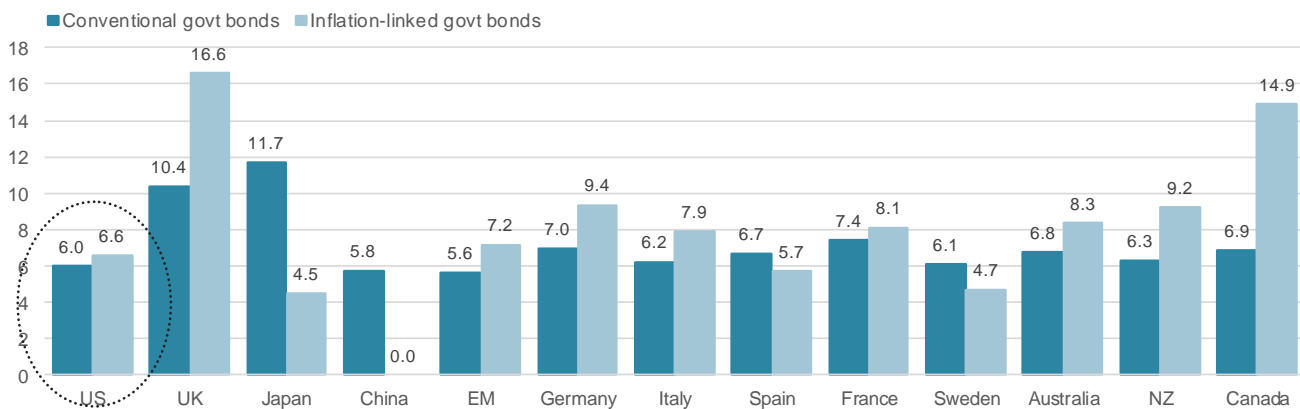
Source: FTSE Russell. All data as of December 31, 2022. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Duration and Market Value (USD, Bn) as of December 31, 2022

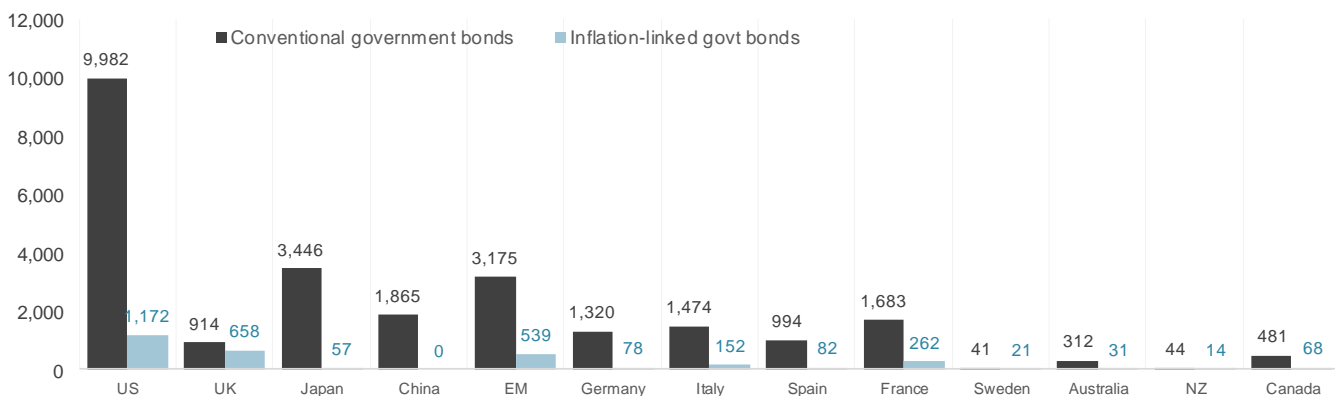
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.6	17.4	6.0	2,144.7	1,003.3	1,185.5	9,981.6	6.9	21.5	6.6	415.0	122.1	1172.0
UK	3.6	7.8	18.9	10.4	83.9	117.2	282.4	913.6	7.1	29.0	16.6	118.0	247.6	657.7
Japan	3.9	7.9	23.7	11.7	387.1	498.9	685.1	3,445.7	6.9		4.5	25.5		56.6
China	3.6	7.6	17.5	5.8	424.1	295.4	227.4	1,865.1						
EM	3.5	7.0	15.7	5.6	691.81	560.63	319.52	3,175.2	5.4	13.7	7.2	109.5	133.6	539.0
Germany	3.9	7.6	20.6	7.0	269.59	218.98	131.18	1,319.5	6.9	22.4	9.4	29.2	16.4	78.1
Italy	3.6	7.3	16.3	6.2	307.87	215.22	122.30	1,474.5	6.9	26.9	7.9	51.8	4.8	152.5
Spain	3.7	7.7	17.7	6.7	189.43	175.51	93.12	994.0	6.1		5.7	38.6		81.7
France	3.7	7.8	20.2	7.4	318.42	300.09	190.65	1,682.8	6.9	24.8	8.1	109.8	18.8	262.4
Sweden	3.7	8.2		6.1	7.58	9.02		40.6	6.0		4.7	12.5		20.6
Australia	3.7	8.0	17.8	6.8	54.86	85.31	14.73	312.5	7.7	22.9	8.3	9.1	2.6	31.5
NZ	3.6	7.9	17.6	6.3	8.40	6.26	2.21	44.2	6.8		9.2	3.1		13.8
Canada		7.5	18.1	6.9		161.50	85.10	481.2		14.9	14.9		68.0	68.0

	Investment grade bonds					High Yield						
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.4	8.6	7.2	6.8	7.1	77.2	422.1	2,349.2	3,235.8	6,084.3	4.3	1,121.8
Euro	6.5	5.1	4.7	4.4	4.6	8.5	165.3	1,027.4	1,380.7	2,581.9	3.2	413.7
EM		5.7	4.8	5.1	5.0		37.20	211.57	353.0	601.7	3.6	209.1

Average Duration



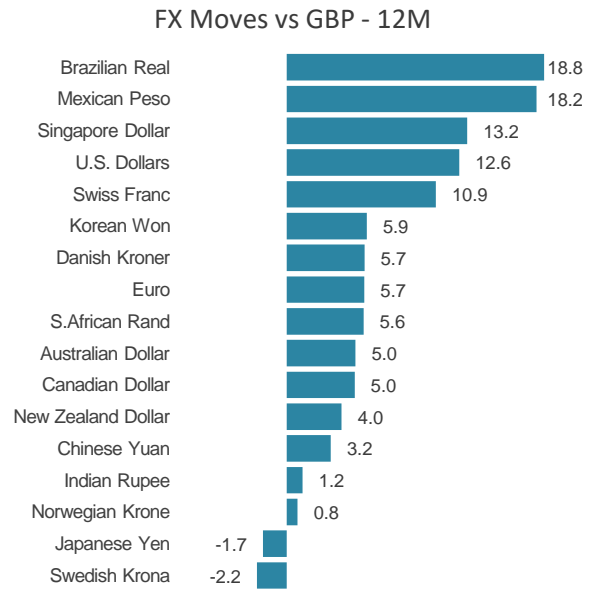
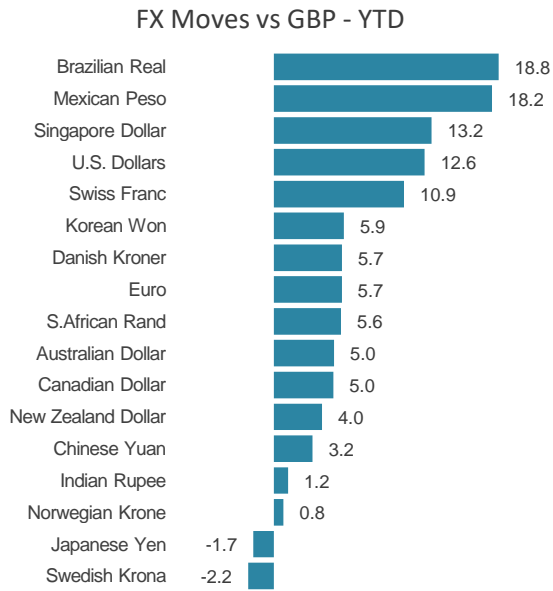
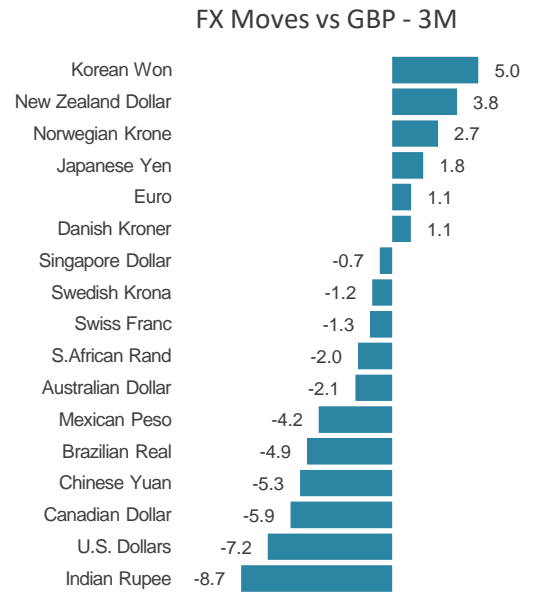
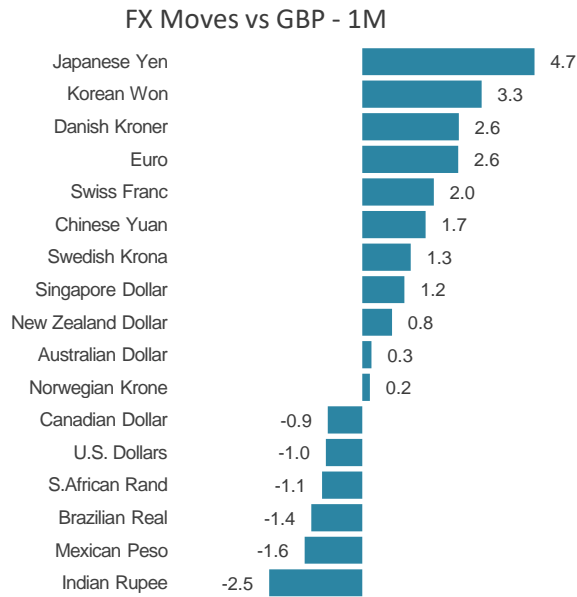
Total Market Value (USD Billions)



Data as of 2022-12-30

Source: FTSE Russell. All data as of December 31, 2022. 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 December 31, 2022



Source: FTSE Russell and Refinitiv. All data as of December 31, 2022. 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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