

Fixed Income Insights

MONTHLY REPORT | JANUARY 2025

EUROZONE EDITION

Euro HY credits hold up despite weak regional growth

Markets are assessing more US fiscal stimulus and possible trade tariffs, after President-elect Trump's election win. Higher for longer US rates and a strong dollar remain the key narrative. Political uncertainty may explain higher Bund yields, after the recent bond vigilante attack on French OATs. China and HY credit proved the best performers in 2024.

Macro and policy backdrop – the ECB's juggling act The ECB is juggling divergent inflation levels within the Euro area, making the recent 25bp cut a safe option, as the region's economic outlook slowly improves, and inflation ticks up. (pages 2-3)

Yields, curves and spreads – Higher for longer rates hit long duration hardest Long Treasuries and gilts fell in Q4 on higher for longer rates, while concerns over pro-growth US policies, possible tariffs & political uncertainty hit Eurozone government bonds. (pages 4-5)

Credit analysis – Euro HY BB credit spreads tightest in December. Euro high yield BB credit spreads are tighter than higher quality Bs. (page 6-7)

Sovereign and climate bonds – Duration is a challenge for SI sovereigns Duration has been the main factor driving relative performance for SI Sovereigns since 2022, but performance has begun to stabilise as rates peak. (page 8)

Performance – Higher for longer rates hit long duration hardest; Euro HYs up in 2024 Long Treasuries and gilts fell in Q4 on higher for longer rates, but deflationary strains drove gains in China, while inflation and higher issuance concerns over US policy hit long Bunds. Euro high yield credit performance held up well in 2024, despite weak economic growth in the region, but was overshadowed by strong EM and US HY returns. (pages 9-10)

Appendix (from page 12) Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

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Chart 1: 7-10 year nominal yield changes in December have been modest in Canada and Japan, compared to the back-up in Germany, the UK and US, led by real yields. Breakevens have been stable.

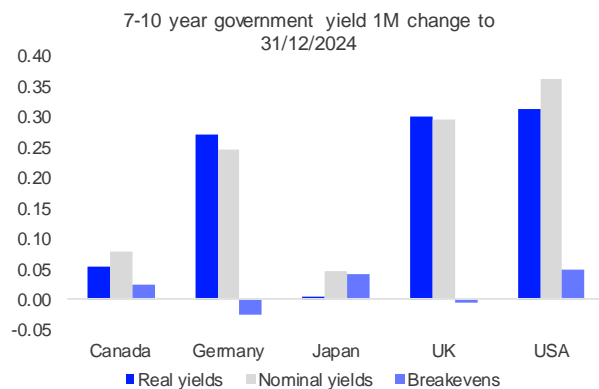
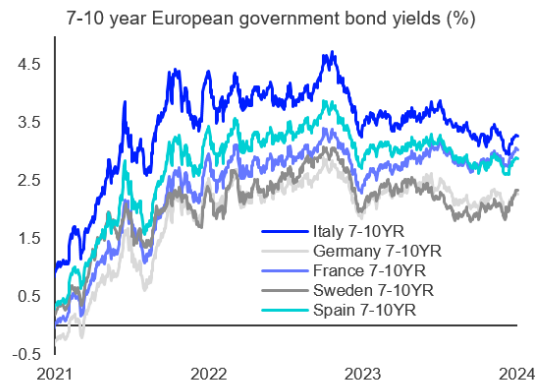


Chart 2: Changing of the guard? Political and economic uncertainty has resulted in French OAT and German Bund yields being at a higher levels than Swedish and Spanish yield equivalents, respectively.



Source: FTSE Russell and LSEG. All data as of December 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 of the report 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

Global markets are assessing the possibility of more US fiscal stimulus and trade tariffs, after President-elect Trump's election victory. Higher US rates for longer and a strong dollar are the dominant narrative, with the Fed scaling back cuts in 2025, alongside the December rate cut, which was at odds with projected PCE inflation of 2-3% until 2026-27. Eurozone unemployment remains low, helped by a modest fall in labour costs, but vacancy rates have started to fall.

The Trump card? Consensus forecasts point to mostly stronger G7 growth in 2025, though oddly the US is forecast to slow to 2.1% growth, from 2.7%, despite (modest) Fed easing and possible tax cuts. Eurozone growth is forecast to get a modest boost from fiscal stimulus and lower ECB rates in 2025.

US inflation remains a concern, after rising again in November to 2.7% y/y (Chart 2). Eurozone HCIP ticked up to 2.2% y/y in November, the second time since September, pointing to early shoots of recovery in peripheral countries, but also highlighting contrasting inflation levels within the region; Spain and Portugal's HCPI rose sharply to 2.8% and 3.0% y/y respectively, versus France and Italy's 1.3% y/y. At 4.0% y/y, Dutch inflation is among the highest in the region. Japan's 2.9% rise in inflation was due to higher food prices. The Chinese economy remains in a deflationary spiral, despite improving export growth.

Chart 3 shows the unemployment rate in the Euro area has remained at historical lows of 6.3%, despite a decline in vacancy rates to 2.5% in Q3 2024. Labour costs have also remained high but are easing as job prospects weaken a little.

Eurozone goods inflation bounced from its deep low in recent months, highlighting some green shoots of recovery in the region, thanks to lower rates and a modest bounce in consumer spending. Services inflation has remained high but stable (Chart 4).

Chart 1: Economic growth forecasts for 2025 point to stronger economic growth, except in the US and China. The Euro area's economy is expected to rebound in 2025, provided trade tariffs can be averted.

Latest Consensus Real GDP Forecasts (Median, %, December 2024)			
	2023	2024	2025
US	2.5	2.7	2.1
UK	0.1	0.9	1.4
Eurozone	0.5	0.8	1.0
Japan	1.3	0.4	1.1
China	5.2	4.8	4.5
Canada	1.1	1.1	1.8

Chart 2: Most regional inflation rose in November, except China. Euro area inflation was up modestly to 2.2% y/y, but Spain's sharp rise to 2.8% due to higher fuel prices and a strong tourist sector caused some alarm.

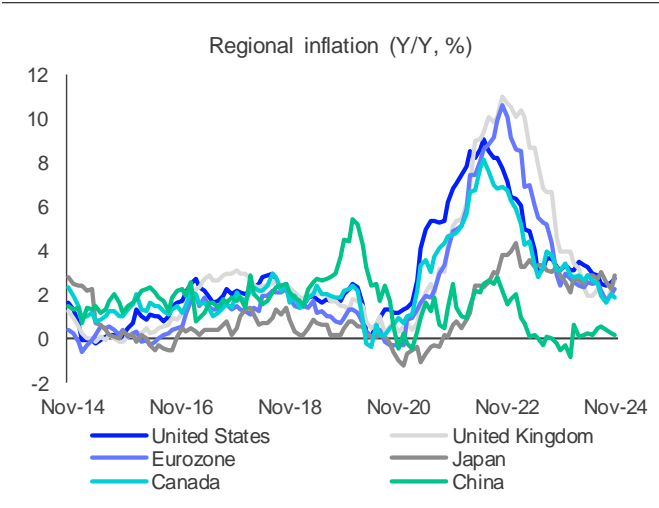
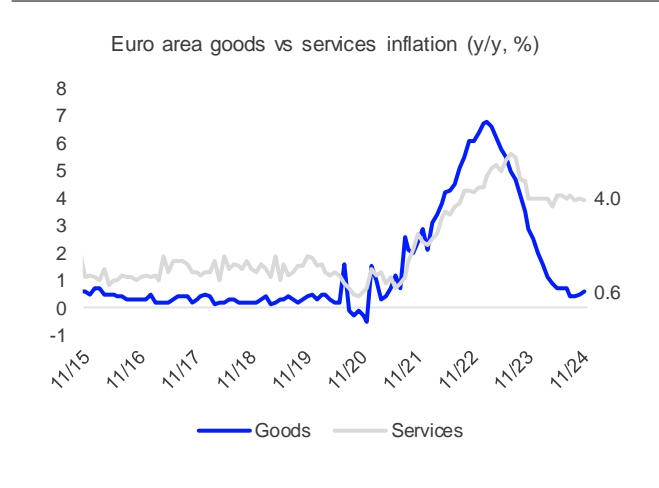


Chart 3: The Eurozone unemployment rate has remained resilient at historically lows of 6.3%, despite a small decline in vacancy rates to 2.5% in Q3 2024 (from 2.6% in Q2) and labour costs have eased a little.



Chart 4: Eurozone goods inflation has moved off its deep lows in November, highlighting some early green shoots of recovery in the region, while services inflation has remained sticky at 4%.



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Financial Conditions and Monetary Policy Settings

Increases in household savings ratio reflect both higher wage growth and employment in 2022-24, as well as consumer caution on future tax rises, and political uncertainty in the Eurozone. Fed caution and higher for longer US rates underpin the dollar, as the ECB cuts rates to protect against deflation risks, pushing the Euro lower.

Chart 1 shows an increase in household savings ratios in most regions except in the US, where the increase since 2022 has reversed and been replaced by two consecutive declines since Q2 2024. High savings ratios in Germany and France highlight political uncertainty and concerns over economic prospects. France's savings ratio of 18.3% in Q3 2024 has stayed high since Covid in 2020, when it reached a peak of 26%.

The US dollar rose after President-elect Trump's election victory, as markets revised upward US interest rate due to expectations of pro-growth policies, also seen as inflationary. The revision up to the Fed's dot plots supported the US dollar, with the 25bp cut in Fed rates on December 18 well discounted (Chart 2). Further weakness in the EUR also reflects subdued economic prospects for the region.

The ECB proceeded with a well discounted 25bp rate cut in December to 3.15%, as Eurozone inflation of 2.2% y/y stayed close to target and in line with expectations. Inflation disparity within countries and uncertainty over Presidential-elect Trump's pro-growth policies may have been considerations for the smaller cuts. Elsewhere, both the Fed and BoC proceeded with well flagged rate cuts. The BoC highlighted "excess supply" in the economy and "weaker growth" as reasons for implementing a bold 50bp cut in December, while the Fed has pivoted to the labour market as the key variable (Chart 3).

The US Fed's holding of securities has declined by over \$800 billion in 2024, and \$1.8 trillion since it began its balance sheet run-off in June 2022. The ECB's balance sheet has fallen by under €600 billion during 2024 and as of January 2025, it will no longer reinvest any of its monetary policy bond holdings, leading to a run-off of around €40 billion per month (Chart 4).

Chart 1: Besides the US, most G7 household savings ratios have continued to rise, or stayed stable at high levels, during 2024. France's 18% ratio reflects political and economic uncertainty.

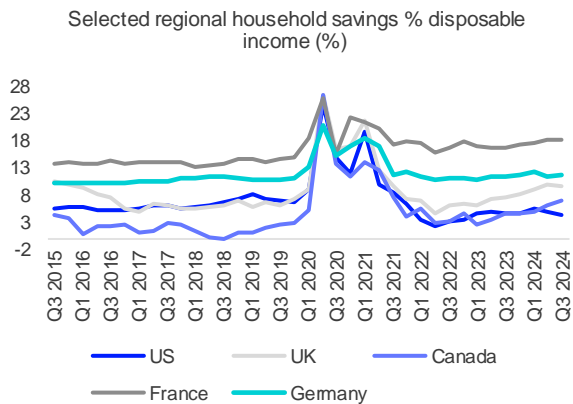


Chart 2: The dollar spiked after President-elect Trump's election victory, as markets revised up US rate expectations, despite a well discounted Fed cut in Dec. Euro weakness reflects negative economic sentiment.

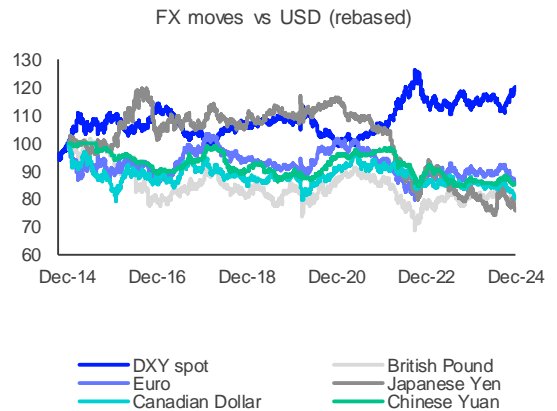


Chart 3: The ECB proceeded with its well flagged 25bp cut to 3.15% in Dec. after meeting its inflation and growth expectations. The Fed also cut rates by 25bp, while the BoC's move of 50bp was more aggressive.

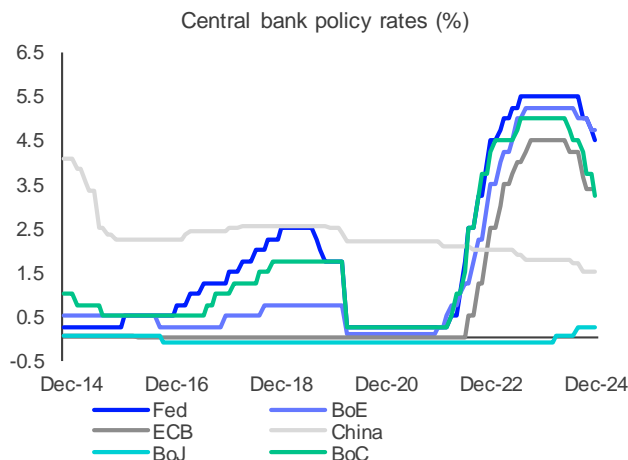
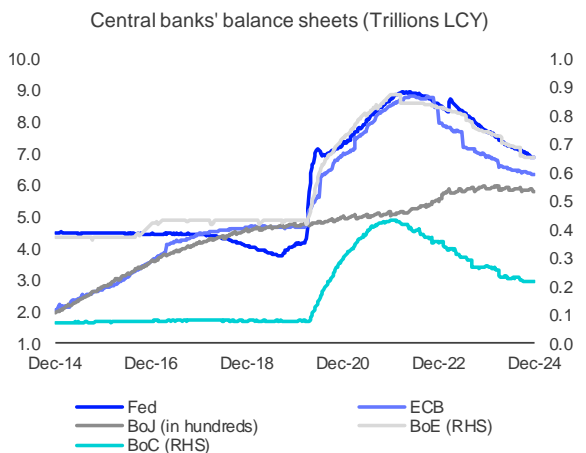


Chart 4: G7 central banks' balance sheets have fallen some ways. Since Q3 2023, the Fed has run off some \$900bn and the ECB's €560bn, unlike the BoJ, whose balance sheet remains stable



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Global Yields, Curves and Breakevens

Chart 1: US Treasuries led G7 yields higher in December after the Fed scaled back easing expectations for 2025, and disappointing inflation data. The 50bp BoC rate cut caused spreads to widen further vs US.

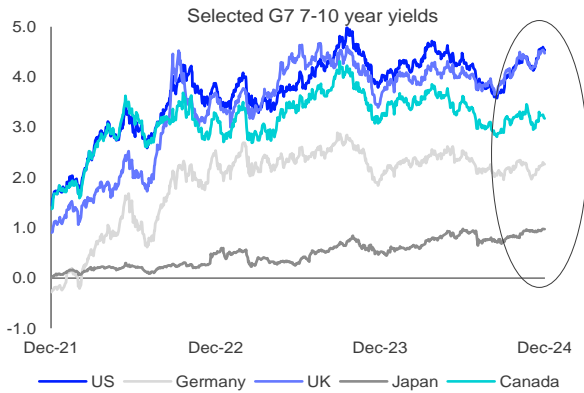


Chart 2: 7-10 yr real yields tracked nominals higher in December, led by US Tips as US growth remained robust in Q4. French real yields moved to new cycle highs, on concern over fiscal deficit levels.

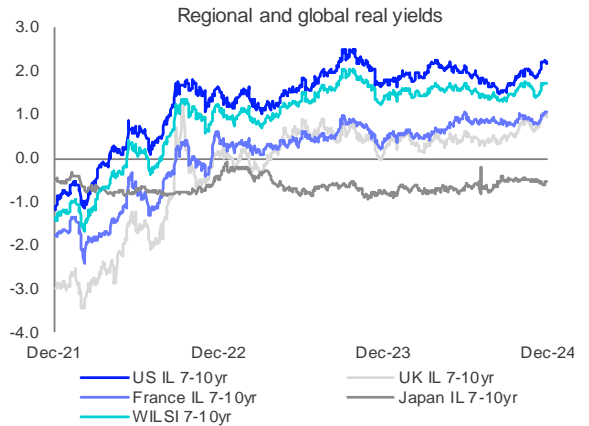


Chart 3: Curve steepening remains the dominant narrative, as debt levels prompted issuance fears, while policy easing has pulled 2-year yields lower, most notably in Canada and the Eurozone.

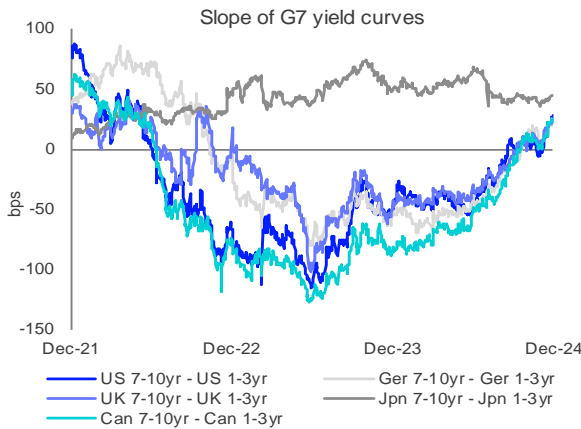


Chart 4: The long end of curves shows more pronounced steepening, notably in France, where political stalemate has prevented budget deficit reduction, but the gilt curve is now as steep as in the 2022 crisis.

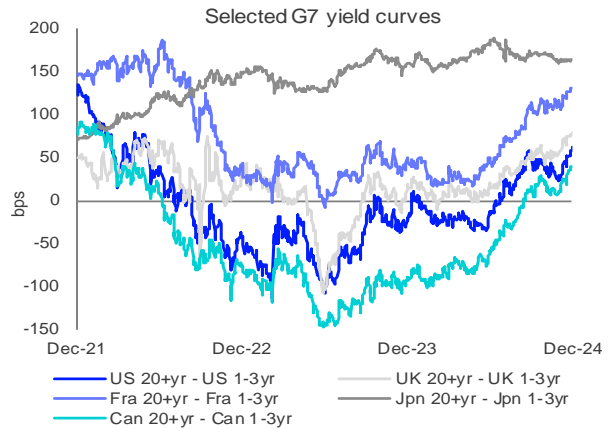


Chart 5: Breakevens generally remain stable, at around 2%, with nominal and real yields moving higher together in December. Stronger growth in the US caused breakevens to edge a little higher in Q4.

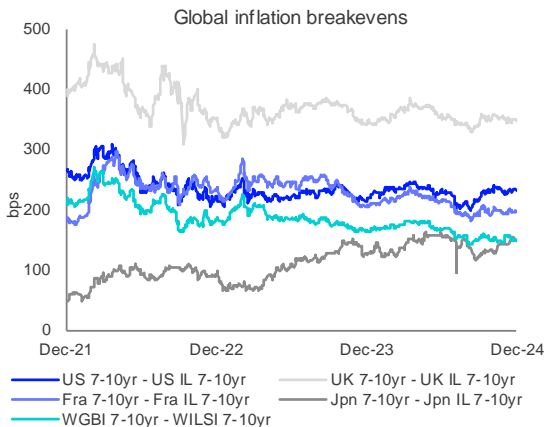
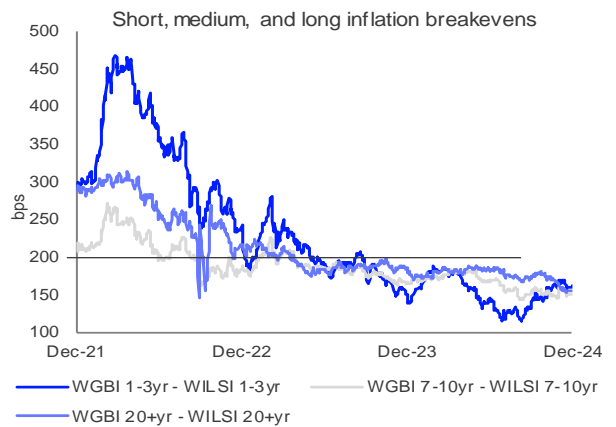


Chart 6: Stability in inflation breakevens has enabled central banks to ease policy in 2024, despite inflation remaining above 2% y/y targets in some economies for much of 2024 (notably the US and UK).



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Yield Spreads and Credit Spread Analysis

Chart 1: US sovereign spreads reflect stronger growth and inflation in the US, with spreads moving to new post-Covid highs versus WGBI, Germany and Canada. 7-10 year gilt spreads remained near zero.

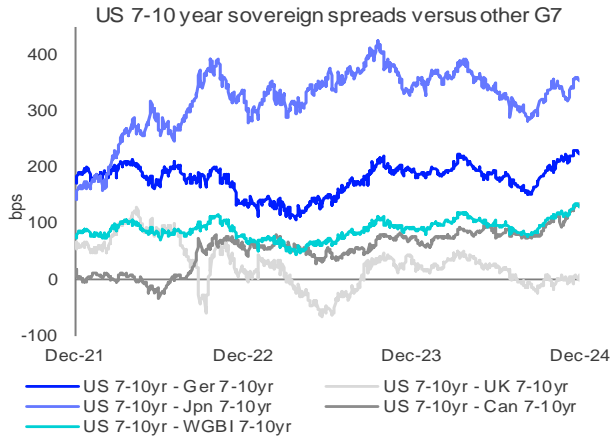


Chart 2: Italian spreads tightened further against US Treasuries and gilts in December, as 7-10 year yields rose in the US and UK. Spreads moved less versus Canada, after the BoC's 50bp rate cut.

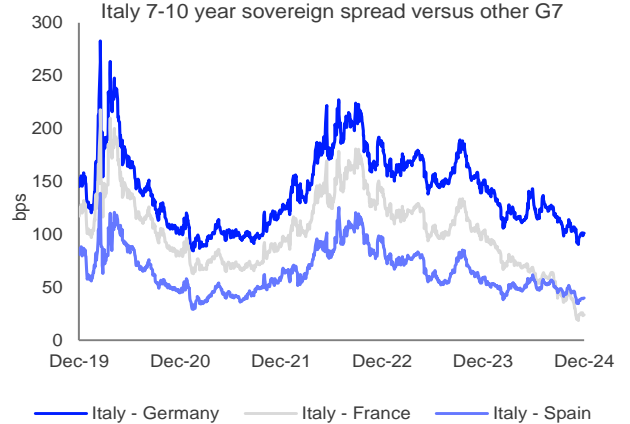


Chart 3: A broad re-rating of EM has continued in 2024, though it varies across the asset class. The decline in Chinese yields has also helped drive spreads lower, due to the high China weight in EM indices.

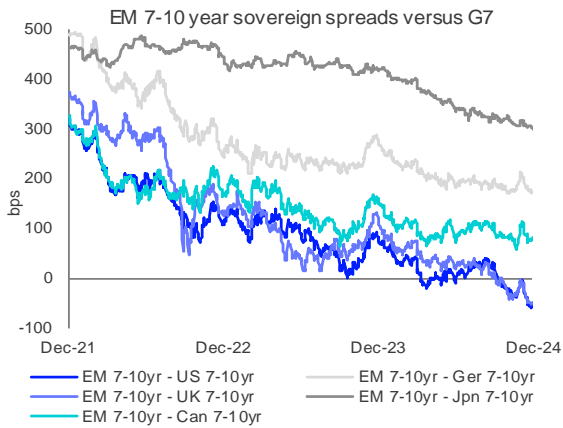


Chart 4: China 7-10 yr yields fell again in December after more policy easing by the PBoC, as spreads moved to new lows vs Treasuries and UK gilts, trading almost 300bp below US and UK yields.

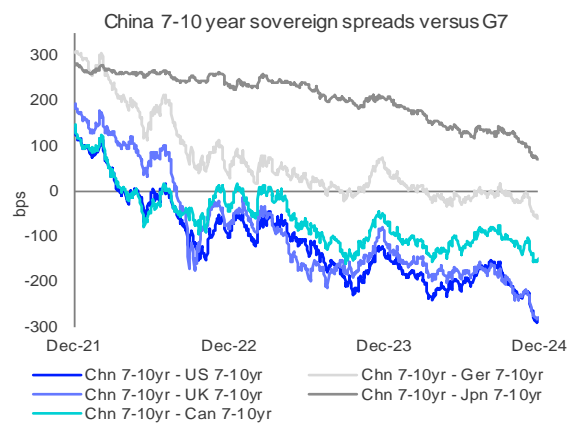


Chart 5: Credit spreads edged tighter in December, mainly due to higher US Treasury and Bund yield, with spreads returning to pre-inflation shock levels in both high yield and investment grade credits.

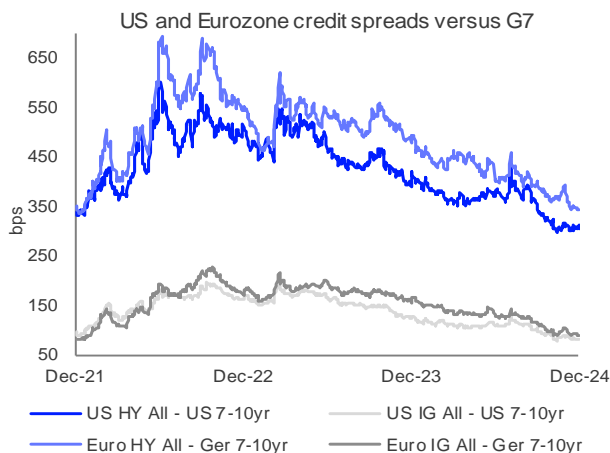


Chart 6: Since the 2022 property crash in China HY credits, spreads tightened after support measures, although bond exchanges and re-schedulings make spreads a less reliable indicator of performance.



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Credit sector analysis

Chart 1: Despite the tightening in IG credit spreads during the risk rally in 2023-24, investment grade yields remain attractive, notably in US and UK credits. Euro IG yields are still well above pre-covid levels.

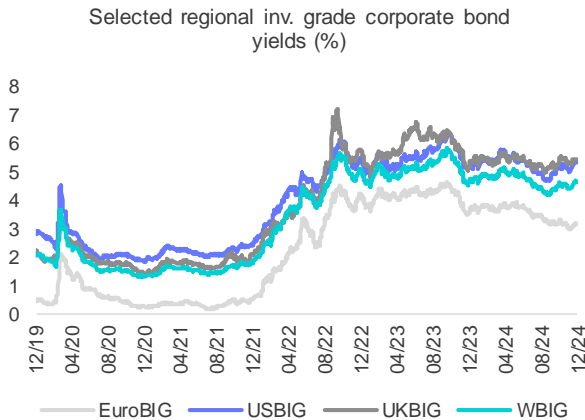


Chart 2: Banks dominate the US, UK and Euro investment grade universes, with performance boosted by higher capital buffers after regulatory changes and higher net interest income from higher rates.

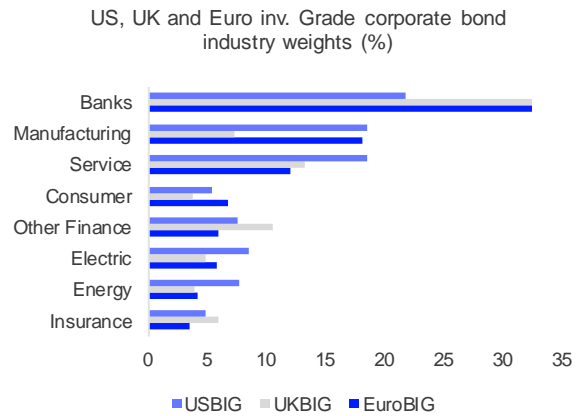


Chart 3: BBBs and As have led the Euro investment grade corporate bond performance, notably since 2022, after returns were boosted by ECB funding stimulus and gas storage was full ahead of winter.

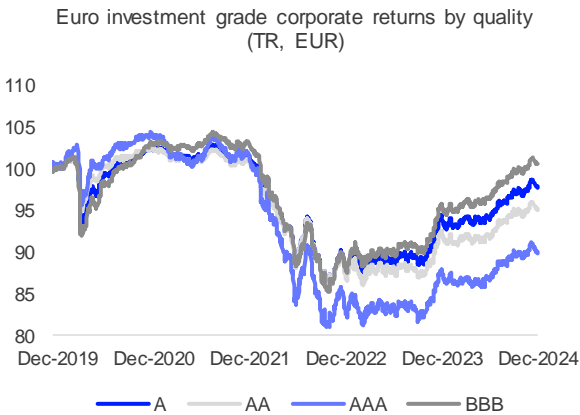


Chart 4: Euro investment grade spreads have shrunk significantly to close to pre-covid levels, with spreads from different quality grade corporates increasingly converging.

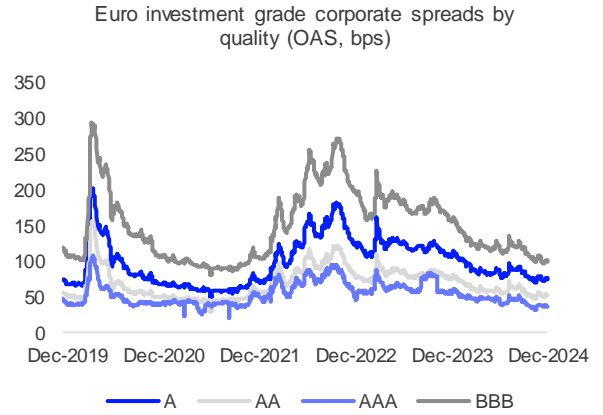


Chart 5: AAAs have the longest duration of nearly 6 years compared to lower grade issues, with the rest of the market averaging about 4-5 years.

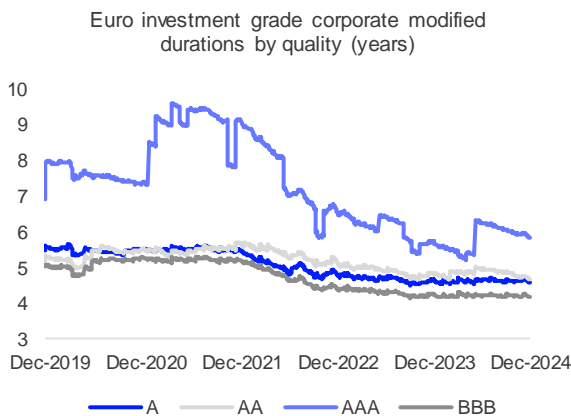
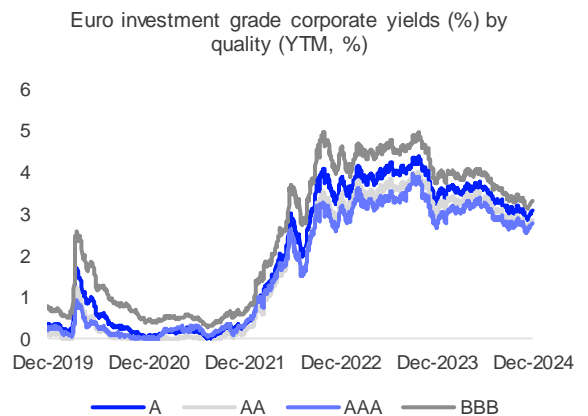


Chart 6: Euro investment grade corporate yields still look attractive compared to pre-Covid levels, while credit quality distinction is marginal, with BBB yields only 50bp higher than AAAs.



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High Yield Credit Analysis

Chart 1: Yields on HY credits globally declined during the 2023-24 risk rally, but World HY credits still offer a yield of 7% versus 9% at their peak. Sterling yields are highest at 8%.

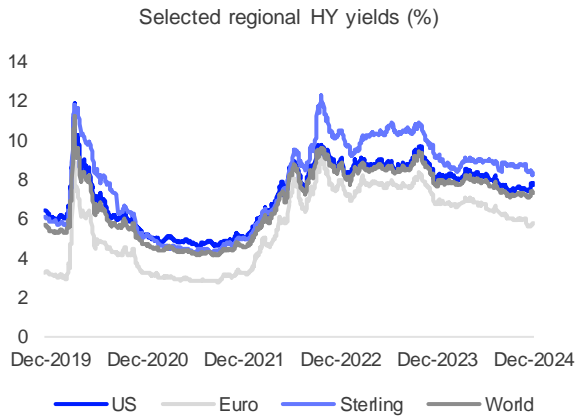


Chart 2: US high yield spreads fell to new post-Covid lows in Q4 before a modest rebound. Sterling HY spreads remain widest, which is the pattern in recent years, particularly during the 2022 shocks.

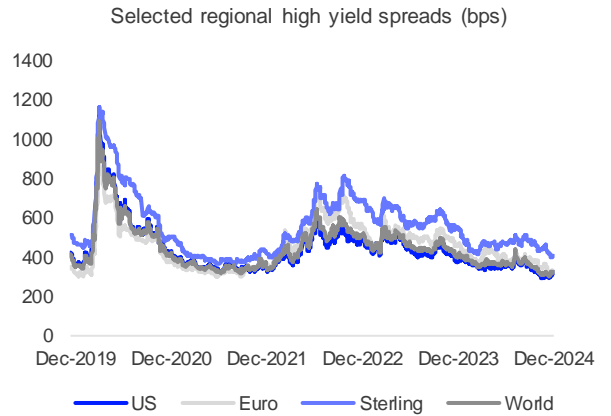


Chart 3: As in the Euro IG corporate bond markets, lower grade Euro high yield issuers have outperformed since 2019. CCC returns are up 31%, compared to 19% for Bs, and 13% for BBs.

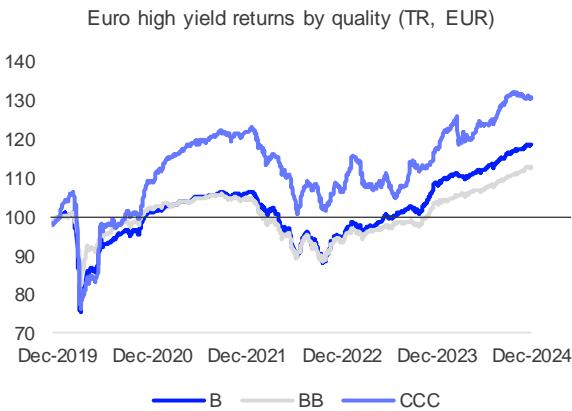


Chart 4: CCC Euro high yield credit spreads remain high versus 2020-21 and lower by 300-400bp in 2024 compared to 12M ago. BBs are the tightest, with spreads of 215bp vs Bs' 340bp spreads.

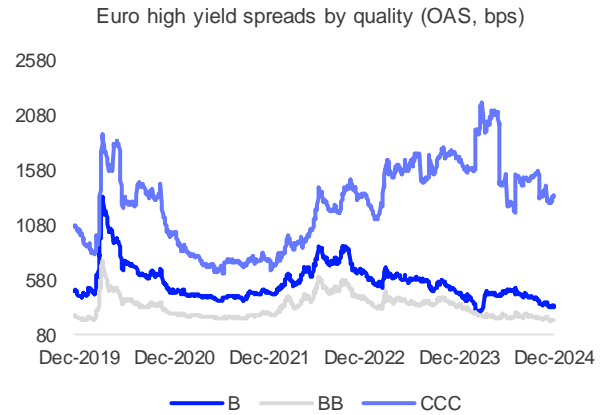


Chart 5: Bank and Consumer sectors have led Euro high yield credit performance since 2019, with returns of 20-24%. Double-digit returns of 17% were also observed from the Manufacturing sector.

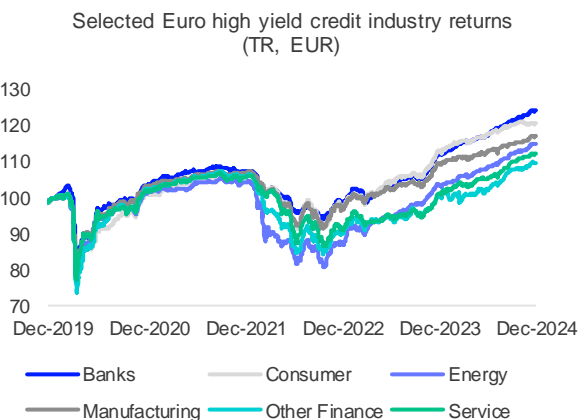
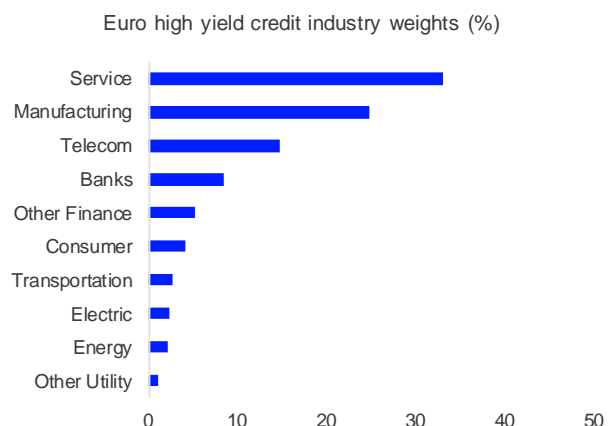


Chart 6: Service and Manufacturing issuers represent 33% and 25% respectively and over half of the Euro high yield credit market. Bank weight of 8% is much smaller than in the Euro IG corporate universe.



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SI Sovereign Bond Analysis

Chart 1: SI Sovereign performance was mixed in Q4, with both ESG WGBI and Climate Risk-Adjusted WGBI underperforming, and Advanced Climate Risk-Adjusted WGBI outperforming. ESG EMGBIC was flat.

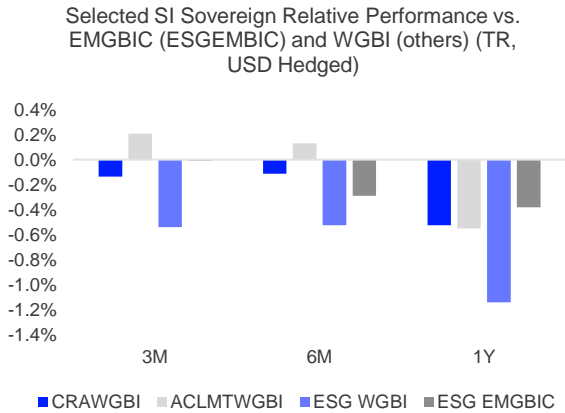


Chart 2: SI corporates largely outperformed in Q4, except PAB (Paris aligned benchmark) which underperformed vs. WBIG Corp over 3M. Green Corp was the largest outperformer in Q4, with a relative gain 2.0%.

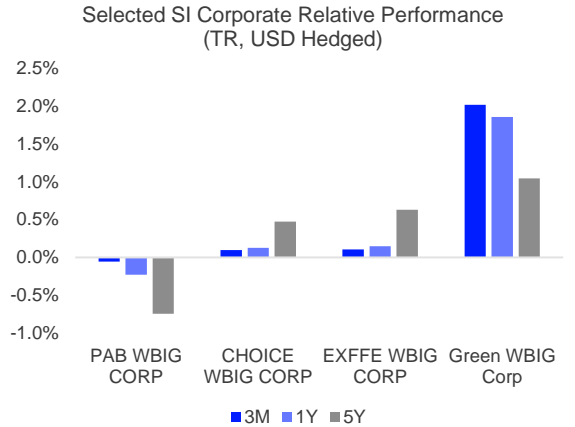


Chart 3: Since 2022, duration has been the main factor driving relative performance for SI Sovereigns. However, following peak rates in 2024, relative performance has begun to stabilise.

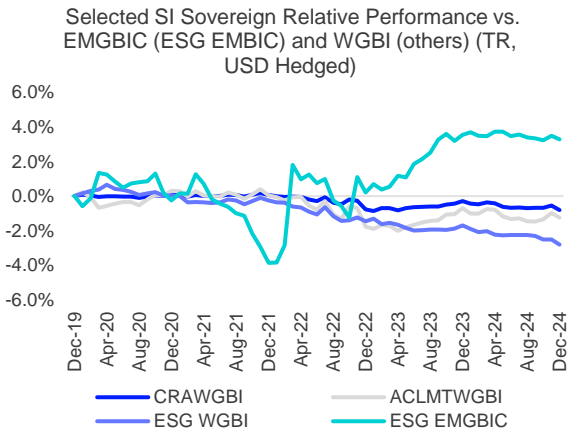


Chart 5: ESG EMGBIC has benefitted from a lower yield vs. EMGBIC. This trend reflects an overweight in countries more advanced in their rate easing cycles but has begun to slow as other central banks catch up.

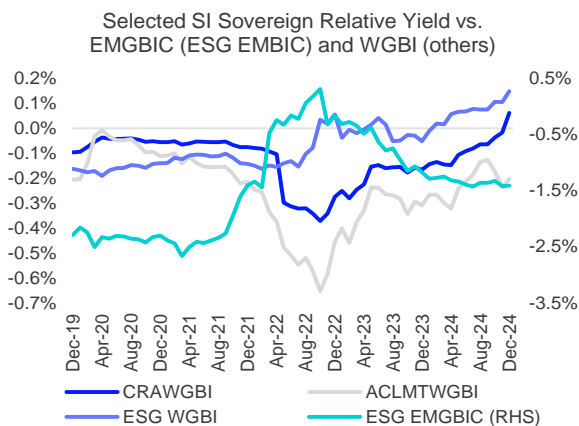


Chart 4: Duration largely explains performance divergence between Choice/ExFFE and PAB. For Green Corp, increased volatility was due to an underweight in service industry & overweight in electric utilities.

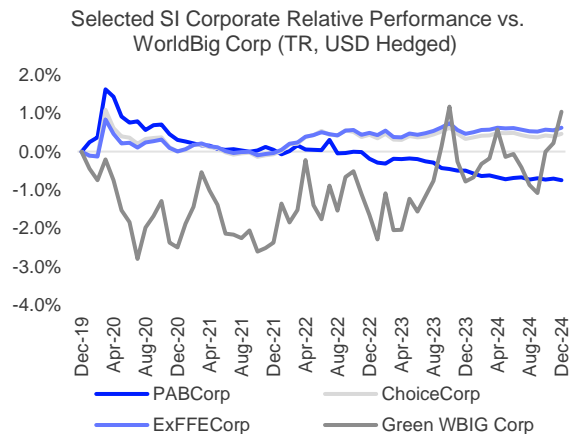
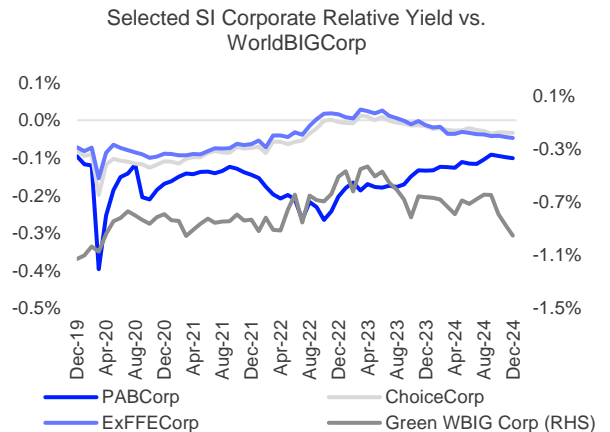


Chart 6: Except PAB, SI corporate indices have seen a decline in relative yield vs. non-SI indices. This is especially true for Green Corp, where relative yield-to-maturity has declined by ~0.3% versus WBIG Corp in Q4.



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Global Bond Market Returns – 3M & YTD % (EUR, LC, TR)

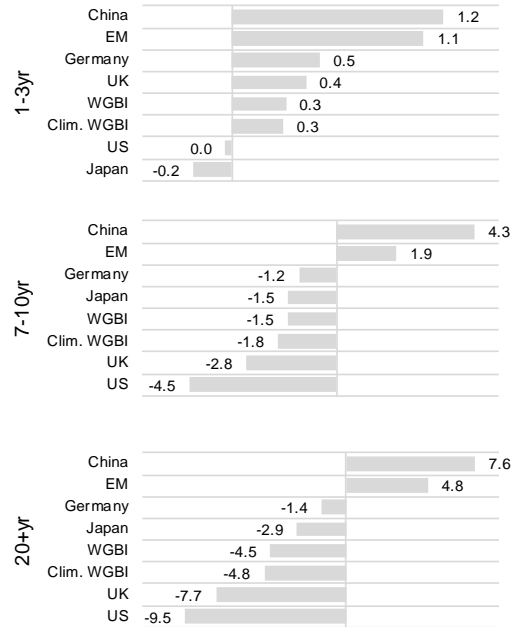
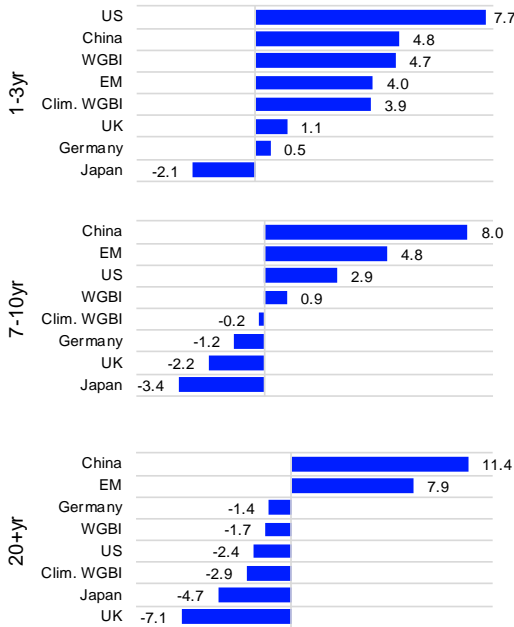
As in 2023, 2024 was a negative year for long government bond returns, as inflation was stickier, and as a result, interest rates stayed higher for longer, while policy easing helped government bonds in regions with lower inflation (i.e., Canada and the Euro area). Currency moves were also key, with US dollar strength dominating markets and driving returns.

Short US Treasuries have outperformed in Q4 due to currency moves, and lower duration, with euro-based investors benefitting from USD gains versus the Euro of 8%, and 7% over 3M and 12M respectively (page 17). Chinese (and EM) government bonds outperformed in Q4, and in 2024, thanks to a stronger renminbi. In Q4, Chinese (and EM) government bonds gained 4-11%, and 7-25% in 2024 in euro terms. But JGBs lost 2% to 14% in euros between both periods, mostly due to yen depreciation.

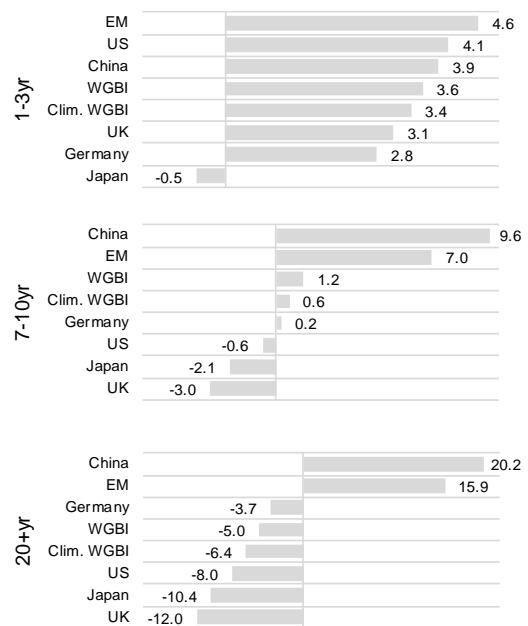
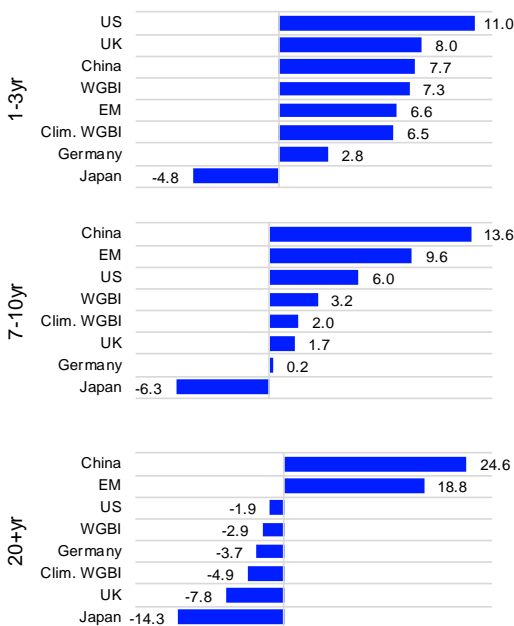
German Bund returns have been lacklustre, and mostly negative in Q4 and 2024.

CONVENTIONAL GOVT BONDS

3M EUR 3M LCY



YTD EUR YTD LCY



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Global Inflation-Linked Bond Returns – 3M & YTD % (EUR, LC, TR)

Inflation linked bonds have mostly underperformed in Q4, with gains in euros due to currency moves. Shorts led performance in Q4, and also in 2024, as inflation ticked up. Longer linkers broadly underperformed in both Q4 and 12M. EM and US corporates have performed strongly, with HY credits outperforming IG equivalents.

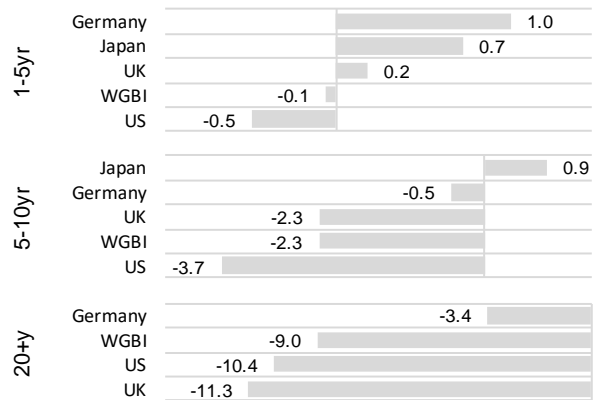
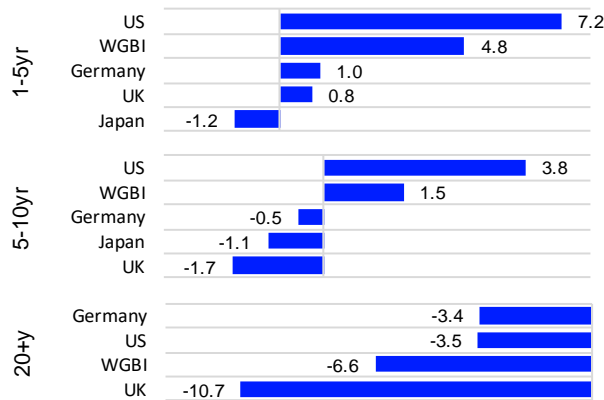
Performance of inflation linked bonds was modest in shorts and mediums, and poor in longs, in local currency terms, in Q4. Returns turning positive, and losses were reduced, because of currency gains versus the Euro, in overseas markets. Nonetheless, long inflation linked bonds were still down 1-14% in 2024 in euros.

EM and US corporates led performance in both Q4 and YTD, with high yield outperforming investment grade corporates. The best performance came from EM HY bonds, up 8% in Q4, and 19% in 2024, in euros, benefitting from a stronger Chinese yuan vs EUR (see page 17). Euro HY credits have gained 2% in Q4, and 9% in 2024, despite weak regional growth.

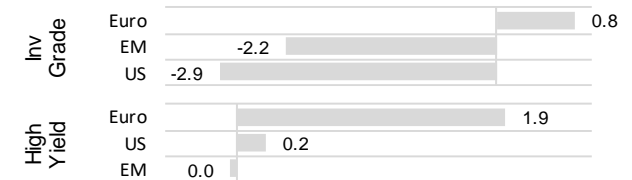
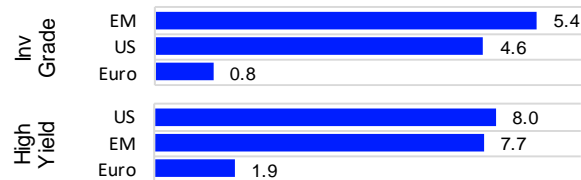
INFLATION LINKED BONDS

3M EUR

3M LCY



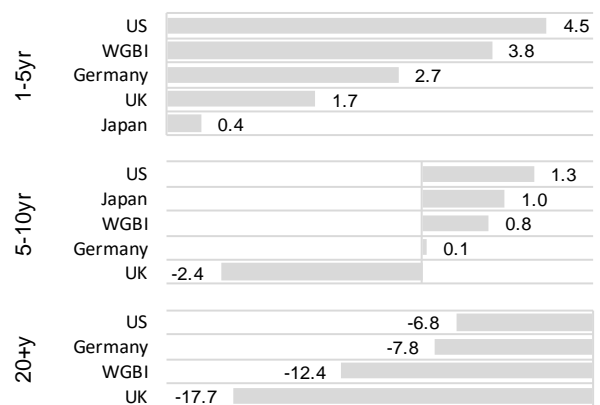
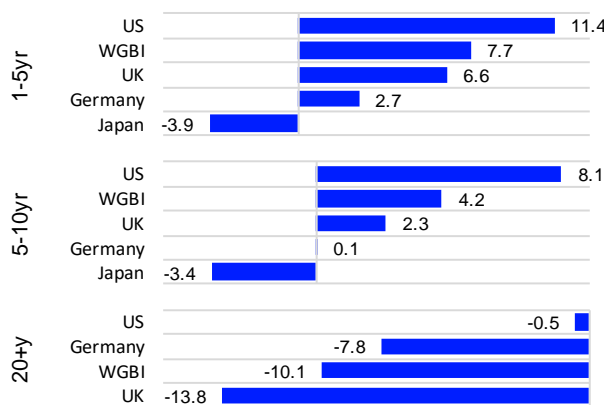
CORPORATE BONDS



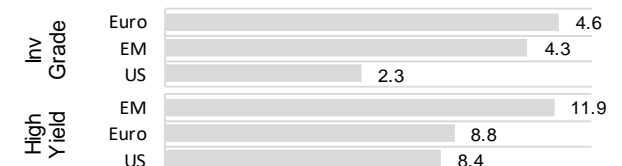
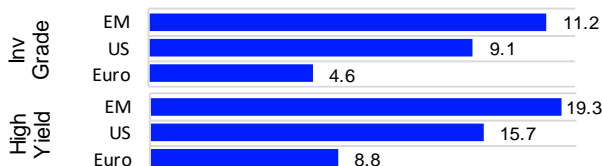
INFLATION LINKED BONDS

YTD EUR

YTD LCY



CORPORATE BONDS



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Top and Bottom Bond Returns – 3M & YTD % (EUR, TR)

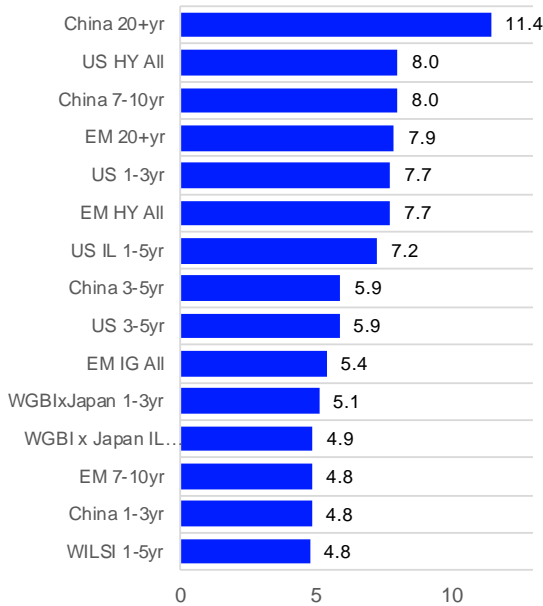
Long Chinese (and EM) government bonds, and EM and US high yield credits were star performers in both Q4 and 2024, in euros. By contrast, long inflation linked bonds in the UK, EM, Australia and France have underperformed. Euro high yield credit has remained a strong performer throughout 2024.

Chinese (and EM) government bonds, especially longs, and high yield credits, notably EM and US, have gained 5-11% in Q4, and 10-25% in euros in 2024. Euro high yield credits, up 9%, also ranked in the top 15 of the performance table, as did US investment grade corporates, with similar returns. However, long UK, EM and Australian inflation linked bonds have lost 8-12% in Q4, and 14-20% in 2024 in euro terms.

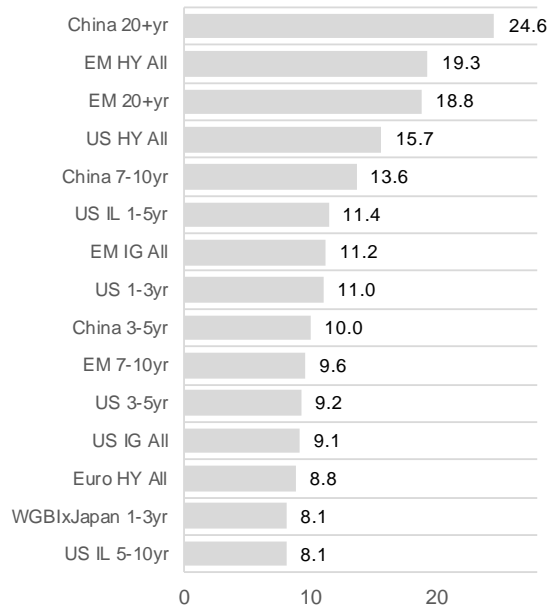
Political uncertainty also affected French OATs, notably longs, after a possible attack by bond vigilantes in Q4. Yen weakness reduced JGB returns, in both periods.

3M EUR YTD EUR

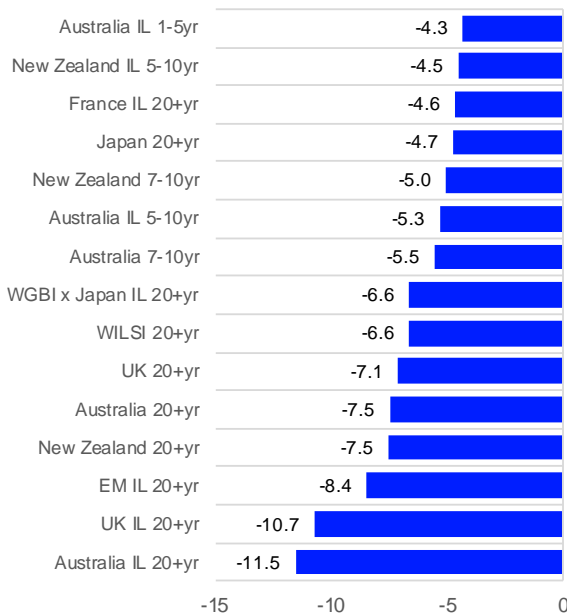
Top 15



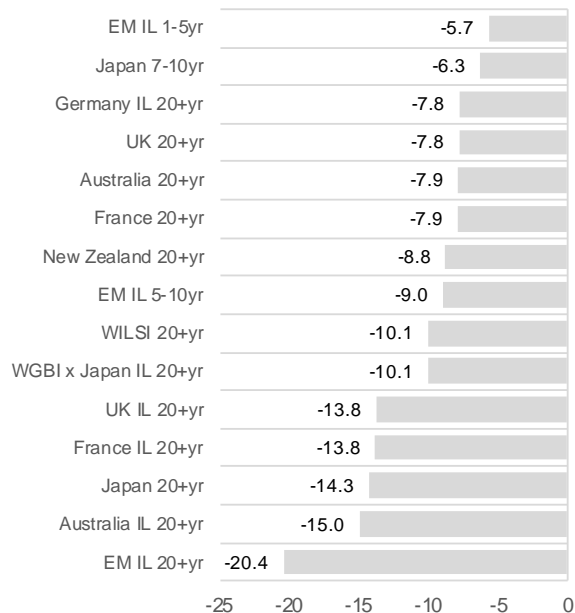
Top 15



Bottom 15



Bottom 15



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

Government bond returns

Top 15% Bottom 15%

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-3yr	-0.04	7.74	2.83	6.43	4.09	11.04	4.09	11.04
	7-10yr	-4.54	2.89	0.92	4.45	-0.62	6.02	-0.62	6.02
	20+yr	-9.48	-2.44	-2.28	1.14	-8.03	-1.89	-8.03	-1.89
	IG All	-2.93	4.62	2.74	6.33	2.30	9.13	2.30	9.13
	HY All	0.21	8.01	5.61	9.31	8.42	15.66	8.42	15.66
UK	1-3yr	0.42	1.05	2.25	4.85	3.08	8.03	3.08	8.03
	7-10yr	-2.78	-2.17	-0.35	2.18	-2.97	1.70	-2.97	1.70
	20+yr	-7.68	-7.09	-5.29	-2.89	-12.04	-7.82	-12.04	-7.82
Euro	IG All	0.82	0.82	4.13	4.13	4.61	4.61	4.61	4.61
	HY All	1.90	1.90	5.54	5.54	8.82	8.82	8.82	8.82
Japan	1-3yr	-0.21	-2.11	-0.16	5.77	-0.52	-4.80	-0.52	-4.80
	7-10yr	-1.49	-3.36	0.39	6.35	-2.08	-6.30	-2.08	-6.30
	20+yr	-2.89	-4.74	-0.50	5.40	-10.45	-14.30	-10.45	-14.30
China	1-3yr	1.19	4.83	1.84	4.93	3.90	7.70	3.90	7.70
	7-10yr	4.25	8.00	5.34	8.54	9.63	13.63	9.63	13.63
	20+yr	7.58	11.45	9.89	13.22	20.24	24.63	20.24	24.63
EM	1-3yr	1.08	3.96	2.35	4.67	4.62	6.64	4.62	6.64
	7-10yr	1.85	4.85	4.62	7.55	7.00	9.59	7.00	9.59
	20+yr	4.80	7.89	8.41	11.08	15.87	18.84	15.87	18.84
	IG All	-2.23	5.38	2.60	6.19	4.25	11.21	4.25	11.21
	HY All	-0.05	7.73	4.67	8.33	11.87	19.34	11.87	19.34
Germany	1-3yr	0.49	0.49	2.36	2.36	2.78	2.78	2.78	2.78
	7-10yr	-1.17	-1.17	2.59	2.59	0.23	0.23	0.23	0.23
	20+yr	-1.45	-1.45	3.76	3.76	-3.67	-3.67	-3.67	-3.67
Italy	1-3yr	0.72	0.72	3.18	3.18	3.79	3.79	3.79	3.79
	7-10yr	0.17	0.17	6.44	6.44	5.70	5.70	5.70	5.70
	20+yr	0.89	0.89	10.27	10.27	7.99	7.99	7.99	7.99
Spain	1-3yr	0.68	0.68	2.88	2.88	3.52	3.52	3.52	3.52
	7-10yr	-0.24	-0.24	4.39	4.39	3.26	3.26	3.26	3.26
	20+yr	0.56	0.56	7.42	7.42	4.01	4.01	4.01	4.01
France	1-3yr	0.66	0.66	2.85	2.85	2.80	2.80	2.80	2.80
	7-10yr	-1.25	-1.25	2.69	2.69	-1.25	-1.25	-1.25	-1.25
	20+yr	-2.22	-2.22	2.33	2.33	-7.90	-7.90	-7.90	-7.90
Sweden	1-3yr	-0.29	-1.41	1.85	1.03	3.27	0.48	3.27	0.48
	7-10yr	-2.75	-3.84	-0.03	-0.83	-0.33	-3.02	-0.33	-3.02
Australia	1-3yr	0.47	-3.36	2.48	-1.67	3.53	0.21	3.53	0.21
	7-10yr	-1.80	-5.54	1.96	-2.17	1.46	-1.79	1.46	-1.79
	20+yr	-3.81	-7.47	-0.87	-4.89	-4.82	-7.87	-4.82	-7.87
New Zealand	1-3yr	1.22	-3.93	4.57	-0.49	6.51	0.54	6.51	0.54
	7-10yr	0.07	-5.03	4.55	-0.51	4.56	-1.30	4.56	-1.30
	20+yr	-2.56	-7.53	0.70	-4.17	-3.34	-8.76	-3.34	-8.76
Canada	1-3yr	0.73	1.98	3.16	1.58	4.80	2.50	4.80	2.50
	7-10yr	-1.26	-0.03	4.24	2.65	2.82	0.57	2.82	0.57
	20+yr	-2.92	-1.72	3.36	1.78	-2.60	-4.73	-2.60	-4.73

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

Inflation-Linked Bond Returns

Top 15% Bottom 15%

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-5yr	-0.49	7.25	2.30	5.88	4.46	11.43	4.46	11.43
	5-10yr	-3.71	3.78	0.82	4.35	1.30	8.07	1.30	8.07
	20+yr	-10.44	-3.47	-2.93	0.47	-6.76	-0.53	-6.76	-0.53
UK	1-5yr	0.18	0.82	1.51	4.09	1.75	6.63	1.75	6.63
	5-10yr	-2.33	-1.71	-0.92	1.60	-2.37	2.32	-2.37	2.32
	20+yr	-11.27	-10.71	-9.90	-7.61	-17.73	-13.78	-17.73	-13.78
Japan	1-5yr	0.74	-1.18	0.47	6.43	0.41	-3.91	0.41	-3.91
	5-10yr	0.86	-1.06	0.24	6.19	0.96	-3.38	0.96	-3.38
EM	1-5yr	1.82	0.23	5.03	-1.59	8.82	-5.69	8.82	-5.69
	5-10yr	-0.98	-2.49	3.19	-2.61	2.64	-8.97	2.64	-8.97
	20+yr	-6.22	-8.45	-2.34	-8.69	-8.34	-20.45	-8.34	-20.45
Germany	1-5yr	1.02	1.02	2.25	2.25	2.72	2.72	2.72	2.72
	5-10yr	-0.48	-0.48	1.35	1.35	0.05	0.05	0.05	0.05
	20+yr	-3.42	-3.42	-1.29	-1.29	-7.78	-7.78	-7.78	-7.78
Italy	1-5yr	0.82	0.82	3.58	3.58	3.91	3.91	3.91	3.91
	5-10yr	-0.01	-0.01	4.99	4.99	4.91	4.91	4.91	4.91
	20+yr	-0.87	-0.87	7.89	7.89	4.33	4.33	4.33	4.33
Spain	1-5yr	0.69	0.69	2.75	2.75	2.84	2.84	2.84	2.84
	5-10yr	-0.34	-0.34	2.74	2.74	2.69	2.69	2.69	2.69
France	1-5yr	0.41	0.41	2.12	2.12	1.03	1.03	1.03	1.03
	5-10yr	-0.96	-0.96	1.18	1.18	-1.88	-1.88	-1.88	-1.88
	20+yr	-4.64	-4.64	-2.23	-2.23	-13.82	-13.82	-13.82	-13.82
Sweden	1-5yr	-0.19	-1.31	1.11	0.30	2.23	-0.53	2.23	-0.53
	5-10yr	-1.49	-2.60	0.64	-0.16	0.98	-1.74	0.98	-1.74
Australia	1-5yr	-0.52	-4.31	1.64	-2.48	2.20	-1.07	2.20	-1.07
	5-10yr	-1.57	-5.32	1.81	-2.31	0.90	-2.33	0.90	-2.33
	20+yr	-8.05	-11.55	-3.88	-7.77	-12.16	-14.98	-12.16	-14.98
New Zealand	5-10yr	0.60	-4.52	2.51	-2.45	4.91	-0.97	4.91	-0.97
Canada	20+yr	0.20	1.44	4.58	2.98	2.98	0.72	2.98	0.72

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Appendix – Historical Bond Yields % as of December 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	4.25	4.34	4.54	4.88	1.95	2.16	2.50	5.35	7.61
	3M Ago	3.73	3.58	3.74	4.21	1.59	1.51	1.94	4.76	7.30
	6M Ago	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	12M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
UK	Current	4.24	4.22	4.47	5.03	0.48	0.86	1.80		
	3M Ago	4.01	3.78	3.92	4.51	0.31	0.44	1.31		
	6M Ago	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	12M Ago	3.94	3.45	3.46	4.07	-0.02	-0.02	0.91		
Japan	Current	0.53	0.67	0.98	2.18	-1.20	-0.57			
	3M Ago	0.32	0.44	0.74	2.02	-0.96	-0.53			
	6M Ago	0.27	0.48	0.91	2.10	-1.32	-0.79			
	12M Ago	0.00	0.13	0.50	1.60	-1.67	-0.81			
China	Current	1.10	1.32	1.68	2.00					
	3M Ago	1.54	1.78	2.15	2.38					
	6M Ago	1.64	1.86	2.21	2.46					
	12M Ago	2.18	2.33	2.58	2.90					
EM	Current	2.99	3.20	3.98	3.49	6.51	5.83	6.25	5.55	8.05
	3M Ago	3.07	3.46	4.01	3.70	5.81	5.15	5.61	4.93	7.51
	6M Ago	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	12M Ago	3.44	3.95	4.70	4.34	4.27	4.23	4.82	5.58	9.90
Germany	Current	2.04	2.05	2.27	2.54	0.97	0.47	0.64		
	3M Ago	2.09	1.88	2.04	2.44	1.24	0.33	0.45		
	6M Ago	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	12M Ago	2.48	1.97	1.96	2.25	0.92	0.16	0.16		
Italy	Current	2.37	2.65	3.28	3.96	0.99	1.44	1.86		
	3M Ago	2.47	2.57	3.18	3.94	1.10	1.35	1.80		
	6M Ago	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	12M Ago	2.99	2.88	3.45	4.17	1.23	1.62	1.88		
France	Current	2.28	2.54	3.04	3.59	0.73	0.97	1.36		
	3M Ago	2.34	2.39	2.75	3.43	0.81	0.75	1.13		
	6M Ago	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	12M Ago	2.49	2.23	2.43	3.00	0.56	0.32	0.64		
Sweden	Current	2.07	2.14	2.33		0.92	0.69			
	3M Ago	1.68	1.66	1.90		0.88	0.47			
	6M Ago	2.42	2.23	2.19		1.41	0.74			
	12M Ago	2.59	2.04	2.01		1.12	0.59			
Australia	Current	3.88	3.89	4.32	4.87	1.77	1.92	2.45		
	3M Ago	3.62	3.54	3.91	4.56	1.31	1.45	2.00		
	6M Ago	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	12M Ago	3.71	3.63	3.90	4.30	0.85	1.27	1.61		
New Zealand	Current	3.58	3.70	4.35	5.11		2.29			
	3M Ago	3.75	3.74	4.20	4.87	2.65	2.20			
	6M Ago	4.78	4.56	4.65	5.00	2.51	2.33			
	12M Ago	4.71	4.24	4.31	4.60	1.45	2.12			
Canada	Current	2.93	2.94	3.17	3.33	1.07	1.26	1.53		
	3M Ago	3.03	2.71	2.90	3.14	1.44	1.29	1.53		
	6M Ago	4.07	3.56	3.51	3.42	1.70	1.72	1.68		
	12M Ago	3.94	3.26	3.10	3.04	1.31	1.35	1.51		

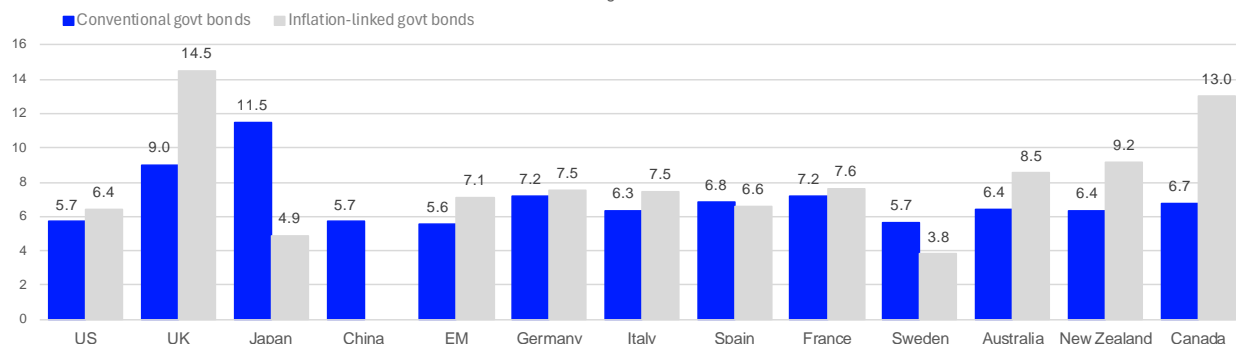
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Appendix – Duration and Market Value (USD, Bn) as of December 31, 2024

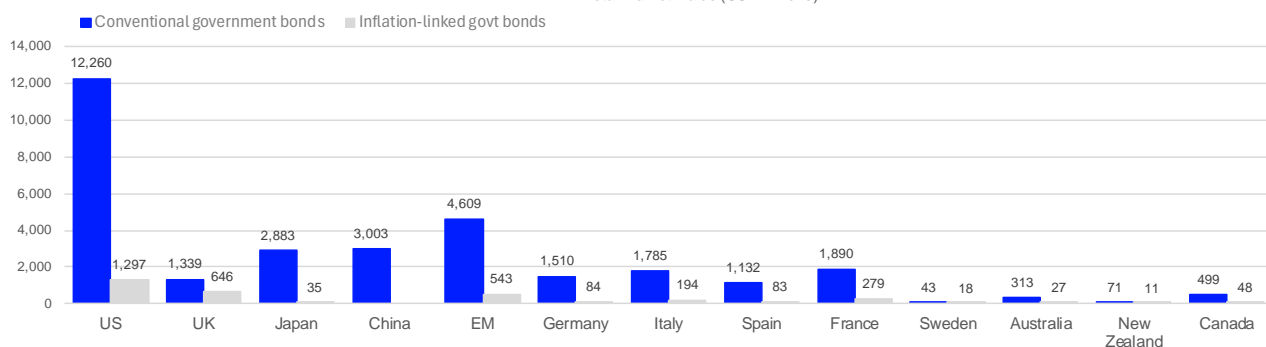
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	7.1	16.2	5.7	2,880.2	1,162.2	1,363.4	12,260.1	7.0	20.9	6.4	433.9	114.5	1,297.4
UK	3.6	7.2	17.5	9.0	220.0	229.2	315.8	1,339.3	7.4	26.4	14.5	122.5	207.7	645.5
Japan	3.8	8.2	22.9	11.5	344.1	416.9	584.2	2,883.1	7.9		4.9	14.5		34.6
China	3.7	7.6	18.2	5.7	719.5	496.4	337.5	3,003.0						
EM	3.6	7.1	16.5	5.6	1,024.8	810.3	443.0	4,609.5	5.8	12.8	7.1	93.2	134.4	542.6
Germany	3.7	7.6	21.1	7.2	311.4	241.0	167.8	1,509.5	6.0	20.5	7.5	42.4	16.9	84.3
Italy	3.6	7.1	16.9	6.3	315.3	263.2	154.5	1,784.8	6.9	25.2	7.5	58.2	5.5	193.7
Spain	3.7	7.3	18.7	6.8	240.5	210.7	95.8	1,131.7	7.1		6.6	49.4		83.2
France	3.8	7.5	18.9	7.2	386.6	313.5	233.3	1,890.4	6.4	23.5	7.6	76.7	20.0	278.6
Sweden	4.0	7.4		5.7	13.6	9.5		42.8	6.2		3.8	5.8		17.7
Australia	3.8	7.3	16.3	6.4	50.4	78.0	18.4	312.5	6.1	21.2	8.5	10.2	2.5	27.0
New Zealand	3.6	7.1	15.8	6.4	13.6	17.4	4.8	70.8	5.2		9.2	3.1		11.1
Canada	3.7	7.3	19.4	6.7	81.1	111.0	71.4	499.4	6.1	20.1	13.0	7.9	19.6	47.6

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.1	6.9	6.5	6.8	71.0	458.4	2811.3	3622.6	6963.3	3.8	1107.6
Europe	5.8	4.7	4.6	4.2	4.4	14.8	213.7	1211.5	1565.3	3005.4		
EM		6.5	5.4	5.3	5.4		38.7	209.6	231.6	479.9	3.6	196.5

Average Duration



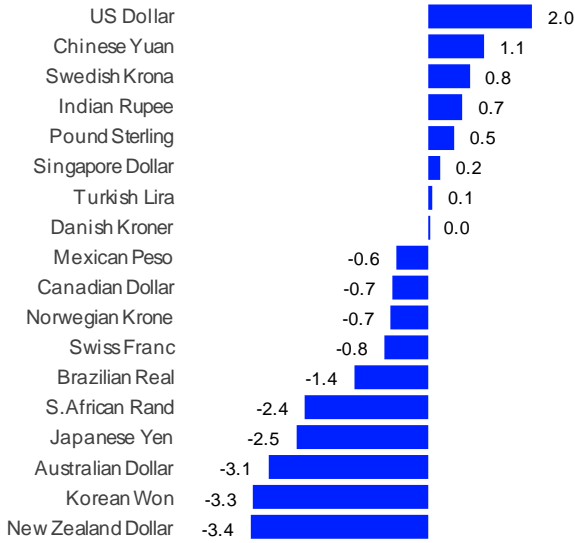
Total Market Value (USD Billions)



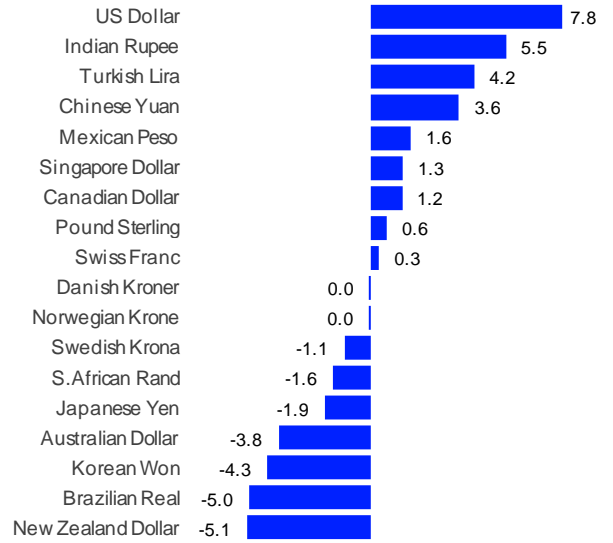
Source: FTSE Russell and LSEG. All data as of December 31, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

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

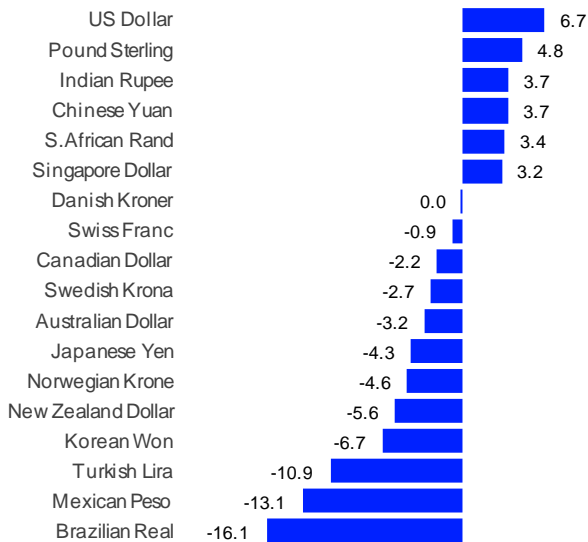
FX Moves vs EUR - 1M



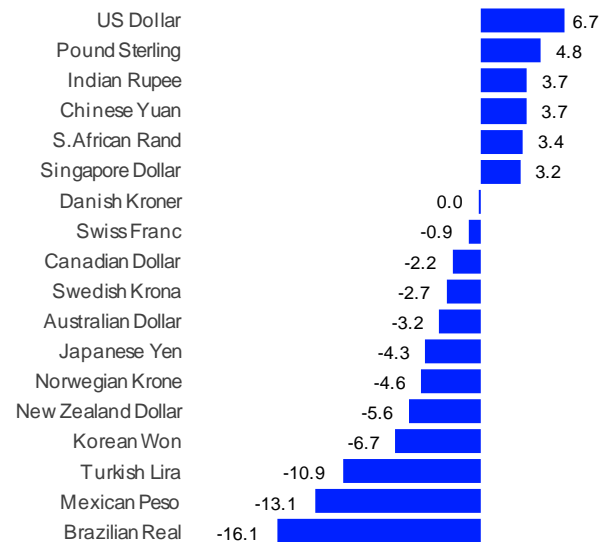
FX Moves vs EUR - 3M



FX Moves vs EUR - YTD



FX Moves vs EUR - 12M



Source: FTSE Russell and LSEG. All data as of December 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 of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

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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