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EUROPE
EUROZONE & UK EDITION

QUARTERLY REPORT | **JANUARY 2026**

Eurozone re-structuring the main narrative

Credit markets enjoyed a strong 2025, buoyed by policy easing, easier financial conditions and despite tariff risks, led by financials. A new order in Eurozone sovereigns is emerging, reflecting a major shift in national fiscal policies and competitive pressures, in favour of peripheral govt bonds, and reducing pressure on the ECB to ease further. The tail risk of G7 recessions remains, and supports a flexible approach to fixed income weights, and duration, with steeper curves and high yields offering more value in longs, led by US & UK.

Macro & policy backdrop – ECB firm hold continues, but BoE has more scope to ease?

Little pressure on ECB to adjust rates, given 2% rates, as German fiscal policy becomes more activist. Tighter policy, and lower inflation gives scope for further UK rate cut (page 2-3).

Spotlight on central banks – Balancing financial stability and monetary policy needs

Debate on the optimal size of balance sheets continues, but a return to the low excess reserves and liquid assets pre-GFC is unlikely, given financial stability issues (page 4).

FX – More dollar weakness in 2026 ? Is the yen carry trade about to unravel?

Yen weakness defies rate differentials. Easing near completion support CAD & Euro (page 5).

Eurozone govt bonds & credit – Re-structuring Eurozone spreads in sovereign & credit

Markets are pricing in a reversal of the early competitive pressures in the Eurozone (page 6-7).

UK gilts and credit – Steeper UK yield curve shows signs of attracting investors

Higher yields, & steeper curves give more attractive entry levels for gilts. Credit returns still led by financials (page 8-9).

Performance returns – Q4 rallies in gilts and Treasuries, but longer Bunds remain weak

Another year of underperformance in JGBs & Bunds. Credit still outshines govt bonds, but long end investors begin to emerge in US Treasuries and gilts in Q4 (page 10-11).

Appendix Top 15/Bottom 15 bond returns, yields, duration and market values (page 12-13).

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Chart 1: Short yields fell most in the US, UK and Canada in 2025, reflecting policy easing, while the ECB held rates unchanged from June. Inflation breakevens mostly signal a shift away from inflation concerns.

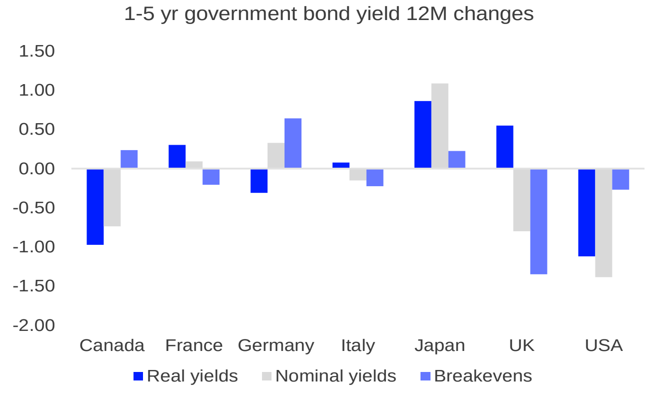
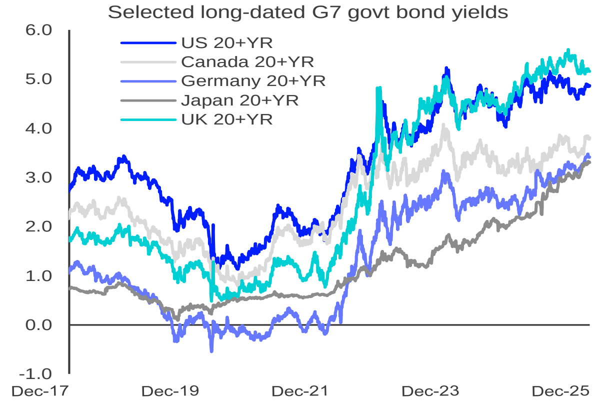


Chart 2: Unlike short govt bonds, 2025 was a difficult year for longs, with the worst performers Bunds, OATs and JGBs. However, higher yield UK gilts & US Treasuries drew support from LDI flows and policy easing in Q4.



Source: FTSE Russell and LSEG. All data as of December 31, 2025. 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.

Eurozone macroeconomic and policy conditions – re-structuring continues

Although the Eurozone growth outlook remains depressed by flat-lining in German growth, the ECB is under little pressure to make an early policy change, with rates now at 2% and inflation at target. Thus policy is unchanged since June 2025, and the strong Euro, and weaker energy prices have helped keep inflation at target (Charts 1 and 3). Positive wealth effects from higher house prices – though not as pronounced as US house price gains – may also help consumer confidence (Chart 2).

But the biggest policy challenge facing the ECB in 2026 is ongoing divergence in growth and unemployment between northern Eurozone members, led by Germany and France, and the southern Eurozone, led by Spain and Italy. This is a reversal of the pattern in the years before Covid, when pressure to increase competitiveness and lower real exchange rates fell on southern Eurozone members, via higher unemployment, as Chart 5 shows. Given the difficulties of achieving this deflationary adjustment, a sizeable stimulus to German demand from fiscal policy and defence spending is the more politically plausible solution now underway. This may mean Bund yields remain higher relative to Spain and Italy (see Chart 4, page 6).

Chart 1: Consensus forecasts show weak Eurozone growth in 2026, despite lower rates, fiscal stimulus and higher stock prices. Germany may gain from fiscal stimulus, though consumers remain cautious.

Latest Consensus Real GDP Forecasts (Median, %, December 2025)

	2024	**2025**	**2026**
US	2.8	**2.0**	**2.0**
UK	0.9	**1.4**	**1.1**
Eurozone	0.7	**1.4**	**1.1**
Japan	0.8	**0.9**	**0.9**
China	4.9	**4.8**	**4.3**
Canada	1.3	**1.2**	**1.2**

Chart 2: Although Eurozone house prices fell a little after the ECB raised rates in 2022-23, the scale of the increase in prices is sizeable since 2009, even if supply weighed on some markets in the years after the GFC.

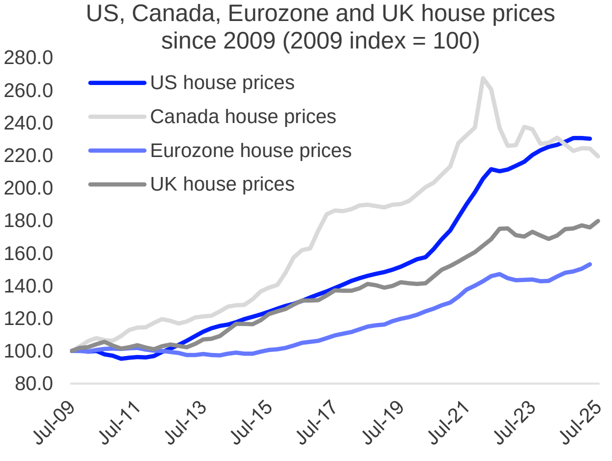


Chart 3: Eurozone inflation dipped back to the target 2% yy in December, with core inflation also easing to 2.3% yy. The strong euro, lower energy prices and easing wage inflation were key drivers.

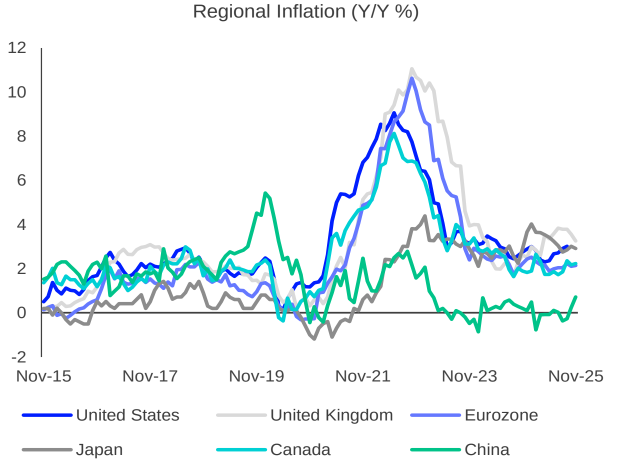


Chart 4: With inflation at the 2% yy target, and unemployment stable at 6.4%, the ECB is under little pressure to adjust policy in Q1. The main challenge in 2026 may be flat growth in core economies, led by Germany.

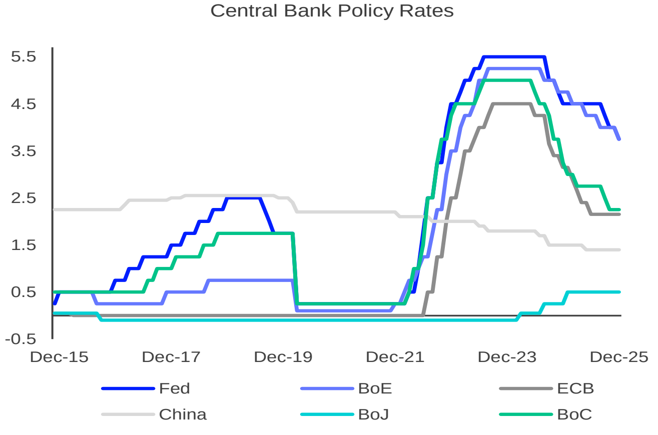
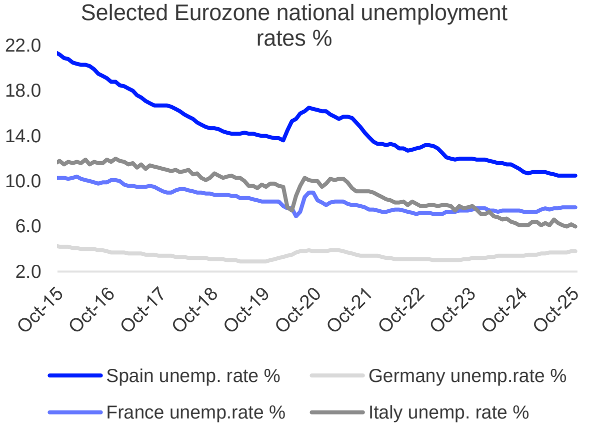


Chart 5: A tale of two Eurozones? Unemployment continues to fall steadily in Spain and Italy, helped by post-Covid stimulus programs, but German and French unemployment has increased since 2022.



UK macroeconomic and policy conditions – scope to ease further ?

UK unemployment at 5.1%, and a lower inflation forecast were the main drivers for the BoE cutting base rate cut in December to 3.75%. Inflation remains above the 2% target at 3.2% yy (Chart 3), but the BoE has consistently reduced rates with inflation above target, since 2024.

With the IMF forecasting only modest growth in 2026, and the high savings ratio, near 10% (Charts1 & 2), inflation pressures should ease in 2026, and UK budget measures are expected to reduce headline inflation by a further 0.5% by April. So the BoE forecasts inflation back at 2% yy by Q2, 2026, even though services inflation was still 4.4% yy In November, reflecting wage inflation at 4.6% yy. This may allow a further rate cut in Q2.

The slower pace of BoE easing than the ECB or BoC means UK financial conditions remain tighter those in the Eurozone and Canada, as Chart 4 shows, with higher gilt yields also reducing the easing in financial conditions. Global supply chain pressures are also modest (Chart 5), after the re-wiring of supply chains since the Ukraine shock in 2022, with services inflation at 4.4% yy still well above goods inflation of 3.2% yy.

Chart 1: Recent IMF forecasts for GDP growth in 2026 remain close to the forecasts released in Apr, but higher for the US and China, reflecting policy easing. UK growth of 1.4% for 2026 may require more policy easing.

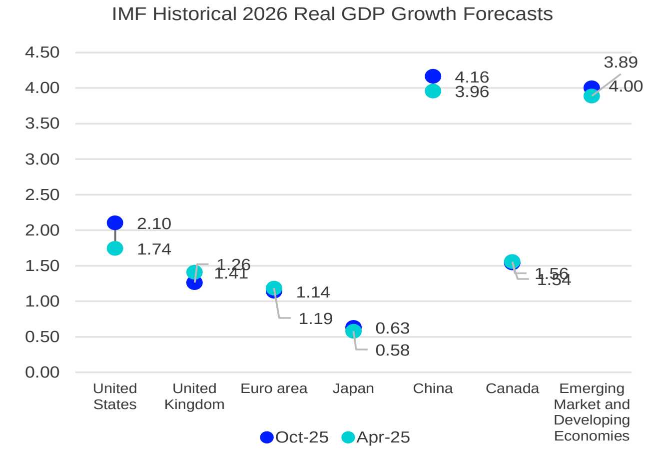


Chart 2: Apart from the Covid lockdowns and enforced household savings, the UK savings ratio rarely reaches 10%, as the chart shows. So the current level of 9.5% suggests there is sizeable precautionary saving underway in the UK.

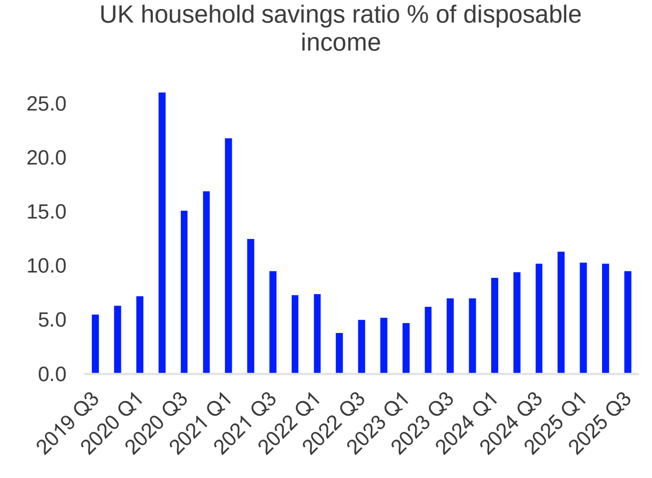


Chart 3: UK inflation fell further, to 3.2% yy in November, Tobacco duty and higher airfares may push the rate higher at end-year, but budget measures should reduce it by a further 0.5% in Q2.

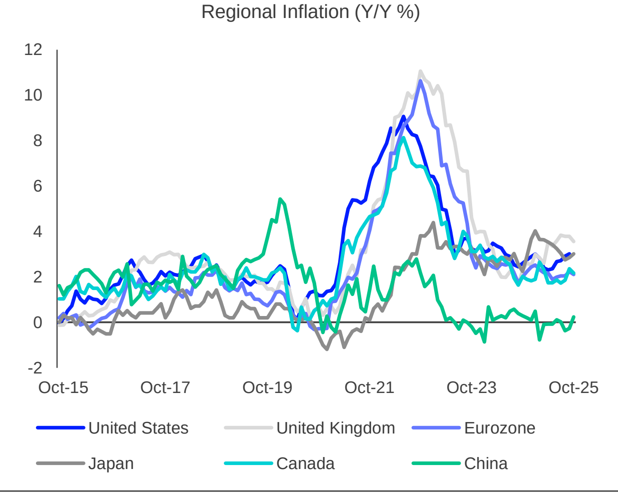
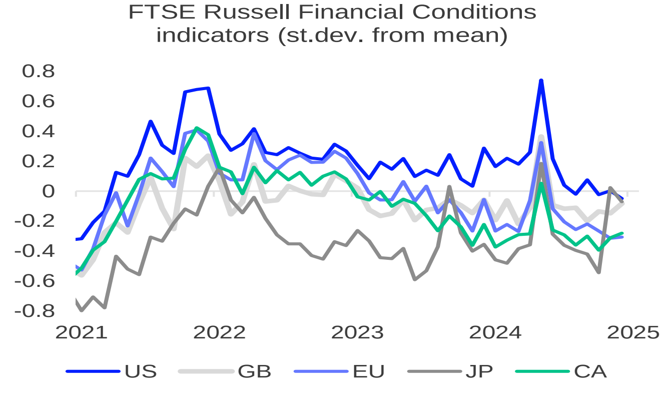
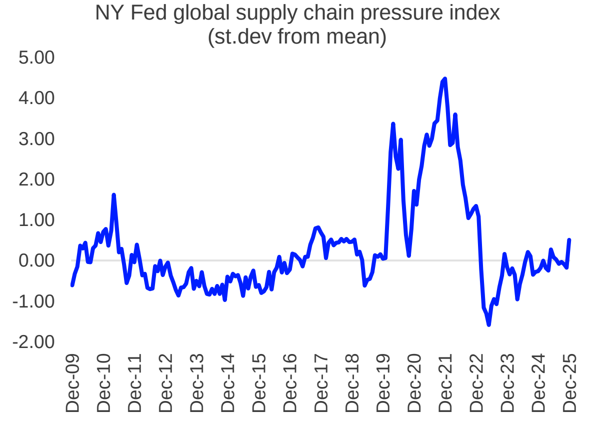


Chart 4: Easing in UK financial conditions, gauged by FTSE financial conditions indicators is more modest than the easing elsewhere, reflecting a slower decline in UK policy rates, higher gilt yields, and credit spreads.



* See "**[Building the FTSE Russell financial conditions indicators](#)**", LSEG, Sept. 2025.

Chart 5: The NY Fed's supply chain pressure index shows little cost pressure. There may be future revisions to the index, since 4 datapoints are missing from Oct and Nov revisions due to the govt shutdown.



Spotlight on central bank balance sheets – balancing financial stability & monetary policy needs

Despite quantitative tightening (QT) programs since 2022, central bank balance sheets are much larger than pre-Covid levels. Debate on optimal balance sheet size continues. Some argue for smaller balance sheets, with lower excess reserves (i.e., BIS), but the GFC showed the risks to financial stability from low liquid assets and reserves. A middle road may transpire, with balance sheets able to preserve stability, but without excess reserves crowding out healthy intermediation and encouraging excessive risk-taking.

G7 central banks have sought to "normalise" balance sheets by reducing their scale, but without detailed estimates of optimal size. The BoC's balance sheet remains nearer to pre-Covid levels, as Chart 1 shows, but a higher deposit base and demand for reserves for regulatory purposes has generally increased optimal balance sheet size for central banks. The 2023 US regional banking crisis also highlighted the risk of bank runs remains, and financial instability, given maturity transformation and modern fin-tech platforms.

Even if optimal balance sheets are larger, policy rates remain the main policy instrument, and central banks reduced govt bond holdings after sizeable losses (although losses are indemnified by central govt). Chart 2 shows the fall in BoE gilt holdings since 2022. But note the BoE now sets its gilt holdings target in the context of a "preferred range for minimum bank reserves" and has supplemented its liquidity management tools to offset the risk of disruption from QT, ie, the BoE's short and long term repo facilities.

The advantage of using repos to manage reserve levels is that the central bank does not wear the duration risk in holding longer term bonds, and reflecting this, the BoE holds a relatively high proportion of short dated gilts, as Chart 4 shows, with 1-5 yr gilts comprising almost 40% of total holdings. Ultra-long gilts (beyond 30 yrs to maturity) now comprise less than 10% of total holdings.

This more holistic approach to monetary policy and financial stability may reflect the learning process from the GFC and Covid crises, and the need for flexible policy tools. Thus, the Fed now holds a wider range of Treasury maturities, including Tbills and ultra shorts, than in the early stages of QE, when there was more focus on reducing longer term yields (Chart 3).

Chart 1: Only the Bank of Canada's balance sheet has returned to anywhere near the pre-Covid size. G7 central banks have indicated a desire not to return to the smaller balance sheets of the pre-GFC regime.

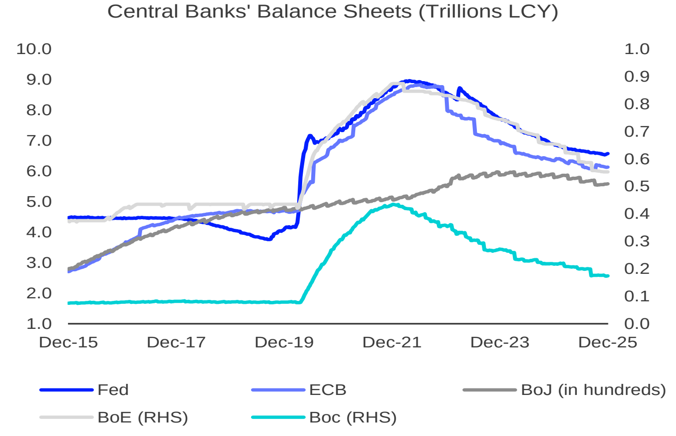


Chart 2: After the increase in gilt holdings during the GFC and Covid, the BoE has been reducing holdings at a pace of £100 bn per annum. However, this target is now set with reference to other reserve needs.

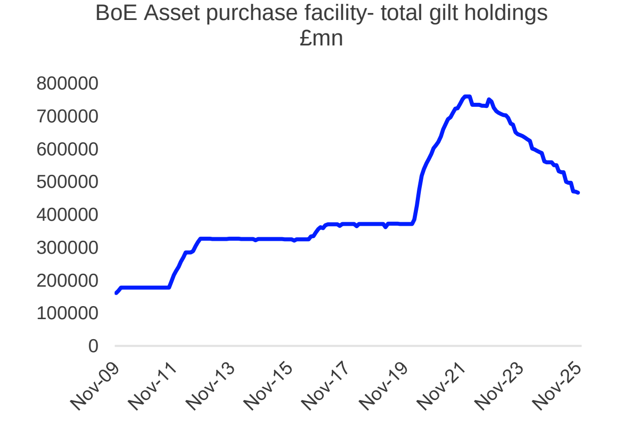


Chart 3: BoE holdings of short gilts (<5 yrs to maturity) now comprise about 40% of total holdings, whereas long gilt holdings, beyond 30 yrs to maturity comprise less than 10%, as the BoE has reduced duration risks.

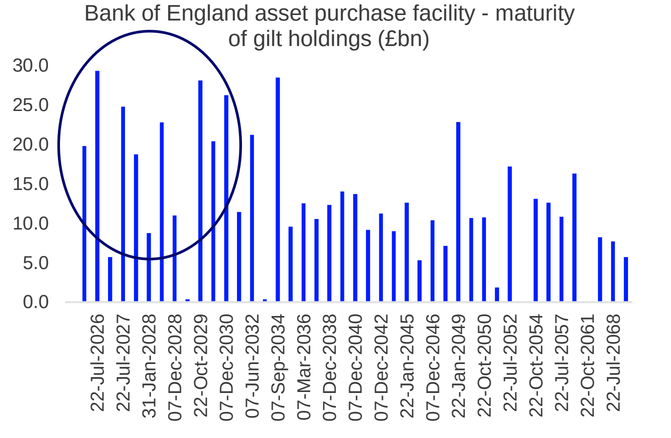
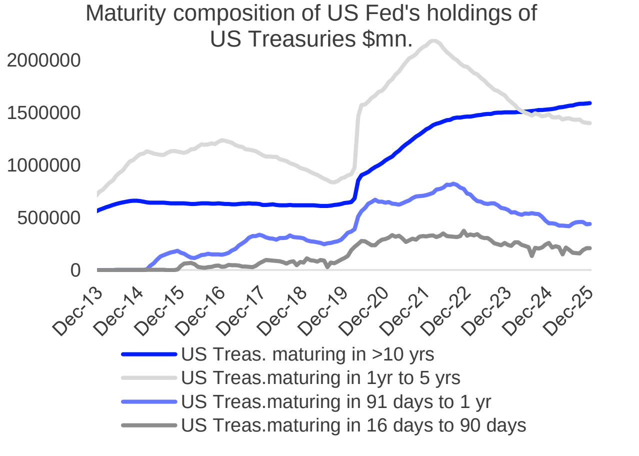


Chart 4: The Fed now holds a wider range of Treasury maturities on its balance sheet, and the share of Tbills and less than 1-year maturities is notably higher than in the early QE programmes.



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FX – whither the yen carry trade in 2026?

The dollar weakened against most currencies in 2025. The euro rose 13.4% vs USD in 2025 buoyed by resilient growth in southern Europe. Partly as a result, markets now project less ECB easing than the Fed in 2026.

A key 2026 issue in FX is yen weakness, and whether it continues. After the rate hike in January 2025, the BoJ did not raise rates again until December, amidst tariff uncertainty. The December move was well discounted and did not drive a JPY rally. Chart 1 shows that several forces have kept the JPY weaker than US-JP rate differentials imply – (1) uncertainty around domestic political developments, (2) the yield on the USD/JPY carry trade, despite narrowing to ~2.8% at year end, is still attractive versus other currency pairs, and (3) domestic investors have not repatriated their overseas investment despite narrower US-JP yield spreads

In 2025, the Canadian dollar underperformed G10 currencies before November (Charts 2 & 3), due to US trade tensions, lower oil prices and BoC rate cuts. But the CAD rebounded in December as US trade prospects improved, Q3 growth firmed and after the BoC signalled firm policy holds in Nov and Dec (Chart 5).

Chart 1: The JPY remained weaker than the US-JP rate differentials indicated, as domestic investors have not repatriated their overseas investment while the carry trade continued to weigh on JPY.

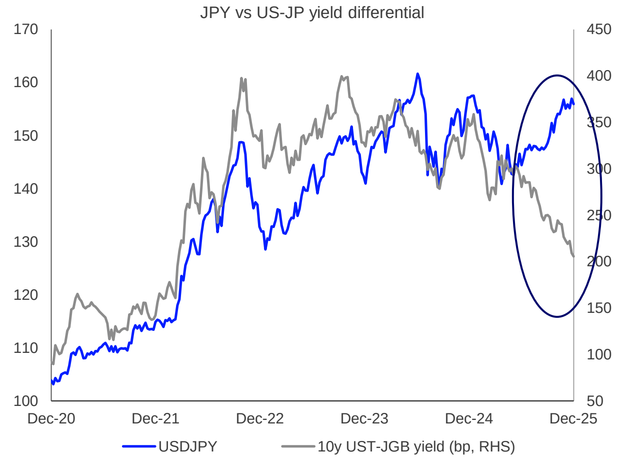


Chart 2: EUR and CHF were the best performers among major G10 currencies in 2025. Better-than-expected EU growth outlook drove EUR strength. CHF benefited from heightened global geopolitical risks.

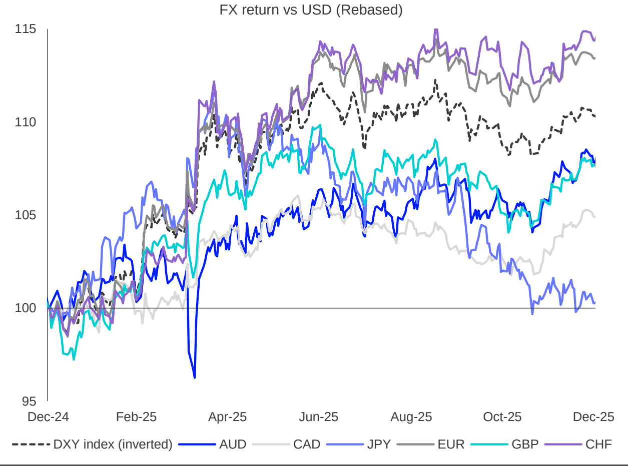


Chart 3: Mexican peso outperformed its EM peers in 2025 given its trade tie with the US and FDI inflows. Turkish Lira continued to depreciate. Indian Rupee weakened amid foreign equity outflows.

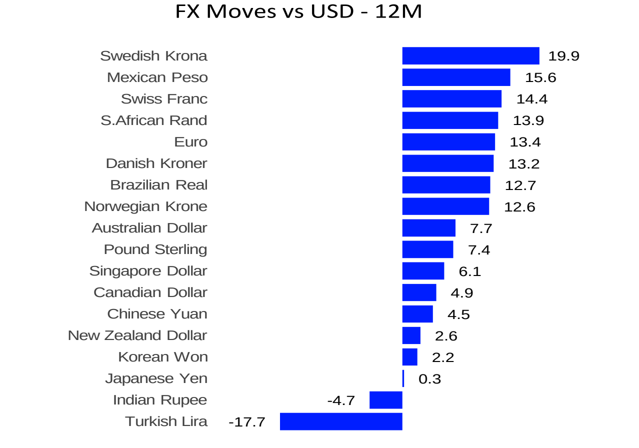


Chart 4: Over 3M, USD saw mixed performance. In Dec-25, USD/CNY fell below the 7 level for the first time since 2023 given year-end exporter CNY buying and tech stock optimism in the equity markets.

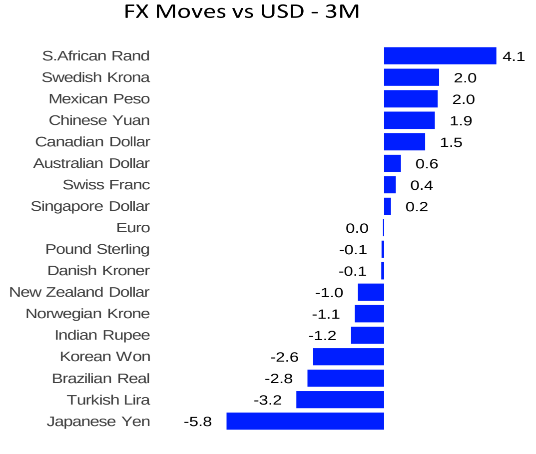
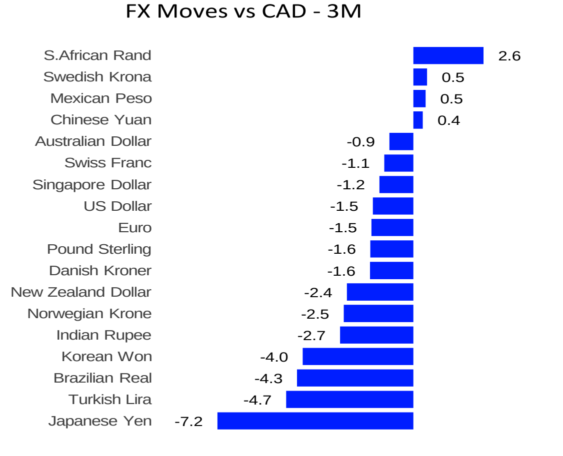


Chart 5: In Q4 2025, the Canadian dollar appreciated against most major DM and EM currencies as positive development in US-Canada trade deals eased tariff and trade uncertainty.



Eurozone govt bond analysis – a new order emerges in sovereigns and spreads?

Three key trends continue in Eurozone govt bonds – (1) yields rising in core markets, led by France, versus credit, (2) long end curve steepening, and (3) peripheral Eurozone govt bond markets with yields falling sharply vs Germany and France.

Increases in French govt bond yields now mean some IG credits trade *through* French government bonds in the 7-10 yr area, as Chart 1 shows. This compares with credit spreads of near 170bp at the peak in Q4 2022. Re-pricing and long end curve steepening was also a key feature in Bunds in 2025 (Charts 2 & 3). Short yields increased in H2 2025, as the ECB held rates at 2%, but less than longs. More robust southern European growth compensated for stagnation in German GDP (see Chart 4, page 2 on Eurozone unemployment rates).

Convergence trades in govt bonds in Spain, Italy, Portugal and Greece continue, reflecting fiscal policy shifts, credit upgrades and changing competitive pressures (Charts 4 & 5). Markets are pricing in a reversal of the competitive pressures that drove peripheral spreads to record levels pre-Covid.

Chart 1: German and French 7-10 yr govt yields increased relative to credit in 2025, were a factor in the narrowing of credit spreads in 2025, unlike 2024 when yields fell in all markets, but more in credit.

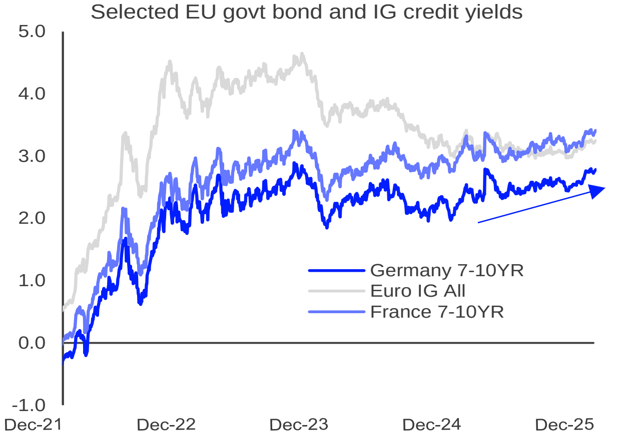


Chart 2: Longer dated Bunds show more fear of higher issuance than medium maturities. Short yields have been held at lower levels by lower ECB policy rates, though even 1-3 yr yields backed up in 2025.

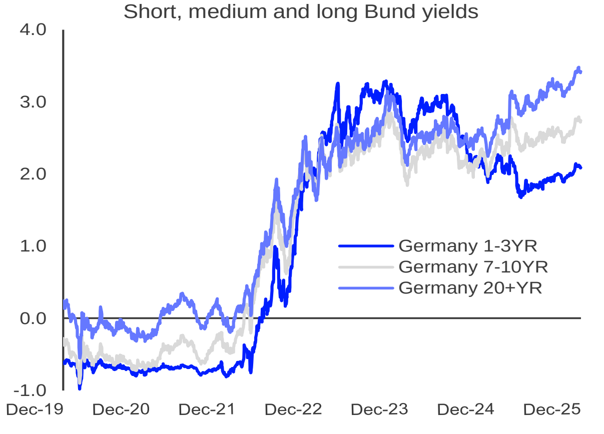


Chart 3: Steepening in the long end of the yield curve has taken the gradient of the Bund curve back to pre-Covid levels. The 7-10 yr area of the curve has reacted less to the prospect of higher issuance.

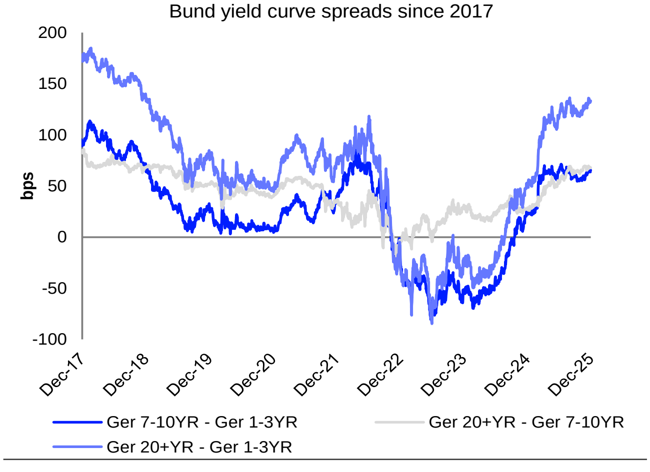


Chart 4: The re-ordering of the Eurozone continues, with Italian and Spanish spreads versus Germany and France steadily falling, as investors price in the adjustment in national fiscal policy underway.

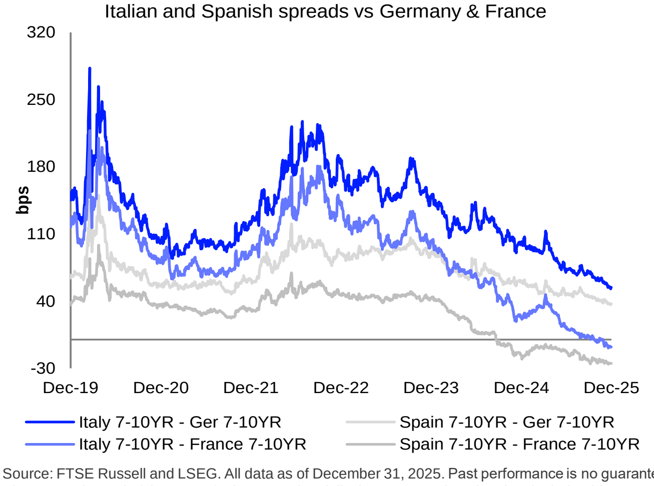
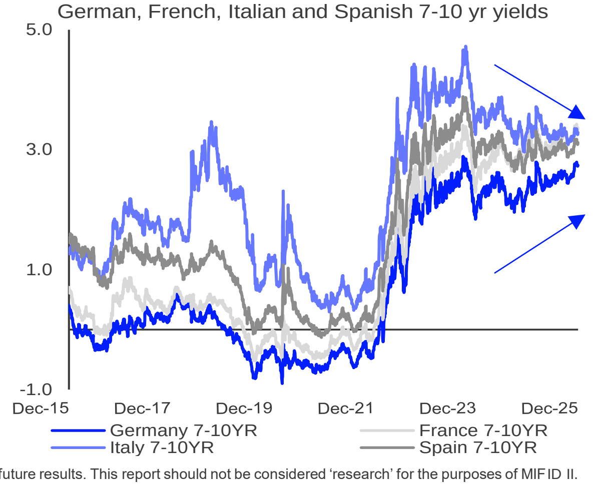


Chart 5: Note that the convergence in 7-10 yr yields is being driven both by an increase in Bund and French 7-10 yr yields, on the one hand, and lower Italian and Spanish 7-10 yr yields on the other.



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Eurozone IG and HY credit – financials outperform but 2026 boost for covered bonds?

Eurozone credits performed strongly in 2025, buoyed by the strength of equity markets, ECB easing in H1 and solid growth in southern Europe, even if German GDP stagnated and the ECB held policy unchanged in the second half of 2025. Dollar weakness also weighed on US credit returns for a eurozone investor (Chart 1).

Banks and insurers again led credit returns,and escaped much of the impact of the cyclical weakness in core-Eurozone growth and tariffs, helped by robust capital ratios and steeper yield curves (Chart 2 & 3). Covered bonds were more lack-lustre. But provisional EU proposals (Dec 2025) to reduce the capital requirements for covered bonds from 10% to 5% could enhance their attractiveness for bank Treasury investors, and tighten covered spreads, boosting performance in 2026, if implemented.

High yield duration increased modestly in 2025 in Eurozone credit but remains at low levels. It has much less impact on HY returns than IG credit, since HY returns are driven more by risk appetite and growth expectations, and have higher correlation to equities, given the lower position in the capital structure.

Chart 1: In Euro terms, Euro IG credit outperformed other markets in 2025 (see charts on page 11). Returns for a euro-based investor were squeezed hard in other markets, particularly the US, by FX weakness.

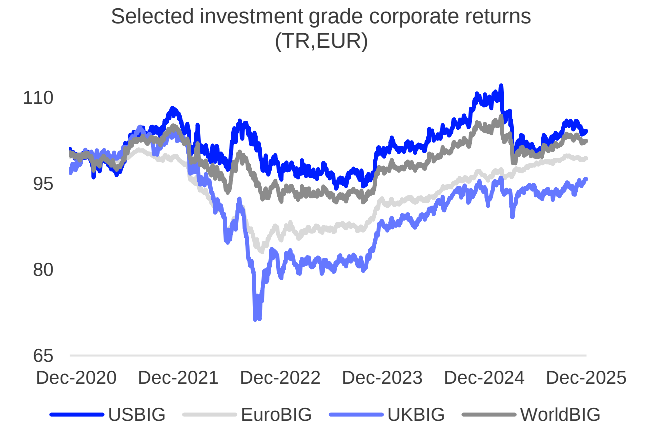


Chart 2: The narrative of improved and outperforming financials has not changed in 2025, despite lower ECB rates. A benign credit cycle, steeper curve and strong bank capital ratios remain the key drivers.

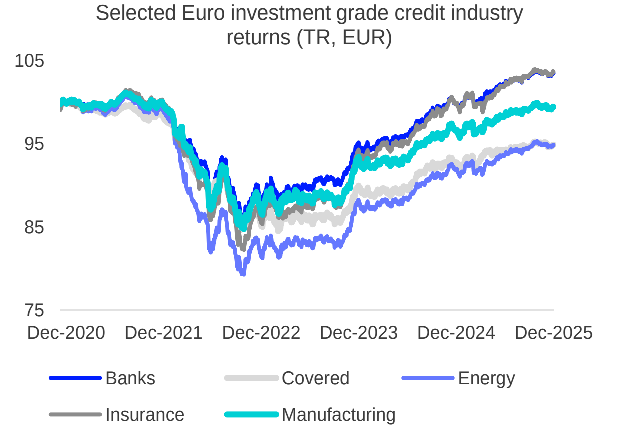


Chart 3: Like the UK, Eurozone IG credits have a heavy bank weighting of over 30%, though insurance and other financials have a lower weight. The manufacturing sector weighting is relatively high.

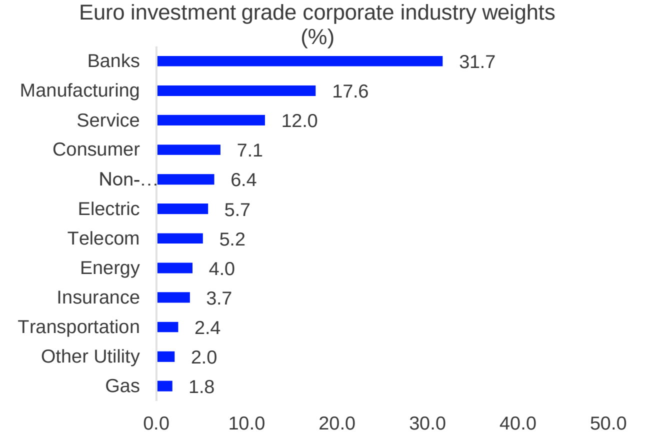


Chart 4: Single B and BB HY issues carry bigger market weights in Euro HY credit and dominate returns. Some CCC issues struggled from higher expectations of default on tariff related woes in 2025.

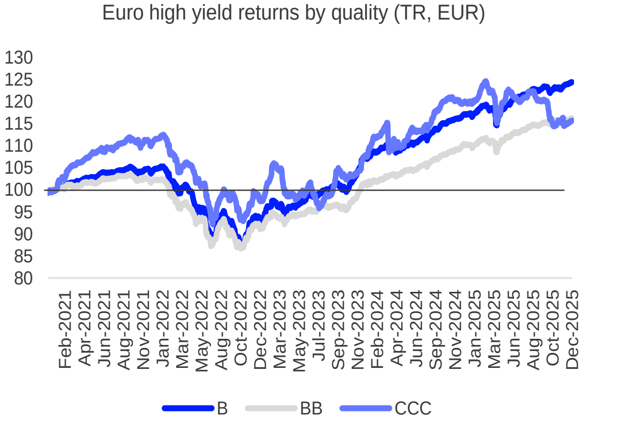
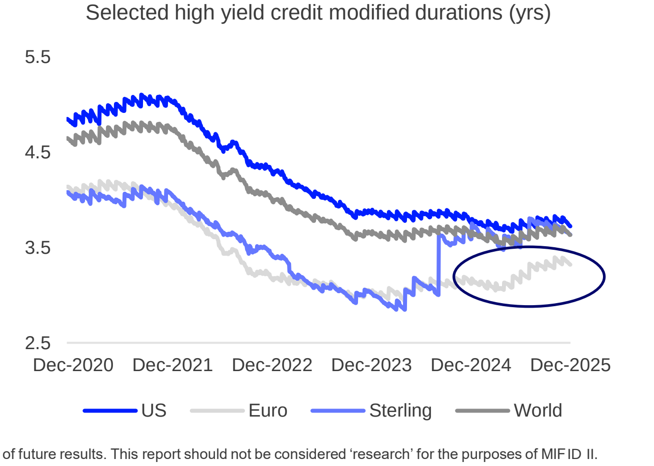


Chart 5: Euro HY credit duration crept higher in 2025 but remains less than 3.5 yrs overall. This reduces HY credit sensitivity. (Note Euro HY is a small market versus US so index events can affect duration more).



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UK govt bond analysis – higher yields + steeper curves = more attractive entry levels?

Since G7 policy easing began in June 2024, UK and US 7-10 yr yields have remained at higher levels than other markets, reflecting a slower easing cycle, higher policy rates and stickier inflation (Chart 1). This may leave more scope for yields to fall in the UK and US in 2026, with policy easing cycles nearing completion for the BoC and the ECB (barring further recessionary risks in Canada and the Eurozone).

The other point to note here is the importance of yield level context for yield curve gradients. The positive carry in long gilts of nearly 150bp over 1-3 yr gilts is occurring with 1-3 yr gilt yields still near 4%, as Chart 2 & 3 show. This is a marked contrast to the steep yield curves that predominated in the pre-Covid period from 2017-20, when UK base rates and 1-3 yr yields were near zero, as the Charts also show.

Real yields on UK inflation-linked and US Tips tell a similar story and exceed the real yields in other markets, reflecting the higher nominal yields on gilts and Treasuries (Chart 4). The higher inflation accruals in the UK and the US also bolster the total returns on these assets. Real yields in the 2% region have proved attractive entry levels in previous interest rate cycles. Finally, UK inflation breakevens have fallen in recent months, led by 7-10 yr. This may help explain why the BoE cut rates in December, even though wage inflation is still at 4.6% yy.

Chart 1: As other central banks reduced policy rates faster, from June 2024 onwards, UK gilts and US Treasuries formed a higher yield group in response to slower policy easing by the BoE and the US Fed.

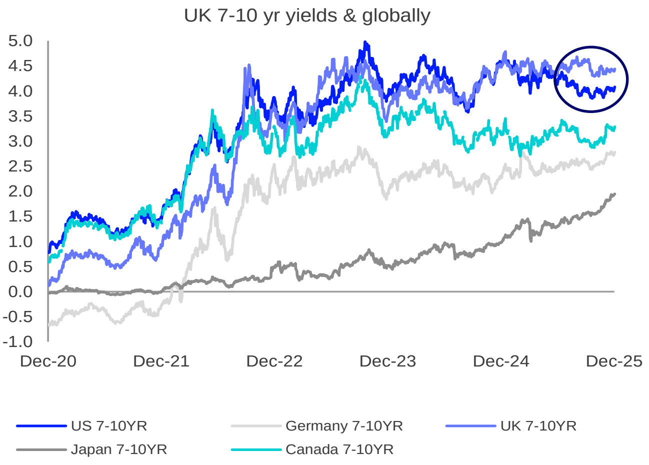


Chart 2: The yield premium in long gilt yields over short and medium yields may have been the driver of the rally in longer dated gilts in Q4. Yields near 5.5% in longs are attractive for Asset/Liability investors.

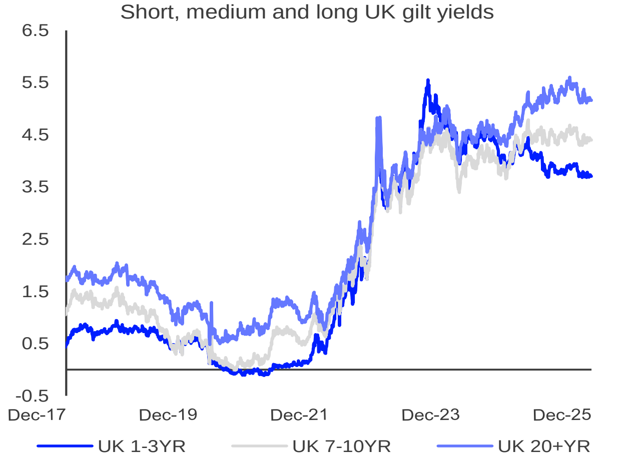


Chart 3: Curve steepening in longs has taken the gradient of the curve to nearly 15bp in longs, over 1-3 yrs, close to the highest level since 2017. This helps to explain why long gilts rallied in Q4, given outright yields >5%.

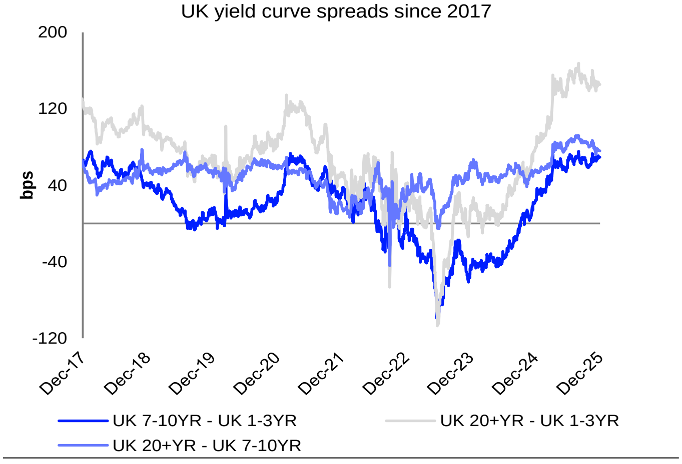


Chart 4: UK and US real yields on Tips are the highest in the G7, alongside higher inflation accruals than Germany or Japan. Real yields at 2% in these markets delivered strong returns in previous cycles.

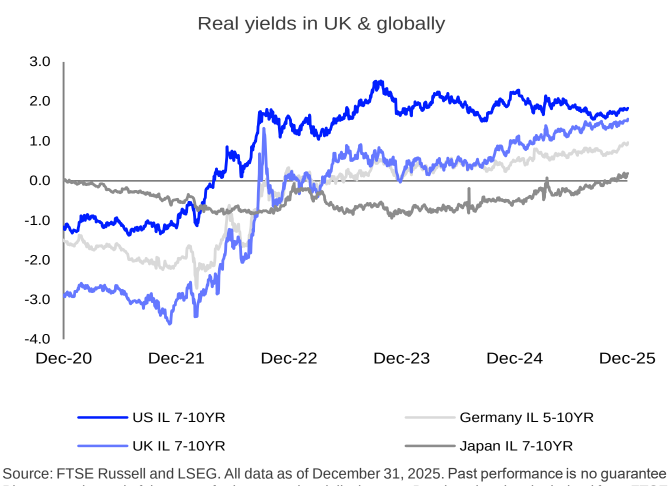
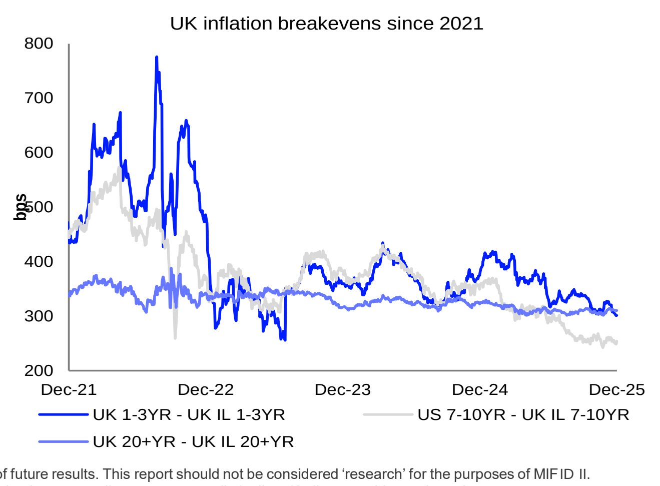


Chart 5: UK inflation breakevens fell back in recent months, with 7-10 yr breakevens falling to the lowest levels since 2021, helped by lower headline inflation. This gives the BoE more room to reduce rates.



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UK IG and HY credit analysis – financials dominate & continue to outperform

Financials dominated both UK IG credit weights and returns in 2025. The size of the UK financial sector and legacy of the surge in debt issuance post-GFC mean bank issues comprise 31% of all IG issues, and other financials comprise another 20% (Chart 1 & 2). This meant that the negative feedback loops between the UK financial sector and real economy were very strong during the GFC, and remain so.

In 2025, relatively high UK interest rates, steeper yield curves and strong net interest income all boosted the UK financial sector, which outperformed other sectors. The duration of IG credits has fallen more than other markets since 2021 (Chart 3), leaving higher yields per unit of duration risk for investors even if credit spreads are at multi-year lows.

Similarly, UK HY credit yields remain well above yields in other markets (Chart 4), which was not the case before the Ukraine shock in 2022. The UK HY sector has recovered, partly due to the re-structuring of water issues.

Chart 1: As in other credit markets, banks and insurers lead UK IG returns, helped by steeper curves and net interest income. Energy credits have been less strongly correlated with energy prices in 2025.

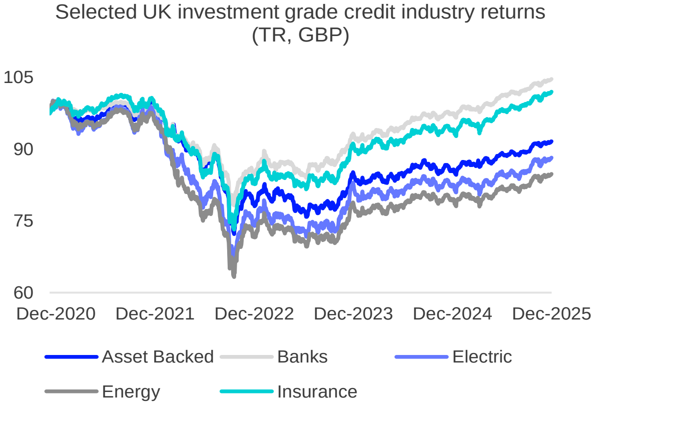


Chart 2: Financials dominate UK IG credit, led by banks. Banks, insurers and other finance comprise almost 50% of the overall IG index. Energy has a much lower weight of 11%.

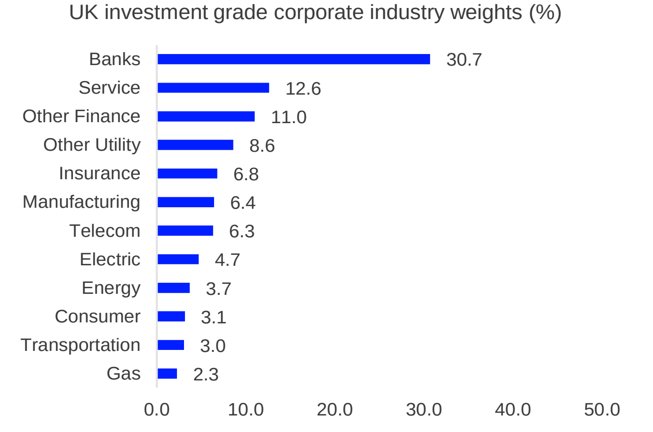


Chart 3: Duration of UK IG credits fell more than any other market in the 2022-23 sell-off, partly reflecting shorter dated issuance. Investors now receive about the same yields as 2022, but with less duration risk.

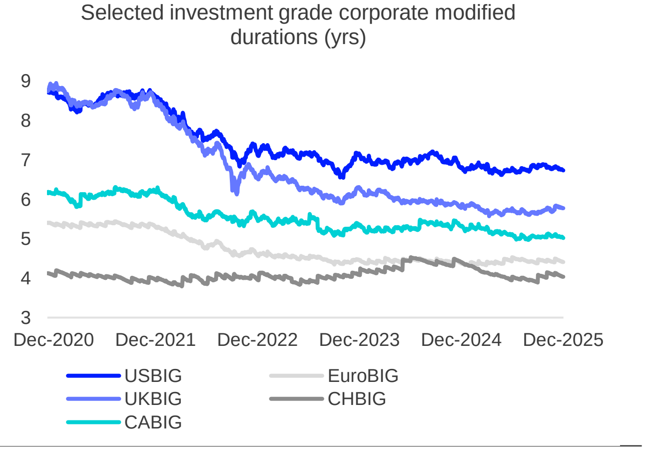


Chart 4: UK high yield has the highest yielding assets in the asset class, partly due to the rise in UK rates and gilt yields relative to other markets since 2021. US yields dominate world index yields due to size.

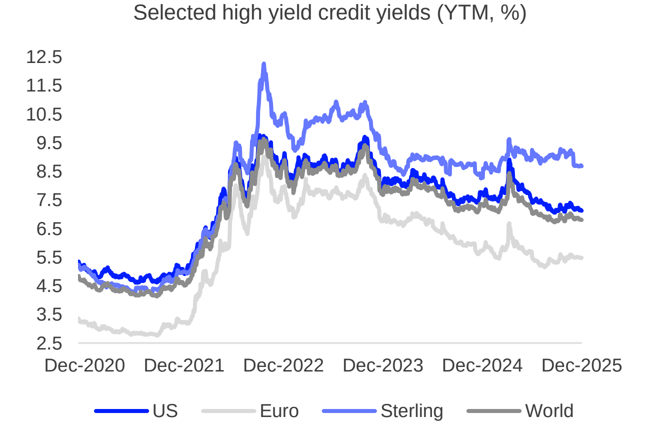
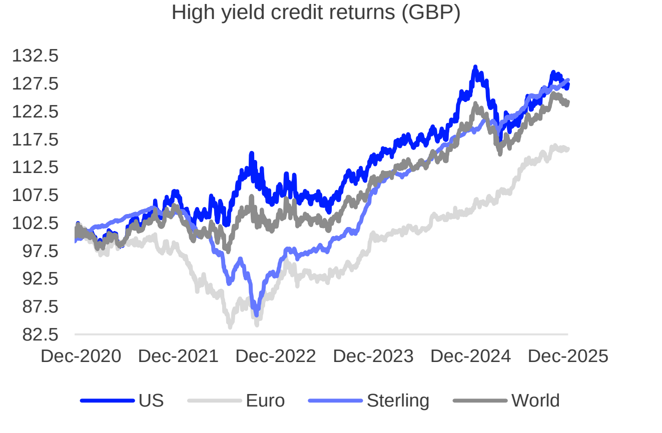


Chart 5: Sterling and Euro HY were hit harder by the Ukraine shock and higher rates in 2022. The collapse in the water sector also depressed UK returns. But both markets outperformed in 2025, helped by FX gains.



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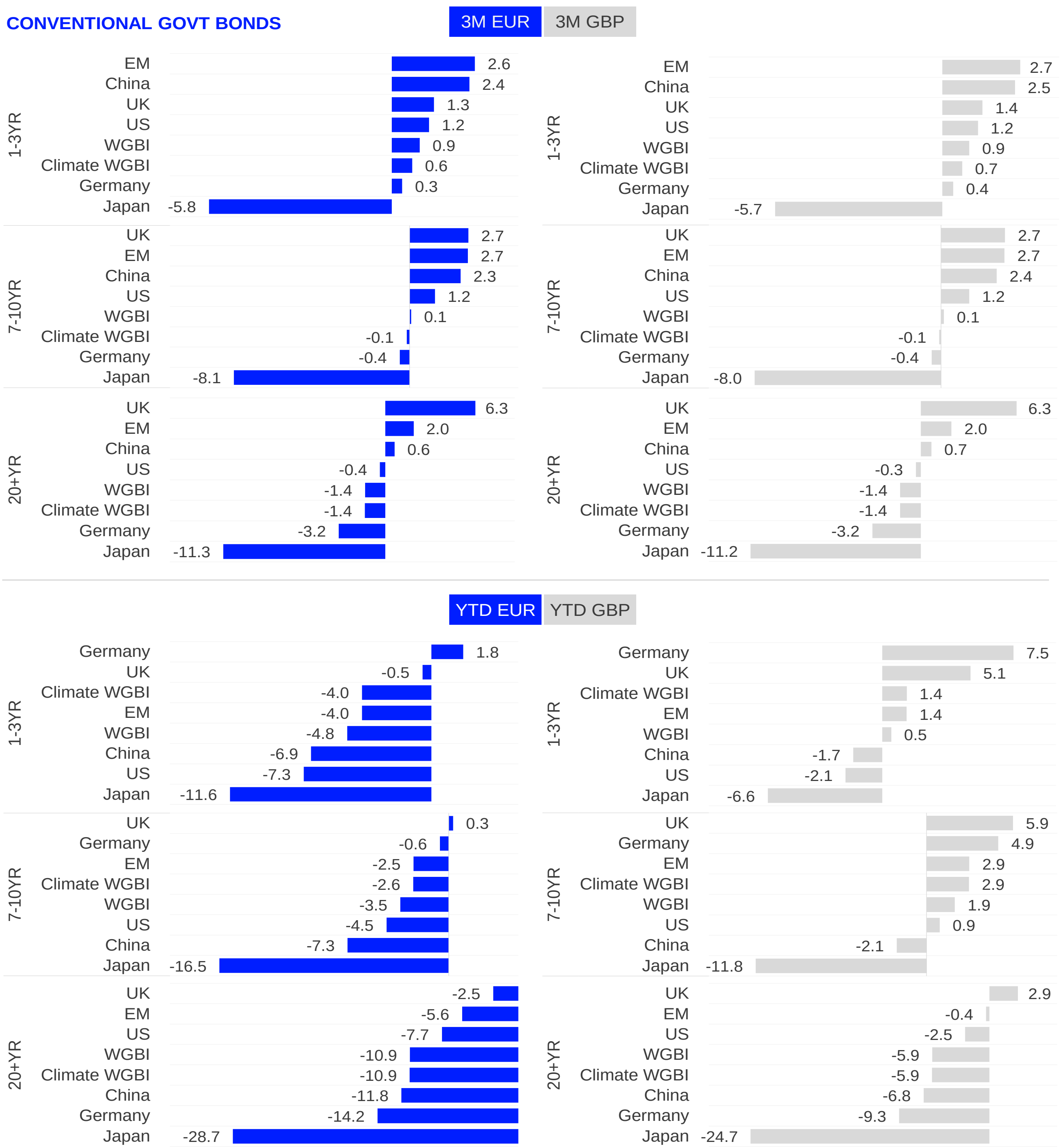
Conventional Government Bond Returns – 3M & YTD% (EUR, GBP, TR)

Bunds remained weak in Q4, as markets focussed on increased issuance in 2025-26. In contrast, UK gilts rallied in Q4 2025, helped by the BoE's 25bp easing in December, with longs gaining 6% in both sterling and Euros. YTD, JGBs were again weakest with losses of 25-29% in euro and sterling. Longer Bunds were also weak in 2025, with losses of 9-14%.

Long gilts rallied in Q4, after yields briefly reached 5.5%. Although gilt issuance was increased for 2025-26 in the UK budget, long gilt issuance was reduced, helping longs outperform. Long gilts also outperformed YTD helped by coupon effects.

For diverse reasons, JGBs and Bunds proved weakest performers in both Q4 and the year as a whole. Even the strong euro was not sufficient to prevent losses of 9% in long Bunds in sterling. Long Bunds reacted negatively to the substantial shift in German fiscal policy with planned fiscal deficits of 3.5% per annum until 2029. JGBs were hit hard by further yen weakness.



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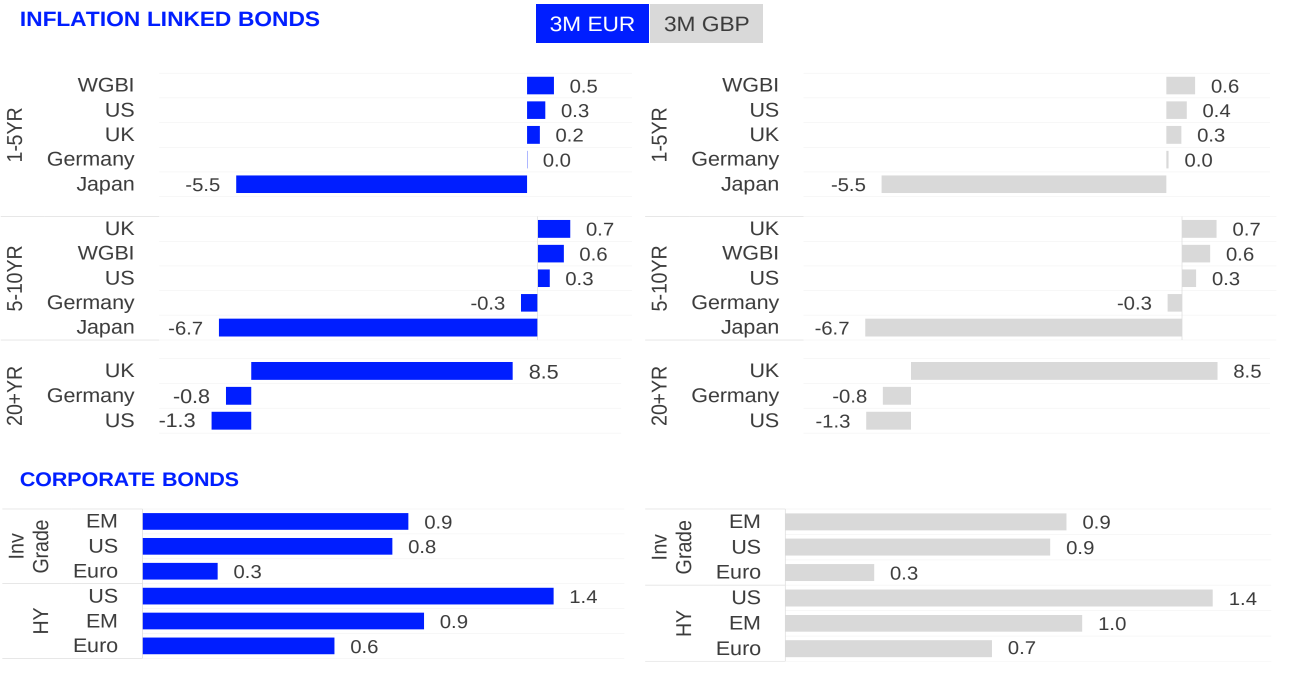
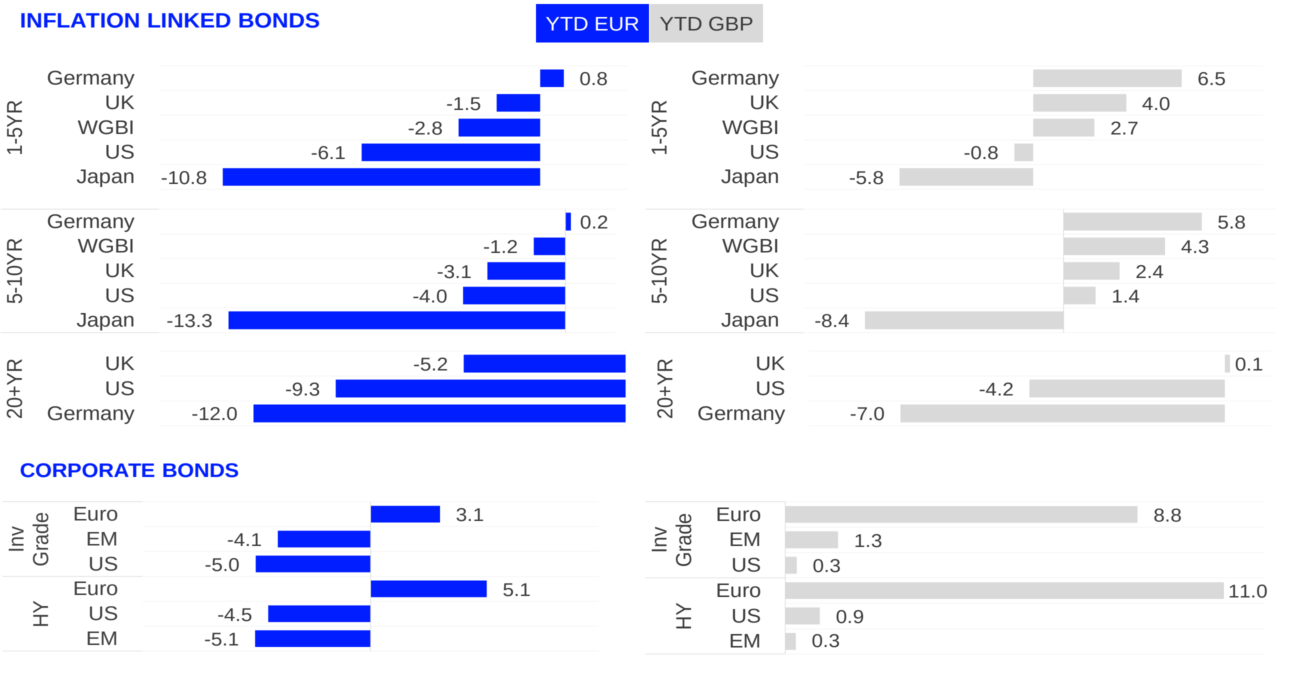
Global Inflation-Linked and Credit Returns − 3M & YTD % (EUR, GBP, TR)

Extra duration in UK inflation-linked helped boost returns in Q4 2025, as yields fell a little in longs, boosting returns to 9% in both sterling and euro terms. Reduced UK inflation-linked issuance versus conventionals in 2025-26 also helped sentiment. Credit outperformed again in Q4, though the gains were modest in both IG and HY. Taking the year as a whole, Euro credits made the strongest returns, with gains of 9-11% in sterling terms, mainly driven by FX gains.

Like conventional JGBs, inflation-linked JGBs fell sharply in Q4, with losses of 6-7% in sterling and euro terms, as markets priced in higher rates and BoJ tightening. Credit enjoyed the risk-on rally for most of 2025, but achieved only modest gains in Q4.

Euro FX gains dominated credit returns with HY outperforming IG credit over 2025, boosted by the correlation to equities. US and EM credit returns were negative for sterling and euro-based investors because of FX effects.





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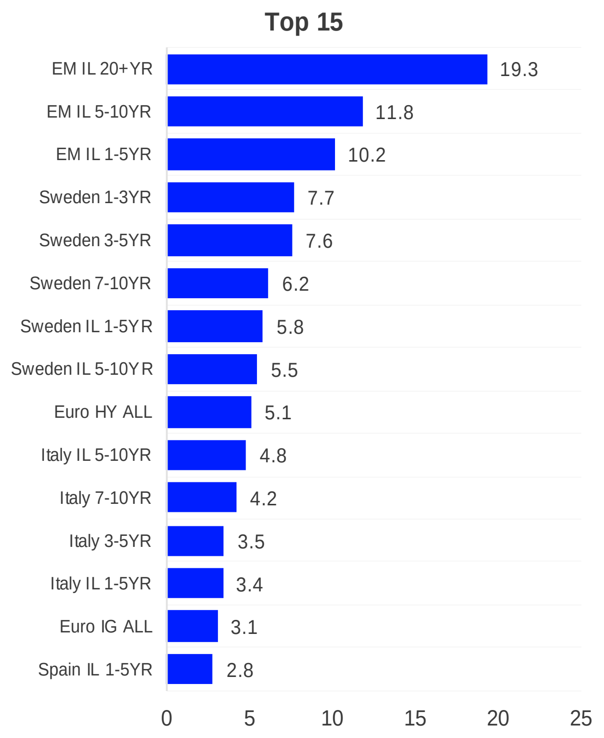
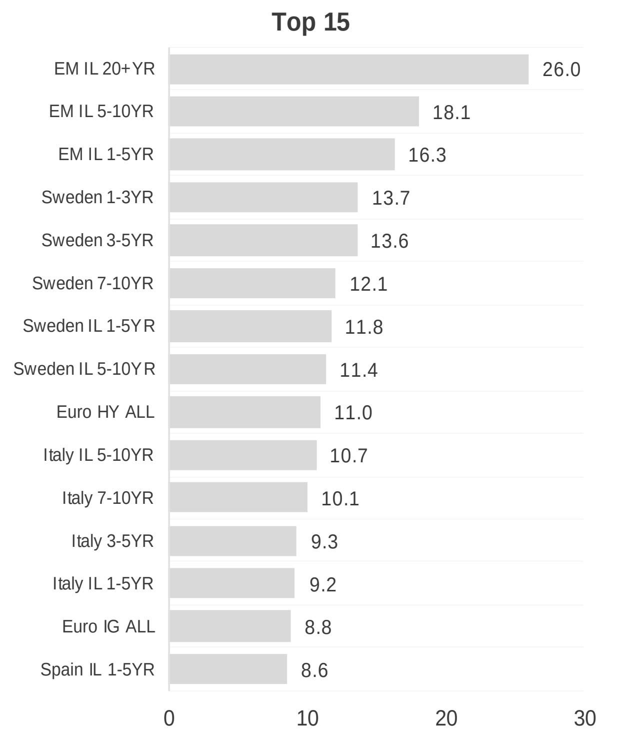
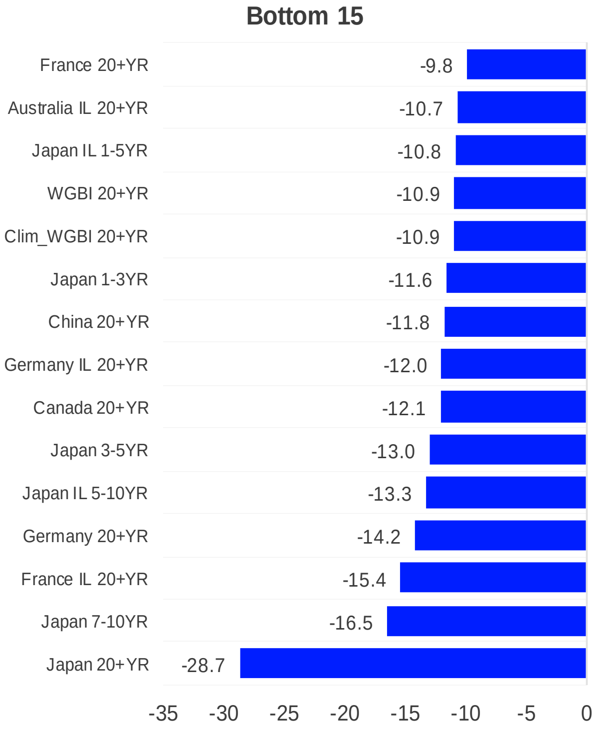
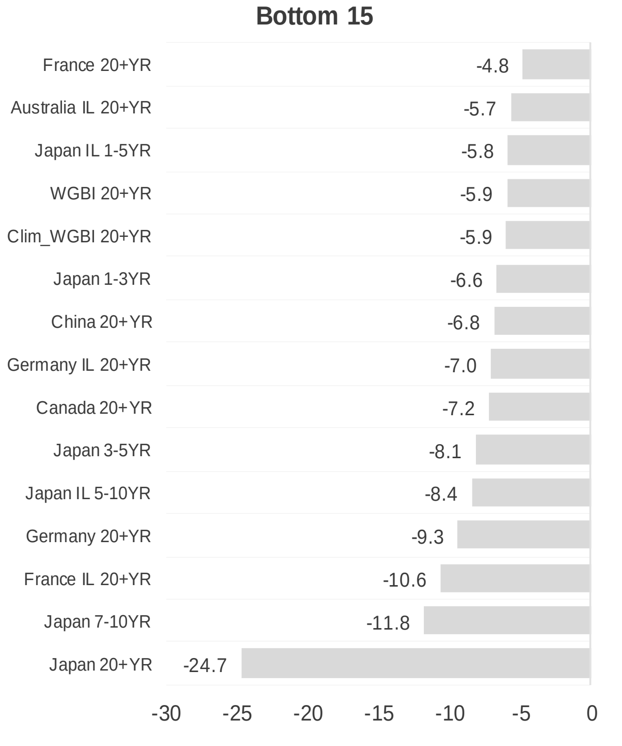
Appendix − Top and Bottom Bond Returns − 12M % (EUR, GBP, TR)

12M EUR | 12M GBP









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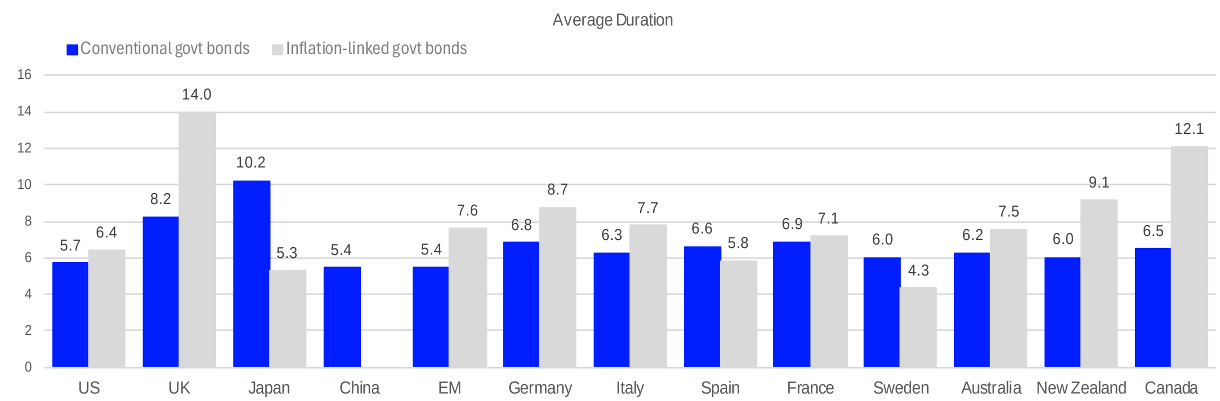
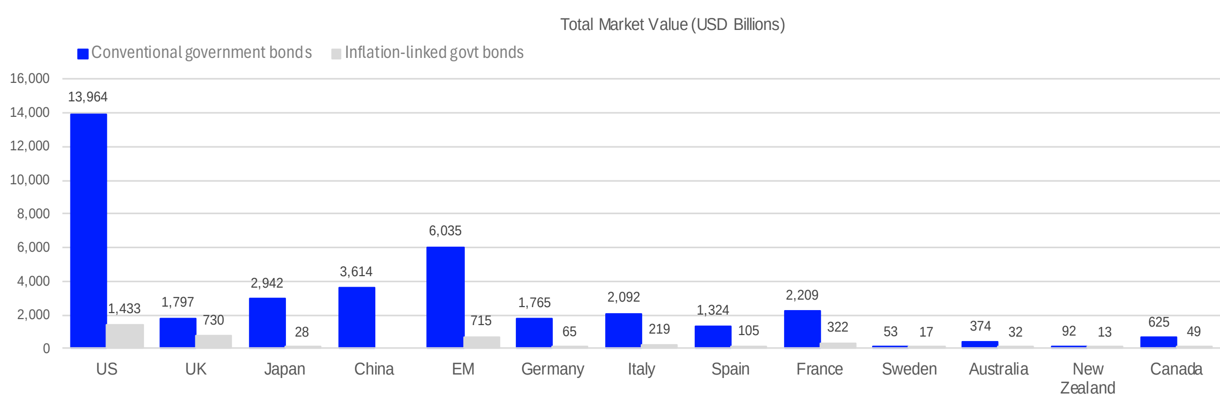
Appendix − Duration and Market Value (USD, Bn) as of December 31, 2025

	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	7.0	15.9	**5.7**	3,109.9	1,320.4	1,572.0	**13,963.9**	6.9	20.6	**6.4**	505.7	113.3	**1,432.6**
UK	3.5	7.1	17.2	**8.2**	230.4	324.1	349.9	**1,797.1**	7.3	25.6	**14.0**	166.7	225.2	**729.6**
Japan	3.8	8.0	21.4	**10.2**	395.0	508.9	507.9	**2,942.0**	7.7		**5.3**	15.4		**28.5**
China	3.8	7.8	17.7	**5.4**	802.0	611.8	357.4	**3,614.3**						
EM	3.6	7.1	15.3	**5.4**	1,324.8	1,093.3	576.6	**6,034.6**	6.2	13.6	**7.6**	187.8	180.8	**714.7**
Germany	3.8	7.4	19.6	**6.8**	357.3	314.5	198.8	**1,765.1**	7.1	19.4	**8.7**	14.6	16.9	**65.0**
Italy	3.6	7.0	16.2	**6.3**	415.9	353.3	178.3	**2,092.1**	7.2	22.9	**7.7**	82.4	9.5	**219.3**
Spain	3.6	7.3	17.7	**6.6**	273.8	241.4	111.3	**1,323.9**	6.1		**5.8**	61.2		**104.5**
France	3.7	7.3	18.0	**6.9**	459.7	367.2	233.7	**2,209.2**	6.2	22.6	**7.1**	74.7	21.1	**322.3**
Sweden	3.7	7.8		**6.0**	9.3	15.0		**52.6**	6.3		**4.3**	3.6		**17.0**
Australia	3.6	7.1	15.6	**6.2**	51.6	91.2	20.6	**374.5**	7.8	20.3	**7.5**	10.9	2.6	**31.9**
New Zealand	3.5	6.9	15.4	**6.0**	19.0	22.6	5.3	**92.2**	8.5	16.9	**9.1**	5.3	1.2	**13.5**
Canada	3.7	7.2	18.5	**6.5**	134.2	129.3	85.2	**624.8**	5.3	21.0	**12.1**	8.2	12.6	**49.0**

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	9.9	8.2	6.8	6.4	6.7	74.8	525.3	3159.9	3730.1	7490.2	3.7	1219.1
Europe	6.1	5.0	4.6	4.2	4.4	25.1	256.6	1484.6	1756.0	3522.3	3.3	416.0
EM		6.1	5.6	5.4	5.6		76.4	167.5	255.7	499.5	3.6	188.0





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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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