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Fixed Income Insights

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NORTH AMERICA
US & CANADA EDITION

Advanced easing cycles but value in some longs?

Credit markets enjoyed a strong 2025, buoyed by policy easing, easier financial conditions and no recession in the US and Canada, despite tariff risks. The challenge for North American fixed income in 2026 is making late-cycle gains when easing is more advanced, and credit spreads are at multi-year lows, even if the end of central bank QT is supportive. The tail risk of a recession remains, and supports a flexible approach to fixed income weights, and duration, with steeper curves offering more value in longs, led by US and UK.

Macro & policy backdrop – After unwinding 2022-23 tightening in 2025, a tougher year?

Fed and BoC face different challenges in 2026, with Chairman Powell stepping down in May, and after BoC eased to neutral. Jobless US rebound suggests more 2026 easing (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).

US Treasuries and credit – A steeper US yield curve starts to attract investors

Longer yields lag the decline in shorts, driven by Fed easing as the curve bull steepened in Q4. Energy and financials star performers in credit (page 6-7).

Canadian govts, provis and munis – Spreads versus govts tighten further

Test for Canadian governments, provis and munis in 2026 is how far further gains can be made in these markets, after the BoC has completed the bulk of its easing cycle (page 8).

Canadian IG & HY credit – Steeper curve and strong T1 ratios help financials

Energy credits de-couple from oil prices. Financials gain despite tail recession risks (page 9).

Performance – Q4 rallies in gilts and Treasuries, Canadian credit outperforms in 2025

Another year of underperformance in JGBs & Bunds. Credit outshines govt bonds (page 10-11).

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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.

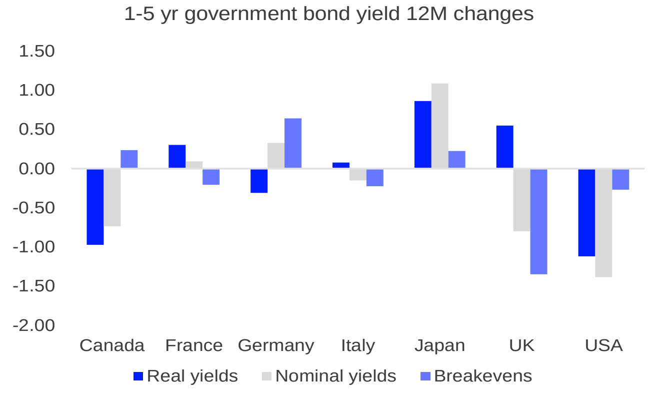
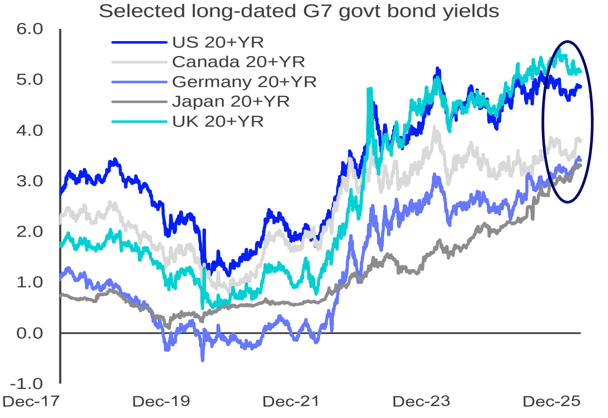


Chart 2: Unlike short govt bonds, 2025 was a difficult year for longs, with the worst performers Bunds, OATs and JGBs. However, the higher yield group in gilts & Treasuries drew support from LDI flows and easing in Q4.



Source: FTSE Russell and Datastream. Other 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.

US macroeconomic and policy conditions

Although the Fed eased rates again on Dec 10th, the split vote (9-3) shows a lack of consensus on further moves, even if the weak labour market suggests risks tilted towards more easing as Chart 1 shows (with 25 – 50 bp in further easing discounted in 2026). None of the three easing moves in September, October and December 2025 were unanimous, reflecting inflation above target and the slowdown in the labour market. There also appears some discord on the level of neutral rates for policy, or r* - unsurprising given the number of moving parts that drive the neutral rate.

With Chairman Powell's term ending in May 2026, the dynamics of FOMC decision-making may be unpredictable, notwithstanding a bias to ease appears intact. It is true that less dispersion in US inflation rates reduces the complexity in policy-setting somewhat (Chart 3), and with GDP growth tracking at 2.7% for Q4, immediate pressure to ease again is limited (Chart 4). Easing in US financial conditions also reinforces the impact of lower rates. But the collapse in the use of the Fed's reverse repo suggests further easing may well be needed, as much for financial stability as economic reasons.

Chart 1: US job openings and the Quit rate give further evidence of the slowing US labour market, with the Quit rate now at the lowest levels since Covid, and job openings also back down to 2021 levels.

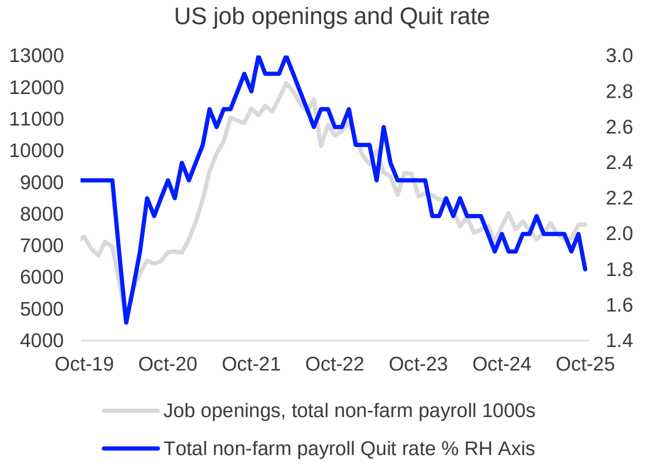


Chart 2: IMF forecasts for global current accounts show the US deficit widening further in 2026, despite tariff increases on imported goods. Faster US demand growth relative to trading partners remains an important driver.

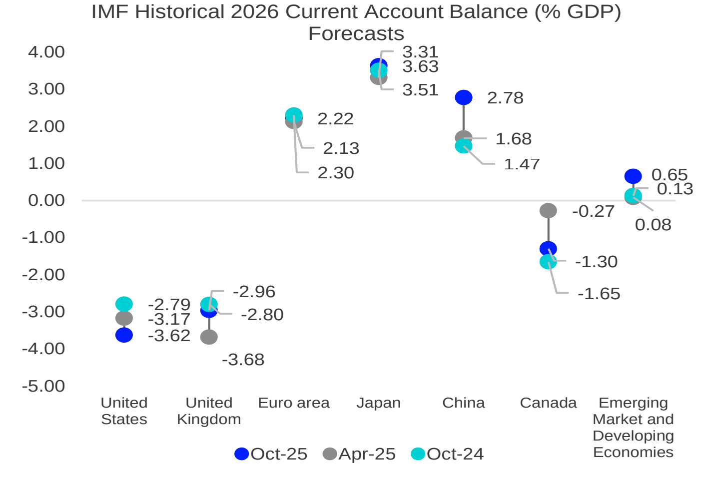


Chart 3: Wide dispersion in US inflation rate between goods and services characterized the 2021-22 inflation shock. This dispersion has fallen sharply, although CPI and PCE deflators remain above 2% yy.

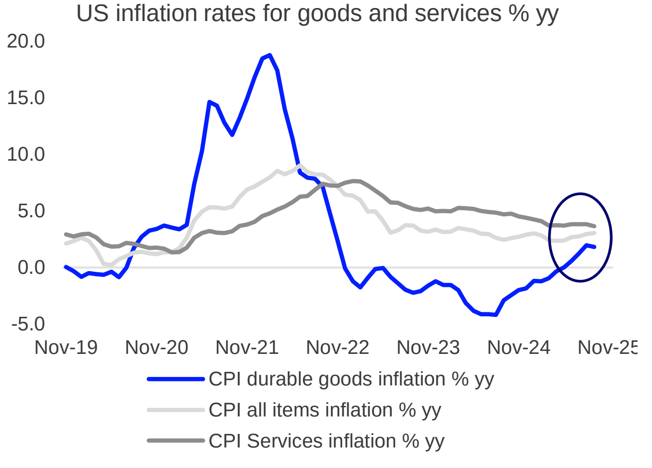


Chart 4: The Fed eased as expected in December, but the 9-3 vote for the cut signalled a higher degree of discord than normal. Chairman Powell noted weakness in the labour market may be greater than official data suggests.

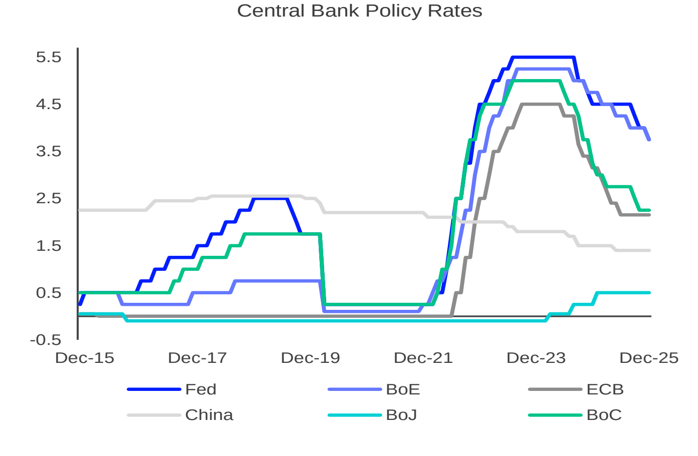
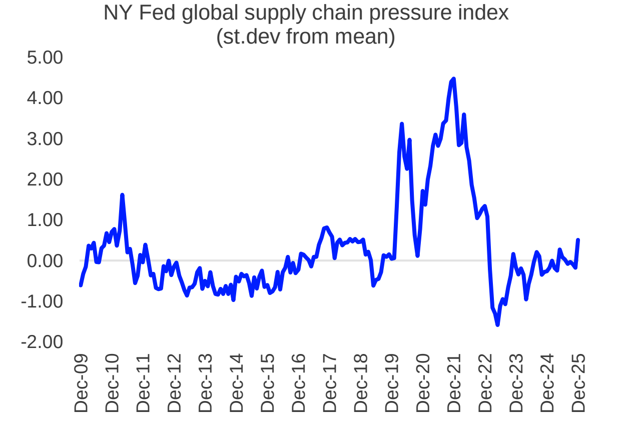


Chart 5: The NY Fed's supply chain pressure index shows little cost pressure. There may be future revisions to the index, since 4 datapoints are missing from Oct and Nov revisions due to the govt shutdown.



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Canadian macroeconomic and policy conditions

The rebound in Q3 GDP growth in Canada, improved Canadian labour market data (Chart 3) and more positive signs on a Canada/US trade deal have all reduced pressure on the BoC to ease monetary policy further in Q1, 2026. Consensus growth forecasts for 2026 show unchanged Canadian GDP growth of 1.2% over 2025 (Chart 1). But risks appear tilted to the downside, given trade uncertainty is not resolved, and the rebound in the labour market is mainly built on part-time job gains (Chart 2).

Although core inflation measures remain above the 2% target, headline inflation is at 2.2% yy, and near the target (Chart 3), and inflation expectations stable, so the BoC is unlikely to pivot towards tightening quickly unless unemployment eases sharply and growth accelerates. Another reason to expect an extended policy pause from the BoC is that financial conditions have eased significantly after the rate cuts in 2024-25 and easing in credit spreads, and are at 2021 levels relative to the longer term mean, measured by the FTSE Russell financial conditions indicator (Chart 4). Meanwhile, house prices and stock market gains are driving wealth effects for consumers, offsetting trade and tariff uncertainty (Chart 5).

Chart 1: Consensus forecasts show weak growth in 2026, despite lower rates, fiscal stimulus and wealth gains from higher stock prices. Uneven impact on different income levels of these factors increases uncertainty.

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: Canadian unemployment fell in November, to 6.5% (16m low), after weaker growth boosted 2025 unemployment. Increases in US unemployment have been slowed by weak labour force growth.

Chart 3: Canadian inflation remained at 2.2% yy for November, boosted by food prices, and with core inflation measures nearer 3% yy. With inflation near 2%, an extended BoC policy pause is more likely.

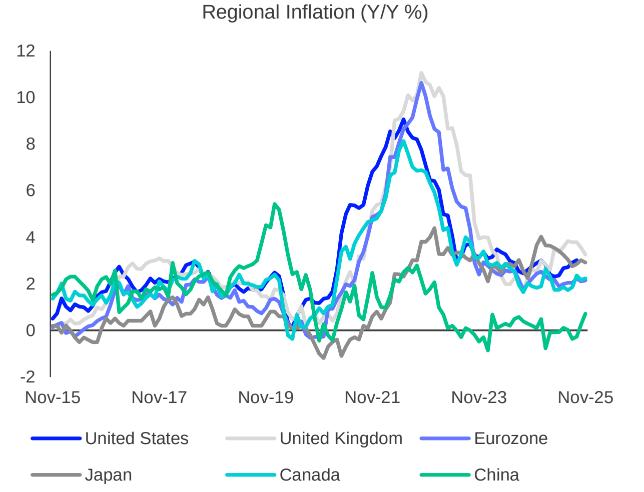


Chart 4. Canadian financial conditions have eased more than US, reflecting 300 bp of BoC easing since 2024, a lower Canadian dollar and tighter spreads, reducing pressure on the BoC to ease further.

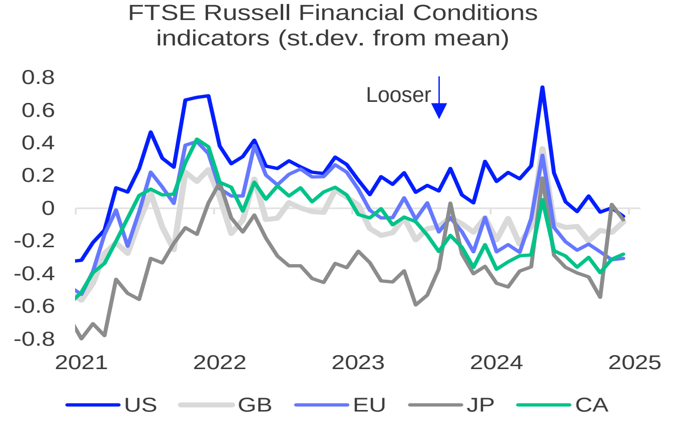
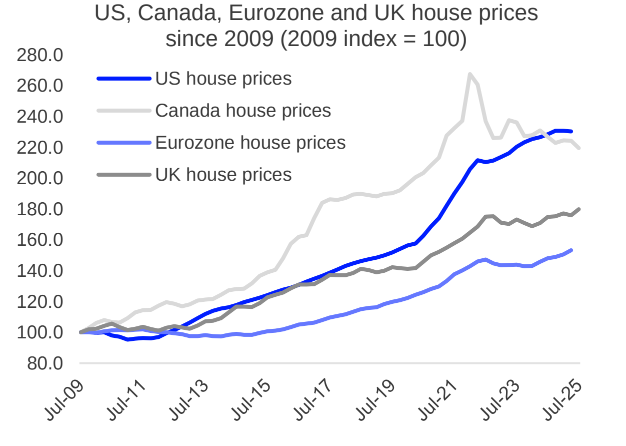


Chart 5: Although Canadian house prices fell after the BoC raised rates in 2022-3, the increase in residential prices is sizeable since 2009, even if supply weighed on some markets following the GFC.



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Spotlight on G7 central banks – balancing financial stability & monetary policy needs

Despite quantitative tightening (QT) programs since 2022, central bank balance sheets are much larger than pre-Covid levels. The 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, and financial instability, given maturity transformation and modern fin-tech platforms.

A 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 just reducing longer term yields (Chart 2). The Fed also now has a standing repo facility (SRF) designed to accommodate surges in demand for cash at quarter end, during the tax paying season, etc.

But gauging accurately the liquidity needs of the financial system, while reducing the size of the Fed's balance sheet via QT, is not an exact science. The collapse in the use of the Fed's overnight reverse repo (Chart 3) signals a lower level of liquidity in the financial system and helps explain why the Fed halted QT in Q4, for fear of a repeat of the spike in money market rates in 2019.

The Fed has also made clear that it is anxious to replace the MBS holdings on its balance sheet with Treasuries, and Chart 4 shows how the ratio of the Fed's US Treasury to MBS holdings has increased since the GFC and Covid. This has occurred even though MBS has negative convexity and run-offs from the Fed's balance sheet can fall sharply during phases of higher rates, like 2022-23.

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.

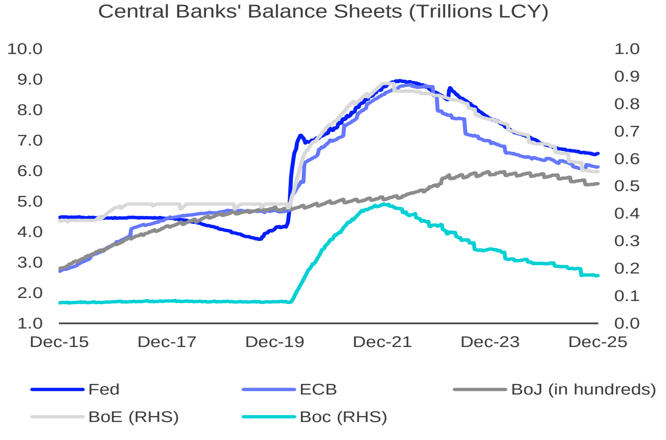


Chart 2: The striking feature of the Fed's Treasury holdings is the Fed now holds more long Treasuries than 1-5yrs. Also note how Fed holdings of ultra-shorts and US Tbills have increased since Covid.

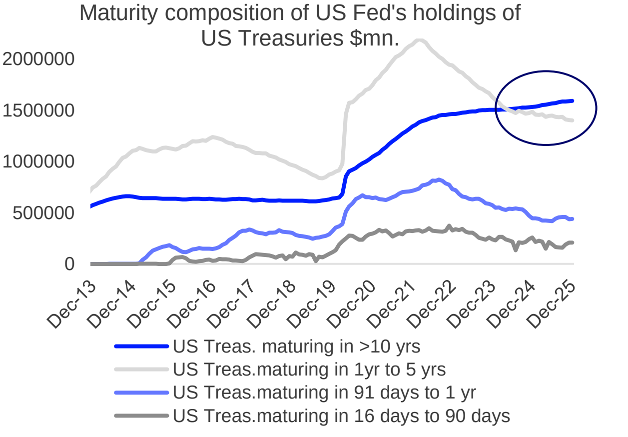


Chart 3: Evidence of tighter liquidity in US financial markets can be found in the collapse of the Fed's overnight reverse repo usage. This helps to explain why the Fed suspended its QT programme in Q4.

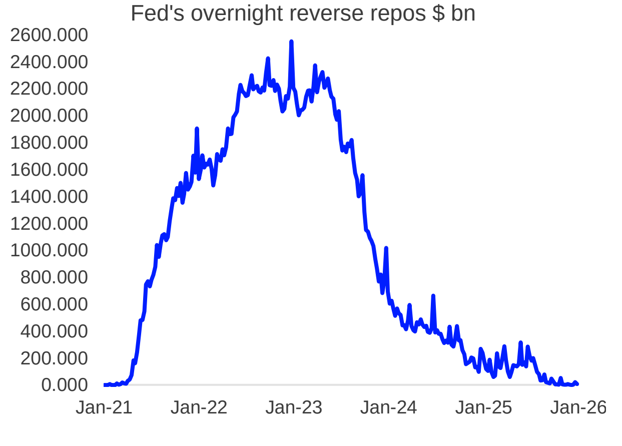
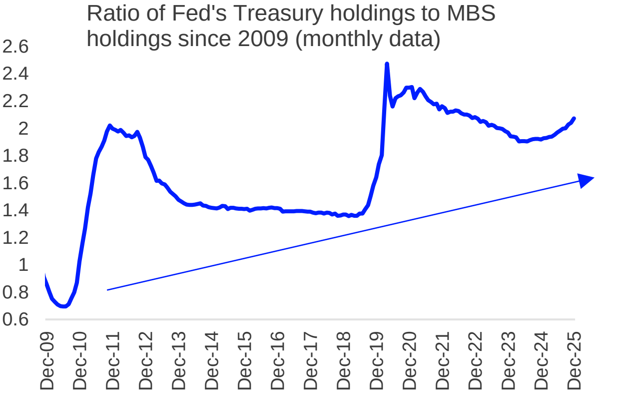


Chart 4: The ratio of Fed Treasury holdings to MBS holdings trended higher since the first Fed QE programmes. This occurred despite MBS run-offs from the balance sheet slowing in 2022-23.



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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.

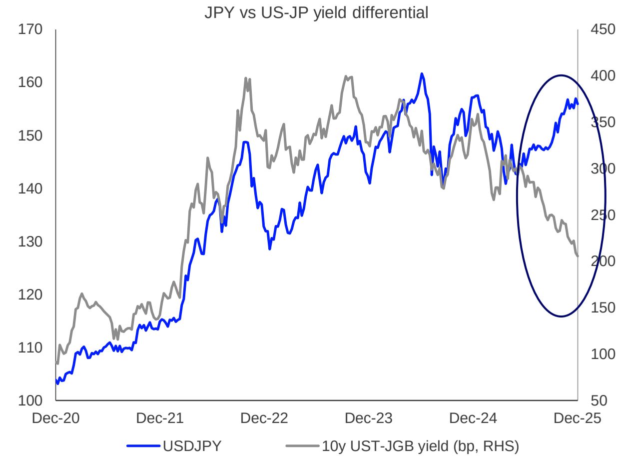


Chart 2: EUR and CHF were the best performers among major G10 currencies in 2025. Better-than-expected EU growth outlook drove EUR strength. CHF benefited from heightened global geopolitical risks.

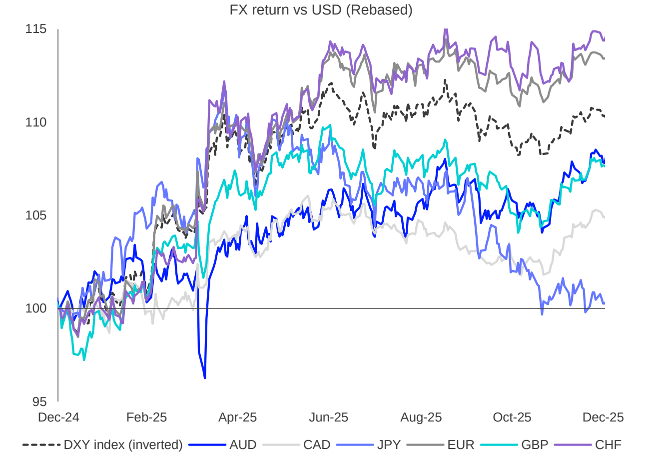


Chart 3: Mexican peso outperformed its EM peers in 2025 given its trade tie with the US and FDI inflows. Turkish Lira continued to depreciate. Indian Rupee weakened amid foreign equity outflows.

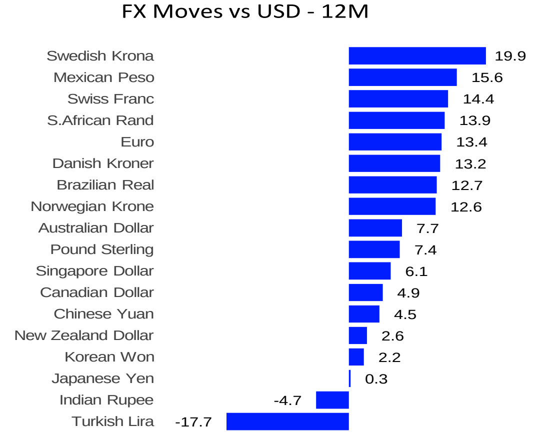


Chart 4: Over 3M, USD saw mixed performance. In Dec-25, USD/CNY fell below the 7 level for the first time since 2023 given year-end exporter CNY buying and tech stock optimism in the equity markets.

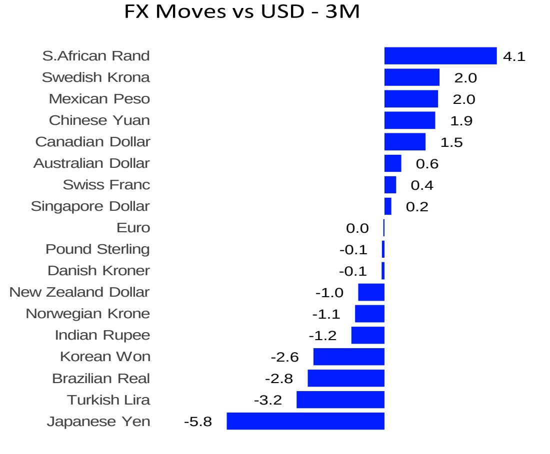
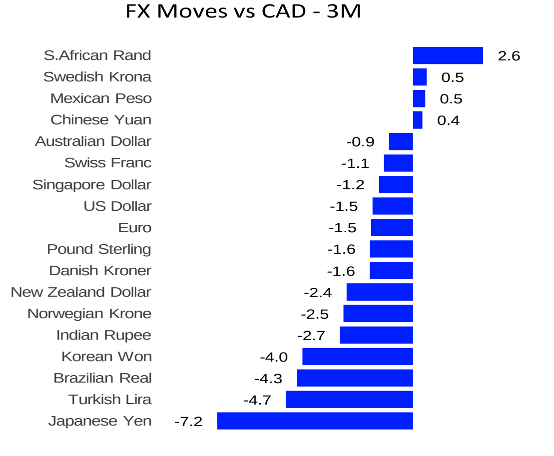


Chart 5: In Q4 2025, the Canadian dollar appreciated against most major DM and EM currencies as positive development in US-Canada trade deals eased tariff and trade uncertainty.



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US Treasury analysis: learning to live with a steeper yield curve?

Fed easing and the weak US labour market were dominant drivers of US Treasury yields in Q4, despite US growth tracking near 3% in Q4 (Atlanta Fed nowcast), and Fed caution on further rate cuts in 2026. Inflation breakevens stabilized, and have fallen notably over the last 3-6 months, helped by lower energy prices.

Longer dated breakevens are now above short dated, consistent with a higher term premium and steeper yield curves, as Chart 1 shows, even if there has been some *bull* steepening in the Treasury curve, with long yields falling modestly in Q4 (Chart 2).

Uncertainty over the dynamics of FOMC decision-making after Fed Chairman Powell steps down in May 2026 may be another factor playing into a steeper yield curve (see Chart 3). Nonetheless, US spreads tightened versus Bunds and JGBs in H2 2025, as Germany switched to more stimulative fiscal policy, and the BoJ moved to raise rates further. But the key structural development in spreads is the decline in EM spreads (Chart 4). Finally, we note that long dated US Tips yields remain near a post-GFC high at 2.5%.

Chart 1: US inflation breakevens have fallen since the tariff-led spike in mid-2025, led by short breakevens, but even longer breakevens are lower. Stable inflation expectations are key for further Fed rate cuts.

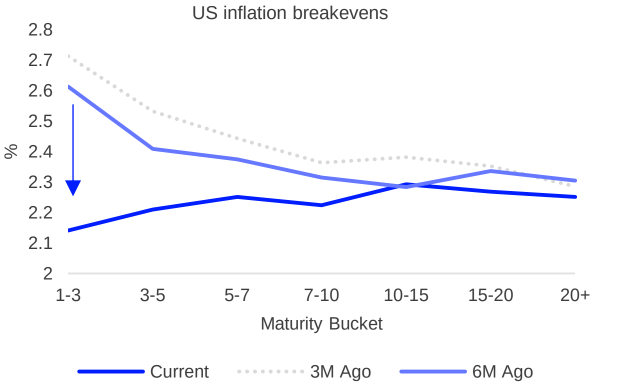


Chart 2: Yields have fallen most in 1-3 yr Treasuries, though 7-10 yr yields have also fallen, during the Fed easing in 2024-25. Long yields fell less, reflecting concerns about issuance, inflation and fiscal deficits.

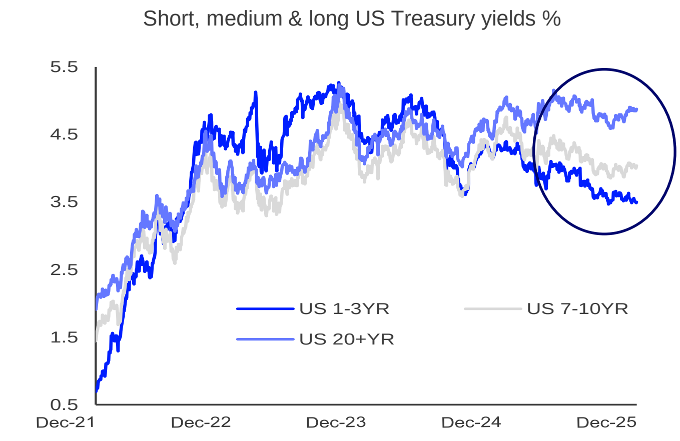


Chart 3: Bull steepenings of curves were a feature in 2025, as yields *fell* more in 2 yrs than 10yrs, and in 20s/2s, since 20 yr yields fell less. This is distinct from the bear steepenings in 2022-23, when yields *rose*.

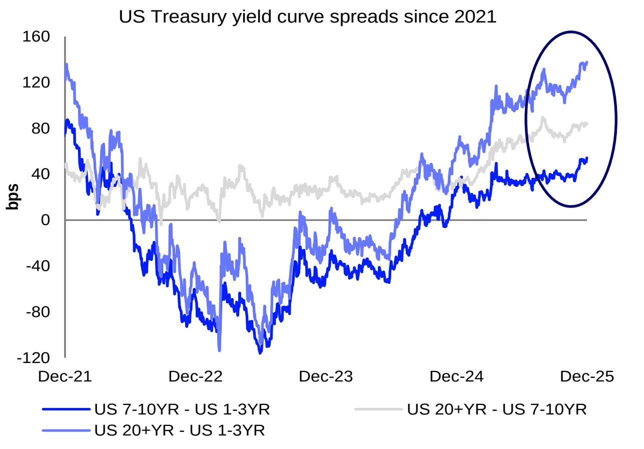


Chart 4: The major move in sovereign spreads since Covid has been the outperformance of EM bonds, versus G7. US Treasury spreads have returned to near 2020 levels, reflecting higher Bund and JGB yields in 2025.

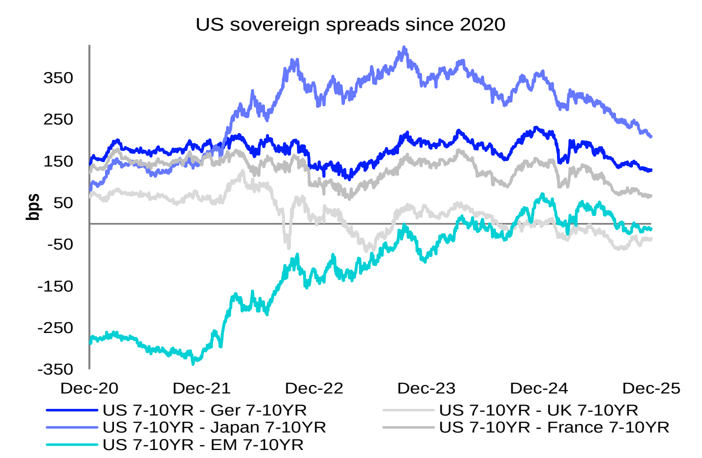
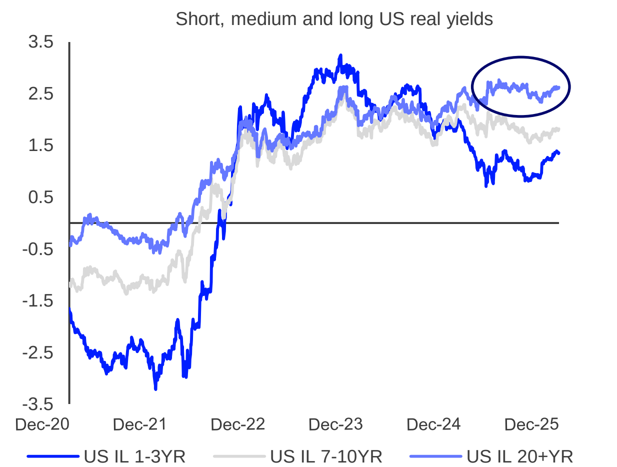


Chart 5: US Tips real yields show similar patterns to Treasuries, with long Tips real yields falling less than short Tips, and close to highs since the GFC. This may attract more LDI flows.



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US Credit analysis: sweet spot continues but are MBS spreads an anomaly?

More spread convergence, the strong performance of asset-backed deals and the energy sector and financials remained the main features in credit in 2025. Non-US credit returns were boosted by dollar weakness (Chart 1) and the ongoing risk rally. Investor appetite for asset-backed deals remained strong, as Fed rates fell slowly, and low default rates.

Bank credits also gained from the steeper yield curve, and relatively low loan delinquencies, offsetting the impact of lower Fed policy rates (Chart 2). Further evidence of de-coupling of energy equities and credits from weaker oil prices emerged in US HY returns in 2025 (Chart 3).

Fed rate cuts to a range of 3.5-3.75% in Q4 failed to drive a significant increase in MBS prepayments, given the legacy of very low coupon mortgages from 2020-21, and the Fed's decision to re-invest MBS run-offs from its balance sheet into US Treasuries is another factor weighing on spreads. MBS spreads seem anomalously high vs credit but may reflect some risk of the agency guarantee being removed in the longer term.

Chart 1: Non-US credit returns were boosted by dollar weakness in 2025, though the main beneficiary was Euro IG credit, due to euro strength, which outperformed all other markets (see returns on page 10).

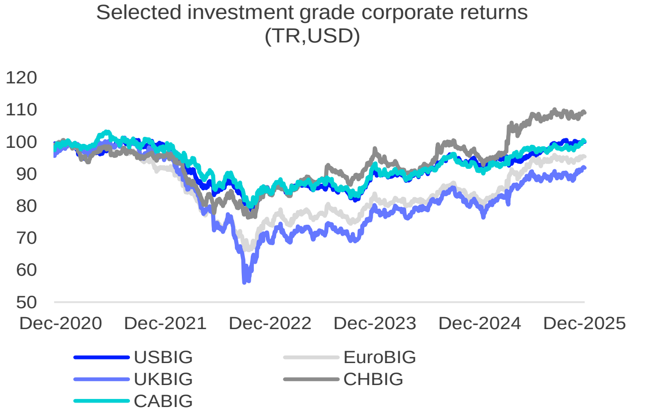


Chart 2: IG sector returns continue to show the strength of asset-backed and financials, with banks outperforming. Asset-backed deals were mainly unaffected by higher rates in 2022-23, due to floating rate structures.

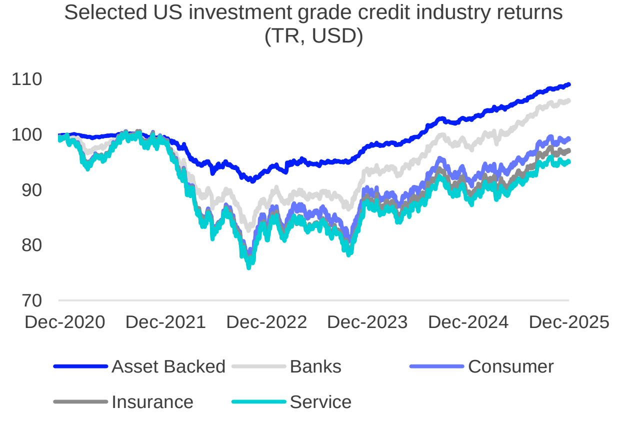


Chart 3: Industry returns show the energy sector performing strongly in HY credit, and leading sector returns. As with energy equities, energy credits have de-coupled from weakness in oil prices in 2025.

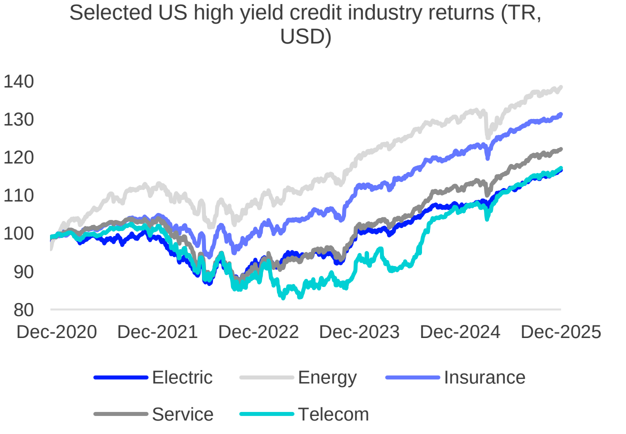


Chart 4: The Fed's Q4 rate cuts drove only a modest increase in mortgage refis, with the main rump of mortgages carrying much lower coupons; the legacy of the era of near-zero rates in 2020, when refis spiked.

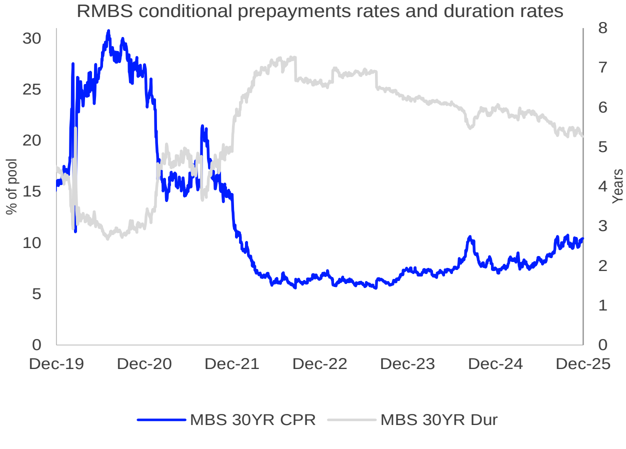
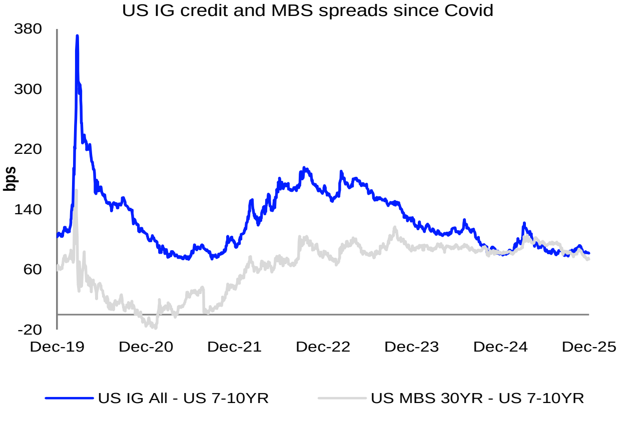


Chart 5: With the Fed running down its MBS holdings (see Chart 4, page 4), and credit benefitting from the risk rally, IG spreads vs MBS are close to zero, despite the agency wrapper around MBS deals.



Canadian Govts, Provis & Munis: a tougher year as BoC easing nears completion?

The test for Canadian governments, provis and muni markets in 2026 may be how far it is possible to squeeze out further gains in these markets, after the BoC has completed the bulk of its easing cycle, with rates down to 2.25%, some 300bp lower than in June 2024. It seems clear that both market and BoC focus have shifted from inflation to downside risks to growth, shown by the decline in inflation breakevens (Chart 1).

But the fact that long yields have barely fallen since the BoC began easing rates in 2024, suggests investor doubts about another Covid-like zero rate cycle, and concern about higher levels of government debt issuance. Thus the yield curve has a 100bp plus carry in longs vs shorts (Charts 2 & 3).

With inflation broadly at target and growth recovering, the BoC signalled an extended policy pause is likely in December, and that the bulk of the easing cycle may be complete. So it seems investors are turning to higher yield alternatives to govt bonds, driving spreads lower on provis and munis (Charts 4 & 5).

Chart 1: Canadian inflation breakevens reacted only modestly to tariff fears and the breakeven curve is below 2% in all dates. This betokens a broader shift in BoC and market focus from inflation to growth concerns.

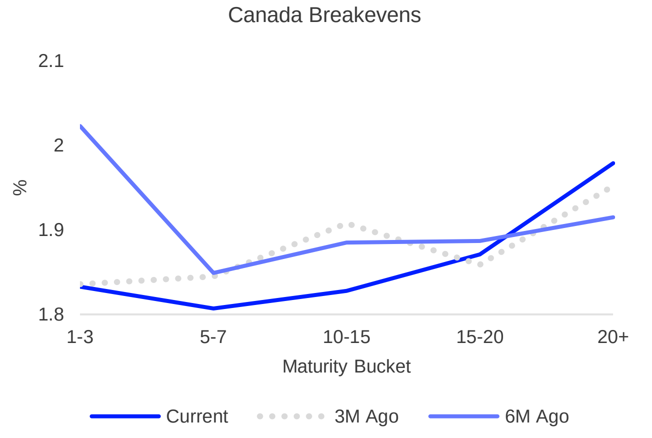


Chart 2: Since the BoC began easing in June 2024, short yields collapsed relative to medium and longs, with 20+ yr yields still near June 2024 levels. 7-10 yr yields fell, like 1-3 yr yields so it is a *bull* steepening there.

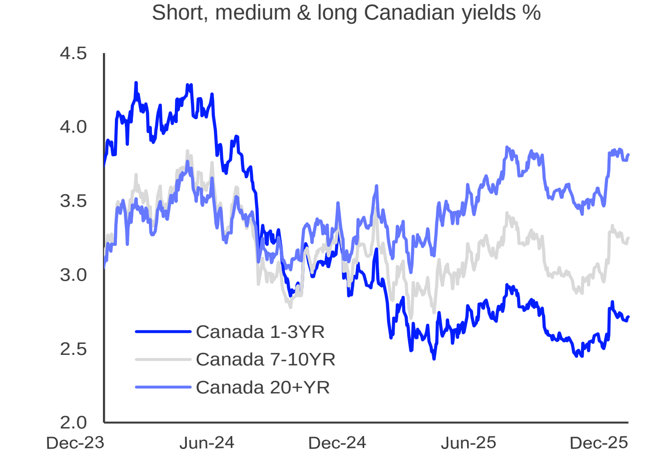


Chart 3: Drilling down into the Canadian yield curve, moves lower in shorts vs long yields are key drivers, causing curve steepening in longs, typical of an easing cycle. Moves in longs vs mediums are more modest.

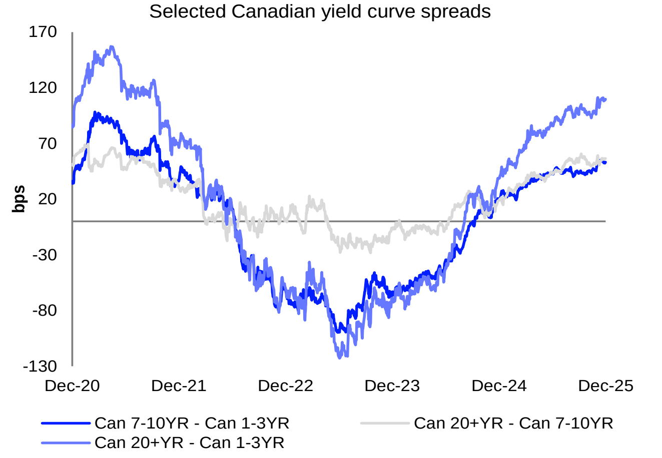


Chart 4: Canadian provi spreads trend lower, with higher volatility in Alberta spreads after the mooted independence vote in 2025. The 2026 question is how much more spreads can decline, if the BoC has finished easing?

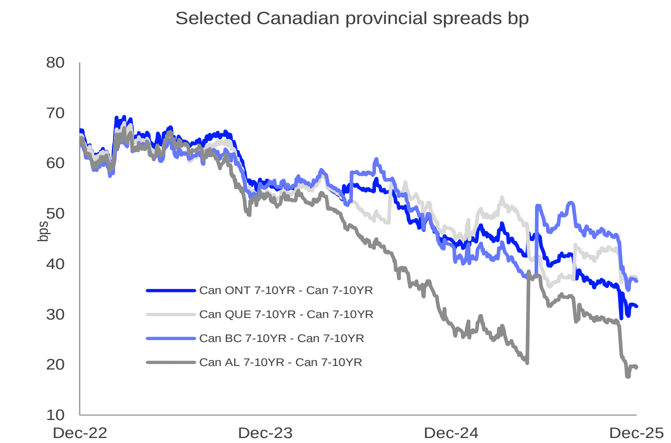
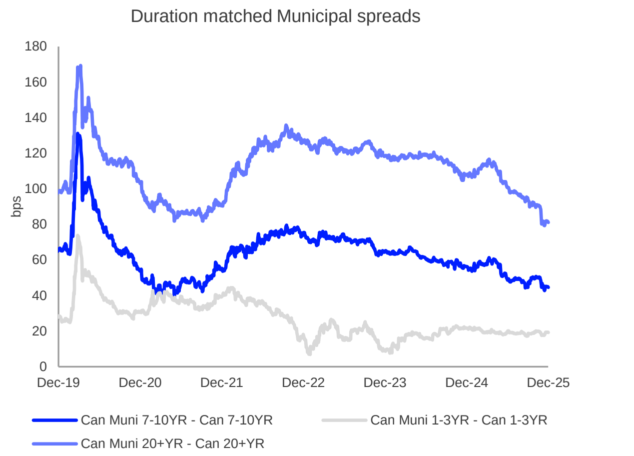


Chart 5: Muni spreads have moved pro-cyclically since 2019. Spreads fell during QE and collapsed in yields in 2020-21, before rising with BoC rate hikes in 2022, and falling again with rate cuts in 2024-25.



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Canada: IG and HY Credit – financials enjoy the ride, despite tail recession risks

Weaker economic growth, consumer spending and higher unemployment in 2025 did not prevent Canadian credit spreads tightening further. The main macro risk would clearly be a recession in 2026, but the rebound in Q3 GDP and employment growth and improved tone in US trade talks suggest that the Canadian recession risk has receded somewhat.

Financials again performed strongly in 2025, helped by the steeper curve (Charts 1 & 2), and Canadian banks have kept common equity T1 ratios at least 0.5% above the OFSI minimum of 11.5%, entering the cyclical slowdown with relatively strong capital ratios. Mortgage loans performed well, despite higher unemployment, helped by tougher underwriting, robust house prices and lower LTV ratios. Credit quality improved with spreads tightening most in BBBs (Chart 3).

Canadian HY credit outperformed IG credit in 2025 – see page 10 on Returns – reflecting the strong performance of energy, despite weaker oil prices, and its massive HY index weight (Charts 4 & 5).

Chart 1: Spreads tightened most in financials, and interest rate sensitive sectors, like real estate, since the risk rally began in October 2022 (see Chart 4). Infrastructure spreads show lower beta.

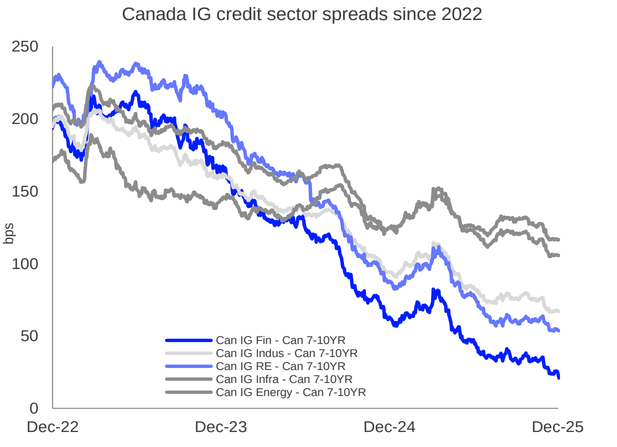


Chart 2: Canadian financial spreads show strong negative correlation to the yield curve, widening when the curve inverted in 2022-23, before tightening when the yield curve disinverted and steepened in 2024-25.

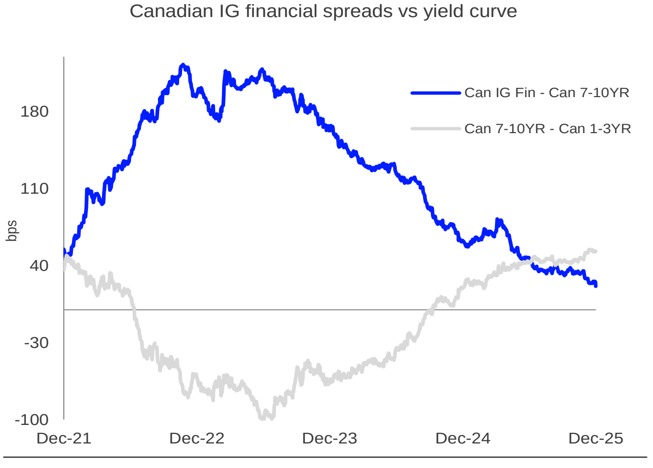


Chart 3: Fears around BBB spreads have generally proved misplaced since the spike in 2022-23, when the BoC raised rates rapidly. BBB spreads fell throughout 2024-25. AAA spreads have outperformed A.

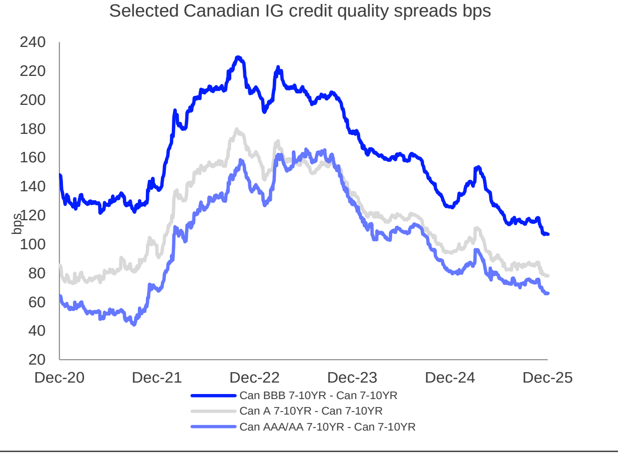


Chart 4: Canadian HY credit has outperformed IG credit since the risk rally began in earnest in Q4 2023. It is notable that energy has been a key driver of returns (Chart 5), and has the largest HY weight (45%).

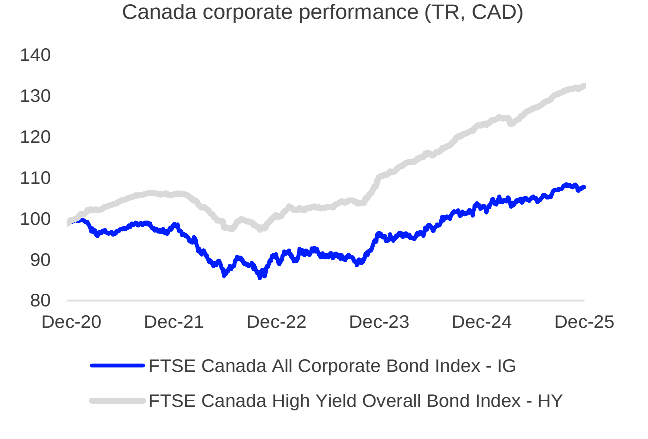
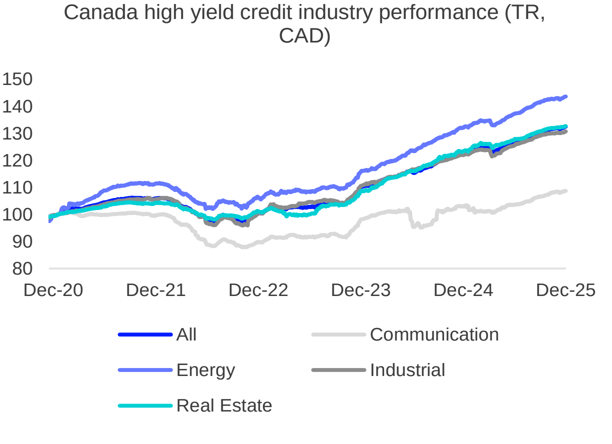


Chart 5: Energy dominates the Canadian HY credit market, and showed strong performance in 2024-25, breaking the link with weaker oil prices. Real estate also benefitted from lower rates and robust house prices.



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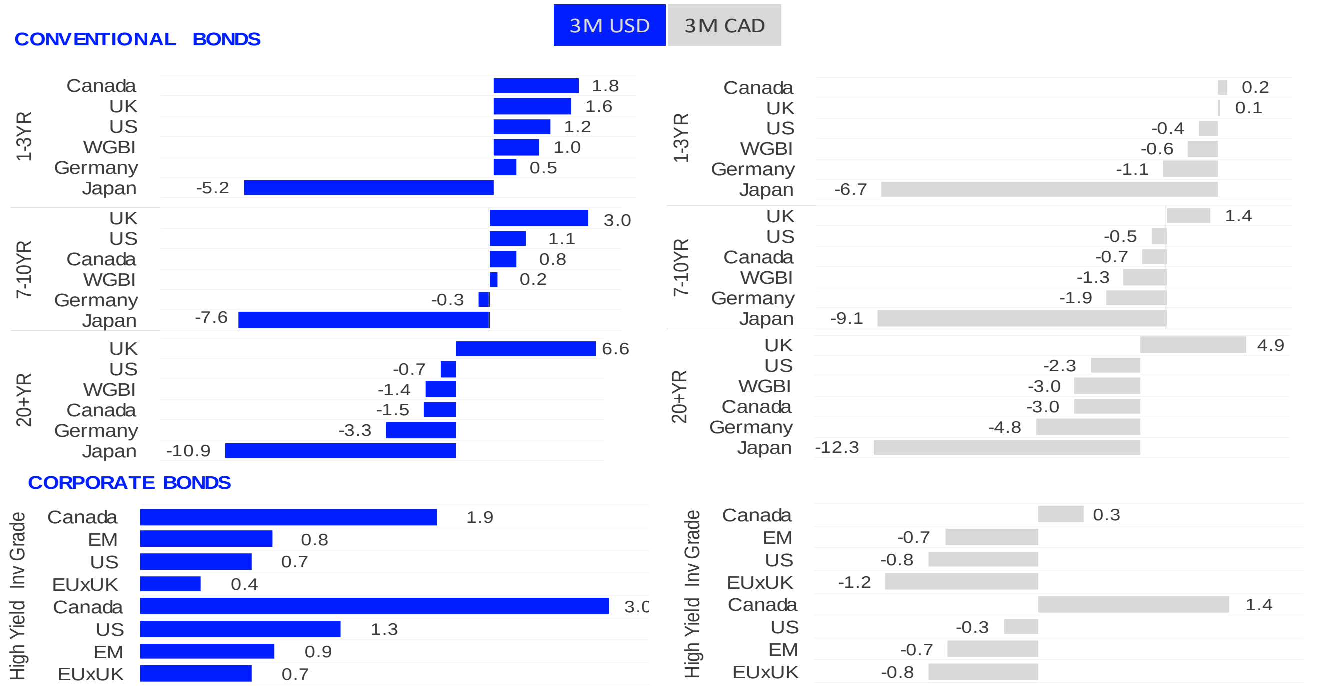
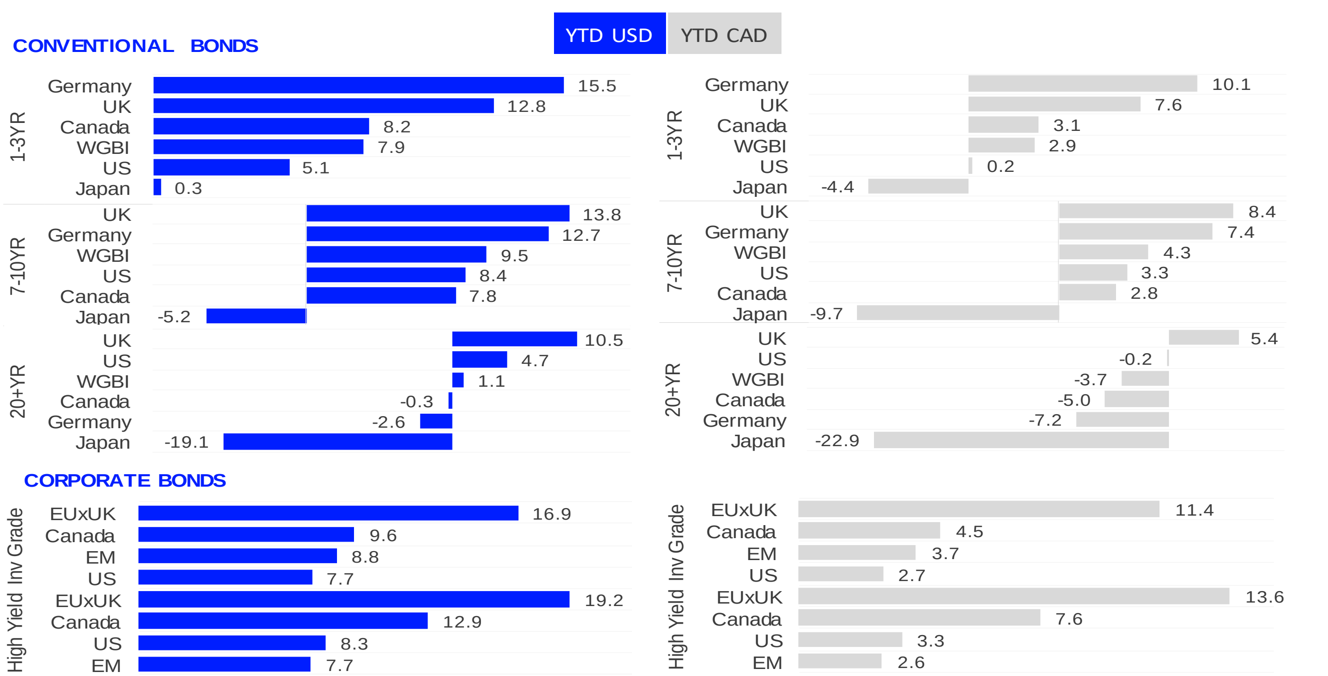
Conventional Government Bond Returns − 3M & YTD % (USD, CAD, TR)

Bunds and JGBs remained the weakest G7 markets in Q4, as markets focussed on higher issuance in 2025-26, and slow BoJ tightening, which weighed on the yen. But gilts rallied, helped by the BoE's 25bp easing, with longs gaining 5-7% in USD and CAD terms. For the year, JGBs showed losses of 19-23% in USD and CAD. Credit outperformed with returns of up to 19% in Euro HY, boosted by EUR FX gains. Canadian HY exceeded IG returns, gaining 13% vs 10% in USD.

Long gilts rallied in Q4, helped by lower policy rates. Although gilt issuance was increased for 2025-26 in the UK budget, long gilt issuance was reduced, helping longs outperform. Long gilts also outperformed for the year, helped by stronger sterling.

For different 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 in long Bunds in USD and CAD. Long Bunds reacted negatively to the substantial shift in German fiscal policy with planned fiscal deficits of 3.5% per annum until 2029. JGB returns were hit hard by yen weakness.





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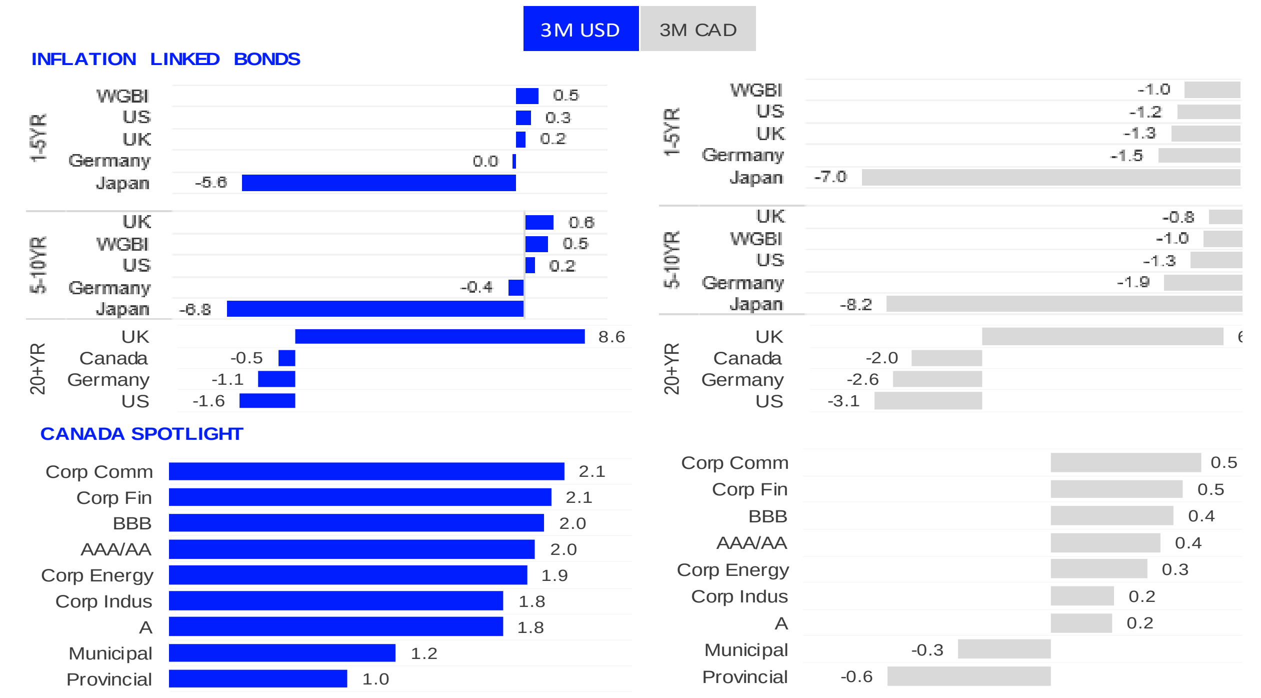
Real return bonds and Canada spotlight − 3M & YTD % (USD, CAD, TR)

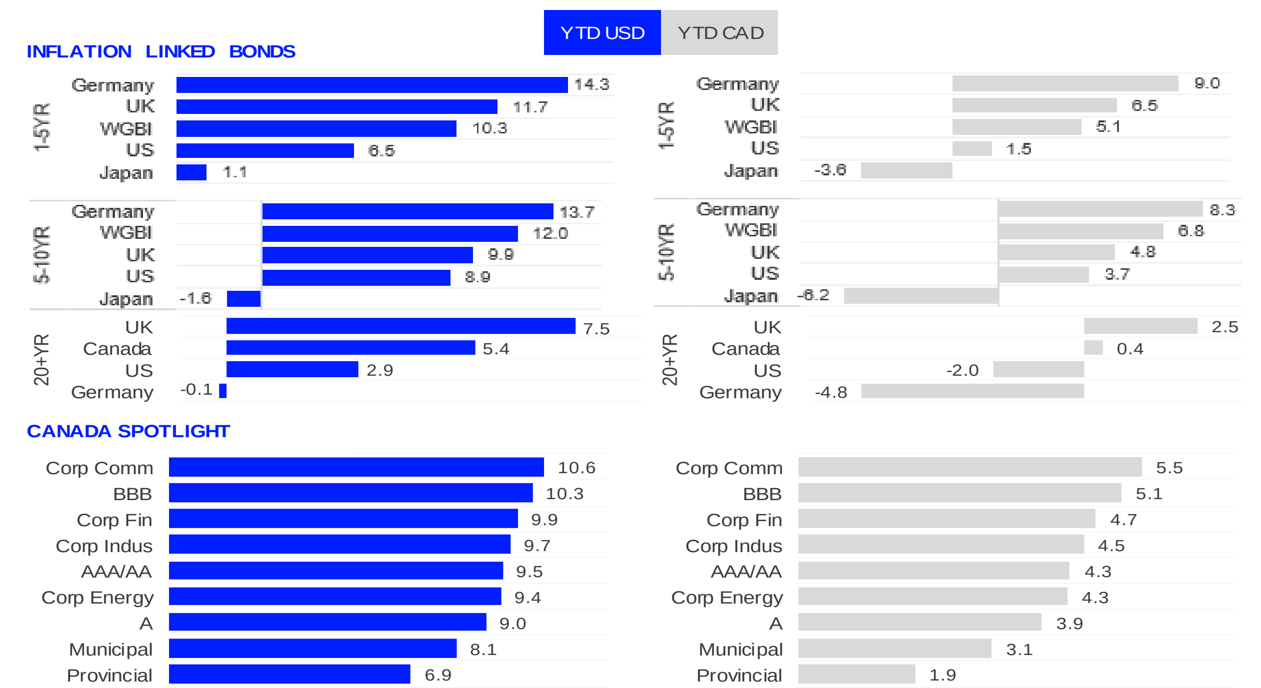
Extra duration in UK inflation-linked helped boost returns in Q4, as yields fell in longs, boosting returns to 7-9% in CAD and USD. Reduced UK linker issuance, relative to conventionals in 2025-26, helped sentiment. Credit outperformed again in Q4, though the gains were modest in both IG and HY. Canadian Comms, financials and BBBs led returns, despite the cyclical slowdown. Returns for a USD investor in Canada were boosted by CAD gains, with gains of 7-11% in 2025.

Like conventional JGBs, inflation-linked JGBs fell sharply in Q4, with losses of 6-8% in CAD and USD terms. Credit enjoyed the risk-on rally for most of 2025, but achieved only modest gains in Q4.

Euro FX gains dominated credit returns. HY outperformed IG credit over 2025, due to HY's higher correlation to equities.

Bund returns were driven largely by the strong EUR exchange rate, so short and medium Bund linkers gained 8-14% in USD and CAD terms, over the course of 2025. However, long dated Bund linkers underperformed as the yield curve bear steepened.





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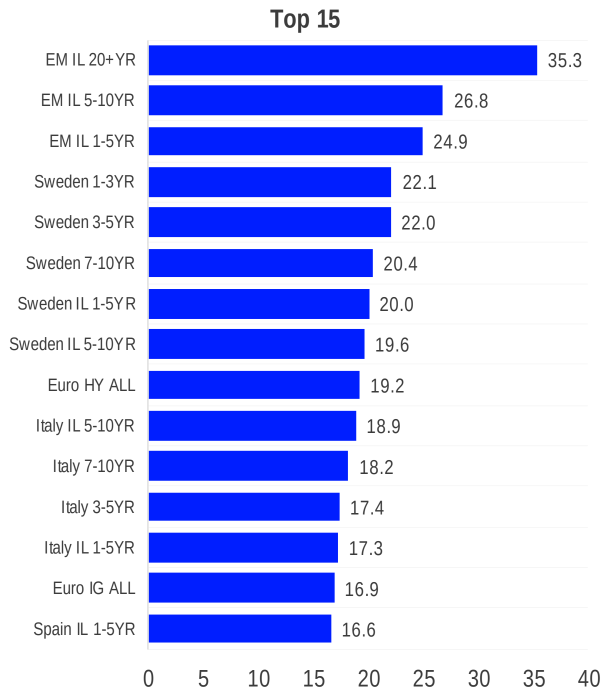
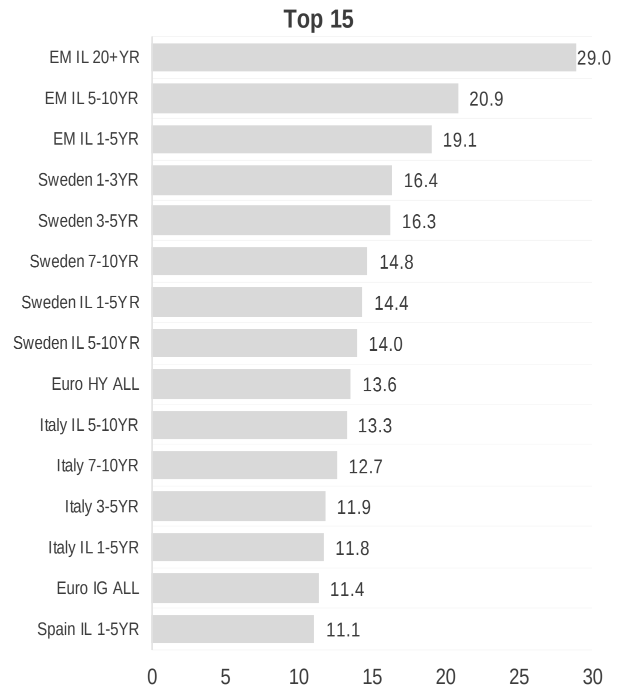
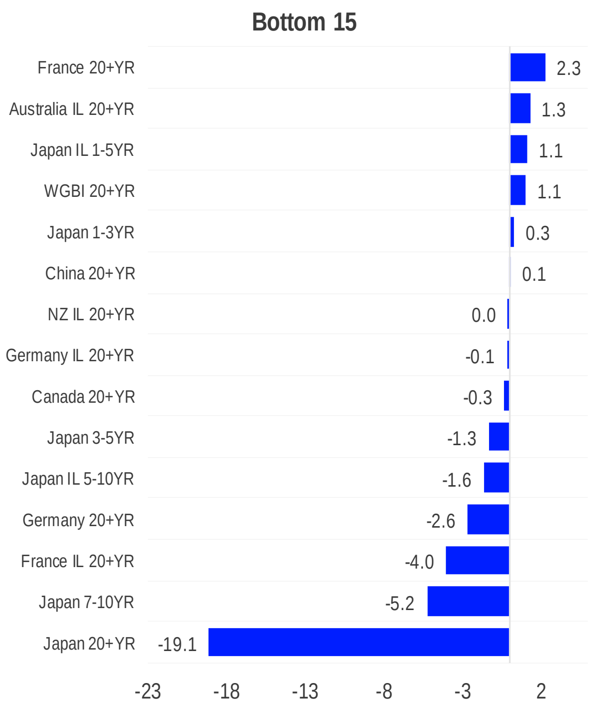
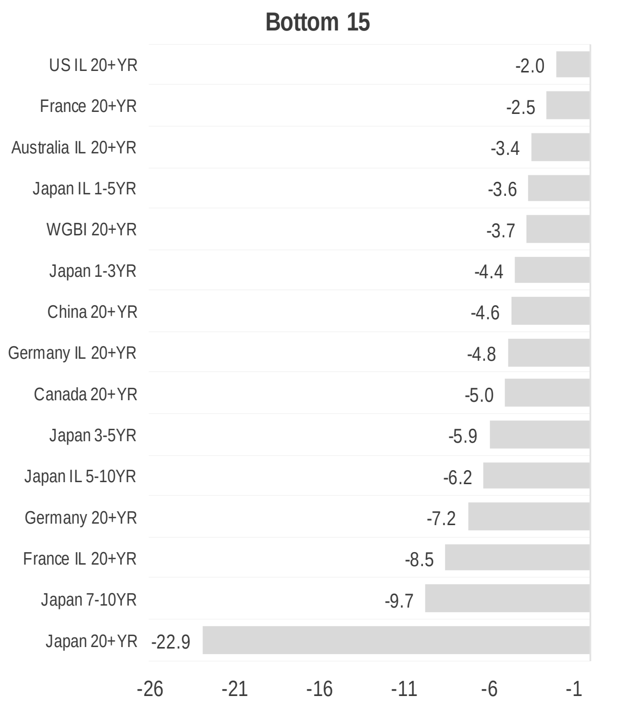
Appendix − Top and Bottom Bond Returns − 12M % (USD, CAD, TR)

12M USD 12M CAD









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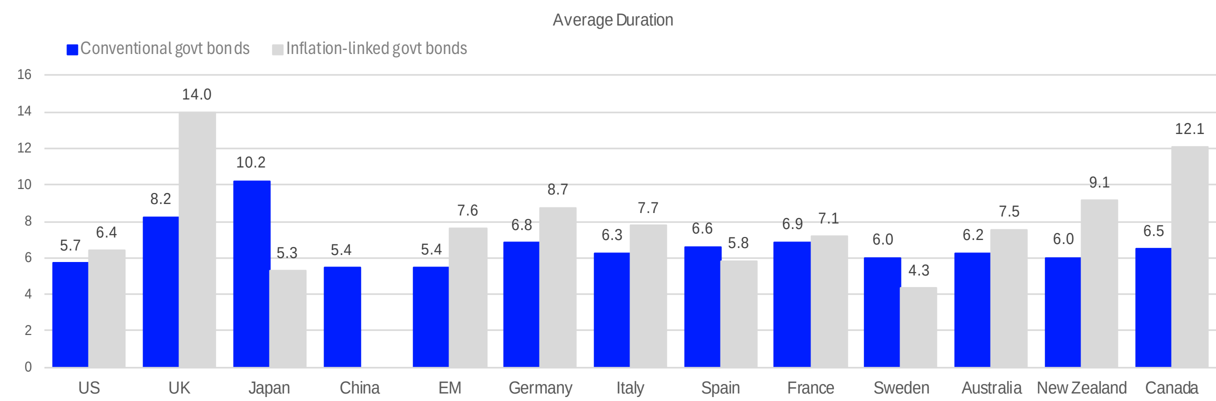
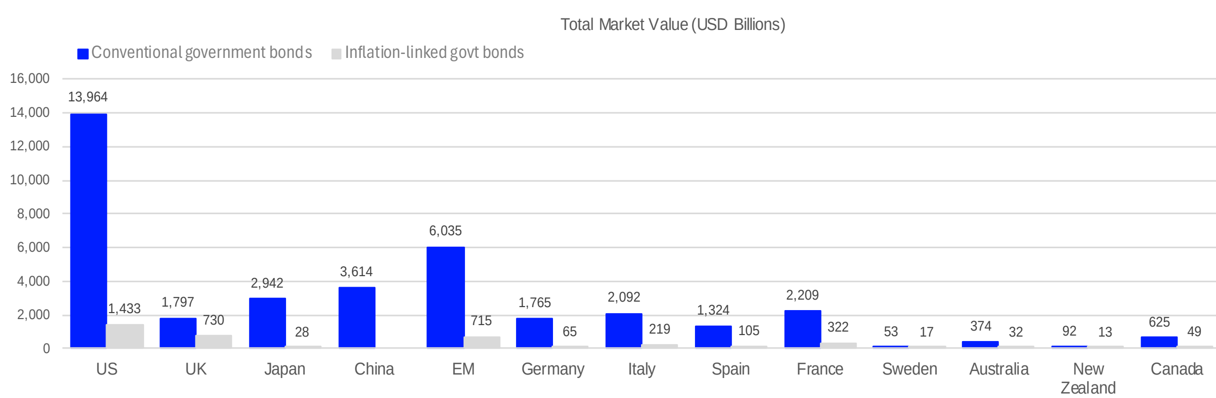
Appendix – Duration and Market Value (USD, Bn) as of December 31, 2025

	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





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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