

Fixed Income Insights

MONTHLY REPORT | JULY 2024

EUROZONE EDITION

Short Bunds and credits lifted by ECB easing in Q2

Short governments and credits benefited from lower inflation expectations and the ECB easing in June, but a modest rise in inflation may slow further rate cuts, with a gradualist approach to easing likely. HY credit outperformed since January, but valuations appear stretched. French gov bonds were unsettled by political uncertainty.

Macro and policy backdrop – The ECB is likely to adopt a gradualist approach to policy easing Eurozone inflation is not expected to reach its 2% target before 2025/26, on ECB forecasts, suggesting a slow-motion easing cycle. (pages 2-3)

Yields, curves and spreads – Signs of curve dis-inversion as easing cycle begins The ECB and BoC interest rate cuts drove some dis-inversion, while spread tightening appears to be stalling. (pages 4-5)

Credit analysis – Euro credit returns led by banks Banks led performance in Euro credits, despite a small weight of 12% in the Euro HY bond universe, compared to 32% in the Euro investment grade equivalent. (page 6-7)

Sovereign and climate bonds – Duration continues to dominate narrative ESG EMGBIC has been a strong outperformer since the rise in global yields due to lower relative duration. (page 8)

Performance – Short-dated bonds outperformed in Q2, helped by coupon effects New Zealand and Swedish government bonds were the best 3M performers, while long Chinese governments and HY credit were the strongest on 12M. (pages 9-11)

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: German real yields have led nominal yield higher since 2022, as breakeven inflation have stabilised after rising in 2020-2021.

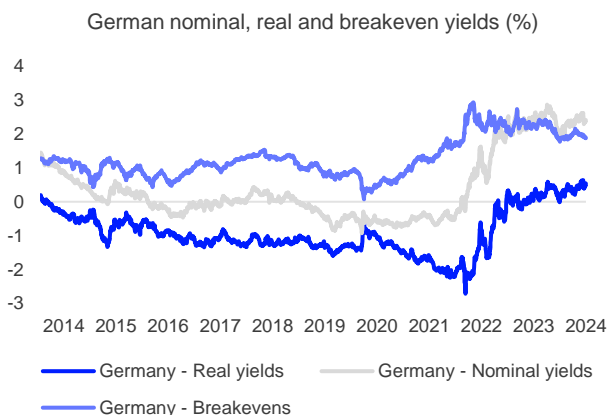
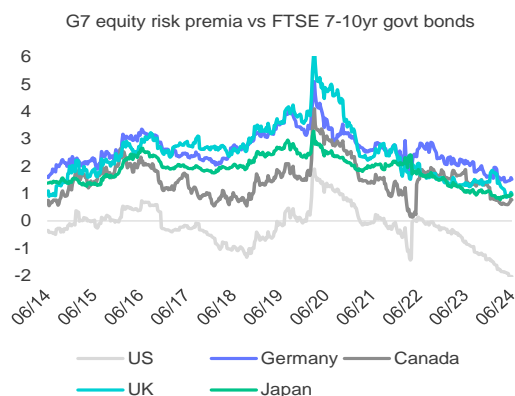


Chart 2: German 7-10yr Bunds have cheapened versus equities, after the strong equity rally in 2023-24, with the risk premium at a post-Covid low. US cheapness is at its most extreme since 2014.



Source: FTSE Russell and LSEG. All data as of June 30, 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

Consensus GDP forecasts remain subdued for 2024, but not recessionary in most countries. US forecasts remain stronger. The Eurozone’s ZEW economic survey showed improving sentiment, though the latest manufacturing PMI survey has remained sub-50, indicating contraction. Inflation ticked up modestly in most countries in May, including within the Eurozone, where service sector inflation has bounced back.

Consensus forecasts remain for weak growth for the Eurozone, Canada and Japan in 2024, but no recession. European growth is slowly recovering from negative/flat growth since Q4 2022 (Chart 1). The ZEW indicator of Economic Sentiment for the Eurozone improved again in June, lifted by hopes that rate cuts and lower inflation will improve the economic backdrop and despite France’s snap election unsettling markets. By contrast, Consensus US forecasts barely show a slowdown in the US economy in 2024.

Eurozone inflation bounced back in May to 2.6% y/y on higher energy prices and services inflation (see also Chart 3), with the ECB not expecting inflation to return to its target before 2026. US services inflation, at 5.3% y/y (excluding energy), and shelter inflation at 5.4% y/y, remain stubbornly high, despite headline inflation at 3.3% y/y. Yen weakness and higher wage awards also sustained Japanese inflation above 2%. Chinese deflation risks remain, reflecting weak domestic demand (Chart 2).

Eurozone services inflation rose again in May, while the sharp decline in goods inflation appears to be stabilising (Chart 3).

The savings ratios in Chart 4 show consumer caution in the Eurozone and the UK. German household savings ratio has returned to its relatively high pre-Covid levels. By contrast, US savings fell to a post-Covid low in Q1, driven by positive wealth effects.

Chart 1: European, Canadian and Japanese growth forecasts remain weak, but with no forecast recessions. US growth is expected to barely slow in 2024, despite high rates, and the impact on sectors like housing.

Latest Consensus Real GDP Forecasts (Median, %, June 2024)			
	2023	2024	2025
US	2.5	2.4	1.8
UK	0.1	0.7	1.2
Eurozone	0.5	0.7	1.4
Japan	1.3	0.7	1.0
China	5.2	4.6	4.4
Canada	1.1	0.8	1.8

Chart 2: Eurozone inflation rebounded to 2.6% y/y in May from 2.4% y/y the previous month, on robust service inflation and higher energy prices. The ECB forecast HCIP to return to 2% not before 2026.

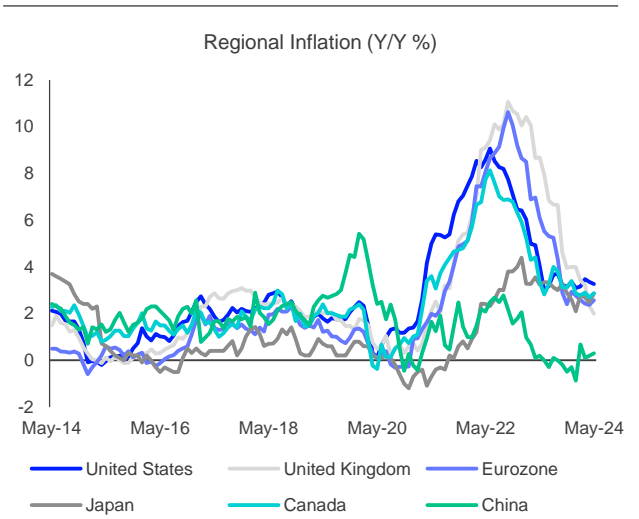
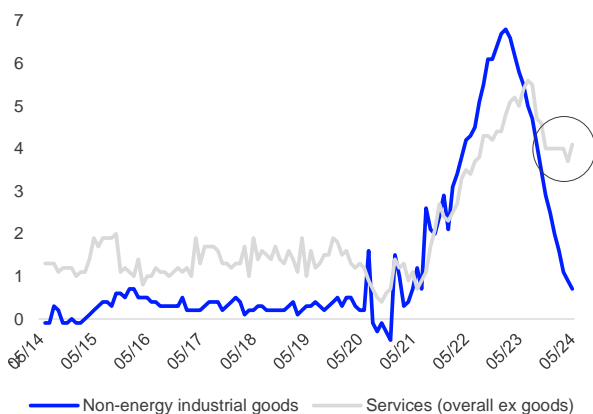


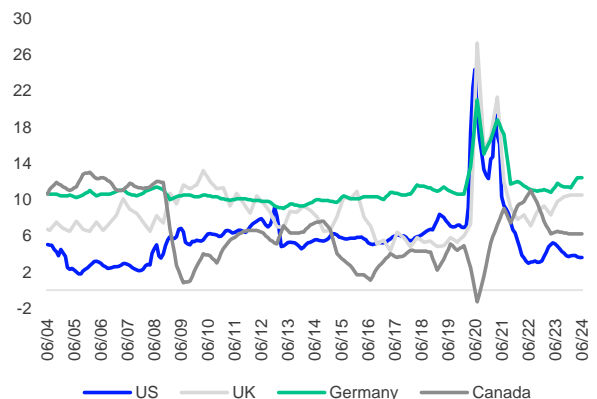
Chart 3: Services inflation rose in May after easing over the last twelve months, highlighting record-low unemployment and pressure on wage inflation remaining a concern. The collapse in goods inflation continues.

Chart 4: Savings ratios show consumer caution in the Eurozone and the UK. US savings fell to a post-Covid low in Q1 driven by positive wealth effects. The decline in Canadian savings has stabilised in 2024.

Eurozone services and goods inflation (% y/y)



G7 household savings ratios since 2004



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Financial Conditions and Monetary Policy Settings

The ECB proceeded with its well flagged easing in June, despite high services inflation, headline inflation ticking up and inflation not being expected to reach 2% before 2025/2026. The Euro weakened after French president Macron called for a snap election, after its party fared poorly in the EU Parliamentary elections in June. The ECB balance sheet has fallen more sharply than the Fed's balance sheet since QT began in 2022, partly due to unwinding LTROs.

The Euro government bond market has front-run the ECB, amid well flagged forward guidance, as Chart 1 shows, with 10-year yields falling in advance of ECB easing. This is typical of previous easing cycles.

Exchange rates responded only modestly to the BoC and ECB June rate cuts, which were well discounted, but the Euro weakened, after France's snap election unsettled markets. Markets are pricing in about the same policy easing in both the US and UK in the second half of 2024 – about 40bp – so GBP/USD remained rangebound (Chart 2). The yen edged towards the Y160 level vs USD.

European central banks – the ECB, SNB and Riksbank – all eased rates in May/June, though the BoE did not (Chart 3). The ECB cut rates by 0.25% to 4.25%, but anticipates inflation fluctuating at current levels during 2024, with HCIP not expected to meet the central bank's 2% target before 2025/2026. This suggests a more gradualist easing cycle in 2024-25. The BoC also reduced rates to ease pressure in the housing/rental market and address worries of higher mortgage costs dampening growth in 2025, unlike the Fed, which left rates unchanged. There is little urgency for a Fed move, given the economy is not recessionary, and inflation is well above target, though some easing in mortgage rates would help the housing market.

The ECB balance sheet has declined more sharply than the Fed's balance sheet (currently at \$7.2 Tr) (see Chart 4), having fallen by about E2.3 trn since July 2022 to Euro 6.5 trillion in June. It is projected to fall further in 2024, after the ECB unwinds its PEPP programme, by about €7.5bn each month between July-Dec 2024 and discontinues reinvestment at the end of 2024.

Chart 1: The Euro government bond market has front-run the ECB, in line with its well-flagged guidance that it would do so in June.

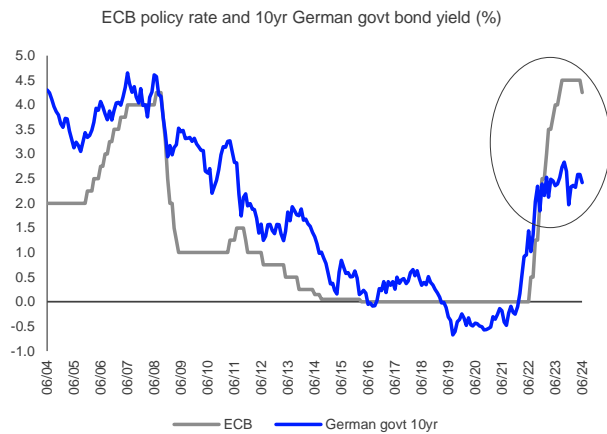


Chart 2: FX rate moves in June were modest, though the Euro gave up some ground after the ECB rate cut and increased political uncertainty. The yen tested the Y160 vs USD before stabilising on intervention fears.

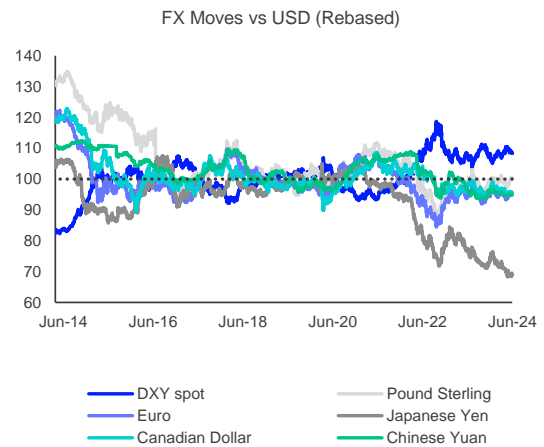
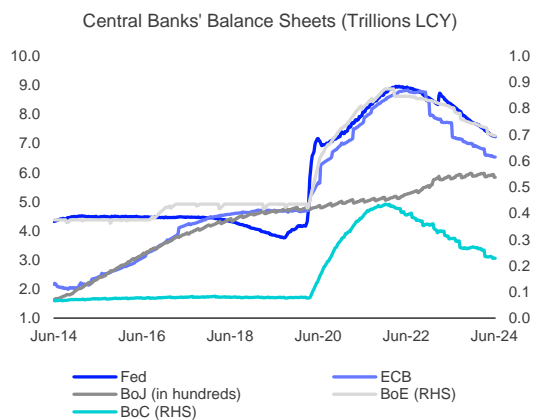
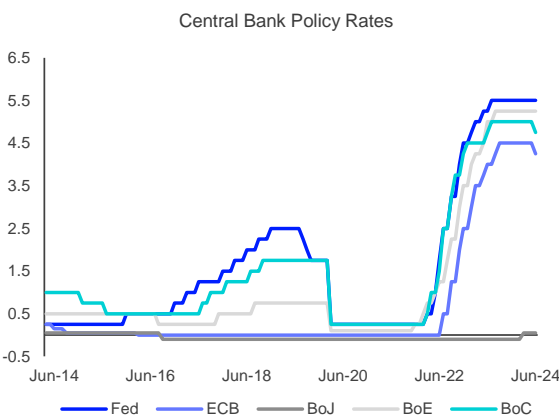


Chart 3: The BoC and ECB were the first G7 central banks to ease policy in June, after CPI came close to 2% in April, but the CPI uptick in May suggests a more gradualist approach to easing going forward.

Chart 4: The ECB balance sheet has shrunk by about Euro 2.3Tr since July 2022, and is projected to fall further, as the ECB unwinds its PEPP programme from July and discontinues reinvestment at the end of 2024.



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Global Yields, Curves and Breakevens

Chart 1: Central bank easing drove lower yields in much of the G7 in June, led by the Bank of Canada. Treasuries and gilts rallied as markets anticipated rate cuts later in Q3 and Q4. JGBs lagged the moves.

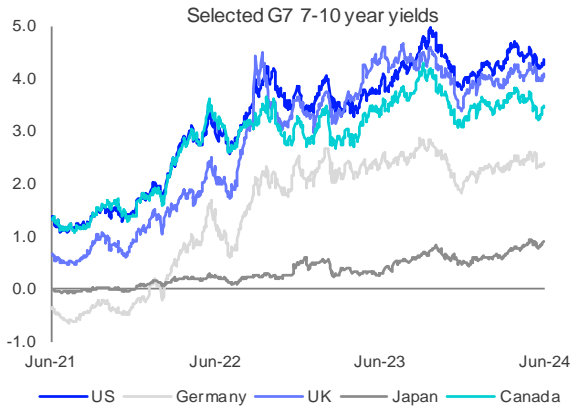


Chart 2: Real yields moved lower with nominals in June, but to a lesser extent, repeating the normal pattern of breakevens rising during sell-offs in nominal bonds, and declining during rallies.

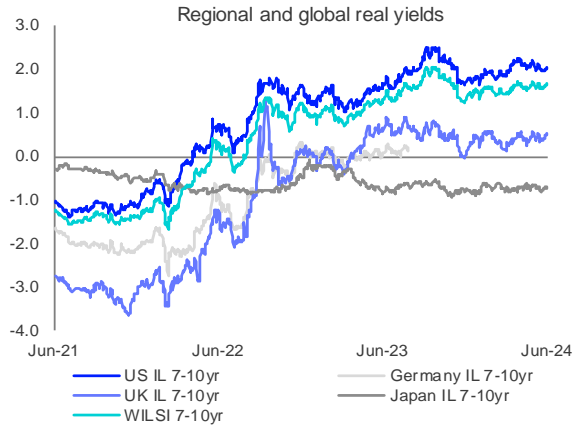


Chart 3: 10s/2s yield curves remain inverted, excluding JGBs. Lower policy rates in Canada and Eurozone were discounted, so 2-year yields reacted little. Re-investment risk is sustaining demand for 10-year maturities.

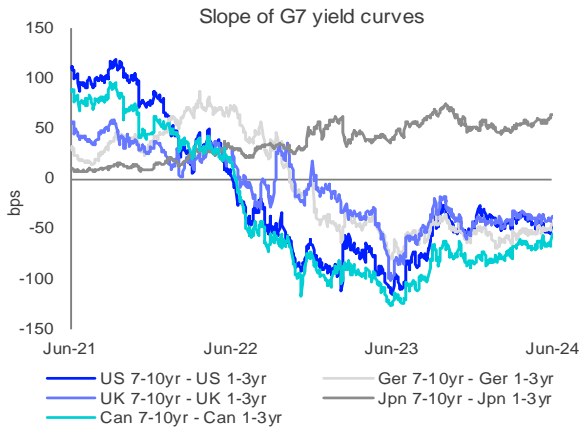


Chart 4: There has been more significant curve dis-inversion in long bonds, notably in JGBs, after the BoJ abandoned formal curve control. High debt/GDP ratios and positive term premia may also be factors.

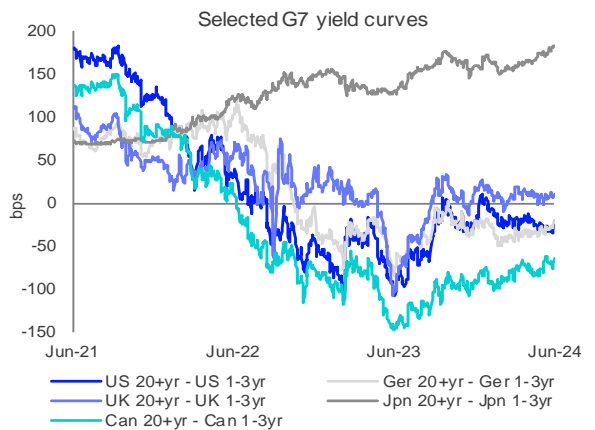


Chart 5: Inflation breakevens dipped in June, as nominal bonds rallied, and disinflation resumed in May data, notably in Europe. JGB breakevens remain near recent highs, as yen weakness continues.

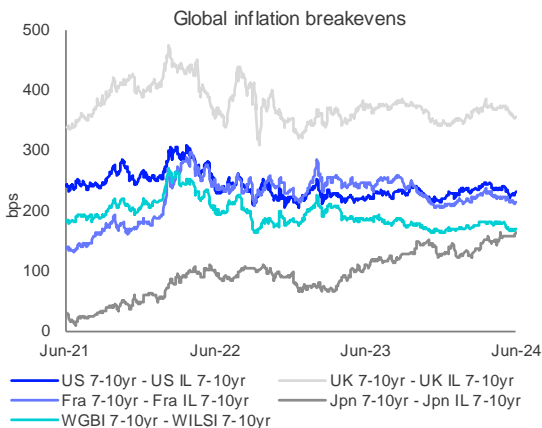
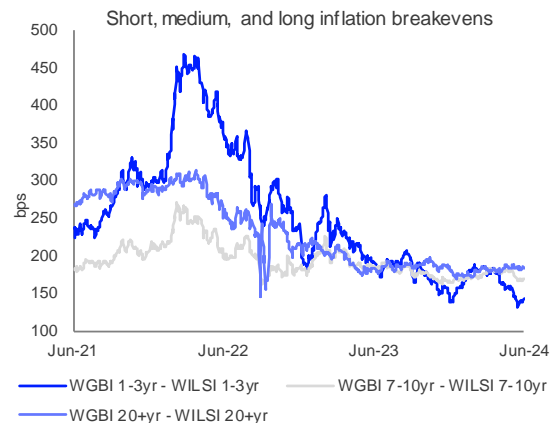


Chart 6: Short-dated breakevens have collapsed from the 2022 highs, reaching new lows in June, as inflation fell to 2% in parts of Europe. Longer breakevens have lagged the move but remain stable near 2%.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads generally remain pro-cyclical, rising during sell-offs, and tightening during rallies, the pattern since Covid. However, spreads widened versus Germany and Canada, after the rate cuts.

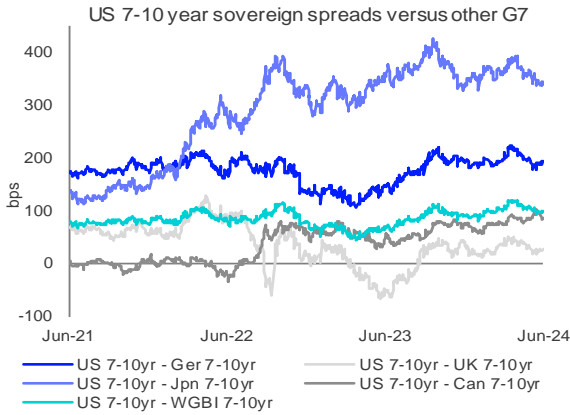


Chart 2: Political uncertainty has increased in Europe, after a strong showing of far right parties in the EU elections. Italian spreads have widened sharply, ex vs France where they fell, after President Macron called a national election.

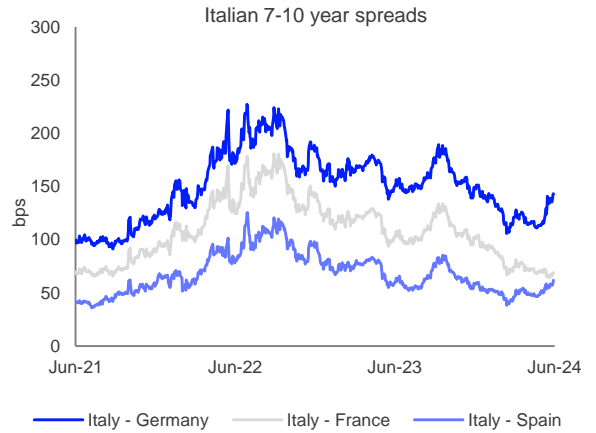


Chart 3: Rate cuts at the ECB and BoC drove EM spreads a little wider vs Germany & Canada, but spreads remain near post-Covid lows, reflecting stronger EM fundamentals and China's independence from the G7 cycle.

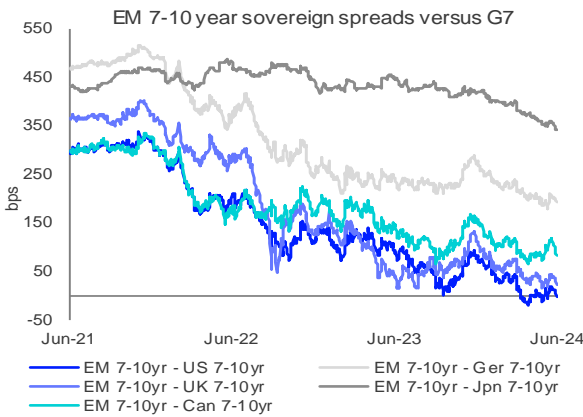


Chart 4: As in the broader EM, Chinese spreads have mostly widened vs G7 markets, where cuts are either expected or happened. Spreads in general remain near multi-year lows.

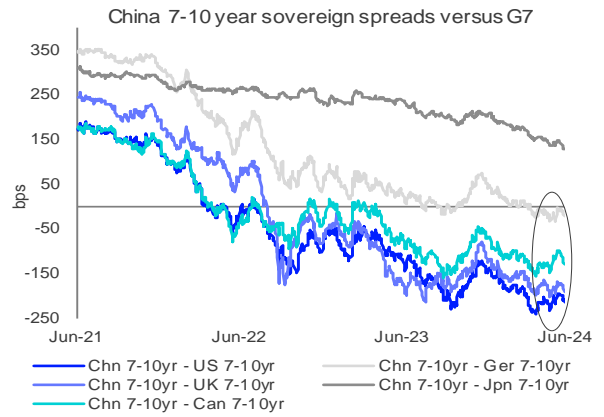


Chart 5: There are signs of the risk rally in credit in 2023-24 at least pausing, as HY spreads widened in June, though lower gov't yields helped drive this. IG spreads also edged wider, but IG spreads are not as tight.

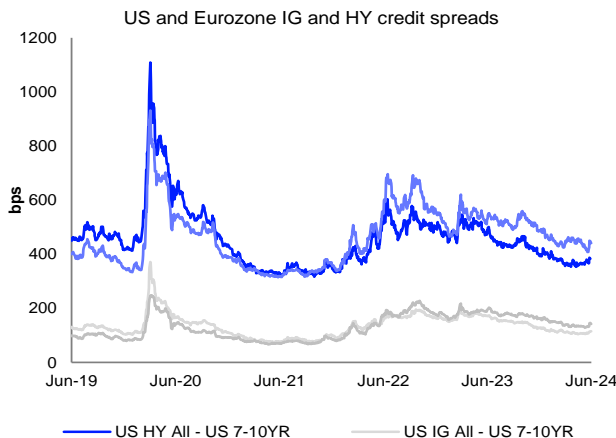
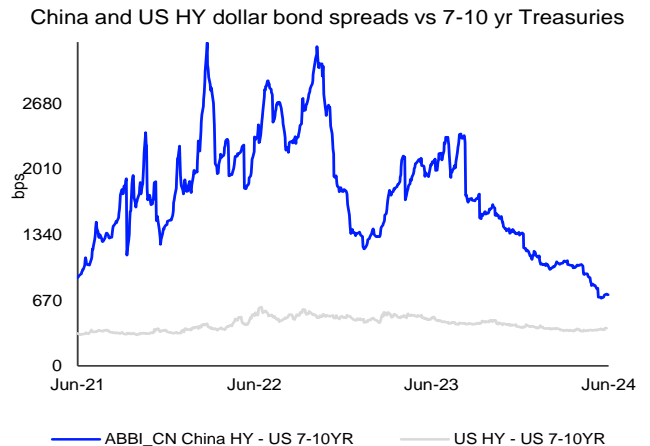


Chart 6: China HY dollar bonds – which are dominated by property sector issuers – rallied strongly after a series of property sector support measures from the authorities, though bond exchanges and restructurings continue.



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Credit sector analysis

Chart 1: Euro investment grade corporates have recovered from a low base since the Ukraine war in 2022, with banks leading the outperformance, after benefiting from 'higher for longer' rates in 2023-24.

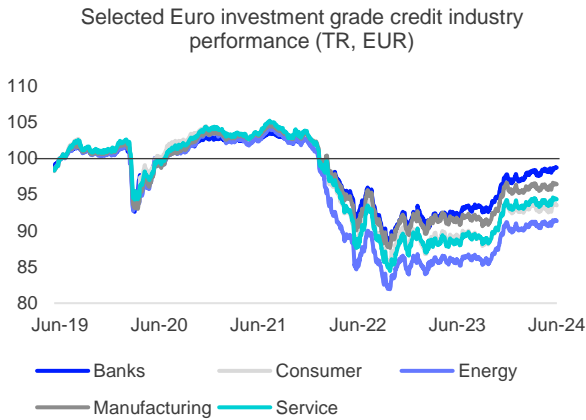


Chart 2: Banks represent the largest sector, by far, within the Euro investment grade universe, with a weight of 32%, and therefore are a significant driver of performance (see Chart 1).

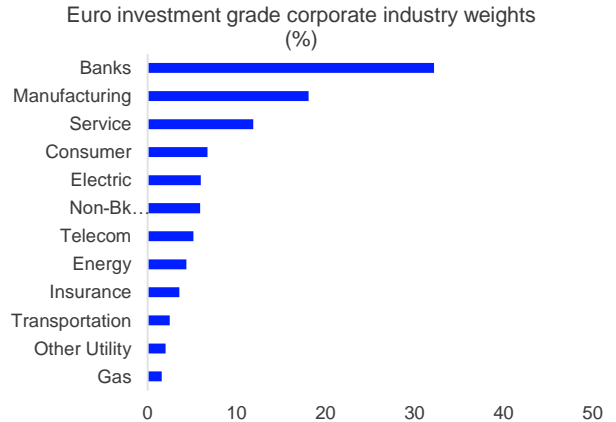


Chart 3: UK IG bank credits have outperformed and are the only sector to have generated a positive performance in the last five years. However, most industries have recovered since the Ukraine war in 2022.

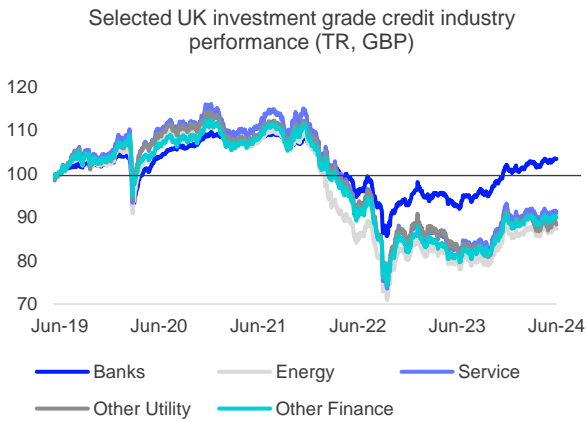


Chart 4: UK banks represent the same weight in the UK investment grade universe as its Euro IG equivalent (See Chart 2), therefore making the universe returns highly dependent on their performance.

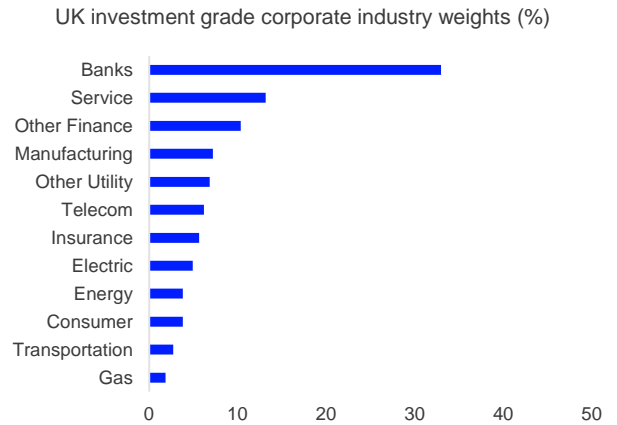


Chart 5: Most US IG corporates have gained 1-7% since 2019, with banks and other financial sectors generating the highest returns.

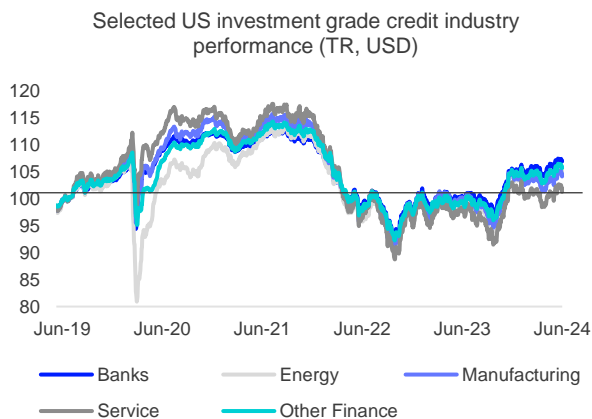
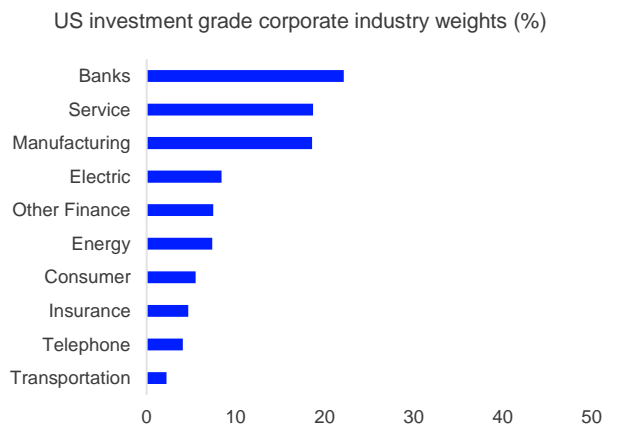


Chart 6: Sector weights in the US investment grade universe are more evenly spread than in Europe and UK, where a higher number of sectors, banks, services and manufacturing make up the largest sectors.



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High Yield Credit Analysis

Chart 1: Banks have outperformed since June 2019, benefiting from the higher interest rate environment. Strong performance also came from manufacturing, the second largest sector in Euro high yield universe.

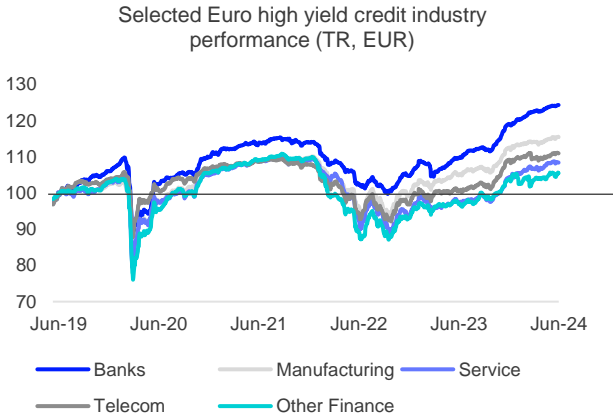


Chart 2: Service and manufacturing share over half of the Euro HY universe. While comparatively smaller, banks still represent 12% of the universe and were a key driver to performance since 2022.

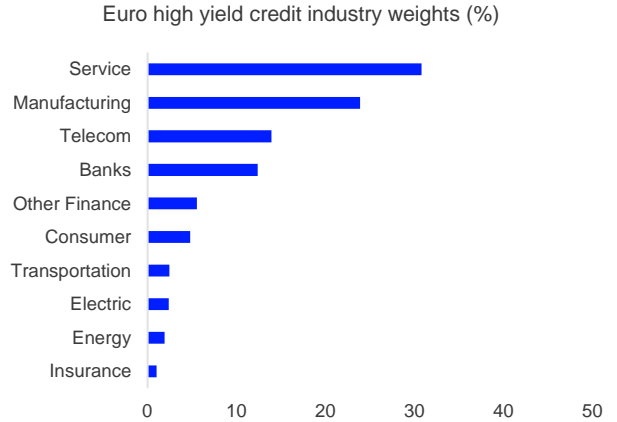


Chart 3: The two largest sectors, services and other finance (see Chart 4), drove the outperformance of the sterling HY index, especially since 2022, during the post-Covid recovery.

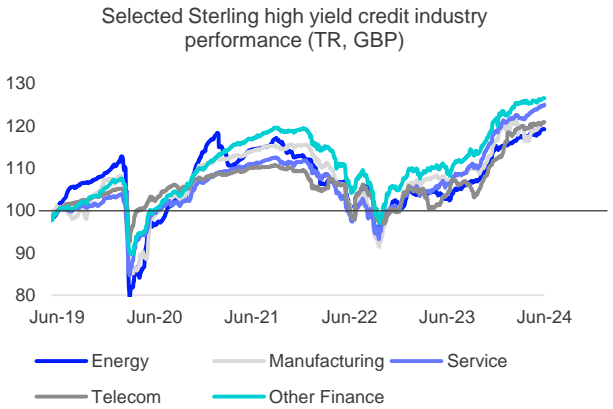


Chart 4: With a weight of 51% in June, service is the dominant sector in the sterling high yield universe, with interest rate-led sectors other finance and banks, making up another 22%.

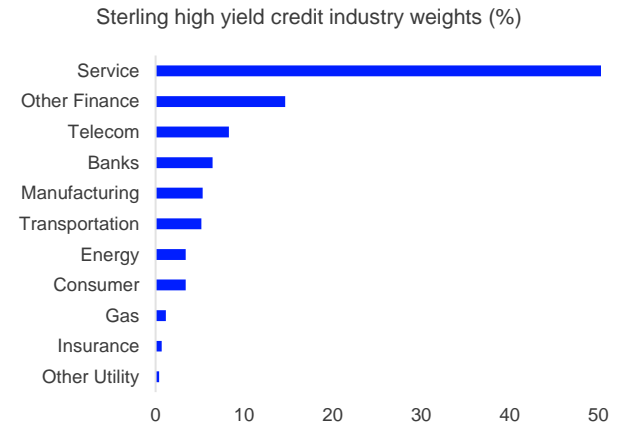


Chart 5: Manufacturing has led performance in the US HY universe, especially since 2022, followed by other finance, which make up 7% of the universe, but benefited from the higher rate environment.

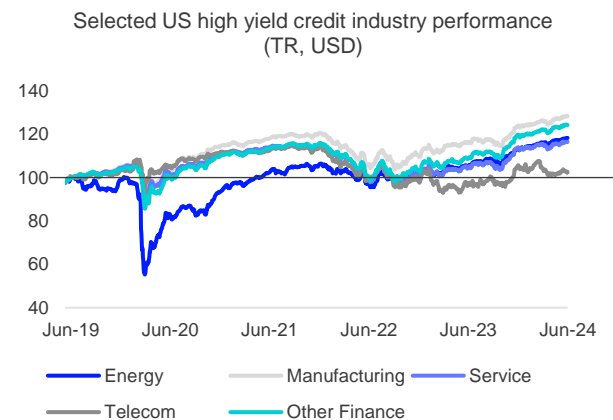
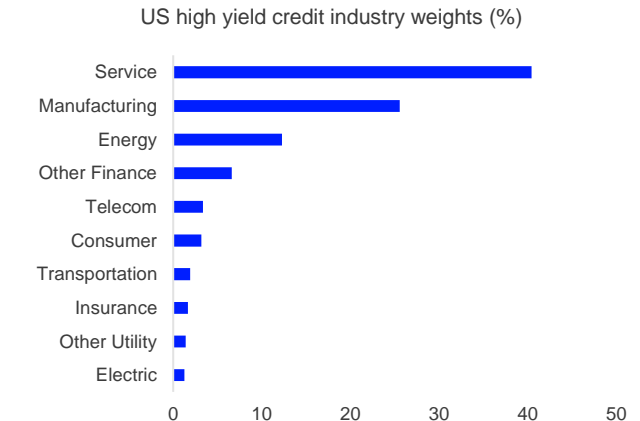


Chart 6: Service is also the dominant sector within the US high yield universe, with a weight of 40%. Manufacturing represents 25% of the total universe, followed by 12% in energy.



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SI Sovereign Bond Analysis

Chart 1: Duration has been the most significant differentiator of relative performance for SI Sovereigns since 2022, especially ESG EMGBIC due to a lower relative duration.

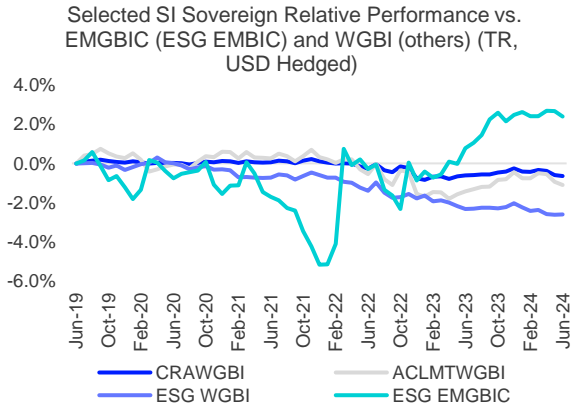


Chart 2: Within SI corporates, both Choice and Ex FFE have performed in line over the last two years due to their similar duration, despite differences in both credit quality and industry exposure.

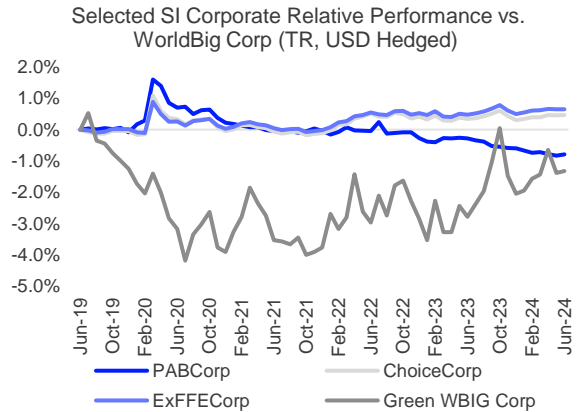


Chart 3: SI Sovereigns broadly underperformed in Q2, as yields for the indices rose by more than they did for their non-SI counterparts. Lower relative duration drove ESG EMGBIC outperformance over 1Y and 5Y.

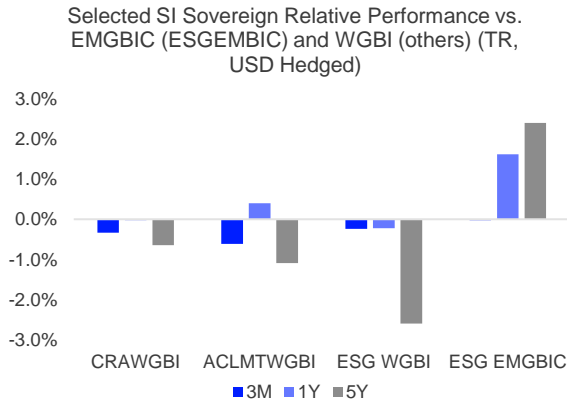


Chart 4: In contrast to sovereigns, SI corporates have largely outperformed in Q2, except for PAB (Paris aligned benchmark), which lost -0.1%. Green WBIG outperformed as it earned a 0.1% relative gain.

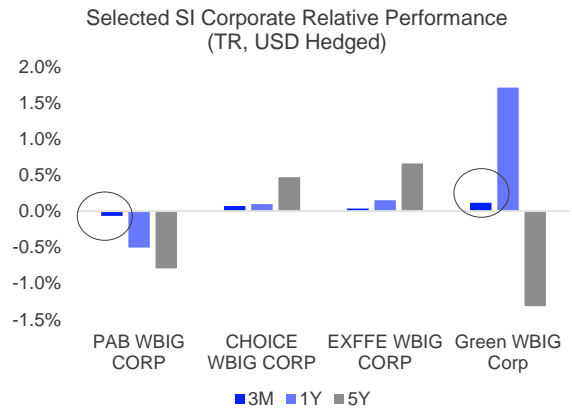


Chart 5: ESG EMGBIC has benefited recently from falling relative yields vs EMGBIC. This reflects an overweight in countries more advanced in their interest rate easing cycle vs those with high or increasing rates.

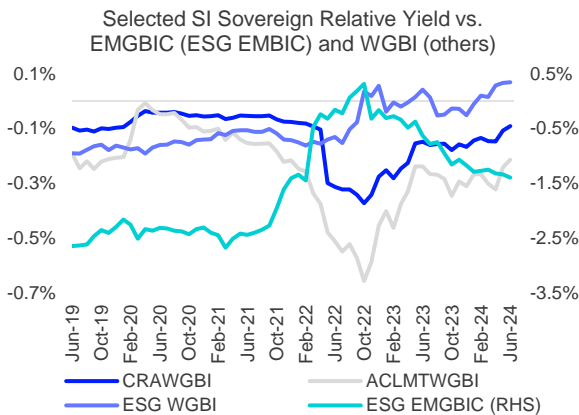
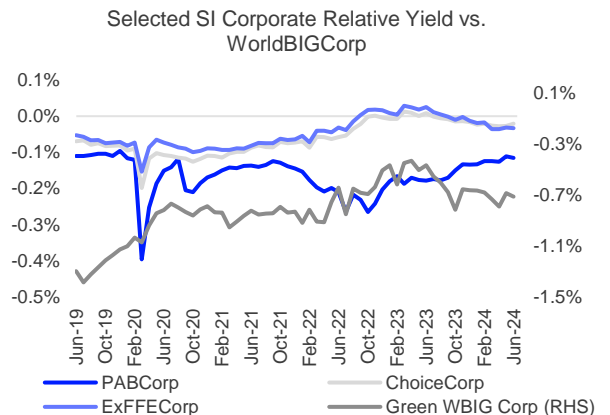


Chart 6: Most SI corporates have seen relative yields rise vs non-SI indices over 5 years, suggesting a longer term erosion in the SI premium. However, relative yields for Green WBIG, Ex FFE and Choice fell in the last 12M.



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

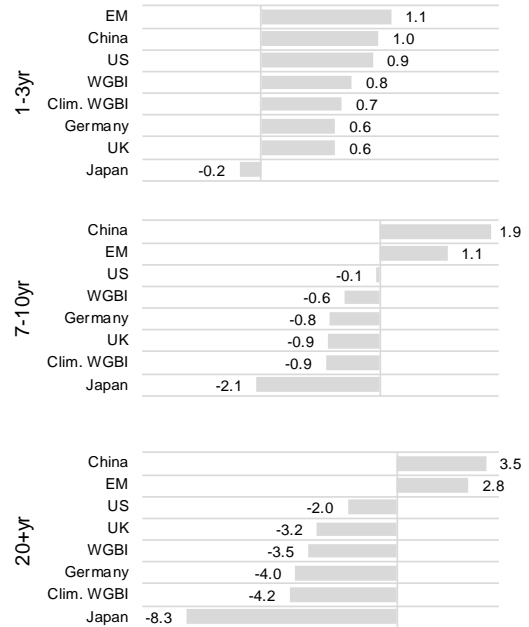
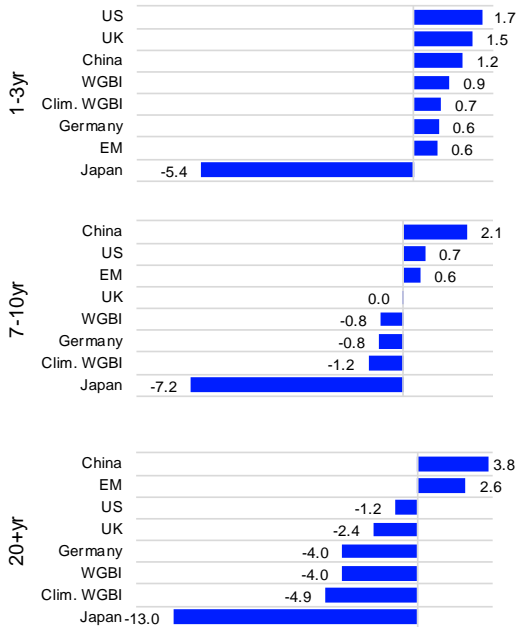
US and UK short gov bonds outperformed in Q2, helped by coupon effects,. Currency strength boosted gilts and US Treasury returns in Euro terms, but yen weakness reduced JGB returns, resulting in Q2 and YTD losses of up to 13% and 19%, respectively. China and EM bonds were safe havens, notably longs, with euro gains of 4% in Q2 and 10% YTD.

The April sell-off depressed Q2 government bond returns, despite a modest rally in May/June, as central banks began easing rates. Bund returns were negative in Q2, except shorts, where returns were modestly positive. Long JGBs lost 13% in Q2 alone, in euros, after the BoJ suspended formal yield curve control, and the curve steepened.

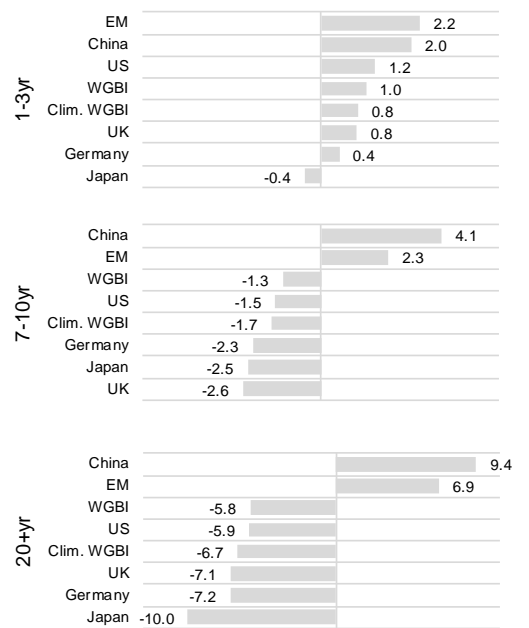
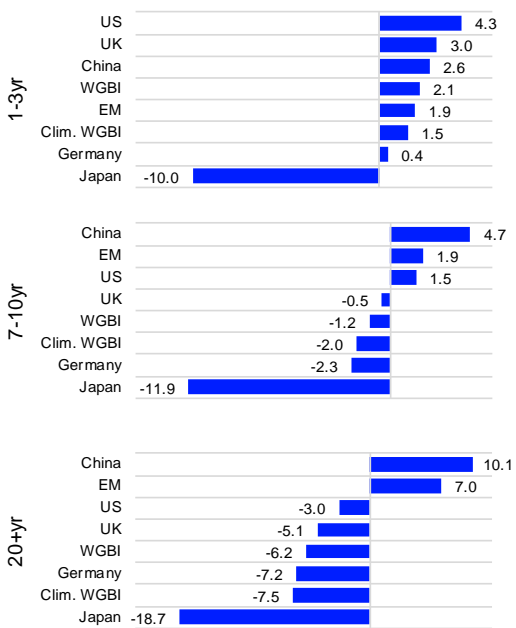
Duration counted against longs, apart from China and EM, though this may change as central banks begin easing. Long gilts, Bunds and WGBI have lost 5-7% since January.

CONVENTIONAL GOVT BONDS

3M EUR 3M LCY



YTD EUR YTD LCY



Source: FTSE Russell and LSEG. All data as of June 30, 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.

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

Q2 inflation-linked returns still show the impact of the brutal sell-off in April, notably in long duration bonds. JGB linkers show the impact of yen weakness, with losses of 5% in Q2 and 10% YTD in Euro terms. Credit outperformed again, as the risk rally continued, led by EM.

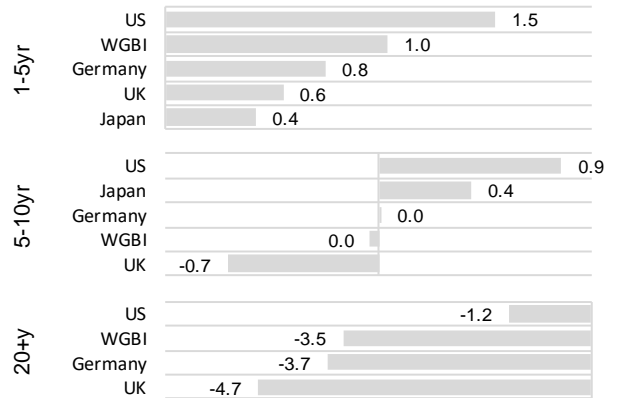
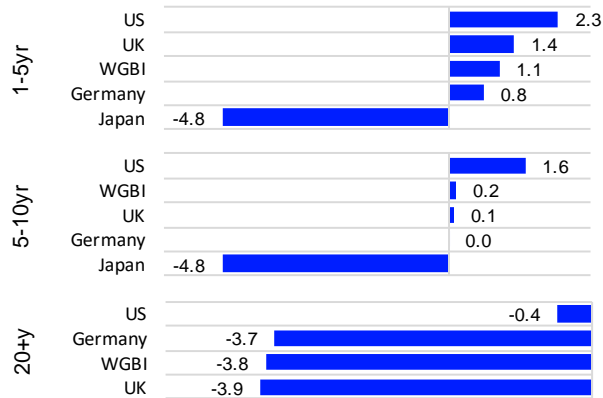
The start of central bank easing cycles helped inflation linked bonds rally a little in June, even if overall Q2 returns were still modest in euros and longs fell up to 4%, in WILSI, gilts and Bunds.

Credit comfortably outperformed as EM high yield led returns in both Q2 and YTD, with gains of 3-10%, helped by the risk rally and the shorter duration, relative to investment grade credit and inflation linked bonds. EM investment grade corporates have also gained 5% in euros since January. Euro high yield has returned 3% YTD, though less than EM and US HY returns.

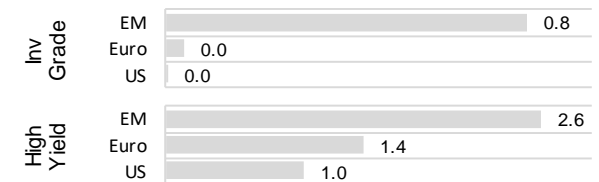
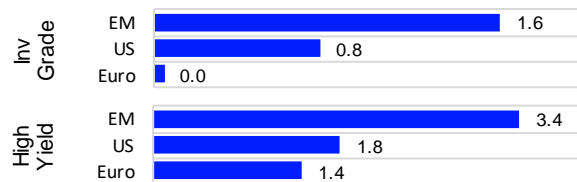
INFLATION LINKED BONDS

3M EUR

3M LCY



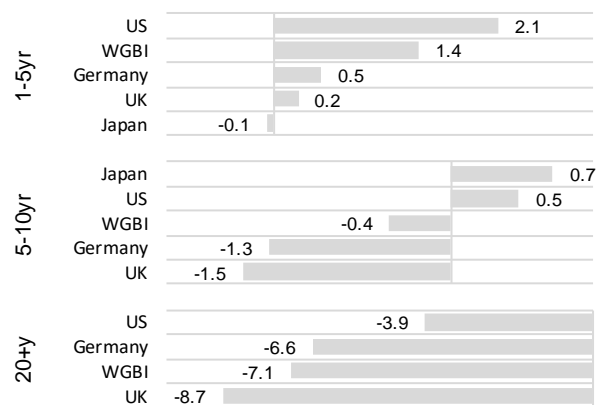
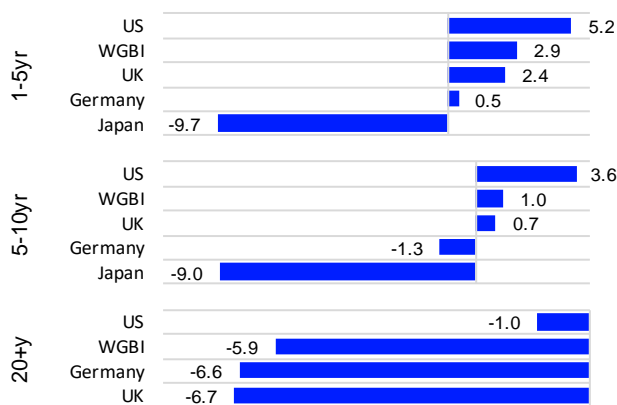
CORPORATE BONDS



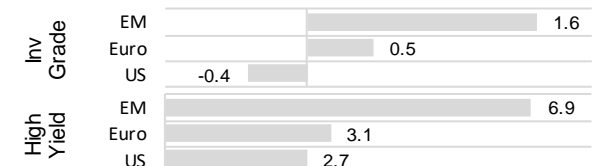
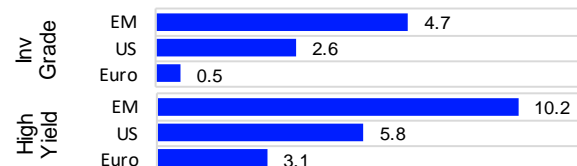
INFLATION LINKED BONDS

YTD EUR

YTD LCY



CORPORATE BONDS



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

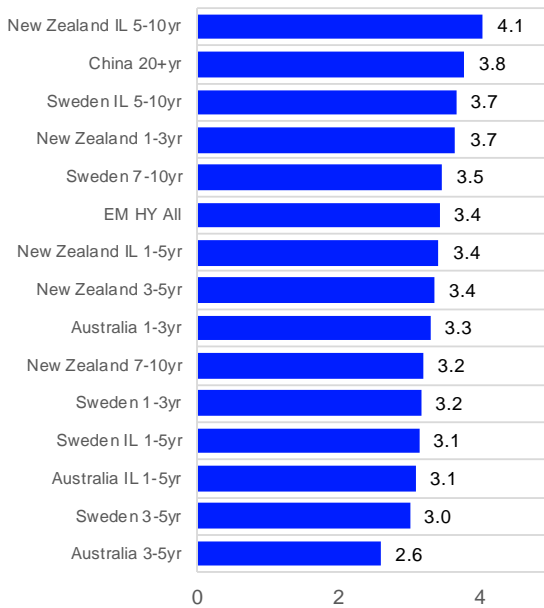
New Zealand and Swedish govt bonds dominate the Top 15 returns in euros in Q2, buoyed by currency gains and the Riksbank rate cut. Long China and EM HY also feature in the top performers, benefiting from lower inflation and policy easing. The worst performers were JGBs, which lost 13%, after further yen weakness, and long French govt bonds on increased political uncertainty. EM, US and Euro HY credit remained strong over 12M.

NZ and Swedish govt bonds gained 4% on 3M, as NZ's high relative yields drew buyers, and the Swedish krone benefited from political uncertainty in the Eurozone, where French bonds were hit by the outcome of EU elections, and President Macron's snap decision to call national French elections.

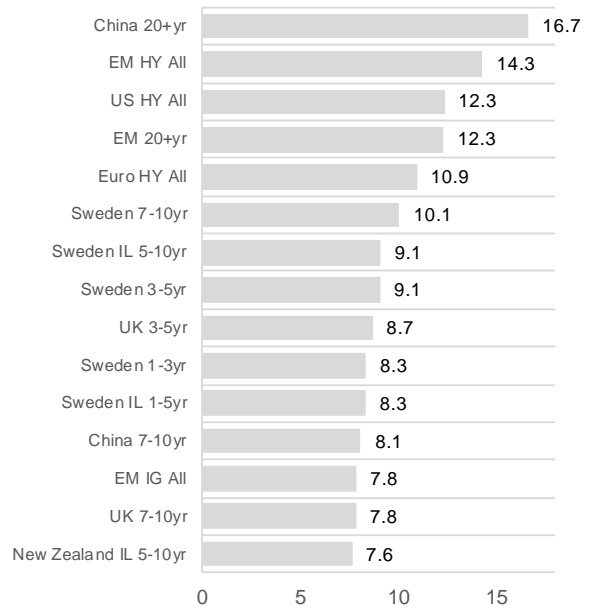
12M returns also show strong performance by Swedish bonds, though China and high yield credit led returns, gaining 11-17%, in euros, as the global risk rally helped HY credit generally, and long Chinese bonds benefited from substantial monetary easing by the PBoC. Long JGBs lost 24% on 12M, with yen losses and the end of curve control driving losses

3M EUR 12M EUR

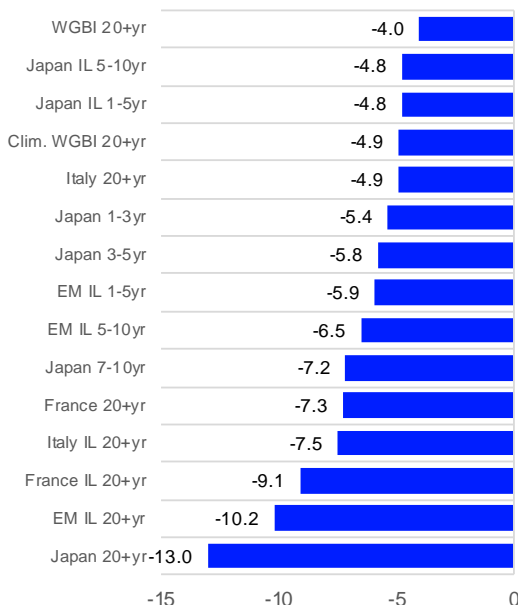
Top 15



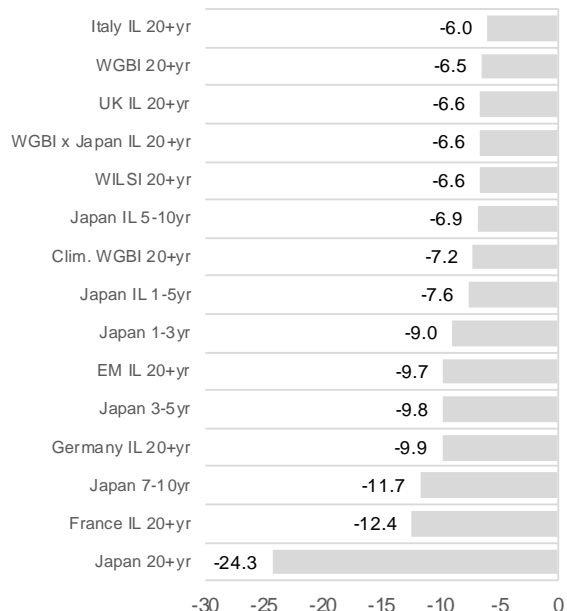
Top 15



Bottom 15



Bottom 15



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Appendix – Global Bond Market Returns % (EUR & LC, TR) – June 28, 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	0.94	1.72	1.22	4.33	1.22	4.33	4.53	6.41
	7-10yr	-0.06	0.71	-1.53	1.50	-1.53	1.50	0.32	2.13
	20+yr	-1.95	-1.20	-5.88	-2.99	-5.88	-2.99	-7.15	-5.48
	IG All	0.01	0.78	-0.43	2.63	-0.43	2.63	4.79	6.68
	HY All	0.98	1.76	2.66	5.81	2.66	5.81	10.36	12.34
UK	1-3yr	0.62	1.47	0.81	3.03	0.81	3.03	5.86	7.15
	7-10yr	-0.87	-0.04	-2.62	-0.48	-2.62	-0.48	6.53	7.83
	20+yr	-3.16	-2.35	-7.13	-5.08	-7.13	-5.08	-0.06	1.16
Euro	IG All	0.04	0.04	0.46	0.46	0.46	0.46	6.39	6.39
	HY All	1.39	1.39	3.10	3.10	3.10	3.10	10.93	10.93
Japan	1-3yr	-0.19	-5.37	-0.36	-9.99	-0.36	-9.99	-0.48	-8.98
	7-10yr	-2.08	-7.16	-2.46	-11.89	-2.46	-11.89	-3.51	-11.75
	20+yr	-8.29	-13.05	-9.99	-18.70	-9.99	-18.70	-17.26	-24.32
China	1-3yr	0.99	1.23	2.03	2.64	2.03	2.64	3.12	4.94
	7-10yr	1.89	2.13	4.07	4.70	4.07	4.70	6.21	8.09
	20+yr	3.55	3.79	9.42	10.08	9.42	10.08	14.66	16.69
EM	1-3yr	1.10	0.58	2.22	1.88	2.22	1.88	4.06	4.43
	7-10yr	1.14	0.55	2.28	1.90	2.28	1.90	4.90	4.69
	20+yr	2.81	2.59	6.87	6.99	6.87	6.99	11.16	12.31
	IG All	0.85	1.62	1.61	4.73	1.61	4.73	5.95	7.85
	HY All	2.64	3.43	6.88	10.16	6.88	10.16	12.28	14.30
Germany	1-3yr	0.62	0.62	0.41	0.41	0.41	0.41	3.00	3.00
	7-10yr	-0.84	-0.84	-2.30	-2.30	-2.30	-2.30	2.14	2.14
	20+yr	-4.00	-4.00	-7.16	-7.16	-7.16	-7.16	-3.60	-3.60
Italy	1-3yr	0.46	0.46	0.59	0.59	0.59	0.59	3.95	3.95
	7-10yr	-1.70	-1.70	-0.70	-0.70	-0.70	-0.70	4.67	4.67
	20+yr	-4.92	-4.92	-2.07	-2.07	-2.07	-2.07	1.70	1.70
Spain	1-3yr	0.51	0.51	0.62	0.62	0.62	0.62	3.48	3.48
	7-10yr	-0.86	-0.86	-1.08	-1.08	-1.08	-1.08	4.37	4.37
	20+yr	-3.27	-3.27	-3.17	-3.17	-3.17	-3.17	2.62	2.62
France	1-3yr	0.26	0.26	-0.05	-0.05	-0.05	-0.05	2.91	2.91
	7-10yr	-2.49	-2.49	-3.84	-3.84	-3.84	-3.84	0.99	0.99
	20+yr	-7.29	-7.29	-10.00	-10.00	-10.00	-10.00	-4.86	-4.86
Sweden	1-3yr	1.40	3.17	1.39	-0.55	1.39	-0.55	4.34	8.33
	7-10yr	1.70	3.47	-0.31	-2.22	-0.31	-2.22	6.01	10.07
Australia	1-3yr	0.14	3.30	1.02	1.91	1.02	1.91	3.97	6.18
	7-10yr	-1.44	1.68	-0.49	0.39	-0.49	0.39	2.59	4.78
	20+yr	-4.04	-1.01	-3.98	-3.14	-3.98	-3.14	-1.42	0.68
New Zealand	1-3yr	0.98	3.66	1.85	1.04	1.85	1.04	5.16	6.47
	7-10yr	0.53	3.20	0.02	-0.79	0.02	-0.79	4.73	6.03
	20+yr	-0.19	2.46	-4.01	-4.78	-4.01	-4.78	1.28	2.54
Canada	1-3yr	1.21	0.87	1.59	0.91	1.59	0.91	4.83	3.20
	7-10yr	0.60	0.25	-1.36	-2.03	-1.36	-2.03	1.91	0.32
	20+yr	-0.04	-0.38	-5.76	-6.40	-5.76	-6.40	-2.61	-4.12

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Appendix – Global Bond Market Returns % (EUR & LC, TR) – June 28, 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	1.55	2.33	2.11	5.25	2.11	5.25	5.28	7.17
	5-10yr	0.86	1.63	0.48	3.57	0.48	3.57	2.62	4.46
	20+yr	-1.17	-0.41	-3.95	-1.00	-3.95	-1.00	-7.53	-5.87
UK	1-5yr	0.55	1.40	0.23	2.44	0.23	2.44	6.18	7.47
	5-10yr	-0.71	0.12	-1.46	0.71	-1.46	0.71	4.94	6.22
	20+yr	-4.69	-3.90	-8.68	-6.67	-8.68	-6.67	-7.74	-6.62
Japan	1-5yr	0.43	-4.79	-0.06	-9.72	-0.06	-9.72	1.01	-7.61
	5-10yr	0.43	-4.78	0.72	-9.02	0.72	-9.02	1.83	-6.86
EM	1-5yr	1.05	-5.93	3.61	-4.17	3.61	-4.17	9.80	-1.61
	5-10yr	-1.13	-6.52	-0.53	-6.53	-0.53	-6.53	4.55	-4.06
	20+yr	-2.98	-10.22	-6.14	-12.88	-6.14	-12.88	-1.33	-9.74
Germany	1-5yr	0.75	0.75	0.46	0.46	0.46	0.46	2.17	2.17
	5-10yr	0.01	0.01	-1.28	-1.28	-1.28	-1.28	0.10	0.10
	20+yr	-3.72	-3.72	-6.58	-6.58	-6.58	-6.58	-9.87	-9.87
Italy	1-5yr	0.13	0.13	0.32	0.32	0.32	0.32	4.05	4.05
	5-10yr	-1.40	-1.40	-0.08	-0.08	-0.08	-0.08	2.98	2.98
	20+yr	-7.50	-7.50	-3.30	-3.30	-3.30	-3.30	-6.01	-6.01
Spain	1-5yr	0.38	0.38	0.08	0.08	0.08	0.08	2.52	2.52
	5-10yr	-0.28	-0.28	-0.05	-0.05	-0.05	-0.05	2.80	2.80
France	1-5yr	-0.49	-0.49	-1.07	-1.07	-1.07	-1.07	0.92	0.92
	5-10yr	-1.84	-1.84	-3.02	-3.02	-3.02	-3.02	-0.85	-0.85
	20+yr	-9.12	-9.12	-11.85	-11.85	-11.85	-11.85	-12.43	-12.43
Sweden	1-5yr	1.38	3.14	1.11	-0.83	1.11	-0.83	4.33	8.32
	5-10yr	1.90	3.67	0.34	-1.58	0.34	-1.58	5.06	9.08
Australia	1-5yr	-0.06	3.10	0.56	1.44	0.56	1.44	4.38	6.61
	5-10yr	-1.45	1.66	-0.89	-0.02	-0.89	-0.02	4.04	6.26
	20+yr	-6.44	-3.49	-8.62	-7.81	-8.62	-7.81	-0.19	1.94
New Zealand	5-10yr	1.36	4.05	2.34	1.51	2.34	1.51	6.30	7.63
Canada	20+yr	0.28	-0.06	-1.53	-2.20	-1.53	-2.20	-0.96	-2.50

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Appendix – Historical Bond Yields % as of June 28, 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	4.82	4.43	4.37	4.62	2.34	2.04	2.28	5.51	8.09
	3M Ago	4.73	4.32	4.21	4.43	2.08	1.86	2.12	5.35	7.83
	6M Ago	4.37	3.92	3.87	4.14	2.20	1.72	1.96	5.11	7.79
	12M Ago	5.01	4.31	3.85	3.95	2.45	1.72	1.68	5.53	8.61
UK	Current	4.48	4.10	4.10	4.59	0.46	0.52	1.33		
	3M Ago	4.31	3.88	3.85	4.35	0.08	0.14	1.07		
	6M Ago	3.94	3.45	3.46	4.07	-0.02	-0.02	0.91		
	12M Ago	5.36	5.04	4.38	4.35	1.78	0.72	0.90		
Japan	Current	0.27	0.48	0.91	2.10	-1.32	-0.79			
	3M Ago	0.12	0.27	0.60	1.70	-1.43	-0.84			
	6M Ago	0.00	0.13	0.50	1.60	-1.67	-0.81			
	12M Ago	-0.10	-0.01	0.29	1.21	-1.64	-0.87			
China	Current	1.64	1.86	2.21	2.46					
	3M Ago	1.90	2.13	2.38	2.62					
	6M Ago	2.18	2.33	2.58	2.90					
	12M Ago	2.09	2.33	2.66	3.08					
EM	Current	3.22	3.66	4.34	3.80	5.77	5.36	5.75	5.69	8.48
	3M Ago	3.30	3.91	4.60	3.90	4.92	4.70	5.38	5.68	8.89
	6M Ago	3.44	3.95	4.70	4.34	4.27	4.23	4.82	5.58	9.90
	12M Ago	3.67	4.04	4.79	4.42	4.15	4.07	4.86	5.94	12.00
Germany	Current	2.87	2.49	2.42	2.66	1.54	0.54	0.53		
	3M Ago	2.89	2.38	2.23	2.43	0.78	0.24	0.26		
	6M Ago	2.48	1.97	1.96	2.25	0.92	0.16	0.16		
	12M Ago	3.17	2.66	2.37	2.36	0.96	0.19	-0.06		
Italy	Current	3.43	3.42	3.85	4.43	1.76	1.91	2.09		
	3M Ago	3.27	3.12	3.44	4.05	1.00	1.39	1.70		
	6M Ago	2.99	2.88	3.45	4.17	1.23	1.62	1.88		
	12M Ago	3.79	3.71	3.87	4.25	1.74	1.78	1.70		
France	Current	3.12	3.02	3.16	3.62	1.18	1.03	1.21		
	3M Ago	2.98	2.65	2.70	3.18	0.57	0.42	0.73		
	6M Ago	2.49	2.23	2.43	3.00	0.56	0.32	0.64		
	12M Ago	3.21	2.94	2.85	3.19	0.88	0.47	0.55		
Sweden	Current	2.42	2.23	2.19		1.41	0.74			
	3M Ago	2.93	2.40	2.33		1.55	0.88			
	6M Ago	2.59	2.04	2.01		1.12	0.59			
	12M Ago	3.43	2.94	2.61		1.18	0.91			
Australia	Current	4.16	4.08	4.27	4.67	1.71	1.79	2.14		
	3M Ago	3.75	3.61	3.92	4.36	1.11	1.37	1.78		
	6M Ago	3.71	3.63	3.90	4.30	0.85	1.27	1.61		
	12M Ago	4.17	3.99	4.02	4.36	1.04	1.47	1.85		
New Zealand	Current	4.78	4.56	4.65	5.00	2.51	2.33			
	3M Ago	4.91	4.41	4.53	4.91	1.87	2.29			
	6M Ago	4.71	4.24	4.31	4.60	1.45	2.12			
	12M Ago	5.08	4.67	4.61	4.77	1.53	2.15			
Canada	Current	4.07	3.56	3.51	3.42	1.70	1.72	1.68		
	3M Ago	4.28	3.64	3.48	3.37	1.66	1.65	1.61		
	6M Ago	3.94	3.26	3.10	3.04	1.31	1.35	1.51		
	12M Ago	4.60	3.84	3.35	3.12	1.90	1.57	1.43		

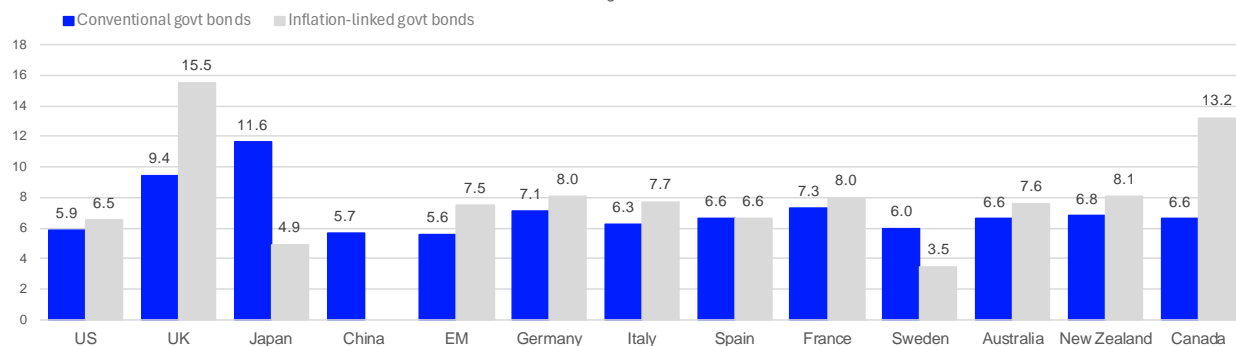
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Appendix – Duration and Market Value (USD, Bn) as of June 28, 2024

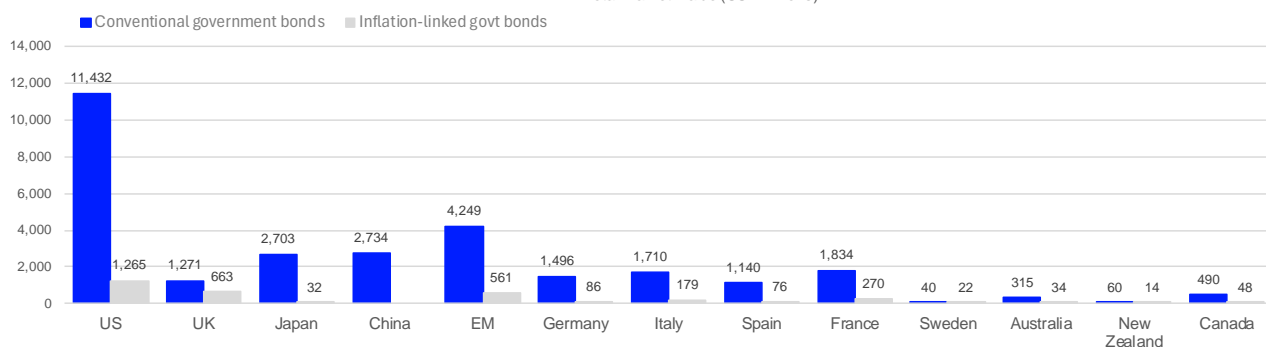
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.6	5.9	2,728.4	1,119.6	1,331.8	11,432.3	7.1	21.4	6.5	411.1	110.9	1,265.3
UK	3.7	7.3	18.2	9.4	169.1	213.5	320.7	1,271.0	7.8	27.4	15.5	118.8	224.0	663.4
Japan	3.9	8.1	23.2	11.6	329.2	354.5	552.7	2,703.3	7.9		4.9	11.6		31.9
China	3.7	7.7	18.0	5.7	649.9	413.5	313.0	2,733.7						
EM	3.6	7.1	16.4	5.6	936.8	702.4	406.4	4,248.7	6.0	13.2	7.5	90.0	147.8	561.3
Germany	3.6	7.6	20.1	7.1	345.3	209.0	188.3	1,496.3	6.5	20.9	8.0	43.3	17.7	86.3
Italy	3.5	7.2	16.1	6.3	298.4	236.9	153.7	1,710.5	7.4	25.5	7.7	53.6	5.3	179.4
Spain	3.6	7.4	17.3	6.6	225.6	207.9	110.2	1,140.4	7.4		6.6	47.9		75.5
France	3.9	7.6	19.3	7.3	415.8	313.3	234.4	1,833.6	6.1	23.7	8.0	87.1	20.0	270.4
Sweden	3.7	7.9		6.0	6.7	9.8		40.0	6.5		3.5	5.7		22.2
Australia	3.8	7.4	16.7	6.6	47.2	106.6	20.2	314.6	6.5	21.7	7.6	10.4	2.7	34.2
New Zealand	4.1	7.4	16.0	6.8	10.9	16.5	5.3	60.1	5.6		8.1	3.3		14.3
Canada	3.6	7.2	19.5	6.6	68.0	111.6	68.5	490.4	6.4	20.4	13.2	8.0	19.9	48.4

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.2	8.3	7.1	6.5	6.9	75.5	443.9	2756.5	3467.0	6742.9	3.8	1061.2
Europe	6.2	4.9	4.6	4.2	4.4	14.9	212.2	1194.6	1540.5	2962.2		
EM		6.8	5.1	5.5	5.4		36.7	215.5	256.3	508.6	3.5	184.8

Average Duration



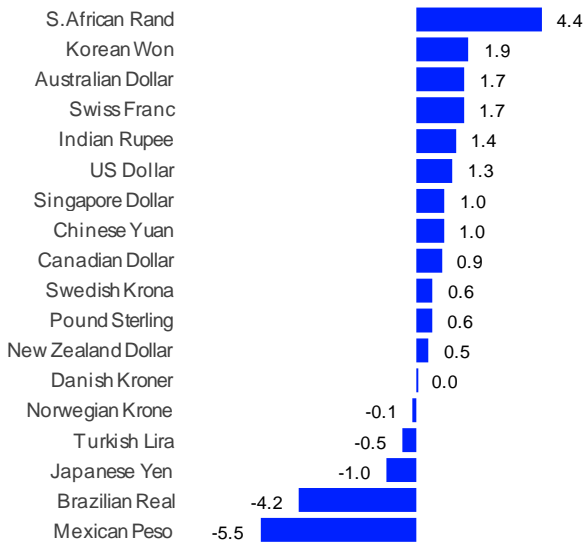
Total Market Value (USD Billions)



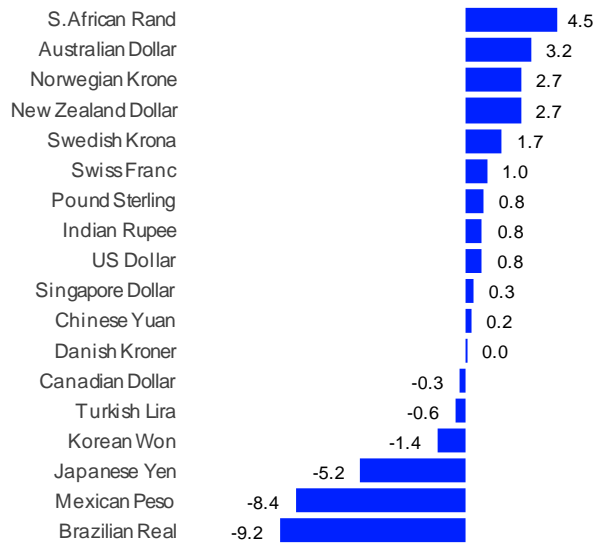
Source: FTSE Russell and LSEG. All data as of June 30, 2024. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix – Foreign Exchange Returns % as of June 28, 2024

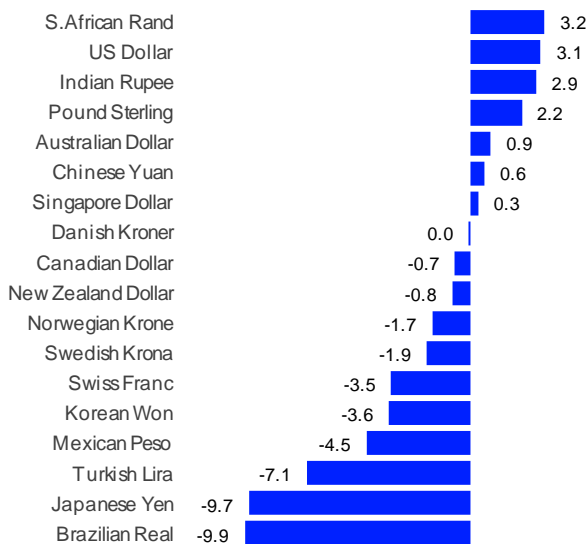
FX Moves vs EUR - 1M



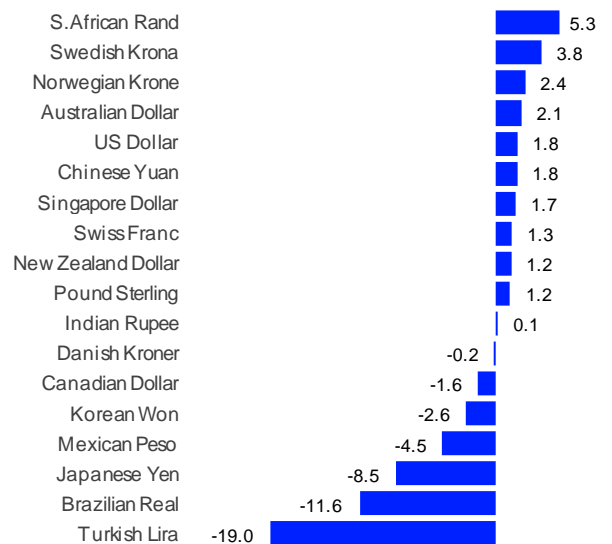
FX Moves vs EUR - 3M



FX Moves vs EUR - YTD



FX Moves vs EUR - 12M



Source: FTSE Russell and LSEG. All data as of June 30, 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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