

Fixed Income Insights

QUARTERLY REPORT | JULY 2026

NORTH AMERICA
US & CANADA EDITION

Possible regime change but valuation still matters

Government bond yields fell modestly in Q2, as oil prices fell, but rate hikes from the ECB & BoJ, and Fed caution on rates, limited gains. Inflation near target and policy rates near neutral reduce pressure on the BoC to move rates. The US capex boom and higher real yields suggest a regime shift away from the savings glut and weak productivity of the 2010s, at least in the US. However, UST yields are at, or near, valuation extremes. Our empirical work suggests starting yields are strongly correlated with future returns.

Macro & policy backdrop – Fed caution on rates, as Capex boom drives growth

Sticky inflation, above target levels, limits the Fed's policy options, as Capex boom continues. Little pressure on the BoC to change policy with inflation near target and rates near r^* .

Spotlight on AI and real yields – Possible regime change underway?

AI + end of zero rates may boost US productivity: some evidence of correlation with real yields

FX – Yen weakened to 1986 levels versus USD driven by broad-base dollar strength

Commodity-based currencies fell back with oil prices in Q2. JPY fell to 40yr lows vs USD.

US Treasuries and credit – Real yields near multi-year highs. Credit spreads stable

Treasuries rallied only modestly on weaker oil prices, suggesting other factors, like the Capex boom are driving higher yields. Credit spreads stable near lows, despite issuance surge.

Canadian govts, provs and munis – More evidence of de-coupling of yields from US

Long real yields diverged from US Tips. Provi spreads more volatile, led by BC, and Alberta.

Canadian IG & HY credit – Correlation with US IG credit declines

1st differencing spreads shows low correlation with US, as local factors and sectors dominate.

Performance – Gilts led in govt bonds in Q2; linkers lagged as credit outperformed

Weaker oil prices drove modest gains in govt bonds in Q2, led by gilts, though YTD returns remain negative after the energy shock, and central bank caution on rates.

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Chart 1: Increases in real yields remain an ongoing feature in the US and UK, with nominal yields remaining more stable, or falling modestly, helped by the unwind of the surge in energy prices in June.

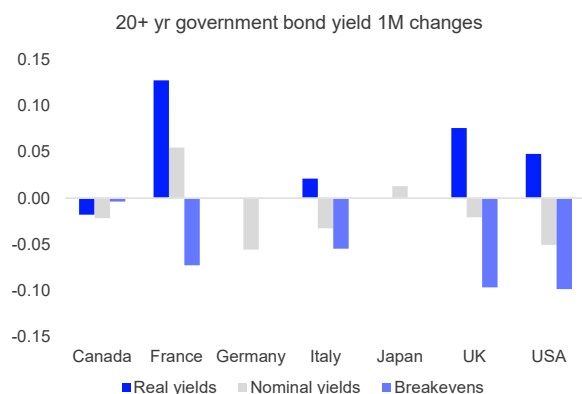
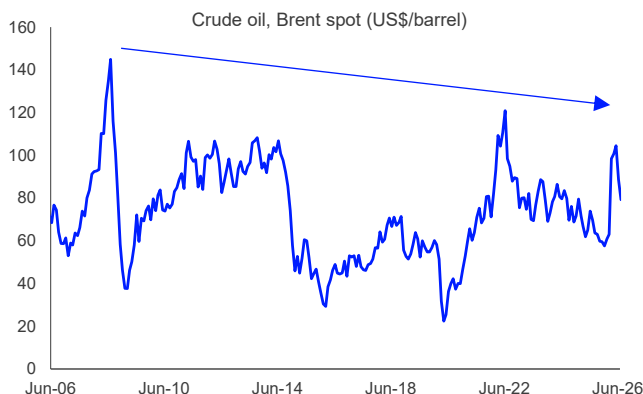


Chart 2: Structural changes in the oil market mean supply elasticity is much higher, particularly after geo-political shocks, with production widely spread geographically. So there are some risks of a 2026-27 glut.



Source: FTSE Russell and Datastream. Other data as of June 30, 2026, except where shown. 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 – Productivity key to Fed policy options

There have been some ambiguous signals from the US labour market in 2026, but the unemployment rate has fallen to 4.2%, from 4.5%, and average earnings growth stabilised around 3.5% y/y (Chart 1). Assuming productivity growth of 1.5% gives unit labour cost growth of 2%, in line with the 2% PCE target. Higher productivity growth from AI would increase the Fed's policy options by lowering unit labour costs; a Goldilocks type scenario.

Nonetheless, the June FOMC (Chairman Warsh's first as Chair) struck a hawkish note, helping short run inflation breakevens fall further, alongside weaker oil prices. The Fed has launched a review into balance sheet size, but it seems likely the Fed funds rate will remain the key policy instrument, even if the balance sheet is available for emergencies (Charts 2 & 3). Both the ECB and BoJ raised rates in June, but from low levels. The ECB made clear it was driven by the energy shock, and rapid pass-through to final consumer prices, while the BoJ stressed the move to 1% was part of policy normalisation (Chart 4). Supply-chain effects of the energy shock are showing early signs of unwinding, and this shock is more localised than Covid/Ukraine in 2021-22 (Chart 5).

Chart 1: Return of Goldilocks? US wage inflation has slowly declined to 3.5% y/y, as unemployment increased. Comments from Fed officials suggest this is seen as broadly consistent with a 2% PCE target.

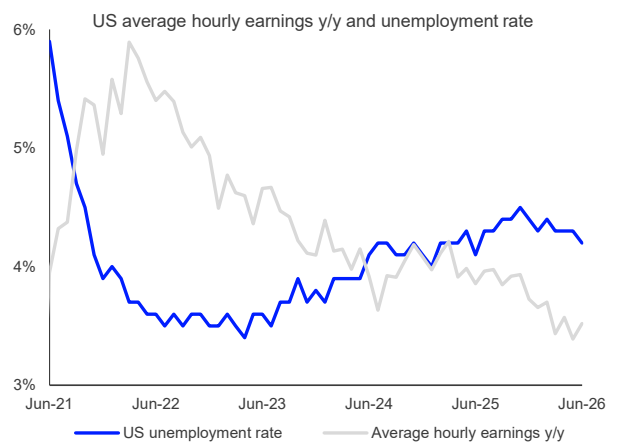


Chart 2: The Fed's balance sheet stabilised just under \$7tr while its review into the required size and structure is conducted, but the Fed funds rate is key for monetary policy. The BoE has slowed gilt sales to £70bn per annum.

Chart 3: US inflation breakevens stabilised quickly after the energy shock in Q1, as increased oil supply elasticity, and demand switching to alternative energy, helped drive crude oil prices lower.

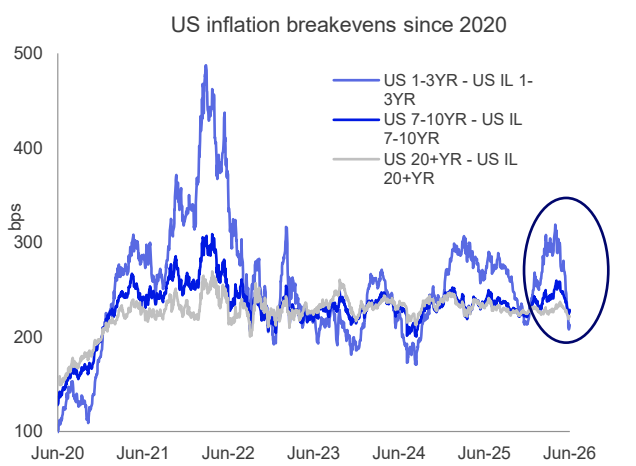
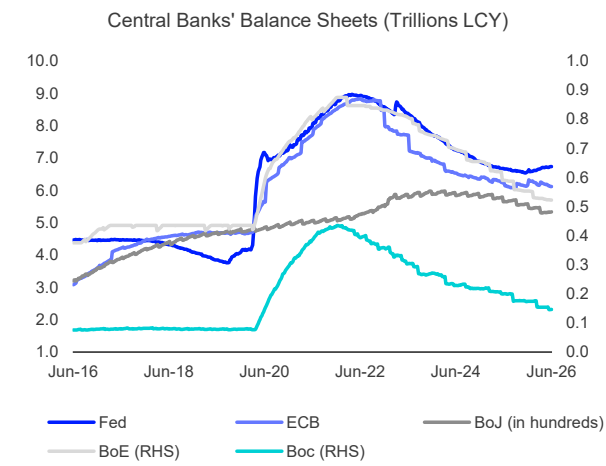
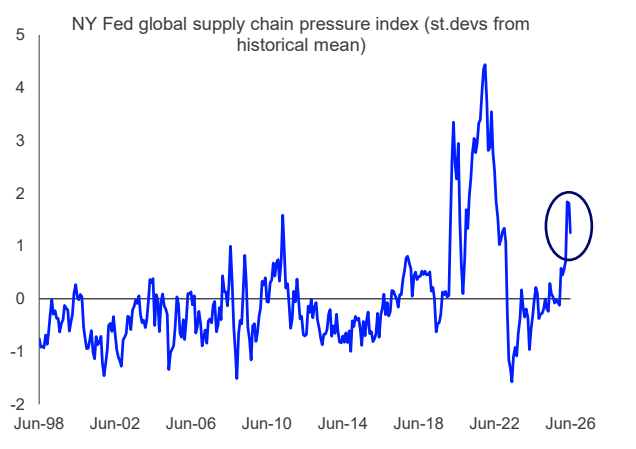
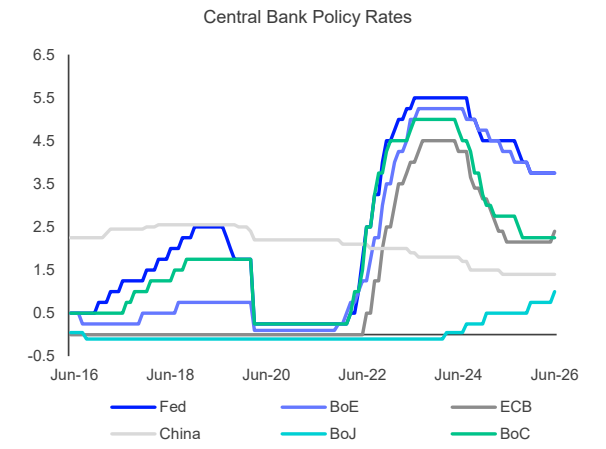


Chart 4: The Fed struck a hawkish tone at the June FOMC, the first FOMC chaired by new Chairman Warsh. The ECB raised rates on oil shock concerns and inflation pass-through, and the BoJ as part of policy normalisation.

Chart 5: Global supply chain pressure indices briefly spiked in March as the US/Iran war quickly put pressure on Gulf oil supplies. But this is already unwinding. Supply chains have not been disrupted like 2022.



Canadian macroeconomic and policy conditions – benign inflation outlook intact

The Q1/Q2 oil shock has had little overall impact on Canadian financial conditions, which remain on the easier side of neutral, not least because of Canada’s net energy exporter status. Core inflation measures were rolling lower before the spike in energy prices, and the ex-food and energy CPI is now increasing at only 1.6% y/y, compared with headline inflation at 3.2% y/y. This confirms the benign inflation setting in 2026, compared with the broader based Canadian inflation pressures witnessed in 2022, when core measures reached 5% y/y, as Charts 1-3 show, as a result, there is little pressure on the BoC to tighten policy.

With the Canadian policy rate at 2.25%, it is at the looser end of the BoC’s estimates of the neutral nominal policy rate. These range from 2.25% to 3.25% for 2026 and are broadly unchanged from 2025. Faster productivity growth from AI might put upward pressure on these estimates, if raising the demand for capital, but this is being offset by slower population growth (Chart 4). Canada has also benefitted from increased foreign purchases of govt debt in 2025-26, and holdings are now above 40%, suggesting Canada may have acquired some safe-haven appeal (Chart 5).

Chart 1: FTSE Russell financial conditions indicators show little evidence of an oil shock, and quickly unwound initial tightening in Mar. Canadian FCs are close to the easiest levels since 2021 post-Covid levels.

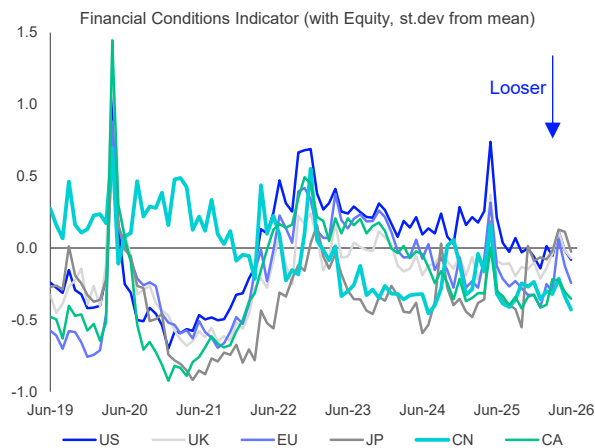


Chart 3: Canadian inflation measures were rolling lower before the energy shock pushed headline inflation up from 1.8% y/y to the current 3.2% y/y. But core measures remain subdued, at 2% y/y or below.

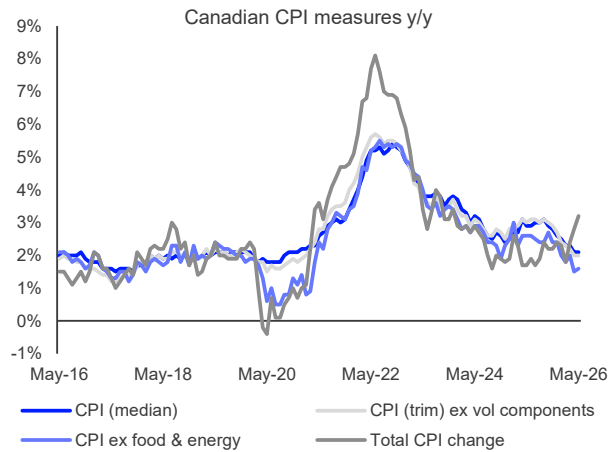


Chart 5: Canadian yields fell modestly since the peaks in 2023, in contrast to other G7 yields, which tested or exceeded 2023 highs (US, UK and Japan). Foreign holdings of govt debt have also risen above 40%.

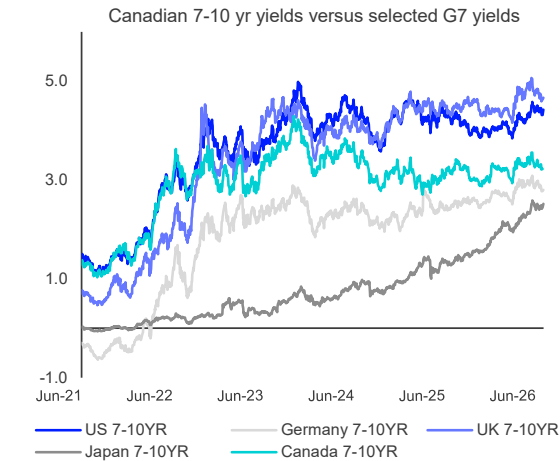


Chart 2: Headline inflation rates show the impact of the oil shock, led by the US, at 4.2% y/y in May. Canadian core inflation remains near 2%, with service inflation easing. Only tech and energy show any upward pressure.

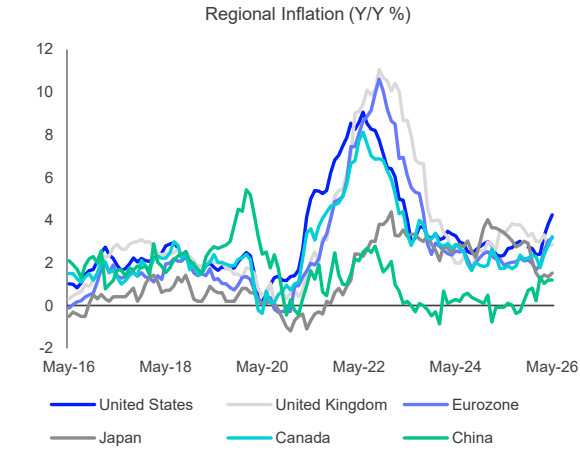


Chart 4: The Bank of Canada’s estimates of the neutral nominal rate for Canada are broadly unchanged for 2026, although the term structure based estimate is marginally higher, reflecting a modest increase in term premia.

BoC estimates * of nominal neutral rate Annual rates %	2025 estimates	2026 estimates
Trend cycle model	2.5-3.5	2.5 - 3.5
Term structure model	2.75 – 3.25	2.75 - 3.5
Neoclassical growth model	2.5 – 3.0	2.5 - 3.0
Overlapping generations model	2.25-3.25	2.25 – 3.25
Overall assessment	2.25 – 3.25	2.25 – 3.25

* Estimates are rounded to nearest 25 bp.

Source: FTSE Russell, LSEG, Bank of Canada. All data as of June 30, 2026, except where shown. 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.

FTSE Russell | Fixed Income Insight Report - July 2026

Spotlight on AI and real yields – A regime change ?

The US AI boom, surge in debt issuance and easing in fiscal policy have driven a surge in the demand for capital, despite real yield levels. The shift away from a global savings surplus and disinflation pressures of the post-GFC era have boosted model-based estimates of the Fed's neutral real rate (Charts 1 & 2).

In [AI and govt bond yields – onwards and upwards? \(2024\)](#), we pointed out a long period of very weak productivity growth, from 2007 – 2020, and low yields were correlated, as zero rates “zombified” economies, and may have pushed the cost of capital below the marginal product of capital, distorting the allocation of capital, and allowing unprofitable companies to survive. So AI plus the end of zero rates could boost productivity, and there is some evidence of correlation with real yields. But real yields have also risen in other economies, with no capex boom, notably long real yields (Charts 3 & 4). Why?

Inflation uncertainty and the real term premia have risen in these economies, given recent inflation shocks, and the prospect of more debt issuance (i.e., Japan, UK, Germany). In 2022-23 the real term premium rose sharply during an inflation shock, due to the extra duration risk linkers carry, and again in 2026 (Chart 5).

Chart 1: Demand for capital has surged in the US, partly driven by the AI boom and data centre demand, and higher govt borrowing. A higher cost of capital as real yields increased has not yet reduced demand.

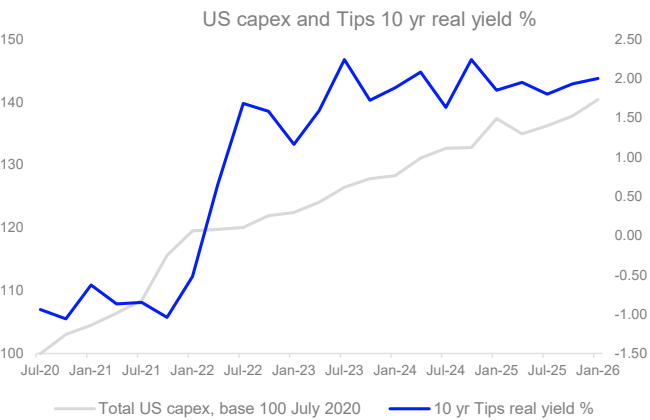


Chart 3: There is some evidence of correlation between US real yields and productivity growth since 2004, though the GFC and Covid shocks caused high volatility in productivity, as employment oscillated widely.

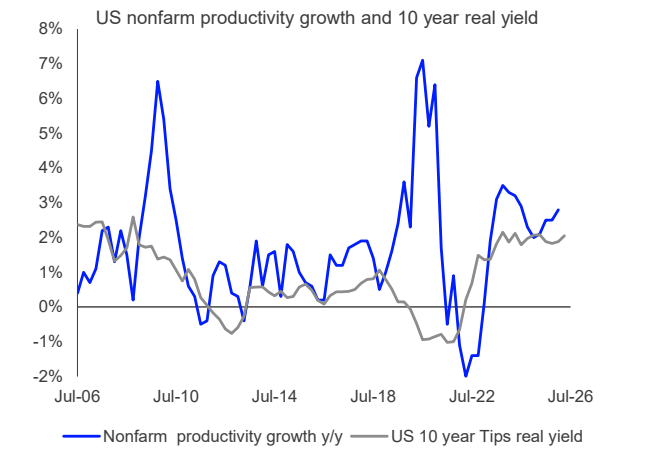
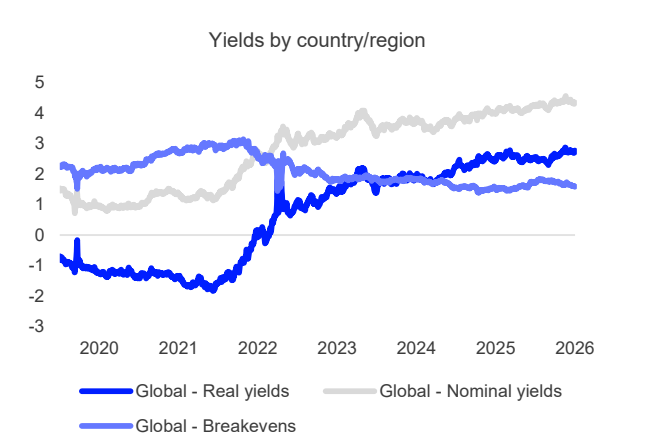


Chart 5: Inflation breakevens do not mechanically indicate lower inflation expectations, since they fall if real yields rise more than nominal yields, as well as when inflation expectations fall (as in 2022-23 & now in 2026).



Source: FTSE Russell and LSEG, US Federal Reserve. All datas as of June 30, 2026. 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 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.

FX – A stronger USD extends JPY weakness despite reduced rate differentials

The dollar strengthened further in Q2 given a more hawkish Fed tone. A stronger USD has driven most G7 currencies weaker (Chart 1). Commodity-based currencies, such as NOK and CAD, fell alongside the decline in oil prices.

Chart 4 shows the yen continued to lag most major currencies in Q2, with JPY falling 2.7% vs GBP. In fact, the yen has extended its softness since 2025, and fallen to its weakest levels since 1986 vs USD despite higher JGB yields and a narrower US-JP rate differentials (Chart 2). The yen weakness seen in 3Q25 and 1Q26 can be attributed to uncertainty around the fiscal policy path, the energy shock's impact on growth and inflation outlook, and the attractive FX carry trade yield. The yield gain for the USD/JPY carry trade remained at 2.8-2.9% as of end-June, making JPY still a relatively attractive funding currency versus other currency pairs. Also, rising import price pressure, due to FX weakness, higher energy prices and AI-led inflation, continue to weigh on Japan's inflation outlook (Chart 3). Meanwhile, planned fiscal stimulus together with uncertainty on the BoJ's rate hike outlook have weighed on JPY. With the fundamental outlook largely unchanged, a stronger USD therefore has driven further JPY weakness.

Chart 2: JPY fell to 40-year lows vs the USD despite narrower interest rate differentials between USD and JPY. The broad-base USD strength drove JPY weakness, while JPY remains an attractive funding currency.

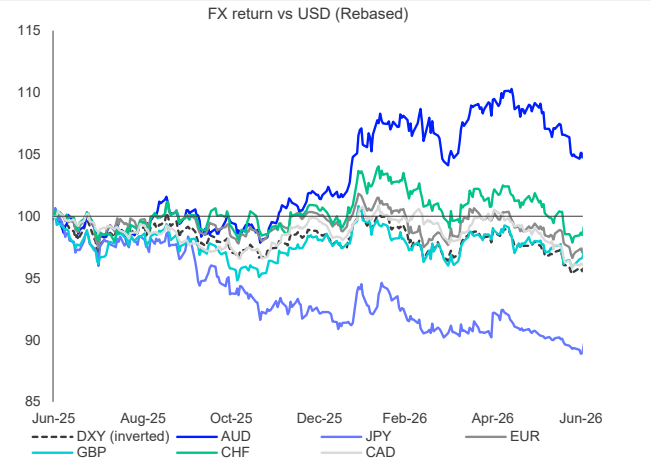


Chart 4: GBP strengthened against most major currencies in 2Q, with GBP/USD move largely tracking DXY. Commodity-based currencies were relatively weak over 3M due to a fallback in oil prices.

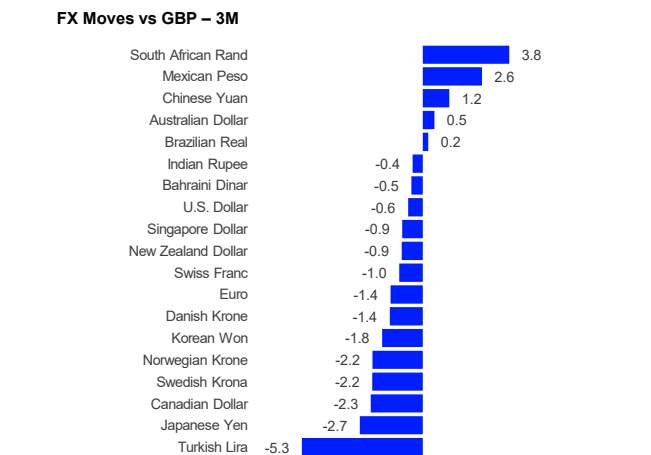


Chart 1: The DXY index strengthened 1.2% in Q2, driving most G7 currencies weaker. The Japanese yen continued to underperform other G7 currencies.

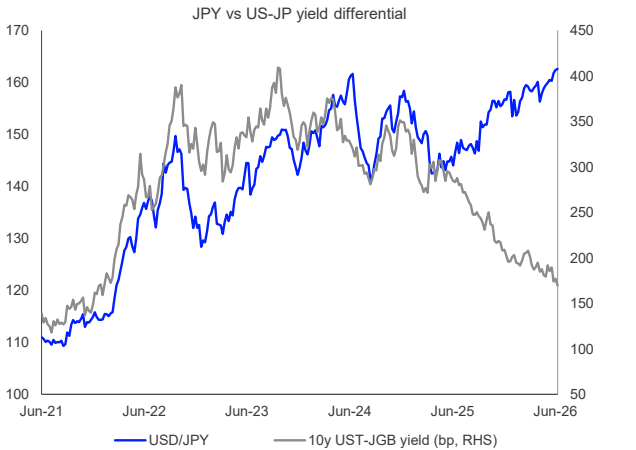


Chart 3: Rising import prices, driven by a weak FX, higher oil prices and AI-chip-led inflation, have clouded Japan's inflation and growth outlook, weighing on JPY.

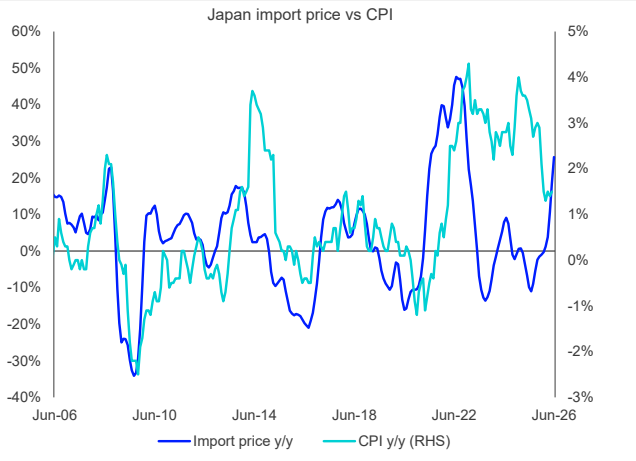
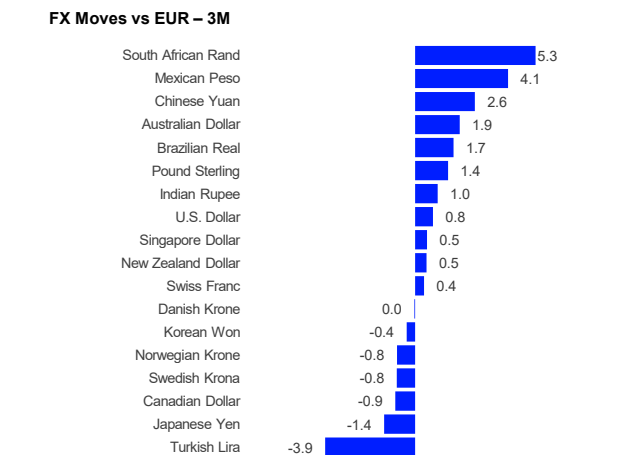


Chart 5: USD strengthened 0.8% against the euro on the back of hawkish Fed tone. MXN has been strong, due to remittance inflows and positive global risk sentiment.



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US Treasury analysis – Longer yields near top end of ranges since 2000

A notable feature of US Treasury yields in the longer run, is that they tend to mean revert *. This means the effect of duration/price effects tend to wash out over longer horizons, leaving carry and roll-down the curve as often the dominant drivers of returns. But for long bonds over shorter horizons, price effects can be powerful. The shape of the curve is important, since inverted yield curves will create negative roll-down effects, as yields increase on bonds as they shorten in maturity. But generally the curve is upward-sloped, as investors require term premium for holding duration risk with fixed nominal coupons. Overall, we find starting yields have strong correlation with forward returns. Yields are now towards the top end of ranges since 2000 (Charts 1, 2 & 3), even if there is evidence of regime change in real yields (see page 4).

Short inflation breakevens have fallen sharply as energy price increases unwound in Q2, as Chart 4 shows, which reduces the risk of 2nd round effects, even if they are now below recent inflation readings. Meanwhile, the diminished role of Treasuries as safe havens may be seen in the falling share of foreign holdings, as a share of total Federal debt, mainly due to the fall in official holdings (Chart 5).

Chart 2: Govt. yield curves generally show positive gradients, creating positive roll-down returns for investors as bonds shorten in maturity. There can be exceptions in periods of high short rates, like 2022-24.

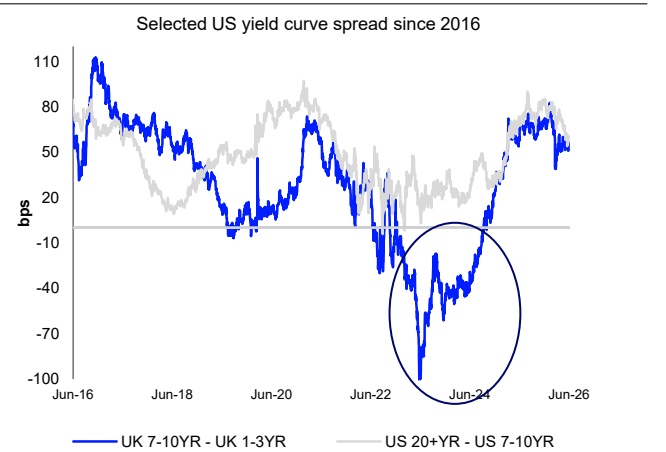
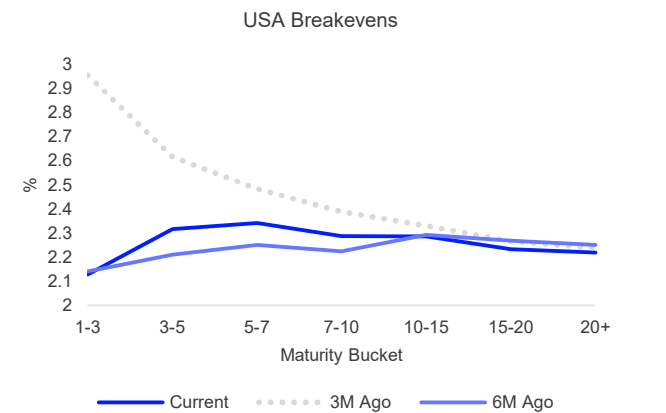


Chart 4: Short-dated inflation breakevens fell sharply from the peaks 3M ago, during the US-Iran conflagration, when energy prices spiked. Indeed, they may now be a little low, given underlying services inflation.



*See [What a carry-on: starting yields as a valuation tool for sovereign bonds](#)

Source: FTSE Russell and LSEG, NY Fed. All data as of June 30, 2026. 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.

Chart 1: Despite wide ranges, US Treasury yields mean reverted since 2000. This reduces the long term impact of duration and price effects on returns, causing carry and roll down to be the key drivers of returns.

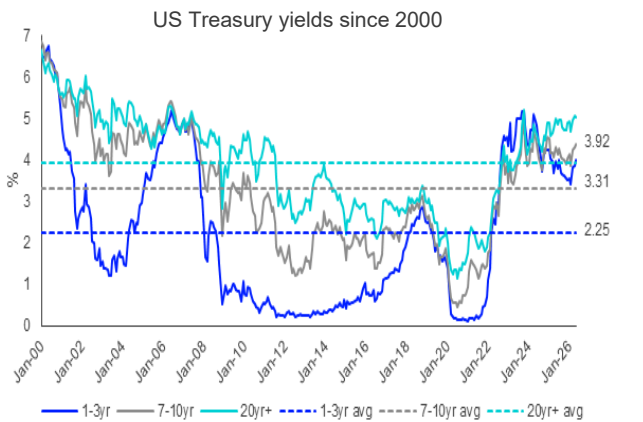


Chart 3: In a new paper*, we find strong correlations between US Treasury index yields, and forward returns. Peak correlations occur where investment horizons broadly match the maturity of the index.

	US 1-3Y index yield	US 7-10Y index yield	US 20Y+ index yield	US high yield OAS
1Y Fw d returns	0.84	0.53	0.40	0.64
2Y Fw d returns	0.95	0.67	0.55	0.80
3Y Fw d returns	0.94	0.74	0.65	0.82
5Y Fw d returns	0.79	0.79	0.74	0.79
7Y Fw d returns	0.78	0.83	0.73	0.46
10Y Fw d returns	0.78	0.92	0.83	0.58
20Y Fw d returns	0.94	0.90	0.89	0.87

Chart 5: The share of US Treasuries held by foreign investors has fallen sharply since 2013, reflecting both a decline in foreign central bank holdings, and the surge in issuance, as US budget deficits increased.



US Credit analysis – Assessing a potential change in supply/demand dynamics

With risk appetite returning after the March energy shock, the increase in longer dated IG issuance in 2026, driven by hyperscalers, utilities and infrastructure borrowers, has not yet impacted spreads at the index level. However, there is a modest yield pick-up in the longer dated issues (Charts 1, 2 & 3). The switch from funding capex from cash flows and equity issuance alone to bond issuance in 2026 by hyperscalers changes the demand/supply dynamics in the IG credit market. These companies issued only \$28bn per annum in debt from 2020 to 2024, compared with \$121bn in 2025, and market estimates for issuance in 2026 are higher again. However, there has not yet been any sizeable steepening in the US credit curve as a result.

Elsewhere, the anomaly in agency-MBS spreads, where they exceeded IG spreads, is no longer evident, even if uncertainty over the disposal of the Fed's MBS holdings continues. The higher for longer rate environment may also be a factor in renewing focus on the negative convexity of MBS. This can leave MBS-portfolio holders with too little duration when rates fall and mortgage refs soar, and vice versa (Charts 4 & 5).

Chart 2: There has been a relative increase in longer dated issuance, in 2026, as the Chart shows, driven by hyperscalers, utilities and infrastructure borrowers. This follows the fallow period of 2021-23.

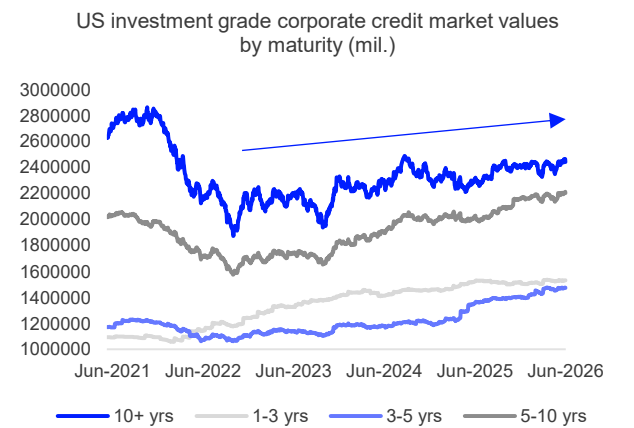


Chart 4: Prepayments remain way below the rate seen during the Covid shock, when 10 yr yields collapsed and refs were more attractive. Lower prepayments cause MBS duration to increase due to negative convexity.

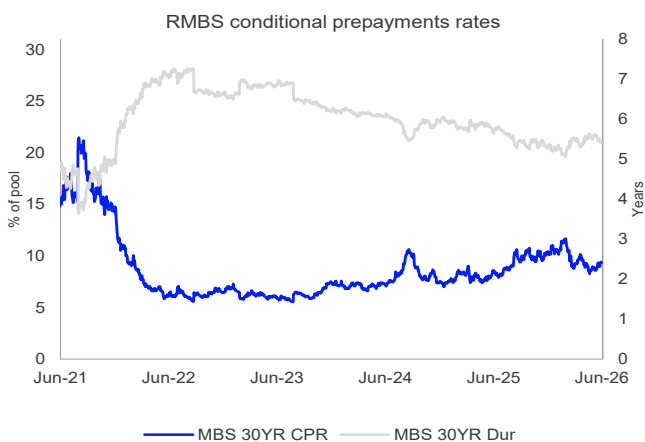


Chart 1: Despite the AI related surge in issuance, the increase in longer dated IG yields remains modest, at the index level, relative to shorter dated issues. This may change if issuance increases further.

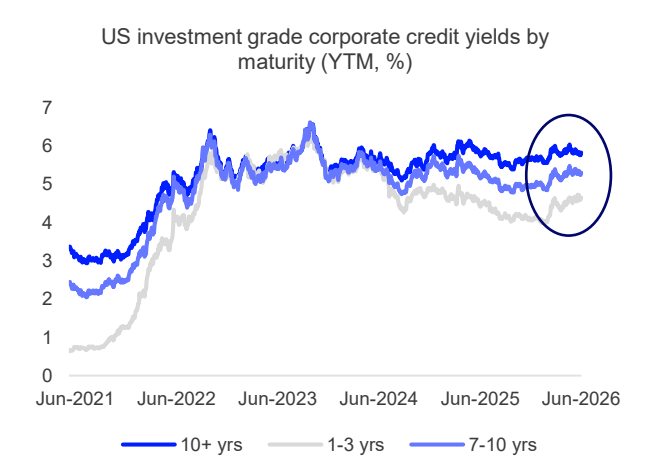


Chart 3: Nor do credit spreads show much evidence of the higher issuance in longer maturities, since the increased term premium in Treasuries has reduced spreads, which remain near 10 yr lows.

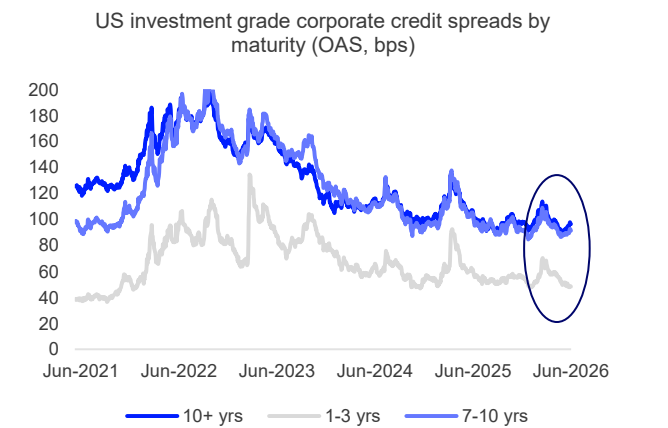
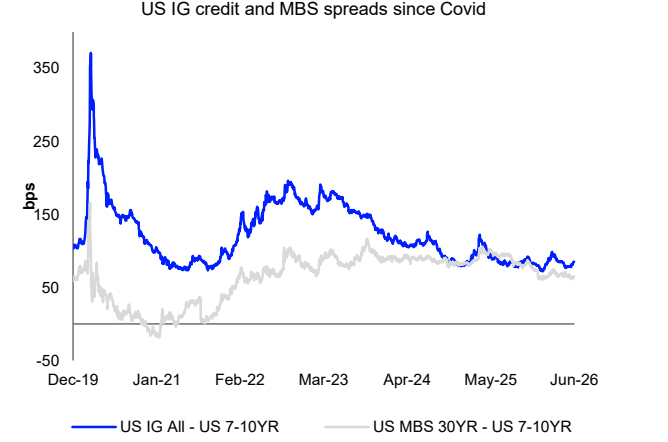


Chart 5: An anomaly resolved ? MBS spreads are back below IG credit spreads, but close to IG spreads. This is because uncertainty lingers over the pace of Fed MBS run-offs, and re-pricing of convexity risk in MBS.



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Canadian Govts, Provis & Munis – De-coupling from US yields extends further

Our research on initial valuations and their impact on future returns shows the importance of starting yields for investors in govt bonds (also see page 6). Therefore, splitting starting yields into 5 yield quintiles, higher starting yields have delivered stronger returns since 2000 in G7 sovereigns, including Canada (Charts 1 & 2). This also reflects the tendency of yields to mean revert over longer investment horizons, so duration or price effects tend to wash out over time, and leave carry and roll-down as the main drivers of returns.

There is more evidence of the de-coupling of yields between Canada and the US to be found in long real yields, as Chart 3 shows. This de-coupling has widened since the policy tightening cycle of 2022-23, and subsequent easing by the BoC in advance of the Fed, from June 2024. Elsewhere, increased volatility in Provincial spreads has become a significant feature since 2023, and now extends more widely, beyond Alberta spreads. Resource and relative value trades tend to be the main drivers, with volatility in oil prices a factor, and increased issuance in Provinces with less resources, like BC (Chart 4).

Chart 2: The 20s/2s yield curve steepened in June, as the market scaled back initial tightening expectations for the BoC, after the ceasefire and subdued core inflation. Long yields also rose relative to the 10yr area.

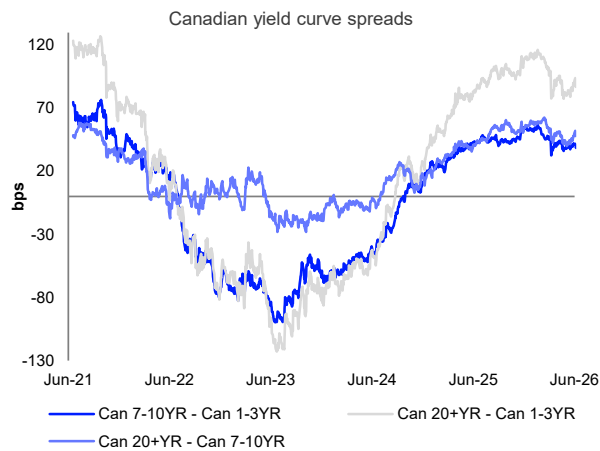


Chart 4: British Columbia spreads widened sharply in Q2 on increased issuance fears. Provincial spreads have become far more volatile in 2024-26 as investors rotate between resource and relative value trades.

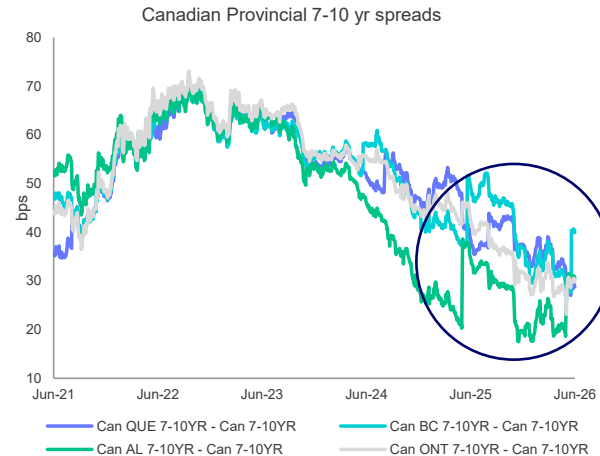


Chart 1: As in other govt bonds, higher starting yields in 7-10 yr Canada govt bonds have shown stronger returns over a 10 yr investment horizon since 2000, showing the importance of roll-down and carry in returns.

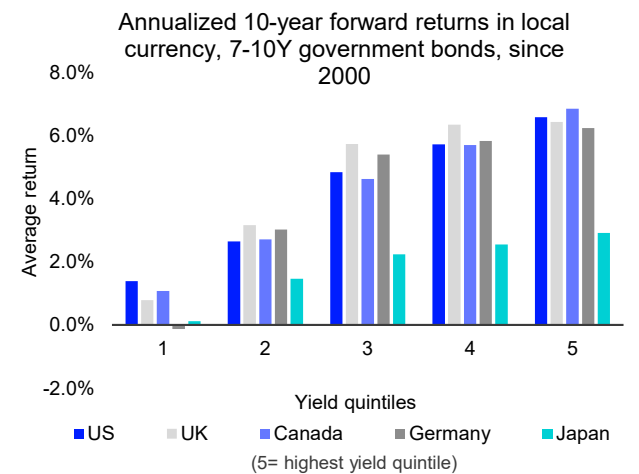


Chart 3: There is less evidence of the surge in real yields in Canadian govt bonds than the US. Indeed, the de-coupling of long real yields is another example of the spread divergence in markets since 2023-24.

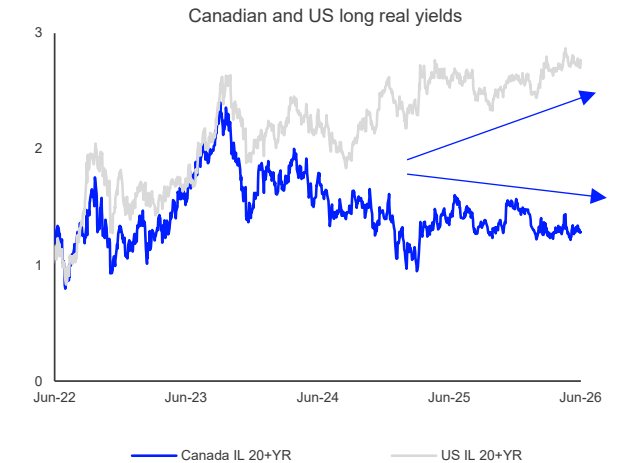
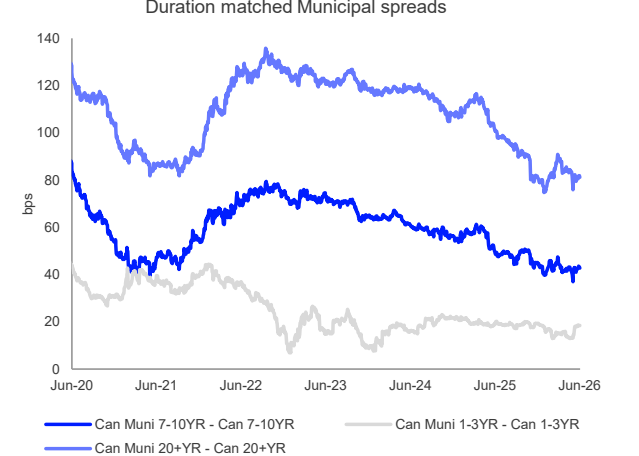


Chart 5: Muni spreads remain more stable than provis, reflecting less exposure to economic shocks, slower changes in credit ratings and less relative value trading. Long-dated spreads remain near post-Covid lows.



Canada: Credit analysis – More de-coupling of credit spreads from US

Canadian credit spreads have been dominated by macro events in 2026. The risk-off episode in March on the Middle East conflicts proved short-lived, though spreads spiked in financials and real estate on macro exposure to a stagflation shock or recession, before tightening in Q2 (Chart 1). Infrastructure and energy remain more stable.

Closer statistical inspection of the correlation of Canadian and US credit spreads shows the high correlation coefficient may be distorted by autocorrelation in the two series. Even the correlation coefficient turned negative over Covid, suggesting that local factors may be the key to Canada-US spreads, including the BoC's reaction function to shocks, and different sector composition of the two-credit series (Charts 2 & 3). Thus, hedging Canadian credit spread risk using a Canadian credit spread index seems more logical*. Financial spreads show strong negative correlation to the 10s/2s curve (Chart 4), and the high weight of financial issues in the IG market, near 40%, is of note. These spreads often move first after macro shocks, given the financial sector's role in the monetary transmission mechanism.

Chart 1: IG credit spreads remain near 10 yr lows, with spreads largely driven by geo-political events and exposure to a stagflationary shock in Q1. So financials and real estate spreads have been the most volatile.

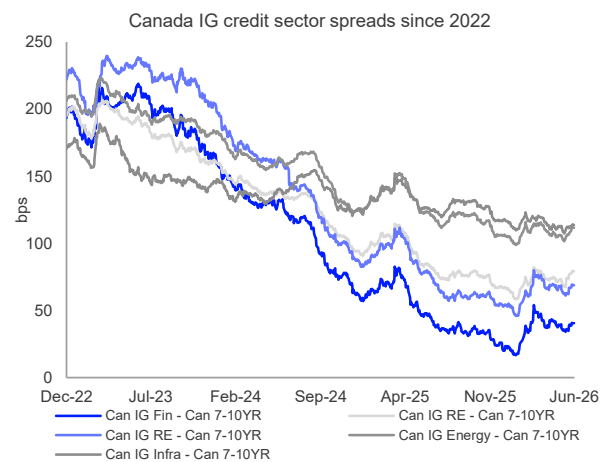


Chart 2: Correlation of Canadian and US credit spreads appears very high, and particularly in the period before Covid in 2020. However, there is evidence since Covid, of this spread convergence weakening.

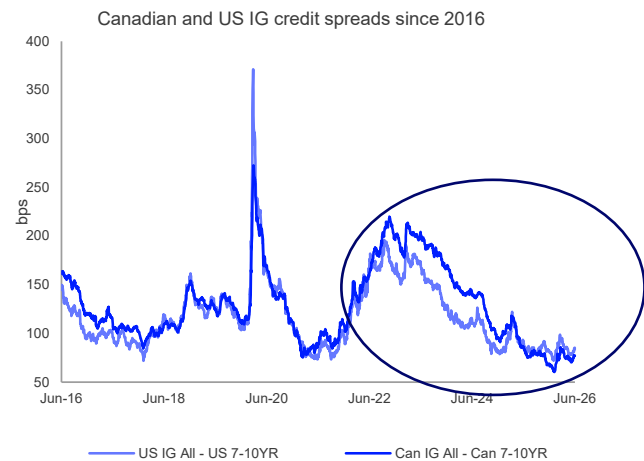


Chart 3: High auto-correlation in credit spreads distorts correlation coefficients between Canadian and US spreads. The 1st differences show the correlation is actually low, as local factors are more important.

Correlation of US and Canada IG credit spreads	Pre-Covid June 2016 – Feb 2020	Covid crisis March – May 2020 (inclusive)	Post-Covid June 2020-2026
Correlation coefficient (spread levels)	0.81	-0.18	0.77
Correlation of 1 st differences (credit spread changes)	0.044	-0.12	-0.07

Chart 4: The inverted yield curve in 2022-23 caused sizeable financial spread widening, due to the leverage of the financial system to recession and default risks. The steeper curve allowed spreads to narrow.

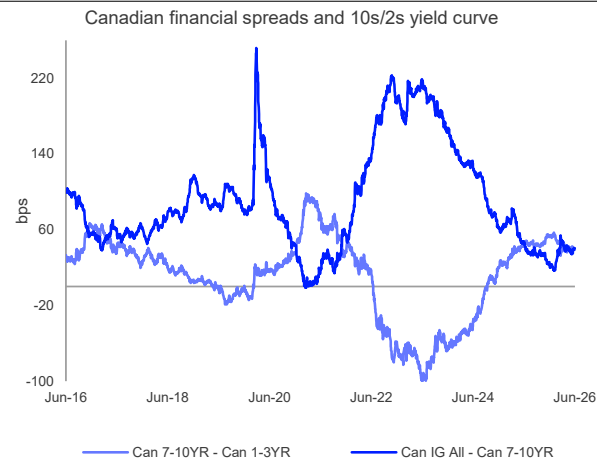
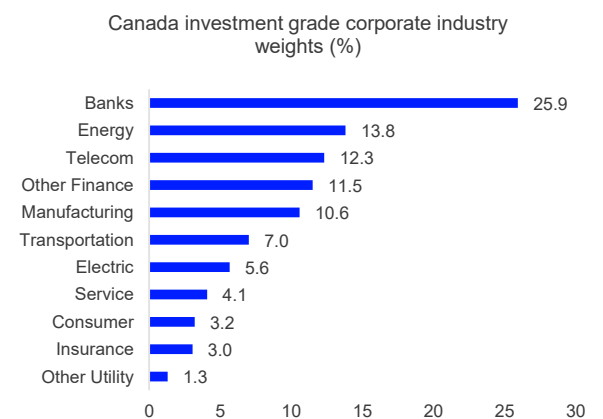


Chart 5: Canadian IG sector weights show bank issues carry the largest weight in the index, followed by energy. Overall financial issues carry a near 40% weight and often move first after macro events.

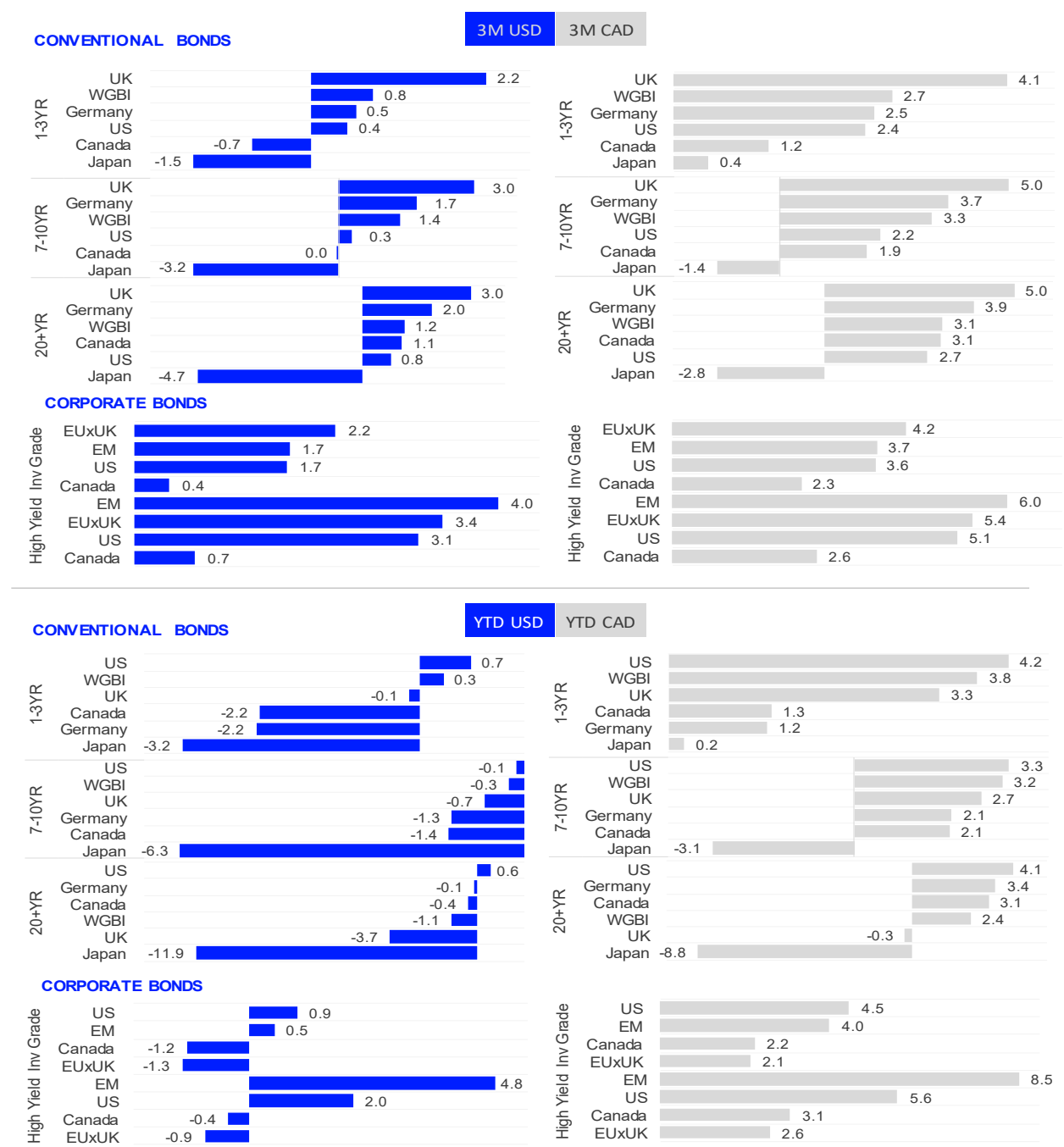


Conventional Government Bond Returns – 3M & YTD % (USD, CAD, TR)

Conventionals rallied in Q2, as oil prices fell, and markets scaled back expectations of tightening in the UK, as gilts gained 2-5% in USD and CAD. Bunds managed modest gains despite the ECB raising rates in June. JGBs were again the weakest, led by longs, after the BoJ raised rates to 1% June, and investors fretted over the BoJ’s exit strategy.

The Middle East ceasefire and weakness in oil prices in May-June were key drivers of modest gains in govt bonds in Q2, though YTD returns remain negative in both USD and CAD terms after the big sell-off in March on the energy shock. Fed caution on rates at the June FOMC meeting also limited gains.

Credit outperformed govt bonds again, and rallied strongly with equities in Q2 led by EM HY, which gained 4% in USD, and 6% in CAD in Q2. YTD returns show returns of 6-9% in USD and CAD in HY, even with an energy shock. IG returns were more subdued, partly reflecting the surge in AI-related issuance in H1, 2026.



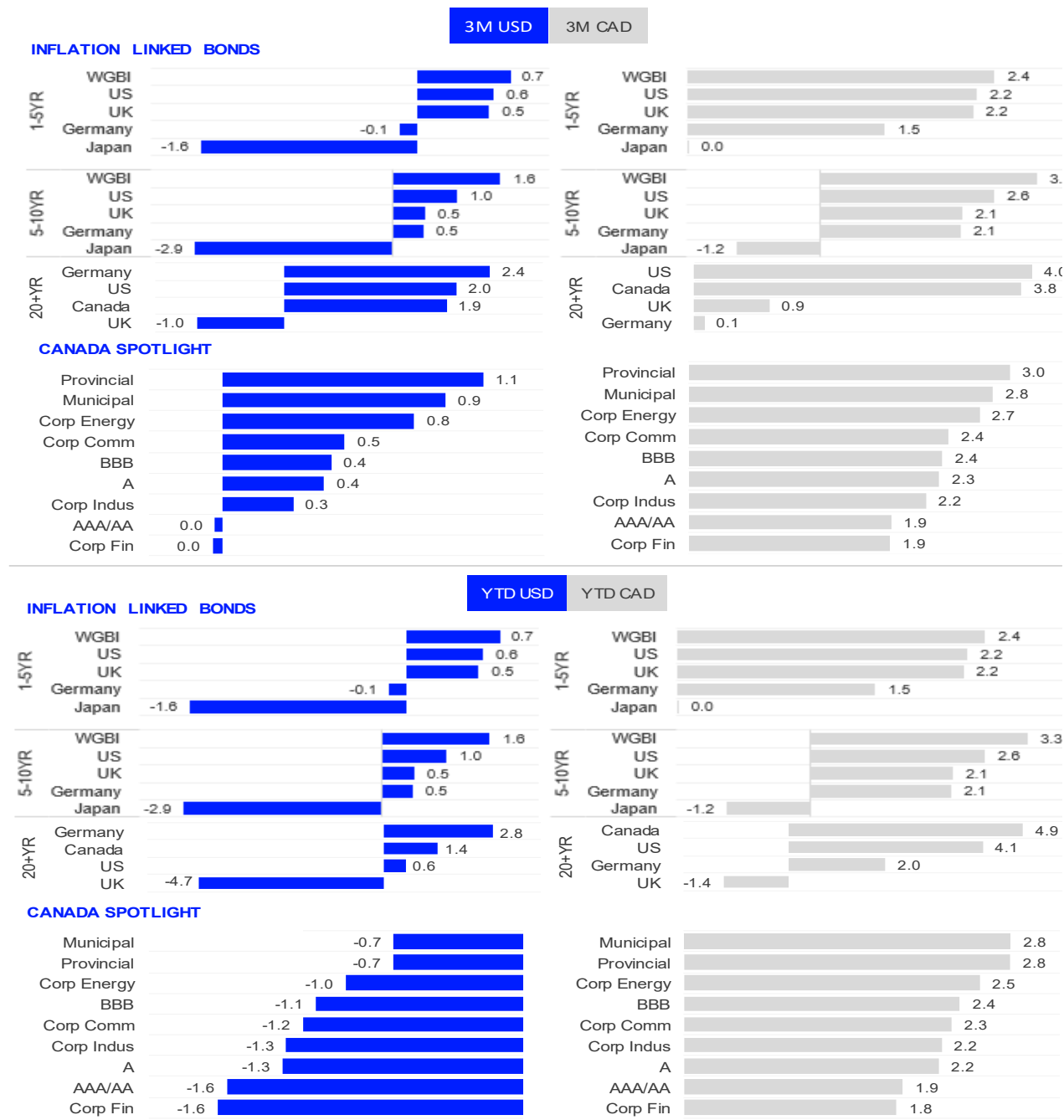
Source: FTSE Russell and LSEG. All data as of June 30, 2026. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

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

Inflation-linked bond rallied in May-Jun, after the ceasefire and Middle East MoU, on lower rate expectations, but underperformed conventionals as energy prices fell, lowering inflation prospects. YTD linkers were broadly unchanged, apart from long dated Bunds and Canadian linkers which gained 2-5%. A weaker CAD boosted US TIPs in CAD terms. Long UK linkers fell most YTD, in USD terms, not helped by their long duration, and some sterling slippage vs the USD.

Canadian munis and provs made solid returns of 3% in Q2, mainly from carry and rolldown, with policy rates unchanged and Canadian Energy outperformed other credit sectors. It was a similar story YTD, with gains of about 3% again, and BBB credits did marginally better than A, helped by slightly higher coupons.

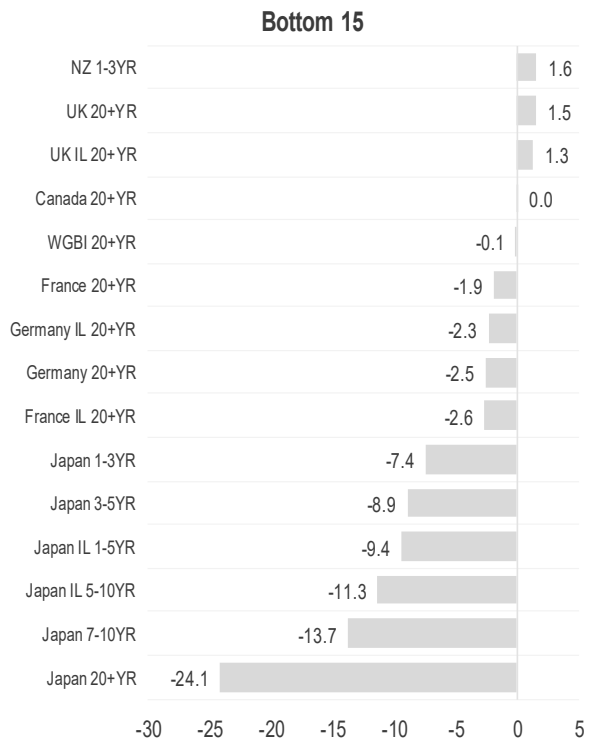
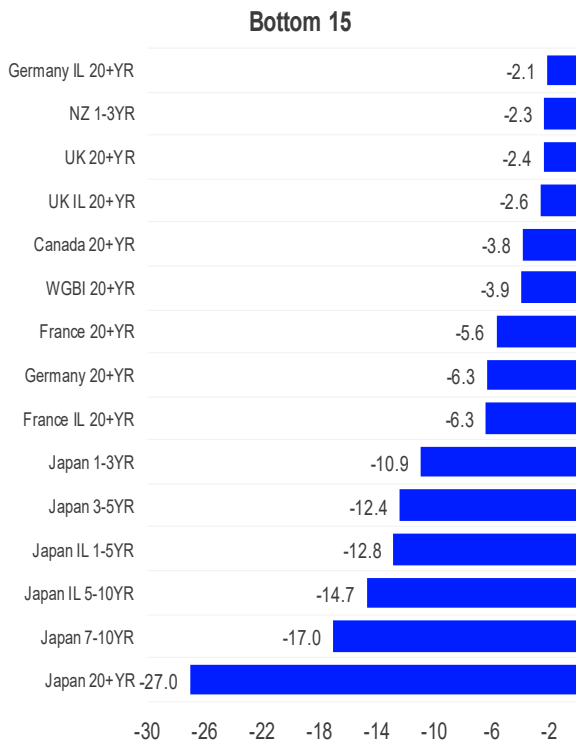
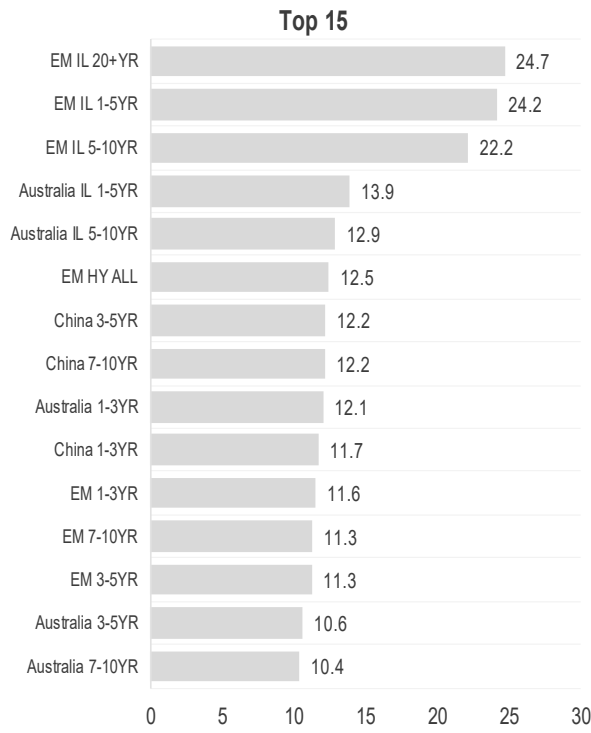
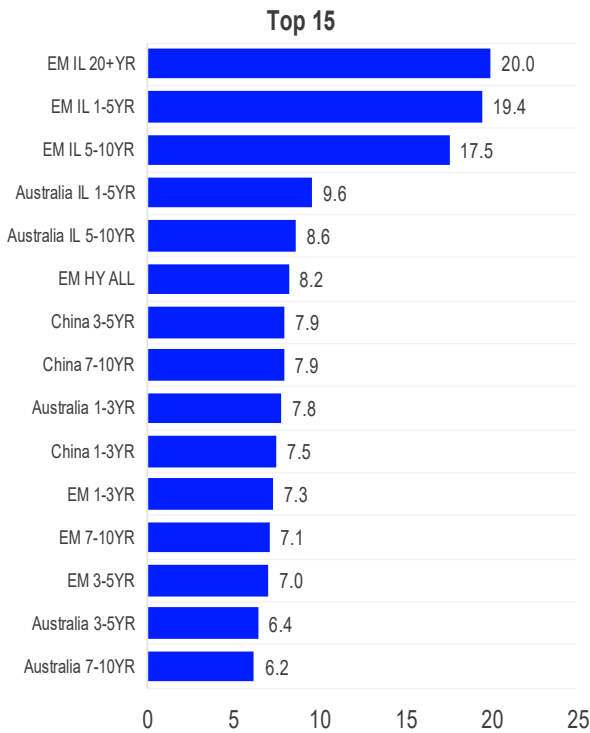
JGB linkers fell, in USD and CAD terms, as the USD/JPY move above 160 and the BoJ's June rate increase squeezed returns, with losses of 1-3% in USD and CAD terms.



Source: FTSE Russell and LSEG. All data as of June 30, 2026. 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 – Top and Bottom Bond Returns – 12M % (USD, CAD, TR)

12M USD 12M CAD

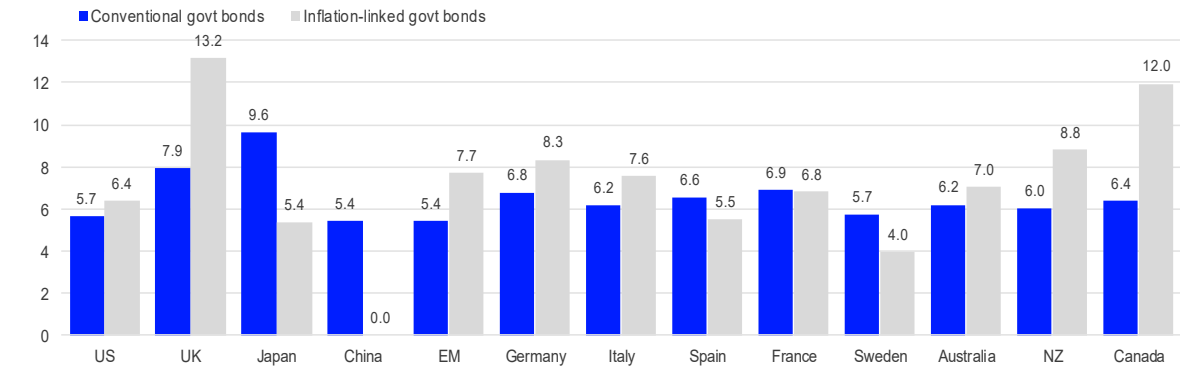


Appendix – Duration and Market Value (USD, Bn) as of June 30, 2026

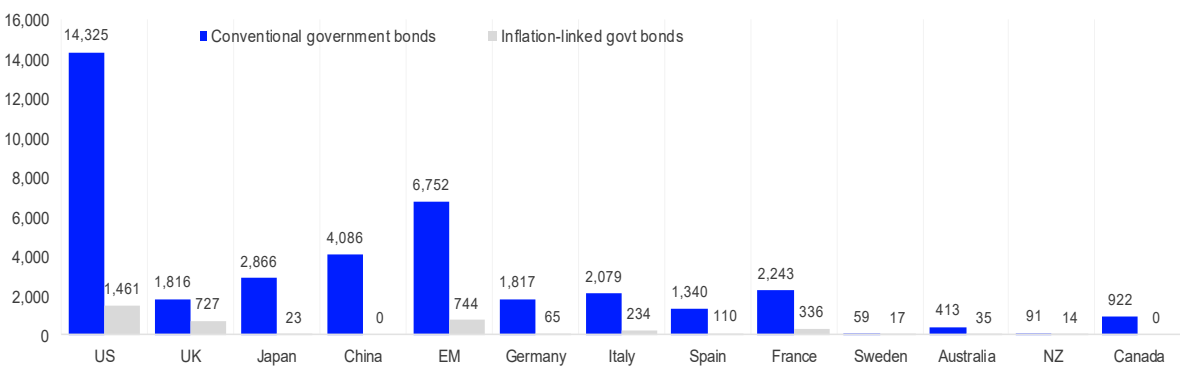
Conventional government bonds									Inflation-linked government bonds					
Duration					Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	6.9	15.6	5.7	3,134.7	1,347.7	1,642.3	14,324.6	6.8	20.5	6.4	525.0	111.8	1460.7
UK	3.5	7.0	16.7	7.9	239.4	321.8	321.5	1,816.4	6.8	25.5	13.2	175.2	197.4	727.3
Japan	3.8	7.9	20.6	9.6	424.5	540.0	460.2	2,866.1	7.4		5.4	14.1		23.2
China	3.8	7.8	17.7	5.4	914.1	692.0	396.0	4,086.1						
EM	3.6	7.1	15.1	5.4	1489.99	1228.61	652.64	6,751.8	6.0	13.4	7.7	193.5	190.8	744.3
Germany	3.7	7.5	18.9	6.8	376.25	323.72	224.85	1,817.3	6.6		8.3	14.6		65.2
Italy	3.6	7.1	16.1	6.2	463.86	304.50	170.19	2,079.2	7.1	22.3	7.6	106.9	11.1	234.4
Spain	3.6	7.2	17.4	6.6	238.90	232.65	122.08	1,339.8	7.0		5.5	31.6		110.3
France	3.9	7.4	18.0	6.9	422.61	423.17	241.28	2,242.5	6.3	22.2	6.8	92.8	23.0	335.7
Sweden	3.9	7.4		5.7	16.67	15.22		58.7	5.8		4.0	3.5		16.5
Australia	3.7	7.2	15.4	6.2	54.59	111.62	22.34	413.1	7.4	19.9	7.0	12.4	2.7	35.1
NZ	4.0	7.3	15.4	6.0	21.31	24.22	5.61	91.0	8.2	16.7	8.8	5.5	1.2	13.8
Canada		6.8	17.7	6.4		332.45	130.89	921.7		12.0	12.0		69.8	

Investment grade bonds										High Yield		
Duration						Market Value				Duration	MktVal	
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.3	8.3	6.7	6.4	6.7	67.4	625.3	3,205.9	3,756.0	7,654.7	3.7	1,400.0
Euro	6.6	5.3	4.5	4.2	4.4	21.2	278.5	1,475.4	1,719.6	3,494.6	3.3	410.0
EM		5.8	5.8	5.2	5.5		75.64	159.03	248.9	483.6	3.6	208.3

Average Duration



Total Market Value (USD Billions)



Data as of 2026-06-30

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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