

Fixed Income Insights

MONTHLY REPORT - JUNE 2023 | EUROZONE EDITION

FOR PROFESSIONAL INVESTORS ONLY

Markets re-focus on pace of inflation decline though US downgrade risks remain

Government bond markets re-focused on the pace of G7 inflation decline in May, and US downgrade risks in the debt ceiling crisis. Long gilts were worst performers, on UK tightening risks, but Eurozone inflation linked rallied on lower inflation. China and EM bonds outperformed, helped by China's low inflation outlier status.

Macro and policy backdrop – Lower energy prices drive disinflation, but wide dispersion of inflation persists

Headline inflation rates fell sharply versus core rates, but steeper Phillips' curves deepen G7 inflation challenge. (pages 2-3)

Yields, curves and spreads – Yield curve inversion resumed in May

G7 7-10yr yields edged higher in May, except in Germany, where a drop in inflation raised hopes of an early pivot. (pages 4-5)

Sovereign and climate bonds – HY Green spreads edged out in May, reflecting surge in issuance in Q1

HY spreads dipped below Green spreads in May but Green spreads reversed most of the 2022 widening. (page 6)

Performance – Duration became the investor's enemy again in May, with UK gilts hardest hit

Longer bonds fell back in May, led by UK gilts after poor inflation data. China and EM continue to outperform. (pages 7-8)

Appendix (from page 10)

Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

Chart 1: German 7-10-yr nominal and real yields show signs of a cyclical peak, and inflation breakevens grind towards ECB's 2% target.

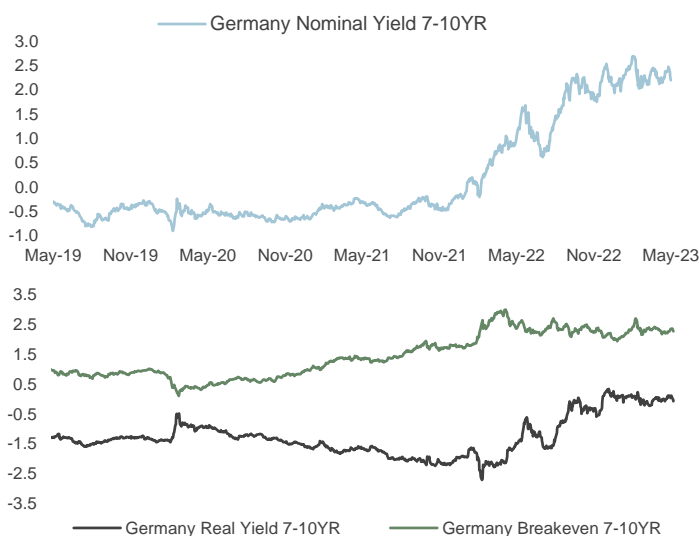


Chart 2: The gold price rallied sharply on US banking woes in March, as it did during the early risk-off stages of Covid in 2020.



Source: FTSE Russell. All data as of May 31, 2023. 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 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

Further declines in energy prices have eased the growth squeeze a little, and driven inflation lower, notably in major European economies, raising hope of a policy pause. Despite lower energy/gas prices, the UK lags the general inflation decline, while China is also a global outlier with inflation sub-1%. Global economies are forecast to escape a hard landing.

Projections for GDP growth in 2023 remain well below trend, though most economies are expected to avoid a hard landing and recessions, with growth staying positive, except in the UK. G7 policy tightening in 2022-23 and the squeeze on real incomes from higher inflation are likely to constrain growth in 2023. PBoC reflation should support Chinese growth (Chart 1).

There were encouraging signs that cooling price pressure within the Eurozone will allow the ECB to pause raising rates soon after inflation fell to 6.1% y/y in May (from 7% in April), with Spain at only 3.2%, due to lower energy, goods, food and services prices. US core inflation remains stuck at 5.5%, y/y, despite lower headline inflation at 5.0%. The UK is a global outlier on inflation (Chart 2).

Chart 3 shows how far gas price futures have fallen back, since the Ukraine spike in Q1 2022, though the correlation with headline inflation is asymmetric due to lags in the reduction of utility prices for energy.

The UK is the only nation with positive real yields and breakeven inflation, as CPI remained the highest among G7 countries. German breakeven inflation remains positive, while in the US and Canada, nominal yields are negative (Chart 4).

Chart 1: Growth forecasts show the G7 avoiding recessions, apart from the UK, though only just. The Eurozone is projected to grow modestly through 2024.

Latest Consensus Real GDP Forecasts (% , May 2023)			
	2022	2023	2024
US	2.1	1.1	0.8
UK	4.1	-0.1	0.8
Eurozone	3.3	0.7	1.0
Japan	1.6	1.1	1.2
China	3.0	5.4	5.0
Canada	3.5	0.7	1.4

Chart 2: Wide dispersion in inflation continues, though headline inflation fell globally. The Eurozone sharp drop to 6.1% y/y in May brings hope of an early ECB pivot.

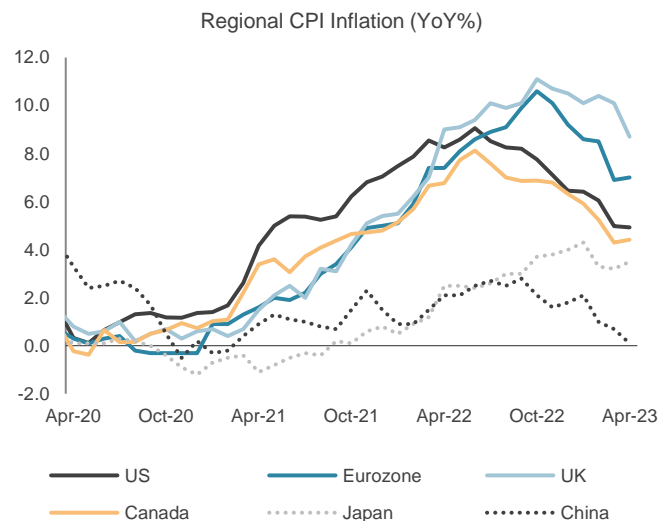


Chart 3. Eurozone gas prices have come down a long way, and the lagged effect may help inflation fall further in 2023, after falling in May to its lowest level (6.1% y/y) since February 2022.

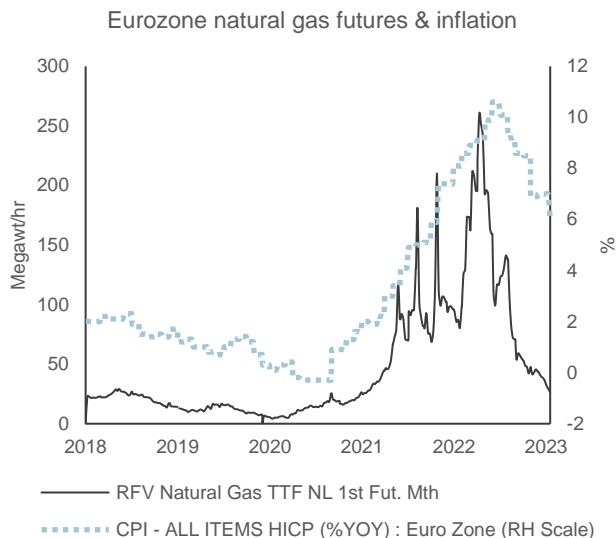
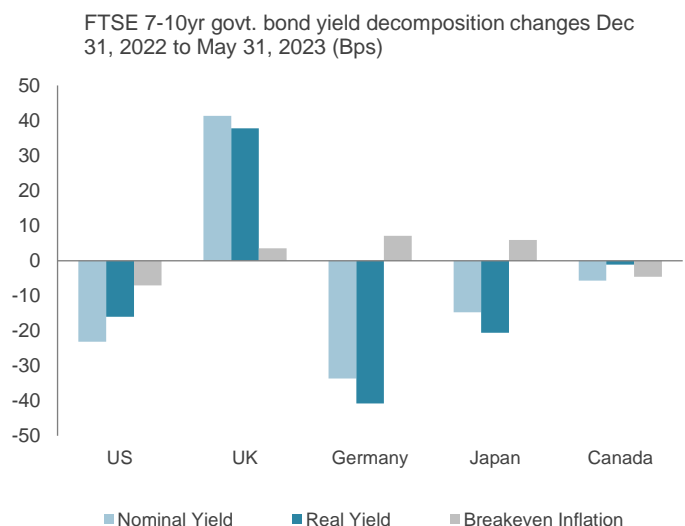


Chart 4. Underperformance of UK gilts is shown in sharp yield increases YTD, whereas Bund yields fell sharply. Inflation breakevens remained stable in 2023, helped by lower inflation



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Financial Conditions and Monetary Policy Settings

Liquidity has declined to historic lows in the Eurozone as the economy cools. Market confidence in policy rates falling later in 2023 faded, after the banking crisis stabilised and amid a US debt ceiling crisis, though the surprised drop in Eurozone inflation at the end of May revived optimism of an early pivot.

Monetary growth in the Eurozone has slowed to the lowest levels since 2020, in response to 375bps in policy tightening and ECB asset sales. The ECB has left the door ajar for more rate hikes, though the May decline in inflation bodes well for an early pivot if June inflation numbers continue to surprise on the downside (Chart 1).

The dollar rallied following Fed tightening in May, and on bouts of risk-off in the debt ceiling crisis. The risk of a US downgrade appeared to have little impact. The euro fell after a sharp drop in Eurozone inflation raised hopes of an early pivot. The slow fall in UK inflation and risk of higher UK rates offer some support to sterling, though the stagflationary outlook is less positive (Chart 2).

25-50bp in tightening was implemented in May in the US, UK and Eurozone, while the BoJ retained curve control and the BoC continued its policy pause (Chart 3). The US labour market remains tight, so further Fed tightening moves cannot be ruled out.

Contraction in central bank balance sheets is most marked in the Eurozone since Q3 2022, due to the repayment by banks of targeted long term refinancing operations (TLTROs) and, since March, the ECB not re-investing maturing securities, worth euro 15 billion monthly. Fed QT was interrupted by emergency lending during the regional bank crisis in March (Chart 4).

Chart 1: Eurozone M2 growth stayed negative, and at its lowest since 2020, as impacts of higher rates and APP asset purchases tighten financial conditions, though monthly change improved a bit.

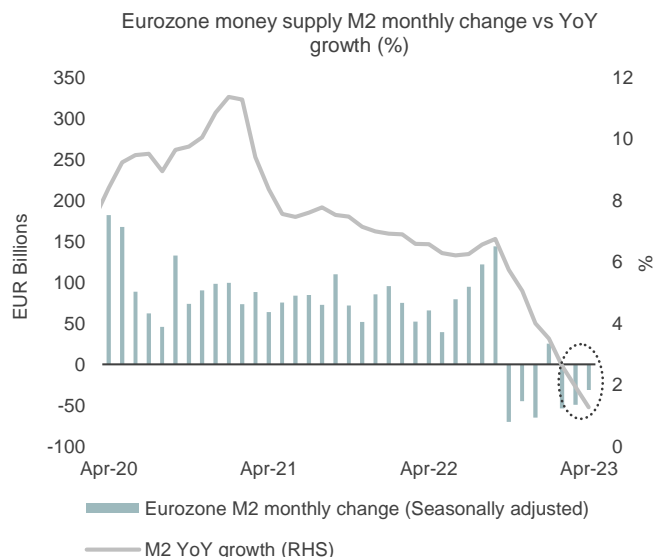


Chart 2: The threat of higher rates for longer caused the US dollar and sterling to rebound in May. The Euro weakened after lower inflation in France, Germany and Spain opened the door for a policy pause.

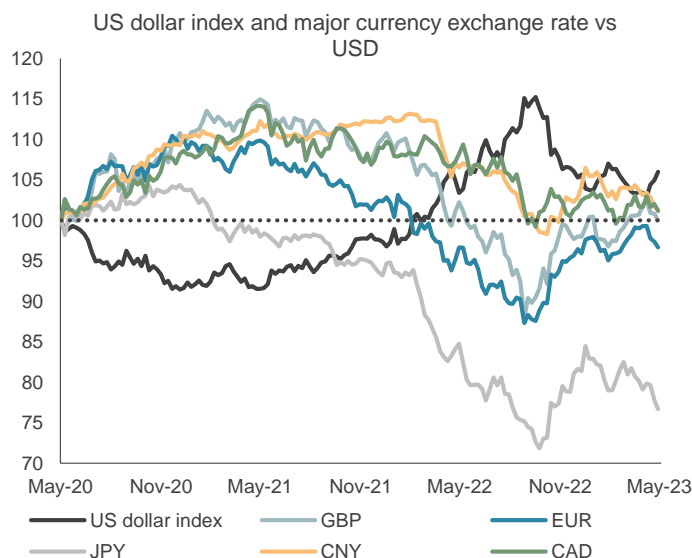


Chart 3: The Fed, BoE and ECB have left options open for further tightening moves, despite banking woes and falling inflation. The

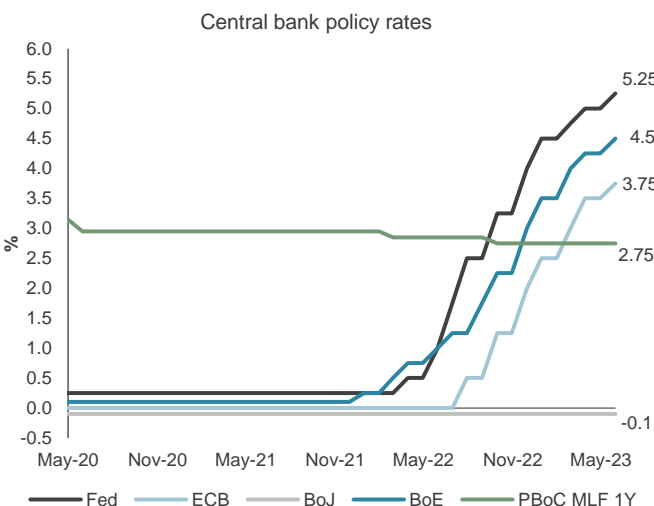
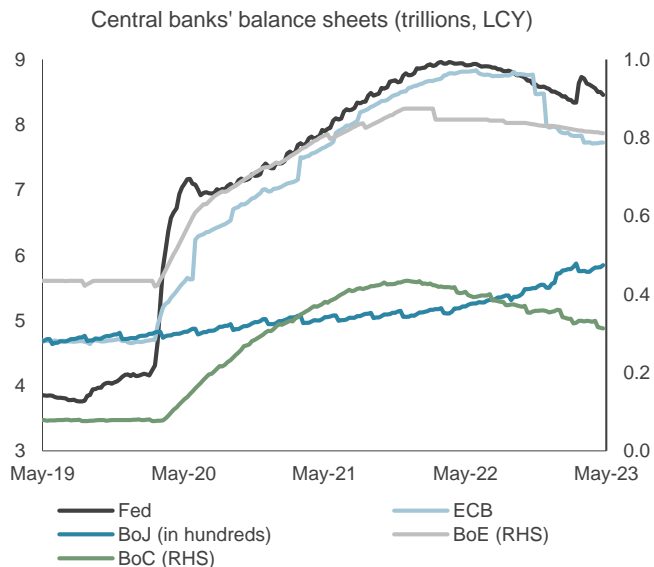


Chart 4: The fall in central bank balance sheets is most marked in Canada and the Eurozone, and further TLTROs repayment will shrink



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Global Yields, Curves and Spread Analysis

Chart 1: 7-10 year G7 yields edged higher in May, except in Germany, where a drop in inflation raised hopes of an early pivot. US yields remain below the October 2022 peak.

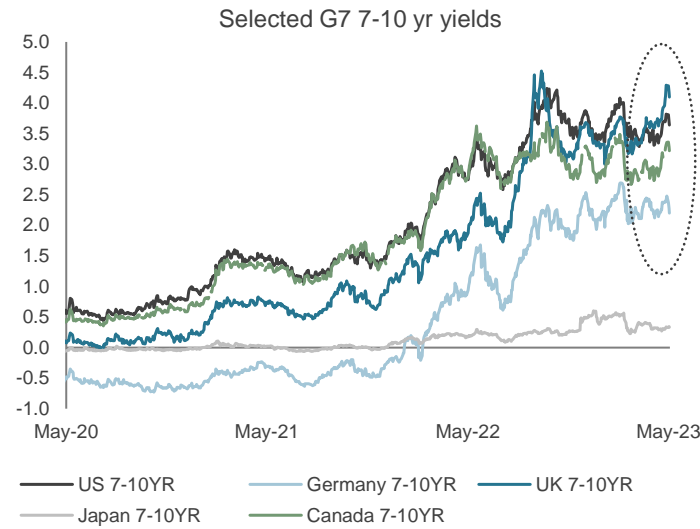


Chart 2: Real 7-10-year yields mostly backed up in May, though JGB yields fell after the continuation of yield curve control was confirmed. UK real yields spiked on higher inflation.

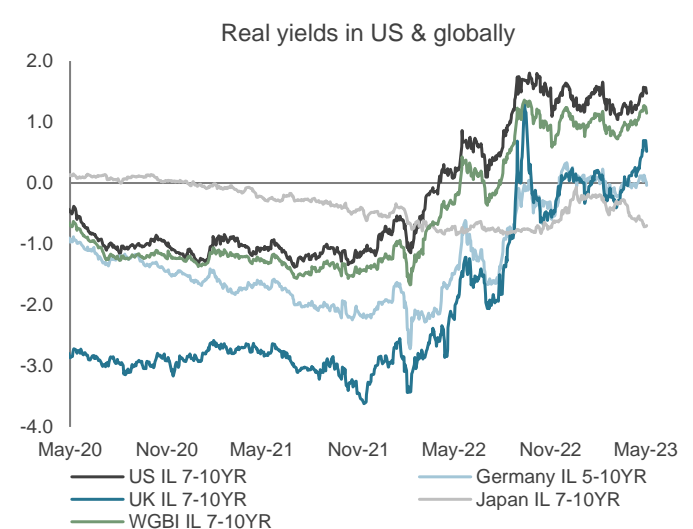


Chart 3: G7 10s/2s yield curves resumed their inversion in May, and have unwound much of the steepening that followed the US banking

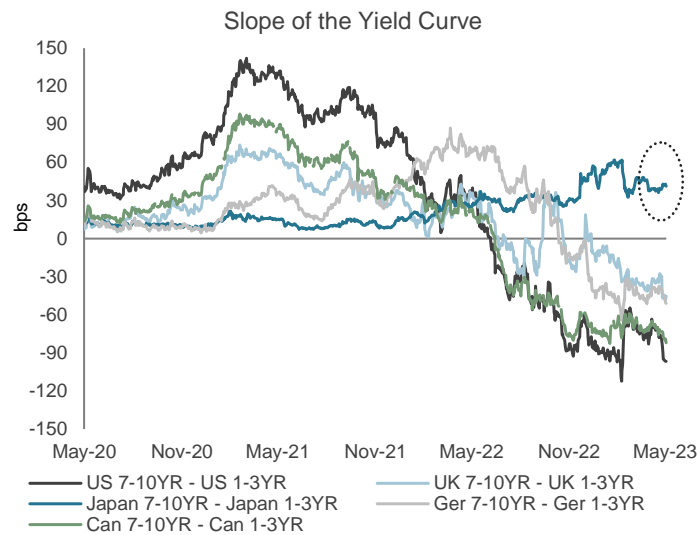


Chart 4: Like 10s/2s, the 20s+/2s yield curves extended their flattening/inversion trend in May, after the March steepening. 2-year

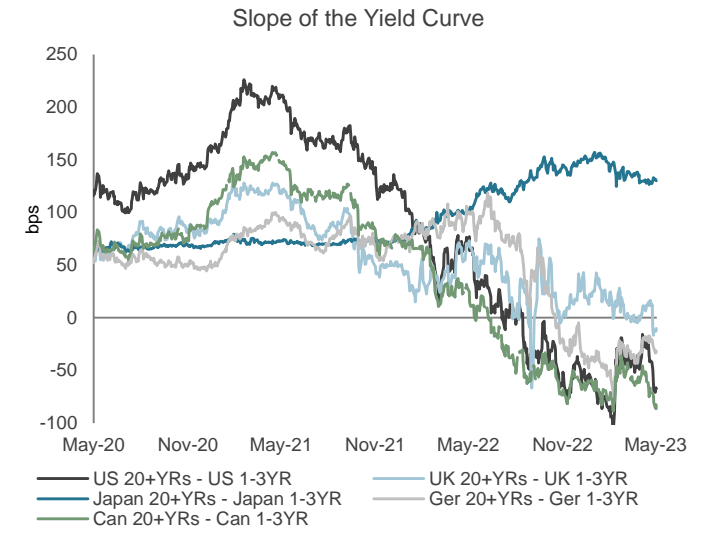


Chart 5: 7-10 year inflation breakevens remain stable near 2%, apart from the UK (due to the different inflation index for accruals) & Japan. There has been little enduring impact from March's banking woes.

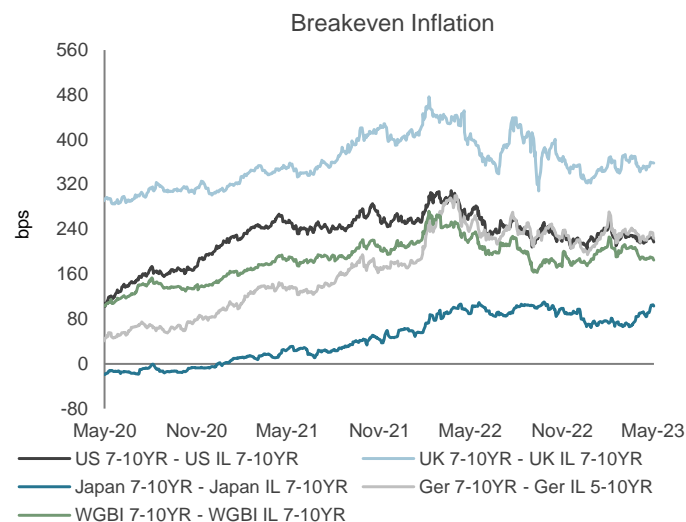


Chart 6: Global short and longer run inflation breakevens are falling, driven by policy tightening, lower energy prices, and lower inflation rates. Long run inflation breakevens are now below medium dated.



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Yield Spread and Credit Spread Analysis

Chart 1: The US debt ceiling crisis caused US spread widening in May, apart from versus UK, where the spike in yields on higher UK inflation caused US Treasury spreads to fall towards the 2022 lows.

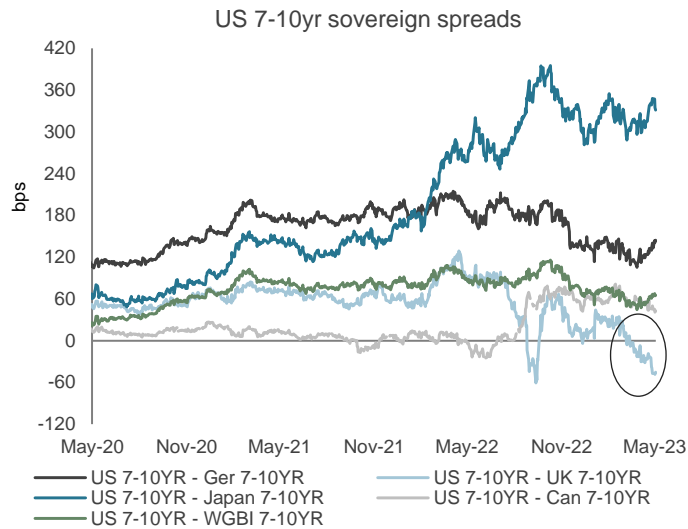


Chart 2: Italy 7-10-year yield spreads were broadly stable versus Spanish Bonos and French OATs, and modestly rose against Bunds in May.

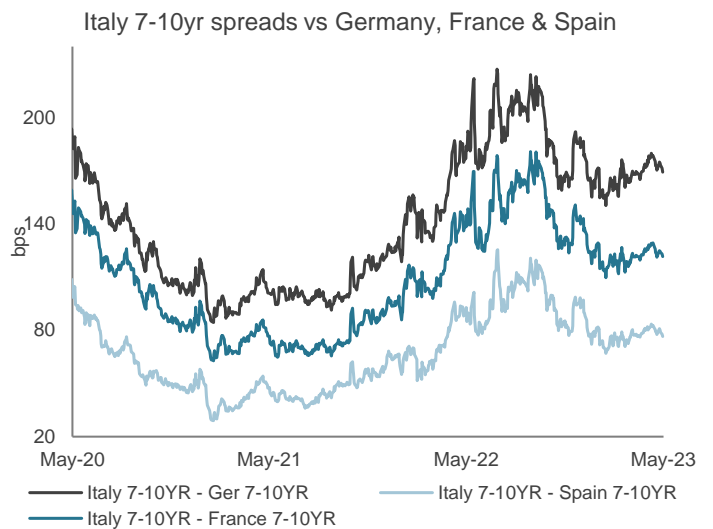


Chart 3: EM 7-10-year yield spreads remained at, or near, post-Covid lows in May, reflecting the increased robustness of the asset class, and earlier policy tightening to reduce inflation than in the G7.

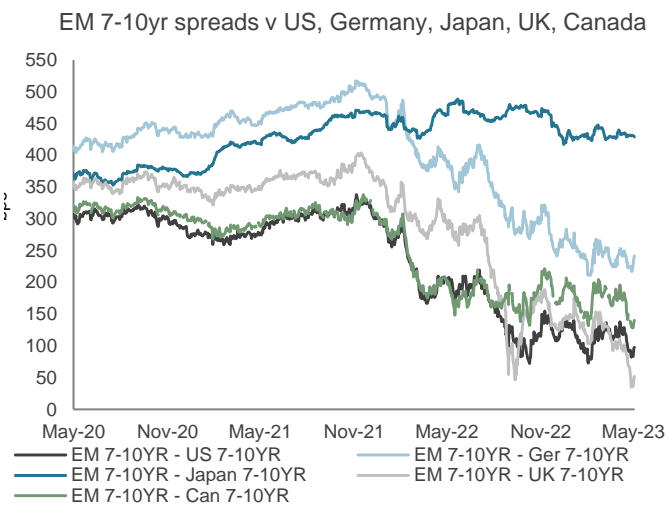


Chart 4: China 7-10-year yield spreads fell in May, after further policy tightening in the G7, and yet lower Chinese inflation (now <1% y/y). Spreads versus the UK are now close to cycle lows.

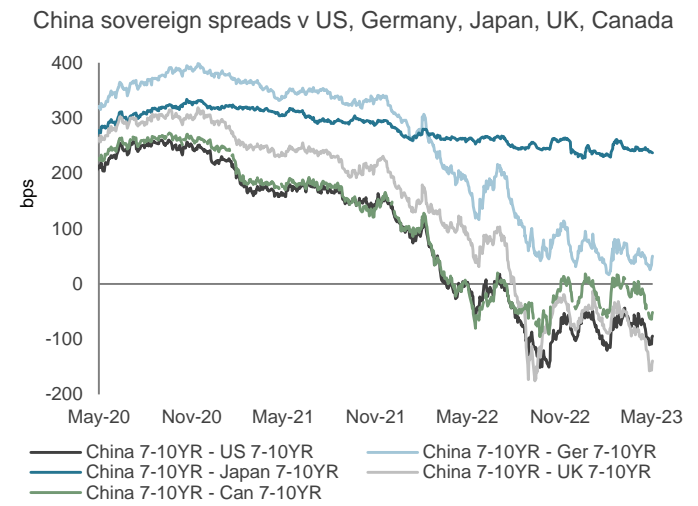


Chart 5: Credit spreads were broadly stable in May, with financials tightening after the March spike on US bank woes. IG spreads remain higher than HY, measured against the post-Covid highs.

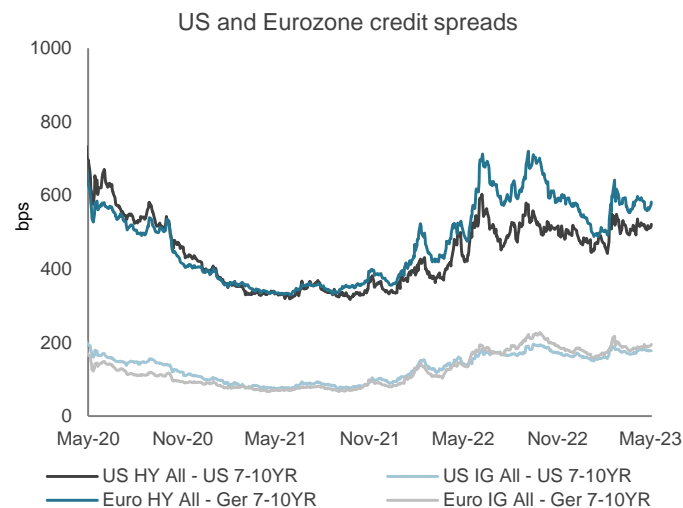


Chart 6: Chinese HY dollar spreads widened further in May, as investors fretted about debt restructurings in property, and despite the possibility of further PBoC support for the sector.



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Sovereign and Climate Bonds Analysis

Chart 1: HY spreads dipped below Green HY spreads in May after Green issuance surged, though spreads remain tight, after Green spreads reversed the widening in H1 2022, when issuance fell.

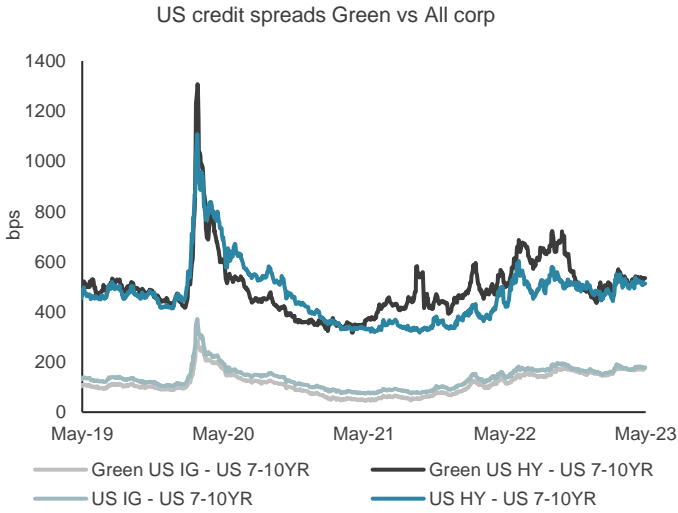


Chart 2: Unlike the US, spread widening in HY Green Eurozone credit spreads moved much less in 2022, and there was no major spike. Spreads narrowed since the bond rally began in Q4 2022.

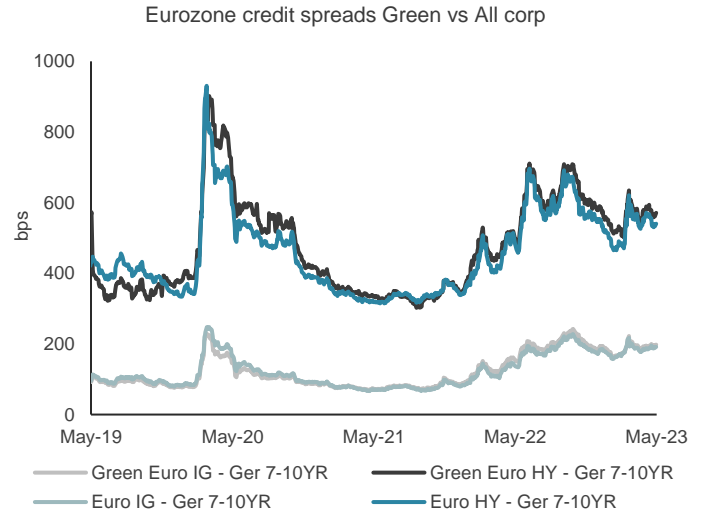


Chart 3: In 2022, Green bond issuance fell more than other bonds as yields and spreads rose. But Green issuance has rebounded in Q1 2023, and is at a new high versus total issuance.

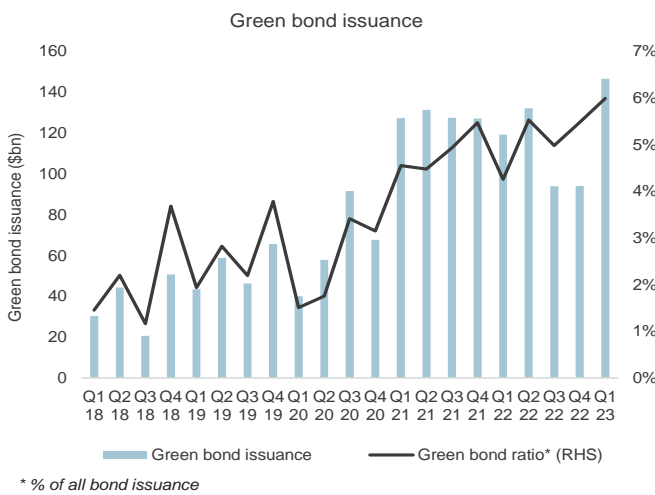


Chart 4: Within total Green bond issuance, Green corporates fell sharply, though issuance has recovered in Q1 2023, to an all-time high in absolute terms, as yields stabilised and spreads narrowed.

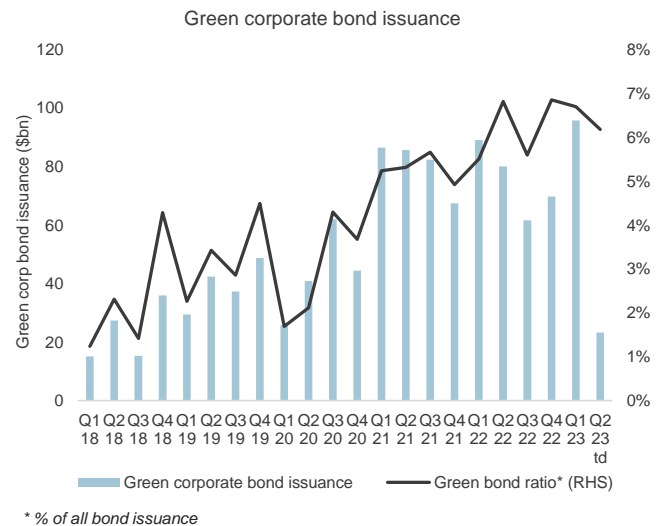


Chart 5: Euro green bonds dominate the currency weights in the Global Green index at 68.4%, in contrast to the low USD weight (18%). This is reversed in WorldBig with a USD weight of 55%.

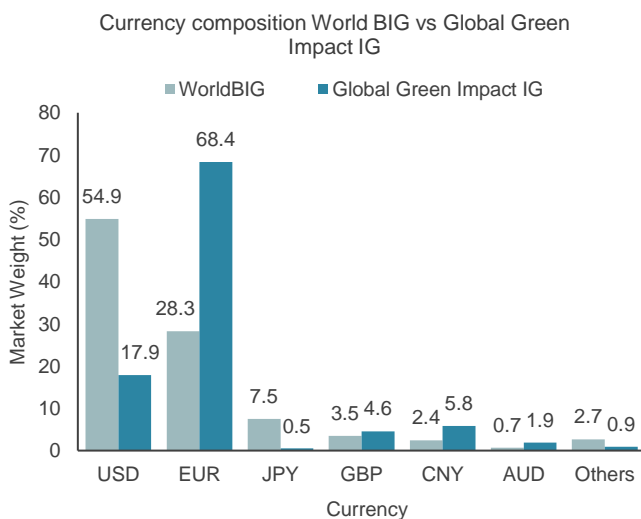
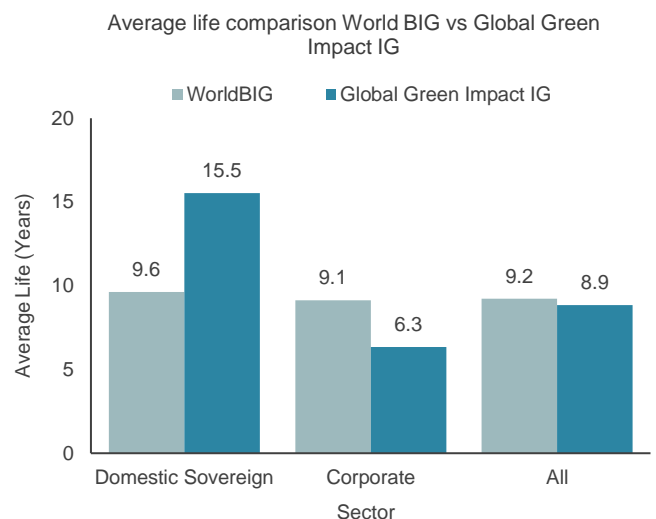


Chart 6: Breakdown of Global Green & World Big indices shows differences in average life for different components. Corporates offset the Sovereign impact in boosting Global Green average life.



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Global Sovereign Bond Returns – 1M and YTD % (EUR & LC, TR) as of May 31, 2023

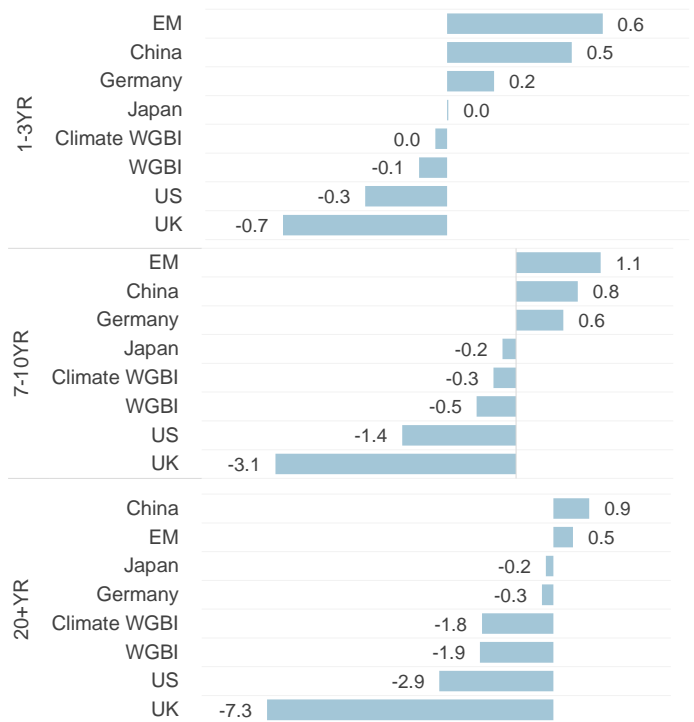
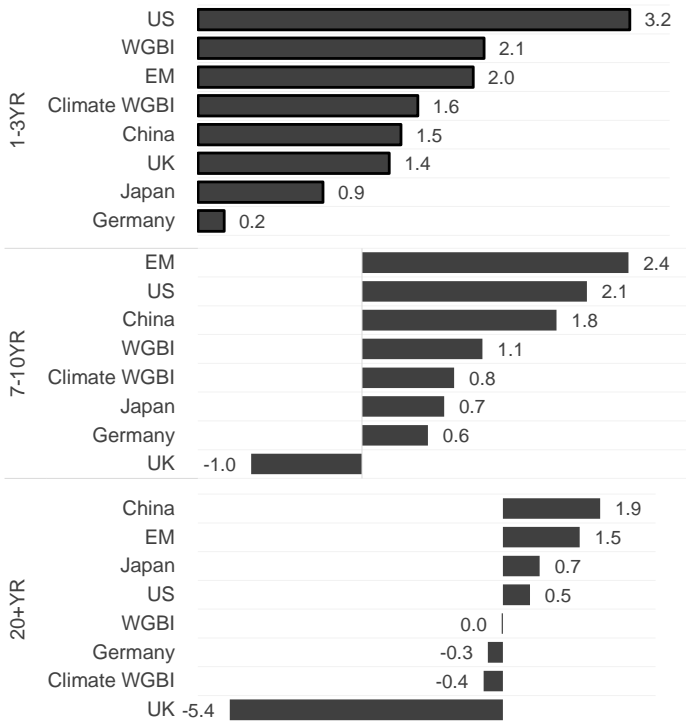
Short and medium dated sovereigns were broadly stable in local currency in May, apart from gilts, but the weaker euro improved overseas returns in euros. Longer gilts were weakest performers, after poor inflation data. EM and China outperformed. Long duration bonds struggled as the prospect of early policy pivots receded, particularly in the UK.

Long gilts lost 5% in May, in euros, as core UK inflation increased to 6.8% y/y, and markets priced in further MPC tightening.

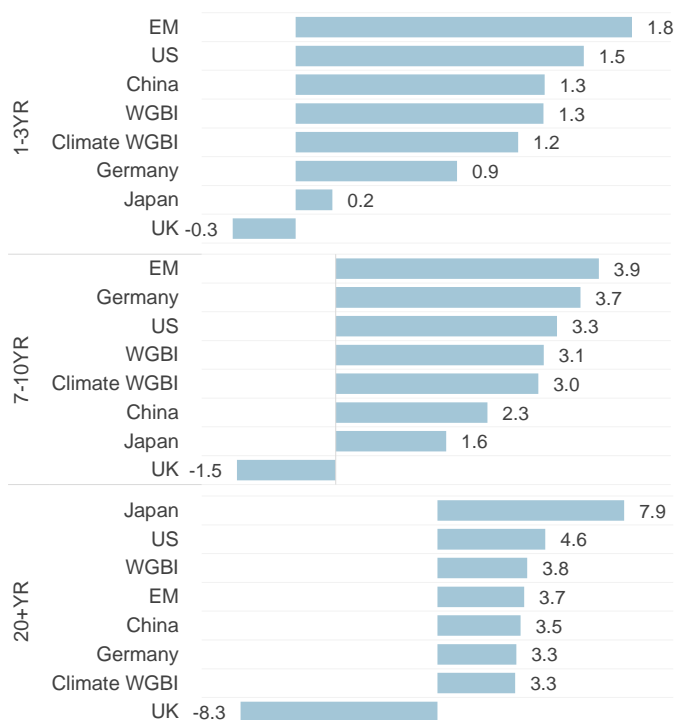
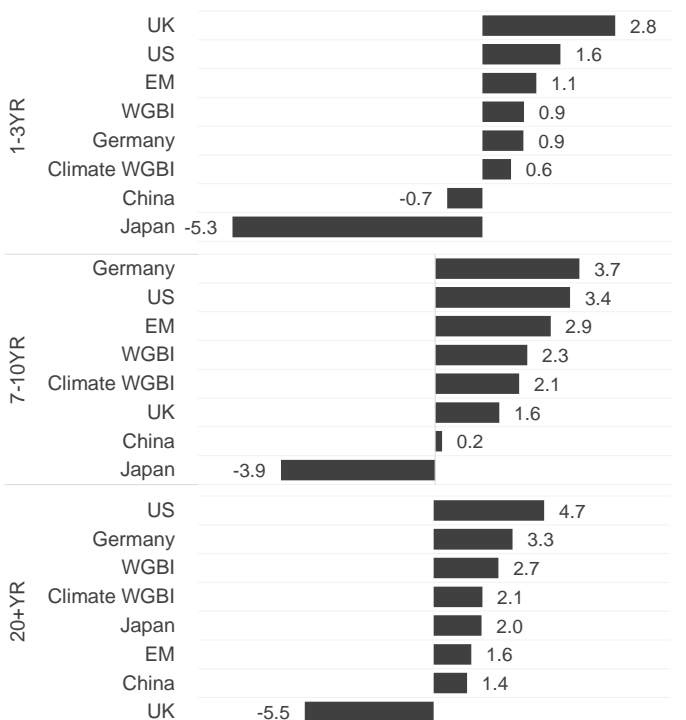
Most YTD returns were positive, with longer Bunds and US up 3-5%, but long gilts lost 6%.

CONVENTIONAL GOVT BONDS

1M EUR 1M LCY



YTD EUR YTD LCY



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Global Inflation-Linked Bond Returns – 1M & YTD % (EUR, LC, TR) as of May 31, 2023

Fears of yet higher rates mostly in the UK, but with some risk in the US, drove returns negative in overseas inflation-linked in local currency in May, led by long UK (down 9%), on poor inflation data. But Eurozone returns were positive across maturities as long Bunds outperformed. US credit fell with US Treasuries, as the Fed kept options open for more tightening.

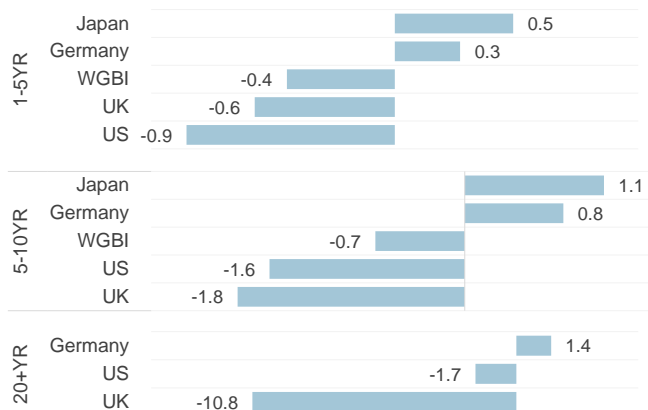
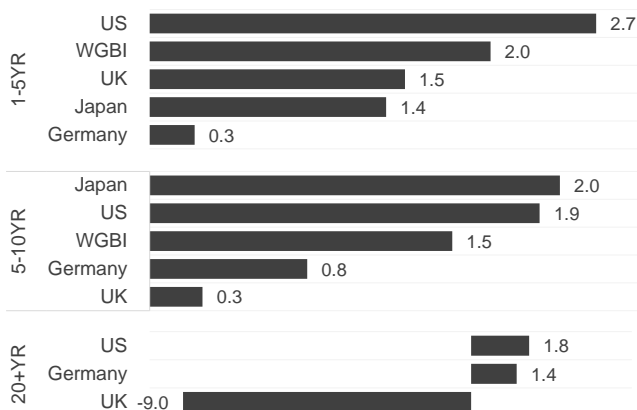
Inflation-linked bonds were mixed in May, as fears of further policy tightening re-emerged, and long duration squeezed returns hard, led by long UK linkers, which have lost 9% YTD in euro terms. JGB IL lost 3-4% YTD, due to yen weakness.

YTD, HY credit remains a stronger performing area in fixed income, with positive returns of 1-3% in US and Euro HY, helped by the recovery in risk appetite, and correlation with the equity market rally. Only EM HY shows (modest) negative returns YTD of 0.2%.

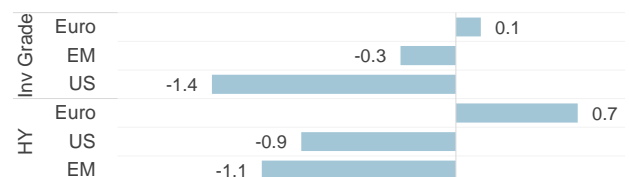
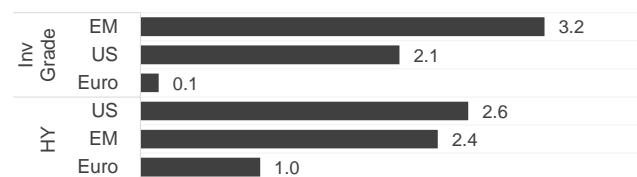
INFLATION LINKED BONDS

1M EUR

1M LCY



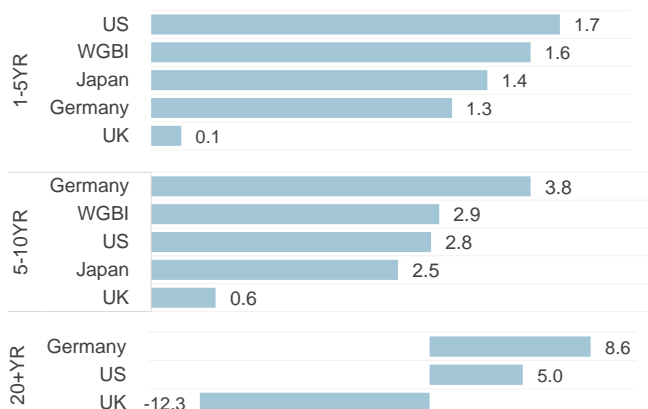
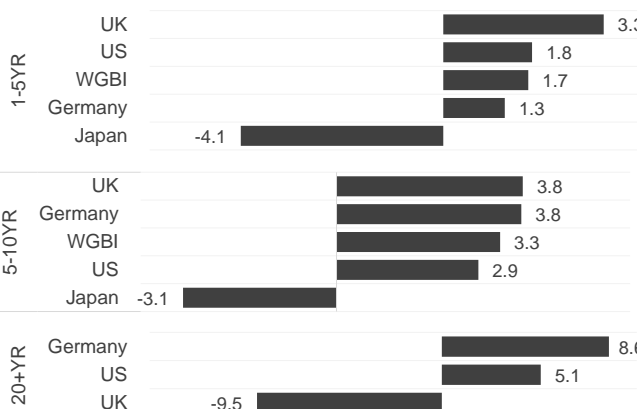
CORPORATE BONDS



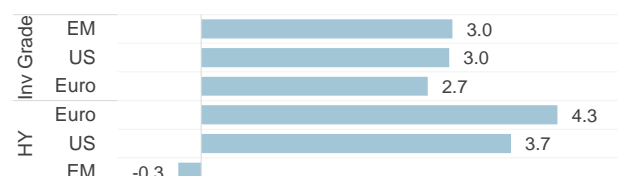
INFLATION LINKED BONDS

YTD EUR

YTD LCY



CORPORATE BONDS



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Top and Bottom Bond Returns – 1M & 12M % (EUR,TR) as of May 31, 2023

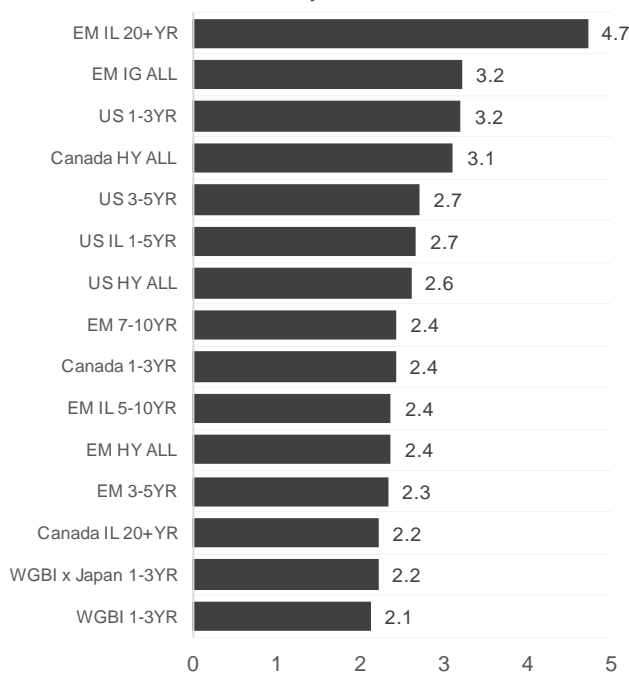
Overall, Canadian HY credit and EM inflation linked showed the best returns in May in euro terms. Long duration bonds underperformed in May and on 12M, with WGBI ex Japan and long UK gilts losing 3-9% in May alone. Nearly all weakest 12M performers were long-dated government bonds, with losses of up to 39%, in euros.

Short to medium maturities were mainly stable in May, except gilts, though euro depreciation improved overseas returns.

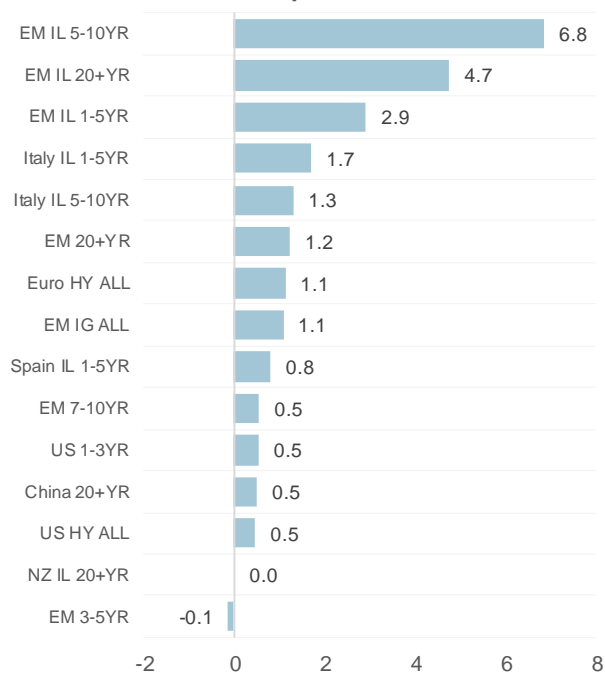
On 12M, long duration in inflation linked (IL) drove sizeable losses in 20+ year maturities, in euro terms, as rates rose, with 12-39% losses in long WGBI, Eurozone, WGBI ex-Japan, and UK IL. EM IL bonds showed positive returns of 2-7%.

1M EUR 12M EUR

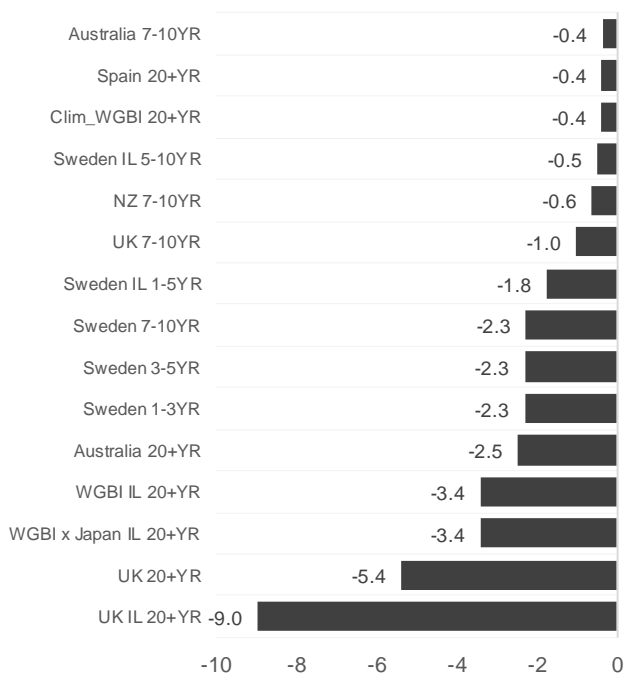
Top 15



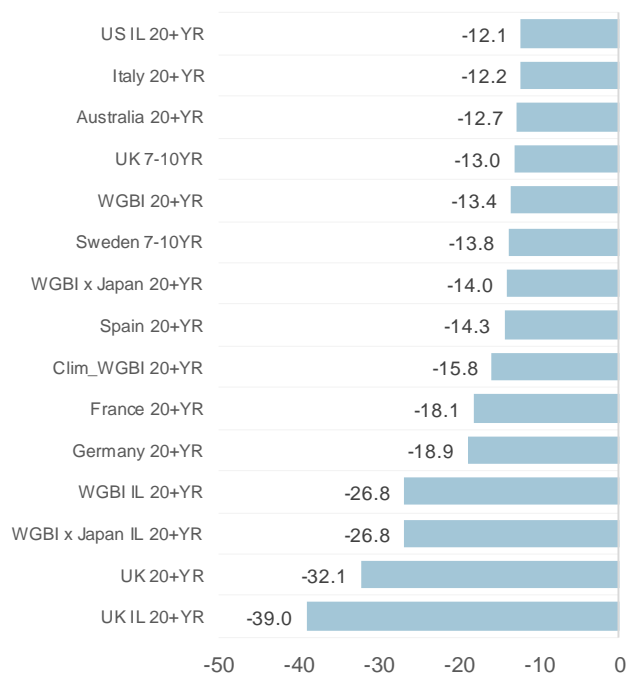
Top 15



Bottom 15



Bottom 15



Source: FTSE Russell. All data as of May 31, 2023. This analysis is taken from 100+ FTSE Russell sub-indices. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of Indices used for each market. For professional investors only.

Appendix – Global Bond Market Returns % (EUR & LC, TR) – May 31, 2023

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	1.52	0.99	1.70	-1.78	1.54	1.65	0.05	0.54
	7-10YR	3.07	2.53	1.80	-1.68	3.30	3.42	-2.88	-2.41
	20+YR	2.15	1.61	1.89	-1.59	4.57	4.69	-9.46	-9.02
	IG All	2.04	1.51	2.50	-1.00	2.98	3.09	-1.57	-1.09
	HY All	1.16	0.63	2.94	-0.58	3.72	3.83	-0.02	0.47
UK	1-3YR	-0.25	1.58	-0.41	0.10	-0.34	2.80	-1.98	-3.14
	7-10YR	-1.78	0.03	-4.87	-4.38	-1.47	1.63	-12.00	-13.04
	20+YR	-6.01	-4.29	-17.00	-16.57	-8.35	-5.47	-31.32	-32.13
EUR	IG All	1.59	1.59	0.83	0.83	2.72	2.72	-2.95	-2.95
	HY All	0.76	0.97	3.51	3.58	4.28	4.63	1.23	1.13
Japan	1-3YR	0.06	-2.96	0.09	-3.46	0.20	-5.27	0.02	-7.46
	7-10YR	1.80	-1.27	0.07	-3.48	1.65	-3.90	-0.34	-7.80
	20+YR	3.56	0.44	5.50	1.76	7.92	2.03	-4.41	-11.56
China	1-3YR	1.13	-1.74	1.54	-1.40	1.33	-0.74	2.62	-3.39
	7-10YR	1.91	-0.98	2.83	-0.15	2.26	0.17	3.68	-2.38
	20+YR	4.00	1.05	5.25	2.21	3.52	1.41	6.74	0.50
EM	1-3YR	1.42	-0.26	2.22	0.23	1.79	1.13	3.75	-0.60
	7-10YR	2.76	1.18	4.65	1.86	3.93	2.93	6.19	0.55
	20+YR	3.30	0.78	5.16	1.52	3.67	1.59	7.30	1.23
	IG All	2.04	1.50	4.21	0.65	3.02	3.13	0.59	1.08
	HY All	-1.64	-2.15	3.15	-0.37	-0.27	-0.17	-1.58	-1.10
Germany	1-3YR	1.30	1.30	0.12	0.12	0.86	0.86	-2.11	-2.11
	7-10YR	3.72	3.72	-1.07	-1.07	3.65	3.65	-6.94	-6.94
	20+YR	4.17	4.17	-10.81	-10.81	3.34	3.34	-18.86	-18.86
Italy	1-3YR	1.46	1.46	0.70	0.70	1.54	1.54	-0.69	-0.69
	7-10YR	3.63	3.63	0.59	0.59	6.05	6.05	-2.76	-2.76
	20+YR	3.04	3.04	-7.08	-7.08	6.80	6.80	-12.19	-12.19
Spain	1-3YR	1.32	1.32	0.23	0.23	1.16	1.16	-2.03	-2.03
	7-10YR	3.33	3.33	-1.26	-1.26	3.76	3.76	-5.58	-5.58
	20+YR	2.43	2.43	-9.54	-9.54	2.57	2.57	-14.31	-14.31
France	1-3YR	1.35	1.35	0.21	0.21	1.23	1.23	-2.27	-2.27
	7-10YR	3.29	3.29	-1.81	-1.81	3.52	3.52	-6.85	-6.85
	20+YR	3.51	3.51	-11.33	-11.33	2.48	2.48	-18.08	-18.08
Sweden	1-3YR	1.21	-3.53	0.28	-5.11	0.85	-3.35	-0.80	-10.39
	7-10YR	3.35	-1.49	-2.40	-7.64	1.41	-2.81	-4.52	-13.76
	20+YR					0.00	0.00	0.00	0.00
Australia	1-3YR	0.94	-3.64	0.75	-5.97	1.11	-3.41	1.35	-8.13
	7-10YR	2.96	-1.71	1.26	-5.50	5.13	0.43	1.63	-7.87
	20+YR	2.37	-2.27	-1.63	-8.19	6.37	1.62	-3.66	-12.67
NZ	1-3YR	1.31	-2.51	1.86	-5.06	2.02	-3.22	1.30	-6.28
	7-10YR	3.44	-0.46	0.88	-5.99	3.30	-2.00	-1.39	-8.77
Canada	1-3YR	0.75	0.38	0.85	-2.86	1.00	0.78	0.19	-6.32
	7-10YR	1.83	1.46	-0.33	-3.99	2.06	1.84	0.62	-5.92
	20+YR	2.17	1.79	-1.28	-4.91	3.80	3.58	-2.44	-8.78

Source: FTSE Russell. All data as of May 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Global Bond Market Returns % (EUR & LC, TR) – May 31, 2023

Inflation-Linked Bond Returns

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-5YR	1.50	0.96	1.32	-2.14	1.70	1.81	-2.10	-1.63
	5-10YR	2.36	1.82	1.28	-2.18	2.79	2.90	-4.17	-3.71
	20+YR	1.30	0.77	0.33	-3.10	4.97	5.08	-12.56	-12.13
UK	1-5YR	0.56	2.41	-0.22	0.30	0.13	3.27	0.50	-0.69
	5-10YR	-0.27	1.56	-2.08	-1.58	0.64	3.81	-6.91	-8.02
	20+YR	-8.63	-6.95	-19.74	-19.33	-12.25	-9.49	-38.25	-38.98
EUxUK	1-5YR	1.02	1.02	-0.54	-0.54	1.25	1.25	-2.71	-2.71
	5-10YR	2.28	2.28	-0.21	-0.21	3.78	3.78	-4.21	-4.21
	20+YR	5.30	5.30	-6.69	-6.69	8.58	8.58	-11.49	-11.49
Japan	1-5YR	0.80	-2.24	1.27	-2.32	1.40	-4.13	2.50	-5.17
	5-10YR	3.23	0.12	1.32	-2.26	2.46	-3.13	3.04	-4.66
EM	1-5YR	-0.84	-1.24	4.79	2.33	3.86	5.33	11.02	2.92
	5-10YR	0.53	0.57	5.46	3.95	3.80	6.24	12.64	6.84
	20+YR	7.83	9.14	6.81	6.89	6.88	10.82	8.39	4.75
Germany	1-5YR	1.02	1.02	-0.54	-0.54	1.25	1.25	-2.71	-2.71
	5-10YR	2.28	2.28	-0.21	-0.21	3.78	3.78	-4.21	-4.21
	20+YR	5.30	5.30	-6.69	-6.69	8.58	8.58	-11.49	-11.49
Italy	1-5YR	1.20	1.20	0.64	0.64	1.91	1.91	1.70	1.70
	5-10YR	2.40	2.40	1.27	1.27	5.93	5.93	1.30	1.30
	20+YR	4.65	4.65	-8.42	-8.42	13.09	13.09	-3.91	-3.91
Spain	1-5YR	1.04	1.04	0.81	0.81	1.67	1.67	0.81	0.81
	5-10YR	1.89	1.89	-0.14	-0.14	3.39	3.39	-1.49	-1.49
France	1-5YR	1.11	1.11	-0.28	-0.28	1.48	1.48	-2.37	-2.37
	5-10YR	2.30	2.30	-0.86	-0.86	3.84	3.84	-3.93	-3.93
	20+YR	5.62	5.62	-8.32	-8.32	7.32	7.32	-10.50	-10.50
Sweden	1-5YR	0.61	-4.11	1.28	-4.16	1.25	-2.96	2.74	-7.20
	5-10YR	1.92	-2.85	-1.01	-6.33	2.05	-2.19	-2.29	-11.74
Australia	1-5YR	2.38	-2.26	3.44	-3.46	4.04	-0.61	5.97	-3.94
	5-10YR	3.89	-0.82	4.57	-2.40	6.96	2.18	6.72	-3.26
	20+YR	6.82	1.97	0.61	-6.10	11.16	6.19	3.57	-6.12
NZ	5-10YR	3.86	-0.05	5.61	-1.58	5.49	0.08	6.16	-1.78
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	0.51	0.14	-1.17	-4.80	-0.51	-0.72	-0.35	-6.82

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Appendix – Historical Bond Yields % as of May 31, 2023

Global Bond Yields

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 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	4.61	3.92	3.65	3.94	2.08	1.52	1.68	5.43	8.86
	3M Ago	4.90	4.34	3.93	4.01	1.82	1.57	1.65	5.55	8.62
	6M Ago	4.47	3.97	3.64	3.95	1.76	1.40	1.59	5.38	8.81
	12M Ago	2.44	2.80	2.84	3.21	-0.87	0.08	0.81	4.25	7.09
UK	Current	4.55	4.33	4.10	4.45	1.18	0.54	1.06		
	3M Ago	3.95	3.79	3.72	4.07	0.45	0.18	0.67		
	6M Ago	3.36	3.26	3.20	3.39	-1.95	-0.58	0.10		
	12M Ago	1.64	1.85	2.14	2.46	-3.51	-2.20	-1.05		
Japan	Current	-0.08	0.01	0.33	1.22	-1.51	-0.77			
	3M Ago	-0.04	0.11	0.53	1.35	-1.25	-0.36			
	6M Ago	-0.04	0.05	0.28	1.40	-1.44	-0.76			
	12M Ago	-0.07	-0.04	0.22	1.00	-1.46	-0.88			
China	Current	2.13	2.36	2.70	3.14					
	3M Ago	2.38	2.62	2.86	3.32					
	6M Ago	2.26	2.54	2.87	3.34					
	12M Ago	2.13	2.48	2.83	3.34					
EM	Current	3.74	4.16	4.62	4.44	4.34	4.24	5.00	5.78	12.12
	3M Ago	3.71	4.48	4.88	4.57	1.46	3.33	5.35	5.95	10.85
	6M Ago	3.72	4.51	4.89	4.89	2.45	3.14	5.10	6.08	12.18
	12M Ago	3.48	4.43	5.08	4.93	2.29	2.94	5.02	4.60	10.77
Germany	Current	2.71	2.30	2.20	2.40	0.37	-0.04	-0.13		
	3M Ago	3.09	2.78	2.59	2.57	0.22	0.08	0.03		
	6M Ago	2.04	1.95	1.91	1.81	-0.59	-0.41	-0.54		
	12M Ago	0.32	1.25	1.54	1.81	-1.46	-0.84	-0.50		
Italy	Current	3.35	3.42	3.89	4.43	1.11	1.62	1.80		
	3M Ago	3.65	3.81	4.18	4.55	0.84	1.69	1.90		
	6M Ago	2.73	3.09	3.59	3.86	0.12	1.32	1.35		
	12M Ago	1.10	2.06	2.99	3.58	-2.21	0.64	1.44		
France	Current	2.83	2.63	2.68	3.24	0.22	0.20	0.53		
	3M Ago	3.18	3.03	3.01	3.37	-0.05	0.24	0.69		
	6M Ago	2.25	2.19	2.27	2.59	-0.94	-0.39	0.09		
	12M Ago	0.46	1.10	1.67	2.49	-3.03	-0.93	0.26		
Sweden	Current	2.97	2.62	2.31		0.74	0.55			
	3M Ago	3.18	2.96	2.65		0.64	0.72			
	6M Ago	2.52	2.21	1.93		-0.29	-0.26			
	12M Ago	1.17	1.69	1.57		-1.53	-1.31			
Australia	Current	3.51	3.38	3.58	4.12	0.42	1.03	1.59		
	3M Ago	3.66	3.65	3.83	4.19	0.50	1.26	1.78		
	6M Ago	3.12	3.22	3.49	3.92	-0.08	0.90	1.43		
	12M Ago	2.69	3.31	3.52	3.77	-0.27	0.91	1.70		
NZ	Current	5.08	4.35	4.28	4.46	1.23	1.85			
	3M Ago	5.06	4.68	4.57	4.67	1.40	2.07			
	6M Ago	4.67	4.39	4.12	4.28	1.49	1.97			
	12M Ago	3.41	3.53	3.60	3.84	0.46	1.42			
Canada	Current	4.04		3.22	3.18			1.44	5.24	7.61
	3M Ago	4.04		3.35	3.26			1.34	5.16	7.19
	6M Ago	3.70		2.96	3.02			1.20	5.07	7.37
	12M Ago	2.65		2.88	2.90			0.91	4.44	6.43

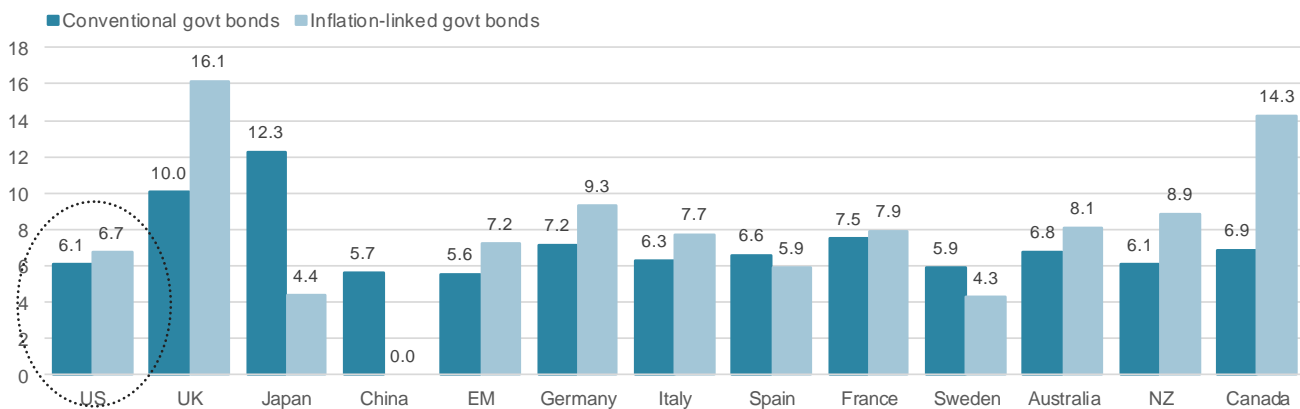
Source: FTSE Russell. All data as of May 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Duration and Market Value (USD, Bn) as of May 31, 2023

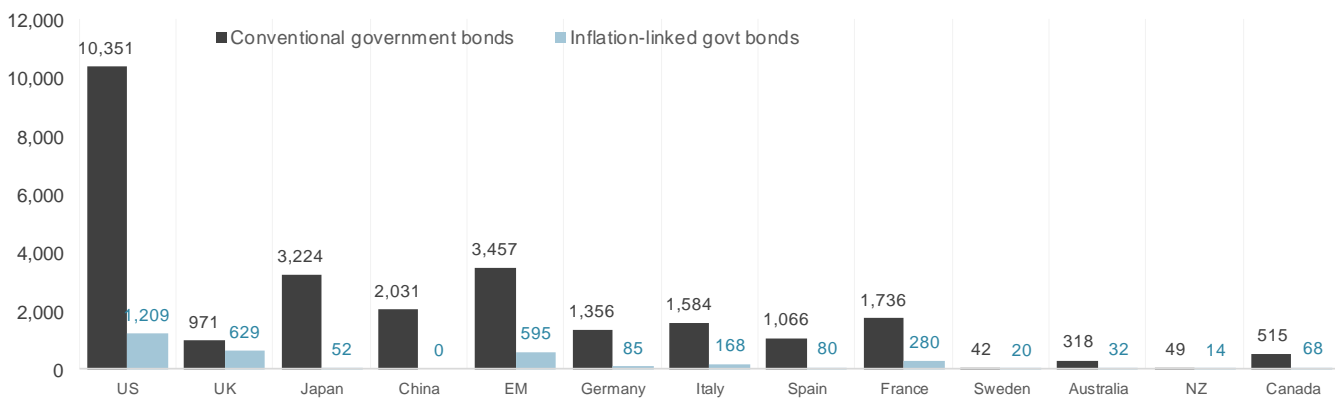
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.5	17.5	6.1	2,270.3	1,104.8	1,295.2	10,351.4	7.1	21.7	6.7	389.2	123.7	1208.8
UK	3.6	7.5	18.4	10.0	130.1	142.8	274.7	971.0	6.7	28.1	16.1	125.9	230.5	629.2
Japan	3.9	8.0	24.0	12.3	354.9	376.7	719.0	3,224.0	7.3		4.4	18.7		51.6
China	3.6	7.4	17.6	5.7	449.7	342.9	239.1	2,030.8						
EM	3.5	6.9	15.9	5.6	717.89	629.60	334.03	3,456.5	5.5	13.8	7.2	122.3	151.4	595.4
Germany	3.9	7.7	20.5	7.2	285.71	211.86	148.47	1,356.1	7.4	22.1	9.3	40.8	19.0	84.7
Italy	3.7	7.3	16.3	6.3	297.46	234.51	143.75	1,584.4	6.5	26.6	7.7	57.2	5.4	167.7
Spain	3.5	7.3	17.3	6.6	207.38	186.52	101.46	1,066.2	7.0		5.9	22.2		79.6
France	3.7	7.5	20.3	7.5	287.84	342.44	207.96	1,735.9	6.9	24.6	7.9	100.1	20.7	279.6
Sweden	3.3	7.9		5.9	7.34	8.73		41.8	6.0		4.3	9.5		20.4
Australia	3.6	7.7	17.8	6.8	41.13	101.68	15.27	317.6	7.3	22.7	8.1	9.5	2.7	32.4
NZ	3.3	7.5	17.6	6.1	8.95	12.57	2.32	48.6	6.5		8.9	3.1		13.7
Canada		7.1	16.4	6.9		162.00	110.70	515.4		14.3	14.3		67.7	67.7

	Investment grade bonds					High Yield						
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	11.0	8.5	7.2	6.7	7.1	74.1	448.0	2,487.3	3,322.3	6,331.7	4.0	1,140.6
Euro	6.1	5.0	4.6	4.3	4.5	10.2	178.6	1,098.3	1,428.7	2,715.8	3.1	410.4
EM		5.8	4.9	5.0	5.0		45.14	226.34	335.7	607.2	3.3	191.1

Average Duration



Total Market Value (USD Billions)

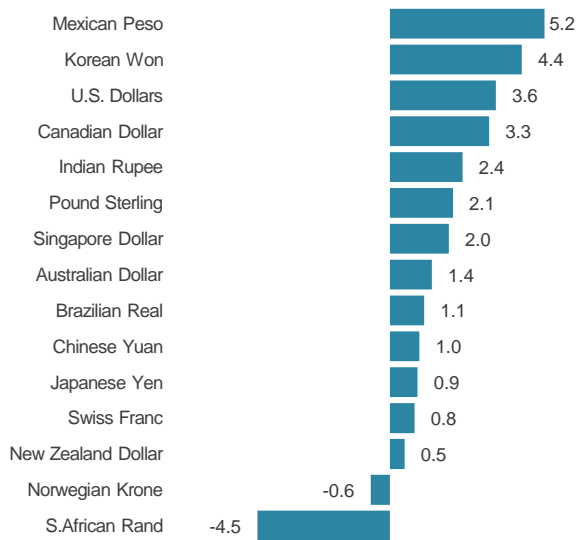


Data as of 2023-05-31

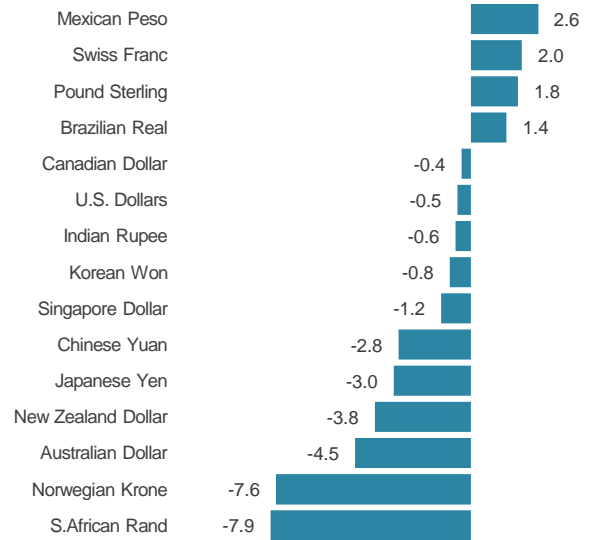
Source: FTSE Russell. All data as of May 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Foreign Exchange Returns % as of May 31, 2023

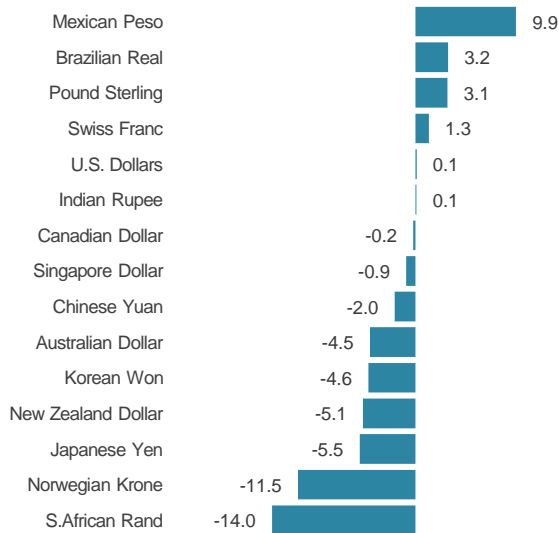
FX Moves vs EUR – 1M



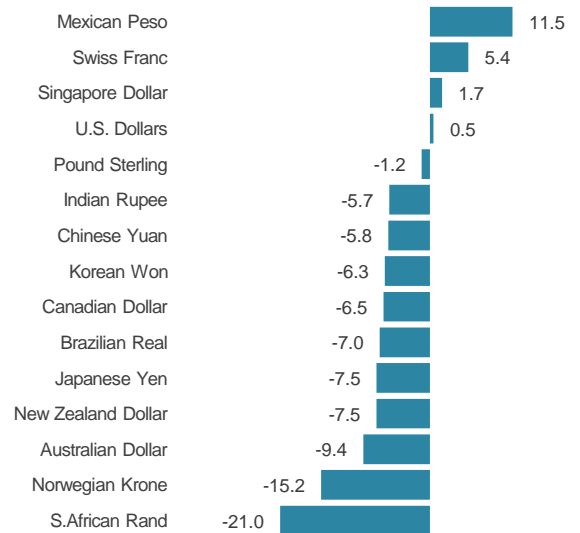
FX Moves vs EUR – 3M



FX Moves vs EUR – YTD



FX Moves vs EUR – 12M



Source: FTSE Russell and Refinitiv. All data as of May 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

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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