Fixed Income Insights

MONTHLY REPORT – **MARCH 2024 | EUROZONE EDITION** FOR PROFESSIONAL INVESTORS ONLY

Euro high yield remains resilient, despite economic woes and higher Bund yields

Despite G7 goods disinflation, and flat Eurozone growth, long govt yields backed up in February, after ECB caution on rates. Equity market outperformance helped drive further credit gains, led by Euro high yield, as the risk rally continued and similarities with Goldilocks increase. China and EM remain govt.bond safe havens.

Macro and policy backdrop – Goods inflation falls sharply but easing awaits lower services inflation
Robust Eurozone services inflation, helped by near full employment, caused the ECB to rule out an early pivot. (pages 2-3)

Yields, curves and spreads – Bear inversion continued in February
Yields backed up further in February as markets re-priced central bank easing. China and EM spreads tightened. (pages 4-5)

Investment grade credit and MBS analysis – Higher rates keep Eurozone mortgage returns below pre-covid levels
Euro mortgage bond returns remained well below par and pre-covid levels, despite a recovery since Oct 2022. (page 6)

High yield credit analysis – Sharp fall in Euro HY CCC duration helped protect Euro HY returns
Euro high yield duration has fallen sharply since the ECB tightening began in July 2022, led by CCCs. (page 7)

Sovereign and climate bonds – Green sovereigns underperformed in February due to extra duration
The extra duration in green sovereigns caused underperformance, while Green corporates were more stable. (page 8)

Performance – China, EM and credit outperform again, with Euro high yield credit among top performers
February was another tough month for G7 longs, while Chinese and EM showed their defensive qualities. (pages 9-11)

Appendix (from page 12)
Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

Chart 1: Yields backed up in February, driven by both real yield and breakeven inflation. In Japan, breakeven inflation is now negative.

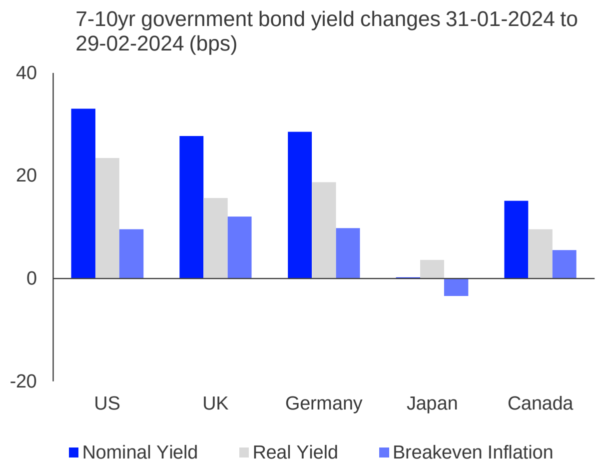
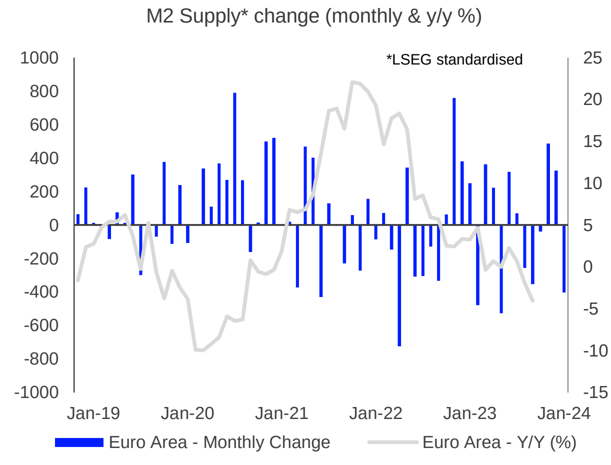


Chart 2: Financial conditions have continued to tighten, as y/y money supply continues to fall and return to pre-Covid levels, after the ECB leaves rates unchanged and cautions on an early pivot.



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

The IMF downgraded real growth forecasts for the Eurozone in 2024, contrasting with an upgrade for the US. Eurozone services inflation remains sticky but headline inflation is now in the 2% range. Nonetheless, with the labour market still near full employment, there is less pressure on the ECB to ease policy immediately. Eurozone's goods inflation has fallen sharply, in line with the global pattern and weaker demand for goods, unlike stickier services inflation.

Chart 1 shows the IMF downgraded real growth forecasts for the Eurozone and Canada to 0.9% and 1.4% respectively in 2024. While the Eurozone growth represents a small upgrade from the 0.5% y/y growth rate in 2023, the region is expected to be among the slowest to recover from Covid and the Ukraine shocks, after the UK. By contrast, growth forecasts were upgraded in the US and China, the latter helped by policy easing, but weaker net trade and property remain major headwinds for Chinese growth.

Chart 2 shows headline inflation y/y is continuing to ease, or stay unchanged, in most of G7 economies, with the slower decline in Q1 partly explained by less favourable y/y base effects (excluding the UK), after steep falls in inflation in Q1 2023, but also sticky services inflation (see Chart 4).

Despite weaker economic growth, Eurozone unemployment has stayed at an historical low of 6.4%, with most G7 economies, also experiencing tight labour markets. Employment growth in Europe has been supported by above inflation wage growth (see Chart 3), although this appears to be easing, and steady labour supply, especially from women and older workers.

Europe's goods inflation has collapsed since 2022, and returned to pre-Covid levels, as demand switched to services and manufacturing activity contracted, with related declines in industrial production, investment, and international trade in goods. As a result, services inflation has remained relatively high at 4%, and close to its peak of 5.5%, despite easing (Chart 4), helped by near full employment (see Chart 3).

Chart 1: The IMF downgraded Canada and Eurozone real growth forecasts for 2024, reflecting restrictive monetary policies and the withdrawal of fiscal support. The US and China saw upgrades.

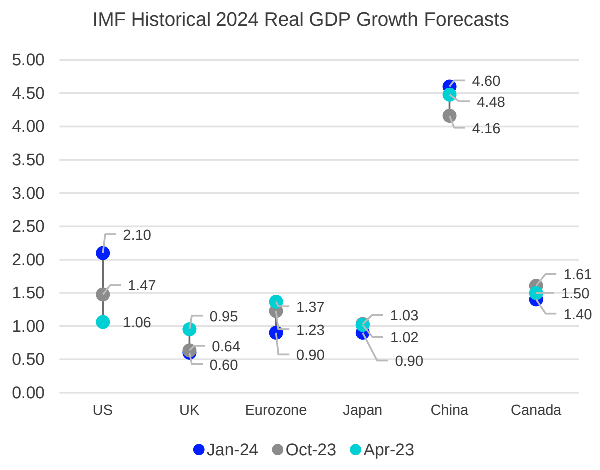


Chart 2: G7 Inflation either fell, or stayed unchanged, in January, despite central banks' persistence that it is too early to pivot. The tight labour market is a concern, even if Eurozone's CPI fell to 2.8% y/y.

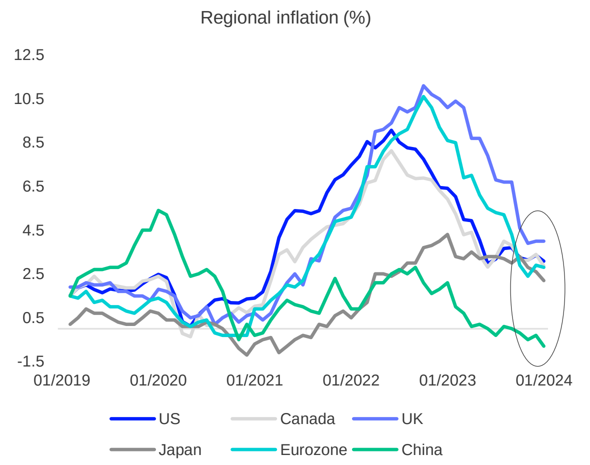


Chart 3: Sticky service sector inflation, low Eurozone unemployment (6.4%) and positive real wage growth are key reasons restricting the ECB from easing policy early, despite flat GDP growth in Q4.

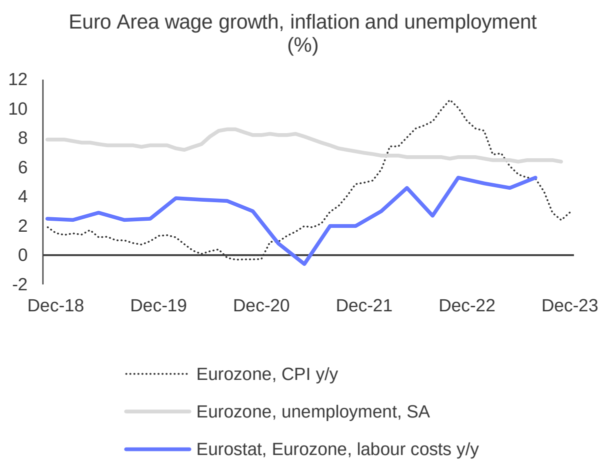
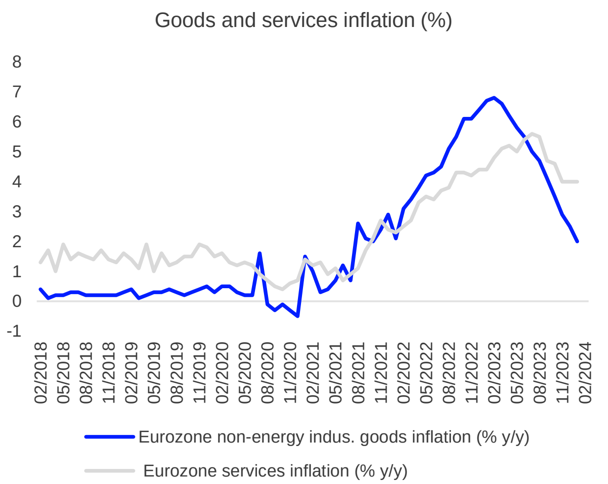


Chart 4: Eurozone services inflation has remained robust, at 4%, helped by near full employment, in contrast with the sharp drop in goods inflation since 2022, though both have declined from 2022-23 peaks.



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Financial Conditions and Monetary Policy Settings

Central banks remain cautious on the pace of easing in monetary policy in the G7 in 2024-25, unless a deflationary shock intrudes (like the GFC or Covid). G7 economies have generally withstood the 2023-24 policy tightening, aided by robust labour markets and financial systems, though the growth differential in favour of the US has widened.

Chart 1 shows the profile of G7 easing cycles since 2000, and how rapid, and substantial the easing cycles in response to the deflationary shocks of the GFC and Covid proved to be. In contrast, the easing, following the TMT boom/bust lasted 29 months for the Fed, between the first rate cut and the last*. The G7 slowdown in 2023-24 has more similarities with the TMT boom/bust, suggesting a flatter profile for interest rate easing in 2024-25, barring another deflationary shock.

Chart 2 shows that after the strong rally in January, the US dollar lost some momentum in February, after investors paused, waiting for further clues on the timing of a Fed pivot. The Japanese yen remained near its multi-decades low of Y150, under pressure from the carry trade, and expectation of rates remaining near zero for some time.

Central banks remained on hold, even if growth is very weak in Europe and inflation close to the ECB's 2% target. The combined effects of the post pandemic shift in consumption back towards services and strong labour markets reduce the likelihood of early pivots, though there is a stronger case in the Eurozone, where growth is flat and/ or contracting (i.e. Germany) compared to the US, where growth remains buoyant (Chart 3).

G7 balance sheets have steadily declined as central banks withdraw liquidity via quantitative tightening (Chart 4). The total size of the ECB's balance sheet decreased by €24 billion to €674 billion as a result, following the gradual fall in the asset purchase programme, APP, holdings (Chart 4). The equilibrium size of central bank balance sheets remains an underlying issue.

Chart 1: G7 easing cycles typically lasted 2-3 years, before the rapid easing after the GFC and Covid shocks. The economic slowdown in 2023-24, which the US has largely escaped, also points to a drawn out easing cycle.

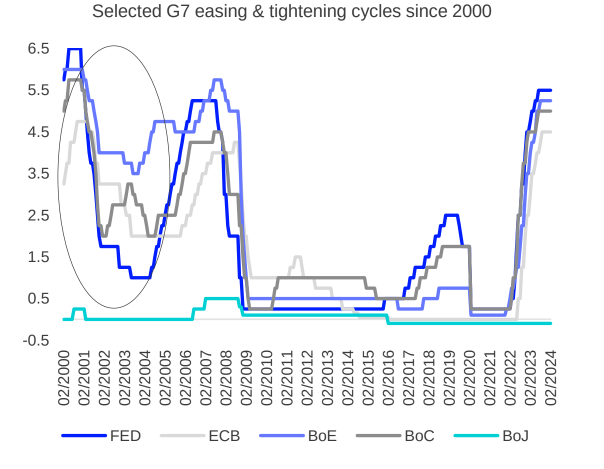


Chart 2: The rally in the US dollar seen since January paused mid way in February as economic data suggested a modest cooling. The yen continued to be under pressure from the carry trade.

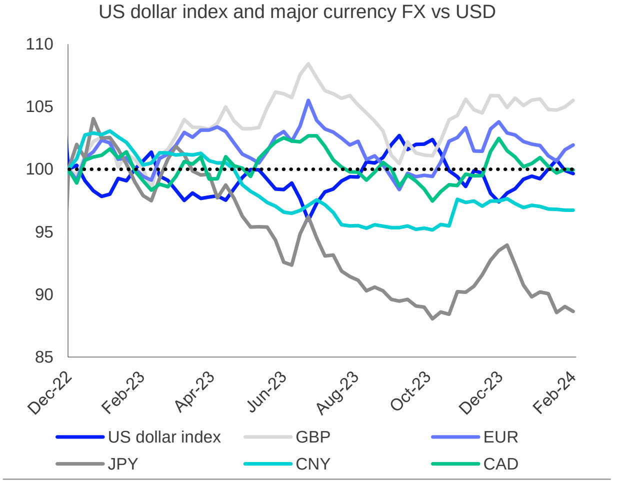


Chart 3: The BoE followed in the footsteps of other central banks by leaving policy rates unchanged at 5.25% in February. Central banks continued to caution on early pivots but did not mention rate rises.

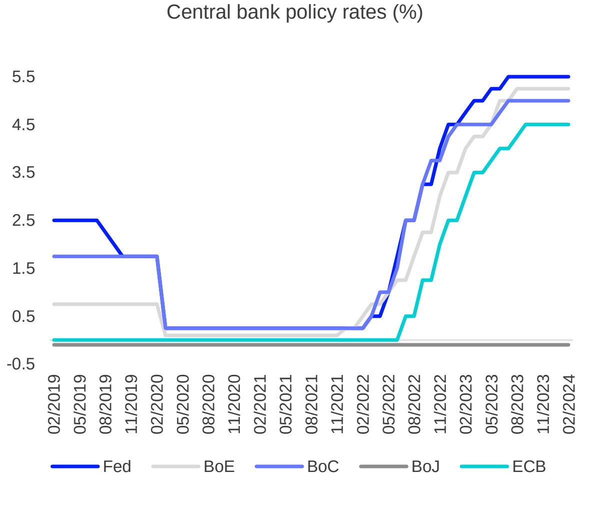
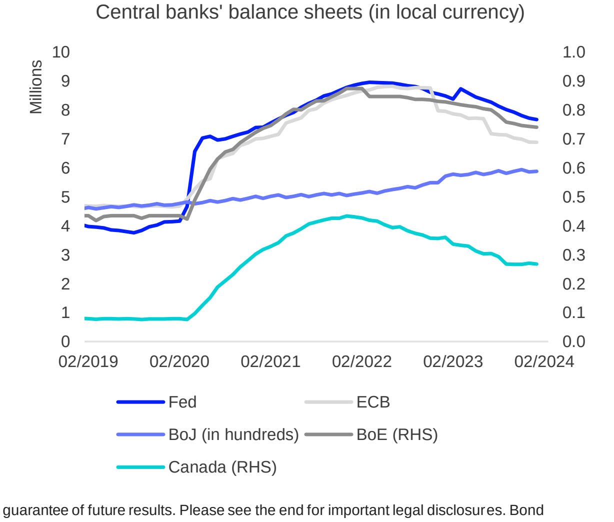


Chart 4: Central banks' balance sheets are steadily declining (exc.Japan) as central banks do not re-invest asset maturities. The ECB's balance sheet also fell because of reduced TLTRO lending operations.



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Global Yields, Curves and Spread Analysis

Chart 1: Yields continued to back up in February as markets scaled back central bank easing prospects, led by the US Fed. Spreads moved were relatively modest in Japan, due to the BoJ curve control and lower inflation.

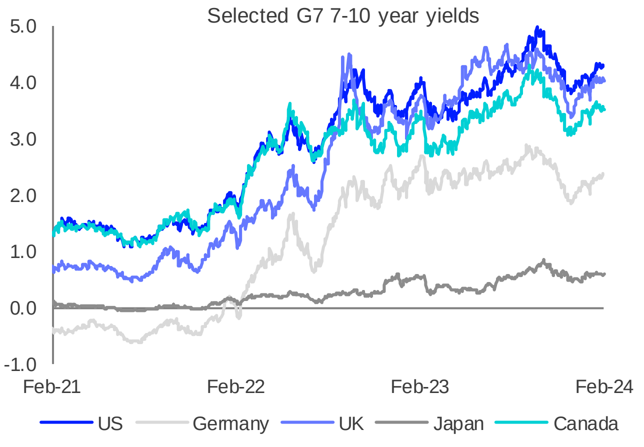


Chart 2: 7-10yr real yields broadly tracked nominal yields higher, though most remain below the cycle highs in 2023, except German inflation linked bonds, which remained on the high side after ECB ruled out an early pivot.

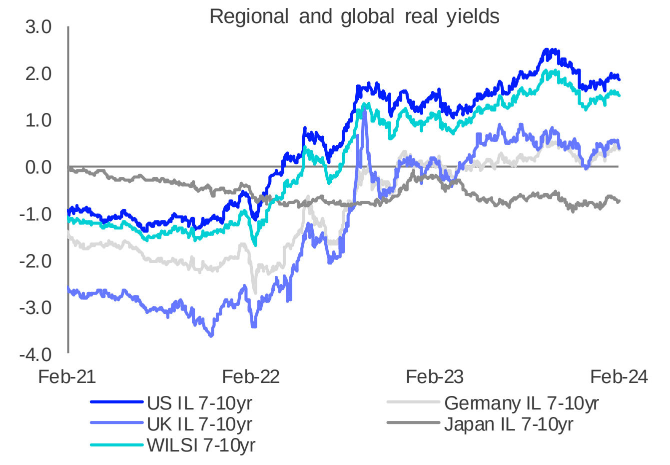


Chart 3: Yield curves remain deeply inverted as both short and medium dated yields backed up in February. The bear inversion in Q1 partially reversed the bull steepening of curves in the Q4 rally.

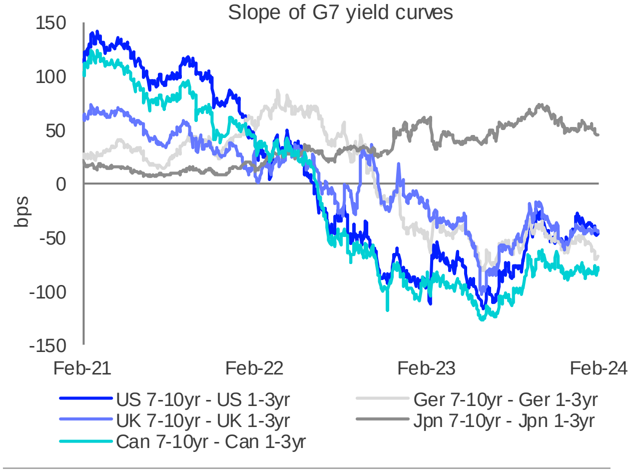


Chart 4: The long end has resumed the bear inversion pattern that dominated 2022-23. Despite flattening in Q1, the long UK curve now has a positive gradient, while the Canadian curve remains the most inverted.

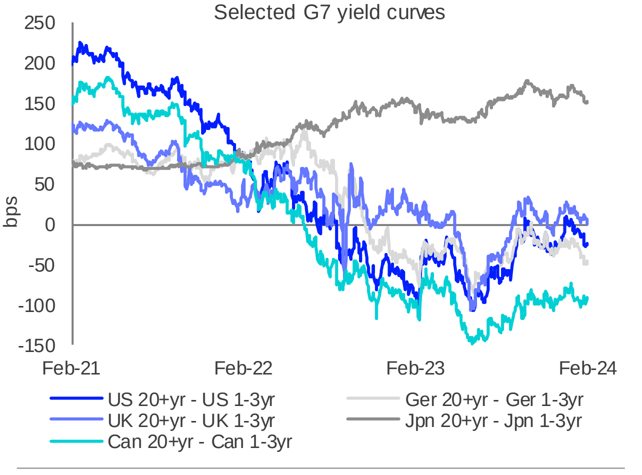


Chart 5: Inflation breakevens were modestly higher in February (US), or flat (Germany), or lower (Japan). The moves reflects modest falls in inflation. Strong growth in the US has ruled out the possibility of an early pivot.

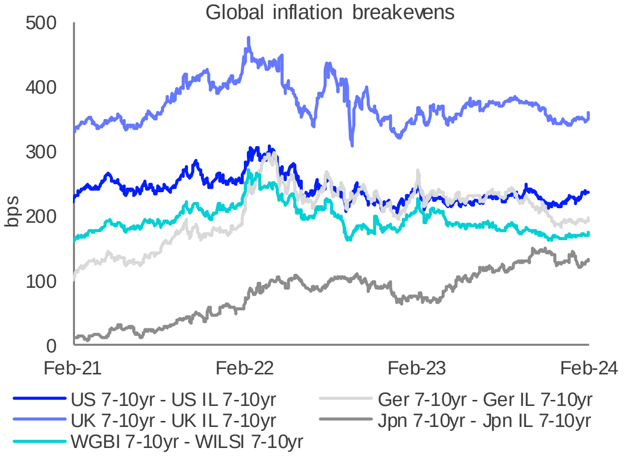
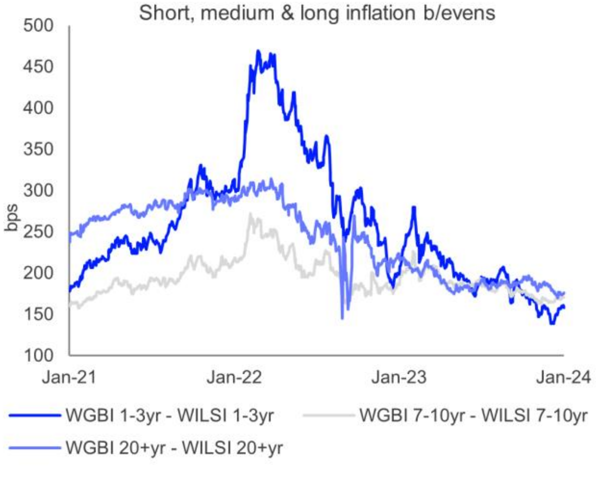


Chart 6: Globally, short dated breakevens are closely correlated with spot inflation, rising sharply in 2022 before collapsing in 2023, as inflation rates fell. Longer dated breakevens remain stable, under 2%.



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Yield Spread and Credit Spread Analysis

Chart 1: US sovereign spreads widened a little further in February, reflecting stronger US economic growth, and Fed caution on policy easing. Spreads moved most versus Japan, due to BoJ curve control.

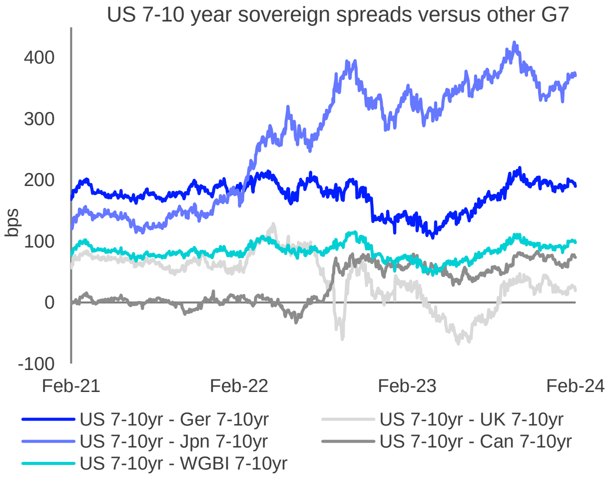

Chart 2: Italian spreads have bucked the trend and narrowed vs peers, whose yields have backed up since January, helped by a below 1% inflation and the risk-on rally.

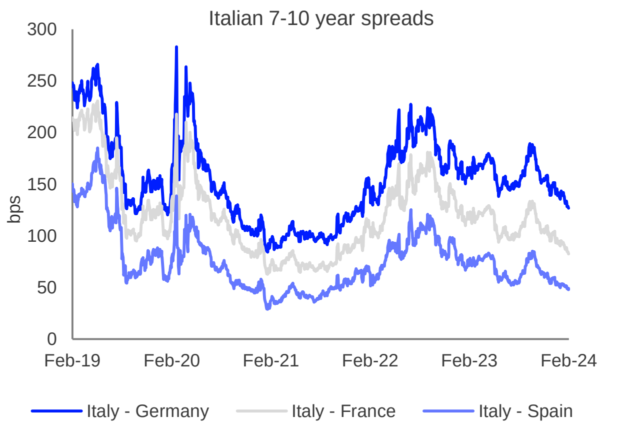

Chart 3: 10/2s Asian yield curves have stabilised close to their pre-covid levels, as short and medium-term yields rose in February, but remained positive, contrasting the deeply negative US curve.

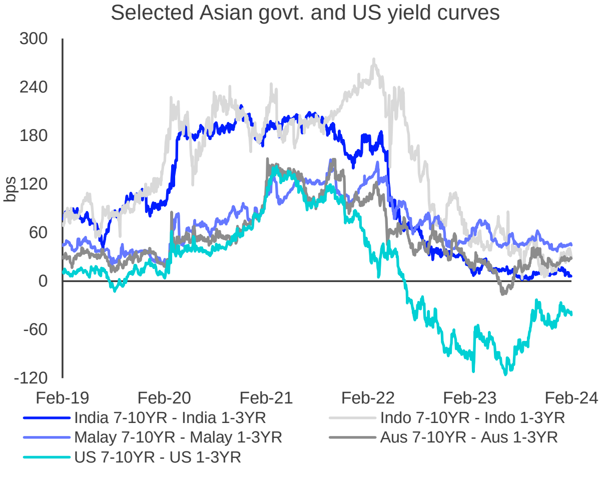

Chart 4: EM spreads tightened in February, driven by the combination of Chinese yields falling further and the back-up in G7 yields. EM spreads versus JGBs have been more stable, due to the Japan's YCC.

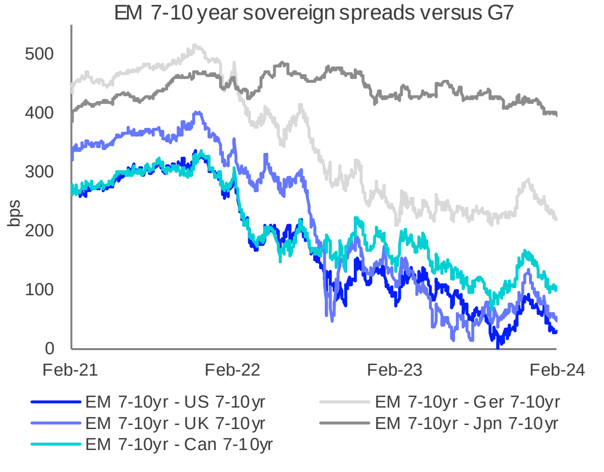

Chart 5: With the PBoC easing monetary policy further, but G7 central banks firmly on hold, spreads in 7-10 years fell again in February. Chinese govt bond yield correlation remains strongly negative with the G7.

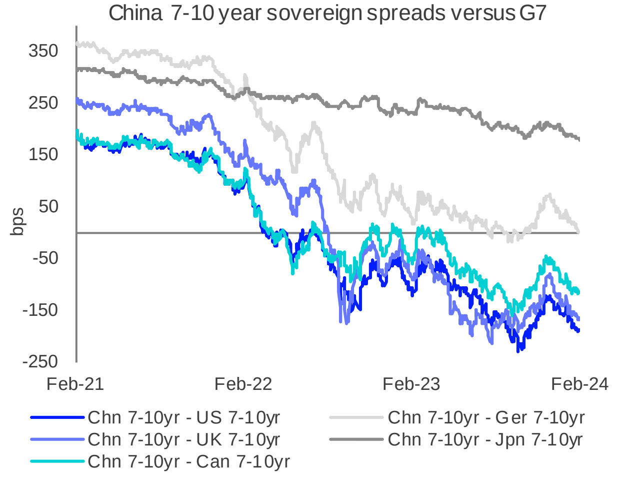

Chart 6: Both US and Chinese $ HY spreads fell in February, as US Treasury yields rose. Chinese property bonds benefited from the PBoC's LPR cut of 25bps to 3.95% aimed at turning around the property sector.

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Credit sector and MBS analysis

Chart 1: Eurozone IG spreads continued to tighten in February, extending several months of spread narrowing. The Ukraine shock effect on Eurozone insurance spreads has largely unwound.

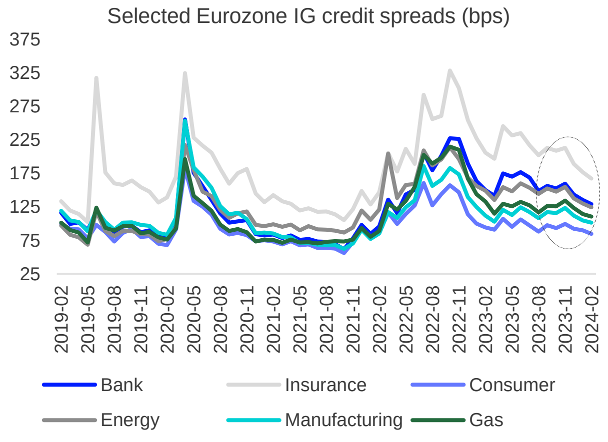


Chart 2: Insurance spreads have had the biggest moves but have normalised since the 2022 spike on the Ukraine shock. Manufacturing spreads have tightened the most, despite the economic slowdown.

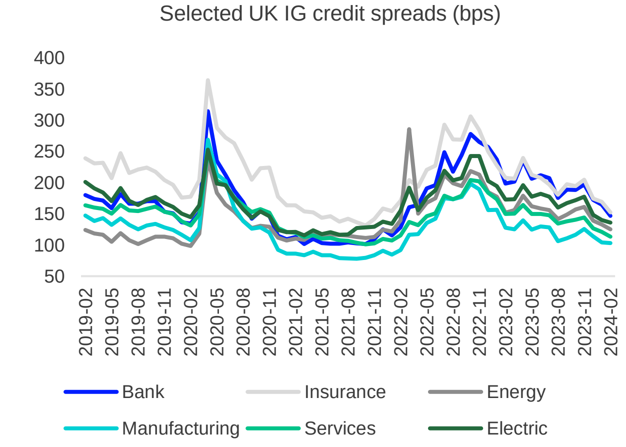


Chart 3: Most US sector spreads were stable in February. Energy sector spreads have been the most volatile since Covid, after a sharp spike in 2020, and have fallen to post-Covid lows, helped by higher oil prices.

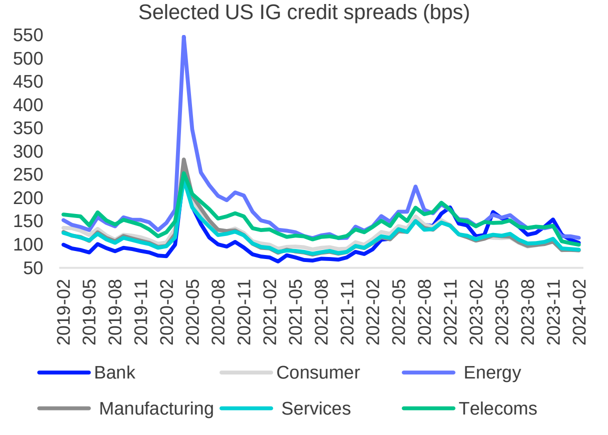


Chart 4: After spread widening post-Covid, driven by office vacancies, Lockdowns, and higher rates, real estate spreads narrowed as investors anticipate Fed easing. Financials have also benefitted from no recession.

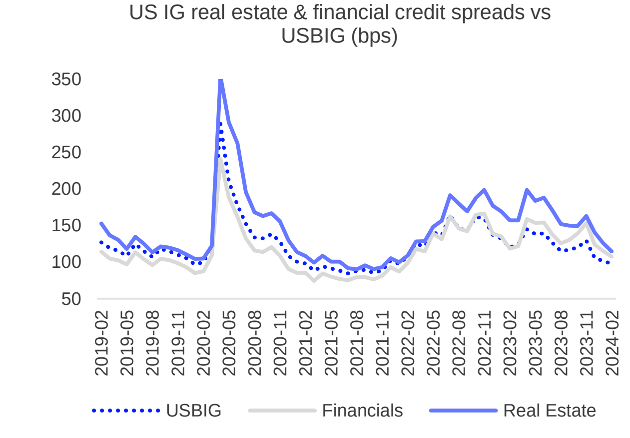


Chart 5: Eurozone mortgage bond performance fell sharply during Covid, and despite recovering since Q4 2022, performance has remained far from its pre-covid peaks, as demand for new mortgages waned on higher rates.

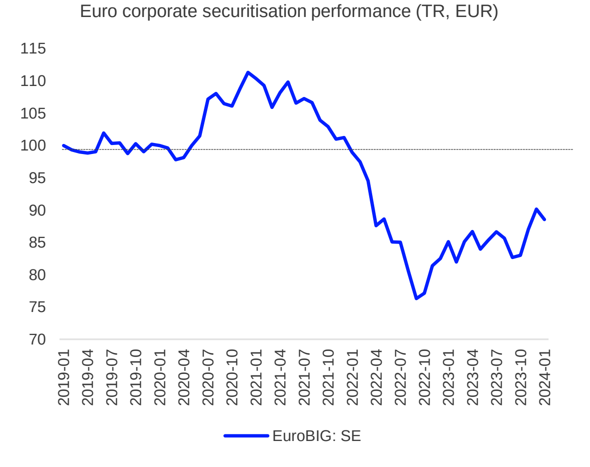
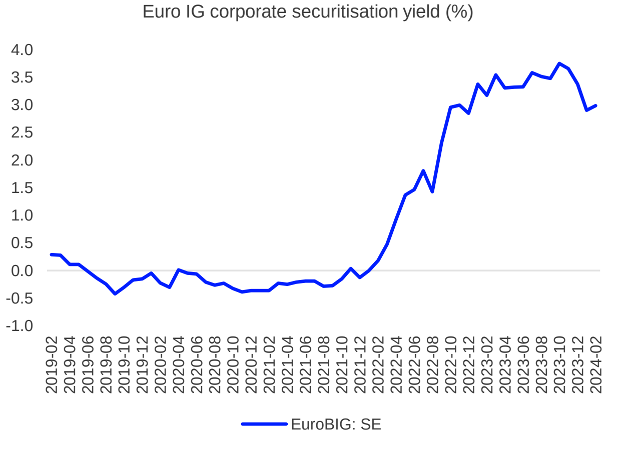


Chart 6: Eurozone corporate securitised bond yields have risen sharply from sub-zero levels to about 3.5% since 2022, and after peaking in 2023, they tracked the wider bond market rally in Q4 and fell.



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High Yield Credit Analysis

Chart 1: US and Euro high yield (HY) spreads continued to tighten, helped by the risk rally and correlation with equities. Investment grade spreads have also narrowed in 2023, but more modestly than HY.

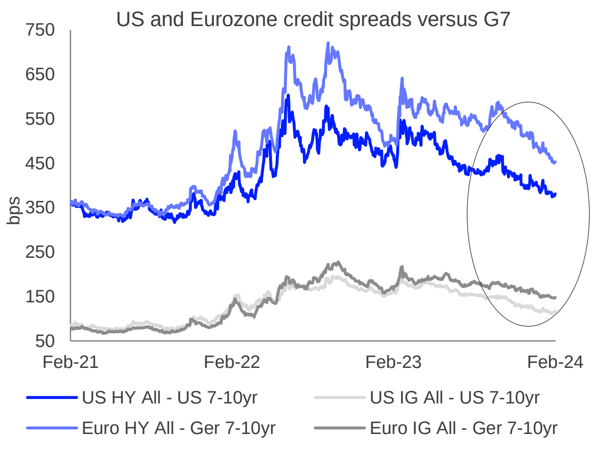


Chart 2: Euro HY sector spreads have narrowed sharply in 2023 as risk appetite improved, and have converged towards 300bp. Financials ex banks and services spreads remain the widest.

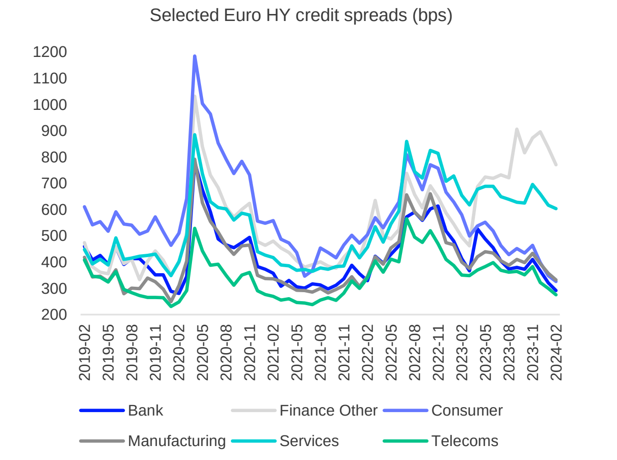


Chart 3: Euro high yield duration has fallen sharply since the ECB tightening began in July 2022. CCC duration has dropped more than BB, protecting performance in the period of rising yields (see Chart 4).

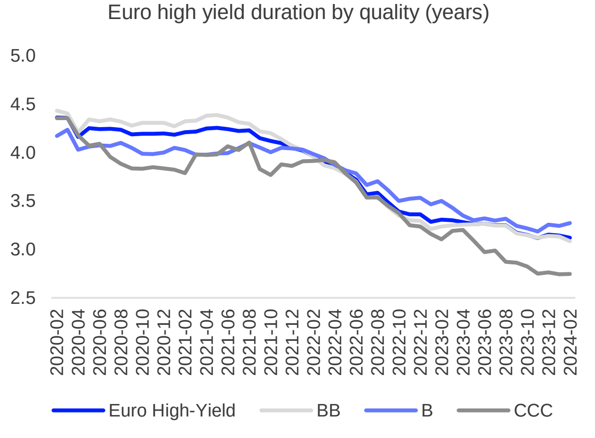


Chart 4: After significant underperformance during the 2022-23 policy tightening cycle, CCC HY credits have recovered in 2023, benefiting from improved risk appetite and the equity rally.

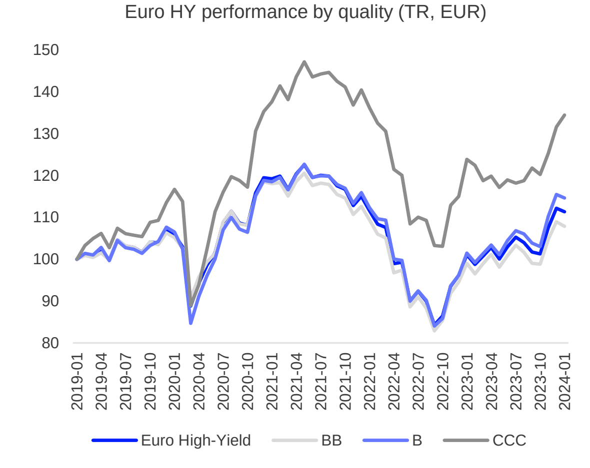


Chart 5: Banks and consumers have led the outperformance in the Euro high yield sector in 2023, with services trailing, after the sector suffered during the Covid lockdowns.

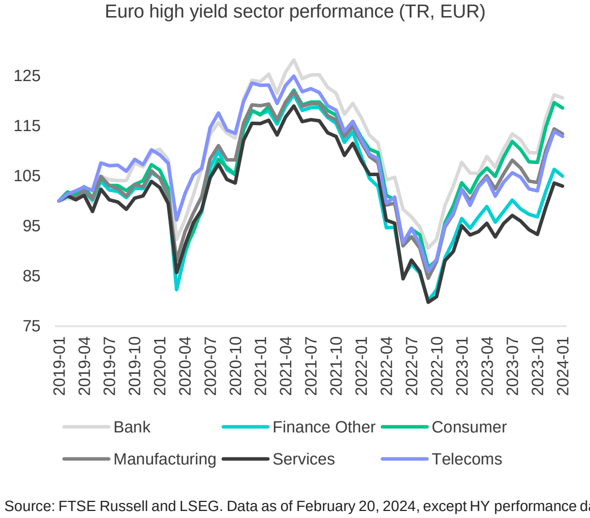
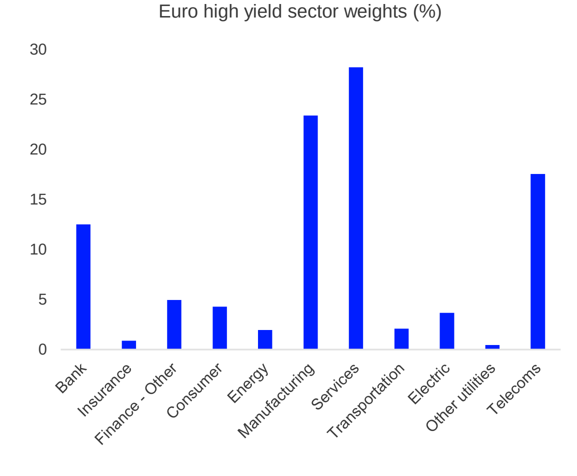


Chart 6: Services and manufacturing make up over half of the Euro high yield universe, with banks benefiting from policy tightening in 2022-2023 (see Chart 5).



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Sovereign and Climate Bonds Analysis

Chart 1: The underperformance of Green Sov. bonds since 2022 has been driven in part by their extra duration. The recent back-up in yield has again hurt Green bonds more than WGBI since January.

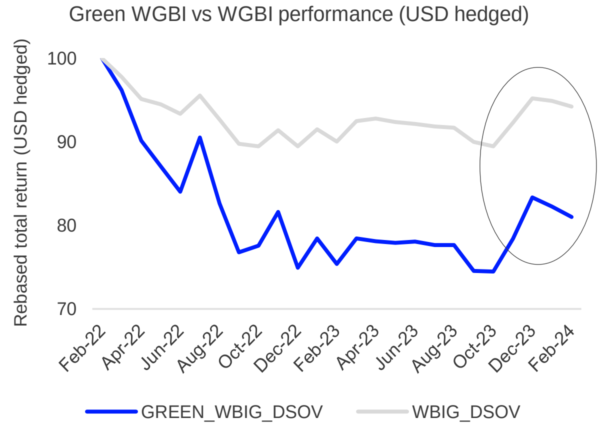


Chart 2: Extra duration in green sovereigns is quite marked, though it has fallen from a peak of 6.75 years in early 2022 to 5 years today. The difference crept up, after the UK tapped the 2053 green gilt issue.

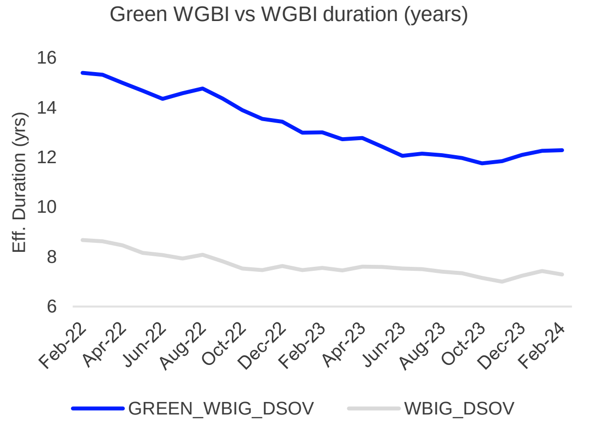


Chart 3: Green corporate bonds have outperformed since January, reflecting the shorter duration of green corporates. The “greenium” remains at about 70bp (green yields below broader corporates).

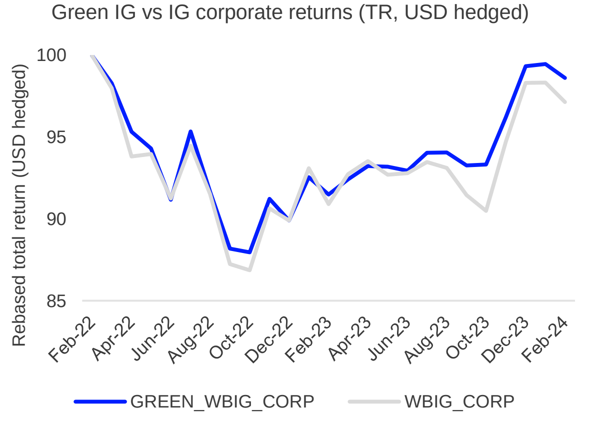


Chart 4: Unlike Sovereigns, Green IG corporates have a shorter duration than other IG corporates, by about 1 year, a much less marked difference in duration than in sovereign bonds (see Chart 2).

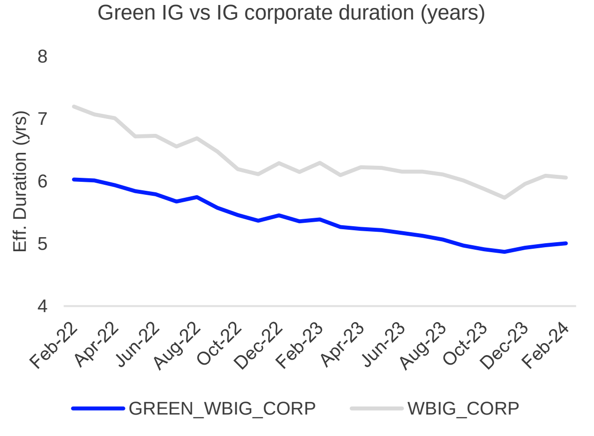


Chart 5: Issuance in the green sovereign and supras market is strong YTD, after weakness in H2 2023. Issuance fell back in February, after the surge in January on the re-opening of the UK’s green 2053 gilt.

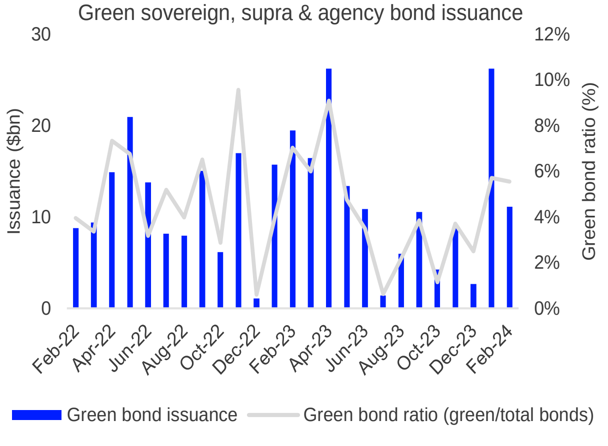
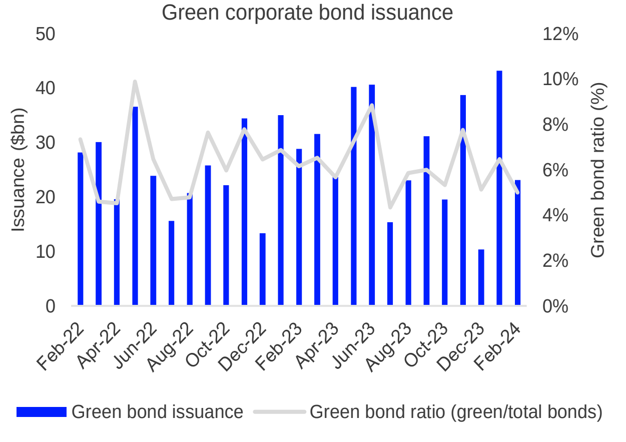


Chart 6: Green corporate issuance remained relatively robust in February, although it fell versus January. January 2024’s Green issuance of about $40bn was close to a monthly record.



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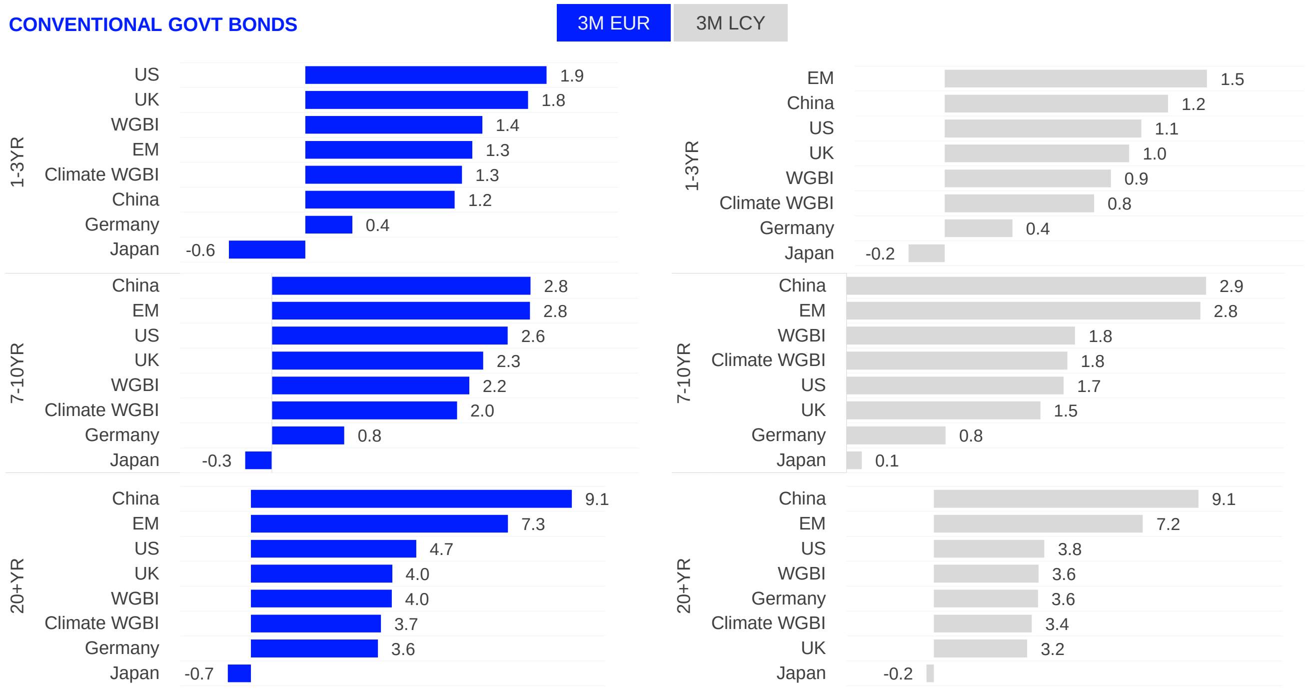
Global Bond Market Returns − 3M & 12M % (EUR, LC, TR) 29 Feb

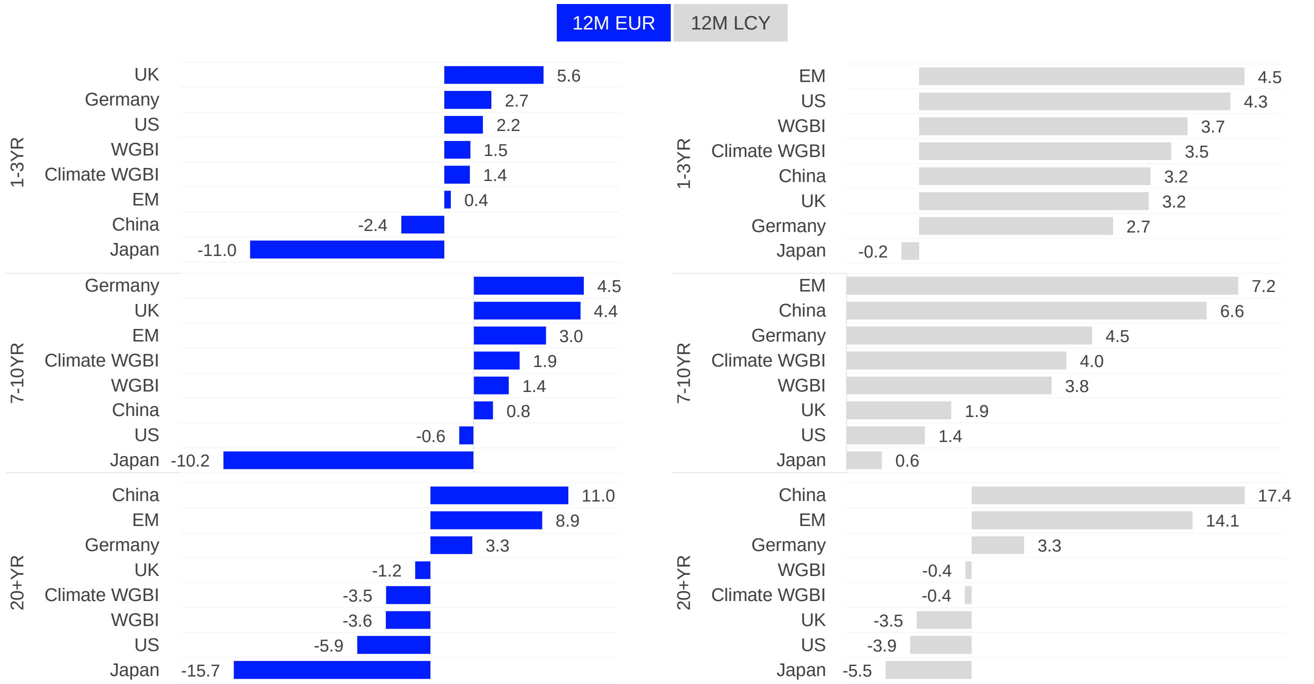
Conventional government bonds still show positive returns over three months, despite the January/February back-up in yields, which erased most of Q4's gains in G7 markets, after central banks cautioned on early pivots. Yen weakness dominates JGB returns, with losses of 11-16% on 12 months, in Euro terms.

Chinese and EM (of which China is a dominant constituent) conventional bonds showed their defensive qualities during the last three months, after registering positive returns across all maturities. Long dated G7 bonds saw the highest returns, up 4-5%, despite rising yields since January, but underperformed Chinese peers, up 9% in euros. Short US Treasuries and gilts gained 2% in euro terms.

On 12 months, the strongest performance also came from long Chinese and EM government bonds, up 9-11% in euros. The severe yen depreciation versus euro, down 11%, significantly reduced yen-based returns in euro terms.

CONVENTIONAL GOVT BONDS





Source: FTSE Russell. All data as of February 29, 2024. 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.

Global Inflation-Linked Bond Returns – 3M & 12M % (EUR, LC, TR) 29 Feb

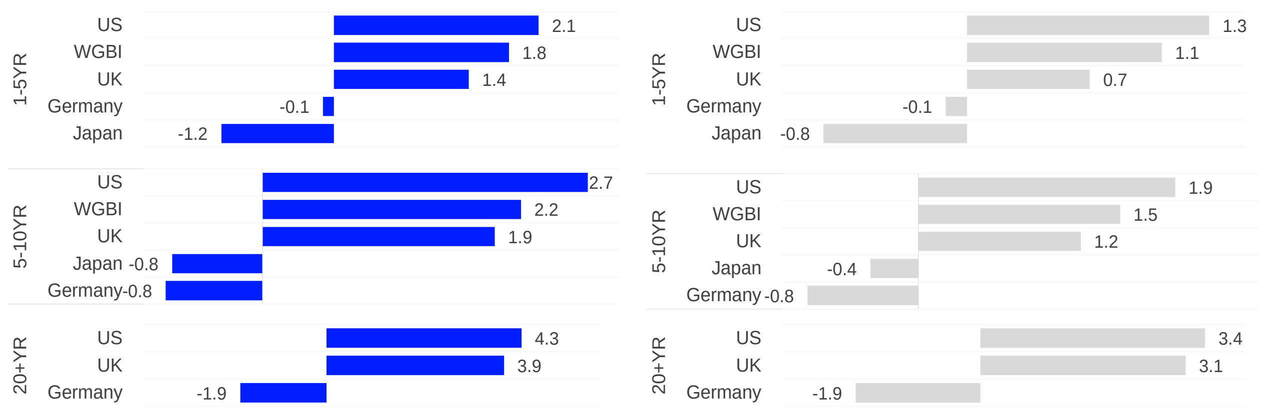
Inflation linked bond returns show the same narrative as conventionals, with the Q4 rally reversing since January. Long Bund linkers lost 2%, though Tips still show solid gains of 4%. Credit remained a strong performer, led by HY, with gains of 2-6% and 6-11% on 3M and 12M. The risk rally helped HY outperform IG credits.

Inflation-linked Bunds fell on 3M, while US Tips, up 2-4% in euro terms, registered a solid performance, despite strong growth. JGB linkers have fallen, down 1-2% over 3M and 6-9% over 12M on the weak yen.

Credit outperformed again since January and on 12M. Euro HY, up 11%, has rallied strongly from depressed valuations after the Ukraine and energy shocks.

INFLATION LINKED BONDS

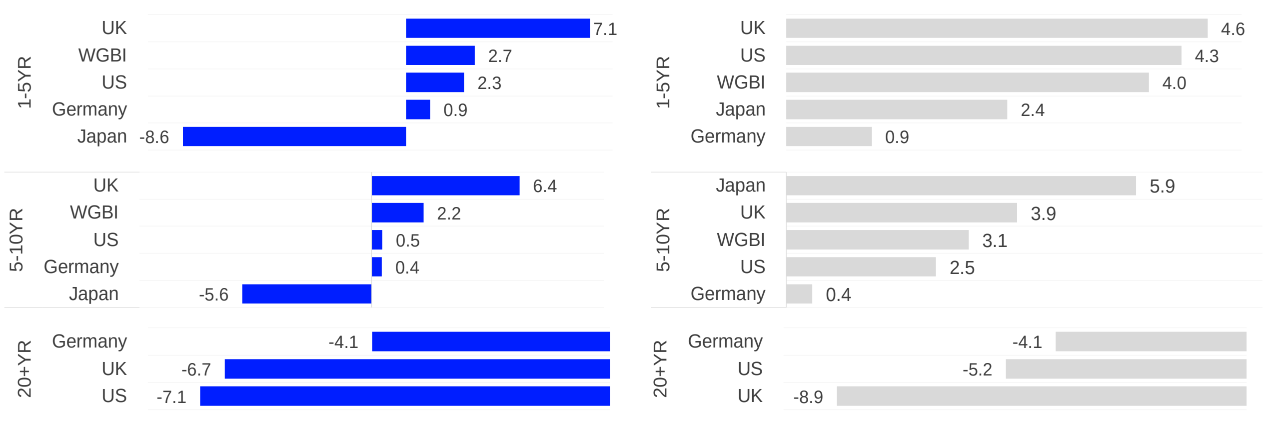
3M EUR | 3M LCY



CORPORATE BONDS

INFLATION LINKED BONDS

12M EUR | 12M LCY



CORPORATE BONDS

Source: FTSE Russell. All data as of February 29, 2024. 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.

Top and Bottom Bond Returns – 1M & 12M % (EUR, TR) 29 Feb

One month returns for long US, Australia, Canada German conventional bonds were down 2-3% in February, as yields backed up, after central banks ruled out early pivots and economies still showed robust data. Long Italy and UK linkers were more resilient, making modest gains of 2-3%, while EM, Euro HY and China were the strongest performers over 12M.

Few markets managed to rally in February, apart from long BTPs, China, EM and high yield credit, where inflation remained subdued. Indeed, these same markets were strongest on twelve months, when they showed gains of 6-16%.

JGBs have replaced long UK gilts as the worst performers in the Bottom 15 over 12M, after further significant yen weakness.

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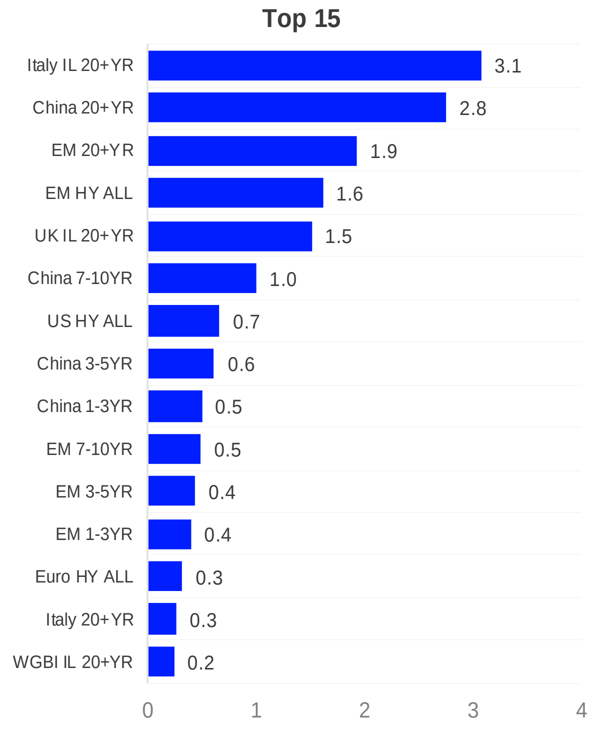
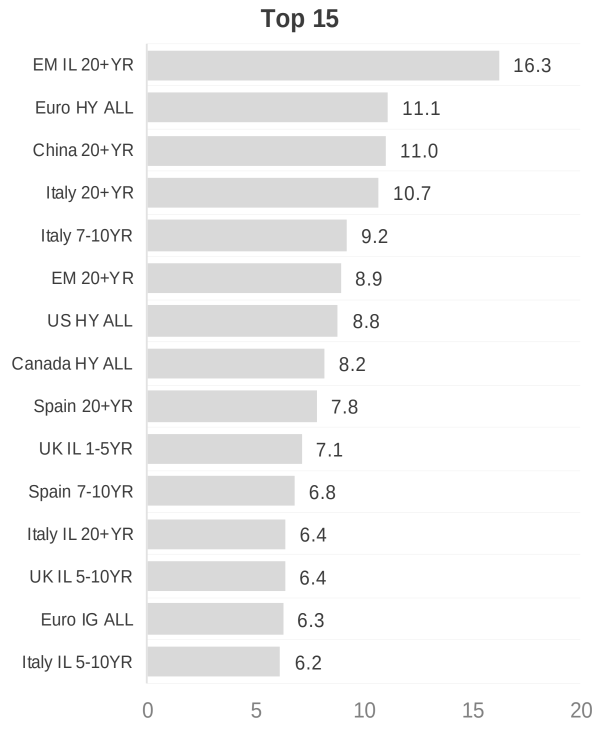
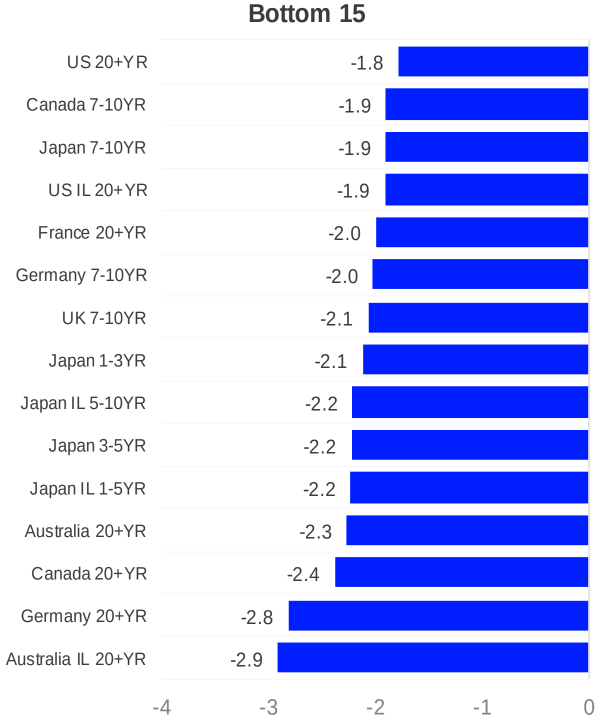
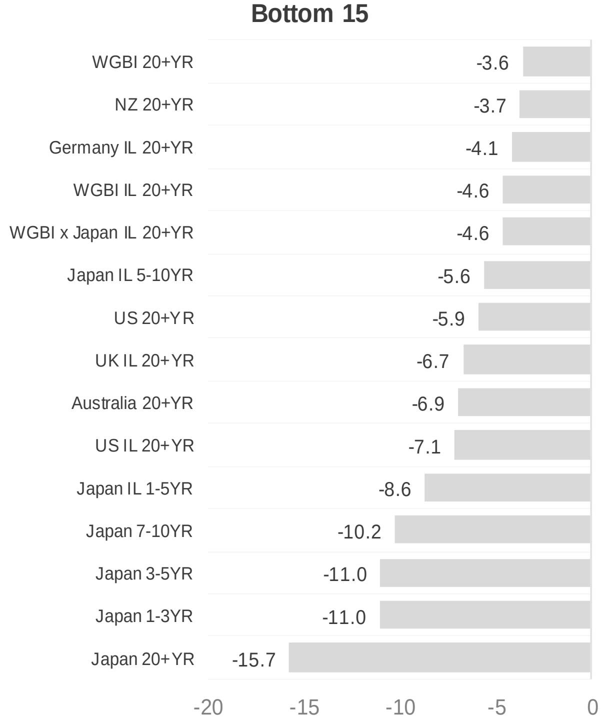
1M EUR | 12M EUR









Source: FTSE Russell. All data as of February 29, 2024. 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) – February 29, 2024

Government Bond Returns

Green highlight indicates highest 15%, red indicates lowest 15%

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-3YR	1.09	1.93	2.46	2.76	-0.05	2.03	4.28	2.20
	7-10YR	1.73	2.58	1.04	1.34	-2.17	-0.13	1.44	-0.59
	20+YR	3.81	4.67	-0.62	-0.32	-4.81	-2.83	-3.93	-5.85
	IG All	2.71	3.56	4.00	4.30	-1.51	0.54	6.10	3.97
	HY All	3.87	4.73	6.02	6.34	0.31	2.39	11.05	8.82
UK	1-3YR	1.03	1.78	2.86	2.99	-0.44	0.85	3.16	5.63
	7-10YR	1.55	2.31	4.24	4.36	-3.55	-2.30	1.92	4.36
	20+YR	3.22	3.99	3.00	3.13	-6.82	-5.62	-3.52	-1.21
EUR	IG All	1.90	1.90	3.80	3.80	-0.83	-0.83	6.27	6.27
	HY All	4.42	4.51	7.73	7.75	1.38	1.52	10.83	11.14
Japan	1-3YR	-0.20	-0.61	-0.18	-2.62	-0.21	-4.05	-0.25	-11.03
	7-10YR	0.12	-0.29	0.14	-2.31	-0.42	-4.25	0.65	-10.23
	20+YR	-0.25	-0.66	-1.69	-4.09	-1.13	-4.93	-5.50	-15.72
China	1-3YR	1.24	1.19	1.31	2.98	0.70	1.35	3.19	-2.44
	7-10YR	2.87	2.82	2.97	4.66	1.91	2.57	6.61	0.79
	20+YR	9.11	9.06	8.21	9.99	6.48	7.17	17.44	11.03
EM	1-3YR	1.46	1.34	1.94	2.82	0.79	1.08	4.48	0.37
	7-10YR	2.83	2.82	3.13	3.52	1.00	1.21	7.19	2.95
	20+YR	7.20	7.26	6.79	7.71	4.71	5.00	14.12	8.94
	IG All	3.14	3.99	4.47	4.77	-0.07	2.01	6.47	4.34
	HY All	5.37	6.24	7.87	8.19	2.69	4.83	8.04	5.88
Germany	1-3YR	0.38	0.38	1.24	1.24	-0.56	-0.56	2.67	2.67
	7-10YR	0.79	0.79	1.55	1.55	-2.55	-2.55	4.51	4.51
	20+YR	3.59	3.59	1.84	1.84	-5.32	-5.32	3.35	3.35
Italy	1-3YR	0.76	0.76	1.98	1.98	-0.28	-0.28	3.99	3.99
	7-10YR	3.48	3.48	4.21	4.21	-0.50	-0.50	9.22	9.22
	20+YR	7.50	7.50	5.74	5.74	-0.02	-0.02	10.72	10.72
Spain	1-3YR	0.76	0.76	1.78	1.78	-0.27	-0.27	3.29	3.29
	7-10YR	2.44	2.44	3.53	3.53	-1.47	-1.47	6.80	6.80
	20+YR	6.09	6.09	5.58	5.58	-2.43	-2.43	7.83	7.83
France	1-3YR	0.55	0.55	1.50	1.50	-0.63	-0.63	2.95	2.95
	7-10YR	1.55	1.55	2.32	2.32	-2.23	-2.23	5.13	5.13
	20+YR	5.31	5.31	4.06	4.06	-4.32	-4.32	6.07	6.07
Sweden	1-3YR	0.77	2.90	1.85	8.10	-0.45	-1.03	3.06	1.79
	7-10YR	1.93	4.08	3.71	10.07	-3.10	-3.67	4.20	2.92
Australia	1-3YR	1.57	0.58	2.08	2.94	0.44	-2.16	3.29	-2.25
	7-10YR	3.24	2.23	1.45	2.30	-0.64	-3.21	2.28	-3.21
	20+YR	4.83	3.80	0.33	1.17	-2.72	-5.24	-1.63	-6.92
NZ	1-3YR	1.35	0.80	3.08	5.78	0.22	-1.56	4.23	0.44
	7-10YR	2.71	2.15	4.00	6.72	-1.98	-3.72	3.91	0.14
Canada	1-3YR	0.93	1.73	2.79	2.83	-0.27	-1.03	3.40	1.72
	7-10YR	1.40	2.20	2.62	2.66	-2.21	-2.96	2.24	0.57
	20+YR	0.92	1.72	1.86	1.91	-5.71	-6.43	-0.19	-1.82

Source: FTSE Russell and Refinitiv. All data as of August 31, 2022. 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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix − Global Bond Market Returns % (EUR & LC, TR) – February 29, 2024

Inflation-Linked Bond Returns

Green highlight indicates highest 15%, red indicates lowest 15%

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-5YR	1.31	2.15	2.55	2.86	0.04	2.12	4.34	2.25
	5-10YR	1.89	2.73	1.79	2.09	-1.21	0.84	2.51	0.46
	20+YR	3.40	4.26	-0.98	-0.69	-3.35	-1.34	-5.20	-7.09
UK	1-5YR	0.66	1.41	2.88	3.00	-1.56	-0.29	4.63	7.13
	5-10YR	1.19	1.95	2.62	2.75	-2.53	-1.28	3.88	6.37
	20+YR	3.11	3.88	-1.60	-1.48	-7.31	-6.11	-8.85	-6.67
EUxUK	1-5YR	-0.12	-0.12	-0.39	-0.39	-0.84	-0.84	0.94	0.94
	5-10YR	-0.81	-0.81	-1.47	-1.47	-2.18	-2.18	0.44	0.44
	20+YR	-1.89	-1.89	-4.75	-4.75	-4.58	-4.58	-4.12	-4.12
Japan	1-5YR	-0.78	-1.18	0.54	-1.92	-0.23	-4.07	2.43	-8.65
	5-10YR	-0.35	-0.76	1.77	-0.71	0.06	-3.79	5.88	-5.57
EM	1-5YR	3.27	2.64	3.34	0.78	1.55	0.87	8.96	3.49
	5-10YR	2.86	2.42	4.02	1.29	0.29	-0.71	8.89	5.01
	20+YR	3.06	3.39	3.94	2.97	-2.02	-2.36	13.99	16.26
Germany	1-5YR	-0.12	-0.12	-0.39	-0.39	-0.84	-0.84	0.94	0.94
	5-10YR	-0.81	-0.81	-1.47	-1.47	-2.18	-2.18	0.44	0.44
	20+YR	-1.89	-1.89	-4.75	-4.75	-4.58	-4.58	-4.12	-4.12
Italy	1-5YR	0.96	0.96	1.80	1.80	-0.43	-0.43	4.01	4.01
	5-10YR	2.74	2.74	1.90	1.90	-0.19	-0.19	6.16	6.16
	20+YR	8.79	8.79	1.98	1.98	1.11	1.11	6.38	6.38
Spain	1-5YR	0.14	0.14	0.39	0.39	-0.87	-0.87	1.70	1.70
	5-10YR	1.12	1.12	0.83	0.83	-0.98	-0.98	3.14	3.14
France	1-5YR	0.22	0.22	0.01	0.01	-0.85	-0.85	1.31	1.31
	5-10YR	0.37	0.37	-0.57	-0.57	-1.79	-1.79	1.53	1.53
	20+YR	3.98	3.98	-1.20	-1.20	-4.04	-4.04	0.90	0.90
Sweden	1-5YR	0.40	2.52	1.52	7.74	-0.58	-1.15	2.49	1.22
	5-10YR	0.88	3.00	1.90	8.15	-2.63	-3.19	2.12	0.86
Australia	1-5YR	1.70	0.70	2.33	3.19	0.06	-2.53	5.07	-0.58
	5-10YR	3.57	2.55	2.40	3.26	-0.82	-3.38	5.44	-0.22
	20+YR	8.00	6.94	1.35	2.19	-5.73	-8.17	4.31	-1.29
NZ	5-10YR	3.16	2.60	4.96	7.71	-0.39	-2.15	6.10	2.25
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	0.25	1.04	3.04	3.09	-3.36	-4.10	-0.70	-2.32

Source: FTSE Russell. All data as of February 29, 2024. 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 – Historical Bond Yields % as of February 29, 2024

Global Bond Yields

Green highlight indicates highest 15%, red indicates lowest 15%

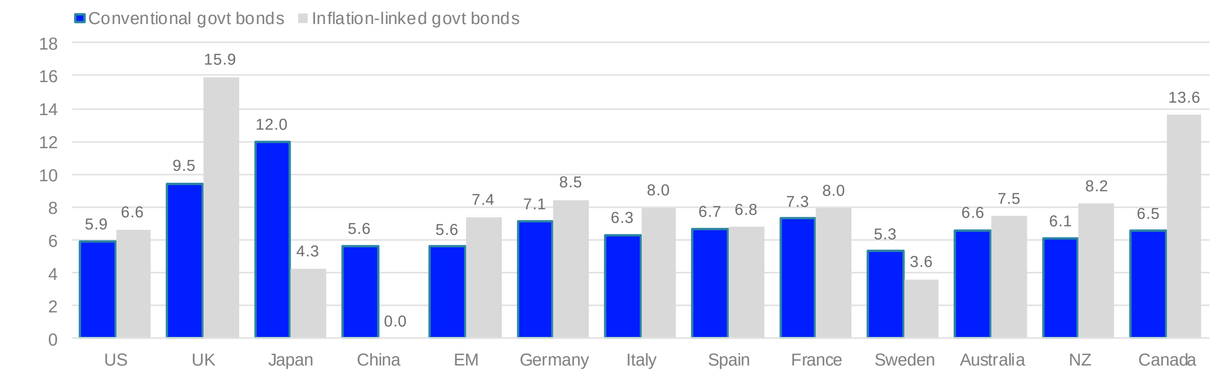
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.73	4.34	4.26	4.46	1.99	1.88	2.12	5.44	8.09
	3M Ago	4.82	4.39	4.35	4.63	2.57	2.14	2.27	5.64	8.47
	6M Ago	4.99	4.39	4.12	4.32	2.50	1.94	2.01	5.65	8.41
	12M Ago	4.90	4.34	3.93	4.01	1.82	1.57	1.65	5.55	8.60
UK	Current	4.48	4.10	4.03	4.49	0.53	0.40	1.21		
	3M Ago	4.52	4.16	4.11	4.61	0.62	0.53	1.30		
	6M Ago	4.91	4.63	4.31	4.53	1.11	0.67	1.12		
	12M Ago	3.95	3.80	3.75	4.13	0.13	0.00	0.74		
Japan	Current	0.13	0.28	0.59	1.66	-1.51	-0.81			
	3M Ago	0.00	0.17	0.57	1.63	-2.08	-0.94			
	6M Ago	-0.02	0.14	0.53	1.55	-1.82	-0.76			
	12M Ago	-0.04	0.09	0.46	1.38	-1.29	-0.43			
China	Current	1.99	2.16	2.38	2.57					
	3M Ago	2.37	2.47	2.66	3.02					
	6M Ago	2.06	2.28	2.59	2.93					
	12M Ago	2.38	2.58	2.84	3.26					
EM	Current	3.29	3.90	4.56	4.03	4.69	4.53	5.24	5.73	9.12
	3M Ago	3.66	4.22	4.76	4.46	4.42	4.45	5.10	6.08	10.41
	6M Ago	3.50	4.22	4.80	4.34	2.84	4.28	5.01	6.14	11.41
	12M Ago	3.71	4.37	4.72	4.50	2.12	3.49	5.25	5.95	10.85
Germany	Current	3.02	2.50	2.34	2.53	1.20	0.42	0.35		
	3M Ago	2.86	2.41	2.37	2.67	1.16	0.34	0.28		
	6M Ago	3.03	2.53	2.38	2.55	0.64	0.13	0.11		
	12M Ago	3.09	2.30	2.22	2.32	-0.04	-0.09	-0.10		
Italy	Current	3.35	3.25	3.61	4.22	1.31	1.63	1.84		
	3M Ago	3.39	3.40	3.93	4.59	1.60	1.97	2.15		
	6M Ago	3.56	3.53	3.87	4.41	1.37	1.72	1.86		
	12M Ago	3.65	3.39	3.86	4.29	0.39	1.45	1.72		
France	Current	3.05	2.74	2.78	3.24	0.80	0.57	0.79		
	3M Ago	3.01	2.73	2.87	3.46	0.84	0.63	0.95		
	6M Ago	3.09	2.85	2.87	3.36	0.48	0.37	0.71		
	12M Ago	3.18	2.49	2.58	3.08	-0.29	0.04	0.48		
Sweden	Current	3.03	2.58	2.46		1.62	1.04			
	3M Ago	3.27	2.70	2.61		1.30	1.12			
	6M Ago	3.43	3.00	2.75		1.33	1.14			
	12M Ago	3.18	2.61	2.35		0.25	0.45			
Australia	Current	3.81	3.73	4.09	4.51	1.15	1.51	1.91		
	3M Ago	4.15	4.04	4.36	4.73	1.28	1.81	2.19		
	6M Ago	3.85	3.75	3.99	4.42	0.97	1.43	1.84		
	12M Ago	3.66	3.21	3.48	4.01	0.20	0.98	1.58		
NZ	Current	5.05	4.61	4.68	4.96	1.89	2.41			
	3M Ago	5.07	4.78	4.89	5.09	1.91	2.59			
	6M Ago	5.30	4.96	4.89	5.07	2.15	2.58			
	12M Ago	5.06	4.23	4.14	4.29	0.99	1.66			
Canada	Current	4.10		3.51	3.40			1.73	4.98	6.94
	3M Ago	4.08		3.58	3.43			1.76	5.29	7.73
	6M Ago	4.50		3.65	3.44			1.88	5.55	7.70
	12M Ago	4.04		3.35	3.26			1.34	5.16	7.19

Source: FTSE Russell. All data as of February 29, 2024. 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.

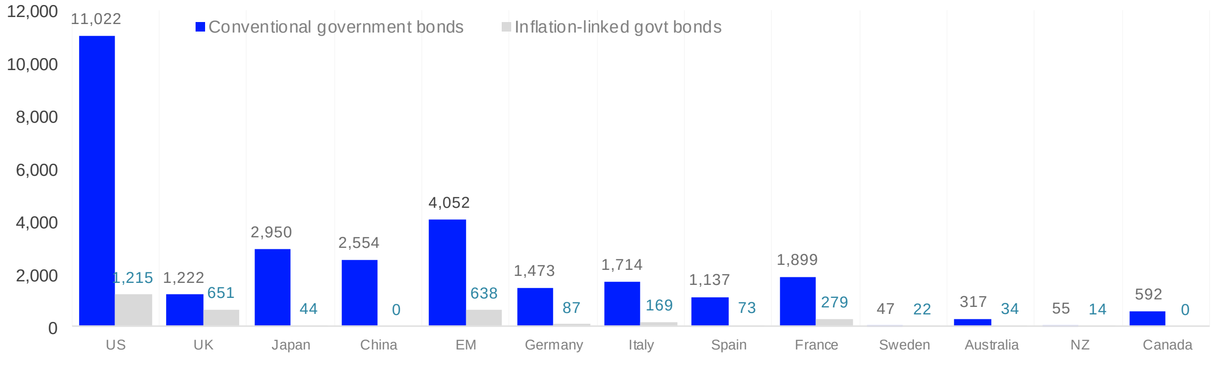
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.8	**5.9**	2,555.0	1,143.8	1,305.4	**11,021.7**	7.1	21.0	**6.6**	393.4	121.8	**1214.6**
UK	3.7	7.6	18.5	**9.5**	129.5	157.0	308.4	**1,221.9**	6.8	26.9	**15.9**	113.3	246.5	**650.7**
Japan	3.9	8.1	23.6	**12.0**	349.9	356.9	632.1	**2,949.7**	7.0		**4.3**	18.6		**44.1**
China	3.7	7.6	17.9	**5.6**	556.3	390.2	298.6	**2,553.9**						
EM	3.6	7.0	16.2	**5.6**	836.09	715.83	401.38	**4,052.4**	6.1	13.6	**7.4**	102.5	163.3	**638.1**
Germany	3.7	7.7	20.4	**7.1**	345.22	202.20	174.81	**1,472.9**	6.8	21.3	**8.5**	43.4	18.3	**87.0**
Italy	3.6	7.1	16.3	**6.3**	289.93	284.94	159.69	**1,713.9**	7.3	25.9	**8.0**	62.5	5.6	**169.2**
Spain	3.6	7.5	17.8	**6.7**	211.13	197.60	104.52	**1,137.2**	7.8		**6.8**	47.4		**73.0**
France	3.7	7.4	19.7	**7.3**	325.43	303.71	240.58	**1,898.8**	6.2	24.1	**8.0**	108.6	21.1	**278.9**
Sweden	4.0	7.7		**5.3**	6.77	14.03		**47.4**	6.7		**3.6**	5.4		**22.0**
Australia	3.6	7.5	16.9	**6.6**	46.67	90.69	20.15	**316.5**	6.7	22.1	**7.5**	10.1	2.7	**34.0**
NZ	3.4	7.2	16.7	**6.1**	10.91	15.57	2.72	**55.5**	5.9		**8.2**	3.2		**14.0**
Canada		6.7	17.0	**6.5**		219.47	106.74	**591.7**		13.6	**13.6**		65.4	

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.4	8.3	7.1	6.5	**6.9**	73.9	445.3	2,713.7	3,434.1	**6,667.1**	3.8	1,189.0
Euro	5.5	4.7	4.6	4.2	**4.4**	10.8	201.4	1,238.2	1,523.6	**2,974.0**	2.9	420.4
EM		5.8	4.8	5.2	**5.1**		38.52	218.31	304.9	**561.7**	3.4	181.6

Average Duration



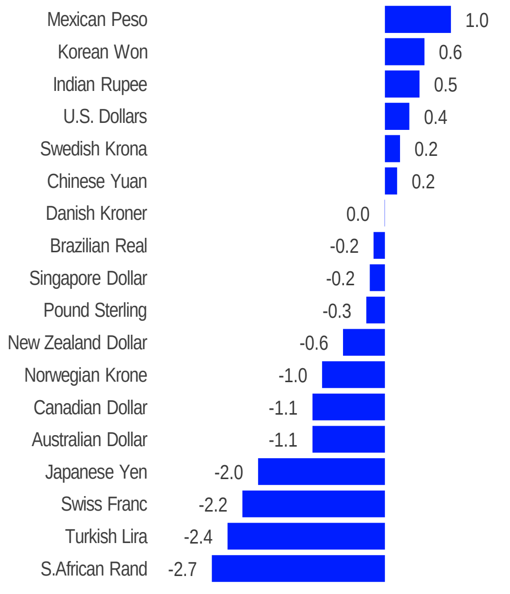
Total Market Value (USD Billions)



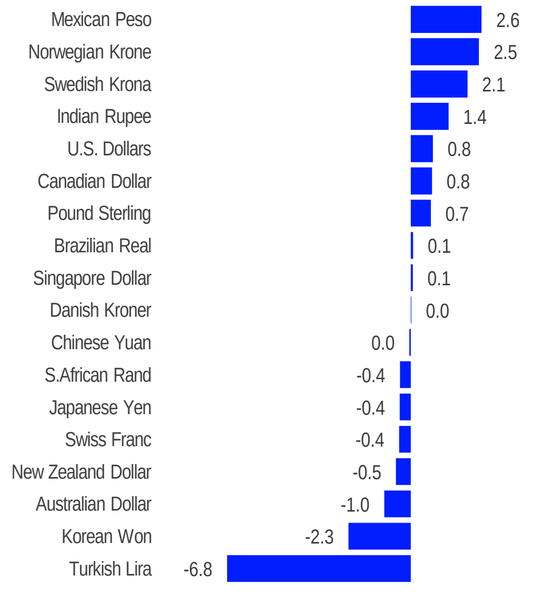
Data as of 2024-02-29

Source: FTSE Russell. All data as of February 29, 2024. 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.

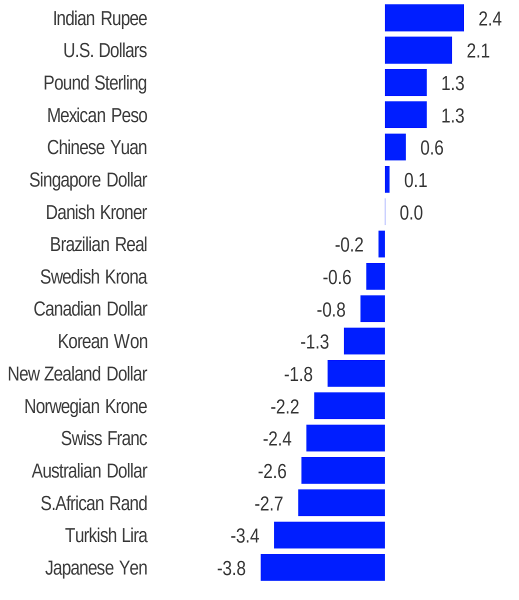
FX Moves vs EUR – 1M



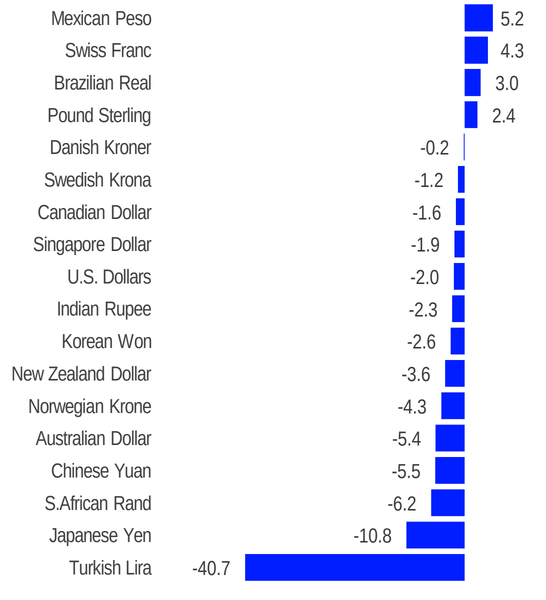
FX Moves vs EUR – 3M



FX Moves vs EUR – YTD



FX Moves vs EUR – 12M



Source: FTSE Russell and LSEG. All data as of February 29, 2024. 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

ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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