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Fixed Income Insights

MONTHLY REPORT – **MARCH 2024 | JAPAN EDITION**

FOR PROFESSIONAL INVESTORS ONLY

Short JGBs front-run BoJ tightening, despite a technical GDP recession

Long investor buying drove JGB 20+ year yields lower in Japan, and flattened the 20s/10s curve, as long govt yields backed up elsewhere in the G7. Yield rises in short JGBs reflect the market re-pricing possible tightening by the BoJ in April, when the spring wage round outcome will be known, despite recent disinflation in Japan.

Chart 1: 7-10yr yields rose further across the G7, ex Japan, where breakevens fell, and curve control capped nominal yields.

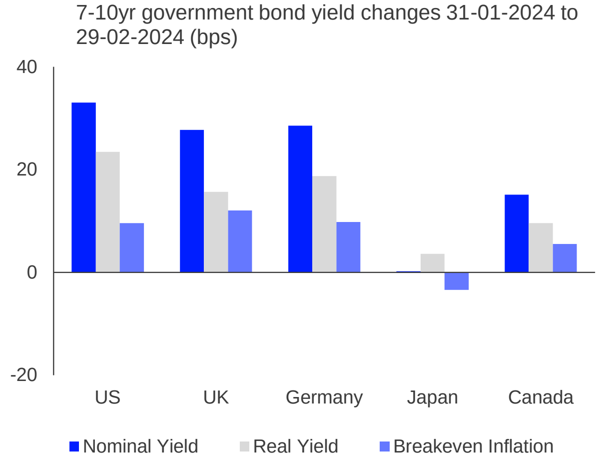
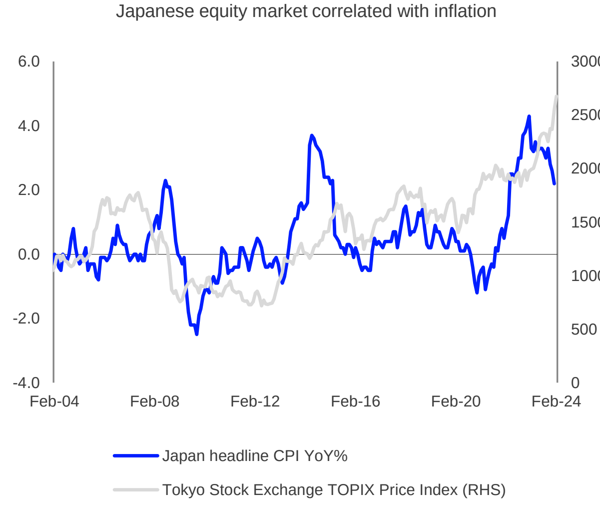


Chart 2: Will disinflation hinder Japan's equity market rally? Strong capex growth and moderate PE ratios in Japan support the rally.



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Macroeconomic Backdrop – Growth and Inflation Expectations

The contrast between strong US GDP growth, and weakness elsewhere remains a key feature in Q1. The uptick in inflation is delaying policy easing in the US. Core inflation at the 2% target in Japan (mainly driven by government subsidies), combined with a strong capex y/y growth, raises expectations of an end to the accommodative policy. Japan's labour market is tight, judged by the unemployment rate, even if this is at odds with a lower job openings-to-applicants ratio.

Consensus forecasts recognise the resilience of the US to higher rates, with sizeable growth differentials forecast with Europe in 2024. The BoJ's January report shows an increase in Japan's growth forecast to 1.2%, from 1% in October, helped by private consumption, improving tourism and corporate profits. A capex rise of 16.4% in Q4 may drive up Q4 GDP growth, despite provisional data showing a technical recession. Policy easing is propping up Chinese growth forecasts, but weaker net trade and property remain major drags.

Chart 2 shows Japan's core CPI y/y growth slowed to 2% in January, from 2.3%, continuing the disinflation trend of the past year. Nonetheless, the BoJ estimated Japan's inflation will remain above 2% in 2024, supported by the pass-through of cost increases to consumer prices, and receding effects of government subsidies which dragged 2023 inflation lower.

Japan's unemployment rate fell to 2.4% in January, and remains below 3% (Chart 3), much lower than G7 peers, helped by labour supply shortages. The spring wage round, or Shunto, may prove key to whether or not BoJ curve control ends in Q2. A falling job openings-to-applicants ratio implies the labour market may not keep tightening for long, if the historically negative correlation between the unemployment rate and the ratio holds but labour shortages are putting upward pressure on wage growth.

Rapid disinflation in the tradeable goods sector continues, including Japan, as Chart 4 shows, aided by Japanese govt subsidies to reduce utility costs for households. Services sector inflation remains higher, at around 2% y/y, boosted by resilient inbound tourism (largely due to a weaker yen). Japan's services sector inflation has proved more volatile in recent years than the US, evidenced by sharp falls during the Covid lockdown and a strong rebound after reopening.

Chart 1: US forecasts continue to be revised higher, after a strong Q1 so far. Eurozone and UK forecasts remain weak, after technical recessions. The BoJ upgraded Japan's 2024 growth forecast to 1.2%.

Consensus Real GDP Forecasts (Avg., %, February 2024)

	2023	**2024**	**2025**
US	2.5	**2.1**	**1.7**
UK	0.5	**0.3**	**1.1**
Eurozone	0.5	**0.5**	**1.4**
Japan	1.9	**0.6**	**1.0**
China	5.2	**4.6**	**4.5**
Canada	1.1	**0.5**	**2.0**

Chart 2: The Q1 inflation uptick in North America and Europe has confirmed achieving 2% targets on a sustained basis may be tougher than markets presumed. Japan's inflation remains on target at 2% y/y.

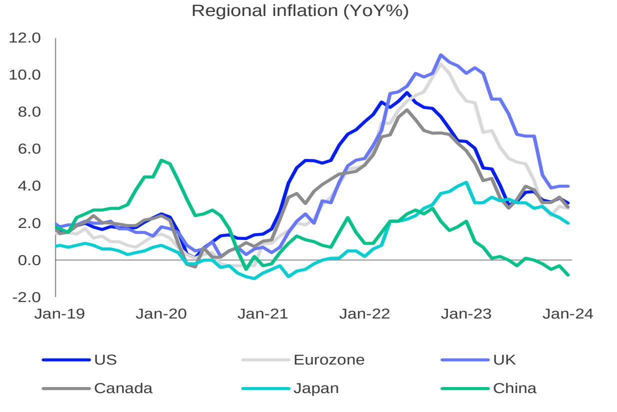


Chart 3: Japan's labour market remains tight, and unemployment fell further in January. High labour force participation of women and seniors makes it difficult for labour supply to increase.

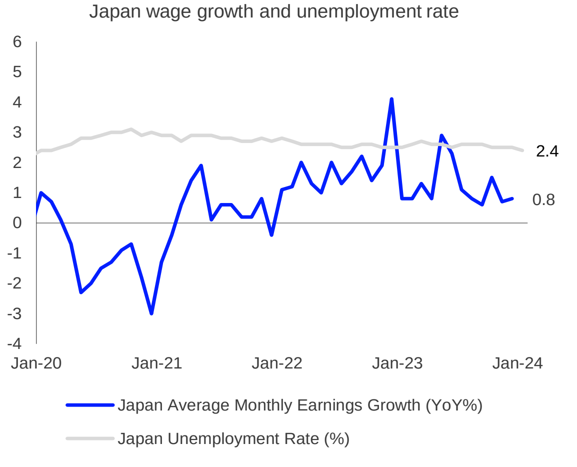
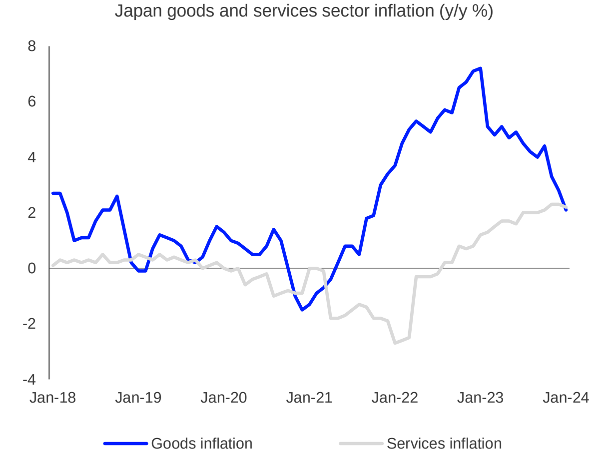


Chart 4: Contributions to Japan's inflation turned more balanced between goods and service sectors, as inflation in goods fell sharply and services stayed elevated. Stronger consumer incomes may keep services buoyant.



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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). The BoJ has not excluded the possibility of further easing, before tightening policy, with much depending on wage inflation, and sustainable price increases. JGBs curve flattening has mainly been driven by rising short yields on prospects of tightening, and long-term investor buying of longer JGBs.

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 slow motion 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.

The US dollar drew strength from stronger economic data in February - see Chart 2 - as markets scaled back easing expectations, and rate differentials improved. Sterling retained higher levels, despite confirmation of UK recession, helped by BoE caution on rates. But the yen fell below Y150 versus the dollar, in the absence of clear signals on the timing of the exit from BoJ curve control.

The Bank of Japan remains firmly on hold, and open to extra easing measures if needed, although better-than-expected inflation fuelled market expectations of tightening by the central bank as early as April. Recognising the uncertainties surrounding economies and financial markets, the BoJ is reluctant to abandon curve control sooner than later, given the disinflation..

The JGB 10s/2s curve flattened in February, driven by sharp rises in 1-3-year JGB yields, as markets priced in an end to the negative interest rate policy, given 2% inflation. Long-term investors buying longer-dated JGBs drove curve flattening in 20s/10s as well, as the fiscal year-end (end-March) approached. 7-10-year JGB yields edged lower, but to a lesser extent than longs.

Chart 1: G7 easing cycles typically lasted 2-3 years, until the rapid easing after the GFC and Covid shocks. The slow-motion slowdown in 2023-24, which the US has largely escaped, suggests a similar outcome.

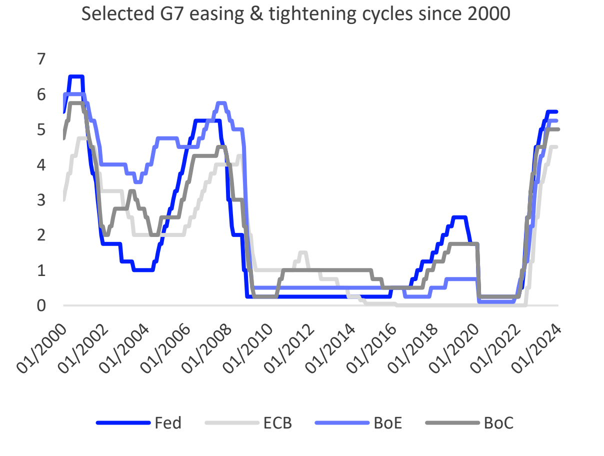


Chart 2: The dollar rallied again in February, helped by stronger economic data, and diminished prospects of early Fed easing. Sterling drew support from the low probability of early BoE easing, despite the UK recession.

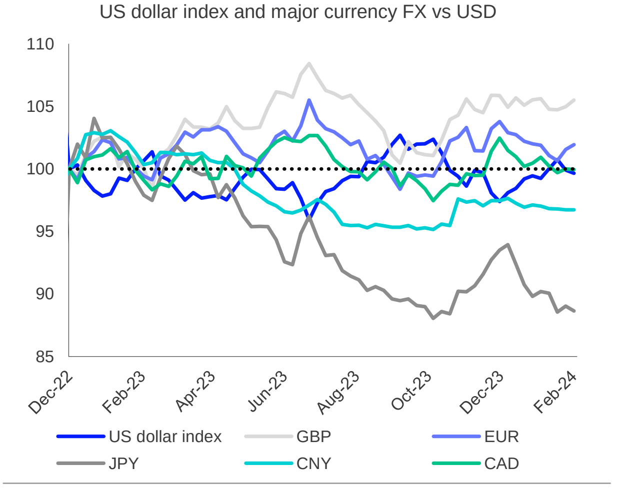


Chart 3: Central banks remain on hold, even if growth is very weak in Europe, and inflation near targets. So does the BoJ, which resists an early tightening, before more signs of a sustainable inflation emerge.

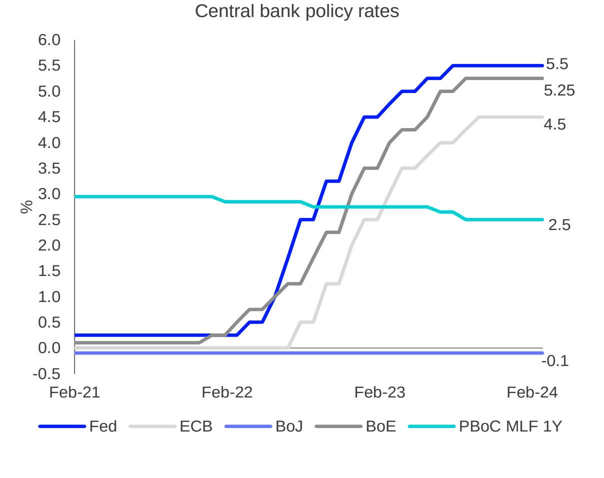
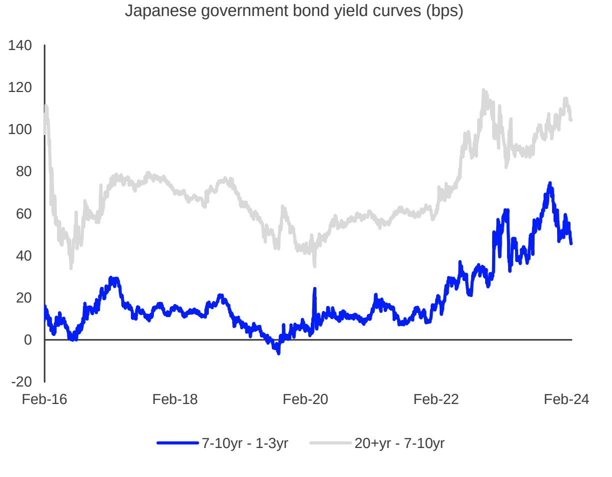


Chart 4: Both 10s/2s and 20s/10s curves flattened a little, driven by higher 1-3yr yields, and lower 20+yr yields, with 7-10yr yields stable. A fiscal year-end buying effect may sustain the 20s/10s flattening until end-March.



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Global Yields, Curves and Breakevens

Chart 1: Yields continued to back up in February as markets scaled back central bank easing prospects, led by the US Fed. The uptick in G7 inflation didn't help sentiment either, in longer dated maturities.

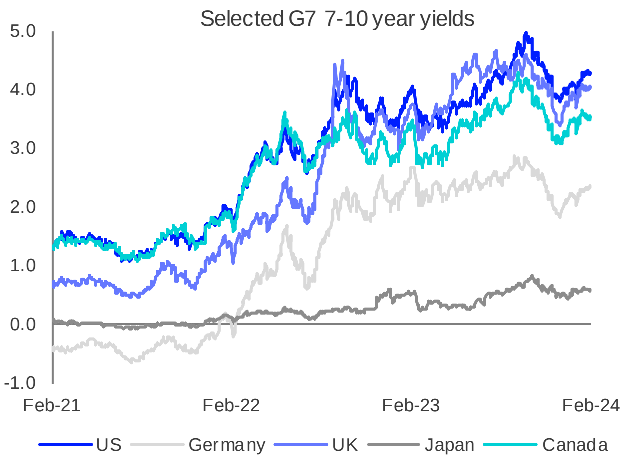


Chart 2: 7-10 year real yields broadly tracked nominal yields higher, though remain below the cycle highs in 2023.Stronger Q1 real growth also contributed to the back-up in real yields in US Tips.

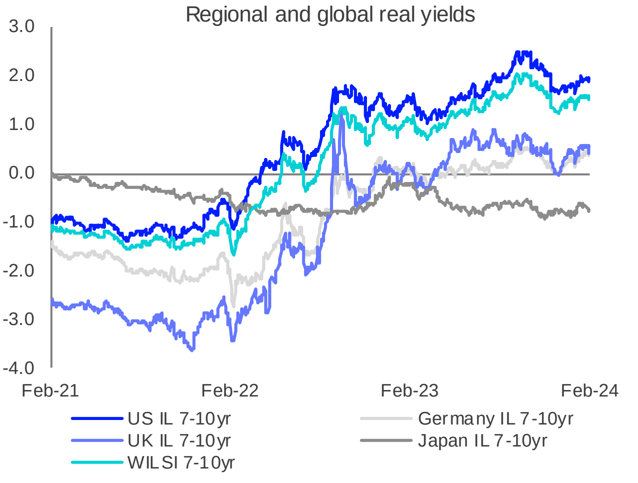


Chart 3: Yield curves remain deeply inverted as both short and medium dated yields backed up in February. Japanese curve flattened, driven by higher shorter yields, as the expectation of BoJ tightening intensified.

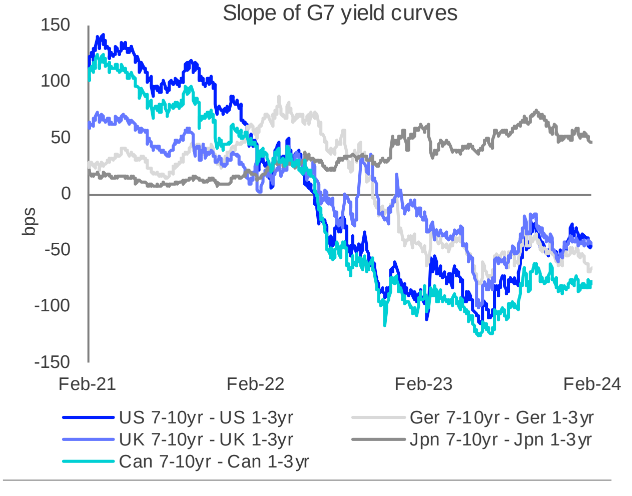


Chart 4: The long end has resumed the bear inversion pattern that dominated 2022-23 in most of the G7. The JGB 20s/2s curve flattened more than 10s/2s, as longer JGB yields fell on fiscal year-end purchases.

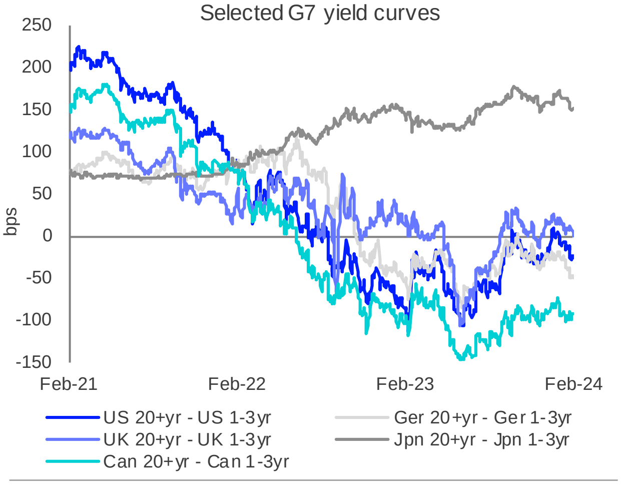


Chart 5: Inflation breakevens edged higher in February, aside from Japan. The inflation uptick helped push breakevens higher, but the moves were also directional, since breakevens tend to move pro-cyclically with nominal yields.

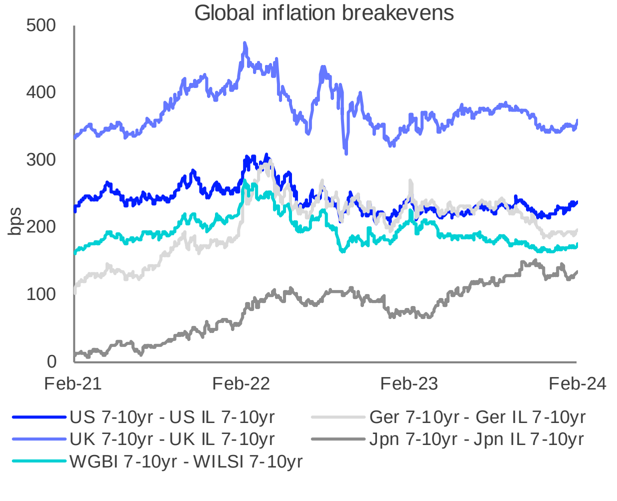
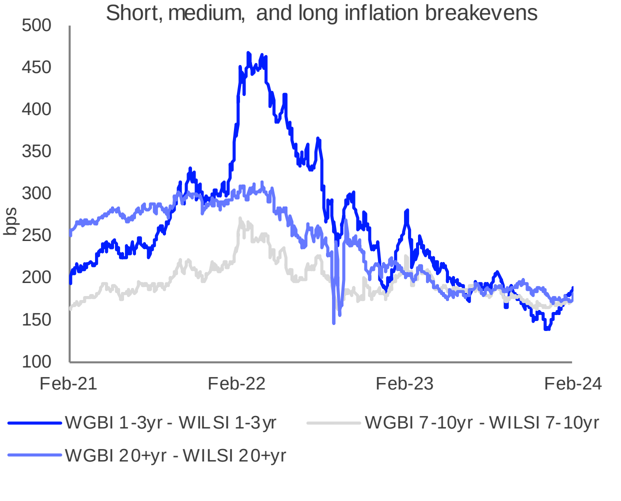


Chart 6: Globally, short-dated breakevens are closely correlated with spot inflation, rising sharply in 2022 before collapsing in 2023, as inflation rates fell. Longer dated breakevens remain stable, under 2%.



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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.

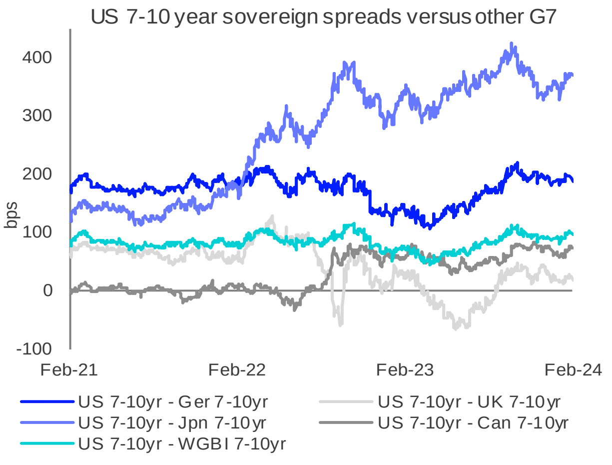


Chart 2: The risk-on rally helped Italian spreads tighten in February, exc. Japan. Spreads have been tightening since Q1, 2023, after ECB pledges of support to prevent dysfunction in monetary policy transmission.

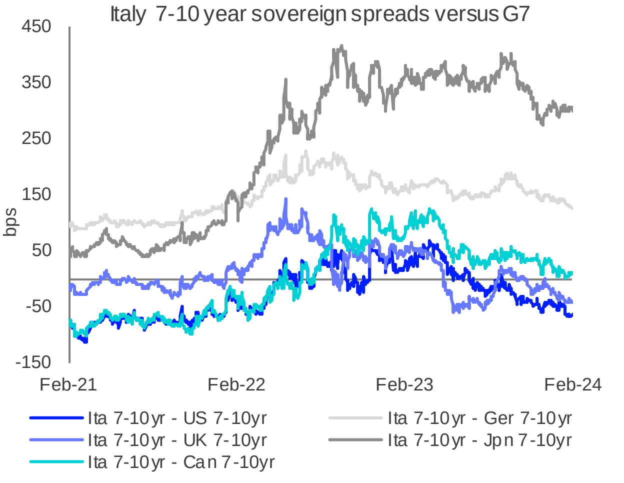


Chart 3: EM spreads tightened in February, helped by Chinese yields falling further, and the back-up in G7 yields. There has been little sign of the sharp widening in EM spreads that traditionally occurred in Fed tightening cycles.

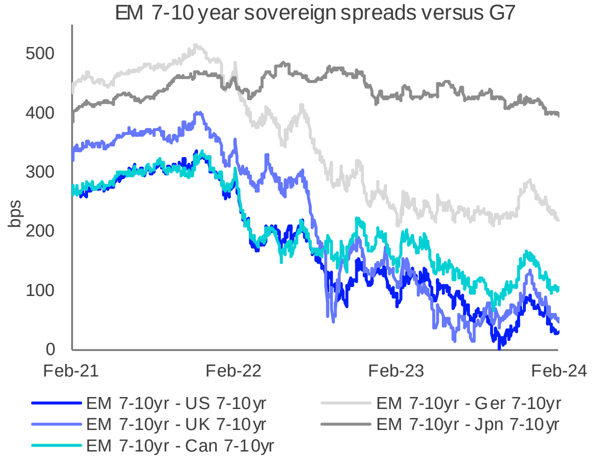


Chart 4: With the PBoC easing monetary policy further, but G7 central banks firmly on hold, spreads in 7-10 yrs fell again in February. Chinese govt. bond yield correlation remains strongly negative with the G7.

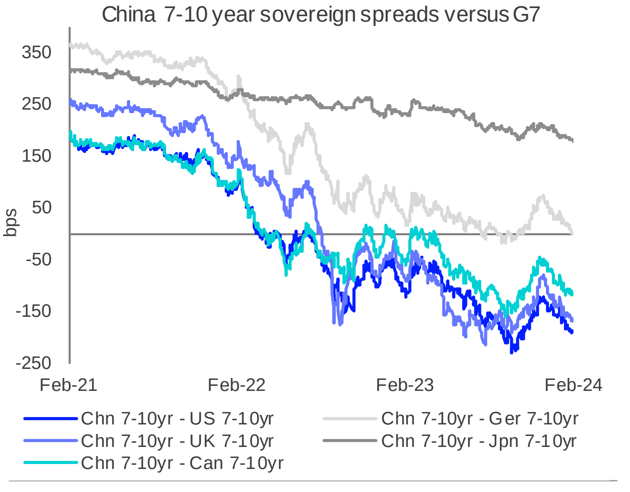


Chart 5: A surge in corporate issuance restricted tightening in spreads. High yield spreads have converged more than IG in 2023/24.

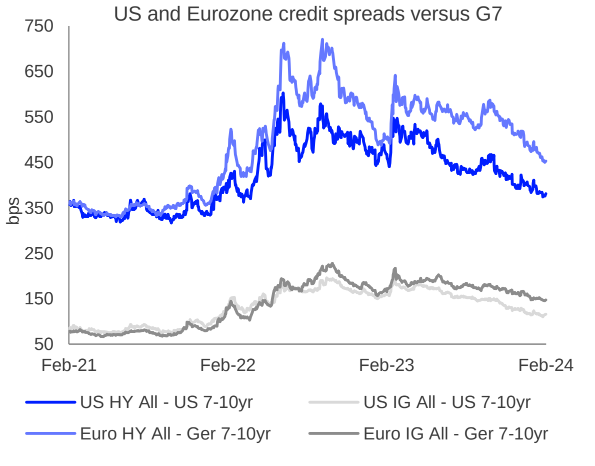
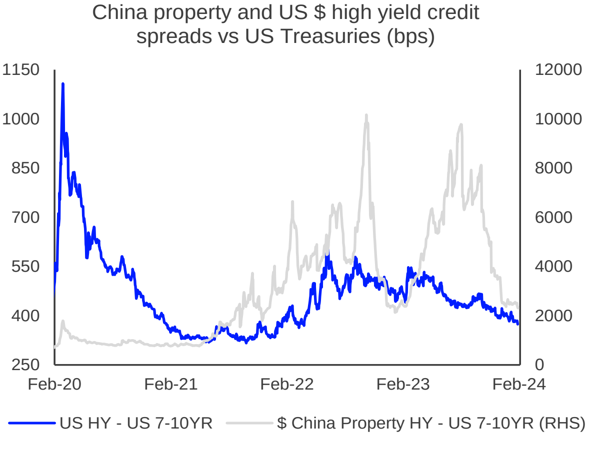


Chart 6: Both US and Chinese $ HY spreads tightened further in February, as Treasury yields rose. China's property bonds advanced on the 5Y LPR cut, which aims to support the demand in the real estate sector.



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Investment Grade Credit and MBS analysis

Chart 1: IG energy and bank spreads tightened most in Q1, helped by higher Treasury yields. Telecoms and Services spreads flat-lined. Capex pressure on the Telecom sector remains a feature (see page 7, Chart 2).

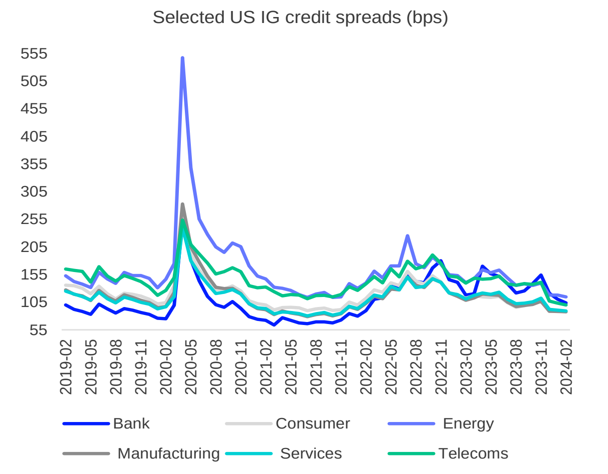


Chart 2: Eurozone spreads are normalising, but still remain above pre-Covid levels, reflecting weak growth, the energy and Ukraine shocks. The 2022 spike in spreads was far greater in Europe than the US.

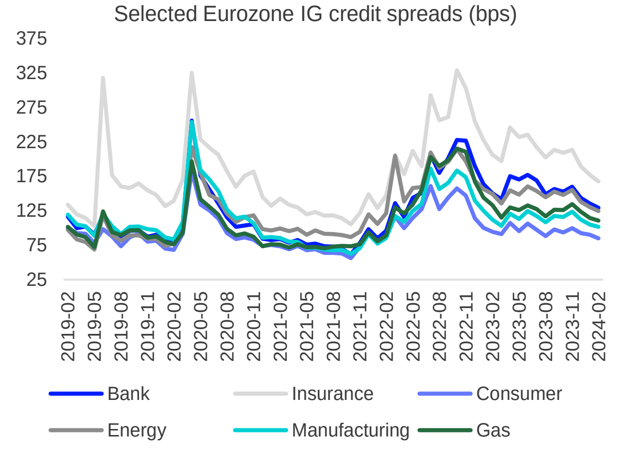


Chart 3: UK credit spreads continued to tighten in Q1, partly because of higher gilt yields, with bank spreads benefitting from a slightly steeper yield curve as well, despite the UK recession in H2, 2023.

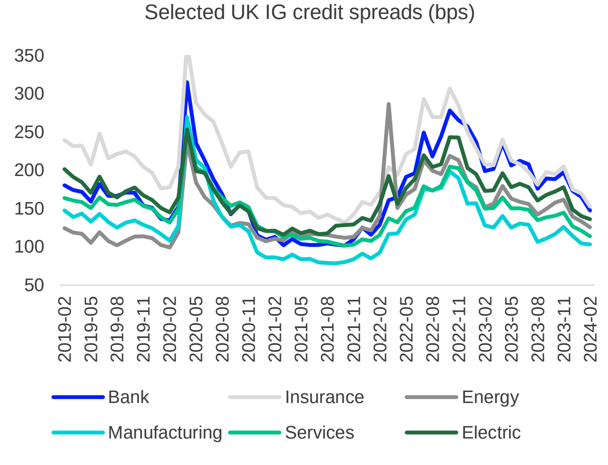


Chart 4: US real estate and financial spreads have been tightening since mid-2023, helped by a slightly steeper yield curve, receding recession fears and low mortgage default rates (due to high employment levels).

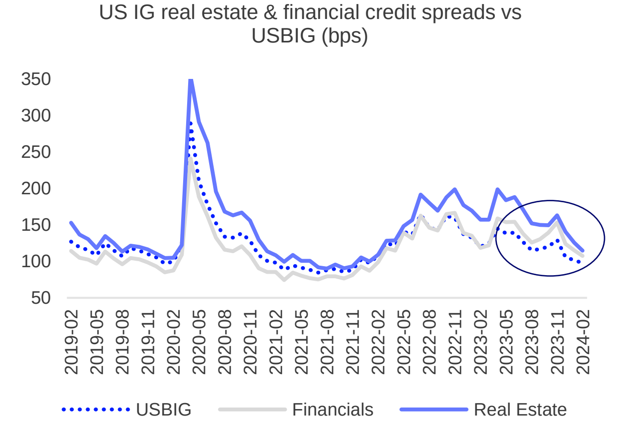


Chart 5: IG credit spreads continue to narrow, relative to RMBS spreads, despite the RMBS Agency guarantee. The Q1 back-up in Treasury yields barely moved RMBS spreads, partly because the Fed is reducing its holdings.

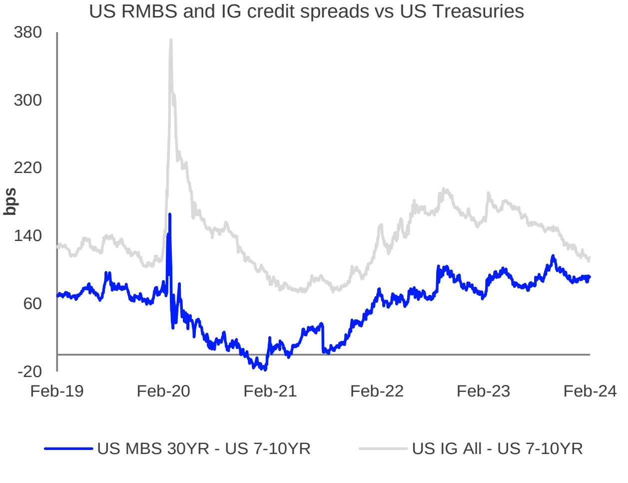
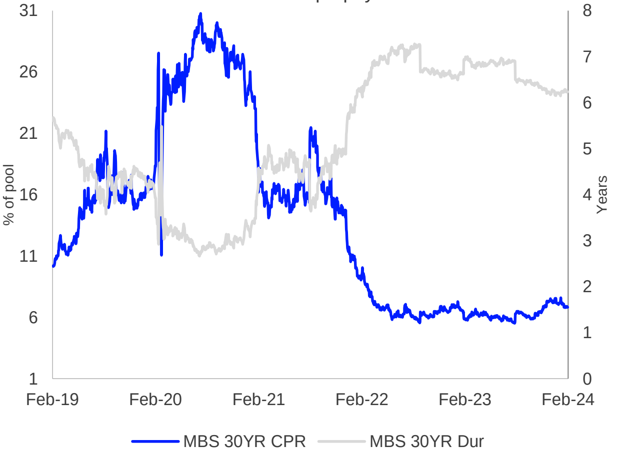


Chart 6: The Q4 Treasury rally caused a slight increase in prepayment rates, and fall in duration, but this was short-lived as mortgage rates rebounded, with no incentive for mortgagors to refinance at higher rates.



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High Yield Credit Analysis

Chart 1: US high yield (HY) spreads continue to tighten, helped by the risk rally and correlation with US equities. US IG spreads have narrowed as well, but are more closely tied to Treasury yields, than HY.

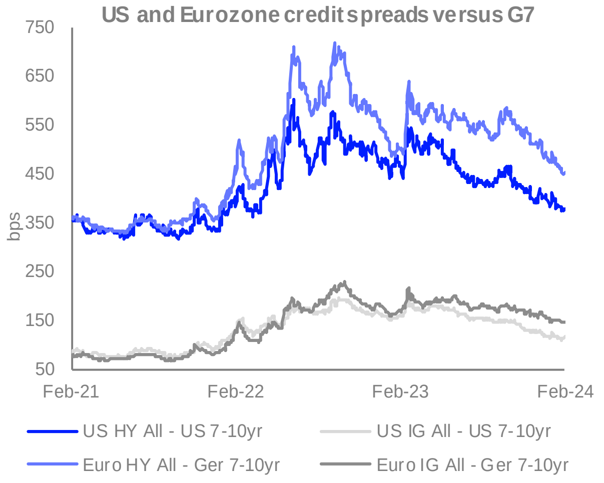


Chart 2:.Only HY Telecom spreads have widened in 2022-23, reflecting costs of new networks and increased competition in broadband provision. Spreads have mostly tightened since yields peaked in Q4 2022.

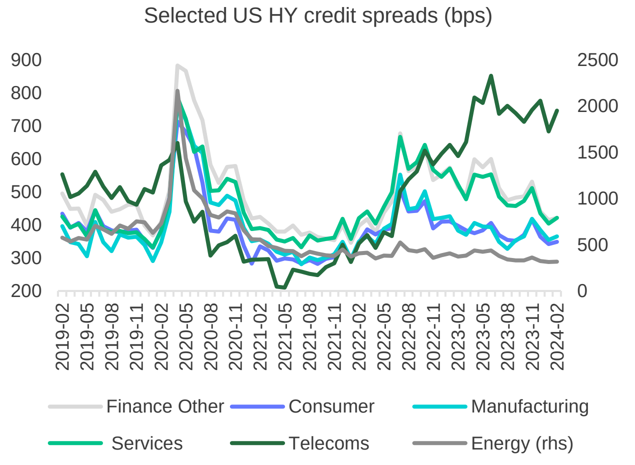


Chart 3: US HY returns show sizeable gains since the risk rally began, with 12 month returns of 9% (see page 9). HY recovered quickly during Covid, helped by Fed QE, even if Fed QE did not cover lower grade HY.

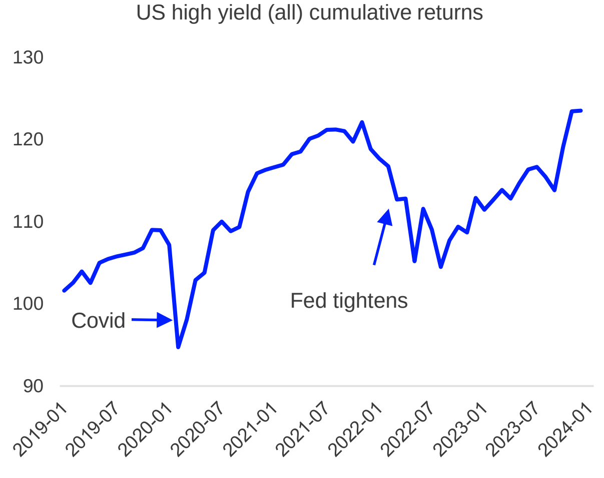


Chart 4: After marked underperformance by CCC during Covid, the Ukraine shock and the early months of Fed tightening, CCC has recovered strongly, and outperformed in the 2023-24 risk rally.

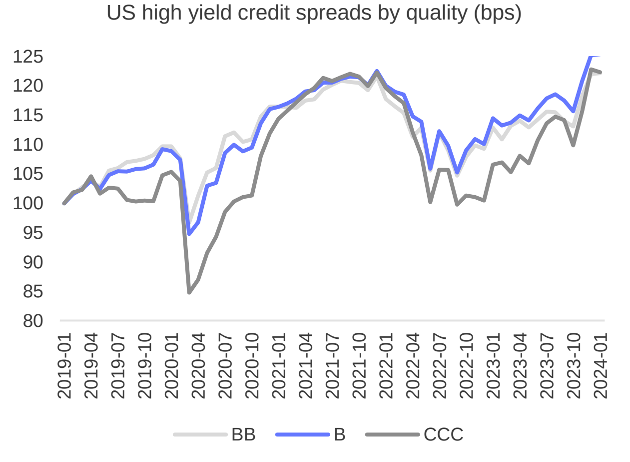


Chart 5: US HY duration fell sharply since Fed tightening began in March 2022. BB duration dropped more than CCC, reflecting closer correlation to Treasuries than CCC, and outperformance by CCC.

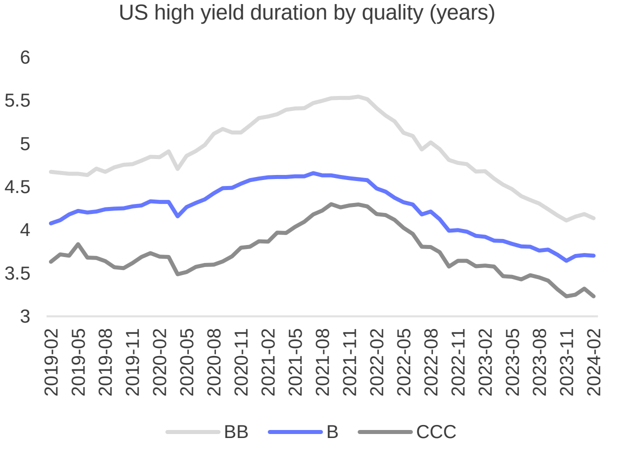
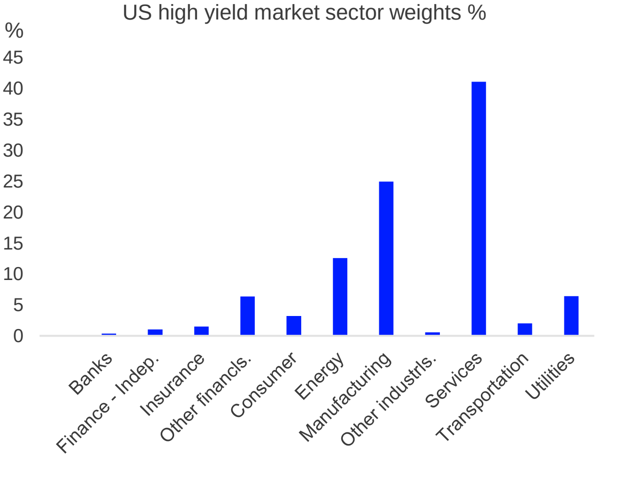


Chart 6: US HY market sector weights are dominated by manufacturing, services, and energy. Financials have a low weighting, in straight HY bonds, with much of their issuance in cross-overs like Prefs. and AT1.



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Sovereign and Climate Bonds Analysis

Chart 1: Extra duration has taken its toll on green sovereign WGBI performance, which has underperformed WGBI by 74bp in Q1, 2024 to end-February. Green sovereigns outperformed in the Q4 rally.

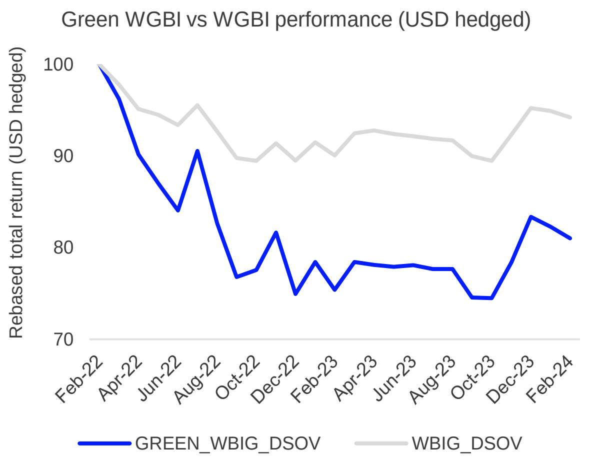


Chart 2: Green corporate bonds outperformed by 45bp (USD hedged) YTD, reflecting the shorter duration of green corporates. The "greenium" remains at about 70bp (green yields below broader corporates).

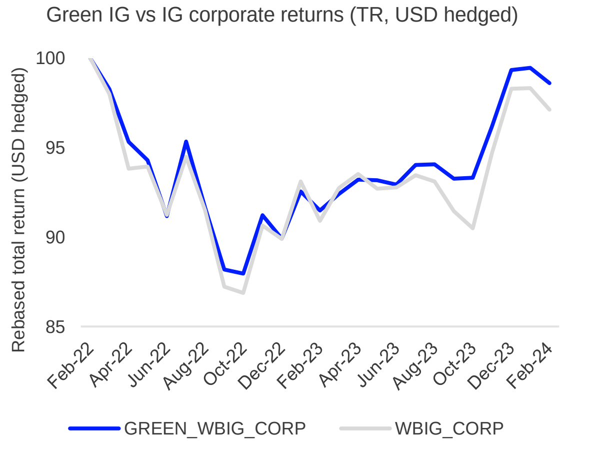


Chart 3: Extra duration in green sovereigns is quite marked, though it has fallen from a peak of about 6.7 years in early 2022. The difference crept up in Q1, after the UK tapped the 2053 green gilt issue.

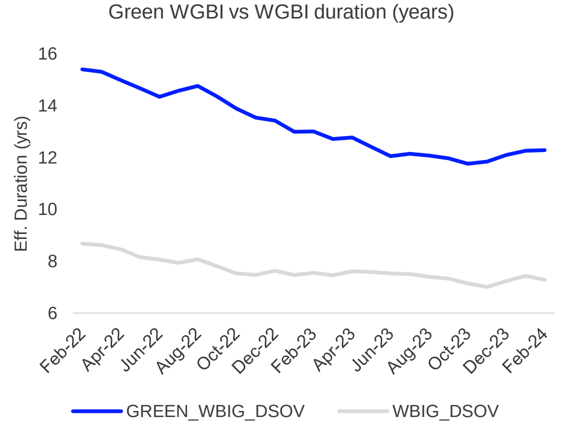


Chart 4: Unlike Sovereigns, Green IG corporates have shorter duration than other IG corporates, by about 1 year, a much less marked difference in duration than in sovereign bonds.

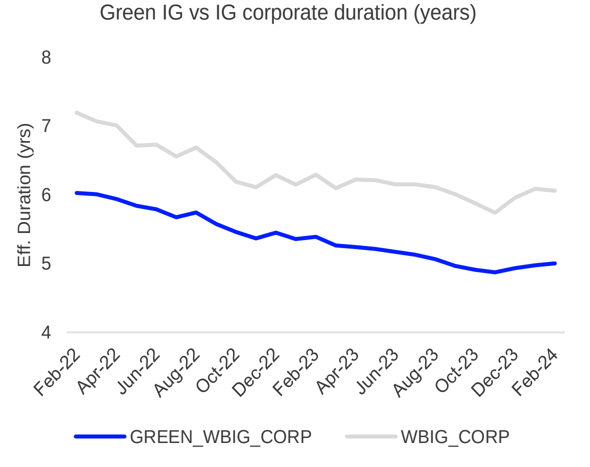


Chart 5:Issuance in the green sovereign and supras market is strong YTD, after weakness in H2 2023. Issuance fell back in February after the surge in January on the re-opening of the UK's green 2053 gilt.

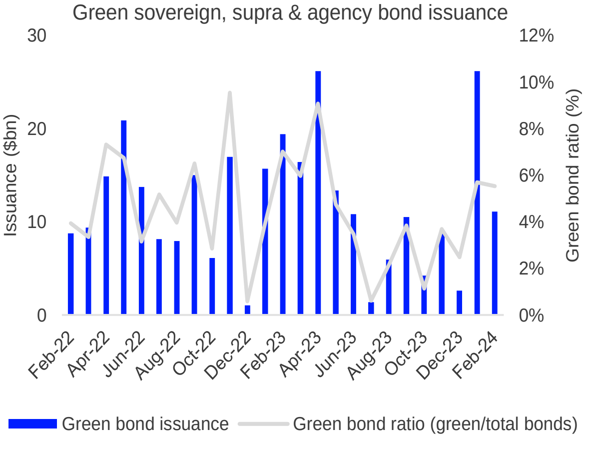
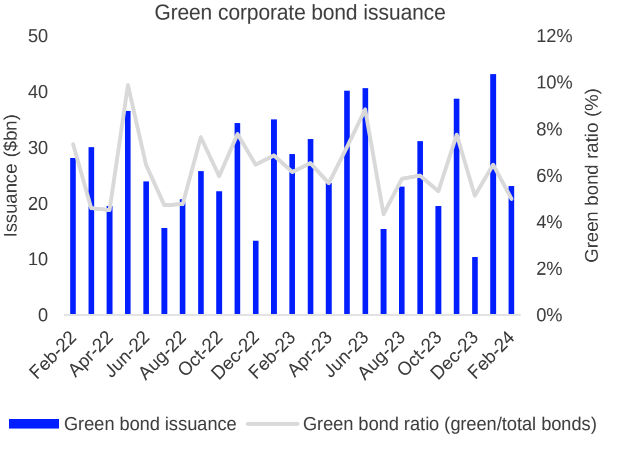


Chart 6: Green corporate issuance remained relatively robust in February, although it fell versus January. January 2024's Green issuance of about $40bn was close to a monthly record.



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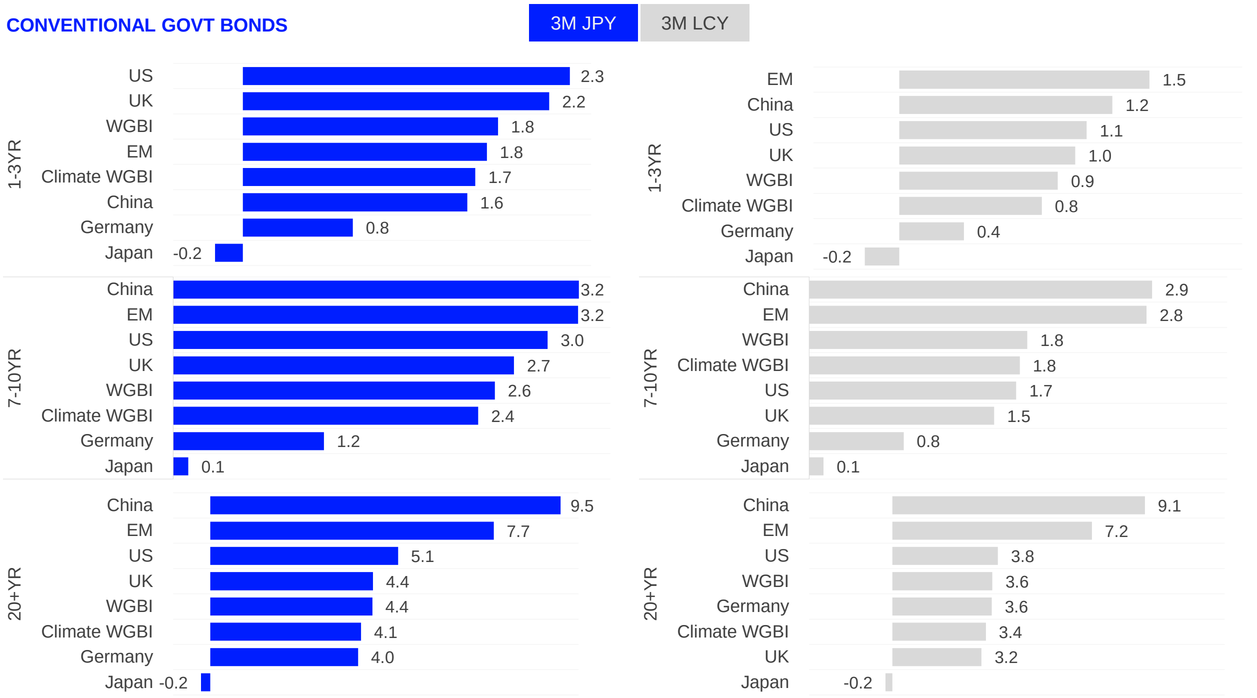
Global Sovereign Bond Returns − 3M and 12M % (JPY & LC, TR)

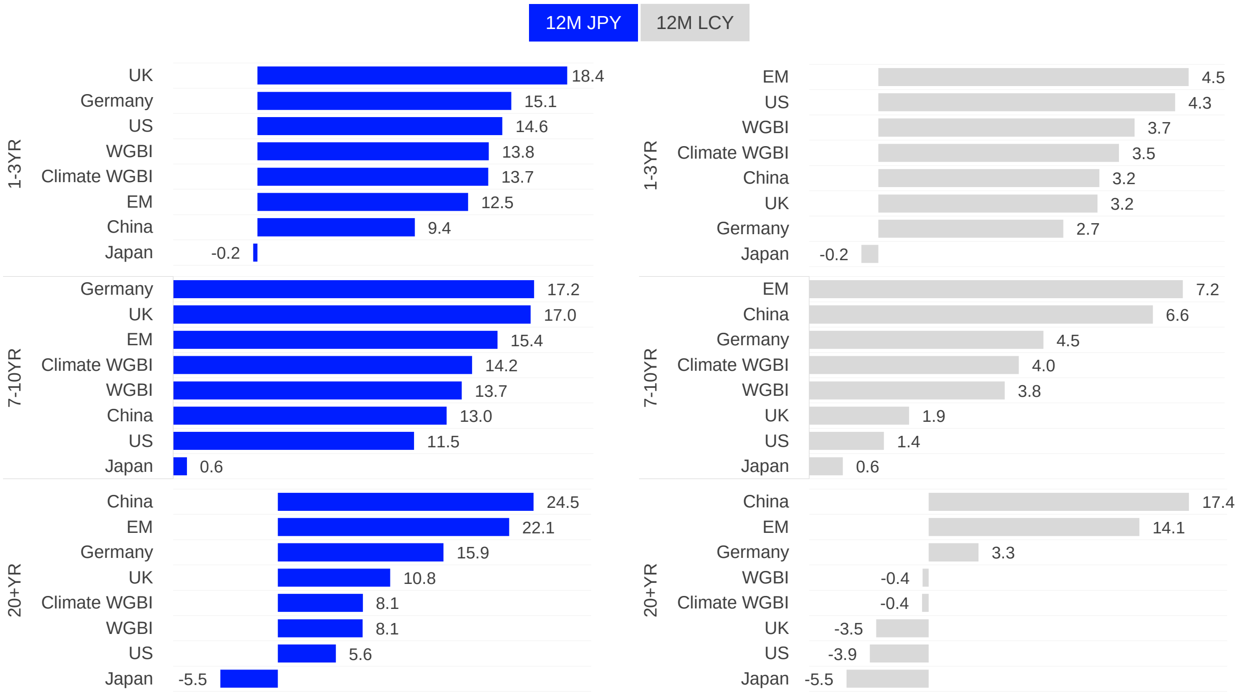
Conventional government bonds still show sizeable JPY returns on 3M, led by China and EM, even if the Q1 back-up in yields erased most of Q4's local currency gains in G7 markets, as caution about policy easing prevailed. On 12M, shorter Treasuries, gilts and Bunds managed yen returns of 15-18%, helped by a weak yen. Long China and EM bonds outperformed.

EM and China bonds again proved safe havens during Q1, with PBoC easing in contrast to Fed and G7 caution on policy. However, G7 markets show higher returns in yen terms, due to yen weakness, as the BoJ retained QE and curve control. Longer JGBs lagged on 3M, despite a February rally.

Long Treasuries still show losses of 4% on 12M in USD, reflecting some normalisation in the curve, with shorter maturities outperforming. Long gilts also lost 3.5% in local currency terms, as pension fund demand has receded, but sterling gains offset these losses. Long Chinese bonds gained 25% over 12M, helped by PBoC policy easing and safe haven buying, after 3M gains of 10%.

CONVENTIONAL GOVT BONDS





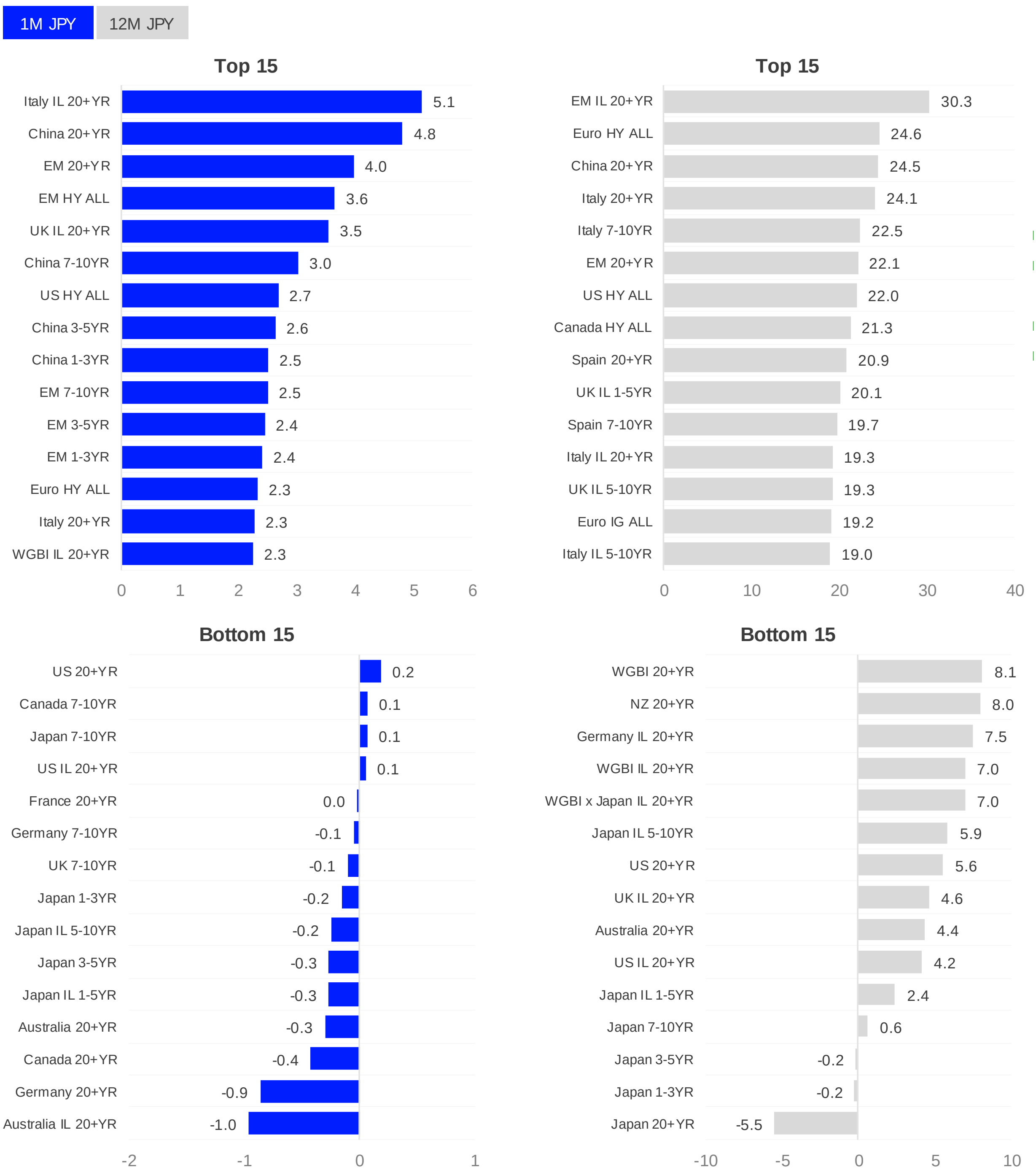
Source: FTSE Russell and LSEG. All data as of February 29, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Top and Bottom Bond Returns − 1M & 12M % (JPY, TR)

Yen weakness boosted JPY returns by up to 5.1% in February, unlike moderate returns in US bonds, of only up to 2.7% in US high yield credit. China, EM and credit again showed safe haven status. Long-dated G7 bonds lagged in February, except long JGBs, which rallied on long investor buying. EM, China, and Euro and US credit were the strongest 12M performers.

Chinese, EM and HY bonds led gains in yen in February, although only few markets managed gains in local currency terms (after central bank policy caution). They were also stronger on 12M, with gains of 21-30%. 20yr+ JGBs disappeared from the Bottom 15 on 1M, helped by a strong February rally. A weaker yen again boosted non-yen denominated bond returns.

Long linkers and govts. were also weak on 12M, and apart from JGBs, the Bottom 15 comprise 20+ yr maturities only.



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

Government Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	YEN	Local	YEN	Local	YEN	Local	YEN
US	1-3YR	1.09	2.35	2.46	5.34	-0.05	6.11	4.28	14.59
	7-10YR	1.73	3.00	1.04	3.87	-2.17	3.86	1.44	11.46
	20+YR	3.81	5.10	-0.62	2.17	-4.81	1.05	-3.93	5.56
	IG All	2.71	3.99	4.00	6.91	-1.51	4.56	6.10	16.58
	HY All	3.87	5.16	6.02	9.00	0.31	6.49	11.05	22.02
UK	1-3YR	1.03	2.20	2.86	5.56	-0.44	4.88	3.16	18.43
	7-10YR	1.55	2.73	4.24	6.98	-3.55	1.61	1.92	17.01
	20+YR	3.22	4.42	3.00	5.71	-6.82	-1.84	-3.52	10.77
EUR	IG All	1.90	2.32	3.80	6.40	-0.83	3.14	6.27	19.15
	HY All	4.42	4.93	7.73	10.45	1.38	5.58	10.83	24.61
Japan	1-3YR	-0.20	-0.20	-0.18	-0.18	-0.21	-0.21	-0.25	-0.25
	7-10YR	0.12	0.12	0.14	0.14	-0.42	-0.42	0.65	0.65
	20+YR	-0.25	-0.25	-1.69	-1.69	-1.13	-1.13	-5.50	-5.50
China	1-3YR	1.24	1.61	1.31	5.56	0.70	5.40	3.19	9.38
	7-10YR	2.87	3.25	2.97	7.28	1.91	6.67	6.61	13.01
	20+YR	9.11	9.51	8.21	12.75	6.48	11.45	17.44	24.49
EM	1-3YR	1.46	1.75	1.94	5.39	0.79	5.12	4.48	12.54
	7-10YR	2.83	3.24	3.13	6.11	1.00	5.26	7.19	15.43
	20+YR	7.20	7.70	6.79	10.41	4.71	9.20	14.12	22.15
	IG All	3.14	4.42	4.47	7.40	-0.07	6.09	6.47	16.98
	HY All	5.37	6.67	7.87	10.90	2.69	9.02	8.04	18.71
Germany	1-3YR	0.38	0.79	1.24	3.78	-0.56	3.42	2.67	15.11
	7-10YR	0.79	1.21	1.55	4.09	-2.55	1.35	4.51	17.17
	20+YR	3.59	4.01	1.84	4.39	-5.32	-1.53	3.35	15.87
Italy	1-3YR	0.76	1.17	1.98	4.53	-0.28	3.71	3.99	16.59
	7-10YR	3.48	3.91	4.21	6.81	-0.50	3.49	9.22	22.45
	20+YR	7.50	7.94	5.74	8.38	-0.02	3.98	10.72	24.14
Spain	1-3YR	0.76	1.18	1.78	4.33	-0.27	3.72	3.29	15.81
	7-10YR	2.44	2.86	3.53	6.12	-1.47	2.47	6.80	19.75
	20+YR	6.09	6.52	5.58	8.22	-2.43	1.48	7.83	20.90
France	1-3YR	0.55	0.96	1.50	4.04	-0.63	3.35	2.95	15.43
	7-10YR	1.55	1.97	2.32	4.88	-2.23	1.68	5.13	17.87
	20+YR	5.31	5.74	4.06	6.67	-4.32	-0.49	6.07	18.93
Sweden	1-3YR	0.77	3.32	1.85	10.81	-0.45	2.93	3.06	14.12
	7-10YR	1.93	4.50	3.71	12.83	-3.10	0.19	4.20	15.39
	20+YR								
Australia	1-3YR	1.57	0.99	2.08	5.51	0.44	1.75	3.29	9.59
	7-10YR	3.24	2.65	1.45	4.86	-0.64	0.66	2.28	8.52
	20+YR	4.83	4.23	0.33	3.70	-2.72	-1.45	-1.63	4.37
NZ	1-3YR	1.35	1.21	3.08	8.43	0.22	2.38	4.23	12.62
	7-10YR	2.71	2.57	4.00	9.39	-1.98	0.13	3.91	12.27
Canada	1-3YR	0.93	2.14	2.79	5.41	-0.27	2.93	3.40	14.05
	7-10YR	1.40	2.62	2.62	5.23	-2.21	0.92	2.24	12.77
	20+YR	0.92	2.13	1.86	4.46	-5.71	-2.68	-0.19	10.08

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 – Historical Bond Yields % as of February 29, 2024

Global Bond Yields

Top 15% | Bottom 15%

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

		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.73	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

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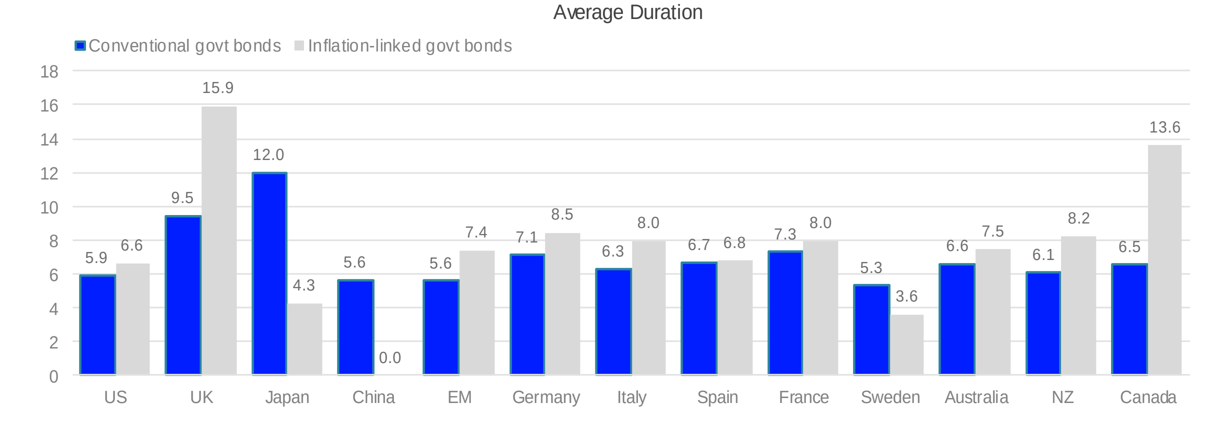
Appendix – Duration and Market Value (USD, Bn) as of February 29, 2024

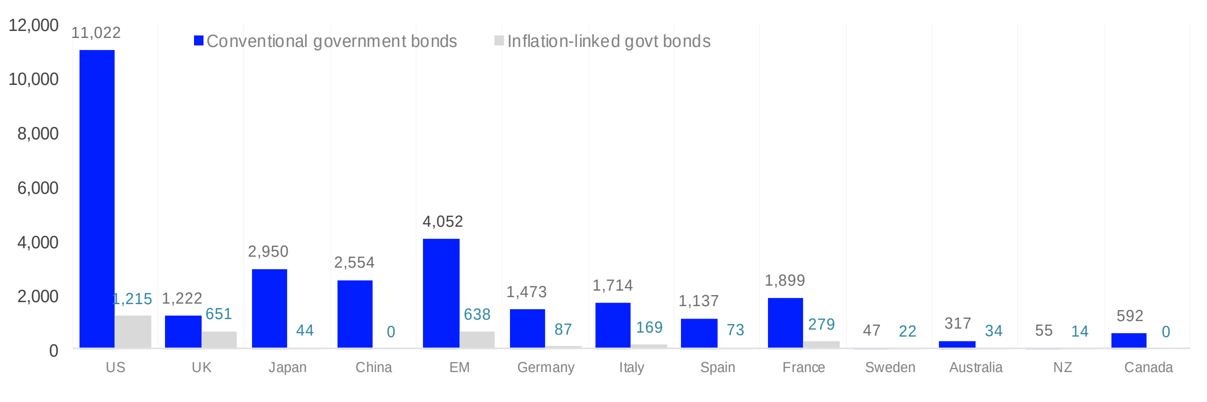
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.2	16.8	**5.9**	2,555.0	1,143.8	1,305.4	**11,021.7**	7.1	21.0	**6.6**	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



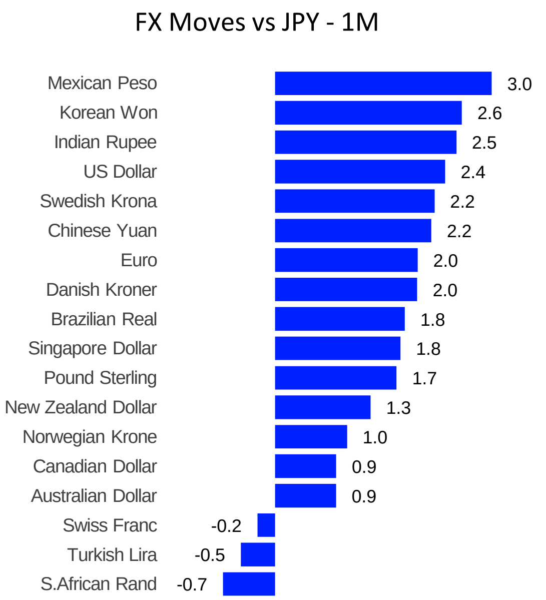
Total Market Value (USD Billions)

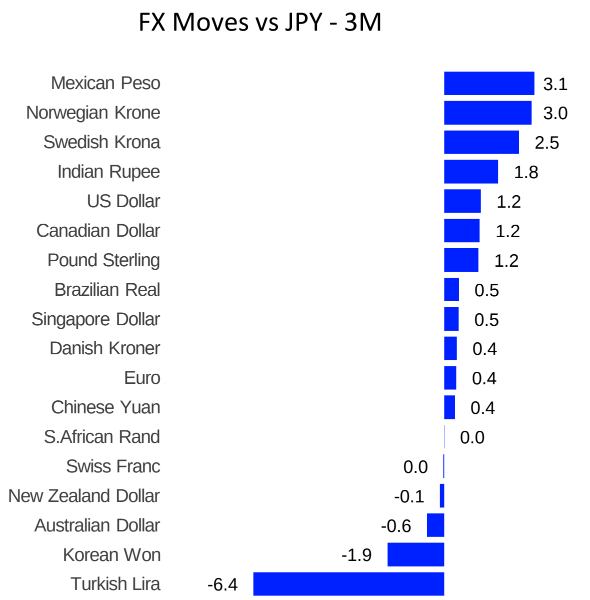


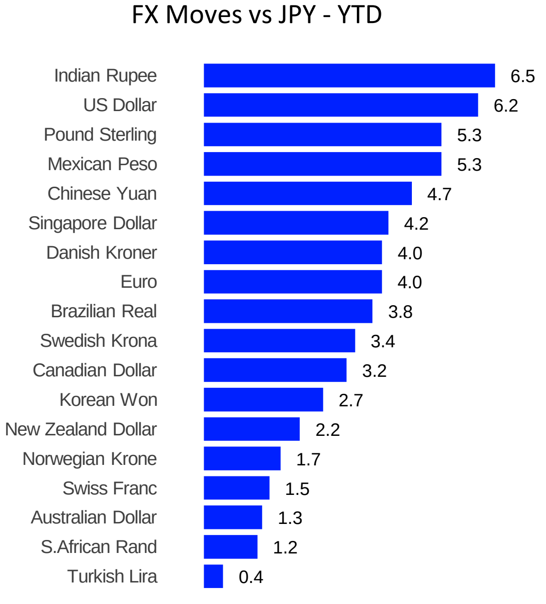
Data as of 2024-02-29

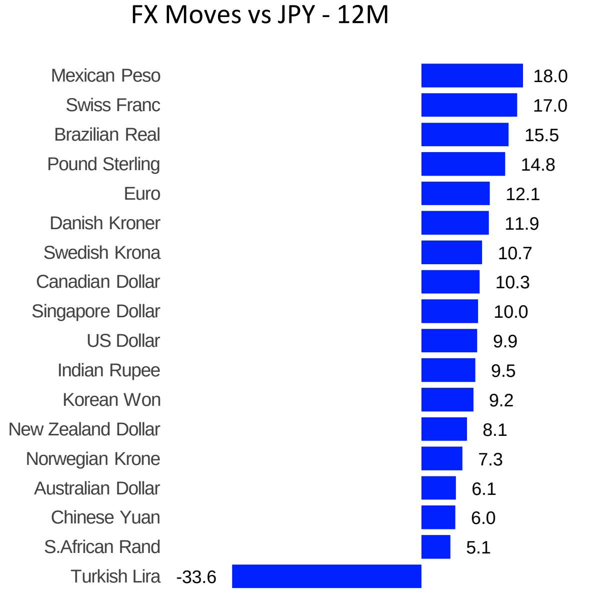
Source: FTSE Russell and LSEG. All data as of February 29, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Foreign Exchange Returns % as of February 29, 2024









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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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