Fixed Income Insights

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

Gilts still trapped by BoE caution and signs of reduced demand for longs

Despite G7 goods disinflation, long govt yields backed up in February, after BoE caution on rates, and despite the UK recession being confirmed. Equity market outperformance drove further credit gains, led by high yield, as the risk rally continued and similarities with Goldilocks increase. China and EM govt bonds remain safe havens.

Macro and policy backdrop – G7 goods inflation falls sharply but easing awaits lower services inflation
BoE retains concern about wage inflation, and any fiscal easing, as markets start to discount slower easing cycle. (pages 2-3)

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

Credit and MBS analysis – Credit remains in a sweet spot, led by Euro and EM in investment grade
Eurozone credits rallied from depressed valuations after energy & Ukraine shocks. RMBS & Telcom spreads widen. (page 6)

High yield credit analysis – Sterling HY credit benefits from short duration and global risk rally
HY bonds continue to outperform IG, and govt bonds. Strong correlation to equities and short duration key drivers. (page 7)

Sovereign and climate bonds – Green sovereigns underperformed in February due to extra duration
The extra duration of nearly 5 years in green sovereigns caused underperformance. Green corporates more stable. (page 8)

Performance – Another tough month for G7 longs, as China, EM and credit outperform again
The Q1 sell-off has erased most of the Q4 gains in longer government and inflation-linked bonds. (pages 9-10)

Appendix (from page 11)
Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

Chart 1: G7 7-10 year nominal yields backed up further in February, excluding Japan, driven by stronger growth and central bank caution.

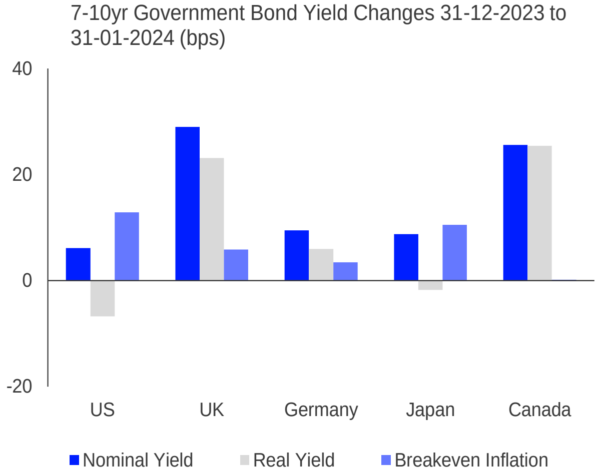
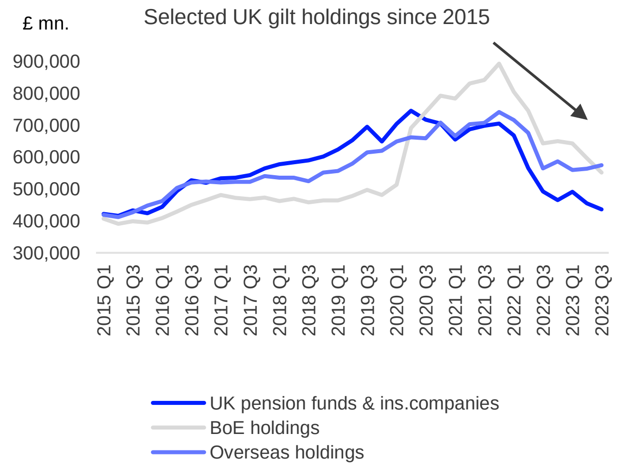


Chart 2: Pension fund demand for long gilts fell after the 2022 sell-off. Higher collateral buffers and the need to reduce leverage squeezed demand for longs.



Source: FTSE Russell and Lipper. Data available as of February 29, 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 contrast between strong US GDP growth, and weakness elsewhere, particularly in Europe, remains a key feature in Q1.. Labour markets remain at high levels of employment, led by the US, reflecting labour hoarding and structurally low participation rates. The sharp decline in goods inflation reflects easing in supply-chains and is in contrast to stickier services inflation, which remains driven by UK wage inflation near 6%.

Consensus forecasts recognise the resilience of the US to higher rates, with sizeable growth differentials forecast to persist with Europe in 2024.The Atlanta-Fed Now forecast shows US GDP growth tracking at 4.2% in Q1, helped by the easing in financial conditions since October. The UK growth outlook remains dominated by slower consumer spending, and tight monetary and fiscal policy, even if the March budget delivers a marginal easing in 2024-25. Policy easing is propping up Chinese growth forecasts, but weaker net trade and property remain major drags.

Chart 2 shows the more mixed picture on inflation. Central bank focus is on sustaining inflation at 2% target levels, rather than a short-term blip to below target levels on favourable y/y base. With the US labour market near full employment, and inflation above target at 3% y/y, there is little immediate pressure on the Fed to ease policy.

There remains uncertainty over the tightness of the UK labour market, which the ONS has conceded, after a low level of responses to labour market surveys. However, the ONS has now revised down its estimates of unemployment to below 4%, after completing a new survey. Wage settlements have eased back to 6.2% y/y, from a peak above 8% y/y (Chart 4), but remain the biggest source of service sector inflation, with unit labour costs growing sharply, as the economy entered recession in Q4.

Chart 4 shows UK goods inflation has fallen sharply in 2023-24, to 1.9% y/y, compared with 6% y/y services inflation. This partly reflects easing in supply chain pressures as the global economy slowed cyclically in 2023, after monetary tightening, but also suggests supply-chains survived Covid lockdowns to date, either by regionalising, or re-shoring. UK service sector inflation at 6% is largely driven by wage growth near 6% and remains the BoE's biggest challenge in achieving the 2% target sustainably.

Chart 1: US forecasts continue to be revised higher, after a strong Q1 so far. Eurozone and UK forecasts remain weak, after technical recessions. China is exposed to the global slowdown as PBoC easing continues

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: sticky inflation has confirmed achieving 2% targets on a sustained basis may be tougher than markets presumed. Service sector inflation is now the main driver. Chinese deflation risks remain

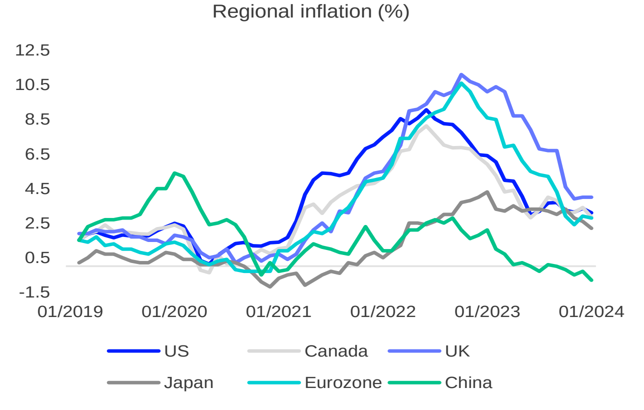


Chart 3: The ONS revised down estimates for unemployment to under 4% in Q4, as wage inflation eased to 6.2% y/y, and vacancies continue to fall. But high wage inflation is driving higher UK services inflation.

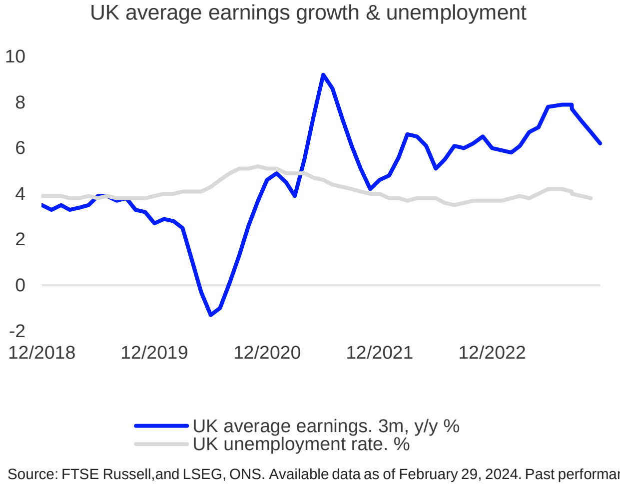
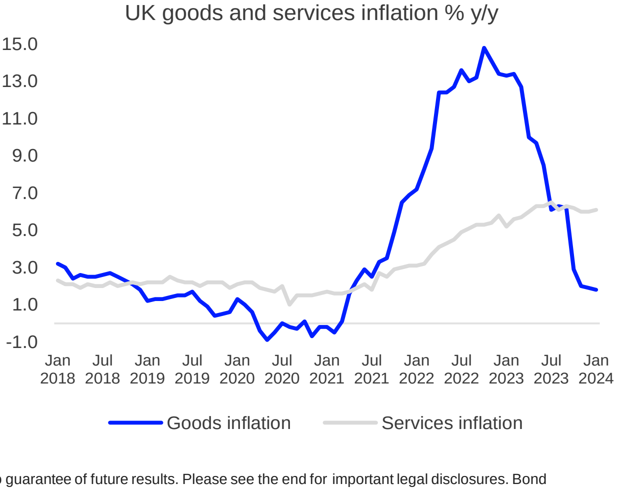


Chart 4: The rapid decline in UK goods inflation reflects both base effects and an easing in supply-chain pressures, after global demand fell sharply in 2023. Services inflation remains at 6% y/y and is the BoE's biggest challenge.



Source: FTSE Russell,and LSEG, ONS. Available 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.

Financial Conditions and Monetary Policy Settings

Central banks remain cautious on easing monetary policy in the G7, unless a deflationary shock intrudes (like the GFC or Covid). G7 economies have generally withstood the 2023-24 policy tightening, aided by labour hoarding, as labour forces shrink, and robust financial systems, though the growth differential in favour of the US has widened, boosting the dollar. European recessions increase pressure on central banks to pivot towards easing and halt Quantitative Tightening (QT).

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, including the UK, 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.

Fed Chairman Jerome Powell stressed the prudence of taking time to see if the data confirm inflation has fallen to 2% “in a sustainable way”, at the February FOMC meeting. Temporary inflation dips to below 2% y/y on technical base effects may not be sufficient to drive BoE easing in the UK, given strong wage growth, though stagnant growth in Europe could force an earlier move.

QT continues, shrinking central bank balance sheets, with signs of money market strains in Canada obliging the BoC to supply emergency liquidity (reminiscent of the Fed’s intervention in 2019). Uncertainty about the equilibrium size of central bank balance sheets lurks in the background, though it seems unlikely to be below pre-Covid levels, which was about $4trn for the Fed (Chart 4).

* See “Timing, tempo and terminal rates; lessons from previous G7 easing cycles”, LSEG, February 2024

Chart 1: G7 easing cycles typically lasted 2-3 yrs, before the rapid easing after the GFC and Covid. But the slow-motion slowdown in 2023-24, which the US has largely escaped, suggests a return to a slower easing cycle.

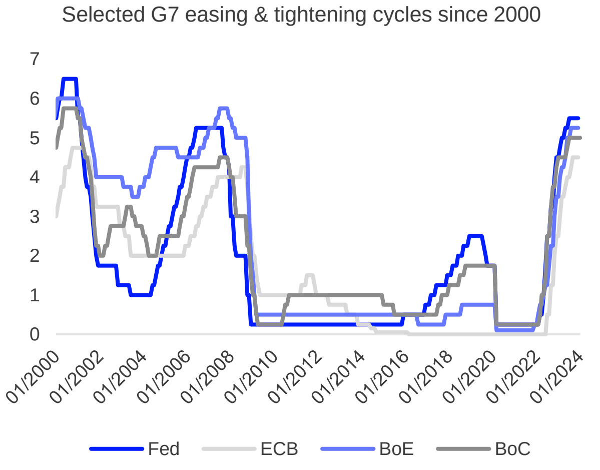


Chart 2: The dollar rallied again in February, helped by stronger economic data, and diminished prospects of early Fed easing. Sterling drew support from the low probability of early BoE easing, despite the UK recession.

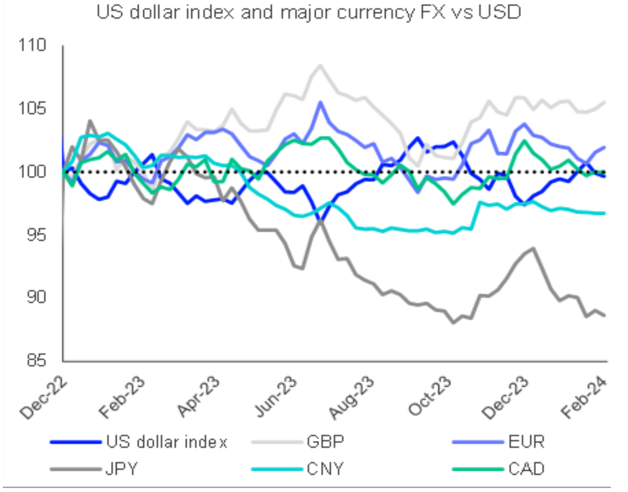


Chart 3: Central banks remain on hold, even if growth is very weak in Europe, and inflation near targets. A sustainable decline in inflation to below 2% is the key issue, not a brief technical drop on base effects.

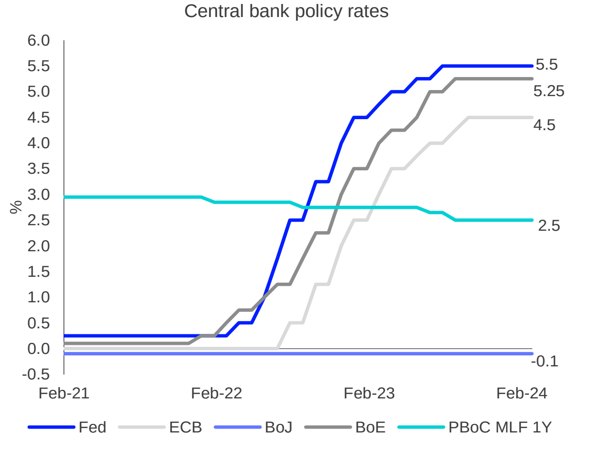
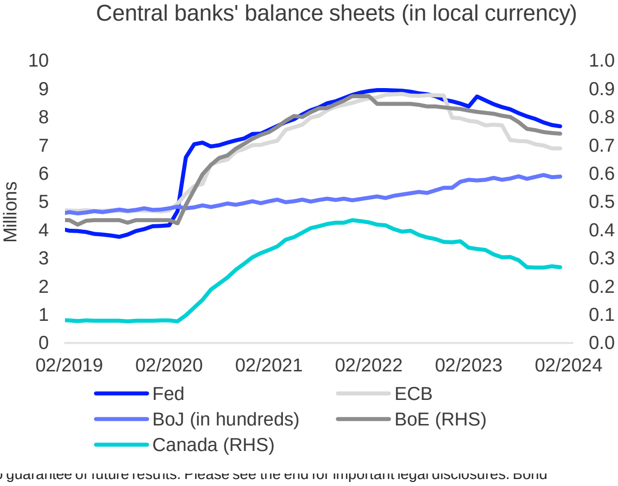


Chart 4: G7 QT continues, though tension with easing rates may force a pause in 2024. The equilibrium size of central bank balance sheets is an issue, and central banks will monitor money market strains with this in mind.



Source: FTSE Russell and LSEG. Latest data available 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 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.

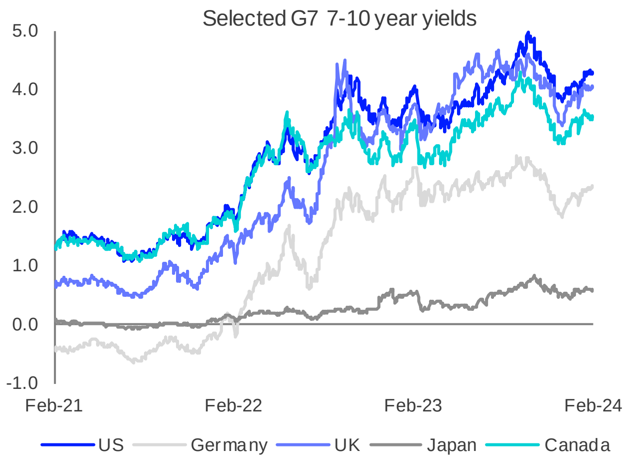


Chart 2: 7-10 year real yields broadly tracked nominal yields higher, though remain below the cycle highs in 2023. Stronger Q1 real growth also contributed to the back-up in real yields in US Tips.

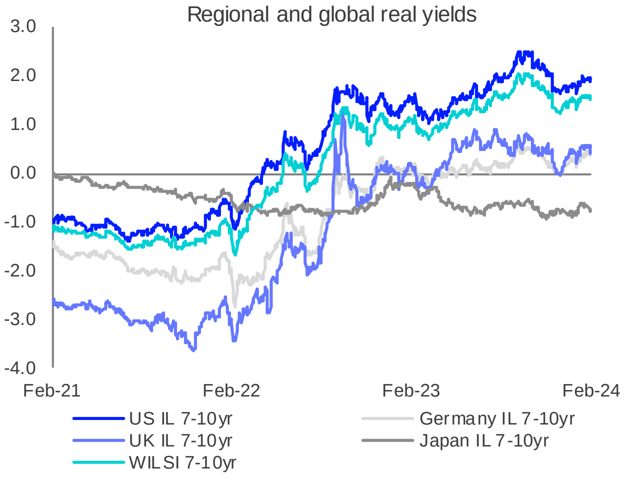


Chart 3: Yield curves remain deeply inverted as both short and medium dated yields backed up in February, though inversion is less pronounced than in 2023, as markets anticipate policy easing and lower short yields.

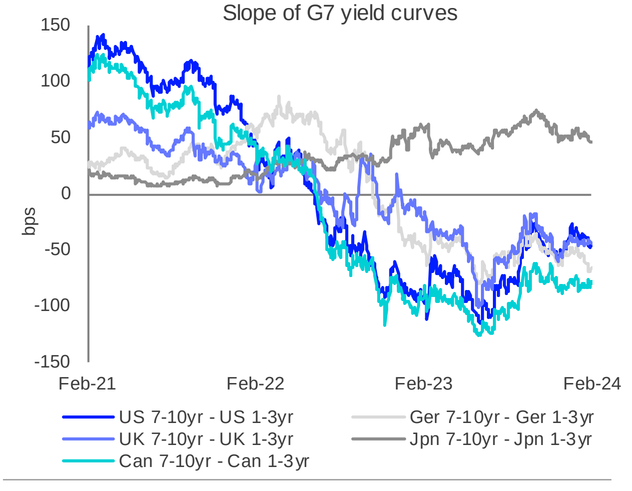


Chart 4: The long end has resumed the bear inversion pattern that dominated 2022-23 (during G7 central bank tightening, excluding Japan). Despite flattening in Q1, the long UK curve now has a positive gradient.

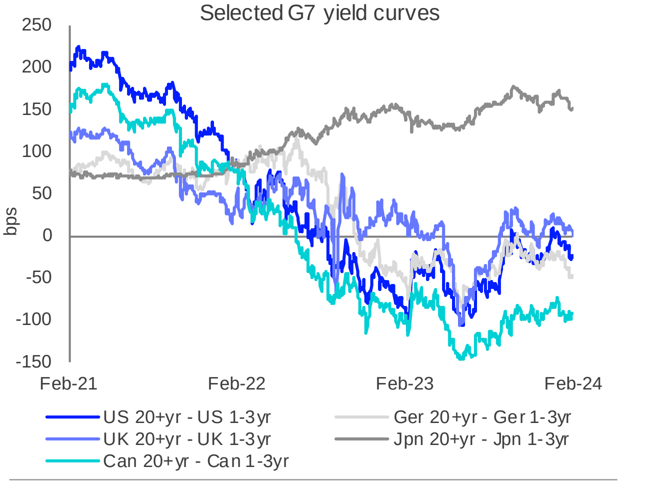


Chart 5: Inflation breakevens edged higher in February, aside from Japan. The inflation uptick helped push breakevens higher, but the moves were also directional, since breakevens tend to move pro-cyclically with nominal yields.

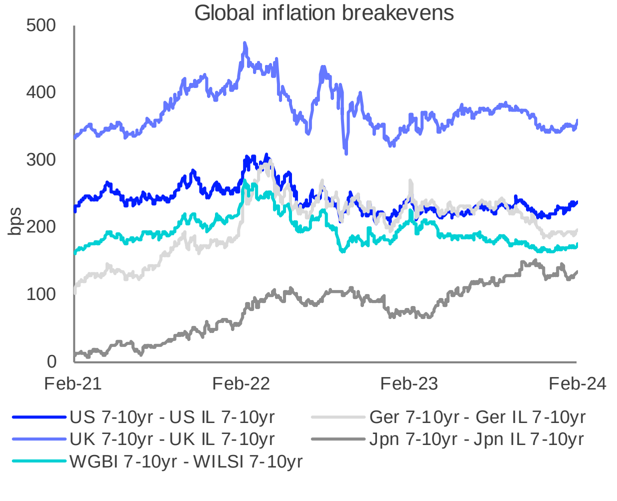
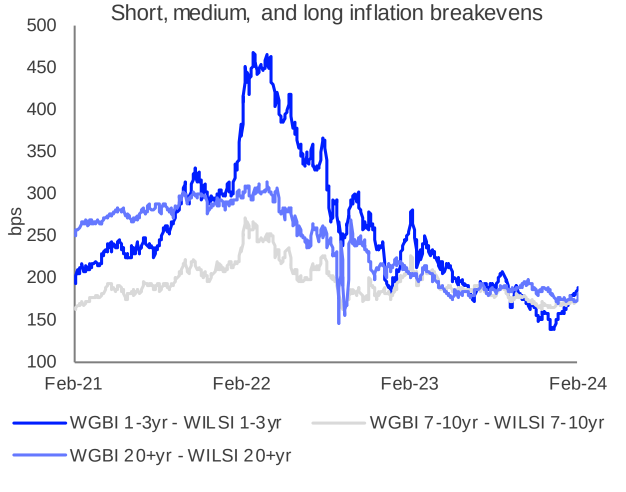


Chart 6: Globally, short-dated breakevens are closely correlated with spot inflation, rising sharply in 2022 before collapsing in 2023, as inflation rates fell. Longer dated breakens remain stable, under 2%.



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.

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.

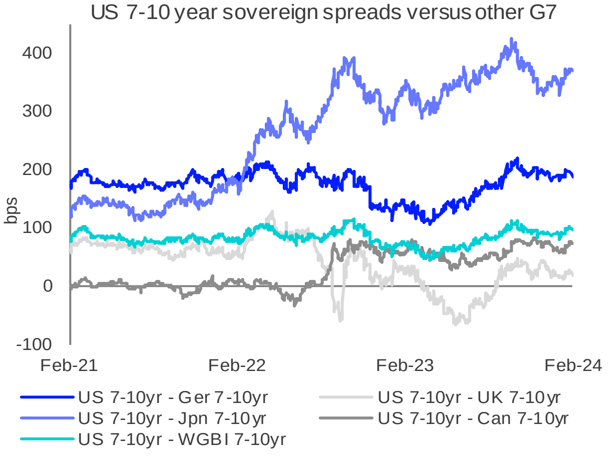


Chart 2: The risk-on rally helped Italian spreads tighten in February, ex Japan. Spreads have been tightening since Q1, 2023, after ECB pledges of support to prevent dysfunction in monetary policy transmission.

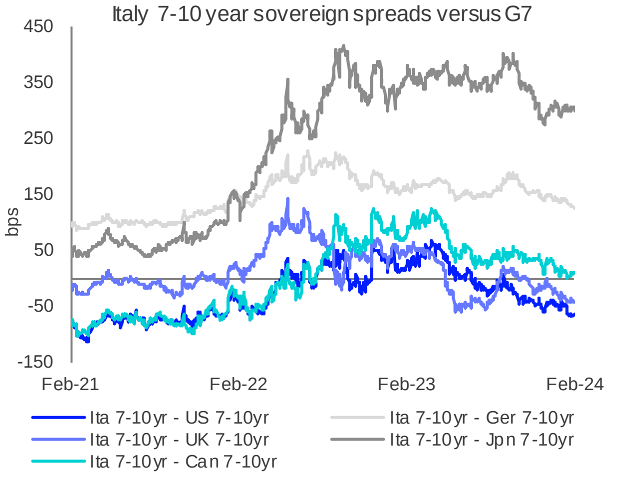


Chart 3: EM spreads tightened in February, helped by Chinese yields falling further, and the back-up in G7 yields. There has been little sign of the sharp widening in EM spreads that traditionally occurred in Fed tightening cycles.

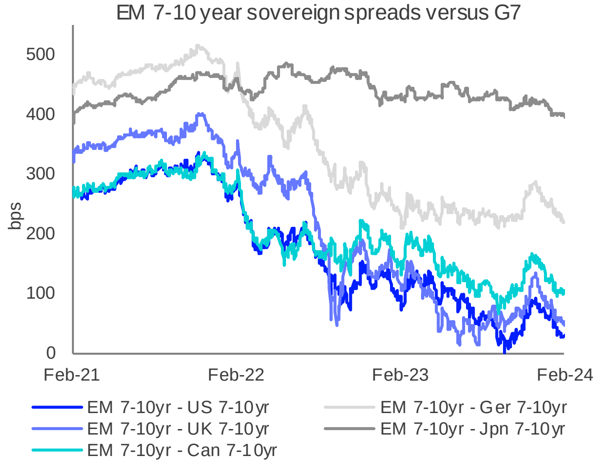


Chart 4: With the PBoC easing monetary policy further, but G7 central banks firmly on hold, spreads in 7-10 yrs fell again in February. Chinese govt bond yield correlation remains strongly negative with the G7.

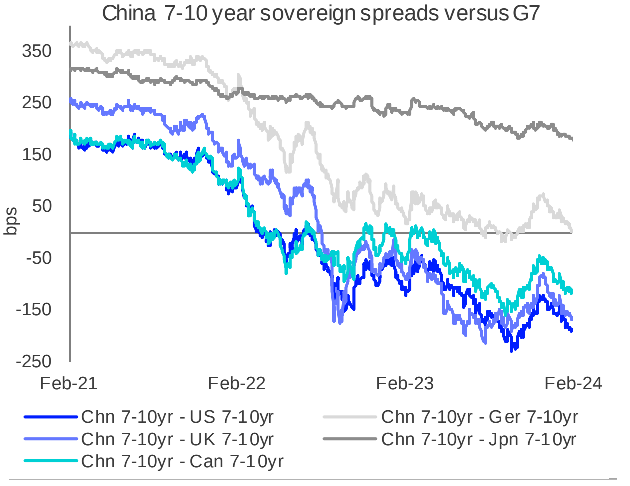


Chart 5: A surge in corporate issuance restricted tightening in spreads. High yield spreads have converged more than IG in 2023/24.

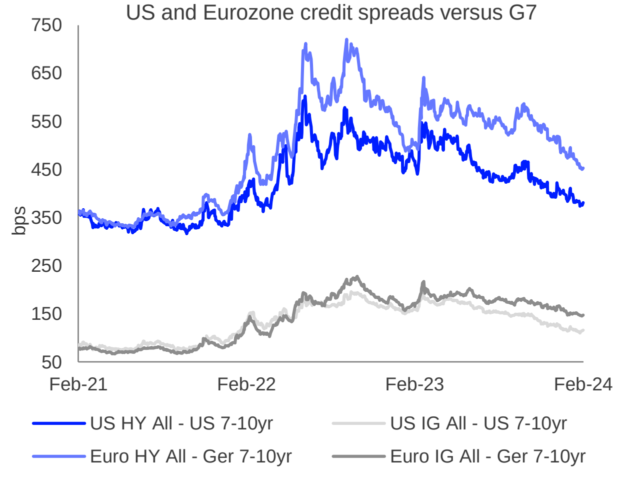
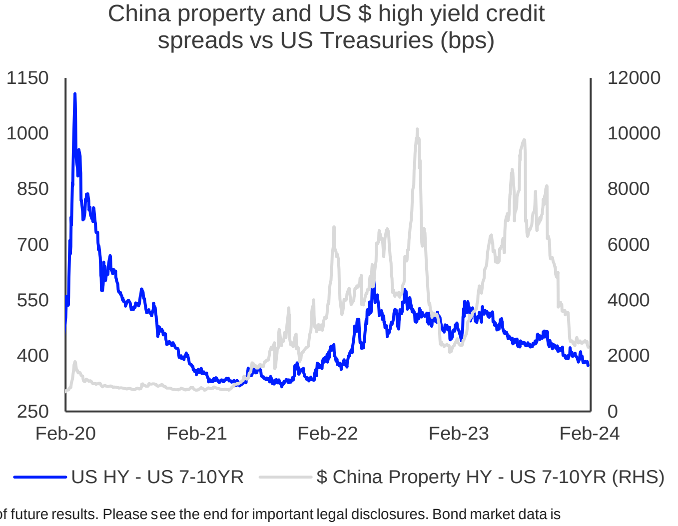


Chart 6: Both US and Chinese $ HY credit spreads tightened further in February, as US Treasury yields rose. China's property bonds benefited from the 5Y LPR cut, designed to support demand in the real estate sector.



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.

Investment Grade Credit and MBS analysis

Chart 1: 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.

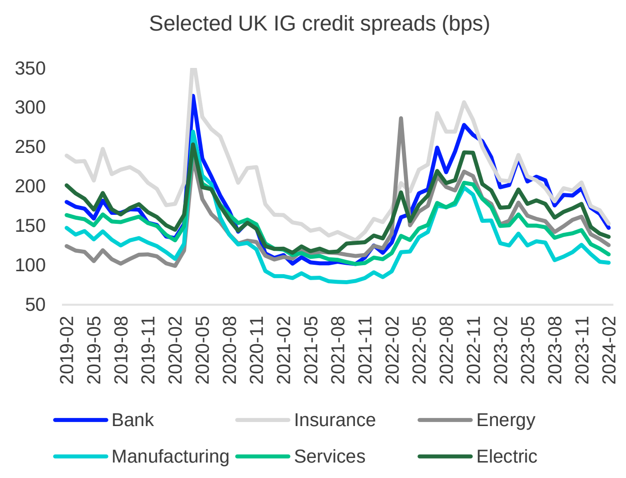


Chart 2: Eurozone spreads are normalising, but still remain above pre-Covid levels, reflecting weak growth, the energy and Ukraine shocks. The 2022 spike in spreads was far greater in Europe than the US.

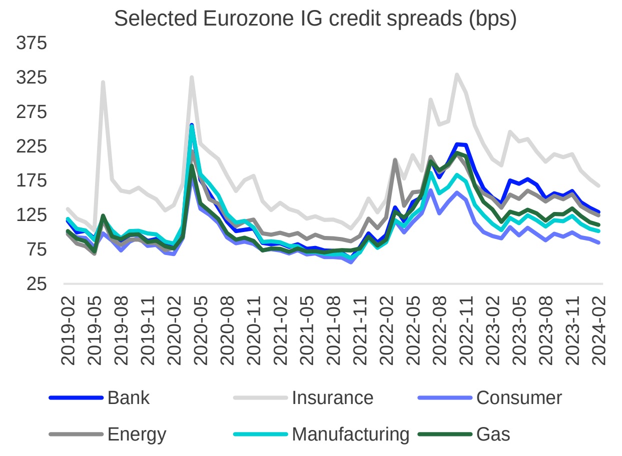


Chart 3: IG energy and bank spreads tightened most in Q1, helped by higher Treasury yields. Telecoms and Services spreads flat-lined. Capex pressure on the Telecom sector remains a feature (see page 7, Chart 2).

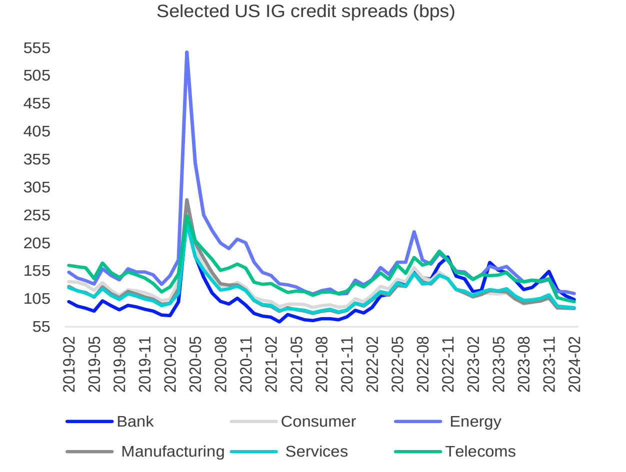


Chart 4: US real estate and financial spreads have been tightening since mid-2023, helped by a slightly steeper yield curve, receding recession fears and low mortgage default rates (due to high employment levels).

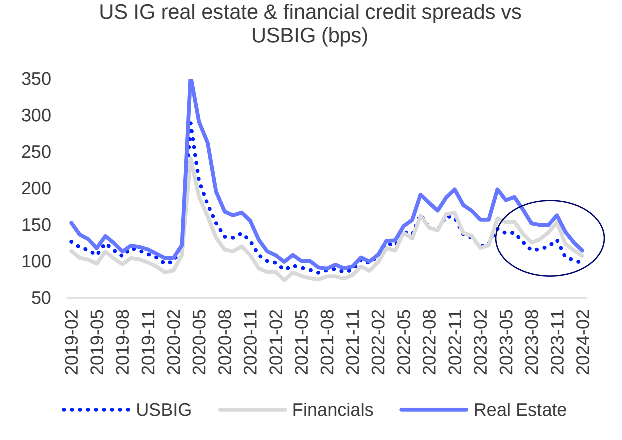


Chart 5: IG credit spreads continue to narrow, relative to RMBS spreads, despite the RMBS Agency guarantee. The Q1 back-up in Treasury yields barely moved RMBS spreads, partly because the Fed is reducing its holdings.

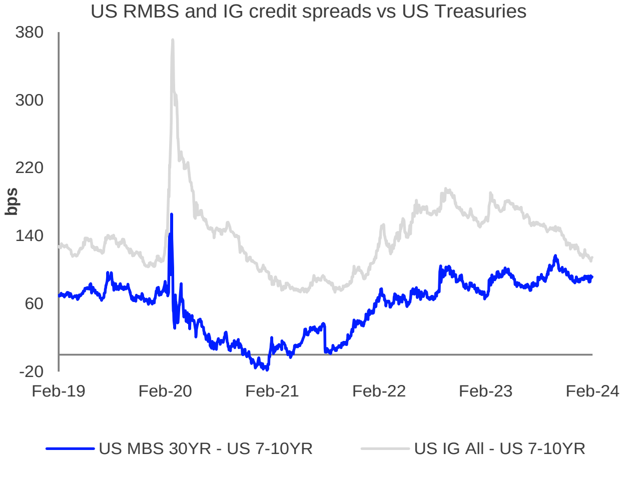
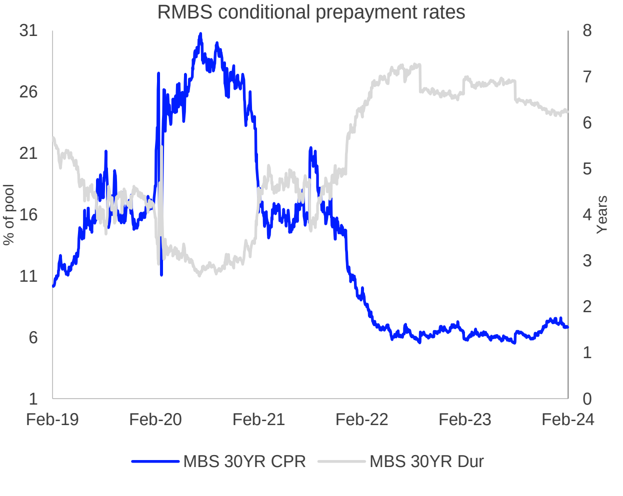


Chart 6: The Q4 Treasury rally caused a slight increase in prepayment rates, and fall in duration, but this was short-lived as mortgage rates rebounded, with no incentive for mortgagors to refinance at higher rates.



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.

High Yield Credit Analysis

Chart 1: Spreads are more volatile in the lower credit quality area of HY, like CCC, where default rates are higher. Spreads have returned to pre-Covid levels, so relative value is not as attractive as in 2022.,

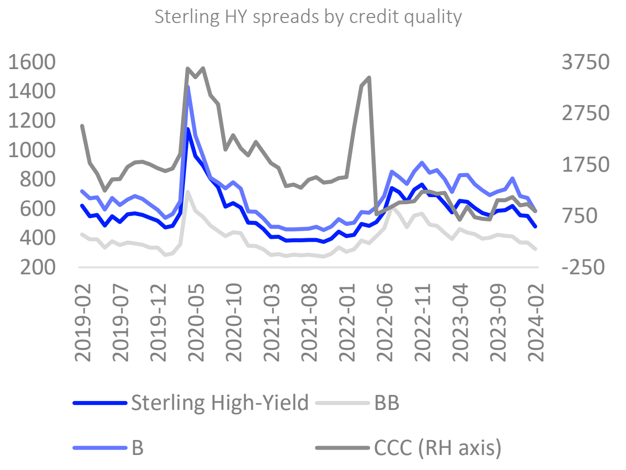


Chart 2: HY sector performance has converged after wide dispersion during the Covid period, when services were very weak. Bank issues have recovered after the sell-off during the US regional banking crisis in 2023.

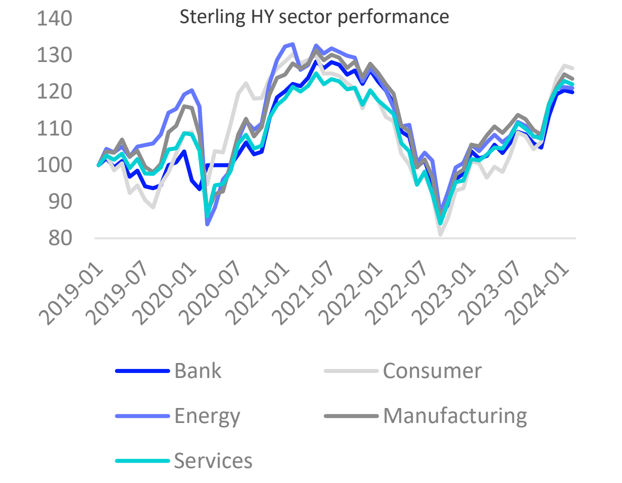


Chart 3: Sterling HY performance recovered strongly after the Covid shock in 2020, and in the 2023-24 risk rally. Higher rates and the big sell-off in gilts in Q3 2022 squeezed returns even harder than Covid.

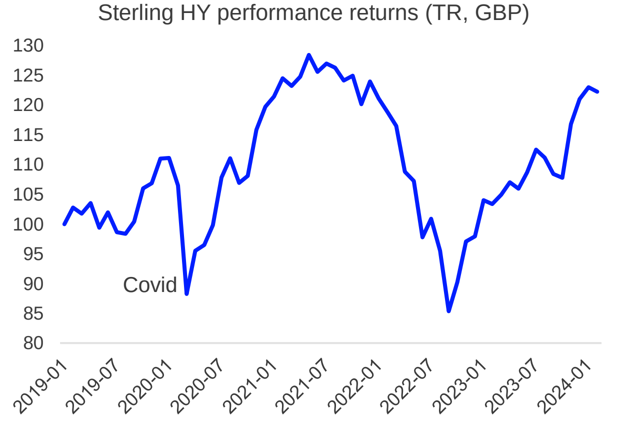


Chart 4: USD HY returns show sizeable gains since the risk rally began, with 12 months returns of 9% (see page 9). HY recovered quickly during Covid, helped by Fed QE, even if Fed QE did not cover lower grade HY.

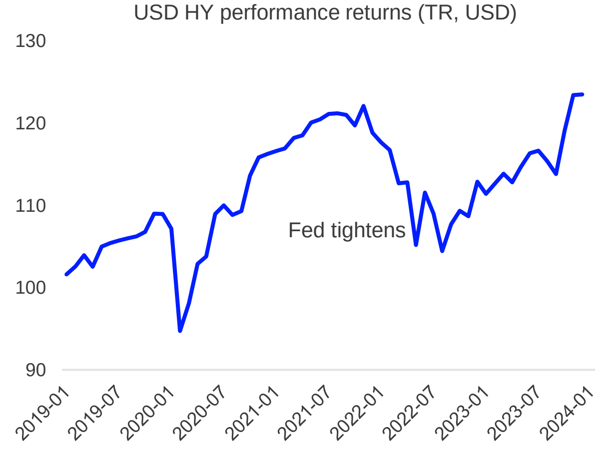


Chart 5: Sterling HY duration trended lower since pre-Covid, though CCC duration can spike on a default, or exchange. Generally, shorter duration has protected HY during the back-up in yields in 2022-24.

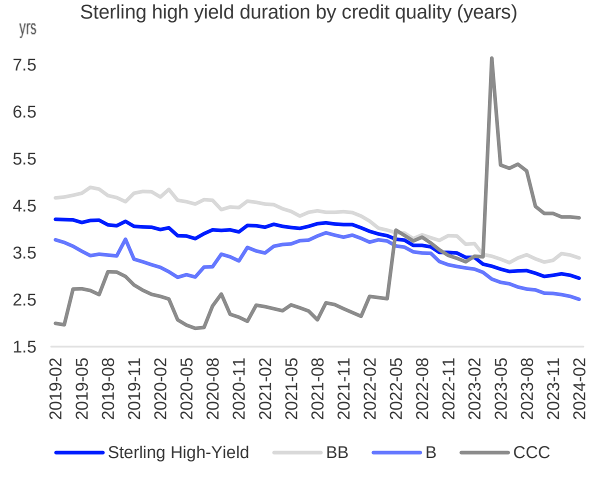
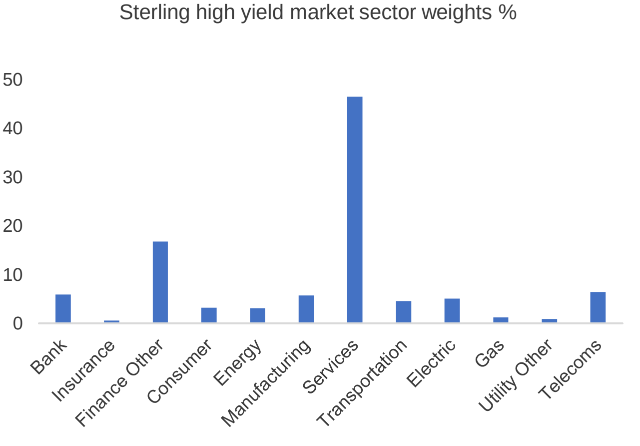


Chart 6: UK market sector weights are dominated by services and to a lesser extent financials, where subordinated issues count towards regulatory capital. Other sectors have very low market weights.



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.

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.

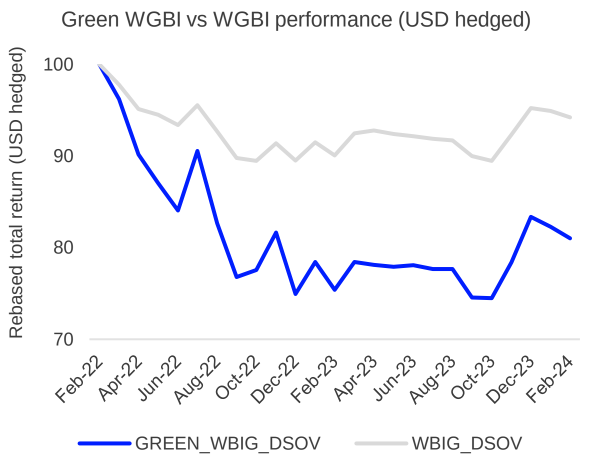


Chart 2:. Green corporate bonds outperformed by 45bp (USD hedged) YTD, reflecting the shorter duration of green corporates. The "greenium" remains at about 70bp (green yields below broader corporates).

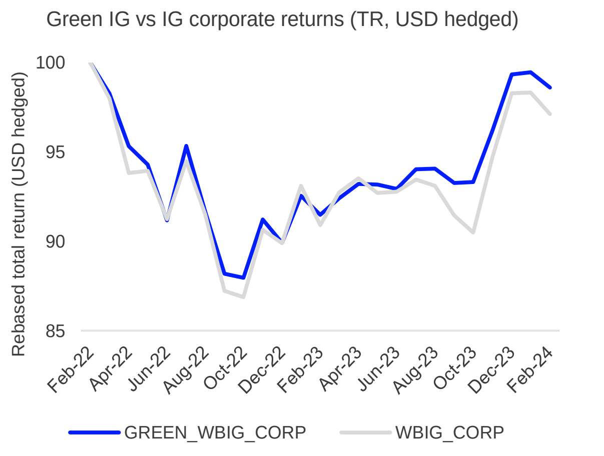


Chart 3: Extra duration in green sovereigns is quite marked, though it has fallen from a peak of about 6.7 years in early 2022. The difference crept up in Q1, after the UK tapped the 2053 green gilt issue.

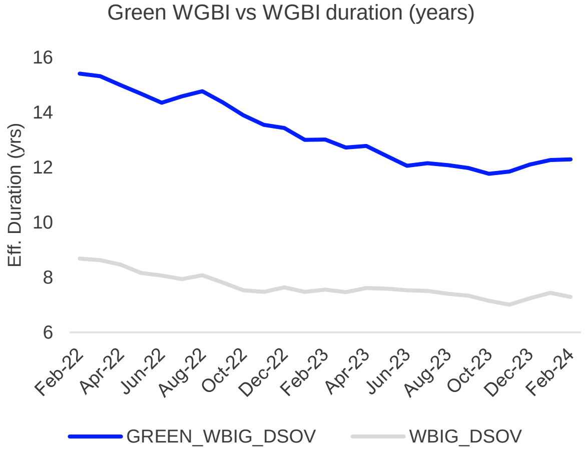


Chart 4: Unlike Sovereigns, Green IG corporates have shorter duration than other IG corporates, by about 1 year, a much less marked difference in duration than in sovereign bonds.

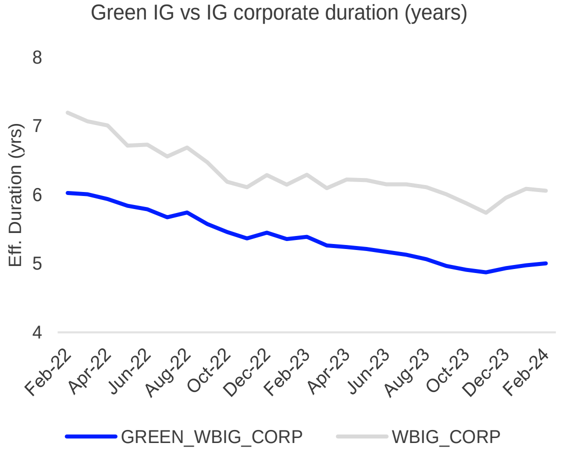


Chart 5: Issuance in the green sovereign and supras market is strong YTD, after weakness in H2, 2023.Issuance fell back in February after the surge in January on the re-opening of the UK's green 2053 gilt.

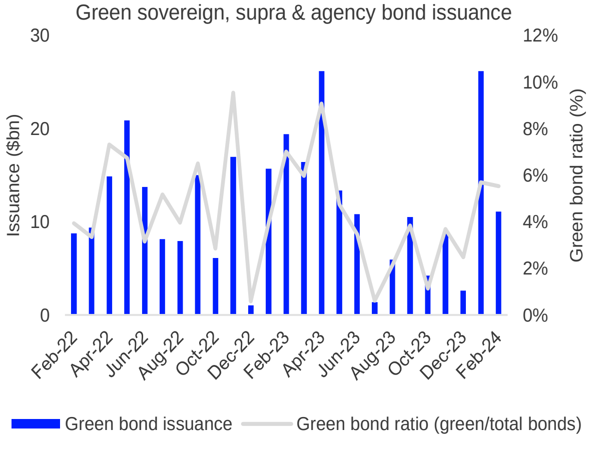
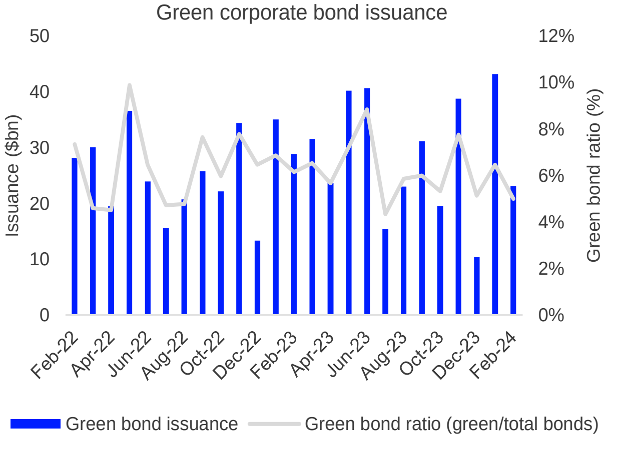


Chart 6: Green corporate issuance remained relatively robust in February, although it fell versus January. January 2024's Green issuance of about $40bn was close to a monthly record.



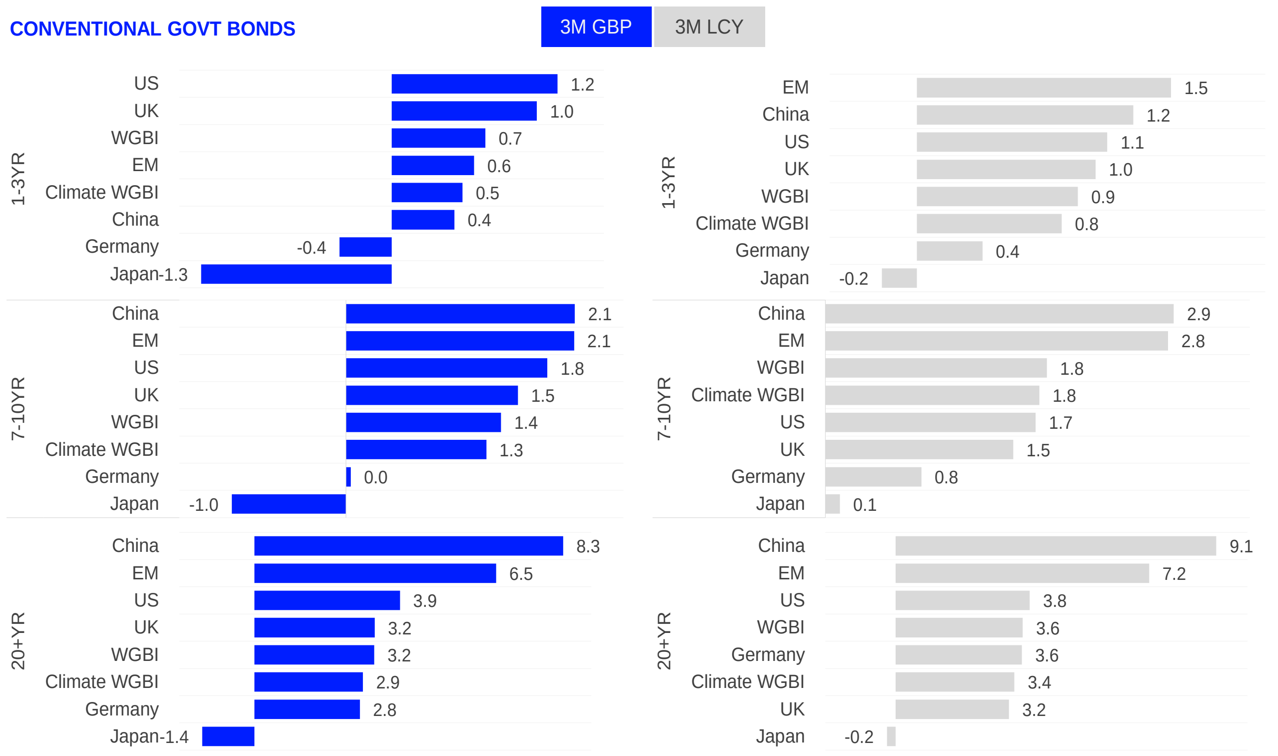
Source: FTSE Russell and LSEG. All data as of February 29, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional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

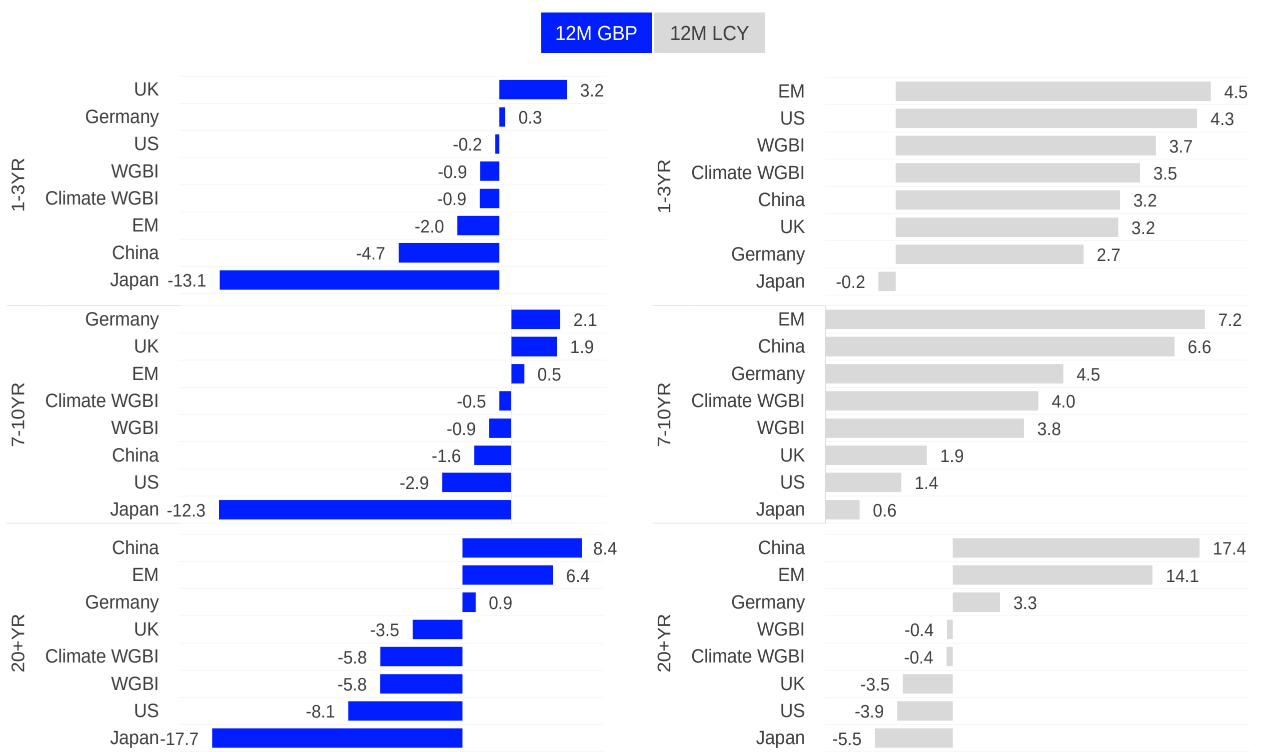
Global Bond Market Returns − 3M & 12M (GBP, LC, TR) 29 Feb

Conventional government bonds still show gains on 3M, but only long China and EM show sizeable returns, of 7-8%, in GBP. The Q1 back-up in yields erased most of Q4's gains in G7 markets, as caution about central bank easing prevailed. On 12M, yen weakness dominates JGB returns, with losses of 12-18% in GBP. Long gilt losses were reduced by sterling's advance.

EM and China bonds again proved safe havens during Q1, with PBoC easing in contrast with Fed and G7 caution on policy. However, G7 markets show positive returns, excluding Japan, due to yen weakness, as the BoJ retains QE and curve control.

Long Treasuries still show losses of 8% on 12M, reflecting some normalisation in the curve, with shorter maturities outperforming. Long gilts also lost 4% in local currency terms, as pension fund demand has receded, after collateral buffers were raised for pension funds.





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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Global Inflation-Linked Bond Returns − 1M & YTD % (GBP, LC, TR) 29 Feb

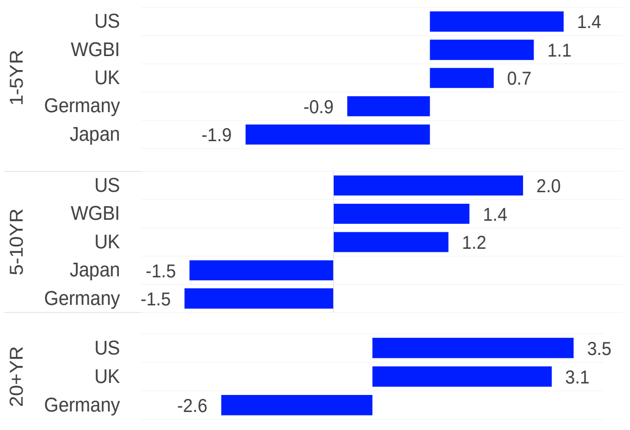
Inflation linked bond returns show the same narrative as conventionals, with the Q4 rally reversing in Q1, and some 3M outright losses. Long Bund linkers lost 3% in GBP terms, though Tips still show solid gains of 1-4%. Credit remained a strong performer, led by HY, with gains of 1-5% and 2-9% on 3M and 12M. The risk rally helped HY out-perform IG credit.

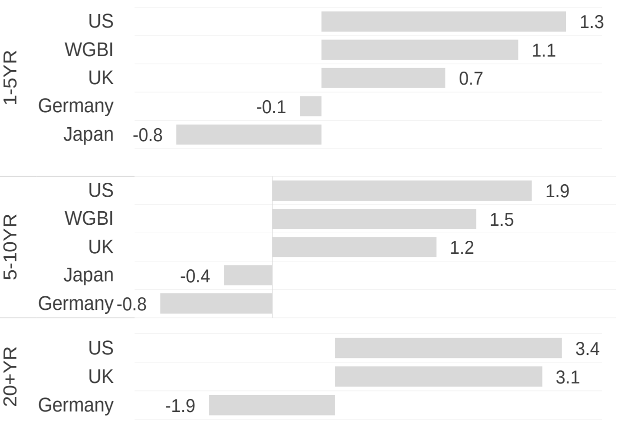
Long linkers fell in February, after stronger US data and central bank caution on easing. Data showing a UK recession failed to boost early base rate cut hopes, with long linkers and Tips both down 9% on 12M in GBP. JGB linkers lost 8-11% on the weak yen.

Credit outperformed again in Q1. Euro HY has rallied strongly from depressed valuations after the Ukraine and energy shocks.

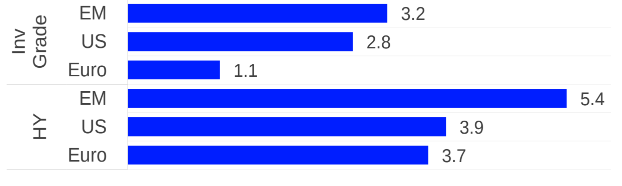
INFLATION LINKED BONDS

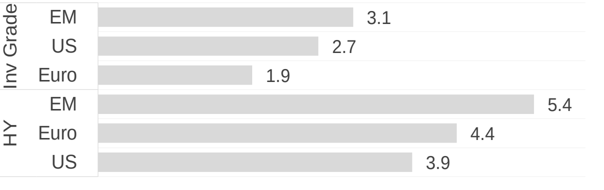
3M GBP | 3M LCY





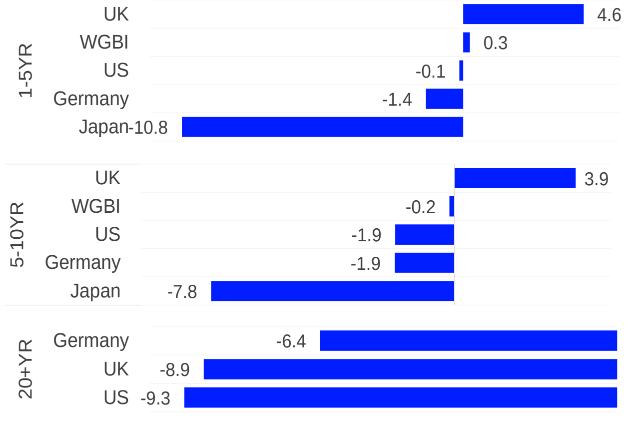
CORPORATE BONDS

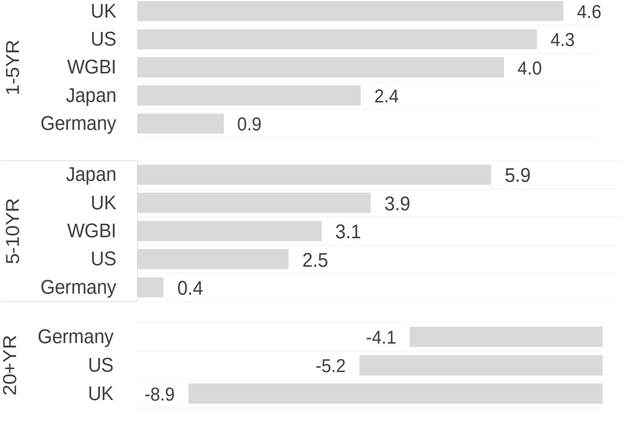




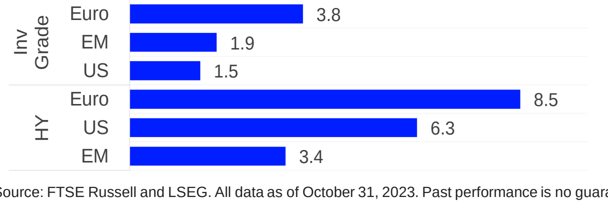
INFLATION LINKED BONDS

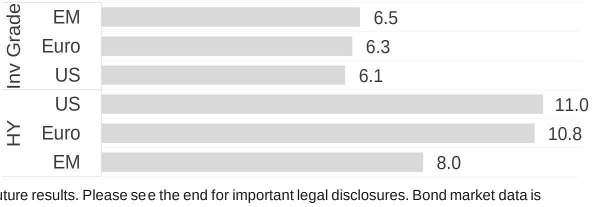
12M GBP | 12M LCY





CORPORATE BONDS





Source: FTSE Russell and LSEG. All data as of October 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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

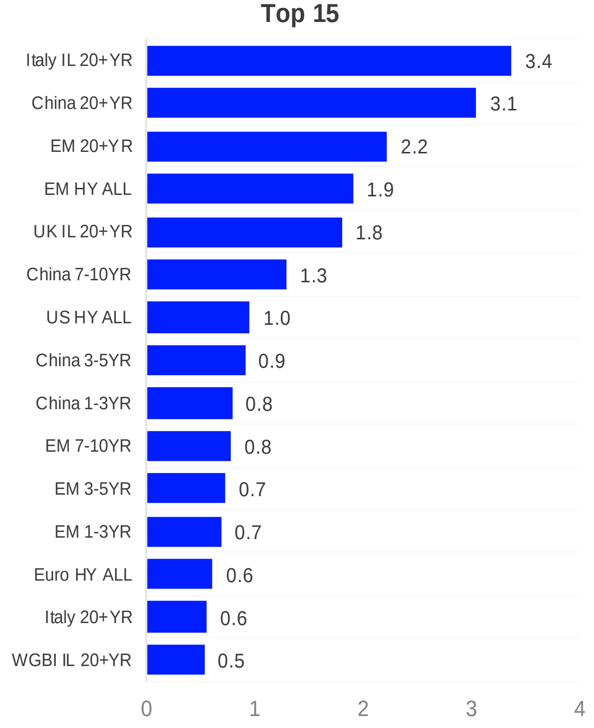
Top and Bottom Bond Returns – 1M & 12M % (GBP, TR) 29 Feb

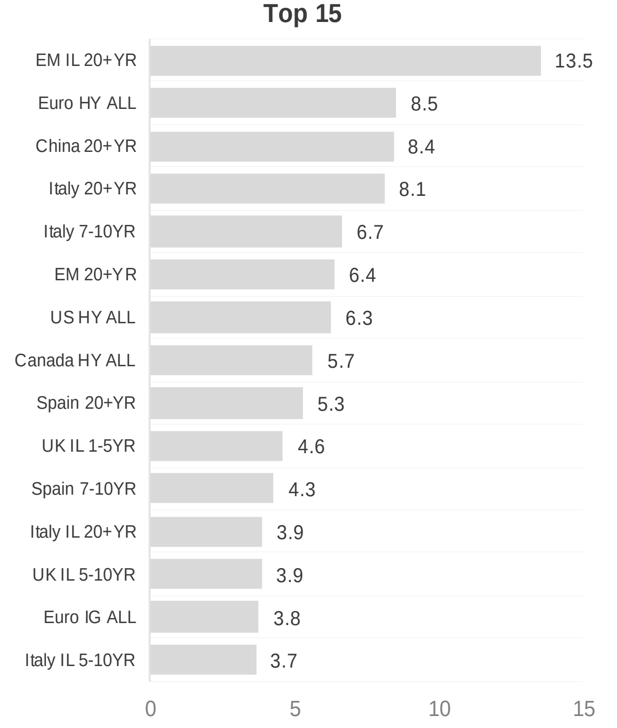
1M returns show few markets managed positive returns in sterling terms, apart from Italian linkers, China, EM and credit, which again showed safe haven status. Long-dated bonds fell 2-3%, on 1M, led by Australia, Bunds, US Tips, and JGB. On 12M, JGBs lost 18% in GBP, on yen weakness. EM, Euro credit and China were the strongest 12M performers.

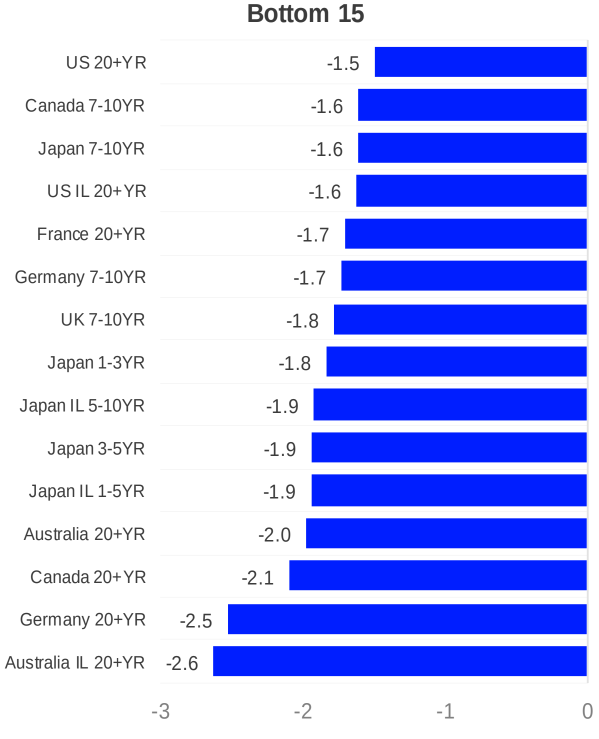
Few markets managed to rally in February apart from China and EM, as inflation ticked up, though Euro HY, NZ and Italian bonds all made tiny gains in GBP. Indeed, these markets were also strongest on 12M, showing gains of 7-14%.

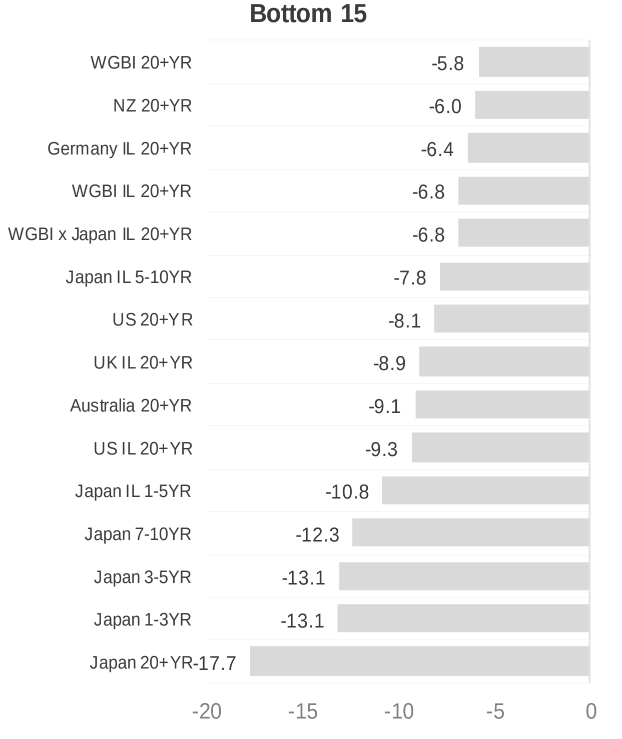
Long linkers and govts. were also weak on 12M, and apart from JGBs, the Bottom 15 comprise 20+ year maturities only.

1M GBP | 12M GBP









Source: FTSE Russell and LSEG. All data as of October 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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Appendix − Global Bond Market Returns % (GBP & 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	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3YR	1.09	1.17	2.46	2.64	-0.05	0.73	4.28	-0.19
	7-10YR	1.73	1.81	1.04	1.22	-2.17	-1.41	1.44	-2.92
	20+YR	3.81	3.89	-0.62	-0.45	-4.81	-4.07	-3.93	-8.05
	IG All	2.71	2.79	4.00	4.18	-1.51	-0.74	6.10	1.54
	HY All	3.87	3.95	6.02	6.21	0.31	1.09	11.05	6.28
UK	1-3YR	1.03	1.03	2.86	2.86	-0.44	-0.44	3.16	3.16
	7-10YR	1.55	1.55	4.24	4.24	-3.55	-3.55	1.92	1.92
	20+YR	3.22	3.22	3.00	3.00	-6.82	-6.82	-3.52	-3.52
EUR	IG All	1.90	1.14	3.80	3.68	-0.83	-2.10	6.27	3.79
	HY All	4.42	3.73	7.73	7.62	1.38	0.23	10.83	8.54
Japan	1-3YR	-0.20	-1.35	-0.18	-2.73	-0.21	-5.27	-0.25	-13.11
	7-10YR	0.12	-1.03	0.14	-2.43	-0.42	-5.47	0.65	-12.33
	20+YR	-0.25	-1.39	-1.69	-4.20	-1.13	-6.14	-5.50	-17.69
China	1-3YR	1.24	0.44	1.31	2.86	0.70	0.06	3.19	-4.73
	7-10YR	2.87	2.06	2.97	4.54	1.91	1.26	6.61	-1.56
	20+YR	9.11	8.25	8.21	9.86	6.48	5.80	17.44	8.44
EM	1-3YR	1.46	0.58	1.94	2.69	0.79	-0.21	4.48	-1.98
	7-10YR	2.83	2.05	3.13	3.39	1.00	-0.08	7.19	0.55
	20+YR	7.20	6.46	6.79	7.58	4.71	3.66	14.12	6.40
	IG All	3.14	3.22	4.47	4.65	-0.07	0.71	6.47	1.90
	HY All	5.37	5.45	7.87	8.06	2.69	3.49	8.04	3.40
Germany	1-3YR	0.38	-0.37	1.24	1.12	-0.56	-1.83	2.67	0.27
	7-10YR	0.79	0.04	1.55	1.43	-2.55	-3.79	4.51	2.06
	20+YR	3.59	2.82	1.84	1.72	-5.32	-6.52	3.35	0.93
Italy	1-3YR	0.76	0.01	1.98	1.85	-0.28	-1.55	3.99	1.56
	7-10YR	3.48	2.71	4.21	4.08	-0.50	-1.76	9.22	6.66
	20+YR	7.50	6.70	5.74	5.61	-0.02	-1.30	10.72	8.13
Spain	1-3YR	0.76	0.01	1.78	1.66	-0.27	-1.54	3.29	0.88
	7-10YR	2.44	1.68	3.53	3.40	-1.47	-2.73	6.80	4.30
	20+YR	6.09	5.30	5.58	5.45	-2.43	-3.67	7.83	5.31
France	1-3YR	0.55	-0.20	1.50	1.37	-0.63	-1.90	2.95	0.54
	7-10YR	1.55	0.79	2.32	2.20	-2.23	-3.47	5.13	2.67
	20+YR	5.31	4.52	4.06	3.94	-4.32	-5.54	6.07	3.59
Sweden	1-3YR	0.77	2.13	1.85	7.97	-0.45	-2.29	3.06	-0.59
	7-10YR	1.93	3.30	3.71	9.94	-3.10	-4.89	4.20	0.51
Australia	1-3YR	1.57	-0.17	2.08	2.81	0.44	-3.41	3.29	-4.54
	7-10YR	3.24	1.47	1.45	2.18	-0.64	-4.44	2.28	-5.48
	20+YR	4.83	3.03	0.33	1.05	-2.72	-6.44	-1.63	-9.09
NZ	1-3YR	1.35	0.05	3.08	5.65	0.22	-2.82	4.23	-1.91
	7-10YR	2.71	1.39	4.00	6.59	-1.98	-4.95	3.91	-2.20
Canada	1-3YR	0.93	0.97	2.79	2.71	-0.27	-2.29	3.40	-0.66
	7-10YR	1.40	1.44	2.62	2.54	-2.21	-4.19	2.24	-1.78
	20+YR	0.92	0.96	1.86	1.78	-5.71	-7.62	-0.19	-4.11

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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5YR	1.31	1.39	2.55	2.73	0.04	0.82	4.34	-0.14
	5-10YR	1.89	1.97	1.79	1.97	-1.21	-0.44	2.51	-1.89
	20+YR	3.40	3.48	-0.98	-0.81	-3.35	-2.60	-5.20	-9.27
UK	1-5YR	0.66	0.66	2.88	2.88	-1.56	-1.56	4.63	4.63
	5-10YR	1.19	1.19	2.62	2.62	-2.53	-2.53	3.88	3.88
	20+YR	3.11	3.11	-1.60	-1.60	-7.31	-7.31	-8.85	-8.85
EUxUK	1-5YR	-0.12	-0.86	-0.39	-0.51	-0.84	-2.10	0.94	-1.42
	5-10YR	-0.81	-1.55	-1.47	-1.59	-2.18	-3.43	0.44	-1.91
	20+YR	-1.89	-2.61	-4.75	-4.87	-4.58	-5.80	-4.12	-6.36
Japan	1-5YR	-0.78	-1.92	0.54	-2.04	-0.23	-5.29	2.43	-10.78
	5-10YR	-0.35	-1.50	1.77	-0.83	0.06	-5.02	5.88	-7.78
EM	1-5YR	3.27	1.87	3.34	0.66	1.55	-0.42	8.96	1.07
	5-10YR	2.86	1.66	4.02	1.16	0.29	-1.97	8.89	2.56
	20+YR	3.06	2.63	3.94	2.85	-2.02	-3.61	13.99	13.54
Germany	1-5YR	-0.12	-0.86	-0.39	-0.51	-0.84	-2.10	0.94	-1.42
	5-10YR	-0.81	-1.55	-1.47	-1.59	-2.18	-3.43	0.44	-1.91
	20+YR	-1.89	-2.61	-4.75	-4.87	-4.58	-5.80	-4.12	-6.36
Italy	1-5YR	0.96	0.21	1.80	1.68	-0.43	-1.69	4.01	1.58
	5-10YR	2.74	1.98	1.90	1.77	-0.19	-1.46	6.16	3.67
	20+YR	8.79	7.98	1.98	1.86	1.11	-0.18	6.38	3.89
Spain	1-5YR	0.14	-0.60	0.39	0.26	-0.87	-2.14	1.70	-0.68
	5-10YR	1.12	0.37	0.83	0.71	-0.98	-2.24	3.14	0.73
France	1-5YR	0.22	-0.53	0.01	-0.11	-0.85	-2.11	1.31	-1.06
	5-10YR	0.37	-0.37	-0.57	-0.69	-1.79	-3.04	1.53	-0.84
	20+YR	3.98	3.21	-1.20	-1.32	-4.04	-5.26	0.90	-1.46
Sweden	1-5YR	0.40	1.76	1.52	7.61	-0.58	-2.41	2.49	-1.14
	5-10YR	0.88	2.24	1.90	8.02	-2.63	-4.42	2.12	-1.49
Australia	1-5YR	1.70	-0.04	2.33	3.06	0.06	-3.77	5.07	-2.90
	5-10YR	3.57	1.79	2.40	3.14	-0.82	-4.61	5.44	-2.56
	20+YR	8.00	6.15	1.35	2.07	-5.73	-9.34	4.31	-3.60
NZ	5-10YR	3.16	1.84	4.96	7.58	-0.39	-3.40	6.10	-0.14
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	0.25	0.29	3.04	2.96	-3.36	-5.32	-0.70	-4.61

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 Indexes. See Appendix Glossary for list of indexes 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%

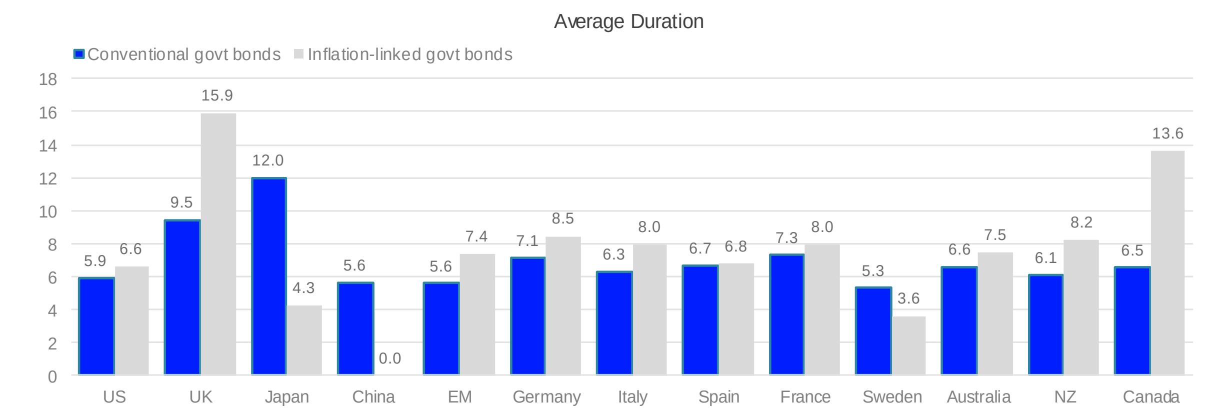
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.73	4.34	4.26	4.46	1.99	1.88	2.12	5.44	8.09
	3M Ago	4.82	4.39	4.35	4.63	2.57	2.14	2.27	5.64	8.47
	6M Ago	4.99	4.39	4.12	4.32	2.50	1.94	2.01	5.65	8.41
	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

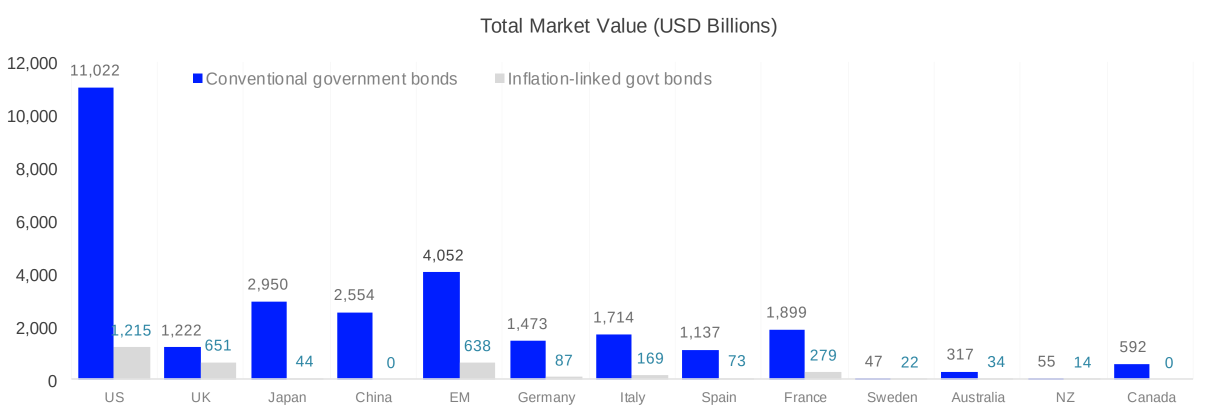
Source: FTSE Russell and LSEG. All data as of February 29, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indexes. See Appendix Glossary for list of indexes used for each market. For professional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

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

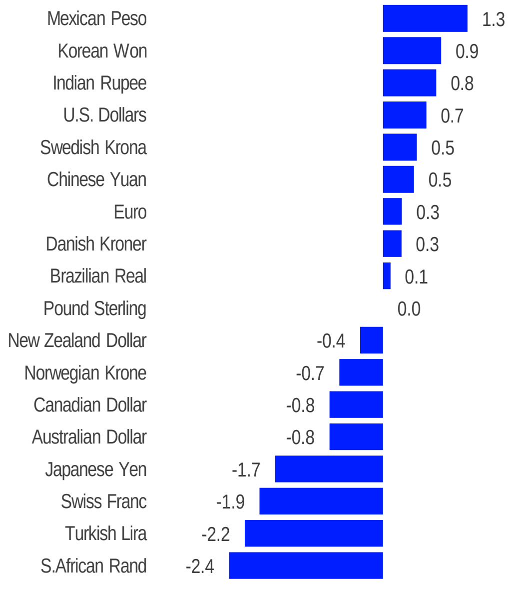




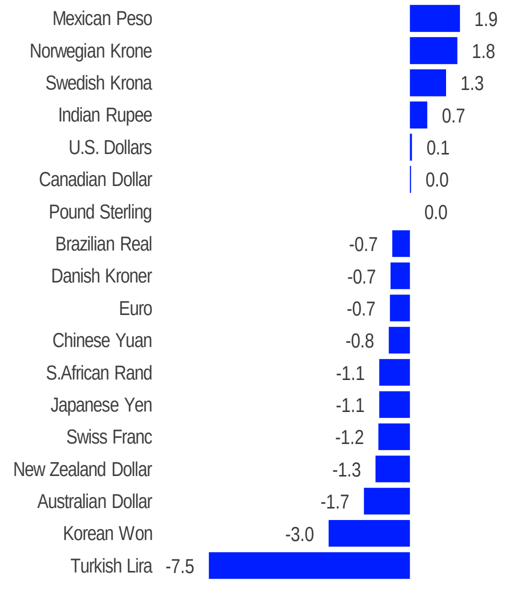
Data as of 2024-02-29

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 Indexes. See Appendix Glossary for list of indexes used for each market. For professional investors only.

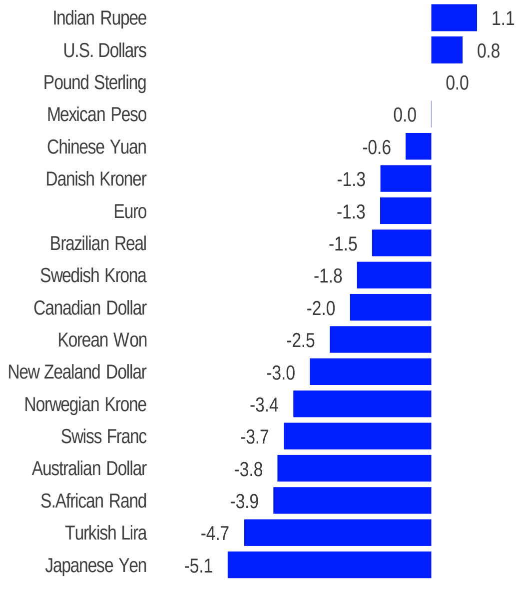
FX Moves vs GBP – 1M



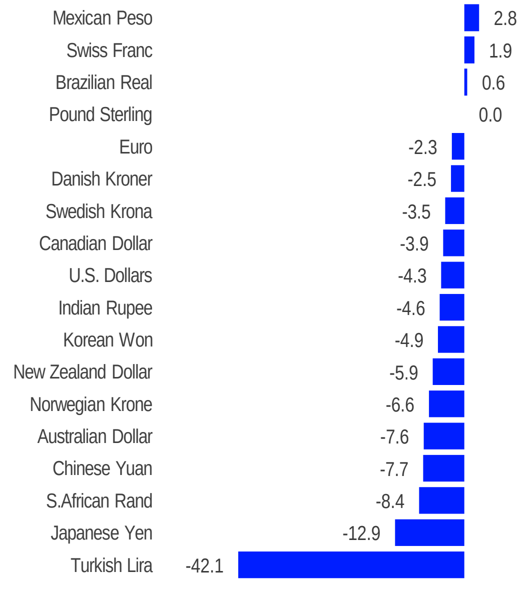
FX Moves vs GBP – 3M



FX Moves vs GBP – YTD



FX Moves vs GBP – 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 Indexes. See Appendix Glossary for list of indexes 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.

CONTACT US

To learn more, visit lseg.com/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810
North America +1 877 503 6437

Asia-Pacific
Hong Kong +852 2164 3333
Tokyo +81 3 6441 1430
Sydney +61 (0) 2 7228 5659