

Fixed Income Insights

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EUROPE

EUROZONE & UK EDITION

G7 govt yields reflect capex surge but value emerging?

A highly capital-intensive AI boom – the biggest capital raising exercise since the TMT boom – is beginning to weigh on IG credit spreads, as investors demand higher risk premia, though higher govt yields dampened spread widening in Q3. Meanwhile, the lingering energy shock and impact on inflation drove another ECB tightening in Q3, as the BoE signalled a move may not be far away. Nominal govt yields stand above 40-yr means, led by JGBs & Treasuries, and including gilts, signalling cheaper valuations, despite some risk of an overshoot.

Macro & policy backdrop – ECB tightens again, anxious to avoid a 2022 re-run

The energy shock is pressuring the ECB into policy tightening, as memories of the 2021-22 inflation shock loom large. BoE patience may be tested again by September inflation data.

Spotlight on current G7 govt bond yield levels – how “high” are they versus history?

Current 10 yr yields are well above secular stagnation levels, and mostly above 40-yr means, suggesting attractive valuations, provided we have not entered higher inflation regimes.

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

Yen remains near under-valuation extremes, but is G7 intervention possible game changer ?

Eurozone govt bonds & credit – Nominal & corporate IG yields follow real yields higher

ECB policy tightening takes its toll on yields, as markets re-price policy rate outlook. Hyper-scaler spreads widen, due to large new issuance and Oracle downgrade.

UK gilts and credit – Gilt yields grind higher but are now above 40-yr means

10 year gilt yields are now above 40 yr means, even if inflation is also, suggesting value may be emerging. UK credit rally stalls, but high financials weight supports market as beta falls.

Performance – G7 yields rise after monetary tightening, hyper-scaler spreads widen

JGB returns helped by modest yen rally in Q3, but govt bond yields rise across the board, causing IG credit rally to stall. Long end underperforms on duration, despite curve flattening.

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Chart 1: Nominal yields played catch-up in Q3, and increases over the quarter exceeded the increases in real yields, as markets aggressively re-priced policy rate risk, most notably in the US, after the Sep FOMC.

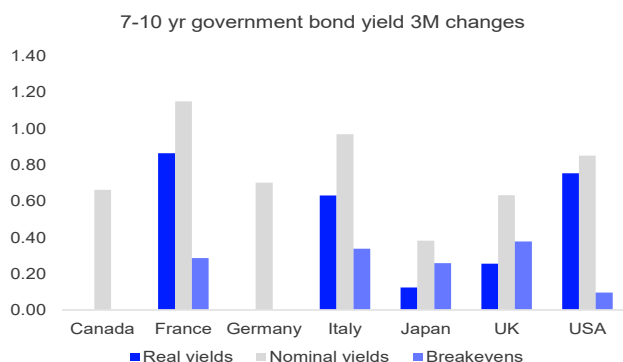


Chart 2: The impact of recent increases in 10 yr US yields is seen in mortgage rates, which are now approaching the 2022 highs, near 7.5%. This is extending the housing freeze and could slow the economy?



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Eurozone macro & policy conditions – Energy shock lingers and pressure on competitiveness

The 2-way pull on Eurozone growth from the energy shock (contractionary) and AI capex (expansionary) continues, so IMF 2027 GDP growth forecasts have not changed significantly in 2026. But the growth divergence between southern and northern Eurozone members continues, with Germany now facing real economic competitiveness issues, compounded by the burgeoning bilateral trade deficit with China.

The inflation impact from the energy shock drove another ECB tightening move in Q3, with the central bank not expecting inflation to return to the 2% target until 2028. The September print of 3.8% y/y increases the probability of a Q4 tightening, given the Eurozone's high energy import shares, and relatively low stocks. Although breakevens remain stable, after getting behind the inflation curve in 2022, the ECB appears anxious to act earlier in the 2026-27 cycle, even if the cause of the inflation is an energy shock beyond its control (Charts 1-4). The other challenge is sluggish real growth in the major economies, with Spain the only exception. Germany is at least out of recession, but France continues to slow, not helped by sluggish demand, higher bond yields and fiscal deficit issues (Chart 5).

Chart 2: Eurozone inflation is being driven higher mainly by energy prices (up 19% y/y in September) with a 10% CPI weight. September Eurozone CPI inflation reached 3.8% y/y, with 5% inflation in Spain.

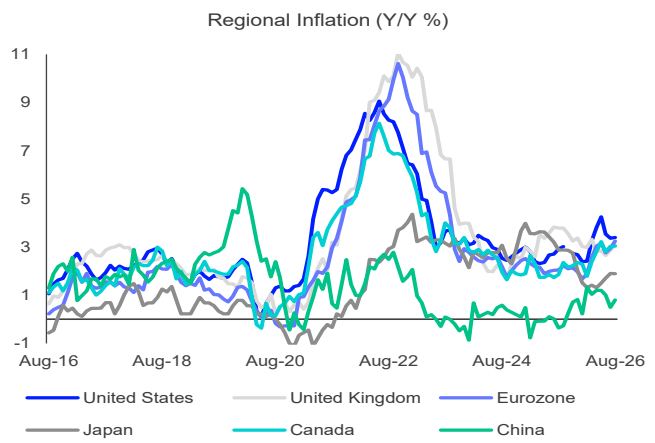
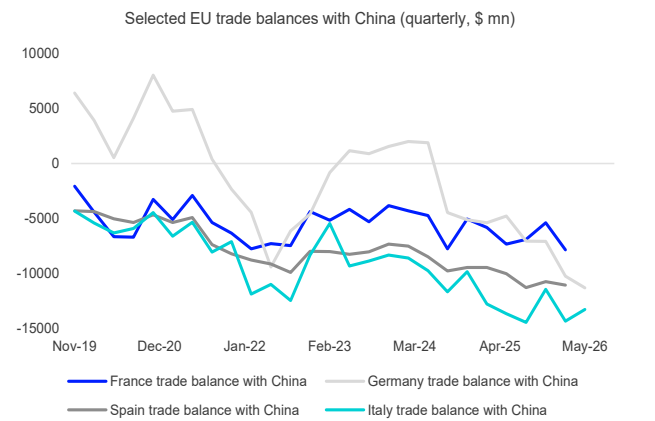


Chart 4: Chinese exports to Europe have more than doubled since 2019, driving a surging EU bilateral trade deficit with China. China's excess supply capacity in autos, solar panels is particularly difficult for Germany.



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Chart 1: IMF forecasts may be revised higher in October, and to date show little impact of 2026's energy shock, offset by the AI boost to Capex globally. Stronger southern Europe growth offsets weaker German & French growth.

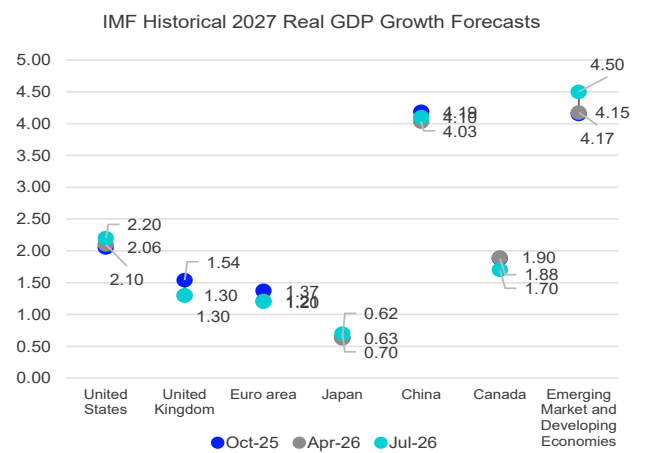


Chart 3: The ECB's hawkish tone at the September meeting left the option open for a Q4 rate increase, after the jump to 3.8% y/y in headline inflation. With a repo rate at 2.5%, real policy rates clearly remain negative.

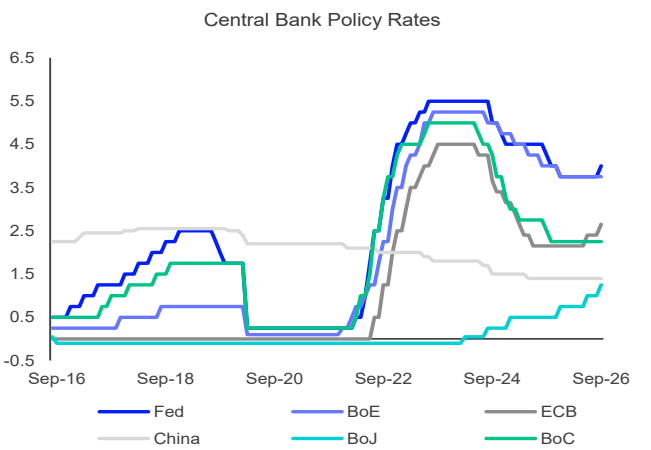


Chart 5: French GDP growth has slowed, as higher bond yields and sluggish consumer demand impact growth. German growth is at last positive but implementing a fiscal stimulus is proving difficult.



UK macroeconomic and policy conditions – Tightening risks increase

UK financial conditions tightened modestly in response to the back-up in gilt yields in Q3, but remain very near the longer term mean (only Japanese FCs tightened meaningfully YTD, despite the Q1 energy shock). But the BoE's decision to halt long gilt sales in September and slow the reduction in its gilt holdings suggests some concern over the scale of the increases in long gilt yields in 2026 (also see page 8). There was some discussion of accelerating gilt sales in 2026-27 but this was abandoned since it "risked de-stabilising markets" (Charts 1 & 2).

Higher long yields may also have been a factor in the decision to hold rates at the September MPC, but the split vote of 6-3 suggests a move in Q4 grows more likely, particularly as UK GDP growth recovered in H1, 2026. The long tail in UK inflation, after an energy shock, was evident in 2022-23 (Chart 3), given energy subsidies and the high energy weight in the UK CPI. The next key policy event will be the budget on October 28th, which will give the BoE more clarity on energy subsidies for consumers. At least supply chain pressures have not continued to build after the initial increase on the Q1 energy shock, and the moves are modest when compared to the 2020-21 supply-chain shock (Chart 5).

Chart 1: FTSE Russell financial conditions indicators show tightening & the impact of higher govt yields in Q3, but UK FCs are close to the historical mean. Japanese conditions have tightened most in 2026.

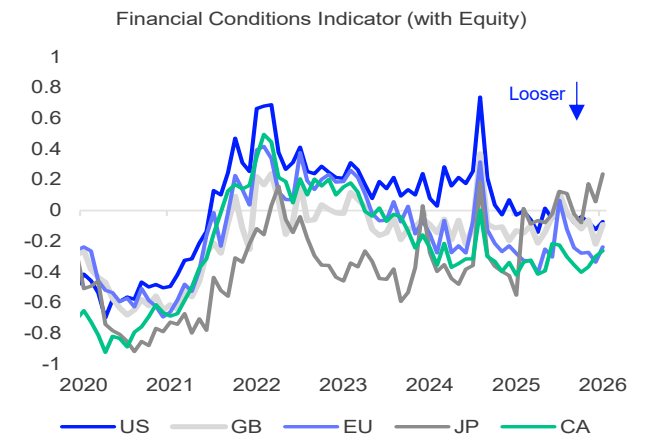


Chart 3: UK inflation proved to have a long tail in 2023, after lagged adjustment in energy contracts. Inflation breakevens remain reasonably stable in 2026, but energy prices will likely lift headline CPI y/y in Q4.

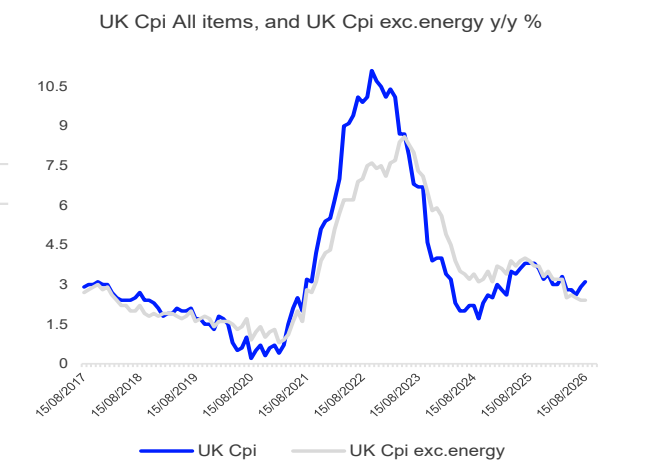


Chart 5: Global supply chain pressures have increased since the Q1 energy shock and are now about 1 standard deviation > historical mean (since 1998). But this compares with a 4 st.dev event during Covid.

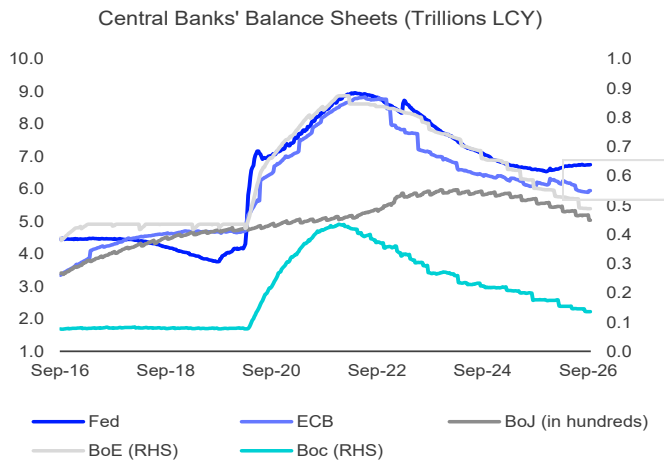
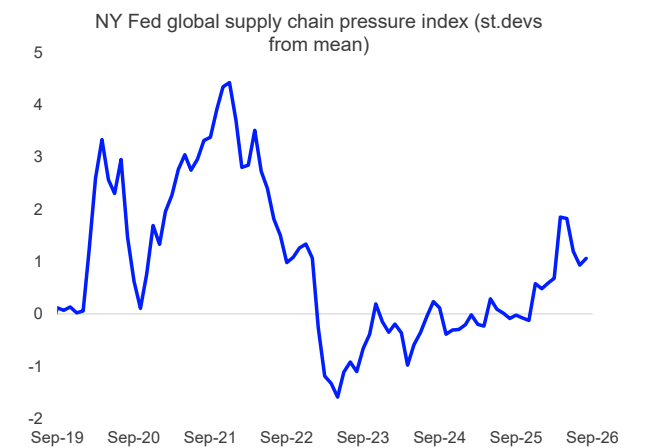
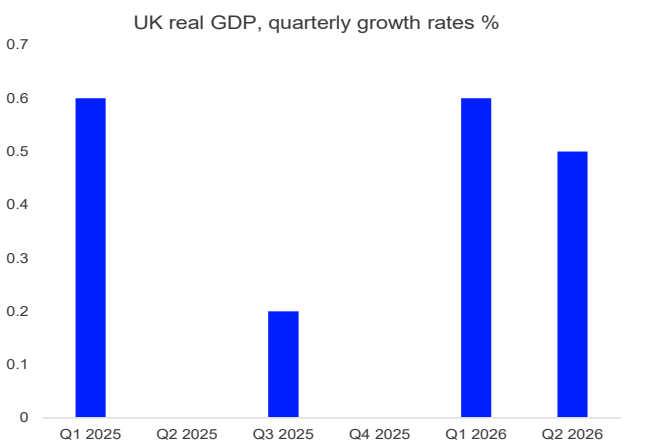


Chart 4: After a very weak H2 2025, UK real GDP growth recovered with quarterly growth of 0.5% - 0.6% in Q1 & Q2 2026. There are some signs of capex accelerating due to AI, and services led the expansion.



Spotlight on G7 gov't bond yields – current G7 yields & inflation in historical context

Framing expectations vs secular stagnation (2008-21), G7 yields look very high, but not benchmarked vs pre-GFC era. Research by Nobel laureate Kahnemann* suggests expectations are often framed, based on recent experience. US and G7 yield regimes have varied considerably since 1986, with yields from < 1% in Covid to 8-12% in longer maturities in the late-1980s. Current yield levels are at about the same levels as in the early 2000s, Goldilocks era, when inflation was similar. Mean reversion of yields is evident and a key driver of returns, since low yields tend to rise & high yields fall over time. But the key question is over how long a period yield means should be calculated. To avoid small-sample bias with secular stagnation, we calculated 40-year means, on which basis, gov't bonds are notably cheap in Japan, and to a lesser extent the US. (Charts 1, 2 & 3).

Current inflation rates are also above 40 yr means (though < 1 st.dev) which helps justify higher 10 yr yields than the 40-year mean. Inflation volatility also spiked since 2021, after Covid & the energy shocks, which helps to explain higher term premia in 10 yr yields. In the US, UK and Germany, the st.dev of inflation is well above 40-year mean levels, since 2021. More stable Canadian inflation may be a factor in yield de-coupling from the US.

Chart 2: A longer-term perspective shows how low gov't bond yields became in the secular stagnation era and that yields are now near the levels in the Goldilocks regime, before the GFC, at similar inflation rates.

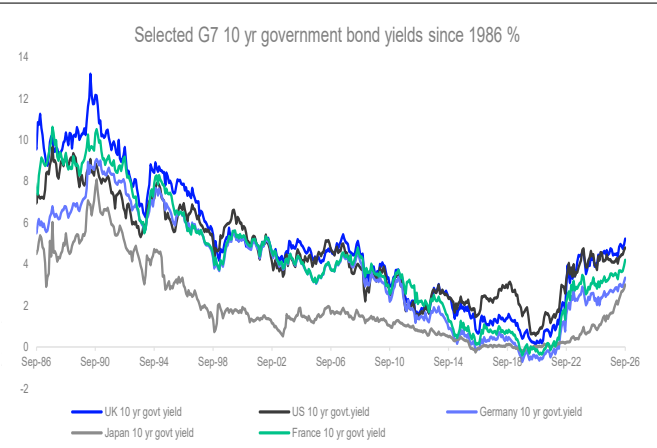
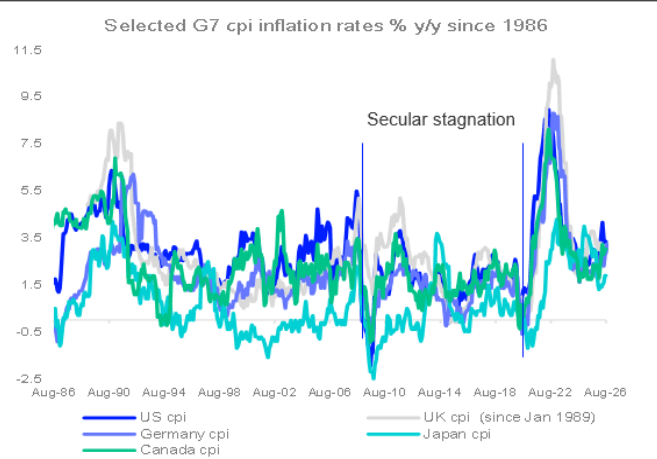


Chart 4: A long term G7 cpi inflation chart shows the scale of the shock in 2022, and inflation's mean reversion, but with high volatility. Inflation was lower & more stable in the secular stagnation era (see table opposite).



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Chart 1: Benchmarked against the mean yield levels since 2000, current 2, 10 & 30yr yields show Z-scores (st.dev) of 1.41, 1.33, & 1.26, above the mean so bonds are notably cheap, but not exceptionally.

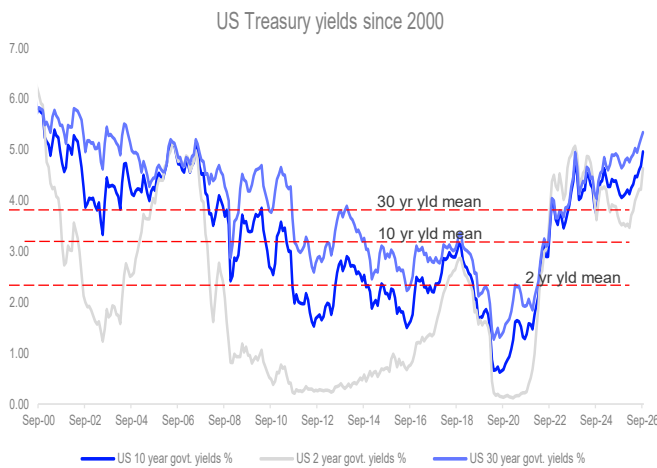


Chart 3: Judgements about whether yields are "high" need to be set in the context of historical means. Current G7 yields are close to, or above the mean since 1986 but JGBs are notably cheaper than other markets.

10 yr Govt. bond	Yield mean 1986-2026	Yield mean 1986-2008	Yield mean 2008-2021	Yield mean 2021-2026	Current 10 yr yields
US	4.58	6.11	2.35	3.49	5.2
UK	4.96	7.02	2.02	3.33	4.8
Germany	3.75	5.66	1.22	1.82	3.4
Japan	1.98	3.08	0.53	0.89	3.0
France	4.30	6.28	1.67	2.40	4.2
Canada	6.58	6.78	2.09	2.89	3.7

Chart 5: Both average (CPI) inflation and the volatility of inflation have spiked higher in the 2021-26 regime, helping to explain recent increases in term premia. Current inflation is within 1 st.dev of the 40-yr means.

Country	Inflation mean % 1986-2026 (st.dev)	Inflation mean % 1986-2008 (st.dev)	Inflation mean % 2008-2021 (st.dev)	Inflation mean % 2021-2026 (st.dev)	Current inflation rate yy% (cpi) (Aug.)
US	2.81 (1.58)	3.10 (1.11)	1.56 (1.07)	4.46 (2.06)	3.4
UK	2.84 (2.13)	2.71 (1.93)	2.13 (1.26)	4.87 (2.96)	3.3
Germany	2.04 (1.6)	2.03 (1.25)	1.19 (0.71)	3.96 (2.23)	3.3
Japan	0.75 (1.37)	0.62 (1.25)	0.28 (1.12)	2.29 (1.32)	1.9
Canada	2.42 (1.52)	2.59 (1.48)	1.54 (0.82)	3.66 (1.78)	3.0

FX – Volatile dollar and yen moves in Q3 after fx intervention

The dollar increased slightly by 0.3% in Q3. USD fell in July and August on the back of weaker-than-expected labor market data and lower inflation. However, recent hawkish Fed, due to rising inflation expectation, drove USD strength in September (Chart 1).

JPY rose 3.4% against USD in Q3. The US-Japan joint currency intervention, in order to stabilise the yen weakness, brought USD/JPY from its 163-164 40-year highs to around 156. Rising expectations for further BoJ hikes drove USD/JPY further to around 153. However, JPY retraced due to uncertainty around the expansionary fiscal policy and monetary policy path, and still attractive carry trade (Chart 2).

Korean Won appreciated 14.5% vs USD, being one of the best performing currencies in Q3, despite foreign equity outflows driven by the July Tech-led sell-off. Korea's trade balance has been strong (Chart 3), while SK Hynix's US ADR IPO in July also helped drive capital inflows. In addition, the Bank of Korea hiked 25bp respectively at both the July and August meetings, bringing the policy rate to 3%. In contrast, the Mexican peso turned weaker in Q3. The peso lagged major currencies due to narrower US-Mexico rates differentials. The uncertainty around the 2026 USMCA review has also posed downward pressure to MXN.

Chart 2: USD/JPY FX carry trades offer close to 3% yields, making it still attractive to global investors to buy USD and sell JPY.

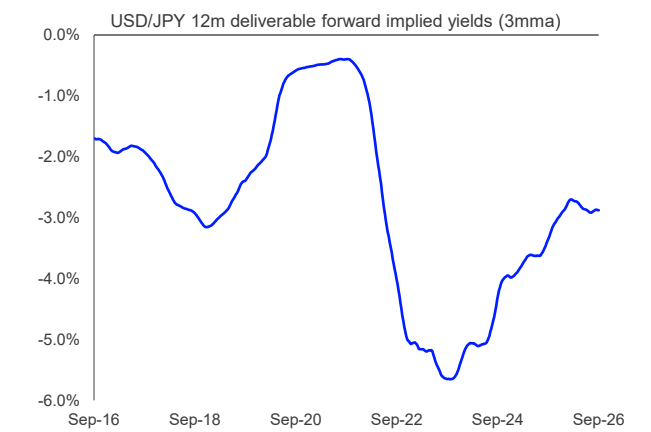


Chart 4: KRW and JPY were among the top performers in Q3. The BoJ hiked its interest rates to 1.25%, while the Bank of Korea delivered back-to-back hikes at the July and August meetings.

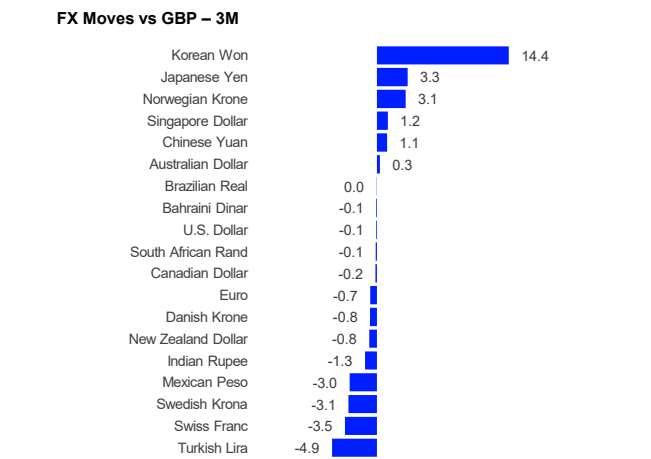


Chart 1: The DXY index fell in July and August, but recent hawkish Fed has driven a rebound in dollar. JPY jumped post the US-Japan FX intervention, but retraced given

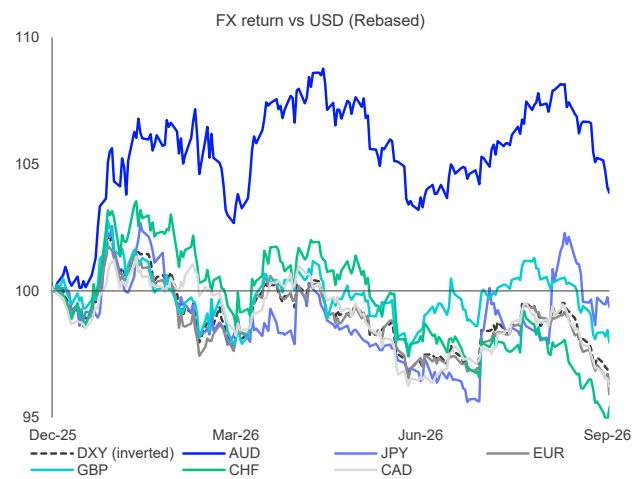


Chart 3: The strong Korea trade balance driven by semiconductor exports has contributed to KRW strength in Q3.

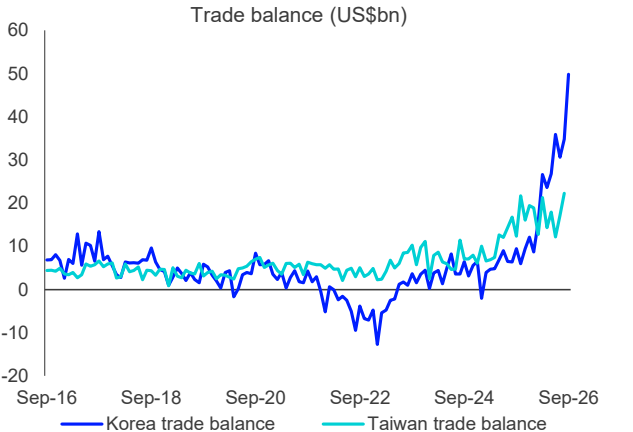
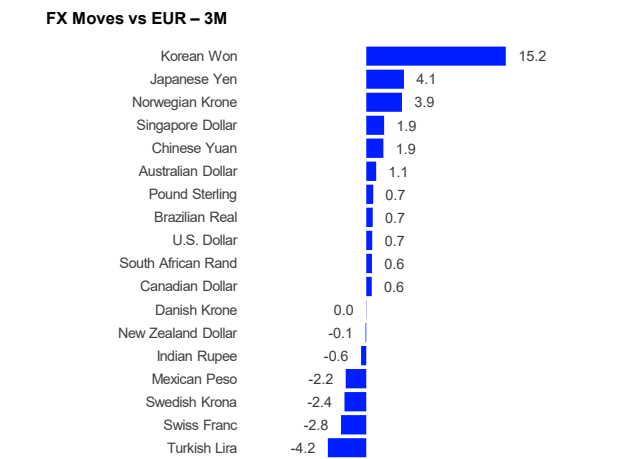


Chart 5: MXN lagged most major currencies due to narrower US-Mexico rates differentials. The uncertainty around the USMCA review has also contributed to the weakness.



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Eurozone govt bond analysis – France the main casualty as spreads re-structure

The dominant theme in Eurozone govt bond markets remains the reversal in yield spread patterns, with France the main casualty, versus Spain and Italy. It is true that the broader spread convergence of Spain and Italy versus Germany stalled out in Q3, but the moves were modest. Both Spain and Italy trade through France in the 7-10 yr area now, and longer dated French yields spiked in Q3 (Charts 1 & 2). This is another example of the developing fiscal dominance theme in the G7 and other developed markets, as investors focus on the debt capacity metrics of sovereigns, and their ability to implement fiscal deficit reduction, or sustain higher debt/GDP ratios*.

Yields increased across the Eurozone in Q3, of course, pressured by higher energy prices and inflation rates, but the moves were more pronounced in France, particularly in longs. Nor was this driven by inflation expectations spiking, since French inflation and breakevens are lower than Germany, Spain and Italy (Chart 4). But this confirms term premia can rise even without a marked deterioration in inflation breakevens, due to other factors, like the ability to tighten fiscal policy and reduce debt issuance.

* See [Safe harbour in a debt storm? The FTSE Debt Capacity World Govt Bond Index after 10 yrs | LSEG](#)

Chart 2: Investors require a higher risk premium to hold long-dated French sovereign debt, both nominal and real, as uncertainty about the capacity of the government to deliver a lower fiscal deficit grows.

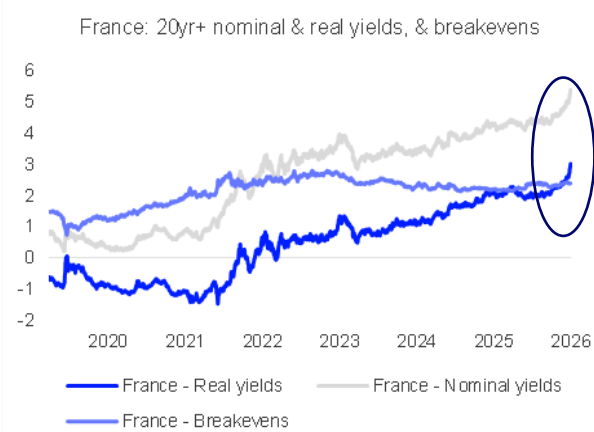


Chart 4: Wider French spreads do not appear driven by inflation expectations. 7-10 yr breakevens are below Germany, Spain & Italy, confirming term premia can rise, without higher inflation expectations.

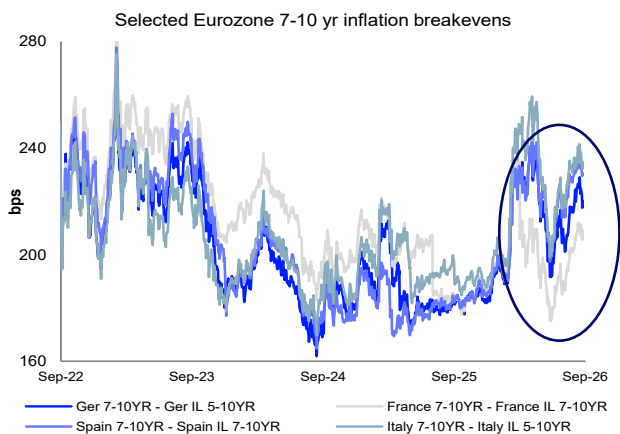


Chart 1: Markets are becoming increasingly focused on underlying fiscal deficit issues, and the ability of sovereigns to deal with them. This is seen in the Eurozone in the underperformance of France particularly.

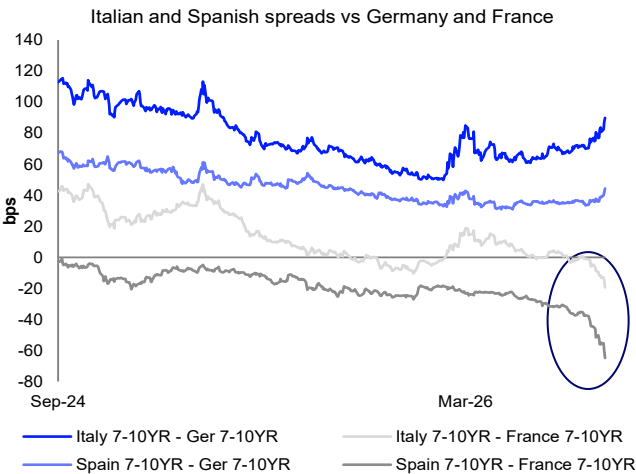


Chart 3: But note yields have increased steadily in Germany as well, and stand above the 2022-23 highs, after abandonment of fiscal orthodoxy. Yields never fell significantly during the ECB easing cycle in 2024-25.

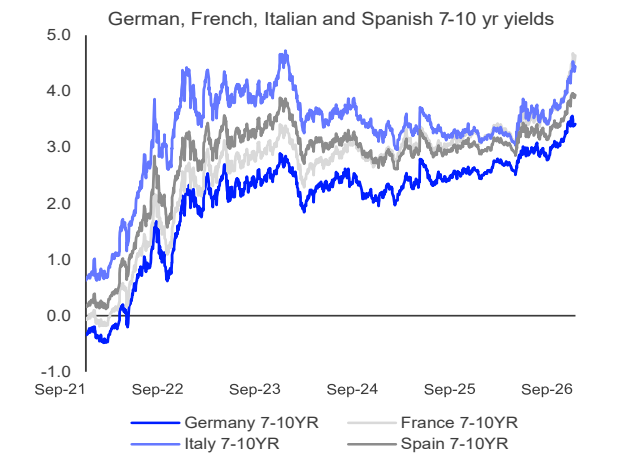
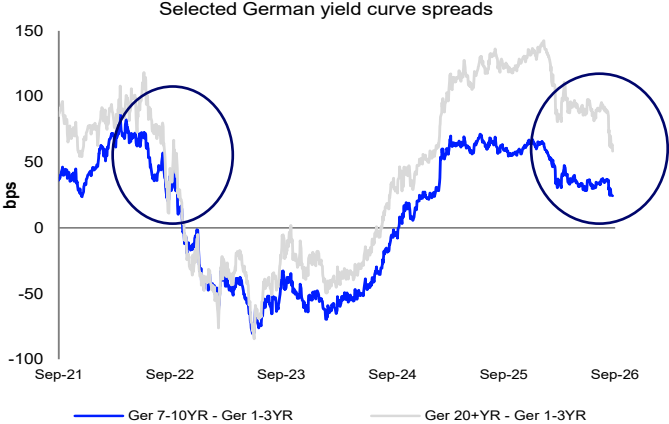


Chart 5: The same bear flattening of the yield curve – where short yields rise more than long yields – appears underway as in the tightening cycle of 2022-23, though longs can still underperform due to the duration effect.



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Eurozone IG and HY credit – Higher govt bond yields pressure IG returns in Q3

The strong correlation of IG credit returns to govt bond returns, and higher govt bond yields caused credit spreads to remain at, or near, 10-year lows in Q3. The widening in hyperscaler spreads had more impact on US credit, given the growing market share, but increasingly issuers are turning to other currencies, to raise capital, given the capital intensity of the AI infrastructure build-out. The Euro was the 2nd largest issuance currency for hyperscalers in Q3, even though USD issuance continued to dominate. Since these debt issues are designed to match cash flows of longer term projects, they tend to be longer duration and have longer weighted average life than existing IG indexes, which may extend the duration profile of IG indexes over time, led by US indexes (Charts 1, 2 & 3).

The broader credit rally since 2024 stalled in Q3, as central banks turned more hawkish and raised rates (ECB, Fed and BoJ) or hinted at tighter policy (BoE). With spreads at 10-year lows, further gains in IG credit may be tougher to achieve without lower govt yields. But the resilient Eurozone economy, strong carry and stable institutional investment demand remain key supports, given low default rates (Charts 4 & 5).

Chart 2: US dollar issuance dominates hyperscaler issuance, although issuers have turned to other currencies in 2026, including Euros, which is the 2nd largest issuance currency.

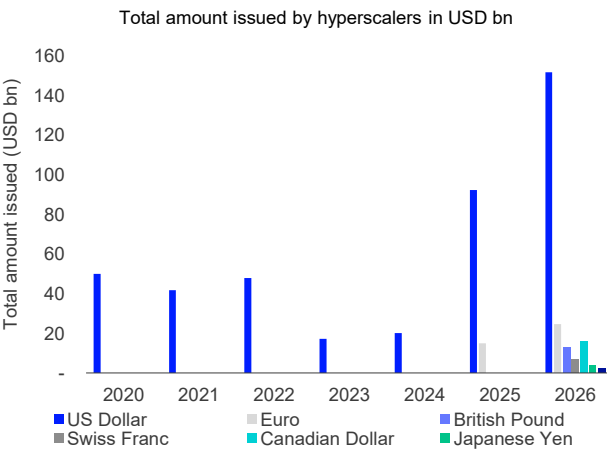


Chart 4: Spread compression and higher carry remain the main drivers of credit returns, though IG returns were squeezed by the negative performance of, and correlation to, govt bond yields in Q3.

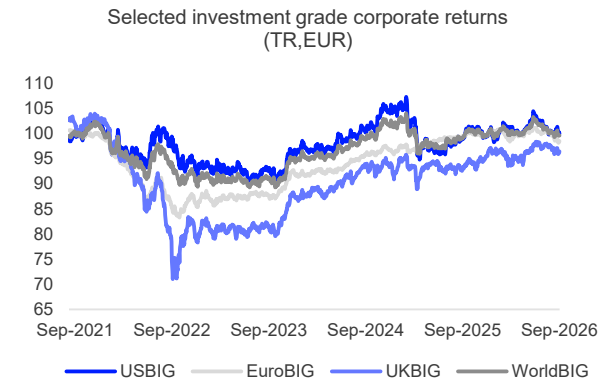


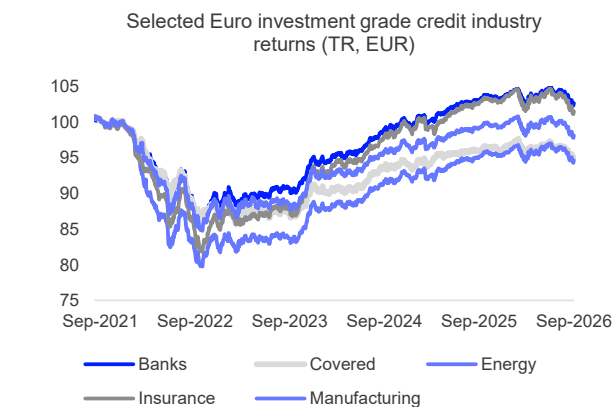
Chart 1: Spread convergence is largely intact, particularly in both Euro IG and HY credit vs Bunds, though flattered by higher govt bond yields in Q3. We note spreads are at 10-yr lows, which carries obvious valuation risks.



Chart 3: Hyperscaler issuance is longer duration, and average life than IG indexes, designed to match longer term cash flows, and trades on wider spreads. This may increase the duration of IG indexes over time.

Index	Count	Par Amt (USD bn)	Mkt Val (USD bn)	Wgt Ave Life	Yield To Worst	Eff. Dur.	OAS (bps)	Quality
USBIG Corp	9,271	8,233.00	7,690.54	11	5.5	6.6	82	A-
USBIG Corp ex Hyperscalers	9,099	7,809.98	7,320.01	10.7	5.5	6.5	80	A-
Hyperscalers	172	423.02	370.52	17.4	6	8.7	119	A+
Microsoft Corp	23	33.81	23.41	22.8	5.7	13	59	AAA
Meta Platforms Inc	25	81.22	74.13	19.3	6.2	9.1	128	AA-
Alphabet Inc	30	73.75	68.08	17.5	5.6	8.9	79	AA+
Amazon.com Inc	42	117	106.32	15.9	5.6	8.1	76	AA
BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

Chart 5: Banks and insurers have led returns since 2022-23, helped by improved net interest margins, as rates have increased. Energy returns have been more volatile and covered bonds predictably more stable.



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UK govt bond analysis – Gilts begin to brace for a tightening move ?

Both UK nominal and real yields are now at multi-year highs, and above 2022 crisis levels, even if inflation breakevens remain stable, but at higher levels than other markets. As we point out on page 4, 10 yr gilt yields are now above the 4-year mean, so a case can be made that current yield levels are nearing attractive levels historically, even if inflation is also above the 40-yr mean, so the case is not yet compelling. A higher longer-term premium for UK inflation is evident in breakevens remaining above 3% right down the curve (Charts 1 & 2), despite inflation linked accruals switching to UK CPI from 2030 onwards and a 2% inflation target. This still seems odd, given the 2% inflation target.

Gilt holdings data shows overseas holdings remain largest, though UK insurance company & pension fund holdings have stabilised, which could be explained by gilt yield levels reaching historically attractive levels. The extent of the decline in long gilt sales in 2026-27 is marked, with only £4bn of £145bn of gilt sales to date. The BoE decision to suspend long gilt sales should be seen in this context (Charts 3 & 4). So, overall market duration shortens but remains at 12.7, more than double US Treasury index duration (see page 13). Finally, pronounced bear flattening of the curve is a repeat of the 2022 curve moves (Chart 5).

Chart 1: Long yields again increased in Q3, though nominal yields and breakevens increased, as markets reacted to higher oil prices. Both nominal and real yields are now above the LDI crisis levels of 2022.

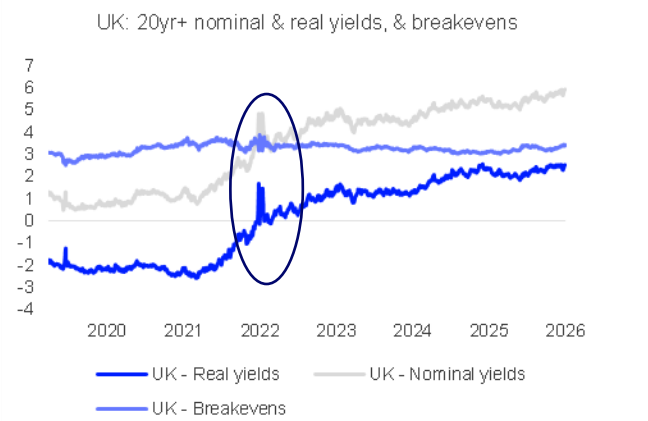


Chart 2: The breakeven curve made a parallel move higher in Q3, led by shorts, on higher oil prices. It is strongly inverted to 2030, in line with the 2030 switch to CPI accruals, but long breakevens remain above 3%, oddly.

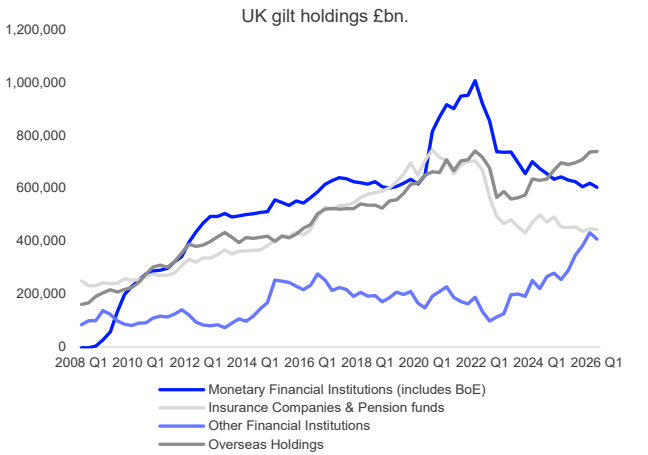
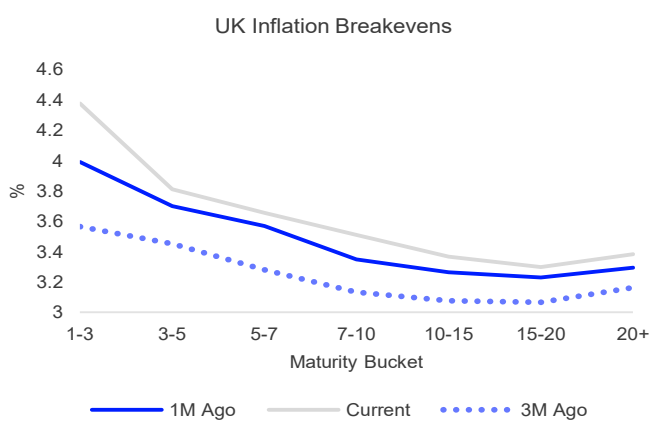
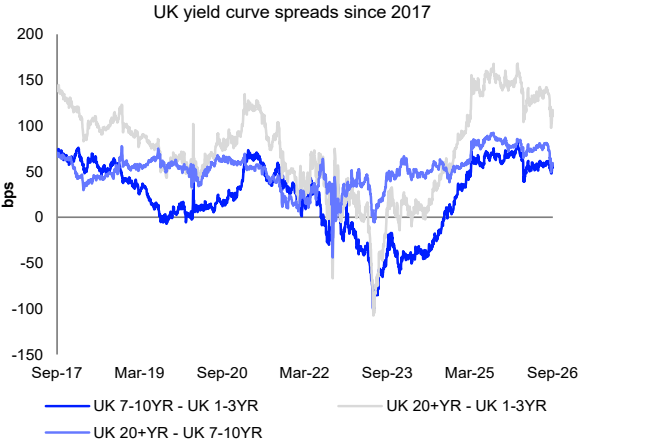


Chart 3: Overseas investors remain the biggest holders of gilts. UK ins. companies & pension funds reduced holdings sharply since the 2022 LDI crisis, but this has stabilised, as yields reach post-GFC highs.



Source: FTSE Russell and LSEG, UK DMO. All data as of Sept. 30, 2026, apart from DMO data to Oct 7. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see end of report for important legal disclosures. Bond market data derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

UK IG and HY credit analysis – IG credit stalls but financials hold up well

Sterling credit markets generally held up well in Q3, helped by the high IG weight in financials, and a rebound in economic growth, which reduced recession risks. Stronger capitalization and the reduced leverage of financials since the GFC may have reduced their traditional high betas to macro shocks somewhat in this cycle. The duration of IG credit indexes continues to decline, driven by higher yields, and a decline in the market value weight of longer maturities, even if the surge in US IG hyperscaler issuance in longer maturities is an offsetting factor in the US market particularly. Canadian credit duration has not fallen as far, reflecting lower govt bond yields. In fact, the duration of the UK IG market has declined the most of all markets since 2021, from 8.6 yrs to under 5.5 yrs. The shortening of bonds issued during Covid and just before is an additional factor (Charts 1, 2 & 3).

Despite the higher sterling HY yields moving higher in Q3, and the illiquidity premium in yields since the 2022 LDI sterling debt crisis, the very strong carry in the market and high running yields offered support to returns. This is another example of high starting yields for investors generally delivering stronger returns* (Charts 4 & 5).
*See [What a carry-on: starting yields as a valuation tool for sovereign bonds | LSEG](#)

Chart 1: UK IG credit returns turned negative in Q3, as higher gilt yields pressured higher quality IG yields. Banks and insurers held up well, as UK recession risks fell and growth recovered in H1, protecting overall indices.

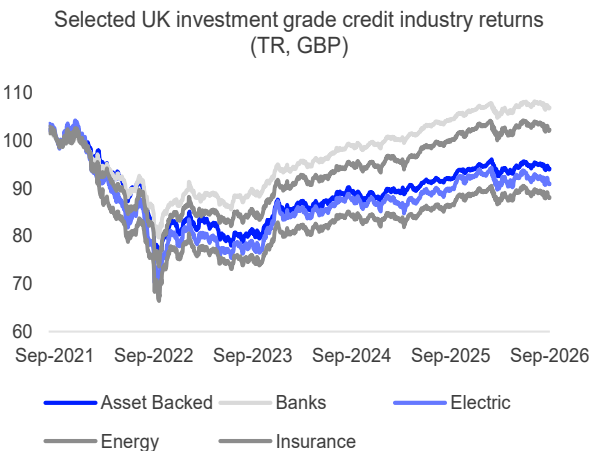


Chart 3: Higher yields on credit in Q3 caused IG index duration to shorten, with this effect compounded by the market value of longer bonds falling. However, longer hyperscaler issuance offset this somewhat in the US.

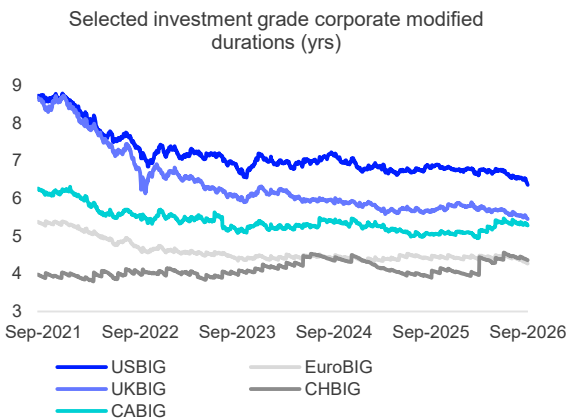


Chart 5: Despite wider HY sterling spreads, returns remain robust since the 2022 sell-off (when the LDI crisis caused an illiquidity crisis in sterling debt). The market held up well in Q3, helped by lower correlation to gilts.

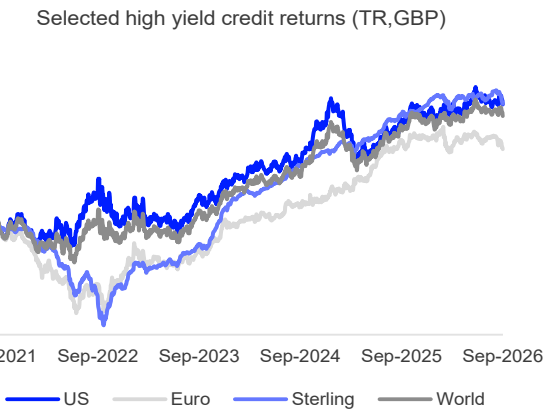


Chart 2: Banks, insurers and other financials dominate UK IG credit indexes, with a weight of near 50% in total. Tech weightings and issuance are modest, though hyperscalers did issue in sterling in Q3.

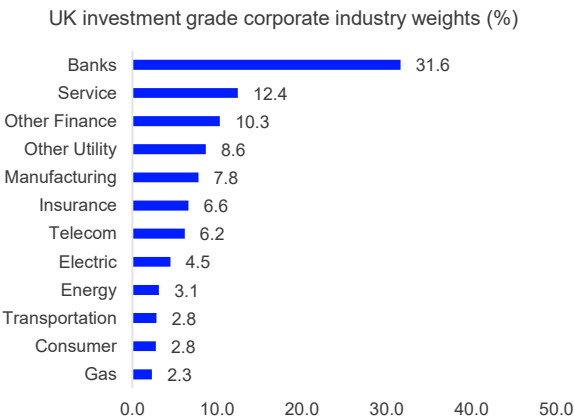
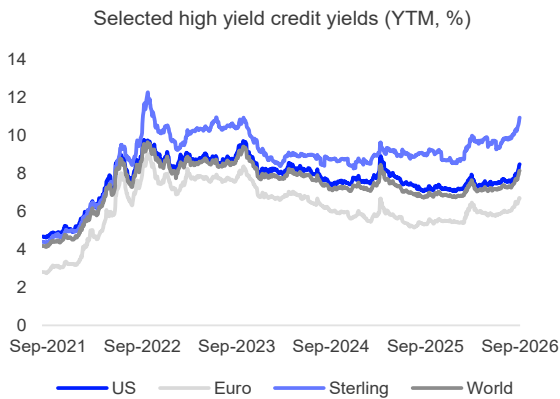


Chart 4: The illiquidity premium in sterling high yield continues, with yields close to the 2022-23 highs, reflecting gilt yields above those levels, but also less spread compression than in other HY markets.



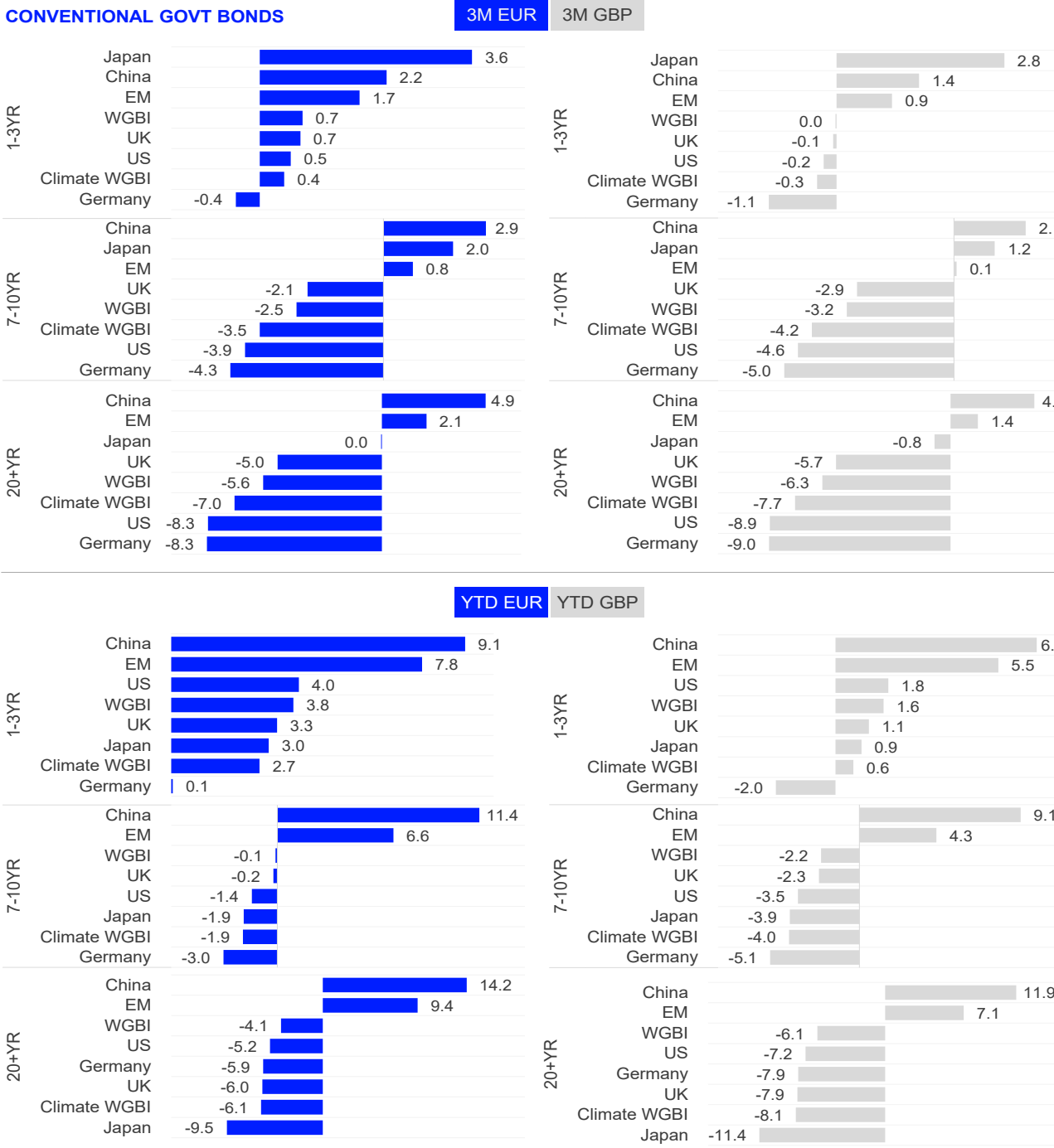
Source: FTSE Russell and LSEG. All data as of September 30, 2026. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Conventional Government Bond Returns – 3M & YTD % (EUR, GBP, TR)

Longer-end conventionals fell in Q3 in EUR and GBP terms. Short-dated JGBs outperformed with gains of 3.6% and 2.8%, respectively in EUR and GBP terms, helped by yen gains. Elsewhere, returns were relatively flat in the front end, while longs remained under pressure. Bunds and US Treasuries particularly underperformed in longs.

Fed rate hike expectations initially eased in Q3 on weaker labor market data and inflation; however, the rebound in oil prices turned rate hike expectations more hawkish, and the Fed duly raised rates in September, driving Treasury yields higher. Similarly, higher oil prices and the ECB rate hike led to higher Bund yields. Bunds fell 8.3% and 4.3%, respectively in 7-10 yrs and 20+ yrs.

JGBs saw positive returns in both EUR and GBP terms, due to a stronger yen in Q3, after US support for the yen in FX intervention. The JGB curve flattened as the BoJ hiked rates to 1.25% in September, but the greater sensitivity of longer JGBs to higher yields meant 1-3 yr JGBs outperformed.



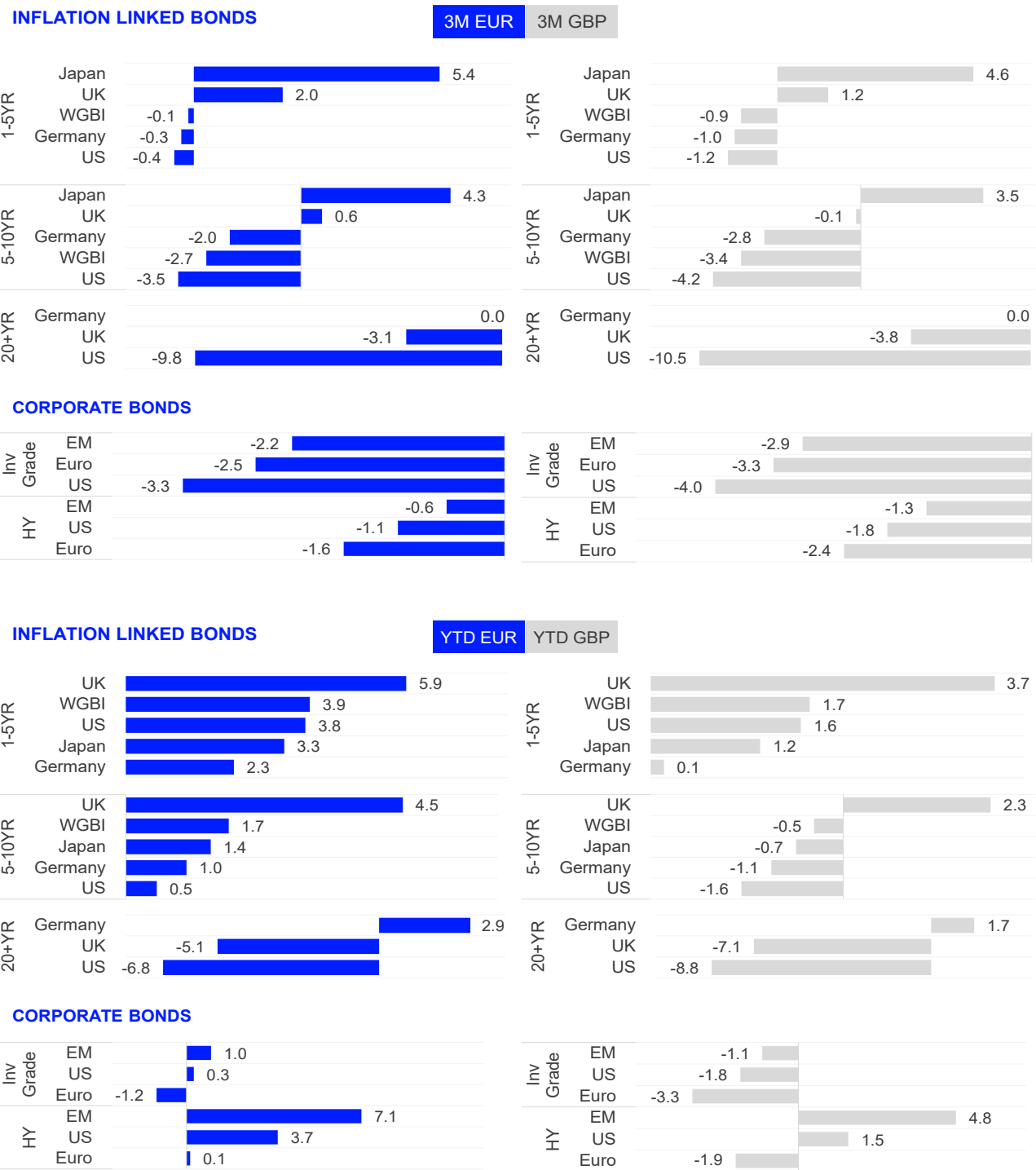
Source: FTSE Russell and LSEG. All data as of September 30, 2026. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Global Inflation-Linked and Credit Returns – 3M & YTD % (EUR, GBP, TR)

Inflation-linked bond returns were also squeezed by higher rate expectations in Q3, proving again their exposure to interest rate risk, even with higher inflation accruals. Japanese inflation-linked gained from the yen's rally in both EUR and GBP terms, after US FX intervention, returning 4-5%. A weaker Euro and stronger GBP meant short linkers showed positive returns, led by UK linkers & Tips, though long linker returns were negative, with losses of up to 9% in long Tips.

Long US Tips led Q3 losses, falling 10-11% in EUR and GBP terms. It was a similar story YTD, with losses of 7-9%, as the US AI capex boom drove real yields higher and the Fed tightened policy. Long UK linkers lost 5-7%, hit by their very long duration.

IG credits were dragged lower by their stronger correlation to govt bond returns in Q3, and higher govt bond yields, losing 2-4%. US IG returns were impacted by wider hyperscaler spreads, after the surge in issuance and Oracle downgrades. HY credits were less affected, given their stronger correlation to equities, with losses of 1-2%. YTD returns remain positive in credit led by EM.

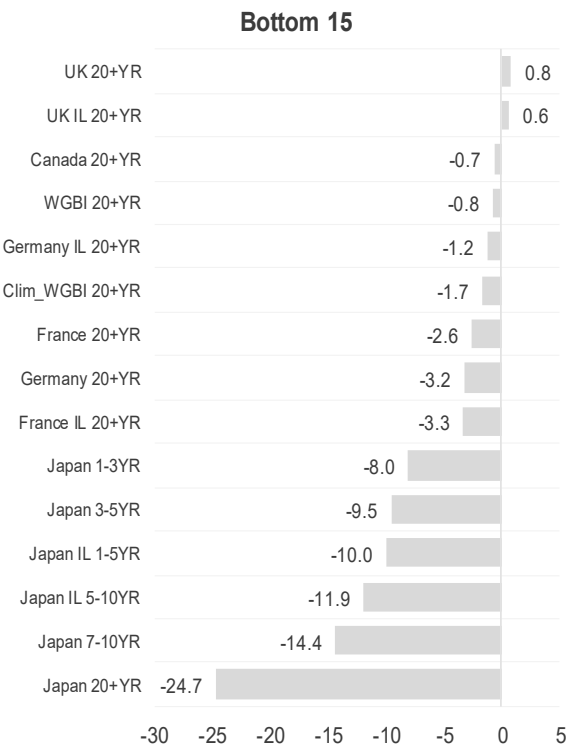
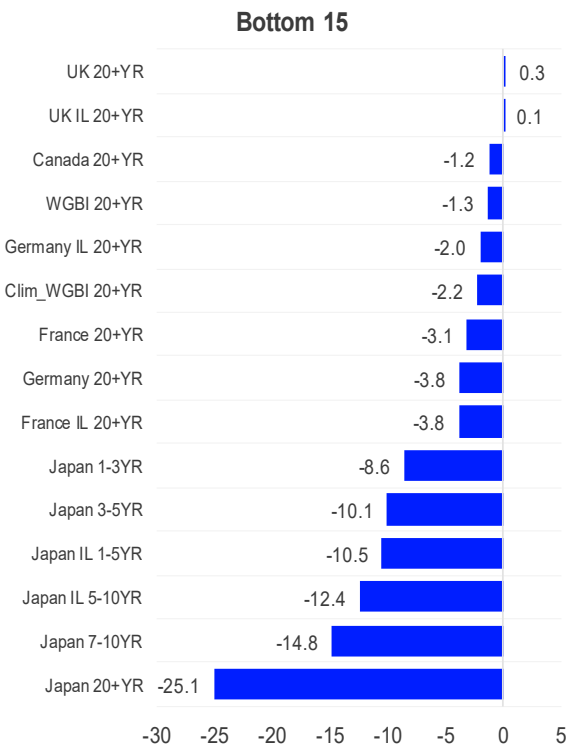
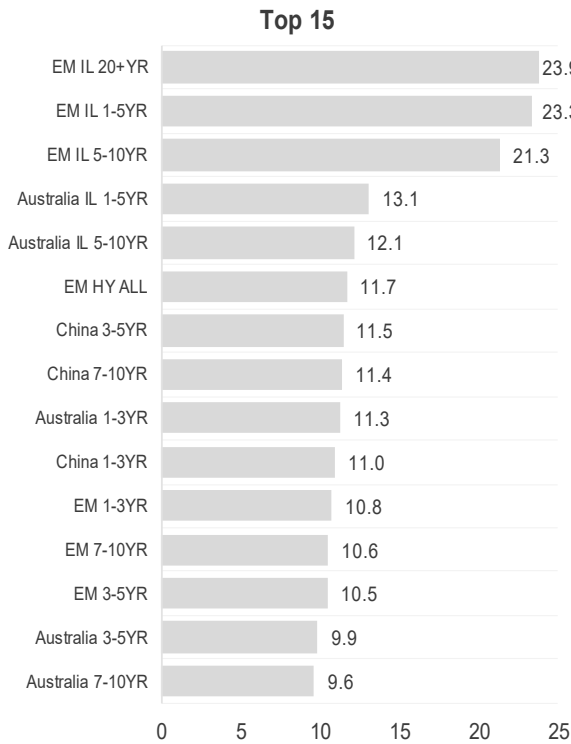
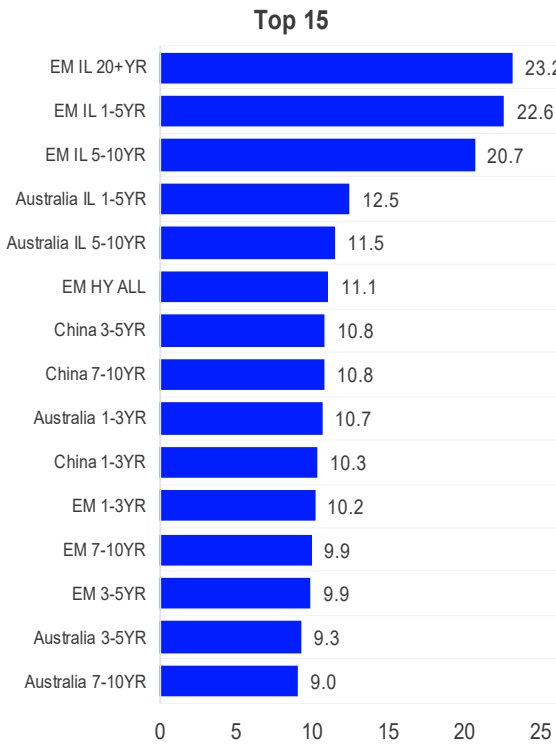


Source: FTSE Russell and LSEG. All data as of September 30, 2026. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed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

Appendix – Top and Bottom Bond Returns – 12M % (EUR, GBP, TR)

12M EUR

12M GBP

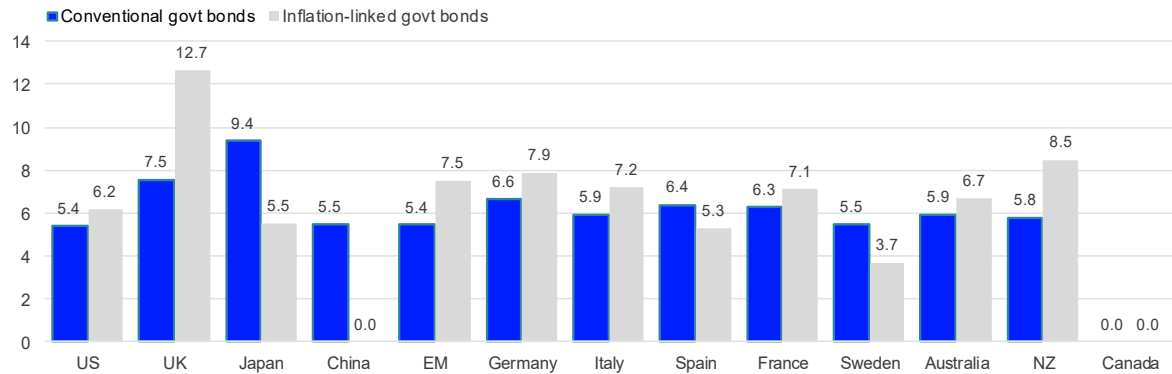


Appendix – Duration and Market Value (USD, Bn) as of September 30, 2026

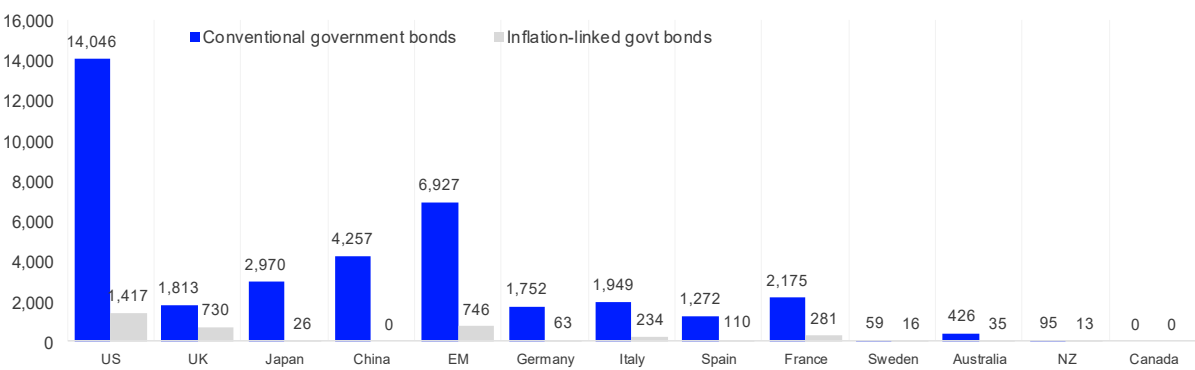
Conventional government bonds									Inflation-linked government bonds					
Duration					Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	6.8	14.9	5.4	3,120.6	1,287.0	1,519.2	14,046.2	6.8	20.0	6.2	478.7	106.1	1417.3
UK	3.7	7.0	16.1	7.5	226.9	311.2	300.4	1,812.9	7.0	25.1	12.7	149.7	189.7	729.6
Japan	3.8	7.8	20.2	9.4	457.4	576.0	461.9	2,970.3	7.4		5.5	17.2		26.4
China	3.7	7.8	17.7	5.5	950.4	747.0	410.2	4,257.1						
EM	3.6	7.1	15.1	5.4	1548.88	1261.98	660.14	6,927.1	5.8	13.1	7.5	200.6	191.6	745.5
Germany	3.7	7.5	19.4	6.6	381.93	296.75	179.29	1,752.1	6.3		7.9	14.2		63.4
Italy	3.6	7.0	15.4	5.9	447.98	304.48	155.22	1,949.5	7.1	21.7	7.2	89.5	9.8	234.0
Spain	3.7	7.0	16.6	6.4	217.99	200.13	112.73	1,272.0	6.7		5.3	30.4		110.4
France	3.6	7.1	16.7	6.3	426.80	402.79	205.95	2,174.6	6.9	21.7	7.1	90.9	19.8	281.4
Sweden	3.7	7.1		5.5	16.39	14.31		59.4	5.6		3.7	3.3		16.1
Australia	3.7	7.0	14.9	5.9	75.88	116.84	21.21	425.5	7.1	19.6	6.7	12.7	2.5	35.3
NZ	3.8	7.0	14.6	5.8	21.33	24.13	5.30	94.6	7.9	16.3	8.5	5.3	1.2	13.4
Canada														

Investment grade bonds										High Yield		
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	9.9	7.8	6.3	6.1	6.4	61.6	644.4	3,105.8	3,625.8	7,437.7	3.6	1,348.4
Euro	6.2	5.0	4.3	4.1	4.3	20.3	275.8	1,428.1	1,688.5	3,412.7	3.2	400.4
EM		5.4	5.5	4.9	5.2		73.50	150.55	247.0	471.0	3.6	201.7

Average Duration



Total Market Value (USD Billions)



Data as of 2026-09-30

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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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