Fixed Income Insights

EUROPE
EUROZONE & UK EDITION

MONTHLY REPORT | **SEPTEMBER 2025**

Credit still favoured after policy shifts to growth

Monetary & fiscal policy interdependency is driving curve steepening, as investors in longs fret about issuance, and debt sustainability, while central banks ease. A policy shift to growth may drive Fed easing this month, leaving the USD at risk, but the ECB has scope to ease again in Q4. LDI flows, and yield levels may cap the rise in long yields. Credit remains in a sweet spot.

Macro and policy backdrop – Both the Fed and BoE shift focus to growth?

Interdependency between monetary & fiscal policy deepens, as the Fed & BoE look beyond inflation overshoots. ECB has more policy options. UK breakeven conundrum. (pages 2-4)

Yields, curves & spreads – US spreads tighten on easing hopes. Curves steepen again

Signs of a much weaker labour market drove US yields lower, but longs lag. Debt sustainability issues weigh on French spreads but Italy tightens. (pages 5-6)

European credit – Credit remains in a sweet spot, supported by attractive yield levels

Tight spreads, but attractive yields. Asset-backed, banks & BBB lead returns. (page 7)

UK credit analysis – UK banks and insurers benefit from steeper curves

Financials remain strongest UK credit performers, helped by benign credit cycle (page 8)

Performance – Strong euro, long end underperformance still dominate YTD returns

Strong euro and sterling squeezed overseas returns, including credit. EM IL returns benefit from stronger Latam currencies in Q3. Longs underperform on bear steepening. (pages 9-11)

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

CONTENTS

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Chart 1: Long-dated govt bonds again fell back in August, led by France, as the government struggled to implement budget deficit cuts. The US actually out-performed, on weaker growth, but yields still rose.

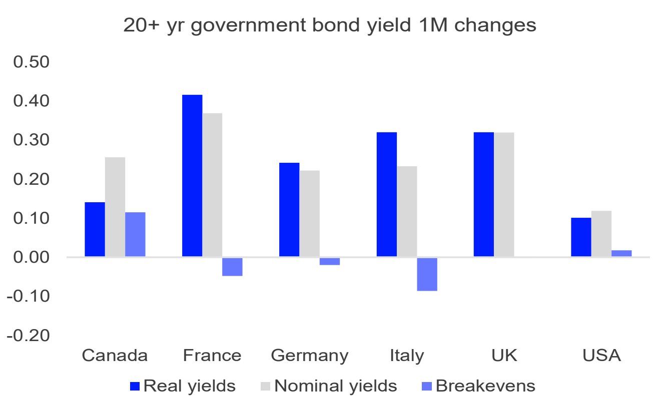
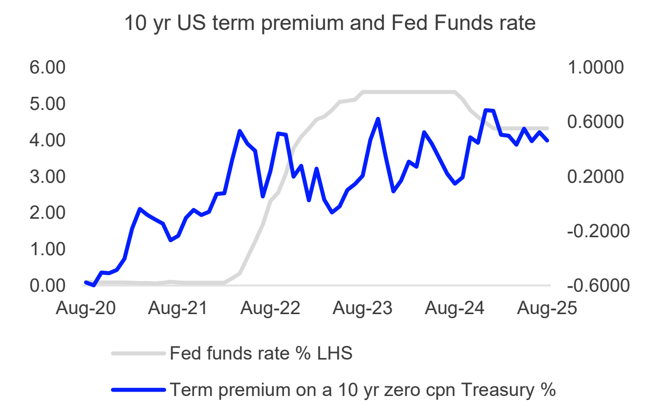


Chart 2: After reaching a 14-year high above 0.8% in January, the term premium on a 10 yr Treasury has fallen modestly. But it is at the high end of recent ranges, driven by stagflation risks, and high issuance.



Macroeconomic Backdrop – Global growth and inflation

Tariff uncertainty is far from resolved, but risk markets appear to have signalled 10-20% tariff details are acceptable, and the Fed points out this should be a one-off effect on inflation. A reduced US labour force has prevented the slowdown in US employment growth from driving unemployment sharply higher, but a weaker labour market is evident. Regional manufacturing PMIs show a mixed picture in Q3, with little evidence of convincing rebounds from tariff uncertainty.

Consensus growth forecasts carry high uncertainty for 2025, and show little change in 2026. Cross currents from easier monetary and fiscal policy on the one hand, and tariff increases, weaker US growth, higher long yields and the lack of global locomotives on the other continue. Chinese growth remains vulnerable to cautious consumers, and sizeable tariffs restricting net trade growth.

The US core-PCE deflator – the Fed's preferred inflation measure, edged up to 2.9% yy in July, but this was due to service sector prices increasing 0.4% on the month, with goods prices flat. This increase in services sector inflation also pushed US CPI inflation up to 3.7% yy in July (Chat 2). But more significantly perhaps, Fed Chairman Powell stated tariff effects may prove a one-off effect on inflation, and signalled an apparent policy shift to focus on the weakening US labour market.

Evidence of the weaker US demand for labour, and weaker labour supply may be found in the fact US unemployment has risen to only 4.2%, despite employment growth averaging only 35,000 monthly in the last 3 months (see Chart 3). Without gains in healthcare employment of 73k in July, overall employment gains would have been zero. Thus a weak August payroll report may seal a September rate cut, with the debate shifting towards a 25bp or 50bp reduction.

The Eurozone manufacturing PMI moved above 50 – to show net expansion (as a diffusion index)- for the first time since 2022, in Aug. 2025. But this has been more stable in the Eurozone in recent months, than in countries with really high net trade exposure to the US, like Canada, as Chart 4 shows. New orders helped drive the net expansion in the index, though services slowed.

Chart 1: Consensus forecasts have been adjusted lower for tariff effects in 2025, though 2026 shows growth flat-lining at weak levels. The US and economies with large trade sectors saw bigger growth downwards.

Latest Consensus Real GDP Forecasts (Median, %, August 2025)			
	2024	**2025**	**2026**
US	2.8	**1.6**	**1.6**
UK	0.9	**1.1**	**1.2**
Eurozone	0.7	**1.1**	**1.2**
Japan	0.8	**0.7**	**0.7**
China	4.9	**4.6**	**4.2**
Canada	1.3	**1.3**	**1.3**

Chart 2: Service sector inflation continues to keep US and UK inflation above target, despite relatively weak goods inflation, despite recent tariff increases. Chinese inflation rebounded but deflationary strains continue.

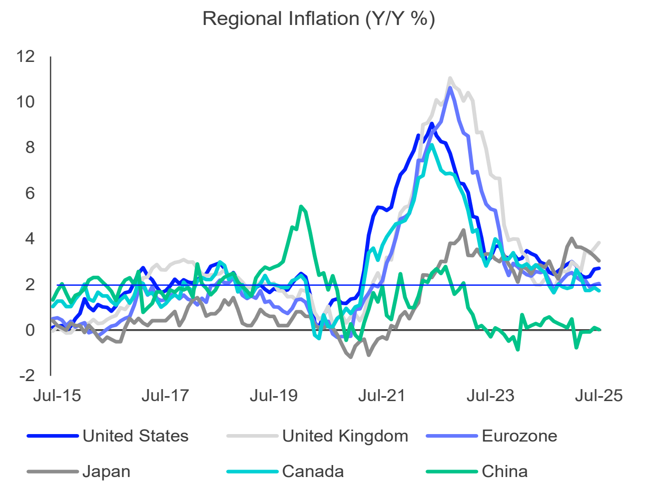


Chart 3: US unemployment is slowly increasing, but has only reached .4.2%, despite employment growth stalling, and averaging only 50k in the last 3 months. This reflects reduced labour force growth and supply.

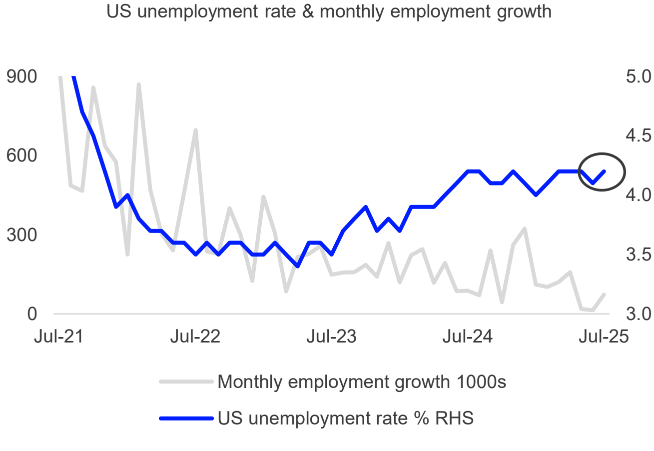
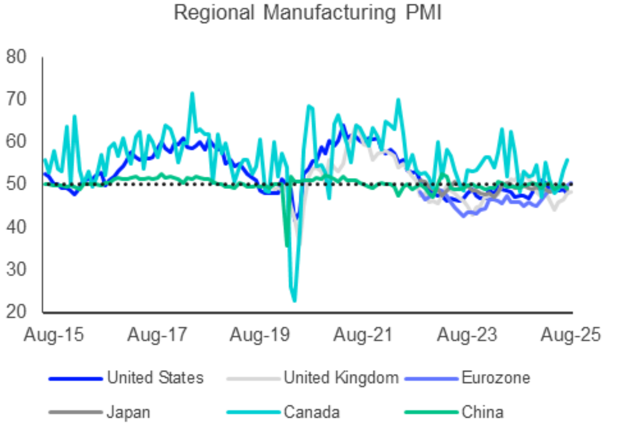


Chart 4: ECB President Lagarde noted growth risks are tilted to the downside in the July ECB meeting, even if manufacturing PMI moved above 50 in Aug. 2025 for the first time since 2022, services fell back.



Source: FTSE Russell and LSEG, US Federal Reserve. All data as of August 31, 2025. 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.

Economic policy and financial conditions – Europe

Sharp widening in French sovereign spreads has not yet jeopardized the transmission mechanism for ECB policy, but is a reminder of the political difficulty in reducing fiscal deficits. French inflation expectations remain stable, helped by inflation near target, but investors have revealed a clear preference for Italian debt of late. ECB balance sheet contraction may now slow, after repayment of TLTROs and given the obvious tension with policy rate reductions.

One of the features of post-Covid fixed income markets is re-structuring of sovereign spreads, reflecting the influence of higher rates and debt service costs on debt sustainability*. This extends to the core of the Eurozone where long French sovereign spreads have widened sharply, even against countries sharing the same monetary policy, like Italy, Germany and Spain. With a high share of French debt held overseas, and successive French governments unable to secure support for cuts to the budget deficit, French 20 yr+ yield spreads have widened 30-150 bp, as Chart 2 shows.

There is little evidence of French inflation breakevens de-stabilizing, despite difficulties in enacting fiscal deficit reduction from successive governments (Chart 2). ECB independence from member states may be helping stabilize inflation expectations, although the ECB made clear when tightening policy that fiscal policy should complement monetary in demand management.

The ECB paused monetary easing at the late-July meeting, after easing rates by 200bp in 12 months, while the Fed has moved at half that pace since September 2024. With downside risks on growth, by the ECB's admission, and a strong euro dampening import prices, a further easing move is likely in 2025, even if inflation ticked up to 2.1% yy in August, mainly driven by food prices.

ECB balance sheet contraction has been slightly faster than the Fed's or BoE, as shown in Chart 4, mainly due to the expiry of TLTROs (Targetted Long Term Repo Operations) as banks repaid the loans to the ECB. The ECB has not given a specific target for an equilibrium balance sheet size, but is very aware of the tension between balance sheet contraction and cutting rates and has noted interest rate decisions must compensate for balance sheet contraction, particularly during heightened uncertainty*.

* See "Striking the right balance: the ECB's balance sheet and its implications for monetary policy "- P.Cipollone, ECB, Feb.2025

Chart 1: Flight from France ? Difficulty in controlling fiscal deficits in France in 2024-25 drove sharp widening in long French spreads, even in the Eurozone, where sovereigns have the same monetary policy

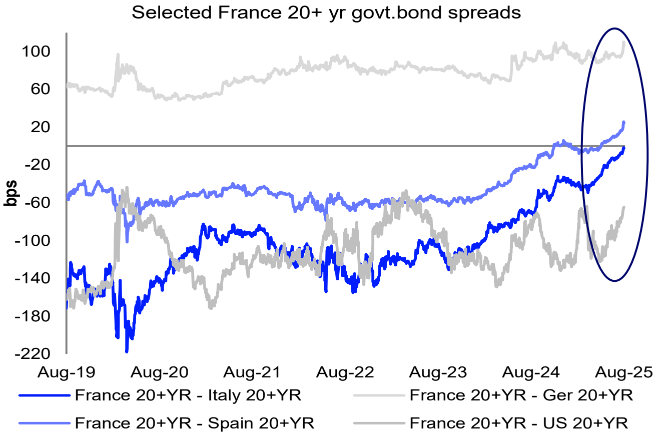


Chart 2: The good news for the financing of the French fiscal deficit (now running at near 6% of GDP) is that inflation breakevens are stable, despite recent curve steepening, with short-dated expectations drifting lower.

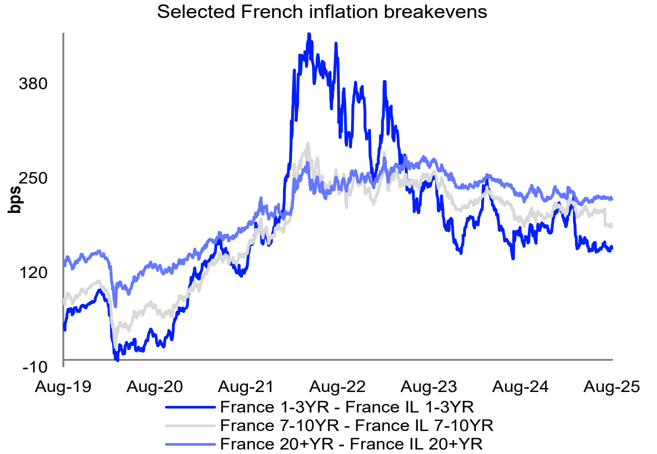


Chart 3. Policy easing has paused in the Eurozone and Canada, though the BoE narrowly voted to cut rates in August, and the Fed has signalled an easing move in September is likely. De-synchronised cycles continue.

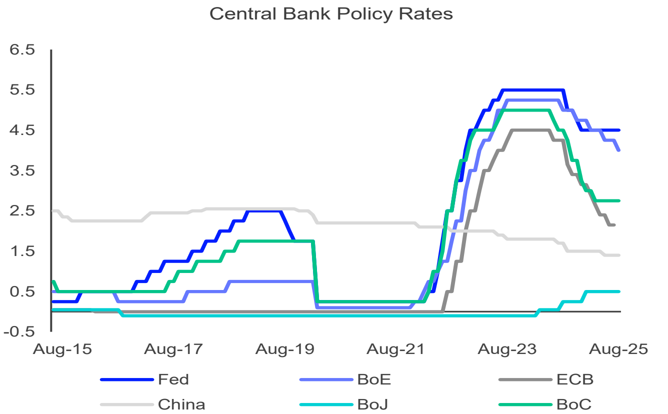
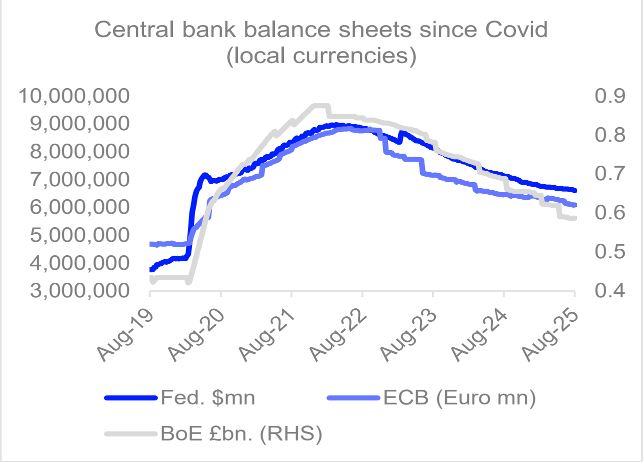


Chart 4:ECB balance sheet size has contracted faster than the Fed's or BoE's since 2022, mainly due to the unwind of TLTROs. But rapid contraction may create liquidity strains as the Fed found in Q4, 2019.



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Economic policy and financial conditions – UK

The Bank of England's August rate reduction suggests a policy shift towards employment and growth, and away from UK inflation, like the US Fed, though the 5-4 vote means this is not clear-cut. Domestic gilt holdings have been less stable than overseas since 2022, led by the decline in BoE holdings. The paradox of UK breakevens above 3% beyond 2030 remains.

With UK unemployment remaining at a 4 year high of 4.7% in June, and wage inflation stable at 5%, the lowest for three years (Chart 1), the BoE just reduced rates in August (voting 5-4 for the cut). Like the US labour market, the increase in UK unemployment has been gradual, reflecting reduced labour supply since Covid, and the ONS remains cautious about the accuracy of labour market surveys, but the August move from the BoE suggests a policy switch away from inflation, to target weaker growth and employment.

Overseas holdings of UK gilts remain more stable than often assumed in discussion of " bond market vigilantes" , as Chart 2 shows. In fact, overseas holdings have been more stable than domestic in recent years. Both the Bank of England, through its Quantitative Tightening programme, and UK insurance companies and pension funds have reduced gilt holdings sharply since 2022.The obvious risk here to funding costs would be a sharp reduction in overseas holdings.

Nominal and real gilt yields have remained closely correlated since the BoE raised rates sharply in 2022-23, keeping 7-10 yr inflation breakevens broadly stable since then. In fact, breakevens have been in fairly narrow ranges since 2015, despite the Covid and Ukraine energy shocks, and often been cyclical, rising with nominal yields during economic recoveries, and vice versa (Chart 3).

Chart 4 shows shorter UK inflation breakevens fell since the height of tariff stagflation fears 3-6 months ago, even though UK CPI inflation remains 3.7% y/y, and 4.8% y/y on the RPI. Since UK inflation-linked are tied to RPI accruals until 2030, which have been about 1% higher than CPI accruals, it is unsurprising the breakeven curve is inverted. However, breakevens remain above 3% well beyond 2030, suggesting some market scepticism about the 2% CPI inflation target being achieved.

Chart 1: Wage inflation has slowed, but remains at 5% yy (exc. bonuses). Nonetheless, higher unemployment at 4.7%, and prospects of a further increases was enough to persuade the BoE to ease rates in August.

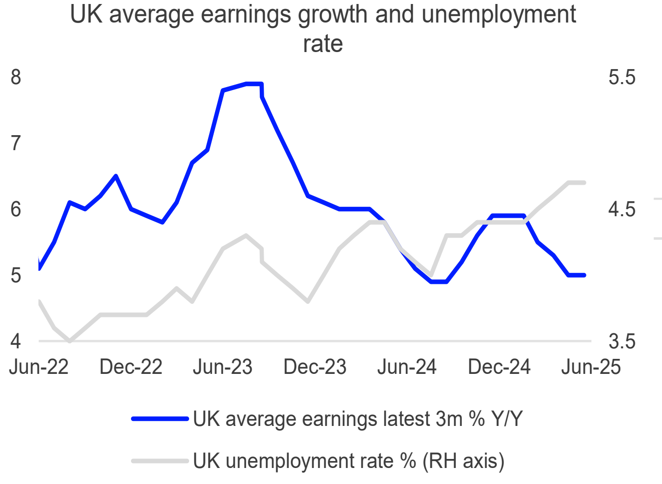


Chart 2: The speed of the BoE's decline in gilt holdings since 2022, but also note the fall in UK insurance company and pension fund holdings in the same period. Overseas and UK bank holdings are more stable.

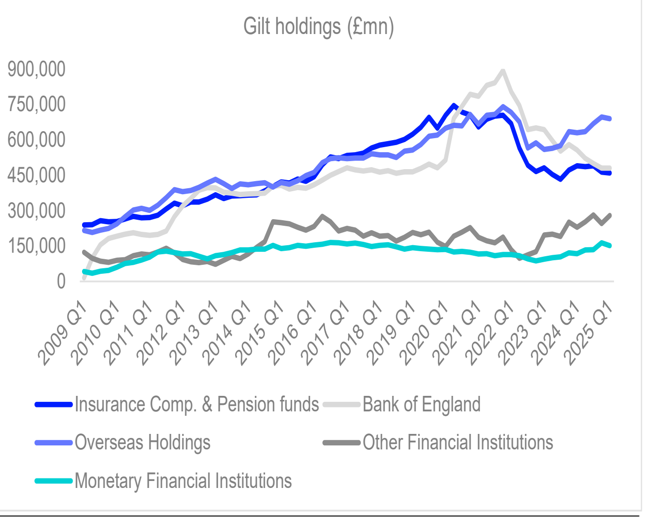


Chart 3: Both nominal and real yields remain near the 2022 highs, despite 2024-25 BoE rate cuts, and lower inflation since then. Breakevens are broadly stable, but at levels above the inflation target.

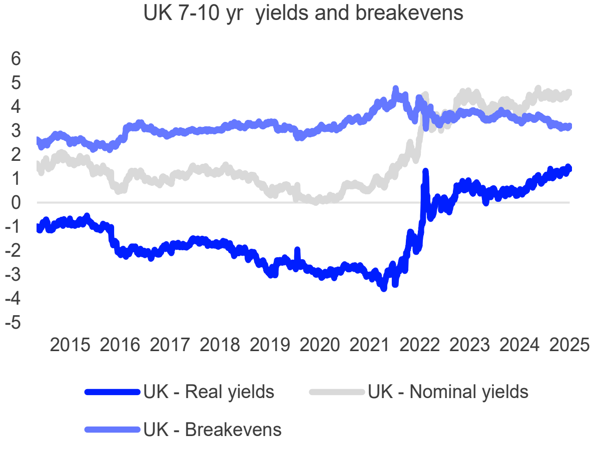
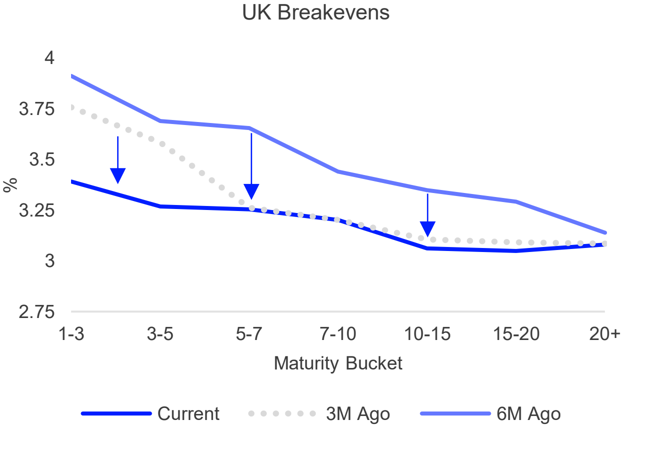


Chart 4: Short-dated breakevens have fallen sharply since the height of the tariff turbulence 3-6 months ago, despite the inflation overshoot but medium and longer term breakevens remain high, notably beyond 2030.



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Global Yields, Curves and Breakevens

Chart 1: 7-10 yr yields edged higher in August in most markets, though US yields fell on weaker payrolls, and prospects of Fed easing at the September FOMC. Gilt yields increased on fears of higher issuance.

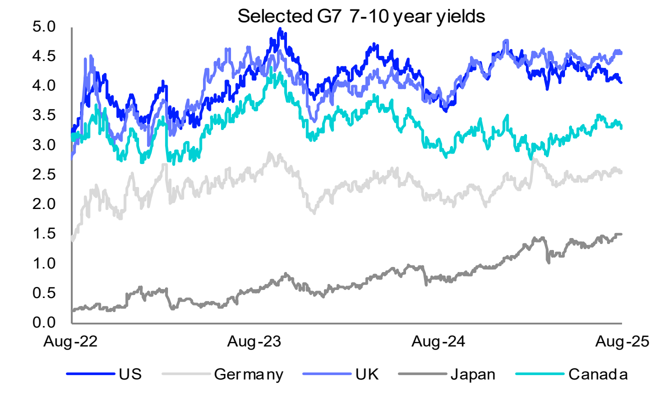


Chart 2: US Tips real yields moved lower with nominals on Fed easing signals, but real yields increased elsewhere, led by gilt and Bund real yields, after higher UK inflation data, and after the ECB held rates.

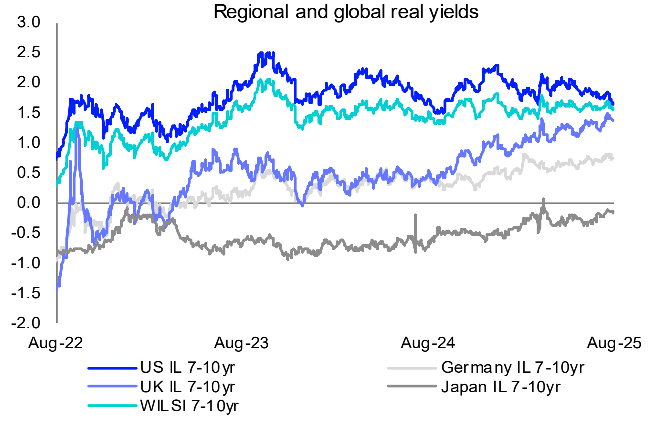


Chart 3: Curve steepening in 7-10 yrs is less acute than in longs, and the Fed's higher for longer policy kept short yields stable, so the US curve steepened less. Canadian yields backed up as the economy recovered .

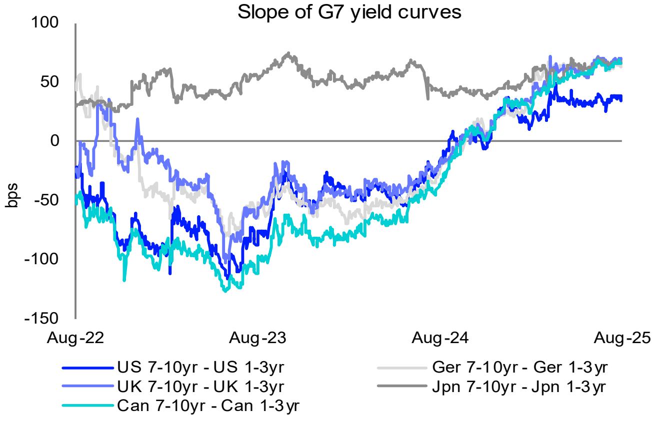


Chart 4: Bear steepening in longs continues, though partly driven by lower short rates and yields. JGBs and gilts have led the curve steepening in 2025, on fears of higher BoJ rates and UK stagflation.

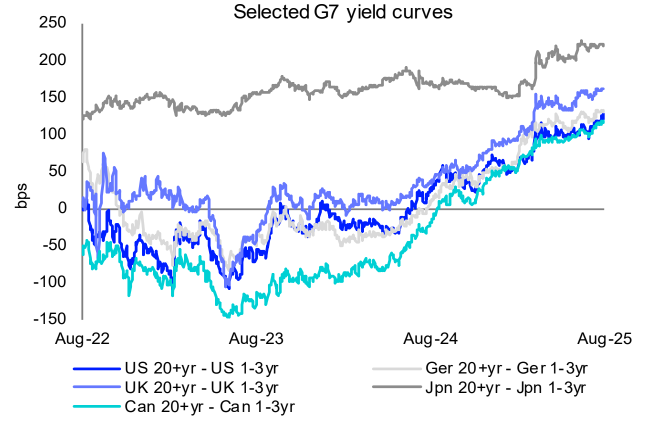


Chart 5: Inflation breakevens remain stable in 7-10 yrs, though above inflation target levels in the US and UK, as evidence builds that regaining 2% inflation targets is challenging. JGB breakevens stabilised near 1.5%.

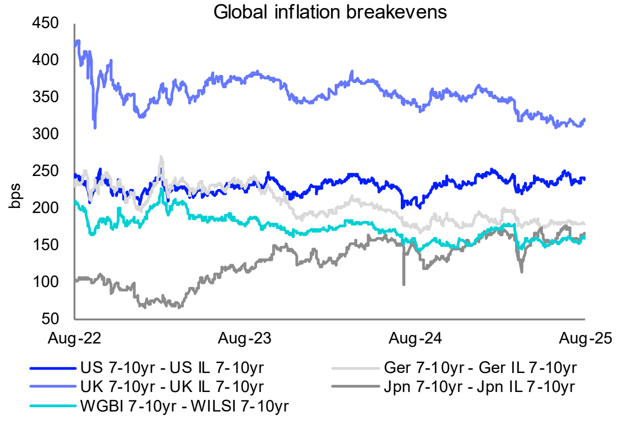
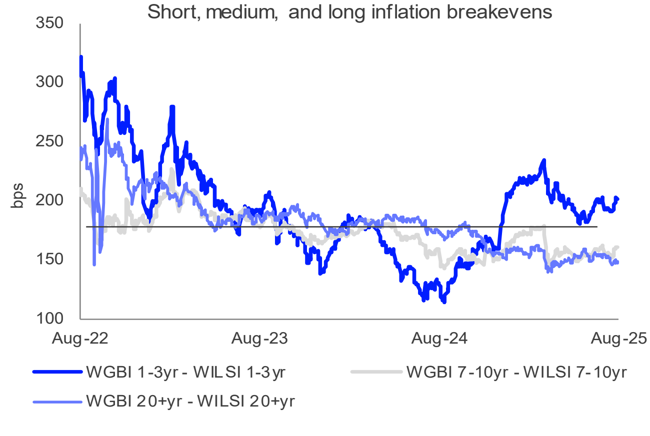


Chart 6: After the tariff spike in breakevens, short breakevens fell back, and longer breakevens are stable, below 2%, despite inflation overshoots in the US and UK, which will reassure the Fed and BoE.



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Yield Spreads and Credit Spread Analysis

Chart 1: US spreads edged in against 7-10 yr JGBs and Canada, mainly on yields rising more in Japan and Canada, after hawkish signals from the BoJ particularly, and BoC. Spreads vs WGBI edged out a little.

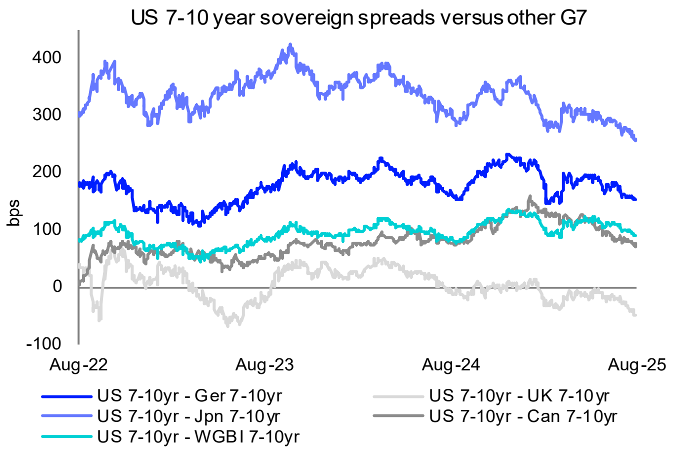

Chart 2: The prospect of more fiscal stability in Italy, with a deficit target of 2.8% within 2 yrs, has driven spread convergence, notably versus France & Germany, where there is more doubt on fiscal consolidation.

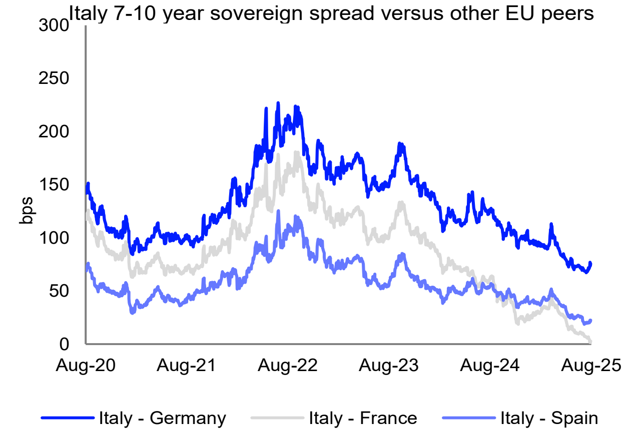

Chart 3: 7-10 yr sovereign spreads have stabilised at multi-year lows, but show no signs of reversing, reflecting higher debt issuance in the G7, and the prospect of more policy easing in China, versus tightening in Japan.

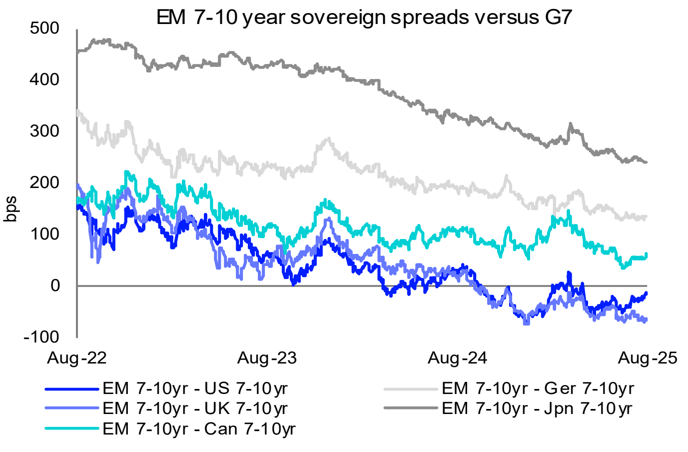

Chart 4: China 7-10 yr yields now trade through most G7 markets apart from Japan. Although the PBoC is reluctant to cut rates too far, for fear of igniting another property bubble, deflation risks point to more easing.

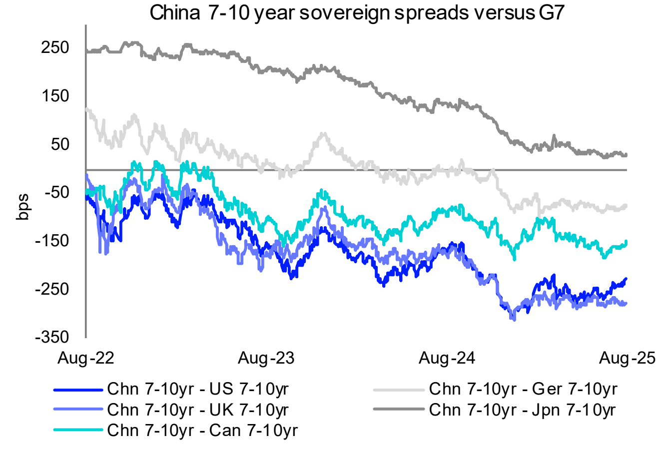

Chart 5: Higher govt debt issuance, and improved financial metrics have combined to drive credit spreads to 10 yr lows in the US and Eurozone. The risk rally also helped HY, given the strong correlation to equities.

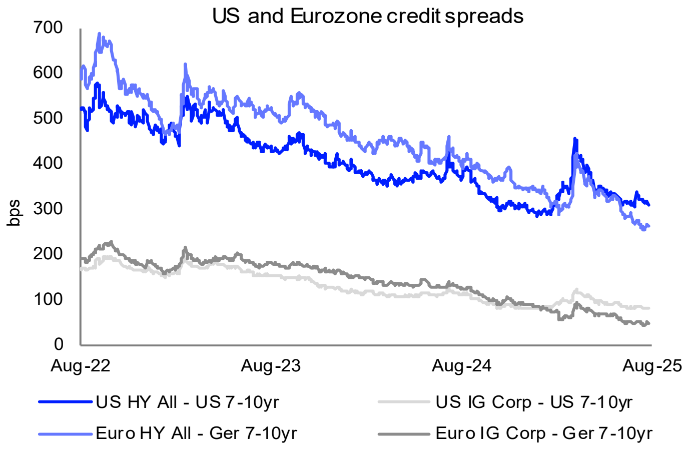

Chart 6: Credit spreads continue to test 10 year lows in China HY dollar issues, with the property sector benefitting from targeted support measures, including "white list" real estate project loans.

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European Credit Analysis

Chart 1: US dollar weakness has pulled US credit returns sharply lower for a Euro-based investor in 2025. Canadian dollar IG returns remain strongest in Euro terms, with lower volatility than UK or Euro returns.

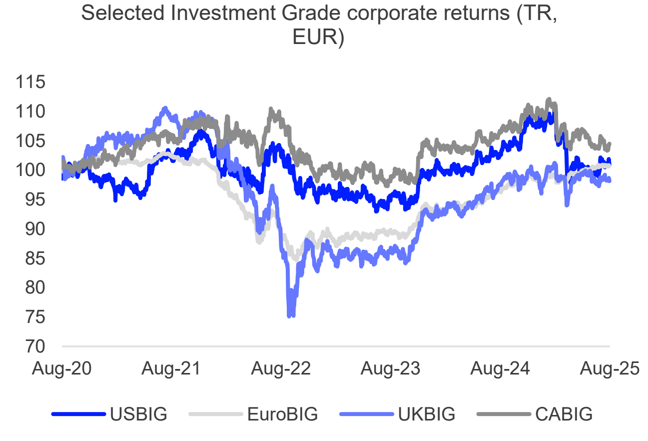


Chart 2: IG spreads remain at, or very close to post-Covid lows, as higher govt debt issuance, and lower relative corporate issuance help to drive spreads lower. The tariff spread spike was rapidly reversed.

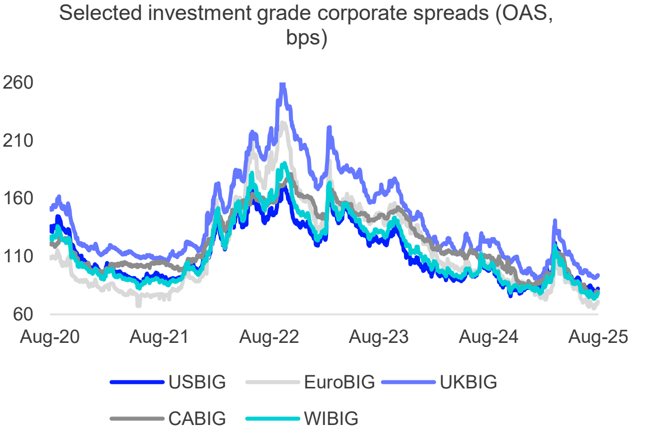


Chart 3: BBB Euro investment grade corporates have outperformed since 2020, while AAAs have underperformed. More cautious credit ratings since Dodd-Frank reforms may have contributed to this.

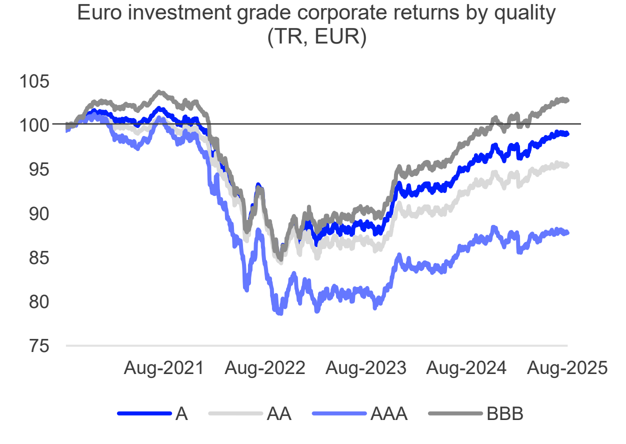


Chart 4: BBB spreads continue to tighten, reflecting the low level of downgrades to HY, improved credit quality, and relatively high yields, despite spreads being near 10 year lows.

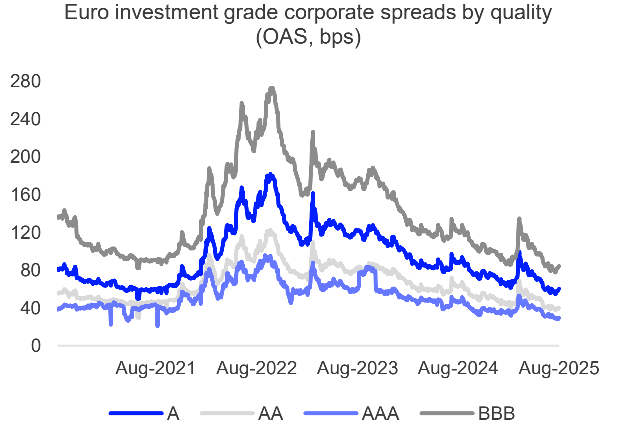


Chart 5: Lower quality Euro HY credits (i.e., CCCs) have outperformed better quality issues, in the risk-on rally, like BBBs in IG. However, note the volatility in CCCs (and only 5% of index).

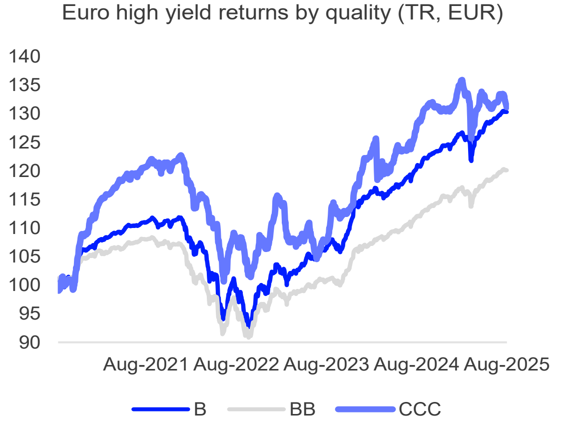
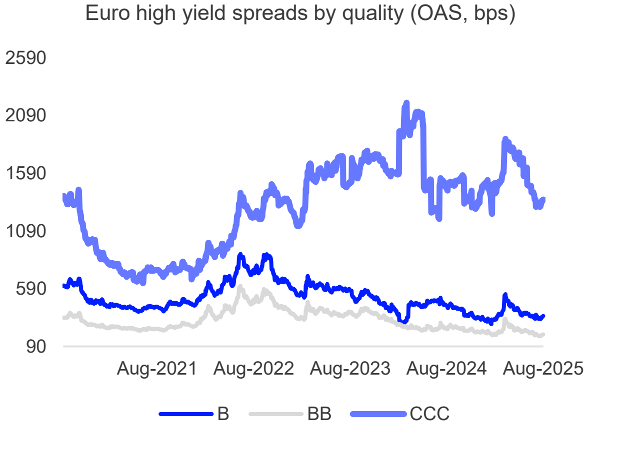


Chart 6: In Euro HY, CCCs still trade as a much higher risk asset, given concerns about access to capital in a recession, or after a macro shock. But spreads have fallen sharply since the tariff shock in April.



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UK Credit Analysis

Chart 1: The US and UK remain highest yielding IG credits. Canadian IG credits have de-coupled from US IG credits, in line with Canadian govts trading well through US Treasuries (see Chart 1, page 5).

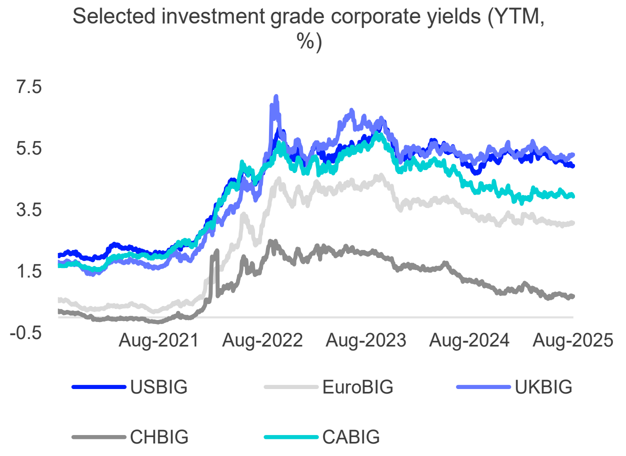


Chart 2: Yield per unit of duration risk remains much higher than pre-Covid, thanks to the combination of higher yields and lower duration, which has shortened across all major markets, partly due to lower prices.

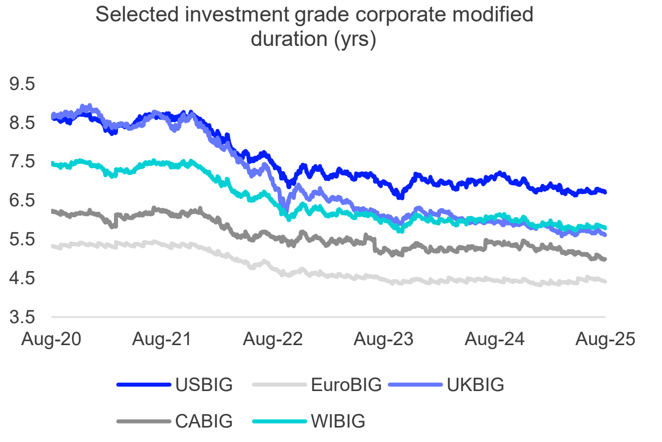


Chart 3: Banks continue to lead returns in UK IG credit, reflecting the stronger capitalisation, steeper yield curves and benign credit cycle. Other utilities lag after the weak performance in the water sector.

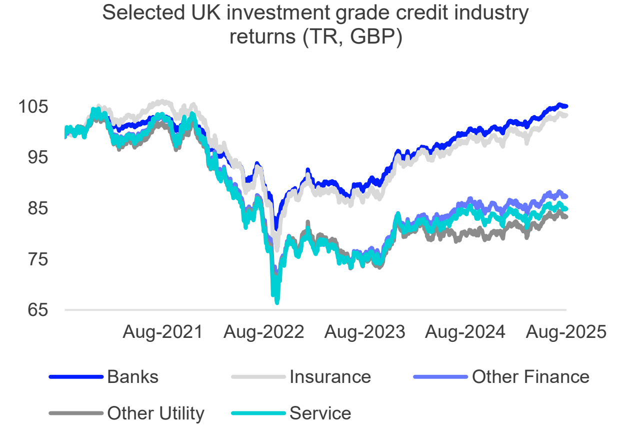


Chart 4: Chinese IG is the strongest performer since Covid- partly because it wasn't affected by 2022-23 rate increases. Other markets closed the performance gap somewhat in 2024-25, helped by fx effects.

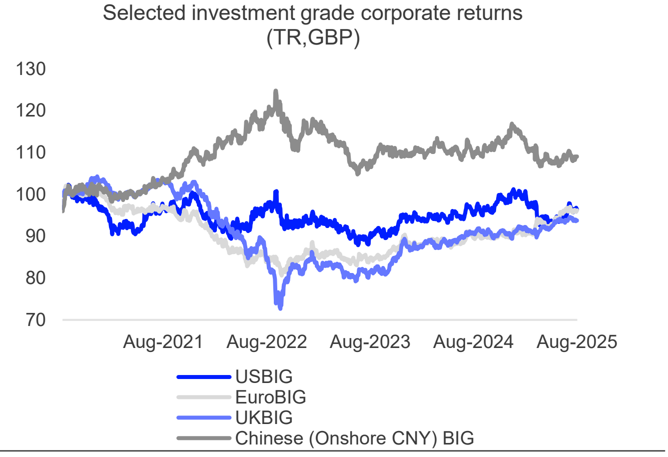


Chart 5: The collapse in Other Utility returns after the defaults in the water sector dominate UK HY sector returns. Telecom recovered after consolidation in the sector, but other finance still leads returns.

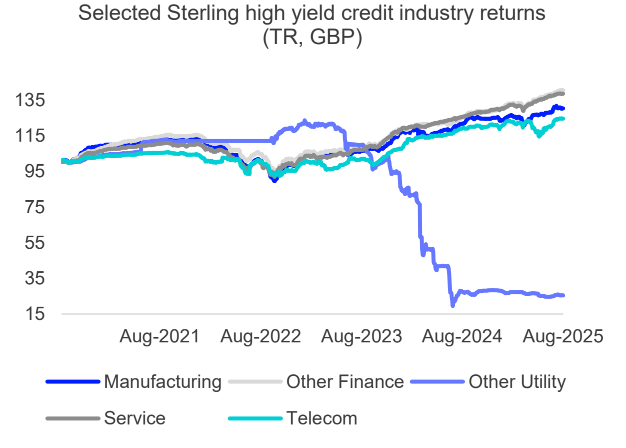
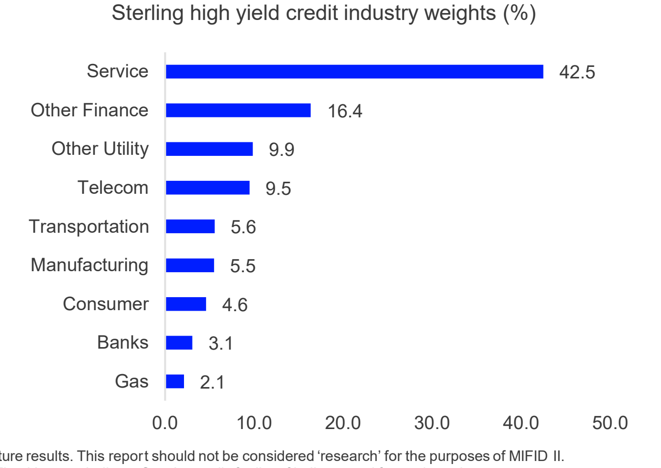


Chart 6: Other utility issues still have a 10% weight in the sterling HY credit index, so the defaults had material impact. Sterling HY is a tiny market compared to US HY, and accounts for only about 3% of global high yield.



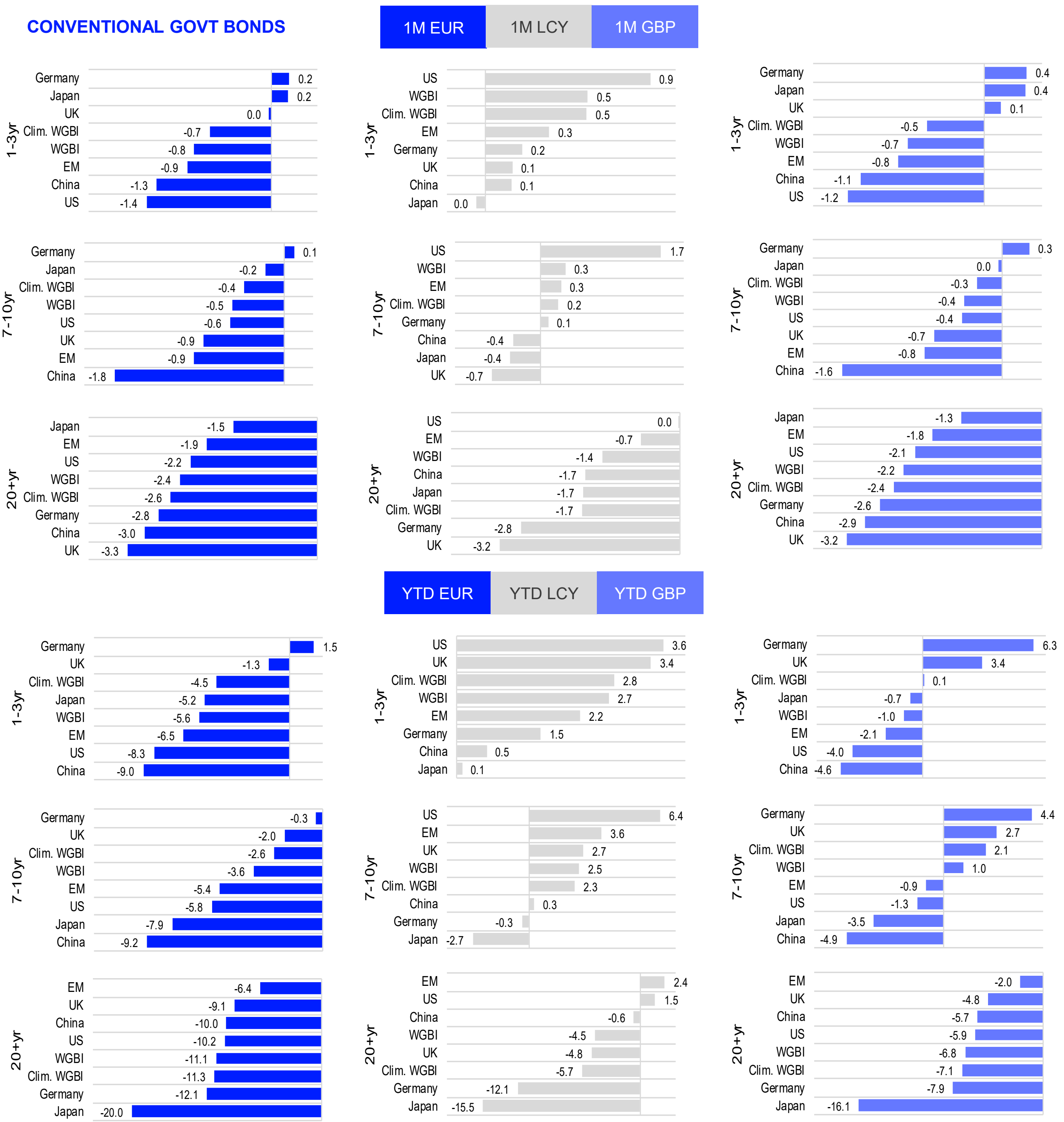
Source: FTSE Russell and LSEG. All data as of August 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Conventional Government Bond Returns – 1M & YTD % (EUR, GBP, LC, TR)

Further dollar and renminbi weakness in August made US and Chinese returns negative in Euro and sterling terms in August, though moves were modest. Longs underperformed, led by gilts and Bunds with 3% losses. YTD returns are dominated by a strong Euro and weak USD particularly, and curve steepening with losses of up to 20% in overseas markets in Euros, led by long JGBs. Only shorter Bunds & gilts show positive returns in sterling terms YTD.

Euro gains exceeded sterling's YTD, making overseas returns more negative in euros. Longs underperformed, on growing G7 fiscal deficits and issuance fears as term premia increased, losing 6-20% in euros, and 2-16% in sterling terms.

Central bank easing has supported shorter maturities, with gains of up to 6% in local currency terms, YTD, led by Treasuries and EM bonds, as the economy slows and the Fed moves towards more easing. Lower PBoC rates also helped shorter Chinese govts, though longs have traded sideways since the PBoC scaled back purchases in Q1.



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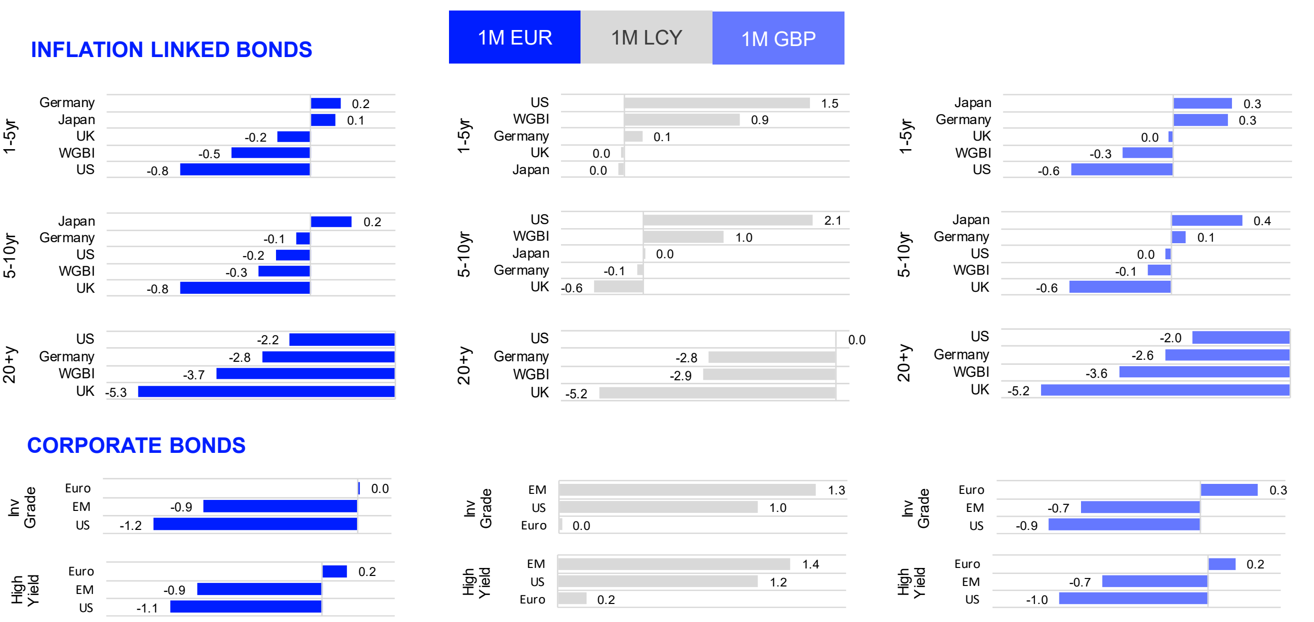
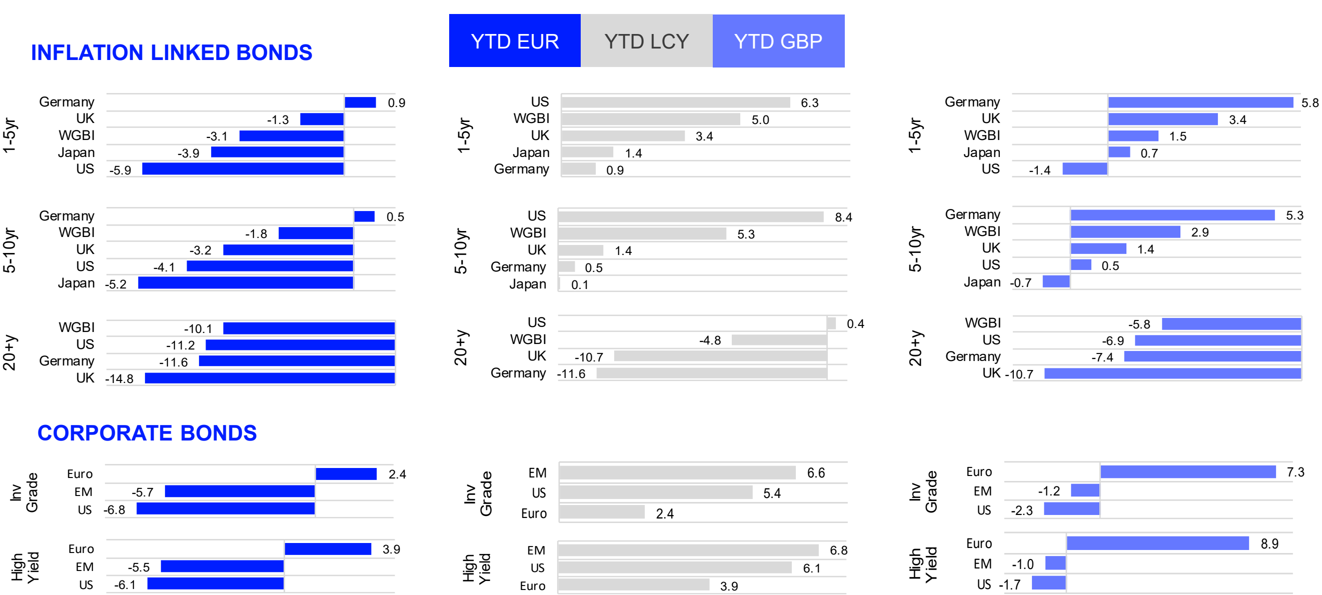
Global Inflation-Linked Bond Returns − 1M & YTD % (EUR, GBP, LC, TR)

Inflation-linked govt bonds drifted lower with conventionals in August, led by long UK, WGBI and Bund linkers, which lost 3-5% in Euro and sterling terms. Shorts and mediums showed negligible movement, on 1 month. Credit made small gains on 1 month, but these were offset by the stronger Euro and sterling, giving small losses of 1% overall. YTD returns show losses in longs of 6-15% in euros and sterling, driven by higher real yields, exc.US Tips, which were hit by USD weakness .

Credit continues to show positive YTD returns in local currency terms, with HY gaining 4-7%, but EM and USD gains were overpowered by currency weakness, so returns were negative in euro and sterling terms, apart from euro credits, which gained 7-9% in sterling, and 2-4% in Euros, led by HY.

Credit survived the tariff-related risk-off phase in Q2 largely unscathed, helped by improved credit quality, and the high correlation of HY particularly to equities.





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

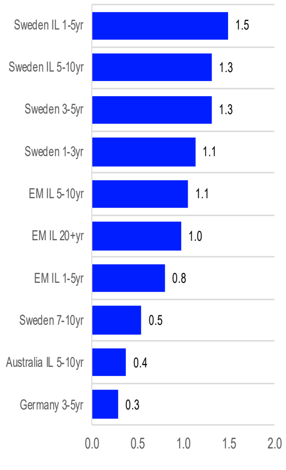
Short European and EM inflation linked bonds dominate the Top 15 performers in August in euro and sterling terms, led by Sweden, with gains of up to 2%. All the bottom 15 performers were longs in August, led by long French linkers. Again, on 12M, shorter bonds show strongest gains in euro and sterling terms, with gains of up to 10% in EM IL, Euro HY credit, and short Italian govts. Long UK linkers, French linkers and JGBs led losses on 12m, losing 15-24%.

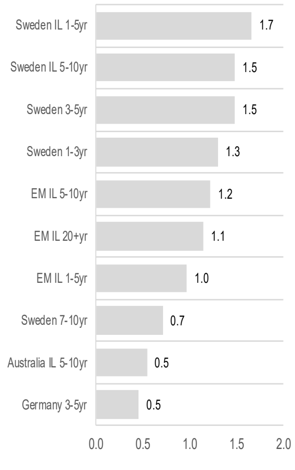
Re-structuring of spreads in the Eurozone continues, with Italian yields converging towards French and German, helped by fiscal retrenchment, and the risk-on rally. A possible further rate cut by the Swedish Riksbank in 2025, despite inflation at 3% yy versus the 2% target, also sustained gains in shorter Swedish govts. In August.

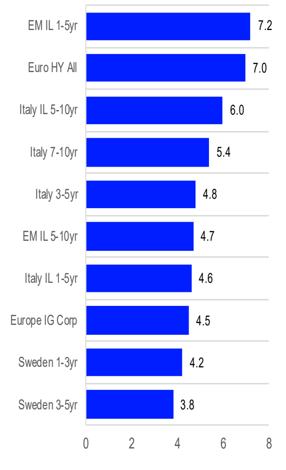
In contrast, political difficulty in reducing the French fiscal deficit weighs on French govt bonds, with long linkers losing 7% in August in sterling and euro terms. Similarly, issuance and stagflation fears continue to weigh on longer gilts, with losses of 5% on 1M and 24% on 12M in long linkers.

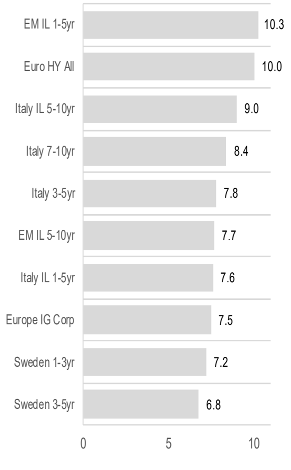
TOP 10

1M EUR | 1M GBP | 12M EUR | 12M GBP



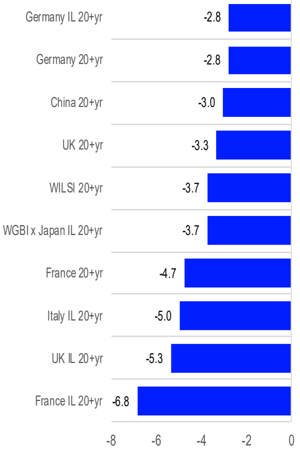


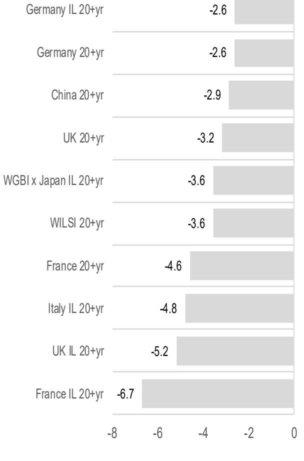


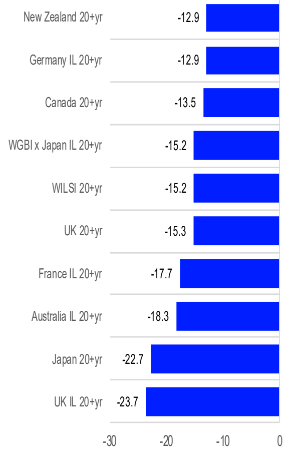


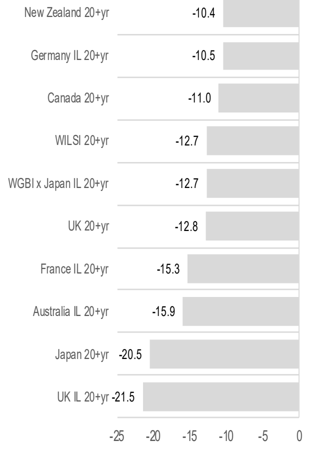
BOTTOM 10

1M EUR | 1M GBP | 12M EUR | 12M GBP









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Appendix – Global Bond Market Returns % (EUR, GBP & LC, TR) – Aug 31, 2025

Government bond returns

Top 15% | Bottom 15%

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

		3M			YTD			12M		
		Local	GBP	EUR	Local	GBP	EUR	Local	GBP	EUR
US	1-3YR	1.42	1.23	-1.63	3.61	-3.95	-8.34	4.41	1.57	-1.26
	7-10YR	2.71	2.52	-0.39	6.44	-1.33	-5.83	2.96	0.16	-2.63
	20+YR	1.55	1.37	-1.50	1.50	-5.91	-10.21	-6.40	-8.95	-11.48
	IG All	3.03	2.84	-0.07	5.35	-2.34	-6.80	4.03	1.20	-1.62
	HY All	3.36	3.17	0.25	6.09	-1.66	-6.15	8.11	5.17	2.24
UK	1-3YR	1.07	1.07	-1.79	3.40	3.40	-1.32	4.35	4.35	1.45
	7-10YR	0.86	0.86	-1.99	2.68	2.68	-2.01	0.12	0.12	-2.67
	20+YR	-2.39	-2.39	-5.16	-4.79	-4.79	-9.13	-12.82	-12.82	-15.25
EUR	IG All	0.77	3.70	0.77	2.39	7.28	2.39	4.50	7.49	4.50
	HY All	1.75	4.72	1.75	3.93	8.90	3.93	6.97	10.04	6.97
Japan	1-3YR	0.02	-1.89	-4.67	0.09	-0.69	-5.22	-0.10	-3.63	-6.31
	7-10YR	-0.48	-2.38	-5.14	-2.74	-3.50	-7.90	-3.90	-7.29	-9.87
	20+YR	-4.33	-6.15	-8.81	-15.47	-16.13	-19.95	-17.61	-20.52	-22.73
China	1-3YR	0.50	1.20	-1.67	0.52	-4.64	-9.00	1.88	-1.51	-4.26
	7-10YR	-0.27	0.43	-2.42	0.27	-4.88	-9.23	4.67	1.18	-1.63
	20+YR	-1.49	-0.80	-3.61	-0.59	-5.70	-10.00	7.01	3.44	0.56
EM	1-3YR	1.06	1.94	-0.95	2.16	-2.06	-6.53	3.66	0.71	-2.10
	7-10YR	1.26	2.08	-0.81	3.57	-0.88	-5.40	6.25	3.21	0.34
	20+YR	0.57	1.49	-1.39	2.44	-1.96	-6.44	8.11	5.08	2.15
	IG All	3.49	3.30	0.37	6.57	-1.21	-5.72	5.64	2.76	-0.10
	HY All	3.63	3.44	0.51	6.78	-1.01	-5.53	8.30	5.35	2.41
Germany	1-3YR	0.23	3.15	0.23	1.47	6.33	1.47	2.72	5.67	2.72
	7-10YR	-0.53	2.37	-0.53	-0.34	4.43	-0.34	-0.06	2.80	-0.06
	20+YR	-5.44	-2.69	-5.44	-12.07	-7.86	-12.07	-11.93	-9.41	-11.93
Italy	1-3YR	0.26	3.18	0.26	2.02	6.91	2.02	3.67	6.64	3.67
	7-10YR	0.16	3.07	0.16	2.65	7.56	2.65	5.39	8.41	5.39
	20+YR	-2.24	0.61	-2.24	-3.44	1.18	-3.44	0.91	3.80	0.91
Spain	1-3YR	0.32	3.24	0.32	1.83	6.70	1.83	3.30	6.26	3.30
	7-10YR	-0.36	2.54	-0.36	1.08	5.91	1.08	2.47	5.40	2.47
	20+YR	-3.47	-0.66	-3.47	-6.51	-2.04	-6.51	-4.10	-1.36	-4.10
France	1-3YR	0.30	3.22	0.30	1.85	6.72	1.85	3.28	6.24	3.28
	7-10YR	-1.46	1.41	-1.46	0.65	5.46	0.65	0.29	3.16	0.29
	20+YR	-7.67	-4.98	-7.67	-10.30	-6.01	-10.30	-12.27	-9.75	-12.27
Sweden	1-3YR	0.47	1.76	-1.13	1.61	9.95	4.93	1.87	7.20	4.22
	7-10YR	-0.69	0.58	-2.27	1.23	9.54	4.54	-0.75	4.44	1.53
Australia	1-3YR	0.73	2.25	-0.64	3.22	1.15	-3.47	4.08	-2.33	-5.05
	7-10YR	0.89	2.42	-0.48	4.66	2.56	-2.13	3.15	-3.21	-5.91
	20+YR	-0.15	1.36	-1.51	1.22	-0.82	-5.35	-3.36	-9.32	-11.84
NZ	1-3YR	1.87	0.49	-2.36	3.61	1.15	-3.46	5.69	-3.04	-5.74
	7-10YR	2.77	1.37	-1.50	4.24	1.77	-2.88	4.97	-3.70	-6.38
Canada	1-3YR	0.37	0.04	-2.49	1.97	-1.26	-5.48	3.53	-1.42	-3.87
	7-10YR	-0.38	-0.70	-3.22	1.41	-1.81	-6.00	2.11	-2.77	-5.19
	20+YR	-5.33	-5.64	-8.02	-6.11	-9.09	-12.97	-6.57	-11.04	-13.25

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Appendix − Global Bond Market Returns % (EUR, GBP, LC, TR) – Aug 31, 2025

Inflation-Linked Bond Returns

Top 15% | Bottom 15%

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

		3M			YTD			12M		
		Local	GBP	EUR	Local	GBP	EUR	Local	GBP	EUR
US	1-5YR	2.38	2.19	-0.70	6.32	-1.44	-5.94	6.98	4.07	1.17
	5-10YR	3.52	3.32	0.40	8.45	0.53	-4.06	6.05	3.16	0.29
	20+YR	0.71	0.52	-2.33	0.41	-6.92	-11.17	-7.53	-10.05	-12.55
UK	1-5YR	1.70	1.70	-1.18	3.41	3.41	-1.31	3.87	3.87	0.98
	5-10YR	1.80	1.80	-1.08	1.44	1.44	-3.19	-0.82	-0.82	-3.59
	20+YR	-2.87	-2.87	-5.62	-10.69	-10.69	-14.77	-21.49	-21.49	-23.68
EUxUK	1-5YR	0.45	3.38	0.45	0.94	5.77	0.94	2.39	5.33	2.39
	5-10YR	0.13	3.04	0.13	0.51	5.32	0.51	1.08	3.98	1.08
	20+YR	-3.72	-0.91	-3.72	-11.58	-7.35	-11.58	-12.95	-10.45	-12.95
Japan	1-5YR	0.17	-1.73	-4.52	1.45	0.66	-3.93	1.51	-2.07	-4.80
	5-10YR	-0.08	-1.98	-4.76	0.07	-0.70	-5.24	-0.20	-3.72	-6.40
EM	1-5YR	2.39	5.69	2.70	9.26	9.72	4.71	12.20	10.28	7.21
	5-10YR	1.97	5.50	2.51	8.77	9.99	4.97	8.75	7.69	4.69
	20+YR	2.21	6.36	3.35	10.25	14.07	8.86	4.49	5.39	2.45
Germany	1-5YR	0.45	3.38	0.45	0.94	5.77	0.94	2.39	5.33	2.39
	5-10YR	0.13	3.04	0.13	0.51	5.32	0.51	1.08	3.98	1.08
	20+YR	-3.72	-0.91	-3.72	-11.58	-7.35	-11.58	-12.95	-10.45	-12.95
Italy	1-5YR	0.78	3.72	0.78	2.66	7.57	2.66	4.61	7.61	4.61
	5-10YR	0.90	3.84	0.90	3.56	8.52	3.56	5.98	9.02	5.98
	20+YR	-4.47	-1.69	-4.47	-8.98	-4.63	-8.98	-5.38	-2.67	-5.38
Spain	1-5YR	0.79	3.73	0.79	2.29	7.18	2.29	3.71	6.69	3.71
	5-10YR	0.22	3.15	0.22	1.44	6.29	1.44	2.52	5.46	2.52
France	1-5YR	0.60	3.53	0.60	1.97	6.85	1.97	2.97	5.92	2.97
	5-10YR	-0.61	2.28	-0.61	1.12	5.96	1.12	0.85	3.74	0.85
	20+YR	-9.08	-6.43	-9.08	-14.28	-10.18	-14.28	-17.66	-15.30	-17.66
Sweden	1-5YR	0.91	2.20	-0.70	0.99	9.27	4.28	1.16	6.46	3.50
	5-10YR	0.48	1.76	-1.12	1.09	9.38	4.38	0.34	5.60	2.66
Australia	1-5YR	1.22	2.75	-0.16	4.10	2.01	-2.65	3.98	-2.43	-5.15
	5-10YR	1.79	3.33	0.41	4.47	2.37	-2.30	3.63	-2.76	-5.47
	20+YR	0.17	1.68	-1.20	-4.04	-5.97	-10.26	-10.42	-15.94	-18.29
NZ	5-10YR	3.52	2.12	-0.77	5.71	3.20	-1.51	6.78	-2.04	-4.76
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	-1.43	-1.75	-4.23	0.25	-2.93	-7.07	2.51	-2.39	-4.81

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Appendix − Historical Bond Yields % as of August 31, 2025

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	3.69	3.63	4.08	4.98	0.93	1.55	2.65	4.93	7.16
	3M Ago	3.98	3.91	4.29	5.00	1.30	1.81	2.62	5.24	7.77
	6M Ago	4.03	4.00	4.16	4.57	1.22	1.67	2.18	5.09	7.35
	12M Ago	4.04	3.77	3.87	4.31	1.90	1.69	2.06	4.97	7.53
UK	Current	3.88	3.96	4.59	5.51	0.63	1.32	2.43		
	3M Ago	3.93	4.02	4.52	5.29	0.34	1.22	2.21		
	6M Ago	4.04	4.04	4.37	4.96	0.24	0.82	1.82		
	12M Ago	4.09	3.75	3.84	4.37	0.34	0.38	1.21		
Japan	Current	0.83	1.06	1.49	3.02	-1.02	-0.24			
	3M Ago	0.71	0.93	1.36	2.78	-1.32	-0.39			
	6M Ago	0.75	0.93	1.25	2.29	-1.26	-0.43			
	12M Ago	0.32	0.44	0.73	2.01	-1.19	-0.71			
China	Current	1.36	1.52	1.79	2.10					
	3M Ago	1.44	1.50	1.70	1.99					
	6M Ago	1.45	1.58	1.75	2.04					
	12M Ago	1.55	1.62	2.02	2.23					
EM	Current	2.94	3.36	3.92	3.67	7.03	6.15	5.87	5.00	7.53
	3M Ago	3.09	3.34	3.93	3.60	6.59	5.69	6.02	5.36	8.05
	6M Ago	3.15	3.45	4.05	3.53	6.30	5.81	6.23	5.22	7.64
	12M Ago	3.09	3.37	3.92	3.51	5.76	5.18	5.61	5.13	7.76
Germany	Current	1.91	2.09	2.56	3.25	0.59	0.77	1.35		
	3M Ago	1.78	1.96	2.39	2.94	0.48	0.66	1.10		
	6M Ago	2.00	2.03	2.28	2.63	0.87	0.44	0.75		
	12M Ago	2.45	2.15	2.18	2.50	1.46	0.49	0.54		
Italy	Current	2.13	2.51	3.31	4.35	0.85	1.38	2.50		
	3M Ago	1.96	2.35	3.19	4.14	0.73	1.24	2.24		
	6M Ago	2.25	2.55	3.23	4.01	0.69	1.30	1.95		
	12M Ago	2.85	2.90	3.45	4.13	1.44	1.66	1.98		
France	Current	2.10	2.49	3.28	4.32	0.73	1.21	2.12		
	3M Ago	1.96	2.28	2.94	3.83	0.58	0.87	1.66		
	6M Ago	2.17	2.40	2.93	3.60	0.58	0.83	1.39		
	12M Ago	2.64	2.60	2.84	3.42	0.97	0.85	1.16		
Sweden	Current	1.87	1.97	2.44		0.85	0.62			
	3M Ago	1.87	1.92	2.20		1.35	0.67			
	6M Ago	2.03	2.09	2.31		1.03	0.74			
	12M Ago	1.87	1.80	2.01		0.80	0.45			
Australia	Current	3.37	3.49	4.13	4.99	1.04	1.57	2.79		
	3M Ago	3.30	3.40	4.06	4.91	1.18	1.72	2.73		
	6M Ago	3.76	3.79	4.22	4.84	1.67	1.87	2.52		
	12M Ago	3.66	3.85	4.20	4.81	1.56	1.80	2.35		
NZ	Current	3.10	3.50	4.26	5.21	0.00	1.77			
	3M Ago	3.39	3.72	4.39	5.25	0.00	2.24			
	6M Ago	3.56	3.80	4.35	5.07	0.00	2.23			
	12M Ago	3.97	3.88	4.37	4.95	0.00	2.37			
Canada	Current	2.78		3.23	3.77			1.45	4.04	5.93
	3M Ago	2.65		3.03	3.41			1.31	3.98	6.21
	6M Ago	2.59		2.78	3.09			1.05	3.87	5.89
	12M Ago	3.30		3.08	3.25			1.57	4.48	6.55

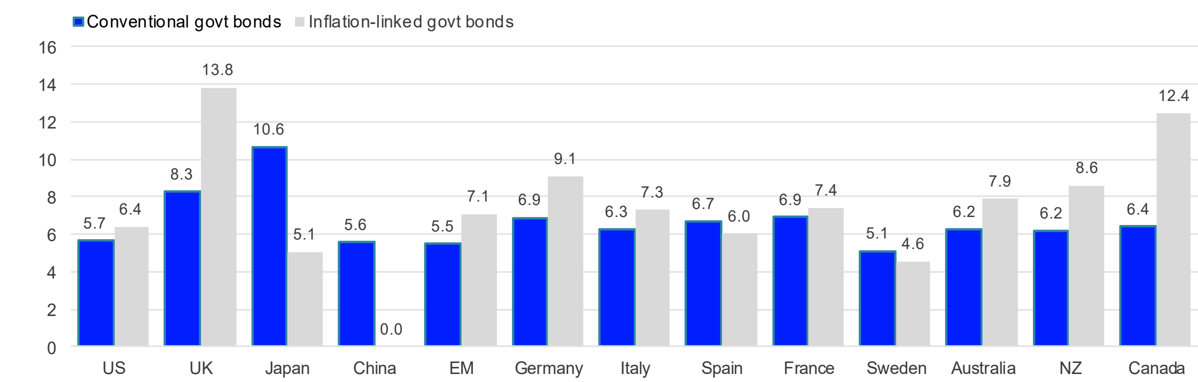
Source: FTSE Russell and LSEG. All data as of August 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix − Duration and Market Value (USD, Bn) as of August 31, 2025

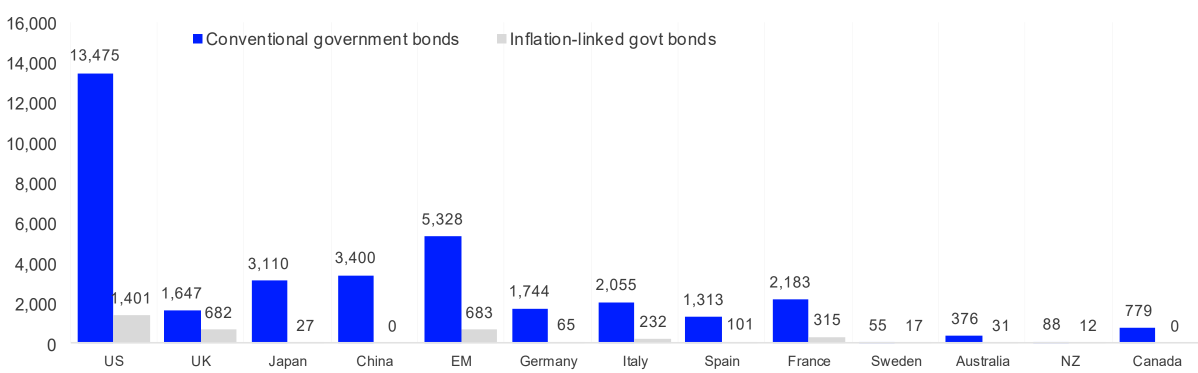
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.6	7.0	15.9	**5.7**	3,038.8	1,339.1	1,478.4	**13,474.8**	7.1	20.9	**6.4**	466.0	103.4	**1400.8**
UK	3.6	7.2	16.9	**8.3**	197.7	245.5	324.3	**1,647.5**	7.4	25.4	**13.8**	144.2	202.2	**682.1**
Japan	3.9	8.2	21.8	**10.6**	394.9	515.3	556.8	**3,110.0**	7.6		**5.1**	13.1		**27.4**
China	3.7	7.7	18.0	**5.6**	770.6	615.4	363.8	**3,399.7**						
EM	3.6	7.1	16.1	**5.5**	1162.92	996.92	499.57	**5,327.6**	5.7	13.3	**7.1**	185.6	152.5	**683.2**
Germany	3.6	7.5	20.1	**6.9**	343.36	308.08	193.07	**1,743.8**	7.4	19.7	**9.1**	14.6	16.9	**65.0**
Italy	3.6	7.1	16.1	**6.3**	393.38	298.46	165.37	**2,054.6**	6.9	23.0	**7.3**	54.7	9.1	**232.2**
Spain	3.7	7.3	17.4	**6.7**	268.51	235.16	109.01	**1,312.7**	6.4		**6.0**	59.3		**101.1**
France	3.6	7.2	18.4	**6.9**	493.51	442.35	224.82	**2,183.1**	6.5	22.8	**7.4**	71.8	20.6	**315.0**
Sweden	4.0	8.0		**5.1**	9.13	12.08		**55.3**	6.6		**4.6**	3.7		**17.1**
Australia	3.7	7.2	15.9	**6.2**	64.11	104.43	20.29	**376.1**	5.5	20.7	**7.9**	12.0	2.5	**30.9**
NZ	3.8	7.1	15.4	**6.2**	17.78	21.99	5.30	**87.6**	4.6		**8.6**	3.5		**12.4**
Canada		6.5	16.6	**6.4**		310.71	123.91	**779.2**		12.4	**12.4**		67.9	

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	9.6	8.1	6.8	6.4	**6.7**	78.3	461.8	3,044.2	3,670.5	**7,254.8**	3.7	1,348.9
Euro	6.1	4.9	4.6	4.2	**4.4**	26.9	249.4	1,422.8	1,769.6	**3,468.6**	3.3	404.7
EM		6.3	5.5	5.4	**5.6**		72.13	177.26	247.0	**496.4**	3.6	191.0

Average Duration



Total Market Value (USD Billions)

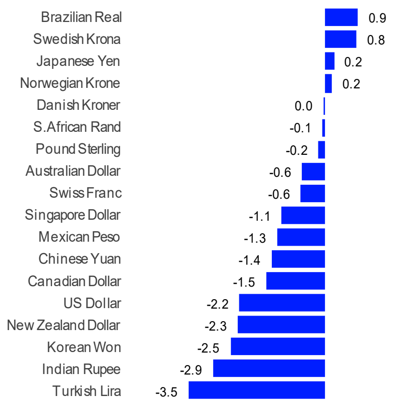


Data as of 2025-08-29

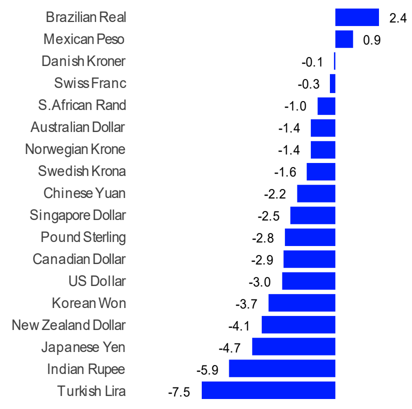
Source: FTSE Russell and LSEG. All data as of August 31, 2025. Past performance is no guarantee of future results. This report should not be considered 'research' for the purposes of MIFID II. Please see the end of the report for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix for list of indices used for each market.

Appendix − Foreign Exchange Returns % as of August 31, 2025

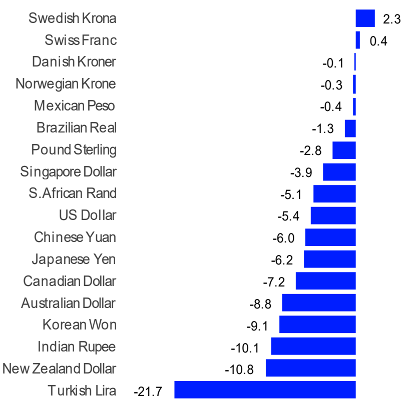
1M vs EUR



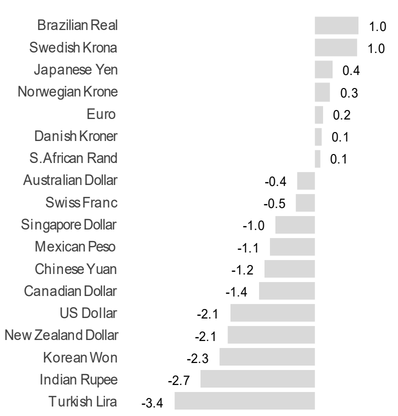
3M vs EUR



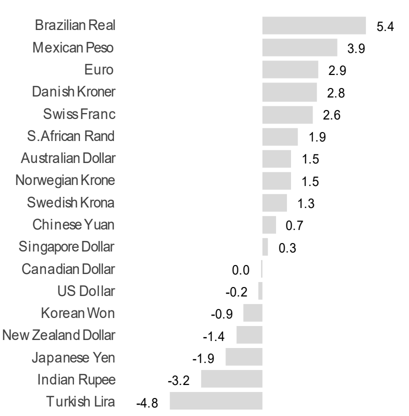
12M vs EUR



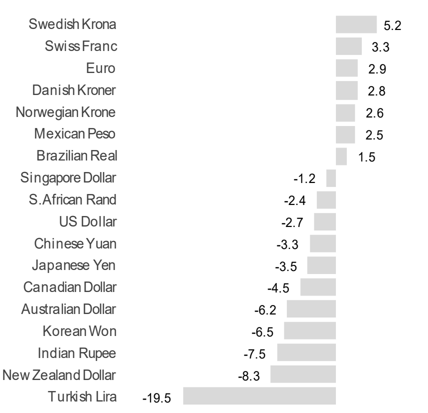
1M vs GBP



3M vs GBP



12M vs GBP



Source: FTSE Russell and LSEG. All data as of August 31, 2025. 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 − 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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