

Fixed Income Insights

MONTHLY REPORT – SEPTEMBER 2023 | EUROZONE EDITION

FOR PROFESSIONAL INVESTORS ONLY

Duration proved the enemy in August as longs re-price to higher rates

G7 bond market focus shifted to stronger growth in August, as yields rose. Robust consumption and tight labour markets increased fears of second round inflation effects and further policy tightening. In a higher yield world, income and carry optimisation may supplant duration. Euro high yield returns stand out year to date.

Macro and policy backdrop – Inflation eases but focus shifts to G7 growth and stronger nominal GDP

Central banks leave options open to tighten again, as recession risks recede. Chinese debt-deflation risks remain. (pages 2-3)

Yields, curves and spreads – Are markets beginning to adjust to a new era of higher rates?

G7 7-10-year yields have trended higher in August, as markets price in the prospect of higher rates for longer, despite lower Q3 inflation. (pages 4-5)

Sovereign and climate bonds – Climate WGBI has a higher AAA exposure vs WGBI due to Bunds

Increased country weights for longer duration sovereign bond markets, notably Japan and the UK, were key to spread moves. (page 6)

Performance – Longer duration sovereigns fell sharply in August

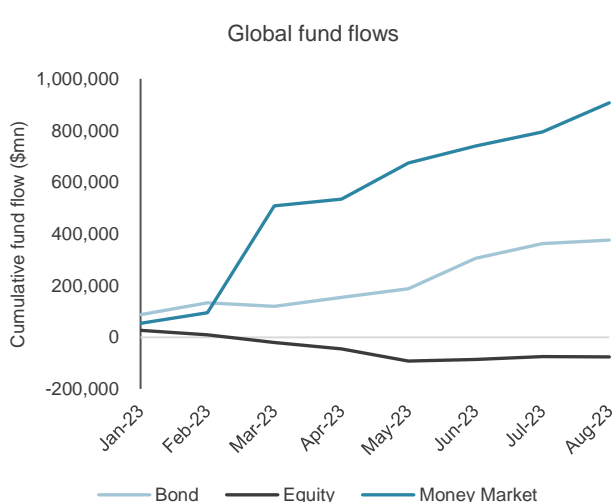
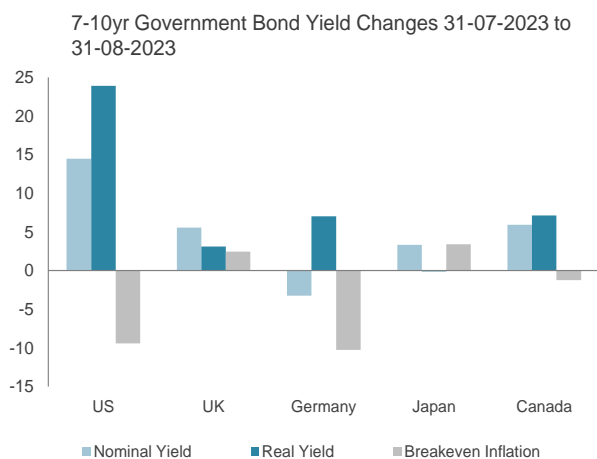
Duration proved the enemy in August, as curves dis-inverted and long ends re-priced to higher policy rates. (pages 7-8)

Appendix (from page 10)

Global bond market returns, historical bond yields, bond market durations and market values and foreign exchange returns.

Chart 1: Real yields increased in August, led by US Tips, in response to stronger Q3 real growth, and hawkish central banks.

Chart 2: Fixed income performance is at odds with 2023 inflows. Money market flows suggest investors prepare for “higher for longer” rates.



Source: FTSE Russell and LSEG. All data as of August 31, 2023. 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

Real growth has withstood higher rates in 2022-23, without G7 recessions, apart from a mild Eurozone version, helped by buoyant consumer spending. Eurozone inflation stayed flat, or was modestly higher in July, after declining in Q2. With disinflation from base effects largely complete, the ECB faces a tough balancing act between growth and inflation in 2023.

G7 recessions have disappeared from 2023 Consensus Forecasts, after improved Q2 GDP readings as Chart 1 shows. Consumer spending has been underpinned by high levels of employment and real income growth.

The enduring inflationary pressures within Europe's major economies indicate the ECB might proceed with additional rate rises. The disinflation in Q2 was helped by y/y base effects, but further disinflation may be elusive in Q3, with the risk of second round effects from higher wage inflation. The latest inflation of 5.3% y/y in July remains above the ECB target even as food and core inflation eased. China is an inflation outlier as a distressed property sector and weak consumer spending increase deflation risks (Chart 2).

Personal savings have fallen since 2020, notably in the US, where levels are lower than pre-Covid. There is evidence of caution in France, where savings ratios have remained relatively high. Elsewhere, savings ratios have returned to pre-Covid levels (Chart 3).

Eurozone unemployment remained at an historical low of 6.4% in July, resulting in tight labour markets and higher wage growth, as highlighted in Chart 4. The news will not be welcomed by the ECB when it reconvenes after its summer recess and deliberates over how much more policy tightening may still be needed.

Chart 1: August Consensus real GDP expectations for 2023 was revised upward in the US, UK and Eurozone, and notably in Japan, where growth estimate is now close to that of the US.

Latest Consensus Real GDP Forecasts (% , August 2023)			
	2022	2023	2024
US	2.1	1.9	0.9
UK	4.1	0.3	0.5
Eurozone	3.3	0.6	0.9
Japan	1.6	1.8	0.9
China	3.0	5.5	4.8
Canada	3.5	1.3	1.0

Chart 3: Personal savings ratios have returned to, or are higher than before Covid, except in the US. However, there is evidence of more consumer caution in France, with savings remaining high.

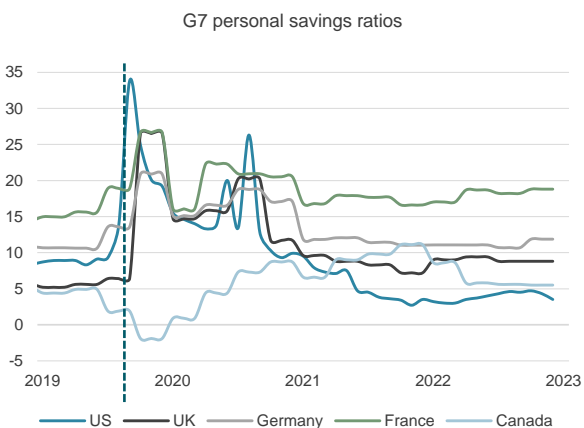


Chart 2: Despite significant declines in inflation rates in 2023, levels remain well above target. China entered deflation as the economy struggles to recover from Covid lockdowns.

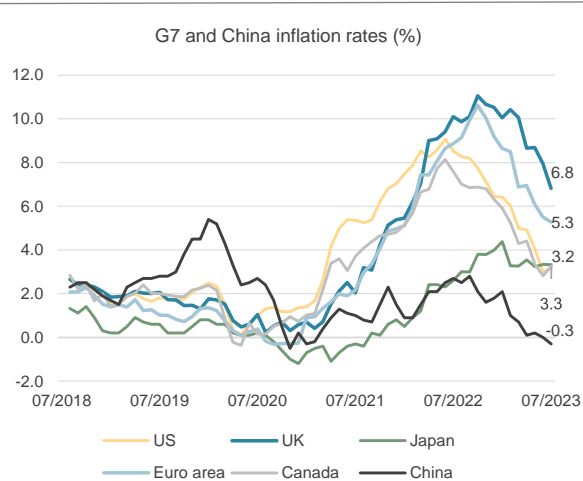
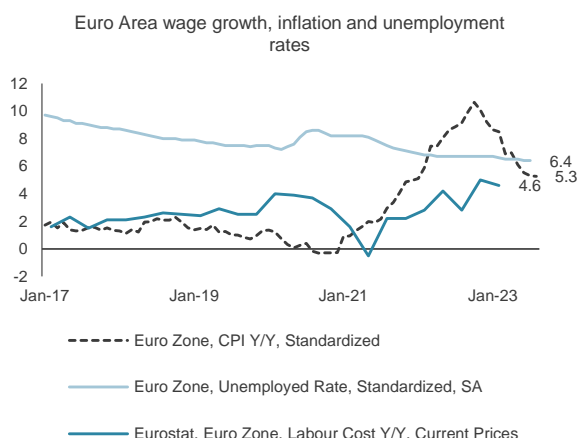


Chart 4: Eurozone wage growth has remained robust, as have labour markets, helping consumer demand recover. Second round effects on inflation from higher wage growth is an ECB concern.



Source: FTSE Russell and LSEG. Latest data available as of August 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 Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Financial Conditions and Monetary Policy Settings

G7 central banks (except Japan) have tightened financial conditions by raising rates since 2022, but the tightening is not severe, particularly given accommodative starting conditions. Currency moves reflect rate differentials, with the yen and renminbi the weakest. The ECB's balance sheet has fallen faster than the US, while that of the BoJ continues to grow.

Chart 1 shows M2 growth recovering within the Eurozone even if loan growth has slowed. Month-on-month levels also increased in July. The rising M2 money supply corroborates with the healthy personal savings ratios and wage growth (page 2).

Interest rate differentials and policy settings have dominated currency movements in 2023 (Chart 2). Both the renminbi and yen fell back in August, after further policy easing by the PBoC, and after the initial yen rally on the easing of curve control evaporated, and more yen carry trades were implemented. The US dollar rallied across the board as the Fed refused to rule out further tightening.

G7 central banks left options open to tighten policy again, if needed, after the July/ August moves, as the stronger pass-through of wage increases to service sector inflation is a challenge, given tight labour markets (Chart 3). The BoE's policy challenge is the most acute with inflation close to 7% y/y, though the uptick in CPI in several European nations, including France and Spain, will be heavily scrutinised by the ECB.

Both the ECB and BoC have seen large declines in their balance sheets in 2023 as maturing bonds are not replaced. The Bank of Japan is an outlier with a balance sheet continuing to grow as it purchases a large quantity of JGBs for yield curve control operations (Chart 4).

Chart 1: Despite tighter financial conditions, liquidity within the Eurozone continued to rise in July, suggesting more ECB tightening may be on the cards in Q3 to stem inflation.

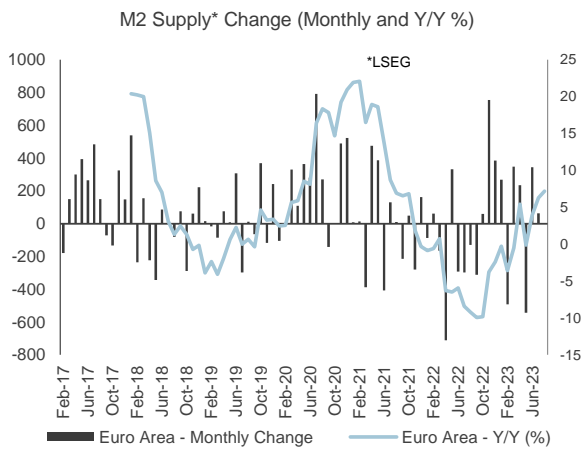


Chart 3: Central banks (ex the BoJ and PBoC) remain reluctant to rule out further rate rises, as they seek to recover low inflation regimes, even if this raises the risk of doing too much, too late.

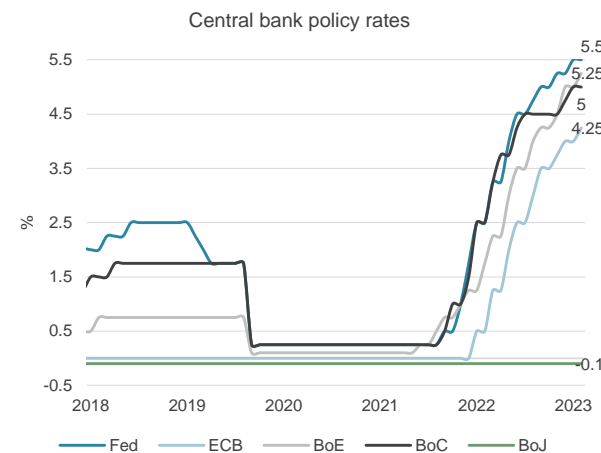


Chart 2: Currencies have been strongly correlated with interest rate differentials in 2023, with yen and renminbi the weakest. The yen's rally after the flexing of curve control has proved short-lived to date.

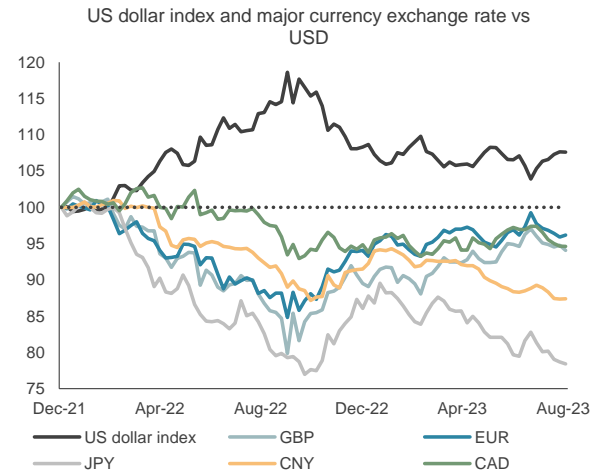
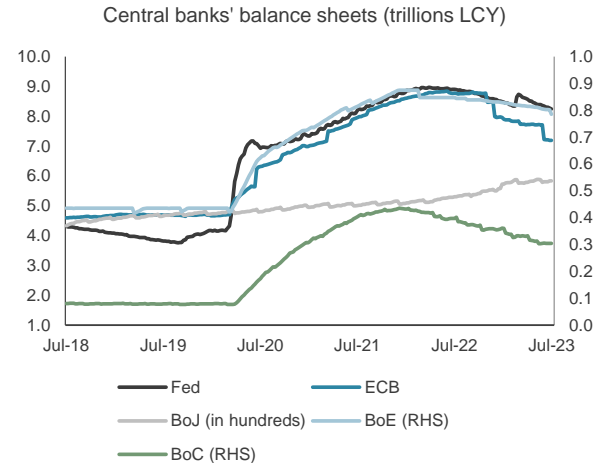


Chart 4: Both the ECB and BoC have seen large falls in their balance sheets in 2023. By contrast, that of the BoJ grew as it soaks up JGBs for yield curve control purposes.



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Global Yields, Curves and Spread Analysis

Chart 1: US, Canadian and UK 7-10-year yields rose sharply in August, before easing a little, after central banks confirmed second round inflation risks could warrant further tightening.

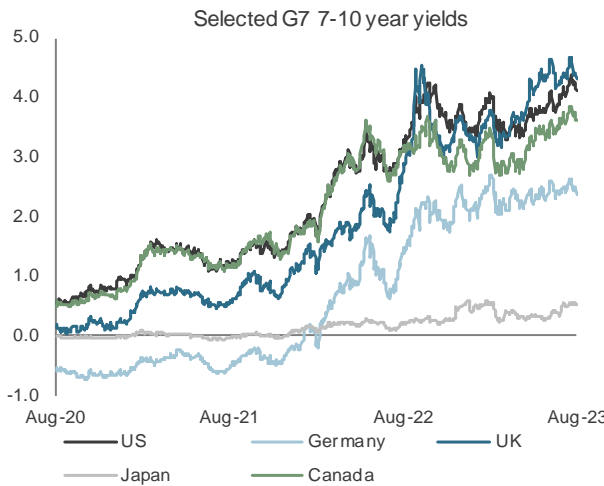


Chart 2: Real yields mostly edged higher in August, as real growth proved resilient, and central banks signalled no early respite on rates. This makes an ECB pause less likely in September.

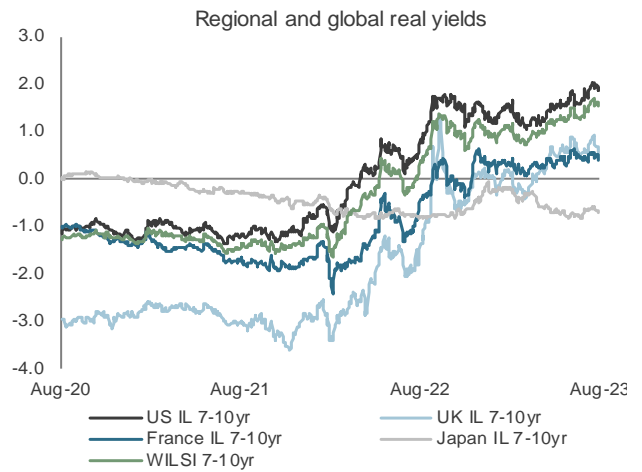


Chart 3: Yield curves dis-inverted somewhat, as longer yields rose. This may suggest markets are adjusting further to the end of zero rates. The JGB curve steepened on BoJ flexing of curve control.

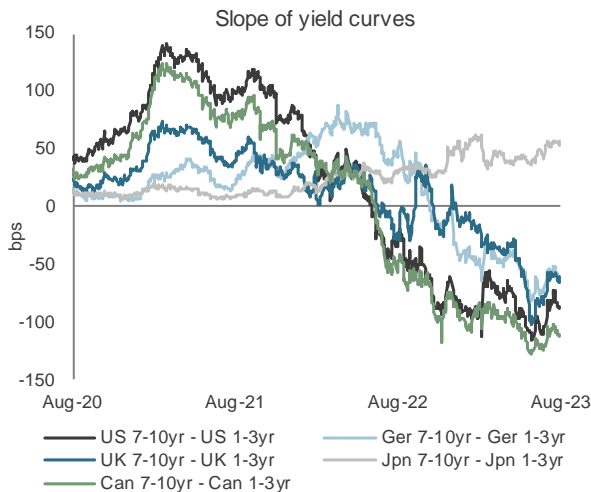


Chart 4: Long end yields also rose, as investor concerns about re-investment risk eased, on the view yields may now have entered higher trading ranges. However, curves remain inverted, ex JGBs.

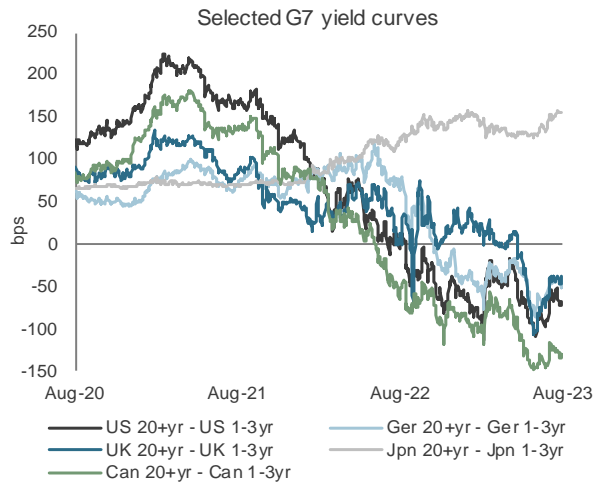


Chart 5: WGBI breakevens edged lower in August, but JGB breakevens increased, as inflation linked bond yields rose less than nominals. Breakevens normally move pro-cyclically with yields.

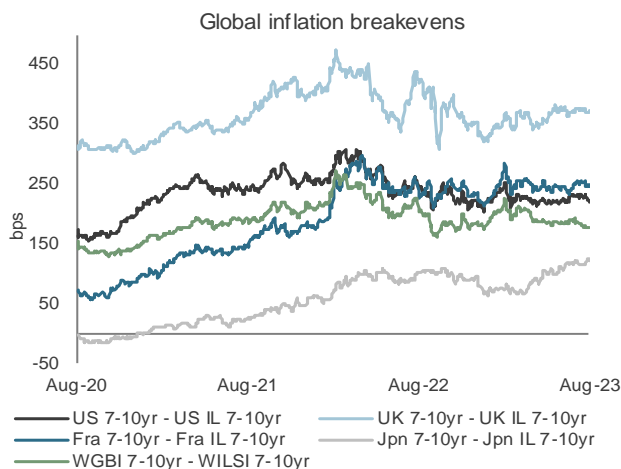
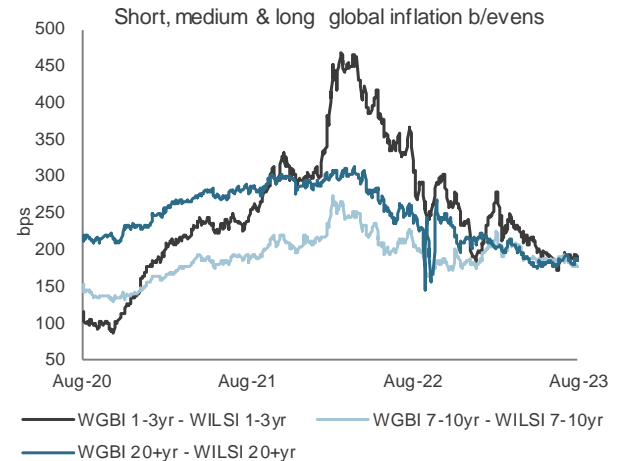


Chart 6: Overall, global inflation breakevens of all tenors remain stable around 2%, after a period of higher short-dated breakevens, with little evidence of inflation expectations de-stabilising.



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Yield Spread and Credit Spread Analysis

Chart 1: US Treasuries led global yields higher in August, spooked by stronger Q3 US growth, with spreads widening accordingly. Apart from JGBs and gilts, Treasuries are returning to pre-Covid spreads.

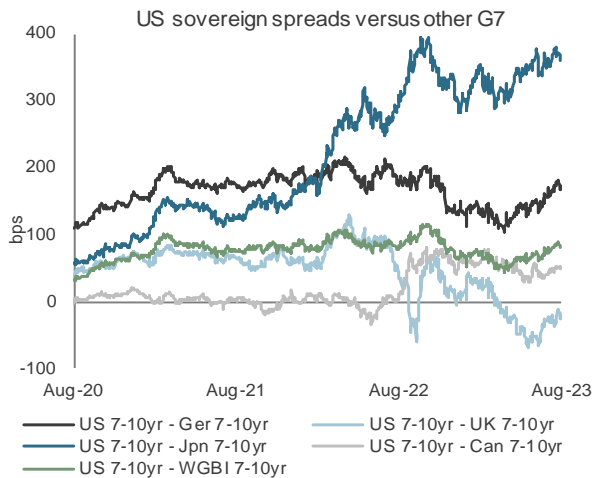


Chart 3: Emerging Market sovereign spreads remain near multi-year lows, reflecting EM success in early counter-inflation measures in 2021-22, and QE support during the initial Covid crisis in 2020.

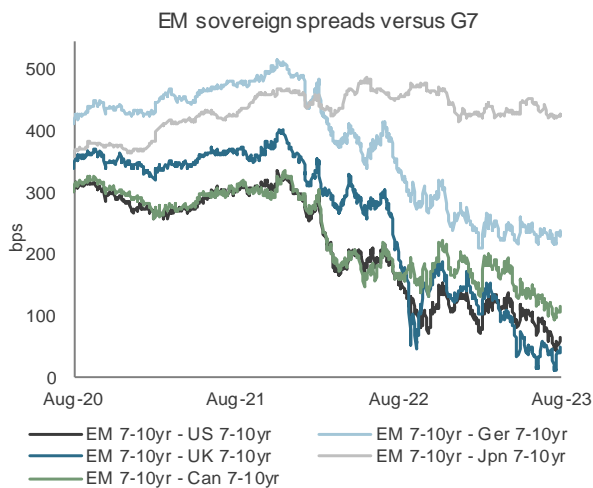


Chart 5: US high yield (HY) outperformed in August, as spreads tightened, as Eurozone HY spreads flatlined. Closer correlation of IG credit with government bonds has meant more stable IG spreads.

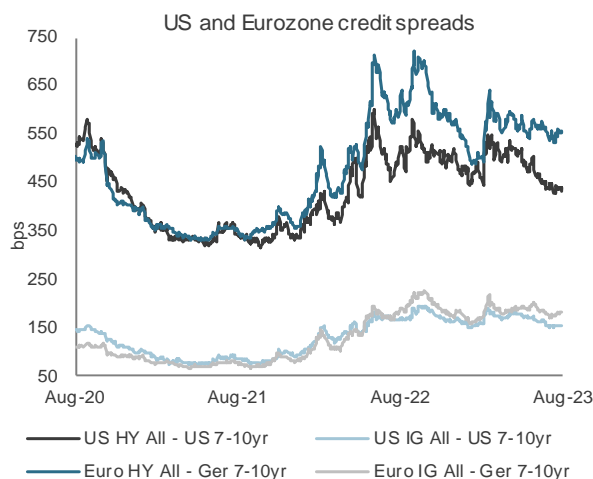


Chart 2: Italian sovereign spreads fell further in August, continuing the decline of recent months, helped by increased foreign investment, and the continuing decline in the debt/GDP ratio.

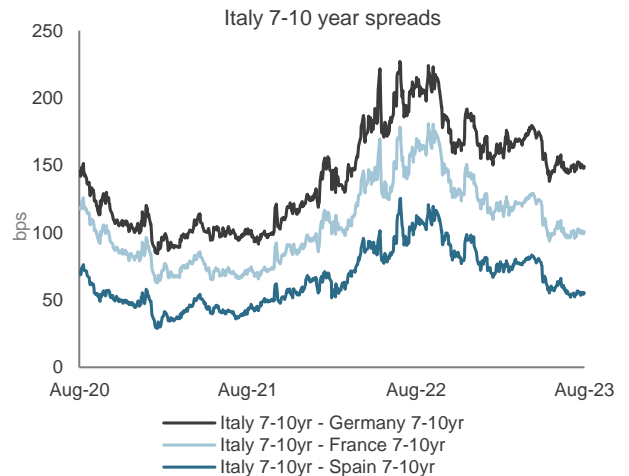


Chart 4: China's strong negative correlation with G7 yields continues, as concern about debt-deflation drove Chinese yields lower in August, while stronger growth drove G7 yields higher.

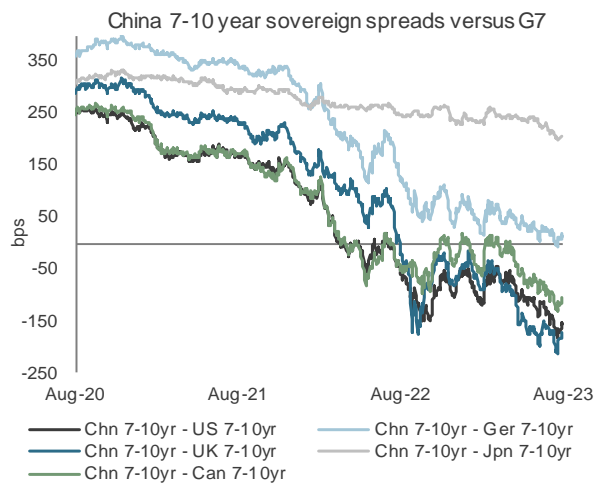


Chart 6: Chinese \$ HY spreads surged back to November highs, completely reversing the Q1 tightening. Widening spreads did not reflect the easier PBoC mortgage policies unveiled in late August.



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Sovereign and Climate Bonds Analysis

Chart 1: Climate WGBI outperformed WGBI during the years of very low yields, helped by extra duration, but this reversed in 2023, when duration squeezed returns hard. This has stabilised in 2023.

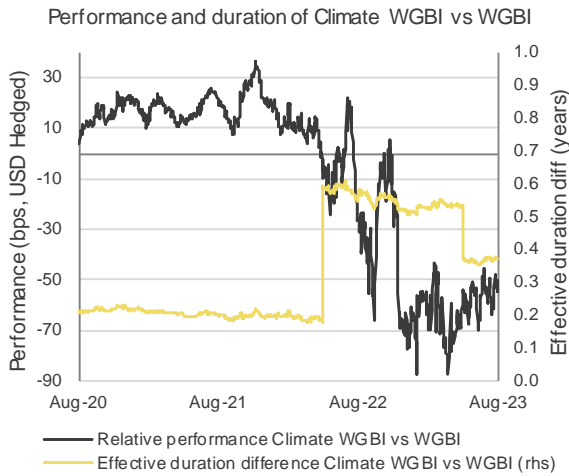


Chart 2: US underweight in the Climate WGBI fell in July's re-weighting, reducing the duration difference vs WGBI. China's 15% underweight prevented lower Chinese yields impacting Climate WGBI significantly.

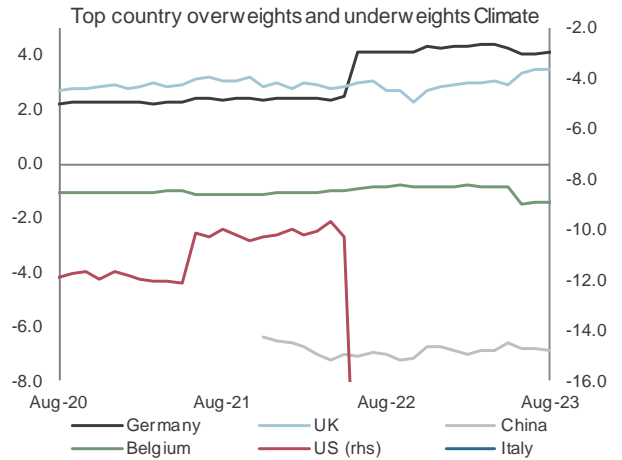


Chart 3: Climate WGBI yields remain below WGBI, though the differential narrowed after the increase in JGB yields since curve control was eased, due to Japan's high weight in the climate WGBI.

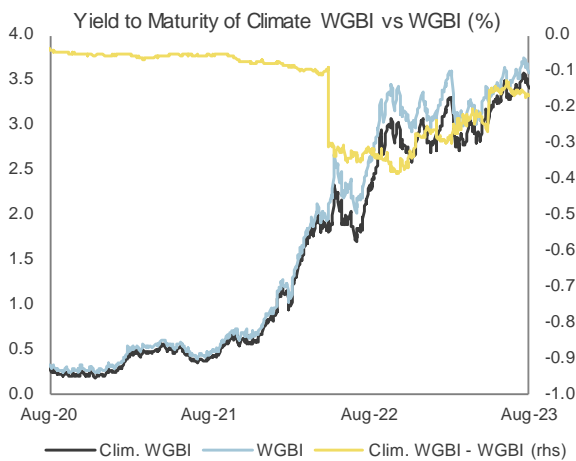


Chart 4: Climate WGBI's higher weighting in the Eurozone gives the index higher AAA weight, with Bunds rated AAA, the lower US weighting in climate WGBI means the AA weight is notably lower.

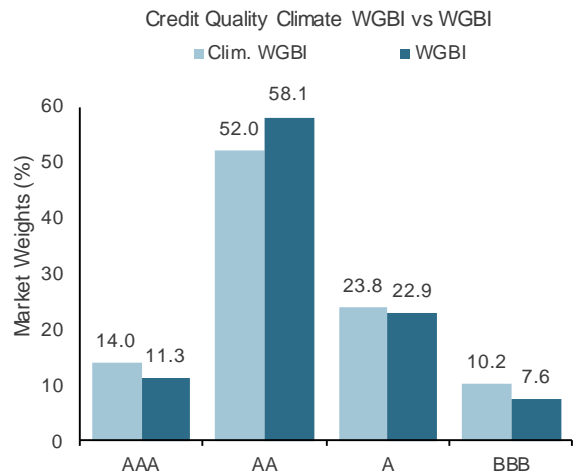


Chart 5: Although curves dis-inverted a little in August, with longer yields rising, yields remain close to 3% in both WGBI and Climate WGBI in 2023, eliminating most of the "greenium" in Climate WGBI.

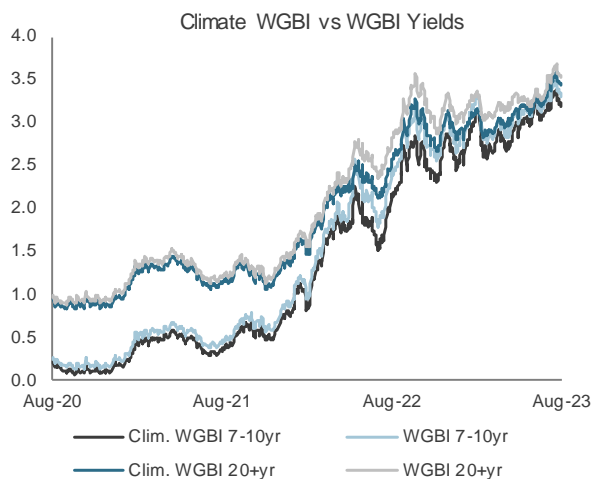
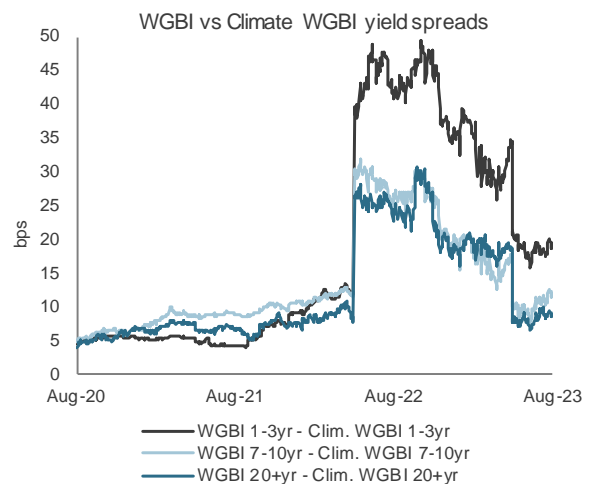


Chart 6: The "greenium" or yield discount on Climate-WGBI increased when Japan's weight rose, and the US fell, in 2022. But this may unwind further as BoJ curve control is eased.



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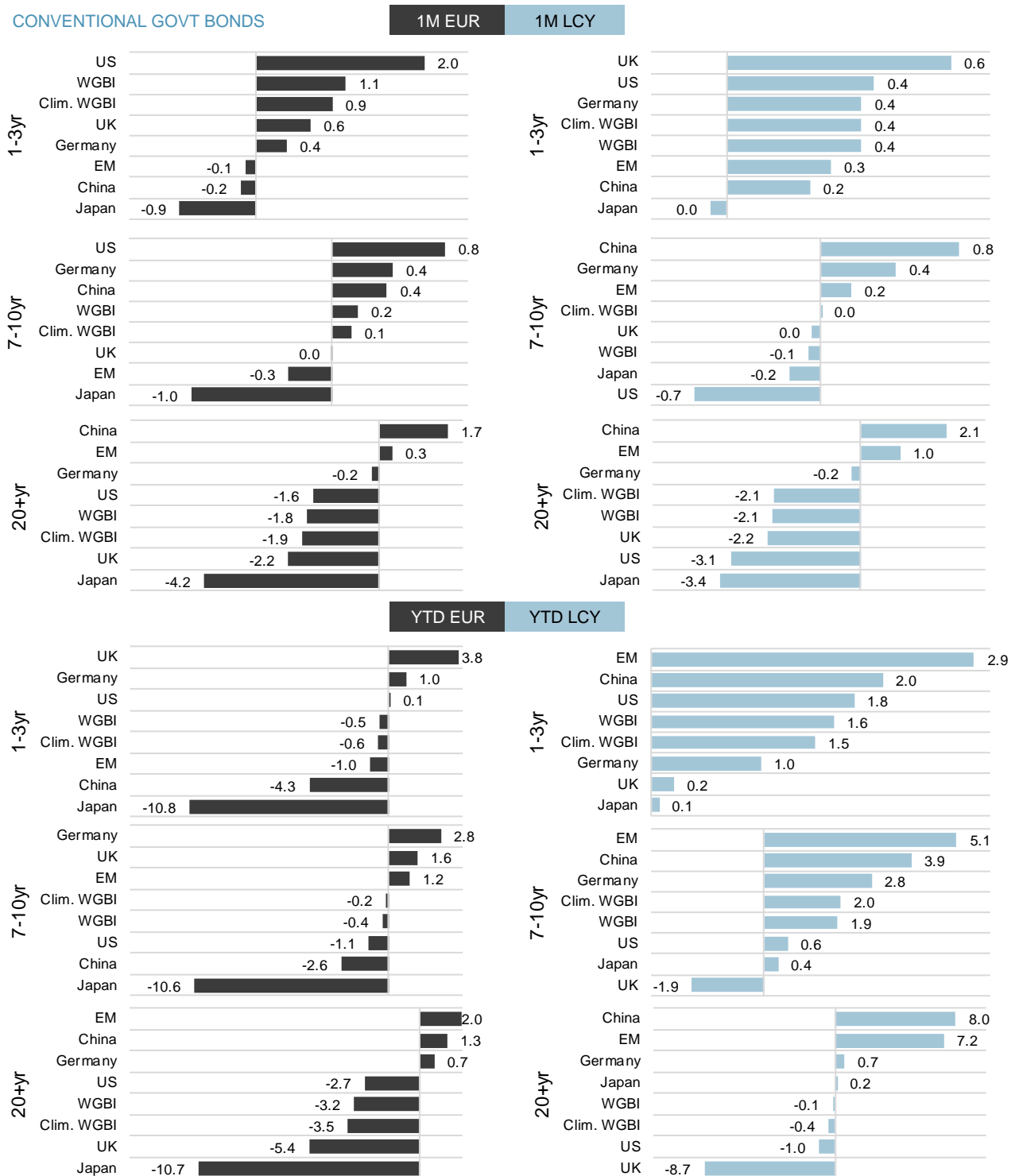
Global Bond Market Returns – 1M &YTD % (EUR, LC, TR)

Longer duration sovereign bonds fell back in August, with China and EM bonds resisting the trend. JGBs were weakest, losing up to 4% in euro terms, as the yen rally, on curve control flexing, reversed quickly. It is a similar story YTD, with JGBs losing 11% in euro terms. Shorter US Treasuries gained up to 2% and euro government bonds were flat in August.

There were signs of a replay of 2022's duration-driven losses in August, in longer dated G7 bonds, with losses of 2-4% in euro terms, in JGBs, Treasuries and gilts. Short yields actually fell marginally (ex Japan) – see local currency returns.

YTD, short gilts, 7-10-year Bunds and gilts, long EM and China governments returned 1-4% but long JGBs lost 11%. Currency moves often drove the bulk of returns, notably yen weakness but also sterling and euro strength (see page 14).

CONVENTIONAL GOVT BONDS



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

Longer inflation linked (IL) bonds gave up the July gains in August, with losses of up to 3% in euros in UK and WGBI IL, and Tips. The stronger US dollar helped US high yield gain 2% in euro terms in August. Credit continues to outperform YTD, led by Eurozone and US high yield, with gains of up to 7%. IG credit is still up YTD, but more modestly by 1-4%.

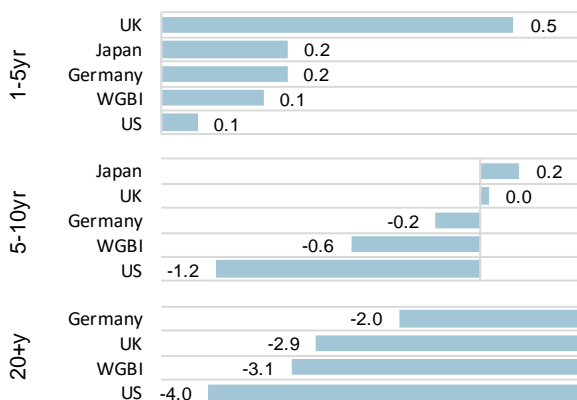
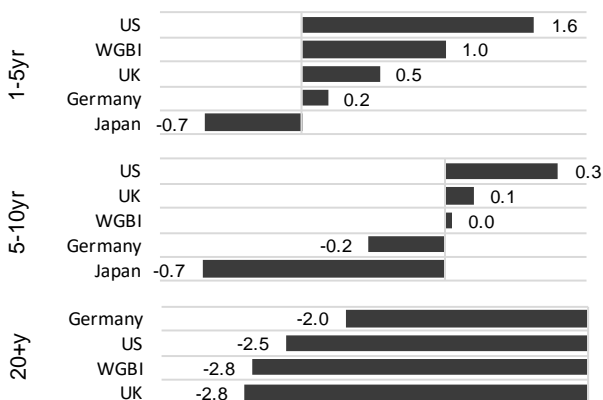
High duration and fears of rate increases drove longer inflation linked bonds weakness in August, but credit gained modestly.

YTD, credit has outperformed, with HY strongest, thanks to the correlation of HY credit to equity market performance, shorter duration, and less sensitivity to higher government bond yields.

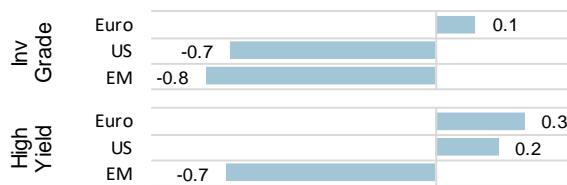
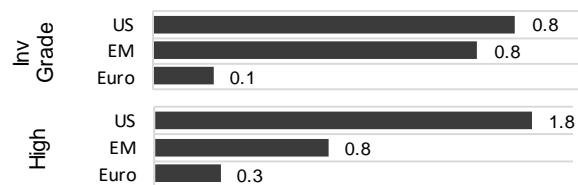
INFLATION LINKED BONDS

1M EUR

1M LCY



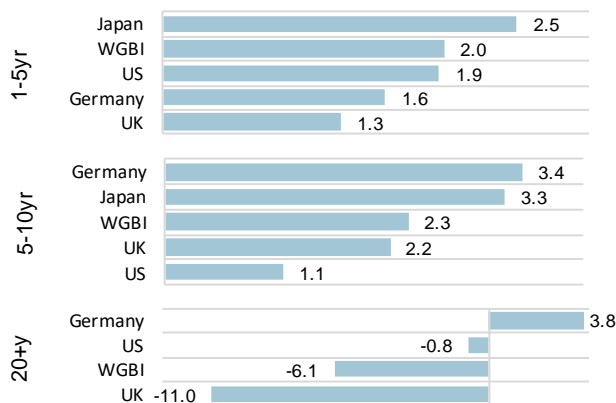
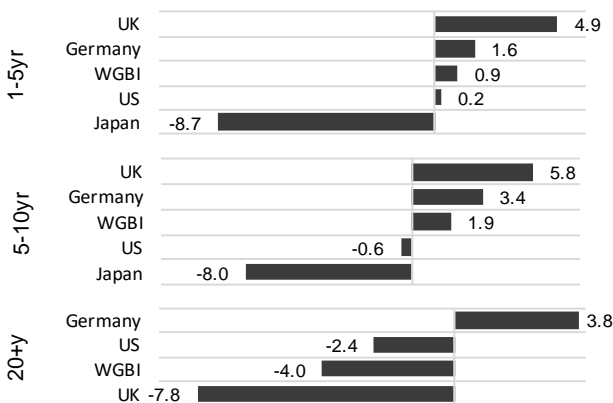
CORPORATE BONDS



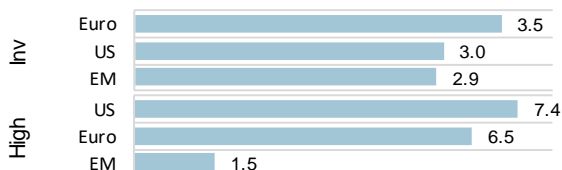
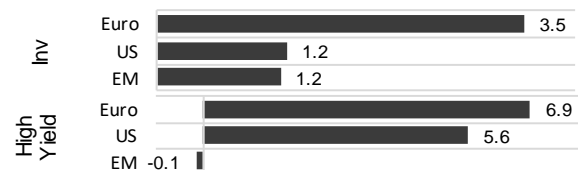
INFLATION LINKED BONDS

YTD EUR

YTD LCY



CORPORATE BONDS



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

Short US Treasuries, followed by long Chinese governments, were the best performers in August, while EM sovereigns and Italian government bonds have retained their top positions on 12M. Long sovereigns, underperformed in August, while UK IL bonds are still down close to 30%, on 12M, in euros, reflecting their long duration and brutal sell-offs in 2022.

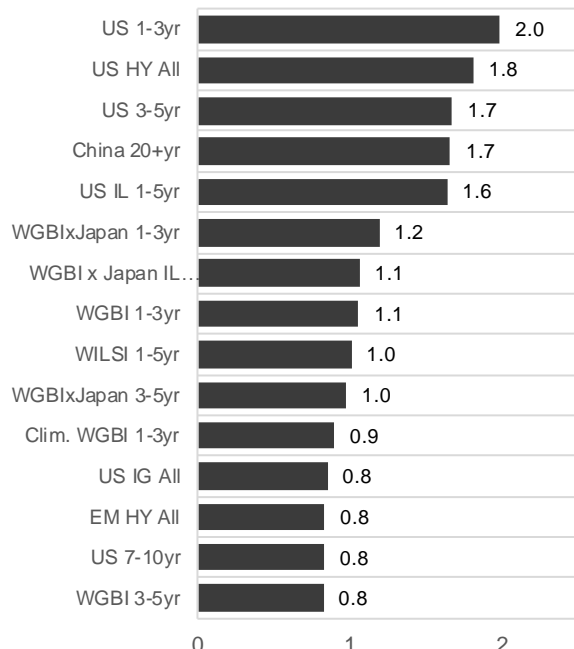
Long Japan, Italy, Sweden and Canadian real return bonds found themselves at the bottom of the performance table in August with other long duration sovereigns. However, long Chinese and short US governments bonds registered positive returns of 2% in euros. EM inflation-linked bonds and Italian governments gains 2-10% in euro terms.

Long sovereigns have lost 15-30% on 12M, led by long gilts, UK linkers, WILSI, Tips and JGBs.

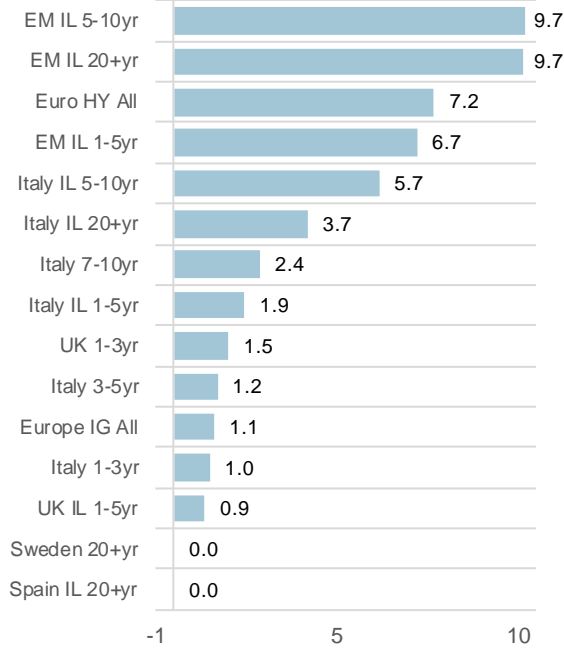
1M EUR

12M EUR

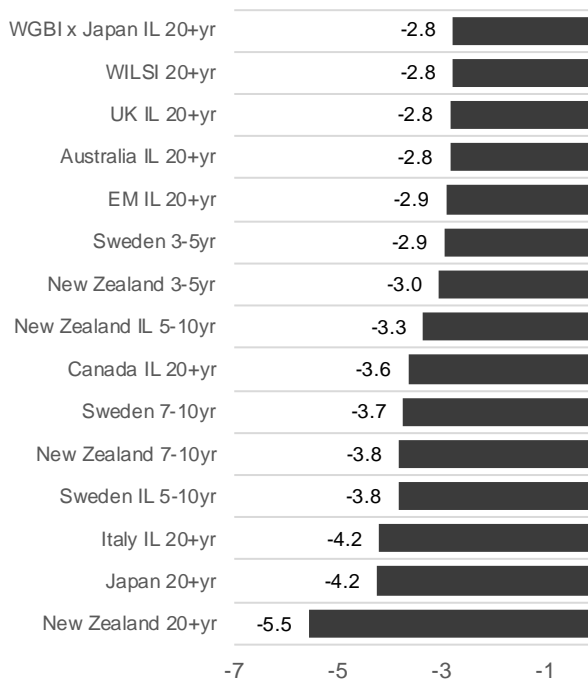
Top 15



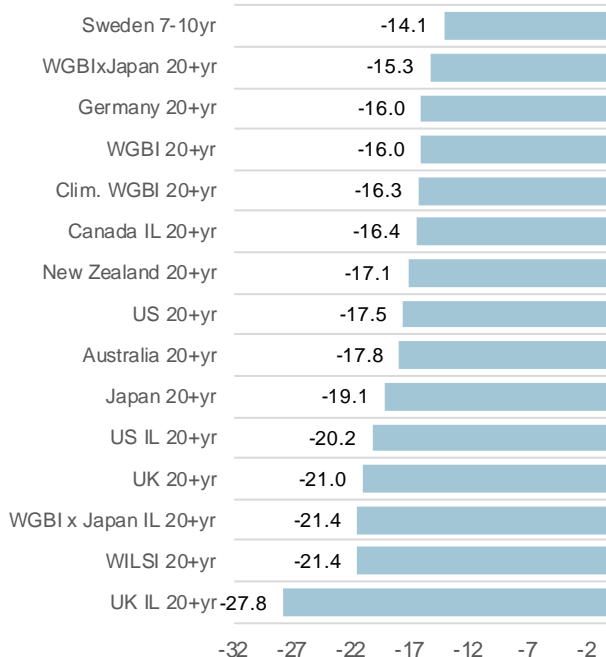
Top 15



Bottom 15



Bottom 15



Source: FTSE Russell. All data as of August 31, 2023. This analysis is taken from 100+ FTSE Russell sub-indices. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of Indices used for each market. For professional investors only.

Appendix – Global Bond Market Returns % (EUR & LC, TR) – August 31, 2023

Government Bond Returns

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-3yr	0.26	-1.52	1.78	-0.55	1.80	0.10	1.33	-6.12
	7-10yr	-2.59	-4.32	0.40	-1.90	0.62	-1.05	-3.51	-10.60
	20+yr	-5.37	-7.05	-3.33	-5.55	-1.04	-2.69	-11.00	-17.55
	IG All	-0.02	-1.80	2.02	-0.32	2.96	1.24	0.82	-6.59
	HY All	3.51	1.67	4.71	2.31	7.36	5.57	6.75	-1.10
UK	1-3yr	0.54	0.97	0.29	2.57	0.20	3.80	0.61	1.50
	7-10yr	-0.45	-0.03	-2.22	0.00	-1.92	1.60	-7.59	-6.77
	20+yr	-0.34	0.09	-6.33	-4.20	-8.66	-5.38	-21.73	-21.03
Euro	IG All	0.77	0.77	2.38	2.38	3.51	3.51	1.11	1.11
	HY All	2.10	2.15	2.88	3.14	6.47	6.88	7.06	7.18
Japan	1-3yr	-0.13	-5.85	-0.07	-8.64	0.07	-10.82	-0.16	-11.92
	7-10yr	-1.26	-6.93	0.51	-8.11	0.36	-10.56	-1.73	-13.30
	20+yr	-7.19	-12.51	-3.88	-12.13	0.16	-10.74	-8.29	-19.10
China	1-3yr	0.71	-3.60	1.85	-5.27	2.05	-4.31	2.38	-10.30
	7-10yr	1.60	-2.75	3.54	-3.70	3.90	-2.58	3.57	-9.26
	20+yr	4.36	-0.10	8.53	0.94	8.04	1.30	7.22	-6.07
EM	1-3yr	0.67	-1.12	1.00	-1.31	2.42	0.71	3.51	-4.10
	7-10yr	0.02	-1.76	1.96	-0.38	1.78	0.08	1.23	-6.21
	IG All	-0.12	-1.89	1.92	-0.42	2.89	1.18	2.07	-5.44
	HY All	1.83	0.02	0.16	-2.14	1.55	-0.15	4.50	-3.18
Germany	1-3yr	0.11	0.11	1.41	1.41	0.97	0.97	-1.10	-1.10
	7-10yr	-0.78	-0.78	2.91	2.91	2.85	2.85	-5.08	-5.08
	20+yr	-2.58	-2.58	1.48	1.48	0.67	0.67	-16.01	-16.01
Italy	1-3yr	0.50	0.50	1.97	1.97	2.05	2.05	0.98	0.98
	7-10yr	1.14	1.14	4.81	4.81	7.26	7.26	2.37	2.37
	20+yr	1.62	1.62	4.71	4.71	8.52	8.52	-3.38	-3.38
Spain	1-3yr	0.17	0.17	1.49	1.49	1.33	1.33	-0.69	-0.69
	7-10yr	-0.17	-0.17	3.16	3.16	3.58	3.58	-2.99	-2.99
	20+yr	-0.28	-0.28	2.13	2.13	2.28	2.28	-9.55	-9.55
France	1-3yr	0.08	0.08	1.43	1.43	1.31	1.31	-1.06	-1.06
	7-10yr	-0.53	-0.53	2.74	2.74	2.97	2.97	-4.48	-4.48
	20+yr	-1.53	-1.53	1.93	1.93	0.91	0.91	-13.30	-13.30
Sweden	1-3yr	-0.03	-2.39	1.18	-5.84	0.82	-5.66	0.48	-9.60
	7-10yr	-2.79	-5.09	0.47	-6.50	-1.42	-7.76	-4.49	-14.07
Australia	1-3yr	0.25	-1.45	1.19	-5.04	1.36	-4.81	1.79	-10.91
	7-10yr	-2.09	-3.75	0.81	-5.39	2.93	-3.34	0.61	-11.94
	20+yr	-4.23	-5.85	-1.95	-7.99	1.88	-4.33	-6.14	-17.85
New Zealand	1-3yr	-0.20	-2.61	1.11	-5.05	1.82	-5.74	1.14	-8.99
	7-10yr	-3.41	-5.74	-0.08	-6.17	-0.22	-7.62	-2.75	-12.49
	20+yr	-8.76	-10.96	-4.30	-10.13	-5.87	-12.86	-7.90	-17.13
Canada	1-3yr	0.19	-1.12	0.93	-0.76	1.21	-0.33	1.76	-8.74
	7-10yr	-2.30	-3.58	-0.55	-2.21	-0.51	-2.02	-0.56	-10.83
	20+yr	-3.73	-4.99	-1.70	-3.35	-0.75	-2.26	-4.08	-13.98

Source: FTSE Russell. All data as of August 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 Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Global Bond Market Returns % (EUR & LC, TR) – August 31, 2023

Inflation-Linked Bond Returns

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

		3M		6M		YTD		12M	
		Local	EUR	Local	EUR	Local	EUR	Local	EUR
US	1-5yr	0.24	-1.54	1.74	-0.59	1.95	0.25	-0.40	-7.73
	5-10yr	-1.61	-3.35	0.71	-1.60	1.13	-0.55	-4.30	-11.34
	20+yr	-5.49	-7.17	-4.26	-6.45	-0.80	-2.45	-13.85	-20.19
UK	1-5yr	1.13	1.56	1.70	4.01	1.26	4.89	-0.04	0.85
	5-10yr	1.50	1.93	1.22	3.52	2.15	5.81	-4.69	-3.84
	20+yr	1.38	1.82	-7.37	-5.26	-11.04	-7.85	-28.40	-27.77
Japan	1-5yr	1.08	-4.72	1.88	-6.86	2.49	-8.66	3.49	-8.70
	5-10yr	0.78	-5.00	4.03	-4.89	3.25	-7.98	2.70	-9.40
EM	1-5yr	6.32	3.98	5.44	2.69	10.43	9.52	15.45	6.70
	5-10yr	4.13	3.10	4.68	3.68	8.09	9.53	15.45	9.71
	20+yr	1.70	3.45	9.67	12.90	8.70	14.64	10.43	9.68
Germany	1-5yr	0.31	0.31	1.34	1.34	1.57	1.57	-2.19	-2.19
	5-10yr	-0.35	-0.35	1.93	1.93	3.42	3.42	-2.90	-2.90
	20+yr	-4.40	-4.40	0.66	0.66	3.80	3.80	-12.15	-12.15
Italy	1-5yr	0.95	0.95	2.17	2.17	2.88	2.88	1.95	1.95
	5-10yr	1.74	1.74	4.18	4.18	7.77	7.77	5.66	5.66
	20+yr	-0.32	-0.32	4.32	4.32	12.73	12.73	3.68	3.68
Spain	1-5yr	0.27	0.27	1.31	1.31	1.94	1.94	-0.43	-0.43
	5-10yr	0.39	0.39	2.29	2.29	3.80	3.80	-0.17	-0.17
France	1-5yr	0.18	0.18	1.30	1.30	1.67	1.67	-1.42	-1.42
	5-10yr	-0.18	-0.18	2.11	2.11	3.65	3.65	-1.54	-1.54
	20+yr	-3.31	-3.31	2.12	2.12	3.77	3.77	-8.07	-8.07
Sweden	1-5yr	0.35	-2.03	0.95	-6.05	1.60	-4.93	2.25	-8.01
	5-10yr	-1.67	-4.00	0.22	-6.74	0.35	-6.10	-3.84	-13.49
Australia	1-5yr	0.29	-1.42	2.67	-3.65	4.34	-2.02	5.41	-7.74
	5-10yr	-0.89	-2.58	2.97	-3.37	6.01	-0.45	5.32	-7.82
	20+yr	-3.64	-5.28	2.92	-3.41	7.11	0.59	2.32	-10.45
New Zealand	5-10yr	-2.67	-5.02	1.09	-5.07	2.67	-4.95	4.09	-6.34
Canada	20+yr	-6.77	-7.99	-6.44	-8.01	-10.05	-11.42	-6.81	-16.43

Source: FTSE Russell. All data as of August 31, 2023. Past performance is no guarantee of future results. Please see the URL for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Historical Bond Yields % as of August 31, 2023

Global Bond Yields

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

		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
US	Current	4.99	4.39	4.12	4.32	2.50	1.94	2.01	5.65	8.44
	3M Ago	4.61	3.92	3.65	3.94	2.08	1.52	1.68	5.43	8.86
	6M Ago	4.90	4.34	3.93	4.01	1.82	1.57	1.65	5.55	8.62
	12M Ago	3.49	3.44	3.19	3.46	0.87	0.75	1.14	4.86	8.37
UK	Current	4.91	4.63	4.31	4.53	1.11	0.67	1.12		
	3M Ago	4.55	4.33	4.10	4.45	1.18	0.54	1.06		
	6M Ago	3.95	3.79	3.72	4.07	0.45	0.18	0.67		
	12M Ago	3.04	2.82	2.77	3.06	-3.47	-1.62	-0.45		
Japan	Current	-0.02	0.14	0.53	1.55	-1.82	-0.76			
	3M Ago	-0.08	0.01	0.33	1.22	-1.51	-0.77			
	6M Ago	-0.04	0.11	0.53	1.35	-1.25	-0.36			
	12M Ago	-0.10	-0.04	0.20	1.10	-1.23	-0.83			
China	Current	2.06	2.28	2.59	2.93					
	3M Ago	2.13	2.36	2.70	3.14					
	6M Ago	2.38	2.62	2.86	3.32					
	12M Ago	1.96	2.30	2.68	3.16					
EM	Current	8.60	6.87	6.67		2.84	4.28	5.01	6.14	11.41
	3M Ago	8.46	6.96	6.55		4.34	4.24	5.00	5.78	12.12
	6M Ago	7.92	7.12	6.70		1.46	3.33	5.35	5.95	10.85
	12M Ago	7.65	6.83	6.22		2.45	3.50	5.09	5.25	11.65
Germany	Current	3.03	2.53	2.38	2.55	0.64	0.13	0.11		
	3M Ago	2.71	2.30	2.20	2.40	0.37	-0.04	-0.13		
	6M Ago	3.09	2.78	2.59	2.57	0.22	0.08	0.03		
	12M Ago	0.97	1.25	1.41	1.62	-1.62	-0.97	-0.68		
Italy	Current	3.56	3.53	3.87	4.41	1.37	1.72	1.86		
	3M Ago	3.35	3.42	3.89	4.43	1.11	1.62	1.80		
	6M Ago	3.65	3.81	4.18	4.55	0.84	1.69	1.90		
	12M Ago	2.11	2.78	3.53	3.93	-1.97	1.08	1.73		
France	Current	3.09	2.85	2.87	3.36	0.48	0.37	0.71		
	3M Ago	2.83	2.63	2.68	3.24	0.22	0.20	0.53		
	6M Ago	3.18	3.03	3.01	3.37	-0.05	0.24	0.69		
	12M Ago	1.21	1.53	1.88	2.52	-1.84	-0.60	0.15		
Sweden	Current	3.43	3.00	2.75		1.33	1.14			
	3M Ago	2.97	2.62	2.31		0.74	0.55			
	6M Ago	3.18	2.96	2.65		0.64	0.72			
	12M Ago	2.24	2.22	1.96		-1.11	-0.90			
Australia	Current	3.85	3.75	3.99	4.42	0.97	1.43	1.84		
	3M Ago	3.51	3.38	3.58	4.12	0.42	1.03	1.59		
	6M Ago	3.66	3.65	3.83	4.19	0.50	1.26	1.78		
	12M Ago	3.11	3.30	3.56	3.84	-0.19	0.81	1.56		
New Zealand	Current	5.30	4.96	4.89	5.07	2.15	2.58			
	3M Ago	5.08	4.35	4.28	4.46	1.23	1.85			
	6M Ago	5.06	4.68	4.57	4.67	1.40	2.07			
	12M Ago	3.85	3.87	3.97	4.33	0.72	1.84			
Canada	Current	4.72	4.04	3.62	3.41	2.09	1.87	1.82		
	3M Ago	4.29	3.56	3.22	3.18	1.60	1.38	1.41		
	6M Ago	4.27	3.62	3.34	3.24	1.35	1.28	1.35		
	12M Ago	3.67	3.40	3.14	3.05	1.31	1.11	1.29		

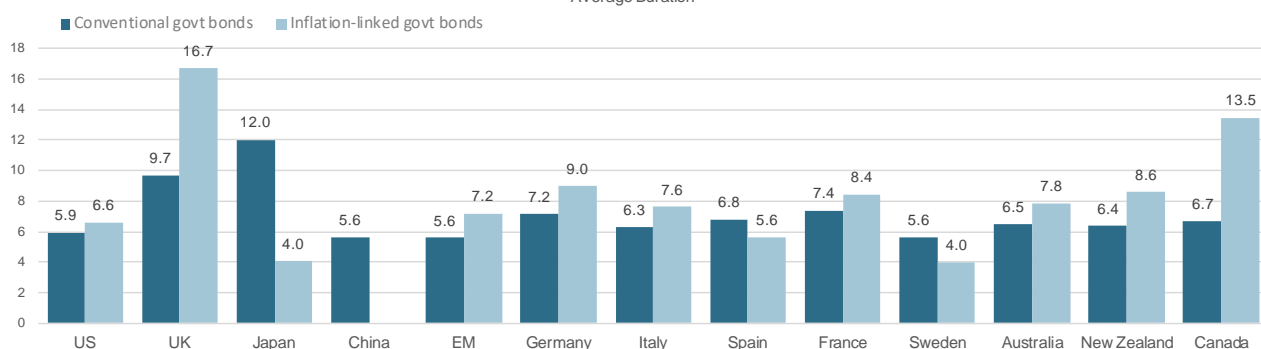
Source: FTSE Russell. All data as of August 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Duration and Market Value (USD, Bn) as of August 31, 2023

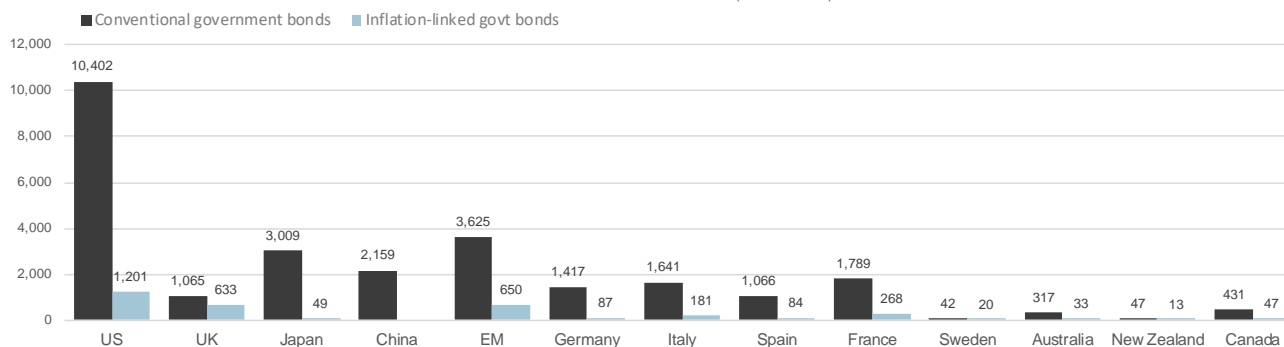
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.4	17.1	5.9	2,326.2	1,094.2	1,242.6	10,402.0	7.1	21.4	6.6	382.6	116.3	1,201.4
UK	3.5	7.3	18.4	9.7	132.1	161.5	295.6	1,065.1	6.5	27.6	16.7	130.3	249.1	632.8
Japan	3.9	8.1	23.8	12.0	353.3	356.3	646.4	3,009.1	7.0		4.0	16.8		48.5
China	3.7	7.5	17.7	5.6	479.2	337.8	256.1	2,158.8						
EM	3.5	6.9	15.9	5.6	768.0	653.7	352.9	3,624.9	5.5	13.8	7.2	139.0	166.9	650.0
Germany	3.7	7.6	20.7	7.2	310.8	235.8	158.2	1,416.7	7.2	21.8	9.0	43.2	18.7	87.4
Italy	3.7	7.2	16.1	6.3	283.5	258.5	153.7	1,641.2	7.9	26.3	7.6	58.7	5.5	181.3
Spain	3.8	7.6	17.4	6.8	201.0	184.9	98.3	1,065.8	6.7		5.6	22.6		83.6
France	3.7	7.6	20.1	7.4	319.8	308.6	209.8	1,789.5	6.7	24.4	8.4	103.8	21.1	268.2
Sweden	3.7	7.6		5.6	13.2	8.4		41.6	5.7		4.0	9.3		20.1
Australia	3.5	7.7	17.4	6.5	50.5	86.0	14.8	317.1	7.2	22.4	7.8	9.5	2.6	32.6
New Zealand	3.8	7.6	16.7	6.4	9.4	13.2	2.3	47.4	6.2		8.6	3.0		13.2
Canada	3.6	7.6	19.7	6.7	55.7	110.1	60.8	431.5	6.9	20.7	13.5	8.0	19.0	47.3

	Investment grade bonds										High Yield	
	Duration					Market Value					Duration	MktVal
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.7	8.5	7.2	6.5	7.0	72.1	448.8	2610.9	3256.9	6388.7	4.0	1031.8
Europe	6.2	4.9	4.6	4.3	4.5	9.6	184.5	1188.1	1427.5	2809.7		
EM		5.7	4.8	5.1	5.0		45.0	220.0	320.1	585.1	3.4	186.0

Average Duration



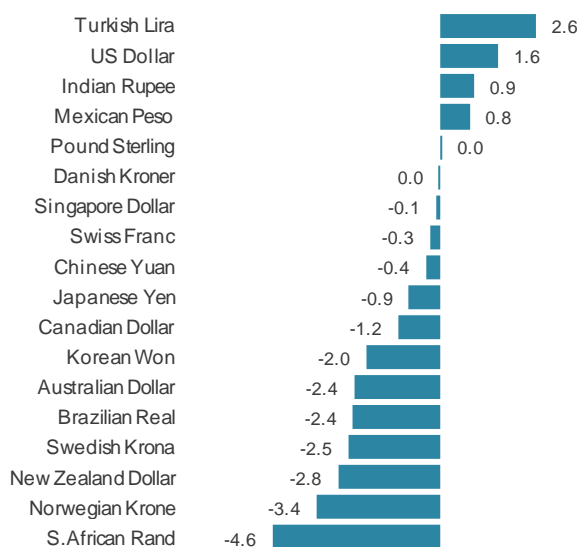
Total Market Value (USD Billions)



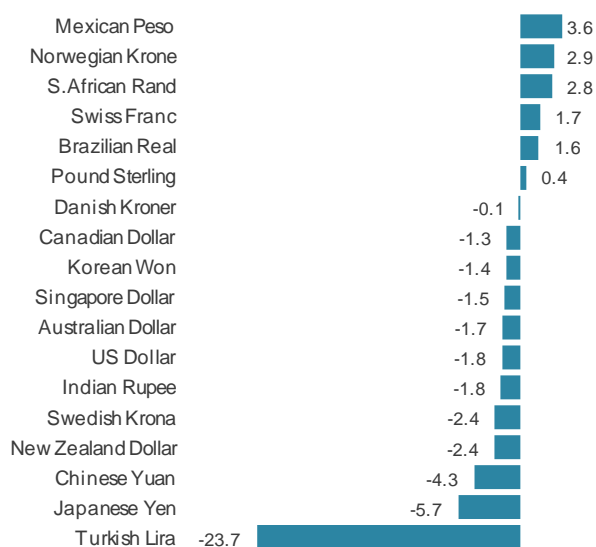
Source: FTSE Russell. All data as of August 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix – Foreign Exchange Returns % as of August 31, 2023

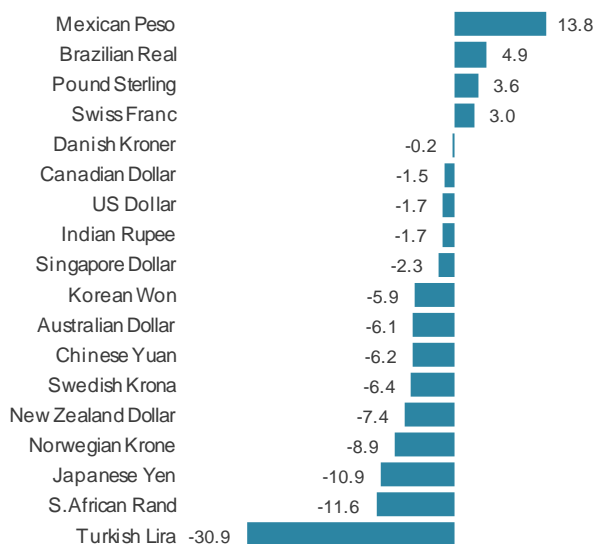
FX Moves vs EUR - 1M



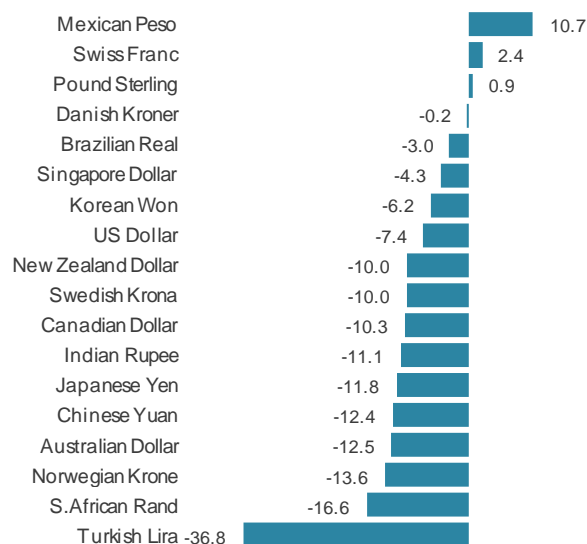
FX Moves vs EUR - 3M



FX Moves vs EUR - YTD



FX Moves vs EUR - 12M



Source: FTSE Russell and LSEG. All data as of August 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 Indices. See Appendix Glossary for list of indices used for each market. For professional investors only.

Appendix - Glossary

Bond markets are based on the following indices:

FTSE World Government Bond Index (WGBI) for all global government bond markets

FTSE World Inflation-Linked Securities Index (WorldILSI) for all global inflation-linked bond markets

FTSE US Broad Investment-Grade Bond Index (USBIG®) for the US corporate bond market

FTSE US High-Yield Market Index for the US high yield bond market

FTSE Euro Broad Investment-Grade Bond Index (EuroBIG®) for the Euro-denominated corporate bond market

FTSE European High-Yield Market Index for the European high yield market

FTSE Chinese Government and Policy Bank Bond Index (CNGPBI) for the Chinese government bond market

FTSE Emerging Markets Inflation-Linked Securities Index (EMILSI) for the emerging markets inflation-linked bond market

FTSE Emerging Markets Government Bond Index (EMGBI) for the emerging markets government bond market. Please note that over 50% of this index is invested in China

FTSE Emerging Markets Broad Bond Index (EMUSDBBI) for the emerging markets corporate bond market

FTSE ESG World Government Bond Index for the global government bond markets with an ESG tilt

FTSE Climate Risk-Adjusted World Government Bond Index (Climate WGBI) and FTSE Advanced Climate Risk-Adjusted World Government Bond Index (Advanced Climate WGBI) for each country's relative exposure to climate risk, with respect to resilience and preparedness to the risks of climate change

List of Abbreviations used in charts:

IL = Inflation-linked bonds

IG = Investment-grade bonds

HY = High-yield bonds

BPS = Basis points

EM = Emerging market

LC = Local currency



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