

# Fixed Income Insights

MONTHLY REPORT – JULY 2023 | CHINA EDITION

FOR PROFESSIONAL INVESTORS ONLY

## Chinese government bonds underpinned by PBoC need to drive growth

Chinese sovereign spreads fell sharply, notably vs the UK, reflecting inflation rates. China IG credit is in a sweet spot, but HY depressed by property woes, YTD, despite recoveries in June. Foreign outflows from onshore government bonds has slowed, but yuan weakness may have reduced the appeal of RMB bonds.

### Macroeconomic backdrop – China’s service sector is main growth engine but faces property and global headwinds

PBoC cut key rates in June and further monetary easing may follow, given low Chinese inflation, an uncertain recovery in property, and weak exports. IMF forecasts project a contribution of 35% to global growth from China in 2023. (page 2)

### Chinese bonds – Onshore bond yields fell in Q2 and curve retains positive gradient vs deeper US curve inversion

The Chinese 10s/2s curve stayed in a narrow range, in contrast to the deepening US curve inversion. Rate differentials increased between the US and China, as policies diverged further. (page 3)

### Chinese and Asian bonds – Asian government spreads at or near one-year lows, as US Treasury yields rose

Asian government bond spreads narrowed versus US Treasuries, with lower Asian yields and higher US yields. Inflation expectations bounced back in Australia versus an easing trend in the US. (page 4)

### Performance – Indonesian and Indian governments outperformed in Q2 and YTD, while JGBs lagged

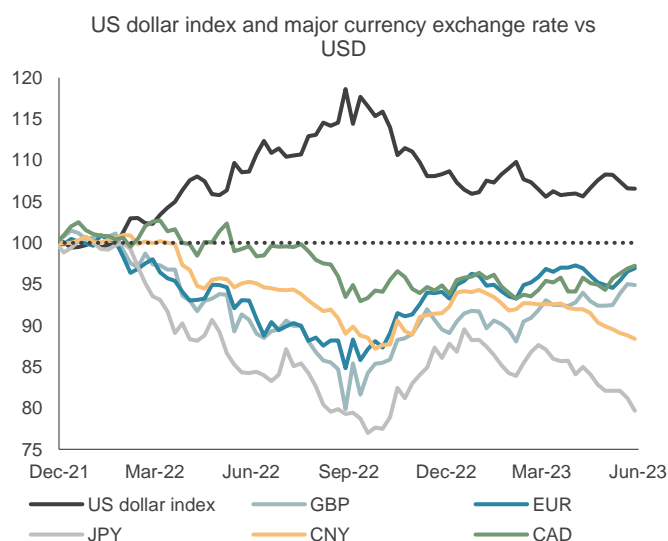
Indonesian bonds registered double-digit returns in both US dollars and renminbi YTD. Japanese, Malaysian and Chinese bond returns in USD lagged year-to-date, due to currency effects. (pages 5-6)

### Appendix – Global bond market returns, historical bond yields, duration and market value, foreign exchange returns.

Chart 1: Chinese manufacturing is in contraction, but services remain strong and have been driving the expansion this year.



Chart 2: RMB fell to an eight-month low against the US dollar, after the PBoC cut rates, while euro and sterling strengthened.



Source: FTSE Russell. All data as of June 30, 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

Evidence of a de-synchronised G7 cycle is manifest in divergent growth and inflation, due to different Covid Lockdown policy, but also energy shock differences. Service sectors are more robust than manufacturing and tradeable goods, particularly in China and Japan. Given weaker net exports, 5%+ growth in China may require further policy stimulus.

Consensus forecasts project China's GDP growth at 5.4% in 2023, as Chart 1 shows, with lingering concern about the property sector, but the PBoC is well placed to unveil further policy stimulus, if required. The IMF projects the APAC region may generate about 67% of global growth this year, led by China (35%) and India (15%), a much greater share than in recent years.

Chinese inflation remained subdued (Chart 2), near the lowest in two years, reflecting weak consumer demand and lower energy prices. Lower car prices continue to drag on inflation, and recent increases in travel and housing costs lost momentum.

The PBoC cut the 1-year Medium-term Lending Facility (MLF) rate by 10bps, to 2.65%, for the first time since August 2022 (Chart 3). Slowing net exports and a shaky recovery in the property sector pose challenges to China's economic growth this year, but this is offset by increased spending on services like travel and accommodation, after Covid restrictions were lifted.

China's property sales have recovered since March, with 8.4% YoY growth in May. Lower mortgage rates, after the PBOC's rate cut in June, may help revive the housing market, after the collapse in demand in 2021/22, shown in real estate sales in Chart 4. The Chart also shows real estate investment has been in a declining trend since April 2022. This creates the risk that if demand for property surges again, a shortfall in supply may emerge in the longer term.

Chart 1: Consensus growth forecasts show the G7 avoiding recessions, apart from the UK, but only just. Chinese forecasts assume successful transition to domestic demand-led growth.

Latest Consensus Real GDP Forecasts (% , June 2023)			
	2022	2023	2024
US	2.1	1.2	0.6
UK	4.1	0.2	0.8
Eurozone	3.3	0.6	1.0
Japan	1.6	1.1	1.2
China	3.0	5.4	5.0
Canada	3.5	0.7	1.4

Chart 3: China cut policy rates in June, including 1Y MLF rate (to 2.65%) and 7-day reverse repo rate (to 1.9%), to boost growth. The Fed paused policy, but rate differentials widened with China.

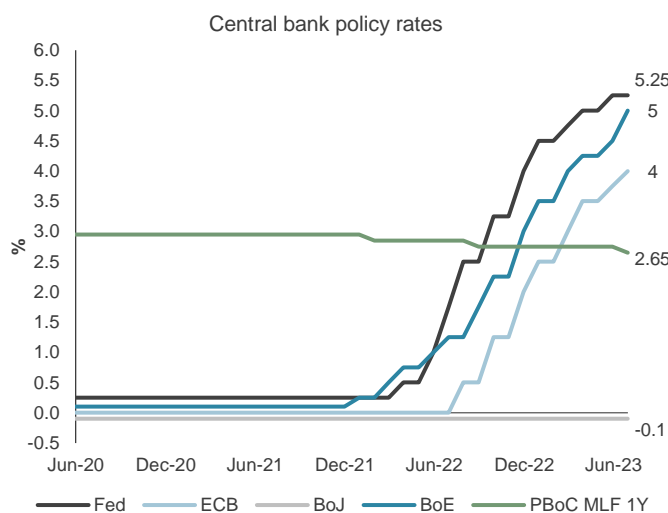


Chart 2: Headline US inflation continues to fall, though core inflation is stickier at around 5%, reflecting shelter costs, which have scope to fall further. China remains the low inflation outlier.

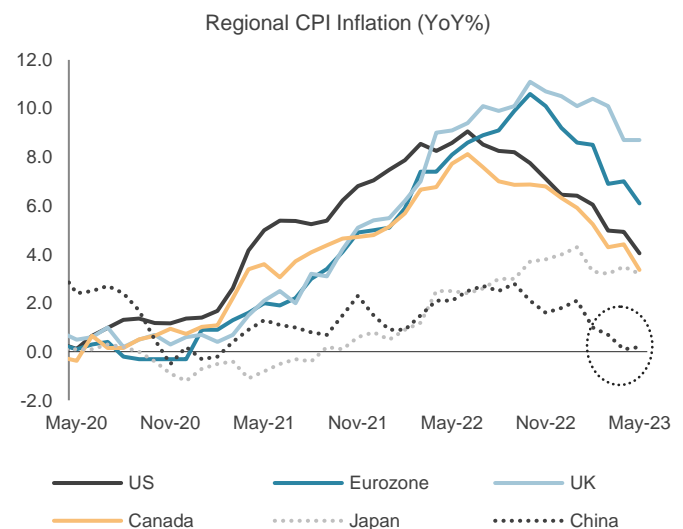
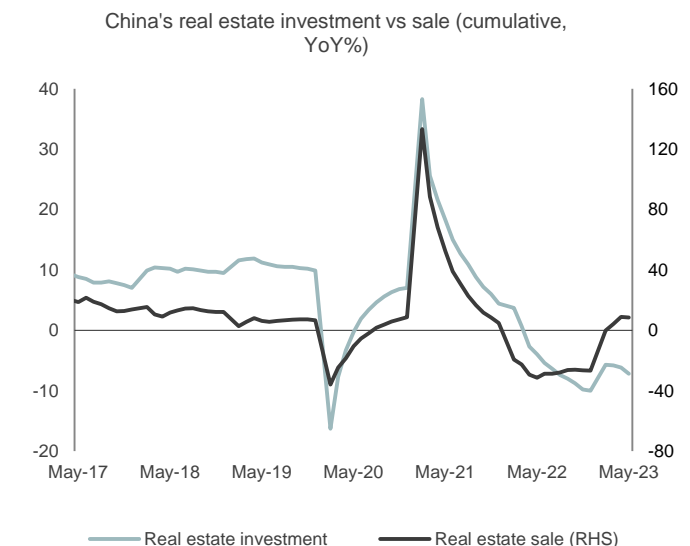


Chart 4: China's property market has seen some recovery in demand, helped by lower rates and support measures. Declining investment creates the risk of supply shortages in the longer term.



Source: FTSE Russell and Refinitiv, China unemployment rate data from National Bureau of Statistics of China. All data as June 30, 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.

# Chinese Government and Corporate Bonds

Chart 1: Chinese government yields fell modestly in Q2, as interest rates decreased and growth expectations weakened. More monetary policy easing may be required to support growth.

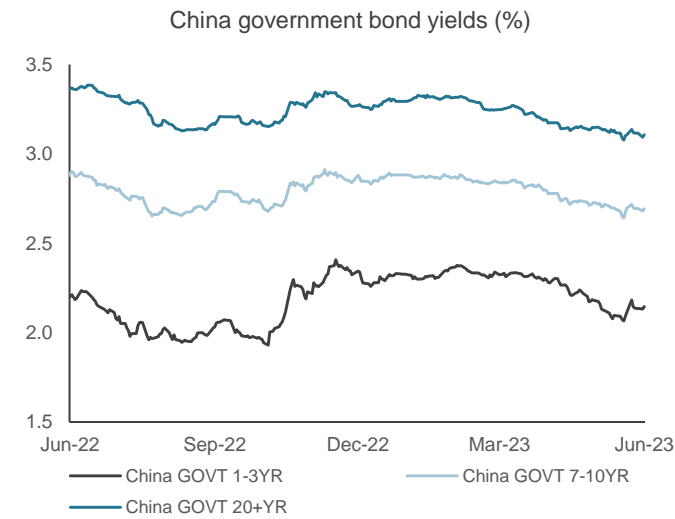


Chart 2: The Chinese 10s/2s curve remains far steeper than the US curve, where inversion reached 113bps in June, though the Chinese curve flattened a little in June, helped by low inflation.

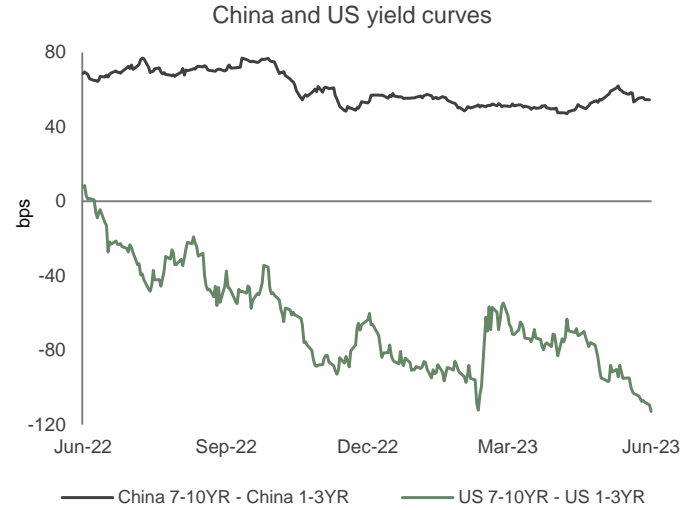


Chart 3: Policy bank spreads remain the tightest, and much less volatile vs corporates, thanks to more favourable credit ratings and the highest bond liquidity. China green bond spreads were stable.

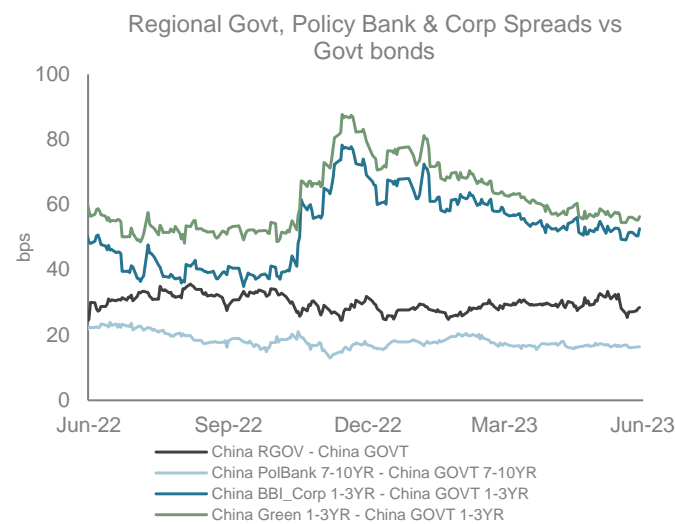


Chart 4: Chinese dollar IG corporate yields backed up in Q2, as US yields increased on rate hikes. Yield differentials between dollar and RMB bonds continued to widen, as monetary policy diverged.

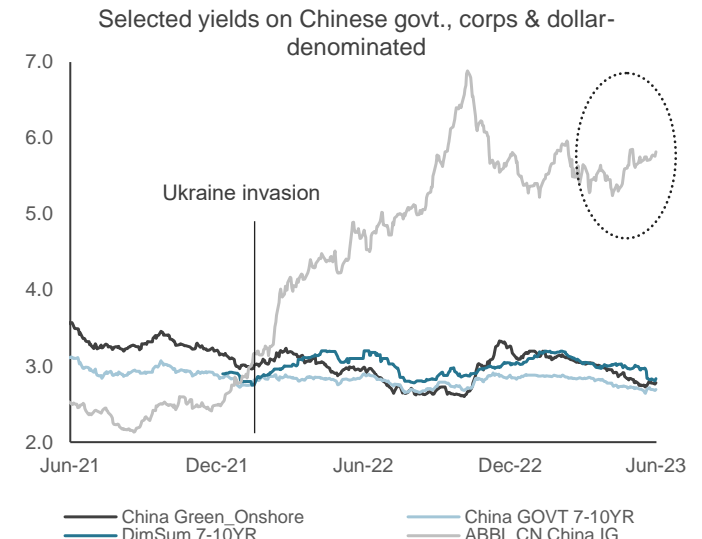


Chart 5: Foreign capital outflows from Chinese govt bonds ended in May, the first time since the last positive inflows of RMB 23 billion in December 2022, but widening interest rate differentials remain.

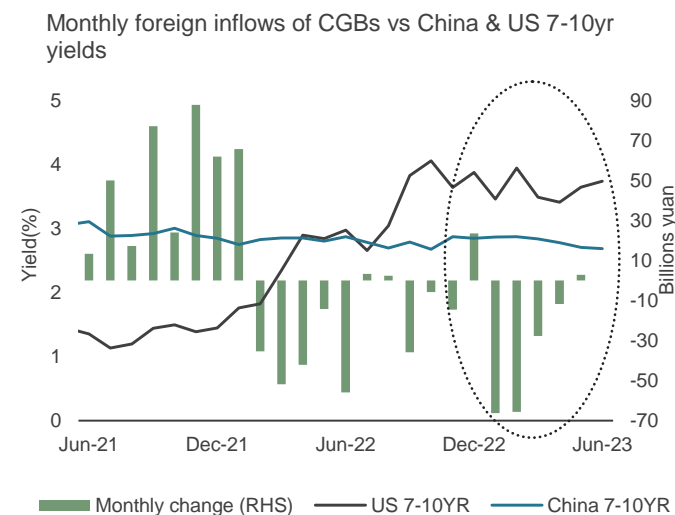
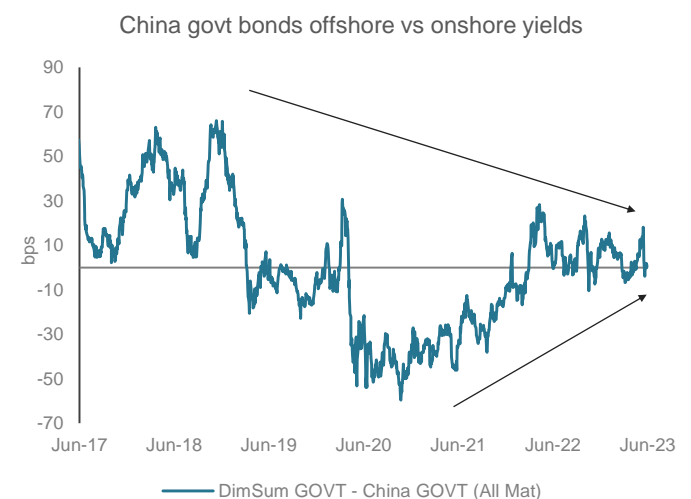


Chart 6: RMB govt bond yields finished Q2 lower, both onshore and offshore, with yield differentials trading in a much narrower range since Sep 2021 when the Southbound Bond Connect started.



Source: FTSE Russell and Refinitiv, \*China Bond. All data as of June 30, 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.

# China and Asian Bonds in Global Context

Chart 1: Korean and Singaporean yields followed US Treasury yields higher in Q2, while Chinese and Malaysian yields fell.

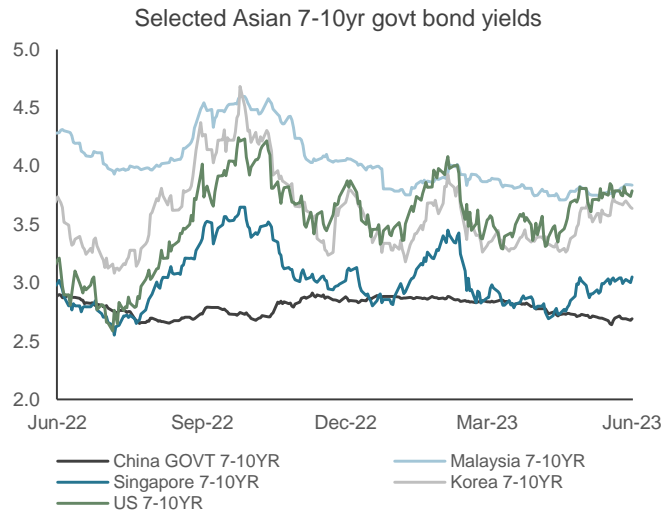


Chart 2: The Korean 10s/2s yield curve decoupled from the US curve inversion in Q2. The Indonesian 10s/2s curve flattened sizeably in the last 12 months, converging on the Chinese curve.

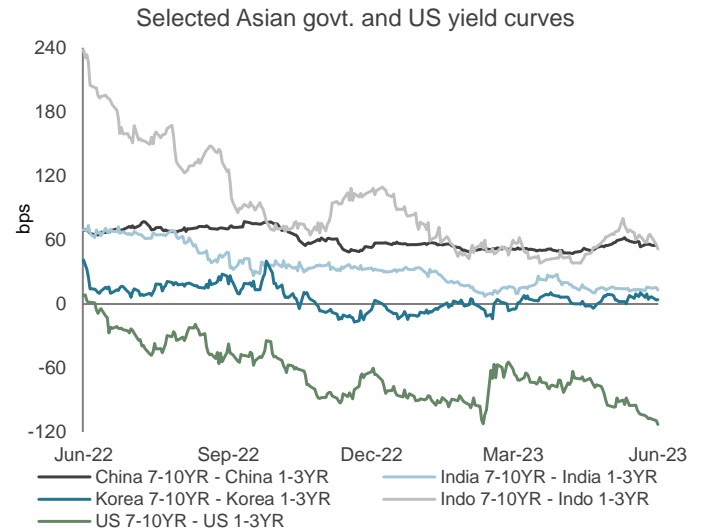


Chart 3: China 7-10 year sovereign spreads vs G7 fell substantially in Q2, notably versus the UK, which returned to the October lows. Diverging monetary policies may drive Chinese spreads lower still.

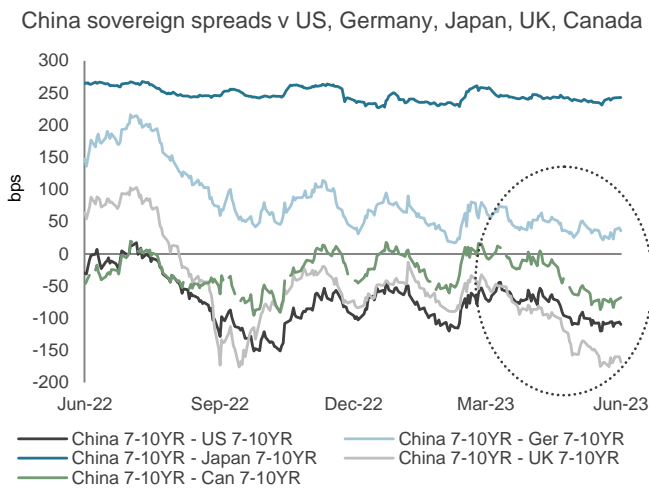


Chart 4: Asian spreads versus US narrowed in Q2, led by Indonesia and India, after US Treasury yields increased on Fed rate hikes. Chinese & Malaysian spreads are also near one-year lows.

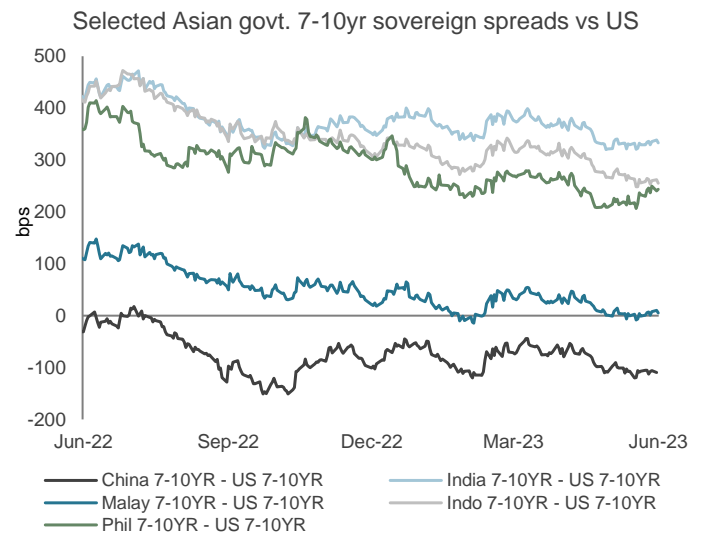
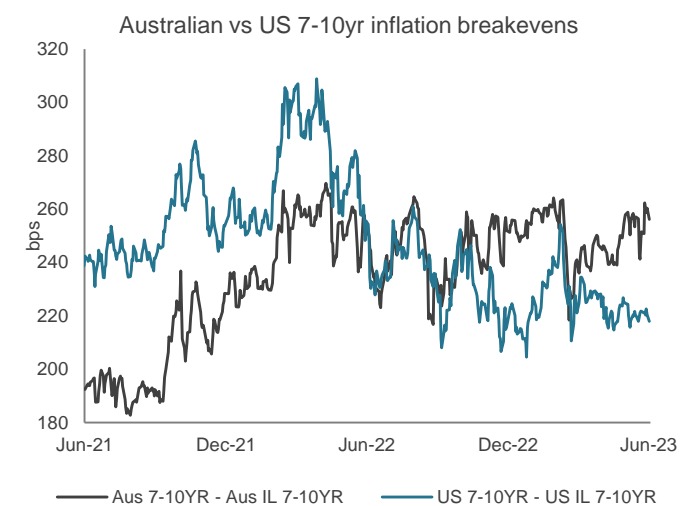


Chart 5: Chinese \$ HY spreads tightened in early June before backing up to 6000bps, after defaults by property developers and a lack of aggressive stimulus. Restructurings made little progress.



Chart 6: Australian breakevens ticked above 2.5% by end-June, as Australian inflation remains relatively high at 7%. US breakevens have fallen by about 100bp since the Ukraine shock in 2022.



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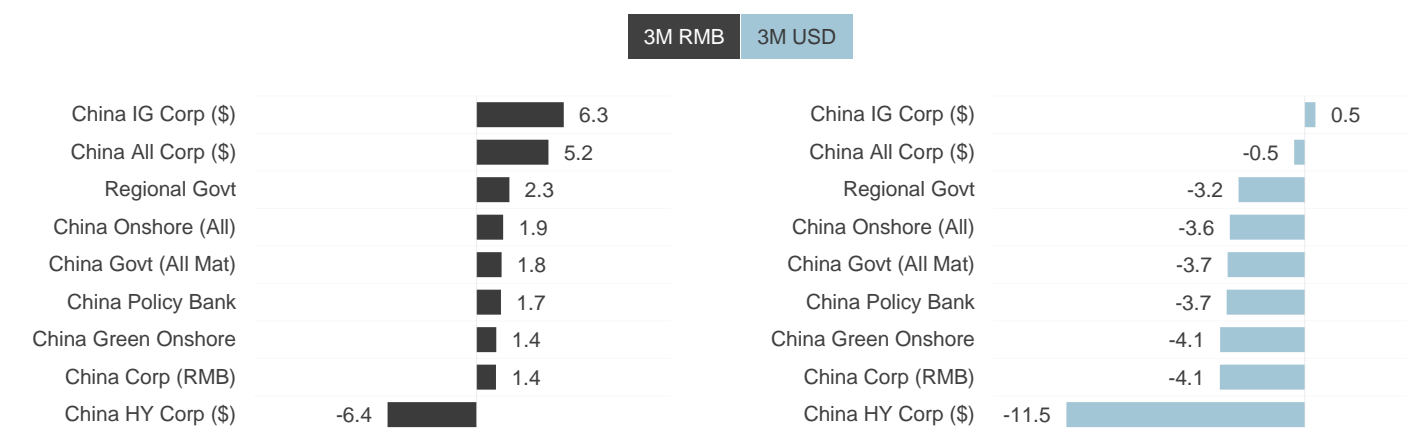
# China Bond Market Returns – 3M & YTD in RMB & USD (TR) as of June 30, 2023

**Onshore bonds posted positive returns in RMB terms on 3M, led by regional governments, but RMB weakness made returns negative for dollar investors. Offshore RMB bonds underperformed onshore YTD. Chinese dollar HY credit fell on default concerns and doubts about the sector’s recovery, but June showed the first positive return since January.**

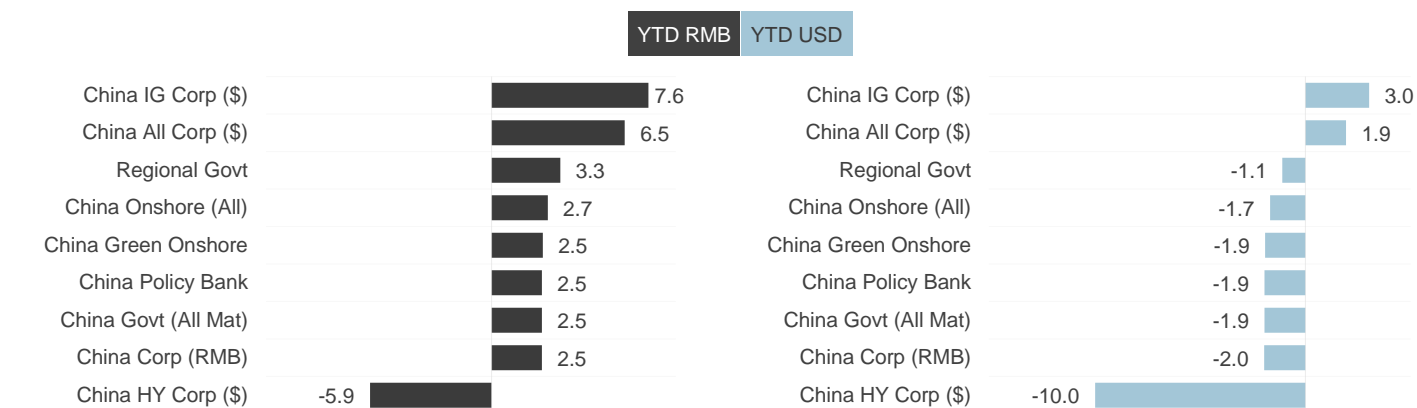
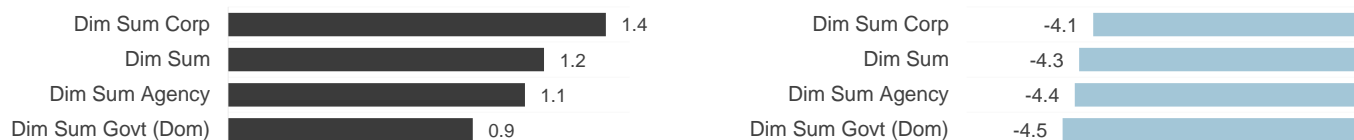
Chinese onshore bonds returned 1.4-2.3% in RMB terms on 3M, but dollar returns were squeezed by the weaker RMB. Onshore regional governments outperformed on 3M, followed by sovereigns and policy banks. Corporates lagged after Q1 outperformance.

DimSum bonds posted RMB returns of 0.9-1.4% on 3M, underperforming onshore peers. Foreign exchange risk remains a key factor for Chinese RMB bonds generally, as the RMB depreciated further in June, although the Fed pause caused the dollar to fall.

Chinese \$ IG YTD returns of 7.6% for RMB investors were boosted by US dollar gains against the RMB. Chinese HY corporates lost 10% year-to-date, largely from losses on 3M (-11.5%), as support measures to date struggled to sustain a recovery in the property sector (a major component of the Chinese HY space).



## OFFSHORE BONDS



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# Global Bond Market Returns – 3M & YTD RMB & USD (TR) as of June 30, 2023

Indonesian bonds continued to outperform in Q2, helped by increased foreign inflows. A stronger rupiah boosted YTD returns for RMB and US dollar investors. A surprise rate hike by the RBA drove government bond yields and the Australian dollar higher in June. Japanese government bonds lost most on 3M and YTD, largely on yen weakness.

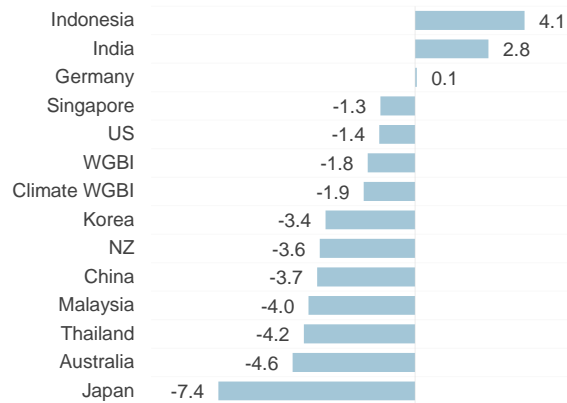
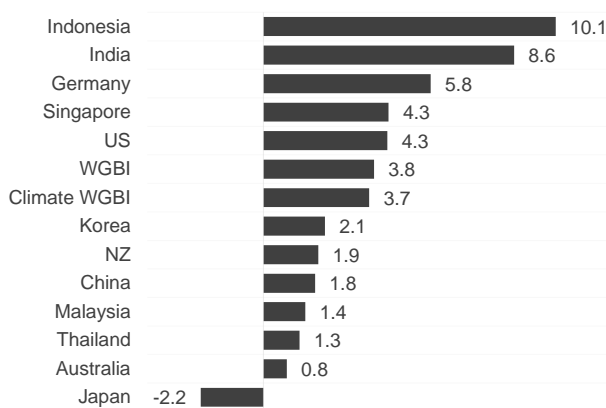
Indonesian and Indian government bonds topped the 3M performance in both RMB and US dollar terms, up by 2.8-10.1%. Foreign inflows to Indonesian bonds helped the rally, also supported by the stronger rupiah in 2023. Yuan weakness on 3M also drove year-to-date RMB returns higher across global markets, except Japan. Japanese, Malaysian and Chinese bond returns in dollar terms were adversely affected by currency effects YTD.

Australian bonds and JGBs lost 4.6-7% in Q2 in US dollar terms, with the yen particularly weak. However, the stronger Australian dollar boosted returns in June after the unexpected rate increase by the RBA (to return inflation to the target range). Upside risks to the inflation outlook have increased in Australia, given the tight labour market and high inflation in services.

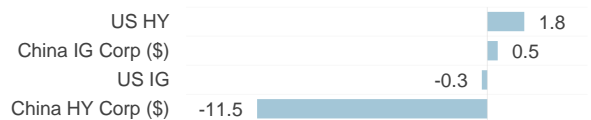
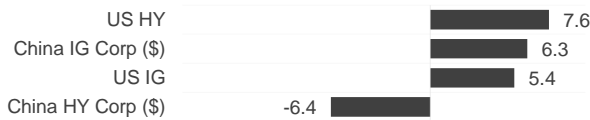
Chinese HY corporates underperformed their peers significantly, despite some recovery in June. Other credit classes gained 3-5.6% YTD, led by US HY, as risk appetite recovered.

3M RMB 3M USD

## CONVENTIONAL GOVT BONDS

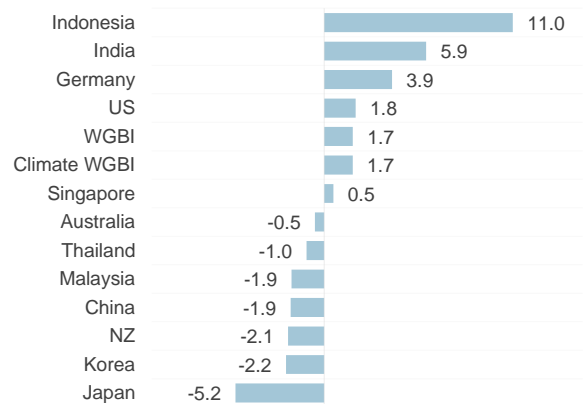
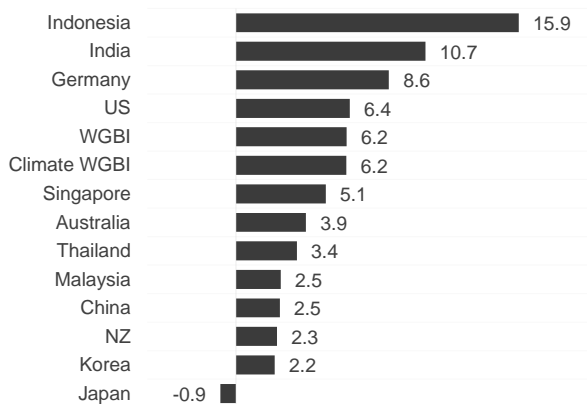


## CORPORATE BONDS

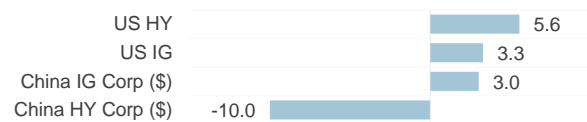


YTD RMB YTD USD

## CONVENTIONAL GOVT BONDS



## CORPORATE BONDS



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# Appendix – Global Bond Market Returns % (RMB vs USD, TR), June 30, 2023

## Government bond returns

Top 15% Bottom 15%

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

		1M		3M		6M		12M	
		USD	RMB	USD	RMB	USD	RMB	USD	RMB
<b>US</b>	1-3YR	-0.48	1.75	-0.56	5.11	1.04	5.58	0.16	8.68
	7-10YR	-1.26	0.96	-1.84	3.76	2.01	6.59	-3.31	4.91
	20+YR	0.15	2.40	-2.35	3.23	4.73	9.43	-8.47	-0.68
	IG All	0.31	2.56	-0.27	5.42	3.30	7.94	1.46	10.09
	HY All	1.77	4.06	1.84	7.65	5.55	10.30	9.06	18.34
<b>China</b>	1-3YR	-1.95	0.25	-4.40	1.05	-2.79	1.58	-5.30	2.76
	7-10YR	-1.63	0.58	-3.47	2.04	-1.57	2.86	-3.69	4.51
	20+YR	-1.01	1.21	-1.78	3.83	0.27	4.78	-0.29	8.19
	All	-1.74	0.47	-3.71	1.79	-1.95	2.46	-4.04	4.13
China Policy Bank		-1.73	0.47	-3.75	1.75	-1.95	2.46	-3.94	4.24
Regional Govt		-1.59	0.63	-3.18	2.35	-1.09	3.35	-3.07	5.18
China Corp (LC)		-1.87	0.34	-4.08	1.39	-1.95	2.45	-4.75	3.35
China Onshore (All)		-1.70	0.50	-3.60	1.90	-1.68	2.74	-3.76	4.43
China Green Onshore		-1.87	0.33	-4.07	1.41	-1.91	2.50	-4.73	3.38
China All Corp (\$)		0.08	2.33	-0.51	5.16	1.92	6.50	1.14	9.74
China IG Corp (\$)		-0.19	2.05	0.52	6.25	3.02	7.65	1.43	10.06
China HY Corp (\$)		3.06	5.37	-11.46	-6.41	-9.97	-5.93	-0.92	7.51
Offshore Govt (DimSum)		-1.52	0.70	-4.53	0.91	-2.96	1.40	-4.91	3.18
<b>Asia-Pac</b>	1-3YR	-1.14	1.08	-3.45	2.06	-2.18	2.22	-3.21	5.02
	7-10YR	-0.91	1.32	-2.89	2.66	0.10	4.60	-0.28	8.20
	20+YR	-0.73	1.50	-3.38	2.14	-0.08	4.41	0.45	9.00
	All	-1.03	1.20	-3.16	2.36	-0.79	3.67	-1.17	7.24
<b>Australia</b>	1-3YR	1.83	4.12	-2.12	3.46	-1.74	2.67	-2.56	5.73
	7-10YR	-0.25	1.99	-5.28	0.13	0.07	4.57	-2.48	5.82
	20+YR	-1.04	1.18	-8.79	-3.58	0.45	4.96	-7.79	0.05
	All	0.27	2.53	-4.63	0.81	-0.53	3.94	-2.87	5.40
<b>India</b>	1-3YR	1.23	3.50	2.13	7.96	4.52	9.22	2.81	11.56
	7-10YR	0.90	3.17	2.91	8.79	5.90	10.66	5.30	14.26
	20+YR	-0.10	2.14	2.92	8.80	6.51	11.30	8.21	17.42
	All	0.74	3.01	2.78	8.65	5.92	10.68	5.68	14.68
<b>Indonesia</b>	1-3YR	0.31	2.57	2.23	8.07	7.43	12.26	4.63	13.53
	7-10YR	1.10	3.37	3.92	9.85	11.42	16.43	12.88	22.49
	20+YR	1.17	3.44	5.41	11.43	13.64	18.74	15.12	24.91
	All	1.01	3.28	4.14	10.08	10.95	15.94	11.49	20.98
<b>Japan</b>	1-3YR	-3.31	-1.13	-7.90	-2.65	-8.50	-4.39	-5.97	2.03
	7-10YR	-2.98	-0.80	-7.69	-2.42	-6.87	-2.68	-5.69	2.33
	20+YR	-2.96	-0.78	-7.22	-1.93	-1.10	3.35	-5.97	2.03
	All	-3.04	-0.86	-7.45	-2.16	-5.15	-0.89	-5.75	2.27
<b>Korea</b>	1-3YR	0.66	2.92	-1.07	4.57	-2.30	2.09	1.86	10.53
	7-10YR	-0.22	2.02	-2.83	2.71	-1.90	2.51	1.49	10.12
	20+YR	-0.17	2.08	-6.18	-0.83	-2.12	2.28	-1.61	6.77
	All	0.03	2.28	-3.39	2.12	-2.22	2.18	0.71	9.28
<b>Malaysia</b>	1-3YR	-0.99	1.24	-5.05	0.37	-3.53	0.81	-2.10	6.23
	7-10YR	-1.54	0.67	-4.06	1.41	-2.18	2.22	1.64	10.29
	20+YR	-1.56	0.66	-2.02	3.57	1.51	6.07	9.99	19.35
	All	-1.31	0.90	-4.03	1.44	-1.89	2.52	2.48	11.20
<b>New Zealand</b>	1-3YR	1.64	3.92	-2.21	3.37	-1.74	2.67	-0.73	7.72
	7-10YR	0.05	2.30	-3.78	1.71	-2.05	2.35	-3.01	5.24
	20+YR	-2.77	-0.58	-7.72	-2.45	-4.94	-0.67	-7.54	0.33
	All	0.35	2.61	-3.61	1.89	-2.09	2.31	-2.65	5.64
<b>Singapore</b>	1-3YR	-0.02	2.23	-1.80	3.80	-0.21	4.27	4.10	12.96
	7-10YR	-1.19	1.03	-1.96	3.64	0.77	5.30	4.83	13.76
	20+YR	-1.33	0.89	0.92	6.68	1.88	6.45	18.88	29.00
	All	-0.80	1.43	-1.31	4.32	0.53	5.05	7.27	16.40
<b>Thailand</b>	1-3YR	-1.76	0.44	-3.62	1.88	-2.33	2.06	1.10	9.70
	7-10YR	-1.90	0.30	-4.06	1.42	-0.80	3.66	5.56	14.54
	20+YR	-2.21	-0.01	-6.26	-0.91	5.56	10.30	18.33	28.41
	All	-1.93	0.28	-4.22	1.25	-1.02	3.42	5.08	14.02

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## Appendix – Global Bond Market Yields %, June 30, 2023

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

Top 15% Bottom 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	5.01	4.31	3.85	3.95	2.45	1.72	1.68	5.53	8.61
	3M Ago	4.20	3.72	3.49	3.76	1.44	1.17	1.53	5.25	8.45
	6M Ago	4.54	4.13	3.88	4.11	2.09	1.68	1.82	5.50	9.00
	12M Ago	2.96	3.03	2.97	3.28	-0.04	0.64	1.14	4.74	8.86
UK	Current	5.36	5.04	4.38	4.35	1.78	0.72	0.90		
	3M Ago	3.79	3.55	3.43	3.80	0.00	-0.27	0.35		
	6M Ago	3.50	3.65	3.69	3.92	-0.68	0.15	0.49		
	12M Ago	1.94	1.73	2.01	2.51	-2.87	-1.70	-0.71		
Japan	Current	-0.10	-0.01	0.29	1.21	-1.64	-0.87			
	3M Ago	-0.09	0.02	0.30	1.22	-1.30	-0.51			
	6M Ago	0.03	0.15	0.48	1.50	-1.22	-0.54			
	12M Ago	-0.09	-0.02	0.21	1.19	-0.99	-0.67			
China	Current	2.09	2.33	2.66	3.08					
	3M Ago	2.31	2.56	2.84	3.25					
	6M Ago	2.28	2.53	2.85	3.26					
	12M Ago	2.19	2.47	2.82	3.34					
EM	Current	3.67	4.04	4.79	4.42	4.15	4.07	4.86	5.95	
	3M Ago	3.62	4.37	4.69	4.52	2.59	3.67	5.15	5.77	
	6M Ago	3.78	4.38	4.95	4.61	2.79	3.04	5.15	5.92	
	12M Ago	3.64	4.35	4.87	4.82	3.61	3.71	5.26	5.08	
Germany	Current	3.17	2.66	2.37	2.36	0.96	0.19	-0.06		
	3M Ago	2.69	2.36	2.24	2.33	-0.02	-0.12	-0.15		
	6M Ago	2.56	2.53	2.54	2.51	0.40	0.34	0.18		
	12M Ago	0.56	0.32	0.64	1.07	-2.33	-1.57	-1.07		
Italy	Current	3.79	3.71	3.87	4.25	1.74	1.78	1.70		
	3M Ago	3.27	3.43	3.88	4.34	0.45	1.50	1.74		
	6M Ago	3.34	3.72	4.38	4.72	1.16	2.19	2.18		
	12M Ago	1.34	1.90	2.69	3.18	-2.47	0.29	1.01		
France	Current	3.21	2.94	2.85	3.19	0.88	0.47	0.55		
	3M Ago	2.83	2.66	2.70	3.17	-0.29	0.05	0.53		
	6M Ago	2.85	2.82	2.97	3.30	0.15	0.44	0.77		
	12M Ago	0.81	0.85	1.25	2.02	-2.47	-1.28	-0.34		
Sweden	Current	3.43	2.94	2.61		1.18	0.91			
	3M Ago	2.85	2.56	2.25		0.09	0.32			
	6M Ago	2.80	2.65	2.37		-0.24	0.25			
	12M Ago	1.74	1.55	1.38		-1.59	-1.45			
Australia	Current	4.17	3.99	4.02	4.36	1.04	1.47	1.85		
	3M Ago	3.03	3.00	3.27	3.82	0.01	0.82	1.43		
	6M Ago	3.43	3.62	4.01	4.37	0.60	1.45	1.88		
	12M Ago	2.92	3.18	3.38	3.79	-0.41	0.75	1.51		
NZ	Current	5.08	4.67	4.61	4.77	1.53	2.15			
	3M Ago	4.78	4.37	4.23	4.37	1.04	1.72			
	6M Ago	5.00	4.62	4.46	4.54	1.54	2.06			
	12M Ago	3.54	3.77	3.89	4.29	0.39	1.65			
Canada	Current	4.34		3.34	3.13			1.54	5.36	
	3M Ago	3.58		2.87	3.03			1.28	5.00	
	6M Ago	3.90		3.30	3.31			1.33	5.27	
	12M Ago	3.08		3.21	3.18			1.23	4.83	

Source: FTSE Russell. All data as of June 30, 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.



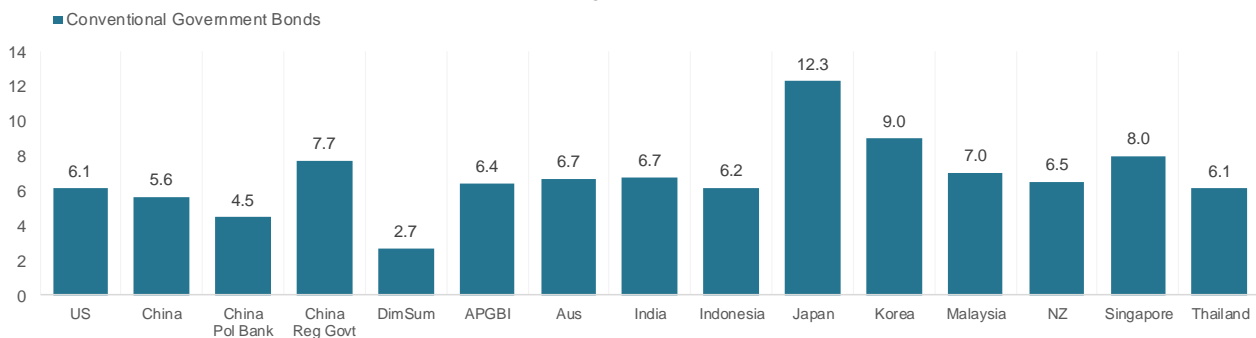
## Appendix – Duration and Market Value (USD, Bn), June 30, 2023

Conventional Government Bonds								
	Duration				Market Value			
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total
US	3.7	7.5	17.5	6.1	2,282.7	1,053.3	1,291.9	10,379.5
China	3.7	7.6	17.6	5.6	494.9	311.8	243.2	2,066.2
China Pol Bank				4.5				2,683.0
China Reg Govt				7.7				1,966.2
DimSum	3.4			2.7	1.6			6.9
APGBI	3.6	7.3	17.8	6.4	757.8	653.6	471.0	3,714.6
Aus	3.7	7.8	17.6	6.7	50.7	87.6	15.0	319.7
India	3.2	6.0	11.8	6.7	132.3	173.9	237.2	1,049.3
Indonesia	3.4	6.2	11.4	6.2	35.0	70.9	13.3	228.6
Japan	3.9	7.9	24.0	12.3	345.7	360.9	698.4	3,117.1
Korea	3.6	7.1	18.9	9.0	84.7	97.2	158.2	600.0
Malaysia	3.5	7.3	15.0	7.0	20.0	13.8	15.0	114.7
NZ	4.0	7.7	17.2	6.5	9.2	10.5	2.3	44.6
Singapore	3.5	7.1	20.2	8.0	23.1	14.1	14.7	94.5
Thailand	3.5	7.5	16.4	6.1	27.3	22.7	9.3	142.7

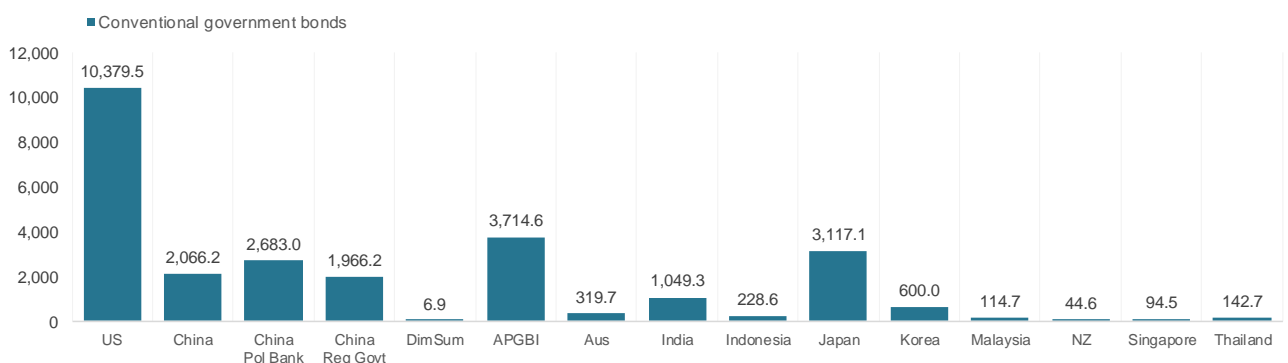
Corporate Bonds						
	Duration			Market Value		
	Inv Grade	High Yield	Overall	Inv Grade	High Yield	Overall
US	7.2	4.1		6,408.4	1,022.1	
China Corp (LC)			2.3			531.9
China Green Onshore			2.4			145.2
China Corp (\$)	4.1	2.3	7.7	254.0	24.2	278.2
DimSum	2.2		2.1	9.4		11.0
EM	5.1	3.3	4.6	598.2	191.2	789.5
EUxUK	4.5	3.1		2,802.1	418.8	

Other Sectors						
	Duration			Market Value		
	Supra	Agency	Corp NR	Supra	Agency	Corp NR
Offshore (DimSum)	2.3	2.5	1.9	1.4	6.0	1.6

Average Duration



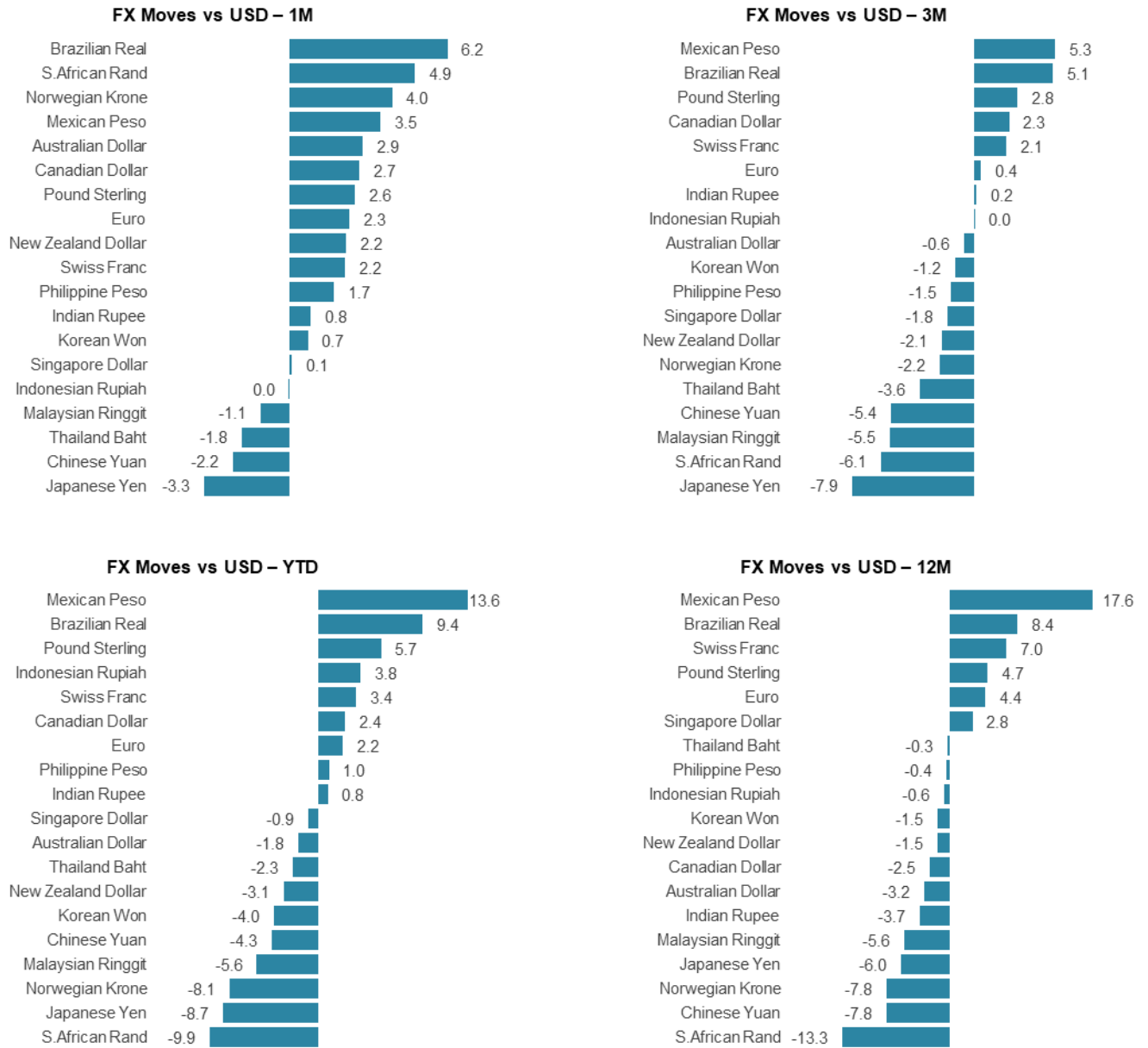
Total Market Value (USD Billions)



Data as of 2023-06-30

Source: FTSE Russell. All data as of June 30, 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 June 30, 2023



Source: FTSE Russell and Refinitiv. All data as of June 30, 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

### 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

Total Returns

Historical Yields

Growth/Inflation

Financial Conditions

Curves

Spreads

Credit/Equities

MBS

Appendix



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