

Fixed Income Insights

MONTHLY REPORT - JUNE 2023 | UK EDITION

FOR PROFESSIONAL INVESTORS ONLY

Gilts underperform as persistent UK inflation increases policy challenge

Absent further US banking woes, govt bond markets re-focused on the pace of G7 inflation decline in May, and US downgrade risks in the debt ceiling crisis. Longer UK gilts were the worst performers, reflecting higher UK inflation. In contrast, China and EM bonds outperformed, helped by China's low inflation outlier status.

Macro and policy backdrop – Lower energy prices drive disinflation, but inflation dispersion persists

Headline inflation rates fell sharply versus core rates, but steeper Phillips' curves deepen G7 inflation challenge. (pages 2-3)

Yields, curves and spreads – Curve inversion resumed. US sovereign spreads mostly widened on debt ceiling crisis

US credit trading through Treasuries underscores US downgrade risk, after negative rating watch, in 2011 re-run. (pages 4-5)

Sovereign and climate bonds – HY Green spreads edged out in May, reflecting surge in issuance in Q1

HY spreads dipped below Green spreads in May but Green spreads reversed most of the 2022 widening. (page 6)

Performance – Duration became the investor's enemy again in May, with gilts hardest hit

Longer bonds fell back in May, led by UK gilts after poor inflation data. China and EM continue to outperform. (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: Although UK gas prices normalised, correlation with inflation was stronger when prices rose, increasing the BoE inflation challenge.

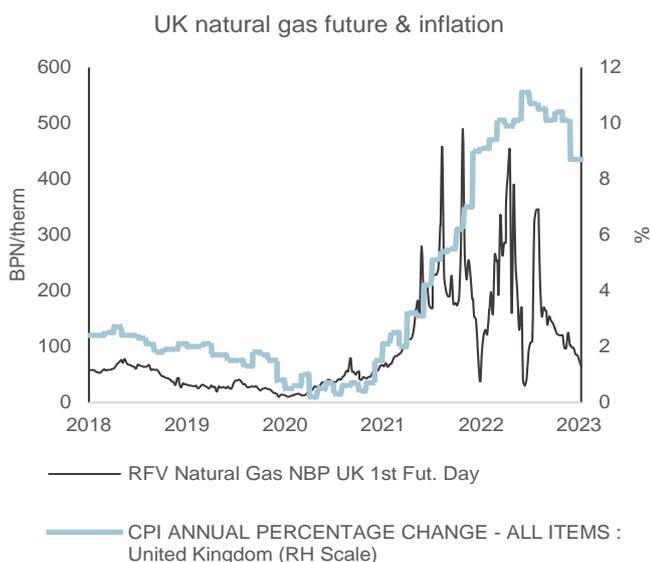
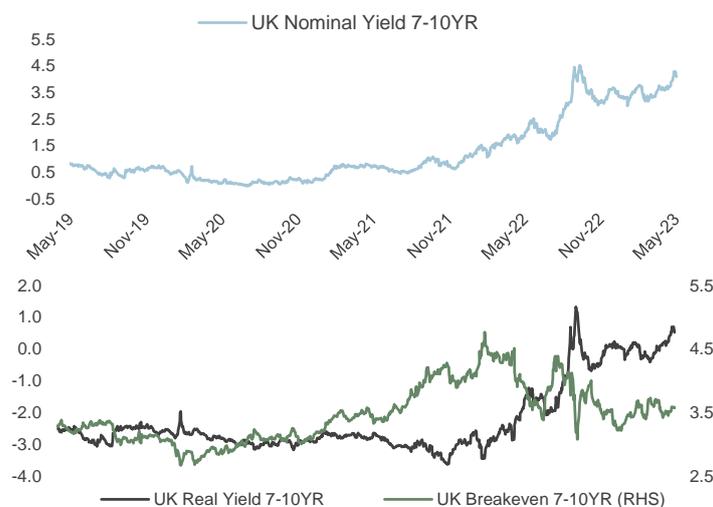


Chart 2: UK breakevens have fallen since the 2022 Ukraine spike, though persistent inflation has dragged yields higher.



Source: FTSE Russell. All data as of May 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

Further declines in energy prices have eased the growth squeeze a little, and driven inflation lower, though pronounced G7 tightening restricts demand growth. The UK lags the general inflation decline, as in previous cycles, whilst China remains a global outlier with inflation sub-1%. Resolution of the US debt ceiling crisis may be followed by a surge of Tbill issuance.

With the energy shock fading in Europe, prospects for avoiding recession have improved, though the G7 monetary tightening in 2022-23 and squeeze on real incomes from higher inflation may have their main impact on G7 growth in 2023-24. The UK continues to skirt recession, mainly due to the rebound in services. PBoC reflation lends support to Chinese growth (Chart 1).

Base effects helped y/y UK inflation fall to 8.7% in April, but core inflation increased to 6.8%, a new cycle high, with service inflation of 6.9%, even if petrol prices fell sharply. BoE Governor Bailey conceded the BoE is no longer following its own model forecasts on inflation. The UK remains a global outlier on inflation, as Chart 2 shows, and declines have lagged the G7 in previous cycles.

Chart 3 shows how the gold price has risen relative to copper, as global growth has slowed in 2023, even if the Fed has continued to tighten and US inflation has fallen. Two major event risks have also helped gold, in the US banking crisis and debt ceiling crisis.

The rise in UK gilt yields, both nominal and real, relative to other G7 members is shown in Chart 4, though the BoE has stabilised inflation breakevens, Modest falls in US and Canadian breakevens may be due to the faster fall in inflation v Europe. and Japan.

Chart 1: Growth forecasts show G7 avoiding recessions, apart for the UK, but weak 2023 growth reflects tighter G7 policy. Squeeze on real incomes & demand from inflation are most acute in the UK.

Latest Consensus Real GDP Forecasts (% , May 2023)			
	2022	2023	2024
US	2.1	1.1	0.8
UK	4.1	-0.1	0.8
Eurozone	3.3	0.7	1.0
Japan	1.6	1.1	1.2
China	3.0	5.4	5.0
Canada	3.5	0.7	1.4

Chart 2: Wide dispersion in inflation rates continues. Sticky UK inflation stands out, but UK inflation fell last in previous cycles. Base effects have turned favourable for headline y/y rates vs core.

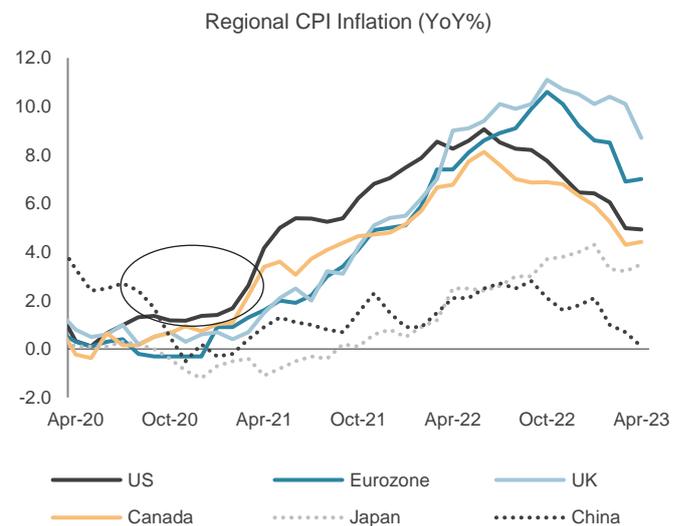


Chart 3: The gold price rallied, relative to copper since Q1 on weaker global growth, and helped by US banking woes and the recent US debt ceiling crisis, despite further Fed tightening.

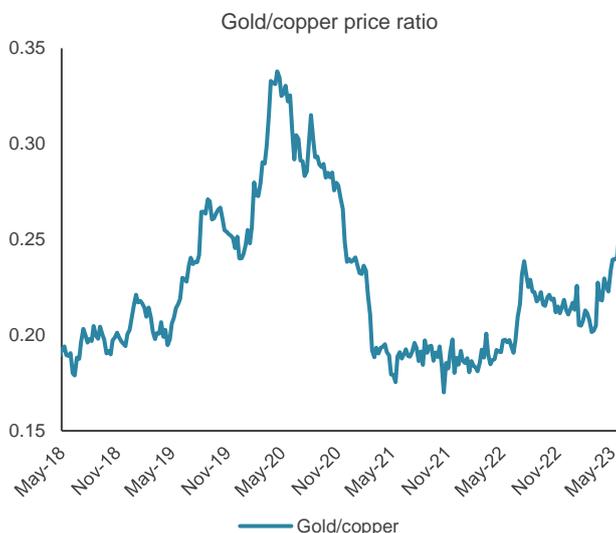
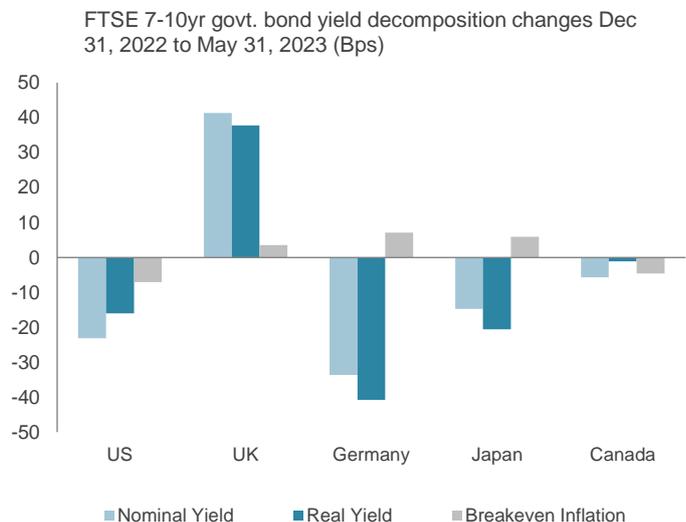


Chart 4: UK 7-10yr nominal and real yields have both risen versus other G7 members in 2023. Lower inflation and re-investment risk helped yields fall elsewhere. Inflation breakevens have stabilised.



Source: FTSE Russell and Refinitiv. All data as of May 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

Tight labour markets and sticky core inflation remain issues for the BoE and Fed, even if headline inflation is falling. Market confidence in policy rates falling later in 2023-24 oscillated, after the US banking crisis stabilised and disappointing inflation data. Surging US Tbill issuance may yet disrupt the Fed's QE, if it follows resolution of the US debt ceiling crisis.

Evidence from UK inflation and wage rates suggests the Phillips curve (showing trade-offs between inflation and unemployment) has become steeper, with a higher NAIRU (non-accelerating inflation rate of unemployment), after the Brexit and Covid shocks and a reduced labour force. Wage inflation is falling, as Chart 1 shows, but only slowly, leaving the risk of higher for longer UK rates.

The dollar rallied following Fed policy tightening in May, though the debt ceiling crisis and any US ratings downgrade may temper the rally (Chart 2). The slow fall in UK inflation and risk of higher UK rates offered support to sterling, though the stagflationary UK outlook reduced gains. New BoJ Governor Ueda's endorsement of yield curve control and zero rates has left the yen vulnerable.

25-50bp in tightening was implemented in May, in the UK, US and Eurozone, whilst the BoJ retained curve control and the BoC continued its policy pause (Chart 3). Higher UK core inflation increases risks of further BoE tightening, in contrast to the Eurozone.

The US debt ceiling crisis and aftermath may yet disrupt the Fed's QT programme, if successful resolution leads to a surge in US Tbill issuance, draining money market liquidity. This would be the second delay in QT in the last three months, after the discount window lending to US regional banks in March (Chart 4). Policy rates remain the key policy instrument for G7 central banks.

Chart 1: UK wage growth and inflation are decelerating but slowly. Higher wage inflation suggests the NAIRU has increased, after labour force contraction, and higher long-term sickness claims.

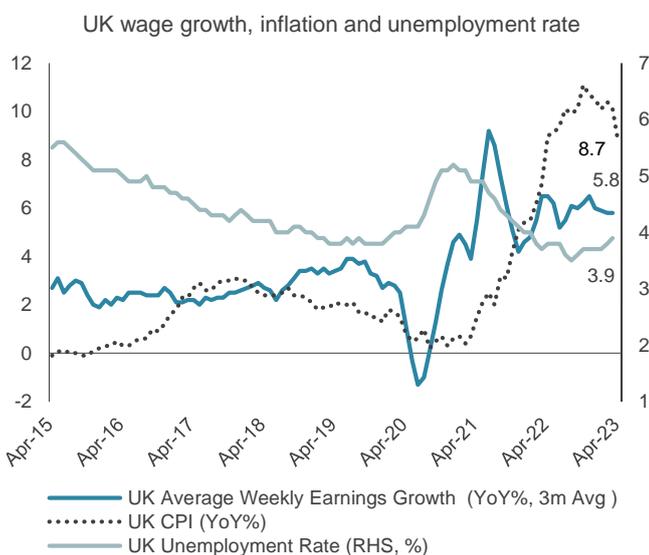


Chart 2: The threat of higher rates for longer helped sterling rebound though the dollar was the star performer in May. The yen and renminbi fell back on the more accommodative policy outlook.

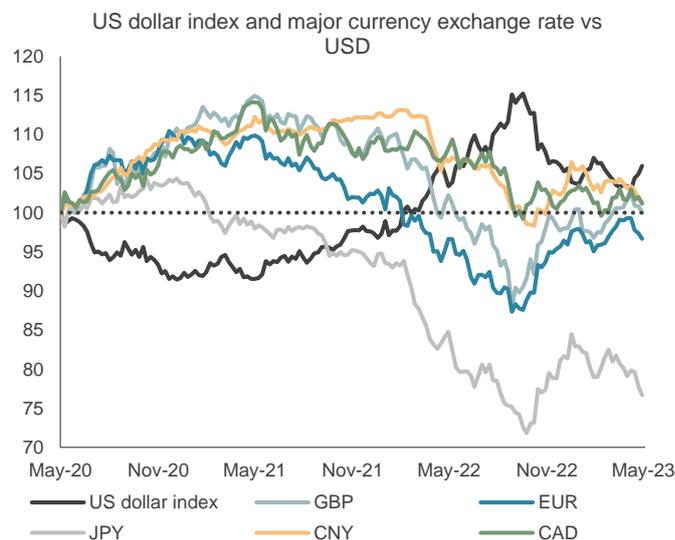
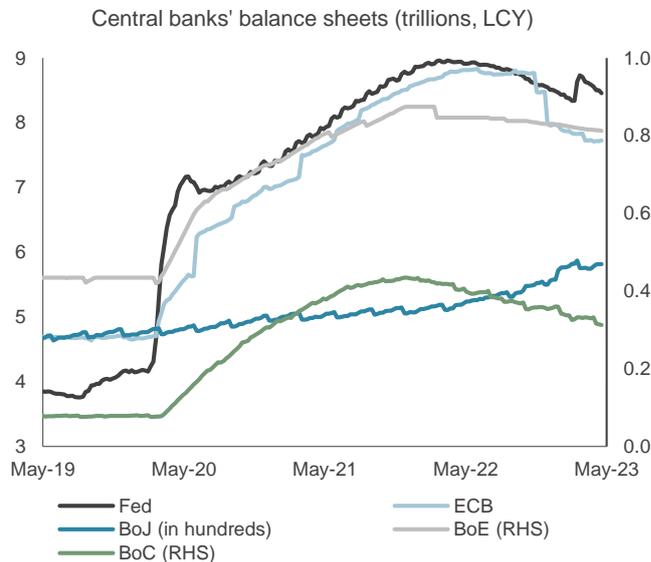
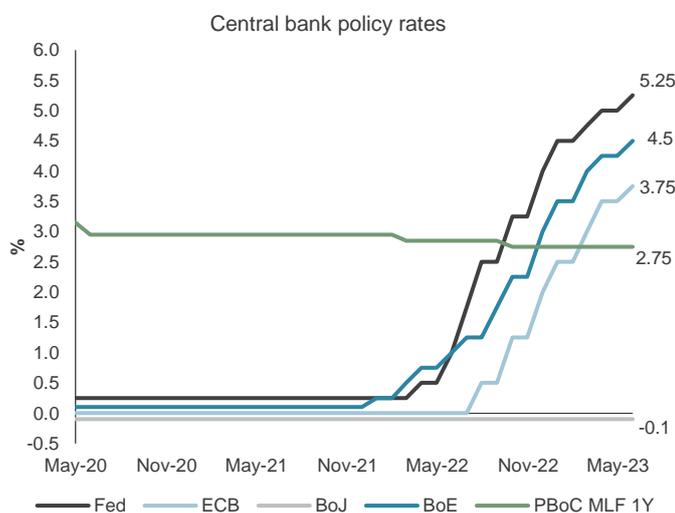


Chart 3: The Fed, BoE and ECB have left the door open for further tightening moves and higher UK inflation increases this risk, whilst lower core inflation in the Eurozone may reduce it for the ECB.

Chart 4: The BoE continues its QT programme, at a pace of 10% per annum, but the Fed was blown off course by discount window lending in the banking crisis. The ECB's QT is moving faster.



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Global Yields, Curves and Spread Analysis

Chart 1: 7-10yr G7 yields edged higher in May, though the UK spike on higher inflation is an outlier. US yields remain below the October

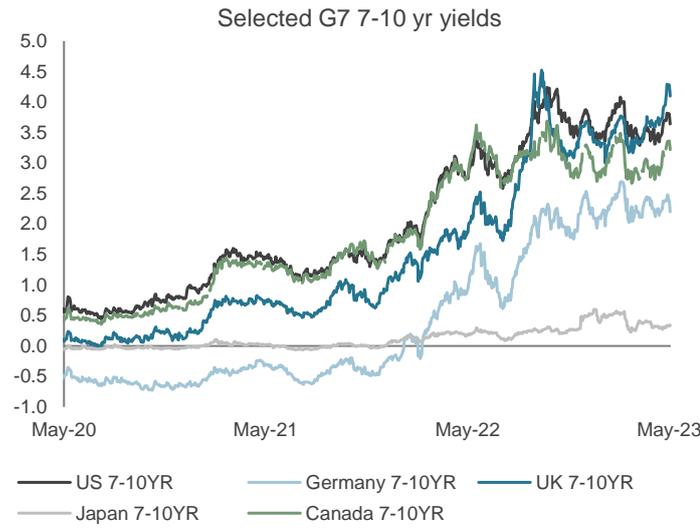


Chart 3: G7 10s/2s yield curves resumed their inversion in May, and have unwound much of the steepening that followed the US banking

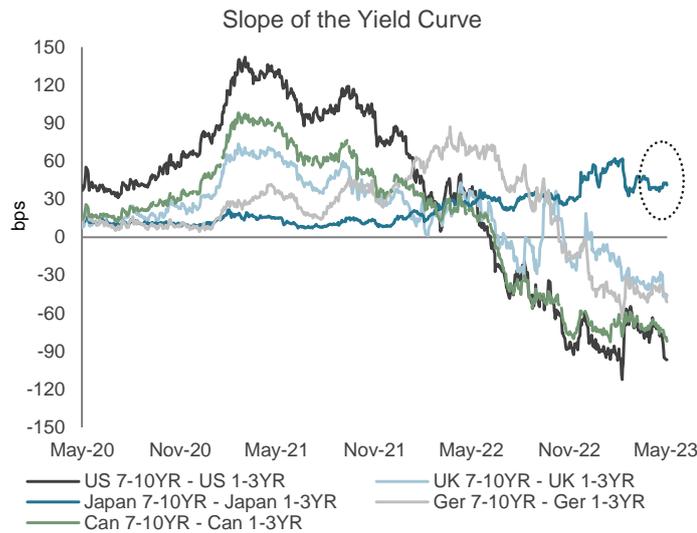
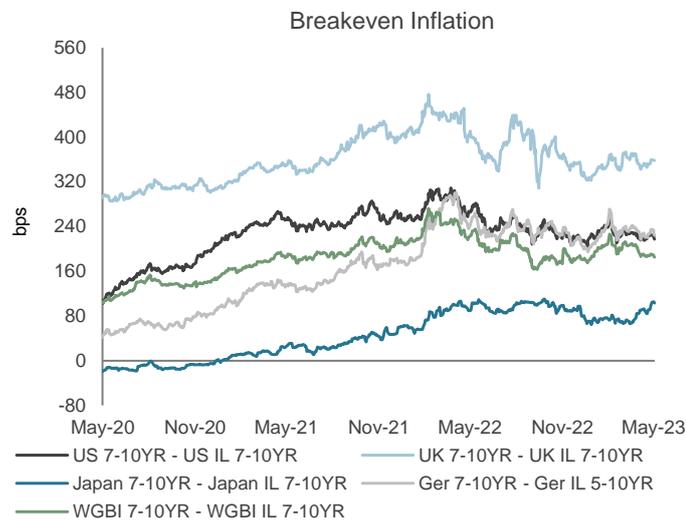


Chart 5: 7-10yr inflation breakevens remain stable near 2%, apart from the UK (due to the different inflation index for accruals) & Japan. There has been little enduring impact from March's banking woes.



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Chart 2: Real 7-10-year yields backed up in May, though JGB yields fell after the continuation of yield curve control was confirmed. UK



Chart 4: Like 10s/2s, the 20s+/2s yield curves extended their flattening/inversion trend in May, after the March steepening. 2-year

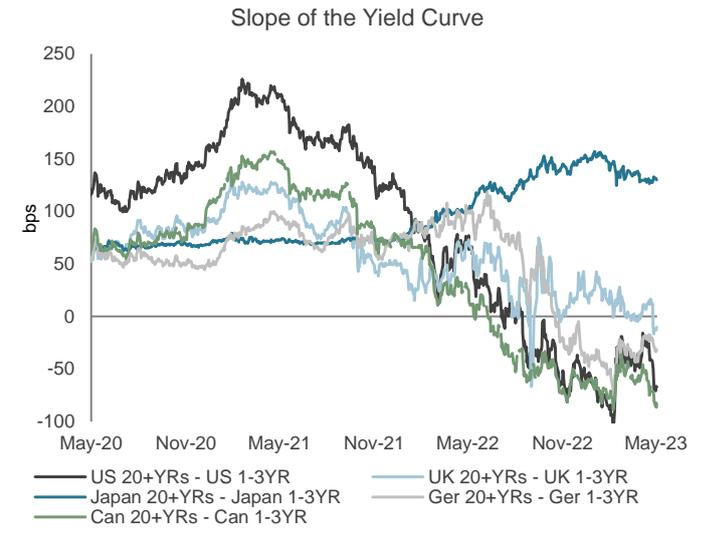


Chart 6: Global short and longer run inflation breakevens are falling, driven by policy tightening, lower energy prices, and lower inflation rates. Long run inflation breakevens are now below medium dated.



Yield Spread and Credit Spread Analysis

Chart 1: The US debt ceiling crisis caused US spread widening in May, apart from the UK, where the spike in yields on higher UK inflation caused US Treasury spreads to fall towards the 2022 lows.

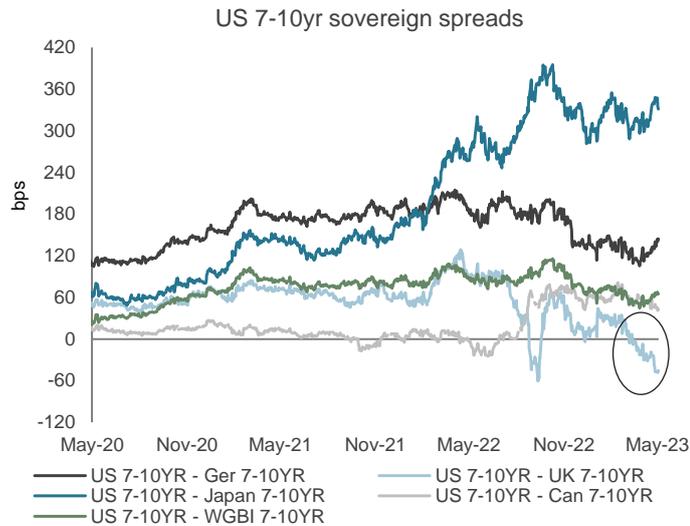


Chart 2: Peripheral Eurozone 7-10-year yield spreads were broadly stable versus Bunds and French OATs but fell sharply versus the US in May, as the debt ceiling crisis developed.

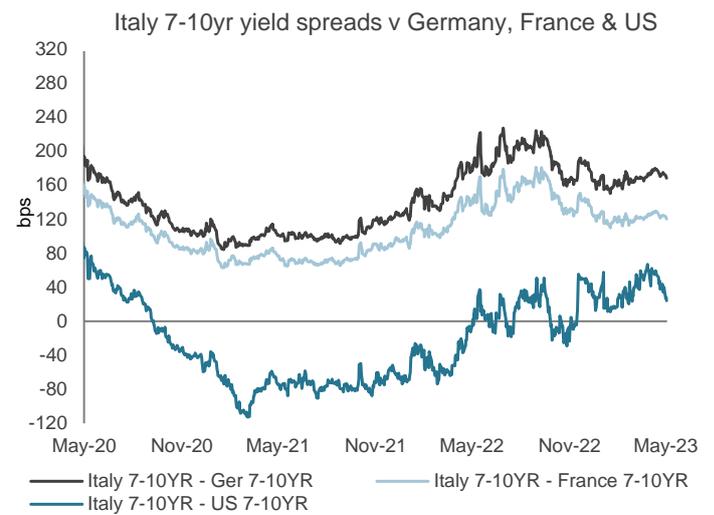


Chart 3: EM 7-10-year yield spreads remained at, or near, post-Covid lows in May, reflecting the increased robustness of the asset class, and earlier policy tightening to reduce inflation than in the G7.

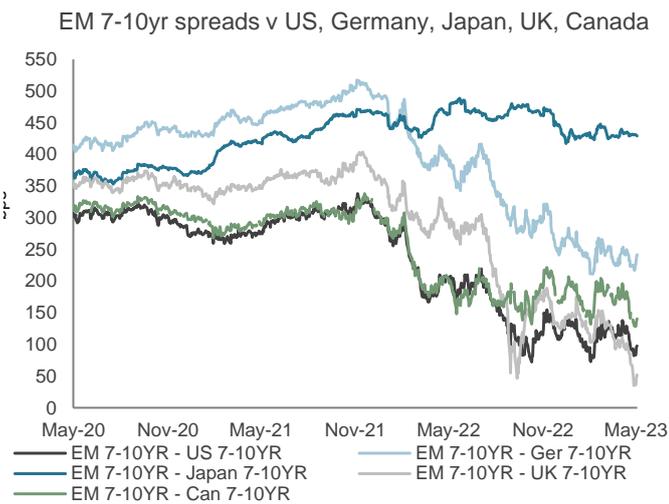


Chart 4: China 7-10-year yield spreads fell in May, after further policy tightening in the G7, and yet lower Chinese inflation (now <1% y/y). Spreads versus the UK are now close to cycle lows.

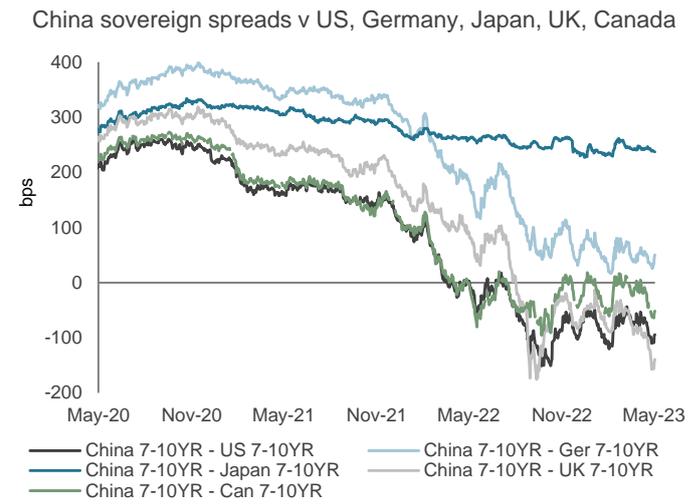


Chart 5: Credit spreads were broadly stable in May, with financials tightening after the March spike on US bank woes. IG spreads remain higher than HY, measured against the post-Covid highs.

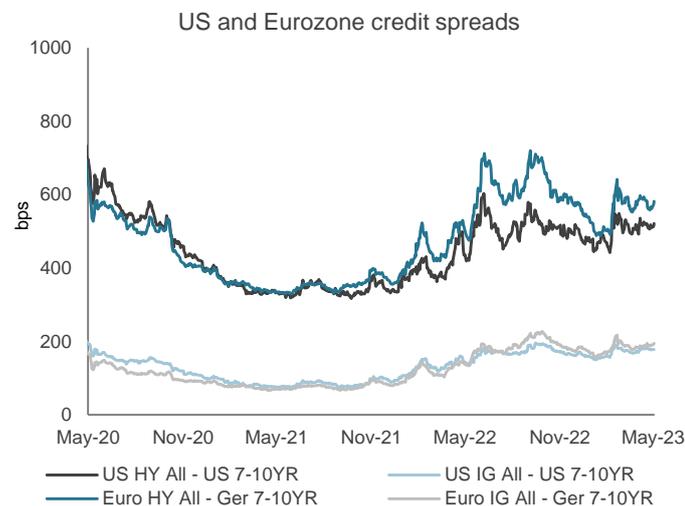
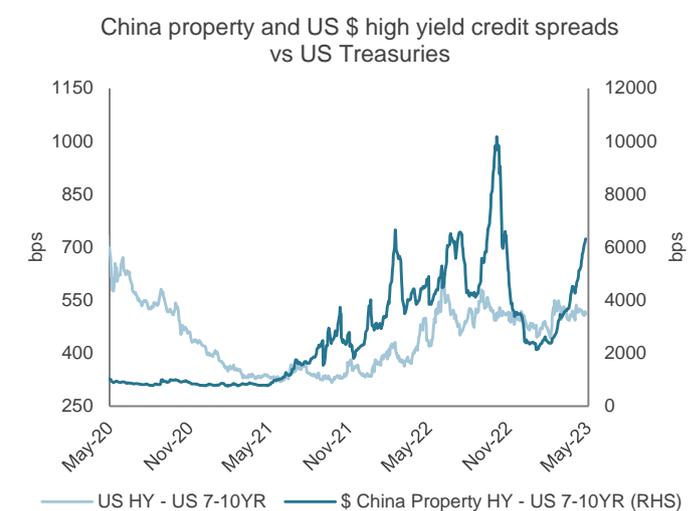


Chart 6: Chinese HY dollar spreads widened further in May, as investors fretted about debt restructurings in property, and despite the possibility of further PBoC support for the sector.



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Sovereign and Climate Bonds Analysis

Chart 1: HY spreads dipped below Green HY spreads in May after Green issuance surged, though spreads remain tight, after Green

Chart 2: Unlike the US, spread widening in HY Green Eurozone credit spreads moved much less in 2022, and there was no major

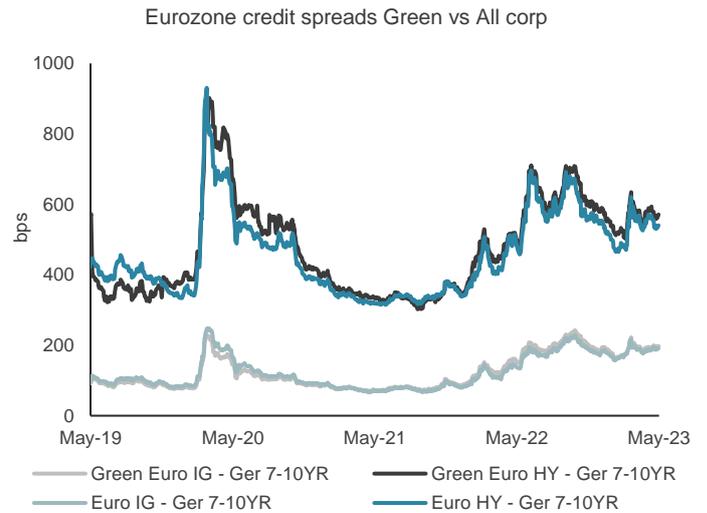
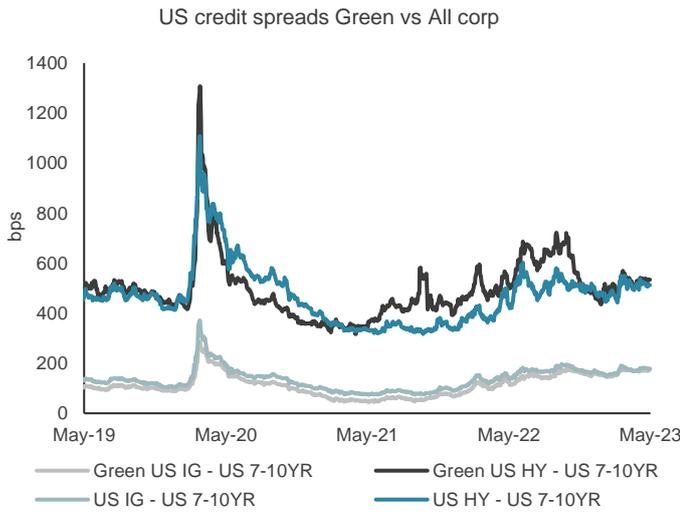


Chart 3: In 2022, Green bond issuance fell more than other bonds as yields and spreads rose. But Green issuance has rebounded in Q1 2023, and is at a new high versus total issuance.

Chart 4: Within total Green bond issuance, Green corporates fell sharply, though issuance has recovered in Q1 2023, to an all-time high in absolute terms, as yields stabilised and spreads narrowed.

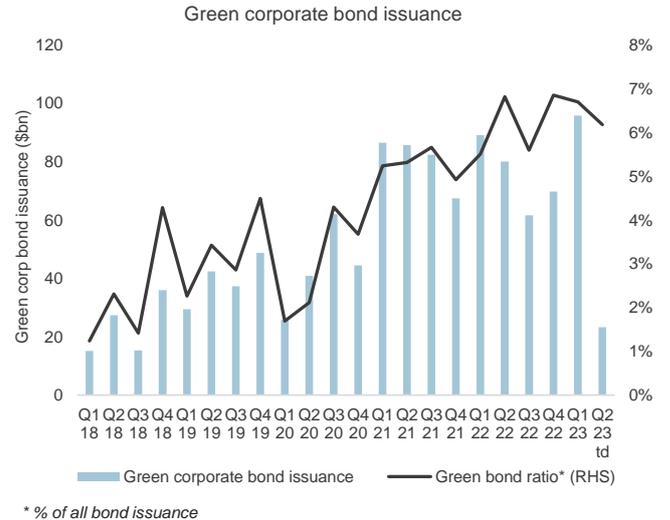
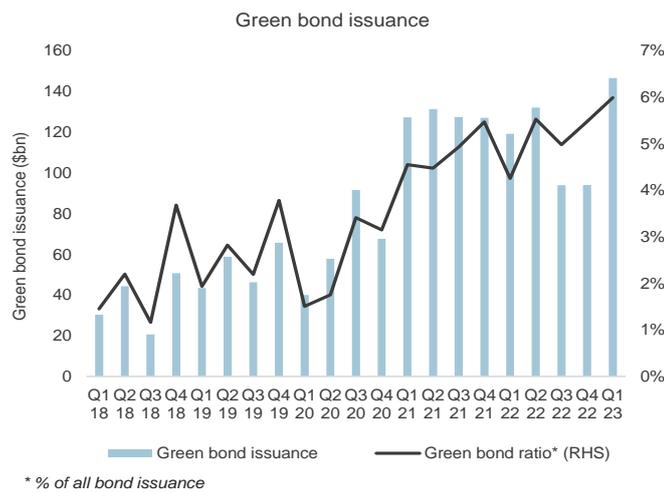
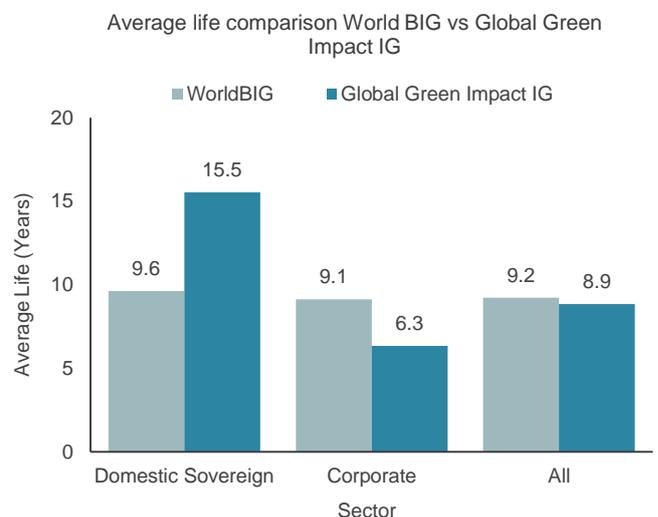
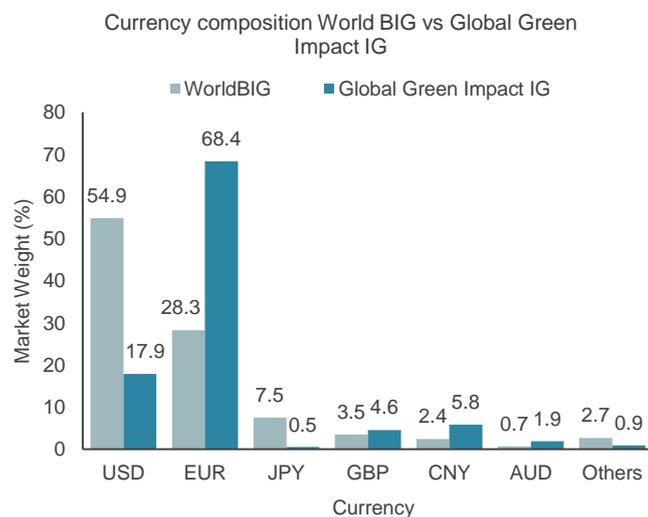


Chart 5: Euro green bonds dominate the currency weights in the Global Green index at 68.4%, in contrast to the low USD weight (18%). This is reversed in WorldBig with a USD weight of 55%.

Chart 6: Breakdown of Global Green & World Big indices shows differences in average life for different components. Corporates offset the Sovereign impact in boosting Global Green average life.



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Global Sovereign Bond Returns – 1M and YTD % (UK & LC, TR) as of May 31, 2023

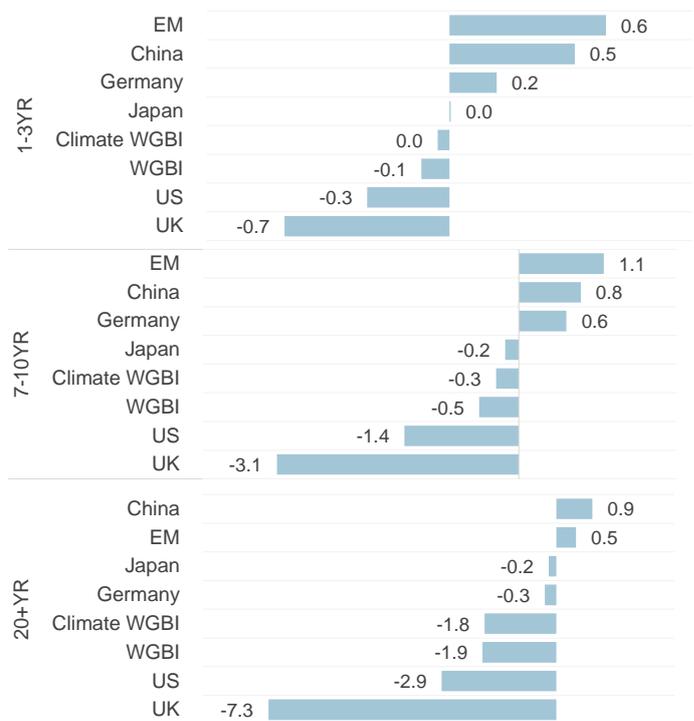
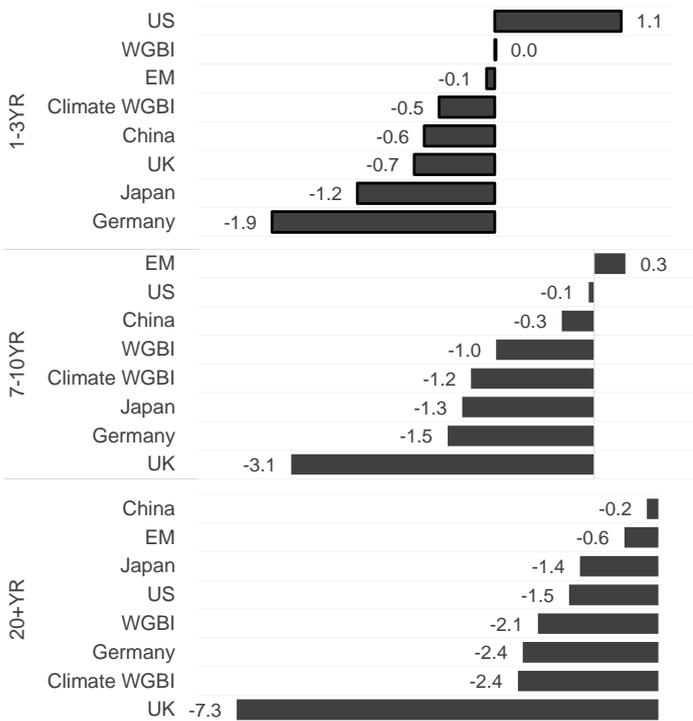
Sovereign bonds mostly fell back in May, with long gilts, climate-WGBI and Bunds losing 2-7%, in sterling terms, after disappointing inflation data, led by the UK. EM and China outperformed, in May and YTD, though a weak yen squeezed JGB returns. Long duration bonds struggled as the prospect of early policy pivots in the US, Eurozone and UK receded.

Long gilts lost 7% in May, in sterling, as core UK inflation increased to 6.8% y/y, and markets priced in further MPC tightening.

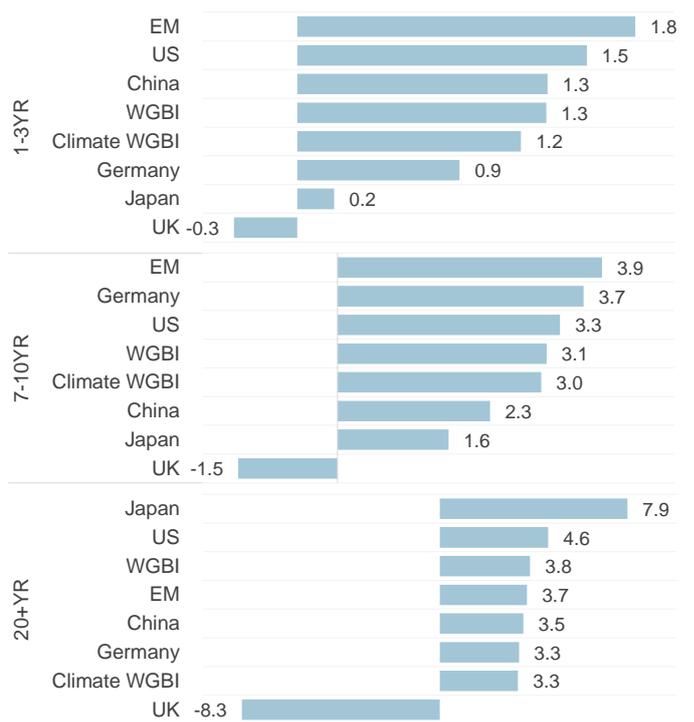
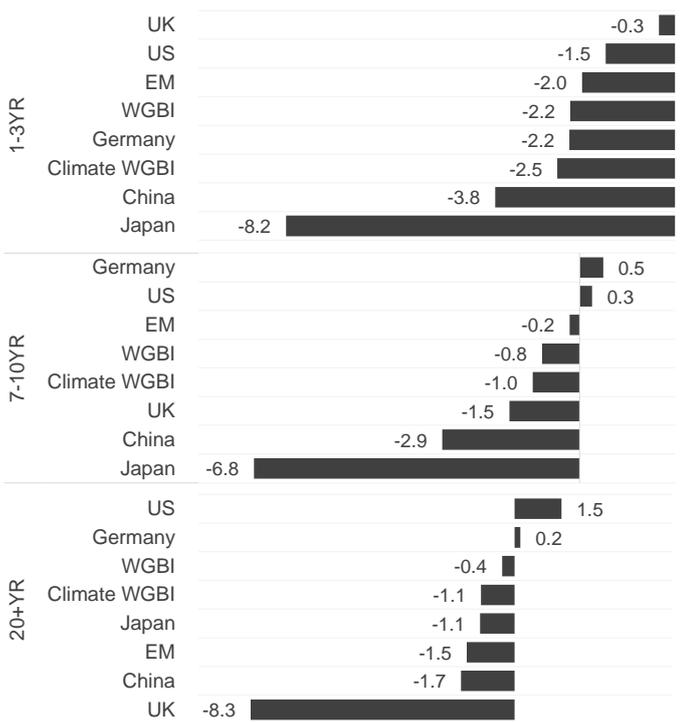
Most YTD returns are positive in local currency terms, with longer Bunds and US Treasuries up 4%, though overseas returns were significantly reduced in sterling terms. Long gilts lost 8% YTD.

CONVENTIONAL GOVT BONDS

1M GBP 1M LCY



YTD GBP YTD LCY



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Global Inflation-Linked Bond Returns – 1M & YTD % (UK, LC, TR) as of May 31, 2023

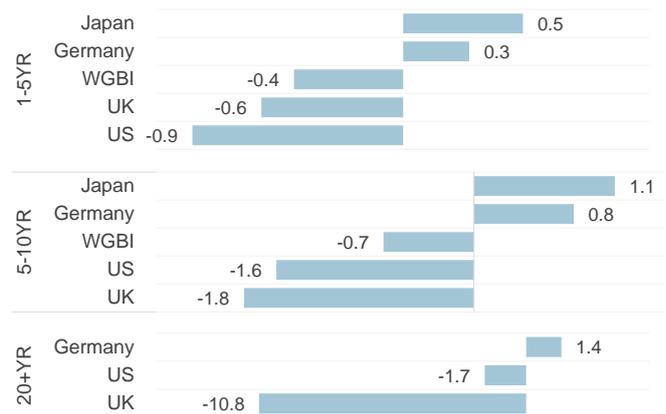
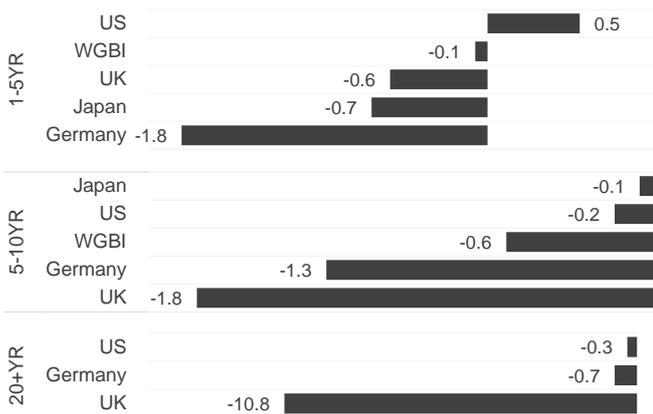
Stronger sterling and higher rate fears drove returns negative in overseas linkers in sterling in May, though long UK index linked lost more (down 11%), on adverse inflation data. US credit fell with Treasuries, as the Fed kept tightening options open, though downgrade fears narrowed spreads. YTD HY returns have been positive except EM, and Bund IL recovered.

Inflation-linked bonds weakened in May, on fears of more policy tightening, and long duration squeezed returns, led by long UK IL, down 11% YTD in sterling terms. JGB IL lost 6-7% YTD, due to yen weakness, but Bund IL and Tips rallied 2-5% YTD, in sterling.

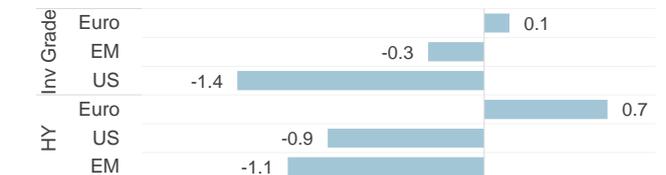
Credit remains a stronger performing area in fixed income YTD, and HY has been helped by the recovery in risk appetite, and correlation with the equity market rally. But the stronger sterling reduced returns YTD to only 1% in Euro and US HY.

INFLATION LINKED BONDS

1M GBP 1M LCY

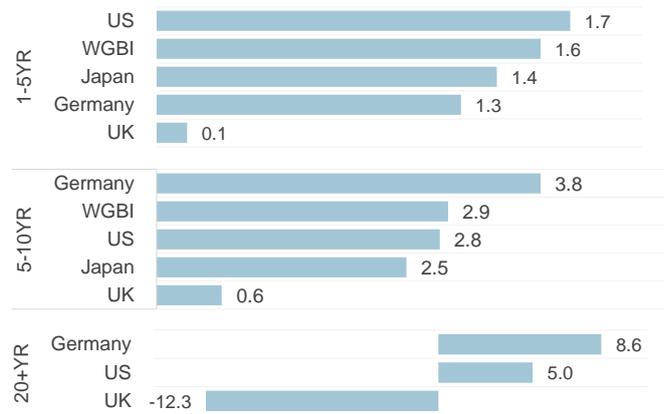
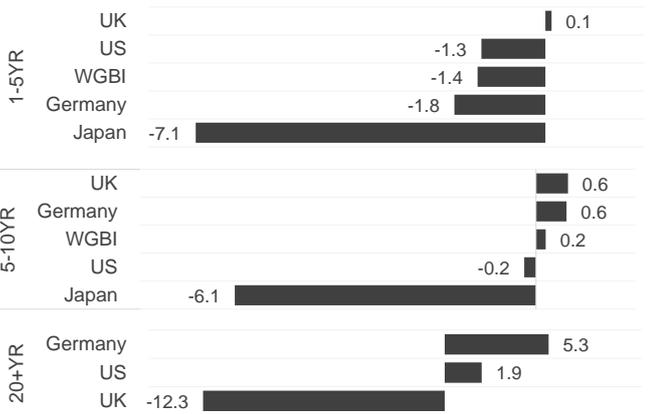


CORPORATE BONDS

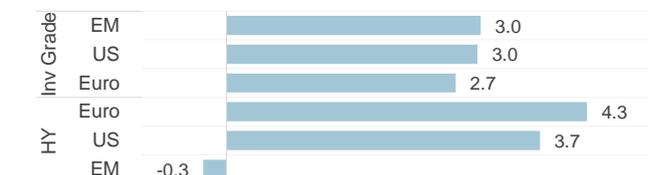
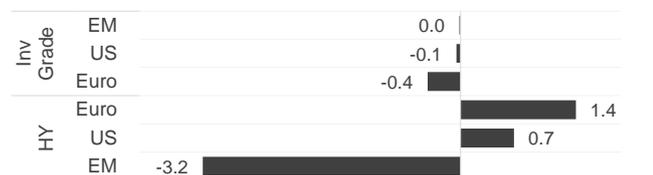


INFLATION LINKED BONDS

YTD GBP YTD LCY



CORPORATE BONDS



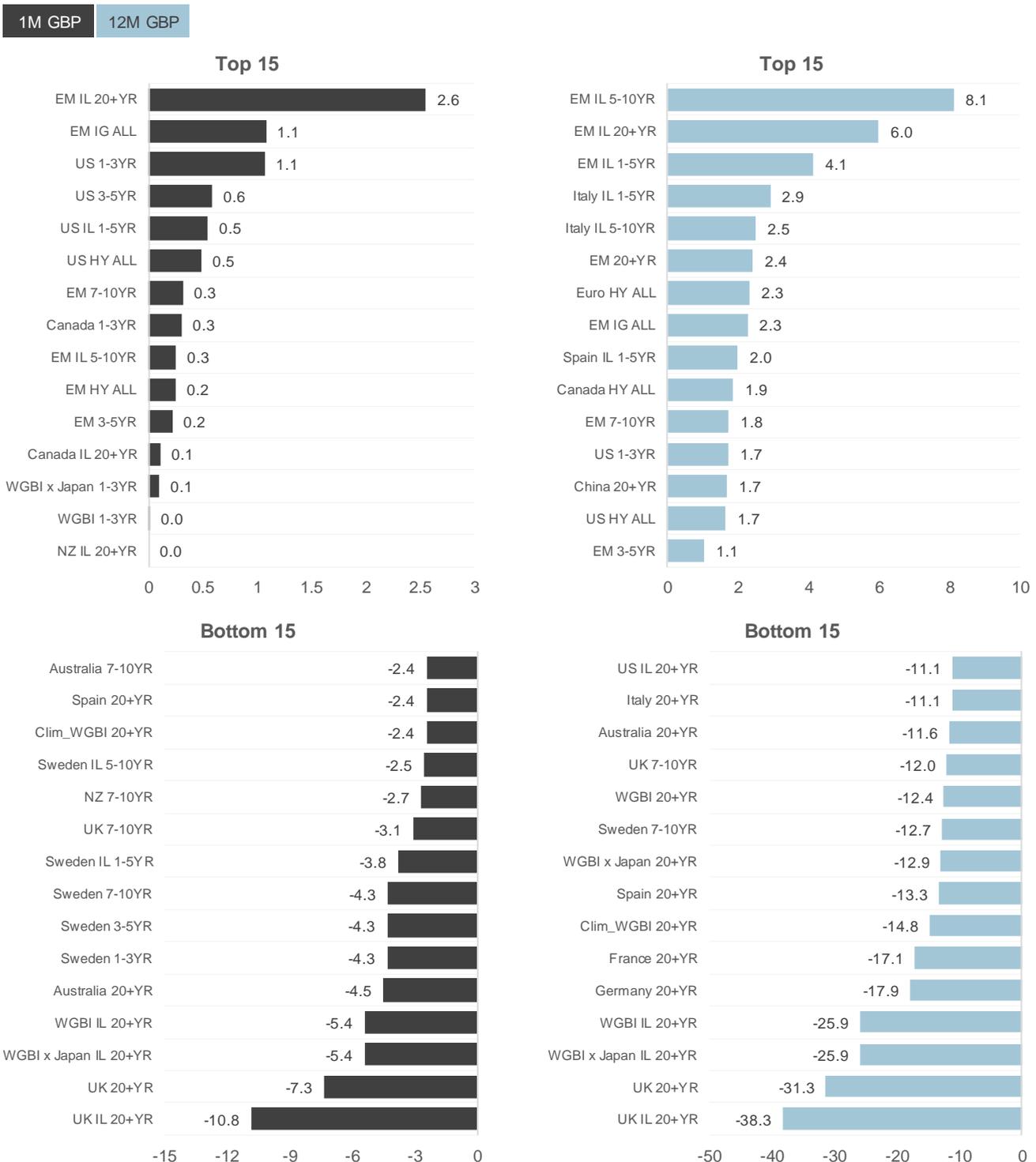
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Top and Bottom Bond Returns – 1M & 12M % (UK,TR) as of May 31, 2023

EM inflation linked and credit and short Treasuries showed the best returns in May and EM IL also did on 12M in sterling terms. Long duration bonds underperformed in May and on 12M, with WGBI ex Japan and long gilts losing 5-11% in May alone. Nearly all weakest 12M performers are long-dated government bonds, with losses of up to 38%, in sterling terms.

Short to medium maturities were mainly stable in May, except gilts, though sterling strength meant overseas returns were reduced (with the best returns of 1-3% in EM inflation linked and short Treasuries).

On 12M, long duration in inflation linked (IL) drove sizeable losses in 20+ year maturities, in sterling, as rates rose, with 11-38% losses in long WGBI, Eurozone, WGBI ex-Japan, and UK IL. But EM and short Italian IL still showed positive returns of 3-8%.



Source: FTSE Russell. All data as of May 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 % (UK & LC, TR) – May 31, 2023

Government Bond Returns

Top 15% Bottom 15%

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

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-3YR	1.52	-0.83	1.70	-2.28	1.54	-1.45	0.05	1.74
	7-10YR	3.07	0.68	1.80	-2.18	3.30	0.26	-2.88	-1.25
	20+YR	2.15	-0.22	1.89	-2.09	4.57	1.49	-9.46	-7.93
	IG All	2.04	-0.32	2.50	-1.51	2.98	-0.05	-1.57	0.09
	HY All	1.16	-1.19	2.94	-1.09	3.72	0.66	-0.02	1.67
UK	1-3YR	-0.25	-0.25	-0.41	-0.41	-0.34	-0.34	-1.98	-1.98
	7-10YR	-1.78	-1.78	-4.87	-4.87	-1.47	-1.47	-12.00	-12.00
	20+YR	-6.01	-6.01	-17.00	-17.00	-8.35	-8.35	-31.32	-31.32
EUR	IG All	1.59	-0.24	0.83	0.32	2.72	-0.41	-2.95	-1.79
	HY All	0.76	-0.85	3.51	3.05	4.28	1.44	1.23	2.34
Japan	1-3YR	0.06	-4.71	0.09	-3.95	0.20	-8.16	0.02	-6.36
	7-10YR	1.80	-3.05	0.07	-3.97	1.65	-6.83	-0.34	-6.69
	20+YR	3.56	-1.37	5.50	1.24	7.92	-1.08	-4.41	-10.50
China	1-3YR	1.13	-3.51	1.54	-1.90	1.33	-3.77	2.62	-2.23
	7-10YR	1.91	-2.76	2.83	-0.66	2.26	-2.88	3.68	-1.21
	20+YR	4.00	-0.77	5.25	1.68	3.52	-1.69	6.74	1.70
EM	1-3YR	1.42	-2.06	2.22	-0.29	1.79	-1.95	3.75	0.59
	7-10YR	2.76	-0.64	4.65	1.34	3.93	-0.21	6.19	1.75
	20+YR	3.30	-1.03	5.16	1.00	3.67	-1.51	7.30	2.44
	IG All	2.04	-0.33	4.21	0.13	3.02	-0.02	0.59	2.29
	HY All	-1.64	-3.92	3.15	-0.88	-0.27	-3.21	-1.58	0.08
Germany	1-3YR	1.30	-0.53	0.12	-0.40	0.86	-2.21	-2.11	-0.94
	7-10YR	3.72	1.84	-1.07	-1.58	3.65	0.49	-6.94	-5.83
	20+YR	4.17	2.29	-10.81	-11.26	3.34	0.19	-18.86	-17.89
Italy	1-3YR	1.46	-0.37	0.70	0.19	1.54	-1.56	-0.69	0.50
	7-10YR	3.63	1.76	0.59	0.08	6.05	2.82	-2.76	-1.60
	20+YR	3.04	1.18	-7.08	-7.56	6.80	3.54	-12.19	-11.14
Spain	1-3YR	1.32	-0.51	0.23	-0.28	1.16	-1.92	-2.03	-0.85
	7-10YR	3.33	1.47	-1.26	-1.77	3.76	0.59	-5.58	-4.45
	20+YR	2.43	0.58	-9.54	-10.00	2.57	-0.56	-14.31	-13.28
France	1-3YR	1.35	-0.48	0.21	-0.31	1.23	-1.86	-2.27	-1.10
	7-10YR	3.29	1.43	-1.81	-2.31	3.52	0.36	-6.85	-5.73
	20+YR	3.51	1.64	-11.33	-11.78	2.48	-0.64	-18.08	-17.10
Sweden	1-3YR	1.21	-5.27	0.28	-5.59	0.85	-6.30	-0.80	-9.32
	7-10YR	3.35	-3.27	-2.40	-8.12	1.41	-5.78	-4.52	-12.72
	20+YR					0.00	0.00	0.00	0.00
Australia	1-3YR	0.94	-5.38	0.75	-6.45	1.11	-6.35	1.35	-7.03
	7-10YR	2.96	-3.48	1.26	-5.98	5.13	-2.63	1.63	-6.77
	20+YR	2.37	-4.04	-1.63	-8.66	6.37	-1.48	-3.66	-11.62
NZ	1-3YR	1.31	-4.26	1.86	-5.55	2.02	-6.17	1.30	-5.16
	7-10YR	3.44	-2.26	0.88	-6.47	3.30	-4.99	-1.39	-7.67
Canada	1-3YR	0.75	-1.43	0.85	-3.36	1.00	-2.29	0.19	-5.20
	7-10YR	1.83	-0.37	-0.33	-4.48	2.06	-1.26	0.62	-4.79
	20+YR	2.17	-0.05	-1.28	-5.40	3.80	0.42	-2.44	-7.69

Source: FTSE Russell. All data as of May 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 % (UK & LC, TR) – May 31, 2023

Inflation-Linked Bond Returns

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates bottom 15%.

		3M		6M		YTD		12M	
		Local	GBP	Local	GBP	Local	GBP	Local	GBP
US	1-5YR	1.50	-0.86	1.32	-2.64	1.70	-1.29	-2.10	-0.45
	5-10YR	2.36	-0.02	1.28	-2.68	2.79	-0.24	-4.17	-2.56
	20+YR	1.30	-1.05	0.33	-3.60	4.97	1.87	-12.56	-11.08
UK	1-5YR	0.56	0.56	-0.22	-0.22	0.13	0.13	0.50	0.50
	5-10YR	-0.27	-0.27	-2.08	-2.08	0.64	0.64	-6.91	-6.91
	20+YR	-8.63	-8.63	-19.74	-19.74	-12.25	-12.25	-38.25	-38.25
EUxUK	1-5YR	1.02	-0.80	-0.54	-1.05	1.25	-1.83	-2.71	-1.54
	5-10YR	2.28	0.44	-0.21	-0.72	3.78	0.61	-4.21	-3.06
	20+YR	5.30	3.40	-6.69	-7.17	8.58	5.27	-11.49	-10.43
Japan	1-5YR	0.80	-4.01	1.27	-2.82	1.40	-7.06	2.50	-4.03
	5-10YR	3.23	-1.69	1.32	-2.76	2.46	-6.09	3.04	-3.52
EM	1-5YR	-0.84	-3.03	4.79	1.81	3.86	2.11	11.02	4.15
	5-10YR	0.53	-1.25	5.46	3.42	3.80	3.00	12.64	8.12
	20+YR	7.83	7.17	6.81	6.34	6.88	7.44	8.39	6.00
Germany	1-5YR	1.02	-0.80	-0.54	-1.05	1.25	-1.83	-2.71	-1.54
	5-10YR	2.28	0.44	-0.21	-0.72	3.78	0.61	-4.21	-3.06
	20+YR	5.30	3.40	-6.69	-7.17	8.58	5.27	-11.49	-10.43
Italy	1-5YR	1.20	-0.62	0.64	0.13	1.91	-1.20	1.70	2.92
	5-10YR	2.40	0.55	1.27	0.76	5.93	2.70	1.30	2.52
	20+YR	4.65	2.76	-8.42	-8.89	13.09	9.64	-3.91	-2.76
Spain	1-5YR	1.04	-0.79	0.81	0.29	1.67	-1.44	0.81	2.01
	5-10YR	1.89	0.05	-0.14	-0.65	3.39	0.24	-1.49	-0.31
France	1-5YR	1.11	-0.71	-0.28	-0.79	1.48	-1.61	-2.37	-1.20
	5-10YR	2.30	0.45	-0.86	-1.37	3.84	0.67	-3.93	-2.78
	20+YR	5.62	3.71	-8.32	-8.79	7.32	4.05	-10.50	-9.43
Sweden	1-5YR	0.61	-5.84	1.28	-4.65	1.25	-5.92	2.74	-6.09
	5-10YR	1.92	-4.61	-1.01	-6.80	2.05	-5.18	-2.29	-10.69
Australia	1-5YR	2.38	-4.03	3.44	-3.95	4.04	-3.64	5.97	-2.79
	5-10YR	3.89	-2.61	4.57	-2.90	6.96	-0.93	6.72	-2.10
	20+YR	6.82	0.13	0.61	-6.58	11.16	2.95	3.57	-4.99
NZ	5-10YR	3.86	-1.86	5.61	-2.08	5.49	-2.98	6.16	-0.61
	20+YR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	20+YR	0.51	-1.66	-1.17	-5.29	-0.51	-3.74	-0.35	-5.71

Source: FTSE Russell. All data as of May 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 – Historical Bond Yields % as of May 31, 2023

Global Bond Yields

Top 15% Bottom 15%

Green highlight indicates top 15%, red indicates 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	4.61	3.92	3.65	3.94	2.08	1.52	1.68	5.43	8.86
	3M Ago	4.90	4.34	3.93	4.01	1.82	1.57	1.65	5.55	8.62
	6M Ago	4.47	3.97	3.64	3.95	1.76	1.40	1.59	5.38	8.81
	12M Ago	2.44	2.80	2.84	3.21	-0.87	0.08	0.81	4.25	7.09
UK	Current	4.55	4.33	4.10	4.45	1.18	0.54	1.06		
	3M Ago	3.95	3.79	3.72	4.07	0.45	0.18	0.67		
	6M Ago	3.36	3.26	3.20	3.39	-1.95	-0.58	0.10		
	12M Ago	1.64	1.85	2.14	2.46	-3.51	-2.20	-1.05		
Japan	Current	-0.08	0.01	0.33	1.22	-1.51	-0.77			
	3M Ago	-0.04	0.11	0.53	1.35	-1.25	-0.36			
	6M Ago	-0.04	0.05	0.28	1.40	-1.44	-0.76			
	12M Ago	-0.07	-0.04	0.22	1.00	-1.46	-0.88			
China	Current	2.13	2.36	2.70	3.14					
	3M Ago	2.38	2.62	2.86	3.32					
	6M Ago	2.26	2.54	2.87	3.34					
	12M Ago	2.13	2.48	2.83	3.34					
EM	Current	3.74	4.16	4.62	4.44	4.34	4.24	5.00	5.78	12.12
	3M Ago	3.71	4.48	4.88	4.57	1.46	3.33	5.35	5.95	10.85
	6M Ago	3.72	4.51	4.89	4.89	2.45	3.14	5.10	6.08	12.18
	12M Ago	3.48	4.43	5.08	4.93	2.29	2.94	5.02	4.60	10.77
Germany	Current	2.71	2.30	2.20	2.40	0.37	-0.04	-0.13		
	3M Ago	3.09	2.78	2.59	2.57	0.22	0.08	0.03		
	6M Ago	2.04	1.95	1.91	1.81	-0.59	-0.41	-0.54		
	12M Ago	0.32	1.25	1.54	1.81	-1.46	-0.84	-0.50		
Italy	Current	3.35	3.42	3.89	4.43	1.11	1.62	1.80		
	3M Ago	3.65	3.81	4.18	4.55	0.84	1.69	1.90		
	6M Ago	2.73	3.09	3.59	3.86	0.12	1.32	1.35		
	12M Ago	1.10	2.06	2.99	3.58	-2.21	0.64	1.44		
France	Current	2.83	2.63	2.68	3.24	0.22	0.20	0.53		
	3M Ago	3.18	3.03	3.01	3.37	-0.05	0.24	0.69		
	6M Ago	2.25	2.19	2.27	2.59	-0.94	-0.39	0.09		
	12M Ago	0.46	1.10	1.67	2.49	-3.03	-0.93	0.26		
Sweden	Current	2.97	2.62	2.31		0.74	0.55			
	3M Ago	3.18	2.96	2.65		0.64	0.72			
	6M Ago	2.52	2.21	1.93		-0.29	-0.26			
	12M Ago	1.17	1.69	1.57		-1.53	-1.31			
Australia	Current	3.51	3.38	3.58	4.12	0.42	1.03	1.59		
	3M Ago	3.66	3.65	3.83	4.19	0.50	1.26	1.78		
	6M Ago	3.12	3.22	3.49	3.92	-0.08	0.90	1.43		
	12M Ago	2.69	3.31	3.52	3.77	-0.27	0.91	1.70		
NZ	Current	5.08	4.35	4.28	4.46	1.23	1.85			
	3M Ago	5.06	4.68	4.57	4.67	1.40	2.07			
	6M Ago	4.67	4.39	4.12	4.28	1.49	1.97			
	12M Ago	3.41	3.53	3.60	3.84	0.46	1.42			
Canada	Current	4.04		3.22	3.18			1.44	5.24	7.61
	3M Ago	4.04		3.35	3.26			1.34	5.16	7.19
	6M Ago	3.70		2.96	3.02			1.20	5.07	7.37
	12M Ago	2.65		2.88	2.90			0.91	4.44	6.43

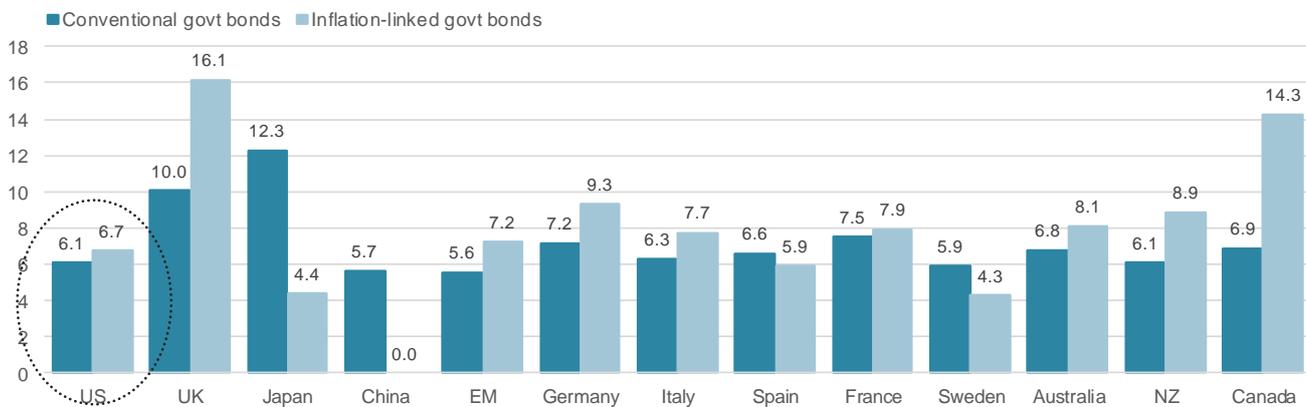
Source: FTSE Russell. All data as of May 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors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

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

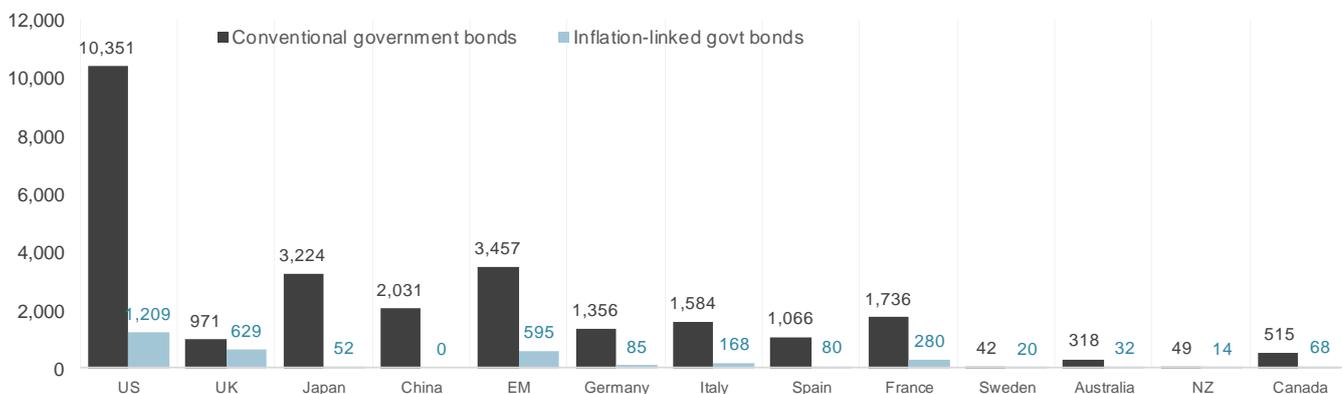
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.5	17.5	6.1	2,270.3	1,104.8	1,295.2	10,351.4	7.1	21.7	6.7	389.2	123.7	1208.8
UK	3.6	7.5	18.4	10.0	130.1	142.8	274.7	971.0	6.7	28.1	16.1	125.9	230.5	629.2
Japan	3.9	8.0	24.0	12.3	354.9	376.7	719.0	3,224.0	7.3		4.4	18.7		51.6
China	3.6	7.4	17.6	5.7	449.7	342.9	239.1	2,030.8						
EM	3.5	6.9	15.9	5.6	717.89	629.60	334.03	3,456.5	5.5	13.8	7.2	122.3	151.4	595.4
Germany	3.9	7.7	20.5	7.2	285.71	211.86	148.47	1,356.1	7.4	22.1	9.3	40.8	19.0	84.7
Italy	3.7	7.3	16.3	6.3	297.46	234.51	143.75	1,584.4	6.5	26.6	7.7	57.2	5.4	167.7
Spain	3.5	7.3	17.3	6.6	207.38	186.52	101.46	1,066.2	7.0		5.9	22.2		79.6
France	3.7	7.5	20.3	7.5	287.84	342.44	207.96	1,735.9	6.9	24.6	7.9	100.1	20.7	279.6
Sweden	3.3	7.9		5.9	7.34	8.73		41.8	6.0		4.3	9.5		20.4
Australia	3.6	7.7	17.8	6.8	41.13	101.68	15.27	317.6	7.3	22.7	8.1	9.5	2.7	32.4
NZ	3.3	7.5	17.6	6.1	8.95	12.57	2.32	48.6	6.5		8.9	3.1		13.7
Canada		7.1	16.4	6.9		162.00	110.70	515.4		14.3	14.3		67.7	67.7

	Investment grade bonds					High Yield						
	Duration					Market Value						
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	11.0	8.5	7.2	6.7	7.1	74.1	448.0	2,487.3	3,322.3	6,331.7	4.0	1,140.6
Euro	6.1	5.0	4.6	4.3	4.5	10.2	178.6	1,098.3	1,428.7	2,715.8	3.1	410.4
EM		5.8	4.9	5.0	5.0		45.14	226.34	335.7	607.2	3.3	191.1

Average Duration



Total Market Value (USD Billions)

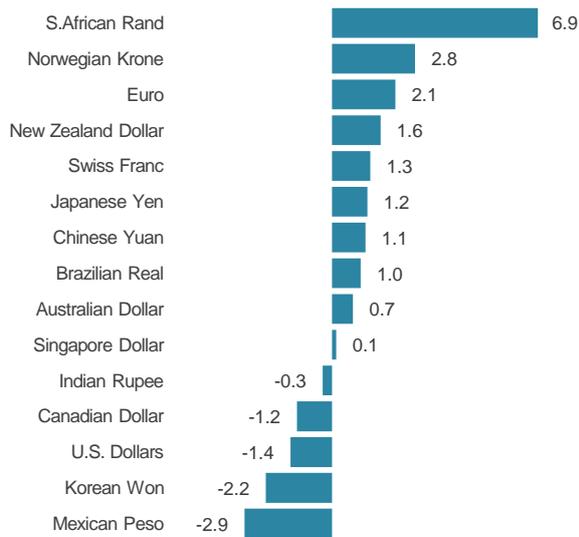


Data as of 2023-05-31

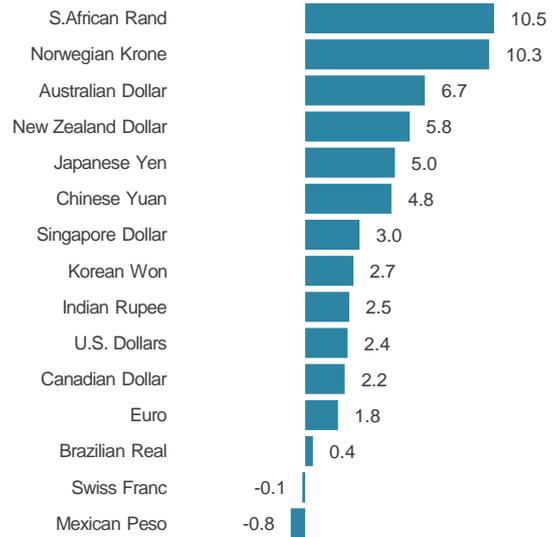
Source: FTSE Russell. All data as of May 31, 2023. Past performance is no guarantee of future results. Please see the end for important legal disclosures. Bond market data is derived from FTSE Fixed Income Indices. See Appendix Glossary for list of indices used for each market. For professional investors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

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

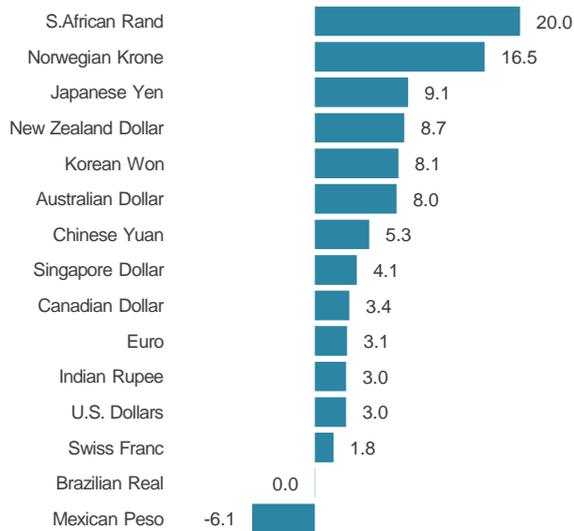
FX Moves vs GBP – 1M



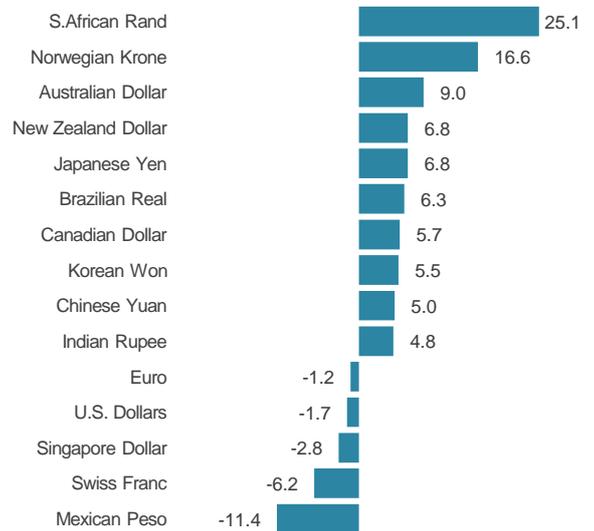
FX Moves vs GBP – 3M



FX Moves vs GBP – YTD



FX Moves vs GBP – 12M



Source: FTSE Russell and Refinitiv. All data as of May 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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