

Fixed Income Insights

MONTHLY REPORT - MARCH 2023 | JAPAN EDITION

FOR PROFESSIONAL INVESTORS ONLY

Dovish policy signals from BoJ Governor-elect boosts JGBs but exit risks remain

BoJ Governor-elect Ueda’s initial policy comments suggest no rapid exit from BoJ curve control policy. This helped JGBs rally in February, despite stronger data driving a sell-off in Treasuries, but exit strategy risks remain. The spring wage round now moves centre stage, as a sustainability test for higher inflation.

Growth and inflation expectations – Doubts about soft landing for inflation increase?

IMF upgrades Japan growth forecasts modestly, but doubts about soft landing for US and G7 inflation re-emerge. (pages 2-3)

Yields, curves and spreads – Central bank caution prevails as bearish inversion develops, excluding JGBs

Yield curves are deeply inverted, but February’s bearish inversion was driven by sharp increases in 2-year yields. (pages 4-5)

Performance – Only in JGBs did duration not prove an unreliable friend again, in February

Apart from JGBs, it was back to the negative performance of 2022 in February, as duration proved an investor’s enemy. (pages 6-8)

Sovereign and climate bonds – Relative performance dominated by country weights and duration

Climate-WGBI underperformed WGBI in February, reflecting the US underweight in climate-WGBI. (page 9)

Appendix (from page 10)

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

Chart 1: Deep inversion of 10s/2s yield curves continues (exc. Japan), though JGB investors are at least rewarded for taking duration risk.

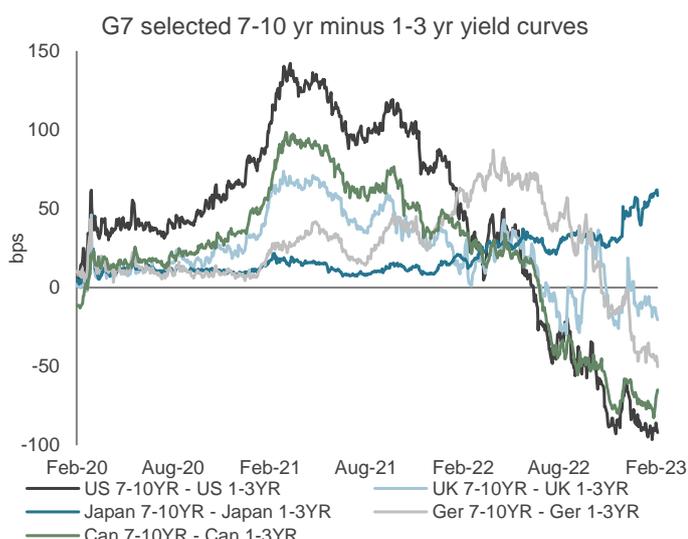
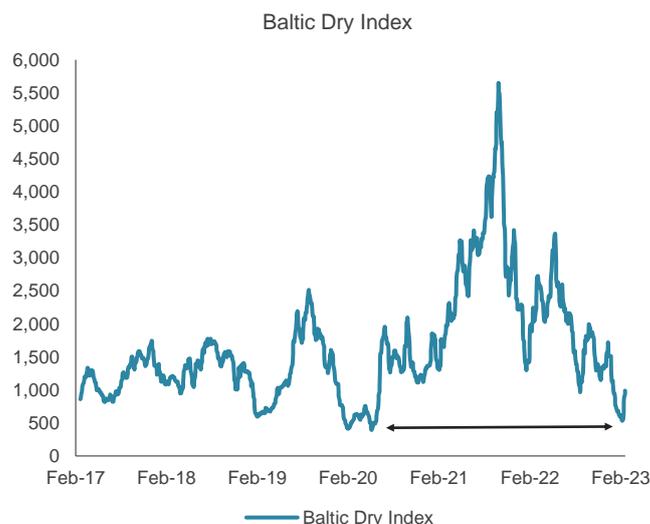


Chart 2: The Baltic Dry Index for shipping costs has returned to pre-Covid levels, as supply-chain pressures have eased sharply.



Macroeconomic Backdrop – Growth and Inflation Expectations

IMF growth forecasts were raised for 2023, with few immediate recessionary signals evident, after the decline in energy prices since Q4. Despite hitting 4.3% y/y in January, Japanese inflation is forecast to fall in 2023, unless wage inflation accelerates in the spring wage round. The collapse in the Baltic Dry (see cover) suggests easing supply-chain issues.

Latest IMF growth forecasts were upgraded (inc. Japan), after stronger Q4 data in most economies. The US economy is showing few immediate recessionary signals. Japanese growth is constrained by a shrinking labour force, which fell again in 2022.

Japanese inflation picked up to a 42-year high of 4.3% in January, boosted by the weaker yen. Japanese forecasts for 2023 have edged higher (Chart 2) but inflation is projected to fall back sharply from current levels, making the spring wage round important.

Chart 3 shows Japanese wage inflation trended higher since Covid, reflecting the contracting labour force and labour shortages, as demand recovered. The labour force participation rate remains relatively low, at 62.5%, versus the all-time high of 67.9% in 1968, suggesting reduced labour supply elasticity as the population ages, which is confirmed in high job vacancies.

G7 7-10-year inflation breakevens remain about 20-35bp below Oct 31 2022 levels, despite the modest reversal in February, as Chart 4 shows. Relative stability of medium and longer dated breakevens in Japan persists, despite a 42-year high inflation.

Chart 1: Apart from Canada (unchanged) and a revision down to the UK, all IMF growth forecasts for 2023 from January show modest revisions higher, in response to stronger Q4 data.

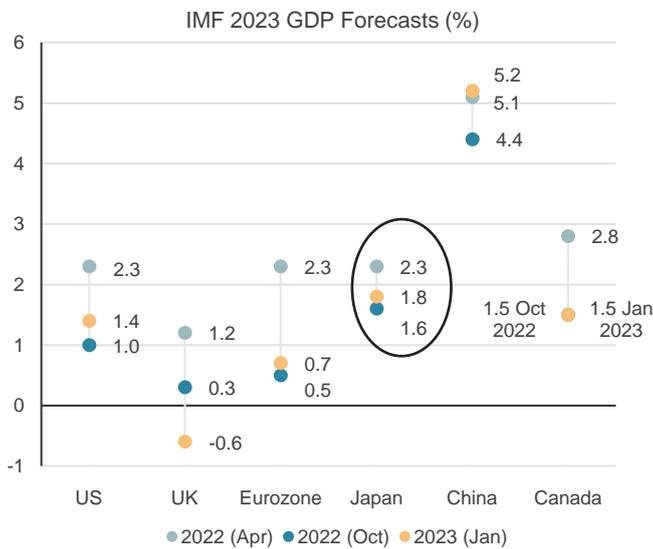


Chart 2: Anatomy of a soft landing? Japanese inflation forecasts were revised higher, after CPI reached 4.3% y/y in January. But sustaining higher inflation may require a strong spring wage round.

	2023	Change Since Jan-23 (Bps)	2024	Change Since Jan-23 (Bps)
US	3.8	10	2.5	0
UK	7.0	0	2.6	10
Eurozone	5.6	-40	2.5	0
Japan	2.0	20	1.4	10
China	2.3	0	2.3	0
Canada	3.7	0	2.2	0

Chart 3: Wage inflation has moved higher in Japan, since the initial Covid shock. The spring wage round is a key test of whether inflation of 2%+ gets institutionalised in nominal contracts.

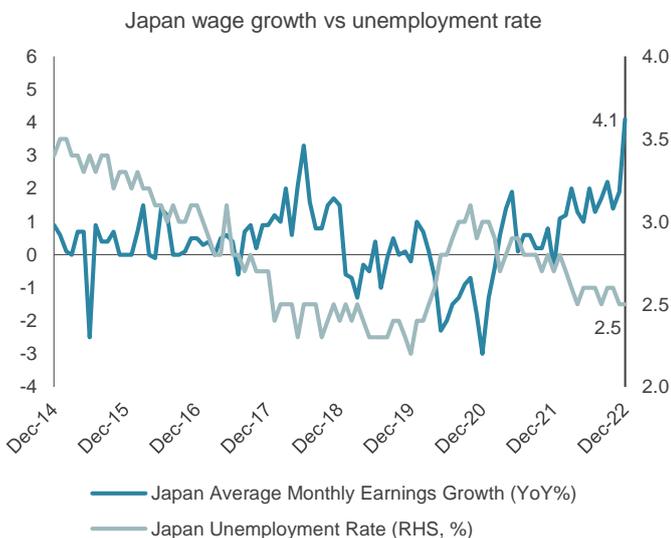
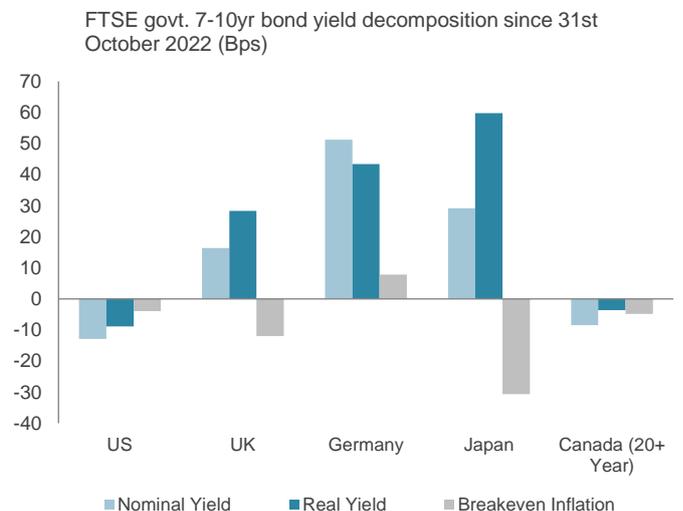


Chart 4: Despite a modest increase in February, 7-10yr inflation breakevens have fallen back across the G7 since Oct.31, and even in Japan where headline inflation hit a 42-yr high in January.



Source: FTSE Russell and Refinitiv. All data as of February 28, 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

Lower bond yield and tighter credit spreads, which eased financial conditions since October, reversed in February, as stronger data drove bond yields higher. BoJ Governor-elect Ueda may be well placed to create an exit strategy from QE in Japan, given his independence from the Kuroda regime, but further evidence of sustainably higher inflation is needed first.

M2 growth has slowed sharply throughout the G7, including Japan, as Chart 1 shows. Weak loan demand is a factor in this but the decline in Japanese M2 growth is not encouraging for the sustainability of higher inflation rates in Japan.

Chart 2 shows the US dollar rebounded modestly in February, in response to the stronger data, but that the US dollar's previous negative correlation with energy and commodity prices, broke down in 2022/23. The positive correlation of a strong US dollar with strong energy prices in 2022/23 increased inflation pressures in Europe and Japan, complicating inflation control.

In the US and Europe, central banks duly raised rates again in February. Only the BoC has signalled a pause in tightening to assess its impact. It would be a major surprise if BoJ adjusted curve control further in advance of Governor-elect Ueda taking office in April.

The BoJ is the only G7 central bank still expanding its balance sheet, as Chart 4 shows, but the appointment of Kazuo Ueda as next BoJ Governor, to succeed Governor Kuroda on April 8 (if confirmed by the Diet) may increase the chances of an earlier Japanese exit from QE asset purchases, given his greater independence from the outgoing Governor Kuroda's QE policy.

Chart 1: Japanese M2 growth has fallen since 2020, though monthly moves are volatile, reflecting swings in BoJ asset purchases. Weak M2 growth also reflects weak credit demand.

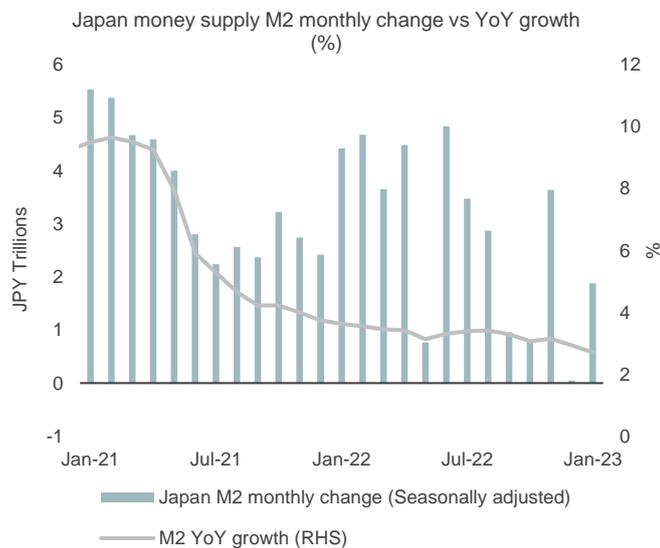


Chart 2: The US dollar's negative correlation with the oil price has weakened. The positive correlation of strong energy prices and US dollar reinforced inflation pressures on Europe & Japan in 2022.

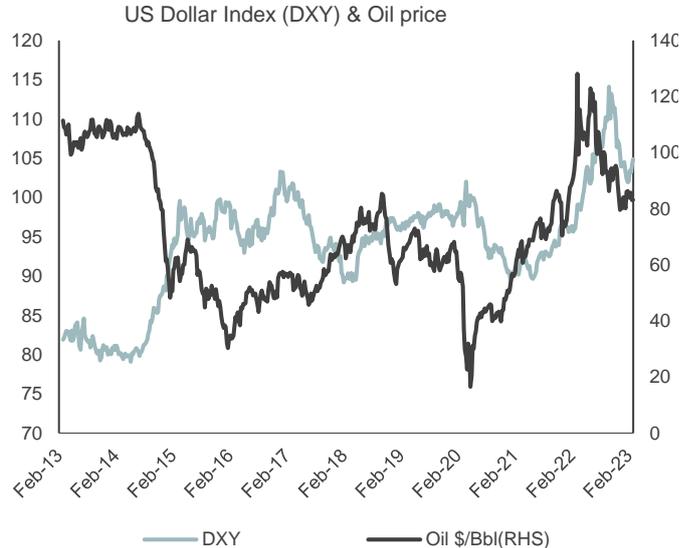


Chart 3: Steep G7 central bank rate rises were main drivers of the tightening in financial conditions in 2022. But policies in Japan and China diverged, increasing the rate differentials with other nations.

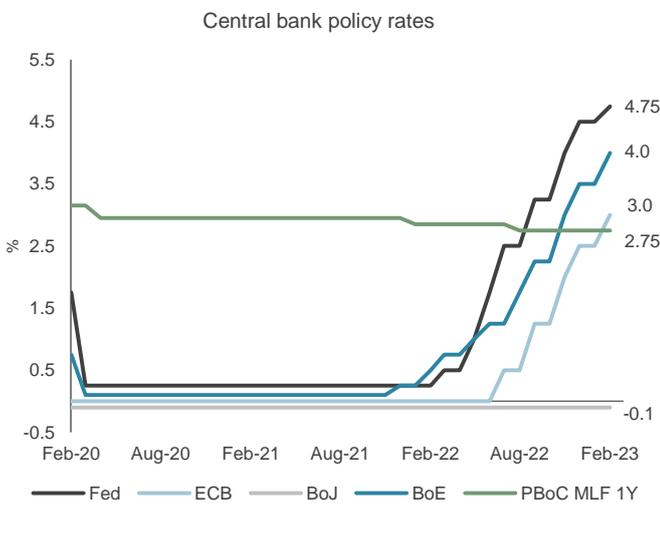
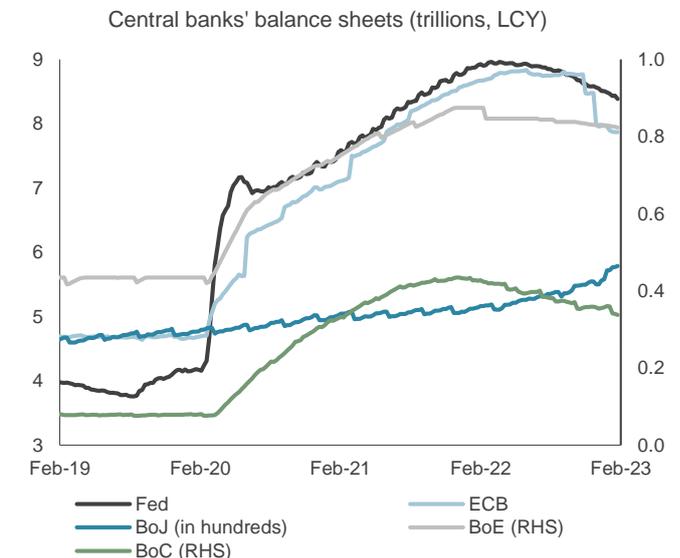


Chart 4: Only the BoJ of G7 central banks is not embarked upon QT as it seeks to sustain inflation near the 2% target. The newly appointed BoJ Governor will reassess policy on arrival in April.



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Global Yields, Curves and Spread Analysis

Chart 1: G7 bond yields reversed January declines in February, led by Treasuries, as markets reacted to robust US data, but JGB yields de-coupled, after dovish comments from BoJ Governor-elect Ueda.

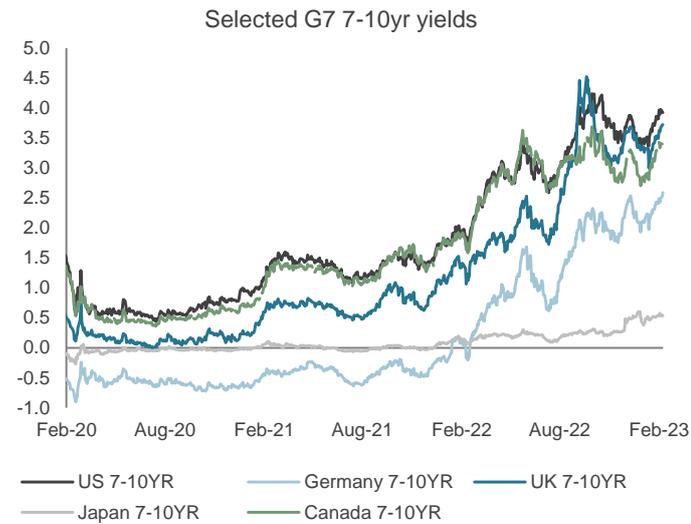


Chart 2: WGBI and US Inflation-linked yields are firmly positive, and just so in the UK and Germany. But real yields backed up less than nominal yields in February, as breakevens rose (see Charts 5 & 6).



Chart 3: Deep inversion of 10s/2s yield curves continues (exc. Japan) but this time a bear inversion (yields rising more in 2yrs than 10yrs). This leaves investors unrewarded for extra duration risk.

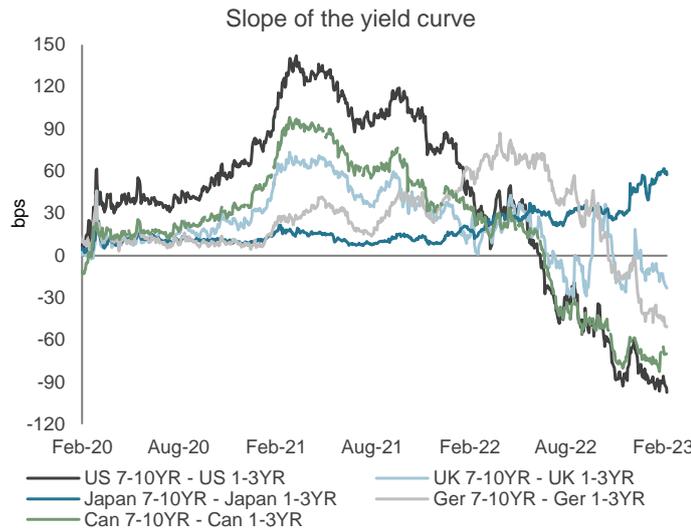


Chart 4: At the long end, only Japan and the UK have retained positively sloped yield curves, unlike the US, Germany and Canada, which, like 10/2s in Chart 3, have deeply inverted curves.

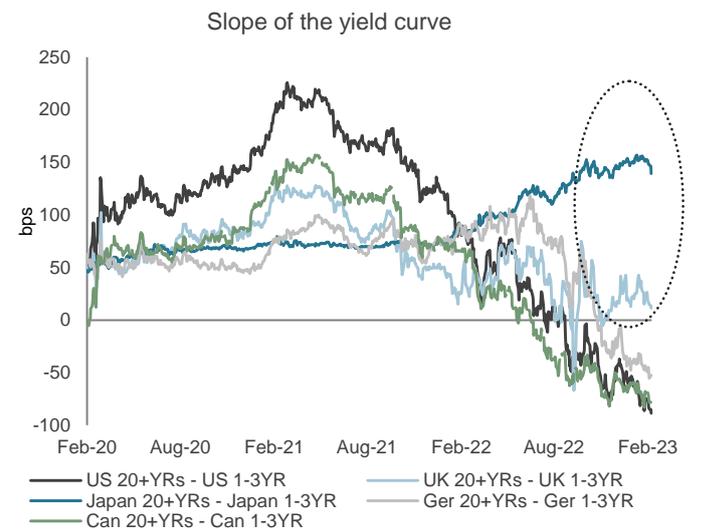


Chart 5: 7-10yr breakevens reversed their recent declines, and rose in February, as government yields rose after inflation showed little signs of easing sharply, despite monetary tightening in 2022-23.

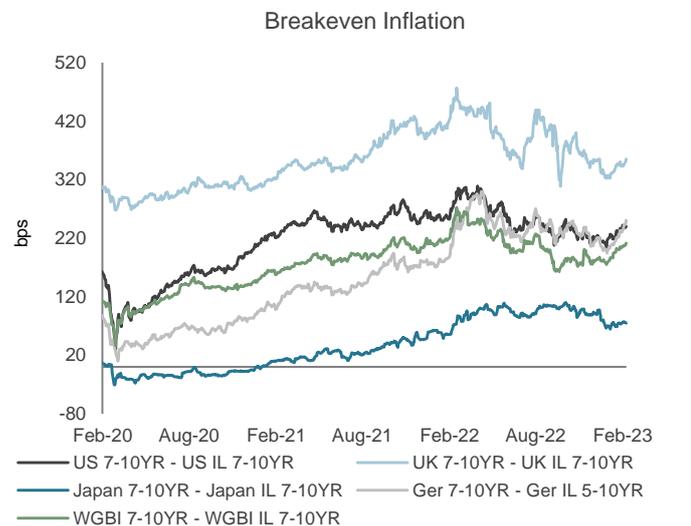


Chart 6: Short WGBI breakevens moved sharply higher in February, reversing falls since the 2022 Ukraine spike, as January data proved stronger than expected. Longer breakevens reacted less.



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Yield Spread and Credit Spread Analysis

Chart 1: US 7-10-year spreads have remained relatively flat against their G7 equivalents in February, except against Japan, where spreads widened after the BoJ kept its curve control policy.

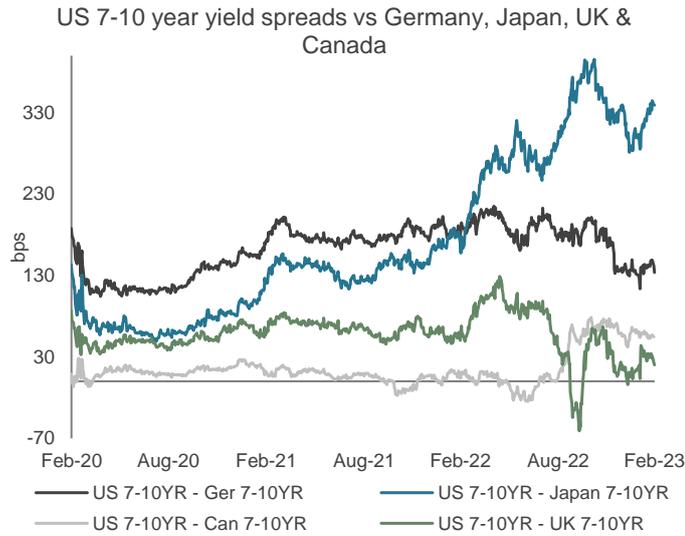


Chart 2: Italy 7-10yr spreads vs the US are a little higher than 2018-19, unlike vs Germany & France, where spreads fell sharply since Q4 2022. This may reflect the ECB's huge potential sales of Bunds.

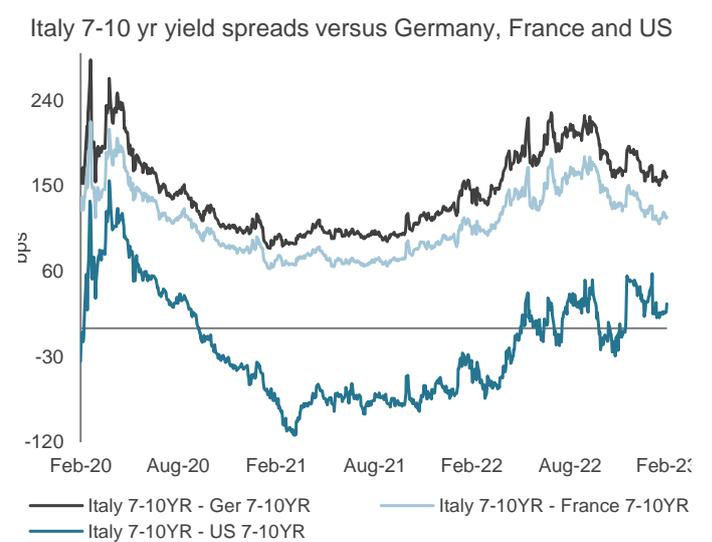


Chart 3: EM spread narrowing partly reflects higher G7 yields, but at no point have EM spreads spiked since Covid, as they did in genuine crises previously.

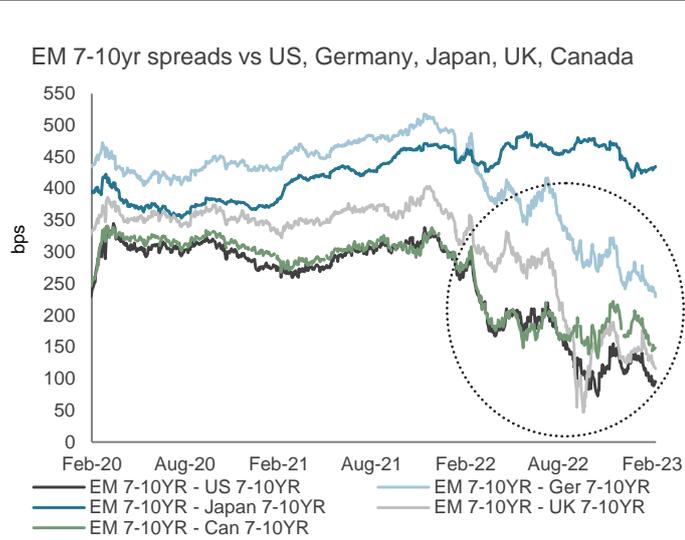


Chart 4: Low correlation of Chinese yields to G7 yields is well documented and does not appear directional, enhancing the portfolio diversification benefits of Chinese government bonds.

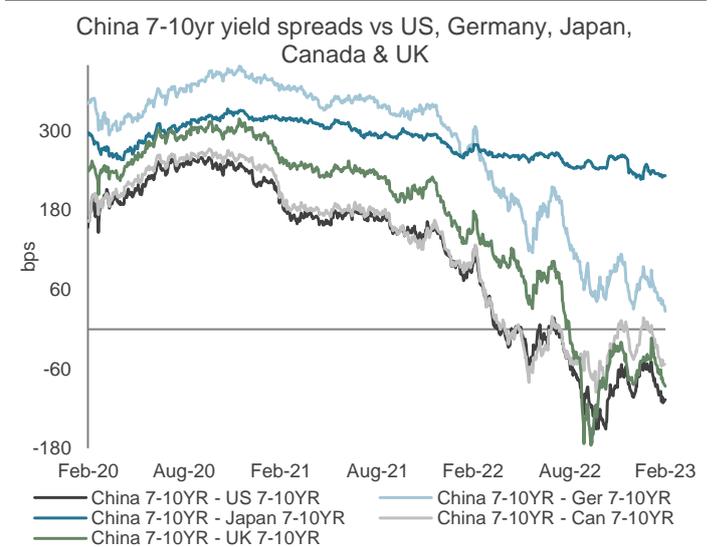


Chart 5: US and Eurozone credit spreads re-coupled in February after decoupling for much of 2022 as credit defaults remain low in both regions. The move is most noticeable in high yield credits.

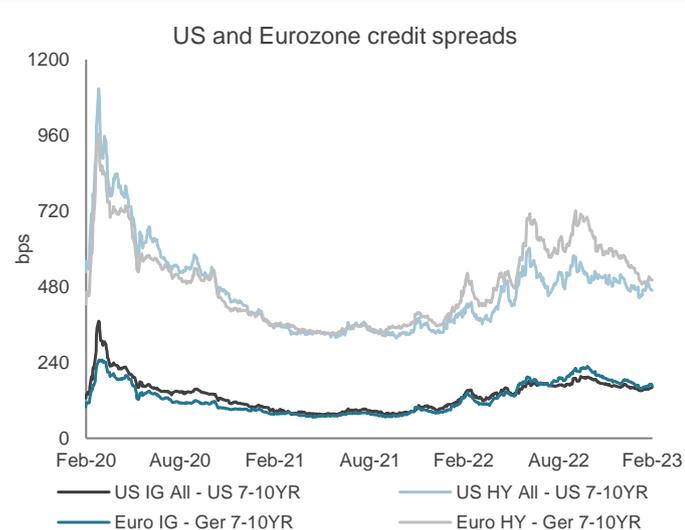


Chart 6: The sharp fall in Chinese \$ HY spreads stabilized in February, as investors reflected on property fundamentals and high yield risk appetite fell back on US inflation concerns.



Global Sovereign Bond Returns – 1M % (JPY & LC, TR) as of February 28, 2023

Longer dated global bonds reversed January gains in February after markets were unnerved by robust US economic data, but JGBs rallied, helped by ongoing BoJ curve control in 10yrs. The yen fell sharply, as a result, boosting overseas returns in yen terms, but long dated Bunds and gilts still lost 4-5%. China outperformed, helped by currency gains.

Long-duration conventionals were hit hardest in February, though short overseas govts.gained 2-4%, helped by yen weakness.

Chinese medium and long bonds gained 2%, only bettered by the 4.9% in long JGBs, which clawed back January losses. Low inflation meant the PBoC was able to inject liquidity into money markets and the renminbi gained ground against the weak yen.

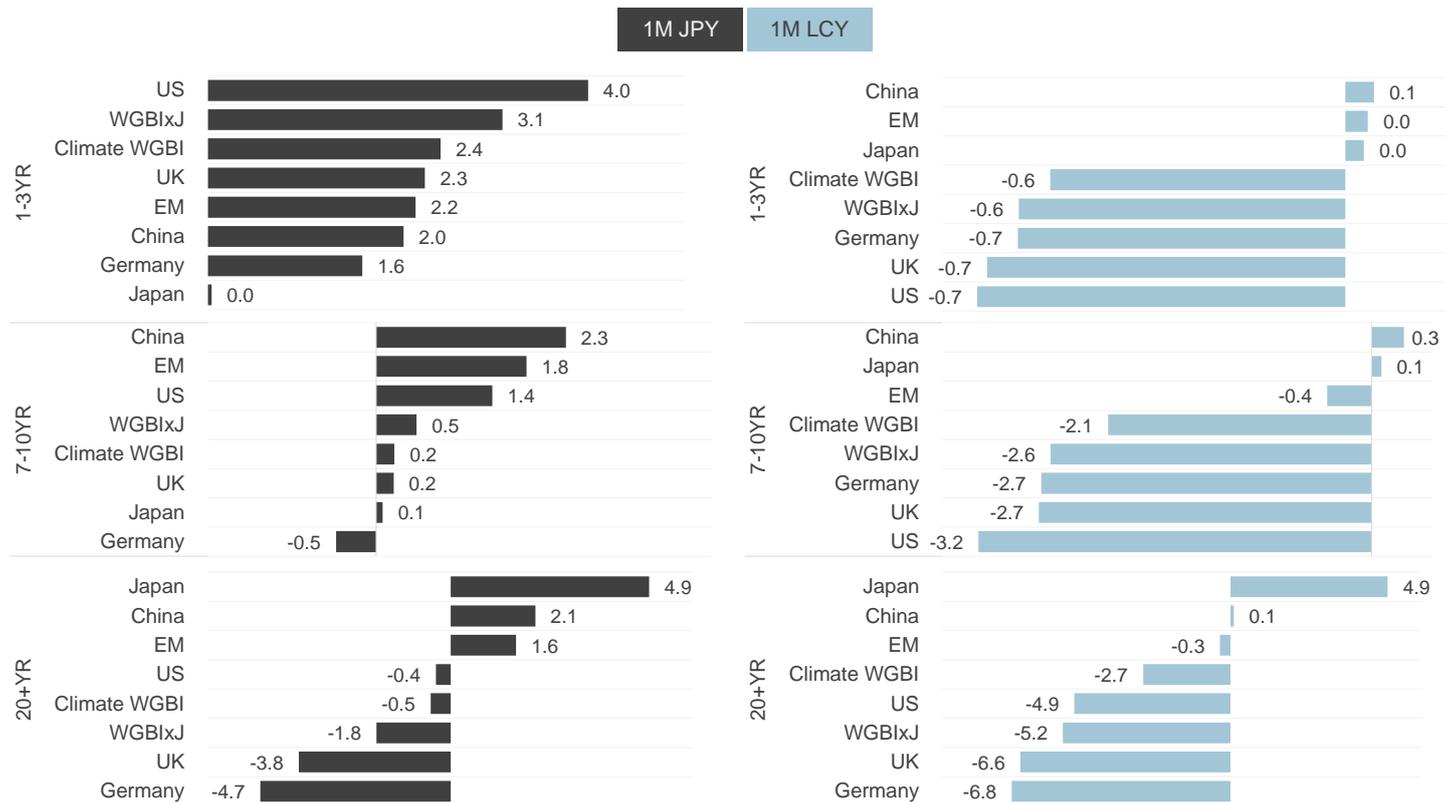
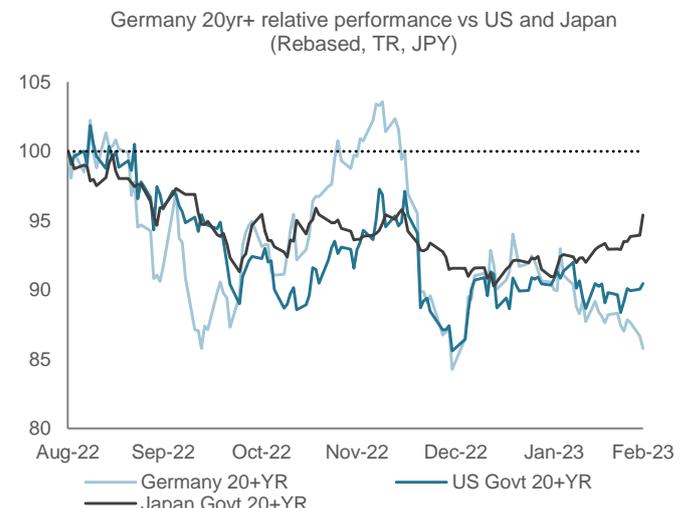
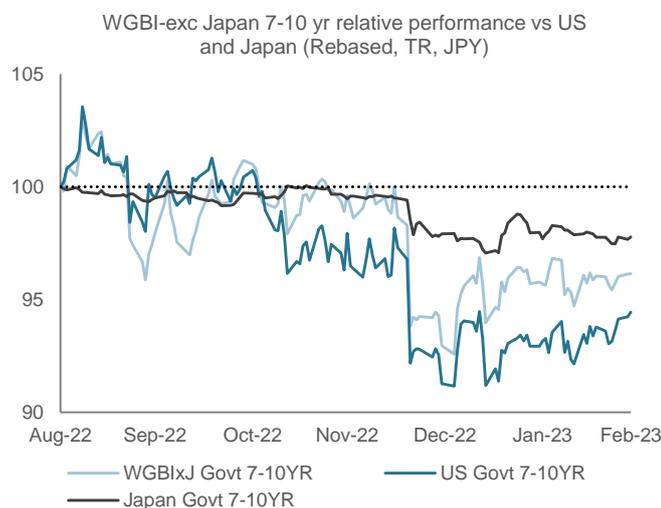


Chart 1: Signs the JGB market has become moribund in the 7-10 year area increase, as trading volume falls; 10-year JGBs rarely trade in the open market, and prices rarely move.

Chart 2: Long JGBs failed to participate in the November G7 rally, as fears about the sustainability of the BoJ's yield curve control deepened, and investors eschewed long maturities.



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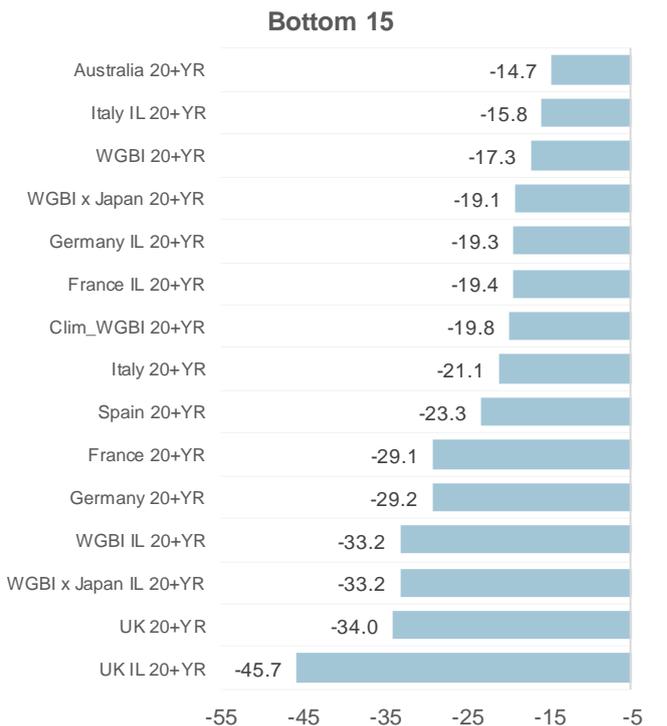
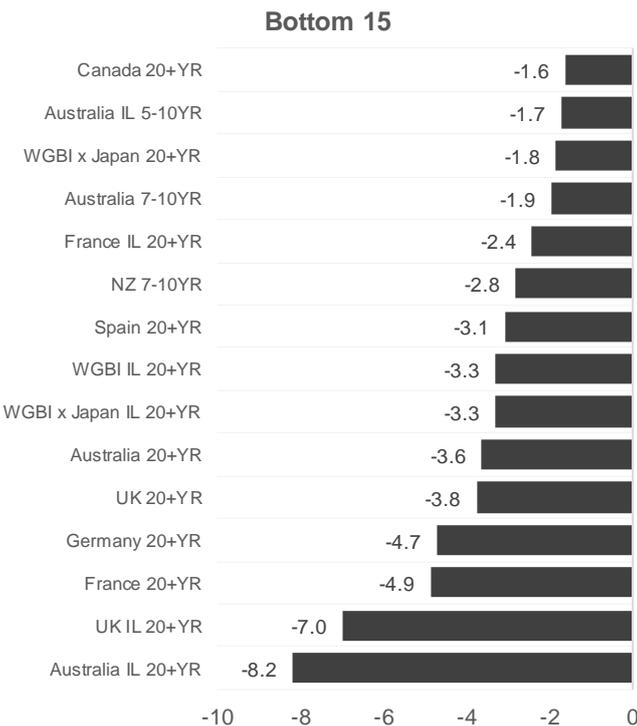
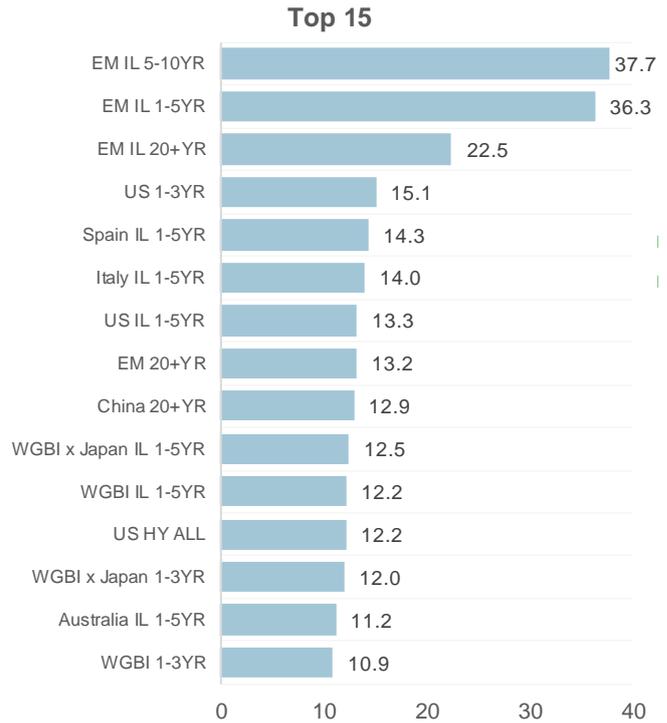
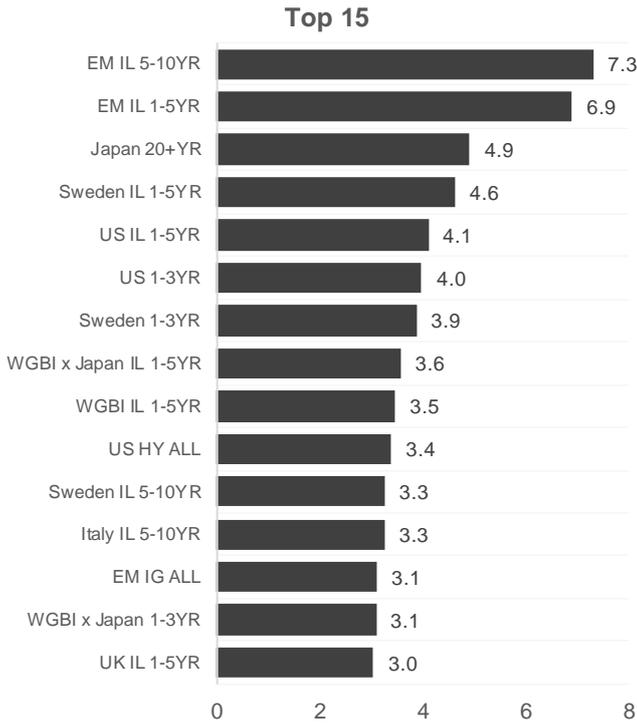
Top and Bottom Bond Returns – 1M & 12M % (JPY,TR) as of February 28, 2023

Bottom 15 performers show February's sell-off was acute in long duration inflation-linked (IL) bonds and conventionals, repeating the pattern of the last 12M. Australian and UK long IL lost 7-8% in yen terms, reversing January's rally. Long JGBs rallied 5% in February, but Emerging market IL proved top performers, and gained 38% on 12M, in yen terms.

Short-dated bonds outperformed in February, as yen weakness boosted returns for a yen investor. In credit, US HY outperformed US IG, and gained 3%.

Pronounced yen weakness over 12 months reduced overseas losses for a yen investor in long conventional and inflation-linked bonds substantially, though long Bunds, UK and Australian IL still lost 5-8% in yen terms.

1M JPY 12M JPY



Sovereign and Climate Bonds Analysis

Chart 1: Extra duration in the climate WGBI, since 2022's re-weighting, caused underperformance vs WGBI as yields increased.

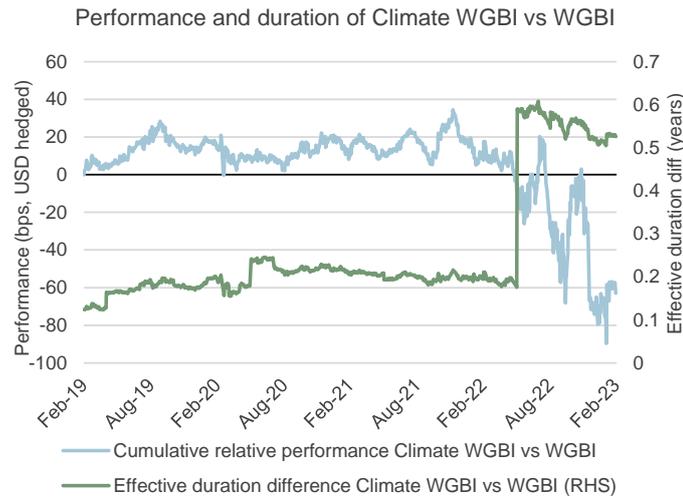


Chart 2: Japan's overweight, and the US underweight, are the most significant in the climate WGBI, driving 2022/23 performance.

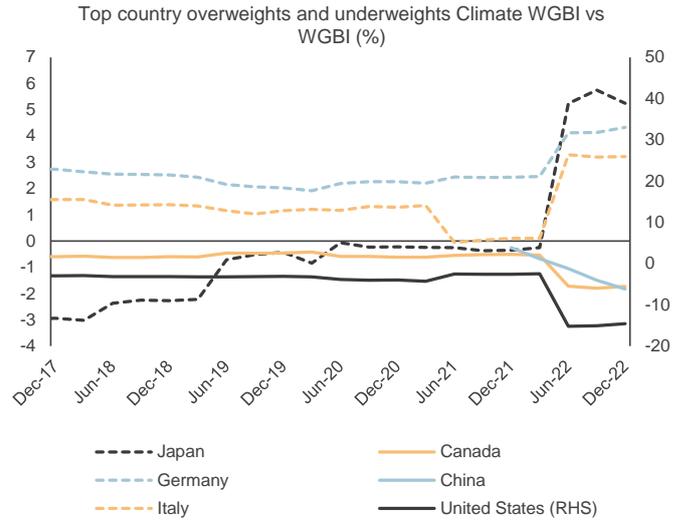


Chart 3: Climate WGBI has a lower yield to maturity versus WGBI, reflecting the higher weight of lower yielding Europe and Japan.

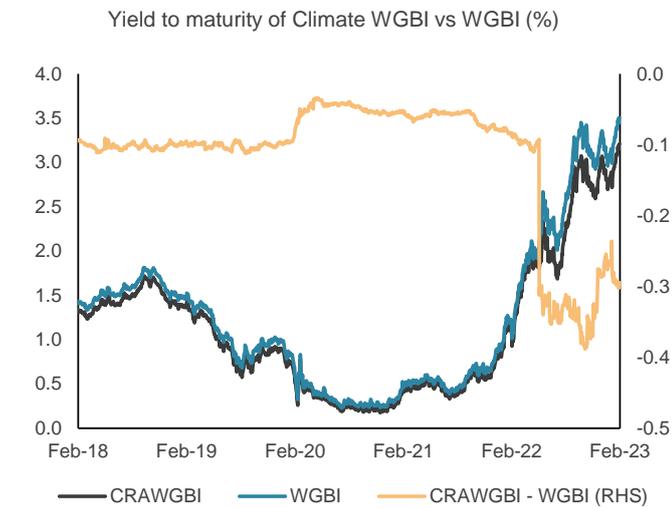


Chart 4: Big differences in Credit Quality: Climate WGBI has a lower weight in AA and a higher weight in AAA, A & BBB vs WGBI.

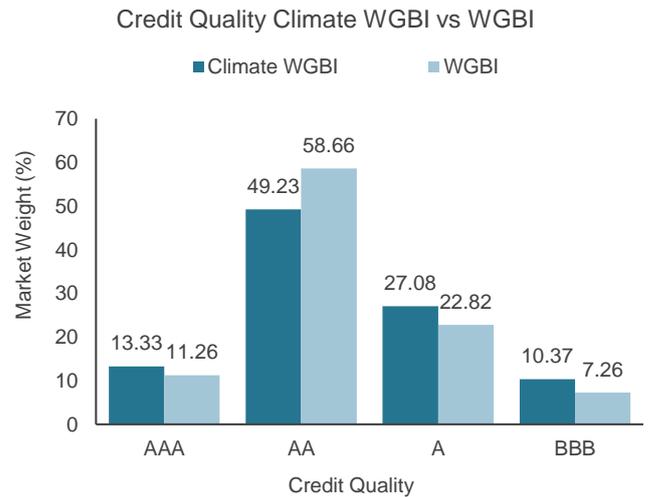


Chart 5: Despite yields increasing more in WGBI indices in 2022, led by US, climate WGBI's extra duration drove underperformance.

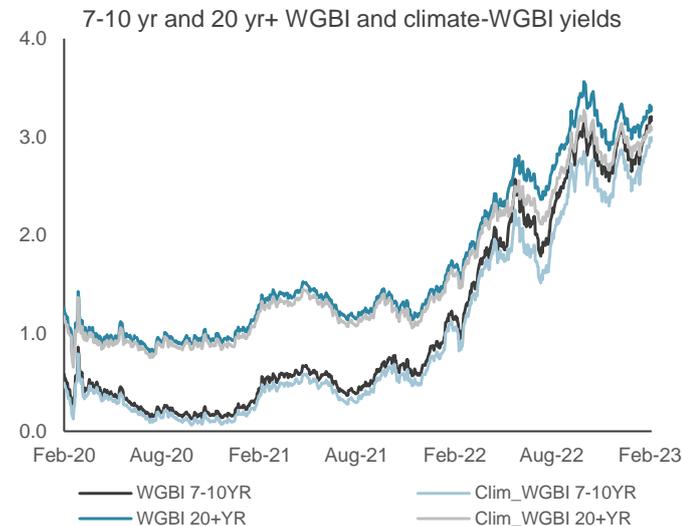


Chart 6: There was some reversal of recent spread narrowing in WGBI as US yields rose more in February (see Chart 1, page 5).



Appendix – Global Bond Market Returns % (JPY & LC, TR) – February 28, 2023

Government Bond Returns

Top 15% Bottom 15%

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

		3M		6M		YTD		12M	
		Local	JPY	Local	JPY	Local	JPY	Local	JPY
WGBI	1-3YR	-0.11	-1.46	-0.65	-0.94	0.00	2.85	-2.70	10.92
	7-10YR	-2.49	-3.16	-3.98	-3.56	0.32	2.92	-11.47	-2.12
	20+YR	-4.10	-5.05	-8.90	-8.80	1.60	4.04	-25.20	-17.27
WGBI x Japan	1-3YR	-1.01	-2.23	-2.00	-1.95	-0.15	2.90	-6.82	7.18
	7-10YR	-2.58	-3.49	-4.35	-3.85	0.46	3.43	-13.46	-1.91
	20+YR	-5.69	-6.87	-10.21	-9.96	0.87	4.02	-28.99	-19.06
US	1-3YR	0.17	-2.21	-0.44	-2.17	0.02	3.25	-2.71	15.07
	7-10YR	-1.23	-3.58	-3.89	-5.56	0.23	3.47	-12.66	3.29
	20+YR	-0.25	-2.63	-7.94	-9.54	2.37	5.68	-25.34	-11.71
	IG All	0.45	-1.94	-1.17	-2.89	0.92	4.18	-10.33	6.05
	HY All	1.75	-0.67	1.95	0.18	2.53	5.85	-5.15	12.17
UK	1-3YR	-0.16	-0.93	0.32	2.56	-0.09	3.81	-2.39	4.16
	7-10YR	-3.15	-3.89	-5.49	-3.38	0.31	4.22	-14.70	-8.98
	20+YR	-11.69	-12.36	-16.44	-14.57	-2.48	1.32	-38.17	-34.02
EUR	IG All	-0.75	-0.21	-1.24	2.35	1.11	3.72	-9.55	1.01
	HY All	2.72	3.14	4.06	7.69	3.49	6.30	-3.75	7.00
Japan	1-3YR	0.03	0.03	-0.09	-0.09	0.14	0.14	0.01	0.01
	7-10YR	-1.70	-1.70	-2.23	-2.23	-0.15	-0.15	-2.60	-2.60
	20+YR	1.87	1.87	-4.59	-4.59	4.21	4.21	-10.53	-10.53
China	1-3YR	0.40	0.89	0.53	-1.87	0.20	3.62	2.16	9.88
	7-10YR	0.90	1.38	0.02	-2.36	0.35	3.78	2.58	10.33
	20+YR	1.21	1.69	-1.21	-3.57	-0.46	2.95	4.98	12.92
EM	1-3YR	0.78	1.03	1.26	-0.13	0.36	4.02	1.06	10.66
	7-10YR	1.84	1.21	1.57	-0.73	1.13	4.35	-1.03	7.63
	20+YR	1.80	1.28	0.48	-1.67	0.36	3.40	3.79	13.23
	IG All	2.13	-0.31	0.15	-1.59	0.96	4.23	-8.37	8.36
	HY All	4.87	2.37	4.34	2.52	1.39	4.67	-7.74	9.12
Germany	1-3YR	-1.17	-0.63	-2.47	1.07	-0.43	2.14	-4.86	6.24
	7-10YR	-4.61	-4.10	-7.77	-4.42	-0.06	2.52	-17.00	-7.32
	20+YR	-14.37	-13.91	-17.23	-14.22	-0.79	1.77	-36.61	-29.22
Italy	1-3YR	-0.75	-0.21	-0.97	2.63	0.07	2.66	-3.89	7.32
	7-10YR	-2.93	-2.40	-2.32	1.22	2.34	4.98	-14.86	-4.92
	20+YR	-9.82	-9.34	-7.73	-4.37	3.64	6.32	-29.34	-21.10
France	1-3YR	-1.13	-0.60	-2.46	1.09	-0.12	2.46	-5.03	6.04
	7-10YR	-4.93	-4.42	-7.03	-3.65	0.22	2.81	-16.16	-6.38
	20+YR	-14.33	-13.87	-14.94	-11.85	-0.99	1.56	-36.51	-29.11
Australia	1-3YR	-0.19	-1.89	0.59	-2.77	0.17	2.84	-1.62	8.13
	7-10YR	-1.65	-3.33	-0.21	-3.54	2.10	4.81	-9.37	-0.39
	20+YR	-3.91	-5.54	-4.27	-7.47	3.91	6.67	-22.37	-14.68
NZ	1-3YR	0.54	-2.10	0.03	-0.67	0.70	1.83	-0.74	7.47
	7-10YR	-2.48	-5.04	-2.66	-3.35	-0.13	1.00	-9.40	-1.90

Appendix – Historical Bond Yields % as of February 28, 2023

Global Bond Yields

Top 15% Bottom 15%

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

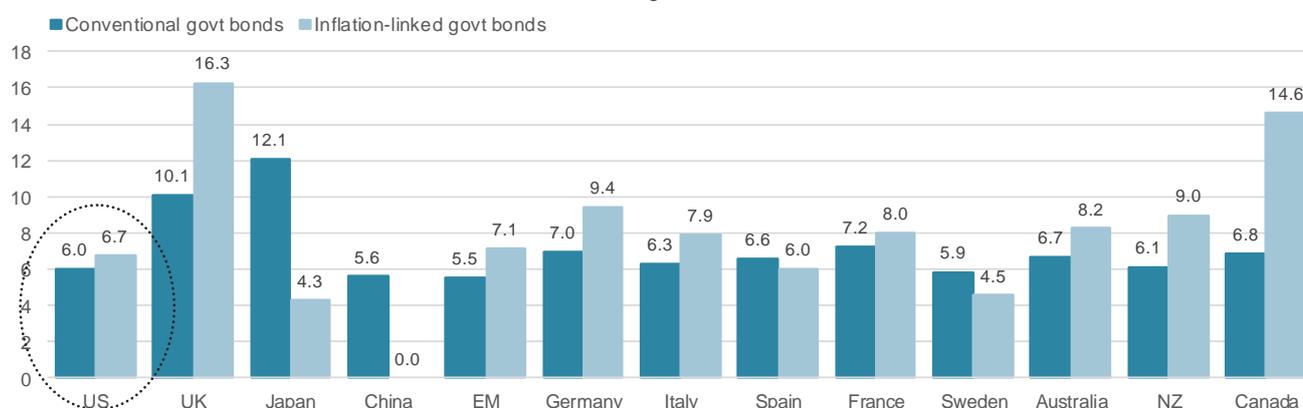
		Conventional government bonds				Inflation-linked bonds			Inv Grade	High Yld
		1-3YR	3-5YR	7-10YR	20+YR	1-5YR	5-10YR	20+YR	All Mat	All Mat
WGBI	Current	4.03	3.61	3.22	3.29	1.32	1.15	1.24		
	3M Ago	3.55	3.14	2.68	3.07	0.96	0.77	0.77		
	6M Ago	2.73	2.69	2.38	2.75	-0.07	0.18	0.30		
	12M Ago	0.87	1.06	1.08	1.65	-2.32	-1.38	-1.29		
WGBI x Japan	Current	4.34	3.92	3.60	3.85	1.40	1.20	1.24		
	3M Ago	3.84	3.43	3.13	3.52	1.04	0.82	0.77		
	6M Ago	2.97	2.95	2.83	3.22	-0.03	0.21	0.30		
	12M Ago	0.97	1.07	1.17	1.77	-2.65	-1.72	-1.46		
US	Current	4.90	4.34	3.93	4.01	1.82	1.57	1.65	5.55	8.62
	3M Ago	4.47	3.97	3.64	3.95	1.76	1.40	1.59	5.38	8.81
	6M Ago	3.49	3.44	3.19	3.46	0.87	0.75	1.14	4.86	8.37
	12M Ago	1.38	1.95	1.99	2.47	-2.21	-1.07	-0.10	3.13	5.77
UK	Current	3.95	3.79	3.72	4.07	0.45	0.18	0.67		
	3M Ago	3.36	3.26	3.20	3.39	-1.95	-0.58	0.10		
	6M Ago	3.04	2.82	2.77	3.06	-3.47	-1.62	-0.45		
	12M Ago	1.02	1.42	1.55	1.78	-4.16	-2.98	-1.91		
Japan	Current	-0.04	0.11	0.53	1.35	-1.25	-0.36			
	3M Ago	-0.04	0.05	0.28	1.40	-1.44	-0.76			
	6M Ago	-0.10	-0.04	0.20	1.10	-1.23	-0.83			
	12M Ago	-0.04	0.03	0.17	0.83	-1.00	-0.71			
EM	Current	3.71	4.48	4.88	4.57	1.46	3.33	5.35	5.95	10.85
	3M Ago	3.72	4.51	4.89	4.89	2.45	3.14	5.10	6.08	12.18
	6M Ago	3.49	4.16	4.76	4.65	2.45	3.50	5.09	5.25	11.65
	12M Ago	3.39	4.01	4.46	4.88	1.98	2.86	4.82	4.00	10.39
Germany	Current	3.09	2.78	2.59	2.57	0.22	0.08	0.03		
	3M Ago	2.04	1.95	1.91	1.81	-0.59	-0.41	-0.54		
	6M Ago	0.97	1.25	1.41	1.62	-1.62	-0.97	-0.68		
	12M Ago	-0.57	0.36	0.60	0.75	-4.39	-2.27	-1.78		
Italy	Current	3.65	3.81	4.18	4.55	0.84	1.69	1.90		
	3M Ago	2.73	3.09	3.59	3.86	0.12	1.32	1.35		
	6M Ago	2.11	2.78	3.53	3.93	-1.97	1.08	1.73		
	12M Ago	-0.01	1.29	2.10	2.74	-3.75	-0.87	0.38		
France	Current	3.18	3.03	3.01	3.37	-0.05	0.24	0.69		
	3M Ago	2.25	2.19	2.27	2.59	-0.94	-0.39	0.09		
	6M Ago	1.21	1.53	1.88	2.52	-1.84	-0.60	0.15		
	12M Ago	-0.46	0.66	1.16	1.84	-3.87	-1.99	-0.79		
Australia	Current	3.66	3.65	3.83	4.19	0.50	1.26	1.78		
	3M Ago	3.12	3.22	3.49	3.92	-0.08	0.90	1.43		
	6M Ago	3.11	3.30	3.56	3.84	-0.19	0.81	1.56		
	12M Ago	1.05	2.82	3.09	3.52	-0.28	0.39	1.03		
NZ	Current	5.06	4.68	4.57	4.67	1.40	2.07			
	3M Ago	4.67	4.39	4.12	4.28	1.49	1.97			
	6M Ago	3.85	3.87	3.97	4.33	0.72	1.84			
	12M Ago	2.16	3.51	3.63	3.86	0.36	1.18			

Appendix – Duration and Market Value (USD, Bn) as of February 28, 2023

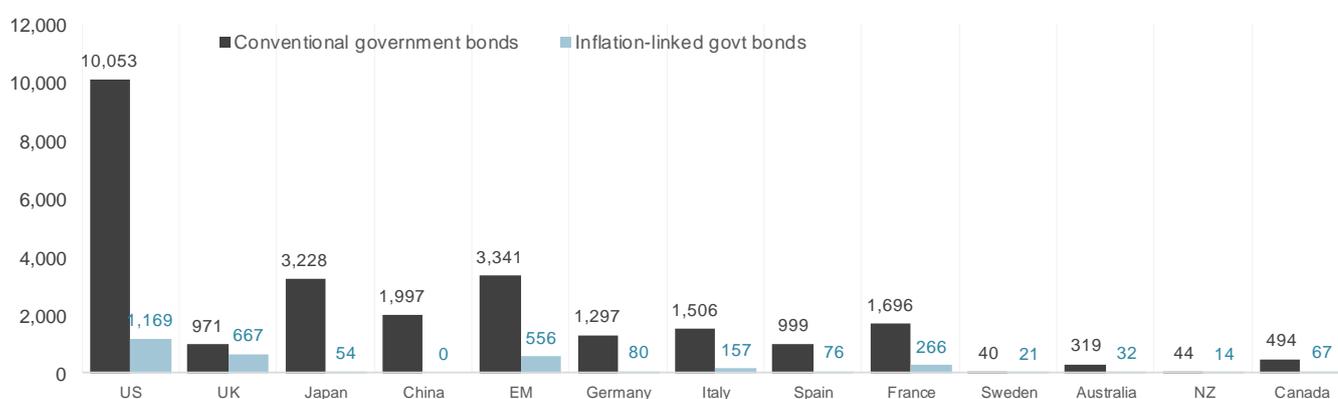
	Conventional government bonds								Inflation-linked government bonds					
	Duration				Market Value				Duration			Market Value		
	3-5YR	7-10YR	20+YR	Overall	3-5YR	7-10YR	20+YR	Total	5-10YR	20+YR	Overall	5-10YR	20+YR	Total
US	3.7	7.6	17.5	6.0	2,171.5	1,031.7	1,240.4	10,052.7	7.1	21.5	6.7	383.1	126.0	1169.4
UK	3.7	7.7	19.1	10.1	98.0	124.6	275.3	971.1	7.0	28.7	16.3	123.5	245.9	667.1
Japan	3.9	7.9	23.8	12.1	357.0	383.5	705.7	3,227.8	6.7		4.3	24.4		54.3
China	3.6	7.5	17.3	5.6	462.0	326.1	232.2	1,997.0						
EM	3.5	7.0	15.8	5.5	744.42	596.98	321.79	3,341.4	5.5	13.5	7.1	110.9	135.2	555.9
Germany	3.8	7.7	20.5	7.0	286.68	203.20	132.11	1,296.9	6.8	22.3	9.4	29.5	17.5	80.0
Italy	3.6	7.3	16.1	6.3	298.46	232.85	134.04	1,506.1	6.8	26.8	7.9	53.2	5.2	156.6
Spain	3.5	7.5	17.5	6.6	191.89	177.51	93.99	999.0	7.2		6.0	20.8		75.8
France	3.5	7.7	20.0	7.2	315.47	308.87	192.07	1,695.9	6.8	24.7	8.0	112.3	18.9	265.8
Sweden	3.5	8.0		5.9	7.52	8.85		40.1	6.3		4.5	9.7		20.8
Australia	3.6	7.8	17.8	6.7	55.19	87.10	15.39	318.6	7.6	22.8	8.2	9.3	2.7	32.2
NZ	3.4	7.8	17.3	6.1	8.46	6.37	2.17	44.4	6.6		9.0	3.1		13.6
Canada		7.2	17.3	6.8		165.90	95.40	494.2		14.6	14.6		67.3	67.3

	Investment grade bonds					High Yield						
	Duration					Market Value			Duration	MktVal		
	AAA	AA	A	BBB	Overall	AAA	AA	A	BBB	Overall		
US	10.8	8.5	7.1	6.8	7.1	74.7	444.9	2,351.4	3,285.9	6,156.8	4.2	1,146.1
Euro	6.3	4.9	4.7	4.3	4.5	8.4	172.2	1,045.3	1,420.3	2,646.1	3.1	422.3
EM		5.7	4.8	5.0	5.0		36.40	217.15	351.2	604.7	3.6	203.6

Average Duration



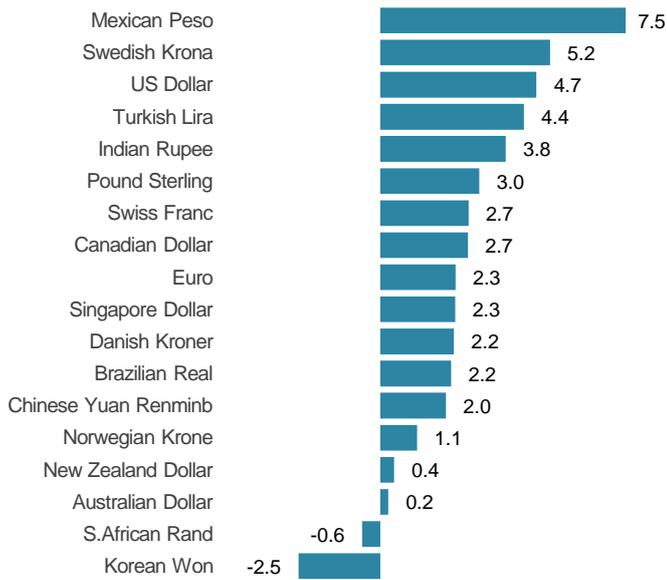
Total Market Value (USD Billions)



Data as of 2023-02-28

Appendix – Foreign Exchange Returns % as of February 28, 2023

FX Moves vs JPY - 1M



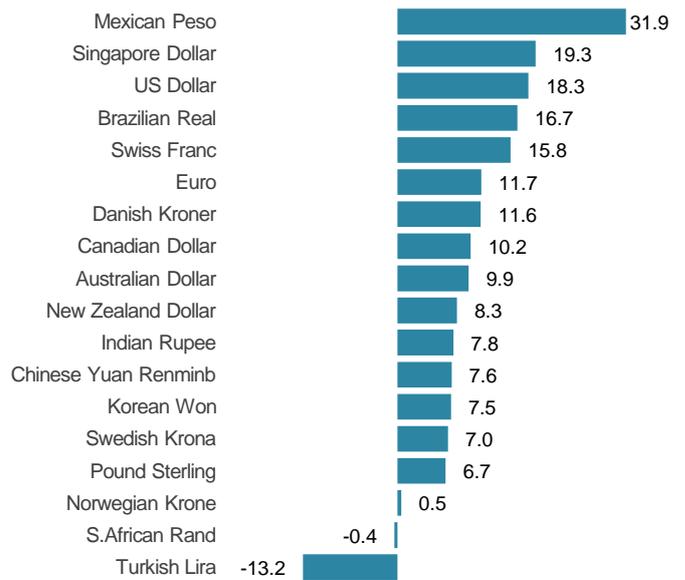
FX Moves vs JPY - 3M



FX Moves vs JPY - YTD



FX Moves vs JPY - 12M



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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