



Navigating the Global Fixed Income Landscape: Positioning and Views from London to Tokyo

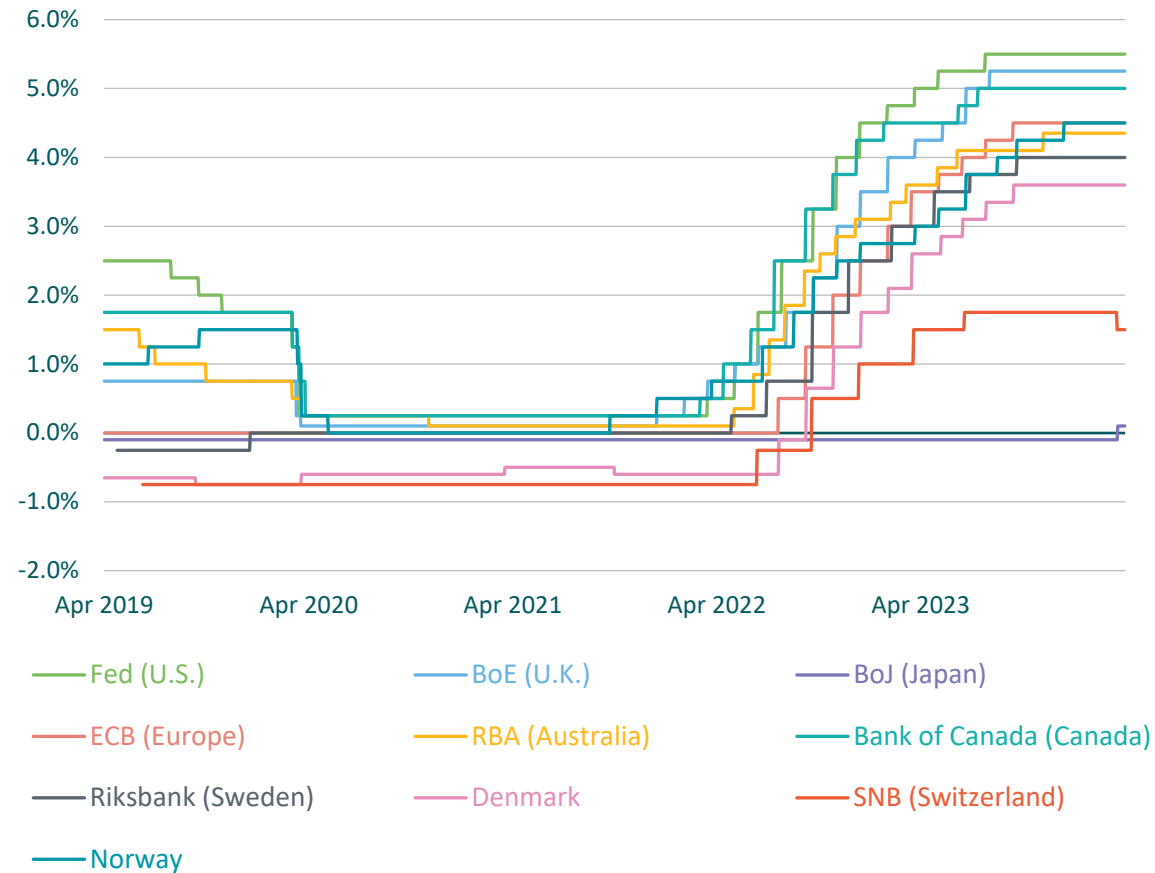
Eva Sun-Wai, Fund Manager

May 2024

Central Bank watch – developed markets

BoJ finally hikes rates; SNB becomes the first G10 central bank to cut rates.

Central Bank policy rates (past 5 years)



Most recent rate changes

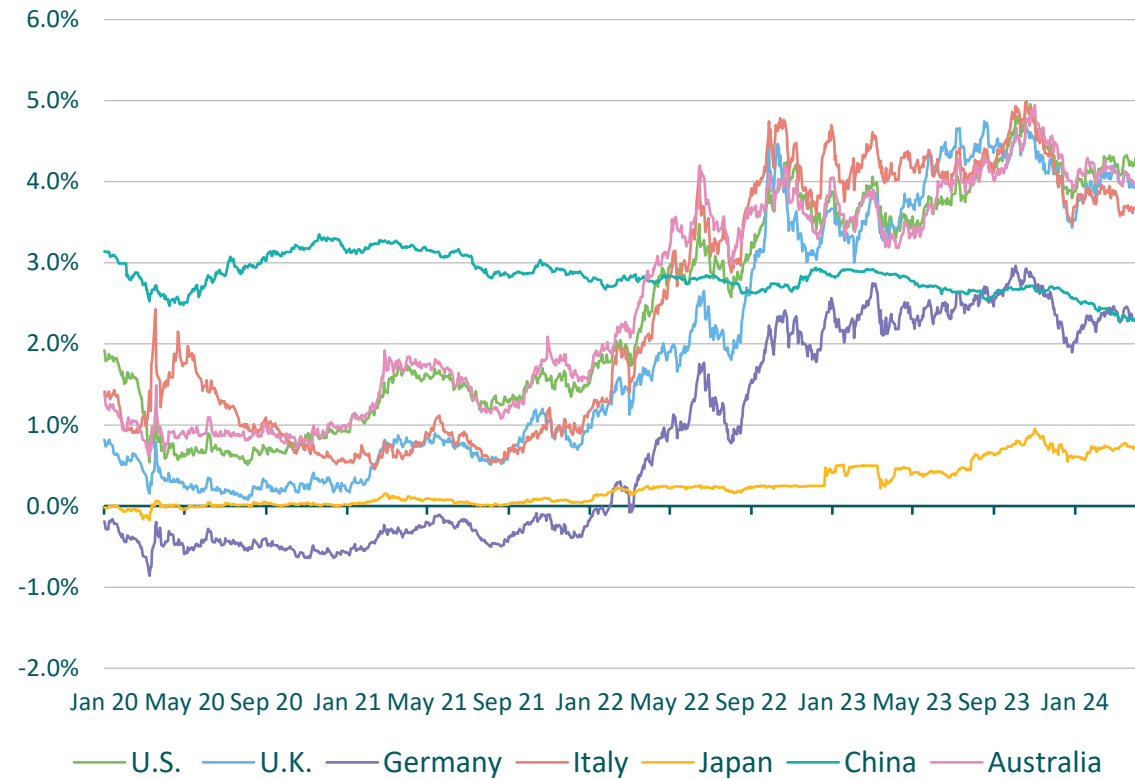
Central Bank	Current Rate	Last Meeting Date	Change	Next Meeting
Fed (US)	5.50	20-Mar-24	No change	1-May-24
BoE (UK)	5.25	21-Mar-24	No change	9-May-24
BoJ (Japan)	0.10	19-Mar-24	+0.20	25-Apr-24
ECB (Europe)	4.50	7-Mar-24	No change	11-Apr-24
RBA (Australia)	4.35	19-Mar-24	No change	7-May-24
BOC (Canada)	5.00	6-Mar-24	No change	10-Apr-24
Riksbank (Sweden)	4.00	27-Mar-24	No change	8-May-24
Denmark	3.60	n/a	No change	n/a
SNB (Switzerland)	1.50	21-Mar-24	-0.25%	20-Jun-24
Norway	4.50	21-Mar-24	No change	3-May-24

Global government bond yields

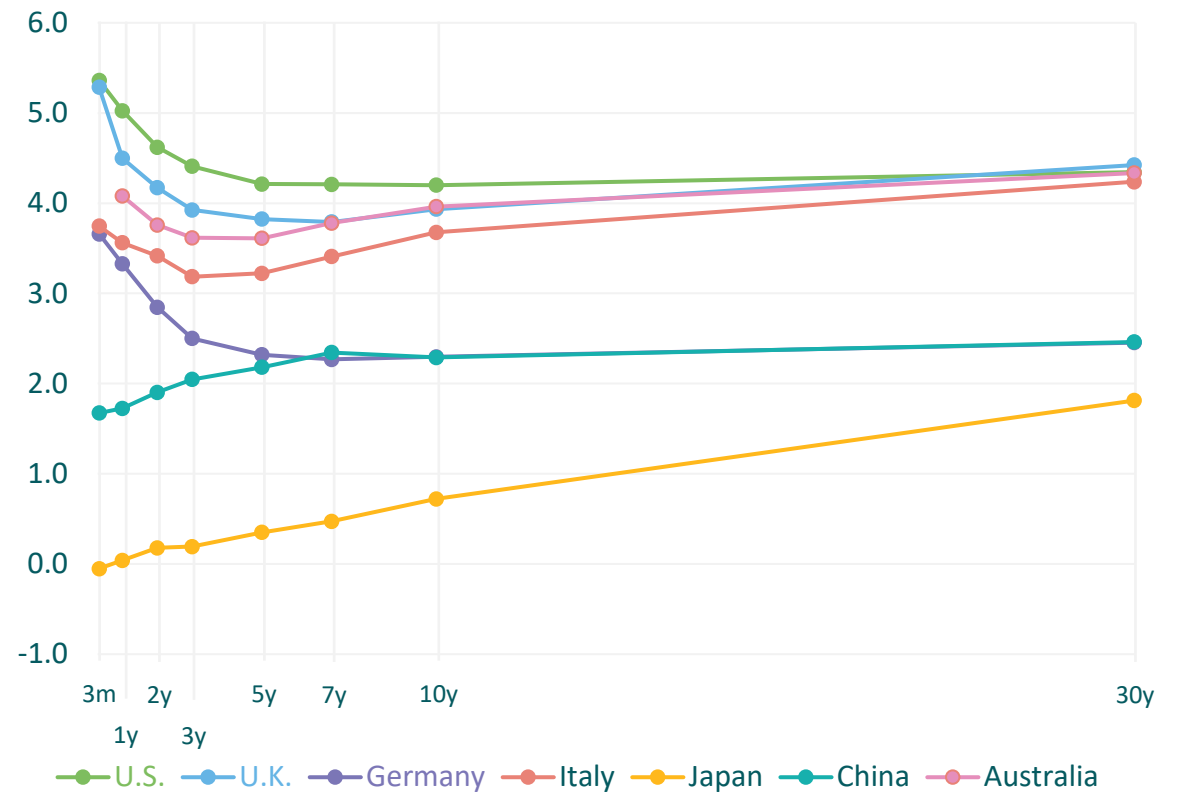
DM yields remained volatile but largely moved sideways through March

Past performance is not a guide to future performance.

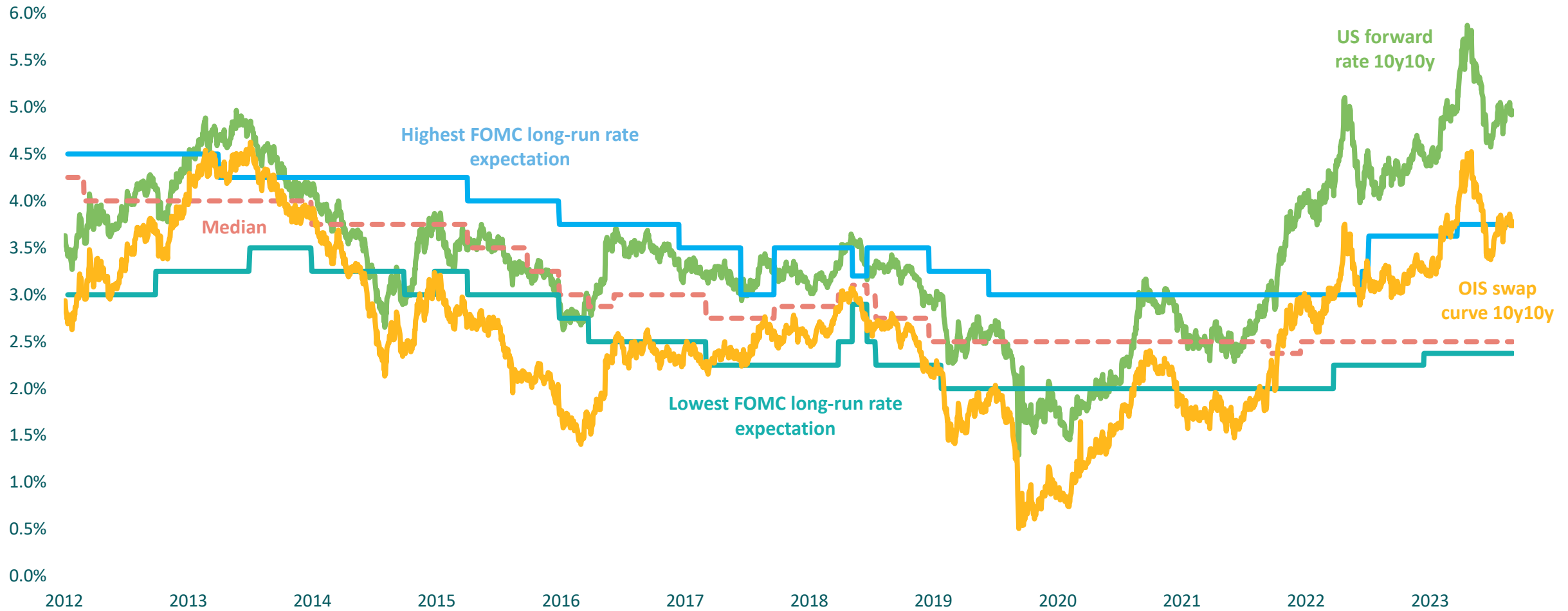
Global government 10-year yields (Jan '20 – Present)



Global government bond curves (31 March 2024)

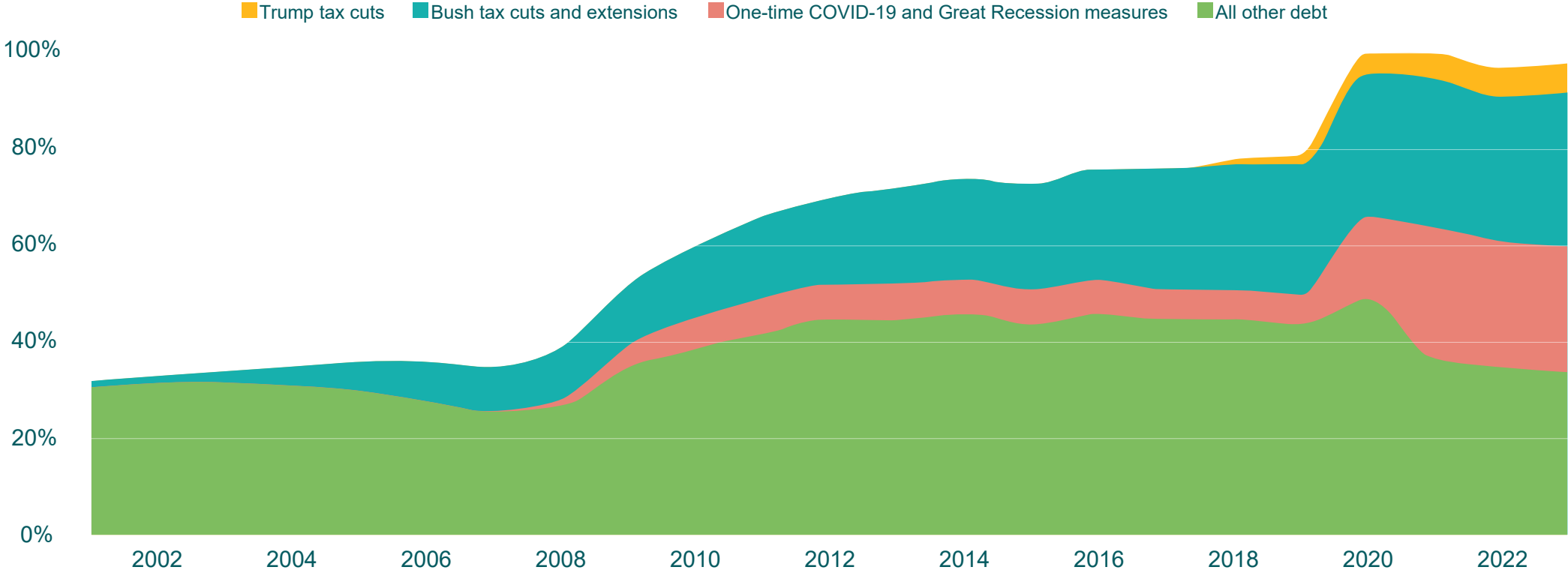


Bond markets and the Fed have never been so divided ...or is it just supply fears making US Treasuries look so cheap?



Tax cuts are responsible for most of the growth in the US debt ratio

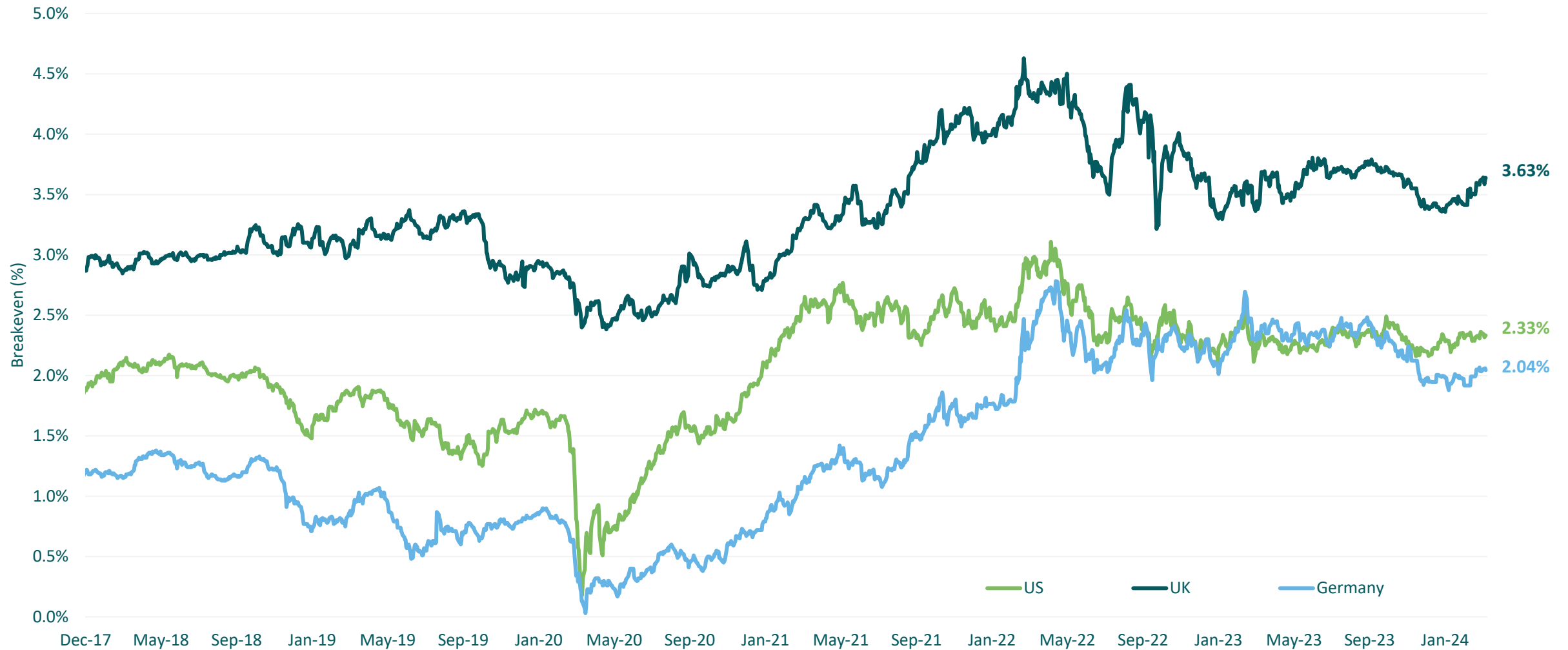
Debt held by the public as a percentage of gross domestic product, 2001-2023



Source: Center for American progress, 28/3/23.

Inflation breakevens

Markets are predicting a return to target

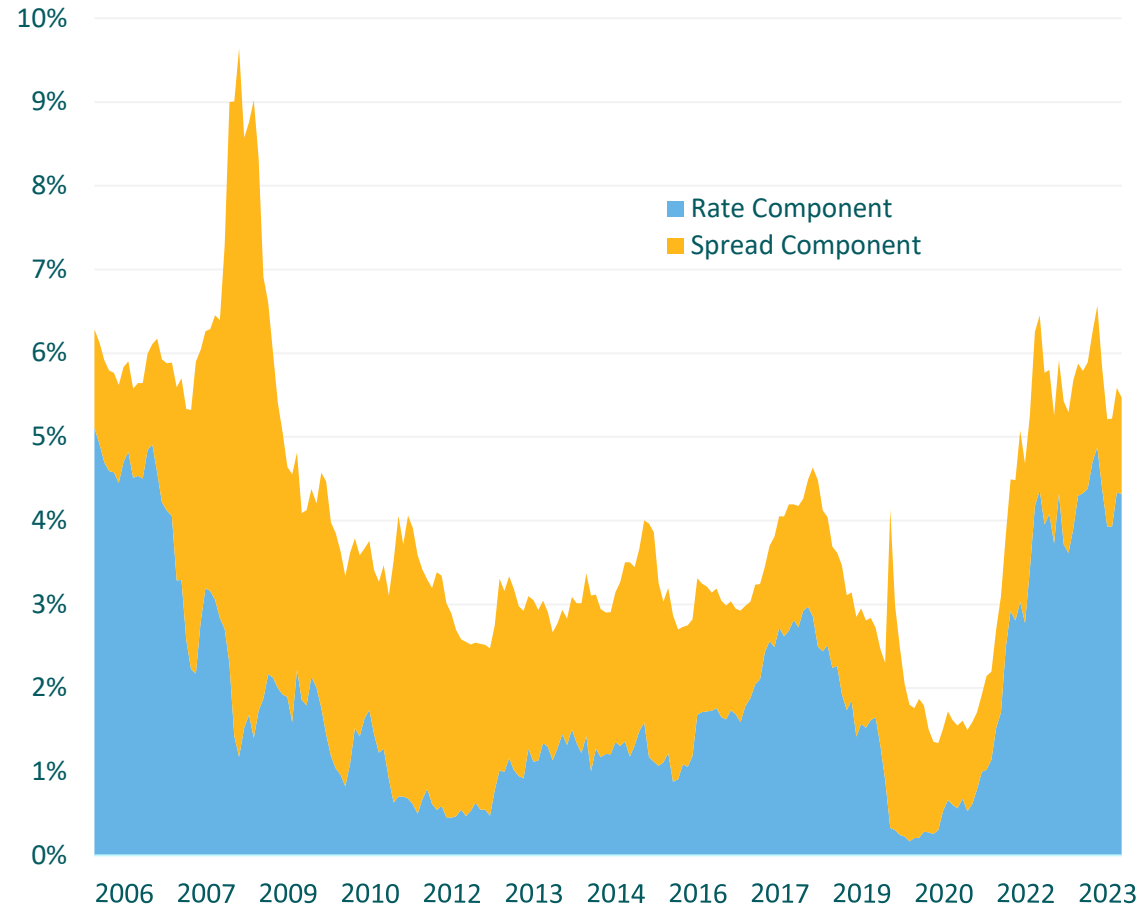


Investment Grade and High Yield: yield over time

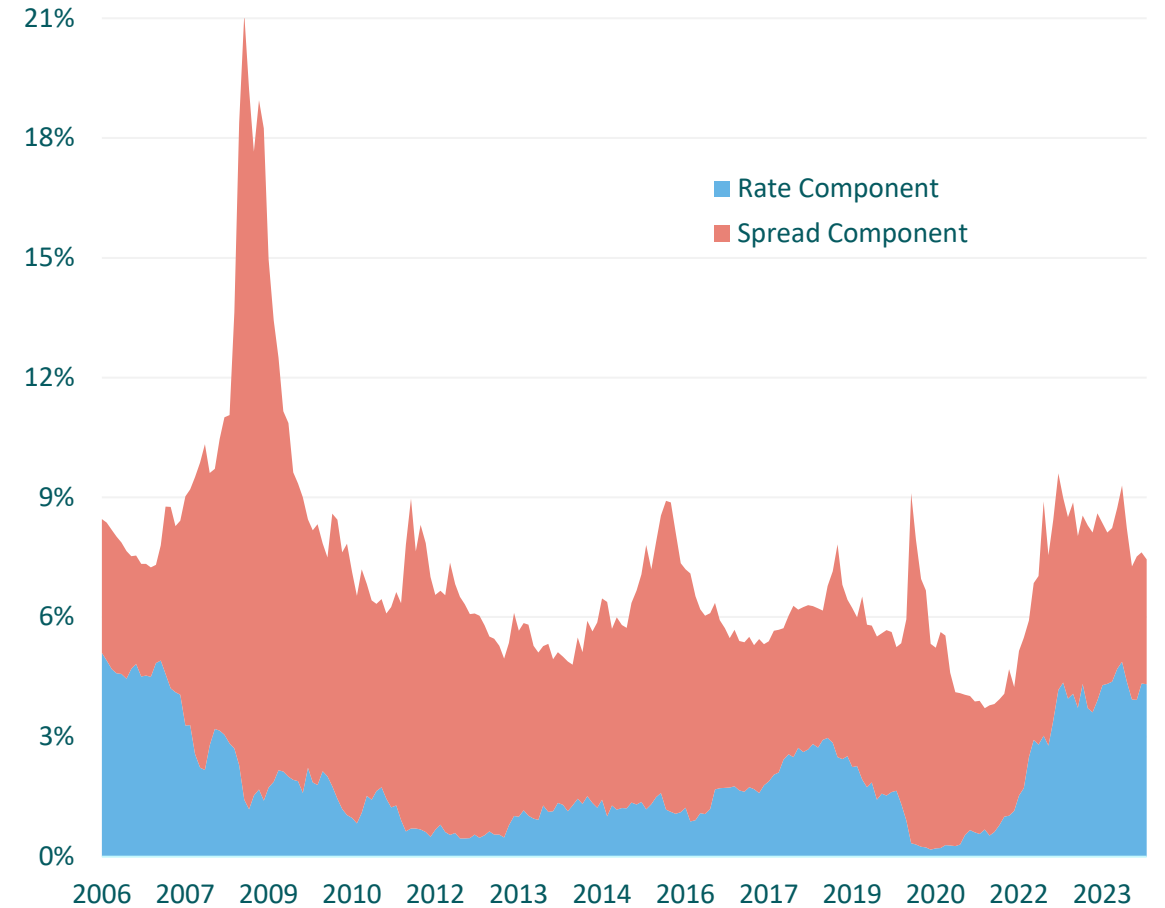
5y US Treasury yield + spread component

Past performance is not a guide to future performance

Investment Grade: yield components

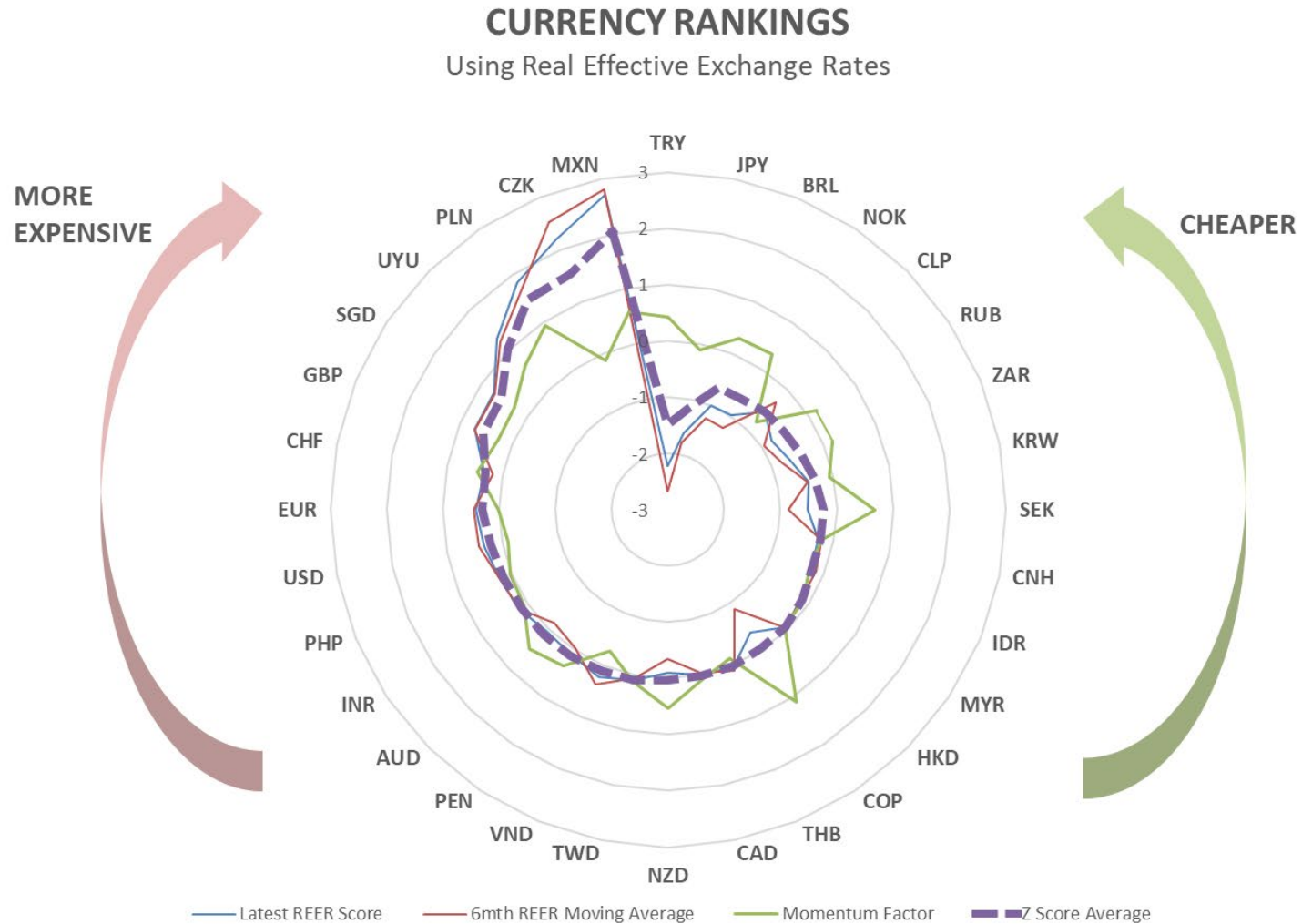


High Yield: yield components



Currency valuations globally

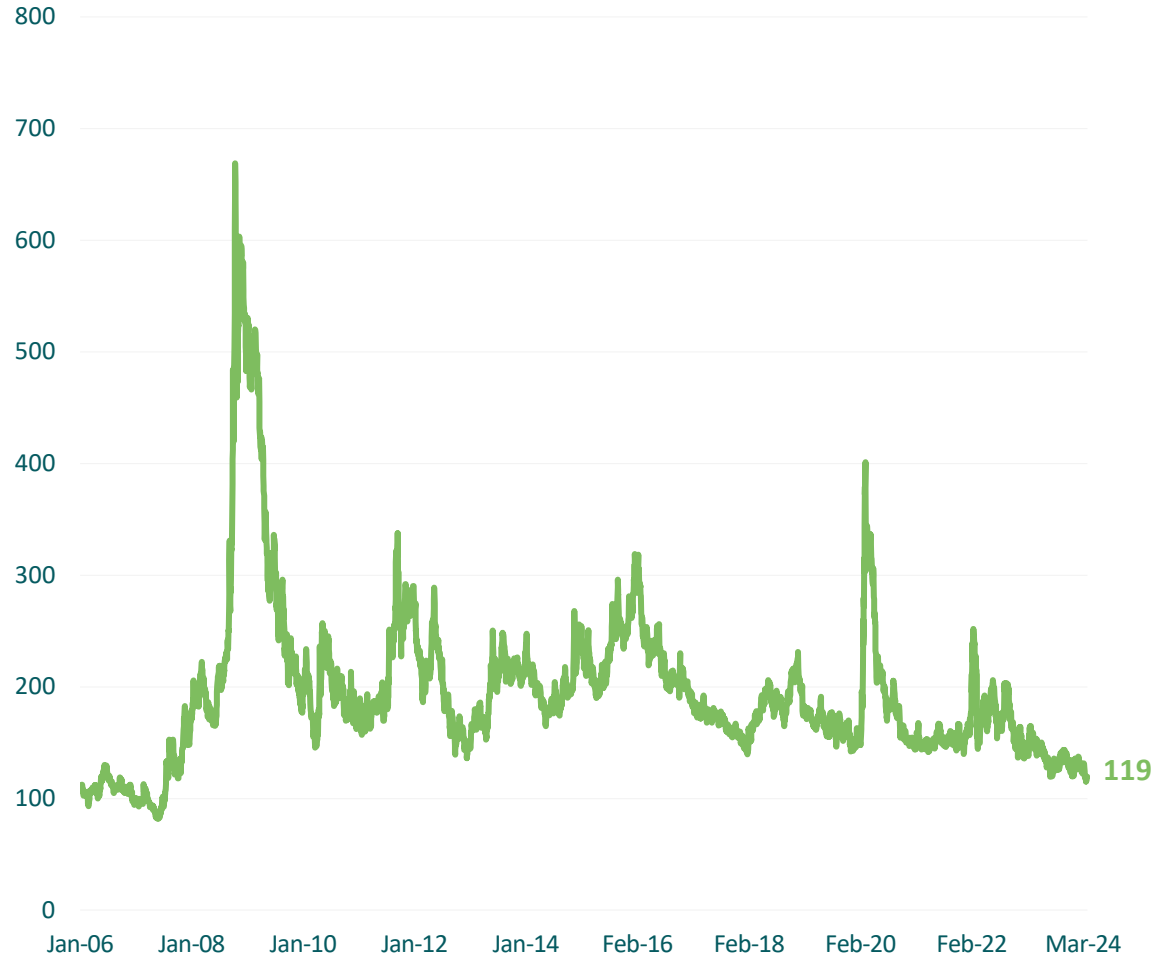
Trade based valuations



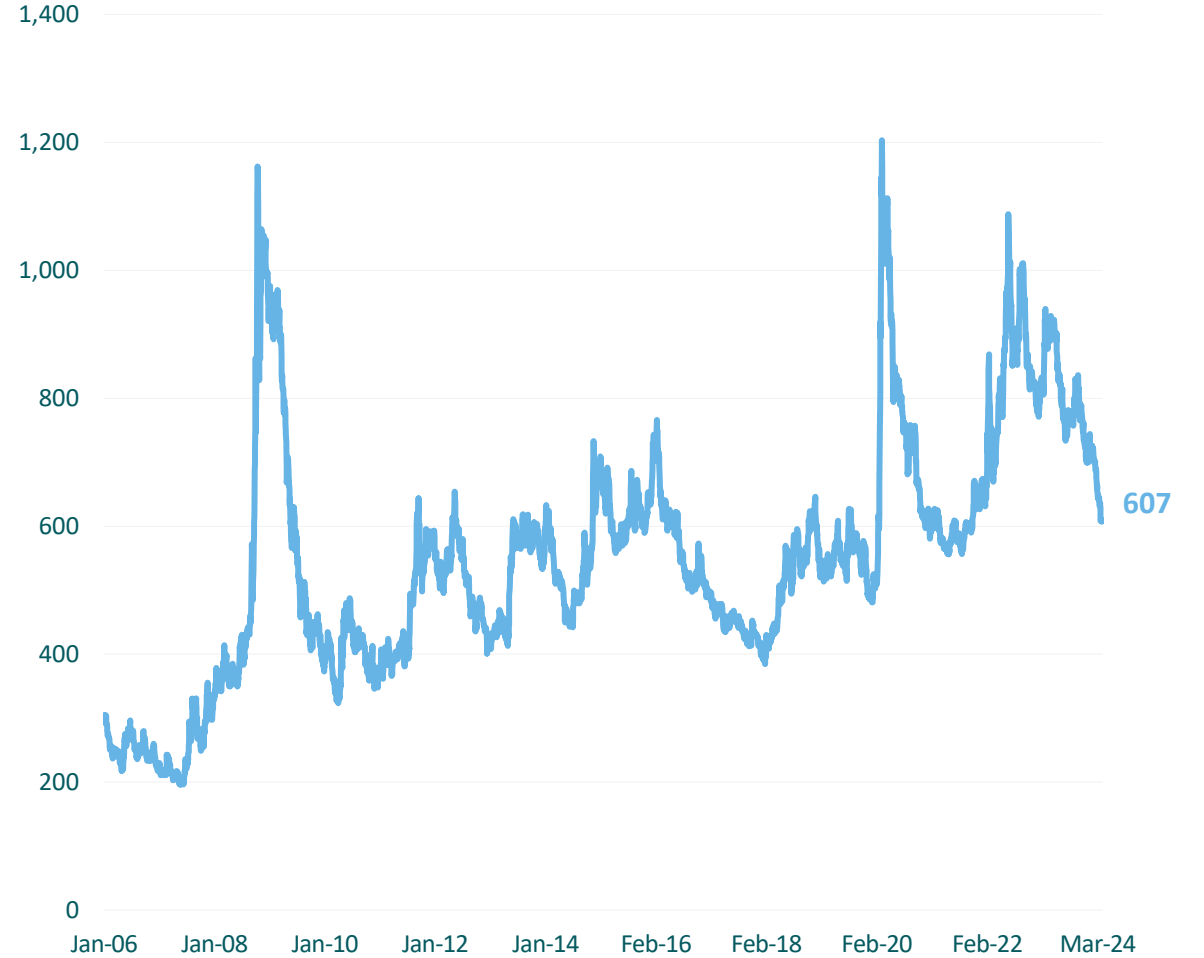
EM hard-currency Sovereigns credit spreads

Investment Grade vs High Yield

EM Investment Grade Spreads (bps)

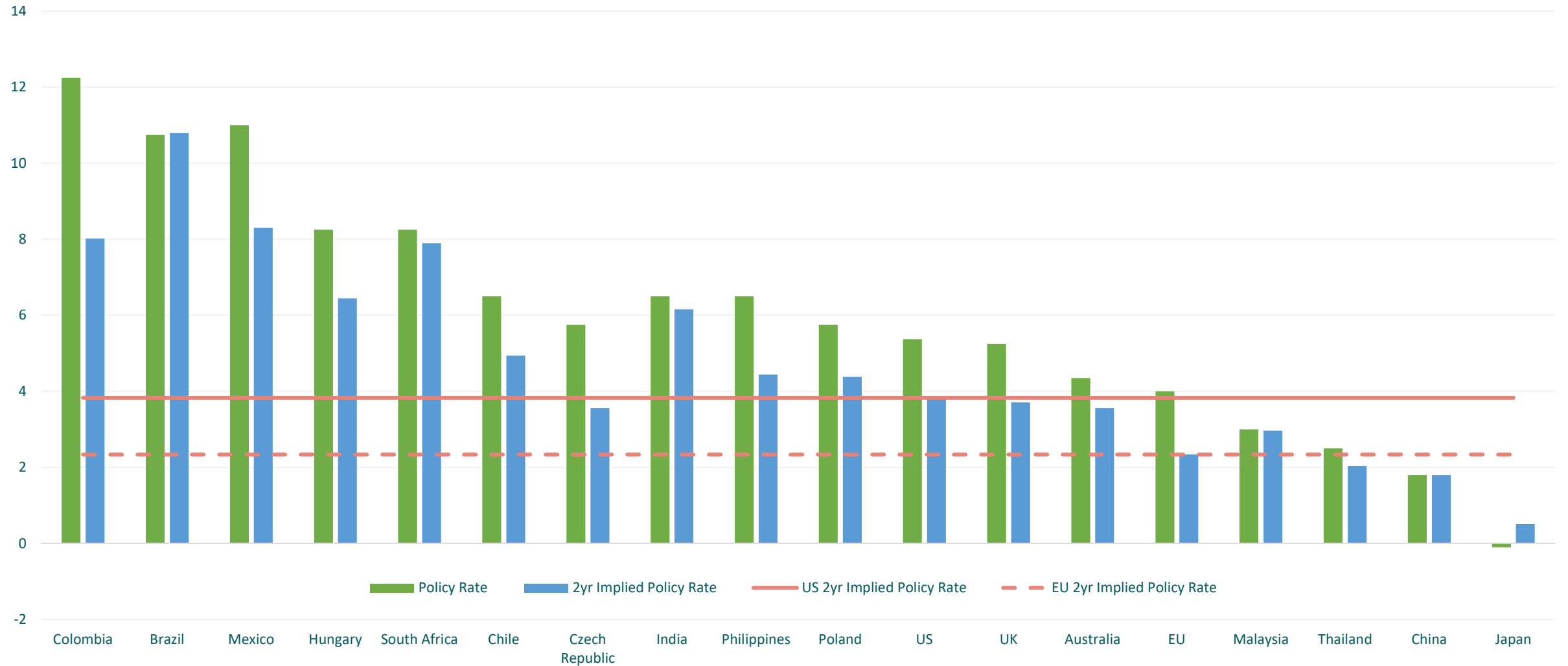


EM High Yield Spreads (bps)



EM policy rates should remain elevated vs DM

Easing monetary policies should maintain yield differentials and the attractiveness of EM rates

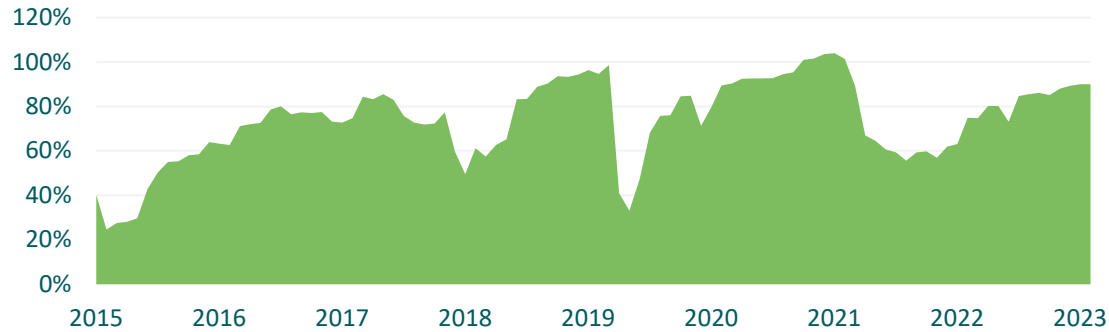


Source: Bloomberg, 31 March 2024
Information is subject to change and is not a guarantee of future results.

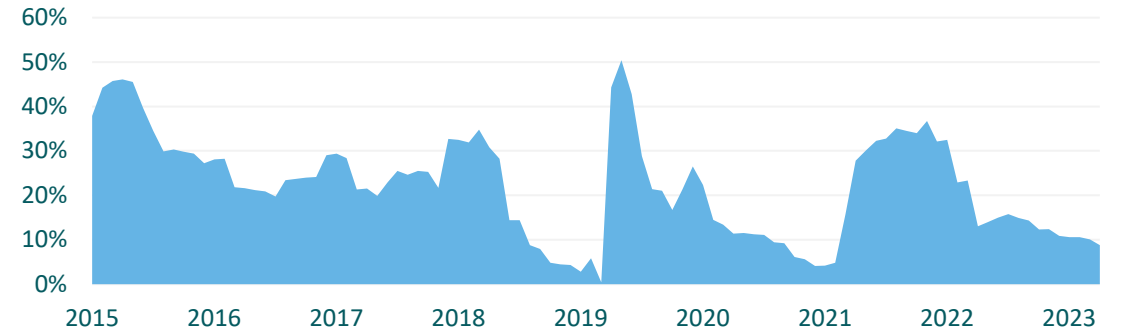
Asset allocation over time

M&G Global Bond Fund

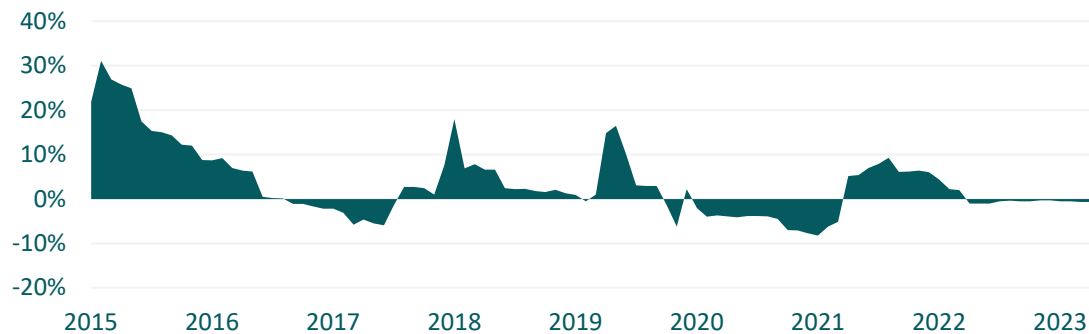
Net government bonds (and cash)



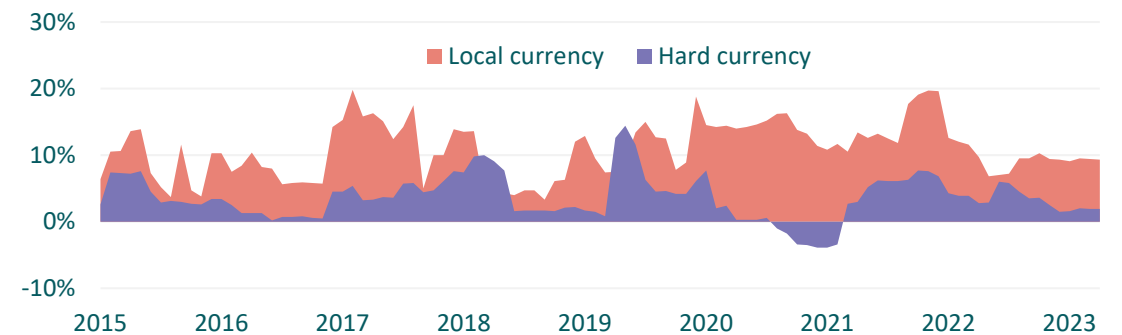
IG corporate



HY Corporate



Emerging Markets (sub set)





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