

# Bond Compass

Q2  
2024

04 **Investor Sentiment —  
Flows and Holdings**

09 **PriceStats® Analysis**

13 **Q2 Investment Outlook**



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# A Leader in Fixed Income Index Investing

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## \$576

billion in fixed  
income assets

### The Scale to Specialise

- State Street Global Advisors' global scale enables our portfolio managers, traders and investment strategists to be sector specialists and based in their geographic markets
- Our dedicated capital markets teams provide 24-hour coverage across global markets, offering enhanced liquidity and cost-efficient\* trading strategies
- Entrusted with \$576 billion in fixed income assets, managing 30+ currencies across 40 different countries\*\*

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## 27

years of  
bond index  
investing  
experience

### Proven Track Record

- 27 years of bond index investing — our first fixed income index fund launched in 1996
- Manage more than 100 fixed income index strategies, providing choice for investors
- More than 100 fixed income professionals dedicated to conducting research, managing risks and costs, and supporting our clients

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## 100+

fixed income index  
strategies

### Innovative Solutions for Bond Investors

- Comprehensive range of cost-effective\* ETFs
- Offering access to government and corporate bonds across the yield curve, using a consistent index methodology

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\* Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

\*\* State Street Global Advisors, as of 31 March 2024.

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# Contents

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- |    |  |  |
|----|--|--|
| 04 | <b>Investor Sentiment<br/>— Flows and<br/>Holdings</b> | A snapshot of global fixed income flows, holdings and valuations, based on data provided by State Street Global Markets.   |
| 09 | <b>PriceStats<sup>®</sup></b>                          | Quarterly measure of inflation based on prices from millions of items sold by online retailers, helping investors anticipate and evaluate the impact of inflation. |
| 13 | <b>Q2 Investment<br/>Outlook</b>                       | State Street Global Advisors has identified the key considerations for investors in the coming quarter, and how markets can be navigated using SPDR ETFs.          |
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# Investor Sentiment — Flows and Holdings

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**A snapshot of global fixed income flows, holdings and valuations, based on data provided by State Street Global Markets.\***

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\* The fixed income flows and holdings indicators produced by State Street Global Markets, the investment, research and trading division of State Street Corporation, are based on aggregated and anonymised custody data provided to it by State Street, in its role as custodian. State Street Global Advisors does not have access to the underlying custody data used to produce the indicators.

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## Fixed Income Flows and Holdings

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This data captures behavioral trends across tens of thousands of portfolios and is estimated to capture just over 10% of outstanding fixed income securities globally.

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With expectations for continued disinflation, slower growth, and an interest rate easing cycle across most developed market countries, 2024 was billed as the year of more favorable fixed income returns. But — surprise — just as it did in 2023, robust US economic data at the beginning of the year spoiled the party.

Even if there's a hint of residual seasonality to some of the data, there is little doubt that both US growth and inflation have delivered upside surprises so far in 2024.

The response from institutional investors has been even more surprising. They've stuck doggedly to Treasuries and US corporate debt and have lowered, not increased, their allocations to Treasury Inflation-Protected Securities (TIPS). In an environment where overall allocations to fixed income have fallen to 15-year lows, demand for Treasuries and US bonds remains exceptional.

The same cannot be said of global sectors. Inflows into European sovereign debt, especially in the UK and France, have softened — despite what looks to be a more bond-friendly macro backdrop of disinflation and recession. Meanwhile, demand for emerging market (EM) sovereign debt has stalled abruptly as investors reassess the rate cutting cycle in the face of inflation's recent acceleration.

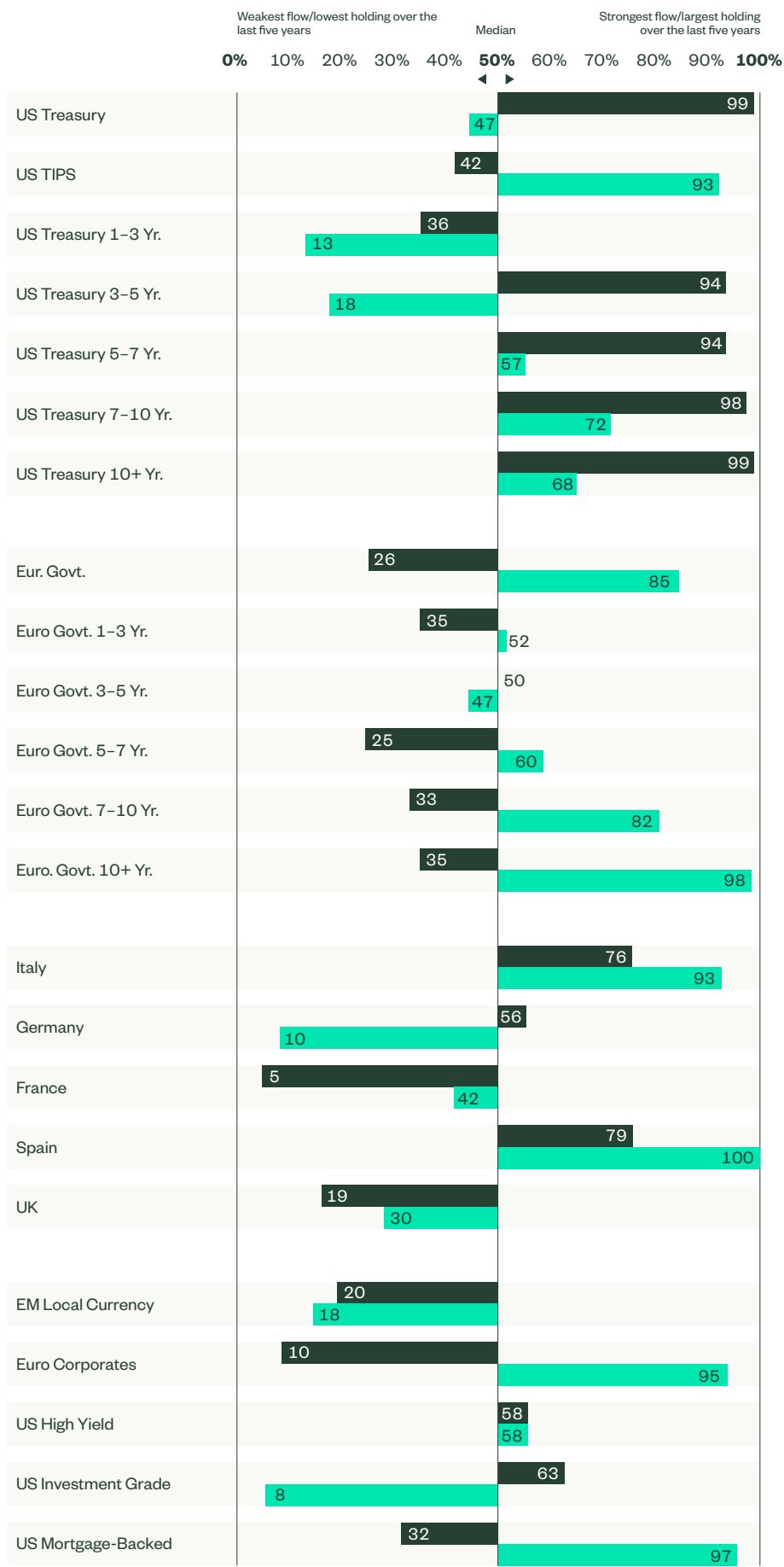
Figure 1

**Q1 Flows & Holdings**

Flows  
Holdings

These metrics are generated from regression analysis based on aggregated and anonymous flow data in order to better capture investor preference and to ensure the safeguarding of client confidentiality. The figures are shown as percentiles, expressing the flows and holdings over the last quarter, relative to the last five years. The benefit of this approach is that it provides perspective on the size of flows and holdings compared to their historical trends, whereas a single, dollar figure provides less context.

For more information please visit [globalmarkets.statestreet.com](http://globalmarkets.statestreet.com)



Source: State Street Global Markets, as of 31 March 2024. Flows and holdings are as of indicated date. They should not be relied upon thereafter.

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## Allocations at Extremes

Long-term investors' aggregate allocation to fixed income, relative to equities, has not been this unbalanced since before the global financial crisis (GFC). Some of this relates to price effects; the recent dramatic outperformance of equities has pushed equity allocations within a whisker of a 15-year high. Fixed income holdings have gone in the opposite direction and are now, in aggregate, at their lowest level since the GFC (Figure 2).

Residual allocations to cash are now within 3-tenths of their long-term average, after having been above average for most of 2023. This is important as it implies less dry powder to return to the equity or fixed income markets, unless investors decide to underweight cash.

With equity holdings already so high, especially relative to fixed income, it seems reasonable to assume that only a major boost to the equity outlook could prevent some level of rebalancing back to fixed income. In Q2 it's likely we'll learn whether the start of the broader developed market easing cycle is the catalyst fixed income markets have been waiting for, or if it proves to be another false dawn.

Figure 2

### Imbalances in Fixed Income and Equity Asset Allocations Over 20 Years

- Allocation to Fixed Income (%)
- Allocation to Equities (%-RHS)



Source: State Street Global Markets, as of 31 March 2024.

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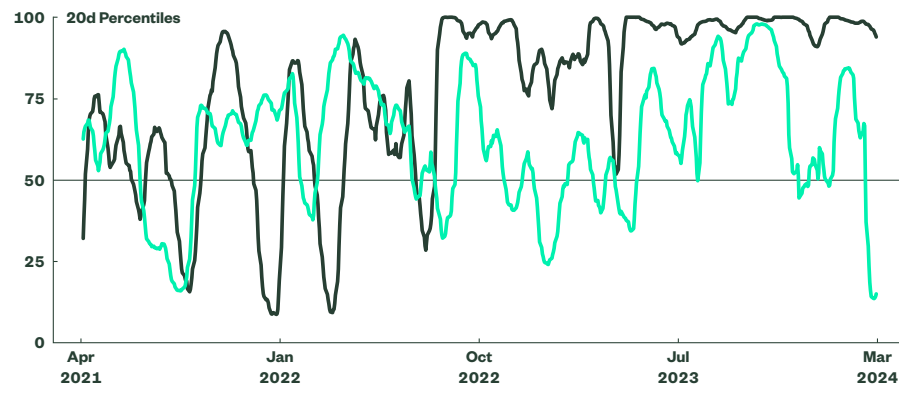
## Inflation Protection Shunned

There were two surprises in Q1 Treasury demand. First, institutional Treasury demand remained solid in spite of higher yields. That alone shouldn't be too surprising, given the resilience of demand throughout last year. But the longer demand persists in the face of volatile price action, the more impressive it gets. Institutional demand for Treasuries remains remarkably resilient.

More of a surprise was the weak demand for TIPS in Q1. Given firmer US inflation readings across the quarter and residual, albeit diminished, hopes of rate cuts, one might have assumed that demand for long-term inflation protection would have risen. But the opposite happened. Demand for TIPS fell to the lowest in more than three years in March — suggesting that long-term investors remain untroubled by 2024's inflation trend, at least for now.

Figure 3  
**Treasury Demand  
 Outpaces Desire for  
 Inflation Protection**

■ Treasury Demand  
 ■ TIPS Demand



Source: State Street Global Markets, as of 31 March 2024.

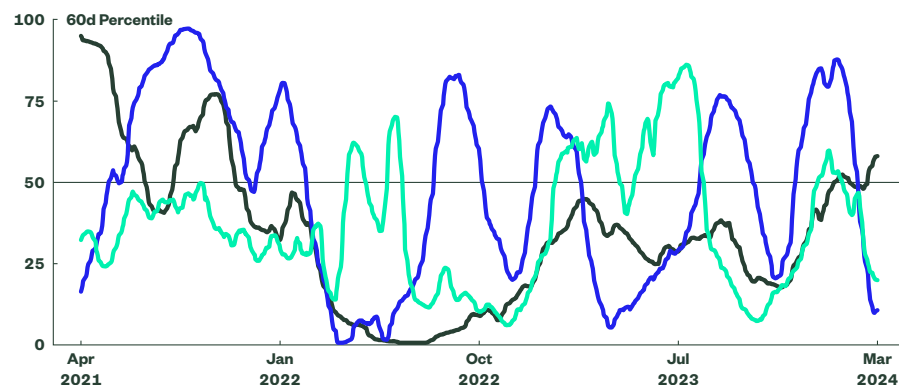
## Yield Demand Still Mixed

While institutional investor demand for Treasuries remained strong in Q1, demand for European sovereign debt began to slip, most notably in the UK and France. This suggests that robust institutional demand cannot be taken for granted.

The growing selectivity for sovereign bonds extends to higher yielding instruments. As the year began, demand for both local currency EM sovereign debt and US high yield was increasing. But inflows into emerging markets turned abruptly in February and March. Investors are seemingly more comfortable betting against a US recession than on further accommodations from EM central banks, which is understandable given recent economic news. Meanwhile, demand for European corporate debt has weakened sharply as recession bites in parts of the eurozone have put credit under pressure.

Figure 4  
**Appetite for Higher  
 Yields Strongest in  
 the US**

■ US High Yield Corporates  
 ■ Emerging Market Sovereign  
 ■ Euro Corporates



Source: State Street Global Markets, as of 31 March 2024.



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**Quarterly measure of inflation based on prices from millions of items sold by online retailers, helping investors anticipate and evaluate the impact of inflation.**

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PriceStats® provides high-frequency measures of inflation and real exchange rates drawn from prices on millions of items sold by online retailers. This real-time pulse of global economic trends helps investors anticipate and evaluate the impact of inflation, including the impact on monetary policy and the degree of exchange rate misalignments.

This information is available on a daily basis from State Street Global Markets: [globalmarkets.statestreet.com](https://globalmarkets.statestreet.com).

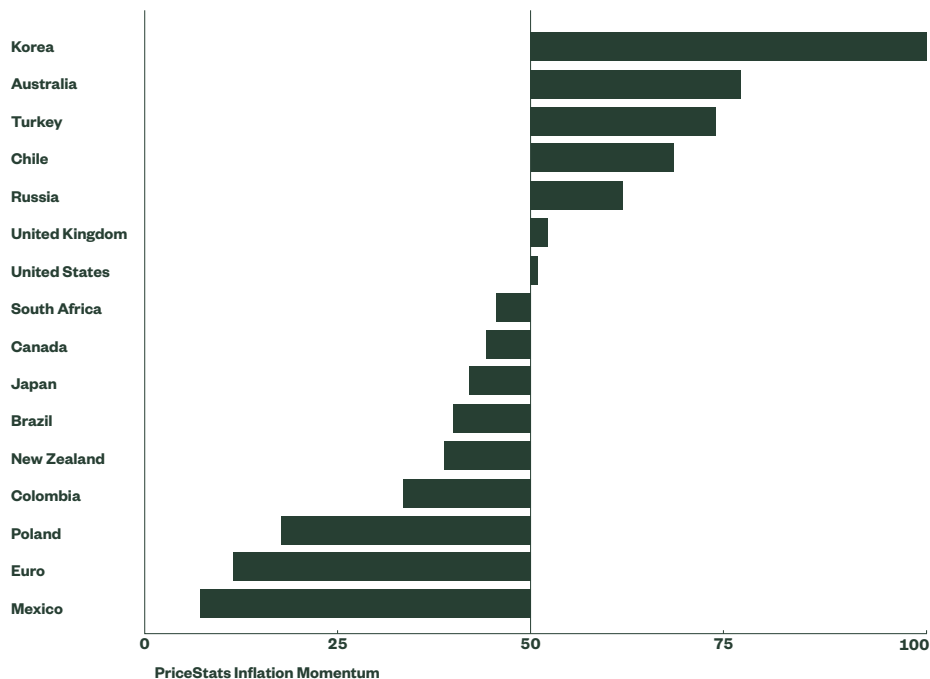
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## **Will Benign Inflation Trend Continue?**

### **Global Inflation Diverges**

There has been a robust global component to the inflation trend since the pandemic. While inflation *levels* have been different, inflation *rates* have tended to move in tandem in response to a series of global shocks. This partly explains why central banks, at least in developed markets, are expected to move interest rates in tandem. But the recent divergence in annual inflation rates indicates that the global inflation component is beginning to weaken (Figure 5). While disinflation continues in the eurozone and Mexico, for example, it has paused in Australia and the US.

Figure 5  
**Global Inflation Divergence: Three-month Change in Annual Rates (Percentile)**



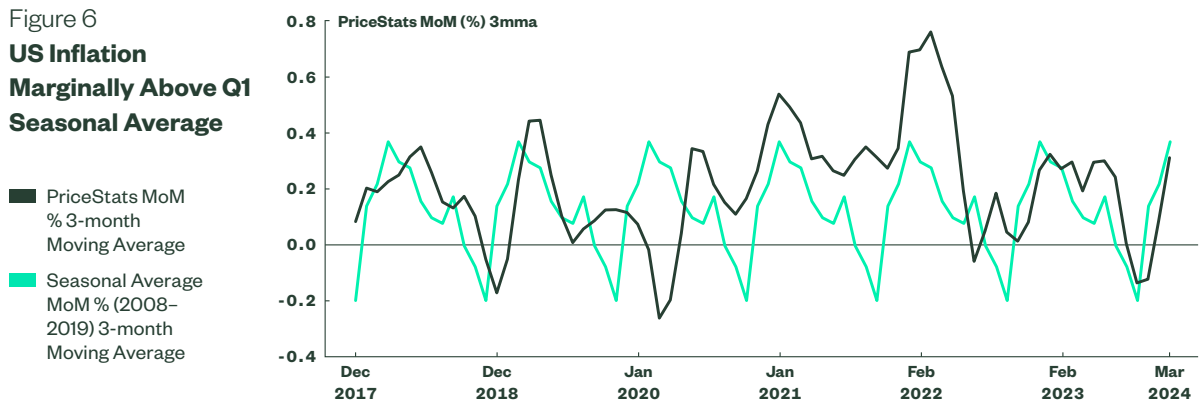
Source: State Street Global Markets, PriceStats, as of 31 March 2024.

## US Inflation Remains Firm

Seasonally, the first quarter is almost always the most robust time of year for inflation. And PriceStats recorded above-average jumps in price levels in both February and March. While some of this is related to higher transport and gasoline prices, readings were also boosted by a firmer trend in some goods prices.

It's still too early to tell whether this represents a change in the more benign inflation trend seen in the second half of 2023. PriceStats recorded only a marginally above-average Q1 reading relative to normal seasonal trends (Figure 6). For now, this remains quite different from the much firmer trend seen in 2021. But given rate cut hopes, it will be important that inflation doesn't deviate much further from its Q2 seasonal trend. And that will require a much softer trend in price levels, beginning this month.

Figure 6  
**US Inflation Marginally Above Q1 Seasonal Average**



Source: PriceStats, State Street Global Markets, as of 31 March 2024.

## Is Inflation Pressure Building?

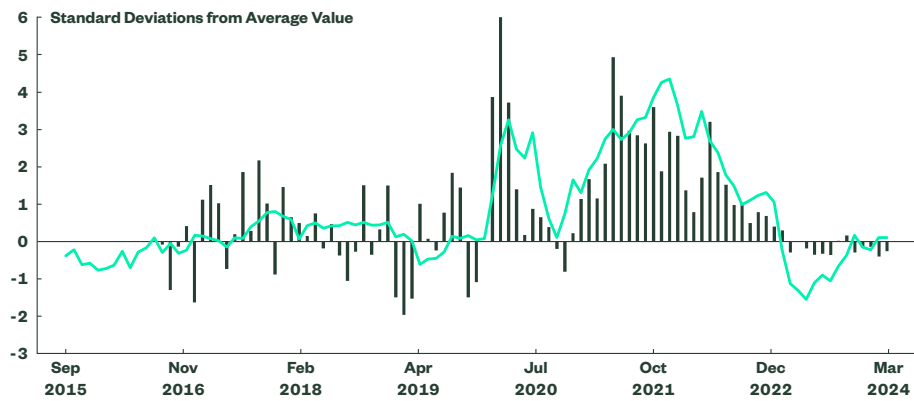
Goods prices have been an important determinant in both inflation and disinflation trends in the past three years. Supply disruptions during the pandemic and its aftermath meant that goods prices reinforced, rather than counterbalanced, more rapid service sector inflation. While there were concerns at various points that “structural” goods price disinflation wouldn’t return, goods prices quickly returned to their pre-pandemic, disinflationary norms in the second half of 2023.

But 2024’s firmer Q1 has raised questions again about the trend. Allied to disruptions to global shipping lanes, concerns about supply disruptions, and potential shortages, a more benign trend in goods prices should not be taken for granted.

Notably, though, evidence of building supply side pressures remains modest. The New York Fed’s supply chain pressure index, which aggregates actual shipping costs alongside the prices paid and supplier delivery components of various purchasing manager indices, has risen only slightly. Meanwhile, media mentions of shortages tracked by MKT Media Stats, a State Street Global Markets research partner, also remain below recent averages. All else equal, this suggests it would take an unlikely reacceleration in demand to drive goods price inflation higher in Q2.

Figure 7  
**Trends in Supply Chain Pressures and Media Mentions of Shortages**

■ Media Coverage of Shortages  
■ Global Supply Chain Pressure Index



Source: MKT MediaStats, State Street Global Markets, as of 31 March 2024.

# Q2 Investment Outlook

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**State Street Global Advisors has identified the key considerations for investors in the coming quarter, and how markets can be navigated using SPDR ETFs.**

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## Investment Theme #1

### Supportive Risk Appetite Benefits High Yield and Convertibles

- **The bond market struggled in Q1 with duration weighing on returns. If growth remains firm and inflation slow to decline, opt for strategies that performed well in Q1 such as high-yield and convertible bonds.**

The Q1 Bond Compass noted risks to bond markets in the early part of 2024 given the extremely strong performance seen at the end of 2023. But it has been a tough start to the year for bond investors, with the Bloomberg US Treasury Index returning -0.96% and Euro governments returning -0.65% year to date. The rather sticky path for US inflation and the seemingly continual upgrades to growth have been a tricky backdrop for fixed income investors to navigate. Market sentiment has now shifted substantially with the Fed Funds Futures now pricing just three 25 basis point (bp) cuts from the Federal Reserve (Fed) in 2024, in line with the messaging from the Federal Open Market Committee (FOMC).

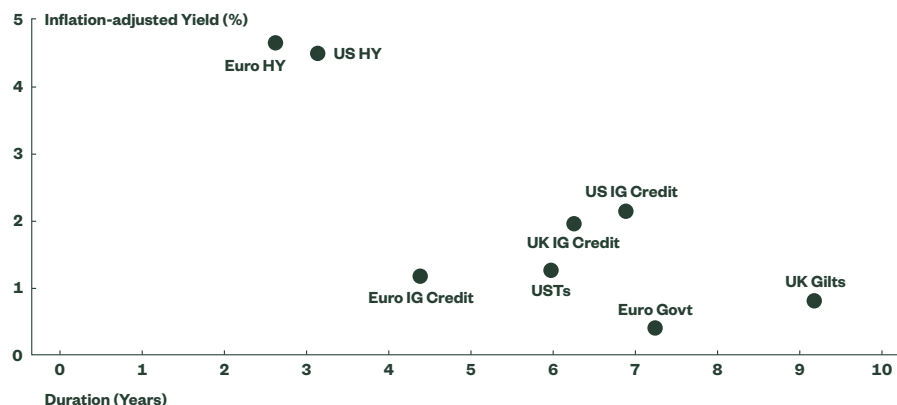
This more moderate policy easing does make for a better risk-reward profile for bonds in Q2, but risks remain that growth will hold up. This creates a more favourable backdrop for risk assets, most notably equities. But for fixed income, two strategies have managed to perform well in 2024: high-yield and convertible bonds.

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### Resilient High Yield

The performance of high-yield strategies has been driven by a combination of the high yield on offer coupled with generally short durations, making them less sensitive to rising market rates. Figure 8 shows the real yield-to-duration trade-off<sup>1</sup> for various Bloomberg bond indices. By this measure, high yield is by far the most interesting.

Figure 8  
**Yield Versus  
Duration in Fixed  
Income Markets**



Source: Bloomberg Finance, L.P., as of 18 March 2024.

Investors may be particularly interested in the defensiveness of the strategy. Dividing the yield by the duration provides an approximate breakeven rate for the indices, i.e., it gives some indication as to how high yields would need to rise for the price losses on the index to wipe out the index yield. These are at 270 bps for Euro high yield, an all-time high, and 245 bps for US. Markets would have to sell off significantly from current levels for the strategy to lose money.

The high coupon yield and relative price insensitivity of the underlying index have offset much of the impact of the rise in underlying Treasuries, and should remain supportive if growth and inflation do not fall quickly enough to open the door to central bank easing.

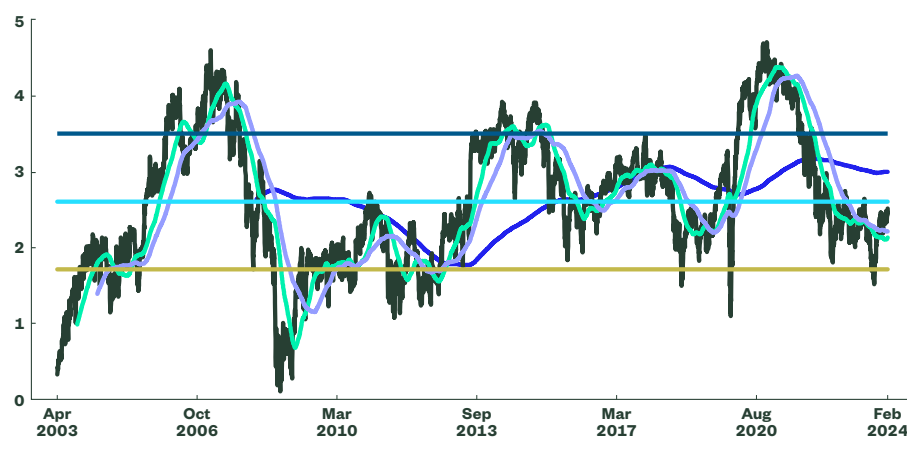
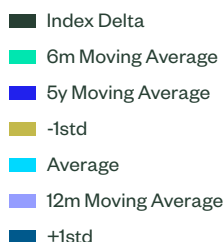
## Convertibles Capture the Risk-on Mood

Year-to-date equity performance has left bonds in the shade, however convertibles have allowed bond investors to partially participate in this equity rally. The short duration profile of convertibles has provided some defence in the face of rising yields, but returns have been driven by the equity 'option' embedded in the convertible bonds. The broadening of equity market gains out of large-cap stocks should provide ongoing support to the issuer base which, for convertibles, is more typically classed as small and mid cap. The sector breakdown for convertibles is also constructive, being biased towards technology and communications, which have been strong performers.<sup>2</sup>

At around 45, the index delta (the price sensitivity of the index to the underlying equity) remains at low levels relative to its history. In the past, this level has been associated with strong positive performance in the following 12 months (Figure 9).<sup>3</sup>

Figure 9

### The Delta for the Refinitiv Qualified Global Convertible Index



Source: State Street Global Advisors, Refinitiv, as of 1 March 2024.

## Recession Concession

These two strategies could continue to perform better than either government or investment-grade (IG) funds if growth continues to outstrip expectations. However, they may be vulnerable if growth slows in a more material way. For high yield, credit spreads are currently quite tight and would likely widen. However, some of this would be due to falling government yields, as the market priced in more aggressive cuts from central banks. Given the historically high breakeven rates alluded to above, spreads would have to widen dramatically to push outright yields high enough to generate losses.

Convertibles, which consist of around 50% non-IG issuers, could also be vulnerable. The equity market reaction would be a key driver as more aggressive policy easing may be viewed favourably. Importantly, both strategies performed well in November and December, as falling inflation and a softening in growth saw central bank cuts come into view. However, the market moved to price a soft landing rather than a recession.

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## How to Play This Theme

[SPDR® Bloomberg Euro High Yield Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg SASB U.S. High Yield Corporate ESG UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg SASB U.S. High Yield Corporate ESG EUR Hdg UCITS ETF \(Acc\)](#)

[SPDR® Refinitiv Global Convertible Bond UCITS ETF \(Dist\)](#)

[SPDR® Refinitiv Global Convertible Bond USD Hdg UCITS ETF \(Dist\)](#)

[SPDR® Refinitiv Global Convertible Bond EUR Hdg UCITS ETF \(Acc\)](#)

[SPDR® Refinitiv Global Convertible Bond GBP Hdg UCITS ETF \(Dist\)](#)

[SPDR® Refinitiv Global Convertible Bond CHF Hdg UCITS ETF \(Acc\)](#)

1 State Street Global Advisors, Bloomberg Finance, L.P., as of 18 March 2024. Real index yields are yield-to-worst less year-on-year consumer price index (CPI), duration is the option-adjusted duration.

2 Refinitiv, as of 29 February 2024. The Refinitiv Global Qualified Index is 9% technology and 13.5% communications.

3 For the Refinitiv Global Qualified Index, an index delta of between 40 and 45 has, on average, produced returns of 8.84% over the following 12 months. The 5-year average delta is just under 50.



## Investment Theme #2

### Positioning for the ECB with the European Barbell

- **Barbelling risk in European markets continues to appeal. It can provide a higher yield than just a straight government exposure for the same duration risk. There is also additional convexity, which can aid performance in the event that growth decelerates quickly.**

The performance of both investment-grade (IG) corporate and government bonds was negative at the start of 2024. The correction from a rather rich looking market at the end of 2023 has been painful for bond investors, with government bonds in particular bearing the brunt of the re-pricing of central bank policy expectations. Narrowing credit spreads and higher coupons have provided some respite for those invested in IG exposures.

In our Q1 Bond Compass, we discussed barbelling risk for Europe: short-dated IG corporates provided yield coupled with long-dated government funds to add duration. Duration was aligned with the average duration of the underlying government bond markets, and performance has been better than for the all curve government strategies. In Euro, returns for Q1 2024 have been 62 basis points (bps) higher than for the all maturity government index. A similar barbell for the UK resulted in returns that were 73 bps higher. However, returns for both EUR and EK barbells have been lower than they were for an all curve credit exposure. A lot of this had to do with duration, as IG credit exposures typically have shorter durations than their government counterparts.

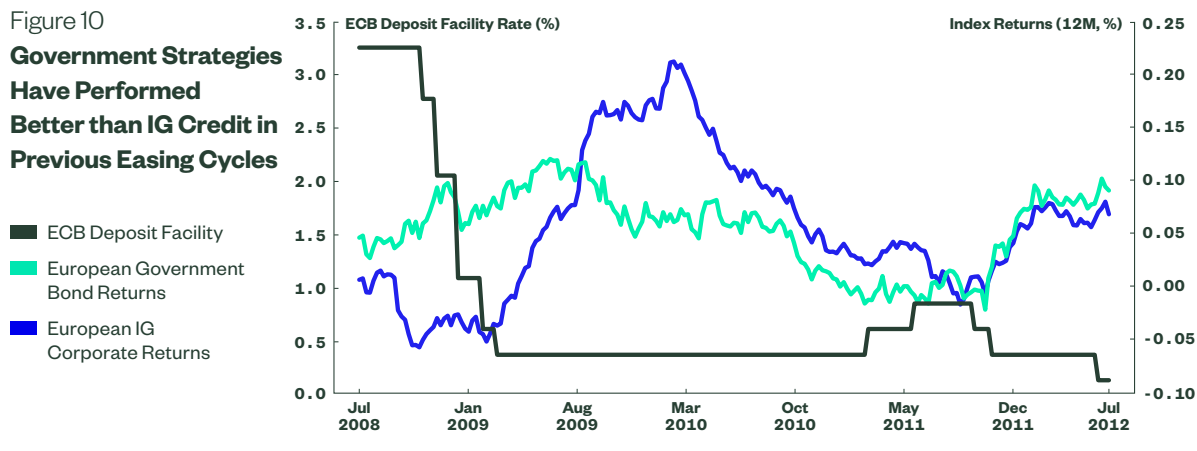
The question now is whether enough has changed to force a rethink of this positioning. Euro area growth remains weak and the Consumer Price Index (CPI) has fallen to 2.6% YoY, which has prompted the European Central Bank (ECB) to hint at potential rate cuts around mid-year. Around 25 bps of cuts are priced in for the June meeting and close to 90 bps for the remainder of 2024. With a cut potentially coming as soon as late Q2, it makes sense to stick to the barbell approach.

### Government Bonds or IG Credit — Or Maybe Both

In the 2008–2009 easing cycle, government bonds clearly outperformed IG credit. Credit spreads blew out aggressively and positive returns did not materialise until the easing cycle had finished. Credit performed better in late 2011–2012, but even then, returns from European government bonds were marginally stronger. This may have resulted from the longer duration of the government strategy and the tendency for credit spreads to widen if a material slowdown is anticipated.

Figure 10

#### Government Strategies Have Performed Better than IG Credit in Previous Easing Cycles



Source: Bloomberg Finance, L.P., as of 19 March 2024. Return indices used: Bloomberg Euro Aggregate Treasury Index and Bloomberg Euro Aggregate Corporates Index. **Past performance is not a reliable indicator of future performance.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

The downside of sticking to government exposures is giving up some yield. This can particularly hamper returns if the central bank is late to start the easing cycle. However, the short-dated IG exposure embedded in the barbell provides yield uplift of over 70 bps to government bonds. Couple this with a long-dated (10+ years) government exposure and you exclude the middle part of the curve, which is the low point for yields (around the 7-year maturity). When structured versus the Bloomberg Euro Aggregate Treasury Index, it provides an annual yield pick-up of 67 bps. This will support returns if the ECB holds off on rate cuts if, for instance, inflation does not fall back as projected.

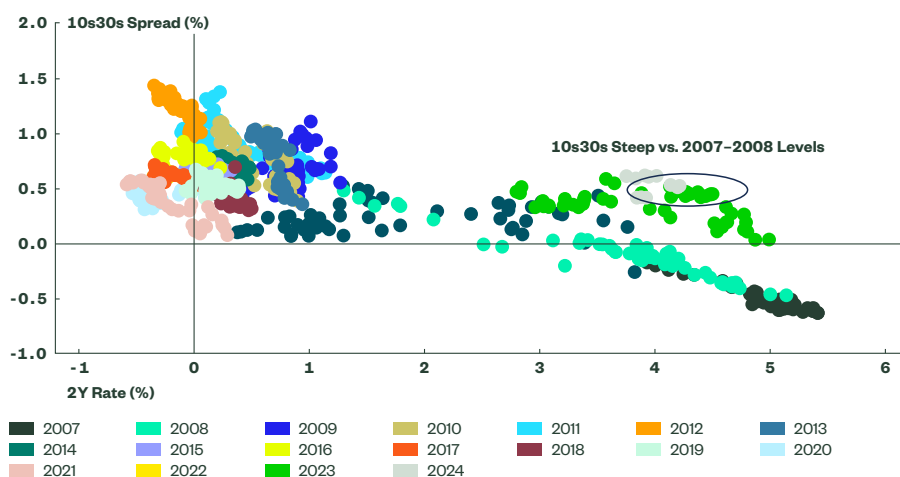
Last, the long-end exposure adds in some convexity, with the barbell having over 25% more convexity than the all curve exposure. This may prove trivial for performance on market moves of a modest magnitude, but it buys protection in the event of a sharp slowing in the economy. The European economy is cruising close to stall speed, meaning any deterioration in growth momentum could force the ECB to act more forcefully. In this case, the additional convexity should support barbell returns.

## Timing the Bank of England

Many of the same arguments above are applicable to the UK market. Growth has proved persistently weak, with the UK experiencing a technical recession in the second half of 2023. A more meaningful deterioration would significantly increase pressure on the Bank of England (BoE) to cut policy aggressively. Inflation has declined dramatically, with CPI undershooting expectations in February at 3.4% YoY. Even the BoE Monetary Policy Committee (MPC) is split on the timing of a cut, with one member already voting to cut rates. The market is less convinced of an imminent move and the first cut is not priced in until the August meeting.

There is an additional reason to consider barbell risk: there has been a material re-pricing of the long end of the UK curve. The 15-year forward gilt rate is close to 5%, near the top of its historical range. The absolute highs were at 5.36% in 2009, but it typically has not traded above 5% for any period of time. The term premium rebuild appears more advanced in UK markets, with the chart below showing how the 10–30-year spread is now far steeper than it was in 2007 and 2008, the last time that the 2-year gilt yield was at similar levels.

Figure 11  
**10Y–30Y Gilt Spread  
 Far Steeper in 2024  
 Relative to the 2Y Yield**



Source: State Street Global Advisors, Bloomberg Finance, L.P., as of 20 March 2024.

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## How to Play This Theme

[SPDR® Bloomberg 0–3 Year Euro Corporate Bond UCITS ETF \(Acc\)](#)

[SPDR® Bloomberg 0–3 Year Euro Corporate Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg SASB 0–3 Year Euro Corporate ESG UCITS ETF \(Acc\)](#)

[SPDR® Bloomberg 10+ Year Euro Government Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg 0–5 Year Sterling Corporate Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg 15+ Year Gilt UCITS ETF \(Dist\)](#)

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## Investment Theme #3

### The Resilience of Emerging Markets Hard Currency

- **European market local currency debt has been buffeted by the strength of the US dollar and remains dependent on the path that the Federal Reserve takes. Hard currency has proved more resilient and, while spreads are tight, may continue to provide better returns until the US easing cycle is underway.**

A theme in the Q1 Bond Compass was emerging market (EM) local currency exposure. But the strong performance seen in Q4 2023 did not continue, and EM local currency instead closed the first quarter with negative returns. Rising US interest rate expectations have had the double impact of pushing US Treasury yields higher and supporting the USD. While local currency bonds will primarily be influenced by domestic factors, they are less attractive if yields on US Treasuries are high. Attribution for the Bloomberg Emerging Markets Local Currency Liquid Government Bond Index over the first quarter shows that price returns were -0.5%, but the far bigger impact came from the USD with currency returns of -2.79%. This was partially offset by strong coupon returns of 1.2%.<sup>1</sup>

It is clear that the Federal Reserve (Fed) is very much in the driver's seat when it comes to EM debt returns. The six-month correlation of returns between EM local currency and Treasuries is over 80%, which is historically high. While the USD remains over-valued on the State Street Global Advisors long-term measure of fair value, it seems unwise to assume a reversion to fairer levels given the resilience of the US economy.

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#### Hard Currency Has the Edge

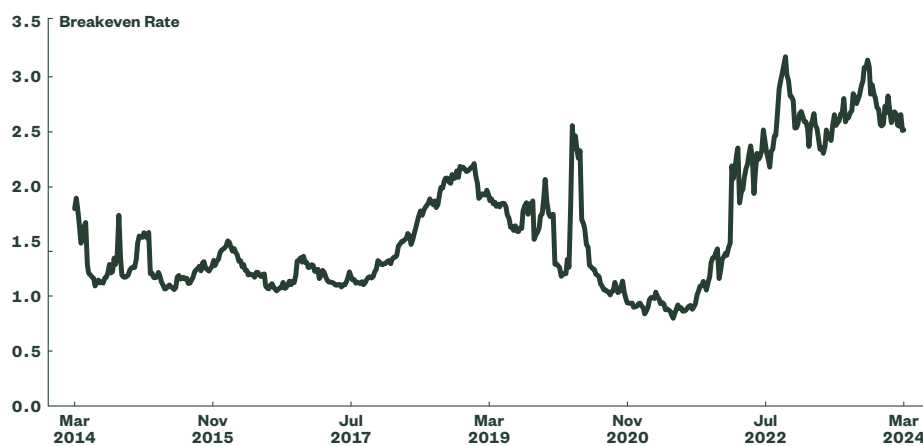
Expectations for the first 25 basis point (bp) cut by the Fed have shifted from March 2024 (as priced at the end of December 2023) to July 2024. Despite this substantial re-pricing, hard currency exposures proved resilient with the J.P. Morgan EMBI Global Diversified Index returning over 2% in the first quarter.<sup>2</sup> High coupon returns and spread tightening have supported performance; if the economic backdrop remains similar in Q2, opting for hard, rather than local, currency exposures may make sense.

The counterpoint is that spreads to Treasuries are historically very tight. This is the case for most spread products and hard currency bonds are no exception. To some extent, the risks from spread widening are mitigated by the high absolute yields on offer. This can certainly provide protection, especially if investors opt for shorter-duration exposures.

Figure 12 shows the breakeven spread for the ICE BofA 0–5 Year EM USD Government Bond ex-144a Index. The high yield on offer of over 5.6% coupled with the relatively short duration of 2.26 years means that yields would have to rise by around 250 bps for the price losses on the index to wipe out the annual yield. While it is possible that spreads could start to blow out if the US economy starts slowing, this should, in part, be driven by falling US Treasury yields as the market prices a more acute easing path from the Fed. Unless accompanied by a rise in market risk aversion, overall yields on hard currency bonds could still decline if underlying Treasury yields fall.

Figure 12

**Breakeven Rate  
for the ICE BofA  
0–5 Year EM USD  
Government Bond  
ex-144a Index**



Source: PriceStats, State Street Global Markets, as of 31 March 2024.

As pointed out in the [Weekly ETF Brief: A Look at Short Duration Emerging Markets Hard Currency](#), monthly returns on the ICE BofA 0–5 Year EM USD Government Bond ex-144a Index have been positive over the past six months. This is consistent with the Fed rates cycle that peaked in 2019, which also recorded positive returns. These averaged 0.84% per month, or over 10% annualised, over the seven months that rates were at their peak.

Seasonal factors during Q2 could also provide a more constructive backdrop. While it is clear that seasonality is easily blown off course by any meaningful macroeconomic movements, the run-up to the summer has typically been positive for EM hard currency exposures. The average monthly returns for the April to August period over the last 10 years have all been positive.<sup>3</sup>

In summary, EM hard currency has shown an ability to weather the storm of the gradual unwinding of Fed rate cut expectations. Still, high outright yields coupled with more positive seasonal factors should be helpful in the event that Q2 sees a continuation of this trend. The key risk is an unexpectedly rapid slowing in the US economy, which could precipitate a sharp widening of credit spreads if investors' risk aversion increases. A shorter-duration strategy would help alleviate some of this risk given more limited price movements if yields move higher.

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**How to Play This Theme**

[SPDR® ICE BofA 0–5 Year EM USD Government Bond UCITS ETF \(Dist\)](#)

[SPDR® ICE BofA 0–5 Year EM USD Government Bond EUR Hdg UCITS ETF \(Acc\)](#)

1 Bloomberg Finance, L.P., as of 28 March 2024. Non-annualised returns for Q1.

2 Bloomberg Finance, L.P., as of 28 March 2024.

3 Both the ICE BofA 0–5 Year EM USD Government Bond ex-144a Index and the J.P. Morgan EMBI Global Diversified Index have shown a tendency for positive returns over this period.

## Important Information

### Marketing Communication. Information Classification: General Access.

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#### For Investors in Austria

The offering of SPDR ETFs by the Company has been notified to the Financial Markets Authority (FMA) in accordance with section 139 of the Austrian Investment Funds Act. Prospective investors may obtain the current sales Prospectus, the articles of incorporation, the KID as well as the latest annual and semi-annual report free of charge from State Street Global Advisors Europe Limited, Branch in Germany, Brienner Strasse 59, D-80333 Munich. T: +49 (0)89-55878-400. F: +49 (0)89-55878-440.

#### For Investors in Finland

The offering of funds by the Companies has been notified to the Financial Supervision Authority in accordance with Section 127 of the Act on Common Funds (29.1.1999/48) and by virtue of confirmation from the Financial Supervision Authority the Companies may publicly distribute their Shares in Finland. Certain information and documents that the Companies must publish in Ireland pursuant to applicable Irish law are translated into Finnish and are available for Finnish investors by contacting State Street Custodial Services (Ireland) Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland.

#### For Investors in France

This document does not constitute an offer or request to purchase shares in the Company. Any subscription for shares shall be made in accordance with the terms and conditions specified in the complete Prospectus, the KID, the addenda as well as the Company Supplements. These documents are available from the Company centralizing correspondent: State Street Banque S.A., Coeur Défense – Tour A – La Défense 4 33e étage 100, Esplanade du Général de Gaulle 92 931 Paris La Défense cedex France or on the French part of the site [ssga.com](http://ssga.com). The Company is an undertaking for collective investment in transferable securities (UCITS) governed by Irish law and accredited by the Central Bank of Ireland as a UCITS in accordance with European Regulations. European Directive no. 2014/91/EU dated 23 July 2014 on UCITS, as amended, established common rules pursuant to the cross-border marketing of UCITS with which they duly

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#### For Investors in Germany

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#### For Investors in Luxembourg

The Companies have been notified to the Commission de Surveillance du Secteur Financier in Luxembourg in order to market their shares for sale to the public in Luxembourg and the Companies are notified Undertakings in Collective Investment for Transferable Securities (UCITS).

#### For Investors in the Netherlands

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#### For Investors in Norway

The offering of SPDR ETFs by the Companies has been notified to the Financial Supervisory Authority of Norway (Finanstilsynet) in accordance with applicable Norwegian Securities Funds legislation. By virtue of a

confirmation letter from the Financial Supervisory Authority dated 28 March 2013 (16 October 2013 for umbrella II) the Companies may market and sell their shares in Norway.

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State Street Global Advisors SPDR ETFs Europe I & SPDR ETFs Europe II plc issue SPDR ETFs, and is an open-ended investment company with variable capital having segregated liability between its sub-funds. The Company is organised as an Undertaking for Collective Investments in Transferable Securities (UCITS) under the laws of Ireland and authorised as a UCITS by the Central Bank of Ireland.

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Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which

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