



# UK Week in Markets

Week ending 31 May 2020



## Key News and Events

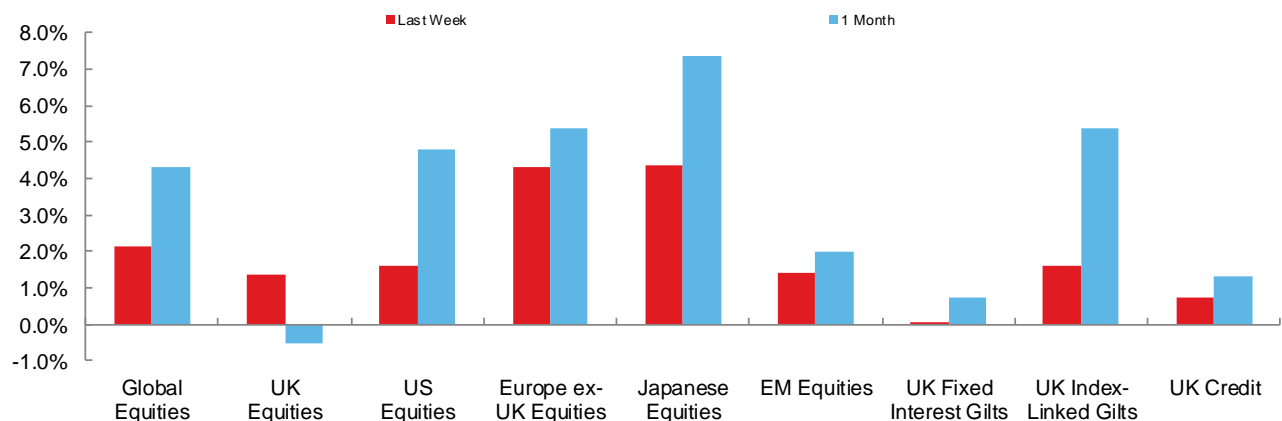
- Around 730,000 confirmed coronavirus cases were recorded globally last week. Confirmed cases are rising at relatively high rates across Latin America, especially in Brazil, which is now second only to the US in its number of coronavirus cases. Meanwhile, the European Commission proposed a €750 billion recovery fund, made up of €500 billion in grants and €250 billion in loans to help EU nations affected by the Covid-19 pandemic.
- China formally approved the plan to impose a national security law on Hong Kong. In response, President Trump announced that Hong Kong's trade privileges with the US will be revoked. This follows a US State Department report which certified that Hong Kong is no longer sufficiently autonomous to warrant differential treatment under US laws.

Note: COVID-19 data are sourced from the World Health Organization's Situation Reports



## Market Overview

### Index Returns



### Cumulative Return Over Last 12 Months

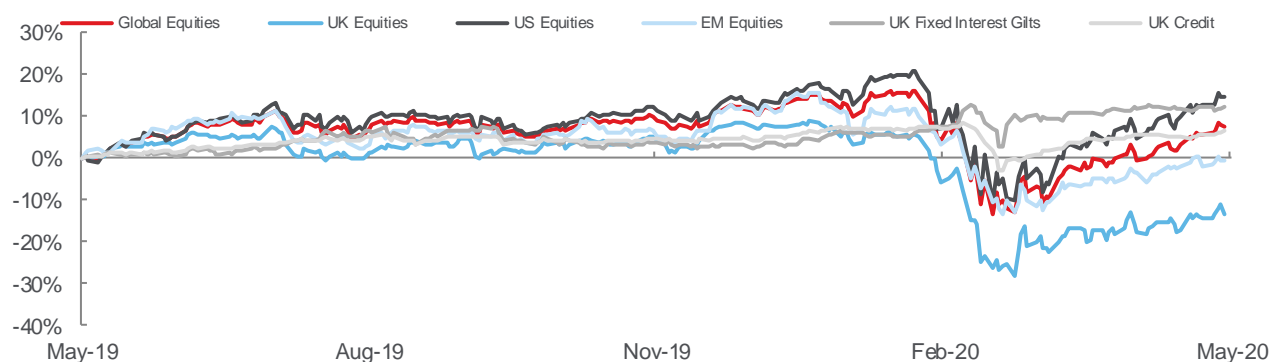


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



## Market Summary

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### Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 3.2% in local currency terms and rose by 2.1% in sterling terms.
- The Financials sector was the best performer, returning 5.5% in sterling terms.
- The Telecommunications sector was the worst performer, returning -0.1% in sterling terms.
- Japanese equities were the best performing market in sterling terms (+4.4%).
- UK equities were the worst performing market in sterling terms (+1.4%).

### Government Bonds

- The 10-year gilt yield was unchanged at 0.18% and the 20-year gilt yield fell by 2bps to 0.51%.
- The 10-year US treasury yield fell by 1bps to 0.65%.
- At the 10-year maturity, the German bund yield rose by 4bps to -0.45% and the French government bond yield fell by 5bps to -0.09%.
- Greek government bond yields fell by 20bps to 1.49%.
- The UK Over 5-year real yield fell by 8bps to -2.29% and the UK 20-year real yield fell by 6bps to -2.49%.
- 20-year breakeven inflation rose by 5bps to 3.00%.

### Credit

- US high yield bonds rose over the week, returning 1.8%.
- The US high yield bond spread over US treasury yields fell by 35bps to 671bps over the week.
- The spread of USD denominated EM debt over US treasury yields fell by 15bps to 519bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) fell by 9bps to 165bps over the week.

### Commodities

- The S&P GSCI index rose by 3.1% in USD terms over the week.
- The S&P GSCI Energy index rose by 4.6% as the price of Brent Crude oil rose by 0.6% to US\$35/BBL.
- Industrial metal prices rose by 1.7% as copper prices rose by 1.7% to US\$5,333/MT.
- Agricultural prices rose by 1.6% and gold prices fell by 0.3% to US\$1,729/Oz.

### Currencies

- Sterling strengthened by 1.4% against the US dollar and fell by 0.7% against the euro, ending the week at \$1.24/£ and €1.11/£ respectively.
  - The US dollar increased by 0.2% against the Japanese yen, ending the week at ¥107.74/\$.
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With over 160 years of combined experience, the team is one of the strongest in UK investment consultancy today.

Our experts analyze market movements and economic conditions around the world, setting risk and return expectations for global capital markets.

The team use those expectations to help our clients set and, when it's right to do so, revise their long-term investment policies.

We believe that the medium-term (1–3 years) has been under exploited as a source of investment performance. Maintaining medium-term views that complement our long-term expectations, we help our clients to determine when to make changes to their investment strategy

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