



UK Week in Markets

Week ending 30 August 2020



Key News and Events

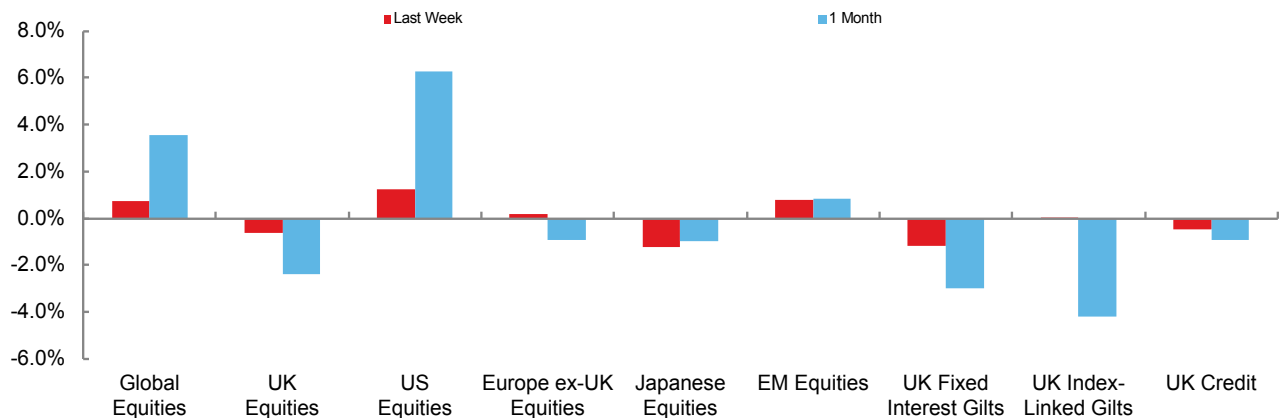
- The number of worldwide Covid-19 cases has exceeded 25 million. India surpassed the US in recording the highest number of daily cases with over 78,000 cases recorded in a single day. The number of confirmed cases in India is now more than 3.5 million, as the country recorded over 500,000 cases last week. In addition, the US and Brazil each recorded over 250,000 cases over the week. Meanwhile, major European countries including Spain saw record levels of new cases. However, the idea of implementing new countrywide lockdowns has been met with push back due to their negative impact on the economy.
- The US Federal Reserve (Fed) announced a major policy shift by adopting a new approach of average inflation targeting. This would mean that the Fed would tolerate inflation running moderately above the current target inflation rate of 2% for “some time” to make up for the periods when it had run below the target. As a result, there is an increased likelihood that inflation expectations will rise.
- Japan’s longest-serving Prime Minister, Shinzo Abe, announced his resignation citing health concerns. Abe was originally expected to end his tenure as prime minister in September 2021. Japanese equities fell 1.3% in sterling terms over the week.

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



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

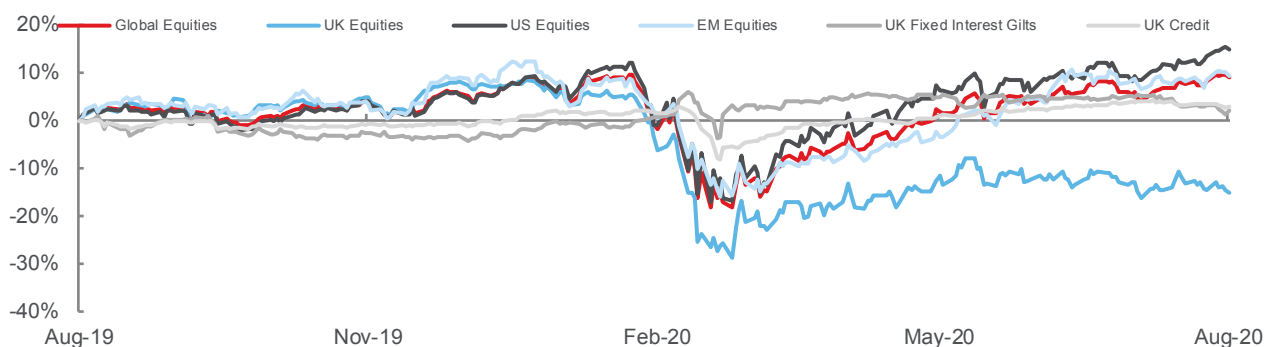


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 2.3% in local currency terms and rose by 0.8% in sterling terms.
- The Information & Technology sector was the best performer, returning 2.1% in sterling terms.
- The Utilities sector was the worst performer, returning -2.2% in sterling terms.
- US equities were the best performing market in sterling terms (+1.3%).
- Japanese equities were the worst performing market in sterling terms (-1.3%).

Government Bonds

- The 10-year gilt yield rose by 9bps to 0.31% and the 20-year gilt yield rose by 8bps to 0.75%.
- The 10-year US treasury yield rose by 10bps to 0.73%.
- At the 10-year maturity, the German bund yield rose by 9bps to -0.42% and the French government bond yield rose by 8bps to -0.12%.
- Irish government bond yields rose by 10bps to -0.07%.
- The UK Over 5-year real yield was unchanged at -2.12% and the UK 20-year real yield was unchanged at -2.40%.
- 20-year breakeven inflation rose by 11bps to 3.17%.

Credit

- US high yield bonds rose over the week, returning 0.8%. The spread over US treasury yields fell by 25bps to 500bps over the week.
- The spread of hard currency emerging market debt over US treasury yields fell by 4bps to 425bps over the week.

Commodities

- The S&P GSCI index rose by 0.3% in USD terms over the week.
- The S&P GSCI Energy index fell by 0.3% as the price of Brent Crude oil fell by 1.0% to US\$44/BBL.
- Industrial metal prices rose by 1.8% as copper prices rose by 3.5% to US\$6,565/MT.
- Agricultural prices rose by 1.7% and gold prices fell by 1.0% to US\$1,924/Oz.

Currencies

- Sterling strengthened by 2.0% against the US dollar and rose by 1.0% against the euro, ending the week at \$1.33/£ and €1.12/£ respectively.
 - The US dollar decreased by 0.6% against the Japanese yen, ending the week at ¥105.31/\$.
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