# UK Week in Markets

Week ending 1 November 2020

## Key News and Events

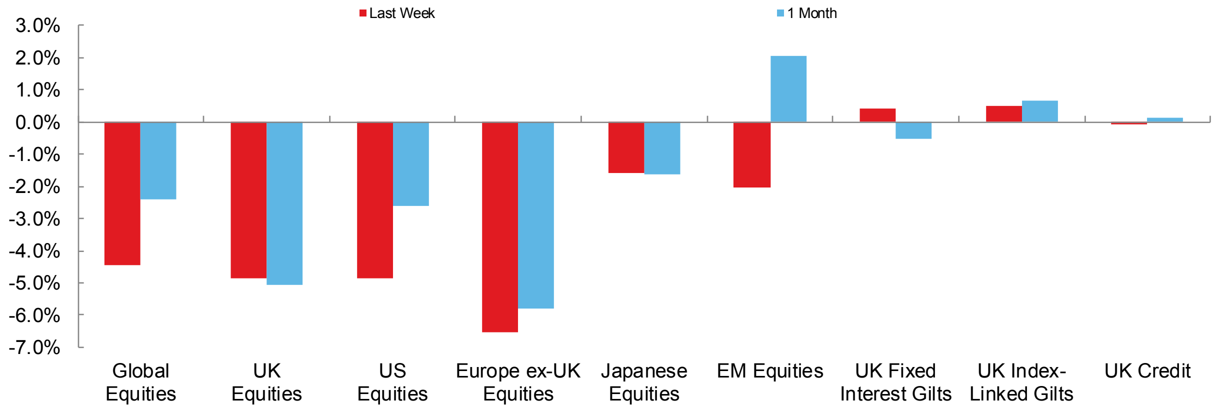
- Global equity markets experienced a sell-off over the week as uncertainties around the imminent US election and a surge in the number of Covid-19 infections weighed on equity markets. A rapid increase in Covid-19 infections in Europe resulted in France and Germany implementing new national lockdowns. The UK government announced a 4-week national lockdown from November 5th.

- The US economy rebounded over the quarter as GDP grew at an annualised rate of 33.1% in Q3 2020. However, the economy has recovered only two-thirds of the output it lost in Q2 2020 when the economy contracted at an annualised rate of 31.4%. As of the end of Q3 2020, GDP is 2.9% and 3.5% below the value recorded in Q3 2019 and Q4 2019 respectively.

- The Eurozone economy rebounded by growing 12.7% in Q3 2020 on a quarter-on-quarter basis, the fastest rate on record. German and French economies grew by 8.2% and 18.2% over this period whilst Italian and Spanish economies grew by 16.1% and 16.7% respectively.

## Market Overview

### Index Returns




### Cumulative Return Over Last 12 Months

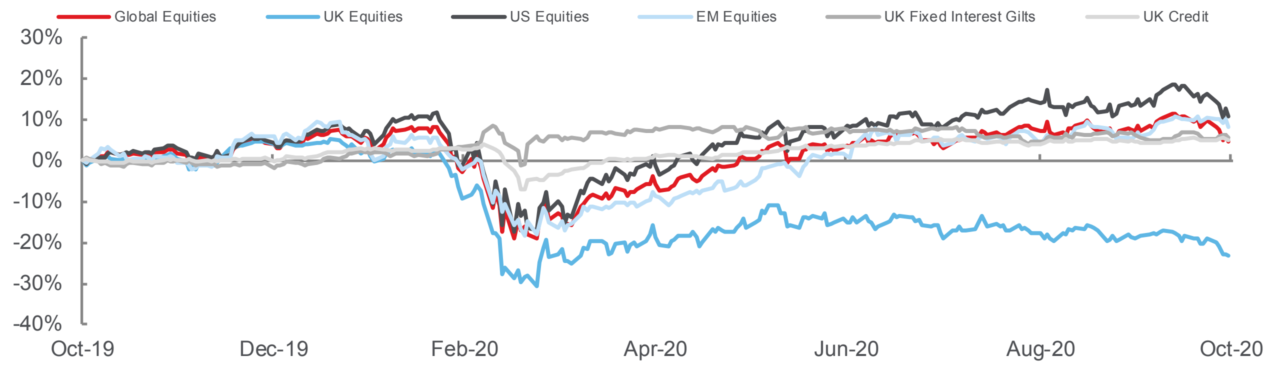



*Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.*

## Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 5.0% in local currency terms and fell by 4.5% in sterling terms.
- The Telecommunications sector was the best performer, returning -2.9% in sterling terms.
- The Information & Technology sector was the worst performer, returning -6.0% in sterling terms.
- Japanese equities were the best performing market in sterling terms (-1.6%).
- European equities were the worst performing market in sterling terms (-6.5%).

## Government Bonds

- The 10-year gilt yield fell by 2bps to 0.27% and the 20-year gilt yield fell by 3bps to 0.77%.
- The 10-year US treasury yield rose by 1bp to 0.85%.
- At the 10-year maturity, the German bund yield fell by 4bps to -0.62% and the French government bond yield fell by 3bps to -0.33%.
- Portuguese government bond yields fell by 8bps to 0.10%.
- The UK Over 5-year real yield fell by 2bps to -2.24% and the UK 20-year real yield rose by 1bp to -2.48%.
- 20-year breakeven inflation fell by 2bps to 3.18%.

## Credit

- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) rose by 3bps to 123bps over the week.
- US high yield bonds fell over the week, returning -1.1%. Their credit spread over US treasury yields rose by 38bps to 525bps over the week.
- The spread of hard currency emerging market debt over US treasury yields rose by 4bps to 425bps over the week.

## Commodities

- The S&P GSCI index fell by 5.0% in USD terms over the week.
- The S&P GSCI Energy index fell by 8.3% as the price of Brent Crude oil fell by 10.3% to US$37/BBL.
- Industrial metal prices fell by 1.1% as copper prices fell by 2.7% to US$6,695/MT.
- Agricultural prices fell by 4.1% and gold prices fell by 1.1% to US$1,882/Oz.

## Currencies

- Sterling weakened by 0.9% against the US dollar and rose by 0.7% against the euro, ending the week at $1.29/£ and €1.11/£ respectively.
- The US dollar decreased by 0.3% against the Japanese yen, ending the week at ¥104.54/$.

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