

UK Week in Markets

Week ending 29 November 2020

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Key News and Events

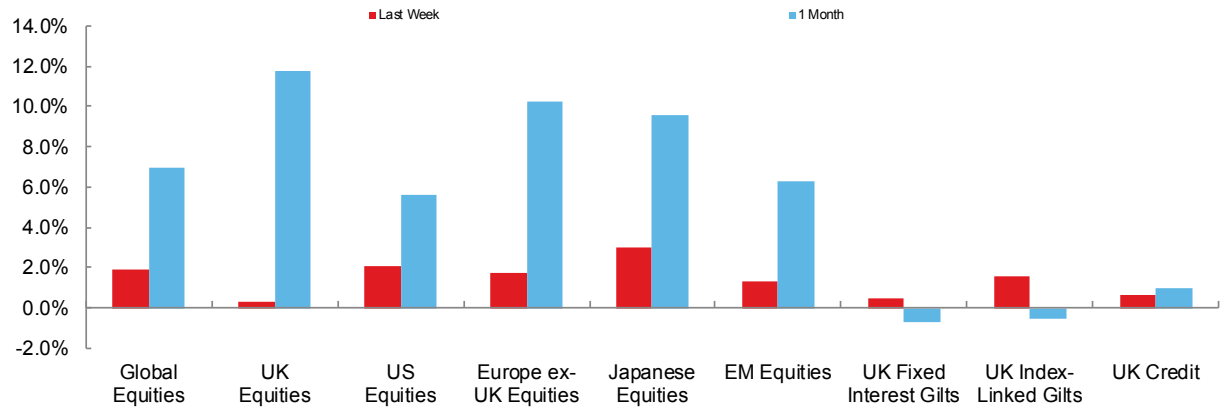
- AstraZeneca and Oxford university vaccine trials exceeded the level of efficacy required by regulators as it recorded an average efficacy of 70% whilst achieving 90% in alternative dosage trials. The UK is expected to become the first western country to approve the vaccine jointly developed by Pfizer and BioNTech and start the vaccination process by the first week of December 2020.

- In the US, the Trump administration seemingly acknowledged President-elect Joe Biden's victory and began presidential transition proceedings. President Trump recommended the General Services Administration start the transition process and authorised the release of $7 million in related federal funding, after withholding the decision for weeks. Meanwhile, Joe Biden announced nominations for top cabinet positions including that of former US Federal Reserve chair Janet Yellen for Treasury secretary.

- Meanwhile, the French government implemented the Digital Tax, which was proposed last year, by demanding tax payment for 2020 from US technology groups. The move by the French government is likely to result in retaliatory measures from the US including tariffs on French goods as Washington believes that the new digital tax has unfairly targeted US tech companies.

Market Overview

Index Returns



Cumulative Return Over Last 12 Months

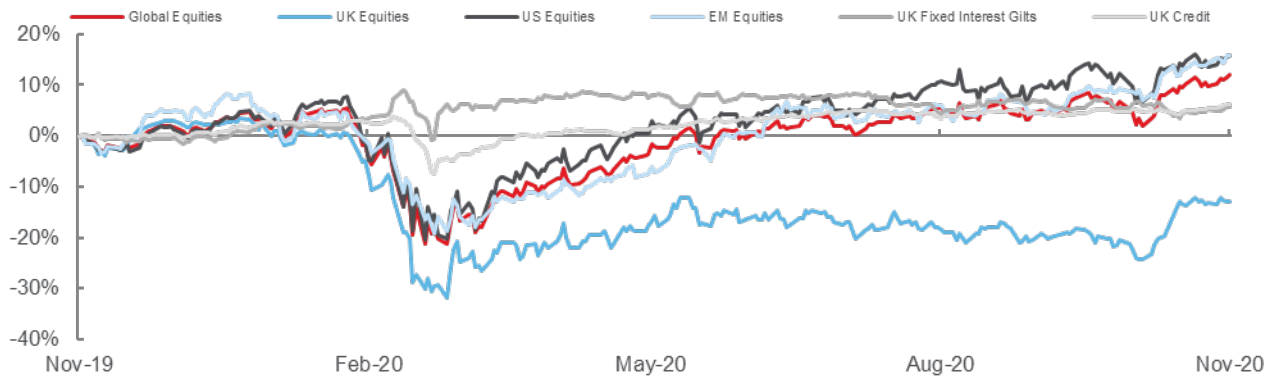


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.

Market Summary

Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 2.2% in local currency terms and rose by 1.9% in sterling terms.
- The Energy sector was the best performer, returning 7.9% in sterling terms.
- The Real Estate sector was the worst performer, returning -0.1% in sterling terms.
- Japanese equities were the best performing market in sterling terms (+3.0%).
- UK equities were the worst performing market in sterling terms (+0.3%).

Government Bonds

- The 10-year gilt yield fell by 1bp to 0.30% and the 20-year gilt yield fell by 4bps to 0.80%.
- The 10-year US treasury yield rose by 1bp to 0.84%.
- At the 10-year maturity, the German bund yield was unchanged at -0.59% and the French government bond yield was unchanged at -0.34%.
- Greek government bond yields fell by 4bps to 0.65%.
- The UK Over 5-year real yield fell by 8bps to -2.24% and the UK 20-year real yield fell by 7bps to -2.45%.
- 20-year breakeven inflation rose by 2bps to 3.14%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) fell by 4bps to 103bps over the week.
- US high yield bonds rose over the week, returning 0.7%. The US high yield bond spread over US treasury yields fell by 14bps to 435bps over the week.
- The spread of hard currency emerging market debt over US treasury yields fell by 3bps to 384bps over the week.

Commodities

- The S&P GSCI index rose by 3.8% in USD terms over the week.
- The S&P GSCI Energy index rose by 7.1% as the price of Brent Crude oil rose by 7.2% to US$48/BBL.
- Industrial metal prices rose by 1.8% as copper prices rose by 3.9% to US$7,462/MT.
- Agricultural prices rose by 0.9% and gold prices fell by 5.1% to US$1,779/Oz.

Currencies

- Sterling strengthened by 0.4% against the US dollar and fell by 0.4% against the euro, ending the week at $1.33/£ and €1.12/£ respectively.
- The US dollar increased by 0.2% against the Japanese yen, ending the week at ¥104.01/$.

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