



UK Week in Markets

Week ending 31 January 2021



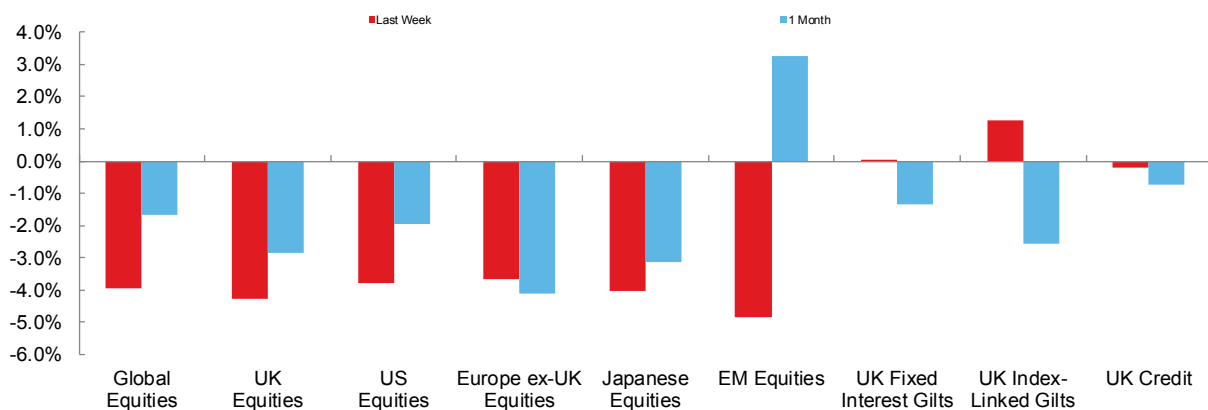
Key News and Events

- Global equity markets fell over the week in sterling terms as fears of rampant retail investor speculation fuelled volatility. Meanwhile, Johnson & Johnson's single-dose Covid-19 vaccine trial reported an overall efficacy rate of 66%. Another US biotech company, Novavax, reported an 89% efficacy rate in a UK phase-3 trial and is also effective against other variants.
- Tensions between the EU and AstraZeneca rose after the drug maker signalled that it would greatly undershoot its original EU production targets. In response, the EU threatened to impose export controls on the Irish border after AstraZeneca remained committed to their UK production targets. The move by the bloc received widespread criticism around the world and the EU later reversed its stance on potential export controls.
- The US economic rebound slowed as the country grappled with new cases and variants of the virus. The US economy grew at 1% over Q4 2020 following the 7.5% growth recorded in the previous quarter. Meanwhile, the German economy grew by 0.1% in Q4 2020 while the French economy contracted by 1.3% over the same period.
- Elsewhere, Italian Prime Minister, Giuseppe Conte, resigned after losing his working majority due to a dispute over his handling of Covid-19 Pandemic and the EU pandemic recovery fund.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

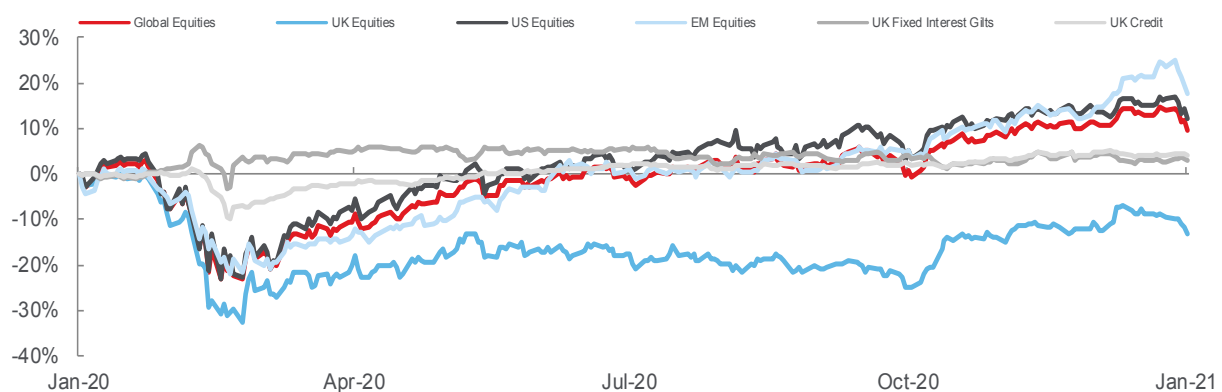


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 3.4% in local currency terms and fell by 4.0% in sterling terms.
- The Real Estate sector was the best performer, returning -0.7% in sterling terms.
- The Energy sector was the worst performer, returning -6.1% in sterling terms.
- European equities were the best performing market in sterling terms (-3.7%).
- Emerging Market equities were the worst performing market in sterling terms (-4.9%).

Government Bonds

- The 10-year gilt yield was unchanged at 0.32% and the 20-year gilt yield fell by 1bp to 0.82%.
- The 10-year US treasury yield were unchanged at 1.09%.
- At the 10-year maturity, the German bund yield was unchanged at -0.51% and the French government bond yield was unchanged at -0.28%.
- Italian government bond yields fell by 12bps to 0.64%.
- The UK Over 5-year real yield fell by 6bps to -2.14% and the UK 20-year real yield fell by 6bps to -2.41%.
- 20-year breakeven inflation rose by 7bps to 3.16%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) rose by 2bps to 99bps over the week.
- Local currency emerging market debt fell over the week, returning -0.3%. The spread of hard currency emerging market debt over US treasury yields fell by 4bps to 354bps over the week.
- The US high yield bond spread over US treasury yields rose by 4bps to 379bps over the week.

Commodities

- The S&P GSCI index rose by 0.8% in USD terms over the week.
- The S&P GSCI Energy index rose by 0.2% as the price of Brent Crude oil rose by 0.8% to US\$56/BBL.
- Industrial metal prices fell by 1.9% although copper prices rose by 0.1% to US\$7,877/MT.
- Agricultural prices rose by 4.9% and gold prices rose by 0.6% to US\$1,864/Oz.

Currencies

- Sterling strengthened by 0.4% against the US dollar and rose by 0.6% against the euro, ending the week at \$1.37/£ and €1.13/£ respectively.
 - The US dollar increased by 0.9% against the Japanese yen, ending the week at ¥104.7/\$.
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