



UK Week in Markets

Week ending 27 June 2021



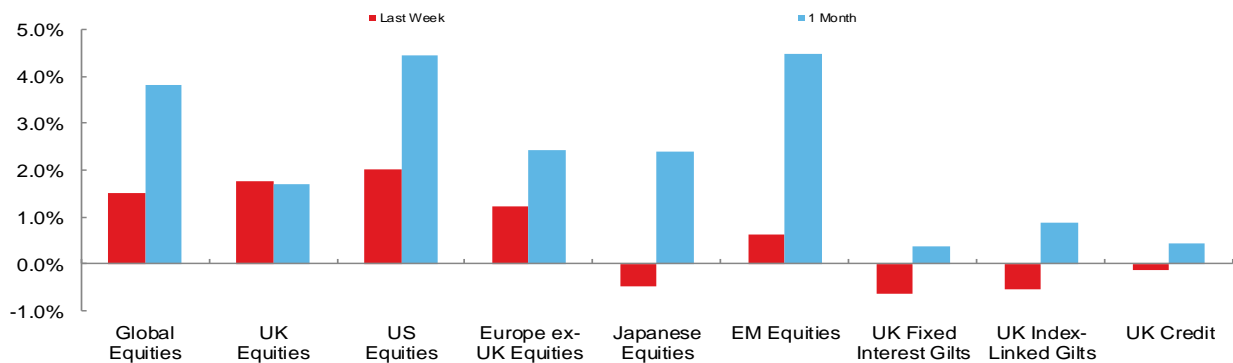
Key News and Events

- The Bank of England unanimously kept its base rate unchanged at 0.1% amid fears of rising inflation. The Monetary Policy Committee also upgraded both UK inflation and growth forecasts. Policymakers expect inflation to rise above 3% for a temporary period, and Q2 economic growth is expected to be 1.5% higher than initially anticipated. Meanwhile, the US Federal Reserve reiterated that they would not raise rates pre-emptively even if employment or inflation rates were greater than expected.
- US President Joe Biden and a bipartisan group of senators reached an agreement on the Biden administration's proposed infrastructure plan. The package worth an estimated \$1tn will focus on upgrading roads, bridges, and broadband networks over the next eight years.
- Elsewhere, the UK's Financial Control Authority (FCA) banned Binance, one of the world's largest cryptocurrency exchanges, from operating in Britain.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

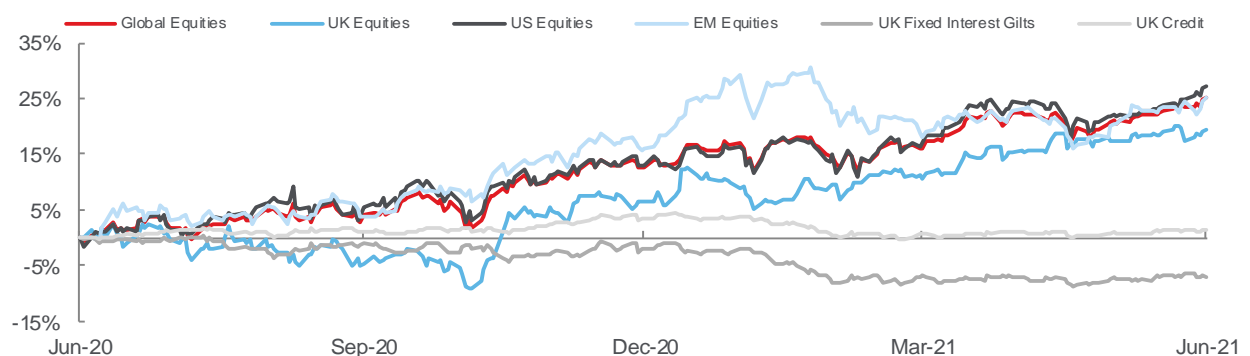


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 2.1% in local currency terms and rose by 1.5% in sterling terms.
- The Energy sector was the best performer, returning 4.5% in sterling terms.
- The Utilities sector was the worst performer, returning -0.4% in sterling terms.
- US equities were the best performing market in sterling terms (+2.0%).
- Japanese equities were the worst performing market in sterling terms (-0.5%).

Government Bonds

- The 10-year gilt yield rose by 1bp to 0.77% and the 20-year gilt yield rose by 4bps to 1.25%.
- The 10-year US treasury yield rose by 9bps to 1.54%.
- At the 10-year maturity, the German bund yield rose by 5bps to -0.16% and the French government bond yield rose by 5bps to 0.19%.
- Italian government bond yields rose by 6bps to 0.93%.
- The UK Over 5-year real yield rose by 3bps to -2.11% and the UK 20-year real yield rose by 4bps to -2.26%.
- 20-year breakeven inflation rose by 2bps to 3.44%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) was unchanged at 90bps over the week.
- The US high yield bond spread over US treasury yields fell by 14bps to 304bps over the week.
- Meanwhile, the spread of hard currency emerging market debt over US treasury fell by 4bps to 332bps over the week. US investment Grade bond fell over the week, returning -0.7%.

Commodities

- The S&P GSCI index rose by 1.9% in USD terms over the week.
- The S&P GSCI Energy index rose by 3.8% as the price of Brent Crude oil rose by 3.6% to US\$76/BBL.
- Industrial metal prices rose by 3.8% as copper prices rose by 2.5% to US\$9,433/MT.
- Agricultural prices fell by 3.5% and gold prices rose by 0.8% to US\$1,787/Oz.

Currencies

- Sterling strengthened by 0.8% against the US dollar and was unchanged against the euro, ending the week at \$1.39/£ and €1.16/£ respectively.
 - The US dollar increased by 0.5% against the Japanese yen, ending the week at ¥110.78/\$.
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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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