



UK Week in Markets

Week ending 03 October 2021



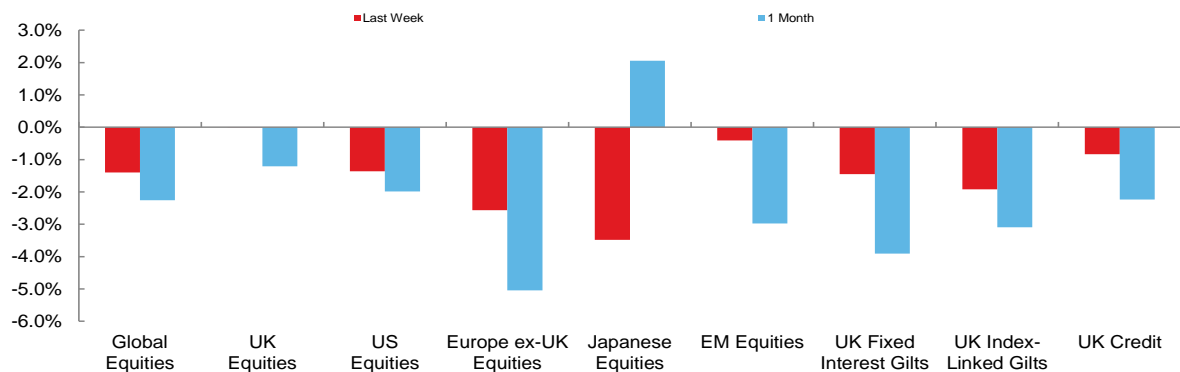
Key News and Events

- Global equity markets suffered a sell-off over the week amidst increased expectations of earlier interest rate hikes by major central banks. Meanwhile, the Brent crude oil price rose above \$80/BBL for the first time in three years.
- US President Joe Biden signed a temporary funding bill to avert a government shutdown until December 3. The Democrats' efforts to increase the borrowing limit and suspend the debt ceiling were blocked by the Senate Republicans. Treasury secretary Janet Yellen has warned Congress lawmakers to reach an agreement as the country risks running out of money after October 18.
- Democrats delayed a vote on the passage of Biden's \$1.2tn bipartisan infrastructure bill due to the ongoing rift between the progressive and moderate lawmakers of the Democratic party. Progressives support the passage of the infrastructure bill only if it is passed along with Biden's \$3.5tn social safety package, whilst the moderates want to pass the infrastructure bill irrespective of any assurances on the larger spending bill. However, Biden and senior Democratic leaders have agreed to lower the cost of the \$3.5tn package as the party has been given a one-month deadline to pass both the bills.
- Japan's ruling Liberal Democratic Party appointed former foreign minister Fumio Kishida as the country's next prime minister.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

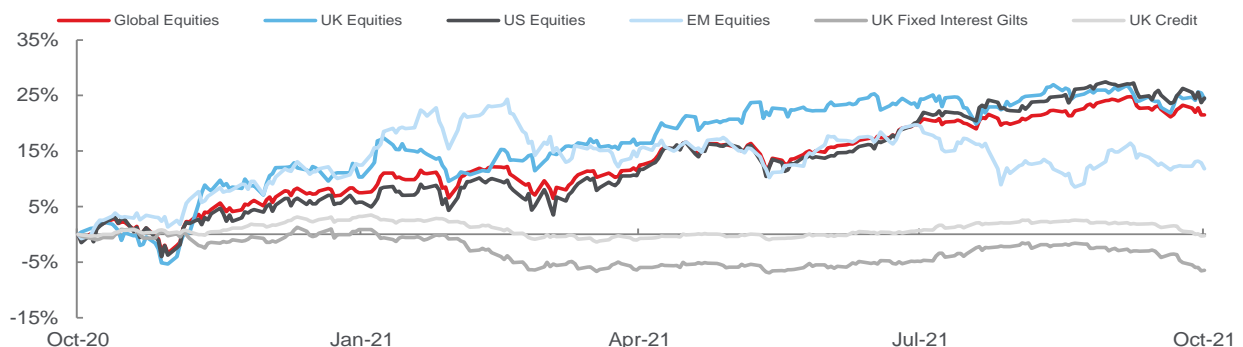


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 2.2% in local currency terms and fell by 1.4% in sterling terms.
- The Energy sector was the best performer, returning 5.7% in sterling terms.
- The Information & Technology sector was the worst performer, returning -3.2% in sterling terms.
- Asia Pacific ex-Japan equities were the best performing market in sterling terms (+0.1%).
- Japanese equities were the worst performing market in sterling terms (-3.5%).

Government Bonds

- The 10-year gilt yield rose by 17bps to 1.01% and the 20-year gilt yield rose by 12bps to 1.36%.
- The 10-year US treasury yield rose by 1bp to 1.47%.
- At the 10-year maturity, the German bund yield fell by 1bp to -0.23% and the French government bond yield was unchanged at 0.12%.
- Italian government bond yields rose by 3bps to 0.81%.
- The UK Over 5-year real yield rose by 10bps to -2.18% and the UK 20-year real yield rose by 8bps to -2.39%.
- 20-year breakeven inflation rose by 3bps to 3.74%.

Credit

- Hard currency emerging market debt fell over the week, returning -1.0%.
- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 2bps to 88bps over the week.
- The US high yield bond spread over US treasury yields rose by 15bps to 320bps over the week.
- Meanwhile, the spread of hard currency emerging market debt over US treasury rose by 11bps to 361bps over the week.

Commodities

- The S&P GSCI index rose by 2.2% in USD terms over the week.
- The S&P GSCI Energy index rose by 3.4% as the price of Brent Crude oil rose by 1.5% to US\$79/BBL.
- Industrial metal prices fell by 2.7% as copper prices fell by 1.7% to US\$9,113/MT.
- Agricultural prices rose by 2.5% and gold prices rose by 0.6% to US\$1,757/Oz.

Currencies

- Sterling weakened by 1.0% against the US dollar and was unchanged against the euro, ending the week at \$1.35/£ and €1.17/£ respectively.
 - The US dollar increased by 0.2% against the Japanese yen, ending the week at ¥110.97/\$.
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