

UK Week in Markets

Week ending 31 October 2021

Empower Results®

Key News and Events

- US economic growth slowed sharply in Q3 due to ongoing supply chain bottlenecks and slower consumer spending, whilst a shortage of semiconductors affected the auto industry. The economy grew by 2% on an annualised basis over Q3 2021, below consensus and the 6.7% growth recorded in Q2 2021. Meanwhile, the Eurozone posted quarter-on-quarter growth of 2.2% in Q3 after 2.1% growth in Q2. The bloc's economy is still 0.5% smaller than in Q4 2019.

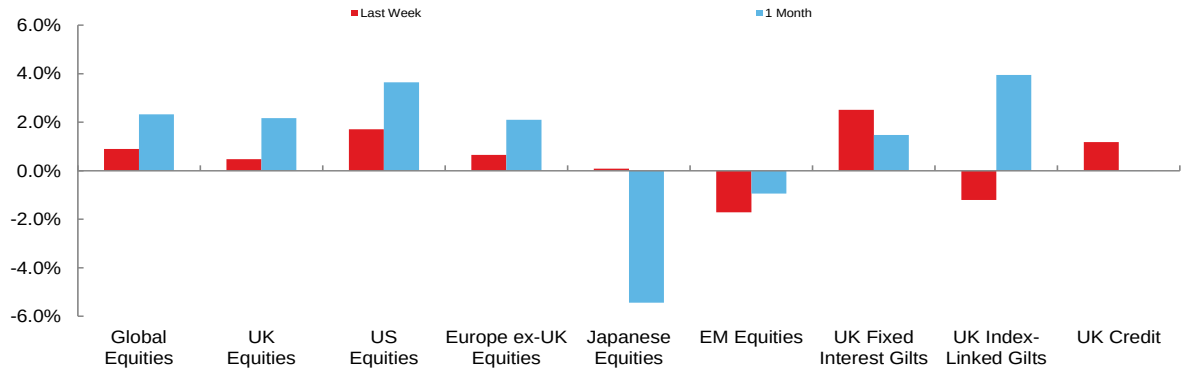
- US President Joe Biden announced that his administration and Democratic leaders have agreed on a $1.75tn "Build Back Better" plan, although final negotiations are still ongoing. Meanwhile, progressive Democrats in the House of Representatives halted a vote on the $1.2tn bipartisan infrastructure package as they wish to vote for both the packages in tandem.

- The UK Autumn Budget announced several large spending plans to be paid by the highest levels of taxation in 70 years. The Office for Budget Responsibility revised its GDP growth forecast from 4% to 6.5% this year. CPI inflation was also revised up to a 4.4% peak in Q2 2022.

- The European Court of Justice imposed a penalty of €1m a day on Poland for ignoring an order to suspend a part of its judicial reforms, which threatens the rule of law and the independence of judges according to the European Union.

Market Overview

Index Returns



Cumulative Return Over Last 12 Months

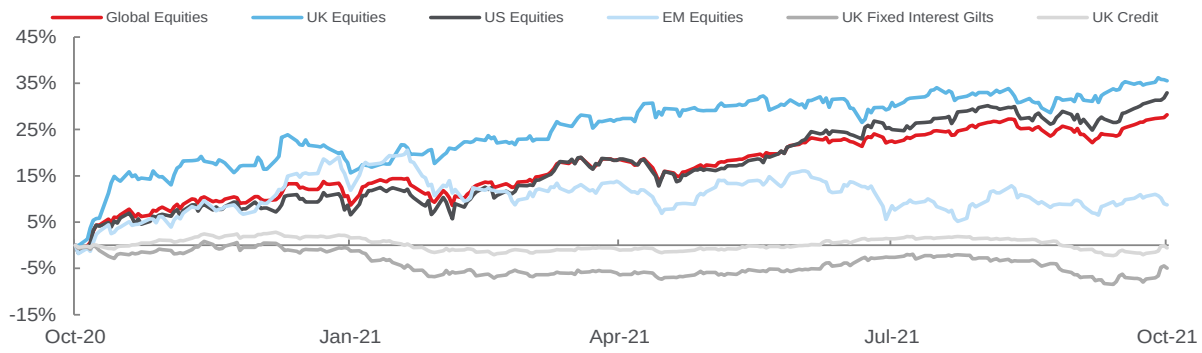


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.

Market Summary

Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 0.5% in local currency terms and rose by 0.9% in sterling terms.
- The Consumer Discretionary sector was the best performer, returning 3.3% in sterling terms.
- The Energy sector was the worst performer, returning -0.8% in sterling terms.
- US equities were the best performing market in sterling terms (+1.7%).
- Emerging Market equities were the worst performing market in sterling terms (-1.7%).

Government Bonds

- The 10-year gilt yield fell by 13bps to 1.03% and the 20-year gilt yield fell by 24bps to 1.16%.
- The 10-year US treasury yield fell by 10bps to 1.55%.
- At the 10-year maturity, the German bund yield rose by 1bp to -0.09% and the French government bond yield rose by 5bps to 0.29%.
- Greek government bond yields rose by 29bps to 1.32%.
- The UK Over 5-year real yield rose by 4bps to -2.34% and the UK 20-year real yield rose by 3bps to -2.57%.
- 20-year breakeven inflation fell by 25bps to 3.75%.

Credit

- Sterling Investment Grade bonds rose over the week, returning 1.2%.
- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 1bp to 90bps over the week.
- The US high yield bond spread over US treasury yields rose by 1bp to 308bps over the week.
- Meanwhile, the spread of hard currency emerging market debt over US treasury rose by 2bps to 355bps over the week.

Commodities

- The S&P GSCI index fell by 0.3% in USD terms over the week.
- The S&P GSCI Energy index fell by 0.9% as the price of Brent Crude oil fell by 1.3% to US$84/BBL.
- Industrial metal prices fell by 3.0% as copper prices fell by 0.4% to US$9,955/MT.
- Agricultural prices rose by 3.2% and gold prices fell by 2.2% to US$1,769/Oz.

Currencies

- Sterling weakened by 0.5% against the US dollar and rose by 0.2% against the euro, ending the week at $1.37/£ and €1.18/£ respectively.
- The US dollar increased by 0.4% against the Japanese yen, ending the week at ¥114.03/$.

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