



UK Week in Markets

Week ending 28 November 2021



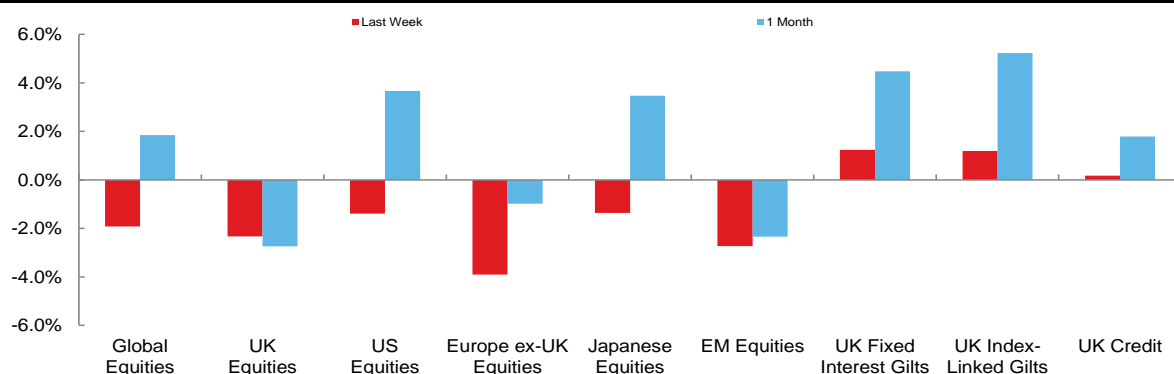
Key News and Events

- The World Health Organization (WHO) described the new highly mutated coronavirus strain B.1.1.529, named Omicron, as a “variant of concern”. Omicron was first detected in Botswana and rapidly spread through South Africa last week. Early signs show that the new variant might be more transmissible than the Delta variant and may evade the immunity provided by current vaccines.
- US President Joe Biden nominated incumbent US Federal Reserve (Fed) chair Jerome Powell for the second term as Fed chair whilst Lael Brainard was selected as the vice-chair. Meanwhile, the Fed’s closely watched inflation measure, core personal consumption expenditure index excluding volatile food and energy costs, rose 4.1% in October compared with a year ago, the largest year-on-year jump since 1990.
- Olaf Scholz, the Social Democrats (SPD) leader, will succeed Angela Merkel as German chancellor. After intense negotiations following the national elections on September 26th, the SPD, the Greens and the Free Democrats (FDP) formed a three-way coalition government.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

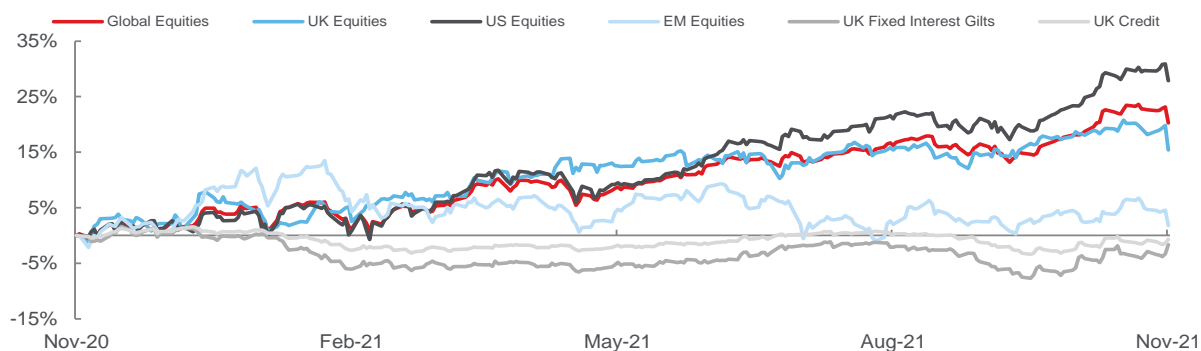


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 2.7% in local currency terms and fell by 1.9% in sterling terms.
- The Energy sector was the best performer, returning 0.5% in sterling terms.
- The Consumer Discretionary sector was the worst performer, returning -3.2% in sterling terms.
- Japanese equities were the best performing market in sterling terms (-1.4%).
- European equities were the worst performing market in sterling terms (-3.9%).

Government Bonds

- The 10-year gilt yield fell by 3bps to 0.83% and the 20-year gilt yield fell by 5bps to 1.05%.
- The 10-year US treasury yield fell by 6bps to 1.48%.
- At the 10-year maturity, the German bund yield rose by 1bp to -0.33% and the French government bond yield rose by 3bps to 0.04%.
- Greek government bond yields rose by 12bps to 1.28%.
- The UK Over 5-year real yield fell by 4bps to -2.52% and the UK 20-year real yield fell by 3bps to -2.79%.
- 20-year breakeven inflation fell by 4bps to 3.83%.

Credit

- Hard currency emerging market debt fell over the week, returning -1.8%.
- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 5bps to 99bps over the week.
- The US high yield bond spread over US treasury yields rose by 38bps to 362bps over the week.
- Meanwhile, the spread of hard currency emerging market debt over US treasury rose by 30bps to 388bps over the week.

Commodities

- The S&P GSCI index fell by 4.8% in USD terms over the week.
- The S&P GSCI Energy index fell by 8.0% as the price of Brent Crude oil fell by 7.8% to US\$73/BBL.
- Industrial metal prices fell by 1.9% although copper prices rose by 0.1% to US\$9,630/MT.
- Agricultural prices rose by 0.6% and gold prices fell by 3.2% to US\$1,801/Oz.

Currencies

- Sterling weakened by 0.9% against the US dollar and fell by 0.9% against the euro, ending the week at \$1.33/£ and €1.18/£ respectively.
 - The US dollar decreased by 0.6% against the Japanese yen, ending the week at ¥113.15/\$.
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