



UK Fortnight in Markets

Fortnight ending 02 January 2022



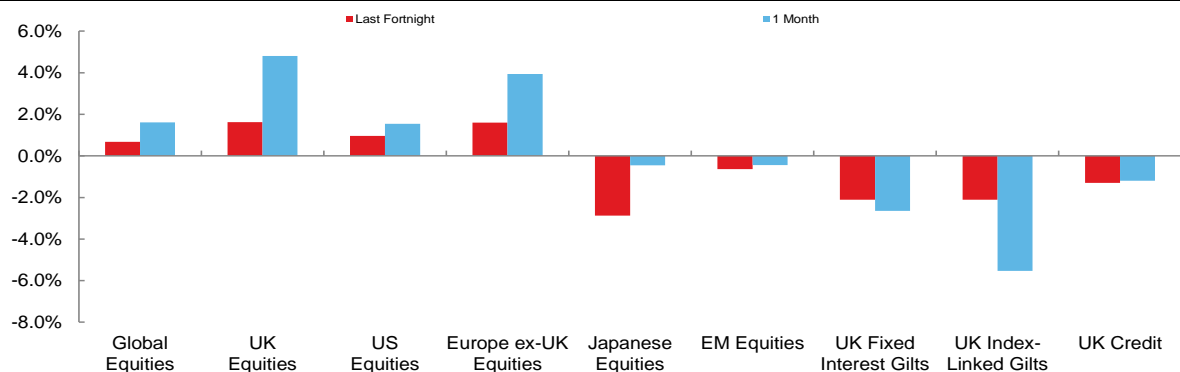
Key News and Events

- Almost twenty countries across the globe reported a daily record number of coronavirus infections due to the highly transmissible Omicron variant. The US reported a record 525,763 daily Covid cases on December 29. Meanwhile, the UK reported a record 189,846 daily Covid cases on December 31, with one in every 25 people getting infected. In Europe, major economies continue to impose tighter restrictions.
- President Joe Biden's ambitious \$1.75tn "Build Back Better" bill suffered a significant setback after his fellow Democratic Senator, Joe Manchin, opposed the bill due to rising inflation, surging pandemic, and global uncertainty. Elsewhere in the UK, David Frost, Britain's Brexit minister, resigned, citing concerns about the government's "direction of travel".
- Ukraine-Russian tensions escalated after Joe Biden warned his Russian counterpart, Vladimir Putin, that the US and its allies would respond "decisively" if Russia invaded Ukraine. Russia has already placed approximately 100,000 troops on Ukraine's border.
- The UK economy grew by 1.1% in the three months to September, lower than the initial estimate of 1.3%, partly due to the goods' and labour shortage.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

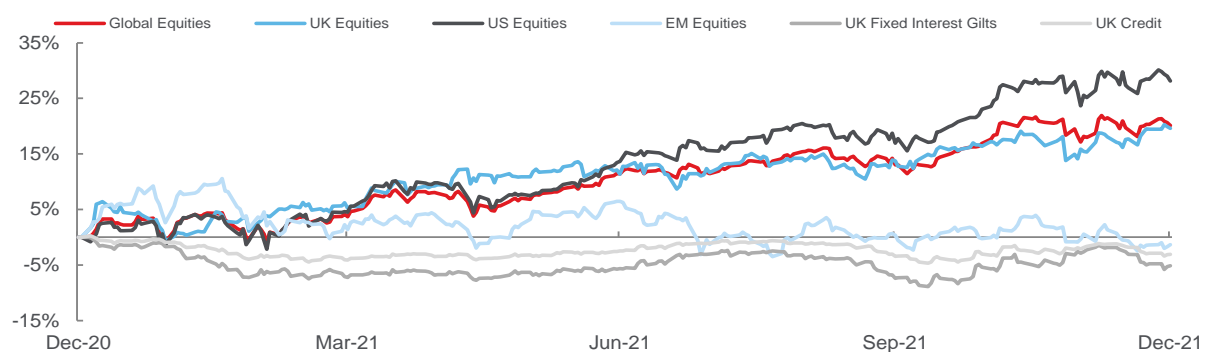


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets rose over the fortnight.
- The MSCI AC World Index rose by 2.6% in local currency terms and rose by 0.7% in sterling terms.
- The Consumer Discretionary sector was the best performer, returning 1.5% in sterling terms.
- The Telecommunications sector was the worst performer, returning -0.5% in sterling terms.
- UK equities were the best performing market in sterling terms (+1.6%).
- Japanese equities were the worst performing market in sterling terms (-2.9%).

Government Bonds

- The 10-year gilt yield rose by 21bps to 0.97% and the 20-year gilt yield rose by 19bps to 1.19%.
- The 10-year US treasury yield rose by 11bps to 1.51%.
- At the 10-year maturity, the German bund yield rose by 20bps to -0.18% and the French government bond yield rose by 23bps to 0.20%.
- Greek government bond yields rose by 66bps to 1.32%.
- The UK Over 5-year real yield rose by 8bps to -2.28% and the UK 20-year real yield rose by 13bps to -2.53%.
- 20-year breakeven inflation rose by 7bps to 3.73%.

Credit

- Sterling Investment Grade bonds fell over the fortnight, returning -1.3%.
- The sterling non-gilt spread over UK gilt yields (based on the ICE index) was unchanged at 98bps over the fortnight.
- The US high yield bond spread over US treasury yields fell by 26bps to 310bps over the fortnight.
- Meanwhile, the spread of hard currency emerging market debt over US treasury fell by 9bps to 368bps over the fortnight.

Commodities

- The S&P GSCI index rose by 3.9% in USD terms over the fortnight.
- The S&P GSCI Energy index rose by 5.6% as the price of Brent Crude oil rose by 5.8% to US\$78/BBL.
- Industrial metal prices rose by 3.2% as copper prices rose by 1.8% to US\$9,692/MT.
- Agricultural prices rose by 0.6% and gold prices fell by 0.1% to US\$1,806/Oz.

Currencies

- Sterling strengthened by 2.1% against the US dollar and rose by 1.2% against the euro, ending the fortnight at \$1.35/£ and €1.19/£ respectively.
 - The US dollar increased by 1.3% against the Japanese yen, ending the fortnight at ¥115.16/\$.
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Contacts

Himmat Dhaliwal

Aon – London
himmat.dhaliwal@aon.com
+44 (0) 1372 73 3619

Nikhil Anto

Aon – Bangalore
nikhil.anto@aon.com
+91 80 6621 8236

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The Leadenhall Building
122 Leadenhall Street
London EC3V 4AN

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