UK Week in Markets

Week ending 30 January 2022

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Key News and Events

- US economic growth expanded sharply in Q4, supported by faster consumer and business spending, private inventory investment and exports. The economy grew by 6.9% on an annualised basis over Q4 2021, well above the 2.3% growth recorded in Q3. This helped the US economy report the most significant full-year increase since 1984, with a growth rate of 5.7% in 2021.

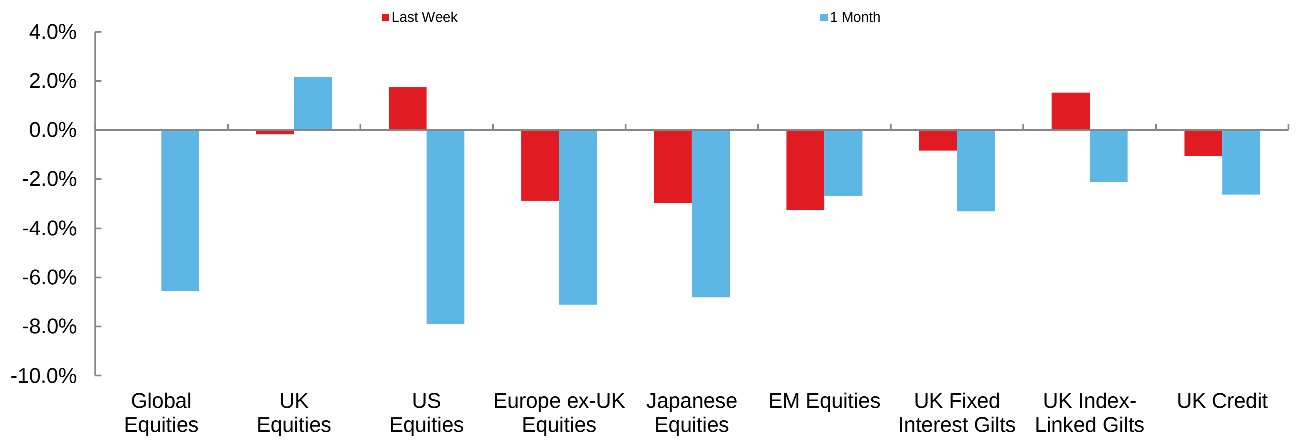
- The US Federal Reserve (Fed) indicated that it would end its bond-buying programme and raise interest rates in March. The Fed also released a set of principles on reducing the bond holdings in its balance sheet.

- Ukraine-Russia tensions escalated further after Russian president Vladimir Putin rejected the US' written response to Moscow's security demands. Meanwhile, the US and NATO countries are moving troops to Central and Eastern Europe to counter Russia's military build-up at the border. The US Senate is close to finalising sanctions against Russia.

- Elsewhere, Pfizer and BioNTech have started clinical trials of a new Covid-19 vaccine targeting the Omicron variant.

Market Overview

Index Returns



Cumulative Return Over Last 12 Months

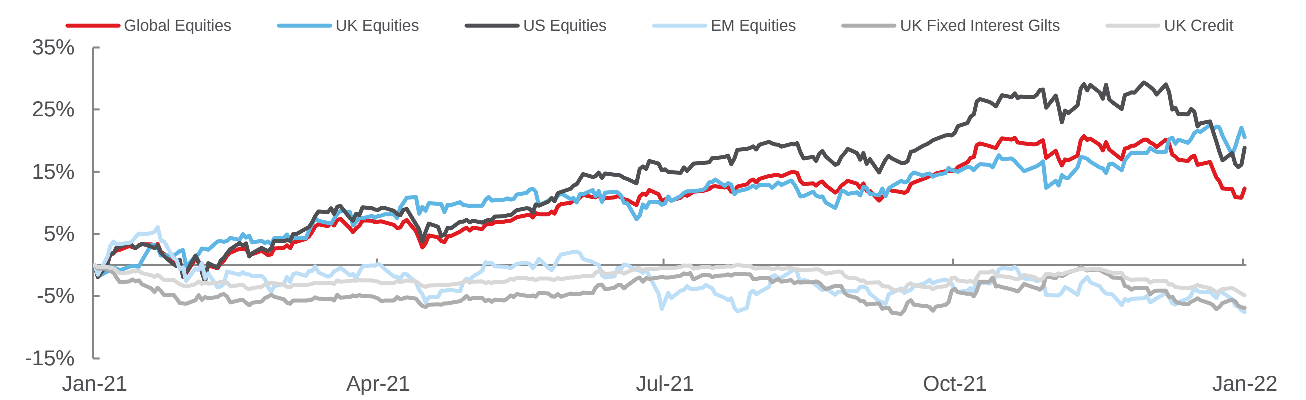


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.

Market Summary

Equities

- Global equity markets fell in local currency terms over the week.
- The MSCI AC World Index fell by 0.5% in local currency terms and was unchanged in sterling terms.
- The Energy sector was the best performer, returning 4.4% in sterling terms.
- The Industrials sector was the worst performer, returning -2.2% in sterling terms.
- US equities were the best performing market in sterling terms (+1.7%).
- Asia Pacific ex-Japan equities were the worst performing market in sterling terms (-3.8%).

Government Bonds

- The 10-year gilt yield rose by 11bps to 1.25% and the 20-year gilt yield rose by 10bps to 1.45%.
- The 10-year US treasury yield rose by 2bps to 1.78%.
- At the 10-year maturity, the German bund yield rose by 5bps to -0.04% and the French government bond yield rose by 6bps to 0.37%.
- Greek government bond yields rose by 20bps to 1.87%.
- The UK Over 5-year real yield fell by 7bps to -2.19% and the UK 20-year real yield fell by 6bps to -2.44%.
- 20-year breakeven inflation rose by 13bps to 3.89%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 6bps to 104bps over the week.
- The spread of USD denominated EM debt over US treasury yields rose by 3bps to 389bps over the week.
- US high yield bonds fell over the week, returning -1.4%. The US high yield bond spread over US treasury yields rose by 32bps to 361bps over the week.

Commodities

- The S&P GSCI index rose by 1.9% in USD terms over the week.
- The S&P GSCI Energy index rose by 3.3% as the price of Brent Crude oil rose by 2.4% to US$90/BBL.
- Industrial metal prices fell by 2.1% as copper prices fell by 2.9% to US$9,678/MT.
- Agricultural prices rose by 1.8% and gold prices fell by 2.7% to US$1,788/Oz.

Currencies

- Sterling weakened by 1.0% against the US dollar and rose by 0.6% against the euro, ending the week at $1.34/£ and €1.2/£ respectively.
- The US dollar increased by 1.3% against the Japanese yen, ending the week at ¥115.18/$.

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With over 160 years of combined experience, the team is one of the strongest in UK investment consultancy today.

Our experts analyze market movements and economic conditions around the world, setting risk and return expectations for global capital markets.

The team use those expectations to help our clients set and, when it's right to do so, revise their long-term investment policies.

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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