



UK Week in Markets

Week ending 27 February 2022

AON



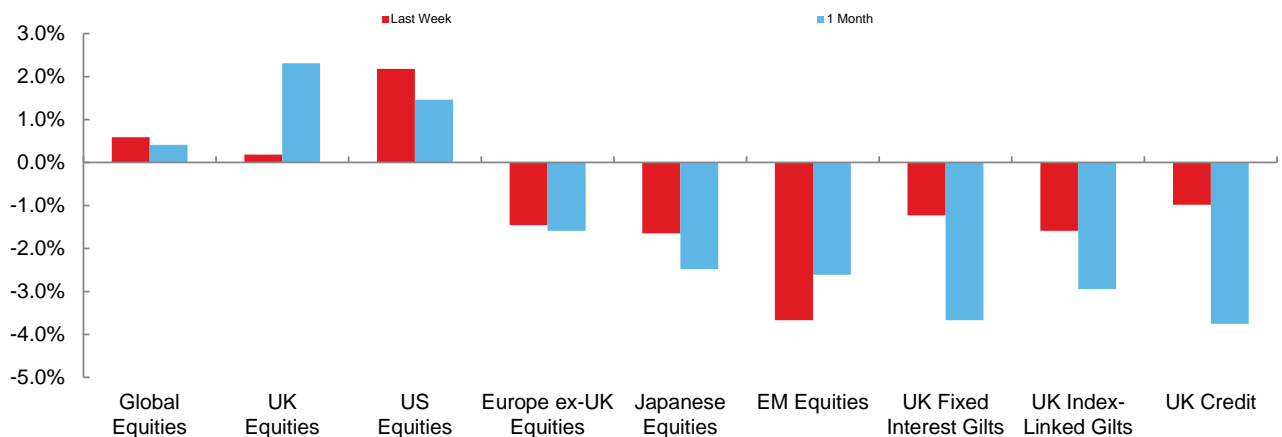
Key News and Events

- Russia invaded Ukraine last week after Russian President Vladimir Putin announced that the country would carry out a “special military operation” in Ukraine. Several Ukrainian cities, including the capital Kyiv, are under military attack on the ground and in the air. Earlier, President Putin ordered troops into eastern Ukraine after recognizing two Moscow-backed separatist regions, Donetsk and Luhansk.
- In retaliation, the US, UK, European Union, and other allies, including Japan, Canada, Australia, and South Korea, imposed a list of sanctions on Russia. The assets of President Putin and his foreign minister Sergei Lavrov have been frozen, and significant banks like Sberbank and VTB bank have had their assets frozen and are unable to use the Swift global payments system. Sanctions have also been imposed on high-ranking Russian officials and companies.
- In response to the Western allies’ strict sanctions and further escalation of the Ukrainian war, President Putin has ordered Russia’s nuclear forces to be on high alert.
- Meanwhile, Brent crude oil prices rose sharply as crude oil surpassed the \$105 a barrel mark for the first time since 2014 due to concerns over global energy supplies after Russia invaded Ukraine.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

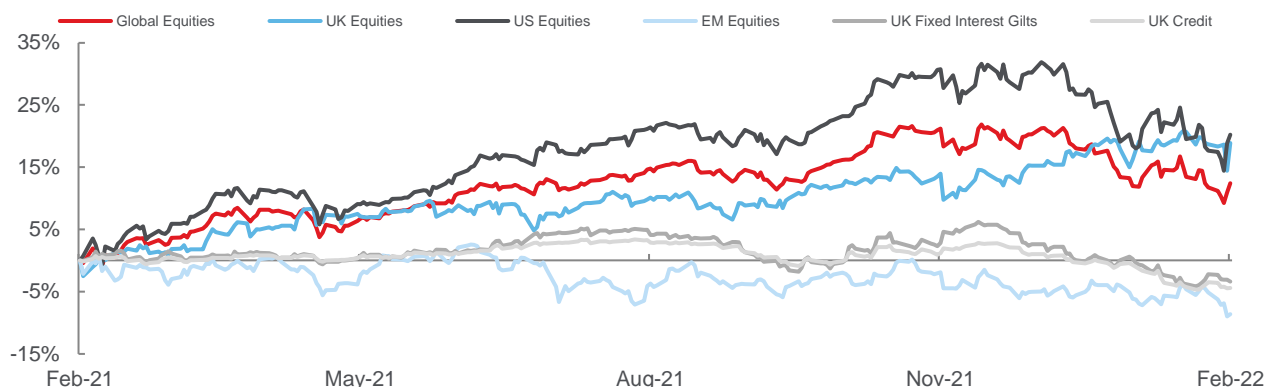


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets fell in local currency terms over the week.
- The MSCI AC World Index fell by 0.4% in local currency terms and rose by 0.6% in sterling terms.
- The Health Care sector was the best performer, returning 3.4% in sterling terms.
- The Consumer Discretionary sector was the worst performer, returning -1.4% in sterling terms.
- US equities were the best performing market in sterling terms (+2.2%).
- Emerging Market equities were the worst-performing market in sterling terms (-3.7%).

Government Bonds

- The 10-year gilt yield rose by 6bps to 1.45% and the 20-year gilt yield rose by 13bps to 1.70%.
- The 10-year US treasury yield rose by 5bps to 1.98%.
- At the 10-year maturity, the German bund yield rose by 2bps to 0.22% and the French government bond yield rose by 1bp to 0.70%.
- Irish government bond yields rose by 7bps to 0.87%.
- The UK Over 5-year real yield rose by 11bps to -2.05% and the UK 20-year real yield rose by 11bps to -2.27%.
- 20-year breakeven inflation rose by 4bps to 3.98%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 6bps to 120bps over the week.
- Hard currency emerging market debt fell over the week, returning -3.1%. The spread of USD denominated EM debt over US treasury yields rose by 34bps to 433bps over the week.
- The US high yield bond spread over US treasury yields fell by 16bps to 362bps over the week.

Commodities

- The S&P GSCI index rose by 1.4% in USD terms over the week.
- The S&P GSCI Energy index rose by 2.2% as the price of Brent Crude oil rose by 4.7% to US\$98/BBL.
- Industrial metal prices rose by 1.1% although copper prices fell by 0.9% to US\$9,920/MT.
- Agricultural prices rose by 1.2% and gold prices fell by 0.5% to US\$1,885/Oz.

Currencies

- Sterling weakened by 1.2% against the US dollar and fell by 0.4% against the euro, ending the week at \$1.34/£ and €1.19/£ respectively.
 - The US dollar increased by 0.4% against the Japanese yen, ending the week at ¥115.58/\$.
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