



UK Week in Markets

Week ending 03 April 2022



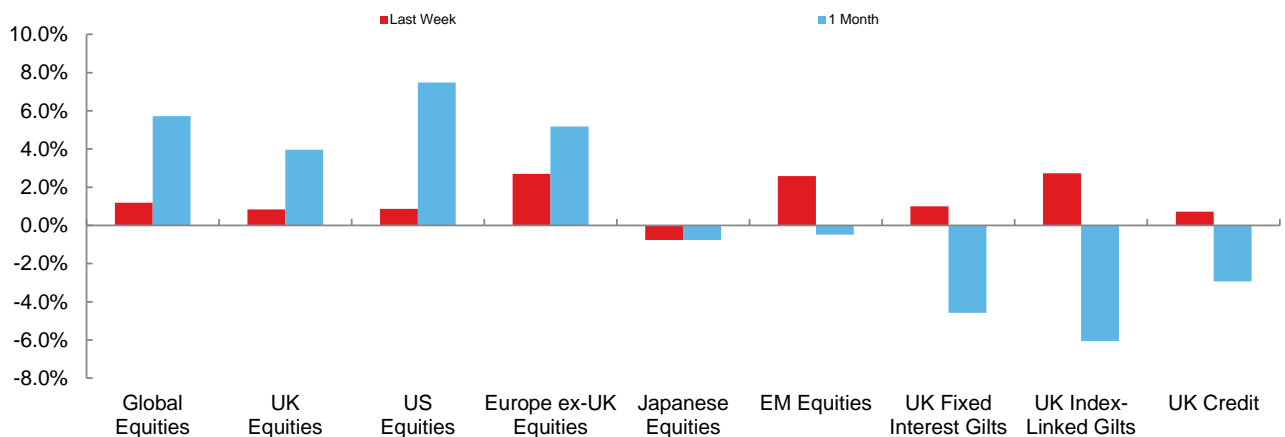
Key News and Events

- Russia has scaled back its military activities in the Kyiv region, with the focus now shifting to eastern Ukraine. Ukrainian president Volodymyr Zelensky announced that Ukraine was ready to declare neutrality and won't insist on joining NATO and developing nuclear weapons in return for Russia withdrawing troops and security guarantees from Western governments. Meanwhile, the G7 nations rejected the demand for the payment of Russian gas in roubles.
- Parts of the US yield curve inverted as 2-year Treasury yields rose above the 10-year yields for the first time since 2019, and the 5-year yield rose above the 30-year yield for the first time since 2006.
- The US economy added 431,000 jobs in March, much below the previous month's upwardly revised 750,000 jobs but still considered a good increase in a tight labour market. The US unemployment rate fell to 3.6%. Elsewhere, Eurozone annual inflation reached 7.5% in March due to soaring energy and food prices.
- In contrast to other central banks in developed markets, the Bank of Japan (BOJ) decided to maintain its current level of monetary stimulus. In particular, the BOJ decided to increase the purchase of 10-year government bonds for the next three months.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

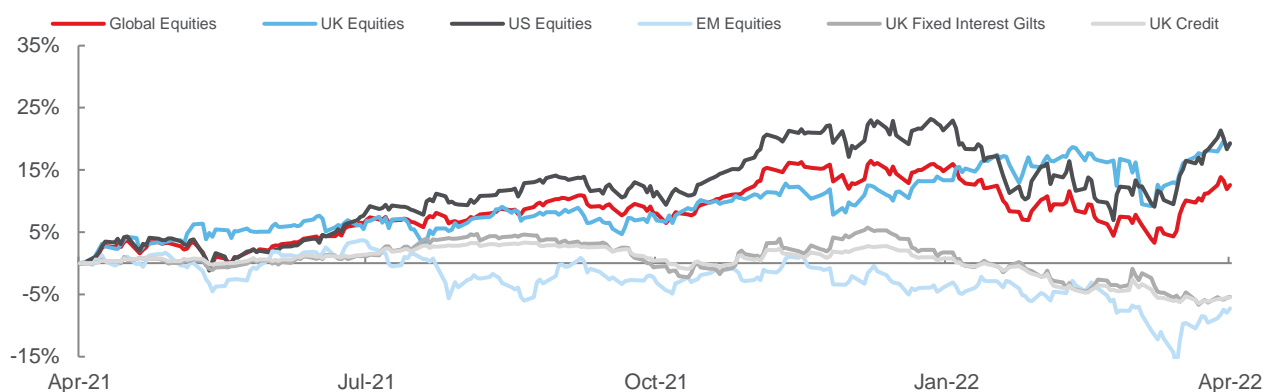


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



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 1.2% in sterling terms.
- The Utilities sector was the best performer, returning 4.2% in sterling terms.
- The Energy sector was the worst performer, returning -1.0% in sterling terms.
- European equities were the best performing market in sterling terms (+2.7%).
- Japanese equities were the worst performing market in sterling terms (-0.8%).

Government Bonds

- The 10-year gilt yield fell by 1bp to 1.66% and the 20-year gilt yield fell by 4bps to 1.86%.
- The 10-year US treasury yield fell by 11bps to 2.38%.
- At the 10-year maturity, the German bund yield rose by 3bps to 0.59% and the French government bond yield rose by 6bps to 1.06%.
- Greek government bond yields fell by 14bps to 2.66%.
- The UK Over 5-year real yield fell by 14bps to -1.95% and the UK 20-year real yield fell by 16bps to -2.23%.
- 20-year breakeven inflation rose by 3bps to 4.04%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) fell by 8bps to 119bps over the week.
- Local currency emerging market debt rose over the week, returning 1.6%.
- The spread of USD denominated EM debt over US treasury yields fell by 49bps to 406bps over the week.
- The US high yield bond spread over US treasury yields fell by 11bps to 340bps over the week.

Commodities

- The S&P GSCI index fell by 7.7% in USD terms over the week.
- The S&P GSCI Energy index fell by 10.3% as the price of Brent Crude oil fell by 13.5% to US\$104/BBL.
- Industrial metal prices fell by 1.3% as copper prices fell by 0.3% to US\$10,247/MT.
- Agricultural prices fell by 5.2% and gold prices fell by 1.2% to US\$1,929/Oz.

Currencies

- Sterling weakened by 0.6% against the US dollar and fell by 1.1% against the euro, ending the week at \$1.31/£ and €1.19/£ respectively.
 - The US dollar increased by 0.7% against the Japanese yen, ending the week at ¥122.86/\$.
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