



UK Week in Markets

Week ending 03 July 2022



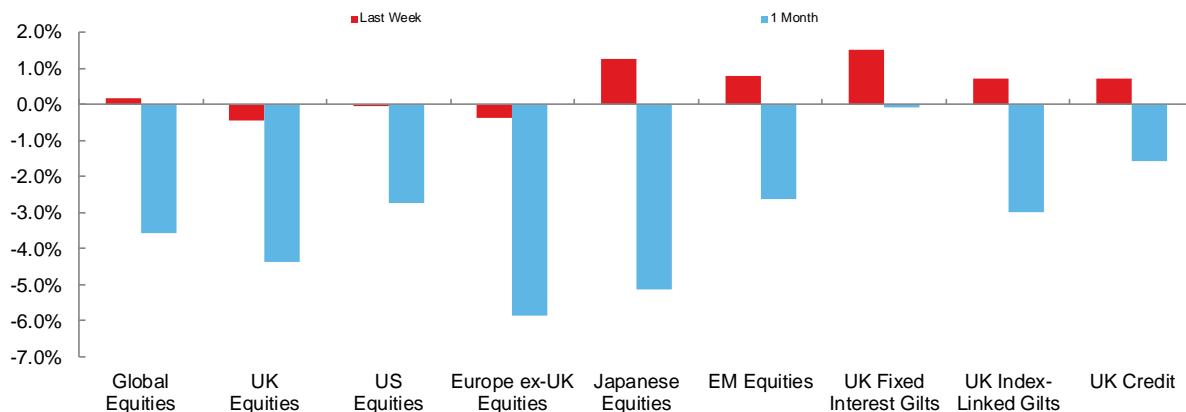
Key News and Events

- The Biden administration has put five Chinese companies on an export blacklist for supporting Russian military and defence companies. Meanwhile, the US cabinet has not reached a consensus on the issue of removing Trump-era tariffs on Chinese imports.
- In the latest G7 summit, members have agreed to explore the possibilities of putting a price cap on Russian oil to impair Moscow's ability to finance its conflict in Ukraine and curb soaring inflation. The G7 also pledged budgetary support of \$29bn for Ukraine, including humanitarian aid and a "Marshall Fund" for the redevelopment of Kyiv. Elsewhere, Turkey agreed to support Sweden's and Finland's membership of the NATO alliance after originally opposing the application and describing these countries as "incubators" for terrorist groups.
- US economic growth contracted slightly more than the initial estimate as a record-high trade deficit and resurging Covid-19 infections dragged down the economy. The economy contracted by 1.6% on an annualised basis over Q1 2022, below the earlier estimate of a 1.4% pace of contraction.
- Meanwhile, Eurozone inflation hit an all-time high of 8.6% over the year to June, as energy and food prices accelerated sharply due to supply-chain disruptions, which have been exacerbated by Russia's invasion of Ukraine.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

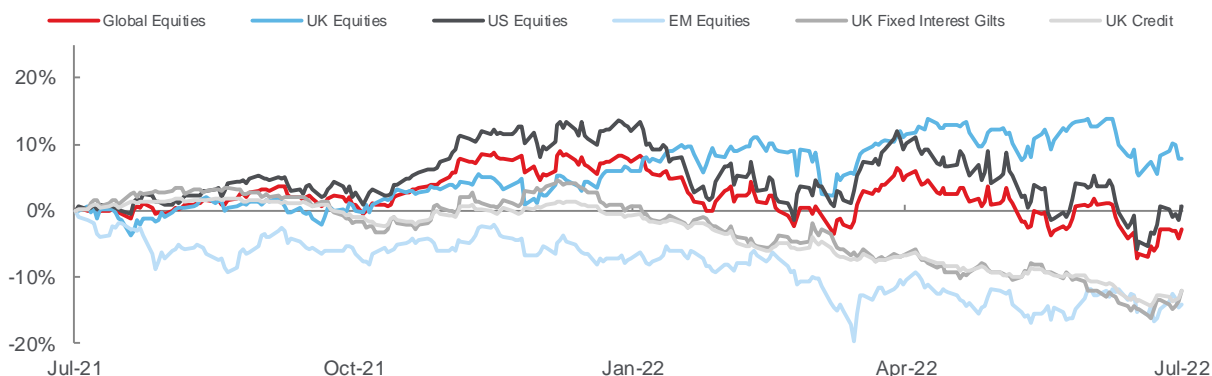


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets fell in local currency terms over the week.
- The MSCI AC World Index fell by 1.8% in local currency terms and rose by 0.2% in sterling terms.
- The Utilities sector was the best performer, returning 4.9% in sterling terms.
- The Information & Technology sector was the worst performer, returning -2.6% in sterling terms.
- Japanese equities were the best performing market in sterling terms (+1.2%).
- UK equities were the worst performing market in sterling terms (-0.4%).

Government Bonds

- The 10-year gilt yield fell by 30bps to 2.01% and the 20-year gilt yield fell by 18bps to 2.42%.
- The 10-year US treasury yield fell by 23bps to 2.89%.
- At the 10-year maturity, the German bund yield fell by 27bps to 1.17% and the French government bond yield fell by 25bps to 1.72%.
- Italian government bond yields fell by 42bps to 2.99%.
- The UK Over 5-year real yield fell by 1bp to -0.88% and the UK 20-year real yield was unchanged at -1.09%.
- 20-year breakeven inflation fell by 12bps to 3.58%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 8bps to 164bps over the week.
- The spread of USD denominated EM debt over US treasury yields rose by 33bps to 543bps over the week.
- US High Yield bonds fell over the week, returning -1.7%. The US high yield bond spread over US treasury yields rose by 74bps to 592bps over the week.

Commodities

- The S&P GSCI index fell by 2.1% in USD terms over the week.
- The S&P GSCI Energy index fell by 1.1% as the price of Brent Crude oil fell by 1.3% to US\$112/BBL.
- Industrial metal prices fell by 2.9% as copper prices fell by 3.7% to US\$7,976/MT.
- Agricultural prices fell by 6.2% and gold prices fell by 1.5% to US\$1,797/Oz.

Currencies

- Sterling weakened by 2.3% against the US dollar and fell by 0.9% against the euro, ending the week at \$1.2/£ and €1.16/£ respectively.
 - The US dollar decreased by 0.1% against the Japanese yen, ending the week at ¥135.12/\$.
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