



UK Week in Markets

Week ending 31 July 2022



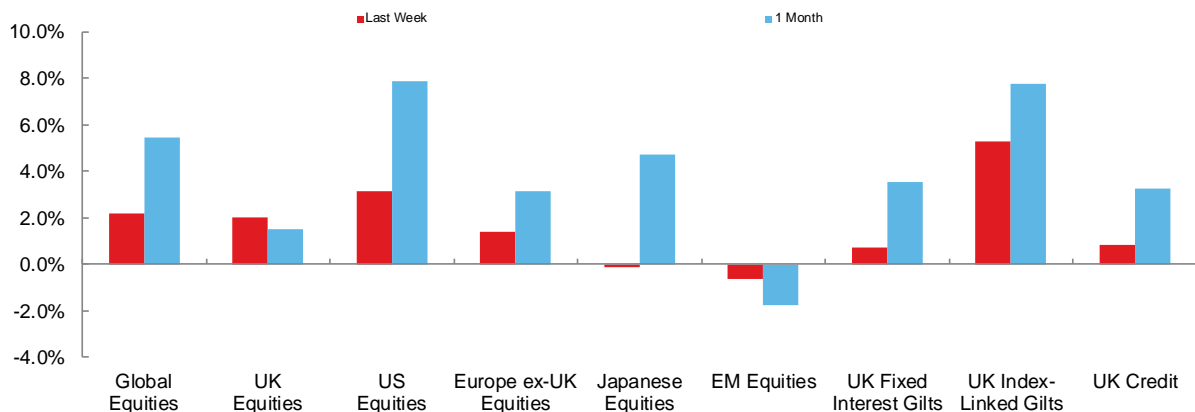
Key News and Events

- The International Monetary Fund (IMF) slashed global growth forecasts to 3.2% in 2022 and 2.9% in 2023 from the previous estimates of 3.6% growth in each year. Global inflation forecasts were also raised by one percentage point to 8.3% and 5.7% respectively in 2022 and 2023.
- As expected, the US Federal Reserve (Fed) increased its benchmark interest rate by 75bps for the second consecutive month to a range of 2.25-2.5%. Fed chair Jay Powell indicated that further rate hikes would be based on a “meeting-by-meeting” basis to review whether it might be appropriate to slow the pace of rate increases.
- The US economy entered a technical recession as economic growth contracted for a second consecutive quarter. Annualised gross domestic product fell by 0.9% over Q2 2022, following the 1.6% contraction in the previous quarter. A fall in business inventories was a significant drag on the US economy in the second quarter.
- The Eurozone economy expanded by 0.7% in the second quarter as a surge in tourism, due to relaxed coronavirus restrictions boosted the economy. Meanwhile, Eurozone inflation hit an all-time high of 8.9% over the year to July, as energy and food prices continued to accelerate due to supply-chain disruptions exacerbated by Russia’s invasion of Ukraine.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

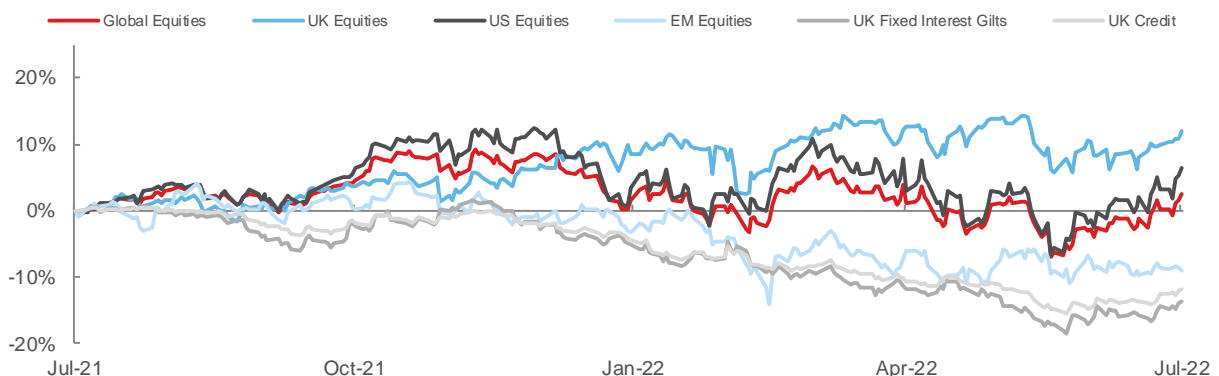


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 3.1% in local currency terms and rose by 2.2% in sterling terms.
- The Energy sector was the best performer, returning 7.6% in sterling terms.
- The Health Care sector was the worst performer, returning 0.4% in sterling terms.
- US equities were the best performing market in sterling terms (+3.1%).
- Emerging Market equities were the worst performing market in sterling terms (-0.6%).

Government Bonds

- The 10-year gilt yield fell by 7bps to 1.89% and the 20-year gilt yield fell by 7bps to 2.43%.
- The 10-year US treasury yield fell by 14bps to 2.64%.
- At the 10-year maturity, the German bund yield fell by 20bps to 0.85% and the French government bond yield fell by 21bps to 1.43%.
- Portuguese government bond yields fell by 28bps to 1.89%.
- The UK Over 5-year real yield fell by 26bps to -0.92% and the UK 20-year real yield was unchanged at 1.40%.
- 20-year breakeven inflation rose by 22bps to 3.60%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) fell by 3bps to 155bps over the week.
- Hard currency emerging market debt rose over the week, returning 2.4%. The spread of USD denominated EM debt over US treasury yields fell by 28bps to 542bps over the week.
- The US high yield bond spread over US treasury yields fell by 19bps to 477bps over the week.

Commodities

- The S&P GSCI index rose by 4.5% in USD terms over the week.
- The S&P GSCI Energy index rose by 4.2% as the price of Brent Crude oil rose by 6.6% to US\$110/BBL.
- Industrial metal prices rose by 4.5% as copper prices rose by 5.8% to US\$7,801/MT.
- Agricultural prices rose by 7.5% and gold prices rose by 0.9% to US\$1,753/Oz.

Currencies

- Sterling strengthened by 1.1% against the US dollar and rose by 1.4% against the euro, ending the week at \$1.22/£ and €1.19/£ respectively.
 - The US dollar decreased by 1.8% against the Japanese yen, ending the week at ¥133.65/\$.
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Contacts

Himmat Dhaliwal FIA

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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Registered Office:

The Aon Centre

The Leadenhall Building

122 Leadenhall Street

London EC3V 4AN

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