



UK Week in Markets

Week ending 04 December 2022



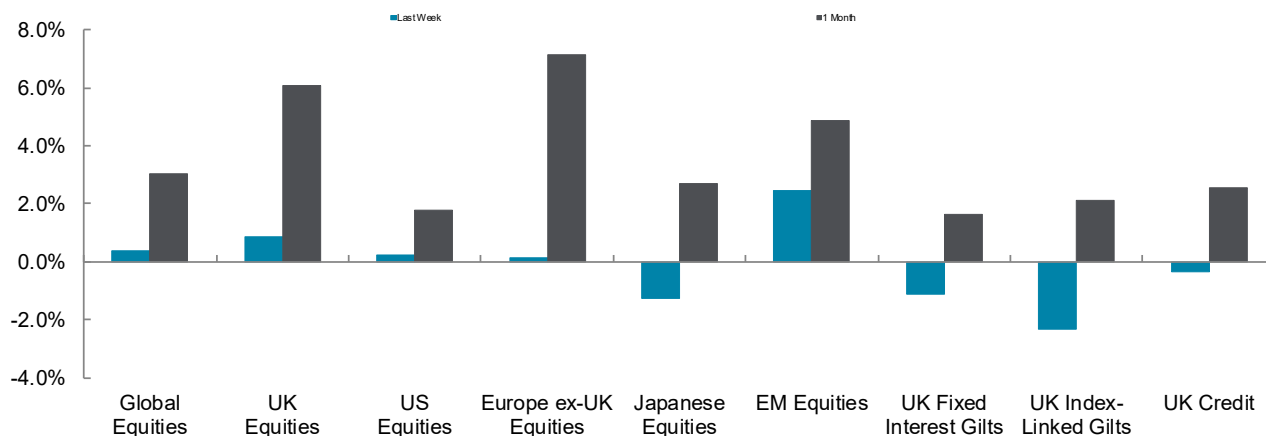
Key News and Events

- US non-farm payrolls grew by 263,000 jobs in November, lower than the 284,000 recorded in the previous month but more than economist forecasts of 200,000. The unemployment rate remained unchanged at 3.7%. Strong labour market data complicates the US Federal Reserve's fight against inflation as it attempts to dampen economic growth. Earlier in the week, Chair Powell cautiously signaled that the Federal Reserve may soon start to moderate the pace of interest rate increases.
- The G7 decided to implement a price cap of \$60/bbl on seaborne Russian oil to impair Moscow's ability to finance its conflict in Ukraine. The deal was agreed after demands from Poland and other EU member states for a lower cap were met following the European Commission's initial suggestion of as high as \$70/bbl. The measures come as Europe has started to bar seaborne Russian oil. Opec+ said it could "take immediate additional measures" to stabilise the oil market.
- European imports of Russian liquified natural gas increased by more than 40% between January and October compared to the same time last year, signifying the region's difficulty in reducing its reliance on Russian energy. EU demand for natural gas was 24% below the five-year average in November, arising from the combination of higher gas prices and a warmer than average autumn.
- Following widespread protests over the so-called "zero covid" policy, Chinese authorities eased Covid-19 restrictions across major cities including Shenzhen and Beijing. The measures include no longer requiring commuters to present negative test results to use public transport. Meanwhile, the US has in recent weeks lobbied NATO members to take a tougher unified stance against Beijing.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

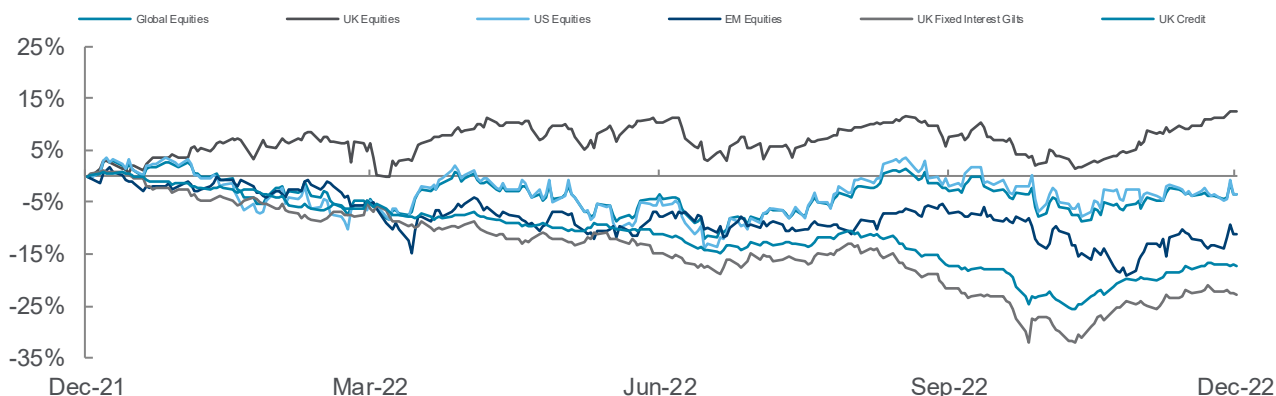


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Equities

- Global equity markets rose over the week in local currency terms.
- The MSCI AC World Index rose by 1.0% in local currency terms and rose by 0.4% in sterling terms.
- The Telecommunications sector was the best performer, returning 1.7% in sterling terms.
- The Energy sector was the worst performer, returning -2.6% in sterling terms.
- Emerging Market equities were the best performing market in sterling terms (+2.5%).
- Japanese equities were the worst performing market in sterling terms (-1.3%).

Government Bonds

- The 10-year gilt yield rose by 3bps to 3.15% and the 20-year gilt yield rose by 12bps to 3.54%.
- The 10-year US treasury yield fell by 18bps to 3.51%.
- At the 10-year maturity, the German bund yield fell by 12bps to 1.86% and the French government bond yield fell by 12bps to 2.32%.
- Greek government bond yields fell by 29bps to 3.87%.
- The UK Over 5-year real yield rose by 16bps to 0.20% and the UK 20-year real yield rose by 11bps to 0.07%.
- 20-year breakeven inflation was unchanged at 3.47%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) was unchanged at 167bps over the week.
- The US high yield bond spread over US treasury yields fell by 2bps to 450bps over the week.
- Hard currency emerging market debt rose over the week, returning 2.3%.
- The spread of USD denominated EM debt over US treasury yields fell by 17bps to 475bps over the week.

Commodities

- The S&P GSCI index rose by 1.2% in USD terms over the week.
- The S&P GSCI Energy index rose by 1.1% as the price of Brent Crude oil rose by 2.3% to US\$86/BBL.
- Industrial metal prices rose by 7.2% as copper prices rose by 3.4% to US\$8,342/MT.
- Agricultural prices fell by 2.1% and gold prices rose by 1.9% to US\$1,785/Oz.

Currencies

- Sterling strengthened by 1.0% against the US dollar and rose by 0.4% against the euro, ending the week at \$1.22/£ and €1.17/£ respectively.
 - The US dollar decreased by 2.8% against the Japanese yen, ending the week at ¥135.48/\$.
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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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