UK Week in Markets

Week ending 05 March 2023

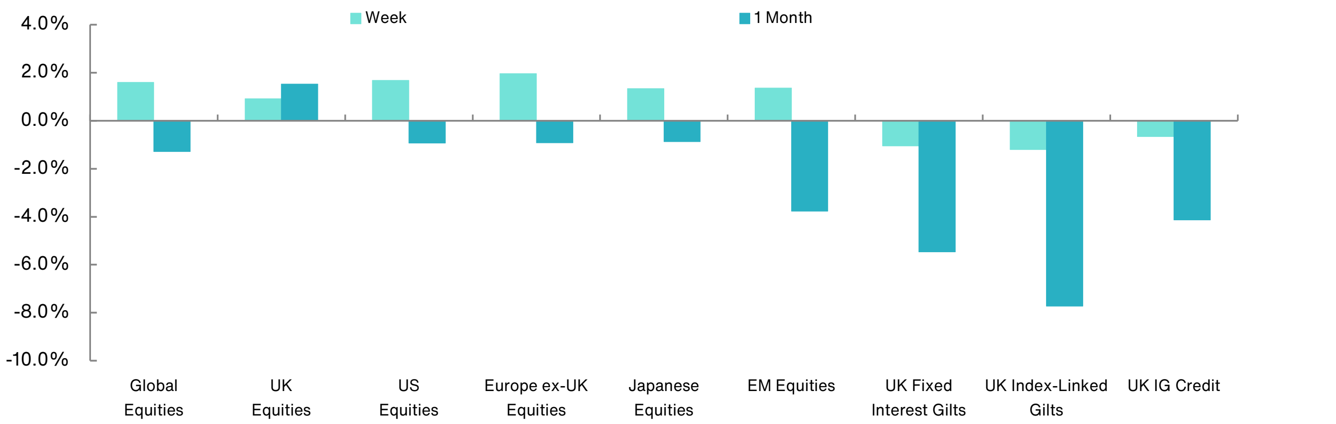
AON

Key News and Events

- UK prime minister Rishi Sunak and the European Commission president Ursula von der Leyen announced a new Brexit deal on Northern Ireland under the "Windsor Framework". The agreement aims to ease trade barriers between Northern Ireland and the rest of the UK. The UK Parliament is expected to vote on the deal “at the appropriate time” after Sunak pursues gathering support from the DUP and Eurosceptic Tory MPs.
- Eurozone headline inflation eased slightly, slowing to 8.5% in February from 8.6% in January, although the decline was less than economists’ expectations of 8.2%. Core inflation accelerated to 5.6% from 5.3% in the previous month. European Central Bank President Christine Lagarde indicated that inflation may remain “sticky in the short term” and that further rate rises were highly likely.
- Washington imposed fresh sanctions on twenty-eight Chinese group companies for allegedly breaching US sanctions by sending technology for nuclear and missile projects to third countries or acquiring banned products for the Chinese military.
- China announced that it will target economic growth of “around 5%” for 2023, the lowest objective for over three decades. If realised, it would represent a recovery from the 3% expansion achieved in 2022.

Market Overview

Index Returns



Cumulative Return Over Last 12 Months

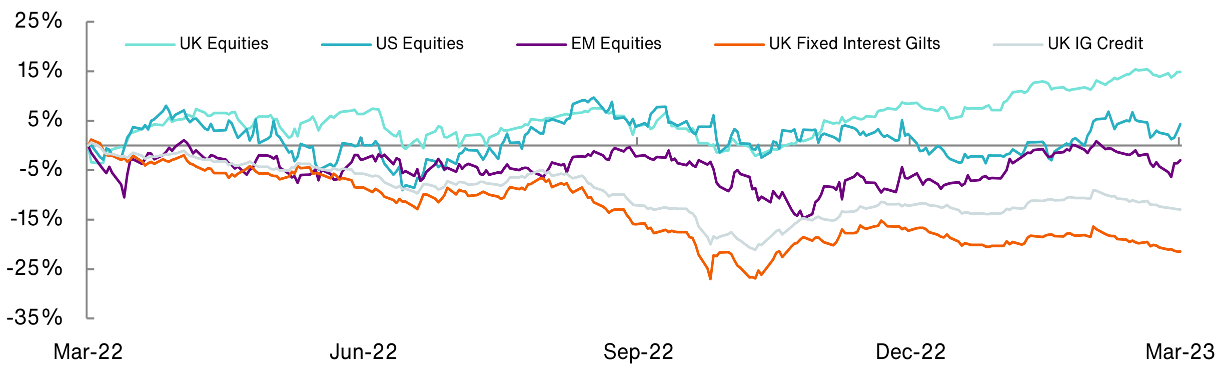


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.

Market Summary

Equities

- Global equity markets rose over the week both in local currency and sterling terms.
- The MSCI AC World Index rose by 1.8% in local currency terms and rose by 1.6% in sterling terms.
- The Materials sector was the best performer, returning 4.4% in sterling terms.
- The Utilities sector was the worst performer, returning -0.9% in sterling terms.
- European equities were the best performing market in sterling terms (+2.0%).
- Asia Pacific ex-Japan equities were the worst performing market in sterling terms (+0.6%).

Government Bonds

- The 10-year gilt yield rose by 22bps to 3.85% and the 20-year gilt yield rose by 17bps to 4.22%.
- The 10-year US treasury yield rose by 3bps to 3.97%.
- At the 10-year maturity, the German bund yield rose by 18bps to 2.72% and the French government bond yield rose by 18bps to 3.20%.
- Irish government bond yields rose by 19bps to 3.21%.
- The UK Over 5-year real yield rose by 12bps to 0.74% and the UK 20-year real yield rose by 9bps to 0.69%.
- UK 20-year breakeven inflation rose by 4bps to 3.54%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 1bp to 143bps.
- Euro Investment Grade bonds fell over the week, returning -0.9%.
- The US high yield bond spread over US treasury yields fell by 23bps to 405bps.
- The spread of USD denominated EM debt over US treasury yields rose by 7bps to 466bps.

Commodities

- The S&P GSCI index rose by 3.3% in USD terms over the week.
- The S&P GSCI Energy index rose by 5.1% as the price of Brent Crude oil rose by 3.2% to US$86/BBL.
- Industrial metal prices rose by 2.8% as copper prices rose by 1.6% to US$8,945/MT.
- Agricultural prices fell by 0.6% and gold prices rose by 1.7% to US$1,841/Oz.

Currencies

- Sterling strengthened by 0.3% against the US dollar and fell by 0.2% against the euro, ending the week at $1.2/£ and €1.13/£ respectively.
- The US dollar was unchanged against the Japanese yen, ending the week at ¥136.34/$.

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With over 160 years of combined experience, the team is one of the strongest in UK investment consultancy today.

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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