



UK Week in Markets

Week ending 1 December 2019



Key news and events



A key sticking point to the “phase one” US-China trade deal was removed after China announced plans to enhance intellectual property protections. However, both sides still need to agree on the extent of tariff rollbacks due to be implemented on 15 December.



President Trump approved the Hong Kong Human Rights and Democracy Act last week. The bill requires an annual review to determine whether Hong Kong is sufficiently autonomous to continue its special trade status with the US and requires sanctions to be imposed on individuals responsible for suppressing human rights in Hong Kong. China’s foreign ministry condemned the decision, calling it a “severe interference in China’s internal affairs” and reiterated its threats to take “strong countermeasures”.

Market moves



Global equities

- Global equity markets rose in local currency terms over the week.
- The MSCI AC World Index rose by 0.7% in local currency terms and fell by 0.2% in sterling terms.
- The Information & Technology sector was the best performer, returning 0.8% in sterling terms.
- The Energy sector was the worst performer, returning -2.3% in sterling terms.



Regional equities

- Asia Pacific ex-Japan equities were the best performing market in local currency terms (+1.1%).
- Emerging Market equities were the worst performing market in local currency terms (-0.6%).
- UK equities were the best performing market in sterling terms (+0.3%).
- Emerging Market equities were the worst performing market in sterling terms (-1.6%).



Government bonds

- The 10-year gilt yield was unchanged at 0.71% and the 20-year gilt yield fell by 4bps to 1.12%.
- The 10-year US treasury yield rose by 1bp to 1.78%.
- At the 10-year maturity, the German bund yield rose by 1bp to -0.35% and the French government bond yield was unchanged at -0.04%.
- Greek government bond yields rose by 4bps to 1.42%.



Inflation-linked bonds

- The UK Over 5-year real yield fell by 7bps to -1.86% and the UK 20-year real yield fell by 6bps to -2.01%.
- 20-year breakeven inflation was unchanged at 3.13%.



Credit

- Local currency emerging market debt fell over the week, returning -1.7%.
- The US high yield bond spread over US treasury yields fell by 12bps to 401bps over the week.
- The spread of USD denominated EM debt over US treasury yields was unchanged at 341bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) fell by 1bp to 119bps over the week.



Commodities

- The S&P GSCI index fell by 2.3% in USD terms over the week.
- The S&P GSCI Energy index fell by 4.2% as the price of Brent Crude oil fell by 1.5% to US\$62/BBL.
- Industrial metal prices fell by 0.2% although copper prices rose by 0.3% to US\$5,854/MT.
- Agricultural prices rose by 1.1% and gold prices fell by 0.3% to US\$1,460/Oz.



Currencies

- Sterling strengthened by 0.8% against the US dollar and rose by 0.9% against the euro, ending the week at \$1.29/£ and €1.17/£ respectively.
- The US dollar increased by 0.8% against the Japanese yen, ending the week at ¥109.51/\$.

Economic releases

Highlighted last week releases



Region: US

GDP Growth (Revised)

GDP growth in the third quarter was revised up by 0.2% to an annualized rate of 2.1%. Upward revisions to consumer spending and inventory investment boosted growth, whilst a downward revision to government spending detracted.



Region: Germany

Retail Sales

Germany's retail sales fell by 1.9% in the month of October, the largest monthly fall in 10 months, underperforming analysts' expectation of a small increase. On a year-on-year basis, retail sales rose by 0.8% in the year to October.



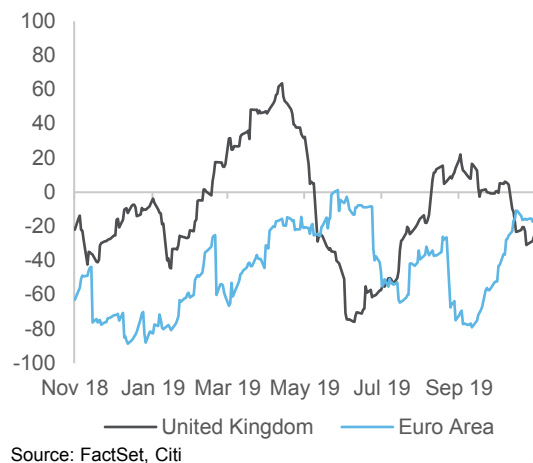
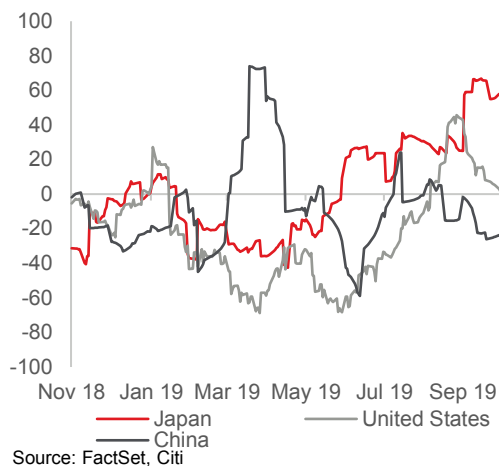
Region: China

Manufacturing PMI

China's official manufacturing PMI rose by 0.9 points to 50.2 in November, indicating the first expansion in manufacturing activities in seven months. The Caixin Manufacturing PMI, which focuses on smaller private sector manufacturers, rose to a near three-year high of 51.8.

Economic surprise

The index measures economic data relative to expectations. A positive number indicates that economic data has outperformed expectations



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