



UK Week in Markets

Week ending 01 March 2020



Key News and Events

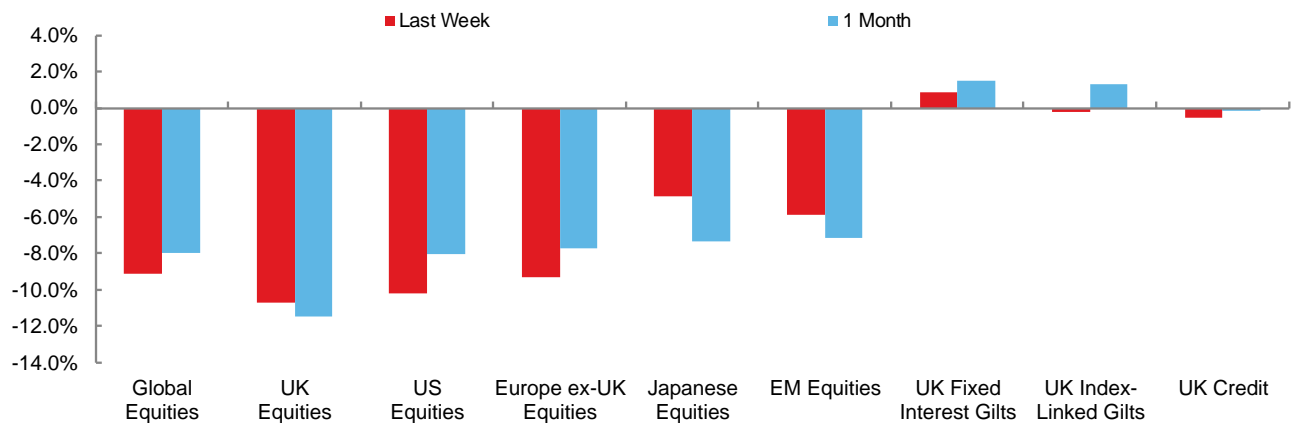
- Global equities suffered its worst week since 2008 as the international spread of Coronavirus gathered pace. Major indices fell into correction territory, down over 10% from their recent highs reached only a week ago. The 10-year US treasury yield fell to a record low amidst heightened demand for safe-haven assets and increased expectations of monetary easing by major central banks. The CBOE Volatility Index (VIX), Wall Street's "fear gauge", surged from 17.1 to 40.1 over the week.
- The World Health Organization (WHO) raised the global risk alert for Coronavirus to the highest level. The Coronavirus is now spreading faster outside China than within, with experts warning that a global pandemic is now almost inevitable. South Korea and Italy reported¹ over 3,000 and 1,000 new cases respectively over the week, whilst China reported around 2,900 new cases.
- Brexit negotiation ran into difficulties as the UK and the European Union (EU) clashed on "level playing field" requirements. UK Prime Minister Boris Johnson stated that Britain would be prepared to leave the EU on World Trade Organization's (WTO) terms if progress is not made by June 2020.

¹ World Health Organization COVID-19 Situation Report as at 10am CET 1 March 2020



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

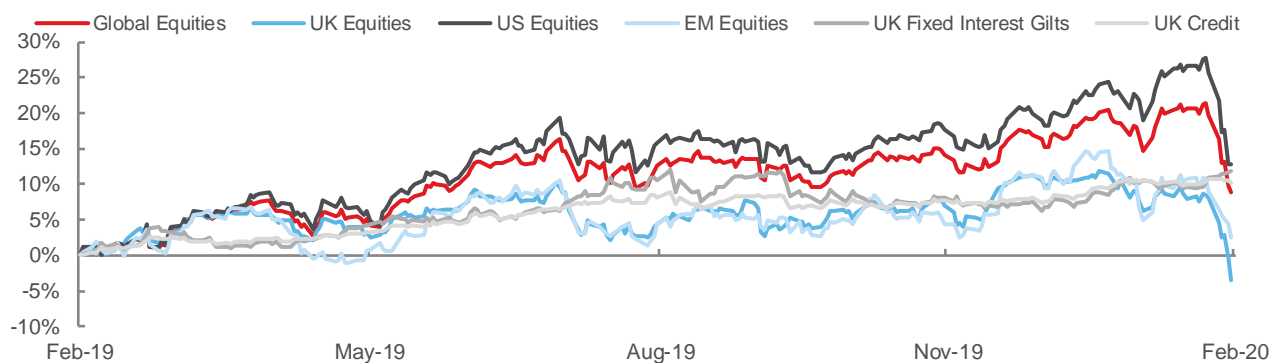


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 10.5% in local currency terms and fell by 9.1% in sterling terms.
- The Telecommunications sector was the best performer, returning -8.0% in sterling terms.
- The Energy sector was the worst performer, returning -12.5% in sterling terms.
- Emerging Market equities were the best performing market in sterling terms (-4.9%).
- European equities were the worst performing market in sterling terms (-10.7%).

Government Bonds

- The 10-year gilt yield fell by 14bps to 0.42% and the 20-year gilt yield fell by 11bps to 0.81%.
- The 10-year US treasury yield fell by 33bps to 1.14%.
- At the 10-year maturity, the German bund yield fell by 17bps to -0.62% and the French government bond yield fell by 9bps to -0.31%.
- Greek government bond yields rose by 34bps to 1.29%.
- The UK Over 5-year real yield rose by 2bps to -2.06% and the UK 20-year real yield was unchanged at -2.22%.
- 20-year breakeven inflation fell by 8bps to 3.07%.

Credit

- US High Yield bonds fell over the week, returning -2.7%.
- The US high yield bond spread over US treasury yields rose by 138bps to 504bps over the week.
- The spread of USD denominated EM debt over US treasury yields rose by 63bps to 380bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) rose by 14bps to 120bps over the week.

Commodities

- The S&P GSCI index fell by 10.5% in USD terms over the week.
- The S&P GSCI Energy index fell by 14.9% as the price of Brent Crude oil fell by 13.6% to US\$51/BBL.
- Industrial metal prices fell by 1.7% as copper prices fell by 2.3% to US\$5,573/MT.
- Agricultural prices fell by 4.0% and gold prices fell by 2.0% to US\$1,610/Oz.

Currencies

- Sterling weakened by 1.4% against the US dollar and fell by 2.6% against the euro, ending the week at \$1.28/£ and €1.16/£ respectively.
 - The US dollar decreased by 3.6% against the Japanese yen, ending the week at ¥107.87/\$.
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