



UK Week in Markets

Week ending 02 February 2020



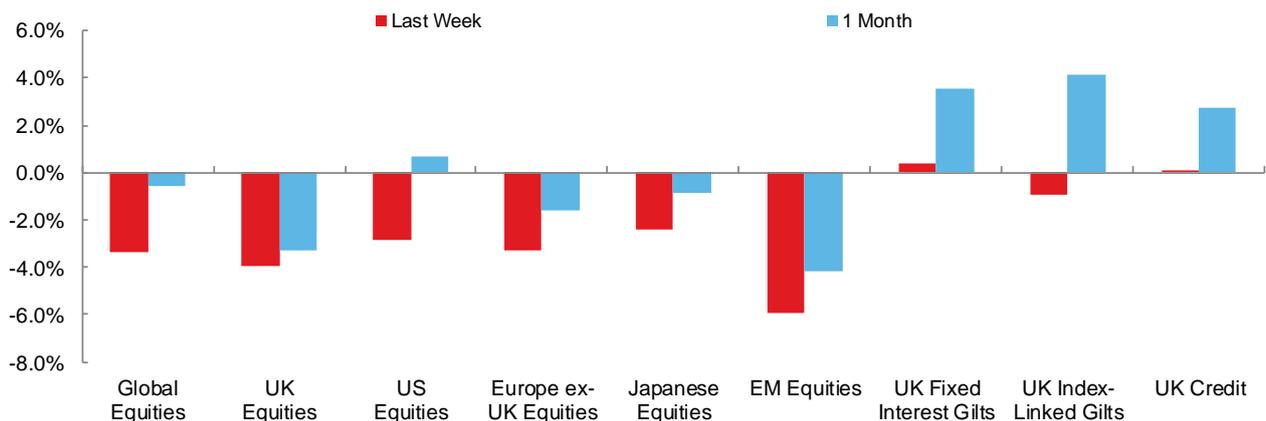
Key News and Events

- The World Health Organization (WHO) declared the coronavirus outbreak an international emergency, as the number of confirmed cases overtook the 2003 SARS outbreak. Chinese authorities implemented travel restrictions and extended the Lunar New Year holidays in a bid to contain the virus. The US State Department warned against all travel to mainland China, whilst the UK, Canada and many others issued “all but essential” travel warnings. Global equities reversed its year-to-date gains, falling by 3.4% in sterling terms over the week as concerns escalated about the impact of coronavirus on global growth.
- The Bank of England (BoE) kept interest rates on hold at 0.75% in Mark Carney’s last meeting as BoE governor. Markets were pricing in a roughly 50% chance of a 25bps rate cut, but the BoE decided against a rate cut amidst rebounding economic data after December’s general election. Meanwhile, the US Federal Reserve kept its benchmark interest rate unchanged at 1.50%-1.75%.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

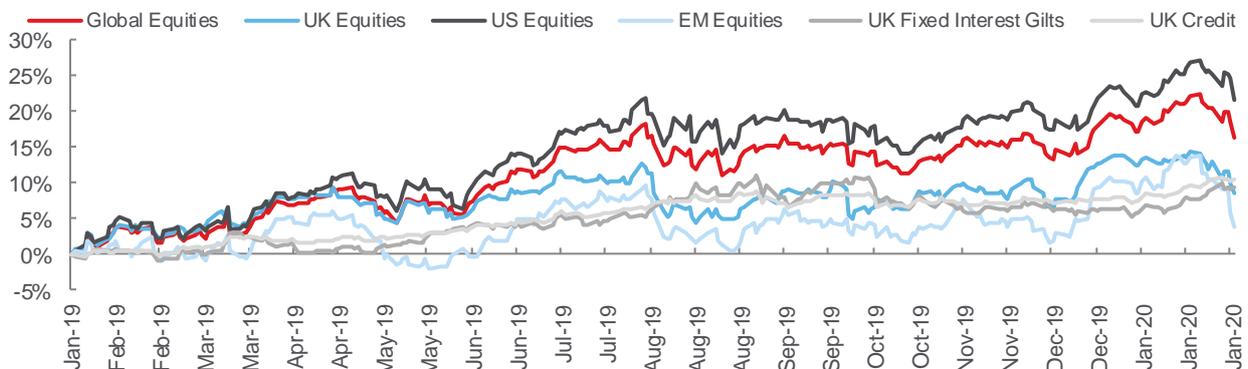


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 2.5% in local currency terms and fell by 3.4% in sterling terms.
- The Utilities sector was the best performer, returning -0.5% in sterling terms.
- The Energy sector was the worst performer, returning -6.2% in sterling terms.
- US equities were the best performing market in sterling terms (-2.4%).
- Emerging Market equities were the worst performing market in sterling terms (-5.9%).

Government Bonds

- The 10-year gilt yield fell by 4bps to 0.54% and the 20-year gilt yield fell by 4bps to 0.93%.
- The 10-year US treasury yield fell by 16bps to 1.52%, falling below the three-month US treasury yield as this part of the yield curve inverted for the first time since October.
- At the 10-year maturity, the German bund yield fell by 10bps to -0.44% and the French government bond yield fell by 10bps to -0.18%.
- Greek government bond yields fell by 13bps to 1.16%.
- The UK Over 5-year real yield rose by 4bps to -1.96% and the UK 20-year real yield rose by 5bps to -2.15%.
- 20-year breakeven inflation fell by 9bps to 3.09%.

Credit

- Local currency emerging market debt fell over the week, returning -2.0%.
- The US high yield bond spread over US treasury yields rose by 35bps to 403bps over the week.
- The spread of USD denominated EM debt over US treasury yields rose by 10bps to 323bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) rose by 2bps to 108bps over the week.

Commodities

- The S&P GSCI index fell by 4.3% in USD terms over the week.
- The S&P GSCI Energy index fell by 4.9% as the price of Brent Crude oil fell by 4.2% to US\$58/BBL.
- Industrial metal prices fell by 4.6% as copper prices fell by 6.7% to US\$5,570/MT.
- Agricultural prices fell by 2.3% and gold prices rose by 1.3% to US\$1,584/Oz.

Currencies

- Sterling strengthened by 0.9% against the US dollar and rose by 0.4% against the euro, ending the week at \$1.32/£ and €1.19/£ respectively.
 - The US dollar decreased by 1.0% against the Japanese yen, ending the week at ¥108.39/\$.
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