UK Week in Markets

Week ending 28 February 2021

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Key News and Events

- Global equity markets fell sharply over the week driven by a large sell-off in global government bonds. Bond yields rose amidst concerns of a faster than expected economic recovery that could cause inflationary pressures. The 10-year US treasury yield and UK 10- year gilt yield both broke their 12-month highs and finished the week at 1.46% and 0.80% respectively.

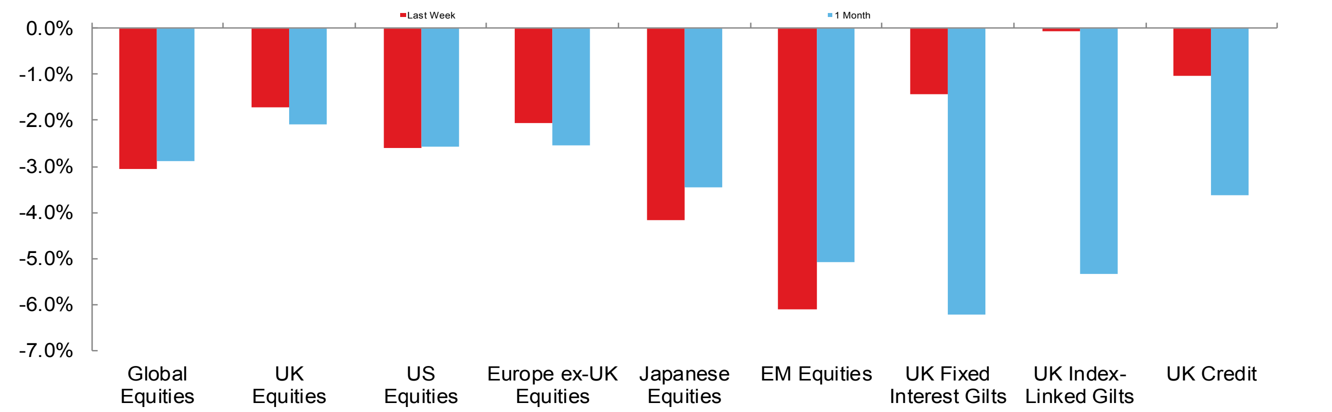
- The Democrat-controlled US House of Representatives passed the Biden administration's proposed stimulus package worth an estimated $1.9tn. However, President Biden suffered a minor setback as his push for a minimum wage increase from $7.25 an hour to $15 an hour will not be included in the "reconciliation" process (a process where a bill can be approved by a simple majority in the US Senate).

- The US agreed to drop its 'safe harbour' measure which would have protected US technology companies from reform of global digital taxation rules. The announcement could aid multilateral negotiations on digital taxation at the OECD (Organisation for Economic Co-operation and Development).

- The US Food and Drug Administration granted emergency approval for the use of Johnson & Johnson's Covid-19 vaccine. It is the third vaccine to be authorised in the US and the first which requires only a single dose.

Market Overview

Index Returns



Cumulative Return Over Last 12 Months

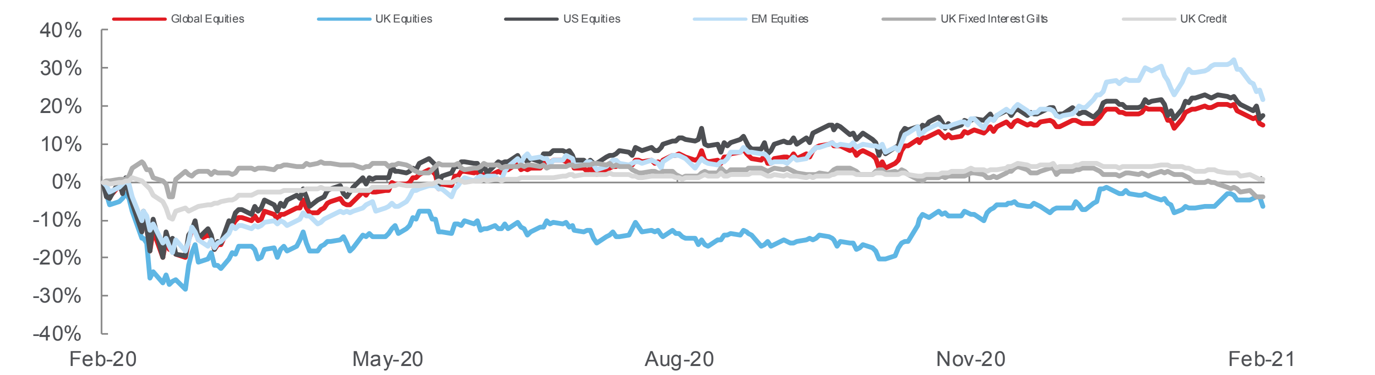


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.

Market Summary

Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 3.1% in local currency terms and fell by 3.1% in sterling terms.
- The Energy sector was the best performer, returning 3.3% in sterling terms.
- The Information & Technology sector was the worst performer, returning -4.5% in sterling terms.
- UK equities were the best performing market in sterling terms (-1.7%).
- Emerging Market equities were the worst performing market in sterling terms (-6.1%).

Government Bonds

- The 10-year gilt yield rose by 11bps to 0.80% and the 20-year gilt yield rose by 10bps to 1.32%.
- The 10-year US treasury yield rose by 12bps to 1.46%.
- At the 10-year maturity, the German bund yield rose by 5bps to -0.26% and the French government bond yield rose by 5bps to -0.02%.
- Greek government bond yields rose by 22bps to 1.11%.
- The UK Over 5-year real yield was unchanged at -1.91% and the UK 20-year real yield rose by 3bps to -2.10%.
- 20-year breakeven inflation rose by 9bps to 3.34%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 1bp to 92bps over the week.
- The US high yield bond spread over US treasury yields rose by 11bps to 352bps over the week.
- Local currency emerging market debt fell over the week, returning -2.0%. The spread of hard currency emerging market debt over US treasury yields rose by 12bps to 356bps over the week.

Commodities

- The S&P GSCI index rose by 1.5% in USD terms over the week.
- The S&P GSCI Energy index rose by 2.8% as the price of Brent Crude oil rose by 5.1% to US$66/BBL.
- Industrial metal prices rose by 0.1% as copper prices rose by 4.2% to US$9,173/MT.
- Agricultural prices rose by 0.8% and gold prices fell by 2.4% to US$1,743/Oz.

Currencies

- Sterling weakened by 0.2% against the US dollar and fell by 0.3% against the euro, ending the week at $1.4/£ and €1.15/£ respectively.
- The US dollar increased by 0.9% against the Japanese yen, ending the week at ¥106.54/$.

Contacts

Himmat Dhaliwal
Aon – London
himmat.dhaliwal@aon.com
+44 (0) 1372 73 3619

Nikhil Anto
Aon – Bangalore
nikhil.anto@aon.com
+91 80 6621 8236

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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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