



UK Week in Markets

Week ending 02 August 2020



Key News and Events

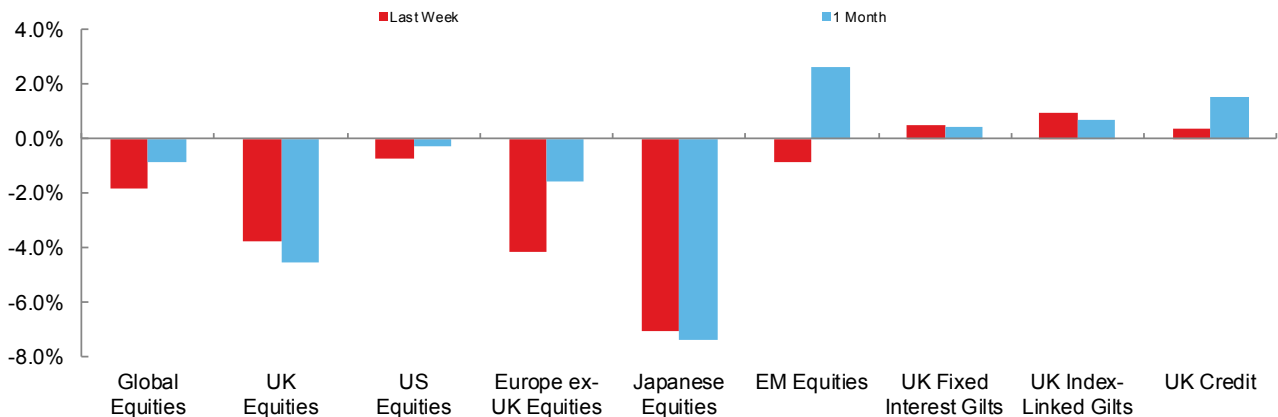
- The number of worldwide Covid-19 cases exceeded 17.5 million, increasing by more than 2 million over the week. In the US, the number of cases in recent hotspots like California, Florida and Texas have appeared to stabilize. However, there were signs of a second wave of coronavirus in other parts of the world such as Europe, China and Japan. Parts of northern England and southwestern Australia witnessed the strict imposition of self-isolation rules and lockdown measures.
- Preliminary GDP data for the second quarter reflected the severe impact of lockdown on major economies. The US economy suffered its sharpest post-war contraction with GDP growth falling at an annualised rate of 32.9%. Meanwhile the Eurozone economy suffered its sharpest downturn in 25 years with GDP growth contracting by an annualised rate of 40.3%.
- US lawmakers struggled to make way for a new fiscal stimulus package, as unemployment benefits worth \$600 per week expired on July 31, leaving around 25 million Americans without a safety net. Democrats and Republicans have debated whether the original stimulus package should continue. However, both sides have been unable to reach agreement over the size of the stimulus.

Note: COVID-19 data are sourced from the World Health Organization's Situation Reports



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

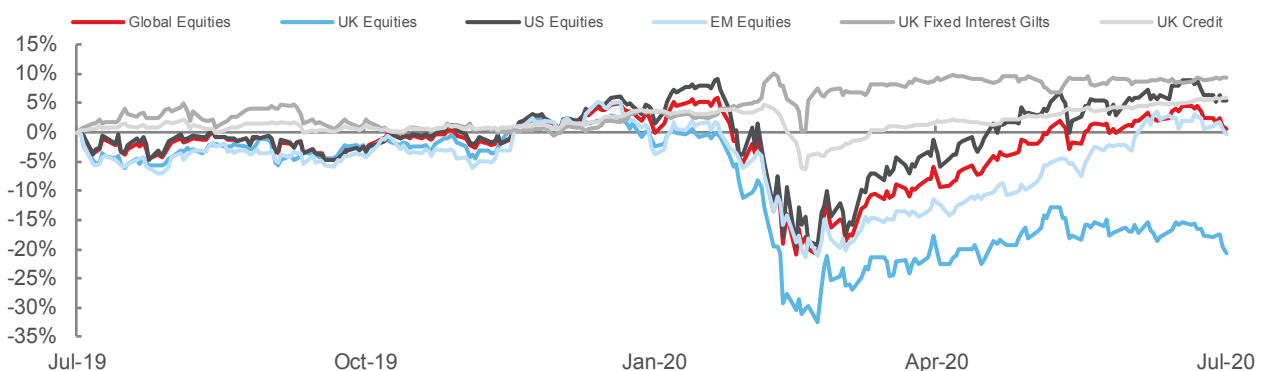


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets rose in local currency terms over the week.
- The MSCI AC World Index rose by 0.4% in local currency terms and fell by 1.8% in sterling terms.
- The Information & Technology sector was the best performer, returning 1.6% in sterling terms.
- The Energy sector was the worst performer, returning -6.7% in sterling terms.
- US equities were the best performing market in sterling terms (-0.7%).
- Japanese equities were the worst performing market in sterling terms (-7.1%).

Government Bonds

- The 10-year gilt yield fell by 5bps to 0.10% and the 20-year gilt yield fell by 4bps to 0.51%.
- The 10-year US treasury yield fell by 5bps to 0.54%.
- At the 10-year maturity, the German bund yield fell by 9bps to -0.53% and the French government bond yield fell by 6bps to -0.20%.
- Irish government bond yields fell by 7bps to -0.14%.
- The UK Over 5-year real yield fell by 4bps to -2.35% and the UK 20-year real yield fell by 5bps to -2.56%.
- 20-year breakeven inflation rose by 2bps to 3.08%.

Credit

- Local currency emerging market debt fell over the week, returning -2.4%.
- The US high yield bond spread over US treasury yields fell by 13bps to 516bps over the week.
- The spread of USD denominated EM debt over US treasury yields fell by 6bps to 446bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) was unchanged at 134bps over the week.

Commodities

- The S&P GSCI index fell by 0.6% in USD terms over the week.
- The S&P GSCI Energy index fell by 2.3% as the price of Brent Crude oil fell by 0.1% to US\$43/BBL.
- Industrial metal prices rose by 0.8% as copper prices rose by 0.5% to US\$6,447/MT.
- Agricultural prices rose by 0.4% and gold prices rose by 3.3% to US\$1,965/Oz.

Currencies

- Sterling strengthened by 2.6% against the US dollar and rose by 0.9% against the euro, ending the week at \$1.31/£ and €1.11/£ respectively.
 - The US dollar decreased by 0.1% against the Japanese yen, ending the week at ¥105.73/\$.
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Contacts

Himmat Dhaliwal

Aon – London

himmat.dhaliwal@aon.com

+44 (0) 13 7273 3619

Nikhil Anto

Aon – Bangalore

nikhil.anto@aon.com

+91 80 6621 8236

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Registered Office:

The Aon Centre

The Leadenhall Building

122 Leadenhall Street

London EC3V 4AN

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