



# UK Week in Markets

Week ending 16 February 2020



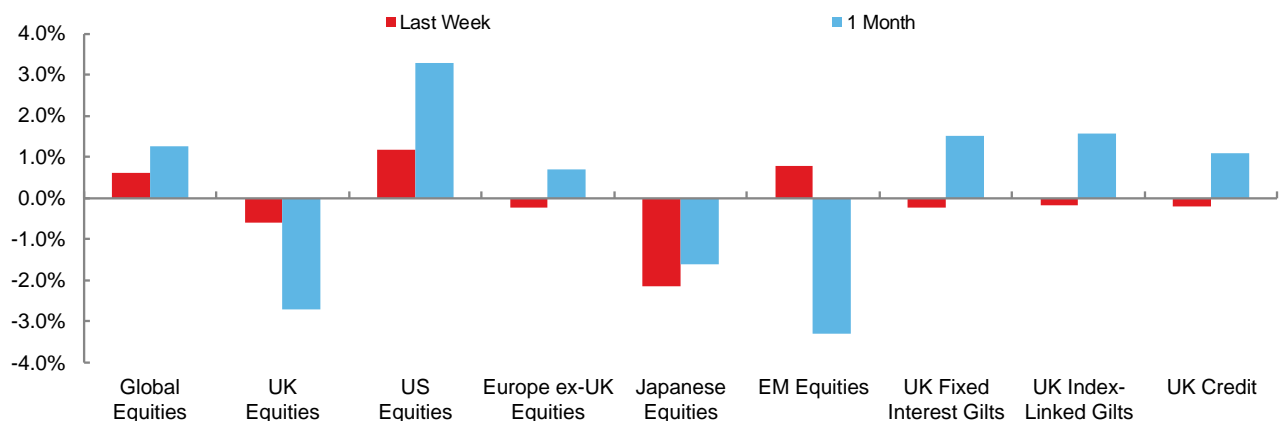
## Key News and Events

- Although confirmed cases of the coronavirus in China continues to broadly trend downwards, there was a spike on February 12, when the number of diagnoses spiked to 14,113 as the criteria by which previous infections were judged was changed. The number of cases outside China remains low, although day-to-day volatility makes it hard to judge an obvious trend.
- In the UK, Sajid Javid unexpectedly resigned as Chancellor after reportedly clashing with the Prime Minister over the sacking of his advisers. Rishi Sunak has been named as his replacement. The move means next month's Budget and therefore the RPI consultation will likely be postponed.
- The UK economy experienced no growth over Q4 2019 as consumer spending stagnated over the quarter. Meanwhile, Eurozone GDP growth over the same period was confirmed at 0.1%.



## Market Overview

### Index Returns



### Cumulative Return Over Last 12 Months

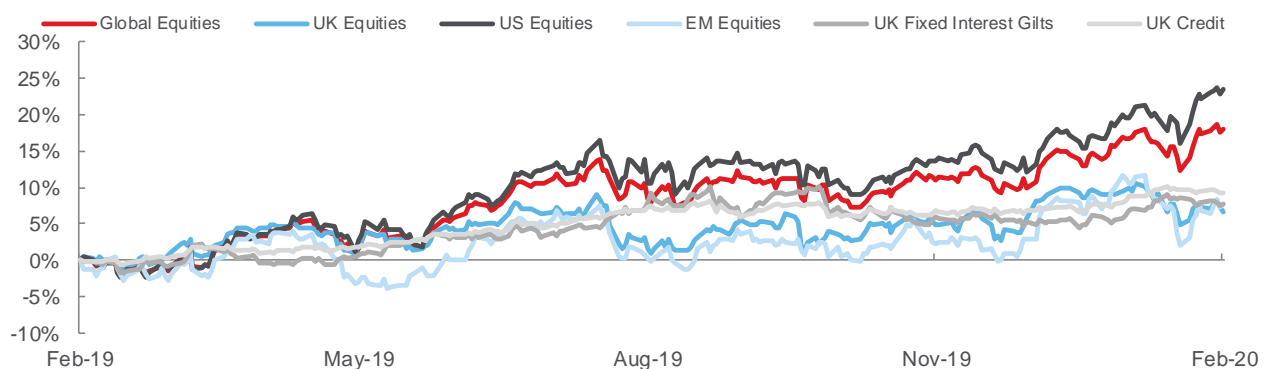


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



## Market Summary

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### Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 1.2% in local currency terms and rose by 0.6% in sterling terms.
- The Real Estate sector was the best performer, returning 2.7% in sterling terms.
- The Consumer Staples sector was the worst performer, returning -0.5% in sterling terms.
- US equities were the best performing market in sterling terms (+1.2%).
- Japanese equities were the worst performing market in sterling terms (-2.1%).

### Government Bonds

- The 10-year gilt yield rose by 5bps to 0.64% and the 20-year gilt yield rose by 2bps to 1.00%.
- The 10-year US treasury yield rose by 1bps to 1.59%.
- At the 10-year maturity, the German bund yield fell by 1bp to -0.41% and the French government bond yield fell by 2bps to -0.16%.
- 10-year Greek government bond yields fell by 11bps to 0.93%, falling below 1% for the first time.
- The UK Over 5-year real yield was unchanged at -1.97% and the UK 20-year real yield rose by 2bps to -2.15%.
- 20-year breakeven inflation rose by 1bps to 3.16%.

### Credit

- US High Yield bonds rose over the week, returning 0.5%.
- The US high yield bond spread over US treasury yields fell by 19bps to 356bps over the week.
- The spread of USD denominated EM debt over US treasury yields fell by 5bps to 310bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) fell by 1bp to 106bps over the week.

### Commodities

- The S&P GSCI index rose by 2.0% in USD terms over the week.
- The S&P GSCI Energy index rose by 3.4% as the price of Brent Crude oil rose by 5.2% to US\$57/BBL.
- Industrial metal prices rose by 1.0% as copper prices rose by 1.5% to US\$5,737/MT.
- Agricultural prices fell by 0.5% and gold prices rose by 0.6% to US\$1,581/Oz.

### Currencies

- Sterling strengthened by 0.6% against the US dollar and rose by 1.7% against the euro, ending the week at \$1.3/£ and €1.2/£ respectively.
  - The US dollar was unchanged against the Japanese yen, ending the week at ¥109.76/\$.
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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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