



UK Week in Markets

Week ending 03 May 2020



Key News and Events

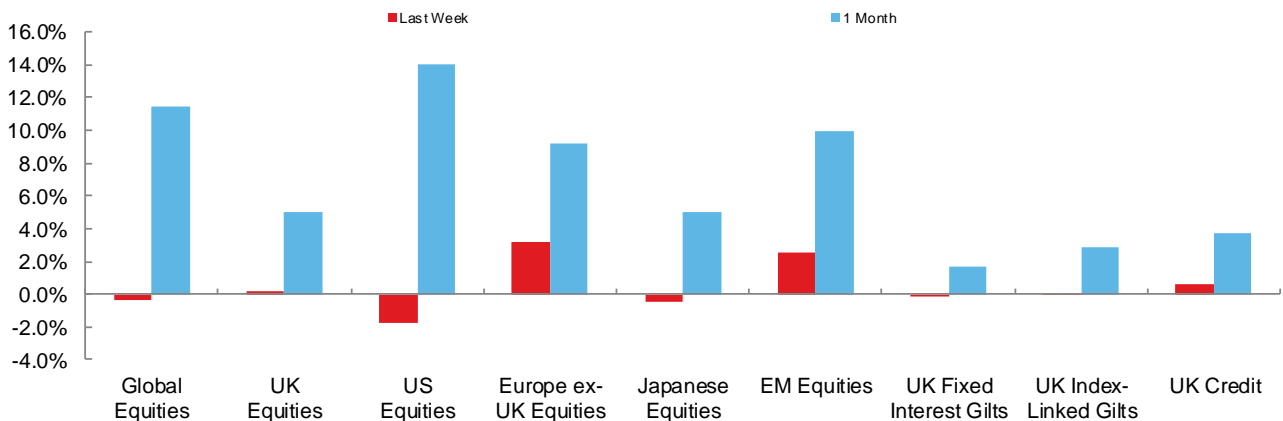
- The growth in the number of new coronavirus cases continued to stabilize. Around 540,000 confirmed coronavirus cases were recorded globally last week, taking the total number to over 3.3 million. Germany, France and a few other major European countries published their plans for the gradual reopening of their economies following the coronavirus lockdowns.
- Economic data released last week pointed to a sharp recession as lockdown measures weighed on global economies. The US economy contracted at an annualized rate of -4.8% in Q1 2020, ending the longest period of economic expansion in history. This is the first negative GDP growth recorded since Q1 2014 and the fastest rate of contraction since the 2008 Global Financial Crisis. The Eurozone recorded a quarter-on-quarter growth rate of -3.8%, the worst economic contraction since the Eurozone was formed. France, which was amongst the first European countries to be locked down, recorded a 5.8% contraction in Q1, its worst GDP figure since 1945.

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



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

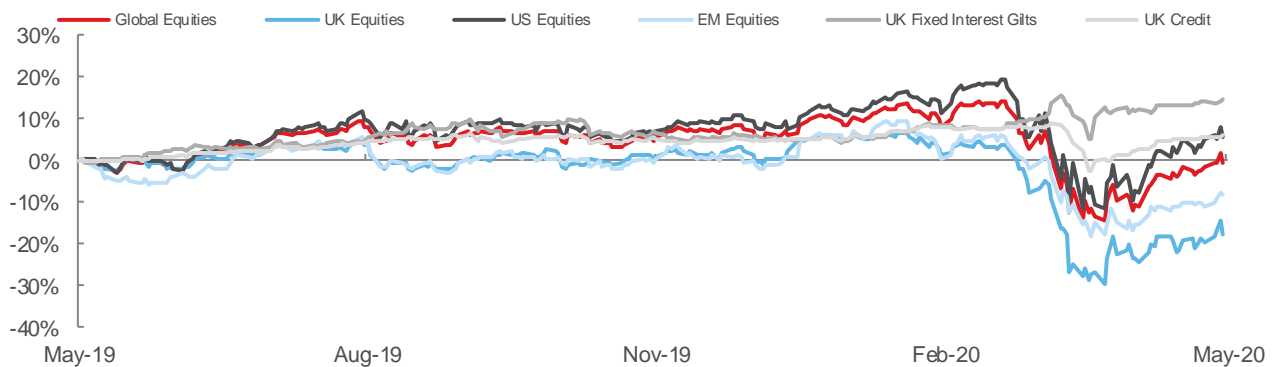


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets rose in local currency terms over the week.
- The MSCI AC World Index rose by 0.9% in local currency terms and fell by 0.3% in sterling terms.
- The Financials sector was the best performer, returning 1.8% in sterling terms.
- The Health Care sector was the worst performer, returning -3.5% in sterling terms.
- European ex-UK equities were the best performing market in sterling terms (+3.2%).
- US equities were the worst performing market in sterling terms (-1.8%).

Government Bonds

- The 10-year gilt yield fell by 4bps to 0.25% and the 20-year gilt yield fell by 3bps to 0.56%.
- The 10-year US treasury yield rose by 4bps to 0.64%.
- At the 10-year maturity, the German bund yield fell by 13bps to -0.59% and the French government bond yield fell by 14bps to -0.11%.
- Italian government bond yields fell by 13bps to 1.77% despite the rating agency Fitch downgrading its credit rating to a single notch above “junk”.
- The UK Over 5-year real yield rose by 1bps to -2.06% and the UK 20-year real yield fell by 2bps to -2.24%.
- 20-year breakeven inflation fell by 1bps to 2.80%.

Credit

- Sterling Investment Grade bonds rose over the week, returning 0.6%.
- The US high yield bond spread over US treasury yields fell by 33bps to 770bps over the week.
- The spread of USD denominated EM debt over US treasury yields fell by 31bps to 609bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) fell by 10bps to 173bps over the week.

Commodities

- The S&P GSCI index rose by 1.9% in USD terms over the week.
- The S&P GSCI Energy index rose by 2.4% as the price of Brent Crude oil rose by 23.3% to US\$26/BBL.
- Industrial metal prices fell by 1.1% as copper prices fell by 1.1% to US\$5,061/MT.
- Agricultural prices rose by 0.3% and gold prices fell by 1.7% to US\$1,686/Oz.

Currencies

- Sterling strengthened by 1.7% against the US dollar and fell by 0.1% against the euro, ending the week at \$1.25/£ and €1.14/£ respectively.
 - The US dollar decreased by 0.5% against the Japanese yen, ending the week at ¥106.91/\$.
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The team use those expectations to help our clients set and, when it's right to do so, revise their long-term investment policies.

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