



UK Week in Markets

Week ending 4 October 2020



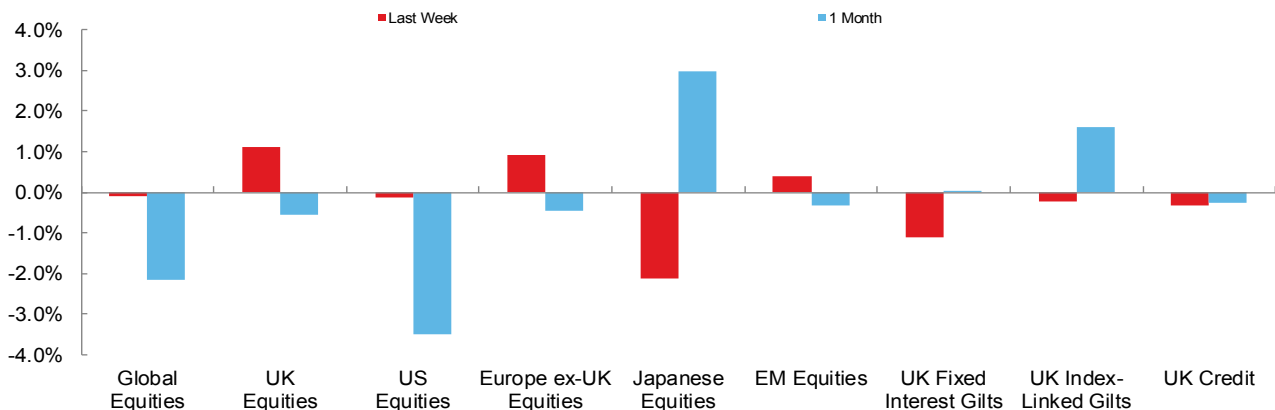
Key News and Events

- President Trump and first lady Melania Trump tested positive for coronavirus last week. The president is being treated at the Walter Reed military hospital and has cancelled his upcoming presidential campaign schedule due to quarantine restrictions.
- The Democratic-controlled House of Representatives narrowly passed a new fiscal stimulus package worth \$2.2 trillion. Negotiations are expected to continue, as the stimulus package still needs to be approved by the Republican-controlled Senate. Nancy Pelosi, the Democratic Speaker of the House, also signalled that the aviation sector could receive some form of stimulus after major US airlines announced thousands of job cuts.
- The European Union (EU) started legal processions against the UK over its Internal Markets Bill. The European Commission believes that the current iteration of the bill violates the withdrawal agreement and international law. The bill will allow the UK to re-impose a hard border between Northern Ireland and the Republic of Ireland if a trade deal can't be agreed.
- Elsewhere, the Eurozone witnessed a second consecutive month of deflation, putting pressure on the European Central Bank to allow inflation to overshoot its target in the future. This approach has already been adopted by the US Federal Reserve.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

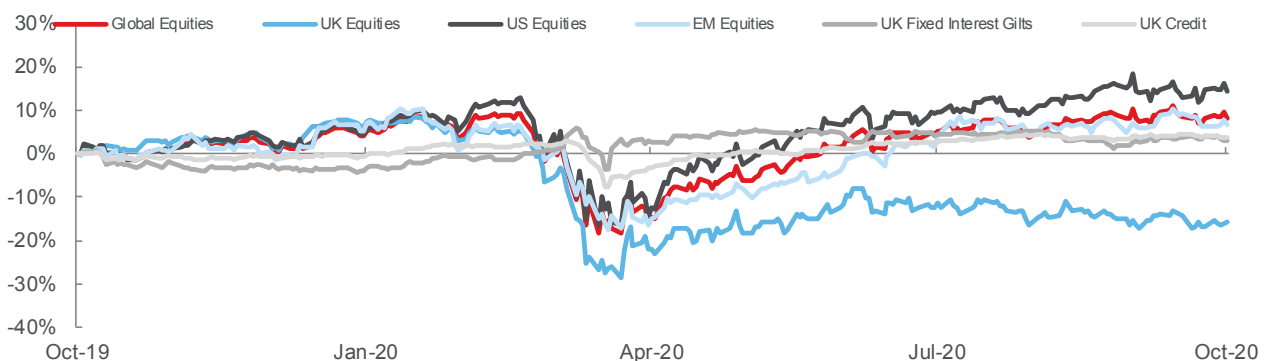


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 1.4% in local currency terms and fell by 0.1% in sterling terms.
- The Real Estate sector was the best performer, returning 2.0% in sterling terms.
- The Energy sector was the worst performer, returning -4.8% in sterling terms.
- UK equities were the best performing market in sterling terms (+1.1%).
- Asia Pacific ex-Japan equities were the worst performing market in sterling terms (-2.5%).

Government Bonds

- The 10-year gilt yield rose by 6bps to 0.24% and the 20-year gilt yield rose by 8bps to 0.77%.
- The 10-year US treasury yield rose by 4bps to 0.70%.
- At the 10-year maturity, the German bund yield fell by 1bp to -0.54% and the French government bond yield fell by 1bps to -0.26%.
- Italian government bond yields fell by 9bps to 0.79%.
- The UK Over 5-year real yield was unchanged at -2.20% and the UK 20-year real yield rose by 2bps to -2.44%.
- 20-year breakeven inflation rose by 6bps to 3.12%.

Credit

- Local currency emerging market debt fell over the week, returning -1.1%.
- The US high yield bond spread over US treasury yields fell by 26bps to 538bps over the week.
- The spread of hard currency emerging market debt over US Treasury yields fell by 6bps to 437bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) fell by 2bps to 128bps over the week.

Commodities

- The S&P GSCI index fell by 3.1% in USD terms over the week.
- The S&P GSCI Energy index fell by 7.5% as the price of Brent Crude oil fell by 6.3% to US\$39/BBL.
- Industrial metal prices rose by 0.1% although copper prices fell by 1.8% to US\$6,410/MT.
- Agricultural prices rose by 2.8% and gold prices rose by 2.3% to US\$1,903/Oz.

Currencies

- Sterling strengthened by 1.8% against the US dollar and rose by 1.0% against the euro, ending the week at \$1.29/£ and €1.1/£ respectively.
 - The US dollar decreased by 0.3% against the Japanese yen, ending the week at ¥105.36/\$.
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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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The Leadenhall Building
122 Leadenhall Street
London EC3V 4AN

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