



UK Week in Markets

Week ending 9 May 2021



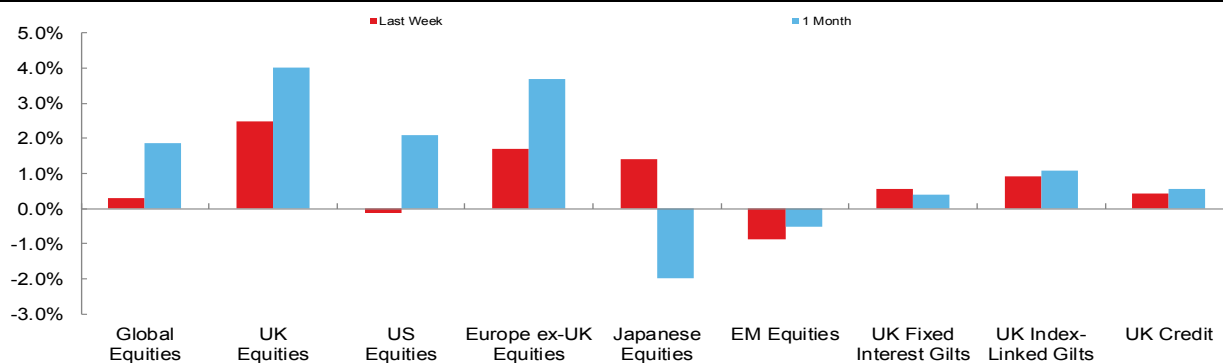
Key News and Events

- US jobs growth slowed unexpectedly as the labour market added only 266,000 jobs in April, well below consensus expectations. The US unemployment rate rose to 6.1% despite the reopening of the economy and the ongoing vaccination rollout.
- To deal with vaccine supply shortages across the globe, the US, along with Russia and almost 60 other countries, supported the move to suspend intellectual property rights for Covid-19 vaccines temporarily. However, European Union leaders have rejected the move citing that vaccine patent waiver is not a solution to supply shortages and called for increased vaccine production. Meanwhile, Canada authorised using the Covid-19 vaccine developed by Pfizer and BioNTech in people aged 12-15. Canada became the first country to approve a Covid-19 vaccine for under 18's.
- The Bank of England (BoE) kept its monetary policy unchanged at a historic low of 0.1%, 8 out of 9 Monetary Policy Committee members voted to keep the asset purchase programme in place to total £895bn by the end of 2021. The BoE upgraded the UK's growth forecast to 7.25% this year, the highest rate in more than 70 years, up from a previous forecast of 5%.



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

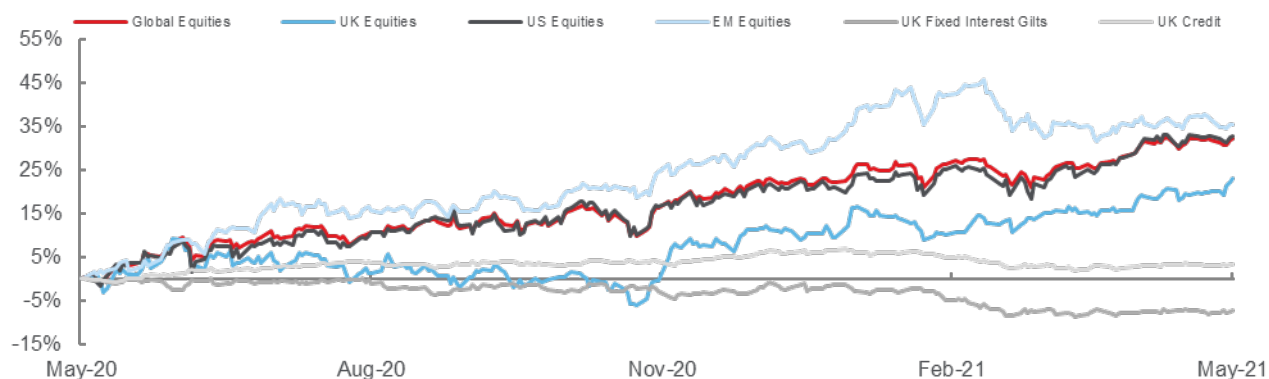


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets rose over the week.
- The MSCI AC World Index rose by 1.0% in local currency terms and rose by 0.3% in sterling terms.
- The Energy sector was the best performer, returning 6.5% in sterling terms.
- The Information & Technology sector was the worst performer, returning -1.8% in sterling terms.
- UK equities were the best performing market in sterling terms (+2.5%).
- Emerging Market equities were the worst performing market in sterling terms (-0.9%).

Government Bonds

- The 10-year gilt yield fell by 9bps to 0.75% and the 20-year gilt yield fell by 5bps to 1.26%.
- The 10-year US treasury yield fell by 7bps to 1.56%.
- At the 10-year maturity, the German bund yield fell by 3bps to -0.23% and the French government bond yield was unchanged at 0.15%.
- Portuguese government bond yields rose by 13bps to 0.50%.
- The UK Over 5-year real yield fell by 3bps to -2.07% and the UK 20-year real yield fell by 4bps to -2.25%.
- 20-year breakeven inflation was unchanged at 3.43%.

Credit

- The sterling non-gilt spread over UK gilt yields (based on the ICE index) rose by 1bp to 93bps over the week.
- The US high yield bond spread over US treasury yields fell by 1bp to 327bps over the week.
- Meanwhile, the spread of hard currency emerging market debt over US treasury yields fell by 2bps to 332bps over the week. Local currency emerging market debt rose over the week, returning 0.7%.

Commodities

- The S&P GSCI index rose by 3.4% 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 1.5% to US\$68/BBL.
- Industrial metal prices rose by 5.3% as copper prices rose by 4.1% to US\$10,361/MT.
- Agricultural prices rose by 5.5% and gold prices rose by 3.9% to US\$1,837/Oz.

Currencies

- Sterling strengthened by 1.0% against the US dollar and rose by 0.1% against the euro, ending the week at \$1.4/£ and €1.15/£ respectively.
 - The US dollar decreased by 0.7% against the Japanese yen, ending the week at ¥108.57/\$.
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