



UK Week in Markets

Week ending 29 September 2019



Key news and events



In the US, House of Representatives Speaker Nancy Pelosi announced a formal impeachment inquiry into President Donald Trump. The inquiry will look into allegations that the President has improperly pressured Ukraine into investigating his potential 2020 presidential opponent Joe Biden and his son by threatening to withhold military aid to the country.



The UK Parliament was reconvened after the Supreme Court unanimously ruled that Prime Minister Boris Johnson's decision to suspend parliament for five weeks was unlawful.



US officials confirmed that high-level trade talks with China will resume in early October. However, optimism was tapered by reports that the Trump administration is considering a ban on Chinese companies listing on US exchanges.



The US and Japan have agreed an initial trade deal which will eliminate or lower tariffs on certain products. Japan made concessions on agricultural imports whilst the US reduced tariffs on a selection of industrial goods exports. The two countries also reached a deal on digital trade allowing tariff-free digital commerce between them.

Market moves



Global equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 0.8% in local currency terms and rose by 0.5% in sterling terms.
- The Utilities sector was the best performer, returning 2.5% in sterling terms.
- The Health Care sector was the worst performer, returning -0.6% in sterling terms.



Regional equities

- UK equities were the best performing region in local currency terms (+1.1%).
- Emerging Market equities were the worst performing region in local currency terms (-1.6%).
- Japanese equities were the best performing region in sterling terms (+1.5%).
- Emerging Market equities were the worst performing region in sterling terms (-0.3%).



Government bonds

- The 10-year gilt yield fell by 14bps to 0.49% and the 20-year gilt yield fell by 11bps to 0.86%.
- The 10-year US treasury yield fell by 8bps to 1.68%.
- At the 10-year maturity, the German bund yield fell by 6bps to -0.58% and the French government bond yield fell by 6bps to -0.29%.
- Spanish government bond yields fell by 8bps to 0.15%.



Inflation-linked bonds

- The UK Over 5-year real yield fell by 12bps to -2.16% and the UK 20-year real yield fell by 13bps to -2.44%.
- 20-year breakeven inflation rose by 4bps to 3.32%.



Credit

- Local currency emerging market debt rose over the week, returning 1.2%.
- The US high yield bond spread over US treasury yields rose by 18bps to 399bps over the week.
- The spread of USD denominated EM debt over US treasury yields rose by 15bps to 357bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) rose by 3bps to 128bps over the week.



Commodities

- The S&P GSCI index fell by 1.8% in USD terms over the week.
- The S&P GSCI Energy index fell by 3.4% as the price of Brent Crude oil fell by 3.7% to US\$62/BBL.
- Industrial metal prices fell by 1.6% as copper prices fell by 1.1% to US\$5,714/MT.
- Agricultural prices rose by 0.8% and gold prices fell by 0.8% to US\$1,490/Oz.



Currencies

- Sterling weakened by 1.5% against the US dollar and fell 1.0% against the euro, ending the week at \$1.23/£ and €1.12/£.
- The US dollar increased by 0.2% against the Japanese yen, ending the week at ¥108.16.

Economic releases

Highlighted last week releases



Region: US

Markit US Manufacturing PMI

The US Manufacturing PMI bounced back from a decade low recorded last month, rising by 0.7 points to 51.0, beating forecasts of a 0.1-point rise. The index reached a 5-month high as stronger new order growth and output productivity boosted the sector.



Region: UK

GfK Consumer Confidence

Consumer confidence in the UK increased by 2 points to -12 in September, beating expectations of an unchanged reading. Consumer confidence remained low amidst ongoing Brexit uncertainty, but consumers have revised up their sentiments on the general economic situation and their personal financial situation.



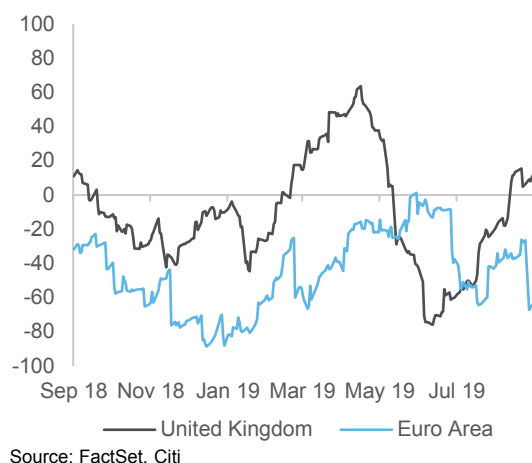
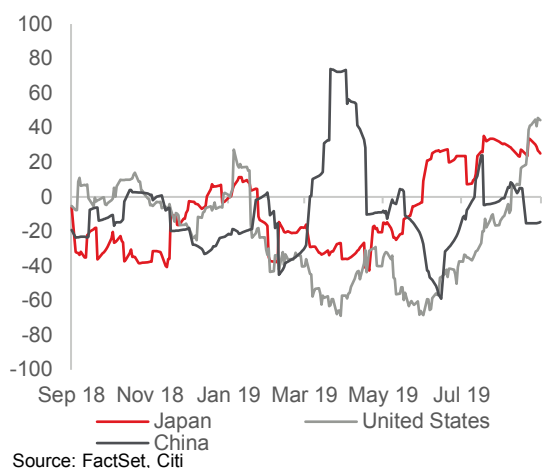
Region: Eurozone

Markit Eurozone Manufacturing PMI

The Eurozone Manufacturing PMI fell to its lowest level in nearly seven years, defying analyst expectations of a small increase and falling by 1.4 points to 45.6 in September. The Eurozone manufacturing sector has now contracted for eight consecutive months, with the German manufacturing sector experiencing the steepest monthly contraction since 2009.

Economic surprise

The index measures economic data relative to expectations. A positive number indicates that economic data has outperformed expectations



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With over 160 years of combined experience, the team is one of the strongest in UK investment consultancy today.

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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.

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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