



UK Week in Markets

Week ending 28 June 2020



Key News and Events

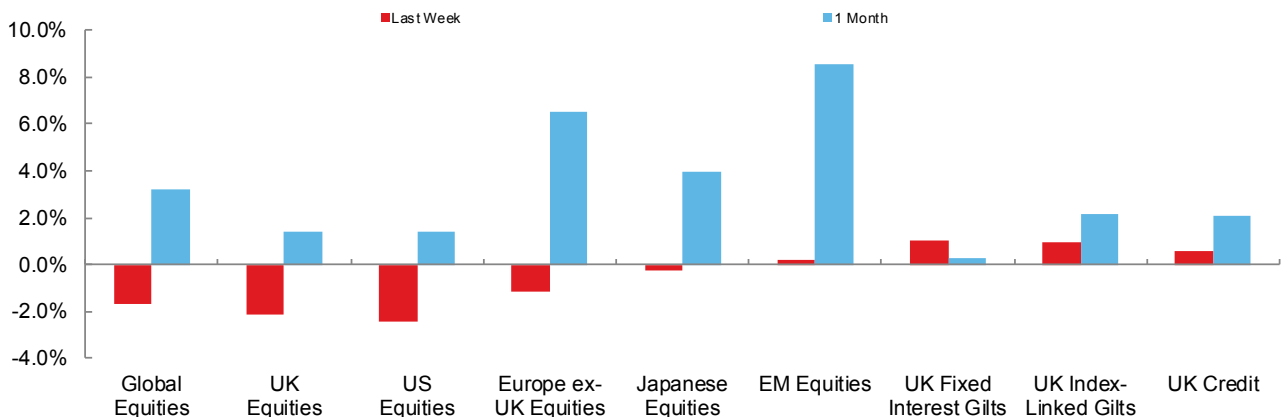
- Worldwide Covid-19 cases increased by one million over the last week, bringing the number of global cases above ten million. The US, Brazil and India reported their highest number of new cases in a 24-hour period and each recorded over 100,000 cases last week. Meanwhile, the downturn in business activity across major developed economies eased in June as economies began to re-open.
- The IMF downgraded its 2020 global growth estimate to -4.9% due to a slower than anticipated recovery of the world economy. After conducting its annual stress test on the banking system, the US Federal Reserve capped dividends and banned share buybacks by lenders for Q2 2020. The Bank of England governor, Andrew Bailey, suggested that, before interest rates could be increased, the central bank must reduce the level of its bond-buying and asset purchase programmes. Meanwhile, US-Europe trade tensions escalated as Brussels criticized the US for threatening to impose additional tariffs worth USD 3.1bn on European products.

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



Market Overview

Index Returns



Cumulative Return Over Last 12 Months

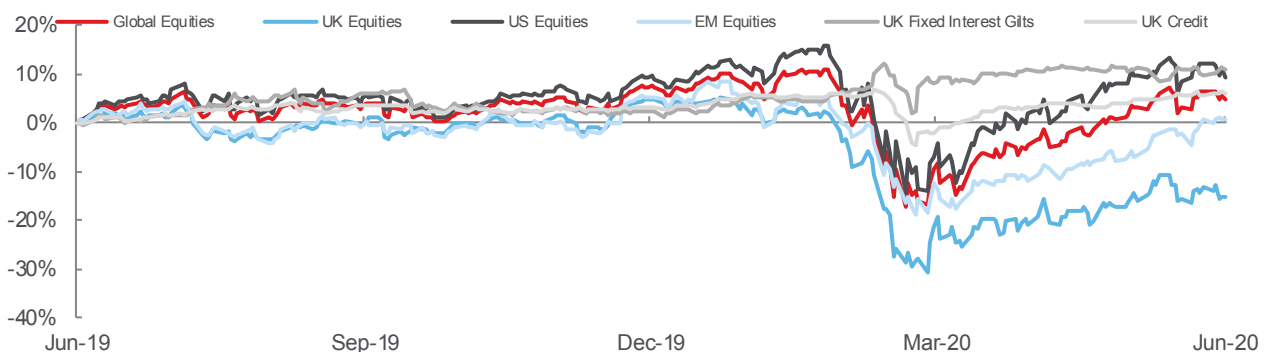


Chart Source: FactSet, FTSE, MSCI, ICE BofAML. Total return in GBP terms shown.



Market Summary

Equities

- Global equity markets fell over the week.
- The MSCI AC World Index fell by 2.0% in local currency terms and fell by 1.7% in sterling terms.
- The Information & Technology sector was the best performer, returning 0.1% in sterling terms.
- The Energy sector was the worst performer, returning -5.0% in sterling terms.
- Emerging Market equities were the best performing market in sterling terms (+0.2%).
- US equities were the worst performing market in sterling terms (-2.4%).

Government Bonds

- The 10-year gilt yield fell by 6bps to 0.18% and the 20-year gilt yield fell by 9bps to 0.55%.
- The 10-year US treasury yield fell by 4bps to 0.64%.
- At the 10-year maturity, the German bund yield fell by 2bps to -0.47% and the French government bond yield fell by 3bps to -0.12%.
- Italian government bond yields fell by 8bps to 1.28%.
- The UK Over 5-year real yield fell by 5bps to -2.31% and the UK 20-year real yield fell by 5bps to -2.48%.
- 20-year breakeven inflation fell by 3bps to 3.04%.

Credit

- US High Yield bonds fell over the week, returning -1.3%.
- The US high yield bond spread over US treasury yields rose by 39bps to 641bps over the week.
- The spread of USD denominated EM debt over US treasury yields rose by 6bps to 481bps over the week.
- The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) was unchanged at 146bps over the week.

Commodities

- The S&P GSCI index fell by 2.9% in USD terms over the week.
- The S&P GSCI Energy index fell by 4.5% as the price of Brent Crude oil fell by 2.8% to US\$41/BBL.
- Industrial metal prices rose by 0.8% as copper prices rose by 2.6% to US\$5,986/MT.
- Agricultural prices fell by 3.0% and gold prices rose by 0.7% to US\$1,748/Oz.

Currencies

- Sterling weakened by 0.4% against the US dollar and fell by 0.5% against the euro, ending the week at \$1.23/£ and €1.1/£ respectively.
 - The US dollar increased by 0.3% against the Japanese yen, ending the week at ¥107.34/\$.
-

Contacts

John Chung FIA

Aon – London
john.chung.3@aon.com
+44 (0) 20 7086 6199

Himmat Dhaliwal

Aon – London
himmat.dhaliwal@aon.com
+44 (0) 13 7273 3619

Nikhil Anto

Aon – Bangalore
nikhil.anto@aon.com
+91 80 6621 8236

About Aon Global Asset Allocation

Where are we in the economic cycle? What is the relative value of different asset classes? How are technical factors, such as regulation, impacting prices? Aon's Global Asset Allocation team continually asks and answers questions like these. We use our findings to help clients make timely decisions about asset allocation in their schemes' portfolios.

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

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit <http://aon.mediaroom.com>.

© Aon plc 2020. All rights reserved.

Aon Solutions UK is authorised and regulated by the Financial Conduct Authority. Registered in England & Wales.

Registered No: 4396810.

Registered Office:

The Aon Centre

The Leadenhall Building

122 Leadenhall Street

London EC3V 4AN

Appendix: Disclaimer

This document and any enclosures or attachments are prepared on the understanding that it is solely for the benefit of the addressee(s). Unless we provide express prior written consent, no part of this document should be reproduced, distributed or communicated to anyone else and, in providing this document, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this document. Notwithstanding the level of skill and care used in conducting due diligence into any organisation that is the subject of a rating in this document, it is not always possible to detect the negligence, fraud, or other misconduct of the organisation being assessed or any weaknesses in that organisation's systems and controls or operations. This document and any due diligence conducted is based upon information available to us at the date of this document and takes no account of subsequent developments. In preparing this document we may have relied upon data supplied to us by third parties (including those that are the subject of due diligence) and therefore no warranty or guarantee of accuracy or completeness is provided. We cannot be held accountable for any error, omission or misrepresentation of any data provided to us by third parties (including those that are the subject of due diligence). This document is not intended by us to form a basis of any decision by any third party to do or omit to do anything.

Any opinions or assumptions in this document have been derived by us through a blend of economic theory, historical analysis and/or other sources. Any opinion or assumption may contain elements of subjective judgement and are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance by us of any future performance. Views are derived from our research process and it should be noted in particular that we cannot research legal, regulatory, administrative or accounting procedures and accordingly make no warranty and accept no responsibility for consequences arising from relying on this document in this regard. Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group [year]. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®" are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

Neither Markit, its Affiliates nor any third party data provider makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. Neither Markit, its Affiliates nor any data provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the Markit data, regardless of cause, or for any damages (whether direct or indirect) resulting there from. Opinions, estimates and projections in this report do not reflect the opinions of Markit Indices and its Affiliates. Markit has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Without limiting the foregoing, Markit, its Affiliates, or any third party data provider shall have no liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.