



UK Week in Markets

Week ending 30 June 2019

Key News and Events

- Positive progress was made at the meeting between Presidents Trump and Xi at the G20 summit in Japan last week, as both countries agreed to resume trade talks. President Trump agreed to suspend the imposition of new tariffs on Chinese goods and China agreed to increase its purchase of agricultural products from the US. President Trump also suspended some of the recent sanctions placed on Chinese telecoms company Huawei, allowing them to buy equipment and services from US companies again.
- European Union (EU) leaders remained divided at the emergency EU summit last week, as they failed to reach an agreement on filling the five top EU posts for the next five years.
- US-Iran tension escalated further as US President Donald Trump ordered "hard-hitting" sanctions on Iranian Supreme Leader Ayatollah Ali Khamenei and his office. India, a major importer of Iran's crude oil, announced that oil imports from Iran will stop in compliance with US sanctions.
- Meanwhile, President Trump became the first US President to visit North Korea, as he met North Korean leader Kim Jong-un at the demilitarized zone dividing North and South Korea over the weekend. Both leaders shook hands and agreed to resume stalled nuclear talks.

Market Moves

Global Equities	– Global equity markets fell over the week. – The MSCI AC World Index fell by 0.1% in local currency terms and fell by 0.1% in sterling terms. – The Materials sector was the best performer at (+1.2%) in sterling terms. – The Utilities sector was the worst performer at (-2.0%) in sterling terms.
Regional Equities	– Japanese equities were the best performing region in local currency terms (+0.6%). – US equities were the worst performing region in local currency terms (-0.3%). – Asia Pacific ex-Japan equities were the best performing region in sterling terms (+0.7%). – US equities were the worst performing region in sterling terms (-0.5%).
Government Bonds	– The 10-year gilt yield fell by 2bps to 0.83% and the 20-year gilt yield rose by 1bps to 1.34%. – 10-year US treasury yields fell by 6bps to 2.00%. – German Bund yields fell by 4bps to -0.33% and French government bond yields fell by 6bps to -0.01%. – Greek government bond yields fell by 10bps to 2.53%.
Inflation-linked Bonds	– The Over 5-year real yield rose by 5bps to -1.83% and the UK 20-year real yield rose by 4bps to -2.02%. – 20-year breakeven inflation fell by 2bps to 3.39%.
Credit	– Local currency emerging market debt rose over the week, returning 0.4%. – The US high yield bond spread over US treasury yields rose by 12bps to 407bps over the week. – The spread of USD denominated EM debt over US treasury yields rose by 5bps to 352bps over the week. – The sterling non-gilt spread over UK gilt yields (based on the Merrill Lynch index) fell by 1bps to 124bps over the week.
Commodities	– The S&P GSCI index rose by 1.0% in USD terms over the week. – The S&P GSCI Energy index rose by 1.7% as the price of Brent Crude oil rose by 2.1% to US\$67/BBL. – Industrial metal prices rose by 1.5% as copper prices rose by 0.5% to US\$5,972/MT. – Agricultural prices fell by 1.5% and gold prices rose by 0.8% to US\$1,409/Oz.
Currencies	– Sterling had a mixed performance against major currencies over the week. – Sterling strengthened by 0.2% against the US dollar and fell 0.3% against the euro, ending the week at \$1.27/£ and €1.12/£. – The US dollar was unchanged against the Japanese yen, ending the week at ¥107.74.

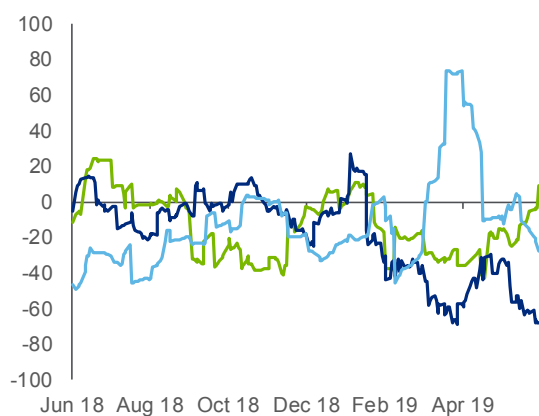
Economic Releases

Highlighted Last Week Releases

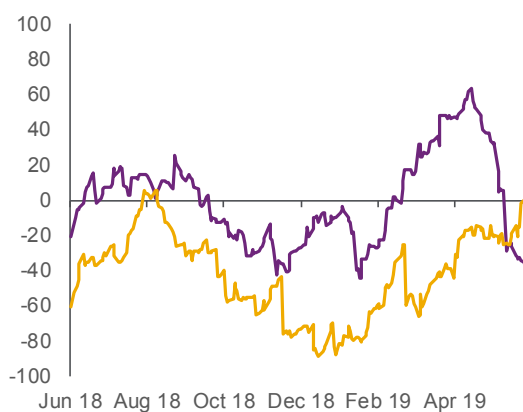
Region	Description	Comment
US	New Home Sales MoM	New home sales fell by 7.8% in the month of May, despite analysts forecast for a modest rise of 1.6%. The seasonally adjusted home sales number of 626k was the lowest since December 2018, despite falling mortgage rates this year.
UK	GfK Consumer Confidence	Consumer confidence in the UK fell by 3 points to -13 in June, undershooting analysts forecast for a 1-point fall, as global growth concerns and ongoing Brexit uncertainty weighed on sentiment.
China	Caixin China PMI Mfg	The Caixin Manufacturing PMI, which focuses on smaller private sector firms, dropped by 0.8 points to 49.4 in June, indicating a contraction in manufacturing activities over the month. This is attributed to a decline in domestic demand and a reduction in overseas demand as US-China trade tensions continue to bite.

Economic Surprise

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



Source: FactSet, Citi



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