

SNAPSHOT

- US equities led global returns again
- Large-cap stocks dominated returns for the UK market
- Asia remains lacklustre overall, despite Chinese rally



All percentages below are monthly returns

EQUITIES



BOND MARKETS

BONDS

Gilts rally strongly following budget

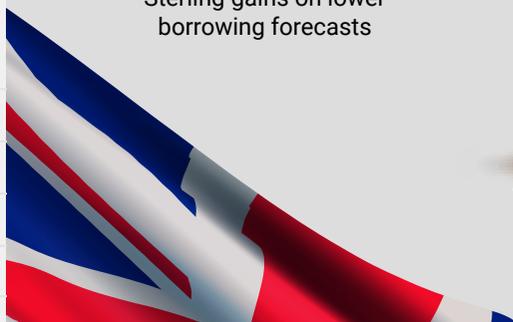
	UK GILTS	2.2%
	US TREASURIES	-0.1%
	GLOBAL CORPORATE BONDS	0.0%
	GLOBAL HIGH YIELD BONDS	-0.5%



CURRENCIES

STERLING

Sterling gains on lower borrowing forecasts

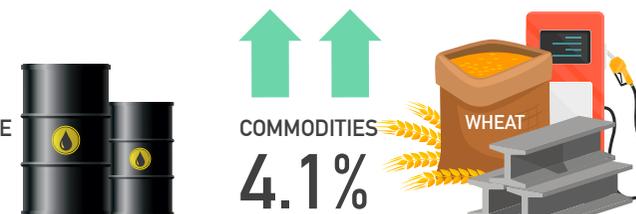
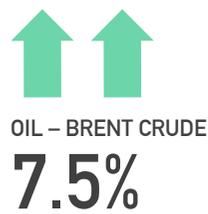


Pound vs Other Currencies



*Values represent bond index returns

KEY INDICATORS



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GLOBAL MARKETS

US leads global markets on the back of strong earnings.

UK large-cap rose strongly, while China continued to recover.



US MARKETS

US leads global markets based on earnings

Fears of a sell-off in US equities during October proved unfounded, as the S&P 500 rose by almost 7%; its strongest rise this year. More than half of the S&P 500 constituents have reported Q3 earnings, and, despite some disappointments from major tech stocks, the overwhelming majority have beaten expectations. However, the causes for concern have not gone away. Supply chain disruptions continue, and economic growth has been more sluggish than anticipated. On the flipside, inflation may yet lead to the Fed raising rates earlier than expected.

7.0%

US 500



EUROPEAN MARKETS

Torn between higher inflation and earnings

European markets were torn between the optimism coming from US equities, and the uncertainties in Asia. EU markets saw an uptick in inflation, together with weak economic data. Inflation continued to rise across the EU, the Q3 forecasts for inflation and GDP were also poor. This, combined with overseas uncertainties, such as the debt problems of Evergrande, the Chinese property giant, created an unsettling background for investors. However, the ECB restated its belief that the current bout of inflation will prove to be transitory, and this was sufficient to send European equities higher over the month.

4.6%

Euro 600 Index



UK MARKETS

UK large-cap rose strongly

After several month of leadership by the mid-cap section of the UK market, the large-cap FTSE 100 rose strongly, to dominate UK returns. Continued rises in the price of Brent Crude boosted oil shares – a big component of the FTSE 100, whilst, elsewhere, more modest losses from Whitbread and an uplift in sales forecast from Reckitt Benckiser, helped to bolster sentiment towards the major multinationals in the UK market. Unusually, the FTSE 100 led the way, in spite of stronger Sterling, which is usually a signal to switch into other areas of the market.

1.7%

UK All Share



ASIAN MARKETS

China continues to recover

Gains were seen in many Asian markets, including China, which continued to recover from the shocks that hit it during the summer. But Japan and S. Korea dragged overall returns down. China and India both contributed positively to the Asian regional returns during October, as many markets were buoyed by the strength of US equities. However S. Korea continued its decline, falling into correction territory, as foreign selling continued despite strong results from entertainment and tech giants, including Samsung. Japanese shares also trended lower, as the new prime minister failed to make an impression on investors.

1.1%

Asia Index



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THE WORLD AT A GLANCE

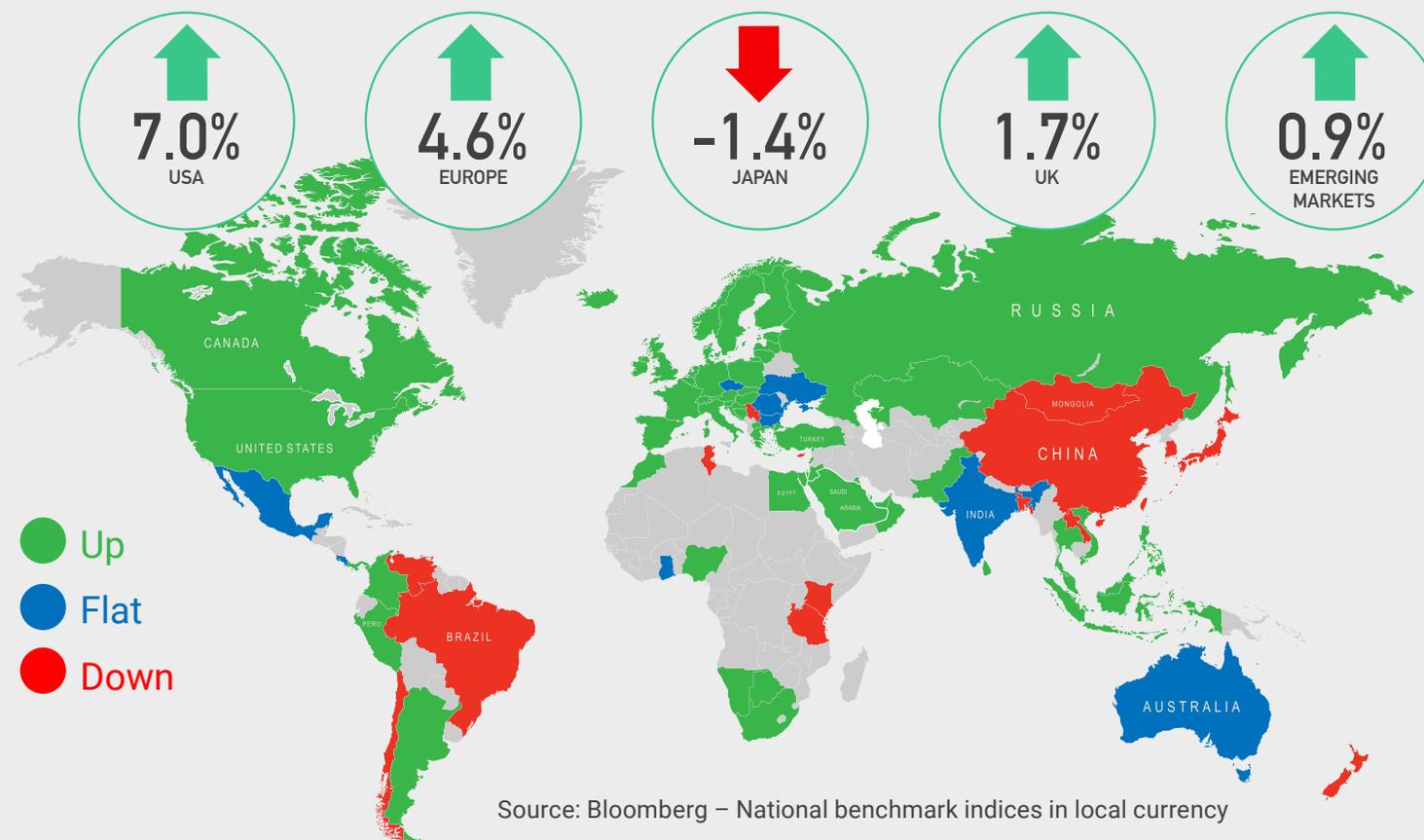
	2016	2017	2018	2019	2020	October 21	Year to Date
UK CASH	0.4%	0.3%	0.6%	0.7%	0.2%	0.0%	0.0%
US DOLLAR	3.6%	-9.9%	4.4%	0.2%	-6.7%	-0.1%	4.4%
UK GILTS	10.1%	1.8%	0.6%	6.9%	8.3%	2.2%	-6.1%
US TREASURIES	1.0%	2.3%	0.9%	6.9%	8.0%	-0.1%	-2.7%
GLOBAL CORPORATE BONDS	3.7%	8.9%	-3.2%	10.7%	10.0%	0.0%	-2.7%
GLOBAL HIGH YIELD BONDS	14.3%	10.4%	-4.1%	12.6%	7.0%	-0.5%	1.1%
US 500	12.0%	21.8%	-4.4%	31.5%	18.4%	7.0%	25.5%
UK ALL SHARE INDEX	12.5%	9.0%	-13.0%	14.2%	-12.5%	1.7%	12.6%
EURO 600 INDEX	-1.2%	7.7%	-13.2%	23.2%	-4.0%	4.6%	20.6%
JAPAN INDEX	-1.9%	19.7%	-17.8%	15.2%	4.8%	-1.4%	12.6%
ASIA EX-JAPAN	6.1%	35.6%	-12.3%	17.9%	22.4%	1.1%	-0.9%
EMERGING MARKETS	8.6%	34.3%	-16.6%	15.4%	15.8%	0.9%	-2.2%
COMMODITIES	32.8%	-3.4%	-8.5%	13.1%	-26.1%	4.1%	44.5%
GOLD	7.7%	12.8%	-2.8%	18.0%	20.9%	1.5%	-7.6%
HEDGE FUNDS	2.5	6.0%	-6.7%	8.6%	6.8%	0.9%	4.7%

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

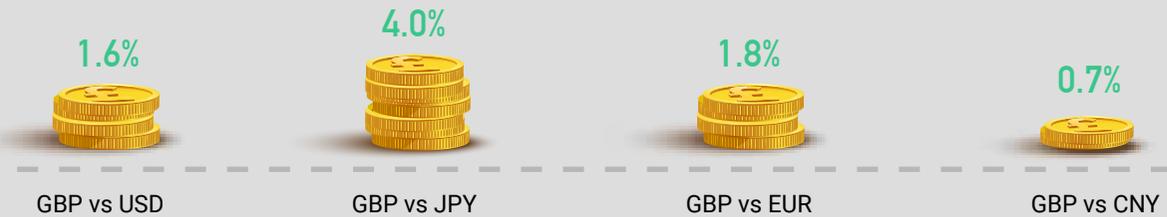


Key Points

- Energy prices continued to rise across the UK and Europe
- China staged a strong recovery, after recent upsets in the market from Evergrande and the government crackdown on education firms
- Strong corporate results for Q3 drove equities higher in both the UK and US, despite underlying economic concerns
- S. Korea and Japan were noticeably weak, despite generally positive returns from the rest of the Asian region
- European markets were supported by the ECB's view that the current inflationary pressures are transitory

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POUND VS OTHER CURRENCIES



Source: Bloomberg

DOLLAR VS OTHER CURRENCIES



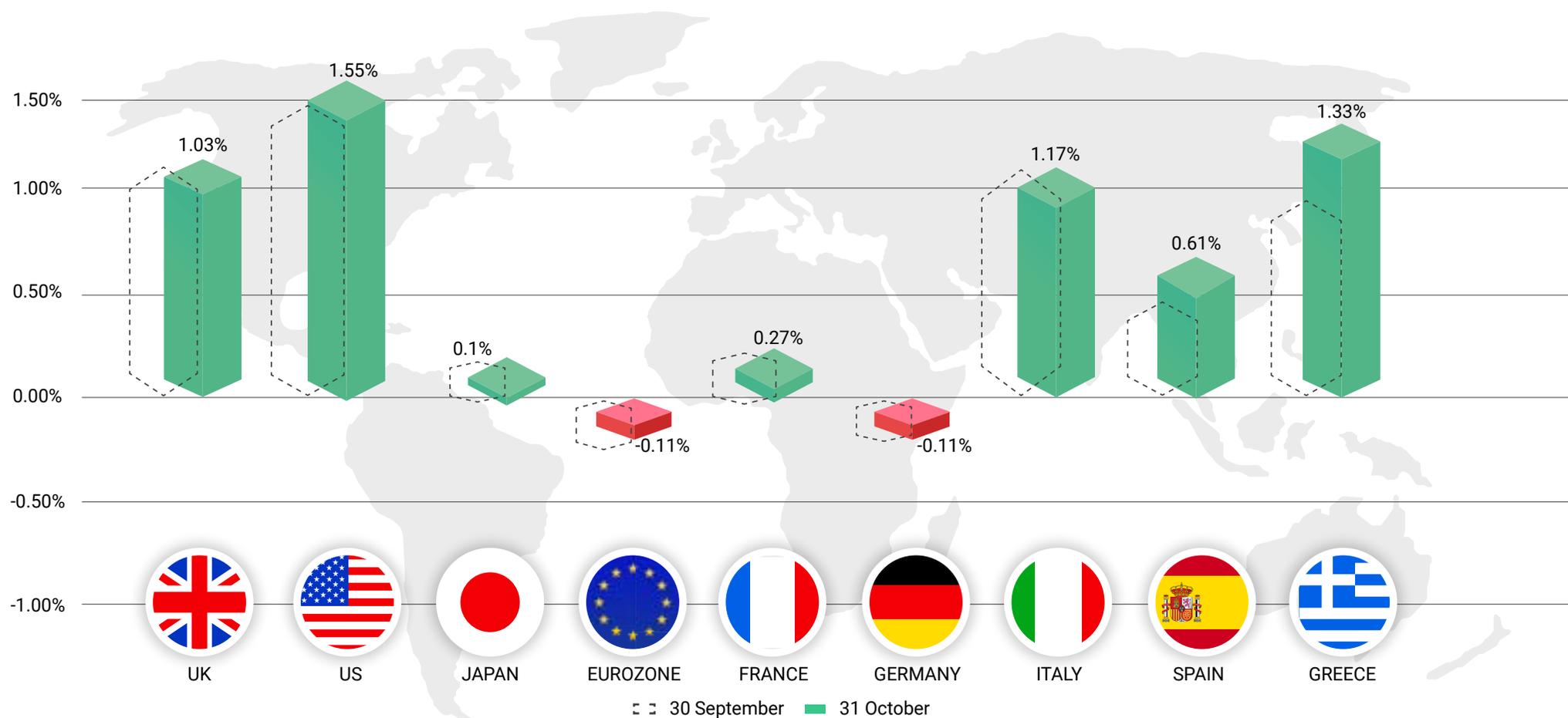
Key Points

- Sterling gained ground against other major currencies
- Fears of an imminent rate rise and lower government borrowing forecasts announced in the budget, helped to push the pound upwards
- The dollar was generally stronger, though it weakened against Sterling
- President Biden's focus on business (as opposed to environmental concerns) was seen as positive for both the currency and the stock market

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Global bonds were generally weaker over the month
- Investment grade corporate bonds were the best performers in the non-sovereign space, recording only a marginal loss
- Gilts rallied strongly after September's large losses, driven by reductions in medium term Govt borrowing
- High yield bonds were the largest negative contributors

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