

Global market commentary

Week 48 – Week ending 26th November 2021



EQUITY	LEVEL VALUE	WTD % CHANGE	BONDS	LEVEL VALUE	WTD REAL ESTATE & COMMODITIES % CHANGE	LEVEL VALUE	WTD % CHANGE				
MSCI World Index	3,131.98	▼	-2.73%	Bloomberg Global Agg USD	533.26	▼	-0.03%	Global Property	6,512.34	▼	-1.77%
S&P 500	4,594.62	▼	-2.20%	Bloomberg Global High Yield USD	1502.69	▼	-1.40%	Gold	1,802.59	▼	-2.34%
MSCI Eur xUK	186.17	▼	-4.79%	Bloomberg Global Credit USD	296.63	▼	-0.16%	Oil	68.15	▼	-10.26%
FTSE 100	7,044.03	▼	-2.49%	JPM EMBI Index USD	962.89	▼	-1.71%	Commodities	539.93	▼	-4.80%

Highlights

- The MSCI World slipped 2.7%.
- Equity markets sold off and volatility spiked as the discovery of a new coronavirus variant – Omicron – weighed on investor risk sentiment.
- Government bond yields continued to trend lower.
- In the US, President Biden renominated Jerome Powell as Chair of the Federal Reserve (Fed).



Market summary

U.S.: The S&P 500 declined 2.2%. The market slid upon reopening after Thursday's Thanksgiving national holiday. The consumer discretionary and industrials sectors were the main laggards this week. In economic data, the composite (56.5) and services (57.0) PMIs edged lower in preliminary November readings. However, the manufacturing figure matched expectations (59.1). Meanwhile, the University of Michigan consumer sentiment measure was revised higher.

Continental Europe: The MSCI Europe ex UK index sold-off on the Omicron variant and domestic lockdown measures. The consumer discretionary and information technology sectors were the worst-performing sectors. Germany's Social Democratic Party (SPD), Green Party and the Free Democratic Party agreed to a coalition deal, with SPD's Olaf Scholz taking the helm as the next chancellor and successor to Angela Merkel. In economic data, the eurozone composite PMI climbed to 55.8 in November from the previous month's six-month low of 54.2, according to a preliminary estimate. The manufacturing (58.6) and services (56.6) PMIs also improved and exceeded market expectations. Meanwhile, the German IFO sentiment measures declined for November.

UK: The FTSE 100 ended 2.5% lower. The market slid 3.6% on Friday – its worst daily performance since June 2020 – in reaction to news of the Omicron variant. Domestically, both the composite (57.7) and services (58.6) PMIs beat expectations but weakened from their prior readings in the preliminary November figures. Manufacturing activity (58.2) improved ahead of consensus.

Japan: Japan's share market fell over the week, with the TOPIX closing the period 2.9% lower amid concerns the discovery of a new coronavirus variant in South Africa could derail the country's recovery. The discovery also caused the yen to rally as investors sought the currency's 'safe haven' characteristics. Partly offsetting this was an upward revision to September's index of leading economic indicators and news that manufacturing and services activity increased in November.

Asia Pacific: Asian share markets fell over the week, with the MSCI Asia Pacific ex Japan Index closing the period down 3.2%. Stocks were impacted largely by news toward the end of the week that the World Health Organisation was monitoring a new COVID-19 variant. Also weighing on sentiment was the prospect of stiffer regulations within China's technology sector and the Bank of Korea's decision to raise interest rates by 0.25% (to 1.00%). Stocks fell in Hong Kong, Taiwan, Indonesia, Thailand, South Korea and China. In Australia, the All Ordinaries Index fell 1.7% amid further weakness across the major banks and news of the latest coronavirus variant.

Emerging Markets (EM): The MSCI Emerging Index fell 3.6%, largely driven by fears of a new Covid-19 variant. In South Africa, swift work by the country's laboratories in analysing genome sequencing, prompted South Africa to alert the world of a new variant of Covid-19. The World Health Organisation designated this a "variant of concern" and named it "Omicron". Initial evidence suggested "an increased risk of reinfection with this variant", spooking investors globally. South Africa's JSE fell 2.5%, largely on the back of travel bans imposed on the country by several nations. In economic news, South Africa's business confidence remained at 43 points for the fourth quarter, whilst the leading business cycle indicator contracted by 2.3% MoM. In China, relations with the US remained edgy as the US blacklisted a dozen Chinese quantum computing companies. This comes as the People's Bank of China decided to keep its 1-year (3.85%) and 5-year (4.65%) interest rates unchanged. In Turkey, President Recep Erdogan praised recent interest rate cuts and declared that the country was waging an "economic war of independence". This resulted into the Turkish lira weakening even further as investors continued to lose faith in the country's economic prospects. Both consumer (71.1) and business (108.4) confidence tumbled in November, whilst central government debt swelled to 2.27 trillion Turkish lira in October. Elsewhere, Mexico's final third quarter GDP rate indicated a contraction of 0.4% QoQ, above estimates of a 0.3% decrease, while retail sales slowed as expected to 5.9% YoY in September. Markets were also concerned about President Andres Manuel Lopez Obrador's nomination of an obscure public sector economist (Victoria Rodríguez Ceja) to position of head of the country's central bank.

Fixed Income: The Bloomberg Global Aggregate index was largely flat over the week. However, this omitted the picture on

Friday, which saw major sovereign bond yields rally on news that South Africa discovered a new variant of Covid-19, which may be more infectious than the "Delta" variant. In the US, President Joe Biden stated that he would renominate Jerome Powell as Fed Chair. This comes as the latest Federal Open Market Committee minutes suggested that policy makers are hoping to accelerate the tapering of the Fed's bond purchases. The benchmark 10-year Treasury yield decreased by eight basis points (bps) to 1.47%. Across the pond, Bank of England (BoE) chief economist Huw Pill stated that conditions for a rate hike were satisfied. He fell short, however, in explaining when exactly the bank would raise its benchmark interest rate. The next BoE Monetary Policy Committee meetings are in December and February. Minutes from the European Central Bank Governing Council meeting indicated that policymakers agreed there were "elevated" risks for inflation and will raise its short-term inflation forecasts in December. The benchmark 10-year gilt declined five bps to 0.83%, whilst the benchmark German 10-year bund remained flat at -0.34%. The Barclays Global Credit index ticked lower by 0.2% and the Barclays Global High Yield index tumbled 1.4%. New corporate issuance was weaker this week, whilst in EM debt, the JPM EMBI index slipped 1.7%. Hong Kong-listed exchange traded funds that invest in Chinese sovereign bonds, attracted large inflows recently, despite the corporate bond market struggling with increasing number of defaults – driven by the Evergrande debt crisis.

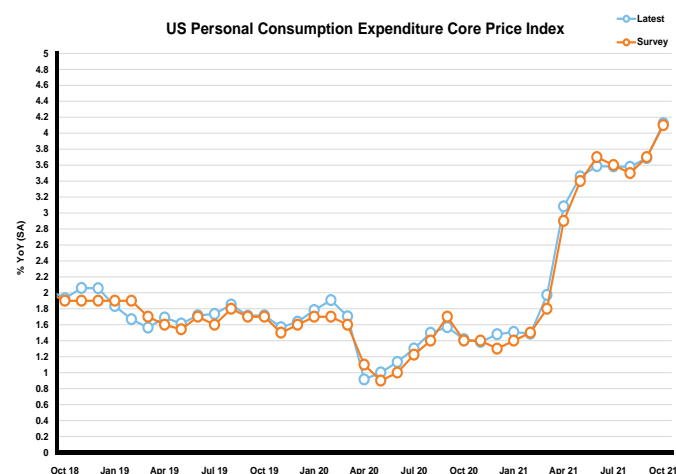
Commodities: Commodities declined 4.8%. Oil prices sank 13.1% on Friday to end the week 10.3% lower – its fifth-successive weekly fall. The new Omicron variant drove the market. Meanwhile, the US planned to release additional oil supplies from strategic reserves to ease market constraints. Copper slid 1.9% while gold declined 2.3%.



Charts of the week

US Core PCE Highest Since 1991

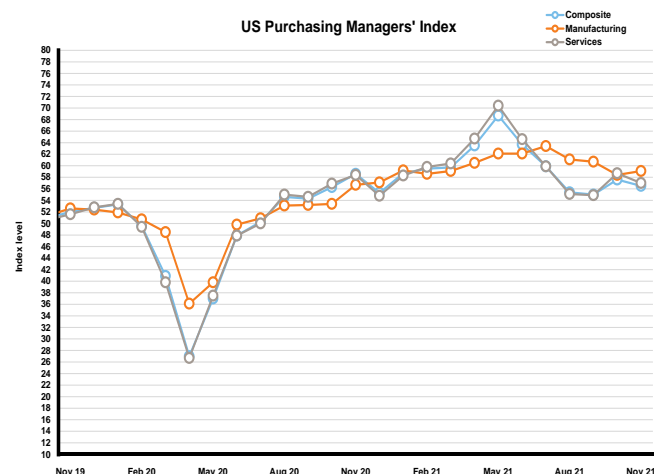
The US core PCE – the Fed's preferred inflation measure – rose at its fastest pace in three decades at 4.1% YoY. September's reading was also upwardly revised. Spending outpaced income growth this month.



Data source: Bloomberg as at 26/11/21

US PMI Data Healthy

US PMI data remained at healthy levels in the preliminary November readings. The manufacturing figure matched expectations (59.1). However, the composite (56.5) and services (57.0) PMIs edged slightly lower.



Data source: Bloomberg as at 26/11/21

Market Data – Base Currencies

EQUITY	Value Fri, 26-Nov-21	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
MSCI World Index	3,131.98	-2.73%	-1.35%	16.43%	20.92%
S&P 500	4,594.62	-2.20%	-0.23%	22.33%	26.59%
Russell 1000	2,566.61	-2.33%	-0.67%	21.02%	25.80%
FTSE 100	7,044.03	-2.49%	-2.67%	9.03%	10.70%
MSCI Europe xUK	186.17	-4.79%	-2.17%	16.57%	18.66%
DAX	15,257.04	-5.59%	-2.75%	11.21%	14.83%
Topix	1,984.98	-2.91%	-0.81%	9.99%	11.63%
MSCI APAC xJP	627.77	-3.20%	-3.04%	-5.19%	-1.02%
Hang Seng Index	24,080.52	-3.87%	-5.11%	-11.57%	-10.21%
MSCI Emerging	1,223.13	-3.63%	-3.29%	-5.28%	-0.52%
Australia All Ordinaries	7,599.87	-1.68%	-0.51%	10.94%	10.97%
S&P/TSX Composite Index	21,125.90	-1.99%	0.42%	21.18%	21.75%
BONDS (10YR, Yield in %)	26-Nov-21	19-Nov-21	31-Oct-21	31-Dec-20	26-Nov-20
US	1.47	1.55	1.55	0.91	0.88
UK	0.83	0.88	1.03	0.20	0.28
Germany	-0.34	-0.34	-0.11	-0.57	-0.59
Japan	0.07	0.08	0.10	0.02	0.03
FIXED INCOME	26-Nov-21	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Bloomberg Global Agg USD	533.26	-0.03%	-0.28%	-4.56%	-3.05%
Bloomberg Global Agg Hedged USD	591.34	0.06%	0.55%	-1.15%	-0.75%
Bloomberg Global High Yield USD	1,502.69	-1.40%	-1.88%	-0.74%	1.92%
Bloomberg Global Credit USD	296.63	-0.16%	0.09%	-0.99%	-0.23%
Bloomberg Global Agg Corporate USD	297.63	-0.27%	-0.78%	-3.18%	-1.53%
Bloomberg US Agg TR USD	2,356.67	0.13%	0.10%	-1.48%	-1.07%
Bloomberg US Corp High Yield USD	2,410.75	-1.17%	-1.19%	3.11%	5.18%
Bloomberg European Agg EUR	270.36	-0.34%	1.10%	-1.82%	-1.77%
Bloomberg European Agg Corp EUR	263.78	-0.64%	0.14%	-0.91%	-0.81%
Bloomberg Pan European High Yield EUR	433.93	-0.92%	-0.48%	3.27%	4.15%
JPM EMBI Index USD	962.89	-1.71%	-1.93%	-3.24%	-1.43%
JPM GBI-EM Index USD	287.94	-1.94%	-3.33%	-10.69%	-7.89%
COMMODITIES	26-Nov-21	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Global Property	6,512.34	-1.77%	-0.66%	21.37%	23.81%
Gold	1,802.59	-2.34%	1.08%	-4.84%	-0.42%
West Texas Intermediate Oil	68.15	-10.26%	-16.67%	43.50%	49.52%
Commodities	539.93	-4.80%	-8.21%	31.86%	39.31%
ECONOMIC & MARKET INDICATORS	26-Nov-21	19-Nov-21	31-Oct-21	31-Dec-20	26-Nov-20
BBA Libor USD 3M	0.18%	0.16%	0.13%	0.24%	0.22%
BBA Libor GBP 3M	0.10%	0.12%	0.23%	0.03%	0.04%
BBA Libor EUR 3M	-0.59%	-0.57%	-0.56%	-0.57%	-0.55%
Fed Policy Rate	0.25%	0.25%	0.25%	0.25%	0.25%
BOE Policy Rate	0.10%	0.10%	0.10%	0.10%	0.10%
ECB Policy Rates	0.00%	0.00%	0.00%	0.00%	0.00%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 26th November 2021. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 26th November 2021. Generic Government Bonds, 10Y yield in % shown. Fixed Income indices in USD, Total Return, and Hedged BBA Libor and policy rates in percent. Currently data shows spot exchange rates. Global Property shows FTSE EPRA/NA REIT Dev TR USD. Gold in \$/Oz. Oil WTI \$. Commodities show S&P GS Commodity Index, USD.

Equity Indices Fundamentals

Index	VALUE		EARNINGS PER SHARE (EPS)		PRICE-TO-EARNINGS (P/E)		RETURN-ON-EQUITY (ROE)	
	26.Nov.21	TRAILING 12M	EXPECTED CURRENT YEAR	LT GROWTH RATE	CURRENT	10Y AVERAGE	CURRENT	10Y AVERAGE
MSCI World	3,131.98	140.75	158.89	12.69%	22.25	18.08	14.58%	11.63%
S&P 500	4,594.62	182.34	209.12	9.97%	25.20	18.13	18.68%	14.08%
Russell 1000	2,566.61	98.28	114.05	10.32%	26.11	18.47	17.65%	13.41%
FTSE 100	7,044.03	416.83	588.31	12.19%	16.90	21.76	12.06%	11.29%
MSCI Europe xUK	186.17	9.87	11.15	29.08%	18.86	18.85	12.01%	9.89%
DAX	15,257.04	1,010.71	1,060.81	-7.54%	15.10	17.00	12.91%	10.15%
Topix	1,984.98	132.39	136.79	-32.22%	14.99	17.72	8.65%	7.26%
MSCI APAC xJP	627.77	37.56	41.49	60.97%	16.71	13.86	11.76%	12.44%
Hang Seng	24,080.52	2,480.67	2,002.58	-18.02%	9.71	11.20	10.58%	13.02%
MSCI Emerging Markets	1,223.13	88.23	94.72	30.20%	13.86	13.12	13.85%	12.43%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 26th November 2021. Returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD). Trailing 12-month Earnings per share (EPS): Market convention index earnings calculated by summing up the equity member EPS contributions for the last 12 months multiplied by the #shares and then divided by the index divisor sum. Expected current year EPS: index general estimated earnings for the current fiscal year based on the best estimates for each member. EPS LT growth rate: The estimated index long term growth rate of EPS is a weighted average of the underlying members estimated long term growth forecasts during the next business cycle, normally 3-5 years, computed by summing all members' growth EPS forecasts multiplied by their respective index weight. and implementation. Price-to-Earnings (P/E): Index estimated P/E Current Year, calculated as Last Price divided by estimated earnings full one year. Return-on-Equity: Index estimated measure for constituents' profitability revealing how much profit a company generates with the money shareholders have invested, in percentage.

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Contact us on [+44 020 7024 600](tel:+4420207024600) or visit russellinvestments.com

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