

Global market commentary

Week 37 – Week ending
10th September 2021



EQUITY	CLOSING LEVEL VALUE	WTD % CHANGE	BONDS	LEVEL VALUE	WTD REAL ESTATE & % CHANGE	COMMODITIES	CLOSING LEVEL VALUE	WTD % CHANGE			
MSCI World Index	3,122.07	▼	-1.32%	Bloomberg Bar Glb Agg USD	545.87	▼	-0.22%	Global Property	6,440.81	▼	-3.08%
S&P 500	4,458.58	▼	-1.69%	Bloomberg Bar Glb High Yield USD	1560.68	▲	0.01%	Gold	1,787.58	▼	-2.20%
MSCI Eur xUK	187.21	▼	-1.11%	Bloomberg Bar Glb Credit USD	299.46	▲	0.02%	Oil	69.72	▲	0.62%
FTSE 100	7,029.20	▼	-1.53%	JPM EMBI Index USD	1004.08	▼	0.00%	Commodities	531.43	▼	-0.08%

Highlights

- The MSCI World declined 1.3% over the week.
- US President Joe Biden's \$3.5 trillion spending plan faced new political hurdles.
- Joe Biden and China's President Xi Jinping spoke for the first time since February to reset positive relations.
- The European Central Bank (ECB) agreed to conduct its pandemic emergency purchase programme (PEPP) at a 'moderately lower pace'.



Market summary

U.S.: The S&P 500 fell 1.3%. Democratic Senator Joe Manchin, whose support is critical in the evenly divided US Senate, stated that he would back merely \$1.5 trillion of President Joe Biden's \$3.5 trillion spending plan. In economic news, core producer prices surged 6.7% YoY in August, the largest advance on record. Meanwhile, the number of Americans filing new claims for unemployment benefits declined to a new pandemic low of 310,000 in the week ending September 4th, beating market forecasts of 335,000.

Continental Europe: The MSCI Europe ex UK index declined 1.1% for the week, as investors waited for the ECB policy decision on Thursday. Stocks recovered slightly on Friday, after the ECB delivered a slightly less hawkish message. Third estimates for second quarter euro area GDP growth confirmed an upwardly revised 2.2% QoQ expansion, following two consecutive quarters of contraction. The euro area employment figure also rose by 0.7% QoQ in the second quarter, beating estimates for a rise of 0.5% and the previous period's print of -0.2%.

UK: The FTSE 100 declined 1.5%. Economic activity rose by 0.1% MoM in July, far lower than the expected expansion of 0.6%. This slowdown has been attributed to lower consumer

spending and a contraction in the construction industry owing to a shortage in raw materials. UK's construction output fell to 8.6% YoY in July, whilst industrial production moderated to 3.8% YoY, from the previous rate of 8.3%. In other news, the UK government also extended Northern Ireland's "grace period" for a third time, which involves post-Brexit trading relations with the EU.

Japan: Japan's share market extended its gains to a third week, with the TOPIX rising a further 3.8% and hitting new highs in the process. Much of the gains continued to be driven by hopes of additional stimulus and improved pandemic management by Prime Minister Yoshihide Suga's successor. Stocks also benefited from news the country's economy expanded by a better-than-expected 0.5% in the three months to 30 June. The outcome, which follows a revised 1.1% decline in the first quarter, beat analysts' expectations of 0.4% growth. For the year, the economy grew 1.9%. Limiting the gains was the government's decision to extend the current states of emergency in Tokyo and other major areas until 30 September.

Asia Pacific: Asian share markets fell over the week, with the MSCI Asia Pacific ex Japan Index closing the period down 0.5%. Contributing to the decline were concerns the rapid spread of coronavirus globally could yet stifle the recovery, the prospect of reduced central bank stimulus and confusion surrounding Beijing's crackdown on the country's gaming sector. Share markets rose in Hong Kong but fell in South

Korea, Thailand, Indonesia and Taiwan. In Australia, the All Ordinaries Index fell 1.6% after the country's central bank said it will move forward with plans to reduce its bond purchases despite the ongoing spread of coronavirus in the key states of New South Wales and Victoria. The market was also impacted by heightened tensions between Canberra and Beijing and weakness across the major miners.

Emerging Markets (EM): The MSCI Emerging Index fell 0.5%. US president Joe Biden spoke to his Chinese counterpart, Xi Jinping, for the first time since February, in order to restore relations. The two leaders had a "broad, strategic discussion" after unproductive talks between lower-level officials. In economic news, Chinese exports surged 25.6% YoY in August, the 14th straight month of growth in outbound shipments. Imports also ticked upwards by 33.1% over the same period. Meanwhile, China's State Bureau of Grain and Material Reserves announced that it will sell oil from its state petroleum reserves for the first time, in order to lower oil prices after the Organization of the Petroleum Exporting Countries (OPEC) refused to increase output faster. In South Africa, the second quarter GDP growth rate expanded by 1.2% QoQ, compared with market expectations of a 0.7% growth. Consumer confidence improved slightly to -10 in the third quarter this year, whilst manufacturing production declined -4.1% YoY in July. In Russia, the country's central bank decided to increase its interest rate to 6.75% (estimate 7.0%), however this was slightly less than markets had anticipated. The move came as the latest inflation rate ticked higher to 6.7% YoY in August. Russia's final second quarter GDP growth rate confirmed a better-than-expected expansion of 10.5% YoY, the strongest growth since the third quarter of 2000. Indian stocks surged recently, as investors returned to the country, after the Delta-variant of Covid-19 put India's health care system under intense stress earlier in the year. India's industrial production fell to 11.5% YoY in July, moderately beating market expectations of 10.7%. The latest

manufacturing production rate meanwhile, declined to 10.5% YoY. Elsewhere, Turkey's unemployment rate increased to 12.0% in July, whilst Mexico's latest inflation rate ticked lower to 5.59% YoY in August.

Fixed Income: The Bloomberg Barclays Global Aggregate index declined 0.2%. In the US, the Treasury successfully extended its debt supply across 3-, 10- and 30-years. The 10-year Treasury yield increased by two basis points (bps) to 1.34%. Across the pond, Bank of England (BoE) governor Andrew Bailey stated to the Treasury select committee, that the UK's economic recovery was "levelling off". This is one the back of supply chain disruptions and staff shortages. Meanwhile, the ECB decided to keep its interest rate unchanged on Thursday, but also added that it would move to "a moderately lower pace" in its €1.85 trillion PEPP initiative. This differs from the more hawkish rhetoric from the Federal Reserve and the BoE, with ECB president Christine Lagarde confirming that "the lady isn't tapering". In other news, in an effort to become the world's largest issuer of environmentally friendly debt, the European Commission will issue Covid green bonds (circa €250 billion in total) as part of the pandemic recovery effort. The UK 10-year gilt yield rose by four bps to 0.76% and the German 10-year bund yield increased three bps to -0.33%. Both the Barclays Global Credit and the Barclays Global High Yield indices were flat over the period. Meanwhile, new corporate issuance picked up this week and in emerging market debt, the JPM EMBI index was also flat.

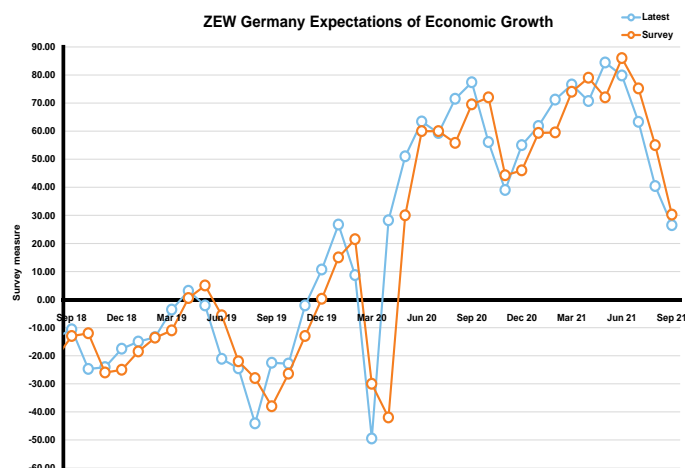
Commodities: Commodities declined 0.1% for the week. Oil prices rose 0.6%, as US stockpiles continued to drop, albeit slightly less than expected. After last week's news that OPEC and its oil-producing allies agreed to raise output only gradually, China decided to sell some of its own oil stockpiles to add downward pressure on prices. Copper rose 2.8%, whilst gold lost some of its shine with a decline of 2.2% this week.



Charts of the week

German Growth Expectations Continue to Weaken

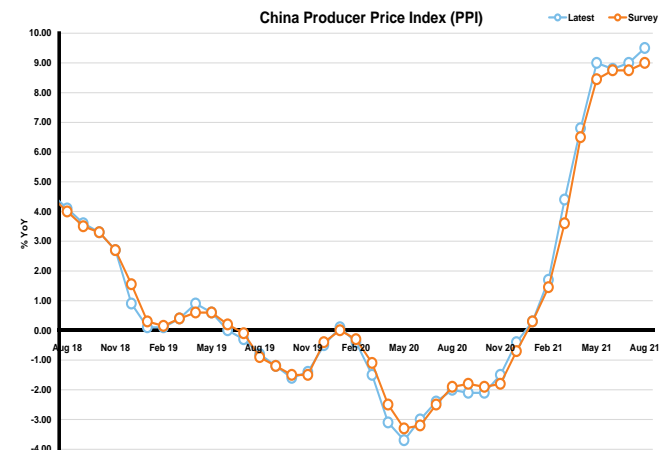
The ZEW measure of German economic growth expectations weakened for a fourth successive month. September's 26.5 reading was below expectations and the weakest since March 2020. Global supply concerns and higher coronavirus infections weighed on sentiment



Data source: Bloomberg as at 10/09/21

China Factory-gate Inflation Surges Higher

The China Producer Price Index hit its highest in 13 years with a 9.5% YoY increase in August. This was ahead of 9.0% expectations as increased commodity prices pushed the measure higher. In contrast, consumer price inflation softened over the same period.



Data source: Bloomberg as at 10/09/21

Market Data – Base Currencies

EQUITY	Value	WTD	MTD	YTD	12M
	Fri, 10-Sep-21	% CHANGE	% CHANGE	% CHANGE	% CHANGE
MSCI World Index	3,122.07	-1.32%	-0.61%	16.06%	31.86%
S&P 500	4,458.58	-1.69%	-1.42%	18.70%	33.52%
Russell 1000	2,502.26	-1.77%	-1.38%	17.98%	35.12%
FTSE 100	7,029.20	-1.53%	-1.27%	8.80%	17.09%
MSCI Europe xUK	187.21	-1.11%	-0.95%	17.22%	26.51%
DAX	15,609.81	-1.09%	-1.42%	13.78%	18.18%
Topix	2,091.65	3.78%	6.68%	15.90%	28.73%
MSCI APAC xJP	667.43	-0.52%	0.32%	0.80%	19.52%
Hang Seng Index	26,205.91	1.17%	1.26%	-3.76%	7.78%
MSCI Emerging	1,308.94	-0.53%	0.02%	1.37%	20.61%
Australia All Ordinaries	7,706.20	-1.54%	-1.50%	12.49%	26.54%
S&P/TSX Composite Index	20,633.06	-0.90%	0.24%	18.35%	27.48%
BONDS (10YR, Yield in %)	10-Sep-21	3-Sep-21	31-Aug-21	31-Dec-20	10-Sep-20
US	1.34	1.32	1.31	0.91	0.68
UK	0.76	0.72	0.71	0.20	0.23
Germany	-0.33	-0.36	-0.38	-0.57	-0.43
Japan	0.05	0.04	0.03	0.02	0.03
FIXED INCOME	10-Sep-21	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Bloomberg Barclays Glb Agg USD	545.87	-0.22%	0.03%	-2.30%	0.81%
Bloomberg Barclays Glb Agg Hedged USD	594.64	-0.06%	-0.11%	-0.60%	0.45%
Bloomberg Barclays Glb High Yield USD	1,560.68	0.01%	0.24%	3.09%	9.05%
Bloomberg Barclays Glb Credit USD	299.46	0.02%	-0.04%	-0.05%	2.25%
Bloomberg Barclays Glb Agg Corporate USD	304.76	-0.11%	0.07%	-0.86%	2.83%
Bloomberg Barclays US Agg TR USD	2,374.34	0.02%	-0.05%	-0.74%	-0.21%
Bloomberg Barclays US Corp High Yield USD	2,451.56	0.11%	0.30%	4.85%	10.75%
Bloomberg Barclays European Agg EUR	271.49	-0.08%	-0.18%	-1.41%	0.58%
Bloomberg Barclays European Agg Corp EUR	266.64	-0.11%	-0.17%	0.16%	2.34%
Bloomberg Barclays Pan European High Yield EUR	439.33	0.12%	0.23%	4.56%	9.22%
JPM EMBI Index USD	1,004.08	-0.00%	0.17%	0.90%	4.20%
JPM GBI-EM Index USD	311.18	-0.52%	-0.45%	-3.49%	3.58%
COMMODITIES	10-Sep-21	WTD % CHANGE	MTD % CHANGE	YTD % CHANGE	12M % CHANGE
Global Property	6,440.81	-3.08%	-1.80%	20.04%	33.39%
Gold	1,787.58	-2.20%	-1.44%	-5.84%	-8.15%
West Texas Intermediate Oil	69.72	0.62%	1.78%	45.22%	67.27%
Commodities	531.43	-0.08%	0.77%	29.79%	56.41%
ECONOMIC & MARKET INDICATORS	10-Sep-21	3-Sep-21	31-Aug-21	31-Dec-20	10-Sep-20
BBA Libor USD 3M	0.12%	0.12%	0.12%	0.24%	0.25%
BBA Libor GBP 3M	0.06%	0.06%	0.07%	0.03%	0.06%
BBA Libor EUR 3M	-0.57%	-0.56%	-0.56%	-0.57%	-0.51%
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 10th September 2021. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 10th September 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)	
	10.Sep.21	TRAILING 12M	EXPECTED CURRENT YEAR	LT GROWTH RATE	CURRENT	10Y AVERAGE	CURRENT	10Y AVERAGE
MSCI World	3,122.07	128.58	155.65	10.37%	24.28	18.08	13.57%	11.63%
S&P 500	4,458.58	166.97	203.00	12.06%	26.70	18.13	17.20%	14.08%
Russell 1000	2,502.26	89.91	110.71	12.24%	27.83	18.47	16.24%	13.41%
FTSE 100	7,029.20	377.83	564.22	13.46%	18.60	21.76	11.42%	11.29%
MSCI Europe xUK	187.21	8.84	10.60	5.69%	21.18	18.85	11.26%	9.89%
DAX	15,609.81	873.61	1,081.39	6.72%	17.87	17.00	11.06%	10.15%
Topix	2,091.65	122.64	135.30	17.05%	17.06	17.72	8.13%	7.26%
MSCI APAC xJP	667.43	34.92	42.22	7.67%	19.11	13.86	11.37%	12.44%
Hang Seng	26,205.91	2,424.90	1,999.77	9.12%	10.81	11.20	11.18%	13.02%
MSCI Emerging Markets	1,308.94	80.06	95.97	8.37%	16.35	13.12	12.87%	12.43%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 10th September 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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MCI-02275-2020-12-23/January 2022