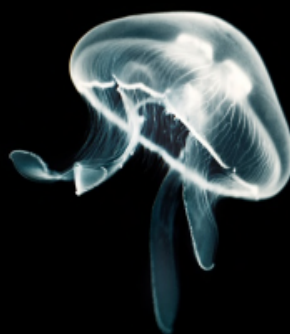


# Global market commentary

Week 43 – Week ending 23<sup>rd</sup> October 2020



EQUITY	LEVEL VALUE	WTD % CHANGE	BONDS	LEVEL VALUE	WTD % CHANGE	REAL ESTATE & COMMODITIES	LEVEL VALUE	WTD % CHANGE			
MSCI World Index	2,430.54	▼	-0.39%	Bar Glb Agg USD	543.80	▲	0.07%	Global Property	4,811.01	▲	0.64%
S&P 500	3,465.39	▼	-0.53%	Bar Glb High Yield USD	1424.45	▲	0.18%	Gold	1,902.05	▲	0.15%
MSCI Eur xUK	145.83	▼	-1.40%	Bar Glb Credit USD	293.11	▼	-0.38%	Oil	39.85	▼	-3.09%
FTSE 100	5,860.28	▼	-1.00%	JPM EMBI Index USD	945.14	▼	-1.07%	Commodities	358.77	▼	-1.06%

## Highlights

- The MSCI World index edged 0.4% lower despite a positive end to the week.
- Equity markets broadly decreased amid rising coronavirus cases and elevated volatility ahead of the US Presidential election on November 3<sup>rd</sup>.
- In contrast to last week's rhetoric, the UK agreed to an intensification of Brexit trade deal negotiations with the European Union.
- China economic data remained healthy.



## Market summary

**U.S.:** The S&P 500 ended its three-week run of weekly gains with a 0.5% decline. Fiscal stimulus negotiations remained unsuccessful. The corporate earnings season continued, with the majority of stocks beating sales and earnings estimates. Preliminary PMI readings for October showed improvement in the composite and services measures (to 55.5 and 56.0 respectively). Meanwhile, the manufacturing figure edged 0.1 higher to 53.3. Initial jobless claims beat expectations by unexpectedly falling to 787k in the week ending October 17<sup>th</sup>, with the previous week's figure revised down from a two-month high. Existing home sales also beat consensus estimates, jumping to a 14-year high at 6.54 million for September.

**Continental Europe:** The MSCI Europe ex UK index decreased 1.4%. The financials sector was the sole climber amid positive corporate earnings reports. Economic data revealed the eurozone composite PMI slipped into contractionary territory as expected in the preliminary October reading, down to a four-month low of 49.4. The services measure also weakened to 46.2. In Germany, the manufacturing PMI improved to its strongest level since April 2018 at 58.0.

**UK:** The FTSE 100 slipped 1.0% in a strong week for sterling. Domestically, Chancellor Rishi Sunak enhanced a multi-billion package to support businesses hit by the latest coronavirus restrictions. Data revealed all three PMI measures declined in preliminary October readings, with the composite and services measures missing expectations. Inflation increased to 0.5% YoY in September.

**Japan:** Japan's share market made reasonable gains over the week, with the TOPIX closing the period up 0.5%. Stocks benefited from news inflation fell at a slightly slower pace than expected in September and a late rise in US stocks. Limiting the gains were ongoing concerns over the spread of coronavirus in Europe and the US and news exports fell in September. A stronger yen also weighed on sentiment.

**Asia Pacific:** Asian share markets made good gains for the week, with the MSCI Asia Pacific ex Japan Index returning 0.8%. Contributing to the rise was news China's post-coronavirus recovery is continuing. Share markets rose in Hong Kong, Taiwan, South Korea and Indonesia but fell in Thailand and China; the latter ultimately succumbing to some late profit taking following three consecutive weeks of gains. In Australia, the All Ordinaries Index fell 0.2% amid disappointing retail trade data and mixed performances across the major miners.

**Emerging Markets (EM):** The MSCI Emerging Index increased 1.1%. In China, the positive third quarter GDP growth rate was powered by strong industrial activity. China may be the only major economy that will record positive growth for the full year, as the country continues to recover faster than other economies from the Covid-19 pandemic. Industrial production rose by 6.9% YoY in September – the most since December 2019 – and the unemployment rate ticked lower to 5.4% from 5.6%. In other news, Jack Ma's Ant Group received its final approval for potentially the world's largest ever initial public offering worth \$30 billion. The company's shares will be split evenly between the main bourses in Hong Kong and Shanghai. In Turkey, the country's central bank refused calls to raise interest rates and kept them held at 10.25%. This sent the country's currency, the lira, to fresh record-lows. Elsewhere, Russia's central bank also kept rates held at 4.25% as widely expected. This comes as the GDP rate for September contracted less than expected at -3.3% YoY, but the unemployment rate ticked lower to 6.3% from the previous 6.4%. Meanwhile, Russian gold miner Polyus claimed that its undeveloped Siberian Sukhoi Log mine, has the world's largest reserves of gold. In Mexico, the unemployment rate unexpectedly fell to 5.1% in September from 5.2%. Nevertheless, the jobless rate remains one of the highest since 2014, as the coronavirus pandemic hit the labour market. Retail sales fell 10.8% YoY in August, marking the sixth consecutive decline in retail trade.

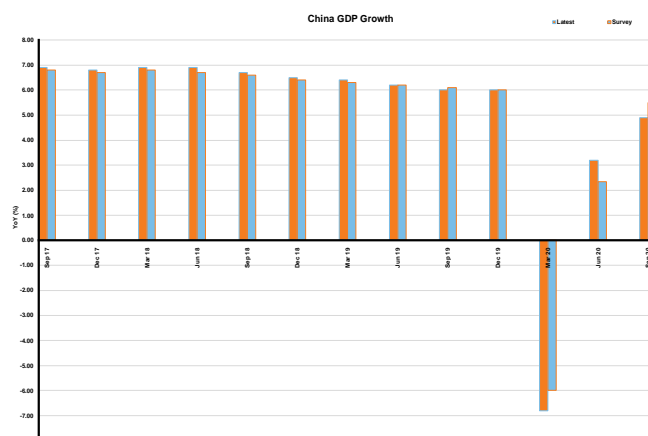
**Fixed Income:** The Bloomberg Barclays Global Aggregate index edged up 0.1%. In the US, the Treasury successfully extended its longer-dated debt supply across 5- and 20-years.



## Charts of the week

### China Continues Coronavirus Recovery

China's GDP growth rate improved to 4.9% YoY in the third quarter. While this was below expectations, this was the second-successive quarter of positive growth since the sharp first quarter contraction. Stronger industrial production drove the figure higher.



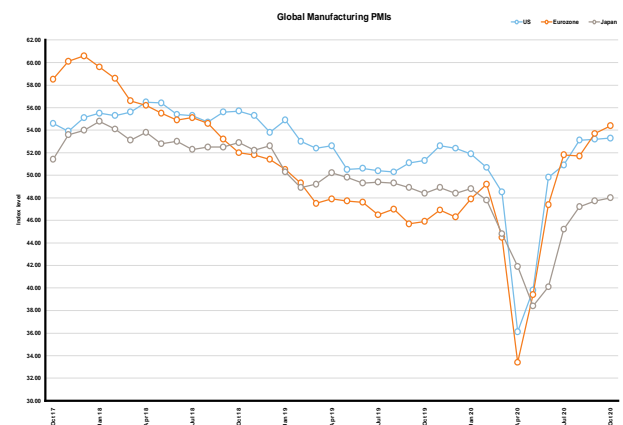
Data source: Bloomberg as at 23/10/20

Meanwhile, continued speculation over further US fiscal stimulus led the benchmark 10-year Treasury yield to trend upwards by nine basis points (bps) to 0.84%. Across the pond, the EU sold its first tranche of debt as part of the €100 billion SURE programme. This programme is designed to help member states protect and support jobs in their respective countries. The first tranche attracted more than €233 billion worth of bids - far exceeding the €17 billion of bonds on offer. Investors were drawn to the bonds' high yields, which came with 10-year and 20-year maturities. Additionally, Italy also secured strong demand for its 30-year bond, which generated a yield of 1.76% - the second lowest ever for 30-year Italian bonds. The benchmark UK 10-year gilt yield increased by 10 bps to 0.28%, whilst the benchmark German 10-year bund yield decreased by five bps to -0.57%. The Barclays Global Credit index declined 0.4%, whilst the Barclays Global High Yield index rose 0.2%. New corporate issuance was strong this week, with one notable deal coming from Bank of America which brought \$8.5 billion to the markets. In other corporate news, in order to secure \$3.0 billion worth of loans, United Airlines pledged 352 aircraft, 99 engines and a host of spare parts to investors to secure the borrowing. In EM debt, the JPM EMBI index fell 1.1%.

**Commodities:** Commodities declined in a week where oil slipped 3.1%. The oil price fell back below \$40 per barrel on concerns of weaker demand amid a "second wave" of coronavirus cases. Meanwhile, copper finished the week 1.9% higher, having ended Wednesday at a 28-month high (\$6,991.50 per tonne). Gold increased 0.2%.

### Global Manufacturing Activity Improves

Manufacturing PMIs improved in preliminary October readings. The US and eurozone measures strengthened to the highest since January 2019 and August 2018 respectively. In Japan, the measure strengthened but remained in contractionary territory.



Data source: Bloomberg as at 23/10/20

## Market Data – Base Currencies

<b>EQUITY</b>	<b>Value</b> Fri, 23-Oct-20	<b>WTD</b> % CHANGE	<b>MTD</b> % CHANGE	<b>YTD</b> % CHANGE	<b>12M</b> % CHANGE
MSCI World Index	2,430.54	-0.39%	2.67%	3.06%	10.06%
S&P 500	3,465.39	-0.53%	3.04%	7.26%	15.34%
Russell 1000	1,936.27	-0.55%	3.39%	8.52%	16.80%
FTSE 100	5,860.28	-1.00%	-0.10%	-22.30%	-19.29%
MSCI Europe xUK	145.83	-1.40%	0.68%	-8.75%	-4.37%
DAX	12,645.75	-2.04%	-0.90%	-4.55%	-1.19%
Topix	1,625.32	0.47%	-0.01%	-5.58%	-0.78%
MSCI APAC xJP	585.03	0.77%	4.99%	5.85%	13.82%
Hang Seng Index	24,918.78	2.18%	6.22%	-11.60%	-6.20%
MSCI Emerging	1,136.45	1.10%	5.03%	1.95%	10.23%
Australia All Ordinaries	6,373.74	-0.18%	6.06%	-6.30%	-5.97%
S&P/TSX Composite Index	16,304.08	-0.82%	1.13%	-4.45%	-0.19%
<b>BONDS (10YR, Yield in %)</b>	<b>23-Oct-20</b>	<b>16-Oct-20</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>23-Oct-19</b>
US	0.84	0.75	0.68	1.92	1.76
UK	0.28	0.18	0.23	0.82	0.69
Germany	-0.57	-0.62	-0.52	-0.19	-0.39
Japan	0.04	0.02	0.02	-0.01	-0.14
<b>FIXED INCOME</b>	<b>23-Oct-20</b>	<b>WTD</b> % CHANGE	<b>MTD</b> % CHANGE	<b>YTD</b> % CHANGE	<b>12M</b> % CHANGE
Barclays Glb Agg USD	543.80	0.07%	0.53%	6.28%	6.58%
Barclays Glb Agg Hedged USD	592.56	-0.36%	-0.07%	4.58%	4.54%
Barclays Glb High Yield USD	1,424.45	0.18%	1.29%	0.70%	3.43%
Barclays Glb Credit USD	293.11	-0.38%	0.24%	5.44%	6.20%
Barclays Glb Agg Corporate USD	296.52	-0.07%	0.58%	6.46%	7.73%
Barclays US Agg TR USD	2,366.46	-0.42%	-0.41%	6.36%	6.72%
Barclays US Corp High Yield USD	2,231.00	0.16%	1.58%	2.21%	4.51%
Barclays European Agg EUR	273.26	-0.45%	0.49%	3.25%	1.89%
Barclays European Agg Corp EUR	263.12	-0.08%	0.80%	1.58%	1.45%
Barclays Pan European High Yield EUR	403.73	0.29%	1.21%	-2.22%	-0.18%
JPM EMBI Index USD	945.14	-1.07%	0.48%	-0.03%	1.63%
JPM GBI-EM Index USD	299.76	0.88%	1.92%	-4.52%	-2.32%
<b>COMMODITIES</b>	<b>23-Oct-20</b>	<b>WTD</b> % CHANGE	<b>MTD</b> % CHANGE	<b>YTD</b> % CHANGE	<b>12M</b> % CHANGE
Global Property	4,811.01	0.64%	1.76%	-17.67%	-18.21%
Gold	1,902.05	0.15%	0.86%	25.36%	27.47%
West Texas Intermediate Oil	39.85	-3.09%	-1.53%	-29.39%	-24.53%
Commodities	358.77	-1.06%	2.45%	-17.76%	-13.08%
<b>ECONOMIC &amp; MARKET INDICATORS</b>	<b>23-Oct-20</b>	<b>16-Oct-20</b>	<b>30-Sep-20</b>	<b>31-Dec-19</b>	<b>23-Oct-19</b>
BBA Libor USD 3M	0.22%	0.22%	0.23%	1.91%	1.94%
BBA Libor GBP 3M	0.05%	0.05%	0.06%	0.79%	0.80%
BBA Libor EUR 3M	-0.53%	-0.54%	-0.52%	-0.41%	-0.43%
Fed Policy Rate	0.25%	0.25%	0.25%	1.75%	2.00%
BOE Policy Rate	0.10%	0.10%	0.10%	0.75%	0.75%
ECB Policy Rates	0.00%	0.00%	0.00%	0.00%	0.00%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 23<sup>rd</sup> October 2020. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 23<sup>rd</sup> October 2020. 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)	
	23.Oct.20	TRAILING 12M	EXPECTED CURRENT YEAR	LT GROWTH RATE	CURRENT	10Y AVERAGE	CURRENT	10Y AVERAGE
MSCI World	2,430.54	83.31	101.28	7.28%	29.17	16.68	8.14%	12.46%
S&P 500	3,465.39	129.02	135.91	8.85%	26.86	16.57	11.41%	13.92%
Russell 1000	1,936.27	68.00	72.06	7.90%	28.48	16.88	10.22%	13.44%
FTSE 100	5,860.28	59.22	307.00	7.88%	98.97	16.25	1.45%	14.18%
MSCI Europe xUK	145.83	4.38	6.56	8.01%	33.28	16.41	6.06%	12.09%
DAX	12,645.75	328.68	667.42	7.29%	38.47	16.17	5.49%	11.11%
Topix	1,625.32	62.53	76.18	5.90%	25.99	18.23	4.74%	6.52%
MSCI APAC xJP	585.03	25.42	31.44	-68.73%	23.01	14.09	8.30%	14.20%
Hang Seng	24,918.78	1,868.91	1,905.73	-9.01%	13.33	12.31	8.22%	15.30%
MSCI Emerging Markets	1,136.45	54.19	62.71	-56.31%	20.97	12.94	8.99%	14.90%

Notes: Unless otherwise stated, data sourced from Bloomberg as of 23<sup>rd</sup> October 2020. 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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