



UK & Global Markets Updates

UK assets have reacted calmly to Mr Johnson's resignation, deteriorating global economic backdrop remains key focus

GBP vs. USD, Year-To-Date, as at 7th July



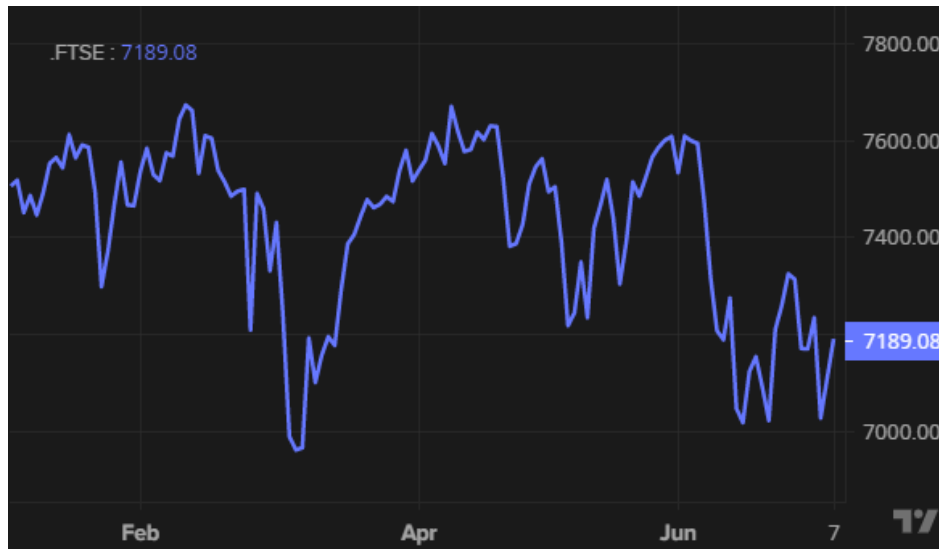
EUR vs. GBP, Year-To-Date, as at 7th July



- ✓ **Sterling held on to its gains on Thursday** after Mr Boris Johnson said he was resigning as prime minister following a rush of ministerial resignations and calls for him to step down. Mr Johnson's departure was seen as almost a certainty and largely priced in by markets.
- ✓ UK assets have largely reacted calmly to Mr Johnson's decision this week, with the deteriorating global economic backdrop viewed as far more important even if some immediate political uncertainty has been removed.
- ✓ Against the USD, the pound traded at \$1.1993 by 1500 GMT, up around 0.6% on the day but below the high of \$1.2024 hit before Mr Johnson announced his resignation. The pound had hit \$1.1877 on Wednesday, its lowest since March 2020.
- ✓ Against the euro, sterling extended an earlier rise after the announcement to reach 84.75 pence, up 0.7% on the day and its highest since May 23.

UK stocks were higher, mirroring gains in global equities. Shorter-dated bond yields rose in line with increases in euro zone and US debt yields

FTSE 100 Index, Year-To-Date, as at 7th July



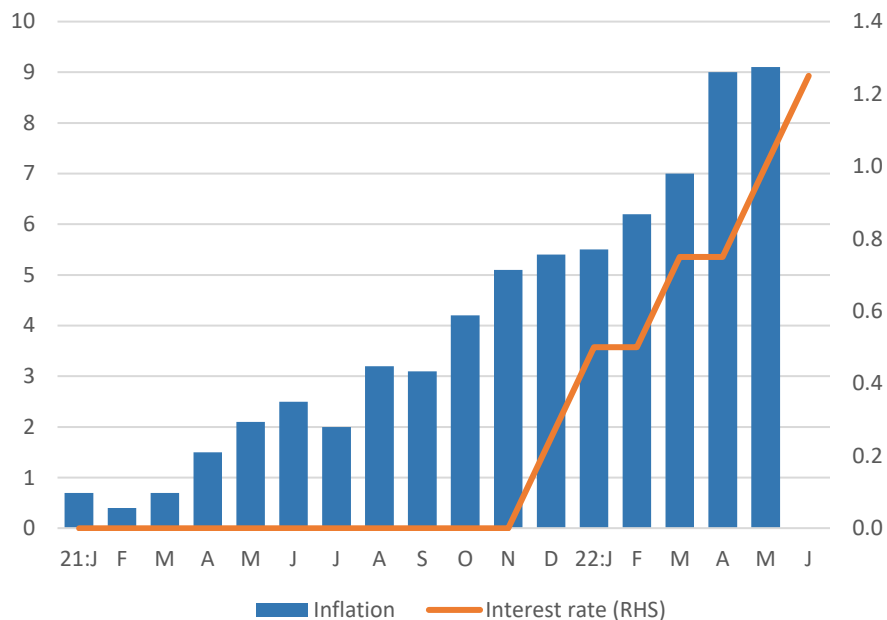
UK 2-Yr vs. 10-Yr Government Bond Yield, Year-To-Date, as at 7th July



- ✓ **UK stocks were higher, in line with gains internationally. British government bond yields rose, particularly shorter-dated yields, corresponding with increases in euro zone and US debt yields.**
- ✓ Market players view that Mr Johnson's departure could lead to increased public spending as a new leader and team try to shore up support with populist measures. That may provide a short-term boost to UK assets but could fuel inflationary pressures, with Britain's economy feeling the pressure of decades-high inflation more than many other countries.
- ✓ Mr Johnson's Conservative Party now has to elect a new leader, a process which could take weeks or months, with details to be announced next week.
- ✓ The pound was also helped by comments from Bank of England member of policymakers on Thursday that central banks should raise interest rates faster to tackle inflation.

UK's inflation and interest rates are expected to increase further, economic growth and employment are projected to slow

UK's Inflation vs. Key Interest Rate, %



UK's 2-Year Gilt Yield, 1-Year Trend, as at 7th July



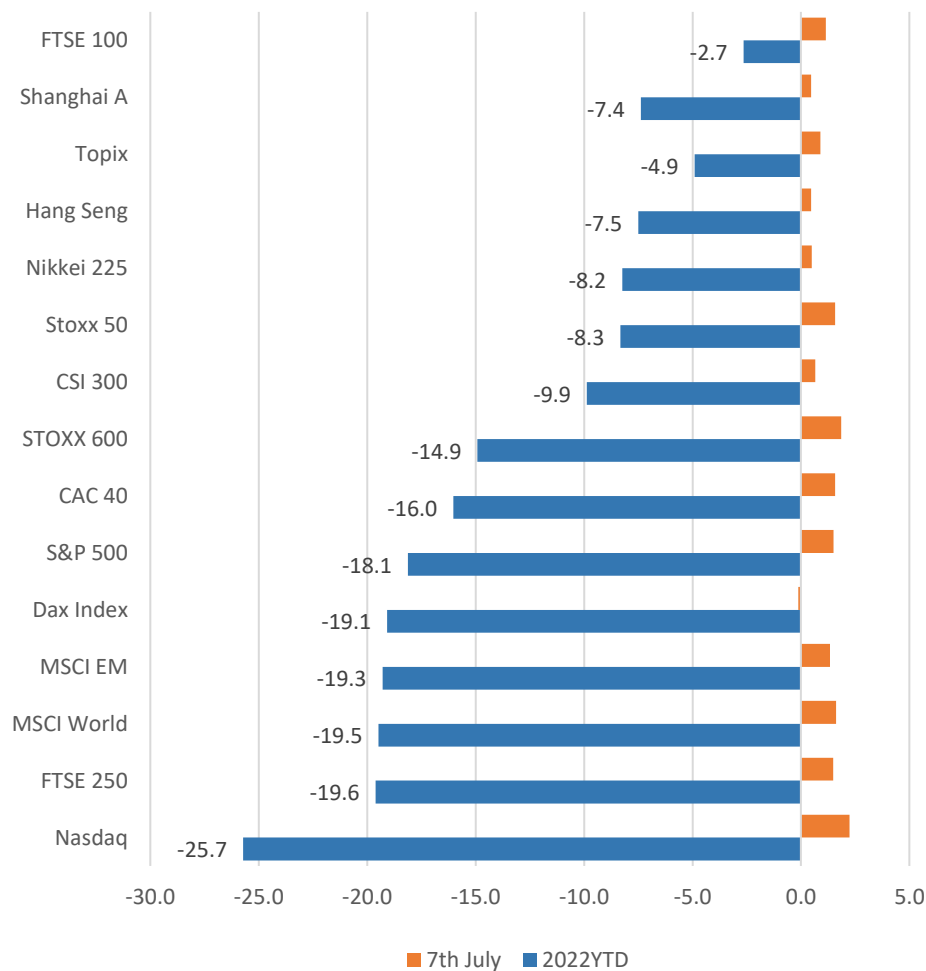
UK's 10-Year Gilt Yield, 1-Year Trend, as at 7th July



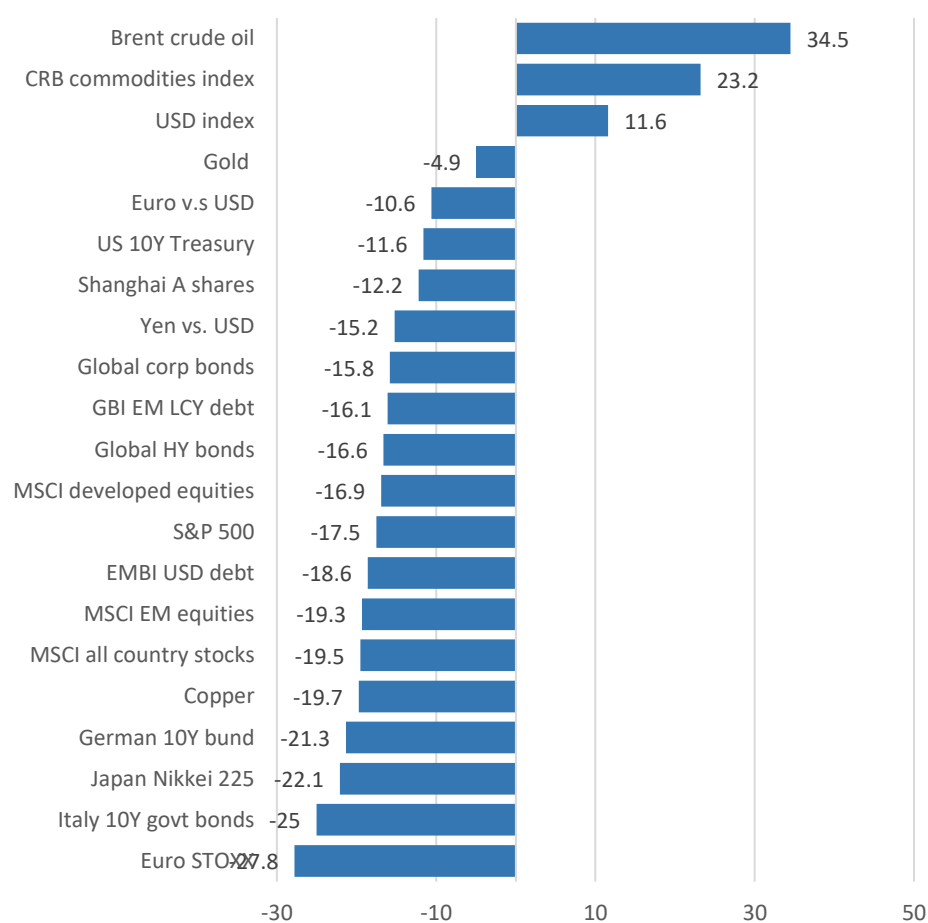
- ✓ The Bank of England raised its key interest rate for a fifth time by 25bps to 1.25% on 15th June, the highest level in 13 years and places the BOE at the forefront of a global move to tighten monetary policy.
- ✓ **Inflation stood at a record high of 9.1% YoY in June, is expected to peak slightly above 10% in 4Q22.** Global inflation pressures are expected to remain elevated and as a net energy importer, **UK's economic growth and employment are expected to slow** (consumer confidence was already falling due to squeeze on household incomes).
- ✓ **The BOE stated in June it was ready to “if necessary act forcefully” to tackle inflation** that is expected to exceed 11% expected by October.

Global Equities and selected global assets year-to-date performance

Global Equities Performance, % change, as at 7th July

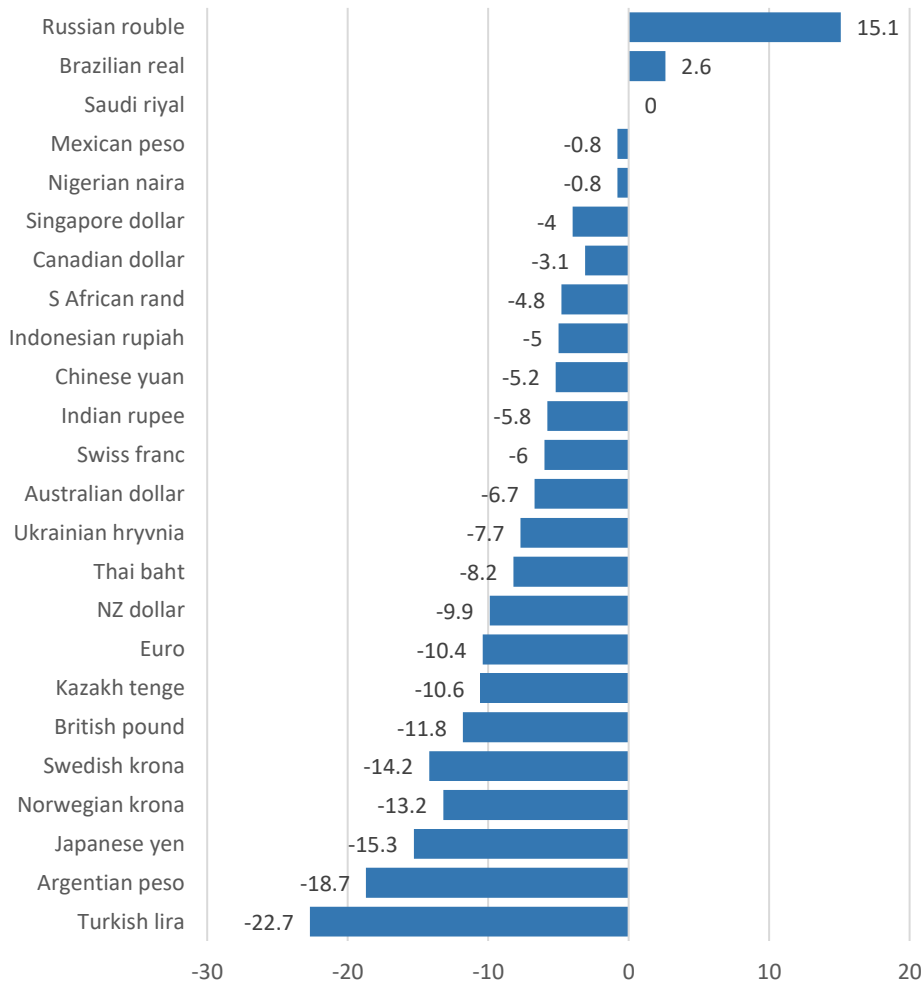


Global Assets Performance, YTD % Change, as at 7th July

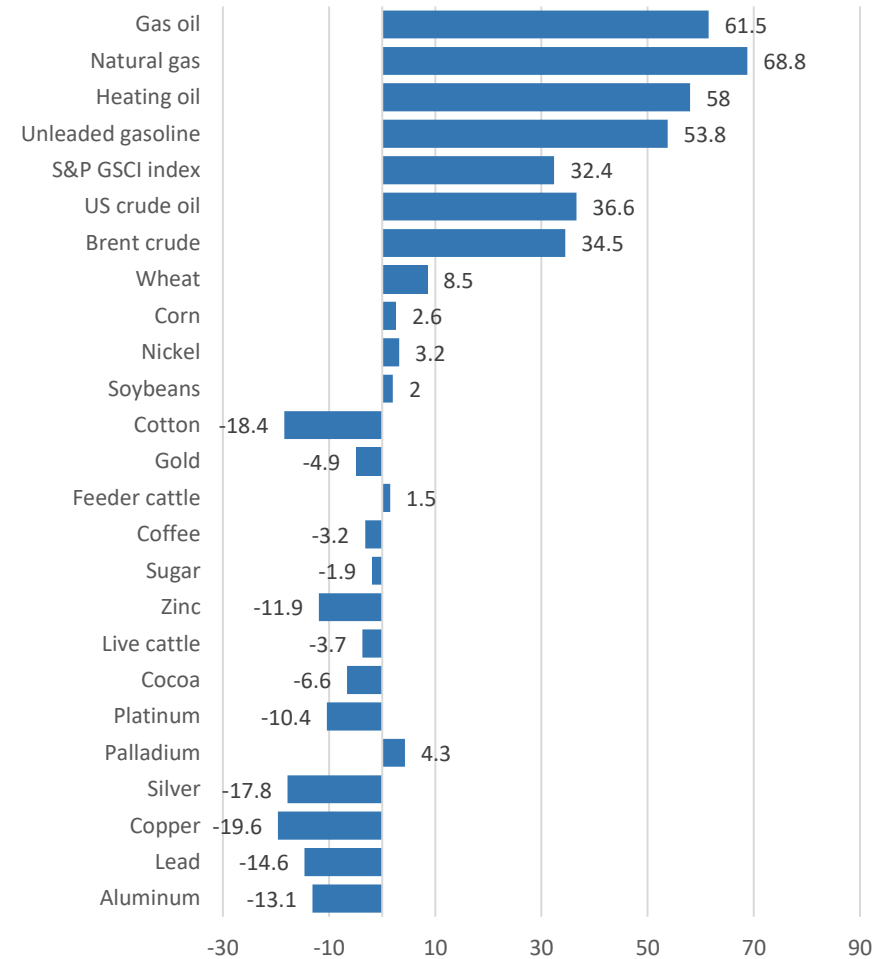


Global FX and Commodities year-to-date performance

Global Currencies Performance, YTD % Change, as at 7th July



Global Commodities Performance, YTD % Change, as at 7th July



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