

## Weekly Bulletin: Brexit is back in the spotlight

### Key takeaways

On home shores, Brexit stole the news headlines from COVID-19 last week, as talks appeared to falter once more and a meaningful EU exit deadline looms. Across the Atlantic, a slowing recovery in the US jobs market could push politicians into agreeing a new economic support package.

- Despite having four years to arrange an exit deal, UK and EU negotiators continued to flounder last week. But when is deadline, not a deadline... at least when it relates to Brexit. Over the latter part of last week and into the weekend, the UK prime minister advised that the country should prepare for a 'no-deal' Brexit, yet both sides decided to ignore Sunday's deadline and are continuing to negotiate. Key sticking points plaguing negotiations thus far have been sovereignty, a level playing field for businesses, and fishing rights. The next steps from here are uncertain, but the UK leaves the EU on 31 December, so a deal needs to be ratified by the respective parliaments very soon.
- Sticking with the UK, the latest data shows that the domestic economy is weak and is weakening further. It will take some time to return to pre-pandemic levels, particularly as the impact of second lockdowns feeds through into economic data. But while the UK has been harder hit than most in economic terms, in part due to its heavy reliance on the services sector, a vaccination will be key to its recovery. With the first wave of vaccine doses rolling out across the country as we write, this represents a potential boost for the UK over the longer term.
- Across the European continent as a whole, as the impact of the latest COVID-19-related restrictions take hold, economic momentum is slowing. However, one of the growth engines of the world – China – is treading a more advanced path. Not only does data in China indicate recovery; the country appears to have surpassed pre-pandemic economic activity levels. It is worth noting that global financial markets seem intent on focusing on the good news, buoyed by supportive central bank and government policymakers alongside vaccine news.
- Meanwhile in the US, recovery in the jobs market appears to be slowing. Near-term deterioration from both a health and an economic perspective should be expected from here, as the US lags behind Europe in the so-called 'second wave' of infections. This reality will not be lost on policymakers in Washington as they attempt to agree a new economic stimulus deal, which could emerge during the presidential transition period.

### Weekly market moves

Hindered by Brexit news (or lack thereof), UK share prices and sterling underperformed over the week. Sterling remains a barometer for financial market sentiment on Brexit.

Helped by the translation effects of a weak UK currency, global stock markets performed strongly in sterling terms.

Traditional 'safe havens' like gold and government bonds had a resilient week too.

### What to look out for this week

Further economic data from China is due on Tuesday, which may add additional colour to China's blueprint for post-pandemic recovery.

Major central banks from across the developed world hold their policy meetings this week. Financial markets will be watching closely for any signs of further financial support.

The UK regional 'tier system' is due for review this week, with expectations that some major population centres (most notably London) could see their restrictions tighten.

## Market moves (as at 11 December 2020)

	Index Levels	Last Week	Month to Date	Year to Date
<b>Equity</b>				
MSCI United Kingdom	1,839.8	-0.1%	4.5%	-11.9%
MSCI United Kingdom Mid Cap	1,215.6	-1.4%	1.9%	-6.3%
MSCI United Kingdom Small Cap	404.8	-2.6%	1.7%	-9.6%
MSCI World (GBP)	1,967.7	1.3%	2.6%	13.8%
S&P 500 (GBP)	3,663.5	1.0%	2.3%	15.7%
MSCI Japan (GBP)	1,086.3	2.5%	2.8%	12.5%
MSCI Europe ex-UK (GBP)	1,401.6	1.0%	2.1%	8.2%
MSCI Pacific ex-Japan (GBP)	1,606.0	3.0%	4.5%	5.0%
MSCI Emerging Markets (GBP)	69,958.8	2.5%	5.5%	15.7%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,430.5	2.8%	2.1%	9.3%
BoA Merrill Lynch Index-Linked Gilts	637.0	3.2%	1.7%	12.6%
BoA Merrill Lynch £ Corporate	482.0	1.7%	1.6%	8.6%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$46.6	2.7%	4.1%	-23.6%
Gold (GBP)	\$1842.0	1.9%	5.6%	21.9%
S&P / GSCI (GBP)	1,900.9	3.1%	3.0%	-26.5%

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