

The Weekly Brief

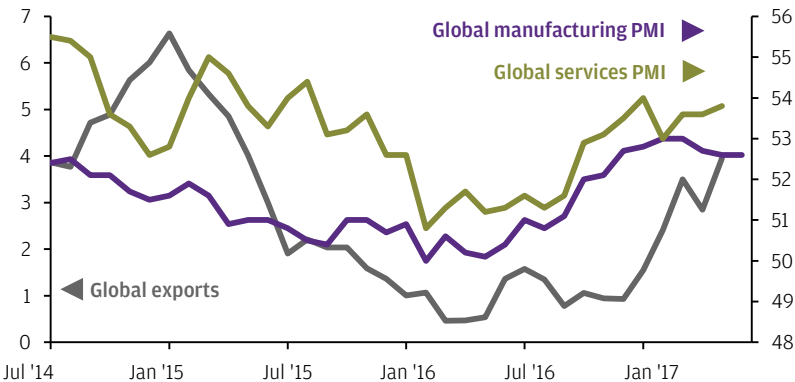
17 July 2017

Thought of the week

Investors are becoming increasingly aware of the resilience shown by global growth. Soft data has been broadly picking up and PMIs (Purchasing Managers' Index) have remained healthy, consistently above 50. The synchronized move upwards by global PMIs, seen since mid-2016, has been signalling the strength of a global recovery. As shown by this week's chart, the strength in soft data has been also translating to the hard data, with particularly positive global export growth reaching almost 4%. Additionally, strength in the ISM business surveys out of the US has largely put concerns of a slowdown in America to the side. As global momentum continues to pick up and political risks wane, this could continue to provide a positive backdrop for global equities.

Global growth is healthy

% growth year on year, three-month moving average (LHS); Index level (RHS)



Source: Haver Analytics, Thomson Reuters Datastream, J.P. Morgan Asset Management. Data as of 30 June 2017.

The week ahead

| Day | Country | Event | Period | Survey | Prior |
|-------|---------|-----------------------------------|--------|--------|-------|
| Mon | China | GDP (y/y) | 2Q | 6.8% | 6.9% |
| | China | Industrial production | Jun | 6.5% | 6.5% |
| | China | Retail sales (y/y) | Jun | 10.6% | 10.7% |
| Tues | Euro | CPI (y/y) | Jun | 1.4% | 1.4% |
| | Germany | ZEW Business survey | Jul | 21.7 | 18.6 |
| | UK | CPI (y/y) | Jun | 2.7% | 2.9% |
| Weds | US | Housing starts | Jun | 1170k | 1092k |
| Thurs | US | Leading Economic Index | Jun | 0.4% | 0.3% |
| | US | Philadelphia Fed business outlook | Jul | 20.0 | 27.6 |
| | Euro | Euro consumer confidence | Jul | -1.3 | -1.3 |
| | Euro | ECB deposit facility rate | Jul | -0.4% | -0.4% |
| | UK | Retail sales (y/y) | Jun | 1.6% | 0.9% |
| | Japan | All industry activity index | May | 1.6% | 2.1% |

Market statistics

| Equities | Change (%) | | |
|---------------|------------|------|----------|
| | Week ago | YTD | Year ago |
| MSCI Europe | 1.5 | 10.6 | 19.9 |
| DAX | 2.0 | 10.1 | 25.6 |
| CAC 40 | 1.8 | 10.6 | 23.3 |
| IBEX | 1.6 | 16.6 | 29.5 |
| FTSE MIB | 2.3 | 14.5 | 32.1 |
| FTSE 100 | 0.4 | 5.6 | 15.3 |
| S&P 500 | 1.4 | 11.0 | 16.1 |
| TOPIX | 1.1 | 8.3 | 26.7 |
| MSCI EM | 3.5 | 18.9 | 22.3 |
| MSCI China | 5.2 | 31.4 | 34.4 |
| MSCI Brazil | 5.0 | 9.2 | 17.2 |
| MSCI AC World | 1.6 | 11.2 | 18.0 |
| Energy | 2.1 | -9.3 | -0.1 |
| Materials | 2.6 | 10.0 | 21.9 |
| Industrials | 1.3 | 12.2 | 21.0 |
| Cons Discr. | 1.5 | 11.2 | 17.8 |
| Cons Staples | 1.1 | 9.1 | 4.2 |
| Healthcare | 1.0 | 14.6 | 7.7 |
| Financials | 0.6 | 10.3 | 32.4 |
| Technology | 3.7 | 24.0 | 35.5 |
| Telecom Svc | 0.6 | -0.7 | -2.3 |
| Utilities | 1.1 | 9.1 | 5.1 |
| Value | 1.2 | 7.3 | 18.0 |
| Growth | 2.1 | 15.3 | 17.9 |

| Fund flows (\$bn) | w/e 07/07 | w/e 30/06 | 4-week moving avg. |
|-------------------|-----------|-----------|--------------------|
| Equity | -6.4 | 0.3 | -1.5 |
| Fixed income | 5.0 | 2.6 | 3.8 |
| Money market | 4.7 | 4.2 | -8.1 |

| Bond spreads | Level | | Change (bps) | | |
|-----------------|-------|----------|--------------|----------|--|
| | 14/07 | Week ago | YTD | Year ago | |
| Global IG | 105 | -2 | -20 | -36 | |
| EMBI+ (USD) | 332 | -10 | -31 | -22 | |
| Global High Yld | 374 | -6 | -51 | -147 | |

Bond yields (10 yr)

| | Level | Week ago | YTD | Year ago |
|-----------------|-------|----------|-----|----------|
| UK | 1.31 | 0 | 21 | 51 |
| Germany | 0.60 | 3 | 39 | 70 |
| USA | 2.32 | -7 | -13 | 78 |
| Japan | 0.08 | -1 | 4 | 34 |
| EMD* (local fx) | 6.16 | -12 | -62 | -4 |

Commodities

| | Level | Change (%) | | |
|--------------|-------|------------|-------|------|
| Brent \$/bbl | 49 | 4.7 | -13.9 | 3.3 |
| Gold \$/oz | 1,230 | 1.2 | 7.4 | -7.0 |
| Copper \$/lb | 2.68 | 1.8 | 7.5 | 19.8 |

Currency

| | Level | | | |
|-----------|-------|------|------|------|
| \$ per € | 1.14 | 1.14 | 1.05 | 1.11 |
| £ per € | 0.87 | 0.88 | 0.85 | 0.83 |
| \$ per £ | 1.31 | 1.29 | 1.24 | 1.33 |
| ¥ per € | 129 | 130 | 123 | 117 |
| ¥ per \$ | 113 | 114 | 117 | 105 |
| CHF per € | 1.11 | 1.10 | 1.07 | 1.09 |

Volatility (%)

| | Level | Week ago | YTD | Year ago |
|-----|-------|----------|-----|----------|
| VIX | 10 | 11 | 14 | 13 |

| Macro | GDP (%)† | CPI (%) | Valuation | Fwd P/E |
|----------|----------|---------|-------------|---------|
| Eurozone | 2.3 | 1.3 | MSCI Europe | 15.1 |
| UK | 0.9 | 2.9 | FTSE 100 | 14.6 |
| US | 1.4 | 1.6 | S&P 500 | 17.6 |
| Japan | 1.0 | 0.4 | MSCI EM | 12.6 |
| China | 5.3 | 1.5 | MSCI World | 16.5 |

Note: All index returns are total returns in local currency. Fund flows are for US-domiciled funds only, excluding ETFs. *Term = index duration. †GDP q/q seasonally adjusted annual rate.

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Unless otherwise stated, all data is as of 14/07/2017. Economic releases: Bloomberg.

Equities: All data represents total returns for the stated period.

Fund flows: ICI.

Bond Yields: JPMorgan EMBI+ OAS over Treasuries ; Barclays Global Aggregate Corporate OAS; Barclays Global High Yield OAS; Government bond yields: Source: Tullett Prebon Information, UK Government Bonds 10 Year Note Generic Bid Yield; German Government Bonds 10 Year Debencher; Japan 10 Year Bond Benchmark; US Generic Government 10 Year Yield.

Commodities: WTI and Brent are the crude oil price in \$ per barrel, gold is \$ per troy ounce, copper is \$ per pound.

Rates: Bank of England Official Bank Rate; ECB Minimum Bid Refinancing Rate 1 Week; Federal Funds Target Rate; Bank of Japan Target Rate of Unsecured Overnight Call Rate; Bank of China 1 Year Best Lending Rate.

Macro: Headline CPI year on year percentage change; GDP growth quarter on quarter seasonally adjusted annualised rate.