

# The Weekly Brief

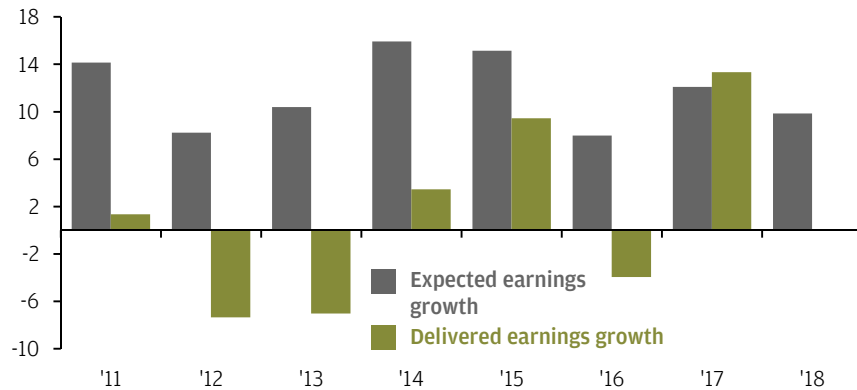
1 January 2018

## Thought of the week

In 2017, positivity permeated the eurozone. GDP grew 2.6% over the year to Q3, unemployment fell to 8.8% in November, consumer confidence turned positive for the first time since 2001 and many political headwinds receded. The economic recovery fed through to stronger earnings for listed companies. Since 2011, analysts' estimates of earnings per share growth have consistently been too high and earnings have failed to meet expectations. However, earnings growth in 2017 beat expectations. As the eurozone economy continues to strengthen, analysts believe that earnings should grow by around 10% in 2018 - if those expectations can be met again, as we expect, European equities should remain well supported over the course of the year.

## Eurozone earnings beat expectations in 2017

Earnings per share (EPS), % change year on year



Source: IBES, MSCI, Thomson Reuters Datastream, J.P. Morgan Asset Management. Expected earnings growth calculated using next 12 months' EPS and delivered using last 12 months' EPS. Data as of 29 December 2017.

## The week ahead

Day	Country	Event	Period	Survey	Prior
Tue	China	PMI Manufacturing	Dec	50.7	50.8
	Euro	PMI Manufacturing	Dec	60.6	60.6
	Global	PMI Manufacturing	Dec	-	54.0
	UK	PMI Manufacturing	Dec	57.9	58.2
Wed	US	ISM Manufacturing	Dec	58.2	58.2
Thu	Euro	PMI Services	Dec	56.5	56.5
	Japan	PMI Manufacturing	Dec	49.5	54.2
	UK	Nationwide house prices (y/y)	Dec	2.0%	2.5%
	US	PMI Services	Dec	52.4	52.4
Fri	Euro	CPI flash (y/y)	Dec	1.4%	1.5%
	US	Non-farm payrolls	Dec	188k	228k
	US	Unemployment rate	Dec	4.1%	4.1%
	US	Average hourly earnings (y/y)	Dec	2.5%	2.5%

## Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-0.2	0.0	13.9
DAX	-1.2	0.0	12.8
CAC 40	-1.0	0.0	13.3
IBEX	-1.3	0.0	11.5
FTSE MIB	-1.6	0.0	17.5
FTSE 100	1.3	0.0	12.3
S&P 500	-0.3	0.0	21.3
TOPIX	-0.5	0.0	22.2
MSCI EM	1.2	0.0	31.6
MSCI China	0.2	0.0	56.4
MSCI Brazil	1.7	0.0	26.9
MSCI AC World	-0.1	0.0	20.2
Energy	0.4	0.0	3.4
Materials	0.8	0.0	22.4
Industrials	0.0	0.0	20.7
Cons discr.	-0.3	0.0	21.1
Cons staples	0.3	0.0	13.8
Healthcare	-0.1	0.0	17.4
Financials	-0.2	0.0	19.7
Technology	-0.8	0.0	38.8
Telecom svc	-0.1	0.0	3.9
Utilities	0.2	0.0	10.4
Value	0.0	0.0	14.9
Growth	-0.1	0.0	25.7

Fund flows (\$bn)	4-week moving avg.		
	w/e 22/12	w/e 15/12	
Equity	-	-	-
Fixed income	-	-	-
Money market	-21.2	33.8	14.8

Bond spreads	Change (bps)			
	Level	29/12	Week ago	YTD
Global IG	94	0	0	-31
EMBI+ (USD)	329	-2	0	-33
Global High Yld	339	0	0	-83

Bond yields (10 yr)				
	Level	29/12	Week ago	YTD
UK	1.19	-5	0	10
Germany	0.43	1	0	26
USA	2.41	-7	0	-7
Japan	0.04	0	0	1
EMD* (local fx)	6.14	-1	0	-63

Commodities				
	Level	29/12	Week ago	YTD
Brent \$/bbl	67	2.5	0.0	19.1
Gold \$/oz	1,291	2.1	0.0	12.7
Copper \$/lb	3.29	2.2	0.2	32.6

Currency				
	Level	29/12	Week ago	YTD
\$ per €	1.20	1.18	1.20	1.05
£ per €	0.89	0.89	0.89	0.86
\$ per £	1.35	1.34	1.35	1.22
¥ per €	135	134	135	122
¥ per \$	113	113	113	116
CHF per €	1.17	1.17	1.17	1.07

Volatility (%)				
	Level	29/12	Week ago	YTD
VIX	11	10	11	13

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	2.4	1.5	MSCI Europe	14.9
UK	1.6	3.1	FTSE 100	14.6
US	3.2	2.2	S&P 500	18.3
Japan	2.5	0.5	MSCI EM	12.5
China	7.0	1.7	MSCI World	16.9

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 29/12/2017. 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.