

The Weekly Brief

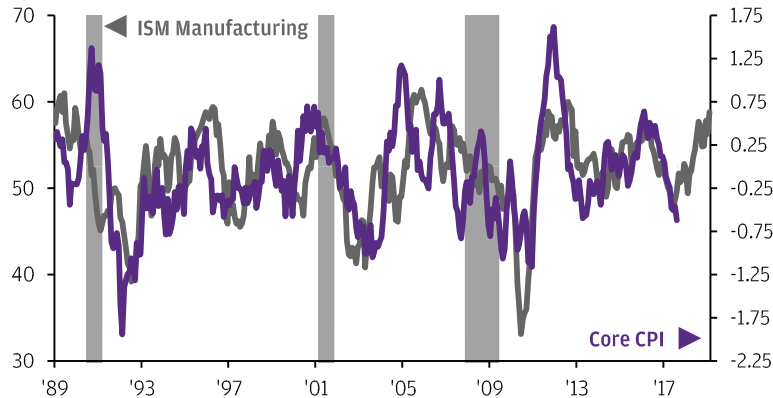
18 September 2017

Thought of the week

US core inflation has fallen since January. Consequently, markets are now pricing in less than two US Fed rate hikes by the end of 2019. As this week's chart illustrates, recently there has been strong growth in the US, as measured by the ISM manufacturing survey. In past cycles, this has been a good lead indicator for a pick-up in core inflation. Combined with the backdrop of a tight labour market, this suggests core CPI should move higher over the coming months, potentially forcing the Federal Reserve to raise rates at a faster pace than is currently expected by markets.

US core inflation should rise

Index, advanced 18 months (LHS); absolute change in year on year core CPI growth rate in % (RHS)



Source: ISM, Thomson Reuters Datastream, J.P. Morgan Asset Management. Data as of 15 September 2017. Light grey columns indicate recessions determined by NBER.

The week ahead

Day	Country	Event	Period	Survey	Prior
Mon	Euro	CPI (y/y)	Aug	1.3%	1.3%
Wed	US	FOMC rate decision	Sep	1.25%	1.25%
	US	Existing home sales	Aug	5.48m	5.44m
	UK	Retail sales (y/y)	Aug	1.3%	1.2%
Thu	US	Philadelphia Fed business outlook	Sep	17.1	18.9
	US	Conference Board leading indicator (m/m)	Aug	0.2%	0.3%
Fri	Euro	Consumer confidence	Aug	-1.5	-1.5
	Euro	PMI Manufacturing	Sep	57.4	57.4
	Euro	PMI Services	Sep	54.9	54.7
	US	PMI Manufacturing	Sep	52.5	52.8
	US	PMI Services	Sep	56.9	56.0
	France	GDP (y/y)	Q2	1.8%	1.7%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	0.5	9.9	17.6
DAX	1.9	9.2	20.2
CAC 40	2.0	10.1	23.1
IBEX	1.9	13.1	22.9
FTSE MIB	2.1	18.7	38.6
FTSE 100	-2.2	4.3	11.5
S&P 500	1.6	13.3	18.9
TOPIX	2.9	9.2	28.7
MSCI EM	1.5	25.0	24.2
MSCI China	2.4	45.5	35.4
MSCI Brazil	3.8	25.9	29.7
MSCI AC World	1.4	13.0	19.2
Energy	2.3	-6.4	6.5
Materials	0.6	13.4	25.9
Industrials	1.8	12.7	21.5
Cons discr.	1.7	12.2	18.5
Cons staples	0.2	9.2	7.2
Healthcare	0.5	16.5	12.7
Financials	2.3	9.7	27.0
Technology	1.9	29.3	32.4
Telecom svc	1.2	0.1	2.8
Utilities	-0.8	13.5	13.5
Value	1.8	8.3	18.5
Growth	1.1	17.8	19.8

Fund flows (\$bn)	4-week moving avg.		
	w/e 08/09	w/e 01/09	avg.
Equity	-2.7	-2.2	-3.6
Fixed income	3.9	2.8	3.1
Money market	11.0	-19.7	8.4

Bond spreads	Level		Change (bps)		
	15/09	Week ago	YTD	Year ago	
Global IG	107	-4	-18	-27	
EMBI+ (USD)	317	-7	-46	-41	
Global High Yld	359	-15	-66	-141	

Bond yields (10 yr)

	Level	Week ago	YTD	Year ago
UK	1.31	32	21	51
Germany	0.43	12	23	40
USA	2.20	14	-24	51
Japan	0.02	3	-2	6
EMD* (local fx)	5.95	2	-84	-31

Commodities

	Change (%)			
Brent \$/bbl	56	3.4	-2.1	19.4
Gold \$/oz	1,323	-1.7	15.4	0.9
Copper \$/lb	2.93	-3.1	17.2	36.1

Currency

	Level			
\$ per €	1.20	1.20	1.05	1.12
£ per €	0.88	0.91	0.85	0.85
\$ per £	1.36	1.32	1.24	1.32
¥ per €	133	130	123	115
¥ per \$	111	108	117	102
CHF per €	1.15	1.14	1.07	1.09

Volatility (%)

	Level	Week ago	YTD	Year ago
VIX	10	12	14	16

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	2.6	1.5	MSCI Europe	14.9
UK	1.2	2.9	FTSE 100	14.4
US	3.0	1.9	S&P 500	17.6
Japan	2.5	0.5	MSCI EM	12.7
China	7.0	1.8	MSCI World	16.4

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 15/09/2017. 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.