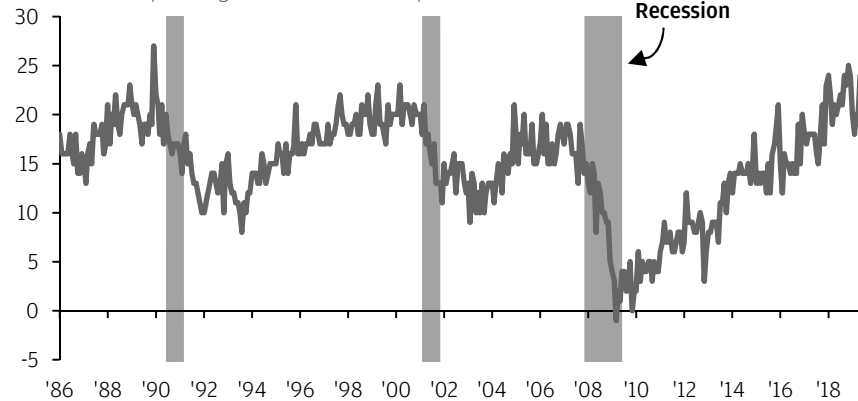


Thought of the week

Last week saw the NFIB's Business Optimism Index - a survey of small businesses in the US - rise 1.5 points to 105 in May. Interestingly, the net number of firms planning to raise employees' wages rose 4 percentage points to 24% - a sign that businesses' labour cost pressures are building as the supply of workers is becoming scarcer. On the one hand this is positive, as it means consumers will have more money to spend. On the other hand, as US consumer price inflation remains weak, with inflation falling to 1.8% year on year for May, firms are not passing on higher wage costs to consumers. If wage pressures continue to outpace the rate at which firms can increase their prices, then companies will need to improve productivity or face a squeeze on their profit margins.

Wage pressures continue to build for small businesses in the US

Net % of firms planning to raise worker compensation



Source: National Federation of Independent Business (NFIB), NBER, Refinitiv Datastream, J.P. Morgan Asset Management. Periods of "recession" are defined using NBER business cycle dates. Data as of 14 June 2019.

The week ahead

Days	Country	Event	Period	Survey	Prior
Tue	Germany	ZEW Business survey expectations	Jun	-5.0	-2.1
Wed	UK	CPI (y/y)	May	2.0%	2.1%
	US	FOMC rate decision	Jun	2.50%	2.50%
Thu	Euro	Consumer confidence	Jun	-6.4	-6.5
	Japan	BoJ 10-year yield target	Jun	-	0.0%
	UK	Retail sales (y/y)	May	2.4%	5.2%
	UK	BoE base rate	Jun	0.75%	0.75%
	US	Philadelphia Fed business outlook	Jun	10.0	16.6
Fri	Euro	PMI Manufacturing	Jun	48.0	47.7
	Euro	PMI Services	Jun	53.0	52.9
	Japan	CPI (y/y)	May	0.7%	0.9%
	Japan	PMI Manufacturing	Jun	-	49.8
	US	PMI Manufacturing	Jun	50.6	50.5

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	0.4	14.8	0.4
DAX	0.4	14.6	-7.7
CAC 40	0.3	16.6	0.4
IBEX	-0.5	9.5	-3.9
FTSE MIB	1.2	16.0	-4.5
FTSE 100	0.3	11.8	-1.2
S&P 500	0.5	16.3	5.9
TOPIX	0.9	4.8	-11.2
MSCI EM	0.9	7.0	-4.2
MSCI China	1.6	6.9	-18.5
MSCI Brazil	0.0	11.3	37.8
MSCI AC World	0.6	14.1	2.2
Energy	-0.4	8.5	-8.7
Materials	2.0	12.3	-4.3
Industrials	0.3	16.1	0.2
Cons discr.	1.8	15.9	-0.8
Cons staples	0.6	15.3	12.2
Healthcare	0.7	7.7	6.9
Financials	0.3	12.0	-0.4
Technology	0.1	21.5	2.7
Telecom svc	0.8	12.6	11.5
Utilities	0.8	13.3	19.2
Value	0.5	10.7	1.8
Growth	0.7	17.5	2.8

Fund flows (\$bn)	4-week moving avg.		
	w/e 07/06	w/e 31/05	avg.
Equity	-0.7	-1.7	-1.2
Fixed income	-5.5	-0.2	-1.5
Money market	14.3	18.0	19.7

Bond spreads	Change (bps)			
	Level 14/06	Week ago	YTD	Year ago
Global IG	128	-1	-27	11
EMBIG (USD)	377	-4	-58	1
Global High Yld	447	-12	-98	66

Bond yields (10 yr)

	Level	Week ago	YTD	Year ago
UK	0.84	2	-43	-50
Germany	-0.26	0	-50	-68
USA	2.09	1	-59	-85
Japan	-0.12	1	-11	-15
EMD* (local fx)	5.82	-15	-64	-82

Commodities

	Change (%)			
Brent \$/bbl	62	-2.0	15.3	-18.3
Gold \$/oz	1351	0.8	5.6	3.7
Copper \$/lb	2.63	0.2	0.2	-18.1

Currency

	Level			
\$ per €	1.12	1.13	1.14	1.17
£ per €	0.89	0.89	0.90	0.87
\$ per £	1.26	1.28	1.27	1.33
¥ per €	122	122	125	128
¥ per \$	108	108	110	110
CHF per €	1.12	1.12	1.13	1.16

Volatility (%)

VIX	15	16	25	12
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Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	1.6	1.2	MSCI Europe	13.5
UK	2.0	2.1	FTSE 100	12.4
US	3.1	1.8	S&P 500	16.5
Japan	2.2	0.9	MSCI EM	12.1
China	5.7	2.7	MSCI World	15.3

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.

The Weekly Brief

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Unless otherwise stated, all data is as of 14/06/2019. Economic releases: Bloomberg.

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

Fund flows: ICI.

Bond Yields: JPMorgan EMBIG 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.