

The Weekly Brief

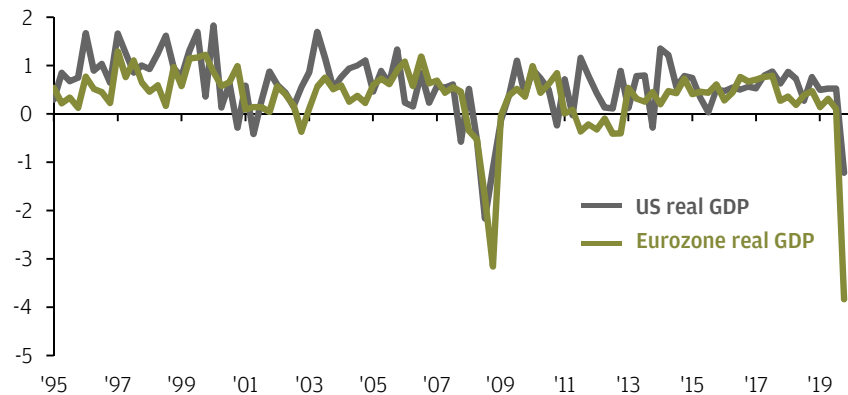
4 May 2020

Thought of the week

US GDP for Q1 fell by 1.2% over the previous quarter – the lowest reading since 2008. In the eurozone, where the spread of coronavirus began earlier, Q1 GDP fell by 3.8% over the previous quarter – the largest quarterly decline in the bloc's history. These readings show the dramatic nature of the hit to economic output as a result of COVID-19. This global shutdown is unprecedented, and governments will only be able to gradually relax lockdown measures, so as to prevent any re-escalation in the infection rate. This will likely lead to very weak data in the second quarter of this year, putting further pressure on governments and central banks to provide the necessary stimulus to support the economy and an eventual recovery.

US and eurozone output contract meaningfully

% change quarter on quarter



Source: BEA, Eurostat, J.P. Morgan Asset Management. Data as of 30 April 2020

The week ahead

Days	Country	Event	Period	Survey	Prior
Tue	UK	PMI Composite	Apr	-	12.9
	US	ISM Non-manufacturing	Apr	41.0	52.5
Wed	Euro	PMI Composite	Apr	-	13.5
	Euro	Retail sales (y/y)	Mar	-	3.0%
Thu	China	PMI Services	Apr	50.5	43.0
	Germany	Industrial production (m/m)	Mar	-	0.3%
	UK	BoE base rate	May	0.10%	0.10%
Fri	Japan	Labour cash earnings (y/y)	Mar	0.0%	1.0%
	Japan	PMI Composite	Apr	-	27.8
	US	Non-farm payrolls	Apr	-22,000k	-701k
	US	Unemployment rate	Apr	16.3%	4.4%
	US	Average hourly earnings (y/y)	Apr	-	3.1%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	2.4	-17.8	-12.1
DAX	3.3	-18.0	-12.0
CAC 40	2.7	-23.1	-15.7
IBEX	2.6	-26.8	-25.1
FTSE MIB	4.0	-24.4	-16.1
FTSE 100	0.2	-22.7	-18.7
S&P 500	-0.2	-11.8	-1.2
TOPIX	0.7	-15.8	-9.2
MSCI EM	3.5	-12.4	-7.9
MSCI China	1.4	-5.9	-3.8
MSCI Brazil	6.4	-29.4	-15.2
MSCI AC World	0.9	-13.4	-5.3
Energy	2.3	-34.9	-35.0
Materials	2.0	-15.1	-9.5
Industrials	2.4	-21.0	-15.8
Cons discr.	0.2	-11.2	-4.5
Cons staples	-0.8	-7.6	-0.7
Healthcare	-2.2	-1.9	14.0
Financials	3.6	-26.4	-21.2
Technology	0.8	-4.2	11.8
Telecom svc	1.8	-6.9	-0.5
Utilities	-1.2	-11.6	-1.0
Value	1.2	-21.2	-15.4
Growth	0.6	-5.7	5.0

Fund flows (\$bn)	4-week moving avg.		
	w/e 24/04	w/e 17/04	avg.
Equity	-6.7	-2.9	1.8
Fixed income	3.9	-2.4	-15.8
Money market	127.5	#N/A	107.5

Bond spreads	Level	Change (bps)		
	01/05	Week ago	YTD	Year ago
Global IG	207	-5	109	93
EMBIG (USD)	556	-34	279	193
Global High Yld	904	-30	481	491

Bond yields (10 yr)

UK	0.25	-4	-57	-95
Germany	-0.59	-13	-40	-60
USA	0.64	4	-128	-187
Japan	-0.03	-1	-1	2
EMD* (local fx)	4.86	-16	-35	-136

Commodities

	Change (%)		
	Level	Week ago	YTD
Brent \$/bbl	26	23.3	-59.9
Gold \$/oz	1686	-1.7	11.3
Copper \$/lb	2.32	-1.3	-17.0

Currency

	Level		
	Level	Week ago	YTD
\$ per €	1.10	1.08	1.12
£ per €	0.88	0.88	0.85
\$ per £	1.25	1.23	1.32
¥ per €	118	116	122
¥ per \$	107	107	109
CHF per €	1.06	1.05	1.09

Volatility (%)

VIX	37	36	14	15
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Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	-14.4	0.4	MSCI Europe	16.0
UK	0.1	1.5	FTSE 100	15.0
US	-4.8	1.5	S&P 500	20.3
Japan	-7.1	0.4	MSCI EM	12.9
China	-33.8	4.3	MSCI World	18.4

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 01/05/2020. 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.