

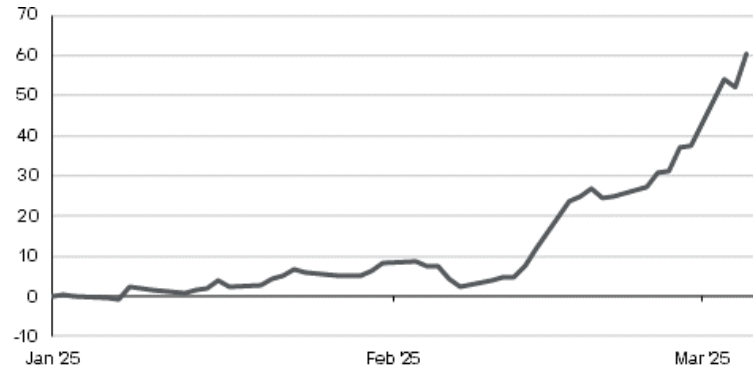
The Weekly Brief

Thought of the week

Over the past two weeks, several European governments have committed to raising their defence spending meaningfully. For example, Germany looks set to exclude 'required' defence spending over 1% of GDP from its 'debt brake', making possible a huge ramp-up in spending. The European Commission has also proposed activating the 'escape clause' of the EU's fiscal framework, to allow other European countries to boost defence expenditure without falling foul of the rules. And the UK is set to increase its defence spending to 2.5% of GDP by 2027, from 2.3% currently – representing an extra £6bn of defence spending per year. The magnitude of the market reaction highlights how significantly expectations have shifted, with a basket of European defence stocks now up over 60% since the start of 2025.

European defence stocks are gaining strongly

Selected stocks, % price return year-to-date



Source: LSEG Datastream, J.P. Morgan Asset Management. Chart shows market-cap weighted price return of a selection of seven European stocks most exposed to the defence industry. Data as of 5 March 2025.

The Week Ahead

Day	Country/region	Event	Period	Prior
Tue	US	JOLTS job openings	Jan	7.600M
Wed	US	Headline CPI (y/y)	Feb	3.0%
	US	Core CPI (y/y)	Feb	3.3%
Thu	Eurozone	Industrial production (m/m)	Jan	-1.1%
Fri	UK	GDP (m/m)	Jan	0.4%
	UK	Industrial production (m/m)	Jan	0.5%
	US	Univ. of Michigan consumer sentiment	Mar	64.7

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-0.2	10.0	12.7
DAX	2.0	15.6	29.0
CAC 40	0.1	10.2	4.5
IBEX	-0.7	14.9	34.3
FTSE MIB	-0.2	13.3	21.9
FTSE 100	-1.2	7.1	17.0
S&P 500	-3.1	-1.7	13.4
TOPIX	1.0	-2.7	2.0
MSCI EM	2.3	4.8	16.6
MSCI China	6.4	20.0	50.4
MSCI Brazil	1.4	4.0	-4.0
MSCI AC World	-2.0	0.5	13.0
Energy	-3.0	1.1	2.5
Materials	1.2	5.8	1.8
Industrials	0.3	3.6	11.9
Cons discr.	-3.4	-4.5	12.1
Cons staples	-0.2	5.6	10.6
Healthcare	-0.0	7.1	3.1
Financials	-3.1	4.2	25.2
Technology	-3.4	-6.4	10.5
Comm serv.	-1.0	2.7	27.1
Utilities	-1.6	1.8	17.3
Value	-0.9	4.7	13.7
Growth	-3.0	-3.3	12.3

Bond spreads	Level			
	07/03	Week ago	YTD	Year ago
Global IG	89	-1	0	-18
EMBIG (USD)	296	-3	1	-12
Global High Yld	326	6	2	-41

Bond yields (10 yr)	Level		Change (bps)	
	07/03	Week ago	YTD	Year ago
UK	4.65	16	7	65
Germany	2.84	45	47	54
USA	4.31	12	-26	22
Japan	1.51	14	43	78

Commodities	Level		Change (%)	
	07/03	Week ago	YTD	Year ago
Brent \$/bbl	70	-5.1	-6.6	-15.8
Gold \$/oz	2916	2.3	11.1	35.5

Currency	Level			
	07/03	Week ago	YTD	Year ago
\$ per	1.09	1.04	1.04	1.09
£ per	0.84	0.83	0.83	0.85
\$ per £	1.29	1.26	1.25	1.28
¥ per	160	157	163	162
¥ per \$	147	151	157	148
CHF per	0.96	0.94	0.94	0.96

Volatility (%)	Level			
	07/03	Week ago	Start of year	Year ago
VIX	23	20	17	14

Macro	GDP %		CPI %	
	07/03	Week ago	Start of year	Year ago
Eurozone			0.9	2.4
UK			0.4	3.0
US			2.3	3.0
Japan			2.8	4.0
China			6.6	0.5

Valuation	Forward P/E	
	07/03	Week ago
MSCI Europe		14.9
FTSE 100		11.9
S&P 500		21.1
MSCI EM		12.3
MSCI World		19.0

Note: All index returns are total returns in local currency. *Term = index duration. †GDP q/q seasonally adjusted annual rate.

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