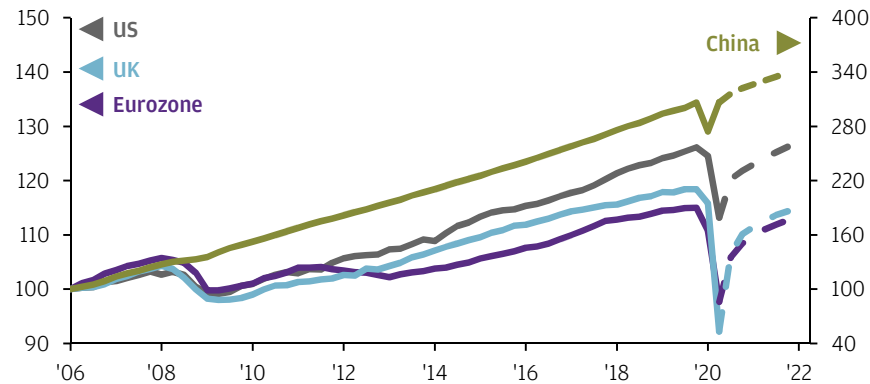


Thought of the week

China's economy was the first to be hit by the Covid-19 pandemic this year, but its recovery is on a much stronger trajectory than many other countries across the world. Policy actions from Beijing have so far been successful in preventing a second wave of infections, which in turn has allowed the economy to pick up speed. Consensus estimates point to Chinese growth returning to its pre-Covid trend in the coming months - a feat that is all the more impressive given that domestic stimulus has been much more measured than some of the surges witnessed in government spending following prior economic downturns. Chinese stocks have benefited from the relative outperformance of the economy, with MSCI China being one of the few indexes that has managed to roughly keep pace with the boom in US growth stocks so far this year.

Chinese growth is on track to return to its pre-Covid trend

Real GDP levels, indexed to 100 in Q1 2006



Source: BEA, Bloomberg, Eurostat, National Bureau of Statistics of China, ONS, J.P. Morgan Asset Management. Forecasts are from Bloomberg contributor composite. Data as of 30 September 2020.

The week ahead

Days	Country	Event	Period	Survey	Prior
Mon	China	GDP (y/y)	Q3	5.5%	3.2%
	China	Industrial production (y/y)	Sep	5.8%	5.6%
	China	Retail sales (y/y)	Sep	1.8%	0.5%
Wed	UK	CPI (y/y)	Sep	-	0.2%
Thu	Euro	Consumer confidence	Oct	-	-13.9
Fri	US	PMI manufacturing	Oct	-	53.2
	US	PMI services	Oct	-	54.6
	Euro	PMI manufacturing	Oct	-	53.7
	Euro	PMI services	Oct	-	48.0
	UK	PMI manufacturing	Oct	-	54.1
	UK	PMI services	Oct	-	56.1
	UK	Retail sales excl. auto fuel (y/y)	Sep	-	4.3%
	Japan	PMI manufacturing	Oct	-	47.7
	Japan	CPI (y/y)	Sep	0.0%	0.2%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-0.9	-9.4	-4.9
DAX	-1.1	-2.6	1.9
CAC 40	-0.2	-15.6	-11.3
IBEX	-1.5	-26.5	-24.4
FTSE MIB	-1.0	-15.8	-11.5
FTSE 100	-1.6	-19.4	-14.6
S&P 500	0.2	9.4	18.8
TOPIX	-1.8	-3.9	1.6
MSCI EM	0.3	6.4	14.3
MSCI China	2.1	22.2	34.3
MSCI Brazil	0.7	-13.8	-5.4
MSCI AC World	-0.1	4.8	12.3
Energy	-2.4	-40.5	-36.6
Materials	-0.6	6.3	14.4
Industrials	0.1	-0.9	5.1
Cons discr.	0.3	24.2	30.6
Cons staples	0.0	2.8	5.4
Healthcare	-0.8	8.0	20.7
Financials	-0.7	-19.0	-13.4
Technology	0.6	31.2	46.7
Telecom svc	0.6	11.2	17.3
Utilities	0.6	-0.3	2.1
Value	-0.5	-11.7	-6.1
Growth	0.3	22.2	31.9

Fund flows (\$bn)	4-week moving avg.		
	w/e 09/10	w/e 02/10	avg.
Equity	-13.0	-19.9	-12.5
Fixed income	11.7	1.6	6.2
Money market	-21.6	-10.4	-21.5

Bond spreads	Change (bps)			
	Level 16/10	Week ago	YTD	Year ago
Global IG	127	-1	29	11
EMBIG (USD)	377	3	100	44
Global High Yld	524	8	101	51

Bond yields (10 yr)

	Level	Week ago	YTD	Year ago
UK	0.17	-10	-65	-53
Germany	-0.63	-9	-44	-24
USA	0.74	-4	-118	-101
Japan	0.02	-1	4	19
EMD* (local fx)	4.45	-1	-77	-75

Commodities

	Change (%)			
Brent \$/bbl	43	0.2	-35.0	-27.8
Gold \$/oz	1905	-0.9	25.8	28.3
Copper \$/lb	3.07	-0.5	9.7	18.8

Currency

	Level			
\$ per €	1.17	1.18	1.12	1.11
£ per €	0.91	0.91	0.85	0.86
\$ per £	1.29	1.30	1.32	1.28
¥ per €	124	125	122	120
¥ per \$	105	106	109	109
CHF per €	1.07	1.08	1.09	1.10

Volatility (%)

	Level	Week ago	YTD	Year ago
VIX	27	25	14	14

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	-39.4	-0.3	MSCI Europe	16.9
UK	-58.7	0.2	FTSE 100	14.4
US	-31.4	1.4	S&P 500	22.0
Japan	-28.1	0.2	MSCI EM	14.9
China	54.6	1.7	MSCI World	20.5

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 16/10/2020. 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.