

The Weekly Brief

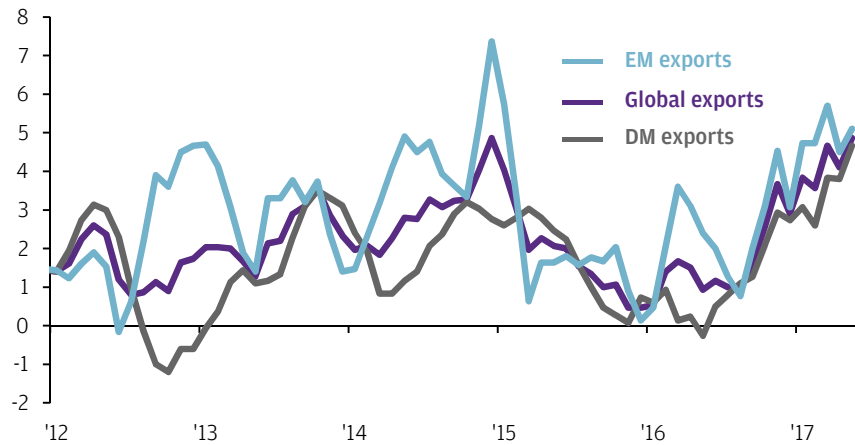
9 October 2017

Thought of the week

Investors would be forgiven for being unnerved by geopolitical events this year, but this makes it all the more important to look at the fundamentals that are driving markets around the world. The global economy is in good health - September's global composite PMI (Purchasing Managers' Index) reading of 54 indicates that business expansion is continuing and global GDP growth, currently at 3.3% year on year, is robust. As this week's chart shows, global export growth has picked up meaningfully since mid-2016, which should continue to be supportive of corporate earnings. Investors should be reassured by the synchronised nature of global reflation, with PMI and export data for both developed and emerging markets continuing to point to a healthy economic outlook.

Global export growth is strong

% change year on year, three-month moving average



Source: CPB Netherlands, Thomson Reuters Datastream, J.P. Morgan Asset Management. Data as of 30 September 2017.

The week ahead

Day	Country	Event	Period	Survey	Prior
Mon	China	PMI Services	Sep	-	52.7
Tue	UK	Industrial production (y/y)	Aug	0.4%	0.4%
	US	NFIB Small business optimism	Sep	104.8	105.3
Wed	US	JOLTS Job openings	Aug	6,000	6,170
Thu	UK	RICS House price balance	Sep	0%	6%
	Euro	Industrial production (y/y)	Aug	3.3%	3.2%
	India	CPI (y/y)	Sep	3.2%	3.4%
Fri	US	CPI (y/y)	Sep	2.2%	1.9%
	US	Retail sales (m/m)	Sep	1.2%	-0.2%
	China	Imports (y/y)	Sep	14.0%	13.3%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	0.9	13.3	18.6
DAX	1.0	12.8	22.6
CAC 40	0.6	13.4	23.5
IBEX	-1.8	11.8	20.7
FTSE MIB	-1.3	19.9	40.3
FTSE 100	2.1	8.8	11.8
S&P 500	1.3	15.7	20.4
TOPIX	0.7	13.3	27.2
MSCI EM	2.3	26.7	22.8
MSCI China	4.3	50.4	35.9
MSCI Brazil	2.3	26.1	24.4
MSCI AC World	1.2	15.6	20.0
Energy	0.1	-2.7	4.5
Materials	1.9	16.6	25.0
Industrials	0.7	16.1	22.4
Cons discr.	1.7	15.3	19.3
Cons staples	0.6	8.4	5.9
Healthcare	1.5	18.1	14.4
Financials	1.5	14.7	30.1
Technology	1.7	31.9	32.2
Telecom svc	-0.1	2.2	5.2
Utilities	0.4	11.6	14.0
Value	1.2	11.2	19.2
Growth	1.3	20.2	20.7

Fund flows (\$bn)	4-week moving avg.		
	w/e 29/09	w/e 22/09	avg.
Equity	-6.7	-3.9	-4.0
Fixed income	4.3	7.2	5.1
Money market	16.1	-14.6	7.3

Bond spreads	Change (bps)				
	Level	06/10	Week ago	YTD	Year ago
Global IG	100		-2	-25	-31
EMBI+ (USD)	317		0	-46	-20
Global High Yld	344		-6	-81	-123

Bond yields (10 yr)				
	Level	Week ago	YTD	Year ago
UK	1.37	1	27	59
Germany	0.46	-1	25	48
USA	2.37	4	-8	63
Japan	0.05	-1	1	12
EMD* (local fx)	6.06	7	-73	-15

Commodities				
	Level	Change (%)		
Brent \$/bbl	56	-3.3	-2.1	5.9
Gold \$/oz	1,262	-1.7	10.1	0.6
Copper \$/lb	3.01	2.6	20.7	40.3

Currency				
	Level			
\$ per €	1.17	1.18	1.05	1.12
£ per €	0.90	0.88	0.85	0.88
\$ per £	1.31	1.34	1.24	1.26
¥ per €	132	133	123	116
¥ per \$	113	113	117	104
CHF per €	1.15	1.14	1.07	1.09

Volatility (%)				
	Level	Week ago	YTD	Year ago
VIX	10	10	14	13

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	2.6	1.5	MSCI Europe	15.1
UK	1.2	2.9	FTSE 100	14.6
US	3.1	1.9	S&P 500	18.0
Japan	2.5	0.6	MSCI EM	12.8
China	7.0	1.8	MSCI World	16.7

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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Compliance ID: 0903c02a81d48b32

Unless otherwise stated, all data is as of 06/10/2017. 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.