

The Weekly Brief

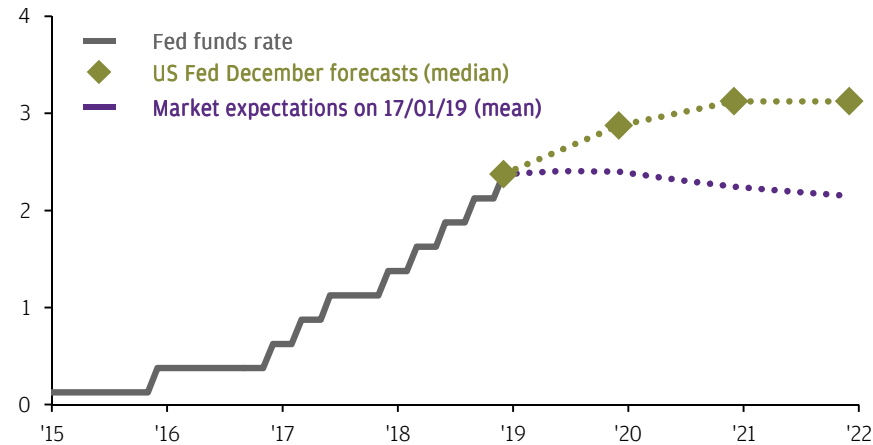
21 January 2019

Thought of the week

Concerns over slowing US growth, due to trade tensions with China, Federal Reserve (Fed) tightening and the prospect of fading fiscal stimulus, have led to higher volatility in markets over the last few months. With markets now pricing zero interest rate rises this year, any further hikes could make investors more nervous about the outlook for the US economy. The Fed may feel less pressure on the inflationary front in 2019, with headline inflation falling to 1.9% in December and the lower oil price meaning inflation is likely to remain low. Any further increases in the fed funds rate should therefore come only if economic indicators signal continued strength in the economy, rather than due to runaway inflation.

The Fed can be more data dependent in 2019

% Fed funds rate



Source: Bloomberg, US Federal Reserve, J.P. Morgan Asset Management. Market expectations are based on USD OIS curve. Data as of 17 January 2019.

The week ahead

Days	Country	Event	Period	Survey	Prior
Mon	China	GDP (y/y)	4Q	6.4%	6.5%
	China	Industrial production (y/y)	Dec	5.3%	5.4%
	China	Retail sales (y/y)	Dec	8.2%	8.1%
Tue	UK	Unemployment rate	Nov	4.1%	4.1%
	UK	Average weekly earnings (y/y)	Nov	3.3%	3.3%
Wed	Japan	BoJ Policy rate	Jan	-0.1%	-0.1%
	Euro	Consumer confidence	Dec	-7.1	-6.2
Thu	US	Conference Board leading indicator (m/m)	Dec	-0.1%	0.2%
	US	PMI Manufacturing	Dec	-	53.8
	Japan	PMI Manufacturing	Dec	-	52.6
	Euro	PMI Manufacturing	Dec	51.3	51.4
	Euro	ECB Deposit rate	Jan	-0.4%	-0.4%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	1.8	5.2	-7.5
DAX	2.9	6.1	-15.6
CAC 40	2.0	3.1	-8.3
IBEX	2.2	6.5	-9.4
FTSE MIB	2.2	7.6	-13.7
FTSE 100	0.8	3.6	-5.6
S&P 500	2.9	6.6	-2.7
TOPIX	1.8	4.3	-15.2
MSCI EM	1.8	4.8	-10.0
MSCI China	2.6	7.0	-19.9
MSCI Brazil	2.6	9.4	20.2
MSCI AC World	2.4	6.0	-5.3
Energy	2.2	8.6	-5.8
Materials	2.0	4.8	-11.1
Industrials	2.8	7.2	-10.3
Cons discr.	1.9	7.1	-4.9
Cons staples	1.2	2.8	-5.2
Healthcare	2.0	4.5	3.5
Financials	4.0	7.4	-10.4
Technology	2.8	5.5	-5.7
Telecom svc	1.6	6.7	-0.9
Utilities	0.6	2.5	9.5
Value	2.3	5.9	-6.2
Growth	2.5	6.1	-4.6

Fund flows (\$bn)	4-week moving avg.		
	w/e 11/01	w/e 04/01	
Equity	6.9	-14.5	-15.2
Fixed income	-5.5	-17.3	-13.7
Money market	19.1	8.5	15.9

Bond spreads	Change (bps)				
	Level	18/01	Week ago	YTD	Year ago
Global IG	145		-8	-10	56
EMBIG (USD)	388		-22	-47	93
Global High Yld	462		-24	-83	146

Bond yields (10 yr)

	Level	Week ago	YTD	Year ago
UK	1.34	6	7	1
Germany	0.25	3	1	-32
USA	2.78	8	10	19
Japan	0.01	0	1	-7
EMD* (local fx)	6.44	2	-2	35

Commodities

	Level	Change (%)		
Brent \$/bbl	63	3.7	16.5	-9.5
Gold \$/oz	1,284	-0.4	0.4	-3.6
Copper \$/lb	2.74	2.7	4.3	-13.7

Currency

	Level			
\$ per €	1.14	1.15	1.14	1.22
£ per €	0.88	0.90	0.90	0.88
\$ per £	1.29	1.28	1.27	1.39
¥ per €	125	124	125	136
¥ per \$	110	108	110	111
CHF per €	1.13	1.13	1.13	1.17

Volatility (%)

	Level	Week ago	YTD	Year ago
VIX	18	18	25	12

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	0.6	1.6	MSCI Europe	12.4
UK	2.5	2.1	FTSE 100	11.8
US	3.4	1.9	S&P 500	15.3
Japan	-2.5	0.3	MSCI EM	11.2
China	6.6	1.9	MSCI World	14.1

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 18/01/2019. 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.