

The Weekly Brief

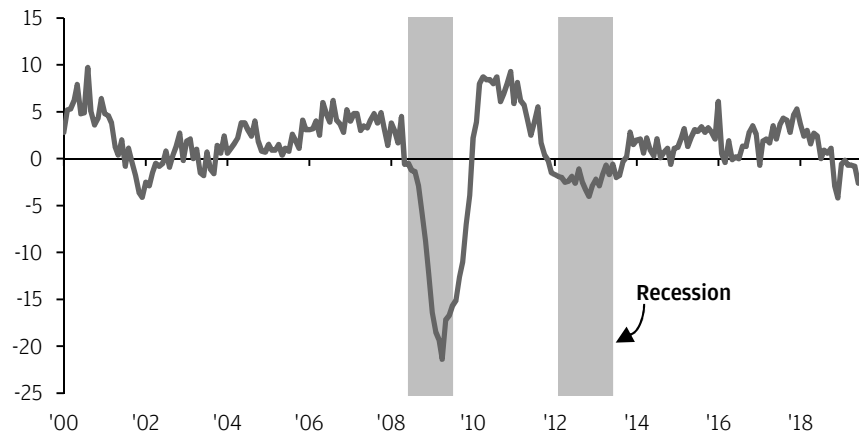
19 August 2019

Thought of the week

The latest industrial production (IP) data for the eurozone disappointed last week, with output across the bloc dragged down by Germany and France. Rising concerns around the global growth outlook - further exacerbated by weak Chinese IP and retail sales figures - has prompted significant demand for government bonds. Longer-dated bond yields declined sharply last week, with the spread between US 2-year and 10-year government bond yields inverting on Wednesday for the first time since 2007. While the slowdown in global growth is now a fact rather than a forecast, we would not place great weight on the inverted yield curve as a recessionary signal given the impact of extraordinary monetary policy on the shape of the curve. Further escalation in the trade war would pose significant threats to this expansion, but our base case remains that a recession is not imminent with central bank policy acting to extend the cycle.

Industrial production under pressure

Eurozone industrial production ex-construction, % change year on year



Source: Eurostat, Refinitiv Datastream, J.P. Morgan Asset Management. Data as of 15 August 2019.

The week ahead

Days	Country	Event	Period	Survey	Prior
Mon	Euro	CPI (y/y)	Jul	1.1%	1.3%
	Euro	Core CPI (y/y)	Jul	0.9%	0.9%
Thu	US	PMI Manufacturing	Aug	50.5	50.4
	US	Conference board leading indicator (m/m)	Jul	0.2%	-0.3%
	Euro	PMI Manufacturing	Aug	46.5	46.5
	Euro	Consumer confidence	Aug	-6.8	-6.6
	Japan	PMI Manufacturing	Aug	-	49.4
Fri	Japan	CPI (y/y)	Jul	0.6%	0.7%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-0.8	12.8	0.7
DAX	-1.1	9.5	-5.5
CAC 40	-0.5	15.3	2.5
IBEX	-1.0	4.5	-4.2
FTSE MIB	0.0	15.1	3.3
FTSE 100	-1.5	9.5	-1.5
S&P 500	-0.9	16.7	3.8
TOPIX	-1.2	0.8	-9.9
MSCI EM	-0.7	4.5	-0.7
MSCI China	1.4	6.2	-2.8
MSCI Brazil	-3.9	13.4	30.0
MSCI AC World	-1.0	13.2	1.6
Energy	-2.6	1.7	-12.9
Materials	-1.9	6.7	-3.7
Industrials	-1.4	13.3	-0.6
Cons discr.	-1.5	14.2	0.8
Cons staples	0.9	17.7	9.9
Healthcare	-0.7	8.3	2.3
Financials	-1.8	8.5	-3.5
Technology	-0.4	24.6	7.1
Telecom svc	-1.0	13.8	8.3
Utilities	0.6	14.6	14.6
Value	-1.3	7.9	-1.2
Growth	-0.7	18.5	4.4

Fund flows (\$bn)	4-week moving avg.		
	w/e 09/08	w/e 02/08	avg.
Equity	-1.0	-7.2	-6.5
Fixed income	-0.7	3.5	3.7
Money market	57.7	-5.5	20.9

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.

Bond spreads	Level	Change (bps)		
	16/08	Week ago	YTD	Year ago
Global IG	123	3	-32	8
EMBIG (USD)	381	32	-54	-9
Global High Yld	508	46	-37	98

Bond yields (10 yr)

UK	0.47	-13	-86	-88
Germany	-0.72	-12	-94	-102
USA	1.54	-19	-114	-133
Japan	-0.24	-3	-24	-34
EMD* (local fx)	5.30	-4	-115	-152

Commodities

		Change (%)		
Brent \$/bbl	59	0.2	9.0	-17.9
Gold \$/oz	1515	1.2	18.5	28.4
Copper \$/lb	2.59	0.2	-1.4	-0.9

Currency

		Level		
\$ per €	1.11	1.12	1.14	1.14
£ per €	0.91	0.93	0.90	0.90
\$ per £	1.21	1.21	1.27	1.27
¥ per €	118	118	125	126
¥ per \$	106	106	110	111
CHF per €	1.09	1.09	1.13	1.13

Volatility (%)

VIX	18	18	25	13
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Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	0.8	1.1	MSCI Europe	12.9
UK	-0.8	2.1	FTSE 100	11.7
US	2.1	1.8	S&P 500	16.2
Japan	1.8	0.7	MSCI EM	11.6
China	6.6	2.8	MSCI World	15.0

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Unless otherwise stated, all data is as of 16/08/2019. 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.