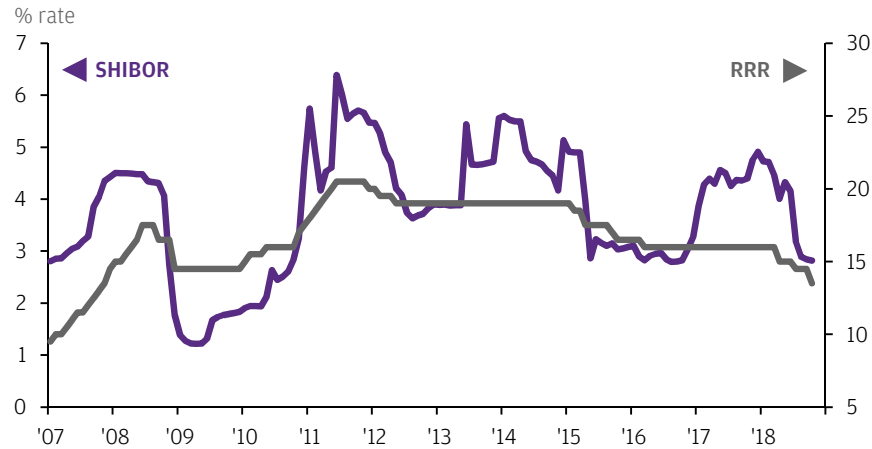


Thought of the week

The Peoples Bank of China (PBoC) announced a one percentage point cut in its Reserve Requirement Ratio (RRR), which became effective this week. It is the third time the RRR has been cut this year and was a greater level of easing than the market had anticipated. This easing will release additional liquidity into the banking system, which should provide support for the domestic economy. The fall in the 3-month interbank funding rate (SHIBOR) in China should also support credit growth. Further escalation in trade tensions with the US remain a key risk to the growth outlook in China. However, it appears that the Chinese authorities are determined to provide stimulus to help the domestic economy withstand the external headwinds.

China provides further monetary policy stimulus



Source: PBoC, Thomson Reuters Datastream, J.P. Morgan Asset Management. Average RRR for large and small banks. SHIBOR is the 3-month interbank funding rate. Data as of 12 October 2018.

The week ahead

Days	Country	Event	Period	Survey	Prior
Mon	US	Retail sales (m/m)	Sep	0.7%	0.1%
	Japan	Industrial production (y/y)	Aug	-	0.6%
Tue	UK	Unemployment rate	Aug	4.0%	4.0%
	UK	Average weekly earnings (y/y)	Aug	-	2.6%
	China	CPI (y/y)	Sep	2.5%	2.3%
Wed	Euro	CPI (y/y)	Sep	2.1%	2.0%
	UK	CPI (y/y)	Sep	2.5%	2.7%
Thu	US	Conference Board leading indicator (m/m)	Sep	0.5%	0.4%
	UK	Retail sales (y/y)	Sep	-	3.5%
Fri	Japan	CPI (y/y)	Sep	1.3%	1.3%
	China	GDP (y/y)	3Q	6.6%	6.7%
	China	Industrial production (y/y)	Sep	6.0%	6.1%
	China	Retail sales (y/y)	Sep	9.0%	9.0%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-4.5	-5.1	-5.1
DAX	-4.9	-10.8	-11.2
CAC 40	-4.9	-1.2	-1.8
IBEX	-3.7	-8.7	-10.0
FTSE MIB	-5.4	-9.0	-11.0
FTSE 100	-4.3	-5.7	-3.5
S&P 500	-4.1	5.1	10.6
TOPIX	-5.0	-4.5	2.3
MSCI EM	-2.3	-8.3	-6.4
MSCI China	-3.6	-16.7	-13.9
MSCI Brazil	0.7	10.4	10.2
MSCI AC World	-4.1	0.1	4.0
Energy	-4.6	7.4	14.2
Materials	-5.1	-6.0	-0.5
Industrials	-5.9	-3.3	0.2
Cons discr.	-3.6	1.2	7.0
Cons staples	-2.7	-6.0	-2.6
Healthcare	-3.7	8.8	8.7
Financials	-4.4	-6.1	-2.0
Technology	-4.1	6.8	11.9
Telecom svc	-2.4	-5.0	-2.7
Utilities	-2.0	1.5	-1.4
Value	-3.9	-2.3	1.0
Growth	-4.2	2.4	6.9

Fund flows (\$bn)	4-week moving avg.		
	w/e 05/10	w/e 28/09	
Equity	-10.8	-7.0	-6.8
Fixed income	4.5	3.3	3.2
Money market	-11.7	17.9	-2.8

Bond spreads	Level		Change (bps)	
	12/10	Week ago	YTD	Year ago
Global IG	115	3	21	16
EMBIG (USD)	377	8	66	70
Global High Yld	399	19	60	55

Bond yields (10 yr)				
	Level	Change (bps)	YTD	Year ago
UK	1.63	-6	45	25
Germany	0.50	-5	7	5
USA	3.14	-9	71	79
Japan	0.14	-1	10	8
EMD* (local fx)	6.77	1	63	71

Commodities				
	Level	Change (%)	YTD	Year ago
Brent \$/bbl	80	-4.4	20.3	43.0
Gold \$/oz	1,220	1.3	-5.5	-5.5
Copper \$/lb	2.79	1.5	-14.8	-10.0

Currency				
	Level	YTD	Year ago	
\$ per €	1.16	1.15	1.20	1.18
£ per €	0.88	0.88	0.89	0.90
\$ per £	1.32	1.31	1.35	1.32
¥ per €	130	131	135	133
¥ per \$	112	114	113	112
CHF per €	1.15	1.14	1.17	1.16

Volatility (%)				
	Level	YTD	Year ago	
VIX	21	15	11	10

Macro	GDP (%)†	CPI (%)	Valuation	
			MSCI	Fwd P/E
Eurozone	1.8	2.0	MSCI Europe	12.6
UK	1.6	2.7	FTSE 100	11.9
US	4.2	2.3	S&P 500	15.7
Japan	3.0	1.3	MSCI EM	10.2
China	7.4	2.3	MSCI World	14.4

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 12/10/2018. 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.