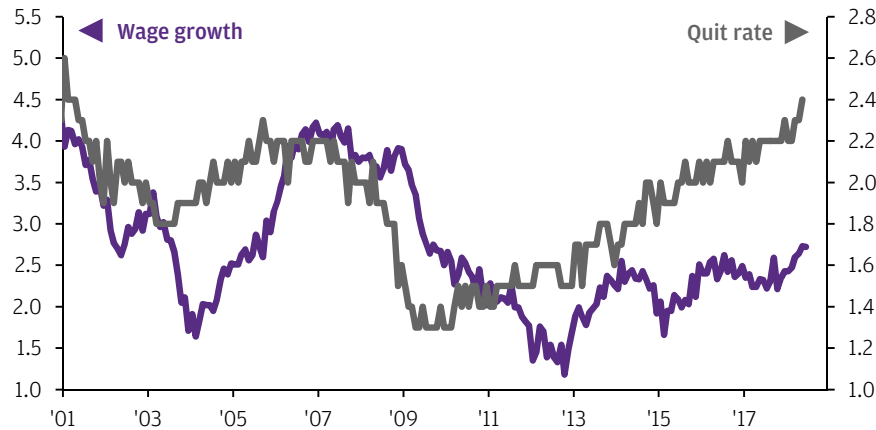


Thought of the week

The latest US labour market statistics were positive for businesses and workers alike. An increase in the participation rate meant that businesses had a slightly larger pool of people to hire from, helping companies temper the acceleration in the pace of wage growth. However, workers are becoming more confident that they can quit their jobs and find another. This is evident from the US quit rate, which shows the ratio of people who have left their jobs voluntarily to those still employed, recently reaching a new high for the business cycle. As workers become more confident of finding new jobs with higher salaries, wage growth should gradually rise in the US and so too inflation. This should keep the Fed on track to increase interest rates by 25 basis points per quarter over the next year.

US quit rate reaches new cycle high

% change year on year (LHS); % of employed persons (RHS)



Source: BLS, Thomson Reuters Datastream, J.P. Morgan Asset Management. Wage growth is average hourly earnings of total private production and non-supervisory employees. Data as of 13 July 2018.

The week ahead

Days	Country	Event	Period	Survey	Prior
Mon	China	GDP (y/y)	Q2	6.7%	6.8%
	China	Retail sales (y/y)	Jun	8.9%	8.5%
	China	Industrial production (y/y)	Jun	6.5%	6.8%
	US	Retail sales (m/m)	Jun	0.6%	0.8%
Tue	UK	Average weekly earnings (y/y)	May	2.5%	2.5%
	UK	Unemployment rate	May	4.2%	4.2%
Wed	Euro	CPI (y/y)	Jun	2.0%	1.9%
	UK	CPI (y/y)	Jun	2.6%	2.4%
Thu	UK	Retail sales (y/y)	Jun	3.6%	3.9%
	US	Philadelphia Fed business outlook	Jul	20.5	19.9
	US	Conference Board leading index (m/m)	Jun	0.5%	0.2%
Fri	Japan	CPI (y/y)	Jun	0.8%	0.7%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	0.8	1.6	4.4
DAX	0.0	-3.3	-1.2
CAC 40	1.0	5.0	7.1
IBEX	-1.5	-0.5	-5.1
FTSE MIB	-0.2	2.8	5.2
FTSE 100	0.6	2.0	7.6
S&P 500	1.5	5.9	16.7
TOPIX	2.3	-3.7	9.1
MSCI EM	1.5	-1.9	8.5
MSCI China	1.3	-1.8	16.8
MSCI Brazil	2.3	1.2	18.1
MSCI AC World	1.4	3.3	12.3
Energy	0.9	9.5	25.7
Materials	0.2	-0.8	11.4
Industrials	2.1	-1.2	6.9
Cons discr.	2.0	7.3	17.6
Cons staples	0.9	-2.6	2.3
Healthcare	2.0	7.0	10.3
Financials	0.8	-3.4	4.4
Technology	2.3	12.1	27.0
Telecom svc	0.2	-5.3	-0.6
Utilities	-0.8	3.6	5.3
Value	0.7	-0.8	6.5
Growth	2.1	7.5	18.1

Fund flows (\$bn)	4-week moving avg.		
	w/e 06/07	w/e 29/06	
Equity	-8.8	-9.4	-5.1
Fixed income	2.4	-1.0	1.9
Money market	-3.3	22.7	-14.0

Bond spreads	Change (bps)				
	Level	13/07	Week ago	YTD	Year ago
Global IG	120		-4	26	15
EMBIG (USD)	365		-9	54	39
Global High Yld	398		-16	59	23

Bond yields (10 yr)				
	Level	Week ago	YTD	Year ago
UK	1.26	1	8	-3
Germany	0.27	-1	-15	-26
USA	2.83	1	42	48
Japan	0.04	0	-1	-4
EMD* (local fx)	6.58	3	44	38

Commodities				
	Level	Change (%)		
Brent \$/bbl	75	-2.3	12.7	55.6
Gold \$/oz	1,242	-1.1	-3.8	1.9
Copper \$/lb	2.77	-1.5	-15.5	4.4

Currency				
	Level			
\$ per €	1.17	1.18	1.20	1.14
£ per €	0.88	0.89	0.89	0.88
\$ per £	1.32	1.33	1.35	1.29
¥ per €	131	130	135	129
¥ per \$	112	110	113	113
CHF per €	1.17	1.16	1.17	1.10

Volatility (%)				
VIX	12	13	11	10

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	1.5	1.9	MSCI Europe	13.8
UK	0.9	2.4	FTSE 100	13.3
US	2.0	2.9	S&P 500	16.6
Japan	-0.6	0.6	MSCI EM	11.4
China	5.7	1.9	MSCI World	15.4

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 13/07/2018. 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.