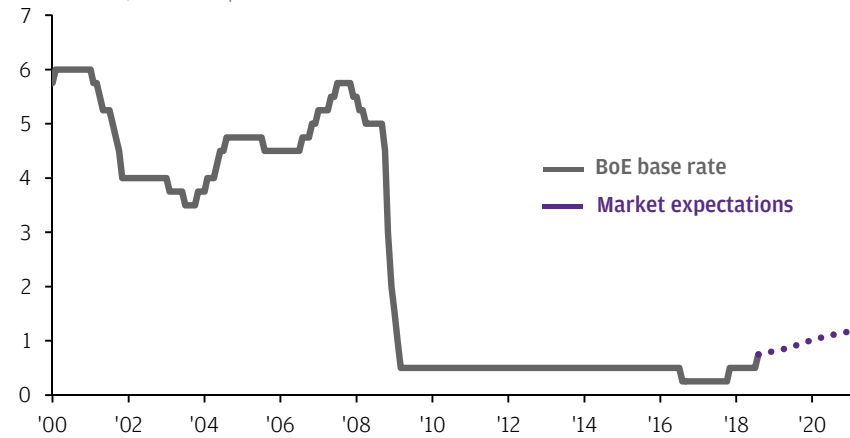


## Thought of the week

The Bank of England (BoE) raised interest rates by 25 basis points at their August meeting to 0.75%. Governor Carney was at pains to stress that any further hikes will be gradual. The use of the word gradual in the UK appears to differ to its use in the US. According to the US Federal Reserve (Fed) 'Dot Plot', gradual appears to signify a 0.25% rate hike approximately every quarter. But for the BoE, the market believes gradual means a 0.25% rate increase once per year, rather than per quarter. So in contrast to the Fed, which should raise rates to 3% by June next year, the BoE's gradual rate rises would still leave interest rates at very low levels. However, if the Brexit negotiations lead to a relatively soft Brexit, the BoE could raise rates slightly faster than is currently expected.

### UK rates should rise "gradually"

% base rate, market expectations



Source: Bank of England, Bloomberg, J.P. Morgan Asset Management. Market expectations are calculated using OIS forwards. Data as of 6 August 2018.

## The week ahead

Days	Country	Event	Period	Survey	Prior
Tue	China	Retail sales (y/y)	Jul	9.1%	9.0%
	China	Industrial production (y/y)	Jul	6.3%	6.0%
	Euro	GDP (y/y)	Q2	2.1%	2.1%
	Germany	GDP (q/q)	Q2	0.4%	0.3%
	UK	Average weekly earnings (y/y)	Jun	2.5%	2.5%
Wed	UK	Unemployment rate	Jun	4.2%	4.2%
	UK	CPI (y/y)	Jul	2.5%	2.4%
	US	Retail sales (m/m)	Jul	0.2%	0.5%
Thu	US	Industrial production (m/m)	Jul	0.3%	0.6%
	UK	Retail sales (y/y)	Jul	3.0%	2.9%
Fri	Euro	CPI (y/y)	Jul	2.1%	2.0%
	US	Conference Board leading index (m/m)	Jul	0.4%	0.5%
	US	Consumer sentiment	Aug	97.9	97.9

## Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-0.7	1.9	6.1
DAX	-1.5	-3.8	3.4
CAC 40	-1.2	4.8	9.3
IBEX	-1.4	-1.7	-4.5
FTSE MIB	-2.3	-0.6	0.7
FTSE 100	0.6	2.7	7.9
S&P 500	-0.2	7.2	18.5
TOPIX	-1.3	-4.3	8.6
MSCI EM	0.0	-1.8	6.9
MSCI China	2.0	-5.0	7.5
MSCI Brazil	-5.8	1.5	15.5
MSCI AC World	-0.3	4.0	13.3
Energy	0.0	8.9	23.8
Materials	-1.1	-0.4	11.8
Industrials	-0.6	-0.2	9.9
Cons discr.	0.5	6.6	17.2
Cons staples	-1.5	-2.3	2.5
Healthcare	-0.4	8.8	15.2
Financials	-0.5	-1.2	7.3
Technology	0.3	12.0	26.9
Telecom svc	0.7	-4.0	-2.3
Utilities	-0.7	3.1	2.0
Value	-0.5	0.5	8.2
Growth	0.0	7.4	18.4

Fund flows (\$bn)	4-week moving avg.		
	w/e 03/08	w/e 27/07	
Equity	-8.1	-4.5	-5.4
Fixed income	4.5	3.2	3.8
Money market	8.6	-3.0	7.4

Bond spreads	Change (bps)			
	Level	10/08	Week ago	YTD
Global IG	115	2	21	8
EMBIG (USD)	392	32	81	61
Global High Yld	403	19	64	27

### Bond yields (10 yr)

	Level	Week ago	YTD	Year ago
UK	1.25	-9	6	17
Germany	0.33	-8	-10	-8
USA	2.86	-9	43	61
Japan	0.11	0	6	5
EMD* (local fx)	6.70	14	56	60

### Commodities

	Change (%)			
Brent \$/bbl	73	-0.5	8.9	40.3
Gold \$/oz	1,214	-0.2	-5.9	-5.5
Copper \$/lb	2.73	-0.8	-16.7	-6.0

### Currency

	Level			
\$ per €	1.14	1.16	1.20	1.17
£ per €	0.89	0.89	0.89	0.90
\$ per £	1.28	1.30	1.35	1.30
¥ per €	127	129	135	128
¥ per \$	111	111	113	109
CHF per €	1.14	1.15	1.17	1.13

### Volatility (%)

	Level	Week ago	YTD	Year ago
VIX	13	12	11	16

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	1.4	2.1	MSCI Europe	13.9
UK	0.9	2.4	FTSE 100	13.2
US	4.1	2.9	S&P 500	16.6
Japan	1.9	0.7	MSCI EM	11.5
China	7.4	2.1	MSCI World	15.5

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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Compliance ID: 0903c02a81fb9234

Unless otherwise stated, all data is as of 10/08/2018. 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.