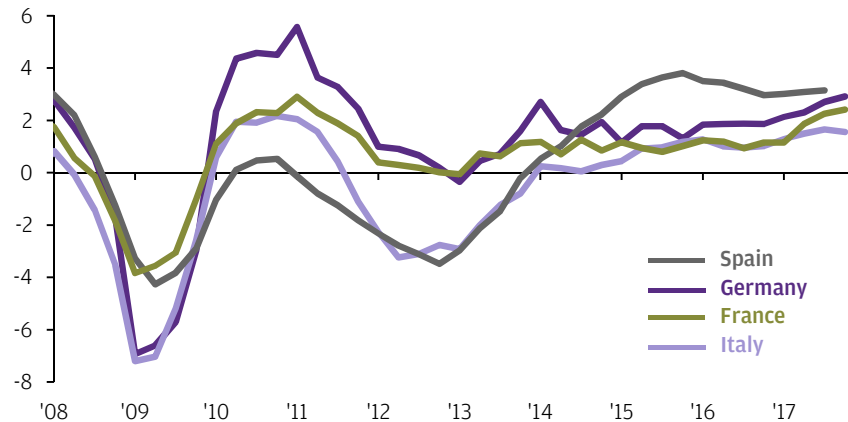


Thought of the week

While market volatility has increased in recent weeks, it is important for investors to stay focused on the fundamentals. Last week's data releases show that the eurozone continues to expand at a healthy pace, with real GDP for the last quarter of 2017 increasing by 2.7% year on year (y/y). Importantly, this expansion has been broad based across the region. In the last year, growth in France, Germany and Italy accelerated significantly, while in Spain it remained strong. Recent data suggests that these levels can be sustained. The January eurozone composite Purchasing Manager's Index came in at 58.8, a level that has historically been consistent with GDP growth above 2% (y/y). Robust global growth combined with improving domestic economies should remain supportive of European equities over the coming year.

Real GDP growth in the eurozone remains strong

% change year on year



Source: German Federal Statistical Office, INE, INSEE, Istat, Thomson Reuters Datastream, J.P. Morgan Asset Management. Data as of 16 February 2018.

The week ahead

Days	Country	Event	Period	Survey	Prior
Wed	Euro	PMI Manufacturing	Feb	59.6	59.6
		PMI Composite	Feb	58.6	58.8
	Japan	PMI Manufacturing	Feb	-	54.8
	US	PMI Manufacturing	Feb	55.5	55.5
	US	Conference Board leading indicator (m/m)	Jan	0.7%	0.6%
	UK	Unemployment rate	Dec	4.3%	4.3%
Thu	UK	Average weekly earnings (y/y)	Dec	2.5%	2.5%
	UK	GDP (y/y)	4Q	1.5%	1.5%
Fri	Japan	CPI (y/y)	Jan	1.3%	1.0%
	Euro	CPI (Y/Y)	Jan	1.4%	1.3%
	Euro	Core CPI (y/y)	Jan	1.0%	1.0%
	Euro	Consumer confidence	Feb	1.3	1.3

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	3.3	-2.4	8.5
DAX	2.8	-3.6	5.9
CAC 40	4.0	-0.5	11.2
IBEX	2.0	-1.7	6.5
FTSE MIB	2.8	4.6	23.3
FTSE 100	3.2	-4.7	4.2
S&P 500	4.4	2.5	18.7
TOPIX	0.3	-4.4	14.4
MSCI EM	4.0	2.5	25.8
MSCI China	6.9	6.0	46.9
MSCI Brazil	4.6	11.2	25.6
MSCI AC World	3.7	0.6	15.9
Energy	2.5	-4.3	2.7
Materials	3.9	-0.7	13.8
Industrials	3.5	-0.1	15.5
Cons discr.	3.4	3.1	20.2
Cons staples	2.7	-3.9	6.3
Healthcare	4.0	1.3	12.5
Financials	3.5	2.2	16.2
Technology	5.5	4.5	34.2
Telecom svc	1.5	-4.6	-0.2
Utilities	2.5	-4.8	3.7
Value	3.1	-0.6	10.5
Growth	4.3	1.8	21.5

Fund flows (\$bn)	w/e 09/02	w/e 02/02	4-week moving avg.
Equity	-14.9	-2.2	-8.3
Fixed income	6.5	4.6	7.5
Money market	27.6	-25.4	-2.4

Bond spreads	Level		Change (bps)	
	16/02	Week ago	YTD	Year ago
Global IG	91	0	-3	-29
EMBI+ (USD)	325	-18	-4	-12
Global High Yld	335	-24	-4	-49

Bond yields (10 yr)

	Level	Change (bps)	YTD	Year ago
UK	1.58	0	39	32
Germany	0.71	-4	28	36
USA	2.88	6	47	43
Japan	0.05	-1	1	-4
EMD* (local fx)	6.07	-5	-7	-57

Commodities

	Level	Change (%)	YTD	Year ago
Brent \$/bbl	65	3.3	-3.0	16.5
Gold \$/oz	1,352	2.9	4.7	9.0
Copper \$/lb	3.24	7.2	-1.1	19.4

Currency

	Level			
\$ per €	1.24	1.22	1.20	1.07
£ per €	0.89	0.89	0.89	0.85
\$ per £	1.40	1.38	1.35	1.25
¥ per €	132	133	135	121
¥ per \$	106	109	113	113
CHF per €	1.15	1.15	1.17	1.07

Volatility (%)

	Level	Change (bps)	YTD	Year ago
VIX	19	29	11	12

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	2.4	1.3	MSCI Europe	14.2
UK	2.0	3.0	FTSE 100	13.6
US	2.6	2.1	S&P 500	17.1
Japan	0.5	1.1	MSCI EM	12.5
China	6.6	1.5	MSCI World	15.9

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.

The Weekly Brief

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Unless otherwise stated, all data is as of 16/02/2018. 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.