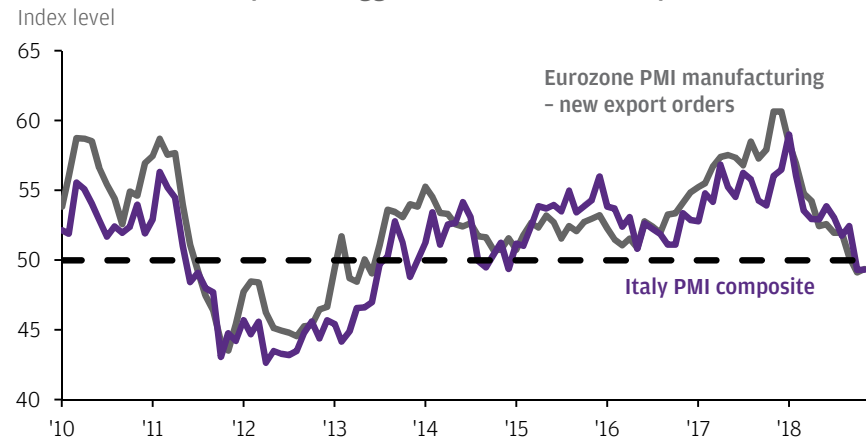


Thought of the week

One of the key themes that has weighed on the eurozone in 2018 has been political uncertainty. With the US administration ramping up its protectionist trade policy against China, Europe has been caught in the crossfire of global trade tensions. Although direct conflict between the US and the European Union (EU) over auto tariffs has so far been avoided, European demand and business confidence has been hurt by a slowdown in global trade. In Italy, the stand-off between the government and the EU over budget proposals has also sent borrowing costs higher. This has led the last two readings of the Italian composite purchasing manager's index (PMI) to be below 50. This indicates that the country's economy is now contracting. While these sources of uncertainty may continue, a de-escalation of either situation would provide some welcome relief to the eurozone economy.

Political uncertainty has dragged on eurozone activity



Source: Markit, J.P. Morgan Asset Management. Data as of 7 December 2018.

The week ahead

Days	Country	Event	Period	Survey	Prior
Tue	UK	Average weekly earnings (y/y)	Oct	-	3.0%
	UK	Unemployment rate	Oct	4.1%	4.1%
Wed	Euro	Industrial production (y/y)	Oct	-	0.9%
	US	CPI (y/y)	Nov	2.2%	2.5%
Thu	Euro	ECB deposit rate	Dec	-0.4%	-0.4%
Fri	China	Retail sales (y/y)	Nov	8.8%	8.6%
	China	Industrial production (y/y)	Nov	5.9%	5.9%
	China	Fixed assets investment (y/y)	Nov	5.9%	5.7%
	Euro	PMI Manufacturing	Dec	51.5	51.8
	Euro	PMI Services	Dec	-	53.4
	Japan	PMI Manufacturing	Dec	-	52.2
	US	Retail sales (m/m)	Nov	0.2%	0.8%
	US	Industrial production (m/m)	Nov	0.4%	0.1%
	US	PMI Manufacturing	Dec	-	55.3

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-3.2	-8.0	-7.1
DAX	-4.2	-16.5	-17.3
CAC 40	-3.7	-6.5	-7.7
IBEX	-2.9	-9.1	-10.7
FTSE MIB	-2.3	-11.3	-13.6
FTSE 100	-2.9	-8.2	-3.5
S&P 500	-4.6	0.3	1.8
TOPIX	-2.8	-9.0	-7.3
MSCI EM	-1.2	-8.6	-4.8
MSCI China	-2.5	-15.5	-11.1
MSCI Brazil	-1.4	17.0	23.3
MSCI AC World	-3.5	-3.5	-1.8
Energy	-1.9	-2.7	1.7
Materials	-2.7	-11.5	-7.7
Industrials	-4.8	-9.2	-7.6
Cons discr.	-3.2	-2.7	-0.6
Cons staples	-2.0	-3.4	-2.4
Healthcare	-4.4	7.8	9.6
Financials	-4.8	-9.6	-8.0
Technology	-4.5	-1.5	-0.4
Telecom svc	-3.1	-4.9	-3.4
Utilities	1.0	7.7	3.8
Value	-3.4	-4.5	-2.7
Growth	-3.6	-2.6	-1.0

Fund flows (\$bn)	4-week moving avg.		
	w/e 30/11	w/e 23/11	
Equity	-10.1	-7.9	-5.0
Fixed income	-5.4	-5.8	-4.6
Money market	6.2	17.8	14.9

Bond spreads	Change (bps)			
	Level	07/12	Week ago	YTD
Global IG	150	7	56	53
EMBIG (USD)	423	3	112	107
Global High Yld	491	16	152	143

Bond yields (10 yr)

	Level	Week ago	YTD	Year ago
UK	1.27	-9	8	2
Germany	0.26	-5	-17	-3
USA	2.85	-16	42	51
Japan	0.05	-3	1	0
EMD* (local fx)	6.63	1	49	48

Commodities

	Level	Change (%)		
Brent \$/bbl	62	5.0	-7.8	-0.9
Gold \$/oz	1,243	2.1	-3.7	-0.9
Copper \$/lb	2.76	-0.7	-15.9	-6.2

Currency

	Level			
\$ per €	1.14	1.13	1.20	1.18
£ per €	0.89	0.89	0.89	0.88
\$ per £	1.28	1.28	1.35	1.34
¥ per €	128	129	135	133
¥ per \$	113	114	113	113
CHF per €	1.13	1.13	1.17	1.17

Volatility (%)

	Level	Week ago	YTD	Year ago
VIX	23	18	11	10

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	0.6	2.0	MSCI Europe	12.0
UK	2.5	2.4	FTSE 100	11.2
US	3.5	2.5	S&P 500	15.4
Japan	-1.2	1.4	MSCI EM	10.6
China	6.6	2.5	MSCI World	14.1

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 07/12/2018. 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.