

The Weekly Brief

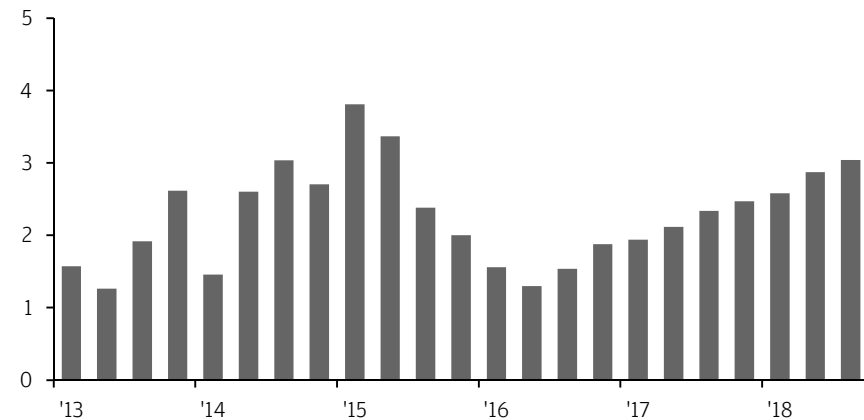
12 November 2018

Thought of the week

The US midterm elections resulted in the Republicans increasing their majority in the Senate, but losing control of the House of Representatives to the Democrats. The result likely ends the prospect of further significant tax cuts being announced. The Democrats will probably have little interest in passing another round of tax cuts that the President would take credit for, in the run up to the Presidential election in 2020. The current fiscal stimulus has clearly added to growth, but the political gridlock now increases the odds of slower US economic growth once the current fiscal stimulus starts to fade, in the second half of 2019 and beyond.

US fiscal stimulus has boosted real GDP growth

Real GDP growth, % change year on year



Source: BEA, Thomson Reuters Datastream, J.P. Morgan Asset Management.
Data as of 9 November 2018.

The week ahead

Days	Country	Event	Period	Survey	Prior
Tue	UK	Average weekly earnings (y/y)	Sep	2.9%	2.7%
	UK	Unemployment rate	Sep	4.0%	4.0%
Wed	China	Retail sales (y/y)	Oct	9.2%	9.2%
	China	Industrial production (y/y)	Oct	5.8%	5.8%
	Euro	Industrial production (y/y)	Sep	0.3%	0.9%
	Euro	GDP (y/y)	Q3	1.7%	1.7%
	Japan	Industrial production (y/y)	Sep	-	-2.9%
	US	CPI (y/y)	Oct	2.5%	2.4%
Thu	UK	Retail sales (y/y)	Oct	2.8%	3.0%
	US	Retail sales (m/m)	Oct	0.5%	0.1%
Fri	Euro	CPI (y/y)	Oct	2.2%	2.1%
	US	Industrial production (m/m)	Oct	0.2%	0.3%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	0.2	-3.5	-3.3
DAX	0.1	-10.7	-12.5
CAC 40	0.1	-1.0	-2.5
IBEX	1.6	-6.0	-6.4
FTSE MIB	-0.7	-9.0	-11.9
FTSE 100	0.2	-4.1	-1.1
S&P 500	2.2	5.7	9.7
TOPIX	0.9	-6.1	-5.7
MSCI EM	-1.7	-8.7	-8.3
MSCI China	-3.9	-17.3	-17.2
MSCI Brazil	-3.1	13.8	19.3
MSCI AC World	1.1	0.6	2.7
Energy	0.7	2.3	4.4
Materials	-0.5	-6.3	-4.0
Industrials	0.7	-4.8	-2.2
Cons discr.	0.2	1.7	6.1
Cons staples	2.1	-0.6	3.5
Healthcare	3.4	11.3	13.0
Financials	1.2	-4.5	-0.7
Technology	-0.1	4.5	3.6
Telecom svc	0.5	-5.6	-1.4
Utilities	3.0	5.6	0.9
Value	1.5	-0.8	1.5
Growth	0.7	1.8	3.8

Fund flows (\$bn)	4-week moving avg.		
	w/e 02/11	w/e 26/10	
Equity	-5.5	-5.4	-4.1
Fixed income	-18.3	-5.0	-7.5
Money market	2.7	9.7	3.4

Bond spreads	Change (bps)			
	Level	09/11	Week ago	YTD
Global IG	122	-1	28	23
EMBIG (USD)	388	6	77	58
Global High Yld	412	-3	73	50

Bond yields (10 yr)

	Level	Week ago	YTD	Year ago
UK	1.52	3	33	26
Germany	0.42	-1	-1	4
USA	3.19	-3	75	86
Japan	0.12	0	7	9
EMD* (local fx)	6.68	-1	54	47

Commodities

	Change (%)			
Brent \$/bbl	70	-3.6	4.9	9.8
Gold \$/oz	1,211	-1.7	-6.2	-5.7
Copper \$/lb	2.69	-4.2	-18.1	-12.8

Currency

	Level			
\$ per €	1.14	1.14	1.20	1.16
£ per €	0.87	0.88	0.89	0.89
\$ per £	1.30	1.30	1.35	1.31
¥ per €	129	129	135	132
¥ per \$	114	113	113	114
CHF per €	1.14	1.14	1.17	1.16

Volatility (%)

	Level	Week ago	YTD	Year ago
VIX	17	20	11	11

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	0.6	2.2	MSCI Europe	12.8
UK	2.5	2.4	FTSE 100	12.0
US	3.5	2.3	S&P 500	16.0
Japan	3.0	1.2	MSCI EM	10.6
China	6.6	2.5	MSCI World	14.7

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.

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Compliance ID: 0903c02a81fb9234

Unless otherwise stated, all data is as of 09/11/2018. 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.